

Publication manager: Ambroise Fayolle

Editor: Agence France Trésor

Available in French and in English

<http://www.aft.gouv.fr> • Bloomberg TREX<GO> • Reuters <TRESOR>

News at Agence  
France Trésor

page 1

Economic news

page 2

General  
debt-related data

page 3

Secondary market

page 5

Negotiable  
government debt

page 6

The French  
economy and  
international  
comparisons

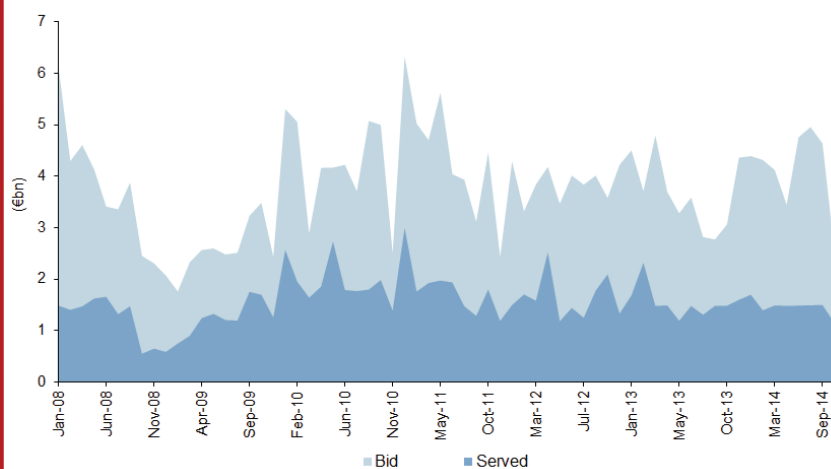
page 8

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

## Enhanced diversification of the investor base for inflation-linked securities

Volumes Bid and Served at BTAN / OATi and BTAN / OATei Auctions



Inflation was very low in the major European countries, including France, in 2014. France's consumer price index continued the decline that started in 2012, falling from 0.7% in January to 0.3% in September of this year. The euro area's CPI fell from 0.8% to 0.3% over the same period.

And yet, Agence France Trésor, which undertakes to execute some 10% of its issuance programme each year with inflation-linked securities, continued to issue such securities. At this point in time, France has issued €16.3 billion in government debt linked to French and European inflation, accounting for 9.1% of the issuance programme. Regardless of the inflation level, AFT's issuance strategy is based on the principle of flexibility, tailoring issuance to investors' demands for different maturities and inflation indices.

The successful auctions of inflation-linked securities with maturities ranging from 2 to 30 years at a time when inflation is weak can be explained by (i) investors who are attentive to the ECB's decisions to ensure that inflation is in line with the target the Bank has set, (ii) a diverse investor base and (iii) sustained demand for an inflation hedge.

France benefits from structural demand, especially from French banks, which have to hedge their exposure to regulated savings schemes, and from insurance companies and pension funds seeking long-term assets to hedge their liabilities (pensions, long-term savings), as well as from funds that are benchmarked against inflation-linked securities. Investors also appreciate the quality of the market, particularly its liquidity, which is considered to be the best in the euro area. Some public sector investors are attracted by the diversification that inflation-linked products provide for their portfolios of sovereign securities.

In addition, since 2012, more and more banks, central banks and investment funds have started buying inflation-linked securities: these new categories of investors are not merely seeking a hedge against inflation; they are deploying various strategies built on products linked to French or European inflation.

### Interest rate scenario for 2015

The budget bill for 2015, presented on October 1 2014 was based on assumptions made in September, projecting an interest rate at auction for 10Y OAT at 1.9% end-2014 and 2.4 % end-2015. Given the changes in interest rates since Mid-September, the scenario is revised with a 10Y interest rate at 1.50 % end-2014 and 2% end-2015, which remains cautious and slightly higher than the last *Consensus forecast*. This adjustment reduces government debt servicing costs by some €400m in 2015 based on Maastricht accounting rules.

