

N°390
NOVEMBER
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.

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INVESTORS EXPRESS THEIR HIGH LEVEL OF SATISFACTION WITH THE FRENCH DEBT MARKET ON THE OCCASION OF THE 20TH ANNUAL SURVEY

The 20th IEM Finance annual survey of French primary dealers' (SVTs) clients conducted between 5 September 2022 and 23 September 2022 shows a high level of satisfaction from domestic as well as international investors on the functioning of French government debt market. The aim of this survey is to assess the quality of commercial relationship and services provided by primary dealers to their clients, as well as clients' views on the functioning of the French government debt market. In 2022, 175 investors, representing a total of 125 institutions (Asset Management companies, banks, insurance companies...) responded to the survey.

Among all investors, 99.3% declared to be "very satisfied" or "satisfied" of the French government debt market, against 98.3% in 2021, reaching its highest level since 2014.

Liquidity and transparency are highly valued by investors, who consider these criteria to be important for a sovereign issuer, such as France. They were 91.3% to assess liquidity as "very important" and 74.7% of them had the same assessment regarding transparency. The last time the level of expectation was that high regarding liquidity dates back to 2008. As far as transparency is concerned, it is the highest level ever recorded. 56.2% of investors also consider predictability as "very important", here again the highest level ever recorded since the launch of the survey in 2003.

Liquidity is considered to be satisfactory ("very satisfactory" or "satisfactory") by a large majority of investors for OAT, BTF and inflation-linked bonds. Among investors who were able to provide an opinion, they were respectively 96.2%, 90.3% and 72.4% to assess it as satisfactory.

In addition, the survey also analyses the interest of investors for Green OATs. The share of investors who declared to have bought a Green fixed-rate OAT continued to increase and reached 63.4% in 2022, compared to 30.9% in 2018. Nearly three quarters of them (74.2%) declared to have bought it for its green specific feature. More than one quarter of surveyed investors also declared to have bought the first green inflation-linked French sovereign bond, launched on 25 May 2022. Among these investors, 58.5% bought it for the combination of its green and its inflation-linked features. 14.6% bought it only for its green feature and 26.8% only for its inflation-linked feature.

Finally, the survey provides a ranking of the top-five primary dealers most frequently quoted by investors as being their main partner on the French government debt market:

2022		2021	
1	BNP Paribas	1	BNP Paribas
2	Crédit Agricole - CIB	2	J.P. Morgan
3	Société Générale	3	Crédit Agricole - CIB
4	Citi	4	Société Générale
5	J.P. Morgan	5	Deutsche Bank

It would be an understatement to say that 2022 has seen a pivot in the ECB's monetary policy. In six short months, the ECB went from an extremely accommodative stance to sharp tightening of monetary policy. It is interesting to note that the ECB started tightening both quickly and right across the board, radically altering all of its monetary policy tools in the space of a few months.

2022 – Qualitative tightening

The first step in the pivot was the rapid winding down of asset purchasing programmes. In the first half of 2022, the ECB reduced its purchasing from €90bn per month to zero, exceeding expectations of gradual tapering.

This first step was immediately backed up by an abrupt rise in key rates. The clear determination to squeeze the economy to control inflation was shown by the decision in July 2022 to increase the deposit rate from -0.5% to 0%, followed by two of the biggest rate increases in the history of the ECB (75 basis points) in September and again in October.

The third step, repayment of the targeted longer-term refinancing operations (TLTROs), is just getting under way. In October 2022, the ECB amended the terms of the TLTRO III operations to encourage early repayments by banks. These loans were granted to banks on favourable terms and gave a tremendous boost to monetary accommodation through three main channels: lending to the private sector, thanks to the generous terms of the TLTROs, a substantial increase in the liquidity surplus owing to the size of these loans (€2,300 bn) and an improvement in market conditions through the absorption of the collateral backing these transactions.

