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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
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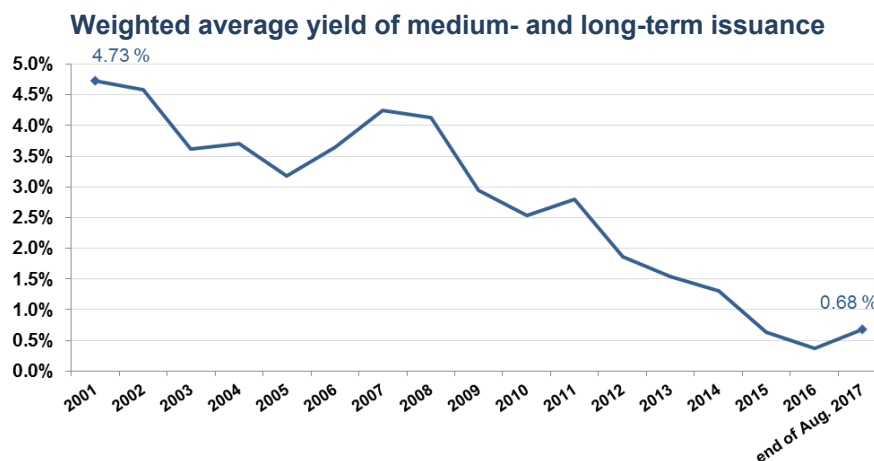
Market conditions were met to hold an August auction for the third year in a row

Demand from public and private sector investors for high-quality sovereign debt securities denominated in euros remained high in August, with the continuation of the ECB's Public Sector Purchase Programme (PSPP). After analysing the recommendations of the 16 primary dealers, Agence France Trésor decided to hold its OAT auction on 3 August 2017, following August auctions in 2015 and 2016. The auction was held in keeping with AFT's issuance strategy to maintain a high level of liquidity for all French debt securities and to meet investor demand.

AFT issued three long-term nominal OATs: the 10-year benchmark (OAT 1% 25 May 2027) and 30-year benchmark (OAT 2% 25 May 2048), along with a shorter dated bond, the OAT 6% 25 October 2025, which was last issued in May 2016. The terms of the auction were very favourable for taxpayers, since the weighted average yields of the two benchmark bonds came out at 0.75% and 1.79%, which represents an improvement of 7 to 8 basis points compared to the previous auction of these bonds on 6 July 2017.

All in all, €6.498bn in long-term debt was issued, which is at the high end of the range announced on the preceding Friday. Another €1.329bn in bonds were issued through non-competitive tenders the following day, for an aggregate issuance of €7.827bn. With the success of this optional auction, AFT has once again proven how its flexible issuance strategy enables it to respond more effectively to investor demand.

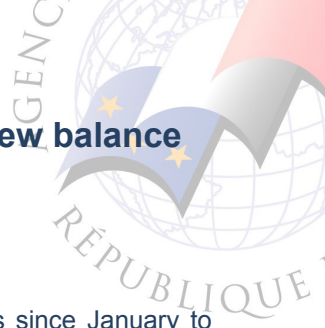
At the end of August, AFT had raised €151.5bn in medium- and long-term gross debt on the markets, compared to the annual issuance target of €185bn net of buybacks. The execution rate is consistent with the average rate at this point in the year seen over the period from 2009 to 2016. The average yield for securities issued during the year with maturities of more than one year stood at 0.68% at the end of August (see chart).



Source: Agence France Trésor

Growth rates in the United States and Europe strike a new balance

Amine Tazi, Chief Economist, Agence France Trésor



The reflation trade in the United States: the springtime stall...

The “reflation trade” thematics, in anticipation of expansionary fiscal policy and protectionist trade policies in the United States driving up inflation and the corollary of less accommodative monetary policy from the Federal Reserve, gave markets a clear direction following the election of Donald Trump. The period between 4 November 2016 and 21 April 2017 featured a renewed appetite for risk and the prudence of a certain category of investors with regard to European bonds in the run-up to France’s presidential election. American equities prices, which some analysts already considered to be overvalued, climbed even faster, with a 13% rise in the S&P 500. Meanwhile, European equities accelerated their gains, with a 16% rise in the Eurostoxx 50. The euro lost ground against the dollar, sliding by 3.7% to \$1.07, while the yield on 10-year Treasuries rose by 57 basis points to 2.35%. The rise in American yields was larger than the increase in French sovereign yields which increased by 38 basis points to 0.85%, or the increase in German sovereign yields by 28 basis points to 0.42%.

