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Available in French and in English

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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

France issues a new long-term bond indexed to European inflation, bearing a historically low yield

On 11 June 2014, Agence France Trésor issued a new long-term bond: the OAT€i 25 July 2030.

This new 15-year benchmark bond fills a gap in the real yield curve between the OAT€i 2027 and the OAT€i 2032. It fully meets AFT's goal of offering liquidity along all points of the curve for both nominal and index-linked securities.

The bond was launched through syndication rather than auction. This decision reflects the fact that, in terms of volume outstanding, the index-linked market is only one-tenth the size of the nominal market. The transaction took place in stable market conditions, shortly after the decisions announced by the European Central Bank on 5 June, which should return inflation expectations to levels more consistent with the ECB target.

Demand was strong, as the order book reached nearly €6 billion. The transaction was executed very rapidly, with an announcement on Tuesday afternoon, the opening of the order book on Wednesday at 9 A.M., and closure by mid-day. The issue volume, set at €3.5 billion, enabled AFT to serve 74 investors. This ensured good liquidity for the bond immediately after its issue on the secondary market. The OAT€i 2030 offers a 0.70% coupon, the lowest for a 15-year OAT€i. By comparison, the OAT€i July 2027 issued in February 2011 carried a 1.85% coupon, and the OATi July 2023 issued in February 2008 carried a 2.1% coupon.

In terms of geographic distribution, the OAT€i 2030 was allocated to a wide spectrum of institutional investors from France, the United Kingdom, Germany, Italy, Scandinavian countries, the United States, and other countries, all attracted to French government securities indexed to long-term European inflation. The mix was highly diverse in institutional terms as well, comprising asset managers, banks, insurance companies, and pension funds. Their common objective is to protect their assets—such as pensions—against long-term inflation risks.

Total index-linked issues since January 2014 stand at €11.8bn, or 9.8% of gross medium/long-term (MLT) debt issued this year. AFT will meet its goal of issuing approximately 10% of its programme in this form, which offers a useful diversification and asset/liability management tool for the government.

By 30 June, AFT had issued a total €119.7bn in MLT debt, representing 69.2% of its issuance programme net of buybacks, compared with 68.2% in 2013.

This transaction illustrates the diversity of investors in French debt and—considering the long maturity—their confidence in France's creditworthiness.

Supplementary Government Budget Act and Supplementary Social-Security Budget Bill: the Government's responses to the triggering of the correction mechanism

On 11 June, a draft Supplementary Budget Act was submitted to the French Cabinet. It was followed by a Supplementary Social-Security Budget Bill on 18 June. The two bills, which will be put to the vote in the French National Assembly and Senate before end-July, serve two purposes: (1) to implement the Responsibility and Solidarity Pact announced by the French President in January 2014, aimed at restoring the competitiveness of French firms and the purchasing power of French households; (2) to ensure compliance with the medium-term adjustment path for public finances and the public-deficit target of 3.8% of GDP in 2014.

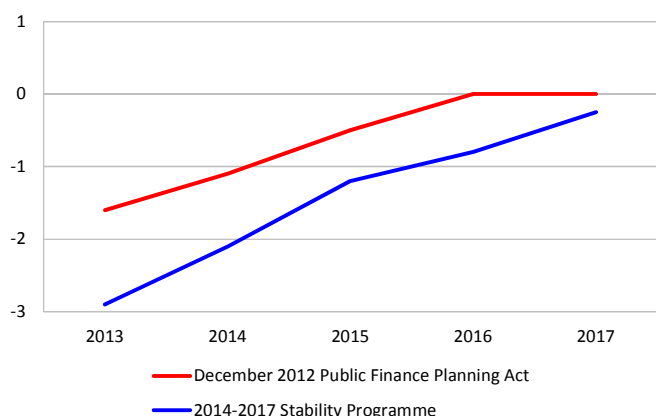
Both bills call for revenue reductions in 2014 and 2015 to promote competitiveness, employment, and purchasing power. The total package includes €4.5bn in cuts in employers' social contributions on low wages (up to 1.6 times the minimum wage), a reduction in the "solidarity social contribution" levied on businesses (€1bn), and a lowering of employers' social contributions paid by the self-employed (€1bn). All three measures are to take effect on 1 January 2015. Measures for households include a €1.1-bn tax cut in 2014, consisting of a €350 reduction for taxpayers whose taxable income is lower than 1.1 times the minimum wage. This will provide tax relief for 5.6 million tax-paying households.

