



MONTHLY BULLETIN - N° 197 - October 2006

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

DEBT GENERAL DATA	1
PRIMARY MARKET	2
SECONDARY MARKET	4
THE FRENCH ECONOMY	7
INTERNATIONAL COMPARISONS	8
FRENCH GOVERNMENT NEGOTIABLE DEBT OUTSTANDING	9

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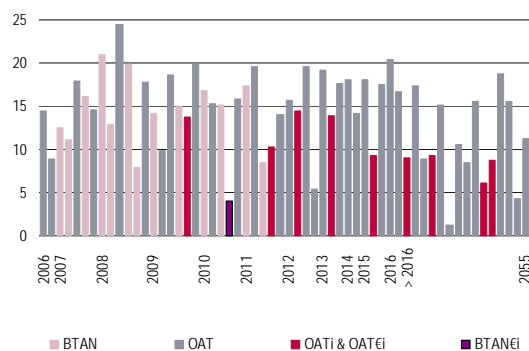
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on September 30, 2006

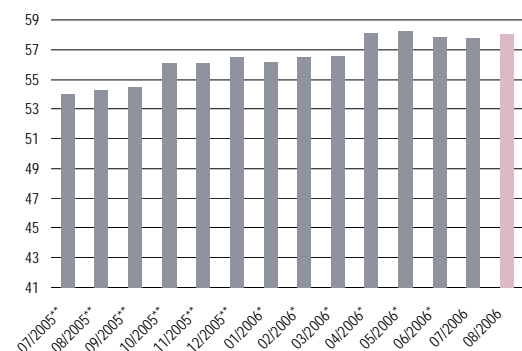
nominal value of each line, €bn



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 2005, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2005 (**).

(*) figures quarterly revised (**) figures annually revised

PRIMARY MARKET

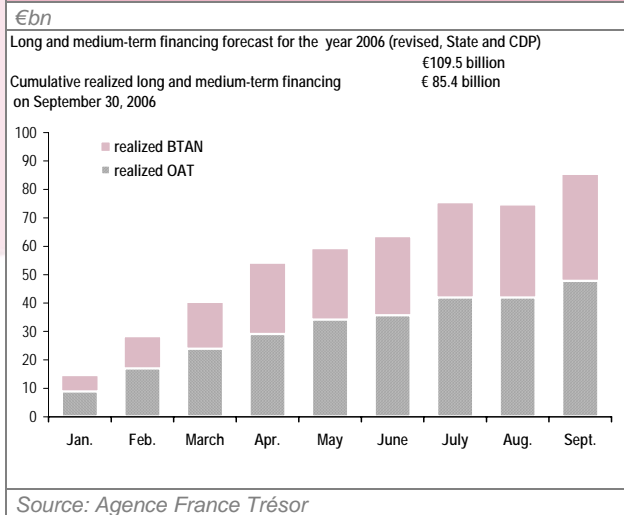
► Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
October 2006	auction date	2	9	16	23	30	19	5
	settlement date	5	12	19	26	02-nov	24	10
November 2006	auction date	6	13	20	27	-	16	2
	settlement date	9	16	23	30	-	21	7

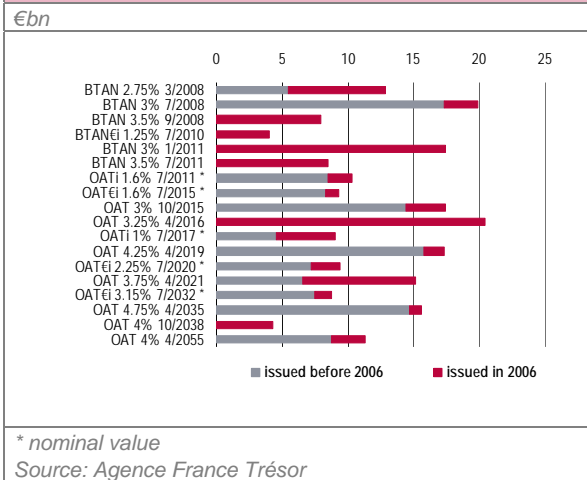
■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

