

N°360
MAY
2020

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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The French economy and international comparisons

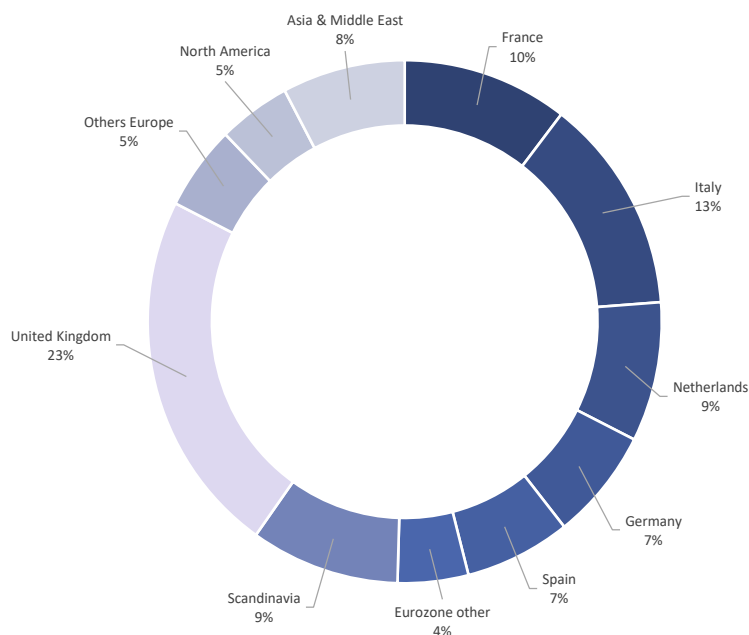
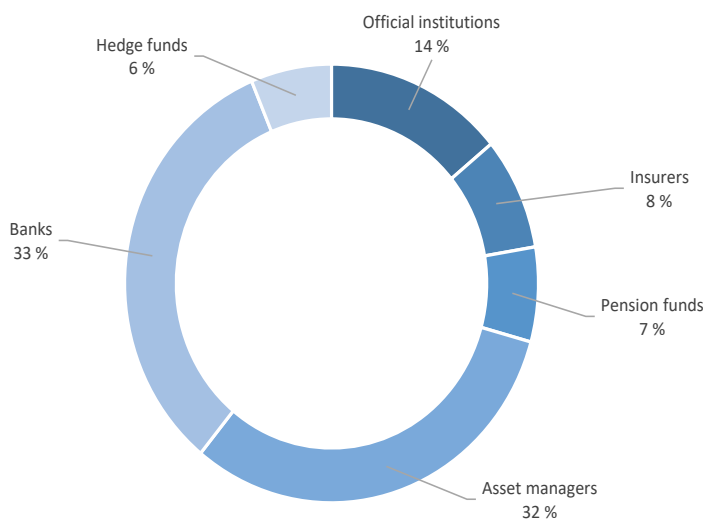
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News at Agence France Trésor

FRANCE ISSUES A NEW 20-YEAR SYNDICATED BOND WITH A HISTORICALLY LOW YIELD AND RECORD DEMAND

On Wednesday 27 May, AFT issued the syndicated OAT 0.50% 25 May 2040 after record total demand of €51bn and €7bn allocated to investors. Syndication took place in a very stable and secure market: total demand and the diversity of interests expressed enabled AFT to significantly tighten price conditions during the book-building process and to close the transaction quickly. Some 400 end investors took part in the deal, which is a new record. The allocation testifies to the size of the order book with a very diversified investor base, both in terms of the geographical and sector distribution of investors (see charts).

A very diversified allocation in terms of the geographical and sector distribution for the syndicated OAT 0.50% 25 May 2040



Source: Agence France Trésor

The new bond was issued with a record yield of 0.525%, in contrast to the 1.320% obtained on 13 April 2016 during the issue of the OAT 1.25% 25 May 2036 and the 1.741% obtained on 24 January 2017 during the syndication of the OAT 1.75% 25 June 2039, the previous 20-year benchmark securities.

The lead banks for this deal were Barclays, BNP Paribas, Deutsche Bank, NatWest Markets and Société Générale. All of the primary dealers were part of the syndicate.

This operation brings the total of Agence France Trésor's medium- and long-term issuances for the first five months of 2020 to €130bn¹, with a 53% execution rate of the 2020 financing programme (compared with 48% the previous year), which was revised following the 2020 Second Supplementary Budget Act in order to manage the impact of the health crisis.

This issue reaffirms France's role as a benchmark issuer in the euro area for 20-year bonds. It also provides further proof of investor confidence in both the French economy and France's creditworthiness at a time when market conditions in the euro area remain very favourable: France's medium- and long-term cost of borrowing was -0.04% at the end of May 2020, against 0.11% for all of 2019, which itself was already a record year.

