

Business Inflation Expectations (BIE) Survey

Monthly Report: May 2025



Federal Reserve
Bank *of* Atlanta

Headline Results

1. Firms' year-ahead unit cost expectations fell by 0.3 percentage points to 2.5 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 reported a median 3.8 percent (3.9 percent mean) price increase over the past 12 months and a median 4.0 percent (5.0 percent) expected price increase over the next 12 months. Realized price change has stayed relatively the same from February 2025 while the expected price change increased (4.0 percent median realized price increase, 3.0 percent median expected price increase).
3. In May's special questions, we asked firms questions regarding how they would change their prices today if they could, what factors they consider when setting prices, their Consumer Price Index (CPI) growth expectations, and whether indicators like the Blue Chip forecast affect their expectations.
4. Not surprisingly, firms consider factors that affect their demand and their costs when setting prices. Naturally, this leads to variation between different sectors.
5. Firms expect CPI to grow by 3.8 percent over the next year and report that they would increase prices by an average of 4.5 percent (3 percent median) if they could do so today, with variation by firm size and sector.
6. Few firms reported that the Blue Chip forecast would affect their CPI or own-firm unit cost expectations. This could mean that this indicator is not relevant to them, or that they are already familiar with it.

About the BIE

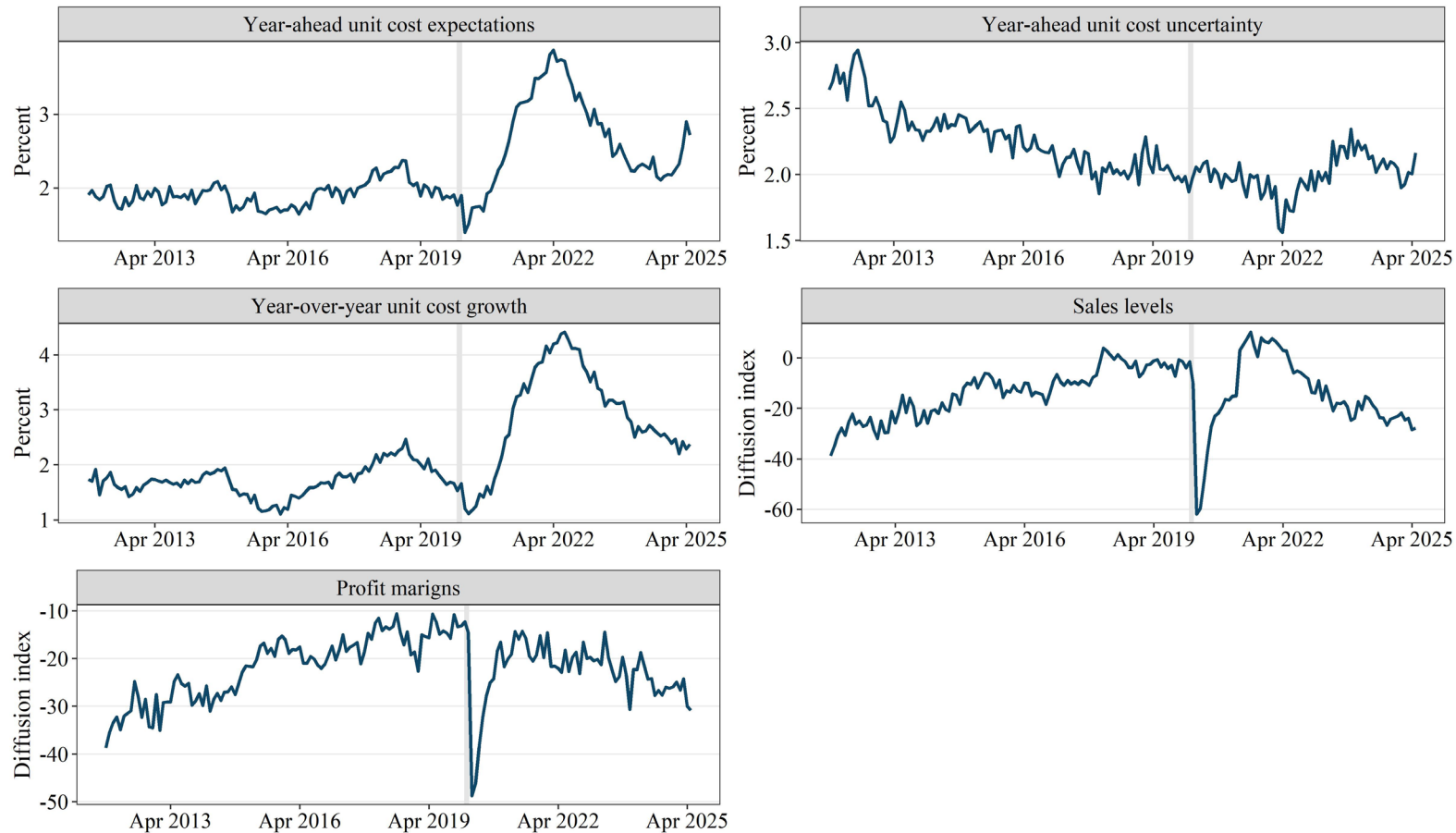
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

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

Rotating quarterly question: Looking back over the last 12 months, by about what percent did your firm change prices? Looking ahead over the next 12 months, by about what percent does your firm expect to change prices?



