



MONTHLY BULLETIN - N° 201 – February 2007

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

DEBT GENERAL DATA	1
PRIMARY MARKET	2
SECONDARY MARKET	4
THE FRENCH ECONOMY	7
INTERNATIONAL COMPARISONS	8
FRENCH GOVERNMENT NEGOTIABLE DEBT OUTSTANDING	9

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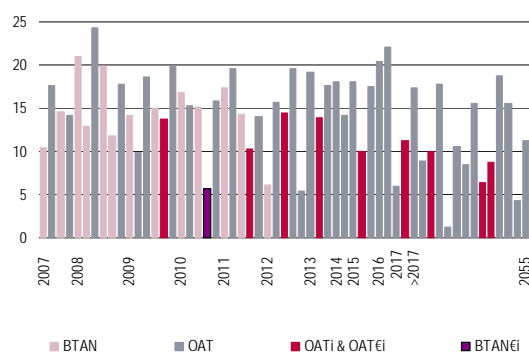
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DEBT GENERAL DATA

French government long- and medium-term negotiable debt on January 31, 2007

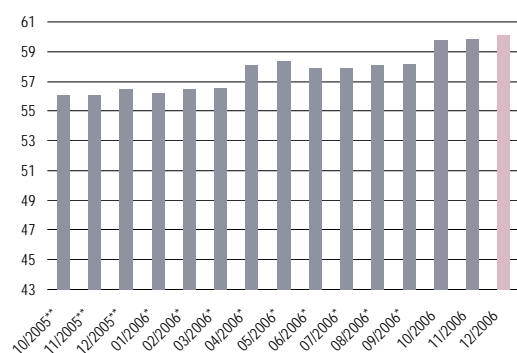
nominal value of each line, €bn



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

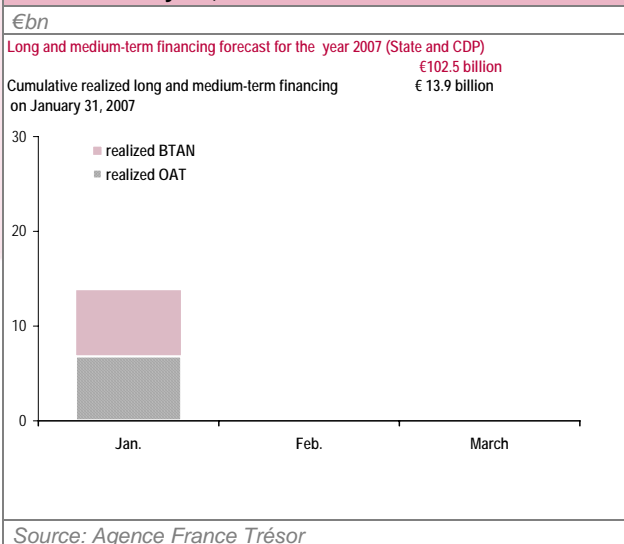
Auction indicative calendar

		BTF					BTAN / index linked OAT		OAT
February 2007	auction date	5	12	19	26	-	15	1 Feb.	
	settlement date	8	15	22	1 Mar.	-	20	6	
March 2007	auction date	5	12	19	26	-	15	1 Mar.	
	settlement date	8	15	22	29	-	20	6	

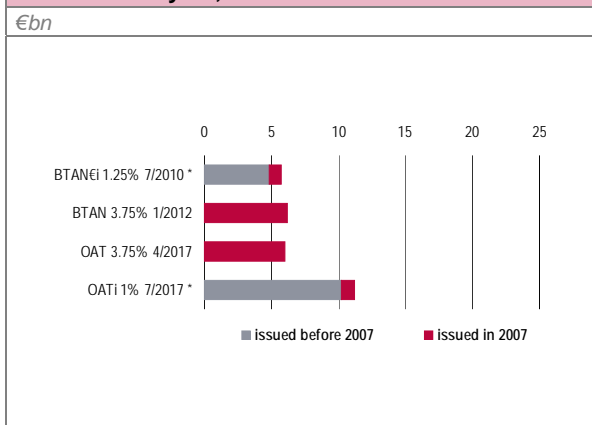
■ anticipated or delayed auctions (bank holidays, etc.)

