

Consumer prices

In February 2021, headline inflation was down to +0.4% year-on-year, according to the provisional consumer price index, after +0.6% in January. This was due mainly to the winter sales being postponed then extended until the beginning of March, resulting in a decline, year-on-year, in prices of clothing-footwear. From March onwards, consumer prices are expected to accelerate strongly, driven mainly by energy prices which are considerably higher in 2021 than their level a year ago. Oil prices in particular fell back significantly when part of the world's economy was brought to a standstill last spring. As a result, inflation is expected to be higher than 1.0% from March onwards and should reach +1.3% year-on-year by June 2021. Core inflation, which was at +0.5% in February, according to the provisional estimate, is also likely to increase to +1.0% year-on-year in June: it will probably be driven by several products whose prices declined a year earlier in the context of the first lockdown or when lockdown was lifted (manufactured products and transport services).

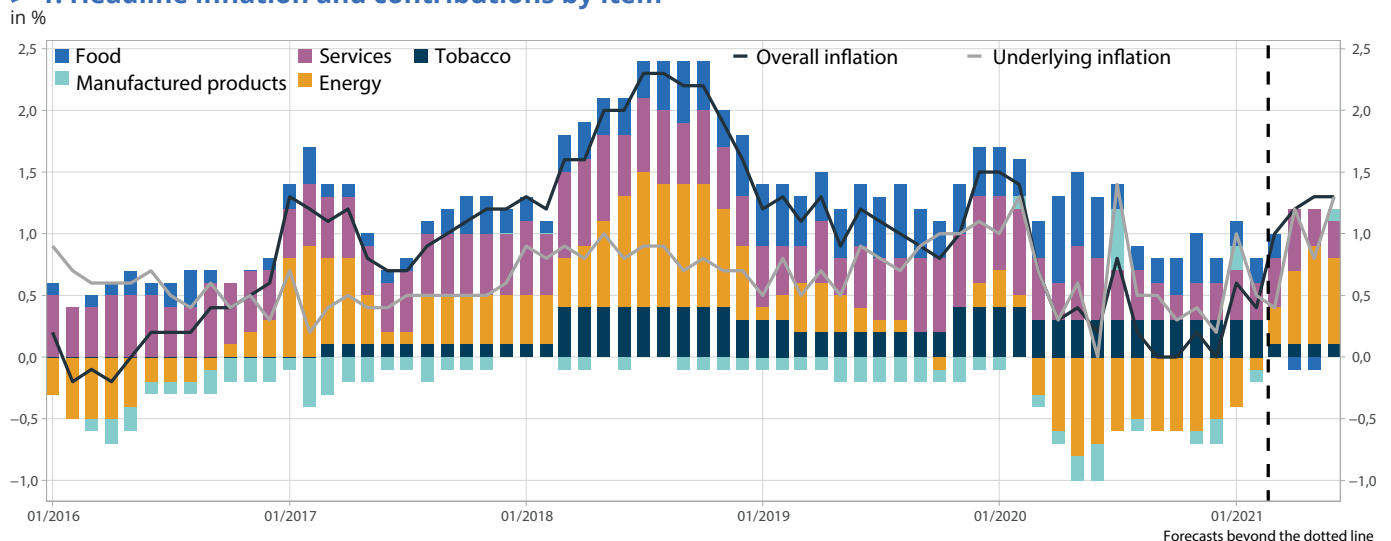
Headline inflation rebounded sharply in January 2021...

In January 2021, headline inflation rebounded sharply, to +0.6% year-on-year, after stability in December (► figure 1). The start of the winter sales was pushed back by two weeks (to 20 January instead of 8 January in 2020) and this had a considerable effect on the year-on-

year figures for clothing-footwear prices. These increased by 3.7%, year-on-year, contributing 0.1 percentage points to the rise in headline inflation, and declined by only 4.8% over a month, significantly less than in previous years (► figure 2).

However, some of the rebound in January is due to the annual updating of the weightings for the consumer price index, which is based mainly on the structure of consumption observed in 2020. This structure was certainly very much affected by the health crisis and an adapted methodology had to be used (see *Note méthodologique "Indice des prix à la consommation: les changements de l'année 2021"* (Methodological note "Consumer price index: changes for 2021") INSEE, February 2021). For example, the weight of food has increased because the consumption of food products during the health crisis was maintained while consumption overall fell dramatically. Conversely, the weight of air transport greatly decreased. The differences in weightings affect the measurement of the price index overall, especially because products whose price is very volatile, such as air transport, are not weighted in the same way in 2020 and 2021. Year-on-year changes in the consumer price index are therefore liable to be affected as seasonal phenomena will have a different weight between 2020 and 2021. Thus, in January the price cuts in air transport after the seasonal increases in December

► 1. Headline inflation and contributions by item



Source: INSEE

French economic outlook

have less weight in the 2021 basket. All in all, updating the weightings contributed around 0.2 percentage points to headline inflation in January. Air transport is the sector that contributed most, at 0.07 percentage points.

