

SBU

# Survey of Business Uncertainty



Federal Reserve  
Bank of Atlanta



Stanford  
University

## Monthly Report: October 2023

Based on survey responses from 9-20 October

David Altig, Jose Maria Barrero, Nicholas Bloom, Steven J. Davis,  
Kevin Foster, Brent H. Meyer, and Emil Mihaylov

# Headline Results

## October 2023 Survey of Business Uncertainty

1. Sales and employment growth expectations continue to edge lower for U.S. firms. (Slides 4 & 5)
2. Firms also remain more uncertain about future sales growth than before the pandemic. (Slide 4)
3. SBU panelists expect GDP to grow at just under 2 percent over the next 4 quarters. (Slide 7)

The logo for the Survey of Business Uncertainty (SBU) features the letters "SBU" in a bold, blue, sans-serif font, enclosed within a white rectangular border.

# Survey of Business Uncertainty



FEDERAL RESERVE BANK of ATLANTA



Stanford  
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## About the Survey

The Survey of Business Uncertainty (SBU) is fielded each month by the Federal Reserve Bank of Atlanta. It is designed, tested, and refined in cooperation with Nick Bloom of Stanford University and Steven Davis of the Hoover Institution and the University of Chicago Booth School of Business. Bloom and Davis received research support from the Sloan Foundation and the U.S. National Science Foundation to support their work on this project. Davis also received research support from Chicago Booth.

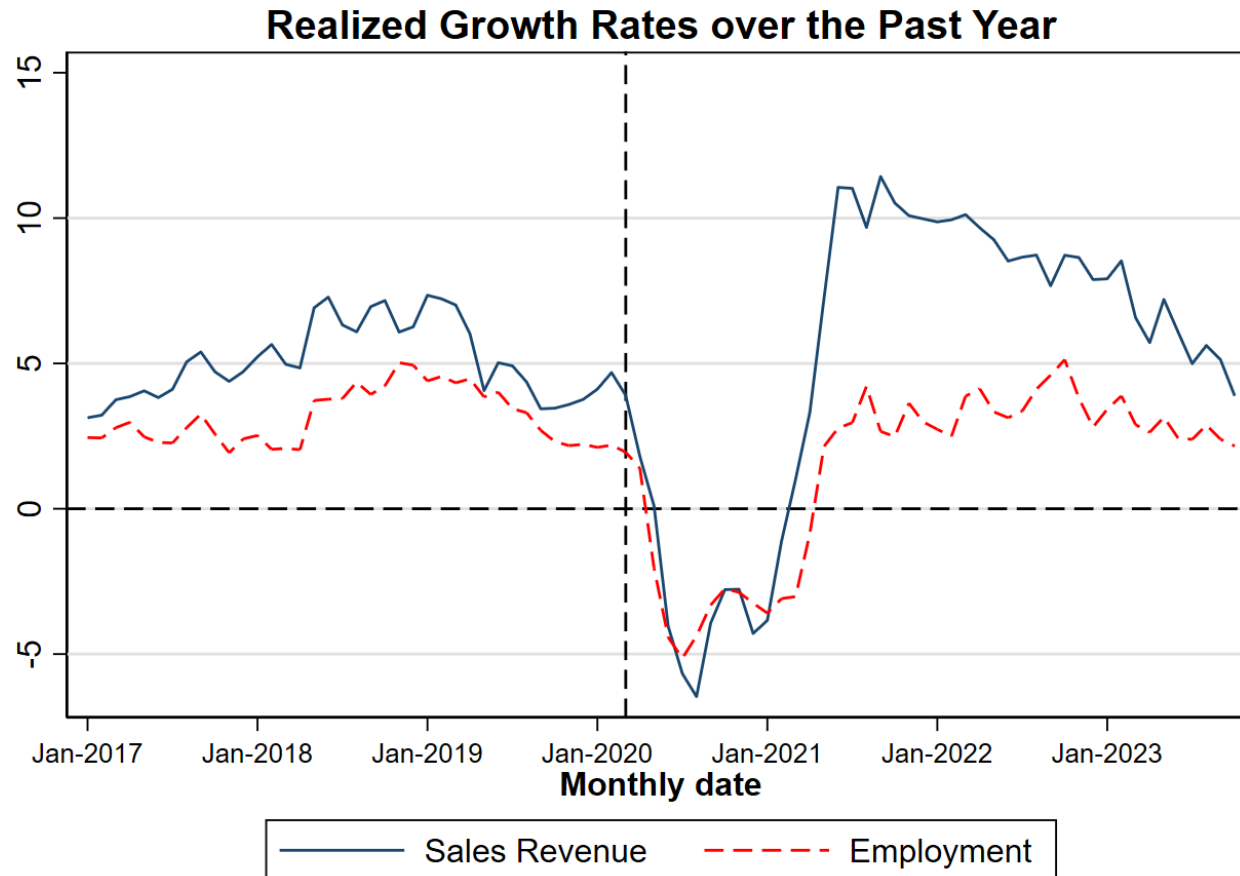
The SBU questionnaire goes to about 1500 panel members, who occupy senior finance and managerial positions at U.S. firms. We contact panel members each month by email, and they respond via a web-based instrument.

Survey questions pertain to current, past, and future outcomes at the respondent's firm. Our primary objective is to elicit the respondent's subjective forecast distributions over own-firm future sales growth rates and employment levels. We also ask special questions on timely topics.

For more information on survey design and methodology, please refer to the resources on the [SBU page](#) and "[Surveying Business Uncertainty](#)," published in the *Journal of Econometrics* and also available as NBER Working Paper [25956](#).

Nominal sales growth remains higher than before the pandemic but has fallen over the past year. Recent employment growth is in line with pre-pandemic growth.

January 2017–October 2023



NOTE: Calculated using monthly data through October 2023. Realized growth rate series for sales revenue and employment are activity-weighted averages of firms' reported (look-back) growth rates over the past year (specifically, the previous four quarters for sales revenue and previous 12 months for employment).

NOTE: The chart shows smoothed series.

