

18th December 2024

Quarterly business survey of inflation expectations • 4th quarter 2024

Business leaders' inflation expectations converge towards 2% at the one-year horizon as well as at 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 module of the Banque de France's Business Survey, was carried out from 27 November to 4 December. In the fourth quarter of 2024, median inflation as perceived by business leaders was 2%, i.e. higher than the consumer price index (CPI) (1.3% in November) and slightly above the harmonised index (HICP) (1.7% in November). Their median one-year inflation expectations and their three-to-five year expectations both stood at 2%.

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

	2024-Q1	2024-Q2	2024-Q3	2024-Q4
Current Perceived Inflation	4.0	3.0	2.5	2.0
1-year forward inflation expectation	3.0	2.5	2.1	2.0
3-5 year forward inflation expectations	2.5	2.0	2.0	2.0

In the fourth quarter of 2024, median perceived inflation and expected one-year inflation declined by 0.5 percentage point (pp) and 0.1 pp respectively quarter-on-quarter. Median medium-term inflation expectations (3-5 years) were stable at 2%, although the distribution of responses shifted slightly towards lower expectations. The "2%" option accounted for 44% of business leaders' responses in the fourth quarter (up 3 pp quarter-on-quarter), while the below 2% options rose by 6 pp (22% in the fourth quarter compared with 16% in the previous quarter).

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

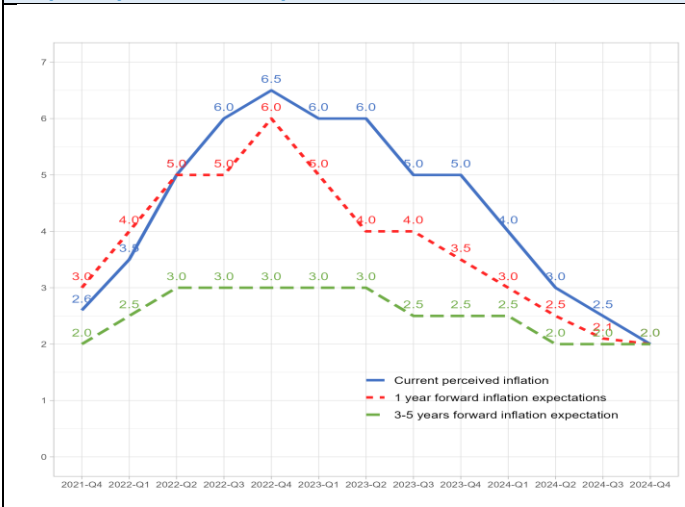
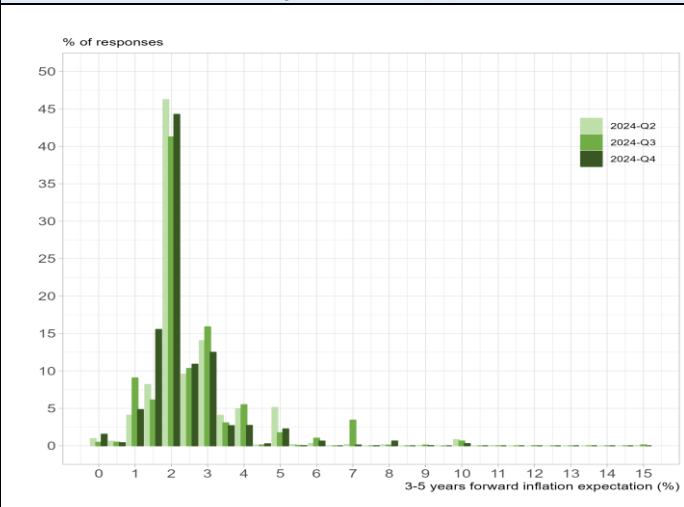
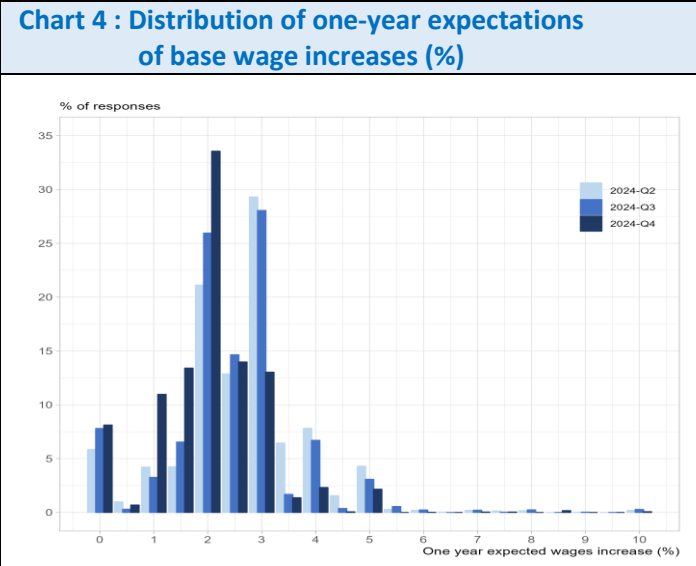
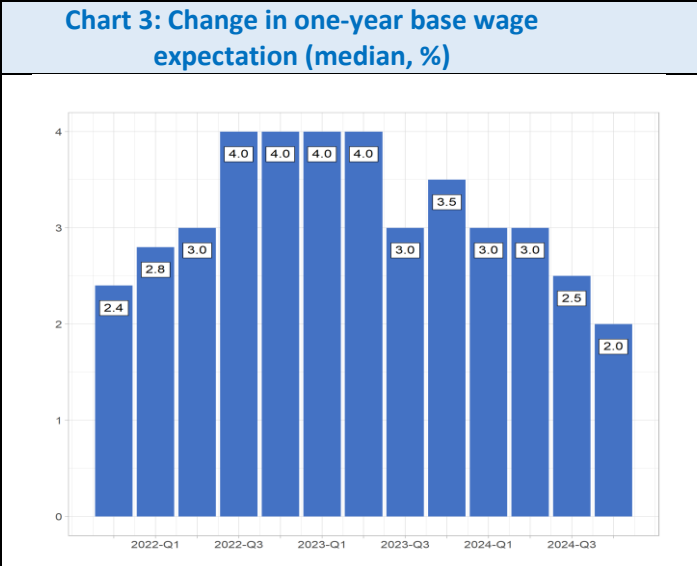


Chart 2: Distribution of three to five-year inflation expectations (%)



Base wage growth expected by business leaders

Business leaders expect base wages in their firms to grow by a median of 2% over the next year, down 0.5 pp quarter-on-quarter. The overall distribution shifted towards lower expectations: 3%-or-more wage increase options accounted for 19% of responses, down 22 pp over the quarter (41% in the third quarter).



Methodology

This survey was carried out between 27 November to 4 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.

