
# FRANCE
# 2022-2023 SCENARIO

## RECOVERY UNDER PRESSURE

**April 2022**

**Pierre Benadjaoud**

WORKING EVERY DAY IN YOUR INTEREST AND FOR SOCIETY

GROUP ECONOMIC RESEARCH

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# SUMMARY
## GROWTH SLOWS IN AN UNCERTAIN ENVIRONMENT

After a record 8% contraction in 2020, French GDP recovered substantially in 2021, rising 7%. Consumption rebounded mechanically as shops reopened and service activities resumed, a trend that lasted through the end of the year. Business investment remained strong and supported by the recovery plan. But the return of inflation stemming from the sudden resumption of economic activity in Western countries in second-half 2021 undermined household purchasing power despite strong labour-market momentum throughout the year. These inflationary pressures have heightened in recent months with Russia's invasion of Ukraine. While the direct consequences of the conflict on the French economy are expected to be limited in terms of foreign trade, the inflationary effects generated by the war and renewed uncertainty among economic agents will weigh on demand. These factors have led us to revise our growth forecasts downwards relative to January and revise our inflation forecasts upwards. We also expect growth to slow at the beginning of the year. After gaining 0.7% in Q4 2021, GDP is expected to grow by just 0.2% in Q1 2022 quarter on quarter. Growth is expected to remain clearly positive in 2022, underpinned by a favourable growth track record. **We expect GDP to grow 3.3% in 2022**, down 0.8% on our January forecast.

**And we expect the recovery to continue in 2023, with GDP growth of 2.1%.** This forecast is even more uncertain and depends on assumptions concerning the war in Ukraine and commodity prices, as well as on the health policy of export countries such as China. The zero-COVID policy led thus far by the latter has exacerbated tensions on global value chains and, hence, inflationary pressure.

**Main components of the scenario:**

- Though purchasing power has slipped owing to the sharp rise in inflation, **household consumption** is expected to be the main growth driver. Consumption will grow in 2022 as a result of considerable overhang following the second-half 2021 rebound, and purchasing power surged in 2021. Labour market momentum also remains strong. Some households will be able to cope with rising prices thanks to the savings surplus built up in 2020 and 2021.
- **Business investment** will continue to benefit from the stimulus plan and the robust finances of companies coming out of the crisis with ample cash flows. But growth is expected to slow owing to a possible wait-and-see attitude related to the conflict in Ukraine and to the (moderate) rise in interest rates.
- **Inflation** is the main shadow lurking over a recovery in economic activity. High already at the beginning of 2022, inflation is expected to peak in the third quarter if energy prices stabilise at current levels before sliding at the end of the year and in 2023. Household purchasing power will contract in 2022 on rising prices. This will weigh on demand despite France’s “tariff shield”, costing some €30 billion in public finances.
- Despite growing uncertainties prompted by the war in Ukraine, hiring intentions remain high, particularly in construction and services, including accommodation and restaurants. **Labour market momentum is expected to remain strong in 2022**. But after an exceptional 2021, with more than 500,000 job creations, recruitments will slow in the coming quarters.

NB: this scenario is built on the assumption that Emmanuel Macron will win the presidential election on 24 April and that he will be supported by a parliamentary majority following the legislative elections in June. If this were not the case, the scenario would be adjusted in part.

# SUMMARY

## GROWTH DRIVEN BY CONSUMPTION DESPITE A CONSIDERABLE SLOWDOWN

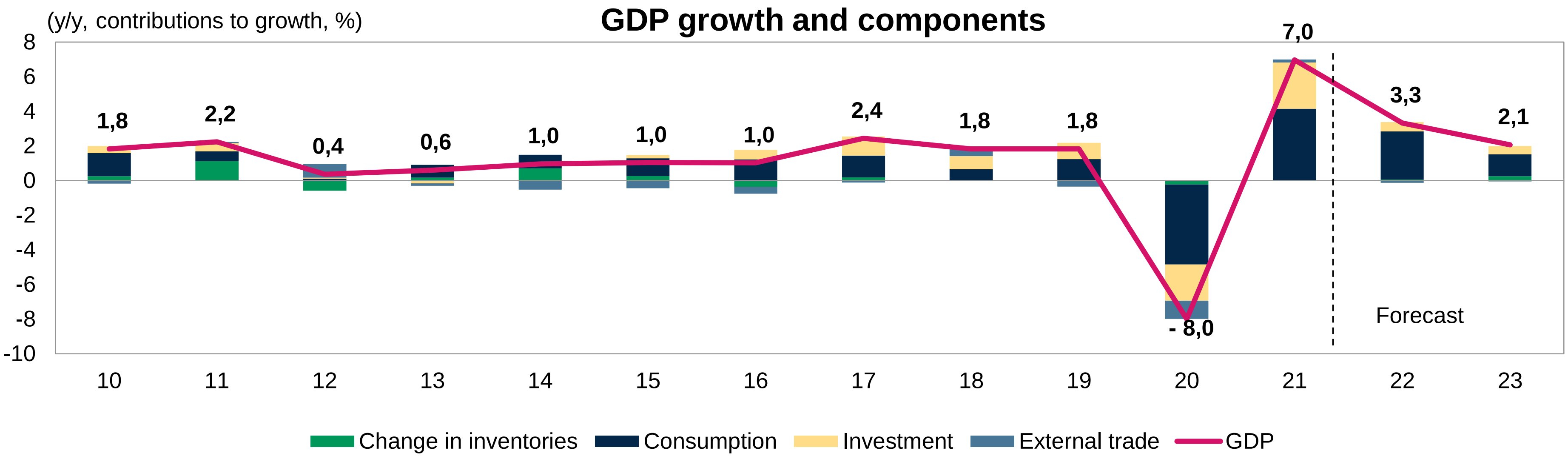
### Main numbers of our outlook

| France | Annual average (y/y, %) 2019 | 2020 | 2021 | 2022 | 2023 | Quarterly growth (q/q, %) 2020 T1 | 2020 T2 | 2020 T3 | 2020 T4 | 2021 T1 | 2021 T2 | 2021 T3 | 2021 T4 | 2022 T1 | 2022 T2 | 2022 T3 | 2022 T4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GDP** | 1,8 | -8,0 | 7,0 | 3,3 | 2,1 | -5,7 | -13,5 | 18,6 | -1,1 | 0,2 | 1,3 | 3,1 | 0,7 | 0,3 | 0,2 | 0,5 | 0,7 |
| Households consumption | 1,9 | -7,2 | 4,7 | 4,2 | 2,4 | -5,7 | -11,7 | 18,5 | -5,5 | -0,1 | 1,2 | 5,5 | 0,5 | -0,1 | 0,4 | 0,8 | 0,6 |
| Investment | 4,1 | -8,9 | 11,5 | 2,2 | 1,9 | -9,6 | -15,8 | 26,4 | 2,4 | 0,3 | 2,3 | 0,0 | 0,6 | 0,4 | 0,5 | 0,4 | 0,5 |
| Corporate investment | 3,5 | -8,9 | 12,0 | 2,6 | 2,4 | -9,8 | -16,1 | 27,9 | 1,4 | 1,3 | 1,7 | 0,0 | 1,1 | 0,4 | 0,5 | 0,5 | 0,6 |
| Change in inventories* | 0,0 | -0,2 | 0,0 | 0,1 | 0,3 | 0,3 | 0,9 | -2,3 | 0,5 | 0,5 | 0,0 | -0,6 | 0,5 | 0,0 | -0,1 | 0,0 | 0,2 |
| Net exports* | -0,3 | -1,1 | 0,2 | -0,1 | 0,0 | 0,0 | -1,7 | 0,4 | 0,9 | -0,2 | -0,1 | 0,2 | -0,3 | 0,0 | 0,0 | 0,0 | 0,0 |
| **Unemployment (Insee)** | 8,2 | 7,8 | 7,7 | 7,2 | 7,1 | 7,6 | 7,1 | 8,8 | 7,8 | 7,9 | 7,8 | 7,8 | 7,2 | 7,2 | 7,2 | 7,3 | 7,2 |
| **CPI Insee (yoy)** | 1,1 | 0,5 | 1,6 | 4,2 | 2,5 | 1,2 | 0,3 | 0,3 | 0,1 | 0,7 | 1,4 | 1,7 | 2,7 | 3,3 | 3,5 | 3,3 | 2,5 |
| **Government deficit (% of GDP)** | -3,1 | -8,9 | -6,5 | -5,3 | -4,6 | | | | | | | | | | | | |

