

20th december 2022

Quarterly business survey

of inflation expectations • 4th quarter 2022

Business leaders expect the rate of inflation to remain at 3% over the three to five year horizon

Business perception and expectations of inflation in France (consumer prices)

Our quarterly survey of inflation expectations (here defined as the increase in the consumer prices index – CPI), which is a module of the Banque de France’s Business Survey, was carried out from 28 November to 5 December. In the fourth quarter of 2022, median inflation as perceived by business leaders came to 6.5%, or a little above the CPI measured by INSEE for November (6.2%). Their one-year inflation expectations stand at 6.0%, while their medium-term expectations – three to five years ahead – are significantly lower, at 3.0%.

Table 1: Business perceptions and expectations of the annual inflation rate (median, %)

	2022-Q1	2022-Q2	2022-Q3	2022-Q4
Current Perceived Inflation	3.5	5.0	6.0	6.5
1-year forward inflation expectation	4.0	5.0	5.0	6.0
3-5 year forward inflation expectations	2.5	3.0	3.0	3.0

In the fourth quarter of 2022, the medians of perceived and expected one-year inflation increased by 0.5 percentage point (pp) and 1 pp respectively over the quarter. In the medium term (3-5 years) the median has been stable for 3 quarters. Responses predicting the highest 3-5 year inflation rates declined in the fourth quarter.

Chart 1: Change in annual inflation rate perceptions and expectations (median, %)

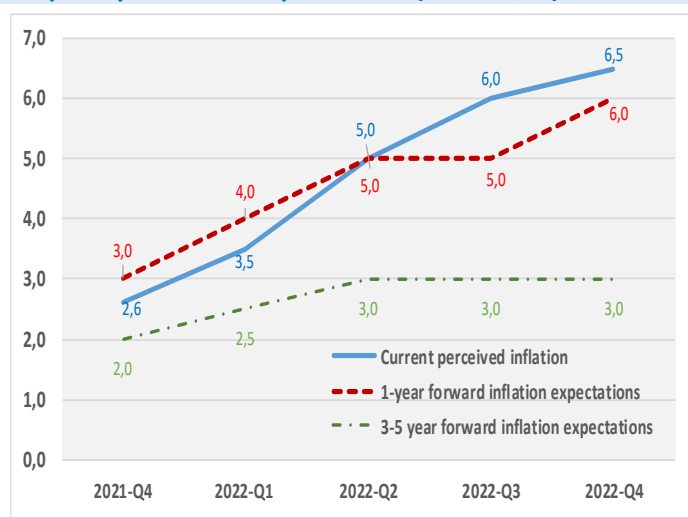
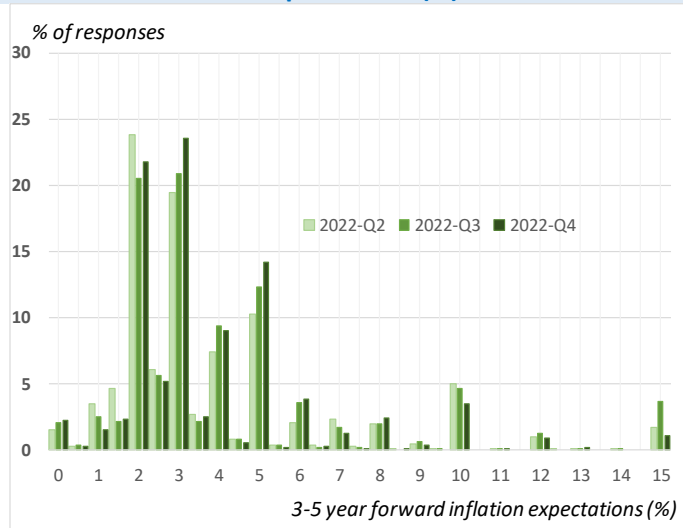


Chart 2: Distribution of three to five-year inflation expectations (%)

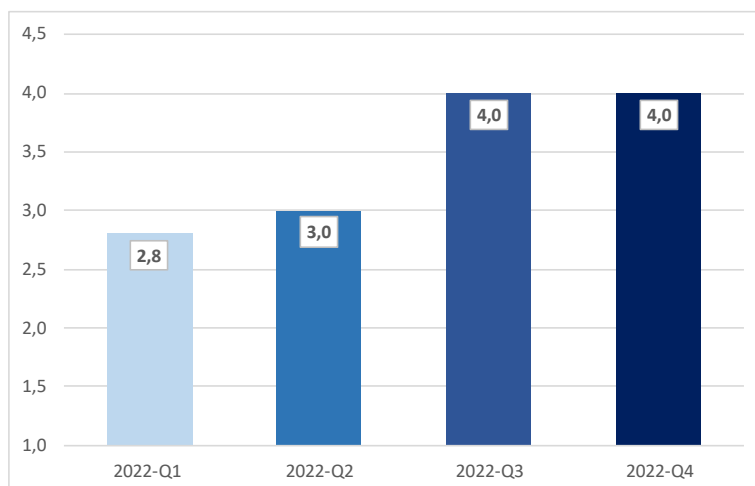




Base wage growth expected by business leaders

While business leaders anticipate an increase in consumer prices of 6.0% over the coming 12 months, they expect basic wage growth in their firms of 4.0% over the same period. This expectation is stable compared to the previous quarter.

Chart 3: Change in one-year basic wage expectation (median, %)



Methodology

This survey was carried out between 28 November to 5 December on a representative sample of 1,700 business leaders. The survey covers three major market sectors of the economy and firms of all sizes from every region of metropolitan France. The opinions of business leaders are obtained by telephone during the monthly interview conducted for the Monthly Business Survey and each business leader is questioned only once a year with regard to this module. Business leaders are asked four questions:

- 1 - As a percentage, what, in your opinion, is the actual rate of inflation in France?
- 2 - As a percentage, what, in your opinion, will the rate of inflation be in one year in France?
- 3 - As a percentage, what, in your opinion, will the rate of inflation be in three to five years in France?
- 4 - As a percentage, how, in your opinion, will the base wage (before tax, excluding bonuses) change in your firm over the coming 12 months?

Note that the base wage corresponds to gross salary before the deduction of social security contributions and payment of social security benefits. Bonuses and overtime are not included.

The data are trimmed at the 99th centile. To calculate the results, the replies are weighted based on the average number of employees and the relative importance of each firm within its sector, then by the respective weights of the professional branches in terms of value added at the aggregate level.

