

Consumer prices

Year-on-year, consumer prices have increased substantially since the beginning of 2021, from 0.6% in January 2021 to 3.6% in February 2022, a level not seen since 2008. The rise in inflation until summer 2021 was mainly the result of prices being low in 2020 (“base effect”), it then increased with the strong surge in energy prices, despite the “price shield” which held it down significantly (► **Focus**).

The war in Ukraine has led to a further rise in the prices of oil, gas and many commodities. This sudden and substantial increase is likely to impact in part on the consumer price index. In March, under the assumption that the price of oil is fixed at \$125 for a barrel of Brent from 8 March (date this forecast was made) and a euro-dollar exchange rate of \$1.09/€, inflation is expected to increase sharply, to 4.2% year-on-year, driven mainly by the energy component.

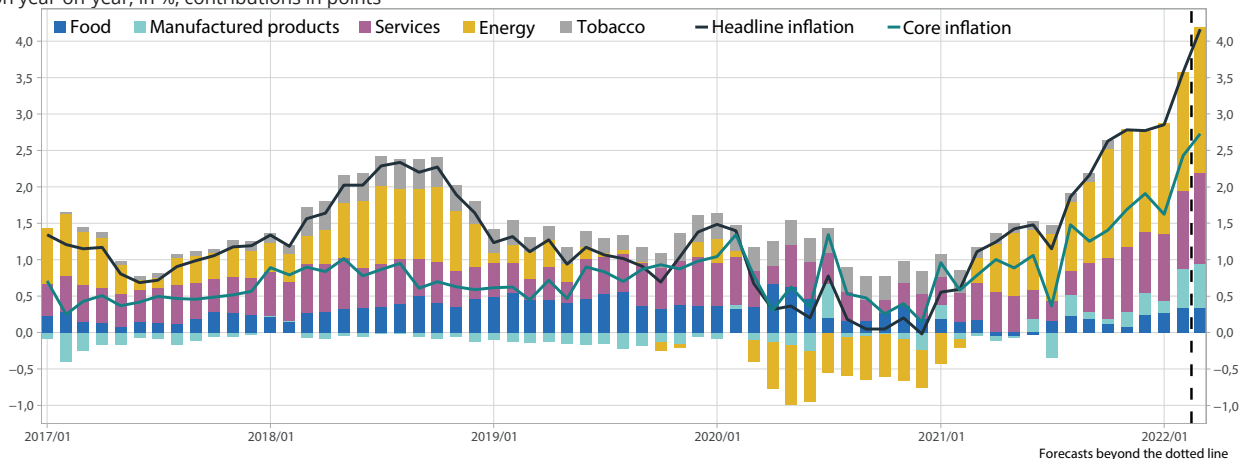
Elsewhere, the sharp rises in production prices already recorded in recent months, both in manufacturing industries and agriculture (+11.4% and +15.8% respectively year-on-year in January 2022), are expected to continue, impacting gradually on consumer prices. In manufactured products, inflation is expected to rise, and reach 2.5% year-on-year in March after 2.2% in February (when inflation for this item had already been driven upwards because the winter sales period was shorter than in this month in 2021). Food prices are likely to increase in March to 2.1% year-on-year, as in February. Within food, the prices of non-fresh food products, which are less volatile and more sensitive to increases in production prices than fresh produce, look set to continue to accelerate. Finally, prices of services year-on-year are expected to accelerate from 2.2% to 2.6% between February and March, probably driven by wage increases in some sectors such as accommodation-catering, and by transport services because of the increase in fuel prices.

Core inflation is expected to reach +2.7% year-on-year in March driven by the underlying prices of services.

