

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

AFT will maintain its flexible and innovative issuance strategy in 2017 with the launch of a green OAT

In a 2017 market environment where the ECB sustains quantitative easing throughout the year, Agence France Trésor will continue to adapt its issuance policy to market developments. AFT will continue its policy of adjusting issuance to investor demand during the year to maintain the greatest liquidity possible in every segment of the yield curve.

The year 2017 is already promising to be a year of innovation, with the issue of a French government green bond, as announced jointly by Ségolène Royal (Minister for the Environment) and Michel Sapin (Minister for the Economy and Finance) in September 2016. When market conditions permit, AFT will undertake the syndicated launch of the long-dated green OAT to serve as a benchmark bond (see box).

In keeping with market demand, AFT will also issue a new benchmark bond maturing in February 2020 to serve as a 2-year long-dated benchmark bond. Investors welcomed the launch of an equivalent bond in 2016 that made it possible to meet demand in the context of negative short-term yields. AFT will also issue one or two new 5-year benchmarks and two new 10-year benchmarks. In collaboration with primary dealers, AFT will also examine the prospects for a new syndicated issue of a 30-year bond, depending on market conditions.

The funding programme calls for issuance of bonds linked to French and European inflation indices. As in previous years, such bonds will account for “approximately 10% of net medium- and long-term debt issuance”. AFT will issue a new 10-year benchmark bond linked to French inflation (OAT_i). Unless very strong demand arises in 2017, issuance of a new 10-year benchmark bond linked to European inflation (OAT_{€i}) will take place in 2018.

All the new benchmark bonds will continue to be tapped so that outstanding amounts are sufficient to ensure a liquid market.

AFT will innovate with the launch of the first “green OAT” in 2017

The green OAT, which is now being planned, constitutes an eagerly-awaited innovation. As 2016 draws to a close, Agence France Trésor continues to prepare plans for the new product in close collaboration with the Ministry of the Environment, defining a pool of eligible green projects and expenditures to be funded that relate to energy transition, ecology, the climate and the environment. The green OAT will be designed to fit into the French yield curve and, as such, it will enjoy the same liquidity as other OATs. In this respect, the creation of this new bond will be consistent with AFT’s issuance strategy, with the goal of achieving benchmark status for the inaugural issue to ensure a liquid market. Like conventional OATs, the green OAT could then be tapped repeatedly to meet investor demand, thus maintaining a high level of liquidity on the secondary market.

A Hard Brexit Would Pose Risks to Intellectual Capital

Carmen Nuzzo, Economist, Morgan Stanley Economics Research

This article is based on research published by Morgan Stanley Research on October 12, 2016.

Intellectual capital has not featured prominently in the UK's Brexit debate. Yet, as a key input for innovation and productivity, it matters for maintaining the UK's prosperity and potential to grow. A 'hard' Brexit that prioritises immigration controls over access to the single market could erode the UK's competitive edge in key sectors intensive in science and technology.

Intellectual capital is about people's skills but also 'intangible' assets, such as software, research and development (R&D) capabilities, as well as networks connecting universities, research partners and the corporate sector; it also includes property rights which protect innovative products. It is crucial for a country's ability to innovate and become more productive.

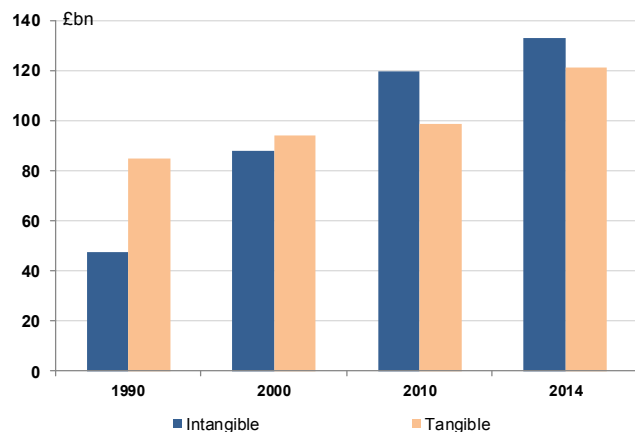
Depending on the terms the UK negotiates, a hard Brexit could carry negative implications for the UK's wealth of 'intellectual' capital, particularly in the area of research. The UK's R&D business spend is skewed towards high-tech manufacturing (46%) and knowledge intensive services (23%). This has given it a competitive advantage in sectors such as pharmaceuticals, chemicals, aerospace, transport equipment, information and communication technology and financial services.

