



MONTHLY BULLETIN - N° 188 - January 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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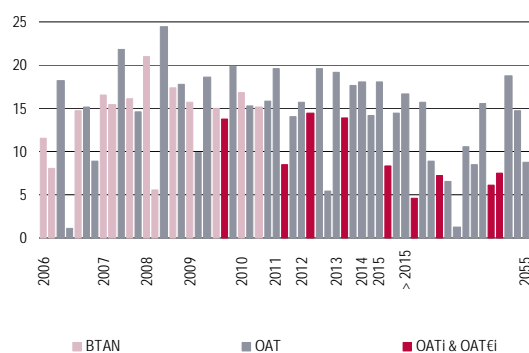
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Editor: Agence France Trésor



DEBT GENERAL DATA

French government long- and medium-term negotiable debt on December 31, 2005

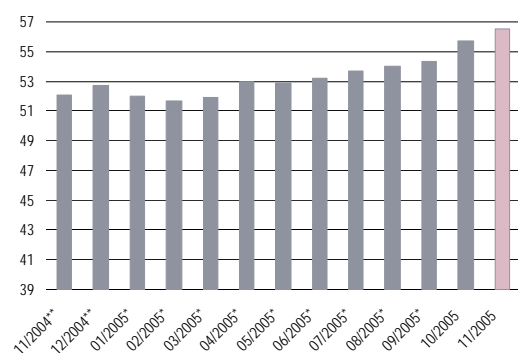
nominal value of each line, €bn



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 2004, the Banque de France has readjusted the outstanding amount related to the negotiable Government debt securities held by non-residents in 2003 and has reevaluated the stock for 2004 (**).

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

PRIMARY MARKET

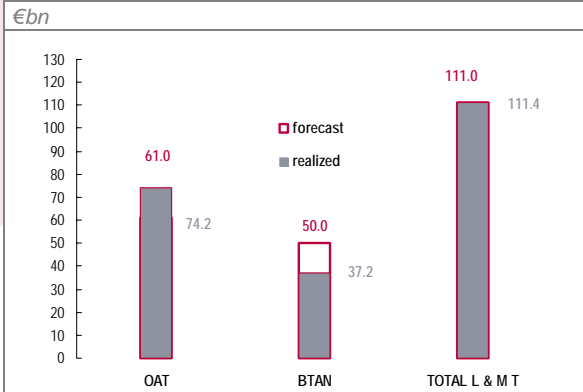
Auction indicative calendar

		BTF					BTAN / index linked OAT	OAT
January 2006	auction date	2	9	16	23	30	19	5
	settlement date	5	12	19	26	2 Feb	24	10
February 2006	auction date	6	13	20	27		16	2
	settlement date	9	16	23	2 Mar		21	7

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

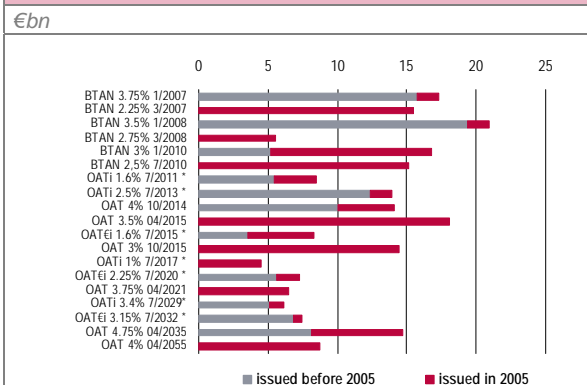
Source: Agence France Trésor

Long- and medium-term financing over the year on December 31, 2005



Source: Agence France Trésor

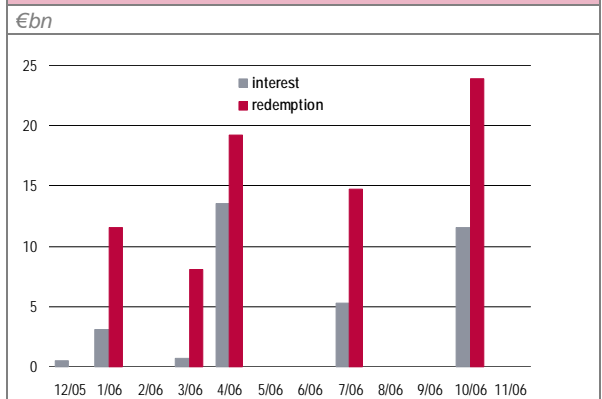
OATs and BTANs issues and cumulative total on December 31, 2005



