

N°372
MAY
2021

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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The French economy and
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QUI DÉTIENT LA DETTE FRANÇAISE AUJOURD'HUI ?

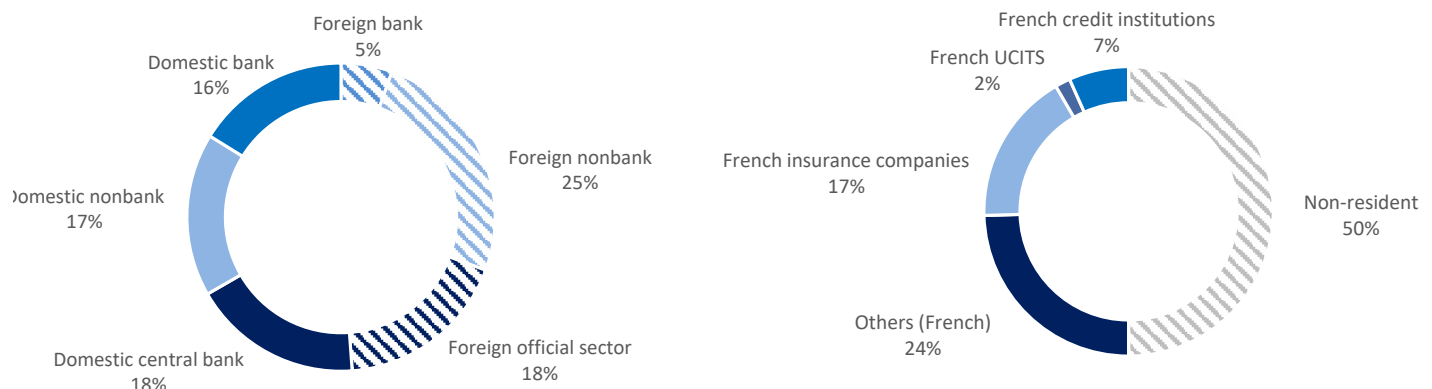
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News at Agence
France Trésor

WHO HOLDS FRENCH GOVERNMENT DEBT TODAY?

The debt of the French government is negotiable, and its holders change constantly. An average of €15bn of French sovereign securities are exchanged on the market every day. However, periodic surveys performed by Banque de France and by the International Monetary Fund (IMF), respectively on a quarterly and on a semi-annual basis, highlight that the holding structure of the government debt is fairly stable, once excluding the impact of the implementation of the monetary policy. Indeed, when excluding the debt held on behalf of the Eurosystem by the central bank, Banque de France, resident investors hold roughly one third of the debt whereas non-resident investors hold two thirds of the debt, a stable ratio over the last decade. Including the debt held by the central bank, the split is now fifty-fifty, as shown in the charts below.



Reading note: left-handed chart is based on IMF data covering all public debt (end of 2020) while right-handed chart is based on Banque de France data covering only government debt (end of 2020).

The statistics produced by Banque de France and IMF are not the same. Indeed, these data sources vary on two aspects. First, the accounting perimeter is different, data from Banque de France covering the debt of the State while data from IMF being broader, covering all public debt including the debt of local administrations, of social administrations and of central administrations other than the State. Secondly, the price convention for the securities is not the same, Banque de France uses market value while IMF computes face value.

The magnitude of quantitative easing (QE) programs which impact the debt holding structure can be spotted in the categories "Others (resident)" of Banque de France data (25 %) which include others investors than Banque de France and of "National central bank" of IMF data (18 %). The difference between these two figures also reflects the difference in perimeter between the two surveys. The share held by the foreign public sector (18 %) according to IMF reflects notably the interest of the foreign central banks for the French debt in order to manage their currency reserves.

Therefore, the French debt holding structure benefits from an excellent diversification both in geographical terms and in terms of investors' categories. Such stability and diversification are major security factors that make the government issuance policy resilient to shocks on the different demand compartments. They also help to keep government financing costs down under all market conditions by ensuring strong demand for French government securities. They are also a sign of investors' confidence in France's creditworthiness and the technical quality of French government debt securities.

By Giovanni Zanni, Euro area Economist at Natwest markets

We project GDP growth in the eurozone to be significantly stronger than consensus in 2021/2022 5%+ vs. around 4% for – recently upwardly revised – consensus estimates. Our more optimistic scenario is not just due to the acceleration in the vaccine roll-out. A different approach on saving behaviours is a key part of our scenario. The latter includes both a swift normalisation of saving ratios and some spending of the savings accumulated in lockdowns – given that they were to a large extent “forced” rather than “precautionary”.

