

**N°345
FEBRUARY
2019**

MONTHLY BULLETIN

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	Economic news	General debt-related data	Secondary Market	Negotiable government debt	The French economy and international comparisons
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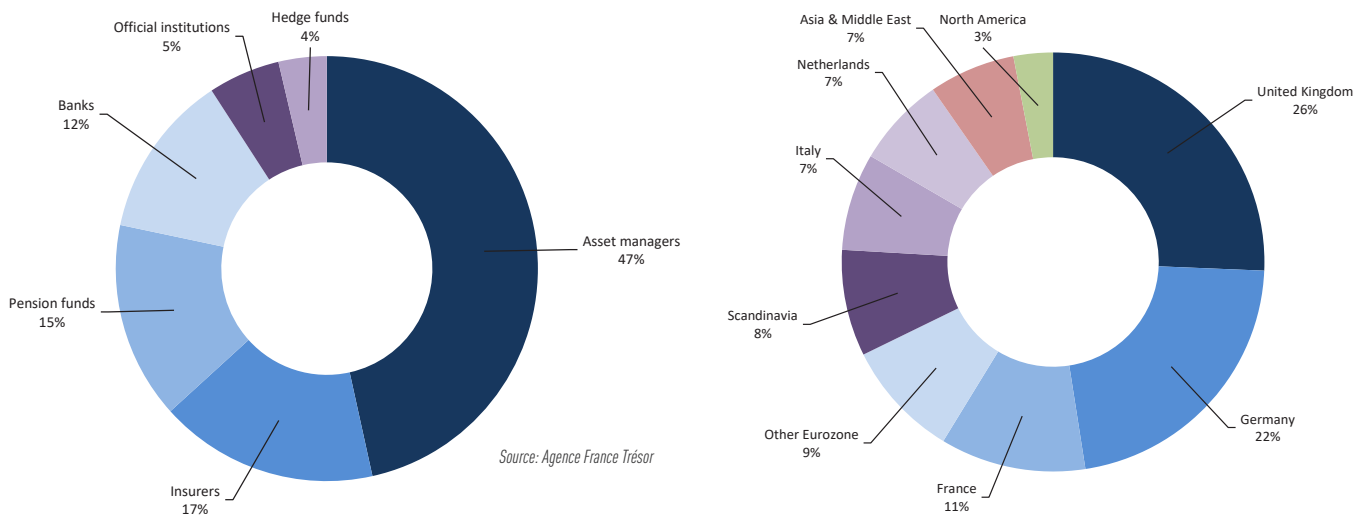
News at Agence France Trésor

A RECORD LOW YIELD AND A RECORD HIGH DEMAND FOR FRANCE'S SYNDICATED 30-YEAR BOND ISSUE

On Tuesday, 19 February, AFT launched the OAT 1.50% 25 May 2050 by syndication. Total demand was €31bn and the issuance amount was €7bn, tying with the record set on 16 May 2017 by the previous 30 year benchmark OAT 2.00% 25 May 2048.

The syndication took place in very stable, secure market conditions. Thanks to strong total demand and interest from a diverse investor base, AFT was able to tighten pricing guidance during the book building process and conclude the deal rapidly. Around 300 end investors subscribed to the transaction – also a record level. The allocation reflects a large order book from a highly diversified investor base in terms of both geographical breakdown and counterparty type (see charts below).

A DIVERSIFIED ALLOCATION IN TERMS OF INVESTOR CATEGORY AND REGION OF ORIGIN FOR THE OAT 1.50% 25 MAY 2050



This new bond achieved a record low yield at issue of 1.609%, compared to 1.997% for the OAT 2.00% 25 May 2048 during the syndication on 16 May 2017 (just after France's presidential elections). With this issuance, the French State therefore continues to enjoy very favourable long-term financing conditions.

The book runners were BNP Paribas, Crédit Agricole CIB, HSBC, JP Morgan and Société Générale. All of AFT's primary dealers were syndicate members.

This syndicated deal reiterates France's benchmark issuer status for 30-year government debt securities in the euro area. It also gives additional proof of investor and market confidence in the French economy and in France's creditworthiness, in an environment where current market conditions are very favourable for the euro area, as shown by the good take-up for many primary market sovereign debt transactions so far this year.

