

News at Agence France Trésor <i>page 1</i>	Economic news <i>page 2</i>	General debt-related data <i>page 3</i>	Secondary market <i>page 5</i>	Negotiable government debt <i>page 6</i>	The French economy and international comparisons <i>page 8</i>
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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

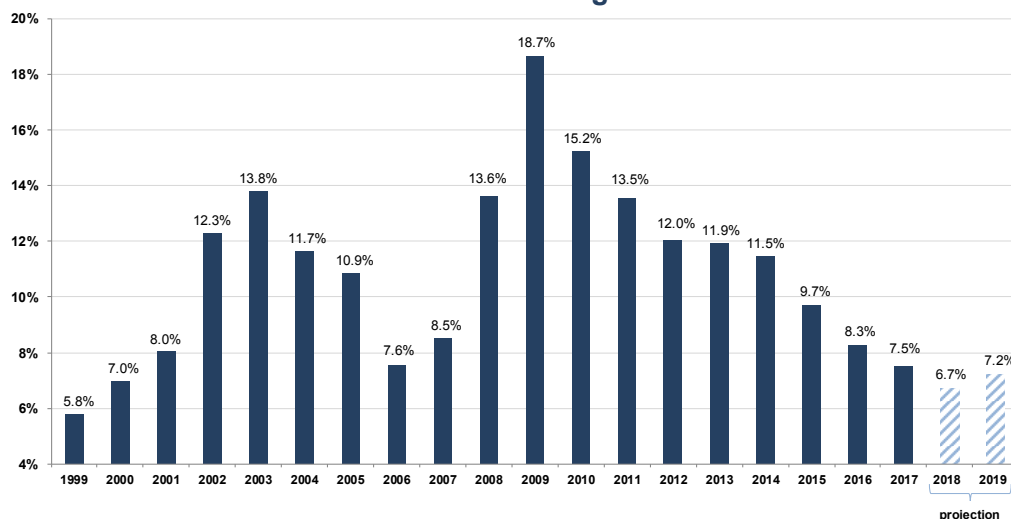
2019 Budget Bill: AFT will issue €195 billion in medium- and long-term securities in 2019, as it will in 2018

France will issue €195 billion in medium- and long-term debt securities net of buybacks in 2019, which is the same amount as for 2018. At the same time, the outstanding amount of short-term securities will increase by €15 billion over the amount reached at the end of 2018.

Debt issuance will cover the bulk of the State's borrowing requirement, which will stand at €227.6 billion in 2019. The larger borrowing requirement stems in part from the increased budget deficit, which will reach €98.7 billion in 2019, driven by non-recurring events, such as the conversion of the Competitiveness and Employment Tax Credit (CICE) into a cut in employers' payroll contributions and the implementation of withholding at source of personal income tax, which will account for almost €26 billion.

The increase in the amount of outstanding BTFs in 2019 will meet investor demand and enhance the liquidity of these short-term securities. The amount outstanding has fallen sharply (see chart) as a result of large issue premiums in recent years that have limited the need for short-term issuance.

Share of short-term debt in total negotiable State debt



Source: AFT

The amount of BTFs outstanding will still be at a historic low at the end of 2019, since the proportion of short-term debt in the State's negotiable debt will stand at 7.2% at the year-end, compared to 6.7% projected for the end of 2018 and 7.5% at the end of 2017.

Since the beginning of 2018, France has continued to benefit from extremely favourable financing terms. The weighted average yield on medium- and long-term debt issuance stood at 0.54% for the first three quarters of 2018, compared to 0.65% in 2017, a historic low of 0.37% in 2016 and an average of 2.17% from 2009 to 2014.

In this context, Agence France Trésor issued €180.9 billion of gross medium- and long-term debt up to the end of September 2018. The sustained pace of issuance enabled AFT to continue pre-financing future issuance programmes as part of its proactive and flexible debt management relying on buybacks of securities maturing in 2019 and 2020.

