

N°378
NOVEMBER
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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INVESTORS SATISFACTION WITH FRENCH GOVERNMENT DEBT MARKET CONTINUED IN 2021

Investors' satisfaction with the functioning of the French government debt market remains very high. This finding was upheld by the results of the 19th survey of primary dealers' customers, conducted online by the independent research firm IEM Finance between 6 and 24 September 2021. The annual survey gauges the quality of business relationships and services that primary dealers provide to their customers, as well as how well the French debt market functions. In 2021, 197 investors filled out the survey questionnaire. The respondents represented 136 institutions, including most of the major asset managers, insurers and government-funded institutions that trade in French debt.

Overall investor satisfaction has remained stable over the last three years: 98.3% reported that they were "very satisfied" or "satisfied" in 2021, compared to 98.9% in 2020 and 97.1% in 2019.

Critical criteria for investors are still liquidity and transparency. There were 89.4% of respondents who deemed that liquidity is "very important" and 72.5% who deemed that transparency is "very important". This represents an increase of 4.4 points over the previous year's survey and is the highest level ever recorded. The steady increase in the importance attached to predictability also continued in 2021, with 52.7% of investors rating it as "very important".

More specifically, investors continue to highly appreciate the liquidity of French government securities. Satisfaction with the liquidity of nominal OATs remained at the same level as in 2020 (98.9% "very satisfied" or "satisfied" in 2021, versus 98.3% in 2020). Satisfaction with BTFs continued, with 92.5% of "very satisfied" or "satisfied" investors in 2021, versus 94.6% in 2020. Investor satisfaction with inflation-indexed bonds increased significantly in 2021, with 79.5% of investors reporting that they were "very satisfied" or "satisfied" compared to 70.5% in 2020 and 63% in 2019. This corroborates the strong trend seen on the inflation-indexed bond market since the end of the first quarter in 2021.

Survey based rankings on the French government securities market

The ranking of the top five primary dealers on the French government securities market that respondents to the survey most frequently report as the main partner is as follows:

2021	
1	BNP Paribas
2	J.P. Morgan
3	Crédit Agricole CIB
4	Société Générale
5	Deutsche Bank

This year, the vast majority of investors once again appreciated the flexibility that AFT shows in choosing which securities to issue, with taps of off-the-run securities at its auctions. This flexibility left 95% of respondents "very satisfied" or "fairly satisfied" in 2020, versus 93.2% in 2020.

Finally, the survey asked investors to rate Green OATs. The proportion of investors that have already bought a Green OAT continued to increase very significantly after the March 2021 launch of the new Green OAT 0.50% 25 June 2044, rising from 45.8% in 2020 to 61.7% in 2021. Nearly three-quarters of the investors responding to the survey reported that they bought it because of its green credentials, versus less than two-thirds in 2020. This confirms the appetite of ESG¹ investors for Green OATs, as well as the technical qualities of the Green OATs, which are similar to those of other OATs.

¹ Environmental, social and governance

Seemingly trapped at the lower bound after years of undershooting their inflation targets, unable to convince financial markets that they are still able to hit their objective and hastened by yet another large negative economic shock with the Covid-19 pandemic, the US Federal Reserve and the European Central Bank revised their strategies over the last twelve months. Both formally raised their inflation targets – the Fed by adopting average inflation targeting and the ECB by adopting a symmetric 2% target and committed to even greater patience and persistence in a bid to raise market inflation expectations. With nominal yields pinned to the lower bound by the aggressive stance, higher inflation expectations would put downward pressure on real yields and thus increase stimulus in the economy.

Suddenly, however, central banks are pushing open doors. By October 2021, the US and the Eurozone both recorded multi-decade inflation highs. In the US, CPI inflation rose to 6.1% year-on-year, the highest since 1982. In the Eurozone, the harmonized inflation rate reached 4.1% YY, its highest since the introduction of the euro in 1999. Spot inflation has also dragged market-implied inflation expectations higher, and while markets price rising policy rates, real yields have fallen further.

