

# BIE | September 2013



## Atlanta Fed Survey of Business Inflation Expectations

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The year-ahead inflation expectations of businesses **were 1.9 percent in September**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted September 9-13 with 206 firms responding to questions about their business conditions, inflation outlook, and potential pricing pressures. The results are summarized below.

### Year-ahead inflation expectations and current conditions

Respondents indicated that, on average, they expect unit costs to rise 1.9 percent over the next 12 months, roughly in line with the recent year-ahead inflation forecasts of private economists. Inflation uncertainty was virtually unchanged at 2.4 percent in September from 2.3 percent in August. Firms also report that, compared to this time last year, their unit costs are up 1.7 percent. Sales levels were little changed in September, with 52 percent of respondents now saying their current sales levels are at or above normal compared to 53 percent in August. Profit margins also changed only slightly, with 49 percent of respondents indicating their profit margins are at or above normal, compared to 45 percent in August.

### Quarterly question: Percent above/below normal unit sales levels

On average (weighted by industry share of GDP), respondents indicated that unit sales levels are approximately 5.6 percent below normal, a decline from the June measure of 4.3 percent below normal.

Large firms' (500 or more employees) and small firms' (less than 100 employees) mean unit sales gap went virtually unchanged at 2.5 percent and 7.4 percent below normal, respectively. However, midsize firms' (100-499 employees) unit sales level gap increased from 1.5 percent below normal in June to 6.6 percent below normal in September.

### Special question: Firm performance as indicator of expansion/recession

The special question asked respondents to indicate whether they felt that their firm's performance was a leading, lagging, or coincident indicator of overall economic recession or expansion.

The largest percentage of firms (42 percent) felt that their firm's performance was a lagging indicator of improvement in overall economic activity. With regard to economic recession, the largest percentage of firms felt that their firm's performance was either leading or lagging (each approximately 31 percent).

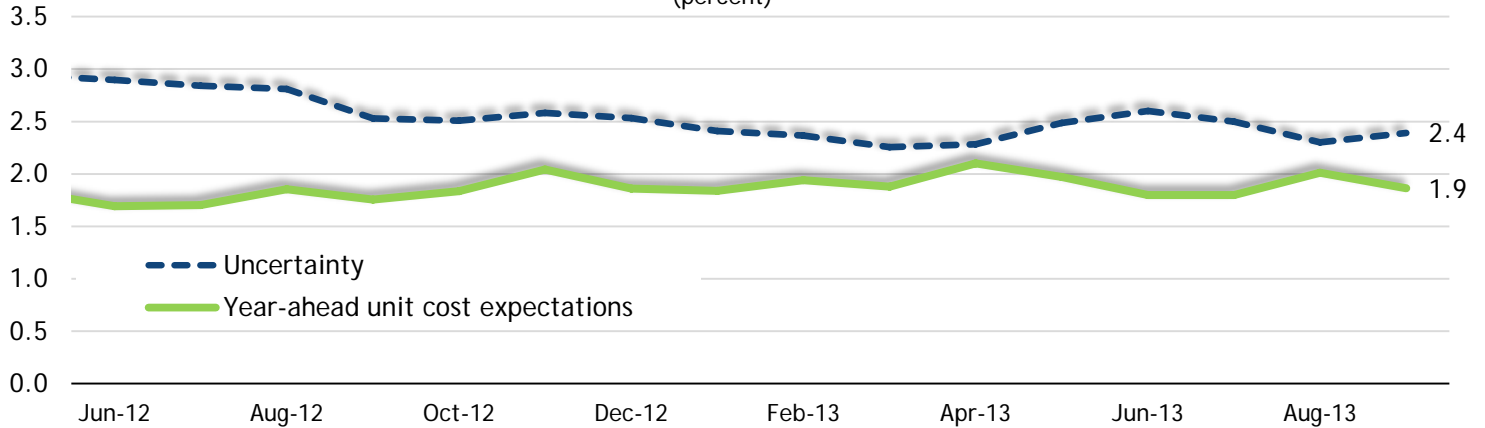
Please see page 3 for a breakdown of the results.



## Monthly Questions

### Year-Ahead Inflation Expectations and Uncertainty

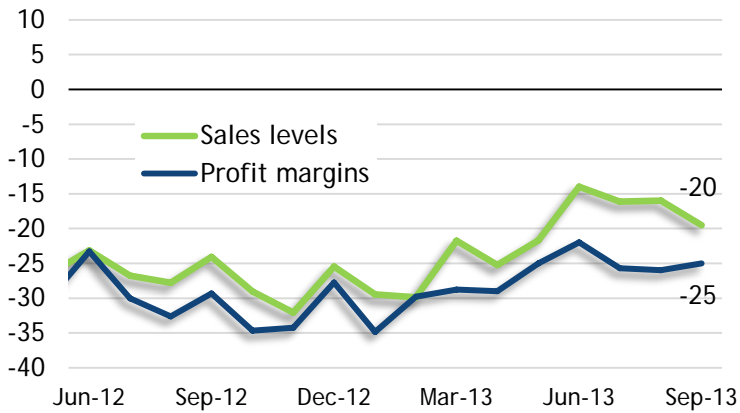
(percent)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