¹ Issuances as of end of May and buybacks as of end of April as volumes of buyback are published with one-month lag

Ten years ago, the euro area was entering the sovereign debt crisis. The creation of the EFSF and the ECB's launch of the SMP in May 2010 occurred at a time when tension in Greece was becoming a European problem. It was the moment when Europe became aware that the financial stability of the entire monetary union was under threat.

Ten years later, despite the huge progress made at the national and supranational levels, the euro area still has not found the means to surmount its weaknesses and cope with the health crisis and its economic impact.

Europe's fragility stems from the fact that, even though the pandemic is an exogenous shock and supposedly symmetric, its economic impact will differ from one country to the next. It is now obvious that the most fragile economies before the pandemic are precisely the same ones that will suffer the harshest economic impact, especially since their frail public finances leave them with the least capacity for fiscal stimulus. The pandemic could lead to a sudden exacerbation of economic divergence, which had narrowed partially following the sovereign debt crisis.

As was the case with the previous crisis, the ECB has offered the most comprehensive and most effective response to date, by committing itself to fight financial fragmentation from any source—starting with sovereign spreads—and ensuring the most favourable borrowing terms possible for all economic players, with QE and the PEPP for sovereign borrowers, the opening of the CSPP to commercial paper for corporate borrowers and very favourable TLTROs for the whole economy.

These responses have already proven to be effective. Spread widening remains moderate and idiosyncratic, banks have coped with the huge increase in credit demand and the borrowing terms for large corporations have improved markedly since the initial shock. Most importantly, the ECB's success stems from the fact that its monetary policy has kept borrowing terms uniform across the euro area, despite economic divergence between regions.

Yet, European cooperation is still lagging behind, as it was in 2010. The €540bn backstop is too small: the ESM lines of credit are not attractive; there is reason to fear that the Commission's reinsurance scheme provides only limited support for the most fragile countries; and the cap on EIB guarantees, which are much more effective for economic convergence, is too low.

On the other hand, in contrast to 2010, hope for an adequate and timely European response has blossomed anew with France and Germany's proposed recovery plan. Even though we think the expenditure amount is still too small, it is a very powerful symbol. The European Union's two leading economies are proposing that the Commission issue collective debt to finance direct grants to the worst-affected regions and sectors.

The recovery fund will be temporary and capped at €500bn. The expenditure will be concentrated on the first two or three years of the 2021-2027 budget and, in theory, it will not be the seed for a European budget with permanent fiscal transfers. Nevertheless, the ambitious scope of the proposal and the fact that the German Finance Minister himself spoke of a "European Hamilton moment" shows that France and Germany are aware that this proposal could be a first step towards an actual federal budget.


Despite the ECB's response and the hope sparked by France and Germany's proposal, the euro area is still vulnerable. The current economic crisis is deep enough to weaken the euro area and the single market. Greater European integration is now critical, and national efforts are still needed to ensure convergence of competitiveness in the euro area. In view of the threat, a genuine European budget seems to be indispensable to ensure that all Europeans have a fair chance.

NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Accordingly, the above article strictly reflects the author's view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy and Finance.

The views expressed in this article reflect the personal views of the author and do not represent an official view of Crédit Agricole CIB. Furthermore, the author has not and will not receive any compensation for having provided a specific recommendation in this report.

INDICATIVE AUCTION SCHEDULE

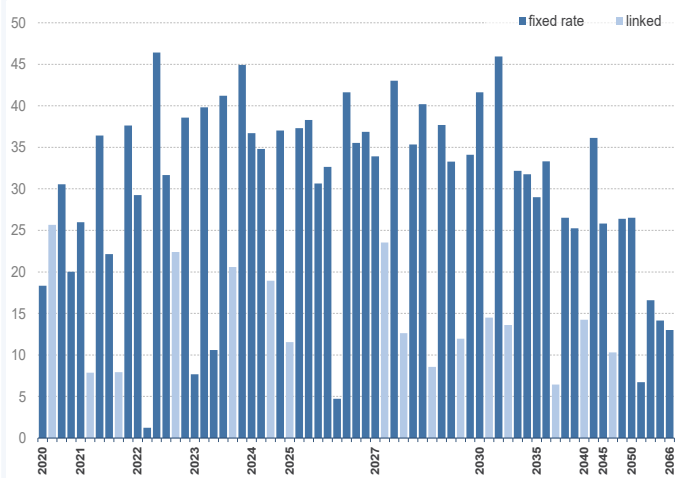
		Short-term					Medium-term	Long-term	Index-linked
June 2020	auction date	2	8	15	22	29	18	4	18
	settlement date	4	10	17	24	1/07	22	11	22
July 2020	auction date	6	13	20	27	/	16	2	16
	settlement date	8	15	22	29	/	20	6	20

 anticipated or delayed (bank holidays, etc.)