## OECD report sees positive impact of France's structural reforms on its medium-term growth



Since 2012, the Government has undertaken a number of structural reforms aimed at enhancing the competitiveness of France's economy. These reforms include the Competitiveness and Employment Tax Credit (CICE) and the Responsibility and Solidarity Pact, which will produce a significant decrease in labour costs, with total cuts in taxes and social security contributions of €40 billion by 2017. These reforms will boost competitiveness and employment in the medium term. Similarly, labour market reforms under the Act of June 2013, vocational education reforms under the Act of March 2014 and pension reforms under the Act of January 2014 will improve the functioning of the labour market. Previous measures to stimulate competitiveness and innovation, such as the Research Tax Credit (CIR), which rewards innovative businesses, along clusters and the Invest for the Future programme, are already boosting research and development in France

Other major measures are also in the planning stages. First of all, as the Minister for the Economy announced on 15 October, **an economic fairness and activity bill is being drafted**. The bill aims to stimulate activity across many sectors of the economy with a host of targeted measures. For example, liberalisation of coach and bus services would create jobs and reduce fares; liberalisation of the legal and healthcare professions would also create jobs by cutting red tape. Other measures to promote employee shareholding schemes and employee savings schemes, to overhaul industrial tribunals or reduce restrictions on Sunday and evening trading are also being planned.

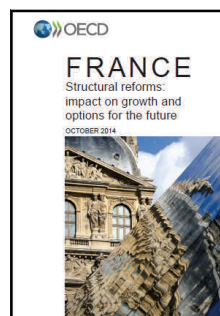
**Local government reform is also moving forward.** Several milestones have already been reached: reform of metropolitan area governance (Act came into force in January 2014); the National Assembly has already approved the reduction of the number of regions.

In a recent report, the OECD identifies **four priorities for enhancing the competitiveness of French businesses**: i) optimise competition on the goods and services market, ii) improve the functioning of the labour market, (iii) purge the overall tax structure of distortions, and iv) simplify France's territorial organisation.

Based on the various reforms implemented or announced in each area, along with the impacts of similar policies observed in other countries, the report estimates that all the reforms combined could gradually boost France's potential growth rate by one quarter over the next five years and by one third at a 10 year horizon. In concrete terms, the growth rate would increase by 0.3 percentage points on average per year over five years and by 0.4 percentage points on average over 10 years. Half of the additional growth would come from higher productivity, and the other half would come from increased employment.

The quantification of the estimated impact that the various measures will have on growth shows that the CICE and the Responsibility Pact, which are forecast to add a total of 0.1 percentage points to growth each year, and the reform of metropolitan area governance, which are also expected to add 0.1 percentage points per year, will have the largest impact.

In the conclusion to its report, the OECD hails the major reforms undertaken to enhance competitiveness and employment. It stresses that reforms of local government, regulated professions and the energy sector hold out the greatest potential for boosting growth.



OECD report:  
*Structural reforms in France: Impact on growth and options for the future*  
– October 2014.

[http://www.oecd.org/newsroom/France\\_StructuralReforms.pdf](http://www.oecd.org/newsroom/France_StructuralReforms.pdf)

**General  
debt-related data**

**Indicative auction schedule**

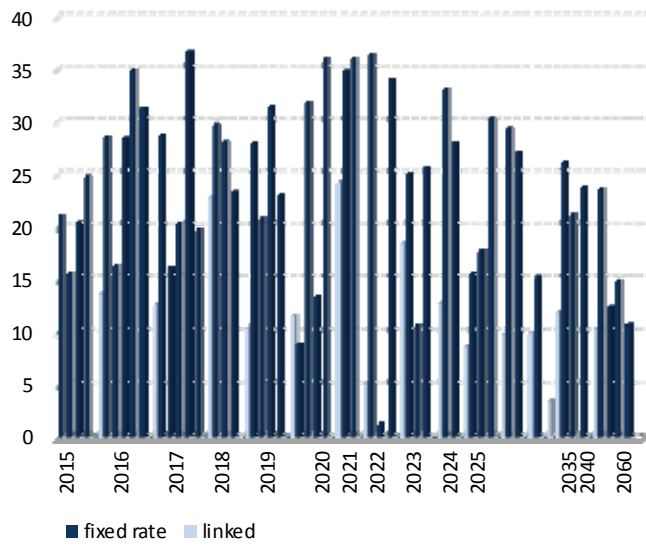
		Short-term					Medium-term	Long-term	Index linked
<b>November 2014</b>	auction date	3	10	17	24	//	20	6	20
	settlement date	5	13	19	26	//	24	10	24
<b>December 2014</b>	auction date	1	8	15	22	29	//	4	//
	settlement date	3	10	17	24	31	//	8	//