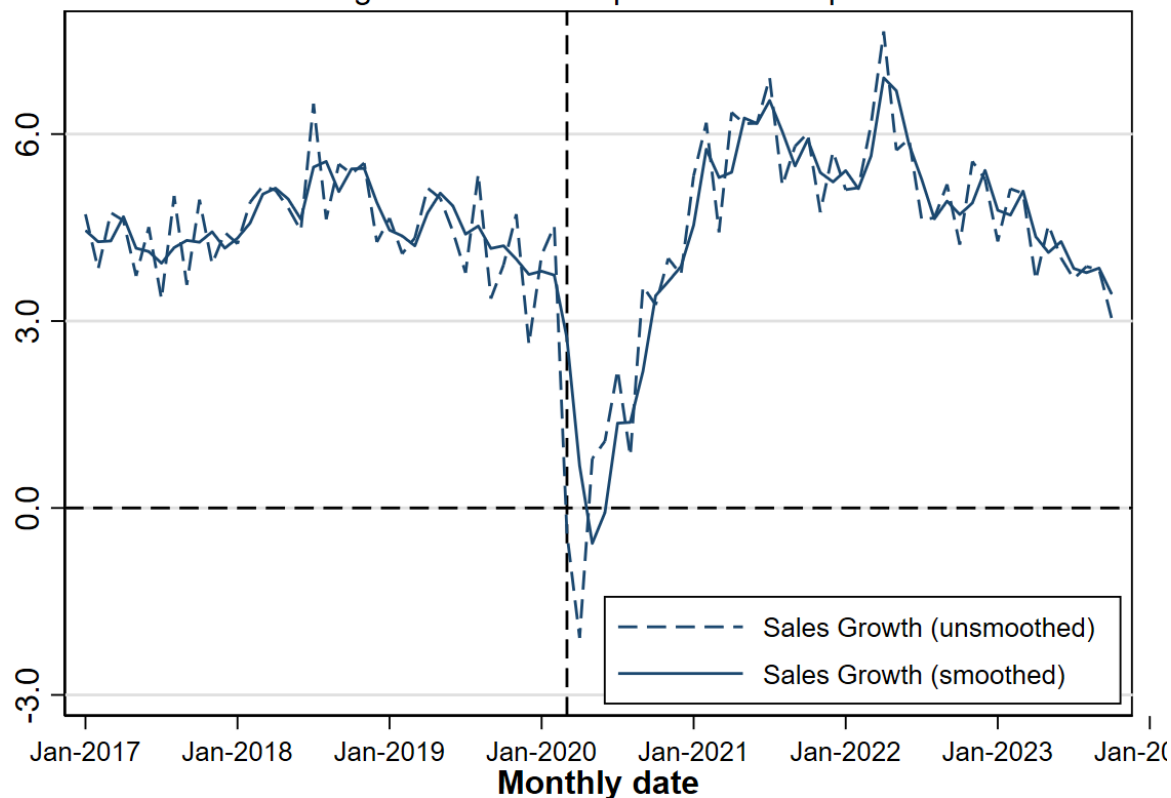
Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent Meyer, and Nick Parker, NBER Working Paper No. 25956, February 2020.

# Sales revenue growth expectations have dropped in recent months. Firms remain more uncertain about future revenue growth than they were before the pandemic.

January 2017–October 2023

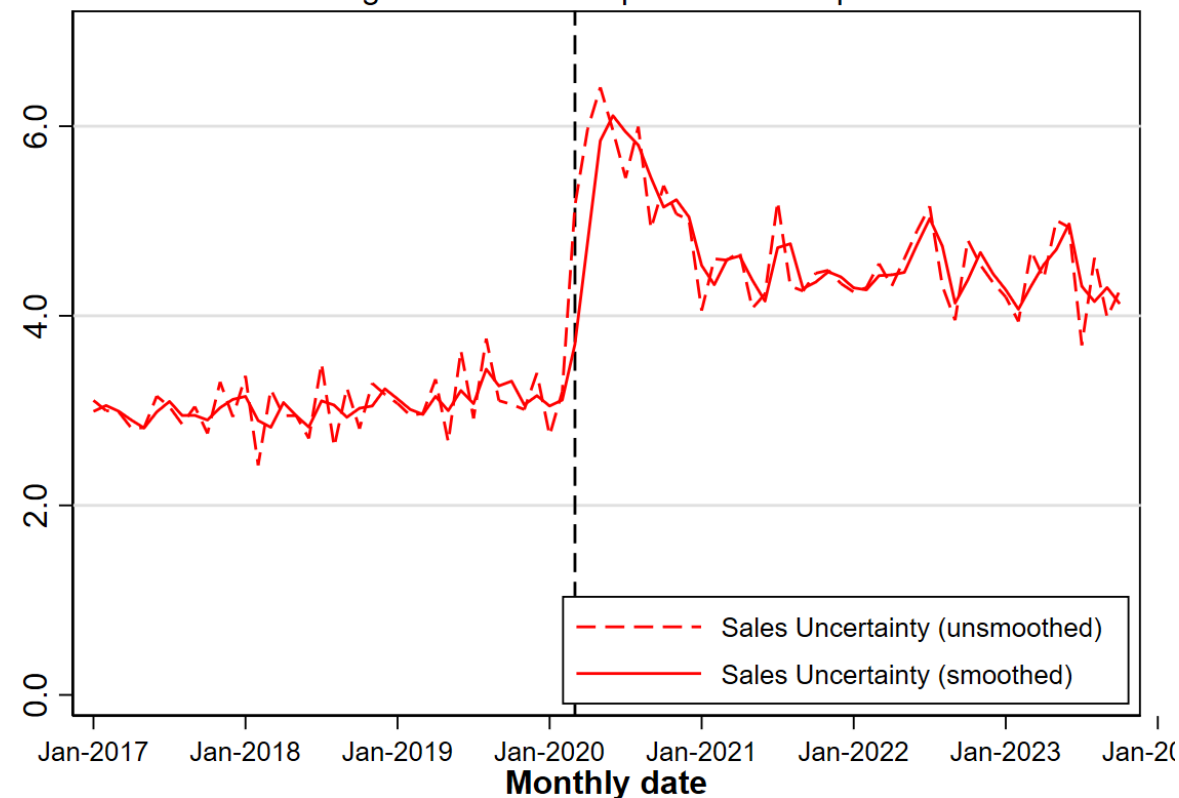
### Year-Ahead Sales Growth Rate Expectations

Percent changes from current quarter to four quarters hence



### Year-Ahead Uncertainty about Sales Growth Rates

Percent changes from current quarter to four quarters hence



NOTE: The charts show smoothed series.

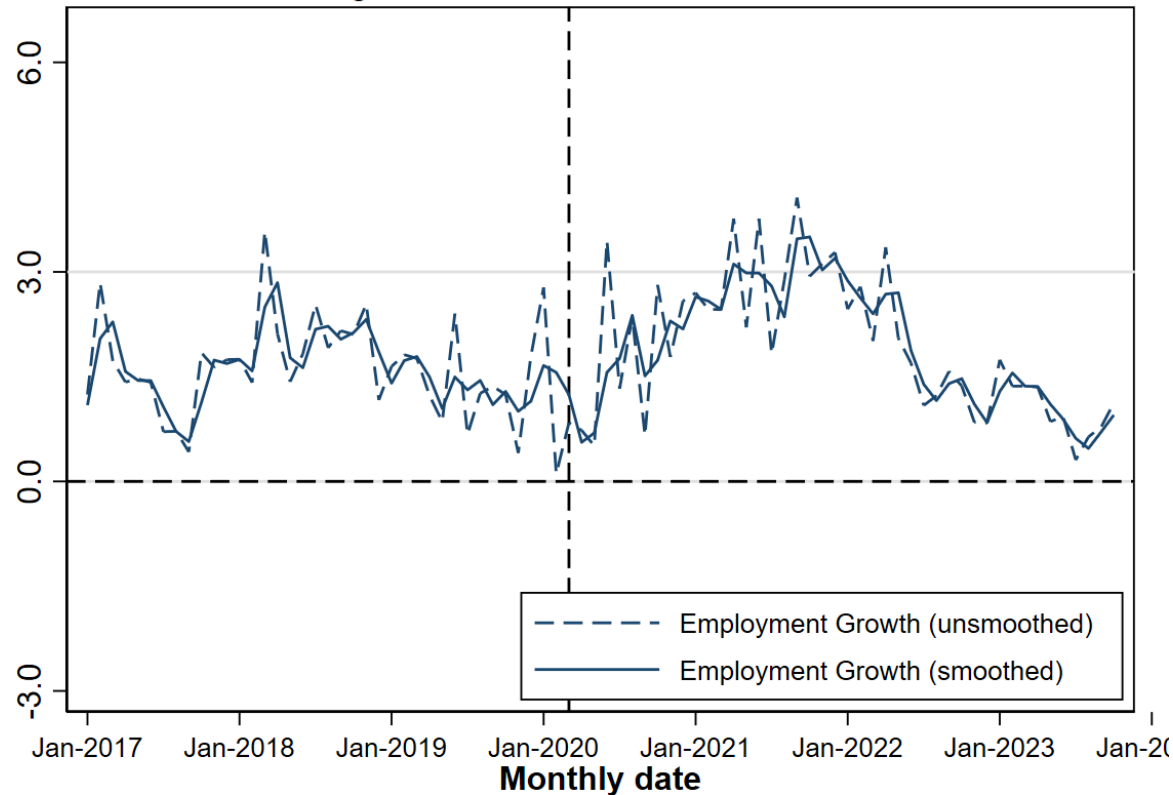
Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent Meyer, and Nick Parker, NBER Working Paper No. 25956, February 2020.