The macroeconomic effects of PACTE: An initial evaluation

Cyril de Williencourt, Alejandro Faci and Simon Ray – Directorate General of the Treasury

TRÉSOR-ECONOMICS – no. 226 – September 2018

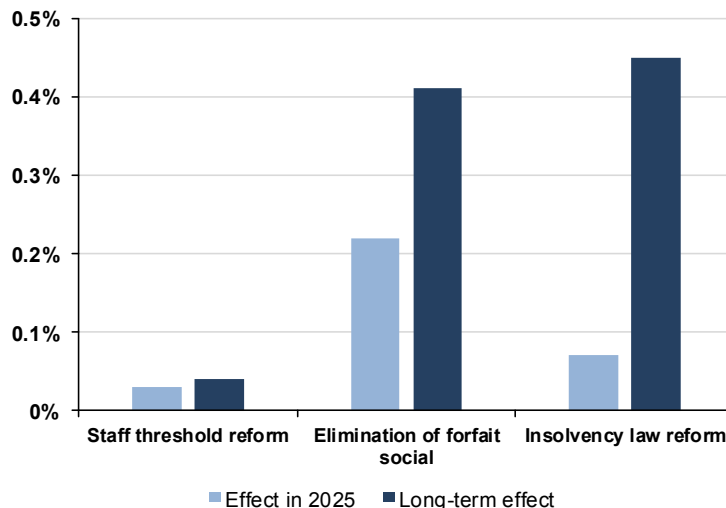
The **Business Growth and Transformation Bill**, known by its French acronym **PACTE**, was presented at the Cabinet Meeting on 18 June 2018. This bill includes **provisions targeting business creations and growth, corporate financing and restructuring procedures, innovation, and employee profit-sharing**.

Issue no. 226 of *Trésor-Economics* evaluates the articles of the bill involving certain legal staff thresholds (Article 6), the elimination of the *forfait social* (reduced social security contribution)¹ for companies with fewer than 250 employees (Article 57), and the implementation of a cross-class cramdown mechanism in cases of corporate restructuring, whereby greater powers are given to the creditors interested in maximising the value of the company undergoing restructuring (Article 64).

These provisions, which cover only part of the PACTE bill, may raise GDP by nearly 1% in the long term, of which a 0.3% boost by 2025. This positive effect would derive from (i) productivity gains – with profit-sharing giving employees a stronger incentive in their companies' performance, and more efficient corporate restructuring resulting in a better allocation of production factors – along with (ii) lower labour costs resulting from the higher legal staff thresholds and the elimination of the *forfait social*:

- The reform of staff thresholds aims at the following: (i) only companies employing 50 or more staff (vs. 20 currently) would be liable for the employer social housing levy (PEEC) and contributions to the national housing assistance fund (FNAL); (ii) certain obligations triggered by reaching certain staff thresholds would be suspended for five years. **This reform could boost economic activity by nearly 0.05 point of GDP and create nearly 10,000 jobs in the long term.**
- The elimination of the *forfait social* for companies with fewer than 250 employees is chiefly designed as an additional tax incentive for companies to set up employee profit-sharing agreements. Assuming that a relatively large number of SMEs implement such profit-sharing schemes in the medium term, the expected economic benefits would be equal to 0.4 point of GDP in the long term, with around 20,000 job creations.
- The PACTE gives the government authority to enact into French law the provisions of EU Directive 2016/0359 (the "Insolvency Directive"), including more specifically the implementation of a cross-class cramdown mechanism. **This reform of French insolvency law could boost activity by more than 0.4 point of GDP in the long term.**

An ex ante evaluation of the GDP effects of three PACTE measures



Source: TRÉSOR-ECONOMICS – no. 226 – September 2018

Note: DG Trésor estimates. Not including the cost of financing these measures (estimated at around 0.1 points of GDP). Including the financing costs, the macroeconomic effects would be just slightly lower in the short term and unchanged overall in the long term: over time, the reduction in public spending leads to lower prices, driving competitiveness gains in the economy and ultimately offsetting the full negative demand shock.

¹ The *forfait social* is a special social security contribution paid by the employer and levied on pay or other compensation that is subject to the General Social Security Contribution (CSG) but not subject to other social charges and contributions. Source: service-public.fr.