* Contributions to GDP growth

Source : Crédit Agricole SA/ECO, forecast

### GDP growth and components




*Sources: Insee, Crédit Agricole S.A. / ECO*

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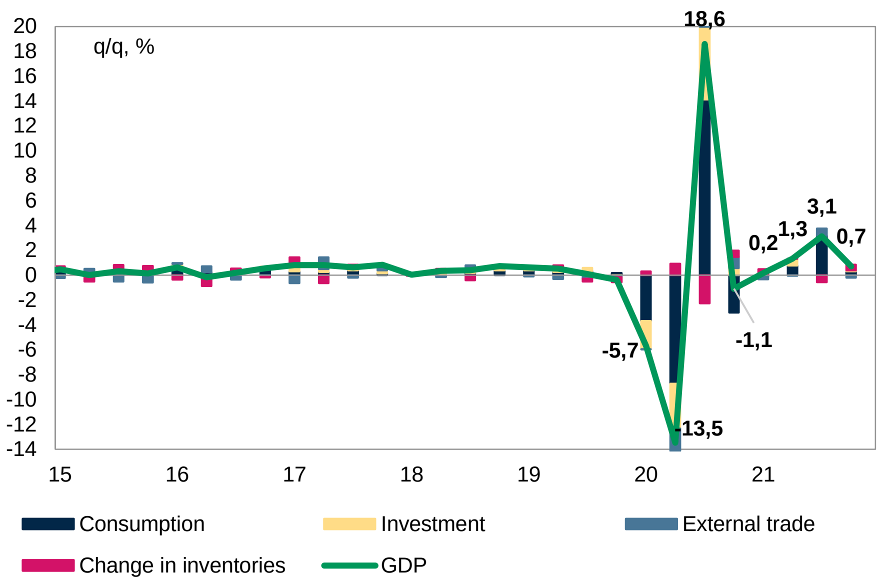
# RECENT TRENDS IN ACTIVITY

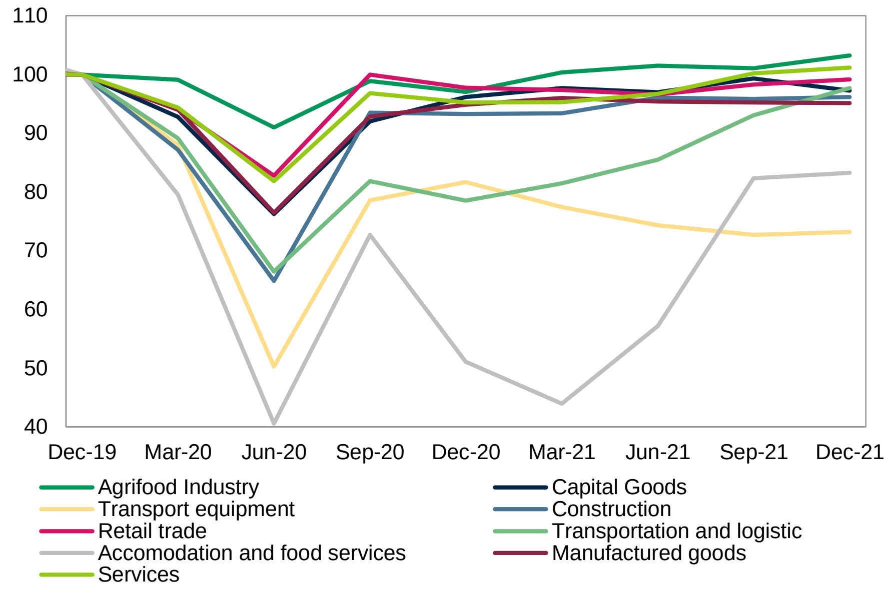
## POWERFUL RECOVERY IN 2021

### GDP growth and contributions




*Sources: Insee, Crédit Agricole S.A. / ECO*

### Trend in value added by sector




*Sources: Insee, Crédit Agricole S.A. / ECO*

The year ended with a fourth consecutive quarter of positive growth. GDP gained 0.7% in the fourth quarter following the rebound stemming from the recovery in service businesses in the summer. Q4 2021 GDP stood 0.9% higher than in Q4 2019, the last quarter before the crisis. **Annual average GDP grew 7% in 2021** after a record 8% contraction in 2020. The growth overhang for 2022 is already extremely favourable, at +2.4%.

Fourth-quarter growth was driven primarily by household consumption, which increased 0.5% qoq despite rising inflation, and by highly beneficial inventory trends after several quarters of destocking.

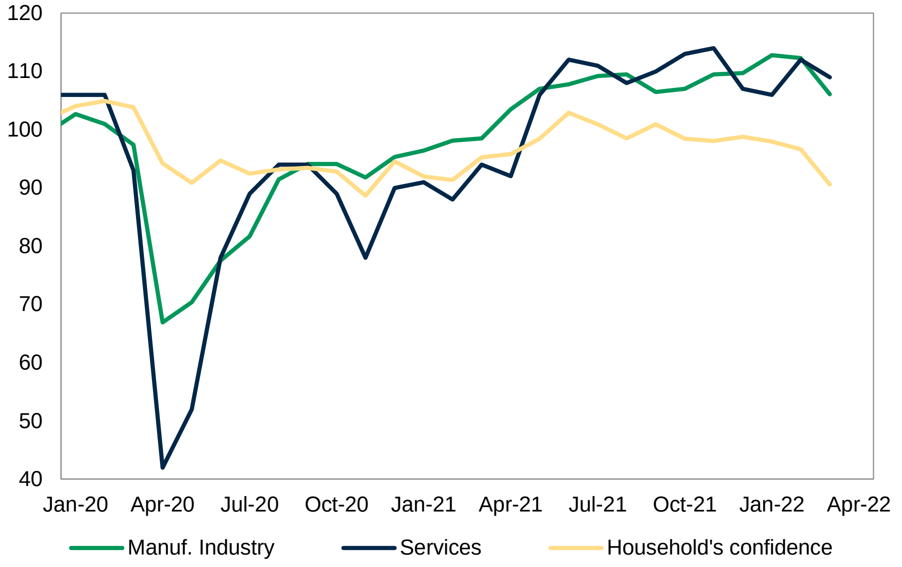
Manufacturing output increased 0.2% qoq in the fourth quarter and service activity rose 1.6%. The recovery in services continued despite the new restrictions introduced in December to respond to a fresh wave of the epidemic. However, growth in service production slowed relative to the third quarter marked by a mechanical rebound with the lifting of health restrictions.

Growth in NFC investment also picked up again at the end of the year, rising 1.4% in Q4 after stagnating in Q3.

# RECENT TRENDS IN ACTIVITY

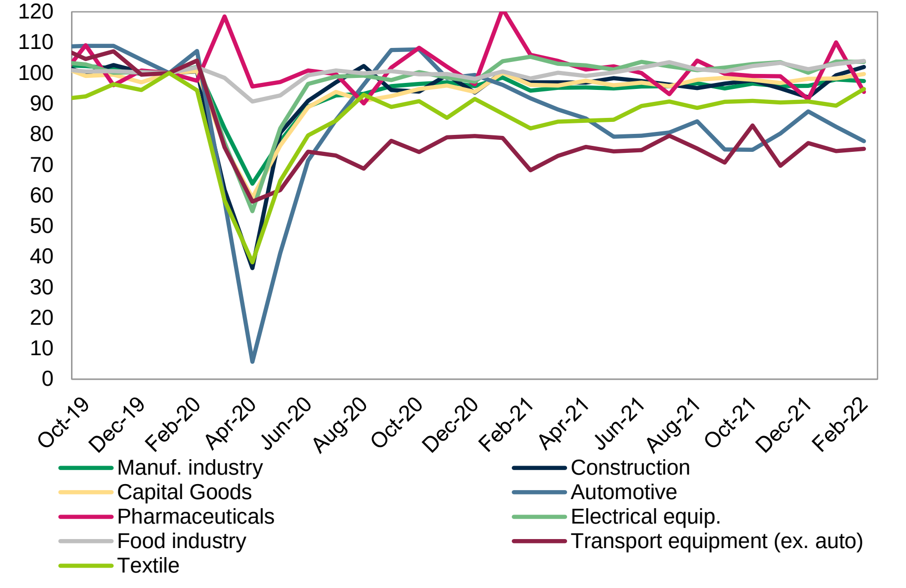
## UNCERTAINTY RISES FOLLOWING INVASION OF UKRAINE

### Business climate and consumer confidence




*Sources: Insee, Crédit Agricole S.A. / ECO*

### Industrial output (January 2020 = 100)




*Sources: Insee, Crédit Agricole S.A. / ECO*

The Russian invasion of Ukraine at the end of February has generated inflationary pressures on commodity markets and also significantly boosted uncertainty among economic agents. As a result, consumer confidence declined in March and remains below its long-term average. As net opinion on inflation is rising sharply, net opinion on the future financial situation is falling, even though unemployment concerns remain limited. Inflation has become the main threat to household purchasing power.

