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is tasked with
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government debt
and cash
management
under the most
secure
conditions in the
best interest of the
taxpayer.

MONTHLY BULLETIN - N° 184 - September 2005

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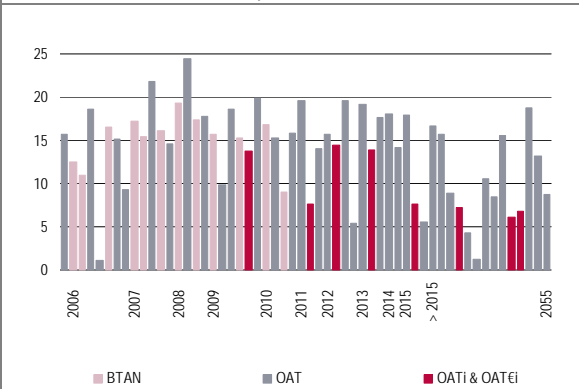
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on August 31, 2005

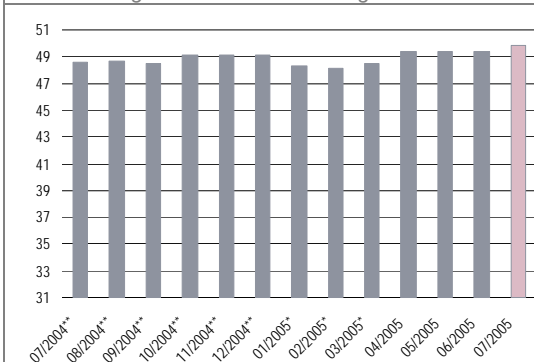
nominal value of each line, €bn



Source: Agence France Trésor

Non-resident holdings of French government negotiable debt securities

as a % of negotiable debt outstanding



Source: balance of payments

Note: following the revised figures of the French securities held by non-residents at the end of 2003, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2002 and has reevaluated the stock for 2003 (**).
(*) figures quarterly revised (**) figures annually revised

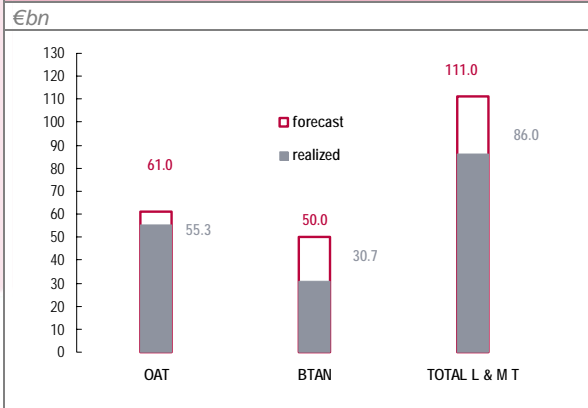
PRIMARY MARKET

Auction indicative calendar

		BTF				BTAN / index linked OAT	OAT
September 2005	auction date	5	12	19	26	15	1
	settlement date	8	15	22	29	20	6
October 2005	auction date	3	10	17	24	31	6
	settlement date	6	13	20	27	3-nov	11

