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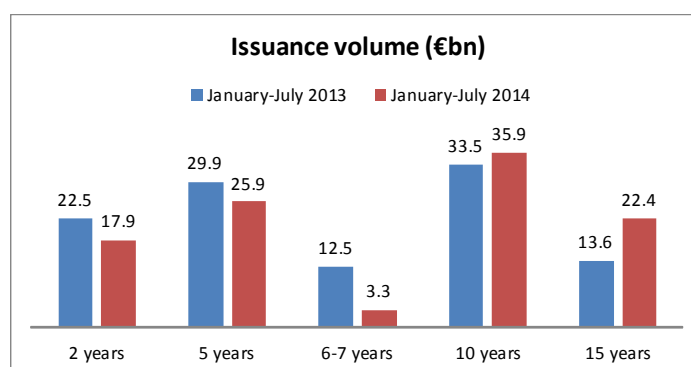
Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

News at Agence
France Trésor

Investors turn to long maturities in search of yield

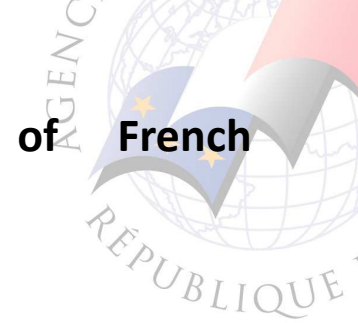
The execution of France's 2014 debt issuance programme is ahead of schedule. At the end of July, Agence France Trésor had already issued €140.5bn in medium- and long-term debt, compared to €134.9bn one year earlier. An environment of low inflation and low interest rates also makes it possible to obtain low borrowing costs. The Supplementary Budget Act passed in July includes a provision to reduce the cost of servicing debt forecast in the Initial Budget Act by €1.8bn, with €1bn of the reduction stemming from lower inflation and €0.8bn from lower interest rates. The average cost of medium- and long-term debt securities at issue stood at 1.51% at the end of July 2014, even lower than the average borrowing cost of 1.54% in 2013.

Some investors are buying longer maturities to increase their returns in a low-yield environment, combined with a steeper yield curve in the 10-to-20-year segment since the end of 2013. Yields in this segment rose by 18 basis points between 31 December 2013 and 1 August 2014. Meanwhile, yields in the 2-to-10-year segment of the curve fell by 84 basis points over the same period.



Consequently, volumes issued in the 6-to-7-year segment contracted sharply in the first seven months of the year, falling by €9.1bn compared to the same period in 2013. In contrast, volumes issued for longer maturities, i.e. 10 years and especially 15 years, increased by €11.2bn. This change has been facilitated by the flexibility principle underlying Agence France Trésor's issuance strategy, which, combined with the regularity and transparency of its policies, enables it to issue securities with the maturities that are most in demand. Agence France Trésor does not have a target for the average maturity of France's negotiable debt securities, particularly since it has remained stable at around 7 years, which is equal to or greater than the average maturities of major issuers in the euro area, such as Germany, Italy and Spain.

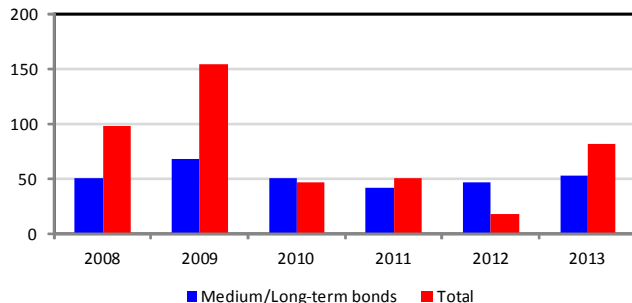
Changes in non-residents' holdings of French government debt in 2013



In June, the Banque de France published its 2013 Annual Report on France's Balance of Payments and International Investment Position. In addition to announcing a small improvement in the current account deficit, from 1.5% of GDP in 2012 to 1.4% in 2013, the report compiles data on non-residents' holdings of French government debt.

