

Consumer prices

In 2022, the consumer price index rose by 5.2% as an annual average, an increase unprecedented since the mid-1980s. Driven primarily by energy, inflation gradually spread to most other goods and services, with food becoming the main contributor from autumn onwards. Since mid-2022, the year-on-year variation in consumer prices has hovered around 6%: energy inflation has slipped back overall whereas food inflation has continued to rise as has, to a lesser extent, that of manufactured products.

Inflation should ease somewhat by the end of H1 2023, to a little under 5.5% in June, as a result mainly of a “base effect”, in other words the fact that prices have risen less briskly than the previous year (► **Focus** on inflation in the western economies). This effect is likely to affect March in particular, when inflation is expected to fall more sharply (the CPI looks set to increase by +0.5% in March 2023 against +1.4% the previous year ► **Figure 3**). Notably, assuming that the price of a barrel of Brent is €78 over the forecasting period, energy inflation should fall considerably, after increasing in January (end of the reduction at the pump in January, 15% increase in regulated gas tariffs) then drop slightly in February (due to petroleum products and despite the increase in regulated electricity tariffs). The year-on-year variation in energy prices could therefore be slightly negative at the end of H1, as these prices had increased substantially the previous year at the start of the war in Ukraine.

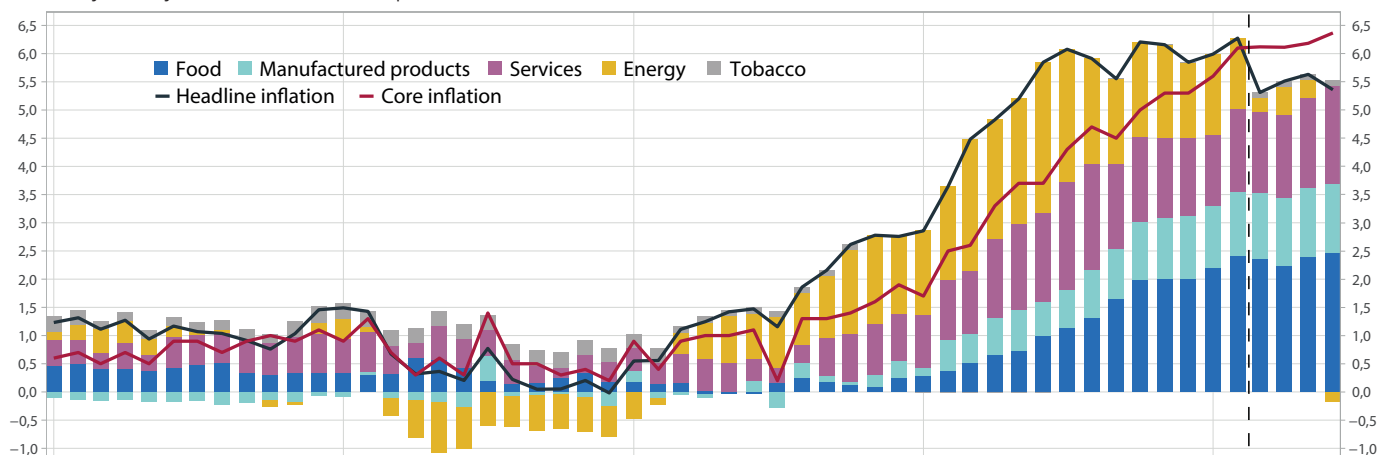
Meanwhile, food prices are expected to remain particularly dynamic, despite the drop in world prices of food commodities (such as wheat, for example). The shocks of last year, including that experienced by energy costs, are still expected to exert upward pressure on consumer prices, as can be seen from recent trade negotiations between producers, suppliers and distributors. The impact of these negotiations on prices is unlikely to be immediate, however, but is more likely to be gradual, dependent mainly on the disposal of food product inventories. Given this context, food prices could take off once again and their year-on-year variation would then stand at just under 15.5% in June. This forecast is still surrounded by uncertainty regarding the impact of trade negotiations, however, whether in terms of the speed at which consumer prices are affected or the measures taken by distributors to offset this.

