



MONTHLY BULLETIN - N° 204 – May 2007

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

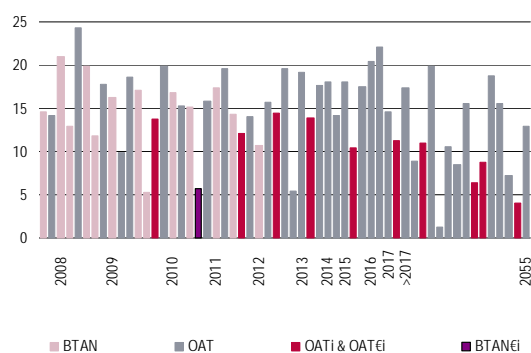
Available in French and English
Publication manager: Benoît Coeuré
Editor: Agence France Trésor



DEBT GENERAL DATA

French government long- and medium-term negotiable debt on April 30, 2007

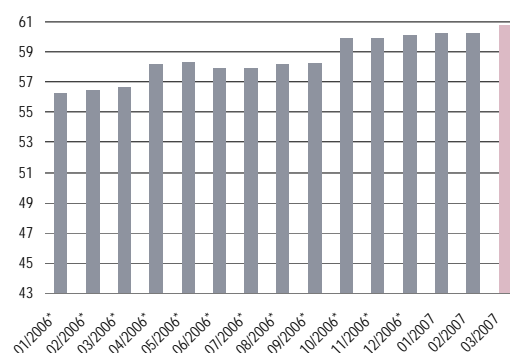
nominal value of each line, €bn



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

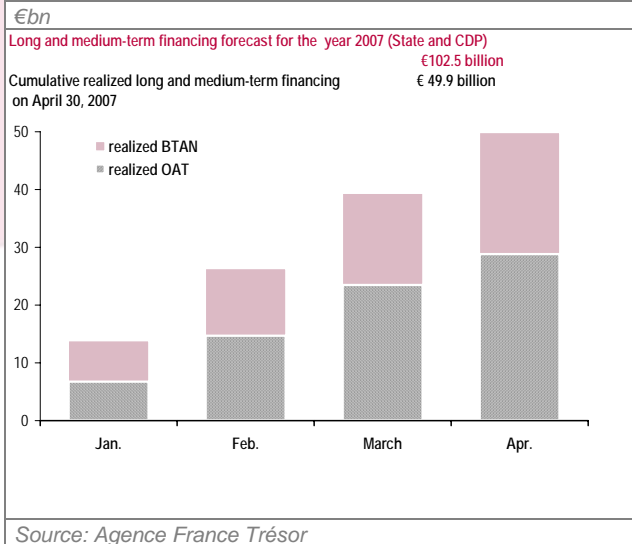
Auction indicative calendar

		BTF					BTAN / index linked OAT		OAT
May 2007	auction date	7	14	21	29	-	16	3	
	settlement date	10	16	24	31	-	22	9	
June 2007	auction date	4	11	18	25	-	21	7	
	settlement date	7	14	21	28	-	26	12	

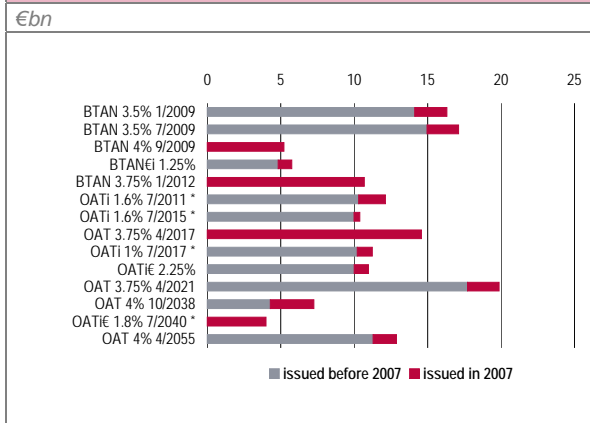
■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