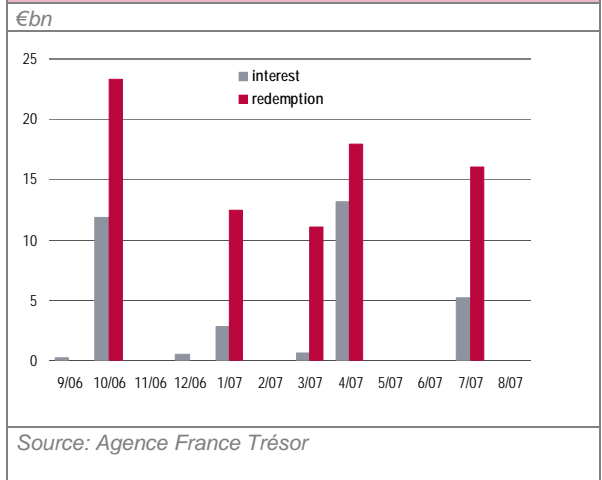
► Long- and medium-term financing over the year on September 30, 2006



► OATs and BTANs issues and cumulative total on September 30, 2006



► OATs and BTANs: indicative repayment schedule on September 30, 2006



► OAT and BTAN auctions – September 2006

€m					
	OAT 30 years	OATi 10 years	OAT€i 30 years	BTAN 2 years	BTAN 5 years
	10/25/2038	7/25/2017	7/25/2032	9/12/2008	7/12/2011
	4.00%	1.00%	3.15%	3.50%	3.50%
Auction date	9/7/2006	9/21/2006	9/21/2006	9/21/2006	9/21/2006
Settlement date	9/12/2006	9/26/2006	9/26/2006	9/26/2006	9/26/2006
Amount announced	< 3,500 -----4,000 >	< 1,200 -----1,700 >		< 4,500 -----5,000 >	
Bid amount	7,825	2,250	1,126	5,785	6,410
Amount served	3,730	,830	,427	2,153	2,735
<i>of which: NCTs before auction</i>					
NCTs after auction	567	58	139	8	728
Total issued amount	4,297	,888	,566	2,161	3,463
Bid-to-cover ratio	2.09	2.71	2.64	2.69	2.34
Weighted average price	98.25%	92.97%	129.92%	99.70%	99.08%
Yield to maturity	4.10%	1.72%	1.71%	3.66%	3.71%
Indexation coefficient*	-	1.01956	1.07963	-	-
* as of the settlement date					

Source: Agence France Trésor

► BTF auctions – September 2006

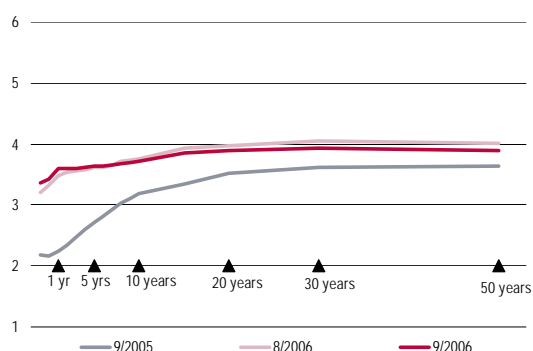
€m					
	BTF	BTF	BTF	BTF	BTF
	short term	1 month	3 month	6 month	1 year
Auction date	9/4/2006		9/4/2006	9/4/2006	
Settlement date	9/5/2006		9/7/2006	9/7/2006	
Maturity	9/14/2006		11/30/2006	3/1/2007	
Total issued amount	2,501		2,005	1,406	
Weighted average rate	2.960%		3.085%	3.284%	
Auction date			9/11/2006		9/11/2006
Settlement date			9/14/2006		9/14/2006
Maturity			12/14/2006		8/2/2007
Total issued amount			2,005		1,403
Weighted average rate			3.142%		3.529%
Auction date			9/18/2006	9/18/2006	
Settlement date			9/21/2006	9/21/2006	
Maturity			12/14/2006	3/1/2007	
Total issued amount			2,207	1,419	
Weighted average rate			3.149%	3.345%	
Auction date			9/25/2006		9/25/2006
Settlement date			9/28/2006		9/28/2006
Maturity			12/28/2006		9/27/2007
Total issued amount			2,006		1,405
Weighted average rate			3.208%		3.495%

