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Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

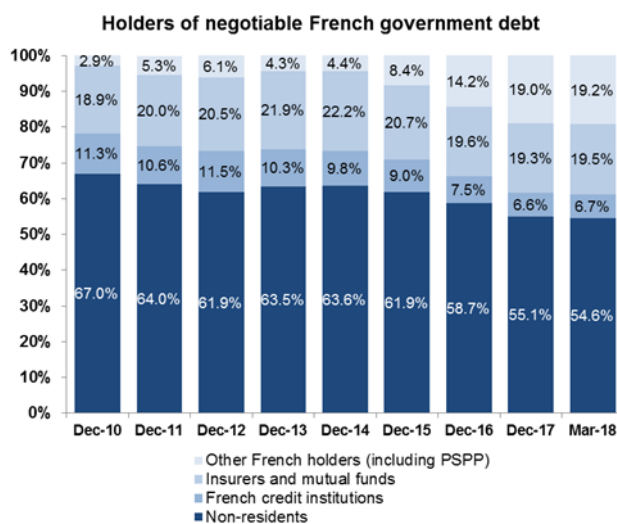
News at Agence France Trésor

Who holds French government debt?

Agence France Trésor uses several information sources to improve its knowledge of the composition of the holders of negotiable French government debt.

Statistical data from the Banque de France provides a preliminary picture of holders of France's debt by distinguishing between residents and non-residents. At the end of the first quarter of 2018, 45.4% of negotiable French government debt outstanding was held by investors located in France. The investor base of French government debt is built on a solid domestic foundation that reflects the strong household savings rate and financial institutions' assets. French households' savings are often invested indirectly in negotiable government debt securities through regulated savings accounts and life insurance policies.

The proportion of French investors has increased recently, partly as a result of the ECB's Public Sector Purchase Programme (PSPP), under which mainly the Banque de France carries out purchases of French debt.



Non-resident holders of negotiable French public and corporate debt*

	%
Euro area (outside France)	52.2%
Rest of Europe	8.5%
Asia	12.7%
Americas	9.1%
Rest of world	0.1%
Currency reserves**	17.5%
Total	100%

Source: IMF, CPIS, June 2017

* **Coordinated Portfolio Investment Survey (CPIS), compiled by the IMF.

** Currency reserves and international organisations' assets are not broken down geographically.

For more detailed information about the geographical distribution of non-resident investors, we use an IMF survey of international investors called the Coordinated Portfolio Investment Survey (CPIS). Based on reasonable assumptions¹, we are able to estimate that half of the non-resident investors are from the rest of the euro area and that slightly less than 20% of the investments in French debt held by non-resident investors (i.e. approximately 10% of all investors) are central banks' investments used for the management of their currency reserves. The rest of the investors are from Asia, the Americas or the rest of Europe.

The diversity of the investor base is a major factor for security that makes French debt resilient in the event of market swings and changes in ECB policies. It also helps to keep government financing costs down under all market conditions by ensuring strong demand for French securities. It is also a sign of investors' confidence in France's creditworthiness and the technical quality of French government debt securities.

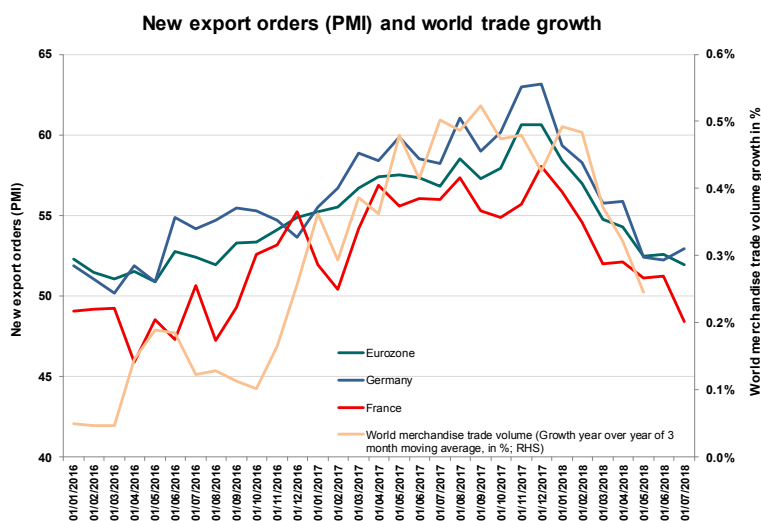
¹ The CPIS covers more than just government securities. It does not distinguish between government and corporate securities, but we can assume that the survey sample is unbiased and representative.