# Expected employment growth has dropped in recent months. Uncertainty about employment growth has returned to pre-pandemic levels.

January 2017–October 2023

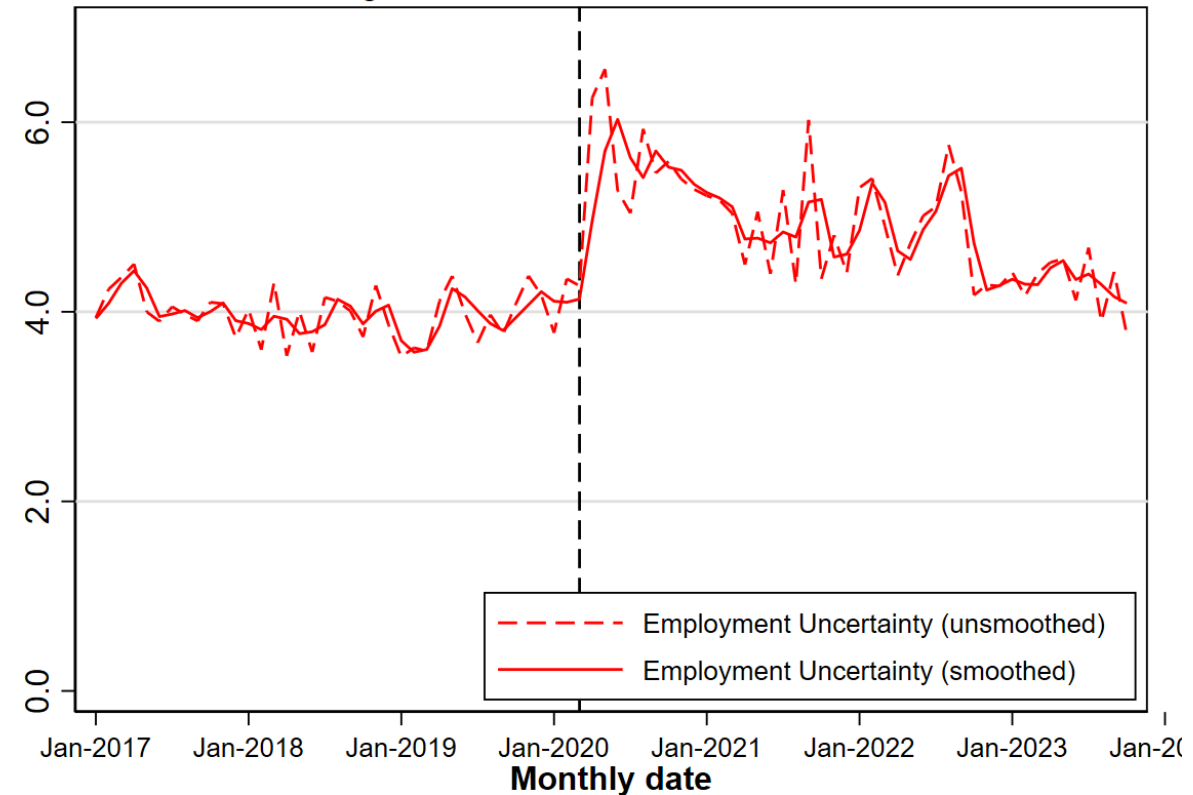
### Year-Ahead Employment Growth Rate Expectations