Due to the rise in the price of Brent in January, prices of energy products increased slightly during this month compared to December 2020, while remaining well below their level of one year earlier (-5.8% year-on-year in January, after -7.0% in December). Prices of services accelerated to +0.8% year-on-year in January, after +0.7% in December. Finally, the year-on-year change in food prices remained stable over one year, at +1.0%, the same as in December.

...before declining in February 2021

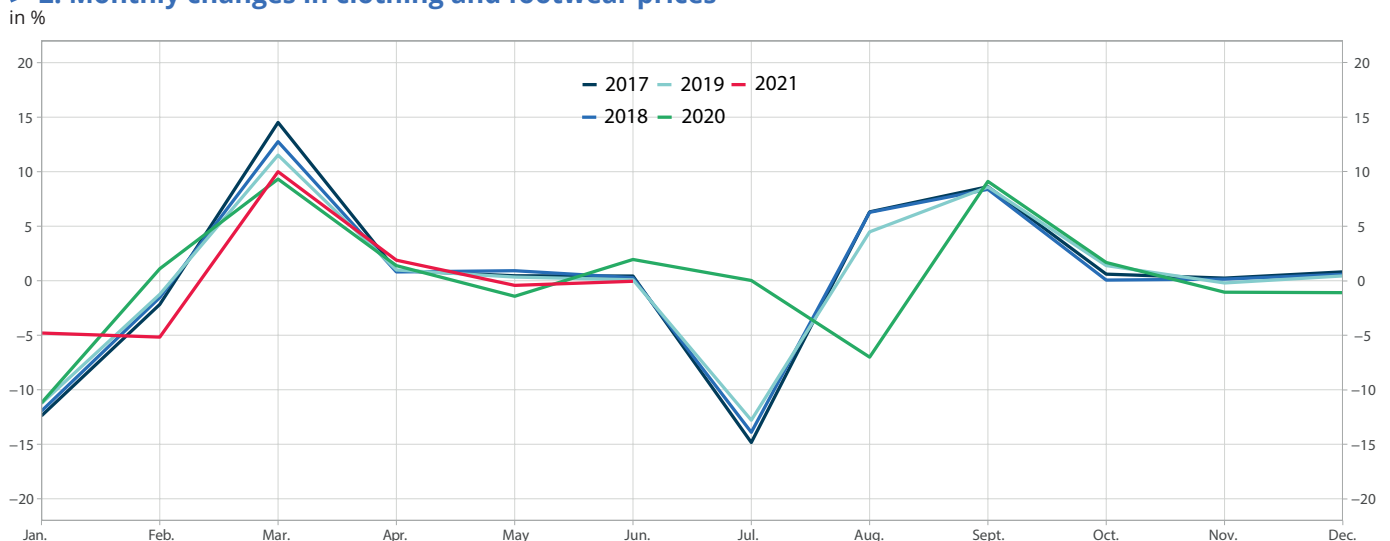
In February 2021, headline inflation dropped to +0.4% after +0.6% in January. This decline is basically due to the two-week extension to the winter sales period, resulting in a fall in the prices of clothing-footwear because there were more days at discounted prices than usual. These prices dropped by 5.2% over the month (► [figure 2](#)) and by 2.7% year-on-year in February. Thus the year-on-year change in the prices of manufactured products declined by 0.5% in February, after +0.8% in January. The price of food products slowed slightly in February, to +0.8% year-on-year, after +1.0% in January, in the wake of prices of fresh products, the same as for services, at +0.7% year-on-year; after +0.8%. Energy prices decreased by 1.7% year-on-year, despite the buoyancy of the price of Brent during the month.

By June 2021, inflation is expected to increase sharply

Since March 2020, inflation has remained low, linked to the health crisis and the economic situation. In particular, the prices of energy products fell back sharply in spring 2020 as world economic activity was particularly depressed. Since then they have gradually moved back towards their previous level, reflecting the upturn in the global economy. Thus from March 2021, and assuming that the price of a barrel of Brent is \$60, the prices of energy products are expected to be considerably higher than one year ago. More specifically, they are likely to accelerate strongly to +9.0% year-on-year in June, after -1.7% in February, due to the effect of exiting from the year-on-year figures. Prices of petroleum products are expected to accelerate to +9.7% year-on-year in June, after -5.2% in February. Gas prices too should recover their pre-crisis momentum and reach +10.7% year-on-year in June 2021.

This upturn in energy prices should contribute to an upturn in headline inflation, which is likely to reach +1.3% year-on-year in June 2021 (► [figure 3](#)). Core inflation is also set to rise to +1.0% in June, as a result of the prices of manufactured products and services contained in the core price index exiting from the year-on-year figures. They slowed last year at the same period and are therefore likely to contribute positively to core inflation by June 2021.