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on December 31, 2005



Source: Agence France Trésor

▶ **OAT and BTAN auctions – December 2005**

€m
<i>No auction in December</i>

Source: Agence France Trésor

▶ **BTF auctions – December 2005**

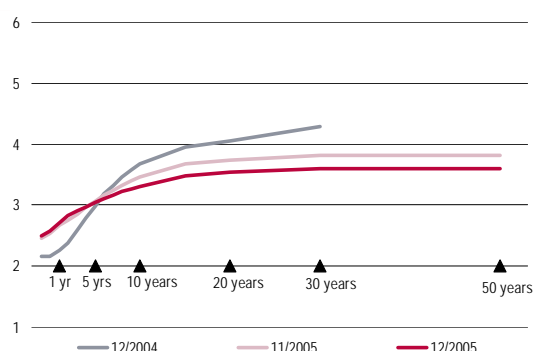
€m	BTF 1 month	BTF 3 month	BTF 6 month	BTF 1 year
Auction date		12/5/2005		12/5/2005
Settlement date		12/8/2005		12/8/2005
Maturity		3/9/2006		11/23/2006
Total issued amount		2,032		2,055
Weighted average rate		2.313%		2.578%
Auction date		12/12/2005	12/12/2005	
Settlement date		12/15/2005	12/15/2005	
Maturity		3/9/2006	5/24/2006	
Total issued amount		2,007	1,904	
Weighted average rate		2.308%	2.436%	
Auction date		12/19/2005		12/19/2005
Settlement date		12/22/2005		12/22/2005
Maturity		3/23/2006		12/21/2006
Total issued amount		2,002		1,702
Weighted average rate		2.350%		2.701%
Auction date		12/27/2005		
Settlement date		12/29/2005		
Maturity		3/23/2006		
Total issued amount		2,001		
Weighted average rate		2.359%		

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

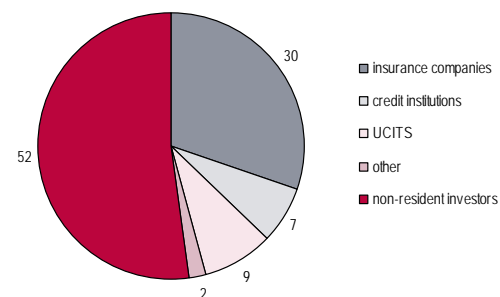
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder third quarter 2005

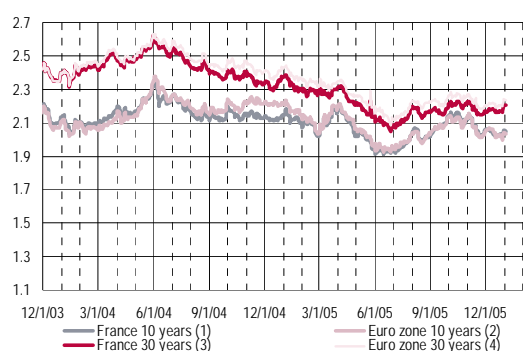
structure in %



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 OATi 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 OATi 3.15% July 2032

