

# Consumer prices

Since the start of the health crisis, headline inflation has decreased substantially. The lockdown measures and the subsequent drop in demand affected most prices, and especially the price of energy. In September 2020, headline inflation reached its lowest level since 2016, +0.1% year-on-year (according to the provisional estimate) after +1.4% in February, mainly due to the price of petroleum products and transport services, especially air transport. At the same time, the delaying of the date of the summer sales in July and August gave a one-off boost to the year-on-year rise in prices in July which was followed by a downturn in August. Core inflation would also appear to have declined, settling at +0.4% year-on-year in September, although it was +1.3% last February.

This period of low inflation should continue into the coming months: headline inflation is expected to be zero in December 2020 and core inflation will probably settle at +0.2%. As an annual average, headline inflation is expected to decline sharply in 2020, to +0.5% after +1.1% in 2019.

## Inflation has remained at a low level since the start of the health crisis, despite some unusual price developments in some sectors

Headline inflation has fallen sharply since the start of the health crisis, from +1.4% in February to +0.1% in September (*Graph 1*).

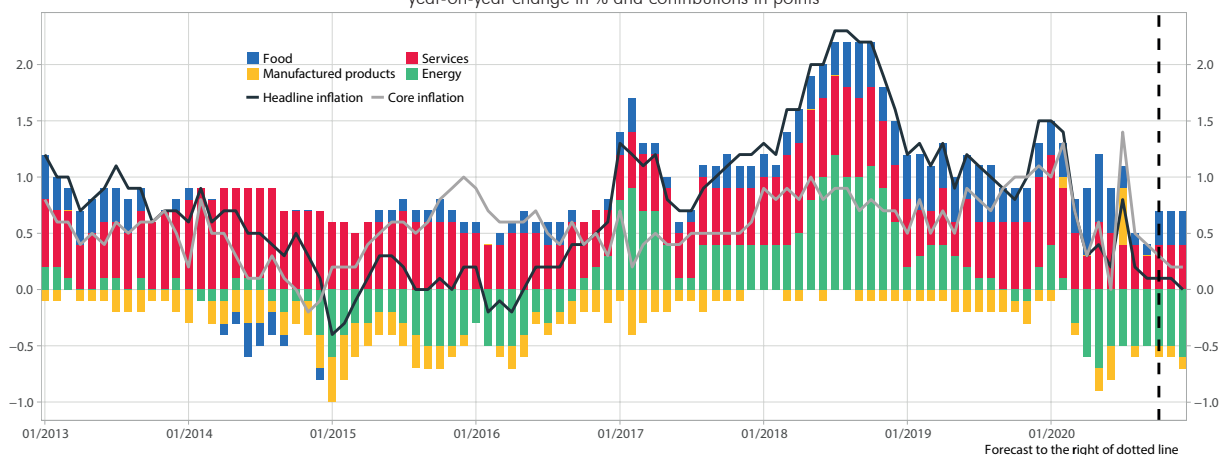
The decline in activity as a result of the restrictive health measures introduced in many countries led to a sharp drop in demand, especially for petroleum products. Prices of these products fell by 14.6% in September year-on-year, after -0.5% in February, which contributed significantly to the global slowdown in prices. In addition, the prices of regulated electricity and gas tariffs were increased by +1.5% and +1.0% respectively in August. All in all, energy prices fell sharply in September, to -8.0% year-on-year, after +1.1% in February.

Conversely, food prices – especially fresh food – accelerated from March onwards and throughout lockdown, reaching +3.7% in April year-on-year. Difficulties in supplying businesses, combined with greater demand than usual, sustained this increase. In the summer, food prices began to slow, reaching +0.9% year-on-year in September, after +1.8% in February.

At the same time, prices of services slowed dramatically. The price of transport services in particular – especially air transport – have decreased significantly since March, settling at -3.7% year-on-year in September after +1.8% in February. In fact, the sector has been very much affected by travel restrictions and the health situation: since March, monthly price changes in this sector no longer follow the usual seasonal pattern dictated by the school holidays (*Graph 2*).

The prices of manufactured goods also fell from March onwards, by -0.2% year-on-year in September, after +0.3% in February. This downward trend in prices started in April

**1 - Headline inflation and contributions by item**  
year-on-year change in % and contributions in points



Source: INSEE

## French economic outlook

2020, when “non-essential” businesses closed during lockdown, and continued thereafter. In July 2020, headline inflation in these products increased substantially, reaching +1.8% year-on-year. This rise was due mainly to the increase in the prices of clothing-footwear, which rose by 10.1% year-on-year, affected by the delaying and shortening of the summer sales period: in 2020, the sales lasted 4 weeks, from 15 July to 11 August 2020, compared to 6 weeks the previous year, from 26 June to 6 August 2019 (*Graph 3*). In August, the variation in clothing-footwear prices dropped to -7.0% before climbing back up in September to +9.1%. These variations in clothing-footwear prices contributed +0.4 percentage points to headline inflation in July, then -0.1 points in August.

