

N°365
OCTOBER
2020

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.

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News at Agence France Trésor

A NEW CHAPTER FOR THE EUROPEAN UNION'S BOND ISSUANCE PROGRAMME

The European Union (EU) has successfully launched a new issuance programme under the temporary Support to mitigate Unemployment Risks in an Emergency (SURE) instrument, which will provide direct support to 17 Member States.

€7.8bn Belgium	€21.3 bn Spain	192 M€ Latvia	€5.9bn Portugal	€511M Bulgaria	€1bn Croatia
€602M Lithuania	€4bn Romania	€2bn Czechia	€27.4bn Italy	€244M Malta	€631M Slovakia
€2.7bn Greece	€479M Cyprus	€11.2bn Poland	€1.1bn Slovenia	€7.8bn Hungary	TOTAL : €87.9bn

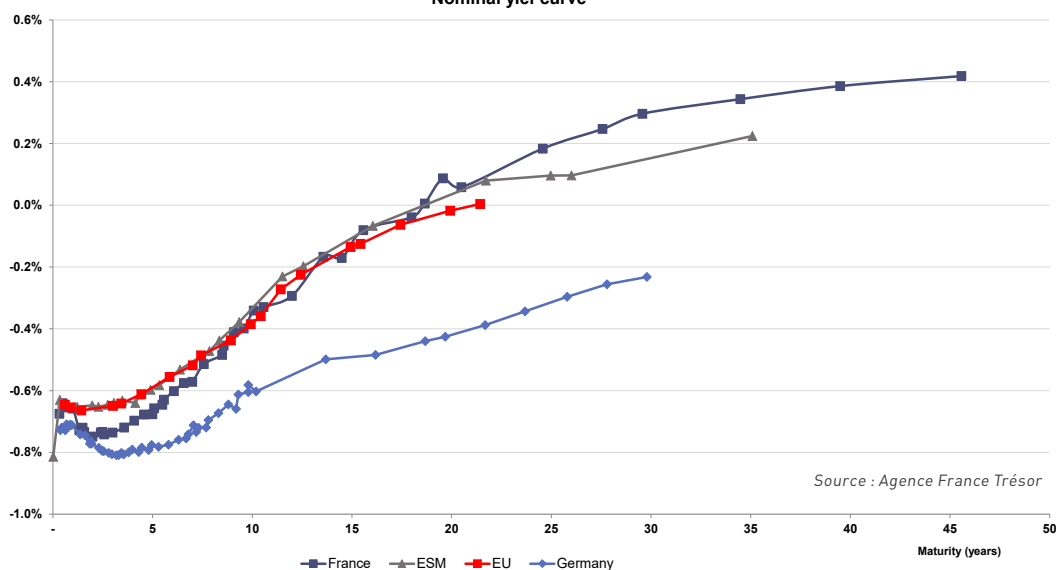
Source : European Commission
The amounts are rounded

On Tuesday, 20 October, the syndicated dual-tranche issuance of new "social" bonds with 10- and 20-year maturities was met with strong investors interest. Demand surpassed €240bn for both bonds, which went on to perform very well in the secondary market, with yields falling more than 10 basis points from issuance levels. Their success is proof of investor interest in European credit – it recalls the inaugural issuance of the European Financial Stability Facility nearly a decade ago, which attracted a then-record demand of €44.5bn in January 2011. It is also a sign of confidence in the Economic and Monetary Union, whose economic and financial fundamentals will be strengthened by the success of these new programmes, indirectly benefiting all Member States.

The new SURE programme and the upcoming NextGenerationEU programme will position the EU as one of Europe's biggest debt issuers over the next few years (still ranking behind Italy, France, Germany and Spain) and the largest supranational issuer. The SURE issuance programme will total €87.4bn (over 2020 and 2021) and the NextGenerationEU programme could raise between €390bn and €660bn, based on the proposed Member State loans under the Recovery and Resilience Facility.

Due to the size of its issuance programme and its unique features (rating, repayment tied to the EU budget, guarantee mechanisms), the EU is considered a hybrid issuer, somewhere between a supranational and a sovereign. In the supranational column: its financing structure, its issuance constraints (average maximum maturity of 15 years, dual-tranche issuance under SURE, for example, etc.) and its AAA rating (giving it access to favourable financing conditions).

Nominal yield curve



Source : Agence France Trésor

Introducing a new issuer of this size involves a high degree of coordination between European debt agencies and the European Commission, which oversees the EU's issuance programmes. This and ensuring 2021 issuance volumes will be absorbed should be facilitated by the fact that the EU plans to launch new issuances under NextGenerationEU, once the SURE bonds have all been issued.