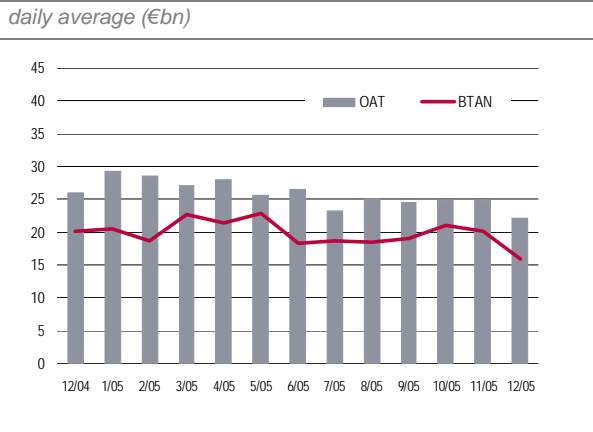
Negotiable government debt and swaps

€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	November 2005	December 2005
Negotiable government debt outstanding	616	653	717	788	833	876	877
OAT	419	443	478	512	552	593	593
BTAN	154	158	151	167	184	190	189
BTF	43	52	88	109	97	93	95
Swaps outstanding	///	37	61	61	61	58	52
Average maturity of the negotiable debt							
before swaps	6 years	6 years	5 years	5 years	6 years	6 years	6 years
	64 days	47 days	343 days	297 days	79 days	298 days	267 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	6 years
	///	358 days	266 days	235 days	33 days	258 days	228 days

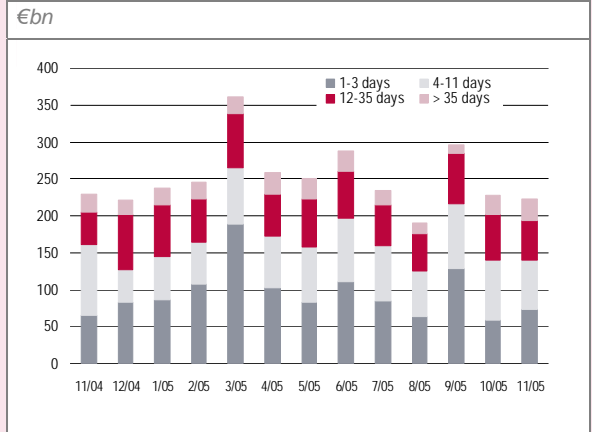
Source: Agence France Trésor

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



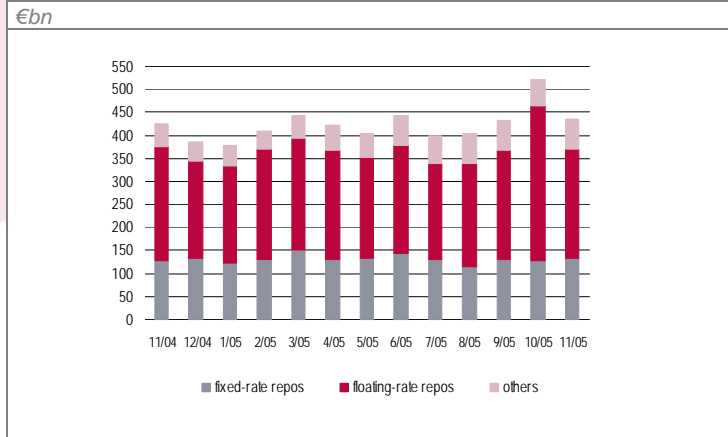
Source: Euroclear France

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



Source: primary dealers

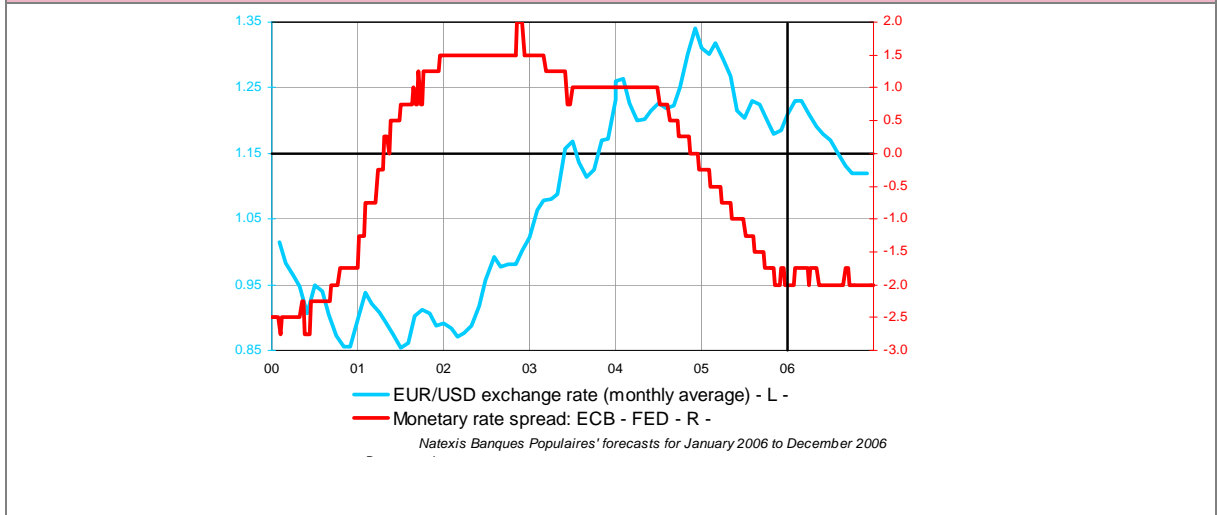
▶ **Primary dealers, repo outstanding at end of month**



