



## MONTHLY BULLETIN - N° 195 - August 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

<http://www.aft.gouv.fr>

Bloomberg TRESOR <Go> - Reuters TRESOR - Pages Bridge Menu 20010 – 20078

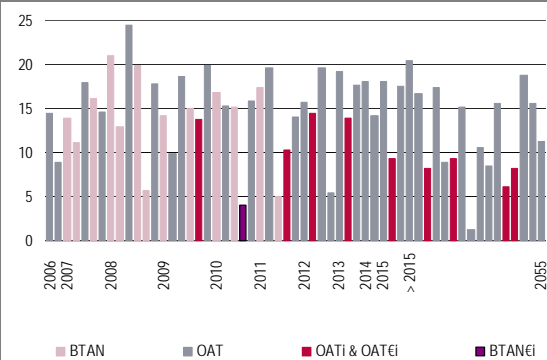
Available in French and English  
Publication manager: Bertrand de Mazières  
Editor: Agence France Trésor



### DEBT GENERAL DATA

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

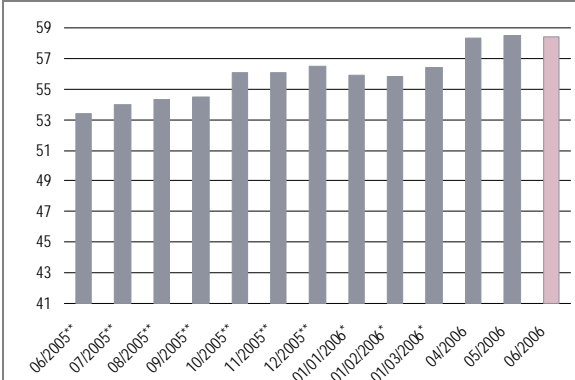
nominal value of each line, €bn



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

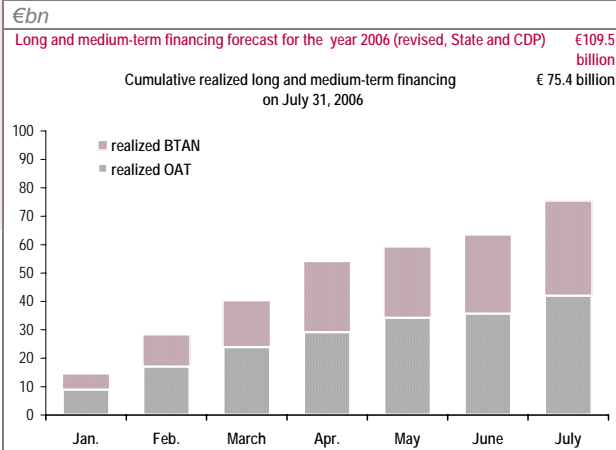
### Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
August 2006	auction date	7	14	21	28	-	no auction	no auction
	settlement date	10	17	24	31	-	-	-
September 2006	auction date	4	11	18	25	-	21	7
	settlement date	7	14	21	28	-	26	12

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

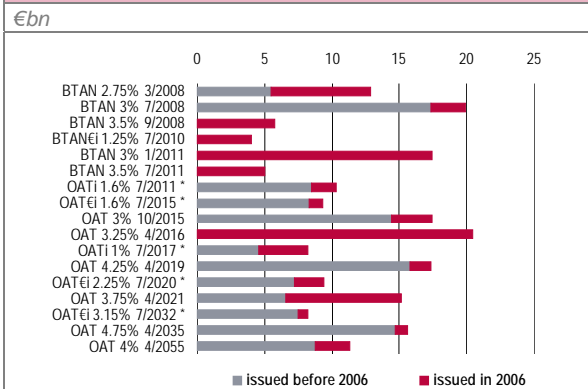
Source: Agence France Trésor

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



Source: Agence France Trésor

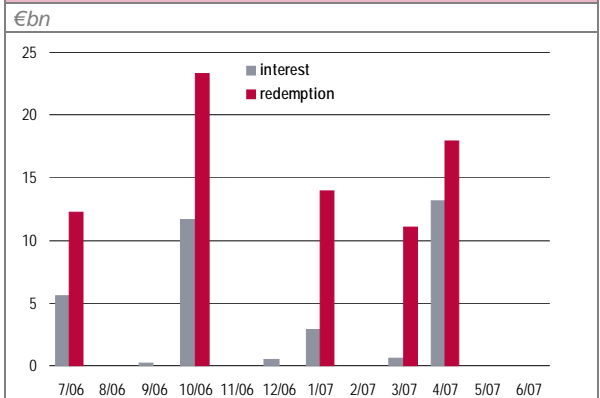
### OATs and BTANs issues and cumulative total on July 31, 2006



