



MONTHLY BULLETIN - N°175 - December 2004

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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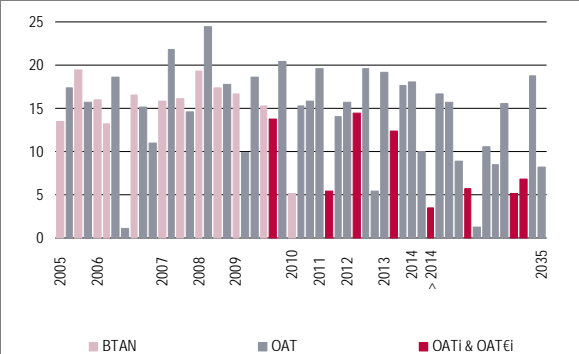
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on November 30, 2004

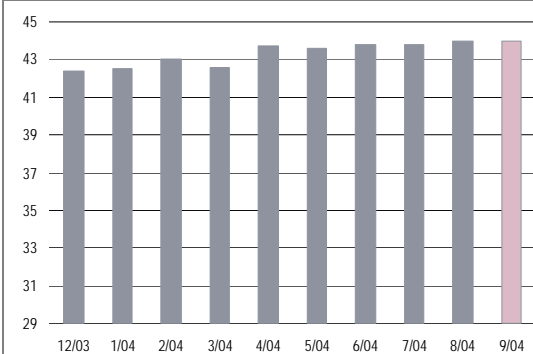
nominal value of each line, EUR billion



Source : Agence France Trésor

Non-resident holdings of French government negotiable debt securities

as a % of negotiable debt outstanding



Source: balance of payments

Note : A more accurate census of the securities held by the custodians has enabled Banque de France to revise the ratios of French Government Negotiable Debt held by non-residents, and particular for shorter-term notes.

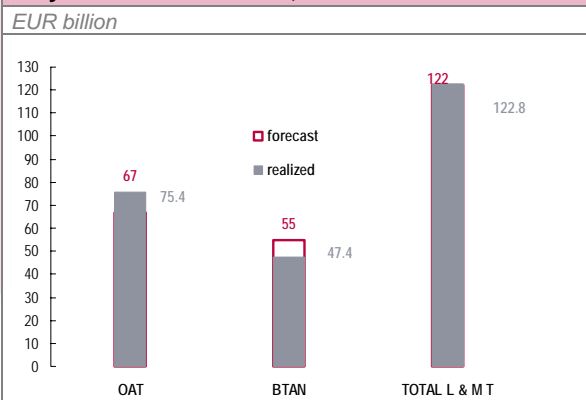
PRIMARY MARKET

▸ Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
December 2004	auction date	6	13	20	27	no auction		no auction
	settlement date	9	16	23	30			
January 2005	auction date	3	10	17	24	31	20	6
	settlement date	6	13	20	27	3 Feb.	25	11

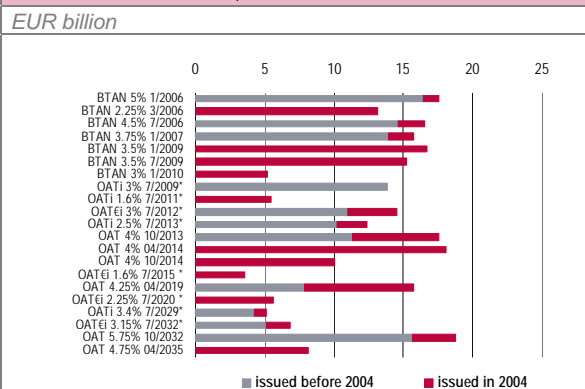
Source : Agence France Trésor

▸ Long- and medium-term financing over the year on November 30, 2004



Source : Agence France Trésor

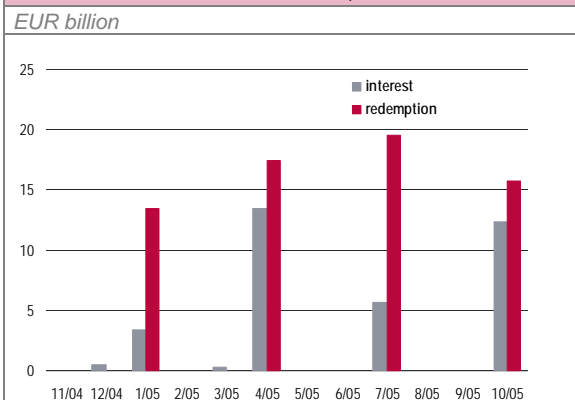
▸ OATs and BTANs issues and cumulative total on November 30, 2004



