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

MONTHLY BULLETIN - N° 236 – January 2010

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

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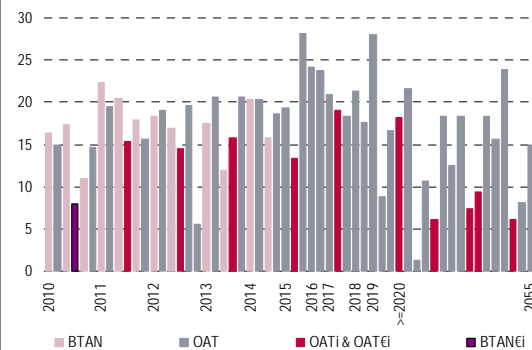
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on December 31, 2009

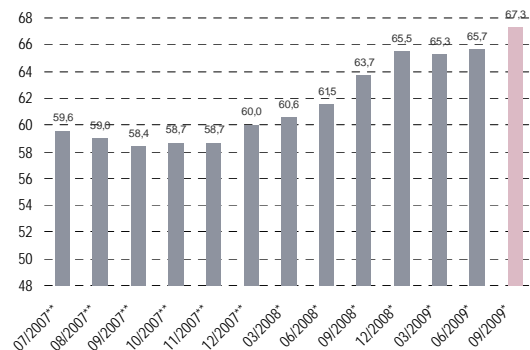
nominal value of each line, €bn



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	
January 2010	auction date	4	11	18	25	-	21	7		
	settlement date	7	14	21	28	-	26	12		
February 2010	auction date	1	8	15	22	-	18	4		
	settlement date	4	11	18	25	-	23	9		

anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

NEWS

A commitment to creating new indexed benchmarks

The Agence France Trésor has launched the OATi 1.30% 25 July 2019, a new 10-year benchmark linked to France's inflation rate. This bond, issued for the first time on 21 January 2010, was set at an issue price of 99.01%. The issue came to €2.57billion, and total demand was €5.31 billion.

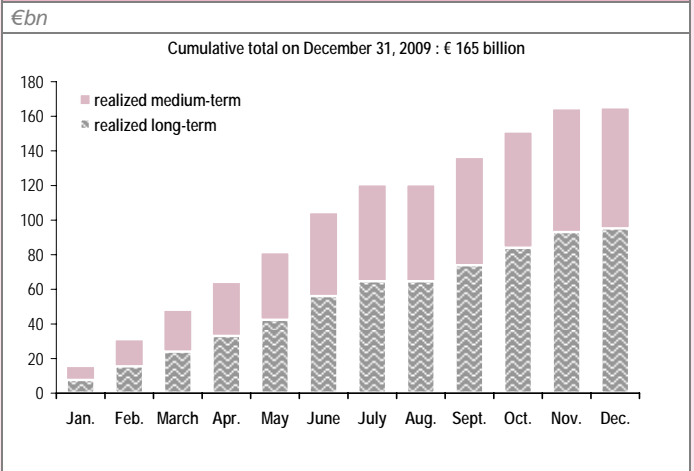
As it reaffirmed in its recent announcement of the State's medium- and long- term borrowing programme for 2010, AFT is thus holding firm to its strategy of issuing OATs linked to both French and European inflation rates. Following the introduction of this new 10-year OATi, AFT will next offer a new 15-year benchmark linked to European inflation.

French inflation-linked bonds outstanding total €66.3 billion, against €68 billion for those linked to European inflation; this shows France's willingness and capacity to have a major presence in both compartments.

For 2010, AFT is carrying over its commitment to having indexed benchmarks represent about 10% of net issuance of medium- and long-term securities.