Percent changes from current month to twelve months hence



### Year-Ahead Uncertainty about Employment Growth Rates

Percent changes from current month to twelve months hence

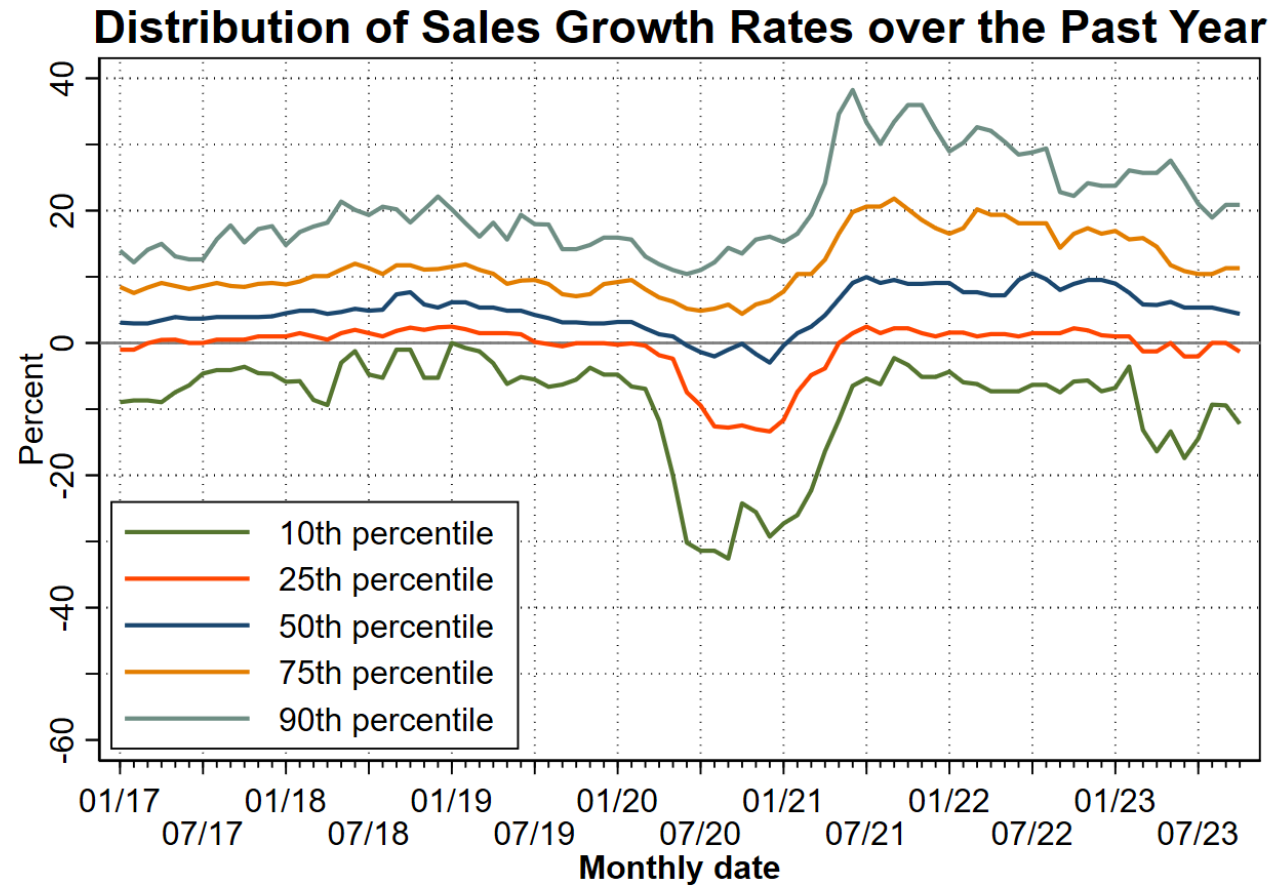


NOTE: The charts show smoothed series.

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent Meyer, and Nick Parker, NBER Working Paper No. 25956, February 2020.

# The distribution of sales growth rates across firms remains wider than before the pandemic.

January 2017–October 2023



NOTES: Calculated using monthly data through October 2023. The chart shows smoothed series. Lines show percentiles of the activity-weighted distribution of firm-level sales growth rates over the past year.

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business.

# More than 9 in 10 SBU respondents have good familiarity with the concept of a country's GDP. Firms on the SBU panel expect GDP to grow at just under 2 percent over the next 4 quarters.

**Question 1:** How familiar are you with the concept of a country's Gross Domestic Product (GDP)?

**Question 2 (August):** Looking ahead over the next 4 quarters, what is your forecast or best guess for the GDP growth outlook (percent change) in each of the following scenarios?

**Question2 (September):** Looking ahead over the next 4 quarters, what is your forecast or best guess for the real (inflation-adjusted) GDP growth outlook (percent change) in each of the following scenarios?

	GDP familiarity		Expected real GDP growth over the year ahead		Forecasts from other surveys	
	N	Percent of respondents at least moderately familiar with GDP	Mean forecast - equal weighted	Mean forecast - size weighted	Survey of professional forecasters	Blue chip
Construction, real estate, mining & utilities	111	94.6%	1.7	2.1		
Manufacturing	112	94.6%	1.9	1.4		
Retail and Wholesale trade	99	88.9%	2.0	2.1		
Business Services	242	91.7%	1.9	1.5		
Other Services	47	85.1%	1.8	1.9		
<50 employees	250	90.0%	2.0	1.6		
50-99 employees	101	90.1%	1.4	1.4		
100-249 employees	123	93.5%	1.9	1.9		
250+ employees	137	94.9%	1.8	1.8		
Overall	611	91.8%	1.9	1.8	1.2	0.6

The SBU responses were winsorized at -5 and 15 percent growth rate levels. For size weights, we use firms' levels of employment.

SBU Data were collected between August 13-24 and September 11-22, 2023.

The Blue Chip forecasts were collected during the August and September 2023 fielding periods, and cover the period from 2023:Q3 to 2024:Q3

The Survey of Professional Forecasters (SPF) forecasts were collected between July 27 and August 8, 2023, and cover the period from 2023:Q3 to 2024:Q3

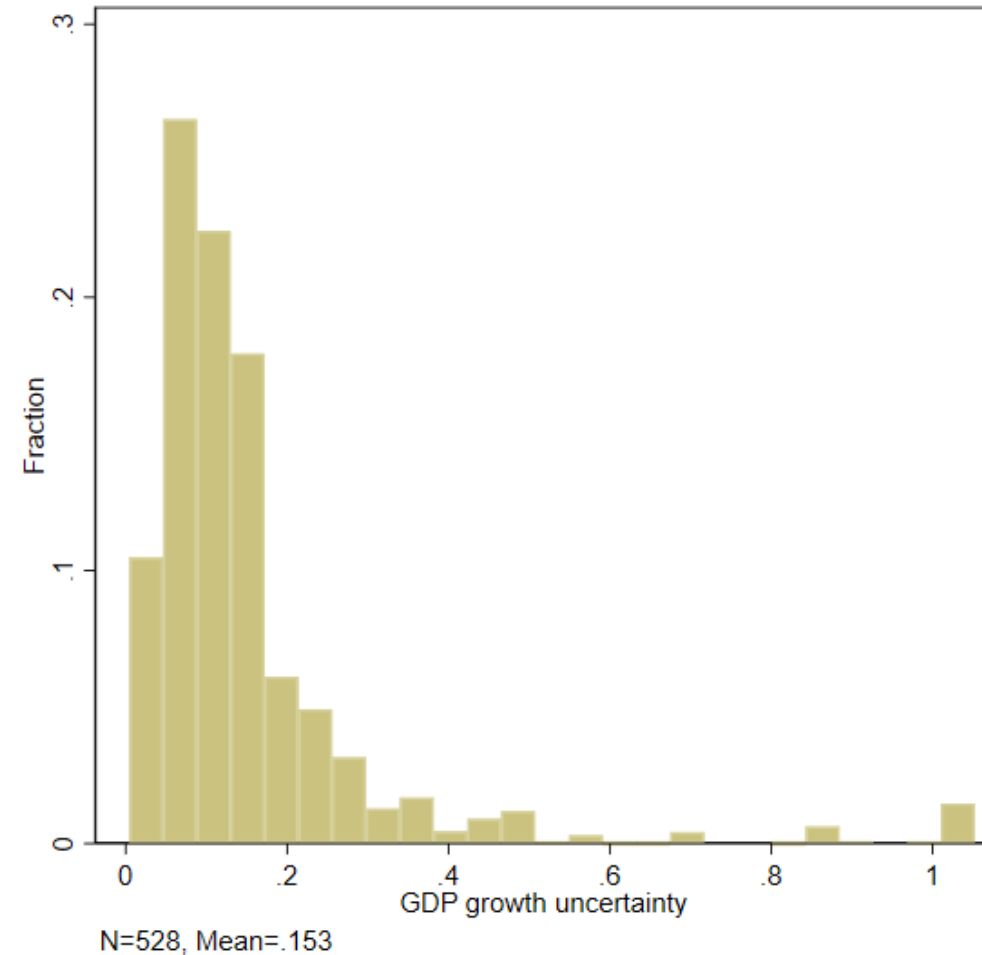
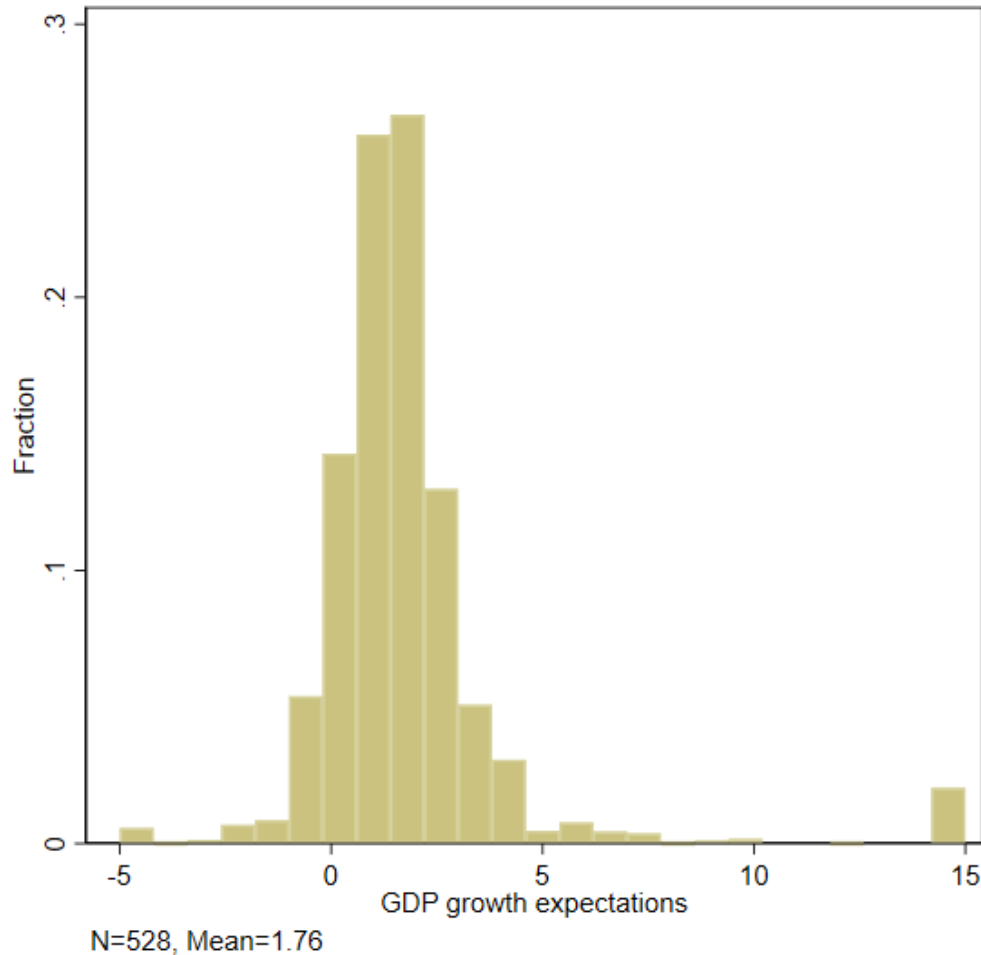
Sources: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business; Survey of Professional Forecasters (SPF) conducted by the Federal Reserve Bank of Philadelphia, Blue Chip Economic Indicators.



