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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

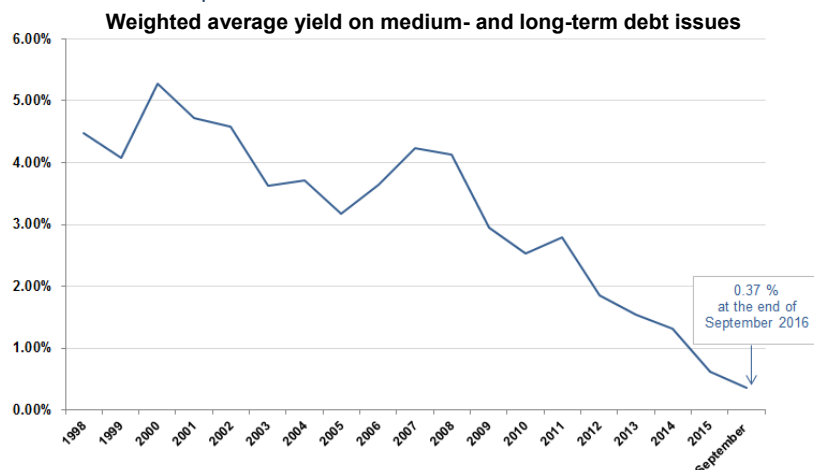
Interim assessment of French State funding for 2016 and preparations for 2017

The State enjoyed particularly favourable financing terms between 1 January and 30 September 2016. France's borrowing cost stood at 0.37%, compared to 0.63% in 2015 and a historical average of 4.15% between 1998 and 2007. At the end of September, Agence France Trésor had issued €173.6 billion, or 92.8% of its gross medium- and long-term issuance programme and 86.1% of its net financing programme, after buybacks of €12.6 billion at the end of August. The €4-billion syndicated issue of the new OAT€i 2047, to be delivered on 5 October, will bring gross issuance up to €177.6 billion. This substantial head start enabled AFT to continue pre-financing future issuance programmes as part of its proactive debt management strategy through buybacks of securities maturing in 2017 and 2018.

Despite a slight downward revision of the financing requirement to €197.4 billion, vs. €198.5 billion set out in the Initial Budget Act of December 2015, the 2016 medium- and long-term issuance programme remains unchanged at €187 billion. BTFs outstanding at the end of 2016 will be reduced by €15 billion, in contrast to the unchanged figure forecast in the Initial Budget Act. The forecast for BTFs outstanding has been revised downward as a result of the net upward adjustment of other cash resources to €17 billion, compared to the Initial Budget Act figure of €0.5 billion, due chiefly to the recording of net premiums on medium- and long-term bond issues since the start of the year. The size of the premiums can be attributed to (i) low market interest rates, which have almost always been lower than the coupons paid since the start of the year, as yields remain very low, or even negative for maturities up to 9 years¹, and (ii) tapping of previous issues to guarantee their liquidity as part of the Eurosystem public sector purchase programme, as was the case in 2015.

The 2017 State financing requirement will stand at €192 billion, including €121.8 billion to redeem medium-and long-term debt and € 69.3 billion to cover the deficit to be financed. The financing requirement will primarily be met by the medium- and long-term issuance programme worth €185 billion, down €2 billion compared to the 2016 issuance programme. Subsidiary financing will come from other resources, including a contribution from cash available in the Treasury's account of €7.6 billion (the cash balance on the account will be smaller at the end of 2017 than it was at the end of 2016). The detailed financing programme will be released in December.

The interest-rate scenario underlying the cost of debt service forecast for 2017 is consistent with the expected improvement in macroeconomic conditions. Based on the assumption that 3-month yields will average -0.2% in 2017 and that 10-year yields will average 0.9%, the cost of debt service is expected to reach €41.8 billion.