Source: primary dealers

Focus

▶ **Trends in Euro/dollar parity shaped by ECB's procrastination**



Source: Natexis Banque Populaire, Datastream

Towards a fresh drop in the euro/dollar rate in 2006?

Approximately one year ago, the euro was worth 1.35 dollars and we were among the first to forecast a significant fall in the single currency's value for 2005. Now we see that the depreciation has, in fact, occurred, but fresh bullish speculation seems to be taking hold. Be that as it may, after rebounding at the start of the year, in our opinion, the euro should gradually return to its downward path. There are a number of reasons for this.

First, the euro's decline in 2005 was attributable to four main factors. First, markets finally factored in lacklustre growth in the eurozone and the damage that an excessively strong euro could wreak in the region. Second, investors understood all too well that US growth would remain robust. Third, they also factored in that, in addition to structurally anaemic growth, the eurozone and its member states would remain politically fragile (witness the No vote in the referenda on the European Constitution held in France and the Netherlands).

However, these developments might not have been enough to trigger a weakening of the euro, without the presence of a fourth factor, which constituted our principal argument in favour of euro depreciation exactly a year ago, i.e. the sharp increase in the interest-rate differential between the US and the eurozone of up to 200 basis points on 1 November.

For 2006, despite the growth differentials and credibility gaps that are likely to remain to the dollar's advantage, the key to the greenback's trend should lie mainly in changes in the interest-rate differential between the Fed and the ECB.

For Q1 2006, we unfortunately anticipate an extension of the recent uptrend in the euro. Given the cyclical improvement in eurozone economic activity which, according to the ECB's monetarist orthodoxy, could trigger a slight surge in inflation, the ECB is likely to raise its refi rate by 25 bp as of February (March at the latest), followed by a further hike in April or May. At the same time, underscoring the low inflationary risk in the US and the consolidation of US economic growth at around its structural pace of 3.5%, the Fed is likely to mark a pause in its monetary tightening policy. According to us, the Fed may hike its Fed funds rate by just 25 bp in Q1. In other words, the interest-rate differential between the Fed and the ECB is set to narrow slightly, prompting the markets to favour a rise in the euro against the dollar. The euro is likely to fluctuate around the 1.22 dollar threshold until the Spring. Further out, however, eurozone indicators are set to be penalised by the strength of the euro, with growth slowing, proving that, once again, the ECB has misread the situation, whilst the US economy remains buoyant, prompting the Fed to raise its interest rate to 5% by next Autumn.

Against this backdrop, and even if the ECB over-reacts by raising its refi rate to 3% by next Autumn, the interest-rate differential should move back to 200 basis points, enabling the euro/dollar parity to move back down as of the end of Spring. According to our forecasts, the parity should stand at around 1.15 out to Autumn 2006. This is the eurozone's last chance to reach, or even exceed, a growth rate of 2% in 2006. Let us cross our fingers and hope that the ECB does not, yet again, spoil the eurozone's chances.

Head of Economic Research
Marc Touati
Natexis Banques Populaires

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 %

	2004	2005	2006
French GDP	2.3	< 1.5 - 2 >	< 2 - 2.5 >
Euro zone GDP	2.1	1.4	1.9
Household consumption	2.0	2.0	2.3
Business investment	2.8	3.4	4.3
Exports	3.1	2.5	5.0
Imports	6.9	5.6	5.6
Consumer prices (year-on-year)	2.1	1.8	1.8