The first signs of a deterioration in the business climate occurred in March, with a slight drop in services and an emphatic decline in industry. The prices of commodities and intermediate goods are appreciating; net opinion on order books and production prospects is worsening.

The business climate is trending particularly negatively in the transport equipment industry. The auto business was already affected by the global shortage of semiconductors, but the disruption of Russian exports could place additional pressure on the sector's value chains. Russia is a major exporter of metals such as aluminium and nickel, the latter used to manufacture automotive batteries.

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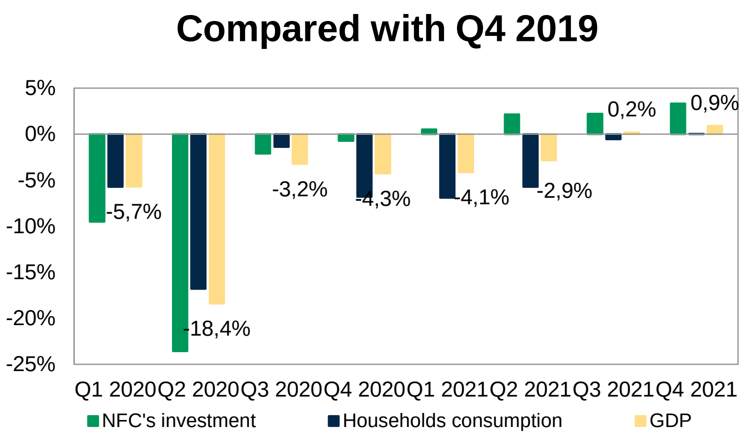
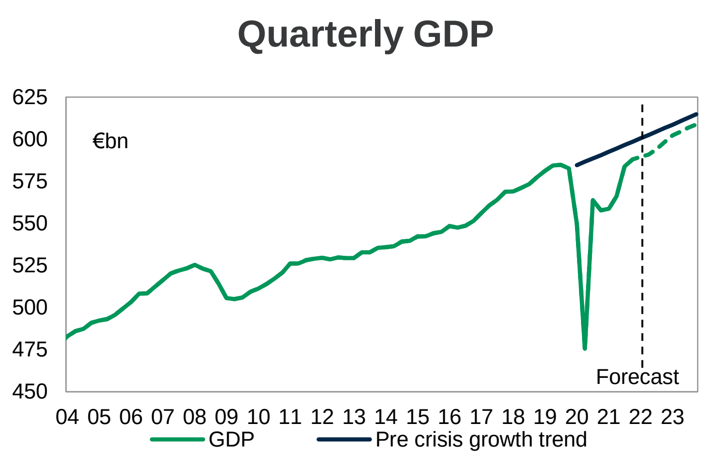
# OUR SCENARIO FOR 2022-2023

## RECOVERY DELAYED




*Sources: Insee, Crédit Agricole S.A. / ECO*




*Sources: Insee, Crédit Agricole S.A. / ECO*

With GDP growth of 7% in 2021, the French economy posted a stronger recovery than that of most of its neighbours after the sharp contraction in 2020. At the end of 2021, French GDP was 0.9% higher than before the crisis. NFC investment is trending particularly positively, already 3.6% higher than in Q4 2019 owing to the stimulus plan and the successful safeguarding of cash positions during the crisis. Though the recovery was delayed by successive waves of the epidemic, consumption rebounded sharply in second-half 2021, returning to pre-crisis levels at the end of the year despite rising inflation.

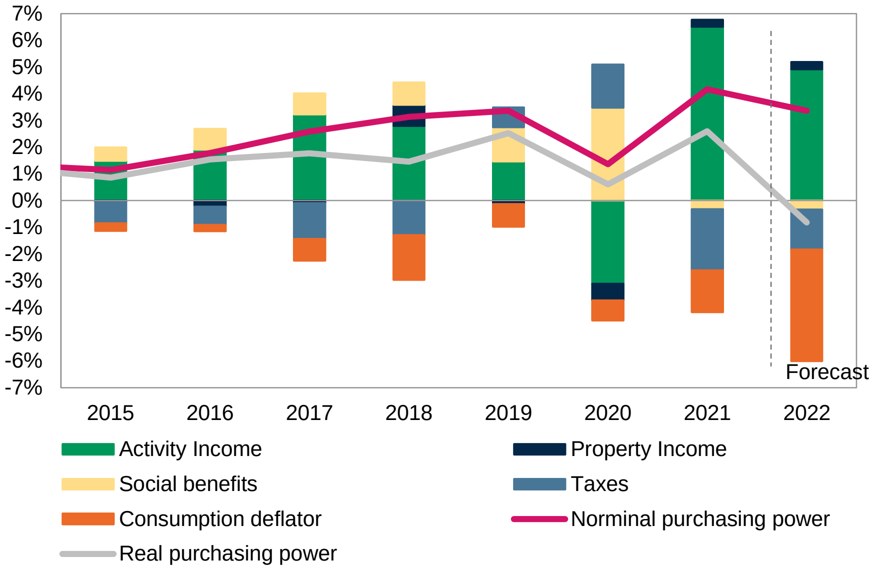
However, the post-pandemic global recovery has created inflationary pressures. Russia's invasion of Ukraine has disrupted economic recovery and exacerbated these pressures, notably regarding the prices of commodities and, above all, energy. As a result, even though the labour market remains dynamic, wages will rise less than prices and purchasing power will decline in 2022, putting the brakes on demand relative to our January forecast. While the direct impact of the war in Ukraine on foreign trade is low for France – exporting little to either Russia or Ukraine and less dependent than other European countries on Russian hydrocarbon imports – our growth forecasts need to be revised downwards. As a result of the conflict, we have reduced our 2022 GDP growth forecast by 0.8 points to 3.3%. The return to the pre-crisis growth trend is thus delayed.

Furthermore, uncertainties over this scenario are substantial. Our scenario is based on energy price assumptions that have a direct impact on the inflation outlook and, ultimately, the demand of economic agents. These assumptions are fragile and depend on the conflict in Ukraine and European sanctions on Russia. For example, though not our central scenario, a complete break in trade relations between the European Union and Russia would halt Russian natural gas and oil exports to the EU and generate a further surge in energy prices and a corresponding decrease in final demand.

# OUR SCENARIO FOR 2022-2023

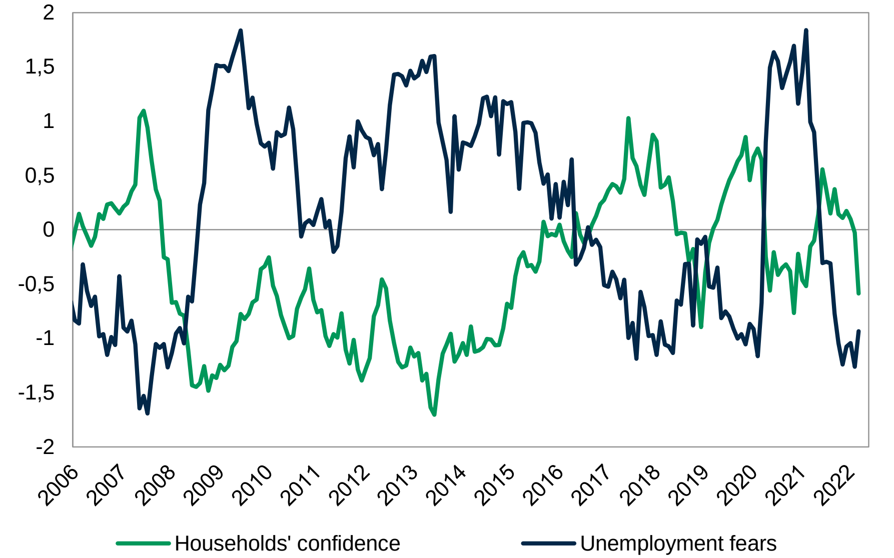
## CONSUMPTION: STRONG MOMENTUM CONTINUES DESPITE DOWNWARD PRESSURE

### Growth in purchasing power and contributions




*Sources: Insee, Crédit Agricole S.A. / ECO*

### Consumer confidence (normalised net opinion)




*Sources: Insee, Crédit Agricole S.A. / ECO*

Consumption returned to its pre-crisis level at the end of 2021 but growth is expected to slow over the coming quarters as inflation negatively impacts household purchasing power in 2022.

