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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.

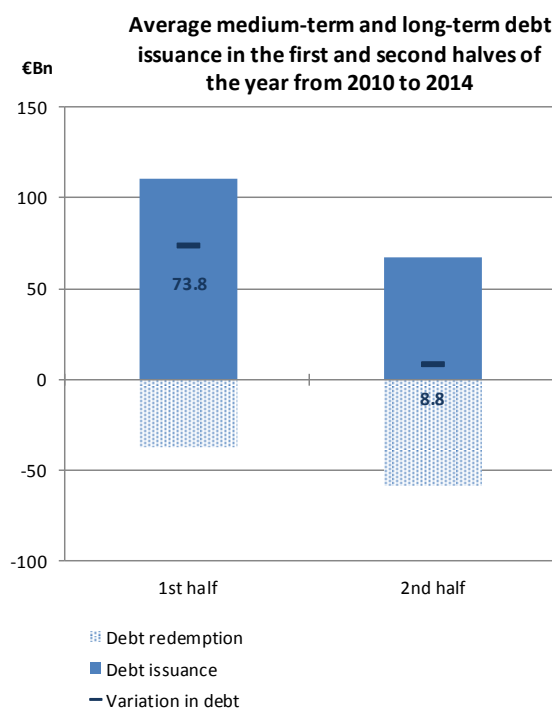
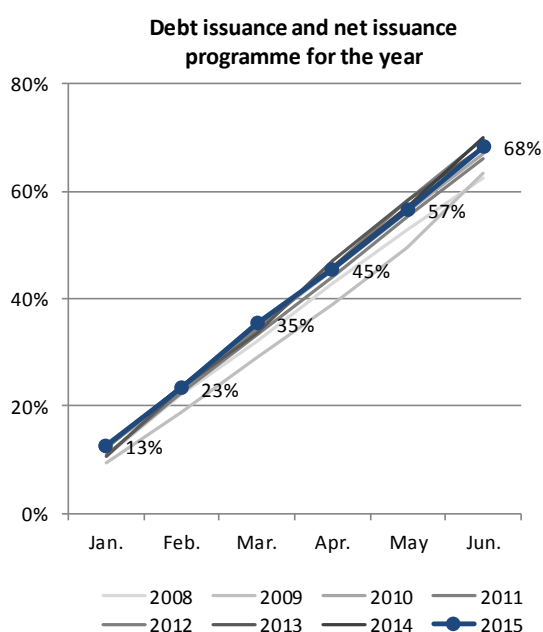
News at Agence France Trésor

AFT completed 68% of the annual net issuance programme in the first half of the year, in keeping with the usual issuance pattern

At the end of June, the year's issuance of medium-term and long-term debt stood at €127.9bn. This represents 68.4% of the annual target of €187bn set in the 2015 Budget Act. The execution rate is similar to those achieved at the same date in previous years. The average rate achieved at this point in the year from 2010 to 2014 was 68.2%. The pattern over the course of the year is shaped by AFT's calendar of medium-term and long-term debt issuance. Each month in the first half of the year features two auctions of medium-term and long-term debt, whereas there is only one such auction at most in August and December and it is optional, depending on market demand. Consequently, more debt is usually issued in the first half of the year.

On the other hand, redemptions have usually been greater in the second half of the year in recent years. This is the direct result of the maturities and due dates of past issues. Over the period from 2010 to 2014, 38.9% of the year's redemptions had been made by the end of June. In 2015, 35.0% of the year's €114.1bn in redemptions had been completed by the end of June. The largest redemptions of the year will fall in July and October.

Consequently, the biggest increase in outstanding debt occurs in the first half of the year. The average increase in outstanding debt in the first half of the year from 2010 to 2014 was €73.8bn, compared to an increase of only €8.8bn in the second half of each of those years.



China's outlook: temporary cloud, or looming storm?

by Carmen Nuzzo, Morgan Stanley Economics Research



While China's equity markets rattled global confidence in July, prospects for Chinese growth stabilizing look good. China is probably moving slowly from the "response" to "improvement" phase, but we think policy makers have adequate ammunition to keep systematic risks in check.

China's economy entered 3Q with improving momentum, as indicated by the pick-up in the June Morgan Stanley CHEX Index, which includes indicators such as electricity consumption and fiscal revenues. Moreover, because underlying growth is still weak and inflation muted, the overall policy stance will probably remain accommodative.

Indeed, another policy interest rate reduction is likely in 3Q. The pace of government-led infrastructure investment projects will likely accelerate, and there is ample room for fiscal easing due to the Fiscal Adjustment Fund surplus (> 6% of GDP).

