

SAVING TELEGRAM

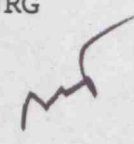
UNCLASSIFIED

FRAME ECONOMIC

FROM PARIS SAVING TELNO 29 OF 21 JULY 1987

TO FCO

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CONSULATES GENERAL FRANCE



FRANCE: ECONOMIC REPORT FOR JUNE 1987

#### SUMMARY

1. More uninspiring figures for the economy were published in June including in particular, bad trade figures. There has been talk of economic decline. INSEE has published further details of its gloomy predictions for 1987.
  2. The gloomy forecast published by INSEE in May (see May MER) and a May balance of trade deficit of F5.6 billion which took the Government by surprise has led to talk of economic decline.
  3. The continued deterioration in the balance of trade in manufactured goods was aggravated in April and May by a fall in arms sales.
  4. Industrial production has continued to rise slowly in May but is still only 2% above the average for 1980.
  5. The year long rise in unemployment has stopped. Unemployment stabilised between March and May at around 2.66 million but INSEE predict that it will rise to close to 2.70 million by the end of the year.
  6. The annual rate of inflation in May was 3.4%, compared with 2.1% achieved at the end of 1986.
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7. The financial situation of companies continues to improve. Share prices rose strongly at the beginning of July following two dismal months, but have since moved downwards again.

8. INSEE has predicted GDP growth of only 1.3% in 1987.