

OAT 7.5 % 04-2005 OAT 3 % 07-2009 OAT 5.25 % 04-2008 OAT TEC 10 01-2009 OAT 4 % 10-2009 OAT 8.5 % 04-2023 OAT 5.5 % 04-2029 OAT 4 % 10-2009 OAT 5.5 % 04-2010 OAT 3.4 % 07-2029 BTAN 4 % 01-2002 BTAN 4.5 % 07-200  
 BTAN 3.5 % 07-2004 BTAN 5 % 07-2005 OAT 4 % 04-2009 BTAN 4.5 % 07-2003 BTAN 3.5 % 07-2004 OAT 7.5 % 04-2005 BTF 17/08/2000 BTF 21/09/2000 BTF 11/01/2001 BTF 29/03/2001 OAT 3 % 07-2009 OAT 5.25 % 04-2008 OAT  
 TEC 10 01-2009 OAT 6.5 % 04-2011 OAT 8.5 % 04-2023 OAT 5.5 % 04-2029 BTAN 4 % 01-2002 BTAN 4.5 % 07-2002 BTAN 3.5 % 07-2004 BTAN 5 % 07-2005 OAT 4 % 04-2009 BTAN 4.5 % 07-2003 OAT 8.5 % 11-2002 OAT 7.5 % 04-200

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# France Trésor

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September 2000

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## French government debt news

### A successful first buy-back operation through reverse auction

As promised in the buy-back programme announced on 25 August (see box), France Trésor held its first reverse auction on 5 September. The Treasury invited redemption of four OATs selected among issues maturing from 2003 to 2005, i.e. the April 2003, February 2004, April 2004 and April 2005 lines. The primary dealers offered EUR 2,920 million at market prices. France Trésor decided to buy back EUR 1,768 million. The narrow gap between prices (1 to 2 cents between the limit price and the weighted average price) showed the market's interest in this operation and ensured an attractive redemption price for France Trésor. This initiative has lowered total outstandings of these four issues by 3% to EUR 57 billion, enough to guarantee unimpaired liquidity.

### A new 10-year benchmark security

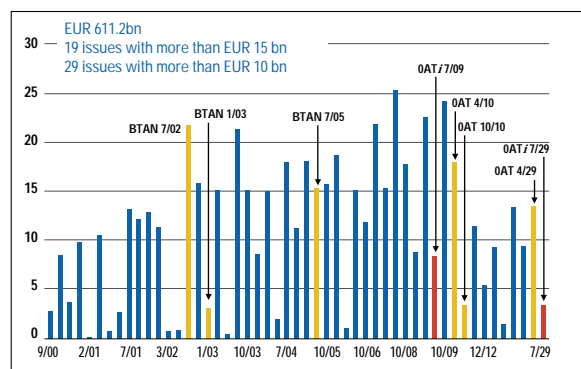
France Trésor auctioned its new 10-year benchmark security, the 5.5% 25 October 2010 OAT, for the first time on 7 September. Demand was very brisk, with EUR 7.719 billion requested by the primary dealers and EUR 3.384 billion served.

### A multiannual tax reduction plan

On 31 August, Laurent Fabius, Minister of the Economy, Finance and Industry, presented a multiannual tax reduction plan designed to strengthen inflation-free growth in France. The new plan promotes employment and investment in order to boost the upside potential of French growth (see box). Together with the measures already adopted in 1999 and 2000, this will cut taxes by FRF 200 billion over 5 years (EUR 30.5 billion, or about 2.2% of GDP). The new plan will be accompanied by further reduction of deficits and public debt, in line with the government's multiannual public finance programme.

### French government negotiable debt outstanding on September 7, 2000

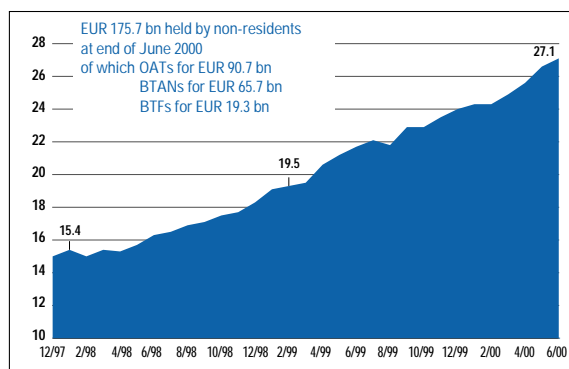
EUR billion



Source: France Trésor

### Non-resident holdings of French government negotiable debt securities

as a % of negotiable debt outstanding



Source: Balance of payments

## Auction calendar

11/9/2000	Settlement on	18/9/2000	Settlement on	21/9/2000	Settlement on	25/9/2000	Settlement on	2/10/2000	Settlement on	5/10/2000	Settlement on
<b>BTF</b>		<b>BTF</b>		<b>BTAN</b>		<b>BTF</b>		<b>BTF</b>			
13 W.	14/9/2000	13 W.	21/9/2000	2 years	26/9/2000	13 W.	28/9/2000	13 W.	5/10/2000	<b>OAT</b>	10/10/2000
<b>BTF</b>		<b>BTF</b>		<b>BTAN</b>		<b>BTF</b>		<b>BTF</b>			
25 W.	14/9/2000	50 W.	21/9/2000	5 years	26/9/2000	49 W.	28/9/2000	n.c.	5/10/2000		

Source: France Trésor

## Last auctions OATs and BTANs

EUR million

	OAT TEC 10 January 2009	OAT October 2010 5.50%	BTAN 2 years January 2003 5.00%
<b>Auction date</b>	<b>7/9/00</b>	<b>7/9/00</b>	<b>17/8/00</b>
<b>Settlement date</b>	12/9/00	12/9/00	22/8/00
<b>Volume announced</b>	from 3 300 to 3 800		from 3 000 to 3 400
<b>Amount bid</b>	1 063	7 719	9 815
<b>Amount served</b>	<b>315</b>	<b>3 384</b>	<b>3 099</b>
Of which non competitive offers	5	37	0
<b>Bid-to-cover ratio</b>	3.4	2.3	3.2
<b>Stop price</b>	95.30%	100.44%	99.36%
<b>Weighted average rate</b>	-	5.44%	5.27%
<b>Previous auctions</b>	-	3/8/00	20/7/00
<b>Weighted average rate</b>	-	5.33%	5.19%

Source: France Trésor

## Last auction BTFs

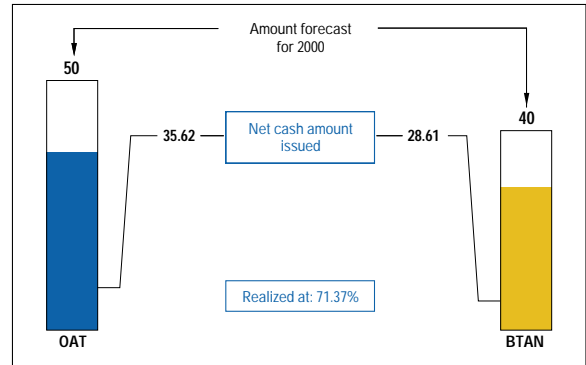
EUR million

	BTF 13 W.	BTF 24 to 29 W.	BTF 40 to 52 W.
7/8/2000	Average amount 1 232	710	
	Weighted average rate 4.38%	4.75%	
14/8/2000	Average amount 1 203	1 035	
	Weighted average rate 4.53%	4.92%	
21/8/2000	Average amount 1 727		774
	Weighted average rate 4.63%		5.17%
28/8/2000	Average amount 1 389	757	
	Weighted average rate 4.70%	4.98%	
4/9/2000	Average amount 1 004		923
	Weighted average rate 4.62%		5.08%

