

N°397
JUNE
2023

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

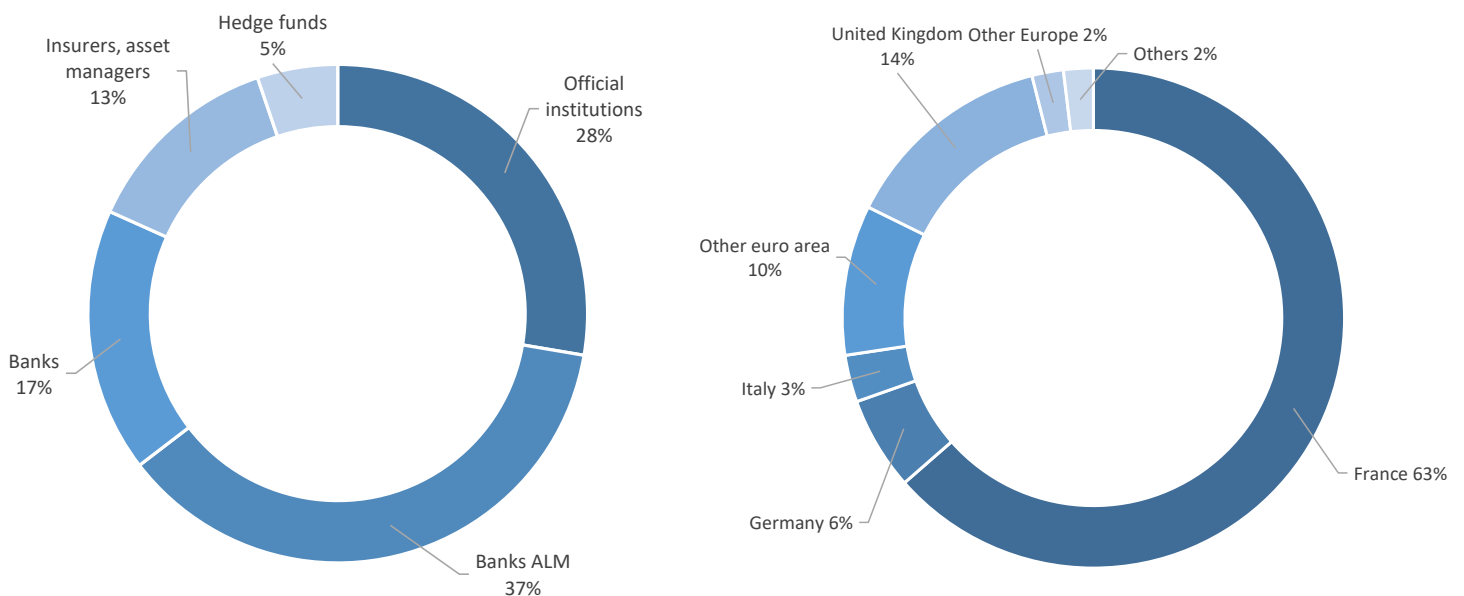
LAUNCH OF THE NEW OATI 0.55% 1ST MARCH 2039

As considered in December 2022 [in the indicative State financing programme for 2023](#), on Wednesday 7 June, Agence France Trésor launched by syndication a new bond linked to the French consumer price index (excluding tobacco), the OATi 0.55% 1st March 2039. This operation extends by 3 years the French inflation-indexed real yield curve by adding a new point beyond 15 year. It also maintains the liquidity on the French inflation linker market, considering 18 billions of bonds will mature next month (OATi 2.10% 25 July 2023, former 15 year benchmark issued in 2008).

The syndication met with high investor interest, resulting in a record demand for a product indexed on French inflation reaching around €22bn, of which €3bn was served. The real yield at issuance was set at 0.646%. This real yield implies an underlying break-even inflation of around 2.6% vs the issuance of a hypothetical fixed-rate bond of the same maturity.

Close to 140 final investors took part in the transaction, another record for this market segment. The syndicated amount has been allocated to banks ALM for 37%, official institutions for 28%, banks (excluding ALM) for 17%, insurers and asset managers for 13%, and hedge funds for 5%. The geographical distribution reflects, accordingly with the structural demand for OATi from French institutions collecting regulated savings, a strong demand from domestic investors (63% of the amount allocated) and on a wider scale it shows a sustained demand from European investors for French indexed government bonds with long maturities.

Allocation in terms of investor categories and geographical origins for the OATi 0.55% 1st March 2039



Source: Agence France Trésor

The lead managers for this operation were Barclays, BNP Paribas, Crédit Agricole CIB, Deutsche Bank and J.P. Morgan. All of the primary dealers were part of the syndicate. It was the second of the two syndications considered in the indicative State financing programme for 2023.

