

Consumer prices

After plateauing for 11 months at around 6% year-on-year, the variation in consumer prices in France over the year declined in May 2023 (+5.1% year-on-year), mainly because petroleum products were cheaper than a year ago. However, the year-on-year variation in food prices remains dynamic (+14.3% year-on-year in May). By the end of the year, and assuming that the price of a barrel of Brent remains constant over the forecasting period (€72), inflation is expected to fall back a little to reach just under 4.5% year-on-year in December (► [Figure 1](#)). This fall would be mainly due to “base effects”, given the strong momentum in consumer prices one year earlier (► [Figure 3](#)), especially food prices. The consumer price index looks set to continue to rise, but less rapidly than a year ago. As an annual average, inflation is expected to stand at 5.0% in 2023, after 5.2% in 2022 (► [Figure 2](#)).

Month on month, the relatively bumpy trends in headline inflation are probably the result of upheavals in energy inflation, again due to the base effect, and the sharp upward and downward movements in energy prices in H2 2022 (discount at the pump extended then gradually reduced, higher fuel prices due to strikes at the refineries, drop in oil and gas prices in late 2022). In fact, consumer prices of energy products are expected to remain broadly stable until the end of the year. In particular, barring any major change in the price of gas on the European market, the ending of regulated gas tariffs on 1st July 2023, and hence of the tariff shield, is unlikely to result in a significant movement in prices. The regulated gas tariffs resulting from the tariff shield are currently around the average tariffs without any price freeze in place. Regarding consumer prices of electricity, they are forecast to remain stable, as are the regulated electricity tariffs, in line with the tariff shield in force, and the market offer prices, assuming that the price of electricity on the European market remains stable.

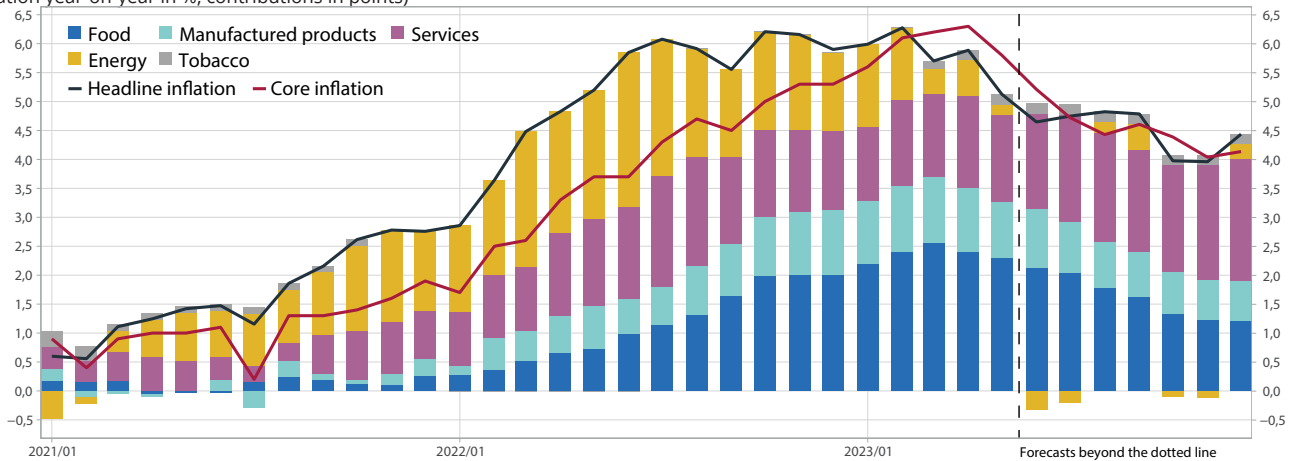
Meanwhile, food prices, the main contributor to headline inflation since September 2022, are expected to slow throughout the forecasting period. In recent quarters they have been driven mainly by the sustained rise in production prices in the agrifood industries (IAA). This buoyancy demonstrates to some extent the delays in transmitting prices along the food chain, from the agriculture branch to the IAAs, then the distributors, but also possible margin behaviour (► [Focus](#)). In the forecast, in view of the decline in world prices of food and energy commodities, IAA production prices could slow significantly or even fall due to the lower cost of their inputs and a gradual return of their unit margin to its long-term level. Consumer prices of food products are then likely to slow in turn by the end of 2023. The context of renegotiations between producers and distributors could accentuate this movement, although the speed and scope of their impact is uncertain, as this will depend mainly on the disposal of inventories of the products concerned. The forecast for the price of fresh food is surrounded by great uncertainty because of the vagaries of the weather. Food inflation is therefore expected to halve, from 14.3% in May to about 7.5% in December, as the slowdown in food product prices combines with the base effect resulting from their strong momentum the year before.

