



MONTHLY BULLETIN - N° 196 - September 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.

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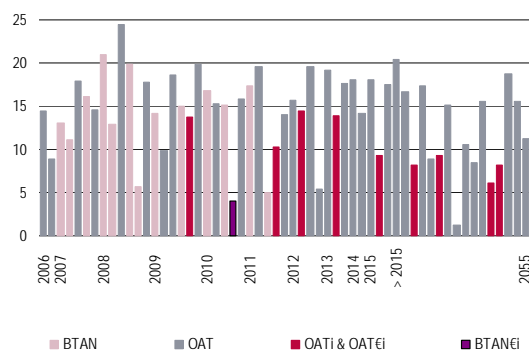
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on August 31, 2006

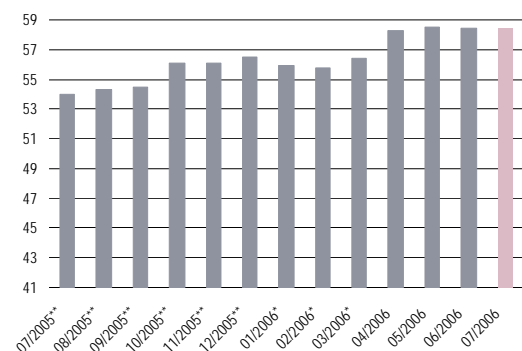
nominal value of each line, €bn



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

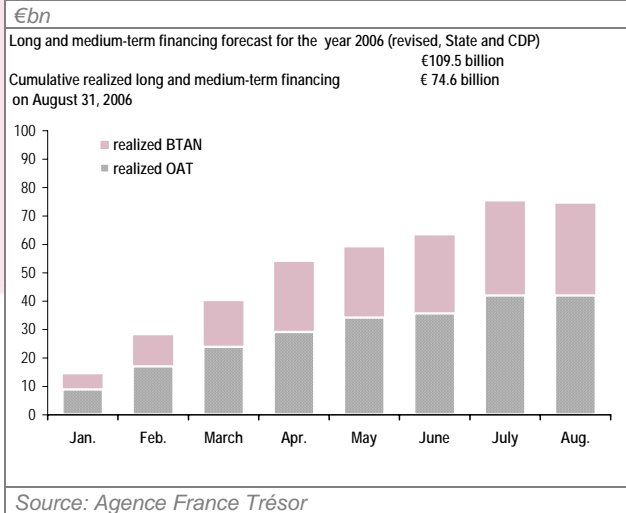
PRIMARY MARKET

Auction indicative calendar

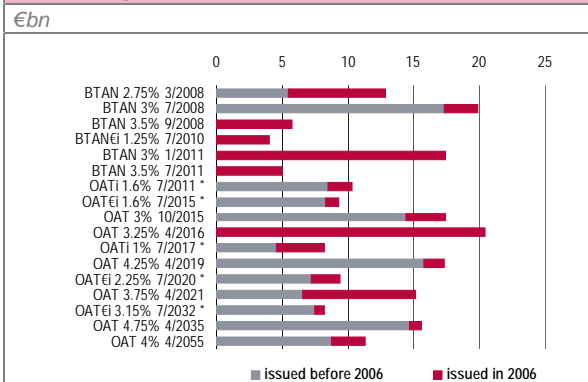
		BTF					BTAN / index linked OAT	OAT
September 2006	auction date	4	11	18	25	-	21	7
	settlement date	7	14	21	28	-	26	12
October 2006	auction date	2	9	16	23	30	19	5
	settlement date	5	12	19	26	02-nov	24	10

Source: Agence France Trésor

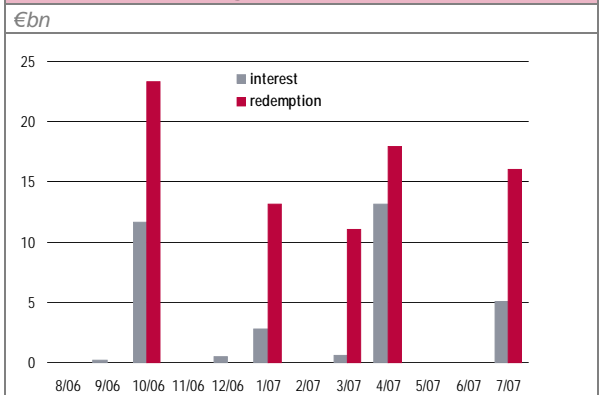
Long- and medium-term financing over the year on August 31, 2006