In addition, the 50-centime increase in the price of tobacco on 1st March is likely to add around +0.1 points to headline inflation. With regard to manufactured products, inflation is expected to rise slightly across the whole of the forecasting period, from 4.7% year-on-year in February to 5.2% in June. It will probably be driven by production prices, which are still buoyant in industry, reflecting the continuing effect of earlier shocks, despite the drop in certain commodity prices.

The contribution of services to headline inflation is expected to increase slightly throughout the half-year: the year-on-year variation in the price of services is likely to increase from 3.0% in February to 3.5% in June. This slight acceleration would mainly reflect the rise in production costs, including wages, taking into account successive increases in the SMIC since the start of the inflation surge.

► 1. Headline inflation and contributions by item

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



Note: the table shows the definitive CPI for February, published on 15 March 2023, while forecasts for the following months were based on the provisional CPI estimate.

How to read it: in January 2023, headline inflation was 6.0%. Food contributed 2.2 points whereas manufactured products contributed a little over one point.

Source: INSEE.

Core inflation excludes prices of the most volatile products (especially energy, also fresh produce and some non-fresh food products) and the effects of fiscal measures, and it looks set to increase across H1 2023, reaching +6.4% in June and thus overtaking headline inflation from March. This is because some items that are expected to push inflation down in 2023 -primarily energy, via the base effect- are not included in core inflation. Conversely, among the items whose prices are likely to accelerate year-on-year in the coming months, most are included in core inflation (e.g. services, manufactured goods and most non-fresh food products) and are therefore likely to drive it upwards. ●

► 2. Headline inflation, past and forecast

(change in %, contributions in points)

CPI groups* (2023 weightings)	Jan. 2023		Feb. 2023		Mar. 2023		Apr. 2023		May 2023		June 2023		Annual averages	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2021	2022
Food (16.2%)	13.3	2.2	14.8	2.4	14.6	2.3	13.9	2.2	14.9	2.4	15.4	2.5	0.6	6.8
including: fresh food (2.4%)	10.2	0.3	15.0	0.4	12.6	0.3	7.8	0.2	13.8	0.3	14.5	0.3	1.9	7.7
excluding: fresh food (13.9%)	13.9	1.9	14.8	2.0	15.0	2.0	15.0	2.0	15.1	2.1	15.6	2.1	0.4	6.6
Tabacco (1.9%)	0.2	0.0	0.2	0.0	5.3	0.1	5.4	0.1	5.5	0.1	5.6	0.1	5.5	0.1
Manufactured products (23.2%)	4.5	1.1	4.7	1.1	5.0	1.2	5.1	1.2	5.2	1.2	5.2	1.2	0.3	3.0
including: clothing and footwear (3.4%)	2.4	0.1	2.3	0.1	3.6	0.1	4.1	0.1	4.6	0.2	5.2	0.2	0.1	2.7
medical products (3.8%)	-0.6	0.0	-0.5	0.0	-0.6	0.0	-0.6	0.0	-0.5	0.0	-0.6	0.0	-1.2	-1.2
other manufactured products (16.0%)	6.2	1.1	6.5	1.1	6.6	1.1	6.6	1.1	6.6	1.1	6.6	1.1	0.7	4.1
Energy (8.6%)	16.3	1.4	14.1	1.3	2.9	0.3	5.5	0.5	3.6	0.3	-1.3	-0.2	10.5	23.1
including: oil products (4.3%)	16.3	0.7	8.8	0.4	-7.7	-0.4	-1.5	-0.1	-4.6	-0.3	-13.3	-0.8	13.5	29.0
Services (50.1%)	2.6	1.3	3.0	1.5	2.9	1.4	3.0	1.5	3.2	1.6	3.5	1.8	1.2	3.0
including: rent-water (7.4%)	2.0	0.2	2.7	0.2	1.6	0.1	1.6	0.1	1.1	0.1	1.2	0.1	1.1	2.0
health services (6.4%)	-0.4	0.0	-0.2	0.0	0.0	0.0	-0.7	0.0	-0.6	0.0	-0.7	0.0	-0.5	-0.1
transport (3.0%)	10.2	0.1	11.1	0.2	10.2	0.2	6.8	0.2	7.3	0.2	6.5	0.2	3.8	10.4
communications (2.1%)	-1.4	0.0	-2.0	0.0	-1.9	0.0	-2.5	-0.1	-1.4	0.0	-1.1	0.0	2.9	0.6
other services (31.2%)	3.5	1.0	3.7	1.1	3.9	1.2	4.2	1.3	4.6	1.4	5.0	1.6	1.2	3.7
All (100%)	6.0	6.0	6.3	6.3	5.3	5.3	5.5	5.5	5.6	5.6	5.4	5.4	1.6	5.2
All excluding energy (91.4%)	5.0	4.6	5.5	5.0	5.6	5.1	5.5	5.0	5.9	5.3	6.1	5.5	0.9	3.6
All excluding tabacco (98.2%)	6.1	6.0	6.4	6.3	5.3	5.2	5.5	5.4	5.6	5.5	5.4	5.3	1.6	5.3
Core inflation** (60.6%)	5.6	3.4	6.1	3.6	6.1	3.6	6.1	3.6	6.2	3.7	6.4	3.8	1.1	3.9