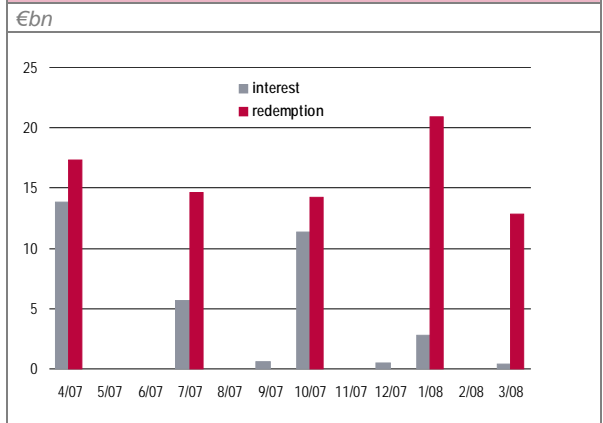
Long- and medium-term financing over the year on April 30, 2007



OATs and BTANs issues and cumulative total on April 30, 2007



OATs and BTANs: indicative repayment schedule on April 30, 2007



▶ OAT and BTAN auctions – April 2007

€m					
	OAT 10 years	OAT 30 years	BTAN 2 years	OATI 5 years	OATéi 10 years
	4/25/2017	10/25/2038	9/12/2009	7/25/2011	7/25/2015
	3.75%	4.00%	4.00%	1.6%	1.6%
Auction date	4/5/2007	4/5/2007	4/19/2007	4/19/2007	4/19/2007
Settlement date	4/11/2007	4/11/2007	4/24/2007	4/24/2007	4/24/2007
Amount announced	<3, 700 --- 4, 200>		<5,000 --- 5,500>		<1,000 --- 1,500>
Bid amount	8,680	3,765	12,560	3,745	2,587
Amount served	2,943	1,020	5,222	1,075	0,392
<i>of which: NCTs before auction</i>	0	0	0	0	0
NCTs after auction					
Total issued amount	2,943	1,020	5,222	1,075	0,392
Bid-to-cover ratio	2,95	3,69	2,41	3,48	6,60
Weighted average price	96,96%	94,51%	99,74%	98,02%	97,31%
Yield to maturity	4,13%	4,32%	4,11%	2,09%	1,96%
Indexation coefficient*	-	-	-	1,05700	1,04660

* as of the settlement date

Source: Agence France Trésor

▶ BTF auctions – April 2007

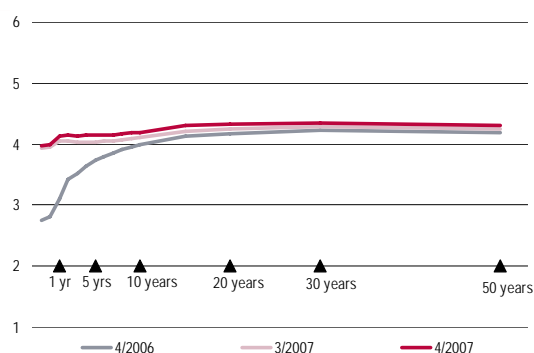
€m					
	BTF	BTF	BTF	BTF	BTF
	Short term	1 month	3 month	6 month	1 year
Auction date			4/2/2007	4/2/2007	
Settlement date			4/5/2007	4/5/2007	
Maturity			6/28/2007	10/11/2007	
Total issued amount			2,207	1,808	
Weighted average rate			3.796%	3.927%	
Auction date			4/10/2007		4/10/2007
Settlement date			4/12/2007		4/12/2007
Maturity			7/12/2007		4/10/2008
Total issued amount			1,903		1,905
Weighted average rate			3.840%		4.080%
Auction date			4/16/2007		4/16/2007
Settlement date			4/19/2007		4/19/2007
Maturity			7/12/2007		4/10/2008
Total issued amount			2,071		2,084
Weighted average rate			3.845%		4.117%
Auction date			4/23/2007	4/23/2007	
Settlement date			4/26/2007	4/26/2007	
Maturity			7/26/2007	11/8/2007	
Total issued amount			2,009	2,013	
Weighted average rate			3.875%	3.993%	
Auction date	4/30/2007		4/30/2007	4/30/2007	
Settlement date	5/2/2007		5/3/2007	5/3/2007	
Maturity	5/16/2007		7/26/2007	11/8/2007	
Total issued amount	2,002		2,003	2,003	
Weighted average rate	3.757%		3.856%	3.992%	

