



19h March 2024

Quarterly business survey of inflation expectations • 1st quarter 2024

Business leaders' one-year inflation expectations fell to 3% and 3-5 year inflation expectations remained at 2.5%

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 February to 5 March. In the first quarter of 2024, median inflation as perceived by business leaders was 4%, i.e. higher than the consumer price index (CPI) (3% in February) and the harmonised index (HICP) (3.2% in February). Their median one-year inflation expectations came out at 3%, while their medium-term expectations – three to five years ahead – stood at 2.5%.

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

	2023-Q2	2023-Q3	2023-Q4	2024-Q1
Current Perceived Inflation	6.0	5.0	5.0	4.0
1-year forward inflation expectation	4.0	4.0	3.5	3.0
3-5 year forward inflation expectations	3.0	2.5	2.5	2.5

In the first quarter of 2024, the medians of perceived and expected one-year inflation decreased by 1 percentage point (pp) and 0.5 pp respectively. Medium-term expectations of inflation – three to five years ahead – were stable at 2.5 %. For three consecutive quarters, the distribution of responses has shifted towards lower expectations: in the first quarter of 2024, 49% of responses anticipated inflation of less than or equal to 2% (up 5 pp on the previous quarter).

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

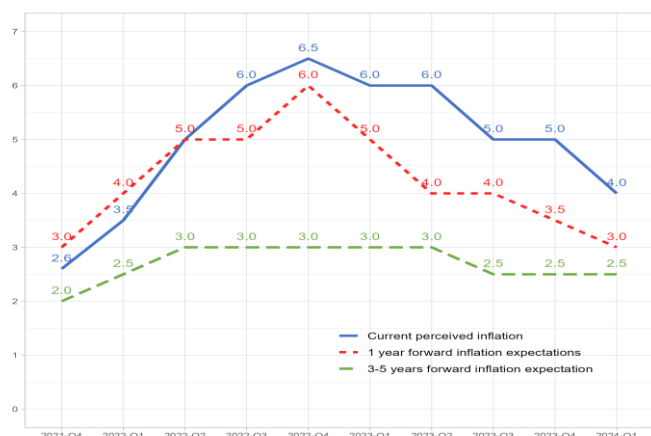
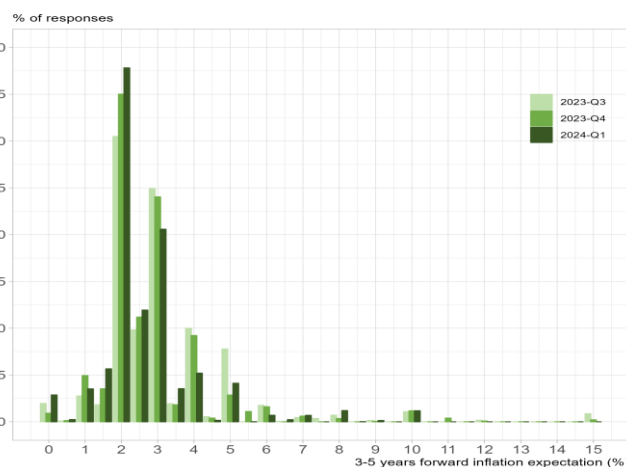


Chart 2: Distribution of three to five-year inflation expectations (%)





Base wage growth expected by business leaders

Business leaders anticipated basic wages in their companies to grow by 3% (median), down 5 pp over the quarter. The share of respondents anticipating wage increases of greater than or equal to 4% declined (27% compared with 38% in the previous quarter).

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

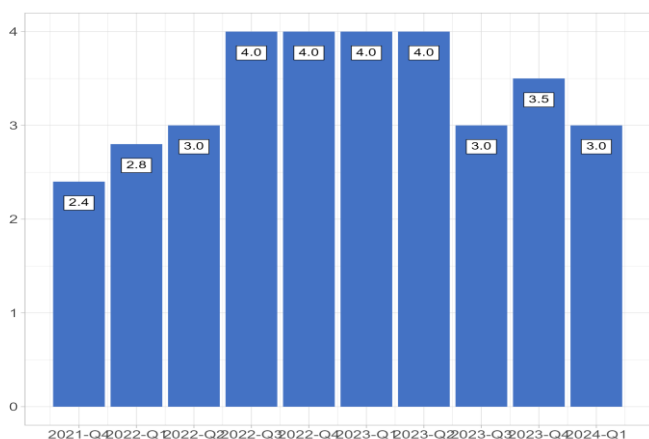
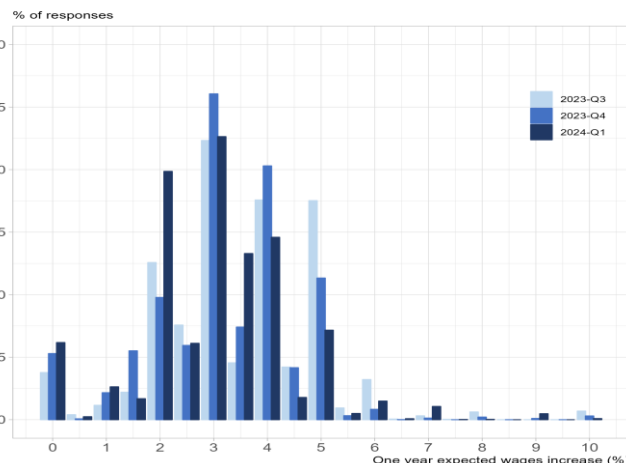


Chart 4: Distribution of one-year expectations of base wage increases (%)



Methodology

This survey was carried out between 28 February to 5 March 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.

