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Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

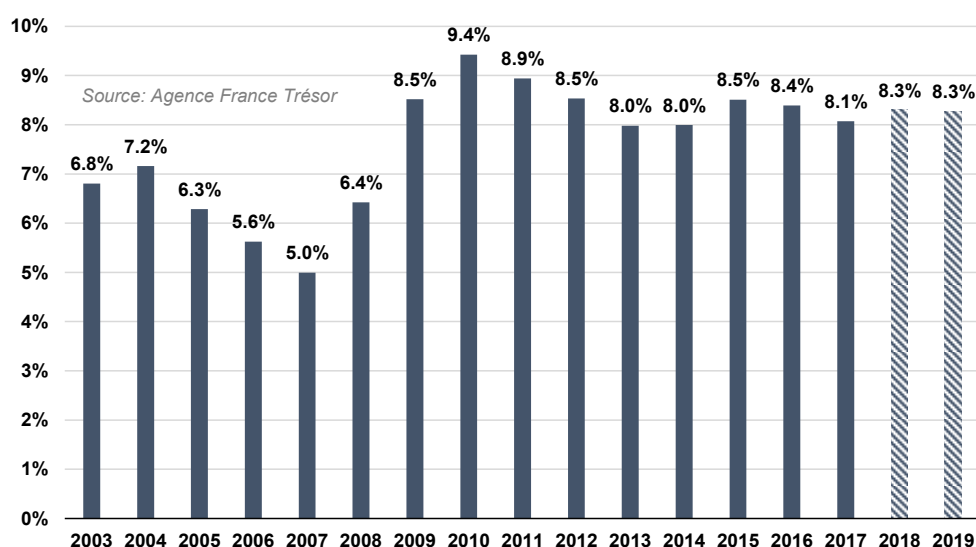
**News at Agence France Trésor**

## AFT will maintain a flexible issuance strategy in 2019 as the ECB ends its net asset purchases

Agence France Trésor presented its 2019 indicative financing programme on Thursday, 20 December 2018. This programme calls for issuance of €200bn in medium- and long-term debt, net of buybacks. Issuance volume will be stable as a share of France's gross domestic product (see chart below).

This issuance will cover the bulk of the State borrowing requirement, standing at €236.6bn in 2019, including €128.9bn to refinance maturing bonds. The fiscal deficit will stand at €107.7bn in 2019, after accounting for the recent measures that Parliament passed in December to boost households' purchasing power. This means that AFT's borrowing on the bond market, net of refinancing requirements, will stand at €71.1bn, which marks a decrease of €8bn from AFT's net borrowing on the market in 2018.

**Net issuance (% of GDP)**



**As the ECB ends its net purchases under the asset purchase programme, AFT will maintain its flexible issuance strategy in order to adapt to market conditions effectively**, continuing to meet investor demand in order to ensure the most liquid market possible for its debt securities.

In keeping with its consistent issuance strategy, AFT will issue one new 2-year nominal benchmark bond, one new 5-year nominal benchmark bond and two new 10-year nominal benchmark bonds in 2019. At the long end of the yield curve, AFT will continue to tap existing bonds regularly, including the OAT 2.00% 25 May 2048. AFT also reserves the right to work with Primary Dealers to examine the prospect of a syndicated issue of a new 30-year benchmark bond, if significant demand for long-dated bonds arises during the year.

As is the case every year, approximately 10% of AFT's issuance will be made up of bonds linked to French or European inflation. Following the first issue in 2018 of a new bond linked to European inflation maturing in 2036, AFT will focus on issuing a new 10-year bond linked to European inflation (OAT€i), depending on market conditions.

AFT will also continue to tap the green bond, OAT 1.75% 25 June 2039, to meet market demand, up to the limit of eligible green expenditures for 2019. Today, this bond accounts for €14.8bn in outstanding borrowing. AFT will also monitor developments in this market closely to seize any opportunities as they arise.

The December ECB monetary policy meeting did not surprise with the announcement of the end of the APP and that full reinvestments will continue after the first rate hike. Market expectations have been for the end of the APP to trigger a major shock on intra EMU spreads.

As shown in Table 1, the shock in gross supply minus gross QE (ie PSPP plus reinvestments) actually occurred in 2018. The rise for the four biggest Eurozone countries versus 2017 was around 40%. For 2019, we expect the rise in gross supply minus gross QE to be more limited.

