

N°349
JUNE
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

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THE SUCCESS OF FRANCE'S GREEN BOND IS PROOF OF THE COUNTRY'S STRONG COMMITMENT TO THE ENVIRONMENT

The launch of the Green OAT gave France's green bond market critical mass and helped make France the world's second-largest issuer of green bonds, after China. After several tap issues (see table), the outstanding amount of the Green OAT now stands at €19 billion, reflecting investors' strong appetite for this debt instrument.

Green bond issuance

Date	Issued by	Amount (€bn)	Outstanding (€bn)	Yield at issue (%)
24/01/2017	Syndication	7	7	1,74
01/06/2017	Auction	1,632	8,632	1,51
07/12/2017	Auction	1,065	9,697	1,27
05/04/2018	Auction	1,096	10,793	1,34
25/06/2018	Syndication	4	14,793	1,46
07/02/2019	Auction	1,737	16,53	1,25
02/05/2019	Auction	2,471	19,001	1,04

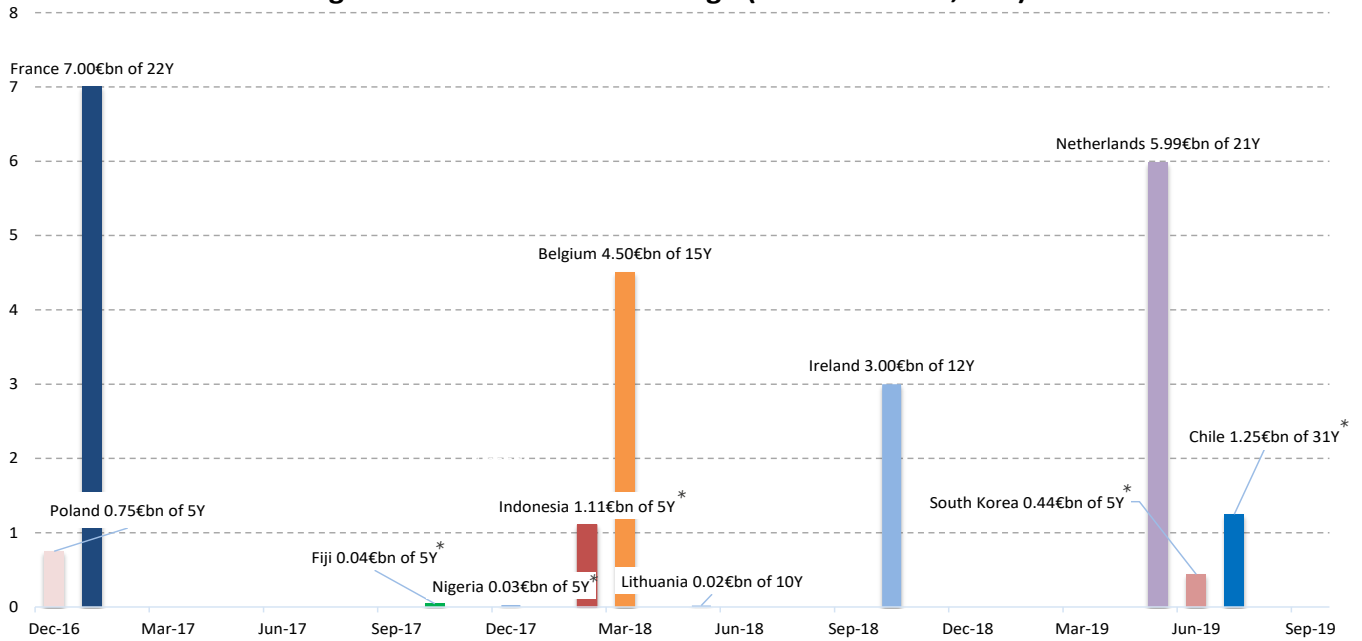
Source: Agence France Trésor

The key reason for the Green OAT's success with investors is France's determination to adopt best practices in environmental finance. During the inaugural green bond issue, France committed to carrying out regular evaluations of the environmental impact of green expenditure matched to green bond issuance. The Green Bond Evaluation Council was set up to deliver on this commitment. This council brings together international experts to supervise research on investment programmes financed with funds from the Green OAT. Such programmes include the energy transition tax credit (CITE; [see the report on the CITE published in November 2018](#)).

In keeping with its transparency and accountability commitments, France also publishes an annual report on Eligible Green Expenditure and related performance metrics. AFT will soon release its second-annual allocation and performance report, covering the use of Green OAT funds raised in 2018. Of the €5.1 billion in Green OAT issuance in 2018, 59% was allocated to projects to mitigate climate change, 21% to climate change adaptation efforts, 13% for biodiversity preservation, and 7% for efforts to reduce water, air and soil pollution in France.