### Sales Levels and Profit Margins Compared to Normal Times

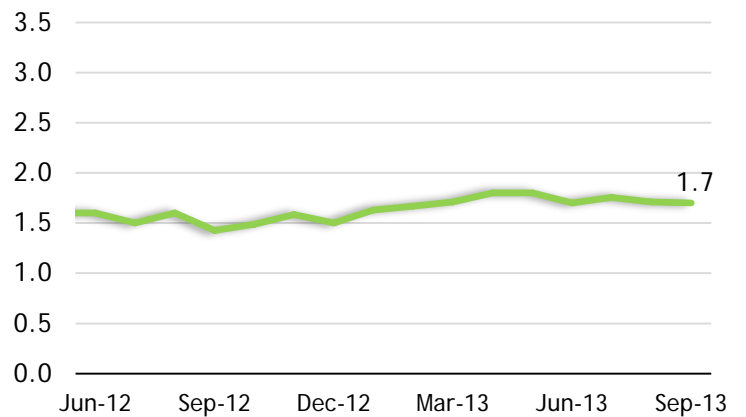
(diffusion index, 0+ = greater than normal times)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

### Year-over-Year Unit Costs

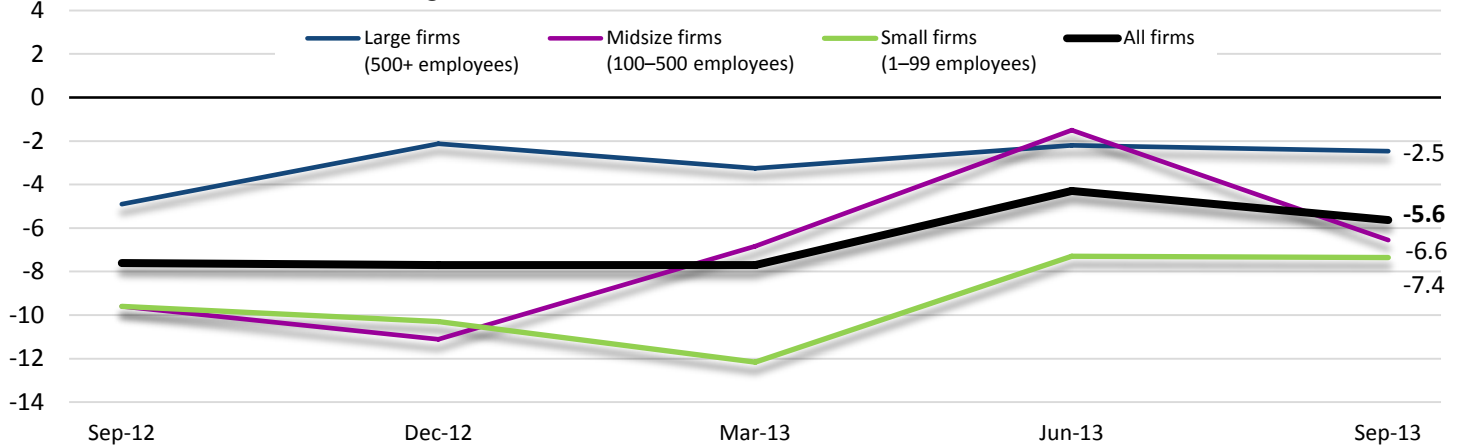
(percent)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Quarterly Question

