

Business Inflation Expectations (BIE) Survey

Monthly Report: October 2023



Federal Reserve
Bank *of* Atlanta

Headline Results

1. Firms' year-ahead unit cost expectations remain relatively unchanged at 2.4 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. Regarding prices overall, firms are changing their price more frequently currently relative to the last time we asked this question (in March 2019).
4. Most firms (81 percent) indicated increasing prices, on net, over the last 12 months. Over the year ahead, more than 70 percent of the firms expect their price to increase.
5. On average, firms changed their price 14.7 times over the last 12 months and expect their price to change about 12 times over the next 12 months.
6. Firms' year-ahead price growth expectations averaged 3.4 percent in October, its lowest reading since April 2021.

About the BIE

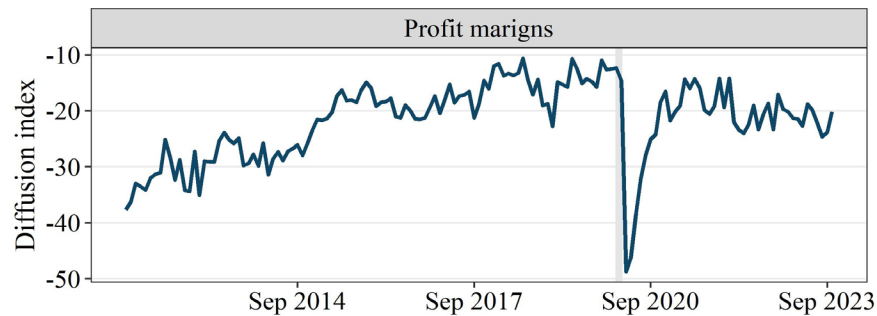
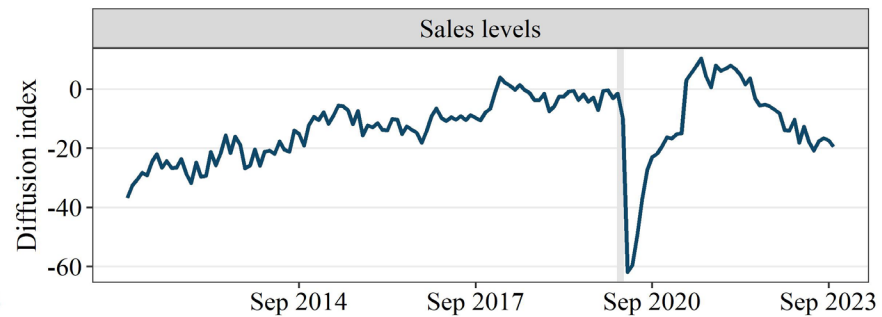
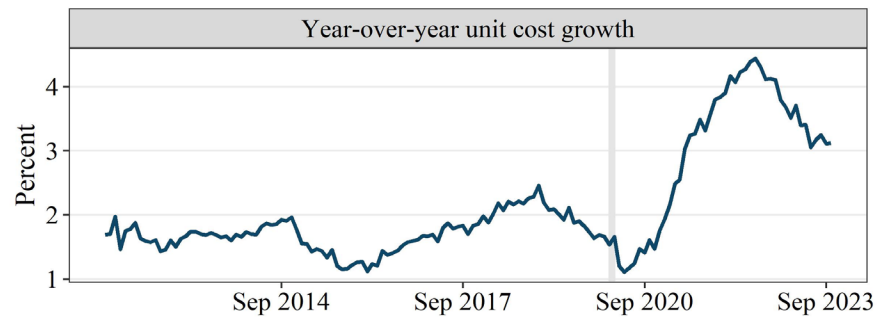
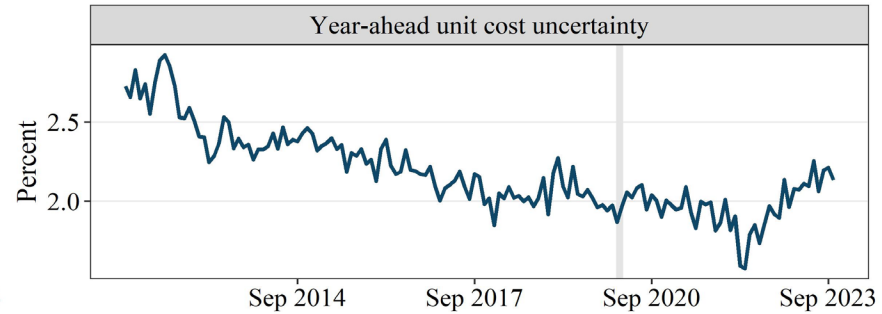
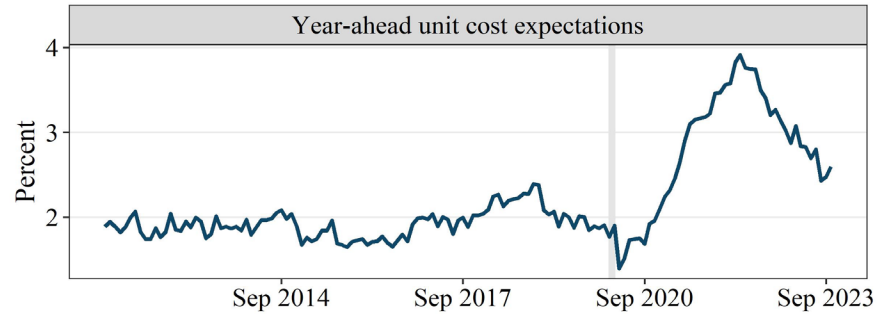
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

Our monthly Business Inflation Expectations survey goes to about 640 panel members (as of June 2023), 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 factors influencing pricing. 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](#).

