

Business Inflation Expectations (BIE) Survey

Monthly Report: December 2025



Federal Reserve
Bank *of* Atlanta

Headline Results

1. Firms' year-ahead unit cost remained constant at 2.2 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). Firms' year-ahead unit cost uncertainty has come down some after a peak in July.
2. Firms' long-run (five to 10 year-ahead) unit cost expectations decreased from September 2025 at 2.7 percent.
3. In December's special questions, we asked firms to consider their expected costs and price changes under various scenarios.
4. Regardless of whether firms consider average prices or prices of core products, they were equally confident in their price expectations for the next year. One of the few areas where the firms' behavior diverged was when asked if a five percentage point increase in costs driven by labor altered their behavior, with average cost responding much stronger.

About the BIE

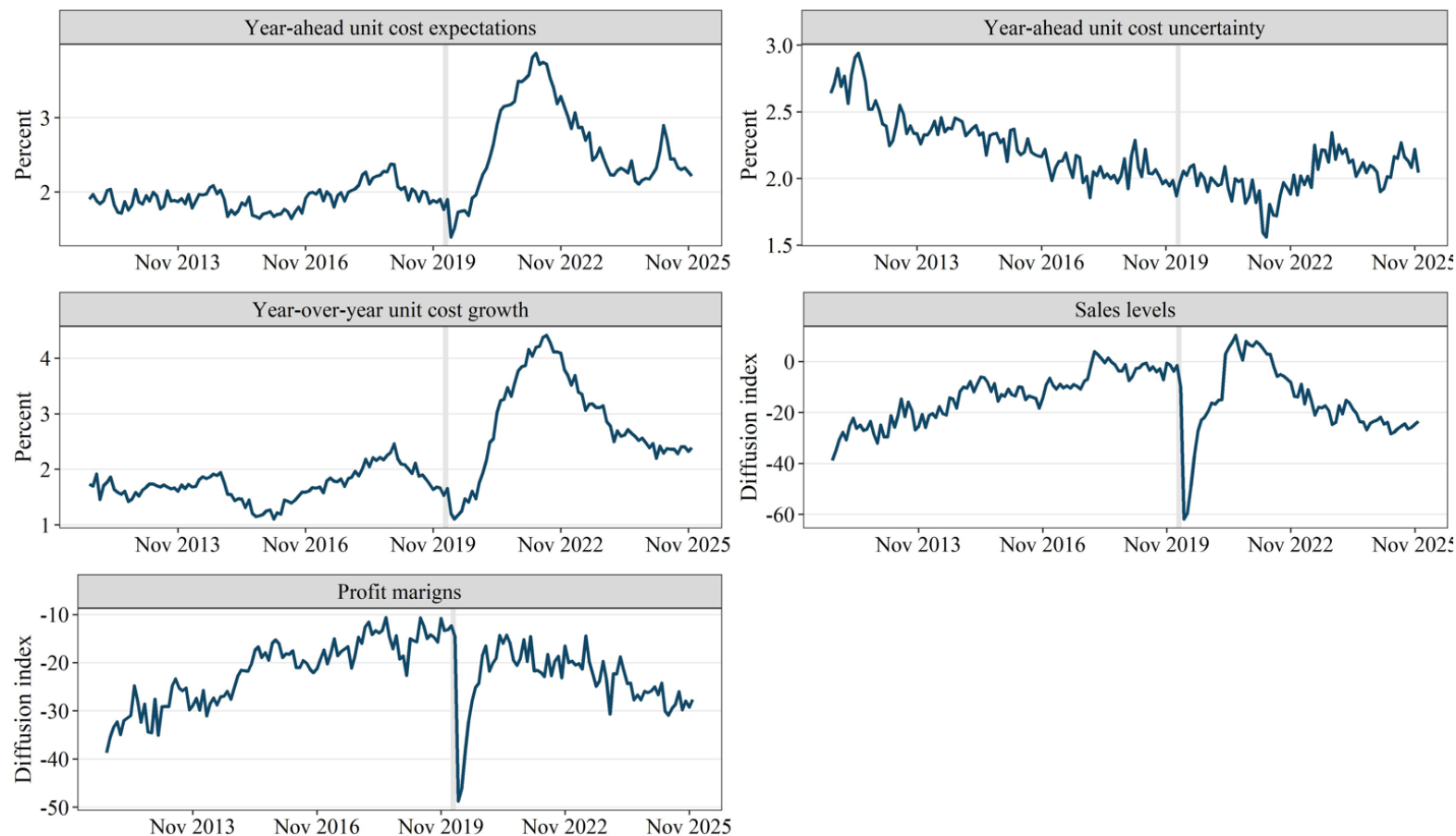
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

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](#).