**anticipating or delayed auctions (bank holidays, etc.)**

Source: Agence France Trésor

**Medium- and long-term negotiable government debt at September 30, 2014**

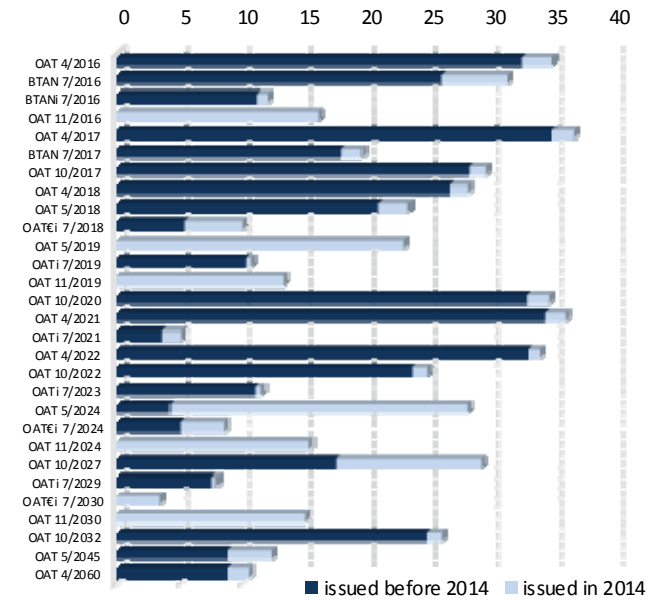
Nominal value of each line, in € billion



Source: Agence France Trésor

**Medium- and long-term: securities issued during the year and total issuance at September 30, 2014**

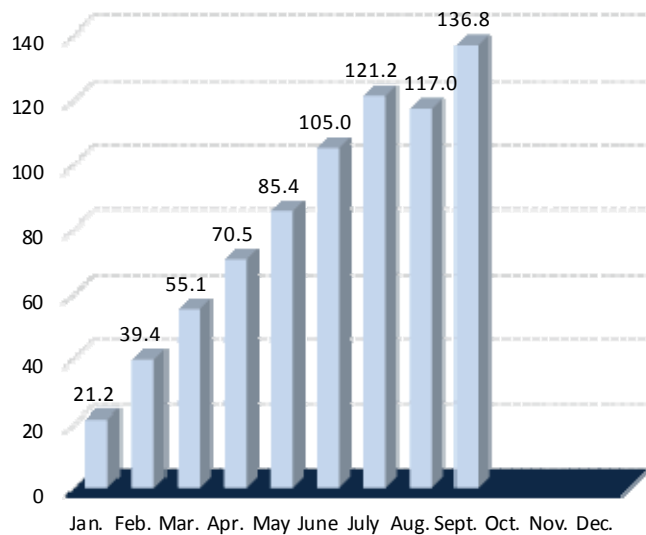
In € billion



Source: Agence France Trésor

**Issuance net of buybacks at September 30, 2014**

In € billion



Source: Agence France Trésor

**Medium- and long-term: provisional maturity schedule at September 30, 2014**

In € billion

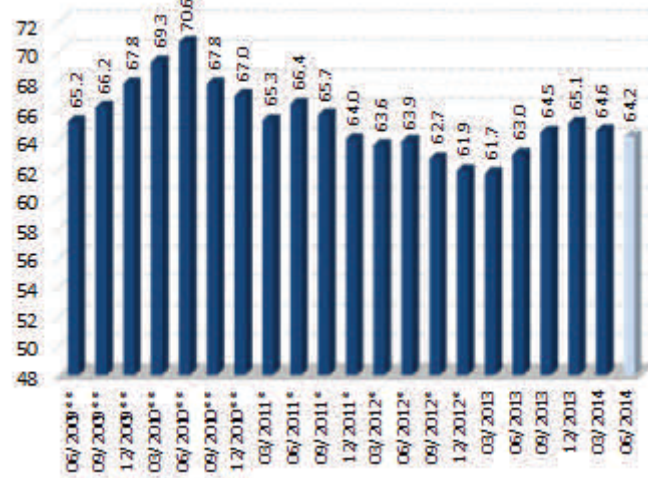
Month	Coupon	Redemption
Oct-14	15.9	21.1
Nov-14	0.6	0.0
Dec-14	0.0	0.0
Jan-15	0.4	15.5
Feb-15	1.0	0.0
Mar-15	0.0	0.0
Apr-15	16.0	20.4
May-15	2.3	0.0
Jun-15	0.0	0.0
Jul-15	4.3	38.6
Aug-15	0.0	0.0
Sep-15	0.0	0.0

