

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

### September was punctuated by preparation of the Budget Bill (PLF) and the announcement of the total financing requirement for 2018

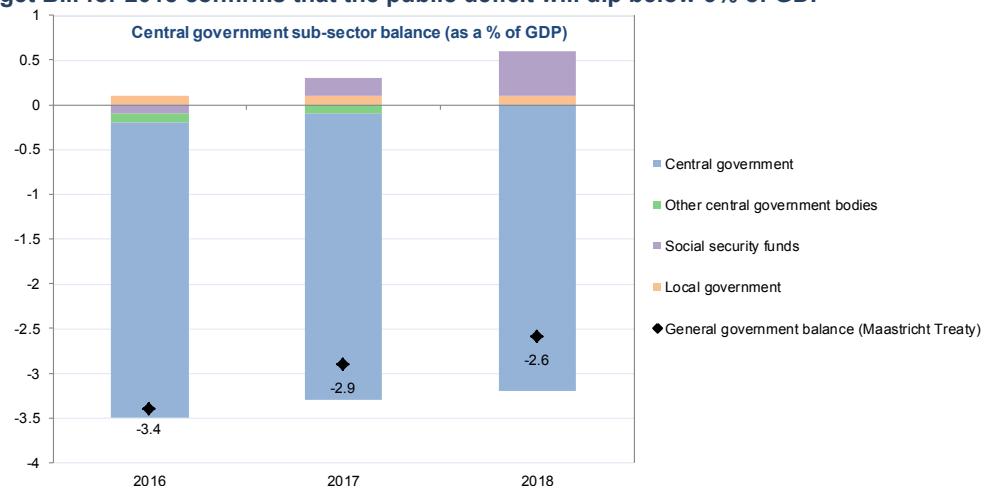
Since the start of 2017, France has continued to benefit from extremely favourable financing terms. The weighted average yield on medium- and long-term debt securities stood at 0.67% for the first three quarters of the year, compared to an average of 2.17% from 2009 to 2014.

At the end of September, Agence France Trésor's gross issuance of medium- and long-term debt represented €173.6bn. This sustained pace enabled AFT to continue pre-financing future issuance programmes as part of its proactive and flexible debt management strategy through buybacks of securities maturing in 2018 and 2019.

Despite a slight upward revision of the 2017 financing requirement to €191.7bn when the Budget Bill for 2018 was submitted, compared to the €185.4bn set out in the initial Budget Act (LFI) for 2017, the medium- and long-term issuance programme remains unchanged at €185bn.

The increase in the forecast fiscal deficit\* for 2017 to €76.5bn, as against €69.3bn expected in the initial Budget Act, is funded by an increase in BTFs outstanding of €3.8bn at the 2017 year-end and by other cash sources increased to €6.5bn compared to €4.5bn in the initial Budget Act, including the recording of net treasury premiums at issuance in 2017 yet again due to a favourable context of low yields. At €6bn, these premiums at issuance were slightly higher than provided for in the initial Budget Act (€4bn) but remain much lower than in 2015 and 2016 (€22bn and €20bn) in an environment of sustained low yields and a gradual renewal of benchmark bonds with a coupon yield adjusted to effective market yields.

The Budget Bill for 2018 confirms that the public deficit will dip below 3% of GDP



Source: Budget Bill for 2018

For 2018, the total financing requirement will stand at €203.3bn, including €120.1bn to redeem medium- and long-term debt and €82.9bn to cover the deficit to be financed.

The financing resources will primarily come from the medium- and long-term issuance programme worth €195bn. Secondly, the financing requirement will be met by other resources, in particular a contribution from cash available in the Treasury's account of €2.8bn and other cash sources of €3.5bn.

The yield scenario underlying the debt servicing cost forecast for 2018 assumes a progressive rise in long-term yields and inflation, together with the expected economic recovery. Consequently, the three month and ten year yields are projected at -0.10% and 1.85% respectively at the end of 2018. With these assumptions, State debt service is expected to stand at €41.2bn in 2018.