AFT has published its 2018 league table for primary dealers (SVTs).

Get all the details on

<https://www.aft.gouv.fr/>

THE TALE OF TWO CENTRAL BANKS' BALANCE SHEETS: CRUNCHING THE NUMBERS

By Daniele Antonucci, Chief Euro Area Economist at Morgan Stanley

From this year the ECB will no longer purchase securities in excess of what it redeems. Another way of saying this is that the APP's flow effect, which is what's been driving the expansion of the central bank's balance sheet, is now zero. But the stock effect will continue, as the ECB reinvests the expiring securities to keep the balance sheet constant. We project the stock of assets purchased to stay unchanged at ~€2.5 trillion throughout our forecast horizon (end-2020) and, probably, beyond.

We use our quantitative framework to model the impact on financial conditions and, in turn, GDP growth and HICP inflation, of two scenarios. First, we want to explore what happens to growth and inflation, via changes in a variety of market metrics, now that the ECB is doing QEnd, all else being equal. Second, we want to look at the implications of ECB QEnd when the Fed does Quantitative Tightening (QT) at the same time, which is what's happening at this juncture.

Scenario #1: ECB stops QE

Other than for peripheral sovereign and corporate high yield spreads, where we find a moderate impact, we don't detect much of a tightening in financial conditions – the effect on both semi-core sovereign and corporate investment grade spreads, and also on FX and equity markets, is rather muted. This is why the impact on growth is small, at just -0.1pp, and on inflation, while statistically significant, looks negligible. This is one reason why the ECB could afford to stop purchasing extra assets, while continuing to reinvest. In other words, the central bank now thinks that, given that deflation risks have receded, the forward guidance on rates and the reinvestment policy, which are interlinked, should provide sufficient stimulus for inflation convergence.

Scenario #2: ECB stops QE & Fed does QT

We also use our quantitative estimates to figure out what happens when the ECB stops adding to its balance sheet and the Fed shrinks its one. To do this, we keep the stock of assets purchased by the ECB unchanged this year and next, while we use our forecast for the reduction in the Fed balance sheet over 2019-20. Our final estimates suggest a drag of ~0.2-0.3pp on growth and, again, a negligible impact on core inflation.

While there's obviously a negative growth effect, why is it relatively small? In part, this is because the unemployment rate, which tends to react to the economic cycle with a lag, continues to decline even as the economy begins to slow. In turn, this continues to put upward pressure on inflation for some time, albeit this pressure is rather muted. Our model calculates how financial conditions could change 'endogenously', i.e., based on the correlations that were observed over the QE period, now that the ECB is no longer buying additional securities but, rather, just reinvesting.

Exhibit 22: Potential impact of ECB QEnd on financial conditions

		1Y After	2Y After
Corporate Spreads (Change in bp)	IG	4	9
	HY	13	30
Sovereign Spreads (Change in bp)	Semi-Core	1	1
	Periphery	15	30
Equity Valuations (% Change in N12M PE)		0.0	-2.0
EUR TWI (Change in Index points)		1.0	2.0

Exhibit 23: Potential impact of ECB QEnd and Fed QT on financial conditions

		1Y After	2Y After
Corporate Spreads (Change in bp)	IG	36	72
	HY	100	226
Sovereign Spreads (Change in bp)	Semi-Core	6	13
	Periphery	38	83
Equity Valuations (% Change in N12M PE)		-4.0	-8.0
EUR TWI (Change in Index points)		0.1	0.1

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NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Accordingly, 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

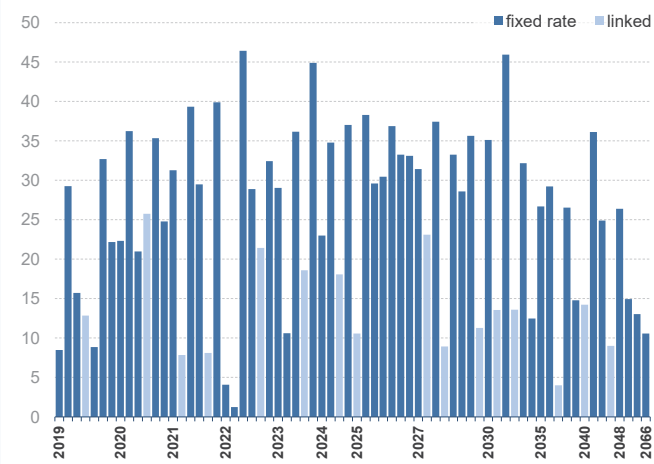
		Short-term					Medium-term	Long-term	Index-linked
March 2019	auction date	4	11	18	25	/	21	7	21
	settlement date	6	13	20	27	/	25	11	25
April 2019	auction date	1	8	15	23	29	18	4	18
	settlement date	3	10	17	25	2 May	24	8	24

