

N°402
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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.

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HIGH LEVEL OF INVESTOR SATISFACTION WITH THE FRENCH DEBT MARKET ACCORDING TO THE 21ST ANNUAL SURVEY

Investor satisfaction is very high on the functioning of the French government debt market, both in France and abroad. That is the conclusion of the 21st IEM Finance annual survey of French primary dealers' (SVTs) clients conducted in September 2023. Its aim 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 2023, 188 investors, representing a total of 118 institutions (Asset Management companies, banks, insurance companies...) responded to the questionnaire. 99.4% of investors surveyed declared to be "very satisfied" or "satisfied" with the functioning of the French government debt market, this score reaching its highest level since 2014.

Liquidity and transparency are highly valued by investors, who consider these criteria as important for a sovereign issuer such as France. They were 92.6% to assess liquidity as "very important", the highest level since the creation of this survey. Regarding transparency, 71% of investors polled said that this was one of the most important criteria. Since 2018, the assessment of the importance of predictability has been continually improving, 59.1% of investors rated it as "very important", increasing by 11 percentage points since 2019.

The liquidity of OAT, BTF and inflation-linked bonds is considered to be satisfactory ("very satisfactory" or "satisfactory") by a very large number of investors. Among investors who expressed their opinion, almost all investors were satisfied (99.4% in 2023 against 96.2% in 2022) with the liquidity of OATs. This proportion also increased for BTFs and reached 93.4%, against 90.3% in 2022.

Regarding AFT's green securities, 98.1% of investors who expressed an opinion declared to be satisfied with the information published on Green OATs. It is the highest level since their launch.

The survey also shows who are the top-five most frequently quoted primary dealers by investors as being their main partner on the French government debt market:

2023		2022	
1	BNP Paribas	1	BNP Paribas
2	J.P. Morgan	2	Crédit Agricole - CIB
3	Crédit Agricole - CIB	3	Société Générale
4	HSBC	4	Citi
4	Nomura	5	J.P. Morgan
4	Société Générale		

By Ruben Segura-Cayuela, Head of Europe Economics, and Evelyn Herrmann, Europe Economist at Bank of America Global Research - November 2023

Disinflation is one of the dominant themes as we head into 2024, allowing central banks to cut interest rates from the current very restrictive levels. This is largely a global phenomenon, but different macroeconomic fundamentals across regions bring different disinflation paths. We forecast Euro area inflation to be back at 2% by end-2024 and at 1.4% on average in 2025, below the ECB's target again. In contrast, US inflation is expected to decline more gradually, staying slightly above 2% still at the end of 2025.

The relatively popular view that Euro area inflation dynamics are just a lagged version of those in the US is getting increasingly challenged, in our view. Inflation differentials should close in early 2024 and reverse thereafter, with Euro area inflation then below the US' more durably.

In fact, we would argue that alternative inflation measures already show more disinflation in the Euro area than conventional annual inflation rates. We would point out two metrics, in particular:

First, we like to look at bottom-up seasonally adjusted core inflation for a better view of underlying dynamics. That implies adjusting individual non-energy and services price components for their seasonal patterns before reaggregating them into core inflation – a standard in the US, less used in the Euro area.

On that metric, Euro area inflation has slowed to 0.2% month-on-month, or 2.6% in annualised terms, in the three months to October. That compares to US core inflation still at 3.3% annualised over the same period. Euro area inflation may still be above the 2% central bank target, but has actually come down considerably even before the bulk of policy tightening has passed through (Chart 1).

Second, we started to calculate so-called “instantaneous inflation” across developed economies and broad inflation components. This method, which we take from Eeckhout (2023), applies an exponentially decaying weight to past monthly seasonally adjusted annualised inflation rates. In theory, this allows us to capture turning points earlier.

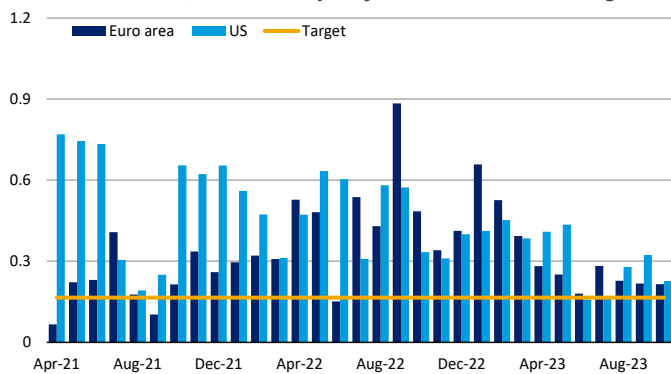
Disinflation in non-energy goods is well advanced by now. It started in the US last year, and was delayed to 2023 in the Euro area, a dichotomy largely reflecting the different intensity of the energy crisis.