Source: 2006 Budget Bill

Recent economic indicators

Industrial output*, year-on-year	-1.7%	10/2005
Household consumption*, year-on-year	3.2%	11/2005
Unemployment rate (ILO)	9.6%	11/2005
Consumer prices, year-on-year		
all items	1.6%	11/2005
all items excluding tobacco	1.6%	11/2005
Trade balance, fob-fob, sa	-2.4 EUR bn	10/2005
" "	-1.7 EUR bn	9/2005
Current account balance, sa	-3.4 EUR bn	10/2005
" "	-2.3 EUR bn	9/2005
10-year interest rate (TEC10)	3.30%	12/30/2005
3-month interest rate (Euribor)	2.488%	12/30/2005
EUR / USD	1.1797	12/30/2005
EUR / JPY	138.90	12/30/2005

*manufactured goods –

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

Gross domestic product at 1995 prices

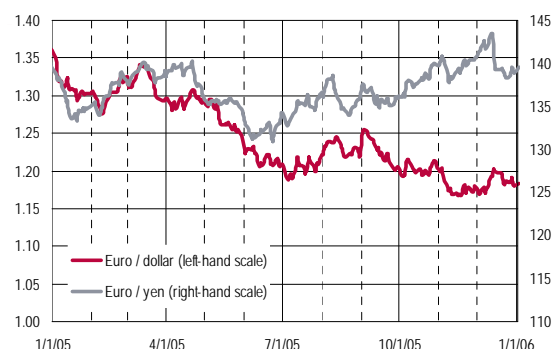
Variation in %



Source: Insee, quarterly national accounts

Euro exchange rate

Daily quotes



Source: European Central Bank

Government budget monthly position

€bn

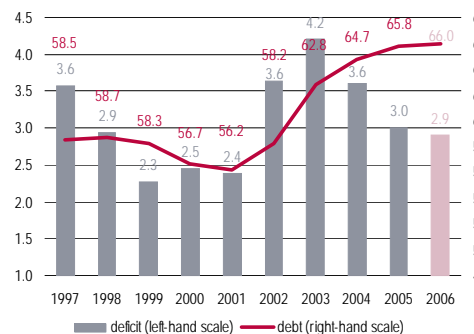
	2003	2004	end-of-November level		
			2003	2004	2005
General budget balance	-56.71	-45.41	-60.47	-54.36	-55.41
revenue	221.56	242.99	193.46	210.69	213.09
expenditure	278.27	288.40	253.93	265.05	268.50
Balance of special Treasury accounts	-0.23	1.53	-4.59	-4.07	-3.16
General budget outturn	-56.94	-43.88	-65.06	-58.43	-58.57

Source: Ministry of the Economy, Finance and Industry for more information:

http://www.minefi.gouv.fr/minefi/chiffres/budget_etat/

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

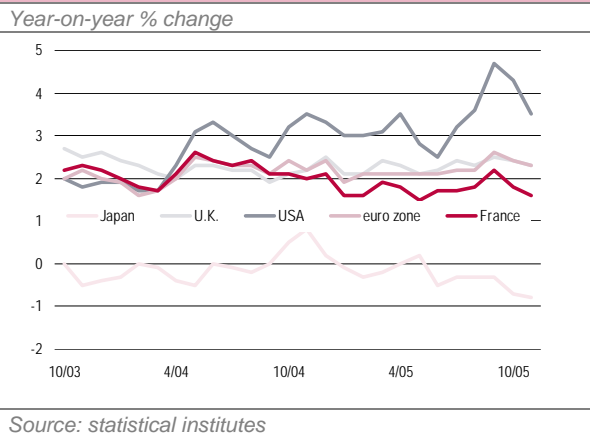
▶ Timetable for the release of French economic indicators

January 2006	February 2006
3 Quarterly national accounts: final results Q3-2005	7 Gross foreign exchange reserves in January
5 Household confidence survey: December survey	10 Industrial output in December
6 Gross foreign exchange reserves in December	10 Foreign trade in December
10 Central government budget: statement at end of November	14 Central government budget: statement at end of December
10 Industrial output in November	17 Industrial Investments: January survey
10 Cost-of-construction: index Q3-2005	17 Payroll employment: provisional results Q4-2005
11 Foreign trade in November	17 Wages: provisional statistics Q4-2005
13 Consumer prices: index for December	17 Balance of payments in December
18 Balance of payments in November	21 National quarterly accounts: first results Q4-2005
20 Household consumption of manufactured goods in December	21 Consumer prices: index for January
25 Industrial trends: monthly survey for January	22 Household consumption of manufactured goods in January
30 Industrial trends: quarterly survey for January	22 Industrial trends: February survey
30 Household confidence survey: January survey	28 Industrial producer prices: January index
31 New building starts in December	28 Job seekers in January
31 Industrial producer prices: December index	28 New building starts in January
31 Job seekers in December	28 Household confidence survey: February survey
31 Net foreign exchange reserves in December	28 Net foreign exchange reserves in January