Three months ago, we were asking ourselves whether the PMIs were still a good leading indicator for growth in the euro area. We had two main conclusions. First, one always needs to apply some judgement, rules of thumb can be misleading. Second, the structure of the economy is continuously evolving. This process is a key issue for growth in the long run, it requires deeper examination. The PMIs can be useful here. As it turns out, our first conclusion was spot on: 1Q23 euro area GDP growth came in at a mere 0.07%Q, significantly below what robust PMIs, 52 on average in 1Q, had suggested. Let's now examine in more detail what the PMIs have to say about the changing nature of the euro area economy.

Recent PMIs prints tell us a story of strong heterogeneity. Starting from comparable levels in December 2022, euro area sectoral PMIs have considerably diverged since then: services PMI increased to 55.9 in May 2023, its manufacturing counterpart declined to 44.8. The gap between the two indicators has an unprecedented size, not even reached when global trade collapsed in 2008. It is tempting to dig further into what we can learn, or not, from this historic divergence. The first question that comes to mind is whether the divergence in sectoral PMIs carries information regarding future growth. We run a simple horse race between three forecast models for GDP growth: one using the composite PMI, one using the headline services and manufacturing PMIs, and one using the composite and the gap between headline services and manufacturing¹.

We find that all models have the exact same forecasting performance without meaningful divergence at any point in time. The average error is +/-25bp, which is large but also difficult to reduce with more sophisticated models or additional data. There is simply a limit to the usefulness of the PMIs for forecasting growth. Interestingly, in the model combining the composite PMI and the gap between services and manufacturing, the gap is not significant. From a statistical perspective, relative variations in sectoral PMIs are not informative for growth, on average. And herein lies the crux of the matter: on average. The gap between the sectors never displayed meaningful variation, it was rather range bound. So it's not surprising then that its variance does not contain a lot of explanatory power for EA growth. We can apply this thinking by focussing the analysis away from the average to present circumstances. Composite PMI suggest GDP growth at 0.4%Q in 2Q23 but the disaggregated model gives us 0.2%Q, our current forecast, because it weighs more the manufacturing sector (45%). So the divergence between sectors, is, at the very least, a warning signal. In other words, the gap matters!

The second question we explore is whether PMIs are a valuable signal for sectoral developments. We focus here on the manufacturing sector and look at simple correlations (over rolling-windows) between euro area headline manufacturing PMI and industrial production (IP) monthly and yearly growth rate.

Our first conclusion is that the correlation of PMIs with IP monthly growth rates is very low. Less than 20%, on average. PMIs are, in general, not great in predicting the volatile sequential changes in IP. There is no rule without exception: the PMIs did a good job predicting IP during the GFC. The correlation of the PMIs with IP at yearly growth rates is much stronger, almost 80%. The questions asked to businesses in the PMIs refer to monthly changes in activity so this is a bit surprising. Yet it likely just shows that the high monthly volatility of IP is just too difficult to capture in a tool as simple as a survey.

What does all this tell us about the next months? A simple regression of IP %Y on the manufacturing PMI suggests that the May print (44.8) implies a yearly growth rate of around -5%Y. The last known data point is -2.1%Y in March so this looks like there is a sharp deterioration ahead of us. But yearly growth rates can be difficult to read in times when many shocks affect the economy: because of strong base effects, stable IP prints in May and June will actually be enough to bring the annual rate down to -5%. In any case, the PMIs tells us that IP, in monthly terms, is unlikely to raise its head.

So, what can we conclude? Obviously, PMIs are a very useful gauge of the economy in real time. They are astonishingly accurate, on average. The 50 threshold is effectively consistent with GDP growth at 0. PMIs also make us aware of trends, uncertainties, business sentiment etc. But their link to hard data can be weaker than we would like, and in times of high volatility sometimes non-existent. The PMIs also carry information content related to the structure of the economy. And the current large sectoral divergence does not bode well for growth.

¹Models are regressions estimated over 1998-2019. The composite PMI is a combination of services and manufacturing with variable weights across time (the weight of services was 60% 20 years ago and it is 73% today) so that our models are not just a different combination of the same factors.