The complexity of dealing with trade disputes

William De Vijlder, Group Chief Economist, BNP Paribas

The minutes of the 31 July/1 August Federal Open Market Committee (FOMC) meeting mention that all participants consider the “ongoing trade disagreements and proposed trade measures as an important source of uncertainty and risks”. Protectionist measures generate uncertainty in different ways: the extent of the reaction of export demand; concerns about trade diversion (companies which suffer from tariff hikes try to export more to other countries); worries about retaliation by the trading partners; worries about the exact impact on inflation, bond yields, exchange rates and the outlook for monetary policy; the complexity of analysing how global value chains are impacted; concerns about the long-term consequences, considering that higher tariffs eventually lower the competitiveness of the protected sectors. The same issues are relevant in assessing the consequences of the threat of tariff increases, they “simply” need to be multiplied by the likelihood that protectionist measures will indeed be taken, which makes the exercise of course even more complex.

A characteristic of uncertainty is that at some point a tipping point is reached. Fundamentals may still be very good, but if uncertainty is high and perceived to last, investment growth will still end up suffering because of the lack of visibility. What follows are knock-on effects on hiring decisions, consumer confidence and spending. In monitoring this, survey-based indicators can be particularly useful. The chart below shows that since the start of the year, the assessment of new export orders in the Markit PMI survey has deteriorated significantly in Germany, France and the eurozone as a whole. This comes after an important increase in 2016-2017. It is tempting to make the link with the ever louder protectionist rhetoric. However, the series track the acceleration and slowdown of world merchandise trade growth quite well. The weakening of export orders observed this year may very well be driven by a global cooling of growth momentum, rather than by trade disputes. After all, the sectors which have seen tariff increases represent a small percentage of exports and even more so of Gross Domestic Product (GDP). European Union steel and aluminium exports to the US represent 0.3% of total exports to non-EU countries, which corresponds to 0.04% of 2017 EU GDP. Arguing that worries about additional hikes have already had a significant impact on realised activity or investment decisions would suppose that companies attach a very high likelihood to such an outcome. With respect to exports, the argument could be turned upside down: fears about higher US tariffs could actually boost US imports by way of anticipation and hence benefit the exporting countries. Obviously, the key unknown is at which point the disputes will stop. For the EU, and Germany in particular, increased tariffs on vehicle exports to the US would have quite a different impact than what we have seen thus far: vehicles represent 7% of EU exports, 30% are destined towards the US and Germany represents 55% of EU vehicle exports to the US. For China, the threat of tariff hikes on an increasingly larger part of Chinese exports to the US in a tit-for-tat approach would end up becoming significant. The FOMC minutes put it very neatly: an escalation is a “potentially consequential downside risk for real activity”.



Source: Markit PMI, CPB (The Netherlands), BNP Paribas

NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author’s view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy and Finance.

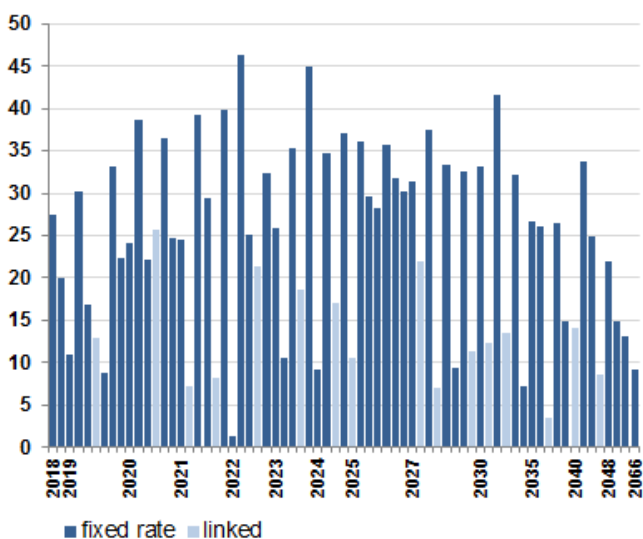
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
September 2018	auction date	3	10	17	24	/	20	6	20
	settlement date	5	12	19	26	/	24	10	24
October 2018	auction date	1	8	15	22	29	18	4	18
	settlement date	3	10	17	24	31	22	8	22