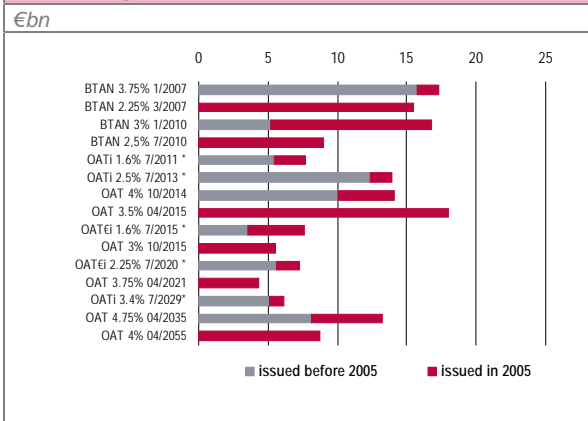
Source: Agence France Trésor

Long- and medium-term financing over the year on August 31, 2005



Source: Agence France Trésor

OATs and BTANs issues and cumulative total on August 31, 2005



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on August 31, 2005



Source: Agence France Trésor

▶ OAT and BTAN auctions – August 2005

€m
<i>No auction in August</i>

Source: Agence France Trésor

▶ BTF auctions – August 2005

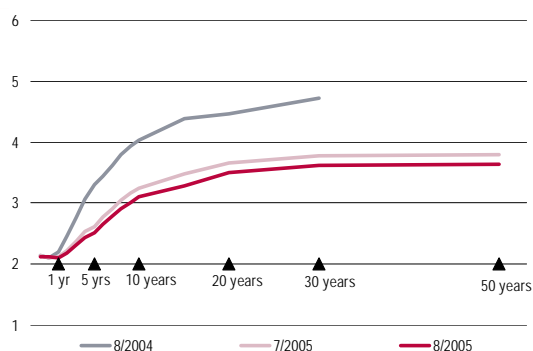
€m	BTF 1 month	BTF 3 month	BTF 6 month	BTF 1 year
Auction date		8/1/2005		8/1/2005
Settlement date		8/4/2005		8/4/2005
Maturity		11/3/2005		8/3/2006
Total issued amount		2,007		1,800
Weighted average rate		1.994%		2.119%
Auction date		8/8/2005		8/8/2005
Settlement date		8/11/2005		8/11/2005
Maturity		11/3/2005		8/3/2006
Total issued amount		1,801		2,008
Weighted average rate		2.001%		2.136%
Auction date		8/16/2005	8/16/2005	
Settlement date		8/18/2005	8/18/2005	
Maturity		11/17/2005	2/2/2006	
Total issued amount		1,904	1,924	
Weighted average rate		2.000%	2.047%	
Auction date		8/22/2005	8/22/2005	
Settlement date		8/25/2005	8/25/2005	
Maturity		11/17/2005	2/2/2006	
Total issued amount		1,906	1,904	
Weighted average rate		1.999%	2.042%	
Auction date		8/29/2005		8/29/2005
Settlement date		9/1/2005		9/1/2005
Maturity		12/1/2005		8/31/2006
Total issued amount		2,005		1,938
Weighted average rate		2.002%		2.102%

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

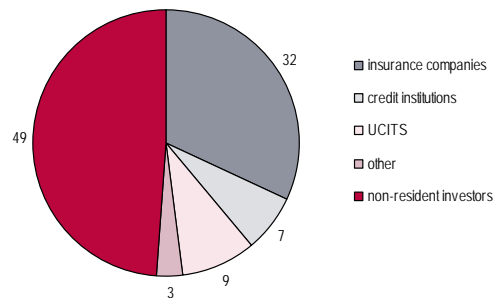
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder first quarter 2005

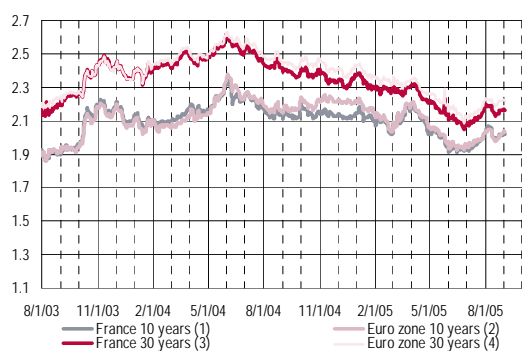
structure in %



Source: Banque de France

Breakeven inflation

daily quotes in %



Source: Bloomberg

- (1) difference between the yield of the OAT 4% April 2013 and the yield of the OATi 2.5% July 2013
 (2) difference between the yield of the OAT 5% April 2012 and the yield of the OATi 3% July 2012
 (3) difference between the yield of the OAT 5.5% April 2029 and the yield of the OATi 3.4% July 2029
 (4) difference between the yield of the OAT 5.75% October 2032 and the yield of the OATi 3.15% July 2032

