

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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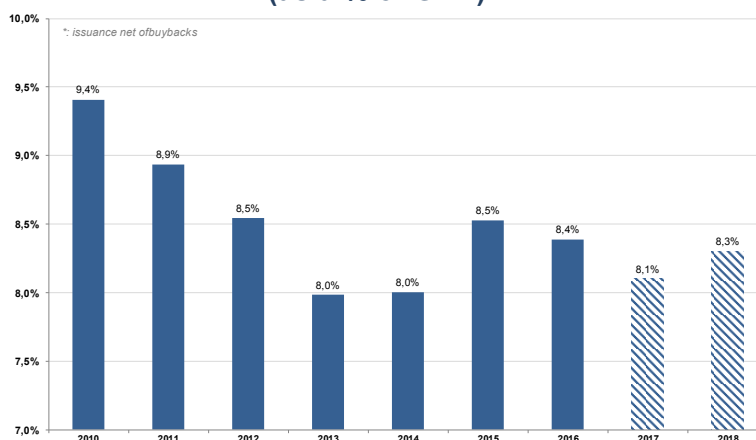
Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

News at Agence France Trésor

Agence France Trésor opts for continuity in its financing programme for 2018

In 2018, AFT will borrow €195bn on the market, which is €10bn more than in 2017. This is a large amount in nominal terms, but, compared to France's gross domestic product (GDP), it is still far lower than the levels reached at the beginning of this decade (see chart below). It is comparable to the amounts of market financing that AFT has raised in recent years. It is also in keeping with the general stability, and even slight decrease, of issuance by the French public sector (State and government agencies).

France*: Medium- and long-term debt issuance programme (as a % of GDP)



Source: AFT, Bloomberg

AFT's action in 2018 will be a continuation of its previous programme, as it adjusts its issuance to meet demand and to ensure a liquid market for French Treasury securities.

AFT's plans for issuing nominal bonds in 2018 include a new benchmark bond maturing in February 2021, a new 5-year benchmark, a new 10-year benchmark and a new 15-year benchmark.

As is the case every year, approximately 10% of AFT's issuance will be made up of bonds linked to French or European inflation. After launching a new 10-year bond linked to French inflation in 2017, AFT will aim for a syndicated issue of a new security linked to European inflation (OAT€i), depending on market conditions and after consulting with primary dealers. The maturity of this bond will be between 15 and 20 years. If demand is strong, AFT will also consider auctioning a new 10-year OAT€i benchmark.

AFT will also continue to tap the green bond to meet market demand, up to the limit of eligible green expenditures for 2018. This bond now accounts for €9.7bn in outstanding issuance.

Finally, AFT will offer a wider range of maturities at auctions of medium-term securities, with maturities of 2 to 8 years, versus 7 years at present. This means that auctions of long-term securities on the first Thursday of each month will now feature maturities of 8 years or more. This adjustment means that a wider range of securities will be on offer on the third Thursday of each month, since negative yields may restrict demand for shorter maturities.

France: Carrying on

Daniele Antonucci, European economist, Morgan Stanley.

France is at the start of a long journey of structural change, to become a stronger partner in Europe. Economic growth is already robust and, while there's a long way to go on the public finances, the trajectory is positive. We remain bullish on the near-term outlook and are optimistic on the benefits of government reforms over the medium term.

Economic activity accelerates: The economy continues to grow at a robust pace and survey data point to further momentum into 2018. Domestic demand will likely remain the key engine, thanks to faster private consumption. In particular, after political uncertainty restrained household spending in early 2017, we expect strong sentiment to produce a significant consumer recovery next year. Household incomes will also be bolstered by tax and social contribution changes. And, even accounting for moderate fiscal consolidation, government spending should still support growth, just to a lesser degree than in the past.