Source: France Trésor

## Long- and medium-term financing over the year September 7, 2000

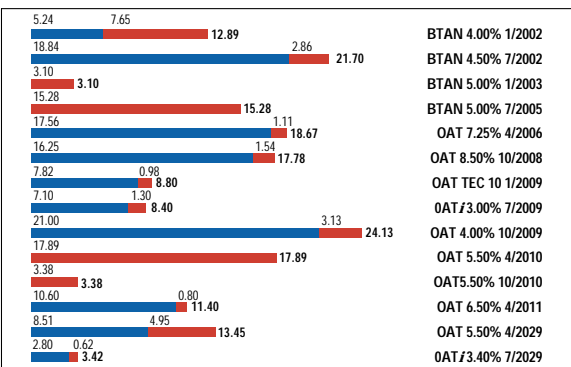
EUR billion



Source: France Trésor

## BTANs and OATs 2000 issues and cumulative total September 7, 2000

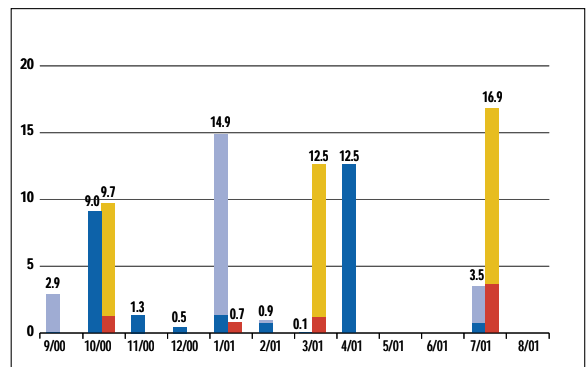
EUR billion



Source: France Trésor

## OATs and BTANs : indicative repayment schedule September 7, 2000\*

EUR billion



Source: France Trésor

\* Including reverse auctions

## French government debt

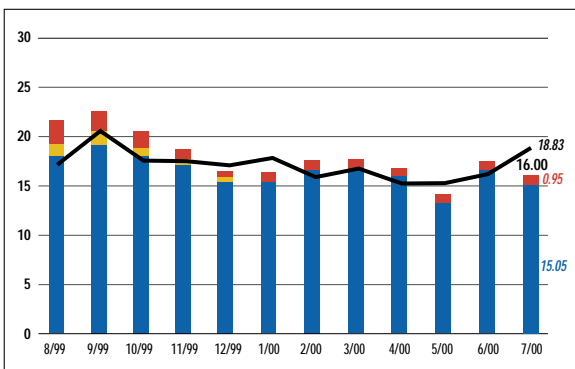
EUR billion

	1995	1996	1997	1998	1999	2000 August
<b>Negotiable debt</b>	431	474	515	560	583	609
<b>Long-term debt</b>	270	308	331	363	395	416
of which OAT	252	293	329	363	395	416
<b>Short &amp; medium-term</b>						
<b>Treasury notes</b>	160	166	184	197	188	193
of which BTF	45	41	41	47	34	45
of which BTAN	116	125	143	150	154	148
<b>Non-negotiable debt</b>	65	66	63	53	71	nc
<b>Total government debt</b>	496	540	577	613	654	nc
% of GDP	42.0%	44.5%	46.0%	47.1%	48.7%	nc
Average life	6 years	6 years	6 years	6 years	6 years	6 years
of negotiable debt	95 days	47 days	57 days	93 days	99 days	96 days

Source: SROT on 31/12/95, 96, 97, 98 and 99

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

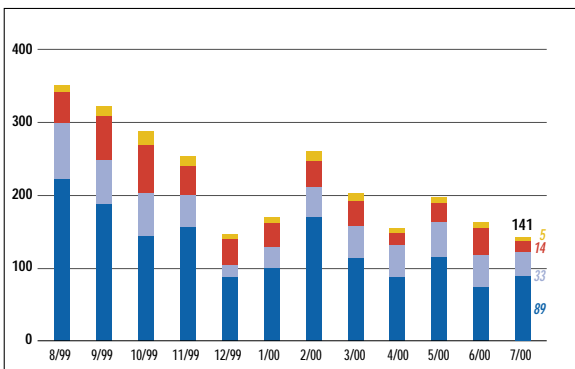
daily average (EUR billion)



\* Clearstream International's statistics no longer available as from January 2000

## Primary dealers, monthly fixed-rate repo transactions

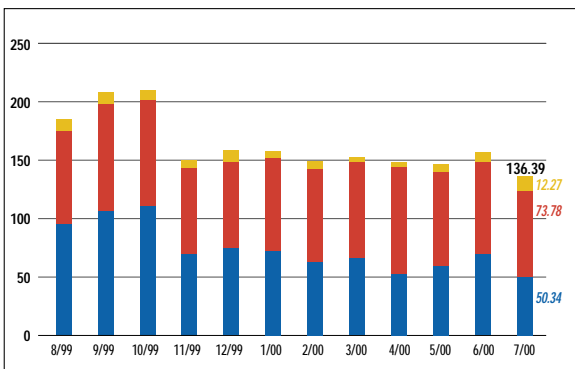
EUR billion



Source: Primary dealers

## Primary dealers, repo outstanding at end of month

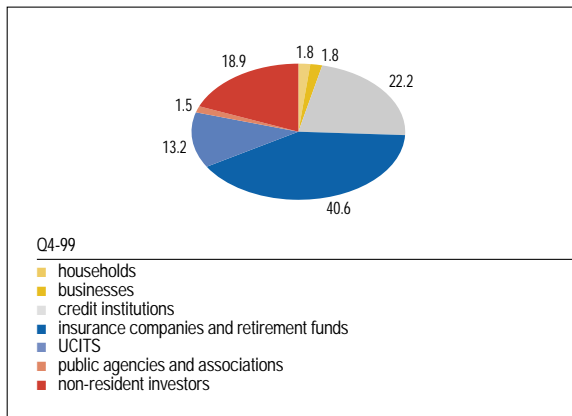
EUR billion



Source: Primary dealers

## OAT ownership by type of holder

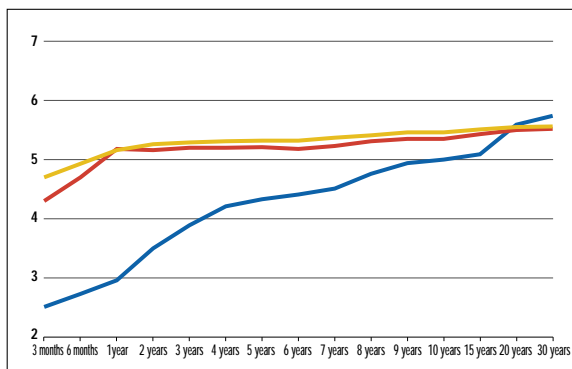
ownership structure in%



Source: These figures come from a Banque de France's survey; the percentage of non-resident holdings is compatible with the more exhaustive figures coming from the balance of payments (see page 1).