Due to the Covid-19 pandemic, **the year 2020 witnessed a recession of unprecedented magnitude**, resulting in a sudden and deep economic crisis. Among other things, the lockdown led to an expected contraction in activity of -10% for the year as a whole and a drop in household consumption of 16.5% in the second quarter of 2020 relative to the final quarter of 2019. Against a backdrop of high uncertainty and a slump in activity, business investment also shrank by 21% over the same period, along with the loss of 715,000 salaried jobs in the first half of the year for a total of 800,000 salaried job losses expected by the end of 2020.

Activity is expected to bounce back in 2021 at +8%, under the combined effect of the country getting back to business and the Recovery Plan, which would bring the level of wealth produced in 2022 back up to its 2019 level.

With regard to public finances, the public deficit in 2020 is expected to be 10.2% of GDP, while public debt will rise to 117.5% of GDP under the combined effect of the slump in activity and massive public spending. This situation will be returned to normal gradually – underpinned by the economic upturn and the implementation of structural reforms – so as to safeguard the economic recovery, primarily through a return to growth. The deficit for 2021 is expected to be 6.7% of GDP and the public debt will reach 116.2% of GDP.

To limit the spread of the virus and bolster France's capacity to control the epidemic, **the public authorities responded resolutely** with strong health measures, including a lockdown. In parallel, the government swiftly rolled out massive economic support measures to maintain household incomes, ensure sustainable labour relations, strengthen corporate cash flows, and support the most affected sectors. These emergency measures totalled some €470bn, including €64½ bn in measures with a direct impact on the government balance, €76bn of measures with no direct impact on government public deficit (mainly tax deferral measures), and €327½ bn in guarantee measures.

To supplement these emergency measures, a €100bn «France Relance» plan was announced on 3 September 2020. This public investment effort will speed the recovery in the short term and lay the groundwork for the future, by stepping up the ecological transition and promoting investment and innovation, particularly in the digital sector:

- **€30bn will be earmarked for investments in the ecological transition:** improving buildings' energy efficiency, green infrastructure and mobility, making industrial processes carbon neutral and support for green innovation, the circular economy, the fight against soil artificialisation, and the agricultural transition.
- **€34bn will be allocated to strengthening the competitiveness and independence of France's production system**, in particular via a €20bn reduction in taxes on production over two years, and investment in forward-looking technologies.
- **€36bn will be directed towards social and regional cohesion and the preservation and development of skills**, with the introduction of an extended short-time working scheme, rollout of the «1 Young Person, 1 Solution» scheme, support for getting the most disadvantaged individuals into the labour market and for employees who are retraining, support for the purchasing power of low-income households, and measures directly aimed at combating regional inequalities.

Reforms that have been vigorously pursued since the beginning of the current presidential mandate will be carried forward in order to accompany this major investment effort and strengthen its effectiveness.

The social protection model will be consolidated and made sustainable through investments in France's healthcare system and wage increases for healthcare workers, the introduction of measures to ensure the pension system is both fair and sustainable, and the finalisation of unemployment insurance reform.

The ecological transition effort will be strengthened by a Climate and Environment Act, which will take up the proposals put forward by the Citizens' Climate Convention.

France's capacity for innovation will benefit from a multi-year research programme act, which will improve the sustainable financing of public research and increase the appeal of scientific careers. A streamlining initiative, notably via the Acceleration and Simplification of Public Action Act (ASAP), will streamline procedures and regulations for businesses and households. Lastly, the transformation of public action will also involve pursuing housing policy reform via a new Devolution Act that gives France's regions the means for effective action, and the establishment of a strengthened governance framework for public finances.

The Economic, Social and Financial Report appended to the 2021 Budget Bill can be downloaded from the publications website of the Direction Générale du Trésor (only available in French): <https://www.tresor.economie.gouv.fr/Articles/2020/10/05/publication-du-rapport-economique-social-et-financier-plf-pour-2021>