The problem is not so much funding. The UK is a net recipient of EU research funds and the largest receiver of those allocated on a competitive basis (like the Netherlands if measured as a share of GDP). But these funds represent only 0.2% of GDP and could conceivably be replaced by government funds or venture capital.

A greater challenge is that the UK's ability to influence the direction of EU funding research could wane. Moreover, prospective migration restrictions could impede international collaboration which is key to research: it creates synergies, builds on the best expertise, provides access to equipment, reduces costs and facilitates the sharing of new ideas. Should there be a hard Brexit, the UK's ability to attract talent could diminish over time as well as the country's appeal as a base for new, shared pan-European research infrastructure.

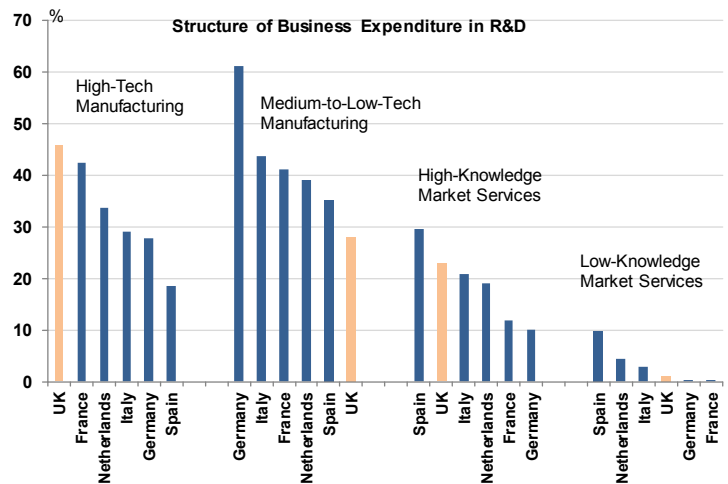
The extent of the threat to intellectual capital depends on how the Brexit deal is negotiated. True, the UK has an unrivalled business-friendly environment in the EU that is conducive to innovation and risk-taking, boasting low barriers to entrepreneurship, well-functioning institutions and a healthy venture-capital system. This advantage will not dissipate quickly, but a hard Brexit could risk a slow erosion of the UK's competitiveness and of its appeal to investors as a base from which to access the EU market to scale activity internationally.

UK intangible investment now exceeds tangible investment



Source: UK Government's Intellectual Property Office, Morgan Stanley Research

UK business expenditure in R&D is skewed towards high-tech and high-knowledge sectors



Source: OECD, Morgan Stanley Research

Morgan Stanley Disclaimer: This article is based on research published for Morgan Stanley Research on 12 October 2016. It is not an offer to buy or sell any security/instruments or to participate in a trading strategy. For important disclosures as of the date of the publication of the research, please refer to the original piece available at Brexit: [Let's Talk About Intellectual Capital](#) (12 October 2016). 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.

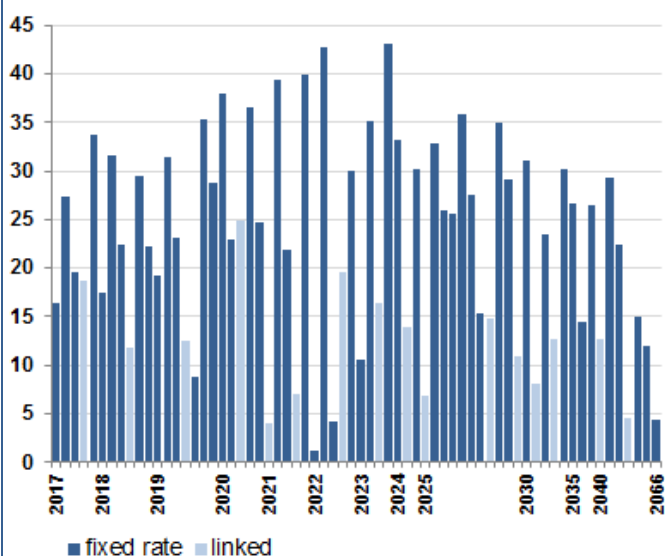
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
January 2017	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	1 February	23	9	23
February 2017	auction date	6	13	20	27	/	16	2	16
	settlement date	8	15	22	1 March	/	20	6	20