## French government yield curve

monthly average in %

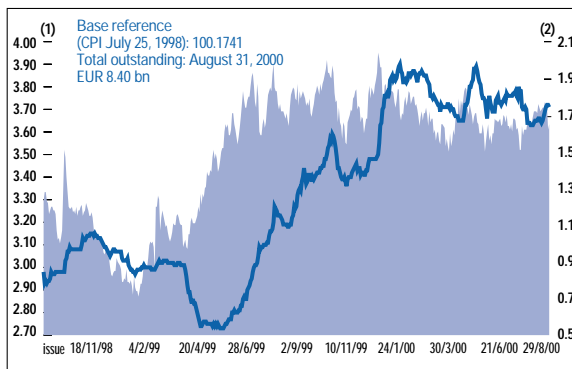


Source: Bloomberg

## Real yield of the OAT / 3% 07/2000

in %

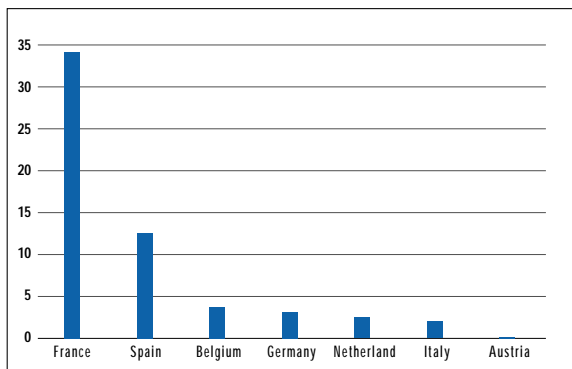
indicative daily quote on the secondary market



Source: France Trésor

## The largest strip market of the euro zone

outstanding, in EUR billion, July 2000



Source: Primary dealers

f o c u s

### OAT strips: an asset for the French bond market

**T**he French strips market will soon celebrate its 10th anniversary. This is a good time to examine the prospects for this market, at a time when the introduction of the euro and, more recently, the announcement of a bond buy-back operation by the French Treasury are having an influence on how it functions.

The first characteristic of this market is its size: a total of EUR 34 billion of debt has been stripped, resulting in a significant outstanding amount (approximately EUR 1 billion at each coupon date). No other European country can claim to have a market of such depth (see focus graph). The whole history of the market - the fungibility policy, the choice of coupon dates, the early introduction of stripping, the inverted yield curves and the growth of life insurance in the first half of the 1990s - largely explains this situation.

However, possibly the most relevant point to make concerns the sustained level of activity in this market, a fact that is not necessarily grasped by every operator, on account of the apparent lack of interest in this product shown by the interbank market. The regularity of stripping and reconstituting operations (between EUR 1 billion and EUR 2 billion every month) is a much better reflection of the constant interest that end investors have in the product. Here also, the current level of stripping activity by far exceeds the levels in other European markets, which have not achieved critical mass.

De facto, France now has a virtual monopoly of the euro-denominated strips market (and especially for AAA rated strips). This situation attracts new participants to the market, non-resident but from within the euro zone, especially guaranteed capital funds and pension funds.

It is sometimes said that liquidity in the French strips market suffers from the large amounts held by life insurance companies. The reaction of the market to the announcement of the Treasury buy-back operation refutes this allegation. Although, initially, the outperformance of the high coupon "off the run" bonds caused the intermediate zero-coupon strips to become more expensive (SVTs reconstituting the bonds), end investors rapidly restored the strips curve to order by arbitraging coupon and principal strips in the segments concerned (20-25 years in particular). As a result, far from reducing the liquidity of the market, the repurchases stimulated activity yet further and provided an illustration of the market's ability to adapt, thanks to the large number of strippable securities.

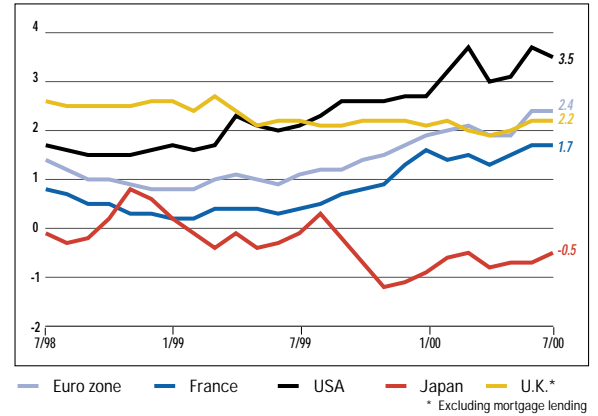
With the strips market, the French Treasury and the SVTs have a major advantage in the competition to attract customers. In the long term, this advantage will inevitably have an impact on the relative prices of the underlying instruments.

Michel ROBERT  
Head of government bond trading  
Crédit Agricole Indosuez

September 1, 2000

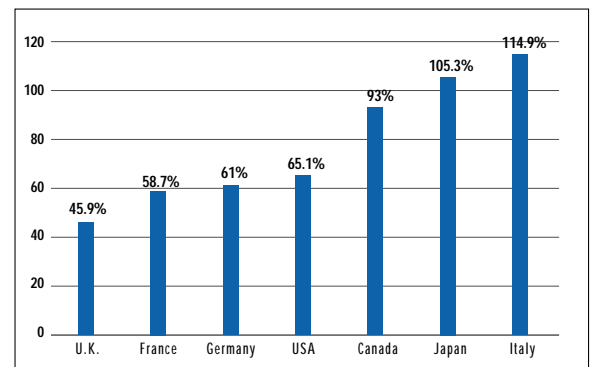
**Consumer prices**

year on year % change



**General government debt in 1999**

as a % of GDP



Source: OECD estimates, June 2000; Maastricht definition for European countries (new ESA 95)

**Timetable for the release of French economic indicators and for auctions**

September 2000	
<b>4 BTF auction</b>	<b>21 BTAN auction</b>
<b>7 OAT auction</b>	<b>25 BTF auction</b>
Gross foreign exchange reserves in August	26 Household consumption of manufactured goods July-August
7 Quaterly National Accounts 2000 Q2: first results	26 Consumer prices: final index for August
<b>11 BTF auction</b>	26 New building starts in August
12 Consumer prices: provisional index for August	29 Job seekers in August
13 Balance of payments in June	29 Producer Price Index: July-August
15 Payroll employment: revised results Q2-2000	29 Industrial trends: monthly survey in September
15 Foreign trade in July	29 Net foreign exchange reserves in August
<b>18 BTF auction</b>	
21 Wages: revised statistics Q2-2000	
October 2000	
<b>2 BTF auction</b>	20 Industrial output in July-August
4 Household confidence survey: September survey	<b>23 BTF auction</b>
<b>5 OAT auction</b>	24 Consumer prices: final index for September
6 Quaterly National Accounts 2000-Q2: final results	26 Household consumption of manufactured goods in September
6 Gross foreign exchange reserves in September	27 Industrial trends: monthly survey in October
<b>9 BTF auction</b>	<b>30 BTF auction</b>
13 Housing starts: index Q2-2000	31 Job seekers in September
13 Balance of payments in July	31 New building starts in September
13 Consumer prices: provisional index for September	31 Industrial sales prices: September index
<b>16 BTF auction</b>	31 Net foreign exchange reserves in September
17 Foreign trade in August	
<b>19 BTAN auction</b>	

## Macro-economic forecast

Real growth rate, n-1 prices

	1999*	2000**	2001**
GDP growth in France	2.9	3.6	3.0
GDP growth in the euro zone	2.2	3.2	2.9
Household consumption	2.3	2.9	3.4
Investment	7.3	6.0	3.5
of which: business investment	7.7	7.2	5.7
of which: household housing investment	8.2	6.3	0.6
Exports	3.8	9.2	6.4
Imports	3.7	9.5	6.7
Consumer prices	0.7	1.3	1.0
Public deficit (as a % of GDP)	-1.8	-1.5	-1.1/-1.3
Public debt (as a % of GDP)	58.7	58	57.4

\* Quarterly National Accounts Q2-2000 First results

\*\* Source: National Economic Commission, March 2000 (median scenario for 2001)

