

Business Inflation Expectations (BIE) Survey

Monthly Report: January 2024

Headline Results

1. Firms' year-ahead unit cost expectations remain relatively unchanged at 2.2 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 levels continue to run below "normal."
3. In December's special questions, approximately 80 percent of the firms reported that their ability to pass through cost increases either did not change or decreased.
4. Across the firms, 80 percent reported that the current level of demand for their firm's core product or service either decreased or remained the same.
5. Due to reduced demand, firms responded by taking three main actions: 24 percent opted to eliminate open positions or lay off employees, 15 percent increased marketing efforts, and 14 percent raised prices on other products/services to grow revenue.
6. Despite 56 percent of companies facing a recent decline in demand anticipating a continued downturn in the next 12 months, 51 percent of those witnessing an uptick in demand during the past year anticipate a return to normal levels over the next 12 months.

About the BIE

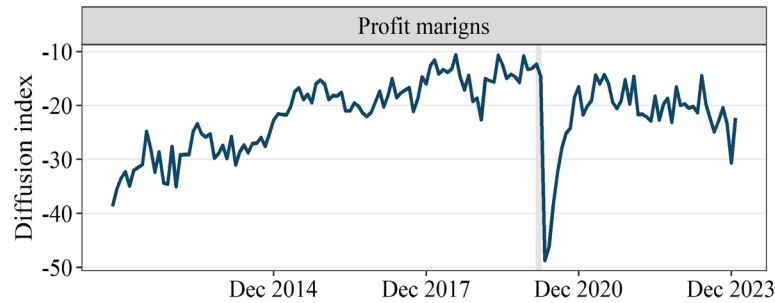
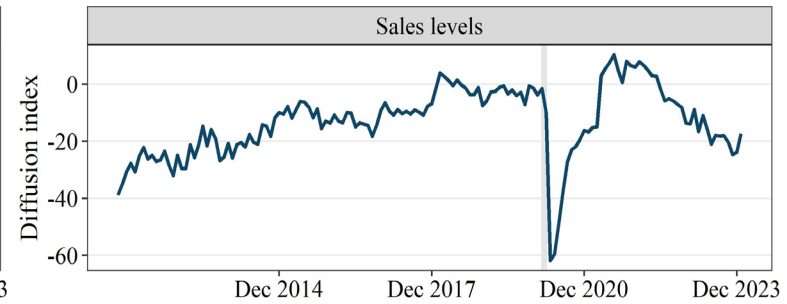
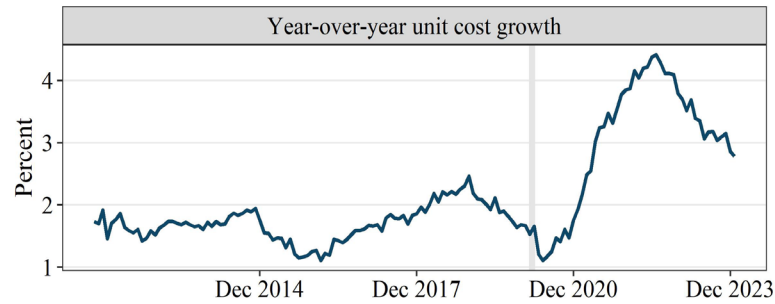
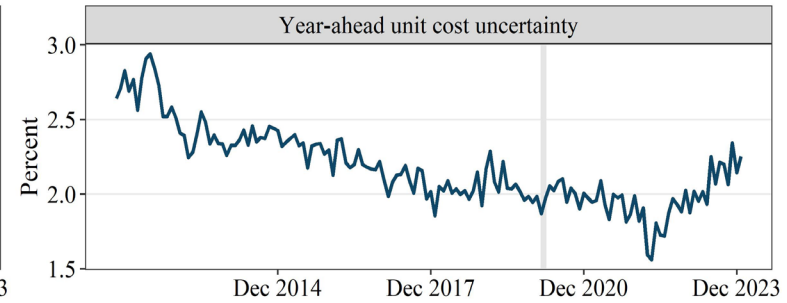
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

Our monthly Business Inflation Expectations survey goes to about 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](#).

