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AGENDA**

SM/82/63
Supplement 1

CONTAINS CONFIDENTIAL
INFORMATION

April 29, 1982

To: Members of the Executive Board
From: The Secretary
Subject: France - Staff Report for the 1982 Article IV Consultation

The attached supplement to the staff report for the 1982 Article IV consultation with France has been prepared on the basis of additional information.

This subject has been scheduled for discussion on Monday, May 3, 1982.

Att: (1)

Other Distribution:
Department Heads

**CONTAINS CONFIDENTIAL
INFORMATION**

INTERNATIONAL MONETARY FUND

FRANCE

Staff Report for the 1982 Article IV Consultation
Supplementary Information

Prepared by the European Department

Approved by L. A. Whittome

April 29, 1982

A comprehensive set of national accounts data for 1981 has become available (attached) since SM/82/63 (April 5, 1982) was issued. Except for investment, the main aggregates have been revised only little from earlier estimates. The decline in investment is now put at 1.8 per cent in volume (compared with an earlier estimate of 1.1 per cent) and the revision mainly affects business investment, which has fallen by 2.3 per cent instead of 0.3 per cent. Correspondingly, GDP growth for the year is now estimated at 0.2 per cent instead of 0.7 per cent.

The new set of figures revises the financing requirement of the public sector, national accounts basis, to F 48 billion (1.6 per cent of GDP or 20 per cent of net domestic savings), compared to an earlier estimate of F 73 billion (2.4 per cent of GDP or 32 per cent of net domestic savings). This revision lowers the estimate of the cyclical impulse for 1981, but leaves the estimate for 1982 unchanged.

The new data also underline the magnitude of the deterioration of corporate profitability. The ratio of corporate savings to value added fell from 13 per cent in 1979 to 11.4 per cent in 1980 and 9 per cent in 1981. In the light of this deterioration and of indications given by business surveys and by the industrial production index that the growth of industrial output was slowing down, a number of measures were announced on April 16, 1982. The business tax is to be reduced by F 5 billion in 1982 and F 6 billion in 1983, representing approximately 0.4 per cent of the corporate wage bill; the cost of this measure is to be covered by adjustments in the value-added taxes, special contributions of financial corporations, and expenditure cuts. Employer contributions to the general social security scheme will be frozen through July 1, 1983. Finally, further reductions in working hours in 1982 and 1983 will be left to contractual arrangements, in contrast with the initial cut of 1982, which was enforced by decree.

Table 1. France: Components of Aggregate Demand

(Volume changes in per cent, 1970 prices)

	1978	1979	1980	1981 <u>1/</u>	1981 <u>2/</u>	1982 <u>3/</u>
Private consumption	4.7	3.5	1.7	2.3	2.2	2.5
Public consumption	4.3	1.8	1.4	1.8	2.3	3.0
Gross fixed investment	1.5	3.2	2.4	-1.1	-1.8	0.4
Public	-2.9	1.5	1.3	-2.6	-0.7	3.1
Residential	-0.1	4.7	-3.8	-2.8	-1.2	-0.6
Business	3.0	3.1	5.1	-0.3	-2.3	--
Final domestic demand	3.9	3.2	1.8	1.5	1.3	2.1
Stockbuilding <u>4/</u>	-0.1	0.9	0.3	-1.7	-2.1	0.5
Total domestic demand	3.8	4.1	2.1	-0.2	-0.8	2.6
Exports of goods and services	6.1	7.4	2.8	4.9	5.1	3.7
Imports of goods and services	6.2	11.4	7.3	0.7	1.0	6.0
Foreign balance <u>4/</u>	--	-0.7	-1.0	0.9	1.0	-0.5
GDP	3.8	3.3	1.1	0.7	0.2	2.1
Memorandum items:						
Industrial production	2.4	4.1	-0.4	-2.4	-2.4	4.5
Unemployment rate	5.2	5.9	6.3	7.6	7.6	8.3

Sources: INSEE, Rapport sur les Comptes de la Nation (1981); Informations Rapides, Série F, No. 77 (April 15, 1982); and staff estimates.

1/ Estimate used in SM/82/63.

2/ Revised estimate.

3/ Staff estimates.

4/ Change from previous year as a per cent of previous year's GDP.