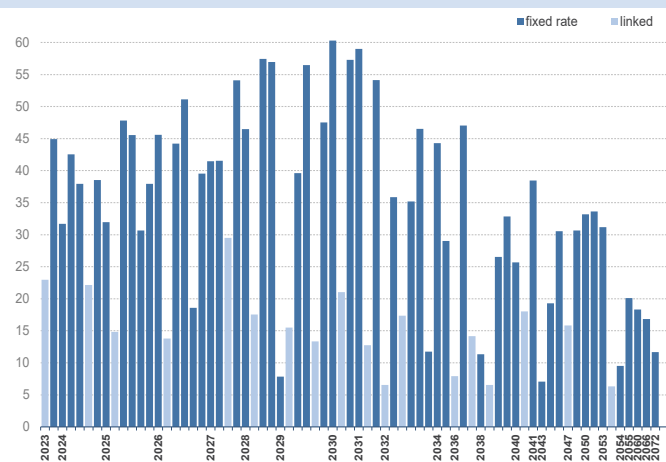
INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
July 2023	auction date	3	10	17	24	31	20	6	20
	settlement date	5	12	19	26	02 August	24	10	24
August 2023	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 MAY 2023

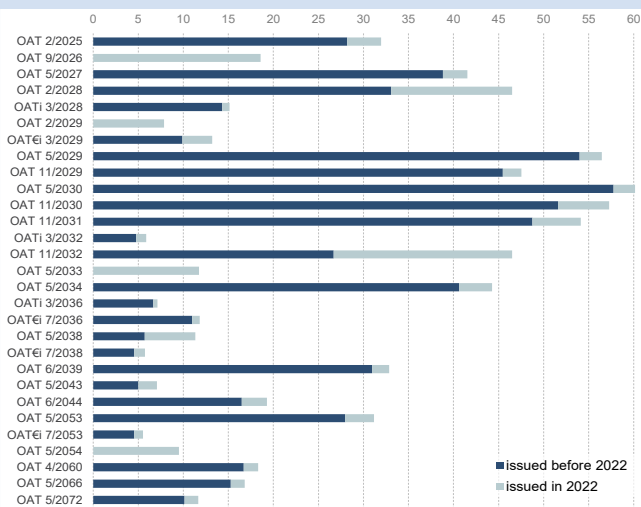
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 31 MAY 2023

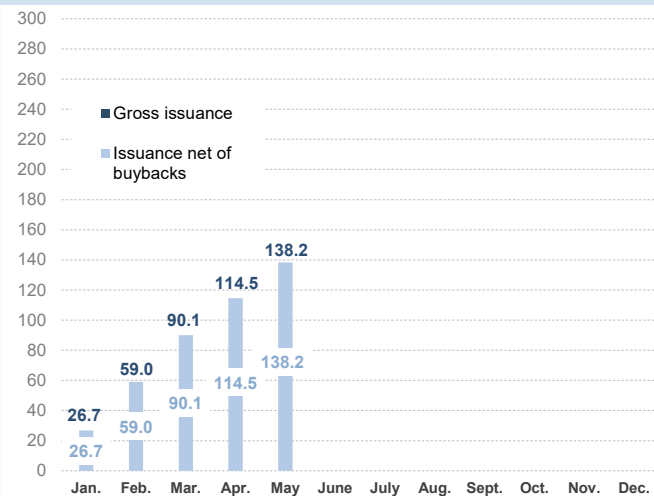
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 31 MAY 2023

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 31 MAY 2023

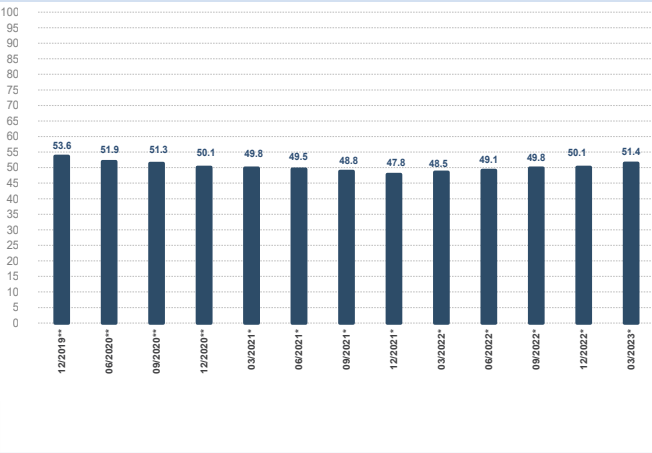
IN € BILLION

Month	Coupon	Redemption
Jun-23	0.7	
Jul-23	2.6	23.2
Aug-23		
Sep-23	0.5	
Oct-23	8.3	44.9
Nov-23	2.5	
Dec-23		
Jan-24		
Feb-24	0.6	31.7
Mar-24	0.1	42.5
Apr-24	8.4	
May-24	10.0	37.9