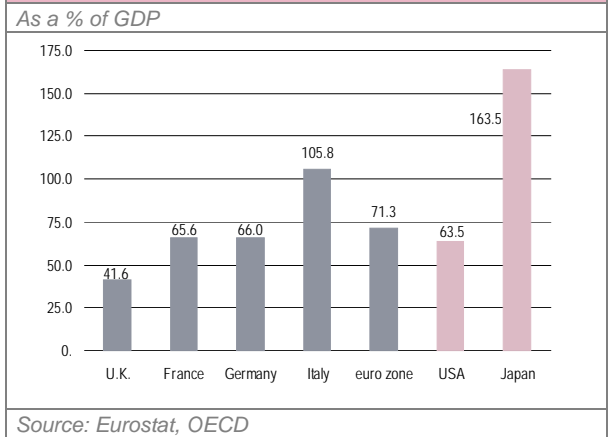
Harmonized index of consumer prices – Eurozone (Eurostat)
Index for December: January 19
Index for January: February 28

INTERNATIONAL COMPARISONS

▶ Consumer price index



▶ General government debt in 2004



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

► OAT au 31 décembre 2005 / fungible Treasury bonds at December 31, 2005

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
FR0000570491	Echéance 2006 OAT 7.25% 25 avril 2006	43 218 093 816			1 565 710 000	FR0010163543	Echéance 2015 OAT 3,5% 25 avril 2015	41 029 985 993			21 750 000
FR0000570509	OAT 7% 25 avril 2006	18 180 039 415			422 030 000	FR0010195057	OAT 3,5% 25 avril 2015 mai 2005	17 919 182 757			
FR0000570533	OAT 6.5% 25 octobre 2006	1 091 244 000			1 937 900 000	FR0010204198	OAT 3,5% 25 avril 2015 juin 2005	18 348 910			
FR0000570541 V	OAT TEC10 25 octobre 2006	15 102 140 991				FR0010223545	OAT 3,5% 25 avril 2015 juillet 2005	9 859 314			
		8 844 669 410				FR0010223545	OAT 3,5% 25 avril 2015 août 2005	12 582 178			
FR0000570574	Echéance 2007 OAT 5.5% 25 avril 2007	36 408 826 604			654 580 000	FR0010233031	OAT 3,5% 25 avril 2015 sept 2005	11 069 328			
FR0000570590	OAT 5.5% 25 octobre 2007	21 771 775 424			262 480 000	FR0010244186	OAT 3,5% 25 avril 2015 oct 2005	27 885 945			
		14 637 051 180				FR0010253195	OAT 3,5% 25 avril 2015 nov 2005	23 755 253			
FR0000570632	Echéance 2008 OAT 5.25% 25 avril 2008	42 188 093 494			468 930 000	FR0010263285	OAT 3,5% 25 avril 2015 déc 2005	16 772 978			
FR0000570665	OAT 8.5% 25 octobre 2008	24 403 932 367			4 818 450 000	FR0010135525 I	OAT 3,5% 25 avril 2015	15 857 230			
		17 784 161 127				FR0010216481	OAT 3% 25 octobre 2015	8 547 672 100 (1)	1,02922	8 305 000 000	173 600 000
FR0000570673 V	Echéance 2009 OAT TEC10 25 janvier 2009	63 779 293 688						14 427 000 000			
FR0000571432	OAT 4% 25 avril 2009	9 853 044 498			1 678 430 000			16 652 000 000			
FR0000571424 I	OAT 3% 25 juillet 2009	18 640 258 371	(1)	1,11805	13 811 416 109	FR0000187361	Echéance 2016 OAT 5% 25 octobre 2016	16 652 000 000			1 218 380 000
FR0000186199	OAT 4% 25 octobre 2009	15 441 853 781			634 450 000			4 562 514 600			
		19 844 137 038				FR0010235176 I	Echéance 2017 OAT 1% 25 juillet 2017	4 562 514 600 (1)	1,00740	4 529 000 000	
FR0000186603	Echéance 2010 OAT 5.5% 25 avril 2010	31 162 742 970			570 670 000			24 611 285 359			
FR0000187023	OAT 5.5% 25 octobre 2010	15 311 719 352			2 657 070 000	FR0000189151	Echéance 2019 OAT 4,25% 25 avril 2019	15 754 000 000			169 350 000
		15 851 023 618				FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			4 382 830 000