Source: Agence France Trésor

¹ In September 2016

Business surveys and economic growth: different correlations in different countries

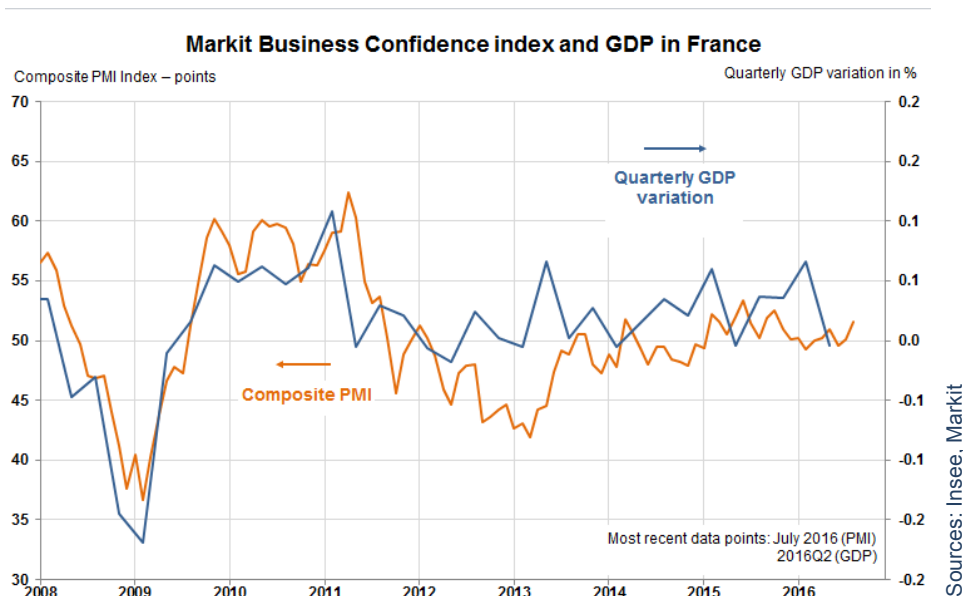
By Diane de Waziers, Deputy Head of the Short-Term Economic Analysis Bureau, Directorate General of the Treasury

There is a close link between business surveys and economic growth. Consequently, the business confidence indicators that summarise the answers given by businesses in different sectors, such as manufacturing, services, trade and construction, are the earliest available indicators used to forecast growth in the short term. In the case of France, economists rely on the business confidence surveys published by the national statistics institute (Insee), the Banque de France and a private institute, Markit. Nevertheless, the link between business confidence and growth needs to be tested statistically to ensure that it is robust and to estimate it quantitatively.

The PMI index compiled by Markit has shown a disconnection between the composite index and growth in France since 2012 (see chart below). Models that rely on the composite index or detailed survey balances (such as past output) are no longer able to forecast French economic growth in the short term satisfactorily, whereas the models relying on the detailed balances of the Insee and Banque de France surveys are still fairly reliable (see Capet, S. and S. Combes, 2014, "Are business surveys equally successful to forecast economic activity in France?," [Trésor-Economics No. 125](#)). The difference in predictive power could stem in part from the size of the survey panels: Insee and the Banque de France survey nearly 10,000 companies each month, whereas Markit surveys only one-tenth that number.

The disconnection also shows that the correlation between business confidence and growth is changing. According to Markit, the threshold of 50 is supposed to represent the "expansion threshold" (above which activity increases). However, the estimates by the Directorate General of the Treasury (see Roucher, D. and T. Rioust de Largentaye, 2015, "How closely do business confidence indicators correlate with actual growth?" [Trésor-Economics No. 151](#)) have shown that this threshold corresponds to quarterly economic growth of about 0.15% in France. In the Insee and Banque de France surveys, the reference threshold of 100 has corresponded to average quarterly growth of 0.35% since 2000, compared to 0.5% growth between 1980 and 2000.

These findings mean we must be cautious when making international comparisons: the growth rates corresponding to the reference thresholds of the surveys are different in different countries. In Italy, the PMI survey reference threshold of 50 does, in fact, correspond to zero GDP growth on average. In Germany, the threshold of 50 corresponds to average quarterly growth of 0.15%, as it does in France.



DG Trésor Disclaimer: This article is a summary of two economic analyses previously published by the Directorate General of the Treasury. The views expressed are those of the authors and do not necessarily represent the views of the Ministry of the Economy and Finance. To consult the publications mentioned in this article, please visit the publications website of the Directorate General of the Treasury: <http://www.tresor.economie.gouv.fr/tresor-economics>.

