

## Why French inflation should remain cool in 2025

French inflation was slightly lower than expected in January and should remain subdued over the course of 2025



We expect inflation in France to remain close to its current level throughout 2025 before returning to close to 2% in 2026

Inflation in France was slightly lower than expected in January, coming in at 1.4% according to the national index and 1.8% according to the harmonised index. For the European Central Bank, the figures are clearly good news. Inflation in services continues to normalise, coming in at 1.9% year-on-year, compared with 2.2% in December. Manufactured goods prices have rebounded slightly, but goods inflation remains sluggish at 0.2%, compared with a fall of 0.4% in December. Food prices were virtually unchanged year-on-year, while tobacco prices slowed to 6% year-on-year from 8.7% in December.

Conversely, in the wake of market developments, energy prices rebounded in January, with annual growth of 2.8% compared with 1.2% in December. This rebound in energy inflation is temporary, however, because regulated electricity tariffs will fall by 15% on 1 February 2025, which will mean a fall in electricity prices of 11-12% on average for all households.

Looking ahead, services price inflation could continue to fall given the slower growth in labour costs and the sluggish economic situation. On the other hand, the rise in expectations for selling prices in the manufacturing sector according to business surveys means that goods prices could

accelerate slightly. The reduction of the eco-bonus on cars will also push up manufactured goods inflation a little in the coming months. However, these increases should remain moderate as demand remains weak.

Finally, food inflation is set to rebound, given the trend in agricultural commodity prices on world markets, and could come close to 2% year-on-year growth. However, the outcome of the current trade negotiations in the supermarket sector could temper the increase.

Taking all these factors together, we expect overall inflation in France to remain close to the current level on average over 2025, before returning to close to 2% in 2026.

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