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

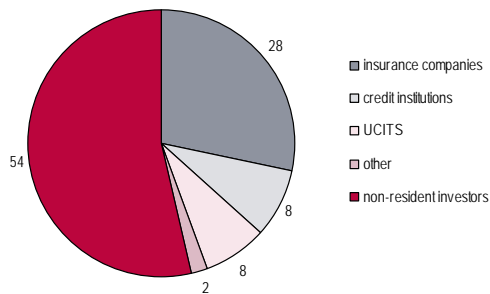
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder second quarter 2006

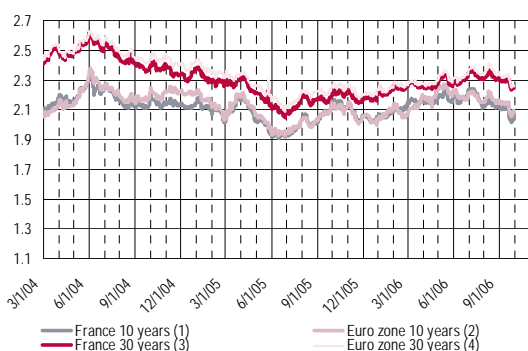
structure in %



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

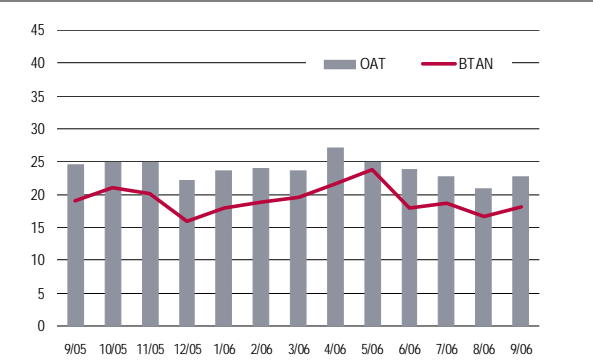
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	August 2006	September 2006
Negotiable government debt outstanding	616	653	717	788	833	877	887	896
OAT	419	443	478	512	552	593	618	623
BTAN	154	158	151	167	184	189	187	192
BTF	43	52	88	109	97	95	82	81
Swaps outstanding	///	37	61	61	61	52	54	55
Average maturity of the negotiable debt								
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	6 years	7 years
	64 days	47 days	343 days	297 days	79 days	267 days	352 days	8 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	6 years	6 years
	///	358 days	266 days	235 days	33 days	228 days	321 days	343 days

Source: Agence France Trésor

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

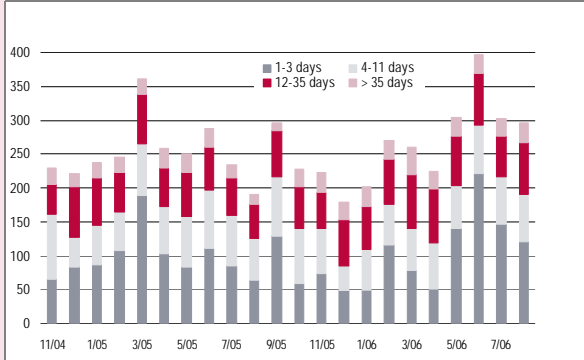
daily average (€bn)



