



MONTHLY BULLETIN - N° 220 – September 2008

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

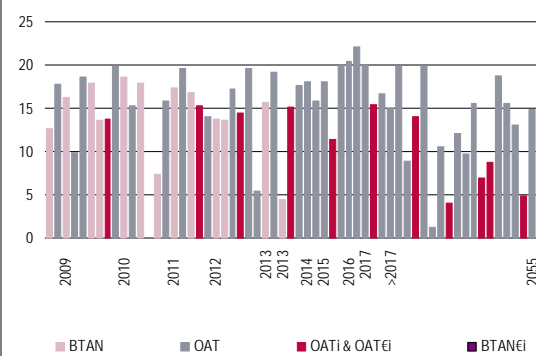
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on August 31, 2008

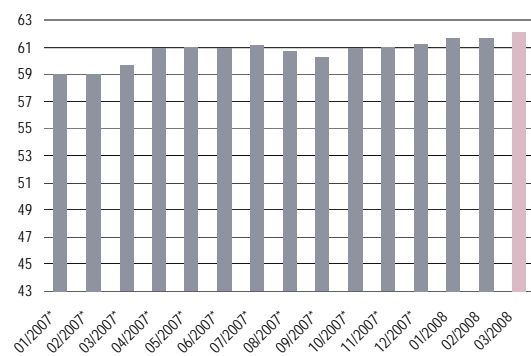
nominal value of each line, €bn



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 2006, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2006 (**).
(*) figures revised quarterly (**) figures revised annually

Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
September 2008	auction date	1	8	15	22	29	18	4
	settlement date	4	11	18	25	2 oct.	23	9
October 2008	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

NEWS

A slight lead in the borrowing programme

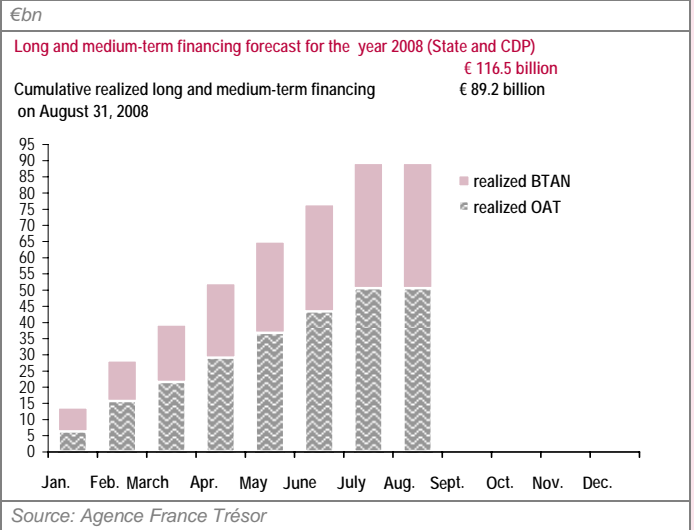
Between 1 January 2008 and 31 August, Agence France Trésor's medium- and long-term issuance stood at €90.53bn after buybacks. This is the equivalent of 77.7% of the annual programme, and is on par with the 80.5% observed at the same period the previous year.

Based on changes in market conditions and given the room to manoeuvre made possible by advances made in the borrowing programme, Agence France Trésor reserves the right to proceed with over-the-counter buybacks. This strategy will reduce bonds falling due in 2009.