► 2. Monthly changes in clothing and footwear prices



Source: INSEE

After a rise in January then a decline in February, the prices of manufactured products are expected to rebound year-on-year in June, to +0.4%, after -0.5% in February. This significant decline in February is likely to be followed automatically by a rebound in prices in March (► **figure 2**), which will not be offset by the two days of sales at the start of the month. The prices of health products are expected to remain below their 2020 levels and settle at -1.3% year-on-year in June.

Inflation in services looks set for a one-off increase to +1.0% year-on-year in April 2021, before slowing to +0.7% year-on-year in June, as it did in February. The prices of transport services are likely to slow slightly, to +1.0% year-on-year, after +1.7% in February. The prices of rents are expected to accelerate slightly year-on-year, whereas the prices of health service and other services are likely to decrease at the same pace as in February.

The prices of food products are expected to slow, to +0.2% year-on-year in June, after +0.8% in February, in the wake of fresh food prices, due to the notable buoyancy observed one year earlier. Indeed, in 2020 the increased demand for fresh produce during the first lockdown and the difficulties surrounding supply for so-called "essential" shops contributed to the acceleration in their prices. Prices of food products excluding fresh produce are likely to increase slightly by June 2021, to +0.5% year-on-year.

Finally, tobacco prices should slow significantly by June 2021, to +5.3% year-on-year, after +12.8% in February: this is because over this forecasting period, there is unlikely be any further price increases on packets of cigarettes, unlike other years. ●

► 3. Consumer prices

change in %

CPI groups* (2021 weightings)	December 2020		January 2021		February 2021		March 2021		June 2021		Annual averages	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2019	2020
Food (17.9%)	1.0	0.2	1.0	0.2	0.8	0.1	0.9	0.2	0.2	0.0	2.5	1.9
including: fresh food (2.6%)	6.2	0.2	5.1	0.1	3.5	0.1	4.1	0.1	-1.7	0.0	4.3	7.3
excluding: fresh food (15.2%)	0.2	0.0	0.3	0.0	0.4	0.1	0.3	0.0	0.5	0.1	2.1	1.0
Tabacco (2.4%)	12.5	0.3	12.7	0.3	12.8	0.3	5.8	0.1	5.3	0.1	10.6	13.7
Manufactured products (25.0%)	-0.9	-0.2	0.8	0.2	-0.5	-0.1	-0.2	0.0	0.4	0.1	-0.6	-0.2
including : clothing and footwear (3.5%)	-3.3	-0.1	3.7	0.1	-2.7	-0.1	-2.1	-0.1	2.1	0.1	-0.3	-0.5
medical products (4.4%)	-1.5	-0.1	-1.4	-0.1	-1.5	-0.1	-1.5	-0.1	-1.3	-0.1	-2.8	-2.0
other manufactured products (17.1%)	-0.3	0.0	0.7	0.1	0.0	0.0	0.5	0.1	0.5	0.1	-0.1	0.3
Energy (7.5%)	-7.0	-0.5	-5.8	-0.4	-1.7	-0.1	4.1	0.3	9.0	0.7	1.9	-6.1
including : oil products (3.4%)	-13.8	-0.5	-11.7	-0.4	-5.2	-0.2	1.5	0.1	9.7	0.3	0.6	-11.8
Services (47.3%)	0.7	0.3	0.8	0.4	0.7	0.3	0.8	0.4	0.7	0.3	1.0	0.9
including : rent-water (8.5%)	0.2	0.0	0.3	0.0	0.2	0.0	0.5	0.0	0.5	0.0	0.4	0.3
health services (6.5%)	0.5	0.0	0.1	0.0	-0.3	0.0	-0.4	0.0	-0.3	0.0	-0.1	0.4
transport (1.7%)	-1.6	0.0	0.2	0.0	1.7	0.0	4.3	0.1	1.0	0.0	0.7	-1.7
communications (2.4%)	0.8	0.0	2.0	0.0	0.9	0.0	0.8	0.0	2.6	0.1	-1.1	1.0
other services (28.1%)	1.1	0.3	0.9	0.2	0.8	0.2	0.8	0.2	0.8	0.2	1.6	1.4
All (100%)	0.0	0.0	0.6	0.6	0.4	0.4	1.0	1.0	1.3	1.3	1.1	0.5
All excluding energy (92.5%)	0.7	0.6	1.2	1.1	0.8	0.7	0.7	0.7	0.7	0.6	1.1	1.1
All excluding tabacco (97.6%)	-0.2	-0.2	0.3	0.3	0.3	0.2	0.8	0.8	1.1	1.1	0.9	0.2
Core inflation (60.1%)**	0.2	0.1	1.0	0.6	0.5	0.3	0.4	0.2	1.0	0.6	0.8	0.6

■ 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