Source: Agence France Trésor

MEDIUM- AND LONG-TERM NEGOTIABLE GOVERNMENT DEBT AT 30 APRIL 2020

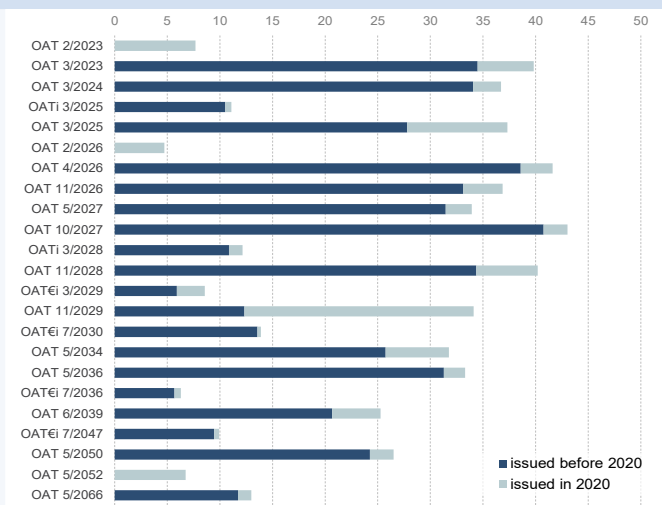
NOMINAL VALUE OF EACH LINE, IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: SECURITIES ISSUED DURING THE YEAR AND TOTAL ISSUANCE AT 30 APRIL 2020

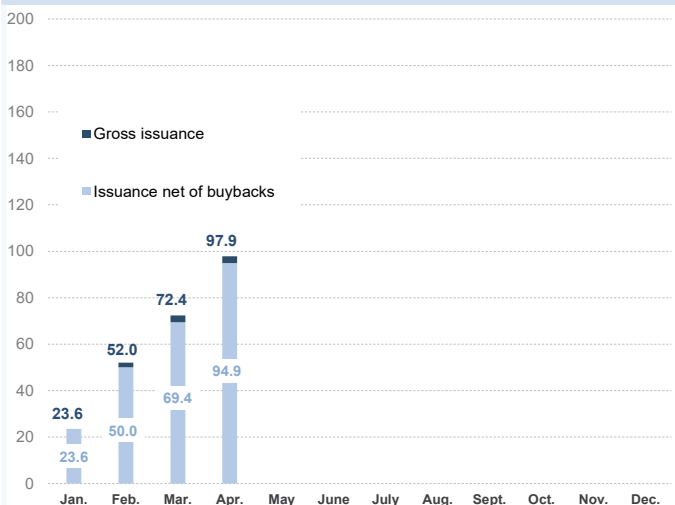
IN € BILLION



Source: Agence France Trésor

ISSUANCE AT 30 APRIL 2020

IN € BILLION



Source: Agence France Trésor

MEDIUM- AND LONG-TERM: PROVISIONAL MATURITY SCHEDULE AT 30 APRIL 2020

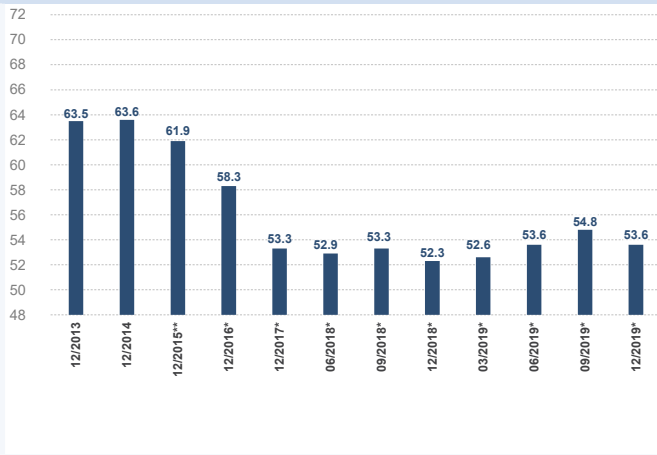
IN € BILLION

Month	Coupon	Redemption
May-20	7.2	18.3
Jun-20	0.4	
Jul-20	3.0	25.8
Aug-20		
Sep-20		
Oct-20	10.7	30.5
Nov-20	1.4	20.0
Dec-20		
Jan-21		
Feb-21		26.0
Mar-21	0.0	8.0
Apr-21	11.5	36.4