Tax policy supports investment and hiring... Lower rates of corporation tax should also incentivise a pick-up in capex, with SMEs in particular finding it beneficial. Meanwhile, lower social contributions from next year should provide a further boost to activity and encourage hiring. Unlike in peers like Germany, a fair amount of slack persists in France, particularly in the labour market, with the rate of unemployment still stubbornly above NAIRU. While we expect robust job creation to bring the unemployment rate below 9%, it's likely that recent labour market reforms and future improvements to professional training will lower NAIRU over time.

...as will the implementation of structural reform: The current growth strength is cyclical and will probably continue with or without structural reforms. But the prospect of less rigid labour laws and tax cuts are reinforcing growth dynamics and could amplify the cyclical recovery. We think that further structural change is achievable and could provide a boost to growth. Indeed, unlike with previous attempts at reform, union opposition is softer and the government has a clear reform mandate. Its policies aren't likely to alter things in the near term, but structural change should slowly lift potential growth and make France more competitive.

The path to raise potential growth: Becoming a 'growth leader' in Europe requires more progress. France's large and persistent trade deficit is a vulnerability, and we expect little improvement through 2019. Measures to address structural competitiveness issues and ease business conditions, as the government has signposted, will help, and we've highlighted the potential benefits of product market reforms. While fiscal consolidation will detract a little from near-term growth, it should yield long-run fruits by reducing the sizeable public debt burden.

Pursuing gradual fiscal consolidation: We expect the government to more or less stick to the fiscal targets, with the deficit likely to come in below 3% of GDP in the next two years. A one-off change associated with the transformation of the CICE (a corporate subsidy) will have around a 0.8pp impact on the deficit and debt in 2019 only. But the broader trajectory is towards gradual fiscal consolidation.

Temporary factors to lift inflation: The upward trend in inflation should continue in 2018, thanks to a number of tax hikes. Fuel and tobacco duties will have the biggest impact, inflating prices both next year and in 2019. With slack in the economy persisting, core inflation will likely remain subdued throughout the forecast horizon. However, the general trend is upwards, just at a slow pace, as slack diminishes gradually.

Morgan Stanley Disclaimer : This article is based on research published for Morgan Stanley Research on 26 November 2017. 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. Contact Morgan Stanley for a copy of the published report. 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

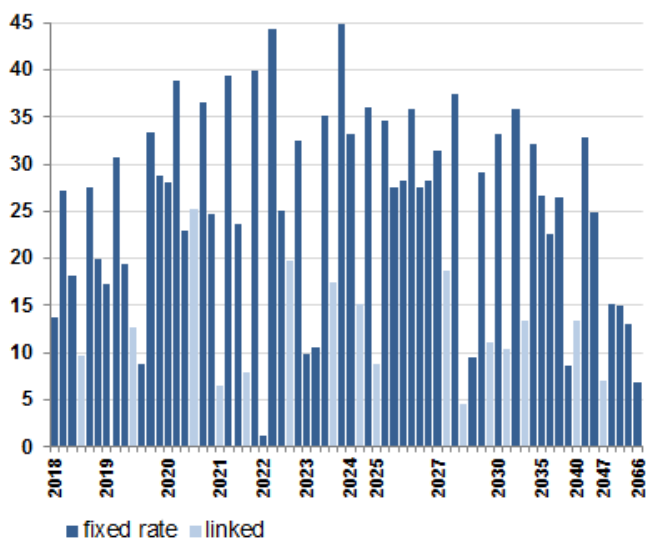
		Short-term					Medium-term	Long-term	Index-linked
January 2018	auction date	2	8	15	22	29	18	4	18
	settlement date	4	10	17	24	31	22	8	22
February 2018	auction date	5	12	19	26	/	15	1	15
	settlement date	7	14	21	28	/	19	5	19

anticipating or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 30 November 2017