\* Owing to different accounting practices, the central government fiscal balance is not the same as the central government balance in the national accounts which is used to calculate the general government balance for all general government entities (balance under the Maastricht Treaty). Indeed, the national accounts are primarily based on the concept of accrual basis accounting. Moreover, the impact of certain transactions may differ in the two accounting systems, particularly for so-called financial and/or asset-based transactions, or non-fiscal transactions that will be ascribed to central government in the national accounts. The budget documents explain the changeover from cash basis accounts to national accounts.

## Potential growth in France

Antoine Herlin, Alexis Gatier, Directorate General of the Treasury



### TRÉSOR ECONOMICS – No. 206 – September 2017

Economic analysis is frequently grounded in the concepts of potential growth and the output gap, an indicator which points to the position of the economy in the cycle. As these notions dictate the breakdown of the general government balance into its structural and cyclical components, they also have a strong bearing on public finance steering.

The uncertainty surrounding estimates of these concepts makes it problematic to use them to guide economic policy. For instance, in 2007, most analysts considered that the output gap was slightly negative whereas now, with hindsight, it is thought that it was very positive at the time and, therefore, that the economic cycle was at a peak.

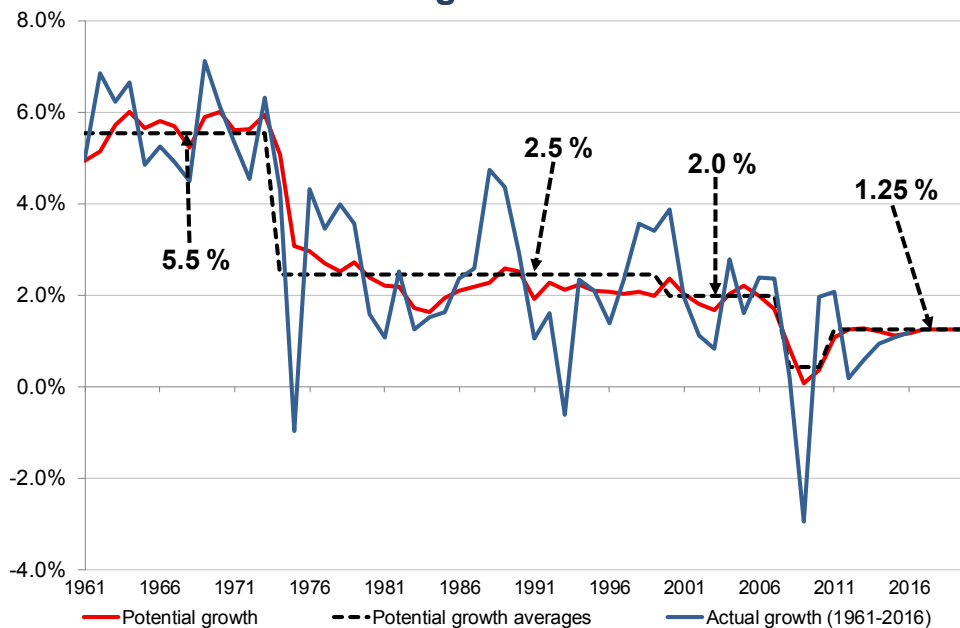
Whilst prior to the 2008 crisis, the French economy's potential growth rate was around 2%, it is expected to be in the order of 1¼% between 2017 and 2020. The main reasons for this downturn are the slowdown of total factor productivity (TFP) and a smaller contribution of capital. The TFP rationale applies to all advanced economies and may be the manifestation both of a broad trend of slower technical advances and of the long-term fallout from the 2008 crisis.

It is estimated that the output gap was approximately -1½ percentage point in 2016 and this implies that the French economy could experience a recovery of growth over and above potential growth figures.

Public policies may have a positive impact on potential growth by reducing structural unemployment and boosting productivity and investment. These may take the form of labour market and training reforms, or backing for innovation.

This scenario is close to that of the international organisations, in particular that of the European Commission. It is similar to those of the IMF and OECD but these organisations nevertheless consider that the output gap was wider in 2016.

### Potential growth scenario



Source : Insee, DG Trésor calculations.