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN FIRST QUARTER OF 2023

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



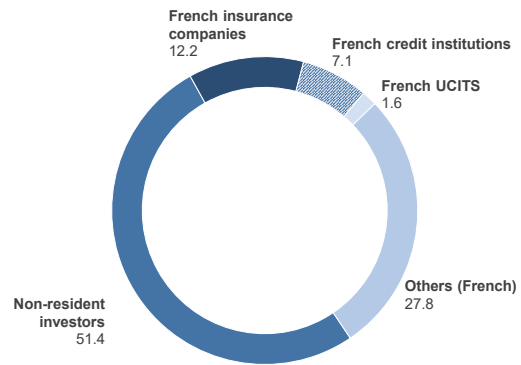
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN FIRST QUARTER OF 2023

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 MAY 2023

IN EUROS

Total medium- and long-term debt	2,191,190,231,791
Total stripping activity	49,441,500,400
Average maturity	9 years and 57 days
Total short-term debt	156,059,000,000
Average maturity	123 days
Total outstanding	2,347,249,231,791
Average maturity	8 years and 208 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2019 AT 31 MAY 2023

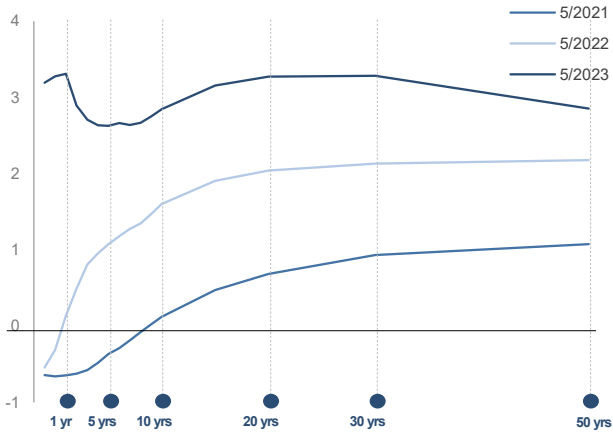
IN € BILLION

	End 2020	End 2021	End 2022	End March 2023	End May 2023
Negotiable government debt outstanding	2,001	2,145	2,277	2,352	2,347
<i>of which index-linked securities</i>	<i>220</i>	<i>236</i>	<i>262</i>	<i>271</i>	<i>276</i>
Medium- and long-term	1,839	1,990	2,129	2,202	2,191
Short-term	162	155	148	150	156
Average maturity of the negotiable debt	8 years	8 years	8 years	8 years	8 years
	73 days	153 days	184 days	181 days	208 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

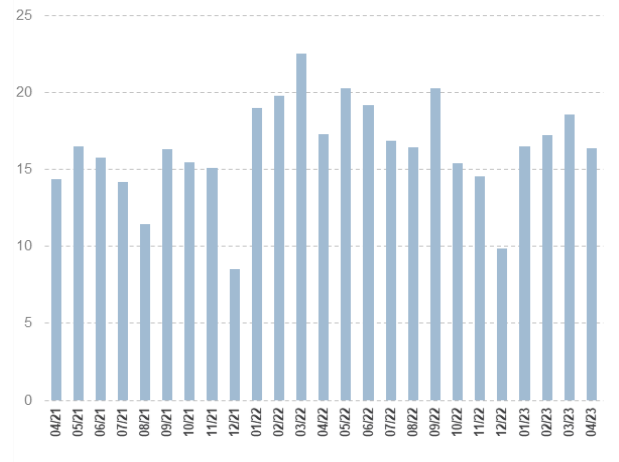
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

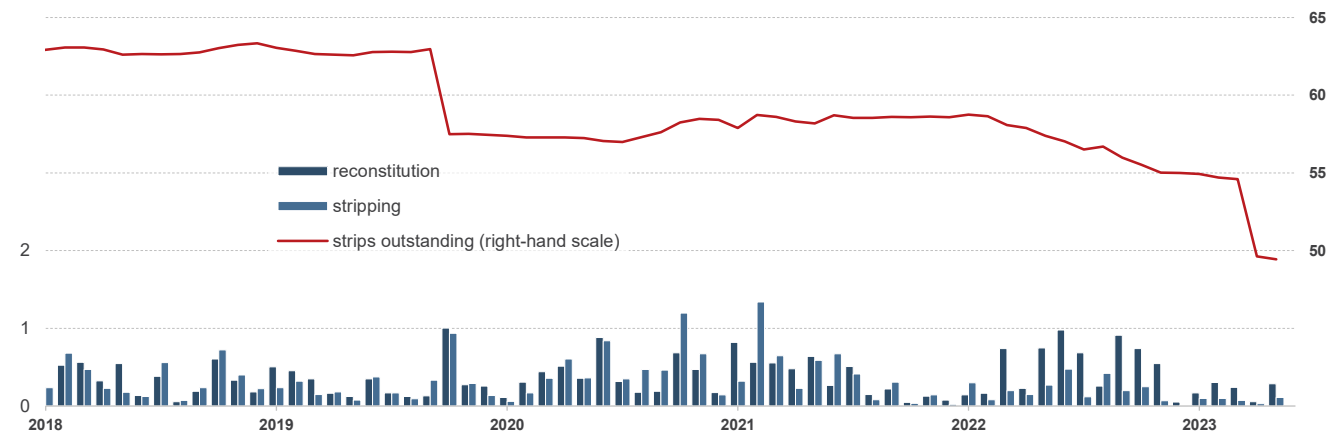
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

