



MONTHLY BULLETIN - N° 195 - August 2006

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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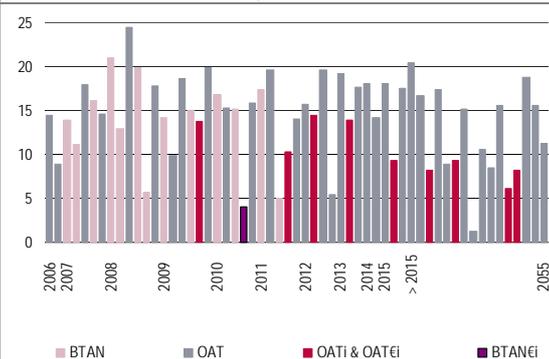
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on July 31, 2006

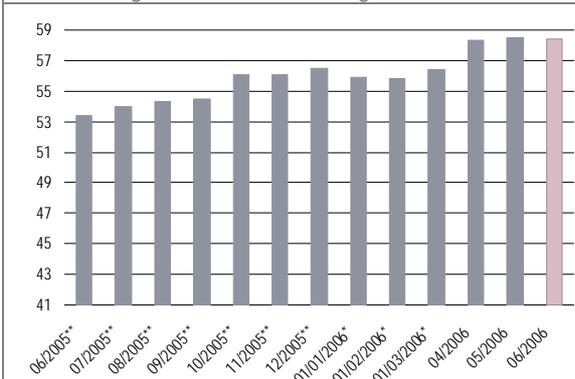
nominal value of each line, €bn



Source: Agence France Trésor

Non-resident holdings of French government negotiable debt securities

as a % of negotiable debt outstanding



Source: balance of payments

Note: following the revised figures of the French securities held by non-residents at the end of 2005, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2005 (**).

(*) figures quarterly revised (**) figures annually revised

PRIMARY MARKET

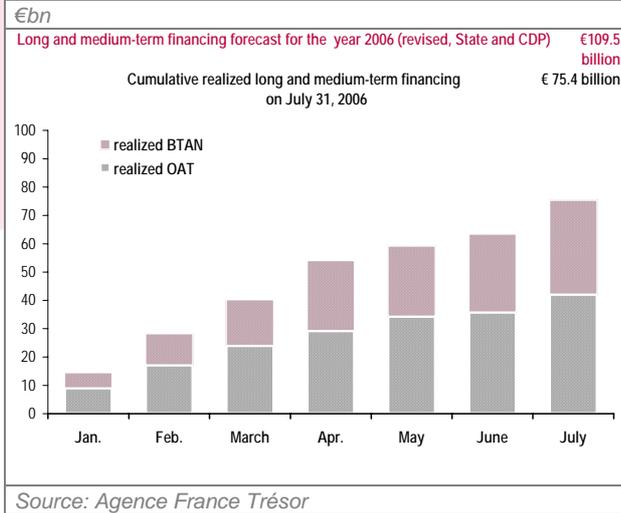
Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
August 2006	auction date	7	14	21	28	-	no auction	no auction
	settlement date	10	17	24	31	-	-	-
September 2006	auction date	4	11	18	25	-	21	7
	settlement date	7	14	21	28	-	26	12

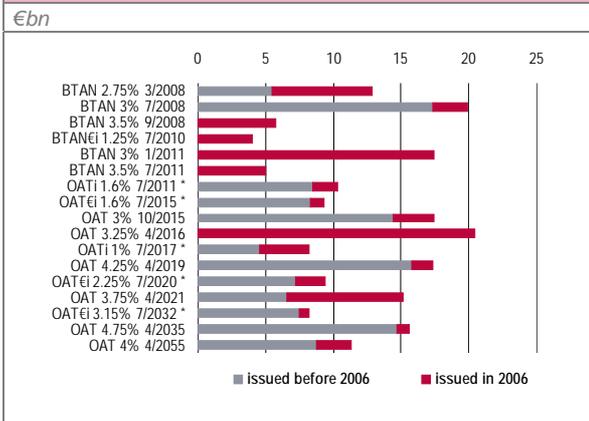
■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Long- and medium-term financing over the year on July 31, 2006