So have central banks done enough now? The verdict is still out. In the US, half of the spot inflation target overshoot comes from energy prices, and virtually all of it in the Eurozone. Such moves usually fade from the annual comparison after 12 months without trace. Core inflation is at 4.1% and 2.1%, respectively. The remaining US overshoot comes from goods prices. Since most goods are traded globally, the large divergence of non-energy industrial goods inflation may not persist. Core services inflation is so far, just back to pre-pandemic levels in the US, and still below it in the Eurozone.

So is this all transitory and the Fed and ECB can just look through it, even if inflation rates rise further and remain high for longer than currently expected? In our view, the situations are quite different. In the US, there are clear signs of a tight labour market. Despite higher unemployment and lower participation compared to before the pandemic, wage growth is rising and many workers are voluntarily changing jobs. Rising pay helps offset the drag from rising prices. There are growing signs that price hikes do not just reflect changing relative prices due to the pandemic, but also strong aggregate demand. Already, US private consumption is close to pre-crisis trend levels, supported by large households' savings due to increased unemployment benefits and checks. The economy is overheating, allowing the Fed to dial down support. If anything, markets' rate expectations may be too low or too shallow.

In contrast, the Eurozone economy remains well short of pre-crisis trend levels and, even that, is flattered by external demand. Despite the weaker economy, Eurozone fiscal support with deficits of around 7% of GDP in 2020 and 2021 is nearly 10 percentage points smaller than in the US. Despite higher inflation, wage growth indicators are still falling, squeezing households' disposable income. Eurozone consumers have also saved, but only due to lower spending, not higher incomes. That means savings are skewed away from poor households with the highest propensity to consume.

How should the ECB react? From our analysis, it is clear that Eurozone inflation is mostly not an aggregate demand phenomenon, but caused by shortfalls in supply. Central bankers who see their price stability target as an expression of an underlying mandate to maximize welfare in the economy should look through the inflation spike and keep pushing demand in order to facilitate the remaining supply recovery. Rising inflation expectations or wage growth are signals of success. In contrast, the so called "ordoliberal" central bankers would take such signals as warning signs. If price stability is a goal in itself, rate hikes might be warranted to anchor expectations and curb inflation volatility. Ordoliberals and welfare maximisers both aim for price stability in the medium-term, but while the former aim for a higher demand-supply equilibrium with the risk of de-anchoring inflation upwards, the latter would settle for a lower demand-supply equilibrium and risk continued secular stagnation.

The ECB's monetary policy strategy statement was not written for the scenario of a large and persistent supply shock. In our view, its spirit favours "running the economy hot". Near the lower bound (as the ECB undoubtedly is) the Governing Council has pledged "especially forceful and persistent" policy measures and agreed that this could imply a period of "moderately above target" inflation. The upcoming meetings will show whether the ECB sticks to its commitment to persistence and forcefulness, or whether more conservative council members, whose historical scepticism towards activist monetary policy is heightened in the context of this post-pandemic inflation shock, can assert more their influence and lead the central bank to reduce and then discontinue its asset purchase policy.

INDICATIVE AUCTION SCHEDULE

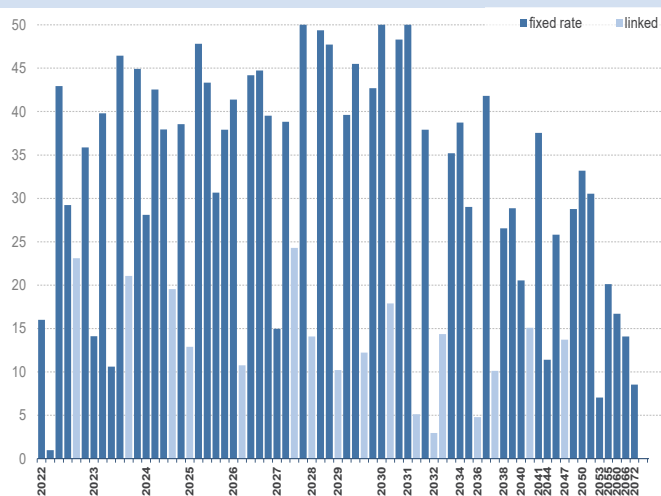
		Short-term				Medium-term	Long-term	Index-linked	
December 2021	auction date	6	13	20	27	/	2	2	/
	settlement date	8	15	22	29	/	6	6	/
January 2022	auction date	3	10	17	24	31	20	6	20
	settlement date	5	12	19	26	2 Feb. 2022	24	10	24

