



## EcoBrief

### France: disinflation is spreading

**April could see core inflation (according to the INSEE definition) fall back down to 2%. Disinflation is gradually spreading to more and more items (particularly to manufactured goods and food), resulting in inflation remaining above 2% year-on-year for just half of these items over the first three months of the year.**

On Wednesday 15 May, the French National Institute of Statistics and Economic Studies (INSEE) will publish its final inflation estimate for April. This could see core inflation (according to the INSEE definition) fall back down to 2% year-on-year. Our forecasts suggest that it should come down to this threshold for the first time since January 2022.

While, in the initial estimate published on 30 April, services inflation admittedly looked to be persistent, standing at 3% y/y in April (as in March), at the same time, inflation on manufactured goods fell back into negative territory (-0.1% y/y) for the first time since July 2021. Food inflation also continued to decline (1.2% y/y in April compared to 7.2% y/y in December 2023). This trend was also reflected in the food index factored into the core inflation calculation (excluding fresh products and taxation effects), standing at 7.4% y/y in December and 2.8% y/y in March (before an expected drop of 1.7% y/y in April).

Lower core inflation means that disinflation is spreading. Inflation remained above 2% y/y for just 50% of items in March, and this figure is expected to tumble further during the second quarter. This provides a good starting point for driving the long-awaited recovery in household consumption, which we expect to rise by 1.3% in 2024 (compared to 0.6% in 2023).

**Stéphane Colliac**

Senior Economist, France/Germany

