Assessment and recommendations

French economic growth has slowed

Activity has slowed in the past 18 months, following several years of strong employment and output growth. Although GDP increased by only 1.2 per cent in 2002, the labour market has resisted remarkably well. Employment has continued to rise and unemployment has edged up only marginally. Accommodative monetary conditions and a sharp and largely structural relaxation of fiscal policy likely reduced the extent of the slowdown. However, the budgetary easing caused the general government deficit to reach 3.1 per cent of GDP, prompting the European Commission to initiate its excessive deficit procedure. The slowdown reflected a significant cutback in investment activity. While the average growth rate for 2003 should be less than 1 per cent, corporate and household balance sheets remain in good shape, suggesting that, as international uncertainty dissipates, growth could accelerate, reaching a rhythm of about 2 per cent during the course of 2004. Moreover, the slowdown has turned the output gap negative, greatly reducing supply side pressures. As a result, a return to higher growth rates is not expected to generate increasing inflation in the near term.

Rising pension and health costs pose a medium-term challenge,…

France faces a daunting task in meeting the fiscal challenge posed by the ageing of its population, which is expected to result in the ratio of people retired to those employed doubling by 2030. As a result, there will be only one worker to support every retiree. This has obvious implications for the sustainability of the country's pay-as-you-go pension scheme, but will also add further impetus to health-care costs that are already rising strongly as a share of GDP. The challenge posed is all the greater because, at the same time as ageing raises spending pressures, the exit from the workforce of the large baby-boom cohorts will reduce the rate at which employment and therefore potential output grow – thereby slowing the increase in the tax base needed to pay for these services. Notwithstanding continued improvements in productivity and income levels, the operational deficit of the health and pension systems would increase by some 5 per cent of GDP by 2030 in the absence of far-reaching policy changes. Allowing such deficits to accumulate over time is not a realistic option because the resulting build-up of debt would be unsustainable. OECD estimates suggest that the debt to GDP ratio could more than double by 2030. While the ageing challenge is a long-run one, actions to deal with it are nonetheless urgent, both because deep reforms can only yield results over time and because reform options become fewer and more costly the longer they are deferred.

... requiring fundamental reform to avoid an unsustainable build up of debt

Addressing the ageing challenge will require substantial efforts on a number of fronts. Raising taxes or social security contributions to close the emerging fiscal imbalance, might quickly become self-defeating in an increasingly integrated world economy. The tax burden in France is already very high in international comparison. Raising it further could induce both capital and skilled labour to go elsewhere, and, in so doing, threaten both the tax base and longer-term growth prospects. On the other hand, there would seem to be considerable scope for structural reforms that could generate savings while nevertheless respecting societal priorities. Proposals to reform the healthcare system by making both its administrators and its users more responsible for overall costs are important initiatives that could have significant medium-term impacts on the growth of expenditure. As concerns pensions, plans to align the mandatory contribution period of public servants to those of the private sector, currently 40 years, and extend both in line with improvement in life expectancy are sensible. Such steps should help reduce the substantial inequalities between the private and public systems, although many will remain. Proposals to abolish financial disincentives to continue working after reaching retirement age will serve to raise potential output and reduce imbalances. All of these are steps in the right direction. However, notwithstanding the real difficulties that such measures may imply, more changes along similar lines will be required. Moreover, the authorities will need to take steps to improve the way public expenditure is managed and programmes evaluated – issues addressed below.

As a result, fiscal policy needs to be tightened

The long-run fiscal challenge amplifies the need to strengthen the budget in the shorter term. The authorities will need to quickly redress the recent fiscal slippage and make concrete progress towards re-establishing medium-term budgetary equilibrium in line with official objectives. Unfortunately, even taking into account decisions to cancel some State Budget credits and to create an additional reserve, the OECD expects the deficit to exceed 3½ per cent of GDP in 2003. While this represents a broadly neutral stance on a structurally adjusted basis and notwithstanding the current cyclical slump, the failure to reduce the structural deficit during recent years of fast growth requires policy to be more rigorous now. In this regard, the authorities' decision to seek a 0.5 per cent of GDP reduction in the structural deficit in 2004 is appropriate. For this to be achieved, additional measures, including importantly the partial non-replacement of retiring civil servants, will need to be taken. Once public finances are on a more sustainable path, a programme of tax cuts could yield a virtuous circle of higher growth, higher incomes and similar levels of public services.