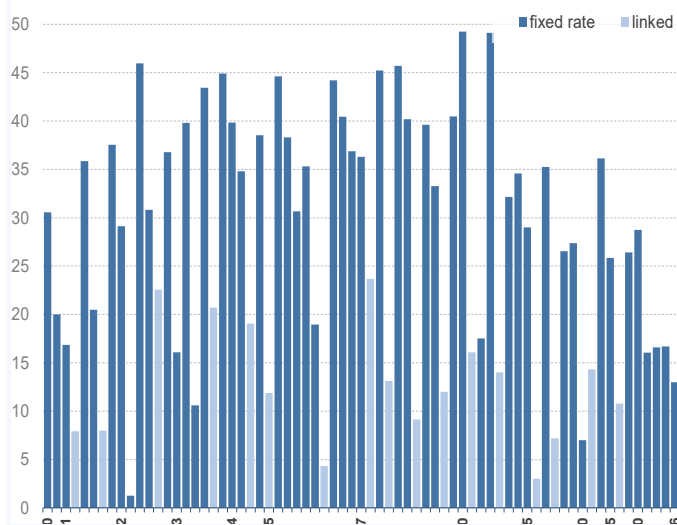
INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
November 2020	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	2	23	9	23
December 2020	auction date	7	14	21	28	/	3	3	3
	settlement date	9	16	23	30	/	7	7	7

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 30 SEPTEMBER 2020

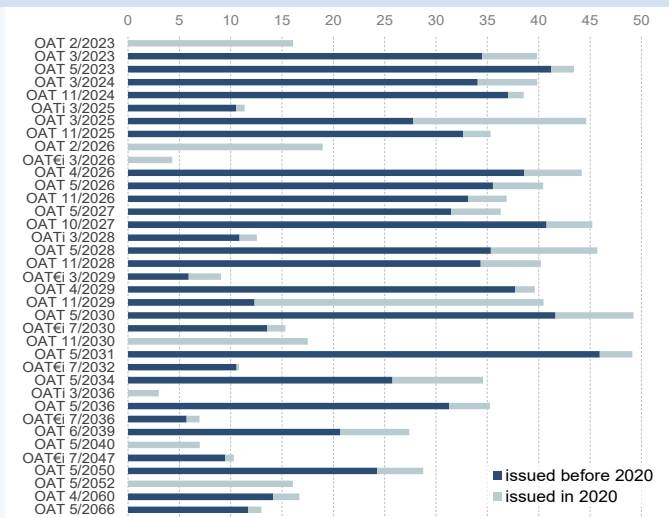
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 30 SEPTEMBER 2020

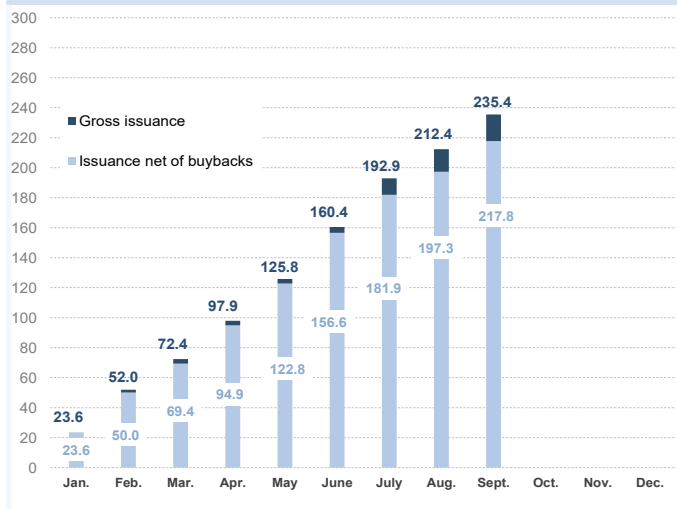
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 30 SEPTEMBER 2020

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 30 SEPTEMBER 2020

IN € BILLION

Month	Coupon	Redemption
Oct-20	10.7	30.5
Nov-20	1.5	20.0
Dec-20		
Jan-21		
Feb-21		16.8
Mar-21	0.0	7.9
Apr-21	11.8	35.9
May-21	7.8	20.5
Jun-21	0.5	
Jul-21	2.4	8.0
Aug-21		
Sep-21		

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN SECOND QUARTER OF 2020

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



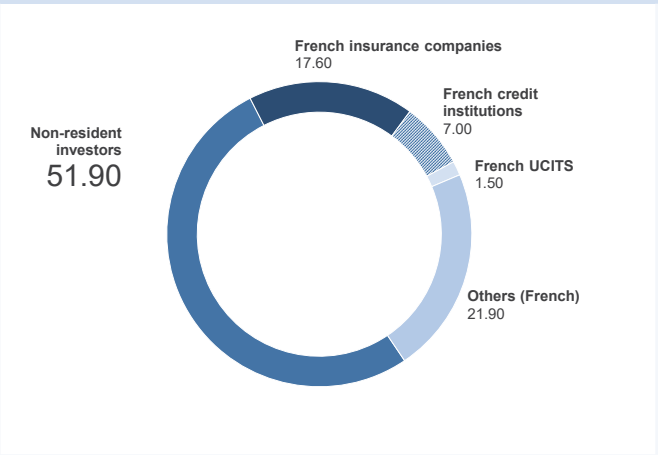
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN SECOND QUARTER OF 2020

