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**News at Agence France Trésor**

## Issue premium and discount trends in 2015

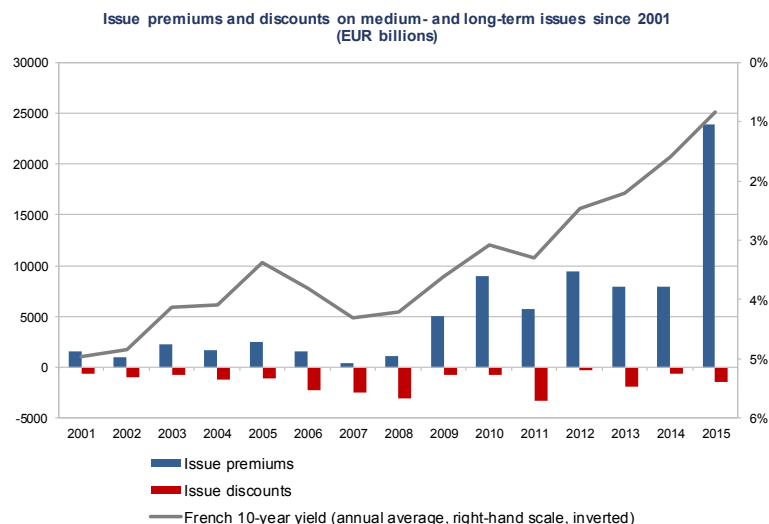
Sovereign issuers from the euro area benefitted from lower yields in 2014 and 2015, which produced substantial “issue premiums” on debt securities for France and for several other European countries.

An issue premium occurs when the coupon rate is higher than the market yield at the time of issue. In this case, the price that subscribers pay at issue is higher than the principal amount to be repaid at maturity, which is called the face value or the “par” value. In the opposite case, the securities are issued at a “discount”, meaning that the price the government receives is less than the face value. The premium or the discount is the difference between the face value and the present value of the sum of future interest payments and principal repayments, discounted at the market yield at the time of issue.

Premiums and discounts concern the tapping of previously created securities (“off-the-run” issues) and, more surprisingly, new issues of securities (“on-the-run” issues). The difference in the case of off-the-run issues stems from the fact that the market yield at the time of issue rarely matches the coupon rate, which was set for the whole life of the security at the time of the original issue. On the one hand, yields vary and, on the other hand, the residual maturity of the off-the-run security is shorter than the original maturity and yields generally vary depending on maturities. In the case of on-the-run issues, the difference between the market yield and the coupon rate stems from the fact that the coupon rate, which is always either positive or nil, is rounded to the nearest quarter of a percentage point and the fact that issuance of new securities on a segment of the yield curve where interest rates are negative automatically leads to receiving an issue premium.

In 2015, the government received many more premiums than discounts (see chart). This situation was not so much the result of any significant increase in the number of off-the-run issues. The proportion of off-the-run issues stood at 33% in 2015, which was greater than in 2014, but smaller than the levels of 41% reached in 2011 and 39% in 2009. The larger number of issue premiums was more the result of the big drop in yields in recent years and the ECB’s Asset Purchase Programme. This programme created a specific demand for off-the-run issues covering the whole range of securities offered by AFT to ensure strong liquidity for these securities. The French government’s response to market demand with more off-the-run issues means that it benefits from more favourable yields, enabling it to reduce the cost of its debt in the medium term.

The extra cash generated by issue premiums was offset in 2015 by a reduction in the outstanding amount of short-term securities (BTFs), which are primarily cash management instruments. This led to an increase in the average maturity of French debt to 7.3 years, thus lowering refinancing risk and decreasing the government’s exposure to a potential increase in yields.



## What if unemployment had started to decline?

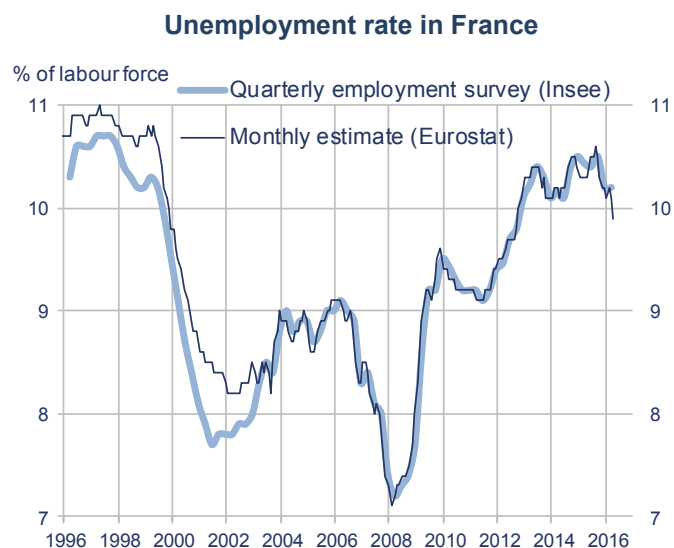
Hélène Baudchon, Economist France, Group Economic Research, BNP Paribas