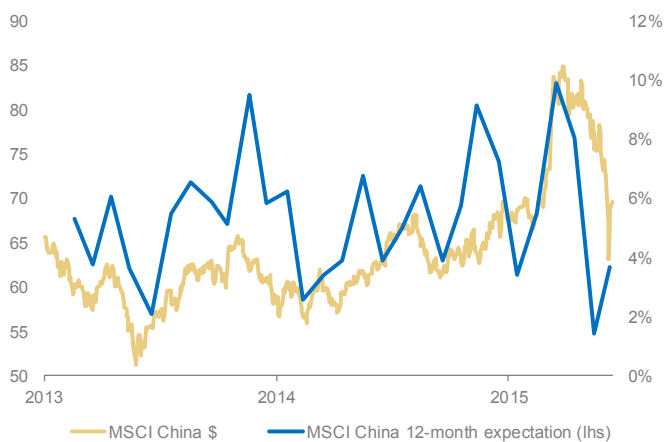
The impact of China's recent equity market correction on macro fundamentals is unclear, but unlikely to trigger systemic financial risk. Leverage through margin loans from brokers is low; many brokers hedge their equity prop trading book; and bank exposure to OTC leverage remains small relative to balance sheets. Last, only 8.8% of households invest in equities, which represent 10-13% of their financial assets.

Still, risks for growth remain tilted to the downside. The unwinding of excess capacity/misallocated capital is not complete. Moreover, because the reform process and policy response has lagged the pace needed to offset the headwinds from high leverage and demographics, real interest rates remain elevated.

Investors remain concerned about growth prospects according to Morgan Stanley's global investor survey. Although sentiment improved in July, they rank stabilizing growth as key in driving up Chinese equities, ahead of new reform initiatives, rate cuts and fiscal stimulus (Exhibit 1).

Exhibit 1

Investor Sentiment Rebounded in July



Source: Datastream, Morgan Stanley Research

Disclosure Section

This article is based on research published by Morgan Stanley Asia Limited on China in July 2015. It is not an offer to buy or sell any security/instruments or to participate in a trading strategy. For important current disclosures that pertain to Morgan Stanley, please refer to the disclosures regarding the issuer(s) that are the subject of this article on Morgan Stanley's disclosure website. <https://www.morganstanley.com/researchdisclosures>

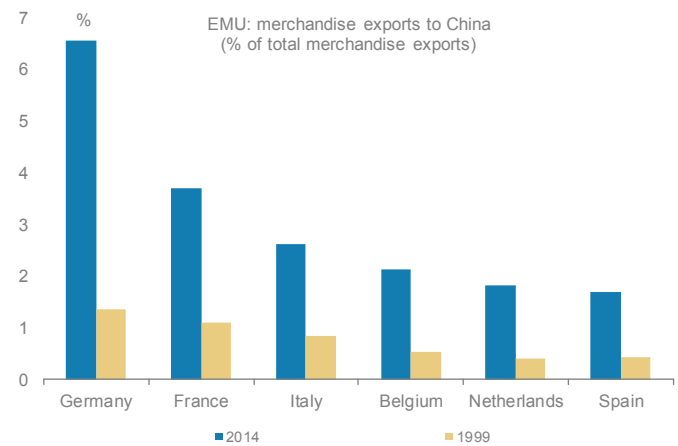
NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author's view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy and Finance.

Uncertainties about external growth, including China, cloud the 2H euro-area outlook. Cyclical factors remain supportive, but the recovery is fragile, and leading indicators suggest growth momentum going into 2H may not be as firm as in 1H.

Should Chinese growth falter there are several channels by which the euro area could be affected. Germany is the member with the largest share of exports to China and would probably be hit hardest (Exhibit 2), with negative effects on its trading partners too. There would likely be repercussions on the foreign affiliates of euro-area companies: on average, euro-area industry groups derive nearly 6% of their revenues from China (7% in Germany). Finally, euro-area banks are exposed to China but this is limited at \$138bn (less than the UK's \$198bn), or 1.1% of GDP, according to the latest BIS data on foreign claims.

Exhibit 2

German Exports Share to China Largest in EMU



Source: Eurostat, National Statistics Offices, Morgan Stanley Research

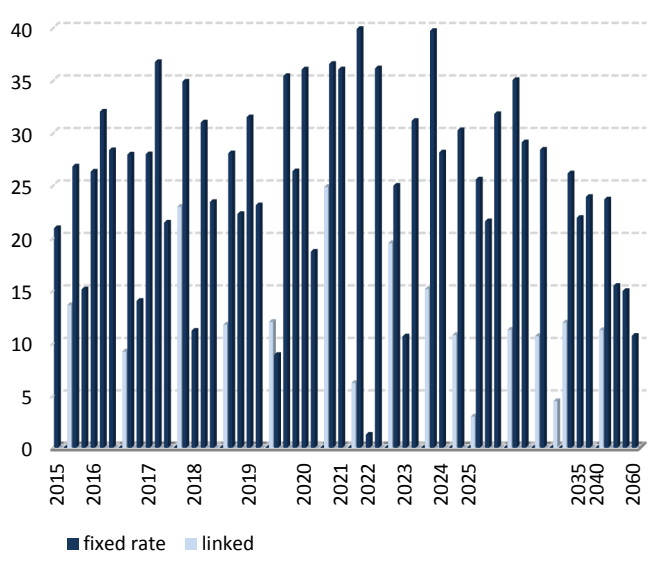
Indicative auction schedule

| | | Short-term | | | | | Medium-term | Long-term | Index-linked |
|----------------|-----------------|------------|----|----|----|-----|-------------|-----------|--------------|
| August 2015 | auction date | 3 | 10 | 17 | 24 | 31 | // | 6 | // |
| | settlement date | 5 | 12 | 19 | 26 | 2/9 | // | 10 | // |
| September 2015 | auction date | 7 | 14 | 21 | 28 | // | 17 | 3 | 17 |
| | settlement date | 9 | 16 | 23 | 30 | // | 21 | 7 | 21 |