The bills also call for €4bn in additional spending cuts across general government, which will raise total savings for 2014 to €19bn. The new savings comprise €1.6bn in cancellations of appropriations by central government, €2.2bn in Social Security savings, and €400 m in the deferral of a portion of the Investments for the Future programme. This €4bn in savings will be supplemented by the reduction in the debt burden, which has been revised downwards by €1.8bn from the initial Budget Act thanks to lower-than-forecast

inflation (€1bn) and the persistence of very low interest rates. These savings will thus offset the shortfall in tax revenues with respect to the initial Budget Act and make up part of the gap with the medium-term adjustment path of public finances identified by the High Council on Public Finances (HCFP) in 2013. The goal of reducing the structural deficit to 0.3% of GDP by 2017 is therefore maintained.

The two draft bills represent an initial response to the triggering of the correction mechanism by the High Council in its opinion of 23 May 2014. The 2014-2017 Stability Programme voted by the National Assembly on 29 April has accordingly increased the structural effort by 0.3 and 0.2 points of GDP in 2014 and 2015 respectively in relation to the adjustment path defined by the Multi-Year Public Finance Planning Act of December 2012. This response demonstrates the effectiveness of the new fiscal governance applied under the provisions of the European Fiscal Compact. Moreover, a new multi-year public finance planning act will be passed before end-2014 to update the medium-term adjustment path.

Updated structural-deficit adjustment path to 2017
(% of GDP)



Indicative auction schedule

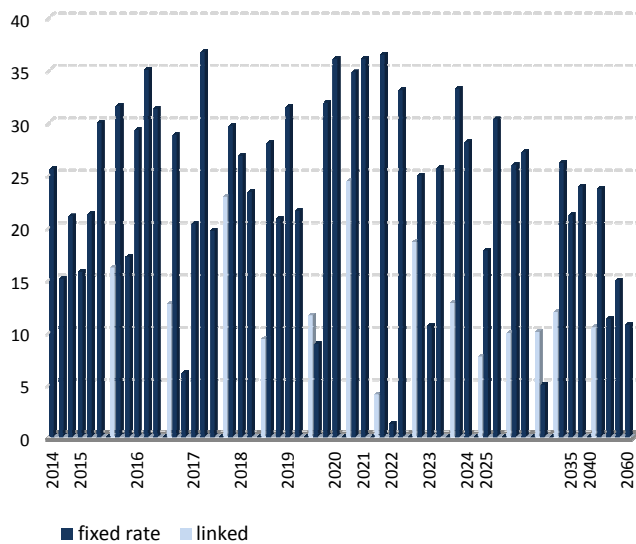
		Short-term				Medium-term	Long-term	Index linked
July 2014	auction date	7	15	21	28	17	3	17
	settlement date	10	17	24	31	22	8	22
August 2014	auction date	4	11	18	25	//	7	//
	settlement date	7	14	21	28	//	12	//

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

Source: Agence France Trésor

Medium and long-term negotiable government debt at May 31, 2014

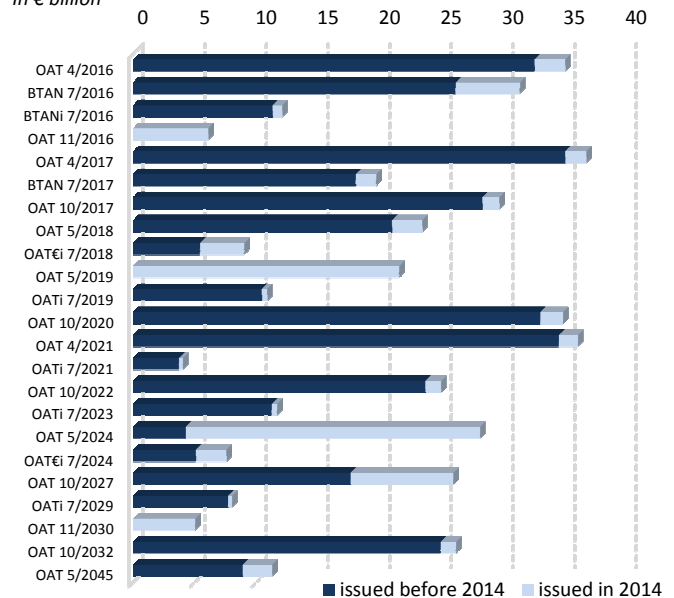
Nominal value of each line, In € billion