OATs and BTANs issues and cumulative total on August 31, 2006



OATs and BTANs: indicative repayment schedule on August 31, 2006



▶ **OAT and BTAN auctions – August 2006**

€m

No auction in August

Source: Agence France Trésor

▶ **BTF auctions – August 2006**

€m

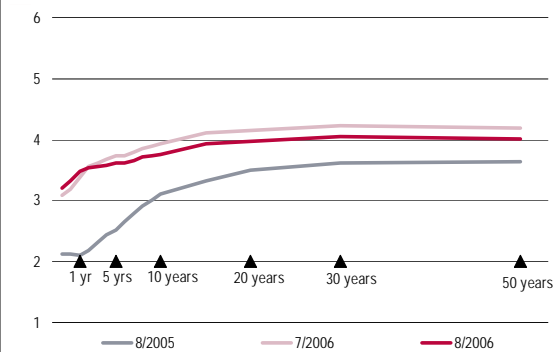
	BTF	BTF	BTF	BTF
	1 month	3 month	6 month	1 year
Auction date		8/7/2006	8/7/2006	
Settlement date		8/10/2006	8/10/2006	
Maturity		11/2/2006	2/1/2007	
Total issued amount		2,001	1,206	
Weighted average rate		3.007%	3.207%	
Auction date		8/14/2006		8/14/2006
Settlement date		8/17/2006		8/17/2006
Maturity		11/16/2006		8/2/2007
Total issued amount		1,801		1,203
Weighted average rate		3.046%		3.488%
Auction date		8/21/2006		8/21/2006
Settlement date		8/24/2006		8/24/2006
Maturity		11/16/2006		8/2/2007
Total issued amount		2,048		1,531
Weighted average rate		3.056%		3.486%
Auction date		8/28/2006	8/28/2006	
Settlement date		8/31/2006	8/31/2006	
Maturity		11/30/2006	3/1/2006	
Total issued amount		1,805	1,400	
Weighted average rate		3.081%	3.256%	

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

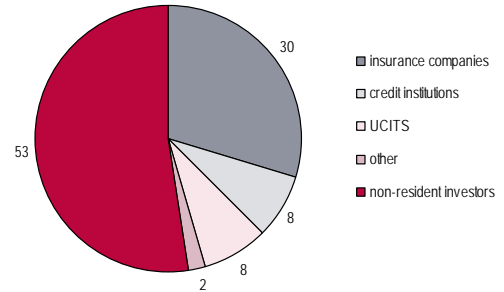
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder first quarter 2006

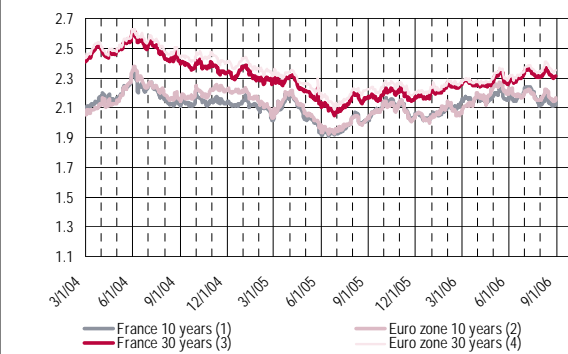
structure in %



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

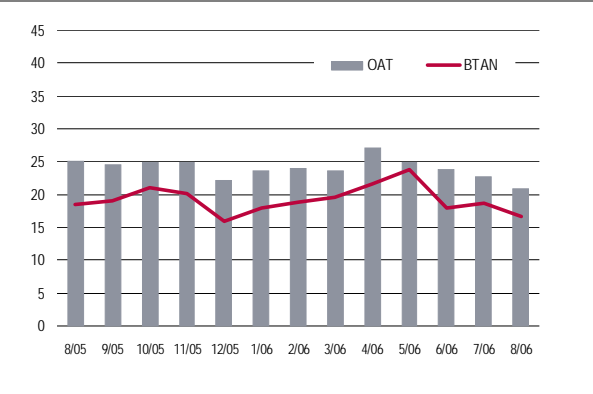
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	July 2006	August 2006
Negotiable government debt outstanding	616	653	717	788	833	877	887	887
OAT	419	443	478	512	552	593	618	618
BTAN	154	158	151	167	184	189	188	187
BTF	43	52	88	109	97	95	81	82
Swaps outstanding	///	37	61	61	61	52	54	54
Average maturity of the negotiable debt								
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	7 years	6 years
	64 days	47 days	343 days	297 days	79 days	267 days	15 days	352 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	349 days	321 days