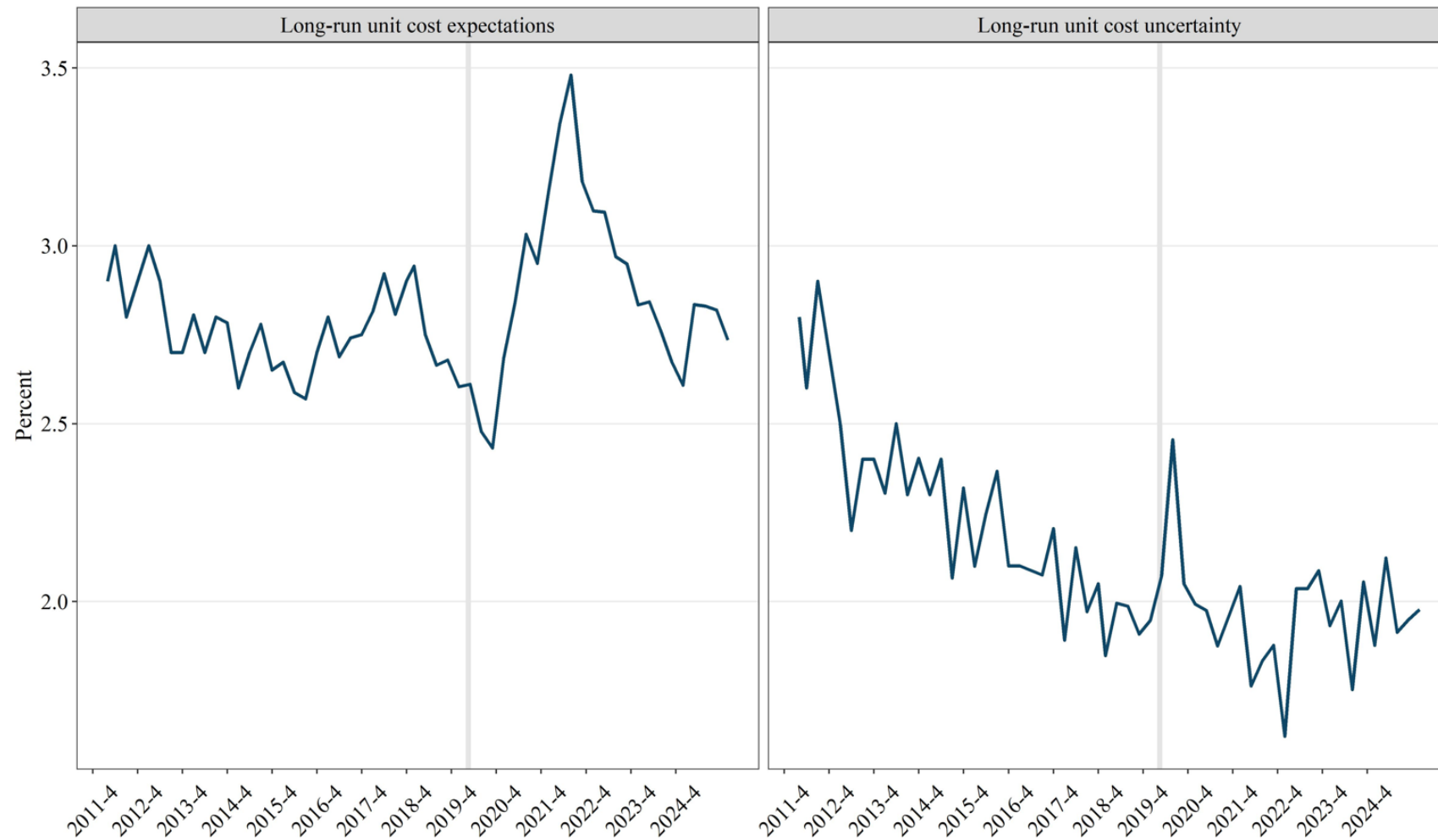
Core Monthly Questions



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Rotating quarterly question: Projecting ahead, to the best of your ability, please assign a percent likelihood to the following changes to unit costs per year, over the next five to 10 years.