Source: Agence France Trésor

NON-RESIDENT HOLDERS OF NEGOTIABLE GOVERNMENT DEBT IN FOURTH QUARTER OF 2019

AS A % OF NEGOTIABLE DEBT OUTSTANDING
EXPRESSED IN MARKET VALUE

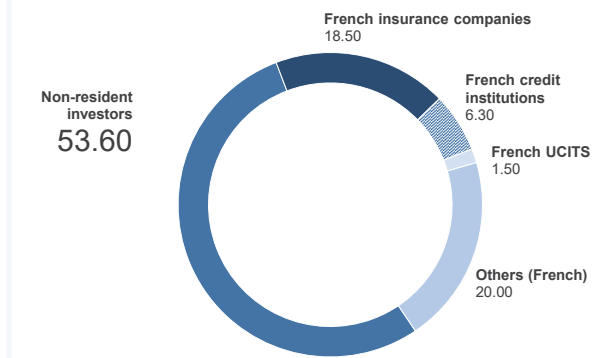


(*) figures quarterly revised

(**) figures annually revised

NEGOTIABLE GOVERNMENT DEBT BY GROUP OF HOLDERS IN FOURTH QUARTER OF 2019

STRUCTURE IN % EXPRESSED IN MARKET VALUE



Source: Banque de France

NEGOTIABLE GOVERNMENT DEBT AT 30 APRIL 2020

IN EUROS

Total medium- and long-term debt	1,768,040,493,205
Total stripping activity	57,274,359,600
Average maturity	8 years and 250 days
Total short-term debt	127,416,000,000
Average maturity	120 days
Total outstanding	1,895,456,493,205
Average maturity	8 years and 45 days

Source: Agence France Trésor

NEGOTIABLE GOVERNMENT DEBT SINCE 2017 AT 30 APRIL 2020

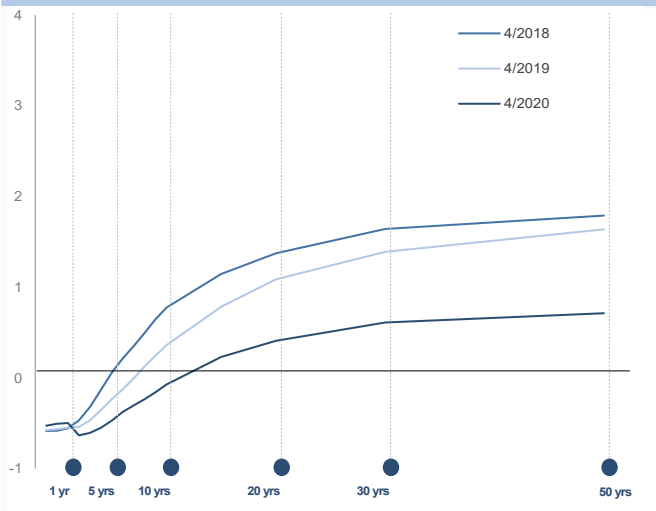
IN € BILLION

	End 2017	End 2018	End 2019	End Mar. 2020	End Apr. 2020
Negotiable government debt outstanding	1,686	1,756	1,823	1,873	1,895
<i>of which index-linked securities</i>	<i>202</i>	<i>220</i>	<i>226</i>	<i>229</i>	<i>231</i>
Medium- and long-term	1,560	1,644	1,716	1,769	1,768
Short-term	126	113	107	104	127
Average maturity of the negotiable debt	7 years	7 years	8 years	8 years	8 years
	296 days	336 days	63 days	66 days	45 days