Source: Agence France Trésor

**General  
debt-related data**

**Non-resident holders of negotiable government debt in second quarter of 2014**

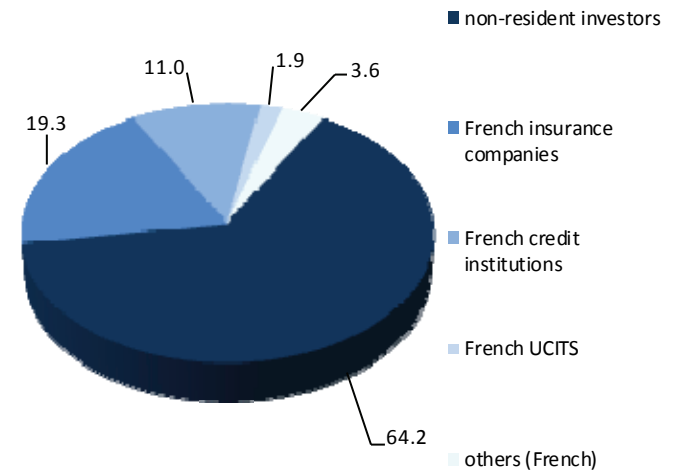
As a % of negotiable debt outstanding expressed in market value



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

**Negotiable government debt by group of holders in second quarter of 2014**

Structure in % expressed in market value



Source: Banque de France

**Negotiable government debt at September 30, 2014**

In euros

Total medium and long-term debt	1,337,406,826,492
Total stripping activity	61,405,310,100
Average maturity	7 years and 346 days
Total short-term debt	190,779,000,000
Average maturity	117 days
<b>TOTAL OUTSTANDING</b>	<b>1,528,185,826,492</b>
<b>Average maturity</b>	<b>6 years and 363 days</b>

Source: Agence France Trésor

**Negotiable government debt and interest rate swaps at September 30, 2014**

In € billion

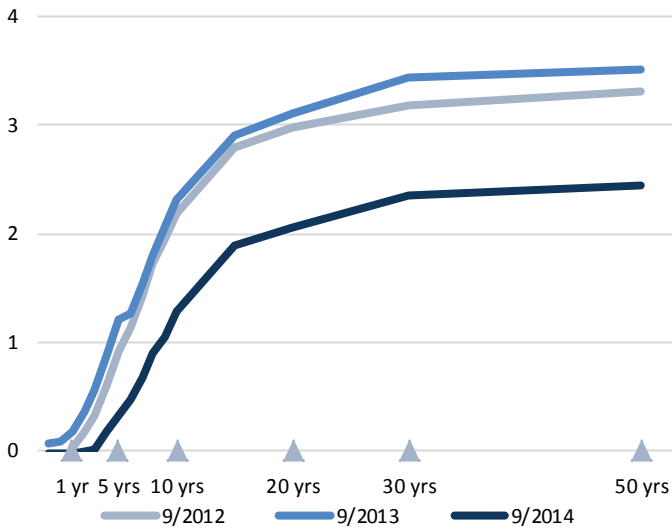
	End 2011	End 2012	End 2013	End August 2014	End September 2014
<b>Negotiable government debt outstanding</b>	<b>1,313</b>	<b>1,386</b>	<b>1,457</b>	<b>1,524</b>	<b>1,528</b>
of which index-linked securities	166	173	174	186	186
Medium and long term	1,135	1,220	1,283	1,337	1,337
short-term	178	167	174	191	191
<b>Swaps outstanding</b>	<b>13</b>	<b>10</b>	<b>7</b>	<b>3</b>	<b>3</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	7 years 57 days	7 years 37 days	7 years 5 days	6 years 350 days	6 years 363 days
after swaps	7 years 52 days	7 years 34 days	7 years 2 days	6 years 348 days	6 years 361 days

Source: Agence France Trésor

Secondary market

Yield curve for French government securities

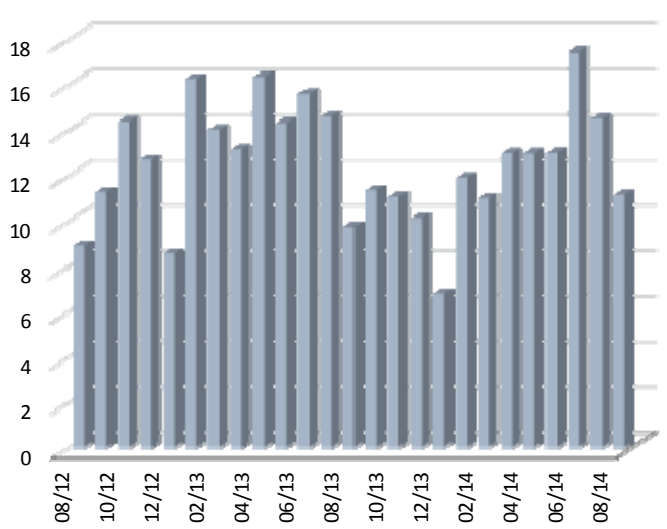
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

