

N°388
SEPTEMBER
2022

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.

News at Agence
France Trésor

page 1

Economic
news

page 2

General debt-related
data

page 3

Secondary
Market

page 5

Negotiable
government debt

page 6

The French economy and
international comparisons

page 8

News at Agence
France Trésor

FRENCH BUDGET BILL 2023 : FRENCH STATE FINANCING REQUIREMENT FOR 2023

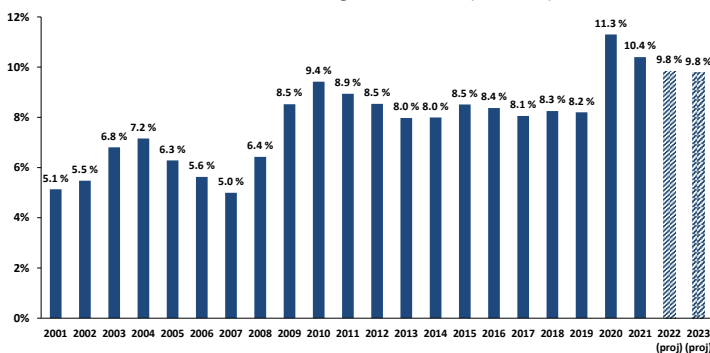
At the end of September 2022, the implementation rate of the medium and long term funding programme net of buybacks (€260bn) exceeds 5/6th (83.6%).

Since the beginning of 2022, the weighted average yield on medium- and long-term debt securities over the first three quarters of the year stand at 1.18%, compared with a rate of -0.05% in 2021 and averages of 1.26% from 2009 to 2020, and 4.15% from 1998 to 2008.

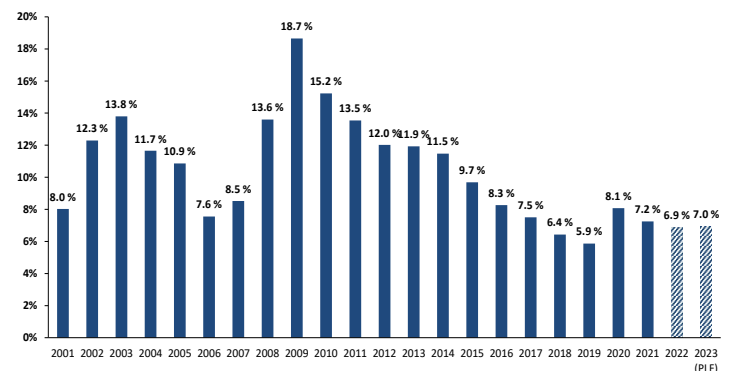
The Draft Budget Bill for 2023 presented to the council of ministers on 26 September 2022 projects that the State's borrowing requirement for 2023 will reach €305.5 billion, mainly due to a budget deficit of €158.5 billion, down €14.1 billion from the revised deficit for 2022, and €151.6 billion in medium- and long-term debt repayments maturing in 2023, up €10.8 billion with regard to 2022.

The financing requirement in 2023 will be met by (i) the medium- and long-term government debt issuance programme, net of buybacks, worth €270.0bn, (ii) a €18.0bn drawdown of the Treasury's account, (iii) an increase in outstanding short-term government securities (BTFs) for €10.4bn, (iv) €6.6bn of Covid debt redemption from the *Caisse de la dette publique* (v) and other cash resources of €0.5bn.

Net medium- and long-term issuance (% of GDP)



Share of short-term debt stands (% of total outstanding)



France will issue €270 billion of medium and long-term debt net of buybacks in 2023, an amount that will increase by €10 billion. As a percentage of GDP, it will remain stable at 9.8%. Up by 10.4 billion compared to year-end 2022, the short-term debt outstanding will also remain stable at 7% of the total debt.

In 2023, the budgetary cost of debt is forecast at 51.7 billion euros, including 0.9 billion euros in interest charges on the debt partially taken over from SNCF Réseau. Measured in terms of the State's general accounting (Maastricht accounting communicated to the European Commission), the debt burden will amount to 37.5 billion euros in 2023 and 42.2 billion euros in 2022¹, due to the anticipated decline of inflation.

¹ As a reminder, budgetary and Maastricht accounting differ in the way they take into account the sale price of bonds, which leads to different results in terms of debt burden. In budgetary accounting, which is based on a cash principle, the cost of the debt is the sum of the annual coupon payments, whereas in Maastricht accounting, which is based on an accrual principle, the cost of the debt is the budgetary cost corrected by accounting elements, notably the spreading of premiums and discounts. Inflation provisions are also recorded at different dates under the two accounting systems.