* nominal value

Source : Agence France Trésor

▸ OATs and BTANs: indicative repayment schedule on November 30, 2004



Source : Agence France Trésor

▶ OAT and BTAN auctions – November 2004

EUR million				
	OAT 10 years	OAT > 10 years	OAT€i 10 years	BTAN 5 years
	10/25/2004	4/25/2035	7/25/2015	1/12/2010
	4.00%	4.75%	1.60%	3.00%
Auction date	11/4/2004	11/4/2004	11/18/2004	11/18/2004
Settlement date	11/9/2004	11/9/2004	11/23/2004	11/23/2004
Amount announced	<- 3,500-4,000 ->		<-3,000-3,500-->	<..4,800 - 5,300.>
Bid amount	5,980	3,265	5,682	8,336
Amount served	2,252	1,575	3,497	5,174
<i>of which: NCTs before auction</i>	0	0	0	0
NCTs after auction	0	0	30	0
Total issued amount	2,252	1,575	3,527	5,174
Bid-to-cover ratio	2.66	2.07	1.62	1.61
Weighted average price	100.61%	102.83%	100.32%	99.49%
Yield to maturity	3.92%	4.57%	1.57%	3.11%
Indexation coefficient	-	-	1.00210	-

Source : Agence France Trésor

▶ BTF auctions - November 2004

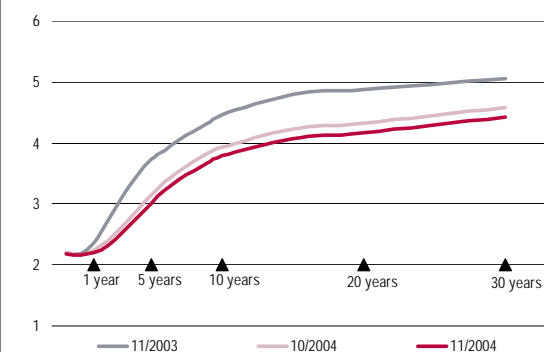
EUR million				
	BTF	BTF	BTF	BTF
	1 month	3 month	6 month	1 year
Auction date		11/2/2004	11/2/2004	
Settlement date		11/4/2004	11/4/2004	
Maturity		1/27/2005	5/12/2005	
Total issued amount		2,007	2,007	
Weighted average rate		2.030%	2.106%	
Auction date		11/8/2004		11/8/2004
Settlement date		11/10/2004		11/10/2004
Maturity		2/10/2005		10/27/2005
Total issued amount		2,204		1,966
Weighted average rate		2.048%		2.270%
Auction date		11/15/2004	11/15/2004	
Settlement date		11/18/2004	11/18/2004	
Maturity		2/10/2005	5/12/2005	
Total issued amount		2,216	1,905	
Weighted average rate		2.053%	2.102%	
Auction date		11/22/2004		11/22/2004
Settlement date		11/25/2004		11/25/2004
Maturity		2/24/2005		11/24/2005
Total issued amount		2,208		2,022
Weighted average rate		2.056%		2.234%
Auction date		11/29/2004	11/29/2004	
Settlement date* in December		12/2/2004	12/2/2004	
Maturity		2/24/2005	6/9/2005	
Total issued amount		1,937	1,956	
Weighted average rate		2.057%	2.105%	