Source: Atlanta Fed Business Inflation Expectations (BIE) survey

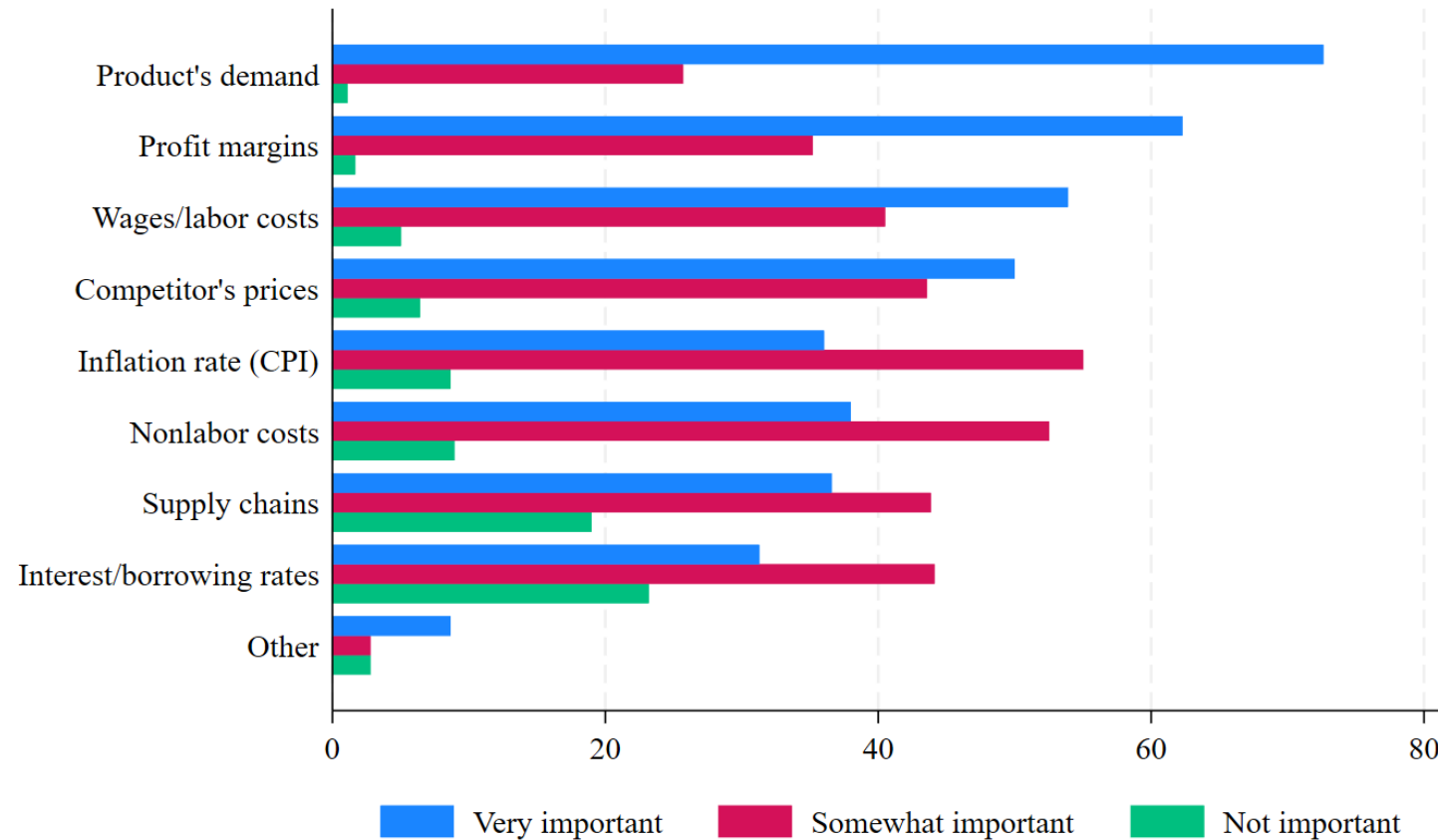
Note: This quarterly question officially started in February 2024. The results prior to that were results collected through our Special Questions Series.

BIE Special Questions: May 2025

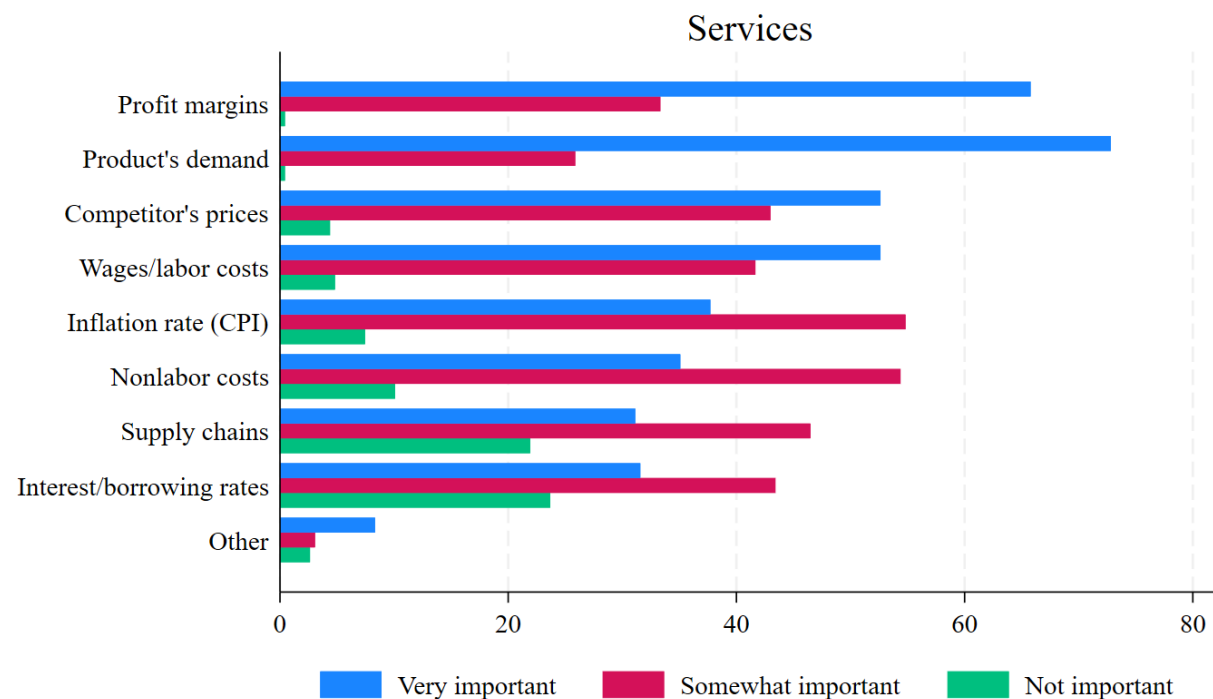
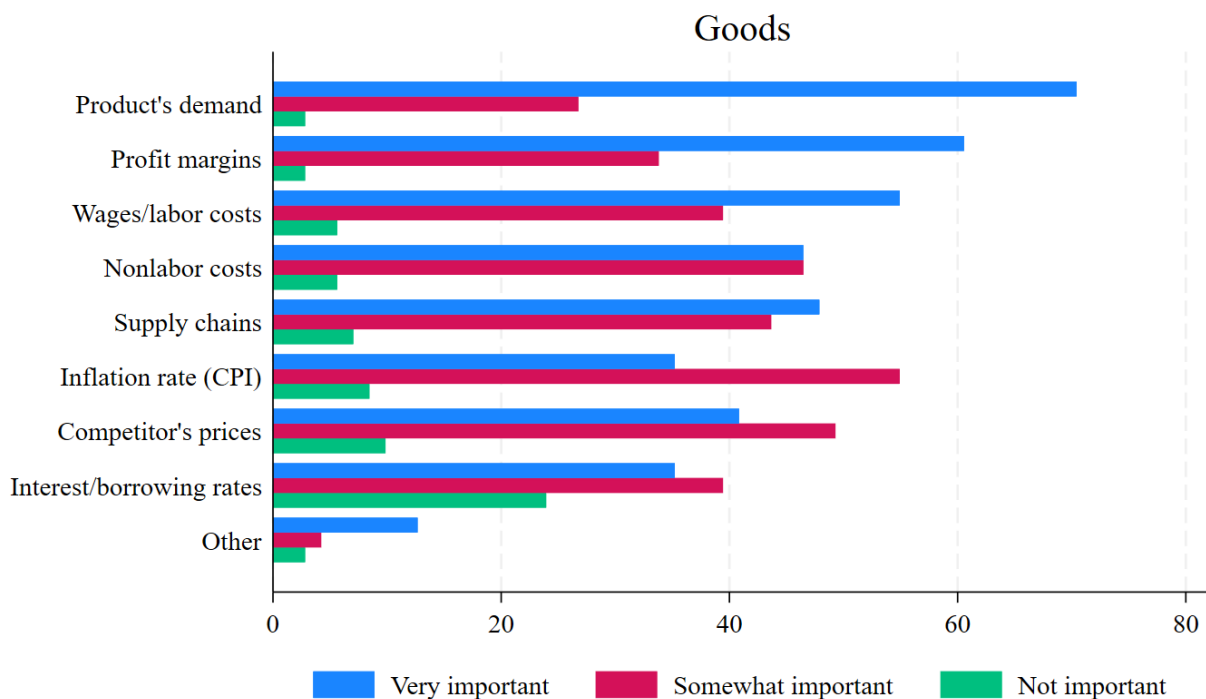
Currently, when your firm thinks about setting the price(s) of your most important good(s) or service(s), how important are the following factors in making those decisions?