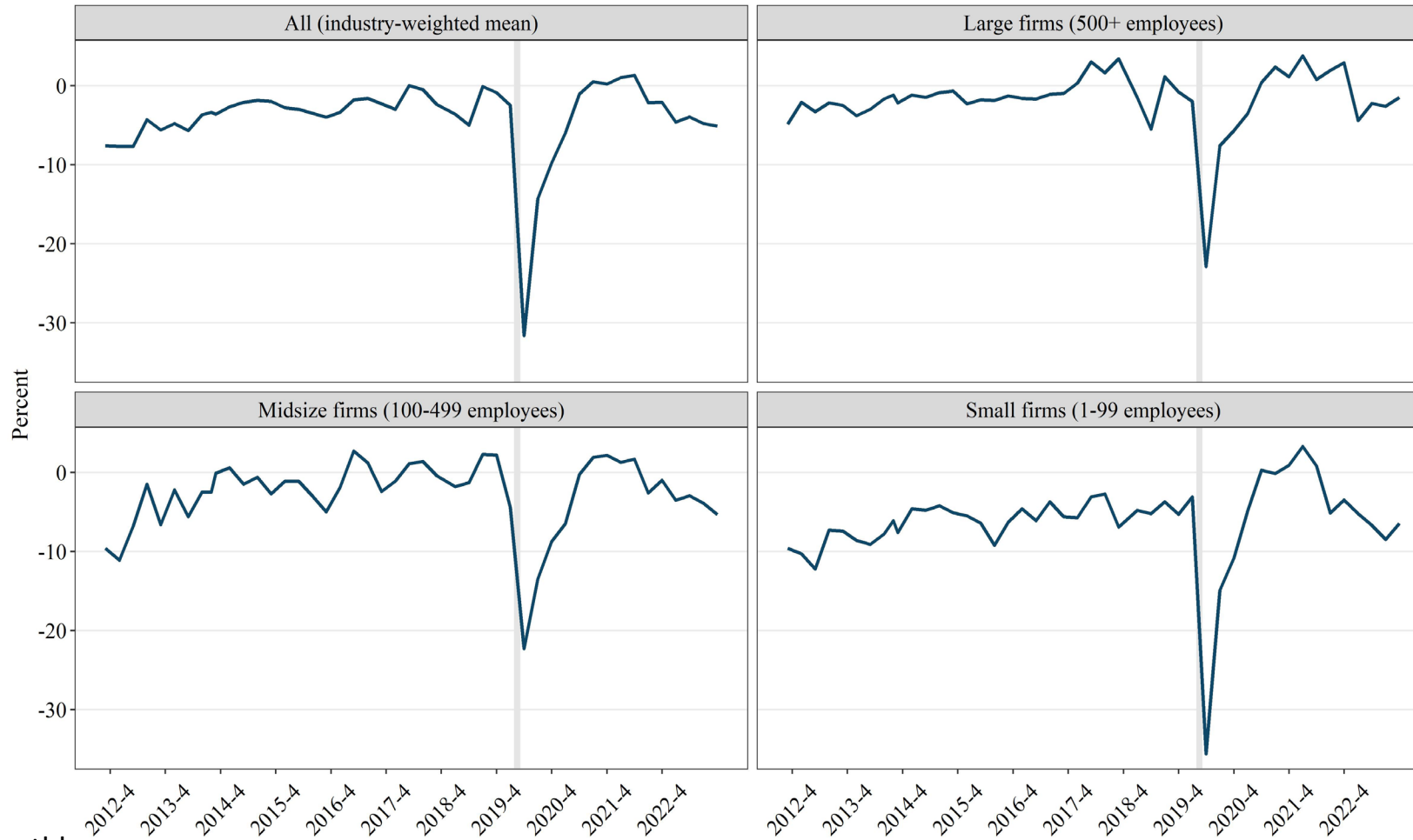
Core Monthly Questions



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Rotating quarterly question: How would you describe your firm's unit sales levels versus what you consider to be normal?

