

<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**

## Budget outturn 2017

The State's fiscal deficit for 2017 stood at €67.8bn. This outturn is a clear improvement compared to the projected deficit of €74.1bn contained in the Supplementary Budget Act presented in November 2017. It can be explained in part by faster economic growth at the end of the year and strong tax revenue, particularly from VAT and corporate income tax. This revenue was €4.3bn more than the revenue projections made in the third quarter. At the same time, the State's spending was contained and kept in line with the target set in the Supplementary Budget Act.

The fiscal deficit for 2017 was €1.5bn smaller than the 2016 deficit, and it was the smallest deficit since 2008.

Under the circumstances, the State's borrowing requirement was €4.2bn less than the amount projected in the Initial Budget Act. The 2017 requirement stood at €181.2bn, including €67.8bn to finance the deficit and €115.2bn to redeem medium- and long-term State debt maturing during the year.

In €bn	2017 Int. Budget Act	Outturn 2017 (provisional figures)
<b>Borrowing requirement</b>		
Medium- and long-term debt redemption	115.2	115.2
o/w Redemption of medium- and long-term debt at par value	112.8	112.8
o/w Index-linking supplements paid at maturity on index-linked securities	2.4	2.4
Redemption of other debts	0	0
Deficit to be financed	69.3	67.8
Other cash requirements	0.9	-1.8
<b>Total</b>	<b>185.4</b>	<b>181.2</b>
<b>Financing resources</b>		
Medium- and long-term debt issuance net of buybacks	185	185
Funds allocated to the Caisse de la Dette Publique to reduce debt	0	0
Net change in outstanding short-term government securities	0	-7.5
Change in correspondents' deposits	-5.1	2.9
Change in cash available in the Treasury's account	1	-9.2
Other cash sources	4.5	10
<b>Total</b>	<b>185.4</b>	<b>181.2</b>

Source: Agence France Trésor

The financing resources came from AFT's issuance of €213.1bn in medium- and long-term OATs. AFT also bought back €28.1bn in securities maturing in 2018 and 2019. The amount of debt net of buybacks stood at €185bn, in accordance with the Initial Budget Act.

Yields remained at historic lows, with negative yields on medium-term borrowing. The result, once again, was large issuance premiums received in cash, which increased other cash sources to €10bn.

These cash sources were used to reduce short-term debt. The stock of outstanding BTFs was cut by €7.5bn, in contrast to the projection of no change in the Initial Budget Act. BTFs as a percentage of outstanding debt fell to 7.5% at the end of the year, which was the lowest level since 2000.

Treasury correspondents' deposits were up by €2.9bn compared to the end of 2016, instead of decreasing by €5.1bn, as projected in the Initial Budget Act. As a result of these changes, the amount of cash available in the Treasury's account at the end of the year was up by €9.2bn, in contrast to the decrease of €1bn projected in the Initial Budget Act.

These good results for the 2017 fiscal balance enhance the Government's ability to attain its goal of bringing the deficit down to less than 3% of GDP in 2017. This figure will be available at the end of March 2018 and will factor in the balances of social security funds and local governments.

## Supportive factors for OATs in 2018

From Eric Oynoyan, Senior Interest Rate Strategist, BNP Paribas

OAT/Bund spreads rose close to record tight levels at the end of 2017, after a volatile first quarter when the French presidential election triggered a spike in OAT/Bund spread volatility, and despite the prospect of a reduction in purchases under the ECB's asset purchase programme to €30bn a month from January 2018. This highlights the strength of demand for liquid and high-rated French debt.

2017 was characterised by the high liquidity of, and strong demand for, the French debt market. On the liquidity side, after three years of decline, the average monthly volume increased by 37% in 2017 (excluding PSPP volumes), above the previous record in 2011. The rise in volume reached as high as 51% for OATs. The rise was less pronounced for Bunds (+17% including PSPP volumes). Looking at the PSPP period French debt volumes on MTS have been largely stable versus the 2007-2017 period, while German debt volume on MTS fell by 48% (upper table).

