

# BIE | September 2014



## Atlanta Fed Survey of Business Inflation Expectations

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The year-ahead inflation expectations of businesses **were 2.1 percent in September**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted September 8-12 with 190 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 2.1 percent over the next 12 months. Inflation uncertainty was up slightly at 2.5 percent. Firms also report that, compared to this time last year, their unit costs are up 1.8 percent. Respondents' sales levels compared to what they consider "normal" conditions were virtually unchanged, with approximately 59 percent of respondents indicating current sales levels are at or above normal. Profit margins showed no improvement, with roughly 48 percent of respondents indicating their profit margins are at or above normal, compared to 47 percent in August.

### Quarterly question: Percent above/below normal sales levels\*

On average (weighed by industry share of GDP), respondents indicated their unit sales gap (percentage below normal unit sales) was approximately 3.6 percent below normal compared to 3.4 percent below normal in August.

On average, both large firms (500 or more employees) and small firms (fewer than 100 employees) indicated growth in their unit sales gaps, from 1.2 to 2.2 percent below normal and 6.1 to 7.6 percent below normal, respectively. Midsize firms' (100-499 employees) reported about "normal" conditions (a unit sales gap of -0.1 percent), on average.

### Special question: Year-ahead expected change in "prices...overall in the economy"

This question assessed firms' expectations regarding potential changes in "prices...overall in the economy." Firms' median year-ahead price change expectation was 3.0 percent.

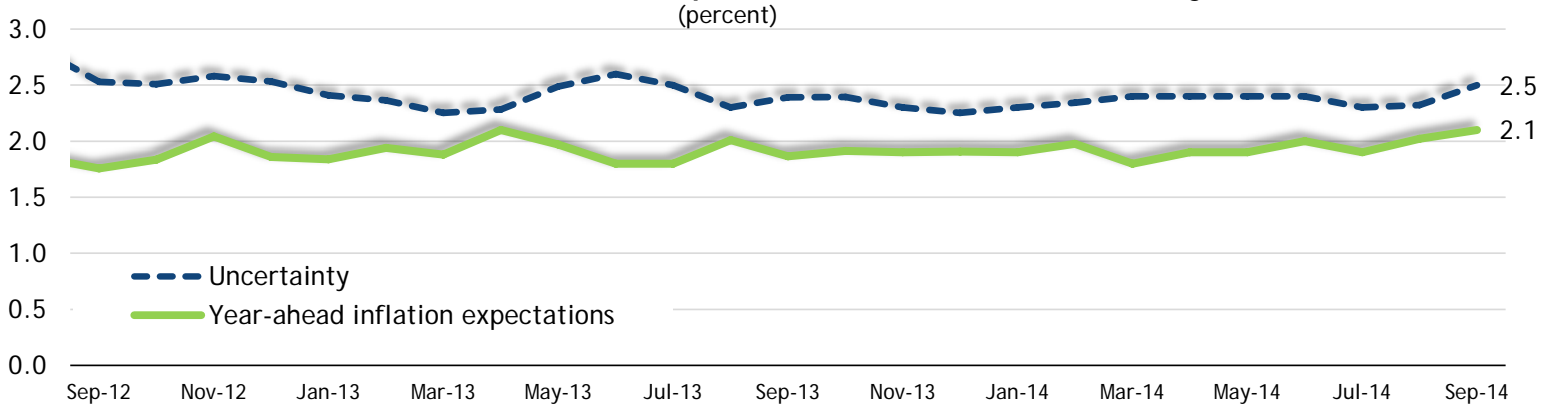
Please see page 3 for a breakdown of the results.

\*Note: Due to a programming error, the unit sales gap quarterly question was asked out of turn in August. It was asked again this month.



# Monthly Questions

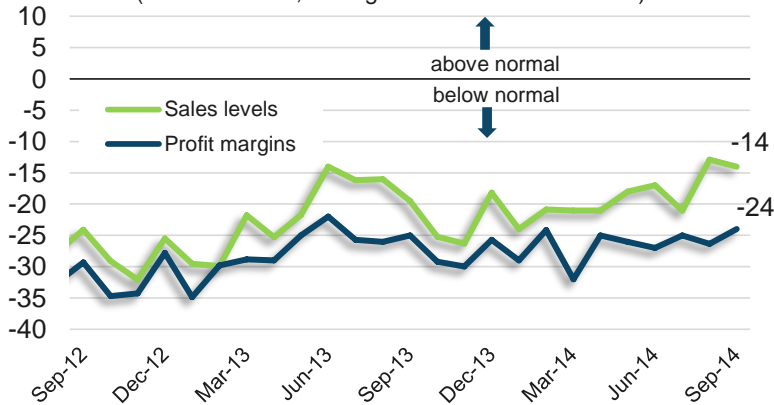
## Year-Ahead Inflation Expectations and Uncertainty