Source: Agence France Trésor

Medium and long term: securities issued during the year and total issuance at May 31, 2014

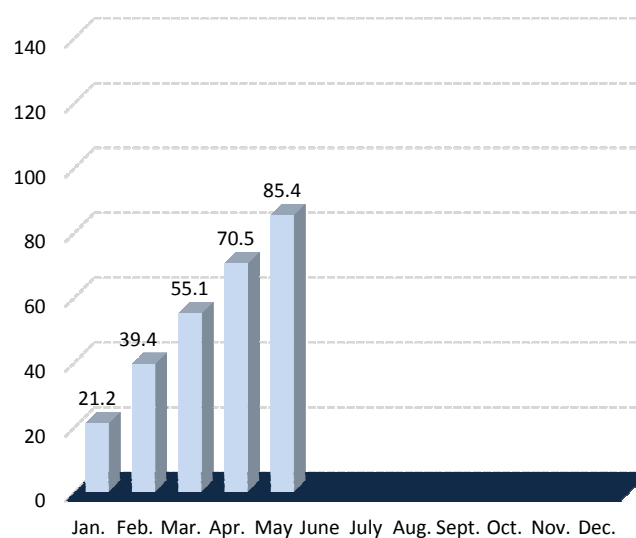
In € billion



Source: Agence France Trésor

Issuance net of buybacks at May 31, 2014

In € billion



Source: Agence France Trésor

Medium and long term: provisional maturity schedule at May 31, 2014

In € billion

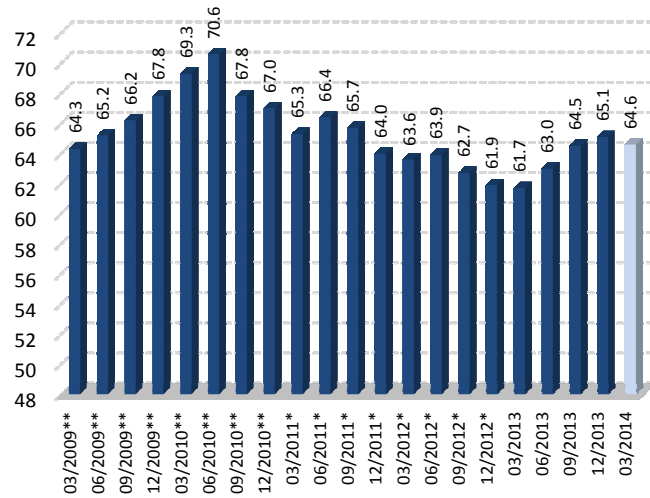
Month	Coupon	Redemption
Jun-14		
Jul-14	5.2	25.6
Aug-14		
Sep-14	0.1	15.0
Oct-14	15.9	21.1
Nov-14	0.3	
Dec-14		
Jan-15	0.4	15.9
Feb-15	1.0	
Mar-15		
Apr-15	15.9	23.4
May-15	2.0	

