

EcoFlash

Inflation in the Eurozone and France: the start of a rebound

Inflation in both the Eurozone and France is expected to return to levels not seen since the summer of 2024. In March, we forecast 2.6% y/y in the Eurozone (compared with 1.9% in February). In France, where inflation is starting from a much lower base (1.1% in February), it is expected to reach 1.7% y/y in March, rising to 2.1% in May. This rebound in inflation is attributable to the sharp increase in energy prices, which has not yet been passed on to core prices. Business surveys point to a rebound in input prices. However, they do not currently suggest an increase in selling prices in the second quarter, either in France or in the Eurozone. Nevertheless, a rebound in core inflation is expected from the second half of the year. This could prompt the ECB to begin monetary tightening from June (by a cumulative 75 basis points by the autumn, according to our forecasts).

Harmonised inflation in the Eurozone is expected to reach 2.6% y/y in March, according to our forecasts. This would represent a sharp rise compared with February (1.9% y/y). In monthly terms, the rise in consumer prices is expected to reach 1.4% m/m in March 2026, compared with 0.6% m/m in March 2025, a rise linked to the ongoing increase in fuel prices. The trend is expected to remain unchanged for other consumer items, which would represent a notable difference from March 2022. At that time, the inflationary spiral had already been underway since early 2021, and the Russian invasion of Ukraine had amplified it. Behind the 2.4% m/m rise in the CPI in March 2022, the jump in fuel prices had reached 19% m/m (a trend similar to that expected in March 2026). But food price inflation was also high and had already spread to the core rate (particularly goods prices). Nothing of the sort is expected in March 2026. Core inflation is, in fact, expected to remain stable at 2.4% y/y. All European countries are affected by the rise in Brent oil prices, as evidenced by the 0.8 percentage point acceleration in inflation in Germany (to 2.8% y/y) and in Spain (to 3.3% y/y) in March.

In France, similar trends are also expected. We forecast a rebound in harmonised inflation to 1.7% y/y (INSEE index at 1.6% y/y) compared with 1.1% in February (INSEE index at 1%). We estimate the rise in fuel prices at nearly 17% in March (similar to March 2022). However, inflation is lower in France than in the Eurozone. Furthermore, the rate of increase is expected to be lower than that seen in France in March 2022 (+1.6% m/m). However, with the recent rise in gas prices on the markets, the Energy Regulatory Commission has already indicated that the benchmark retail price for gas will rise by 15% in May, which, according to our forecasts, would push harmonised inflation in May above the 2% threshold (2.1% y/y). Core inflation (1.3% y/y in February), meanwhile, is expected to remain stable.

There is little risk of a rapid spillover to core inflation in the immediate term. The evolution of the conflict in Iran remains uncertain. However, surveys currently suggest that, excluding energy, price rises are likely to be limited until the end of the second quarter. In the Eurozone, the European Commission's survey indicates a balance of opinion on 3-month prices of +20 in industry (+6 m/m, but +57 in March 2022) and +20 in trade (+3 m/m, but +53 in March 2022). In France, the INSEE survey on the business climate in March suggests that the pass-through effect would first affect food prices, with a more limited risk for the time being than in 2022 (the balance of opinion on expected prices over the next three months stood at +8 in March 2026, compared with +42 in March 2022). Inflation on goods could also rebound slightly (balance of opinion at +9 in March 2026), but significantly less than in March 2022 (balance of opinion at +53), for reasons unrelated to the energy shock (rise in industrial input prices linked to increased production in defence, aerospace and AI).

The ECB is unlikely to be in a rush to act, but would do so swiftly if necessary. The course of the conflict in Iran will be decisive in determining whether hydrocarbon prices remain high for the long term. [We have drawn up various scenarios.](#) According to the most likely scenario at this stage, Brent would remain above USD 100/barrel until the end of Q2, with a prolonged blockade of the Strait of Hormuz and strikes on oil and gas facilities but without major damage (if the damage were to become more significant, the price of oil could rise well above the USD 100/b threshold). In this context, the rise in energy prices would continue. It would feed through more strongly to electricity prices (except in France, where the latter does not currently depend on gas prices) and would spread more rapidly to core inflation. Such an acceleration would likely force the ECB to tighten monetary conditions in the Eurozone, although the scale of the adjustment remains dependent on the uncertain evolution of the conflict in the Middle East, its impact on commodity and industrial goods prices, and second-round effects. Markets are currently pricing in three key rate hikes for 2026 of 25 basis points each: in June, July (as in our current scenario) and December (September in our scenario). The ECB will remain vigilant to ensure that tightening too late does not lead to an inflationary dynamic that is more difficult to reverse.

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