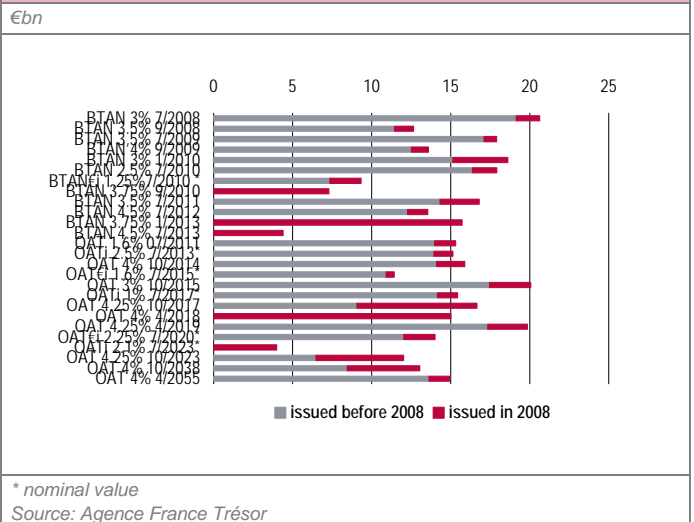
Specifically, the AFT issued the equivalent of €77.736bn in fixed-rate loans, including €40.942bn in OATs and €36.794bn in BTANs. At the same time, auctions of inflation-indexed securities came to €12.794bn, or more than 10% of the agency's programme. This was done in response to strong demand from international investors, like the previous year. AFT raised a total of €7.798bn in French inflation-indexed bonds. This slight advance with respect to European inflation-indexed securities was due to the syndication of the 25 July 2008 2.10% OATi, for a total of €3bn.

PRIMARY MARKET

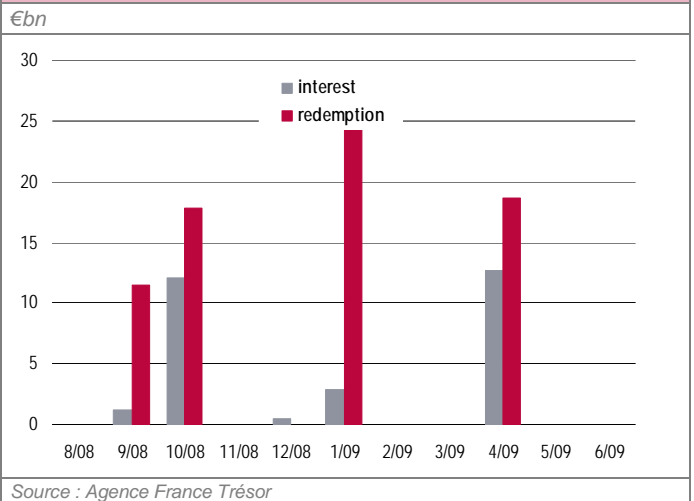
Long- and medium-term financing over the year on August 31, 2008



OATs and BTANs issues and cumulative total on August 31, 2008



OATs and BTANs: indicative repayment schedule on August 31, 2008



▶ OAT and BTAN auctions – August 2008

€m

No auction in August

Source: Agence France Trésor

▶ BTF auctions – August 2008

€m

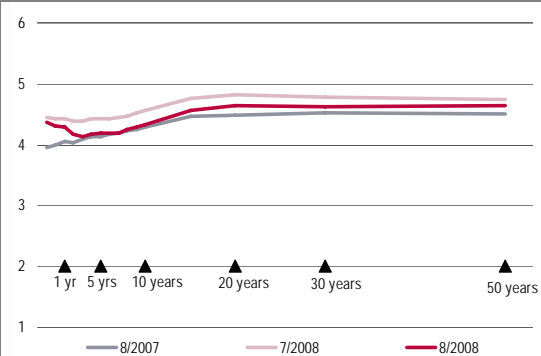
	BTF	BTF	BTF	BTF	BTF	BTF
	1 month	2 month	3 month		6 month	1 year
Auction date		8/4/2008	8/4/2008		8/4/2008	8/4/2008
Settlement date		8/7/2008	8/7/2008		8/7/2008	8/7/2008
Maturity		9/25/2008	10/30/2008		1/29/2009	7/30/2009
Total issued amount		1,033	2,256		1,020	2,083
Weighted average rate		4.307%	4.335%		4.404%	4.445%
Auction date			8/11/2008	8/11/2008	8/11/2008	
Settlement date			8/14/2008	8/14/2008	8/14/2008	
Maturity			11/13/2008	12/4/2008	2/26/2009	
Total issued amount			3,047	1,014	1,716	
Weighted average rate			4.332%	4.334%	4.343%	
Auction date	18/8/2008	18/8/2008	18/8/2008		18/8/2008	
Settlement date	21/8/2008	21/8/2008	21/8/2008		21/8/2008	
Maturity	25/9/2008	23/10/2008	13/11/2008		26/2/2009	
Total issued amount	2,095	1,021	2,841		1,089	
Weighted average rate	4.308%	4.320%	4.320%		4.363%	
Auction date	8/25/2008		8/25/2008	8/25/2008		8/25/2008
Settlement date	8/28/2008		8/28/2008	8/28/2008		8/28/2008
Maturity	10/2/2008		11/27/2008	12/18/2008		8/27/2009
Total issued amount	1,064		3,088	1,649		1,338
Weighted average rate	4.314%		4.337%	4.336%		4.282%

