

Business Inflation Expectations (BIE) Survey

Monthly Report: August 2024



Federal Reserve
Bank *of* Atlanta

Headline Results

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 level continue to run below “normal.”
3. In August's special questions, we focused on firms' expected effective federal tax rate (ETR) and how shocks to their ETR change their business decisions.
4. Firms on average expect their ETR to increase slightly by 2026, though many firms in our sample have a very low ETR and do not expect that to change.
5. Given an unexpected increase or decrease to their ETR by 2026, about half of firms do not expect their capital expenditures, employment, or cash holdings to change that much in the next 12 months.

About the BIE

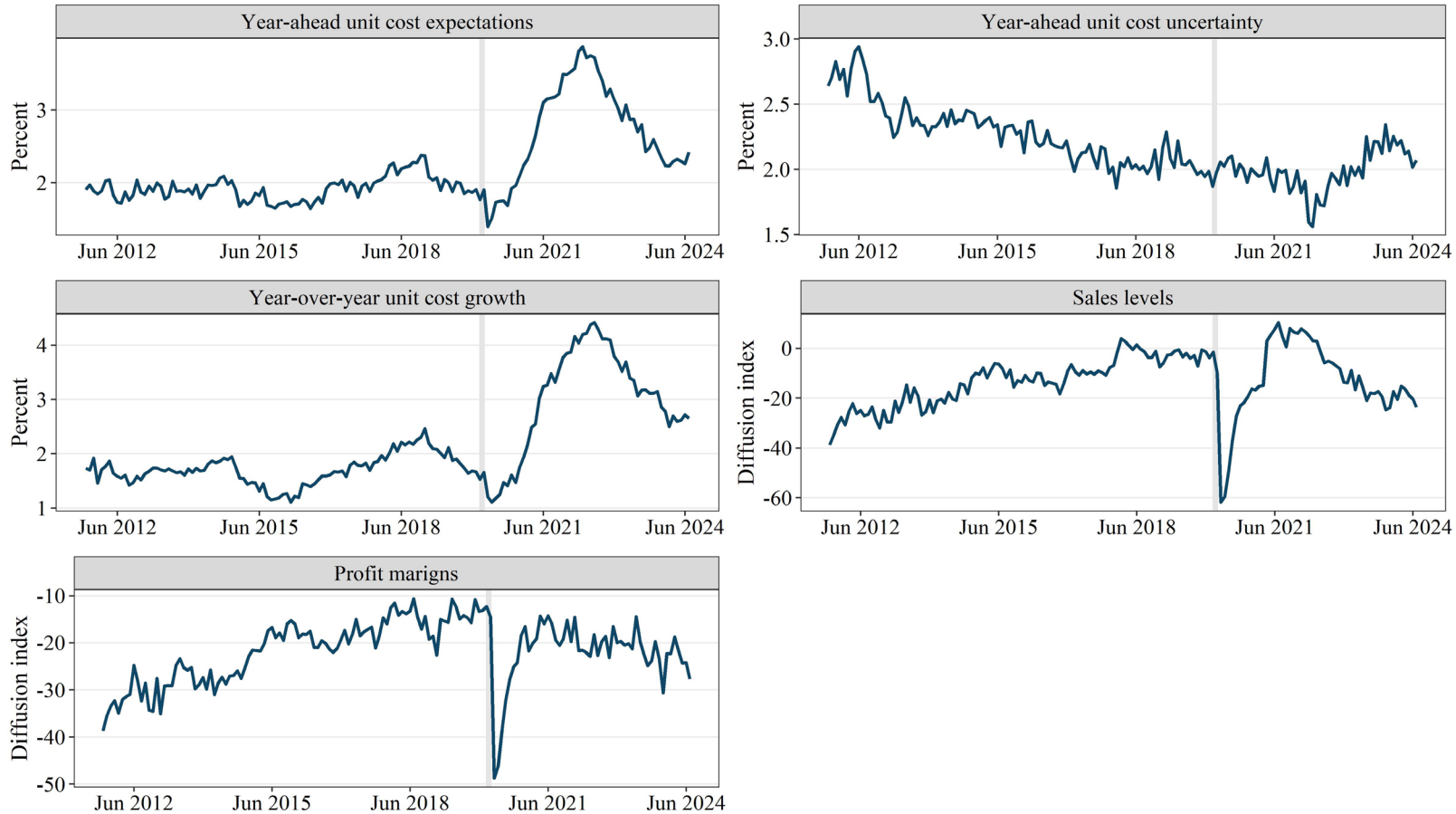
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

Our monthly Business Inflation Expectations survey goes to about 690 panel members (as of February 2024), 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 realized/expected price change. 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](#).

