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SEPTEMBER
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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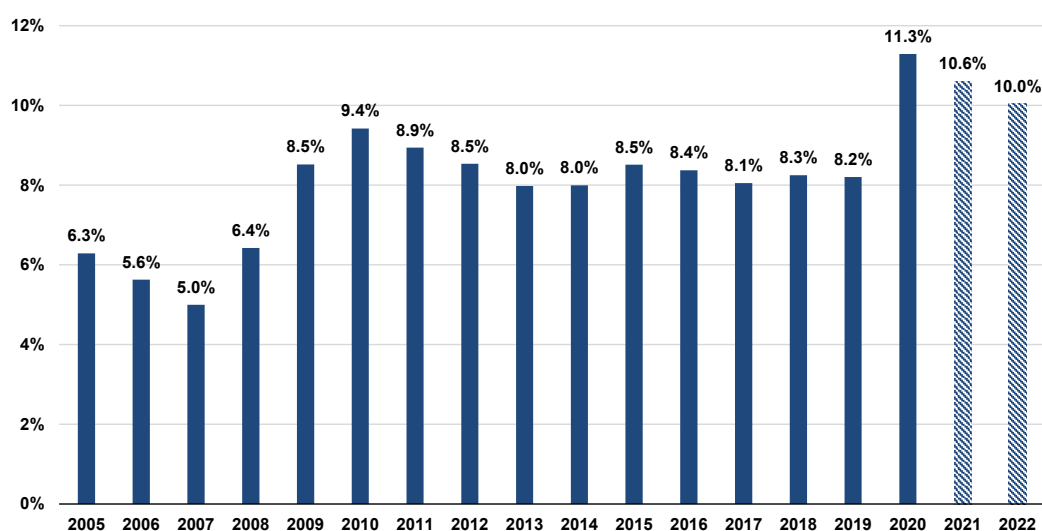
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News at Agence
France Trésor

2022 BUDGET BILL: AFT WILL ISSUE €260BN IN MEDIUM- AND LONG-TERM SECURITIES

In 2022, the French government will issue €260bn in medium- and long-term debt securities, net of redemptions. This amount is the same as in 2020 and 2021, whereas the government's financing programme, measured as a percentage of GDP, will continue its downward trend in 2022 after reaching 11.3% in 2020 – as a result of the pandemic.

Medium and long term financing programme as a percentage of GDP



In 2022, the central government borrowing requirement will amount to €292.7bn, a drop of nearly €21bn compared to the previous year's requirements. This is due to a sharply reduced budget deficit for 2022 of €143.4bn. Government debt redemptions will amount to €149.8bn, an increase of €31.5bn over the figure for 2021, plus €3.1bn in redemption of SNCF Réseau debt out of the €35bn that the government has pledged to assume.

Whereas AFT has achieved 85% of its financing programme since the start of the year, in an economic climate still affected by the pandemic, France has continued to enjoy exceptional financing terms in 2021. The weighted average yield of medium- and long-term debt issuance stood at -0.06% for the first three quarters of 2021, as compared to a historic low of -0.13% in 2020, 0.11% in 2019 and an average of 1.52% for the period from 2009 to 2018.

Under these circumstances, the interest rate scenario in the 2022 budget bill assumes that short-term yields will be stable and long-term yields will rise slightly. Yields on 3-month and 10-year maturities would stand at -0.50% and 0.75% respectively at the end of 2022. Under these assumptions, the fiscal cost of the debt burden is projected to stand at €38.4bn in 2022, including €0.8bn in interest expense on the SNCF Réseau debt. As measured in the government's financial accounts and according to the Maastricht rules, the cost of debt service is projected to stand at €28.7bn in 2021 and €24.8bn in 2022.¹

These new projections are higher than the ones made one year ago since inflation and yields were higher than projected in the 2021 Budget Bill.

¹Cash-based budgetary accounting and the Maastricht rules diverge when it comes to recognition of the selling prices of bonds, which results in differences in debt service costs. In cash-based budgetary accounting, this cost is equal to total coupon payments, whereas under the Maastricht rules, which are accrual-based, the debt service cost is equal to the fiscal cost adjusted for certain accounting elements such as the spread of premiums and discounts. There is also a difference in the reference period used for the accounting of inflation linked bonds.

The ECB will buy slightly fewer bonds in the fourth quarter than in the current quarter. But this recalibration should not obscure the fact that the ECB is likely to decide in December to extend the PEPP bond-buying programme beyond March 2022. The significant growth slowdown which is becoming ever more likely for the fourth quarter is helping the case of the many doves on the Governing Council.

