

Business Inflation Expectations (BIE) Survey

Monthly Report: December 2024



Federal Reserve
Bank *of* Atlanta

Headline Results

1. Firms' year-ahead unit cost expectations decreased to 2.0 percent. Year-ahead unit cost expectations have fallen considerably 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' longer-run (five to 10 years ahead) unit cost expectations remain relatively unchanged at 2.6 percent in December 2024, well below their recent peak of 3.5 percent in June 2022.
3. In December's special questions, we asked firms questions about hiring conditions and demand for their core product/service.
4. While the share of firms with at least one opening has declined from its peak in 2022, it has remained relatively steady over this year at around 70 percent, with some variation by firm size and sector.
5. Firms in our sample state that hiring is currently about the same or easier compared to 12 months ago.
6. Most firms in our sample reported that demand has remained about the same over the past 12 months. However, of the firms that reported a decrease in demand, most expect demand to return to normal over the next 12 months. Of the firms that reported an increase in demand, most expect demand to remain elevated over the next 12 months.

About the BIE

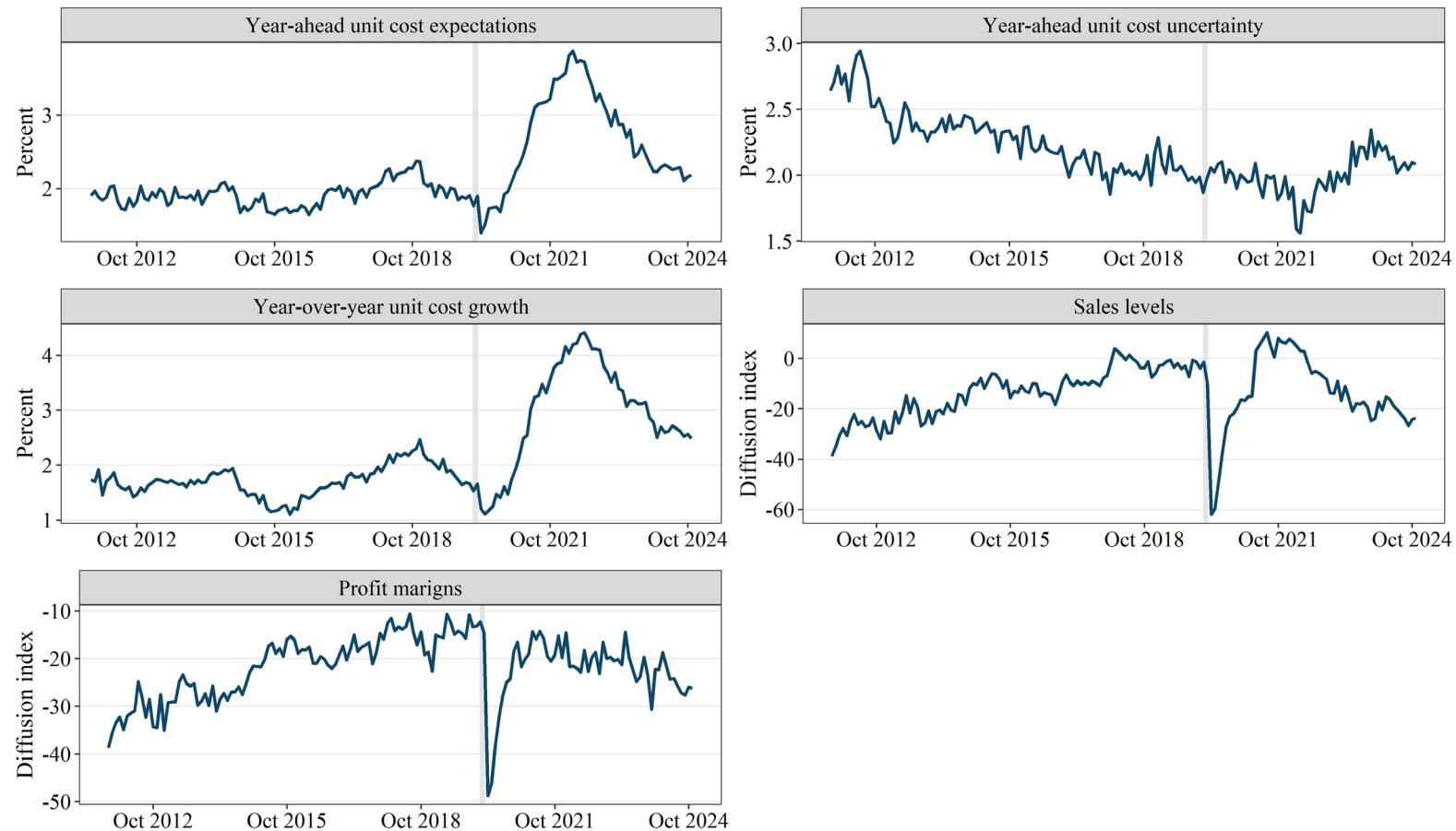
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

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

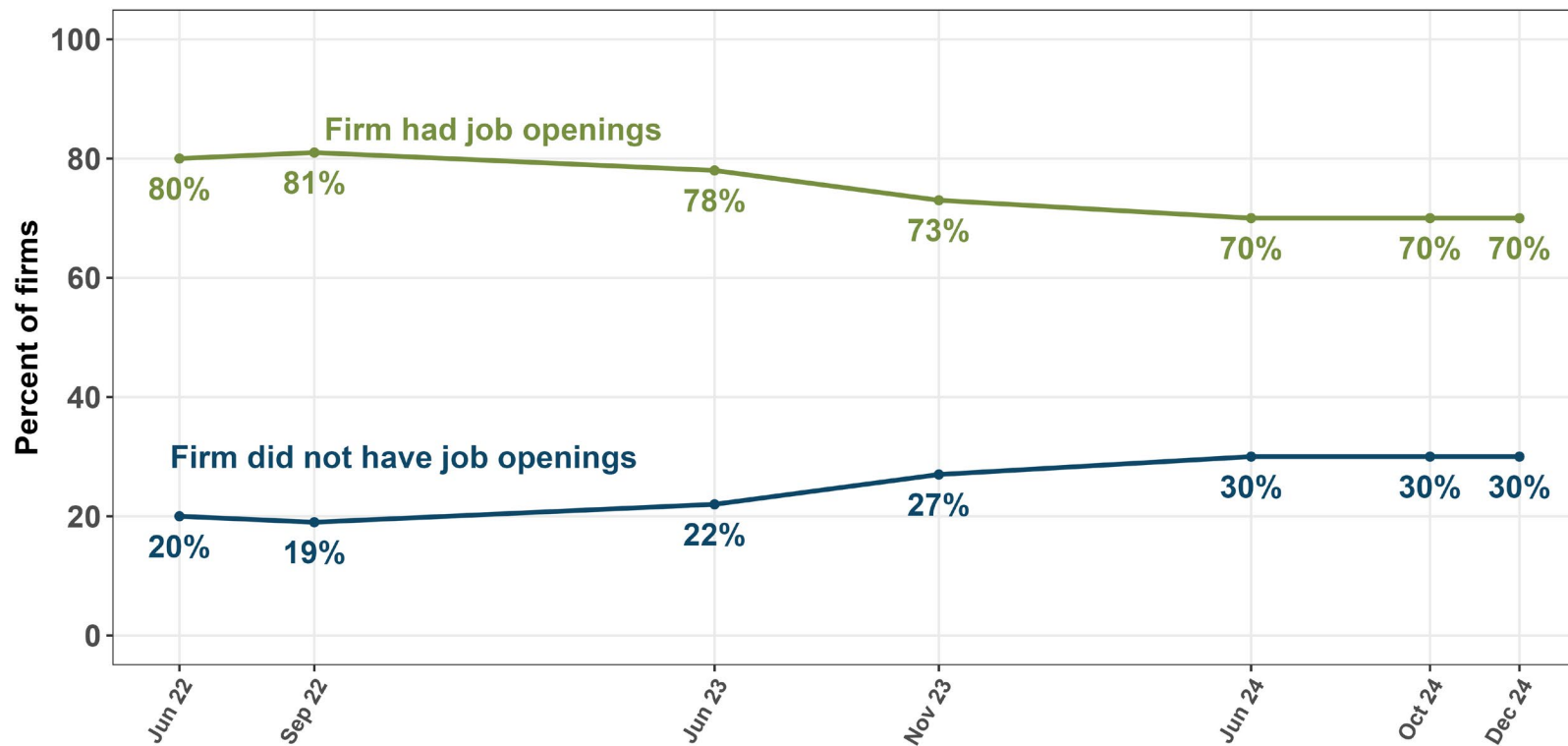


Note: The data are shown monthly.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey