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

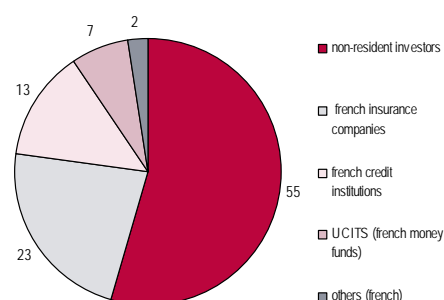
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder fourth quarter 2007

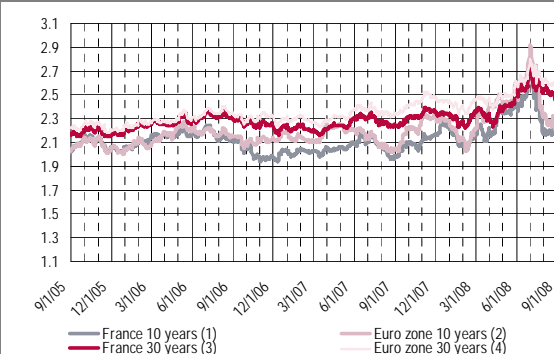
structure in %



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 OATe 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 OATe 3.15% July 2032

Negotiable government debt and swaps

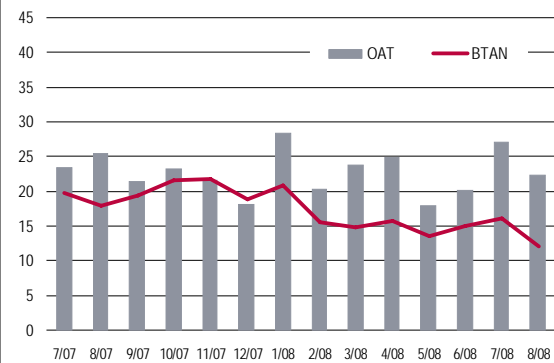
€bn

	end 2001	end 2002	end 2003	end 2004	end 2005	end 2006	end 2007	end of July 2008	end of August 2008
Negotiable government debt outstanding	653	717	788	833	877	877	921	975	984
OAT	443	478	512	552	593	610	641	675	676
BTAN	158	151	167	184	189	200	202	196	196
BTF	52	88	109	97	95	66	78	103	112
Swaps outstanding	37	61	61	61	52	44	42	35	34
Average maturity of the negotiable debt									
before swaps	6 years	5 years	5 years	6 years	6 years	7 years	7 years	7 years	7 years
	47 days	343 days	297 days	79 days	267 days	45 days	51 days	52 days	2 days
after swaps	5 years	5 years	5 years	6 years	6 years	7 years	7 years	7 years	6 years
	358 days	266 days	235 days	33 days	228 days	16 days	29 days	34 days	349 days

Source: Agence France Trésor

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

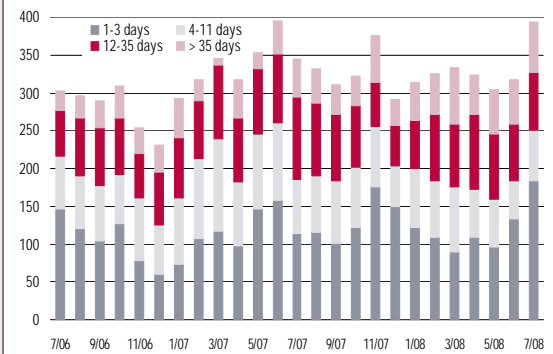
daily average (€bn)