Negotiable government debt and swaps

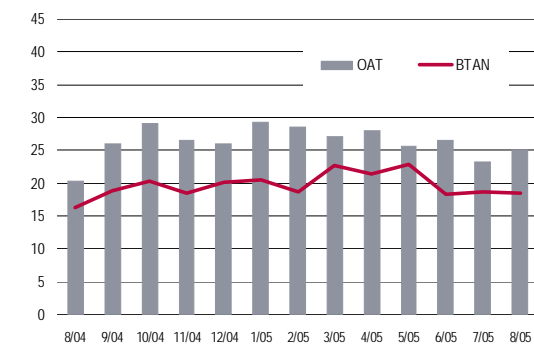
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	June 2005	August 2005
Negotiable government debt outstanding	616	653	717	788	833	866	864
OAT	419	443	478	512	552	590	590
BTAN	154	158	151	167	184	183	182
BTF	43	52	88	109	97	93	92
Swaps outstanding	///	37	61	61	61	60	61
Average maturity of the negotiable debt							
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	6 years
after swaps	64 days	47 days	343 days	297 days	79 days	312 days	289 days
	///	5 years	5 years	5 years	6 years	6 years	6 years
	///	358 days	266 days	235 days	33 days	270 days	248 days

Source: Agence France Trésor

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

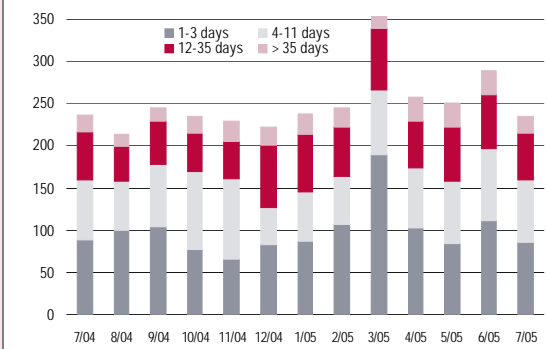
daily average (€bn)



Source: Euroclear France

▶ Primary dealers, monthly fixed-rate repo transactions

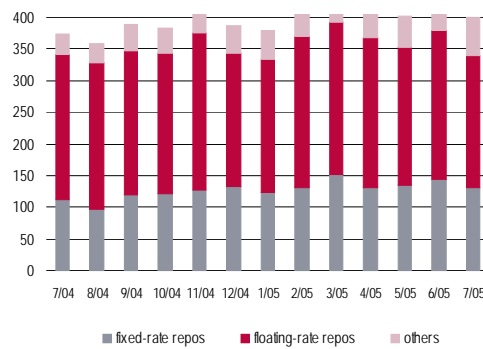
€bn



Source: primary dealers

▶ Primary dealers, repo outstanding at end of month

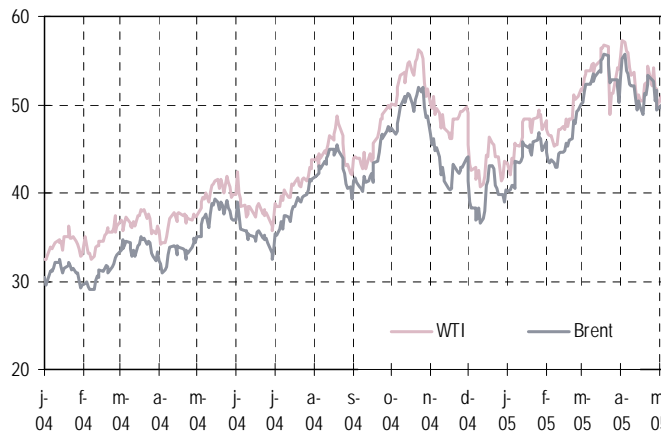
€bn



Source: primary dealers

Focus

▶ Oil prices



Source: Bloomberg

The Fed recognises the role asset markets play in supporting growth

Since its beginnings, the capitalist system has always been confronted with the fundamental risk that solvable end demand would be insufficient to fuel a decent level of growth. This fundamental and recurrent problem was first identified by Wicksell in the 1900s and then Keynes in the 1930s.

This problem tends to arise when economic players have no real propensity to reinvest all of their revenues. Of course, during times of uncertainty about the future, household spending generally falls below income, and corporate investment is not as high as actual revenues. Yet even during the good times, numerous households and companies often decide simultaneously to reinvest only a very small part of their income and revenues. This is enough to undermine end spending and trigger a decline in GDP. In a sense, microeconomic savings behaviour acts like grains of sand that eventually disrupt and clog up the famous macroeconomic spiral of “revenues-spending-revenues”.

A recurrent problem requires a recurrent solution, one capable of sustaining GDP growth.