Currently, when your firm thinks about setting prices on average, across all goods and services, how important are the following factors in making those decisions?

When setting prices, firms in our sample consider their products' demand, their profit margins, their competitors' prices, and their wages/labor costs the most.



As expected, goods- and services-producing firms report different concerns when price-setting. While profit margins and demand remain top concerns, nonlabor costs and supply chains are more important to goods-producing firms than to services-producing firms.

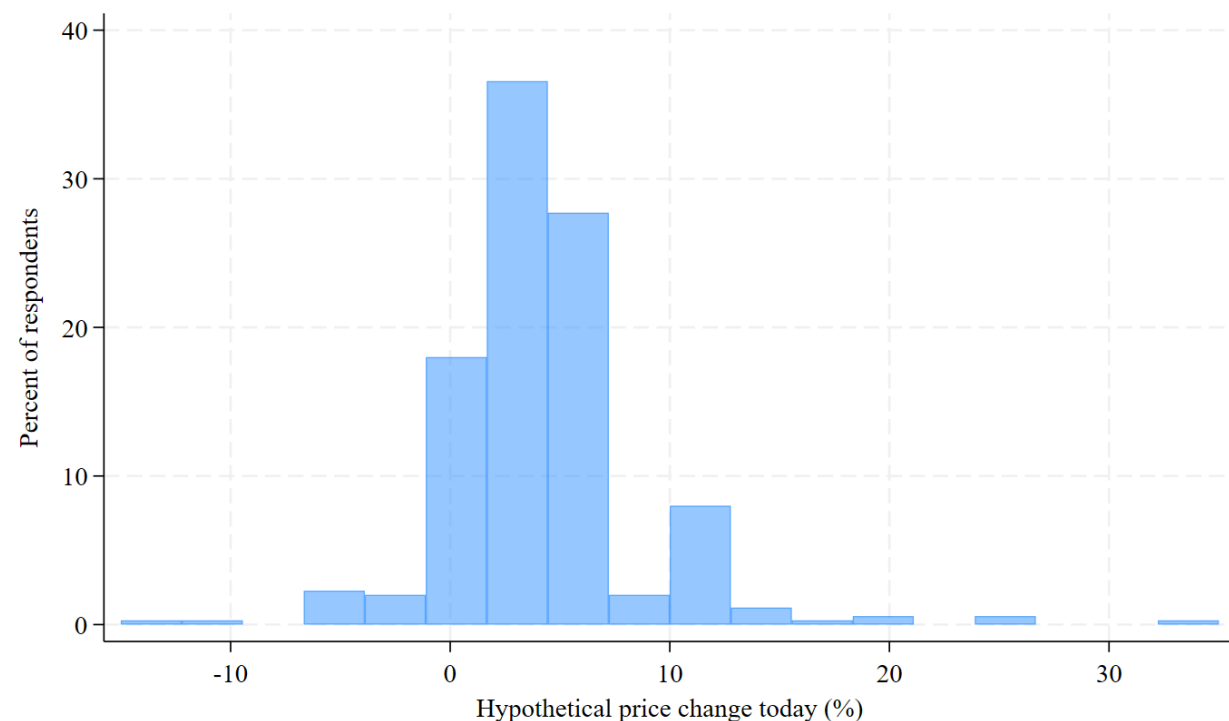
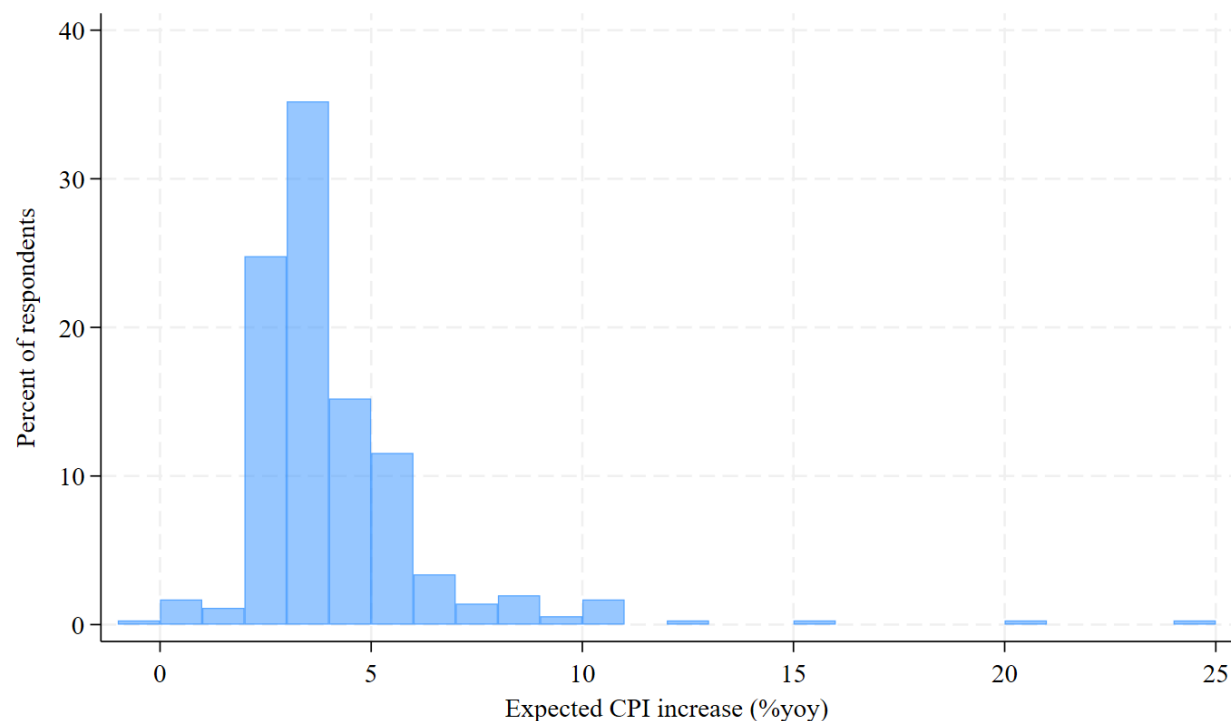