By Marco Brancolini, Rates Strategist at Nomura, published on 8 September 2022

At its September meeting, the Governing Council raised the ECB deposit rate into positive territory for the first time since July 2012. In the run-up to the decision, a substantial widening in swap spreads highlighted widespread concerns of potential disruptions in money markets and obstacles to monetary policy transmission.

In order to assuage these concerns, the Council opted to suspend the zero ceiling on the remuneration of Eurosystem government deposits – which will instead be remunerated at the lower rate between depo and €STR “until 30 April 2023”. As €STR is to structurally remain below the deposit rate unless non-banks are given access to ECB facilities, governments will continue to be remunerated at a lower rate than banks – but the spread will now be a mere handful of basis points. Market participants anticipated that the ECB decision would, all else equal, alleviate the expected shortage of general collateral around year-end, and swap spreads reacted immediately: on ECB day, Schatz sold off 23bp and tightened 12bp vs swaps.

The ECB guideline capping the remuneration on government deposits at zero (2019/7) wasn’t amended for good: the bridge measure will expire in April 2023. The ECB Council is presumably hoping that by then the increase in supply and the scaling back of QE purchases will have eased the pressure on collateral availability and repo rates. The quarter-end turn in March 2023 will provide an indication of whether repo markets are normalising.

The ECB had capped remuneration on government deposits held at Eurosystem national central banks (currently €518bn) at the lowest between zero and the deposit rate back in 2014, in order to encourage the placement of these deposits in the market and stave off concerns about monetary financing. Before the suspension of the ceiling, a positive ECB deposit rate would have incentivised governments to reduce the opportunity cost incurred for holding large cash buffers.

As constrained credit lines prevent them from placing the bulk of their liquidity with commercial banks, governments can reduce such opportunity cost by either (i) reducing their cash holdings (via buybacks, reduced issuance, etc), (ii) lending out cash in repo; or (iii) lending less special bonds into the repo market vs cash. All of these options reduce available collateral: unsurprisingly, the anticipation of these actions contributed to increased demand for core paper and sharply widening asset swaps in the run-up to the ECB meeting.

The ECB should be commended for addressing the issue swiftly: whilst we’re still in Q3, market participants have already started fretting about year-end, aiming to pre-emptively lock the year-end turn. ECB data show that since 2016 year-end repo positions have been prefunded in higher volumes and at an earlier time every year.

Last year the shortage in available collateral exerted pressure onto implied repo rates for the year-end turn all the way to a local low of --9% in November; rates then progressively eased in December. An analogous situation is likely to take place this year, but at least the ECB decision on government deposits removed tail risks, ruling out extreme disruptions in the repo market in Q4. It is nevertheless likely that collateral will remain tight at least until the beginning of next year.

Whilst collateral availability is set to improve over time as government budgets remain in deficit and central banks’ balance sheets are progressively reduced, monetary authorities may still be willing to explore ways to ease the structural shortage of high quality collateral. In its September 22nd meeting, the Swiss National Bank unveiled a new system for remunerating banks’ sight deposits complemented by “liquidity-absorbing measures”, thus providing a potential blueprint for easing the pressure on strained collateral markets. Aiming to ensure benchmark money market repo rates “remain close to the SNB policy rate” the SNB is now issuing bills (which are in turn eligible in the SNB GC Basket) via weekly auctions at a marginal rate close to benchmark CHF secured overnight rate (SARON). The SNB is thus directly increasing the availability of CHF-denominated tradeable collateral: if the measure proves successful it could be considered by other central banks.

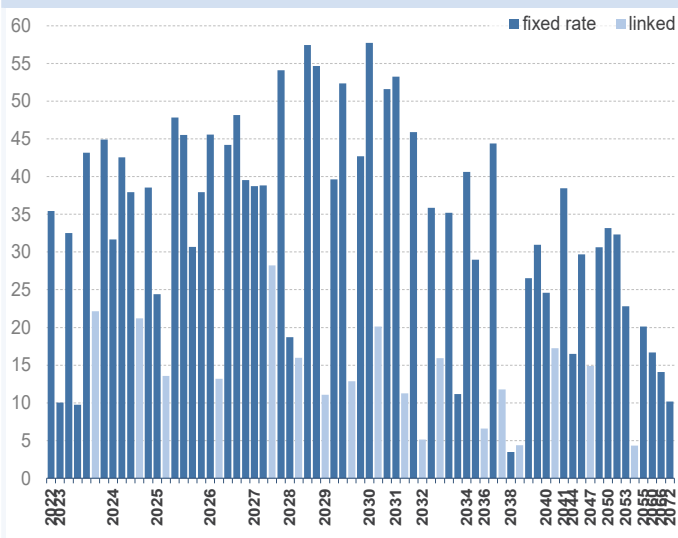
INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
October 2022	auction date	3	10	17	24	31	20	6	20
	settlement date	5	12	19	26	02/11	24	10	24
November 2022	auction date	7	14	21	28	/	17	3	17
	settlement date	9	16	23	30	/	21	7	21

