

N°353
OCTOBER
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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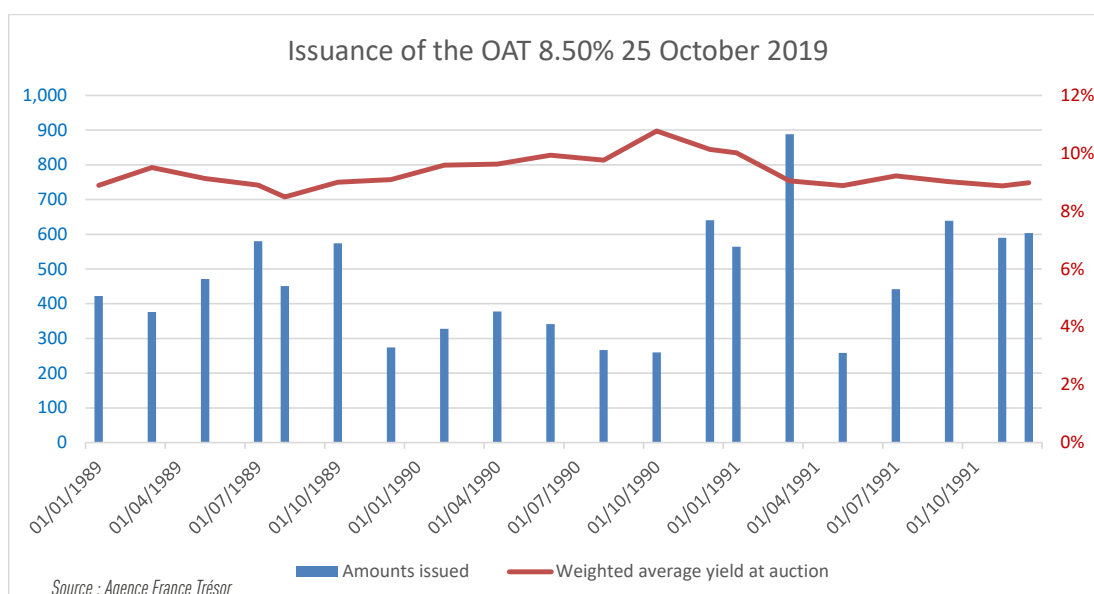
OAT 8.50% 25 OCTOBER 2019: REVIEW OF THE FIRST 30-YEAR BOND ISSUED BY FRANCE

On 25 October, Agence France Trésor redeemed the 30-year OAT 25 October 2019, which carried an 8.5% coupon. A look back at the circumstances surrounding the creation of this OAT on 5 January 1989.

François Mitterrand was the President of the French Republic, embarking on his second term. Michel Rocard was Prime Minister and Pierre Bérégovoy was the Minister for the Economy and Finance. France's economy was growing at 4.0% and inflation stood at 3.6%. The unemployment rate was falling and stood at 8.2%. The central government deficit was improving and stood at 1.8% of GDP. Government debt stood at about 34% of GDP. France was running a trade deficit equivalent to 1 percentage point of GDP. France's national currency was the franc.

In January 1989, the French Treasury launched the OAT 8.5% 25 October 2019. The new 30-year bond, was equivalent to the American "benchmark" bond. It was an innovation for the European market, which had hitherto never seen an initial maturity of more than 25 years. The farthest point on France's yield curve was 25 years as well. The Treasury's move was aimed at supplementing the French yield curve with a more distant maturity.

The new 30-year bond was sold against the backdrop of hopes that French yields would ease. The vulnerability of the franc was an obstacle to lower yields at the time, because they included a premium (to compensate for the risk of a currency devaluation). In mid-January 1989, long-term yields dipped below 8.60%. It was at this point that the coupon rate was set for the new 30-year bond. However, long-term yields did not ease right away, as the chart of weighted average yields at auction shows. The weighted average yield at all auctions from 1989 to 1991 stood at 9.29%.



The new bond had been announced in the 1989 schedule of Treasury issuance, with at least one billion francs to be issued at each auction. The first auction was held on 5 January 1989, as the sale of the third tranche of the January 1989 government loan. The chart illustrated above shows the issuance of the bond, with the amounts converted into euros. All of the issuance took place between January 1989 and December 1991, with 20 auctions for a total outstanding amount of 61.328 billion francs.

After the conversion into euros on 1 January 1999, two buybacks for each auction reduced the outstanding amount by €125 million in 2000 and by €380 million in 2001. As of 30 September 2019, the outstanding amount stood at €1.844 billion, with €5,591 billion, or 63.21% being stripped.