Source: Agence France Trésor

**General
debt-related data**

Non-resident holders of negotiable government debt in first quarter of 2014

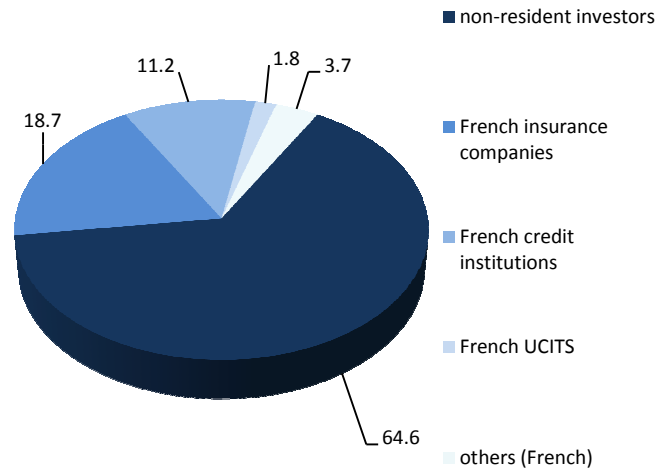
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in first quarter of 2014

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at May 31, 2014

In euros

Total medium and long-term debt	1,327,706,518,773
Total stripping activity	61,992,270,500
Average maturity	7 years and 332 days
Total short-term debt	188,338,000,000
Average maturity	121 days
TOTAL OUTSTANDING	1,516,044,518,773
Average maturity	6 years and 353 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at May 31, 2014

In € billion

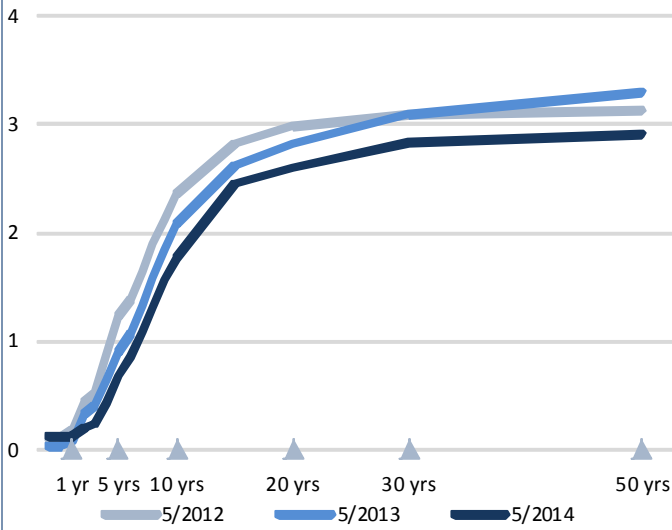
	End 2011	End 2012	End 2013	End Apr. 2014	End May 2014
Negotiable government debt outstanding	1,313	1,386	1,457	1,497	1,516
of which index-linked securities	166	173	174	179	183
Medium and long term	1,135	1,220	1,283	1,311	1,328
short-term	178	167	174	186	188
Swaps outstanding	13	10	7	5	4
Average maturity of the negotiable debt					
before swaps	7 years 57 days	7 years 37 days	7 years 5 days	7 years 5 days	6 years 353 days
after swaps	7 years 52 days	7 years 34 days	7 years 2 days	7 years 3 days	6 years 351 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

