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July 2001

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# monthly bulletin



# AGENCY FRANCE TRÉSOR

## French government debt news

### Laurent FABIUS announces new priorities for Agency France Trésor at the Paris Europlace conference

On 4 July, while participating in the Paris Europlace conference, Laurent FABIUS, Minister of the Economy, Finance and Industry, confirmed that Agency France Trésor acted as a source of financial innovation.

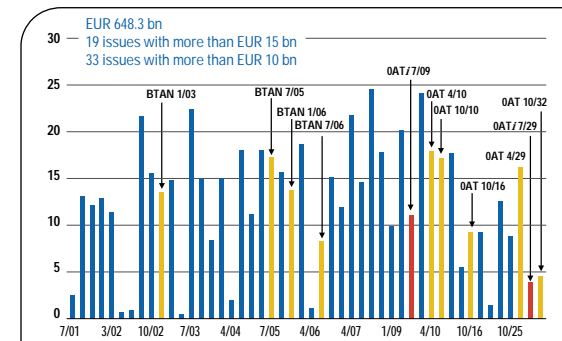
On this occasion, the Minister told market operators that the Agency was developing a rate swap strategy designed to shorten the average maturity of government debt. The Minister also mentioned plans to create bonds indexed to European inflation. The Agency is currently working on this, helped by the expertise and advice of the primary dealers and other players on the French government debt market. Based on the Agency's conclusions, the Minister will announce before September whether or not he will launch such an OAT. The Minister stressed the need for maximum consistency between the market of OATs indexed to French inflation and the contemplated market of OATs pegged to European inflation.

### Agency France Trésor's annual report for 2000/2001 is available on line

Since 4 July, Agency France Trésor makes its annual report for 2000/2001 available to visitors of its web site ([www.francetresor.gov.fr](http://www.francetresor.gov.fr)). This reference document on government securities complements the annual review for 2000 published last January and will be sent this month to all subscribers of the monthly bulletin.

### French government negotiable debt outstanding on July 6, 2001

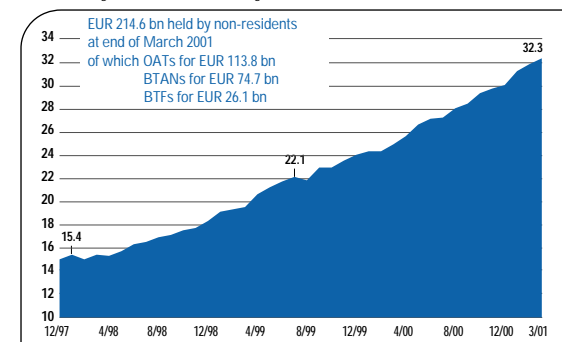
EUR billion



Source: Agency France Trésor

### Non-resident holdings of French government negotiable debt securities

as a % of negotiable debt outstanding



Source: Balance of payments

## ➤ Auction calendar

9/7/2001	Settlement on	16/7/2001	Settlement on	19/7/2001 <sup>(1)</sup>	Settlement on	23/7/2001	Settlement on	30/7/2001	Settlement on	2/8/2001 <sup>(1)</sup>	Settlement on
<b>BTF</b>		<b>BTF</b>		<b>BTAN</b>		<b>BTF</b>		<b>BTF</b>		<b>OAT</b>	
13 weeks	12/7/2001	13 weeks	19/7/2001	2 years	24/7/2001	13 weeks	26/7/2001	13 weeks	2/8/2001		7/8/2001
<b>BTF</b>		<b>BTF</b>		<b>BTAN</b>		<b>BTF</b>		<b>BTF</b>			
31 weeks	12/7/2001	52 weeks	19/7/2001	5 years	24/7/2001	29 weeks	26/7/2001	50 weeks	2/8/2001		

(1) France Trésor may conduct an OAT / auction on the first or third Thursday of each month  
Source: Agency France Trésor

## ➤ Last auctions OATs and BTANs

EUR million

	OAT	OAT	OAT	OAT /	OAT /	BTAN 2 years	BTAN 5 years
	April 2011	October 2016	October 2032	July 2009	July 2029	July 2003	July 2006
	6.50%	5.00%	5.75%	3.00%	3.40%	4.50%	4.50%
<b>Auction date</b>	<b>5/7/01</b>	<b>5/7/01</b>	<b>5/7/01</b>	<b>21/6/01</b>	<b>21/6/01</b>	<b>21/6/01</b>	<b>21/6/01</b>
<b>Settlement date</b>	<b>10/7/01</b>	<b>10/7/01</b>	<b>10/7/01</b>	<b>26/6/01</b>	<b>26/6/01</b>	<b>26/6/01</b>	<b>26/6/01</b>
<b>Volume announced</b>		from 3 000 to 3 500		from 400 to 700		from 2 800 to 3 300	
<b>Amount bid</b>	6 301	2 577	3 511	1 811	837	8 367	9 110
<b>Amount served</b>	<b>1 197</b>	<b>902</b>	<b>1 390</b>	<b>414</b>	<b>282</b>	<b>1 145</b>	<b>2 646</b>
Of which non competitive offers	11	41	31	0	9	22	501
<b>Bid-to-cover ratio</b>	5.26	2.86	2.53	4.37	2.97	7.31	4.25
<b>Stop price</b>	109.32%	94.33%	99.21%	97.41%	97.51%	100.47%	99.56%
<b>Weighted average rate</b>	5.25%	5.56%	5.80%	3.36%	3.54%	4.25%	4.60%
<b>Previous auctions</b>	3/5/01	3/5/01	7/6/01	17/5/01	-	17/5/01	17/5/01
<b>Weighted average rate</b>	5.17%	5.46%	5.78%	3.40%	-	4.41%	4.74%

Source: Agency France Trésor

## ➤ Last auction BTFs

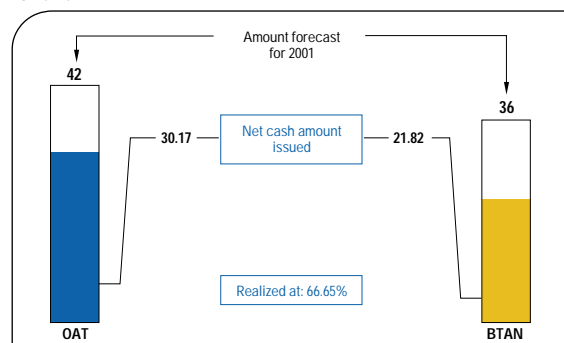
EUR million

	BTF	BTF	BTF
	13 weeks	24 to 29 weeks	40 to 52 weeks
11/6/2001			
<b>Average amount</b>	1 101	503	
<b>Weighted average rate</b>	4.33%	4.25%	
18/6/2001			
<b>Average amount</b>	1 150	542	
<b>Weighted average rate</b>	4.31%	4.21%	
25/6/2001			
<b>Average amount</b>	1 167	501	
<b>Weighted average rate</b>	4.26%	4.16%	
2/7/2001			
<b>Average amount</b>	1 102	502	
<b>Weighted average rate</b>	4.26%	4.17%	