Source: Euroclear France

Primary dealers, monthly fixed-rate repo transactions

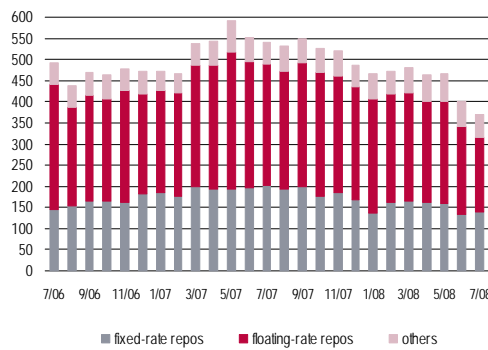
€bn



Source: primary dealers

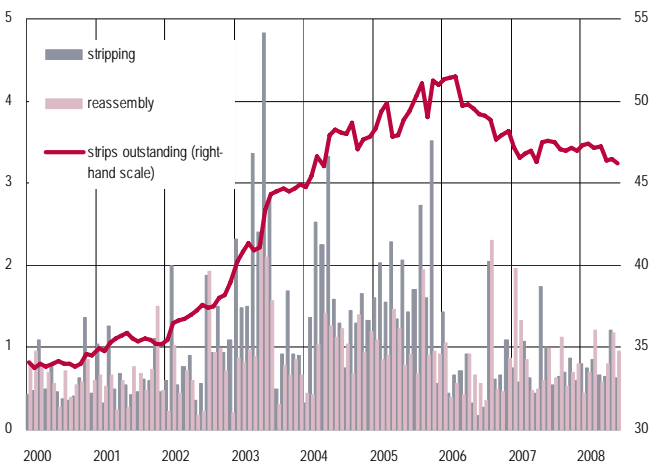
Primary dealers, repo outstanding at end of month

€bn



Source: primary dealers

Stripping and reassembly activity



See tabs on pages 9 and 10 for more details on stripped bonds
Source: Euroclear France

The property market correction is set to continue

By Mathilde Lemoine, HSBC France Director of Economic Research and Market Strategy

The property boom supported euro zone growth through a substantial increase in the number of new housing starts, but it also led to a surge in house prices: 15.4% per year from 2003 to 2006 in Spain, 11% in Ireland and 13.6% in France. The construction sector's strength drove residential investment, household spending and job creations, but rising house prices ended up hurting households' purchasing power. As a result, property markets turned down from 2007 and the scale of the deceleration has been accentuated by rising mortgage rates following last summer's crisis.

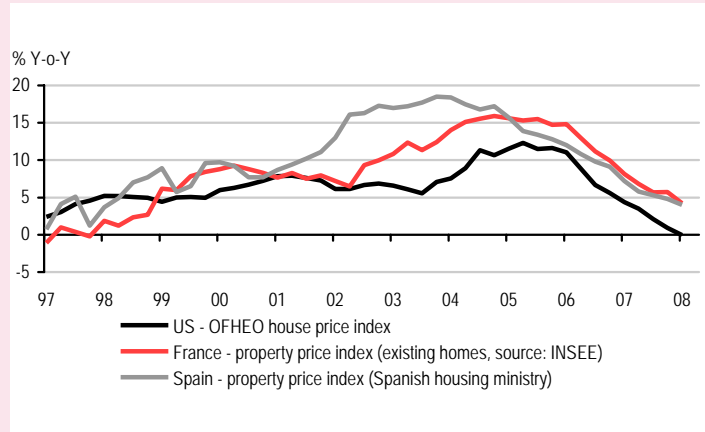
New housing starts have now fallen in France as in Spain. The construction sector is destroying jobs in most euro zone countries, with the exception of France for the time being, while prices are falling in France, Ireland and Spain for the first time since 1998. The Eurostoxx

construction sector index has already lost 34% since the beginning of the year and the CDS on euro zone construction companies' bonds hit 207 bp compared with 85 bp in January 2008.

These recent trends are worrying since they are similar in most developed countries: house prices are moving in tandem, independently of country-specific conditions. The surge in prices was fuelled by low interest rates and the sharp rise in real disposable income. Fixed mortgage rates have also been below 10-year OATs for a long time. As a result, prices have deviated significantly from their long-term average, since supply has been relatively inelastic. The housing shortage in France (414 000 in our calculations) did not manage to drive upward the demand in housing.