More evidence of higher liquidity can be seen in the reduction in the bid/ask differential on MTS. The MTS bid/ask has sharply tightened for OATs (by 30% since the start of the PSPP).

On the demand side, real money flows were more volatile in 2017 than 2016, likely because of the perceived uncertainty linked to the French presidential election. Buyer profiles changed, with life insurers returning to OATs as their valuation relative to credit reached very cheap levels in Q1 2017. Largely strong domestic demand helped absorb the net selling flows from Japanese investors seen from November 2016 to April 2017 (the latter were also net sellers of US Treasuries). Once again, these net selling flows from Asia proved temporary and OATs benefited from a significant demand from Asian investors. Indeed, two thirds of the renewed purchases of EGBs since May 2017 – around €19bn – were concentrated in OATs, with record flows in July and, to a lower extent, in October and November.

The global profile of the French debt holding structure has not changed after three years of PSPP. In

Q3-2017, the percentage of non-residents holding the French government debt was still above 55%, a number to compare with 46% for Spain, 31.4% for Italy or 47% for Germany.

### Stable MTS OAT volumes, lower for Bunds since PSPP

MTS Volumes	PSPP Vs 2014	PSPP Vs 2007-2017 Av
Austria	-49.2%	-43.4%
Belgium	-21.0%	2.2%
Germany	-40.1%	-48.1%
Spain	17.9%	96.5%
Finland	-36.4%	12.1%
<b>France</b>	<b>-10.0%</b>	<b>2.0%</b>
Greece	NS	NS
Ireland	-33.5%	-7.8%
Italy	-28.3%	11.0%
Netherlands	-29.9%	-16.6%
Portugal	41.1%	44.8%
Slovenia	3.8%	-49.6%

### Tighter MTS bid/ask for 10y OATs wider for 10y Bunds

MTS: 10y Bid/Ask	2011-2017 Average	Vs 2014	PSPP vs 2011-2017	2017 Average
Finland	0.15	53%	-19%	0.15
Italy	0.19	40%	-35%	0.13
Germany	0.11	153%	42%	0.17
<b>France</b>	<b>0.17</b>	<b>-5%</b>	<b>-30%</b>	<b>0.11</b>
Austria	0.29	50%	-32%	0.29
Spain	0.41	-13%	-58%	0.16
Ireland	1.37	-3%	-76%	0.36
Portugal	2.19	24%	-75%	0.71
Slovenia	1.12	-19%	-40%	0.72

On the performance side, the total return of French government debt since the start of the PSPP is very close to that of the best performers, ie Spain and Italy, and twice as high as that of Bunds. The volatility adjusted total return of OATs remains the highest among core/semi-core bonds and very close to that of peripheral countries.

Overall, we think the renewed strength of the French economy since late 2016, combined with high liquidity, will keep demand for OATs strong in 2018, confirming their status as the main vehicle for non-EUR investors, particularly Asian investors.

**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.

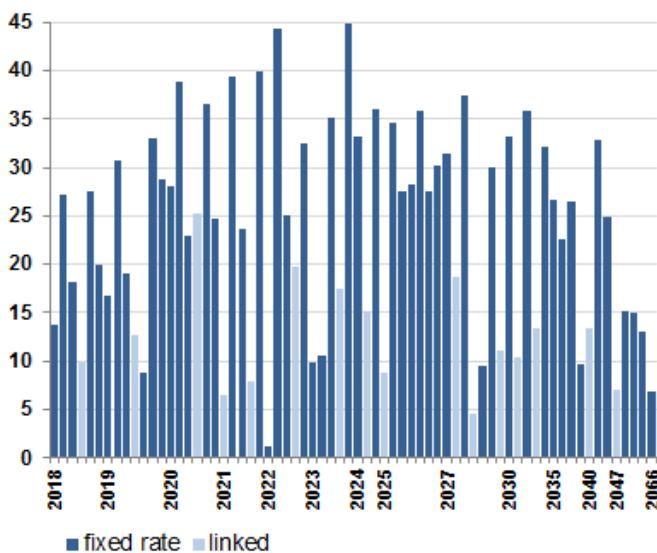
Indicative auction schedule

		Short-term				Medium-term	Long-term	Index-linked
February 2018	auction date	5	12	19	26	15	1	15
	settlement date	7	14	21	28	19	5	19
March 2018	auction date	5	12	19	26	15	1	15
	settlement date	7	14	21	28	19	5	19

