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and cash
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under the most
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taxpayer.

MONTHLY BULLETIN - N°176 - January 2005

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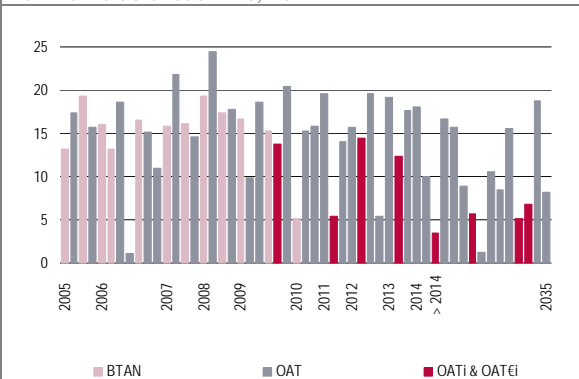
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on December 31, 2004

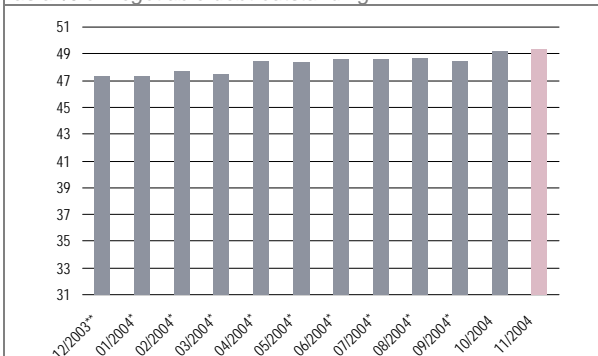
nominal value of each line, €bn



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

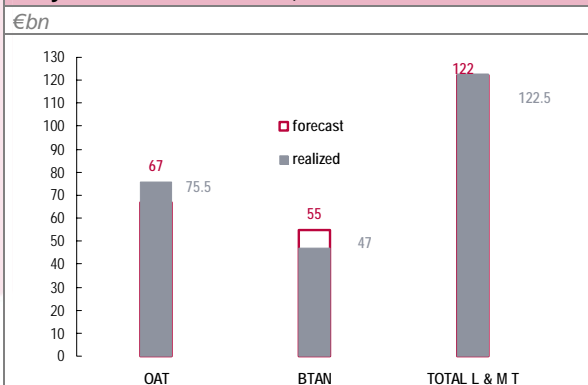
PRIMARY MARKET

Auction indicative calendar

		BTF					BATAN / index linked OAT	OAT
January 2005	auction date	3	10	17	24	31	20	6
	settlement date	6	13	20	27	3 Feb.	25	11
February 2005	auction date	7	14	21	28		17	3
	settlement date	10	17	24	3 March		22	8