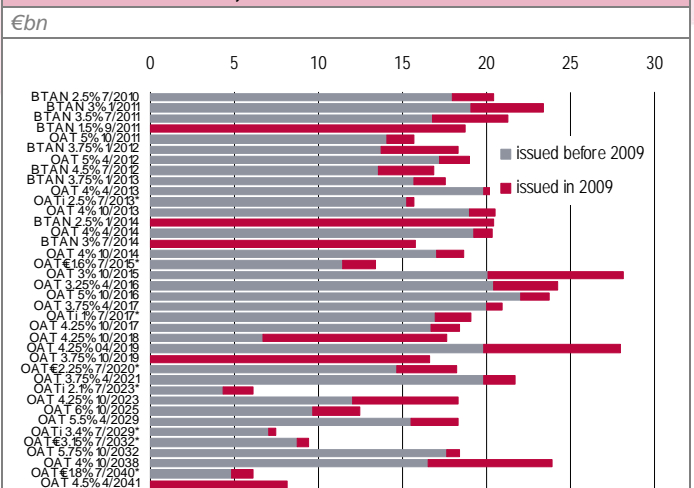
PRIMARY MARKET

Long- and medium-term financing over the year on December 31, 2009



Source: Agence France Trésor

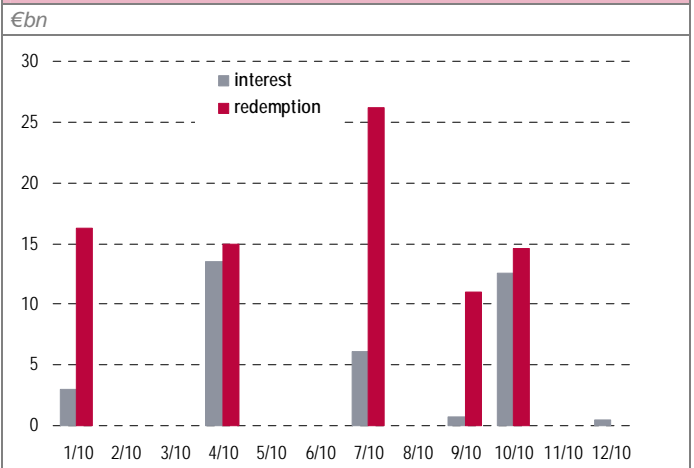
OATs and BTANs issues and cumulative total on December 31, 2009



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on December 31, 2009



Source : Agence France Trésor

► OAT and BTAN auctions – December 2009

€m				
	BTAN 3 years	BTAN 5 years	OAT 6 years	OAT 20 years
	7/12/2012	1/12/2014	10/25/2015	4/25/2029
	4,50%	2,50%	3,00%	5,50%
Auction date	12/3/2009	12/3/2009	12/3/2009	12/3/2009
Settlement date	12/8/2009	12/8/2009	12/8/2009	12/8/2009
Amount announced	< 4,500 --- 5,500 >			
Bid amount	3,860	4,200	3,065	2,195
Amount served	1,415	1,975	0,810	1,250
<i>of which: NCTs before auction</i>				
NCTs after auction	0,000	0,000	0,000	0,068
Total issued amount	1,415	1,975	0,810	1,318
Bid-to-cover ratio	2,73	2,13	3,78	1,76
Weighted average price	107,22%	100,93%	101,45%	118,57%
Yield to maturity	1,63%	2,26%	2,73%	4,09%
Indexation coefficient*	-	-	-	-

* as of the settlement date

Source: Agence France Trésor

► BTF auctions – December 2009

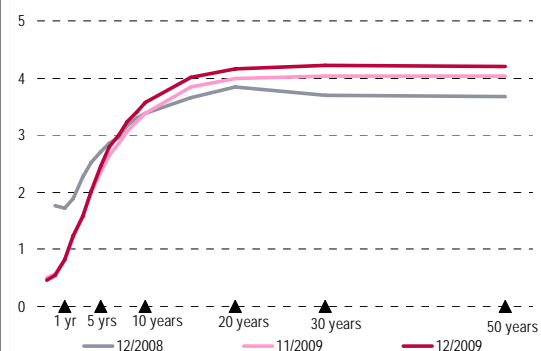
€m							
	BTF	BTF	BTF	BTF	BTF	BTF	BTF
	1 month	2 month	3 month	4 month	6 month	9 month	1 year
Auction date			12/7/2009	12/7/2009	12/7/2009		12/7/2009
Settlement date			12/10/2009	12/10/2009	12/10/2009		12/10/2009
Maturity			3/4/2010	4/22/2010	5/20/2010		11/18/2010
Total issued amount			4,382	2,126	2,137		2,244
Weighted average rate			0,383%	0,427%	0,440%		0,772%
Auction date		12/14/2009	12/14/2009		12/14/2009		12/14/2009
Settlement date		12/17/2009	12/17/2009		12/17/2009		12/17/2009
Maturity		2/11/2010	3/18/2010		5/6/2010		12/16/2010
Total issued amount		2,073	4,116		2,002		2,135
Weighted average rate		0,351%	0,393%		0,435%		0,811%
Auction date		12/21/2009	12/21/2009	12/21/2009			12/21/2009
Settlement date		12/24/2009	12/24/2009	12/24/2009			12/24/2009
Maturity		2/18/2010	3/18/2010	4/22/2010			12/16/2010
Total issued amount		2,001	3,500	1,502			2,004
Weighted average rate		0,340%	0,347%	0,400%			0,756%