The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

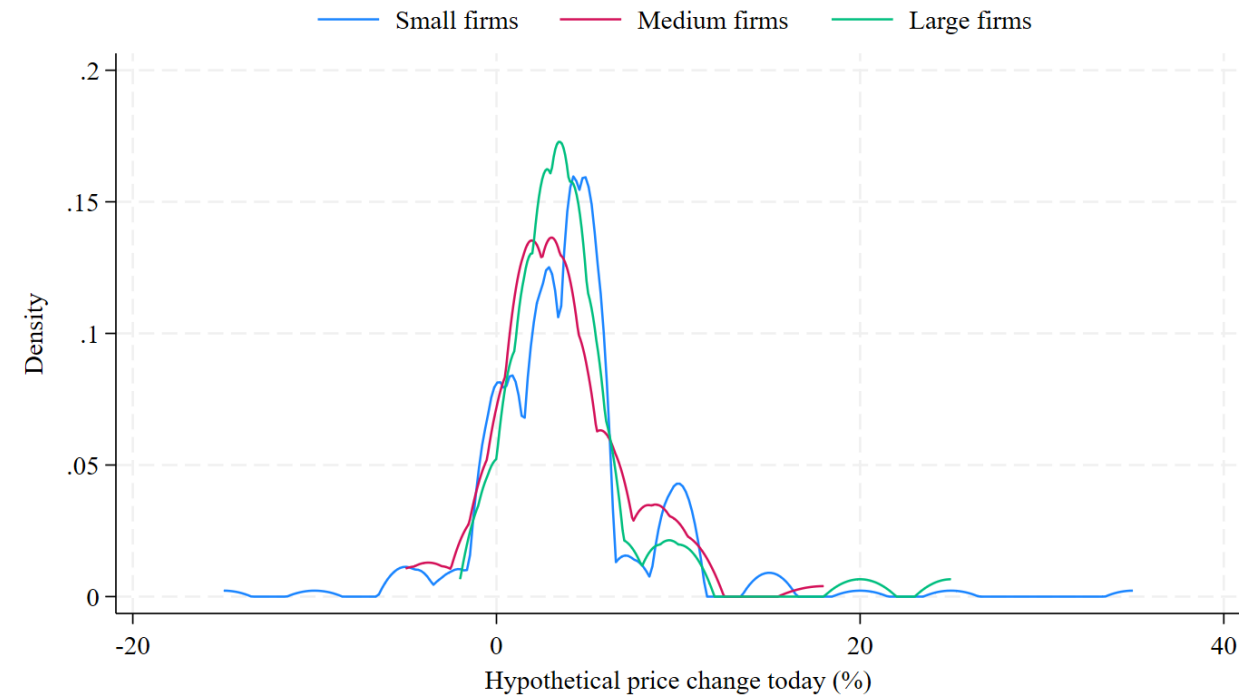
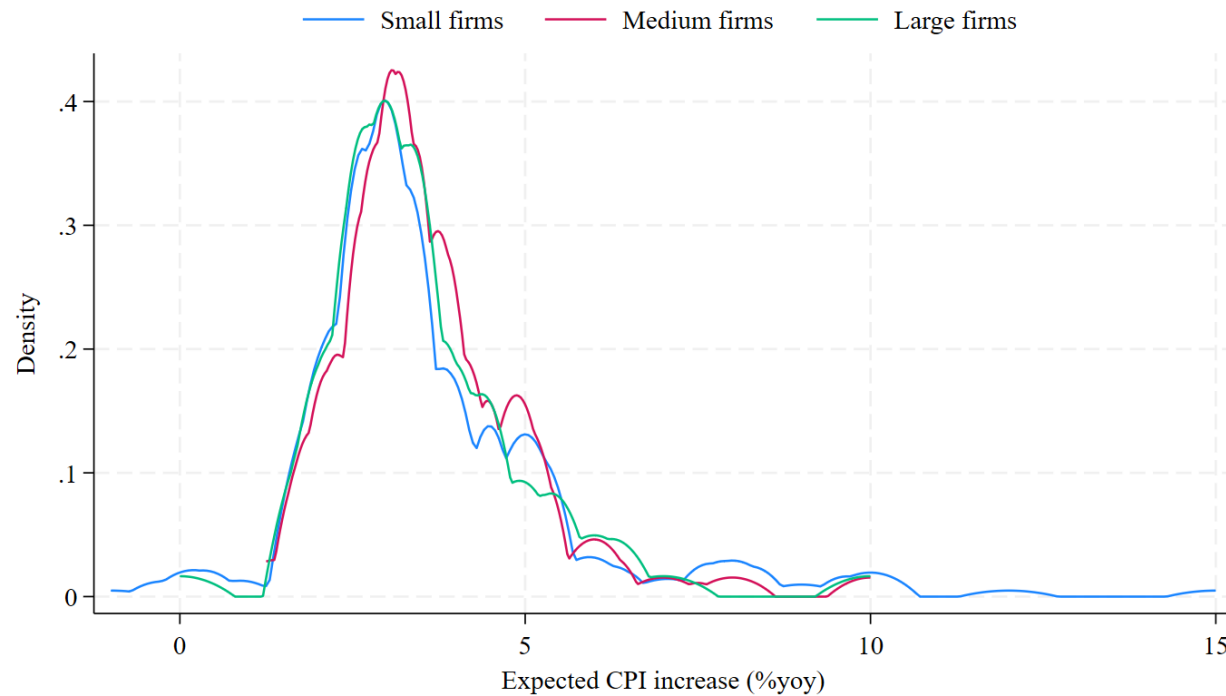
Projecting ahead, to the best of your ability, what do you expect the aggregate rate of inflation, as measured by the CPI, will be over the next four quarters?