The 30-year OAT was a hit with investors. In June 1989, the Treasury told the press that “placement of the recently-issued very long-term bonds has been a success showing that these products are well suited for the Paris financial market. The Treasury also unveiled another innovation that year: the introduction of bonds in ECU, with the syndicated launch in April 1989 of the OAT 8.50% 12 May 1997.

The redemption of the October 2019 bond will reduce the debt burden. If we consider the average yield at issue for medium-to-long-term debt securities since the beginning of 2019 (across all maturities), which stands at a weighted average of 0.16% at this point in the year, we see that the resulting debt burden savings in 2020 as a whole will stand at approximately €0.8 billion.

MACROECONOMIC FRAMEWORK OF THE 2020 DRAFT BUDGET BILL: CONTINUING REFORM EFFORTS WHILE ADAPTING TO THE GLOBAL ECONOMIC SLOWDOWN

The French economy is expected to sustain robust growth in 2019 and 2020 despite a downturn in the international environment. The government's ambitious structural reforms since the start of the five-year Presidential term are boosting economic activity and employment. The government is pressing ahead with efforts to recast France's economic model in the wake of the Great National Debate (Grand débat national), and is even fast-tracking some measures – especially on making work more rewarding.

Activity held up well in France in 2018 (1.7%) against a less favourable international environment (slowdown in global demand linked to the stepping up of protectionist measures, rise in oil prices and past appreciation of the euro). Household consumption was sluggish in 2018, but growth held firm thanks to **resilient exports and vibrant business investment**.

Despite a slowdown in activity, due in large part to the international environment, France's economic situation has improved on a number of fronts:

- In terms of employment, job creation was especially strong in 2018 and the first half of 2019 (500,000 jobs added in total over two years, since Q3 2017), echoing the upturn in activity and investment seen since the second half of 2017. Despite an increase in the working-age population, the **unemployment rate** for France as a whole fell to 8.5% in Q2 2019, its **lowest level since 2009**. **Other employment metrics** are moving in the right direction: **youth unemployment** stood at 19.4% in Q2 2019, while the **long-term** unemployment rate was 3.2% for mainland France. **Job quality** is also maintaining its upward trajectory. In mainland France, the proportion of workers on open-ended contracts (CDIs) stands at 49.7% (up from 49.2% two years ago), and 54.7% of workers are now in full-time employment (compared with 53.4% two years ago).

- France is also continuing to **strengthen its appeal** as a **place to invest and do business**, with inward foreign direct investment (FDI) hitting an all-time high of €48 billion in 2018. Significant progress has also been made in international rankings, particularly in the Global Competitiveness Report published by the World Economic Forum (or "Davos Forum"), which saw France climb five places to 17th in 2018.

- France maintained its **fiscal consolidation path** in 2018. The public deficit fell again to 2.5% of GDP, reflecting a **record 0.3% real-terms drop in public expenditure** – a virtually unprecedented achievement. However, this exceeding of the 3% threshold will be both temporary and exceptional, with the deficit expected to climb back to 3.1% of GDP in 2019 due to the conversion of the Competitiveness and Employment Tax Credit (CICE) into a reduction in employer contributions. The deficit will then return to 2.2% of GDP in 2020, falling further to 1.5% in 2022. Public expenditure containment efforts will continue throughout the Presidential term through a series of structural reforms geared towards achieving efficiency gains in public action and raising public service standards.

Growth is expected to remain sturdy at 1.4% in 2019 and 1.3% in 2020 under the effect of dynamic household consumption which, in 2019 and beyond, will be strongly supported by robust job creation, as well as by labour and purchasing power adjustment measures (increase in the in-work benefit, and cuts to social security contributions, the residence tax and income tax). Other supporting factors include ongoing high levels of business investment and the ability of French firms to cater to external demand.

INDICATIVE AUCTION SCHEDULE

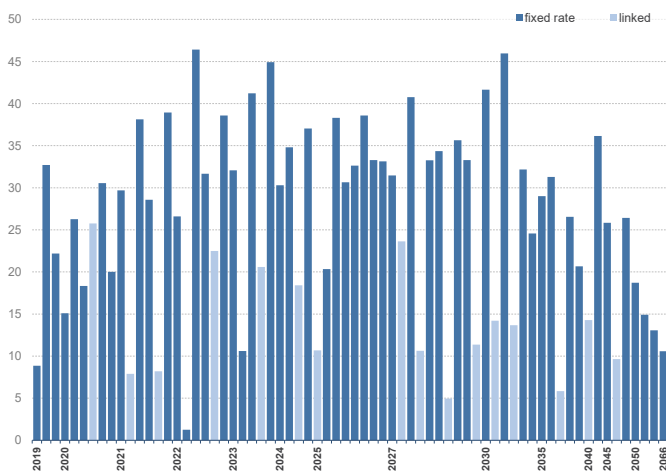
		Short-term					Medium-term	Long-term	Index-linked
November 2019	auction date	4	12	18	25	/	21	7	21
	settlement date	6	14	20	27	/	25	11	25
December 2019	auction date	2	9	16	23	/	5	5	5
	settlement date	4	11	18	27	/	9	9	9