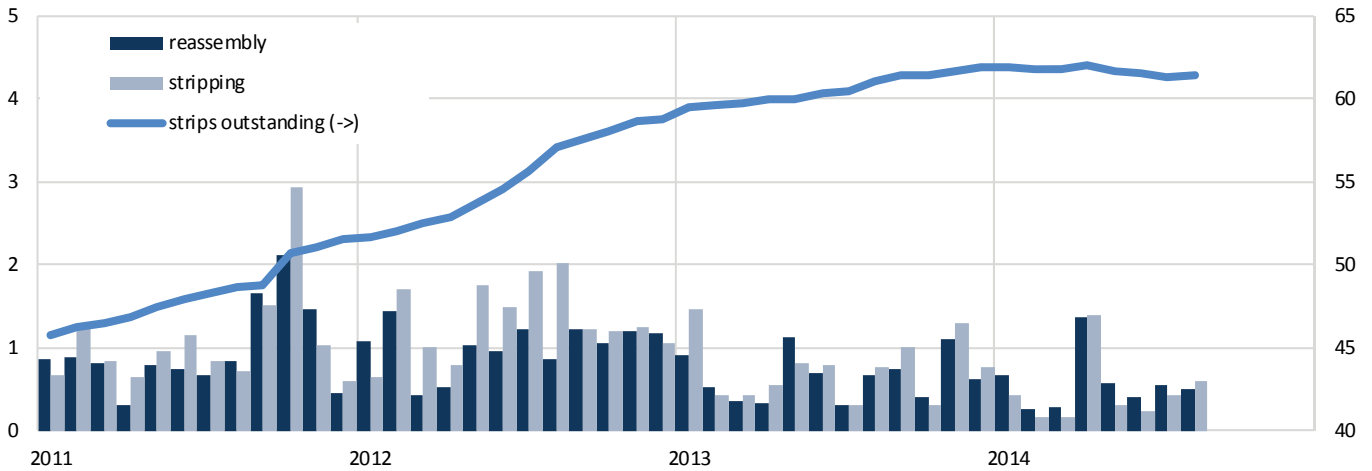
In € billion



Source: reporting by government securities primary dealers

Total stripping and reassembly

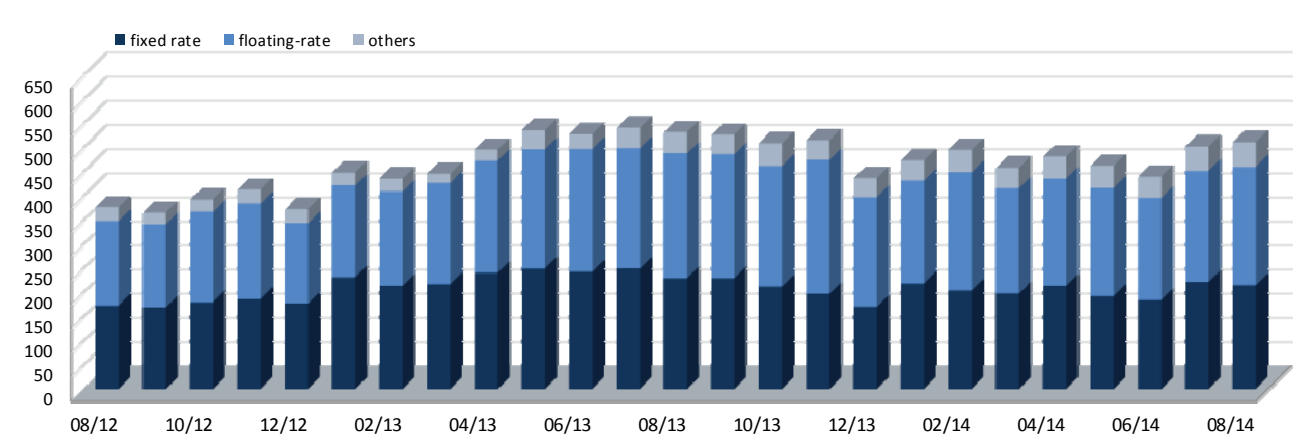
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by government securities primary dealers

