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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

What to expect from the 2015-2018 Stability Programme and the 2015 National Reform Programme ?

Two key documents published by the French Government on 15 April will have an economic and financial impact that will last far beyond 2015.

The 2015-2018 Stability Programme defines a more ambitious fiscal consolidation path than that recommended by the European Commission on 10 March. France plans to bring its government deficit down to 3.8% of GDP in 2015 and to 2.7% of GDP in 2017, whereas the European Commission recommended "headline deficit targets of 4.0% of GDP in 2015, 3.4% of GDP in 2016 and 2.8% of GDP in 2017". In 2018, the government deficit would dip below the 2% mark to stand at 1.9% of GDP. Government debt, at 96.3% of GDP in 2015, is expected to peak at 97% of GDP in 2017, before easing to 95.5% in 2018.

This scenario is based on an improvement in the structural balance of 0.5 points of GDP each year from 2015 to 2017, significant cuts in government expenditure – from 55.4% of GDP in 2015 to 54.2% in 2017, excluding tax credits – along with a slight decline in the tax burden from 44.4% of GDP in 2015 to 44.2% in 2017.

For the first time, the High Council on Public Finances has deemed that the growth assumptions of 1% for 2015 and 1.5% for 2016 are "conservative", since they are lower than the average of the Consensus Forecast, or the IMF forecasts, which call for 1.2% growth in 2015, or the OECD forecast of 1.7% growth in 2016. In 2014, the Council deemed that the assumptions were "realistic" or "optimistic".

It is also noteworthy that the programme is based on faster growth of household consumption made possible by lower oil prices and weak inflation, an increase in export demand driven by the weaker euro and a gradual resumption of investment by non-financial corporations. All in all, this Stability Programme expresses the determination of the French authorities to speed up fiscal adjustment in accordance with France's European commitments.

This determination can also be seen in the strategy for change presented in the National Reform Programme. It provides details about the direction and content

of future reforms, especially in three areas:

- **Improving businesses' cost competitiveness:** €40 billion in tax and contribution cuts are slated by 2017 with the Competitiveness and Employment Tax Credit and the Responsibility Pact. Around €25 billion have already been voted and are effective at January 1st 2015; a further €8 billion in cuts will be included in the 2016 Budget Act, including €5 billion in cuts in social security contributions. The new measures will build on past results: the average cost of labour in manufacturing has been lower in France than in Germany since 2014.

- **Making the labour market more fluid:** the labour relations modernisation bill, to be put before Parliament in the third quarter, calls for the 17 mandatory annual notification and consultation requirements to be merged into three; furthermore, as of 1 January 2016, the earned income supplement and the employment bonus will be merged into a single benefit that is more favourable to finding work; in 2016, the new unemployment insurance agreement will define benefits rules that offer a greater incentive to return to work.

- **Cutting red tape for businesses:** by the beginning of 2016, SMEs will enjoy streamlined access to the 20,000 procurement contracts signed by central government each year. Administrative procedures will be 100% online and the principle of no answer means yes will be extended to local government procedures and government agencies' procedures.

These measures should give economic activity a significant boost, estimated at 3.3 points of GDP by 2020. The National Reform Programme and the Stability Programme will have a major impact on economic players' confidence and on the perception of the French economy. Both programmes underpin the strategy to strengthen France's competitiveness in the European context.

National Reform Programme (only in french):

http://www.economie.gouv.fr/files/programme_national_reforme_2015.pdf

Why the ECB QE is different ?

By Gianluca Salford, Senior European rates strategist, J.P.Morgan



Bond yields have continued to decline after the announcement of ECB sovereign purchases on 22 January. This is in contrast with the typical behaviour around QE announcements in the other large jurisdictions: UK, US and Japan (see Exhibit). In previous episodes the QE announcement was associated with higher yields and positive macro surprises. Given that the Euro area economy has shown unexpected signs of strength over the past few months but yields have continued to decline, we look for explanations of what makes the Euro area experience with QE different from the past.

Net issuance after QE: In the UK and especially in the US, central bank purchases were large as a % of GDP, but at the time the deficit to be financed was also very large, resulting in still positive net issuance after QE. In contrast, ECB QE is taking place in an environment of limited fiscal pressures: the latest forecasts point to deficits well below 3% for the Euro area as a whole and a small surplus for Germany.