Source: Agence France Trésor

YIELD CURVE FOR FRENCH GOVERNMENT SECURITIES

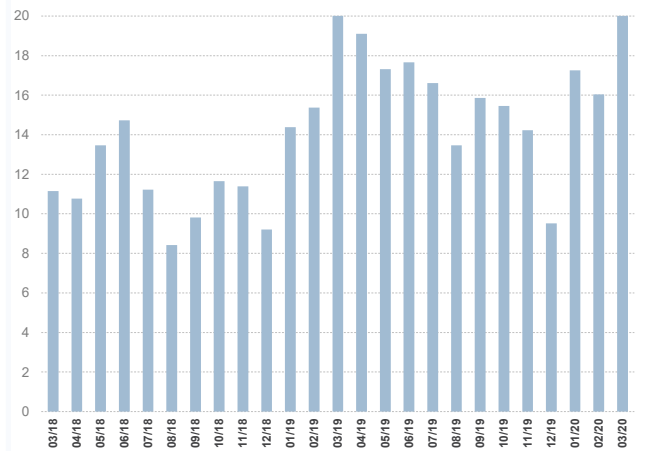
END-OF-MONTH VALUE, %



Source: Bloomberg

AVERAGE DAILY VOLUME OF MEDIUM- AND LONG-TERM TRANSACTIONS

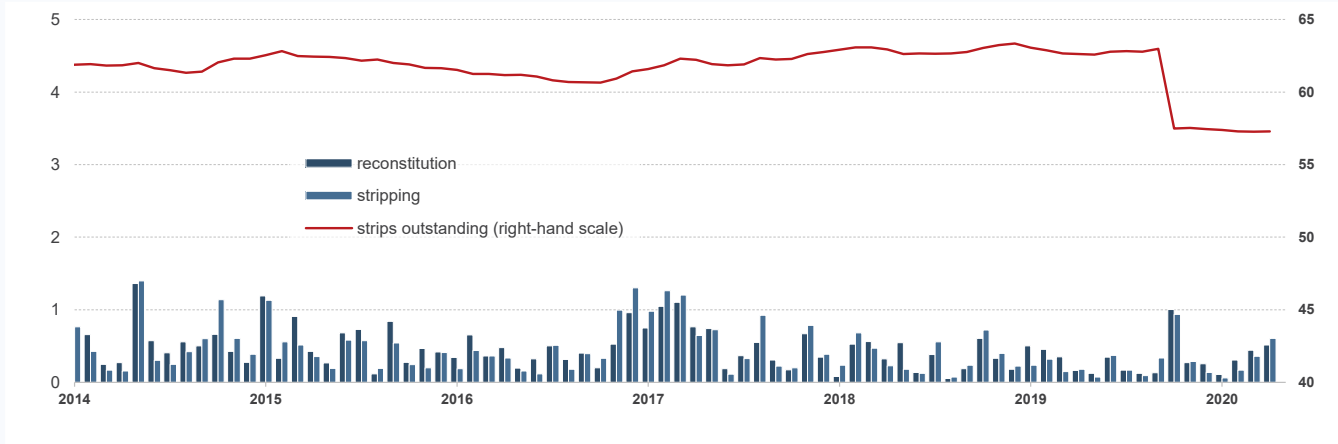
IN € BILLION



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

TOTAL STRIPPING AND RECONSTITUTION

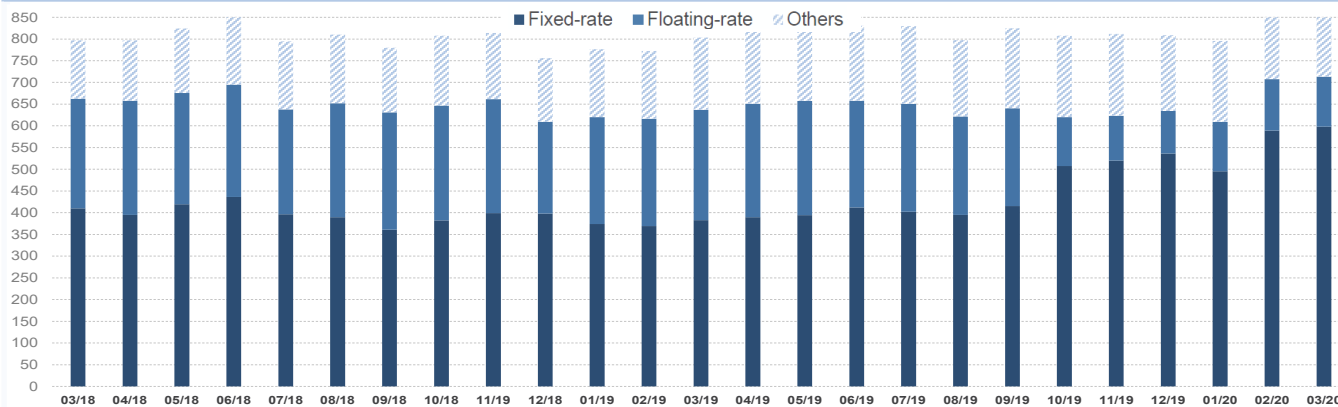
IN € BILLION



Source: Euroclear

PRIMARY DEALERS, REPO OUTSTANDING AT END OF MONTH

IN € BILLION



Source: reporting by primary dealers in government securities

SHORT-TERM DEBT AT 30 APRIL 2020

ISIN Code	Maturity	Outstanding(€)
FR0125848566	BTF 6 May 2020	3,275,000,000
FR0125848608	BTF 13 May 2020	5,095,000,000
FR0125533135	BTF 20 May 2020	4,669,000,000
FR0125848616	BTF 27 May 2020	4,936,000,000
FR0125848624	BTF 10 June 2020	5,611,000,000
FR0125533143	BTF 17 June 2020	6,065,000,000
FR0125848632	BTF 24 June 2020	6,431,000,000
FR0125848640	BTF 1 July 2020	5,971,000,000
FR0126001686	BTF 8 July 2020	8,998,000,000
FR0125692451	BTF 15 July 2020	5,158,000,000
FR0126001694	BTF 22 July 2020	8,650,000,000
FR0125848657	BTF 29 July 2020	4,659,000,000
FR0125692469	BTF 12 August 2020	5,267,000,000
FR0125848665	BTF 26 August 2020	7,042,000,000
FR0125692477	BTF 9 September 2020	4,087,000,000
FR0126001744	BTF 23 September 2020	7,301,000,000
FR0125848467	BTF 7 October 2020	6,160,000,000
FR0125848475	BTF 4 November 2020	5,688,000,000
FR0125848483	BTF 2 December 2020	4,331,000,000
FR0125848673	BTF 27 January 2021	3,624,000,000
FR0125848681	BTF 24 February 2021	5,219,000,000
FR0125848699	BTF 24 March 2021	6,119,000,000
FR0126001785	BTF 21 April 2021	3,060,000,000