The first protective measure was developed by Wicksell and Keynes and applied between 1945 and 1995. They showed that growth could be protected by seeking the support of commercial banks, which had built up the power to issue money starting at the end of the 19th century. In the 1900s, Wicksell saw the advantages of encouraging monetary creation, a new and budding phenomenon. Through monetary creation, banks created purchasing power “ex nihilo” that could be passed on to their borrowers/customers. This gave an autonomous impulse to overall spending, which helped offset the fact that revenues had been only partially reinvested during the previous period. Bank lending to some customers helped offset (and often over compensated) the savings of other bank customers.

After the fiasco of the 1930s and the Second World War, Keynes managed to have the convertibility of national currencies into gold abolished at Bretton-Woods, paving the way for a period of regular and significant monetary creation in the OECD countries (1945-1995).

For monetary creation to work the banking system must be in good health and solvable borrowers must be willing to take on debt. Starting in 1995, however, monetary creation began to encounter very serious limitations.

Monetary creation in the public sector gradually became taboo. Congressional representatives in the US and UK began to fear that public debt would swell out of hand. In the euro zone, the road to EMU followed by the Stability Pact helped reign in public deficits, while the Maastricht Treaty prevented member governments from financing domestic spending via the European banking system.

Between 1990 and 1996, an overly lax approach to private sector lending created imbalances for numerous banks in Japan, the US, Sweden and France, forcing their respective governments to act as the “lender of last resort” at a very high cost. In reaction, the Basle agreement was reached to impose a very restrictive framework on monetary creation for the private sector in the OECD countries.

As a result, after 1995, monetary creation could no longer play a central role in promoting growth, as it had over the past 50 years.

Another solution had to be found to resolve the recurrent threat of a lack of solvent outlets. This time, the solution did not come from an intentional programme from above but from a pragmatic process that began in 1995.

It was not until the Jackson Hole celebration honouring Mr. Greenspan’s 18 years at the helm of the Federal Reserve that this concept was officially formulated: since 1995, US economic growth has no longer been fuelled by increasingly higher debt but by a system of increasing wealth through the valuation of asset markets. Mr. Greenspan went so far as to conceptualise the need to modulate this wealth effect, much like it was necessary to modulate the debt effect in the 1970s. In 2005, it was officially recognised that we probably entered a new era around 1995.

Strategy
Antoine Brunet
HSBC-CCF

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, Finance and Industry.

THE FRENCH ECONOMY

▸ Macro-economic forecast

Real growth rate as a %

	2004	2005	2006
French GDP	2.3	< 2 - 2.5 >	< 2.25 - 2.75 >
Euro zone GDP	1.8	1.7	2.2
Household consumption	2.2	2.4	2.4
Business investment	3.3	2.8	3.6
Exports	3.2	3.7	5.4
Imports	7.4	6.1	5.7
Consumer prices (year-on-year)	2.1	1.5	1.5

Source: Ministry of the Economy, Finance and Industry, Insee

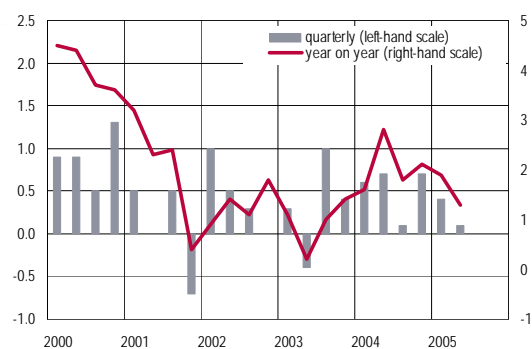
▸ Recent economic indicators

Industrial output*, year-on-year	0.0%	6/2005
Household consumption*, year-on-year	0.5%	7/2005
Unemployment rate (ILO)	9.9%	7/2005
Consumer prices, year-on-year		
all items	1.7%	7/2005
all items excluding tobacco	1.6%	7/2005
Trade balance, fob-fob, sa	-1.2 EUR bn	6/2005
" "	-1.2 EUR bn	5/2005
Current account balance, sa	-0.6 EUR bn	6/2005
" "	-2.5 EUR bn	5/2005
10-year interest rate (TEC10)	3.16%	08/31/2005
3-month interest rate (Euribor)	2.134%	08/31/2005
EUR / USD	1.2198	08/31/2005
EUR / JPY	136.06	08/31/2005