optional auctions
 anticipated or delayed (bank holidays, etc.)

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 30 SEPTEMBER 2019

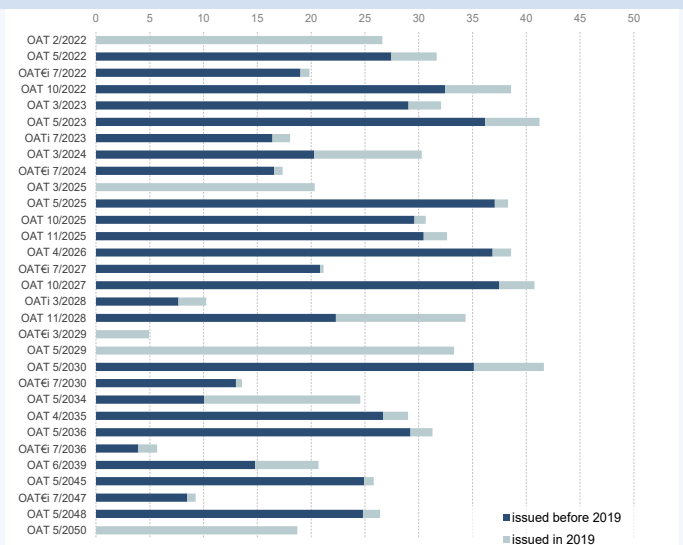
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 30 SEPTEMBER 2019

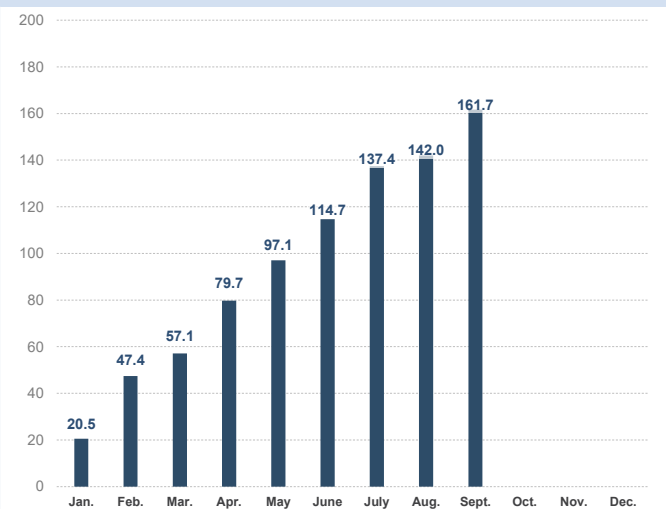
IN € BILLION



Source: Agence France Trésor

ISSUANCE NET OF BUYBACKS AT 30 SEPTEMBER 2019

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 30 SEPTEMBER 2019

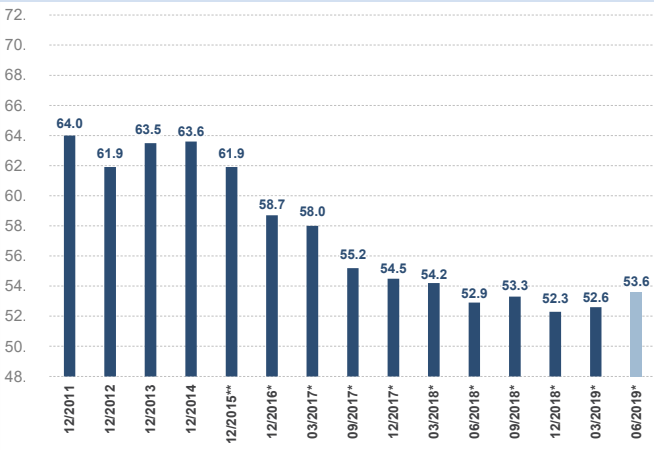
IN € BILLION

Month	Coupon	Redemption
Oct-19	12.7	41.5
Nov-19	1.5	22.2
Dec-19		0.0
Jan-20		
Feb-20		15.1
Mar-20	0.0	
Apr-20	12.2	26.3
May-20	6.9	18.3
Jun-20	0.4	
Jul-20	3.0	26.1
Aug-20		
Sep-20		