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

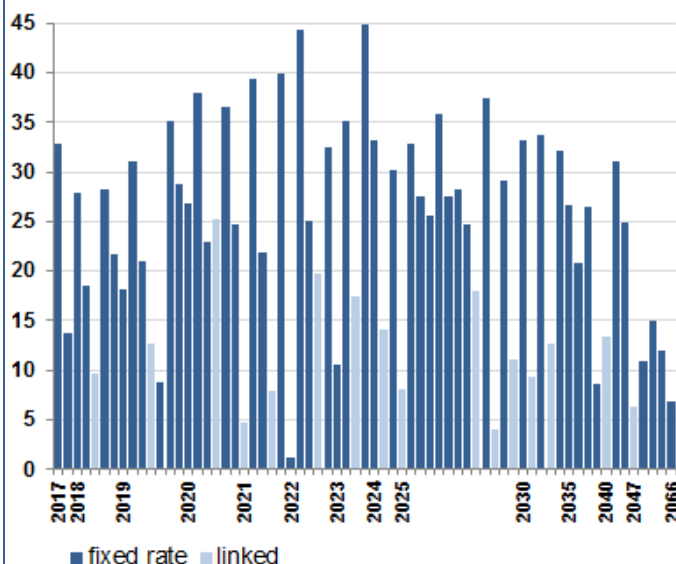
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
October 2017	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	1 November	23	9	23
November 2017	auction date	6	13	20	27	/	16	2	16
	settlement date	8	15	22	29	/	20	6	20

Source: Agence France Trésor

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

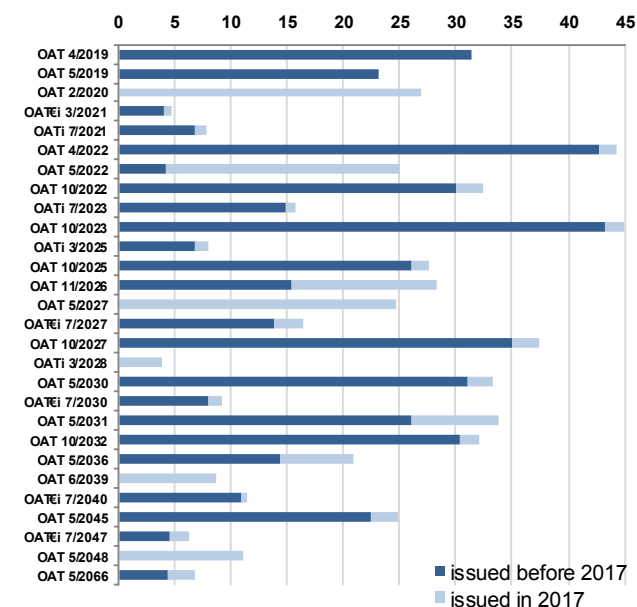
Nominal value of each line, in € billion



Source: Agence France Trésor

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

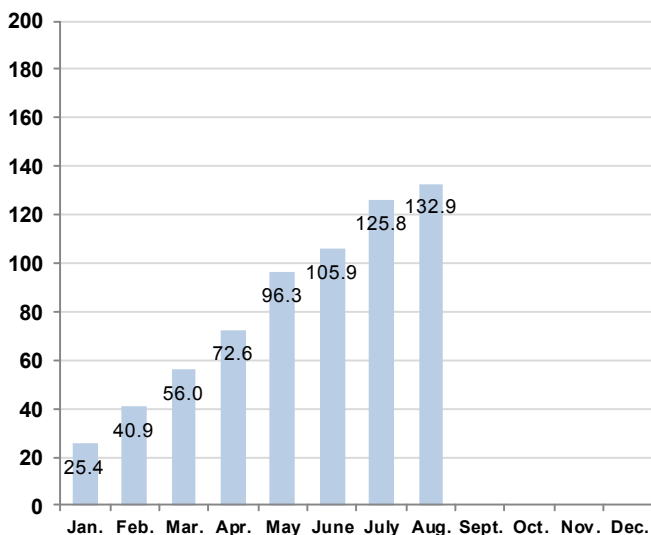
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 31 August 2017