The Green OAT has set a standard in a nascent market and encouraged other European governments to issue green bonds. Belgium, Ireland, and more recently the Netherlands have all followed suit with their own green bond issues. France's Green OAT thus underpins the green bond market's expansion and the development of green finance in general.

Inaugural issuances from Sovereign (amount issued, €bn)



* euro equivalent

Source: Bloomberg

ECB — IMPLICATIONS OF A SLOW-BURN EASING

By George Cole, G10 Rates Strategist at Goldman Sachs

At its latest meeting, the ECB extended its forward guidance by six months and announced TLTRO terms that were on the dovish side of expectations. And yet, judging by the market reaction, this package did not quite deliver the urgency of action that the market had priced. The EUR ended the day around 0.5% stronger vs USD and inflation swaps fell alongside risk assets and real rates rose.

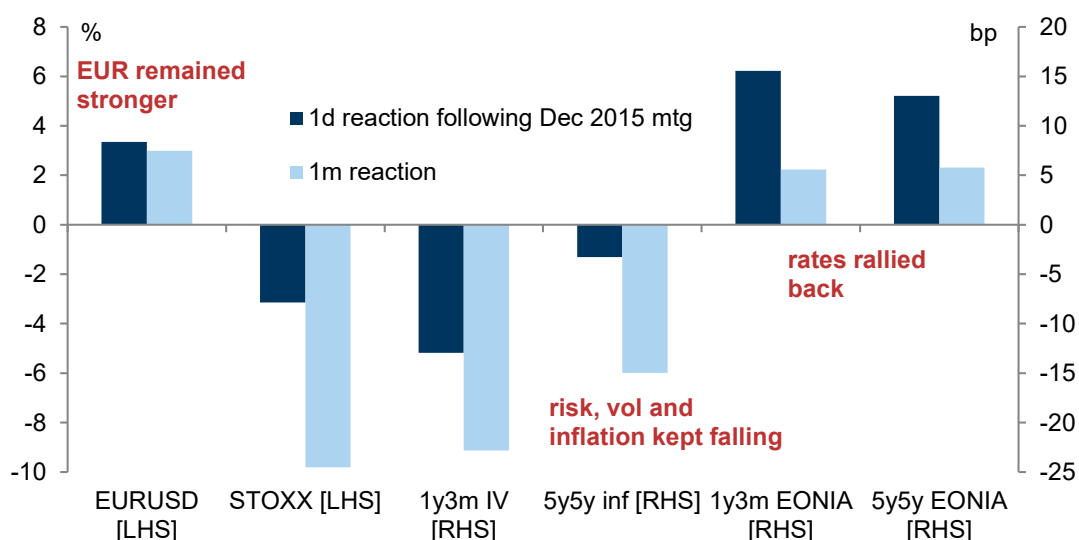
Overall the moves were relatively contained, thanks to some countervailing dovishness during the press conference in which President Draghi said both rate cuts and fresh QE were discussed should downside risks begin to materialise. The easier path to further easing will limit any rate sell-off, and the ongoing external risks – both from trade tensions and the potential for dovish policy responses from other central banks – should keep downward and flattening pressure on nominal core curves.

Another lasting effect could be the reaction in both the EUR and inflation swaps. Without a more full-throated effort from the ECB to arrest the slide in inflation expectations, inflation swaps are likely to continue to make fresh lows – 5y5y inflation swaps breached 1.25% following the ECB meeting, and are sitting at the all-time lows from 2016. Without a clearer signal on the ECB's urgency to undertake further policy action, inflation swaps are likely to be a driver of lower nominal rates, and real rates will likely remain elevated.

On the EUR, President Draghi did mention appreciation of the currency as having contributed to a tightening in financial conditions since the April meeting. It is possible that further EUR appreciation – for example due to dovish policy from other central banks – will increase the likelihood of further easing from the ECB.

An illustration of this is the response to the under-delivery vs market expectations at the December 2015 ECB meeting. Despite an easing package that included a rate cut, markets were priced for even more dovish outcomes – real rates rose, the EUR strengthened and risk sold off. In the month following that event, however, rates rallied back, the EUR remained stronger, while risk, volatility and inflation fell further. Subsequently, global sentiment deteriorated and a dovish pivot from the Fed compounded the move in the EUR. The ECB eventually delivered a subsequent easing package in March 2016 resulting in lower nominal rates, but alongside a higher EUR and lower inflation swaps.