Source: Agence France Trésor

Long- and medium-term financing over the year on January 31, 2007



OATs and BTANs issues and cumulative total on January 31, 2007



* nominal value

Source: Agence France Trésor

OATs and BTANs: indicative repayment schedule on January 31, 2007



Source: Agence France Trésor

▶ OAT and BTAN auctions – January 2007

€m				
	OAT 10 years	BTAN 5 years	BTAN €i 5 years	OAT€ 10 years
	4/25/2017	1/12/2012	7/25/2010	7/25/2017
	3.75%	3.75%	1.25%	1.00%
Auction date	1/4/2007	1/18/2007	1/18/2007	1/18/2007
Settlement date	1/9/2007	1/23/2007	1/23/2007	1/23/2007
Amount announced	< 5,500---6,000 >	< 5,200 -----5,700 >	< 1,200 -----1,700 >	
Bid amount	14,489	11,886	3,170	2,664
Amount served	5,994	5,411	0,907	0,790
<i>of which: NCTs before auction</i>	0	0	0	0
NCTs after auction		769	18	240
Total issued amount	5,994	6,180	0,925	1,030
Bid-to-cover ratio	2.42	2.20	3.50	3.37
Weighted average price	98.14%	98.80%	98.02%	90.19%
Yield to maturity	3.97%	4.02%	1.84%	2.05%
Indexation coefficient*	-	-	1.02607	1.01902
* as of the settlement date				

Source: Agence France Trésor

▶ BTF auctions – January 2007

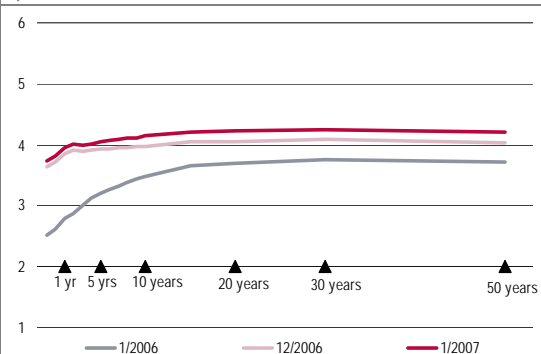
€m					
	BTF	BTF	BTF	BTF	BTF
	Short term	1 month	3 month	6 month	1 year
Auction date		1/2/2007	1/2/2007		1/2/2007
Settlement date		1/4/2007	1/4/2007		1/4/2007
Maturity		3/8/2007	4/5/2007		11/22/2007
Total issued amount		1,600	1,404		2,045
Weighted average rate		3.481%	3.550%		3.806%
Auction date			1/8/2007	1/8/2007	
Settlement date			1/11/2007	1/11/2007	
Maturity			4/5/2007	6/21/2007	
Total issued amount			2,006	2,204	
Weighted average rate			3.574%	3.670%	
Auction date			1/15/2007		1/15/2007
Settlement date			1/18/2007		1/18/2007
Maturity			4/19/2007		1/17/2008
Total issued amount			2,032		2,116
Weighted average rate			3.606%		3.902%
Auction date			1/22/2007	1/22/2007	
Settlement date			1/25/2007	1/25/2007	
Maturity			4/19/2007	7/19/2007	
Total issued amount			2,004	2,004	
Weighted average rate			3.598%	3.736%	
Auction date			1/29/2007		1/29/2007
Settlement date <i>in February 2007</i>			2/1/2007		2/1/2007
Maturity			5/3/2007		1/17/2008
Total issued amount			2,006		2,031
Weighted average rate			3.642%		3.912%