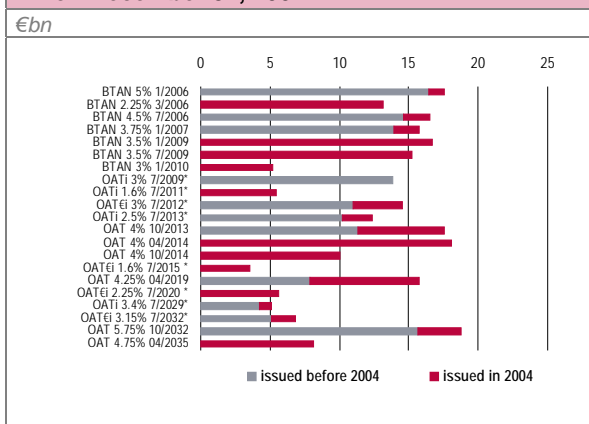
Source: Agence France Trésor

Long- and medium-term financing over the year on December 31, 2004



Source: Agence France Trésor

OATs and BTANs issues and cumulative total on December 31, 2004



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on December 31, 2004



Source: Agence France Trésor

▶ OAT and BTAN auctions – December 2004

€m
No OAT and BTAN auctions in December
<i>Source: Agence France Trésor</i>

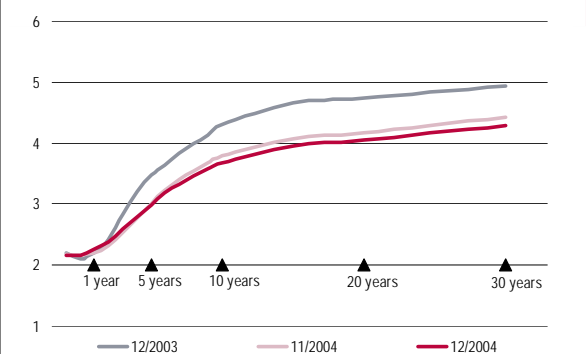
▶ BTF auctions - December 2004

€m				
	BTF	BTF	BTF	BTF
	1 month	3 month	6 month	1 year
Auction date		11/29/2004	11/29/2004	
Settlement date		12/2/2004	12/2/2004	
Maturity		2/24/2005	6/9/2005	
Total issued amount		1,937	1,956	
Weighted average rate		2.057%	2.105%	
Auction date		12/6/2004	12/6/2004	
Settlement date		12/9/2004	12/9/2004	
Maturity		3/10/2005	6/9/2005	
Total issued amount		1,900	1,107	
Weighted average rate		2.050%	2.080%	
Auction date		12/13/2004		12/13/2004
Settlement date		12/16/2004		12/16/2004
Maturity		3/10/2005		11/24/2005
Total issued amount		2,088		1,137
Weighted average rate		2.042%		2.147%
Auction date		12/20/2004		
Settlement date		12/23/2004		
Maturity		3/24/2005		
Total issued amount		2,503		
Weighted average rate		2.033%		
Auction date		12/27/2004		
Settlement date		12/30/2004		
Maturity		3/24/2005		
Total issued amount		1,504		
Weighted average rate		2.027%		
<i>Source: Agence France Trésor</i>				

SECONDARY MARKET

French government yield curve

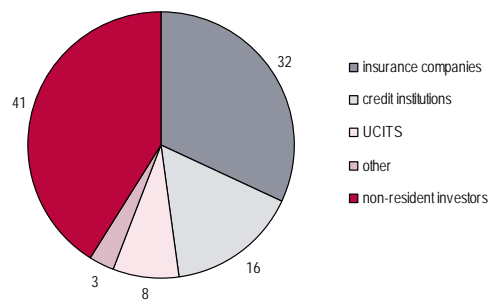
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder second quarter 2004

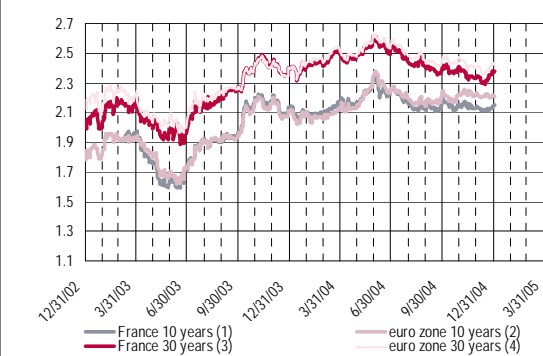
structure in %



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 OAT*€i* 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 OAT*€i* 3.15% July 2032