Source: Euroclear France

▶ Primary dealers, monthly fixed-rate repo transactions

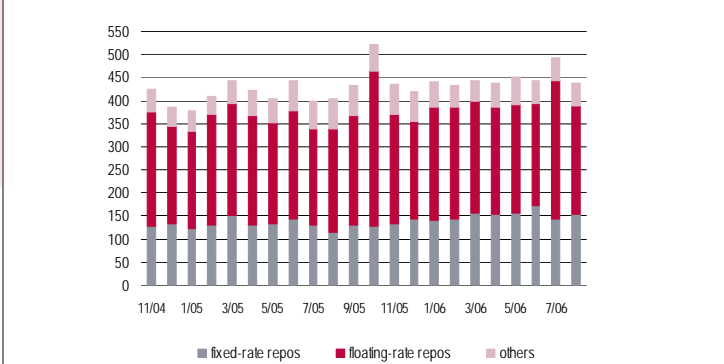
€bn



Source: primary dealers

▶ Primary dealers, repo outstanding at end of month

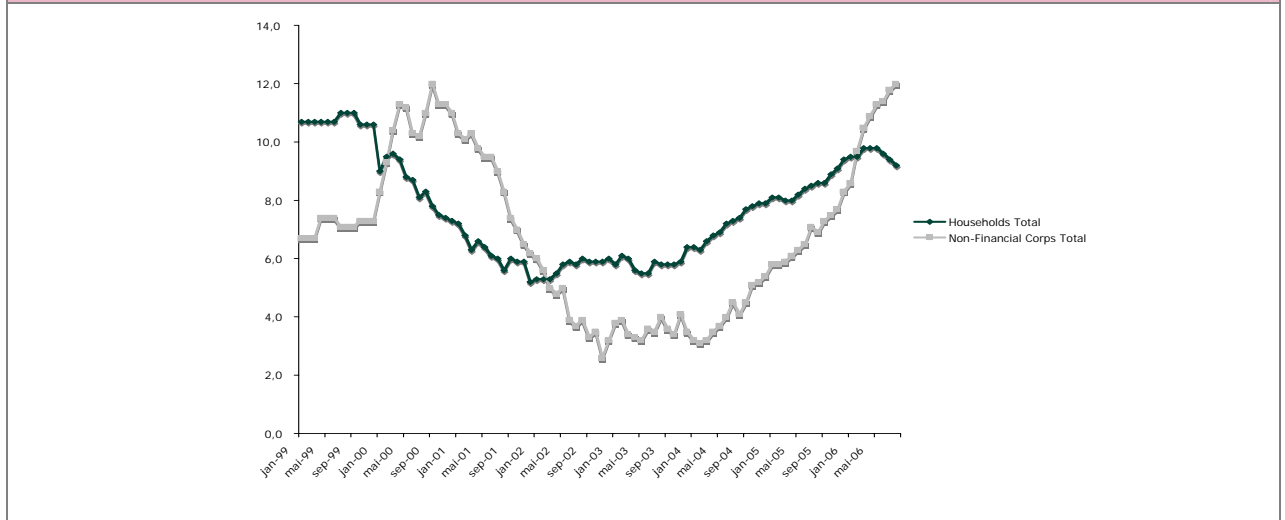
€bn



Source: primary dealers

Focus

▶ Euro-Area Nominal Private Sector Credit (% y-o-y)



Source: European Central Bank and Lehman Brothers Global Economics

Money hazard

Like many other market watchers, Lehman Economics awaited impatiently the outcome from the speech delivered on October 4, 2006 by Ben Bernanke, Federal Reserve Chairman, to the Economics Club in Washington (*Global Weekly Monitor*, September 29, 2006). The suggestion that previous trend of continuous monetary tightening was to be reversed, or at least stalled is what led markets to rally, beating a series of five year records. The elements pointed out to motivate the monetary policy change included the decline in oil prices, but also the expected effects of the drastic reversal of the real estate market in the United States and its likely effects on prices through negative wealth effects.

At the same time, the European Central Bank seems committed to carry on its own series of base rate increases, even when inflation numbers seem more engaging. The September “flash” estimate by eurostat sets the inflation forecasts at 1.8%, the first instance since the beginning of last year when this figure is found below the statutory 2% limit. Similarly, the news on consumer and investor’s confidence do not suggest that caution is warranted. In fact, the main reason explaining the ECB’s sustained policy is its concern over the first pillar of monetary policy, which emphasizes the need to limit the quantitative expansion of the money supply. That’s where things are not quite right. Since 2003, euro zone credit has continuously and substantially expanded. Recent figures (August) provide further backing for monetarist concerns. While the increase of household credit declined slightly (down to 9.2% after having stayed above 10%), the increase in corporate credit was a two digit number for the sixth subsequent month (see Focus).

Observers often contrast the policy stance of the two central banks. In the current instance they do seem to be heading towards opposite directions as far as practical decisions are concerned. And yet, it is striking that there is a considerable convergence of approach, since each one is taking on board a much larger array of variables than what a narrow definition of inflation targeting would suggest. In particular, each one is considering asset prices as a key variable in setting the pace of monetary policy. Whether we are dealing with the factoring in of real estate price declines in the US, or a concern that expanding credit is signalling irrational exuberance on behalf of borrowers, possibly leading to further dangerous increases in real estate prices in Europe, the philosophy is similar. Monetary policy has entered an era where monetary policy decisions strictly speaking and prudential policy more generally are not treated as different matters. The difference between practical decisions in the US and in Europe may only reflect a difference in the timing of business cycles.