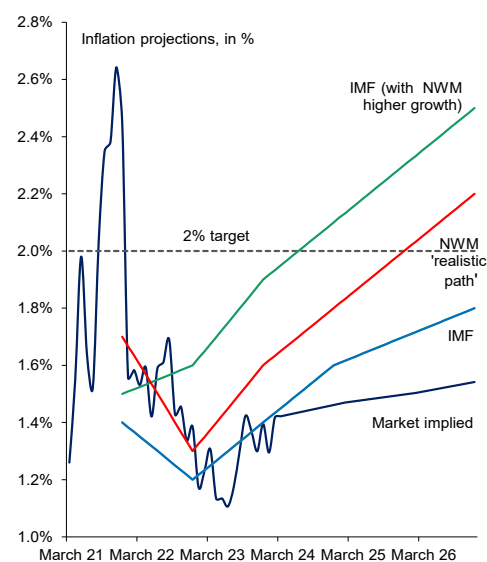
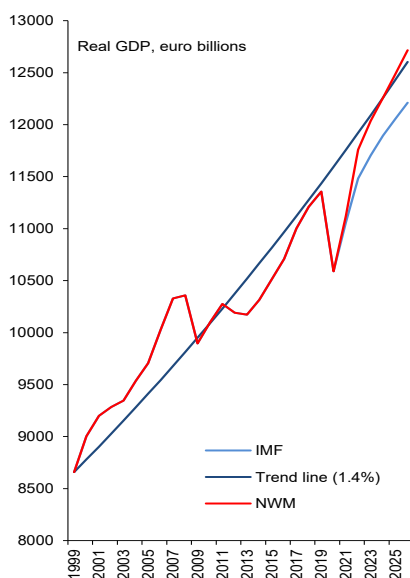
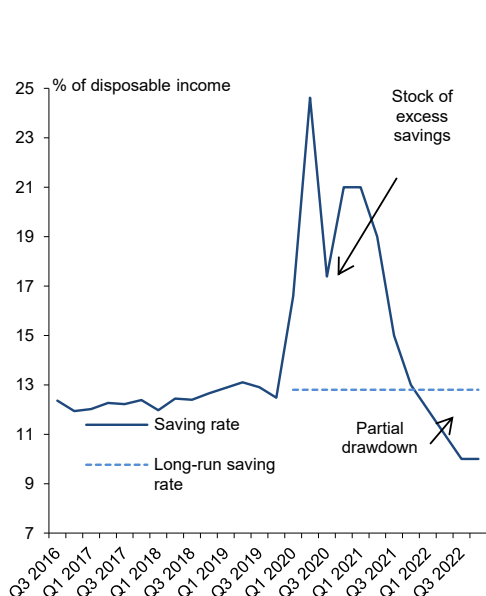
...and in 2023-26 too, as policies remain supportive and the EU Recovery Fund adds to growth in that period. That is again in contrast with most forecasters that project trend growth stable at ~1.4%. It is worth noting that our more aggressive scenario only implies a return to the previous trajectory of growth by the end of 2022.

From higher growth to higher inflation... The statistical relation between inflation and the output gap has been going down over time – from a coefficient of over 0.5 in the 1980s, to close to zero in recent years – but there are good reasons to believe that the relation can increase again and studies that show it is actually stronger in upturns. Recent ECB calculations put the coefficient at 0.23. But even when using a lower coefficient of 0.15 (to account for the “flattening of the Phillips curve”), given our stronger GDP profile we end up with inflation about ¾pp higher than in a “consensus” scenario by the end of our 5-year forecasting horizon. With inflation reaching 2% in 2025 and rising further in subsequent years.

Should we then expect higher rates? Well, not exactly... Despite the fact that we see stronger growth and inflation, our projections for rates are actually out of consensus too – but in the opposite direction...! That’s due to the way we see the ECB reaction function evolving from here. Although we need to wait until the results of the Strategy Review later this year, the hints are clear: more focus on symmetry, interest in the Fed’s FAIT (Flexible Average Inflation Targeting) approach, learning from the errors of the past that led to a systematic undershooting of the inflation target. As such, we don’t think that the ECB will start lifting up rates two year ahead of a 2% inflation rate projection in this cycle: it would want to wait for inflation to reach 2% and with the expectation that the target will be met or surpassed for the years immediately ahead too: **a first rate hike in 2025 is thus our central scenario.**

Saving, growth and inflation projections

Sources: Eurostat, IMF, Bloomberg, NWM estimates



* Flexible Average Inflation Targeting (FAIT)

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, Finance and the Recovery. Please note that the views expressed in this article represent the personal views of the research analyst author and do not represent an official view of NatWest Markets. In no event should any view expressed in this report be construed as an endorsement or criticism of any government policy, statement, or initiative on the part of NatWest Markets.

