

Consumer prices

The inflationary tensions that began in 2021, primarily over energy, intensified in 2022 due to significant supply constraints, and extended to all other consumption items, especially food, *via* the rise in production prices. After falling in August and again in September, year-on-year variations in consumer prices rose again in October 2022 (6.2% year-on-year). In particular, the prices of petroleum products increased significantly in October, in the context of fuel shortages. The decrease in the “reduction at the pump” in mid-November is expected to cause these prices to rise again by the end of the year. The year-on-year variation in consumer prices is then expected to be 6.6% at the end of 2022, after 6.2% in November, mainly because of energy. All in all, consumer prices look set to rise by an average of 5.3% as an annual variation between 2021 and 2022, an unprecedented rise since the mid-1980s.

At the start of 2023, inflation is expected to continue to rise, reaching 7% year-on-year in January and February, before falling back gradually to around +5.5% in June. The rise in inflation in the first months of the year will probably be driven mainly by energy: end of the reduction at the pump in January (+0.1 inflation points), 15% increase in regulated gas prices in January (+0.2 points) then electricity in February (+0.4 points). In addition, in March the expected increase in the price of tobacco by €50 cents is likely to raise inflation by 0.1 points. Food prices too are expected to remain dynamic, bringing food inflation to almost 13% year-on-year in January. In fact, inflationary tensions on these products are likely to persist due to the low level of inventory reported in the business tendency surveys and the droughts in summer 2022. Agricultural and agri-food production prices also remain high and are likely to rise further, due to the rise in energy prices in these sectors (► **Focus** on the situation for businesses facing energy price hikes), and despite the recent drop in the price of some commodities.

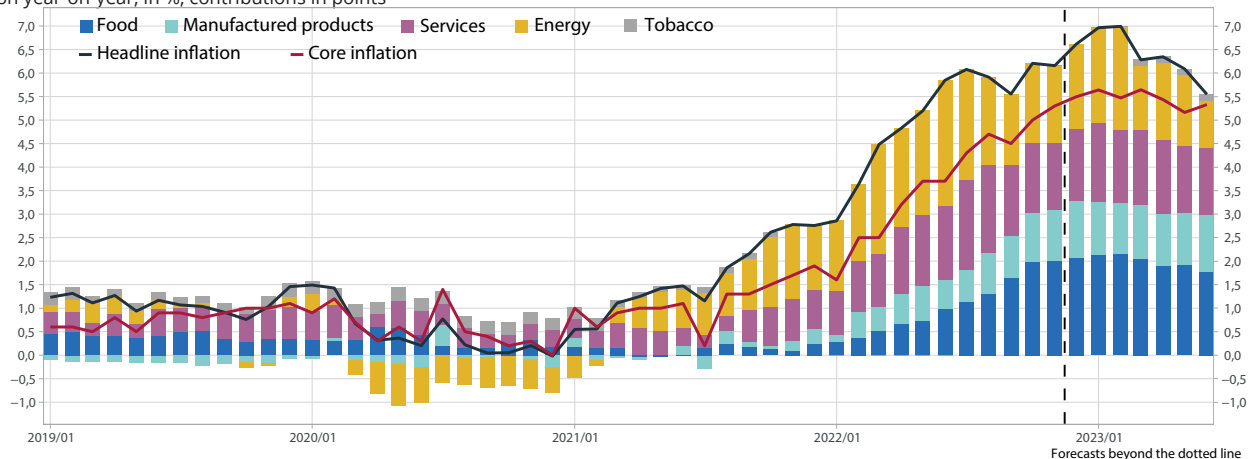
From March 2023, and assuming that the price of a barrel of Brent is €86 over the forecasting period, there is likely to be a decline in inflation as a result of a strong “base effect”: prices would continue to increase month by month but less briskly than a year ago (► **Figure 3**). Energy inflation and food inflation in particular would be expected to decline significantly.

Regarding manufactured products, inflation should remain stable overall at between 4.5% and 5% year-on-year, with the impact of the increase in production prices offset by a base effect moving downwards against the year-on-year figures for prices. Finally, the prices of services also look set to be relatively vigorous (with year-on-year variations almost always above 3%), driven by increases in the price of energy and other inputs, as well as by the successive increases in the minimum wage throughout 2022, in January 2023 and then probably again in the spring. However, year-on-year changes in the price of services could decrease slightly by June 2023, due to the strong momentum of the price of services a year earlier.

It is likely that in H1 2023 core inflation will be largely driven by the rise in the prices of manufactured products, and will fluctuate around 5.5% at the start of the year then fall back slightly to around 5.3% in mid-year. ●

► 1. Headline inflation and contributions by item

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



How to read it: in November, headline inflation was 6.2%. Food contributed 2 points, with energy contributing 1.6 points, manufactured products 1.1 points and services 1.4 points. Core inflation was 5.3% in November.