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 30 November 2016

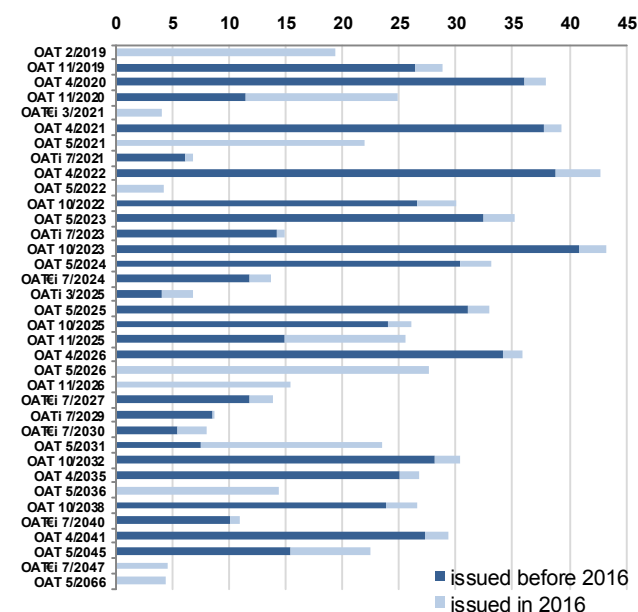
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 November 2016

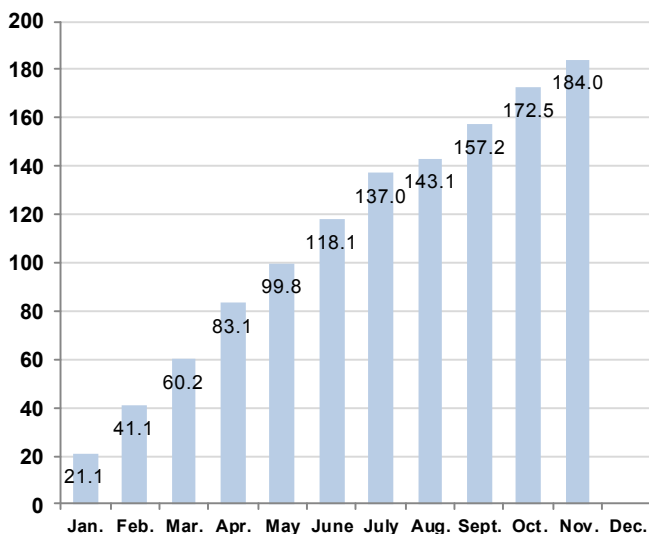
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 November 2016