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

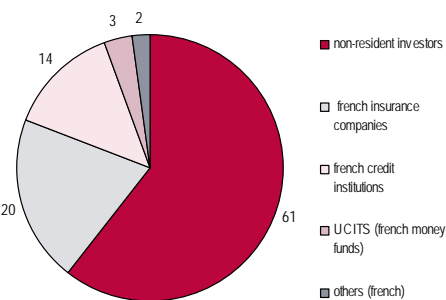
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder third quarter 2009

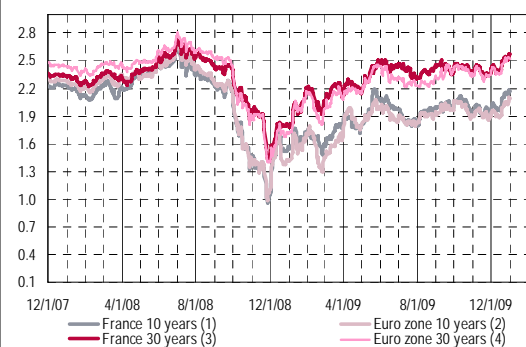
structure in %



Source: Banque de France

Breakeven inflation

daily quotes in %



Source: Bloomberg

- (1) difference between the yield of the OAT 3.75% April 2017 and the yield of the OATi 1% July 2017
 (2) difference between the yield of the OAT 4.25% April 2019 and the yield of the OAT€i 2.25% July 2020
 (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

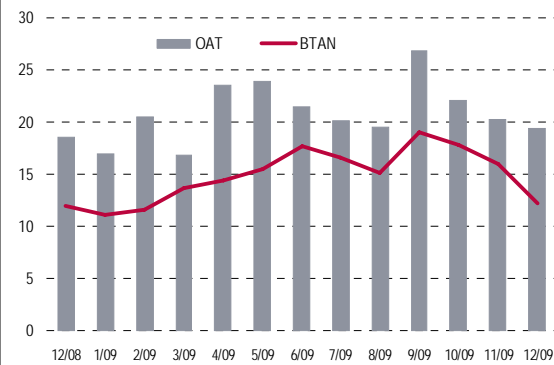
€bn

	end 2002	end 2003	end 2004	end 2005	end 2006	end 2007	end 2008	end of November 2009	end of December 2009
Negotiable government debt outstanding	717	788	833	877	877	921	1,017	1,153	1,148
OAT	478	512	552	593	610	641	681	717	719
BTAN	151	168	184	189	200	202	198	216	215
BTF	88	109	97	95	66	79	138	220	214
Swaps outstanding	61	61	61	52	44	42	28	21	20
Average maturity of the negotiable debt									
before swaps	5 years	5 years	6 years	6 years	7 years	7 years	6 years	6 years	6 years
	343 days	297 days	79 days	267 days	45 days	51 days	292 days	248 days	246 days
after swaps	5 years	5 years	6 years	6 years	7 years	7 years	6 years	6 years	6 years
	265 days	235 days	34 days	228 days	16 days	29 days	276 days	235 days	233 days

Source: Agence France Trésor

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

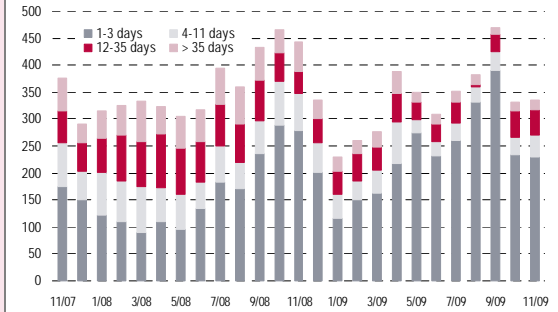
daily average (€bn)