BIE Special Questions: December 2024

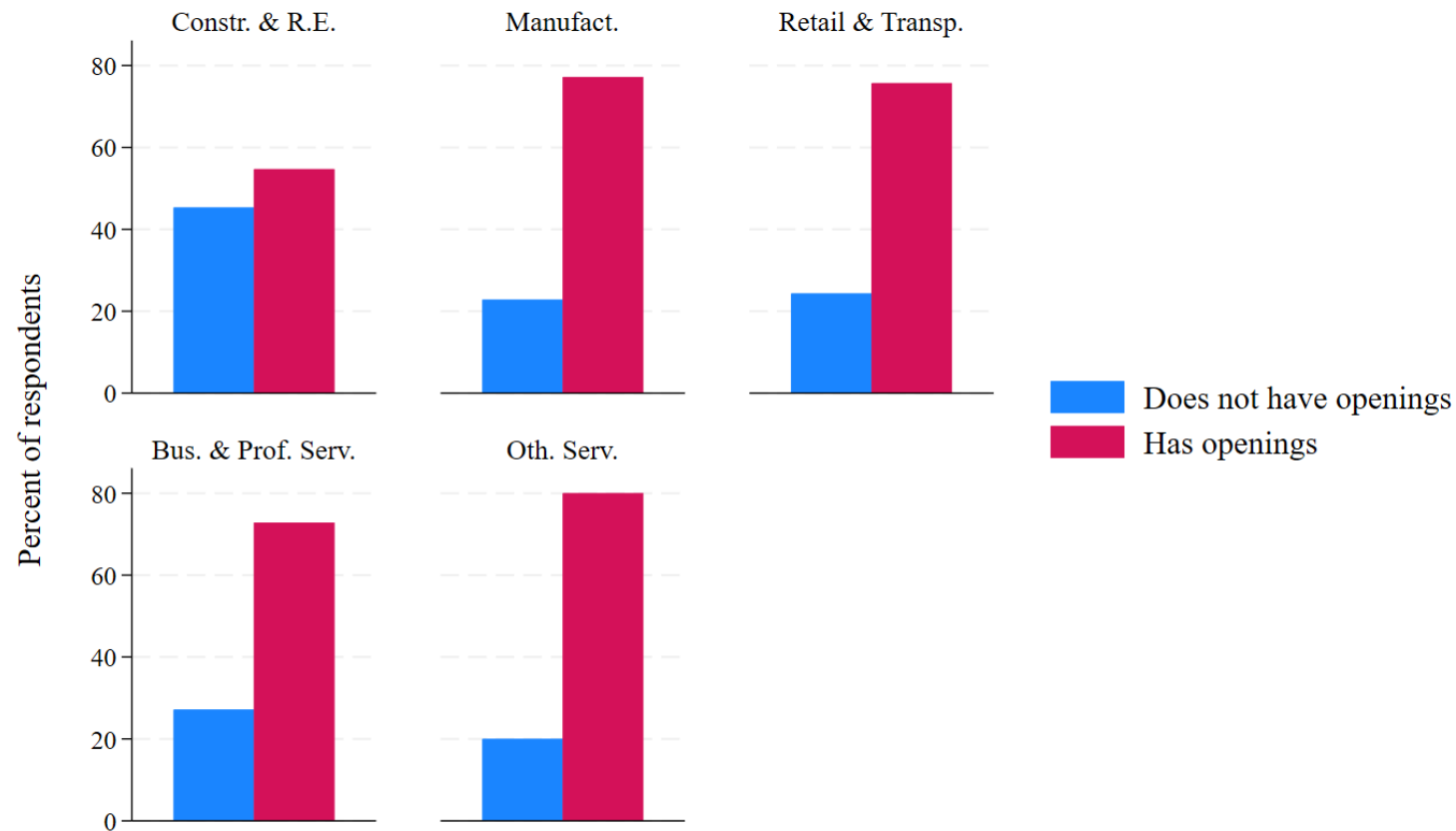
What was your firm's number of job openings as of Friday,
November 29?

The percentage of firms in our sample that reported having at least one opening has declined from its peak of 81% in September 2022. However, it has remained steady at about 70% over the past year.

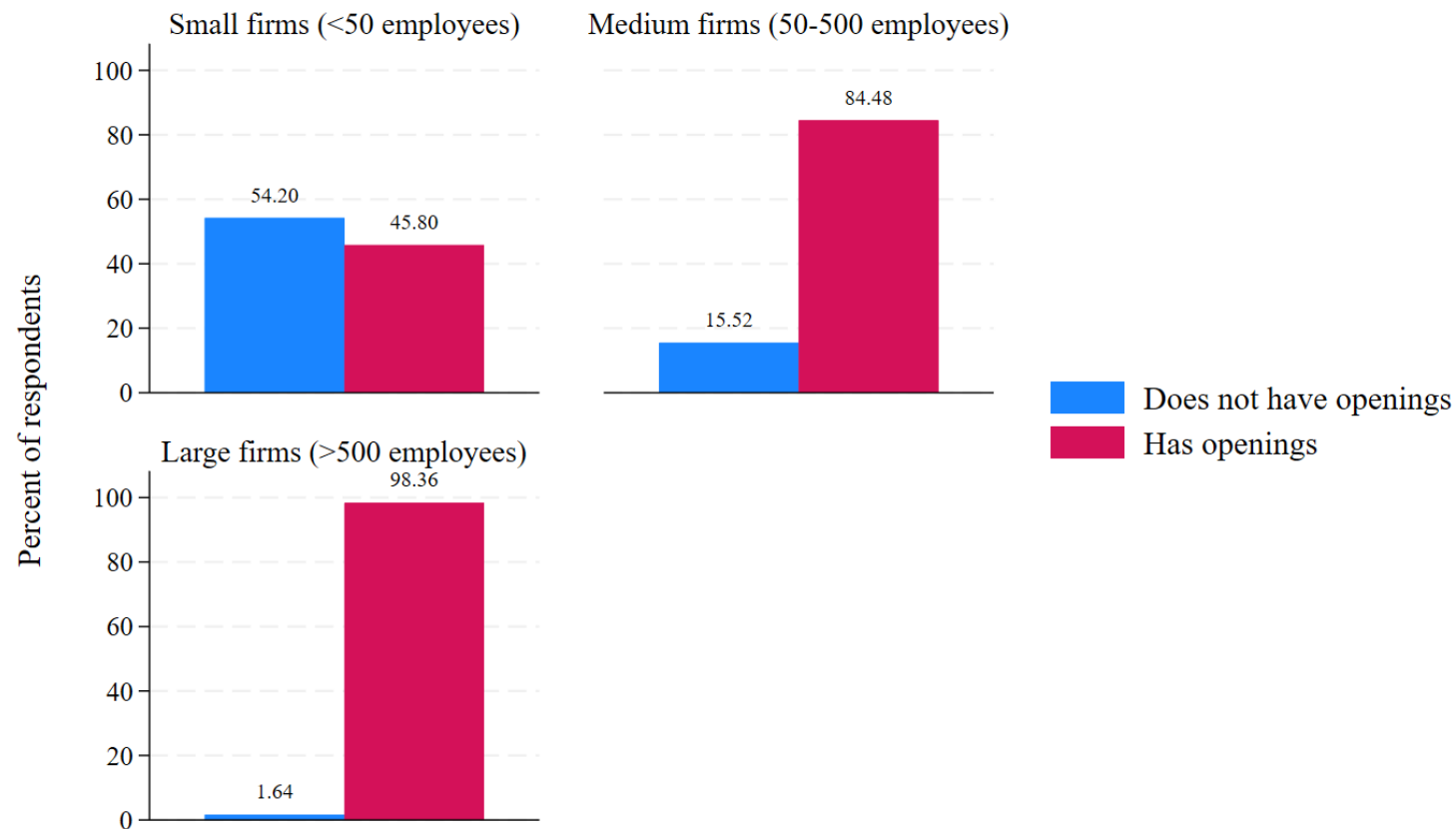


Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

While the results for most of the sectors look similar to the results from the full sample, the construction and real estate had a much lower share of firms that reported at least one opening.