Source : Agence France Trésor

SECONDARY MARKET

French government yield curve

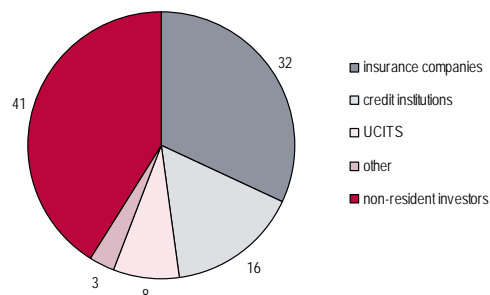
quote at end of the month, in %



Source : Bloomberg

OAT ownership by type of holder second quarter 2004

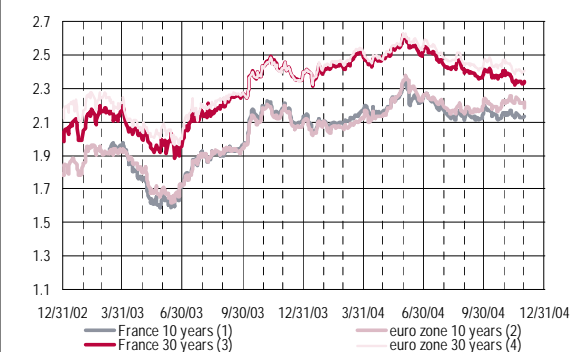
structure in %



Source : Banque de France

Breakeven inflation

daily quotes in %



Source : Bloomberg

- (1) difference between the yield of the OAT 4% April 2013 and the yield of the OATi 2.5% July 2013
 (2) difference between the yield of the OAT 5% April 2012 and the yield of the OAT*€i* 3% July 2012
 (3) difference between the yield of the OAT 5.5% April 2029 and the yield of the OATi 3.4% July 2029
 (4) difference between the yield of the OAT 5.75% October 2032 and the yield of the OAT*€i* 3.15% July 2032

Negotiable government debt and swaps

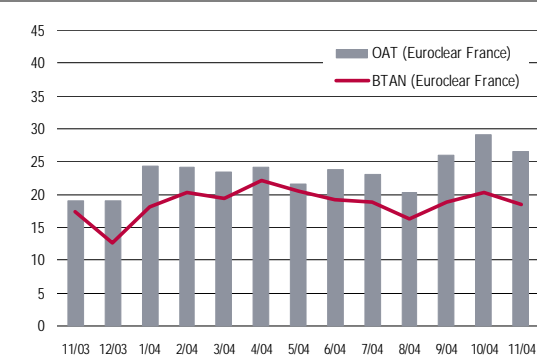
EUR billion

	end 2000	end 2001	end 2002	end 2003	September 2004	October 2004	November 2004
Negotiable government debt outsta	616	653	717	788	836	829	841
OAT	419	443	478	512	551	544	552
BTAN	154	158	151	167	179	180	184
BTF	43	52	88	109	106	105	105
Swaps outstanding	///	37	61	61	61	61	61
Average maturity of the negotiable debt							
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	6 years
after swaps	64 days	47 days	343 days	297 days	58 days	84 days	85 days
	///	5 years	5 years	5 years	6 years	6 years	6 years
	///	358 days	266 days	235 days	6 days	33 days	38 days

Source : Agence France Trésor

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

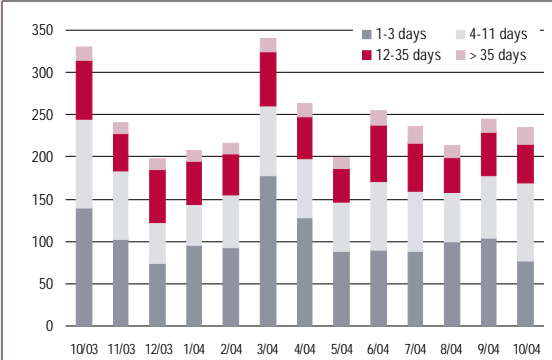
daily average (EUR billion)