This third step may have a deeper impact on the degree of monetary support, even though it may seem less severe than the ECB's decisions regarding rates and purchasing programmes, because it is up to the banks to execute it. The deeper impact will stem from the consequences that repaying the TLTROs should have for all three channels: lending, liquidity and asset prices.

Even though the sequence of events has been more or less respected: start by ending purchasing programmes, raise rates and then reduce outstanding TLTROs, the change in monetary policy has been much more rapid than could have been anticipated a few months ago. It has also been more radical than expected, which has contributed to some disruption on asset markets.

2023 – Quantitative tightening

As 2022 draws to a close, the issue of continuing monetary tightening, both in size and scope, arises.

The ECB itself maintains that the rate increases are essentially over; even though it will make some further hikes at the end of this year and in early 2023. They are nearing the neutral rate and should not go very much higher.

On the other hand, as announced at its October meeting, the ECB should discuss the terms of its quantitative tightening at its December meeting and we expect a definite announcement in December or at the beginning of next year about the start of quantitative tightening (QT) in the second quarter of 2023.

The outstanding TLTROs should continue to dwindle very rapidly; we think repayments in December could exceed €1,000 bn.

Markets and economists have focused mainly on rate hikes, but we feel that the shrinking of the ECB's balance sheet through qualitative tightening and, more especially, the reduction in outstanding TLTROs, should have the most impact on monetary support. In relation to the purchasing programmes, the reduction of the central bank's holdings will be a first in the euro area, and the collateral effects of the purchasing programmes, which have squeezed term premiums and spreads, should be reversed rapidly. More drastically, the end of the TLTROs, which are unlikely to be replaced in the short term, should lead to an unprecedented tightening in bank lending in the euro area. Not only will banks significantly cut back their lending; they may also try to mop up liquidity, to the detriment of the rest of the economy and with a proportional deterioration of financing terms for other players.

Conclusion: what about inflation?

Rate hikes are the fastest method for monetary tightening and the easiest to implement. That is why it has been used in 2022. Tightening by shrinking the central bank's balance sheet seems to be more subtle, but it leads to greater disruption of the economy. The latter method may slow growth sharply in 2023 and, as the ECB hopes, ease inflationary pressures.

INDICATIVE AUCTION SCHEDULE

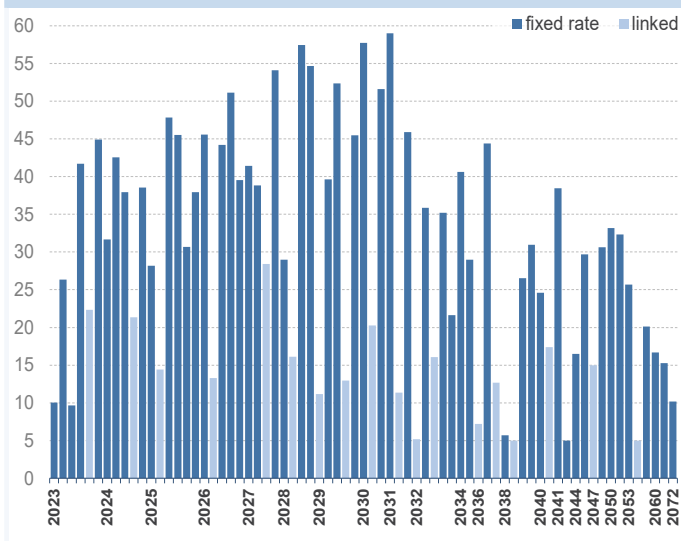
		Short-term					Medium-term	Long-term	Index-linked
December 2022	auction date	5	12	19	27	/	1	1	1
	settlement date	7	14	21	29	/	5	5	5
January 2023	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	01 Feb 23	23	9	23

optional auctions
 anticipated or delayed (bank holidays, etc.)