 anticipated or delayed (bank holidays, etc.)

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 31 JANUARY 2019

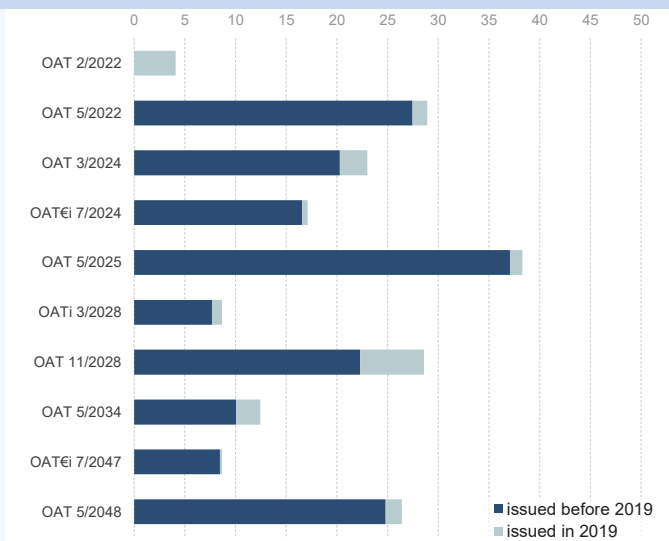
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 31 JANUARY 2019

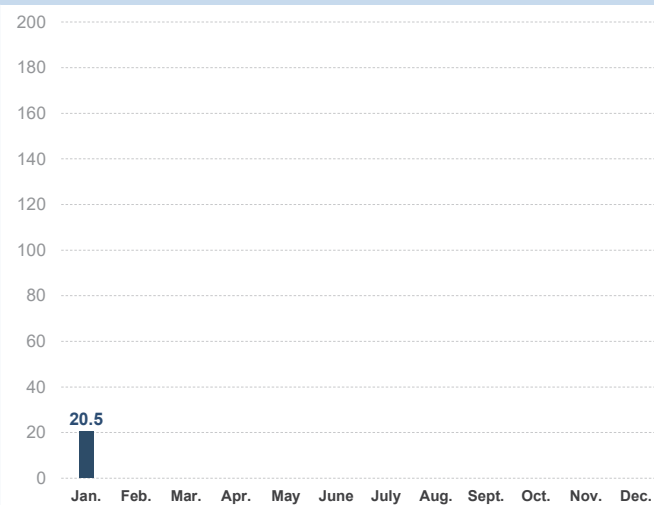
IN € BILLION



Source: Agence France Trésor

ISSUANCE NET OF BUYBACKS AT 31 JANUARY 2019

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 31 JANUARY 2019

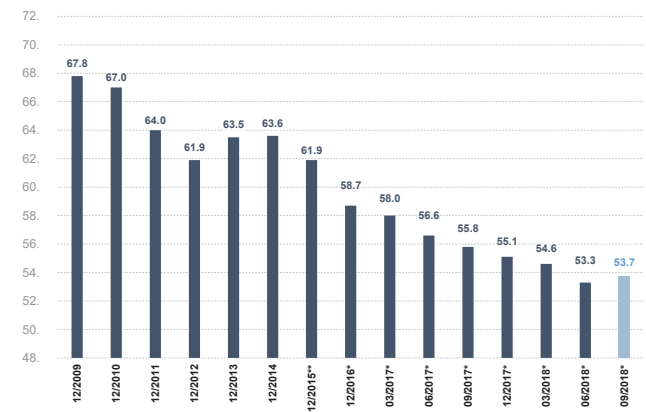
IN € BILLION

Month	Coupon	Redemption
Feb-19		8.5
Mar-19	0.0	
Apr-19	13.6	29.3
May-19	6.1	15.7
Jun-19	0.3	
Jul-19	3.1	13.0
Aug-19		
Sep-19		
Oct-19	12.5	41.5
Nov-19	1.4	22.2
Dec-19		0.0
Jan-20		