Eliminating employment barriers would increase opportunities for people out of work and also bolster fiscal resources

Over the longer-term and in order to minimise the social cost of addressing the rise in ageing-related costs, policy needs to concentrate on making more effective use of its resources. In this regard, raising employment rates and hours worked will help restore fiscal sustainability by increasing resources available to pay for existing programmes and the substantial contingent liability represented by France's public pension systems. France distinguishes itself from other OECD countries by combining very low youth and older worker employment rates, with higher than average ones for so-called prime-age workers. Favourable demographic trends in the recent past and policies designed to assist low-skilled and inexperienced workers price themselves into the labour market contributed importantly to the strength of employment growth during the last ten years. Notwithstanding these successes, more needs to be done to eliminate barriers that prevent those who wish to work from doing so. Simulations suggest that a set of policies that succeeded in raising employment rates for youths and older workers to OECD average levels could raise potential output by 6 per cent and reduce fiscal pressure over the next several decades by as much as 2 per cent of GDP. Moreover, raising the employment rates of younger workers has the advantage of smoothing the pension burden. While additional contributions will come on stream precisely when operating deficits are projected to be growing most quickly, the associated pension costs will not come due until the middle of the century when the system's equilibrium is projected to be improving.

Extending on-the-job training would help raise employment levels…

In order to overcome impediments to the employment of youth and the low-skilled, policy needs to continue to reduce the cost of hiring such workers. While many state-subsidised employment programmes have limited impacts on job prospects, some have improved employability for well targeted population groups. The apprenticeship and qualification contract schemes have proven a particularly effective means of significantly and durably improving the employability of low-skilled workers, in part because of their significant reliance on co-financing by both employers and employees. By providing inexperienced and low-skilled workers with private-sector job experience in exchange for lower wages, such programmes help them price themselves into the labour market, and, at the same time, acquire valuable and marketable skills. In order that more individuals currently excluded from the labour market can share in such benefits, access to these programmes should be expanded.

… as would efforts to further reduce their labour costs

Reducing labour costs of low-paid workers by reducing their social charges is also a successful strategy for raising employment. Unfortunately, the cuts in charges implemented since 1997 and those planned during the period 2003 to 2005 have served in part to offset the additional costs imposed by the 35 hour work week and the multiple minimum wages created in its wake. Because cuts in social charges are an expensive option for the public purse, care must be exercised in the future, to ensure that any additional cuts really do reduce labour costs.

Offsetting the hike in minimum wages associated with their harmonisation by smaller increases later on…

Following the period of harmonisation of the SMICs, the authorities should restrict further increases in the SMIC to the rate of inflation for several years, so as to re-establish a downward trend in the relative labour costs of lower skilled workers and to offset the negative impact of the planned 5 per cent real increase in the minimum wage. Here, the earned-income tax credit (*Prime pour l'emploi*, PPE) could be used, in combination with more moderate increases in the minimum wage, to lower labour costs. As long as it is focused only on households presenting a real social need, such a combination would be less expensive than an equivalent reduction in social charges. Moreover, all low-skill and youth workers would benefit from increased employment opportunities as the SMIC returns to more moderate levels.