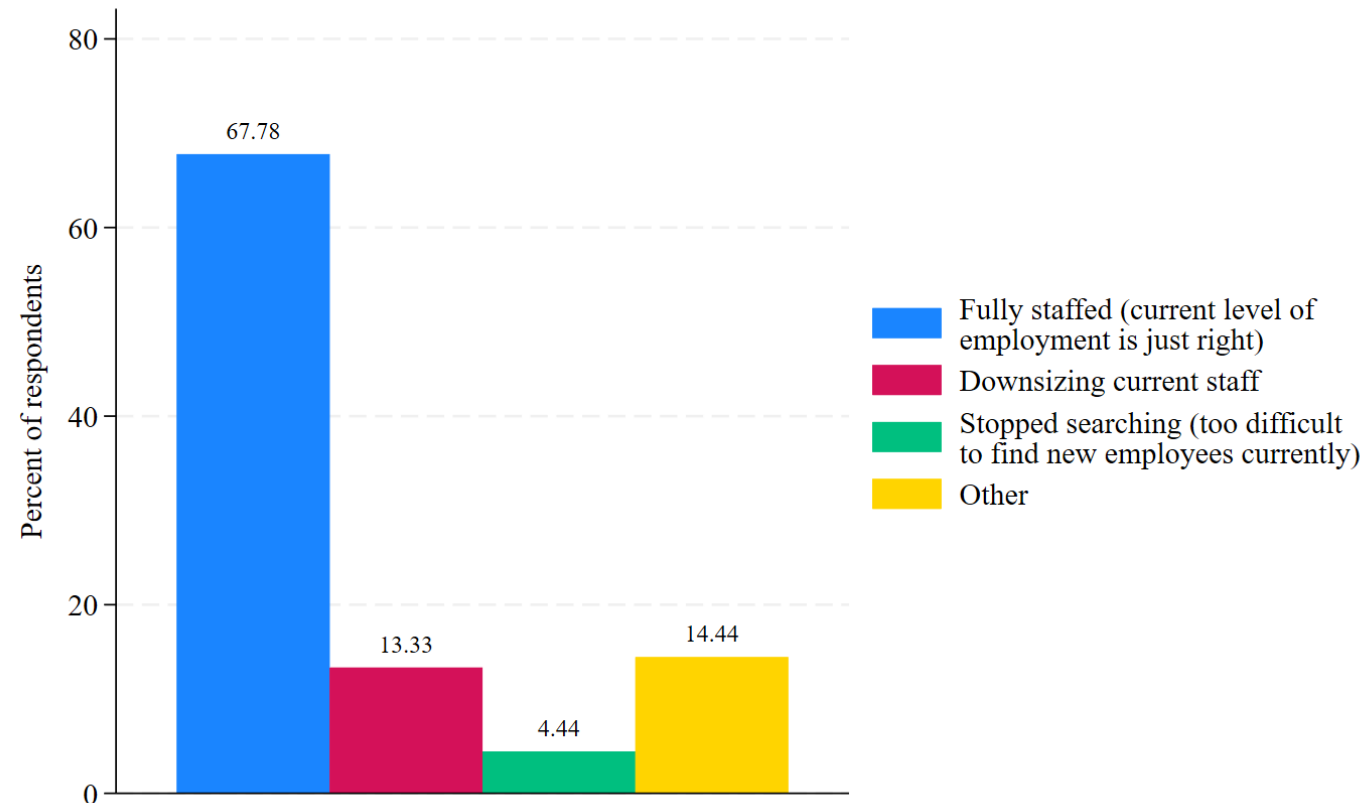
We also see some disparity among firms of different sizes, although this is expected. A larger share of smaller firms in our sample reported having no openings (54%).



(If firm reported not having openings): What was the reason your firm had no job openings?

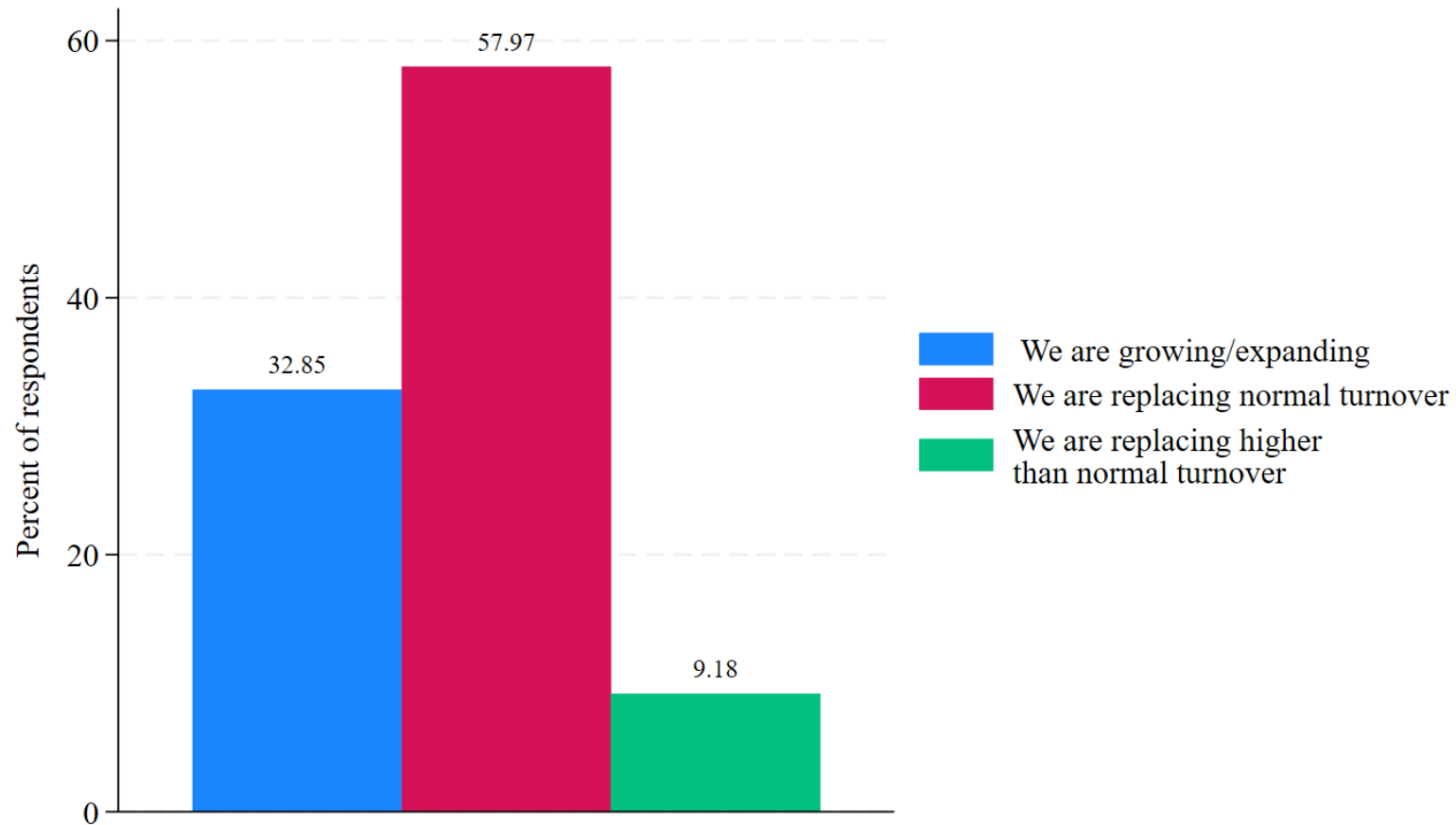
(If firm reported having openings): What option best describes your firm's current job openings?

Firms that reported having no openings listed being fully staffed as the primary reason why they do not have openings.



Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

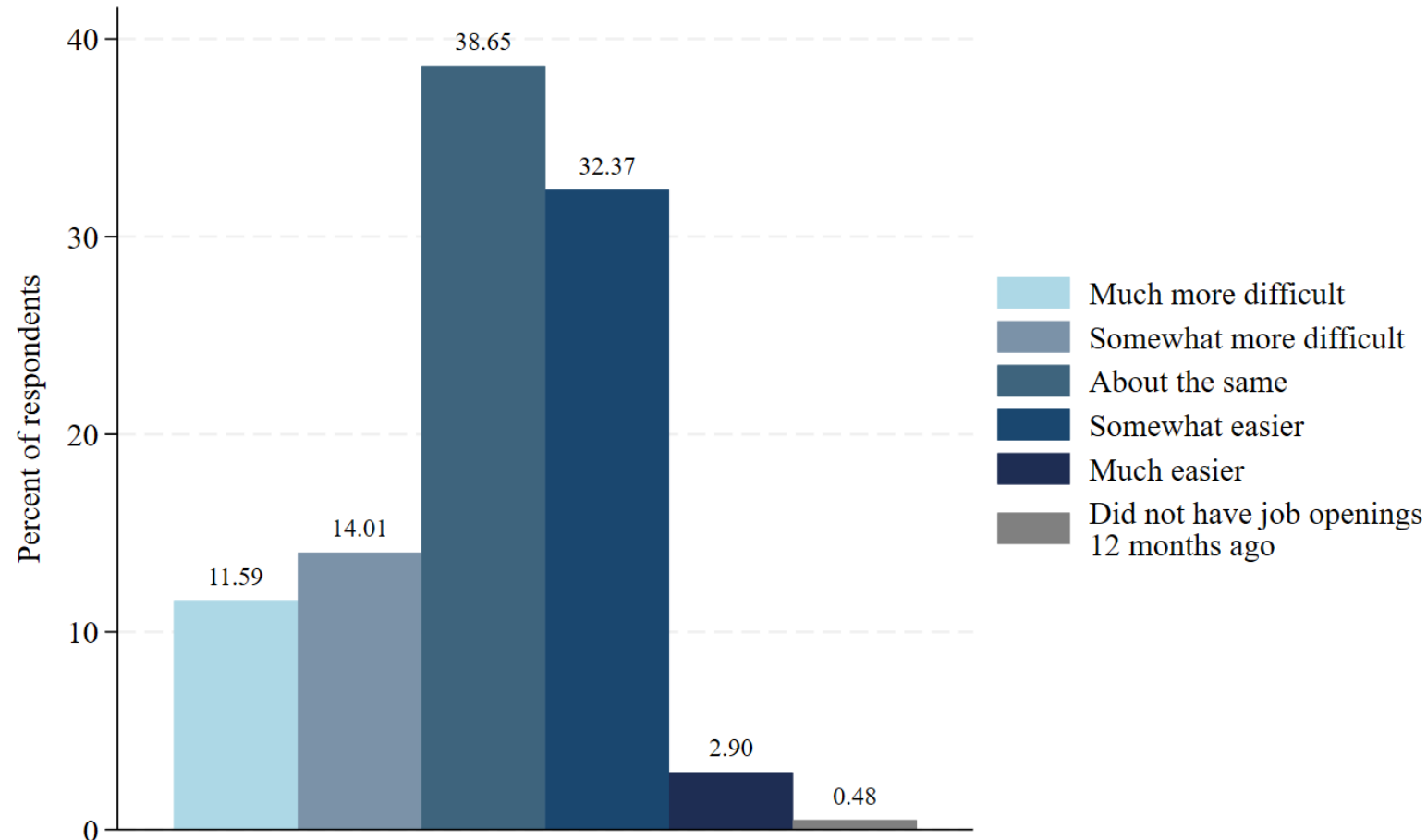
Most firms that reported having at least one opening characterized these openings as replacing normal turnover. However, about a third reported that they are growing or expanding.