If this is so, the natural conclusion is that monetary policy and financial policy have become more intimate than they used to be, in practice if not in theory. This is not without raising problems. In the case of the US real estate market for instance, even pessimistic commentators (e.g. Paul Krugman *New York Times*, August 25, 2006) are setting potential losses at a modest 20% in real terms, spread over several years. Surfing on this low pressure to avoid monetary tightening seems reasonable enough. Yet of course if such was not the case and if, say, the price declines were more substantial, it would become harder and harder for monetary policy to remain a faithful companion of financial trends. For such is the paradox: that monetary policy can alleviate financial pressures as long as these remain moderate. But if this fails, shouldn’t one eventually revert to less palatable truths, and defend monetary stability against all winds?

Marc Flandreau
Lehman Brothers

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 %				
	2005	2006	2007	
French GDP	1.2	< 2 - 2.5 >	< 2 - 2.5 >	
Euro zone GDP	1.4	2.5	2.0	
Household consumption	2.1	2.8	2.8	
Business investment	3.6	3.6	3.6	
Exports	3.1	7.9	6.2	
Imports	6.1	8.0	6.1	
Consumer prices (year-on-year)	1.8	1.8	1.8	

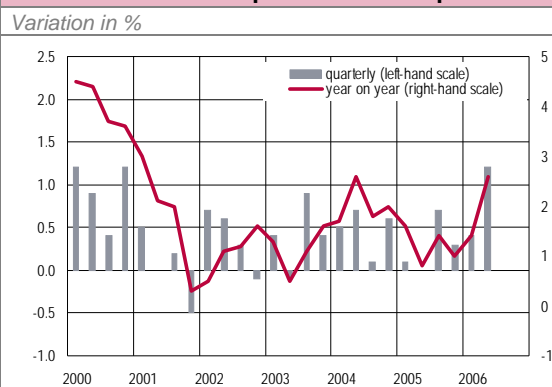
Source: Ministry of the Economy, Finance and Industry, Draft budget bill 2007

Recent economic indicators

Industrial output*, year-on-year	1.3%	7/2006
Household consumption*, year-on-year	6.4%	8/2006
Unemployment rate (ILO)	9.0%	8/2006
Consumer prices, year-on-year		
all items	1.9%	8/2006
all items excluding tobacco	1.9%	8/2006
Trade balance, fob-fob, sa	-3.7 EUR bn	7/2006
" "	-2.4 EUR bn	6/2006
Current account balance, sa	-4.0 EUR bn	7/2006
" "	-0.8 EUR bn	6/2006
10-year constant maturity rate (TEC10)	3.68%	09/29/2006
3-month interest rate (Euribor)	3.417%	09/29/2006
EUR / USD	1.2660	09/29/2006
EUR / JPY	149.34	09/29/2006

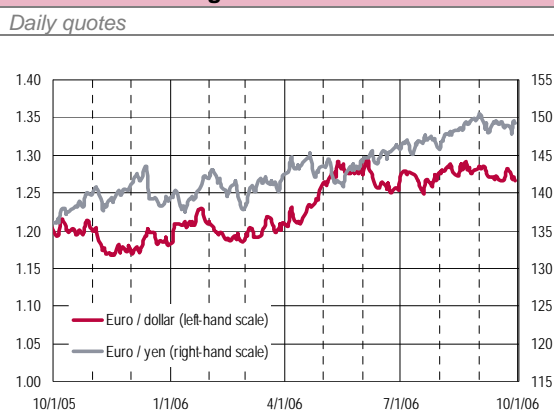
*manufactured goods –
Source: Insee; Ministry of the Economy, Finance and Industry; Banque de France

Gross domestic product at 2000 prices



Source: Insee, quarterly national accounts

Euro exchange rate



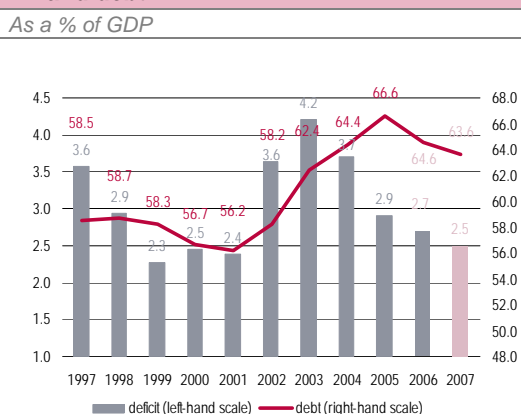
Source: European Central Bank

Government budget monthly position

€bn	2004	2005	end-of-August level		
			2004	2005	2006
General budget balance	-45.41	-45.15	-34.44	-45.18	-38.39
revenue	242.99	249.11	140.88	151.94	139.57
expenditure	288.40	294.27	175.32	197.12	177.96
Balance of special Treasury accounts	1.53	1.68	-11.77	-17.52	-13.34
General budget outturn	-43.88	-43.47	-46.21	-62.70	-51.73