**Table 1: In 2019, OAT net supply will decrease and OAT gross supply will increase marginally when taking into account PSPP effect**

Countries	Net issuance		Change 2019 vs 2018	Gross supply - gross PSPP	
	2018	2019		2018 vs 2017	2019 vs 2018
Germany	-15	16	207%	69%	47.5%
<b>France</b>	<b>78.4</b>	<b>69.8</b>	<b>-11%</b>	<b>101%</b>	<b>18.5%</b>
Spain	55	37.9	-31%	16%	10.2%
Italy	58	60	3%	19%	18.0%
Total	193.7	190.8	-1%	41%	21.3%

Sources : BNP Paribas, AFT, Spanish Tesoro

Moreover, France and Spain are likely to face the smallest relative rise in gross supply minus gross QE next year. In the case of France, the rise in financing needs in 2019 will lead to a rise in the net supply of T-bills. OAT gross supply will marginally rise in 2019 but net supply will decline by 11% versus a rise for Italy and Germany and its level will be back to EUR70bn – not too far from the lowest level seen for the 2010-19 period.

#### Persistent demand from Asia

In the January 2018 BNP monthly bulletin, we had forecast demand for OATs to be strong, particularly from Asian investors. Once again OATs remained as the main investment vehicle for non-EUR investors. Table 2 shows year-to-date net Japanese flows into EGBs. Of the net inflows into EGBs, 118% went to OATs during the first ten months of 2018 while Bunds suffered from net outflows since April 2018. In addition to the strong demand from EUR real money and Asian investors, the French sovereign debt benefited from a change in Moody's rating outlook from stable to positive in May.

**Table 2: 118% of Japanese flows into EGBs went to OATs in Jan-Oct 2018**

	Eurozone	Germany	Netherlands	France	Italy
Jan-18	13.7	6.8	-0.8	7.5	0.2
Feb-18	6.3	2.3	-0.1	4.6	-0.5
Mar-18	2.5	1.3	0.9	0.8	-0.5
Apr-18	-0.8	-5.2	1.2	1.7	1.5
May-18	-6.7	-5.4	0.9	-1.5	-0.6
Jun-18	2.0	-0.6	0.0	3.4	-0.8
Jul-18	1.8	-2.0	0.4	2.8	0.6
Aug-18	-6.3	-5.3	-0.2	-0.7	-0.1
Sep-18	10.6	6.5	0.4	4.1	-0.3
Oct-18	-8.5	-4.0	-0.1	-5.1	0.7
	<b>Eurozone</b>	<b>Germany</b>	<b>Netherlands</b>	<b>France</b>	<b>Italy</b>
2014	-13.9	-26.5	-4.2	14.5	2.3
2015	-10.9	-12.2	-3.9	2.2	3.0
2016	25.9	-4.9	0.6	29.1	1.1
2017	-4.0	7.0	0.8	-11.7	-0.1
2018	14.8	-5.5	2.6	17.5	0.2

Source: Bank of Japan; flows converted in EUR bn

#### What about 2019?

ECB's cautious approach on depo normalization and the persistent uncertainties (Brexit, tariffs dispute) is expected to fuel a recurrent demand for core/semi-core debt, in our view. It should allow OATs to gradually outperform versus core EGB debt in 2019.

Finally, in terms of stock and flows small core countries benefited the most from the ECB PSPP over the past three-and-half-years (see Table 3). With the end of the PSPP, we expect major countries like France and Spain to outperform small core countries as the supportive impact of PSPP on the latter will fade.

**Table 3: Small countries benefited the most from PSPP**

Countries	Stock: PSPP/ outstanding	Flow: 2015-2018 PSPP/ gross supply
<b>Major countries average</b>	<b>23%</b>	<b>49%</b>
France	21%	47%
Germany	31%	59%
Italy	20%	36%
Spain	25%	70%
Small countries weighted average	24%	62%
<b>Small countries avg. excl. Belgium</b>	<b>29%</b>	<b>67%</b>
Finland	33%	74%
Netherlands	18%	70%
Austria	26%	59%
Belgium	18%	52%

Source: BNP Paribas



Indicative auction schedule

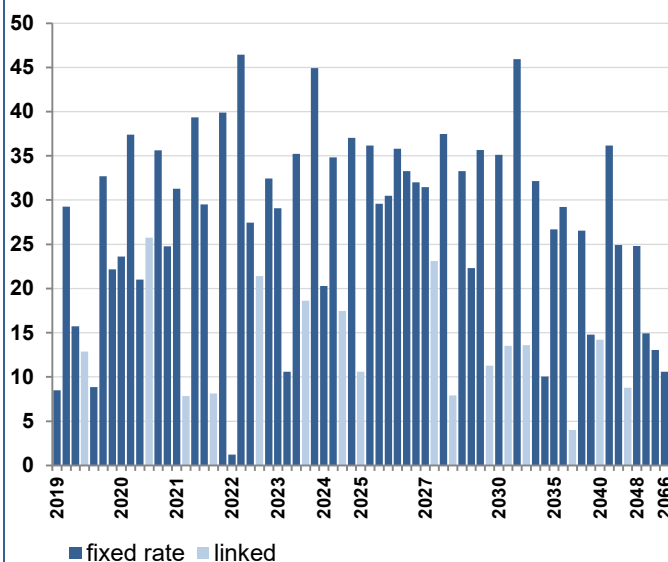
		Short-term					Medium-term	Long-term	Index-linked
January 2019	auction date	2	7	14	21	28	24	10	24
	settlement date	4	9	16	23	30	28	14	28
February 2019	auction date	4	11	18	25	/	21	7	21
	settlement date	6	13	20	27	/	25	11	25

anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

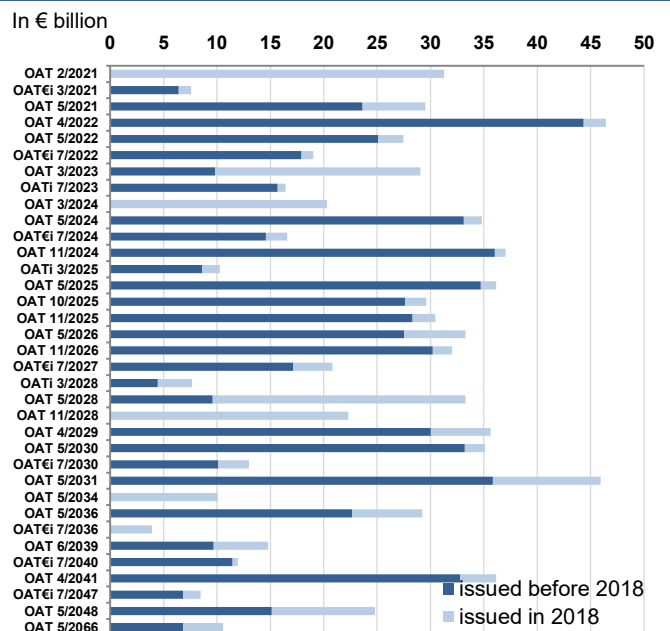
Medium- and long-term negotiable government debt at 30 November 2018

Nominal value of each line, in € billion



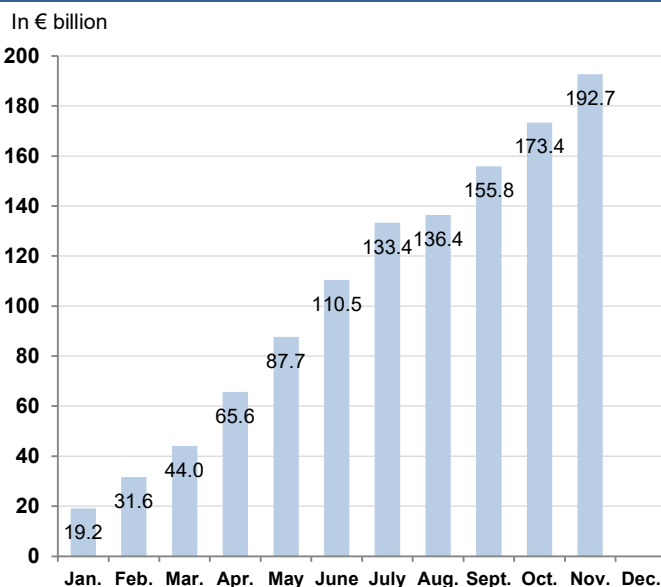
Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 November 2018



Source: Agence France Trésor

Issuance net of buybacks at 30 November 2018



Source: Agence France Trésor

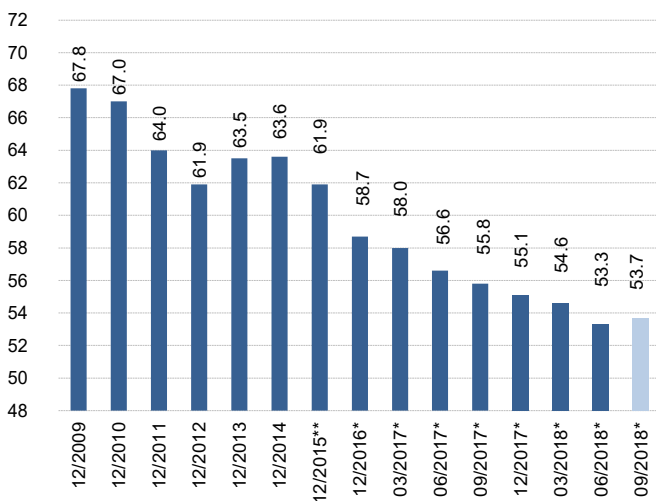
Medium- and long-term: provisional maturity schedule at 30 November 2018