The property price cycle is common to all developed countries, driven by changes in interest rates and international economic conditions. An IMF study calculates that these two variables explain 40% of the moves, with national factors contributing 60%. France is not immune from this rule and the housing shortage will not be sufficient for the country to avoid a significant property market correction. We expect new and existing home prices to be steady in 2008 and decline by 6% in 2009. And the chances of credit tightening have increased and rising inflation has supported 10-year OATs. This is likely to lead to a further rise in mortgage rates after they had stabilised in the spring. The adjustment therefore threatens to continue.

► House prices have moved in tandem, independently of country-specific conditions



Source : Bloomberg, Datastream, HSBC

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, Industry and Employment.

THE FRENCH ECONOMY

▸ Macro-economic forecast

Real growth rate as a %

	2007	2008	2009
French GDP	1.9	< 1.7 - 2.0 >	< 1 3/4 - 2 1/4 >
Euro zone GDP	2.6	1.8	1.9
Household consumption	2.0	2.1	2.4
Business investment	4.5	3.8	3.6
Exports	2.7	2.5	4.3
Imports	4.1	2.7	4.1
Consumer prices (year-on-year)	1.5	2.2	1.6

Source: Ministry of the Economy, Industry and Employment

▸ Recent economic indicators

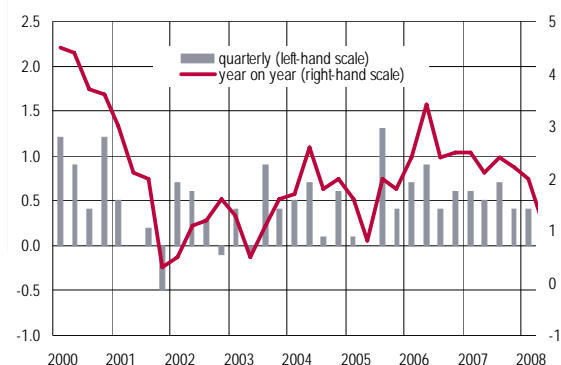
Industrial output*, year-on-year	-2.0%	7/2008
Household consumption*, year-on-year	1.0%	6/2008
Unemployment rate (ILO)	7.2%	6/2008
Consumer prices, year-on-year		
all items	3.2%	8/2008
all items excluding tobacco	3.2%	8/2008
Trade balance, fob-fob, sa	-4.8 EUR bn	7/2008
"	-5.4 EUR bn	6/2008
Current account balance, sa	-3.8 EUR bn	7/2008
"	-4.3 EUR bn	6/2008
10-year constant maturity rate (TEC10)	4.36%	08/29/2008
3-month interest rate (Euribor)	4.963%	08/29/2008
EUR / USD	1.4735	08/29/2008
EUR / JPY	130.22	08/29/2008

*manufactured goods –

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

▸ Gross domestic product at chain-linked previous year prices

Variation in %



Source: Insee, quarterly national accounts

▸ Euro exchange rate

Daily quotes



Source: European Central Bank

▸ Government budget monthly position

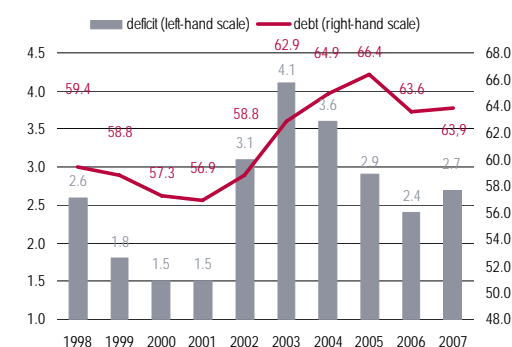
€bn

	2005	2006	end of July level		
			2006	2007	2008
General budget balance	-42.48	-38.19	-27.64	-29.66	-29.44
revenue	230.40	232.44	132.92	134.94	134.58
expenditure	272.88	270.63	160.55	164.60	164.02
Balance of special Treasury accounts	3.48	-0.21	-17.18	-18.33	-21.95
General budget outturn	-39.00	-38.40	-44.81	-47.99	-51.39