OATs and BTANs issues and cumulative total on July 31, 2006



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on July 31, 2006



Source: Agence France Trésor

▶ OAT and BTAN auctions – July 2006

€m					
	OAT 10 years	OAT 15 years	BTAN 2 years	OATi 5 years	OATfi 15 years
	4/25/2016	4/25/2021	9/12/2008	7/25/2011	7/25/2020
	3.25%	3.75%	3.50%	1.60%	2.25%
Auction date	7/6/2006	7/6/2006	7/20/2006	7/20/2006	7/20/2006
Settlement date	7/11/2006	7/11/2006	7/25/2006	7/25/2006	7/25/2006
Amount announced	<4,000 4,500>		< 5,000 ---- 5,500 >		< 1,000 1,500 >
Bid amount	5,230	4,515	9,925	3,310	1,635
Amount served	2,363	1,786	5,010	990	510
<i>of which: NCTs before auction</i>	0	0	0	0	0
NCTs after auction	95	537	748	30	137
Total issued amount	2,458	2,317	5,758	1,020	647
Bid-to-cover ratio	2.21	2.53	1.98	3.34	3.20
Weighted average price	93.00%	94.21%	99.77%	99.68%	104.33%
Yield to maturity	4.13%	4.29%	3.61%	1.67%	1.89%
Indexation coefficient*	-	-	-	1.05746	1.06547

* as of the settlement date

Source: Agence France Trésor

▶ BTF auctions – July 2006

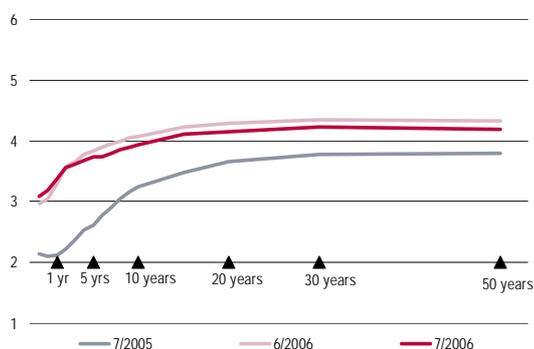
€m				
	BTF	BTF	BTF	BTF
	1 month	3 month	6 month	1 year
Auction date		7/3/2006		7/3/2006
Settlement date		7/6/2006		7/6/2006
Maturity		10/5/2006		7/5/2007
Total issued amount		2,004		1,407
Weighted average rate		2.858%		3.360%
Auction date		7/10/2006		7/10/2006
Settlement date		7/13/2006		7/13/2006
Maturity		10/5/2006		7/5/2007
Total issued amount		2,253		1,529
Weighted average rate		2.877%		3.396%
Auction date		7/17/2006	7/17/2006	
Settlement date		7/20/2006	7/20/2006	
Maturity		10/19/2006	2/1/2007	
Total issued amount		2,206	1,508	
Weighted average rate		2.897%	3.133%	
Auction date		7/24/2006	7/24/2006	
Settlement date		7/27/2006	7/27/2006	
Maturity		10/19/2006	2/1/2007	
Total issued amount		2,207	1,505	
Weighted average rate		2.909%	3.156%	
Auction date		7/31/2006		7/31/2006
Settlement date		8/3/2006		8/3/2006
Maturity		11/2/2006		7/5/2007
Total issued amount		2,302		1,256
Weighted average rate		2.968%		3.367%

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

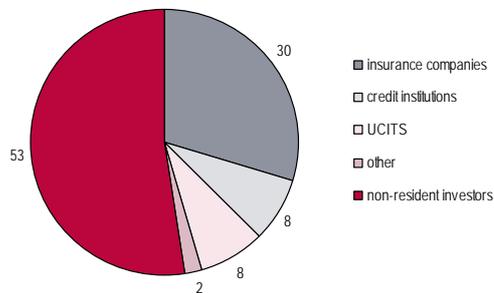
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder first quarter 2006