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



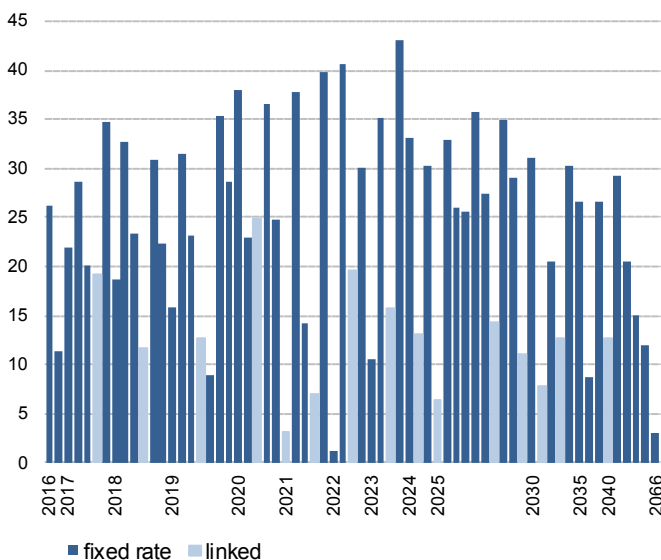
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
October 2016	auction date	3	10	17	24	31	20	6	20
	settlement date	5	12	19	26	03/11	24	10	24
November 2016	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 31 August 2016

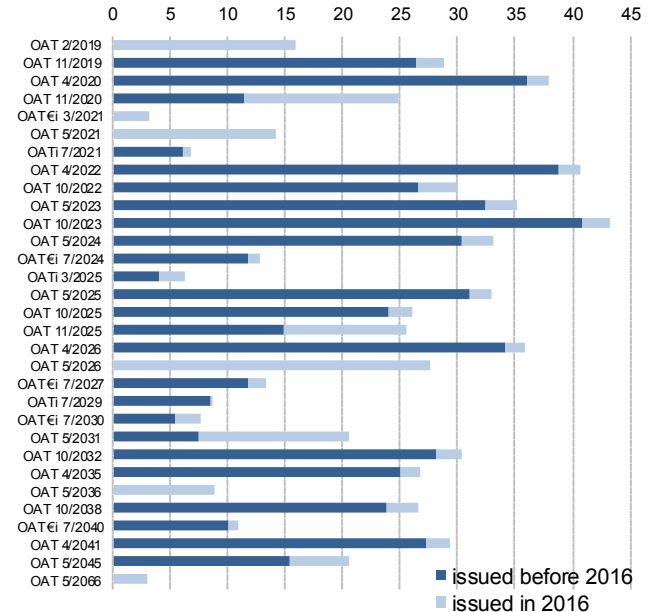
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 August 2016

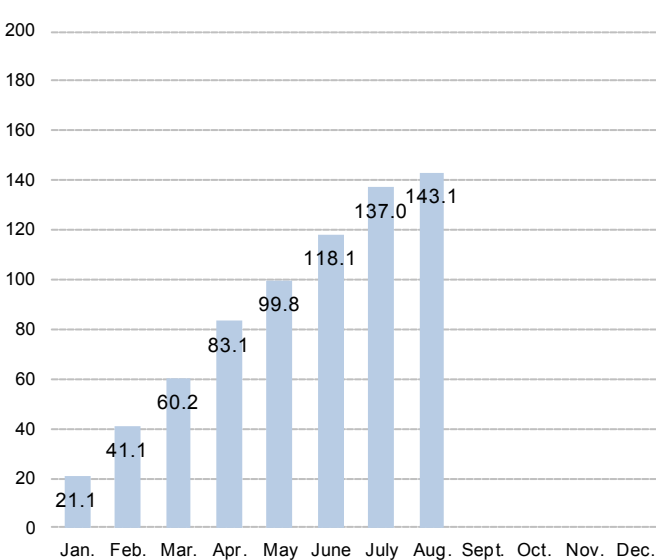
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 August 2016