Source: Agency France Trésor

## ➤ Long- and medium-term financing over the year July 6, 2001

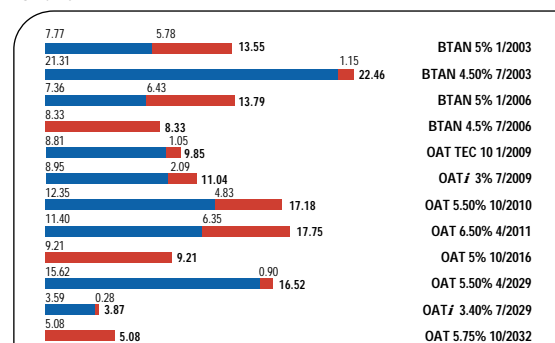
EUR billion



Source: Agency France Trésor

## ➤ BTANs and OATs 2001 issues and cumulative total July 6, 2001

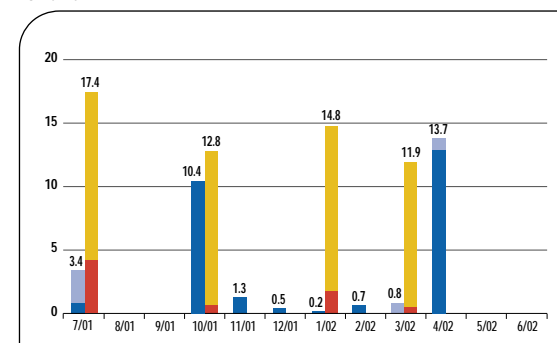
EUR billion



Source: Agency France Trésor

## ➤ OATs and BTANs : indicative repayment schedule July 6, 2001

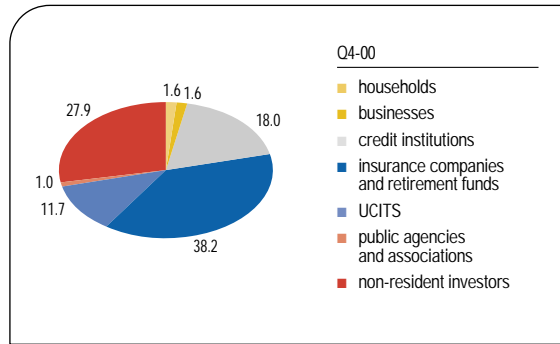
EUR billion



Source: Agency France Trésor

## OAT ownership by type of holder

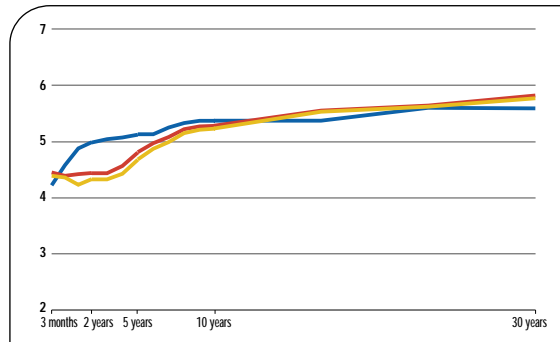
ownership structure in %



Source: These figures come from a Banque de France's survey; the percentage of non-resident holdings is compatible with the more exhaustive figures coming from the balance of payments (see page 1).

## French government yield curve

monthly average in %

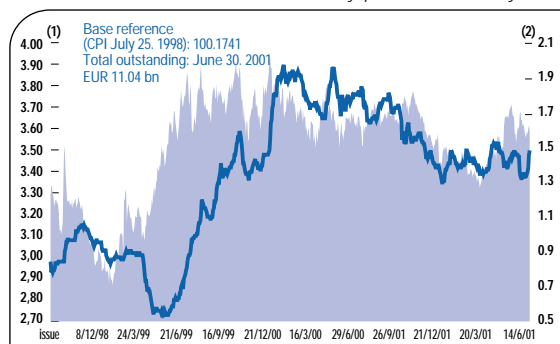


— 30 June 2000 — 31 May 2001 — 30 June 2001

Source: Bloomberg

## Real yield of the OAT / 3% 07/2009

in % indicative daily quote on the secondary market

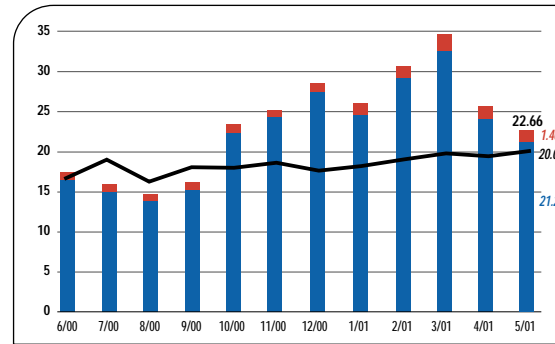


— Real yield of the OAT / (1) — Breakeven inflation (difference between the yields of the fixed-rate 10-year OAT and the OAT) (2)

Source: Agency France Trésor

## Turnover on the 5 most liquid OATs and the 4 most liquid BTANs

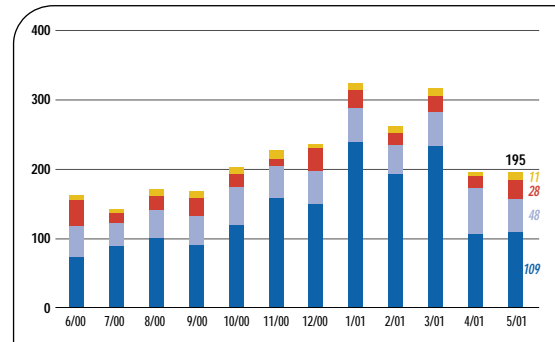
daily average (EUR billion)



■ OAT (Euroclear France) ■ OAT (Euroclear Bank) — BTAN (Euroclear France)