… and decreasing the disincentives caused by out-of-work benefits would help

Combating inactivity traps also requires a reinforcement of policies that promote greater labour force attachment on the part of those out of work. Here, there appears to be room to improve the effectiveness with which the locally administered public employment service helps the unemployed find work. In this regard, proposals to transfer financial responsibility for the main non-work income support scheme (*Revenu minimum d'insertion*, RMI) to the same governmental level that is responsible for job activation policy is a step forward. Associating financial responsibility for passive income support with the administration of activation policy should improve institutional incentives to get individuals off income support and into work. Moreover, the proposal to complement the RMI by allowing firms to hire beneficiaries for a limited period of time, but only pay them the difference between the minimum wage and their benefit, could be a powerful instrument to create job opportunities and reactivate such individuals. A careful individualised follow up by the public employment service will be necessary to minimise the impact of windfall gains.

For older workers, policy needs to restore financial incentives to work…

The main challenges facing the authorities as concerns older workers is to cut-back sharply on various state and unemployment insurance measures that subsidise early labour withdrawal and restore financial incentives to those that wish to continue working beyond the retirement age. Existing rules are at the root of low employment among older workers, and these reflect several decades of policy that explicitly sought to encourage early labour force withdrawal in the mistaken hope that this would help reduce unemployment.

… by dramatically scaling back early retirement schemes, and…

In this regard, recent efforts to cut back on state-subsidised early-retirement programmes should help reduce premature labour market exit. Similarly, the decision to reduce the extent to which the extended unemployment benefits offered by the UNEDIC (the unemployment insurance system) can be used to finance early retirement is welcome, although more needs to be done. Indeed, by making non-employment a viable alternative to work for older workers and implicitly subsidising firms that lay off such employees, the system appears to be a major cause of joblessness among older workers. More workers 55-60 years of age permanently exit the labour force on UNEDIC-financed schemes than via government early retirement schemes. Thus, policy-makers need to eliminate this programme as a source of job loss, while nevertheless preserving extended benefits for older workers who genuinely lose their jobs and providing lifelong training opportunities to workers so that they remain attractive as employees. Experience-rating firms that disproportionately lay off older workers would reduce recourse to early retirement by imposing more of the substantial social costs that such layoffs entail on to those firms taking advantage of the system. In addition, the responsibility of the social partners for the broader costs of these programmes would be enhanced if the State ceased subsidising the scheme by paying the pension contributions of new entrants to it. Finally, there may be scope for redirecting money spent on subsidising the non-employment of these workers towards programmes that reduce their labour costs.

… making pension income actuarially neutral

Additional reforms are necessary if workers who wish to work beyond the official retirement age are to find it financially worthwhile to do so. The authorities' plans to make benefits more actuarially neutral around age 60 could help raise employment levels by eradicating the existing massive financial incentive to take one's pension as soon as 40 years of contributions have been made and one reaches age 60. International experience suggests that when financial incentives are neutral, a significant share of people 60 years or older choose to continue working – resulting in higher levels of output and higher tax revenues. In this regard, proposals to extend "standard" contribution periods in line with improvements in life expectancy go in the right direction and should be implemented. Such a more actuarially neutral system could be further expanded by allowing individuals to draw reduced benefits at an earlier age.

Policies to promote investment and fast growing firms would spur productivity growth

Economic performance and longer-term fiscal sustainability would also benefit from higher investment rates and better productivity performance. Here current efforts to ease the administrative complexity of the regulatory environment and increase incentives for innovation are welcome. As regards efforts to stimulate R&D, the establishment of networks of industrialists and research laboratories to identify promising technologies for government programmes to support is likely an improvement over the previous model. However, these programmes need to be subjected to more systematic evaluation. In this respect, the consistency of R&D support would be reinforced by increasing the emphasis on the medium term in the financing and management of laboratories. Furthermore, R&D remains principally a state-funded activity, and researchers do not have a large enough stake in the fruits of their discoveries. In order to ensure that public-sector research continues to become more responsive to business and societal needs, reforms that reduce rigidities in the allocation of resources between programmes and research areas should be pursued. The recent creation of the National Science Fund and the Research and Technology Fund are reforms that go in this direction. So as to encourage more investment and thereby further boost potential output, the authorities should continue to reduce relatively high corporate income tax rates and rigid labour market regulations. Moreover, cross-country research suggests that a less onerous taxation of lightly capitalised firms (often smaller fast growing companies) and a less rigid regulation of employment conditions helps boost productivity trends by favouring fast-growing high-tech firms.

