



France: the sharp rise in household inflation expectations in April, a signal to be put into perspective

The sharp rise in household inflation expectations is one of the striking results of the April 2020 INSEE consumer confidence survey. This increase goes the opposite way of the fall in the balance of opinion on price trends over the past 12 months as well as in actual inflation. This large divergence is noteworthy in view of the usual relative proximity of the three indicators.

This rise in expected inflation echoes the French people's feeling, conveyed in the media, that significant price increases have occurred since the lockdown. This is probably the consequence of the composition effect of consumption baskets and not the warning sign of a widespread and substantial pick-up in prices in the making. The more regularly a product is consumed, the stronger the sensitivity to a rise in its price. And this sensitivity can be wrongly extrapolated to all prices. Currently, expenses are mainly incurred on food for which high price increases have precisely been reported as a result of the law of supply and demand. By contrast, because of the lower frequency of refueling, household inflation expectations do not reflect the plunge in oil prices.

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