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 30 SEPTEMBER 2020

IN EUROS

Total medium- and long-term debt	1,848,366,413,851
Total stripping activity	57,620,059,600
Average maturity	8 years and 265 days
Total short-term debt	167,088,000,000
Average maturity	130 days
Total outstanding	2,015,454,413,851
Average maturity	8 years and 12 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2017 AT 30 SEPTEMBER 2020

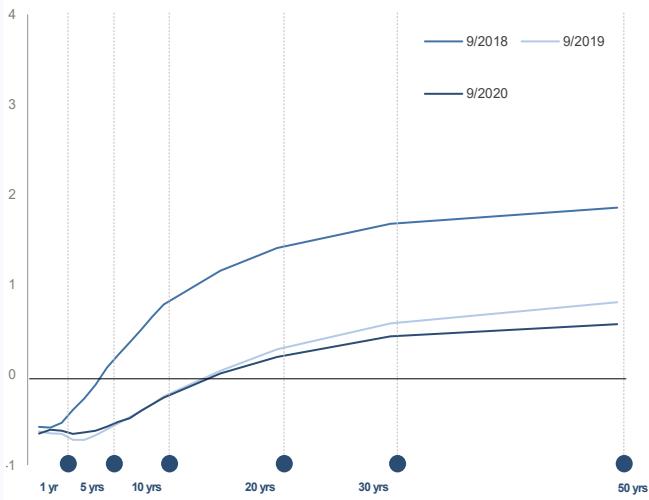
IN € BILLION

	End 2017	End 2018	End 2019	End August 2020	End Sept. 2020
Negotiable government debt outstanding	1,686	1,756	1,823	2,004	2,015
<i>of which index-linked securities</i>	<i>202</i>	<i>220</i>	<i>226</i>	<i>217</i>	<i>218</i>
Medium- and long-term	1,560	1,644	1,716	1,828	1,848
Short-term	126	113	107	176	167
Average maturity of the negotiable debt	7 years	7 years	8 years	8 years	8 years
	296 days	336 days	63 days	6 days	12 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

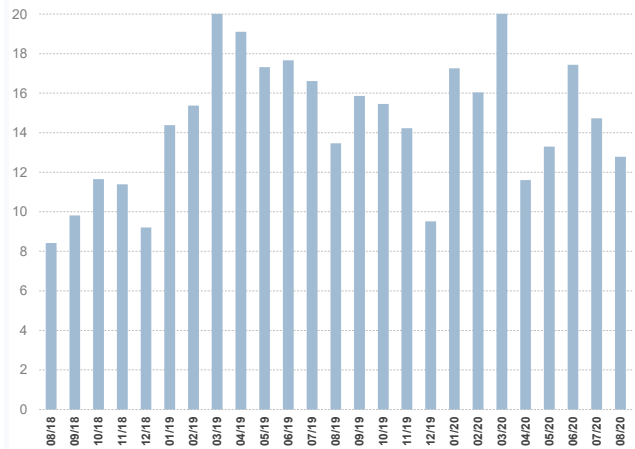
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

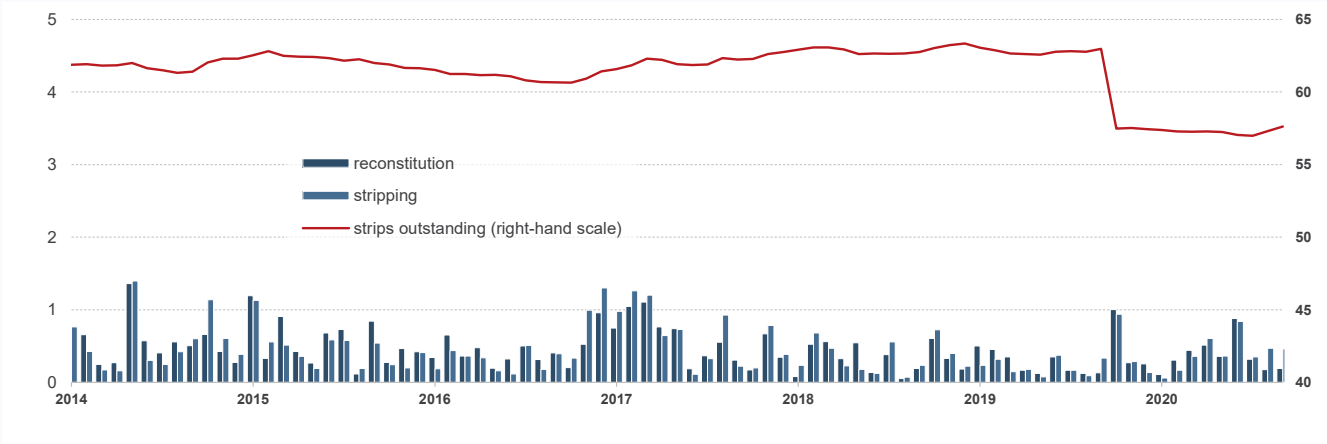
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

