

## French inflation slowly continues to moderate

Consumer price inflation in France stood at 2.2% in April compared with 2.3% in March, while the harmonised index remained stable at 2.4%. We think inflation could rise again in the coming months



The Rungis International Market, Paris

### Disinflation eases

Consumer price inflation in France stood at 2.2% in April compared with 2.3% in March. This fall in inflation was due to a slowdown in food prices (+1.2% year-on-year in April, compared with +1.7% in March) and tobacco prices, as well as a slight year-on-year drop in manufactured goods prices. Inflation in services, which account for almost half of the consumer basket, was stable at 3% year-on-year, while energy prices accelerated again in April to 3.8% year-on-year from 3.4% in March. Core inflation estimates are not yet available. The harmonised index, which is important for the European Central Bank, stood at 2.4% in April, stable from March, contrary to consensus expectations of a fall.

### Inflation could rise again

This data shows once again that disinflation is a slow process, especially at the end of the road back to 2%. Looking ahead, the trend in food and manufactured goods prices is encouraging and should continue to support disinflation over the coming months. Conversely, energy inflation is set

to rise sharply over the coming months due to less favourable base effects and higher oil product prices. Inflation in services should remain close to 3% over the coming months.

Ultimately, headline inflation could rise again in the coming months to above 2.5%, while core inflation could ease slightly and stabilise at around 2%. We expect HICP inflation to average 2.8% in 2024 and 2% in 2025. This data suggests that the ECB will probably wish to remain cautious in its forthcoming cycle of rate cuts, which is currently due to start in June.

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