

French economic outlook

Depending on their energy and food expenditure, some household categories are exposed to apparent inflation that may differ by more than one point from the average

After 2020, a year when prices changed very moderately, and since the start of 2021, inflation differentials according to household category have widened, as consumption structures can differ from one household to another. For an average of 4.9% in April 2022 across Metropolitan France, inflation can range, for example, from 4.0% for the under-30s to 5.9% for households living in rural areas. Energy is the main contributing factor to these differences, with food to a lesser extent.

The rise in prices since the start of 2021 is reflected in more and more pronounced inflation differentials between categories of household

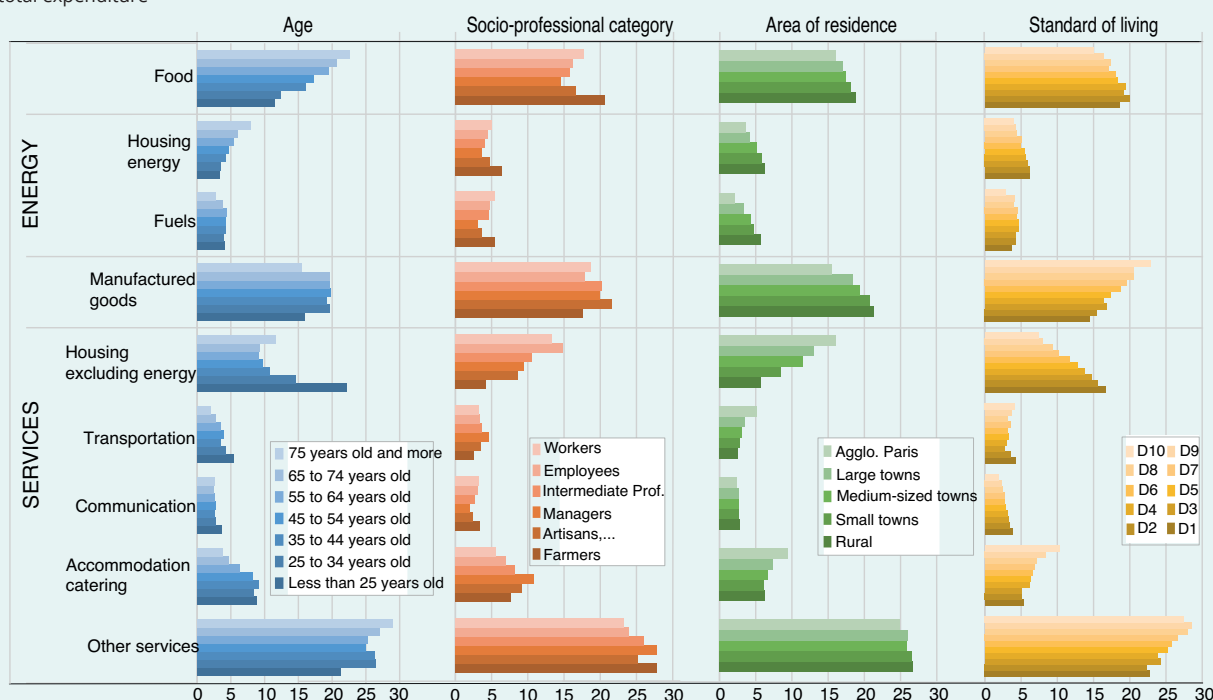
In April 2022, the year-on-year change in consumer prices was 4.9% over one year in Metropolitan France. This inflation level is calculated for a basket of goods and services that reflect the average structure of household consumption. It may therefore differ from the inflation experienced from one household to another, as their structure of consumption can vary significantly, depending on their characteristics and their preferences. For example, the weight of spending on housing energy tends to increase with age. Working-class households or households headed by employees, on the other hand, spend more on their housing as a proportion of their income (excluding energy) but less than executives on accommodation-catering. People living in rural areas spend more on fuel and housing

energy (► **Figure 1**). These different categories of analysis may of course intersect. In addition, within the same household category, spending on certain items may vary substantially, or may even be zero for a large number of items, such as fuel.

Every year, INSEE produces and disseminates consumer price indices by household category, differentiating according to several socio-demographic dimensions (socio-professional category, age, composition of household, standard of living, etc.). Using the baskets of goods and services that underpin the construction of these annual indices, here we have constructed monthly indices, from which inflation can be determined according to household type in the last known month, i.e. April 2022 when this study was carried out (► **Box**). A consumer price index by area of residence of households was also estimated, a dimension that does not appear in the annual indices usually published.

► 1. Average spending by household category and product

as % of total expenditure



How to read it: Households whose reference person is under 25 years old devote on average 22% of their spending to housing excluding energy, and the least well-off households (in the 1st standard of living decile) about 17%.

Note: for more clarity, the modalities for the socio-professional category are limited to active households, thus excluding retired people and inactive households. Scope: Metropolitan France.