## Primary dealers, monthly fixed-rate repo transactions

EUR billion

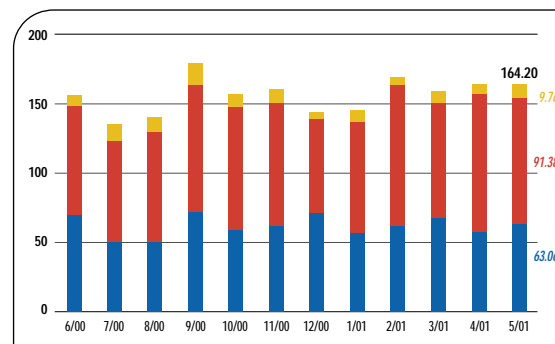


■ 1-3 days ■ 4-11 days ■ 12-35 days ■ > 35 days

Source: Primary dealers

## Primary dealers, repo outstanding at end of month

EUR billion



■ Fixed-rate repos ■ Floating-rate repos ■ Other legal categories

Source: Primary dealers

## French government debt

EUR billion

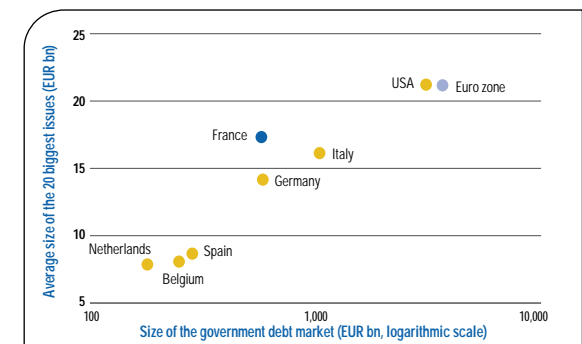
	1996	1997	1998	1999	2000	2001 June
<b>Negotiable debt</b>	474	515	560	583	616	645
<b>Long-term debt</b>	308	331	363	395	419	433
of which OAT	293	329	363	395	419	433
<b>Short &amp; medium-term</b>						
<b>Treasury notes</b>	166	184	197	188	197	212
of which BTF	41	41	47	34	43	48
of which BTAN	125	143	150	154	154	164
<b>Non-negotiable debt</b>	66	63	53	71	63	nc
<b>Total government debt</b>	540	577	613	654	679	nc
% of GDP	44.5%	46.0%	47.1%	48.7%	nc	nc
Average life	6 years	6 years	6 years	6 years	6 years	6 years
of negotiable debt	47 days	57 days	93 days	99 days	64 days	73 days

Source: SROT on 31/12/96, 97, 98, 99 and 00

## focus

## The most liquid government bond market in the euro zone

EUR billion



Source: Agency France Trésor

### Will French growth be able to resist?

**A**fter declining by 0.3% in March, French industrial output fell in the same proportions in April. At the same time, household consumption of manufactured products dipped by 0.5% in both April and May. Must we conclude that French growth, like its German counterpart, is waning? Far from it.

First of all, this weak performance remains relative. The drop in industrial output was mainly due to a sharp decrease in automotive production (down 2.3% in April) in the wake of two months of exceptionally strong growth. Indeed, automotive production increased by 2.9% over the past three months.

Similarly, output connected directly with household spending continues to rise significantly. For instance, construction turned around in April (up 1.3%) while production of consumer goods rose by 0.6%, suggesting that households will remain the engine of French economic growth.

This is the point of the recent trend in French industrial activity. While industrial output is dwindling sharply in most European countries, particularly Germany and Italy, the slowdown remains limited in France, held up primarily by resilient consumption.

Moreover, the occurrence of a new French trade deficit in April (EUR 483 million) shows that the slowdown of our industry is mainly due to external causes, particularly a high energy deficit and the landing of the euro economies.

In other words, the impact of the international slowdown on the French economy will remain limited on the back of buoyant domestic demand, especially household consumption. Indeed, the consumption dip in the second quarter was inevitable after the exceptionally strong growth recorded in the first quarter. This downturn should be merely a respite before consumption takes off again in the third quarter, *inter alia* stimulated by the impact of retail discount sales. Although the INSEE adjusted its forecasts downwards on 29 June, it continues to project strong consumption growth in 2001. Lastly, now that oil prices are once again going down, households may increase spending on manufactured products and services. The only missing ingredient is another rapid cut in short-term interest rates, to which household credit rates are generally pegged. The ECB must therefore act quickly to tighten its monetary policy in order to support activity in euro countries currently in difficulty and to avoid a hard landing in others.

Let us not forget that the EMU was created to generate both downward convergence of interest rates and upward convergence of growth rates. We must therefore establish the monetary conditions needed to bring about convergence of struggling economies to the engines of growth instead of the reverse.

Marc TOUATI

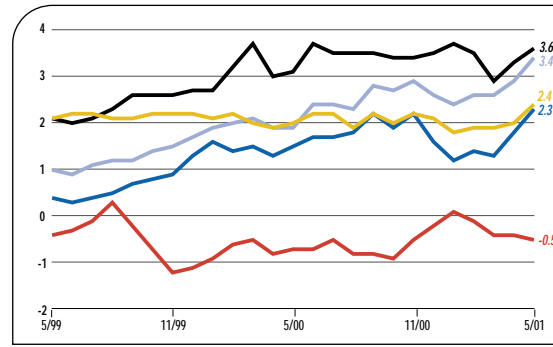
Economic Research Manager, Natexis Banques Populaires

2 July 2001

*Note: this forum expresses the writer's personal views and does not reflect the opinion of Agency France-Trésor and the Ministry of the Economy, Finance and Industry.*

## Consumer prices

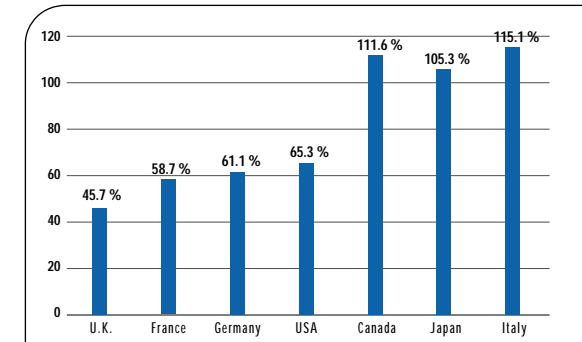
year on year % change



— Euro zone — France — USA — Japan — U.K.\*  
 Source: Agency France Trésor \* Excluding mortgage lending