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN THIRD QUARTER OF 2018

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE

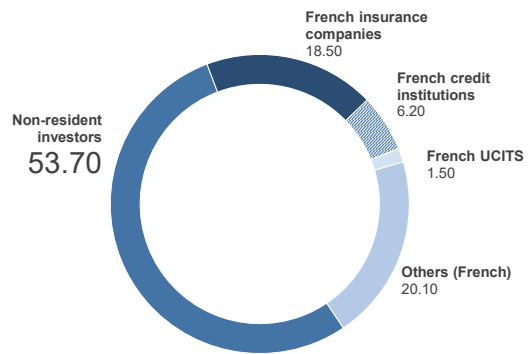


(*) figures quarterly revised

(**) figures annually revised

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN THIRD QUARTER OF 2018

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 JANUARY 2019

IN EUROS

Total medium- and long-term debt	1,663,687,362,019
Total stripping activity	63,059,034,700
Average maturity	8 years and 139 days
Total short-term debt	107,300,000,000
Average maturity	106 days
Total outstanding	1,770,987,362,019
Average maturity	7 years and 325 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2015 AT 31 JANUARY 2019

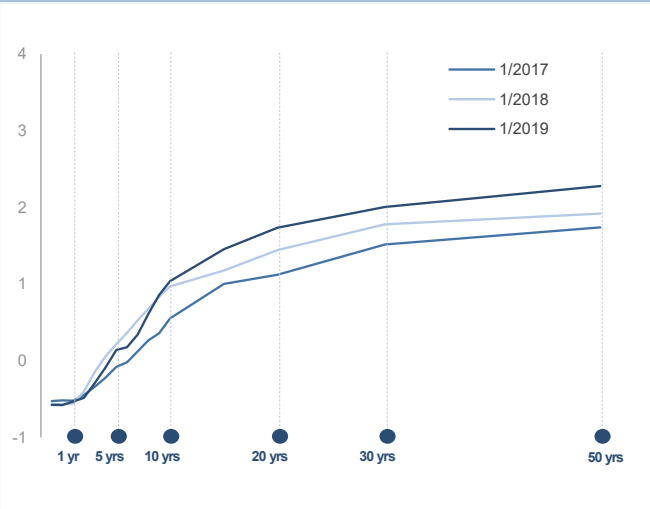
IN € BILLION

	End 2015	End 2016	End 2017	End Dec. 2018	End Jan. 2019
Negotiable government debt outstanding	1,576	1,621	1,686	1,756	1,771
<i>of which index-linked securities</i>	190	200	202	220	221
Medium- and long-term	1,424	1,487	1,560	1,644	1,664
short-term	153	134	126	113	107
Average maturity of the negotiable debt	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	336 days	325 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

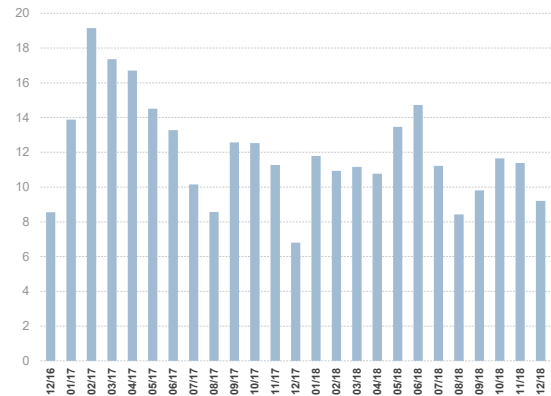
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