The other important feature of the post-December 2015 reaction was the decline in volatility. Without an immediate catalyst for easing, rate volatility should remain under pressure.



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.

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INDICATIVE AUCTION SCHEDULE

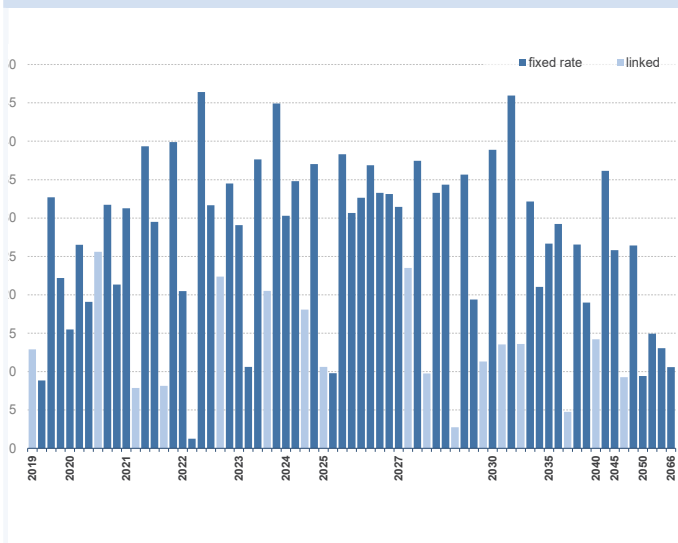
		Short-term					Medium-term	Long-term	Index-linked
July 2019	auction date	1	8	15	22	29	18	4	18
	settlement date	3	10	17	24	31	22	8	22
August 2019	auction date	5	12	19	26	/	1	1	1
	settlement date	7	14	21	28	/	5	5	5

optional auctions

Source: Agence France Trésor

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

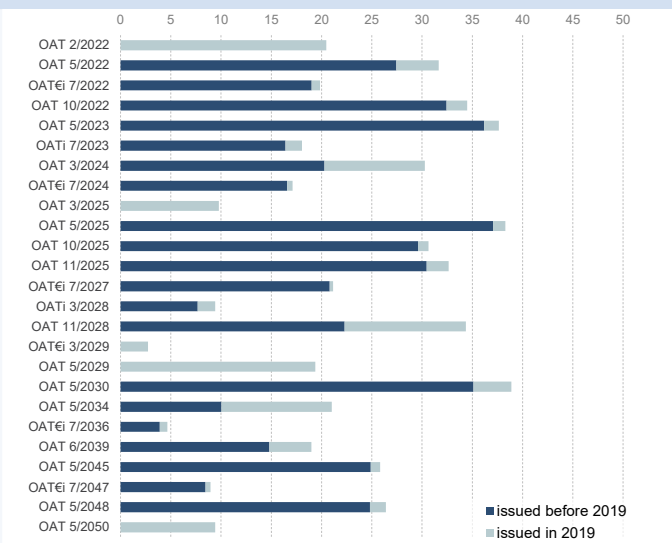
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