In the first quarter of 2016, the French national statistics institute's employment survey showed that France's unemployment rate was unchanged from the fourth quarter of 2015, at 10.2%. This stability follows a decrease of 0.3 percentage points. The decrease over one year was 0.2 percentage points. According to Eurostat's monthly estimate, the unemployment rate may have even dipped below the 10% mark in April 2016. This timid start of a downward trend still needs to be confirmed, but the most likely scenario is one where it continues.

We should start by noting that the unemployment rate was more or less steady in 2013, 2014 and 2015, wavering by 0.2 percentage points around an average of 10.3%, despite relatively weak growth over the period, averaging 0.8% per year. This makes the unemployment trend look more favourable than warranted by economic growth. Ultimately, the fact that unemployment did not go up during the period is more surprising than the fact that it did not go down.

One explanation is the slower growth of the labour force, averaging 0.2% per year from 2013 to 2015, compared to 0.7% growth in the previous decade. This meant that employment did not have to rise by much to stabilise the unemployment rate. Yet, as small as the growth of employment is, averaging 0.4% per year, it is nonetheless noteworthy. In 2013 and 2014, it relied on the increase in self-employment in the non-market sector, which offset the decline in payroll employment in the non-farm market sector. Even the latter posted a small average annual rise of 0.2% in 2015, with an annualised rise of 0.7% in the fourth quarter of 2015. The increase continued, with a 0.2% quarter-on-quarter rise in the first quarter of 2016 and a 1% year-on-year increase. This could be the effect of a nascent improvement in growth in 2015, with a year-on-year increase of 1.4% at the end of the year, compared to 0.6% at the end of 2014, along with social measures to deal with unemployment (subsidised jobs) and employment support measures introduced since 2013 (Job Security Act, Competitiveness and Responsibility Pact, Boosting employment in VSEs and SMEs Programme, Growth, Economic Activity and Equal Economic Opportunity Act also known as "Macron Act").

Based on this trend, unemployment is very likely to start declining in 2016, with just a bit more growth and the new emergency jobs plan unveiled in January, which includes facilitated access to apprenticeships and, most importantly, a new bonus for SMEs hiring new employees that targets low-wage jobs and a vast programme to train 500,000 jobseekers. In its June 2016 business conditions report, the French national statistics institute estimated that the hiring bonus would create 40,000 new jobs in 2016 and that the training plan would lower the unemployment rate by 0.1 percentage points. According to the national statistics institute, the unemployment rate should stand at 9.8% at the end of 2016, for a one-year decrease of 0.4 percentage points. The unemployment rate is expected to average 10% in 2016, which is also 0.4 percentage points lower than in 2015. Our own forecasts are a bit less optimistic. They show a 0.2-percentage-point decrease in the annual average, as a result of our forecast for slower growth (1.4% average annual growth compared to the national statistics institute's figure of 1.6%) and our forecasts also show less job-rich growth.