If your firm were to change prices today, by about what percent would you change prices?

Firms' year-ahead CPI growth expectations (left) are skewed leftward, with an average of 3.8 percent. The distribution for a hypothetical price increase today (right) is tighter. Firms report that they would increase prices by an average of 4.5 percent (3 percent median) if they could do so today.



Interestingly, there is not much variation when we cut the distribution of expected CPI increase by firm size. There is a bit of variation in the distributions of hypothetical price increases. Small firms would like to raise their prices by a slightly larger percentage than large or medium firms. This may be due to the different sectoral composition of our firm size categories.



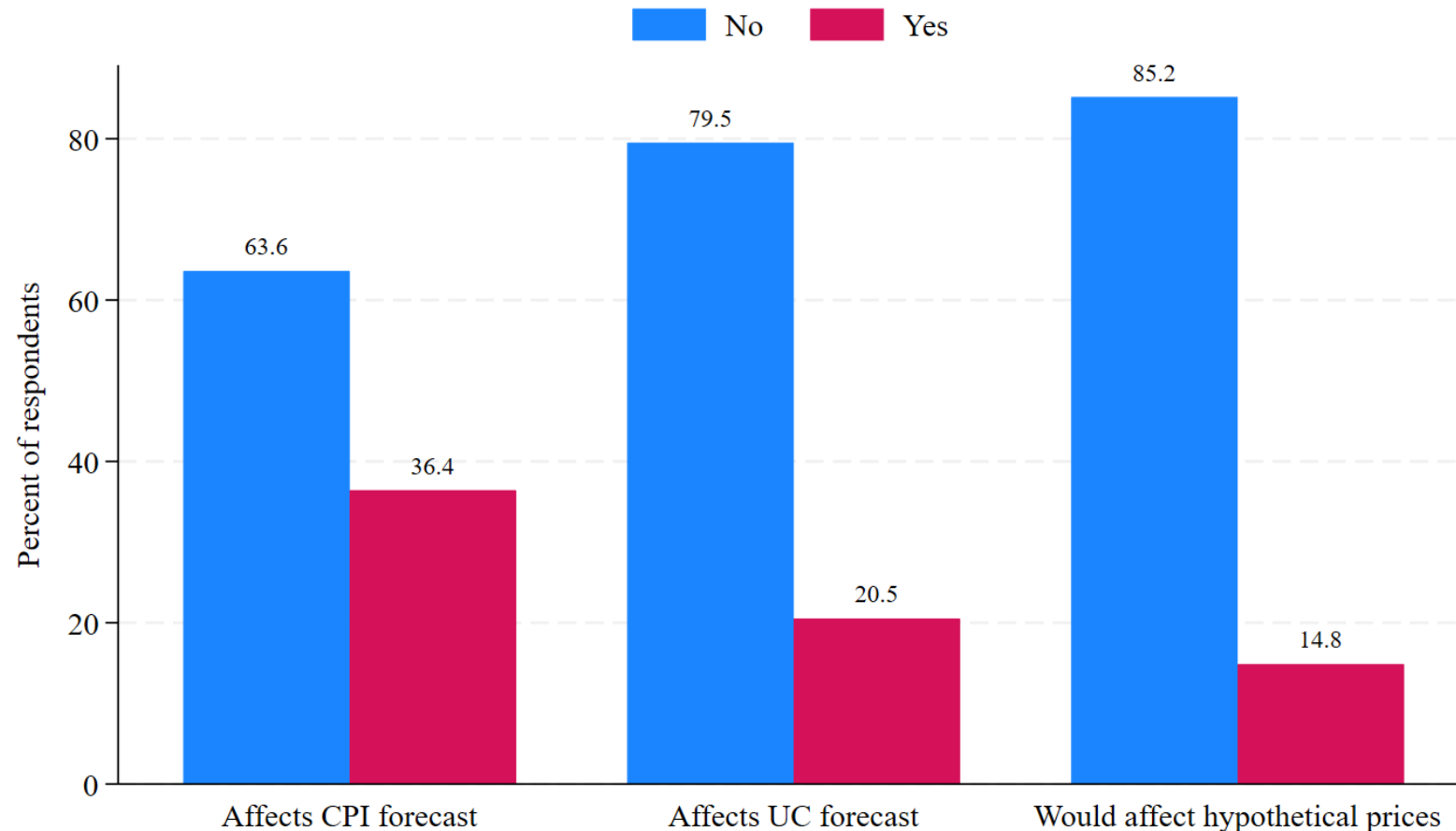
The Blue Chip forecast is the average forecast of more than 50 economists employed across some of the largest and more well-regarded US manufacturers, banks, insurance companies, and brokerage firms.

The April release of the Blue Chip forecast predicts CPI inflation will be 3.4% over the next four quarters.

Does this information affect your beliefs for CPI inflation over the next four quarters?

Does the professional forecast that CPI inflation will be 3.4 percent over the next four quarters affect your forecast about your firm's unit cost growth over the next 12 months?

About a third of our sample reported that the Blue Chip CPI forecast affects their belief about CPI growth over the next four quarters. About a fifth reported that this forecast affects their belief about their own unit cost growth over the next four quarters. It is important to note, however, that the responses of many of our sample were near the Blue Chip forecast regardless of whether the forecast affected a firm's belief about inflation or unit cost increases.