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 31 AUGUST 2022

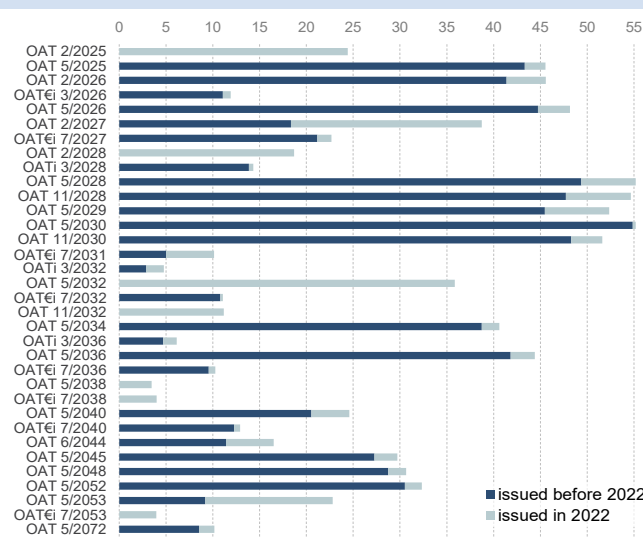
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 31 AUGUST 2022

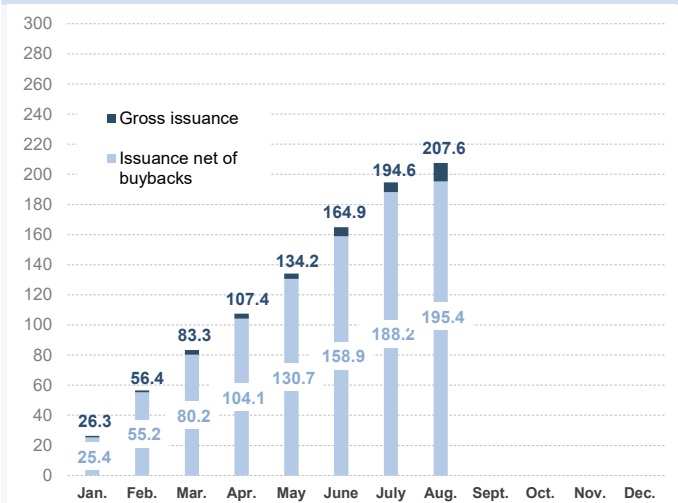
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 31 AUGUST 2022

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 31 AUGUST 2022

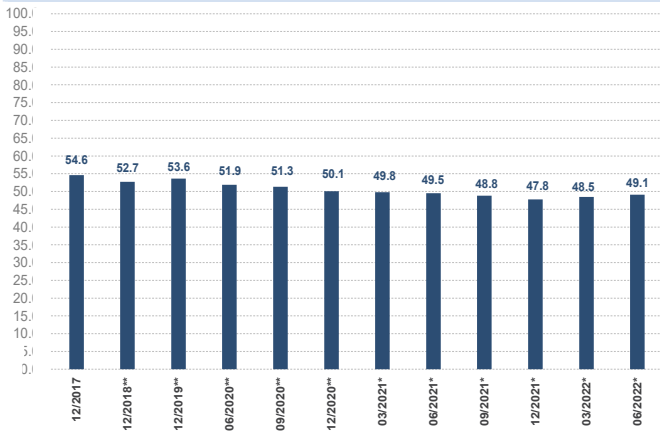
IN € BILLION

Month	Coupon	Redemption
Sep-22		
Oct-22	9.1	35.4
Nov-22	1.8	
Dec-22		
Jan-23		
Feb-23	0.1	10.0
Mar-23	0.1	32.5
Apr-23	9.1	9.8
May-23	9.4	43.2
Jun-23	0.6	
Jul-23	2.6	22.9
Aug-23		