Source: Agence France Trésor

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

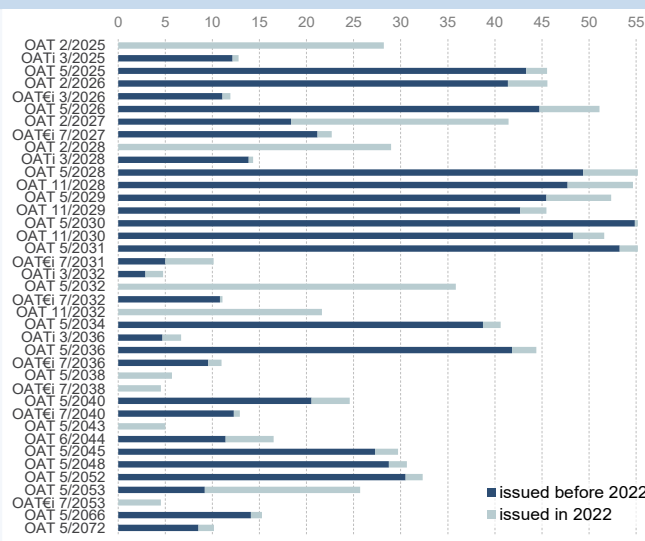
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

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

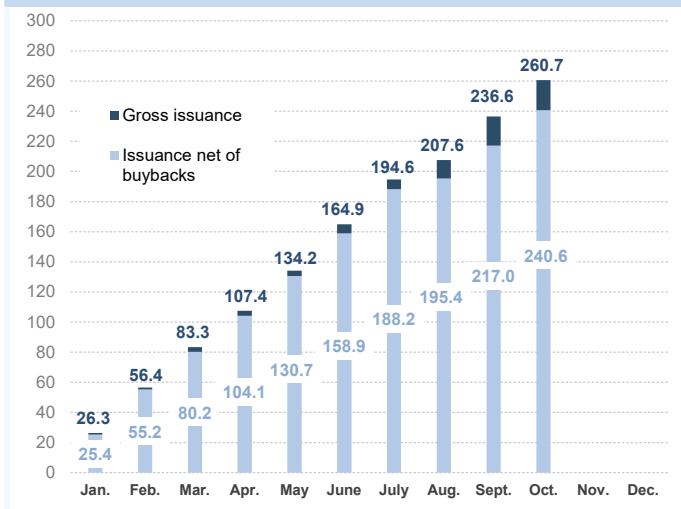
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 31 OCTOBER 2022

IN € BILLION



Source: Agence France Trésor

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

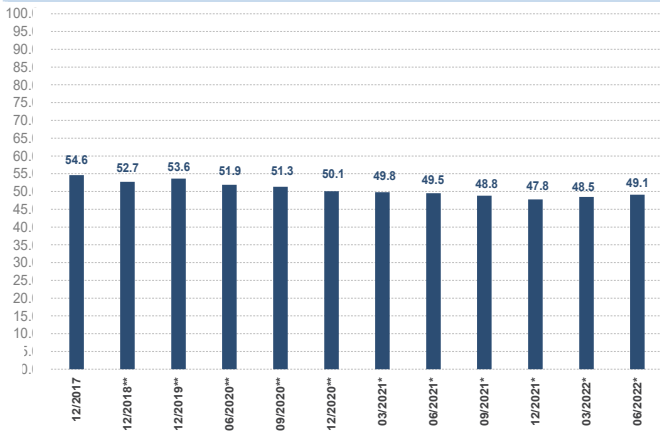
IN € BILLION

Month	Coupon	Redemption
Nov-22	2.0	
Dec-22		
Jan-23		
Feb-23	0.2	10.0
Mar-23	0.1	26.3
Apr-23	9.1	9.6
May-23	9.7	41.7
Jun-23	0.6	
Jul-23	2.6	22.9
Aug-23		
Sep-23		
Oct-23	8.3	44.9