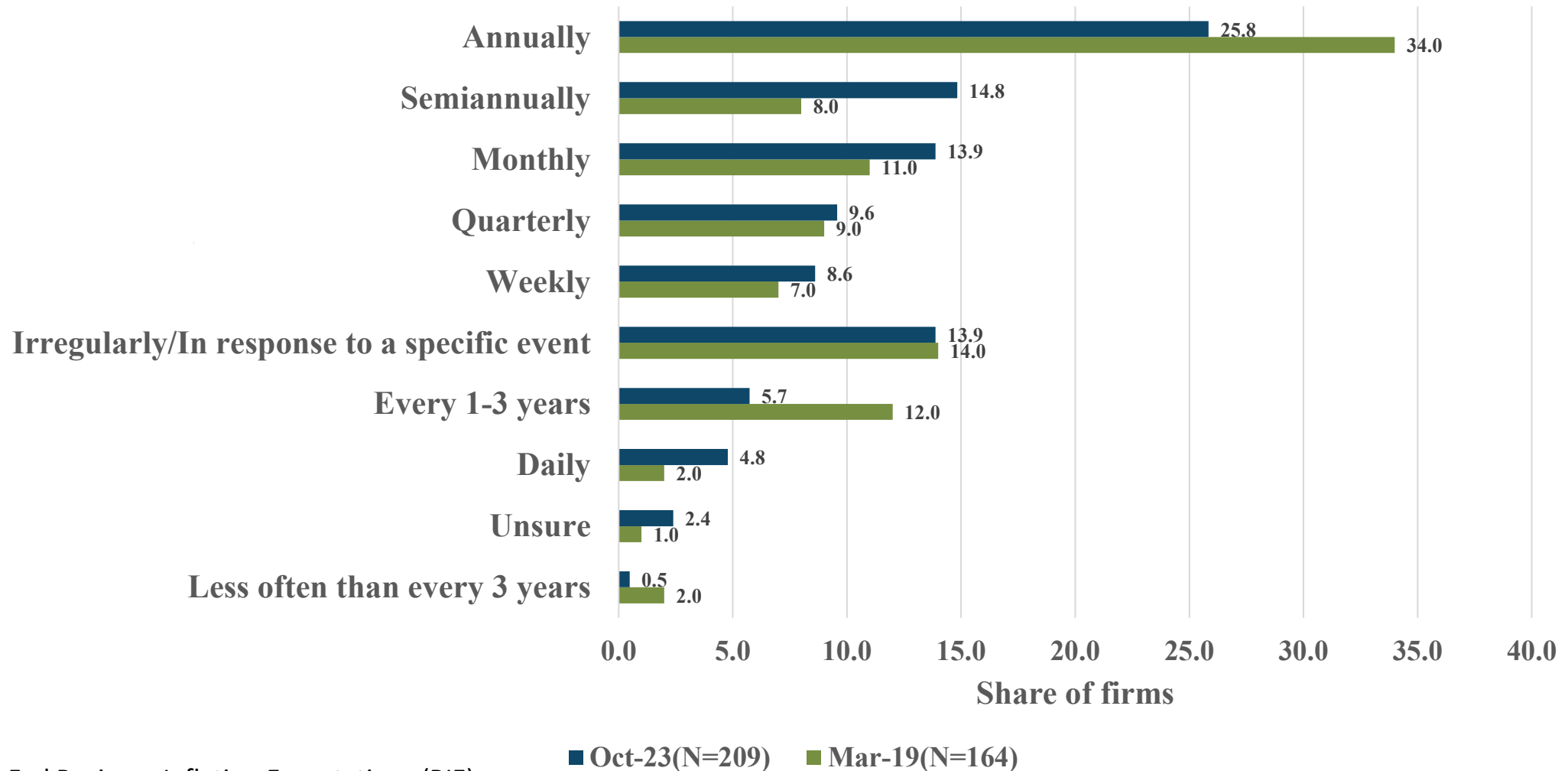


Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

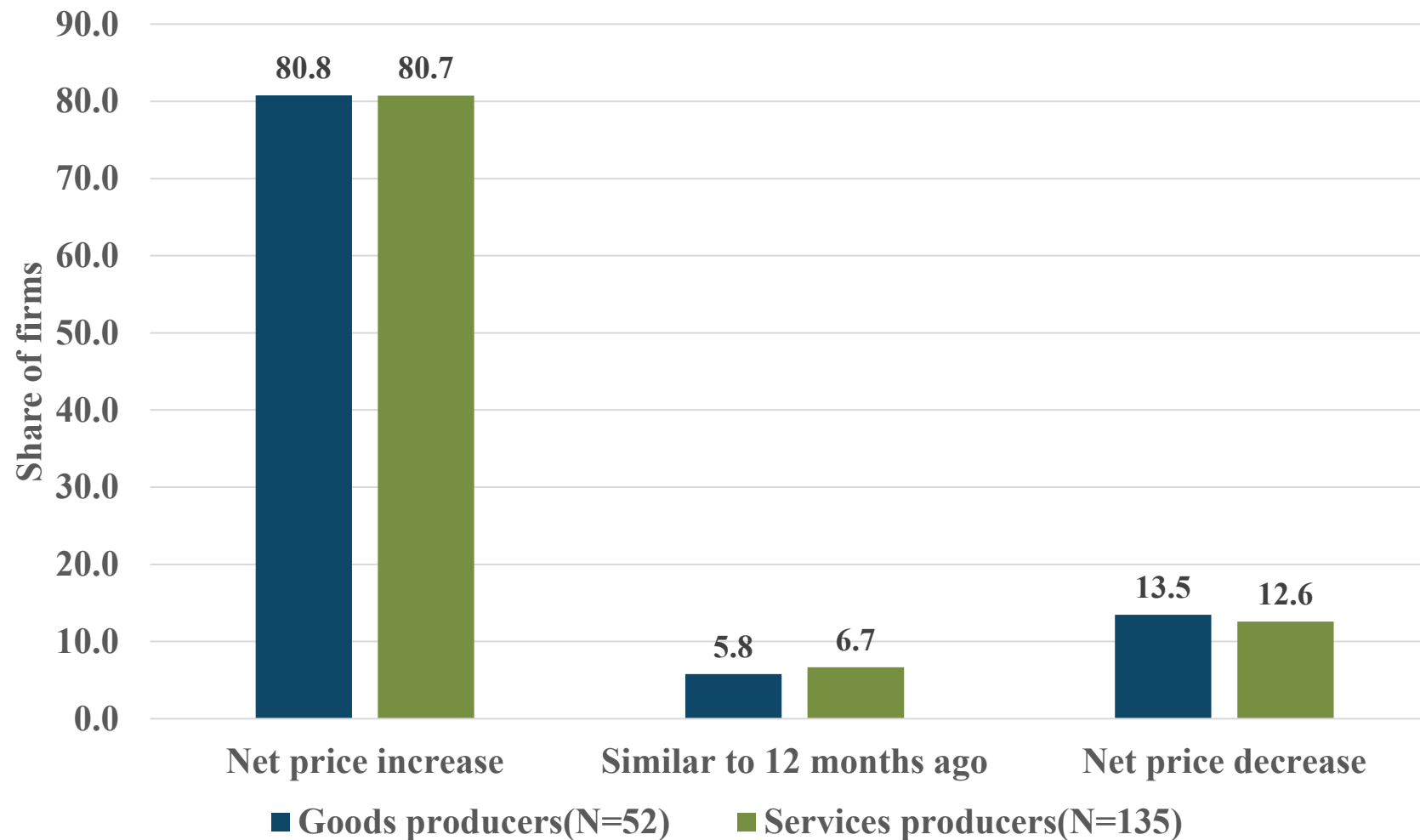
BIE Special Questions: October 2023

How often does your firm typically change the price of the product or service responsible for the largest share of your sales revenue?