Investor base: Net issuance after QE purchases is also negative in the Japanese QQE example, but most of the net selling has come from one category of investors: Japanese banks. In the Euro area, there are many constraints to a swift asset rotation out of government bonds: peripheral banks are awash with liquidity from TLTROs, (especially) insurance companies and pension funds are subject to regulatory/accounting constraints and the large majority of foreign holdings are with central banks and for diversification purposes.

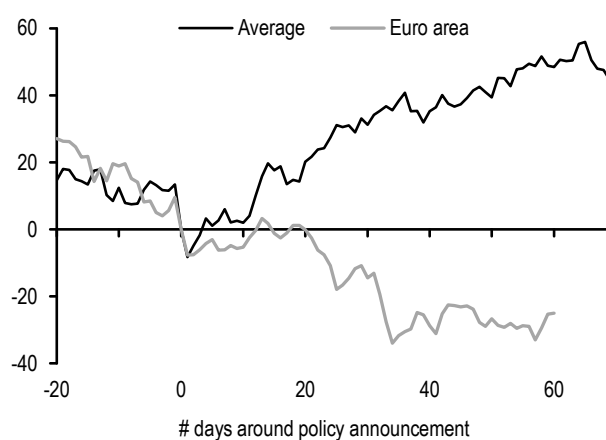
Negative official interest rates: QE purchases are taking place in conjunction with negative official interest rates, which are pushing investors to extend along the curves and to take more credit and liquidity risk, in direct competition with the ECB.

QE details: The QE message on 22 January was stronger than anticipated by the market: the programme will run until at least September 2016 (as reiterated by Draghi in

April); maturities up to 30Y will be involved with proportional maturity distribution in principle.

Other factors at play: Uncertainty over the timing of the first Fed hike and on the pace of tightening are weighing on yields globally. Within the Euro area, fears of a Greek default and possible exit from the euro area are helping the pricing of a flight-to-quality premium.

Exhibit: This QE is different



Performance of 10Y yields around QE announcements; average of US, UK and Japan* vs. Euro area**; bp

* US QE1: 18 Mar 09, QE2: 3 Nov 10, Operation Twist: 21 Sep 11, QE3: 12 Dec 12; UK QE: 6 Mar 09; Japan QQE: 4 Apr 13, Euro area QE: 22 Jan 15.

** Weighed average 10Y yield of Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain; weighted by the size of their outstanding bond market.

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NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, 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.

Indicative auction schedule

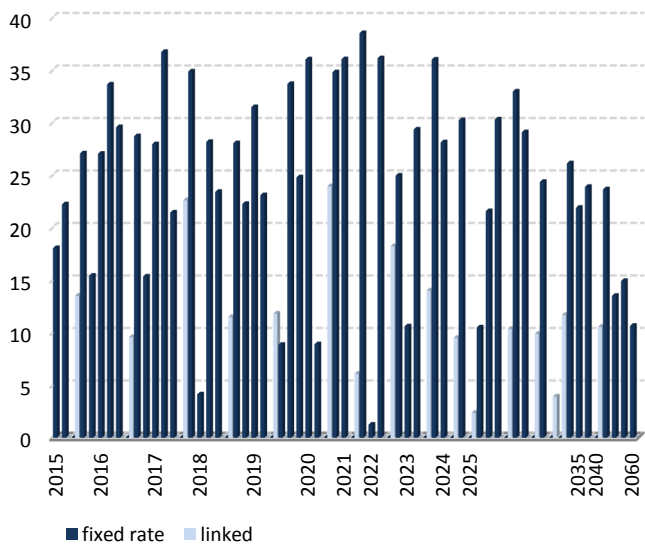
		Short-term					Medium-term	Long-term	Index-linked
May 2015	auction date	4	11	18	26		21	7	21
	settlement date	6	13	20	28		26	11	26
June 2015	auction date	1	8	15	22	29	18	4	18
	settlement date	3	10	17	24	01/07	22	8	22

anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 March, 2015

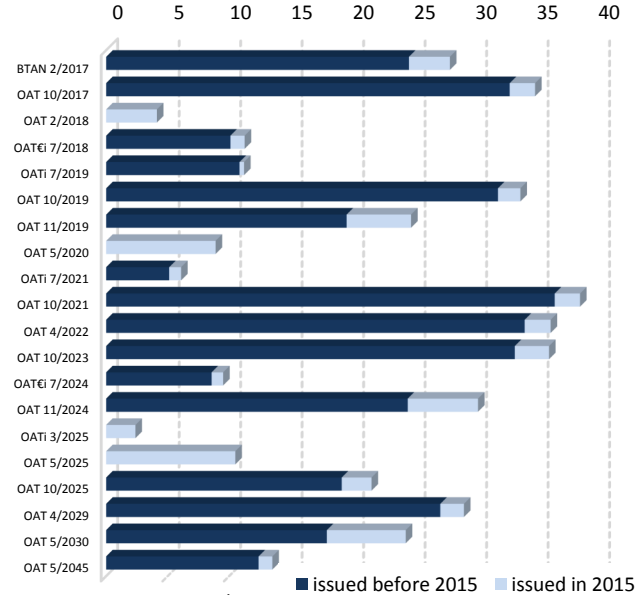
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 March, 2015

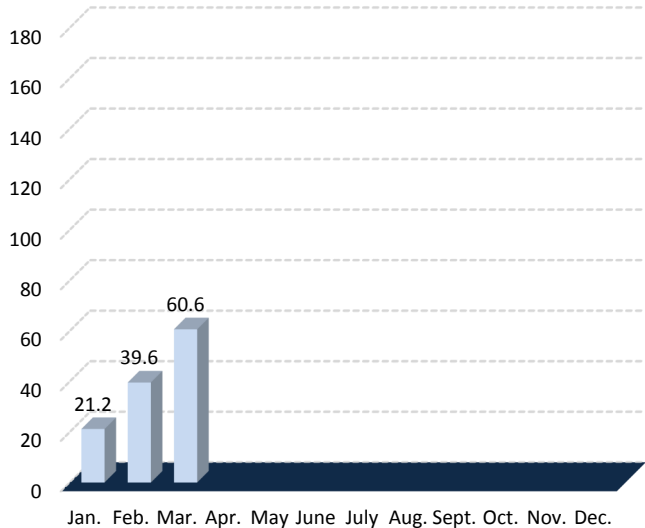
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 March, 2015

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 March, 2015

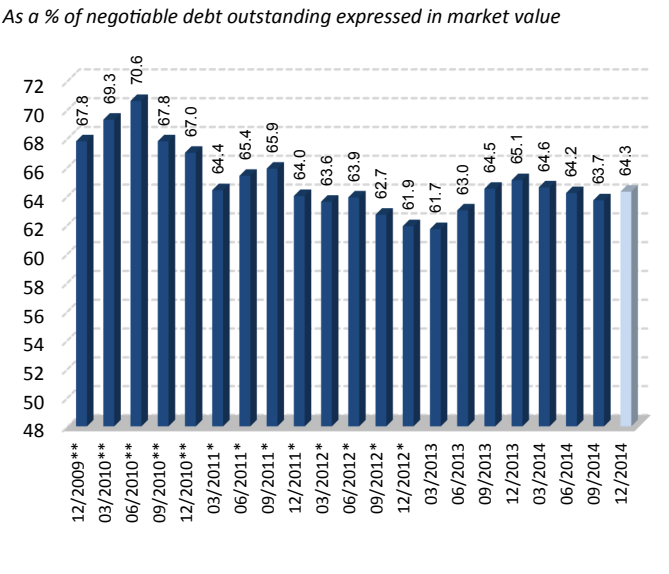
In € billion

Month	Coupon	Redemption
Apr-15	16.1	18.1
May-15	2.8	
Jun-15	0.4	
Jul-15	4.4	33.7
Aug-15		
Sep-15	0.4	
Oct-15	15.6	27.1
Nov-15	1.1	15.4
Dec-15		
Jan-16		
Feb-16	1.0	22.5
Mar-16		