optional auctions

Source: Agence France Trésor

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

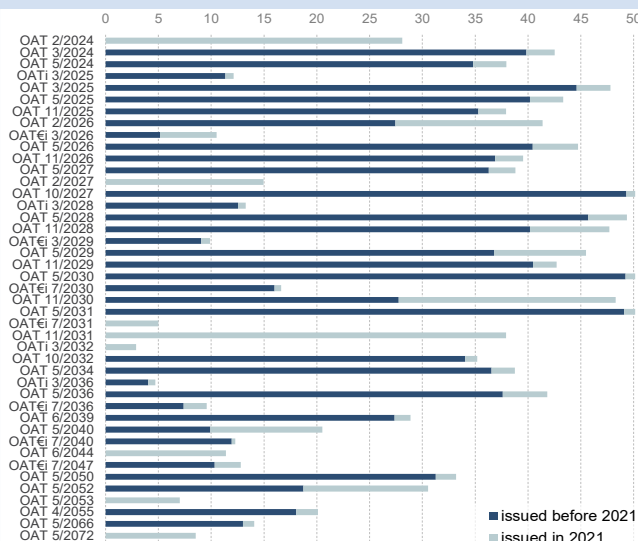
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

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

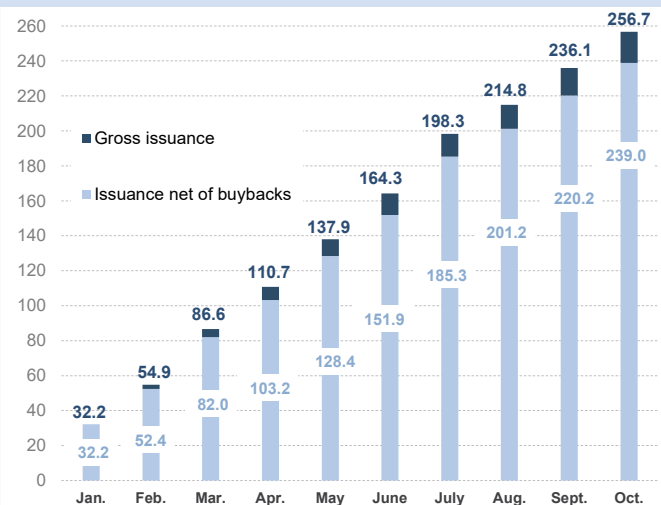
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 31 OCTOBER 2021

IN € BILLION



Source: Agence France Trésor

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

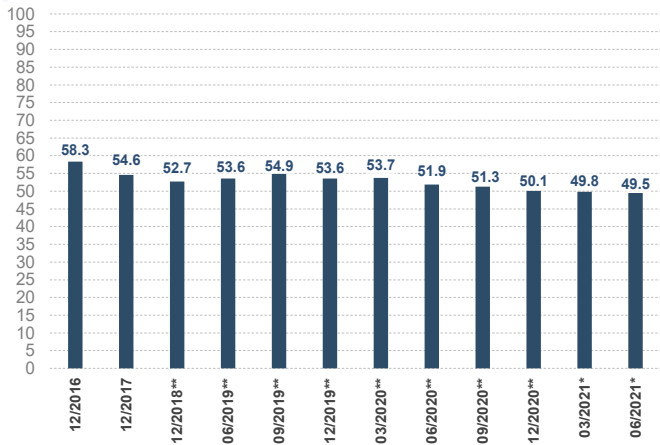
IN € BILLION

Month	Coupon	Redemption
Nov-21	1.5	
Dec-21		
Jan-22		
Feb-22		15.7
Mar-22	0.1	
Apr-22	10.5	43.9
May-22	8.8	29.2
Jun-22	0.6	
Jul-22	2.5	23.6
Aug-22		
Sep-22		
Oct-22	9.1	35.7