Source: Euroclear France

Primary dealers, monthly fixed-rate repo transactions

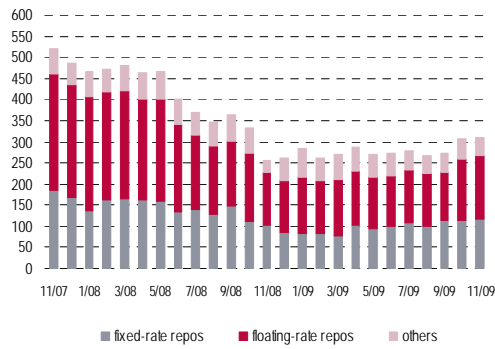
€bn



Source: primary dealers

Primary dealers, repo outstanding at end of month

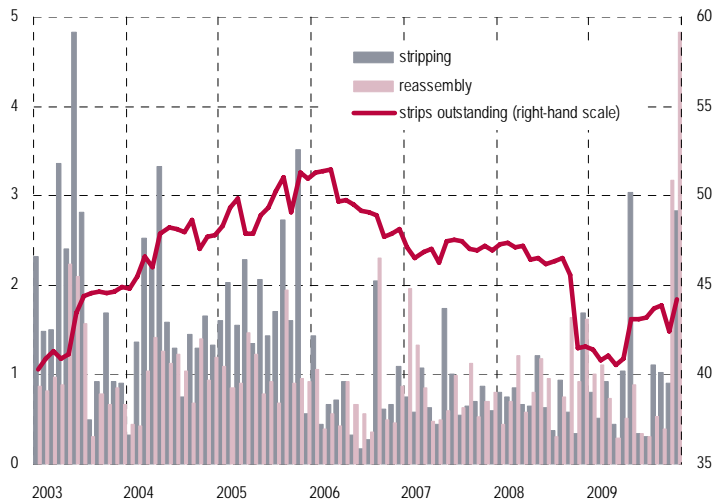
€bn



Source: primary dealers

Stripping and reassembly activity

€bn



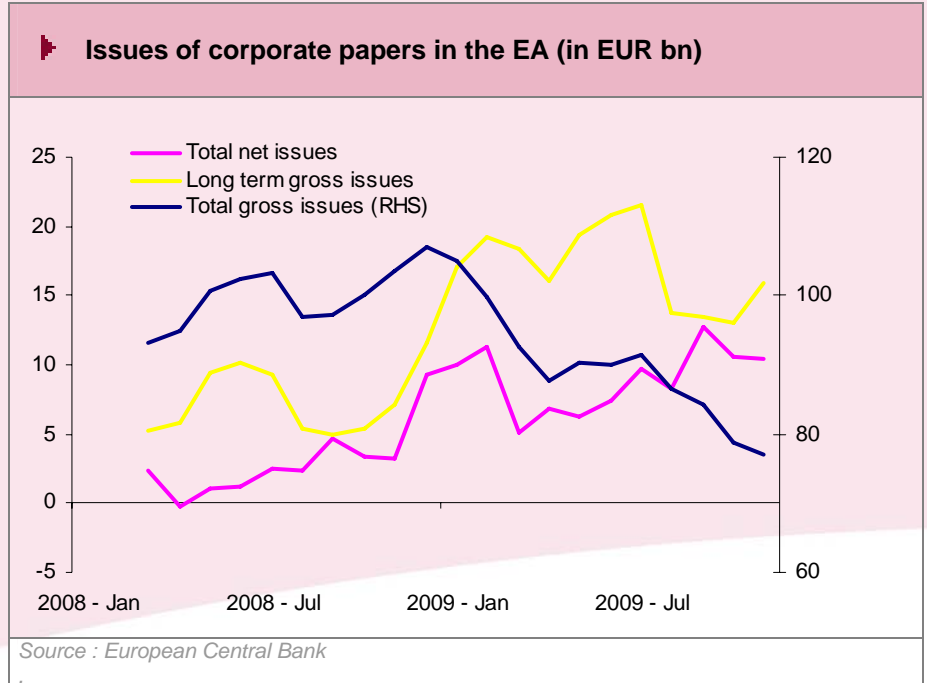
See tab on page 9 for more details on stripped bonds

Source: Euroclear France

Demand-led credit strike

By Gilles Moëc, senior economist Deutsche Bank

In the Euro area, credit patterns have started to diverge across sectors. Overall bank new lending flows to the private sector have stabilized in the last few months, after a steep deceleration in the winter, at the height of the financial market turmoil. However, this is solely attributable to mortgage origination while corporations' origination seems to lag behind. Flows to this sector remain negative, to the tune of around EUR 10bn per month on average since September 2009, not significantly above their trough at EUR -17Bn in the three months to August. This is fuelling fears of a persisting "corporate credit crunch", i.e. an exceptional restriction of the supply of funds to the business sector from banks, which would prefer to extend their investment in government securities. We do not share this view.