Only includes firms that reported having at least one opening.

Compared to 12 months ago, how would you describe current hiring conditions?

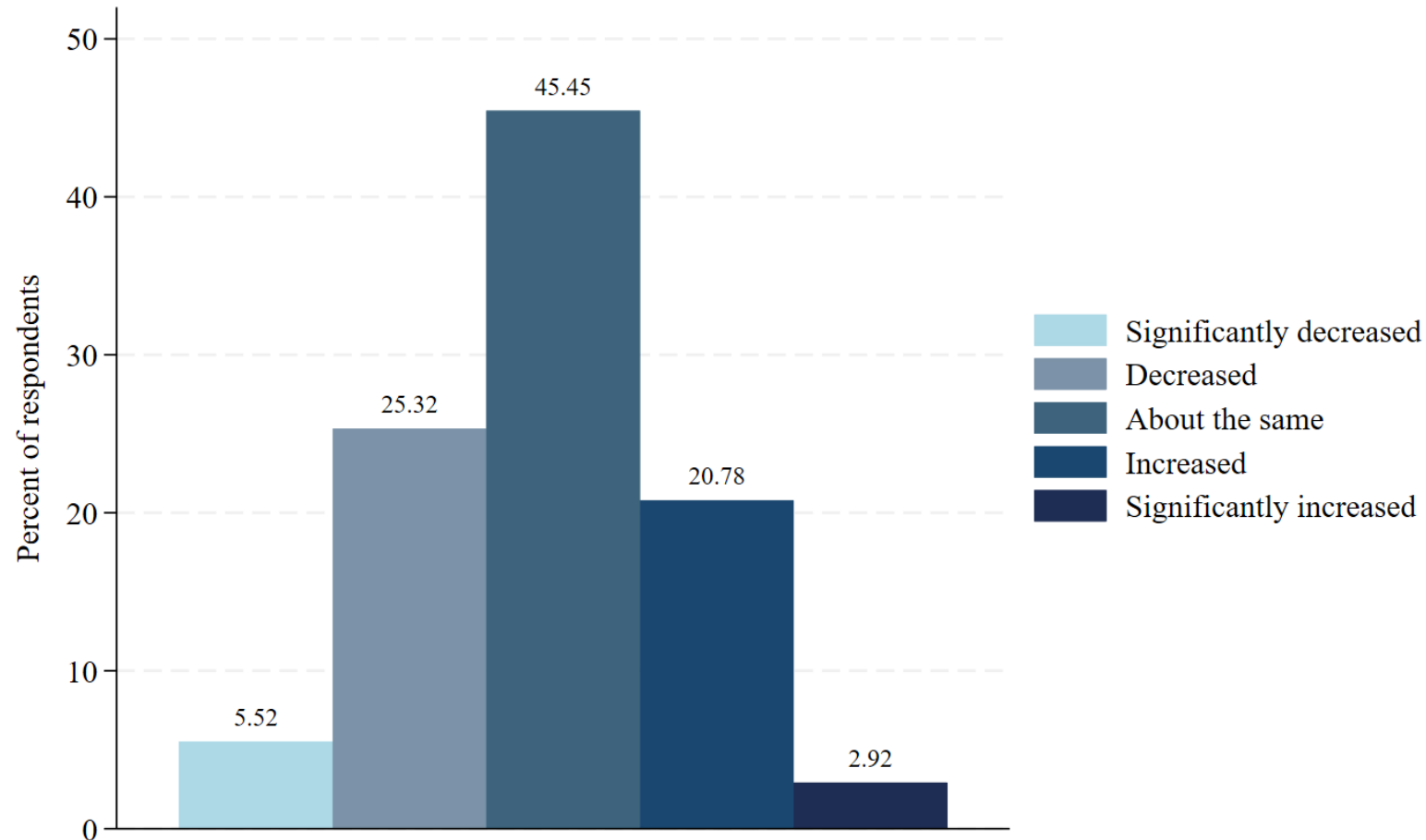
Most firms reported that hiring conditions are about the same or somewhat easier compared to 12 months ago. This remains largely true when the sample is divided by firm size and sector.



Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

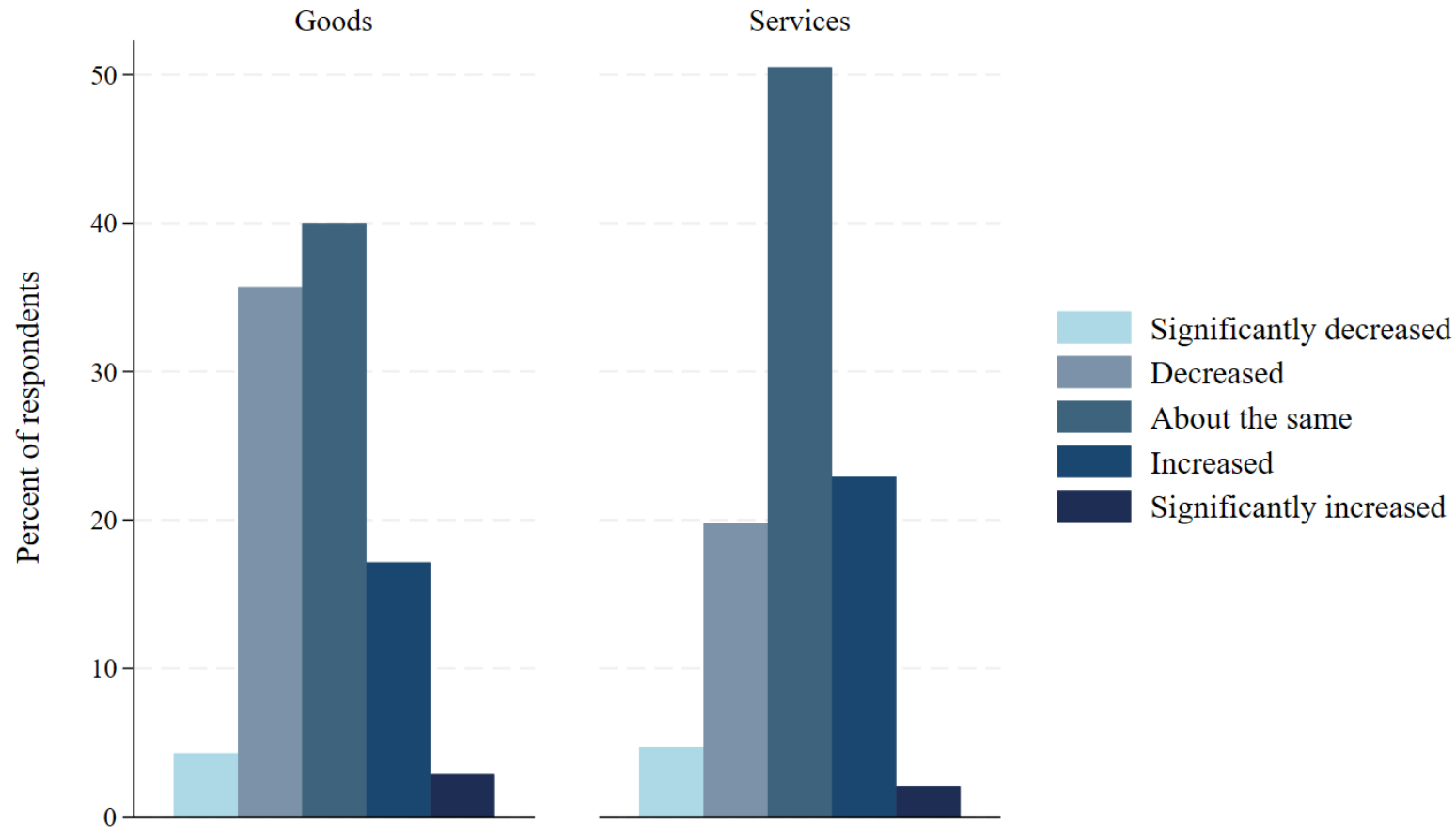
Next, think of your firm's core product(s) or service(s). Compared to 12 months ago, how would you describe the current level of demand for that product or service?

Many firms reported that demand for their core product/service has remained about the same compared to 12 months ago.



