

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

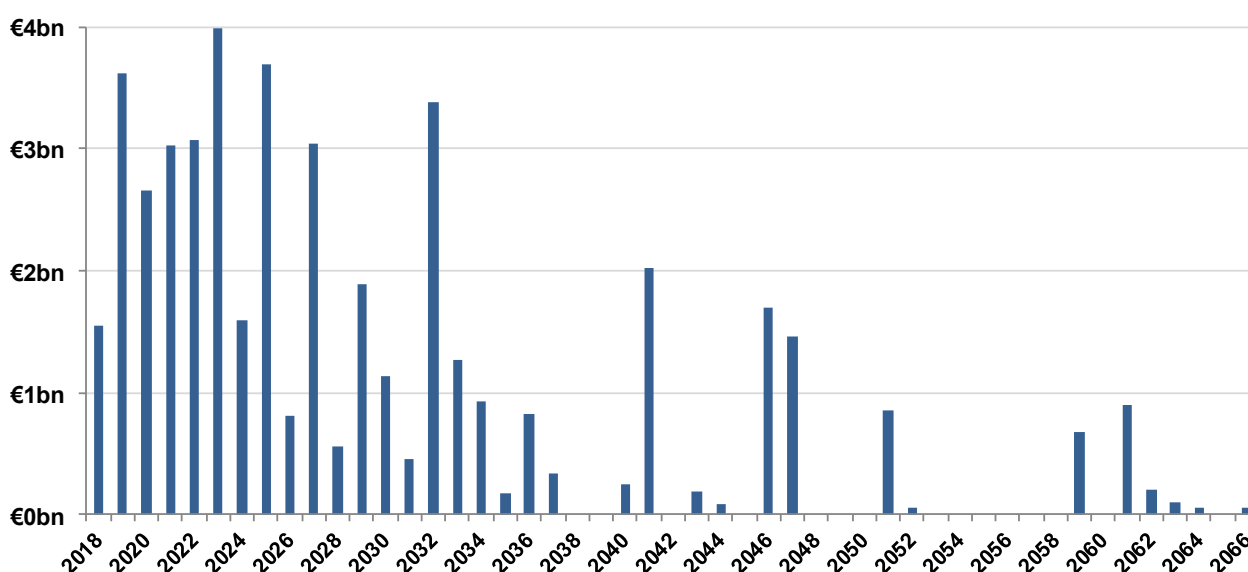
AFT is prepared for the French government's decision to take on railway debt

On 25 May 2018, Prime Minister Édouard Philippe announced that as part of the railway reform currently being debated in the French Parliament, the State would take on €35bn of debt held by French railway operator SNCF Réseau. This debt will be transferred in two stages: €25bn in 2020, followed by €10bn in 2022. These transactions will unburden SNCF Réseau's financial structure quite substantially, reducing SNCF Réseau's financial expenses by more than €1bn p.a.

Together with improved operating performance in the SNCF group, this debt transfer will bring the company back to financial break-even in 2022.

While debt capital repayment and related interest payments will have an impact on the State's debt issuance, this impact will be absorbed by the market. The SNCF's debt maturity schedule (see chart below) remains unchanged, so the additional borrowing requirement for the State will be spread over time. Moreover, additional debt redemptions will be much smaller than the French government financing programme and will come at a time when the reforms enacted to restore public finances have reduced deficits and therefore lowered borrowing requirements.

Debt maturity schedule for SNCF Réseau



Source: SNCF

By way of comparison, a previous transfer of €8bn in railway debt to the special debt account (SAAD) did not result in a significant increase in debt issuance. Of this debt, an average of €1.1bn p.a. was refinanced over 2008-2013, with €1.4bn still to mature (maturities in 2020 and 2023).