True, purchases of government securities by monetary and financial institutions (MFIs) have stepped up to EUR 25bn per month in the year to November 2009, against 3bn per month on average since 1999. However, when looking at national data from the time of the recession of the early 1990s, a similar pattern emerges. It seems to be a regular feature of economic downturns that banks shift their assets away from the private sector and towards government papers. This does not simply reflect a flight to safety. This is also a natural response to a lack of credit demand from firms. In this matter, nothing exceptional is happening this time.

To substantiate this we look at the alternative source of funding open to non-financial issuers. True, net issues of corporate debts rose to a monthly average of EUR 8bn since last autumn, up from EUR 4bn before the recession started. This is however a pure statistical effect. Indeed, businesses have shifted their issuances towards longer duration, which transitorily depletes the pace of redemption. Gross issues have actually decelerated since the recession. If firms were faced with banks reluctant to respond to their funding needs, we should observe a rise in their recourse to the disintermediated credit. It did not happen. The most obvious explanation to the fall in total credit to the business sector is simply that in a context of continuing correction in inventories and decline in investment, external financing needs are very limited.

A similar mechanism seems to be at play in the US. Flows of bank loans to firms were deeply negative in Q3 (USD -140bn annualized), but net bond issuances, which had risen to USD 579bn annualized in early 2009, have since then corrected to USD 262bn.

Gradually, a turnaround in inventory behaviour and a tentative improvement in investment will trigger some credit demand. Banks should respond positively to this, in order to maintain their margins. Indeed, the shift in households' portfolio towards extremely liquid but non-interest bearing assets such as overnight deposits, which had resulted from the episode of extreme financial and economic uncertainty in the winter of 2008/2009, will reverse, as improved economic prospects will trigger a search for a better return on savings.

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 %

	2008	2009	2010
French GDP	0,4	-2,2	1,2
Household consumption	1,0	0,6	0,8
Business investment	2,6	-7,9	0,6
Exports	-0,2	-11,4	2,6
Imports	0,8	-8,8	3,4
Consumer prices (on an annual average basis)	2,8	0,1	1,2

Source: Ministry of the Economy, Industry and Employment
Draft budget Bill 2010, European Commission

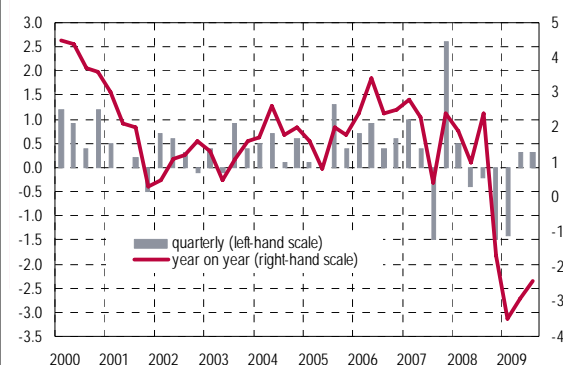
► Recent economic indicators

Industrial output*, year-on-year	-3.8%	11/2009
Household consumption*, year-on-year	3.2%	11/2009
Unemployment rate (ILO)	9.1%	9/2009
Consumer prices, year-on-year		
all items	0.9%	12/2009
all items excluding tobacco	0.8%	12/2009
Trade balance, fob-fob, sa	-5.3 EUR bn	11/2009
-	-4.4 EUR bn	10/2009
Current account balance, sa	-3.8 EUR bn	11/2009
-	-4.2 EUR bn	10/2009
10-year constant maturity rate (TEC10)	3.59%	12/31/2009
3-month interest rate (Euribor)	0.700%	12/31/2009
EUR / USD	1.4406	12/31/2009
EUR / JPY	133.16	12/31/2009