Better governance of state-owned firms and continued privatisation should also help

Overall efficiency would be further enhanced by the pursuit of privatisation. Although progress over the past twenty years has been impressive, with the State divesting itself of some 2 000 firms, it still owns or controls 1 500 companies. Most of these are small, but several very large firms remain in State hands, and, as a whole, publicly-owned companies continue to occupy an important place in the business sector. Moreover, although many of these firms have been commercial successes, the sector's overall record is marred by a number of failures and large losses. The recent creation of a new structure (*Agence des Participations de l'Etat*, APE) to supervise state commercial assets and to exercise the State's shareholder rights should increase transparency and improve the State's governance of these firms. However, to be successful the link between state-owned firms and their ministry-owners will need to be broken and the APE should be granted more independence from the bureaucracy. A proposal to make explicit state-owned firms' public-service obligations and transform these into contracts would enhance transparency and should be implemented. It could also yield cost savings so long as private firms are allowed to bid for these contracts. Notwithstanding these efforts, the need for further progress on privatisation remains. The authorities are proceeding with some more large-scale divestments, but the very many smaller firms also need to be transferred to private hands and the State's many minority stakes sold off. Finally, given the projected pressures on public finances, privatisation revenues need to be applied to reducing the debt or transferred into the special retirement reserve fund. Too much money continues to be channelled back into money-losing and inefficient state-owned firms.

To accommodate ageing-related cost pressures, spending needs to be brought under control

Given the ageing of the population and in order to preserve fiscal sustainability over the medium and long-term without raising taxes, the authorities will have to do a much better job of controlling the rate of increase of public expenditure. Indeed, since 1990, a period during which most OECD countries substantially reduced general government expenditure as a share of GDP, public spending rose by 3 per cent of GDP in France. Between 1995 and 2002, however, better expenditure control and the introduction of expenditure norms for the State Budget resulted in the share of general government spending in GDP falling by 1.1 percentage points. Nevertheless, this reduction was significantly less than had been forecast by the authorities at that time. In order to permit them to better meet their fiscal objectives, public expenditure governance systems need to be improved. Indeed, the repeated failure to respect multiyear spending objectives reflects in part the authorities' inability to exercise effective control over that share of general government spending that lies outside the State Budget. There is a clear need to introduce reforms that allow the authorities to require all spending agencies to contribute to expenditure control efforts and at the same time to confront decision makers more directly with the longer-term consequences of their actions.

A more medium-term and integrated approach to budgeting is needed

To assist policy makers allocate resources effectively, additional measures are required to raise the visibility of the tradeoffs between State Budget and other general government expenditures. In addition, the time frame over which budgetary decisions are made needs to be lengthened, so as to help prevent pro-cyclical and permanent increases in spending. The inclusion of the government's medium-term spending plan as an annex to the State Budget and the almost simultaneous presentation of the Social Security and State Budgets are steps in the right direction. They should be reinforced, however, by having parliament vote the plan (currently it is not voted) and by making the medium-term projections more detailed and better integrated into both the State and Social Security Budgets. They could then be brought forward to serve as an umbrella to the two annual budgets, with the out-year projections serving as a basis for the projections of the following year. If underpinned by more prudent macroeconomic assumptions than has been the case in the past, such a scheme would contribute to more realistic medium-term budgeting by making it more difficult to introduce politically expedient programmes with short-term gains but long-term costs. Moreover, they would increase the likelihood that the authorities' longer term objectives for public finances are attained.

Moreover, roles and responsibilities need to be clarified…

While such a coherent and integrated budgeting system will be essential to enhancing the authorities' ability to better manage public expenditures, it is unlikely to be successful unless mechanisms can be found to ensure that all spending agencies participate in the effort to control spending levels. The main challenge is to clarify the roles and responsibilities of the central government on the one hand and those of the various regimes and sub-national governments on the other. Indeed, in many cases ultimate financial responsibility is poorly defined and does not coincide with administrative power, resulting in recurrent cost overruns, weak incentives to improve efficiency and the failure to put in place certain reforms.