Source: Ministry of the Budget, Public Accounts and the Civil Service for more information: <http://www.budget.gouv.fr/>

▸ Public finance: general government deficit and debt

As a % of GDP



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

▶ Timetable for the release of French economic indicators

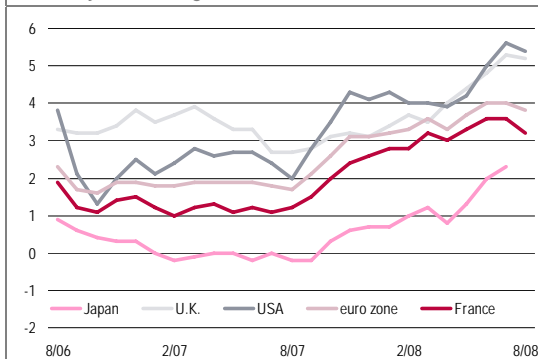
September 2008	October 2008
5 Central government budget: statement at end of July	7 Gross foreign exchange reserves in September
5 Gross foreign exchange reserves in August	8 Foreign trade in August
10 Industrial output in July	8 Central government budget: statement at end of August
10 Foreign trade in July	10 Industrial output in August
11 Payroll employment: final results Q2-2008	13 Balance of payments in August
12 Consumer prices: index for August	14 Consumer prices: index for September
15 Balance of payments in July	23 Household consumption of manufactured goods in September
19 Wages: final statistics Q2-2008	23 Industrial trends: monthly survey for October
23 Household consumption of manufactured goods in July/August	28 Industrial trends: quarterly survey for October
24 Industrial trends: monthly survey for September	28 New building starts in September
26 Quarterly national accounts: final results Q2-2008	28 Household confidence survey: October survey
26 Household confidence survey: September survey	30 Job seekers in September
29 Job seekers in August	30 Industrial producer prices: September index
30 New building starts in August	31 Net foreign exchange reserves in September
30 Industrial producer prices: July/August index	
30 Net foreign exchange reserves in August	

Harmonized index of consumer prices – Eurozone (Eurostat)
Index for August: September 16
Index for September: October 15

