



23th june 2022

Quarterly business survey of inflation expectations • 2nd quarter 2022

Business leaders expect the rate of inflation to be at 5% in one year but to fall back to 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 new module of the Banque de France’s Business Survey, was carried out from 27 May to 8 June. In the second quarter of 2022, median inflation as perceived by business leaders is 5%, close to actual CPI. The median of their one-year inflation expectations is 5.0%, while their medium-term expectations – three to five years ahead – are significantly lower (median inflation of 3.0%).

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

	Q4 2021	Q1 2022	Q2 2022	
Median	Current Perceived Inflation	2,6	3,5	5,0
	1-year forward inflation expectation	3,0	4,0	5,0
	3-5 year forward inflation expectations	2,0	2,5	3,0
	Q4 2021	Q1 2022	Q2 2022	
Average	Current Perceived Inflation	3,0	3,7	5,4
	1-year forward inflation expectation	3,4	4,5	5,7
	3-5 year forward inflation expectations	2,7	3,6	3,5

The inflation expectations of the business leaders surveyed are up compared with the first quarter. While the median of perceived inflation rose by 1.5 percentage points, the medians of one-year and long-term inflation expectations also increased, but less strongly (up 1 percentage point and 0.5 percentage point, respectively). Business leaders most frequently cite 2% as their long-term inflation expectation, despite their opinions shifting very gradually towards slightly higher values.

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

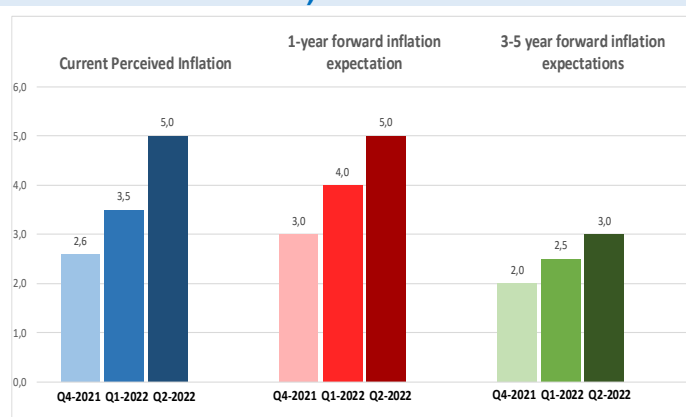
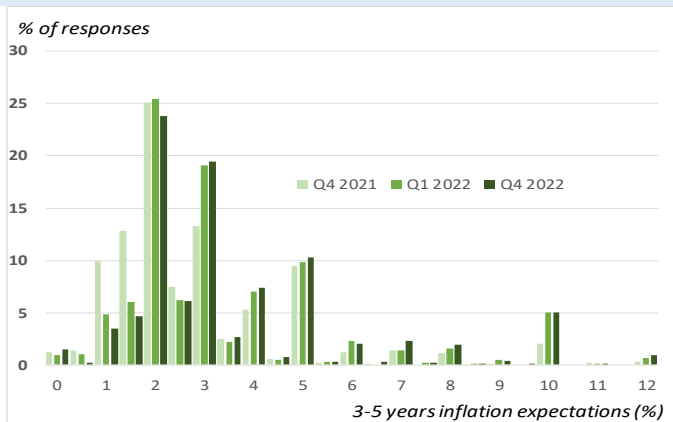


Chart 2: Distribution of three to five-year inflation expectations (%)





Basic wage growth expected by business leaders

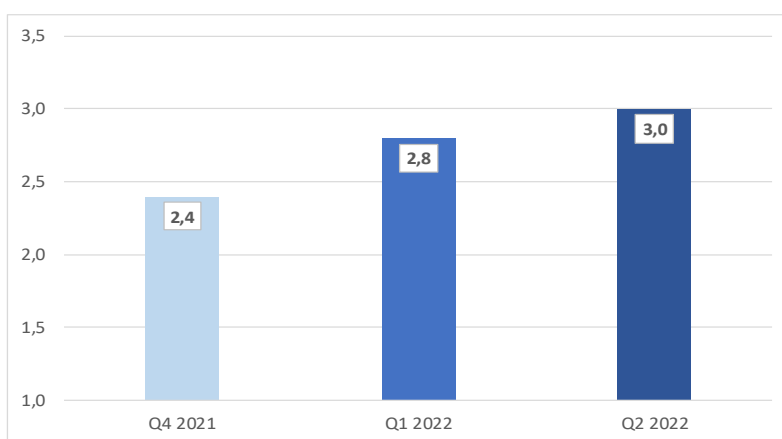
While business leaders anticipate an increase in consumer prices of 5.0% over the coming 12 months, they expect basic wage growth in their firms of 3.0% during the same period.

Table 2: Expected one-year basic wage growth (%)

	Q4 2021	Q1 2022	Q2 2022
Median	2,4	2,8	3,0
Average	2,6	2,8	3,5

The median of wage growth expectations rose very slightly compared to the first quarter (+0.2 pp).

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



Methodology

This survey was carried out between 27 May and 8 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 basic wage (before tax, excluding bonuses) change in your firm over the coming 12 months?

Note that the basic 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.