Month	Coupon	Redemption
Dec-18		
Jan-19		
Feb-19		8.5
Mar-19	0.0	
Apr-19	13.7	29.3
May-19	6.0	15.7
Jun-19	0.3	
Jul-19	3.1	13.0
Aug-19		
Sep-19		
Oct-19	12.5	41.5
Nov-19	1.4	22.2

Source: Agence France Trésor

### Non-resident holders of negotiable government debt in third quarter of 2018

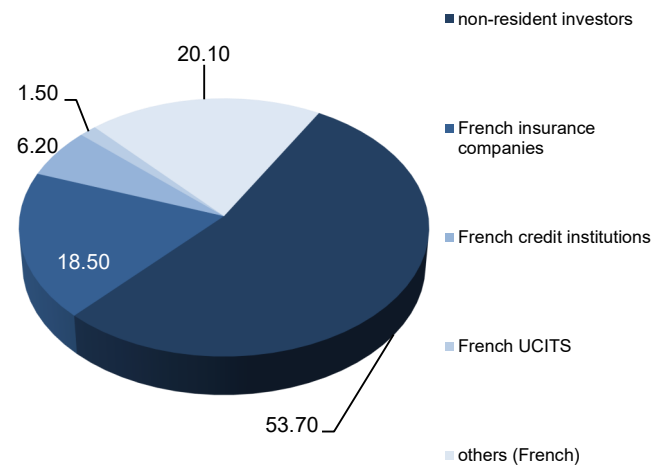
As a % of negotiable debt outstanding expressed in market value



(\* ) figures quarterly revised  
(\*\* ) figures annually revised  
Source: Banque de France

### Negotiable government debt by group of holders in third quarter of 2018

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 30 November 2018

In euros

Total medium- and long-term debt	1,640,778,774,186
Total stripping activity	63,231,534,700
Average maturity	8 years and 193 days
Total short-term debt	119,297,000,000
Average maturity	111 days
<b>TOTAL OUTSTANDING</b>	<b>1,760,075,774,186</b>
<b>Average maturity</b>	<b>7 years and 354 days</b>

Source: Agence France Trésor

### Negotiable government debt since 2015 at 30 November 2018

In € billion

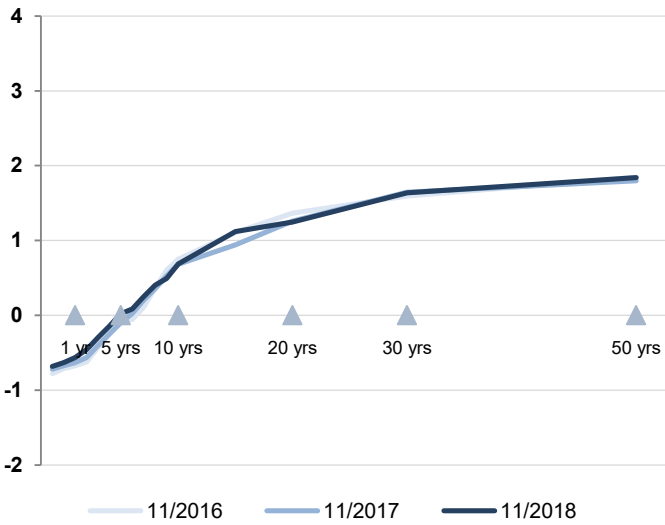
	End 2015	End 2016	End 2017	End Oct. 2018	End Nov. 2018
<b>Negotiable government debt outstanding</b>	<b>1,576</b>	<b>1,621</b>	<b>1,686</b>	<b>1,760</b>	<b>1,760</b>
<i>of which index-linked securities</i>	190	200	202	218	219
Medium- and long-term	1,424	1,487	1,560	1,641	1,641
short-term	153	134	126	119	119
<b>Average maturity of the negotiable debt</b>					
	7 years	7 years	7 years	7 years	7 years
	47 days	195 days	296 days	344 days	354 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

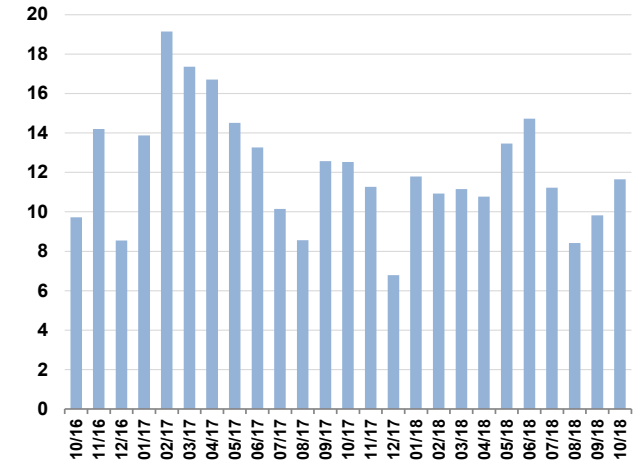
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