Services inflation is stickier, but even here, the disinflationary process seems under way. What is noteworthy is that the Euro area seems to be making progress faster in these components than the US, probably reflecting the stark difference in labour market slack (Chart 2).

The data underpin our macro scenario: we expected Euro area inflation to cool faster than in the US given the different economic backdrop. The US economy has overheated amid substantial fiscal stimulus during the pandemic. Excess demand created home-made inflation pressures. The Fed is probably done at a fund target range of 5.25-5.50%, and can very gradually reduce policy tightness from June 2024 with quarterly cuts, accompanying inflation on its gradual path to 2% by end-2025.

The Euro area hasn't had the same fiscal support during the pandemic, and has been hit hard by the energy crisis. Inflation here reflects mainly exogenous supply shocks. Demand seems almost chronically insufficient. The ECB has gone very far, hiking the deposit rate to 4.00%, and we don't expect cuts to start before June 2024, when inflation rates have come down and at least parts of the 2024 wage round are completed. Disinflation will progress further until then, in our view. In the end, the ECB may not only have done enough, but actually much to tame inflation. To us, that means three quarterly cuts in 2024 and then one cut per meeting in 2025 until the policy rate is back at the ECB's neutral rate estimate of 2%. Further cuts may then have to follow in 2026.

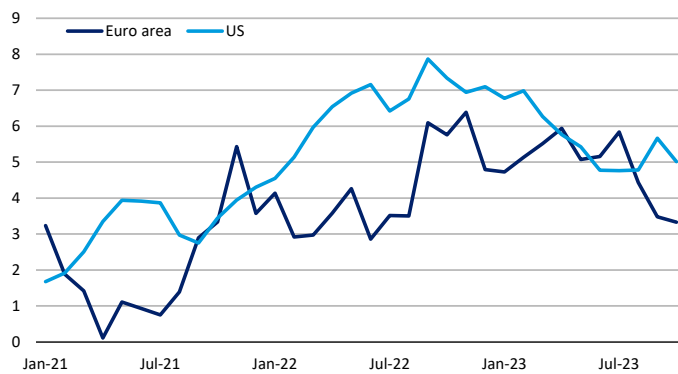
Chart 1: Bottom-up euro area core inflation and US core inflation, seasonally adjusted % mom change



Source: BofA Global Research, BLS

Note: Original methodology from Eeckhout (2023)

Chart 2: Instantaneous services inflation, seasonally adjusted annualised % change



Source: BofA Global Research, BLS, Eurostat

INDICATIVE AUCTION SCHEDULE

		Short-term					Medium-term	Long-term	Index-linked
December 2023	auction date	4	11	18	27	/	7	7	7
	settlement date	6	13	20	29	/	11	11	11
January 2024*	auction date	2	8	15	22	29	18	4	18
	settlement date	4	10	17	24	31	22	8	22

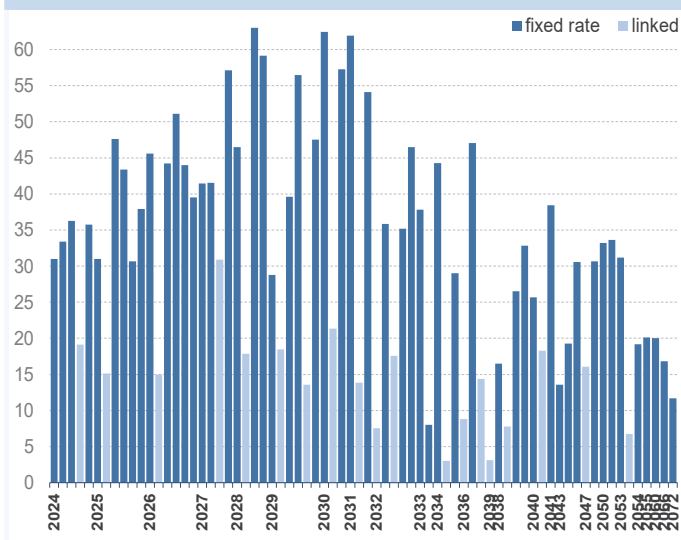
*As the 2024 calendar has not yet been finalised, the auction dates are given for information only.

anticipated or delayed (bank holidays, etc.)