Foreign investors were net buyers of French government securities in 2013, with total net investment inflows standing at €81bn. These figures reflect the renewed appetite of foreign investors for French government debt, with net purchases closer to euro area pre-crisis amounts (see Chart 1 below).

Chart 1: Non-residents' transactions in French government securities (€bn)

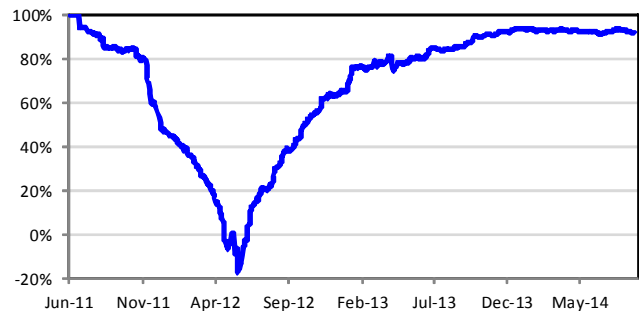


Source: Banque de France

Non-residents' holdings of French government debt stood at €1,155.2bn at the end of 2013, up 6% on 2012.

This renewed appetite for French government bonds, particularly medium- and long-term, may stem from their status as a safe haven in the euro area against the backdrop of a modest economic recovery and a strong correlation between French and German yields (Chart 2 below), with French securities paying significantly higher yields than German securities. The 10-year yield on French Treasury bonds stood at 1.39% on 19 August compared to 1% on German bonds.

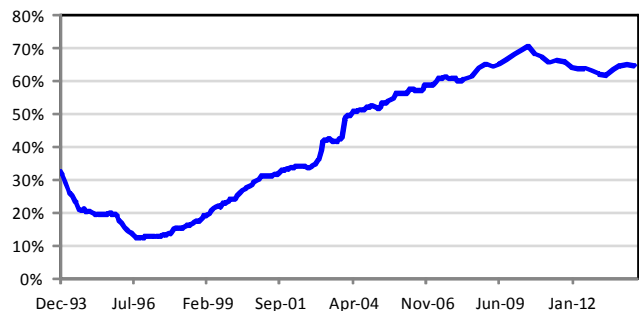
Chart 2: Correlation between French and German 10-year yields over 120 days



Source: Bloomberg

In the first quarter of 2014, non-residents' total share of negotiable French government debt stood at 64.6% (Chart 3 below). This share remained fairly stable during the crisis. It peaked at 70.6% in June 2010 and has been rising since the first quarter of 2013.

Chart 3: Non-residents' share of negotiable French government debt



Source: Banque de France

The large share held by non-residents is a reflection of France's appeal to foreign investors. It is also a positive factor for the management of central government debt insofar as a diverse investor base makes France less dependent on investors in a specific geographic area or category. It also reduces the volatility of borrowing costs.

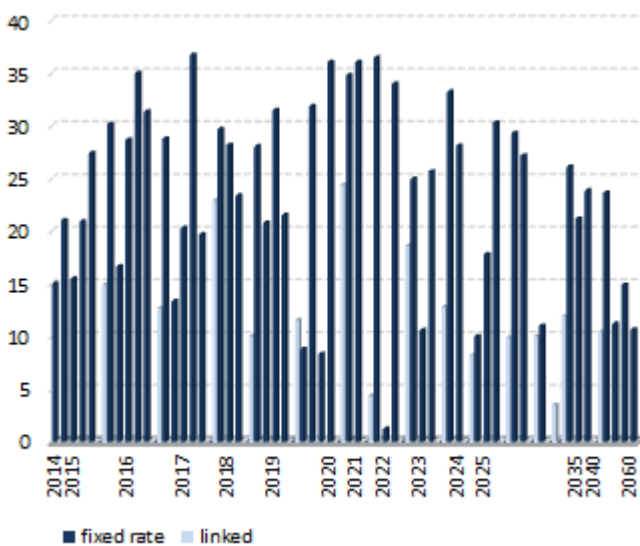
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index linked
September 2014	auction date	1	8	15	22	29	18	4	18
	settlement date	4	11	18	25	02 Oct	23	9	23
October 2014	auction date	6	13	20	27	//	16	2	16
	settlement date	8	15	22	29	//	20	7	20