Source: Ministry of the Economy, Finance and Industry
for more information:
http://www.minefi.gouv.fr/themes/finances_etat/budget/index.htm

Public finance: general government deficit and debt



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

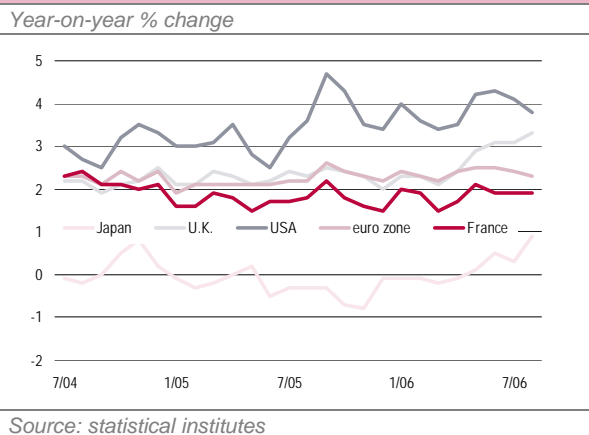
▶ Timetable for the release of French economic indicators

October 2006	November 2006
5 Central government budget: statement at end of August	7 Central government budget: statement at end of September
6 Gross foreign exchange reserves in September	8 Gross foreign exchange reserves in October
10 Industrial output in August	10 Industrial output in September
10 Foreign trade in August	10 Foreign trade in September
13 Consumer prices: index for September	10 Consumer prices: index for October
13 Cost-of-construction: index Q2-2006	10 PIB flash estimate Q3-2006
19 Balance of payments in August	16 Industrial investments: Quaterly October survey
24 Household consumption of manufactured goods in September	17 Payroll employment: provisional results Q3-2006
25 Industrial trends: monthly survey for October	17 Wages: provisional statistics Q3-2006
30 Industrial trends: quaterly survey for October	17 Balance of payments in September
31 New building starts in September	21 National quarterly accounts: first results Q3-2006
31 Household confidence survey: October survey	22 Household consumption of manufactured goods in October
31 Industrial producer prices: September index	24 Industrial trends: monthly survey for November
31 Job seekers in September	28 New building starts in October
31 Net foreign exchange reserves in September	28 Sales of new dwelling units: Q3-2006
	30 Industrial producer prices: October index
	30 Household confidence survey: November survey
	30 Net foreign exchange reserves in October
	30 Job seekers in October

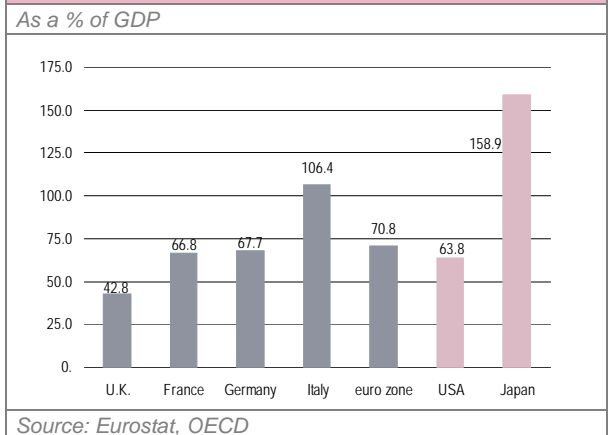
Harmonized index of consumer prices – Eurozone (Eurostat)
 Index for September: October 17
 Index for October: November 16