As expected, the ECB decided today to buy slightly fewer bonds under the PEPP bond purchase programme in the fourth quarter than in the second and third quarters. It is likely to reduce purchases from €80bn to €70bn per month. A deeper cut of €20bn is unlikely because the ECB had described the increase from €60bn in the first quarter to €80bn in the second quarter as «significant».

A mere recalibration

The reduction in bond purchases decided today is a mere recalibration. ECB president Christine Lagarde pointed to the somewhat improved financing conditions. For example, real yields on government bonds have fallen noticeably since June.

According to Lagarde, the ECB will decide on the more important question of how the PEPP programme will continue after March 2022 only at its meeting in December. We are more than ever of the opinion that the ECB will then loosen its monetary policy further:

- Economic growth is expected to slow significantly in the fourth quarter – because of the new Corona wave, less growth in the important export market China and because of the continuing supply bottlenecks. This significant growth slowdown is not yet included in the ECB's forecasts. The many doves on the ECB Governing Council will not let such a negative economic surprise slip by as an argument for further easing.
- The ECB's new inflation forecast for 2023 (the long term is crucial for them) is at 1.5% and thus well below the ECB's 2% objective (table). This is another argument the doves will use.
- Many ECB council members are also concerned with ensuring low government bond yields and thus helping the finance ministers of highly indebted states. In March, for example, the ECB decided to increase its bond purchases, even though the GDP-weighted yield on ten-year euro government bonds had previously risen by only 0.3 percentage points.

Outlook: ECB extends PEPP by six months

We expect the ECB to ease its monetary policy further in December. There are several options for this. Given the new Corona wave, we think it is most likely that it will extend the PEPP programme until autumn 2022 and increase the total volume by another €250bn. In addition, the ECB is likely to decide at a later date to no longer buy a fixed monthly amount of €20bn in bonds under the APP programme, but to adjust the purchase volumes according to market developments. In this way, the ECB would have gained more flexibility, which is so important to it.

ECB growth and inflation projections somewhat higher

September projections of ECB experts, June projections of Eurosystem staff in brackets

	2021	2022	2023
Growth	5.0 (4.6)	4.6 (4.7)	2.1 (2.1)
Inflation	2.2 (1.9)	1.7 (1.5)	1.5 (1.4)
Core rate	1.3 (1.1)	1.4 (1.3)	1.5 (1.4)

Source: ECB, Commerzbank Research

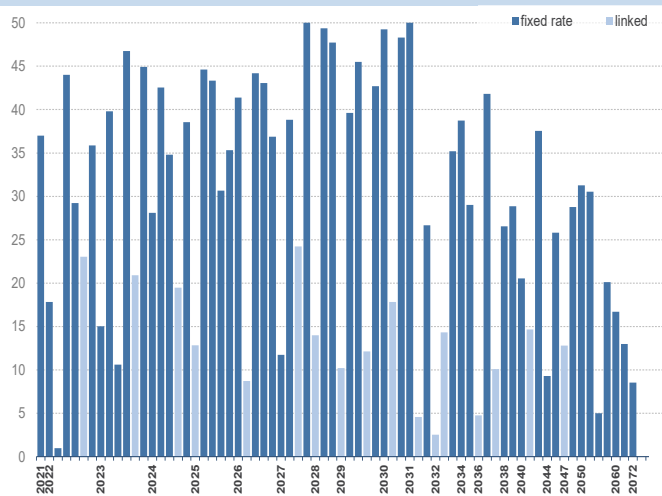
INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
October 2021	auction date	4	11	18	25	/	21	7	21
	settlement date	6	13	20	27	/	25	11	25
November 2021	auction date	2	8	15	22	29	18	4	18
	settlement date	4	10	20	24	1/12	22	8	22