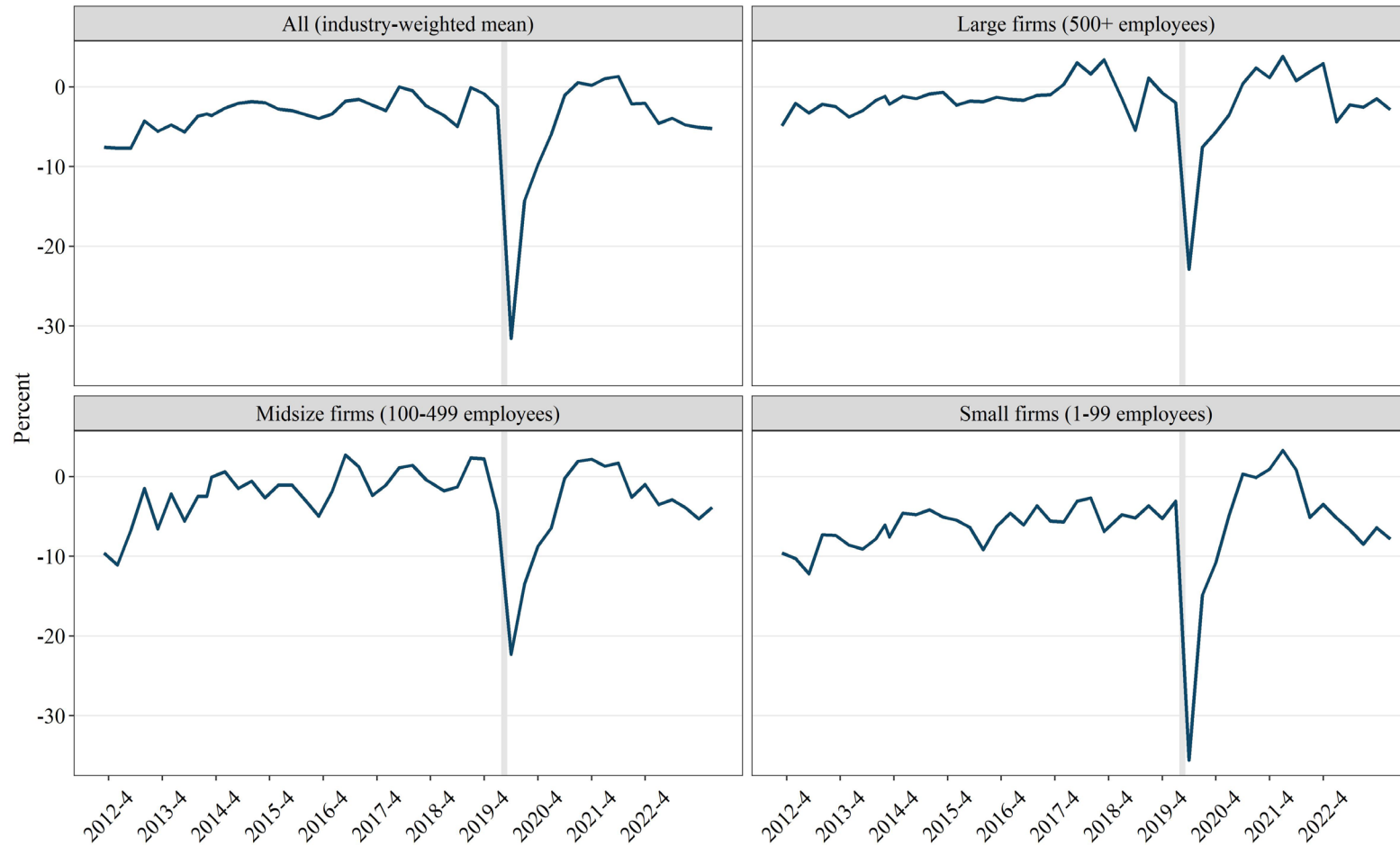
Core Monthly Questions



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?