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



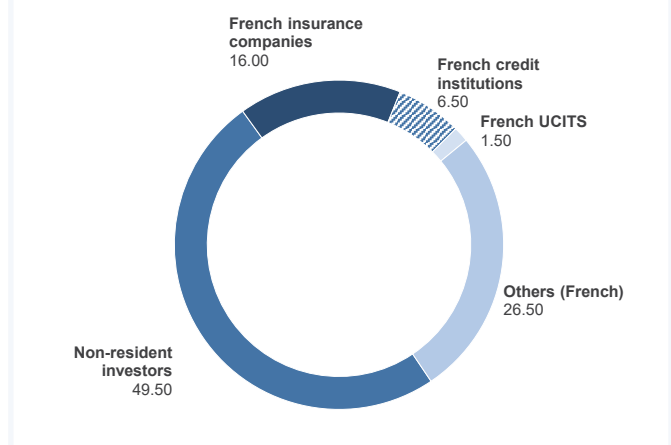
(*) figures quarterly revised

(**) 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 OCTOBER 2021

IN EUROS

Total medium- and long-term debt	1,966,272,578,934
Total stripping activity	58,580,580,500
Average maturity	9 years and 60 days
Total short-term debt	164,860,000,000
Average maturity	122 days
Total outstanding	2,131,132,578,934
Average maturity	8 years and 176 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2018 AT 31 OCTOBER 2021

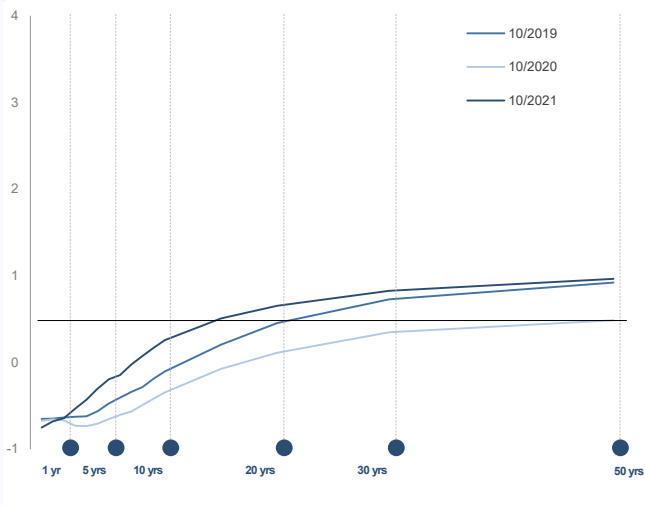
IN € BILLION

	End 2018	End 2019	End 2020	End Sept. 2021	End Oct. 2021
Negotiable government debt outstanding	1,756	1,823	2,001	2,147	2,131
<i>of which index-linked securities</i>	<i>220</i>	<i>226</i>	<i>220</i>	<i>229</i>	<i>232</i>
Medium- and long-term	1,644	1,716	1,839	1,983	1,966
Short-term	113	107	162	164	165
Average maturity of the negotiable debt	7 years	8 years	8 years	8 years	8 years
	336 days	63 days	73 days	138 days	176 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

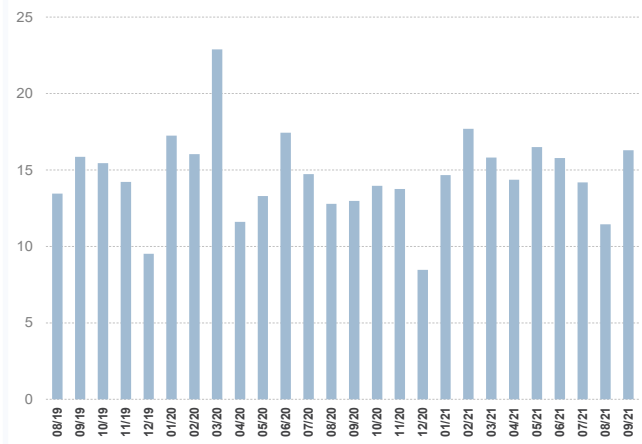
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