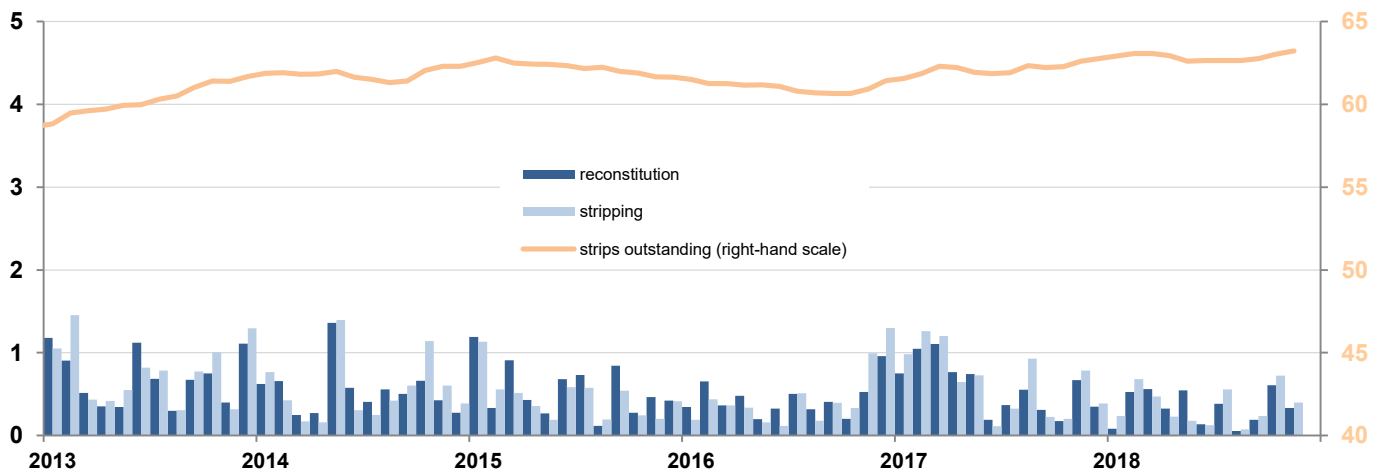
In € billion



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

Total stripping and reconstitution

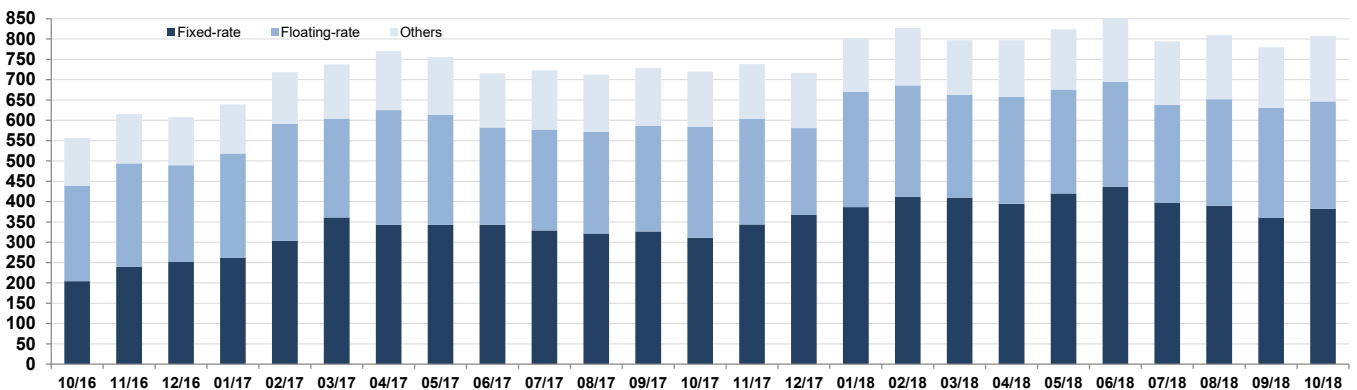
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