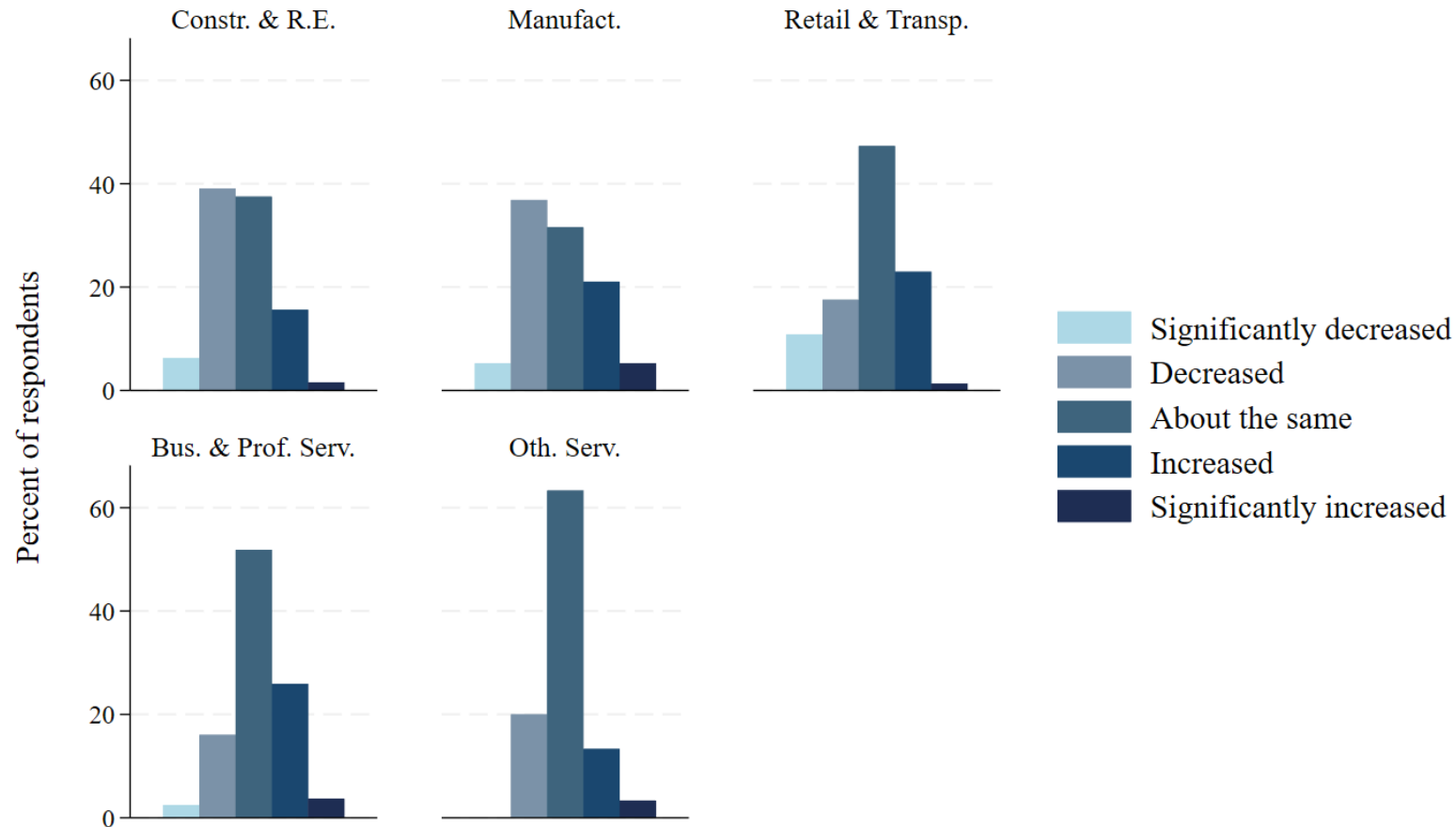
Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

There is slight variation between goods-producing firms and services-producing firms. About 35% of goods-producing firms reported that demand had decreased over the past 12 months while only 40% reported that it had stayed the same.

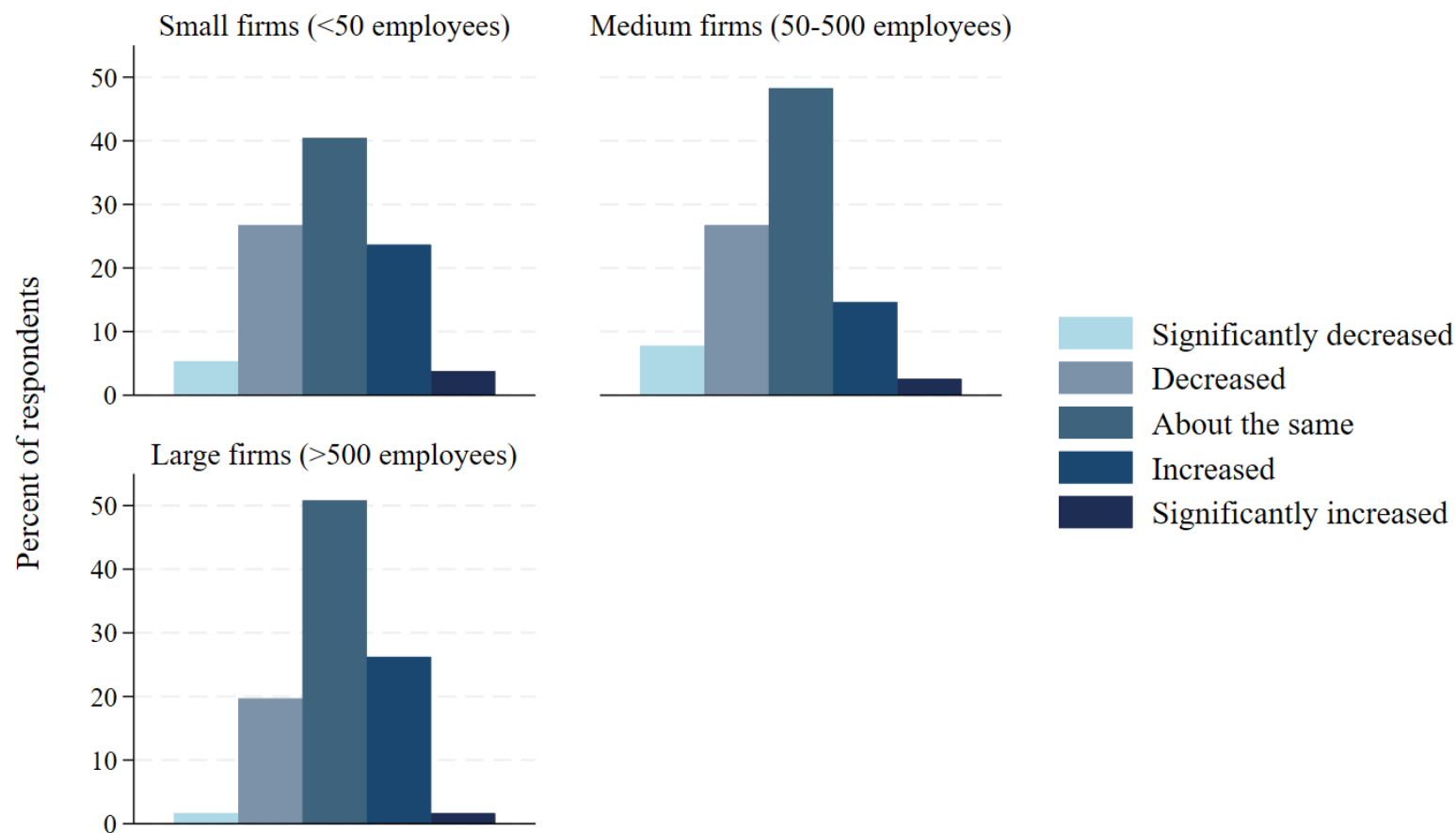


Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

There is also some variation between sectors. Construction/real estate and manufacturing firms were more likely to report a decrease in demand.



However, there was not much of a difference among firms of different sizes.