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

► Gross domestic product at chain-linked previous year prices

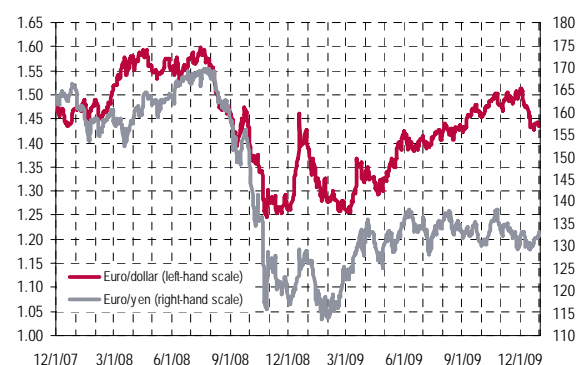
Variation in %



Source: Insee, quarterly national accounts

► Euro exchange rate

Daily quotes



Source: European Central Bank

► Government budget monthly position

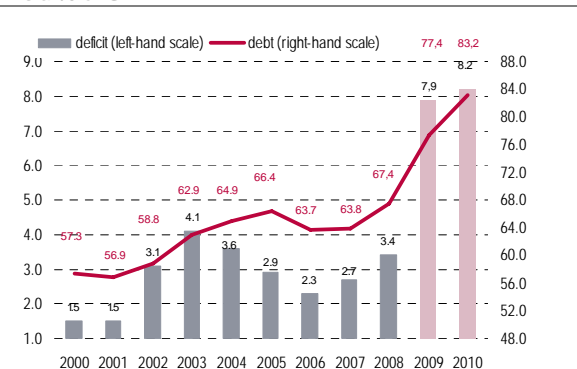
€bn

	end of November level				
	2007	2008	2007	2008	2009
General budget					
balance	-38,19	-56,99	-46,83	-59,17	-126,66
revenue	299,22	291,12	259,89	256,67	203,03
expenditure	337,41	348,11	306,72	315,83	329,69
Balance of special					
Treasury accounts	-0,21	0,40	-8,43	-7,42	-16,69
General budget					
outturn	-38,40	-56,59	-55,27	-66,58	-143,35

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, European Commission

▶ Timetable for the release of French economic indicators

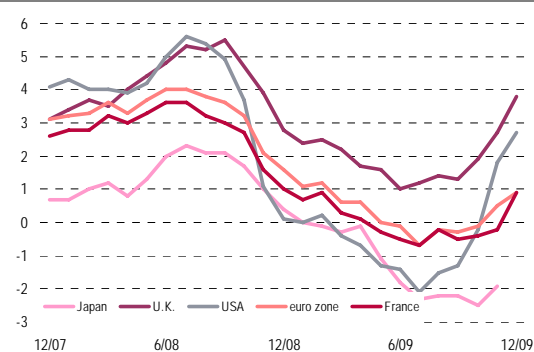
January 2010	February 2010
5 Household confidence survey: December survey	5 Foreign trade in December
8 Foreign trade in November	5 Central government budget: statement at end of December
11 Industrial output in November	10 Industrial output in December
12 Central government budget: statement at end of November	10 Balance of payments in December
13 Balance of payments in November	11 Industrial Investments: January survey
13 Consumer prices: index for December	12 National quarterly accounts: first results Q4-2009
22 Industrial trends: monthly survey for January	12 Payroll employment: provisional results Q4-2009
26 Household consumption of manufactured goods in December	12 Wages: provisional statistics Q4-2009
26 New building starts in December	19 Industrial trends: February survey
27 Household confidence survey: January survey	23 Household consumption of manufactured goods in January
27 Industrial trends: quarterly survey for January	23 New building starts in January
27 Job seekers in December	23 Consumer prices: index for January
	25 Household confidence survey: February survey

Harmonized index of consumer prices – Eurozone (Eurostat)
Index for December: January 15
Index for January: February 26