Source: Agence France Trésor

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

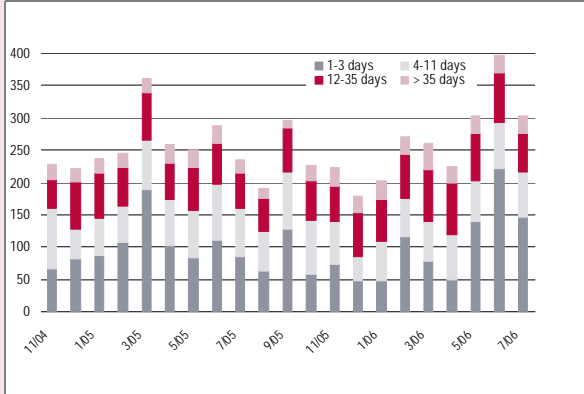
daily average (€bn)



Source: Euroclear France

▶ **Primary dealers, monthly fixed-rate repo transactions**

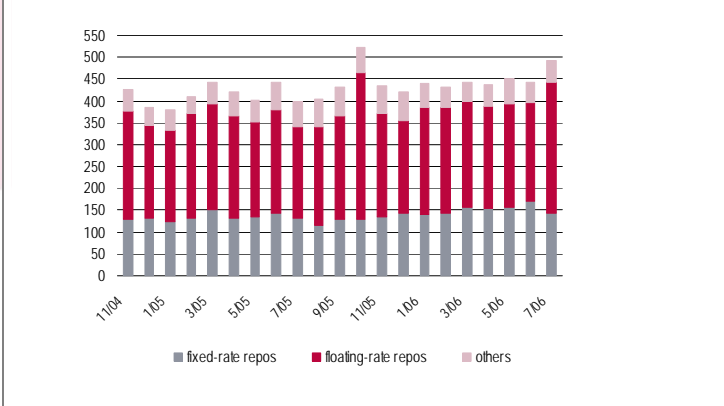
€bn



Source: primary dealers

▶ **Primary dealers, repo outstanding at end of month**

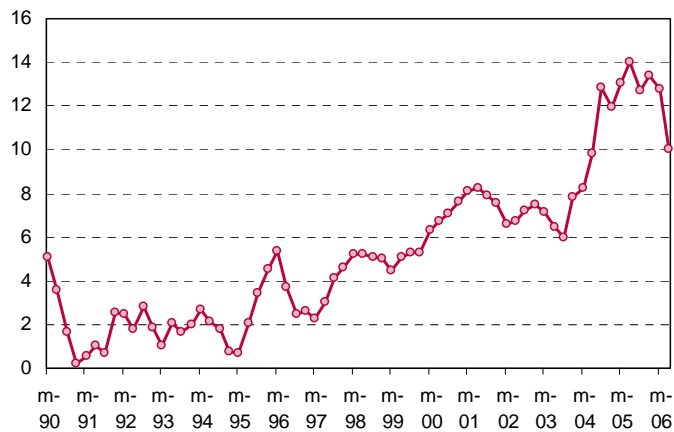
€bn



Source: primary dealers

Focus

▶ **Housing Price Index – United States**



Source: Bloomberg, yoy

Inflation risk

Over the past few months, central banks around the world have continued to raise interest rates. This synchronized tightening of monetary policy reflects growing concern about inflation. In the late 1990s, inflation fell to historically low levels in many countries. After the Asian financial crisis and the bursting of the equity market bubble, there were even worries about deflation. Central banks responded to that threat by cutting interest rates aggressively. Now, they are raising interest rates to counteract the threat of inflation. We think most central banks have more work to do because inflation risks are intensifying. In particular, we see both cyclical and structural upside risks to inflation.