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

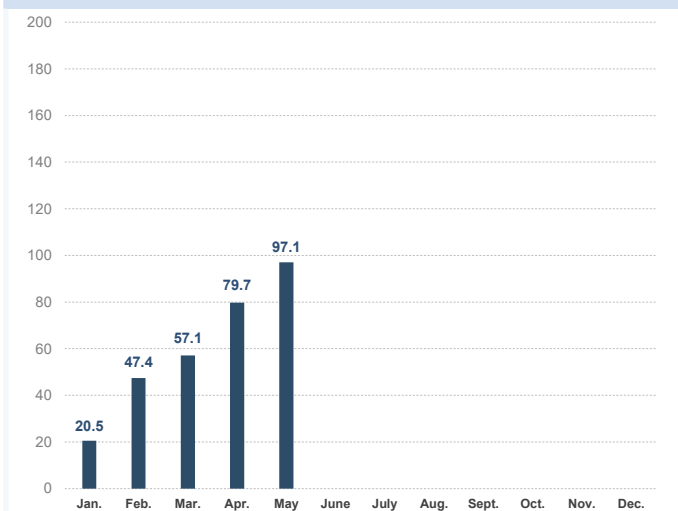
IN € BILLION



Source: Agence France Trésor

ISSUANCE NET OF BUYBACKS AT 31 MAY 2019

IN € BILLION



Source: Agence France Trésor

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

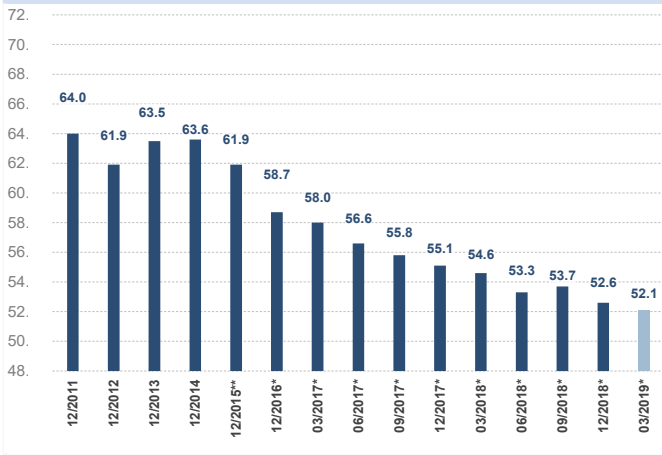
IN € BILLION

Month	Coupon	Redemption
Jun-19	0.3	
Jul-19	3.1	12.9
Aug-19		
Sep-19		
Oct-19	12.5	41.5
Nov-19	1.5	22.2
Dec-19		0.0
Jan-20		
Feb-20		15.5
Mar-20	0.0	
Apr-20	12.1	26.5
May-20	6.4	19.1

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN FIRST QUARTER OF 2019

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE

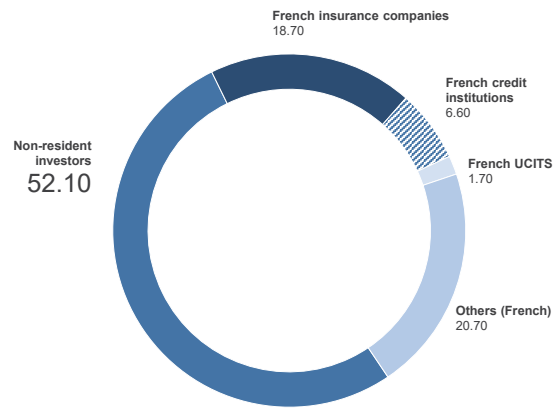


(*) figures quarterly revised

(**) figures annually revised

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN FIRST QUARTER OF 2019

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 MAY 2019

IN EUROS

Total medium- and long-term debt	1,687,249,086,154
Total stripping activity	62,572,534,700
Average maturity	8 years and 204 days
Total short-term debt	105,372,000,000
Average maturity	117 days
Total outstanding	1,792,621,086,154
Average maturity	8 years and 27 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2015 AT 31 MAY 2019

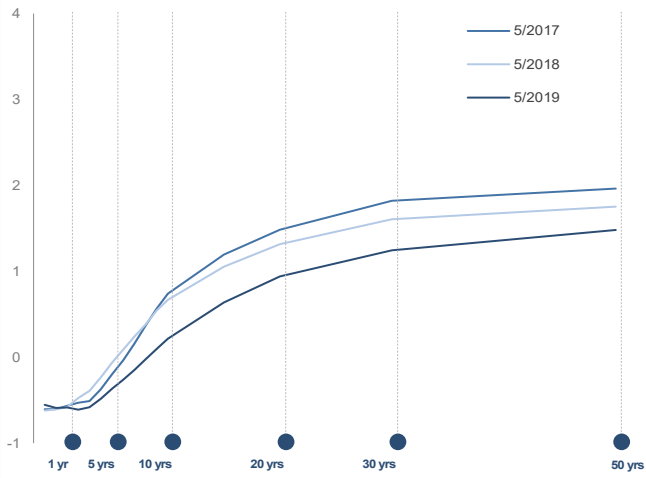
IN € BILLION

	End 2016	End 2017	End 2018	End Apr. 2019	End May 2019
Negotiable government debt outstanding	1,621	1,686	1,756	1,790	1,793
<i>of which index-linked securities</i>	200	202	220	225	229
Medium- and long-term	1,487	1,560	1,644	1,684	1,687
Short-term	134	126	113	107	105
Average maturity of the negotiable debt	7 years	7 years	7 years	8 years	8 years
	195 days	296 days	336 days	15 days	27 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

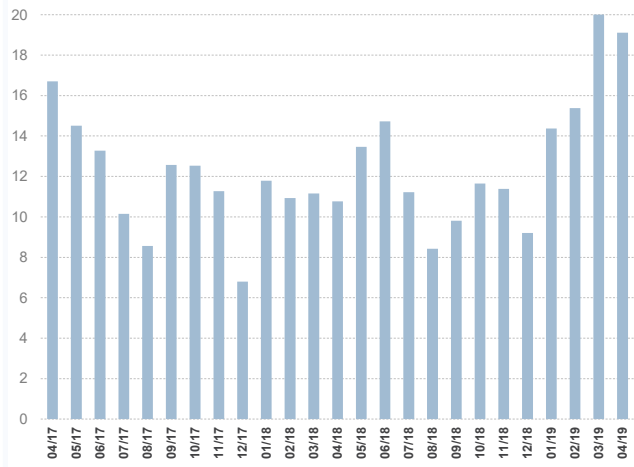
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