Source: Agence France Trésor

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

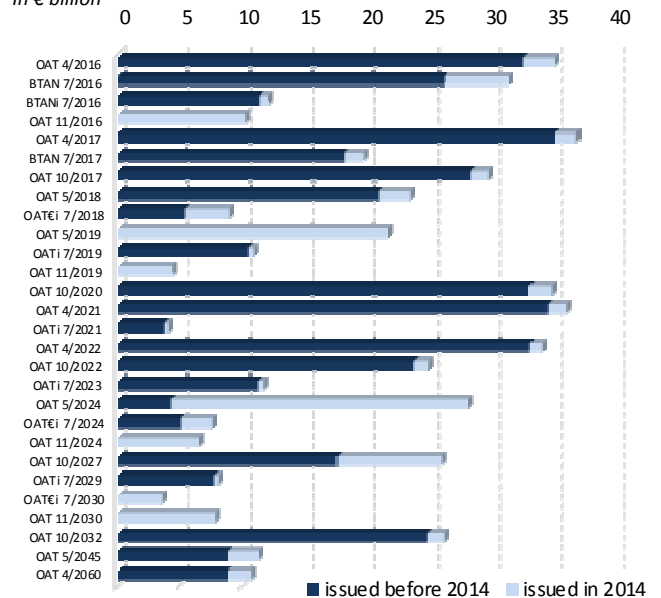
Nominal value of each line, In € billion



Source: Agence France Trésor

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

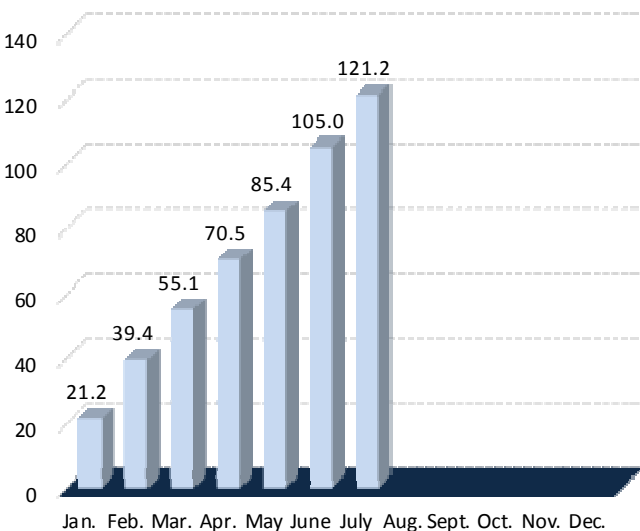
In € billion



Source: Agence France Trésor

Issuance net of buybacks at July 31, 2014

In € billion



Source: Agence France Trésor

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

In € billion

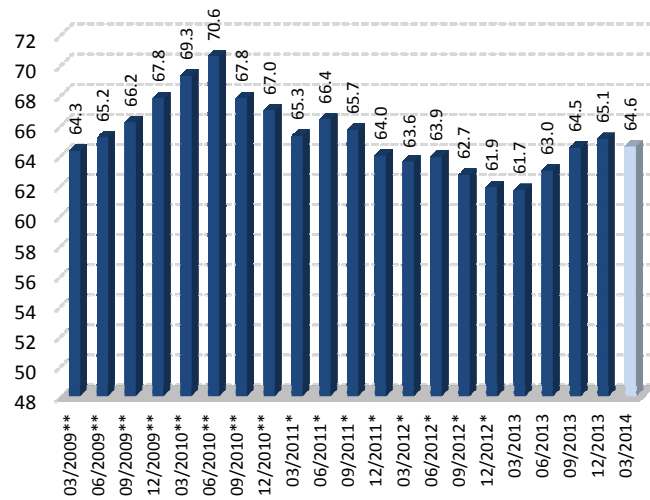
Month	Coupon	Redemption
Aug-14		
Sep-14	0.1	15.0
Oct-14	15.9	21.1
Nov-14	0.4	
Dec-14		
Jan-15	0.4	15.7
Feb-15	1.0	
Mar-15		
Apr-15	15.9	20.9
May-15	2.1	
Jun-15		
Jul-15	4.4	42.5