Sources: Insee, Eurostat, BNP Paribas

**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

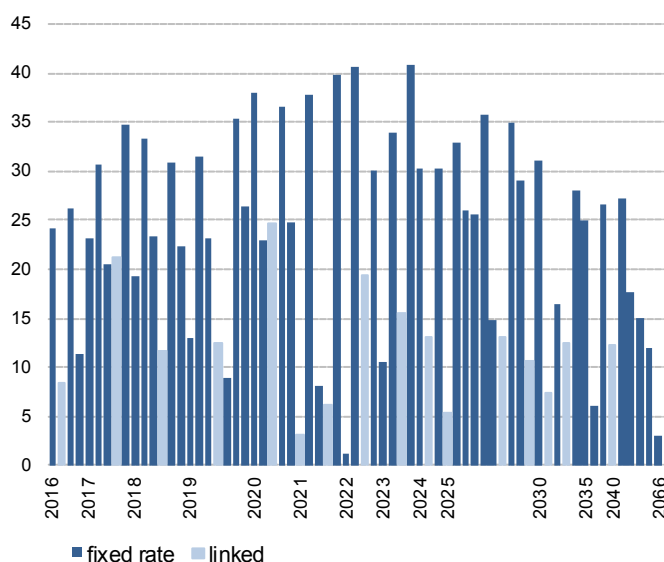
		Short-term					Medium-term	Long-term	Index-linked
July 2016	auction date	4	11	18	25	/	21	7	21
	settlement date	6	13	20	27	/	25	11	25
August 2016	auction date	1	8	16	22	29	4	4	4
	settlement date	3	10	18	24	31	8	8	8

optional auctions

Source: Agence France Trésor

### Medium- and long-term negotiable government debt at 31 May 2016

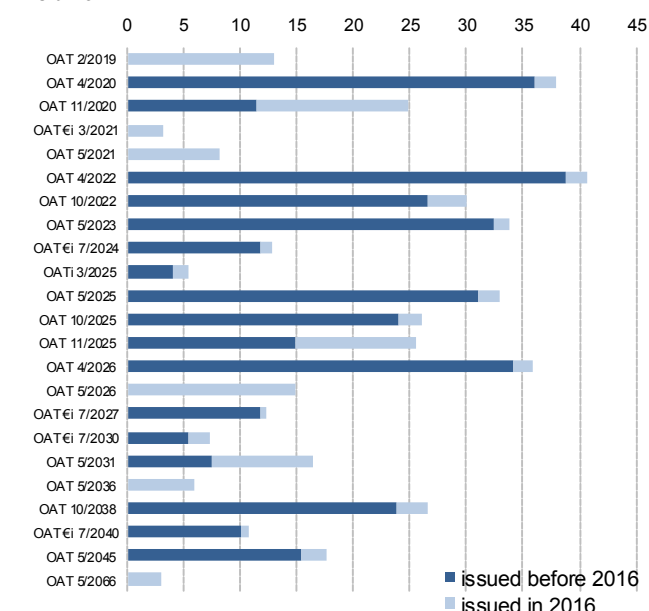
Nominal value of each line, in € billion