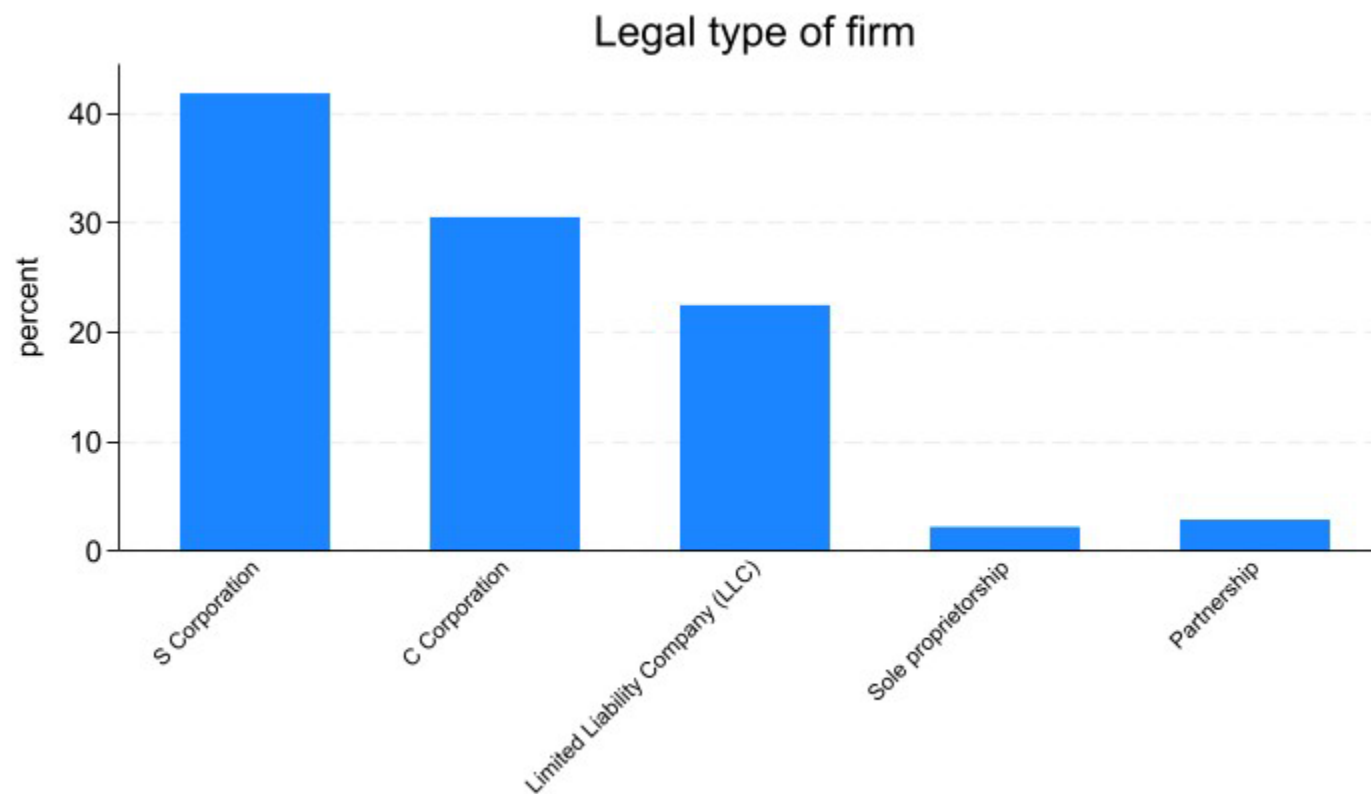
Core Monthly Questions



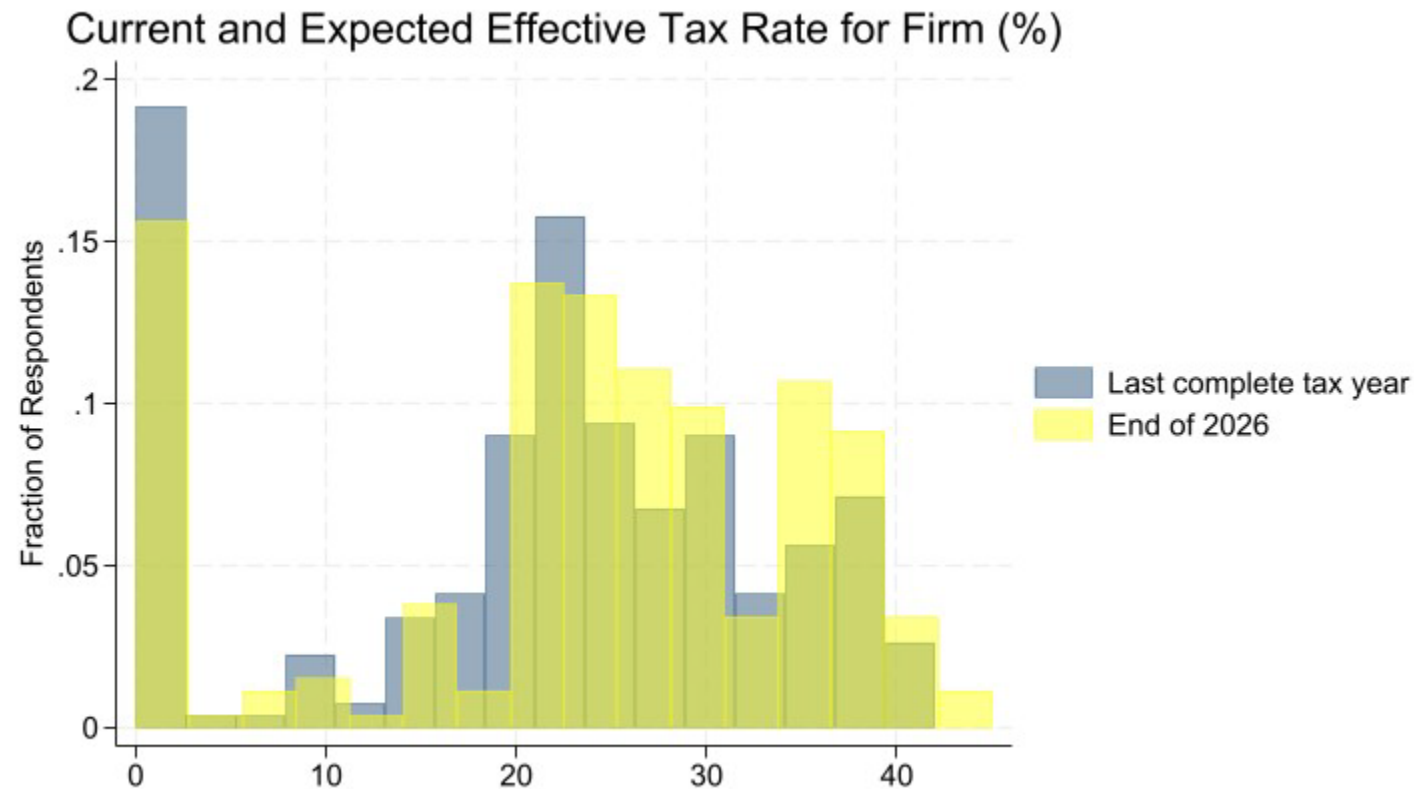
Note: The data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey