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN SECOND QUARTER OF 2022

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



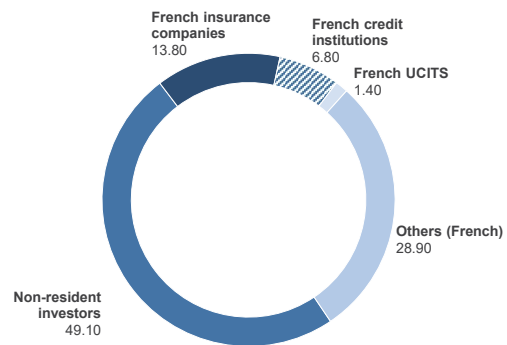
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN SECOND QUARTER OF 2022

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 AUGUST 2022

IN EUROS

Total medium- and long-term debt	2,092,344,079,378
Total stripping activity	56,689,971,200
Average maturity	9 years and 39 days
Total short-term debt	144,552,000,000
Average maturity	120 days
Total outstanding	2,236,896,079,378
Average maturity	8 years and 197 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2019 AT 31 AUGUST 2022

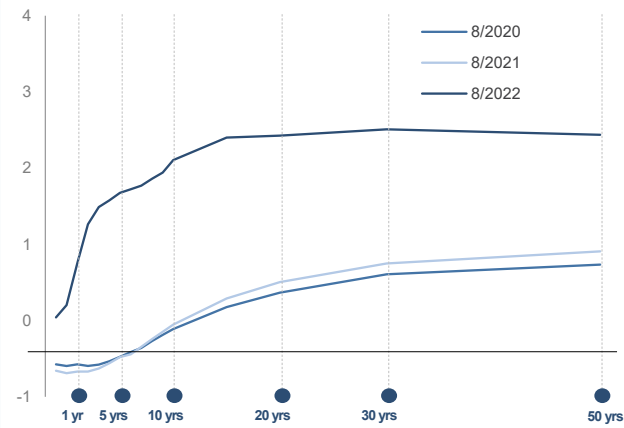
IN € BILLION

	End 2019	End 2020	End 2021	End July 2022	End Aug. 2022
Negotiable government debt outstanding	1,823	2,001	2,145	2,227	2,237
<i>of which index-linked securities</i>	226	220	236	247	250
Medium- and long-term	1,716	1,839	1,990	2,083	2,092
Short-term	107	162	155	144	145
Average maturity of the negotiable debt	8 years 63 days	8 years 73 days	8 years 153 days	8 years 221 days	8 years 197 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

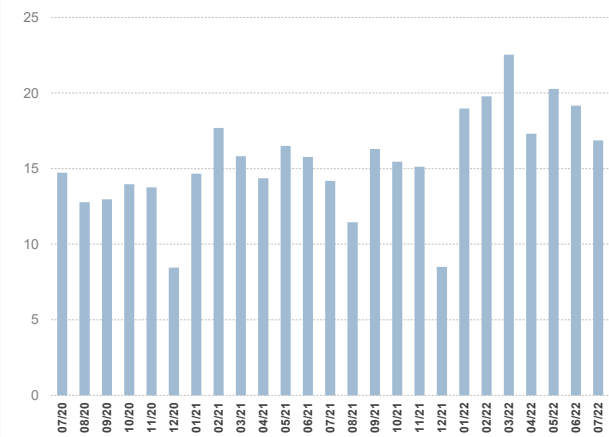
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

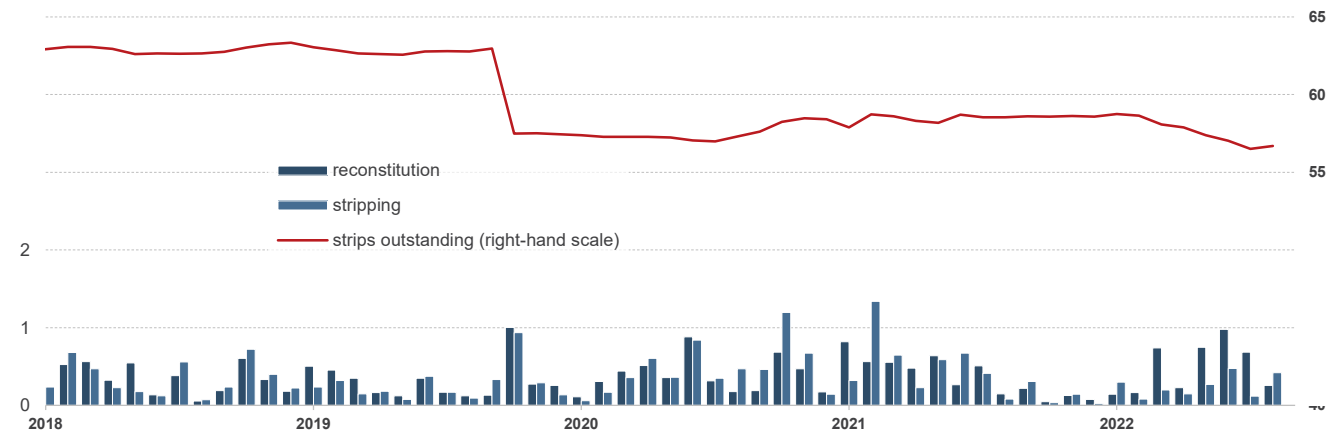
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