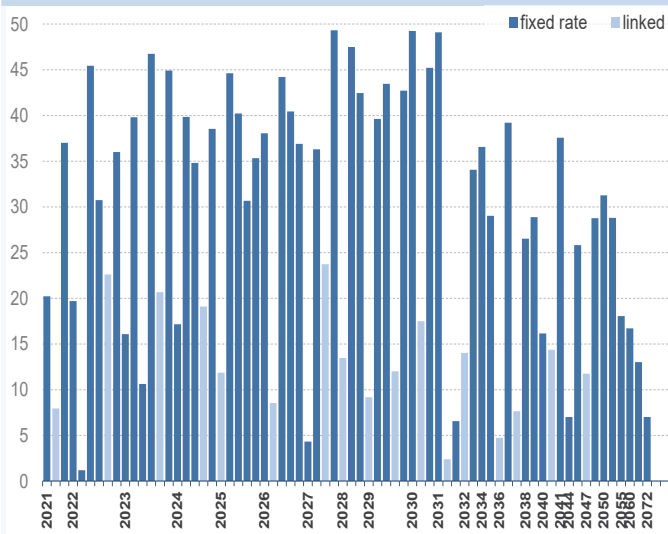
INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
June 2021	auction date	7	14	21	28	/	17	3	17
	settlement date	9	16	23	30	/	21	7	21
July 2021	auction date	5	12	19	26	/	15	1	15
	settlement date	7	14	21	28	/	19	5	19

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 30 APRIL 2021

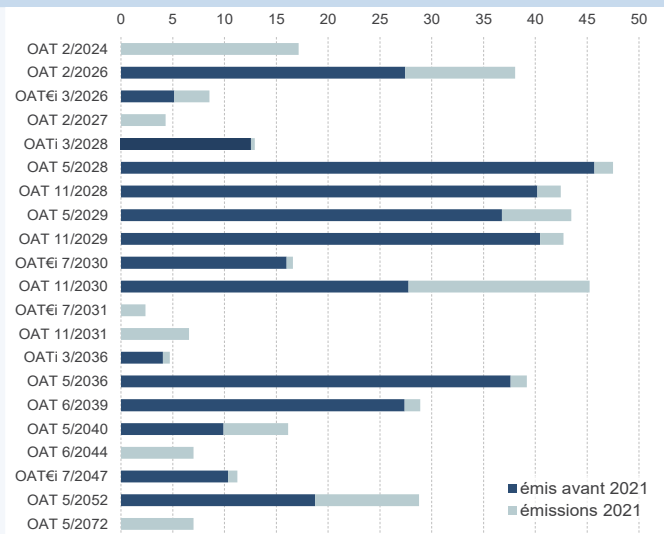
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 30 APRIL 2021

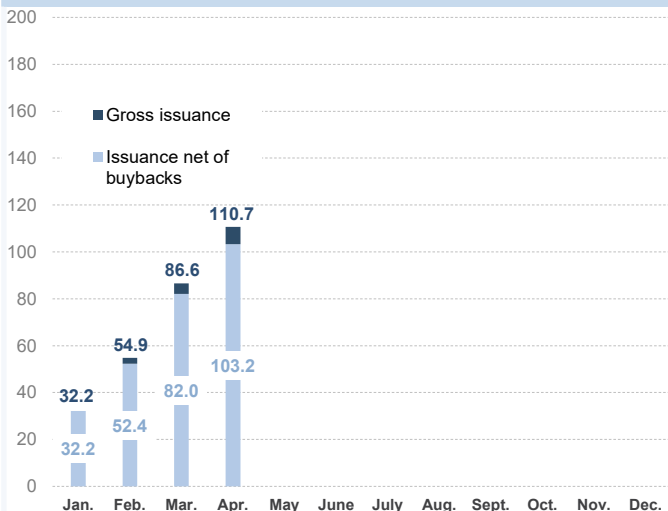
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 30 APRIL 2021