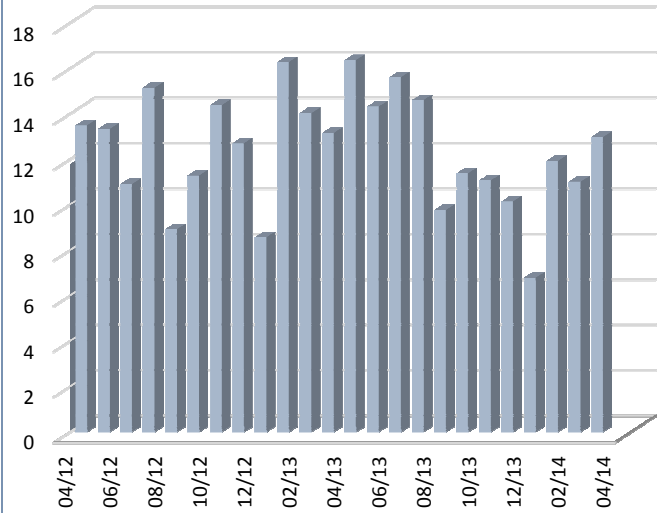
End-of-month value, %



Source: Bloomberg

Average daily volume of medium and long-term transactions

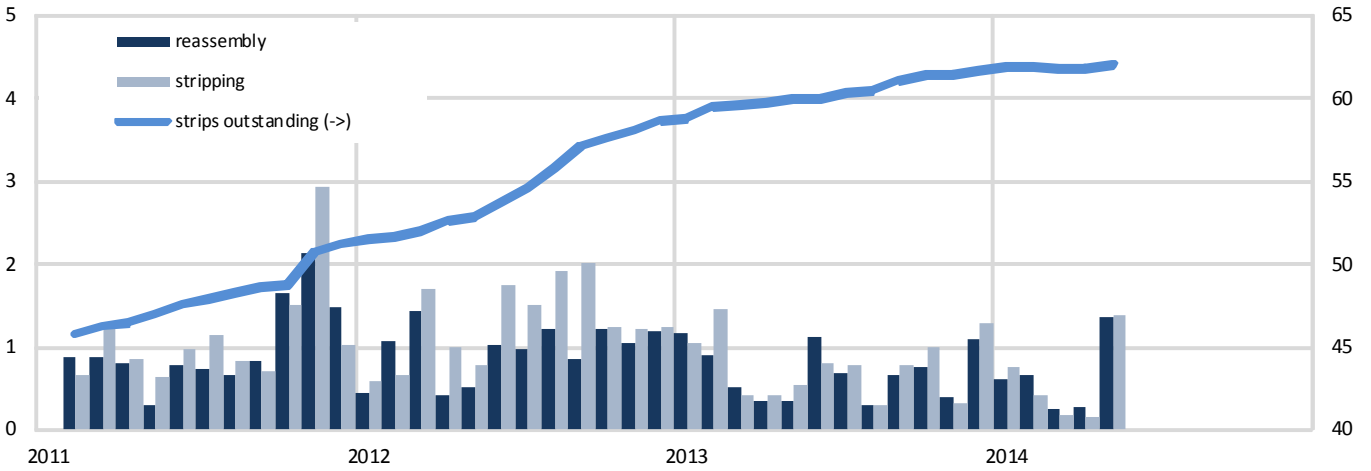
In € billion



Source: reporting by government securities primary dealers

Total stripping and reassembly

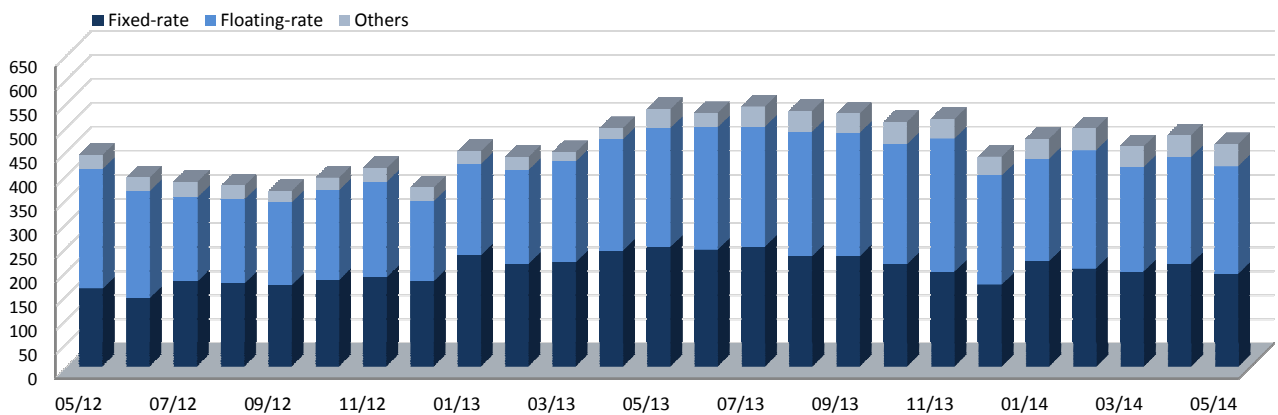
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by government securities primary dealers