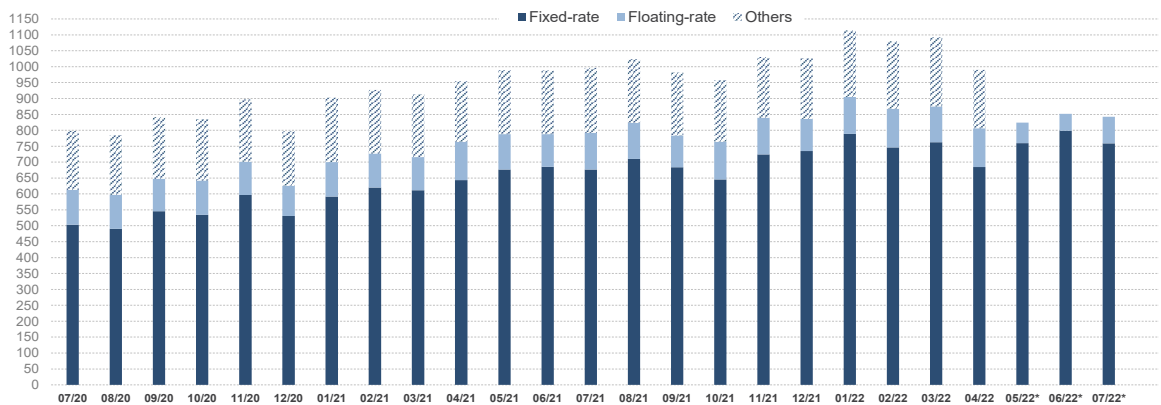
IN € BILLION



Source: Euroclear

PRIMARY DEALERS, CUMULATED REPO OUTSTANDING AT END OF MONTH

IN € BILLION



*New reporting framework based on face value data in particular

Source: reporting by primary dealers in government securities

SHORT-TERM DEBT AT 31 AUGUST 2022

ISIN Code	Maturity	Outstanding(€)
FR0126893587	BTF 7 September 2022	7,599,000,000
FR0127176453	BTF 14 September 2022	6,762,000,000
FR0127176461	BTF 21 September 2022	4,893,000,000
FR0127176479	BTF 28 September 2022	5,847,000,000
FR0126893694	BTF 5 October 2022	7,026,000,000
FR0127316927	BTF 12 October 2022	6,343,000,000
FR0127176487	BTF 19 October 2022	5,657,000,000
FR0127316935	BTF 26 October 2022	6,484,000,000
FR0126893702	BTF 2 November 2022	6,430,000,000
FR0127316943	BTF 9 November 2022	6,011,000,000
FR0127176495	BTF 16 November 2022	5,284,000,000
FR0127316950	BTF 23 November 2022	5,954,000,000
FR0126893710	BTF 30 November 2022	3,248,000,000
FR0127316976	BTF 14 December 2022	5,464,000,000
FR0127034694	BTF 4 January 2023	7,040,000,000
FR0127316984	BTF 11 January 2023	7,436,000,000
FR0127034702	BTF 25 January 2023	5,965,000,000
FR0127316992	BTF 8 February 2023	1,585,000,000
FR0127034710	BTF 22 February 2023	6,905,000,000
FR0127034728	BTF 22 March 2023	5,544,000,000
FR0127176370	BTF 19 April 2023	5,589,000,000
FR0127176388	BTF 17 May 2023	4,721,000,000
FR0127176396	BTF 14 June 2023	5,603,000,000
FR0127317016	BTF 12 July 2023	6,536,000,000
FR0127317024	BTF 9 August 2023	4,626,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2022-2025) AT 31 AUGUST 2022