BIE Special Questions: August 2024

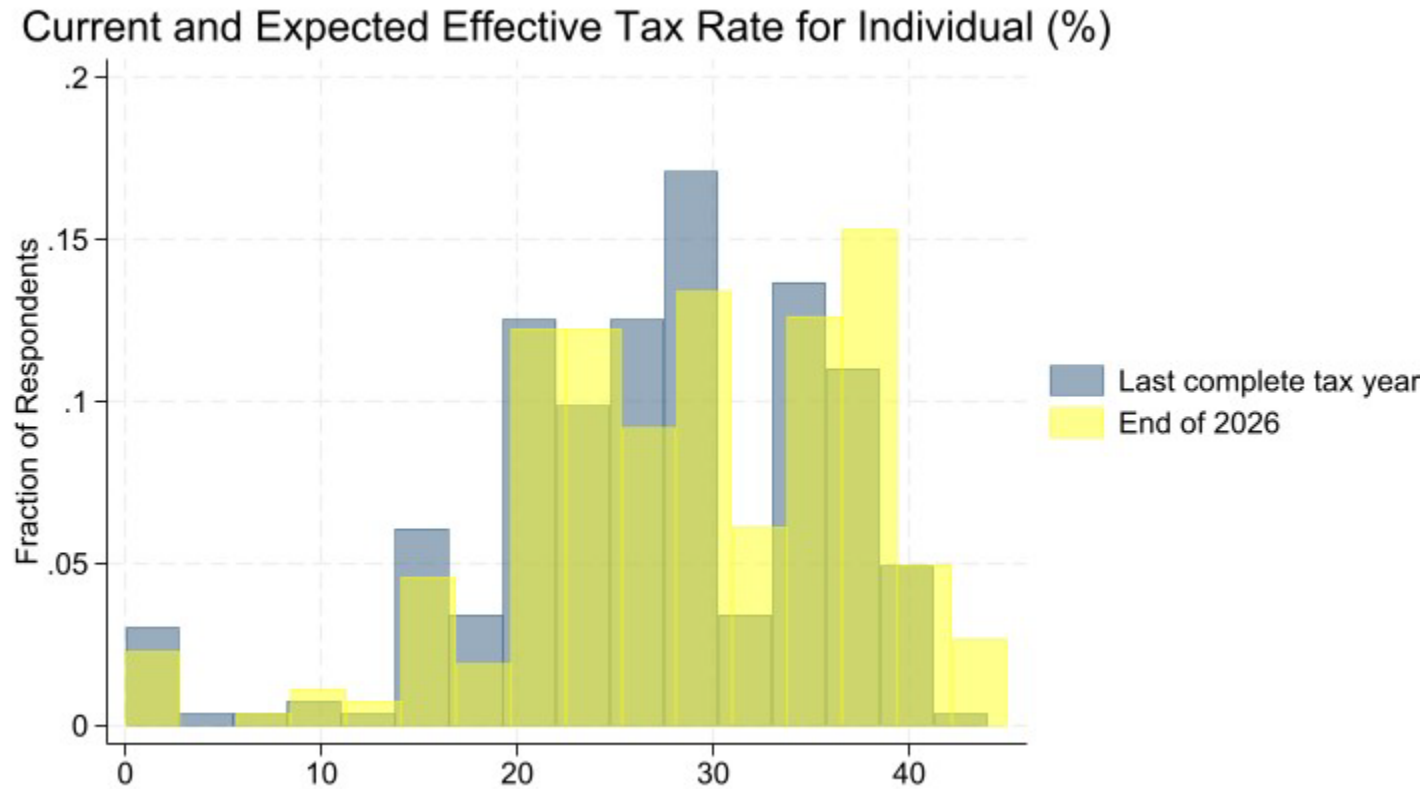
For tax purposes, which of the following best describes your firm's legal form of organization?



What was your firm's effective federal tax rate for the most recent complete tax year? What do you expect it will be at the end of 2026?



