

News at Agence France Trésor <i>page 1</i>	Economic news <i>page 2</i>	General debt-related data <i>page 3</i>	Secondary market <i>page 5</i>	Negotiable government debt <i>page 6</i>	The French economy and international comparisons <i>page 8</i>
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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

In 2016, AFT will execute its borrowing programme while working in close conjunction with primary dealers to maintain optimum liquidity on the French debt market

Throughout 2016, in accordance with the announcements made to that effect on 3 December 2015, the ECB will maintain its quantitative easing programme. Faithful to its practice, AFT will continue to adapt its issuance policy to meet investor demand for existing or future benchmark issues.

To preserve liquidity along the entire curve, AFT made some off-the-run issues in 2015 against a background of quantitative easing that saw the Eurosystem regularly purchase every maturity of bond on offer. These off-the-run issues were the highest since 2011 when they reached 36.6% of total issues. This time around, they accounted for 33.3% of total issues compared to 21.8% in 2014. This practice will be maintained in 2016.

AFT will also issue some new bonds as part of its borrowing programme.

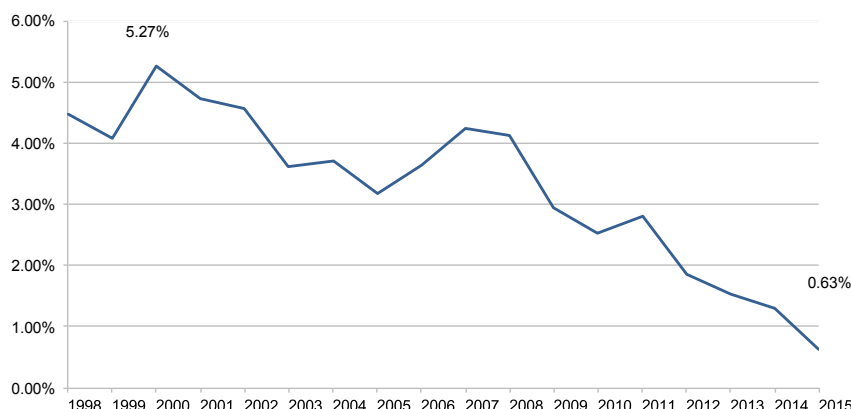
Following the successful issue of the February 2018 OAT in 2015, AFT plans to issue a February 2019 OAT with a longer maturity than the standard two-year benchmark issue to boost demand against a background of very low short-term yields, or even negative on the lowest part of the curve.

In keeping with its regular issuance policy, AFT will issue two new 5-year and two new 10-year benchmark bonds in 2016. At the same time, it will issue a 20-year bond due to growth in demand in the last two years for this type of maturity and primary dealers' recommendations. This new addition to the standard 15- and 30-year benchmark maturities will be subject to the legal requirement introduced on 1 January 2013 that all new euro area government securities must include a standard collective action clause; it will round out the yield curve for stripped securities maturing in May and will be issued in addition to tapping the standard 15-year benchmark, including the May 2031 OAT issued successfully in October 2015.

Lastly, AFT will, together with its primary dealers, assess the prospects for a new 50-year syndicated bond, subject to market conditions and investor appetite. The last two 50-year benchmark bonds were issued in 2005 and 2010.

Bonds indexed to French or euro area inflation (OATis and OAT€is) will account for around 10% of net medium- and long-term issues. AFT will issue a new 5-year OAT€i in an area of the curve containing off-the-run issues. It will also examine the possibility of issuing a 30-year syndicated benchmark OAT€i, in close conjunction with its primary dealers; the longest maturity for this type of bond is currently 2040.

Record low French sovereign bond yields in 2015
Weighted average yield on medium- and long-term debt per year of issuance



ECB QE vs Fed lift-off: challenges for central banks

By Alberto Gallo, Head of Global Macro Credit Research, Royal Bank of Scotland

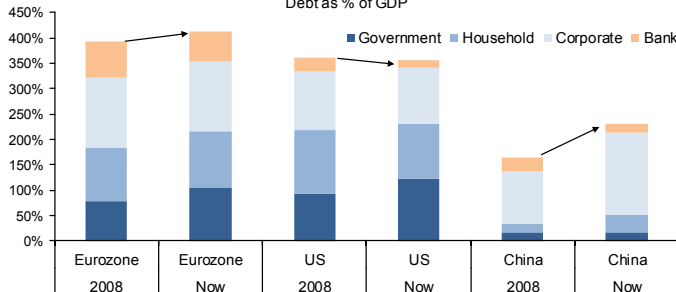
The ECB recently accelerated its monetary easing, while the Fed has finally lifted rates off the zero bound. Yet both central banks face obstacles to their policy implementation.