Source: Agence France Trésor

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

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE

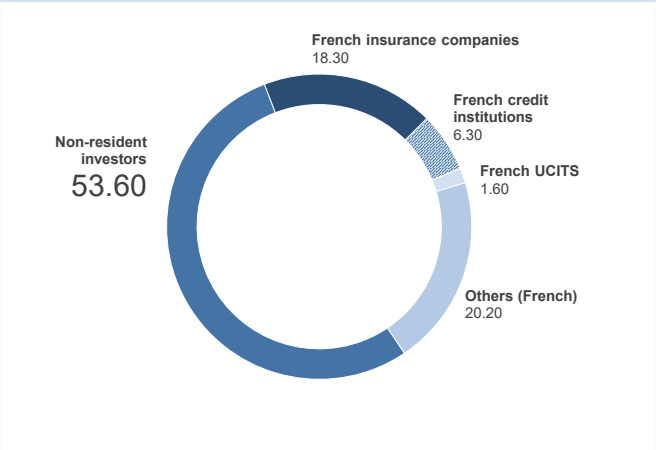


(*) figures quarterly revised

(**) figures annually revised

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

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 30 SEPTEMBER 2019

IN EUROS

Total medium- and long-term debt	1,740,300,417,643
Total stripping activity	62,974,134,700
Average maturity	8 years and 161 days
Total short-term debt	113,617,000,000
Average maturity	116 days
Total outstanding	1,853,917,417,643
Average maturity	7 years and 344 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2015 AT 30 SEPTEMBER 2019

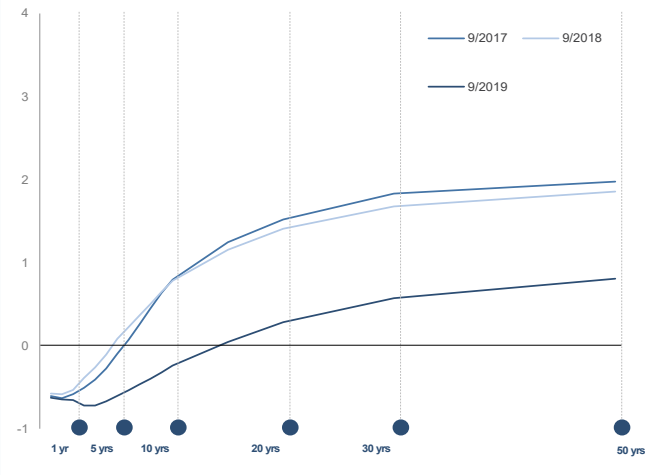
IN € BILLION

	End 2016	End 2017	End 2018	End August 2019	End Sept. 2019
Negotiable government debt outstanding	1,621	1,686	1,756	1,836	1,854
<i>of which index-linked securities</i>	<i>200</i>	<i>202</i>	<i>220</i>	<i>221</i>	<i>222</i>
Medium- and long-term	1,487	1,560	1,644	1,721	1,740
Short-term	134	126	113	114	114
Average maturity of the negotiable debt	7 years	7 years	7 years	7 years	7 years
	195 days	296 days	336 days	352 days	344 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

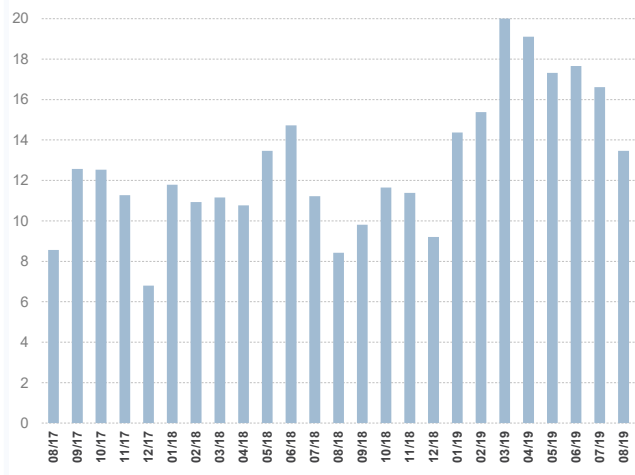
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