Source: Agence France Trésor

**General
debt-related data**

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

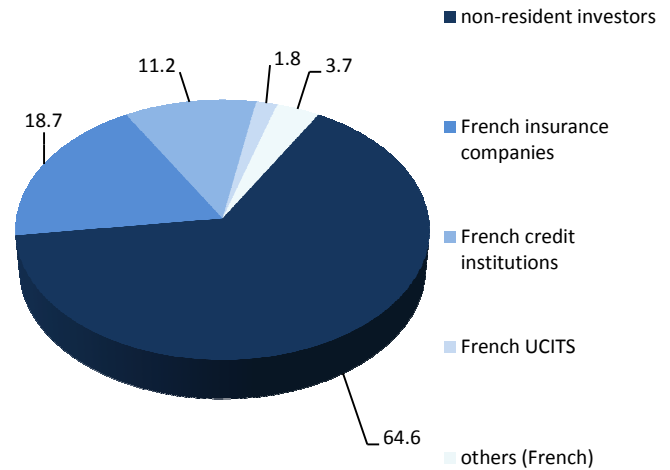
As a % of negotiable debt outstanding expressed in market value



(*) 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 July 31, 2014

In euros

Total medium and long-term debt	1,337,887,996,010
Total stripping activity	61,508,170,500
Average maturity	7 years and 353 days
Total short-term debt	187,234,000,000
Average maturity	123 days
TOTAL OUTSTANDING	1,525,121,996,010
Average maturity	7 years and 11 days

Source: Agence France Trésor

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

In € billion

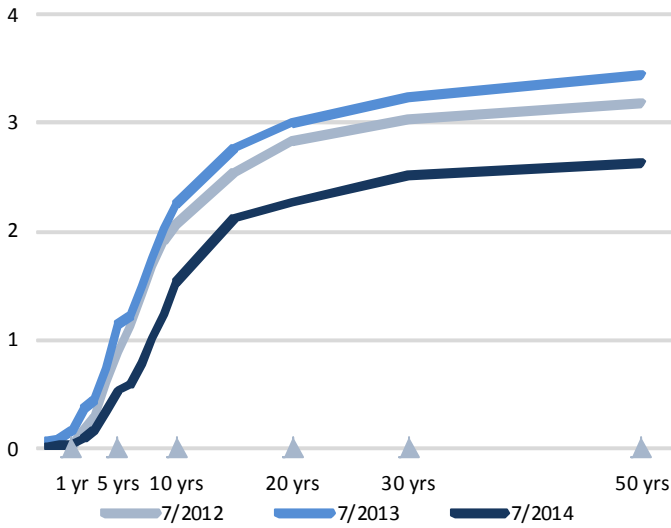
	End 2011	End 2012	End 2013	End June 2014	End July 2014
Negotiable government debt outstanding	1,313	1,386	1,457	1,536	1,525
of which index-linked securities	166	173	174	186	187
Medium and long term	1,135	1,220	1,283	1,347	1,338
short-term	178	167	174	188	187
Swaps outstanding	13	10	7	4	3
Average maturity of the negotiable debt					
before swaps	7 years 57 days	7 years 37 days	7 years 5 days	6 years 343 days	7 years 11 days
after swaps	7 years 52 days	7 years 34 days	7 years 2 days	6 years 341 days	7 years 9 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

