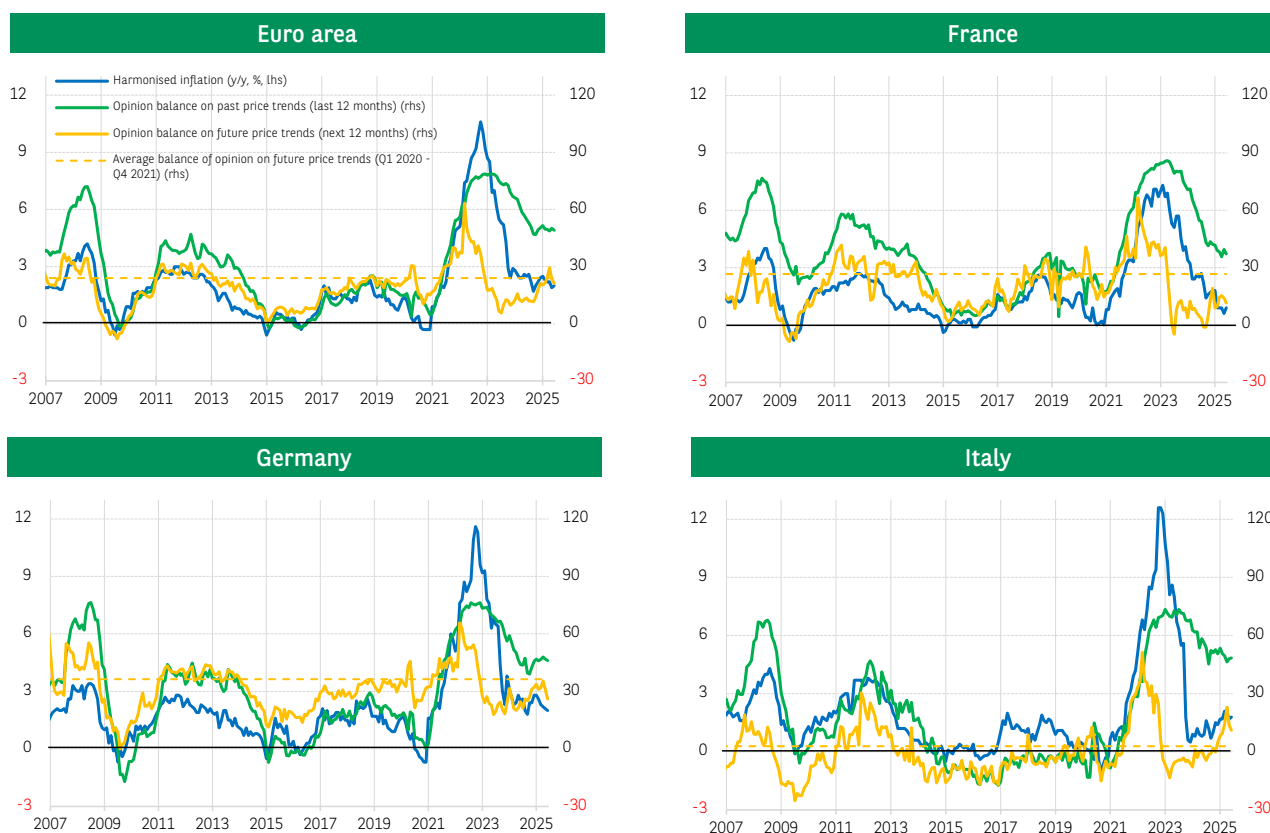


## Good news for the ECB: household inflation expectations have returned to normal



A POSITIVE BALANCE OF OPINION ON PAST PRICE TRENDS MEANS THAT THE NUMBER OF CONSUMERS WHO HAVE PERCEIVED AN INCREASE IN PRICES (MODERATE OR LARGE) OVER THE PAST 12 MONTHS IS GREATER THAN THE NUMBER WHO HAVE PERCEIVED A DECREASE OR STABILISATION IN PRICES. A POSITIVE BALANCE OF OPINION ON FUTURE PRICE TRENDS MEANS THAT THE NUMBER OF CONSUMERS ANTICIPATING A CONTINUATION OF PRICE INCREASES AT THE SAME RATE, OR FASTER OVER THE NEXT 12 MONTHS COMPARED TO THE LAST 12 MONTHS, IS HIGHER THAN THE NUMBER OF THOSE ANTICIPATING STABILISATION OR A SLOWDOWN. N.B.: THIS AGGREGATION METHOD DOES NOT TAKE INTO ACCOUNT TWO TYPES OF RESPONSES: (1) CONSUMERS WHO HAVE PERCEIVED A SLIGHT INCREASE IN PRICES (IN THE CASE OF THE BALANCE OF OPINION ON PAST PRICE DEVELOPMENTS) OR WHO ANTICIPATE A SLOWER RATE OF PRICE INCREASES (IN THE CASE OF THE BALANCE OF OPINION ON FUTURE PRICE DEVELOPMENTS), AND (2) CONSUMERS WHO RESPONDED 'DON'T KNOW'.

SOURCE: EUROSTAT, EUROPEAN COMMISSION, BNP PARIBAS

Despite the slowdown in inflation and the increase in household purchasing power (measured by real gross disposable income<sup>1</sup>), private consumption in the Eurozone remains weak compared to the pre-Covid period. This sluggishness can be explained by the gap between harmonised inflation and households' perception of price trends. Recent developments in inflation and households' opinions on past price trends show a more marked divergence than before. Since early 2025, the associated opinion balances have not moderated much. This reflects the persistence of inflation in households' perceptions despite the observed slowdown. Households probably still have in mind (at least in part) the cumulative increase over the entire inflationary episode, rather than that over the last 12 months.

However, perceptions of future price developments are more in line with the current level of inflation; with the exception of Italy, they are once again close to their pre-inflationary crisis average. This is a positive sign for the ECB, as better anchoring of inflation expectations gives its monetary policy greater credibility.

France stands out: for the past 10 months, it has returned to low inflation, comparable to that seen before the Covid-19 pandemic. Paradoxically, French households' confidence in past price developments has not improved, despite a significant increase in their purchasing power, measured by real gross disposable income, since Q4 2020. This has led to a stronger increase in their savings rate (+3.5 points since Q4 2019 compared to +2.8 in the Eurozone). However, as in other countries, French households' expectations have returned to normal (and even slightly below).

<sup>1</sup> See Lucie Barette and Hélène Baudchon, '[Has households' purchasing power returned to its pre-inflation level?](#)', Chart of the Week, January 2025.

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