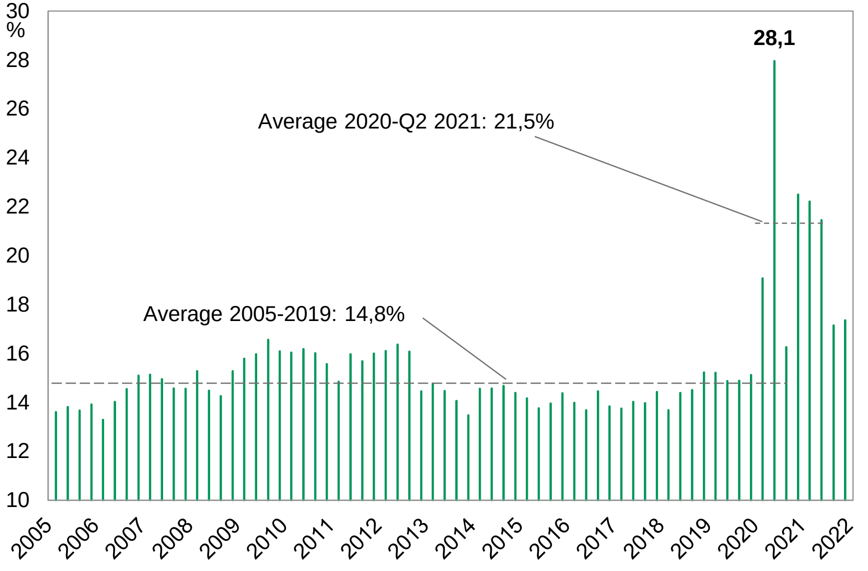
Purchasing power was safeguarded in 2020 through the provision of social benefits (notably support for short-time work) to offset the decline in operating income. Purchasing power increased 2.5% in 2021, with strong labour-market momentum driven by hiring and relatively controlled inflation. With the rise in prices, particularly energy prices, and despite the “tariff shield” put in place by the French government, purchasing power is expected to shrink by at least 0.5% in 2022 and the savings surplus accumulated in 2020 and 2021 appears difficult to harness. In addition, consumer confidence has deteriorated recently on rising uncertainties and inflationary pressures exacerbated by the war in Ukraine.

**Household spending** will nevertheless remain the main growth driver in 2022. The growth overhang for 2022 already stood at 3.4% at the end of fourth-quarter 2021. **Despite a slowdown at the beginning of the year and inflationary pressures, household consumption is expected to grow 4.2% in 2022, picking up in the second half of the year. Household consumption is expected to remain strong in 2023, with a 2.4% increase.**

# OUR SCENARIO FOR 2022-2023

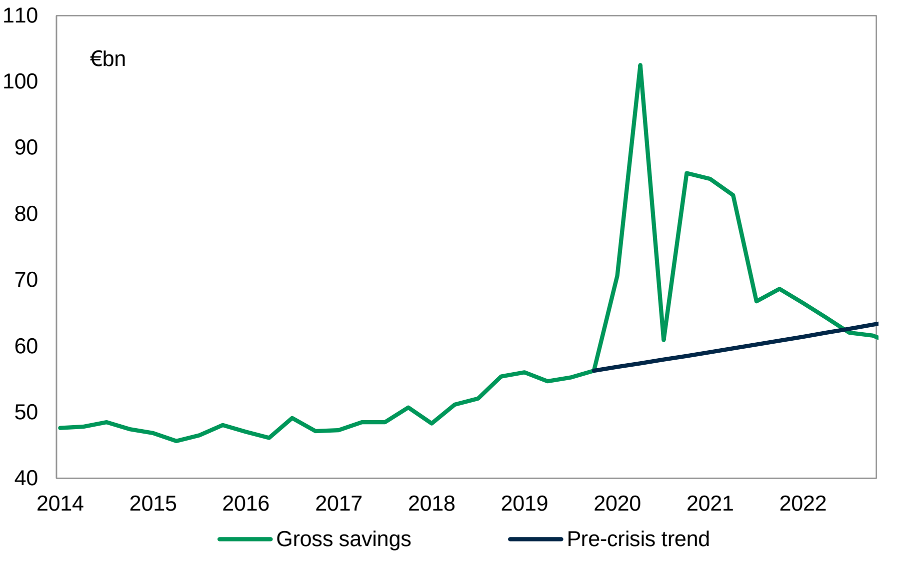
## DIFFICULTIES HARNESSING SURPLUS SAVINGS

### Household savings rate




*Sources: Insee, Crédit Agricole S.A. / ECO*

### Quarterly flows of gross household savings




*Sources: Insee, Crédit Agricole S.A. / ECO*

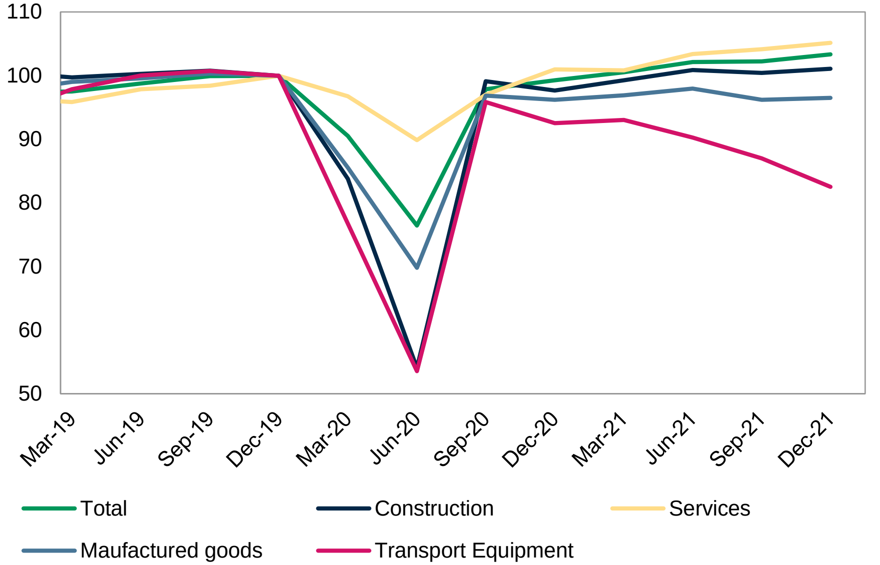
Despite the recovery in consumption in second-half 2021, **the savings rate remained well above its pre-crisis level, reaching 17.4% in fourth-quarter 2021.** Thanks to maintained income levels and limited consumption, households accumulated between €155 billion and €170 billion in surplus savings in 2020 and 2021 compared with the pre-crisis trend.

Expectations were that part of this surplus would be consumed in 2022 and 2023, serving to underpin growth. These hopes are now fading, for several reasons. First, savings were mainly built up by the highest income deciles, which have a lower propensity to consume (share of income dedicated to consumption) than the poorest households.

Second, according to recent analysis by the Council for Economic Analysis, the bottom two income deciles have already spent their savings surplus to cope with rising prices in recent months, their savings stock having thus returned to normal levels. Inflation, then, is boosting household consumption in terms of value, but in terms of volume, moderate-income households are managing to maintain a certain level of consumption solely by drawing on their savings reserves. The reduction in the savings stock is expected to continue in 2022, with price increases and uncertainty encouraging households to maintain significant precautionary savings.