In the Euro area more QE is necessary, but will have limited impact on the real economy. QE so far has worked through the currency channel to support exports, but bank lending and corporate investment have stagnated. In our view, this is because cyclical stimulus is insufficient to fix structural problems. Public and private debt in the Eurozone remains high due to a lack of balance sheet deleveraging (through debt repayments and write-offs) and macroeconomic deleveraging (through growth and inflation). The US has managed to achieve some of both since the crisis by recognising credit losses early and using fiscal policy to support growth. The Eurozone struggles to do the same as shallower capital markets and slower bankruptcy regimes impede debt restructuring, while national governments are constrained by EU budget rules to increase spending. QE could lower interest costs, but will not bring down Europe's nominal debt without growth and inflation – these require more coordination on the fiscal and reform fronts.

continues to lag the improvements in unemployment, while labour participation has stagnated. In addition, the US credit market has become more exposed to emerging markets and lower oil prices, with EM issuers representing 8% of IG benchmarks and energy names accounting for 13% of HY indices. The Riksbank's 2010-12 experience shows that hiking rates too quickly without enough attention to structural imbalances and external headwinds could force a policy reversal. There is a risk that the Fed may repeat the Riksbank's mistake, which could seriously hurt its credibility and market confidence.

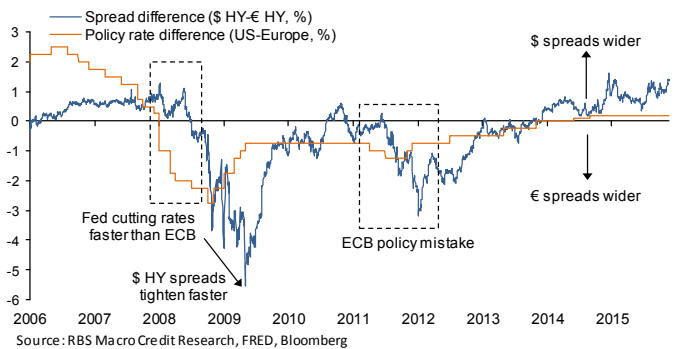
History has shown that Dollar and Euro bond spreads could decouple further as monetary policies diverge. But with weak global growth outlook and the threat from EM, the divergence this time could bring more volatility. The likely response from policymakers will be more QE (ECB) or a reversal in tightening (Fed). Both come with side effects including potential asset bubbles, an erosion of central bank credibility, years of positive but low growth and rising wealth inequality.

Total public and private debt decreased in US, increased in China and Europe
Debt as % of GDP



Source: RBS Macro Credit Research, OECD, Eurostat, Federal Reserve, Markit, Bloomberg

Diverging monetary policy could spell spread volatility



Source: RBS Macro Credit Research, FRED, Bloomberg

The US economy is strong enough for a rate hike, but persistent structural imbalances mean the risk of a policy mistake is high. More robust growth, less labour market slack and frothy signs in some assets (stocks, \$ EM debt) suggest policy tightening is appropriate in the US. But the costs of the Fed doing too much, too fast are high, given the geographically uneven recovery and remaining structural weaknesses in labour markets. Wage growth

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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.