Source: Agence France Trésor

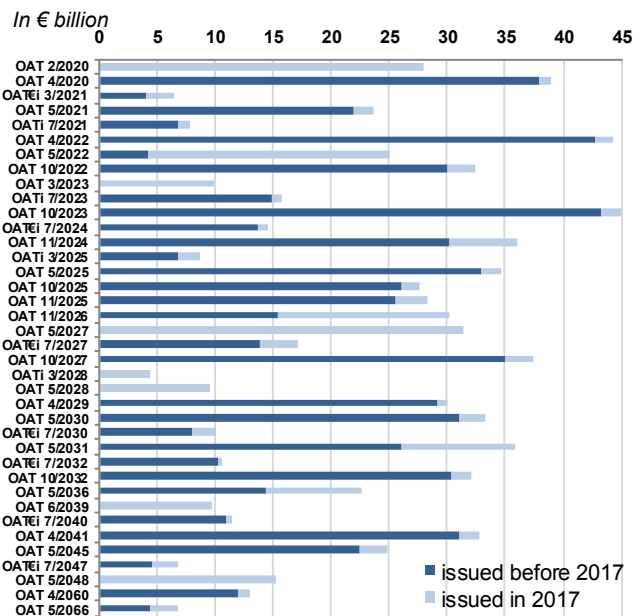
Medium- and long-term negotiable government debt at 31 December 2017

Nominal value of each line, in € billion



Source: Agence France Trésor

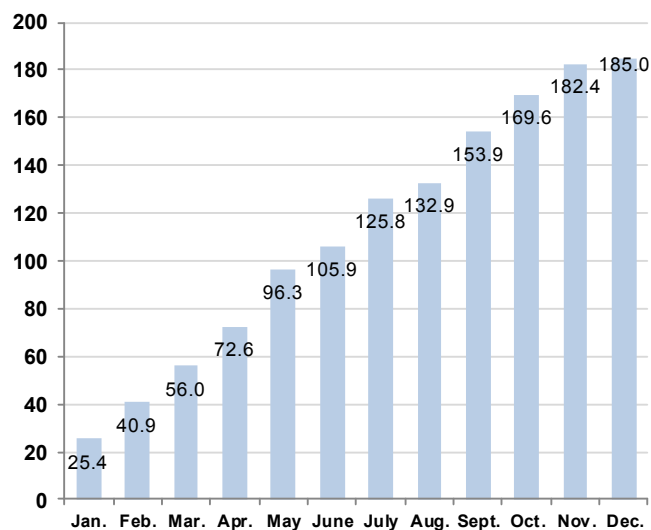
Medium- and long-term: securities issued during the year and total issuance at 31 December 2017



Source: Agence France Trésor

Issuance net of buybacks at 31 December 2017

In € billion



Source: Agence France Trésor

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

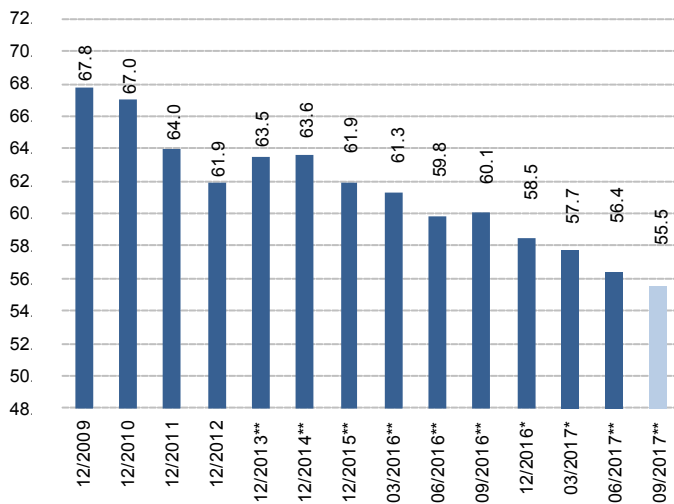
In € billion

Month	Coupon	Redemption
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
Dec-18		