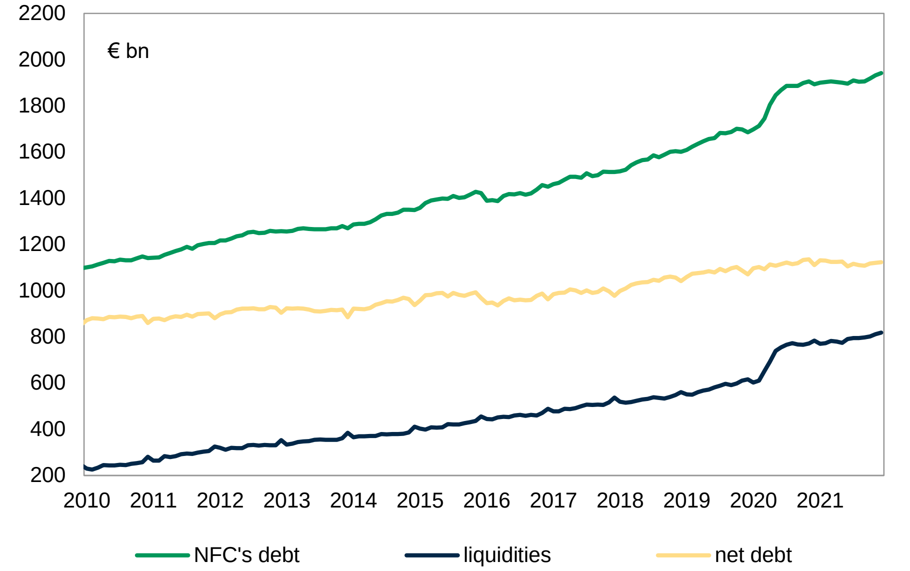
## NFC INVESTMENT: INCREASE CONTINUES DESPITE A POSSIBLE WAIT-AND-SEE ATTITUDE

### Investment of NFCs by item (Q4 2019=100)




*Sources: Insee, Crédit Agricole S.A. / ECO*

### NFC debt and cash: very high cash reserves



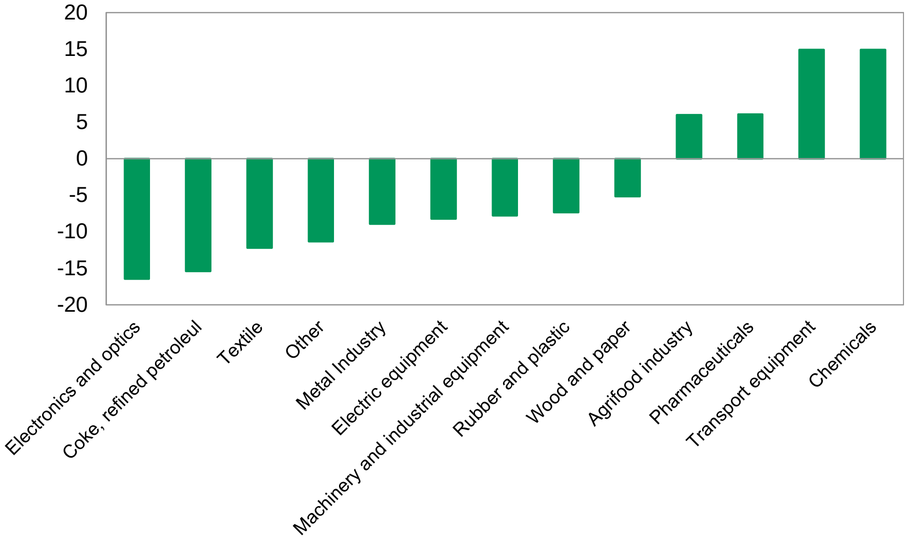

*Sources: Insee, Crédit Agricole S.A. / ECO*

Investment by non-financial companies, or NFCs, was severely disrupted during the first lockdown with the shutdown of industrial activities and construction. It has since recovered quickly, exceeding pre-crisis levels by 3.6% in fourth-quarter 2021. Investment is significantly higher than before the crisis in services (excluding construction, i.e. primarily in intellectual property) and in the construction sector. But investment in manufactured goods remains slightly lower than before the crisis, negatively impacted by investment in transport equipment. As mentioned earlier, the transport equipment sector is struggling to rebound and continues to suffer from shortages of intermediate goods globally and disruptions in some supply chains.

**After increasing 12.1% in 2021, investment by NFCs is expected to rise 2.5% in 2022 and 2.3% in 2023.** Corporate investment momentum will continue to be bolstered by several factors, companies are in good financial health with considerable cash reserves, and the French stimulus plan, followed by the France 2030 plan, will continue to support the economy. However, the (moderate) rise in interest rates, along with high inflationary pressures and the uncertainties bred by the conflict in Ukraine, could lead to a wait-and-see attitude on the part of companies.

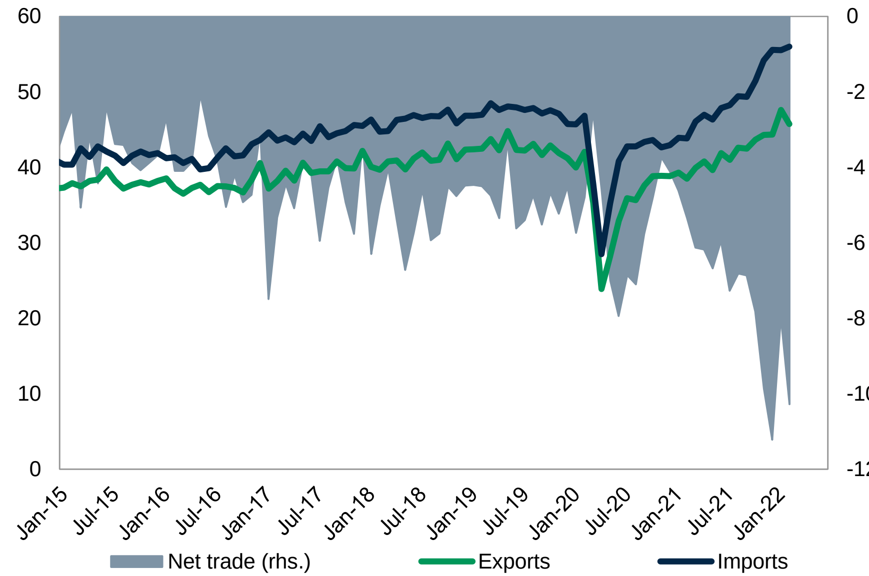
## FOREIGN TRADE: UNFAVOURABLE TRADE TERMS