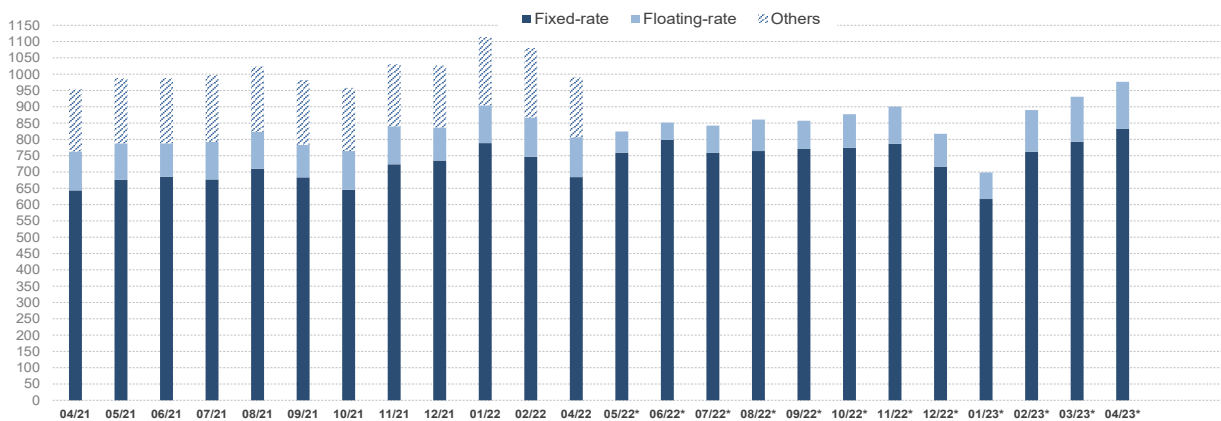
IN € BILLION



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 MAY 2023

ISIN Code	Maturity	Outstanding(€)
FR0127462887	BTF 1 June 2023	3,374,000,000
FR0127613448	BTF 7 June 2023	5,293,000,000
FR0127176396	BTF 14 June 2023	7,311,000,000
FR0127613455	BTF 21 June 2023	5,660,000,000
FR0127613463	BTF 28 June 2023	6,601,000,000
FR0127921098	BTF 5 July 2023	5,567,000,000
FR0127317016	BTF 12 July 2023	6,536,000,000
FR0127921106	BTF 19 July 2023	6,143,000,000
FR0127613471	BTF 26 July 2023	5,992,000,000
FR0127921114	BTF 2 August 2023	5,323,000,000
FR0127317024	BTF 9 August 2023	7,425,000,000
FR0127921122	BTF 16 August 2023	5,675,000,000
FR0127613489	BTF 23 August 2023	6,509,000,000
FR0127317032	BTF 6 September 2023	6,198,000,000
FR0127921155	BTF 20 September 2023	8,344,000,000
FR0127462895	BTF 4 October 2023	6,936,000,000
FR0127921171	BTF 18 October 2023	5,446,000,000
FR0127462903	BTF 1 November 2023	6,485,000,000
FR0127462911	BTF 29 November 2023	12,535,000,000
FR0127613497	BTF 24 January 2024	7,455,000,000
FR0127613505	BTF 21 February 2024	6,668,000,000
FR0127613513	BTF 20 March 2024	8,109,000,000
FR0127921064	BTF 17 April 2024	8,376,000,000
FR0127921072	BTF 15 May 2024	2,098,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2023-2026) AT 31 MAY 2023