# Histograms of firm-level values: Expected GDP growth rates and uncertainty about GDP growth

August: Looking ahead over the next 4 quarters, what is your forecast or best guess for the GDP growth outlook (percent change) in each of the following scenarios?

September: Looking ahead over the next 4 quarters, what is your forecast or best guess for the real (inflation-adjusted) GDP growth outlook (percent change) in each of the following scenarios?

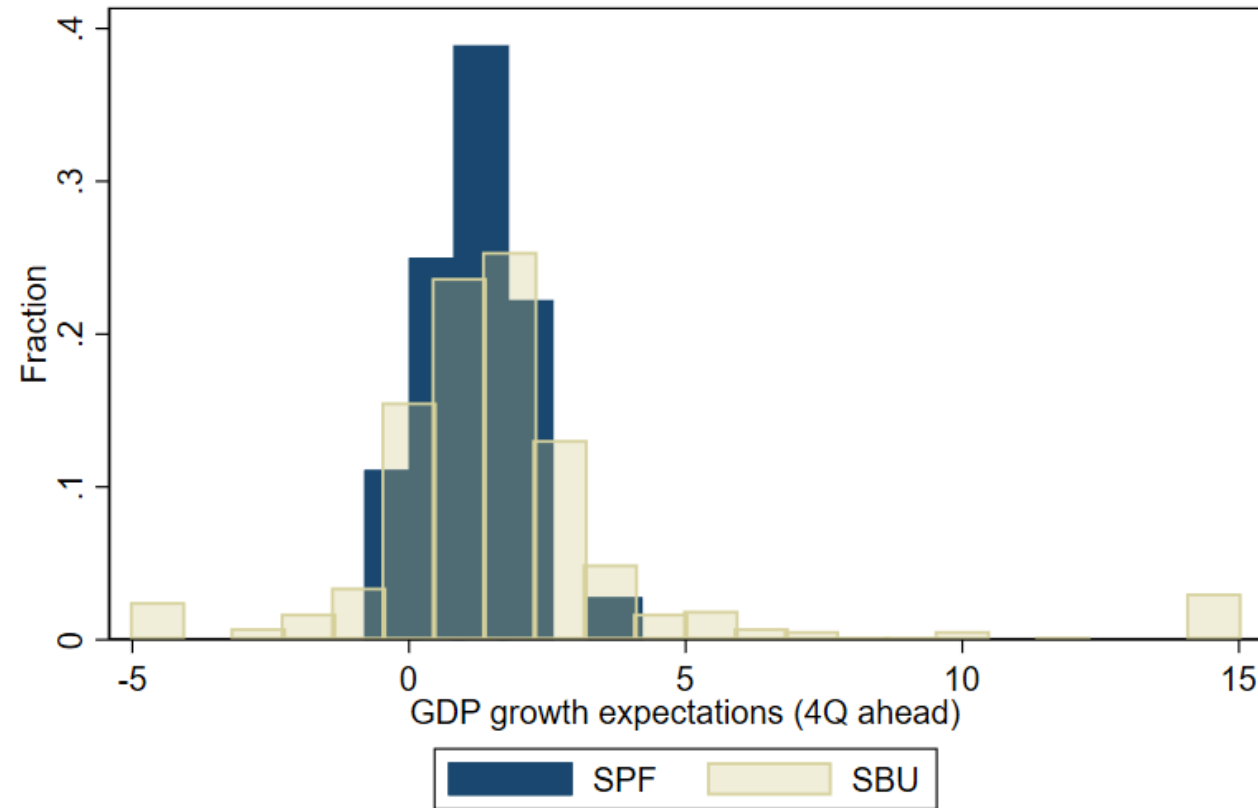


GDP growth expectations are winsorized at -5 and 15 percent growth rate levels. GDP growth uncertainty measures are winsorized at 2.5 and 97.5 percentiles. Data collected between August 13-24 and September 11-22, 2023. We use firm-level employment to weight the results.

# Business executives are more optimistic, on average, than professional forecasters about the GDP growth outlook, but the difference reflects outliers among the business executives.

August: Looking ahead over the next 4 quarters, what is your forecast or best guess for the GDP growth outlook (percent change) in each of the following scenarios?