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

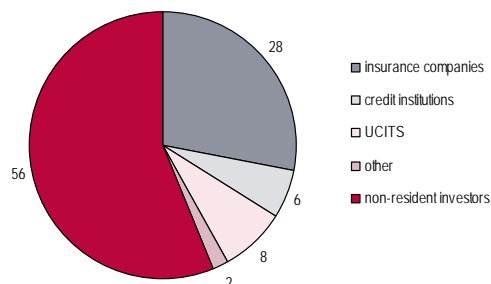
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder fourth quarter 2006

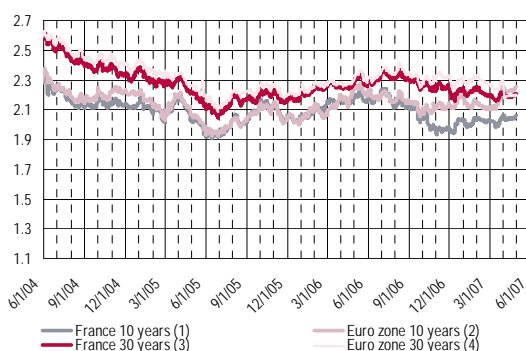
structure in %



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

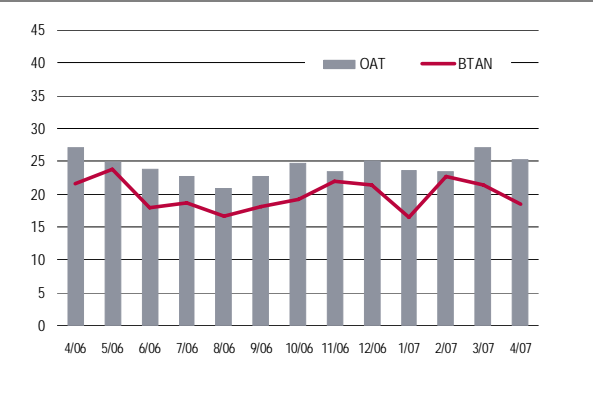
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	end 2006	March 2007	April 2007
Negotiable government debt									
outstanding	616	653	717	788	833	877	877	906	904
OAT	419	443	478	512	552	593	610	634	622
BTAN	154	158	151	167	184	189	200	194	199
BTF	43	52	88	109	97	95	66	79	83
Swaps outstanding	///	37	61	61	61	52	44	42	39
Average maturity of the negotiable debt									
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	7 years	7 years	7 years
	64 days	47 days	343 days	297 days	79 days	267 days	45 days	89 days	103 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	7 years	7 years	7 years
	///	358 days	266 days	235 days	33 days	228 days	16 days	60 days	75 days

Source: Agence France Trésor

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

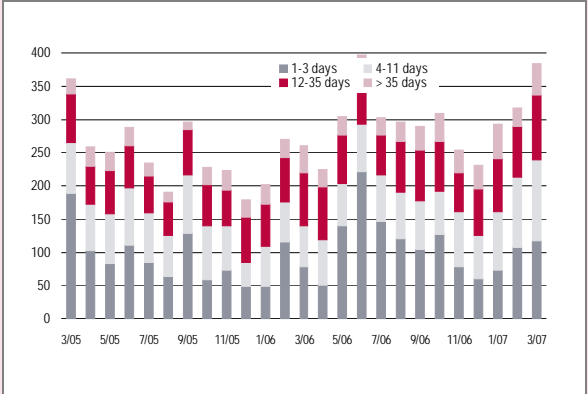
daily average (€bn)