Source: Atlanta Fed Business Inflation Expectations (BIE) survey

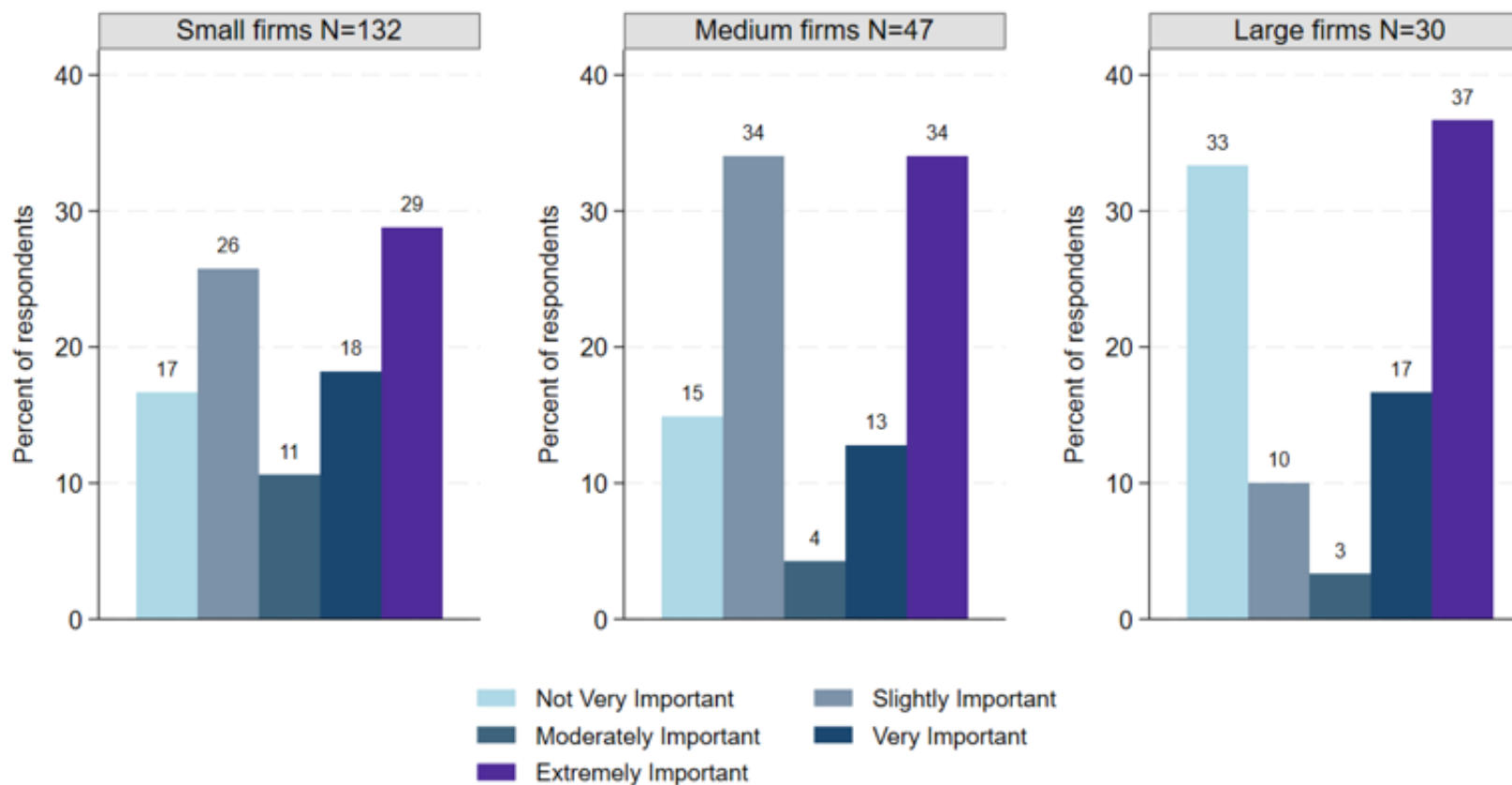
BIE Special Questions: December 2025

When thinking about your prices and costs, do you prefer to focus on **average** prices and costs across all of your good(s) or service(s), or on the prices and costs associated with your **most important** good(s) or service(s)?

Currently, when you think about setting price(s) across all of your good(s) or service(s), how important to you are the following factors in making those decisions?

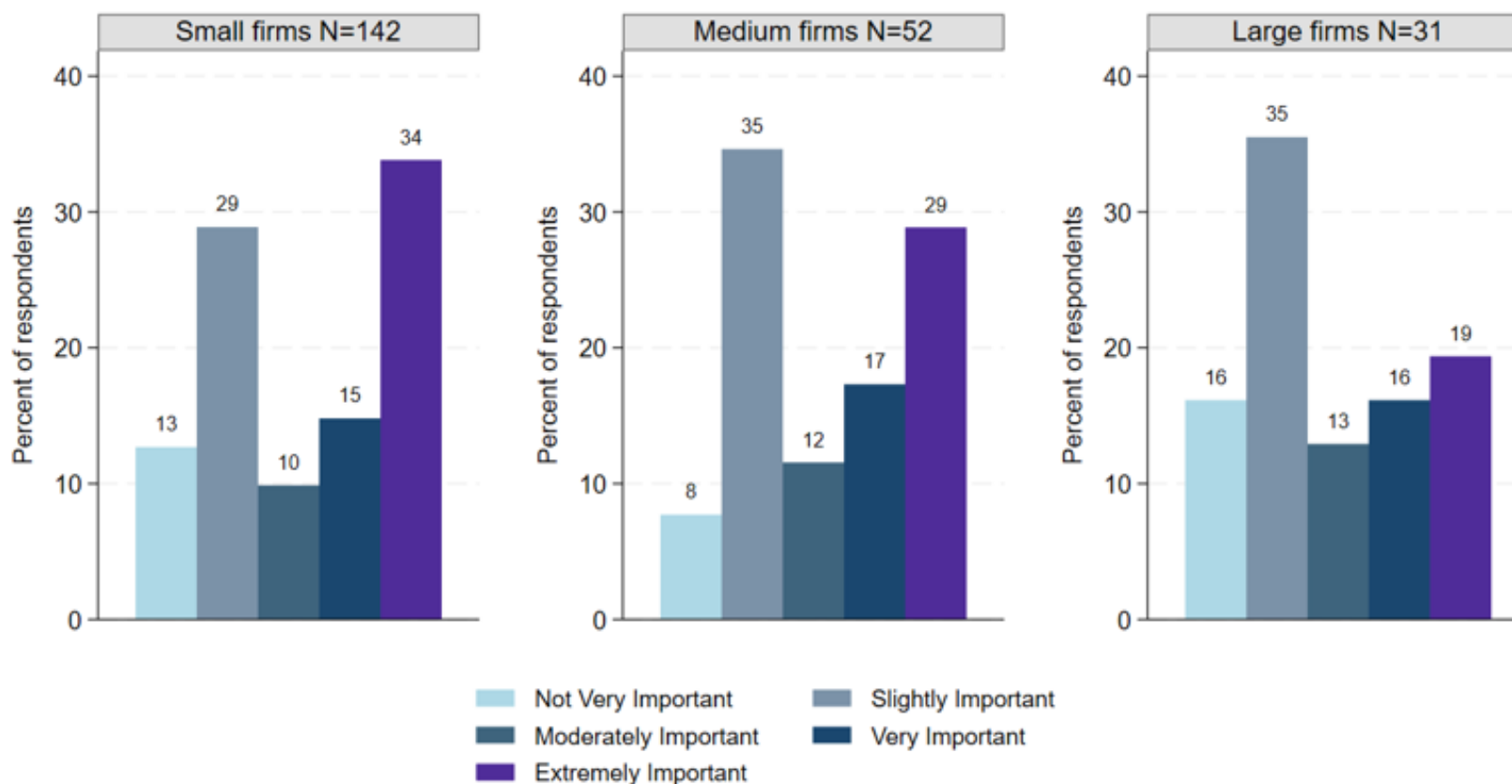
Across all firms that responded with average price(s) and cost(s), around a third indicated competitors' pricing was extremely important. However, large firms exhibited a stronger U shape in responses with equal amounts selecting *not very important* and *extremely important*.

When you think about setting price(s) across all goods(s) or services(s),
How important is your competitors' pricing?



This behavior reverses among firms that focused on prices and costs for their most important product(s) or service(s), with large firms finding competitors pricing to be *less important* than other size groupings.

When you think about setting price(s) across all goods(s) or services(s),
How important is your competitors' pricing?