■ Forecast.

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

* Consumer price index (CPI).

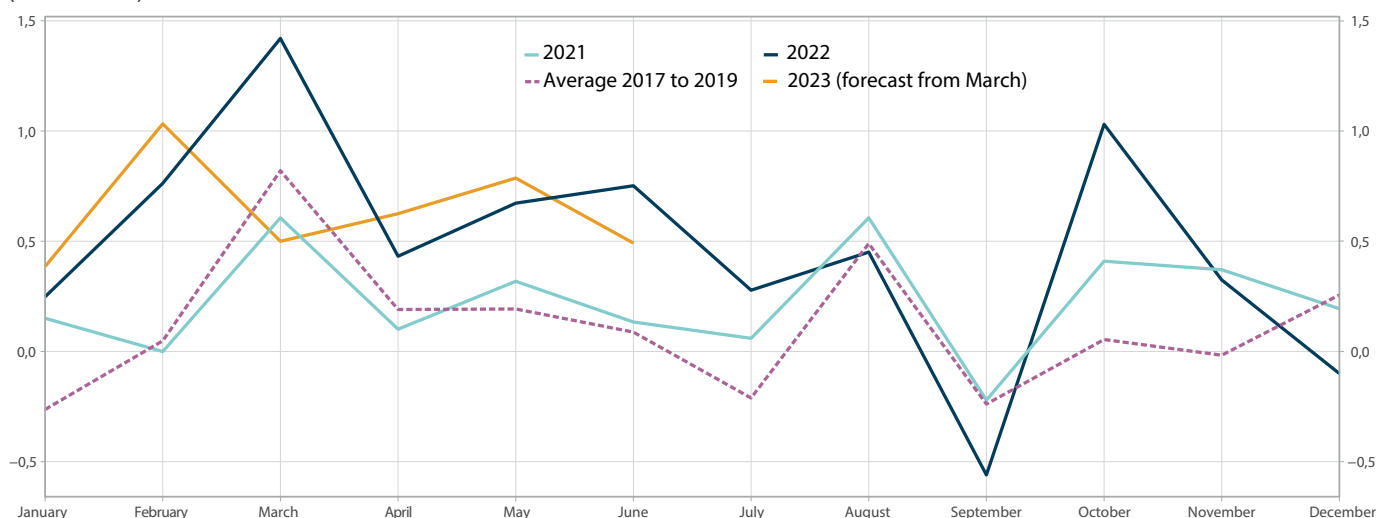
** Index excluding public tariffs and products with volatile prices, corrected for tax measures.

Note: the table shows the definitive CPI for February, published on 15 March 2023, while forecasts for the following months were based on the provisional CPI estimate.

Source: INSEE.

► 3. Monthly variations in headline inflation in 2023, 2022, 2021 and the 2017-2019 average

(evolution in %)



How to read it: in January 2023 prices increased by 0.4% on average compared to the previous month. In 2022, as in 2021, this variation was about +0.2%. The average monthly variation from 2017 to 2019 was about -0.3% in January.

Source: INSEE.