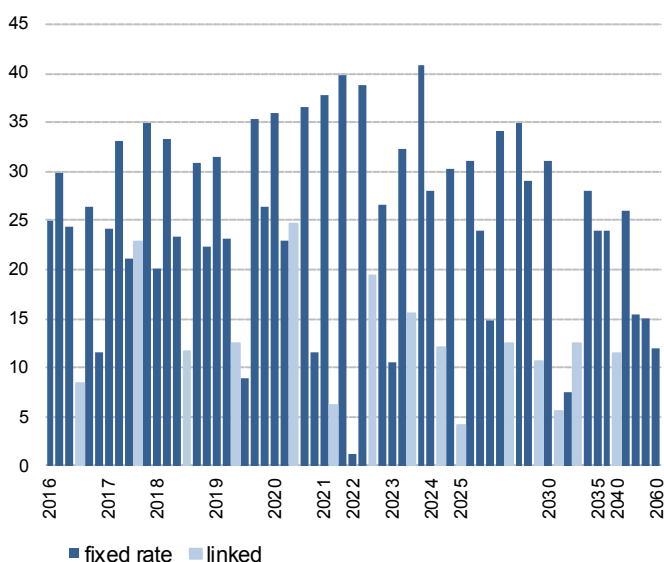
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
January 2016	auction date	4	11	18	25	//	21	7	21
	settlement date	6	13	20	27	//	25	11	25
February 2016	auction date	1	8	15	22		18	4	18
	settlement date	3	10	17	24	2 (March)	22	8	22

Source: Agence France Trésor

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

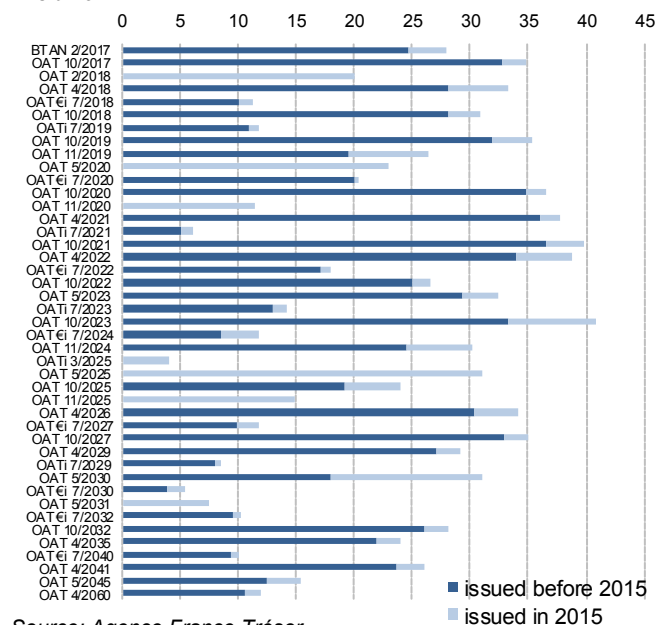
Nominal value of each line, in € billion



Source: Agence France Trésor

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

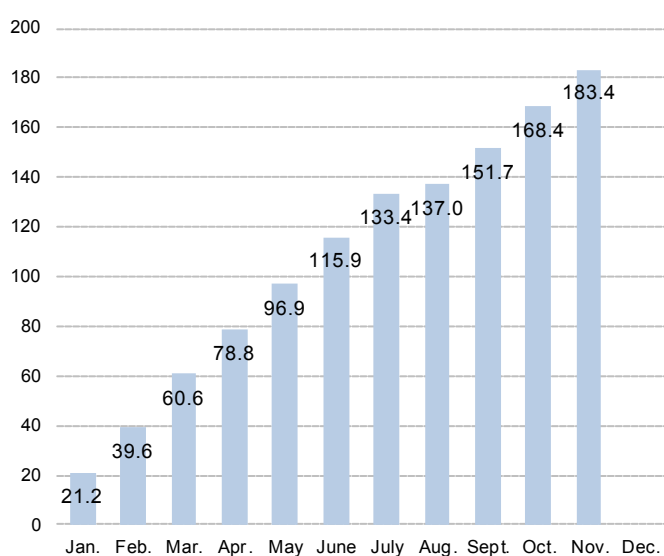
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 November, 2015