## Recent economic indicators

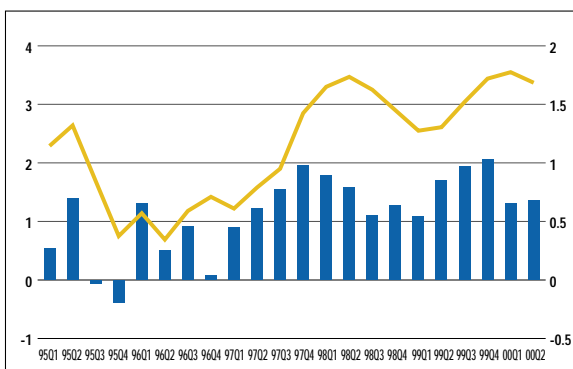
Industrial output*, year-on-year	4.5%	06/2000
Household consumption*, year-on-year	6.2%	06/2000
Unemployment rate (ILO), in %	9.7%	07/2000
Inflation, year-on-year	1.7%	07/2000
Inflation, excl. tobacco, year-on-year	1.7%	07/2000
<i>Seasonally-adj. FOB/FOB data (EUR bn)</i>		
Trade balance, 1999	16.86 (+1.25% of GDP)	06/2000
Trade balance, cumulative, 2000	4.92	06/2000
Current account balance, 1999	35.24 (+2.62% of GDP)	05/2000
Current account balance, cumulative, 2000	12.44	05/2000
10-year interest rate (OAT)	5.460%	at 31/08/2000
3-month interest rate (Euribor)	4.888%	at 31/08/2000
EUR/\$	0.8906	at 31/08/2000
EUR/Yen	94.77	at 31/08/2000

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

\* manufactured goods

## Gross Domestic Product

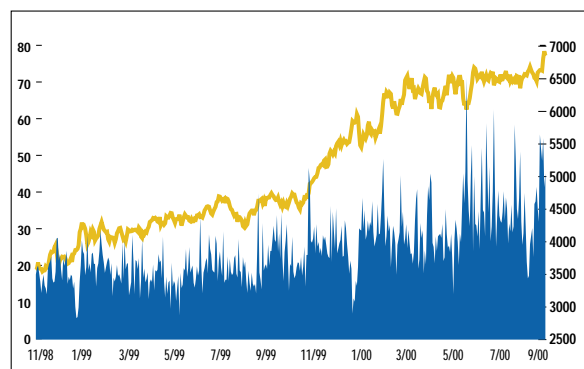
in %



— Year-on-year basis (left-hand scale)  
— Quarterly growth rate (right-hand scale)

Source: INSEE, Quarterly National Accounts (95 prices)

## The French financial market: change in the CAC 40 index



— Index (index value) (right-hand scale)  
— Traded volume (millions of securities traded per day) (left-hand scale)

Source: Bloomberg

## Government budget monthly position

FRF billion

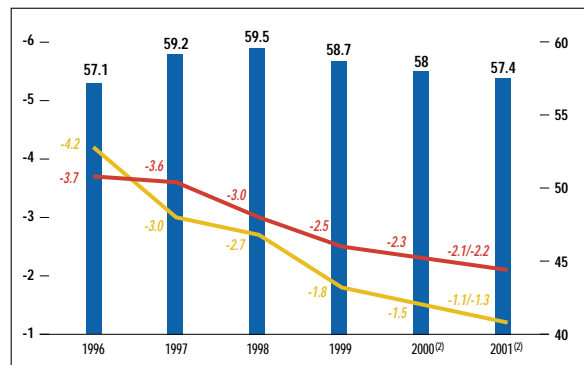
	end-of-July level				
	1998	1999	1998	1999	2000
<b>General budget</b>					
balance	-252.3	-215.3	-159.3	-120.8	-90.2
- expenditure	1 650.7	1 709.8	955.2	986.7	986.4
- revenue	1 398.4	1 494.5	795.9	865.9	896.2
<b>Balance of special</b>					
Treasury accounts	4.8	9.3	-80.9	-69.5	-76.5
<b>General budget</b>					
outturn	-247.5	-206.0	-240.2	-190.3	-166.7

Source: Ministry of the Economy, Finance and Industry, Budget Directorate

For more information: <http://www.francetresor.gouv.fr/indicateurs/budget>

## Public finance

as a % of GDP



— General government deficit (1) (left-hand scale)  
— Central government deficit (1) (left-hand scale)  
— General government debt (right-hand scale)

Source: (1) INSEE, 1999 National Accounts (ESA 95)

(2) For 2000 and 2001, National Economic Commission forecasts, march 2000.

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The French Multiannual Tax Reduction and Tax Reform Plan 2001-2003	p. 9 and 10

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## Dettes négociables de l'État French Government Negotiable debt outstanding OAT au 31 août 2000 / OAT at August 31, 2000