Source: Agence France Trésor

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

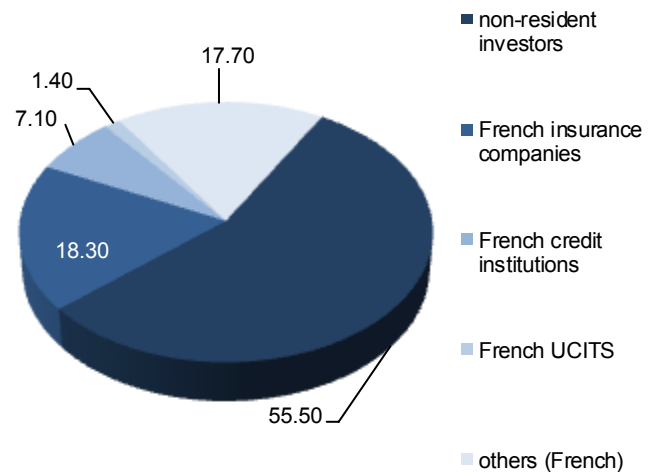
As a % of negotiable debt outstanding expressed in market value



(\* ) 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 31 December 2017

In euros

Total medium- and long-term debt	1,559,638,728,450
Total stripping activity	62,754,834,700
Average maturity	8 years and 154 days
Total short-term debt	126,473,000,000
Average maturity	102 days
<b>TOTAL OUTSTANDING</b>	<b>1,686,111,728,450</b>
<b>Average maturity</b>	<b>7 years and 296 days</b>

Source: Agence France Trésor

### Negotiable government debt since 2014 at 31 December 2017

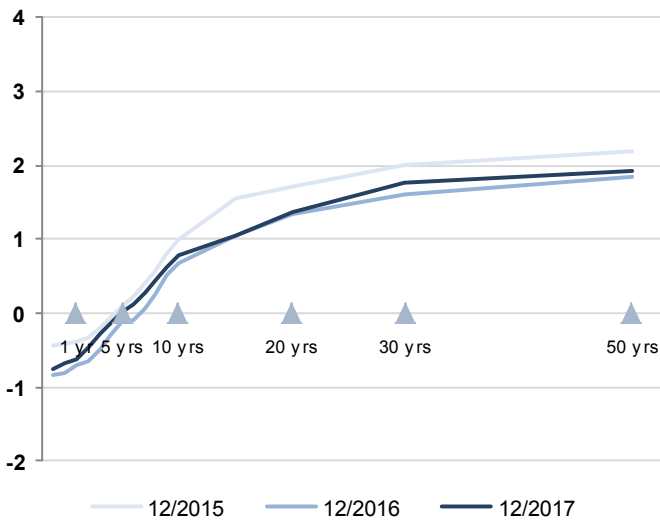
In € billion

	End 2014	End 2015	End 2016	End Nov. 2017	End Dec. 2017
<b>Negotiable government debt outstanding</b>	<b>1,528</b>	<b>1,576</b>	<b>1,621</b>	<b>1,692</b>	<b>1,686</b>
of which index-linked securities	189	190	200	202	202
Medium- and long-term	1,352	1,424	1,487	1,557	1,560
short-term	175	153	134	135	126
<b>Average maturity of the negotiable debt</b>					
	6 years 363 days	7 years 47 days	7 years 195 days	7 years 306 days	7 years 296 days