Short-term debt at May 31, 2014

	Maturity	Outstanding (€)
BTF	5 June 2014	8,376,000,000
BTF	12 June 2014	6,589,000,000
BTF	19 June 2014	8,167,000,000
BTF	26 June 2014	8,266,000,000
BTF	3 July 2014	7,828,000,000
BTF	10 July 2014	8,650,000,000
BTF	17 July 2014	8,015,000,000
BTF	24 July 2014	9,478,000,000
BTF	31 July 2014	8,585,000,000
BTF	7 August 2014	7,759,000,000
BTF	14 August 2014	9,090,000,000
BTF	21 August 2014	5,234,000,000
BTF	28 August 2014	3,997,000,000
BTF	4 September 2014	7,425,000,000
BTF	18 September 2014	6,951,000,000
BTF	2 October 2014	8,209,000,000
BTF	16 October 2014	8,432,000,000
BTF	30 October 2014	4,266,000,000
BTF	13 November 2014	6,367,000,000
BTF	11 December 2014	3,147,000,000
BTF	8 January 2015	8,857,000,000
BTF	5 February 2015	8,176,000,000
BTF	5 March 2015	7,872,000,000
BTF	2 April 2015	8,105,000,000
BTF	30 April 2015	8,483,000,000
BTF	28 May 2015	2,014,000,000

Medium and long-term debt (maturing 2014–2018) at May 31, 2014

ISIN Code	Bond Maturity 2014	Outstanding (€) 61,683,971,990	Ind. Coeff.	Face value	Stripped (€)
FR0116843535	BTAN 3% 12 July 2014	25,586,000,000			–
FR0120634490	BTAN 0.75% 25 September 2014	15,044,000,000			–
FR0010112052	OAT 4% 25 October 2014	21,053,971,990			0
Maturity 2015		131,828,642,513			
FR0117836652	BTAN 2.5% 15 January 2015	15,735,000,000			–
FR0010163543	OAT 3.5% 25 April 2015	21,282,313,893			0
FR0118462128	BTAN 2% 12 July 2015	29,936,000,000			–
FR0010135525	OAT€i 1.6% 25 July 2015	16,159,328,620 (1)	1.19681	13,502,000,000	0
FR0010216481	OAT 3% 25 October 2015	31,561,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	17,155,000,000			0
Maturity 2016		143,193,933,300			
FR0119105809	BTAN 2.25% 25 February 2016	29,296,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	35,007,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	31,322,000,000			–
FR0119105791	BTANi 0.45% 25 July 2016	12,699,933,300 (1)	1.05219	12,070,000,000	–
FR0000187361	OAT 5% 25 October 2016	28,789,000,000			310,055,600
FR0011857218	OAT 0.25% 25 November 2016	6,080,000,000			0
Maturity 2017		129,326,673,200			
FR0120473253	BTAN 1.75% 25 February 2017	20,302,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	36,737,000,000			0
FR0120746609	BTAN 1% 25 July 2017	19,680,000,000			–
FR0010235176	OATi 1% 25 July 2017	22,936,673,200 (1)	1.13576	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	29,671,000,000			0
Maturity 2018		108,424,717,240			
FR0010604983	OAT 4% 25 April 2018	26,840,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,330,717,240 (1)	1.04091	8,964,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,047,000,000			0
FR0011523257	OAT 1% 25 November 2018	20,795,000,000			0