... lasted into the summer

The American economy was showing signs of stalling at the start of the year and news on the inflation front in Europe and the United States were disappointing, with persistently low headline inflation and core inflation, along with moderate medium-term inflation expectations. Against this background, central bankers at the ECB and the Fed gradually tempered market expectations by showing greater prudence. As macroeconomic news became more and more positive in Europe, the ECB did reduce its monthly purchases of securities under the APP from €80bn to €60bn in April, but extended the programme by several months until December 2017, stressing weak inflation and the criteria required for a return to the medium-term target (a self-sustained, durable and generalised convergence). In the United States, despite nearly full employment, the inflation rate

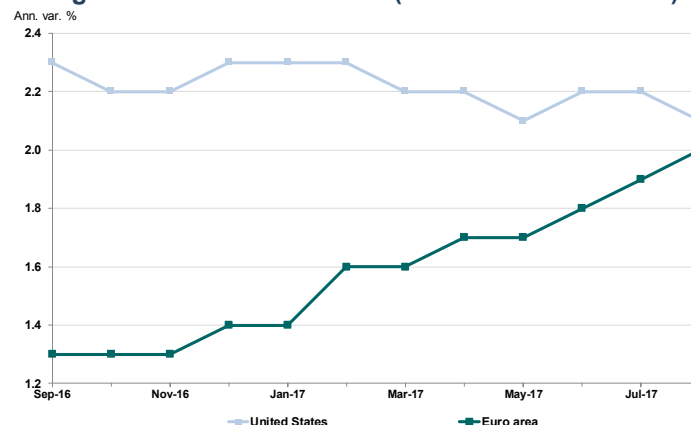
has declined by 0.4 percentage points since January to 1.5% for the index used for the core PCE deflator, veering away from the Fed’s 2% target. This falls short of expectations, spurring the Fed to greater prudence. The Fed has maintained a relatively slow pace for normalising its policy rate, with three 25-basis-point increases in December 2016, March 2017 and June 2017, for a total of 100 basis points since December 2015.

Renewed optimism about the outlook for growth and greater attractiveness of European assets, especially sovereign bonds

Investors welcomed the stabilisation of the political and banking situation in Italy as well as the outcome of France’s presidential election. Their convictions have been sustained in recent months by the persistence of economic news from Europe that is more positive than in the United States, with PMIs at their highest levels since 2011, a stronger and widespread recovery in the euro area and a slight pick-up in underlying inflation. At the same time, investors felt underweight in European assets (equities and bonds) compared to American assets after the election of Donald Trump. More specifically, the sovereign bond market features a French 10-year yield of around 0.70% at the end of August, which is close to the lows of 2015 and 2016.

In conclusion, while the recently published indicators in the United States on private consumption and retail sales, confidence surveys and the labour market point to firm growth in the third quarter of 2017, France and the euro area countries continue to hold marked attraction for investors following the French presidential election. Changes in the Consensus Forecasts for growth in France and the euro area in 2017, with upward revisions of 0.4 points and 0.6 points to 1.6% and 2.0% respectively, reveal a more favourable perception of France and Europe compared to the United States, which might be explained by the “prudent” optimism of economists and investors in the last few months.