INTERNATIONAL COMPARISONS

▶ Consumer price index



▶ General government debt in 2005



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

▶ OAT au 30 septembre 2006 / *fungible Treasury bonds at September 30, 2006*

En euros

CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / <i>stripped</i>	CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / <i>stripped</i>
Echéance 2006						Echéance 2015					
FR0000570533	OAT 6,5% 25 octobre 2006	23 328 810 401				FR0010163543	OAT 3,5% 25 avril 2015	45 178 461 933			
FR0000570541 V	OAT TEC10 25 octobre 2006	8 844 669 410			1 301 940 000	FR0010135525 I	OATeI 1,6% 25 juillet 2015	18 055 313 893			27 750 000
Echéance 2007						Echéance 2016					
FR0000570574	OAT 5,5% 25 avril 2007	32 535 826 604				FR0010216481	OAT 3% 25 octobre 2015	37 113 000 000			
FR0000570590	OAT 5,5% 25 octobre 2007	17 898 775 424			638 980 000	FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			35 700 000
Echéance 2008						Echéance 2017					
FR0000570632	OAT 5,25% 25 avril 2008	42 188 093 494				FR0000187361	OAT 5% 25 octobre 2016	16 652 000 000			1 243 780 000
FR0000570665	OAT 8,5% 25 octobre 2008	24 403 932 367			804 110 000	FR0010235176 I	OAT1 1% 25 juillet 2017	9 245 323 100			
Echéance 2009						Echéance 2019					
FR0000570673 V	OAT TEC10 25 janvier 2009	17 784 161 127			4 440 950 000	FR0000189151	OAT 4,25% 25 avril 2019	9 245 323 100 (1)	1,01933	9 070 000 000	
FR0000571432	OAT 4% 25 avril 2009	63 962 156 837				FR0000570921	OAT 8,5% 25 octobre 2019	26 201 285 359			150 890 000
FR0000571424 I	OATI 3% 25 juillet 2009	9 853 044 498			1 690 680 000	FR0000570954 C	ETAT 9,82% 31 décembre 2019	17 344 000 000			4 137 930 000
FR0000186199	OAT 4% 25 octobre 2009	18 640 258 371						8 844 392 893			
Echéance 2010						Echéance 2020					
FR0000186603	OAT 5,5% 25 avril 2010	15 624 716 930 (1)	1,13129	13 811 416 109		FR0010050559 I	OATeI 2,25% 25 juillet 2020	12 892 466 (2)		6 692 154	
FR0000187023	OAT 5,5% 25 octobre 2010	19 844 137 038			602 450 000			9 980 198 800			
Echéance 2011						Echéance 2021					
FR0000570731	OAT 6,5% 25 avril 2011	31 162 742 970				FR0010192997	OAT 3,75% 25 avril 2021	15 166 000 000			694 540 000
FR0010094375 I	OATI 1,6% 25 juillet 2011	15 311 719 352			551 570 000	Echéance 2022					
FR0000187874	OAT 5% 25 octobre 2011	15 851 023 618			2 068 130 000	FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			906 150 000
Echéance 2012						Echéance 2023					
FR0000188328	OAT 5% 25 avril 2012	44 516 625 542				FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 235 290 000
FR0000188013 I	OATeI 3% 25 juillet 2012	19 572 445 710			921 200 000	Echéance 2025					
FR0000188690	OAT 4,75% 25 octobre 2012	10 889 293 500 (1)	1,05670	10 305 000 000		FR0000571150	OAT 6% 25 octobre 2025	10 606 195 903			8 511 928 118
FR0000570780	OAT 8,5% 26 décembre 2012	14 054 886 332			550 640 000	Echéance 2028					
Echéance 2013						Echéance 2029					
FR0000188989	OAT 4% 25 avril 2013	56 650 230 503				FR0000571226 C	OAT zéro coupon 28 mars 2028	13 702 119 (3)		46 232 603	
FR0000188955 I	OATI 2,5% 25 juillet 2013	15 654 110 580			1 439 550 000	Echéance 2029					
FR0010011130	OAT 4% 25 octobre 2013	15 956 299 660 (1)	1,10089	14 494 000 000		FR0000571218	OAT 5,5% 25 avril 2029	22 449 294 674			2 780 370 000
Echéance 2014						Echéance 2032					
FR0010061242	OAT 4% 25 avril 2014	17 554 122 924			490 500 000	FR0000186413 I	OATI 3,4% 25 juillet 2029	15 500 880 458			
FR0010112052	OAT 4% 25 octobre 2014	5 485 697 339				FR0000186799 I	OATeI 3,15% 25 juillet 2032	6 948 414 216 (1)	1,12650	6 168 144 000	
Echéance 2015						Echéance 2035					
		51 702 364 835			140 900 000	FR0000187635	OAT 5,75% 25 octobre 2032	28 171 051 380			9 433 051 380 (1)
		19 137 183 879			140 900 000	Echéance 2038					
		14 968 423 277 (1)	1,07363	13 941 882 471		FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 248 400 000
		17 596 757 679			108 800 000	Echéance 2038					
		32 145 724 224			35 280 000	FR0010371401	OAT 4% 25 octobre 2038	4 297 000 000			63 700 000
		18 039 752 234			60 700 000	Echéance 2055					
		14 105 971 990				FR0010171975	OAT 4% 25 avril 2055	11 283 000 000			1 341 750 000