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 31 AUGUST 2021

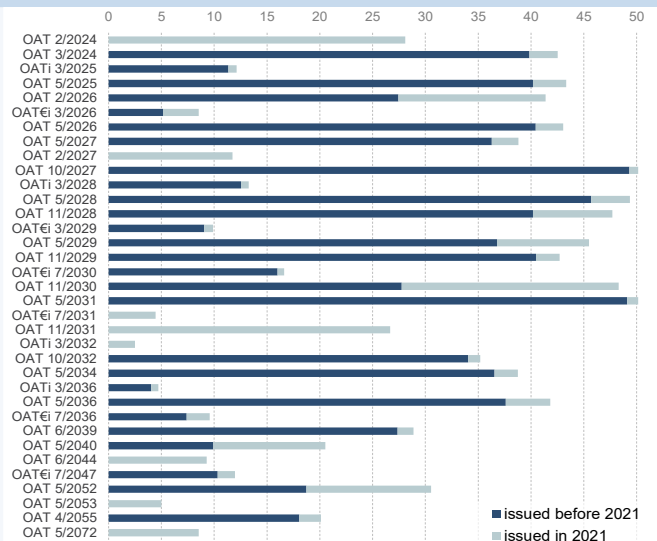
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 31 AUGUST 2021

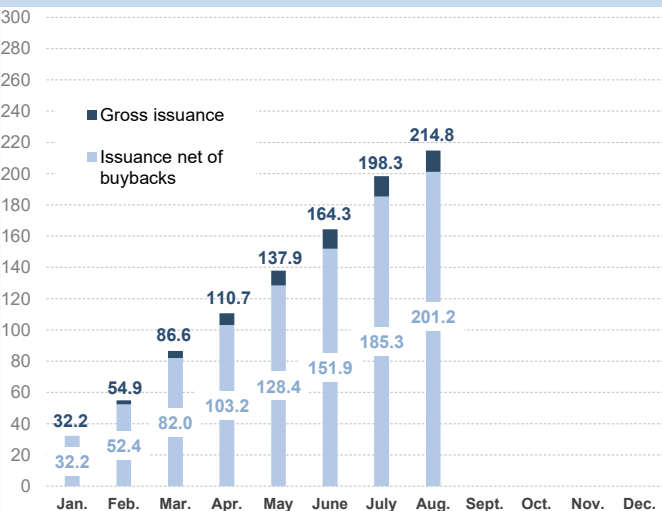
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 31 AUGUST 2021

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 31 AUGUST 2021

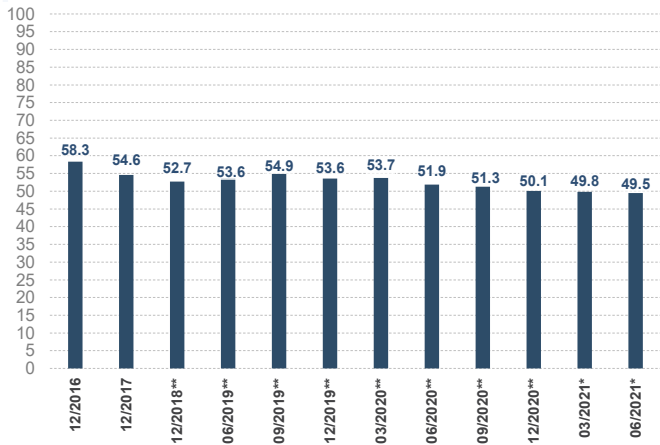
IN € BILLION

Month	Coupon	Redemption
Sep-21		
Oct-21	10.3	37.0
Nov-21	1.5	
Dec-21		
Jan-22		
Feb-22		17.8
Mar-22	0.1	
Apr-22	10.6	45.0
May-22	8.6	29.2
Jun-22	0.6	
Jul-22	2.5	23.3
Aug-22		

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN SECOND QUARTER OF 2021

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



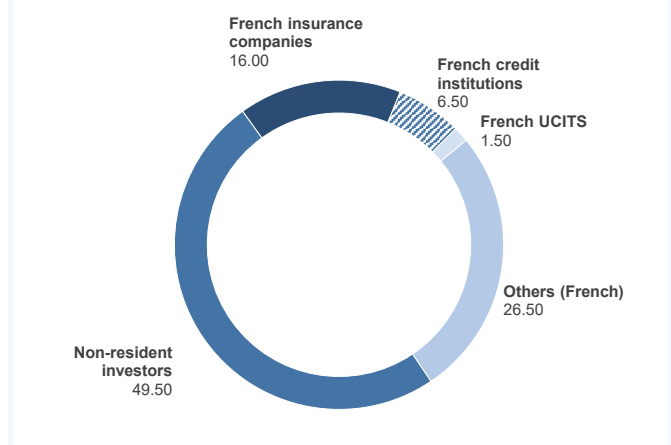
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN SECOND QUARTER OF 2021