… including at the local level

The authorities' plan to clarify responsibilities for programme delivery at the local level and to transfer financial resources to the level where programmes are administered is a step in this direction. By allowing local governments to keep the savings generated, the reform significantly sharpens incentives to seek efficiency gains and should result in more efficient programme delivery. However, to generate overall reductions in spending, mechanisms need to be introduced that guarantee that lower levels of government assume their share in the overall effort at expenditure control. Moreover, while reforms that allow municipalities to jointly provide some services and overcome scale inefficiencies have been broadly successful, the vast majority of France's 37 000 municipalities are far too small and serious consideration should be given to their consolidation. While the creation of various institutions for intercommunal co-operation have helped in this regard, much remains to be done. Furthermore, the advantages of having both a regional and a departmental level of government remain to be demonstrated.

The authorities need to provide themselves with the means to ensure that their objectives are attained…

For social security, the problem is simultaneously more serious and more complicated. In so far as the parliament is ultimately responsible for ensuring overall fiscal sustainability, it may be necessary for it to provide itself with the means necessary to ensure that the various social security funds respect the objectives it fixes for them. This could be done while giving them more liberty to determine the content of programmes and how they are managed. Indeed, parliament has already assumed some of this responsibility with the passage of Social Security Budgets in 1996, and the State Budget support of some social security regimes is already substantial. In addition, more needs to be done to reduce the rigidities in budgetary allocations caused by earmarking and to make the financing of the schemes more transparent. In order to better ensure that objectives are realised and so as to make fund management more responsible for financial outturns, Parliament should include in the social security budget, *ex ante* mechanisms designed to correct any eventual overruns.

… and make budget constraints more binding

Such a measure would help make the budgets of the social security system more binding and is particularly necessary in the healthcare sector, a perennial source of expenditure overrun. Unfortunately, experience in all OECD countries attests that no easy solutions exist. Nevertheless, as discussed in the 2000 OECD *Survey of France*, a variety of measures could help slow the rate of increase of health insurance spending and make the government's spending objective (the ONDAM) more binding. In particular, reform should seek to force administrators, doctors and consumers to take greater responsibility for the costs their actions generate. In this regard, the introduction of a rolling cap on ambulatory-care services could help limit doctors' incentives to oversupply, by making the level of their future remuneration dependent on respecting the previous year's norms. In addition, softening the threshold effect associated with the means-tested universal health coverage (*couverture médicale universelle*, CMU), while at the same time conferring more of the overall costs to complementary regimes, would also help by making individuals and their insurance schemes more interested in controlling costs. Coupled with an increase in the cost actually borne by patients, such changes, like the decision to reimburse pharmaceuticals at the price of generic drugs, should exercise additional restraint on the demand side.

The new State Budget framework should increase efficiency…

The newly introduced budgetary framework law (the LOLF), by placing the emphasis on programme outputs and their regular evaluation, could constitute an important tool for increasing the efficiency with which government services are delivered. The law extends to parliament a greater policymaking role and responsibility for ensuring the population gets value for their money. However, international experience suggests that, for such systems to be effective, significant changes in administrative and even political culture are required, necessitating continued strong political and administrative support and leadership. Current efforts to involve staff in the definition of the indicators that will be used to evaluate programmes and the use of pilot projects to test ideas should both promote a sense of ownership among public servants and make the final product more relevant. Finally, given the importance that policy evaluation is to play in directing reform efforts, it will be critical for programmes to be designed so as to permit evaluations and for these to be conducted with an eye to proposing improvements.