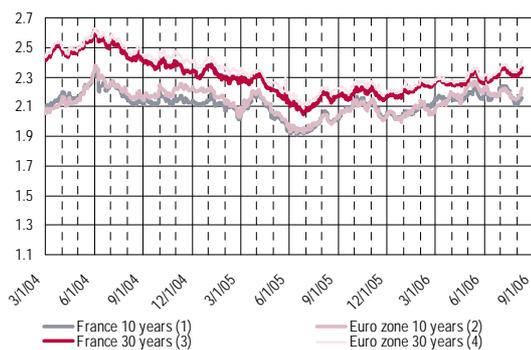
structure in %



Source: Banque de France

Breakeven inflation

daily quotes in %



Source: Bloomberg

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

Negotiable government debt and swaps

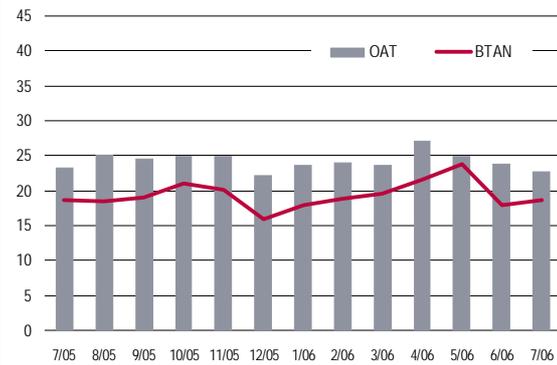
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	June 2006	July 2006
Negotiable government debt outstanding	616	653	717	788	833	877	887	887
OAT	419	443	478	512	552	593	611	618
BTAN	154	158	151	167	184	189	195	188
BTF	43	52	88	109	97	95	82	81
Swaps outstanding	///	37	61	61	61	52	55	54
Average maturity of the negotiable debt								
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	7 years	7 years
	64 days	47 days	343 days	297 days	79 days	267 days	5 days	15 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	6 years	6 years
	///	358 days	266 days	235 days	33 days	228 days	338 days	349 days

Source: Agence France Trésor

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

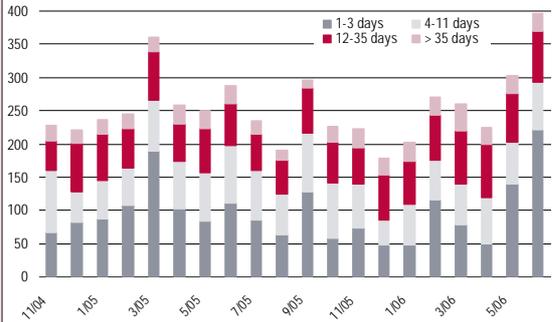
daily average (€bn)