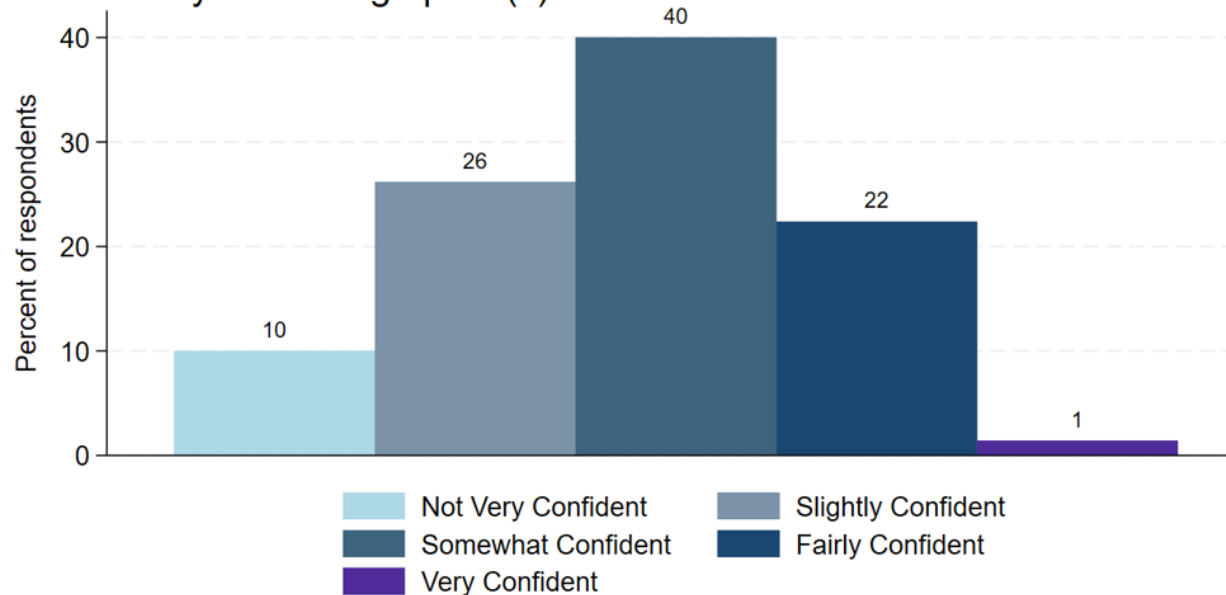
When thinking about your prices and costs, do you prefer to focus on **average** prices and costs across all of your good(s) or service(s), or on the prices and costs associated with your **most important** good(s) or service(s)?

How confident are you about the accuracy of your forecasted changes in your average price(s) and costs over the next 12 months?

How confident are you about the accuracy of your forecasted changes in the price(s) and costs of your most important good(s) or service(s) over the next 12 months?

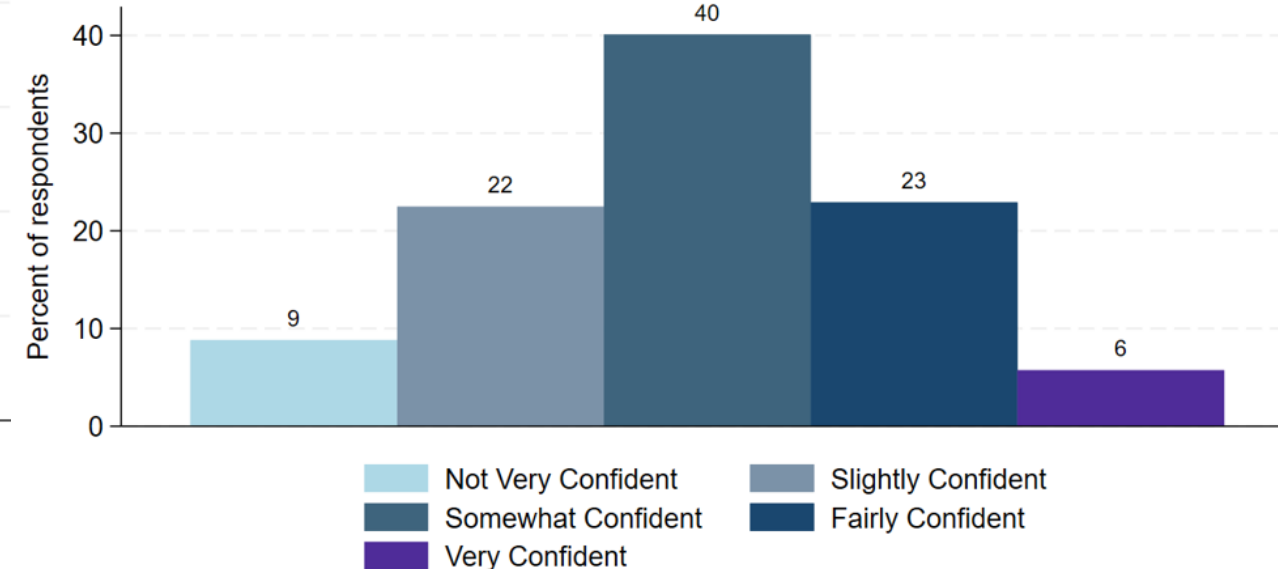
Whether they focus on average prices and costs, or prices and costs for most important good(s) or service(s), firms are uniformly similar in the confidence of their forecasts. This result is consistent across firm size and sector.

How confident are you in your forecasted changes in your average price(s) and costs over the next 12 months?



N=208.

How confident are you in your forecasted changes in the prices for you most important good(s) or service(s) over the next 12 months?



N=225.

Suppose instead that your costs changed by $\{X\}^*$, that is, cost growth ends up being 5 percentage points higher than expected.

Under this scenario, by about what percent would you expect to change your average price(s), across all your good(s) or service(s), over the next 12 months?