Source: Agence France Trésor

### Medium- and long-term: securities issued during the year and total issuance at 31 May 2016

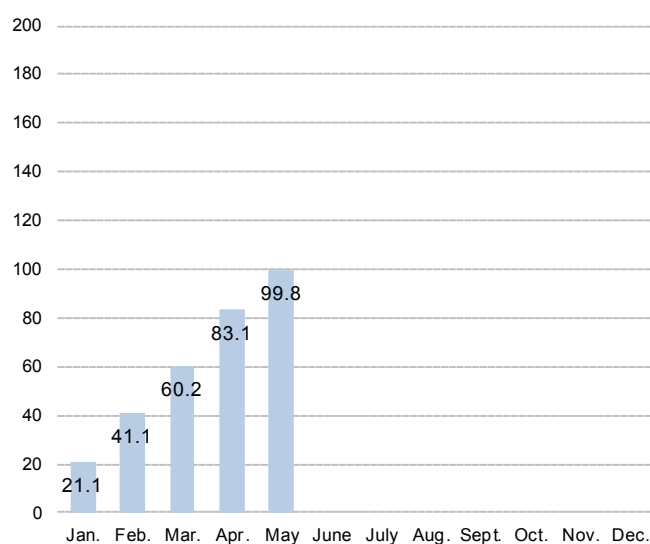
In € billion



Source: Agence France Trésor

### Issuance net of buybacks at 31 May 2016

In € billion



Source: Agence France Trésor

### Medium- and long-term: provisional maturity schedule at 31 May 2016

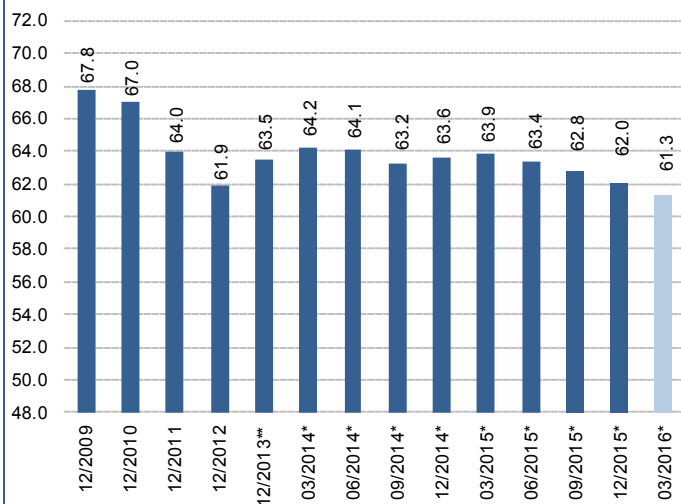
In € billion

Month	Coupon	Redemption
Jun-16		
Jul-16	3.7	32.2
Aug-16		
Sep-16		
Oct-16	16.0	26.2
Nov-16	1.2	11.4
Dec-16		
Jan-17		
Feb-17	0.4	23.1
Mar-17	0.0	
Apr-17	15.1	30.5
May-17	3.9	

Source: Agence France Trésor

### Non-resident holders of negotiable government debt in first quarter of 2016

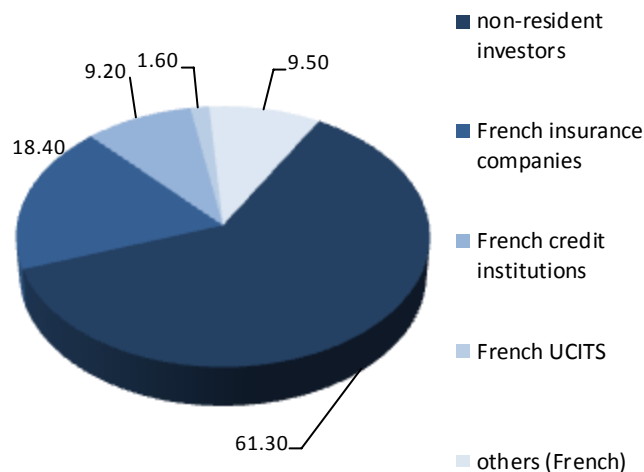
As a % of negotiable debt outstanding expressed in market value



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

### Negotiable government debt by group of holders in first quarter of 2016

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 31 May 2016

In euros

Total medium- and long-term debt	1,468,530,825,596
Total stripping activity	61,181,289,100
Average maturity	7 years and 354 days
Total short-term debt	156,131,000,000
Average maturity	110 days
<b>TOTAL OUTSTANDING</b>	<b>1,624,661,825,596</b>
<b>Average maturity</b>	<b>7 years and 85 days</b>

Source: Agence France Trésor

### Negotiable government debt and interest rate swaps at 31 May 2016

In € billion

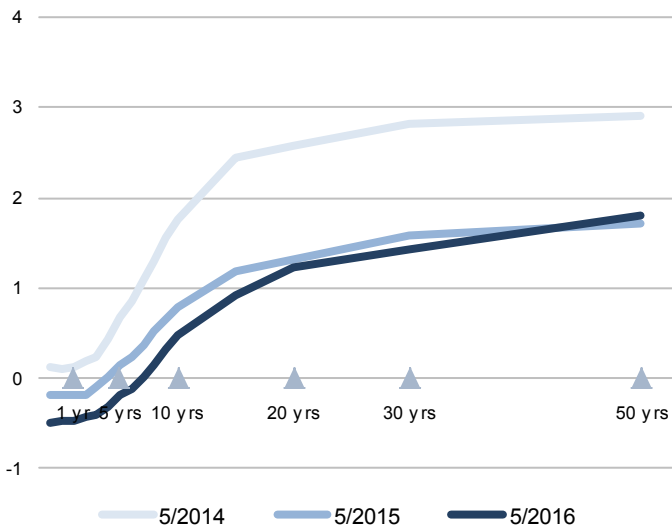
	End 2013	End 2014	End 2015	End April 2016	End May 2016
<b>Negotiable government debt outstanding</b>	<b>1,457</b>	<b>1,528</b>	<b>1,576</b>	<b>1,605</b>	<b>1,625</b>
of which index-linked securities	174	189	190	194	197
Medium- and long-term	1,283	1,352	1,424	1,450	1,469
short-term	174	175	153	155	156
<b>Swaps outstanding</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	7 years 5 days	6 years 363 days	7 years 47 days	7 years 108 days	7 years 85 days
after swaps	7 years 2 days	6 years 362 days	7 years 47 days	7 years 108 days	7 years 85 days