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 31 OCTOBER 2023

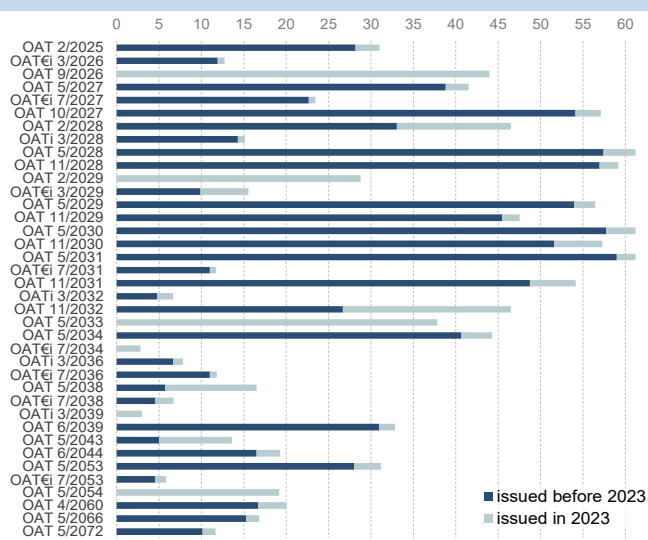
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

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

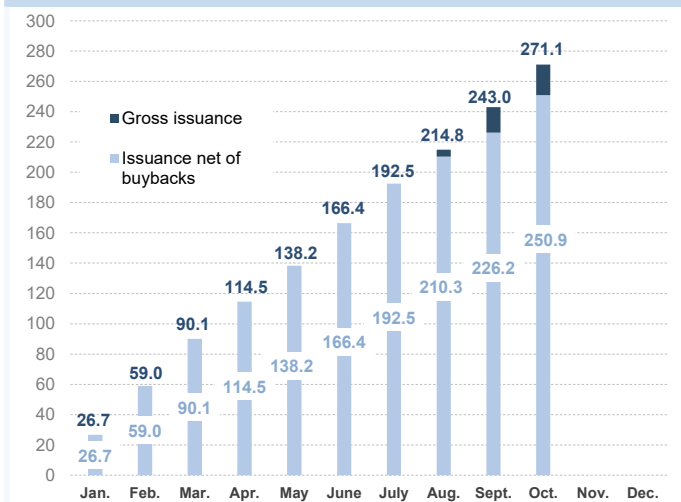
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 31 OCTOBER 2023

IN € BILLION



Source: Agence France Trésor

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

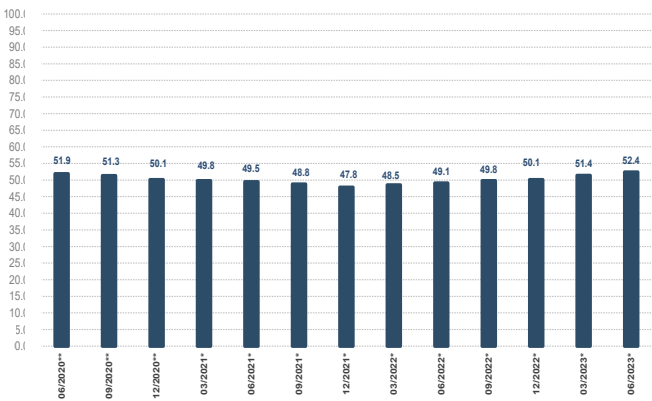
IN € BILLION

Month	Coupon	Redemption
Nov-23	2.8	
Dec-23		
Jan-24		
Feb-24	1.1	31.0
Mar-24	0.1	33.4
Apr-24	8.4	
May-24	11.4	36.3
Jun-24	0.7	
Jul-24	2.3	19.7
Aug-24		
Sep-24	1.1	
Oct-24	6.5	

Source: Agence France Trésor

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

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE



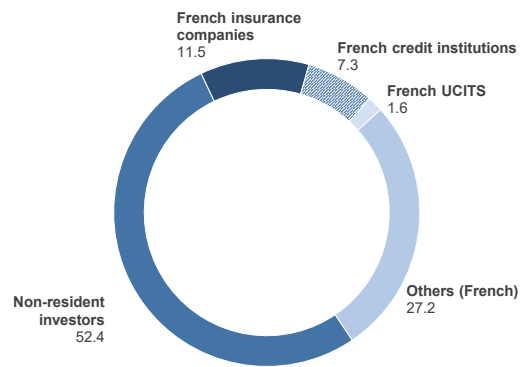
(*) figures quarterly revised

(**) figures annually revised

Source: Banque de France

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

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 31 OCTOBER 2023

IN EUROS

Total medium- and long-term debt	2,240,632,325,072
Total stripping activity	47,901,185,000
Average maturity	9 years and 52 days
Total short-term debt	170,650,000,000
Average maturity	124 days
Total outstanding	2,411,282,325,072
Average maturity	8 years and 189 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2020 AT 31 OCTOBER 2023

