

AVING TELEGRAM

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FRAME ECONOMIC

FROM PARIS SAVING TELNO 43 OF 13 NOVEMBER 1985

TO FCO

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CONSULATES GENERAL FRANCE

FRANCE : ECONOMIC REPORT FOR OCTOBER 1985

SUMMARY

1. Increases in consumer spending and investment appear to be having an impact on other aspects of the economy: industrial production continues to increase, company bankruptcies have decreased, unemployment has fallen, and the high level of imports has kept the trade deficit large. Inflation is at its lowest level for 13 years, but the overshooting of the money supply target is causing concern.
2. In July and August industrial production seasonally adjusted rose to its highest level since April 1980. Industrialists are optimistic about short term prospects.
3. Although the number of company bankruptcies is still high it fell in September for the third consecutive month. Also in September, unemployment fell to its lowest level since November 1984.
4. In September there was another monthly trade deficit because of the high level of imports but INSEE estimates that French industry is now, somewhat belatedly, responding to increased demand in France and that in the fourth quarter exports will grow faster than imports to give a marked improvement in the balance of trade. But most French economic institutes expect the balance of trade to remain in deficit in 1986, and have warned the Minister of Finance that the acceleration of growth threatens the restoration of balance to the nation's external accounts.
5. In November changes in monetary policy were announced.

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