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 30 November 2016

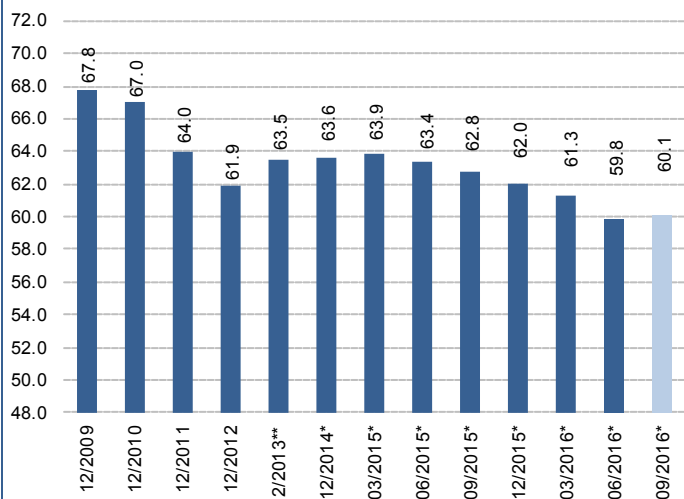
In € billion

Month	Coupon	Redemption
Dec-16		
Jan-17		
Feb-17	0.3	16.5
Mar-17	0.0	
Apr-17	15.2	27.4
May-17	4.2	
Jun-17		
Jul-17	3.1	38.4
Aug-17		
Sep-17		
Oct-17	14.8	33.7
Nov-17	1.3	

Source: Agence France Trésor

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

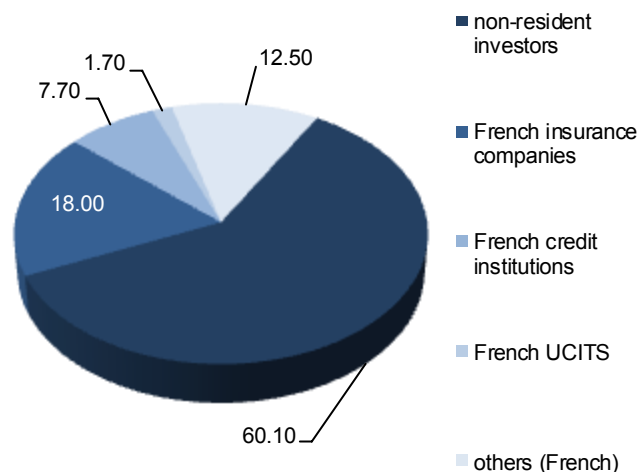
As a % of negotiable debt outstanding expressed in market value



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

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

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 30 November 2016

In euros

Total medium- and long-term debt	1,483,292,274,127
Total stripping activity	60,919,122,100
Average maturity	8 years and 85 days
Total short-term debt	143,393,000,000
Average maturity	117 days
TOTAL OUTSTANDING	1,626,685,274,127
Average maturity	7 years and 196 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 30 November 2016

In € billion

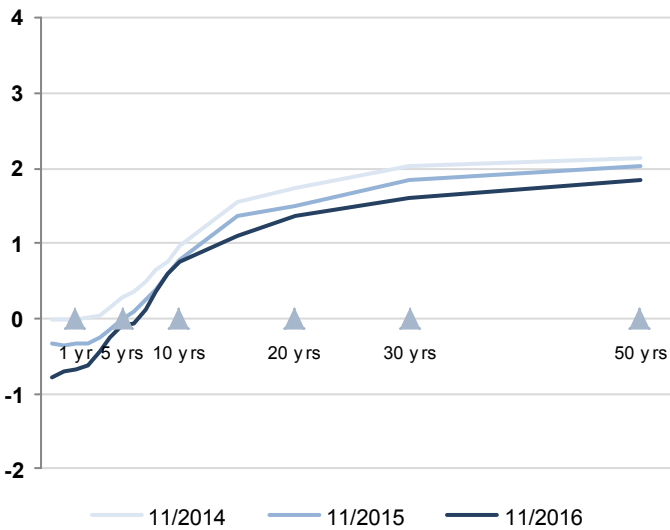
	End 2013	End 2014	End 2015	End Oct. 2016	End Nov. 2016
Negotiable government debt outstanding	1,457	1,528	1,576	1,625	1,627
of which index-linked securities	174	189	190	197	199
Medium- and long-term	1,283	1,352	1,424	1,483	1,483
short-term	174	175	153	142	143
Swaps outstanding	7	6	6	6	3
Average maturity of the negotiable debt					
before swaps	7 years	6 years	7 years	7 years	7 years
	5 days	363 days	47 days	184 days	196 days
after swaps	7 years	6 years	7 years	7 years	7 years
	2 days	362 days	47 days	184 days	196 days