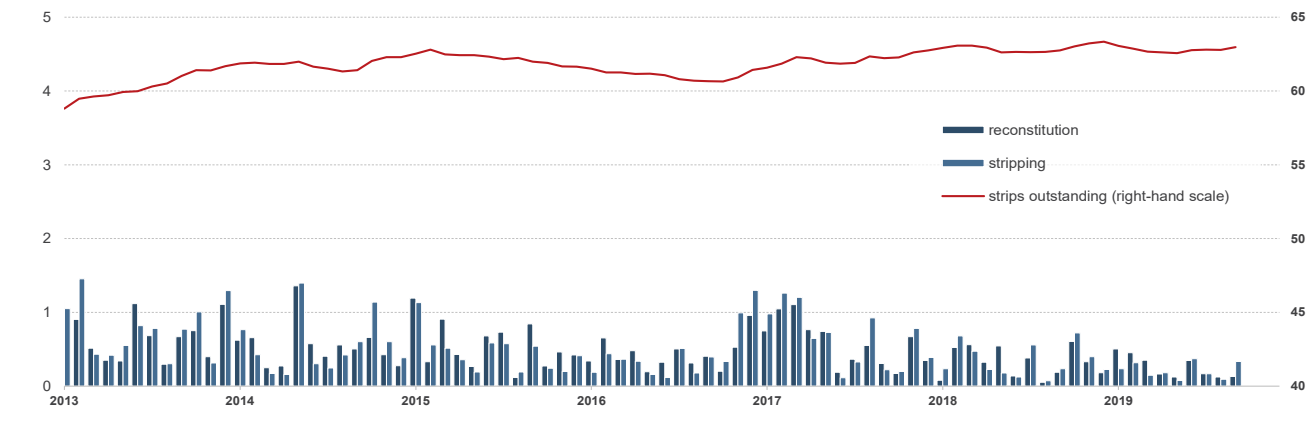
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