ECB preparing the next normalization step

Adam Kurpiel, Head of Rates Strategy,
Société Générale CIB

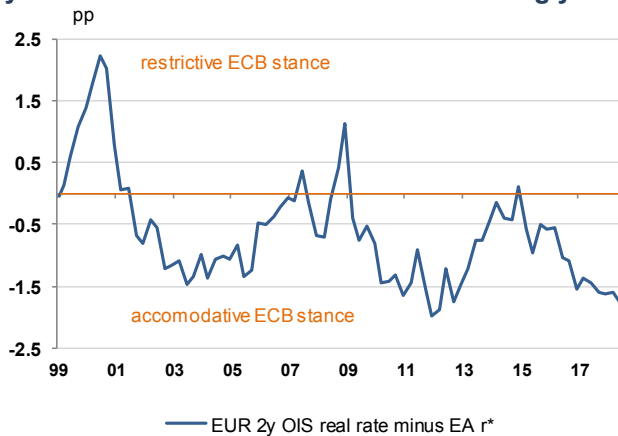
The ECB's net asset purchases are intended to run at the monthly pace of €30bn until the end of September 2018 at least. The ECB will have to decide this summer what to do next, possibly already at the upcoming 14 June meeting.

New ECB inflation forecasts are unlikely to be improved in June. The euro area core inflation will move above 1% likely in October only. This strengthens the case for an extension of net asset purchases, but also increases the risk of all details being announced at the 26 July meeting.

At current low volumes, ECB purchases play essentially a signaling role, as the ECB expects its key interest rates to remain at their present levels well past the horizon of net asset purchases. Recent ECB talk suggests that "well past" means at least some quarters, but not years. An extension of purchases beyond September would be aimed at preventing the market from expecting rate hikes too soon. The market expects currently roughly 30 basis points (bp) hikes in 2019, with the first 20bp hike almost 100% priced for September 2019.

The ECB has significant room for policy normalization. Short maturity real rates are at historical lows and have rarely been so low vs natural interest rate estimates. Higher real rates because of falling inflation expectations were an issue for the ECB in late 2014 and motivated the decision to start asset purchases. The opposite is true now.

Historically low real rates mean ECB stance is strongly accommodative



Source: SG Cross Asset Research/Rates; Holston, Laubach, and Williams, www.frbsf.org

The negative effect of ECB asset purchases on the EUR term premium is likely to decline gradually because of what is referred to as the "portfolio ageing effect". Recent ECB's calculations suggest a 10bp/year increase in the EUR 10y term premium. This implicitly assumes that re-investments of the proceeds from principal payments of the maturing securities would not completely offset the endogenous decay of the average portfolio duration. A faster increase in rates would require a hawkish adjustment of ECB's rate expectations.

By accompanying the inevitable end of net asset purchases, the ECB will have to stress the forward guidance on rates, and may be tempted to exaggerate its dovish stance, thereby anchoring the short maturity rates relative to longer maturities. This implies a bias for steeper 2-5y and 2-10y OAT curves if rates increase.

Typically, yield curve bear-flattens ahead of a new rate hiking cycle. This time, because of extremely prudent ECB policy normalization, the flattening of 2-5y and 2-10y segments may be delayed, even if 10-30y and 5-10y segments are at risk of bear-flattening if rates increase accelerates. Indeed, at this stage of the cycle, the 5y maturity remains the most exposed to potential bearish forces. This is especially true in the context of solid economic growth and given the ECB wants to remain reactive rather than proactive, which feeds expectations of stronger policy normalization later rather than sooner.

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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.

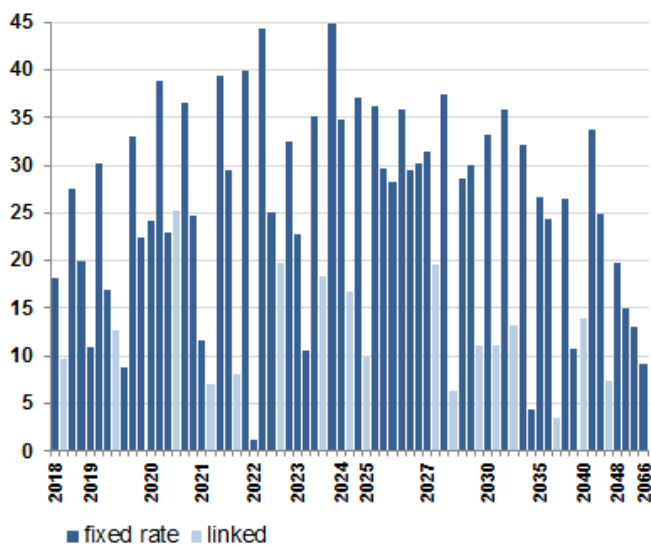
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
June 2018	auction date	4	11	18	25	/	21	7	21
	settlement date	6	13	20	27	/	25	11	25
July 2018	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	1 August	23	9	23