CODE ISIN SICOVAM	Libellé de l'emprunt/Bond	Encours	CODE ISIN SICOVAM	Libellé de l'emprunt/Bond	Encours
FR000057011 1	V Échéance / Maturity 2000 OAT TRA 13 septembre 2000	2 759 404 686 EUR 2 759 404 686	FR000057063 2	Échéance / Maturity 2008 OAT 5,25% 25 avril 2008 (encours démembrés/stripped bonds)	43 076 093 494 EUR 25 291 932 367 (63 380 000)
FR000057013 7	V Échéance / Maturity 2001 OAT TME 25 janvier 2001	16 402 795 857 EUR 3 758 478 028	FR000057066 5	OAT 8,50% 25 octobre 2008 (encours démembrés/stripped bonds)	17 784 161 127 (3 478 480 000)
FR000057014 5	OAT 9,50% 25 janvier 2001	9 800 947 246	FR000057067 3	V Échéance / Maturity 2009 OAT TEC 10 25 janvier 2009	63 533 008 741 EUR 8 484 044 498
FR000057015 2	OAT 10% 26 février 2001	158 673 000	FR000057143 2	OAT 4% 25 avril 2009 (encours démembrés/stripped bonds)	22 522 258 390 (42 000 000)
FR000057017 8	OAT 7,50% 25 juillet 2001	2 684 697 583	FR000057142 4	V OAT/3% 25 juillet 2009	8 396 850 355
FR000057019 4	Échéance / Maturity 2002 OAT 8,50% 15 mars 2002	17 428 861 326 EUR 742 606 500	FR000018697 5	V OAT/3% 25 juillet 2009 particuliers août 2000	1 718 460
FR000057022 8	OAT 6,75% 25 avril 2002 (encours démembrés/stripped bonds)	875 928 000 (47 910 000)	FR000018619 9	OAT 4% 25 octobre 2009 (encours démembrés/stripped bonds)	23 874 149 510 (147 000 000)
FR000057024 4	OAT 8,50% 25 novembre 2002	15 810 326 826	FR000022167 3	OAT 4% 25 octobre 2009 particuliers novembre 1999	107 700 915
FR000057027 7	Échéance / Maturity 2003 OAT 8,50% 25 avril 2003 (encours démembrés/stripped bonds)	31 111 797 652 EUR 15 505 026 287 (2 074 100 000)	FR000022169 9	OAT 4% 25 octobre 2009 particuliers décembre 1999	72 440 169
FR000057028 5	OAT 8% 25 avril 2003 (encours démembrés/stripped bonds)	498 616 500 (174 630 000)	FR000022195 4	OAT 4% 25 octobre 2009 particuliers janvier 2000	73 846 444
FR000057030 1	OAT 6,75% 25 octobre 2003 (encours démembrés/stripped bonds)	15 108 154 865 (457 550 000)	FR000018660 3	Échéance / Maturity 2010 OAT 5,50% 25 avril 2010 (encours démembrés/stripped bonds)	17 943 719 352 EUR 17 692 229 581 (40 000 000)
FR000057032 7	Échéance / Maturity 2004 OAT 8,25% 27 février 2004	37 591 606 841 EUR 9 033 671 358	FR000018680 1	OAT 5,50% 25 avril 2010 particuliers mai 2000	56 451 062
FR000057036 8	OAT 5,50% 25 avril 2004 (encours démembrés/stripped bonds)	15 415 796 930 (97 610 000)	FR000018685 0	OAT 5,50% 25 avril 2010 particuliers juin 2000	66 426 273
FR000057034 3	OAT 6% 25 avril 2004 (encours démembrés/stripped bonds)	1 953 143 000 (296 300 000)	FR000018695 9	OAT 5,50% 25 avril 2010 particuliers juillet 2000	72 937 626
FR000057040 0	OAT 6,75% 25 octobre 2004 (encours démembrés/stripped bonds)	11 188 995 553 (1 087 180 000)	FR000018698 3	OAT 5,50% 25 avril 2010 particuliers août 2000	55 674 810
FR000057043 4	Échéance / Maturity 2005 OAT 7,5% 25 avril 2005 (encours démembrés/stripped bonds)	34 321 246 330 EUR 18 619 406 569 (2 070 080 000)	FR000057073 1	Échéance / Maturity 2011 OAT 6,50% 25 avril 2011 (encours démembrés/stripped bonds)	11 396 367 920 EUR 11 396 367 920 (321 970 000)
FR000057046 7	OAT 7,75% 25 octobre 2005 (encours démembrés/stripped bonds)	15 701 839 761 (2 397 290 000)	FR000057078 0	Échéance / Maturity 2012 OAT 8,50% 26 décembre 2012	5 485 697 339 EUR 5 485 697 339
FR000057049 1	Échéance / Maturity 2006 OAT 7,25% 25 avril 2006 (encours démembrés/stripped bonds)	46 753 093 816 EUR 18 672 039 415 (771 910 000)	FR000057092 1	Échéance / Maturity 2019 OAT 8,50% 25 octobre 2019 (encours démembrés/stripped bonds)	9 551 095 284 EUR 9 349 392 893 (4 776 810 000)
FR000057050 9	OAT 7% 25 avril 2006 (encours démembrés/stripped bonds)	1 091 244 000 (389 650 000)	FR000057095 4	ÉTAT 9,82% 31 décembre 2019	201 702 391
FR000057053 3	OAT 6,50% 25 octobre 2006 (encours démembrés/stripped bonds)	15 102 140 991 (490 510 000)	FR000057104 4	Échéance / Maturity 2022 OAT 8,25% 25 avril 2022 (encours démembrés/stripped bonds)	1 500 000 000 EUR 1 500 000 000 (1 104 500 000)
FR000057054 1	V OAT TEC 10 25 octobre 2006	11 887 669 410	FR000057108 5	Échéance / Maturity 2023 OAT 8,50% 25 avril 2023 (encours démembrés/stripped bonds)	13 408 195 903 EUR 13 408 195 903 (9 160 640 000)
FR000057057 4	Échéance / Maturity 2007 OAT 5,50% 25 avril 2007 (encours démembrés/stripped bonds)	37 098 826 908 EUR 21 771 775 424 (276 820 000)	FR000057115 0	Échéance / Maturity 2025 OAT 6% 25 octobre 2025 (encours démembrés/stripped bonds)	9 416 928 118 EUR 9 416 928 118 (2 996 610 000)
FR000057059 0	OAT 5,50% 25 octobre 2007 (encours démembrés/stripped bonds)	15 327 051 484 (423 550 000)	FR000057122 6	Échéance / Maturity 2028 OAT zéro coupon 28 mars 2028 (non offerte à la souscription)	46 232 603 EUR 46 232 603
			FR000057121 8	Échéance / Maturity 2029 OAT 5,50% 25 avril 2029 (encours démembrés/stripped bonds)	16 875 880 762 EUR 13 453 880 762 (846 190 000)
			FR000018641 3	V OAT/3,40% 25 juillet 2029	3 422 000 000

**Durée de vie moyenne des obligations :**  
**8 ans et 138 jours**

**Average maturity of OATs:**  
**8 years and 138 days**

**OAT/** : OAT indexée sur l'inflation.  
**TRA** : taux révisable, en fonction des taux de rendement des emprunts d'État à taux fixe d'échéance supérieure à 7 ans, publiés par la Caisse des dépôts et consignations.  
**TME** : moyenne arithmétique des taux de rendement moyens mensuels des emprunts d'État à taux fixe d'échéance supérieure à 7 ans sur l'année précédant la date de mise en paiement du coupon.  
**TEC 10** : taux de l'échéance constante à 10 ans.

**Total général**

**415 700 852 932 EUROS**

encours démembrés/stripped bonds

**34 032 670 000 EUROS**

en % des lignes démembrables

**10,23%**

as a % of strippable bonds

**OAT/** : inflation-indexed OAT.

**TRA** : variable rate based on the yields of all fixed-rate French Government bonds (EE and OATs included) with maturities greater than 7 years, as published by the CDC.

**TME** : the coupon rate is the arithmetic mean of the monthly average of all fixed-rate French Government bonds (EE and OATs included) with maturities greater than 7 years. The coupon rate is fixed every January based on the previous calendar year.

**TEC 10** : 10-year constant maturity Treasury.

## BTAN au 31 août 2000

### Treasury notes at August 31, 2000

CODE ISIN	Libellé de l'emprunt / Bond	Encours	
FR0100059544	<b>Échéance / Maturity 2000</b> BTAN 7% 12 octobre 2000	<b>8 463 664 485</b> 8 463 664 485	<b>EUR</b>
FR0100059551 FR0100059569 FR0100877812 FR0100059577	<b>Échéance / Maturity 2001</b> BTAN 5,75% 12 mars 2001 BTAN 6% 16 mars 2001 BTAN 3% 12 juillet 2001 BTAN 5,50% 12 octobre 2001	<b>36 560 119 105</b> 10 549 167 038 731 023 000 13 152 000 000 12 127 929 067	<b>EUR</b>
FR0101465831 FR0100059585 FR0100059593	<b>Échéance / Maturity 2002</b> BTAN 4% 12 janvier 2002 BTAN 4,75% 12 mars 2002 BTAN 4,50% 12 juillet 2002	<b>45 966 815 874</b> 12 890 000 000 11 380 471 532 21 696 344 342	<b>EUR</b>
FR0102325695 FR0100059601	<b>Échéance / Maturity 2003</b> BTAN 5% 12 janvier 2003 BTAN 4,50% 12 juillet 2003	<b>24 413 156 556</b> 3 099 000 000 21 314 156 556	<b>EUR</b>
FR0100802273	<b>Échéance / Maturity 2004</b> BTAN 3,50% 12 juillet 2004	<b>17 975 000 000</b> 17 975 000 000	<b>EUR</b>
FR0101659813	<b>Échéance / Maturity 2005</b> BTAN 5% 12 juillet 2005	<b>15 279 000 000</b> 15 279 000 000	<b>EUR</b>