We believe markets are too complacent about cyclical inflation risk in the world's major economies. In recent years, global economic growth has been surprisingly strong and that has helped to reduce spare capacity. With sharp increases in energy and other commodity prices, we think there are significant upside risks to inflation. Inflation rates have risen in many countries. Initially, headline inflation rates rose sharply reflecting the impact of higher energy prices. More recently, some economies have experienced a rise in 'core' inflation, which excludes food and energy prices. In the US, core CPI inflation is running at 2¾%, above the Federal Reserve's comfort threshold of 2%.

Alongside this cyclical inflation problem, we see longer-term structural risks to inflation. To understand what we mean by this, it's important to consider the structural factors that depressed inflation in the late 1990s. We would highlight three positive supply shocks that helped to cut inflation in the major industrial economies. First, there was the acceleration in US productivity, which depressed unit labour costs. Second, there was a sustained fall in real oil prices. Effectively, this cut the costs of production for firms in oil-consuming economies. Third, Asia's aggressive export-pricing policy helped to 'export deflation' to the industrial economies, particularly for manufactured goods.

We believe these supply shocks are beginning to reverse and this could put upward pressure on inflation. Critically, they might worsen the growth-inflation trade-off, particularly in the US. While there are signs of a cyclical slowdown in US productivity, we are more concerned about a structural slowdown. We don't expect a collapse in productivity growth, but instead believe that current growth rates (of 3% a year) are unsustainable.

The rise in real oil prices is already evident. We'd also point to broader pressures on real commodity prices. While some of this might reflect a speculative premium in some commodities, we also think there is a more fundamental story. Healthy economic growth is driving the demand for commodities, particularly in Asia. Equally, there are significant supply constraints in many markets, after several years of under-investment. Tightness in commodity markets is likely to mean real prices remain high and this will represent an input-cost shock for industrial companies.

Finally, we believe that Asia is beginning to change its export pricing policy. In the aftermath of the Asia crisis in 1997, the major Asian economies aggressively pursued a policy of export-led growth. This was necessary to reduce current-account deficits and make their economies less vulnerable to capital outflows. Now, these countries are running current-account surpluses and this is putting upward pressure on exchange rates. With many currencies still pegged to the dollar, central banks are building foreign-exchange reserves. But with upward pressure on domestic inflation rates, as energy prices have risen and economies have grown strongly, this reserve accumulation could be more inflationary. As a result, some Asian economies are pushing up interest rates and allowing their currencies to rise gradually against the dollar. This pressure is building on the Chinese yuan, which is likely to lead to a further strengthening of the currency. In effect, higher Asian exchange rates will 'export' inflation to western economies.

Dario Perkins

ABN AMRO

Macroeconomics unit

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	1.3	2.0	1.9
Household consumption	2.1	2.3	2.5
Business investment	3.6	3.9	4.2
Exports	3.9	6.5	6.1
Imports	6.6	6.8	6.1
Consumer prices (year-on-year)	1.8	1.7	1.7

Source: Ministry of the Economy, Finance and Industry, Perspectives économiques 2006-2007

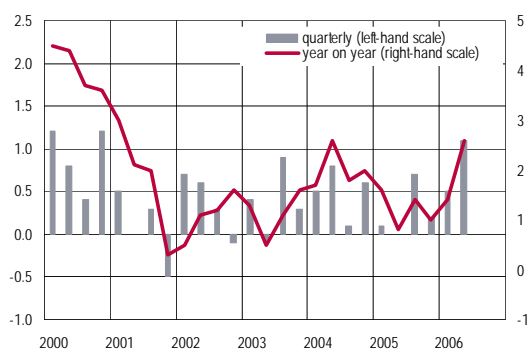
▸ Recent economic indicators

Industrial output*, year-on-year	2.8%	6/2006
Household consumption*, year-on-year	5.6%	6/2006
Unemployment rate (ILO)	8.9%	7/2006
Consumer prices, year-on-year		
all items	1.9%	7/2006
all items excluding tobacco	2.0%	7/2006
Trade balance, fob-fob, sa	-1.8 EUR bn	6/2006
" "	-1.8 EUR bn	5/2006
Current account balance, sa	-0.8 EUR bn	6/2006
" "	-2.2 EUR bn	5/2006
10-year constant maturity rate (TEC10)	3.81%	08/31/2006
3-month interest rate (Euribor)	3.264%	08/31/2006
EUR / USD	1.2851	08/31/2006
EUR / JPY	150.56	08/31/2006