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 August 2016

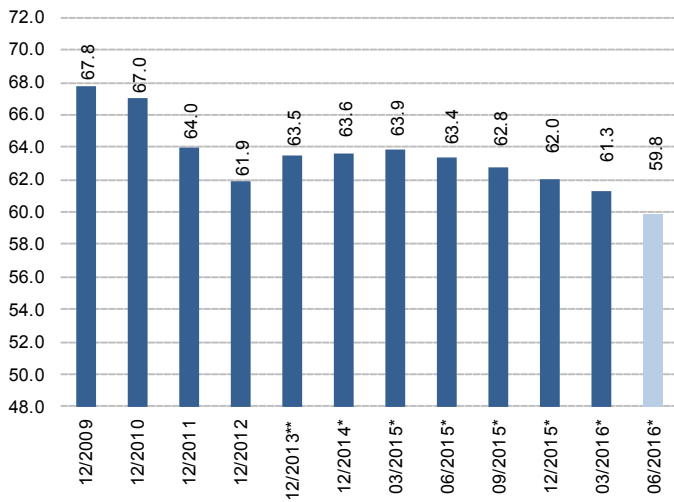
In € billion

Month	Coupon	Redemption
Sep-16		
Oct-16	16.2	26.2
Nov-16	1.2	11.4
Dec-16		
Jan-17		
Feb-17	0.4	22.0
Mar-17	0.0	
Apr-17	15.2	28.7
May-17	4.0	
Jun-17		
Jul-17	3.1	39.4
Aug-17		

Source: Agence France Trésor

Non-resident holders of negotiable government debt in second quarter of 2016

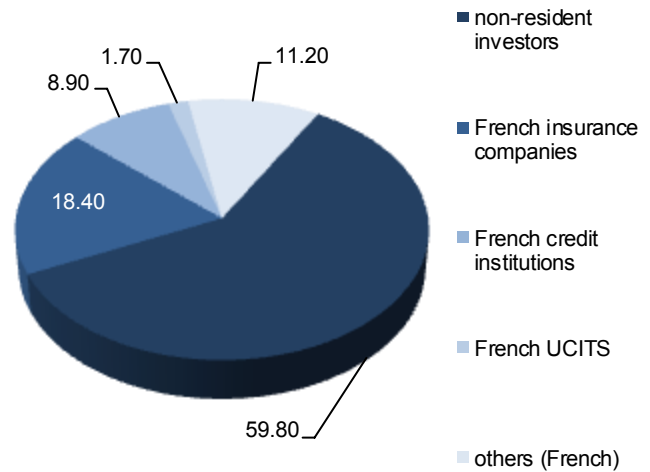
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in second quarter of 2016

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 August 2016

In euros

Total medium- and long-term debt	1,480,300,361,017
Total stripping activity	60,689,989,100
Average maturity	8 years and 17 days
Total short-term debt	143,386,000,000
Average maturity	110 days
TOTAL OUTSTANDING	1,623,686,361,017
Average maturity	7 years and 132 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 August 2016

In € billion

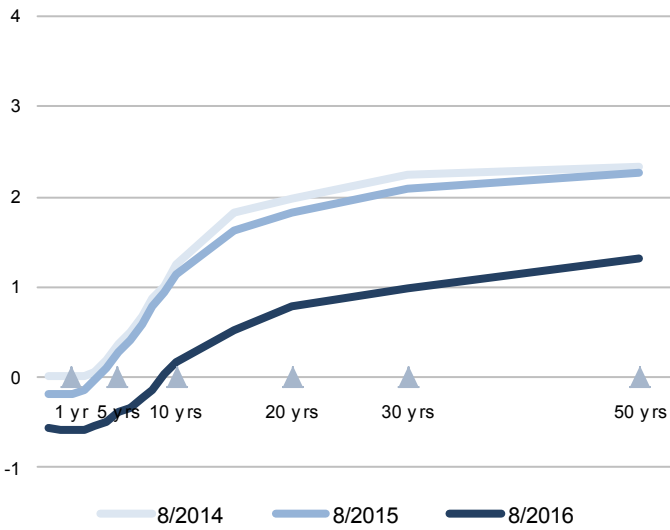
	End 2013	End 2014	End 2015	End July 2016	End August 2016
Negotiable government debt outstanding	1,457	1,528	1,576	1,624	1,624
of which index-linked securities	174	189	190	191	191
Medium- and long-term	1,283	1,352	1,424	1,474	1,480
short-term	174	175	153	150	143
Swaps outstanding	7	6	6	6	6
Average maturity of the negotiable debt					
before swaps	7 years 5 days	6 years 363 days	7 years 47 days	7 years 134 days	7 years 132 days
after swaps	7 years 2 days	6 years 362 days	7 years 47 days	7 years 134 days	7 years 132 days