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 July 2018

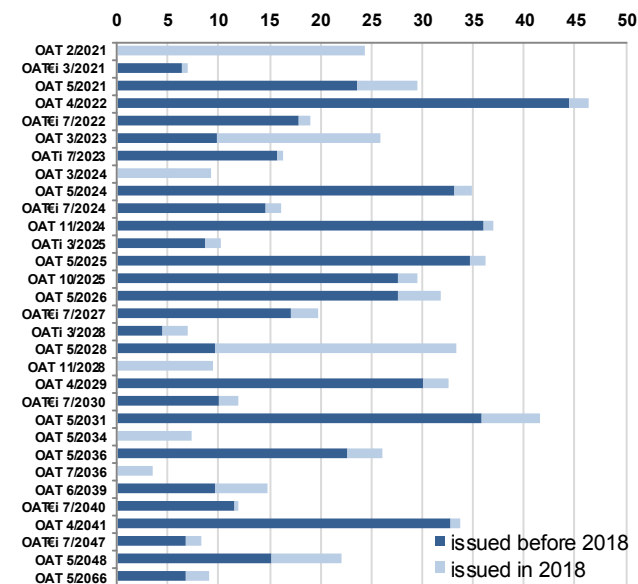
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 July 2018

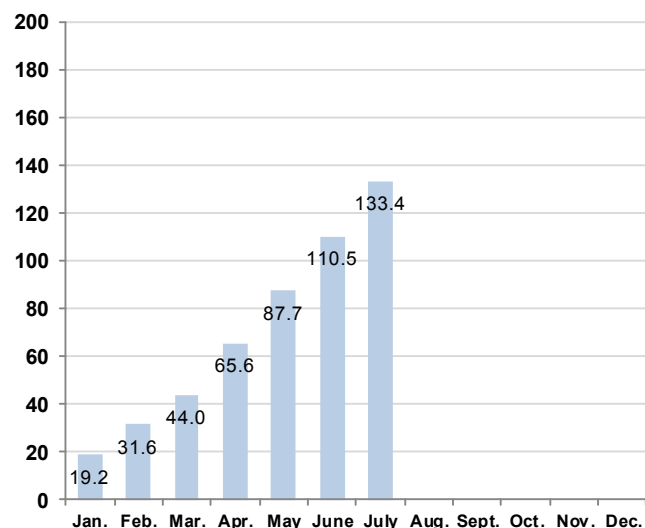
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 July 2018

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 July 2018

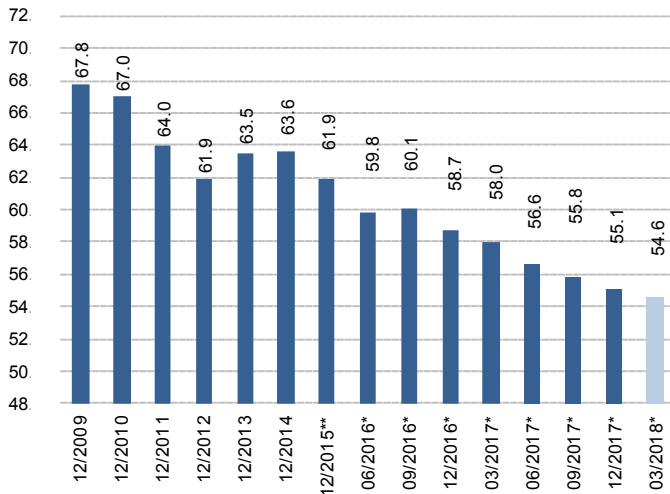
In € billion

Month	Coupon	Redemption
Aug-18		
Sep-18		
Oct-18	13.7	27.5
Nov-18	1.5	19.9
Dec-18		
Jan-19		
Feb-19		10.9
Mar-19	0.0	
Apr-19	13.5	30.2
May-19	5.8	16.8
Jun-19	0.3	
Jul-19	3.0	13.0