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

▸ Gross domestic product at 2000 prices

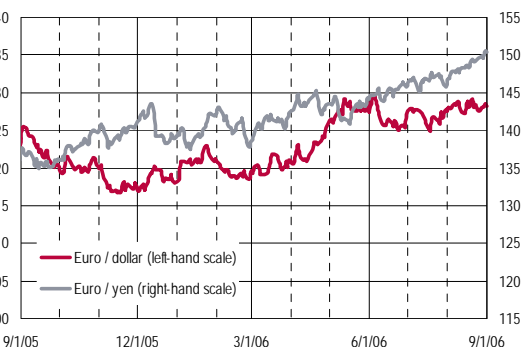
Variation in %



Source: Insee, quarterly national accounts

▸ Euro exchange rate

Daily quotes



Source: European Central Bank

▸ Government budget monthly position

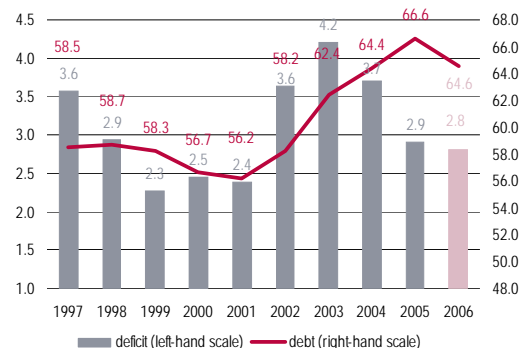
€bn

	2004	2005	end-of-July level		
			2004	2005	2006
General budget balance	-45.41	-45.15	-34.44	-35.26	-27.64
revenue	242.99	249.11	140.88	142.64	132.91
expenditure	288.40	294.27	175.32	177.90	160.55
Balance of special Treasury accounts	1.53	1.68	-11.77	-13.50	-10.53
General budget outturn	-43.88	-43.47	-46.21	-48.76	-38.17

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

As a % of GDP



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

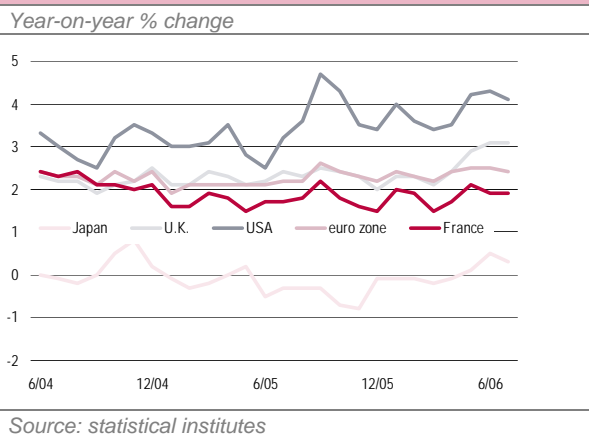
▶ Timetable for the release of French economic indicators

September 2006	October 2006
5 Central government budget: statement at end of July	5 Central government budget: statement at end of August
7 Gross foreign exchange reserves in August	6 Gross foreign exchange reserves in September
11 Industrial output in July	10 Industrial output in August
12 Foreign trade in July	10 Foreign trade in August
13 Consumer prices: index for August	13 Consumer prices: index for September
14 Payroll employment: final results Q2-2006	13 Cost-of-construction: index Q2-2006
19 Balance of payments in July	19 Balance of payments in August
22 Household consumption of manufactured goods in July/August	24 Household consumption of manufactured goods in September
22 Wages: final statistics Q2-2006	25 Industrial trends: monthly survey for October
25 Industrial trends: monthly survey for September	30 Industrial trends: quarterly survey for October
26 New building starts in August	31 New building starts in September
28 Quarterly national accounts: final results Q2-2006	31 Household confidence survey: October survey
29 Industrial producer prices: July/August index	31 Industrial producer prices: September index
29 Job seekers in August	31 Job seekers in September
29 Net foreign exchange reserves in August	31 Net foreign exchange reserves in September
29 Household confidence survey: September survey	

