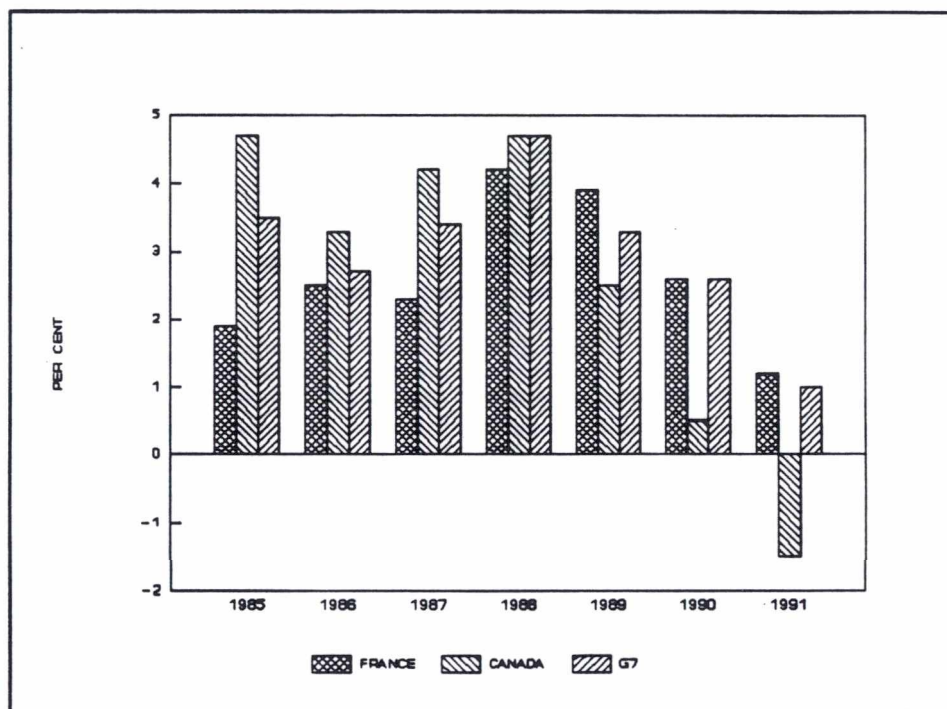


desire not to modify this long term policy, while it is bringing about its impact on stronger competitiveness; to achieve this, it is relaxing temporarily the budget restrictions and retaining the competitive disinflation strategy. The 1991 and 1992 budget deficits were increased by the loss of tax revenue due to the slowdown, and priority was given to defending the franc, which reduced the ability to decrease interest rates; these remained around 9.75-10% for the first half of the year.

## THE FRENCH ECONOMY IN 1991

Growth in France's total Gross National Product (GNP) fell to 1.2% in 1991. The magnitude of this deceleration came as a surprise and the recovery expected for the end of the year did not materialize. Nevertheless, the impact of this economic slowdown was less acute in France than in most of its major trading partners and was comparable to G7 averages.

*FRANCE, CANADA AND COUNTRIES OF G7\**  
Growth in Volume of GNP and %



\*USA, Japan, Germany, France, Italy, UK and Canada

**The slowdown is due to a decrease in domestic demand.** Corporate management faced with weak prospects and continued high interest rates have dramatically reduced their investments (-3.6%), particularly in industry (-9%). In addition, households have adjusted to their diminished disposable income and have reduced by half their rate of consumption (1.6%). Only net foreign demand provided some support to growth, through a moderation of imports and a continued high level of exports, based again on German demand.

**The slowdown has spread to all sectors.** In industry, what started as a slowdown in mid-1990, became a recession. The most strongly affected sectors were Automobile production (-3.4%), Industrial equipment (-2.6%), and Intermediate goods (-1.5%). The