Source: Agence France Trésor



Yield curve for French government securities

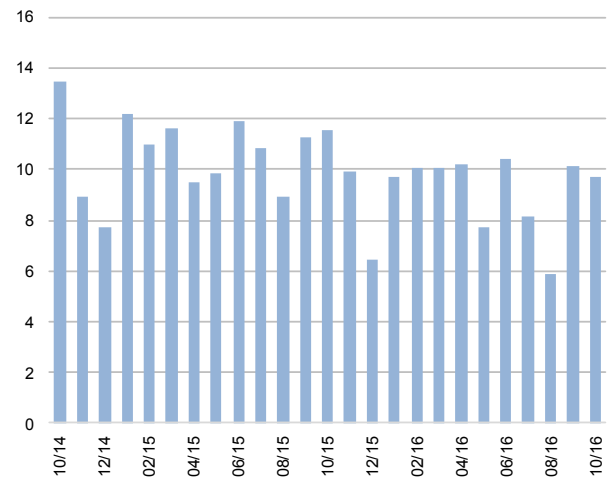
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

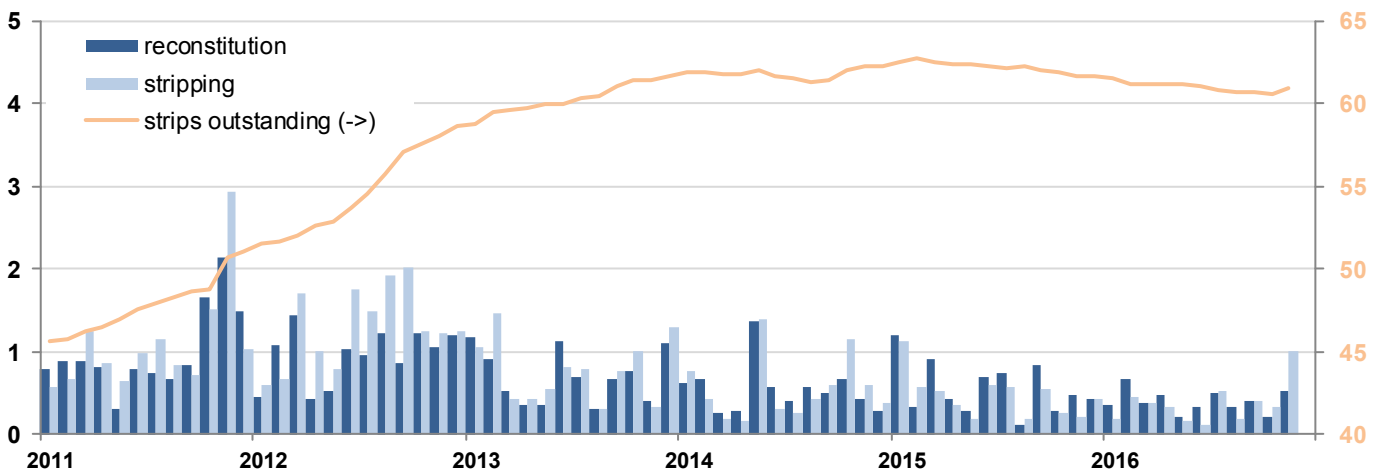
In € billion



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

Total stripping and reconstitution

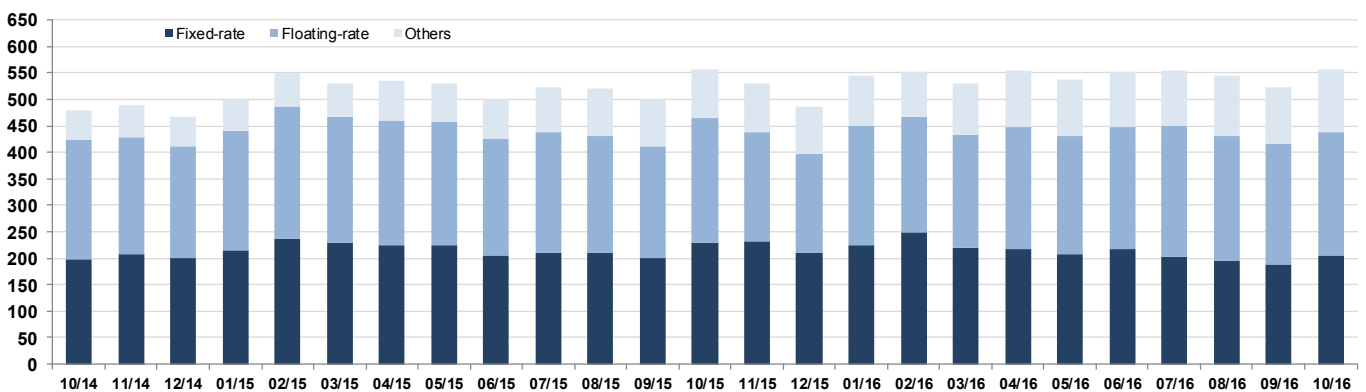
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