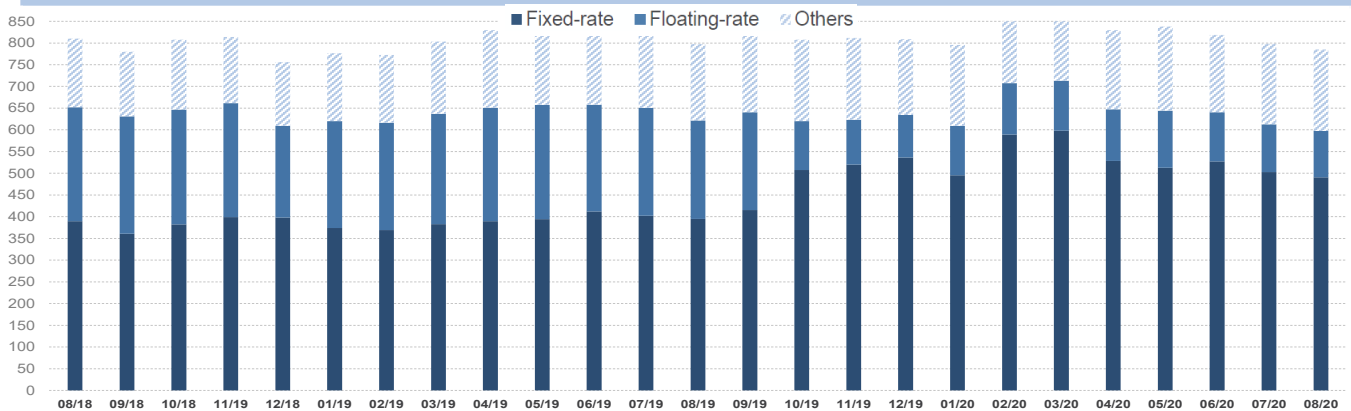
IN € BILLION



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 2020

ISIN Code	Maturity	Outstanding(€)
FR0125848467	BTF 7 October 2020	7,313,000,000
FR0126310186	BTF 14 October 2020	7,173,000,000
FR0126001769	BTF 21 October 2020	8,757,000,000
FR0126310194	BTF 28 October 2020	7,134,000,000
FR0125848475	BTF 4 November 2020	5,688,000,000
FR0126310202	BTF 11 November 2020	5,354,000,000
FR0126001777	BTF 18 November 2020	9,626,000,000
FR0126310210	BTF 25 November 2020	4,594,000,000
FR0125848483	BTF 2 December 2020	6,470,000,000
FR0126310228	BTF 9 December 2020	7,331,000,000
FR0126310236	BTF 16 December 2020	9,557,000,000
FR0126310244	BTF 6 January 2021	2,220,000,000
FR0126310251	BTF 13 January 2021	8,020,000,000
FR0125848673	BTF 27 January 2021	5,477,000,000
FR0126310269	BTF 10 February 2021	6,617,000,000
FR0125848681	BTF 24 February 2021	6,755,000,000
FR0126310277	BTF 10 March 2021	1,442,000,000
FR0125848699	BTF 24 March 2021	8,170,000,000
FR0126001785	BTF 21 April 2021	10,971,000,000
FR0126001793	BTF 19 May 2021	8,329,000,000
FR0126001801	BTF 16 June 2021	9,463,000,000
FR0126310285	BTF 14 July 2021	7,449,000,000
FR0126310293	BTF 11 August 2021	6,688,000,000
FR0126310301	BTF 8 September 2021	6,490,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2020-2023) AT 30 SEPTEMBER 2020

