

Bank of France reports industrial output continued to increase in all sectors in February 1997 BANK OF FRANCE, MONTHLY BUSINESS SURVEY, 17/3/97.

In February, according to the business leaders surveyed by the Banque de France, **industrial output** continued to increase in all sectors.

The **capacity utilization** rate rose slightly.

Overall demand grew at a moderate pace. There was strong demand from foreign markets, particularly from northern Europe, including Germany and the United Kingdom, and from the United States and Asia. The rise in the dollar and in sterling reinforced the competitiveness of French products. Growth in demand on the domestic market was much more moderate.

Order books are deemed to be satisfactory in all sectors, with the exception of the food-processing industry, where they declined slightly and appear to be insufficient. **Inventories of finished products** are still somewhat above normal levels. In particular, they are considered to be above desired levels in the food-processing, intermediate goods and automobile sectors.

In the coming months activity should continue to increase in all sectors, with the exception of the automobile sector.

Commodity prices were stable overall. However, price rises were recorded in certain parts of the intermediate goods industry, such as the rubber and plastics, metal-working, and wood-processing sectors, and in the food processing industry owing to the appreciation of the dollar. Intense competition prevented these increases from being passed on to sales prices, which scarcely changed, except in the automobile sector, where they declined.

The business leaders surveyed continued to be cautious in their **investment plans**. There were few plans for large-scale investment, and they mainly concerned the renewal of modernization of existing equipment.

Retail sales contracted in February, after posting a substantial rise in January.

Employment levels remained stable in industry, except in the automobile sector, where they declined. The retail and market services sectors showed little change, but employment fell in the building industry. Increasing use was made of flexi-time, annualized working time and part-time working to respond to variations in demand.