Source: Family Budget 2017, Insee calculations

The upward trend in inflation since the beginning of 2021, which intensified at the end of February 2022 with the outbreak of the war in Ukraine, is accompanied by ever-increasing inflation differentials between categories of household (► **Figure 2**). This movement is continuing what was already a pronounced surge in 2021, apart from two temporary slowdowns linked to the health situation. While exposure to inflation may be uneven according to household, 2020 was nevertheless a year of moderate inflation, when those who are most exposed today were, in general, less affected before. In April 2022, differences between categories can be more than one point, depending on socio-professional category, age or type of municipality of residence.

For an average of 4.9% in April 2022 across Metropolitan France, inflation could range from 4.0% for the under-30s to 5.9% in rural areas

In April, when headline inflation in Metropolitan France was 4.9% year-on-year, people living in rural areas were faced with an additional +1.0 point, i.e. inflation for

them was 5.9% over one year (► **Figure 3**). By socio-professional category, farmers were particularly affected (+1.1 points), and, by age, people over 75 years old. According to income decile, these differentials were also almost 0.5 points.

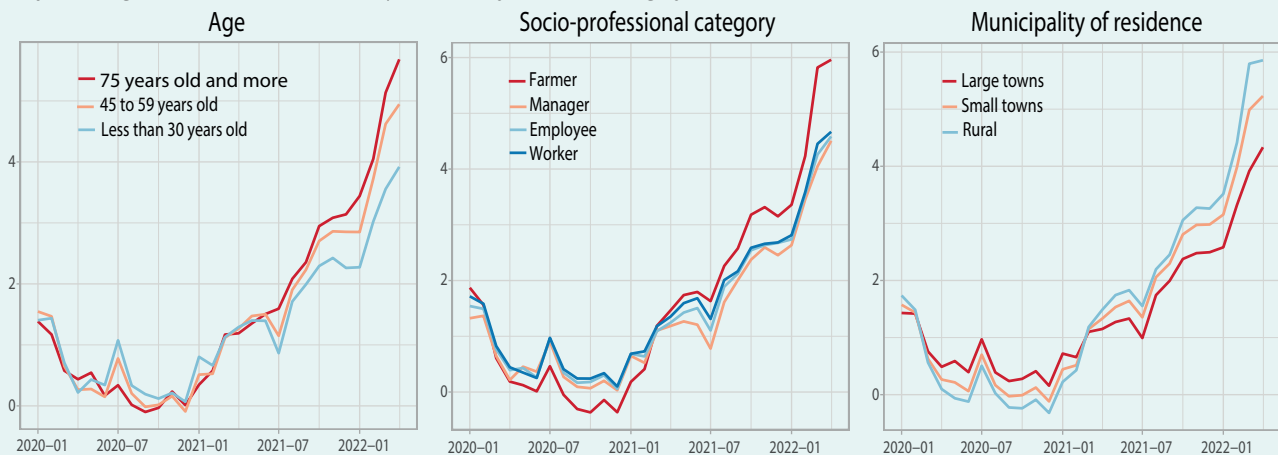
The recent period as a whole differs significantly from the last six years (2015-2021) when inflation was on average 1.3% year-on-year and when disparities according to household category did not exceed 0.1 points. We have to go back to the end of the 2000s to look at inflation when it was well above 2%: for example, when the year-on-year increase in consumer prices was 3.3% in May 2008, considerable divergences between categories could be seen, especially for modest-income households and/or those living in rural areas (the latter in particular experiencing an inflation rate 0.6 points above the average).¹

Irrespective of the household characteristic considered, energy made the greatest contribution to estimated disparities between categories in April 2022 (► **Figure 4**).

1 "L'inflation accélère et touche davantage les ménages modestes ou ruraux", Accardo, Guédès, Herpin and Pujol, France, portrait social, 2008

► 2. Estimated change in inflation for certain household categories

year-on-year change in the estimated consumer price index by household category, in %



Scope: Metropolitan France.

Source: Consumer price indices, Family Budget survey, INSEE calculations

► 3. Inflation differentials for certain household categories compared to the whole

	Overall inflation	Deviation from headline inflation														
		AGE			SPC			COMPOSITION OF HOUSEHOLD			MUNICIPALITY			STANDARD OF LIVING		
		Under 30 years old	45 to 59	75 and over	Execu-tive	Worker	Farmer	Person living alone	Couple with 1 child	One-pa-rent family	Large towns	Small towns	Rural	decile 1	decile 5	decile 10
April 2022	+4,9	-0,9	+0,1	+0,8	-0,4	-0,2	+1,1	-0,2	-0,1	+0,2	-0,5	+0,4	+1,0	+0,4	+0,1	-0,1
annual average 2015-2021	+1,3	-0,1	+0,0	+0,1	-0,0	-0,0	+0,1	-0,0	+0,0	-0,0	-0,0	+0,0	+0,1	-0,0	+0,0	+0,0

Note: the household categories shown are for illustrative purposes and are only those with the most notable differentials, with an intermediate category in addition. How to read it: in April 2022, inflation was 0.8 points higher for households where the reference person was over 75.