Source: Agence France Trésor

Non-resident holders of negotiable government debt in first quarter of 2018

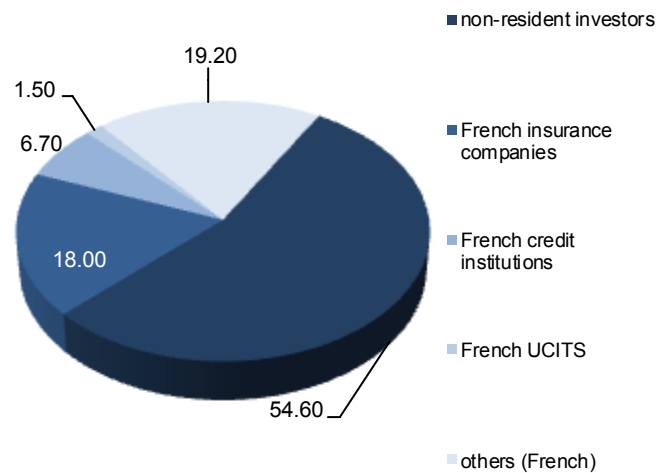
As a % of negotiable debt outstanding expressed in market value



(*) figures quarterly revised
(**) figures annually revised
Source: Banque de France

Negotiable government debt by group of holders in first quarter of 2018

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 July 2018

In euros

Total medium- and long-term debt	1,627,942,765,841
Total stripping activity	62,640,434,700
Average maturity	8 years and 176 days
Total short-term debt	124,303,000,000
Average maturity	106 days
TOTAL OUTSTANDING	1,752,245,765,841
Average maturity	7 years and 329 days

Source: Agence France Trésor

Negotiable government debt since 2015 at 31 July 2018

In € billion

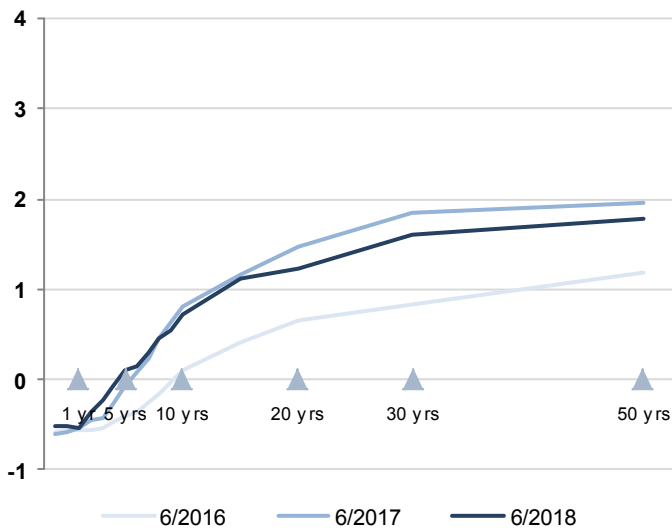
	End 2015	End 2016	End 2017	End June 2018	End July 2018
Negotiable government debt outstanding	1,576	1,621	1,686	1,742	1,752
<i>of which index-linked securities</i>	190	200	202	220	214
Medium- and long-term	1,424	1,487	1,560	1,614	1,628
short-term	153	134	126	128	124
Average maturity of the negotiable debt					
	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	318 days	329 days

Source: Agence France Trésor



Yield curve for French government securities

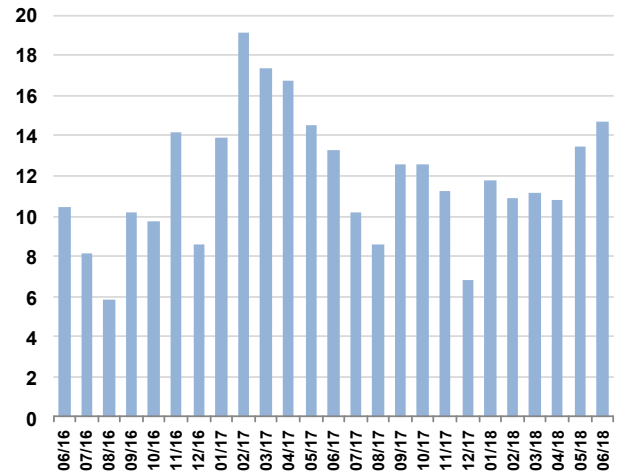
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