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2023		67,894,186,880				
FR0010585901	OATi 210.00% 25 July 2023	22,976,186,880 (1)	1.27306	18,048,000,000	0	
FR0010466938	OAT 425.00% 25 October 2023	44,918,000,000			473,575,000	
Maturity 2024		172,851,456,210				
FR0014001N46	OAT 0.00% 25 February 2024	31,676,000,000			0	x
FR0013344751	OAT 0.00% 25 March 2024	42,533,000,000			0	x
FR0011619436	OAT 225.00% 25 May 2024	37,948,000,000			0	x
FR0011427848	OAT€i 25.00% 25 July 2024	22,158,456,210 (1)	1.23659	17,919,000,000	0	x
FR0011962398	OAT 175.00% 25 November 2024	38,536,000,000			42,000,000	x
Maturity 2025		208,724,797,388				
FR0014007TY9	OAT 0.00% 25 February 2025	31,960,000,000			0	x
FR0012558310	OATi 10.00% 1 March 2025	14,844,869,270 (1)	1.16039	12,793,000,000	0	x
FR0013415627	OAT 0.00% 25 March 2025	47,814,000,000			0	x
FR0012517027	OAT 50.00% 25 May 2025	45,530,000,000			0	x
FR0000571150	OAT 600.00% 25 October 2025	30,653,928,118			2,733,264,400	
FR0012938116	OAT 100.00% 25 November 2025	37,922,000,000			0	x
Maturity 2026		212,817,666,000				
FR0013508470	OAT 0.00% 25 February 2026	45,590,000,000			0	x
FR0013519253	OAT€i 10.00% 1 March 2026	13,805,666,000 (1)	1.16014	11,900,000,000	0	x
FR0010916924	OAT 350.00% 25 April 2026	44,202,000,000			0	
FR0013131877	OAT 50.00% 25 May 2026	51,113,000,000			0	x
FR001400FYQ4	OAT 250.00% 24 September 2026	18,580,000,000			0	x
FR0013200813	OAT 25.00% 25 November 2026	39,527,000,000			0	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 2027 AND BEYOND) AT 31 MAY 2023