FR0000570731	Echéance 2011 OAT 6.5% 25 avril 2011	42 491 689 962			926 450 000	FR0000570954 C	ETAT 9,82% 31 décembre 2019	12 892 466 (2)		6 692 154	
FR0010094375 I	OAT 1,6% 25 juillet 2011	19 572 445 710	(1)	1,04434	8 488 000 000			7 603 338 870			
FR0000187874	OAT 5% 25 octobre 2011	8 864 357 920			594 120 000	FR0010050559 I	Echéance 2020 OAT 1,6% 25 juillet 2020	7 603 338 870 (1)	1,05033	7 239 000 000	
		14 054 886 332						6 525 000 000			
FR0000188328	Echéance 2012 OAT 5% 25 avril 2012	56 425 138 683			1 551 450 000	FR0010192997	Echéance 2021 OAT 3,75% 25 avril 2021	6 525 000 000			295 940 000
FR0000188013 I	OAT 3% 25 juillet 2012	15 654 110 580						1 243 939 990			
FR0000188690	OAT 4,75% 25 octobre 2012	15 731 207 840 (1)	1,08536	14 494 000 000	435 000 000	FR0000571044	Echéance 2022 OAT 8,25% 25 avril 2022	1 243 939 990			921 650 000
FR0000570780	OAT 8.5% 26 décembre 2012	19 554 122 924						10 606 195 903			
		5 485 697 339				FR0000571085	Echéance 2023 OAT 8,5% 25 avril 2023	10 606 195 903			7 611 690 000
FR0000188989	Echéance 2013 OAT 4% 25 avril 2013	51 527 115 374			83 900 000			8 511 928 118			
FR0000188955 I	OAT 2,5% 25 juillet 2013	19 137 183 879	(1)	1,06106	13 929 329 230	FR0000571150	Echéance 2025 OAT 6% 25 octobre 2025	8 511 928 118			3 208 080 000
FR0010223560 I	OAT 2,5% 25 juillet 2013 août 2005	14 779 854 073 (1)	1,06106	10 000				12 965 236			
FR0010233064 I	OAT 2,5% 25 juillet 2013 sept 2005	10 611 (1)	1,06106	260 000		FR0000571226 C	Echéance 2028 OAT zéro coupon 28 mars 2028	12 965 236 (3)		46 232 603	
FR0010244194 I	OAT 2,5% 25 juillet 2013 oct 2005	275 876 (1)	1,06106	3 010 000				22 367 998 536			
FR0010253203 I	OAT 2,5% 25 juillet 2013 nov 2005	3 193 791 (1)	1,06106	4 035 700		FR0000571218	Echéance 2029 OAT 5,5% 25 avril 2029	15 500 880 458			2 592 230 000
FR0010263293 I	OAT 2,5% 25 juillet 2013 déc 2005	4 282 120 (1)	1,06106	5 237 541		FR0000186413 I	OAT 3,4% 25 juillet 2029	6 867 118 078 (1)	1,11332	6 168 144 000	
FR0010011130	OAT 4% 25 octobre 2013	5 557 345 (1)	1,06106		76 800 000			26 678 985 780			
		17 596 757 679				FR0000188799 I	Echéance 2032 OAT 3,15% 25 juillet 2032	7 940 985 780 (1)	1,06419	7 462 000 000	
FR0010061242	Echéance 2014 OAT 4% 25 avril 2014	32 145 724 224			10 280 000	FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			7 096 250 000
FR0010112052	OAT 4% 25 octobre 2014	18 039 752 234			55 700 000			14 664 000 000			
		14 105 971 990				FR0010070060	Echéance 2035 OAT 4,75% 25 avril 2035	14 664 000 000			2 867 550 000
								8 780 000 000			
						FR0010171975	Echéance 2055 OAT 4% 25 avril 2055	8 780 000 000			1 007 400 000

