

## French inflation eases more than expected

Inflation continues to move in the right direction in France. Although a decline was expected, the slowdown in price growth is faster than anticipated



### A faster slowdown than expected

Inflation continues to move in the right direction in France, coming in at 3.1% in January 2024, compared with 3.7% in December, according to INSEE. The downturn is sharper than expected. Growth in the harmonised index, which is important for the European Central Bank, stood at 3.4% compared with 4.1% the previous month.

January's figures are weaker than those forecast by INSEE in mid-December. The fall in inflationary pressure is particularly marked for energy (up by 1.8% year-on-year, compared with 5.7% in December), but also for food (+5.7% year-on-year, compared with +7.2% in December) and manufactured goods, where prices are virtually stable compared with January 2023 (+0.7% year-on-year, compared with +1.4% in December). This is clearly a move in the right direction, which should be greeted with relief by the ECB. On the other hand, the rise in services prices was stronger in January, at 3.2% compared with 3.1% the previous month.

## Inflation should continue to fall, but not necessarily continuously

Looking ahead, the leading indicators suggest that inflation in France will continue to fall over the coming months, although not necessarily continuously. In particular, the contribution of energy to inflation is likely to rise again in the coming months, due to a less favourable base effect for petroleum product prices and the end of various government support mechanisms for energy bills. In particular, the 10% rise in household energy bills in February should have an impact of around 0.2 percentage points on French inflation. In addition, business surveys indicate that sales price expectations are no longer falling, and even seem to be rising slightly. This indicates that inflation is set to fall more slowly over the next few months, and that we cannot rule out a temporary surge in inflation in certain months. In particular, inflation in services should remain dynamic in the near term. Also, inflation is likely to fall more slowly in France than in other European countries.

Ultimately, we expect inflation to remain close to 3% for the first part of the year, before gradually easing towards 2% in the second half and remaining close to that level in 2025. On average over the year, CPI inflation could be close to 2.5%.

### Author

#### Charlotte de Montpellier

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).