*manufactured goods –
Source: Insee ; Ministry of the Economy, Finance and Industry ; Banque de France

▸ Gross domestic product at 1995 prices

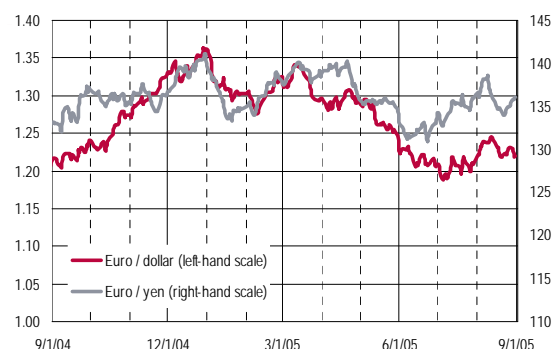
Variation in %



Source: Insee, quarterly national accounts

▸ Euro exchange rate

Daily quotes



Source: European Central Bank

▸ Government budget monthly position

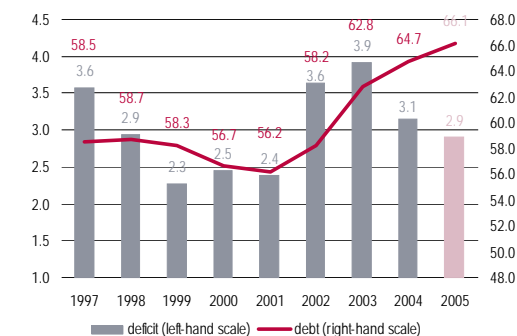
€bn

	2003	2004	end-of-July level		
			2003	2004	2005
General budget balance	-56.71	-45.41	-39.29	-34.44	-35.26
revenue	221.56	242.99	128.07	140.88	142.64
expenditure	278.27	288.40	167.36	175.32	177.90
Balance of special Treasury accounts	-0.23	1.53	-13.76	-11.77	-13.50
General budget outturn	-56.94	-43.88	-53.05	-46.21	-48.76

Source: Ministry of the Economy, Finance and Industry
for more information:
http://www.minefi.gouv.fr/minefi/chiffres/budget_etat/T

▸ Public finance: general government deficit and debt

As a % of GDP



Source: according to Maastricht Treaty, Insee and Ministry of the Economy, Finance and Industry

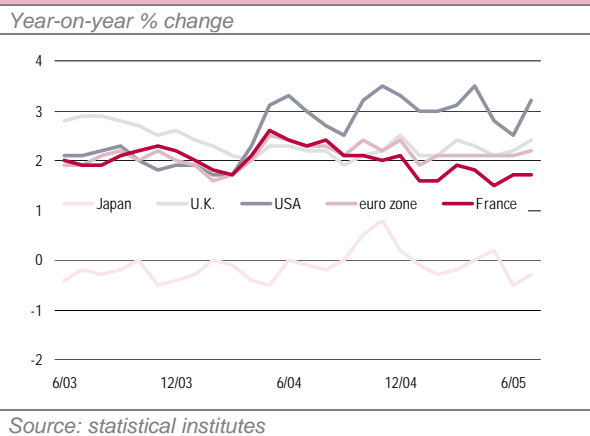
▶ Timetable for the release of French economic indicators

September 2005	October 2005
6 Central government budget: statement at end of July	6 Central government budget: statement at end of August
7 Gross foreign exchange reserves in August	7 Gross foreign exchange reserves in September
9 Industrial output in July	10 Industrial output in August
13 Foreign trade in July	11 Foreign trade in August
13 Consumer prices: index for August	13 Consumer prices: index for September
15 Payroll employment: final results Q2-2005	14 Cost-of-construction: index Q2-2005
16 Balance of payments in July	18 Balance of payments in August
21 Household consumption of manufactured goods in July/August	21 Household consumption of manufactured goods in September
23 Wages: final statistics Q2-2005	25 New building starts in September
27 New building starts in August	26 Industrial trends: monthly survey for October
28 Industrial trends: monthly survey for September	26 Household confidence survey: October survey
29 Industrial producer prices: July/August index	28 Industrial producer prices: September index
30 Job seekers in August	28 Job seekers in September
30 Quarterly national accounts: final results Q2-2005	28 Industrial trends: quarterly survey for October
30 Net foreign exchange reserves in August	31 Net foreign exchange reserves in September
30 Household confidence survey: September survey	