### Short-term debt at September 30, 2014

	Maturity	Outstanding (€)
BTF	2 October 2014	8,209,000,000
BTF	9 October 2014	8,907,000,000
BTF	16 October 2014	8,432,000,000
BTF	23 October 2014	8,805,000,000
BTF	30 October 2014	8,317,000,000
BTF	6 November 2014	8,937,000,000
BTF	13 November 2014	6,367,000,000
BTF	20 November 2014	8,181,000,000
BTF	27 November 2014	7,320,000,000
BTF	3 December 2014	8,219,000,000
BTF	11 December 2014	3,147,000,000
BTF	17 December 2014	8,391,000,000
BTF	24 December 2014	7,922,000,000
BTF	8 January 2015	8,857,000,000
BTF	22 January 2015	8,372,000,000
BTF	5 February 2015	8,176,000,000
BTF	18 February 2015	5,517,000,000
BTF	5 March 2015	7,872,000,000
BTF	2 April 2015	8,105,000,000
BTF	30 April 2015	8,483,000,000
BTF	28 May 2015	7,413,000,000
BTF	25 June 2015	7,579,000,000
BTF	23 July 2015	7,254,000,000
BTF	20 August 2015	8,310,000,000
BTF	16 September 2015	3,687,000,000

### Medium- and long-term debt (maturing 2014–2018) at September 30, 2014

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2014</b>	<b>21,053,971,990</b>			
FR0010112052	OAT 4% 25 October 2014	21,053,971,990			0
	<b>Maturity 2015</b>	<b>119,286,638,533</b>			
FR0117836652	BTAN 2.5% 15 January 2015	15,515,000,000			–
FR0010163543	OAT 3.5% 25 April 2015	20,377,313,893			0
FR0118462128	BTAN 2% 12 July 2015	24,726,000,000			–
FR0010135525	OAT€i 1.6% 25 July 2015	13,713,324,640 (1)	1.19122	11,512,000,000	0
FR0010216481	OAT 3% 25 October 2015	28,650,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	16,305,000,000			0
	<b>Maturity 2016</b>	<b>152,384,912,200</b>			
FR0119105809	BTAN 2.25% 25 February 2016	28,551,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	34,907,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	31,322,000,000			–
FR0119105791	BTANi 0.45% 25 July 2016	12,654,912,200 (1)	1.04846	12,070,000,000	–
FR0000187361	OAT 5% 25 October 2016	28,789,000,000			276,357,000
FR0011857218	OAT 0.25% 25 November 2016	16,161,000,000			0
	<b>Maturity 2017</b>	<b>129,245,489,300</b>			
FR0120473253	BTAN 1.75% 25 February 2017	20,302,000,000			–
FR0010415331	OAT 3.75% 25 April 2017	36,737,000,000			0
FR0120746609	BTAN 1% 25 July 2017	19,680,000,000			–
FR0010235176	OATi 1% 25 July 2017	22,855,489,300 (1)	1.13174	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	29,671,000,000			0
	<b>Maturity 2018</b>	<b>110,891,213,150</b>			
FR0010604983	OAT 4% 25 April 2018	28,170,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	10,467,213,150 (1)	1.03605	10,103,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,047,000,000			0
FR0011523257	OAT 1% 25 November 2018	20,795,000,000			0