In € billion



Source: Agence France Trésor

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

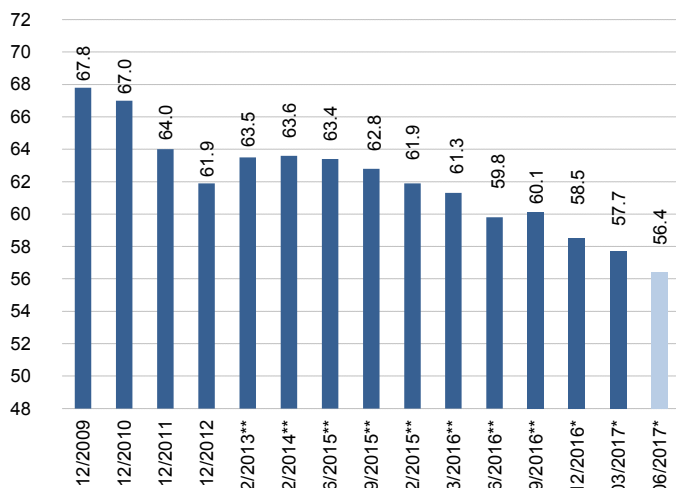
In € billion

Month	Coupon	Redemption
Sep-17		
Oct-17	15.1	32.8
Nov-17	1.3	
Dec-17		
Jan-18		
Feb-18		13.7
Mar-18	0.0	
Apr-18	14.2	28.0
May-18	5.1	18.6
Jun-18	0.2	
Jul-18	2.8	9.9
Aug-18		

Source: Agence France Trésor

### Non-resident holders of negotiable government debt in second quarter of 2017

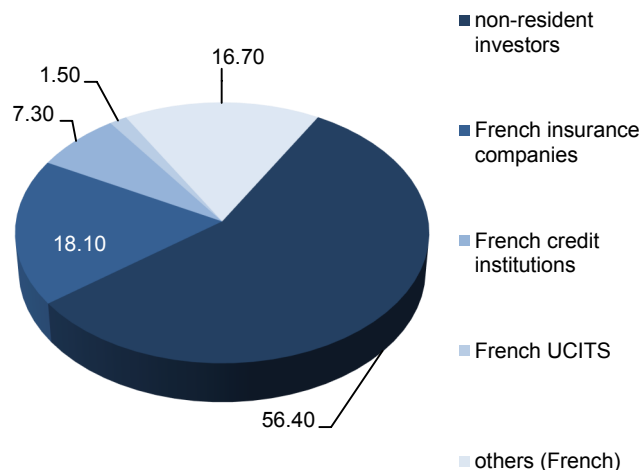
As a % of negotiable debt outstanding expressed in market value



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

### Negotiable government debt by group of holders in second quarter of 2017

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 31 August 2017

In euros

Total medium- and long-term debt	1,539,653,529,203
Total stripping activity	62,335,734,700
Average maturity	8 years and 153 days
Total short-term debt	147,517,000,000
Average maturity	114 days
<b>TOTAL OUTSTANDING</b>	<b>1,687,170,529,203</b>
<b>Average maturity</b>	<b>7 years and 260 days</b>

Source: Agence France Trésor

### Negotiable government debt and interest rate swaps at 31 August 2017

In € billion

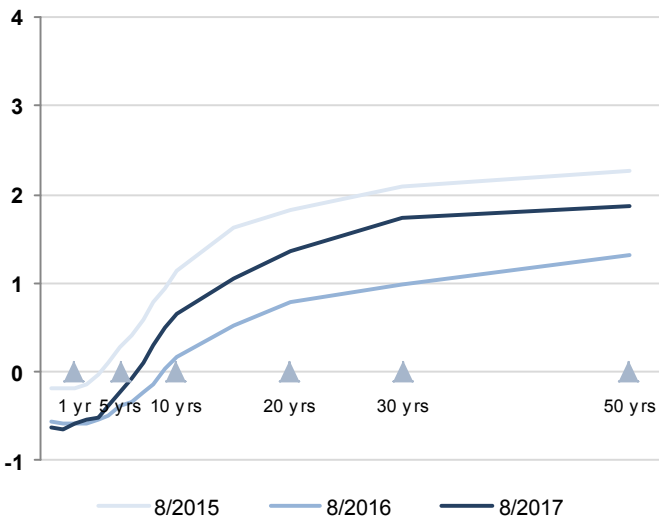
	End 2014	End 2015	End 2016	End July 2017	End August 2017
<b>Negotiable government debt outstanding</b>	<b>1,528</b>	<b>1,576</b>	<b>1,621</b>	<b>1,683</b>	<b>1,687</b>
of which index-linked securities	189	190	200	195	195
Medium- and long-term	1,352	1,424	1,487	1,533	1,540
short-term	175	153	134	150	148
<b>Swaps outstanding</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	6 years 363 days	7 years 47 days	7 years 195 days	7 years 271 days	7 years 260 days
after swaps	6 years 362 days	7 years 47 days	7 years 195 days	7 years 271 days	7 years 260 days