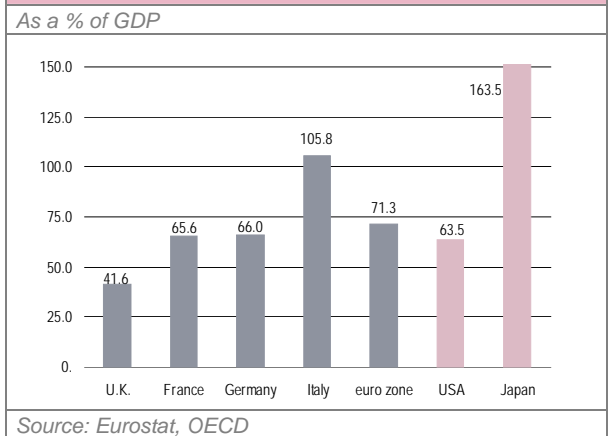
Harmonized index of consumer prices – Eurozone (Eurostat)
Index for August: September 16
Index for September: October 18

INTERNATIONAL COMPARISONS

▶ Consumer price index



▶ General government debt in 2004



FRENCH GOVERNMENT NEGOTIABLE DEBT OUTSTANDING - DETTE NEGOCIABLE DE L'ETAT

▶ OAT au 31 août 2005 / fungible Treasury bonds at August 31, 2005

En euros

CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / stripped	CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / stripped
FR0000570467	Echéance 2005 OAT 7,75% 25 octobre 2005	15 701 839 761			2 607 170 000	FR0010163543	Echéance 2015 OAT 3,5% 25 avril 2015	31 330 094 437			14 250 000
FR0000570491	Echéance 2006 OAT 7,25% 25 avril 2006	44 073 093 816			1 575 310 000	FR0010195057	OAT 3,5% 25 avril 2015 mai 2005	17 919 182 757			
FR0000570509	OAT 7% 25 avril 2006	18 545 039 415			422 030 000	FR0010204198	OAT 3,5% 25 avril 2015 juin 2005	18 348 910			
FR0000570533	OAT 6,5% 25 octobre 2006	1 091 244 000			1 968 400 000	FR0010223545	OAT 3,5% 25 avril 2015 août 2005	9 859 314			
FR0000570541 V	OAT TEC10 25 octobre 2006	15 102 140 991				FR0010223545 I	OAT 3,5% 25 avril 2015 août 2005	12 582 178			
FR0000570574	Echéance 2007 OAT 5,5% 25 avril 2007	9 334 669 410			601 230 000	FR0010135525 I	OAT 3,5% 25 avril 2015 août 2005	11 069 328			
FR0000570590	OAT 5,5% 25 octobre 2007	21 771 775 424			267 880 000	FR0010216481	OAT 3% 25 octobre 2015	7 792 051 950 (1)	1,02057	7 635 000 000	
FR0000570632	Echéance 2008 OAT 5,25% 25 avril 2008	42 188 093 494			498 930 000	FR0000187361	Echéance 2016 OAT 5% 25 octobre 2016	5 567 000 000			
FR0000570665	OAT 8,5% 25 octobre 2008	24 403 932 367			4 870 550 000	FR0000187361	OAT 5% 25 octobre 2016	16 652 000 000			1 232 880 000
FR0000570673 V	Echéance 2009 OAT TEC10 25 janvier 2009	17 784 161 127				FR0000189151	Echéance 2019 OAT 4,25% 25 avril 2019	24 610 132 527			139 550 000
FR0000571432	OAT 4% 25 avril 2009	63 682 337 547			1 713 430 000	FR0000570921	OAT 8,5% 25 octobre 2019	15 754 000 000			4 489 830 000
FR0000571424 I	OAT 3% 25 juillet 2009	9 853 044 498		1,11103	13 811 416 109	FR0000570954 C	ETAT 9,82% 31 décembre 2019	8 844 392 893		6 692 154	
FR0000186199	OAT 4% 25 octobre 2009	18 640 258 371			639 950 000	FR0010050559 I	Echéance 2020 OAT 2,25% 25 juillet 2020	11 739 634 (2)			
FR0000186603	Echéance 2010 OAT 5,5% 25 avril 2010	9 853 044 498			616 670 000	FR0010192997	Echéance 2021 OAT 3,75% 25 avril 2021	7 539 418 500	1,04150	7 239 000 000	