Negotiable government debt and swaps

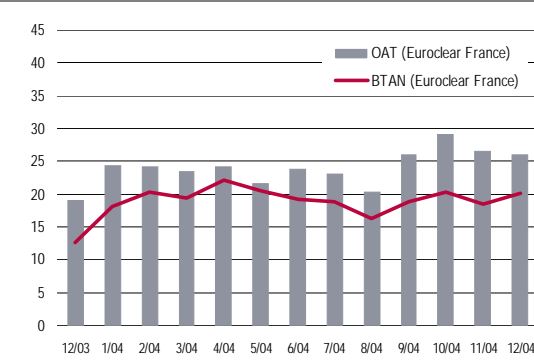
€bn

	end 2000	end 2001	end 2002	end 2003	October 2004	November 2004	December 2004
Negotiable government debt outstanding	616	653	717	788	829	841	833
OAT	419	443	478	512	544	552	552
BTAN	154	158	151	167	180	184	184
BTF	43	52	88	109	105	105	97
Swaps outstanding	///	37	61	61	61	61	61
Average maturity of the negotiable debt							
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	6 years
	64 days	47 days	343 days	297 days	84 days	85 days	79 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	6 years
	///	358 days	266 days	235 days	33 days	38 days	33 days

Source: Agence France Trésor

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

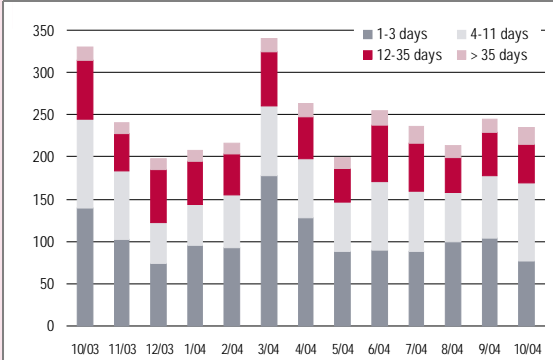
daily average (€bn)



Source: Euroclear

Primary dealers, monthly fixed-rate repo transactions

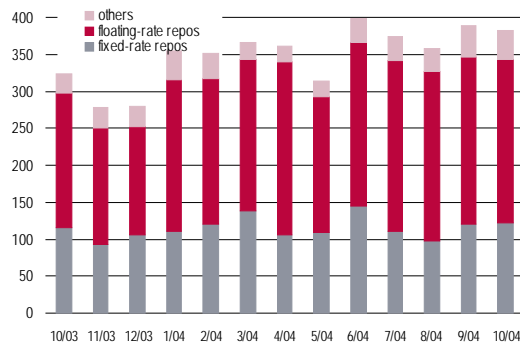
€bn



Source: primary dealers

Primary dealers, repo outstanding at end of month

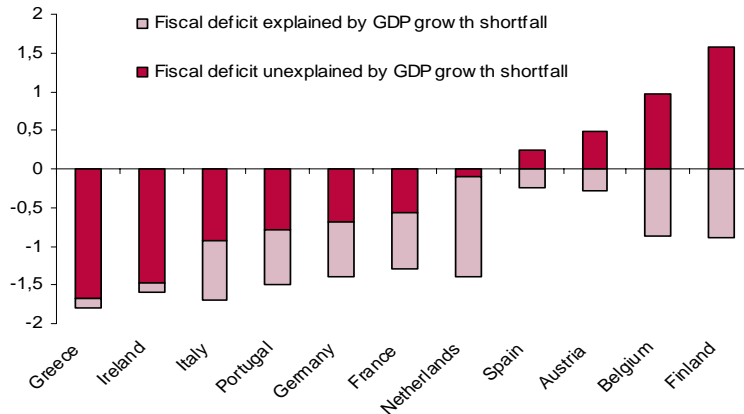
€bn



Source: primary dealers

Focus

GDP Growth shortfall explains half of the deficit increase 2000-2003 (as a %, annual average)



Source: Barclays Bank PLC

For a complex reform of the stability pact

A simple way of assessing the efficacy of the Stability and Growth Pact is to check how many EU states have budget deficits and debt ratios that have been in accord with the pact's criteria, i.e. below 3% of GDP for deficits and 60% for debt. Of course, this is a simplistic assessment, since it is difficult to evaluate where EU public finances would be without the SGP. Notwithstanding this shortfall, the fact is that the SGP record is mixed: since 2000, the E12's deficit/GDP ratio has been worsening while since 2002 its debt/GDP ratio has been rising, though there has been some fiscal tightening in some years and the EU12 average deficit is below 3%. Yet, long term EU bond yields are still well below those of the US, suggesting that markets are not so worried about EU public finances, at least in relation to those of the US.