Indicative auction schedule

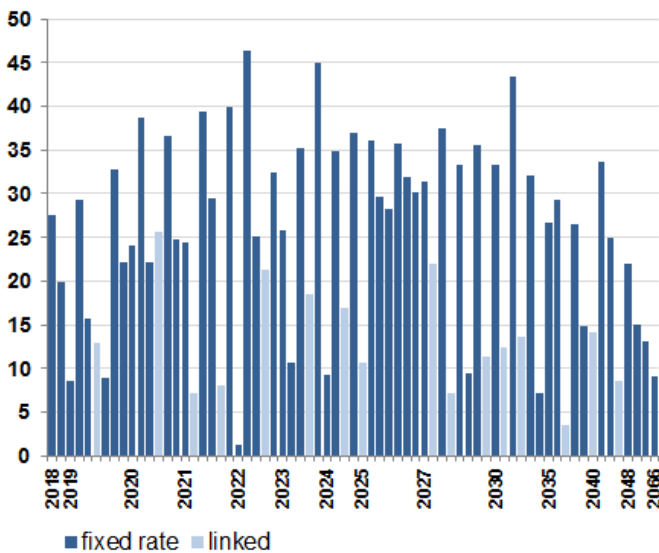
		Short-term					Medium-term	Long-term	Index-linked
October 2018	auction date	1	8	15	22	29	18	4	18
	settlement date	3	10	17	24	31	22	8	22
November 2018	auction date	5	12	19	26	/	22	8	22
	settlement date	7	14	21	28	/	26	12	26

auctions the second and the fourth Thursday of the month

Source: Agence France Trésor

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

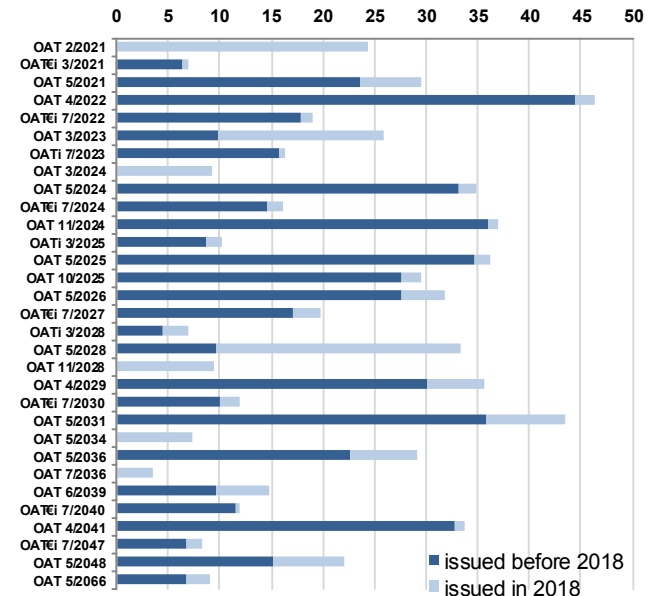
Nominal value of each line, in € billion



Source: Agence France Trésor

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

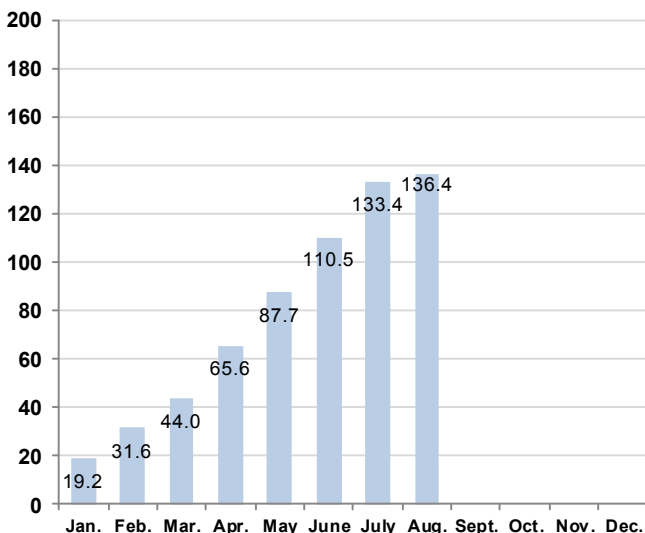
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 August 2018