September: Looking ahead over the next 4 quarters, what is your forecast or best guess for the real (inflation-adjusted) GDP growth outlook (percent change) in each of the following scenarios?



N(SPF)=36, N(SBU)=528  
Mean(SPF)=1.2, Mean(SBU)=1.8

The SBU results are weighted by firms' levels of employment. Data were collected between August 13-24 and September 11-22, 2023.

The Survey of Professional Forecasters (SPF) forecasts were collected between July 27 and August 8, 2023, and cover the period from 2023:Q3 to 2024:Q3

Sources: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business; Survey of Professional Forecasters (SPF) conducted by the Federal Reserve Bank of Philadelphia.

# Appendix: Technical Information

## Computing Moments of the Firm-Level Subjective Forecast Distributions

We calculate first and second moments of the subjective growth rate distributions of employment and sales revenue over the next 12 months or four quarters, as appropriate. Following standard practice in the literature on business-level dynamics, we calculate the growth rate of  $x$  from  $t-1$  to  $t$  as  $g_t = 2(x_t - x_{t-1}) / (x_t + x_{t-1})$ .

### Employment

$CEmp$  = firm's current employment level, as reported by the respondent

$FEmp_i$  = employment 12 months hence in scenario  $i$ , for  $i = 1, 2, 3, 4, 5$

$p_i$  = the associated probabilities,  $i = 1, 2, 3, 4, 5$

### Scenario-Specific Growth Rates

$EGr_i = 2(FEmp_i - CEmp) / (FEmp_i + CEmp)$ ,  $i = 1, 2, 3, 4, 5$

### First and Second Moments of the Subjective Growth Rate Forecast Distribution

$Mean(EGr) = \sum_{i=1}^5 p_i EGr_i$

$Var(EGr) = \sum_{i=1}^5 p_i (EmpGr_i - Mean(EGr))^2$

$SD(EGr) = \sqrt{Var(EGr)}$

### Sales Revenue

$CSale$  = firm's sales revenue in the current quarter, as reported by the respondent

$FSaleGr_i$  = respondent's scenario-specific sales growth rate from now to four quarters hence,  $i = 1, 2, 3, 4, 5$

$p_i$  = the associated probabilities,  $i = 1, 2, 3, 4, 5$

### Implied Future Sales Level

$FSale_i = \left(1 + \frac{FSaleGr_i}{100}\right) CSale$ ,  $i = 1, 2, 3, 4, 5$

### Scenario-Specific Growth Rates (re-expressing respondent growth rates to our growth rate measure)

$SaleGr_i = 2(FSale_i - CSale) / (FSale_i + CSale) = 2FSaleGr_i / (FSaleGr_i + 2)$ ,  $i = 1, 2, 3, 4, 5$

### First and Second Moments of the Subjective Growth Rate Forecast Distribution

$Mean(SaleGr) = \sum_{i=1}^5 p_i SaleGr_i$

$Var(SaleGr) = \sum_{i=1}^5 p_i (SaleGr_i - Mean(SaleGr))^2$

$SD(SaleGr) = \sqrt{Var(SaleGr)}$

## Subjective Expectations and Uncertainty Indices

We construct a monthly activity-weighted expectations (first-moment) index for employment growth and sales growth looking one year ahead. We also construct a monthly activity-weighted uncertainty (second-moment) index for the employment growth and sales growth looking one year ahead.

- In month  $t$ , the index for employment (sales) takes a value equal to the activity-weighted average of subjective mean employment (sales) growth rates looking one year hence ( $Mean(Gr)$ ), averaging across all firms responding that month. We compute these subjective mean growth rates as described on slide 3, and winsorize them at the first and 99th percentiles before using them to construct the index.
- The month- $t$  index of year-ahead subjective uncertainty for employment (sales) growth is the activity-weighted mean of ( $SD(Gr)$ ) values across firms responding in month  $t$ . We compute these subjective standard deviations over growth rates as described on slide 3, and winsorize them at the first and 99th percentiles before inputting them into the index construction formula.
- When constructing first- and second-moment employment growth indexes, we weight firm  $i$ 's subjective mean growth rate expectation and uncertainty by the average of its month- $t$  employment ( $CEmp_{it}$ ) and its expected employment level ( $EEmp_{it}$ ). We top-code these weights at 500 to diminish the influence of outliers among very large firms.
- When constructing first- and second-moment sales revenue growth indexes, we weight firms  $i$ 's subjective mean growth rate expectation and uncertainty by the average of its month- $t$  sales revenue ( $CSale_{it}$ ) and its expected sales level ( $ESale_{it}$ ). We winsorize these activity-weights at the 1<sup>st</sup> and 80<sup>th</sup> percentile.
- Finally, we smooth our topic-specific indices by taking a moving average. We set the window for the moving average to 2 or 3 months, to match the panel structure of our survey.

## Topic-specific Expected Excess Reallocation Indices

We construct forward-looking indices of excess job and sales revenue reallocation. These series measure the volume of cross-firm reallocation in economic activity above the reallocation required to support aggregate growth. For ease of exposition, we often refer to these as simply "reallocation rates":

- First, in each month  $t$ , we compute the activity-weighted average of own-firm expected gross job creation and destruction rates, which boils down to the activity-weighted average of the absolute value of subjective mean growth rates  $|Mean(EGr)|$ .
- Then, in each month  $t$ , we compute the absolute value of the activity weighted average of own-firm expected employment growth  $Mean(EGr)$ . This is effectively the absolute value of the employment growth expectations index in month  $t$ .
- We then obtain the expected job reallocation rate index value for month  $t$  by subtracting the outcome of the second bullet from the first. Letting  $w_{it}$  be firm  $i$ 's activity weight in month  $t$ ,