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
	Maturity 2022	35,420,000,000				
FR0011337880	OAT 2.25% 25 October 2022	35,420,000,000			0	
	Maturity 2023	162,577,710,783				
FR0013479102	OAT 0.00% 25 February 2023	10,009,000,000			0	×
FR0013283686	OAT 0.00% 25 March 2023	32,538,500,000			0	×
FR0000571085	OAT 8.50% 25 April 2023	9,766,695,903			5,124,965,200	
FR0011486067	OAT 1.75% 25 May 2023	43,186,000,000			0	×
FR0010585901	OATi 2.10% 25 July 2023	22,159,514,880 (1)	1.22781	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			452,985,000	
	Maturity 2024	171,889,026,720				
FR0014001N46	OAT 0.00% 25 February 2024	31,676,000,000			0	×
FR0013344751	OAT 0.00% 25 March 2024	42,533,000,000			0	×
FR0011619436	OAT 2.25% 25 May 2024	37,948,000,000			0	×
FR0011427848	OAT€i 0.25% 25 July 2024	21,196,026,720 (1)	1.18288	17,919,000,000	0	×
FR0011962398	OAT 1.75% 25 November 2024	38,536,000,000			42,000,000	×
	Maturity 2025	199,906,049,438				
FR0014007TY9	OAT 0.00% 25 February 2025	24,402,000,000			0	×
FR0012558310	OATi 0.10% 1 March 2025	13,584,121,320 (1)	1.11914	12,138,000,000	0	×
FR0013415627	OAT 0.00% 25 March 2025	47,814,000,000			0	×
FR0012517027	OAT 0.50% 25 May 2025	45,530,000,000			0	×
FR0000571150	OAT 6.00% 25 October 2025	30,653,928,118			2,786,964,400	
FR0012938116	OAT 1.00% 25 November 2025	37,922,000,000			0	×

(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 2026 AND BEYOND) AT 31 AUGUST 2022

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2026		190,691,144,000				
FR0013508470	OAT 0.00% 25 February 2026	45,590,000,000			0	×
FR0013519253	OAT€i 0.10% 1 March 2026	13,206,144,000 (1)	1.10976	11,900,000,000	0	×
FR0010916924	OAT 3.50% 25 April 2026	44,202,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	48,166,000,000			0	×
FR0013200813	OAT 0.25% 25 November 2026	39,527,000,000			0	×
Maturity 2027		159,880,634,090				
FR0014003513	OAT 0.00% 25 February 2027	38,747,000,000			0	×
FR0013250560	OAT 1.00% 25 May 2027	38,814,000,000			0	×
FR0011008705	OAT€i 1.85% 25 July 2027	28,220,634,090 (1)	1.24479	22,671,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	54,099,000,000			64,743,600	
Maturity 2028		146,807,224,391				
FR001400AIN5	OAT 0.75% 25 February 2028	18,693,000,000			0	×
FR0013238268	OATi 0.10% 1 March 2028	15,986,042,240 (1)	1.11728	14,308,000,000	0	×
FR0000571226	OAT zero coupon 28 March 2028	33,182,151 (2)		46,232,603	–	
FR0013286192	OAT 0.75% 25 May 2028	57,437,000,000			0	×
FR0013341682	OAT 0.75% 25 November 2028	54,658,000,000			0	×
Maturity 2029		158,617,382,146				
FR0013410552	OAT€i 0.10% 1 March 2029	11,091,963,780 (1)	1.12074	9,897,000,000	0	×
FR0000571218	OAT 5.50% 25 April 2029	39,618,880,458			2,091,646,100	
FR0013407236	OAT 0.50% 25 May 2029	52,350,000,000			0	×