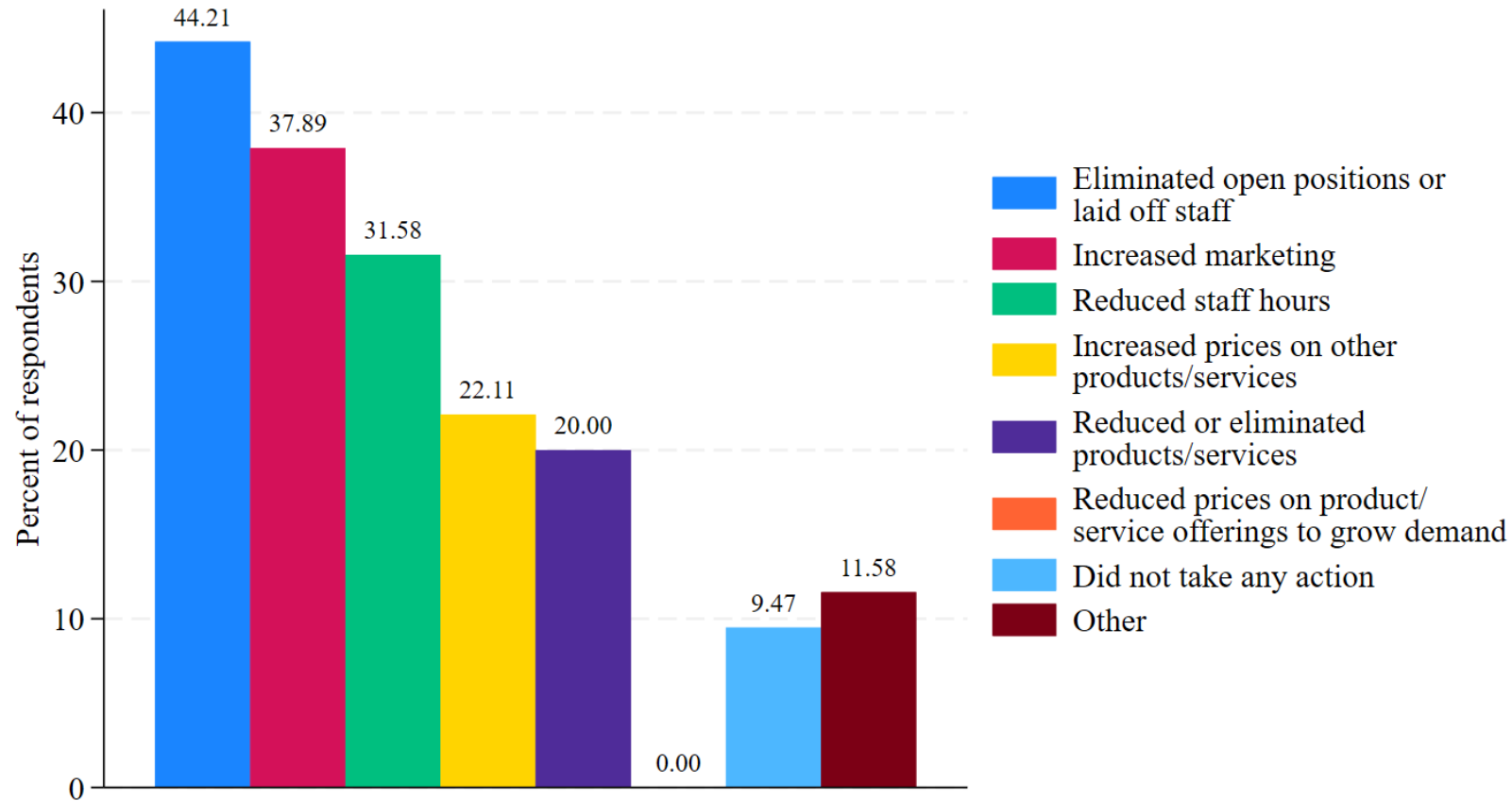


Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

What actions did your firm take as a result of decreased [increased] demand?

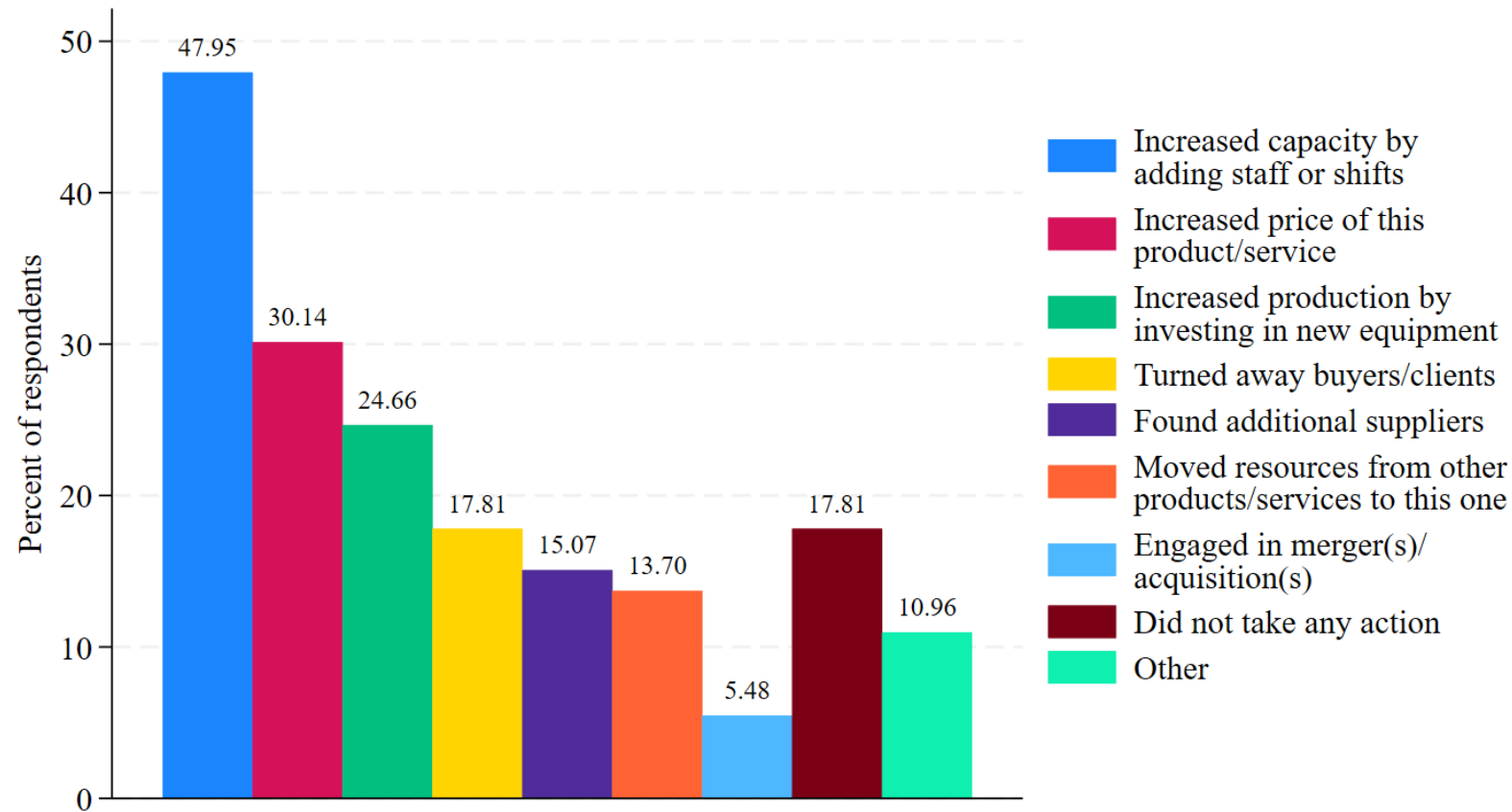
Looking ahead to 12 months from now, what level of demand does your firm expect?

Firms that reported a decrease in demand listed eliminating open positions/laying off staff, increasing marketing, and reducing staff hours as primary actions they took due to the downturn. No firms reported reducing prices on product/service offerings.



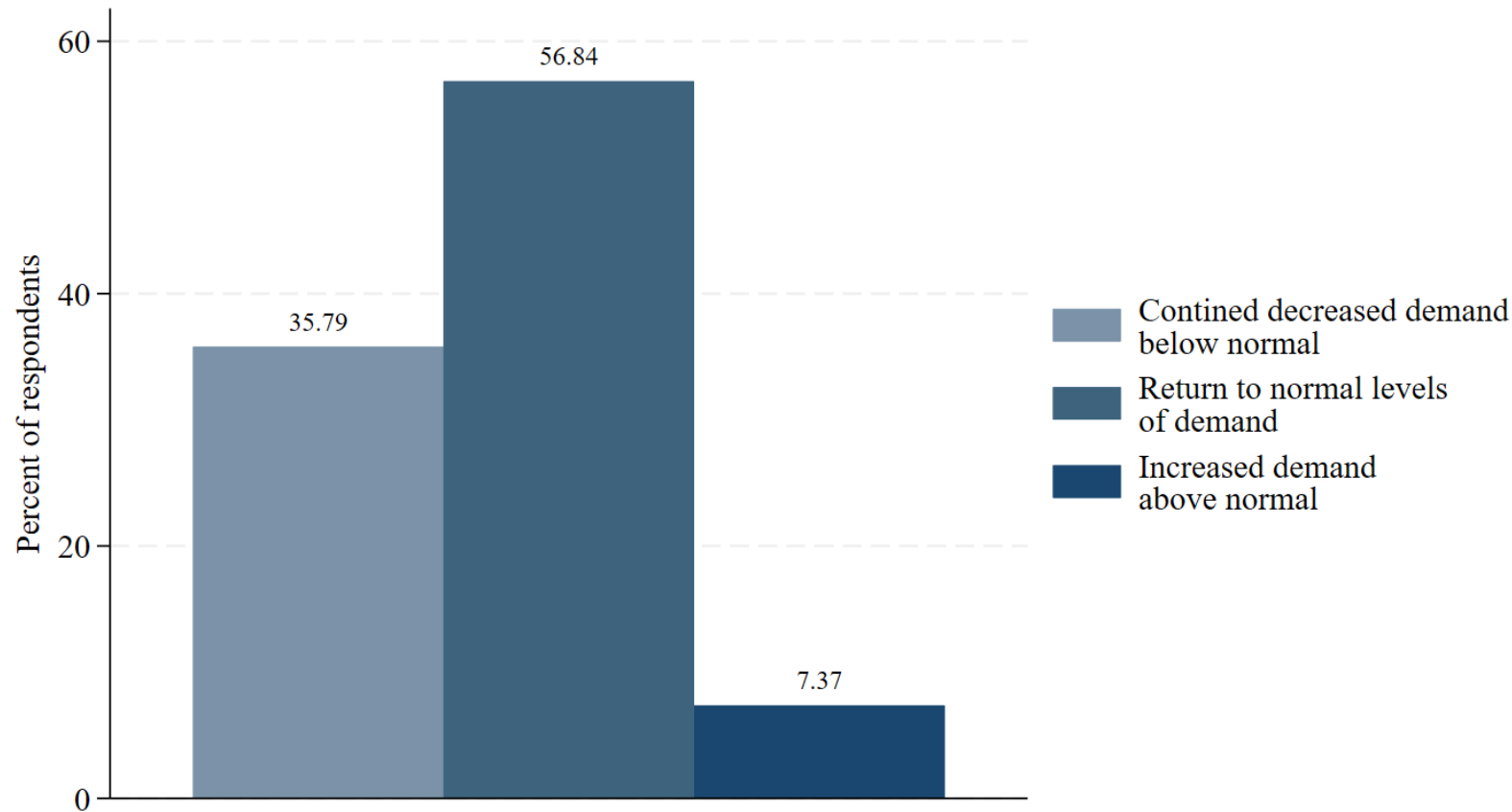
Only includes firms that reported decreased consumer demand on their core product/service.
N: 95