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 30 June, 2015

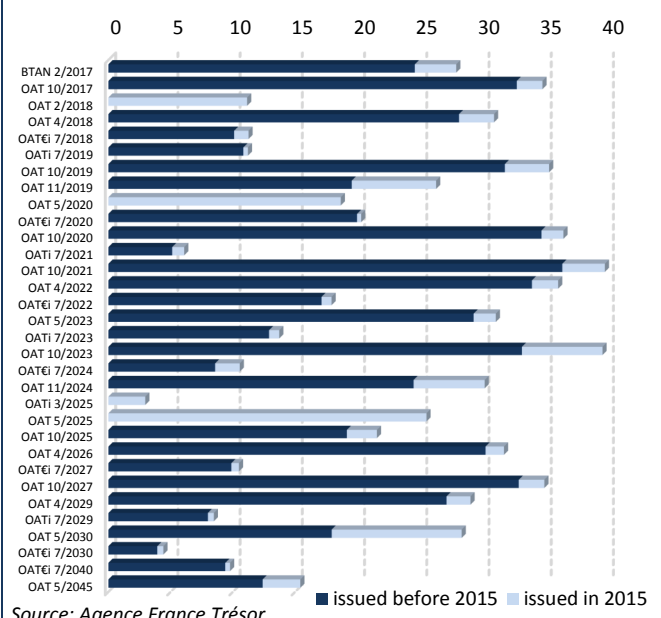
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 June, 2015

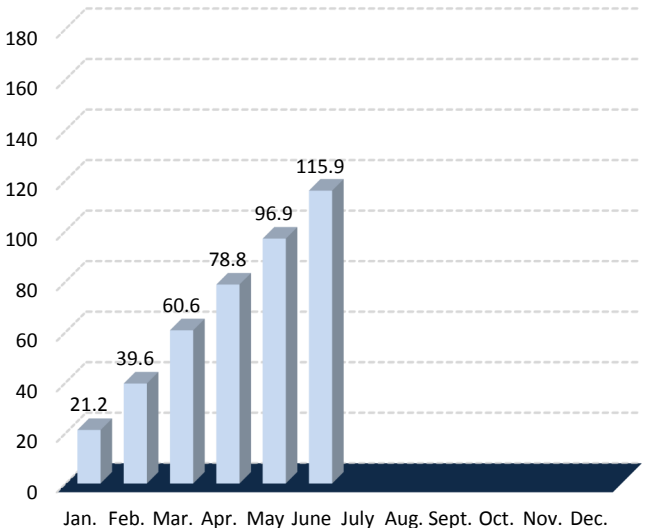
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 June, 2015

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 30 June, 2015

In € billion

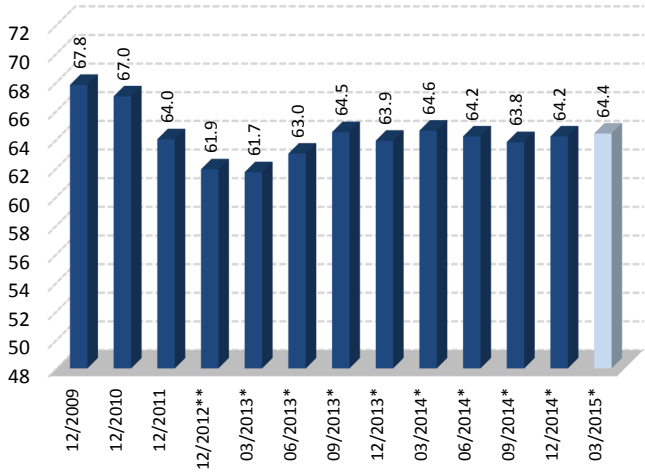
| Month | Coupon | Redemption |
|--------|--------|------------|
| Jul-15 | 4.3 | 34.0 |
| Aug-15 | | |
| Sep-15 | | |
| Oct-15 | 16.1 | 26.8 |
| Nov-15 | 1.0 | 15.1 |
| Dec-15 | | |
| Jan-16 | | |
| Feb-16 | 1.1 | 26.0 |
| Mar-16 | | |
| Apr-16 | 15.5 | 31.8 |
| May-16 | 3.0 | |
| Jun-16 | | |