Source: Euroclear France

▶ Primary dealers, monthly fixed-rate repo transactions

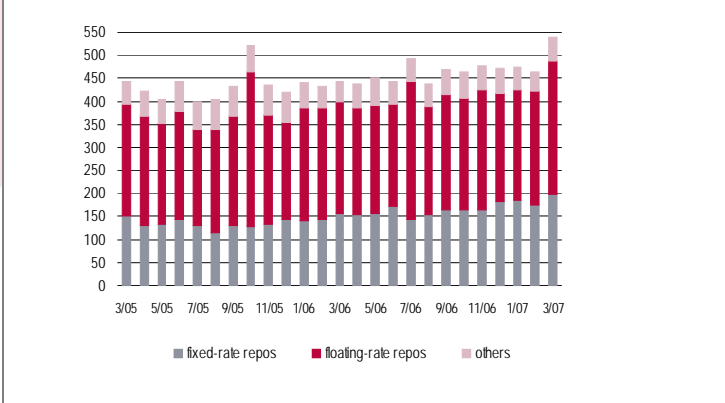
€bn



Source: primary dealers

▶ Primary dealers, repo outstanding at end of month

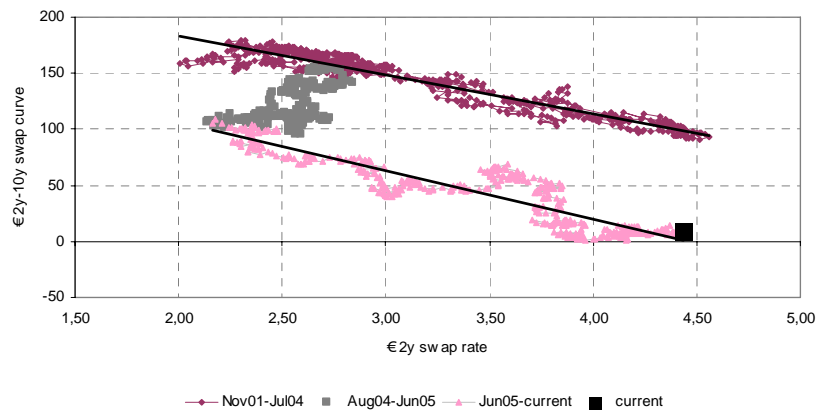
€bn



Source: primary dealers

Focus

▶ Curve is at structurally flatter levels than in the past



Source: Dresdner Kleinwort Wassertein

Flat curves: an environment that is to persist

During the past few years the yield curves in all major currency areas have flattened substantially. Is this an environment we have to get used to or rather a temporary phenomenon, which will disappear over time? And is it the mere “flood of liquidity” that is so often cited that is causing the current flatness? To state the answers first: We are of the opinion that the structural environment of flat curves will survive our forecasting horizon and are strong believers in more profound reasons than sheer liquidity that is causing it.

The term risk premium describes the compensation for the uncertainty of future rates on the short end. This uncertainty has decreased significantly during the past years. The variability of macroeconomic data has dropped significantly over the course of the last decade, a phenomenon sometimes dubbed “The Great Moderation”. Together with the central banks’ commitment and high credibility to be genuine and successful inflation fighters, this has anchored long-term inflation expectations in a narrow band. The volatility of longer dated inflation expectations also decreased. As a result the inflation and real yield term risk premia is depressed, leading to a structural new regime of flat yield curves. This is not a local theme, but holds for all major currency areas, where independent central banks focus on medium term price stability and are able to enact rate changes gradually. Thus, we proclaim that the current flatness of yield curves is mainly a result of macro economic stability coupled with central banks enjoying high credibility and not merely the consequence of a “flood of liquidity”.

Of course, this does not rule out cyclical steepening (and flattening) movement of the curves over the business (and interest rate) cycle. One can show that yield curves still bull steepen/bear flatten driven by changes of short end rates. However, these movements take place at much lower absolute levels and should continue to do so for the foreseeable future.

Risks for the prevailing, structural flat curve regime arise from a potential loss of the central banks’ high credibility or a massive shock to the global economic system, which needs to have the potential to trigger higher (expectations for) volatility of macroeconomic data and/or inflation. In both cases the term risk premia would be priced back in, resulting in steeper curves. However, both risk scenarios appear very remote. In fact, all major Atlantic Central Banks live up to the expectations to do all in their power to battle rising inflation expectations; be it the Fed which refrains from cutting rates until inflation calms down, the ECB which continuously stresses the risks to stable prices and raises rates in a steadfast manner or be it the BoE, which undoubtedly faces the greatest risks of “falling behind the curve”.