## General government debt in 1999

as a % of GDP



Source: OECD estimates, December 2000; Maastricht definition for European countries (new ESA 95)

## Timetable for the release of French economic indicators and for auctions

### July 2001

- 2 **BTF auction**
- 3 Household confidence survey: June survey
- 5 **OAT auction**
- 6 Quarterly National Accounts: final results Q1-2001
- 6 Gross foreign exchange reserves in June
- 9 **BTF auction**
- 12 Consumer prices: provisional index for June
- 13 Foreign trade in May
- 13 Housing starts: index Q1-2001
- 16 **BTF auction**
- 17 Balance of payments in April
- 18 Industrial output in May
- 19 **BTAN auction**
- 23 **BTF auction**
- 24 Household consumption of manufactured goods in June
- 24 Consumer prices: final index for June
- 27 Industrial trends: monthly survey in July
- 30 **BTF auction**
- 31 New building starts in June
- 31 Job seekers in June
- 31 Industrial sales prices: June index
- 31 Net foreign exchange reserves in June

### August 2001

- 2 **OAT auction**
- 2 Household confidence survey: July survey
- 2 Industrial trends: quarterly survey in July
- 6 **BTF auction**
- 7 Gross foreign exchange reserves in July
- 13 **BTF auction**
- 14 Foreign trade in June
- 14 Consumer prices: provisional index for July
- 16 **BTAN auction**
- 17 Payroll employment : provisional results Q2-2001
- 17 Wages: provisional statistics Q2-2001
- 17 Balance of payments in May
- 17 Industrial output in June
- 20 **BTF auction**
- 24 Consumer prices: final index for July
- 27 **BTF auction**
- 28 New building starts in July
- 28 Sales of new dwelling units: Q2-2001 statistics
- 31 Job seekers in July
- 31 Net foreign exchange reserves in July

## ➤ Macro-economic forecast

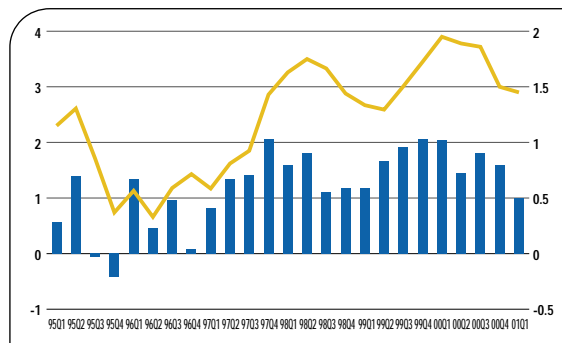
Real growth rate, n-1 prices

	2000*	2001**	2002**
GDP growth in France	3.4	2.9	3.0
GDP growth in the euro zone	3.4	2.8	2.8
Household consumption	2.5	2.7	3.1
Investment	6.1	5.6	3.8
of which: business investment	7.2	8.1	5.6
of which: household housing investment	4.5	2.2	0.8
Exports	12.6	7.4	5.5
Imports	14.2	8.7	5.5
Consumer prices	1.3	1.3	1.3
Public deficit (as a % of GDP)***	- 1.3	- 1.0	- 0.6
Public debt (as a % of GDP)	58.0	57.0	55.4

\* Quarterly National Accounts 01-2001 definitive results  
 \*\* Source: National Economic Commission, March 2001  
 \*\*\* For 2001, excl. UMTS receipts (incl. UMTS: - 0.5)

## ➤ Gross Domestic Product

in %



— Year-on-year basis (left-hand scale)  
 ■ Quarterly growth rate (right-hand scale)

Source: INSEE, Quarterly National Accounts (95 prices)

## ➤ Government budget monthly position

FRF billion

	1999	2000	1999	2000	2001
	end-of-May level				
<b>General budget</b>					
balance	-215.3	-192.5	-91.6	-60.5	-88.4
- expenditure	1 709.8	1 700.9	695.7	692.9	731.4
- revenue	1 494.5	1 508.4	604.1	632.4	643.0
<b>Balance of special</b>					
Treasury accounts	9.3	1.3	- 91.1	- 98.7	- 96.2
<b>General budget</b>					
outturn	- 206.0	- 191.2	- 182.7	- 159.2	- 184.6

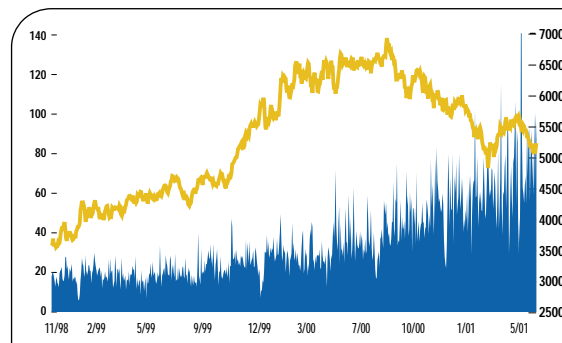
Source: Ministry of the Economy, Finance and Industry, Budget Directorate  
 For more information: <http://www.finances.gouv.fr/indicateurs/budget/2001/sommaire.html>

## ➤ Recent economic indicators

Industrial output*, year-on-year	2.6%	4/2001
Household consumption*, year-on-year	1.9%	5/2001
Unemployment rate (ILO), in %	8.7%	5/2001
Inflation, year-on-year	2.3%	5/2001
Inflation, excl. tobacco, year-on-year	2.3%	5/2001
<i>Seasonally-adj. FOB/FOB data (EUR bn)</i>		
Trade balance, 2000	2.26	4/2001
Trade balance, cumulative, 2001	3.93	4/2001
Current account balance, 2000	18.99	3/2001
Current account balance, cumulative, 2001	7.21	3/2001
10-year interest rate (OAT)	5.170%	at 29/6/2001
3-month interest rate (Euribor)	4.410%	at 29/6/2001
EUR/\$	0.8480	at 29/6/2001
EUR/Yen	105.37	at 29/6/2001

Source: INSEE, Ministry of the Economy, Finance and Industry  
 and Banque de France \* manufactured goods