Source: Agence France Trésor

**General
debt-related data**

Non-resident holders of negotiable government debt in first quarter of 2015

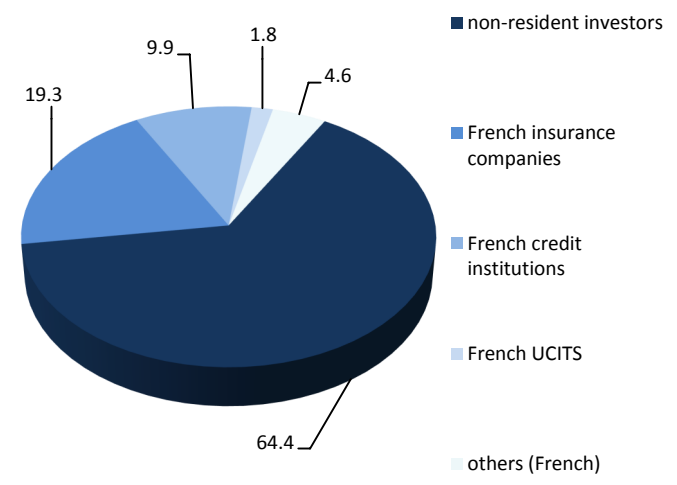
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in first quarter of 2015

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 30 June, 2015

In euros

| | |
|----------------------------------|-----------------------------|
| Total medium- and long-term debt | 1,428,990,168,094 |
| Total stripping activity | 62,334,231,100 |
| Average maturity | 7 years and 257 days |
| Total short-term debt | 155,872,000,000 |
| Average maturity | 115 days |
| TOTAL OUTSTANDING | 1,584,862,168,094 |
| Average maturity | 6 years and 357 days |

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 30 June, 2015

In € billion

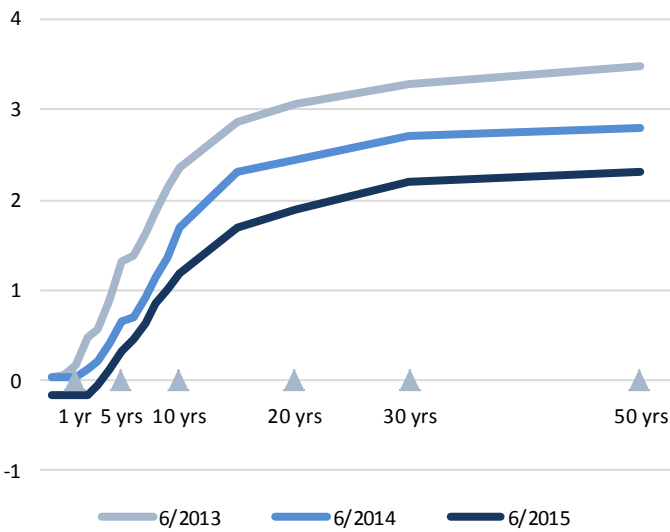
| | End 2012 | End 2013 | End 2014 | End May 2015 | End June 2015 |
|--|--------------------|-------------------|---------------------|---------------------|---------------------|
| Negotiable government debt outstanding | 1,386 | 1,457 | 1,528 | 1,573 | 1,585 |
| of which index-linked securities | 173 | 174 | 189 | 196 | 198 |
| Medium- and long-term | 1,220 | 1,283 | 1,352 | 1,410 | 1,429 |
| short-term | 167 | 174 | 175 | 162 | 156 |
| 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 | 6 years 362 days | 6 years 357 days |
| after swaps | 7 years 34 days | 7 years 2 days | 6 years 362 days | 6 years 361 days | 6 years 356 days |

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

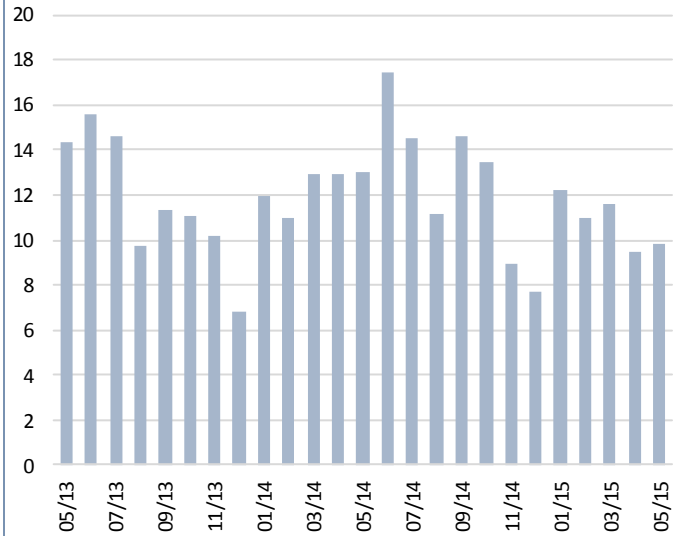
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