What does that mean looking ahead? We expect the curves in all major Atlantic markets, to remain in their structural flat regime, meaning a pronounced bear steepening can be safely ruled out. However, with the different currency zones being at very different stages in the economic and interest rate cycle, we expect the US\$ curve to steepen cyclically, while as long as the ECB does not move rates back in accommodative territory, we look for a very flat to inverted curve in the Eurozone. A shape of the curve market participants will have to get used to.

Debt Research
Peter Schaffrik
Dresdner Kleinwort

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 %

	2006	2007	2008
French GDP	< 2 - 2.5 >	< 2 - 2.5 >	< 2 - 2.5 >
Euro zone GDP	2.7	2.3	2.2
Household consumption	2.7	2.8	2.8
Business investment	3.8	3.8	3.6
Exports	6.2	4.6	5.7
Imports	7.1	5.5	5.3
Consumer prices (year-on-year)	1.6	1.3	1.4

Source: Ministry of the Economy, Finance and Industry

► Recent economic indicators

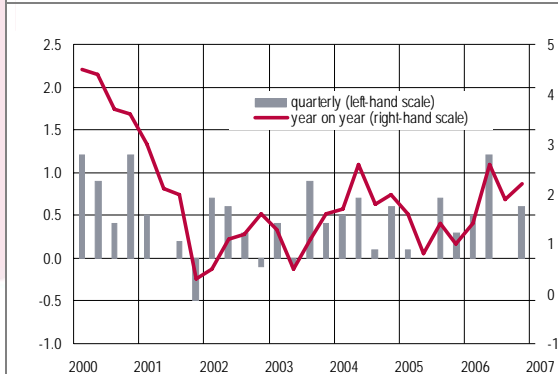
Industrial output*, year-on-year	2.5%	2/2007
Household consumption*, year-on-year	6.3%	3/2007
Unemployment rate (ILO)	8.3%	3/2007
Consumer prices, year-on-year		
all items	1.2%	3/2007
all items excluding tobacco	1.2%	3/2007
Trade balance, fob-fob, sa	-2.4 EUR bn	2/2007
" "	-2.4 EUR bn	1/2007
Current account balance, sa	-3.3 EUR bn	1/2007
" "	-2.7 EUR bn	1/2007
10-year constant maturity rate (TEC10)	4.26%	04/30/2007
3-month interest rate (Euribor)	4.017%	04/30/2007
EUR / USD	1.3605	04/30/2007
EUR / JPY	162.82	04/30/2007