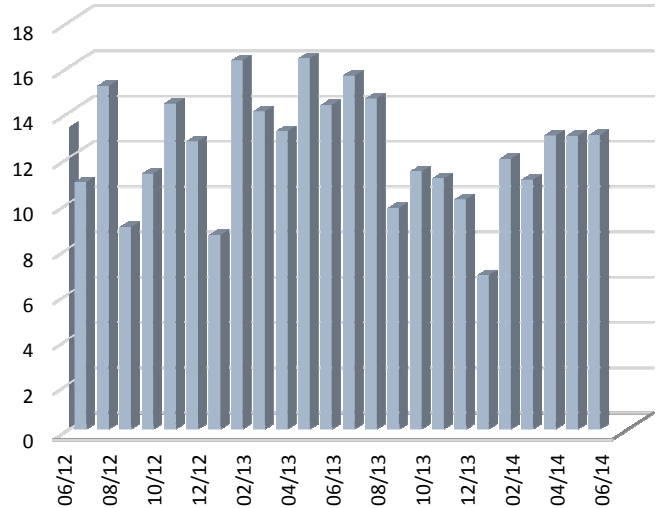
End-of-month value, %



Source: Bloomberg

Average daily volume of medium and long-term transactions

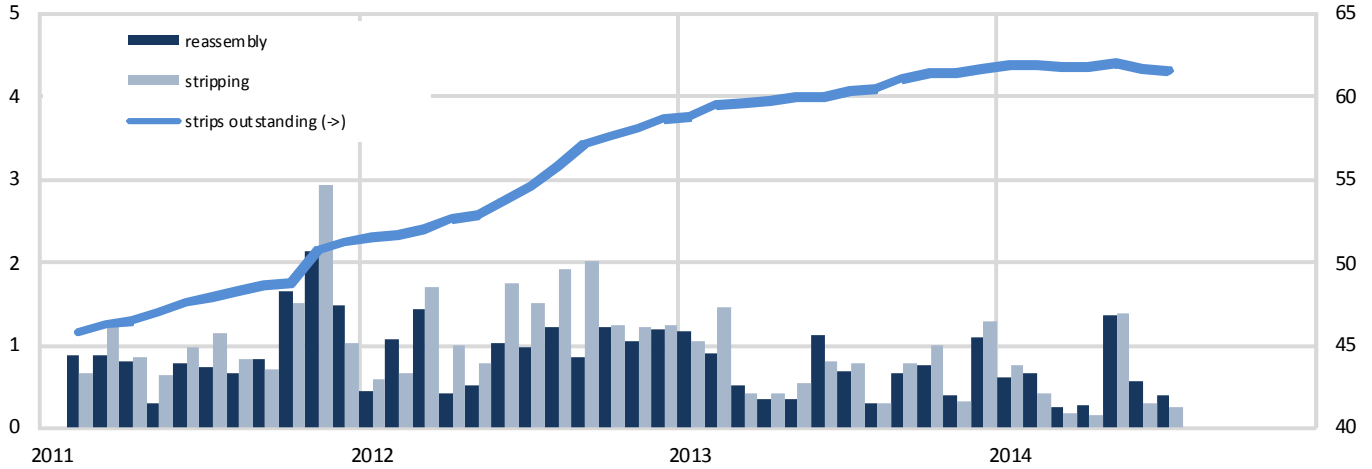
In € billion



Source: reporting by government securities primary dealers

Total stripping and reassembly

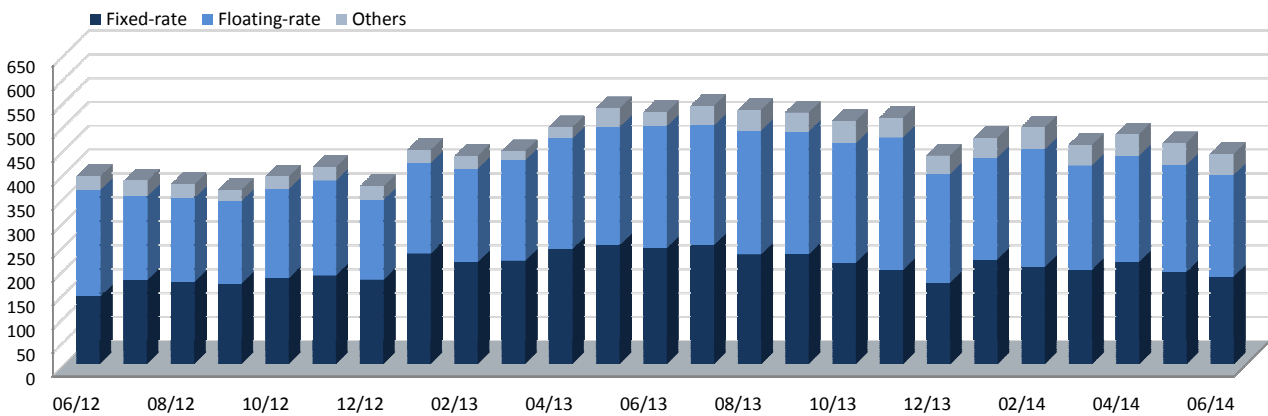
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by government securities primary dealers

Short-term debt at July 31, 2014

	Maturity	Outstanding (€)
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	8,032,000,000
BTF	4 September 2014	7,425,000,000
BTF	11 September 2014	8,515,000,000
BTF	18 September 2014	6,951,000,000
BTF	25 September 2014	8,554,000,000
BTF	2 October 2014	8,209,000,000
BTF	9 October 2014	8,907,000,000
BTF	16 October 2014	8,432,000,000
BTF	23 October 2014	8,805,000,000
BTF	30 October 2014	8,317,000,000
BTF	13 November 2014	6,367,000,000
BTF	27 November 2014	7,320,000,000
BTF	11 December 2014	3,147,000,000
BTF	24 December 2014	6,032,000,000
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	7,413,000,000
BTF	25 June 2015	7,579,000,000
BTF	23 July 2015	3,653,000,000

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

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2014	36,097,971,990			