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



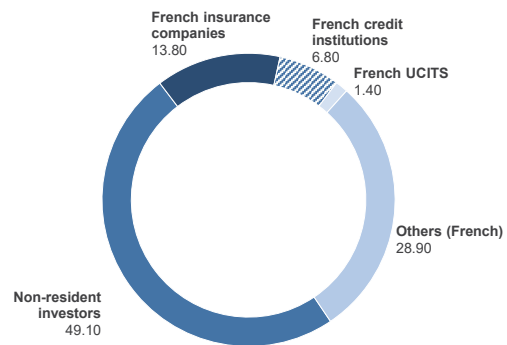
(*) figures quarterly revised

(**) 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 OCTOBER 2022

IN EUROS

Total medium- and long-term debt	2,104,321,171,305
Total stripping activity	55,512,171,200
Average maturity	9 years and 64 days
Total short-term debt	142,591,000,000
Average maturity	119 days
Total outstanding	2,246,912,171,305
Average maturity	8 years and 224 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2019 AT 31 OCTOBER 2022

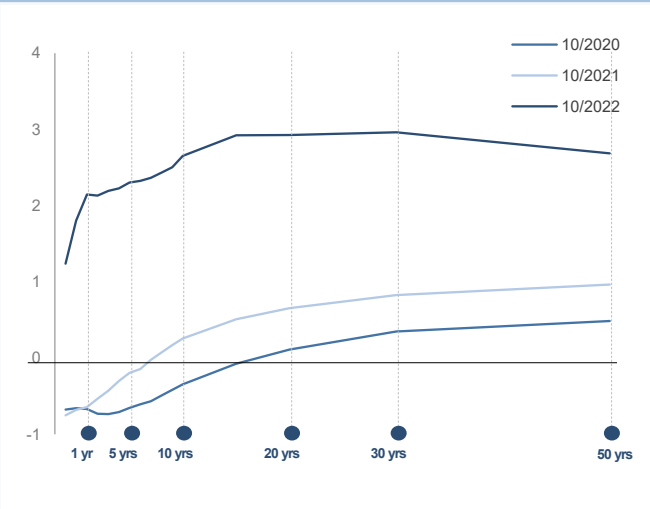
IN € BILLION

	End 2019	End 2020	End 2021	End Sept. 2022	End Oct. 2022
Negotiable government debt outstanding	1,823	2,001	2,145	2,258	2,247
<i>of which index-linked securities</i>	226	220	236	252	255
Medium- and long-term	1,716	1,839	1,990	2,115	2,104
Short-term	107	162	155	143	143
Average maturity of the negotiable debt	8 years 63 days	8 years 73 days	8 years 153 days	8 years 190 days	8 years 224 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

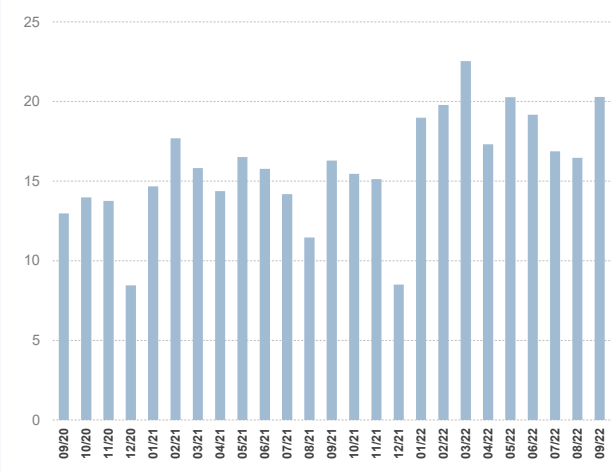
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