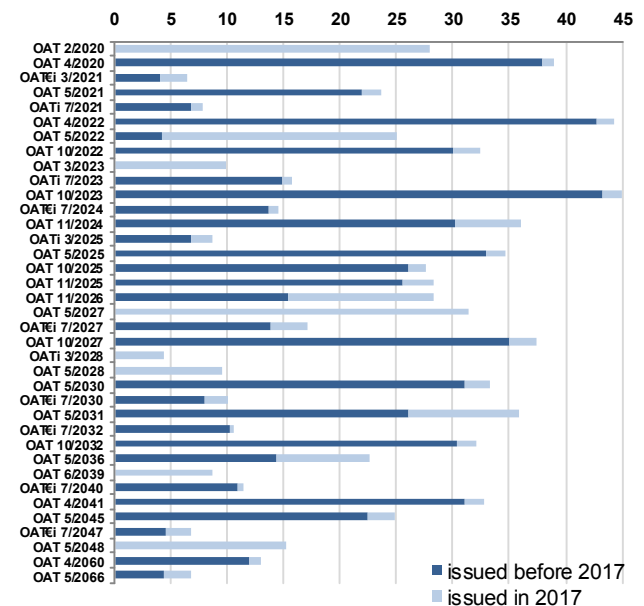
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 November 2017

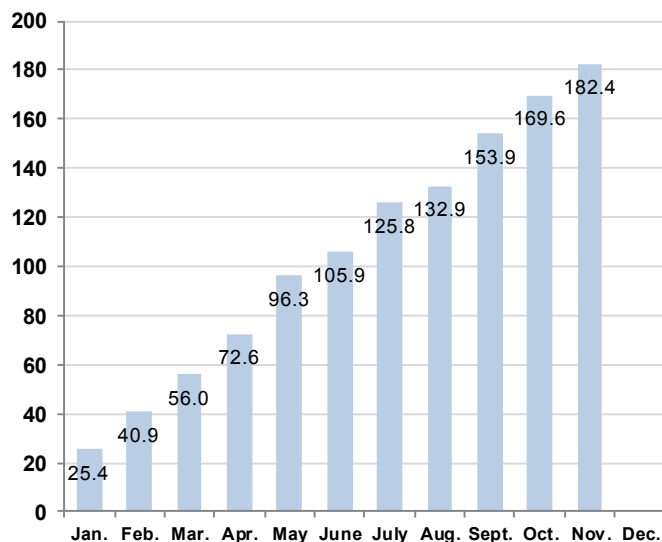
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 November 2017

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 30 November 2017

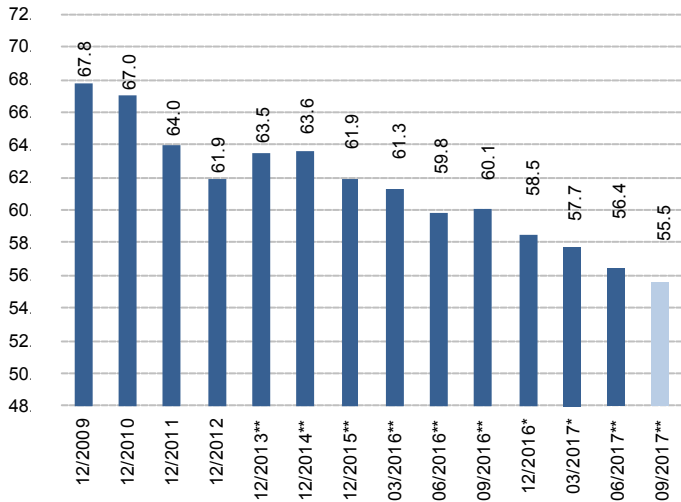
In € billion

Month	Coupon	Redemption
Dec-17		
Jan-18		
Feb-18		13.7
Mar-18	0.0	
Apr-18	14.3	27.3
May-18	5.3	18.2
Jun-18	0.2	
Jul-18	2.9	9.9
Aug-18		
Sep-18		
Oct-18	13.6	27.5
Nov-18	1.4	19.9

