

CHART OF THE WEEK

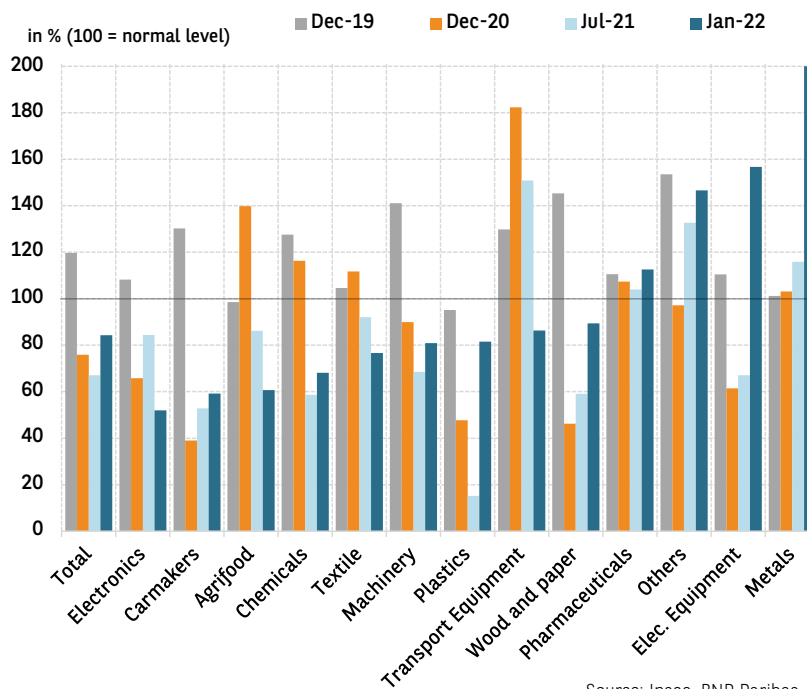


26 January 2022

FRANCE: SHORTAGES IN INDUSTRY – LESS ACUTE BUT NOT GONE

Stéphane Colliac

Inventory level in French manufacturing sectors



Source: Insee, BNP Paribas

French industry is benefitting from helpful conditions. Production has been boosted by order books that have filled up since spring 2021 and by growing capacity to meet this demand. The INSEE January 2022 business survey showed that inventories of finished products had increased to nearly 84% of their normal level, something not seen since mid-2020.

This phenomenon is particularly visible in intermediate goods sectors. In chemicals, plastics and packaging (the 'wood and paper' segment), the percentage of current inventories in proportion of a normal level has bounced back even though it remains below this normal level. In metals and electrical equipment, very high inventory levels reflect very strong activity.

Alongside this, survey data suggest an improvement in the automotive and aeronautics sectors, particularly when it comes to order books. Most importantly, after two years of excess inventories, transport equipment (where aeronautics represents the biggest share) is seeing inventory levels return to normal, a factor that is in keeping with an acceleration in production.

All in all, inventory building has contributed to manufacturing production growth. Higher inventories suggest reduced shortages, although these have not yet been fully eliminated. Shortages have persisted over the past 18 months, favouring a transmission of the ensuing cost increases into consumer prices, weighing on households' purchasing power. This is particularly true in the food products where, incidentally, inventory levels remain one-third below normal.

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