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 30 April 2018

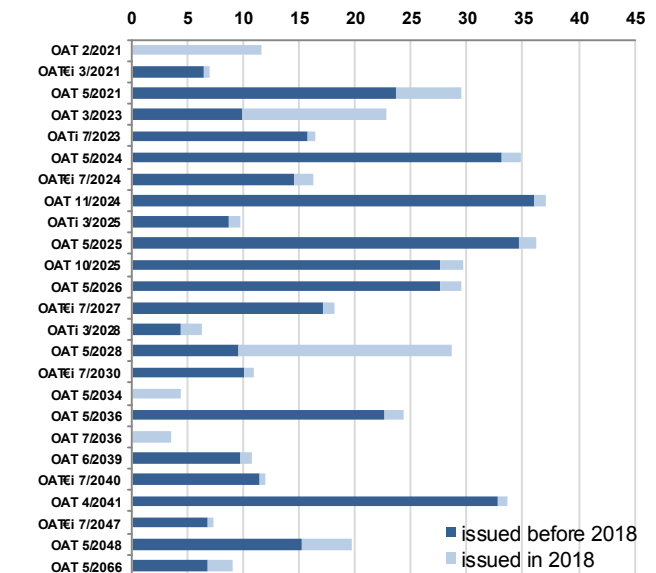
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 April 2018

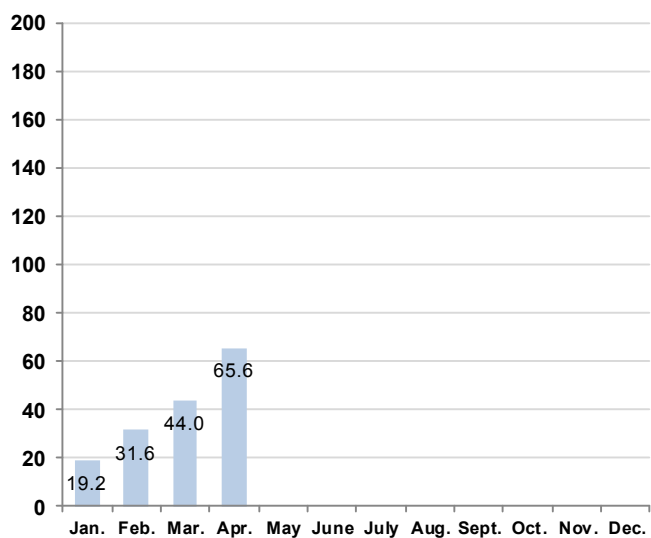
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 April 2018

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 30 April 2018

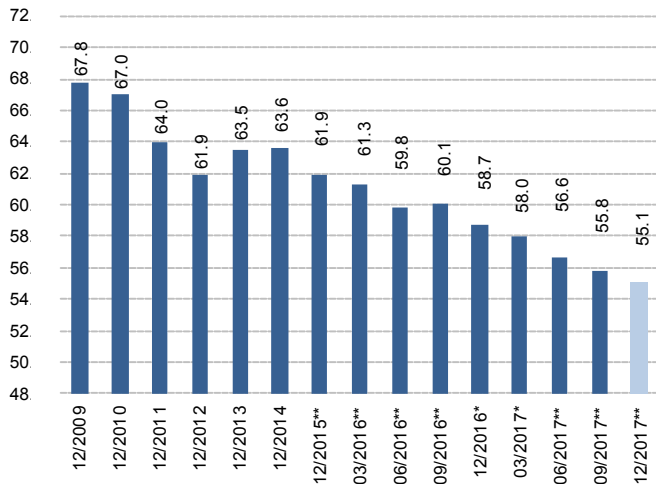
In € billion

Month	Coupon	Redemption
May-18	5.7	18.2
Jun-18	0.2	
Jul-18	2.9	9.9
Aug-18		
Sep-18		
Oct-18	13.7	27.5
Nov-18	1.4	19.9
Dec-18		
Jan-19		
Feb-19		10.9
Mar-19	0.0	
Apr-19	13.3	30.2