Scope: Metropolitan France.

Source: Consumer price indices, Family Budget survey, INSEE calculations

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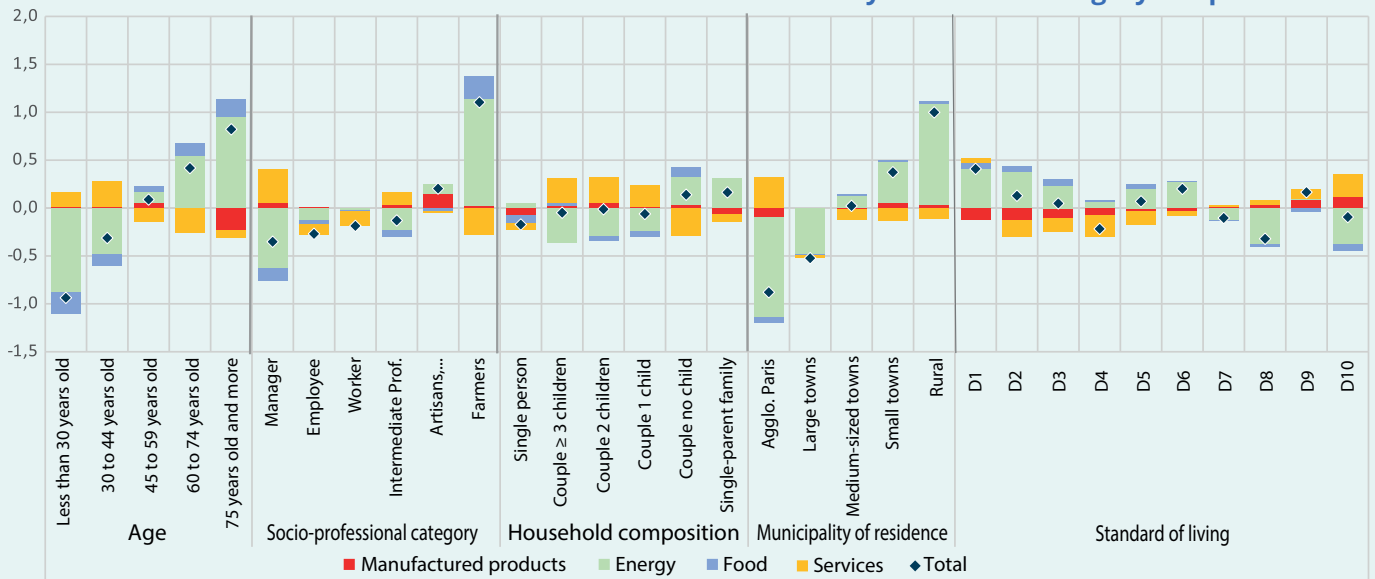
Food came in second, but its differential from the average was no more than 0.2 points: for example, for those aged 75 and over, the contribution of food is 0.2 points (for a differential of +0.8 points). Lastly, the weight of services is also not to be ignored: for executives in particular, services contribute a relative increase in prices of +0.4 points, although ultimately the inflation estimated for this category is lower than

the average, given that energy has less weight in the structure of their consumption.

These first estimates illustrate the disparities between the different household categories in the current situation, but they only partially reflect the diversity of situations. Within the same category, individual situations can in fact potentially be quite different. ●

Charles-Marie Chevalier

► 4. Contribution of different items to the inflation differential by household category in April 2022



Note: the graph shows all household categories according to each socio-demographic dimension, and more specifically it shows active persons in the socio-professional categories.

How to read it: in April 2022, inflation was 0.8 points higher for households where the reference person was over 75. Food contributed +0.2 points to this differential, against +1.0 point for energy and -0.2 points for manufactured goods.

Scope: Metropolitan France.

Source: Consumer price indices, Family Budget survey, INSEE calculations

Methodology

Since 1998, INSEE has published annual Consumer Price Indices (CPI) by household category for a large number of different socio-demographic dimensions (excluding type of municipality of residence or region), within the scope of Metropolitan France. These indices give an idea of changes in consumer prices according to the specific budgets of each household category: in relation to the weight of each item in the total consumption of all households, as obtained from the national accounts, a correction coefficient is applied, calculated from the Household Budget Survey (► detailed figures at insee.fr). For each item of consumption this coefficient, called the budget coefficient, reflects spending by a given type of household compared to all households.

In addition, an estimate was made here of inflation by type of municipality of residence, by calculating the associated budget coefficients from household spending by municipality of residence, for Metropolitan France, as provided in the Household Budget Survey 2017.

However, CPIs estimated in this way by household category do not take changes in behaviour into account, especially in order to reduce the impact of a rise in inflation on the household budget, in food for example by turning towards products on special offer or of lesser quality. Nor is any distinction made for estimates by type of municipality of residence in terms of transport services (whether rail, road or air). ●