Short-term debt at 30 November 2016

	Maturity	Outstanding (€)
BTF	07 December 2016	3,590,000,000
BTF	14 December 2016	6,885,000,000
BTF	21 December 2016	4,283,000,000
BTF	29 December 2016	6,992,000,000
BTF	04 January 2017	7,090,000,000
BTF	11 January 2017	7,341,000,000
BTF	18 January 2017	4,172,000,000
BTF	25 January 2017	7,951,000,000
BTF	01 February 2017	6,746,000,000
BTF	08 February 2017	7,322,000,000
BTF	15 February 2017	6,545,000,000
BTF	22 February 2017	7,279,000,000
BTF	01 March 2017	6,366,000,000
BTF	15 March 2017	6,090,000,000
BTF	29 March 2017	6,135,000,000
BTF	12 April 2017	6,122,000,000
BTF	26 April 2017	5,030,000,000
BTF	11 May 2017	2,011,000,000
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	5,088,000,000
BTF	13 September 2017	5,871,000,000
BTF	11 October 2017	6,152,000,000
BTF	08 November 2017	4,810,000,000

Medium- and long-term debt (maturing 2016–2019) at 30 November 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2016	0			
	Maturity 2017	115,869,232,800			
FR0120473253	BTAN 1.75% 25 February 2017	16,460,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	27,432,000,000			0
FR0120746609	BTAN 1% 25 July 2017	19,503,000,000			–
FR0010235176	OATi 1% 25 July 2017	18,734,232,800 (1)	1.13720	16,474,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	33,740,000,000			0
	Maturity 2018	135,097,891,510			
FR0012634558	OAT 0% 25 February 2018	17,547,000,000			0
FR0010604983	OAT 4% 25 April 2018	31,532,000,000			0
FR0011394345	OAT 1% 25 May 2018	22,506,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,745,891,510 (1)	1.04343	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	29,502,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			15,000,000
	Maturity 2019	159,474,202,646			
FR0013101466	OAT 0% 25 février 2019	19,313,000,000			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	12,563,913,200 (1)	1.07018	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,411,385,100
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 30 November 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2020		147,105,939,200			
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	24,865,939,200	(1) 1.22432	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		112,134,483,620			
FR0013140035	OAT€i 0.1% 1 March 2021	4,096,940,120	(1) 1.00366	4,082,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0% 25 May 2021	21,852,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,942,543,500	(1) 1.01351	6,850,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
Maturity 2022		97,743,505,010			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			437,468,400
FR0011196856	OAT 3% 25 April 2022	42,703,000,000			0
FR0013219177	OAT 0% 25 May 2022	4,231,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,513,565,020	(1) 1.08838	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
Maturity 2023		105,412,361,943			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,466,050,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	16,384,166,040	(1) 1.10242	14,862,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	43,185,000,000			459,585,000
Maturity 2024		77,249,737,960			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			1,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	13,879,737,960	(1) 1.01922	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
Maturity 2025		91,343,043,918			
FR0012558310	OATi 0.1% 1 March 2025	6,861,115,800	(1) 1.00485	6,828,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			3,112,964,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
Maturity 2026		78,669,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			144,013,000
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	15,333,000,000			0
Maturity 2027		49,818,529,840			
FR0011008705	OAT€i 1.85% 25 July 2027	14,789,529,840	(1) 1.07256	13,789,000,000	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		40,068,690,613			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,327,609,100
FR0000186413	OATi 3.4% 25 July 2029	10,976,810,155	(1) 1.25677	8,734,144,000	0
Maturity 2030		39,099,205,510			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			27,000,000
FR0011982776	OAT€i 0.7% 25 July 2030	8,076,205,510	(1) 1.00613	8,027,000,000	0
Maturity 2031		23,513,000,000			
FR0012993103	OAT 1.5% 25 May 2031	23,513,000,000			114,000,000
Maturity 2032 and later		210,669,634,000			
FR0000188799	OAT€i 3.15% 25 July 2032	12,603,276,800	(1) 1.24048	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	30,284,322,600			11,028,157,400
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			5,088,167,000
FR0013154044	OAT 1.25% 25 May 2036	14,411,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,837,211,400
FR0010447367	OAT€i 1.8% 25 July 2040	12,623,792,880	(1) 1.14908	10,986,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	29,290,000,000			7,240,539,000
FR0011461037	OAT 3.25% 25 May 2045	22,400,000,000			792,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	4,562,241,720	(1) 1.00137	4,556,000,000	0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,342,588,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,947,784,100
FR0013154028	OAT 1.75% 25 May 2066	4,439,000,000			80,000,000

