

**Bank of France reports industrial output continued to make progress in June 1997** BANK OF FRANCE, MONTHLY BUSINESS REVIEW, June 1997.

According to the business leaders surveyed by the Banque de France, **industrial output** continued to make progress in June. Output of consumer and intermediate goods advanced significantly, with a more moderate increase for capital goods, whereas it levelled out in the food-processing industry and slightly dipped in the automobile industry.

Capacity **utilization rates** recovered.

**Overall demand** strengthened both in France and abroad. Export sales grew considerably, in particular to Great Britain, Italy and the United States. Domestic demand rose, stimulated to some extent by inventory replenishment.

**Order books** seem generally satisfactory. While they have emptied out somewhat in the food processing industry, they remain on the full side in the capital goods sector. **Inventories** are only just above desired levels, despite an increase in the consumer goods sector, and above all in the automobile and food processing industries.

**In the coming months**, activity is likely to intensify across the board, except for the automobile sector which is expected to stabilize.

Overall, **raw material and finished goods prices** changed little. The cost of supplies climbed in certain branches of the intermediate goods sector, mainly due to the rise in the dollar, although these increases were not passed on to sales prices.

Business managers continued to take a cautious stance on **investment**. The little capital expenditure there was primarily concerned the modernisation of equipment and bringing it into line with standards.

**Retail activity**, which was buoyant in May, fell back in June partly due to poor weather conditions. In aggregate, activity was up over the last two months.

The **construction and civil engineering sector**<sup>1</sup> recovered in the second quarter of 1997 primarily as a result of seasonal factors.

**Employment levels** held steady in industry, except for the automobile sector, where there was a further contraction, and the building, retail and market services sectors. Wherever possible, companies sought to enhance workforce flexibility via temporary staff and overtime, in order to cope with fluctuating demand and organize themselves for the summer vacation period.

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<sup>1</sup> Unadjusted data.