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

Medium- and long-term debt (maturing in 2019 and beyond) at September 30, 2014

<b>Maturity 2019</b>		<b>120,229,767,962</b>		
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	11,546,098,640 (1)	1.06504	10,841,000,000
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893		6,013,011,100
FR0010776161	OAT 3.75% 25 October 2019	31,858,000,000		0
FR0011993179	OAT 0.5% 25 November 2019	13,381,000,000		0
FR0000570954	OAT cap. 9.82% 31 December 2019	27,276,429 (2)		6,692,154
<b>Maturity 2020</b>		<b>95,115,608,750</b>		
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000		0
FR0010050559	OAT€i 2.25% 25 July 2020	24,282,608,750 (1)	1.21565	19,975,000,000
FR0010949651	OAT 2.5% 25 October 2020	34,801,000,000		0
<b>Maturity 2021</b>		<b>77,682,271,360</b>		
FR0010192997	OAT 3.75% 25 April 2021	36,041,000,000		0
FR0011347046	OATi 0.1% 25 July 2021	5,168,271,360 (1)	1.00864	5,124,000,000
FR0011059088	OAT 3.25% 25 October 2021	36,473,000,000		0
<b>Maturity 2022</b>		<b>78,738,665,670</b>		
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990		518,668,400
FR0011196856	OAT 3% 25 April 2022	34,030,000,000		0
FR0010899765	OAT€i 1.1% 25 July 2022	18,507,725,680 (1)	1.08068	17,126,000,000
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000		0
<b>Maturity 2023</b>		<b>82,259,206,323</b>		
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903		6,040,500,200
FR0011486067	OAT 1.75% 25 May 2023	25,660,000,000		0
FR0010585901	OATi 2.1% 25 July 2023	12,764,010,420 (1)	1.09713	11,634,000,000
FR0010466938	OAT 4.25% 25 October 2023	33,229,000,000		560,722,000
<b>Maturity 2024</b>		<b>52,259,985,750</b>		
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000		0
FR0011427848	OAT€i 0.25% 25 July 2024	8,677,985,750 (1)	1.01201	8,575,000,000
FR0011962398	OAT 1.75% 25 November 2024	15,454,000,000		0
<b>Maturity 2025</b>		<b>17,780,928,118</b>		
FR0000571150	OAT 6% 25 October 2025	17,780,928,118		3,058,154,400
<b>Maturity 2026</b>		<b>30,306,000,000</b>		
FR0010916924	OAT 3.5% 25 April 2026	30,306,000,000		85,857,000
<b>Maturity 2027</b>		<b>39,176,427,290</b>		
FR0011008705	OAT€i 1.85% 25 July 2027	9,858,427,290 (1)	1.06497	9,257,000,000
FR0011317783	OAT 2.75% 25 October 2027	29,318,000,000		0
<b>Maturity 2028</b>		<b>21,322,893</b>		
FR0000571226	OAT zéro coupon 28 March 2028	21,322,893 (3)		46,232,603
<b>Maturity 2029</b>		<b>37,167,145,453</b>		
FR0000571218	OAT 5.5% 25 April 2029	27,169,880,458		3,870,819,100
FR0000186413	OATi 3.4% 25 July 2029	9,997,264,995 (1)	1.25073	7,993,144,000
<b>Maturity 2030 et plus</b>		<b>173,807,271,750</b>		
FR0011883966	OAT 2.5% 25 May 2030	15,210,000,000		5,000,000
FR0011982776	OAT€i 0.7% 25 July 2030	3,500,000,000 (1)	0.999	3,500,000,000
FR0000188799	OAT€i 3.15% 25 July 2032	11,856,344,200 (1)	1.2317	9,626,000,000
FR0000187635	OAT 5.75% 25 October 2032	26,135,322,600		11,549,027,400
FR0010070060	OAT 4.75% 25 April 2035	21,183,000,000		5,408,890,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000		4,795,911,400
FR0010447367	OAT€i 1.8% 25 July 2040	10,406,604,950 (1)	1.14095	9,121,000,000
FR0010773192	OAT 4.5% 25 April 2041	23,650,000,000		7,219,715,000
FR0011461037	OAT 3.25% 25 May 2045	12,394,000,000		0
FR0010171975	OAT 4% 25 April 2055	14,926,000,000		7,368,674,000
FR0010870956	OAT 4% 25 April 2060	10,657,000,000		4,634,003,100

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

(2) Including coupons capitalised at 31/12/2013; not open to subscription

(3) Revised on 28/03/2013; not open to subscription

### Most recent economic indicators

Industrial output, year-on-year	-0.2%	08/2014
Household consumption*, year-on-year	0.7%	09/2014
Unemployment rate (ILO)	10.2%	06/2014
Consumer prices, year-on-year		
all items	0.3%	09/2014
all items excluding tobacco	0.2%	09/2014
Trade balance, fob-fob, sa (€bn)	-€5.8 bn	08/2014
" "	-€5.5 bn	07/2014
Current account balance, sa (€bn)	-€4.5 bn	08/2014
" "	-€2.2 bn	07/2014
10-year constant maturity rate (TEC10)	1.28%	30/9/2014
3-month interest rate (Euribor)	0.083%	30/9/2014
EUR / USD	1.2583	30/9/2014
EUR / JPY	138.11	30/9/2014