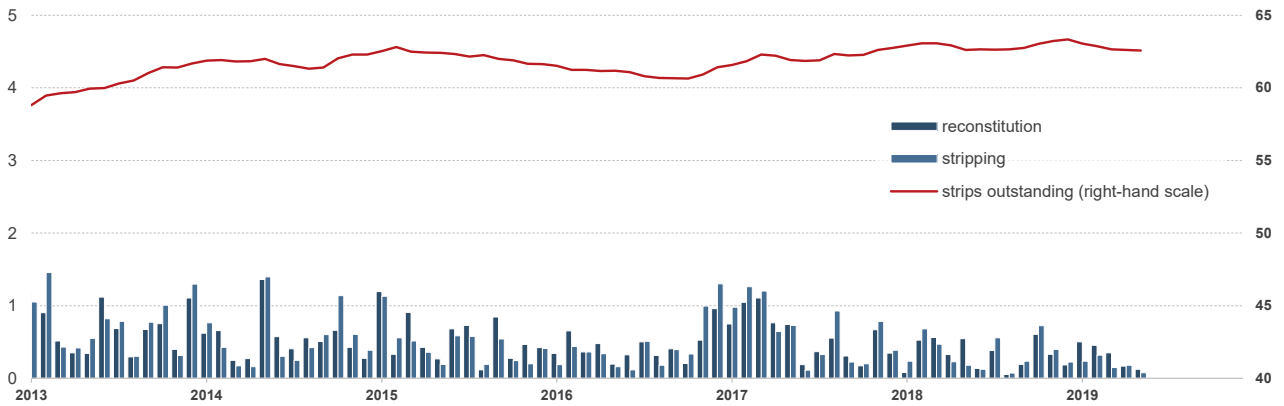
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