Source: Agence France Trésor

### Yield curve for French government securities

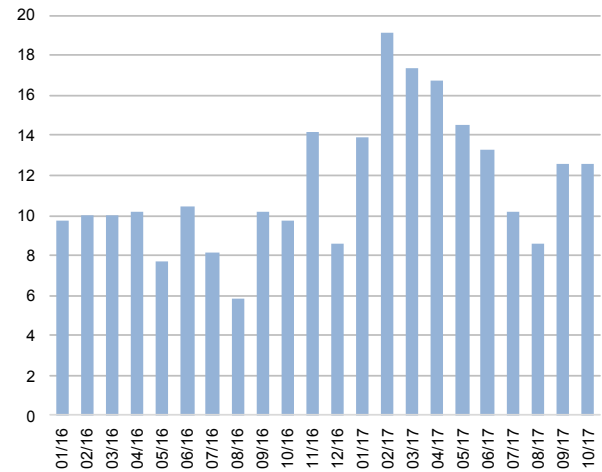
End-of-month value, %



Source: Bloomberg

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

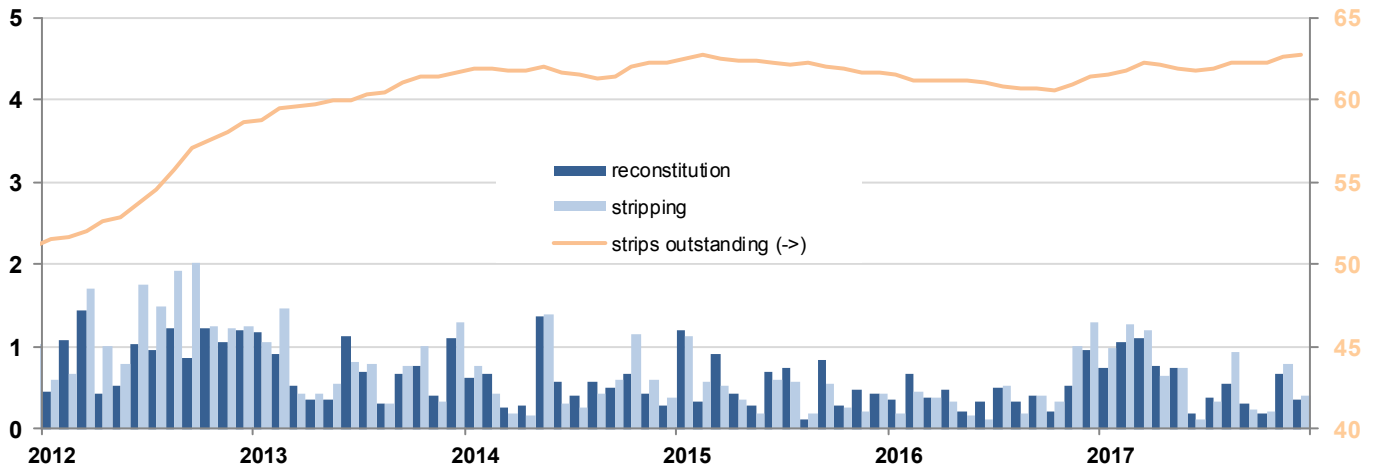
In € billion



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

### Total stripping and reconstitution

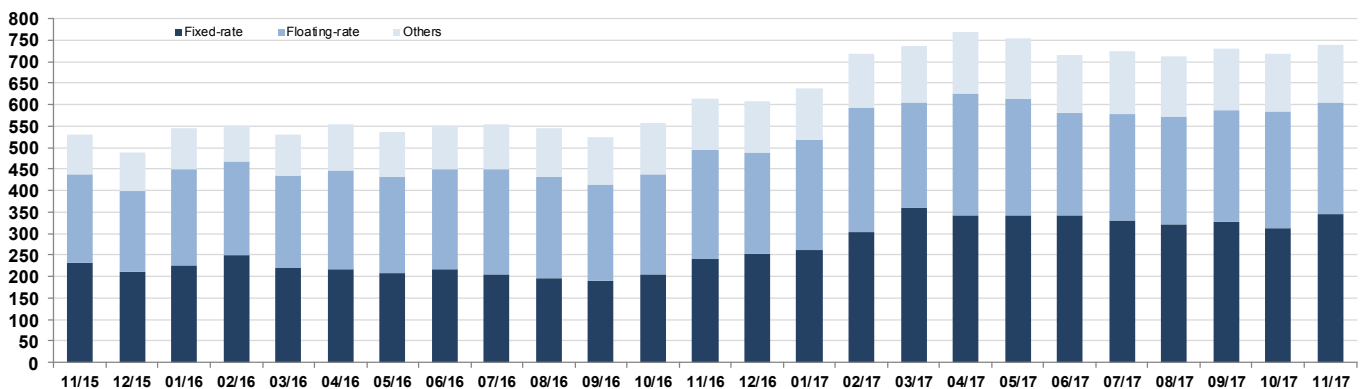
In € billion



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 December 2017

	Maturity	Outstanding (€)
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	6,945,000,000
BTF	21 February 2018	7,516,000,000
BTF	28 February 2018	7,133,000,000
BTF	07 March 2018	7,442,000,000
BTF	14 March 2018	5,841,000,000
BTF	21 March 2018	3,565,000,000
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	09 May 2018	5,682,000,000
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	07 November 2018	4,847,000,000
BTF	05 December 2018	1,000,000,000

### Medium- and long-term debt (maturing 2018-2021) at 31 December 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2018</b>	<b>116,437,293,525</b>			
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	9,778,293,525 (1)	1.06015	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
	<b>Maturity 2019</b>	<b>149,698,059,959</b>			
FR0013101466	OAT 0% 25 February 2019	16,680,000,000			0
FR0000189151	OAT 4.25% 25 April 2019	30,648,000,000			0
FR0011708080	OAT 1% 25 May 2019	18,980,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	12,693,992,400 (1)	1.08126	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,549,585,100
FR0010776161	OAT 3.75% 25 October 2019	33,075,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	28,737,000,000			5,000,000
FR0000570954	OAT cap. 9.82% 31 December 2019	39,674,666 (2)		6,692,154	-
	<b>Maturity 2020</b>	<b>176,532,218,300</b>			
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	25,264,218,300 (1)	1.24393	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
	<b>Maturity 2021</b>	<b>117,431,970,280</b>			
FR0013140035	OAT€i 0.1% 1 March 2021	6,548,770,280 (1)	1.01974	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	7,987,200,000 (1)	1.02400	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 2017; not open to subscription



Medium- and long-term debt (maturing in 2022 and beyond) at 31 December 2017

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2022</b>	<b>122,979,007,480</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			508,888,400
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	19,826,067,490	(1) 1.10581	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	32,445,000,000			0
	<b>Maturity 2023</b>	<b>118,093,757,753</b>			
FR0013283686	OAT 0% 25 March 2023	9,851,000,000			0
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,367,565,200