Source: Atlanta Fed Business Inflation Expectations (BIE) survey

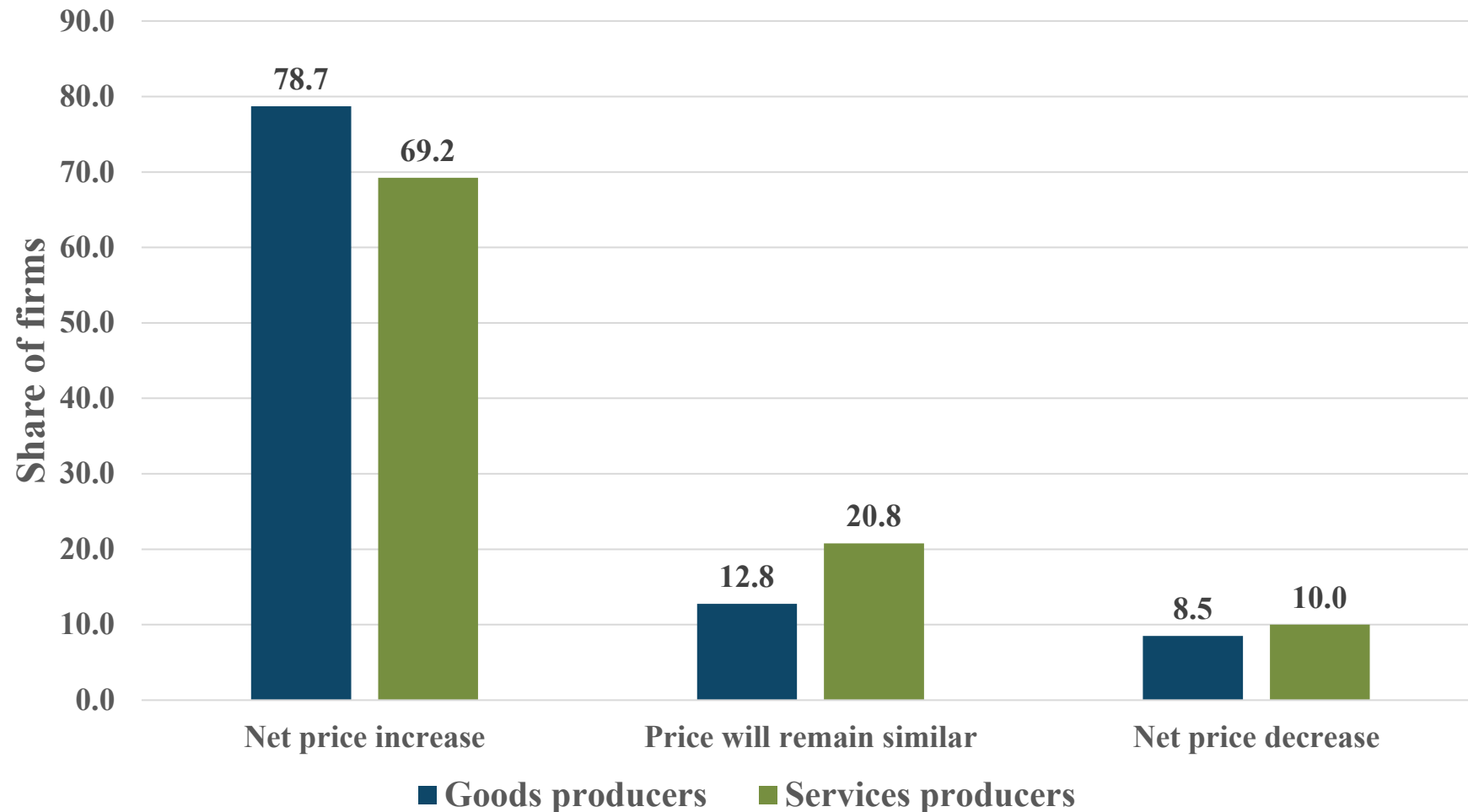
Over the past 12 months, what was the net effect of the price changes of the product or service responsible for the largest share of your sales revenue?



Note: The results are based on 199 observations.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Over the next 12 months, what do you expect to be the net effect of the price changes of the product or service responsible for the largest share of your sales revenue?



Note: The results are based on 177 observations.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Firms expect to change prices fewer times over the next 12 months compared to the previous 12 months. The average net effect of price changes over the next 12 months is expected to be 3.4 percent, down from 7.8 percent realized price change over the past 12 months.