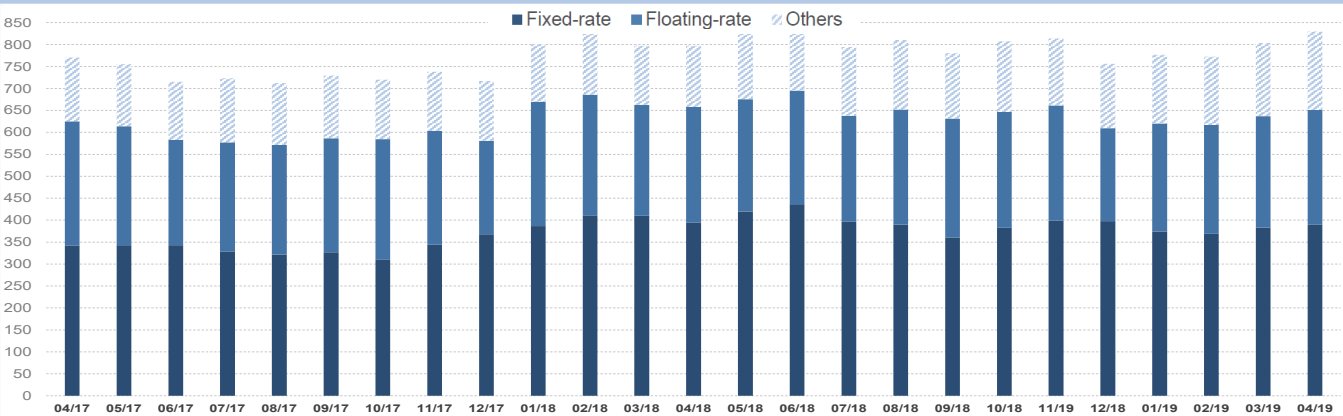
IN € BILLION



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 MAY 2019

ISIN Code	Maturity	Outstanding(€)
FR0125218240	BTF 5 June 2019	3,100,000,000
FR0125375040	BTF 13 June 2019	5,081,000,000
FR0124909674	BTF 19 June 2019	3,745,000,000
FR0125375057	BTF 26 June 2019	5,189,000,000
FR0125375065	BTF 3 July 2019	3,731,000,000
FR0125533028	BTF 10 July 2019	5,323,000,000
FR0125064875	BTF 17 July 2019	4,369,000,000
FR0125533036	BTF 24 July 2019	5,961,000,000
FR0125375073	BTF 31 July 2019	4,648,000,000
FR0125533044	BTF 7 August 2019	5,242,000,000
FR0125064883	BTF 14 August 2019	4,634,000,000
FR0125533051	BTF 21 August 2019	5,192,000,000
FR0125375081	BTF 28 August 2019	3,965,000,000
FR0125064891	BTF 11 September 2019	4,510,000,000
FR0125533036	BTF 25 September 2019	4,285,000,000
FR0125218257	BTF 9 October 2019	4,848,000,000
FR0125533093	BTF 23 October 2019	3,064,000,000
FR0125218265	BTF 6 November 2019	4,204,000,000
FR0125375099	BTF 2 January 2020	4,991,000,000
FR0125375107	BTF 29 January 2020	4,165,000,000
FR0125375115	BTF 26 February 2020	4,483,000,000
FR0125533119	BTF 25 March 2020	4,989,000,000
FR0125533127	BTF 22 April 2020	4,456,000,000
FR0125533135	BTF 20 May 2020	1,197,000,000

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

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC
	Maturity 2019	76,650,526,611				
FR0010850032	OATi 1.30% 25 July 2019	12,890,563,000 (1)	1.10270	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	x
FR0000570954	OAT cap. 9.82% 31 December 2019	43,570,718 (2)		6,692,154	-	
	Maturity 2020	139,694,335,100				
FR0013232485	OAT 0.00% 25 February 2020	15,475,000,000			0	x
FR0010854182	OAT 3.50% 25 April 2020	26,511,000,000			0	
FR0012557957	OAT 0.00% 25 May 2020	19,066,000,000			0	x
FR0010050559	OAT€i 2.25% 25 July 2020	25,612,335,100 (1)	1.26731	20,210,000,000	0	
FR0010949651	OAT 2.50% 25 October 2020	31,712,000,000			0	
FR0012968337	OAT 0.25% 25 November 2020	21,318,000,000			3,000,000	x
	Maturity 2021	156,027,933,060				
FR0013311016	OAT 0.00% 25 February 2021	31,275,000,000			0	x
FR0013140035	OAT€i 0.10% 1 March 2021	7,860,393,060 (1)	1.03891	7,566,000,000	0	x
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0	
FR0013157096	OAT 0.00% 25 May 2021	29,504,000,000			0	x
FR0011347046	OATi 0.10% 25 July 2021	8,145,540,000 (1)	1.04430	7,800,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0	
	Maturity 2022	156,668,329,790				
FR0013398583	OAT 0.00% 25 February 2022	20,472,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			471,888,400	
FR0011196856	OAT 3.00% 25 April 2022	46,422,000,000			0	
FR0013219177	OAT 0.00% 25 May 2022	31,666,000,000			0	x
FR0010899765	OAT€i 1.10% 25 July 2022	22,366,389,800 (1)	1.12660	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	34,498,000,000			0	

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

(2) Including coupons capitalised at 31 December 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.