FR0011486067	OAT 1.75% 25 May 2023	35,237,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	17,481,561,850	(1) 1.11383	15,695,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	44,918,000,000			429,585,000
	<b>Maturity 2024</b>	<b>84,264,496,750</b>			
FR0011619436	OAT 2.25% 25 May 2024	33,135,000,000			0
FR0011427848	OAT€i 0.25% 25 July 2024	15,103,496,750	(1) 1.03555	14,585,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	36,026,000,000			46,000,000
	<b>Maturity 2025</b>	<b>99,384,611,868</b>			
FR0012558310	OATi 0.1% 1 March 2025	8,766,683,750	(1) 1.01525	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			2,848,064,400
FR0012938116	OAT 1% 25 November 2025	28,307,000,000			0
	<b>Maturity 2026</b>	<b>93,550,000,000</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	30,214,000,000			0
	<b>Maturity 2027</b>	<b>87,554,810,360</b>			
FR0013250560	OAT 1% 25 May 2027	31,451,000,000			0
FR0011008705	OAT€i 1.85% 25 July 2027	18,649,810,360	(1) 1.08974	17,114,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	37,454,000,000			69,543,600
	<b>Maturity 2028</b>	<b>14,133,660,280</b>			
FR0013238268	OATi 0.1% 1 March 2028	4,521,491,160	(1) 1.01356	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
	<b>Maturity 2029</b>	<b>41,124,234,485</b>			
FR0000571218	OAT 5.5% 25 April 2029	30,033,880,458			3,189,946,100
FR0000186413	OATi 3.4% 25 July 2029	11,090,354,027	(1) 1.26977	8,734,144,000	0
	<b>Maturity 2030</b>	<b>43,550,002,080</b>			
FR0011883966	OAT 2.5% 25 May 2030	33,208,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	10,342,002,080	(1) 1.02224	10,117,000,000	0
	<b>Maturity 2031</b>	<b>35,834,000,000</b>			
FR0012993103	OAT 1.5% 25 May 2031	35,834,000,000			94,000,000
	<b>Maturity 2032</b>	<b>45,503,127,350</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	13,340,804,750	(1) 1.26035	10,585,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	32,162,322,600			11,340,757,400
	<b>Maturity 2033 and later</b>	<b>213,567,477,980</b>			
FR0010070060	OAT 4.75% 25 April 2035	26,678,000,000			4,947,437,000
FR0013154044	OAT 1.25% 25 May 2036	22,657,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,826,931,400
FR0013234333	OAT 1.75% 25 June 2039	9,697,000,000			0
FR0010447367	OAT€i 1.8% 25 July 2040	13,394,498,040	(1) 1.16748	11,473,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	32,780,000,000			7,344,939,000
FR0011461037	OAT 3.25% 25 May 2045	24,908,000,000			1,124,100,000
FR0013209871	OAT€i 0.1% 25 July 2047	6,952,979,940	(1) 1.01741	6,834,000,000	0
FR0013257524	OAT 2% 25 May 2048	15,140,000,000			367,000,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,667,488,000
FR0010870956	OAT 4% 25 April 2060	13,055,000,000			6,753,904,100
FR0013154028	OAT 1.75% 25 May 2066	6,845,000,000			254,100,000