### Short-term debt at 30 November 2018

ISIN Code	Maturity	Outstanding (€)
FR0124584758	BTF 5 December 2018	2,175,000,000
FR0125064826	BTF 12 December 2018	9,059,000,000
FR0125064834	BTF 19 December 2018	4,150,000,000
FR0124747561	BTF 4 January 2019	5,257,000,000
FR0125218158	BTF 9 January 2019	9,507,000,000
FR0125064859	BTF 16 January 2019	5,380,000,000
FR0125218166	BTF 23 January 2019	5,473,000,000
FR0124747579	BTF 30 January 2019	6,145,000,000
FR0125218174	BTF 6 February 2019	6,252,000,000
FR0125064867	BTF 13 February 2019	4,559,000,000
FR0125218182	BTF 20 February 2019	6,918,000,000
FR0124747587	BTF 27 February 2019	5,540,000,000
FR0125218208	BTF 13 March 2019	4,835,000,000
FR0124909641	BTF 27 March 2019	4,755,000,000
FR0125218224	BTF 10 April 2019	4,844,000,000
FR0124909658	BTF 25 April 2019	4,890,000,000
FR0125218232	BTF 8 May 2019	1,163,000,000
FR0124909666	BTF 22 May 2019	4,752,000,000
FR0124909674	BTF 19 June 2019	3,745,000,000
FR0125064875	BTF 17 July 2019	4,369,000,000
FR0125064883	BTF 14 August 2019	4,235,000,000
FR0125064891	BTF 11 September 2019	3,926,000,000
FR0125218257	BTF 9 October 2019	4,405,000,000
FR0125218265	BTF 6 November 2019	2,963,000,000

### Medium- and long-term debt (maturing 2018-2022) at 30 November 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2018</b>	<b>130,115,926,559</b>			
FR0013101466	OAT 0.00% 25 February 2019*	8,480,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	29,273,000,000			0
FR0011708080	OAT 1.00% 25 May 2019*	15,735,000,000			0
FR0010850032	OATi 1.30% 25 July 2019	12,871,859,000 (1)	1.10110	11,690,000,000	0
FR0000570921	OAT 8.50% 25 October 2019	8,844,392,893			5,610,585,100
FR0010776161	OAT 3.75% 25 October 2019	32,695,000,000			0
FR0011993179	OAT 0.50% 25 November 2019*	22,177,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666 (2)		6,692,154	-
	<b>Maturity 2020</b>	<b>168,151,582,400</b>			
FR0013232485	OAT 0.00% 25 February 2020*	23,609,000,000			0
FR0010854182	OAT 3.50% 25 April 2020	37396000000			0
FR0012557957	OAT 0.00% 25 May 2020*	21,019,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,733,582,400 (1)	1.26704	20,310,000,000	0
FR0010949651	OAT 2.50% 25 October 2020	35,612,000,000			0
FR0012968337	OAT 0.25% 25 November 2020*	24,782,000,000			0
	<b>Maturity 2021</b>	<b>156,014,414,880</b>			
FR0013311016	OAT 0.00% 25 February 2021*	31,275,000,000			0
FR0013140035	OAT€i 0.10% 1 March 2021*	7,858,652,880 (1)	1.03868	7,566,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0.00% 25 May 2021*	29,504,000,000			0
FR0011347046	OATi 0.10% 25 July 2021	8,133,762,000 (1)	1.04279	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	<b>Maturity 2022</b>	<b>128,983,422,670</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			508,888,400
FR0011196856	OAT 3.00% 25 April 2022	46,422,000,000			0
FR0013219177	OAT 0.00% 25 May 2022*	27,457,000,000			0
FR0010899765	OAT€i 1.10% 25 July 2022	21,415,482,680 (1)	1.12636	19,013,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0

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

(2) Including coupons capitalised at 31 December 2017; not open to subscription

\* Like all euro area bonds, the bonds issued after 1 January 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 2023 and beyond) at 30 November 2018