Source : Euroclear

▶ Primary dealers, monthly fixed-rate repo transactions

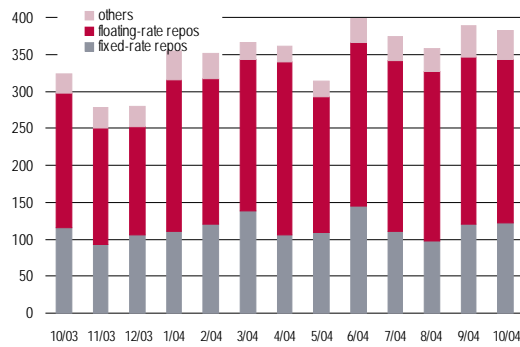
EUR billion



Source: primary dealers

▶ Primary dealers, repo outstanding at end of month

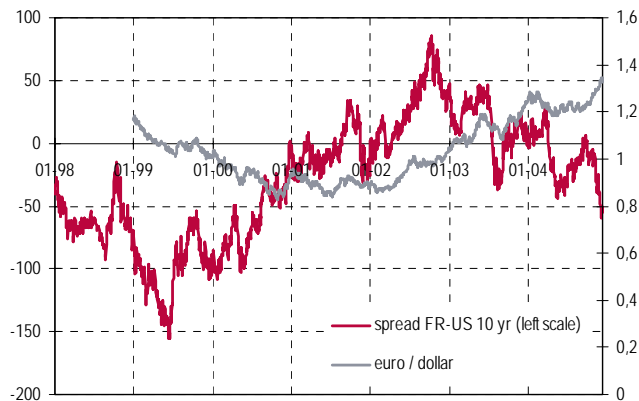
EUR billion



Source: primary dealers

Focus

▶ 10 year interest rate spread (FR – US) and euro exchange rate



Source : Bloomberg

The euro acquires reserve currency status

When the euro was launched, analysts were quick to predict its future as an international reserve currency and feared that it would therefore become excessively strong. For the first four years of the single currency's life, however, this prospect appeared most unlikely and many observers came to rule it out altogether. It now seems that they were over-hasty.

The most significant recent development is the multiplication of declarations and rumours concerning central banks, to the effect that they have started to increase the share of their reserves held in euros. There is some evidence for such claims. Although figures on reserve holdings are usually secret, the IMF believes that one-fifth of world currency reserves were held in euros at the end of 2003, or more than four times as much as those held in sterling or yen. Balance of payments data confirm this bias. Over the 12 months to the end of September, non-residents bought a net 208 billion euros' worth of euro zone bonds, a total exceeded only once over the previous three and a half years. Net purchases totalled 39 billion euros in September 2004 alone.

Market trends also suggest decreased confidence in the dollar; this is highlighted by the euro's appreciation against the dollar. But note also that with the exception of June-July 2003, when the market feared deflation, long-term interest rates in euros are at historical lows. This degree of confidence is indispensable to any reserve currency. The differential between euro and dollar swap rates verged on 100bp at the start of December, the widest spread for almost three years. This performance is all the more remarkable for the fact that it coincides with political differences within Europe, uncertainty over the shape of monetary union in the future and budgetary slippage in many countries.

Trends concerning notes and coin in circulation are also atypical. Their growth is usually slower than that of sight deposits, but as far as the euro is concerned we observe the opposite. 2001 and 2002 were affected by the announcement of the introduction of euro notes and coin and the phasing out of their national predecessors. But a constant rise in outstandings of notes and coin has been evident ever since part of the non-exchanged money supply was removed from the statistics in January 2003. The rate of increase is still close to 20%, when it had hardly ever exceeded 7% before. Outstandings have largely outpaced those of sight deposits over the past two years, yet they rose by far less than sight deposits until 2001.

In the United States, by contrast, the circulation of notes and coin has decelerated since mid-2002. Sight deposits have generally expanded by rather less than outstanding notes and coin, but we now observe growth rates that look unusually high for deposits and abnormally low for notes and coin. It seems that part of the world economy is in the process of shifting its preferences in favour of the euro. This is certainly the case for numerous countries in North Africa and Eastern Europe, whether or not they are destined for euro zone membership. The ECB estimates that one-seventh of all euro notes now circulates outside the euro zone.

Market analysis
Dominique Barbet
BNP-Paribas

Notice: this Agency 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 Agency France Trésor or the Ministry of the Economy, Finance and Industry.

THE FRENCH ECONOMY

▸ Macro-economic forecast

Real growth rate as a %				
	2003	2004	2005	
French GDP	0.5	2.5	2.5	
Euro zone GDP	0.5	1.9	2.2	
Household consumption	1.4	2.4	2.4	
Business investment	-1.9	4.3	4.7	
Exports	-2.5	4.5	6.3	
Imports	-0.1	7.1	6.7	
Consumer prices (year-on-year)	2.1	2.2	1.8	