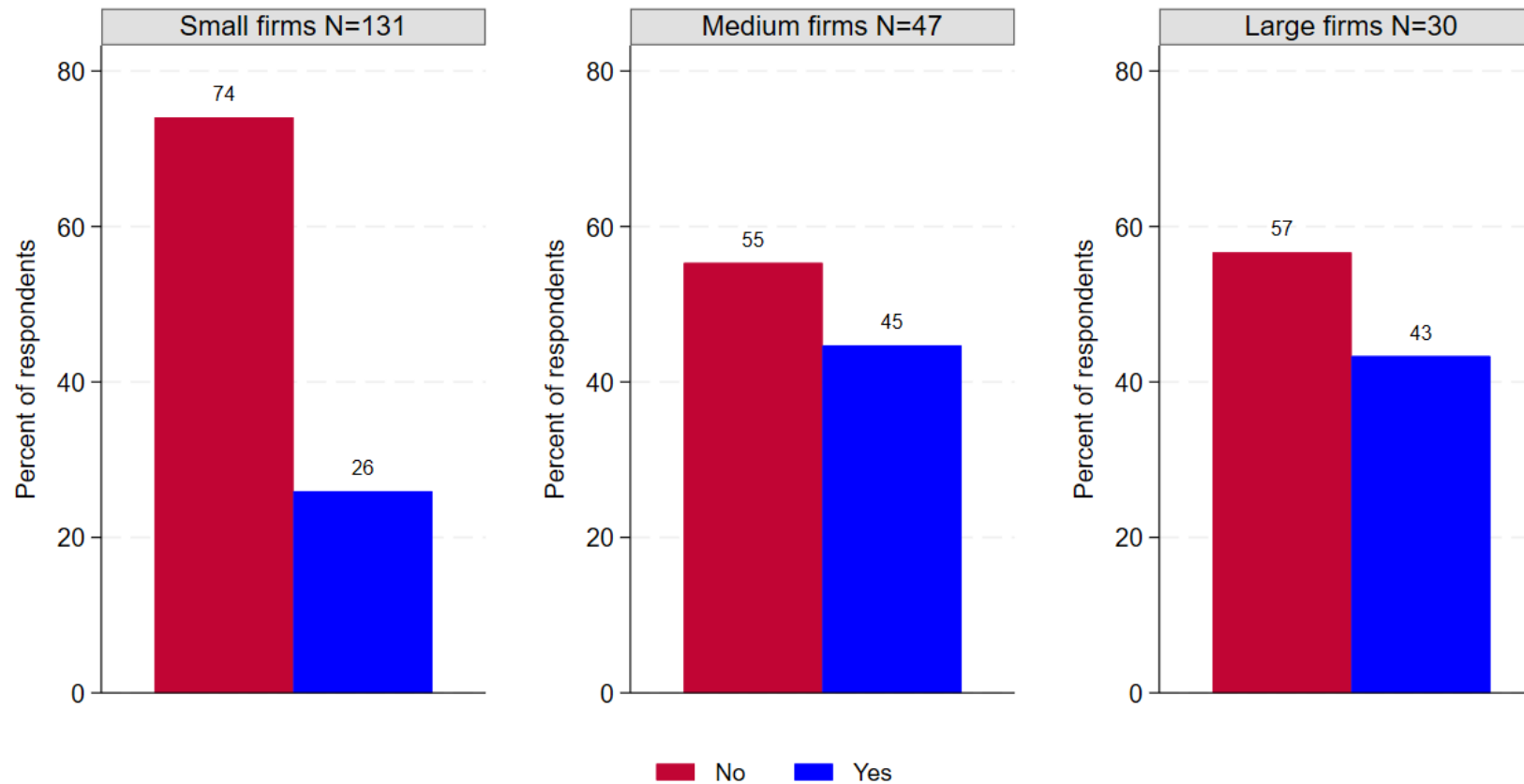
Suppose this hypothetical additional 5 percentage point increase in cost growth came primarily from labor costs.

Would this change your answer to the previous question?

*X is the average weighted cost change that the firm indicated in earlier in the survey, plus five percentage points.

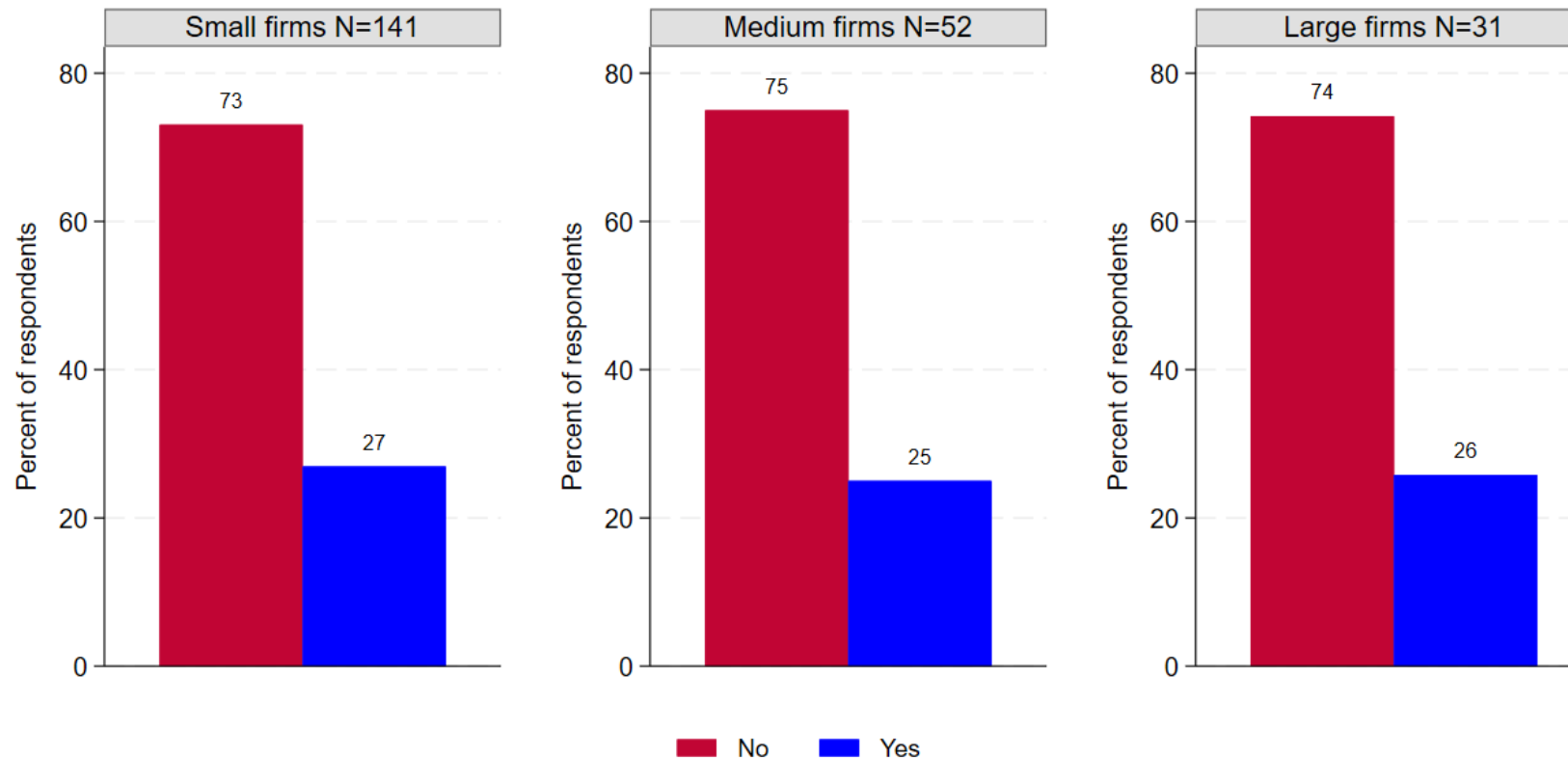
In general, firms indicated that a 5 percentage point cost increase driven by labor costs would be unlikely to change their forecasts for average price change over the next 12 months. Small firms are less likely to react to labor cost shocks compared to medium and large firms.