Source: Agence France Trésor

Non-resident holders of negotiable government debt in fourth quarter of 2017

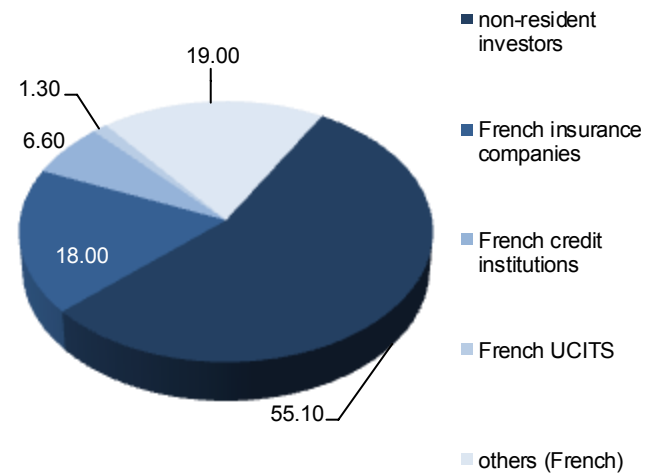
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in fourth quarter of 2017

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 30 April 2018

In euros

Total medium- and long-term debt	1,584,379,218,500
Total stripping activity	62,937,134,700
Average maturity	8 years and 191 days
Total short-term debt	134,026,000,000
Average maturity	106 days
TOTAL OUTSTANDING	1,718,405,218,500
Average maturity	7 years and 322 days

Source: Agence France Trésor

Negotiable government debt since 2015 at 30 April 2018

In € billion

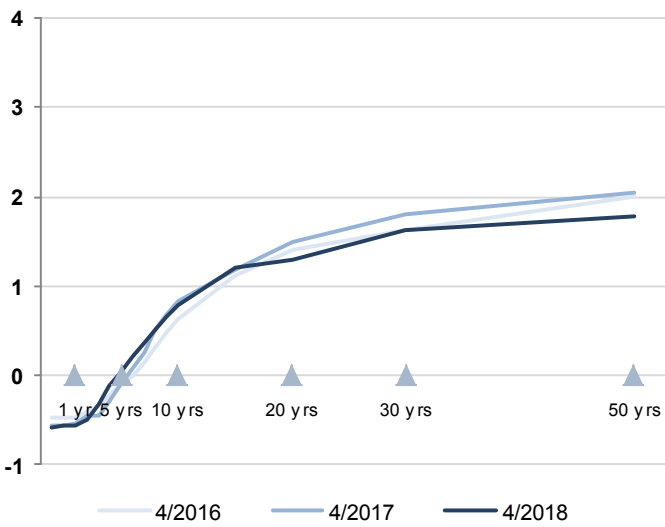
	End 2015	End 2016	End 2017	End March 2018	End April 2018
Negotiable government debt outstanding	1,576	1,621	1,686	1,725	1,718
<i>of which index-linked securities</i>	190	200	202	208	214
Medium- and long-term	1,424	1,487	1,560	1,590	1,584
short-term	153	134	126	135	134
Average maturity of the negotiable debt					
	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	288 days	322 days

Source: Agence France Trésor



Yield curve for French government securities

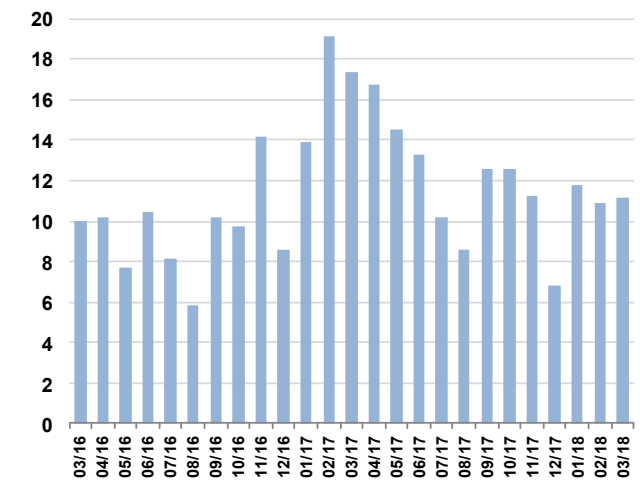
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