… but its output orientation should be extended to other levels of public expenditure

The notion of output oriented budgeting should also be extended to other areas of public expenditure. In this regard, the creation of a Social Security Budget has helped to expose such spending to more regular scrutiny, but the budget needs to be given a more explicit output orientation and the systems' administrators need to be made responsible for meeting them. The introduction of performance contracts between the State and the various social security administrations is a step forward and more should be done in this vein. Even so, there appears to be significant scope for efficiency improvement by rationalising the systems' overlapping contribution-collection and benefit-distribution networks. The recent decision to create a one-stop counter for small and medium enterprises goes partly in this direction by reducing the administrative formalities facing firms. Finally, as reform of the pension and health systems proceeds, the authorities should look at the desirability of consolidating regimes and harmonising benefit systems, for reasons of both social equity and administrative efficiency.

Efforts are also required to assure environmental sustainability

Putting in place policies to ensure the environmental sustainability of growth is a further challenge facing French policy makers. In this regard, the authorities should reconsider their strategy for meeting their international greenhouse gas commitments. In particular, a central role for permit trading at the EU level should be envisaged and the expensive implicit subsidy of wind-generated energy reduced to levels consistent with alternative sources of reductions in greenhouse gases. Opportunities to reduce emissions in road transportation through higher taxes are limited but tax levels on emissions from sea and air transport are too low (although progress here will require international agreement). Extensive efforts have succeeded in improving water quality but were expensive. To improve their cost effectiveness, existing regulations need to be more vigorously enforced and an effective tax instrument introduced to control agricultural pollution. In the area of phosphates and pesticides, regulations need be better aligned with the actual toxicity of individual chemicals.

To sum up

I*n sum*, after several years of rapid expansion the economy has entered into a period of below potential growth, with a negative output gap opening up. Monetary conditions have been relaxed, while fiscal policy has eased excessively, provoking the European Commission to initiate an excessive deficit procedure. As uncertainty dissipates towards the middle of this year, the economy should pick up speed, reaching a growth rhythm of around 2 per cent in 2004. Nevertheless, over the medium-term in the absence of substantial reforms, the ageing of the population risks to threaten economic and fiscal equilibrium. Current pension and healthcare reform initiatives and plans to redress spending over the medium term go in the right direction. However, in order to ensure medium and long-term fiscal sustainability, additional policies to slow the expansion of health and pension spending are required, while efforts to raise employment rates and potential output are needed to improve the economy's ability to finance future ageing-related expenditures. Here, programmes that offer the possibility of on the job-training should be expanded so as to reactivate young and low-skilled workers, while reforms to early-retirement schemes and the pension system need to be continued so as to restore work incentives for older workers. Ongoing tax and labour market reforms and policies to facilitate the development of high-tech and fast growing enterprises, which should help promote investment and higher productivity growth, also need to be pursued. The opening of the capital of state-owned enterprises, their eventual privatisation and planned improvements to governance structures should help promote growth, but revenues from sell-offs ought to be used to reduce debt. Finally, in order to better manage the totality of public expenditures, the authorities need to implement reforms that can be used to ensure that all spending organisms contribute to spending control. Here, it will be necessary to implement mechanisms that would improve the effectiveness of measures to control healthcare spending. Moreover, decision-makers need to be more directly confronted with the long-term consequences of their actions. Initiatives such as decentralisation and the new budget framework law should help in this regard. Pursuit of reforms along all of these lines should permit society to meet the fiscal challenge posed by population ageing, while retaining high levels of service.