Source: Agence France Trésor



Yield curve for French government securities

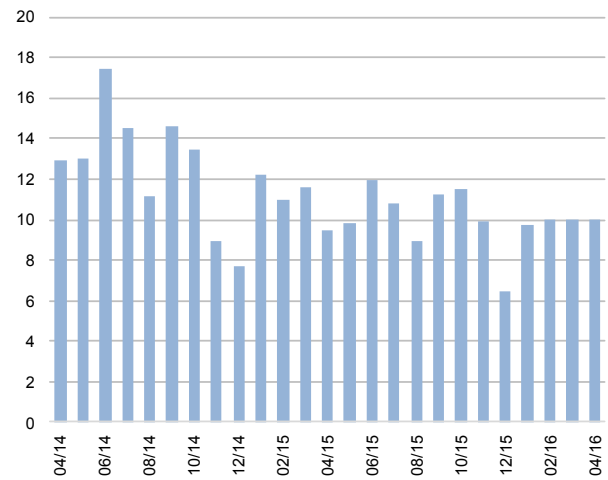
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

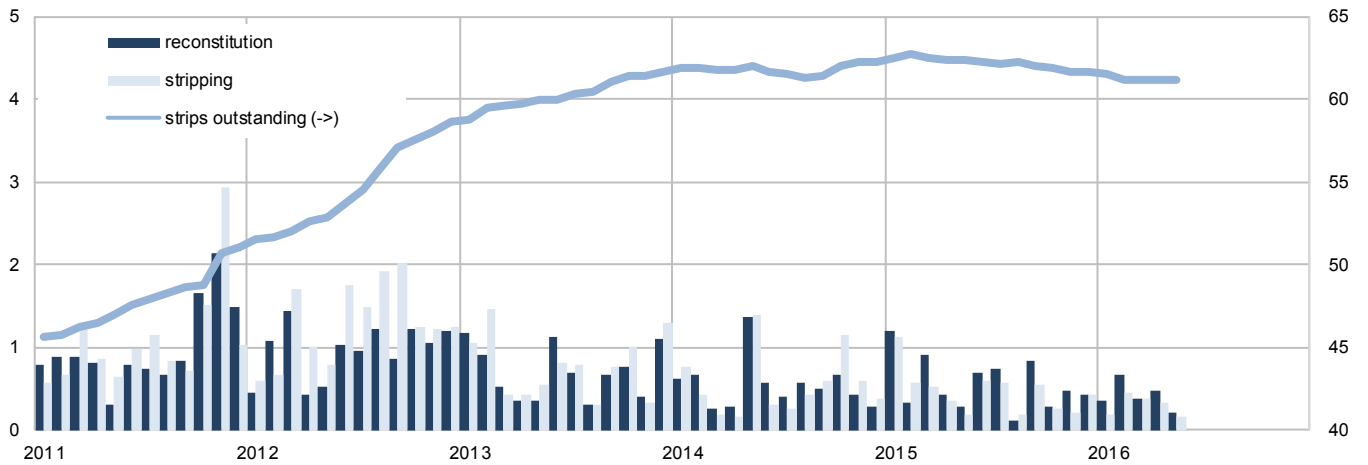
In € billion



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

Total stripping and reconstitution

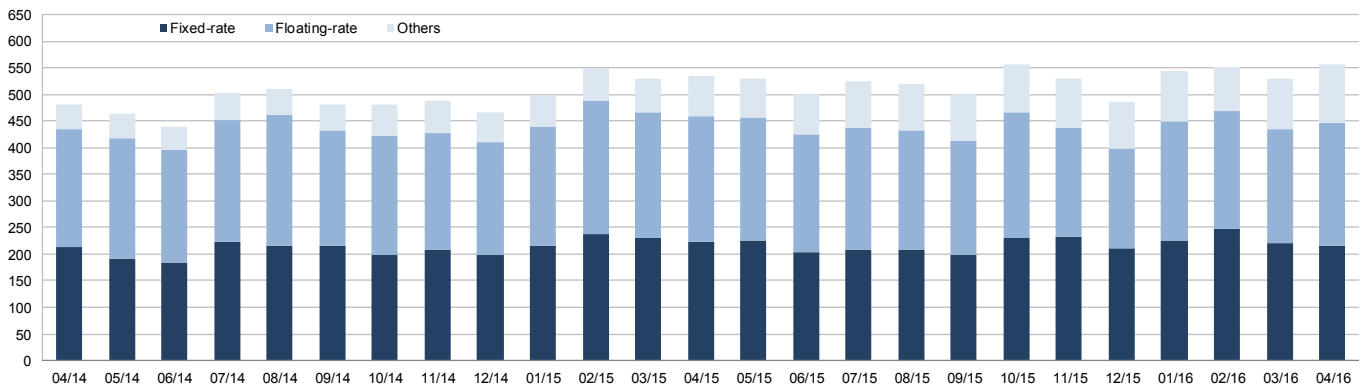
In € billion



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 May 2016

	Maturity	Outstanding (€)
BTF	01 June 2016	7,601,000,000
BTF	08 June 2016	5,454,000,000
BTF	15 June 2016	7,092,000,000
BTF	22 June 2016	7,262,000,000
BTF	29 June 2016	7,576,000,000
BTF	06 July 2016	6,366,000,000
BTF	13 July 2016	7,290,000,000
BTF	20 July 2016	5,332,000,000
BTF	27 July 2016	7,462,000,000
BTF	03 August 2016	6,538,000,000
BTF	10 August 2016	7,743,000,000
BTF	18 August 2016	5,862,000,000
BTF	24 August 2016	3,596,000,000
BTF	31 August 2016	6,504,000,000
BTF	14 September 2016	5,555,000,000
BTF	28 September 2016	5,828,000,000
BTF	12 October 2016	8,049,000,000
BTF	26 October 2016	2,903,000,000
BTF	09 November 2016	7,161,000,000
BTF	07 December 2016	3,590,000,000
BTF	04 January 2017	7,090,000,000
BTF	01 February 2017	6,746,000,000
BTF	01 March 2017	6,366,000,000
BTF	29 March 2017	6,135,000,000
BTF	26 April 2017	5,030,000,000

### Medium- and long-term debt (maturing 2016–2019) at 31 May 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
<b>Maturity 2016</b>		<b>70,235,787,570</b>			