Source: Agence France Trésor

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

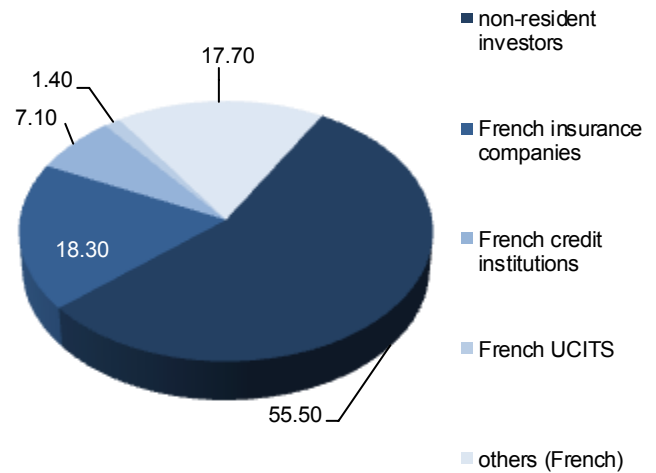
As a % of negotiable debt outstanding expressed in market value



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

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

Structure in % expressed in market value



Source: Banque de France

Negotiable government debt at 30 November 2017

In euros

Total medium- and long-term debt	1,556,858,183,745
Total stripping activity	62,608,754,700
Average maturity	8 years and 179 days
Total short-term debt	134,777,000,000
Average maturity	109 days
TOTAL OUTSTANDING	1,691,635,183,745
Average maturity	7 years and 306 days

Source: Agence France Trésor

Negotiable government debt and interest rate swaps at 30 November 2017

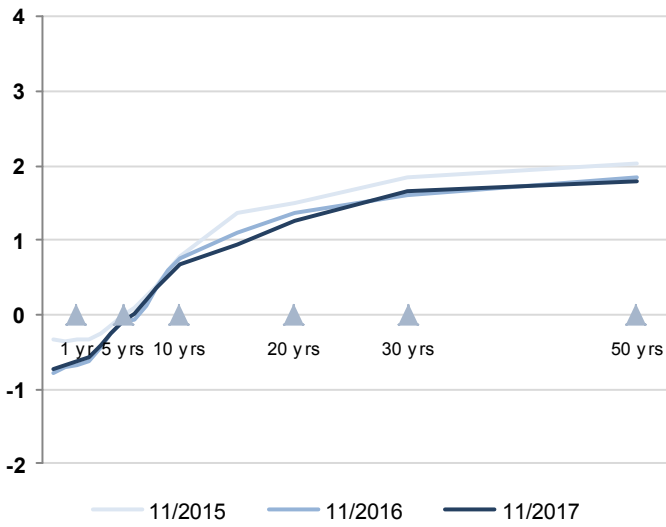
In € billion

	End 2014	End 2015	End 2016	End Oct. 2017	End Nov. 2017
Negotiable government debt outstanding	1,528	1,576	1,621	1,680	1,692
of which index-linked securities	189	190	200	199	202
Medium- and long-term	1,352	1,424	1,487	1,543	1,557
short-term	175	153	134	137	135
Swaps outstanding	6	6	1	1	1
Average maturity of the negotiable debt					
before swaps	6 years 363 days	7 years 47 days	7 years 195 days	7 years 305 days	7 years 306 days
after swaps	6 years 362 days	7 years 47 days	7 years 195 days	7 years 305 days	7 years 306 days

Source: Agence France Trésor

Yield curve for French government securities

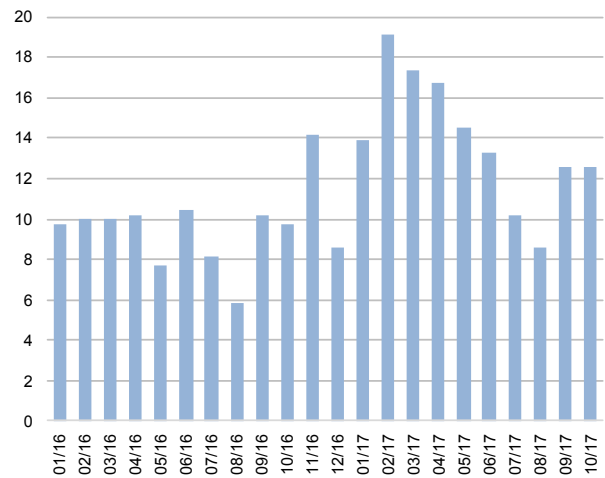
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