\* nominal value

Source: Agence France Trésor

### OATs and BTANs: indicative repayment schedule on July 31, 2006



Source: Agence France Trésor

### ▶ OAT and BTAN auctions – July 2006

€m					
	OAT 10 years	OAT 15 years	BTAN 2 years	OATi 5 years	OATfi 15 years
	4/25/2016	4/25/2021	9/12/2008	7/25/2011	7/25/2020
	3.25%	3.75%	3.50%	1.60%	2.25%
<b>Auction date</b>	7/6/2006	7/6/2006	7/20/2006	7/20/2006	7/20/2006
<b>Settlement date</b>	7/11/2006	7/11/2006	7/25/2006	7/25/2006	7/25/2006
<b>Amount announced</b>	<4,000 ..... 4,500>		< 5,000 ---- 5,500 >		< 1,000 ..... 1,500 >
<b>Bid amount</b>	5,230	4,515	9,925	3,310	1,635
<b>Amount served</b>	2,363	1,786	5,010	990	510
<i>of which: NCTs before auction</i>	0	0	0	0	0
<b>NCTs after auction</b>	95	537	748	30	137
<b>Total issued amount</b>	2,458	2,317	5,758	1,020	647
<b>Bid-to-cover ratio</b>	2.21	2.53	1.98	3.34	3.20
<b>Weighted average price</b>	93.00%	94.21%	99.77%	99.68%	104.33%
<b>Yield to maturity</b>	4.13%	4.29%	3.61%	1.67%	1.89%
<b>Indexation coefficient*</b>	-	-	-	1.05746	1.06547

\* as of the settlement date

Source: Agence France Trésor

### ▶ BTF auctions – July 2006

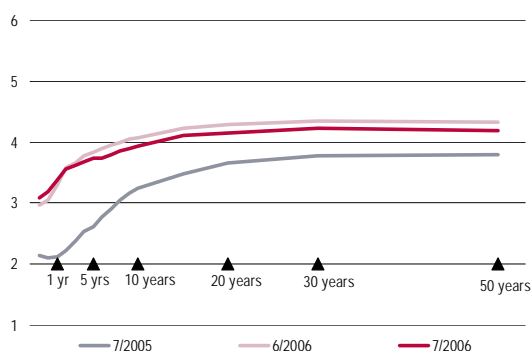
€m				
	BTF	BTF	BTF	BTF
	1 month	3 month	6 month	1 year
<b>Auction date</b>		7/3/2006		7/3/2006
<b>Settlement date</b>		7/6/2006		7/6/2006
<b>Maturity</b>		10/5/2006		7/5/2007
<b>Total issued amount</b>		2,004		1,407
<b>Weighted average rate</b>		2.858%		3.360%
<b>Auction date</b>		7/10/2006		7/10/2006
<b>Settlement date</b>		7/13/2006		7/13/2006
<b>Maturity</b>		10/5/2006		7/5/2007
<b>Total issued amount</b>		2,253		1,529
<b>Weighted average rate</b>		2.877%		3.396%
<b>Auction date</b>		7/17/2006	7/17/2006	
<b>Settlement date</b>		7/20/2006	7/20/2006	
<b>Maturity</b>		10/19/2006	2/1/2007	
<b>Total issued amount</b>		2,206	1,508	
<b>Weighted average rate</b>		2.897%	3.133%	
<b>Auction date</b>		7/24/2006	7/24/2006	
<b>Settlement date</b>		7/27/2006	7/27/2006	
<b>Maturity</b>		10/19/2006	2/1/2007	
<b>Total issued amount</b>		2,207	1,505	
<b>Weighted average rate</b>		2.909%	3.156%	
<b>Auction date</b>		7/31/2006		7/31/2006
<b>Settlement date</b>		8/3/2006		8/3/2006
<b>Maturity</b>		11/2/2006		7/5/2007
<b>Total issued amount</b>		2,302		1,256
<b>Weighted average rate</b>		2.968%		3.367%