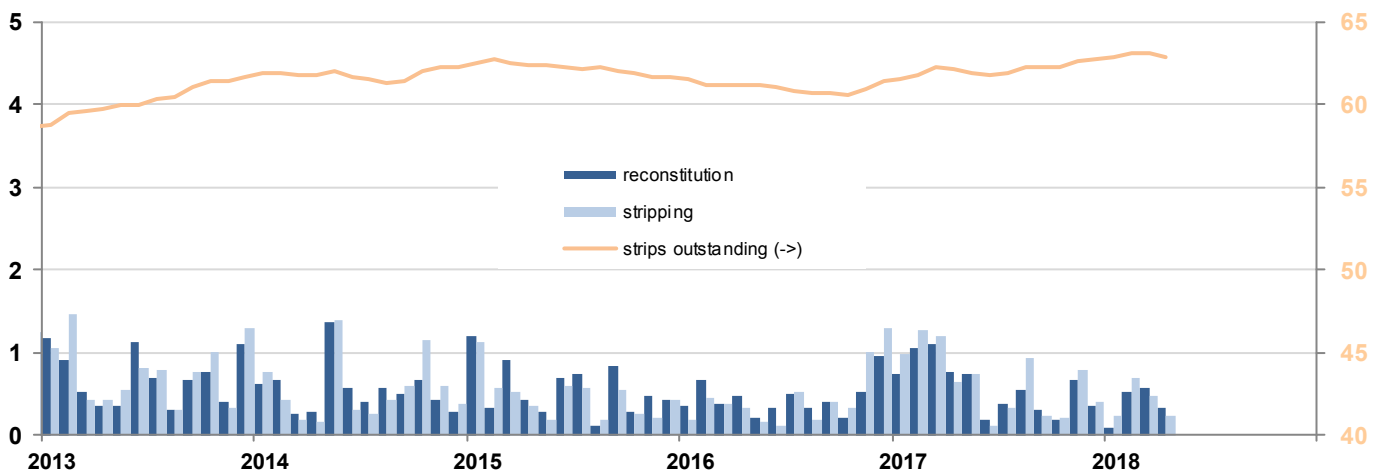
In € billion



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

Total stripping and reconstitution

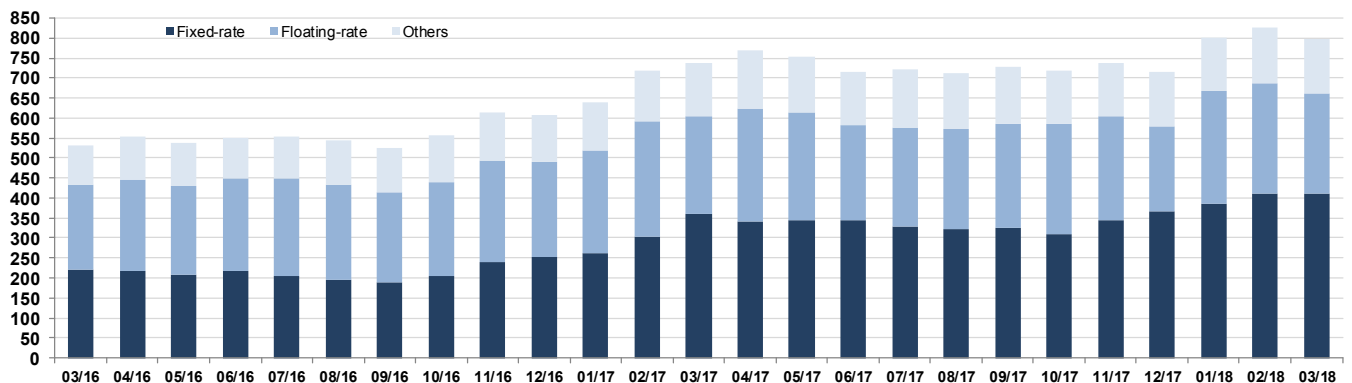
In € billion



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 April 2018

	Maturity	Outstanding (€)
BTF	3 May 2018	6,377,000,000
BTF	9 May 2018	5,682,000,000
BTF	16 May 2018	6,814,000,000
BTF	24 May 2018	6,928,000,000
BTF	30 May 2018	7,794,000,000
BTF	13 June 2018	8,240,000,000
BTF	20 June 2018	9,282,000,000
BTF	27 June 2018	6,995,000,000
BTF	4 July 2018	6,333,000,000
BTF	11 July 2018	7,380,000,000
BTF	18 July 2018	3,632,000,000
BTF	25 July 2018	3,698,000,000
BTF	1 August 2018	7,636,000,000
BTF	15 August 2018	4,089,000,000
BTF	29 August 2018	5,228,000,000
BTF	12 September 2018	1,947,000,000
BTF	26 September 2018	2,518,000,000
BTF	10 October 2018	4,734,000,000
BTF	7 November 2018	4,847,000,000
BTF	5 December 2018	2,175,000,000
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

Medium- and long-term debt (maturing 2018-2021) at 30 April 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2018	75,397,239,500			
FR0011394345	OAT 1.00% 25 May 2018*	18,191,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,749,239,500 (1)	1.05700	9,223,500,000	0
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	135,018,583,959			
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*	16,880,000,000			0
FR0010850032	OATi 1.30% 25 July 2019	12,724,516,400 (1)	1.08386	11,740,000,000	0
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,596,585,100
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	172,657,071,300			
FR0013232485	OAT 0.00% 25 February 2020*	24,209,000,000			0
FR0010854182	OAT 3.50% 25 April 2020	38,946,000,000			0
FR0012557957	OAT 0.00% 25 May 2020*	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,189,071,300 (1)	1.24023	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	135,415,954,360			
FR0013311016	OAT 0.00% 25 February 2021*	11,631,000,000			0
FR0013140035	OAT€i 0.10% 1 March 2021*	7,031,566,360 (1)	1.01671	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	8,006,388,000 (1)	1.02646	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 30 April 2018

ISIN Code	Bond Maturity 2022	Outstanding (€) 122,920,200,360	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	44,359,000,000			0
FR0013219177	OAT 0.00% 25 May 2022*	25,105,000,000			0
FR0010899765	OAT€i 1.10% 25 July 2022	19,767,260,370 (1)	1.10253	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
Maturity 2023		131,819,542,453			
FR0013283686	OAT 0.00% 25 March 2023*	22,742,000,000			0
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,373,565,200
FR0011486067	OAT 1.75% 25 May 2023*	35,237,000,000			0
FR0010585901	OATi 2.10% 25 July 2023	18,316,346,550 (1)	1.11651	16,405,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			431,085,000