INTERNATIONAL COMPARISONS

▶ Consumer price index

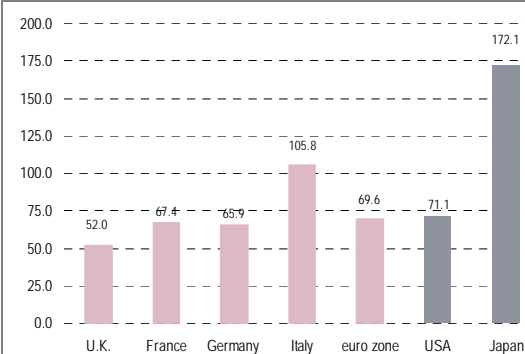
Year-on-year % change



Source: statistical institutes

▶ General government debt in 2008

As a % of GDP



Source: Eurostat, OECD

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

OAT au 31 décembre 2009 / fungible Treasury bonds at December 31, 2009

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
	Échéance 2010	29 487 742 970					Échéance 2019	53 461 145 505			
FR0000186603	OAT 5,5% 25 avril 2010	14 893 719 352			247 320 000	FR0000189151	OAT 4,25% 25 avril 2019	28 002 000 000			360 000
FR0000187023	OAT 5,5% 25 octobre 2010	14 594 023 618			503 083 000	FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			4 294 286 100
	Échéance 2011	52 030 230 112				FR0010776161	OAT 3,75% 25 octobre 2019	16 596 000 000			625 900 000
FR0000570731	OAT 6,5% 25 avril 2011	19 494 445 710			620 629 900	FR0000570954 C	ETAT 9,82% 31 décembre 2019	18 752 612 (2)		(6 692 154)	-
FR0010094375 I	OATi 1,6% 25 juillet 2011	16 880 898 070 (1)	1,10239	(15 313 000 000)	0		Échéance 2020	20 520 020 720			
FR0000187874	OAT 5% 25 octobre 2011	15 654 886 332			47 209 000	FR0010050559 I	OAT€i 2,25% 25 juillet 2020	20 520 020 720 (1)	1,12568	(18 229 000 000)	0
	Échéance 2012	60 880 786 463					Échéance 2021	21 677 000 000			
FR0000188328	OAT 5% 25 avril 2012	18 981 110 580			297 350 000	FR0010192997	OAT 3,75% 25 avril 2021	21 677 000 000			275 428 000
FR0000188013 I	OAT€i 3% 25 juillet 2012	16 859 855 620 (1)	1,16323	(14 494 000 000)	0		Échéance 2022	1 243 939 990			
FR0000188690	OAT 4,75% 25 octobre 2012	19 554 122 924			56 404 000	FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			817 750 000
FR0000570780	OAT 8,5% 26 décembre 2012	5 485 697 339			-		Échéance 2023	35 179 934 463			
	Échéance 2013	58 806 755 820				FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			6 814 725 000
FR0000188989	OAT 4% 25 avril 2013	20 652 183 879			94 450 000	FR0010585901 I	OATi 2,1% 25 juillet 2023	6 300 738 560 (1)	1,03088	(6 112 000 000)	0
FR0000188955 I	OATi 2,5% 25 juillet 2013	17 604 814 262 (1)	1,12005	(15 717 882 471)	0	FR0010466938	OAT 4,25% 25 octobre 2023	18 273 000 000			272 702 000
FR0010011130	OAT 4% 25 octobre 2013	20 549 757 679			156 780 000		Échéance 2025	12 491 928 118			
	Échéance 2014	38 988 724 224				FR0000571150	OAT 6% 25 octobre 2025	12 491 928 118			2 859 476 900
FR0010061242	OAT 4% 25 avril 2014	20 334 752 234			238 625 000		Échéance 2028	16 173 709			
FR0010112052	OAT 4% 25 octobre 2014	18 653 971 990			117 750 000	FR0000571226 C	OAT zéro coupon 28 mars 2028	16 173 709 (3)		(46 232 603)	-
	Échéance 2015	62 303 069 913					Échéance 2029	27 065 539 398			
FR0010163543	OAT 3,5% 25 avril 2015	19 388 313 893			104 450 000	FR0000571218	OAT 5,5% 25 avril 2029	18 308 880 458			3 021 415 900
FR0010135525 I	OAT€i 1,6% 25 juillet 2015	14 799 756 020 (1)	1,10306	(13 417 000 000)	0	FR0000186413 I	OATi 3,4% 25 juillet 2029	8 756 658 940 (1)	1,17521	(7 451 144 000)	0
FR0010216481	OAT 3% 25 octobre 2015	28 115 000 000			9 894 000		Échéance 2032	29 095 041 860			
	Échéance 2016	47 993 000 000				FR0000188799 I	OAT€i 3,15% 25 juillet 2032	10 685 719 260 (1)	1,14054	(9 369 000 000)	0
FR0010288357	OAT 3,25% 25 avril 2016	24 223 000 000			331 450 000	FR0000187635	OAT 5,75% 25 octobre 2032	18 409 322 600			7 621 499 000
FR0000187361	OAT 5% 25 octobre 2016	23 770 000 000			952 830 000		Échéance 2035	15 614 000 000			
	Échéance 2017	59 598 052 400				FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 639 986 000
FR0010415331	OAT 3,75% 25 avril 2017	20 890 000 000			73 900 000		Échéance 2038	23 889 000 000			
FR0010235176 I	OATi 1% 25 juillet 2017	20 296 052 400 (1)	1,06340	(19 086 000 000)	0	FR0010371401	OAT 4% 25 octobre 2038	23 889 000 000			3 924 250 000
FR0010517417	OAT 4,25% 25 octobre 2017	18 412 000 000			18 100 000		Échéance 2040	6 440 484 960			
	Échéance 2018	38 963 000 000				FR0010447367 I	OAT€i 1,8% 25 juillet 2040	6 440 484 960 (1)	1,05651	(6 096 000 000)	0
FR0010604983	OAT 4% 25 avril 2018	21 294 000 000			231 550 000		Échéance 2041	8 175 000 000			
FR0010670737	OAT 4,25% 25 octobre 2018	17 669 000 000			293 300 000	FR0010773192	OAT 4,5% 25 avril 2041	8 175 000 000			1 976 700 000
							Échéance 2055	14 926 000 000			
						FR0010171975	OAT 4% 25 avril 2055	14 926 000 000			3 700 917 000