Source: Euroclear France

▶ **Primary dealers, monthly fixed-rate repo transactions**

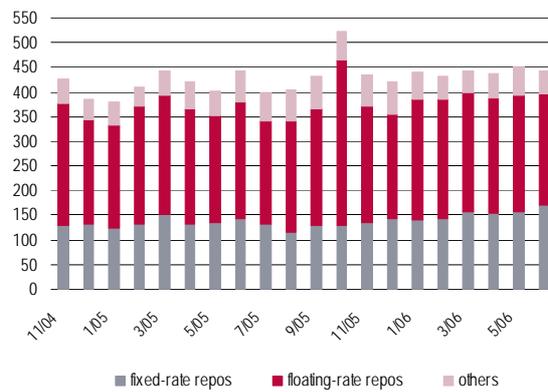
€bn



Source: primary dealers

▶ **Primary dealers, repo outstanding at end of month**

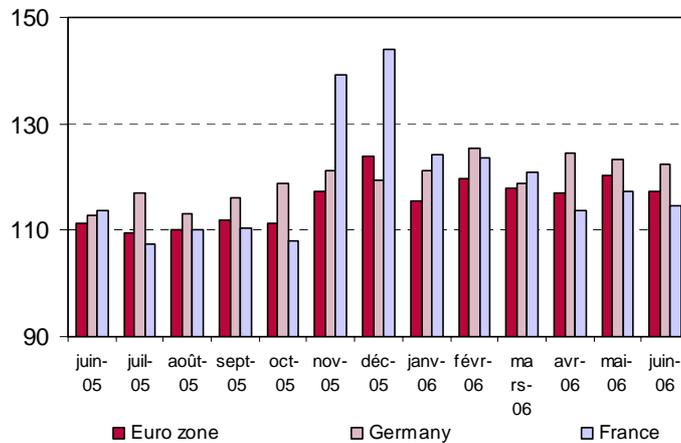
€bn



Source: primary dealers

Focus

▶ **Industrial new orders index (2000 = 100)**



Source: Eurostat, seasonally adjusted indices

Profits and the euro area economic cycle

Typically, at the top of the economic growth cycle corporate margins start to wane. This is usually a sign that labour costs are growing faster than the top line. Whether this is due to wage pressures mounting or a decline in productivity, the result is same: it is usually the harbinger for a downturn in growth.

At the global level, our colleagues in UBS' Global Economics team addressed the issue of profits recently, see UBS Global Economic Perspectives—*Is the golden era of profitability over?* (June 29, 2006). Their conclusion was:

“We believe an extraordinary era of high profitability is drawing to a close. The fundamental factors supporting high profits—including above-trend global growth, productivity gains, slack labour markets, low real interest rates, and weak capital goods prices—are beginning to fade.”

But the euro area is a late cyclical; it is lagging the global cycle led by the US. As such the euro area Q1 national account income numbers that were recently released by Eurostat show no inconsistency with the above view. Once again, non-wage incomes for the euro area were up in Q1, rising by 1.3% on the quarter. This surpassed the 0.8% expansion in nominal GDP which means the non-wage share of GDP continued to rise to yet another all-time high. It seems likely that this development was partly a function of rising profitability and margins, an outcome that would fit with the expectations of UBS' European equity analysts.

Looking at the short-term prospects, we conclude that, with no real wage growth and still healthy, if not improving, productivity growth, corporate profit margins should increase throughout 2006. We introduced this view in our “9 key calls” in December last year. At the time, this was not the consensus view, but we believe it is now fair to say that this view on expanding margins is now increasingly shared by many economists and commentators.

However, next year the situation might change; cost pressures are rising. Capital market weakness and higher ECB interest rates are adding to the cost of capital, just as capital investment demand is accelerating consistent with high levels of business confidence.

Meanwhile, recovering employment growth (four-quarter growth reached 0.9% in Q1 2006) and falling unemployment (to 7.8% in June, down a percentage point on the year) suggest a tightening labour market. Wage growth should soon begin to edge higher and productivity growth will likely suffer in time.

Near term profitability may be well supported, but the drivers of profit growth (input costs and productivity) seem increasingly suggestive that a peak may be near – consistent with a turn in the business cycle.

Stéphane Deo

UBS

Macroeconomics unit

NB: this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author's view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy, Finance and Industry.

THE FRENCH ECONOMY

▸ Macro-economic forecast

Real growth rate as a %

	2005	2006	2007
French GDP	1.2	< 2 - 2.5 >	< 2 - 2.5 >
Euro zone GDP	1.3	2.0	1.9
Household consumption	2.1	2.3	2.5
Business investment	3.6	3.9	4.2
Exports	3.9	6.5	6.1
Imports	6.6	6.8	6.1
Consumer prices (year-on-year)	1.8	1.7	1.7

Source: Ministry of the Economy, Finance and Industry, Perspectives économiques 2006-2007