Firms that reported an increase in demand stated that they increased capacity, increased price of the product/service, and increased capital investment.



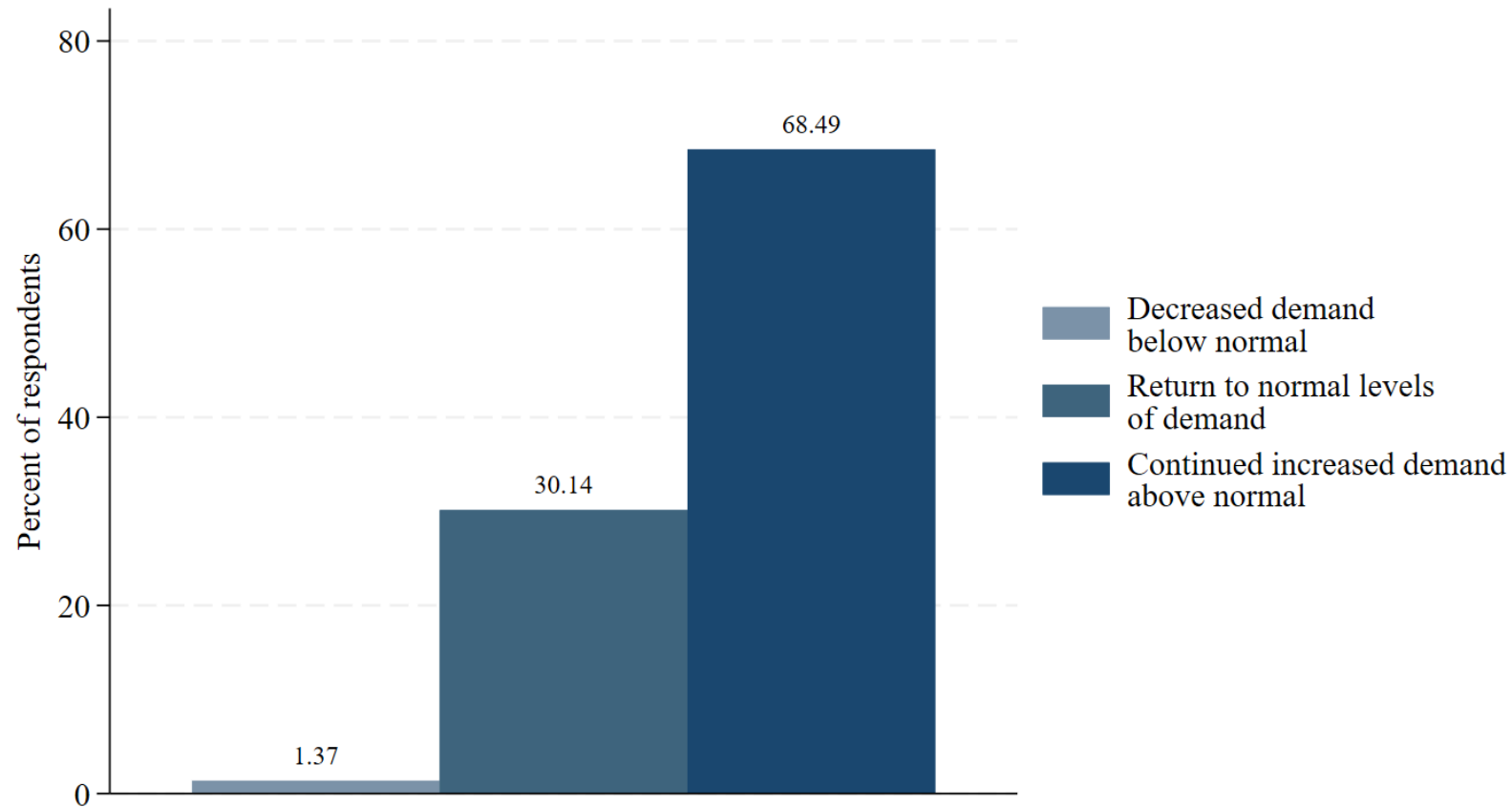
Only includes firms that reported increased consumer demand on their core product/service.
N: 73

About 56% of firms that reported a decrease in demand over the past 12 months stated that they expected demand to return to normal levels over the next 12 months. About 36% expect continued decreased demand.



Only includes firms that reported decreased consumer demand on their core product/service.
N: 95

About 68% of firms that reported an increase in demand over the past 12 months expect demand to remain elevated over the next 12 months, while about 30% expect demand to return to normal levels.



Only includes firms that reported decreased consumer demand on their core product/service.
N: 73

Summary statistics for previous questions and others are included in appendix slides.

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

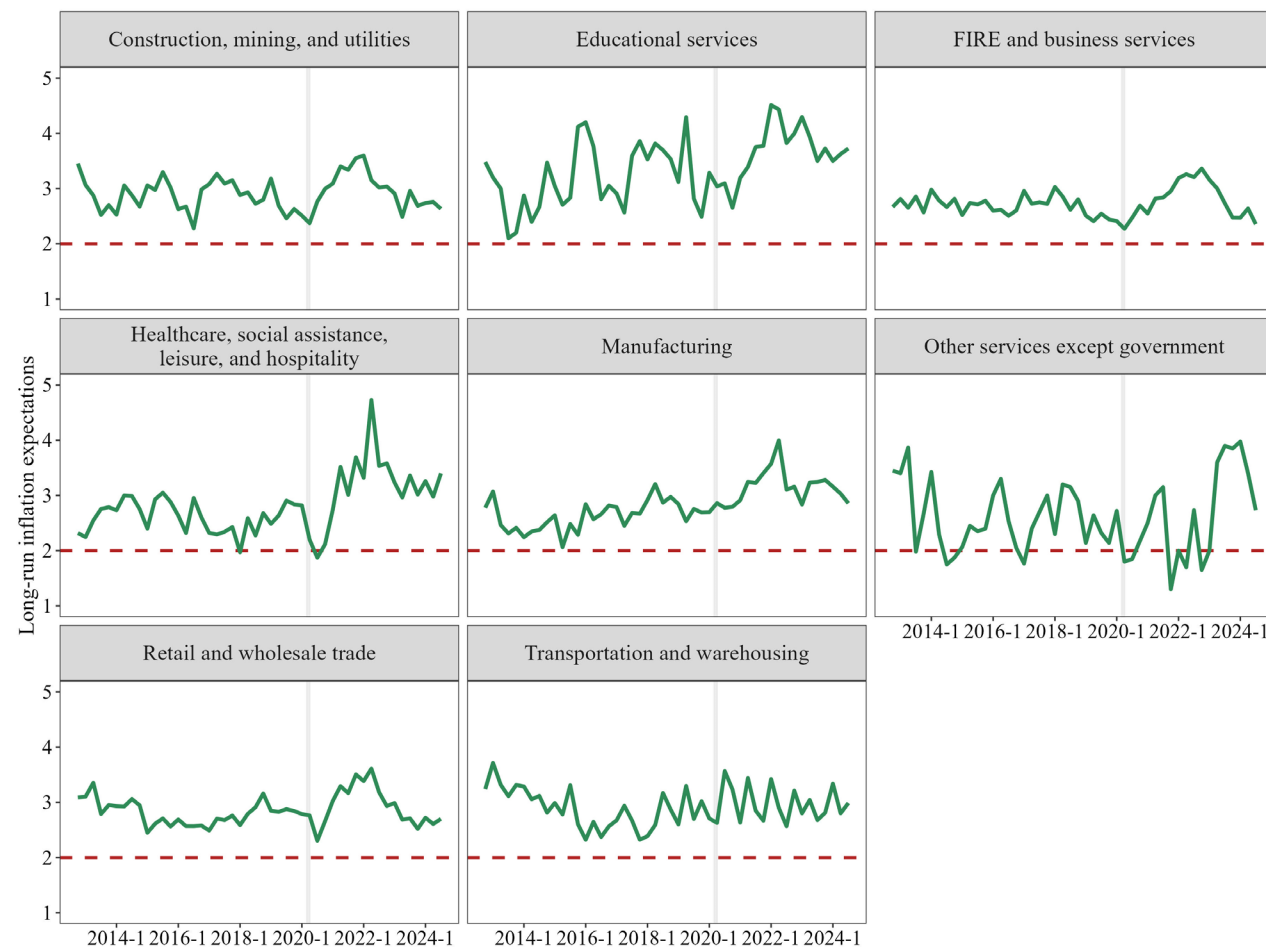
Year-ahead unit-cost expectations vary meaningfully by sector.