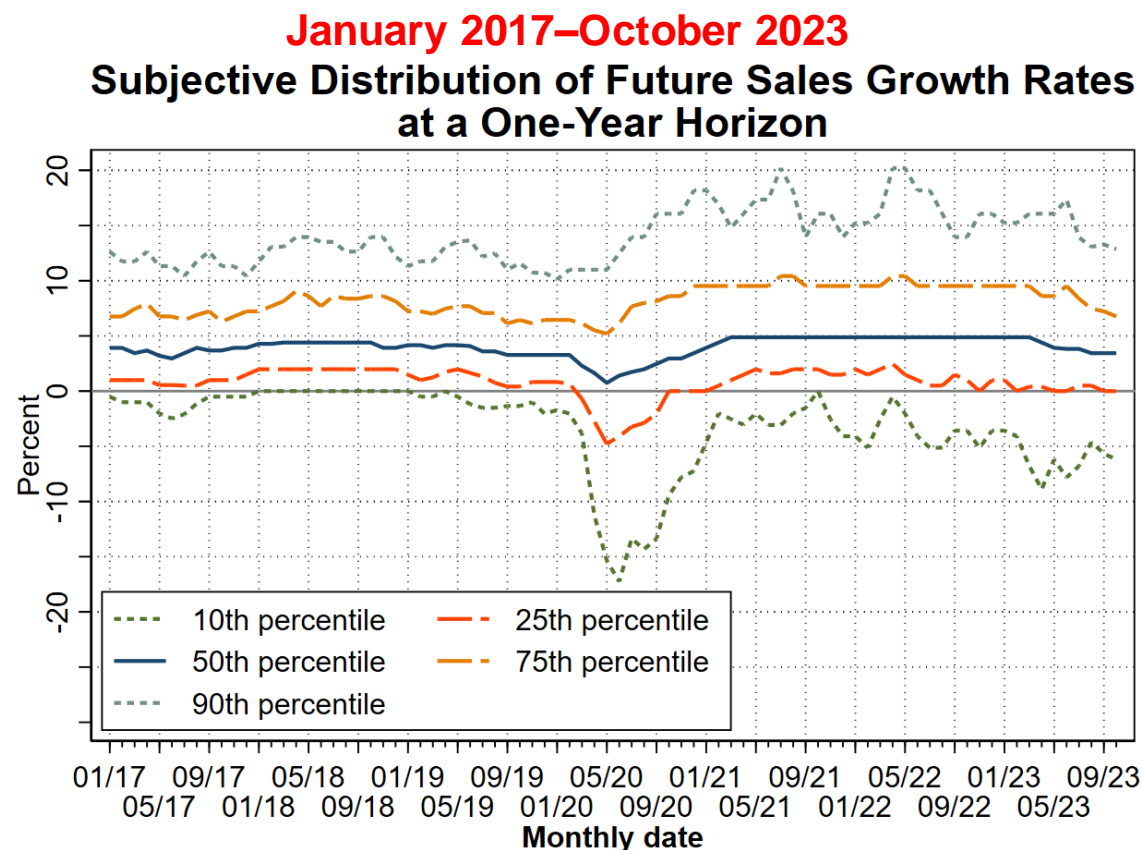
$$Expected\ Job\ Reallocation\ Rate_t = \sum_i w_{it} \cdot |Mean(EGr)| - \left| \sum_i w_{it} \cdot Mean(EGr) \right|$$

- Analogously, the expected sales revenue reallocation rate index in month  $t$  is the difference between the activity-weighted average of absolute expected sales growth rates, minus the absolute value of the average activity-weighted growth rate:

$$Expected\ Reallocation\ Rate\ For\ Sales\ Revenue_t = \sum_i w_{it} \cdot |Mean(SaleGr)| - \left| \sum_i w_{it} \cdot Mean(SaleGr) \right|$$

- We compute the subjective mean growth rates  $Mean(EGr)$  and  $Mean(SaleGr)$  as described on slides 18-21, and winsorize them at the 1<sup>st</sup> and 99th percentiles before using them to construct the index.
- Firm  $i$ 's activity weight  $w_{it}$  is the average of its month- $t$  employment or sales level ( $CEmp_{it}$  or  $CSale_{it}$ ) and its expected employment or sales level twelve months hence ( $FEmp_{it}$  or  $FSale_{it}$ ). We top-code these weights at 500 for employment and at the 80<sup>th</sup> percentile for sales to diminish the influence of outliers among very large firms.

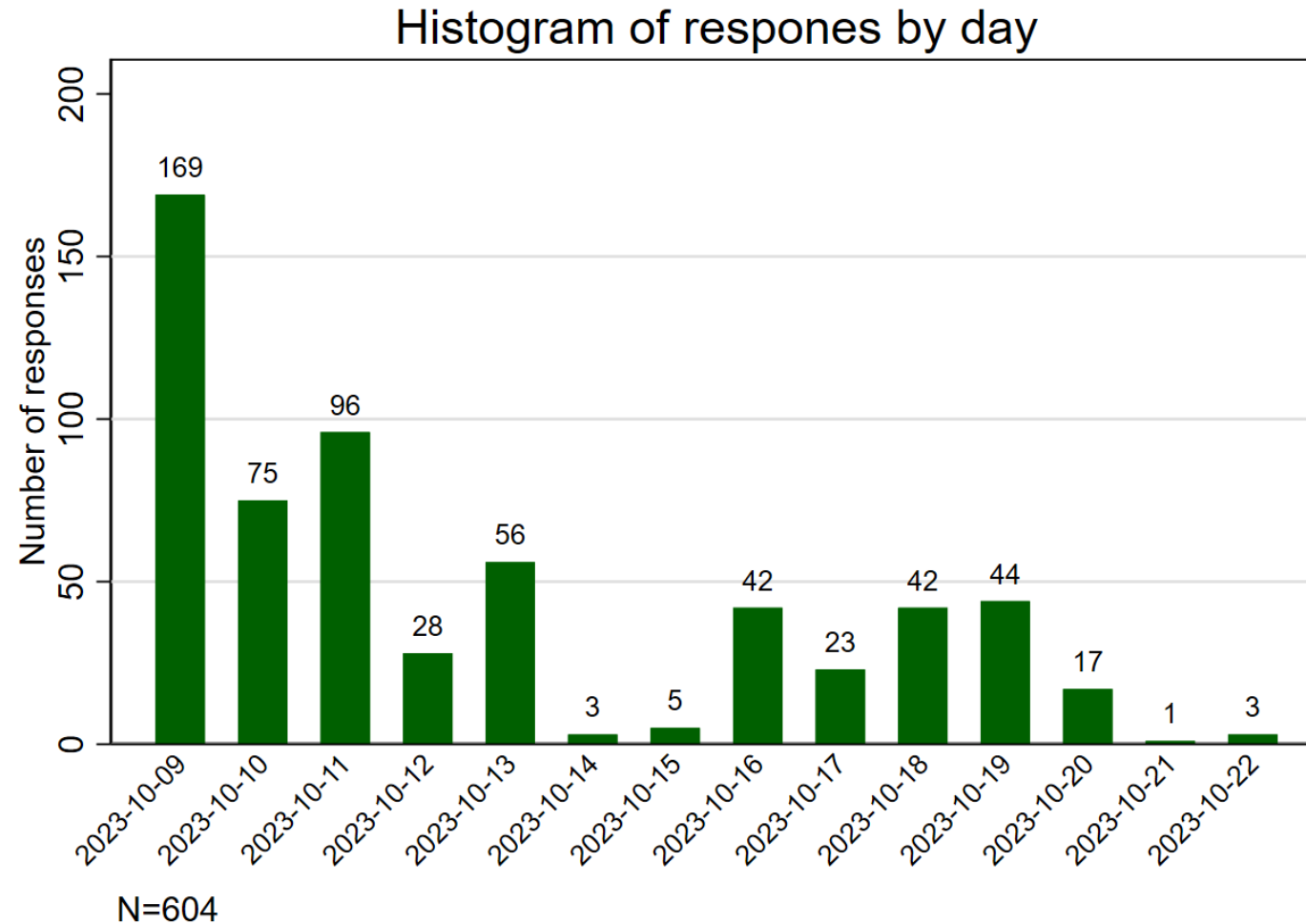
# Appendix: Subjective Forecast Distribution of Future Sales Growth Rates at a One-Year Horizon



NOTES: Calculated using monthly data through October 2023. The charts show smoothed series. This is a plot of the subjective distribution for the representative firm's future sales growth rates over a 4-quarter look-ahead horizon. To calculate this distribution, we pool over all firm-level subjective forecast distributions in the indicated month and weight each firm by its activity level. Then we use the probabilities assigned to each possible future sales growth rate to obtain activity-weighted quantiles of the future sales growth rate distribution.