Source: Agence France Trésor

## SECONDARY MARKET

### French government yield curve

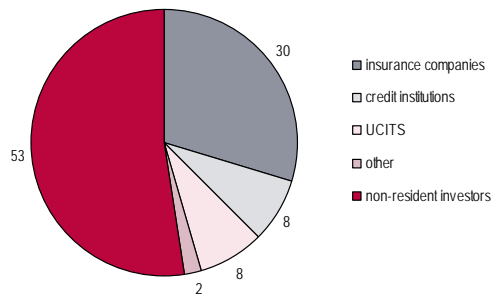
quote at end of the month, in %



Source: Bloomberg

### OAT ownership by type of holder first quarter 2006

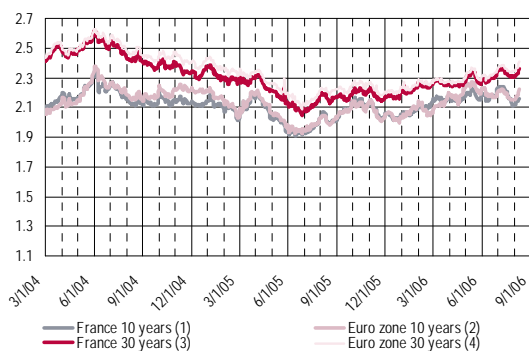
structure in %



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

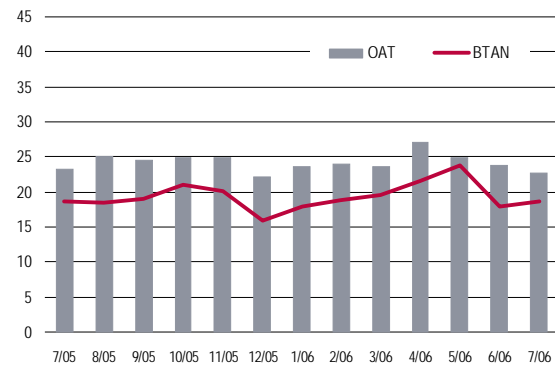
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	June 2006	July 2006
<b>Negotiable government debt outstanding</b>	<b>616</b>	<b>653</b>	<b>717</b>	<b>788</b>	<b>833</b>	<b>877</b>	<b>887</b>	<b>887</b>
OAT	419	443	478	512	552	593	611	618
BTAN	154	158	151	167	184	189	195	188
BTF	43	52	88	109	97	95	82	81
<b>Swaps outstanding</b>	<b>///</b>	<b>37</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>52</b>	<b>55</b>	<b>54</b>
<b>Average maturity of the negotiable debt</b>								
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	7 years	7 years
	64 days	47 days	343 days	297 days	79 days	267 days	5 days	15 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	338 days	349 days

Source: Agence France Trésor

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

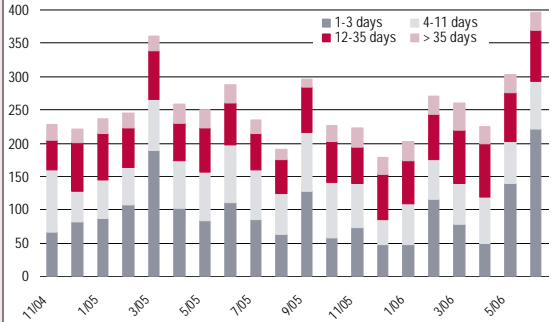
daily average (€bn)