MEDIUM- AND LONG-TERM DEBT (MATURING IN 2023 AND BEYOND) AT 31 MAY 2019

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC
	Maturity 2023	142,722,280,063				
FR0013283686	OAT 0.00% 25 March 2023	29,059,000,000			0	×
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,400,065,200	
FR0011486067	OAT 1.75% 25 May 2023	37,638,000,000			0	×
FR0010585901	OATi 2.10% 25 July 2023	20,501,084,160 (1)	1.13592	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			434,585,000	
	Maturity 2024	120,185,826,210				
FR0013344751	OAT 0.00% 25 March 2024	30,288,000,000			0	×
FR0011619436	OAT 2.25% 25 May 2024	34,810,000,000			0	×
FR0011427848	OAT€i 0.25% 25 July 2024	18,062,826,210 (1)	1.05501	17,121,000,000	0	×
FR0011962398	OAT 1.75% 25 November 2024	37,025,000,000			42,000,000	×
	Maturity 2025	121,990,923,348				
FR0012558310	OATi 0.10% 1 March 2025	10,619,995,230 (1)	1.03539	10,257,000,000	0	×
FR0013415627	OAT 0.00% 25 March 2025	9,782,000,000			0	×
FR0012517027	OAT 0.50% 25 May 2025	38,297,000,000			0	×
FR0000571150	OAT 6.00% 25 October 2025	30,653,928,118			2,863,064,400	
FR0012938116	OAT 1.00% 25 November 2025	32,638,000,000			0	×
	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	×
FR0013200813	OAT 0.25% 25 November 2026	33,124,000,000			0	×
	Maturity 2027	92,397,255,200				
FR0013250560	OAT 1.00% 25 May 2027	31,451,000,000			0	×
FR0011008705	OAT€i 1.85% 25 July 2027	23,492,255,200 (1)	1.11022	21,160,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			45,543,600	
	Maturity 2028	77,406,558,871				
FR0013238268	OATi 0.10% 1 March 2028	9,748,447,460 (1)	1.03366	9,431,000,000	0	×
FR0000571226	OAT zero coupon 28 March 2028	28,111,411 (3)		46,232,603	–	
FR0013286192	OAT 0.75% 25 May 2028	33,272,000,000			0	×
FR0013341682	OAT 0.75% 25 November 2028	34,358,000,000			0	×
	Maturity 2029	69,057,160,231				
FR0013410552	OAT€i 0.10% 1 March 2029	2,728,000,000 (1)	0.99958	2,728,000,000	0	×
FR0000571218	OAT 5.50% 25 April 2029	35,644,880,458			2,612,146,100	
FR0013407236	OAT 0.50% 25 May 2029	19,374,000,000			0	×
FR0000186413	OATi 3.40% 25 July 2029	11,310,279,773 (1)	1.29495	8,734,144,000	0	
	Maturity 2030	52,414,980,000				
FR0011883966	OAT 2.50% 25 May 2030	38,876,000,000			0	×
FR0011982776	OAT€i 0.70% 25 July 2030	13,538,980,000 (1)	1.04146	13,000,000,000	0	×
	Maturity 2031	45,948,000,000				
FR0012993103	OAT 1.50% 25 May 2031	45,948,000,000			54,500,000	×
	Maturity 2032	45,753,886,000				
FR0000188799	OAT€i 3.15% 25 July 2032	13,591,563,400 (1)	1.28404	10,585,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,149,357,400	
	Maturity in 2033 and beyond	287,066,091,670				
FR0013313582	OAT 1.25% 25 May 2034	21,014,000,000			0	×
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,794,037,000	
FR0013154044	OAT 1.25% 25 May 2036	29,226,000,000			0	×
FR0013327491	OAT€i 0.10% 25 July 2036	4,749,975,000 (1)	1.02150	4,650,000,000	0	×
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,732,931,400	
FR0013234333	OAT 1.75% 25 June 2039	19,001,000,000			0	×
FR0010447367	OAT€i 1.80% 25 July 2040	14,210,120,210 (1)	1.18943	11,947,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	36,152,000,000			6,589,499,000	
FR0011461037	OAT 3.25% 25 May 2045	25,824,000,000			1,364,710,000	×
FR0013209871	OAT€i 0.10% 25 July 2047	9,275,996,460 (1)	1.03654	8,949,000,000	0	×
FR0013257524	OAT 2.00% 25 May 2048	26,409,000,000			742,800,000	×
FR0013404969	OAT 1.50% 25 May 2050	9,430,000,000			54,600,000	×
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,621,618,000	
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			7,356,704,100	
FR0013154028	OAT 1.75% 25 May 2066	10,581,000,000			643,900,000	×

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

(3) Revised on 28 March 2019; 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	1.1%	Apr. 2019
Household consumption*, year-on-year	-0.7%	May. 2019
Unemployment rate (ILO)	8.7%	Q1 2019
Consumer prices, year-on-year		
• all items	0.9%	May. 2019
• all items excluding tobacco	0.8%	May. 2019
Trade balance, fob-fob, sa (€bn)	-€5.0bn	Apr. 2019
" "	-€5.5bn	Mar. 2019
Current account balance, sa (€bn)	-€0.8bn	Apr. 2019
" "	-€2.3bn	Mar. 2019
10-year constant maturity rate (TEC10)	0.01%	28 Jun. 2019
3-month interest rate (Euribor)	-0.34%	25 Jun. 2019
EUR / USD	1.14	27 Jun. 2019
EUR / JPY	122.64	27 Jun. 2019