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2027		166,580,772,300				
FR0014003513	OAT 0.00% 25 February 2027	41,446,000,000			0	x
FR0013250560	OAT 100.00% 25 May 2027	41,534,000,000			0	x
FR0011008705	OAT€i 185.00% 25 July 2027	29,501,772,300 (1)	1.30130	22,671,000,000	0	
FR0011317783	OAT 275.00% 25 October 2027	54,099,000,000			0	
Maturity 2028		178,431,092,488				
FR001400AIN5	OAT 75.00% 25 February 2028	46,492,000,000			0	x
FR0013238268	OATi 10.00% 1 March 2028	17,524,024,420 (1)	1.15846	15,127,000,000	0	x
FR0000571226	OAT zero coupon 28 March 2028	35,068,068 (2)		46,232,603	-	
FR0013286192	OAT 75.00% 25 May 2028	57,437,000,000			0	x
FR0013341682	OAT 75.00% 25 November 2028	56,943,000,000			0	x
Maturity 2029		180,262,409,865				
FR001400HI98	OAT 275.00% 25 February 2029	7,847,000,000			0	x
FR0013410552	OAT€i 10.00% 1 March 2029	15,484,129,920 (1)	1.17162	13,216,000,000	0	x
FR0000571218	OAT 550.00% 25 April 2029	39,618,880,458			1,788,346,100	
FR0013407236	OAT 50.00% 25 May 2029	56,452,000,000			0	x
FR0000186413	OATi 340.00% 25 July 2029	13,330,399,487 (1)	1.45130	9,185,144,000	0	
FR0013451507	OAT 0.00% 25 November 2029	47,530,000,000			0	x
Maturity 2030		138,608,102,400				
FR0011883966	OAT 250.00% 25 May 2030	60,294,000,000			0	x
FR0011982776	OAT€i 70.00% 25 July 2030	21,035,102,400 (1)	1.22070	17,232,000,000	0	x
FR0013516549	OAT 0.00% 25 November 2030	57,279,000,000			0	x
Maturity 2031		125,886,072,840				
FR0012993103	OAT 150.00% 25 May 2031	58,987,000,000			53,900,000	x
FR0014001N38	OAT€i 10.00% 25 July 2031	12,765,072,840 (1)	1.16194	10,986,000,000	0	x
FR0014002WK3	OAT 0.00% 25 November 2031	54,134,000,000			0	x
Maturity 2032		141,470,899,170				
FR0014003N51	OATi 10.00% 1 March 2032	6,558,980,490 (1)	1.11339	5,891,000,000	0	x
FR0014007L00	OAT 0.00% 25 May 2032	35,865,000,000			0	x
FR0000188799	OAT€i 315.00% 25 July 2032	17,348,596,080 (1)	1.50504	11,527,000,000	0	
FR0000187635	OAT 575.00% 25 October 2032	35,192,322,600			10,080,057,400	
FR001400BKZ3	OAT 200.00% 25 November 2032	46,506,000,000			0	x
Maturity 2033		11,739,000,000				
FR001400H7V7	OAT 300.00% 25 May 2033	11,739,000,000			0	x
Maturity in 2034 and beyond		585,923,776,250				
FR0013313582	OAT 125.00% 25 May 2034	44,284,000,000			0	x
FR0010070060	OAT 475.00% 25 April 2035	29,004,000,000			1,904,837,000	
FR0013524014	OATi 10.00% 1 March 2036	7,912,324,130 (1)	1.11019	7,127,000,000	0	x
FR0013154044	OAT 125.00% 25 May 2036	47,051,000,000			0	x
FR0013327491	OAT€i 10.00% 25 July 2036	14,155,677,900 (1)	1.19730	11,823,000,000	0	x
FR0014009O62	OAT 125.00% 25 May 2038	11,345,000,000			0	x
FR001400AQH0	OAT€i 10.00% 25 July 2038	6,551,958,980 (1)	1.14086	5,743,000,000	0	x
FR0010371401	OAT 400.00% 25 October 2038	26,534,000,000			4,540,041,400	
FR0013234333	OAT 175.00% 25 June 2039	32,852,000,000			0	x
FR0013515806	OAT 50.00% 25 May 2040	25,660,000,000			0	x
FR0010447367	OAT€i 180.00% 25 July 2040	18,024,836,060 (1)	1.39414	12,929,000,000	0	
FR0010773192	OAT 450.00% 25 April 2041	38,446,000,000			3,968,799,000	
FR001400CMX2	OAT 250.00% 25 May 2043	7,068,000,000			0	x
FR0014002JM6	OAT 50.00% 25 June 2044	19,273,000,000			0	x
FR0011461037	OAT 325.00% 25 May 2045	30,557,000,000			903,110,000	x
FR0013209871	OAT€i 10.00% 25 July 2047	15,827,023,380 (1)	1.21494	13,027,000,000	0	x
FR0013257524	OAT 200.00% 25 May 2048	30,644,000,000			640,300,000	x
FR0013404969	OAT 150.00% 25 May 2050	33,195,000,000			178,900,000	x
FR0013480613	OAT 75.00% 25 May 2052	33,622,000,000			692,100,000	x
FR0014004J31	OAT 75.00% 25 May 2053	31,169,000,000			183,000,000	x
FR0014008181	OAT€i 10.00% 25 July 2053	6,308,955,800 (1)	1.14086	5,530,000,000	0	x
FR001400FTH3	OAT 300.00% 25 May 2054	9,516,000,000			15,000,000	x
FR0010171975	OAT 400.00% 25 April 2055	20,118,000,000			11,123,318,000	
FR0010870956	OAT 400.00% 25 April 2060	18,312,000,000			8,882,452,100	
FR0013154028	OAT 175.00% 25 May 2066	16,828,000,000			1,147,300,000	x
FR0014001NN8	OAT 50.00% 25 May 2072	11,665,000,000			91,200,000	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	0.7%	Apr. 2023
Household consumption*, year-on-year	-4.0%	May. 2023
Unemployment rate (ILO)	7.1%	Q1-2023
Consumer prices, year-on-year		
• all items	5.1%	May. 2023
• all items excluding tobacco	5.0%	May. 2023
Trade balance, fob-fob, sa (€bn)	-€8.4bn	Apr. 2023
" "	-€9.7bn	Mar. 2023
Current account balance, sa (€bn)	-€0.1bn	Apr. 2023
" "	€0.3bn	Mar. 2023
10-year constant maturity rate (TEC10)	2.99%	30 Jun. 2023
3-month interest rate (Euribor)	3.60%	30 Jun. 2023
EUR / USD	1.09	30 Jun. 2023
EUR / JPY	157.58	30 Jun. 2023

* manufactured products

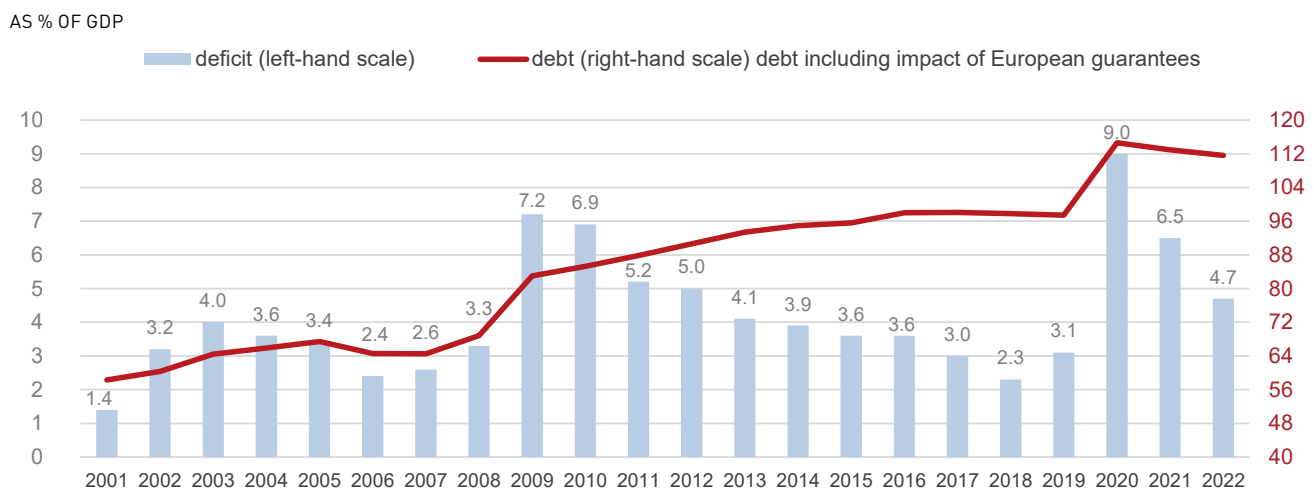
Sources: Insee, MEFSIN, Banque de France

