

Consumer prices

Headline inflation has fallen sharply since the start of the health crisis, mainly due to the fall in the price of petroleum products – the result of a decline in world demand – and the price of services (especially transport services), all affected by the lockdown measures. Conversely, as the supply of food products declined, fresh food in particular, food prices increased significantly. As a result, headline inflation decreased in May 2020, settling at +0.4% year-on-year after +1.4% in February. Core inflation slowed a little less, to +0.6% in May, after reaching +1.3% in February. Inflation is measured from a basket of consumer products, fixed in the previous year. During lockdown, however, the structure of consumption was temporarily disrupted: a focus study attached to this sheet proposes a simulation that measures inflation based only what was consumed during this period.

Inflation has fallen sharply since the start of the health crisis, despite a sharp increase in food prices during lockdown

In March 2020, headline inflation fell to +0.7% year-on-year, after +1.4% in February (*Graph*). This substantial decline was due mainly to the fall in the prices of energy products, to -4.0% in March after +1.1% in February: the decline in activity in many countries as a result of the health

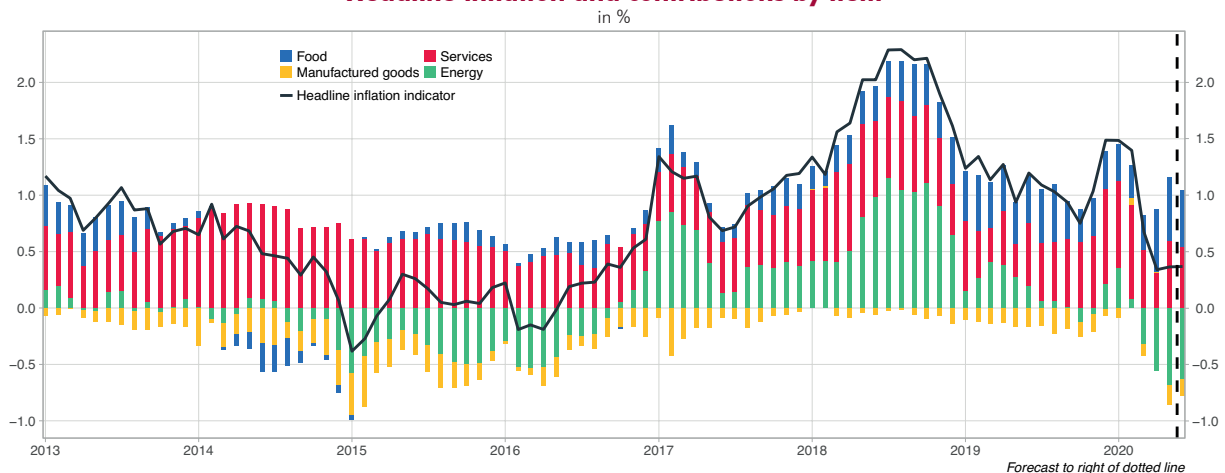
crisis brought down their demand for petroleum products (see *Commodity Prices Sheet*).

In April, inflation then fell further, to +0.3% year-on-year. The prices of energy products continued to decline sharply, despite OPEC agreements to reduce oil production; the same for the prices of transport services, especially air transport: as most aircraft were grounded, air transport service prices fell 12.6% year-on-year in April. Conversely, food prices increased by 3.7% year-on-year in April, after +1.9% in March. Prices of fresh foodstuffs, especially fruit and vegetables, leaped to +17.8% in April year-on-year, after +4.7% in March. Their trade conditions were disrupted during lockdown: difficulties in supplying essential businesses and greater than usual demand during this period boosted inflation significantly. In the clothing-footwear sector, where shops were closed during lockdown as they were classified as “non-essential” businesses,¹ prices declined by 0.9% year-on-year in April, after +0.1% in March (*Table*).

In May 2020, inflation bounced back slightly, settling at +0.4% year-on-year, linked to the rebound in the prices of services when lockdown came to an end (+1.2% in May after +0.6% in April), and despite the widespread price decreases in petroleum products and manufactured products. In the case of manufactured products, this decline was caused mainly by clothing-footwear prices, as the sector introduced various special offers in order to boost consumption.