MEDIUM- AND LONG-TERM DEBT (MATURING 2020-2023) AT 30 APRIL 2020

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2020		94,550,563,500				
FR0012557957	OAT 0.00% 25 May 2020	18,332,000,000			0	x
FR0010050559	OAT€i 2.25% 25 July 2020	25,653,563,500 (1)	1.26935	20,210,000,000	0	
FR0010949651	OAT 2.50% 25 October 2020	30,547,000,000			0	
FR0012968337	OAT 0.25% 25 November 2020	20,018,000,000			3,000,000	x
Maturity 2021		138,014,605,180				
FR0013311016	OAT 0.00% 25 February 2021	25,982,000,000			0	x
FR0013140035	OAT€i 0.10% 1 March 2021	7,873,028,280 (1)	1.04058	7,566,000,000	0	x
FR0010192997	OAT 3.75% 25 April 2021	36,430,000,000			0	
FR0013157096	OAT 0.00% 25 May 2021	22,159,000,000			0	x
FR0011347046	OATi 0.10% 25 July 2021	7,929,576,900 (1)	1.04958	7,555,000,000	0	
FR0011059088	OAT 3.25% 25 October 2021	37,641,000,000			0	
Maturity 2022		169,569,263,720				
FR0013398583	OAT 0.00% 25 February 2022	29,253,000,000			0	x
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			501,888,400	
FR0011196856	OAT 3.00% 25 April 2022	46,422,000,000			0	
FR0013219177	OAT 0.00% 25 May 2022	31,666,000,000			0	x
FR0010899765	OAT€i 1.10% 25 July 2022	22,402,323,730 (1)	1.12841	19,853,000,000	0	
FR0011337880	OAT 2.25% 25 October 2022	38,582,000,000			0	
Maturity 2023		164,831,875,583				
FR0013479102	OAT 0.00% 25 February 2023	7,668,000,000			0	x
FR0013283686	OAT 0.00% 25 March 2023	39,815,000,000			0	x
FR0000571085	OAT 8.50% 25 April 2023	10,606,195,903			5,376,665,200	
FR0011486067	OAT 1.75% 25 May 2023	41,220,000,000			0	x
FR0010585901	OATi 2.10% 25 July 2023	20,604,679,680 (1)	1.14166	18,048,000,000	0	
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			433,085,000	

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

(2) Including coupons capitalised at 31 December 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.