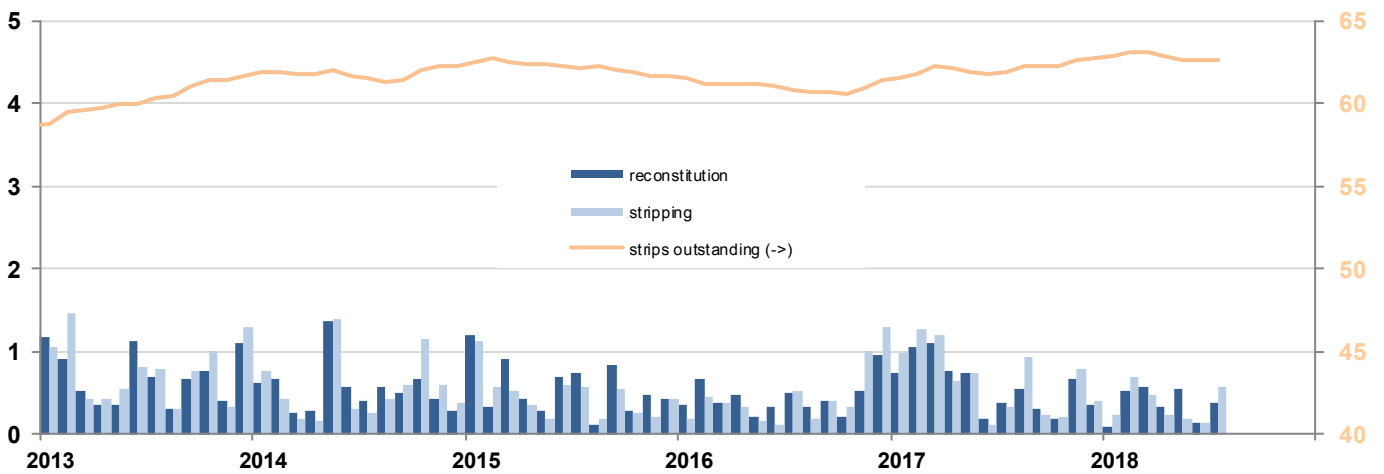
In € billion



Source: reporting by primary dealers in government securities, excluding flows arising from the Eurosystem public sector purchase programme

Total stripping and reconstitution

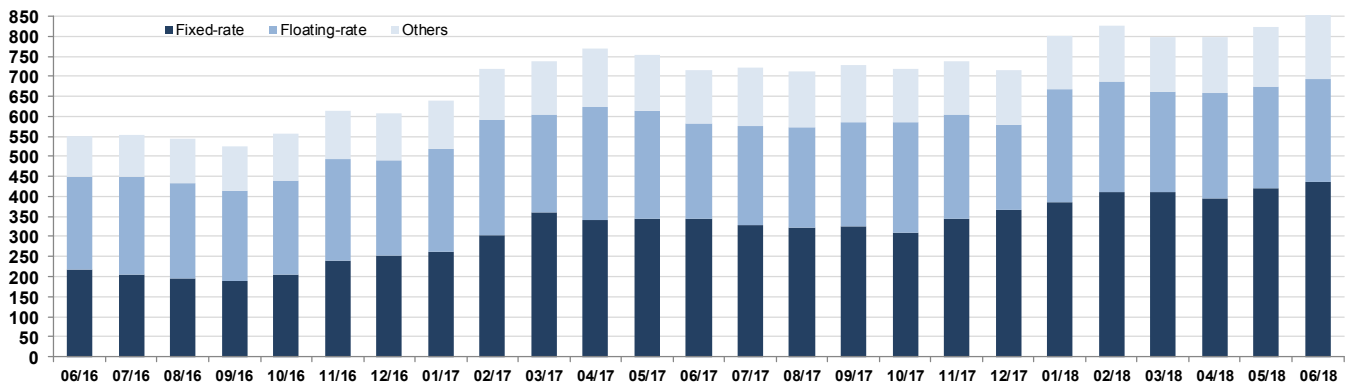
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 31 July 2018

	Maturity	Outstanding (€)
BTF	1 August 2018	7,636,000,000
BTF	8 August 2018	6,350,000,000
BTF	15 August 2018	4,089,000,000
BTF	22 August 2018	7,527,000,000
BTF	29 August 2018	5,228,000,000
BTF	12 September 2018	8,779,000,000
BTF	19 September 2018	6,749,000,000
BTF	26 September 2018	4,822,000,000
BTF	3 October 2018	6,744,000,000
BTF	10 October 2018	4,734,000,000
BTF	17 October 2018	6,216,000,000
BTF	24 October 2018	5,685,000,000
BTF	7 November 2018	4,847,000,000
BTF	21 November 2018	4,010,000,000
BTF	5 December 2018	2,175,000,000
BTF	19 December 2018	3,050,000,000
BTF	4 January 2019	5,257,000,000
BTF	30 January 2019	6,145,000,000
BTF	27 February 2019	5,540,000,000
BTF	27 March 2019	4,755,000,000
BTF	25 April 2019	4,890,000,000
BTF	22 May 2019	4,334,000,000
BTF	19 June 2019	3,745,000,000
BTF	17 July 2019	996,000,000