### Trade balance by branch (value, €bn, 2019)




*Sources: Douanes, Crédit Agricole SA / ECO*

### Trade in goods (monthly data, € bn)

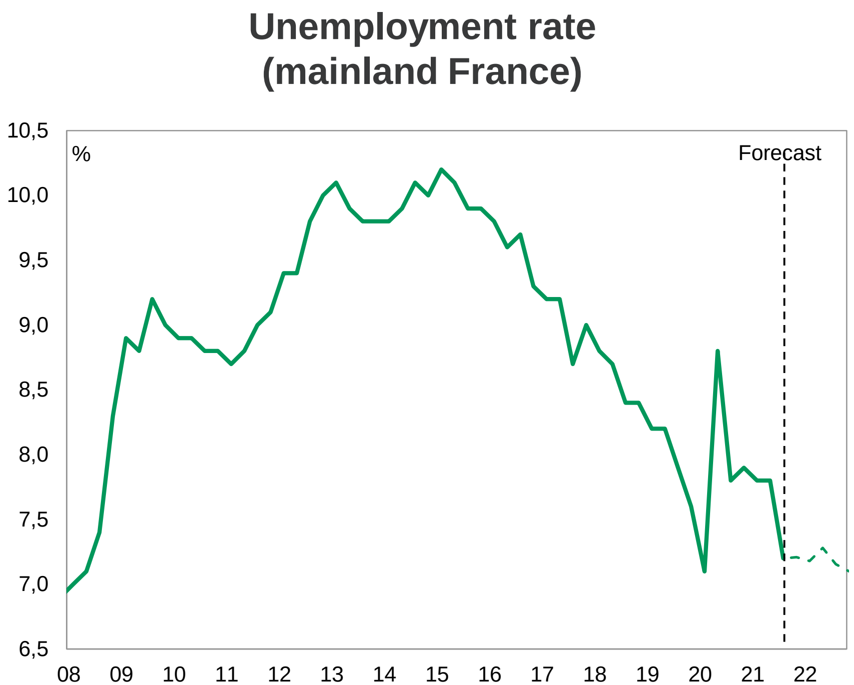



*Sources: Douanes, Crédit Agricole SA/ ECO*

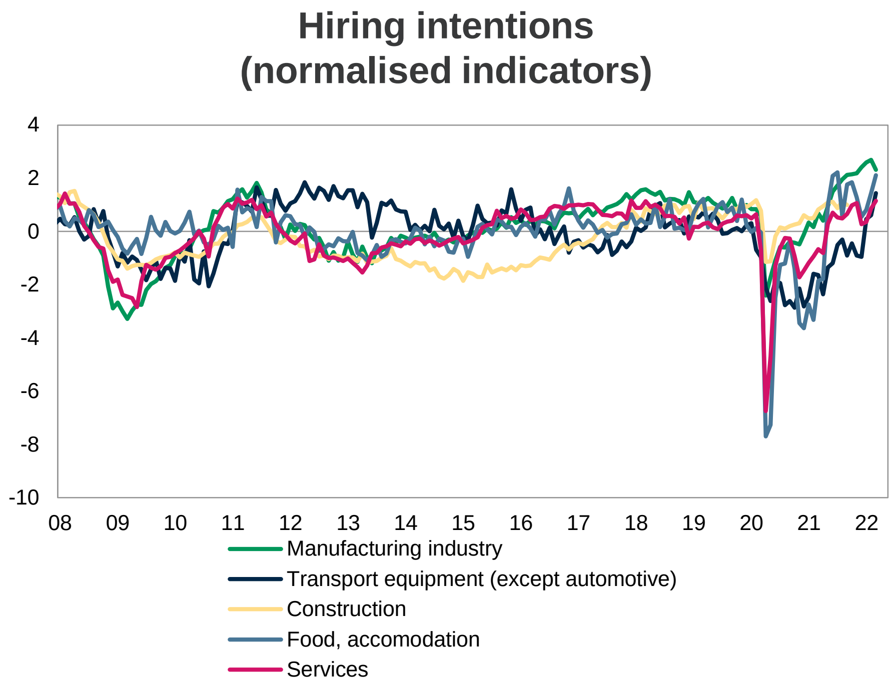
The trade balance in goods deteriorated sharply in 2021, with a record deficit of €85 billion. The increased price in imports stemming from higher commodity prices (energy in particular), in conjunction with a slower increase in the price of exported goods, led to a sharp deterioration in trade terms and thus in the value of the trade balance. In addition, the transport equipment sector, which usually generates the largest trade surplus, remained deeply depressed after the COVID-19 crisis. Automotive production continues to be limited by semiconductor shortages, while the aviation sector, which accounts for 13% of French exports of goods and services, is struggling to recover following the cancellation of contracts during the lockdowns. The specialisation of French industry was also unfavourable in the context of the pandemic. Activity in the air sector is expected to increase gradually in 2022 and 2023 given promising order-book trends. Though remaining positive, the trade balance in terms of services was also penalised by the decline in international travel flows. France is the world's most tourist-visited country and services (notably tourism-related services) account for nearly 25% of the country's exports.

# OUR SCENARIO FOR 2022-2023

## THE JOB MARKET IS INTACT AND HIRING IS BRISK




*Sources: Insee, Crédit Agricole S.A. / ECO*




*Sources: Insee, Crédit Agricole S.A. / ECO*

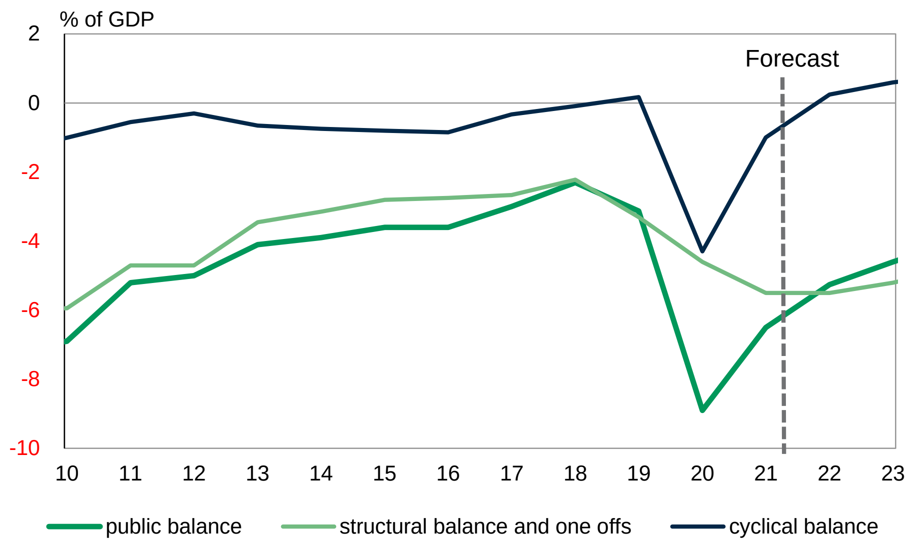
The unemployment rate fell sharply at the end of 2021, falling to 7.4% in France as a whole (7.2% in mainland France). The decline was offset in part by an increase in the unemployment 'halo', i.e. the number of involuntary part-time workers plus people available to work who have given up their job search. But the labour market remains strong. The working population is much higher than in fourth-quarter 2019, as is salaried employment. More than 500,000 jobs were created in the private sector in 2021 as a direct consequence of the resumption of activity in the service sectors, as indicated by the continued high rate of hiring intentions. Hiring was also strong in industry (excluding automotive) and construction in 2021. Job creation picked up faster than economic activity, as demonstrated by the number of hours worked per job, which remains lower than before the crisis. The divergence between the pace of recovery in the labour market and the pace of economic activity is likely to lead to a slowdown in job creation and lower unemployment in the coming quarters. However, the labour market is expected to remain dynamic, though pressure on hiring should ease in 2022, limiting upward pressure on wages despite high and rising inflation. **The unemployment rate in France is expected to stabilise at around 7% in 2022 and 2023,** the labour-market consequences of the conflict in Ukraine having thus far been extremely limited.

# OUR SCENARIO FOR 2022-2023

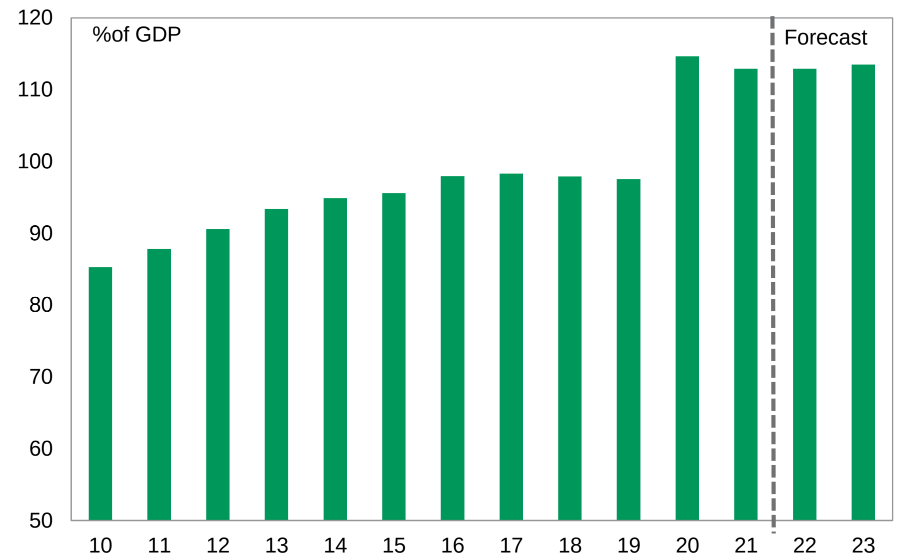
## PUBLIC FINANCES

### Public deficit




*Sources: Minefi, Crédit Agricole S.A. / ECO*

### Public debt




*Sources: Minefi, Crédit Agricole S.A. / ECO*

The government's large-scale economic support in response to the health and economic crisis in 2020 and 2021 led to a full 9.1% deterioration in the public deficit in 2020, a year in which the contraction in economic activity and tax revenues, together with the emergency plan, increased the deficit by €70 billion. The deficit remained high in 2021 at 6.5% of GDP despite the recovery in activity, with emergency measures and the implementation of the stimulus plan costing €64 billion. As a result, public debt increased sharply from 97.5% in 2019 to 112.9% in 2021.

In 2022, before Russia invaded Ukraine, the deficit was supposed to be reduced to 4.8% of GDP, the two main aims being to stabilise public accounts and support potential growth (with €30 billion budgeted as part of the stimulus plan). The economic recovery was also supposed to contribute to reducing the deficit. Under the stability programme, the public deficit will be gradually reduced to 3% of GDP by 2027.

