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SM/86/196
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

September 3, 1986

To: Members of the Executive Board
From: The Acting Secretary
Subject: France - Staff Report for the 1986 Article IV Consultation

The following corrections have been made in SM/86/196 (8/8/86):

Page 5, first full para., line 2: for "cash basis"
read "administrative basis"

Page 28, Current account as a percent of GDP, column 5: for "(1.1)"
read "(0.0)"

Corrected pages are attached.

Att: (2)

Other Distribution:
Department Heads

figures are adjusted to exclude the impact of this program, the trend to decline in employment slowed in 1985. The success of the TUC program mitigated unemployment among young persons, which rose by less than the average. The unemployment rate averaged 10.4 percent of the labor force in 1985.

3. Financial developments

The 1985 budget aimed to reduce the central government deficit on an administrative basis to the equivalent of 3 percent of GDP from 3.4 percent in 1984 and to lower the overall tax burden (total tax revenues and compulsory social security contributions, at general government level) by 1 percentage point of GDP. The central government deficit (on an administrative basis) turned out at 3.3 percent of GDP, while the overall tax burden, at 45.6 percent of GDP, was slightly above the 1984 outturn. Continued buoyancy of local authority taxes as well as a better than expected result for the social security accounts helped bring about an improvement in the general government deficit, which fell from 2.9 percent of GDP in 1984 to 2.6 percent in 1985 (Table 2).

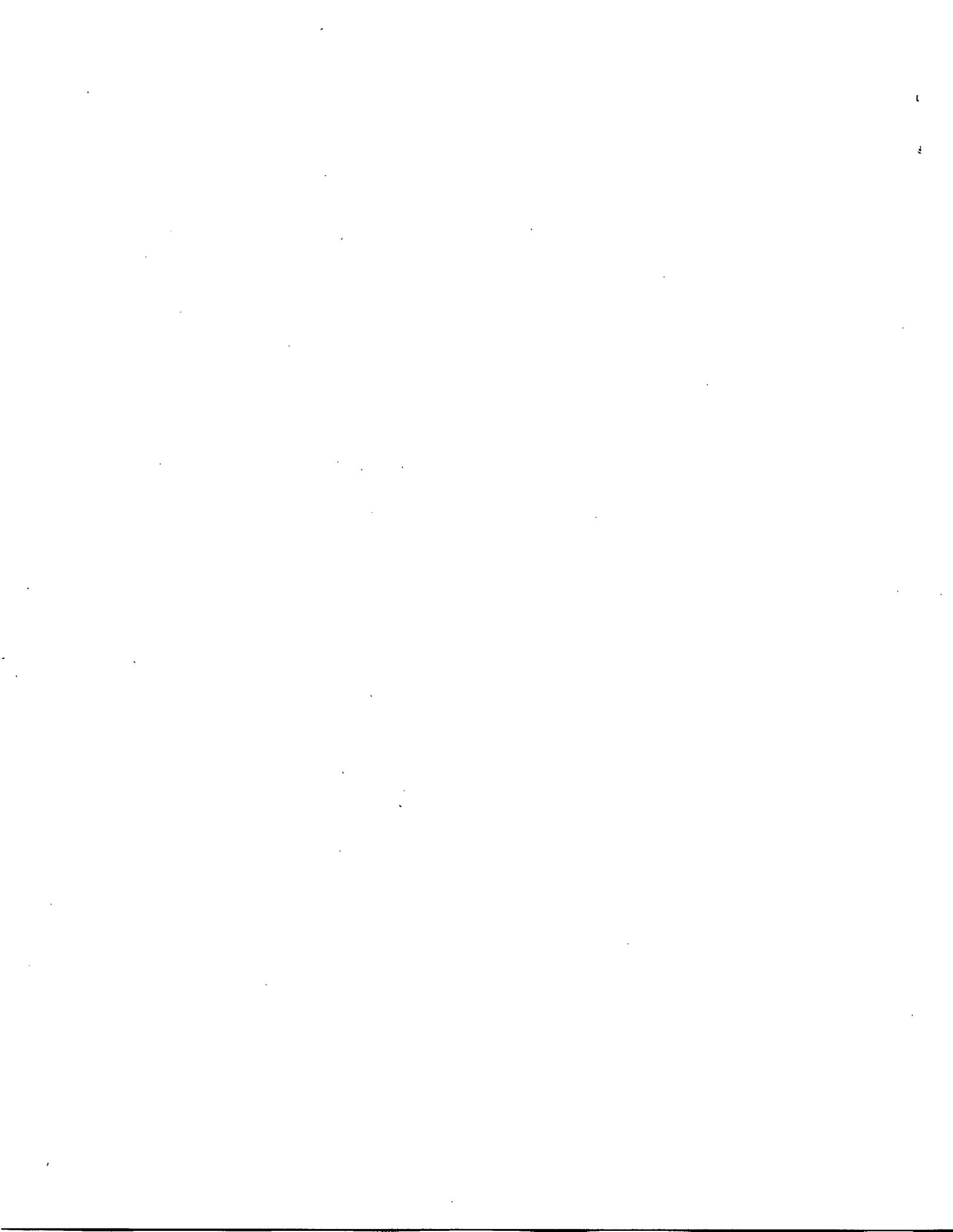
Table 2. France: Public Sector Financial Balances, 1980-85

(National accounts basis; as a percent of GDP)

	1980	1981	1982	1983	1984	1985
1. General Government	0.2	-1.8	-2.7	-3.1	-2.9	-2.6
Of which:						
Central Government	-0.2	-1.2	-1.9	-3.3	-3.2	-2.9
Local authorities	-0.5	-0.6	-0.8	-0.6	-0.4	-0.3
Social security funds	0.9	-0.1	0.1	0.8	0.6	0.5
2. Large public utilities (GEN)	-1.5	-1.6	-1.6	-1.5	-0.7	-0.5
3. Total public sector (1+2)	-1.3	-3.4	-4.3	-4.6	-3.6	-3.1

Source: INSEE, Rapport sur les comptes de la nation, 1985.

The financing requirement of the public utilities fell again in 1985. There are no aggregate data on the financial position of the nationalized enterprises in the competitive sector. All six of the big industrial concerns nationalized in 1982 made profits in 1985, and, taken as a whole, the group showed a profit net of central government



IV SDR Department

- (a) Net cumulative allocation: SDR 1,079.9 million.
- (b) Holdings: SDR 830.1 million, or 76.9 percent of net cumulative allocation.
- (c) Current Designation Plan: France is included in the current plan.

V. Administered Accounts

Not applicable.

VI. Overdue Obligations to the Fund

None.

B. Nonfinancial Relations

VII. Exchange Rate Arrangements

Since March 13, 1979, France has participated together with Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, and The Netherlands in the exchange rate mechanism of the European Monetary System (EMS). Under this agreement, France maintains spot exchange rates of the currencies of the other participants within margins of 2.25 percent (in the case of the Italian lira, 6 percent) above and below cross rates derived from central rates expressed in ECUs.

VIII. The last Article IV consultation was concluded at EBM/85/115 (7/29/85). France is on a 12-month consultation cycle.