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 30 APRIL 2021

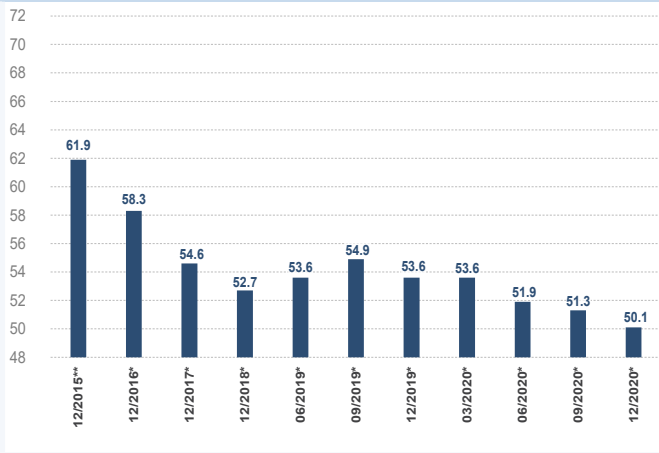
IN € BILLION

Month	Coupon	Redemption
May-21	8.3	20.2
Jun-21	0.5	
Jul-21	2.5	8.0
Aug-21		
Sep-21		
Oct-21	10.1	37.0
Nov-21	1.4	
Dec-21		
Jan-22		
Feb-22		19.7
Mar-22	0.5	
Apr-22	10.5	46.6

Source: Agence France Trésor

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

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



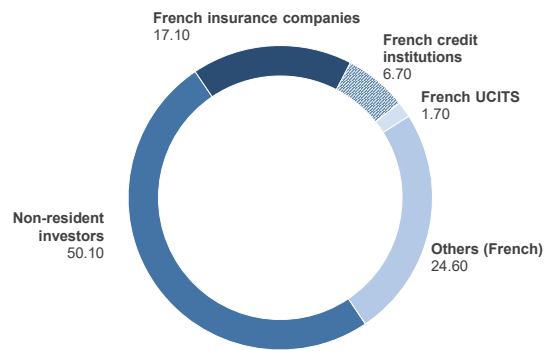
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

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

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 30 APRIL 2021

IN EUROS

Total medium- and long-term debt	1,890,455,907,401
Total stripping activity	58,319,459,600
Average maturity	9 years and 56 days
Total short-term debt	160,651,000,000
Average maturity	123 days
Total outstanding	2,051,106,907,401
Average maturity	8 years and 169 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2018 AT 30 APRIL 2021

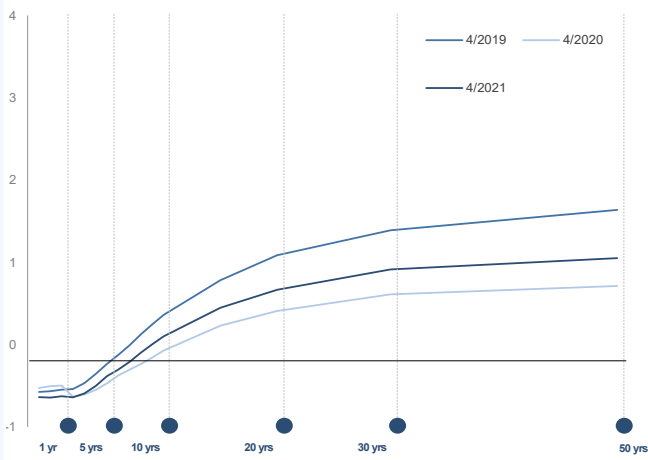
IN € BILLION

	End 2018	End 2019	End 2020	End March 2021	End April 2021
Negotiable government debt outstanding	1,756	1,823	2,001	2,064	2,051
<i>of which index-linked securities</i>	<i>220</i>	<i>226</i>	<i>220</i>	<i>219</i>	<i>221</i>
Medium- and long-term	1,644	1,716	1,839	1,897	1,890
Short-term	113	107	162	167	161
Average maturity of the negotiable debt	7 years	8 years	8 years	8 years	8 years
	336 days	63 days	73 days	135 days	169 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

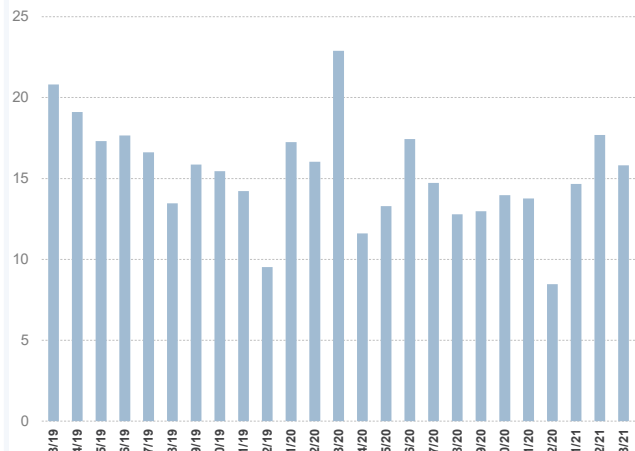
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