## ➤ The French financial market: change in the CAC 40 index

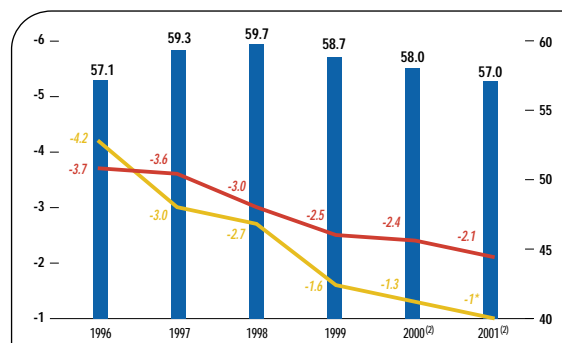


— Index (index value) (right-hand scale)  
 ■ Traded volume (millions of securities traded per day) (left-hand scale)

Source: Bloomberg

## ➤ Public finance

as a % of GDP



— General government deficit (1) (left-hand scale)  
 — Central government deficit (1) (left-hand scale)  
 ■ General government debt (right-hand scale)

Source: (1) INSEE, 2000 National Accounts (ESA 95)  
 (2) For 2001, National Economic Commission forecasts, March 2001  
 \* Excl. UMTS receipts (incl. UMTS: - 0.5)

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# Lunch Paris Europlace 4 July 2001

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# AGENCY FRANCE TRÉSOR



## Address by Mr Laurent FABIUS, Minister of the Economy, Finance and Industry

Ladies and Gentlemen,

*A major financial market like Paris is one of the cornerstones of our economic momentum. In turn, it is obviously sensitive to economic growth itself. I would like to take this opportunity to review our choices.*

*Which strategies should be implemented for which horizon? The role of the Minister of the Economy and his Ministers of State is to provide solutions. In a world where everything changes – technologies, nations, societies – public and private players need to be aware of the ongoing changes if they want to strengthen the competitiveness of the business community and the country, and they need to promote indispensable structural reforms. Both Prime Minister Lionel Jospin and I myself have the highest regard for the truth, which is essential in the current global economic decline.*

**Truth or clear-mindedness if you prefer: this is the first requirement. Yes, we must above all be clear-minded. Our growth may drop this year to just under 2.5%. INSEE forecasts 2.3%.**

It is true that we predicted 3.3% last summer and 2.9% at the end of the winter. But the American downturn is deeper than expected (US growth will be divided by four instead of two), the Japanese crisis is more serious than bargained for and furthermore Europe does not underpin growth as projected. Why? Mainly because consumption has suffered from an inflation surge fuelled by over-expensive oil and rising food prices, triggering a dwindling spiral – primarily at our German neighbours – and thereby lowering the confidence of European business leaders.

The same concern with truth makes it necessary to highlight that France, even if obviously affected as the other countries and because of them, is holding up better than its partners in the euro area. Price increases are smaller, growth dented but stronger, employment more robust and purchasing power more vigorous. While growth this year be less than in 2000, we will remain above the weak growth during the period from 1993 to 1997. Our objective is to absorb this slowdown and to lay the groundwork for an upturn.

I sometimes hear or read two remarks about this issue. Some observers criticise the downward adjustment of our estimates. Like you, I frankly admire those who specialise in saying “I told you so”. I confess that I am not Nostradamus and that our forecasts at the time reflected the “consensus”. Nevertheless, it is true that it is always far easier to predict... the past. The other comment and its two variants calls for closer attention. We are asked, “Did you do enough?” or bluntly, “You didn’t do anything when growth was strong!” No one will argue – least of all I – that everything was perfect. In business as well as in government, self-satisfaction is a bad guide. First of all, however, truth – again – requires us to stress that past and present growth is partly driven by external causes and partly by economic policy choices, which have been relevant enough. Secondly, it is no small thing to have reduced the public deficits by about FRF 200 billion in four or five years (of which the reduction of the budgetary deficit accounts for half), to have lowered the tax bill by another FRF 200 billion, while the weight of public debt in France’s GDP began to decrease for the first time in 20 years and while implementing such reforms as sponsored jobs for the young and universal health insurance, thus contributing to the creation of 1.5 million new jobs, mainly by businesses, to which we owe a debt

of gratitude. So I find those who, with an assurance that is sometimes inversely proportional to their results, assert that all this amounts to "doing nothing".

**But let us look first of all towards the future. We need to act with determination.**

This does not mean that we should be careless or arrogant. Going for a demand-side policy when supply is the problem, pursuing a supply-side policy when demand is the challenge, or worse, asphyxiating demand while discouraging supply: the history of our country – both recent and remote – is full of economic policy errors with a high cost in terms of jobs and taxes. We need not come back to them: you all remember them. Today, we are up against a problem of both demand and supply, a combination of slowing foreign demand and sudden inflation. We must prevent inflation from attaching itself to business costs and so jeopardising sustainable growth. The diagnosis is therefore clear. We need to make four choices to deal with this situation.

**1. We need to support domestic demand in the countries of the euro area by lowering inflation.**

Two solutions are available to increase purchasing power. The first is to allow uncontrolled spending and to spark a race between wages and prices. This solution has its advocates but as far as I am concerned it is the wrong choice. The second is to focus on lower prices and taxes in order to bring about a rising spiral: higher consumption, renewed growth and falling unemployment. In practice, lower inflation calls for stronger competition, particularly in such sectors as oil products, foods and mass retailing, by broadening the consumer's choice and mercilessly rooting out cartels. My staff has been instructed to do so. The State will set the example with public rates.

The Europeans can also use monetary policy. With the introduction of the euro, countries can no longer challenge each other by means of unduly "competitive" devaluations. In order to promote growth, we need to establish an environment in which the ECB, which is and must remain independent, can take the measures necessary to lower inflation in the long-term.

**2. We need to strengthen the confidence of business leaders, who respond to the speed of the slowdown.**

What do they expect? A clear diagnosis and a clear strategy. That is precisely what I am working at. First of all, they want confirmation of tax cuts, especially of corporation and business tax. Secondly, they want the changeover to a 35-hour working week to become more flexible for SMEs. I am committed to the first point, which seems fair to me. And I have every hope of being heard about the second. On the whole, France and the French want flexibility. In a modern, complex, open country like France, sustainable progress requires flexibility.

**3. We need to consolidate household confidence, the engine of our growth.**

Confidence has improved since 1997 on the back of a good economic environment, an appropriate policy mix, higher purchasing power and lower unemployment. Despite the blip, it is currently much higher than four years ago. 2001 should be a good year for purchasing power. According to INSEE, real household income

can be expected to increase by almost 4%. This growth is driven by adequate but reasonable wages as well as tax cuts designed to redistribute the benefits of past growth and to support current demand as part of our economic policy to promote employment.