**Durée de vie moyenne des BTAN : 2 ans et 54 jours**  
Average maturity of BTANs: 2 years and 54 days

**Total général**    **148 657 756 020 EUR**

## BTF au 31 août 2000

### Treasury bills at August 31, 2000

	Échéance / Maturity	EUROS
BTF	7/9/2000	1 336 000 000
BTF	14/9/2000	1 093 000 000
BTF	21/9/2000	3 155 000 000
BTF	28/9/2000	2 223 000 000
BTF	5/10/2000	1 056 000 000
BTF	12/10/2000	1 110 000 000
BTF	19/10/2000	1 002 000 000
BTF	26/10/2000	1 277 000 000
BTF	2/11/2000	3 371 000 000
BTF	9/11/2000	1 232 000 000
BTF	16/11/2000	3 050 000 000
BTF	23/11/2000	1 727 000 000
BTF	30/11/2000	1 389 000 000
BTF	7/12/2000	2 353 000 000
BTF	11/1/2001	2 165 000 000
BTF	18/1/2001	1 809 000 000
BTF	26/1/2001	1 004 000 000
BTF	15/2/2001	3 575 000 000
BTF	8/3/2001	1 792 000 000
BTF	29/3/2001	2 936 000 000
BTF	3/5/2001	2 785 000 000
BTF	21/6/2001	1 625 000 000
BTF	2/8/2001	1 877 000 000

**Durée de vie moyenne des BTF : 121 jours**  
Average maturity of BTFs: 121 days

**Total**    **44 942 000 000 EUR**

**Durée de vie moyenne totale de la dette**  
**au 31/8/2000 : 6 ans et 96 jours**

**Total général \***

**609 300 608 952 EUROS**

Average maturity of debt at 31/8/2000:  
6 years and 96 days

1 euro = 6,55957 FRF

Source : ministère de l'Économie, des Finances et de l'Industrie

\* La réserve de titres du FSR a été mise à zéro. Elle peut être reconstituée à tout moment en cas de besoin.  
The FSR Securities reserve has been set to zero. Bonds can be created into the reserve at any moment



OAT 7.5 % 04-2005 OAT 3 % 07-2009 OAT 5.25 % 04-2008 OAT TEC 10 01-2009 OAT 4 % 10-2009 OAT 8.5 % 04-2023 OAT 5.5 % 04-2029 OAT 4 % 10-2009 OAT 5.5 % 04-2010 OAT 3.4 % 07-2029 BTAN 4 % 01-2002 BTAN 4.5 % 07-2002 BTAN 3.5 % 07-2004 BTAN 5 % 07-2005 OAT 4 % 04-2009 BTAN 4.5 % 07-2003 BTAN 3.5 % 07-2004 OAT 7.5 % 04-2005 BTF 17/08/2000 BTF

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France Trésor

Auction and settlement dates

3<sup>rd</sup> Quarter 2000

	BTF			BTAN			OAT
	13 w.	semestrial	annual	2 years 4.50% 07/2002	2 years 01/2003	5 years 5.00% 07/2005	
Monday 03/07 Thursday 06/07							
Monday 10/07 Tuesday 11/07 Thursday 13/07							
Monday 17/07 Thursday 20/07							
Monday 24/07 Tuesday 25/07 Thursday 27/07							
Monday 31/07 Thursday 03/08							
Monday 07/08 Tuesday 08/08 Thursday 10/08							
Monday 14/08 Thursday 17/08							
Monday 21/08 Tuesday 22/08 Thursday 24/08							
Monday 28/08 Thursday 31/08							
Monday 04/09 Thursday 07/09							
Monday 11/09 Tuesday 12/09 Thursday 14/09							
Monday 18/09 Thursday 21/09							
Monday 25/09 Tuesday 26/09 Thursday 28/09							

	Émission		Règlement
B T F	13 weeks	Each Monday *	Following Thursday *
	semester	Generally 1 or 2 Mondays per month *	Following Thursday *
	1 year	Generally 1 or 2 Mondays per month *	Following Thursday *
B T A N	07/2002	3 <sup>rd</sup> working Thursday of the month *	Following Tuesday *
	01/2003	3 <sup>rd</sup> working Thursday of the month *	Following Tuesday *
	07/2005	3 <sup>rd</sup> working Thursday of the month *	Following Tuesday *
O A T	1 <sup>st</sup> working Thursday of the month *	Following Tuesday *	

\* or the previous or following working day.

# France Trésor

## 2000 auction calendar

<b>OAT AUCTION CALENDAR FOR THE YEAR</b>	OAT 1 <sup>st</sup> Thursday of the month	A fixed-rate 10-year line, the April 25, 2010 OAT or another OAT line to be opened; if market conditions permit, other fixed-rate or floating-rate lines, either existing or to be opened, or inflation-indexed.
<b>BTAN SEMESTERLY AUCTION CALENDAR</b>	BTAN 3 <sup>rd</sup> Thursday of the month	Lines auctioned during the second half-year of 2000 • BTAN 4.50% July 2002 • BTAN January 2003 • BTAN 5.00% July 2005 • BTAN January 2006.
<b>BTF QUARTERLY AUCTION CALENDAR</b>	Each Monday	BTF 13 weeks, semester, or 1 year according to the calendar on the other side.

The Treasury reserves the right to cancel an auction listed on the calendar if exceptional market conditions warrant it, or to hold an extra auction according to its borrowing needs and market trends.

Furthermore, the Treasury reserves the right to create new, long- or medium-term during the year, or to issue further tranches of previous issues in accordance with market conditions. The Treasury also reserves the right to use banking syndicate issue procedures.

The exact nature of the Treasury issues will be communicated to the market in the days preceding each auction with information on the volume of the issues.

## Reuters pages on France Trésor

INDEX TRESOR	MENU : TRESORMENU					
SVT	BTF	BTAN	OAT	OAT7	STRIPS	PENSIONS
ABN-AMRO FIXED INCOME FRANCE	AAFIBTF	AABOAT	AABOAT/01/02	AABILB	AAFISTRIP	AAFIREPO
BANQUE LEHMAN BROTHERS S.A.	LBTF1	LBBTAN2	LBOAT1	LBOAT2	-	LBWE
BANQUE PARIBAS	PBBTF	PBBTAN	PBOAT01/02-PBTEC	PBOAT02	PBSTRIP01-02-03	PBAMLEUR
BARCLAYS CAPITAL FRANCE S.A.	BARCAPPL	BARCAPPL	BARCAPOAT1/2	BARCAPIND	BARCAPSTRIPS1-2	BZWPL
BNP FINANCE	BNPSVT01	BNPSVT02	BNPSVT02/05	BNPSVT05	BNPSTRIP01	OBNQ
CDC MARCHES	CDCBILLS	CDCBTAN	CDCOAT1/2	CDCOAT3	CDCSTRIP1-2	CDCBILLS
CREDIT AGRICOLE INDOSUEZ	CAIEUCT01	CAIBTAN01	CAIOAT01/02/CAIVAR01	CAIVAR01	CAISTRIP01	CAIREPO
CREDIT COMMERCIAL DE FRANCE	CCFBTF	CCFBTAN	CCFOAT-CCFTEC	CCFTEC	CCFSTRIP	CCFREPO
CREDIT LYONNAIS	CLBTF	CLBTAN	CLOAT01-04	CLOAT03	CLSTRIP01	CLREPO
DEUTSCHE BANK FRANCE S.A.	DBBTF	DBBTAN1	DBOAT1-2/DBILB	DBILB	0#FRSTRIP-DEBP	DBPPL
DRESDNER KLEINWORT BENSON	DRBBTF	DRBBTAN	DRBOAT1-2/DRBTEC10	DRBTEC10	DRBSTRIP1-2	DRBREPO01
GOLDMAN SACHS PARIS INC. & Cie	GSPK	GSPC	GSPD-F	GSPG	GSPH-J	GSPFREPO
HSBC MARKETS	HSBCBTF	HSBCBTAN	HSBCOAT01-02/HSBCVAR	HSBCVAR	-	HSBCBTF
J.P. MORGAN & Cie S.A.	MGPK	JPMFR01	JPMFR01-02	MGTEC	JPMSTRIPFR	MMQU
MERRILL LYNCH FINANCE S.A.	MLFRONT	MLFBTAN	MLFOAT1-2/MLFTEC	MLFOAT1	MLFSTRIP	MLFRONT
MORGAN STANLEY S.A.	MSFRD	MSFRB/D	MSFRB-C	MSFRC	MSFRE	MSFRR
NATEXIS BANQUES POPULAIRES	NBPGVT01	NBPGVT02	NBPGVT02-04	NBPVAR	-	NBPREPO
SALOMON BROTHERS INTERNATIONAL LTD	-	-	-	-	-	-
SOCIETE GENERALE	SGREPO01	SGOAT01	SGOAT01-02	SGOATVAR01	SGSTRIP01	SGREPO01
UNION EUROPEENNE DE CIC	CICBTF	CICBTAN	CICOAT1-2/CICTEC	CICOATI	CICSTRIP	CICREPO