**Between now and December 2020, inflation is likely to remain very low**

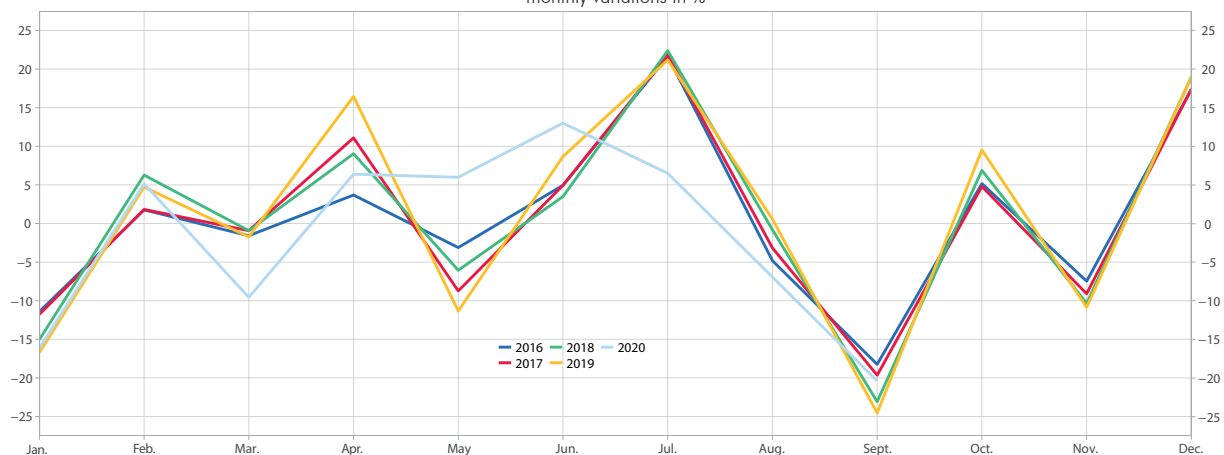
In December 2020, headline inflation is likely to be zero year-on-year, after +0.1% in September (*Table*). Core inflation is expected to settle at +0.2% year-on-year after +0.4% in September.

The prices of manufactured products are expected to decline by 0.6% year-on-year in December, after -0.2% in September, in line with the drop in prices for other manufactured products – especially electronic and electrical domestic appliances.

Finally, prices of services are expected to rise by 0.6% year-on-year in December, as in September. The prices of rents, communication

### 2 - Prices of air transport services

monthly variations in %



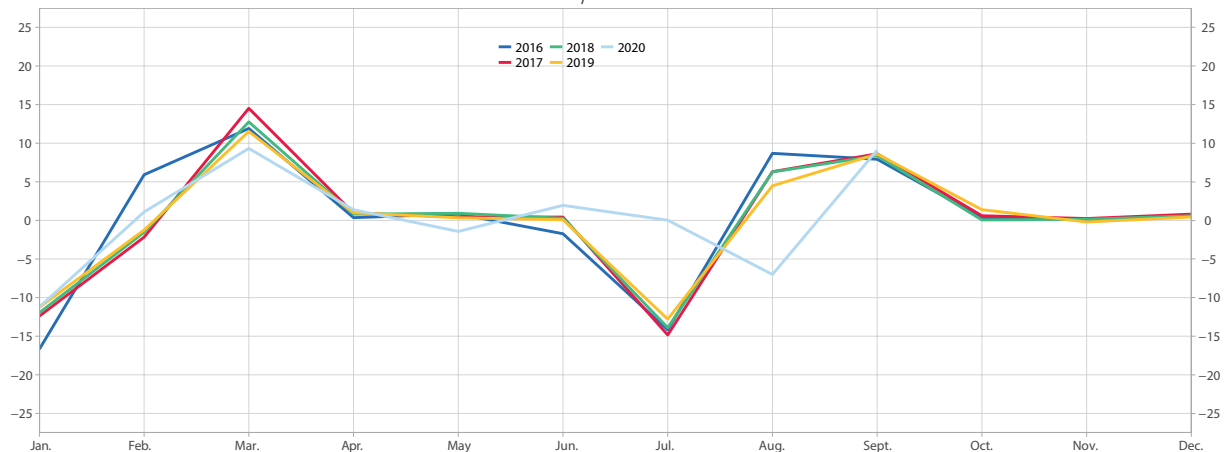
How to read it: as a forecast, in September 2020, the prices of air transport services are expected to fall by 20.4% compared to August 2020 while in September 2019, the prices of these services had fallen by 24.5% over one month.

Note: the Consumer Price Index is not seasonally adjusted.

Source: INSEE

### 3 - Prices of clothing-footwear

monthly variations in %



How to read it: in July 2020, clothing-footwear prices were stable over the month, whereas they had fallen by between 10% and 15% in previous years.

Note: the Consumer Price Index is not seasonally adjusted.