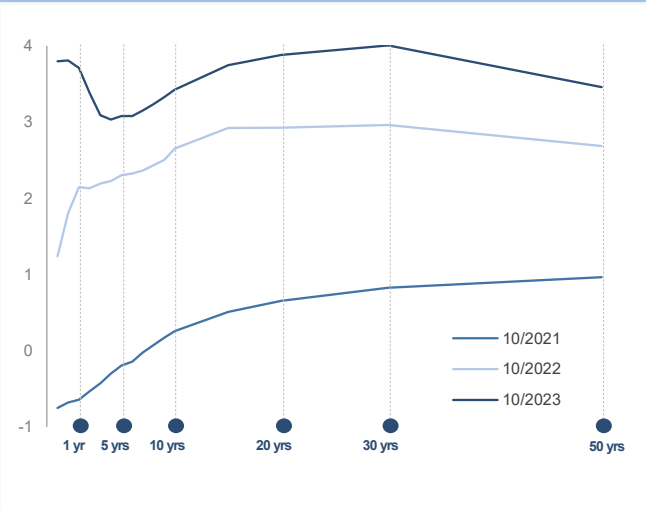
IN € BILLION

	End 2020	End 2021	End 2022	End August 2023	End October 2023
Negotiable government debt outstanding	2,001	2,145	2,278	2,427	2,411
<i>of which index-linked securities</i>	220	236	262	264	268
Medium- and long-term	1,839	1,990	2,129	2,259	2,241
Short-term	162	155	148	168	171
Average maturity of the negotiable debt	8 years	8 years	8 years	8 years	8 years
	73 days	153 days	184 days	159 days	189 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

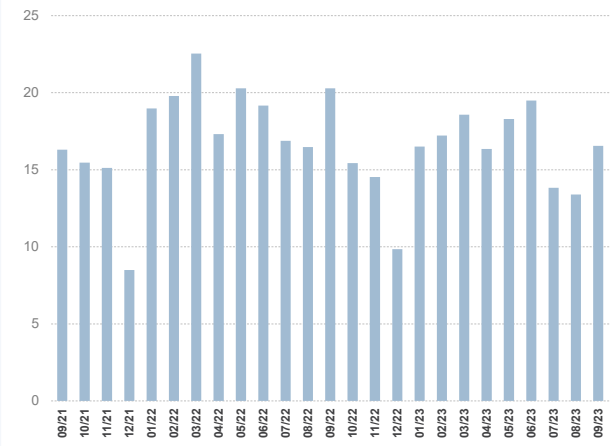
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

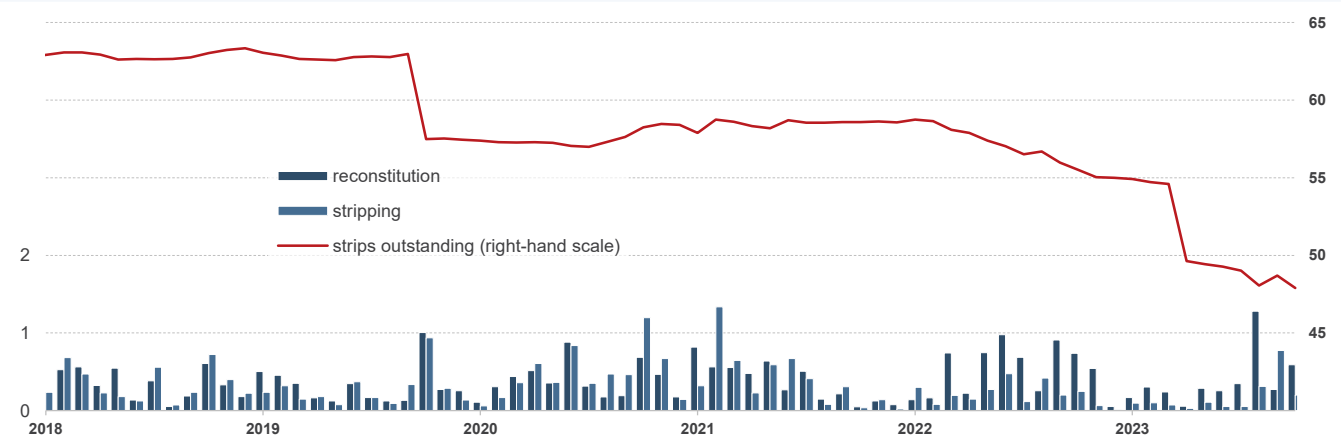
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