# Appendix: Histogram of survey response frequency for the October 2023 survey wave

October 2023

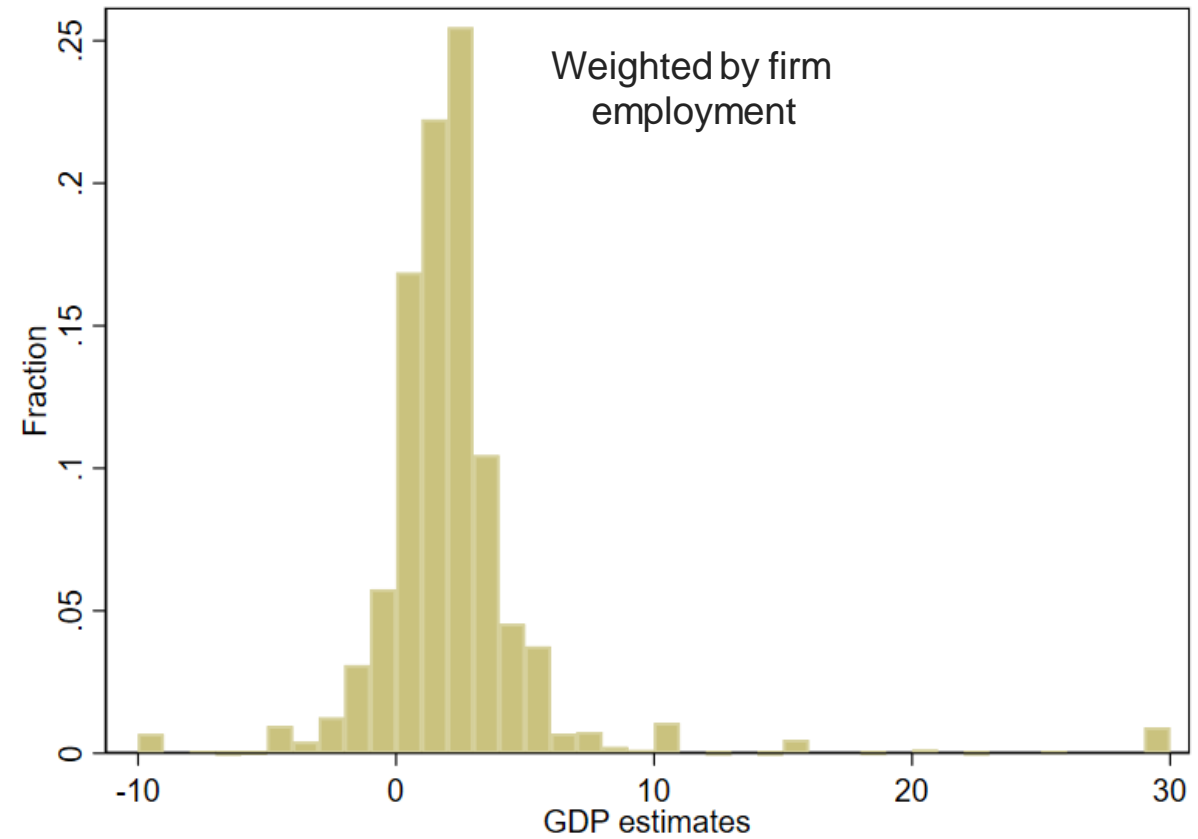
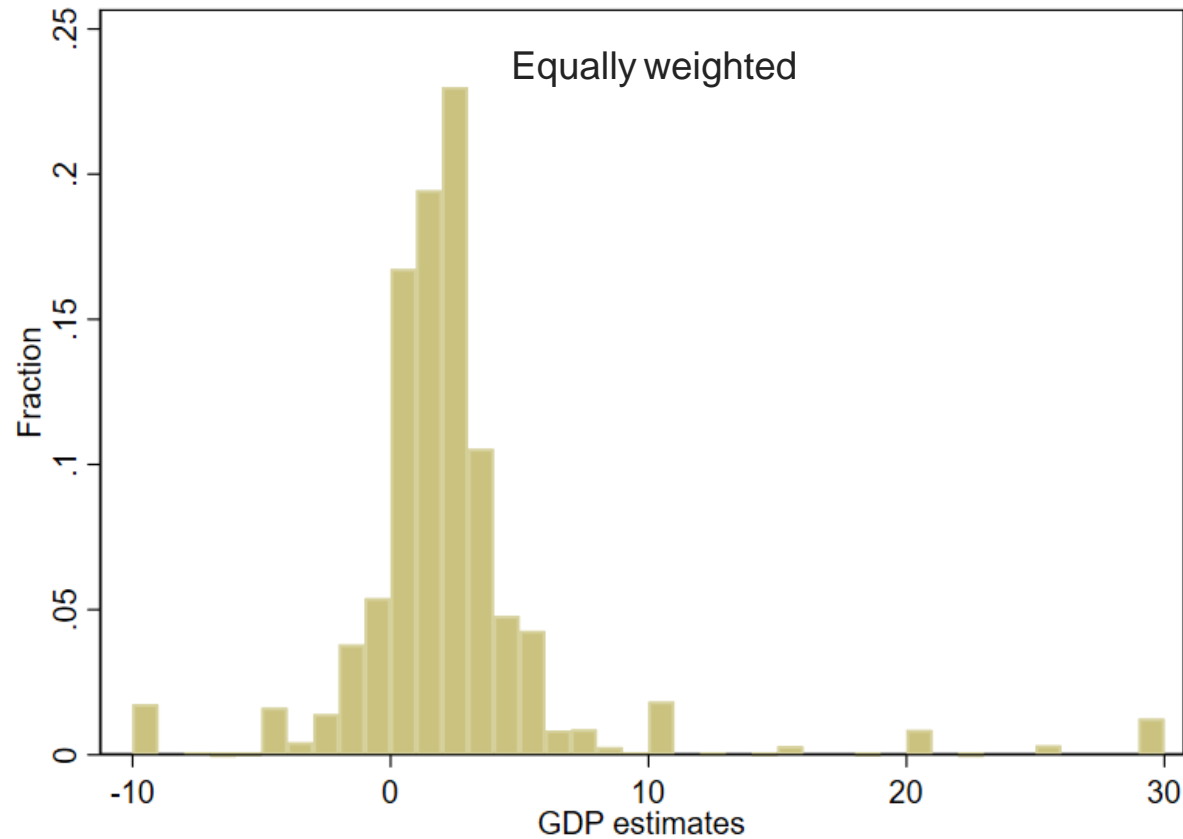


Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business.

# Histograms of firm-level forecast distributions for GDP growth rates

**August:** Looking ahead over the next 4 quarters, what is your forecast or best guess for the GDP growth outlook (percent change) in each of the following scenarios?

**September:** Looking ahead over the next 4 quarters, what is your forecast or best guess for the real (inflation-adjusted) GDP growth outlook (percent change) in each of the following scenarios?



The charts show histograms of average forecast distributions of GDP estimates. Data collected between August 13-24 and September 11-22, 2023. Responses are weighted by firms' levels of employment.