Business Inflation Expectations (BIE) Survey

Monthly Report: January 2024
1. Firms’ year-ahead unit cost expectations remain relatively unchanged at 2.2 percent. Year-ahead unit cost expectations have fallen meaningfully since hitting a peak of 3.8 percent in April 2022 but remain somewhat elevated relative to their prepandemic average of 2.0 percent (from January 2017 through December 2019).

2. Firms’ sales levels continue to run below “normal.”

3. In December’s special questions, approximately 80 percent of the firms reported that their ability to pass through cost increases either did not change or decreased.

4. Across the firms, 80 percent reported that the current level of demand for their firm’s core product or service either decreased or remained the same.

5. Due to reduced demand, firms responded by taking three main actions: 24 percent opted to eliminate open positions or lay off employees, 15 percent increased marketing efforts, and 14 percent raised prices on other products/services to grow revenue.

6. Despite 56 percent of companies facing a recent decline in demand anticipating a continued downturn in the next 12 months, 51 percent of those witnessing an uptick in demand during the past year anticipate a return to normal levels over the next 12 months.
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

Our monthly Business Inflation Expectations survey goes to about 640 panel members (as of June 2023), who occupy executive and managerial positions at Sixth District firms. We contact panel members each month by email, and they respond via a web-based instrument.

Survey questions pertain to current, past, and future outcomes at respondents’ firms. Our primary objective is to elicit the respondent’s subjective forecast distributions over own-firm future unit-cost growth. We gather qualitative information on firms’ sales levels and margins on a monthly basis. We include a set of rotating quarterly questions covering firms’ longer-run probabilistic unit-cost expectations, quantitative sales gaps, and factors influencing pricing. Our survey also includes special questions on timely, policy-relevant topics.

For more information on survey design and methodology, please refer to resources on the BIE page.
Core Monthly Questions

Note: The data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Rotating quarterly question: How would you describe your firm’s unit sales levels versus what you consider to be normal?

Note: The data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey
BIE Special Questions: December 2023
How has your firm's ability to pass through cost increases changed over the last 12 months?

![Chart showing the share of firms with different abilities to pass through cost increases between July 23 and December 23.]

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Compared to 12 months ago, how would you describe the current level of demand for [your firm’s core product or service]?

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
What actions did your firm take as a result of decreased demand?

- Reduced staff hours: 11% (Dec-23), 14% (Jul-23), 23% (Apr-22)
- Eliminated open positions or laid off staff: 12% (Dec-23), 15% (Jul-23), 24% (Apr-22)
- Increased marketing for products/services: 15% (Dec-23), 18% (Jul-23), 25% (Apr-22)
- Increased prices on other products or services to grow revenue: 13% (Dec-23), 14% (Jul-23), 23% (Apr-22)
- Reduced prices on product/service offerings to grow demand: 13% (Dec-23), 15% (Jul-23), 23% (Apr-22)
- Reduced or eliminated products/services: 8% (Dec-23), 9% (Jul-23), 13% (Apr-22)
- The firm did not take any action: 5% (Dec-23), 6% (Jul-23), 8% (Apr-22)
- Other (specify): 6% (Dec-23), 5% (Jul-23), 6% (Apr-22)

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Looking ahead to 12 months from now, what level of demand does your firm expect? [In case of decrease demand over last 12 months]

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Was your firm able to meet the increased demand?

Note: The results are based on 220 observations.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey
What actions did your firm take as a result of increased demand?

- Increased capacity by adding staff or shifts
- Turned away buyers/clients
- Moved resources to this product/service line, reducing focus on other products/services
- Found additional suppliers
- Investing in new equipment
- Engaged in merger(s) and/or acquisition(s)
- Increased price of product/service
- The firm did not take any action
- Other

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Looking ahead to 12 months from now, what level of demand does your firm expect? [In case of increase demand over last 12 months]

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
In terms of percentage change, by how much has revenue decreased/increased for the firm because of decreased/increased demand on your firm’s core product or service?

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dec-23</th>
<th>Jul-23</th>
<th>Apr-22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Median</td>
<td>Mean</td>
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<tr>
<td>Decreased</td>
<td>19.5</td>
<td>15.0</td>
<td>19.3</td>
</tr>
<tr>
<td>Increased</td>
<td>11.6</td>
<td>10.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Overall revenue</td>
<td>-6.0</td>
<td>0.0</td>
<td>-5.2</td>
</tr>
<tr>
<td>change</td>
<td></td>
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<td></td>
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</tbody>
</table>

Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Realizations and expectations by industry
Firms’ realized unit-cost growth across most broad industry classifications continues to ebb from peak levels.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Year-over-year (realized) unit-cost growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction, mining, and utilities</td>
<td></td>
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<tr>
<td>Educational services</td>
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<td>FIRE and business services</td>
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<td>Healthcare, social assistance, leisure, and hospitality</td>
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<td>Manufacturing</td>
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<tr>
<td>Other services except government</td>
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<tr>
<td>Retail and wholesale trade</td>
<td></td>
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<tr>
<td>Transportation and warehousing</td>
<td></td>
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</tbody>
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Note: The data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Year-ahead unit-cost expectations vary meaningfully by sector.

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Note: The data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Longer-run unit cost expectations across most broad industry classifications remain elevated relative to prepandemic averages.

Note: The data are shown monthly.  
Source: Atlanta Fed Business Inflation Expectations (BIE) survey
Comparing BIE realizations and expectations to actual data and other surveys
Note: The data are shown quarterly for both measures.
BIE Survey versus SPF and Survey of Consumers

Firms' year-ahead unit cost expectations

Businesses and consumers' inflation expectations

Firms' and professionals' inflation expectations

Note: Except the chart at lower left with quarterly data, all remaining chart data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey, Philadelphia Fed Survey of Professional Forecasters (SPF), and University of Michigan Survey of Consumers
Note: The data are shown quarterly for both measures.
Source: Atlanta Fed’s Business Inflation Expectations (BIE) survey and the New York Fed Survey of Consumer Expectations (SCE)
Questions can be directed to:
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