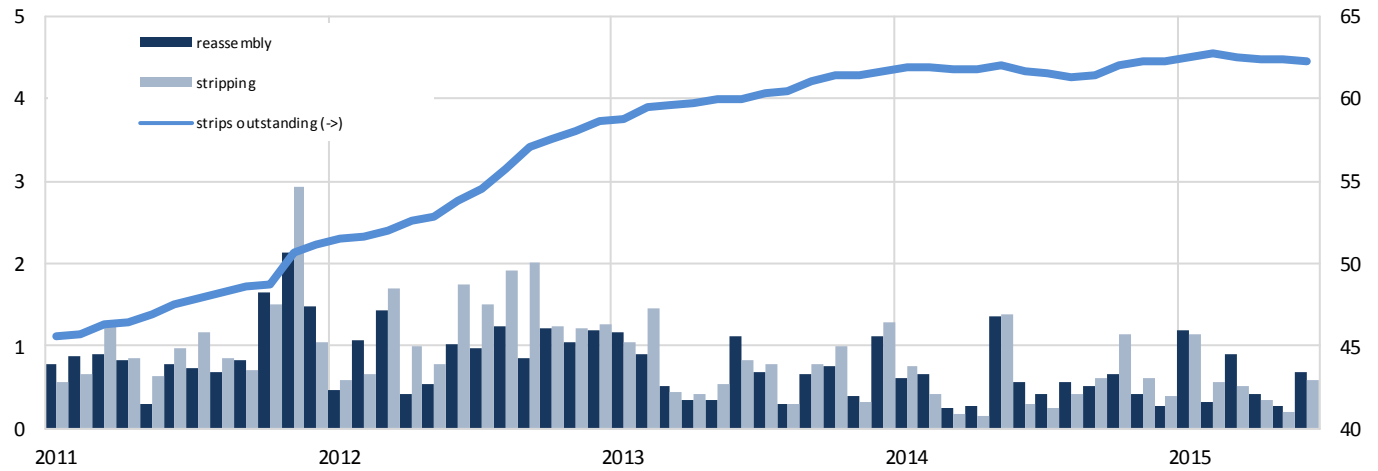
In € billion



Source: reporting by primary dealers in government securities

Total stripping and reassembly

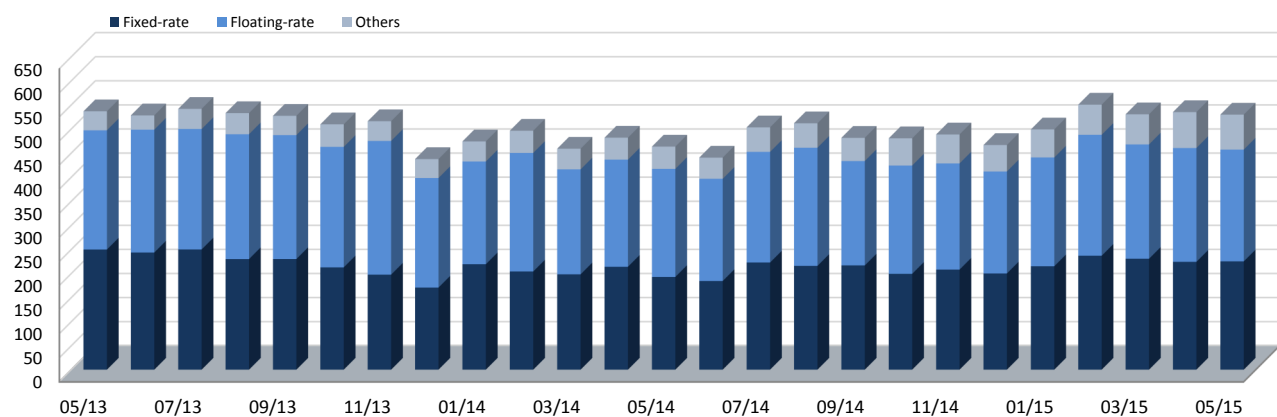
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 30 June, 2015

| | Maturity | Outstanding (€) |
|-----|-------------------|-----------------|
| BTF | 1 July 2015 | 6,911,000,000 |
| BTF | 8 July 2015 | 5,737,000,000 |
| BTF | 15 July 2015 | 6,213,000,000 |
| BTF | 23 July 2015 | 6,874,000,000 |
| BTF | 29 July 2015 | 6,078,000,000 |
| BTF | 5 August 2015 | 7,313,000,000 |
| BTF | 12 August 2015 | 5,458,000,000 |
| BTF | 20 August 2015 | 8,310,000,000 |
| BTF | 26 August 2015 | 6,174,000,000 |
| BTF | 9 September 2015 | 7,387,000,000 |
| BTF | 16 September 2015 | 7,218,000,000 |
| BTF | 23 September 2015 | 4,400,000,000 |
| BTF | 30 September 2015 | 8,167,000,000 |
| BTF | 14 October 2015 | 6,592,000,000 |
| BTF | 28 October 2015 | 8,081,000,000 |
| BTF | 11 November 2015 | 6,573,000,000 |
| BTF | 25 November 2015 | 3,120,000,000 |
| 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 | 6,216,000,000 |
| BTF | 31 March 2016 | 6,724,000,000 |
| BTF | 27 April 2016 | 5,876,000,000 |
| BTF | 25 May 2016 | 4,895,000,000 |