Source: Agence France Trésor

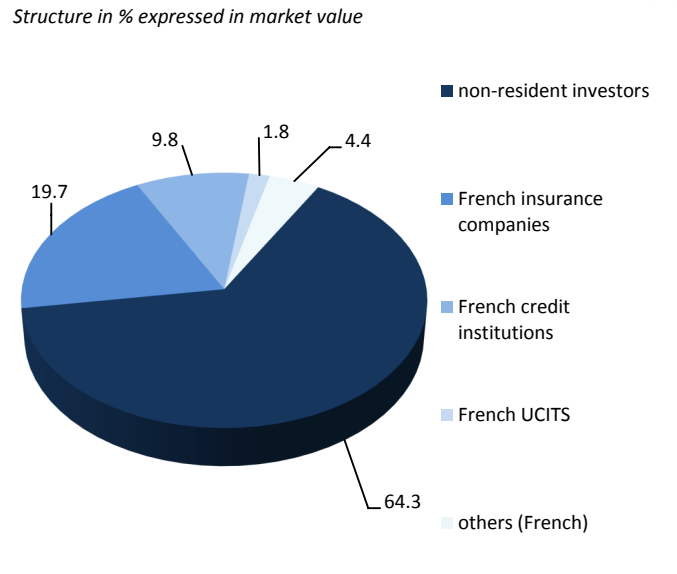
**General
debt-related data**

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



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

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



Source: Banque de France

Negotiable government debt at 31 March, 2015

In euros

Total medium- and long-term debt	1,390,218,147,448
Total stripping activity	62,485,876,100
Average maturity	7 years and 283 days
Total short-term debt	172,423,500,000
Average maturity	112 days
TOTAL OUTSTANDING	1,562,641,647,448
Average maturity	6 years and 348 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 March, 2015

In € billion

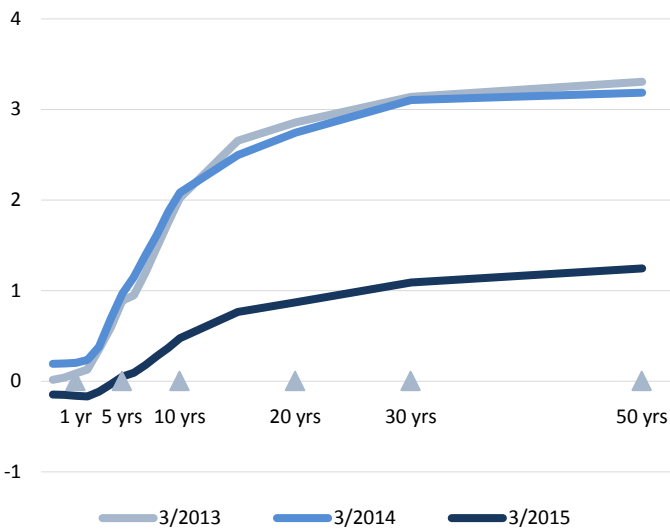
	End 2012	End 2013	End 2014	End Febr. 2015	End March 2015
Negotiable government debt outstanding	1,313	1,386	1,457	1,543	1,563
of which index-linked securities	173	174	189	191	190
Medium- and long-term	1,220	1,283	1,352	1,374	1,390
short-term	167	174	175	168	172
Swaps outstanding	10	7	6	6	6
Average maturity of the negotiable debt					
before swaps	7 years 37 days	7 years 5 days	6 years 363 days	7 years 9 days	6 years 348 days
after swaps	7 years 34 days	7 years 2 days	6 years 362 days	7 years 8 days	6 years 347 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

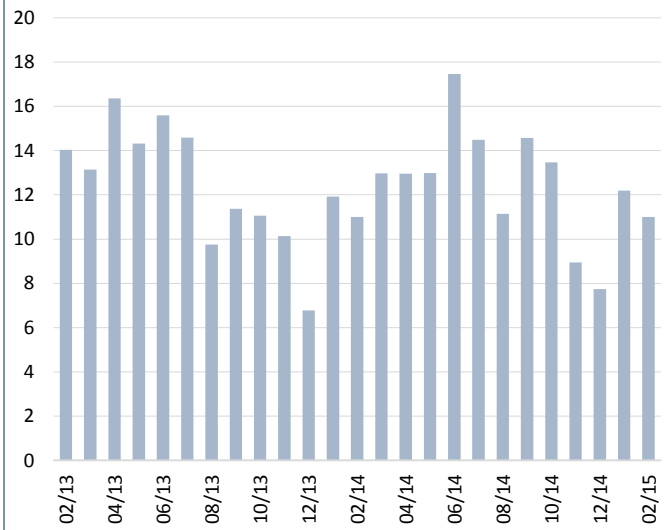
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