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 AUGUST 2021

IN EUROS

Total medium- and long-term debt	1,964,383,736,328
Total stripping activity	58,541,680,500
Average maturity	9 years and 36 days
Total short-term debt	161,896,000,000
Average maturity	119 days
Total outstanding	2,126,279,736,328
Average maturity	8 years and 157 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2018 AT 31 AUGUST 2021

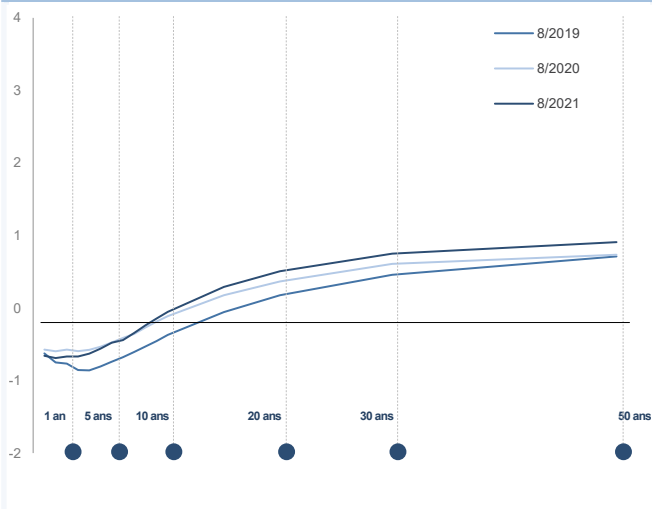
IN € BILLION

	End 2018	End 2019	End 2020	End July 2021	End August 2021
Negotiable government debt outstanding	1,756	1,823	2,001	2,111	2,126
<i>of which index-linked securities</i>	<i>220</i>	<i>226</i>	<i>220</i>	<i>225</i>	<i>227</i>
Medium- and long-term	1,644	1,716	1,839	1,948	1,964
Short-term	113	107	162	163	162
Average maturity of the negotiable debt	7 years	8 years	8 years	8 years	8 years
	336 days	63 days	73 days	187 days	157 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

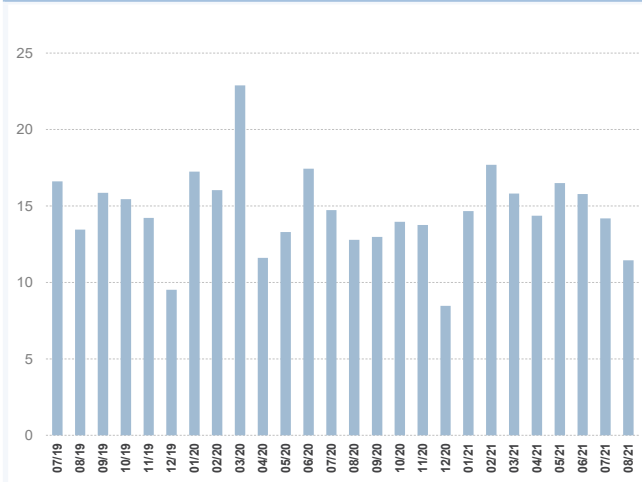
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

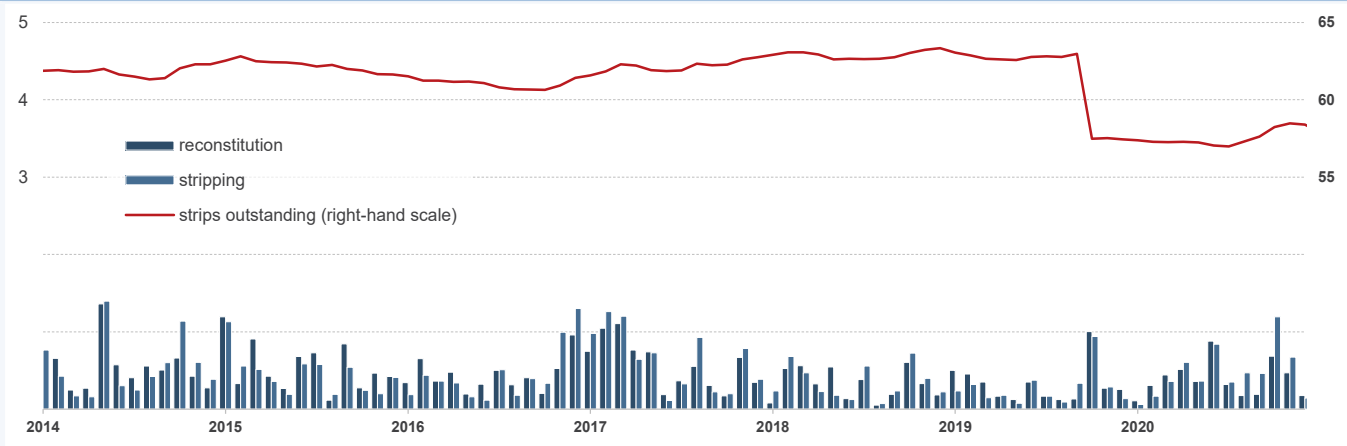
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

