SAVING TELEGRAM
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FRAME ECONOMIC
FROM PARIS SAVING TELNO 31 OF 16 SEPTEMBER 1987
TO FCO
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CONSULATES GENERAL FRANCE

FRANCE ECONOMIC REPORT FOR AUGUST 1987

SUMMARY

1. Marketed GDP grew by 0.8% in Q2 (0.0% in Q1) dispelling some of the summer's gloom about the economy, and leading to more optimistic predictions in the press that 1987 growth would be higher than INSEE's July prediction of 1.3%. Monsieur Balladur, Minister of Finance, has spoken of growth a little below 2%. But with stocks at a high level, and consumer demand weak, other commentators believe a 1987 GDP outturn of 1.3% - 1.5% may be more likely.

2. Some improvement in the poor trade figures seems likely, with exports up in June and July and a modest decrease in imports expected in H2.

3. Unemployment fell again slightly to 2.638 million in July. Inflation rose to an annual rate of 3.4% in July, but the differential with Germany narrowed further.

4. The Government has eased exchange controls on French banks lending francs to non-residents. M3 is growing well above the Government's target range. The upward pressure on interest rates has continued. French shares have risen and a further rise is predicted following four mediocre months.

5. The 1988 budget will be covered in the next Monthly Economic Report.

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