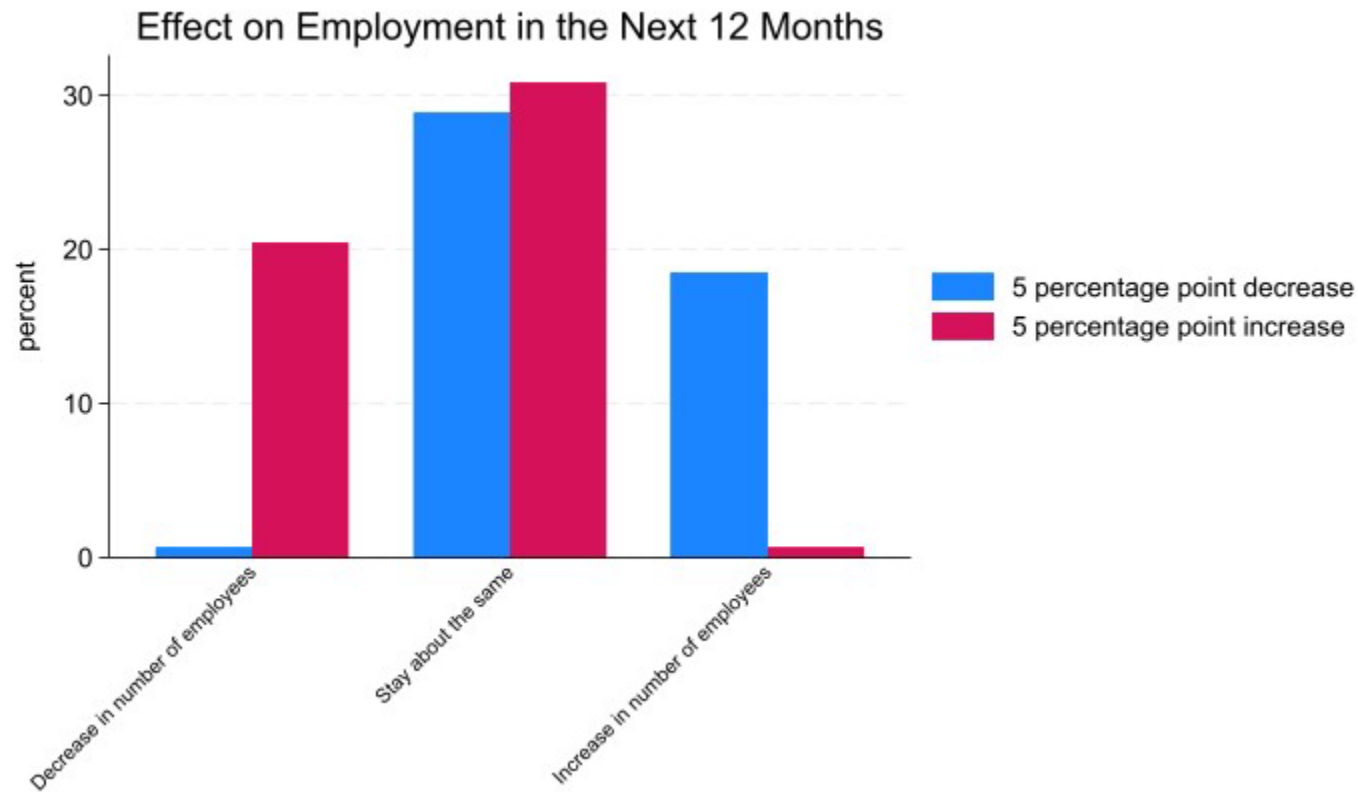
What do you think was the individual effective federal tax rate for someone in your industry in a similar role and with similar responsibilities as yourself this tax year? What do you expect it will be at the end of 2026?



How would a 5 percentage point increase/decrease in your firm's future effective federal tax rate impact your firm's expected total capital expenditures over the next 12 months, relative to your current plans?



How would a 5 percentage point increase/decrease in your firm's future effective federal tax rate impact your firm's expected number of employees over the next 12 months, relative to your current plans?