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2020		50,565,000,000				
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		126,636,434,150				
FR0013311016	OAT 0.00% 25 February 2021	16,847,000,000			0	x
FR0013140035	OAT <i>€i</i> 0.10% 1 March 2021	7,925,006,700 (1)	1.04745	7,566,000,000	0	x
FR0010192997	OAT 3.75% 25 April 2021	35,867,000,000			0	
FR0013157096	OAT 0.00% 25 May 2021	20,489,000,000			0	x
FR0011347046	OAT <i>i</i> 0.10% 25 July 2021	7,967,427,450 (1)	1.05459	7,555,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	37,541,000,000			0	
Maturity 2022		166,480,367,100				
FR0013398583	OAT 0.00% 25 February 2022	29,121,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			315,888,400	
FR0011196856	OAT 3.00% 25 April 2022	45,972,000,000			0	
FR0013219177	OAT 0.00% 25 May 2022	30,816,000,000			0	x
FR0010899765	OAT <i>€i</i> 1.10% 25 July 2022	22,550,427,110 (1)	1.13587	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	36,777,000,000			0	
Maturity 2023		175,546,237,183				
FR0013479102	OAT 0.00% 25 February 2023	16,070,000,000			0	x
FR0013283686	OAT 0.00% 25 March 2023	39,815,000,000			0	x
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,359,065,200	
FR0011486067	OAT 1.75% 25 May 2023	43,434,000,000			0	x
FR0010585901	OAT <i>i</i> 2.10% 25 July 2023	20,703,041,280 (1)	1.14711	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			440,085,000	

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

* 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 2024 AND BEYOND) AT 30 SEPTEMBER 2020

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2024		132 245 261 110				
FR0013344751	OAT 0.00% 25 March 2024	39 839 000 000			0	x
FR0011619436	OAT 2.25% 25 May 2024	34 810 000 000			0	x
FR0011427848	OAT€i 0.25% 25 July 2024	19 060 261 110 (1)	1,06369	17 919 000 000	0	x
FR0011962398	OAT 1.75% 25 November 2024	38 536 000 000			42 000 000	x
Maturity 2025		160 748 420 208				
FR0012558310	OATi 0.10% 1 March 2025	11 868 492 090 (1)	1,04559	11 351 000 000	0	x
FR0013415627	OAT 0.00% 25 March 2025	44 618 000 000			0	x
FR0012517027	OAT 0.50% 25 May 2025	38 297 000 000			0	x
FR0000571150	OAT 6.00% 25 October 2025	30 653 928 118			2 812 064 400	
FR0012938116	OAT 1.00% 25 November 2025	35 311 000 000			0	x
Maturity 2026		144 781 000 000				
FR0013508470	OAT 0.00% 25 February 2026	18 953 000 000			0	x
FR0013519253	OAT€i 0.10% 1 March 2026	4 314 000 000 (1)	0,99794	4 314 000 000	0	x
FR0010916924	OAT 3.50% 25 April 2026	44 202 000 000			0	
FR0013131877	OAT 0.50% 25 May 2026	40 437 000 000			0	x
FR0013200813	OAT 0.25% 25 November 2026	36 875 000 000			0	x
Maturity 2027		105 207 657 600				