FR0119580050	BTAN 2.5% 25 July 2016	24,221,500,000			–
FR0119105791	BTANi 0.45% 25 July 2016	8,407,287,570	(1) 1.04973	8,009,000,000	–
FR0000187361	OAT 5% 25 October 2016	26,204,000,000			221,517,000
FR0011857218	OAT 0.25% 25 November 2016	11,403,000,000			0
<b>Maturity 2017</b>		<b>130,305,835,950</b>			
FR0120473253	BTAN 1.75% 25 February 2017	23,215,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	30,596,000,000			0
FR0120746609	BTAN 1% 25 July 2017	20,593,000,000			–
FR0010235176	OATi 1% 25 July 2017	21,126,835,950	(1) 1.13311	18,645,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,775,000,000			0
<b>Maturity 2018</b>		<b>140,827,917,960</b>			
FR0012634558	OAT 0% 25 February 2018	19,247,000,000			0
FR0010604983	OAT 4% 25 April 2018	33,269,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,687,917,960	(1) 1.03828	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	30,947,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			0
<b>Maturity 2019</b>		<b>150,693,121,046</b>			
FR0013101466	OAT 0% 25 février 2019	12,981,000,000			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	12,518,831,600	(1) 1.06634	11,740,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,719,385,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	26,333,000,000			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 31 May 2016