Medium- and long-term debt (maturing 2015–2018) at 30 June, 2015

| ISIN Code | Bond | Outstanding (€) | Ind. Coeff. | Face value | Stripped (€) |
|--------------|-----------------------------|------------------------|-------------|----------------|--------------|
| | Maturity 2015 | 77,383,537,600 | | | |
| FR0118462128 | BTAN 2% 12 July 2015 | 20,916,500,000 | | | – |
| FR0010135525 | OAT€i 1.6% 25 July 2015 | 13,588,672,790 (1) | 1.19819 | 11,341,000,000 | 0 |
| FR0010216481 | OAT 3% 25 October 2015 | 26,794,000,000 | | | 0 |
| FR0011452721 | OAT 0.25% 25 November 2015 | 15,085,000,000 | | | 0 |
| | Maturity 2016 | 137,744,835,200 | | | |
| FR0119105809 | BTAN 2.25% 25 February 2016 | 26,302,000,000 | | | – |
| FR0010288357 | OAT 3.25% 25 April 2016 | 32,017,000,000 | | | 0 |
| FR0119580050 | BTAN 2.5% 25 July 2016 | 28,340,000,000 | | | – |
| FR0119105791 | BTANi 0.45% 25 July 2016 | 9,168,835,200 (1) | 1.05280 | 8,709,000,000 | – |
| FR0000187361 | OAT 5% 25 October 2016 | 27,929,000,000 | | | 264,017,000 |
| FR0011857218 | OAT 0.25% 25 November 2016 | 13,988,000,000 | | | 0 |
| | Maturity 2017 | 143,955,203,850 | | | |
| 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 | 22,950,203,850 (1) | 1.13643 | 20,195,000,000 | 0 |
| FR0010517417 | OAT 4.25% 25 October 2017 | 34,875,000,000 | | | 0 |
| | Maturity 2018 | 127,582,032,270 | | | |
| FR0012634558 | OAT 0% 25 February 2018 | 11,143,000,000 | | | 0 |
| FR0010604983 | OAT 4% 25 April 2018 | 30,984,000,000 | | | 0 |
| FR0011394345 | OAT 1% 25 May 2018 | 23,412,000,000 | | | 0 |
| FR0011237643 | OAT€i 0.25% 25 July 2018 | 11,731,032,270 (1) | 1.04211 | 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 30 June, 2015