FR0013250560	OAT 1.00% 25 May 2027	36 296 000 000			0	x
FR0011008705	OAT€i 1.85% 25 July 2027	23 685 657 600 (1)	1,11936	21 160 000 000	0	
FR0011317783	OAT 2.75% 25 October 2027	45 226 000 000			46 943 600	
Maturity 2028		99 031 114 330				
FR0013238268	OATi 0.10% 1 March 2028	13 102 405 200 (1)	1,04385	12 552 000 000	0	x
FR0000571226	OAT zero coupon 28 March 2028	29 709 130 (3)		46 232 603	–	
FR0013286192	OAT 0.75% 25 May 2028	45 707 000 000			0	x
FR0013341682	OAT 0.75% 25 November 2028	40 192 000 000			0	x
Maturity 2029		134 516 305 860				
FR0013410552	OAT€i 0.10% 1 March 2029	9 139 828 890 (1)	1,00781	9 069 000 000	0	x
FR0000571218	OAT 5.50% 25 April 2029	39 618 880 458			2 342 246 100	
FR0013407236	OAT 0.50% 25 May 2029	33 281 000 000			0	x
FR0000186413	OATi 3.40% 25 July 2029	12 011 596 512 (1)	1,30772	9 185 144 000	0	
FR0013451507	OAT 0.00% 25 November 2029	40 465 000 000			0	x
Maturity 2030		82 813 059 360				
FR0011883966	OAT 2.50% 25 May 2030	49 233 000 000			0	x
FR0011982776	OAT€i 0.70% 25 July 2030	16 078 059 360 (1)	1,05003	15 312 000 000	0	x
FR0013516549	OAT 0.00% 25 November 2030	17 502 000 000			0	x
Maturity in 2031 and beyond		469 795 556 950				
FR0012993103	OAT 1.50% 25 May 2031	49 107 000 000			53 900 000	x
FR0000188799	OAT€i 3.15% 25 July 2032	14 002 501 760 (1)	1,29461	10 816 000 000	0	
FR0000187635	OAT 5.75% 25 October 2032	32 162 322 600			10 879 757 400	
FR0013313582	OAT 1.25% 25 May 2034	34 584 000 000			0	x
FR0010070060	OAT 4.75% 25 April 2035	29 004 000 000			4 433 937 000	
FR0013524014	OATi 0.10% 1 March 2036	3 001 050 000 (1)	1,00035	3 000 000 000	0	x
FR0013154044	OAT 1.25% 25 May 2036	35 260 000 000			0	x
FR0013327491	OAT€i 0.10% 25 July 2036	7 173 253 500 (1)	1,02990	6 965 000 000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26 534 000 000			4 704 941 400	
FR0013234333	OAT 1.75% 25 June 2039	27 375 000 000			0	x
FR0013515806	OAT 0.50% 25 May 2040	7 000 000 000			0	x
FR0010447367	OAT€i 1.80% 25 July 2040	14 327 081 340 (1)	1,19922	11 947 000 000	0	
FR0010773192	OAT 4.50% 25 April 2041	36 152 000 000			5 998 499 000	
FR0011461037	OAT 3.25% 25 May 2045	25 824 000 000			1 063 810 000	x
FR0013209871	OAT€i 0.10% 25 July 2047	10 790 347 750 (1)	1,04507	10 325 000 000	0	x
FR0013257524	OAT 2.00% 25 May 2048	26 409 000 000			651 900 000	x
FR0013404969	OAT 1.50% 25 May 2050	28 753 000 000			119 100 000	x
FR0013480613	OAT 0.75% 25 May 2052	16 061 000 000			95 000 000	x
FR0010171975	OAT 4.00% 25 April 2055	16 583 000 000			8 493 918 000	
FR0010870956	OAT 4.00% 25 April 2060	16 696 000 000			8 542 104 100	
FR0013154028	OAT 1.75% 25 May 2066	12 997 000 000			1 221 900 000	x

