

SAVING TELEGRAM
UNCLASSIFIED
FRAME ECONOMIC
FROM PARIS SAVING TELNO 50 OF 11 SEPTEMBER 1986
TO FCO

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CONSULATES GENERAL FRANCE

(BY BAG)

FRANCE: ECONOMIC REPORT FOR AUGUST 1986

Summary

1. There was better economic news for the government in August, with figures showing notably stronger second quarter growth, a July trade surplus, industrial production recovering and inflation at a 20-year low. But unemployment rose again.
2. There was a small foreign trade surplus in July following four months of deficits. The balance of payments is also improving. However the surplus in trade in manufactured goods continues to decline, heightening anxiety about French industry's competitiveness.
3. Industrial production rose again in June after a holiday-affected slump in May. Meanwhile the national accounts for the second quarter showed unexpectedly strong GDP growth of 1.1%, Q2 on Q1.
4. The annual rate of inflation fell to 2%, the lowest figures since 1966, following an 0.1% increase in retail prices in July. This is below the government 1986 target of 2.3%.
5. Unemployment rose in July to a new record level of 2,474,000 sa, 2.5% higher than a year ago, taking the unemployment rate to 10.5%. The government fear that the figure will continue to rise, at least for the next few months.
6. Further liberalisation measures are promised for later this year, relaxing controls on prices, foreign exchange and credit.
7. The Bourse rose to a new record high in August.

/INDEX

I N D E X

Paragraph Numbers

Summary	1 - 7
Foreign Trade and the Balance of Payments	8 - 11
Industrial Production and National Accounts	12 - 16
Prices and Wages	17 - 18
Employment and Industrial Relations	19 - 24
The Situation of Companies	25 - 27
The Government's Economic Programme	28 - 30
The Financial Markets	32
The Exchange Rate	33
Interest Rates	34
Monetary Policy	35
Foreign Exchange Reserves	36
Franc values in Paris	Annex
French Economic Indicators	Annex
Graphs	Annex