

SAVING TELEGRAM

UNCLASSIFIED

FRAME ECONOMIC

FROM PARIS SAVING TELNO 36 OF 6 SEPTEMBER 1985

TO FCO

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FRANCE : ECONOMIC REPORT FOR AUGUST 1985

#### SUMMARY

1(a) The publication of a large external trade deficit for July of F3.836 billion and a balance of payments deficit for 1984 of F6.59 billion were the main events of an otherwise unexceptional month.

(b) GDP growth of 0.6% was registered in Q2 over Q1, after a first quarter decline of 0.3%. This first half result supports the consensus of unofficial forecasters who have been saying that the growth target of 2% aimed at in the 1985 budget will not be reached.

(c) Consumer prices rose in July by 0.4% (the same as for June), bringing the annual rate of inflation down by 0.3% to 6.1%, which is exactly the rate of increase for hourly manual workers' wage rates over the past year.

(d) Industrial production fell back again to its April level. There are signs that the long-awaited upturn in non-residential building has started.

(e) Unemployment increased slightly in July, confirming the trend towards stabilisation. The debates on the social security budget and on flexibility were reopened. August was punctuated by outbreaks of CGT activity of an eye-catching and illegal character, designed to demonstrate its opposition to job losses in France, which intensified towards the end of the month.

(f) The dollar/franc fluctuated in the range \$1 = F8.40 - 8.68 during the month ending at F8.55. The lowering of German interest rates led to a slight firming of the franc against the deutschmark.

(g) Another small step in the relaxation of exchange controls was taken when the Minister of Finance eased controls for French investments outside the EC.

(h) The French State has now paid off the third of its external debt.

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