Source: Agence France Trésor



### Yield curve for French government securities

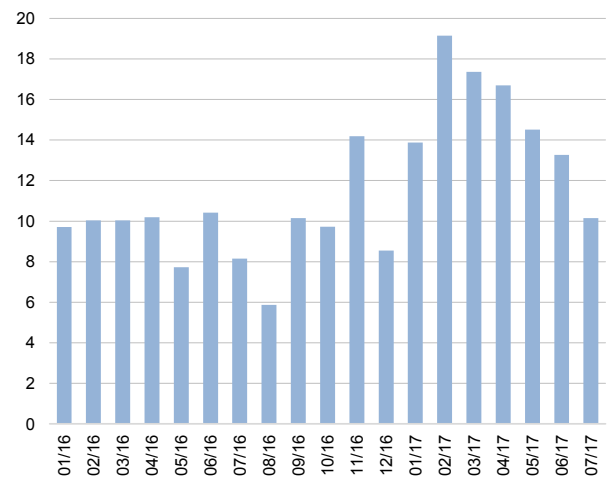
End-of-month value, %



Source: Bloomberg

### Average daily volume of medium- and long-term transactions

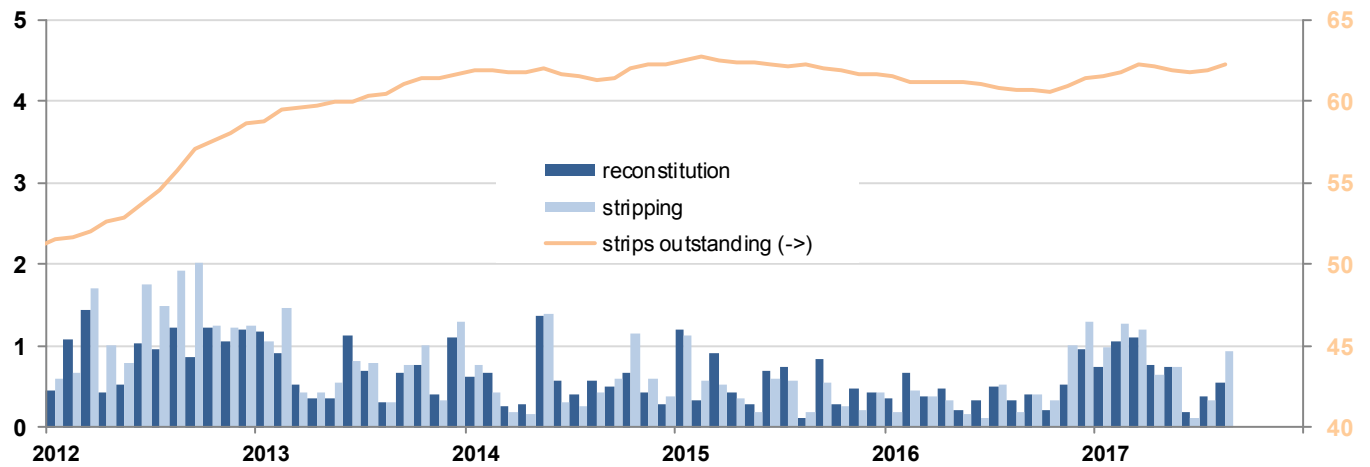
In € billion



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

### Total stripping and reconstitution

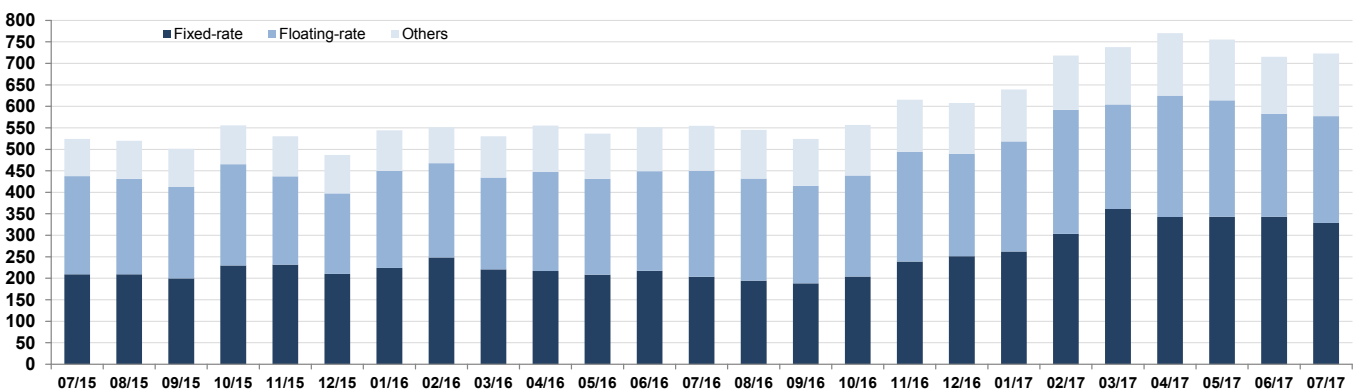
In € billion



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 2017

	Maturity	Outstanding (€)
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	01 November 2017	6,960,000,000
BTF	08 November 2017	6,440,000,000
BTF	15 November 2017	6,446,000,000
BTF	22 November 2017	6,091,000,000
BTF	29 November 2017	3,323,000,000
BTF	06 December 2017	8,412,000,000
BTF	20 December 2017	6,139,000,000
BTF	17 January 2018	5,974,000,000
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
BTF	18 July 2018	3,632,000,000
BTF	15 August 2018	2,533,000,000