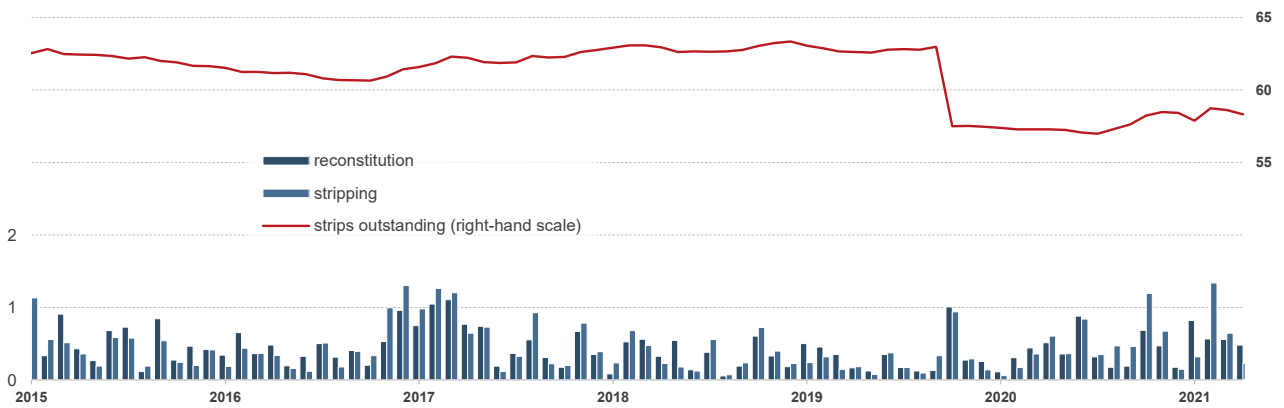
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