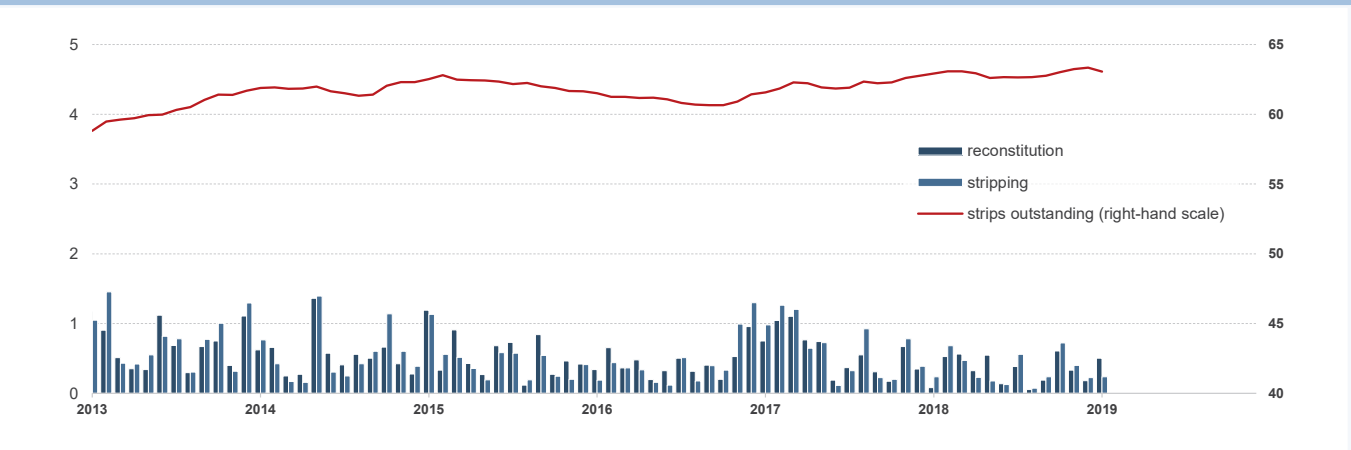
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

