SAVING TELEGRAM
UNCLASSIFIED
FRAME ECONOMIC
FROM PARIS SAVING TELNO 32 OF 16 OCTOBER 1987
TO FCO
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FRANCE ECONOMIC REPORT FOR SEPTEMBER 1987

SUMMARY

1. The draft 1988 budget published in September and presented to Parliament in October includes further planned cuts in spending, taxation and the budget deficit. It was accompanied by the Government's economic forecasts for 1987 and 1988.

2. The Government has revised its forecast for marketed GDP growth in 1987 down to 1.5% from 2.0% and has seen its forecast for 2.2% growth in 1988 immediately contested as too optimistic.

3. The continued success of the Government's privatisation programme could be threatened by a steady fall in share prices against expectations since mid-September.

4. Industrial production has continued to increase in spite of the accumulation of stocks. There have also been small increases in inflation and unemployment.

5. The Government has predicted a 1987 foreign trade deficit of F32 billion but its prediction of a substantial increase in export volumes in 1988 has been contested as highly unlikely.

6. Although employment increased slightly in August it has remained relatively stable since the spring at around 2.65 million.

7. The Government's forecasts for the economy in 1988 have been described by some observers as too optimistic.

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