In € billion



Source: Agence France Trésor

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

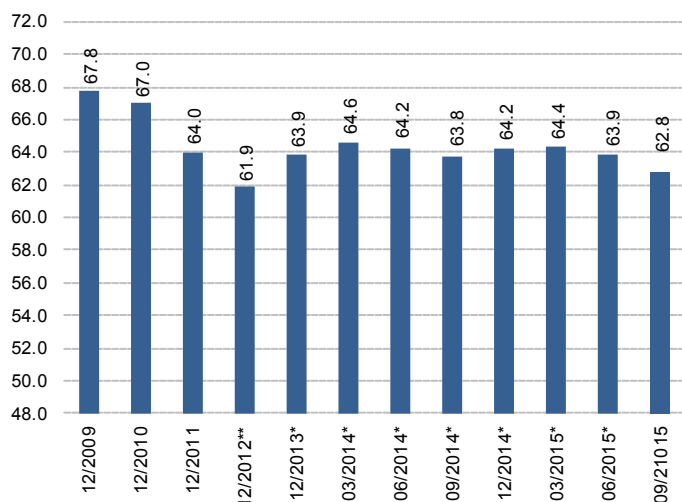
In € billion

Month	Coupon	Redemption
Dec-15		
Jan-16		
Feb-16	1.0	25.0
Mar-16	0.0	
Apr-16	15.9	29.8
May-16	3.2	
Jun-16		
Jul-16	3.7	32.5
Aug-16		
Sep-16		
Oct-16	15.7	26.3
Nov-16		

Source: Agence France Trésor

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

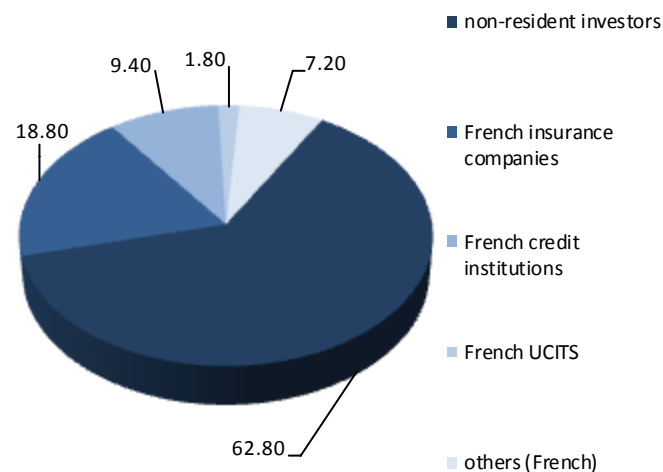
As a % of negotiable debt outstanding expressed in market value



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

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

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 30 November, 2015

In euros

Total medium- and long-term debt	1,419,912,262,341
Total stripping activity	61,666,389,100
Average maturity	7 years and 335 days
Total short-term debt	164,060,000,000
Average maturity	113 days
TOTAL OUTSTANDING	1,583,972,262,341
Average maturity	7 years and 47 days

Source: Agence France Trésor

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

In € billion

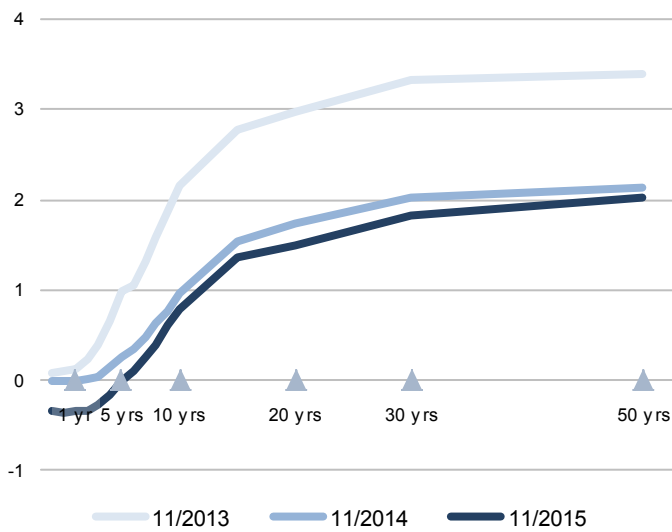
	End 2012	End 2013	End 2014	End Oct. 2015	End Nov. 2015
Negotiable government debt outstanding	1,386	1,457	1,528	1,580	1,584
of which index-linked securities	173	174	189	188	190
Medium- and long-term	1,220	1,283	1,352	1,420	1,420
short-term	167	174	175	160	164
Swaps outstanding	10	7	6	6	6
Average maturity of the negotiable debt					
before swaps	7 years 37 days	7 years 5 days	6 years 363 days	7 years 46 days	7 years 47 days
after swaps	7 years 34 days	7 years 2 days	6 years 362 days	7 years 46 days	7 years 47 days