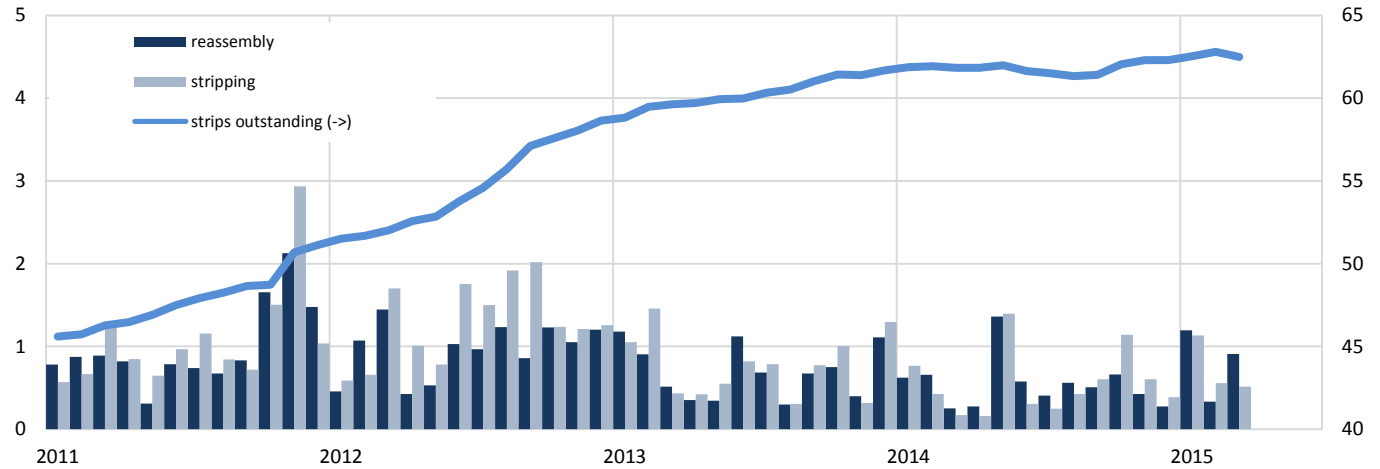
In € billion



Source: reporting by primary dealers in government securities

Total stripping and reassembly

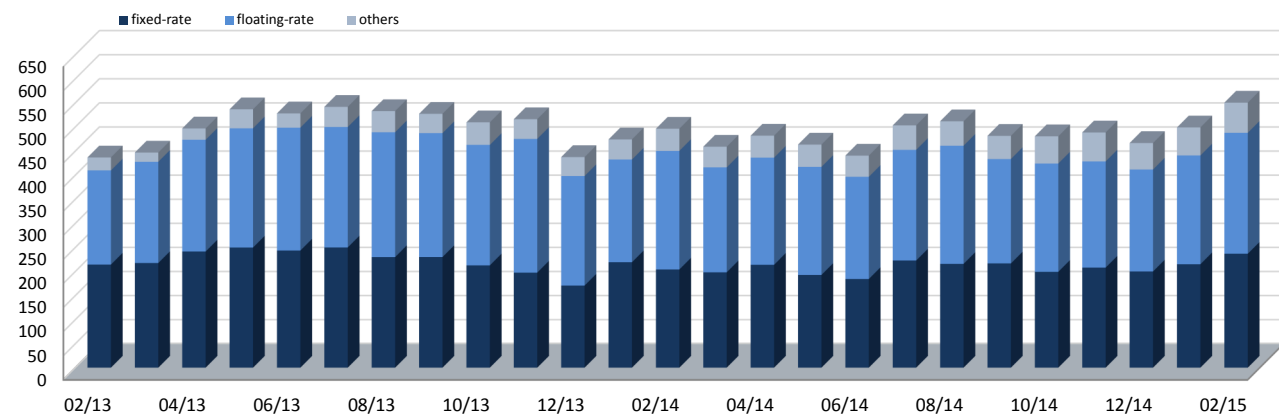
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 31 March, 2015