Source: Agence France Trésor



Yield curve for French government securities

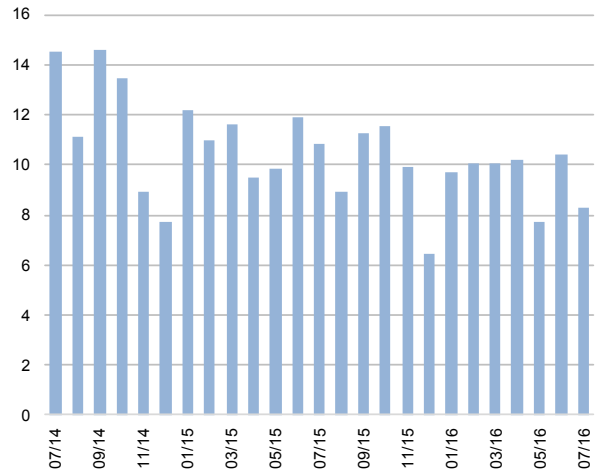
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

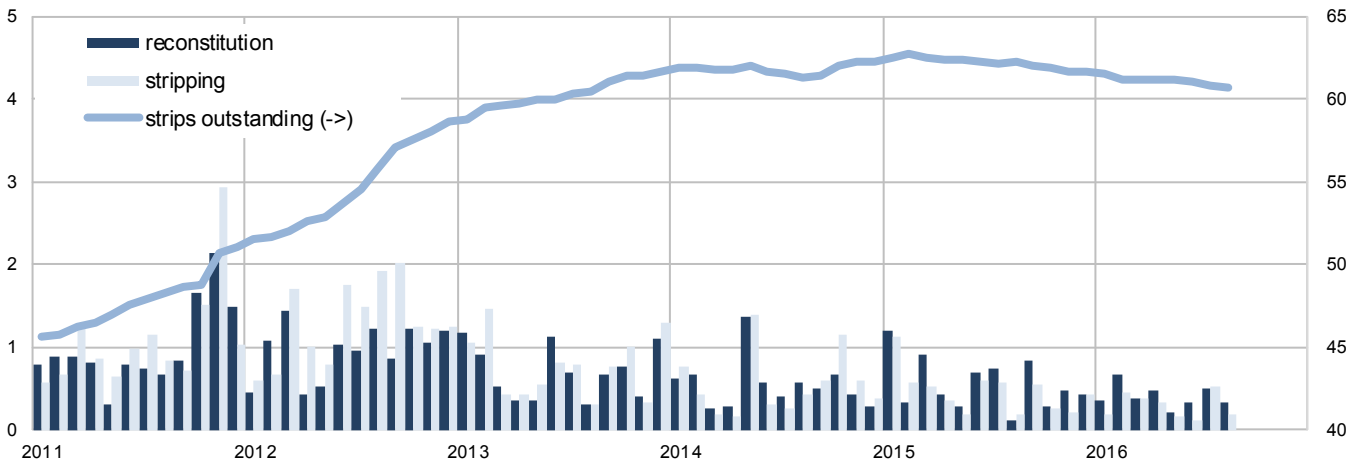
In € billion



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

Total stripping and reconstitution

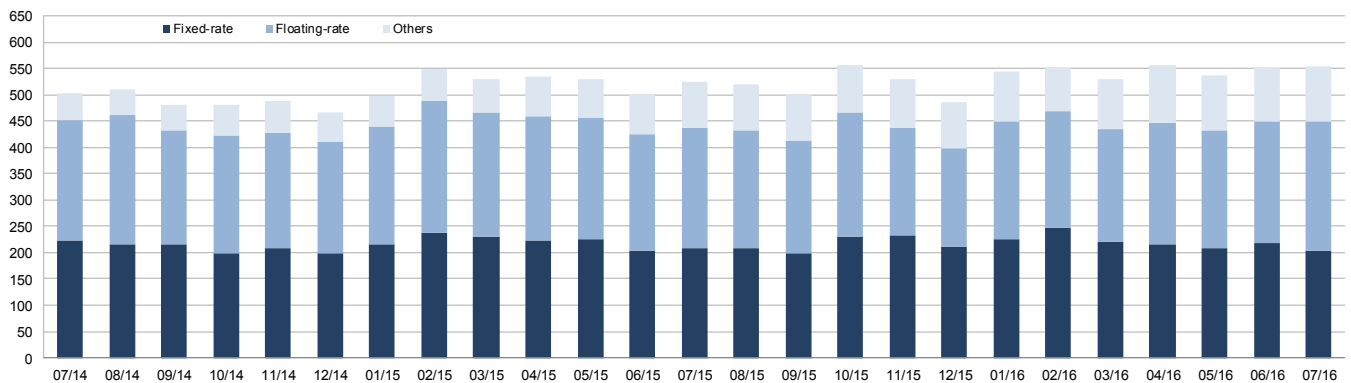
In € billion



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 August 2016

	Maturity	Outstanding (€)
BTF	07 September 2016	7 040 000 000
BTF	14 September 2016	5 555 000 000
BTF	21 September 2016	7 940 000 000
BTF	28 September 2016	5 828 000 000
BTF	05 October 2016	7 311 000 000
BTF	12 October 2016	8 049 000 000
BTF	19 October 2016	7 190 000 000
BTF	26 October 2016	5 209 000 000
BTF	03 November 2016	6 702 000 000
BTF	09 November 2016	7 161 000 000
BTF	16 November 2016	6 102 000 000
BTF	23 November 2016	6 382 000 000
BTF	30 November 2016	3 555 000 000
BTF	07 December 2016	3 590 000 000
BTF	21 December 2016	4 283 000 000
BTF	04 January 2017	7 090 000 000
BTF	18 January 2017	4 172 000 000
BTF	01 February 2017	6 746 000 000
BTF	01 March 2017	6 366 000 000
BTF	29 March 2017	6 135 000 000
BTF	26 April 2017	5 030 000 000
BTF	24 May 2017	4 972 000 000
BTF	21 June 2017	4 571 000 000
BTF	19 July 2017	3 979 000 000
BTF	17 August 2017	2 428 000 000

Medium- and long-term debt (maturing 2016–2019) at 31 August 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2016	37,607,000,000			
FR0000187361	OAT 5% 25 October 2016	26,204,000,000			220,517,000
FR0011857218	OAT 0.25% 25 November 2016	11,403,000,000			0
	Maturity 2017	124,847,324,980			
FR0120473253	BTAN 1.75% 25 February 2017	22,025,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	28,726,000,000			0
FR0120746609	BTAN 1% 25 July 2017	20,053,000,000			–
FR0010235176	OATi 1% 25 July 2017	19,268,324,980 (1)	1.14034	16,897,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,775,000,000			0
	Maturity 2018	139,907,373,650			
FR0012634558	OAT 0% 25 February 2018	18,757,000,000			0
FR0010604983	OAT 4% 25 April 2018	32,769,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,757,373,650 (1)	1.04445	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	156,075,953,046			
FR0013101466	OAT 0% 25 février 2019	15,880,000,000			0
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	12,598,663,600 (1)	1.07314	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,474,385,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	32,896,553 (2)		6,692,154	–