DAILY BENCHMARKS ON TREASURY BILLS  
published by Banque de France SVTF-G-H

## Telerate pages on France Trésor

INDEX TRESOR	MENU : 20010 - 20078			
SVT	BTF	BTAN	OAT	STRIPS
BANQUE PARIBAS	20 106/107	20 106	20 105	-
CDC MARCHES	2 521	2 520	-	-
CREDIT AGRICOLE INDOSUEZ	2 528	2 532	2533/34/35	2 511
CREDIT COMMERCIAL DE FRANCE	20 082	20 081/82	20 080	20 086
CREDIT LYONNAIS	21 891	21 888	21 885/86/87	21913/15
DRESDNER KLEINWORT BENSON	47 401	47 402	47 403/4	-
J.P. MORGAN & Cie	-	21 482	21483/5	21 486
SOCIETE GENERALE	42 161	42 162	42163/4	-
UNION EUROPEENNE DE CIC	20 121	-	20 124/25/26	-

DAILY BENCHMARKS ON TREASURY BILLS  
published by Banque de France 20018-19

## Information on France Trésor

INTERNET	<a href="http://www.francetresor.gouv.fr">http://www.francetresor.gouv.fr</a>
BLOOMBERG	TRESOR<GO>
REUTERS	<TRESOR>
REUTERS WEB	<a href="http://tresor.session.rservices.com">http://tresor.session.rservices.com</a>

## France Trésor's buy back programme for the second half of 2000

In accordance with the objectives announced on 10 July by Laurent Fabius, Minister of the Economy, Finance and Industry, France Trésor will use its cash position to redeem EUR 10 billion worth of government bonds before the end of 2000 in order to help lower the cost of public debt management.

The implementation conditions of this buy back programme, worked out in close collaboration with the primary dealers, are as follows:

- 1 France Trésor will focus its buy back programme on attractively priced bonds and market demand. It nevertheless intends to make sure that overall French debt liquidity is maintained.
- 2 France Trésor therefore rules out the redemption of certain bonds, particularly securities issued since the beginning of 2000 and debt securities with specifically French features (TEC and OAT). France Trésor may decide to repurchase all other bonds, spread over four maturity periods: shorter than one year, the 2002 - 2005 bracket, the 2007 - 2009 bracket and the 2019 - 2025 bracket.
- 3 Market conditions permitting, France Trésor will use reverse auctions for most repurchases. Additionally, it will carry out OTC transactions as opportunities arise out to the end of the year, which will mainly focus on securities whose maturity is shorter than one year. Market conditions will determine which securities will be selected for reverse auction.
- 4 France Trésor conducts its reverse auctions according to the same method as traditional auctions. Scheduled for 5 September 2000, the first reverse auction will focus on bonds from the 2002 - 2005 bracket on the attached list. The next auction dates and the maturity periods concerned will be announced at least one week in advance.
- 5 Up to 6 bonds may be proposed for each auction. A list of selected securities and the maximum amount to be repurchased from cash will be announced no later than two days prior to the reverse auction date. France Trésor reserves the right not to repurchase one or more securities proposed for reverse auction if it does not consider the offers attractive.

This repurchasing programme is made possible by the budgetary outturn for 1999, which generated a surplus of EUR 2.3 billion, by EUR 4.5 billion in additional revenue in 2000 and, lastly, by the decision to step up BTF issues in the months ahead. The government has not changed the gross borrowing programme presented to investors in the beginning of the year, which remains fixed at EUR 90 billion.

## List of government securities eligible for repurchase

<b>Maturity &lt; 1 year</b>	<b>52,962,914,962</b>	<b>EUR</b>
OAT TME 25 January 2001	3,758,478,028	
OAT 9.50% 25 January 2001	9,800,947,246	
OAT 10% 26 February 2001	158,673,000	
OAT 7.50% 25 July 2001	2,684,697,583	
BTAN 5.75% 12 March 2001	10,549,167,038	
BTAN 6% 16 March 2001	731,023,000	
BTAN 3% 12 July 2001	13,152,000,000	
BTAN 5.50% 12 October 2001	12,127,929,067	
<b>2002 - 2005 bracket</b>	<b>104,751,672,388</b>	<b>EUR</b>
OAT 8.50% 15 March 2002	742,606,500	
OAT 6.75% 25 April 2002	875,928,000	
OAT 8.50% 25 November 2002	15,810,326,826	
OAT 8.50% 25 April 2003	15,505,026,287	
OAT 8% 25 April 2003	498,616,500	
OAT 6.75% 25 October 2003	15,108,154,865	
OAT 8.25% 27 February 2004	9,033,671,358	
OAT 5.50% 25 April 2004	15,415,796,930	
OAT 6% 25 April 2004	1,953,143,000	
OAT 6.75% 25 October 2004	11,188,995,553	
OAT 7.50% 25 April 2005	18,619,406,569	
<b>2007 - 2009 bracket</b>	<b>63,141,242,241</b>	<b>EUR</b>
OAT 5.50% 25 October 2007	15,327,051,484	
OAT 5.25% 25 April 2008	25,291,932,367	
OAT 4% 25 April 2009	22,522,258,390	
<b>2019 - 2025 bracket</b>	<b>33,674,516,914</b>	<b>EUR</b>
OAT 8.50% 25 October 2019	9,349,392,893	
OAT 8.25% 25 April 2022	1,500,000,000	
OAT 8.50% 25 April 2023	13,408,195,903	
OAT 6% 25 October 2025	9,416,928,118	
<b>Grand Total</b>	<b>254,530,346,505</b>	<b>EUR</b>

Source: France Trésor

## OATs : Reverse auctions - September 5, 2000

EUR million

	OAT April 2003 8.50%	OAT February 2004 8.25%	OAT April 2004 5.50%	OAT April 2005 7.50%
Reverse auction date	5/9/00	5/9/00	5/9/00	5/9/00
Settlement date	8/9/00	8/9/00	8/9/00	8/9/00
Volume announced (maximum)			2,000	
Amount bid	1,409	1,108	1,190	1,195
Amount repurchased	395	416	410	547
Stop price	107.94%	109.47%	100.99%	109.22%
Weighted average rate	5.17%	5.19%	5.19%	5.20%

Source: France Trésor

## OTC buy-back - September 5, 2000

Repurchased lines	Initial outstandings <i>in EUR</i>	Buy-back nominal <i>in EUR</i>	Current outstandings <i>in EUR</i>	% buy-back nominal	Buy-back <i>in EUR million</i>
OAT 8.50% April 2003	15,505,026,287	395,000,000	15,110,026,287	2.55%	426.32
OAT 8.25% February 2004	9,033,671,358	416,000,000	8,617,671,358	4.60%	455.31
OAT 5.50% April 2004	15,415,796,930	410,000,000	15,005,796,930	2.66%	414.02
OAT 7.50% April 2005	18,619,406,569	547,000,000	18,072,406,569	2.94%	601.24

Source: France Trésor

# The French Multiannual Tax Reduction and Tax Reform Plan 2001-2003

Tax reduction is a key structural reform undertaken by the government to ensure sustainable, inflation-free growth.