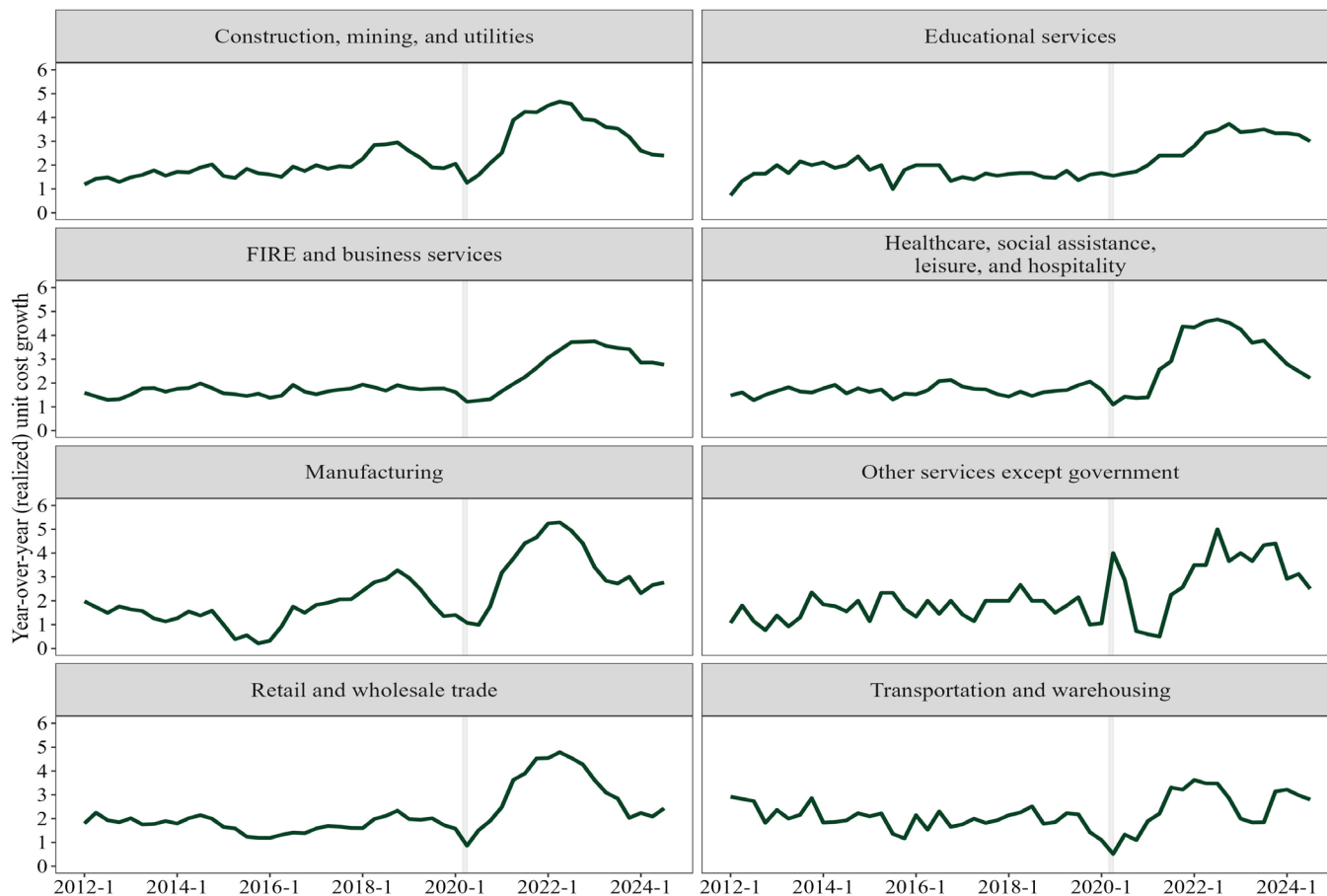


How would a 5 percentage point increase/decrease in your firm's future effective federal tax rate impact your firm's expected total cash holdings over the next 12 months, relative to your current plans?



Realizations and expectations by industry

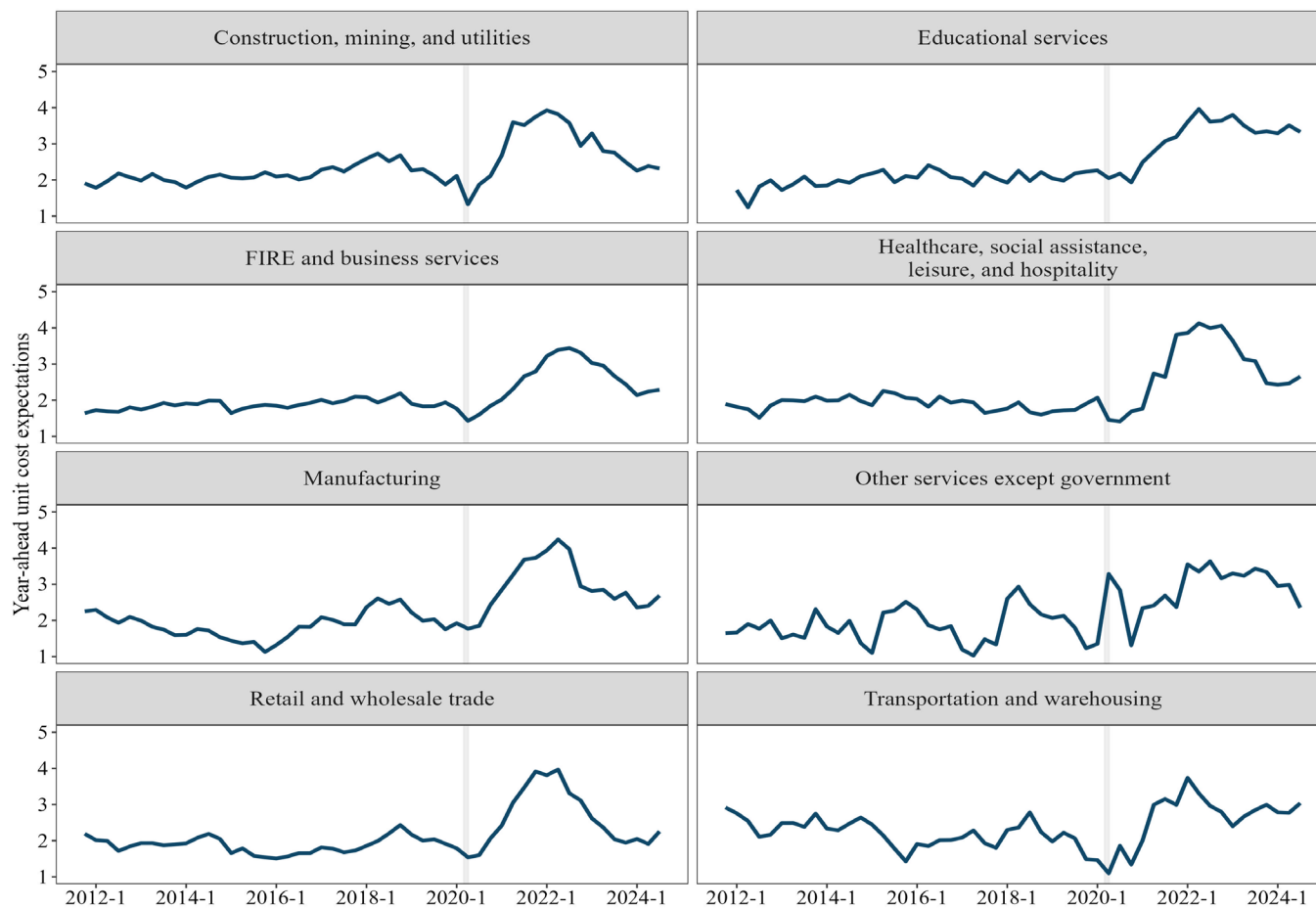
Firms' realized unit-cost growth across most broad industry classifications continues to ebb from peak levels.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