Source: Agence France Trésor



Yield curve for French government securities

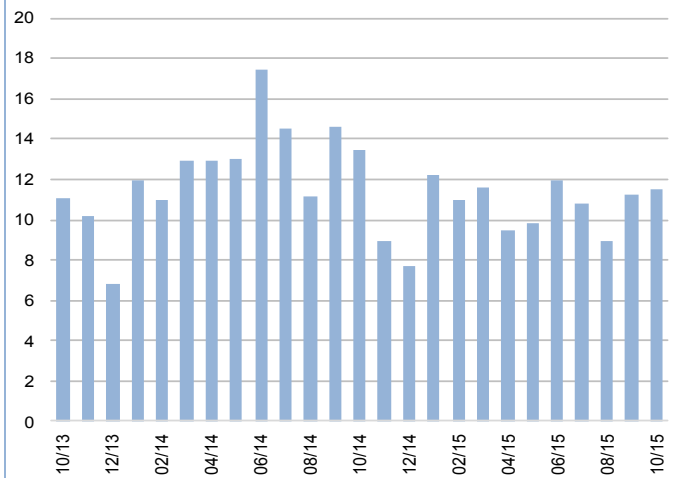
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

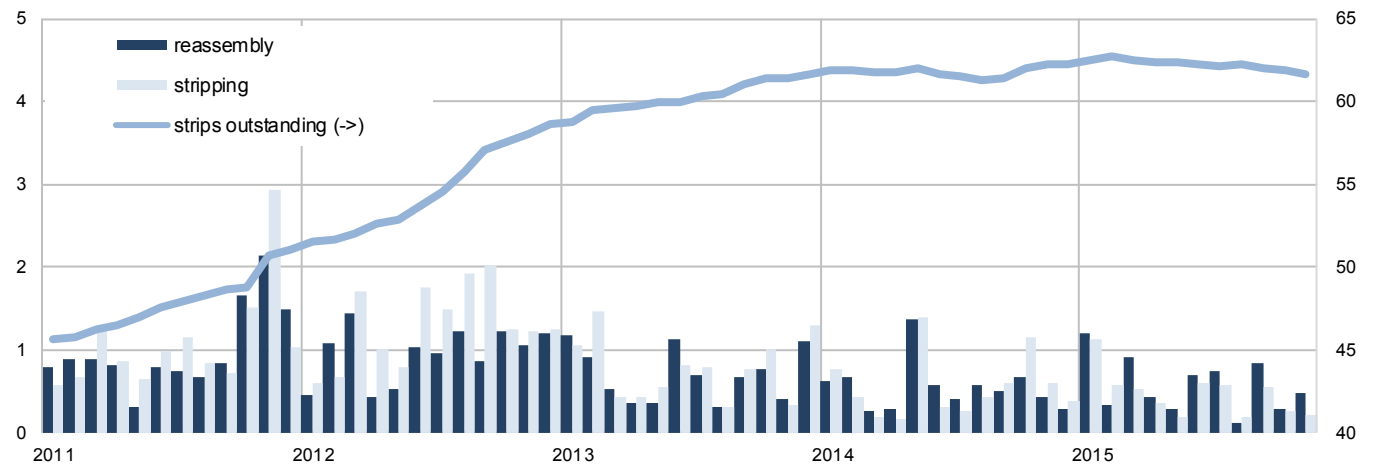
In € billion



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

Total stripping and reassembly

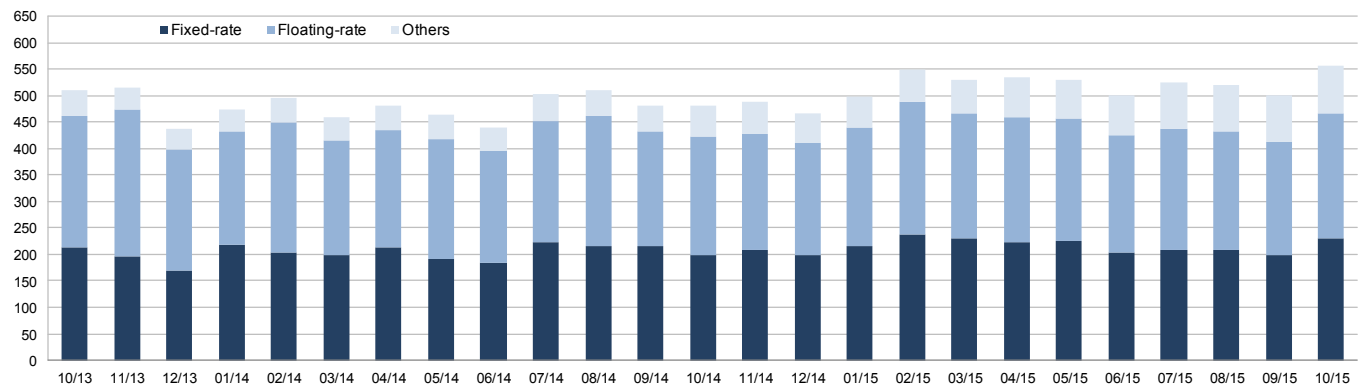
In € billion



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 November, 2015

	Maturity	Outstanding (€)
BTF	02 December 2015	7,093,000,000
BTF	09 December 2015	6,698,000,000
BTF	16 December 2015	7,178,000,000
BTF	23 December 2015	6,196,000,000
BTF	30 December 2015	7,992,000,000
BTF	06 January 2016	7,416,000,000
BTF	13 January 2016	7,587,000,000
BTF	20 January 2016	5,650,000,000
BTF	27 January 2016	8,393,000,000
BTF	03 February 2016	7,441,000,000
BTF	10 February 2016	7,855,000,000
BTF	17 February 2016	6,097,000,000
BTF	24 February 2016	4,256,000,000
BTF	02 March 2016	6,216,000,000
BTF	16 March 2016	7,467,000,000
BTF	31 March 2016	6,724,000,000
BTF	13 April 2016	7,019,000,000
BTF	27 April 2016	5,876,000,000
BTF	25 May 2016	4,895,000,000
BTF	22 June 2016	7,262,000,000
BTF	20 July 2016	5,332,000,000
BTF	18 August 2016	5,862,000,000
BTF	14 September 2016	5,555,000,000
BTF	12 October 2016	8,049,000,000
BTF	09 November 2016	3,951,000,000

Medium- and long-term debt (maturing 2015–2019) at 30 November, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2015	0			
	Maturity 2016	125,455,144,600			
FR0119105809	BTAN 2.25% 25 February 2016	24,967,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	29,820,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	24,451,500,000			–
FR0119105791	BTANi 0.45% 25 July 2016	8,404,644,600	(1) 1.04940	8,009,000,000	–
FR0000187361	OAT 5% 25 October 2016	26,324,000,000			265,017,000
FR0011857218	OAT 0.25% 25 November 2016	11,488,000,000			0
	Maturity 2017	135,943,588,200			
FR0120473253	BTAN 1.75% 25 February 2017	24,112,500,000			–
FR0010415331	OAT 3.75% 25 April 2017	33,037,000,000			0
FR0120746609	BTAN 1% 25 July 2017	21,043,000,000			–
FR0010235176	OATi 1% 25 July 2017	22,876,088,200	(1) 1.13276	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,875,000,000			0
	Maturity 2018	141,654,240,610			
FR0012634558	OAT 0% 25 February 2018	20,057,000,000			0
FR0010604983	OAT 4% 25 April 2018	33,269,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,704,240,610	(1) 1.03973	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	30,947,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			0
	Maturity 2019	137,705,187,868			
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	12,514,840,000	(1) 1.06600	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,778,885,100
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	–