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

Realizations and expectations by industry

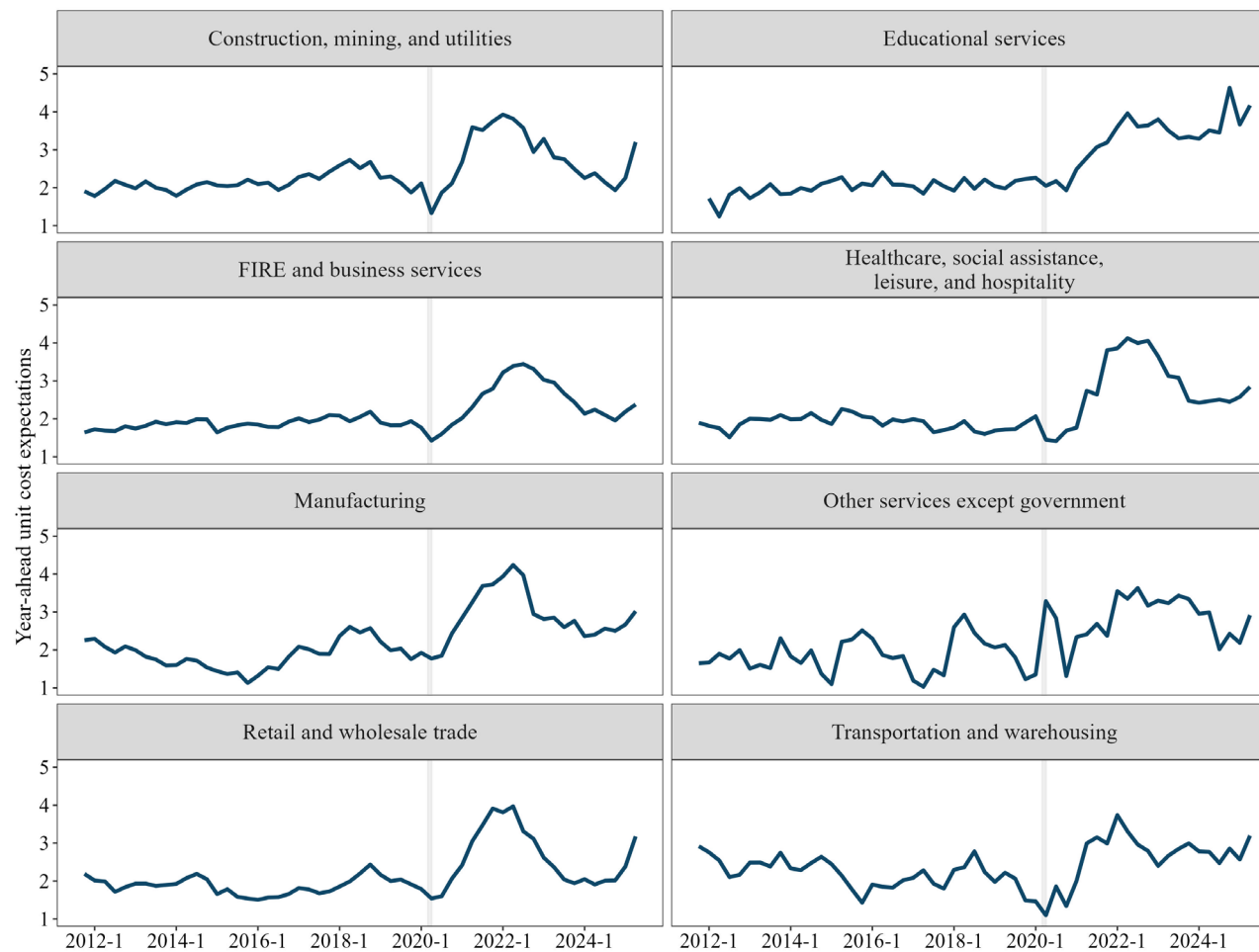
Firms' realized unit-cost growth across most broad industry classifications continues to ebb from peak levels.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

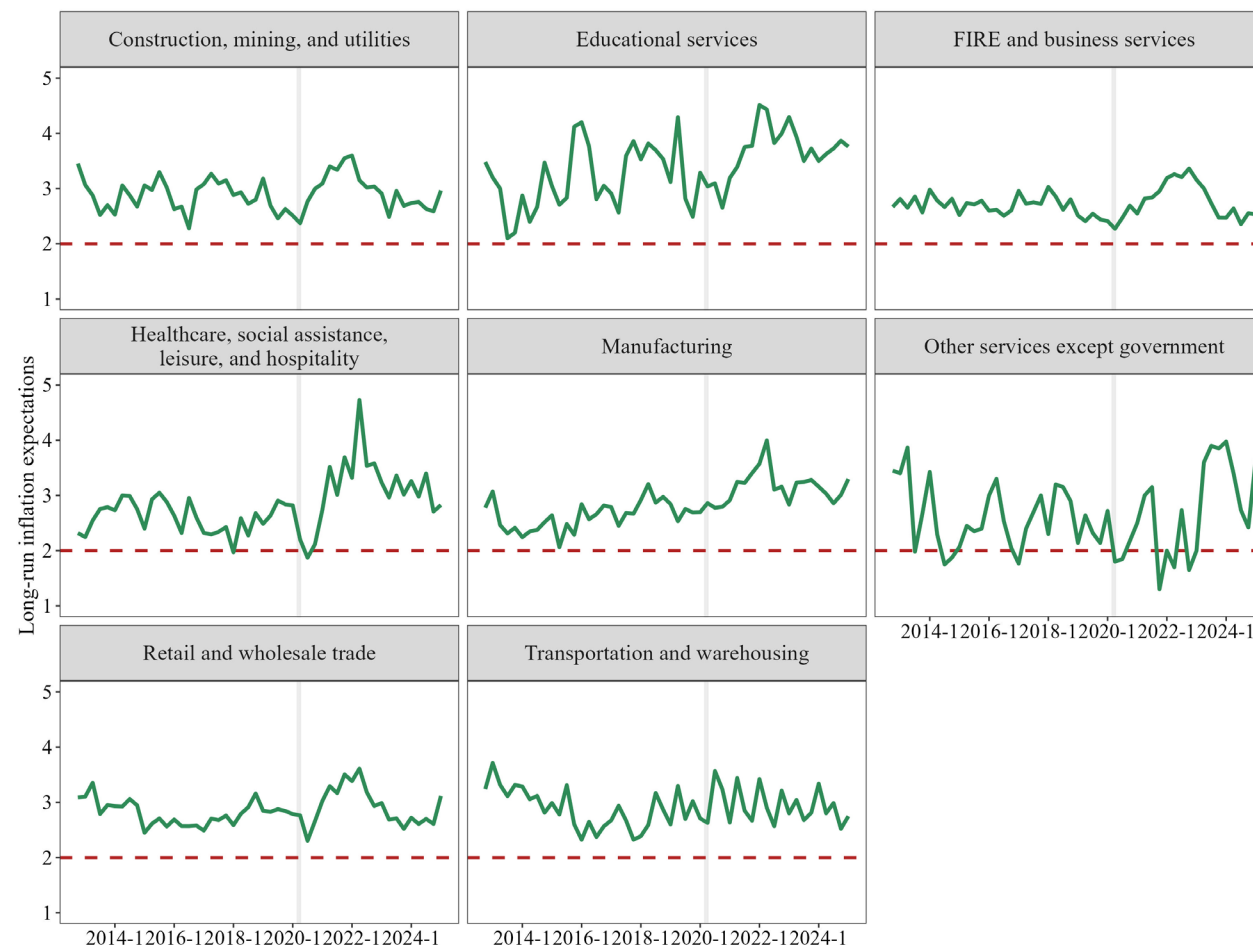
Year-ahead unit-cost expectations vary meaningfully by sector.