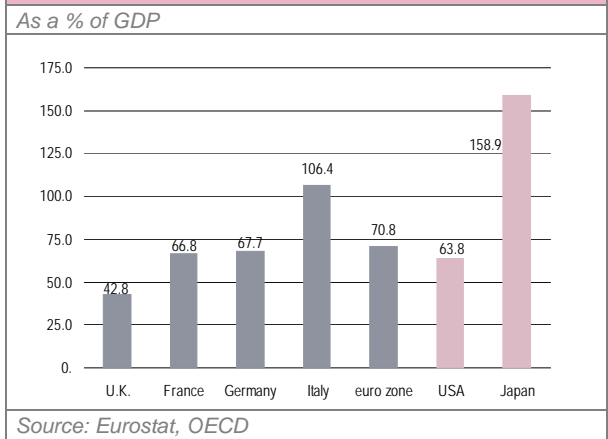
Harmonized index of consumer prices – Eurozone (Eurostat)
Index for August: September 15
Index for September: October 17

INTERNATIONAL COMPARISONS

▶ Consumer price index



▶ General government debt in 2005



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

▶ OAT au 31 août 2006 / *fungible Treasury bonds at August 31, 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	23 328 810 401					Echéance 2015	45 191 990 293			
FR0000570533	OAT 6,5% 25 octobre 2006	14 484 140 991			1 709 140 000	FR0010163543	OAT 3,5% 25 avril 2015	18 055 313 893			27 750 000
FR0000570541 V	OAT TEC10 25 octobre 2006	8 844 669 410				FR0010135525 I	OATeI 1,6% 25 juillet 2015	9 686 676 400 (1)	1,04540	9 266 000 000	
	Echéance 2007	32 535 826 604				FR0010216481	OAT 3% 25 octobre 2015	17 450 000 000			89 460 000
FR0000570574	OAT 5,5% 25 avril 2007	17 898 775 424			643 980 000		Echéance 2016	37 113 000 000			
FR0000570590	OAT 5,5% 25 octobre 2007	14 637 051 180			297 580 000	FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			35 700 000
	Echéance 2008	42 188 093 494				FR0000187361	OAT 5% 25 octobre 2016	16 652 000 000			1 233 780 000
FR0000570632	OAT 5,25% 25 avril 2008	24 403 932 367			769 110 000		Echéance 2017	8 353 658 360			
FR0000570665	OAT 8,5% 25 octobre 2008	17 784 161 127			4 670 950 000	FR0010235176 I	OATi 1% 25 juillet 2017	8 353 658 360 (1)	1,02098	8 182 000 000	
	Echéance 2009	63 987 569 843					Echéance 2019	26 201 285 359			
FR0000570673 V	OAT TEC10 25 janvier 2009	9 853 044 498				FR0000189151	OAT 4,25% 25 avril 2019	17 344 000 000			150 890 000
FR0000571432	OAT 4% 25 avril 2009	18 640 258 371			1 734 680 000	FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			4 137 930 000
FR0000571424 I	OATi 3% 25 juillet 2009	15 650 129 936 (1)	1,13313	13 811 416 109		FR0000570954 C	ETAT 9,82% 31 décembre 2019	12 892 466 (2)		6 692 154	
FR0000186199	OAT 4% 25 octobre 2009	19 844 137 038			520 450 000		Echéance 2020	9 994 157 120			
	Echéance 2010	31 162 742 970				FR0010050559 I	OATeI 2,25% 25 juillet 2020	9 994 157 120 (1)	1,06684	9 368 000 000	
FR0000186603	OAT 5,5% 25 avril 2010	15 311 719 352			551 570 000		Echéance 2021	15 166 000 000			
FR0000187023	OAT 5,5% 25 octobre 2010	15 851 023 618			2 135 630 000	FR0010192997	OAT 3,75% 25 avril 2021	15 166 000 000			541 040 000
	Echéance 2011	44 534 350 142					Echéance 2022	1 243 939 990			
FR0000570731	OAT 6,5% 25 avril 2011	19 572 445 710			926 200 000	FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			906 150 000
FR0010094375 I	OATi 1,6% 25 juillet 2011	10 907 018 100 (1)	1,05842	10 305 000 000			Echéance 2023	10 606 195 903			
FR0000187874	OAT 5% 25 octobre 2011	14 054 886 332			543 640 000	FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 230 290 000
	Echéance 2012	56 672 406 323					Echéance 2025	8 511 928 118			
FR0000188328	OAT 5% 25 avril 2012	15 654 110 580			1 439 550 000	FR0000571150	OAT 6% 25 octobre 2025	8 511 928 118			3 276 550 000
FR0000188013 I	OATeI 3% 25 juillet 2012	15 978 475 480 (1)	1,10242	14 494 000 000			Echéance 2028	13 702 119			
FR0000188690	OAT 4,75% 25 octobre 2012	19 554 122 924			413 950 000	FR0000571226 C	OAT zéro coupon 28 mars 2028	13 702 119 (3)		46 232 603	
FR0000570780	OAT 8,5% 26 décembre 2012	5 485 697 339					Echéance 2029	22 460 582 378			
	Echéance 2013	51 726 623 711				FR0000571218	OAT 5,5% 25 avril 2029	15 500 880 458			2 777 370 000
FR0000188989	OAT 4% 25 avril 2013	19 137 183 879			140 900 000	FR0000186413 I	OATi 3,4% 25 juillet 2029	6 959 701 920 (1)	1,12833	6 168 144 000	
FR0000188955 I	OATi 2,5% 25 juillet 2013	14 992 682 153 (1)	1,07537	13 941 882 471			Echéance 2032	27 572 359 160			
FR0010011130	OAT 4% 25 octobre 2013	17 596 757 679			102 800 000	FR0000188799 I	OATeI 3,15% 25 juillet 2032	8 834 359 160 (1)	1,08092	8 173 000 000	
	Echéance 2014	32 145 724 224				FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			7 466 600 000
FR0010061242	OAT 4% 25 avril 2014	18 039 752 234			35 280 000		Echéance 2035	15 614 000 000			
FR0010112052	OAT 4% 25 octobre 2014	14 105 971 990			60 700 000	FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 187 150 000
							Echéance 2055	11 283 000 000			
						FR0010171975	OAT 4% 25 avril 2055	11 283 000 000			1 333 500 000