Medium- and long-term debt (maturing 2018-2021) at 31 July 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2018	47,457,000,000			
FR0010670737	OAT 4.25% 25 October 2018	27,527,000,000			0
FR0011523257	OAT 1.00% 25 November 2018*	19,930,000,000			20,000,000
	Maturity 2019	135,069,331,759			
FR0013101466	OAT 0.00% 25 February 2019*	10,880,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	30,198,000,000			0
FR0011708080	OAT 1.00% 25 May 2019*	16,755,000,000			0
FR0010850032	OATi 1.30% 25 July 2019	12,900,264,200	(1)	1.09883	11,740,000,000
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,369,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,075,000,000			0
FR0011993179	OAT 0.50% 25 November 2019*	22,377,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666	(2)	6,692,154	–
	Maturity 2020	171,974,626,200			
FR0013232485	OAT 0.00% 25 February 2020*	24,109,000,000			0
FR0010854182	OAT 3.50% 25 April 2020	38,671,000,000			0
FR0012557957	OAT 0.00% 25 May 2020*	22,219,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,631,626,200	(1)	1.26202	20,310,000,000
FR0010949651	OAT 2.50% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020*	24,782,000,000			0
	Maturity 2021	148,446,078,120			
FR0013311016	OAT 0.00% 25 February 2021*	24,427,000,000			0
FR0013140035	OAT€i 0.10% 1 March 2021*	7,155,086,120	(1)	1.03457	6,916,000,000
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0.00% 25 May 2021*	29,504,000,000			0
FR0011347046	OATi 0.10% 25 July 2021	8,116,992,000	(1)	1.04064	7,800,000,000
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0

(1) face value x indexation coefficient (face value if coefficient < 1)

(2) Including coupons capitalised at 31 December 2017; not open to subscription

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.