GDP growth forecasts for 2017 (Consensus Forecasts)



Source: AFT/DG Trésor, data: Consensus Forecasts (average); most recent data point: August 2017

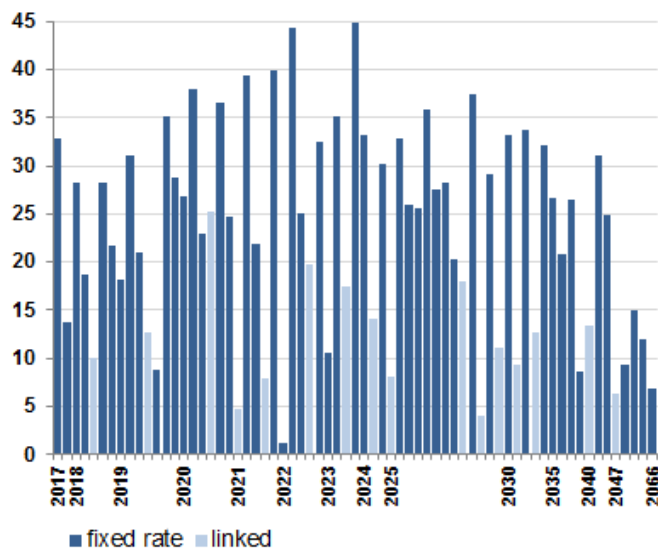
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
September 2017	auction date	4	11	18	25	/	21	7	21
	settlement date	6	13	20	27	/	25	11	25
October 2017	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	1 November	23	9	23

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 31 July 2017

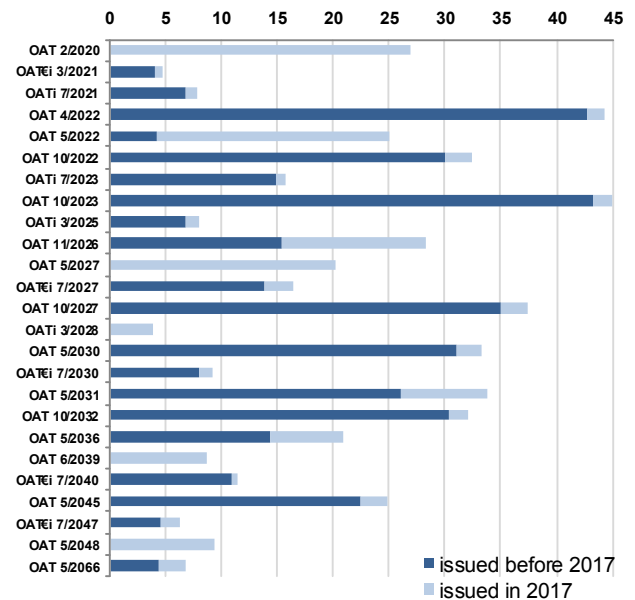
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 31 July 2017

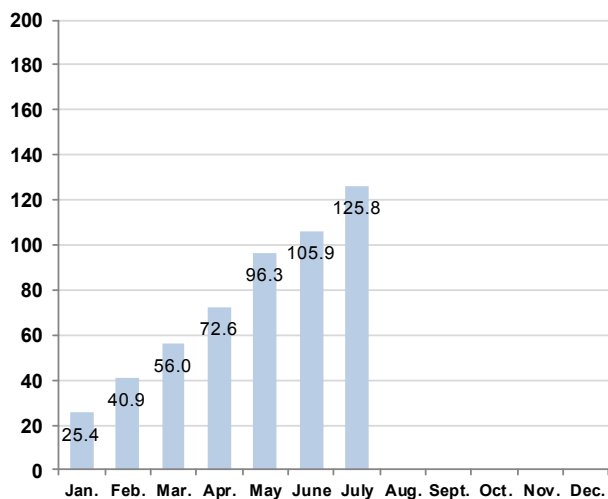
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 July 2017