Source : 2005 Budget bill

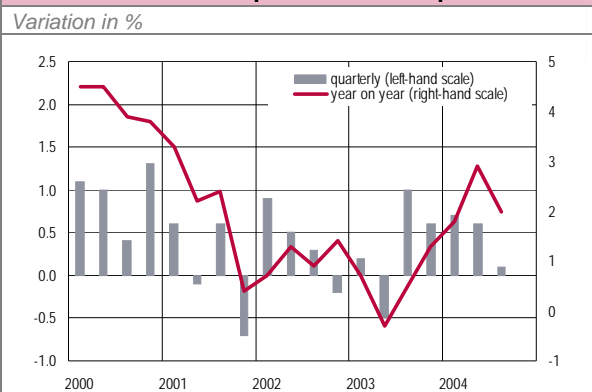
▸ Recent economic indicators

Industrial output*, year-on-year	2.6%	9/2004
Household consumption*, year-on-year	2.1%	10/2004
Unemployment rate (ILO)	9.9%	10/2004
Consumer prices, year-on-year		
all items	2.1%	10/2004
all items excluding tobacco	1.7%	10/2004
Trade balance, fob-fob, sa	-0.8 EUR bn	9/2004
	" -1.7 EUR bn	8/2004
Current account balance, sa	-0.7 EUR bn	9/2004
	" -1.0 EUR bn	8/2004
10-year interest rate (TEC10)	3.81%	11/2004
3-month interest rate (Euribor)	2.176%	11/2004
EUR / USD	1.3295	11/2004
EUR / JPY	136.54	11/2004

*manufactured goods –

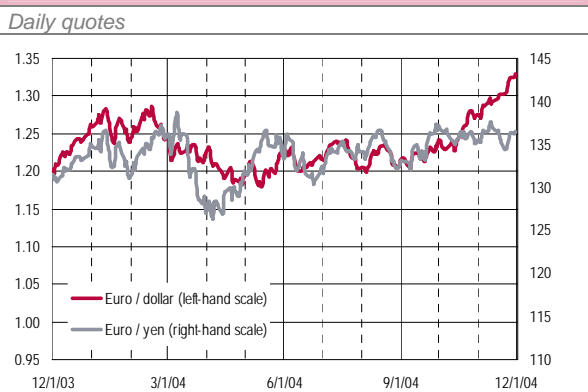
Source : Insee ; Ministry of the Economy, Finance and Industry ; Banque de France

▸ Gross domestic product at 1995 prices



Source : Insee, quarterly national accounts

▸ Euro exchange rate



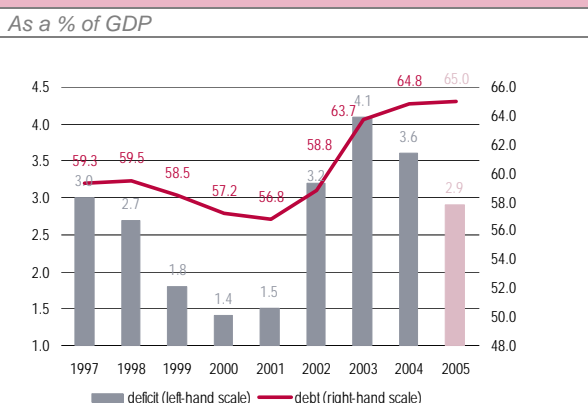
Source : European Central Bank

▸ Government budget monthly position

EUR billion	end-of-October level				
	2002	2003	2002	2003	2004
General budget balance	-49.99	-56.71	-46.18	-53.66	-48.40
revenue	227.47	221.56	186.90	182.53	197.16
expenditure	277.46	278.27	233.08	236.19	245.56
Balance of special Treasury accounts	0.69	-0.23	-6.49	-6.30	-2.57
General budget outturn	-49.30	-56.94	-52.67	-59.96	-50.97

Source: Ministry of the Economy, Finance and Industry for more information:
http://www.minefi.gouv.fr/minefi/chiffres/budget_eta/T

▸ Public finance: general government deficit and debt



Source: according to Maastricht treaty, Insee and 2005 Budget bill

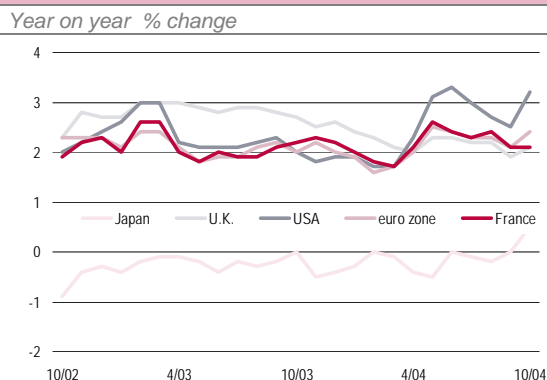
▶ Timetable for the release of French economic indicators