- (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	617 607 946 512
Encours démembré /stripped outstanding	49 090 270 000
En % des lignes démembrables	9,98 %
Durée de vie moyenne	9 ans et 97 jours
Average maturity	9 years and 97 days

BTAN au 31 août 2006

Treasury notes at August 31, 2006

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007				
FR0103840098	BTAN 3,75% 12 janvier 2007	40 264 000 000		
FR0107489959	BTAN 2,25% 12 mars 2007	13 114 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	11 074 000 000		
Echéance 2008				
FR0105427795	BTAN 3,5% 12 janvier 2008	16 076 000 000		
FR0108197569	BTAN 2,75% 12 mars 2008	59 477 000 000		
FR0105760112	BTAN 3% 12 juillet 2008	20 935 000 000		
FR0109136137	BTAN 3,5% 12 septembre 2008	12 870 000 000		
Echéance 2009				
FR0106589437	BTAN 3,5% 12 janvier 2009	29 078 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	14 116 000 000		
Echéance 2010				
FR0107369672	BTAN 3% 12 janvier 2010	36 125 559 840		
FR0107674006	BTAN 2,5% 12 juillet 2010	16 821 000 000		
FR0108664055 1	BTANei 1,25% 25 juillet 2010	15 141 000 000	(1) 1,02576	4059000000
Echéance 2011				
FR0108354806	BTAN 3% 12 janvier 2011	22 444 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	17 395 000 000		
		5 049 000 000		

Total BTAN / total Treasury notes 187 388 559 840

Durée de vie moyenne des BTAN 2 ans et 108 jours
Average maturity of BTANs 2 years and 108 days

Dette négociable de l'Etat au 31 août 2006 /

French government negotiable debt at August 31, 2006

Encours total / total outstanding 887 090 506 352
Durée de vie moyenne 6 ans et 352 jours
Average maturity 6 years and 352 days

BTF au 31 août 2006

Treasury bills at August 31, 2006

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	7 septembre 2006	3 613 000 000
BTF	14 septembre 2006	4 297 000 000
BTF	21 septembre 2006	3 806 000 000
BTF	28 septembre 2006	3 711 000 000
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	1 805 000 000
BTF	7 décembre 2006	3 417 000 000
BTF	21 décembre 2006	3 791 000 000
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	1 400 000 000
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	2 734 000 000

Total BTF / total Treasury bills 82 094 000 000

Durée de vie moyenne des BTF 110 jours
Average maturity of BTFs 110 days

Réserve de titres de la Caisse de la dette publique au 31 août 2006 /

Securities held in reserve by Caisse de la dette publique at August 31, 2006

néant / void