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 31 July 2017

In € billion

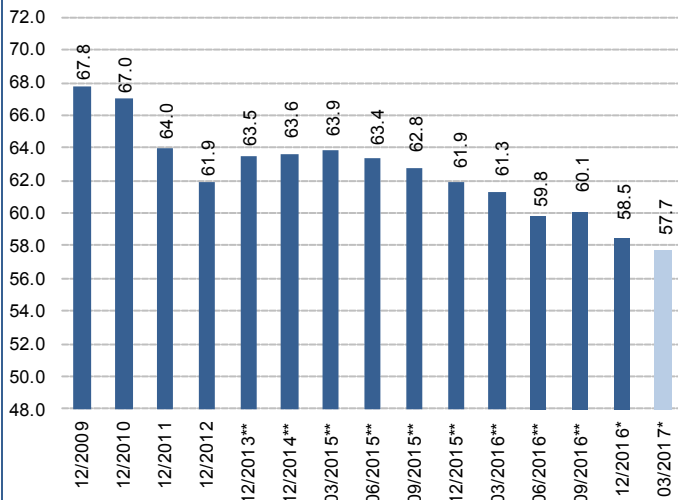
Month	Coupon	Redemption
Aug-17		
Sep-17		
Oct-17	15.0	32.8
Nov-17	1.3	
Dec-17		
Jan-18		
Feb-18		13.7
Mar-18	0.0	
Apr-18	14.2	28.2
May-18	5.0	18.7
Jun-18	0.2	
Jul-18	2.8	10.1

Source: Agence France Trésor



Non-resident holders of negotiable government debt in first quarter of 2017

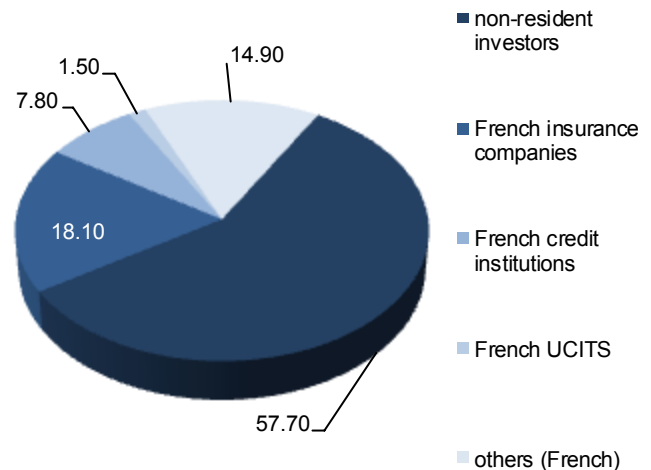
As a % of negotiable debt outstanding expressed in market value



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

Negotiable government debt by group of holders in first quarter of 2017

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 31 July 2017

In euros

Total medium- and long-term debt	1,532,555,174,686
Total stripping activity	61,906,852,700
Average maturity	8 years and 172 days
Total short-term debt	150,345,000,000
Average maturity	111 days
TOTAL OUTSTANDING	1,682,900,174,686
Average maturity	7 years and 271 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 31 July 2017

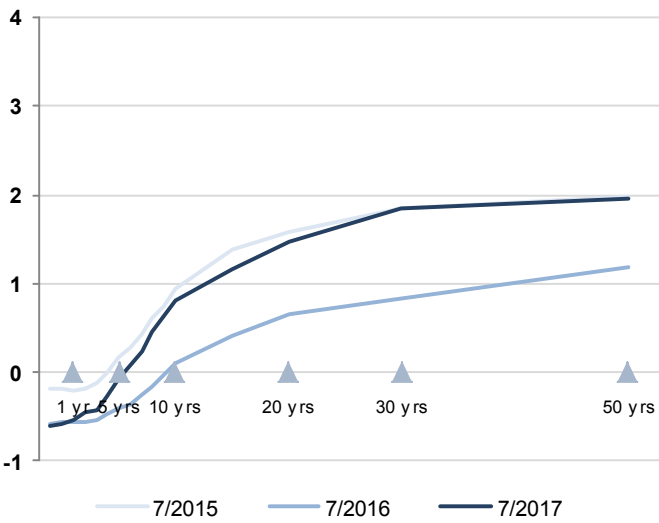
In € billion

	End 2014	End 2015	End 2016	End June 2017	End July 2017
Negotiable government debt outstanding	1,528	1,576	1,621	1,701	1,683
of which index-linked securities	189	190	200	211	195
Medium- and long-term	1,352	1,424	1,487	1,550	1,533
short-term	175	153	134	151	150
Swaps outstanding	6	6	1	1	1
Average maturity of the negotiable debt					
before swaps	6 years	7 years	7 years	7 years	7 years
	363 days	47 days	195 days	228 days	271 days
after swaps	6 years	7 years	7 years	7 years	7 years
	362 days	47 days	195 days	228 days	271 days