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

(2) y compris intérêts capitalisés au 31/12/2005 / including coupons capitalized at 12/31/2005 ; non offerte à la souscription / not open to subscription

(3) valeur actualisée au 28/03/2005 / actualized value at 03/28/2005 ; 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 **593 196 857 200**

Encours démembré / stripped outstanding **50 971 100 000**

En % des lignes démembrables
As a % of strippable bonds **10,65%**

Durée de vie moyenne **9 ans et 80 jours**

Average maturity **9 years and 80 days**

► BTAN au 31 décembre 2005

Treasury notes at December 31, 2005

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding
	Échéance 2006	34 424 000 000
FR0102626779	BTAN 5% 12 janvier 2006	11 587 000 000
FR0106589445	BTAN 2,25% 12 mars 2006	8 088 000 000
FR0103230423	BTAN 4,5% 12 juillet 2006	14 749 000 000
	Échéance 2007	48 029 000 000
FR0103840098	BTAN 3,75% 12 janvier 2007	16 477 000 000
FR0107489959	BTAN 2,25% 12 mars 2007	15 476 000 000
FR0104446556	BTAN 4,75% 12 juillet 2007	16 076 000 000
	Échéance 2008	43 767 000 000
FR0105427795	BTAN 3,5% 12 janvier 2008	20 935 000 000
FR0108197569	BTAN 2,75% 12 mars 2008	5 496 000 000
FR0105760112	BTAN 3% 12 juillet 2008	17 336 000 000
	Échéance 2009	30 648 000 000
FR0106589437	BTAN 3,5% 12 janvier 2009	15 686 000 000
FR0106841887	BTAN 3,5% 12 juillet 2009	14 962 000 000
	Échéance 2010	31 962 000 000
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000

Total BTAN / total Treasury notes **188 830 000 000**

Durée de vie moyenne des BTAN **2 ans et 53 jours**
Average maturity of BTANs 2 years and 53 days

Dette négociable de l'Etat au 31 décembre 2005 /

French government negotiable debt at December 31, 2005

Encours total / total outstanding **877 349 857 200**

Durée de vie moyenne **6 ans et 267 jours**
Average maturity 6 years and 267 days

► BTF au 31 décembre 2005

Treasury bills at December 31, 2005

En euros

	Échéance / Maturity	Encours / Outstanding
BTF	5 janvier 2006	3 808 000 000
BTF	12 janvier 2006	4 209 000 000
BTF	19 janvier 2006	4 016 000 000
BTF	26 janvier 2006	3 978 000 000
BTF	2 février 2006	3 828 000 000
BTF	9 février 2006	4 109 000 000
BTF	16 février 2006	4 034 000 000
BTF	23 février 2006	4 029 000 000
BTF	2 mars 2006	3 813 000 000
BTF	9 mars 2006	4 039 000 000
BTF	16 mars 2006	3 676 000 000
BTF	23 mars 2006	4 003 000 000
BTF	30 mars 2006	4 025 000 000
BTF	13 avril 2006	3 655 000 000
BTF	27 avril 2006	3 810 000 000
BTF	11 mai 2006	3 979 000 000
BTF	24 mai 2006	3 806 000 000
BTF	8 juin 2006	3 891 000 000
BTF	6 juillet 2006	3 606 000 000
BTF	3 août 2006	3 808 000 000
BTF	31 août 2006	3 841 000 000
BTF	28 septembre 2006	3 711 000 000
BTF	26 octobre 2006	3 803 000 000
BTF	23 novembre 2006	4 144 000 000
BTF	21 décembre 2006	1 702 000 000

Total BTF / total Treasury bills **95 323 000 000**

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

Réserve de titres de la Caisse de la dette publique au 31 décembre 2005/

Securities held in reserve by Caisse de la dette publique at December 31, 2005

néant / void