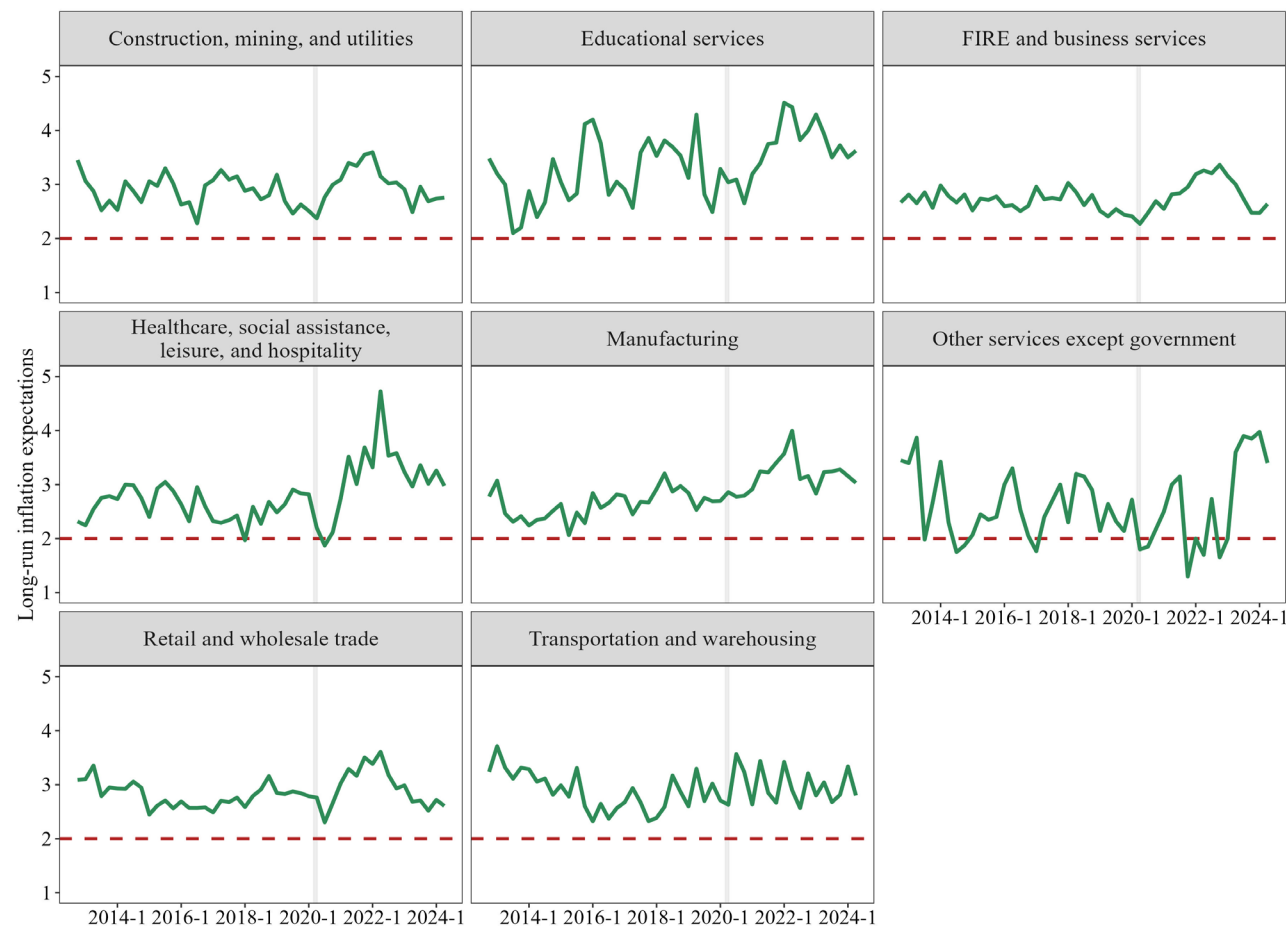
Year-ahead unit-cost expectations vary meaningfully by sector.



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.