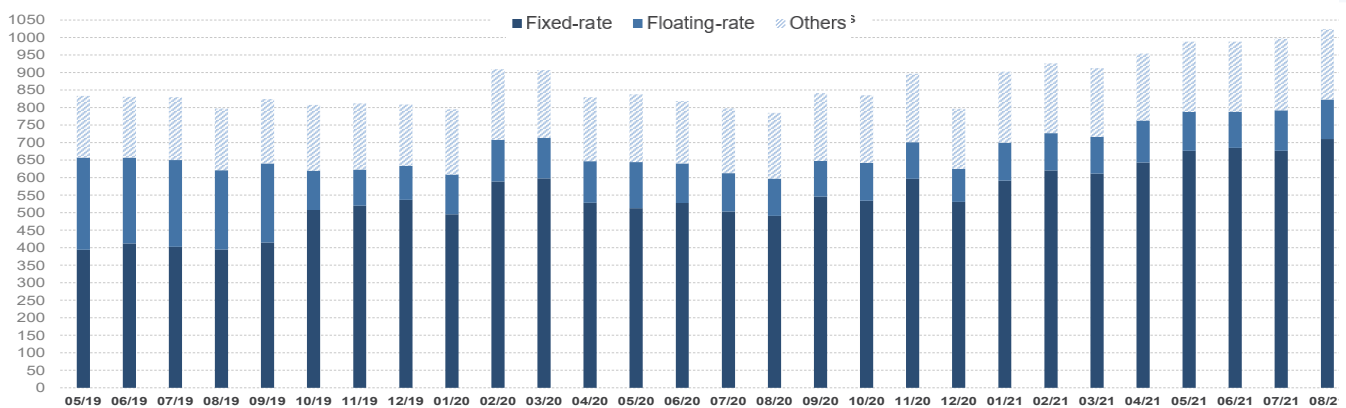
IN € BILLION



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 31 AUGUST 2021

ISIN Code	Maturity	Outstanding(€)
FR0126750720	BTF 1 September 2021	5,494,000,000
FR0126310301	BTF 8 September 2021	8,685,000,000
FR0126750738	BTF 15 September 2021	5,897,000,000
FR0126750746	BTF 22 September 2021	6,982,000,000
FR0126750753	BTF 29 September 2021	5,020,000,000
FR0126461682	BTF 6 October 2021	7,109,000,000
FR0126893470	BTF 13 October 2021	5,768,000,000
FR0126750761	BTF 20 October 2021	8,295,000,000
FR0126893488	BTF 27 October 2021	5,796,000,000
FR0126461690	BTF 4 November 2021	8,605,000,000
FR0126893496	BTF 10 November 2021	5,102,000,000
FR0126750779	BTF 17 November 2021	7,676,000,000
FR0126893504	BTF 24 November 2021	2,493,000,000
FR0126461708	BTF 1 December 2021	4,874,000,000
FR0126461815	BTF 15 December 2021	12,046,000,000
FR0126893538	BTF 12 January 2022	5,589,000,000
FR0126461823	BTF 26 January 2022	7,193,000,000
FR0126461831	BTF 23 February 2022	7,126,000,000
FR0126461849	BTF 23 March 2022	8,522,000,000
FR0126750787	BTF 21 April 2022	8,328,000,000
FR0126750795	BTF 18 May 2022	9,057,000,000
FR0126750803	BTF 15 June 2022	6,988,000,000
FR0126893561	BTF 13 July 2022	6,455,000,000
FR0126893579	BTF 10 August 2022	2,796,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2021-2024) AT 31 AUGUST 2021

