

## French inflation falls more sharply than expected

Inflation fell sharply in France in November, to 3.4% compared with 4% in October, thanks to weaker growth in prices across all categories. The trend towards disinflation is therefore well underway in France and will continue over the coming months



### Inflation falls to 3.4% in October

Consumer price inflation stood at 3.4% in November, compared with 4% in October. This slowdown in inflation is mainly due to a clear slowdown in the growth of energy prices, which rose by 3.1% year-on-year in November, compared with 5.2% the previous month. But the slowdown is also visible in other categories of expenditure. Food prices rose by 7.6% year-on-year in November, compared with 7.8% in October, manufactured goods by 1.9% compared with 2.2%, and services by 2.7% compared with 3.2% the previous month. The latter development is very good news, as service prices had accelerated in recent months. So it seems that, contrary to what the PMI surveys indicated, the weaker economic context is also starting to play a role in this sector, limiting inflationary pressures, despite wage rises. Inflation, according to the harmonised index, which is important for the European Central Bank, stood at 3.8%, down from 4.5% in October.

### Higher inflation in France than elsewhere

Despite the better-than-expected figures for November, French inflation remains higher than in other European countries, according to the harmonised index (see our analysis of the situation in Germany and Spain). This difference can be explained by less positive base effects in France than

elsewhere. Whereas a year ago, energy inflation rose sharply in the other European countries, the increase was much more moderate in France, thanks to the price shield and fuel rebates. As a result, energy inflation is still making a positive contribution to French inflation, unlike in other countries. Despite higher inflation in France than in neighbouring countries, the cumulative rise in prices since the start of the pandemic has been much lower in France than elsewhere in Europe. According to data from the harmonised index, consumer prices in France rose by 15.6% between January 2020 and October 2023, compared with 19.3% in the eurozone and even 21% in Germany over the same period.

The less favourable base effects in France than elsewhere will continue to play a role in the coming months, and inflation is likely to fall slightly less rapidly than in neighbouring countries.

## Disinflation well underway

Nevertheless, the disinflation process is well underway and will continue over the coming months, against a backdrop of marked economic slowdown. The data published by INSEE today, which shows that household consumption of goods fell by 0.9% in October, confirms once again that economic momentum is slowing markedly. We are expecting growth in the fourth quarter to be weaker than the already weak figure for the third quarter (+0.1% quarter-on-quarter), as the risk of a contraction in activity cannot be ruled out. For 2024, we are expecting average growth of 0.6%, compared with 0.9% in 2023, which will contribute to the expected fall in inflation. In particular, inflation in food and manufactured goods should continue to fall over the coming months as a result of lower global demand, high inventories and lower production costs.

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