Source: INSEE

services and other services will probably increase at a similar pace to previous months. They slowed considerably in September, and this weak momentum is likely to remain in place until the end of the year. Conversely, health service prices are likely to fall due to the effect of dropping out of the year-on-year figures: these prices had increased much more strongly in Q4 2019, affecting year-on-year change. Transport service prices should continue to fall, despite a return to a more usual seasonal profile being forecast.

The prices of food products are expected to accelerate, to +1.2% year-on-year after +0.9% in September, in the wake of fresh food prices. Assuming that the price of a barrel of Brent is \$40, energy inflation is likely to remain distinctly negative, at -8.2% year-on-year in December.

Tobacco prices are expected to slow slightly, reaching +11.8% after +13.7% in September. The price of a packet of cigarettes is likely to be increased by 40 euro cents on 1st November bringing the target price to 10 euros on average. ■

### Consumer prices changes as %

Regroupements IPC* (pondérations 2020)	February 2020		July 2020		August 2020		September 2020		December 2020		Moyennes annuelles	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2019	2020
<b>Food (16.1 %)</b>	<b>1.8</b>	<b>0.3</b>	<b>1.1</b>	<b>0.2</b>	<b>0.9</b>	<b>0.1</b>	<b>0.9</b>	<b>0.1</b>	<b>1.2</b>	<b>0.2</b>	<b>2.5</b>	<b>1.8</b>
including: fresh food (2.3 %)	3.3	0.1	2.2	0.1	1.5	0.0	2.3	0.1	4.5	0.1	4.3	6.5
excluding fresh foods (13.8 %)	1.5	0.2	0.9	0.1	0.8	0.1	0.7	0.1	0.6	0.1	2.1	1.1
<b>Tabacco (2.1%)</b>	<b>14.5</b>	<b>0.3</b>	<b>13.8</b>	<b>0.3</b>	<b>13.8</b>	<b>0.3</b>	<b>13.7</b>	<b>0.3</b>	<b>11.8</b>	<b>0.2</b>	<b>10.6</b>	<b>13.5</b>
<b>Manufactured products (24.9 %)</b>	<b>0.3</b>	<b>0.1</b>	<b>1.8</b>	<b>0.5</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.2</b>	<b>0.0</b>	<b>-0.6</b>	<b>-0.1</b>	<b>-0.6</b>	<b>-0.2</b>
including: clothing and footwear (3.8 %)	2.1	0.1	10.1	0.4	-1.7	-0.1	-1.3	0.0	-1.3	0.0	-0.3	-0.3
medical products(4.1 %)	-2.3	-0.1	-1.9	-0.1	-2.0	-0.1	-1.9	-0.1	-2.1	-0.1	-2.8	-2.1
other manufactured products (17.0 %)	0.5	0.1	1.1	0.2	0.4	0.1	0.3	0.0	-0.1	0.0	-0.1	0.2
<b>Energy (8.1 %)</b>	<b>1.1</b>	<b>0.1</b>	<b>-7.4</b>	<b>0.0</b>	<b>-7.1</b>	<b>-0.6</b>	<b>-8.0</b>	<b>-0.6</b>	<b>-8.2</b>	<b>-0.7</b>	<b>1.9</b>	<b>-6.1</b>
including: oil products (4.4 %)	-0.5	0.0	-12.8	-0.6	-12.7	-0.6	-14.6	-0.6	-16.5	-0.7	0.6	-12.1
<b>Services (48.9 %)</b>	<b>1.4</b>	<b>0.7</b>	<b>0.9</b>	<b>0.4</b>	<b>0.9</b>	<b>0.4</b>	<b>0.6</b>	<b>0.3</b>	<b>0.6</b>	<b>0.3</b>	<b>1.0</b>	<b>0.9</b>
including: rent-water (7.5 %)	0.4	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.4	0.3
health services (6.0 %)	0.0	0.0	0.6	0.0	0.3	0.0	0.3	0.0	-0.1	0.0	-0.1	0.2
transports (3.0 %)	1.8	0.1	-0.8	0.0	-4.4	-0.1	-3.7	-0.1	-3.9	-0.1	0.7	-1.9
communications (2.2 %)	2.2	0.0	1.5	0.0	1.8	0.0	1.2	0.0	1.2	0.0	-1.1	1.3
other services (30.2 %)	1.9	0.6	1.2	0.4	1.6	0.5	1.1	0.3	1.2	0.4	1.6	1.4
<b>All (100 %)</b>	<b>1.4</b>	<b>1.4</b>	<b>0.8</b>	<b>0.8</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>0.5</b>
All excluding energy (91.9 %)	1.5	1.3	1.4	1.3	0.5	0.4	-0.1	-0.1	0.7	0.6	1.1	1.1
All excluding tabacco (97.9 %)	1.2	1.2	0.5	0.4	0.0	0.0	0.0	0.0	-0.3	-0.3	1.0	0.2
<b>Core inflation (60.7 %)**</b>	<b>1.3</b>	<b>0.8</b>	<b>1.4</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.8</b>	<b>0.5</b>

■ provisional  
■ 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