December 2004	January 2005
7 Gross foreign exchange reserves in November	4 Quarterly national accounts: final results Q3-2004
7 Central government budget: statement at end of October	6 Household confidence survey: December survey
10 Consumer prices: provisional index for November	7 Central government budget: statement at end of November
10 Industrial output in October	7 Gross foreign exchange reserves in December
10 Foreign trade in October	11 Industrial output in November
16 Payroll employment: final results Q3-2004	11 Foreign trade in November
16 Balance of payments in October	12 Cost-of-construction: index Q3-2004
21 Household consumption of manufactured goods in November	13 Consumer prices: provisional index for December
22 Wages: final results Q3-2004	18 Balance of payments in November
22 Consumer prices: final index for November	21 Consumer prices: final index for December
22 Industrial producer prices: November index	21 Household consumption of manufactured goods in December
23 Industrial trends: monthly survey for December	25 New building starts in December
29 New building starts in November	28 Industrial trends: monthly survey for January
30 Net foreign exchange reserves in November	28 Industrial producer prices: December index
31 Job seekers in November	28 Job seekers in December
	31 Net foreign exchange reserves in December
	31 Household confidence survey: January survey

Harmonized index of consumer prices (Eurostat)
Index for November: December 16
Index for December: January 20

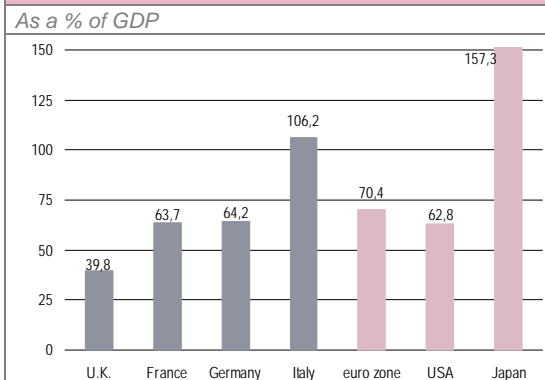
INTERNATIONAL COMPARISONS

▶ Consumer price index



Source : statistical institutes

▶ General government debt in 2003



Source : Eurostat, OECD

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

▶ OAT au 30 novembre 2004 / fungible Treasury bonds at November 30, 2004

En euros

CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding (valeur nominale/ face value)	Coefficient d'indexation / indexation coefficient	démembré / stripped	CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding (valeur nominale/ face value)	Coefficient d'indexation / indexation coefficient	démembré / stripped
FR0000570434	Echéance 2005 OAT 7,5% 25 avril 2005	33 114 223 376		2 818 830 000	FR0000188989	Echéance 2013 OAT 4% 25 avril 2013	49 618 082 168		97 600 000
FR0000570467	OAT 7,75% 25 octobre 2005	17 412 383 615		2 690 170 000	FR0000188955 I	OATi 2,5% 25 juillet 2013	12 884 140 610 (1)	1,03829	
FR0000570491	Echéance 2006 OAT 7,25% 25 avril 2006	45 903 093 816		1 541 410 000	FR0010011130	OAT 4% 25 octobre 2013	(12 409 000 000) 17 596 757 679		43 500 000
FR0000570509	OAT 7% 25 avril 2006	18 672 039 415		427 030 000	FR0010061242	Echéance 2014 OAT 4% 25 avril 2014	28 050 563 311		20 980 000
FR0000570533	OAT 6,5% 25 octobre 2006	1 091 244 000		2 090 000 000	FR0010083428	OAT 4% 25 avril 2014 mai 2004	17 889 144 025		
FR0000570541 V	OAT TEC10 25 octobre 2006	15 102 140 991			FR0010093013	OAT 4% 25 avril 2014 juin 2004	40 285 941		
FR0000570574	Echéance 2007 OAT 5,5% 25 avril 2007	36 408 826 604		683 230 000	FR0010098202	OAT 4% 25 avril 2014 juillet 2004	36 967 717		