Against this background, the usual critics addressed to the SGP are now well-known and can be summed up as follows. On the preventive side, the SGP does not provide incentives to consolidate budgets in good time. It focuses too much on quantitative targets for budget balance and not enough on (medium-term) sustainability of public finances. Enforcement legally falls on the Ecofin Council which is party and judge, and whose instruments, peer pressure and publicity, are not very strong. More generally, one-size fit all rules might not fit equally all countries and circumstances.

The Commission published a communication in September 2004 suggesting road for reforms. The proposal aims at placing more focus on government debt and sustainability by defining country specific paths towards sustainability which would be reviewed on an annual basis to take account of the current stage of the cycle. Potential growth, implicit liabilities related to ageing and the impact of structural reforms or the need for infrastructure investment could be considered in the course of the annual assessment. Economic circumstances would also be taken into account for the implementation of the Excessive Deficit procedure. One way is to redefine exceptional circumstances under which an EDP is launched. The other is to allow for country specific developments in the adjustment path. The Commission favours the second way where surveillance is strengthened by the fact that the country is the object of special surveillance under the EDP. The Commission proposal thus responds to a number of criticisms. It takes into account economic specificities both in the adjustment of the deficit path but also that of the debt. It also takes into account the cyclical position of the member countries. While the emblematic 3% and 60% figures remain prominent, more weight could be given to a qualitative appreciation when taking into account the extent of reforms, the quality of spending (such as investment versus consumption). By designing specific adjustment path for the deficit and debt adjustment which include the cyclical position, there is an implicit shift towards assessing what public finances do in "good times" as well as in "bad times", thus responding to the asymmetry criticism.

Propositions to strengthen enforcement do not figure in this proposal but appears in the proposed EU Constitution. For example, the proposed EU Constitution offers that the EC may issue an "early warning" directly (i.e. without referring to the Council). The Constitution also argues that the Council decision to launch an excessive deficit procedure be based on Commission proposals rather than recommendations as it stands now. This implies that the Council will need unanimity to reject an EDP (as for any proposal) instead of the current qualified majority (as for any recommendation).

To conclude, the EC and the proposed EU Constitution offer together a reform which answers some of the critics addressed to the SGP and as such should be welcome. Agreeing on a sensible reform is important for the EU as the existence of a European framework ensures that the fiscal issues remain in the spotlights, and that the necessity of fiscal consolidation remains a credible and just objective.

Market analysis
Laurence Boone
Barclays Bank plc

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 %

	2003	2004	2005
French GDP	0.5	2.5	2.5
Euro zone GDP	0.5	1.9	2.2
Household consumption	1.4	2.4	2.4
Business investment	-1.9	4.3	4.7
Exports	-2.5	4.5	6.3
Imports	-0.1	7.1	6.7
Consumer prices (year-on-year)	2.1	2.2	1.8

Source: 2005 Budget bill

▸ Recent economic indicators

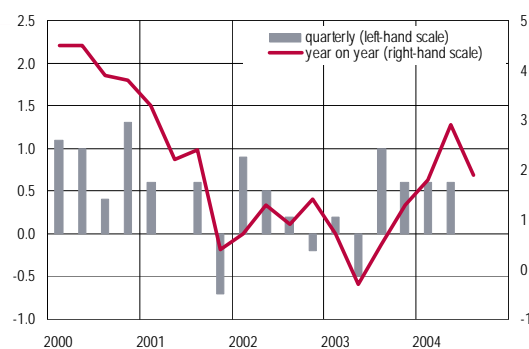
Industrial output*, year-on-year	2.2%	10/2004
Household consumption*, year-on-year	6.5%	11/2004
Unemployment rate (ILO)	9.9%	11/2004
Consumer prices, year-on-year		
all items	2.0%	11/2004
all items excluding tobacco	1.9%	11/2004
Trade balance, fob-fob, sa	-2.0 EUR bn	10/2004
	" -0.7 EUR bn	9/2004
Current account balance, sa	-1.2 EUR bn	10/2004
	" -0.2 EUR bn	9/2004
10-year interest rate (TEC10)	3.71%	12/2004
3-month interest rate (Euribor)	2.155%	12/2004
EUR / USD	1.3621	12/2004
EUR / JPY	139.65	12/2004