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

Most recent economic indicators

Industrial output, year-on-year	-0.8%	Oct. 2016
Household consumption*, year-on-year	3.0%	Nov. 2016
Unemployment rate (ILO)	10.0%	Sep. 2016
Consumer prices, year-on-year		
all items	0.5%	Nov. 2016
all items excluding tobacco	0.6%	Nov. 2016
Trade balance, fob-fob, sa (€bn)	-€5.2bn	Oct. 2016
"	-€4.8bn	Sep. 2016
Current account balance, sa (€bn)	-€3.5bn	Oct. 2016
"	-€3.7bn	Sep. 2016
10-year constant maturity rate (TEC10)	0.65%	29 Dec. 2016
3-month interest rate (Euribor)	-0.32%	27 Dec. 2016
EUR / USD	1.0453	29 Dec. 2016
EUR / JPY	122.04	29 Dec. 2016

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

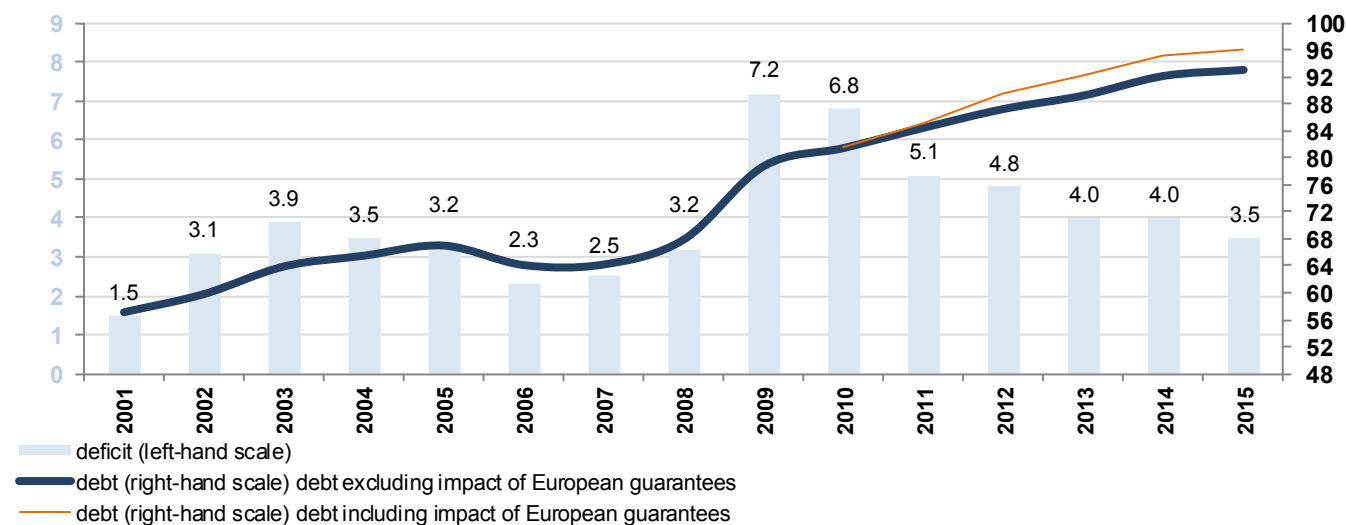
In € billion

			end of October level		
	2014	2015	2014	2015	2016
General budget balance	-85.71	-72.15	-80.26	-71.71	-66.56
revenue	291.95	299.66	220.75	226.47	229.01
expenditure	377.66	371.80	317.87	243.26	251.76
Balance of special Treasury accounts	0.16	1.62	-4.45	-4.49	-18.98
General budget outturn	-85.56	-70.52	-84.71	-76.20	-85.54

Source: Minefi

Public finances: deficit and debt

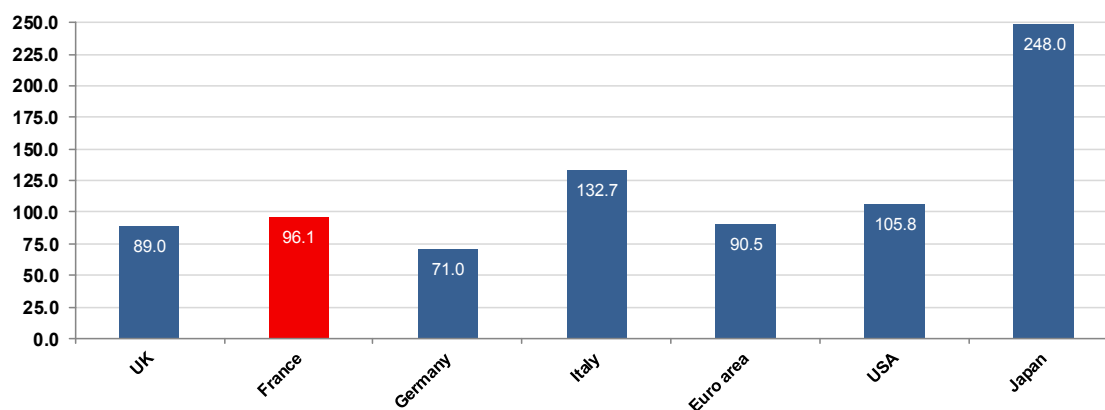
As % of GDP



Source: Eurostat, Insee

General government debt in 2015

As % of GDP



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

French economic indicators: timetable

January 2017		February 2017	
4	Consumer confidence survey: December 2016 survey	7	Balance of payments in December 2016
6	Foreign trade by value in November 2016	7	Industrial investments: January survey
6	Balance of payments in November 2016	7	Foreign trade by value in December 2016
10	Industrial production: November 2016 index	10	Payroll employment: provisional results Q4-2016
11	Eurozone economic outlook - Q1-2017	10	Industrial production: December 2016 index
12	Consumer prices: December 2016 index	15	Net international reserves in January
13	Net international reserves in December 2016	21	Consumer prices: January index
18	Inflation (HICP): December 2016 index	23	Monthly business survey (goods-producing industries) in February
24	Job seekers in December 2016	24	Consumer confidence survey: February survey
25	Monthly business survey (goods-producing industries) in January	24	Job seekers in January
25	Quarterly business survey (goods-producing industries) in January	24	Quarterly national accounts: second estimate Q4-2016
27	Consumer confidence survey: January survey	28	Household consumption expenditure on goods in January
27	Housing starts in December 2016	28	Housing starts in January
31	Quarterly national accounts: initial estimate Q4-2016	28	Industrial producer and import price: January indices
31	Industrial producer and import price: December 2016 indices		
31	Household consumption expenditure on goods in December		

Sources: Insee, Eurostat

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