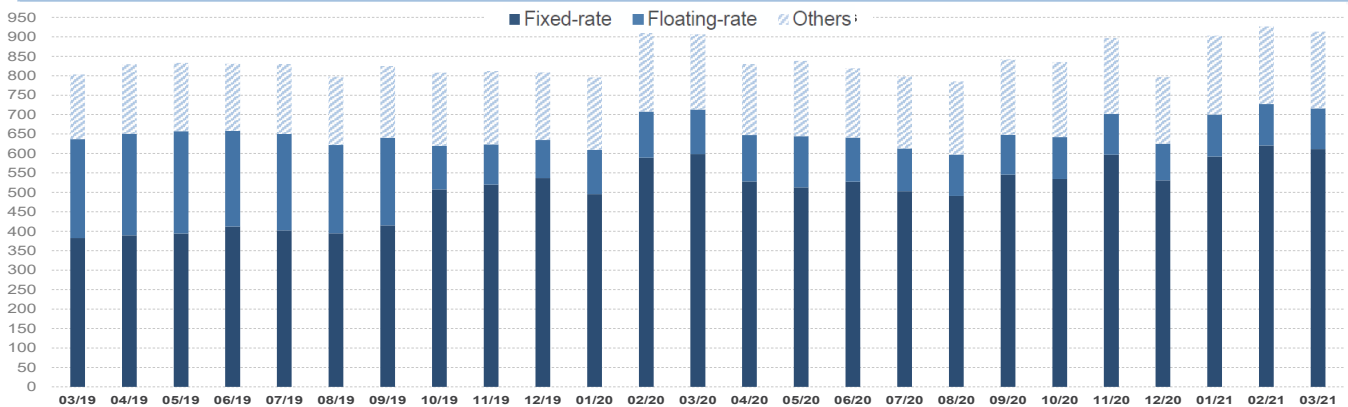
IN € BILLION



Source: Euroclear

PRIMARY DEALERS, CUMULATED REPO OUTSTANDING AT END OF MONTH

IN € BILLION



Source: reporting by primary dealers in government securities

SHORT-TERM DEBT AT 30 APRIL 2021

ISIN Code	Maturity	Outstanding(€)
FR0126461666	BTF 5 May 2021	7,411,000,000
FR0126461740	BTF 12 May 2021	6,452,000,000
FR0126001793	BTF 19 May 2021	8,329,000,000
FR0126461757	BTF 27 May 2021	5,718,000,000
FR0126461765	BTF 9 June 2021	6,090,000,000
FR0126001801	BTF 16 June 2021	13,871,000,000
FR0126461773	BTF 23 June 2021	5,132,000,000
FR0126461781	BTF 30 June 2021	5,656,000,000
FR0126750688	BTF 7 July 2021	5,090,000,000
FR0126310285	BTF 14 July 2021	7,449,000,000
FR0126750696	BTF 21 July 2021	5,692,000,000
FR0126461799	BTF 28 July 2021	6,068,000,000
FR0126310293	BTF 11 August 2021	6,688,000,000
FR0126461807	BTF 25 August 2021	5,982,000,000
FR0126310301	BTF 8 September 2021	8,685,000,000
FR0126750746	BTF 22 September 2021	5,288,000,000
FR0126461682	BTF 6 October 2021	7,109,000,000
FR0126461690	BTF 4 November 2021	8,605,000,000
FR0126461708	BTF 1 December 2021	4,874,000,000
FR0126461815	BTF 15 December 2021	6,758,000,000
FR0126461823	BTF 26 January 2022	7,193,000,000
FR0126461831	BTF 23 February 2022	7,126,000,000
FR0126461849	BTF 23 March 2022	7,690,000,000
FR0126750787	BTF 21 April 2022	1,695,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2021-2024) AT 30 APRIL 2021

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2021		65,153,224,050				
FR0013157096	OAT 0.00% 25 May 2021	20,209,000,000			0	x
FR0011347046	OATi 0.10% 25 July 2021	7,953,224,050 (1)	1.05271	7,555,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	36,991,000,000			0	
Maturity 2022		155,589,881,920				
FR0013398583	OAT 0.00% 25 February 2022	19,674,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,168,939,990			48,888,400	
FR0011196856	OAT 3.00% 25 April 2022	45,433,000,000			0	
FR0013219177	OAT 0.00% 25 May 2022	30,718,000,000			0	x
FR0010899765	OAT€i 1.10% 25 July 2022	22,588,941,930 (1)	1.13781	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	36,007,000,000			0	
Maturity 2023		178,823,238,783				
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			5,329,465,200	
FR0011486067	OAT 1.75% 25 May 2023	46,748,000,000			0	x
FR0010585901	OATi 2.10% 25 July 2023	20,666,042,880 (1)	1.14506	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			443,985,000	
Maturity 2024		149,421,873,690				
FR0014001N46	OAT 0.00% 25 February 2024	17,144,000,000			0	x
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	19,092,873,690 (1)	1.06551	17,919,000,000	0	x
FR0011962398	OAT 1.75% 25 November 2024	38,536,000,000			42,000,000	x

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

* Like all euro area bonds, the bonds issued after 1 March 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 2025 AND BEYOND) AT 30 APRIL 2021