| ISIN Code | Bond | Outstanding (€) | Ind. Coeff. | Face value | Stripped (€) |
|------------------------------|---------------------------------|------------------------|-------------|----------------|----------------|
| Maturity 2019 | | 137,178,994,468 | | | |
| 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 | 11,988,646,600 (1) | 1.06946 | 11,210,000,000 | 0 |
| FR0000570921 | OAT 8.5% 25 October 2019 | 8,844,392,893 | | | 5,869,885,100 |
| FR0010776161 | OAT 3.75% 25 October 2019 | 35,410,000,000 | | | 0 |
| FR0011993179 | OAT 0.5% 25 November 2019 | 26,333,000,000 | | | 0 |
| FR0000570954 | OAT cap. 9.82% 31 December 2019 | 29,954,975 (2) | | 6,692,154 | - |
| Maturity 2020 | | 116,098,255,600 | | | |
| FR0010854182 | OAT 3.5% 25 April 2020 | 36,032,000,000 | | | 0 |
| FR0012557957 | OAT 0% 25 May 2020 | 18,670,000,000 | | | 0 |
| FR0010050559 | OAT€i 2.25% 25 July 2020 | 24,834,255,600 (1) | 1.22276 | 20,310,000,000 | 0 |
| FR0010949651 | OAT 2.5% 25 October 2020 | 36,562,000,000 | | | 0 |
| Maturity 2021 | | 82,102,099,440 | | | |
| FR0010192997 | OAT 3.75% 25 April 2021 | 36,041,000,000 | | | 0 |
| FR0011347046 | OATi 0.1% 25 July 2021 | 6,170,099,440 (1) | 1.01282 | 6,092,000,000 | 0 |
| FR0011059088 | OAT 3.25% 25 October 2021 | 39,891,000,000 | | | 0 |
| Maturity 2022 | | 81,829,762,990 | | | |
| FR0000571044 | OAT 8.25% 25 April 2022 | 1,243,939,990 | | | 608,668,400 |
| FR0011196856 | OAT 3% 25 April 2022 | 36,140,000,000 | | | 0 |
| FR0010899765 | OAT€i 1.1% 25 July 2022 | 19,488,823,000 (1) | 1.08700 | 17,929,000,000 | 0 |
| FR0011337880 | OAT 2.25% 25 October 2022 | 24,957,000,000 | | | 0 |
| Maturity 2023 | | 96,558,616,653 | | | |
| FR0000571085 | OAT 8.5% 25 April 2023 | 10,606,195,903 | | | 5,740,300,200 |
| FR0011486067 | OAT 1.75% 25 May 2023 | 31,131,000,000 | | | 0 |
| FR0010585901 | OATi 2.1% 25 July 2023 | 15,120,420,750 (1) | 1.10167 | 13,725,000,000 | 0 |
| FR0010466938 | OAT 4.25% 25 October 2023 | 39,701,000,000 | | | 577,585,000 |
| Maturity 2024 | | 69,106,233,220 | | | |
| FR0011619436 | OAT 2.25% 25 May 2024 | 28,128,000,000 | | | 16,000,000 |
| FR0011427848 | OAT€i 0.25% 25 July 2024 | 10,743,233,220 (1) | 1.01793 | 10,554,000,000 | 0 |
| FR0011962398 | OAT 1.75% 25 November 2024 | 30,235,000,000 | | | 58,000,000 |
| Maturity 2025 | | 50,109,287,998 | | | |
| FR0012558310 | OATi 0.1% 1 March 2025 | 2,976,359,880 (1) | 1.00417 | 2,964,000,000 | 0 |
| FR0012517027 | OAT 0.5% 25 May 2025 | 25,557,000,000 | | | 0 |
| FR0000571150 | OAT 6% 25 October 2025 | 21,575,928,118 | | | 3,159,964,400 |
| Maturity 2026 | | 31,784,000,000 | | | |
| FR0010916924 | OAT 3.5% 25 April 2026 | 31,784,000,000 | | | 65,813,000 |
| Maturity 2027 | | 46,265,888,000 | | | |
| FR0011008705 | OAT€i 1.85% 25 July 2027 | 11,236,888,000 (1) | 1.07120 | 10,490,000,000 | 0 |
| FR0011317783 | OAT 2.75% 25 October 2027 | 35,029,000,000 | | | 0 |
| Maturity 2028 | | 22,534,786 | | | |
| FR0000571226 | OAT zero coupon 28 March 2028 | 22,534,786 (3) | | 46,232,603 | - |
| Maturity 2029 | | 39,728,363,099 | | | |
| FR0000571218 | OAT 5.5% 25 April 2029 | 29,091,880,458 | | | 3,593,609,100 |
| FR0000186413 | OATi 3.4% 25 July 2029 | 10,636,482,641 (1) | 1.25591 | 8,469,144,000 | 0 |
| Maturity 2030 | | 32,825,422,450 | | | |
| FR0011883966 | OAT 2.5% 25 May 2030 | 28,387,000,000 | | | 0 |
| FR0011982776 | OAT€i 0.7% 25 July 2030 | 4,438,422,450 (1) | 1.00485 | 4,417,000,000 | 0 |
| Maturity 2031 et plus | | 159,714,465,280 | | | |
| FR0000188799 | OAT€i 3.15% 25 July 2032 | 11,925,747,660 (1) | 1.23891 | 9,626,000,000 | 0 |
| FR0000187635 | OAT 5.75% 25 October 2032 | 26,135,322,600 | | | 11,428,449,400 |
| FR0010070060 | OAT 4.75% 25 April 2035 | 21,897,000,000 | | | 5,324,467,000 |
| FR0010371401 | OAT 4% 25 October 2038 | 23,889,000,000 | | | 4,824,011,400 |
| FR0010447367 | OAT€i 1.8% 25 July 2040 | 11,213,395,020 (1) | 1.14762 | 9,771,000,000 | 0 |
| FR0010773192 | OAT 4.5% 25 April 2041 | 23,650,000,000 | | | 7,231,539,000 |
| FR0011461037 | OAT 3.25% 25 May 2045 | 15,421,000,000 | | | 616,000,000 |
| FR0010171975 | OAT 4% 25 April 2055 | 14,926,000,000 | | | 7,613,438,000 |
| FR0010870956 | OAT 4% 25 April 2060 | 10,657,000,000 | | | 5,342,484,100 |

(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 2015; not open to subscription

Most recent economic indicators

| | | |
|--|---------|--------------|
| Industrial output, year-on-year | 1.6% | May 2015 |
| Household consumption*, year-on-year | 1.7% | Jun 2015 |
| Unemployment rate (ILO) | 10.3% | Mar 2015 |
| Consumer prices, year-on-year | | |
| all items | 0.3% | Jun 2015 |
| all items excluding tobacco | 0.3% | Jun 2015 |
| Trade balance, fob-fob, sa (€bn) | -€4.0bn | May 2015 |
| " " | -€3.3bn | Apr 2015 |
| Current account balance, sa (€bn) | €0.3bn | May 2015 |
| " " | €0.4bn | Apr 2015 |
| 10-year constant maturity rate (TEC10) | 1.21% | 30 Jun. 2015 |
| 3-month interest rate (Euribor) | -0.014% | 30 Jun. 2015 |
| EUR / USD | 1.1189 | 30 Jun. 2015 |
| EUR / JPY | 137.01 | 30 Jun. 2015 |