In € billion



Source: Agence France Trésor

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

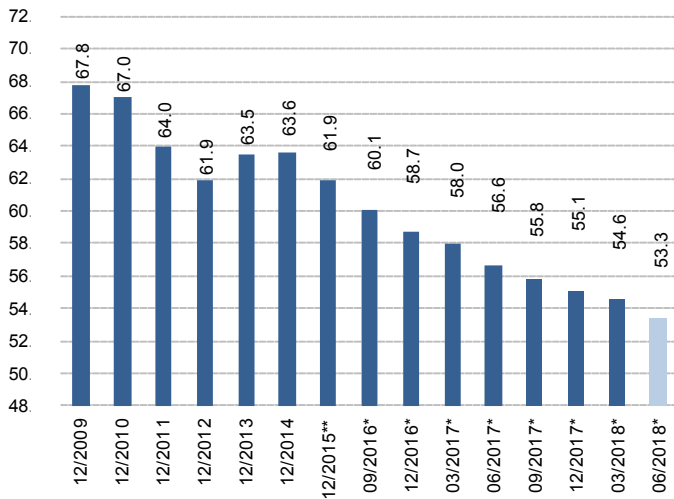
In € billion

Month	Coupon	Redemption
Sep-18		
Oct-18	13.7	27.5
Nov-18	1.4	19.9
Dec-18		
Jan-19		
Feb-19		8.5
Mar-19	0.0	
Apr-19	13.6	29.3
May-19	5.8	15.7
Jun-19	0.3	
Jul-19	3.0	13.0
Aug-19		

Source: Agence France Trésor

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

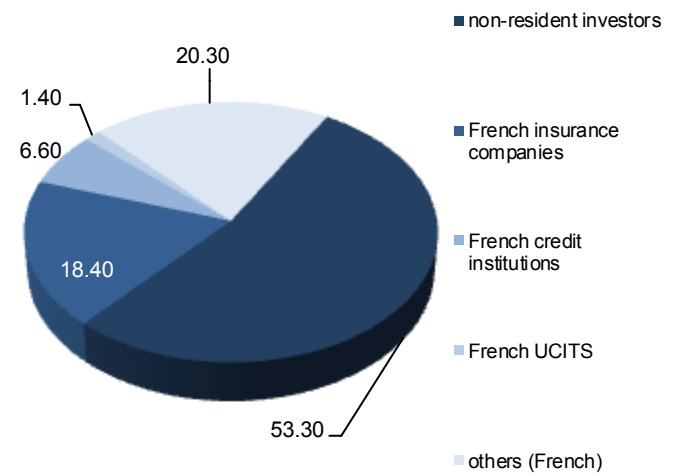
As a % of negotiable debt outstanding expressed in market value



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

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

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 August 2018

In euros

Total medium- and long-term debt	1,631,118,719,126
Total stripping activity	62,653,734,700
Average maturity	8 years and 164 days
Total short-term debt	120,119,000,000
Average maturity	113 days
TOTAL OUTSTANDING	1,751,237,719,126
Average maturity	7 years and 325 days