	Maturity	Outstanding (€)
BTF	2 April 2015	7,555,000,000
BTF	9 April 2015	7,719,000,000
BTF	15 April 2015	6,716,000,000
BTF	22 April 2015	6,894,500,000
BTF	30 April 2015	8,450,000,000
BTF	6 May 2015	7,350,000,000
BTF	13 May 2015	6,571,000,000
BTF	20 May 2015	7,670,000,000
BTF	28 May 2015	7,413,000,000
BTF	3 June 2015	8,161,000,000
BTF	10 June 2015	7,529,000,000
BTF	17 June 2015	7,974,000,000
BTF	25 June 2015	7,579,000,000
BTF	8 July 2015	6,110,000,000
BTF	23 July 2015	7,254,000,000
BTF	5 August 2015	6,492,000,000
BTF	20 August 2015	8,310,000,000
BTF	16 September 2015	7,218,000,000
BTF	14 October 2015	6,592,000,000
BTF	11 November 2015	6,573,000,000
BTF	9 December 2015	6,698,000,000
BTF	6 January 2016	7,416,000,000
BTF	3 February 2016	7,441,000,000
BTF	2 March 2016	4,738,000,000

Medium- and long-term debt (maturing 2015–2018) at 31 March, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2015	96,305,920,773			
FR0010163543	OAT 3.5% 25 April 2015	18,054,313,893			0
FR0118462128	BTAN 2% 12 July 2015	22,226,000,000			–
FR0010135525	OAT€i 1.6% 25 July 2015	13,523,606,880 (1)	1.17474	11,512,000,000	0
FR0010216481	OAT 3% 25 October 2015	27,077,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	15,425,000,000			0
	Maturity 2016	143,898,076,680			
FR0119105809	BTAN 2.25% 25 February 2016	27,041,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	33,633,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	29,575,000,000			–
FR0119105791	BTANi 0.45% 25 July 2016	9,585,076,680 (1)	1.03802	9,234,000,000	–
FR0000187361	OAT 5% 25 October 2016	28,713,000,000			259,017,000
FR0011857218	OAT 0.25% 25 November 2016	15,351,000,000			0
	Maturity 2017	143,632,891,650			
FR0120473253	BTAN 1.75% 25 February 2017	27,950,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	36,737,000,000			0
FR0120746609	BTAN 1% 25 July 2017	21,443,000,000			–
FR0010235176	OATi 1% 25 July 2017	22,627,891,650 (1)	1.12047	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,875,000,000			0
	Maturity 2018	117,520,502,040			
FR0012634558	OAT 0% 25 February 2018	4,125,000,000			0
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	11,501,502,040 (1)	1.02172	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,047,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			0