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

(3) Revised on 28 March 2020, 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	-8.7%	Aug. 2020
Household consumption*, year-on-year	-1.3%	Sep. 2020
Unemployment rate (ILO)	7.1%	Q1-2020
Consumer prices, year-on-year		
• all items	0.0%	Sep. 2020
• all items excluding tobacco	-0.2%	Sep. 2020
Trade balance, fob-fob, sa (€bn)	-€7.7bn	Aug. 2020
" " "	-€7.0bn	Jul. 2020
Current account balance, sa (€bn)	-€4.7bn	Aug. 2020
" " "	-€5.7bn	Jul. 2020
10-year constant maturity rate (TEC10)	-0.34%	29 Oct. 2020
3-month interest rate (Euribor)	-0.51%	29 Oct. 2020
EUR / USD	1.17	29 Oct. 2020
EUR / JPY	121.79	29 Oct. 2020

MONTHLY GOVERNMENT BUDGET POSITION

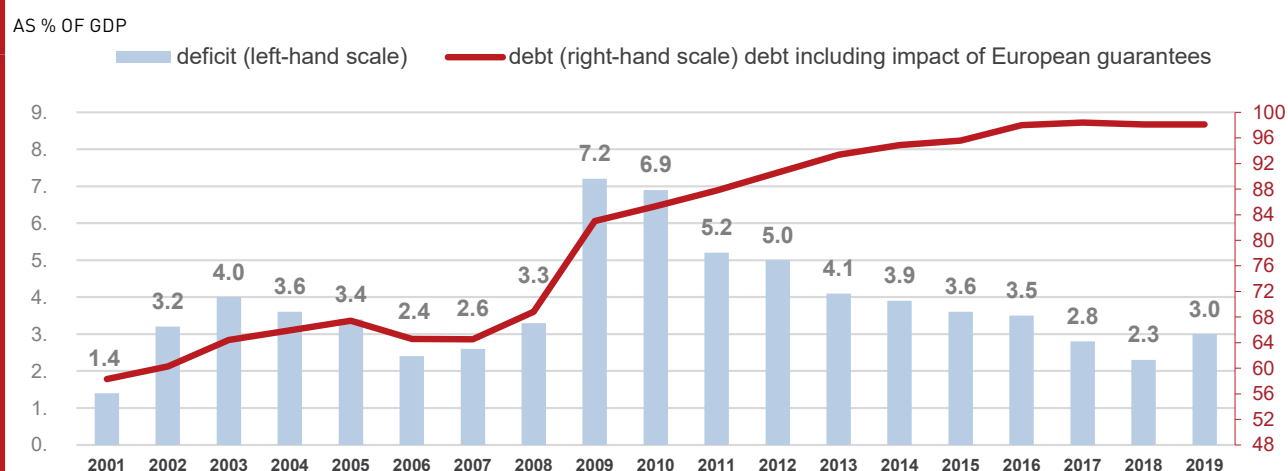
			end of August level		
	2018	2019	2018	2019	2020
General budget balance	-76.91	-96.91	-65.99	-92.29	-131.25
Revenue	313.79	301.07	197.70	180.68	168.08
Expenditure	390.69	397.98	263.69	272.97	299.32
Balance of special Treasury accounts	0.82	4.06	-31.31	-30.85	-34.44
General budget outturn	-76.00	-92.69	-97.30	-123.14	-165.69

* manufactured products

Sources: Insee, Minefi, Banque de France

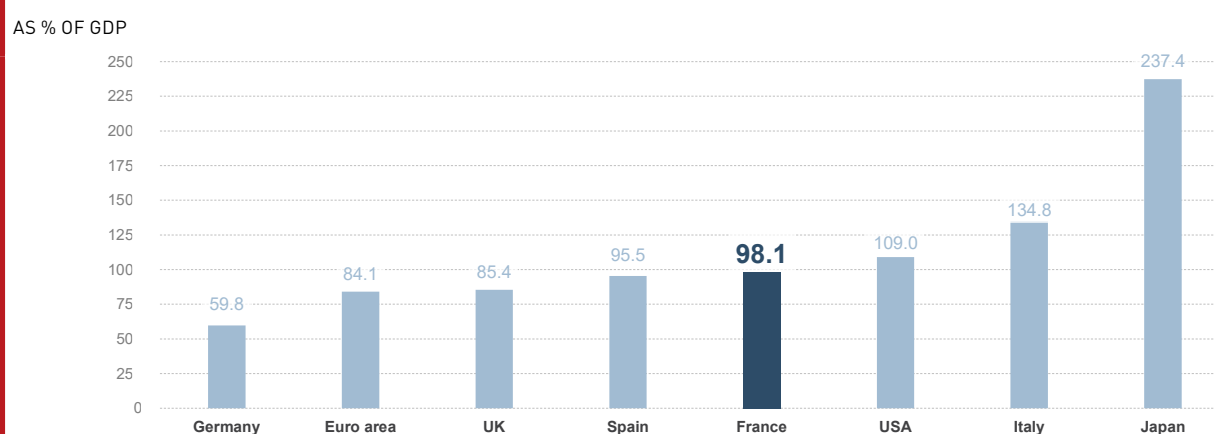
Source: Ministry of Economy, Finance and the Recovery

PUBLIC FINANCES: DEFICIT AND DEBT



Source: Insee


GENERAL GOVERNMENT DEBT IN 2019



Sources: Eurostat, IMF, Insee

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6 Foreign trade by value in September	6 Balance of payments in September	6 Net international reserves in October	10 Job seekers Q3 2020 (ILO)	10 Industrial producer and import price: September indices	13 Consumer prices: October index
13 Net international reserves in October	18 Inflation (HICP): October index	24 Consumer confidence survey: November survey	27 Industrial producer and import price: October indices	27 Household consumption expenditure on goods in October	27 Quarterly national accounts: final results Q3-2020
27 Consumer prices: November index					

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8 Foreign trade by value in October	8 Balance of payments in October	10 Industrial production in October	15 Consumer prices : November index	15 Net international reserves in November	17 Monthly business survey (goods-producing industries) in December
17 Inflation (HICP) : November index	22 Debt of the general government according to Maastricht definition Q3-2020	23 Industrial producer and import price: November indices			

Sources: Insee, Eurostat

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