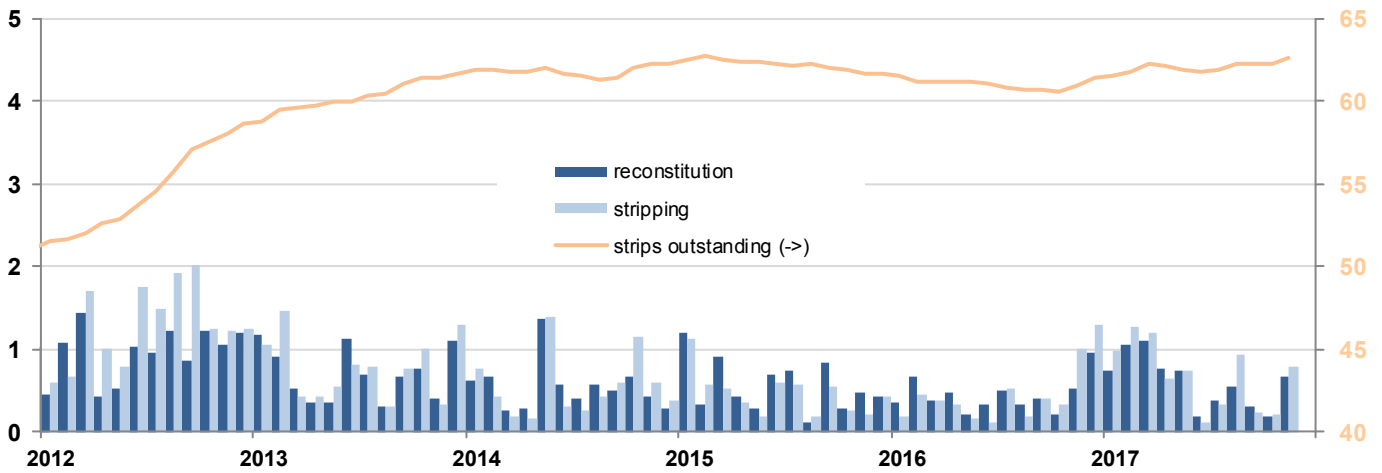
In € billion



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

Total stripping and reconstitution

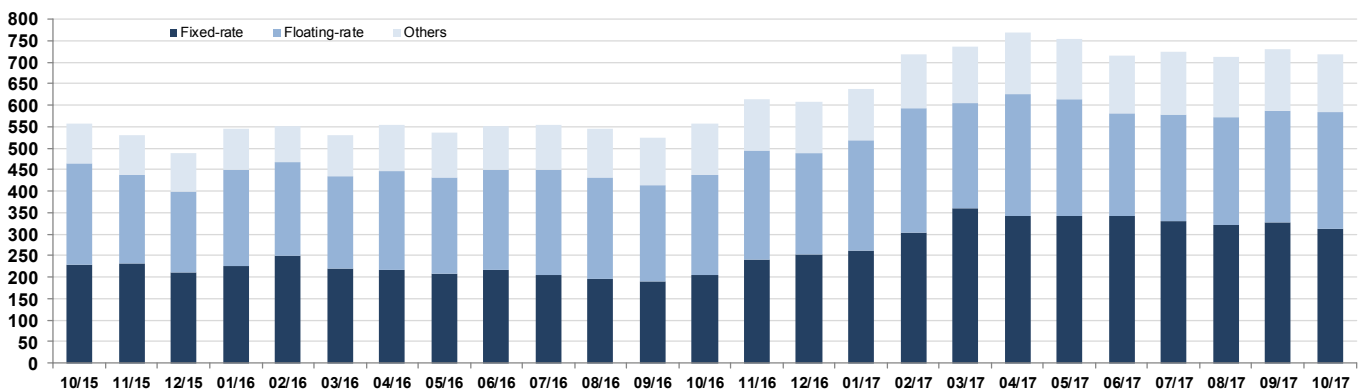
In € billion



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 2017

	Maturity	Outstanding (€)
BTF	6 December 2017	8,412,000,000
BTF	13 December 2017	5,886,000,000
BTF	20 December 2017	6,139,000,000
BTF	28 December 2017	5,585,000,000
BTF	10 January 2018	6,341,000,000
BTF	17 January 2018	5,974,000,000
BTF	24 January 2018	6,140,000,000
BTF	31 January 2018	7,467,000,000
BTF	07 February 2018	6,063,000,000
BTF	14 February 2018	6,309,000,000
BTF	21 February 2018	7,516,000,000
BTF	28 February 2018	7,133,000,000
BTF	14 March 2018	5,841,000,000
BTF	28 March 2018	6,272,000,000
BTF	11 April 2018	5,623,000,000
BTF	25 April 2018	5,795,000,000
BTF	9 May 2018	1,604,000,000
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	4,089,000,000
BTF	12 September 2018	1,947,000,000
BTF	10 October 2018	4,734,000,000
BTF	7 November 2018	3,850,000,000

Medium- and long-term debt (maturing 2017-2021) at 30 November 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	Maturity 2017	0			
	Maturity 2018	116,426,594,265			
FR0012634558	OAT 0% 25 February 2018	13,734,000,000			0
FR0010604983	OAT 4% 25 April 2018	27,277,000,000			0
FR0011394345	OAT 1% 25 May 2018	18,191,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	9,767,594,265 (1)	1.05899	9,223,500,000	0
FR0010670737	OAT 4.25% 25 October 2018	27,527,000,000			0
FR0011523257	OAT 1% 25 November 2018	19,930,000,000			20,000,000
	Maturity 2019	151,111,124,488			
FR0013101466	OAT 0% 25 February 2019	17,363,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	30,703,000,000			0
FR0011708080	OAT 1% 25 May 2019	19,420,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,682,604,600 (1)	1.08029	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,497,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,325,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	36,126,995 (2)		6,692,154	-
	Maturity 2020	176,504,596,700			
FR0013232485	OAT 0% 25 February 2020	28,009,000,000			0
FR0010854182	OAT 3.5% 25 April 2020	38,946,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	25,236,596,700 (1)	1.24257	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	117,417,601,640			
FR0013140035	OAT€i 0.1% 1 March 2021	6,541,577,640 (1)	1.01862	6,422,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	39,352,000,000			0
FR0013157096	OAT 0% 25 May 2021	23,653,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	7,980,024,000 (1)	1.02308	7,800,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			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 2022 and beyond) at 30 November 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