Source: Agence France Trésor

Negotiable government debt since 2015 at 31 August 2018

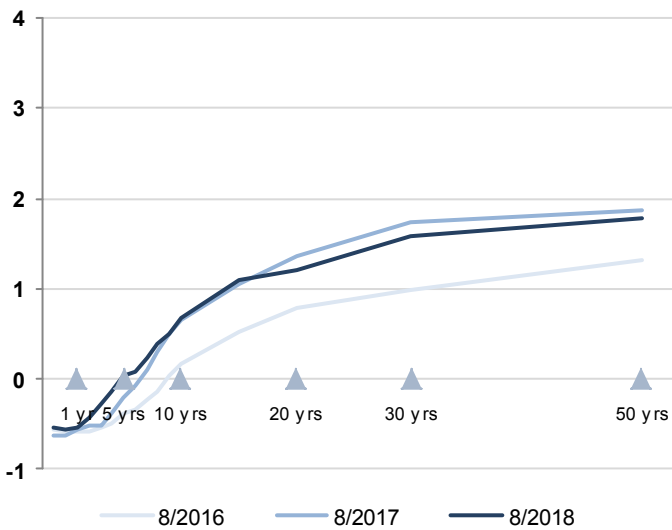
In € billion

	End 2015	End 2016	End 2017	End July 2018	End Aug. 2018
Negotiable government debt outstanding	1,576	1,621	1,686	1,752	1,751
<i>of which index-linked securities</i>	190	200	202	214	214
Medium- and long-term	1,424	1,487	1,560	1,628	1,631
short-term	153	134	126	124	120
Average maturity of the negotiable debt					
	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	329 days	325 days

Source: Agence France Trésor

Yield curve for French government securities

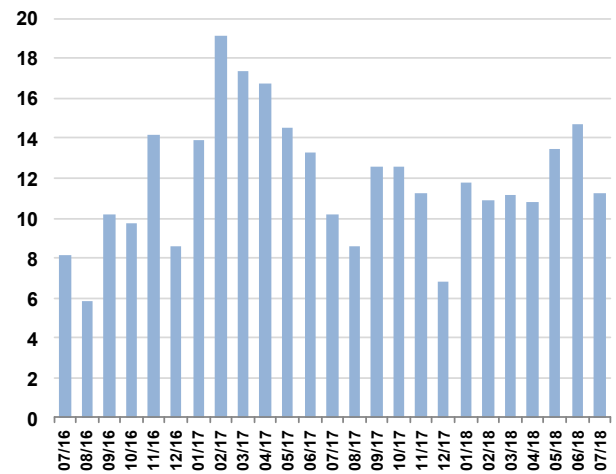
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