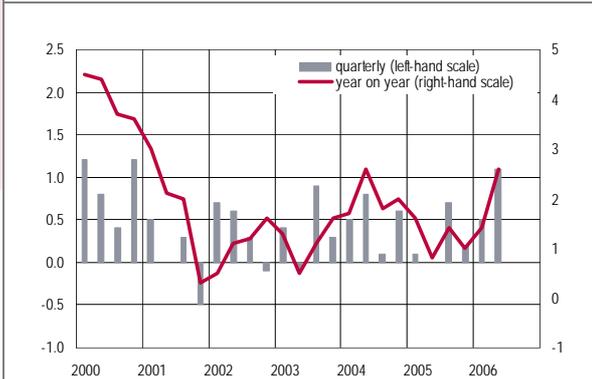
▸ Recent economic indicators

Industrial output*, year-on-year	2.7%	5/2006
Household consumption*, year-on-year	5.6%	6/2006
Unemployment rate (ILO)	9.0%	6/2006
Consumer prices, year-on-year		
all items	1.9%	6/2006
all items excluding tobacco	2.0%	6/2006
Trade balance, fob-fob, sa	-1.8 EUR bn	5/2006
" "	-2.0 EUR bn	4/2006
Current account balance, sa	-2.0 EUR bn	5/2006
" "	-1.2 EUR bn	4/2006
10-year constant maturity rate (TEC10)	3.94%	07/31/2006
3-month interest rate (Euribor)	3.161%	07/31/2006
EUR / USD	1.2767	07/31/2006
EUR / JPY	145.82	07/31/2006

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

▸ Gross domestic product at 2000 prices

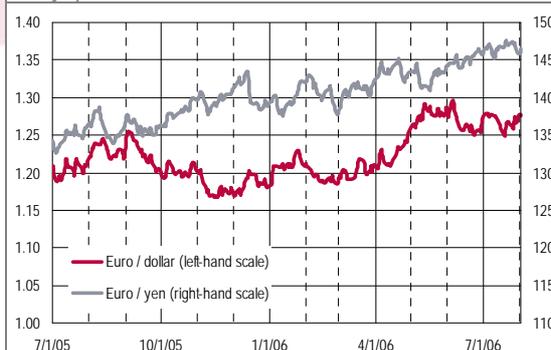
Variation in %



Source: Insee, quarterly national accounts

▸ Euro exchange rate

Daily quotes



Source: European Central Bank

▸ Government budget monthly position

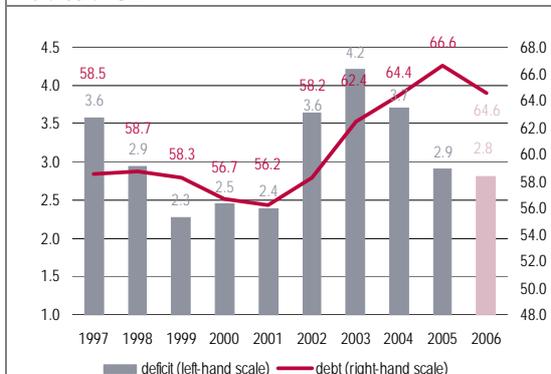
€bn

	2004	2005	end-of-June level		
			2004	2005	2006
General budget balance	-45.41	-45.15	-22.19	-24.28	-14.50
revenue	242.99	249.11	124.62	124.04	117.39
expenditure	288.40	294.26	146.81	148.32	131.89
Balance of special Treasury accounts	1.53	1.68	-9.82	-11.43	-12.36
General budget outturn	-43.88	-43.47	-32.01	-35.71	-26.86

Source: Ministry of the Economy, Finance and Industry for more information:
http://www.minefi.gouv.fr/themes/finances_etat/budget/index.htm