Source: Agence France Trésor

SECONDARY MARKET

French government yield curve

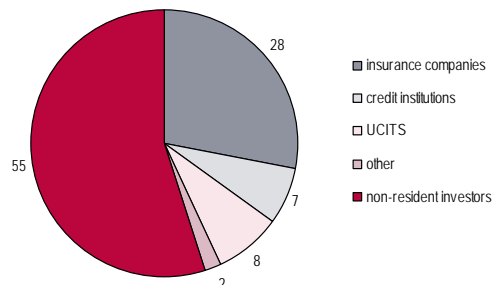
quote at end of the month, in %



Source: Bloomberg

OAT ownership by type of holder third quarter 2006

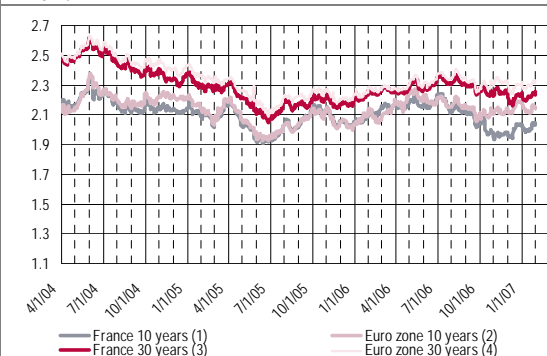
structure in %



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

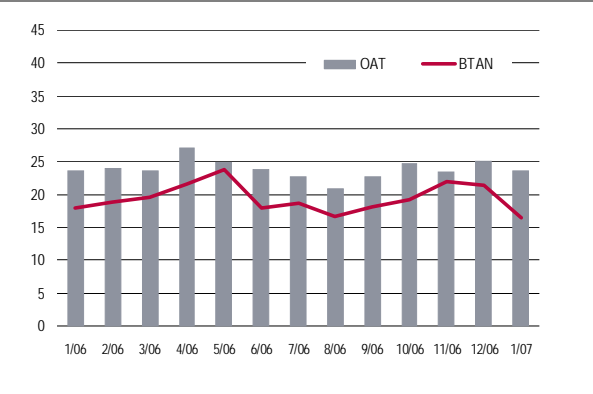
€bn

	end 2000	end 2001	end 2002	end 2003	end 2004	end 2005	end 2006	January 207
Negotiable government debt								
outstanding	616	653	717	788	833	877	877	883
OAT	419	443	478	512	552	593	610	617
BTAN	154	158	151	167	184	189	200	195
BTF	43	52	88	109	97	95	66	71
Swaps outstanding	///	37	61	61	61	52	44	44
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	45 days	41 days
after swaps	///	5 years	5 years	5 years	6 years	6 years	7 years	7 years
	///	358 days	266 days	235 days	33 days	228 days	16 days	12 days

Source: Agence France Trésor

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

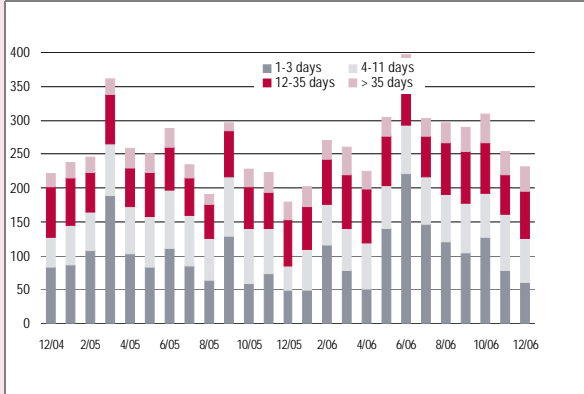
daily average (€bn)