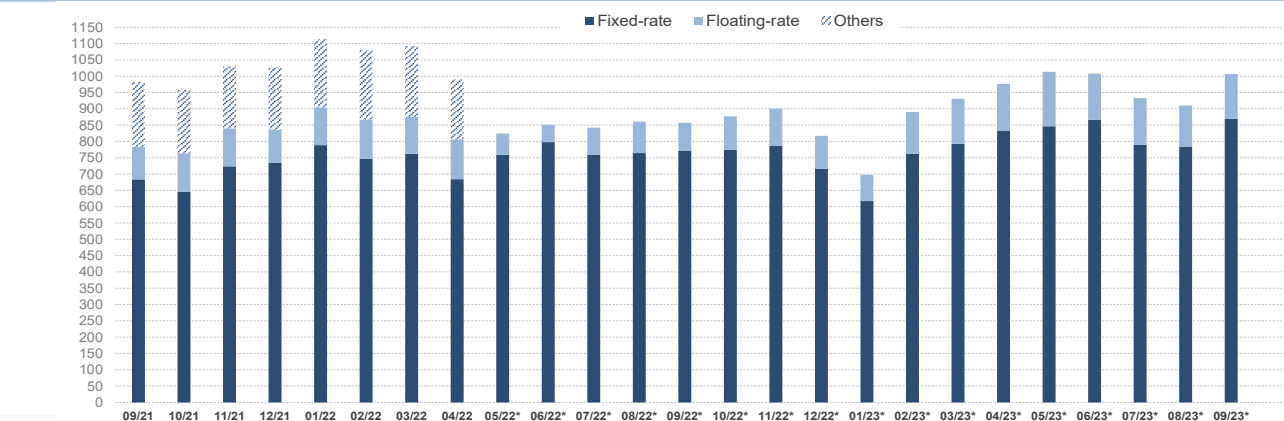
IN € BILLION



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 2023

ISIN Code	Maturity	Outstanding(€)
FR0127462903	BTF 1 November 2023	6,485,000,000
FR0127921239	BTF 8 November 2023	5,126,000,000
FR0127921189	BTF 15 November 2023	6,972,000,000
FR0127921247	BTF 22 November 2023	5,166,000,000
FR0127462911	BTF 29 November 2023	13,270,000,000
FR0127921254	BTF 6 December 2023	5,074,000,000
FR0127921262	BTF 13 December 2023	7,508,000,000
FR0127921270	BTF 20 December 2023	5,542,000,000
FR0128070952	BTF 4 January 2024	6,215,000,000
FR0127921288	BTF 10 January 2024	7,392,000,000
FR0128070960	BTF 17 January 2024	6,261,000,000
FR0127613497	BTF 24 January 2024	8,829,000,000
FR0127921296	BTF 7 February 2024	7,081,000,000
FR0127613505	BTF 21 February 2024	6,668,000,000
FR0127921304	BTF 6 March 2024	7,760,000,000
FR0127613513	BTF 20 March 2024	8,507,000,000
FR0128227685	BTF 4 April 2024	1,843,000,000
FR0127921064	BTF 17 April 2024	8,376,000,000
FR0127921072	BTF 15 May 2024	7,658,000,000
FR0127921080	BTF 12 June 2024	8,472,000,000
FR0127921312	BTF 10 July 2024	9,628,000,000
FR0127921320	BTF 7 August 2024	8,340,000,000
FR0127921338	BTF 4 September 2024	7,855,000,000
FR0128071059	BTF 2 October 2024	4,622,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2023-2027) AT 31 OCTOBER 2023

