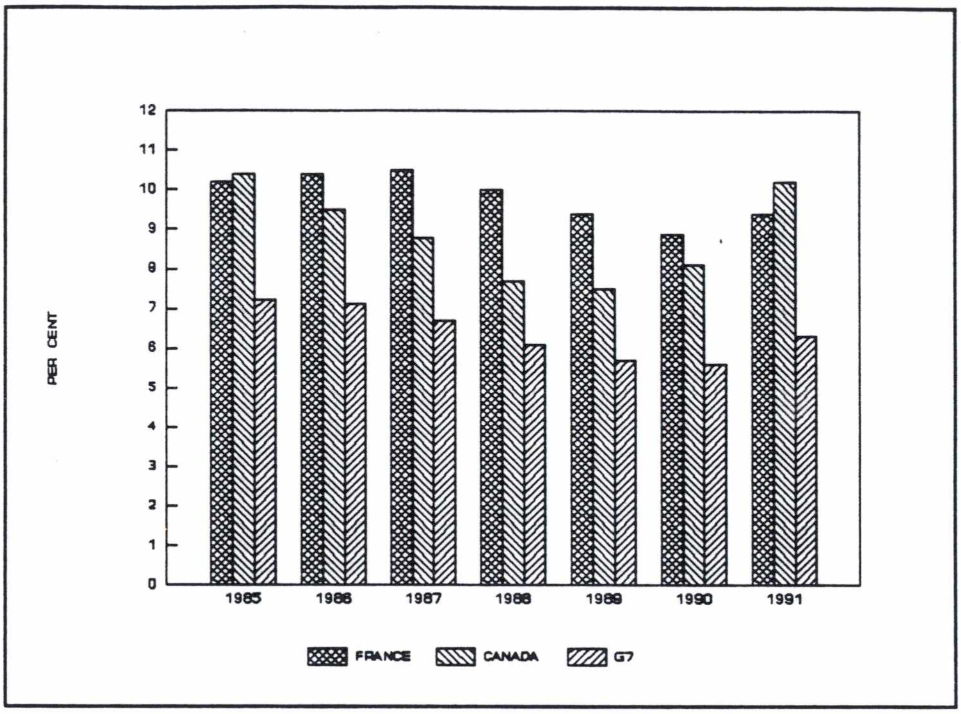
FRANCE, CANADA AND G7 COUNTRIES
% Unemployment of Labour Force



The good news for 1991 was the decrease by almost half of the deficit in both the commercial trade balance and the current account balance to 30 billion FF each ($6 billion). The improved trade balance position results from the improvement of the deficit in civilian industry, and from trade within the EEC which became slightly positive owing to the lower trade deficit between France and Germany. These positive results are due both to a slowdown in imports, due to a weak domestic demand, and the solid standing of exports, supported by their improved price competitiveness and the strong German demand, particularly in the Automobile industry.

The top priority of maintaining the stability of the franc within the European Monetary System has forced monetary authorities at the end of the year to reverse the downward trend of interest rates which began at the beginning of 1990. The Bank of France, confident of its control of inflation and of market credibility due to the strong franc policy, has succeeded in reconciling the demands for the stability of the franc with lower interest rates. Thus, the interest rate was lowered to 8.75%. However, in the winter of 1991, increased pressure on the value of the franc, associated with the continuation of Germany's restrictive monetary policy, forced the Bank of France to increase its rate to 10.5%, thus returning to the early 1990 level.

In order not to penalize activity, the government adopted some flexibility in its budget policy, allowing the budget deficit to expand by the loss in tax revenue resulting from the slowdown. Thus, the deficit increased from an initial objective of 90 billion FF to 132 billion FF. However, this increase is not alarming as, on one hand, expenses have been controlled (+4% growth), additional expenses having been compensated by budget savings, and on the other hand, the deficit remains low in terms of GNP at 1.9%.