MONTHLY GOVERNMENT BUDGET POSITION

	2021		end of April level		
	2021	2022	2021	2022	2023
General budget balance	-171.52	-158.20	-77.23	-51.07	-68.79
Revenue	324.95	354.74	86.24	104.01	99.53
Expenditure	496.47	512.94	163.48	155.08	168.32
Balance of special Treasury accounts	0.79	6.73	-14.13	-16.25	-14.92
General budget outturn	-170.73	-151.47	-91.37	-67.32	-83.71

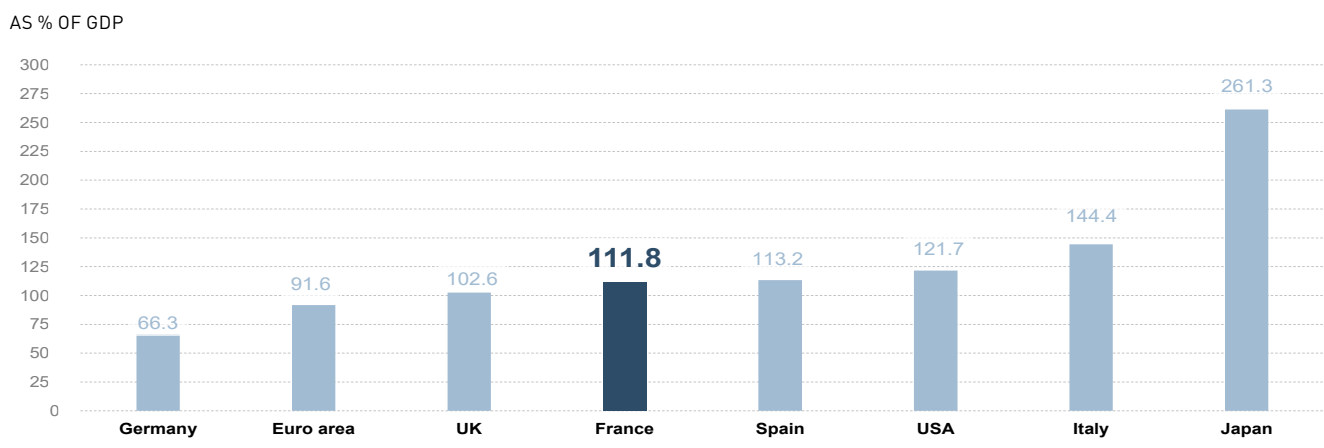
Source: Ministry of the Economy, Finance and Industrial and Digital Sovereignty

PUBLIC FINANCES: DEFICIT AND DEBT



Source: Insee

GENERAL GOVERNMENT DEBT IN 2022



Sources: Eurostat, IMF, Insee

JULY 2023 

5 Industrial production: May index	7 Balance of payments	7 Foreign trade by value in May	13 Consumer prices: June index (final results)	13 Net international reserves in June	19 Eurozone inflation (HICP): June index (final)
20 Monthly business survey (goods-producing industries) in July	26 Consumer confidence survey: July survey	28 Quarterly national accounts: initial estimate	28 Industrial producer and import price: June indices	28 Household consumption expenditure on goods in June	28 Consumer prices: July index (preliminary results)

AUGUST 2023 

4 Flash estimate of payroll employment Q3	4 Industrial production: June index	8 Balance of payments	8 Foreign trade by value in June	11 Consumer prices: July index (final results)	11 ILO unemployment rate
14 Net international reserves in July	18 Eurozone inflation (HICP): July index (final)	24 Monthly business survey (goods-producing industries) in August	29 Consumer confidence survey: August survey	31 Quarterly national accounts: final results	31 Industrial producer and import price: July indices
31 Household consumption expenditure on goods in July	31 Consumer prices: August index (preliminary results)				

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