*manufactured goods –

Source: Insee ; Ministry of the Economy, Finance and Industry ; Banque de France

▸ Gross domestic product at 1995 prices

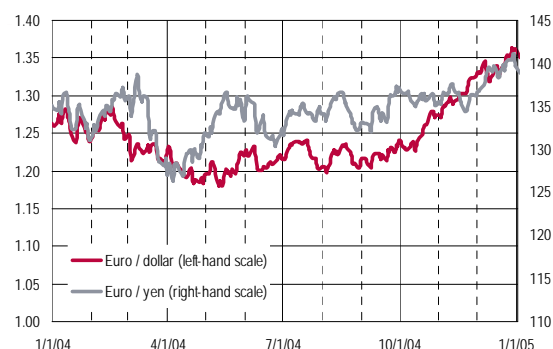
Variation in %



Source: Insee, quarterly national accounts

▸ Euro exchange rate

Daily quotes



Source: European Central Bank

▸ Government budget monthly position

€bn

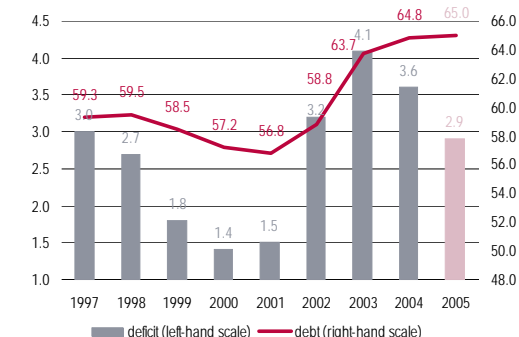
	end-of-November level				
	2002	2003	2002	2003	2004
General budget balance	-49.99	-56.71	-53.21	-60.47	-54.36
revenue	227.47	221.56	198.75	193.46	210.69
expenditure	277.46	278.27	251.96	253.93	265.05
Balance of special Treasury accounts	0.69	-0.23	-5.36	-4.59	-4.07
General budget outturn	-49.30	-56.94	-58.57	-65.06	-58.43

Source: Ministry of the Economy, Finance and Industry for more information:

http://www.minefi.gouv.fr/minefi/chiffres/budget_eta/

▸ Public finance: general government deficit and debt

As a % of GDP



Source: according to Maastricht Treaty, Insee and 2005 Budget bill

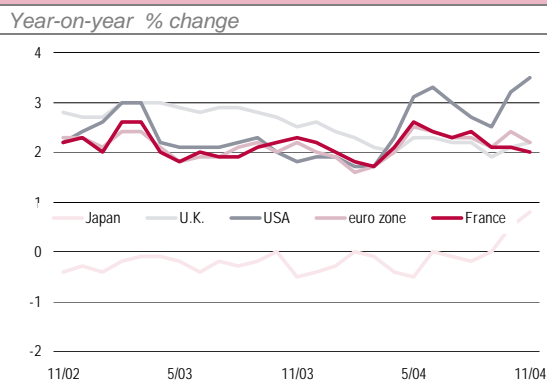
▶ Timetable for the release of French economic indicators