(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	2.5%	Nov. 2017
Household consumption*, year-on-year	1.3%	Dec. 2017
Unemployment rate (ILO)	9.7%	Q3-2017
Consumer prices, year-on-year		
all items	1.2%	Dec. 2017
all items excluding tobacco	1.1%	Dec. 2017
Trade balance, fob-fob, sa (€bn)	-€5.7bn	Nov. 2017
"	-€5.3bn	Oct. 2017
Current account balance, sa (€bn)	-€3.3bn	Nov. 2017
"	-€2.6bn	Oct. 2017
10-year constant maturity rate (TEC10)	0.89%	30 Jan. 2018
3-month interest rate (Euribor)	-0.33%	30 Jan. 2018
EUR / USD	1.24	30 Jan. 2018
EUR / JPY	134.98	30 Jan. 2018

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

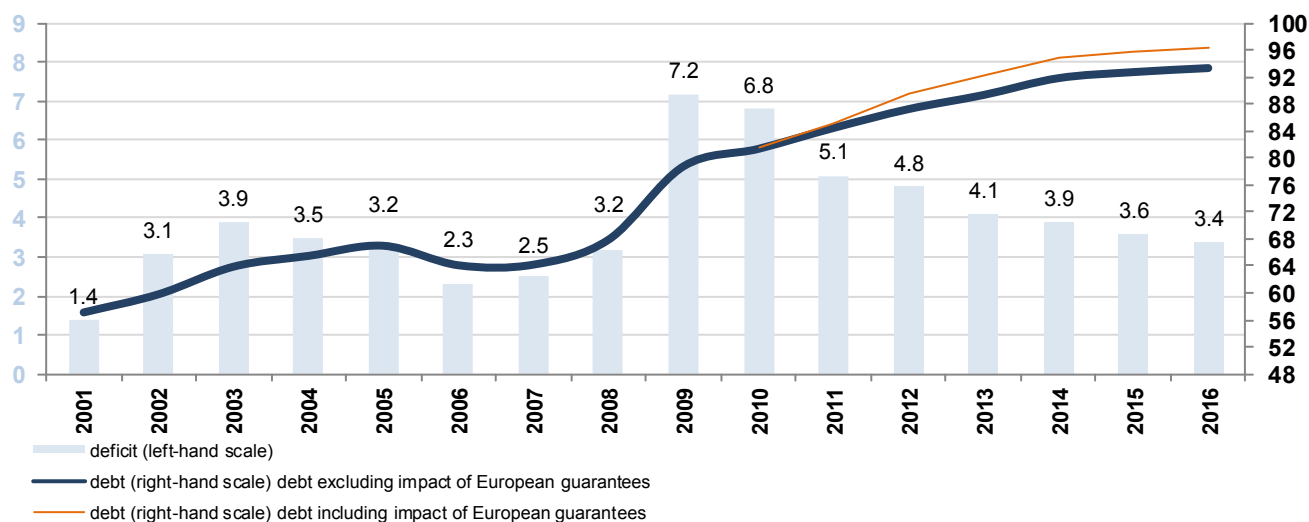
In € billion

	2015	2016	end of November level		
			2015	2016	2017
General budget balance	-72.15	-75.85	-78.29	-79.99	-74.77
revenue	299.66	303.97	261.58	265.68	280.50
expenditure	371.81	379.82	339.87	345.67	355.27
Balance of special Treasury accounts	1.62	6.80	-4.49	-13.33	-9.98
<b>General budget outturn</b>	<b>-70.53</b>	<b>-69.06</b>	<b>-82.78</b>	<b>-93.32</b>	<b>-84.75</b>

Source: Minefi

### Public finances: deficit and debt

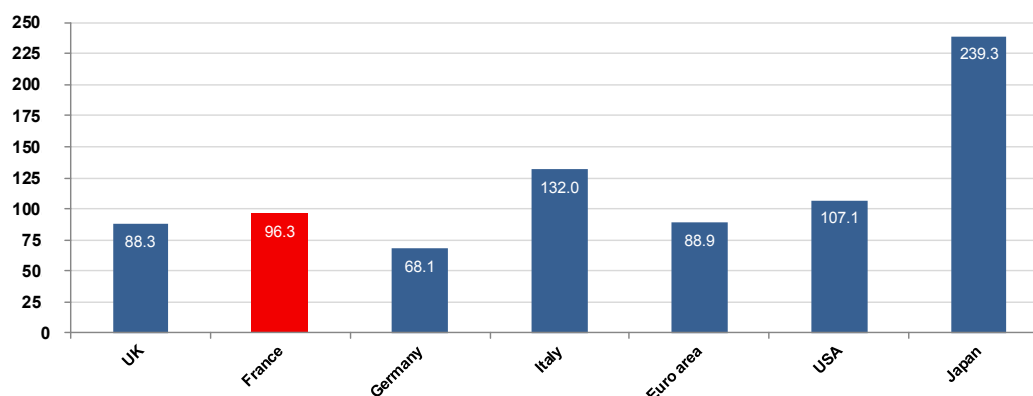
As % of GDP



Source: Eurostat, Insee

### General government debt in 2016

As % of GDP



Sources: Eurostat, IMF, Insee



## French economic indicators: timetable

February 2018		March 2018	
6	Industrial investments: January survey	7	Balance of payments in January
7	Foreign trade by value in December	7	Foreign trade by value in January
7	Balance of payments in December	9	Industrial production: January index
9	Industrial production: December index	13	Payroll employment: Q4-2017
15	Job seekers Q4-2017 (ILO)	15	Consumer prices: February index
15	Net international reserves in January	15	Net international reserves in February
22	Monthly business survey (goods-producing industries) in February	16	Inflation (HICP): February index
22	Consumer prices: January index	22	Monthly business survey (goods-producing industries) in March
23	Inflation (HICP): January index	26	Quarterly national accounts: final results Q4-2017
23	Consumer confidence survey: February survey	26	Debt of the general government according to Maastricht definition Q4 2017
28	Quarterly national accounts: second estimate Q4-2017	28	Consumer confidence survey: March survey
28	Industrial producer and import price: January indices	28	Housing starts in February
28	Household consumption expenditure on goods in January	30	Household consumption expenditure on goods in February
		30	Industrial producer and import price: February indices
		30	Consumer prices: March index

Sources: Insee, Eurostat

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