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

Medium and long-term debt (maturing in 2019 and beyond) at May 31, 2014

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2019		105,339,855,352			
FR0000189151	OAT 4.25% 25 April 2019	31,478,000,000			0
FR0011708080	OAT 1% 25 May 2019	21,545,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	11,587,186,030 (1)	1.06883	10,841,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			6,093,530,100
FR0010776161	OAT 3.75% 25 October 2019	31,858,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	27,276,429 (2)		6,692,154	-
Maturity 2020		95,229,466,250			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,396,466,250 (1)	1.22135	19,975,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	34,801,000,000			0
Maturity 2021		76,551,785,470			
FR0010192997	OAT 3.75% 25 April 2021	36,041,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	4,037,785,470 (1)	1.01223	3,989,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	36,473,000,000			0
Maturity 2022		77,857,323,230			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			608,868,400
FR0011196856	OAT 3% 25 April 2022	33,062,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	18,594,383,240 (1)	1.08574	17,126,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000			0
Maturity 2023		82,304,578,923			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			6,069,916,000
FR0011486067	OAT 1.75% 25 May 2023	25,660,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	12,809,383,020 (1)	1.10103	11,634,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	33,229,000,000			481,722,000
Maturity 2024		35,793,278,250			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	7,665,278,250 (1)	1.01675	7,539,000,000	0
Maturity 2025		17,780,928,118			
FR0000571150	OAT 6% 25 October 2025	17,780,928,118			2,983,226,900
Maturity 2026		30,306,000,000			
FR0010916924	OAT 3.5% 25 April 2026	30,306,000,000			88,460,000
Maturity 2027		35,844,619,720			
FR0011008705	OAT€i 1.85% 25 July 2027	9,904,619,720 (1)	1.06996	9,257,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	25,940,000,000			0
Maturity 2028		21,322,893			
FR0000571226	OAT zéro coupon 28 March 2028	21,322,893 (3)		46,232,603	-
Maturity 2029		37,202,714,944			
FR0000571218	OAT 5.5% 25 April 2029	27,169,880,458			3,837,749,500
FR0000186413	OATi 3.4% 25 July 2029	10,032,834,486 (1)	1.25518	7,993,144,000	0
Maturity 2030 et plus		159,016,707,380			
FR0011883966	OAT 2.5% 25 May 2030	4,965,000,000			0
FR0000188799	OAT€i 3.15% 25 July 2032	11,911,982,480 (1)	1.23748	9,626,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	26,135,322,600			11,628,957,000
FR0010070060	OAT 4.75% 25 April 2035	21,183,000,000			5,357,846,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,774,950,000
FR0010447367	OAT€i 1.8% 25 July 2040	10,455,402,300 (1)	1.14630	9,121,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	23,650,000,000			7,424,552,000
FR0011461037	OAT 3.25% 25 May 2045	11,244,000,000			0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,771,183,000
FR0010870956	OAT 4% 25 April 2060	10,657,000,000			4,561,254,000

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

(2) Including coupons capitalized at 31/12/2013; not open to subscription

(3) Revised updated on 28/03/2013; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	-1.0%	04/2014
Household consumption*, year-on-year	1.2%	04/2014
Unemployment rate (ILO)	10.1%	03/2014
Consumer prices, year-on-year		
all items	0.7%	05/2014
all items excluding tobacco	0.6%	05/2014
Trade balance, fob-fob, sa (€bn)	-€3.9 bn	04/2014
" "	-€4.9 bn	03/2014
Current account balance, sa (€bn)	-€1.6 bn	04/2014
" "	-€1.5 bn	03/2014
10-year constant maturity rate (TEC10)	1.78%	30/5/2014
3-month interest rate (Euribor)	0.311%	30/5/2014
EUR / USD	1.3607	30/5/2014
EUR / JPY	138.36	30/5/2014