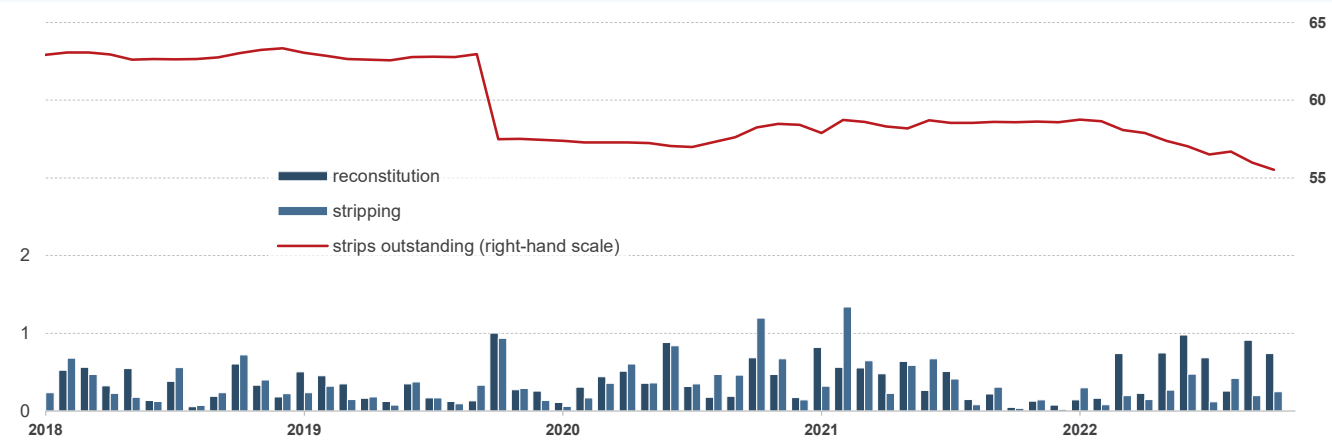
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

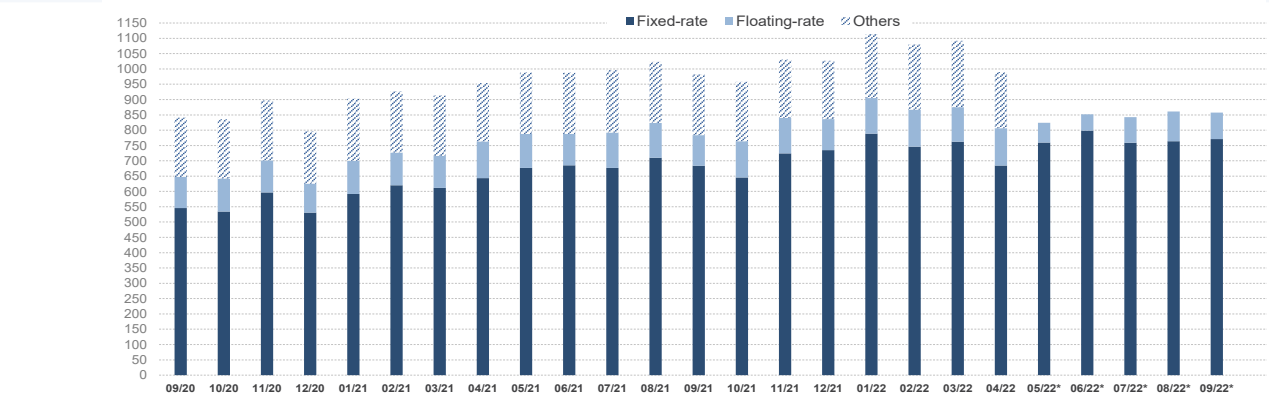
IN € BILLION



Source: Euroclear

PRIMARY DEALERS, CUMULATED REPO OUTSTANDING AT END OF MONTH

IN € BILLION



*new reporting framework now based on face value data

Source: reporting by primary dealers in government securities

SHORT-TERM DEBT AT 31 OCTOBER 2022

ISIN Code	Maturity	Outstanding(€)
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
FR0127316968	BTF 7 December 2022	8,733,000,000
FR0127316976	BTF 14 December 2022	5,464,000,000
FR0127034694	BTF 4 January 2023	15,137,000,000
FR0127316984	BTF 11 January 2023	7,436,000,000
FR0127462804	BTF 18 January 2023	5,856,000,000
FR0127034702	BTF 25 January 2023	5,965,000,000
FR0127316992	BTF 8 February 2023	5,960,000,000
FR0127034710	BTF 22 February 2023	6,905,000,000
FR0127317008	BTF 8 March 2023	6,938,000,000
FR0127034728	BTF 22 March 2023	5,544,000,000
FR0127462861	BTF 5 April 2023	1,500,000,000
FR0127176370	BTF 19 April 2023	5,589,000,000
FR0127176388	BTF 17 May 2023	4,721,000,000
FR0127176396	BTF 14 June 2023	5,983,000,000
FR0127317016	BTF 12 July 2023	6,536,000,000
FR0127317024	BTF 9 August 2023	6,427,000,000
FR0127317032	BTF 6 September 2023	5,798,000,000
FR0127462895	BTF 4 October 2023	5,172,000,000