*manufactured goods –

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

► Gross domestic product at 2000 prices

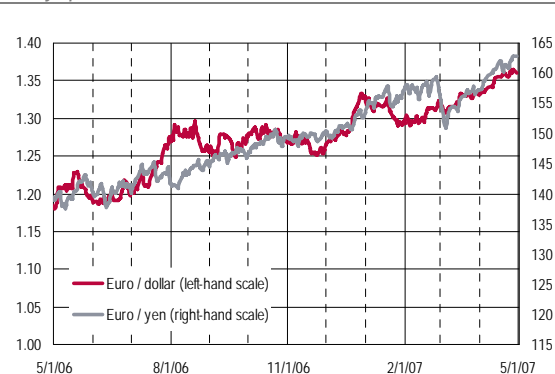
Variation in %



Source: Insee, quarterly national accounts

► Euro exchange rate

Daily quotes



Source: European Central Bank

► Government budget monthly position

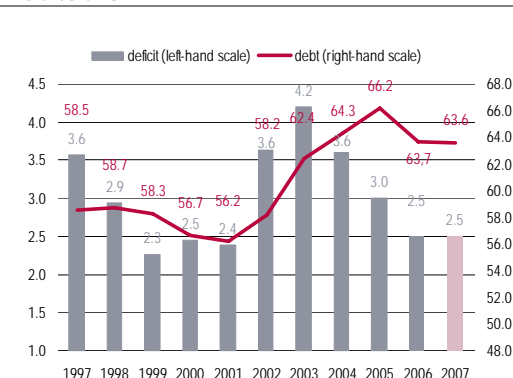
€bn

	2005	2006	end-of-March level		
			2005	2006	2007
General budget					
balance	-45.15	-42.38	-16.97	-4.25	-12.94
revenue	249.11	230.50	54.26	52.44	48.84
expenditure	294.27	272.88	71.23	56.69	61.78
Balance of special Treasury accounts	1.68	2.95	-7.85	-2.46	-11.76
General budget outturn	-43.47	-39.43	-24.82	-6.71	-24.70

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

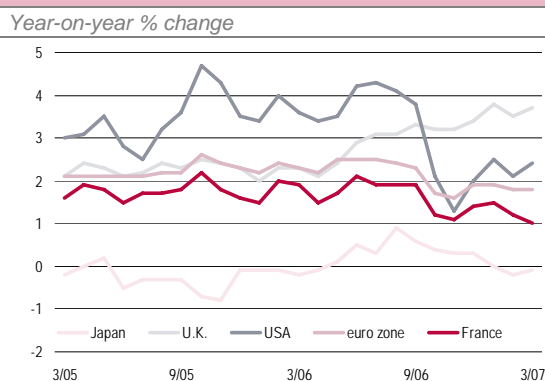
▶ Timetable for the release of French economic indicators

May 2007	June 2007
2 New building starts in March	7 Gross foreign exchange reserves in May
9 Gross foreign exchange reserves in April	8 Central government budget: statement at end of April
9 Central government budget: statement at end of March	8 Foreign trade in April
10 Industrial output in March	11 Industrial output in April
10 Foreign trade in March	13 Consumer prices: index for May
14 Industrial investments: quarterly April survey	14 Payroll employment: final results Q1-2007
15 Consumer prices: final index for April	19 Balance of payments in April
16 Payroll employment: provisional results Q1-2007	22 Household consumption of manufactured goods in May
16 Wages: provisional statistics Q1-2007	22 Wages: final statistics Q1-2007
15 Quarterly national accounts: first results Q1-2007	26 New building starts in May
15 Annual national accounts: first results 2006	27 Industrial trends: monthly survey for June
22 Balance of payments in March	29 Industrial producer prices: May index
24 Industrial trends: monthly survey for May	29 Quarterly national accounts: final results Q1-2007
25 Household consumption of manufactured goods in April	29 Household confidence survey: June survey
30 New building starts in April	29 Job seekers in May
31 Industrial producer prices: April index	29 Net foreign exchange reserves in May
31 Household confidence survey: May survey	
31 Job seekers in April	
31 Net foreign exchange reserves in April	

Harmonized index of consumer prices – Eurozone (Eurostat)
 Index for April: May 16
 Index for May: June 14