Glossary of acronyms

ACCORD	New State's mission oriented data system
ACOSS	Central fund for social security
ARHs	Regional hospital agencies
ARPE	Employment replacement allowance
ASFNE	(an early retirement scheme)
APA	Personalised assistance allowances to the elderly
APE	State ownership agency
BAPSA	Separate annex budget for the agriculture social fund
CADES	Fund for the amortisation of the social debt
CAE	Prime Minister's Economic Analysis Council
CEC	Consolidated employment contract
CES	Solidarity employment contract
CGP	General Planning Commission
CIT	Corporate income tax
CNAF	Family social security regime
CNAMTS	Healthcare social security regime
CNAVTS	Old age social security regime
COG	Management target and management conventions between the State and the social security regimes
COR	Retirement Advisory Council
CSG	Generalised social contribution
EDF	French Electricity Company
EPICs	French Public Companies
EPCIs	Public Companies for municipal cooperation
EU	European Union
FCATA	Asbestos workers early retirement fund
FCAATA	Agriculture work accident fund
FIP	Local investment funds
FOREC	Fund for the financing of the reform of the enterprises' social charges
FRR	Retirement reserve fund
FSV	Old age solidarity fund
GDP	Gross Domestic Product
GIAT	Armament Company
GDF	French Gas Company
GHG	Greenhouse gas
IGF	General Finance inspectorate
ISF	Wealth tax
INSEE	National Institute for Statistics and Economic Studies

IPO	Initial public offering
LOLF	New framework law for the State Budget
MINEFI	Ministry of Industry, economy and finance
ONDAM	National health spending target
PARE	Return to employment assistance scheme
PEE	Enterprise saving plan
PES	Public employment service
PIT	Personal income tax
PLF	State draft budget
PLFSS	Draft social security budget
PPE	An earned-income tax credit
PPES	Voluntary saving partnership plan
R&D	Research and development
RFF	French railways infrastructure company
RMA	Minimum activity revenue
RMI	Guaranteed minimum revenue
RRIT	Research and technology network
SEMs	Local public service companies
SIFE	Insertion and training stage programme
SNCF	French railways Service Company
SMEs	Small and medium seized enterprises
SMIC	Minimum insertion wage
SNECMA	Aeronautical manufacturing firm
TIPP	Petrol tax
TRACE	Access to employment programme
UNEDIC	Organisation in charge of the management of the unemployment insurance scheme
URSAFFs	Regional agencies in charge for collecting social security contributions
WHO	World Health Organisation

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BASIC STATISTICS OF FRANCE

THE LAND

Area (1 000 km^2), 1998	632.8	Major cities (thousand inhabitants), 1999:	
Agricultural area, excl. overseas departments (1 000 km^2), 1998	300.0	Paris	2 125
		Marseille	798
		Lyon	445

THE PEOPLE (2002)

Population (thousands)	61 075	Total labour force excl. overseas departments (thousands)	27 048
Number of inhabitants per km^2	96	Percentage of employment in:	
Average annual increase (thousands), 1990-2002	254	Agriculture	3.7
		Industry and construction	23.7
		Services	72.7

PRODUCTION (2002)

Gross domestic product at market prices (euros billion)	1 523	Gross value-added by activity at basic prices (per cent):	
Gross domestic product per capita (euros)	24 930	Agriculture	3.1
Gross fixed investment as a per cent of GDP (current prices)	19.5	Industry	22.2
		Construction	4.3
		Services (excl. FISIM)	70.4

GENERAL GOVERNMENT (2002)

ESA95 concept, as per cent of GDP:	
Current expenditure	54.0
Current revenue	50.5
Gross fixed investment	3.3

FOREIGN TRADE (2002)

Exports of goods and services (% of GDP)	27.0	Imports of goods and services (% of GDP)	24.9
Main exports as a percentage of total exports (SITC):		Main imports as a percentage of total imports (SITC):	
Food, beverages and tobacco (0 + 1)	12.8	Food, beverages and tobacco (0 + 1)	8.3
Chemical products (5)	15.2	Chemical products (5)	13.3
Manufactured products (6 + 8 + 9)	23.9	Manufactured products (6 + 8 + 9)	28.8
Machinery and transport equipment (7)	43.8	Machinery and transport equipment (7)	37.6

THE CURRENCY

Monetary unit: euro	Currency unit per $, average of daily figures:	
	Year 2002	1.061
	April 2003	0.9199

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The Secretariat's draft report was prepared for the Committee by Andrew Burns, Alessandro Goglio and Boris Cournède under the supervision of Yutaka Imai.

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