FR0000186413	OATi 3.40% 25 July 2029	12,856,537,908 (1)	1.39971	9,185,144,000	0	
FR0013451507	OAT 0.00% 25 November 2029	42,700,000,000			0	×
Maturity 2030		129,476,634,080				
FR0011883966	OAT 2.50% 25 May 2030	57,749,000,000			0	×
FR0011982776	OAT€i 0.70% 25 July 2030	20,121,634,080 (1)	1.16769	17,232,000,000	0	×
FR0013516549	OAT 0.00% 25 November 2030	51,606,000,000			0	×
Maturity 2031		110,443,410,520				
FR0012993103	OAT 1.50% 25 May 2031	53,267,000,000			53,900,000	×
FR0014001N38	OAT€i 0.10% 25 July 2031	11,280,410,520 (1)	1.11148	10,149,000,000	0	×
FR0014002WK3	OAT 0.00% 25 November 2031	45,896,000,000			0	×
Maturity 2032		103,264,160,260				
FR0014003N51	OATi 0.10% 1 March 2032	5,117,778,460 (1)	1.07381	4,766,000,000	0	×
FR0014007L00	OAT 0.00% 25 May 2032	35,865,000,000			0	×
FR0000188799	OAT€i 3.15% 25 July 2032	15,930,059,200 (1)	1.43968	11,065,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	35,192,322,600			10,703,657,400	
FR001400BKZ3	OAT 2.00% 25 November 2032	11,159,000,000			0	×
Maturity in 2033 and beyond		523,370,702,950				
FR0013313582	OAT 1.25% 25 May 2034	40,613,000,000			0	×
FR0010070060	OAT 4.75% 25 April 2035	29,004,000,000			2,444,737,000	
FR0013524014	OATi 0.10% 1 March 2036	6,592,423,040 (1)	1.07072	6,157,000,000	0	×
FR0013154044	OAT 1.25% 25 May 2036	44,411,000,000			0	×
FR0013327491	OAT€i 0.10% 25 July 2036	11,755,461,840 (1)	1.14531	10,264,000,000	0	×
FR0014009O62	OAT 1.25% 25 May 2038	3,466,000,000			0	×
FR001400AQH0	OAT€i 0.10% 25 July 2038	4,365,280,000 (1)	1.09132	4,000,000,000	0	×
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,652,641,400	
FR0013234333	OAT 1.75% 25 June 2039	30,941,000,000			0	×
FR0013515806	OAT 0.50% 25 May 2040	24,600,000,000			0	×
FR0010447367	OAT€i 1.80% 25 July 2040	17,242,114,400 (1)	1.33360	12,929,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	38,446,000,000			4,488,299,000	
FR0014002JM6	OAT 0.50% 25 June 2044	16,498,000,000			0	×
FR0011461037	OAT 3.25% 25 May 2045	29,702,000,000			776,510,000	×
FR0013209871	OAT€i 0.10% 25 July 2047	14,874,613,830 (1)	1.16217	12,799,000,000	0	×
FR0013257524	OAT 2.00% 25 May 2048	30,644,000,000			639,300,000	×
FR0013404969	OAT 1.50% 25 May 2050	33,195,000,000			206,900,000	×
FR0013480613	OAT 0.75% 25 May 2052	32,326,000,000			699,100,000	×
FR0014004J31	OAT 0.75% 25 May 2053	22,796,000,000			183,000,000	×
FR0014008181	OAT€i 0.10% 25 July 2053	4,323,809,840 (1)	1.09132	3,962,000,000	0	×
FR0010171975	OAT 4.00% 25 April 2055	20,118,000,000			11,064,218,000	
FR0010870956	OAT 4.00% 25 April 2060	16,696,000,000			8,932,404,100	
FR0013154028	OAT 1.75% 25 May 2066	14,075,000,000			1,185,800,000	×
FR0014001NN8	OAT 0.50% 25 May 2072	10,152,000,000			96,200,000	×