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2025		162,627,193,838				
FR0012558310	OATi 0.10% 1 March 2025	11,847,265,720 (1)	1.04372	11,351,000,000	0	×
FR0013415627	OAT 0.00% 25 March 2025	44,618,000,000			0	×
FR0012517027	OAT 0.50% 25 May 2025	40,197,000,000			0	×
FR0000571150	OAT 6.00% 25 October 2025	30,653,928,118			2,809,064,400	
FR0012938116	OAT 1.00% 25 November 2025	35,311,000,000			0	×
Maturity 2026		168,109,000,000				
FR0013508470	OAT 0.00% 25 February 2026	38,047,000,000			0	×
FR0013519253	OAT€i 0.10% 1 March 2026	8,548,000,000 (1)	0.99964	8,548,000,000	0	×
FR0010916924	OAT 3.50% 25 April 2026	44,202,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	40,437,000,000			0	×
FR0013200813	OAT 0.25% 25 November 2026	36,875,000,000			0	×
Maturity 2027		113,640,284,800				
FR0014003513	OAT 0.00% 25 February 2027	4,304,000,000			0	×
FR0013250560	OAT 1.00% 25 May 2027	36,296,000,000			0	×
FR0011008705	OAT€i 1.85% 25 July 2027	23,726,284,800 (1)	1.12128	21,160,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	49,314,000,000			66,943,600	
Maturity 2028		103,424,443,417				
FR0013238268	OATi 0.10% 1 March 2028	13,454,045,760 (1)	1.04198	12,912,000,000	0	×
FR0000571226	OAT zero coupon 28 March 2028	31,397,657 (3)		46,232,603	–	
FR0013286192	OAT 0.75% 25 May 2028	47,500,000,000			0	×
FR0013341682	OAT 0.75% 25 November 2028	42,439,000,000			0	×
Maturity 2029		146,937,501,993				
FR0013410552	OAT€i 0.10% 1 March 2029	9,155,518,260 (1)	1.00954	9,069,000,000	0	×
FR0000571218	OAT 5.50% 25 April 2029	39,618,880,458			2,281,446,100	
FR0013407236	OAT 0.50% 25 May 2029	43,473,000,000			0	×
FR0000186413	OATi 3.40% 25 July 2029	11,990,103,275 (1)	1.30538	9,185,144,000	0	
FR0013451507	OAT 0.00% 25 November 2029	42,700,000,000			0	×
Maturity 2030		111,931,885,660				
FR0011883966	OAT 2.50% 25 May 2030	49,233,000,000			0	×
FR0011982776	OAT€i 0.70% 25 July 2030	17,473,885,660 (1)	1.05182	16,613,000,000	0	×
FR0013516549	OAT 0.00% 25 November 2030	45,225,000,000			0	×
Maturity 2031		58,048,844,000				
FR0012993103	OAT 1.50% 25 May 2031	49,107,000,000			53,900,000	×
FR0014001N38	OAT€i 0.10% 25 July 2031	2,372,844,000 (1)	1.00120	2,370,000,000	0	×
FR0014002WK3	OAT 0.00% 25 November 2031	6,569,000,000			0	×
Maturity in 2032 and beyond		476,748,535,250				
FR0000188799	OAT€i 3.15% 25 July 2032	14,026,513,280 (1)	1.29683	10,816,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	34,059,322,600			10,660,757,400	
FR0013313582	OAT 1.25% 25 May 2034	36,541,000,000			0	×
FR0010070060	OAT 4.75% 25 April 2035	29,004,000,000			3,691,037,000	
FR0013524014	OATi 0.10% 1 March 2036	4,710,000,000 (1)	0.99856	4,710,000,000	0	×
FR0013154044	OAT 1.25% 25 May 2036	39,188,000,000			0	×
FR0013327491	OAT€i 0.10% 25 July 2036	7,622,935,740 (1)	1.03166	7,389,000,000	0	×
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,685,841,400	
FR0013234333	OAT 1.75% 25 June 2039	28,874,000,000			0	×
FR0013515806	OAT 0.50% 25 May 2040	16,129,000,000			0	×
FR0010447367	OAT€i 1.80% 25 July 2040	14,351,572,690 (1)	1.20127	11,947,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	37,558,000,000			5,445,299,000	
FR0014002JM6	OAT 0.50% 25 June 2044	7,000,000,000			0	×
FR0011461037	OAT 3.25% 25 May 2045	25,824,000,000			786,510,000	×
FR0013209871	OAT€i 0.10% 25 July 2047	11,755,190,940 (1)	1.04686	11,229,000,000	0	×
FR0013257524	OAT 2.00% 25 May 2048	28,759,000,000			631,700,000	×
FR0013404969	OAT 1.50% 25 May 2050	31,274,000,000			111,300,000	×
FR0013480613	OAT 0.75% 25 May 2052	28,784,000,000			258,500,000	×
FR0010171975	OAT 4.00% 25 April 2055	18,061,000,000			10,916,218,000	
FR0010870956	OAT 4.00% 25 April 2060	16,696,000,000			8,755,404,100	
FR0013154028	OAT 1.75% 25 May 2066	12,997,000,000			1,270,800,000	×
FR0014001NN8	OAT 0.50% 25 May 2072	7,000,000,000			30,400,000	×

(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 March 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	1.7%	Mar. 2021
Household consumption*, year-on-year	37.7%	Mar. 2021
Unemployment rate (ILO)	8.0%	Q4-2020
Consumer prices, year-on-year		
• all items	1.2%	Apr. 2021
• all items excluding tobacco	1.1%	Apr. 2021
Trade balance, fob-fob, sa (€bn)	-€6.1bn	Mar. 2021
" "	-€5.1bn	Feb. 2021
Current account balance, sa (€bn)	-€2.9bn	Mar. 2021
" "	-€2.2bn	Feb. 2021
10-year constant maturity rate (TEC10)	0.13%	31 May. 2021
3-month interest rate (Euribor)	-0.54%	31 May. 2021
EUR / USD	1.22	31 May. 2021
EUR / JPY	133.81	31 May. 2021