January 2005	February 2005
4 Quarterly national accounts: final results Q3-2004	4 Industrial trends: quarterly survey for January
6 Household confidence survey: December survey	7 Gross foreign exchange reserves in January
7 Central government budget: statement at end of November	8 Central government budget: statement at end of December
7 Gross foreign exchange reserves in December	10 Industrial output in December
11 Industrial output in November	11 Foreign trade in December
11 Foreign trade in November	15 Industrial Investments: January survey
12 Cost-of-construction: index Q3-2004	16 Payroll employment: provisional results Q4-2004
13 Consumer prices: provisional index for December	16 Wages: provisional statistics Q4-2004
18 Balance of payments in November	16 Balance of payments in November
21 Consumer prices: final index for December	18 National quarterly accounts: first results Q4-2004
21 Household consumption of manufactured goods in December	22 Household consumption of manufactured goods in January
25 New building starts in December	22 Consumer prices: final index for January
28 Industrial trends: monthly survey for January	25 Industrial trends: February survey
28 Industrial producer prices: December index	25 Industrial producer prices: January index
28 Job seekers in December	25 Job seekers in January
31 Net foreign exchange reserves in December	28 Household confidence survey: February survey
31 Household confidence survey: January survey	28 Net foreign exchange reserves in January

*Harmonized index of consumer prices (Eurostat)
Index for December: January 20
Index for January: February 28*