Medium- and long-term debt (maturing in 2022 and beyond) at 31 July 2018

ISIN Code	Bond Maturity 2022	Outstanding (€) 126,546,624,690	Ind. Coeff.	Face value	Stripped (€)
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			508,888,400
FR0011196856	OAT 3.00% 25 April 2022	46,422,000,000			0
FR0013219177	OAT 0.00% 25 May 2022*	25,105,000,000			0
FR0010899765	OAT€i 1.10% 25 July 2022	21,330,684,700 (1)	1.12190	19,013,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
Maturity 2023		135,191,671,603			
FR0013283686	OAT 0.00% 25 March 2023*	25,861,000,000			0
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,370,565,200
FR0011486067	OAT 1.75% 25 May 2023*	35,237,000,000			0
FR0010585901	OATi 2.10% 25 July 2023	18,569,475,700 (1)	1.13194	16,405,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			431,085,000
Maturity 2024		98,078,211,870			
FR0013344751	OAT 0.00% 25 March 2024*	9,258,000,000			0
FR0011619436	OAT 2.25% 25 May 2024*	34,810,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024*	16,985,211,870 (1)	1.05061	16,167,000,000	0
FR0011962398	OAT 1.75% 25 November 2024*	37,025,000,000			51,000,000
Maturity 2025		104,639,690,438			
FR0012558310	OATi 0.10% 1 March 2025*	10,582,762,320 (1)	1.03176	10,257,000,000	0
FR0012517027	OAT 0.50% 25 May 2025*	36,156,000,000			0
FR0000571150	OAT 6.00% 25 October 2025	29,593,928,118			2,851,064,400
FR0012938116	OAT 1.00% 25 November 2025*	28,307,000,000			0
Maturity 2026		97,898,000,000			
FR0010916924	OAT 3.50% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.50% 25 May 2026*	31,870,000,000			0
FR0013200813	OAT 0.25% 25 November 2026*	30,214,000,000			0
Maturity 2027		90,790,352,000			
FR0013250560	OAT 1.00% 25 May 2027*	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	21,885,352,000 (1)	1.10560	19,795,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			68,043,600
Maturity 2028		49,793,485,094			
FR0013238268	OATi 0.10% 1 March 2028*	7,093,885,480 (1)	1.03004	6,887,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	26,599,614 (3)		46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028*	33,272,000,000			0
FR0013341682	OAT 0.75 % 25 November 2028*	9,401,000,000			0
Maturity 2029		43,884,507,217			
FR0000571218	OAT 5.50% 25 April 2029	32,613,880,458			2,969,146,100
FR0000186413	OATi 3.40% 25 July 2029	11,270,626,759 (1)	1.29041	8,734,144,000	0
Maturity 2030		45,531,978,130			
FR0011883966	OAT 2.50% 25 May 2030*	33,208,000,000			0
FR0011982776	OAT€i 0.70% 25 July 2030*	12,323,978,130 (1)	1.03711	11,883,000,000	0
Maturity 2031		41,596,000,000			
FR0012993103	OAT 1.50% 25 May 2031*	41,596,000,000			65,500,000
Maturity 2032		45,697,256,250			
FR0000188799	OAT€i 3.15% 25 July 2032	13,534,933,650 (1)	1.27869	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,315,157,400
Maturity 2033 and later		245,347,952,470			
FR0013313582	OAT 1.25% 25 Mai 2034*	7,259,000,000			0
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,892,337,000
FR0013154044	OAT 1.25% 25 May 2036*	26,143,000,000			0
FR0013327491	OAT€i 0.10% 25 July 2036*	3,560,340,000 (1)	1.01724	3,500,000,000	0
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,803,931,400
FR0013234333	OAT 1.75% 25 June 2039*	14,793,000,000			0
FR0010447367	OAT€i 1.80% 25 July 2040	14,150,863,090 (1)	1.18447	11,947,000,000	0
FR0010773192	OAT 4.50% 25 April 2041	33,670,000,000			6,886,699,000
FR0011461037	OAT 3.25% 25 May 2045*	24,908,000,000			1,174,710,000
FR0013209871	OAT€i 0.10% 25 July 2047*	8,545,749,380 (1)	1.03222	8,279,000,000	0
FR0013257524	OAT 2.00% 25 May 2048*	22,018,000,000			581,000,000
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,700,118,000
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			7,155,504,100
FR0013154028	OAT 1.75% 25 May 2066*	9,107,000,000			421,100,000

(1) face value x indexation coefficient (face value if coefficient < 1)

(3) Revised on 28 March 2018; not open to subscription

* Like all euro area bonds, the bonds issued after 1 January 2013 have collective action clauses (CACs), which means that they are not fungible with bonds issued prior to this date.



Most recent economic indicators

Industrial output, year-on-year	1.7%	Jun. 2018
Household consumption*, year-on-year	0.4%	Jul. 2018
Unemployment rate (ILO)	9.1%	Q2-2018
Consumer prices, year-on-year		
all items	2.3%	Jul. 2018
all items excluding tobacco	2.0%	Jul. 2018
Trade balance, fob-fob, sa (€bn)	-€6.2bn	Jun. 2018
" "	-€6.0bn	May. 2018
Current account balance, sa (€bn)	-€2.3bn	Jun. 2018
" "	-€2.9bn	May. 2018
10-year constant maturity rate (TEC10)	0.70%	29 Aug. 2018
3-month interest rate (Euribor)	-0.32%	29 Aug. 2018
EUR / USD	1.17	29 Aug. 2018
EUR / JPY	129.73	29 Aug. 2018