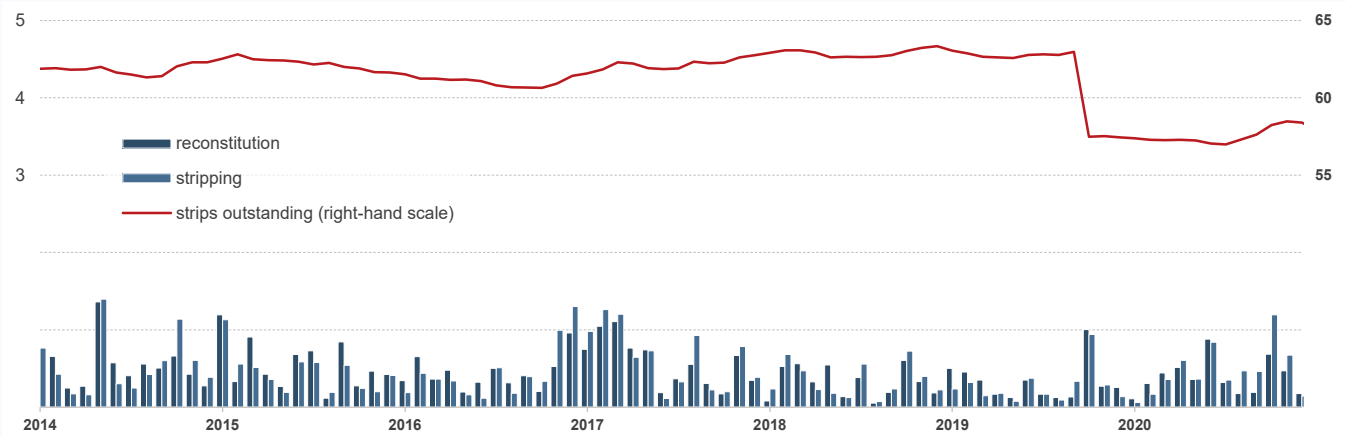
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