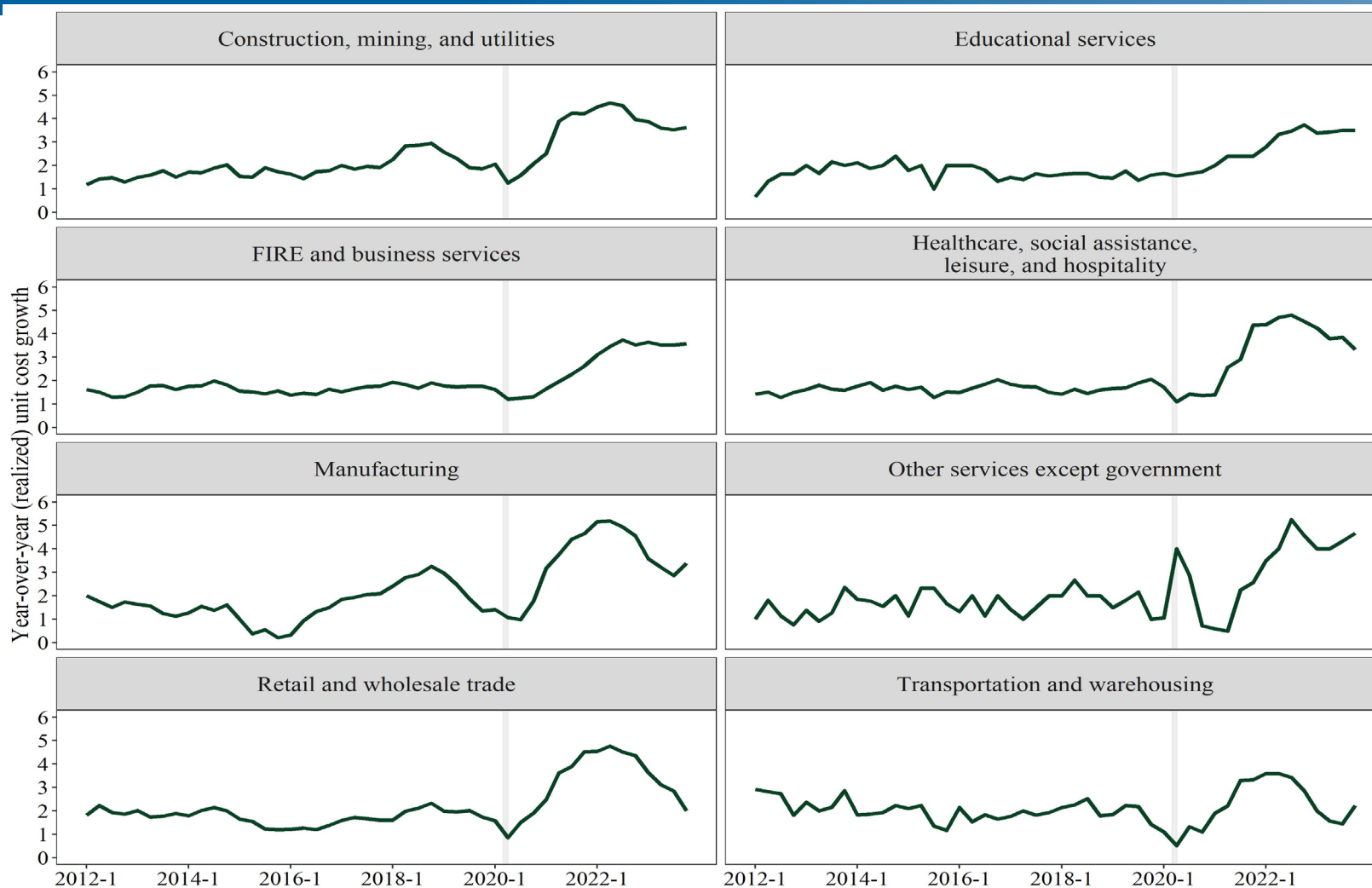
	N	Mean	Median
How many times did/will your firm change its price?			
Last 12 months	203	14.7	2.0
Next 12 months	203	12.0	2.0
Net effect of price changes over the last 12 months			
Price increase	150	13.0	7.0
Price decrease	25	12.7	10.0
Net effect	209	7.8	5.0
Net effect of price changes over the next 12 months			
Price increase	127	7.0	5.0
Price decrease	17	10.5	10.0
Net effect	209	3.4	3.0

Summary Statistics: Average Price Change

Time Frame	Mean Price change (%)					
	Apr '21	Nov '21	Mar '22	Dec '22	May '23	Oct '23
Last 12 months	4.5	9.4	9.8	12.3	7.5	7.8
Next 12 months	2.8	5.4	7.0	6.0	3.8	3.4

Realizations and expectations by industry

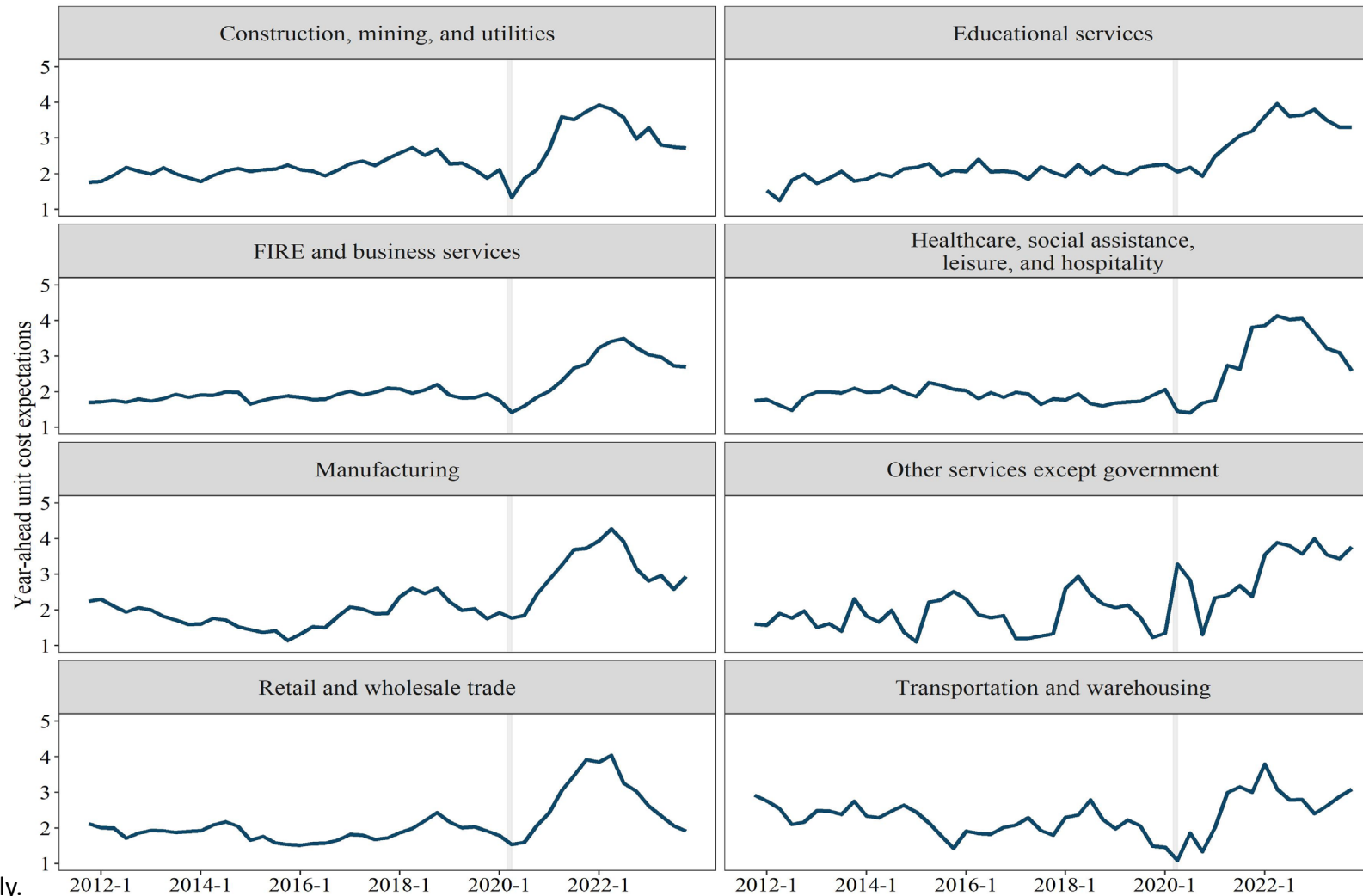
Firms' realized unit-cost growth across most broad industry classifications continues to ebb from peak levels.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