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

(2) Including coupons capitalised at 31 December 2015; not open to subscription

Medium- and long-term debt (maturing in 2020 and beyond) at 31 August 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2020		147,130,108,100			
FR0010854182	OAT 3.5% 25 April 2020	37,927,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,890,108,100	(1) 1.22551	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020	24,782,000,000			0
Maturity 2021		101,982,269,900			
FR0013140035	OAT€i 0.1% 1 March 2021	3,149,546,400	(1) 1.00464	3,135,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0013157096	OAT 0% 25 May 2021	14,143,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,961,723,500	(1) 1.01631	6,850,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
Maturity 2022		91,443,509,750			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			624,468,400
FR0011196856	OAT 3% 25 April 2022	40,615,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,532,569,760	(1) 1.08944	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
Maturity 2023		104,707,076,913			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,479,400,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,678,881,010	(1) 1.10547	14,183,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			459,585,000
Maturity 2024		76,519,615,580			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			10,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	13,149,615,580	(1) 1.02022	12,889,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
Maturity 2025		90,761,478,278			
FR0012558310	OATi 0.1% 1 March 2025	6,279,550,160	(1) 1.00763	6,232,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			3,138,464,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
Maturity 2026		63,336,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			158,013,000
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
Maturity 2027		49,269,363,040			
FR0011008705	OAT€i 1.85% 25 July 2027	14,240,363,040	(1) 1.07361	13,264,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
Maturity 2028		23,815,557			
FR0000571226	OAT zero coupon 28 March 2028	23,815,557	(3)	46,232,603	-
Maturity 2029		40,098,998,093			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,306,609,100
FR0000186413	OATi 3.4% 25 July 2029	11,007,117,635	(1) 1.26024	8,734,144,000	0
Maturity 2030		38,740,483,930			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	7,717,483,930	(1) 1.00711	7,663,000,000	0
Maturity 2031		20,581,000,000			
FR0012993103	OAT 1.5% 25 May 2031	20,581,000,000			0
Maturity 2032 and later		197,268,990,200			
FR0000188799	OAT€i 3.15% 25 July 2032	12,615,570,400	(1) 1.24169	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	30,284,322,600			11,007,157,400
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			5,109,167,000
FR0013154044	OAT 1.25% 25 May 2036	8,789,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,883,211,400
FR0010447367	OAT€i 1.8% 25 July 2040	12,636,097,200	(1) 1.15020	10,986,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	29,290,000,000			7,226,039,000
FR0011461037	OAT 3.25% 25 May 2045	20,598,000,000			498,600,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,316,588,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,689,784,100
FR0013154028	OAT 1.75% 25 May 2066	3,000,000,000			42,000,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2016; not open to subscription

The French economy and international comparisons

Most recent economic indicators

Industrial output, year-on-year	-0.2%	Jul. 2016
Household consumption*, year-on-year	1.6%	Aug. 2016
Unemployment rate (ILO)	9.9%	Jun. 2016
Consumer prices, year-on-year		
all items	0.2%	Aug. 2016
all items excluding tobacco	0.2%	Aug. 2016
Trade balance, fob-fob, sa (€bn)	-€4.5bn	Jul. 2016
" "	-€3.5bn	Jun. 2016
Current account balance, sa (€bn)	-€2.6bn	Jul. 2016
" "	-€0.8bn	Jun. 2016
10-year constant maturity rate (TEC10)	0.13%	30 Sep. 2016
3-month interest rate (Euribor)	-0.30%	28 Sep. 2016
EUR / USD	1.1221	29 Sep. 2016
EUR / JPY	113.88	29 Sep. 2016