### Average Percent Above/Below Normal Sales Levels

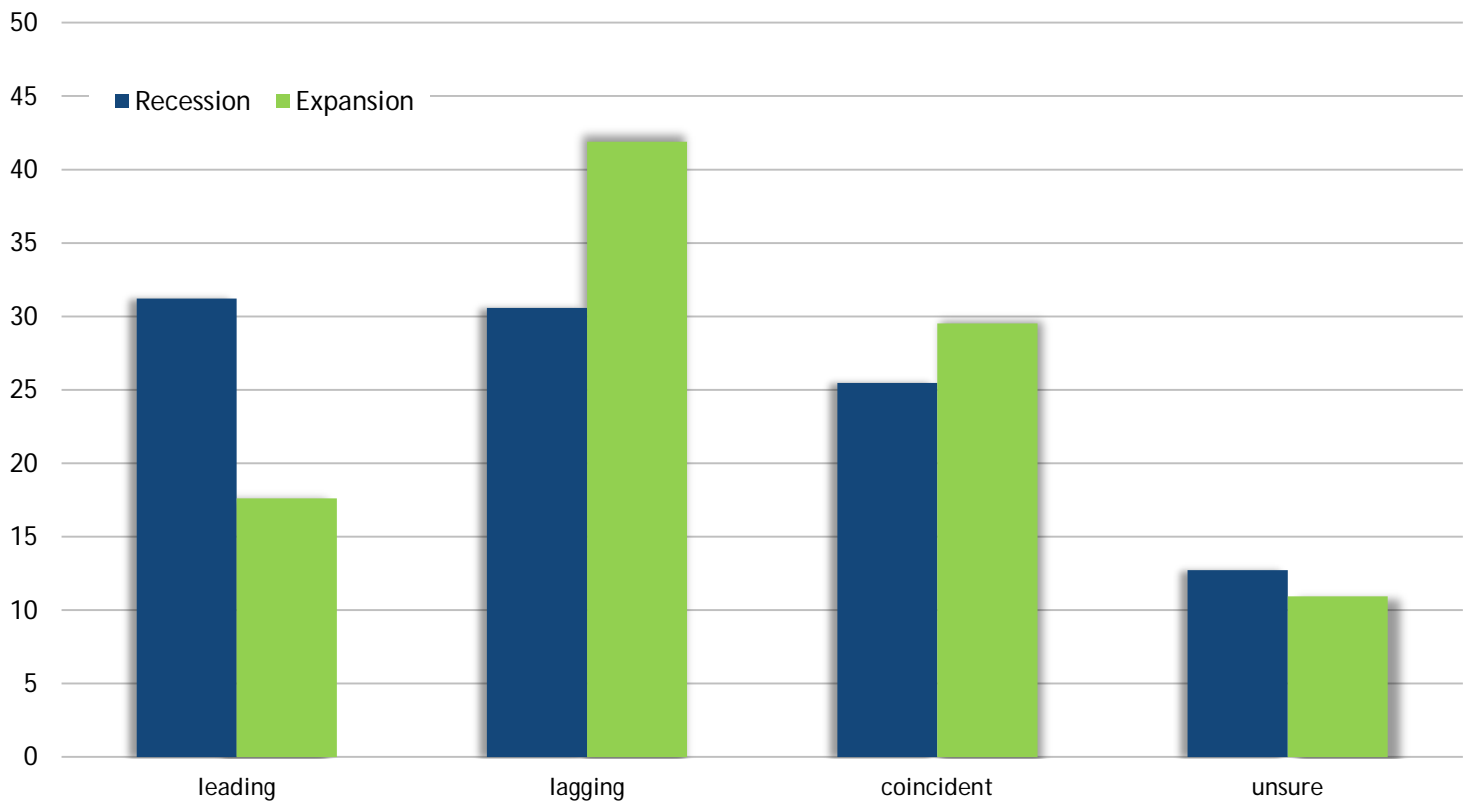


Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Special Question

### Firm Performance as Indicator of Recession/Expansion

percentage of responses



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

How do your SALES LEVELS compare with sales levels during what you consider to be "normal" times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
July	13%	37%	29%	21%	0%	-21
August	11%	36%	30%	20%	3%	-16
September	12%	36%	33%	18%	1%	-20

How do your current PROFIT MARGINS compare with "normal" times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
July	8%	46%	33%	13%	0%	-24
August	10%	45%	33%	10%	2%	-26
September	12%	39%	36%	13%	0%	-25

Looking back, how do your UNIT COSTS compare with this time last year?						
	Down (<-1%)	About unchanged (-1% to 1%)	Up somewhat (1.1% to 3%)	Up moderately (3.1% to 5%)	Up a lot (>5%)	Mean
July	5%	23%	58%	9%	5%	1.8%
August	6%	25%	51%	14%	4%	1.7%
September	5%	26%	55%	11%	4%	1.7%

Projecting ahead, to the best of your ability, please assign a percent likelihood to the following changes to unit costs over the next 12 months.						
	Down (<-1%)	About unchanged (-1% to 1%)	Up somewhat (1.1% to 3%)	Up moderately (3.1% to 5%)	Up a lot (>5%)	Mean (Variance)
July	7%	26%	42%	17%	8%	1.8% (2.5%)
August	5%	25%	42%	20%	8%	2.0% (2.3%)
September	6%	27%	41%	17%	8%	1.9% (2.4%)

Quarterly Question: By roughly what percent are your firm's sales levels above/below "normal," if at all?					
Firm size	Average percent above/below normal (number of responses)				
	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Small (1-99 employees)	-9.6% (92)	-10.3% (100)	-12.2% (91)	-7.3% (87)	-7.4 (92)
Midsized (100-499 employees)	-9.6% (43)	-11.1% (45)	-6.8% (42)	-1.5% (47)	-6.6 (48)
Large (500+ employees)	-4.9% (49)	-2.1% (52)	-3.3% (60)	-2.2% (56)	-2.5 (66)
All	-7.6% (184)	-7.7% (197)	-7.7% (193)	-4.3% (190)	-5.6 (206)

Note: Percentages may not sum to 100 due to rounding.

\*The diffusion index is calculated as an average response such that each response of much less is assigned a value of -100; somewhat less is assigned a value of -50; about normal, 0; somewhat greater, 50; and much greater, 100. Therefore, a positive index value implies that the indicator is greater, on average, and a negative index value implies that the indicator is lower, on average.