* manufactured products
Source: Insee, Minefi, Banque de France

Monthly government budget position

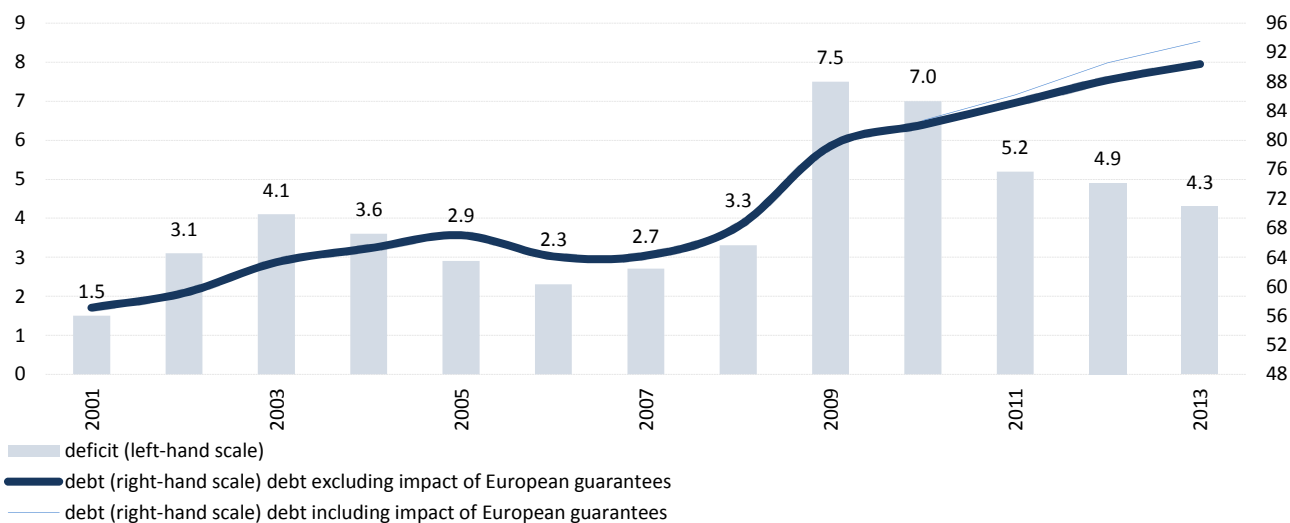
In € billion

			end of April level		
	2012	2013	2012	2013	2014
General budget balance	-88.16	-75.44	-42.66	-49.61	-45.57
revenue	286.01	301.25	90.96	90.84	93.04
expenditure	374.17	376.68	133.63	140.45	138.61
Balance of special Treasury accounts	1.01	0.57	-17.24	-17.16	-18.60
General budget outturn	-87.15	-74.87	-59.90	-66.77	-64.17

Source: Minefi

Public finances: deficit and debt

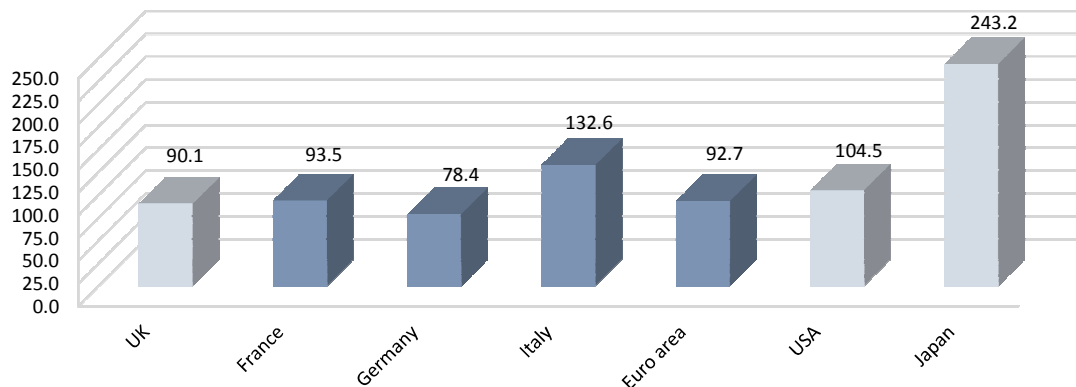
As % of GDP



Source: France's 2014-2017 Stability Programme, Insee

General government debt in 2013

As % of GDP



Sources: Eurostat (04/2014), FMI (04/2014)

French economic indicators timetable

June 2014		July 2014	
5	Job seekers Q1-2014 (BIT)	3	Eurozone economic outlook - 3th Quater 2014
6	Foreign trade in April	8	Foreign trade in May
10	Industrial output in April	10	Industrial output in May
12	Balance of payments in April	10	Consumer prices: index for June
12	Consumer prices: index for May	11	Balance of payments in May
13	Payroll employment: final results Q1-2014	17	Inflation (HICP): June index
16	Inflation (HICP): May index	23	Industrial trends: monthly survey for July
24	New building starts in May	23	Industrial trends: quarterly survey for July
25	Industrial trends: monthly survey for June	25	Job seekers in June
26	Job seekers in May	29	New building starts in June
26	Household confidence survey: June survey	30	Household confidence survey: July survey
27	Quarterly national accounts: final results Q1-2014	31	Industrial producer prices: June index
27	Industrial producer prices: May index	31	Household consumption of manufactured goods in June
27	General government debt Q1-2014	31	Net foreign exchange reserves in June
27	Household consumption of manufactured goods in May		

Sources : Insee, Eurostat