



20th December 2023

## Quarterly business survey of inflation expectations • 4th quarter 2023

**Business leaders expect the rate of inflation to fall to 3.5% at a one-year horizon. Their expectations were stable at a median of 2.5% for the 3-5 year horizon, but are now becoming more concentrated at 2%.**

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

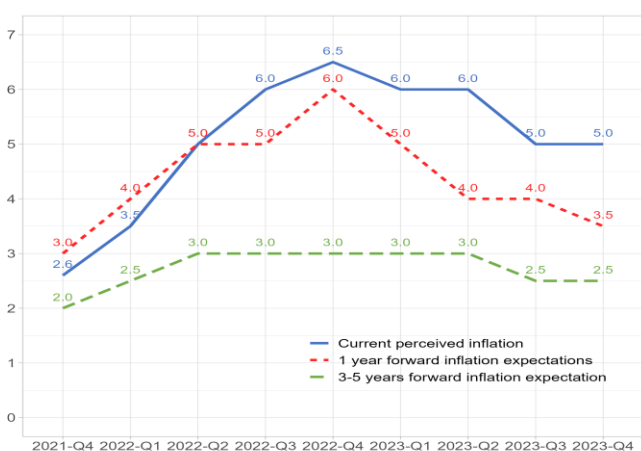
Our quarterly survey of inflation expectations (here defined as the increase in the consumer prices index – CPI), which is a module of the Banque de France’s Business Survey, was carried out from 28 November to 5 December. In the fourth quarter of 2023, the median inflation rate perceived by business leaders stood at 5%, i.e. above the consumer price index ([CPI](#)) (3.5% in November) and the harmonised index ([HICP](#)) (3.9% in November). Their median one-year expectations came to 3.5%, and their medium-term expectations (3 to 5 years) to 2.5%.

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

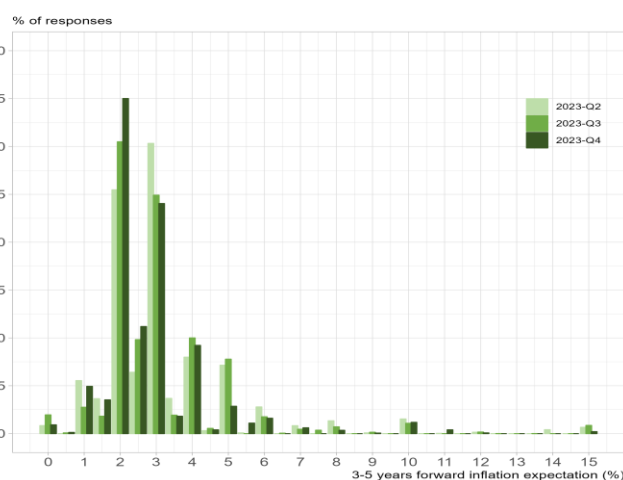
	2023-Q1	2023-Q2	2023-Q3	2023-Q4
Current Perceived Inflation	6.0	6.0	5.0	5.0
1-year forward inflation expectation	5.0	4.0	4.0	3.5
3-5 year forward inflation expectations	3.0	3.0	2.5	2.5

In the fourth quarter of 2023, median perceived inflation was stable compared with the previous quarter, while one-year inflation expectations fell by 0.5 percentage point (pp) to their lowest level since the fourth quarter of 2021 (3%). The median medium-term (3-5 years) inflation rate was stable at 2.5%, but the distribution of responses shifted towards a lower rate. In the fourth quarter, there was an increase in all categories with an inflation rate of 2.5% or below. The "2%" inflation rate category accounted for 35% of responses (up 5 pp on the third quarter).

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



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

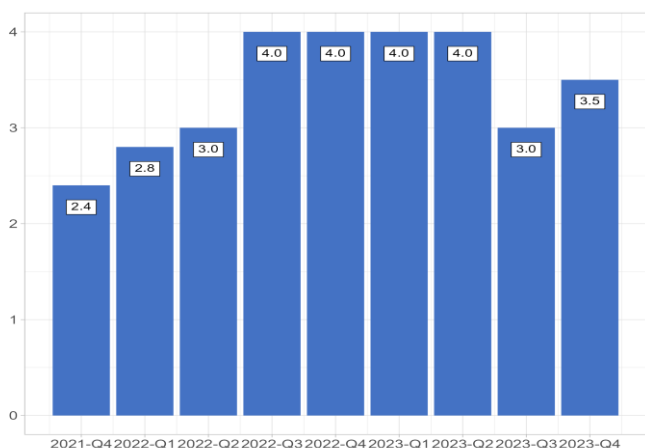




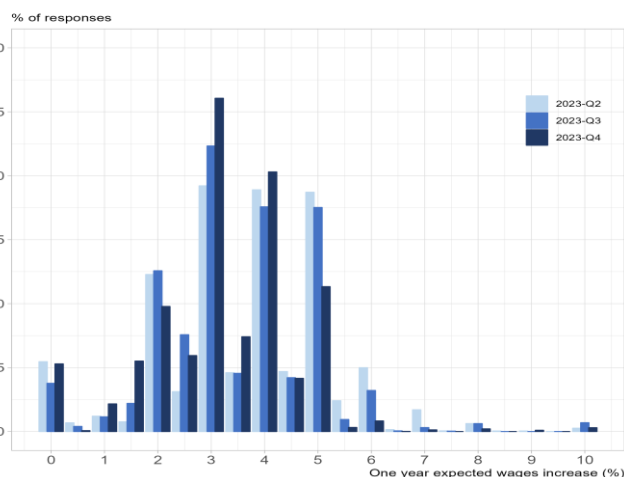
## Base wage growth expected by business leaders

Business leaders expect base wages in their companies to rise by a median of 3.5% at the one-year horizon, an increase of 0.5 pp on the median expectations of the previous quarter, but still lower than those observed between mid-2022 and mid-2023. Responses anticipating wage increases of between 3% and 4% account for 54% of the distribution and rose by 9 pp over the quarter, while the share of those expecting an increase of more than 4% fell by 10 pp.

**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 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.