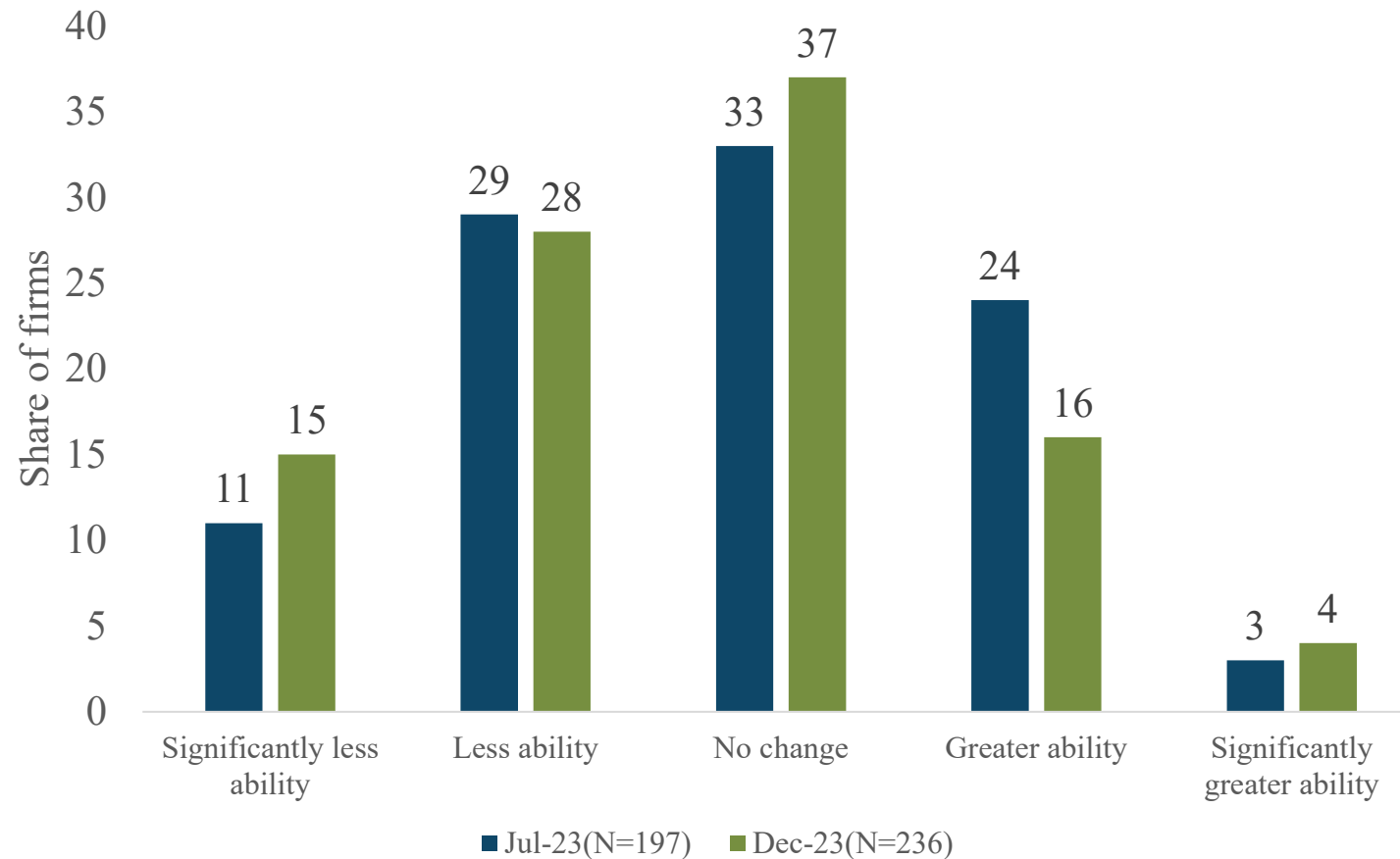


Note: The data are shown monthly.