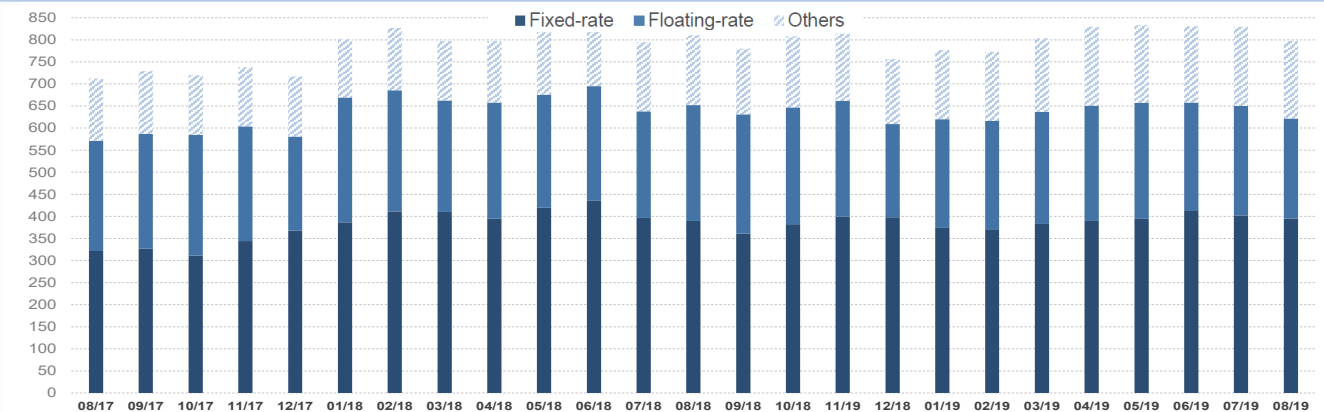
IN € BILLION



Source: Euroclear

PRIMARY DEALERS, REPO OUTSTANDING AT END OF MONTH

IN € BILLION



Source: reporting by primary dealers in government securities

SHORT-TERM DEBT AT 30 SEPTEMBER 2019

ISIN Code	Maturity	Outstanding(€)
FR0125692352	BTF 2 October 2019	5,620,000,000
FR0125218257	BTF 9 October 2019	4,848,000,000
FR0125692360	BTF 16 October 2019	4,994,000,000
FR0125533093	BTF 23 October 2019	4,101,000,000
FR0125692378	BTF 30 October 2019	5,729,000,000
FR0125218265	BTF 6 November 2019	4,204,000,000
FR0125692386	BTF 14 November 2019	5,293,000,000
FR0125533101	BTF 20 November 2019	5,062,000,000
FR0125692394	BTF 27 November 2019	5,489,000,000
FR0125218273	BTF 4 December 2019	2,578,000,000
FR0125692402	BTF 11 December 2019	4,894,000,000
FR0125692410	BTF 18 December 2019	5,609,000,000
FR0125375099	BTF 2 January 2020	4,991,000,000
FR0125692428	BTF 15 January 2020	5,122,000,000
FR0125375107	BTF 29 January 2020	4,165,000,000
FR0125692436	BTF 12 February 2020	4,184,000,000
FR0125375115	BTF 26 February 2020	4,483,000,000
FR0125533119	BTF 25 March 2020	5,811,000,000
FR0125533127	BTF 22 April 2020	4,897,000,000
FR0125533135	BTF 20 May 2020	4,669,000,000
FR0125533143	BTF 17 June 2020	4,616,000,000
FR0125692451	BTF 15 July 2020	5,158,000,000
FR0125692469	BTF 12 August 2020	5,267,000,000
FR0125692477	BTF 9 September 2020	1,833,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2019-2022) AT 30 SEPTEMBER 2019

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2019		63,759,963,611				
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		136,008,070,200				
FR0013232485	OAT 0.00% 25 February 2020	15,090,000,000			0	x
FR0010854182	OAT 3.50% 25 April 2020	26,261,000,000			0	
FR0012557957	OAT 0.00% 25 May 2020	18,332,000,000			0	x
FR0010050559	OAT€i 2.25% 25 July 2020	25,760,070,200 (1)	1.27462	20,210,000,000	0	
FR0010949651	OAT 2.50% 25 October 2020	30,547,000,000			0	
FR0012968337	OAT 0.25% 25 November 2020	20,018,000,000			3,000,000	x
Maturity 2021		151,414,423,400				
FR0013311016	OAT 0.00% 25 February 2021	29,681,000,000			0	x
FR0013140035	OAT€i 0.10% 1 March 2021	7,905,713,400 (1)	1.04490	7,566,000,000	0	x
FR0010192997	OAT 3.75% 25 April 2021	38,129,000,000			0	
FR0013157096	OAT 0.00% 25 May 2021	28,572,000,000			0	x
FR0011347046	OATi 0.10% 25 July 2021	8,185,710,000 (1)	1.04945	7,800,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	38,941,000,000			0	
Maturity 2022		167,017,374,290				
FR0013398583	OAT 0.00% 25 February 2022	26,608,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			601,888,400	
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	22,495,434,300 (1)	1.13310	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	38,582,000,000			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 30 SEPTEMBER 2019