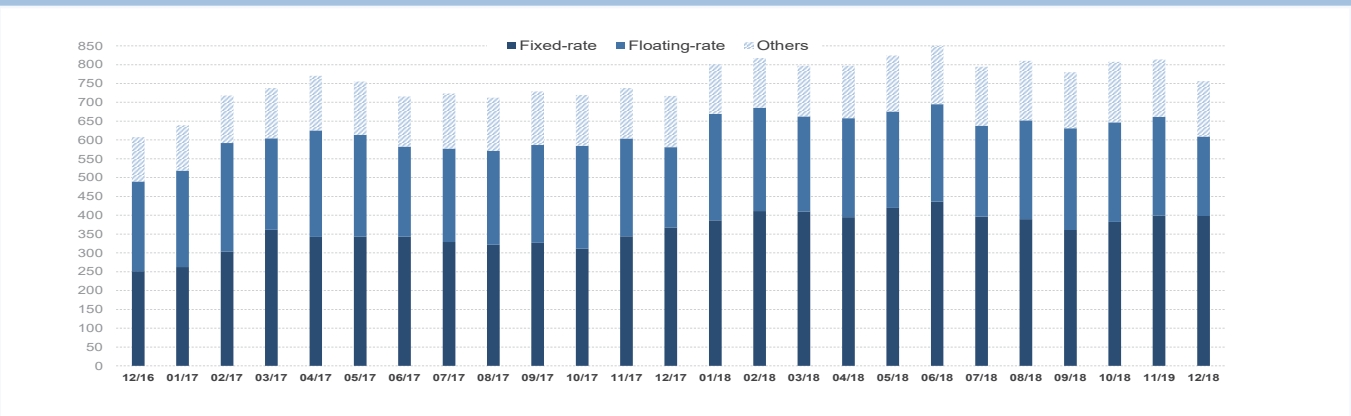
IN € BILLION



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 JANUARY 2019

ISIN Code	Maturity	Outstanding (€)
FR0125218174	BTF 6 February 2019	6,252,000,000
FR0125064867	BTF 13 February 2019	4,559,000,000
FR0125218182	BTF 20 February 2019	6,918,000,000
FR0124747587	BTF 27 February 2019	5,540,000,000
FR0125218190	BTF 6 March 2019	5,944,000,000
FR0125218208	BTF 13 March 2019	4,835,000,000
FR0124909641	BTF 27 March 2019	4,755,000,000
FR0125374993	BTF 3 April 2019	6,327,000,000
FR0125218224	BTF 10 April 2019	4,844,000,000
FR0125375008	BTF 17 April 2019	6,087,000,000
FR0124909658	BTF 25 April 2019	4,890,000,000
FR0125375016	BTF 2 May 2019	3,164,000,000
FR0125218232	BTF 8 May 2019	3,768,000,000
FR0124909666	BTF 22 May 2019	4,752,000,000
FR0125218240	BTF 5 June 2019	3,100,000,000
FR0124909674	BTF 19 June 2019	3,745,000,000
FR0125375065	BTF 3 July 2019	2,095,000,000
FR0125064875	BTF 17 July 2019	4,369,000,000
FR0125064883	BTF 14 August 2019	4,235,000,000
FR0125064891	BTF 11 September 2019	3,926,000,000
FR0125218257	BTF 9 October 2019	4,405,000,000
FR0125218265	BTF 6 November 2019	3,799,000,000
FR0125375099	BTF 2 January 2020	4,991,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2019-2022) AT 31 JANUARY 2019

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value. (€)	Stripped (€)	CAC
Maturity 2019		130,106,145,311				
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	12,858,181,700 (1)	1.09993	11,690,000,000	0	
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,590,585,100	
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	43,570,718 (2)		6,692,154	-	
Maturity 2020		165,445,252,100				
FR0013232485	OAT 0.00% 25 February 2020	22,335,000,000			0	×
FR0010854182	OAT 3.50% 25 April 2020	36,246,000,000			0	
FR0012557957	OAT 0.00% 25 May 2020	20,969,000,000			0	×
FR0010050559	OAT€i 2.25% 25 July 2020	25,751,252,100 (1)	1.26791	20,310,000,000	0	
FR0010949651	OAT 2.50% 25 October 2020	35,362,000,000			0	
FR0012968337	OAT 0.25% 25 November 2020	24,782,000,000			3,000,000	×
Maturity 2021		156,011,204,400				
FR0013311016	OAT 0.00% 25 February 2021	31,275,000,000			0	×
FR0013140035	OAT€i 0.10% 1 March 2021	7,864,100,400 (1)	1.03940	7,566,000,000	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	8,125,104,000 (1)	1.04168	7,800,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0	
Maturity 2022		134,544,252,810				
FR0013398583	OAT 0.00% 25 February 2022	4,091,000,000			0	×
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	28,912,000,000			0	×
FR0010899765	OAT€i 1.10% 25 July 2022	21,430,312,820 (1)	1.12714	19,013,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			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 2023 AND BEYOND) AT 31 JANUARY 2019