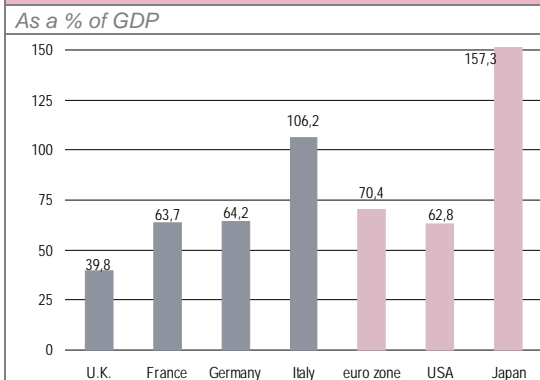
INTERNATIONAL COMPARISONS

▶ Consumer price index



Source: statistical institutes

▶ General government debt in 2003



Source: Eurostat, OECD

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

OAT au 31 décembre 2004 / fungible Treasury bonds at December 31, 2004

En euros

CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding <i>(valeur nominale/ face value)</i>	Coefficient d'indexation / indexation coefficient	démembré / stripped	CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding <i>(valeur nominale/ face value)</i>	Coefficient d'indexation / indexation coefficient	démembré / stripped
FR0000570434	Echéance 2005 OAT 7,5% 25 avril 2005	33 114 223 376		2 951 830 000	FR0000188989	Echéance 2013 OAT 4% 25 avril 2013	49 652 579 188		92 600 000
FR0000570467	OAT 7,75% 25 octobre 2005	17 412 383 615		2 657 170 000	FR0000188955 I	OATi 2,5% 25 juillet 2013	19 137 183 879	(1)	1,04107
FR0000570491	Echéance 2006 OAT 7,25% 25 avril 2006	45 903 093 816		1 512 910 000	FR0010011130	OAT 4% 25 octobre 2013	12 918 637 630		43 500 000
FR0000570509	OAT 7% 25 avril 2006	18 672 039 415		427 030 000	FR0010061242	Echéance 2014 OAT 4% 25 avril 2014	17 889 144 025		38 980 000
FR0000570533	OAT 6,5% 25 octobre 2006	1 091 244 000		2 107 400 000	FR0010083428	OAT 4% 25 avril 2014 mai 2004	40 285 941		
FR0000570541 V	OAT TEC10 25 octobre 2006	15 102 140 991			FR0010093013	OAT 4% 25 avril 2014 juin 2004	36 967 717		
FR0000570574	Echéance 2007 OAT 5,5% 25 avril 2007	36 408 826 604		683 230 000	FR0010098202	OAT 4% 25 avril 2014 juillet 2004	39 558 589		
FR0000570590	OAT 5,5% 25 octobre 2007	21 771 775 424		299 480 000	FR0010109082	OAT 4% 25 avril 2014 août 2004	33 795 962		45 600 000
FR0000570632	Echéance 2008 OAT 5,25% 25 avril 2008	42 188 093 494		342 180 000	FR0010112052	OAT 4% 25 octobre 2014	9 956 205 521		
FR0000570665	OAT 8,5% 25 octobre 2008	24 403 932 367		5 005 000 000	FR0010133652	OAT 4% 25 octobre 2014 nov. 2004	54 605 556		
FR0000570673 V	Echéance 2009 OAT TEC10 25 janvier 2009	64 058 425 265			FR0010143438	OAT 4% 25 octobre 2014 déc. 2004	37 459 015		
FR0000571432	OAT 4% 25 avril 2009	9 853 044 498		1 666 430 000	FR0010135525 I	Echéance 2015 OATéi 1,6% 25 juillet 2015	3 550 066 580	(1)	1,00654
FR0000571424 I	OATi 3% 25 juillet 2009	18 640 258 371	(1)	1,09699	FR0000187361	Echéance 2016 OAT 5% 25 octobre 2016	16 652 000 000		1 153 580 000
FR0010109090 I	OATi 3% 25 juillet 2009 août 2004	15 141 767 069	(1)	1,09699	FR0000189151	Echéance 2019 OAT 4,25% 25 avril 2019	16 652 000 000		177 400 000
FR0010113266 I	OATi 3% 25 juillet 2009 sept. 2004	13 803 012 852	(1)	1,09699	FR0000570921	OAT 8,5% 25 octobre 2019	24 610 132 527		4 865 780 000
FR0010125575 I	OATi 3% 25 juillet 2009 oct. 2004	2 366 125	(1)	1,09699	FR0000570954 C	ETAT 9,82% 31 décembre 2019	15 754 000 000	(2)	
FR0010133660 I	OATi 3% 25 juillet 2009 nov. 2004	2 156 925	(1)	1,09699	FR0000570954 C		8 844 392 893		
FR0010133660 I	OATi 3% 25 juillet 2009 déc. 2004	335 182	(1)	1,09699	FR0010050559 I	Echéance 2020 OATéi 2,25% 25 juillet 2020	11 739 634	(2)	
FR0000186199	OAT 4% 25 octobre 2009	305 547	(1)	1,09699	FR0000571044	Echéance 2022 OAT 8,25% 25 avril 2022	6 692 154		
FR0000186603	Echéance 2010 OAT 5,5% 25 avril 2010	230 094	(1)	1,09699	FR0000571085	Echéance 2023 OAT 8,5% 25 avril 2023	5 820 001 880	(1)	1,02718
FR0000187023	OAT 5,5% 25 octobre 2010	209 750	(1)	1,09699	FR0000571150	Echéance 2025 OAT 6% 25 octobre 2025	5 820 001 880	(1)	1,02718
FR0000570731	Echéance 2011 OAT 6,5% 25 avril 2011	422 654	(1)	1,09699	FR0000571226 C	Echéance 2028 OAT zéro coupon 28 mars 2028	5 666 000 000	(3)	
FR0010094375 I	OATi 1,6% 25 juillet 2011	385 285	(1)	1,09699	FR0000571218	Echéance 2029 OAT 5,5% 25 avril 2029	1 243 939 990		3 329 250 000
FR0000187874	OAT 5% 25 octobre 2011	5 864 234	(1)	1,09699	FR0000186413 I	OATi 3,4% 25 juillet 2029	1 243 939 990	(1)	1,09235
FR0000188328	Echéance 2012 OAT 5% 25 avril 2012	5 345 750	(1)	1,09699	FR0000188799 I	Echéance 2032 OATéi 3,15% 25 juillet 2032	10 606 195 903		
FR0000188013 I	OATéi 3% 25 juillet 2012	20 414 137 038	(1)	1,06145	FR0000187635	OAT 5,75% 25 octobre 2032	10 606 195 903		3 886 200 000
FR0000188690	OAT 4,75% 25 octobre 2012	5 864 234	(1)	1,09699	FR0010070060	Echéance 2035 OAT 4,75% 25 avril 2035	8 511 928 118		768 550 000
FR0000570780	OAT 8,5% 26 décembre 2012	5 345 750	(1)	1,09699			8 511 928 118		

