

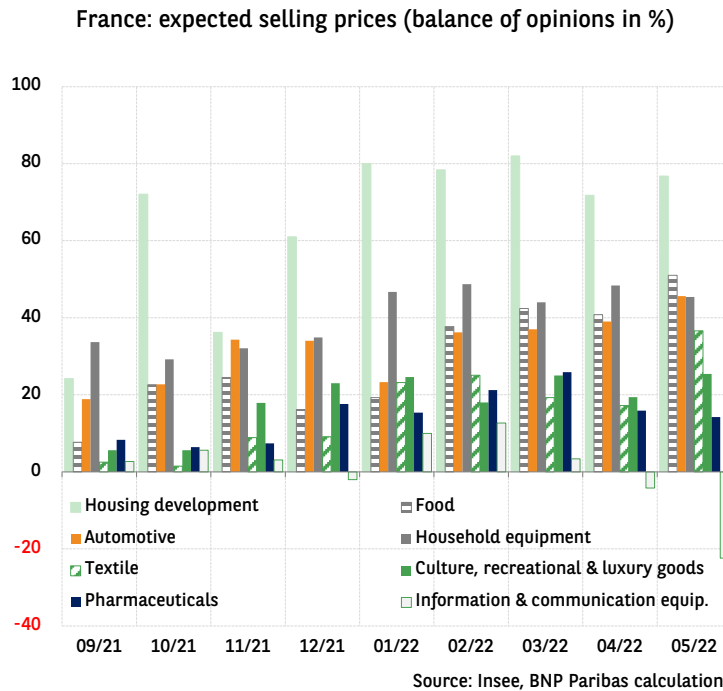
CHART OF THE WEEK



8 June 2022

FRANCE: HOUSING DEVELOPMENT AND FOOD HEAD THE LIST OF RETAIL PRICE RISES

Stéphane Colliac



Inflationary pressures in France continue to grow. The INSEE retail survey for May set a new record, with a balance of opinion on expected selling prices that reached 43, from 36 in April and a long-term average of -2.

The housing development sector saw the biggest share of companies forecasting price increases. This echoes the increase in building materials prices and reflects strong household demand: on average over the last three months nearly 25% of households in the INSEE consumer survey have indicated that they intend to spend on housing development (against a long-term average of 21%). This said, the proportion is down on the figure of 26.7% reported for October 2021, suggesting that this demand has wilted somewhat in the face of strong inflation.

The food sector was next in the list of sectors having the largest share of companies expecting to increase their prices. This would follow on from some already hefty increases as visible in the food component of the consumer price index, which rose 3.2% between February and May 2022. These increases are likely to continue: our estimates suggest they will reach 4.2% between May and December 2022, in line with the sector's expectations.

Overall, the further increases in retail prices suggested by INSEE's survey imply that inflation has not yet peaked, despite having hit 5.2% y/y in May (5.8% y/y on the harmonised index), the highest level since 1985. Our estimates point to inflation topping out at around 6.5% y/y in September.

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