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

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2017</b>	<b>32,840,000,000</b>			
FR0010517417	OAT 4.25% 25 October 2017	32,840,000,000			0
	<b>Maturity 2018</b>	<b>119,960,729,845</b>			
FR0012634558	OAT 0% 25 February 2018	13,734,000,000			0
FR0010604983	OAT 4% 25 April 2018	27,957,000,000			0
FR0011394345	OAT 1% 25 May 2018	18,591,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,751,729,845 (1)	1.05727	9,223,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,172,000,000			0
FR0011523257	OAT 1% 25 November 2018	21,755,000,000			20,000,000
	<b>Maturity 2019</b>	<b>155,660,302,688</b>			
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	20,985,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,681,782,800 (1)	1.08022	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,529,585,100
FR0010776161	OAT 3.75% 25 October 2019	35,125,000,000			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	-
	<b>Maturity 2020</b>	<b>174,309,570,500</b>			
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	25,195,570,500 (1)	1.24055	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 August 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2021</b>	<b>113,831,863,660</b>			
FR0013140035	OAT€i 0.1% 1 March 2021	4,757,385,660 (1)	1.01697	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	7,979,478,000 (1)	1.02301	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	<b>Maturity 2022</b>	<b>122,925,220,480</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			380,708,400
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	19,772,280,490 (1)	1.10281	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
	<b>Maturity 2023</b>	<b>108,225,964,103</b>			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,369,565,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	17,464,768,200 (1)	1.11276	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			420,585,000
	<b>Maturity 2024</b>	<b>77,433,717,140</b>			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	14,063,717,140 (1)	1.03273	13,618,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	<b>Maturity 2025</b>	<b>94,088,082,838</b>			
FR0012558310	OATi 0.1% 1 March 2025	8,037,154,720 (1)	1.01428	7,924,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	27,608,928,118			2,886,764,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
	<b>Maturity 2026</b>	<b>91,560,000,000</b>			
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
	<b>Maturity 2027</b>	<b>80,155,217,120</b>			
FR0013250560	OAT 1% 25 May 2027	24,765,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	17,936,217,120 (1)	1.08678	16,504,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			32,043,600
	<b>Maturity 2028</b>	<b>3,973,257,530</b>			
FR0013238268	OATi 0.1% 1 March 2028	3,948,088,410 (1)	1.01259	3,899,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120 (3)		46,232,603	-
	<b>Maturity 2029</b>	<b>40,171,578,829</b>			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,234,146,100
FR0000186413	OATi 3.4% 25 July 2029	11,079,698,371 (1)	1.26855	8,734,144,000	0
	<b>Maturity 2030</b>	<b>42,621,693,640</b>			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	9,413,693,640 (1)	1.01946	9,234,000,000	0
	<b>Maturity 2031</b>	<b>33,749,000,000</b>			
FR0012993103	OAT 1.5% 25 May 2031	33,749,000,000			103,000,000
	<b>Maturity 2032</b>	<b>44,932,731,400</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	12,770,408,800 (1)	1.25693	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,459,357,400
	<b>Maturity 2033 and later</b>	<b>203,214,599,430</b>			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,954,937,000
FR0013154044	OAT 1.25% 25 May 2036	20,894,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,894,211,400
FR0013234333	OAT 1.75% 25 June 2039	8,632,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,358,128,630 (1)	1.16431	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	31,111,000,000			7,305,039,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,222,600,000
FR0013209871	OAT€i 0.1% 25 July 2047	6,404,470,800 (1)	1.01465	6,312,000,000	0
FR0013257524	OAT 2% 25 May 2048	11,006,000,000			97,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,651,188,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			6,630,904,100
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	3.7%	Jul. 2017
Household consumption*, year-on-year	1.3%	Aug. 2017
Unemployment rate (ILO)	9.5%	Q2-2017
Consumer prices, year-on-year		
all items	0.9%	Aug. 2017
all items excluding tobacco	0.9%	Aug. 2017
Trade balance, fob-fob, sa (€bn)	-€6.0bn	Jul. 2017
" "	-€4.9bn	Jun. 2017
Current account balance, sa (€bn)	-€4.2bn	Jul. 2017
" "	-€2.4bn	Jun. 2017
10-year constant maturity rate (TEC10)	0.81%	28 Sep. 2017
3-month interest rate (Euribor)	-0.33%	28 Sep. 2017
EUR / USD	1.1741	28 Sep. 2017
EUR / JPY	132.60	28 Sep. 2017