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

Medium- and long-term debt (maturing in 2019 and beyond) at 31 March, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2019		133,743,620,268			
FR0000189151	OAT 4.25% 25 April 2019	31,478,000,000			0
FR0011708080	OAT 1% 25 May 2019	23,095,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	11,820,272,400 (1)	1.05444	11,210,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			6,010,885,100
FR0010776161	OAT 3.75% 25 October 2019	33,683,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	24,793,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	29,954,975 (2)		6,692,154	-
Maturity 2020		103,679,629,250			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0012557957	OAT 0% 25 May 2020	8,900,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	23,946,629,250 (1)	1.19883	19,975,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	34,801,000,000			0
Maturity 2021		80,663,000,000			
FR0010192997	OAT 3.75% 25 April 2021	36,041,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,092,000,000 (1)	0.99860	6,092,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	38,530,000,000			0
Maturity 2022		80,592,631,970			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			487,668,400
FR0011196856	OAT 3% 25 April 2022	36,140,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	18,251,691,980 (1)	1.06573	17,126,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000			0
Maturity 2023		89,980,994,583			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,952,300,200
FR0011486067	OAT 1.75% 25 May 2023	29,346,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	14,020,798,680 (1)	1.08621	12,908,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	36,008,000,000			571,585,000
Maturity 2024		67,873,000,000			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	9,510,000,000 (1)	0.99801	9,510,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
Maturity 2025		34,456,928,118			
FR0012558310	OATi 0.1% 1 March 2025	2,379,000,000 (1)	0.99008	2,379,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	10,502,000,000			0
FR0000571150	OAT 6% 25 October 2025	21,575,928,118			3,106,964,400
Maturity 2026		30,306,000,000			
FR0010916924	OAT 3.5% 25 April 2026	30,306,000,000			69,813,000
Maturity 2027		43,340,019,520			
FR0011008705	OAT€i 1.85% 25 July 2027	10,369,019,520 (1)	1.05024	9,873,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	32,971,000,000			0
Maturity 2028		22,534,786			
FR0000571226	OAT zero coupon 28 March 2028	22,534,786 (3)		46,232,603	-
Maturity 2029		38,989,630,810			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,481,609,100
FR0000186413	OATi 3.4% 25 July 2029	9,897,750,352 (1)	1.23828	7,993,144,000	0
Maturity 2030		28,289,000,000			
FR0011883966	OAT 2.5% 25 May 2030	24,360,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	3,929,000,000 (1)	0.98518	3,929,000,000	0
Maturity 2031 et plus		156,923,767,000			
FR0000188799	OAT€i 3.15% 25 July 2032	11,692,317,160 (1)	1.21466	9,626,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	26,135,322,600			11,449,083,400
FR0010070060	OAT 4.75% 25 April 2035	21,897,000,000			5,319,467,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,819,011,400
FR0010447367	OAT€i 1.8% 25 July 2040	10,564,127,240 (1)	1.12516	9,389,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	23,650,000,000			7,251,550,000
FR0011461037	OAT 3.25% 25 May 2045	13,513,000,000			698,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,672,438,000
FR0010870956	OAT 4% 25 April 2060	10,657,000,000			5,290,484,100

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

(2) Including coupons capitalised at 31 Dec. 2014; not open to subscription

(3) Revised on 28 March 2014; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	0.3%	Feb. 2015
Household consumption*, year-on-year	1.8%	Mar. 2015
Unemployment rate (ILO)	10.4%	Dec. 2014
Consumer prices, year-on-year		
all items	-0.1%	Mar. 2015
all items excluding tobacco	-0.1%	Mar. 2015
Trade balance, fob-fob, sa (€bn)	-€3.4 bn	Feb. 2015
" "	-€3.7 bn	Jan. 2015
Current account balance, sa (€bn)	-€1.8 bn	Feb. 2015
" "	-€0.2 bn	Jan. 2015
10-year constant maturity rate (TEC10)	0.49%	31 Mar. 2015
3-month interest rate (Euribor)	0.019%	31 Mar. 2015
EUR / USD	1.0759	31 Mar. 2015
EUR / JPY	128.95	31 Mar. 2015

