



19h September 2024

## Quarterly business survey of inflation expectations • 3rd quarter 2024

### Business leaders' 3-5 year inflation expectations remained stable at 2%, in line with the price stability target

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

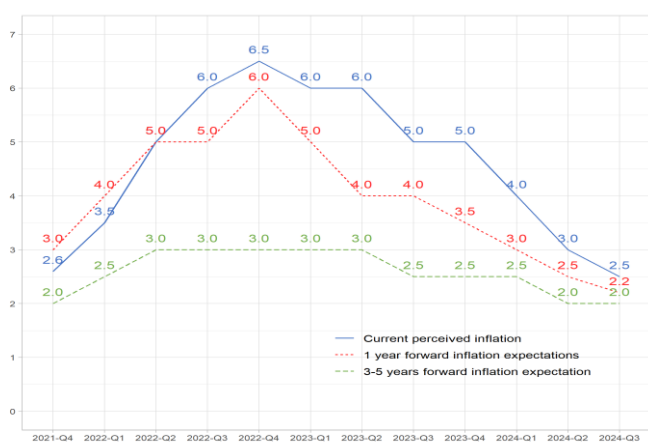
Our quarterly survey of inflation expectations (here defined as the increase in the consumer prices index – CPI), which is a module of the Banque de France’s Business Survey, was carried out from 28 August to 4 September. In the third quarter of 2024, median inflation as perceived by business leaders was 2.5%, i.e. higher than the consumer price index (CPI) (1.8% in August) and slightly above the harmonised index (HICP) (2.2% in August). Their median one-year and medium-term (3-5 years) expectations were 2.5% and 2% respectively, in line with the objective of price stability.

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

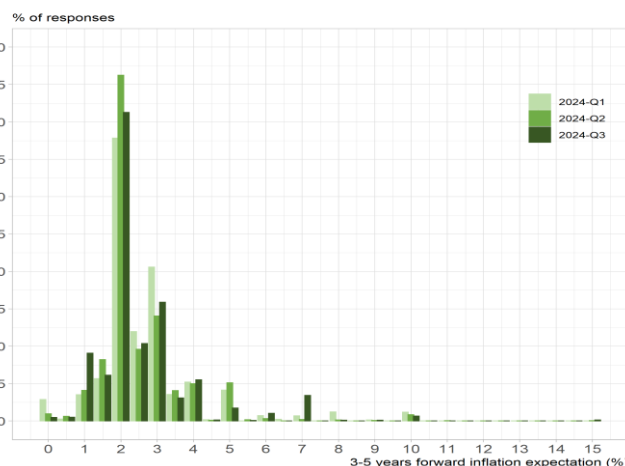
	2023-Q4	2024-Q1	2024-Q2	2024-Q3
Current Perceived Inflation	5.0	4.0	3.0	2.5
1-year forward inflation expectation	3.5	3.0	2.5	2.2
3-5 year forward inflation expectations	2.5	2.5	2.0	2.0

In the third quarter of 2024, median perceived inflation and 1-year inflation expectations were down by 0.5 and 0.3 percentage points (pp) respectively, compared with the previous quarter. They are now at their lowest level since the origin of this survey (Q4 2021). The median for medium-term inflation (3-5 years) is stable at 2%, with the distribution of responses shifting very slightly towards lower inflation: in the third quarter, inflation modalities below 2% rose by 2 pp (16% vs. 14% in the second quarter), while modalities between 2% and 3% included fell by the same magnitude (68% vs. 70%).

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



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

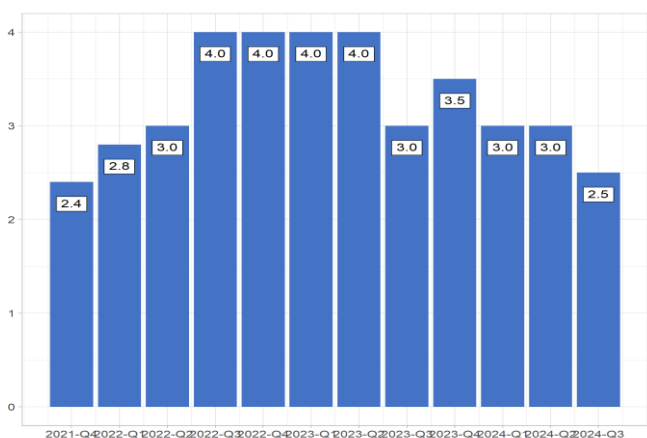




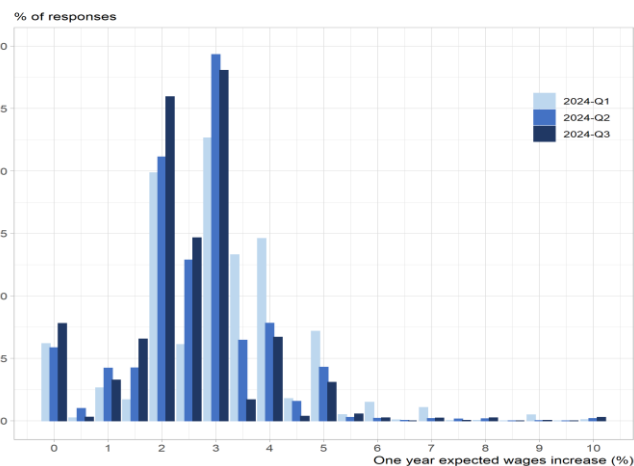
## Base wage growth expected by business leaders

Business leaders expect basic salaries in their companies to rise by a median of 2.5% over the next year, down 0.5 pp compared to the previous quarter. In the third quarter, the “3%” response was still the most frequently given (28%), but the percentage anticipating a wage increase of 2.5% or less was up 9 pp (58% vs. 49% 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 August to 4 September 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.