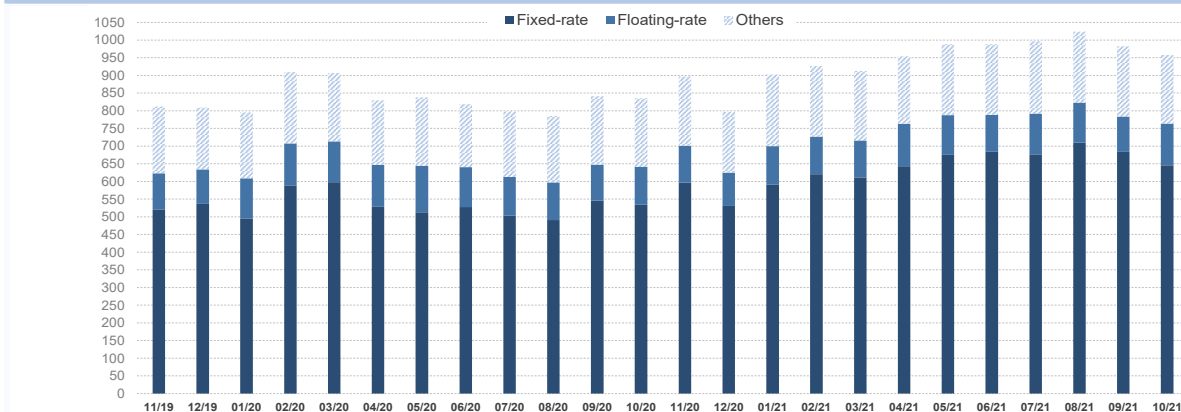
IN € BILLION



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 OCTOBER 2021

ISIN Code	Maturity	Outstanding(€)
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	4,985,000,000
FR0126461708	BTF 1 December 2021	4,874,000,000
FR0126893512	BTF 8 December 2021	9,114,000,000
FR0126461815	BTF 15 December 2021	12,046,000,000
FR0126893520	BTF 5 January 2022	9,811,000,000
FR0126893538	BTF 12 January 2022	5,589,000,000
FR0126893603	BTF 19 January 2022	6,550,000,000
FR0126461823	BTF 26 January 2022	7,193,000,000
FR0126893546	BTF 9 February 2022	7,771,000,000
FR0126461831	BTF 23 February 2022	7,126,000,000
FR0126893595	BTF 9 March 2022	8,201,000,000
FR0126461849	BTF 23 March 2022	8,522,000,000
FR0126893660	BTF 6 April 2022	2,191,000,000
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	6,390,000,000
FR0126893587	BTF 7 September 2022	7,122,000,000
FR0126893694	BTF 5 October 2022	5,164,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2022-2024) AT 31 OCTOBER 2021

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2022		148,099,405,530				
FR0013398583	OAT 0.00% 25 February 2022	15,987,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	960,939,990			0	
FR0011196856	OAT 3.00% 25 April 2022	42,948,000,000			79,509,300	
FR0013219177	OAT 0.00% 25 May 2022	29,214,000,000			0	x
FR0010899765	OAT€i 1.10% 25 July 2022	23,112,465,540 (1)	1.16418	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	35,877,000,000			0	
Maturity 2023		176,959,646,463				
FR0013479102	OAT 0.00% 25 February 2023	14,120,000,000			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			5,324,365,200	
FR0011486067	OAT 1.75% 25 May 2023	46,448,000,000			0	x
FR0010585901	OATi 2.10% 25 July 2023	21,052,450,560 (1)	1.16647	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			453,985,000	
Maturity 2024		166,649,293,800				
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	37,948,000,000			0	x
FR0011427848	OAT€i 0.25% 25 July 2024	19,535,293,800 (1)	1.09020	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 OCTOBER 2021