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.

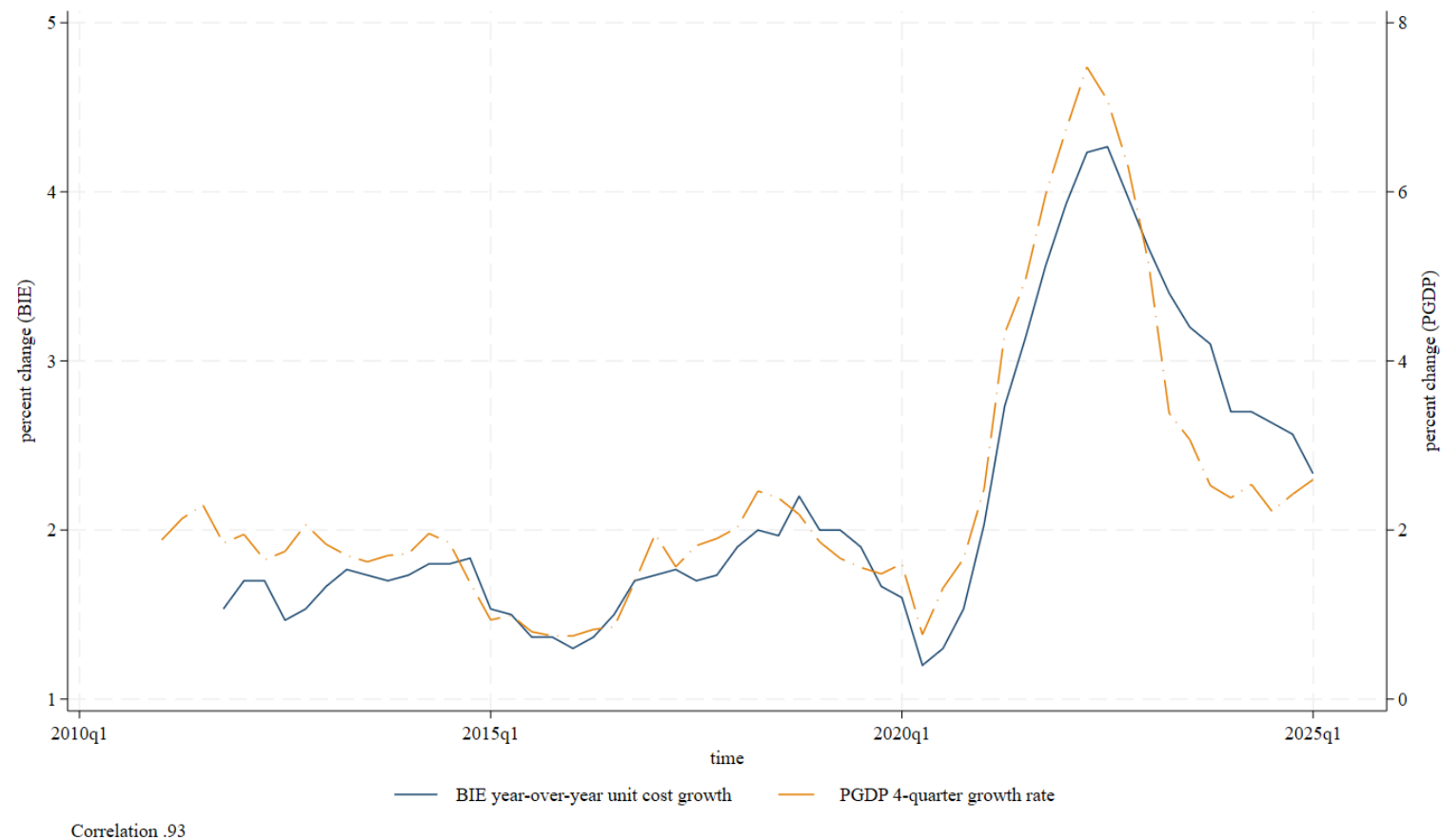


Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Comparing BIE realizations and expectations to actual data and other surveys