Would an additional 5 percentage point increase in cost growth primarily from labor costs change your expectation to change average prices?



However, for firms that think about prices and costs in terms of their main good or service, a five point increase in costs driven by increased labor costs has the same effect across all firm sizes.

Would an additional 5 percentage point increase in cost growth primarily from labor costs change your expectation to change core product prices?



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

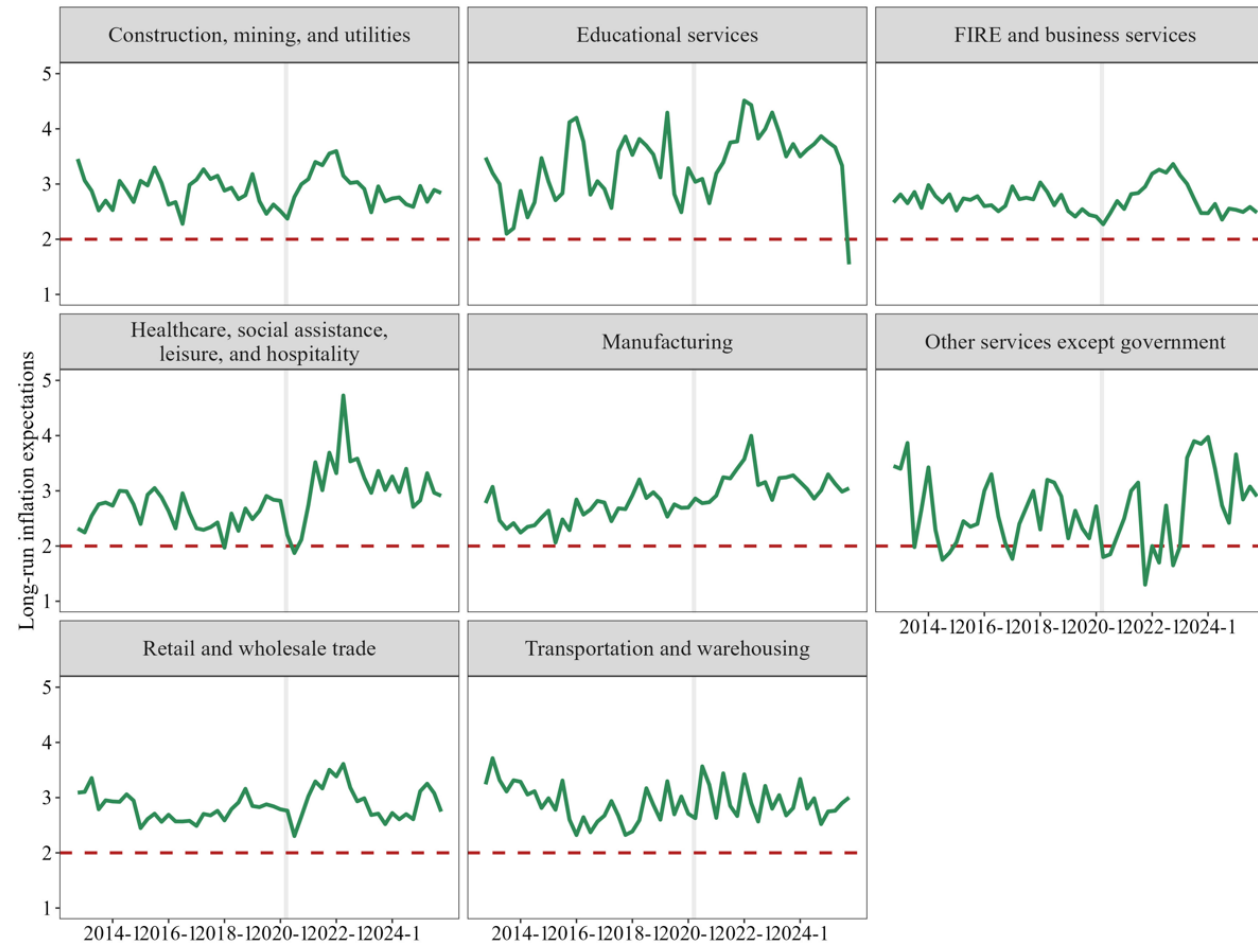
Year-ahead unit-cost expectations vary meaningfully by sector.



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.