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

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2023		154,919,293,823				
FR0013479102	OAT 0.00% 25 February 2023	10,009,000,000			0	×
FR0013283686	OAT 0.00% 25 March 2023	26,328,500,000			0	×
FR0000571085	OAT 8.50% 25 April 2023	9,641,695,903			5,008,665,200	
FR0011486067	OAT 1.75% 25 May 2023	41,696,000,000			0	×
FR0010585901	OATi 2.10% 25 July 2023	22,326,097,920 (1)	1.23704	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			474,985,000	
Maturity 2024		172,044,922,020				
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	21,351,922,020 (1)	1.19158	17,919,000,000	0	×
FR0011962398	OAT 1.75% 25 November 2024	38,536,000,000			42,000,000	×
Maturity 2025		204,536,803,198				
FR0014007TY9	OAT 0.00% 25 February 2025	28,192,000,000			0	×
FR0012558310	OATi 0.10% 1 March 2025	14,424,875,080 (1)	1.12756	12,793,000,000	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			2,804,264,400	
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 OCTOBER 2022

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2026		193,735,248,000				
FR0013508470	OAT 0.00% 25 February 2026	45,590,000,000			0	×
FR0013519253	OAT€i 0.10% 1 March 2026	13,303,248,000 (1)	1.11792	11,900,000,000	0	×
FR0010916924	OAT 3.50% 25 April 2026	44,202,000,000			0	
FR0013131877	OAT 0.50% 25 May 2026	51,113,000,000			0	×
FR0013200813	OAT 0.25% 25 November 2026	39,527,000,000			0	×
Maturity 2027		162,787,073,740				
FR0014003513	OAT 0.00% 25 February 2027	41,446,000,000			0	×
FR0013250560	OAT 1.00% 25 May 2027	38,814,000,000			0	×
FR0011008705	OAT€i 1.85% 25 July 2027	28,428,073,740 (1)	1.25394	22,671,000,000	0	
FR0011317783	OAT 2.75% 25 October 2027	54,099,000,000			20,743,600	
Maturity 2028		157,215,411,591				
FR001400AIN5	OAT 0.75% 25 February 2028	28,981,000,000			0	×
FR0013238268	OATi 0.10% 1 March 2028	16,106,229,440 (1)	1.12568	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		161,570,652,993				
FR0013410552	OAT€i 0.10% 1 March 2029	11,173,515,060 (1)	1.12898	9,897,000,000	0	×
FR0000571218	OAT 5.50% 25 April 2029	39,618,880,458			1,888,246,100	
FR0013407236	OAT 0.50% 25 May 2029	52,350,000,000			0	×
FR0000186413	OATi 3.40% 25 July 2029	12,953,257,475 (1)	1.41024	9,185,144,000	0	
FR0013451507	OAT 0.00% 25 November 2029	45,475,000,000			0	×
Maturity 2030		129,624,484,640				
FR0011883966	OAT 2.50% 25 May 2030	57,749,000,000			0	×
FR0011982776	OAT€i 0.70% 25 July 2030	20,269,484,640 (1)	1.17627	17,232,000,000	0	×
FR0013516549	OAT 0.00% 25 November 2030	51,606,000,000			0	×
