

## Inflationary pressures remain moderate in France

Consumer price inflation stood at 2.9% in January, its highest level since 2008. But this is a much lower figure than those observed in neighbouring countries



### Inflation remains mainly an energy story

Although inflation has become an important topic in the news, January's figures do not indicate a surge in inflation in France. Indeed, inflation rose by 2.9% in January, a slight increase on the 2.8% figure seen in December. The rise in inflation is still largely the result of higher energy prices, with the energy component of the consumer price index (CPI) rising by 19.7% year-on-year in January, compared to 18.5% in December. Prices for services also rose slightly, by 2% YoY (compared with 1.8% last month) and food (+1.5% YoY, compared with 1.4% in December). However, not all components of inflation are rising. As the surveys suggested, the growth of manufactured goods prices slowed to 0.6% YoY in January, compared to 1.8% in December. The harmonised consumer price index (HICP), which is important for the European Central Bank, fell slightly to 3.3% in January from 3.4% in December.

## Inflationary pressures are moderate, but will become more widespread in the coming months

The data indicate that inflation is still, at present, mainly an energy story in France. Unlike other European countries with high inflation rates (e.g. HICP at 5.1% in January in Germany, 6.1% in Spain, and CPI at 7.6% in Belgium), inflationary pressures remain moderate in France. The difference with other European countries can be explained mainly by the lower increase in energy prices in France due to the structure of the market and the mitigating policies put in place by the government.

While inflation in France is lower than in neighbouring countries, the growth in the price of services to 2% in January, its highest since 2009, indicates that we are in a period of higher inflation than in the decade before the pandemic. This is unlikely to change in the coming months and inflation is expected to remain above 2% throughout 2022. This is because the sustained rise in energy prices will continue to have an effect on consumer prices. It will also continue to have an impact on the production cost of companies, which will increasingly pass on these costs in their sales prices. Given the level of inflation observed in neighbouring countries, an increase in import prices is also to be expected. Inflation could therefore reach 3% in the coming months.

The spring and summer should see some moderation in energy prices, which would allow inflation to gradually decline. However, geopolitical tensions could delay this. We also expect to see an effect on wages, which will keep headline inflation close to 2% well into 2023.

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