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2023		149 422 348 863				
FR0013283686	OAT 0.00% 25 March 2023	32 076 000 000			0	×
FR0000571085	OAT 8.50% 25 April 2023	10 606 195 903			5 396 665 200	
FR0011486067	OAT 1.75% 25 May 2023	41 220 000 000			0	×
FR0010585901	OATi 2.10% 25 July 2023	20 602 152 960 (1)	1,14152	18 048 000 000	0	
FR0010466938	OAT 4.25% 25 October 2023	44 918 000 000			432 585 000	
Maturity 2024		120 539 451 600				
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	18 416 451 600 (1)	1,06110	17 356 000 000	0	×
FR0011962398	OAT 1.75% 25 November 2024	37 025 000 000			42 000 000	×
Maturity 2025		132 601 234 048				
FR0012558310	OATi 0.10% 1 March 2025	10 672 305 930 (1)	1,04049	10 257 000 000	0	×
FR0013415627	OAT 0.00% 25 March 2025	20 340 000 000			0	×
FR0012517027	OAT 0.50% 25 May 2025	38 297 000 000			0	×
FR0000571150	OAT 6.00% 25 October 2025	30 653 928 118			2 820 764 400	
FR0012938116	OAT 1.00% 25 November 2025	32 638 000 000			0	×
Maturity 2026		104 993 000 000				
FR0010916924	OAT 3.50% 25 April 2026	38 595 000 000			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		95 831 890 800				
FR0013250560	OAT 1.00% 25 May 2027	31 451 000 000			0	×
FR0011008705	OAT€i 1.85% 25 July 2027	23 627 890 800 (1)	1,11663	21 160 000 000	0	
FR0011317783	OAT 2.75% 25 October 2027	40 753 000 000			42 543 600	
Maturity 2028		78 293 872 661				
FR0013238268	OATi 0.10% 1 March 2028	10 635 761 250 (1)	1,03875	10 239 000 000	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		85 247 254 220				
FR0013410552	OAT€i 0.10% 1 March 2029	4 955 370 150 (1)	1,00535	4 929 000 000	0	×
FR0000571218	OAT 5.50% 25 April 2029	35 644 880 458			2 572 346 100	
FR0013407236	OAT 0.50% 25 May 2029	33 281 000 000			0	×
FR0000186413	OATi 3.40% 25 July 2029	11 366 003 612 (1)	1,30133	8 734 144 000	0	
Maturity 2030		55 842 415 220				
FR0011883966	OAT 2.50% 25 May 2030	41 642 000 000			0	×
FR0011982776	OAT€i 0.70% 25 July 2030	14 200 415 220 (1)	1,04746	13 557 000 000	0	×
Maturity 2031		45 948 000 000				
FR0012993103	OAT 1.50% 25 May 2031	45 948 000 000			54 500 000	×
Maturity 2032		45 832 320 850				
FR0000188799	OAT€i 3.15% 25 July 2032	13 669 998 250 (1)	1,29145	10 585 000 000	0	
FR0000187635	OAT 5.75% 25 October 2032	32 162 322 600			11 147 357 400	
Maturity in 2033 and beyond		307 548 797 880				
FR0013313582	OAT 1.25% 25 May 2034	24 577 000 000			0	×
FR0010070060	OAT 4.75% 25 April 2035	29 004 000 000			4 774 537 000	
FR0013154044	OAT 1.25% 25 May 2036	31 286 000 000			0	×
FR0013327491	OAT€i 0.10% 25 July 2036	5 850 986 050 (1)	1,02739	5 695 000 000	0	×
FR0010371401	OAT 4.00% 25 October 2038	26 534 000 000			4 738 931 400	
FR0013234333	OAT 1.75% 25 June 2039	20 677 000 000			0	×
FR0010447367	OAT€i 1.80% 25 July 2040	14 292 076 630 (1)	1,19629	11 947 000 000	0	
FR0010773192	OAT 4.50% 25 April 2041	36 152 000 000			6 584 199 000	
FR0011461037	OAT 3.25% 25 May 2045	25 824 000 000			1 409 010 000	×
FR0013209871	OAT€i 0.10% 25 July 2047	9 653 735 200 (1)	1,04252	9 260 000 000	0	×
FR0013257524	OAT 2.00% 25 May 2048	26 409 000 000			747 800 000	×
FR0013404969	OAT 1.50% 25 May 2050	18 727 000 000			138 600 000	×
FR0010171975	OAT 4.00% 25 April 2055	14 926 000 000			7 774 818 000	
FR0010870956	OAT 4.00% 25 April 2060	13 055 000 000			7 420 104 100	
FR0013154028	OAT 1.75% 25 May 2066	10 581 000 000			676 900 000	×

(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	-0.5%	Aug. 2019
Household consumption*, year-on-year	0.5%	Sep. 2019
Unemployment rate (ILO)	8.5%	Q2 2019
Consumer prices, year-on-year		
• all items	0.9%	Oct. 2019
• all items excluding tobacco	0.8%	Oct. 2019
Trade balance, fob-fob, sa (€bn)	-€5.0bn	Aug. 2019
" "	-€4.5bn	Jul. 2019
Current account balance, sa (€bn)	-€2.5bn	Aug. 2019
" "	-€0.3bn	Jul. 2019
10-year constant maturity rate (TEC10)	-0.06%	29 Oct. 2019
3-month interest rate (Euribor)	-0.41%	25 Oct. 2019
EUR / USD	1.11	29 Oct. 2019
EUR / JPY	120.88	29 Oct. 2019