Maturity 2022		122,957,492,680			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			524,708,400
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	19,804,552,690	(1) 1.10461	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
Maturity 2023		118,078,062,753			
FR0013283686	OAT 0% 25 March 2023	9,851,000,000			0
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	17,465,866,850	(1) 1.11283	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			425,585,000
Maturity 2024		84,248,015,700			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	15,087,015,700	(1) 1.03442	14,585,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	36,026,000,000			46,000,000
Maturity 2025		99,376,754,018			
FR0012558310	OATi 0.1% 1 March 2025	8,758,825,900	(1) 1.01434	8,635,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	34,702,000,000			0
FR0000571150	OAT 6% 25 October 2025	27,608,928,118			2,881,064,400
FR0012938116	OAT 1% 25 November 2025	28,307,000,000			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		87,534,444,700			
FR0013250560	OAT 1% 25 May 2027	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	18,629,444,700	(1) 1.08855	17,114,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			41,943,600
Maturity 2028		14,129,600,770			
FR0013238268	OATi 0.1% 1 March 2028	4,517,431,650	(1) 1.01265	4,461,000,000	0
FR0000571226	OAT zero coupon 28 March 2028	25,169,120	(3)	46,232,603	-
FR0013286192	OAT 0.75% 25 May 2028	9,587,000,000			0
Maturity 2029		40,172,277,561			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,202,946,100
FR0000186413	OATi 3.4% 25 July 2029	11,080,397,103	(1) 1.26863	8,734,144,000	0
Maturity 2030		43,538,671,040			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	10,330,671,040	(1) 1.02112	10,117,000,000	0
Maturity 2031		35,834,000,000			
FR0012993103	OAT 1.5% 25 May 2031	35,834,000,000			97,000,000
Maturity 2032		45,488,625,900			
FR0000188799	OAT€i 3.15% 25 July 2032	13,326,303,300	(1) 1.25898	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,385,657,400
Maturity 2033 and later		212,480,321,530			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,954,937,000
FR0013154044	OAT 1.25% 25 May 2036	22,657,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,832,131,400
FR0013234333	OAT 1.75% 25 June 2039	8,632,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,379,927,330	(1) 1.16621	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	32,780,000,000			7,340,039,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,124,100,000
FR0013209871	OAT€i 0.1% 25 July 2047	6,945,394,200	(1) 1.01630	6,834,000,000	0
FR0013257524	OAT 2% 25 May 2048	15,140,000,000			321,500,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,639,988,000
FR0010870956	OAT 4% 25 April 2060	13,055,000,000			6,713,904,100
FR0013154028	OAT 1.75% 25 May 2066	6,845,000,000			185,100,000