Maturity 2031		116,246,327,850				
FR0012993103	OAT 1.50% 25 May 2031	58,987,000,000			52,900,000	×
FR0014001N38	OAT€i 0.10% 25 July 2031	11,363,327,850 (1)	1.11965	10,149,000,000	0	×
FR0014002WK3	OAT 0.00% 25 November 2031	45,896,000,000			0	×
Maturity 2032		113,885,689,580				
FR0014003N51	OATi 0.10% 1 March 2032	5,156,240,080 (1)	1.08188	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	16,047,126,900 (1)	1.45026	11,065,000,000	0	
FR0000187635	OAT 5.75% 25 October 2032	35,192,322,600			10,212,357,400	
FR001400BKZ3	OAT 2.00% 25 November 2032	21,625,000,000			0	×
Maturity in 2033 and beyond		537,755,263,870				
FR0013313582	OAT 1.25% 25 May 2034	40,613,000,000			0	×
FR0010070060	OAT 4.75% 25 April 2035	29,004,000,000			2,333,837,000	
FR0013524014	OATi 0.10% 1 March 2036	7,202,947,290 (1)	1.07877	6,677,000,000	0	×
FR0013154044	OAT 1.25% 25 May 2036	44,411,000,000			0	×
FR0013327491	OAT€i 0.10% 25 July 2036	12,667,955,400 (1)	1.15373	10,980,000,000	0	×
FR0014009062	OAT 1.25% 25 May 2038	5,710,000,000			0	×
FR001400AQH0	OAT€i 0.10% 25 July 2038	5,000,897,660 (1)	1.09934	4,549,000,000	0	×
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,614,641,400	
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	17,368,818,600 (1)	1.34340	12,929,000,000	0	
FR0010773192	OAT 4.50% 25 April 2041	38,446,000,000			4,263,799,000	
FR001400CMX2	OAT 2.50% 25 May 2043	5,000,000,000			0	×
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	14,984,045,280 (1)	1.17072	12,799,000,000	0	×
FR0013257524	OAT 2.00% 25 May 2048	30,644,000,000			644,300,000	×
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	25,680,000,000			183,000,000	×
FR0014008181	OAT€i 0.10% 25 July 2053	4,997,599,640 (1)	1.09934	4,546,000,000	0	×
FR0010171975	OAT 4.00% 25 April 2055	20,118,000,000			11,139,318,000	
FR0010870956	OAT 4.00% 25 April 2060	16,696,000,000			8,877,704,100	
FR0013154028	OAT 1.75% 25 May 2066	15,263,000,000			1,176,700,000	×
FR0014001NN8	OAT 0.50% 25 May 2072	10,152,000,000			92,200,000	×

(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	0.7%	Sep. 2022
Household consumption*, year-on-year	-4.3%	Oct. 2022
Unemployment rate (ILO)	7.3%	Q3-2022
Consumer prices, year-on-year		
• all items	6.2%	Oct. 2022
• all items excluding tobacco	6.3%	Oct. 2022
Trade balance, fob-fob, sa (€bn)	-€17.5bn	Sep. 2022
" "	-€15.3bn	Aug. 2022
Current account balance, sa (€bn)	-€7.3bn	Sep. 2022
" "	-€5.9bn	Aug. 2022
10-year constant maturity rate (TEC10)	2.40%	30 Nov. 2022
3-month interest rate (Euribor)	1.95%	30 Nov. 2022
EUR / USD	1.04	30 Nov. 2022
EUR / JPY	143.84	30 Nov. 2022