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
	Maturity 2023	0				
	Maturity 2024	155,556,963,760				
FR0014001N46	OAT 0.00% 25 February 2024	31,006,000,000				x
FR0013344751	OAT 0.00% 25 March 2024	33,403,000,000				x
FR0011619436	OAT 2.25% 25 May 2024	36,268,000,000				x
FR0011427848	OAT€i 0.25% 25 July 2024	19,108,963,760 (1)	1.25354	15,244,000,000		x
FR0011962398	OAT 1.75% 25 November 2024	35,771,000,000				x
	Maturity 2025	205,669,868,348				
FR0014007TY9	OAT 0.00% 25 February 2025	31,010,000,000				x
FR0012558310	OATi 0.10% 1 March 2025	15,109,940,230 (1)	1.18111	12,793,000,000		x
FR0013415627	OAT 0.00% 25 March 2025	47,614,000,000				x
FR0012517027	OAT 0.50% 25 May 2025	43,360,000,000				x
FR0000571150	OAT 6.00% 25 October 2025	30,653,928,118				
FR0012938116	OAT 1.00% 25 November 2025	37,922,000,000				x
	Maturity 2026	239,382,172,800				
FR0013508470	OAT 0.00% 25 February 2026	45,590,000,000				x
FR0013519253	OAT€i 0.10% 1 March 2026	14,978,172,800 (1)	1.17605	12,736,000,000		x
FR0010916924	OAT 3.50% 25 April 2026	44,202,000,000				
FR0013131877	OAT 0.50% 25 May 2026	51,113,000,000				x
FR001400FYQ4	OAT 2.50% 24 September 2026	43,972,000,000				x
FR0013200813	OAT 0.25% 25 November 2026	39,527,000,000				x
	Maturity 2027	171,003,407,620				
FR0014003513	OAT 0.00% 25 February 2027	41,446,000,000				x
FR0013250560	OAT 1.00% 25 May 2027	41,534,000,000				x
FR0011008705	OAT€i 1.85% 25 July 2027	30,911,407,620 (1)	1.31914	23,433,000,000		
FR0011317783	OAT 2.75% 25 October 2027	57,112,000,000				

(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 2028 AND BEYOND) AT 31 OCTOBER 2023

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2028		186,806,918,848				
FR001400AIN5	OAT 0.75% 25 February 2028	46,492,000,000				x
FR0013238268	OATi 0.10% 1 March 2028	17,836,850,780 (1)	1.17914	15,127,000,000		x
FR0000571226	OAT zero coupon 28 March 2028	35,068,068 (2)		46,232,603	—	
FR0013286192	OAT 0.75% 25 May 2028	63,275,000,000				x
FR0013341682	OAT 0.75% 25 November 2028	59,168,000,000				x
Maturity 2029		204,419,597,286				
FR001400HI98	OAT 2.75% 25 February 2029	28,777,000,000				x
FR0013410552	OAT€i 0.10% 1 March 2029	18,473,330,260 (1)	1.18769	15,554,000,000		x
FR0000571218	OAT 5.50% 25 April 2029	39,618,880,458				
FR0013407236	OAT 0.50% 25 May 2029	56,452,000,000				x
FR0000186413	OATi 3.40% 25 July 2029	13,568,386,568 (1)	1.47721	9,185,144,000		
FR0013451507	OAT 0.00% 25 November 2029	47,530,000,000				x
Maturity 2030		141,061,566,080				
FR0011883966	OAT 2.50% 25 May 2030	62,459,000,000				x
FR0011982776	OAT€i 0.70% 25 July 2030	21,323,566,080 (1)	1.23744	17,232,000,000		x
FR0013516549	OAT 0.00% 25 November 2030	57,279,000,000				x
Maturity 2031		129,878,371,670				
FR0012993103	OAT 1.50% 25 May 2031	61,915,000,000				x
FR0014001N38	OAT€i 0.10% 25 July 2031	13,829,371,670 (1)	1.17787	11,741,000,000		x
FR0014002WK3	OAT 0.00% 25 November 2031	54,134,000,000				x
Maturity 2032		142,700,698,700				
FR0014003N51	OATi 0.10% 1 March 2032	7,550,978,010 (1)	1.13327	6,663,000,000		x
FR0014007L00	OAT 0.00% 25 May 2032	35,865,000,000				x
FR0000188799	OAT€i 3.15% 25 July 2032	17,586,398,090 (1)	1.52567	11,527,000,000		
FR0000187635	OAT 5.75% 25 October 2032	35,192,322,600				
FR001400BKZ3	OAT 2.00% 25 November 2032	46,506,000,000				x
Maturity 2033		45,811,000,000				
FR001400H7V7	OAT 3.00% 25 May 2033	37,804,000,000				x
FR001400L834	OAT 3.50% 25 November 2033	8,007,000,000				x
Maturity in 2034 and beyond		618,341,759,960				
FR0013313582	OAT 1.25% 25 May 2034	44,284,000,000				x
FR001400J188	OAT€i 0.60% 25 July 2034	3,013,795,840 (1)	1.07024	2,816,000,000		x
FR0010070060	OAT 4.75% 25 April 2035	29,004,000,000				
FR0013524014	OATi 0.10% 1 March 2036	8,824,248,090 (1)	1.13001	7,809,000,000		x
FR0013154044	OAT 1.25% 25 May 2036	47,051,000,000				x
FR0013327491	OAT€i 0.10% 25 July 2036	14,349,811,560 (1)	1.21372	11,823,000,000		x
FR0014009O62	OAT 1.25% 25 May 2038	16,502,000,000				x
FR001400AQH0	OAT€i 0.10% 25 July 2038	7,761,271,500 (1)	1.15650	6,711,000,000		x
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000				
FR001400IKW5	OATi 0.55% 1 March 2039	3,120,120,000 (1)	1.04004	3,000,000,000		x
FR0013234333	OAT 1.75% 25 June 2039	32,852,000,000				x
FR0013515806	OAT 0.50% 25 May 2040	25,660,000,000				x
FR0010447367	OAT€i 1.80% 25 July 2040	18,272,038,540 (1)	1.41326	12,929,000,000		
FR0010773192	OAT 4.50% 25 April 2041	38,446,000,000				
FR001400CMX2	OAT 2.50% 25 May 2043	13,593,000,000				x
FR0014002JM6	OAT 0.50% 25 June 2044	19,273,000,000				x
FR0011461037	OAT 3.25% 25 May 2045	30,557,000,000				x
FR0013209871	OAT€i 0.10% 25 July 2047	16,043,922,930 (1)	1.23159	13,027,000,000		x
FR0013257524	OAT 2.00% 25 May 2048	30,644,000,000				x
FR0013404969	OAT 1.50% 25 May 2050	33,195,000,000				x
FR0013480613	OAT 0.75% 25 May 2052	33,622,000,000				x
FR0014004J31	OAT 0.75% 25 May 2053	31,169,000,000				x
FR0014008181	OAT€i 0.10% 25 July 2053	6,743,551,500 (1)	1.15650	5,831,000,000		x
FR001400FTH3	OAT 3.00% 25 May 2054	19,187,000,000				x
FR0010171975	OAT 4.00% 25 April 2055	20,118,000,000				
FR0010870956	OAT 4.00% 25 April 2060	20,029,000,000				
FR0013154028	OAT 1.75% 25 May 2066	16,828,000,000				x
FR0014001NN8	OAT 0.50% 25 May 2072	11,665,000,000				x