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2025		172,626,413,858				
FR0012558310	OATi 0.10% 1 March 2025	12,905,485,740 (1)	1.06323	12,138,000,000	0	x
FR0013415627	OAT 0.00% 25 March 2025	47,814,000,000			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	37,922,000,000			0	x
Maturity 2026		180,627,961,200				
FR0013508470	OAT 0.00% 25 February 2026	41,396,000,000			0	x
FR0013519253	OAT€i 0.10% 1 March 2026	10,759,961,200 (1)	1.02281	10,520,000,000	0	x
FR0010916924	OAT 3.50% 25 April 2026	44,202,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	44,743,000,000			0	x
FR0013200813	OAT 0.25% 25 November 2026	39,527,000,000			0	x
Maturity 2027		129,726,021,600				
FR0014003513	OAT 0.00% 25 February 2027	14,949,000,000			0	x
FR0013250560	OAT 1.00% 25 May 2027	38,814,000,000			0	x
FR0011008705	OAT€i 1.85% 25 July 2027	24,276,021,600 (1)	1.14726	21,160,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	51,687,000,000			62,743,600	
Maturity 2028		111,219,279,157				
FR0013238268	OATi 0.10% 1 March 2028	14,090,881,500 (1)	1.06146	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		150,247,009,456				
FR0013410552	OAT€i 0.10% 1 March 2029	10,222,908,210 (1)	1.03293	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	12,214,220,788 (1)	1.32978	9,185,144,000	0	
FR0013451507	OAT 0.00% 25 November 2029	42,700,000,000			0	x
Maturity 2030		118,377,910,600				
FR0011883966	OAT 2.50% 25 May 2030	52,189,000,000			0	x
FR0011982776	OAT€i 0.70% 25 July 2030	17,878,910,600 (1)	1.07620	16,613,000,000	0	x
FR0013516549	OAT 0.00% 25 November 2030	48,310,000,000			0	x
Maturity 2031		96,307,974,390				
FR0012993103	OAT 1.50% 25 May 2031	53,267,000,000			58,900,000	x
FR0014001N38	OAT€i 0.10% 25 July 2031	5,122,974,390 (1)	1.02439	5,001,000,000	0	x
FR0014002WK3	OAT 0.00% 25 November 2031	37,918,000,000			0	x
Maturity in 2032 and beyond		515,431,662,880				
FR0014003N51	OATi 0.10% 1 March 2032	2,944,181,760 (1)	1.02016	2,886,000,000	0	x
FR0000188799	OAT€i 3.15% 25 July 2032	14,351,425,920 (1)	1.32687	10,816,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	35,192,322,600			10,590,157,400	
FR0013313582	OAT 1.25% 25 May 2034	38,746,000,000			0	x
FR0010070060	OAT 4.75% 25 April 2035	29,004,000,000			3,367,737,000	
FR0013524014	OATi 0.10% 1 March 2036	4,791,153,300 (1)	1.01723	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	10,104,971,610 (1)	1.05557	9,573,000,000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,659,641,400	
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	15,093,470,800 (1)	1.22911	12,280,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	37,558,000,000			5,503,099,000	
FR0014002JM6	OAT 0.50% 25 June 2044	11,402,000,000			0	x
FR0011461037	OAT 3.25% 25 May 2045	25,824,000,000			714,510,000	x
FR0013209871	OAT€i 0.10% 25 July 2047	13,709,136,890 (1)	1.07111	12,799,000,000	0	x
FR0013257524	OAT 2.00% 25 May 2048	28,759,000,000			622,900,000	x
FR0013404969	OAT 1.50% 25 May 2050	33,195,000,000			179,900,000	x
FR0013480613	OAT 0.75% 25 May 2052	30,529,000,000			622,100,000	x
FR0014004J31	OAT 0.75% 25 May 2053	7,035,000,000			10,000,000	x
FR0010171975	OAT 4.00% 25 April 2055	20,118,000,000			11,124,918,000	
FR0010870956	OAT 4.00% 25 April 2060	16,696,000,000			8,833,404,100	
FR0013154028	OAT 1.75% 25 May 2066	14,075,000,000			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	2.8%	Sep. 2021
Household consumption*, year-on-year	-5.0%	Oct. 2021
Unemployment rate (ILO)	8.1%	Q3-2021
Consumer prices, year-on-year		
• all items	2.6%	Oct. 2021
• all items excluding tobacco	2.6%	Oct. 2021
Trade balance, fob-fob, sa (€bn)	-€6.8bn	Sep. 2021
" "	-€6.7bn	Aug. 2021
Current account balance, sa (€bn)	-€2.7bn	Sep. 2021
" "	-€1.4bn	Aug. 2021
10-year constant maturity rate (TEC10)	0.05%	30 Nov. 2021
3-month interest rate (Euribor)	-0.57%	30 Nov. 2021
EUR / USD	1.14	30 Nov. 2021
EUR / JPY	128.22	30 Nov. 2021