In the case of manufactured products, inflation is expected to decline mainly as a result of the base effect, reaching 3% year-on-year by the end of 2023. Prices of manufactured products are likely to slow, in a context where production prices (excluding IAAs and excluding energy) are expected to decrease in the sectors concerned. Thus in May, the business tendency surveys showed a sharp decline in the balance of opinion on expected change in selling prices in industry (► [Box](#)). Conversely, services are expected to have more and more of an effect on headline inflation and are likely to become the leading contributors from the summer onwards. The year-on-year variation in the price of services is expected to rise from 3.0% in May to 4.2% in December. Such an increase of more than one point would mainly be the result of the increase in wage costs, given the successive revisions of the minimum wage (SMIC) during H1 2023 (in January and May). It would also reflect the slower transmission of earlier increases in input prices (e.g. in the prices of catering services, the delayed impact of the strong momentum of agrifood production prices). The price of health services is also expected to rise in November, with the revision of tariffs for general practitioners.

Due to the decline in inflation in non-fresh food products and manufactured products, core inflation is likely to come down gradually. At the end of 2023 it is expected to be slightly above 4% year-on-year. ●

► 1. Headline inflation and contributions by item

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



How to read it: in April 2023, headline inflation was 5.9%. Food contributed 2.4 points whereas manufactured products contributed a little over one point. Source: INSEE.

► 2. Headline inflation, past and forecast

(annual change in %, contributions in points)

CPI groups* (2023 weightings)	Apr. 2023		May 2023		June 2023		Sept. 2023		Dec. 2023		Annual averages	
	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	yoy	cyoy	2022	2023
Food (16.2%)	15.0	2.4	14.3	2.3	13.2	2.1	9.9	1.6	7.4	1.2	6.8	11.8
fresh food (2.4%)	10.6	0.3	10.7	0.3	10.2	0.2	6.6	0.2	7.6	0.2	7.7	9.6
excluding fresh food (13.9%)	15.8	2.1	14.9	2.0	13.8	1.9	10.4	1.5	7.3	1.0	6.6	12.2
Tabacco (1.9%)	9.4	0.2	9.8	0.2	9.8	0.2	9.8	0.2	9.8	0.2	0.1	8.0
Manufactured products (23.2%)	4.6	1.1	4.1	1.0	4.3	1.0	3.3	0.8	3.0	0.7	3.0	3.9
clothing and footwear (3.4%)	2.7	0.1	2.6	0.1	4.6	0.2	4.1	0.1	4.1	0.1	2.7	3.5
medical products (3.8%)	-0.5	0.0	-0.6	0.0	-0.6	0.0	-0.7	0.0	-0.7	0.0	-1.2	-0.6
other manufactured products (16.0%)	6.2	1.0	5.6	0.9	5.4	0.9	4.2	0.7	3.7	0.6	4.1	5.1
Energy (8.6%)	6.8	0.6	2.0	0.2	-2.9	-0.3	4.9	0.4	2.9	0.2	23.1	3.7
oil products (4.3%)	-1.3	-0.1	-9.7	-0.5	-17.2	-1.0	-0.2	0.0	-1.7	-0.1	29.0	-4.6
Services (50.1%)	3.2	1.6	3.0	1.5	3.3	1.6	3.5	1.8	4.2	2.1	3.0	3.4
rent, water and household refuse collection (7.4%)	3.1	0.2	2.7	0.2	2.7	0.2	2.8	0.2	2.7	0.2	2.0	2.7
health services (6.4%)	-0.5	0.0	-0.5	0.0	-0.5	0.0	-0.2	0.0	1.6	0.1	-0.1	0.0
transport (3.0%)	9.6	0.2	8.0	0.2	8.8	0.2	5.9	0.1	7.6	0.2	10.4	8.5
communication (2.1%)	-1.5	0.0	-1.3	0.0	-1.3	0.0	-1.2	0.0	0.9	0.0	0.6	-0.8
other services (31.2%)	3.9	1.2	3.7	1.2	4.0	1.3	4.7	1.5	5.0	1.6	3.7	4.2
All (100%)	5.9	5.9	5.1	5.1	4.6	4.6	4.8	4.8	4.4	4.4	5.2	5.0
All excluding energy (91.4%)	5.8	5.3	5.5	4.9	5.5	5.0	4.8	4.3	4.6	4.2	3.6	5.2
All excluding tabacco (98.2%)	5.8	5.7	5.0	4.9	4.6	4.5	4.7	4.6	4.3	4.3	5.3	5.0
Core inflation** (60.6%)	6.3	3.7	5.8	3.4	5.2	3.1	4.6	2.8	4.1	2.5	3.9	5.1

■ Forecast.

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

* Consumer price index (CPI).

