

**Bank of France reports industrial output continued to grow in most sectors in France in January 1997** BANK OF FRANCE, MONTHLY BUSINESS SURVEY, 17/2/97.

In January, according to the business leaders surveyed by the Banque de France, **industrial output** continued to grow in most sectors. Activity was especially buoyant in the intermediate goods and consumer goods sectors. The food processing sector was alone in recording a contraction in activity.

The **capacity utilization rate** improved.

**Overall demand** strengthened further. French products were very competitive on foreign markets and this led to an increase in export orders. Export sales increased in the United Kingdom, Italy and Germany, while demand remained firm in the United States and Asia. On the domestic market, inter-industry demand was strong, even though the orders received came with very short delivery times in most cases.

**Order books** are now near to normal levels. They are still considered to be low in the food-processing and automobile industries, but are deemed to be satisfactory in the capital goods and consumer goods sectors. **Inventories of finished products** are gradually returning to normal overall, but they still exceed the desired levels in the consumer goods, food-processing and intermediate goods sectors.

The outlook for **the coming months** is distinctly brighter. Activity should increase in all sectors, with marked improvements in the intermediate goods and food-processing sectors.

Commodity prices were stable overall, while **finished product prices** declined slightly. This fall stemmed mainly from substantial price cuts in the automobile industry, while prices generally held up in the other sectors.

**Investment** plans for 1997 appear to be less ambitious on the whole compared with capital spending plans at the same period in 1996. Nevertheless, the business leaders polled in January were more confident about future activity than they were a few months earlier. This could mean that previously postponed investment plans may be implemented in the coming months. However, plans for increasing output capacity remained few and far between, owing to the spare capacity currently available, and depend on stronger growth in demand.

**Retail sales** in January were up markedly over December 1996, and only slightly down on the exceptionally high level recorded a year earlier.

**Employment levels** remained stable in nearly all industrial sectors. They showed only a slight change in the services and retail sectors, but there were further falls in the building industry.