

BY BAG

SAVING TELEGRAM

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FRAME ECONOMIC

FROM PARIS SAVING TELNO 9 OF 8 MARCH 1985

TO FCO

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FRANCE : ECONOMIC REPORT FOR FEBRUARY 1985

SUMMARY

1. The most important developments in the French economy to emerge in February were a fall in industrial production and a deterioration in the balance of trade. Otherwise the picture was largely unchanged: on the positive side, the annual rate of inflation came down again, industrial relations were peaceful, and wage restraint was renewed by the 1985 public service pay agreement; and on the negative side unemployment rose again substantially, and company bankruptcies continued at a high level.
2. After two months of very small deficits there was a balance of trade deficit in January of almost F4 billion (seasonally adjusted), chiefly because of a large decrease in exports.
3. There was a large increase in the seasonally adjusted figure for unemployment and the monthly figure for company bankruptcies was well above the average for 1984.
4. Industrial production fell in all sectors except capital goods. Following the poor performance of the French car industry in its home market, figures published in February show that a large increase in the export surplus on cars in 1984 was due to price increases. Figures have been published showing the continuing importance of the armaments industry in the French economy.

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5. The Minister of Finance said he believed that the French economy could safely grow in 1985 at a rate close to Germany's expected 3%, but did not announce additional measures to achieve this.

/INDEX ....