The forecast for the coming months is much more uncertain than usual. The dynamics of inflation in Q2 are still likely to be strongly determined by energy prices, especially oil, as these prices are currently very volatile. However, the 15-centime reduction on the price of fuel at the pump should soften the effect of the high prices for a barrel of Brent on the price of petroleum products. Producer prices could continue to increase strongly. In April, inflation is also likely to be driven upwards by food products, with the start of trade negotiations between producers and major retailers on the Egalim 2 Law. As a result, and by extending the assumptions for the price of Brent and the €/€ exchange rates to the end of March, the year-on-year change in consumer prices could be around 4.5% in Q2. ●

► 1. Headline inflation and contributions by item

inflation year-on-year, in %, contributions in points



Source: INSEE

French economic outlook

► 2. Consumer prices

change in %, contributions in points

| CPI groups* (2021 weightings) | January 2022 | | February 2022 | | March 2022 | | Annual averages | |
|---|--------------|------------|---------------|------------|-------------|------------|-----------------|-------------|
| | yoy | cyoy | yoy | cyoy | yoy | cyoy | 2020 | 2021 |
| Food (16.5%) | 1.5 | 0.3 | 2.1 | 0.4 | 2.1 | 0.4 | 1.9 | 0.6 |
| <i>including: fresh food (2.5%)</i> | 4.0 | 0.1 | 5.9 | 0.2 | 5.4 | 0.1 | 7.3 | 1.9 |
| <i>excluding: fresh food (14.0%)</i> | 1.1 | 0.2 | 1.4 | 0.2 | 1.6 | 0.2 | 1.0 | 0.4 |
| Tabacco (2.2%) | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 13.7 | 5.5 |
| Manufactured products (24.4%) | 0.6 | 0.2 | 2.2 | 0.6 | 2.5 | 0.6 | -0.2 | 0.3 |
| <i>including : clothing and footwear (3.4%)</i> | -0.6 | 0.0 | 6.3 | 0.2 | 5.7 | 0.2 | -0.5 | 0.1 |
| <i>medical products (4.0%)</i> | -1.9 | -0.1 | -1.5 | -0.1 | -1.6 | -0.1 | -2.0 | -1.2 |
| <i>other manufactured products (17.1%)</i> | 1.5 | 0.3 | 2.4 | 0.4 | 2.7 | 0.5 | 0.2 | 0.6 |
| Energy (8.9%) | 19.9 | 1.5 | 21.1 | 1.7 | 25.1 | 2.0 | -6.1 | 10.5 |
| <i>including : oil products (4.3%)</i> | 24.3 | 0.9 | 26.9 | 1.0 | 35.7 | 1.4 | -11.8 | 13.5 |
| Services (48.1%) | 2.0 | 0.9 | 2.2 | 1.1 | 2.6 | 1.3 | 0.9 | 1.2 |
| <i>including : rent-water (8.0%)</i> | 1.8 | 0.2 | 1.8 | 0.1 | 1.7 | 0.1 | 0.3 | 1.1 |
| <i>health services (7.0%)</i> | -0.6 | 0.0 | -0.9 | -0.1 | -0.9 | -0.1 | 0.3 | -0.5 |
| <i>transport (2.0%)</i> | 3.9 | 0.0 | 6.1 | 0.1 | 7.9 | 0.1 | -1.7 | 3.8 |
| <i>communications (2.3%)</i> | 1.4 | 0.0 | 2.3 | 0.1 | 2.5 | 0.1 | 1.0 | 2.9 |
| <i>other services (28.9%)</i> | 2.6 | 0.7 | 2.9 | 0.8 | 3.5 | 1.0 | 1.4 | 1.1 |
| All (100%) | 2.9 | 2.9 | 3.6 | 3.6 | 4.2 | 4.2 | 0.5 | 1.6 |
| <i>All excluding energy (91.1%)</i> | 1.4 | 1.3 | 2.1 | 1.9 | 2.4 | 2.2 | 1.2 | 1.0 |
| <i>All excluding tabacco (97.9%)</i> | 2.9 | 2.9 | 3.7 | 3.6 | 4.3 | 4.3 | 0.1 | 1.6 |
| Core inflation (59.2%)** | 1.6 | 1.0 | 2.5 | 1.5 | 2.7 | 1.6 | 0.6 | 1.1 |

■ Forecast

yoy: year-on-year; cyoy: contribution to the year-on-year value of the overall index

* Consumer price index (CPI)

** Index excluding public tariffs and products with volatile prices, corrected for tax measures

Source: INSEE