Source: Euroclear France

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

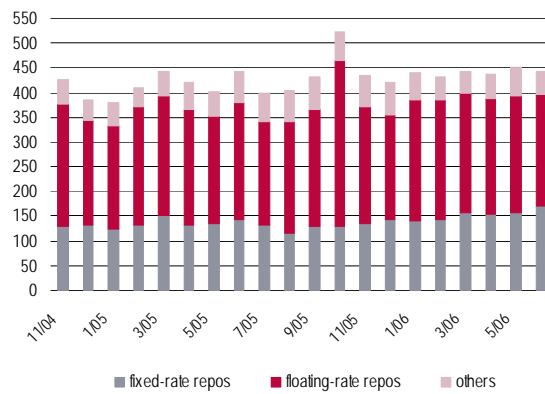
€bn



Source: primary dealers

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

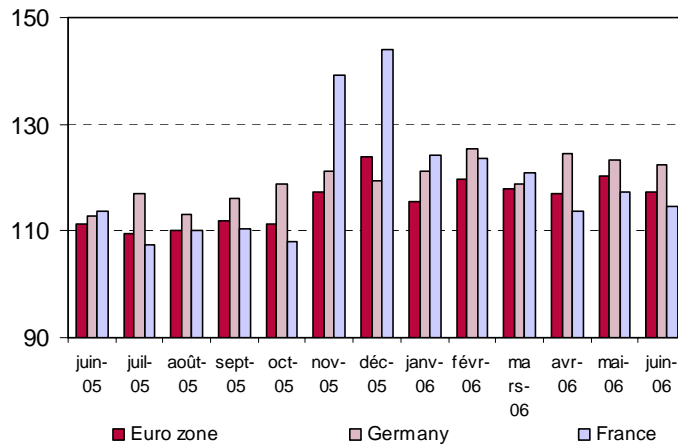
€bn



Source: primary dealers

## Focus

▶ **Industrial new orders index (2000 = 100)**



Source: Eurostat, seasonally adjusted indices

## Profits and the euro area economic cycle

Typically, at the top of the economic growth cycle corporate margins start to wane. This is usually a sign that labour costs are growing faster than the top line. Whether this is due to wage pressures mounting or a decline in productivity, the result is same: it is usually the harbinger for a downturn in growth.

At the global level, our colleagues in UBS' Global Economics team addressed the issue of profits recently, see UBS Global Economic Perspectives—*Is the golden era of profitability over?* (June 29, 2006). Their conclusion was:

“We believe an extraordinary era of high profitability is drawing to a close. The fundamental factors supporting high profits—including above-trend global growth, productivity gains, slack labour markets, low real interest rates, and weak capital goods prices—are beginning to fade.”

But the euro area is a late cyclical; it is lagging the global cycle led by the US. As such the euro area Q1 national account income numbers that were recently released by Eurostat show no inconsistency with the above view. Once again, non-wage incomes for the euro area were up in Q1, rising by 1.3% on the quarter. This surpassed the 0.8% expansion in nominal GDP which means the non-wage share of GDP continued to rise to yet another all-time high. It seems likely that this development was partly a function of rising profitability and margins, an outcome that would fit with the expectations of UBS' European equity analysts.

Looking at the short-term prospects, we conclude that, with no real wage growth and still healthy, if not improving, productivity growth, corporate profit margins should increase throughout 2006. We introduced this view in our “9 key calls” in December last year. At the time, this was not the consensus view, but we believe it is now fair to say that this view on expanding margins is now increasingly shared by many economists and commentators.

However, next year the situation might change; cost pressures are rising. Capital market weakness and higher ECB interest rates are adding to the cost of capital, just as capital investment demand is accelerating consistent with high levels of business confidence.

Meanwhile, recovering employment growth (four-quarter growth reached 0.9% in Q1 2006) and falling unemployment (to 7.8% in June, down a percentage point on the year) suggest a tightening labour market. Wage growth should soon begin to edge higher and productivity growth will likely suffer in time.

Near term profitability may be well supported, but the drivers of profit growth (input costs and productivity) seem increasingly suggestive that a peak may be near – consistent with a turn in the business cycle.