(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	-0.2%	Jul. 2022
Household consumption*, year-on-year	-3.0%	Aug. 2022
Unemployment rate (ILO)	7.4%	Q4-2021
Consumer prices, year-on-year		
• all items	5.9%	Aug. 2022
• all items excluding tobacco	6.0%	Aug. 2022
Trade balance, fob-fob, sa (€bn)	-€14.5bn	Jul. 2022
" "	-€13.1bn	Jun. 2022
Current account balance, sa (€bn)	-€5.3bn	Jul. 2022
" "	-€1.5bn	Jun. 2022
10-year constant maturity rate (TEC10)	2.71%	30 Sep. 2022
3-month interest rate (Euribor)	0.66%	30 Sep. 2022
EUR / USD	0.98	30 Sep. 2022
EUR / JPY	141.70	30 Sep. 2022

* manufactured products

Sources: Insee, MEFSIN, Banque de France

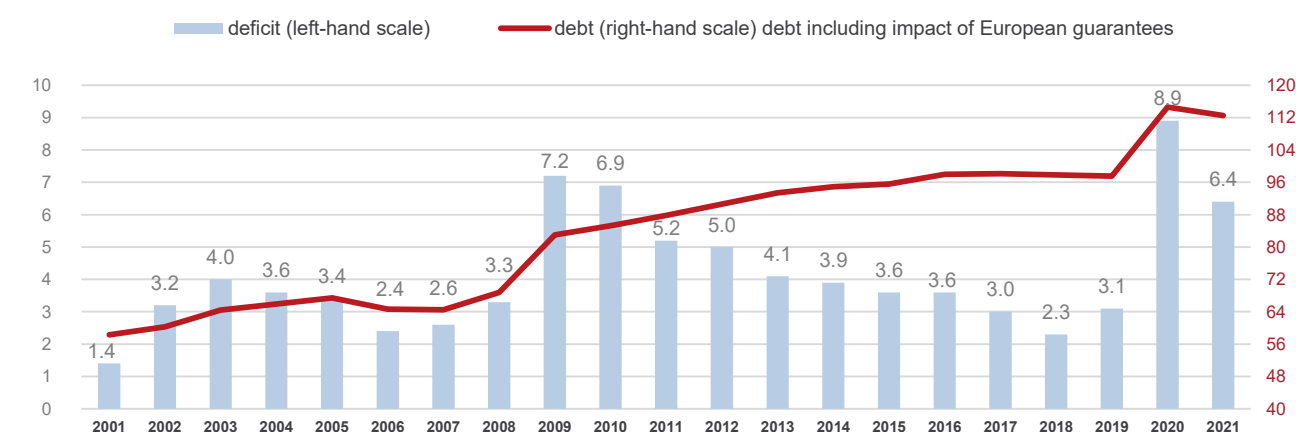
MONTHLY GOVERNMENT BUDGET POSITION

IN € BILLION			end of July level		
	2020	2021	2020	2021	2022
General budget balance	-172.68	-171.52	-120.05	-148.51	-110.11
Revenue	282.69	324.95	149.25	156.02	192.91
Expenditure	455.37	496.47	269.30	304.52	303.01
Balance of special Treasury accounts	-5.42	0.79	-30.99	-18.13	-21.11
General budget outturn	-178.07	-170.73	-151.04	-166.64	-131.22

Source: Ministry of the Economy, Finance and Industrial and Digital Sovereignty

PUBLIC FINANCES: DEFICIT AND DEBT

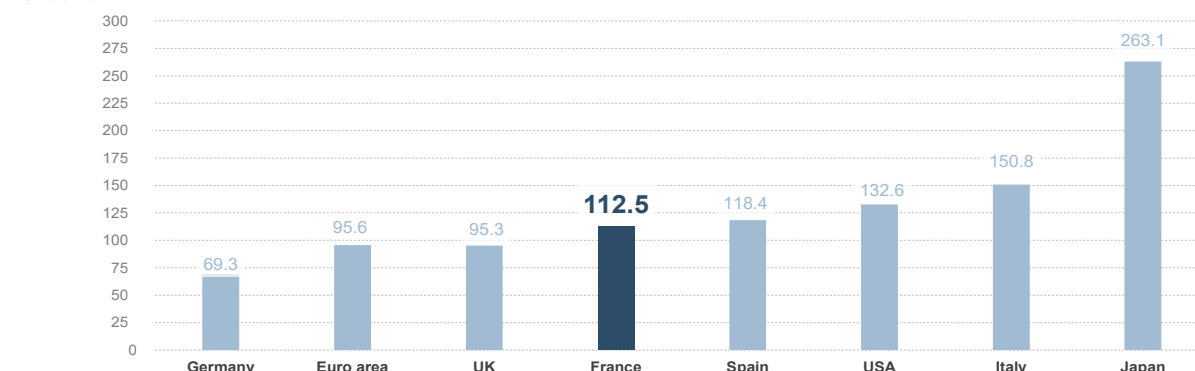
AS % OF GDP




Source: Insee

GENERAL GOVERNMENT DEBT IN 2021

AS % OF GDP



Sources: Eurostat, IMF, Insee

OCTOBER 2022 

5 Industrial production: August index	7 Balance of payments in August	7 Foreign trade by value in August	14 Net international reserves in September	14 Consumer prices: September index (final)	19 Inflation (HICP): September index (final)
20 Monthly business survey (goods-producing industries) in October	26 Consumer confidence survey: October survey	28 Quarterly national accounts: initial estimate	28 Household consumption expenditure on goods in September	28 Industrial producer and import price in September	28 Consumer prices: October index (preliminary results)
31 Inflation (HICP): October index (preliminary results)					

NOVEMBER 2022 

4 Payroll employment Q3	4 Industrial production: September index	8 Balance of payments in September	8 Foreign trade by value in September	15 ILO unemployment rate Q3	15 Net international reserves in October
15 Consumer prices: October index (final)	17 Inflation (HICP): October index (final)	24 Monthly business survey (goods-producing industries) in November	25 Consumer confidence survey: November survey	30 Household consumption expenditure on goods in October	30 Quarterly national accounts: final results Q3
30 Industrial producer and import price in October	30 Consumer prices: November index (preliminary results)	30 Inflation (HICP): November index (preliminary results)			

Sources: Insee, Eurostat

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