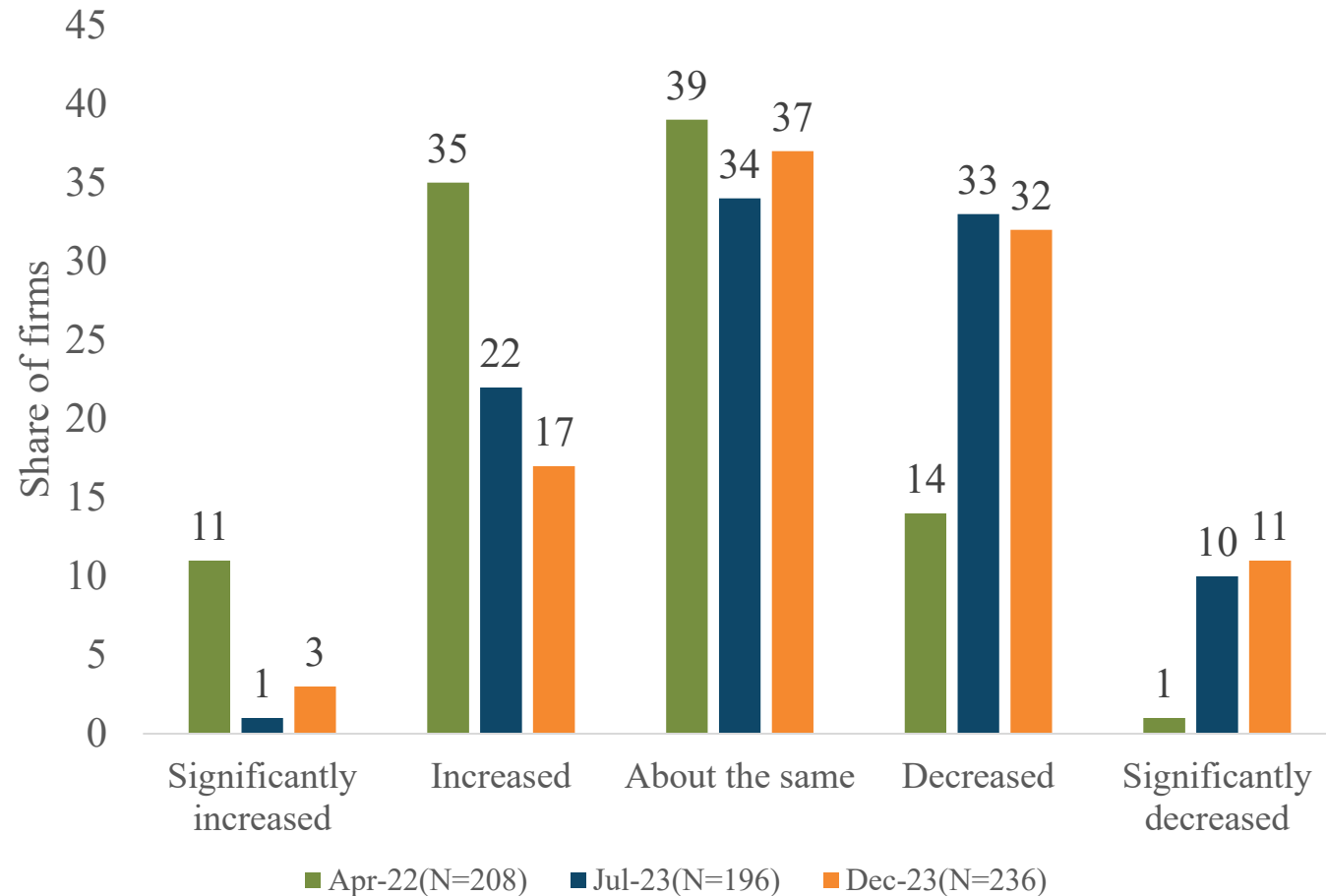
Source: Atlanta Fed Business Inflation Expectations (BIE) survey