Source: Euroclear France

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

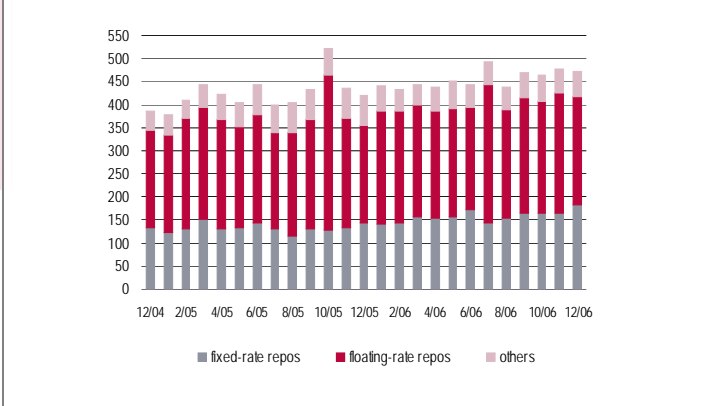
€bn



Source: primary dealers

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

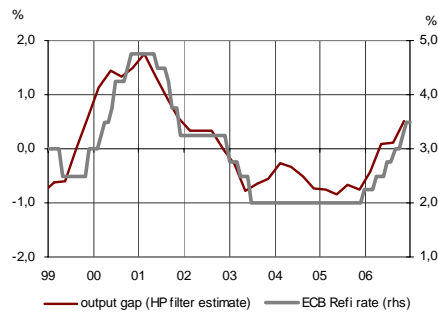
€bn



Source: primary dealers

Focus

▶ **EMU output gap and ECB policy rate**



Source: Datastream, Crédit Agricole

ECB: Predictable till when?

Jean-Claude Trichet never misses an opportunity to remind listeners how "predictable" the ECB is. And so far, the facts prove him right. Ever since the ECB began increasing its key rate in December 2005 (fifteen meetings in all), its decisions have been predicted with 99.4% accuracy, if we take as our yardstick the Bloomberg poll published the week before the meeting of the Governing Council. Over the recent period, few central banks can boast of managing expectations with such a low margin of forecasting error and accordingly of minimising market volatility.

However, the formation of expectations over a timeframe longer than a week or a month has been pretty imperfect. In late 2005, for example, just as the ECB was about to emerge from two and a half years of status quo, the markets were forecasting two or three rate increases by the end of 2006. In all, six rate hikes took place during that time. Mostly, the error can be explained by the underestimation of actual economic growth in 2006, by an estimated proportion of three quarters of a percentage point (ie, the equivalent of three rate increases). But it also no doubt reflects the ambiguity of the ECB's communication policy in the current phase of the monetary cycle.

The ECB's monetary policy strategy, they tell us, is oriented towards the medium-term and seeks to prevent inflationary risks one or two years out. If this is the case, we ought to expect the ECB to base its communication on concepts suited to describing these risks such as the output gap or the natural rate of interest, however imprecise the estimates. All in all, in trend terms, the correlation between the key rate and the output gap is fairly strong, in terms both of level and variation ([chart](#)). In actual fact, the communication was quite different and focused on the very short term, ie, the time between two meetings. Until now the ECB's transparency has rested on a binary semantic code (vigilance / monitoring) translated into the ECB's actions (rate hike / rate on hold). In short, the ECB has acted like a robot, unconcerned by business cycle or market upheavals.

No doubt there are phases in a monetary cycle when the central bank can switch on the automatic pilot without any significant risk of getting economic policy wrong. This is especially the case when the monetary setting is being adjusted to move towards a reference point a long way from its current level: when the ECB's key rate was at 2%, it was obvious that this was an exceptional low level, completely disconnected from its neutral value, however hard this is to estimate. The automatic nature of the action could in such cases be justified.

But there comes a time when the central bank must switch off the automatic pilot and consequently modify its communication. The risk in such cases is that you become less predictable. Mr Trichet has already announced this at his first press conference for 2007: *"We consider that, unless there are exceptional circumstances, a reasonable level of predictability is not to be rejected. But it's a question of probability; it's never a question of 100% certainty and I do not rule out the possibility that we could surprise the market. That is clearly what a central bank should be able to do."* Don't say you weren't warned.