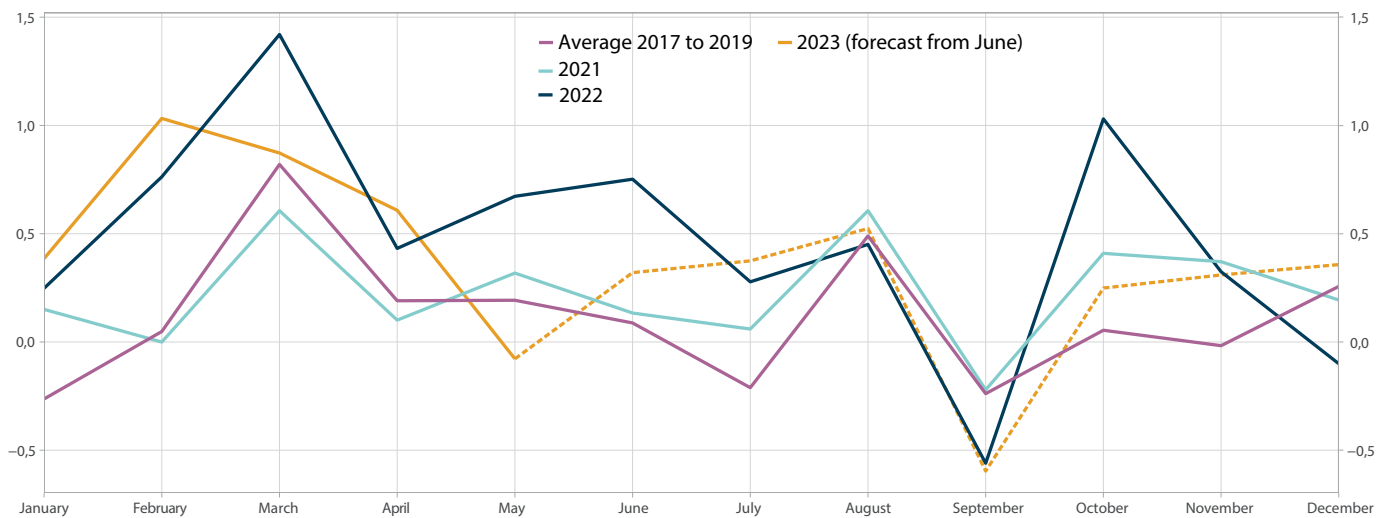
** Index excluding public tariffs and products with volatile prices, corrected for tax measures.

Source: INSEE.

French economic outlook

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

(monthly variations in %)



How to read it: in January 2023 the consumer price index increased by 0.4% compared to the previous month. In 2021 as in 2022, this increase was around 0.2%. From 2017 to 2019, this average monthly variation dropped by 0.3%.

Source: INSEE.

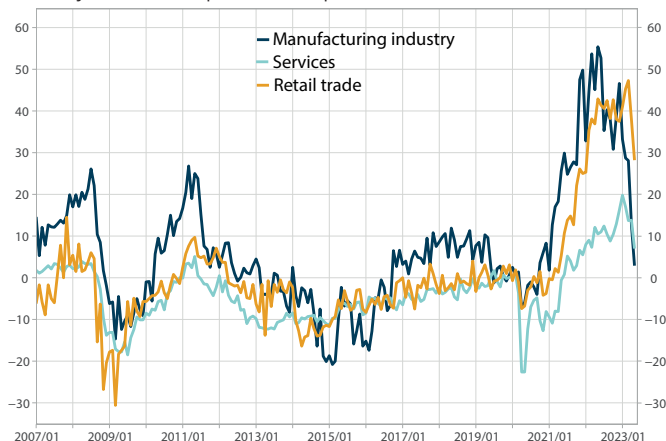
Business tendency surveys suggest an easing of inflationary pressures

The May 2023 business tendency surveys show a downturn, in all sectors of activity, in business leaders' balances of opinion on probable changes in their selling prices in the next three months. In the manufacturing industry in particular, this balance of opinion has been falling sharply for the past few months and in May it was back to the same level as in early 2021. In retail trade and services, this balance is also falling, after reaching historically high levels in Q1 (► Figure 4a).

In addition, since the end of 2022, INSEE has adjusted the questions in the business tendency surveys to find out about companies' reactions to energy price hikes. Among the response modalities offered, increasing selling prices was the most frequently cited reaction (47%) in the manufacturing industry when considering the last three months. However, for the next three months, the proportion of companies who plan to increase their selling prices in the light of the current energy situation declined sharply and was back to 31%. This is therefore less than the share of companies (41%) planning to adapt their production methods over the next three months (► Figure 4b). ●

►4a. Balances of opinion on changes in selling prices in the next three months

(monthly balances of opinion, SA, in points)

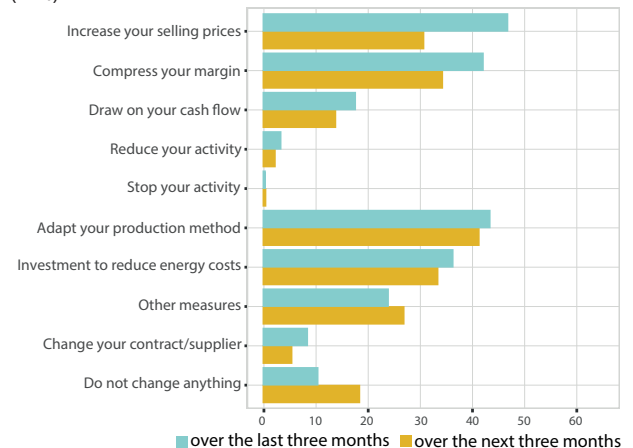


Last point: May 2023.

Source: monthly business surveys, INSEE.

►4b. Reaction of industrial companies in the current energy situation

(in %)



Note: data collected from 26 April to 31 May 2023.

Scope: industry.

Source: monthly business surveys, INSEE.