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Sales Levels and Profit Margins Compared to Normal Times

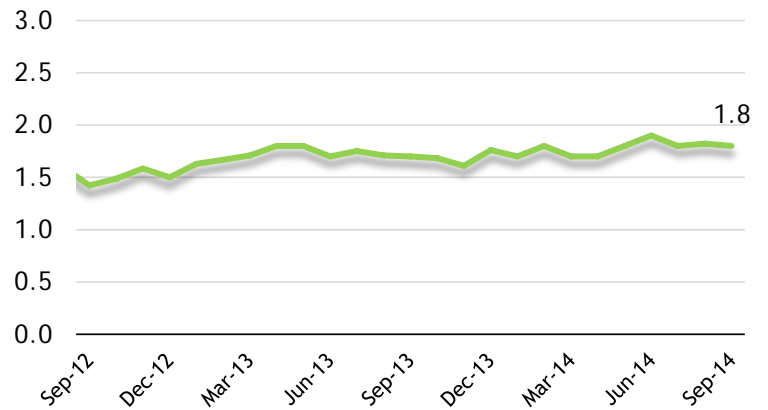
(diffusion index, 0+ = greater than normal times)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Year-over-Year Unit Cost Change

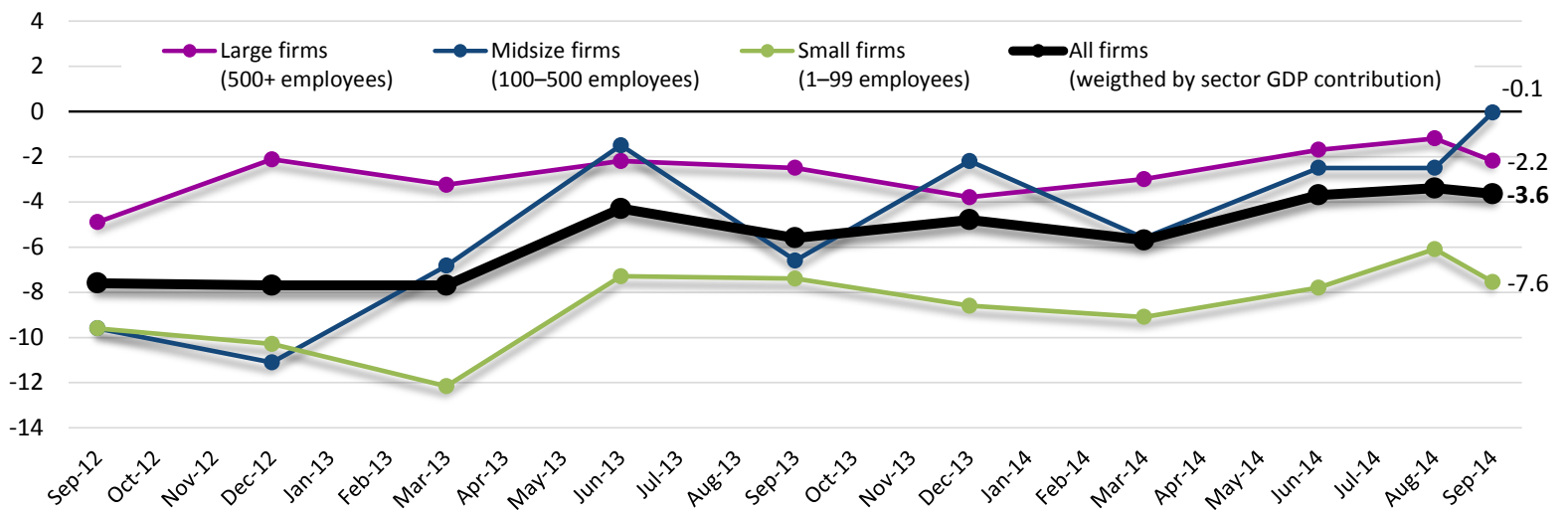
(percent)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