MONTHLY GOVERNMENT BUDGET POSITION

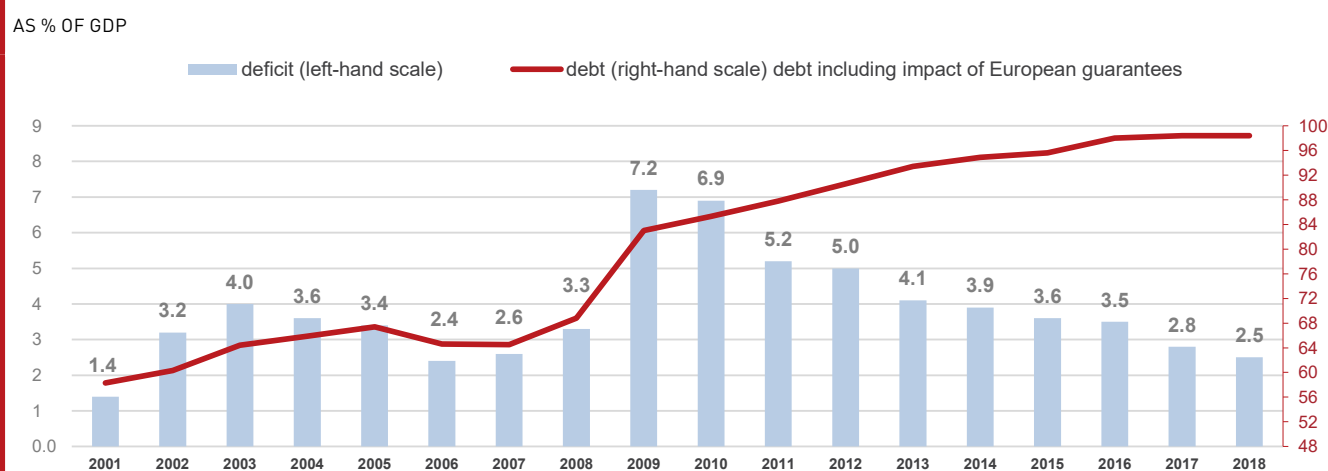
	2017	2018	end of April level		
			2017	2018	2019
General budget balance	-73.35	-76.91	-34.26	-35.01	-47.46
Revenue	313.59	313.79	100.25	98.18	88.72
Expenditure	386.94	390.69	134.51	133.19	134.56
Balance of special Treasury accounts	5.53	0.82	-23.67	-19.33	-19.75
General budget outturn	-67.67	-76.00	-57.93	-54.34	-67.22

* manufactured products

Sources: Insee, Minefi, Banque de France

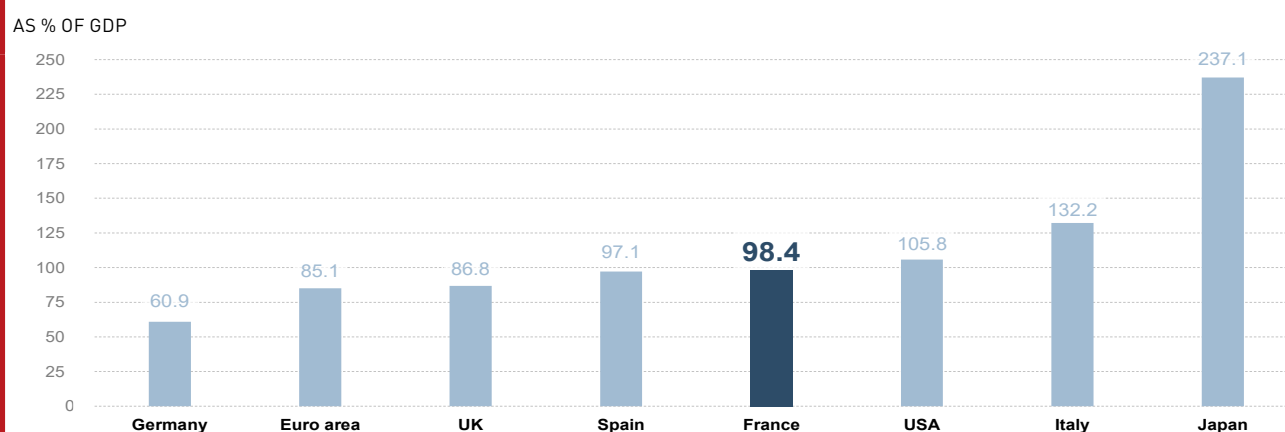
Source: Ministry of Public Action and Accounts

PUBLIC FINANCES: DEFICIT AND DEBT




Sources: Insee


GENERAL GOVERNMENT DEBT IN 2018



Sources: Eurostat, FMI, Insee

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5 Foreign trade by value in May	5 Balance of payments in May	10 Industrial production: May index	11 Consumer prices: June index	15 Net international reserves in June	17 Inflation (HICP): June index
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19 Inflation (HICP): July index	27 Monthly business survey (goods-producing industries) in August	27 Industrial investments: July survey	27 Consumer confidence survey: August survey	28 Housing starts in July	29 Quarterly national accounts: final results Q2-2019
29 Household consumption expenditure on goods in July	30 Industrial producer and import price: July indices				

Sources: Insee, Eurostat

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