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

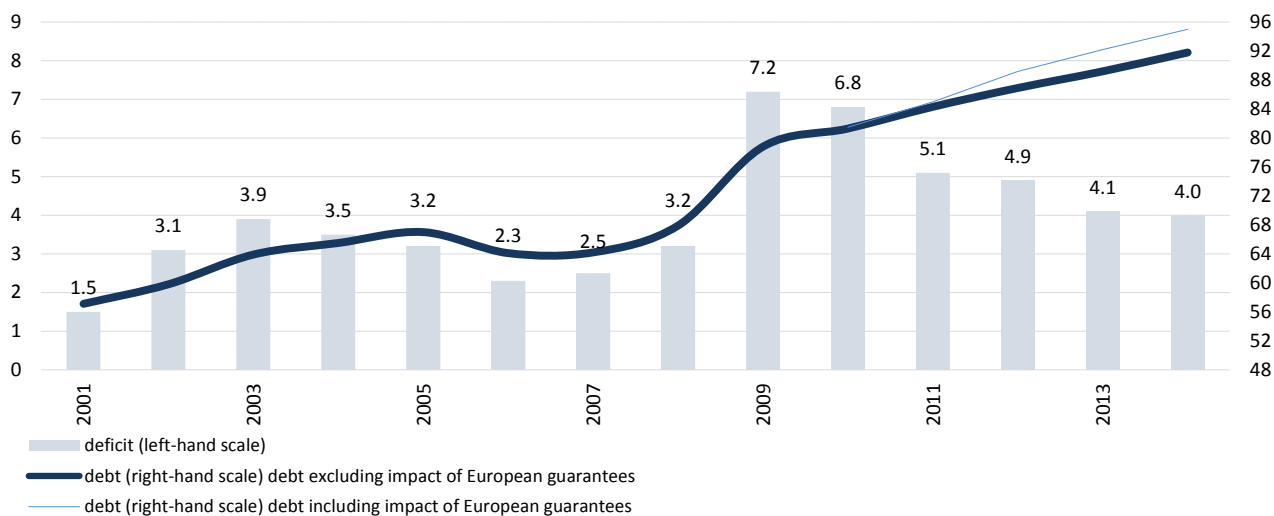
In € billion

| | | | end of May level | | |
|--------------------------------------|---------------|---------------|------------------|---------------|---------------|
| | 2013 | 2014 | 2013 | 2014 | 2015 |
| General budget balance | -75.43 | -85.71 | -51.79 | -42.66 | -42.24 |
| revenue | 301.24 | 291.95 | 117.57 | 123.96 | 123.23 |
| expenditure | 376.67 | 377.66 | 169.36 | 166.62 | 165.47 |
| Balance of special Treasury accounts | 0.56 | 0.16 | -20.85 | -21.67 | -21.69 |
| General budget outturn | -74.87 | -85.56 | -72.64 | -64.33 | -63.93 |

Source: Minefi

Public finances: deficit and debt

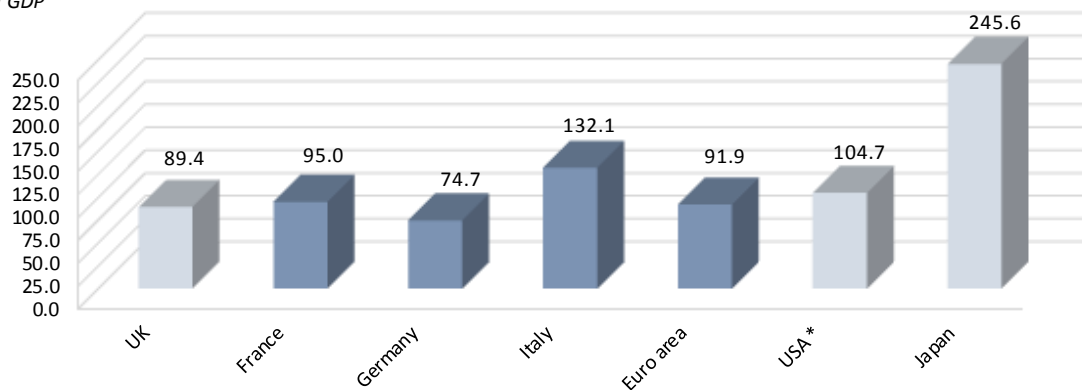
As % of GDP



Source: Insee

General government debt in 2014

As % of GDP



Sources: Eurostat (07/2015), FMI (07/2015)

* IMF estimate

French economic indicators: timetable

| August 2015 | | September 2015 | |
|--|--|--|--|
|  7 | Foreign trade in June |  3 | Job seekers Q2-2015 (BIT) |
|  7 | Industrial output in June |  8 | Foreign trade in July |
|  12 | Balance of payments in June |  10 | Industrial output in July |
|  13 | Consumer prices: index for July |  10 | Payroll employment: Q2-2015 |
|  14 | Quarterly national accounts: first results Q2-2015 |  11 | Balance of payments in July |
|  14 | Payroll employment: provisional results Q2-2015 |  15 | Consumer prices: index for August |
|  14 | Inflation (HICP): July index |  16 | Inflation (HICP): August index |
|  26 | Job seekers in July |  23 | Quarterly national accounts: final results Q2-2015 |
|  27 | Industrial investments: July survey |  24 | Industrial trends: monthly survey for September |
|  27 | Industrial trends: monthly survey for August |  24 | Job seekers in August |
|  28 | New building starts in July |  25 | New building starts in August |
|  31 | Net foreign exchange reserves in July |  30 | Net foreign exchange reserves in August |

Sources: Insee, Eurostat