* manufactured products

Sources: Insee, Minefi, Banque de France

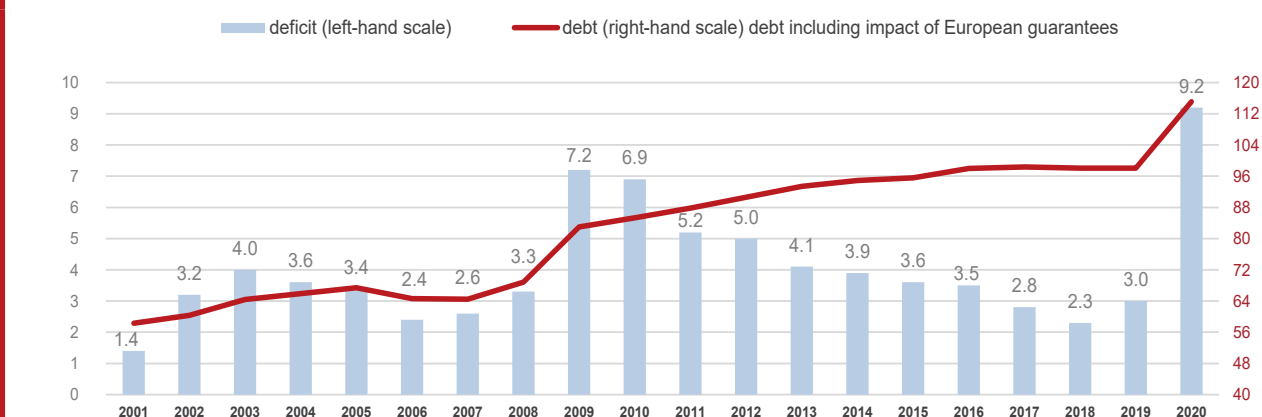
MONTHLY GOVERNMENT BUDGET POSITION

			end of September level		
	2019	2020	2019	2020	2021
General budget balance	-96.91	-172.68	-86.16	-137.66	-152.19
Revenue	301.07	282.69	212.81	191.20	215.10
Expenditure	397.98	455.37	298.97	328.86	367.29
Balance of special Treasury accounts	4.06	-5.42	-22.85	-23.93	-22.93
General budget outturn	-92.69	-178.10	-109.01	-161.59	-175.12

Source: Ministry of the Economy, Finance and the Recovery

PUBLIC FINANCES: DEFICIT AND DEBT

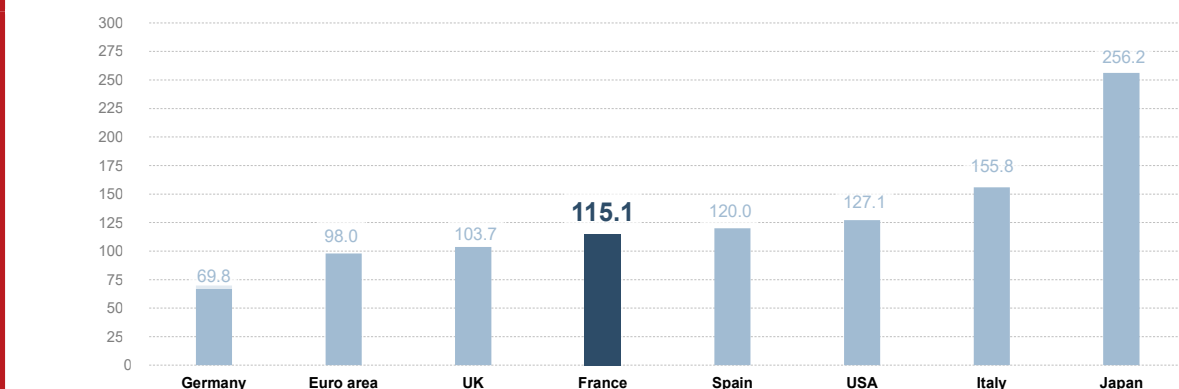
AS % OF GDP




Source: Insee

GENERAL GOVERNMENT DEBT IN 2020

AS % OF GDP



Sources: Eurostat, IMF, Insee

DECEMBER 2021 

3 Industrial production: October index	7 Balance of payments in October	7 Foreign trade by value in October	8 Payroll employment: Q3 -2021	15 Consumer prices: November index (final)	15 Net international reserves in November
16 Monthly business survey (goods-producing industries) in December	17 Consumer prices : November index	17 Debt of the general government according to Maastricht definition - Q3 2021	22 Industrial producer and import price: November indices		

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5 Consumer confidence survey: December survey	7 Industrial production: November index	7 Balance of payments in November	7 Foreign trade by value in November	14 Consumer prices: December index (final)	14 Net international reserves in December
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Sources: Insee, Eurostat

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