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2021		36,991,000,000				
FR0011059088	OAT 3.25% 25 October 2021	36,991,000,000			0	
Maturity 2022		150,928,846,530				
FR0013398583	OAT 0.00% 25 February 2022	17,816,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	960,939,990			0	
FR0011196856	OAT 3.00% 25 April 2022	44,008,000,000			137,509,300	
FR0013219177	OAT 0.00% 25 May 2022	29,214,000,000			0	x
FR0010899765	OAT€i 1.10% 25 July 2022	23,052,906,540 (1)	1.16118	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	35,877,000,000			0	
Maturity 2023		178,018,330,623				
FR0013479102	OAT 0.00% 25 February 2023	15,020,000,000			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			5,326,365,200	
FR0011486067	OAT 1.75% 25 May 2023	46,748,000,000			0	x
FR0010585901	OATi 2.10% 25 July 2023	20,911,134,720 (1)	1.15864	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			453,985,000	
Maturity 2024		163,460,941,410				
FR0014001N46	OAT 0.00% 25 February 2024	28,097,000,000			0	x
FR0013344751	OAT 0.00% 25 March 2024	42,533,000,000			0	x
FR0011619436	OAT 2.25% 25 May 2024	34,810,000,000			0	x
FR0011427848	OAT€i 0.25% 25 July 2024	19,484,941,410 (1)	1.08739	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 31 AUGUST 2021

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2025		166,732,748,538				
FR0012558310	OATi 0.10% 1 March 2025	12,818,820,420 (1)	1.05609	12,138,000,000	0	x
FR0013415627	OAT 0.00% 25 March 2025	44,618,000,000			0	x
FR0012517027	OAT 0.50% 25 May 2025	43,331,000,000			0	x
FR0000571150	OAT 6.00% 25 October 2025	30,653,928,118			2,814,064,400	
FR0012938116	OAT 1.00% 25 November 2025	35,311,000,000			0	x
Maturity 2026		174,251,413,160				
FR0013508470	OAT 0.00% 25 February 2026	41,396,000,000			0	x
FR0013519253	OAT€i 0.10% 1 March 2026	8,720,413,160 (1)	1.02017	8,548,000,000	0	x
FR0010916924	OAT 3.50% 25 April 2026	44,202,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	43,058,000,000			0	x
FR0013200813	OAT 0.25% 25 November 2026	36,875,000,000			0	x
Maturity 2027		126,455,388,000				
FR0014003513	OAT 0.00% 25 February 2027	11,741,000,000			0	x
FR0013250560	OAT 1.00% 25 May 2027	38,814,000,000			0	x
FR0011008705	OAT€i 1.85% 25 July 2027	24,213,388,000 (1)	1.14430	21,160,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	51,687,000,000			62,743,600	
Maturity 2028		111,124,628,407				
FR0013238268	OATi 0.10% 1 March 2028	13,996,230,750 (1)	1.05433	13,275,000,000	0	x
FR0000571226	OAT zero coupon 28 March 2028	31,397,657 (2)		46,232,603	-	
FR0013286192	OAT 0.75% 25 May 2028	49,380,000,000			0	x
FR0013341682	OAT 0.75% 25 November 2028	47,717,000,000			0	x
Maturity 2029		150,138,660,100				
FR0013410552	OAT€i 0.10% 1 March 2029	10,196,582,190 (1)	1.03027	9,897,000,000	0	x
FR0000571218	OAT 5.50% 25 April 2029	39,618,880,458			2,274,946,100	
FR0013407236	OAT 0.50% 25 May 2029	45,491,000,000			0	x
FR0000186413	OATi 3.40% 25 July 2029	12,132,197,452 (1)	1.32085	9,185,144,000	0	
FR0013451507	OAT 0.00% 25 November 2029	42,700,000,000			0	x
Maturity 2030		115,375,726,460				
FR0011883966	OAT 2.50% 25 May 2030	49,233,000,000			0	x
FR0011982776	OAT€i 0.70% 25 July 2030	17,832,726,460 (1)	1.07342	16,613,000,000	0	x
FR0013516549	OAT 0.00% 25 November 2030	48,310,000,000			0	x
Maturity 2031		84,497,005,000				
FR0012993103	OAT 1.50% 25 May 2031	53,267,000,000			58,900,000	x
FR0014001N38	OAT€i 0.10% 25 July 2031	4,557,005,000 (1)	1.02175	4,460,000,000	0	x
FR0014002WK3	OAT 0.00% 25 November 2031	26,673,000,000			0	x
Maturity in 2032 and beyond		506,409,048,100				
FR0014003N51	OATi 0.10% 1 March 2032	2,530,235,070 (1)	1.01331	2,497,000,000	0	x
FR0000188799	OAT€i 3.15% 25 July 2032	14,314,435,200 (1)	1.32345	10,816,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	35,192,322,600			10,597,157,400	
FR0013313582	OAT 1.25% 25 May 2034	38,746,000,000			0	x
FR0010070060	OAT 4.75% 25 April 2035	29,004,000,000			3,366,737,000	
FR0013524014	OATi 0.10% 1 March 2036	4,758,984,000 (1)	1.01040	4,710,000,000	0	x
FR0013154044	OAT 1.25% 25 May 2036	41,823,000,000			100,000	x
FR0013327491	OAT€i 0.10% 25 July 2036	10,078,933,050 (1)	1.05285	9,573,000,000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,654,641,400	
FR0013234333	OAT 1.75% 25 June 2039	28,874,000,000			0	x
FR0013515806	OAT 0.50% 25 May 2040	20,536,000,000			0	x
FR0010447367	OAT€i 1.80% 25 July 2040	14,646,305,180 (1)	1.22594	11,947,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	37,558,000,000			5,533,899,000	
FR0014002JM6	OAT 0.50% 25 June 2044	9,280,000,000			0	x
FR0011461037	OAT 3.25% 25 May 2045	25,824,000,000			765,510,000	x
FR0013209871	OAT€i 0.10% 25 July 2047	12,798,833,000 (1)	1.06835	11,980,000,000	0	x
FR0013257524	OAT 2.00% 25 May 2048	28,759,000,000			625,900,000	x
FR0013404969	OAT 1.50% 25 May 2050	31,274,000,000			146,300,000	x
FR0013480613	OAT 0.75% 25 May 2052	30,529,000,000			426,100,000	x
FR0014004J31	OAT 0.75% 25 May 2053	5,000,000,000			0	x
FR0010171975	OAT 4.00% 25 April 2055	20,118,000,000			11,213,818,000	
FR0010870956	OAT 4.00% 25 April 2060	16,696,000,000			8,799,404,100	
FR0013154028	OAT 1.75% 25 May 2066	12,997,000,000			1,211,200,000	x
FR0014001NN8	OAT 0.50% 25 May 2072	8,537,000,000			30,400,000	x