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

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

Medium- and long-term debt (maturing in 2020 and beyond) at 30 November, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2020		131,806,590,700			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,777,590,700 (1)	1.21997	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020	11,466,000,000			0
Maturity 2021		83,878,178,600			
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,150,178,600 (1)	1.00955	6,092,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
Maturity 2022		86,040,119,780			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			617,468,400
FR0011196856	OAT 3% 25 April 2022	38,725,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,444,179,790 (1)	1.08451	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	26,627,000,000			0
Maturity 2023		99,420,831,863			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,560,400,200
FR0011486067	OAT 1.75% 25 May 2023	32,358,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,574,635,960 (1)	1.09812	14,183,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	40,882,000,000			515,585,000
Maturity 2024		70,386,688,400			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			17,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	12,023,688,400 (1)	1.01560	11,839,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
Maturity 2025		73,886,703,918			
FR0012558310	OATi 0.1% 1 March 2025	4,063,775,800 (1)	1.00093	4,060,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	31,065,000,000			0
FR0000571150	OAT 6% 25 October 2025	23,968,928,118			3,154,164,400
FR0012938116	OAT 1% 25 November 2025	14,789,000,000			0
Maturity 2026		34,114,000,000			
FR0010916924	OAT 3.5% 25 April 2026	34,114,000,000			98,313,000
Maturity 2027		47,536,581,250			
FR0011008705	OAT€i 1.85% 25 July 2027	12,507,581,250 (1)	1.06875	11,703,000,000	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		39,694,063,066			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,513,609,100
FR0000186413	OATi 3.4% 25 July 2029	10,602,182,608 (1)	1.25186	8,469,144,000	0
Maturity 2030		36,502,938,300			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	5,479,938,300 (1)	1.00255	5,466,000,000	0
Maturity 2031 and later		175,864,870,400			
FR0012993103	OAT 1.5% 25 May 2031	7,484,000,000			0
FR0000188799	OAT€i 3.15% 25 July 2032	12,558,572,800 (1)	1.23608	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	28,114,322,600			11,186,657,400
FR0010070060	OAT 4.75% 25 April 2035	24,004,000,000			5,223,167,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,853,011,400
FR0010447367	OAT€i 1.8% 25 July 2040	11,512,975,000 (1)	1.14500	10,055,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	26,037,000,000			7,406,539,000
FR0011461037	OAT 3.25% 25 May 2045	15,421,000,000			499,600,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,327,988,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,602,984,100

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2015; not open to subscription

Most recent economic indicators

Industrial output, year-on-year	2.3%	Oct 2015
Household consumption*, year-on-year	0.8%	Nov 2015
Unemployment rate (ILO)	10.6%	Sep 2015
Consumer prices, year-on-year		
all items	0.0%	Nov 2015
all items excluding tobacco	0.0%	Nov 2015
Trade balance, fob-fob, sa (€bn)	-€4.6bn	Oct 2015
" "	-€3.6bn	Sep 2015
Current account balance, sa (€bn)	-€1.4bn	Oct 2015
" "	€0.3bn	Sep 2015
10-year constant maturity rate (TEC10)	1.01%	31 Dec. 2015
3-month interest rate (Euribor)	-0.132%	29 Dec. 2015
EUR / USD	1.0926	30 Dec. 2015
EUR / JPY	131.66	30 Dec. 2015