1. However, these goods could still be purchased online, and thus it was possible to observe some of the prices in this sector.

Headline inflation and contributions by item



Source: INSEE

French economic outlook

Prices of food products increased at almost the same pace as in the previous month, despite the lifting of lockdown: prices of fresh produce slowed very slightly, to +17.3% year-on-year, after +17.8% in April, whereas the slowdown in the prices of other food products was a little more pronounced (+1.2% year-on-year, after +1.4%).

In June, inflation is expected to remain at +0.4% year-on-year

In June 2020, headline inflation is expected to stay at +0.4% year-on-year. This forecast is more fragile than usual. The post-lockdown

context may give rise to some price dynamics not anticipated by the usual tools, due to additional demand by households for specific products (e.g. clothing) or a lesser demand for others (e.g. food products). The prices of food products are expected to slow slightly, in the wake of the slowdown in fresh food prices. The rebound in the price of Brent, linked to global recovery, should cause the prices of petroleum products to rise slightly. Inflation in services is likely to decline slightly, to +1.1% year-on-year. Prices of manufactured products are expected to fall less than usual in June, due to the rebound in clothing-footwear prices linked to the delaying of the summer sales until July. ■

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changes as %

CPI groups* (2019 weightings)	February 2020		March 2020		April 2020		May 2020		June 2020	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy
Food (16.1%)	1.8	0.3	1.9	0.3	3.7	0.6	3.5	0.6	3.1	0.5
including: fresh food (2.3%)	3.3	0.1	4.7	0.1	17.8	0.4	17.3	0.4	14.9	0.3
excluding: fresh food (13.8%)	1.5	0.2	1.4	0.2	1.4	0.2	1.2	0.2	1.1	0.2
Tabacco (2.1%)	14.5	0.3	13.8	0.3	13.7	0.3	13.9	0.3	13.9	0.3
Manufactured products (24.9%)	0.3	0.1	-0.4	-0.1	-0.5	-0.1	-0.7	-0.2	-0.6	-0.1
including : clothing and footwear (3.8%)	2.1	0.1	0.1	0.0	-0.9	0.0	-2.7	-0.1	-0.7	0.0
medical products (4.1%)	-2.3	-0.1	-2.4	-0.1	-2.4	-0.1	-2.1	-0.1	-2.0	-0.1
other manufactured products (17.0%)	0.5	0.1	-0.1	0.0	0.0	0.0	0.1	0.0	-0.2	0.0
Energy (8.1%)	1.1	0.1	-4.0	-0.3	-8.6	-0.7	-11.0	-0.9	-10.3	-0.8
including : oil products (4.4%)	-0.5	0.0	-8.8	-0.4	-17.0	-0.7	-21.2	-0.9	-18.5	-0.8
Services (48.9%)	1.4	0.7	1.1	0.5	0.6	0.3	1.2	0.6	1.1	0.5
including : rent-water (7.5%)	0.4	0.0	0.5	0.0	0.3	0.0	0.2	0.0	0.4	0.0
health services (6.0%)	0.0	0.0	0.3	0.0	0.4	0.0	0.4	0.0	0.7	0.0
transport (3.0%)	1.8	0.1	-1.0	0.0	-6.0	-0.2	0.8	0.0	0.9	0.0
communications (2.2%)	2.2	0.0	2.0	0.0	-1.0	0.0	1.6	0.0	1.3	0.0
other services (30.2%)	1.9	0.6	1.5	0.5	1.4	0.4	1.6	0.5	1.4	0.4
All (100%)	1.4	1.4	0.7	0.7	0.3	0.3	0.4	0.4	0.4	0.4
All excluding energy (91.9%)	1.5	1.3	0.7	0.7	0.3	0.2	0.6	0.5	1.3	1.2
All excluding tabacco (97.9%)	1.2	1.2	0.4	0.4	0.0	0.0	0.0	0.0	0.1	0.1
Core inflation (60.7%)**	1.3	0.8	0.7	0.4	0.3	0.2	0.6	0.3	0.5	0.3

provisional

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