▸ Public finance: general government deficit and debt

As a % of GDP



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

▶ Timetable for the release of French economic indicators

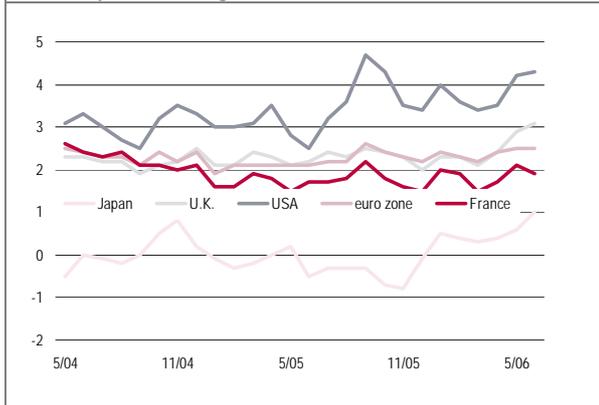
August 2006		September 2006	
7	Gross foreign exchange reserves in July	5	Central government budget: statement at end of July
9	Central government budget: statement at end of June	7	Gross foreign exchange reserves in August
10	Industrial output in June	11	Industrial output in July
10	Foreign trade in June	12	Foreign trade in July
11	PIB flash estimate Q2-2006	13	Consumer prices: index for August
11	Consumer prices: provisional index for July	14	Payroll employment: final results Q2-2006
18	Payroll employment: provisional results Q2-2006	19	Balance of payments in July
18	Wages: provisional statistics Q2-2006	22	Household consumption of manufactured goods in July/August
18	Balance of payments in June	22	Wages: final statistics Q2-2006
22	Quarterly national accounts: first results Q2-2006	25	Industrial trends: monthly survey for September
25	Industrial investments: July survey	26	New building starts in August
29	New building starts in July	28	Quarterly national accounts: final results Q2-2006
29	Sales of new dwelling units: Q2-2006	29	Industrial producer prices: July/August index
31	Job seekers in July	29	Job seekers in August
31	Net foreign exchange reserves in July	29	Net foreign exchange reserves in August
		29	Household confidence survey: September survey

Harmonized index of consumer prices – Eurozone (Eurostat)
Index for July: August 17
Index for August: September 15