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2020</b>	<b>146,983,063,700</b>			
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	24,743,063,700	(1) 1.21827	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>95,151,067,120</b>			
FR0013140035	OAT€i 0.1% 1 March 2021	3,135,000,000	(1) 0.99870	3,135,000,000	0
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0013157096	OAT 0% 25 May 2021	8,136,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,152,067,120	(1) 1.00986	6,092,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	<b>Maturity 2022</b>	<b>91,328,046,990</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			617,468,400
FR0011196856	OAT 3% 25 April 2022	40,615,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,417,107,000	(1) 1.08300	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	30,052,000,000			0
	<b>Maturity 2023</b>	<b>100,934,654,083</b>			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,490,900,200
FR0011486067	OAT 1.75% 25 May 2023	33,867,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,579,458,180	(1) 1.09846	14,183,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	40,882,000,000			459,585,000
	<b>Maturity 2024</b>	<b>73,661,766,020</b>			
FR0011619436	OAT 2.25% 25 May 2024	30,355,000,000			10,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	13,071,766,020	(1) 1.01418	12,889,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			46,000,000
	<b>Maturity 2025</b>	<b>89,856,584,438</b>			
FR0012558310	OATi 0.1% 1 March 2025	5,374,656,320	(1) 1.00124	5,368,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	32,870,000,000			0
FR0000571150	OAT 6% 25 October 2025	26,039,928,118			3,143,464,400
FR0012938116	OAT 1% 25 November 2025	25,572,000,000			0
	<b>Maturity 2026</b>	<b>50,727,000,000</b>			
FR0010916924	OAT 3.5% 25 April 2026	35,814,000,000			144,313,000
FR0013131877	OAT 0.5% 25 May 2026	14,913,000,000			0
	<b>Maturity 2027</b>	<b>48,095,464,180</b>			
FR0011008705	OAT€i 1.85% 25 July 2027	13,066,464,180	(1) 1.06726	12,243,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	<b>Maturity 2028</b>	<b>23,815,557</b>			
FR0000571226	OAT zero coupon 28 March 2028	23,815,557	(3)	46,232,603	-
	<b>Maturity 2029</b>	<b>39,697,366,032</b>			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,386,109,100
FR0000186413	OATi 3.4% 25 July 2029	10,605,485,574	(1) 1.25225	8,469,144,000	0
	<b>Maturity 2030</b>	<b>38,308,368,550</b>			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	7,285,368,550	(1) 1.00115	7,277,000,000	0
	<b>Maturity 2031</b>	<b>16,453,000,000</b>			
FR0012993103	OAT 1.5% 25 May 2031	16,453,000,000			0
	<b>Maturity 2032 and later</b>	<b>185,247,966,400</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	12,540,996,000	(1) 1.23435	10,160,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	28,114,322,600			11,064,157,400
FR0010070060	OAT 4.75% 25 April 2035	25,004,000,000			5,130,667,000
FR0013154044	OAT 1.25% 25 May 2036	6,000,000,000			0
FR0010371401	OAT 4% 25 October 2038	26,534,000,000			4,912,011,400
FR0010447367	OAT€i 1.8% 25 July 2040	12,196,647,800	(1) 1.14340	10,667,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	27,307,000,000			7,347,539,000
FR0011461037	OAT 3.25% 25 May 2045	17,707,000,000			515,600,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,229,088,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,730,484,100
FR0013154028	OAT 1.75% 25 May 2066	3,000,000,000			13,000,000

(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	0.5%	Apr. 2016
Household consumption*, year-on-year	2.6%	May. 2016
Unemployment rate (ILO)	10.2%	Mar. 2016
Consumer prices, year-on-year		
all items	0.0%	May. 2016
all items excluding tobacco	0.0%	May. 2016
Trade balance, fob-fob, sa (€bn)	-€5.2bn	Apr. 2016
" " " "	-€4.2bn	Mar. 2016
Current account balance, sa (€bn)	-€2.8bn	Apr. 2016
" " " "	-€1.9bn	Mar. 2016
10-year constant maturity rate (TEC10)	0.23%	29 Jun. 2016
3-month interest rate (Euribor)	-0.28%	28 Jun. 2016
EUR / USD	1.1090	29 Jun. 2016
EUR / JPY	113.85	29 Jun. 2016