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value. (€)	Stripped (€)	CAC
Maturity 2023		139,343,045,203				
FR0013283686	OAT 0.00% 25 March 2023	29,059,000,000			0	x
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,376,565,200	
FR0011486067	OAT 1.75% 25 May 2023	36,172,000,000			0	x
FR0010585901	OATi 2.10% 25 July 2023	18,587,849,300 (1)	1.13306	16,405,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			440,085,000	
Maturity 2024		112,902,557,920				
FR0013344751	OAT 0.00% 25 March 2024	22,996,000,000			0	x
FR0011619436	OAT 2.25% 25 May 2024	34,810,000,000			0	x
FR0011427848	OATeï 0.25% 25 July 2024	18,071,557,920 (1)	1.05552	17,121,000,000	0	x
FR0011962398	OAT 1.75% 25 November 2024	37,025,000,000			51,000,000	x
Maturity 2025		108,957,152,578				
FR0012558310	OATi 0.10% 1 March 2025	10,593,224,460 (1)	1.03278	10,257,000,000	0	x
FR0012517027	OAT 0.50% 25 May 2025	38,297,000,000			0	x
FR0000571150	OAT 6.00% 25 October 2025	29,593,928,118			2,852,064,400	
FR0012938116	OAT 1.00% 25 November 2025	30,473,000,000			0	x
Maturity 2026		103,265,000,000				
FR0010916924	OAT 3.50% 25 April 2026	36,867,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	33,274,000,000			0	x
FR0013200813	OAT 0.25% 25 November 2026	33,124,000,000			0	x
Maturity 2027		92,031,925,750				
FR0013250560	OAT 1.00% 25 May 2027	31,451,000,000			0	x
FR0011008705	OATeï 1.85% 25 July 2027	23,126,925,750 (1)	1.11075	20,821,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			83,543,600	
Maturity 2028		70,840,014,054				
FR0013238268	OATi 0.10% 1 March 2028	8,943,414,440 (1)	1.03106	8,674,000,000	0	x
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	x
FR0013341682	OAT 0.75% 25 November 2028	28,598,000,000			0	x
Maturity 2029		46,926,774,263				
FR0000571218	OAT 5.50% 25 April 2029	35,644,880,458			2,879,646,100	
FR0000186413	OATi 3.40% 25 July 2029	11,281,893,805 (1)	1.29170	8,734,144,000	0	
Maturity 2030		48,664,350,000				
FR0011883966	OAT 2.50% 25 May 2030	35,119,000,000			0	x
FR0011982776	OATeï 0.70% 25 July 2030	13,545,350,000 (1)	1.04195	13,000,000,000	0	x
Maturity 2031		45,948,000,000				
FR0012993103	OAT 1.50% 25 May 2031	45,948,000,000			54,500,000	x
Maturity 2032		45,760,448,700				
FR0000188799	OATeï 3.15% 25 July 2032	13,598,126,100 (1)	1.28466	10,585,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,242,157,400	
Maturity 2033 and beyond		262,941,238,930				
FR0013313582	OAT 1.25% 25 May 2034	12,464,000,000			0	x
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,822,037,000	
FR0013154044	OAT 1.25% 25 May 2036	29,226,000,000			0	x
FR0013327491	OATeï 0.10% 25 July 2036	4,002,073,680 (1)	1.02198	3,916,000,000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,732,931,400	
FR0013234333	OAT 1.75% 25 June 2039	14,793,000,000			0	x
FR0010447367	OATeï 1.80% 25 July 2040	14,216,930,000 (1)	1.19000	11,947,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	36,152,000,000			6,648,499,000	
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,278,710,000	x
FR0013209871	OATeï 0.10% 25 July 2047	8,996,235,250 (1)	1.03703	8,675,000,000	0	x
FR0013257524	OAT 2.00% 25 May 2048	26,409,000,000			789,800,000	x
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,747,018,000	
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			7,305,104,100	
FR0013154028	OAT 1.75% 25 May 2066	10,581,000,000			647,900,000	x

(1) Medium- and long-term debt (maturing in 2022 and beyond) at 31 January 2019

(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	-1.4%	Dec. 2018
Household consumption*, year-on-year	0.5%	Jan. 2019
Unemployment rate (ILO)	8.8%	Q4 2018
Consumer prices, year-on-year		
• all items	1.2%	Jan. 2019
• all items excluding tobacco	1.0%	Jan. 2019
Trade balance, fob-fob, sa (€bn)	-€4.7bn	Dec. 2018
" "	-€4.8bn	Nov. 2018
Current account balance, sa (€bn)	-€1.1bn	Dec. 2018
" "	-€3.1bn	Nov. 2018
10-year constant maturity rate (TEC10)	0.50%	26 Feb. 2019
3-month interest rate (Euribor)	-0.31%	26 Feb. 2019
EUR / USD	1.14	26 Feb. 2019
EUR / JPY	125.93	26 Feb. 2019