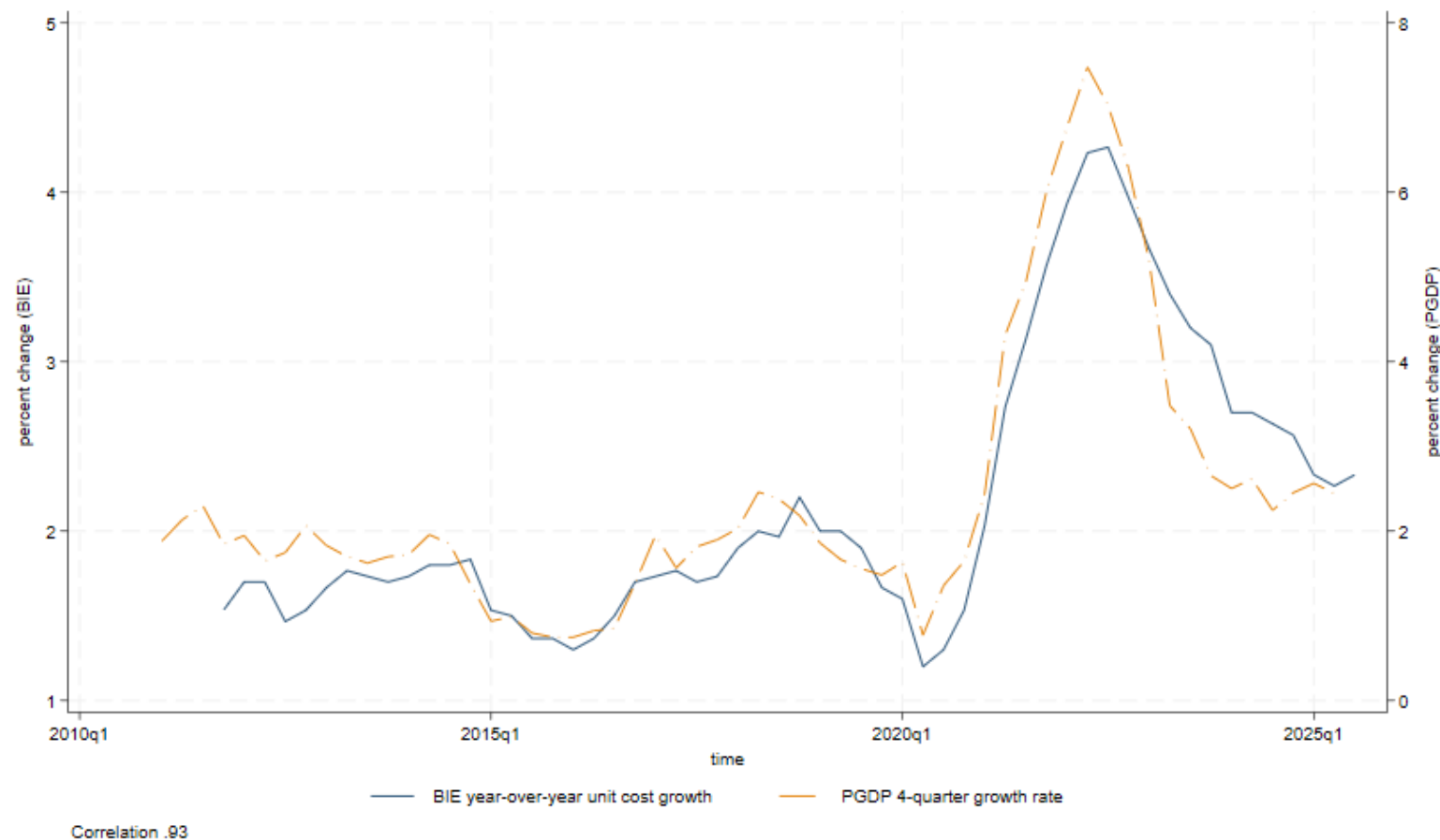


Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Comparing BIE realizations and expectations to actual data and other surveys

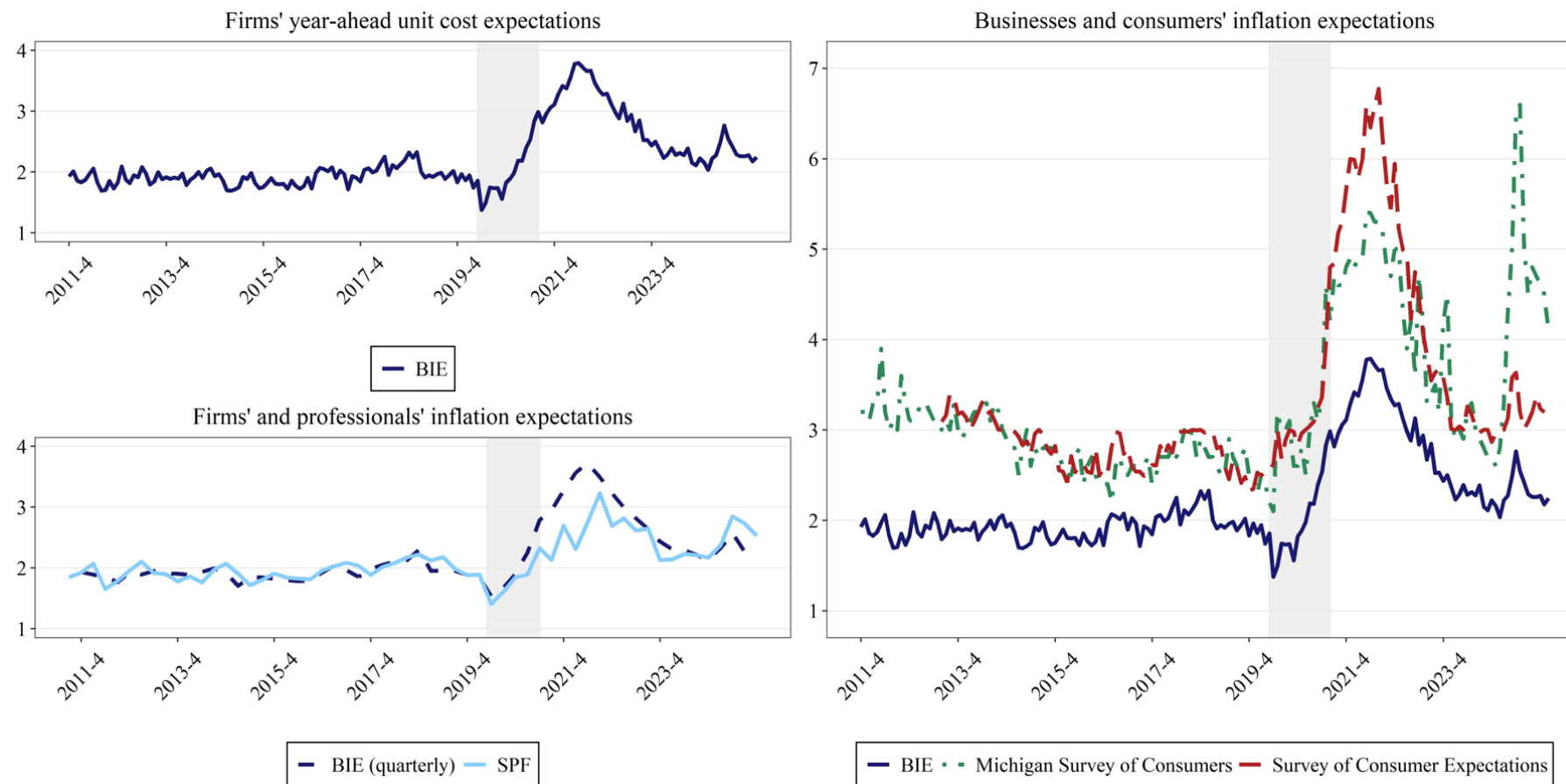
BIE Unit Cost Growth versus GDP Chain-type Price Index