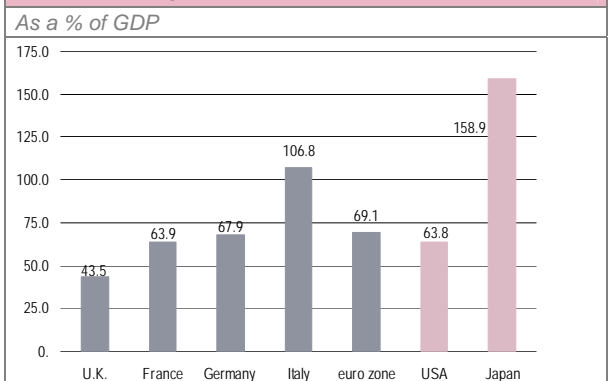
INTERNATIONAL COMPARISONS

▶ Consumer price index



Source: statistical institutes

▶ General government debt in 2006



Source: Eurostat, OECD

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

OAT au 30 avril 2007 / fungible Treasury bonds at April 30, 2007

En euros

CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembre / stripped	CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembre / stripped
FR0000570590	Echéance 2007 OAT 5,5% 25 octobre 2007	14 207 051 180			314 520 000	FR0010288357	Echéance 2016 OAT 3,25% 25 avril 2016	42 483 000 000			66 700 000
						FR0000187361	OAT 5% 25 octobre 2016	22 022 000 000			1 288 730 000
FR0000570632	Echéance 2008 OAT 5,25% 25 avril 2008	42 088 093 494			903 140 000		Echéance 2017	26 032 884 660			
FR0000570665	OAT 8,5% 25 octobre 2008	24 303 932 367			4 304 650 000	FR0010415331	OAT 3,75% 25 avril 2017	14 575 000 000			66 000 000
						FR0010235176 I	OATi 1% 25 juillet 2017	11 457 884 660 (1)	1,02002	(11 233 000 000)	
FR0000570673 V	Echéance 2009 OAT TEC10 25 janvier 2009	63 972 791 627			1 547 790 000		Echéance 2019	26 202 551 399			193 090 000
FR0000571432	OAT 4% 25 avril 2009	9 853 044 498				FR0000189151	OAT 4,25% 25 avril 2019	17 344 000 000			3 970 090 000
FR0000571424 I	OATi 3% 25 juillet 2009	18 640 258 371				FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			
FR0000186199	OATi 3% 25 juillet 2009	15 635 351 720 (1)	1,13206	(13 811 416 109)	634 680 000	FR0000570954 C	ETAT 9,82% 31 décembre 2019	14 158 506 (2)		(6 692 154)	
							Echéance 2020	11 722 899 370			
FR0000186603	Echéance 2010 OAT 5,5% 25 avril 2010	31 162 742 970			584 920 000	FR0010050559 I	OATeI 2,25% 25 juillet 2020	11 722 899 370 (1)	1,06873	(10 969 000 000)	
FR0000187023	OAT 5,5% 25 octobre 2010	15 311 719 352			1 644 230 000		Echéance 2021	19 857 000 000			
						FR0010192997	OAT 3,75% 25 avril 2021	19 857 000 000			560 290 000
FR0000570731	Echéance 2011 OAT 6,5% 25 avril 2011	46 447 492 122			743 830 000		Echéance 2022	1 243 939 990			
FR0010094375 I	OATi 1,6% 25 juillet 2011	19 572 445 710				FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			920 150 000
FR0000187874	OATi 1,6% 25 juillet 2011	12 820 160 080 (1)	1,05742	(12 124 000 000)			Echéance 2023	10 606 195 903			
						FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 013 290 000
FR0000188328	OAT 5% 25 avril 2012	14 054 886 332			369 990 000		Echéance 2025	8 511 928 118			
FR0000188013 I	Echéance 2012 OAT 5% 25 avril 2012	56 700 814 563			1 174 850 000	FR0000571150	OAT 6% 25 octobre 2025	8 511 928 118			3 094 150 000
FR0000188690	OATeI 3% 25 juillet 2012	15 654 110 580					Echéance 2028	14 480 883			
FR0000188690	OAT 4,75% 25 octobre 2012	16 006 883 720 (1)	1,10438	(14 494 000 000)	825 700 000	FR0000571226 C	OAT zéro coupon 28 mars 2028	14 480 883 (3)		(46 232 603)	
FR0000570780	OAT 8,5% 26 décembre 2012	19 554 122 924					Echéance 2029	22 668 161 863			2 563 190 000
						FR0000186413 I	OATi 3,4% 25 juillet 2029	7 167 281 405 (1)	1,12726	(6 358 144 000)	
FR0000188989	Echéance 2013 OAT 4% 25 avril 2013	5 485 697 339			140 900 000		Echéance 2032	28 200 938 760			
FR0000188955 I	OATi 2,5% 25 juillet 2013	51 712 402 991				FR0000188799 I	OATeI 3,15% 25 juillet 2032	9 462 938 760 (1)	1,08284	(8 739 000 000)	
FR0010011130	OATi 2,5% 25 juillet 2013	19 137 183 879			139 300 000	FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			7 100 300 000
							Echéance 2035	15 614 000 000			
FR0010061242	Echéance 2014 OAT 4% 25 avril 2014	32 145 724 224			49 780 000	FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 268 570 000
FR0010112052	OAT 4% 25 octobre 2014	18 039 752 234			87 950 000		Echéance 2038	7 258 000 000			
						FR0010371401	OAT 4% 25 octobre 2038	7 258 000 000			1 057 300 000
FR0010163543	Echéance 2015 OAT 3,5% 25 avril 2015	46 384 146 893			43 750 000		Echéance 2040	4 012 200 000			
FR0010135525 I	OATeI 1,6% 25 juillet 2015	18 055 313 893				FR0010447367 I	OATeI 1,8% 25 juillet 2040	4 012 200 000 (1)	1,00305	(4 000 000 000)	
FR0010216481	OAT 3% 25 octobre 2015	10 878 833 000 (1)	1,04725	(10 388 000 000)	81 260 000		Echéance 2055	12 878 000 000			
						FR0010171975	OAT 4% 25 avril 2055	12 878 000 000			1 634 950 000