Capital Market Research
Bruno Cavalier
Calyon - Crédit Agricole

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	1.4	2.5	2.0
Household consumption	2.1	2.8	2.8
Business investment	3.6	3.6	3.6
Exports	3.1	7.9	6.2
Imports	6.1	8.0	6.1
Consumer prices (year-on-year)	1.8	1.8	1.8

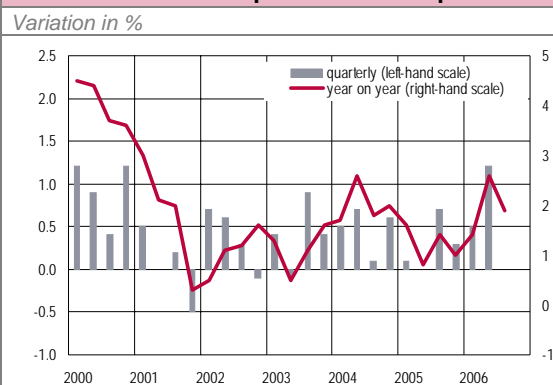
Source: Ministry of the Economy, Finance and Industry, Draft budget bill 2007

▸ Recent economic indicators

Industrial output*, year-on-year	-1.1%	11/2006
Household consumption*, year-on-year	6.8%	12/2006
Unemployment rate (ILO)	8.6%	12/2006
Consumer prices, year-on-year		
all items	1.5%	12/2006
all items excluding tobacco	1.5%	12/2006
Trade balance, fob-fob, sa	-2.8 EUR bn	11/2006
"	"	10/2006
Current account balance, sa	-3.0 EUR bn	11/2006
"	"	10/2006
10-year constant maturity rate (TEC10)	4.13%	01/31/2007
3-month interest rate (Euribor)	3.782%	01/31/2007
EUR / USD	1.2954	01/31/2007
EUR / JPY	157.27	01/31/2007

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

▸ Gross domestic product at 2000 prices



Source: Insee, quarterly national accounts

▸ Euro exchange rate



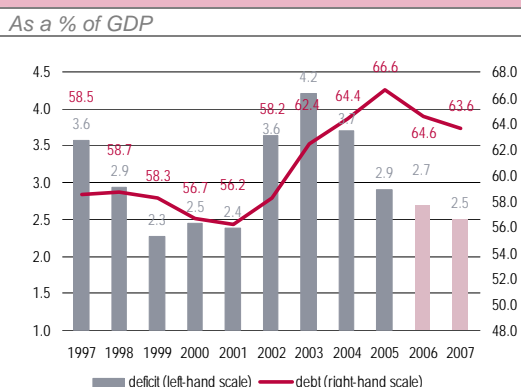
Source: European Central Bank

▸ Government budget monthly position

€bn	2004	2005	2006
General budget			
balance	-45.41	-45.15	-39.11
revenue	242.99	249.12	230.50
expenditure	288.40	294.27	269.61
Balance of special Treasury accounts	1.53	1.68	2.95
General budget outturn	-43.88	-43.47	-36.16