FR0120634490	BTAN 0.75% 25 September 2014	15,044,000,000			–
FR0010112052	OAT 4% 25 October 2014	21,053,971,990			0
	Maturity 2015	125,630,243,533			
FR0117836652	BTAN 2.5% 15 January 2015	15,515,000,000			–
FR0010163543	OAT 3.5% 25 April 2015	20,942,313,893			0
FR0118462128	BTAN 2% 12 July 2015	27,401,000,000			–
FR0010135525	OAT€i 1.6% 25 July 2015	14,955,929,640 (1)	1.19772	12,487,000,000	0
FR0010216481	OAT 3% 25 October 2015	30,161,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	16,655,000,000			0
	Maturity 2016	149,869,691,900			
FR0119105809	BTAN 2.25% 25 February 2016	28,686,000,000			–
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	12,699,691,900 (1)	1.05217	12,070,000,000	–
FR0000187361	OAT 5% 25 October 2016	28,789,000,000			293,055,600
FR0011857218	OAT 0.25% 25 November 2016	13,366,000,000			0
	Maturity 2017	129,326,269,300			
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	22,936,269,300 (1)	1.13574	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	29,671,000,000			0
	Maturity 2018	110,480,668,340			
FR0010604983	OAT 4% 25 April 2018	28,170,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	10,056,668,340 (1)	1.04171	9,654,000,000	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 July 31, 2014