Maturity 2024		88,526,942,490			
FR0011619436	OAT 2.25% 25 May 2024*	34,810,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024*	16,691,942,490 (1)	1.03247	16,167,000,000	0
FR0011962398	OAT 1.75% 25 November 2024*	37,025,000,000			51,000,000
Maturity 2025		103,952,025,218			
FR0012558310	OATi 0.10% 1 March 2025*	9,895,097,100 (1)	1.01770	9,723,000,000	0
FR0012517027	OAT 0.50% 25 May 2025*	36,156,000,000			0
FR0000571150	OAT 6.00% 25 October 2025	29,593,928,118			2,858,064,400
FR0012938116	OAT 1.00% 25 November 2025*	28,307,000,000			0
Maturity 2026		95,504,000,000			
FR0010916924	OAT 3.50% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.50% 25 May 2026*	29,476,000,000			0
FR0013200813	OAT 0.25% 25 November 2026*	30,214,000,000			0
Maturity 2027		88,563,044,500			
FR0013250560	OAT 1.00% 25 May 2027*	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	19,658,044,500 (1)	1.08650	18,093,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			59,043,600
Maturity 2028		34,996,319,614			
FR0013238268	OATi 0.10% 1 March 2028*	6,395,720,000 (1)	1.01600	6,295,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	26,599,614 (3)		46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028*	28,574,000,000			0
Maturity 2029		41,150,960,966			
FR0000571218	OAT 5.50% 25 April 2029	30,033,880,458			2,978,546,100
FR0000186413	OATi 3.40% 25 July 2029	11,117,080,508 (1)	1.27283	8,734,144,000	0
Maturity 2030		44,289,761,600			
FR0011883966	OAT 2.50% 25 May 2030*	33,208,000,000			0
FR0011982776	OAT€i 0.70% 25 July 2030*	11,081,761,600 (1)	1.01920	10,873,000,000	0
Maturity 2031		35,834,000,000			
FR0012993103	OAT 1.50% 25 May 2031*	35,834,000,000			66,500,000
Maturity 2032		45,463,539,450			
FR0000188799	OAT€i 3.15% 25 July 2032	13,301,216,850 (1)	1.25661	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,337,657,400
Maturity 2033 and later		232,870,032,730			
FR0013313582	OAT 1.25% 25 Mai 2034*	4,401,000,000			0
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,927,337,000
FR0013154044	OAT 1.25% 25 May 2036*	24,283,000,000			0
FR0013327491	OAT€i 0.10% 25 July 2036*	3,500,000,000 (1)	0.99967	3,500,000,000	0
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,821,931,400
FR0013234333	OAT 1.75% 25 June 2039*	10,793,000,000			0
FR0010447367	OAT€i 1.80% 25 July 2040	13,906,546,940 (1)	1.16402	11,947,000,000	0
FR0010773192	OAT 4.50% 25 April 2041	33,670,000,000			7,166,499,000
FR0011461037	OAT 3.25% 25 May 2045*	24,908,000,000			1,145,710,000
FR0013209871	OAT€i 0.10% 25 July 2047*	7,365,485,790 (1)	1.01439	7,261,000,000	0
FR0013257524	OAT 2.00% 25 May 2048*	19,743,000,000			675,000,000
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,729,118,000
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			6,948,504,100
FR0013154028	OAT 1.75% 25 May 2066*	9,107,000,000			237,100,000