(1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2006 / including coupons capitalized at 12/31/2006 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 31/03/2007 / actualized value at 03/31/2007 ; 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	622 127 441 010
Encours démembré / stripped outstanding	46 388 040 000
En % des lignes démembrables	9,42 %
Durée de vie moyenne	9 ans et 305 jours
Average maturity	9 years and 305 days

BTAN au 30 avril 2007

Treasury notes at April 30, 2007

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007		14 626 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	14 626 000 000		
Echéance 2008		65 558 000 000		
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	11 839 000 000		
Echéance 2009		38 634 000 000		
FR0106589437	BTAN 3,5% 12 janvier 2009	16 305 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	17 107 000 000		
FR0110979178	BTAN 4% 12 septembre 2009	5 222 000 000		
Echéance 2010		37 875 722 900		
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR01086640551	BTAN€i 1,25% 25 juillet 2010	5 913 722 900	(1) 1,02758	5 755 000 000
Echéance 2011		31 718 000 000		
FR0108354806	BTAN 3% 12 janvier 2011	17 395 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	14 323 000 000		
Echéance 2012		10 685 000 000		
FR0109970386	BTAN 3,75% 12 janvier 2012	10 685 000 000		

Total BTAN / total Treasury notes 199 096 722 900

Durée de vie moyenne des BTAN 2 ans et 68 jours
Average maturity of BTANs 2 years and 68 days

Dette négociable de l'Etat au 30 avril 2007 /

French government negotiable debt at April 30, 2007

Encours total / total outstanding 904 199 163 910

Durée de vie moyenne 7 ans et 103 jours
Average maturity 7 years and 103 days

BTF au 30 avril 2007

Treasury bills at April 30, 2007

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	3 mai 2007	3 809 000 000
BTF	10 mai 2007	3 711 000 000
BTF	16 mai 2007	3 517 000 000
BTF	31 mai 2007	3 828 000 000
BTF	14 juin 2007	4 299 000 000
BTF	21 juin 2007	3 409 000 000
BTF	28 juin 2007	4 213 000 000
BTF	5 juillet 2007	4 192 000 000
BTF	12 juillet 2007	3 974 000 000
BTF	19 juillet 2007	3 707 000 000
BTF	26 juillet 2007	2 009 000 000
BTF	2 août 2007	4 137 000 000
BTF	13 septembre 2007	3 987 000 000
BTF	27 septembre 2007	4 220 000 000
BTF	11 octobre 2007	3 850 000 000
BTF	25 octobre 2007	4 476 000 000
BTF	8 novembre 2007	2 013 000 000
BTF	22 novembre 2007	3 482 000 000
BTF	17 janvier 2008	4 147 000 000
BTF	14 février 2008	3 862 000 000
BTF	13 mars 2008	4 144 000 000
BTF	10 avril 2008	3 989 000 000

Total BTF / total Treasury bills 82 975 000 000

Durée de vie moyenne des BTF 131 jours
Average maturity of BTFs 131 days

Réserve de titres de la Caisse de la dette publique au 30 avril 2007 /

Securities held in reserve by Caisse de la dette publique at April 30, 2007

néant / void