(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 28/03/2004 / actualized value at 03/28/2004 ; 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 prices (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

551 954 772 950

Encours démémbré / stripped outstanding

47 832 010 000

En % des lignes démémbrables

10,53%

As a % of strippable bonds

Durée de vie moyenne

8 ans et 204 jours

Average maturity

8 years and 204 days

**BTAN au 31 décembre 2004 / Treasury notes at
December 31, 2004**

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding
	Echéance 2005	32 489 041 683
FR0104756962	BTAN 3,5% 12 janvier 2005	13 145 041 683
FR0101659813	BTAN 5% 12 juillet 2005	19 344 000 000
	Echéance 2006	45 707 000 000
FR0102626779	BTAN 5% 12 janvier 2006	16 016 000 000
FR0106589445	BTAN 2,25% 12 mars 2006	13 158 000 000
FR0103230423	BTAN 4,5% 12 juillet 2006	16 533 000 000
	Echéance 2007	31 850 000 000
FR0103840098	BTAN 3,75% 12 janvier 2007	15 774 000 000
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000
	Echéance 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
	Echéance 2009	31 941 000 000
FR0106589437	BTAN 3,5% 12 janvier 2009	16 714 000 000
FR0106841887	BTAN 3,5% 12 juillet 2009	15 227 000 000
	Echéance 2010	5 174 000 000
FR0107369672	BTAN 3% 12 janvier 2010	5 174 000 000

Total BTAN / total Treasury notes 183 832 041 683

Durée de vie moyenne des BTAN 2 ans et 110 jours
Average maturity of BTANs 2 years and 110 days

**Dette négociable de l'Etat au 31 décembre 2004 /
French government negotiable debt at December 31, 2004**

Encours total / total outstanding 832 858 814 633
Durée de vie moyenne 6 ans et 79 jours
Average maturity 6 years and 79 days

**BTF au 31 décembre 2004 / Treasury bills at
December 31, 2004**

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	6 janvier 2005	4 010 000 000
BTF	13 janvier 2005	4 509 000 000
BTF	20 janvier 2005	5 574 000 000
BTF	27 janvier 2005	4 211 000 000
BTF	3 février 2005	4 007 000 000
BTF	10 février 2005	4 420 000 000
BTF	17 février 2005	4 142 000 000
BTF	24 février 2005	4 145 000 000
BTF	3 mars 2005	4 085 000 000
BTF	10 mars 2005	3 988 000 000
BTF	17 mars 2005	3 941 000 000
BTF	24 mars 2005	4 007 000 000
BTF	31 mars 2005	3 871 000 000
BTF	14 avril 2005	4 171 000 000
BTF	28 avril 2005	4 192 000 000
BTF	12 mai 2005	3 912 000 000
BTF	26 mai 2005	3 847 000 000
BTF	9 juin 2005	3 063 000 000
BTF	23 juin 2005	3 714 000 000
BTF	21 juillet 2005	4 011 000 000
BTF	18 août 2005	3 810 000 000
BTF	15 septembre 2005	4 312 000 000
BTF	27 octobre 2005	3 971 000 000
BTF	24 novembre 2005	3 159 000 000

Total BTF / total Treasury bills 97 072 000 000

Durée de vie moyenne des BTF 111 jours
Average maturity of BTFs 111 days

**Réserve de titres de la Caisse de la dette publique au
31 décembre 2004/
Securities held in reserve by Caisse de la dette publique at
December 31, 2004**

néant / void