(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	5.5%	Oct. 2017
Household consumption*, year-on-year	1.6%	Nov. 2017
Unemployment rate (ILO)	9.7%	Q3-2017
Consumer prices, year-on-year		
all items	1.2%	Nov. 2017
all items excluding tobacco	0.5%	Nov. 2017
Trade balance, fob-fob, sa (€bn)	-€5.0bn	Oct. 2017
" "	-€4.6bn	Sep. 2017
Current account balance, sa (€bn)	-€2.2bn	Oct. 2017
" "	-€3.3bn	Sep. 2017
10-year constant maturity rate (TEC10)	0.65%	27 Dec. 2017
3-month interest rate (Euribor)	-0.33%	27 Dec. 2017
EUR / USD	1.19	27 Dec. 2017
EUR / JPY	134.70	27 Dec. 2017

* manufactured products

Sources: Insee, Minefi, Banque de France

Monthly government budget position

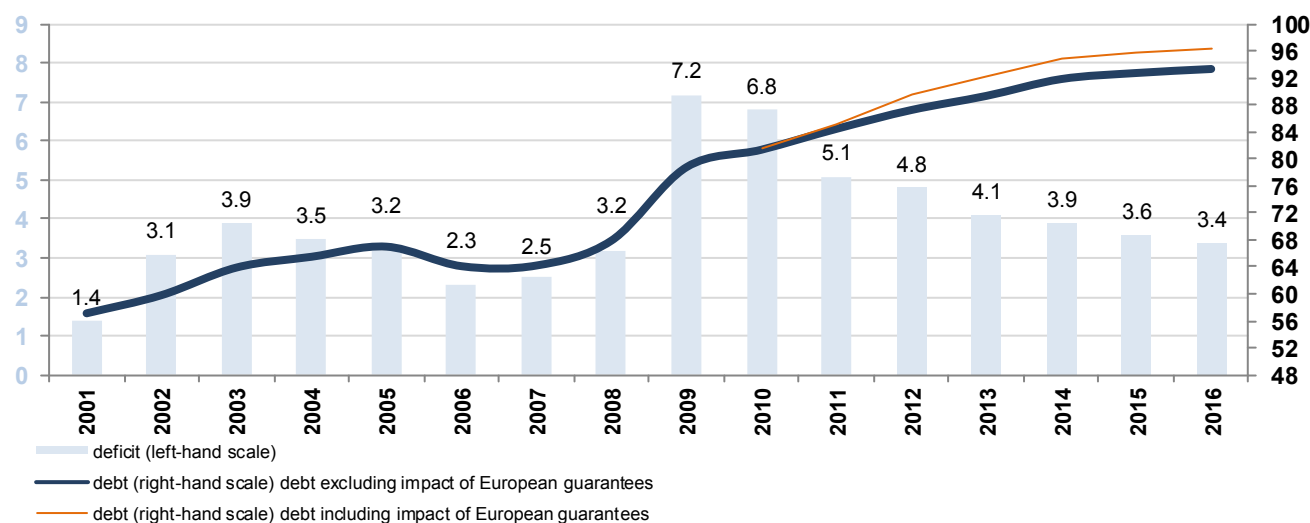
In € billion

	2015	2016	end of October level		
			2015	2016	2017
General budget balance	-72.15	-75.85	-71.71	-66.56	-68.26
revenue	299.66	303.97	243.26	251.76	260.08
expenditure	371.81	379.82	314.97	318.32	328.34
Balance of special Treasury accounts	1.62	6.80	-4.49	-18.98	-8.88
General budget outturn	-70.53	-69.06	-76.20	-85.54	-77.14

Source: Minefi

Public finances: deficit and debt

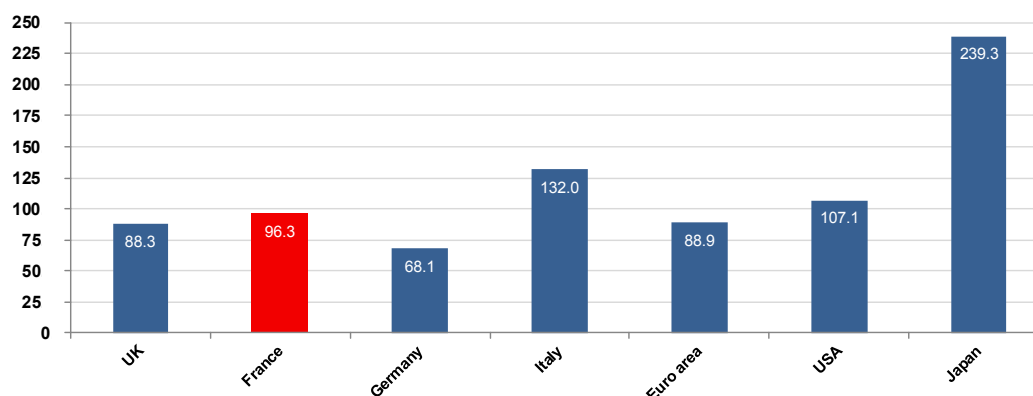
As % of GDP



Source: Eurostat, Insee

General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee

French economic indicators: timetable

January 2018	February 2018
5 Consumer confidence survey: December survey	6 Industrial investments: January survey
9 Balance of payments in November	7 Foreign trade by value in December
9 Foreign trade by value in November	7 Balance of payments in December
10 Industrial production: November index	9 Industrial production: December index
11 Consumer prices: December index	15 Job seekers Q4-2017 (ILO)
15 Net international reserves in December	15 Net international reserves in January
17 Inflation (HICP): December index	22 Monthly business survey (goods-producing industries) in February
24 Monthly business survey (goods-producing industries) in January	22 Consumer prices: January index
24 Quarterly business survey (goods-producing industries) in January	23 Inflation (HICP): January index
24 Job seekers in December	23 Consumer confidence survey: February survey
26 Housing starts in December	28 Quarterly national accounts: second estimate Q4-2017
26 Consumer confidence survey: January survey	28 Industrial producer and import price: January indices
30 Quarterly national accounts: initial estimate Q4-2017	28 Household consumption expenditure on goods in January
30 Household consumption expenditure on goods in December	
31 Industrial producer and import price: December indices	

Sources: Insee, Eurostat

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English translation: Centre de traduction des ministères économiques et financiers