FR0000187023	OAT 5,5% 25 octobre 2010	18 640 258 371			2 716 320 000	FR0010192997	Echéance 2021 OAT 3,75% 25 avril 2021	4 343 000 000			139 240 000
FR0000570731	Echéance 2011 OAT 6,5% 25 avril 2011	15 344 897 640 (1)				FR0000571044	Echéance 2022 OAT 8,25% 25 avril 2022	4 343 000 000			921 650 000
FR0010094375 I	OAT 1,6% 25 juillet 2011	19 844 137 038				FR0000571085	Echéance 2023 OAT 8,5% 25 avril 2023	1 243 939 990			
FR0000187874	OAT 5% 25 octobre 2011	31 162 742 970				FR0000571150	Echéance 2023 OAT 8,5% 25 avril 2023	1 243 939 990			
FR0000188328	Echéance 2012 OAT 5% 25 avril 2012	15 311 719 352			1 018 050 000	FR0000571150	Echéance 2025 OAT 6% 25 octobre 2025	10 606 195 903			7 978 190 000
FR0000188013 I	OAT 3% 25 juillet 2012	15 572 445 710		1,07624	14 494 000 000	FR0000571150	Echéance 2025 OAT 6% 25 octobre 2025	10 606 195 903			
FR0000188690	OAT 4,75% 25 octobre 2012	7 973 263 740 (1)	1,03778	7 683 000 000		FR0000571226 C	Echéance 2028 OAT zéro coupon 28 mars 2028	8 511 928 118			
FR0000570780	OAT 8,5% 26 décembre 2012	14 054 886 332			424 950 000	FR0000571226 C	Echéance 2028 OAT zéro coupon 28 mars 2028	8 511 928 118			3 121 580 000
FR0000188989	Echéance 2013 OAT 4% 25 avril 2013	56 292 953 403				FR0000571226 C	Echéance 2028 OAT zéro coupon 28 mars 2028	12 965 236 (3)		46 232 603	
FR0000188955 I	OAT 1,6% 25 juillet 2013	15 654 110 580			1 018 050 000	FR0000571218	Echéance 2029 OAT 5,5% 25 avril 2029	22 324 883 210			2 883 930 000
FR0010223560 I	OAT 2,5% 25 juillet 2013 août 2005	15 599 022 560 (1)		1,05440	13 929 329 230	FR0000186413 I	OAT 3,4% 25 juillet 2029	15 500 880 458	1,10633	6 168 144 000	
FR0010011130	OAT 4% 25 octobre 2013	19 554 122 924		1,05440	10 000	FR0000186413 I	Echéance 2032 OAT 3,15% 25 juillet 2032	6 824 002 752 (1)			
FR0010061242	Echéance 2014 OAT 4% 25 avril 2014	5 485 697 339			71 800 000	FR0000186413 I	OAT 5,75% 25 octobre 2032	25 907 436 440			6 023 750 000
FR0010112052	OAT 4% 25 octobre 2014	51 421 036 842			86 600 000	FR0010070060	Echéance 2035 OAT 4,75% 25 avril 2035	7 169 436 440 (1)	1,05526	6 794 000 000	
FR0010133652	OAT 4% 25 octobre 2014 nov. 2004	19 137 183 879				FR0010070060	Echéance 2035 OAT 4,75% 25 avril 2035	18 738 000 000			
FR0010143438	OAT 4% 25 octobre 2014 déc. 2004	14 687 084 740 (1)			17 280 000	FR0010171975	Echéance 2055 OAT 4% 25 avril 2055	13 252 000 000			1 601 750 000
FR0010153957	OAT 4% 25 octobre 2014 janv. 2005	10 544 (1)			60 700 000			13 252 000 000			
		17 596 757 679						8 780 000 000			150 000 000