\* manufactured products

Source: Insee, Minefi, Banque de France

### Monthly government budget position

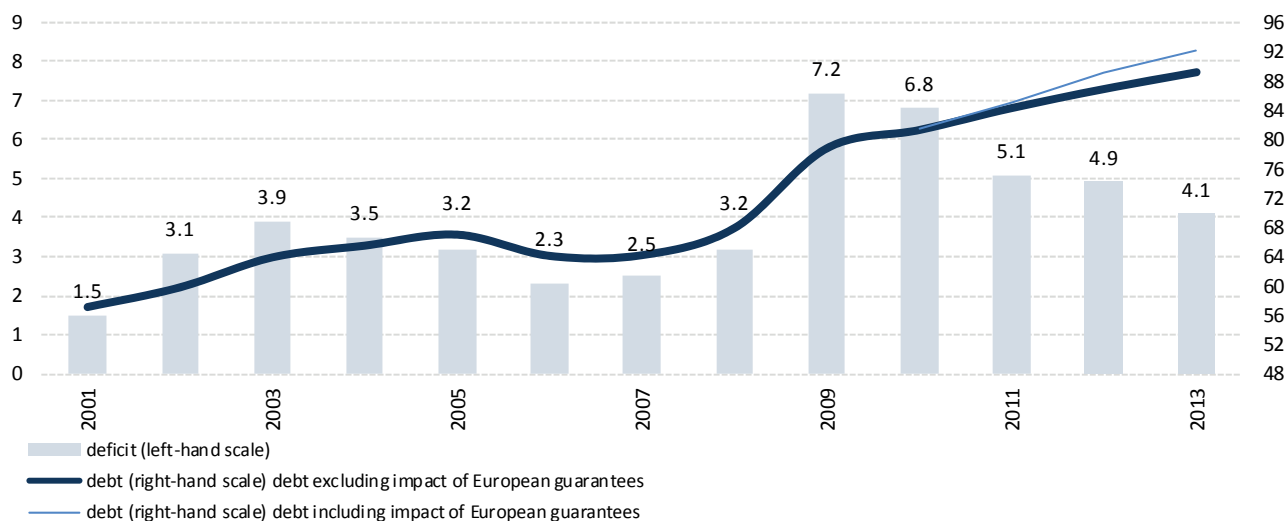
In € billion

			end of August level		
	2012	2013	2012	2013	2014
General budget balance	-88.16	-75.43	-70.98	-66.72	-67.77
revenue	286.01	301.24	177.48	190.81	186.14
expenditure	374.17	376.67	248.47	257.53	253.90
Balance of special Treasury accounts	1.01	0.56	-26.69	-26.89	-26.31
<b>General budget outturn</b>	<b>-87.15</b>	<b>-74.87</b>	<b>-97.67</b>	<b>-93.61</b>	<b>-94.08</b>

Source: Minefi

### Public finances: deficit and debt

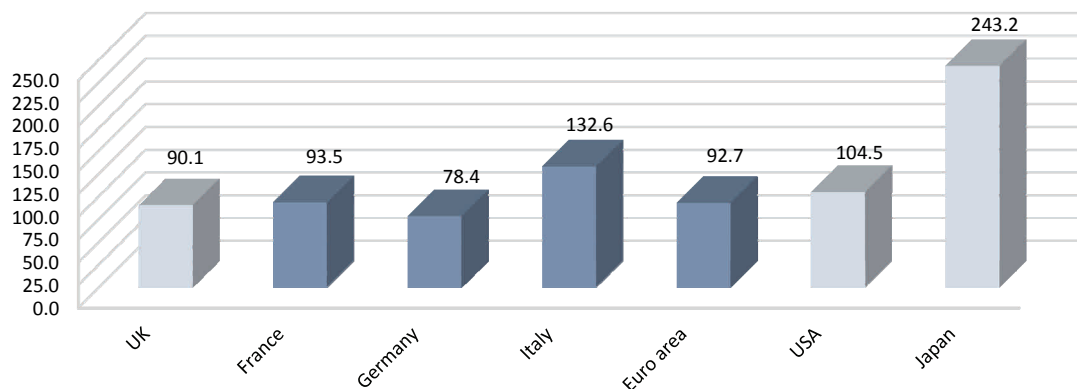
As % of GDP



Source: Insee

### General government debt in 2013

As % of GDP



Sources: Eurostat (04/2014), FMI (04/2014)



French economic indicators timetable

November 2014		December 2014	
 7	Industrial investments: October 2014	 4	Job seekers Q3-2013 (BIT)
 7	Industrial output in September	 9	Foreign trade in October
 7	Foreign trade in September	 10	Industrial output in October
 13	Balance of payments in September	 10	Payroll employment: Q3-2013
 13	Consumer prices: index for October	 12	Balance of payments in October
 14	Payroll employment: provisional results Q3-2014	 11	Consumer prices: index for November
 14	Quarterly national accounts: first results Q3-2014	 17	Inflation (HICP): November index
 14	Inflation (HICP): October index	 19	Industrial trends: monthly survey for December
 25	Industrial trends: monthly survey for November	 23	National quarterly accounts: final results Q3-2013
 25	New building starts in November	 23	General government debt Q3-2013
 26	Household confidence survey: November survey	 23	Household consumption of manufactured goods in November
 27	Job seekers in October	 24	Job seekers in November
 28	Household consumption of manufactured goods in October	 30	New building starts in November
 28	Industrial producer prices: October index		

Sources : Insee, Eurostat