Source: Agence France Trésor

Yield curve for French government securities

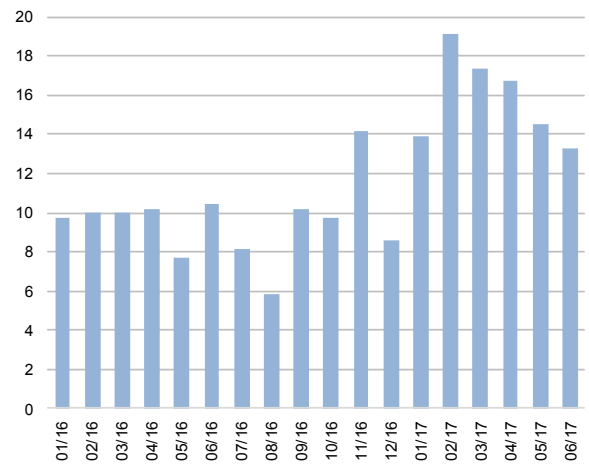
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

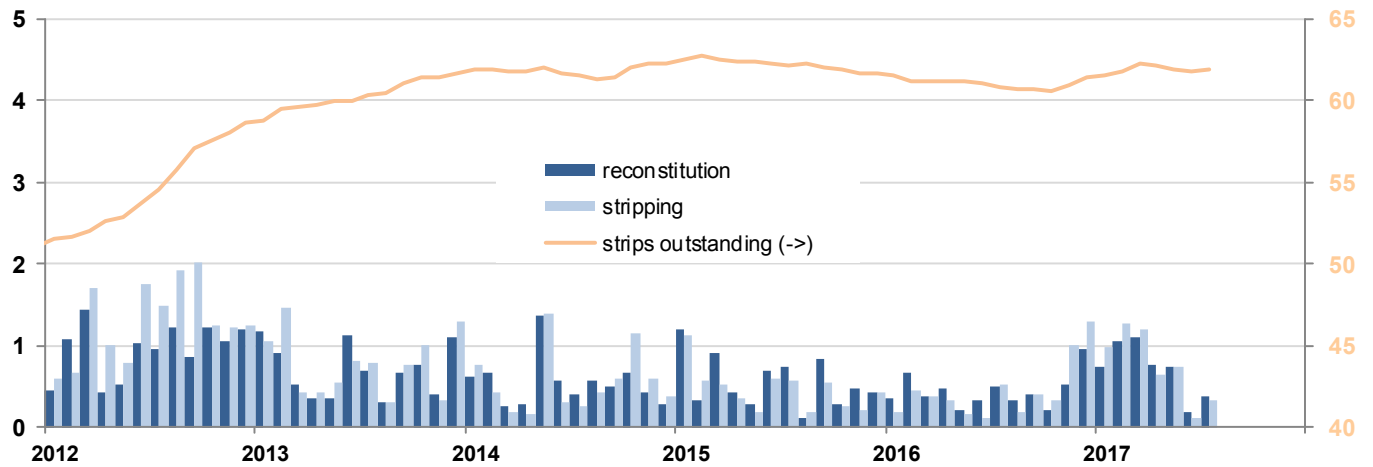
In € billion



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

Total stripping and reconstitution

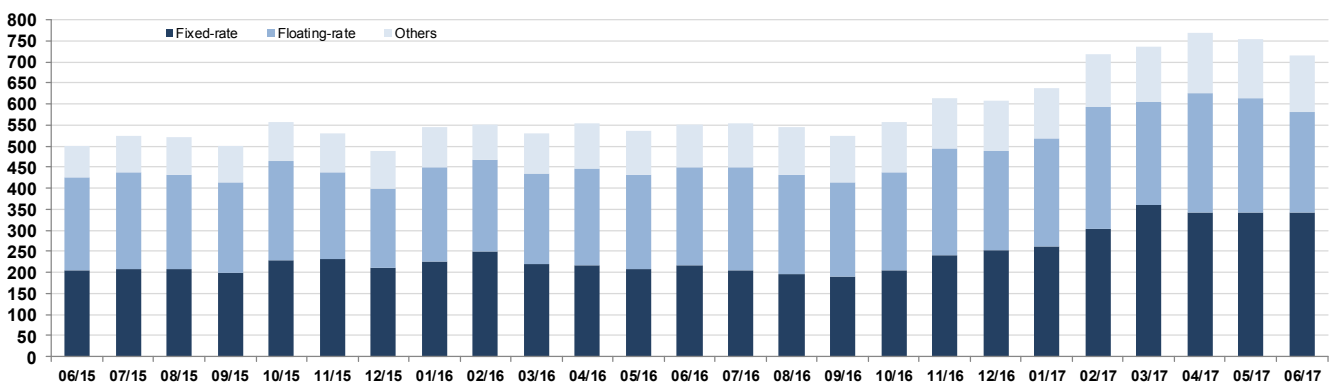
In € billion



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 July 2017

	Maturity	Outstanding (€)
BTF	02 August 2017	6,682,000,000
BTF	09 August 2017	8,325,000,000
BTF	17 August 2017	5,088,000,000
BTF	23 August 2017	7,553,000,000
BTF	30 August 2017	5,465,000,000
BTF	13 September 2017	12,721,000,000
BTF	20 September 2017	6,394,000,000
BTF	27 September 2017	6,010,000,000
BTF	04 October 2017	6,780,000,000
BTF	11 October 2017	6,152,000,000
BTF	18 October 2017	7,427,000,000
BTF	25 October 2017	6,991,000,000
BTF	08 November 2017	6,440,000,000
BTF	22 November 2017	6,091,000,000
BTF	06 December 2017	8,412,000,000
BTF	20 December 2017	4,722,000,000
BTF	31 January 2018	7,467,000,000
BTF	28 February 2018	7,133,000,000
BTF	28 March 2018	6,272,000,000
BTF	25 April 2018	5,795,000,000
BTF	24 May 2018	6,928,000,000
BTF	20 June 2018	5,497,000,000

Medium- and long-term debt (maturing 2017-2020) at 31 July 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2017	32,840,000,000			
FR0010517417	OAT 4.25% 25 October 2017	32,840,000,000			0
	Maturity 2018	120,570,676,085			
FR0012634558	OAT 0% 25 February 2018	13,734,000,000			0
FR0010604983	OAT 4% 25 April 2018	28,172,000,000			0
FR0011394345	OAT 1% 25 May 2018	18,741,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,961,676,085 (1)	1.05711	9,423,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,207,000,000			0
FR0011523257	OAT 1% 25 November 2018	21,755,000,000			20,000,000
	Maturity 2019	155,807,719,888			
FR0013101466	OAT 0% 25 February 2019	18,223,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	31,028,000,000			0
FR0011708080	OAT 1% 25 May 2019	21,035,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,679,200,000 (1)	1.08000	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,515,585,100
FR0010776161	OAT 3.75% 25 October 2019	35,225,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	36,126,995 (2)		6,692,154	–
	Maturity 2020	174,305,711,600			
FR0013232485	OAT 0% 25 February 2020	26,874,000,000			0
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	25,191,711,600 (1)	1.24036	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