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

Monthly government budget position

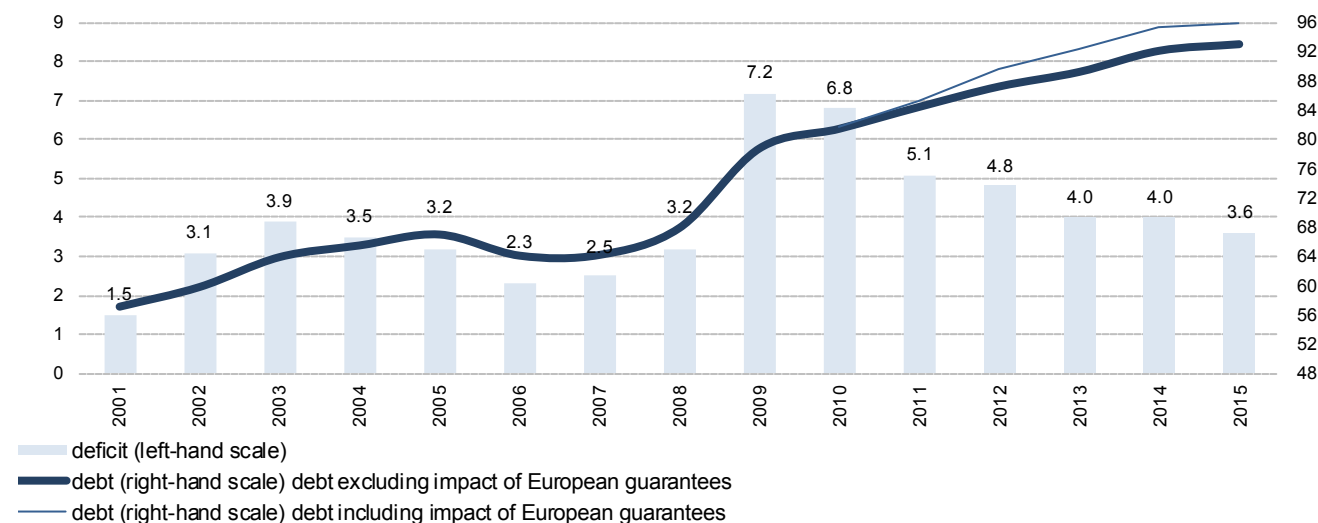
In € billion

	2014	2015	end of July level		
			2014	2015	2016
General budget balance	-85.71	-72.15	-63.40	-56.29	-50.74
revenue	291.95	299.66	170.11	172.98	177.44
expenditure	377.66	371.80	233.51	229.27	228.18
Balance of special Treasury accounts	0.16	1.62	-20.70	-23.52	-30.11
General budget outturn	-85.56	-70.52	-84.10	-79.81	-80.85

Source: Minefi

Public finances: deficit and debt

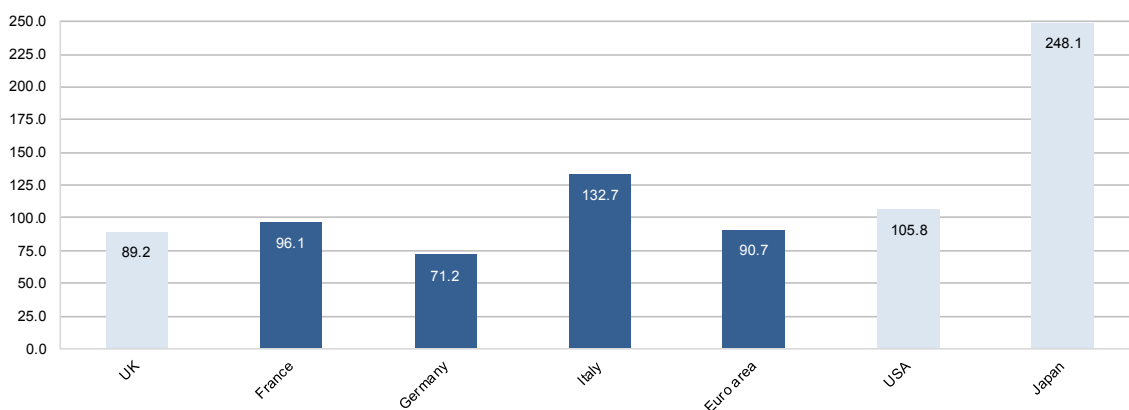
As % of GDP



Source: Eurostat, Insee

General government debt in 2015

As % of GDP



Sources: Eurostat (2016), IMF (2016), Insee (2016)

French economic indicators: timetable

October 2016		November 2016	
	Foreign trade by value August		Industrial investments: October 2016 survey
	Industrial production: August index		Foreign trade by value September
	Balance of payments in August		Balance of payments in September
	Eurozone economic outlook - Q4-2016		Industrial production: September index
	Consumer prices: September index		Payroll employment: provisional results Q3-2016
	Inflation (HICP): September index		Consumer prices: October index
	Quarterly business survey (goods-producing industries) in October		Net international reserves in October
	Monthly business survey (goods-producing industries) in October		Inflation (HICP): October index
	Job seekers in September		Monthly business survey (goods-producing industries) in November
	Household consumption expenditure on goods in October		Job seekers in October
	Housing starts in September		Consumer confidence survey: November survey
	Industrial producer and import price: September indices		Quarterly national accounts: second estimate Q3-2016
	Household consumption expenditure on goods in September		Housing starts in October
	Quarterly national accounts: initial estimate Q3-2016		Household consumption expenditure on goods in October
	Net international reserves in September		Industrial producer and import price: October indices

Sources: Insee, Eurostat

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