(1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2004 / including coupons capitalized at 12/31/2004 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 28/03/2005 / actualized value at 03/28/2005 ; non offerte à la souscription / not open to subscription

OATi : OAT indexée sur l'indice français des prix à la consommation (hors tabac) / OAT indexed on the French consumer price index (excluding tobacco)
 OATÉi : OAT indexée sur l'indice des prix à la consommation harmonisé de la zone euro (hors tabac) / OAT indexed on the eurozone harmonized index of consumer price (excluding tobacco)
 TEC 10 : taux de l'échéance constante à 10 ans / yield of 10-year constant maturity Treasury

Total OAT / total fungible Treasury bonds	589 791 238 804
Encours démembré / stripped outstanding	50 270 450 000
En % des lignes démembrables	10,43%
As a % of strippable bonds	
Durée de vie moyenne	9 ans et 64 jours
Average maturity	9 years and 64 days

▶ **BTAN au 31 août 2005 / Treasury notes at August 31, 2005**

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding
Échéance 2006		39 975 000 000
FR0102626779	BTAN 5% 12 janvier 2006	12 486 000 000
FR0106589445	BTAN 2,25% 12 mars 2006	10 956 000 000
FR0103230423	BTAN 4,5% 12 juillet 2006	16 533 000 000
Échéance 2007		48 836 000 000
FR0103840098	BTAN 3,75% 12 janvier 2007	17 284 000 000
FR0107489959	BTAN 2,25% 12 mars 2007	15 476 000 000
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000
Échéance 2008		36 671 000 000
FR0105427795	BTAN 3,5% 12 janvier 2008	19 335 000 000
FR0105760112	BTAN 3% 12 juillet 2008	17 336 000 000
Échéance 2009		30 913 000 000
FR0106589437	BTAN 3,5% 12 janvier 2009	15 686 000 000
FR0106841887	BTAN 3,5% 12 juillet 2009	15 227 000 000
Échéance 2010		25 820 000 000
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000
FR0107674006	BTAN 2,5% 12 juillet 2010	8 999 000 000

Total BTAN / total Treasury notes **182 215 000 000**

Durée de vie moyenne des BTAN **2 ans et 124 jours**
Average maturity of BTANs 2 years and 124 days

▶ **BTF au 31 août 2005 / Treasury bills at August 31, 2005**

En euros

	Échéance / Maturity	Encours / Outstanding
BTF	1 septembre 2005	3 870 000 000
BTF	8 septembre 2005	3 915 000 000
BTF	15 septembre 2005	4 312 000 000
BTF	22 septembre 2005	3 721 000 000
BTF	29 septembre 2005	3 733 000 000
BTF	6 octobre 2005	3 930 000 000
BTF	13 octobre 2005	3 856 000 000
BTF	20 octobre 2005	3 909 000 000
BTF	27 octobre 2005	3 971 000 000
BTF	3 novembre 2005	3 808 000 000
BTF	10 novembre 2005	3 633 000 000
BTF	17 novembre 2005	3 810 000 000
BTF	24 novembre 2005	3 159 000 000
BTF	8 décembre 2005	4 066 000 000
BTF	5 janvier 2006	3 808 000 000
BTF	19 janvier 2006	4 016 000 000
BTF	2 février 2006	3 828 000 000
BTF	16 février 2006	4 034 000 000
BTF	16 mars 2006	3 676 000 000
BTF	13 avril 2006	3 655 000 000
BTF	11 mai 2006	3 979 000 000
BTF	8 juin 2006	3 891 000 000
BTF	6 juillet 2006	3 606 000 000
BTF	3 août 2006	3 808 000 000

Total BTF / total Treasury bills **91 994 000 000**

Durée de vie moyenne des BTF **118 jours**
Average maturity of BTFs 118 days

Dettes négociables de l'Etat au 31 août 2005 /

French government negotiable debt at August 31, 2005

Encours total / total outstanding **864 000 238 804**

Durée de vie moyenne **6 ans et 289 jours**
Average maturity 6 years and 289 days

Réserve de titres de la Caisse de la dette publique au

31 août 2005/

Securities held in reserve by Caisse de la dette publique at August 31, 2005

néant / void