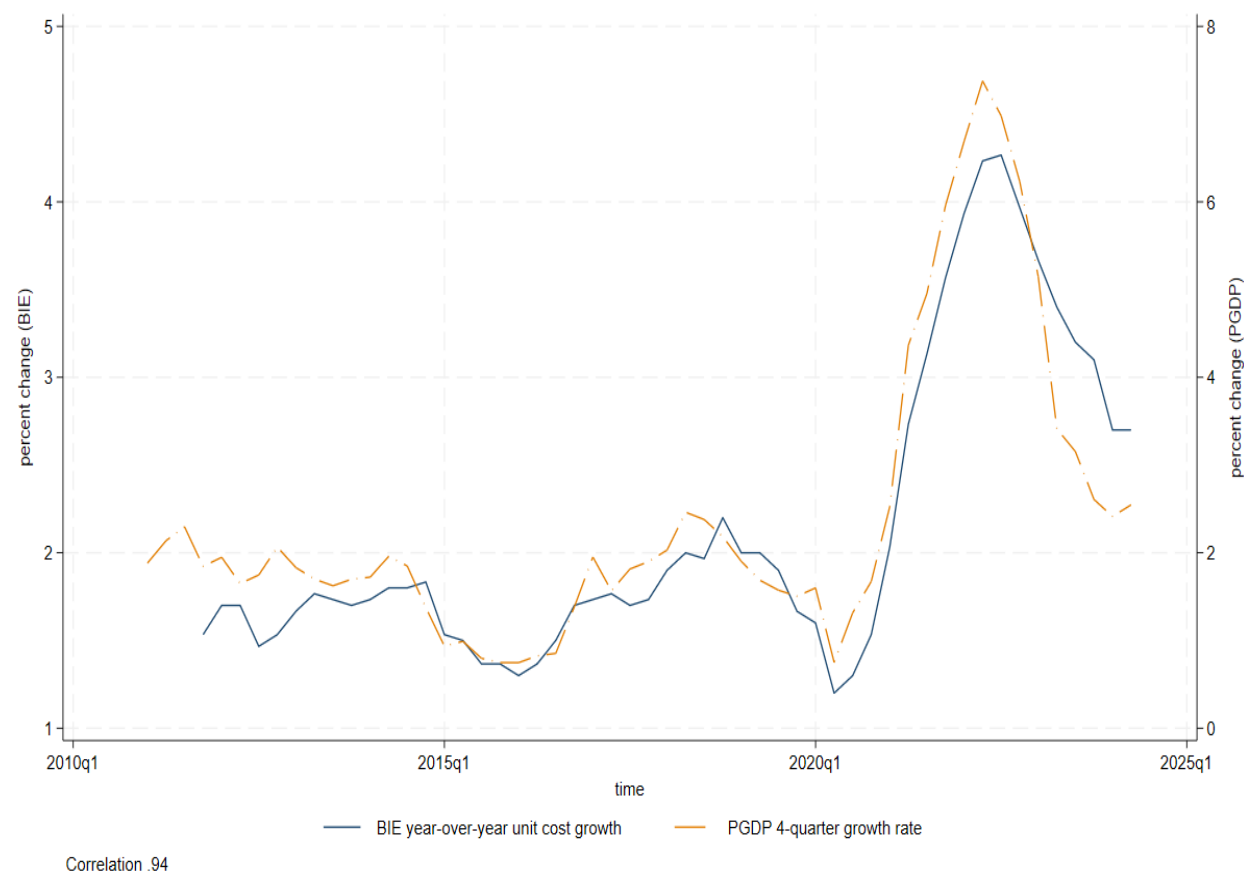


Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Comparing BIE realizations and expectations to actual data and other surveys

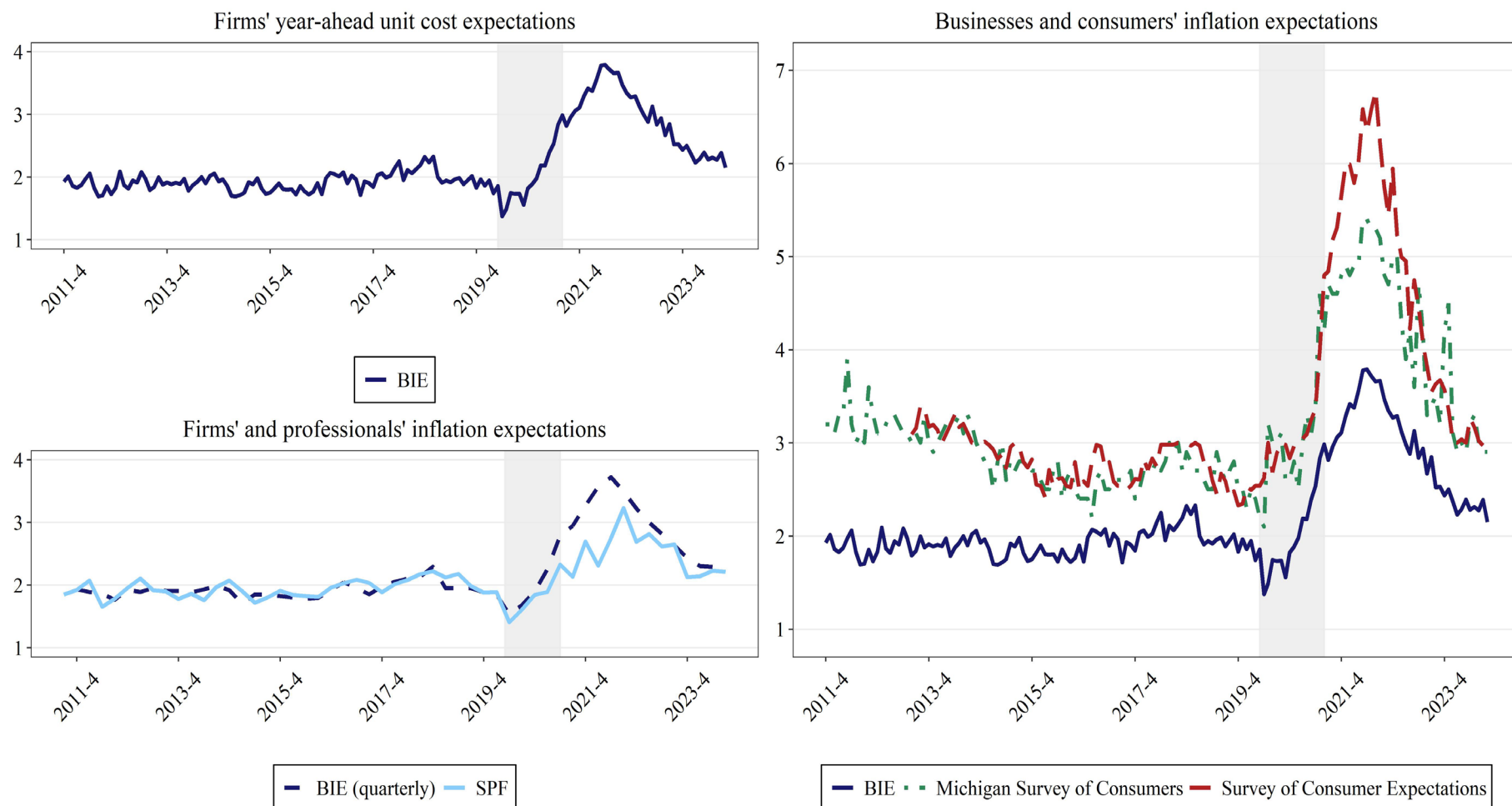
BIE Unit Cost Growth versus GDP Chain-type Price Index