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

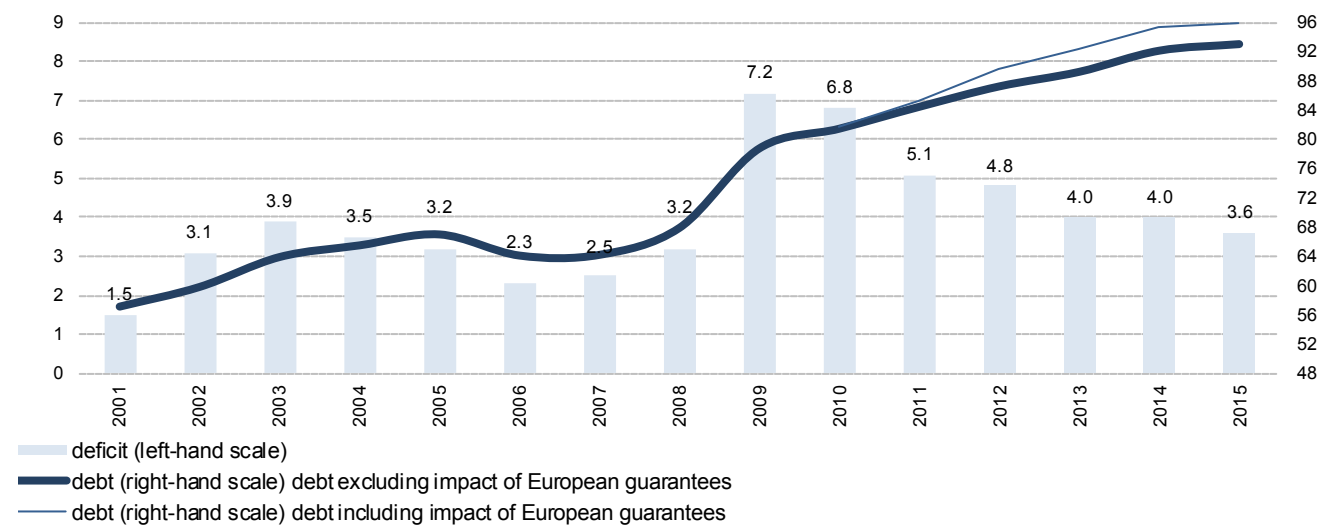
In € billion

	2014	2015	end of April level		
			2014	2015	2016
General budget balance	-85.71	-72.15	-45.57	-41.65	-32.82
revenue	291.95	299.66	93.04	93.33	98.51
expenditure	377.66	371.80	138.61	134.98	131.33
Balance of special Treasury accounts	0.16	1.62	-18.60	-18.19	-23.64
<b>General budget outturn</b>	<b>-85.56</b>	<b>-70.52</b>	<b>-64.17</b>	<b>-59.84</b>	<b>-56.46</b>

Source: Minefi

### Public finances: deficit and debt

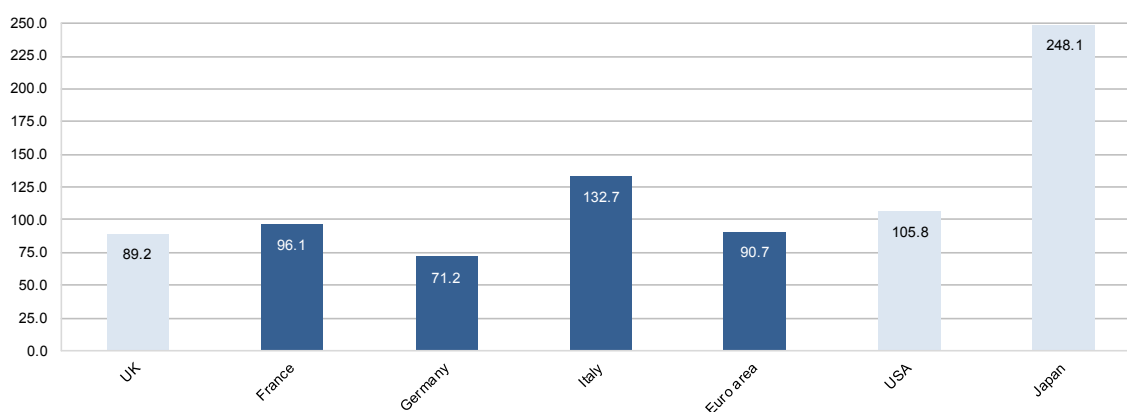
As % of GDP



Source: Eurostat, Insee

### General government debt in 2015

As % of GDP



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



## French economic indicators: timetable

July 2016	August 2016
Foreign trade in May	Foreign trade in June
Balance of payments in May	Balance of payments in June
Industrial output in May	Industrial output in June
Eurozone economic outlook - Q3-2016	Consumer prices: index for July
Consumer prices: index for June	Payroll employment: provisional results Q2-2016
Inflation (HICP): June index	Job seekers Q2-2016 (ILO)
Industrial trends: monthly survey for July	Inflation (HICP): July index
Industrial trends: quarterly survey for July	Job seekers in July
Job seekers in June	Industrial investments: July survey
Household confidence survey: July survey	Industrial trends: monthly survey for August
Industrial producer prices: June index	New building starts in July
New building starts in June	Quarterly national accounts: first results Q2-2016
Household consumption of manufactured goods in June	Net foreign exchange reserves in July
Net foreign exchange reserves in June	

Sources: Insee, Eurostat

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