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>

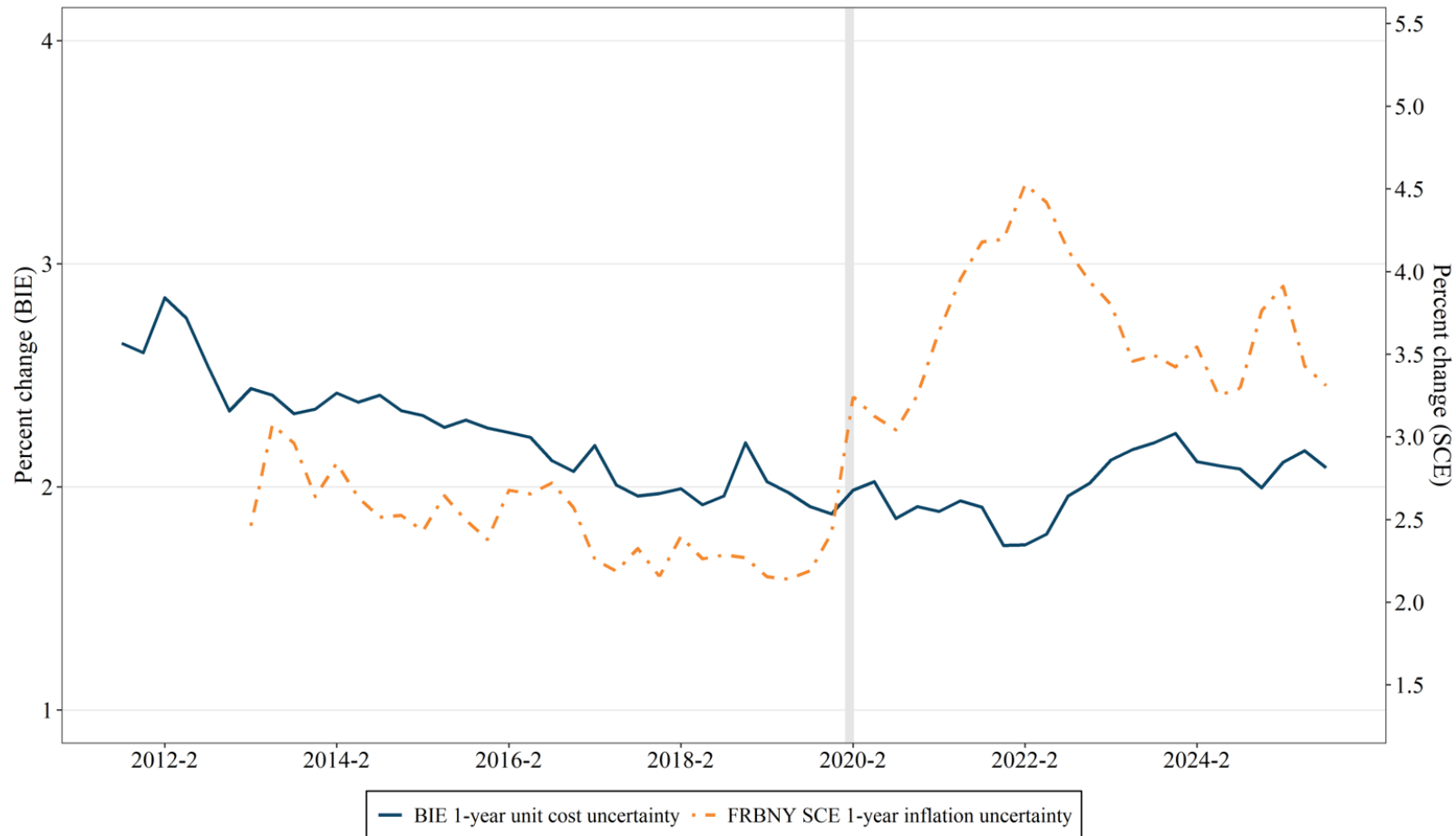
BIE Survey versus SPF and Survey of Consumers



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:
Ty McClure (Ty.McClure@atl.frb.org)
Grace Guynn (Grace.Guynn@atl.frb.org)



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