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

Monthly government budget position

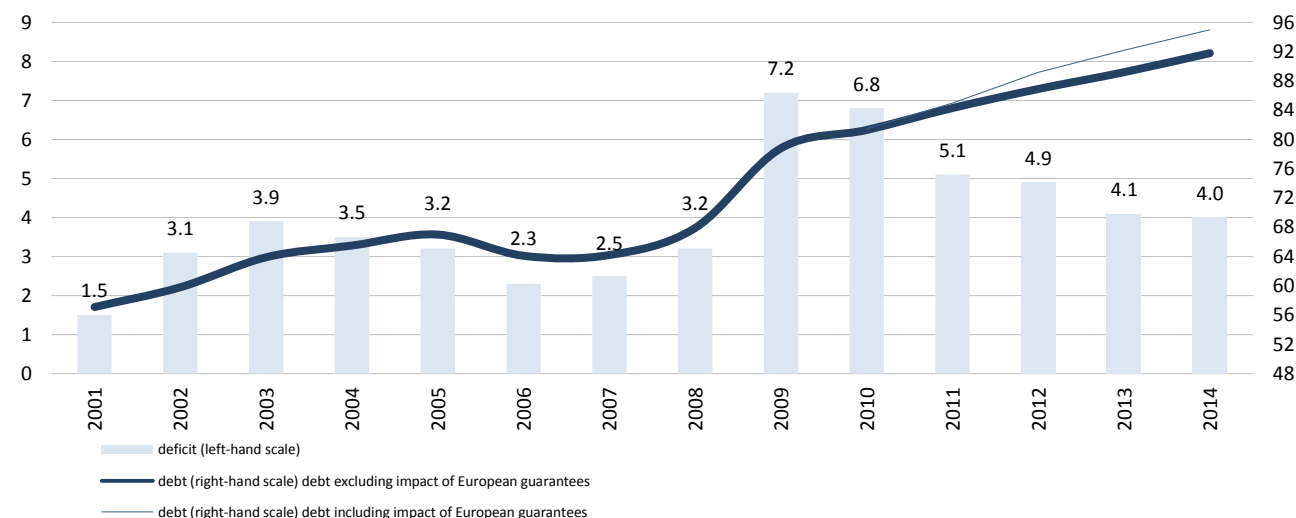
In € billion

	2013	2014	end of October level		
			2013	2014	2015
General budget balance	-75.43	-85.71	-81.08	-80.26	-71.71
revenue	301.24	291.95	244.44	237.61	243.26
expenditure	376.67	377.66	325.52	317.87	314.97
Balance of special Treasury accounts	0.56	0.16	-4.97	-4.45	-4.49
General budget outturn	-74.87	-85.56	-86.05	-84.71	-76.20

Source: Minefi

Public finances: deficit and debt

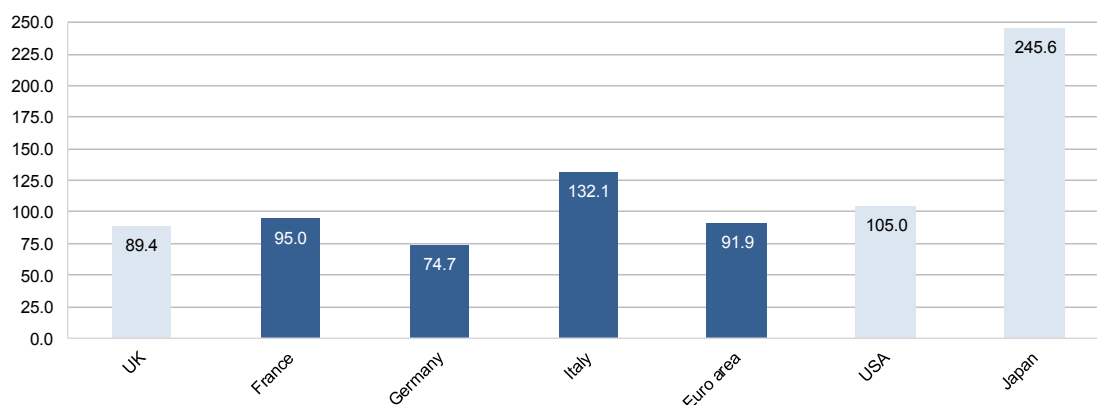
As % of GDP



Source: Insee

General government debt in 2014

As % of GDP



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

French economic indicators: timetable

January 2016		February 2016	
6	Household confidence survey: December survey	5	Foreign trade in December
8	Consumer prices: index for December	9	Industrial Investments: January survey
8	Industrial output in November	10	Industrial output in December
12	Eurozone economic outlook - 1st quarter 2016	10	Balance of payments in December
13	Consumer prices: index for December	12	Payroll employment: provisional results Q4-2015
13	Balance of payments in November	18	Consumer prices: index for January
19	Inflation (HICP): December index	23	Industrial trends: February survey
21	Industrial trends: monthly survey for January	24	Household confidence survey: February survey
27	Job seekers in December	24	Job seekers in January
27	Household confidence survey: January survey	25	Inflation (HICP): January index
28	New building starts in December	26	New building starts in January
29	Net foreign exchange reserves in December	26	Household consumption of manufactured goods in January
29	Household consumption of manufactured goods in December	26	Industrial producer prices: January index
29	Industrial producer prices: December index	29	Net foreign exchange reserves in January
29	National quarterly accounts: first results Q4-2015		

NB: the base year (=100) for the IPC (consumer price index) will be changed from 1998 to 2015 as of January 2016; INSEE will publish the January 2016 index on 18 February 2016.

To continue to calculate the indexation coefficients without interruption, the applicable reference inflation rates will be converted to the new base year by applying the following formula (*clé*):

$$clé = \frac{IPC_{décembre 2015}^{base 2015}}{IPC_{décembre 2015}^{base 1998}}$$

This will produce the following result:

$$Référence_{date t}^{base 2015} = Référence_{date t}^{base 1998} * clé$$

Sources: Insee, Eurostat

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