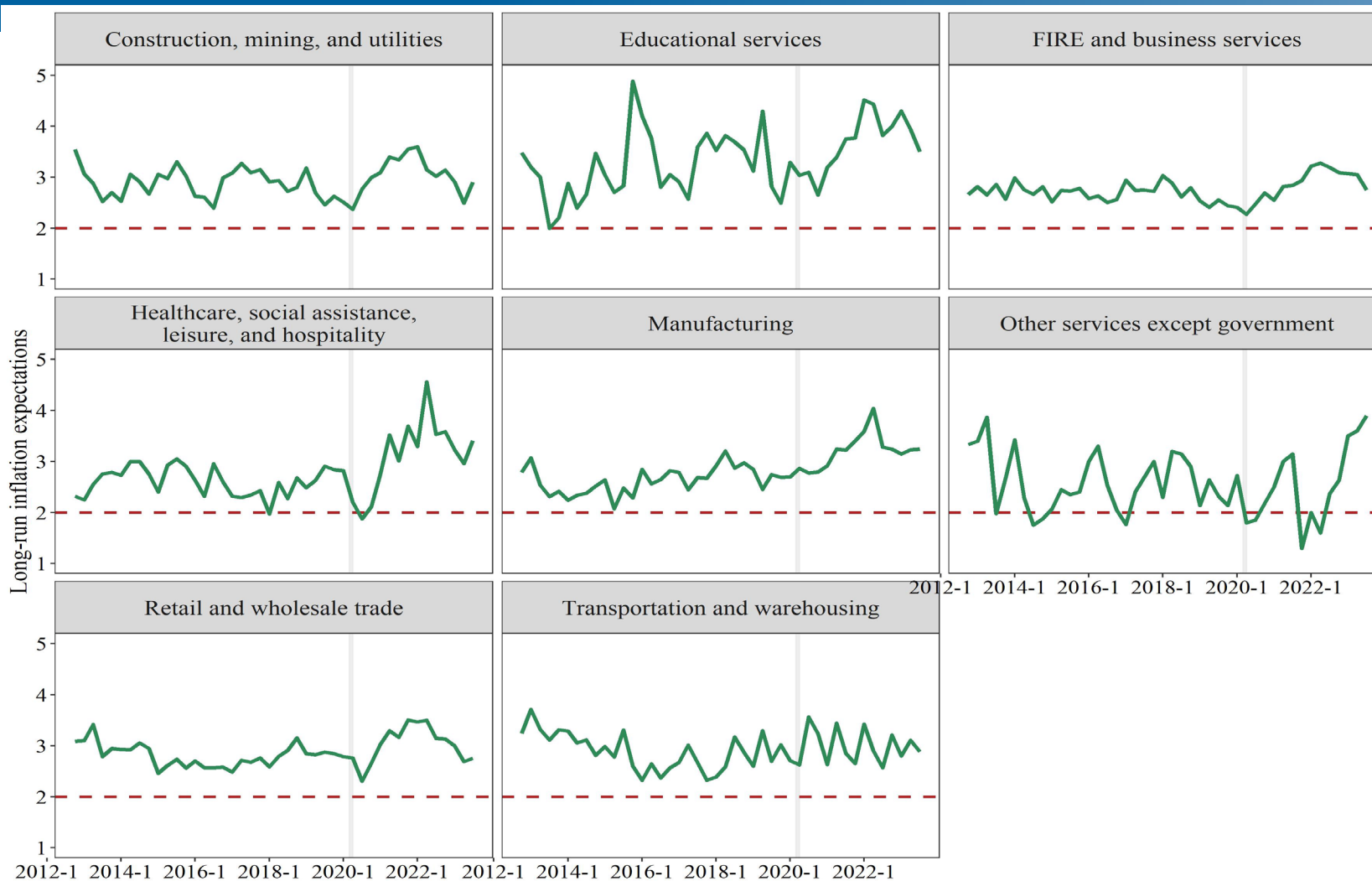
Year-ahead unit-cost expectations vary meaningfully by sector.



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.