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2023</b>	<b>138,427,895,253</b>			
FR0013283686	OAT 0.00% 25 March 2023*	29,059,000,000			0
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,377,565,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.10% 25 July 2023	18,607,699,350 (1)	1.13427	16,405,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			432,085,000
	<b>Maturity 2024</b>	<b>109,612,923,720</b>			
FR0013344751	OAT 0.00% 25 March 2024*	20,296,000,000			0
FR0011619436	OAT 2.25% 25 May 2024*	34,810,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024*	17,481,923,720 (1)	1.05478	16,574,000,000	0
FR0011962398	OAT 1.75% 25 November 2024*	37,025,000,000			51,000,000
	<b>Maturity 2025</b>	<b>106,827,537,848</b>			
FR0012558310	OATi 0.10% 1 March 2025*	10,604,609,730 (1)	1.03389	10257000000	0
FR0012517027	OAT 0.50% 25 May 2025*	36,156,000,000			0
FR0000571150	OAT 6.00% 25 October 2025	29,593,928,118			2,851,064,400
FR0012938116	OAT 1.00% 25 November 2025*	30,473,000,000			0
	<b>Maturity 2026</b>	<b>101,112,000,000</b>			
FR0010916924	OAT 3.50% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.50% 25 May 2026*	33,274,000,000			0
FR0013200813	OAT 0.25% 25 November 2026*	32,024,000,000			0
	<b>Maturity 2027</b>	<b>92,015,893,580</b>			
FR0013250560	OAT 1.00% 25 May 2027*	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	23,110,893,580 (1)	1.10998	20821000000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			82,343,600
	<b>Maturity 2028</b>	<b>63,520,427,614</b>			
FR0013238268	OATi 0.10% 1 March 2028*	7,921,828,000 (1)	1.03216	7,675,000,000	0
FR0000571226	OAT zéro coupon 28 March 2028	26,599,614 (3)		46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028*	33,272,000,000			0
FR0013341682	OAT 0.75% 25 November 2028*	22,300,000,000			0
	<b>Maturity 2029</b>	<b>46,938,827,382</b>			
FR0000571218	OAT 5.50% 25 April 2029	35644880458			2,937,446,100
FR0000186413	OATi 3.40% 25 July 2029	11,293,946,924 (1)	1.29308	8,734,144,000	0
	<b>Maturity 2030</b>	<b>48,654,990,000</b>			
FR0011883966	OAT 2.50% 25 May 2030*	35,119,000,000			0
FR0011982776	OAT€i 0.70% 25 July 2030*	13,535,990,000 (1)	1.04123	13,000,000,000	0
	<b>Maturity 2031</b>	<b>45,948,000,000</b>			
FR0012993103	OAT 1.50% 25 May 2031*	45,948,000,000			61,500,000
	<b>Maturity 2032</b>	<b>45,751,028,050</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	13588705450 (1)	1.28377	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,286,157,400
	<b>Maturity 2033 and beyond</b>	<b>1,810,927,329,610</b>			
FR0013313582	OAT 1.25% 25 May 2034*	10054000000			0
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,886,337,000
FR0013154044	OAT 1.25% 25 May 2036*	29226000000			0
FR0013327491	OAT€i 0.10% 25 July 2036*	3,999,332,480 (1)	1.02128	3,916,000,000	0
FR0010371401	OAT 4.00% 25 October 2038	26,534,000,000			4,753,931,400
FR0013234333	OAT 1.75% 25 June 2039*	14,793,000,000			0
FR0010447367	OAT€i 1.80% 25 July 2040	14,207,013,990 (1)	1.18917	11,947,000,000	0
FR0010773192	OAT 4.50% 25 April 2041	36,152,000,000			6,833,999,000
FR0011461037	OAT 3.25% 25 May 2045*	24,908,000,000			1,231,710,000
FR0013209871	OAT€i 0.10% 25 July 2047*	8,775,557,760 (1)	1.03632	8,468,000,000	0
FR0013257524	OAT 2.00% 25 May 2048*	24,815,000,000			730,100,000
FR0010171975	OAT 4.00% 25 April 2055	14,926,000,000			7,740,118,000
FR0010870956	OAT 4.00% 25 April 2060	13,055,000,000			7,208,804,100
FR0013154028	OAT 1.75% 25 May 2066*	10,581,000,000			642,900,000

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

(3) Revised on 28 March 2018; not open to subscription

\* Like all euro area bonds, the bonds issued after 1 January 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%	Oct. 2018
Household consumption*, year-on-year	-1.6%	Nov. 2018
Unemployment rate (ILO)	9.1%	Q4-2017
Consumer prices, year-on-year		
all items	1.9%	Nov. 2018
all items excluding tobacco	1.6%	Nov. 2018
Trade balance, fob-fob, sa (€bn)	-€4.1bn	Oct. 2018
" "	-€5.5bn	Sep. 2018
Current account balance, sa (€bn)	-€0.7bn	Oct. 2018
" "	-€1.9bn	Sep. 2018
10-year constant maturity rate (TEC10)	0.68%	24 Dec. 2018
3-month interest rate (Euribor)	-0.31%	24 Dec. 2018
EUR / USD	1.14	24 Dec. 2018
EUR / JPY	126.98	24 Dec. 2018

