

SAVING TELEGRAM
UNCLASSIFIED
FRAME ECONOMIC

FROM PARIS SAVING TELNO 39 OF 13 June 1986
TO FCO

REPEATED FOR INFORMATION TO : BONN, BRUSSELS, DUBLIN, THE HAGUE,
COPENHAGEN, ATHENS, ROME, LUXEMBOURG, UKREP BRUSSELS,
MADRID, WASHINGTON, LISBON, TOKYO, UKDEL OECD, UKDEL STRASBOURG,
CONSULATES GENERAL FRANCE

FRANCE : ECONOMIC REPORT FOR MAY 1986

SUMMARY

1. May was a month of mostly bad news for the French economy. The foreign trade figures went from bad to worse, unemployment increased again, the rate of GDP growth was seen to have slowed, INSEE forecast some mediocre results for 1986 and French share prices slumped. Although in April there was a further fall in the annual rate of inflation, there was a significant increase in the retail price index. But industrial production, excluding energy, reversed its decline and turnover in the retail trade increased.
2. There was a large balance of trade deficit in April which confounded expectations of a significant improvement in the monthly figures.
3. Unemployment increased for the second consecutive month and there were signs of more tension in industrial relations, after the long period of calm.
4. Preliminary figures for 1986 Q1 show that GDP growth has slowed for the second consecutive quarter. INSEE has warned that an increase in industrial investment, which it expects to fall in 1986, is vital for the French economy.
5. There have been two sharp falls in French share prices.
6. The annual rate of inflation fell to 2.6% in April.
7. The Government has responded to criticism that it has been tardy in implementing its programme of economic reform.

INDEX

INDEX

	Paragraph Number
Summary	1 - 7
Foreign Trade and the Balance of Payments	8 - 15
Industrial Production	16 - 21
Demand	22
Prices and Wages	23 - 26
Employment and Industrial Relations	27 - 33
Social Security	34 - 36
The Situation of Companies	37 - 38
An INSEE forecast for the French Economy	39 - 43
The Government's Economic Policy	44 - 50
National Accounts Figures for 1986 Q1	51 - 54
The Financial Markets	55 - 59
The Exchange Rate	60
Interest Rates	61
Monetary Policy	62
France Values in Paris	Annex
French Economic Indicators	Annex
Graphs	Annex