

Bank of France reports industrial activity increased in all sectors in December 1996 BANK OF FRANCE, MONTHLY BUSINESS SURVEY, December 1996.

In December, according to the business leaders surveyed by the Banque de France, **industrial activity** increased in all sectors, except in the intermediate goods sector, where it remained stable. The food processing and consumer goods sectors were the most buoyant.

The **capacity utilization rate** remained virtually unchanged.

Overall demand firmed on both the domestic market and the export market, where the strongest flow of orders continued to come from the United States and Asia. The competitiveness of French products was bolstered by the recovery of currencies that had weakened earlier, including the United States dollar, sterling and the Italian lira.

Order books approached normal levels in all sectors, except in the intermediate goods sector, where they remained too low. **Inventories** decreased with the end of the lorry drivers' strike, and now appear to be normal in the capital goods and automobile sectors.

In the coming months, most sectors are expected to continue to show moderate growth.

Commodity prices as a whole showed practically no change. **Finished product prices** held up overall, despite the continuing high level of competition.

Investment programmes were limited to renewing obsolete equipment or to meeting the desire to increase firms' productivity in an intensely competitive international environment. There were few plans for output capacity increases and in all cases were dependent on stronger growth in demand.

Retail sales in November and December posted a slight decline compared with the corresponding period of 1995.

Activity in the **construction sector** fell back in the fourth quarter and posted a sharp twelve-month drop.

Employment levels varied little in industry, with the exception of the automobile sector, where they posted a further substantial decline. They remained stable in the market services and retail sectors, but fell sharply in the building industry.