INTERNATIONAL COMPARISONS

▶ Consumer price index

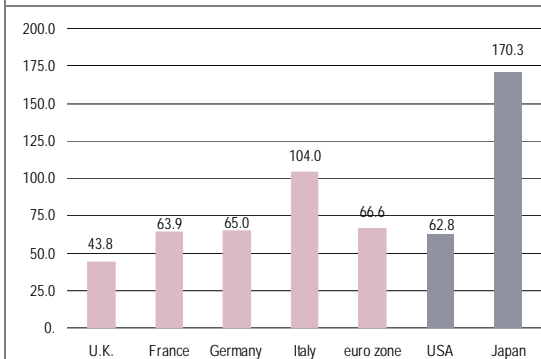
Year-on-year % change



Source: statistical institutes

▶ General government debt in 2007

As a % of GDP



Source: Eurostat, OECD

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

▶ OAT au 31 août 2008 / fungible Treasury bonds at August 31, 2008

En euros

CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré /stripped	CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré /stripped
	Echéance 2008	17 784 161 127					Echéance 2018	15 006 000 000			
FR0000570665	OAT 8,5% 25 octobre 2008	17 784 161 127			3 779 720 000	FR0010604983	OAT 4% 25 avril 2018	15 006 000 000			132 500 000
	Echéance 2009	64 735 596 139					Echéance 2019	28 707 941 765			
FR0000570673 V	OAT TEC10 25 janvier 2009	9 853 044 498				FR0000189151	OAT 4,25% 25 avril 2019	19 848 000 000			208 090 000
FR0000571432	OAT 4% 25 avril 2009	18 640 258 371			1 137 990 000	FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			3 885 290 000
FR0000571424 I	OATi 3% 25 juillet 2009	16 398 156 232 (1)	1,18729	(13 811 416 109)		FR0000570954 C	ETAT 9,82% 31 décembre 2019	15 548 872 (2)		(6 692 154)	
FR0000186199	OAT 4% 25 octobre 2009	19 844 137 038			607 130 000		Echéance 2020	15 819 496 880			
	Echéance 2010	31 162 742 970				FR0010050559 I	OATEi 2,25% 25 juillet 2020	15 819 496 880 (1)	1,12948	(14 006 000 000)	
FR0000186603	OAT 5,5% 25 avril 2010	15 311 719 352			620 720 000		Echéance 2021	19 857 000 000			
FR0000187023	OAT 5,5% 25 octobre 2010	15 851 023 618			1 246 280 000	FR0010192997	OAT 3,75% 25 avril 2021	19 857 000 000			478 640 000
	Echéance 2011	50 609 602 172					Echéance 2022	1 243 939 990			
FR0000570731	OAT 6,5% 25 avril 2011	19 572 445 710			1 010 130 000	FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			814 250 000
FR0010094375 I	OATi 1,6% 25 juillet 2011	16 982 270 130 (1)	1,10901	(15 313 000 000)			Echéance 2023	26 768 253 483			
FR0000187874	OAT 5% 25 octobre 2011	14 054 886 332			330 940 000	FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 049 940 000
	Echéance 2012	59 125 747 883				FR0010585901 I	OATi 2,1% 25 juillet 2023	4 142 057 580 (1)	1,03707	(3 994 000 000)	
FR0000188328	OAT 5% 25 avril 2012	17 169 110 580			740 150 000	FR0010466938	OAT 4,25% 25 octobre 2023	12 020 000 000			270 000 000
FR0000188013 I	OATeI 3% 25 juillet 2012	16 916 817 040 (1)	1,16716	(14 494 000 000)			Echéance 2025	9 671 928 118			
FR0000188690	OAT 4,75% 25 octobre 2012	19 554 122 924			791 400 000	FR0000571150	OAT 6% 25 octobre 2025	9 671 928 118			3 310 600 000
FR0000570780	OAT 8,5% 26 décembre 2012	5 485 697 339					Echéance 2028	15 303 907			
	Echéance 2013	53 799 716 091				FR0000571226 C	OAT zéro coupon 28 mars 2028	15 303 907 (3)		(46 232 603)	
FR0000188989	OAT 4% 25 avril 2013	19 137 183 879			198 650 000		Echéance 2029	23 662 191 483			
FR0000188955 I	OATi 2,5% 25 juillet 2013	17 065 774 533 (1)	1,12676	(15 145 882 471)		FR0000571218	OAT 5,5% 25 avril 2029	15 500 880 458			2 241 770 000
FR0010011130	OAT 4% 25 octobre 2013	17 596 757 679			251 820 000	FR0000186413 I	OATi 3,4% 25 juillet 2029	8 161 311 025 (1)	1,18226	(6 903 144 000)	
	Echéance 2014	33 925 724 224					Echéance 2032	28 738 911 600			
FR0010061242	OAT 4% 25 avril 2014	18 039 752 234			266 380 000	FR0000188799 I	OATEi 3,15% 25 juillet 2032	10 000 911 600 (1)	1,1444	(8 739 000 000)	
FR0010112052	OAT 4% 25 octobre 2014	15 885 971 990			158 050 000	FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			6 297 200 000
	Echéance 2015	50 774 243 963					Echéance 2035	15 614 000 000			
FR0010163543	OAT 3,5% 25 avril 2015	18 055 313 893			170 850 000	FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			2 861 020 000
FR0010135525 I	OATeI 1,6% 25 juillet 2015	12 653 930 070 (1)	1,10679	(11 433 000 000)			Echéance 2038	13 043 000 000			
FR0010216481	OAT 3% 25 octobre 2015	20 065 000 000			383 840 000	FR0010371401	OAT 4% 25 octobre 2038	13 043 000 000			2 113 250 000
	Echéance 2016	42 483 000 000					Echéance 2040	5 121 246 480			
FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			29 950 000	FR0010447367 I	OATeI 1,8% 25 juillet 2040	5 121 246 480 (1)	1,06008	(4 831 000 000)	
FR0000187361	OAT 5% 25 octobre 2016	22 022 000 000			1 126 480 000		Echéance 2055	14 926 000 000			
	Echéance 2017	53 162 984 520				FR0010171975	OAT 4% 25 avril 2055	14 926 000 000			3 266 790 000
FR0010415331	OAT 3,75% 25 avril 2017	19 990 000 000			329 300 000						
FR0010235176 I	OATi 1% 25 juillet 2017	16 510 984 520 (1)	1,06978	(15 434 000 000)							
FR0010517417	OAT 4,25% 25 octobre 2017	16 662 000 000			196 700 000						