Source: INSEE

French economic outlook

► 2. Consumer prices

change in %, contributions in points

CPI groups* (2022 weightings)	Oct. 2022		Nov. 2022		Dec. 2022		Jan. 2023		Mar. 2023		June 2023		Annual averages	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2021	2022
Food (16.5%)	12.0	2.0	12.1	2.0	12.5	2.1	12.9	2.1	12.6	2.0	10.9	1.8	0.6	6.8
including: fresh food (2.5%)	17.3	0.4	12.7	0.3	12.9	0.3	13.4	0.3	11.6	0.3	14.7	0.4	1.9	8.0
excluding: fresh food (14.0%)	11.1	1.6	12.0	1.7	12.5	1.7	12.8	1.8	12.8	1.8	10.2	1.4	0.4	6.6
Tabacco (2.2%)	0.3	0.0	0.3	0.0	0.3	0.0	0.4	0.0	5.8	0.1	6.8	0.1	5.5	0.1
Manufactured products (24.5%)	4.2	1.0	4.4	1.1	5.0	1.2	4.7	1.1	4.7	1.1	5.0	1.2	0.3	3.0
including : clothing and footwear (3.4%)	2.8	0.1	2.8	0.1	3.2	0.1	4.3	0.1	6.1	0.2	8.8	0.3	0.1	2.7
medical products (3.9%)	-0.6	0.0	-0.7	0.0	-0.9	0.0	-1.0	0.0	-1.6	-0.1	-1.6	-0.1	-1.2	-1.2
other manufactured products (17.1%)	5.6	1.0	5.9	1.0	6.7	1.1	6.2	1.1	5.9	1.0	5.8	1.0	0.7	4.1
Energy (8.9%)	19.1	1.7	18.4	1.6	20.3	1.8	23.1	2.0	14.9	1.4	10.9	1.0	10.5	23.6
including : oil products (4.3%)	19.9	0.9	17.9	0.8	21.5	0.9	21.6	0.9	-1.6	-0.1	-6.1	-0.4	13.5	29.6
Services (48.1%)	3.1	1.5	3.0	1.4	3.2	1.5	3.4	1.7	3.3	1.6	3.0	1.4	1.2	3.0
including : rent-water (8.0%)	2.4	0.2	2.4	0.2	2.7	0.2	2.6	0.2	2.8	0.2	3.3	0.3	1.1	2.0
health services (7.0%)	0.5	0.0	0.1	0.0	0.4	0.0	0.7	0.0	1.0	0.1	0.5	0.0	-0.5	-0.1
transport (2.0%)	10.5	0.2	9.1	0.2	12.2	0.2	20.4	0.4	17.3	0.3	8.2	0.2	3.8	10.7
communications (2.0%)	-1.3	0.0	-1.4	0.0	-1.7	0.0	-1.3	0.0	-1.7	0.0	-0.8	0.0	2.9	0.6
other services (28.8%)	3.9	1.1	3.8	1.1	3.8	1.1	3.6	1.1	3.5	1.0	3.4	1.0	1.2	3.7
All (100%)	6.2	6.2	6.2	6.2	6.6	6.6	7.0	7.0	6.3	6.3	5.5	5.5	1.6	5.3
All excluding energy (91.1%)	5.0	4.5	5.0	4.5	5.3	4.8	5.4	4.9	5.5	4.9	5.0	4.6	0.9	3.6
All excluding tabacco (97.8%)	6.3	6.2	6.3	6.2	6.8	6.6	7.1	7.0	6.3	6.2	5.5	5.4	1.6	5.4
Core inflation** (59.2%)	5.0	3.0	5.3	3.1	5.5	3.3	5.6	3.4	5.6	3.3	5.3	3.1	1.1	3.9

■ Forecast

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

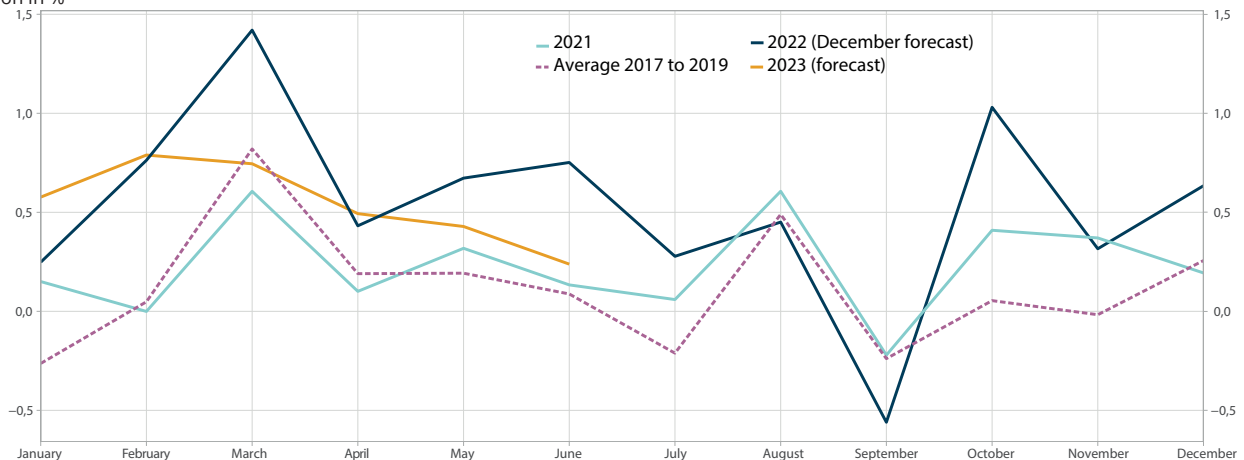
* Consumer price index (CPI)

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

Source: INSEE

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

evolution in %



How to read it: the consumer price index fell by 0.6% compared to the previous month. In 2021 and on average from 2017 to 2019, this decline was 0.2%.

Source: INSEE