But the surge in energy prices and the conflict in Ukraine have reshuffled the deck. **The implementation in France of the "tariff shield" and targeted measures for companies will cost around €30 billion. The downward revision of growth forecasts also impacts the public deficit, which is expected to be around 5.3% of GDP in 2022 and 4.6% in 2023. Public debt should remain stable at around 113%.**

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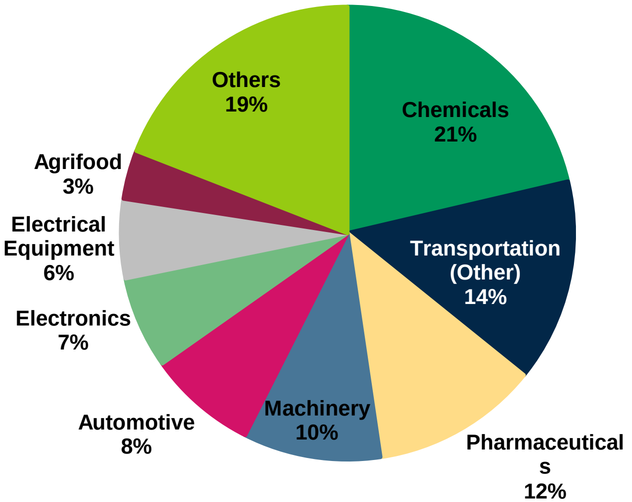
# FOCUS – CONFLICT IN UKRAINE: THE IMPACT ON TRADE AND ENERGY DEPENDENCE

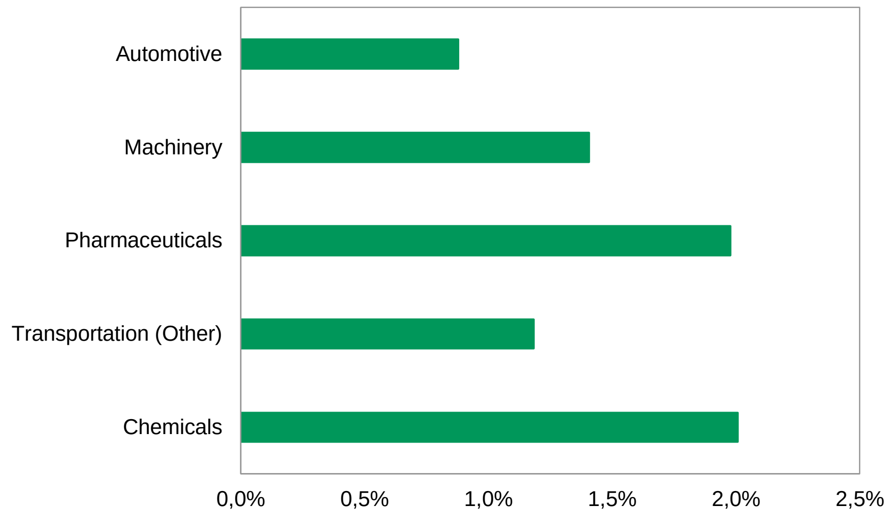
## LIMITED EXPORTS TO RUSSIA AND UKRAINE

### Exports to Russia




*Sources: Douanes, Crédit Agricole SA / ECO*

### Russia's share of sector exports (2019)



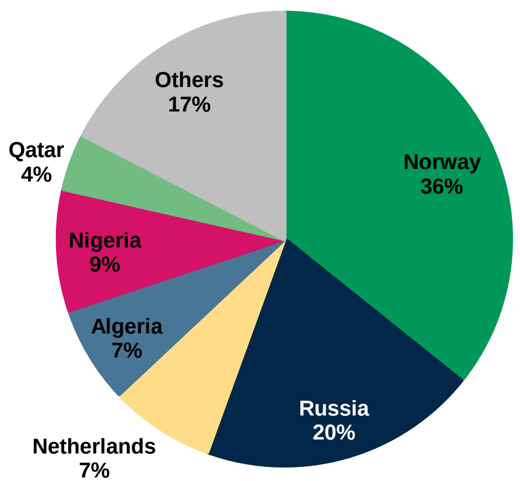

*Sources: Douanes, Crédit Agricole SA/ ECO*

A mere 1.1% of French goods are exported to Russia and just 0.2% to Ukraine. French exports to Russia are also relatively diversified. Chemicals account for 21% of the total, followed by non-auto transport equipment (14%) and pharmaceuticals. Even for the major export sectors, Russia is not a decisive market and outlets are much more varied. For example, for the chemical industry, Russia accounts for only 2% of total exports in the sector, far behind Germany, the largest partner with 14%. The direct economic consequences of a sharp downturn or a break in trade relations with Russia (given the sanctions put in place) will therefore have a fairly small impact on demand for French industry.

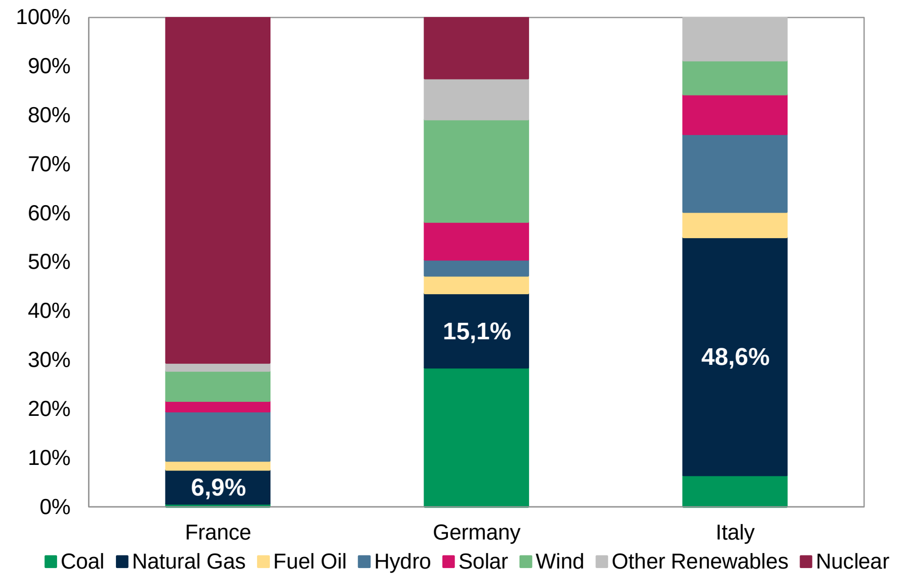
However, some French companies are based directly in Russia. Three per cent of French foreign direct investment comes from Russia, for a total €2.7bn in 2019. This is a relatively low proportion compared with our main trading partners (for example, €13.5bn from Belgium and €8.3bn from the UK), but French companies with extensive presence in Russia could be impacted. In addition, the loss of these revenues will be difficult to offset by a decrease in revenues from Russian foreign direct investment in France, the latter's net international position in Russia being significantly in surplus.

# FOCUS – CONFLICT IN UKRAINE: THE IMPACT ON TRADE AND ENERGY DEPENDENCE

## LESS ENERGY DEPENDENT THAN OUR NEIGHBOURS




*Sources: SDES, Crédit Agricole SA / ECO*




*Sources: OWID, Crédit Agricole SA/ ECO*

While Russia accounted for only 1.5% of French imports in 2019, 43% of our imports from Russia were hydrocarbons, primarily natural gas, while 35% were coking and oil-refining products. However, France is less dependent on Russian gas imports than its European neighbours. France imports 36% of its natural gas from Norway. Russia ranks merely as the number-two supplier at around 20%, followed by Nigeria, the Netherlands and Algeria, whose share of French natural gas imports has declined since the years 2000. In comparison, Italy imports 40% of its gas from Russia, and Germany a full 50%. France is also less energy dependent on natural gas for electricity production owing to its energy mix, with a particularly developed nuclear sector.

And once again, even though Russia accounts for 12% of France's oil imports, supply is fairly diversified. The same applies to refinery products such as fuels. According to customs data, Russia is France's largest supplier of these products but holds just a 13% share of the market, slightly ahead of Saudi Arabia at 12.5% and several countries at around 10%.

While shortage and black-out risks are therefore very low, even if trade relations with Russia were to break down, the French economy is impacted by the repercussions of the conflict on prices.

