

SAVING TELEGRAM

UNCLASSIFIED

FRAME ECONOMIC

FROM PARIS SAVING TELNO 4 OF 6 FEBRUARY 1985

TO FCO

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CONSULATES-GENERAL FRANCE

FRANCE : ECONOMIC REPORT FOR JANUARY 1985

SUMMARY

1. Many of the figures for the French economy in 1984 published in January were encouraging for the Government. Inflation was down to its lowest level since 1971, the current account deficit was virtually eliminated, wage increases decelerated, and the financial situation of companies recovered substantially. INSEE estimated that GDP grew by 1.9% in 1984. But unemployment continues to rise, company bankruptcies are at a high level and French official external debt increased again in 1984.
2. The annual rate of inflation fell to 6.7% by the end of 1984 from 9.3% at the end of 1983 with the aid of price controls. There was a current account deficit in 1984 of only FO.6 billion chiefly because of a substantial reduction in the trade deficit, but the improvement is fragile and INSEE forecasts a slight deterioration in the balance of trade in 1985.
3. Hourly wage rates for manual workers rose in 1984, less than prices, for the first time since 1958. This wage restraint combined with only moderate increases in the cost of imported raw materials contributed to an improvement in the financial situation of companies over the last half of 1984, and there was a large increase in the volume of investment in manufacturing in 1984.
4. Unemployment has continued to rise, reaching 2.4 million seasonally adjusted at the end of 1984.
5. The rate of growth of the French external debt is slowing but it remains a serious constraint on French economic policy.

6. A survey of industrialists by INSEE shows that they re-
cast a fall in production in all sectors over the coming months.

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