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

(2) Revised on 28 March 2023; 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. 2023
Household consumption*, year-on-year	-1.8%	Oct. 2023
Unemployment rate (ILO)	7.4%	Q3-2022
Consumer prices, year-on-year		
• all items	4.0%	Sep. 2023
• all items excluding tobacco	3.9%	Sep. 2023
Trade balance, fob-fob, sa (€bn)	-€8.5bn	Sep. 2023
" "	-€8.4bn	Aug. 2023
Current account balance, sa (€bn)	-€2.5bn	Sep. 2023
" "	-€1.1bn	Aug. 2023
10-year constant maturity rate (TEC10)	2.99%	30 Nov. 2023
3-month interest rate (Euribor)	3.98%	30 Nov. 2023
EUR / USD	1.09	30 Nov. 2023
EUR / JPY	161.14	30 Nov. 2023

* manufactured products

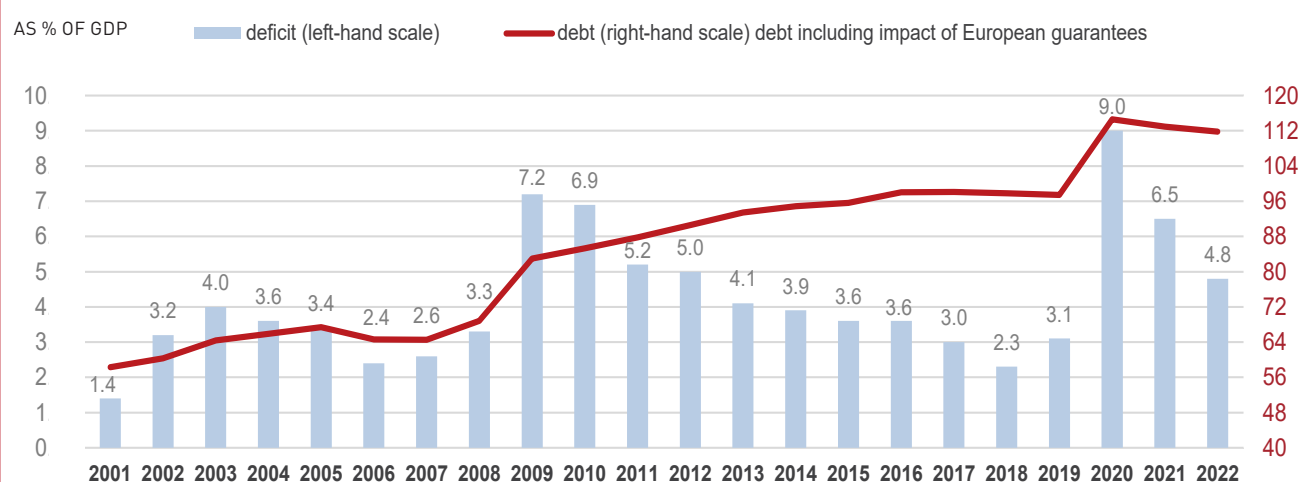
Sources: Insee, MEFSIN, Banque de France