INTERNATIONAL COMPARISONS

▶ Consumer price index

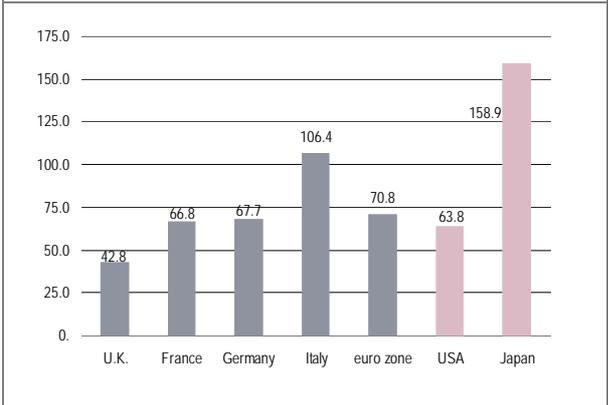
Year-on-year % change



Source: statistical institutes

▶ General government debt in 2005

As a % of GDP



Source: Eurostat, OECD

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

OAT au 31 juillet 2006 / fungible Treasury bonds at July 31, 2006

En euros

CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / stripped	CODE ISIN Euroclear France	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / stripped
Échéance 2006						Échéance 2015					
FR0000570533	OAT 6,5% 25 octobre 2006	23 328 810 401			1 834 140 000	FR0010163543	OAT 3,5% 25 avril 2015	45 184 762 813			22 750 000
FR0000570541 V	OAT TEC10 25 octobre 2006	8 844 669 410				FR0010135525 I	OAT€i 1,6% 25 juillet 2015	18 055 313 893	1,04462	9 266 000 000	
Échéance 2007						Échéance 2016					
FR0000570574	OAT 5,5% 25 avril 2007	32 535 826 604			643 980 000	FR0010216481	OAT 3% 25 octobre 2015	37 113 000 000			102 360 000
FR0000570590	OAT 5,5% 25 octobre 2007	17 898 775 424			291 580 000	FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			40 200 000
Échéance 2008						Échéance 2017					
FR0000570632	OAT 5,25% 25 avril 2008	42 188 093 494			769 110 000	FR0000187361	OAT 5% 25 octobre 2016	16 652 000 000			1 233 780 000
FR0000570665	OAT 8,5% 25 octobre 2008	24 403 932 367			4 681 950 000	FR0010235176 I	OATi 1% 25 juillet 2017	8 353 249 260	1,02093	8 182 000 000	
Échéance 2009						Échéance 2019					
FR0000570673 V	OAT TEC10 25 janvier 2009	63 986 741 158			1 729 680 000	FR0000189151	OAT 4,25% 25 avril 2019	26 201 285 359			140 890 000
FR0000571432	OAT 4% 25 avril 2009	9 853 044 498				FR0000570921	OAT 8,5% 25 octobre 2019	17 344 000 000			4 137 930 000
FR0000571424 I	OATi 3% 25 juillet 2009	18 640 258 371	1,13307	13 811 416 109		FR0000570954 C	ETAT 9,82% 31 décembre 2019	8 844 392 893		6 692 154	
FR0000186199	OAT 4% 25 octobre 2009	15 649 301 251 (1)			529 450 000	Échéance 2020					
Échéance 2010						OAT€i 2,25% 25 juillet 2020					
FR0000186603	OAT 5,5% 25 avril 2010	31 162 742 970			556 570 000	FR0010050559 I	OAT€i 2,25% 25 juillet 2020	9 986 662 720	1,06604	9 368 000 000	
FR0000187023	OAT 5,5% 25 octobre 2010	15 851 023 618			2 143 130 000	Échéance 2021					
Échéance 2011						OAT 3,75% 25 avril 2021					
FR0000570731	OAT 6,5% 25 avril 2011	44 533 731 842			919 250 000	FR0010192997	OAT 3,75% 25 avril 2021	15 166 000 000			541 040 000
FR0010094375 I	OATi 1,6% 25 juillet 2011	19 572 445 710	1,05836	10 305 000 000		Échéance 2022					
FR0000187874	OAT 5% 25 octobre 2011	10 906 399 800 (1)			538 640 000	FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			906 150 000
Échéance 2012						Échéance 2023					
FR0000188328	OAT 5% 25 avril 2012	56 660 521 243			1 439 550 000	FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 270 690 000
FR0000188013 I	OAT€i 3% 25 juillet 2012	15 654 110 580	1,10160	14 494 000 000		Échéance 2025					
FR0000188690	OAT 4,75% 25 octobre 2012	15 966 590 400 (1)			413 950 000	FR0000571150	OAT 6% 25 octobre 2025	8 511 928 118			3 276 550 000
FR0000570780	OAT 8,5% 26 décembre 2012	19 554 122 924				Échéance 2028					
Échéance 2013						OAT zéro coupon 28 mars 2028					
FR0000188989	OAT 4% 25 avril 2013	51 725 787 198			145 900 000	FR0000571226 C	OAT zéro coupon 28 mars 2028	13 702 119 (3)		46 232 603	
FR0000188955 I	OATi 2,5% 25 juillet 2013	19 137 183 879	1,07531	13 941 882 471		Échéance 2029					
FR0010011130	OAT 4% 25 octobre 2013	14 991 845 640 (1)			103 800 000	FR0000571218	OAT 5,5% 25 avril 2029	22 460 212 289			2 791 370 000
Échéance 2014						OATi 3,4% 25 juillet 2029					
FR0010061242	OAT 4% 25 avril 2014	32 145 724 224			35 280 000	FR0000186413 I	OATi 3,4% 25 juillet 2029	15 500 880 458	1,12827	6 168 144 000	
FR0010112052	OAT 4% 25 octobre 2014	17 596 757 679			60 700 000	Échéance 2032					
Échéance 2015						OAT€i 3,15% 25 juillet 2032					
Échéance 2016						OAT 5,75% 25 octobre 2032					
Échéance 2035						OAT 4,75% 25 avril 2035					
Échéance 2055						OAT 4% 25 avril 2055					