Note: The data are shown quarterly for both measures.

Source: Atlanta Fed's Business Inflation Expectations survey, Haver Analytics, and the Federal Reserve Economic Data (FRED) GDP Price Index <https://fred.stlouisfed.org/series/GDPCTPI>

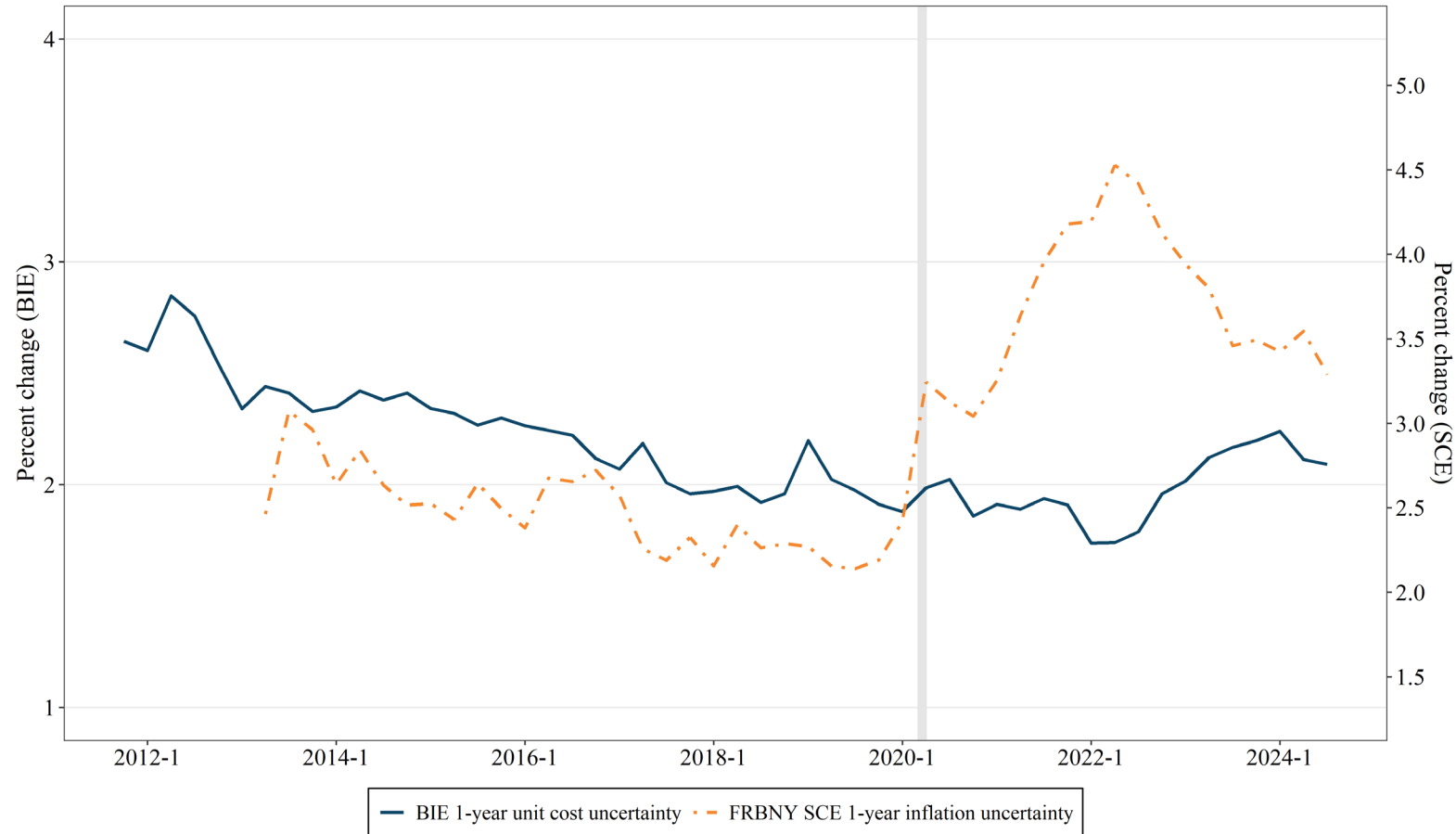
BIE Survey versus SPF and Survey of Consumers



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

Uncertainty: BIE versus SCE



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)

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