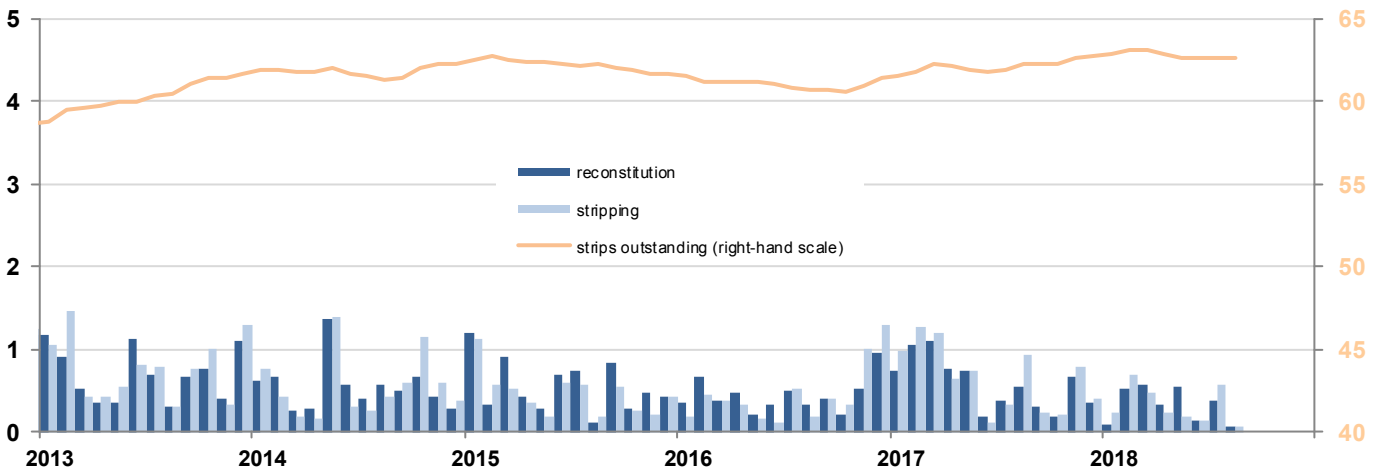
In € billion



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

Total stripping and reconstitution

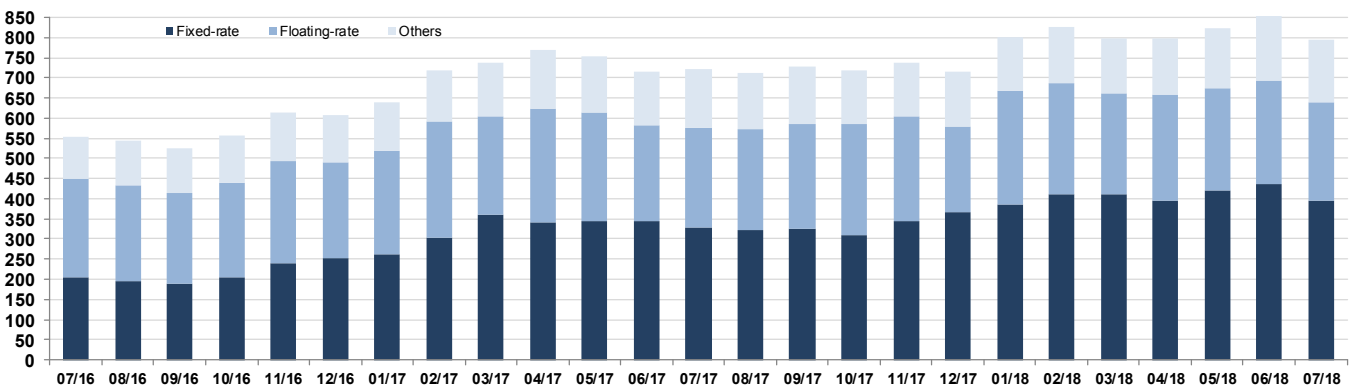
In € billion



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 August 2018

	Maturity	Outstanding (€)
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	31 October 2018	5,844,000,000
BTF	7 November 2018	4,847,000,000
BTF	14 November 2018	6,260,000,000
BTF	21 November 2018	4,010,000,000
BTF	28 November 2018	2,794,000,000
BTF	5 December 2018	2,175,000,000
BTF	19 December 2018	4,150,000,000
BTF	4 January 2019	5,257,000,000
BTF	16 January 2019	5,380,000,000
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	4,369,000,000
BTF	14 August 2019	1,895,000,000