(1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2005 / including coupons capitalized at 12/31/2005 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 31/03/2006 / actualized value at 03/31/2006 ; 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)
 OATeI : 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	623 266 956 786
Encours démembré / stripped outstanding	48 872 620 000
En % des lignes démembrables <i>As a % of strippable bonds</i>	9,85 %
Durée de vie moyenne <i>Average maturity</i>	9 ans et 131 jours <i>9 years and 131 days</i>

BTAN au 30 septembre 2006

Treasury notes at September 30, 2006

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007		39 608 000 000		
FR0103840098	BTAN 3,75% 12 janvier 2007	12 458 000 000		
FR0107489959	BTAN 2,25% 12 mars 2007	11 074 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000		
Echéance 2008		61 638 000 000		
FR0105427795	BTAN 3,5% 12 janvier 2008	20 935 000 000		
FR0108197569	BTAN 2,75% 12 mars 2008	12 870 000 000		
FR0105760112	BTAN 3% 12 juillet 2008	19 914 000 000		
FR0109136137	BTAN 3,5% 12 septembre 2008	7 919 000 000		
Echéance 2009		29 078 000 000		
FR0106589437	BTAN 3,5% 12 janvier 2009	14 116 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	14 962 000 000		
Echéance 2010		36 119 796 060		
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR0108664055 I	BTANEI 1,25% 25 juillet 2010	4 157 796 060	(1) 1,02434	4 059 000 000
Echéance 2011		25 907 000 000		
FR0108354806	BTAN 3% 12 janvier 2011	17 395 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	8 512 000 000		

Total BTAN / total Treasury notes 192 350 796 060

Durée de vie moyenne des BTAN 2 ans et 96 jours

Average maturity of BTANs 2 years and 96 days

Dette négociable de l'Etat au 30 septembre 2006 /

French government negotiable debt at September 30, 2006

Encours total / total outstanding 896 140 752 846

Durée de vie moyenne 7 ans et 8 jours

Average maturity 7 years and 8 days

BTF au 30 septembre 2006

Treasury bills at September 30, 2006

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	5 octobre 2006	4 257 000 000
BTF	12 octobre 2006	3 657 000 000
BTF	19 octobre 2006	4 413 000 000
BTF	26 octobre 2006	3 803 000 000
BTF	2 novembre 2006	4 303 000 000
BTF	16 novembre 2006	3 849 000 000
BTF	23 novembre 2006	4 144 000 000
BTF	30 novembre 2006	3 810 000 000
BTF	7 décembre 2006	3 417 000 000
BTF	14 décembre 2006	4 212 000 000
BTF	21 décembre 2006	3 791 000 000
BTF	28 décembre 2006	2 006 000 000
BTF	18 janvier 2007	4 777 000 000
BTF	1 février 2007	4 219 000 000
BTF	15 février 2007	4 257 000 000
BTF	1 mars 2007	4 225 000 000
BTF	15 mars 2007	3 938 000 000
BTF	10 mai 2007	3 711 000 000
BTF	5 juillet 2007	4 192 000 000
BTF	2 août 2007	4 137 000 000
BTF	27 septembre 2007	1 405 000 000

Total BTF / total Treasury bills 80 523 000 000

Durée de vie moyenne des BTF 109 jours

Average maturity of BTFs 109 days

Réserve de titres de la Caisse de la dette publique au 30 septembre 2006/

Securities held in reserve by Caisse de la dette publique at September 30, 2006

néant / void