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

(2) Revised on 28 March 2021; 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	10.1%	Jul. 2021
Household consumption*, year-on-year	-5.8%	Aug. 2021
Unemployment rate (ILO)	8.0%	Q2-2021
Consumer prices, year-on-year		
• all items	1.9%	Aug. 2021
• all items excluding tobacco	1.8%	Aug. 2021
Trade balance, fob-fob, sa (€bn)	-€7.0bn	Jul. 2021
" "	-€6.1bn	Jun. 2021
Current account balance, sa (€bn)	-€3.5bn	Jul. 2021
" "	-€0.9bn	Jun. 2021
10-year constant maturity rate (TEC10)	0.11%	30 Sep. 2021
3-month interest rate (Euribor)	-0.54%	30 Sep. 2021
EUR / USD	1.17	30 Sep. 2021
EUR / JPY	129.84	30 Sep. 2021

MONTHLY GOVERNMENT BUDGET POSITION

IN € BILLION

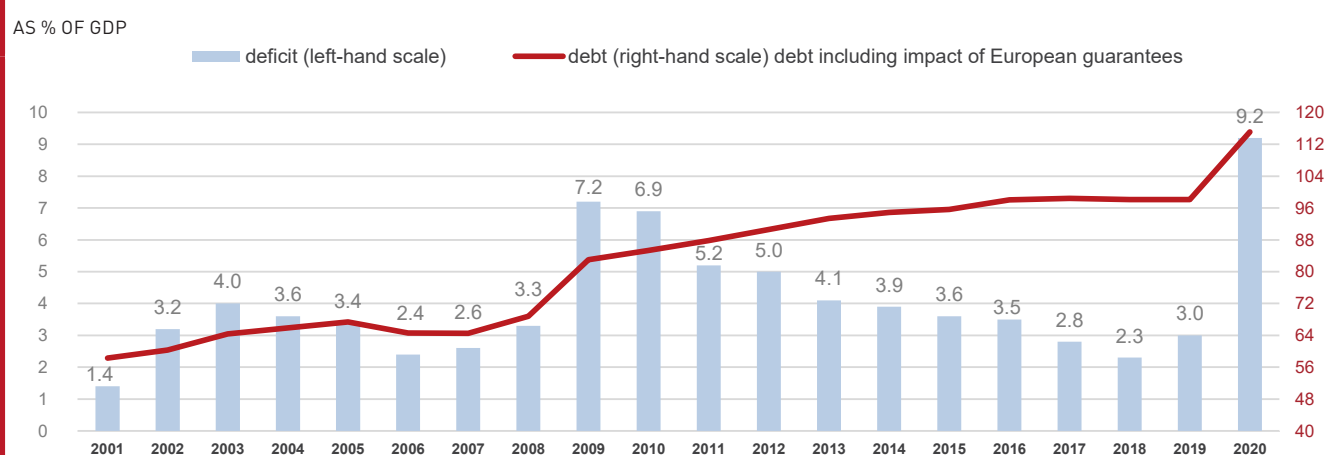
	2019	2020	end of July level		
			2019	2020	2021
General budget balance	-96.91	-172.68	-84.76	-120.05	-148.51
Revenue	301.07	282.69	159.24	149.25	156.02
Expenditure	397.98	455.37	243.99	269.30	304.52
Balance of special Treasury accounts	4.06	-5.42	-24.99	-30.99	-18.13
General budget outturn	-92.69	-178.10	-109.74	-151.04	-166.64