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2019	113,675,638,532			
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	11,586,969,210 (1)	1.06881	10,841,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			6,077,530,100
FR0010776161	OAT 3.75% 25 October 2019	31,858,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	8,336,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	27,276,429 (2)		6,692,154	-
	Maturity 2020	95,248,242,750			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,415,242,750 (1)	1.22229	19,975,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	34,801,000,000			0
	Maturity 2021	76,905,979,190			
FR0010192997	OAT 3.75% 25 April 2021	36,041,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	4,391,979,190 (1)	1.01221	4,339,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	36,473,000,000			0
	Maturity 2022	78,839,709,070			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			520,868,400
FR0011196856	OAT 3% 25 April 2022	34,030,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	18,608,769,080 (1)	1.08658	17,126,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000			0
	Maturity 2023	82,304,346,243			
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	12,809,150,340 (1)	1.10101	11,634,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	33,229,000,000			506,722,000
	Maturity 2024	46,368,730,050			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	8,226,730,050 (1)	1.01753	8,085,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	10,014,000,000			0
	Maturity 2025	17,780,928,118			
FR0000571150	OAT 6% 25 October 2025	17,780,928,118			2,992,226,900
	Maturity 2026	30,306,000,000			
FR0010916924	OAT 3.5% 25 April 2026	30,306,000,000			113,460,000
	Maturity 2027	39,230,210,460			
FR0011008705	OAT€i 1.85% 25 July 2027	9,912,210,460 (1)	1.07078	9,257,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	29,318,000,000			0
	Maturity 2028	21,322,893			
FR0000571226	OAT zéro coupon 28 March 2028	21,322,893 (3)		46,232,603	-
	Maturity 2029	37,202,555,081			
FR0000571218	OAT 5.5% 25 April 2029	27,169,880,458			3,889,749,500
FR0000186413	OATi 3.4% 25 July 2029	10,032,674,623 (1)	1.25516	7,993,144,000	0
	Maturity 2030 et plus	168,599,488,560			
FR0011883966	OAT 2.5% 25 May 2030	11,015,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	3,515,610,000 (1)	1.00446	3,500,000,000	0
FR0000188799	OAT€i 3.15% 25 July 2032	11,921,127,180 (1)	1.23843	9,626,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	26,135,322,600			11,562,957,000
FR0010070060	OAT 4.75% 25 April 2035	21,183,000,000			5,426,246,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,779,950,000
FR0010447367	OAT€i 1.8% 25 July 2040	10,463,428,780 (1)	1.14718	9,121,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	23,650,000,000			7,227,052,000
FR0011461037	OAT 3.25% 25 May 2045	11,244,000,000			0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,502,183,000
FR0010870956	OAT 4% 25 April 2060	10,657,000,000			4,546,254,000

(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	-2.0%	06/2014
Household consumption*, year-on-year	2.0%	06/2014
Unemployment rate (ILO)	10.1%	03/2014
Consumer prices, year-on-year		
all items	0.5%	07/2014
all items excluding tobacco	0.3%	07/2014
Trade balance, fob-fob, sa (€bn)	-€5.4 bn	06/2014
" "	-€4.9 bn	05/2014
Current account balance, sa (€bn)	-€7.4 bn	06/2014
" "	-€3.3 bn	05/2014
10-year constant maturity rate (TEC10)	1.47%	31/7/2014
3-month interest rate (Euribor)	0.209%	31/7/2014
EUR / USD	1.3379	31/7/2014
EUR / JPY	137.66	31/7/2014