MONTHLY GOVERNMENT BUDGET POSITION

	IN € BILLION				
	2021	2022	end of September level		
	2021	2022	2021	2022	2023
General budget balance	-171.52	-158.20	-152.19	-119.27	-148.68
Revenue	324.95	354.74	215.10	250.98	239.59
Expenditure	496.47	512.94	367.29	370.26	388.28
Balance of special Treasury accounts	0.79	6.73	-22.93	-24.75	-33.24
General budget outturn	-170.74	-151.44	-175.12	-146.61	-186.12

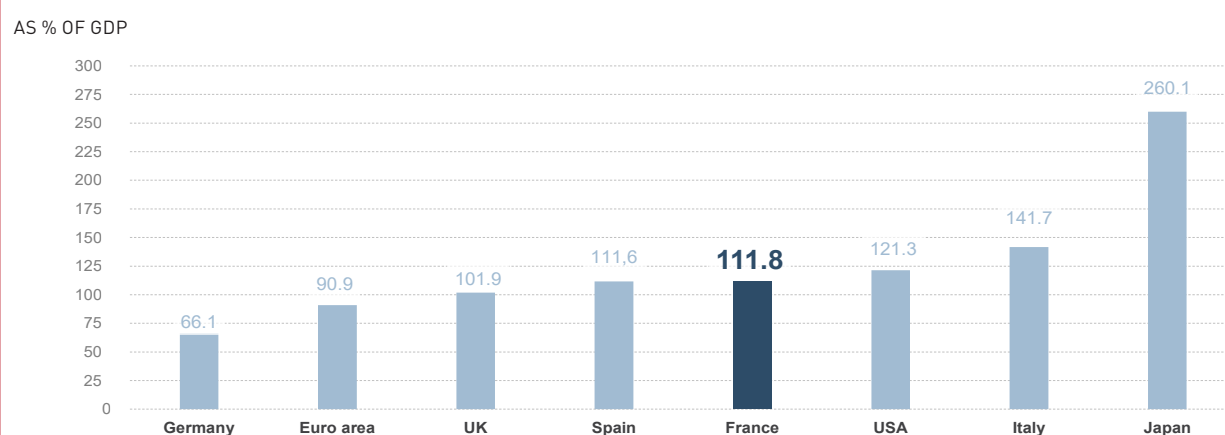
Source: Ministry of the Economy, Finance and Industrial and Digital Sovereignty

PUBLIC FINANCES: DEFICIT AND DEBT



Source: Insee


GENERAL GOVERNMENT DEBT IN 2022



Sources: Eurostat, IMF, Insee

DECEMBER 2023 

5 Industrial production: October index	7 Balance of payments	7 Foreign trade by value in October	15 Consumer prices: November index (final results)	15 Net international reserves in November	19 Eurozone inflation (HICP): November index (final)
	21 Monthly business survey (goods-producing industries) in December	22 Consumer confidence survey: December survey	22 Debt of the general government according to Maastricht definition	22 Industrial producer and import price: November indices	

JANUARY 2024 

4 Consumer prices: December index (preliminary results)	9 Balance of payments	9 Foreign trade by value in November	10 Industrial production: November index	12 Consumer prices: December index (final results)	12 Household consumption expenditure on goods in November
15 Net international reserves in December	25 Monthly business survey (goods-producing industries) in January	26 Consumer confidence survey: January survey	30 Household consumption expenditure on goods in December	30 Quarterly national accounts: initial estimate Q3	31 Industrial producer and import price: December indices
31 Consumer prices: January index (preliminary results)					

Sources: Insee, Eurostat

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