MEDIUM- AND LONG-TERM DEBT (MATURING IN 2024 AND BEYOND) AT 30 APRIL 2020

ISIN Code	Bond	Outstanding(€)	Ind. Coeff.	Face value(€)	Stripped(€)	CAC*
Maturity 2024		127 491 186 490				
FR0013344751	OAT 0.00% 25 March 2024	36 721 000 000			0	x
FR0011619436	OAT 2.25% 25 May 2024	34 810 000 000			0	x
FR0011427848	OAT€i 0.25% 25 July 2024	18 935 186 490 (1)	1,05671	17 919 000 000	0	x
FR0011962398	OAT 1.75% 25 November 2024	37 025 000 000			42 000 000	x
Maturity 2025		150 455 444 538				
FR0012558310	OATi 0.10% 1 March 2025	11 541 516 420 (1)	1,04062	11 091 000 000	0	x
FR0013415627	OAT 0.00% 25 March 2025	37 325 000 000			0	x
FR0012517027	OAT 0.50% 25 May 2025	38 297 000 000			0	x
FR0000571150	OAT 6.00% 25 October 2025	30 653 928 118			2 827 064 400	
FR0012938116	OAT 1.00% 25 November 2025	32 638 000 000			0	x
Maturity 2026		118 764 000 000				
FR0013508470	OAT 0.00% 25 February 2026	4 722 000 000			0	x
FR0010916924	OAT 3.50% 25 April 2026	41 617 000 000			0	
FR0013131877	OAT 0.50% 25 May 2026	35 550 000 000			0	x
FR0013200813	OAT 0.25% 25 November 2026	36 875 000 000			0	x
Maturity 2027		100 474 131 600				
FR0013250560	OAT 1.00% 25 May 2027	33 924 000 000			0	x
FR0011008705	OAT€i 1.85% 25 July 2027	23 530 131 600 (1)	1,11201	21 160 000 000	0	
FR0011317783	OAT 2.75% 25 October 2027	43 020 000 000			52 043 600	
Maturity 2028		88 195 494 860				
FR0013238268	OATi 0.10% 1 March 2028	12 629 785 730 (1)	1,03889	12 157 000 000	0	x
FR0000571226	OAT zero coupon 28 March 2028	29 709 130 (3)		46 232 603	-	
FR0013286192	OAT 0.75% 25 May 2028	35 344 000 000			0	x
FR0013341682	OAT 0.75% 25 November 2028	40 192 000 000			0	x
Maturity 2029		125 597 528 204				
FR0013410552	OAT€i 0.10% 1 March 2029	8 567 182 830 (1)	1,00119	8 557 000 000	0	x
FR0000571218	OAT 5.50% 25 April 2029	37 680 880 458			2 484 846 100	
FR0013407236	OAT 0.50% 25 May 2029	33 281 000 000			0	x
FR0000186413	OATi 3.40% 25 July 2029	11 954 464 916 (1)	1,30150	9 185 144 000	0	
FR0013451507	OAT 0.00% 25 November 2029	34 114 000 000			0	x
Maturity 2030		56 137 334 480				
FR0011883966	OAT 2.50% 25 May 2030	41 642 000 000			0	x
FR0011982776	OAT€i 0.70% 25 July 2030	14 495 334 480 (1)	1,04313	13 896 000 000	0	x
Maturity 2031		45 948 000 000				
FR0012993103	OAT 1.50% 25 May 2031	45 948 000 000			46 900 000	x
Maturity 2032		45 775 796 950				
FR0000188799	OAT€i 3.15% 25 July 2032	13 613 474 350 (1)	1,28611	10 585 000 000	0	
FR0000187635	OAT 5.75% 25 October 2032	32 162 322 600			10 919 757 400	
Maturity in 2033 and beyond		342 235 268 100				
FR0013313582	OAT 1.25% 25 May 2034	31 774 000 000			0	x
FR0010070060	OAT 4.75% 25 April 2035	29 004 000 000			4 562 437 000	
FR0013154044	OAT 1.25% 25 May 2036	33 300 000 000			0	x
FR0013327491	OAT€i 0.10% 25 July 2036	6 443 735 720 (1)	1,02314	6 298 000 000	0	x
FR0010371401	OAT 4.00% 25 October 2038	26 534 000 000			4 684 941 400	
FR0013234333	OAT 1.75% 25 June 2039	25 266 000 000			0	x
FR0010447367	OAT€i 1.80% 25 July 2040	14 232 938 980 (1)	1,19134	11 947 000 000	0	
FR0010773192	OAT 4.50% 25 April 2041	36 152 000 000			6 179 699 000	
FR0011461037	OAT 3.25% 25 May 2045	25 824 000 000			1 409 010 000	x
FR0013209871	OAT€i 0.10% 25 July 2047	10 316 593 400 (1)	1,03820	9 937 000 000	0	x
FR0013257524	OAT 2.00% 25 May 2048	26 409 000 000			652 900 000	x
FR0013404969	OAT 1.50% 25 May 2050	26 515 000 000			103 600 000	x
FR0013480613	OAT 0.75% 25 May 2052	6 744 000 000			0	x
FR0010171975	OAT 4.00% 25 April 2055	16 583 000 000			8 380 518 000	
FR0010870956	OAT 4.00% 25 April 2060	14 140 000 000			7 616 404 100	
FR0013154028	OAT 1.75% 25 May 2066	12 997 000 000			1 006 800 000	x

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

(3) Revised on 28 March 2020, 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	-7.3%	Mar. 2020
Household consumption*, year-on-year	-39.0%	Apr. 2020
Unemployment rate (ILO)	7.8%	Q1-2020
Consumer prices, year-on-year		
• all items	0.3%	Apr. 2020
• all items excluding tobacco	0.0%	Apr. 2020
Trade balance, fob-fob, sa (€bn)	-€3.3bn	Mar. 2020
" "	-€5.0bn	Feb. 2020
Current account balance, sa (€bn)	-€3.3bn	Mar. 2020
" "	-€3.4bn	Feb. 2020
10-year constant maturity rate (TEC10)	-0.01%	28 May. 2020
3-month interest rate (Euribor)	-0.28%	28 May. 2020
EUR / USD	1.10	28 May. 2020
EUR / JPY	118.68	28 May. 2020

MONTHLY GOVERNMENT BUDGET POSITION

	2018	2019	end of March level		
			2018	2019	2020
General budget balance	-76.91	-96.91	-12.32	-25.18	-37.12
Revenue	313.79	301.07	76.25	65.66	61.84
Expenditure	390.69	397.98	88.57	90.85	98.95
Balance of special Treasury accounts	0.82	4.06	-20.73	-15.52	-15.39
General budget outturn	-76.00	-92.69	-33.05	-40.71	-52.50