Alongside the high interest rates prevailing at the beginning of the 1990s, the excessive level of taxation was one of the sources of France's massive unemployment. High taxes discouraged workers and added to businesses' cost burden. High taxes are taxes on jobs.

One million jobs have been created in the French business sector in the last three years, thanks to economic policies favouring growth and the employment content of growth. The multiannual tax reduction plan carries these policies forward. It will accelerate the return to full employment in coming years by increasing the earnings of all workers, encouraging investment in France and removing the obstacles that keep people out of the labour market.

## 1 Increase everyone's investment in work

A reduction in income tax will mean that everyone who works for a living will keep a larger proportion of his earnings. This measure will encourage labour supply and social mobility. It will provide greater reward for skills and better recognition of added value.

The reduction in income tax will be larger for people with low and medium incomes so as to preserve the progressive feature of income tax, and it will benefit the vast majority of workers. Reducing the upper marginal tax rates in three years' time is a clear signal given to executives, creative workers and entrepreneurs. The government is definitely willing to encourage these people to develop their talents in this country.

Income tax reduction will be complemented by a range of measures to simplify tax collection and computation.

## 2 Making work pay by eliminating "inactivity traps"

A strong social safety net had to be introduced over the last 25 years to relieve people's difficulties during a period of mass unemployment. However, by reducing, or even eliminating, the differences between labour income and social benefits, these measures "trapped" hundreds of thousands of people in joblessness. For example, the net gain in income for a couple with two children, if one of the spouses gets a full-time minimum-wage job, is only 4 francs per hour. This is socially unfair and a deterrent to job seeking. More specifically, it explains why the employment rate in France is now lower than it was in 1980, whereas it has increased by more than ten percentage points in the United States.

Much has already been done to reduce these "inactivity traps" so that workers may come back to the labour market while continuing temporarily to collect reduced social benefits. This includes the reform of means-tested housing benefits and measures to facilitate the transition between minimum social income (revenu minimum d'insertion) and employment. These measures have already provided a major boost and some 15 billion francs (EUR 2.3 billion) have been budgeted in 2001.

The government wants to take a step further in the 2001 budget by increasing net income from work for all low-wage earners. This is the purpose of the rebate on CSG (contribution sociale généralisée - social security contribution on all sources of income) and CRDS (cotisation pour le remboursement de la dette sociale - social security debt reimbursement levy), which will eventually result in a net monthly gain of 10% for people earning the minimum wage.

This measure comes at the right time, as several business sectors are now complaining of labour shortages. These shortages are especially apparent in construction, hotels and catering, which provide many workers with jobs that often involve difficult working conditions. Increasing income from work provides a strong incentive to that can be expected to attract new workers.

By breaking up production bottlenecks and making jobs more attractive, the rebate on CSG will stimulate job creation and improve the prospects for non-inflationary medium-term growth.

## 3 Fostering investment

Corporate investment has expanded more rapidly in the last three years, but capacity utilisation rates have risen too. Investment needs to be expanded further to prevent inflationary pressure, particularly investment in France's hundreds of thousands of small and medium-sized enterprises.

Repeal of the overcharge introduced in 1995, following the one decided in 1997, will bring the corporation tax rate down to 33% in 2003, compared with nearly 40% in 1997. This measure will bring corporation tax back to average EU levels and is likely to provide a stimulus for investment in France.

A special effort is being made to reduce corporation tax rates for small and medium-sized enterprises. The tax rate for companies with turnover of less than FRF 50 million (EUR 7.6 million) will be cut gradually to 15% on the first 250,000 francs (EUR 38,112). The reasoning behind this measure is that the cost of capital is often higher for this business category because of reluctance on the part of banks to grant loans. This will help offset obstacles to investment.

## 4 Reforming energy taxation

The government's aim is to prevent an oil price shock from slowing growth and causing a resurgence of inflation, while preserving the medium and long term aim of ensuring that oil product prices help curb global warming risks.

A limited decrease in domestic fuel oil tax has therefore been decided in order to help households cope with rising oil prices, effective from 21 September 2000. Moreover, as a way to stabilise the household environment and expectations, extra VAT receipts will from now on be offset by lower oil consumption excise (taxe intérieure sur les produits pétroliers) in case of an extraordinary rise in oil prices.

•••

Generally speaking, the tax measures introduced in 2000 and 2001 are designed to promote moderate price rises and preserve purchasing power. The scale of the measures introduced since last year to reduce indirect taxes has helped already to curb price rises. The recently implemented cuts in normal VAT rates and VAT on maintenance work, along with the abolition of stamp duty on leases, will reduce French inflation by half a percentage point in 2000 and 2001.

Implementation of the multiannual tax reduction plan will be accompanied by further reduction of the public deficit and public debt, in line with the government's multiannual public finance programme. All in all, this should lead to more jobs, more investment and more purchasing power and therefore to stronger, inflation-free growth that is more broadly based, with more jobs, new equipment and improved technology.

## General tax reduction and reform plan (2001-2003)

(in FRF bn)

	2001	2002	2003	Cumulative
<b>1. Reducing taxes fairly and effectively</b>				
Gradual reduction of the income tax scale	- 21.8	- 12.0	- 9.4	43.2
Reduction of corporation tax	-2.7	-9.7	-8.0	-20.4
Lower statutory income tax rate by repealing the Juppé tax	-8.4	-9.2	-9.8	-27.4
Amendment of tax consolidation rules, the tax credit between companies and accelerated depreciation	8.0	3.6	1.8	13.4
Reduction of income tax rate to 15% for a fraction of the profit of small enterprises	-2.3	- 4.1		-6.4
Measure in favour of private renewable energy production equipment (solar, wind, etc.)		-0.2		-0.2
Abolition of business tax on wages	-8.0	-7.5		-15.5
<b>Total</b>	<b>- 32.5</b>	<b>- 29.4</b>	<b>- 17.4</b>	<b>- 79.3</b>
<b>2. Encouraging employment by reducing inactivity traps</b>				
Adaptation of the discount to avoid a steep increase on joining the income tax scale	-1.6			-1.6
Reduction of CSG and CRDS on low wages in order to stimulate the unemployed to find new jobs	-8.0	-8.5	-8.5	-25.0
<b>Total</b>	<b>- 9.6</b>	<b>- 8.5</b>	<b>- 8.5</b>	<b>- 26.6</b>
<b>3. Improving oil taxation</b>				
Lower tax on domestic fuel oil	-3.5			-3.5
Tax contributed by oil companies	3.5			3.5
Adjustment of diesel oil taxation		2.4	2.4	4.8
Improvement of reimbursement to road haulage and public transit companies	n.c.			n.c.
<b>4. Simplifying taxation</b>				
Calculation and automatic mention of average income tax rate	•			
Various simplification measures, including:				
Adjustment of wage tax and alignment of the assessment basis of this tax with social security levies	- 0.3			-0.3
Reform of advanced corporation tax		•		
Abolition of taxes and other measures (including lease duty)	- 2.7	- 2.0	- 1.5	-6.2
Abolition of the annual registration tax on passenger cars	- 12.0			- 12.0
<b>Amount of overall plan</b>	<b>- 57.1</b>	<b>- 37.5</b>	<b>- 25.0</b>	<b>-119.6</b>

• Year on implementation