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



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

▶ Timetable for the release of French economic indicators

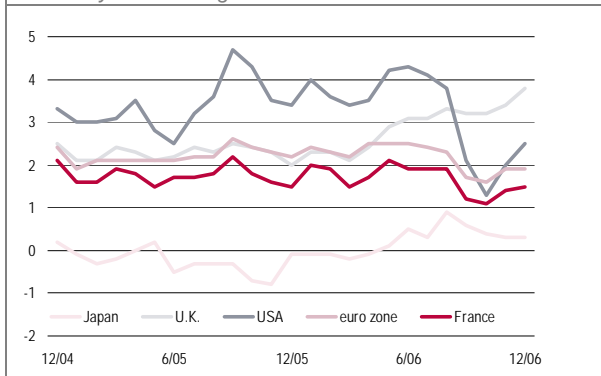
February 2007	March 2007
7 Gross foreign exchange reserves in January	7 Gross foreign exchange reserves in February
7 Central government budget: statement at end of December	8 Central government budget: statement at end of January
9 Industrial output in December	9 Industrial output in January
9 Foreign trade in December	9 Foreign trade in January
15 Industrial Investments: January survey	14 Consumer prices: final index for February
16 Payroll employment: provisional results Q4-2006	15 Payroll employment: final results Q4-2006
16 Wages: provisional statistics Q4-2006	16 Balance of payments in January
16 Balance of payments in December	23 Household consumption of manufactured goods in February
20 National quarterly accounts: first results Q4-2006	23 Wages: final statistics Q4-2006
21 Consumer prices: index for January	26 Industrial trends: monthly survey for March
22 Industrial trends: February survey	27 New building starts in February
23 Household consumption of manufactured goods in January	30 Industrial producer prices: February index
27 New building starts in January	30 Household confidence survey: March survey
28 Job seekers in January	30 Job seekers in February
28 Household confidence survey: February survey	30 Net foreign exchange reserves in February
28 Net foreign exchange reserves in January	30 Quarterly national accounts: final results Q4-2006

Harmonized index of consumer prices – Eurozone (Eurostat)
Index for January: February 28
Index for February: March 15

INTERNATIONAL COMPARISONS

▶ Consumer price index

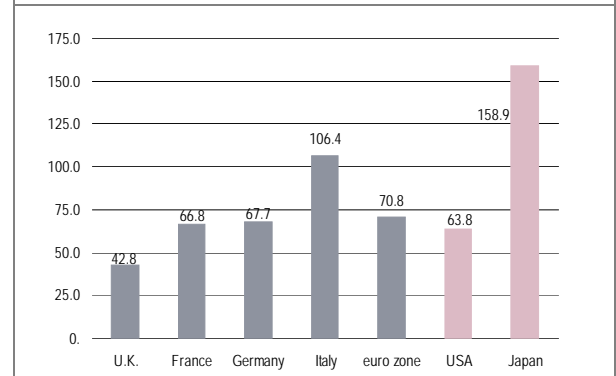
Year-on-year % change



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 janvier 2007 / *fungible Treasury bonds at January 31, 2007*