* manufactured products

Source: Insee, Minefi, Banque de France

Monthly government budget position

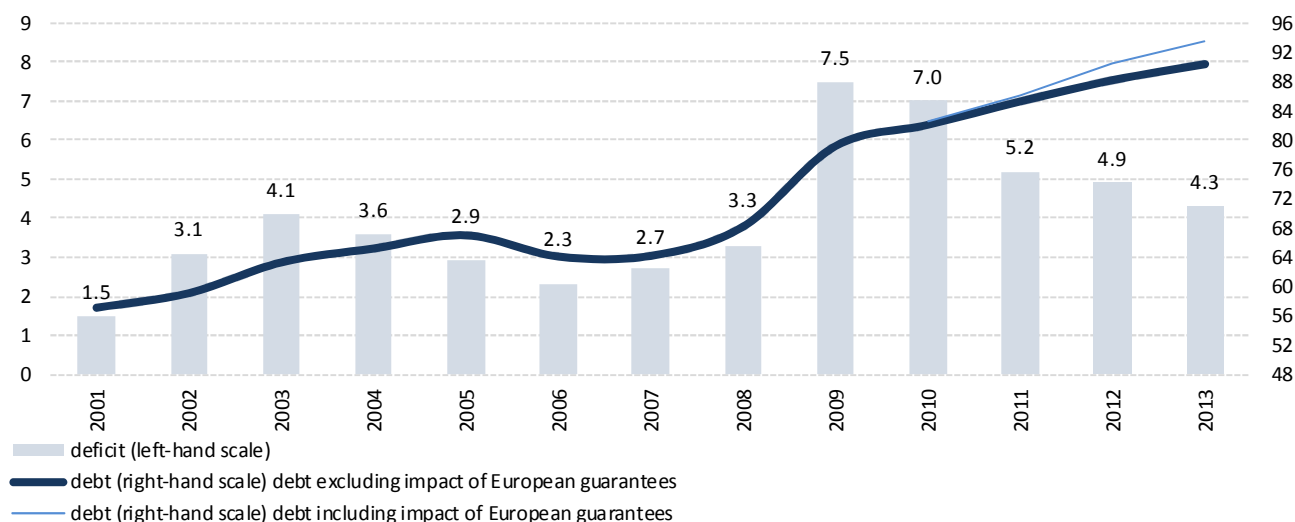
In € billion

			end of June level		
	2012	2013	2012	2013	2014
General budget balance	-88.16	-75.44	-39.90	-43.55	-42.78
revenue	286.01	301.25	145.32	152.65	151.57
expenditure	374.17	376.68	185.21	196.21	194.35
Balance of special Treasury accounts	1.01	0.56	-16.78	-15.76	-16.62
General budget outturn	-87.15	-74.87	-56.68	-59.31	-59.41

Source: Minefi

Public finances: deficit and debt

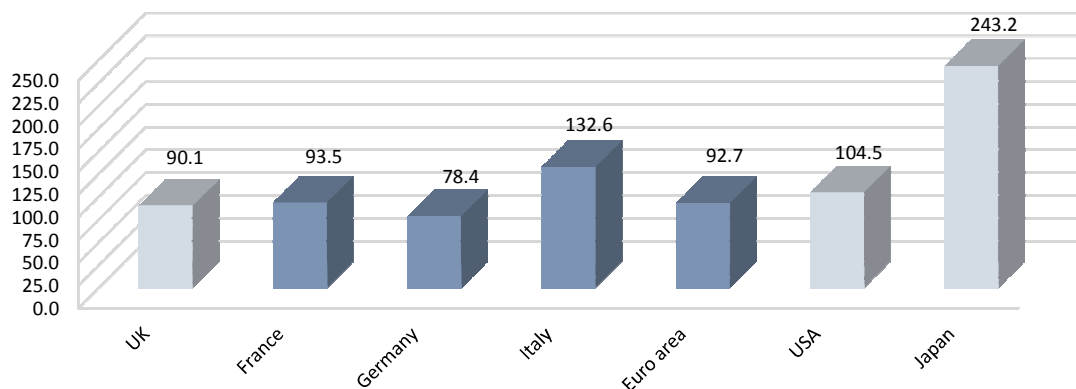
As % of GDP



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

September 2014		October 2014	
 4	Job seekers Q2-2014 (BIT)	 3	Eurozone economic outlook - Q3-2013
 9	Foreign trade in July	 9	Foreign trade in August
 10	Industrial output in July	 10	Industrial output in August
 10	Payroll employment: Q2-2014	 14	Balance of payments in August
 11	Consumer prices: index for August	 14	Consumer prices: index for September
 12	Balance of payments in July	 16	Inflation (HICP): September index
 16	Inflation (HICP): August index	 23	Industrial trends: quarterly survey for October
 23	Quarterly national accounts: final results Q2-2014	 23	Industrial trends: monthly survey for October
 23	Industrial trends: monthly survey for September	 24	Job seekers in September
 24	Job seekers in August	 28	New building starts in September
 30	New building starts in August	 29	Household confidence survey: October survey
 30	Industrial investments: August survey	 31	Industrial producer prices: September index
 30	Net foreign exchange reserves in August	 31	Household consumption of manufactured goods in September

Sources : Insee, Eurostat