* manufactured products

Sources: Insee, MEFSIN, Banque de France

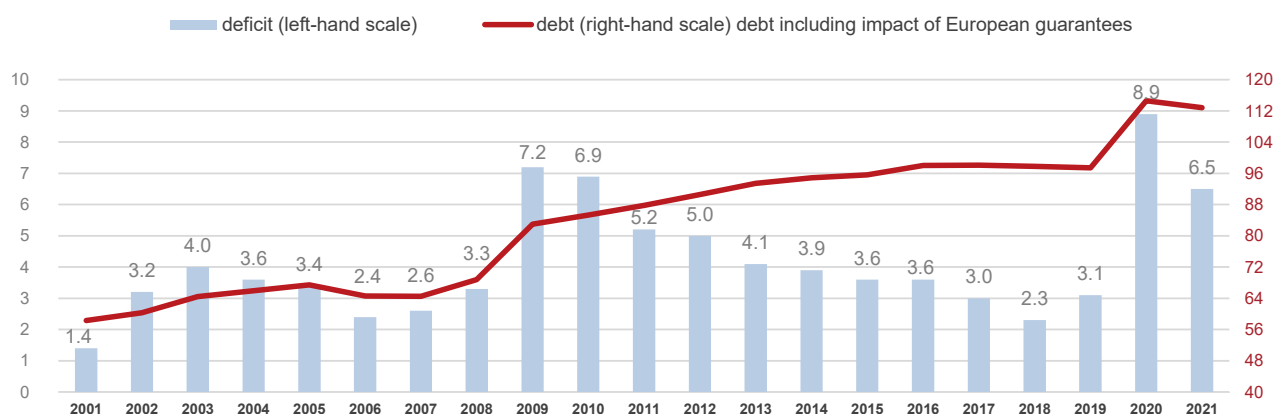
MONTHLY GOVERNMENT BUDGET POSITION

IN € BILLION			end of September level		
	2020	2021	2020	2021	2022
General budget balance	-172.68	-171.52	-137.66	-152.19	-119.28
Revenue	282.69	324.95	191.20	215.10	250.98
Expenditure	455.37	496.47	328.86	367.29	370.26
Balance of special Treasury accounts	-5.42	0.79	-23.93	-22.93	-27.33
General budget outturn	-178.07	-170.73	-161.59	-175.12	-146.61

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

PUBLIC FINANCES: DEFICIT AND DEBT

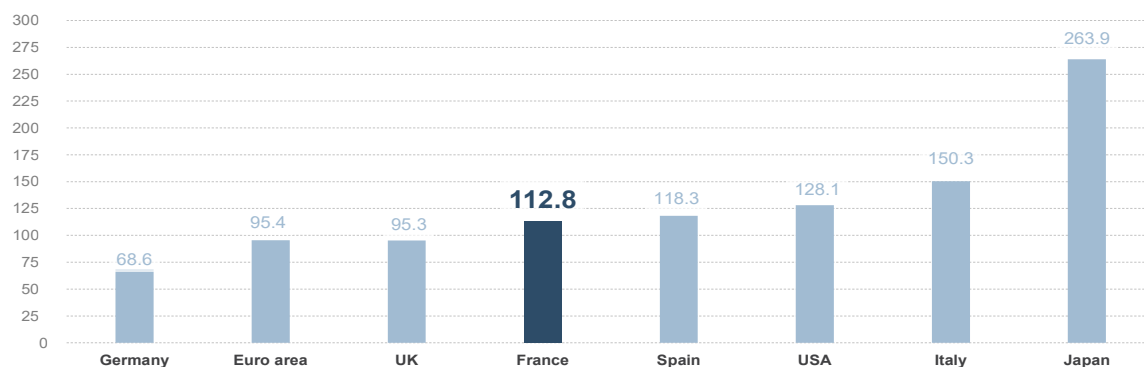
AS % OF GDP



Source: Insee

GENERAL GOVERNMENT DEBT IN 2021


AS % OF GDP



Sources: Eurostat, IMF, Insee

DECEMBER 2022 

5 Industrial production: October index	7 Balance of payments in October	7 Foreign trade by value in October	13 Payroll employment: Q3	15 Net international reserves in November	15 Consumer prices: November index (final)
15 Monthly business survey (goods-producing industries) in December	16 Debt of the general government according to Maastricht definition	16 Inflation (HICP): November index (final)	23 Industrial producer and import price: November indices		

JANUARY 2023 

4 Consumer confidence survey: December survey	4 Consumer prices: December index (preliminary results)	6 Household consumption expenditure on goods in December	6 Inflation (HICP) : December index (preliminary results)	9 Balance of payments in November	9 Foreign trade by value in November
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