MONTHLY GOVERNMENT BUDGET POSITION

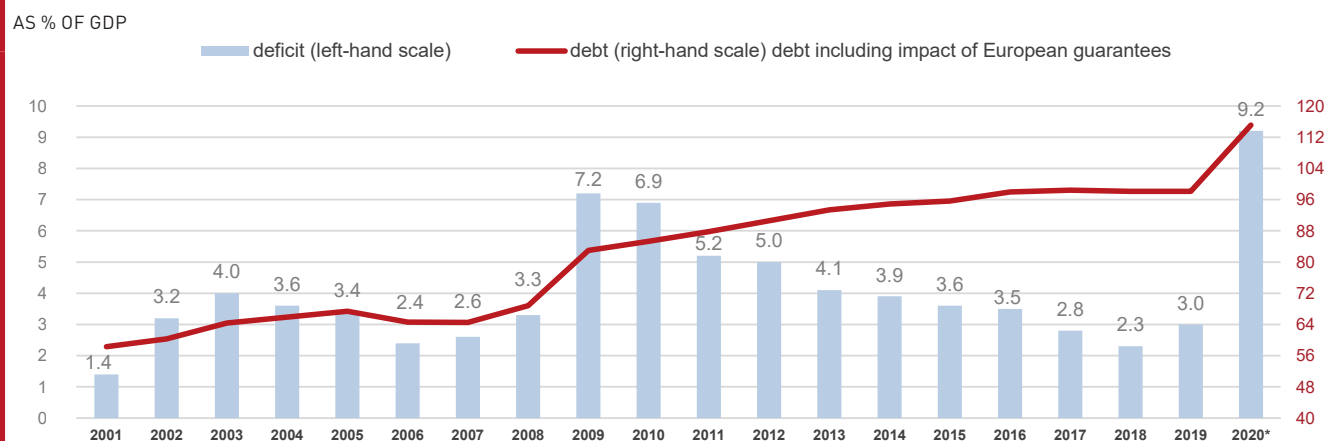
			end of March level		
	2019	2020	2019	2020	2021
General budget balance	-96.91	-172.68	-25.18	-37.12	-48.86
Revenue	301.07	282.69	65.66	61.84	63.38
Expenditure	397.98	455.37	90.85	98.95	112.23
Balance of special Treasury accounts	4.06	-5.42	-15.52	-15.39	-11.21
General budget outturn	-92.69	-178.10	-40.71	-52.51	-60.07

* manufactured products

Sources: Insee, Minefi, Banque de France

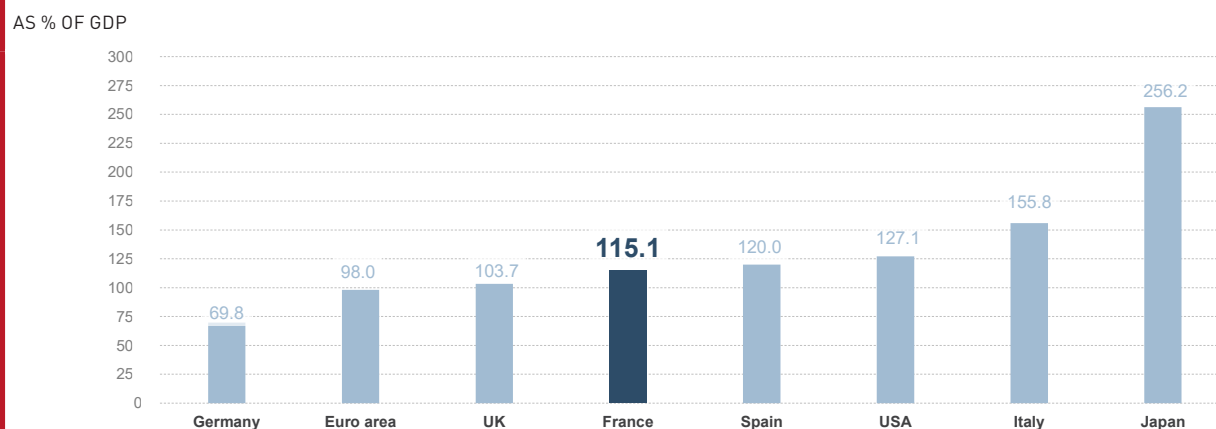
Source: Ministry of the Economy, Finance and the Recovery

PUBLIC FINANCES: DEFICIT AND DEBT




Source: Insee (*preliminary estimates)


GENERAL GOVERNMENT DEBT IN 2020



Sources: Eurostat, IMF, Insee (2020 data harmonized by the European Commission will be published end of May 2021)

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8 Foreign trade by value in April	8 Balance of payments in April	10 Industrial production: May index	15 Consumer prices: May index	15 Net international reserves in May	24 Monthly business survey (goods-producing industries) in June
25 Debt of the general government according to Maastricht definition Q1-2021	29 Consumer confidence survey: June survey	30 Industrial producer and import price: May indices			

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7 Foreign trade by value in May	7 Balance of payments in May	9 Industrial production: May index	13 Consumer prices: June index	15 Net international reserves in June	16 Inflation (HICP): June index
23 Monthly business survey (goods-producing industries) in July	23 Quarterly business survey (goods-producing industries) in July	28 Consumer confidence survey: July survey	29 Industrial producer and import price: June indices	30 Quarterly national accounts: initial estimate Q2-2021	

Sources: Insee, Eurostat

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