Stéphane Deo

**UBS**

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

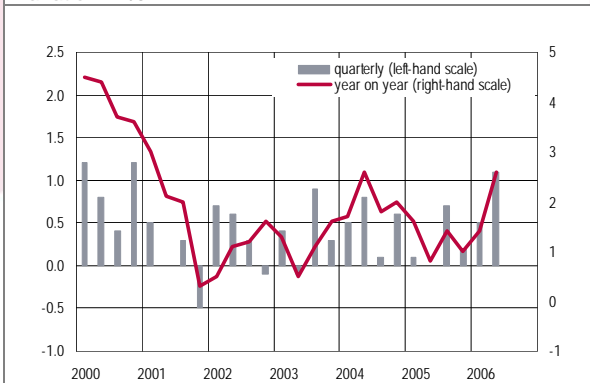
### ▸ Recent economic indicators

Industrial output*, year-on-year	2.7%	5/2006
Household consumption*, year-on-year	5.6%	6/2006
Unemployment rate (ILO)	9.0%	6/2006
Consumer prices, year-on-year		
all items	1.9%	6/2006
all items excluding tobacco	2.0%	6/2006
Trade balance, fob-fob, sa	-1.8 EUR bn	5/2006
" "	-2.0 EUR bn	4/2006
Current account balance, sa	-2.0 EUR bn	5/2006
" "	-1.2 EUR bn	4/2006
10-year constant maturity rate (TEC10)	3.94%	07/31/2006
3-month interest rate (Euribor)	3.161%	07/31/2006
EUR / USD	1.2767	07/31/2006
EUR / JPY	145.82	07/31/2006

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

### ▸ Gross domestic product at 2000 prices

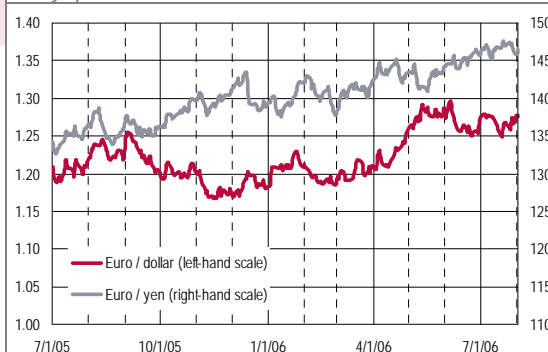
Variation in %



Source: Insee, quarterly national accounts

### ▸ Euro exchange rate

Daily quotes



Source: European Central Bank

### ▸ Government budget monthly position

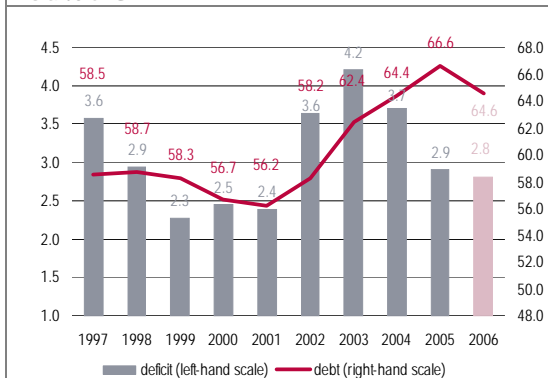
€bn

	2004	2005	end-of-June level		
			2004	2005	2006
General budget balance	-45.41	-45.15	-22.19	-24.28	-14.50
revenue	242.99	249.11	124.62	124.04	117.39
expenditure	288.40	294.26	146.81	148.32	131.89
Balance of special Treasury accounts	1.53	1.68	-9.82	-11.43	-12.36
General budget outturn	-43.88	-43.47	-32.01	-35.71	-26.86

Source: Ministry of the Economy, Finance and Industry for more information:  
[http://www.minefi.gouv.fr/themes/finances\\_etat/budget/index.htm](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