- (1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2007 / including coupons capitalized at 12/31/2007 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 31/03/2008 / actualized value at 03/31/2008 ; 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	675 758 732 795
Encours démembré /stripped outstanding	46 305 820 000
En % des lignes démembrables	7,01 %
Average maturity	9 ans et 198 jours
	9 years and 198 days

BTAN au 31 août 2008

Treasury notes at August 31, 2008

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2008				
FR0109136137	BTAN 3,5% 12 septembre 2008	12 644 504 000		
Echéance 2009				
FR0106589437	BTAN 3,5% 12 janvier 2009	47 715 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	16 205 000 000		
FR0110979178	BTAN 4% 12 septembre 2009	17 908 000 000		
Echéance 2010				
FR0107369672	BTAN 3% 12 janvier 2010	13 602 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	53 979 950 000		
FR0108664055 1	BTAN 1,25% 25 juillet 2010	18 626 000 000	(1) 1,08600	9 325 000 000
FR0113872776	BTAN 3,75% 12 septembre 2010	17 926 000 000		
Echéance 2011				
FR0108354806	BTAN 3% 12 janvier 2011	7 301 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	34 208 000 000		
Echéance 2012				
FR0109970386	BTAN 3,75% 12 janvier 2012	17 395 000 000		
FR0110979186	BTAN 4,5% 12 juillet 2012	16 813 000 000		
Echéance 2013				
FR0113087466	BTAN 3,75% 12 janvier 2013	20 123 000 000		
FR0114683842	BTAN 4,5% 12 juillet 2013	13 721 000 000		
		13 556 000 000		
		15 718 000 000		
		4 405 000 000		

Total BTAN / total Treasury notes 195 947 454 000

Durée de vie moyenne des BTAN 2 ans et 28 jours
Average maturity of BTANs 2 years and 28 days

Dette négociable de l'Etat au 31 août 2008 /

French government negotiable debt at August 31, 2008

Encours total / total outstanding 983 753 186 795

Durée de vie moyenne 7 ans et 2 jours
Average maturity 7 years and 2 days

BTF au 31 août 2008

Treasury bills at August 31, 2008

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	4 septembre 2008	4 050 000 000
BTF	11 septembre 2008	4 802 000 000
BTF	18 septembre 2008	4 146 000 000
BTF	25 septembre 2008	5 251 000 000
BTF	2 octobre 2008	5 191 000 000
BTF	9 octobre 2008	3 558 000 000
BTF	16 octobre 2008	5 357 000 000
BTF	23 octobre 2008	5 192 000 000
BTF	30 octobre 2008	4 966 000 000
BTF	6 novembre 2008	4 434 000 000
BTF	13 novembre 2008	5 888 000 000
BTF	20 novembre 2008	4 374 000 000
BTF	27 novembre 2008	3 088 000 000
BTF	4 décembre 2008	4 063 000 000
BTF	18 décembre 2008	4 890 000 000
BTF	15 janvier 2009	4 209 000 000
BTF	29 janvier 2009	4 661 000 000
BTF	12 février 2009	3 226 000 000
BTF	26 février 2009	2 805 000 000
BTF	12 mars 2009	4 407 000 000
BTF	9 avril 2009	3 754 000 000
BTF	7 mai 2009	4 770 000 000
BTF	4 juin 2009	4 342 000 000
BTF	2 juillet 2009	4 951 000 000
BTF	30 juillet 2009	4 334 000 000
BTF	27 août 2009	1 338 000 000

Total BTF / total Treasury bills 112 047 000 000

Durée de vie moyenne des BTF 120 jours
Average maturity of BTFs 120 days

Réserve de titres de la Caisse de la dette publique au 31 août 2008 /

Securities held in reserve by Caisse de la dette publique at August 31, 2008

néant / void