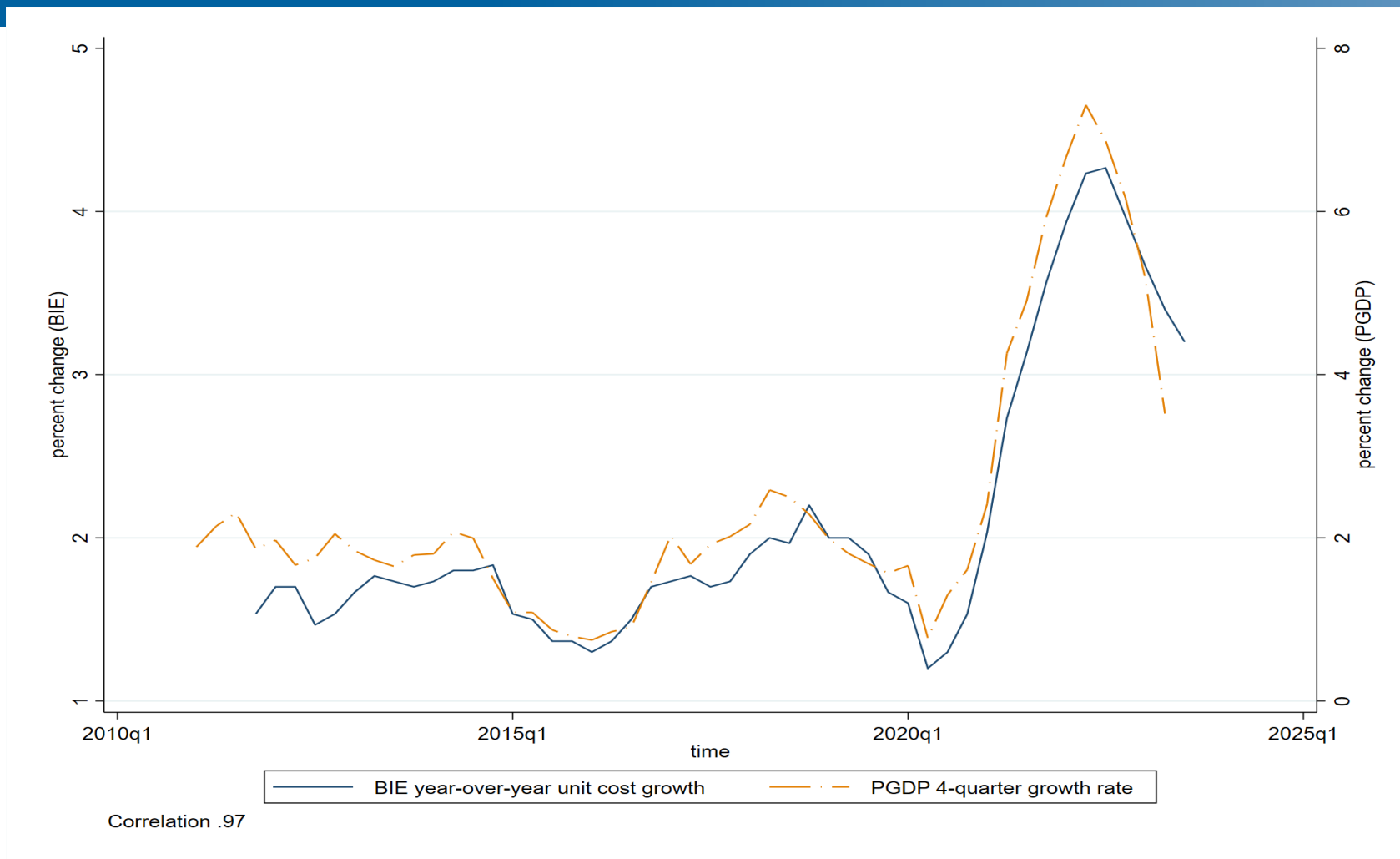


Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Comparing BIE realizations and expectations to actual data and other surveys

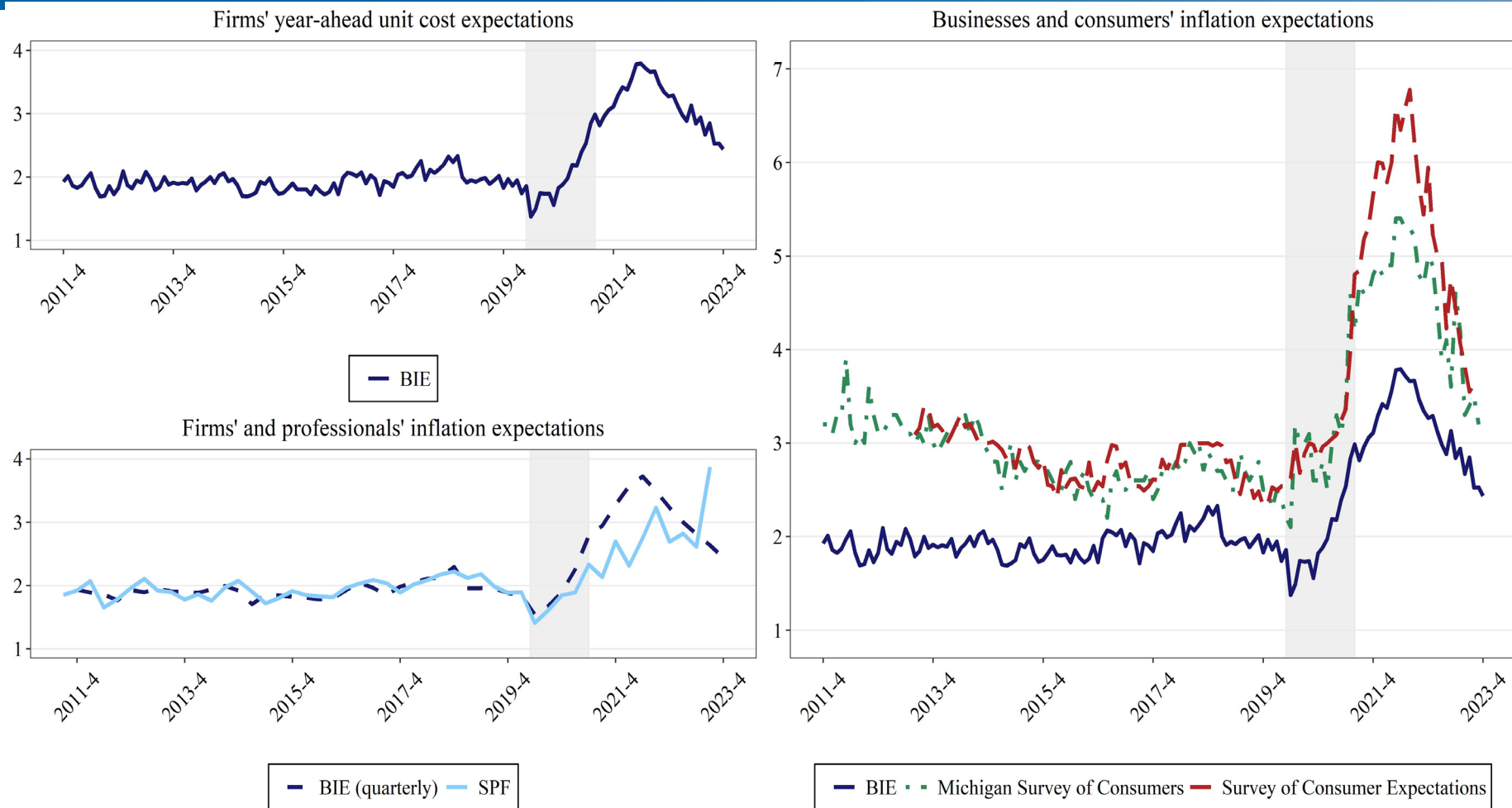
BIE Unit Cost Growth versus GDP Chain-type Price Index