MONTHLY GOVERNMENT BUDGET POSITION

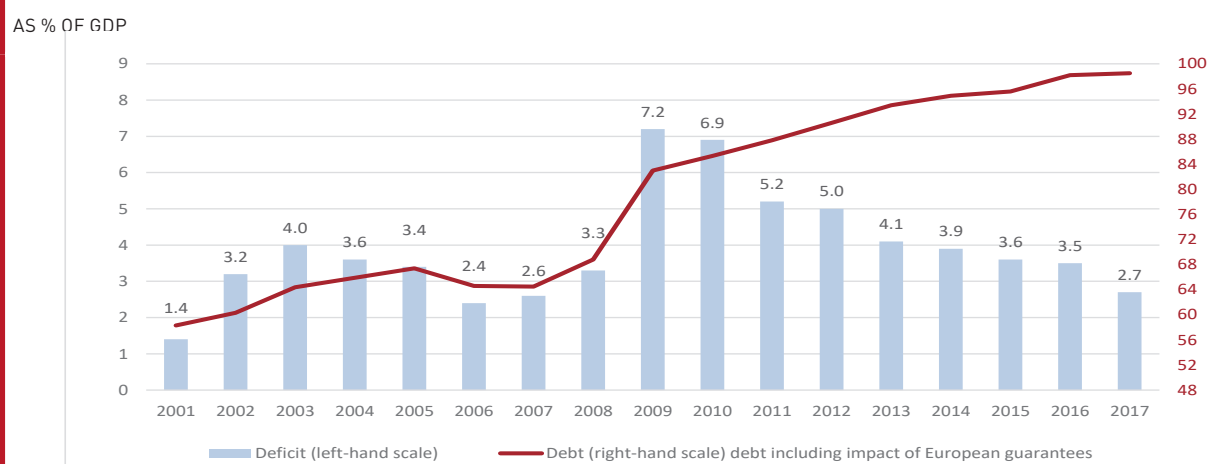
			end of December level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-75.85	-73.35	-76.88
Revenue	303.97	313.59	303.97	313.59	313.82
Expenditure	379.82	386.94	379.82	386.94	390.69
Balance of special Treasury accounts	6.80	5.53	6.80	5.53	0.82
General budget outturn	-69.05	-67.67	-69.05	-67.67	-76.05

* manufactured products

Source: Minedi

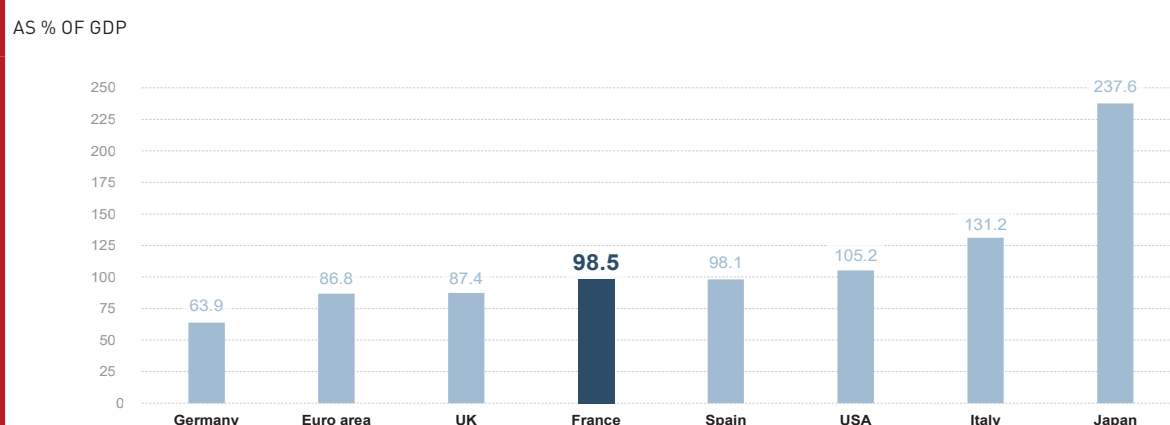
Sources: Insee, Minedi, Banque de France

PUBLIC FINANCES: DEFICIT AND DEBT



Sources: Insee

GENERAL GOVERNMENT DEBT IN 2017



Sources: Eurostat, FMI, Insee

MARCH 2019 

8 Industrial production: January index	8 Balance of payments in January	8 Foreign trade by value in January	9 Inflation (HICP): February index	12 Payroll employment: Q4 2019	14 Consumer prices: February index
15 Net international reserves in February	26 Monthly business survey (goods-producing industries) in March	26 Quarterly national accounts: final results Q4 2019	26 Debt of the general government according to Maastricht definition Q4 2018	27 Industrial producer and import price: February indices	27 Consumer confidence survey: March survey
29 Household consumption expenditure on goods in February					

APRIL 2019 

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24 Monthly business survey (goods-producing industries) in April	24 Quarterly business survey (goods-producing industries) in April	26 Consumer confidence survey: April survey	26 Job seekers Q1 2019 (ILO)	30 Quarterly national accounts: initial estimate Q1 2019	30 Household consumption expenditure on goods in March
30 Industrial producer and import price: March indices					

Sources: Insee, Eurostat

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