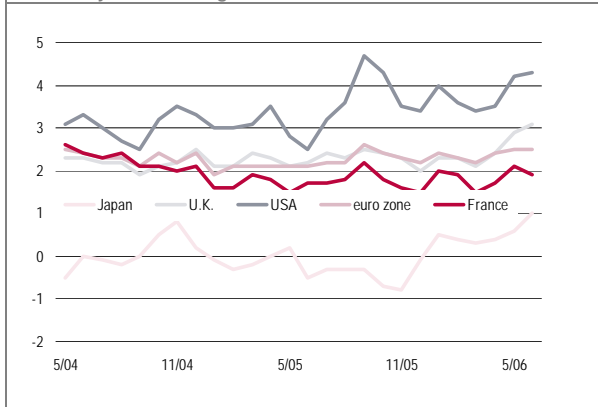
August 2006	September 2006
7 Gross foreign exchange reserves in July	5 Central government budget: statement at end of July
9 Central government budget: statement at end of June	7 Gross foreign exchange reserves in August
10 Industrial output in June	11 Industrial output in July
10 Foreign trade in June	12 Foreign trade in July
11 PIB flash estimate Q2-2006	13 Consumer prices: index for August
11 Consumer prices: provisional index for July	14 Payroll employment: final results Q2-2006
18 Payroll employment: provisional results Q2-2006	19 Balance of payments in July
18 Wages: provisional statistics Q2-2006	22 Household consumption of manufactured goods in July/August
18 Balance of payments in June	22 Wages: final statistics Q2-2006
22 Quarterly national accounts: first results Q2-2006	25 Industrial trends: monthly survey for September
25 Industrial investments: July survey	26 New building starts in August
29 New building starts in July	28 Quarterly national accounts: final results Q2-2006
29 Sales of new dwelling units: Q2-2006	29 Industrial producer prices: July/August index
31 Job seekers in July	29 Job seekers in August
31 Net foreign exchange reserves in July	29 Net foreign exchange reserves in August
	29 Household confidence survey: September survey

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

### INTERNATIONAL COMPARISONS

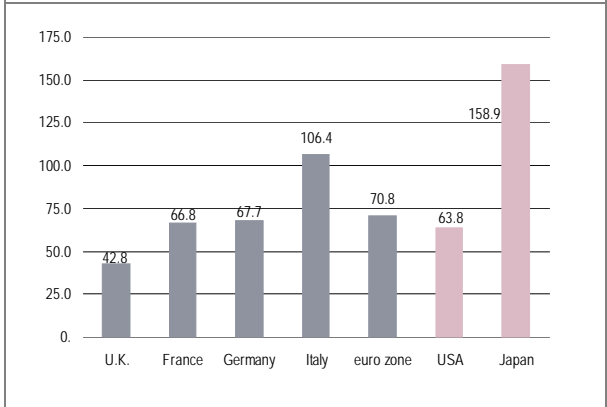
#### ▶ Consumer price index

Year-on-year % change



#### ▶ General government debt in 2005

As a % of GDP







### BTAN au 31 juillet 2006

Treasury notes at July 31, 2006

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007		41 065 000 000		
FR0103840098	BTAN 3,75% 12 janvier 2007	13 915 000 000		
FR0107489959	BTAN 2,25% 12 mars 2007	11 074 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000		
Echéance 2008		59 477 000 000		
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	5 758 000 000		
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		36 122 475 000		
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR0108664055 I	BTAN 1,25% 25 juillet 2010	4 160 475 000	(1) 1,025	4 059 000 000
Echéance 2011		22 444 000 000		
FR0108354806	BTAN 3% 12 janvier 2011	17 395 000 000		
FR010884/049	BTAN 3,5% 12 juillet 2011	5 049 000 000		

**Total BTAN / total Treasury notes 188 186 475 000**

**Durée de vie moyenne des BTAN 2 ans et 136 jours**  
Average maturity of BTANs 2 years and 136 days

### Dette négociable de l'Etat au 31 juillet 2006 /

French government negotiable debt at July 31, 2006

**Encours total / total outstanding 886 983 213 465**  
**Durée de vie moyenne 7 ans et 15 jours**  
Average maturity 7 years and 10 days

### BTF au 31 juillet 2006

Treasury bills at July 31, 2006

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	3 août 2006	3 808 000 000
BTF	10 août 2006	4 027 000 000
BTF	24 août 2006	4 008 000 000
BTF	31 août 2006	3 841 000 000
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	23 novembre 2006	4 144 000 000
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	3 013 000 000
BTF	15 février 2007	4 257 000 000
BTF	15 mars 2007	3 938 000 000
BTF	10 mai 2007	3 711 000 000
BTF	5 juillet 2007	2 936 000 000

**Total BTF / total Treasury bills 81 225 000 000**

**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 31 juillet 2006/

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

**néant / void**