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

Monthly government budget position

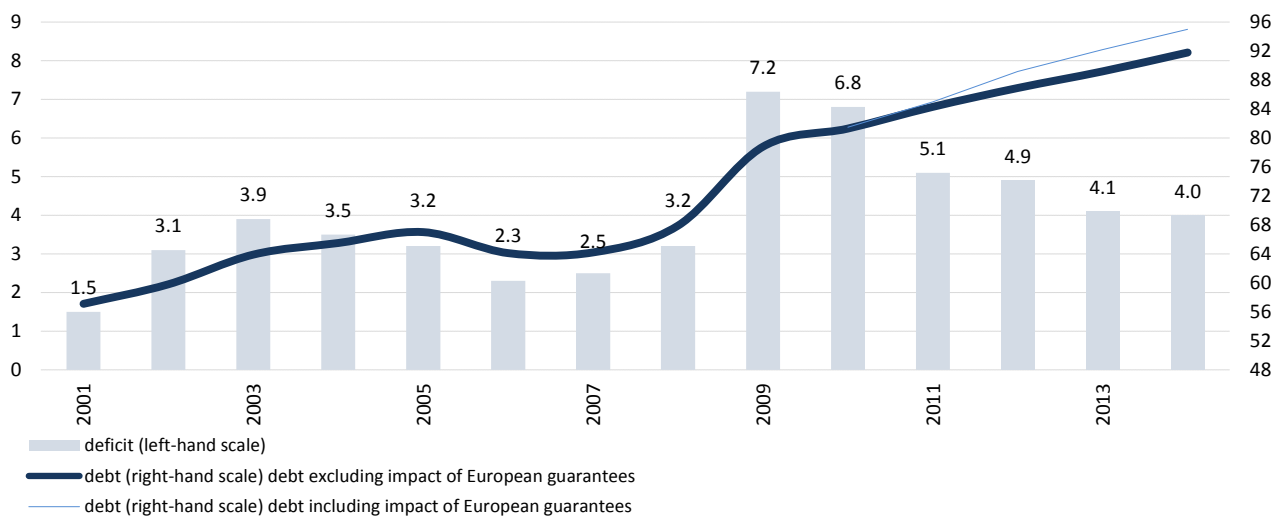
In € billion

			end of February level		
	2013	2014	2013	2014	2015
General budget balance	-75.43	-85.69	-20.33	-17.97	-16.26
revenue	301.24	291.97	44.08	46.79	47.94
expenditure	376.67	377.66	64.41	64.76	64.20
Balance of special Treasury accounts	0.56	0.13	-6.79	-7.71	-7.19
General budget outturn	-74.87	-85.56	-27.12	-25.68	-23.45

Source: Minefi

Public finances: deficit and debt

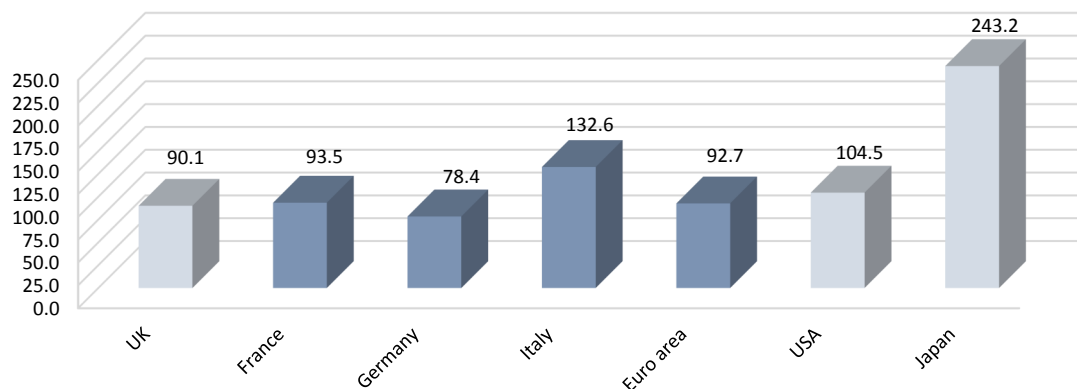
As % of GDP



Source: Insee

General government debt in 2013

As % of GDP



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

French economic indicators: timetable

May 2015		June 2015	
6	Industrial investments: April	1	Job seekers in April
7	Foreign trade in March	4	Job seekers Q1-2015 (BIT)
7	Industrial output in March	5	Foreign trade in April
13	Balance of payments in March	10	Industrial output in April
13	Consumer prices: index for April	11	Balance of payments in April
13	Quarterly national accounts: first results Q1-2015	11	Consumer prices: index for May
13	Payroll employment: provisional results Q1-2015	17	Inflation (HICP): May index
19	Inflation (HICP): index for April	19	Payroll employment: final results Q1-2015
22	Industrial outlook: monthly survey for May	23	Industrial trends: monthly survey for June
27	Household confidence survey: Mai survey	24	Job seekers in May
29	New building starts in April	24	Quarterly national accounts: final results Q1-2015
		26	Household confidence survey: June survey
		26	New building starts in May
		30	Industrial producer prices: May index
		30	General government debt Q1-2015
		30	Household consumption of manufactured goods in May

Sources: Insee, Eurostat