We need to do everything in our power to keep unemployment down. Rising growth enabled us in the recent past to adjust the mechanisms of employment policy. Now that growth is waning, we need to resume specific actions in order to continue driving down unemployment. The recently created employment bonus is a valuable tool for this purpose.

**4. We need to maintain a strict approach to public finance.**

While tax cuts bolster demand and lay the groundwork for sustainable growth, their impact depends on their combination with controlled spending growth, expected to be 0.3% in real terms in 2001 and 0.5% in 2002, i.e. well below growth of our national wealth. During the period from 1997 to 2002, France's wealth will have increased by 18%, compared with 1.8% for government spending, i.e. ten times less. The Prime Minister is currently making the final budgetary choices in an excellent atmosphere given the very nature of this duty. There will be no uncontrolled increase or drastic cuts. We will stick with a serious and dynamic multi-annual public spending management policy. We are financing our priorities. We are doing our best to ensure smoothly running public services. We must all understand that a major change in this spending programme, whether civil or military, would undermine the credibility of the government's efforts to consolidate the public accounts in the long-term and would create a problem with confidence. This would lead to a stricter monetary policy, declining employment and higher taxes. This is out of the question for both the Prime Minister and myself.

Our objective for 2001 and 2002 is to serve growth and to preserve the achievements of recent years. With reasonable growth in 2002 – though higher than this year's – we will be able to limit the budgetary deficit and to continue balancing the social security accounts, provided special efforts are made to control health insurance expenditure. The prospect of improving public accounts in the years ahead is therefore not in doubt. We want to continue improving the public accounts structurally.

**In view of this situation, we must stick with these choices and show confidence in our strengths by continuing the reforms.**

**In fact, our country has enormous strengths.**

France has been modernised. Our competitiveness is good on the whole, as witness the volume of foreign investments and our growing market share. That this competitiveness is growth-driven is borne out by the one-and-a-half million jobs created since 1997. French businesses have become international and started to invest in sunrise industries, such as communication and new technologies. Another feature of our country is its position as both an industrial and a service power, helped by good public infrastructures. These complementary and diverse characteristics reduce our exposure to shocks. Our macroeconomic fundamentals are good. France generates a foreign trade surplus, household savings are high and capital expenditure has increased since 1997.



All the same, the quality of these fundamentals requires us to continue structural reforms. **My own ministry will focus on three areas of action in the months ahead**, in addition to the most important of them all: **the introduction of euro-denominated notes and coins on 1 January 2002, whose success is of course my foremost task.**

**Our first priority is to bolster our industrial and financial strategy.** In the current period, several transactions have been or will be carried out to strengthen our business community. Last week saw the creation of a major financial player with the alliance between CDC and Caisses d'Épargne, and reinforcement of the French aerospace industry with the decision to open SNECMA's ownership structure. In collaboration with Minister of State François Patriat, this Friday will bring the creation of a single agency to promote the development of SMEs, accompanied by various simplification measures. Next week we will see the publication of the implementation decrees of the important law on wage savings. All this is part of indispensable structural reforms, which will continue until the end of this legislature... and after.

**Another vital priority is the State reform.** Last week, Parliament voted to amend the budgetary and financial State constitution, first mooted when I was the Speaker of the National Assembly. This major if unnoticed change owes much to the cheerful expertise of Florence Parly, Minister of State in charge of the Budget. Thirty seven previous attempts to pass this amendment had failed. This time, the majority and the opposition showed that they are able to put progress before their differences. In the future, public management will be evaluated in the light of efficiency and results, not just resources. Given more responsibility and invested with genuine powers of oversight, both houses will be able to play their role more completely. Moreover, modernisation continues at the MINEFI, in a spirit of dialogue. Tomorrow I shall present the main features of our changeover to an e-ministry. Networking its energies and expertise, it will prepare and embody the administration of the 21st century, and enable this major government department to become the first e-ministry in France so as to be the best possible partner for users, businesses, local authorities and staff.

**The third priority I want to mention here is the need to make our economy, our businesses and our know-how more attractive.** I would like to take a look at this here, because this challenge is an integral part of the Paris Europlace proposals and your institutions and because it seems even more essential in the current environment.

As part of our objective to develop the economy and to create jobs, we want to gear our environment to entrepreneurship and to strengthen the position of our businesses, in both the public and the private sector, in European and global competition. Despite diverging approaches and interests, I do not think that employees and business owners and managers are separated by an insurmountable barrier: their success is interdependent. The need to make French territory attractive becomes much more important with the launch of the euro, which will shift the balance of power in terms of decision-making centres, employment and value added. We need competitiveness because there is competition.

Under the circumstances, I am convinced that businesses, their head offices, their production units and their R&D centres can combine globalisation with national expansion. This two-fold reality needs to be taken into account. This is why we need to promote the emergence of French businesses with a European and global goal, whose centre of gravity is located in French territory. This will determine growth, the introduction of innovation and the creation of new jobs. This is the scenario underlying the government's industrial and financial action.

We need to boost this action in order to exploit our strengths to the hilt and to continue building up the Paris market. This is why **I want to add a separate section on the competitiveness and attractiveness of our economy in the budget for 2002**, within the framework of the conclusions which the taskforce headed by Deputy Michel Charzat will present shortly to the Prime Minister and the recommendations I have been given by the working group on innovation, whose participants – entrepreneurs and government representatives – have met regularly at the Ministry for the last several months in order to prepare their report.

These measures are designed to achieve three objectives: promoting investment of savings in innovation in order to generate new capital, encouraging risk taking and making employees stakeholders in the growth of their company in order to foster new entrepreneurs, and encouraging closer ties between research and the industry in order to promote new technologies.

Attracting new capital in order to finance development and innovation. The Paris market must have effective finance at its disposal for our economic needs. It can achieve this by using the available instruments and the quality of our financial regulation. One year ago I announced the creation of a debt agency in this same forum. It has since become operational and assumed its role as an engine of innovation. In the near future, it will broaden its efforts by means of an active swap strategy in order to shorten the average maturity of French government debt. The debt agency is also developing bonds indexed to European inflation. I will announce my decision before September in the light of its results. It will in any case be necessary to ensure maximum consistency between the OAT*i* market and the market in an OAT indexed to European inflation.