FR0000570590	OAT 5,5% 25 octobre 2007	21 771 775 424		294 480 000	FR0010109082	OAT 4% 25 avril 2014 août 2004	39 558 589		
FR0000570632	Echéance 2008 OAT 5,25% 25 avril 2008	14 637 051 180		342 180 000	FR0010112052	OAT 4% 25 octobre 2014	33 795 962		35 600 000
FR0000570665	OAT 8,5% 25 octobre 2008	42 188 093 494		4 999 300 000	FR0010133652	OAT 4% 25 octobre 2014 nov. 2004	9 956 205 521		
FR0000570673 V	Echéance 2009 OAT TEC10 25 janvier 2009	24 403 932 367			FR0010135525 I	Echéance 2015 OATfi 1,6% 25 juillet 2015	54 605 556		
FR0000571432	OAT 4% 25 avril 2009	17 784 161 127		1 675 230 000			3 535 112 100 (1)	1,00230	
FR0000571424 I	OATi 3% 25 juillet 2009	64 012 109 244			FR0000187361	Echéance 2016 OAT 5% 25 octobre 2016	(3 527 000 000) 16 652 000 000		1 148 580 000
FR0010109090 I	OATi 3% 25 juillet 2009 août 2004	9 853 044 498	(1)	1,09406			16 652 000 000		
FR0010113266 I	OATi 3% 25 juillet 2009 sept. 2004	18 640 258 371	(1)	1,09406	FR0000189151	Echéance 2019 OAT 4,25% 25 avril 2019	24 609 082 780		131 000 000
FR0010125575 I	OATi 3% 25 juillet 2009 oct. 2004	15 101 324 241 (1)	1,09406		FR0000570921	OAT 8,5% 25 octobre 2019	15 754 000 000		4 840 380 000
FR0010133660 I	OATi 3% 25 juillet 2009 nov. 2004	(13 803 012 852) 2 359 805 (1)	1,09406		FR0000570954 C	ETAT 9,82% 31 décembre 2019	8 844 392 893	(2)	1,59738
FR0000186199	OAT 4% 25 octobre 2009	(2 156 925) 334 287 (1)	1,09406				10 689 887 (2)		
FR0000186603	Echéance 2010 OAT 5,5% 25 avril 2010	(305 547) 229 479 (1)	1,09406		FR0010050559 I	Echéance 2020 OATfi 2,25% 25 juillet 2020	(6 692 154) 5 795 524 760	(1)	1,02286
FR0000187023	OAT 5,5% 25 octobre 2010	(209 750) 421 525 (1)	1,09406				(5 666 000 000) 1 243 939 990		
FR0000570731	Echéance 2011 OAT 6,5% 25 avril 2011	20 414 137 038		594 250 000	FR0000571044	Echéance 2022 OAT 8,25% 25 avril 2022	1 243 939 990		936 650 000
FR0010094375 I	OATi 1,6% 25 juillet 2011	31 162 742 970	(1)	1,02193	FR0000571085	Echéance 2023 OAT 8,5% 25 avril 2023	10 606 195 903		7 885 640 000
FR0000187874	OAT 5% 25 octobre 2011	15 311 719 352		704 950 000	FR0000571150	Echéance 2025 OAT 6% 25 octobre 2025	10 606 195 903		3 414 780 000
FR0000188328	Echéance 2012 OAT 5% 25 avril 2012	15 851 023 618		482 050 000	FR0000571226 C	Echéance 2028 OAT zéro coupon 28 mars 2028	8 511 928 118	(3)	0,26535
FR0000188013 I	OATfi 3% 25 juillet 2012	39 216 267 212	(1)	1,05698			12 267 982 (3)		
FR0000188690	OAT 4,75% 25 octobre 2012	19 572 445 710		376 250 000	FR0000571218	Echéance 2029 OAT 5,5% 25 avril 2029	(46 232 603) 21 075 650 646		3 381 250 000
FR0000570780	OAT 8,5% 26 décembre 2012	5 588 935 170 (1)	1,02193		FR0000186413 I	OATi 3,4% 25 juillet 2029	15 500 880 458	(1)	1,08943
		(5 469 000 000) 14 054 886 332					5 574 770 188 (1)		
		56 013 798 963			FR0000188799 I	Echéance 2032 OATfi 3,15% 25 juillet 2032	(5 117 144 000) 25 779 029 840	(1)	1,03636
		15 654 110 580			FR0000187635	OAT 5,75% 25 octobre 2032	7 041 029 840 (1)		
		15 319 868 120 (1)	1,05698				(6 794 000 000) 18 738 000 000		4 112 850 000
		(14 494 000 000) 19 554 122 924			FR0010070060	Echéance 2035 OAT 4,75% 25 avril 2035	8 163 000 000		489 350 000
		5 485 697 339					8 163 000 000		