(1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2009 / including coupons capitalized at 12/31/2009 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 28/03/2009 / actualized value at 03/28/2009 ; 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)
 OAT€i : 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)

Total OAT / total fungible Treasury bonds	718 846 570 625
Encours démembré / stripped outstanding	44 240 470 800
En % des lignes démembrables	6,20 %
As a % of strippable bonds	
Durée de vie moyenne	9 ans et 350 jours
Average maturity	9 years and 350 days

BTAN au 31 décembre 2009

Treasury notes at December 31, 2009

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2010				
FR0107369672	BTAN 3% 12 janvier 2010	16 284 814 043		
FR0107674006	BTAN 2,5% 12 juillet 2010	17 349 000 000		
FR0108664055 1	BTANGI 1,25% 25 juillet 2010	8 685 778 500	(1) 1,08234	8 025 000 000
FR0113872776	BTAN 3,75% 12 septembre 2010	11 017 000 000		
Echéance 2011				
FR0108354806	BTAN 3% 12 janvier 2011	22 372 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	20 505 410 534		
FR0116843519	BTAN 1,5% 12 septembre 2011	17 921 000 000		
Echéance 2012				
FR0109970386	BTAN 3,75% 12 janvier 2012	18 333 000 000		
FR0110979186	BTAN 4,5% 12 juillet 2012	16 866 000 000		
Echéance 2013				
FR0113087466	BTAN 3,75% 12 janvier 2013	17 553 000 000		
FR0114683842	BTAN 4,5% 12 juillet 2013	11 977 000 000		
Echéance 2014				
FR0116114978	BTAN 2,5% 12 janvier 2014	20 385 000 000		
FR0116843535	BTAN 3% 12 juillet 2014	15 769 000 000		

(1) Encours BTAN indexés = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient

Total BTAN / total Treasury notes **215 018 003 077**

Durée de vie moyenne des BTAN **2 ans et 11 jours**
Average maturity of BTANs 2 years and 11 days

Dette négociable de l'Etat au 31 décembre 2009 /

French government negotiable debt at December 31, 2009

Encours total / total outstanding **1 147 984 573 702**

Durée de vie moyenne **6 ans et 246 jours**
Average maturity 6 years and 246 days

BTF au 31 décembre 2009

Treasury bills at December 31, 2009

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	7 janvier 2010	10 077 000 000
BTF	14 janvier 2010	10 762 000 000
BTF	21 janvier 2010	11 138 000 000
BTF	28 janvier 2010	9 274 000 000
BTF	4 février 2010	10 126 000 000
BTF	11 février 2010	11 072 000 000
BTF	18 février 2010	11 391 000 000
BTF	25 février 2010	9 226 000 000
BTF	4 mars 2010	9 068 000 000
BTF	11 mars 2010	9 583 000 000
BTF	18 mars 2010	7 616 000 000
BTF	25 mars 2010	7 275 000 000
BTF	8 avril 2010	9 769 000 000
BTF	22 avril 2010	9 549 000 000
BTF	6 mai 2010	9 916 000 000
BTF	20 mai 2010	6 823 000 000
BTF	3 juin 2010	7 729 000 000
BTF	1 juillet 2010	10 872 000 000
BTF	29 juillet 2010	7 936 000 000
BTF	26 août 2010	6 425 000 000
BTF	23 septembre 2010	7 759 000 000
BTF	21 octobre 2010	8 143 000 000
BTF	18 novembre 2010	8 452 000 000
BTF	16 décembre 2010	4 139 000 000

Total BTF / total Treasury bills **214 120 000 000**

Durée de vie moyenne des BTF **113 jours**
Average maturity of BTFs 113 days

Réserve de titres de la Caisse de la dette publique au 31 décembre 2009 /

Securities held in reserve by Caisse de la dette publique at December 31, 2009

néant / void