(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%	Mar. 2018
Household consumption*, year-on-year	0.8%	Apr. 2018
Unemployment rate (ILO)	9.2%	Q1-2018
Consumer prices, year-on-year		
all items	1.6%	Apr. 2018
all items excluding tobacco	1.3%	Apr. 2018
Trade balance, fob-fob, sa (€bn)	-€5.3bn	Mar. 2018
" "	-€5.0bn	Feb. 2018
Current account balance, sa (€bn)	-€1.3bn	Mar. 2018
" "	-€0.9bn	Feb. 2018
10-year constant maturity rate (TEC10)	0.68%	30 May 2018
3-month interest rate (Euribor)	-0.32%	30 May 2018
EUR / USD	1.16	30 May 2018
EUR / JPY	126.76	30 May 2018

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

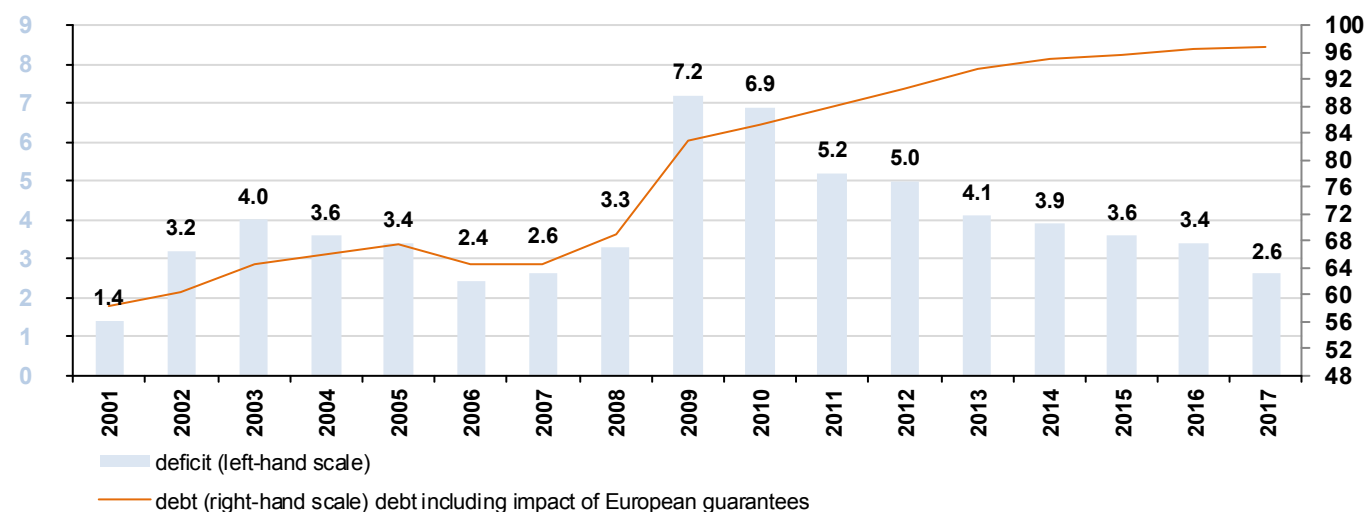
In € billion

			end of March level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-9.01	-10.12	-12.32
revenue	303.97	313.59	76.69	78.34	76.25
expenditure	379.82	386.94	85.70	88.46	88.57
Balance of special Treasury accounts	6.80	5.56	-18.48	-19.45	-20.73
General budget outturn	-69.05	-67.79	-27.49	-29.57	-33.05

Source: Minefi

Public finances: deficit and debt

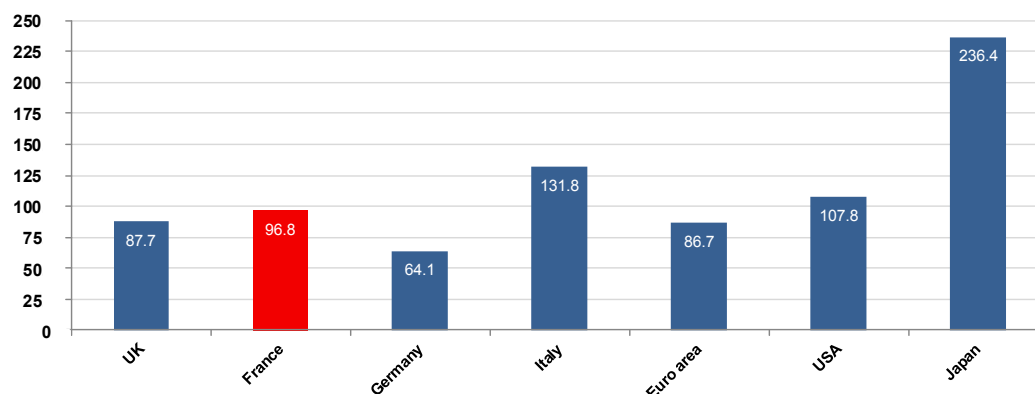
As % of GDP



Source: Insee

General government debt in 2017

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

June 2018		July 2018	
 7	Foreign trade by value in April	 6	Balance of payments in May
 7	Balance of payments in April	 6	Foreign trade by value in May
 8	Industrial production: April index	 10	Industrial production: May index
 12	Payroll employment: Q1-2018	 12	Consumer prices: June index
 14	Consumer prices: May index	 13	Net international reserves in June
 15	Net international reserves in May	 18	Inflation (HICP): June index
 15	Inflation (HICP): May index	 24	Quarterly business survey (goods-producing industries) in July
 21	Monthly business survey (goods-producing industries) in June	 24	Monthly business survey (goods-producing industries) in July
 22	Quarterly national accounts: final results Q1-2018	 25	Industrial producer and import price: June indices
 27	Consumer confidence survey: June survey	 26	Consumer confidence survey: July survey
 28	Housing starts in May	 27	Quarterly national accounts: initial estimate Q2-2018
 29	Debt of the general government according to Maastricht definition Q1 2018	 27	Household consumption expenditure on goods in June
 29	Industrial producer and import price: May indices	 27	Housing starts in June
 29	Household consumption expenditure on goods in May		

Sources: Insee, Eurostat

Agence France Trésor is launching its first corporate video!

In two and a half minutes, get to know AFT, the agency that manages France's government debt and cash requirements in the best interests of taxpayers and with maximum security. Discover AFT's duties, its team members and its values.

[Watch the video](#)

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