(1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2003 / including coupons capitalized at 12/31/2003 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 28/03/2004 / actualized value at 03/28/2004 ; 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)
 OATfi : 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	551 671 533 277
Encours démémbré / stripped outstanding	47 672 210 000
En % des lignes démémbrables	10,50%
As a % of strippable bonds	
Durée de vie moyenne	8 ans et 235 jours
Average maturity	8 years and 235 days

► **BTAN au 30 novembre 2004 / Treasury notes at November 30, 2004**

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding
	Echéance 2005	32 963 842 683
FR0104756962	BTAN 3,5% 12 janvier 2005	13 474 842 683
FR0101659813	BTAN 5% 12 juillet 2005	19 489 000 000
	Echéance 2006	45 707 000 000
FR0102626779	BTAN 5% 12 janvier 2006	16 016 000 000
FR0106589445	BTAN 2,25% 12 mars 2006	13 158 000 000
FR0103230423	BTAN 4,5% 12 juillet 2006	16 533 000 000
	Echéance 2007	31 850 000 000
FR0103840098	BTAN 3,75% 12 janvier 2007	15 774 000 000
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000
	Echéance 2008	36 671 000 000
FR0105427795	BTAN 3,5% 12 janvier 2008	19 335 000 000
FR0105760112	BTAN 3% 12 juillet 2008	17 336 000 000
	Echéance 2009	31 941 000 000
FR0106589437	BTAN 3,5% 12 janvier 2009	16 714 000 000
FR0106841887	BTAN 3,5% 12 juillet 2009	15 227 000 000
	Echéance 2010	5 174 000 000
FR0107369672	BTAN 3% 12 janvier 2010	5 174 000 000

Total BTAN / total Treasury notes **184 306 842 683**

Durée de vie moyenne des BTAN **2 ans et 139 jours**
Average maturity of BTANs 2 years and 139 days

► **BTF au 30 novembre 2004 / Treasury bills at November 30, 2004**

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	2 décembre 2004	4 415 000 000
BTF	9 décembre 2004	4 225 000 000
BTF	16 décembre 2004	4 210 000 000
BTF	23 décembre 2004	4 729 000 000
BTF	30 décembre 2004	4 315 000 000
BTF	6 janvier 2005	4 010 000 000
BTF	13 janvier 2005	4 509 000 000
BTF	20 janvier 2005	5 574 000 000
BTF	27 janvier 2005	4 211 000 000
BTF	3 février 2005	4 007 000 000
BTF	10 février 2005	4 420 000 000
BTF	17 février 2005	4 142 000 000
BTF	24 février 2005	2 208 000 000
BTF	3 mars 2005	4 085 000 000
BTF	17 mars 2005	3 941 000 000
BTF	31 mars 2005	3 871 000 000
BTF	14 avril 2005	4 171 000 000
BTF	28 avril 2005	4 192 000 000
BTF	12 mai 2005	3 912 000 000
BTF	26 mai 2005	3 847 000 000
BTF	23 juin 2005	3 714 000 000
BTF	21 juillet 2005	4 011 000 000
BTF	18 août 2005	3 810 000 000
BTF	15 septembre 2005	4 312 000 000
BTF	27 octobre 2005	3 971 000 000
BTF	24 novembre 2005	2 022 000 000

Total BTF / total Treasury bills **104 834 000 000**

Durée de vie moyenne des BTF **115 jours**
Average maturity of BTFs 115 days

Dettes négociables de l'Etat au 30 novembre 2004 / French government negotiable debt at November 30, 2004

Encours total / total outstanding **840 812 375 960**
Durée de vie moyenne **6 ans et 85 jours**
Average maturity 6 years and 85 days

Réserve de titres de la Caisse de la dette publique au 30 novembre 2004 / Securities held in reserve by Caisse de la dette publique at November 30, 2004

néant / void