A certain number of provisions, both recently adopted or currently on the table show the progress made in the area of financial instruments, including reform of SCPIs<sup>1</sup> and real estate companies, rules on the language used in COB prospectuses, broadening of the scope of "OPCVM allégés" (fast-track UCITS), reform of securities and reform of the financial authorities to be discussed this coming fall in the National Assembly. The competitiveness of a market also depends on its accounting standards, which must be flexible, innovative and close to the reality of our businesses in Europe. We need to work hand in hand to achieve this in conjunction with the European Commission and avoid what could be considered excessive international conformism. The same applies to the contractual standards

governing some of our financial instruments. These will all be concrete steps forward and I think appreciated by our economic players.

**I believe it useful to complement and amplify this action.** To achieve this, we will *inter alia* need to promote retail equity investments in order to strengthen French ownership of our businesses. By buying into companies from other European countries, they will help shift the centre of gravity in the right direction. For example, I would like the next Budget Bill to include an improved PEA tax-free equity savings plan with a higher ceiling. It is only normal for the PEA to begin including equity from other EU countries, naturally without penalising French equity. In order to promote innovation, FCPRs<sup>2</sup> and FCPIs<sup>3</sup> could henceforth be eligible. This would allow several millions of French nationals to build up quickly a more innovative and more European equity savings plan.

We need to encourage the emergence of new entrepreneurs. A financial market and business power, a crossroad of technologies and trade, France needs to attract and consolidate its human capital. This calls for closer attention to the location of researchers, financial specialists, creators and engineers. Within the framework of the ongoing globalisation of our companies, we have always encouraged our own executives to get trained abroad. We have probably neglected what could be referred to as "impatriation". We need to work on this within the framework of the conclusions reported by Michel Charzat.

Apart from international executives, we must also encourage the dynamism of our entrepreneurs, e.g. by extending the so-called founding share warrants (*bons de souscription de parts de créateurs d'entreprises* or BSPCE), whose success and effectiveness are widely recognised. They enable start-ups to recruit and keep top-flight employees by allowing them to participate in the creation of value.

Lastly, we will start promoting the widespread introduction of technologies and modernisation of France's infrastructures. Based on the conclusions of the working group on innovation set up some weeks ago, we should soon be able to propose improvements for such target sectors as biotechnology and for such corporate growth phases as the seed capital stage.

My colleagues Roger-Gérard Schwartzberg and Christian Pierret and I will **improve the efficiency of industrial R&D grants**, currently accounting for 5 to 30% of the assistance budgeted for SMEs and SMIs. This measure will give businesses the cash necessary to start their R&D programmes rapidly. Like you, I was struck to see that the wealth created by a single American State for the first time exceeds France's national GDP. California – for this is the State – did not base its growth strategy on innovation by accident. We need to encourage and support initiatives in this direction, and promote risk taking and investment in innovative sectors. In line with the innovation act of July 1999, we are therefore working together with Roger-Gérard Schwartzberg to simplify the administrative framework within which more and more researchers consult businesses.

*Ladies and gentlemen, our strategy is clear: around the objective of full employment, we intend to direct our actions towards growth and confidence, towards consumption and investment and towards the competitiveness and attractiveness of our country – authorities and economic players together in an open, modern, innovative economy. Let us avoid an overreaction by shifting from excessive euphoria to even more excessive depression. Let us keep a cool head and remain confident. At this time, there are three economic realities: the slowdown of the international economic environment, the qualifications of our workforce and the strengths of our businesses, and the will of the authorities – and, I am sure, of you, too – to implement effective, solidarity-based strategies to make our economy more dynamic and more competitive in a fairer society. This is the task entrusted to me by the Prime Minister. The purpose is to carry through the reforms needed by our economy, and I count on Europlace to help us do so.*

<sup>1</sup> Société Civile de Placement Immobilier (non-trading real estate investment company)

<sup>2</sup> Fonds Commun de Placement à Risque (venture capital fund)

<sup>3</sup> Fonds Commun de Placement pour l'Innovation (fund dedicated to innovative ventures)



## BTAN au 30 juin 2001 / Treasury notes at June 30, 2001

CODE ISIN	Libellé de l'emprunt / Bond	Encours	
	<b>Échéance / Maturity 2001</b>	<b>25 279 929 067</b>	<b>EUR</b>
FR0100877812	BTAN 3% 12 juillet 2001	13 152 000 000	
FR0100059577	BTAN 5,50% 12 octobre 2001	12 127 929 067	
	<b>Échéance / Maturity 2002</b>	<b>45 966 815 874</b>	<b>EUR</b>
FR0101465831	BTAN 4% 12 janvier 2002	12 890 000 000	
FR0100059585	BTAN 4,75% 12 mars 2002	11 380 471 532	
FR0100059593	BTAN 4,50% 12 juillet 2002	21 696 344 342	
	<b>Échéance / Maturity 2003</b>	<b>36 011 156 556</b>	<b>EUR</b>
FR0102325695	BTAN 5% 12 janvier 2003	13 552 000 000	
FR0100059601	BTAN 4,50% 12 juillet 2003	22 459 156 556	
	<b>Échéance / Maturity 2004</b>	<b>17 975 000 000</b>	<b>EUR</b>
FR0100802273	BTAN 3,50% 12 juillet 2004	17 975 000 000	
	<b>Échéance / Maturity 2005</b>	<b>17 225 000 000</b>	<b>EUR</b>
FR0101659813	BTAN 5% 12 juillet 2005	17 225 000 000	
	<b>Échéance / Maturity 2006</b>	<b>22 122 000 000</b>	<b>EUR</b>
FR0102626779	BTAN 5% 12 janvier 2006	13 791 000 000	
FR0103230423	BTAN 4,50% 12 juillet 2006	8 331 000 000	

**Total général 164 579 901 497 EUR**

### Durée de vie moyenne des BTAN : 2 ans et 16 jours

Average maturity of BTANs: 2 years and 16 days

## BTF au 30 juin 2001 / Treasury bills at June 30, 2001

	Échéance / Maturity	Euros
BTF	5/7/2001	1 699 000 000
BTF	12/7/2001	1 704 000 000
BTF	19/7/2001	1 709 000 000
BTF	26/7/2001	1 805 000 000
BTF	2/8/2001	5 497 000 000
BTF	9/8/2001	1 069 000 000
BTF	16/8/2001	1 095 000 000
BTF	23/8/2001	1 125 000 000
BTF	30/8/2001	1 218 000 000
BTF	6/9/2001	5 752 000 000
BTF	13/9/2001	1 101 000 000
BTF	20/9/2001	1 150 000 000
BTF	27/9/2001	1 167 000 000
BTF	11/10/2001	3 320 000 000
BTF	18/10/2001	1 968 000 000
BTF	6/12/2001	5 388 000 000
BTF	31/1/2002	6 150 000 000
BTF	11/4/2002	3 382 000 000
BTF	6/6/2002	1 425 000 000