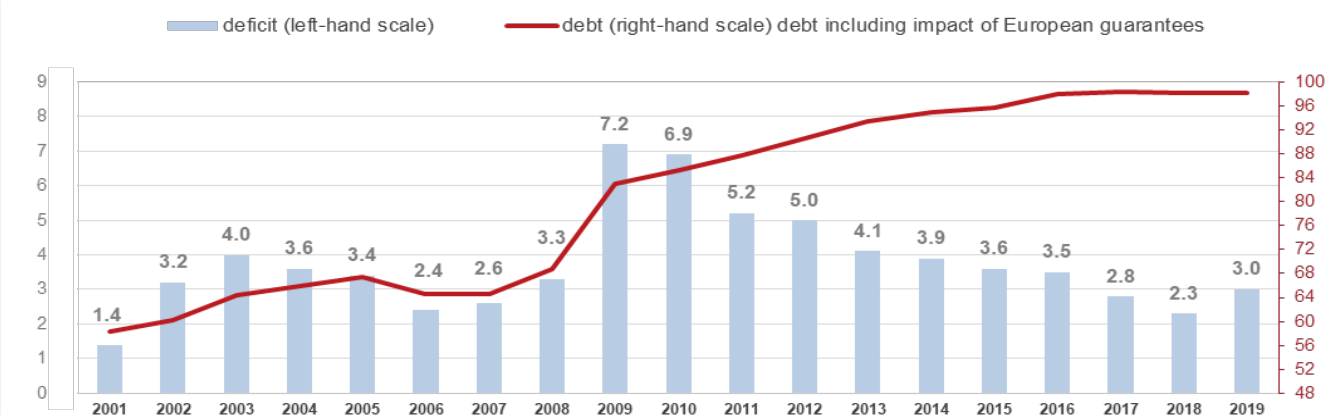
* manufactured products

Sources: Insee, Minefi, Banque de France

Source: Ministry of Public Action and Accounts

PUBLIC FINANCES: DEFICIT AND DEBT

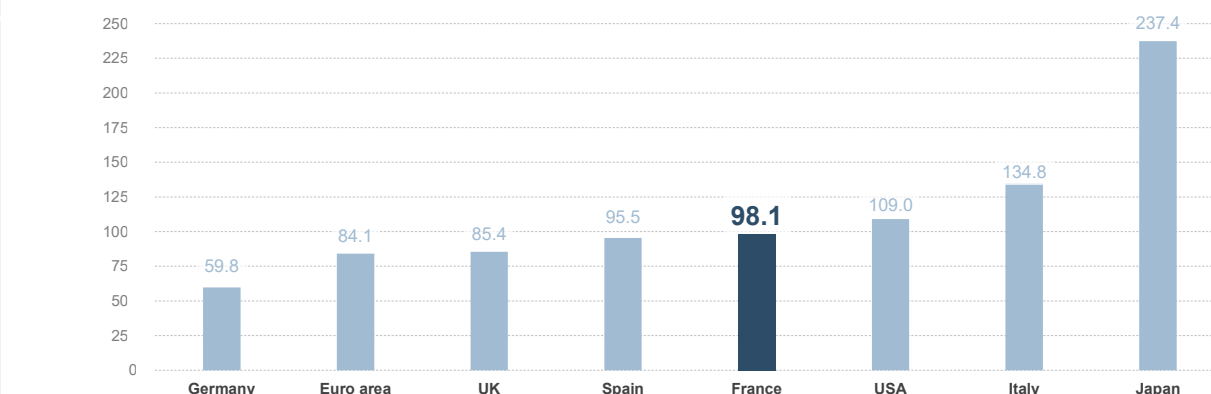
AS % OF GDP




Source: Insee

GENERAL GOVERNMENT DEBT IN 2019

AS % OF GDP



Sources: Eurostat, FMI, Insee

JUNE 2020 

9 Foreign trade by value in April	9 Balance of payments in April	10 Industrial production: April index	12 Consumer prices: May index	15 Net international reserves in May	17 Inflation (HICP): May index
19 Debt of the general government according to Maastricht definition Q1 2020	26 Monthly business survey (goods-producing industries) in June	26 Consumer confidence survey: June survey	30 Household consumption expenditure on goods in May	30 Industrial producer and import price: May indices	

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23 Monthly business survey (goods-producing industries) in July	27 Job seekers Q2-2020 (ILO)	29 Consumer confidence survey: July survey	30 Industrial producer and import price: June indices	31 Household consumption expenditure on goods in June	

Sources: Insee, Eurostat

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