MONTHLY GOVERNMENT BUDGET POSITION

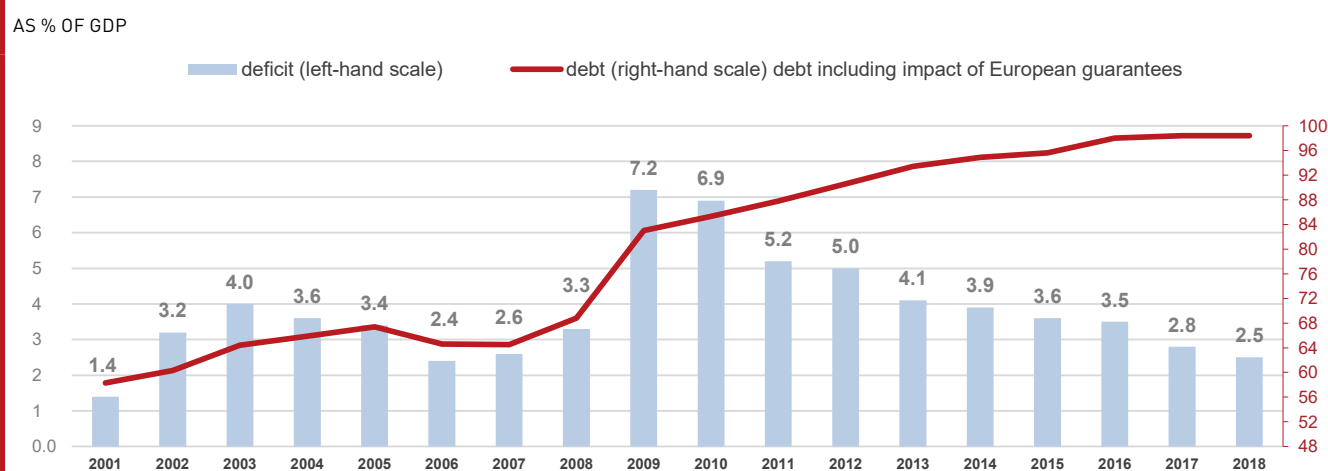
	end of August level				
	2017	2018	2017	2018	2019
General budget balance	-73.35	-76.91	-60.89	-65.99	-92.29
Revenue	313.59	313.77	201.50	197.70	180.68
Expenditure	386.94	390.69	262.39	263.69	272.97
Balance of special Treasury accounts	5.53	0.82	-32.11	-31.31	-30.85
General budget outturn	-67.67	-76.00	-93.00	-97.30	-123.14

* manufactured products

Sources: Insee, Minefi, Banque de France

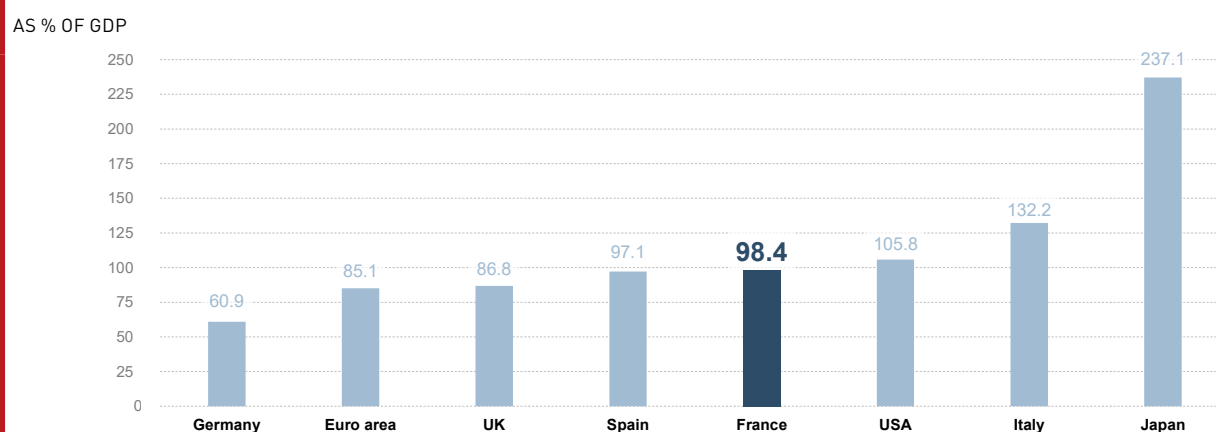
Source: Ministry of Public Action and Accounts

PUBLIC FINANCES: DEFICIT AND DEBT



Sources: Insee


GENERAL GOVERNMENT DEBT IN 2018



Sources: Eurostat, FMI, Insee

NOVEMBER 2019 

7 Industrial investments: October survey	8 Foreign trade by value in September	8 Flash estimate of payroll employment: Q3 - 2019	8 Balance of payments in Septembre	8 Industrial production: October index	14 Industrial producer and import price: October indices
15 Net international reserves in October	21 Monthly business survey (goods-producing industries) in November	27 Consumer confidence survey: November survey	29 Quarterly national accounts: final results Q3-2019	29 Consumer prices: November index	29 Industrial producer and import price: October indices
29 Household consumption expenditure on goods in October					

DECEMBER 2019 

6 Balance of payments in October	6 Foreign trade by value in October	10 Payroll employment: Q4 2019	10 Industrial production: October index	12 Consumer prices: November index	13 Net international reserves in November
18 Inflation (HICP) : October index	19 Monthly business survey (goods-producing industries) in December	20 Industrial producer and import price: November indices	20 Household consumption expenditure on goods in November	20 Debt of the general government according to Maastricht definition Q3 2019	

Sources: Insee, Eurostat

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