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

(2) Including coupons capitalised at 31 December 2016; not open to subscription

Medium- and long-term debt (maturing in 2021 and beyond) at 31 July 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2021	113,829,477,180			
FR0013140035	OAT€i 0.1% 1 March 2021	4,756,637,180 (1)	1.01681	4,678,000,000	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	7,977,840,000 (1)	1.02280	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	Maturity 2022	122,922,172,550			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			386,768,400
FR0011196856	OAT 3% 25 April 2022	44,359,000,000			0
FR0013219177	OAT 0% 25 May 2022	25,105,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,769,232,560 (1)	1.10264	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
	Maturity 2023	108,222,354,253			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,389,040,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	17,461,158,350 (1)	1.11253	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			420,585,000
	Maturity 2024	77,431,674,440			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	14,061,674,440 (1)	1.03258	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	Maturity 2025	92,517,418,798			
FR0012558310	OATi 0.1% 1 March 2025	8,035,490,680 (1)	1.01407	7,924,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			2,891,764,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
	Maturity 2026	91,560,000,000			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			0
FR0013131877	OAT 0.5% 25 May 2026	27,522,000,000			0
FR0013200813	OAT 0.25% 25 November 2026	28,224,000,000			0
	Maturity 2027	75,615,411,440			
FR0013250560	OAT 1% 25 May 2027	20,228,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	17,933,411,440 (1)	1.08661	16,504,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			27,043,600
	Maturity 2028	3,972,438,740			
FR0013238268	OATi 0.1% 1 March 2028	3,947,269,620 (1)	1.01238	3,899,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120 (3)		46,232,603	-
	Maturity 2029	40,169,307,952			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,252,719,100
FR0000186413	OATi 3.4% 25 July 2029	11,077,427,494 (1)	1.26829	8,734,144,000	0
	Maturity 2030	42,620,308,540			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	9,412,308,540 (1)	1.01931	9,234,000,000	0
	Maturity 2031	33,749,000,000			
FR0012993103	OAT 1.5% 25 May 2031	33,749,000,000			103,000,000
	Maturity 2032	44,930,801,000			
FR0000188799	OAT€i 3.15% 25 July 2032	12,768,478,400 (1)	1.25674	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,485,357,400
	Maturity 2033 and later	201,490,702,220			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,968,967,000
FR0013154044	OAT 1.25% 25 May 2036	20,894,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,915,211,400
FR0013234333	OAT 1.75% 25 June 2039	8,632,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,356,178,220 (1)	1.16414	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	31,111,000,000			7,243,539,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,183,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	6,403,524,000 (1)	1.01450	6,312,000,000	0
FR0013257524	OAT 2% 25 May 2048	9,285,000,000			97,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,474,888,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			6,387,684,100
FR0013154028	OAT 1.75% 25 May 2066	6,845,000,000			98,100,000

(1) face value x indexation coefficient (face value if coefficient < 1)
(3) Revised on 28 March 2017; not open to subscription



Most recent economic indicators

Industrial output, year-on-year	-0.9%	Jun. 2017
Household consumption*, year-on-year	2.3%	Jul. 2017
Unemployment rate (ILO)	9.5%	Jun. 2017
Consumer prices, year-on-year		
all items	0.7%	Jul. 2017
all items excluding tobacco	0.7%	Jul. 2017
Trade balance, fob-fob, sa (€bn)	-€4.7bn	Jun. 2017
" "	-€4.4bn	May. 2017
Current account balance, sa (€bn)	-€2.1bn	Jun. 2017
" "	-€1.9bn	May. 2017
10-year constant maturity rate (TEC10)	0.68%	30 Aug. 2017
3-month interest rate (Euribor)	-0.33%	28 Aug. 2017
EUR / USD	1.1923	30 Aug. 2017
EUR / JPY	130.40	30 Aug. 2017

