

19h June 2024

Quarterly business survey of inflation expectations • 2nd quarter 2024

Business leaders' one-year inflation expectations fell to 2.5% and their 3-5 year inflation expectations to 2%

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 **29 May to 5 June**. In the second quarter of 2024, median inflation as perceived by business leaders was 3%, i.e. higher than the consumer price index (CPI) (2.3% in May) and slightly above the harmonised index (HICP) (2.6% in May). Their median one-year and medium-term (3-5 years) expectations were 2.5% and 2% respectively.

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

	2023-Q3	2023-Q4	2024-Q1	2024-Q2
Current Perceived Inflation	5.0	5.0	4.0	3.0
1-year forward inflation expectation	4.0	3.5	3.0	2.5
3-5 year forward inflation expectations	2.5	2.5	2.5	2.0

In the second quarter of 2024, the median of perceived inflation was down by 1 percentage point (pp) compared to the previous quarter, and expected one-year inflation fell by 0.5 pp. Median medium-term inflation expectations (3-5 years), also down by 0.5 pp, returned to 2% for the first time since the end of 2021: the "2%" option accounted for 46% of business leaders' responses in the second quarter (up 8 pp on the first quarter).

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

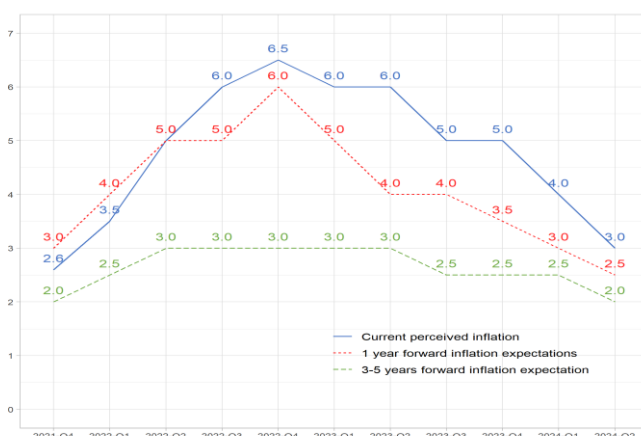
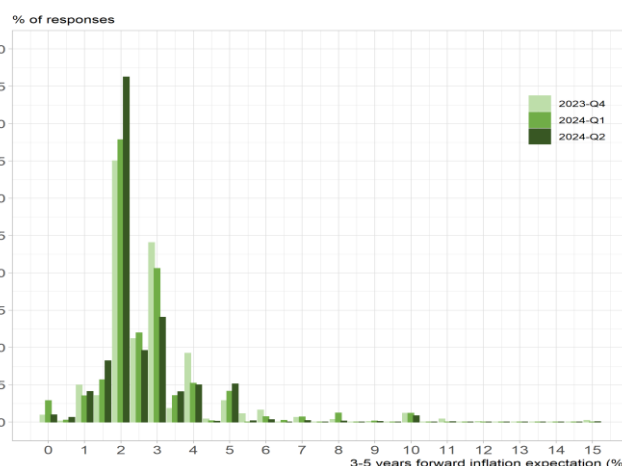


Chart 2: Distribution of three to five-year inflation expectations (%)





Stable base wage growth expected by business leaders

Business leaders expect base wages in their firms to grow by a median of 3% over the next year. This expectation is stable compared to the previous quarter, but the share of respondents expecting a wage increase of greater than or equal to 4% is down 7 pp in the second quarter (38% compared to 45% in the previous quarter).

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

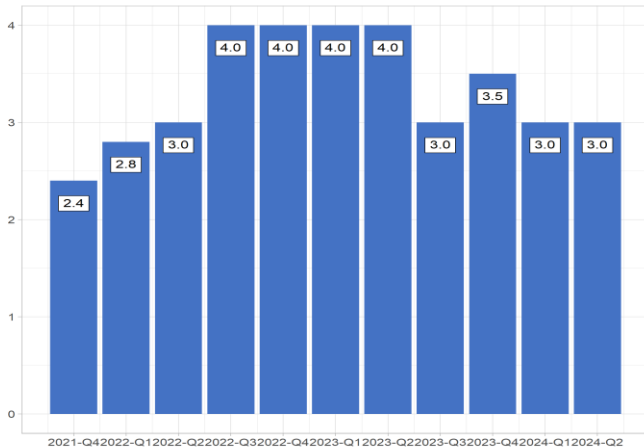
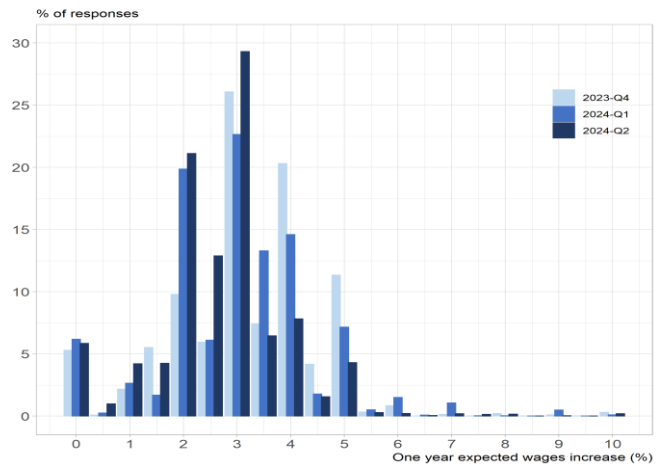


Chart 4 : Distribution of one-year expectations of base wage increases (%)



Methodology

This survey was carried out between 29 May and 5 June 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.