# Quarterly Question

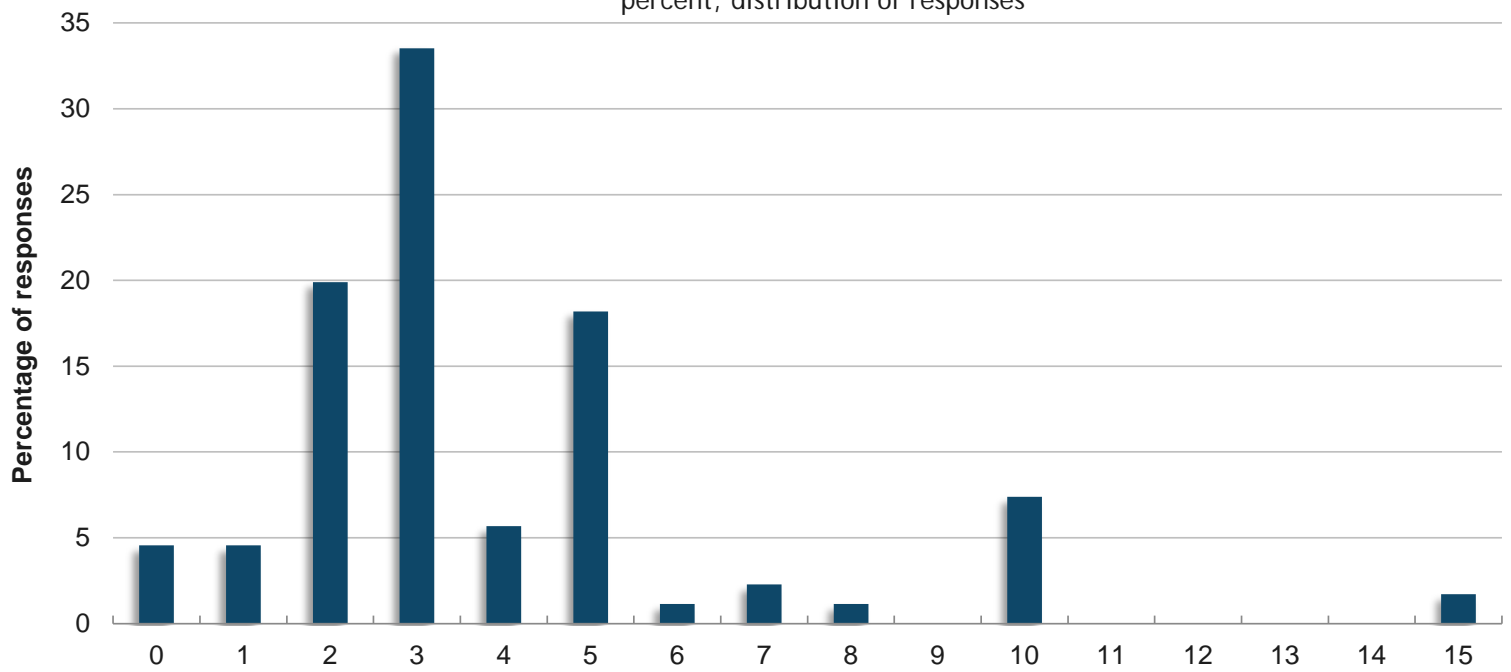
## Mean Percent Above/Below Normal Sales Levels



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Special Question

### Expectations for Year-Ahead Change in "Prices...Overall in the Economy" percent, distribution 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%	33%	38%	16%	0%	-21
August	10%	33%	34%	21%	3%	-13
September	9%	32%	38%	18%	3%	-14

How do your current PROFIT MARGINS compare with “normal” times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
July	11%	41%	36%	12%	1%	-25
August	12%	42%	34%	12%	1%	-26
September	11%	41%	34%	13%	1%	-24

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	3%	20%	61%	12%	3%	1.8%
August	4%	22%	58%	11%	5%	1.8%
September	2%	23%	61%	9%	4%	1.8%

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	5%	26%	44%	17%	8%	1.9% (2.3%)
August	6%	23%	45%	19%	8%	2.0% (2.3%)
September	5%	24%	43%	19%	9%	2.1% (2.5%)

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-13	Dec-13	Mar-14	Jun-14	Aug-14	Sep-14
Small (1-99 employees)	-7.4 (92)	-8.6 (85)	-9.1 (83)	-7.8 (131)	-6.1 (117)	-7.6 (89)
Midsize (100-499 employees)	-6.6 (48)	-2.2 (49)	-5.6 (46)	-2.5 (44)	-2.5 (38)	-0.1 (39)
Large (500+ employees)	-2.5 (66)	-3.8 (69)	-3.0 (67)	-1.7 (61)	-1.2 (53)	-2.2 (57)
All	-5.6 (206)	-4.8 (203)	-5.7 (196)	-3.7 (236)	-3.4 (208)	-3.6 (185)

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.