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

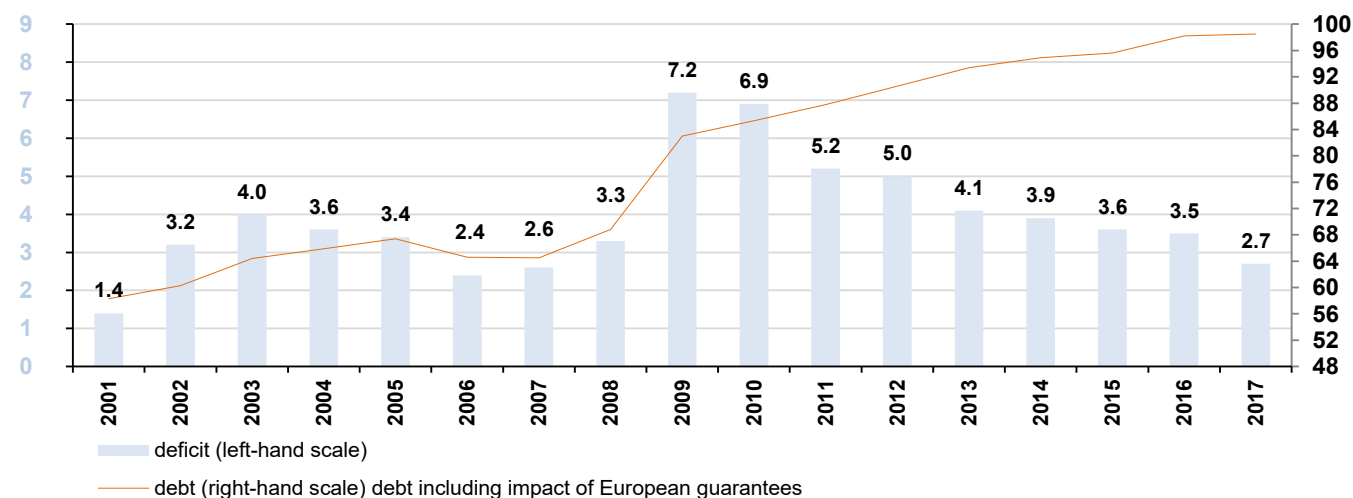
In € billion

			end of October level		
	2016	2017	2016	2017	2018
General budget balance	-75.85	-73.35	-66.56	-68.26	-78.37
revenue	303.97	313.59	251.76	260.08	254.04
expenditure	379.82	386.94	318.32	328.34	332.41
Balance of special Treasury accounts	6.80	5.53	-18.98	-8.88	-8.61
<b>General budget outturn</b>	<b>-69.05</b>	<b>-67.67</b>	<b>-85.54</b>	<b>-77.14</b>	<b>-86.98</b>

Source: Minefi

### Public finances: deficit and debt

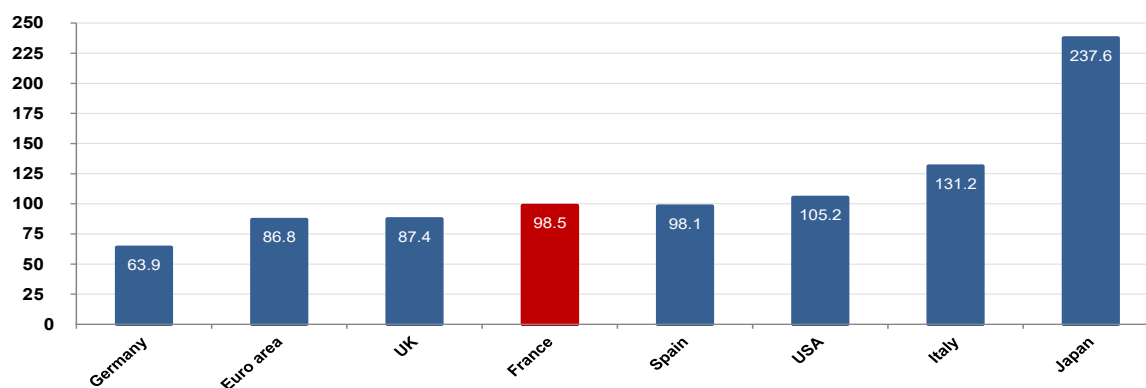
As % of GDP



Source: Insee

### General government debt in 2017

As % of GDP



Sources: Eurostat, IMF, Insee



## French economic indicators: timetable

January 2019		February 2019	
4	Industrial producer and import price: December indices	7	Industrial investments: January survey
4	Consumer prices: December index	7	Foreign trade by value in December
4	Foreign trade by value in November	7	Balance of payments in December
4	Balance of payments in November	8	Flash estimate of payroll employment: Q4 - 2018
9	Consumer confidence survey: December survey	8	Industrial production: December index
10	Industrial production: November index	15	Net international reserves in January
15	Consumer prices: December index	21	Net international reserves in January
15	Net international reserves in December	21	Monthly business survey (goods-producing industries) in February
24	Monthly business survey (goods-producing industries) in January	22	Inflation (HICP) : January index
24	Quarterly business survey (goods-producing industries) in January	26	Consumer confidence survey: February survey
25	Job seekers Q4-2018 (ILO)	28	Industrial producer and import price: January indices
30	Quarterly national accounts: initial estimate Q4-2018	28	Household consumption expenditure on goods in January
30	Household consumption expenditure on goods in December	28	Quarterly national accounts: second estimate Q4-2018
31	Industrial producer and import price: December indices		
31	Consumer prices: December index		

Sources: Insee, Eurostat

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English translation: Centre de traduction des ministères économiques et financiers