Medium- and long-term debt (maturing 2018-2021) at 31 August 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	130,092,546,559			
FR0013101466	OAT 0.00% 25 February 2019*	8,480,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	29,273,000,000			0
FR0011708080	OAT 1.00% 25 May 2019*	15,735,000,000			0
FR0010850032	OATi 1.30% 25 July 2019	12,848,479,000 (1)	1.09910	11,690,000,000	0
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,369,585,100
FR0010776161	OAT 3.75% 25 October 2019	32,695,000,000			0
FR0011993179	OAT 0.50% 25 November 2019*	22,177,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666 (2)		6,692,154	–
	Maturity 2020	172,007,731,500			
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	25,664,731,500 (1)	1.26365	20,310,000,000	0
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	148,457,226,400			
FR0013311016	OAT 0.00% 25 February 2021*	24,427,000,000			0
FR0013140035	OAT€i 0.10% 1 March 2021*	7,164,284,400 (1)	1.03590	6,916,000,000	0
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	8,118,942,000 (1)	1.04089	7,800,000,000	0
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 August 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2022	126,574,003,410			
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	21,358,063,420	(1) 1.12334	19,013,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
	Maturity 2023	135,196,100,953			
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	18,573,905,050	(1) 1.13221	16,405,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			430,085,000
	Maturity 2024	98,100,037,320			
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*	17,007,037,320	(1) 1.05196	16,167,000,000	0
FR0011962398	OAT 1.75% 25 November 2024*	37,025,000,000			51,000,000
	Maturity 2025	104,642,152,118			
FR0012558310	OATi 0.10% 1 March 2025*	10,585,224,000	(1) 1.03200	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			2,850,064,400
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	90,818,460,900			
FR0013250560	OAT 1.00% 25 May 2027*	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	21,913,460,900	(1) 1.10702	19,795,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			82,043,600
	Maturity 2028	49,795,137,974			
FR0013238268	OATi 0.10% 1 March 2028*	7,095,538,360	(1) 1.03028	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	46,918,214,802			
FR0000571218	OAT 5.50% 25 April 2029	35,644,880,458			2,991,146,100
FR0000186413	OATi 3.40% 25 July 2029	11,273,334,344	(1) 1.29072	8,734,144,000	0
	Maturity 2030	45,547,901,350			
FR0011883966	OAT 2.50% 25 May 2030*	33,208,000,000			0
FR0011982776	OAT€i 0.70% 25 July 2030*	12,339,901,350	(1) 1.03845	11,883,000,000	0
	Maturity 2031	43,435,000,000			
FR0012993103	OAT 1.50% 25 May 2031*	43,435,000,000			65,500,000
	Maturity 2032	45,714,615,650			
FR0000188799	OAT€i 3.15% 25 July 2032	13,552,293,050	(1) 1.28033	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,315,157,400
	Maturity 2033 and later	248,464,590,190			
FR0013313582	OAT 1.25% 25 Mai 2034*	7,259,000,000			0
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,889,337,000
FR0013154044	OAT 1.25% 25 May 2036*	29,226,000,000			0
FR0013327491	OAT€i 0.10% 25 July 2036*	3,564,890,000	(1) 1.01854	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	14,169,022,530	(1) 1.18599	11,947,000,000	0
FR0010773192	OAT 4.50% 25 April 2041	33,670,000,000			6,867,799,000
FR0011461037	OAT 3.25% 25 May 2045*	24,908,000,000			1,174,710,000
FR0013209871	OAT€i 0.10% 25 July 2047*	8,556,677,660	(1) 1.03354	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			7,151,704,100
FR0013154028	OAT 1.75% 25 May 2066*	9,107,000,000			426,100,000

(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	1.8%	Jul. 2018
Household consumption*, year-on-year	1.9%	Aug. 2018
Unemployment rate (ILO)	9.1%	Q2-2018
Consumer prices, year-on-year		
all items	2.3%	Aug. 2018
all items excluding tobacco	2.0%	Aug. 2018
Trade balance, fob-fob, sa (€bn)	-€3.5bn	Jul. 2018
" "	-€6.1bn	Jun. 2018
Current account balance, sa (€bn)	€0.5bn	Jul. 2018
" "	-€2.3bn	Jun. 2018
10-year constant maturity rate (TEC10)	0.81%	27 Sep. 2018
3-month interest rate (Euribor)	-0.32%	27 Sep. 2018
EUR / USD	1.17	27 Sep. 2018
EUR / JPY	132.15	27 Sep. 2018