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

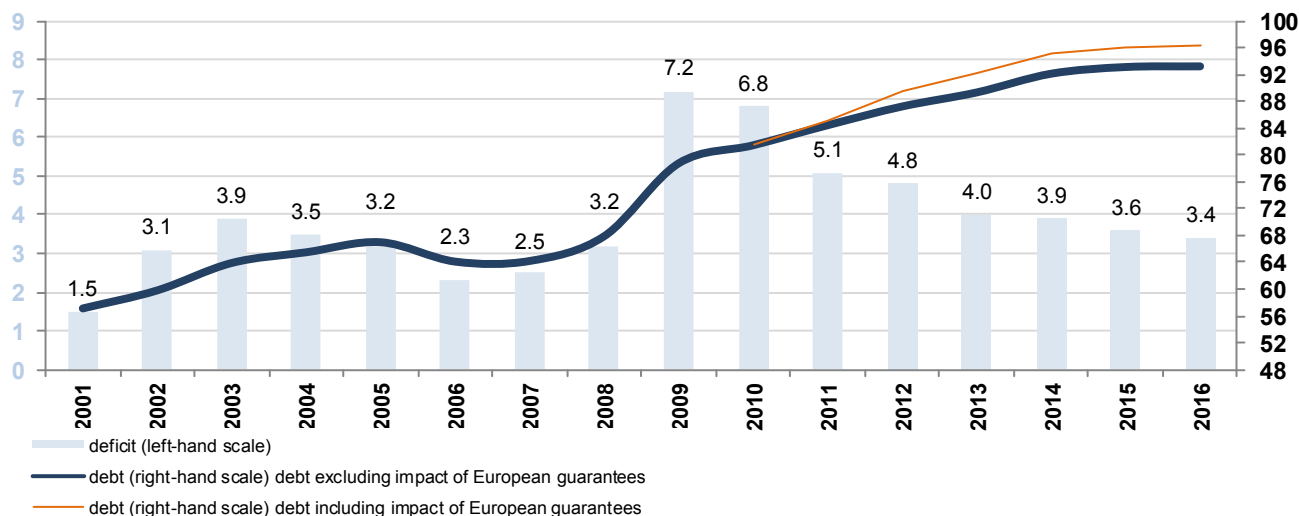
In € billion

	2015	2016	end of June level		
			2015	2016	2017
General budget balance	-72.15	-75.85	-41.42	-38.79	-41.35
revenue	299.66	303.97	152.43	155.10	160.16
expenditure	371.81	379.82	193.85	193.90	201.50
Balance of special Treasury accounts	1.62	6.80	-17.08	-23.00	-20.91
General budget outturn	-70.53	-69.06	-58.49	-61.80	-62.26

Source: Minefi

Public finances: deficit and debt

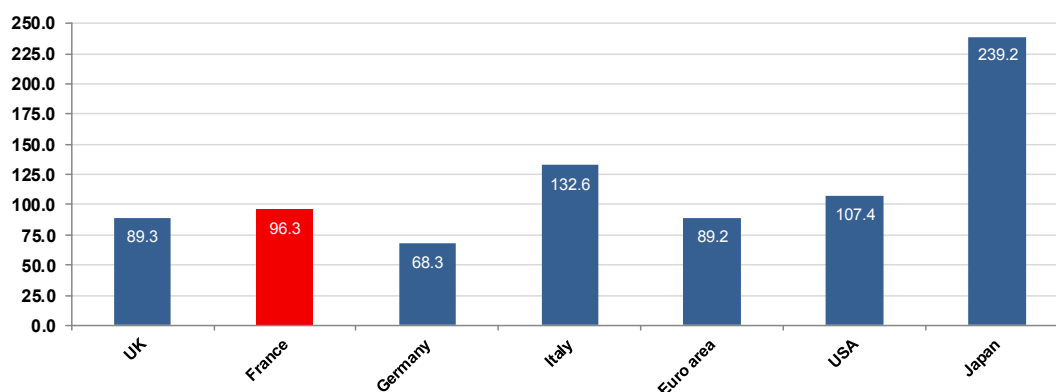
As % of GDP



Source: Eurostat, Insee

General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

September 2017		October 2017	
8	Industrial production: July index	6	Foreign trade by value in August
14	Consumer prices: August index	6	Balance of payments in August
18	Inflation (HICP): August index	10	Industrial production: August index
22	Quarterly national accounts: final results Q2-2017	12	Consumer prices: September index
26	Monthly business survey (goods-producing industries) in September	13	Net international reserves in September
27	Consumer confidence survey: September survey	17	Inflation (HICP): September index
29	Household consumption expenditure on goods in August	24	Quarterly business survey (goods-producing industries) in October
29	Debt of the general government according to Maastricht definition Q2-2017	24	Monthly business survey (goods-producing industries) in October
		24	Job seekers in September
		27	Housing starts in September
		27	Consumer confidence survey: October survey
		31	Quarterly national accounts: initial estimate Q3 2017
		31	Household consumption expenditure on goods in September

Sources: Insee, Eurostat

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