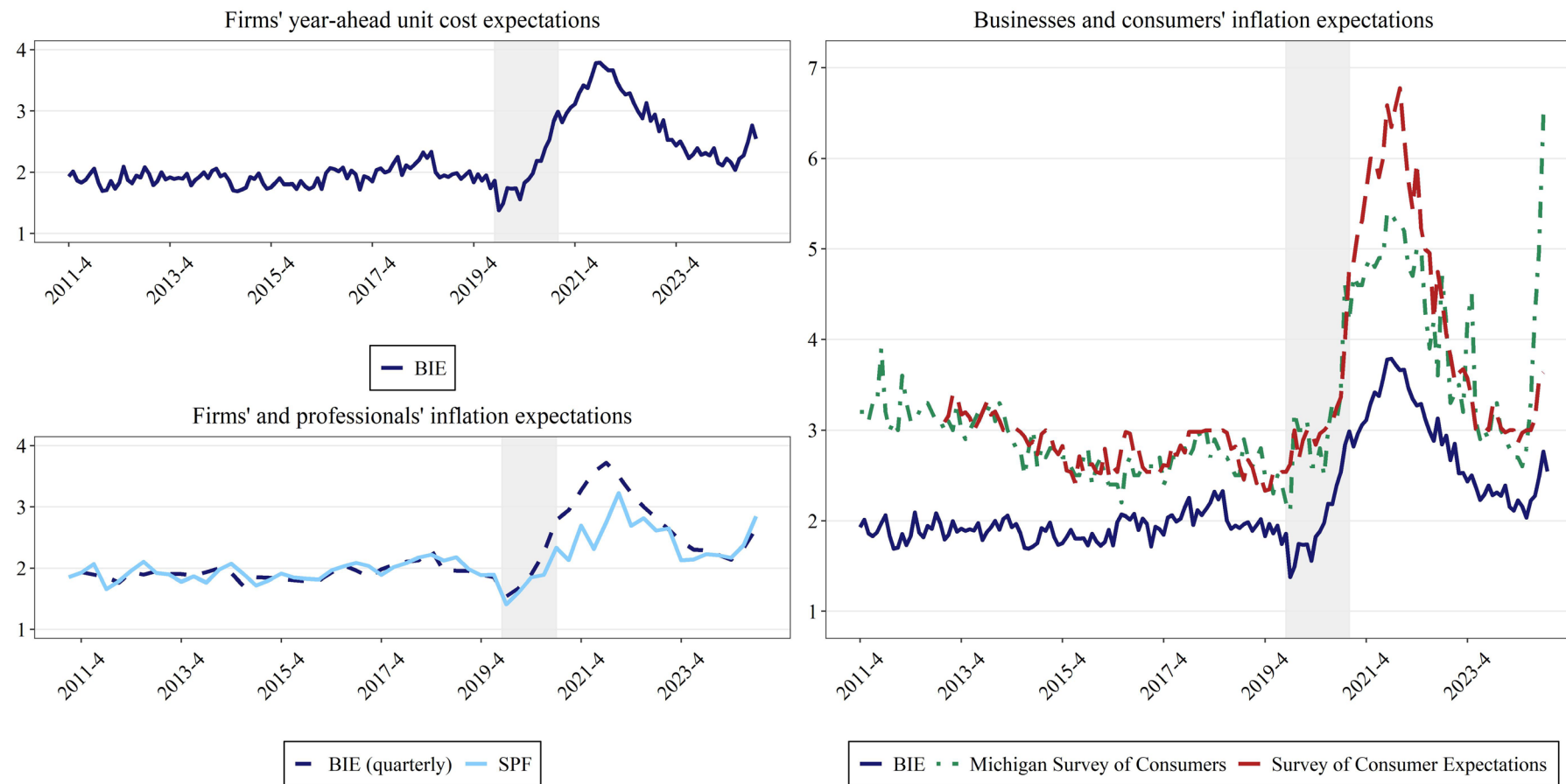
BIE Unit Cost Growth versus GDP Chain-type Price Index



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>

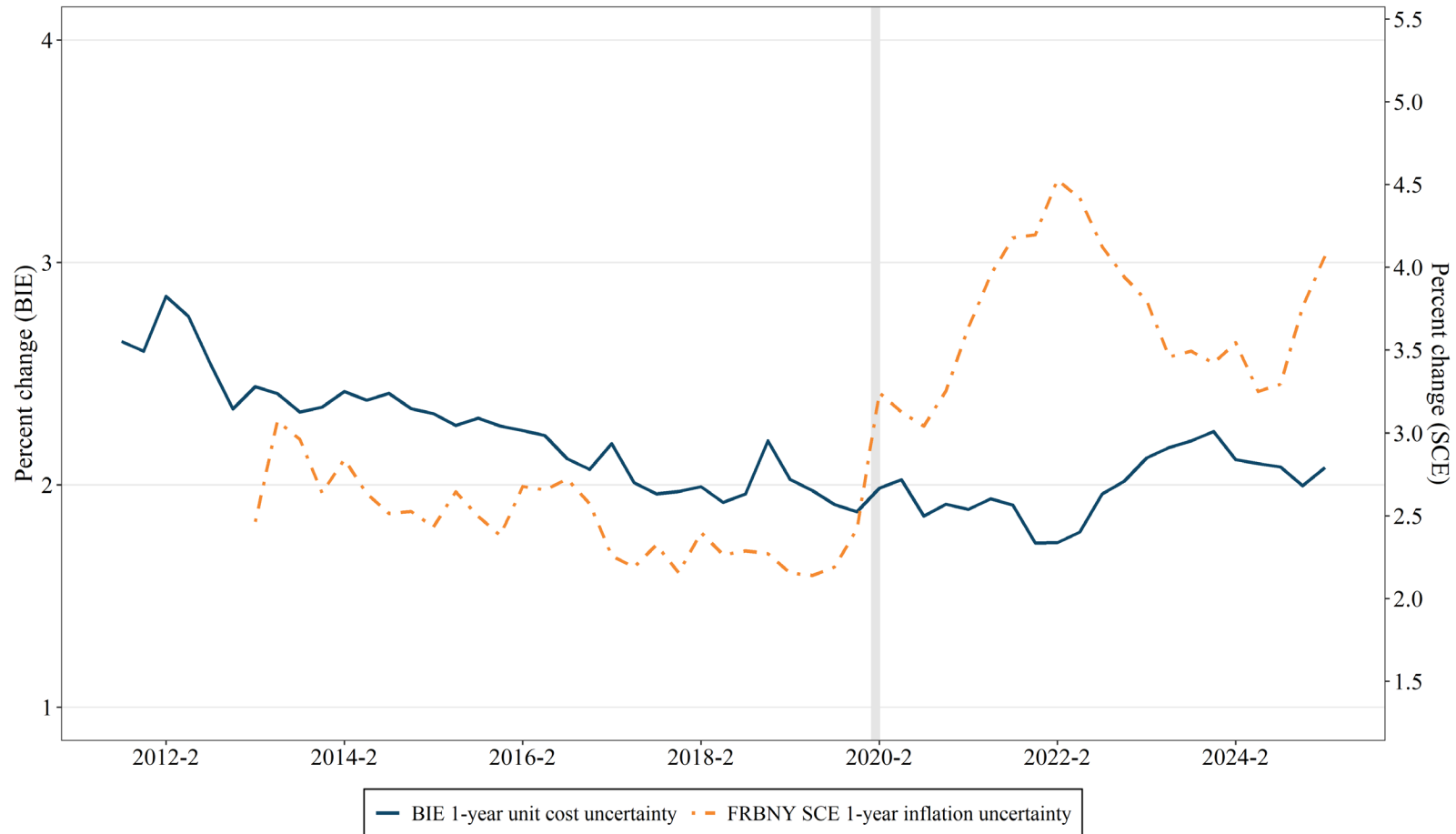
BIE Survey versus SPF and Survey of Consumers



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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