BIE Special Questions: December 2023

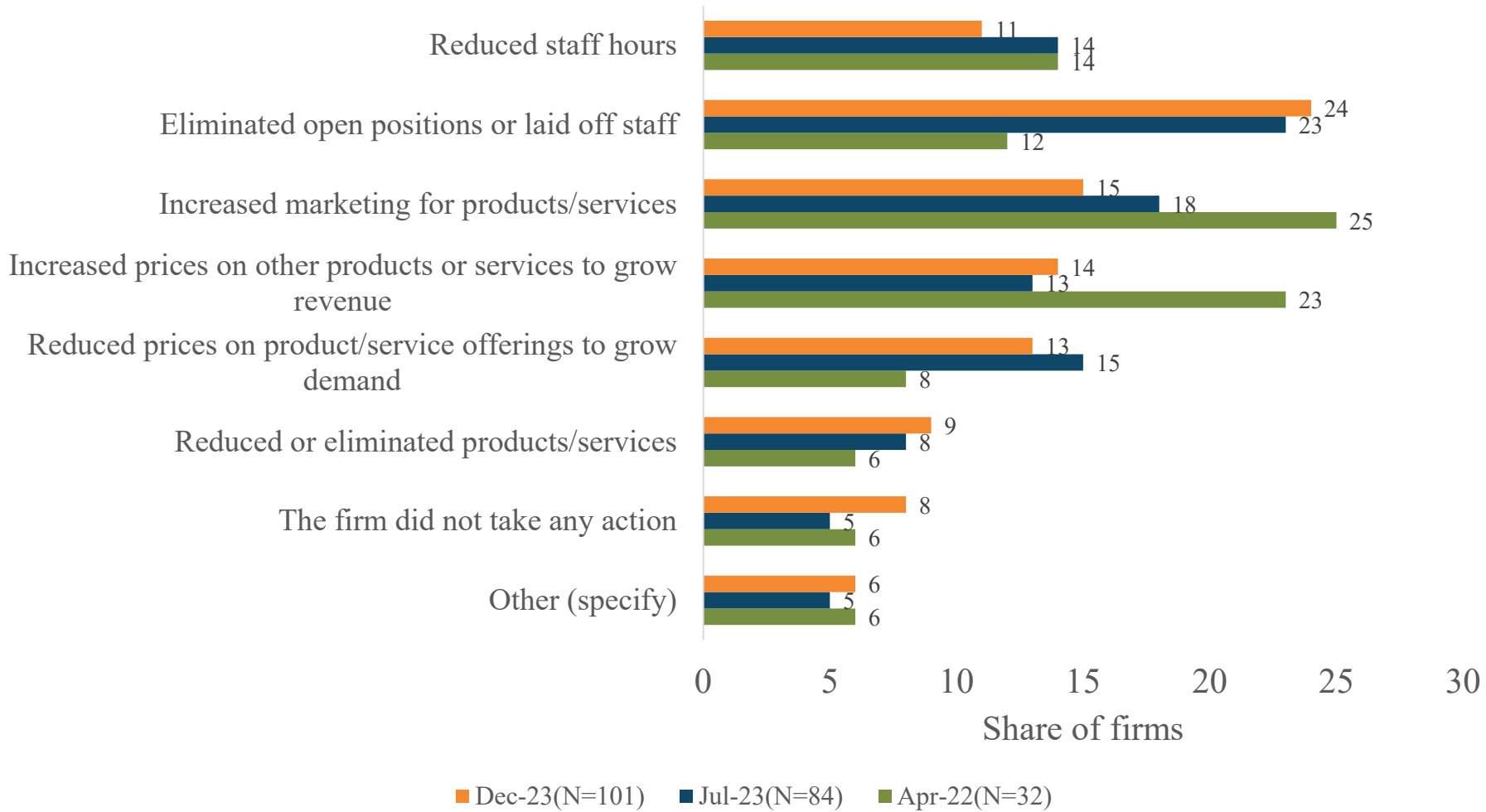
How has your firm's ability to pass through cost increases changed over the last 12 months?