Note: The data are shown quarterly for both measures.

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

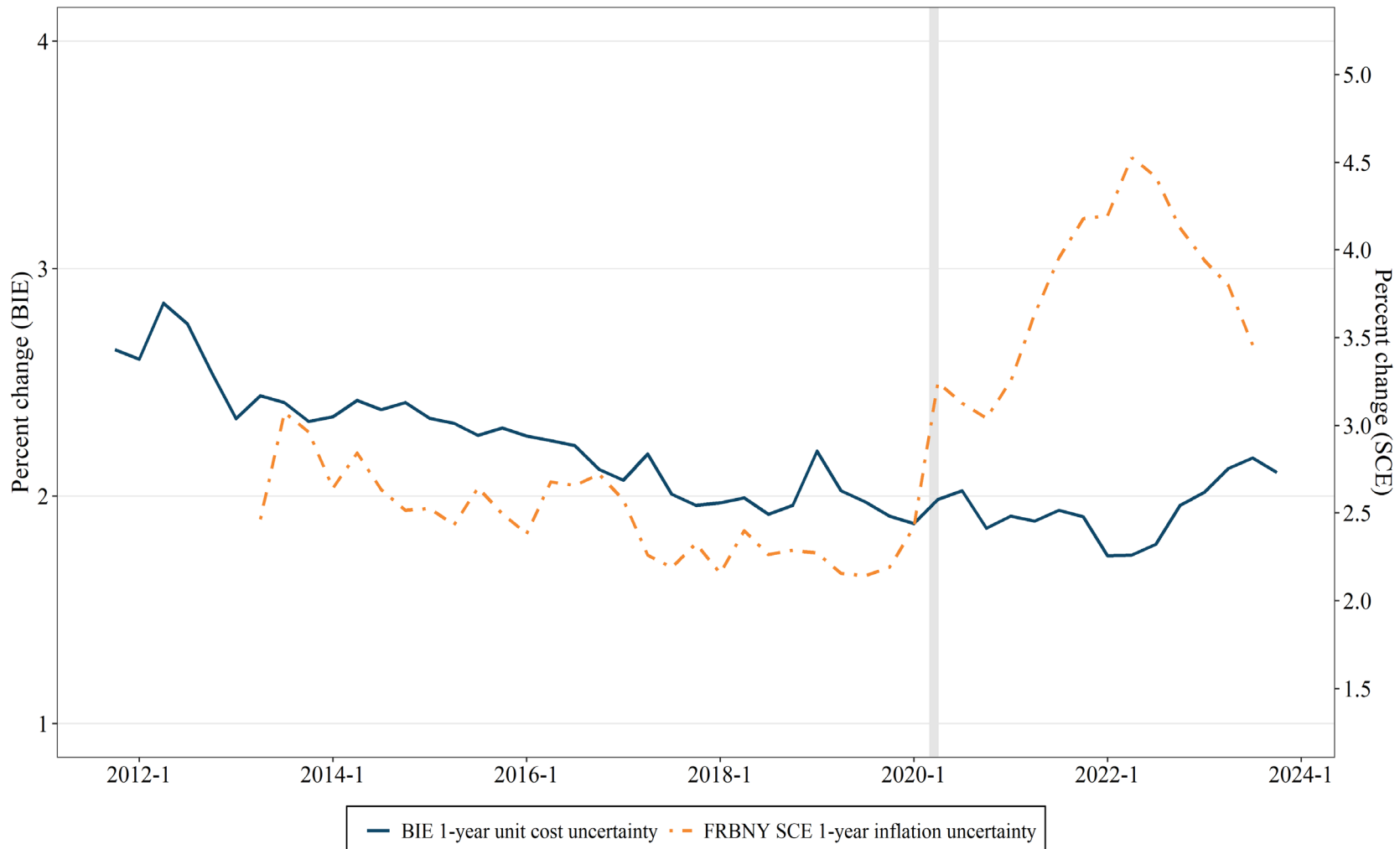
BIE Survey versus SPF and Survey of Consumers



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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