French finance minister hints at ECB intervention over weak dollar
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Hervé Gaymard, the newly appointed French finance minister, has warned that the weakness of the US dollar is "very worrying" and has hinted at possible intervention by the European Central Bank.

In an interview with Les Echos, the Financial Times' sister newspaper, Mr Gaymard said the dollar's decline would be a matter of debate in the run-up to the meeting of the Group of Seven industrialised nations next February.

"The Americans should take more account of the imbalances that they are provoking in the rest of the world and in their own economy - for example, the risk of a brutal rise in long-term US interest rates that would weigh on the accumulation of deficits," he said.

Mr Gaymard also said France would review the case of Thales, the partially state-owned defence electronics group, which the government has been keen to see merge with EADS, the Franco-German aerospace company. A decision would be taken in the next six months.

Mr Gaymard's remarks about the dollar echoed concerns yesterday from the ECB, which warned of the risks posed by the large US current account deficit.

In the first publication of its Financial Stability Review, the ECB said a "disorderly rebalancing" of the US deficit could exert "severe downward pressure on the US dollar". The US fiscal deficit "is unlikely to contract significantly in the period ahead" and "unless households take steps to rein in their debts, current account imbalances could yet expand further", the report warned.

Mr Gaymard added to recent hints from other European finance officials that the ECB stood ready to intervene should the euro continue to rise.

In spite of the external pressures, Mr Gaymard said he still expected France's economy to expand by close to 2.5 per cent this year.

"For 2005 I am sticking to our forecast that growth will be about 2.5 per cent if the pressure from oil prices and the dollar eases," he said.

Mr Gaymard, a technocrat who has been described as the antithesis of his flamboyant predecessor, Nicolas Sarkozy, said the government would focus its efforts on creating jobs over the next two-and-a-half years.