* manufactured products

Sources: Insee, Minefi, Banque de France

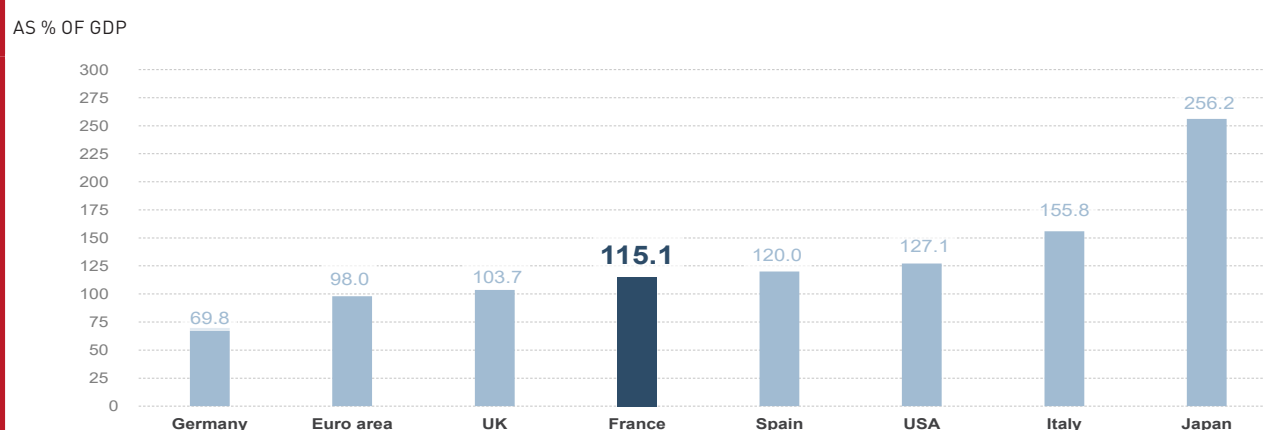
Source: Ministry of the Economy, Finance and the Recovery

PUBLIC FINANCES: DEFICIT AND DEBT



Source: Insee

GENERAL GOVERNMENT DEBT IN 2020



Sources: Eurostat, IMF, Insee

OCTOBER 2021 

5 Industrial production: August index	7 Balance of payments in August	7 Foreign trade by value in August	15 Consumer prices: September index (final)	15 Net international reserves in September	20 20 Inflation (HICP): september index
21 Monthly business survey (goods-producing industries) in October	27 Industrial producer and import price: September indices	27 Consumer confidence survey: October survey	29 Quarterly national accounts: initial estimate Q3-2021	29 Household consumption expenditure on goods in September	29 Consumer prices: October index (preliminary results)

NOVEMBER 2021 

5 Industrial production : September index	5 Flash estimate of payroll employment: Q3 2021	5 Official international reserves in October	8 Balance of payments in September	9 Net international reserves in October	15 Consumer prices: October index
16 Monthly business survey (goods-producing industries) in November	17 Inflation (HICP): October index	24 Consumer confidence survey: November survey	26 Consumer prices november index (preliminary results)	30 Industrial producer and import price in October	30 Quarterly national accounts: final results - Q3 2021
			30 Household consumption expenditure on goods in October		

Sources: Insee, Eurostat

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