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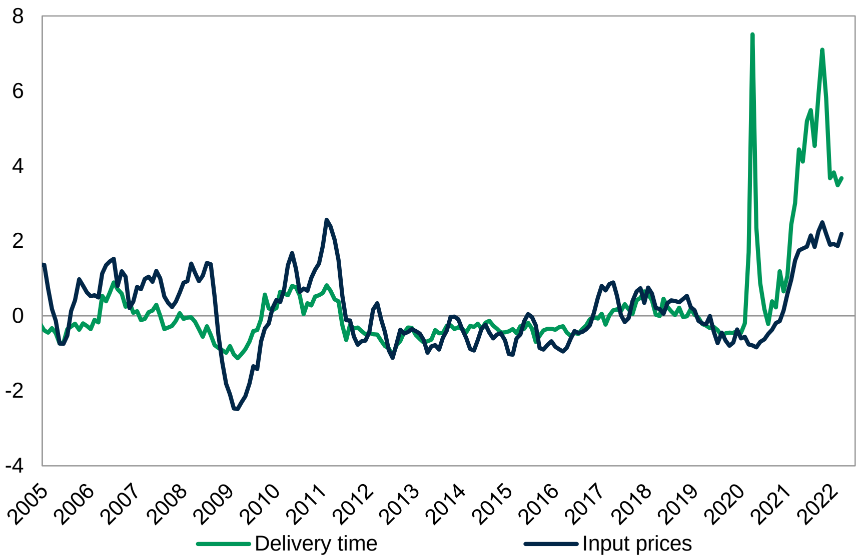
# FOCUS – INFLATION INCREASES FURTHER, DRIVEN BY ENERGY

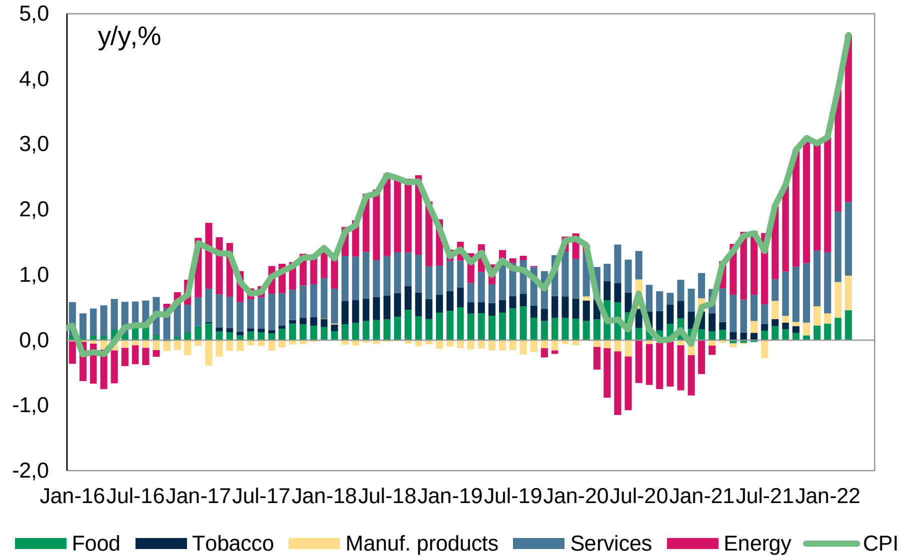
## SUPPLY CONSTRAINTS AND COMMODITY PRICES

### Pressure on production costs




*Sources: IHS Markit, Crédit Agricole SA / ECO*

### Inflation and contributions




*Sources: Insee, Crédit Agricole SA/ ECO*

In 2021, the recovery in demand in Western countries was hit by supply constraints on the part of exporting countries and global value-chain tensions, serving to drive inflation upwards. These pressures on commodity and intermediate prices have been heightened in Europe by the conflict in Ukraine. After stabilising for a few months, net opinion on intermediate consumer prices and supply periods is expected to increase again in business climate surveys in the coming months. Russia is a major exporter of hydrocarbons as well as metals necessary for industrial activity and chemicals (fertilisers) used in agriculture.

France may be less directly dependent on Russian oil exports than Germany and Italy, but because oil and natural gas prices are international they also affect French consumers. Energy, which accounted for only 8.9% of the household consumption basket in 2022, contributed 55% to inflation, which reached 4.5% year-on-year in March. In addition, the rise in commodity prices will be passed on in part to the prices of goods and services in the coming months.

Inflation could peak at close to 5% in third-quarter 2022 and average 4.2% for the year. Under certain assumptions, for example if Brent oil prices were to stabilise between $100 and $110, inflation would slow, averaging just 2.5% in 2023. These forecasts remain subject to numerous uncertainties.

# FOCUS – INFLATION INCREASES FURTHER, DRIVEN BY ENERGY

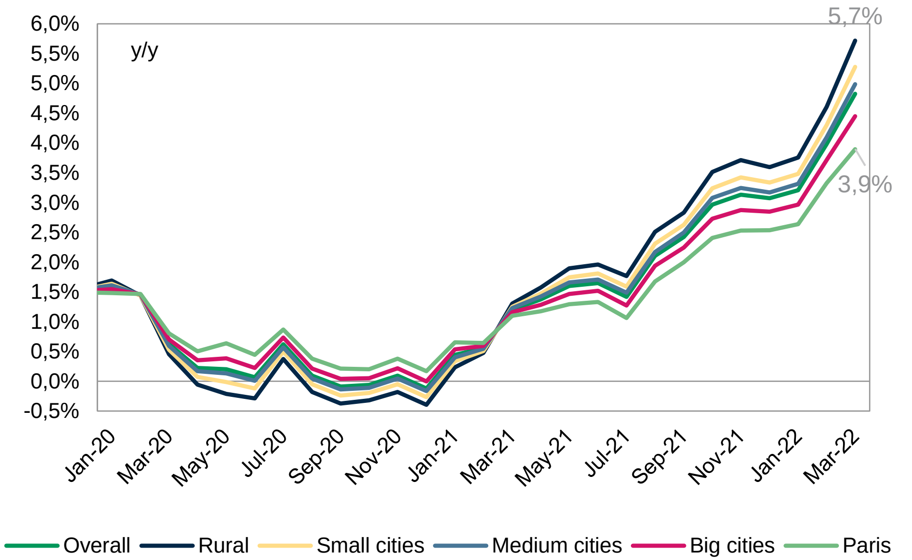
## INFLATION: INFLATION INEQUALITY AND FISCAL BUFFERS

### Consumption by town of residence

| % | Food (inc. Tobacco) | Manufactured goods | Energy | Services |
|---|---|---|---|---|
| Overall | 19,0 | 25,5 | 9,0 | 46,6 |
| Rural | 20,3 | 27,6 | 12,1 | 40,0 |
| Small cities (< 20 000 inhab.) | 19,6 | 26,9 | 10,6 | 42,9 |
| Medium cities (20 000 to 100 000 inhab.) | 19,0 | 25,2 | 9,6 | 46,2 |
| Big cities (> 100 000 inhab.) | 18,7 | 24,9 | 7,7 | 48,7 |
| Paris | 17,3 | 22,8 | 5,7 | 54,2 |

*Sources: Insee-Enquête Budget de Famille 2017, Crédit Agricole SA ECO.*

### Inflation by town of residence




*Source : Crédit Agricole SA ECO*

The Consumer Price Index (CPI) represents the average household consumption basket of goods and services. But consumption patterns diverge substantially between households depending on where they live and their social and occupational standing. Specifically, the share of energy in consumption baskets differs sharply between city dwellers and rural populations. As discussed above, the increase in energy prices is currently the number-one contribution to inflation, with actual inflation in March ranging from 3.9% year-on-year for a Parisian to 5.7% for the inhabitant of a rural town (using the weightings of 2017, the year of the most recent Family Budget survey by the National Institute of Statistics and Economic Studies, INSEE).

To limit inequalities as energy prices rise and contain the possible emergence of social protests – the rise in fuel prices having caused the "yellow vest" crisis in 2018 – the government has introduced a "tariff shield". Gas prices have been frozen since October and are expected to remain so until the end of 2022, while the increase in regulated electricity prices was limited to 4% in February and these prices have also been frozen since then. Following the outbreak of the war in Ukraine, the resilience plan was strengthened by a €0.15 reduction per litre of fuel and by targeted measures for energy-intensive companies. The resilience plan is expected to cost public finances around €30 billion overall in 2022. The plan will reduce the inflation rate by 2 points compared with the level it would have reached in the absence of these measures.

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