En euros

CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / <i>stripped</i>	CODE ISIN <i>Euroclear France</i>	Libellé de l'emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale/ face value	démembré / <i>stripped</i>
	Echéance 2007	31 884 826 604					Echéance 2016	42 483 000 000			
FR0000570574	OAT 5,5% 25 avril 2007	17 677 775 424			623 110 000	FR0010288357	OAT 3,25% 25 avril 2016	20 461 000 000			65 800 000
FR0000570590	OAT 5,5% 25 octobre 2007	14 207 051 180			339 080 000	FR0000187361	OAT 5% 25 octobre 2016	22 022 000 000			1 283 730 000
	Echéance 2008	42 088 093 494					Echéance 2017	17 444 021 560			
FR0000570632	OAT 5,25% 25 avril 2008	24 303 932 367			922 510 000	FR0010415331	OAT 3,75% 25 avril 2017	5 994 000 000			5 000 000
FR0000570665	OAT 8,5% 25 octobre 2008	17 784 161 127			4 326 450 000	FR0010235176 I	OATi 1% 25 juillet 2017	11 450 021 560 (1)	1,01932	11 233 000 000	
	Echéance 2009	63 962 156 837					Echéance 2019	26 202 551 399			
FR0000570673 V	OAT TEC10 25 janvier 2009	9 853 044 498				FR0000189151	OAT 4,25% 25 avril 2019	17 344 000 000			170 990 000
FR0000571432	OAT 4% 25 avril 2009	18 640 258 371			1 611 780 000	FR0000570921	OAT 8,5% 25 octobre 2019	8 844 392 893			4 014 430 000
FR0000571424 I	OATi 3% 25 juillet 2009	15 624 716 930 (1)	1,13129	13 811 416 109		FR0000570954 C	ETAT 9,82% 31 décembre 2019	14 158 506 (2)		6 692 154	
FR0000186199	OAT 4% 25 octobre 2009	19 844 137 038			595 850 000		Echéance 2020	10 675 801 780			
	Echéance 2010	31 162 742 970				FR0010050559 I	OAT€i 2,25% 25 juillet 2020	10 675 801 780 (1)	1,06726	10 003 000 000	
FR0000186603	OAT 5,5% 25 avril 2010	15 311 719 352			591 820 000		Echéance 2021	17 711 000 000			
FR0000187023	OAT 5,5% 25 octobre 2010	15 851 023 618			1 810 130 000	FR0010192997	OAT 3,75% 25 avril 2021	17 711 000 000			559 290 000
	Echéance 2011	44 516 625 542					Echéance 2022	1 243 939 990			
FR0000570731	OAT 6,5% 25 avril 2011	19 572 445 710			831 000 000	FR0000571044	OAT 8,25% 25 avril 2022	1 243 939 990			920 150 000
FR0010094375 I	OATi 1,6% 25 juillet 2011	10 889 293 500 (1)	1,05670	10 305 000 000			Echéance 2023	10 606 195 903			
FR0000187874	OAT 5% 25 octobre 2011	14 054 886 332			464 240 000	FR0000571085	OAT 8,5% 25 avril 2023	10 606 195 903			7 025 590 000
	Echéance 2012	56 678 783 683					Echéance 2025	8 511 928 118			
FR0000188328	OAT 5% 25 avril 2012	15 654 110 580			1 272 150 000	FR0000571150	OAT 6% 25 octobre 2025	8 511 928 118			3 248 550 000
FR0000188013 I	OAT€i 3% 25 juillet 2012	15 984 852 840 (1)	1,10286	14 494 000 000			Echéance 2028	13 702 119			
FR0000188690	OAT 4,75% 25 octobre 2012	19 554 122 924			840 700 000	FR0000571226 C	OAT zéro coupon 28 mars 2028	13 702 119 (3)		46 232 603	
FR0000570780	OAT 8,5% 26 décembre 2012	5 485 697 339					Echéance 2029	22 663 329 674			
	Echéance 2013	51 702 225 417				FR0000571218	OAT 5,5% 25 avril 2029	15 500 880 458			2 631 690 000
FR0000188989	OAT 4% 25 avril 2013	19 137 183 879			140 900 000	FR0000186413 I	OATi 3,4% 25 juillet 2029	7 162 449 216 (1)	1,12650	6 358 144 000	
FR0000188955 I	OATi 2,5% 25 juillet 2013	14 968 283 859 (1)	1,07362	13 941 882 471			Echéance 2032	28 188 005 040			
FR0010011130	OAT 4% 25 octobre 2013	17 596 757 679			134 300 000	FR0000188799 I	OAT€i 3,15% 25 juillet 2032	9 450 005 040 (1)	1,08136	8 739 000 000	
	Echéance 2014	32 145 724 224				FR0000187635	OAT 5,75% 25 octobre 2032	18 738 000 000			7 384 700 000
FR0010061242	OAT 4% 25 avril 2014	18 039 752 234			42 780 000		Echéance 2035	15 614 000 000			
FR0010112052	OAT 4% 25 octobre 2014	14 105 971 990			81 200 000	FR0010070060	OAT 4,75% 25 avril 2035	15 614 000 000			3 247 900 000
	Echéance 2015	45 959 330 613					Echéance 2038	4 297 000 000			
FR0010163543	OAT 3,5% 25 avril 2015	18 055 313 893			43 750 000	FR0010371401	OAT 4% 25 octobre 2038	4 297 000 000			425 000 000
FR0010135525 I	OAT€i 1,6% 25 juillet 2015	10 454 016 720 (1)	1,04582	9 996 000 000			Echéance 2055	11 283 000 000			
FR0010216481	OAT 3% 25 octobre 2015	17 450 000 000			88 460 000	FR0010171975	OAT 4% 25 avril 2055	11 283 000 000			1 413 550 000