- (1) Encours OAT indexées = valeur nominale x coefficient d'indexation / indexed bonds outstanding = face value x indexation coefficient
 (2) y compris intérêts capitalisés au 31/12/2005 / including coupons capitalized at 12/31/2005 ; non offerte à la souscription / not open to subscription
 (3) valeur actualisée au 31/03/2006 / actualized value at 03/31/2006 ; 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)
 TEC 10 : taux de l'échéance constante à 10 ans / yield of 10-year constant maturity Treasury

Total OAT / total fungible Treasury bonds	617 571 738 465
Encours démembré / stripped outstanding	49 183 120 000
En % des lignes démembrables <i>As a % of strippable bonds</i>	10,00%
Durée de vie moyenne <i>Average maturity</i>	9 ans et 128 jours <i>9 years and 128 days</i>

BTAN au 31 juillet 2006

Treasury notes at July 31, 2006

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007		41 065 000 000		
FR0103840098	BTAN 3,75% 12 janvier 2007	13 915 000 000		
FR0107489959	BTAN 2,25% 12 mars 2007	11 074 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000		
Echéance 2008		59 477 000 000		
FR0105427795	BTAN 3,5% 12 janvier 2008	20 935 000 000		
FR0108197569	BTAN 2,75% 12 mars 2008	12 870 000 000		
FR0105760112	BTAN 3% 12 juillet 2008	19 914 000 000		
FR0109136137	BTAN 3,5% 12 septembre 2008	5 758 000 000		
Echéance 2009		29 078 000 000		
FR0106589437	BTAN 3,5% 12 janvier 2009	14 116 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	14 962 000 000		
Echéance 2010		36 122 475 000		
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR0108664055 I	BTAN ⁽¹⁾ 1,25% 25 juillet 2010	4 160 475 000	(1) 1,025	4 059 000 000
Echéance 2011		22 444 000 000		
FR0108354806	BTAN 3% 12 janvier 2011	17 395 000 000		
FR010884/049	BTAN 3,5% 12 juillet 2011	5 049 000 000		

Total BTAN / total Treasury notes 188 186 475 000

Durée de vie moyenne des BTAN 2 ans et 136 jours
Average maturity of BTANs 2 years and 136 days

Dette négociable de l'Etat au 31 juillet 2006 /

French government negotiable debt at July 31, 2006

Encours total / total outstanding 886 983 213 465
Durée de vie moyenne 7 ans et 15 jours
Average maturity 7 years and 10 days

BTF au 31 juillet 2006

Treasury bills at July 31, 2006

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	3 août 2006	3 808 000 000
BTF	10 août 2006	4 027 000 000
BTF	24 août 2006	4 008 000 000
BTF	31 août 2006	3 841 000 000
BTF	7 septembre 2006	3 613 000 000
BTF	14 septembre 2006	4 297 000 000
BTF	21 septembre 2006	3 806 000 000
BTF	28 septembre 2006	3 711 000 000
BTF	5 octobre 2006	4 257 000 000
BTF	12 octobre 2006	3 657 000 000
BTF	19 octobre 2006	4 413 000 000
BTF	26 octobre 2006	3 803 000 000
BTF	23 novembre 2006	4 144 000 000
BTF	7 décembre 2006	3 417 000 000
BTF	21 décembre 2006	3 791 000 000
BTF	18 janvier 2007	4 777 000 000
BTF	1 février 2007	3 013 000 000
BTF	15 février 2007	4 257 000 000
BTF	15 mars 2007	3 938 000 000
BTF	10 mai 2007	3 711 000 000
BTF	5 juillet 2007	2 936 000 000

Total BTF / total Treasury bills 81 225 000 000

Durée de vie moyenne des BTF 109 jours
Average maturity of BTFs 109 days

Réserve de titres de la Caisse de la dette publique au 31 juillet 2006/

Securities held in reserve by Caisse de la dette publique at July 31, 2006

néant / void