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

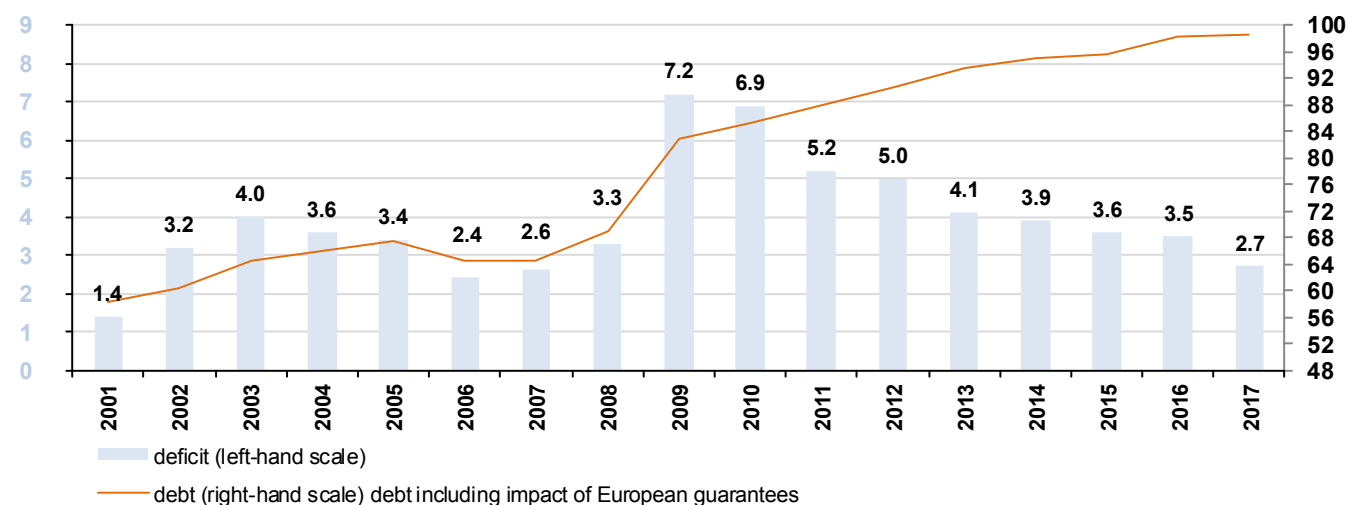
In € billion

			end of July level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-50.74	-55.17	-57.01
revenue	303.97	313.59	177.44	181.70	182.11
expenditure	379.82	386.94	228.18	236.87	239.12
Balance of special Treasury accounts	6.80	5.53	-30.11	-28.67	-25.75
General budget outturn	-69.05	-67.67	-80.85	-83.84	-82.76

Source: Minefi

Public finances: deficit and debt

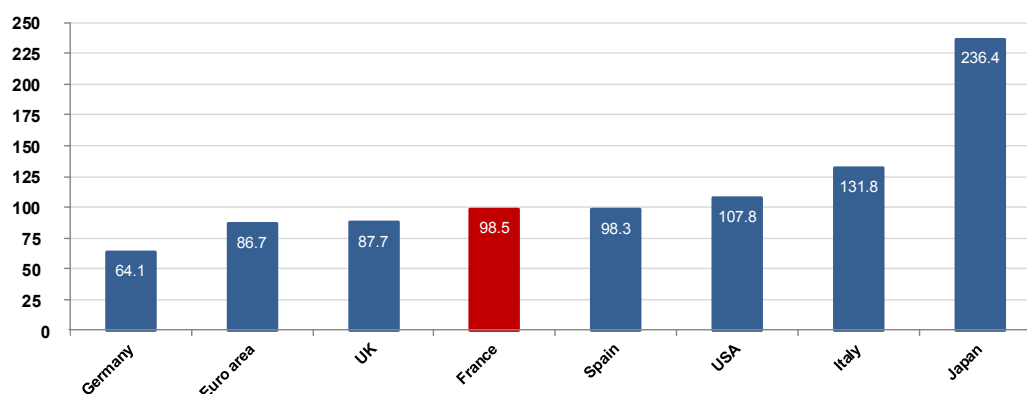
As % of GDP



Source: Insee

General government debt in 2017

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

October 2018		November 2018	
5	Balance of payments in August	8	Industrial investments: October survey
5	Foreign trade by value in August	8	Foreign trade by value in September
10	Industrial production: August index	8	Balance of payments in September
10	Consumer prices: September index	9	Industrial production: September index
15	Net international reserves in September	13	Flash estimate of payroll employment: Q3-2018
17	Inflation (HICP): September index	14	Consumer prices: October index
24	Monthly business survey (goods-producing industries) in October	15	Net international reserves in October
24	Quarterly business survey (goods-producing industries) in October	16	Inflation (HICP): October index
26	Consumer confidence survey: October survey	20	Job seekers Q3-2018 (ILO)
29	Housing starts in September	22	Monthly business survey (goods-producing industries) in November
30	Quarterly national accounts: initial estimate Q3-2018	27	Consumer confidence survey: November survey
30	Household consumption expenditure on goods in September	28	Housing starts in October
		29	Household consumption expenditure on goods in October
		29	Quarterly national accounts: second estimate Q3-2018
		30	Industrial producer and import price: October indices

Sources: Insee, Eurostat

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