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

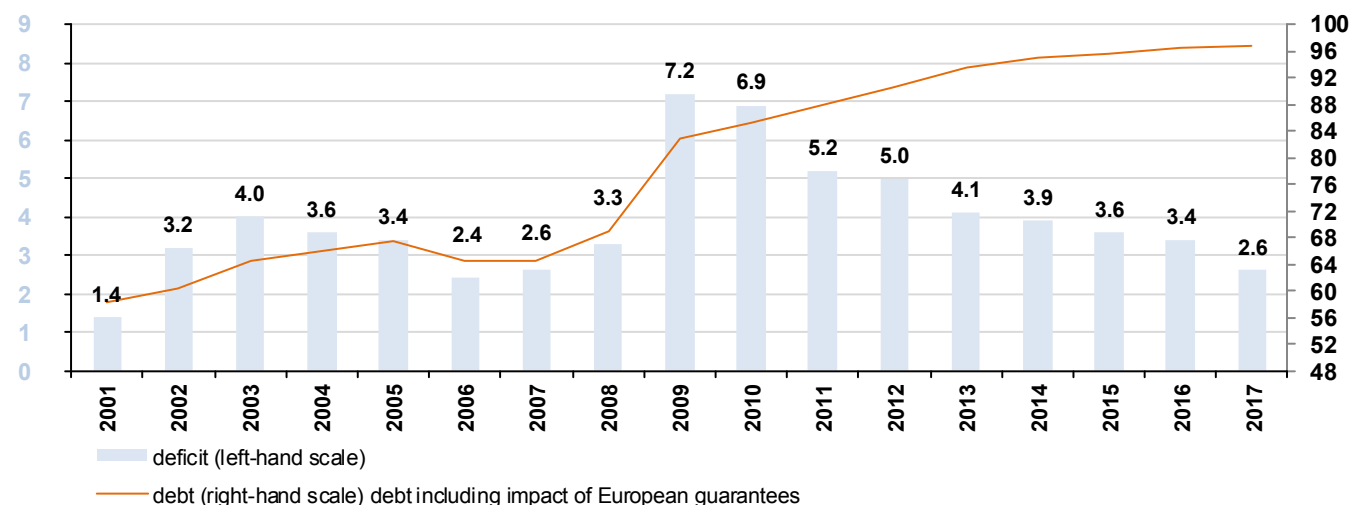
In € billion

			end of June level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-38.79	-41.35	-40.46
revenue	303.97	313.59	155.10	160.16	159.44
expenditure	379.82	386.94	193.90	201.50	199.90
Balance of special Treasury accounts	6.80	5.53	-23.00	-20.91	-18.40
General budget outturn	-69.05	-67.67	-61.79	-62.26	-58.86

Source: Minefi

Public finances: deficit and debt

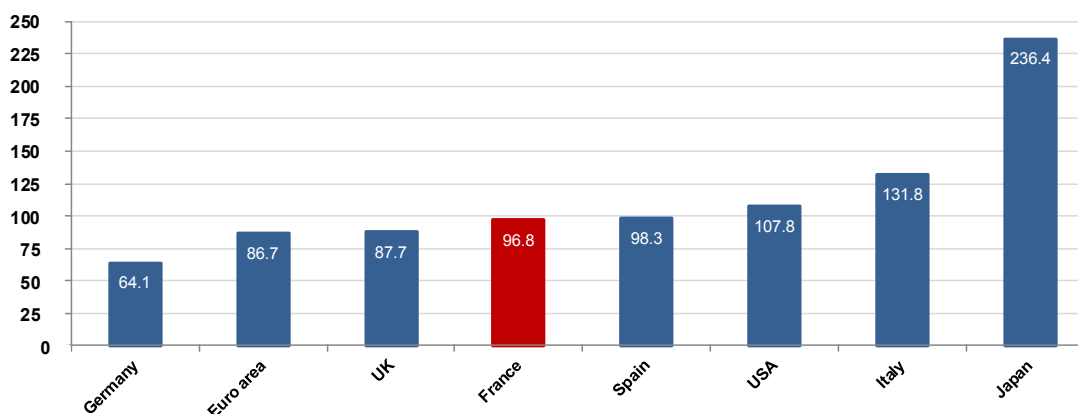
As % of GDP



Source: Insee

General government debt in 2017

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

September 2018		October 2018	
7	Industrial production: July index	5	Balance of payments in August
7	Foreign trade by value in July	5	Foreign trade by value in August
7	Balance of payments in July	10	Industrial production: August index
11	Payroll employment: Q2-2018	10	Consumer prices: September index
13	Consumer prices: August index	15	Net international reserves in September
14	Net international reserves in August	17	Inflation (HICP): September index
17	Inflation (HICP): July index	24	Monthly business survey (goods-producing industries) in October
21	Quarterly national accounts: final results Q2-2018	24	Quarterly business survey (goods-producing industries) in October
25	Monthly business survey (goods-producing industries) in September	26	Consumer confidence survey: October survey
26	Consumer confidence survey: September survey	29	Housing starts in September
28	Debt of the general government according to Maastricht definition Q2-2018	30	Quarterly national accounts: initial estimate Q3-2018
28	Industrial producer and import price: August indices	30	Household consumption expenditure on goods in September
28	Household consumption expenditure on goods in August		
28	Housing starts in August		

Sources: Insee, Eurostat

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