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

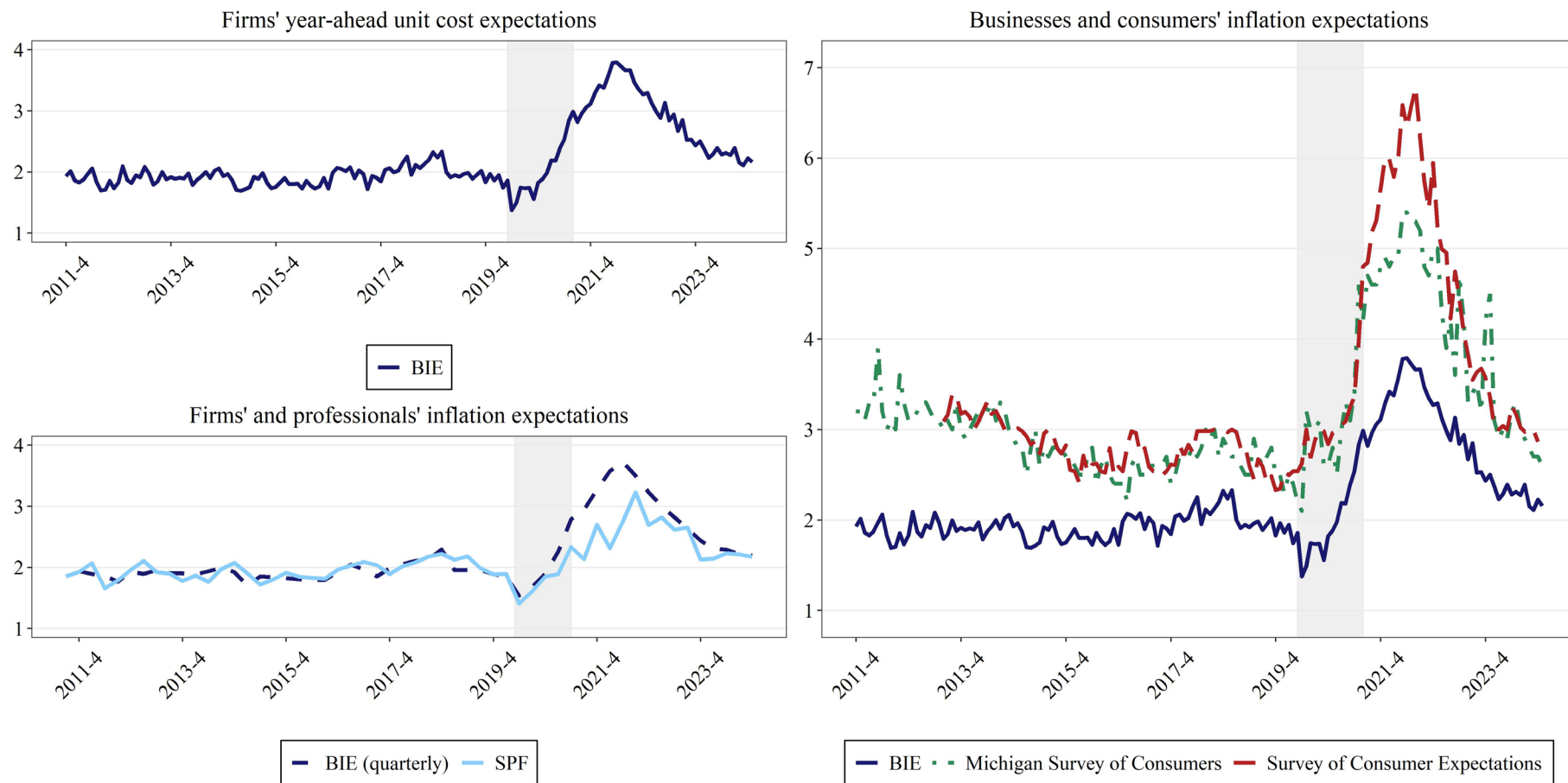
BIE Unit Cost Growth versus GDP Chain-type Price Index



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>>

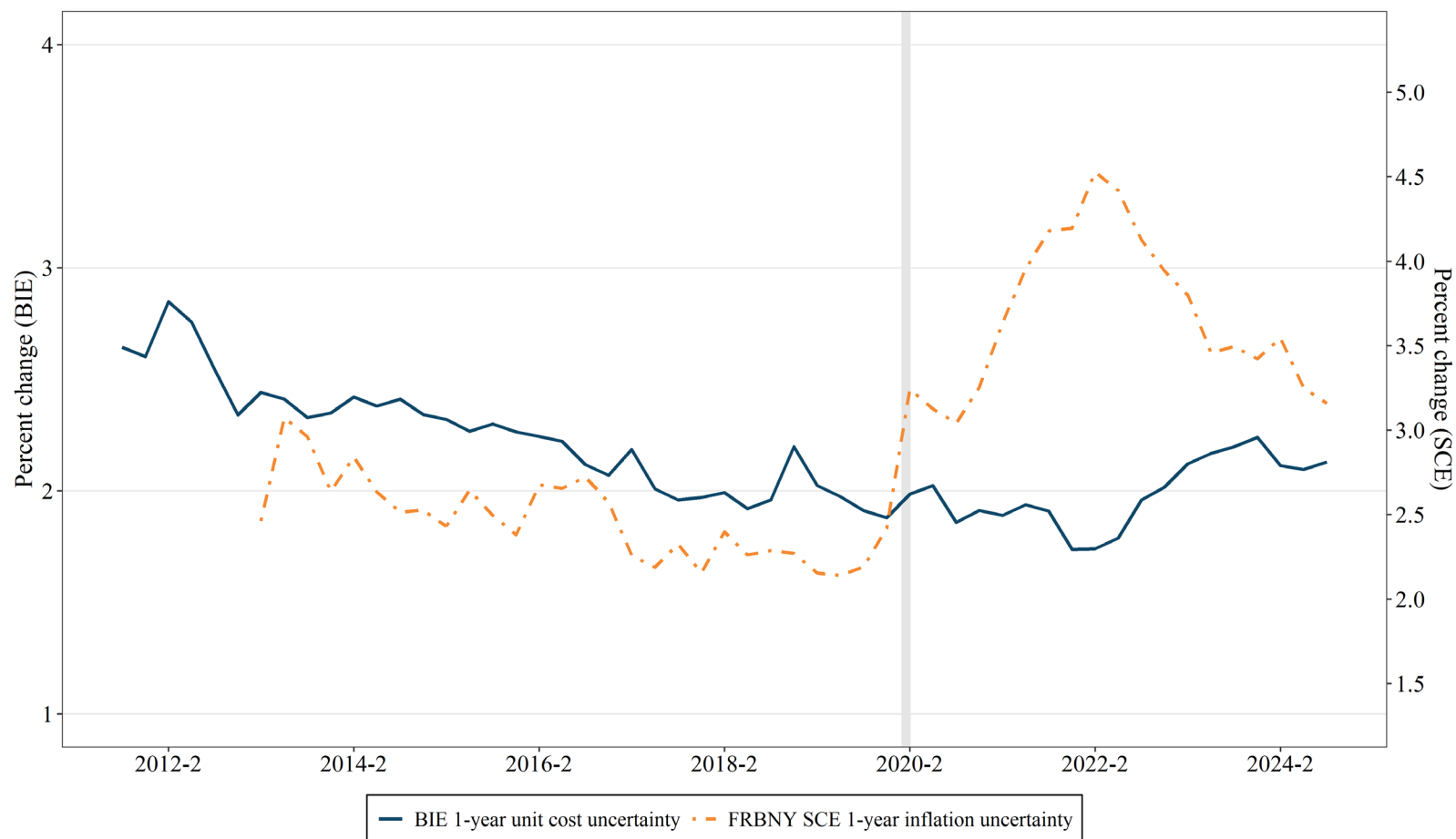
BIE Survey versus SPF and Survey of Consumers



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)

Questions can be directed to:
Aaron Jalca (Aaron.Jalca@atl.frb.org)
Grace Guynn (Grace.Guynn@atl.frb.org)



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