**Total général 47 724 000 000 EUR**

### Durée de vie moyenne des BTF : 113 jours

Average maturity of BTFs: 113 days

### Durée de vie moyenne totale de la dette au 30/6/2001 : 6 ans et 73 jours

Average maturity of debt at 30/6/2001:  
6 years and 73 days

**Total général\* 644 805 725 195 EUROS**

1 euro = 6,55957 FRF

\* La réserve de titres du FSR a été mise à zéro. Elle peut être reconstituée à tout moment en cas de besoin.  
The FSR Securities reserve has been set to zero. Bonds can be created into the reserve at any moment

Source : Agence France Trésor



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## 2001 auction calendar

<b>OAT AUCTION CALENDAR FOR THE YEAR</b>	OAT 1 <sup>st</sup> Thursday of the month	A fixed-rate 10-year line, the April 6.50% 2011 OAT if market conditions permit, other fixed-rate or floating-rate lines, either existing or to be opened, or inflation-indexed.
<b>BTAN QUARTERLY AUCTION CALENDAR</b>	BTAN 3 <sup>rd</sup> Thursday of the month	Lines auctioned during the 3 <sup>rd</sup> quarter 2001 • BTAN 4.50% 7/2003 • BTAN 1/2004 • BTAN 4.5% 7/2006.
<b>BTF QUARTERLY AUCTION CALENDAR</b>	Each Monday	BTF 13 weeks, semester, or 1 year according to the calendar on the other side.

The Agency France Trésor reserves the right to cancel an auction listed on the calendar if exceptional market conditions warrant it, or to hold an extra auction according to its borrowing needs and market trends.

Furthermore, the Treasury reserves the right to create new, long- or medium-term during the year, or to issue further tranches of previous issues in accordance with market conditions. The Treasury also reserves the right to use banking syndicate issue procedures.

The exact nature of the Treasury issues will be communicated to the market in the days preceding each auction with information on the volume of the issues.

## Reuters pages on Agency France Trésor

INDEX TRESOR	MENU : TRESORMENU						
SVT	BTF	BTAN	OAT	OAT7	STRIPS	PENSIONS	
ABN-AMRO FIXED INCOME FRANCE	AAFIBTF	AABOAT	AABOAT/01/02	AABILB	AAFISTRIP	AAFIREPO	
BANQUE LEHMAN BROTHERS S.A.	LBBTBF1	LBBTAN2	LBOAT1	LBOAT2	-	LBWE	
BARCLAYS CAPITAL FRANCE S.A.	BARCAPPL	BARCAPPL	BARCAPOAT1/2	BARCAPIND	BARCAPSTRIPS1-2	BZWPL	
BNP PARIBAS	BNPPBTF	BNPPBTAN	BNPPOAT1-02	BNPPOAT02	BNPPSTRIP01-02-03	BNPPREPO	
CDC IXIS CAPITAL MARKETS	CDCBILLS	CDCBTAN	CDCOAT1/2	CDCOAT3	CDCSTRIP1-2	CDCBILLS	
CREDIT AGRICOLE INDOSUEZ	CAIEUCT01	CAIBTAN01	CAIOAT01/02/CAIVAR01	CAIVAR01	CAISTRIP01	CAIREPO	
CREDIT LYONNAIS	CLBTF	CLBTAN	CLOAT01-04	CLOAT03	CLSTRIP01	CLREPO	
DEUTSCHE BANK FRANCE S.A.	DBBTF	DBBTAN1	DBOAT1-2/DBILB	DBILB	0#FRSTRIP-DEBP	DBPPL	
DRESDNER KLEINWORT BENSON	DRBBTF	DRBBTAN	DRBOAT1-2/DRBTEC10	DRBTEC10	DRBSTRIP1-2	DRBREPO01	
GOLDMAN SACHS PARIS INC. & Cie	GSPK	GSPC	GSPD-F	GSPG	GSPH-J	GSFRREPO	
HSBC CCF	HSBCCCFBTF	HSBCCCFBTAN	HSBCCCFOAT/CCFVAR	HSBCCCFVAR	HSBCCCFSTRIP	HSBCCCFREPO	
J.P. MORGAN & Cie S.A.	MGPK	JPMFR01	JPMFR01-02	MGTEC	JPMSTRIPFR	MMQU	
MERRILL LYNCH FINANCE S.A.	MLFRONT	MLFBTAN	MLFOAT1-2/MLFTEC	MLFOAT1	MLFSTRIP	MLFRONT	
MORGAN STANLEY S.A.	MSFRD	MSFRB/D	MSFRB-C	MSFRC	MSFRE	MSFRR	
NATEXIS BANQUES POPULAIRES	NBPGVT01	NBPGVT02	NBPGVT02-04	NBPVAR	-	NBPREPO	
SALOMON BROTHERS INTERNATIONAL LTD	-	-	-	-	-	-	
SOCIETE GENERALE	SGREP001	SGOAT01	SGOAT01-02	SGOATVAR01	SGSTRIP01	SGREP001	
CIC	CICBTF	CICBTAN	CICOAT1-2/CICTEC	CICOAT1	CICSTRIP	CICREPO	

DAILY BENCHMARKS ON TREASURY BILLS published by Banque de France SVTF-G-H

## Bridge pages on Agency France Trésor

INDEX TRESOR	MENU : 20010 - 20078				
SVT	BTF	BTAN	OAT	STRIPS	
BNP PARIBAS	20 106/107	20 106	20 105	-	
CDC IXIS CAPITAL MARKETS	2 521	2 520	-	-	
CREDIT AGRICOLE INDOSUEZ	2 528	2 532	2533/34/35	2 511	
CREDIT LYONNAIS	21 891	21 888	21 885/86/87	21 913/15	
DRESDNER KLEINWORT BENSON	47 401	47 402	47 403/4	-	
HSBC-CCF	20 082	20 081/82	20 080	20 086	
J.P. MORGAN & Cie S.A.	-	21 482	21 483/5	21 486	
SOCIETE GENERALE	42 161	42 162	42 163/4	-	
CIC	20 121	-	20 124/25/26	-	

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## Information on Agency France Trésor

INTERNET	<a href="http://www.francetresor.gouv.fr">http://www.francetresor.gouv.fr</a>
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