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

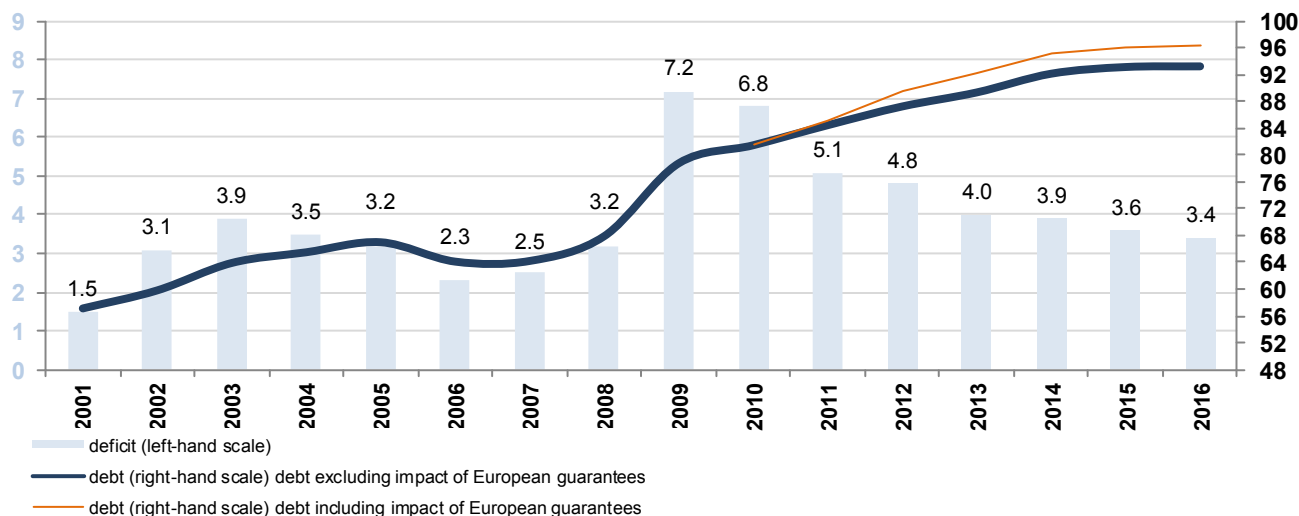
In € billion

	2015	2016	end of July level		
			2015	2016	2017
General budget balance	-72.15	-75.85	-56.29	-50.74	-55.17
revenue	299.66	303.97	172.98	177.44	181.70
expenditure	371.81	379.82	229.27	228.18	236.87
Balance of special Treasury accounts	1.62	6.80	-23.52	-30.11	-28.67
<b>General budget outturn</b>	<b>-70.53</b>	<b>-69.06</b>	<b>-79.81</b>	<b>-80.85</b>	<b>-83.84</b>

Source: Minefi

### Public finances: deficit and debt

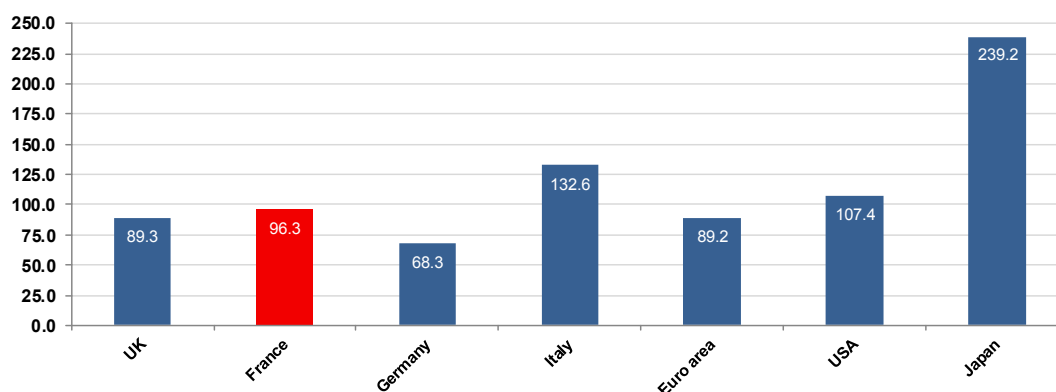
As % of GDP



Source: Eurostat, Insee

### General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee



## French economic indicators: timetable

October 2017		November 2017	
 6	Foreign trade by value in August	 7	Industrial investments: October survey
 6	Balance of payments in August	 8	Foreign trade by value in September
 10	Industrial production: August index	 8	Balance of payments in September
 12	Consumer prices: September index	 10	Flash estimate of payroll employment: Q3-2017
 13	Net international reserves in September	 10	Industrial production: September index
 17	Inflation (HICP): September index	 15	Consumer prices: October index
 24	Quarterly business survey (goods-producing industries) in October	 15	Net international reserves in October
 24	Monthly business survey (goods-producing industries) in October	 16	Inflation (HICP): October index
 24	Job seekers in September	 16	Job seekers Q3-2017 (ILO)
 27	Housing starts in September	 23	Monthly business survey (goods-producing industries) in November
 27	Consumer confidence survey: October survey	 24	Job seekers in October
 31	Quarterly national accounts: initial estimate Q3 2017	 28	Consumer confidence survey: November survey
 31	Household consumption expenditure on goods in September	 28	Housing starts in October
		 29	Household consumption expenditure on goods in October
		 29	Quarterly national accounts: second estimate Q3-2017
		 30	Industrial producer and import price: October indices

Sources: Insee, Eurostat

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English translation: Centre de traduction des ministères économiques et financiers