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

(2) y compris intérêts capitalisés au 31/12/2006 / including coupons capitalized at 12/31/2006 ; 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

617 037 984 967

Encours démembré / *stripped outstanding*

47 156 580 000

En % des lignes démembrables

9,53 %

As a % of *strippable bonds*

Durée de vie moyenne

9 ans et 160 jours

Average maturity

9 years and 160 days

► **BTAN au 31 janvier 2007**

Treasury notes at January 31, 2007

En euros

CODE ISIN	Emprunt / Bond	Encours / Outstanding	Coefficient d'indexation / indexation coefficient	Valeur nominale / face value
Echéance 2007				
FR0107489959	BTAN 2,25% 12 mars 2007	10 424 000 000		
FR0104446556	BTAN 4,75% 12 juillet 2007	14 626 000 000		
Echéance 2008				
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	11 839 000 000		
Echéance 2009				
FR0106589437	BTAN 3,5% 12 janvier 2009	14 116 000 000		
FR0106841887	BTAN 3,5% 12 juillet 2009	14 962 000 000		
Echéance 2010				
FR0107369672	BTAN 3% 12 janvier 2010	16 821 000 000		
FR0107674006	BTAN 2,5% 12 juillet 2010	15 141 000 000		
FR0108664055 I	BTAN€I 1,25% 25 juillet 2010	5 905 608 350	(1) 1,02617	5 755 000 000
Echéance 2011				
FR0108354806	BTAN 3% 12 janvier 2011	17 395 000 000		
FR0108847049	BTAN 3,5% 12 juillet 2011	14 323 000 000		
Echéance 2012				
FR0109970386	BTAN 3,75% 12 janvier 2012	6 180 000 000		

Total BTAN / total Treasury notes **195 451 608 350**

Durée de vie moyenne des BTAN **2 ans et 90 jours**
Average maturity of BTANs *2 years and 90 days*

► **BTF au 31 janvier 2007**

Treasury bills at January 31, 2007

En euros

	Echéance / Maturity	Encours / Outstanding
BTF	1 février 2007	4 219 000 000
BTF	8 février 2007	4 012 000 000
BTF	15 février 2007	4 257 000 000
BTF	22 février 2007	3 429 000 000
BTF	1 mars 2007	4 225 000 000
BTF	8 mars 2007	3 204 000 000
BTF	15 mars 2007	3 938 000 000
BTF	5 avril 2007	3 410 000 000
BTF	19 avril 2007	4 036 000 000
BTF	26 avril 2007	4 449 000 000
BTF	10 mai 2007	3 711 000 000
BTF	21 juin 2007	3 409 000 000
BTF	5 juillet 2007	4 192 000 000
BTF	19 juillet 2007	2 004 000 000
BTF	2 août 2007	4 137 000 000
BTF	27 septembre 2007	4 220 000 000
BTF	25 octobre 2007	4 476 000 000
BTF	22 novembre 2007	3 482 000 000
BTF	17 janvier 2008	2 116 000 000

Total BTF / total Treasury bills **70 926 000 000**

Durée de vie moyenne des BTF **106 jours**
Average maturity of BTFs *106 days*

Dettes négociables de l'Etat au 31 janvier 2007 /

French government negotiable debt at January 31, 2007

Encours total / total outstanding **883 415 593 317**

Durée de vie moyenne **7 ans et 41 jours**
Average maturity *7 years and 41 days*

Réserve de titres de la Caisse de la dette publique au 31 janvier 2007 /

Securities held in reserve by Caisse de la dette publique at January 31, 2007

néant / void