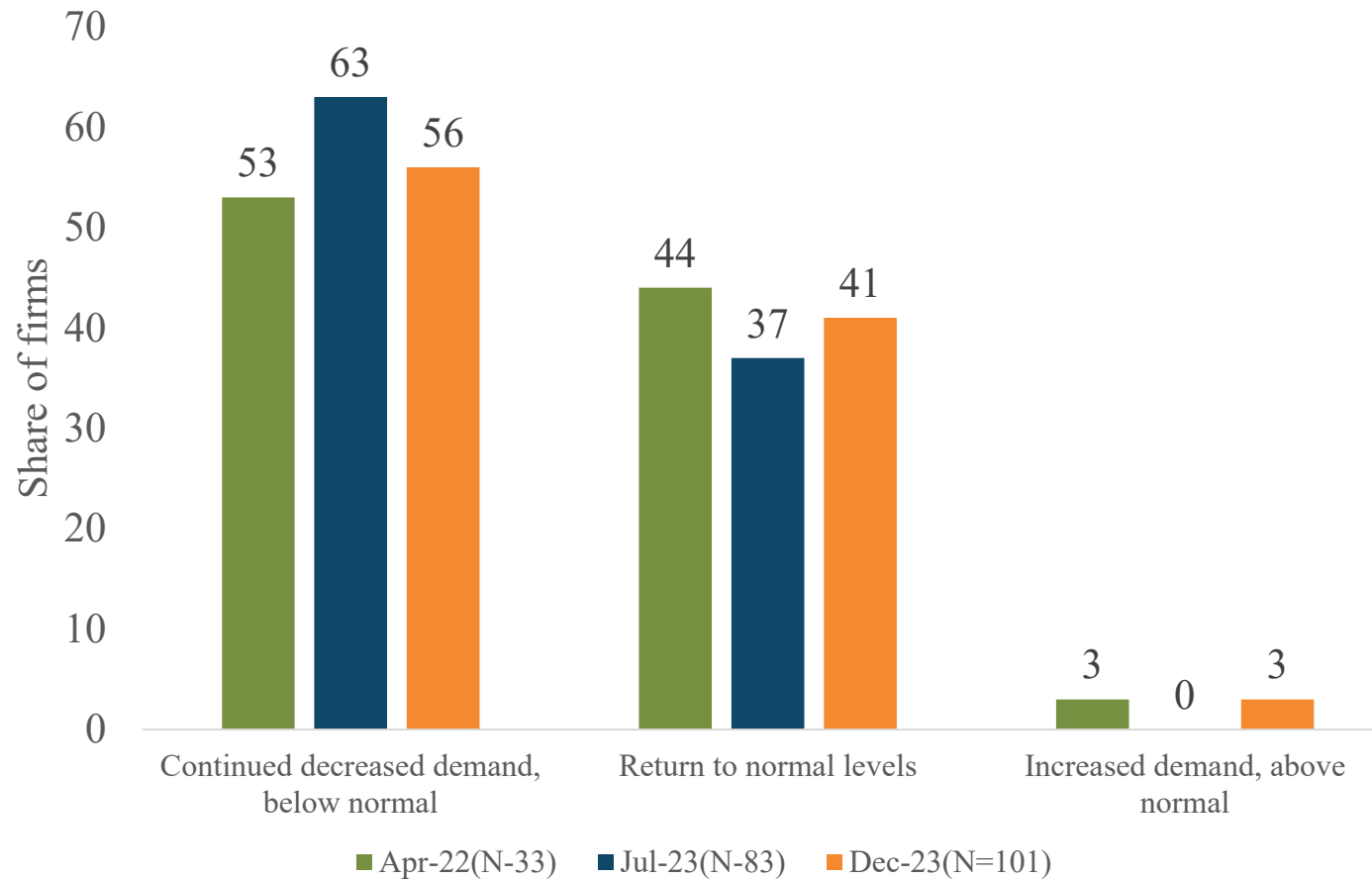
Compared to 12 months ago, how would you describe the current level of demand for [your firm's core product or service]?



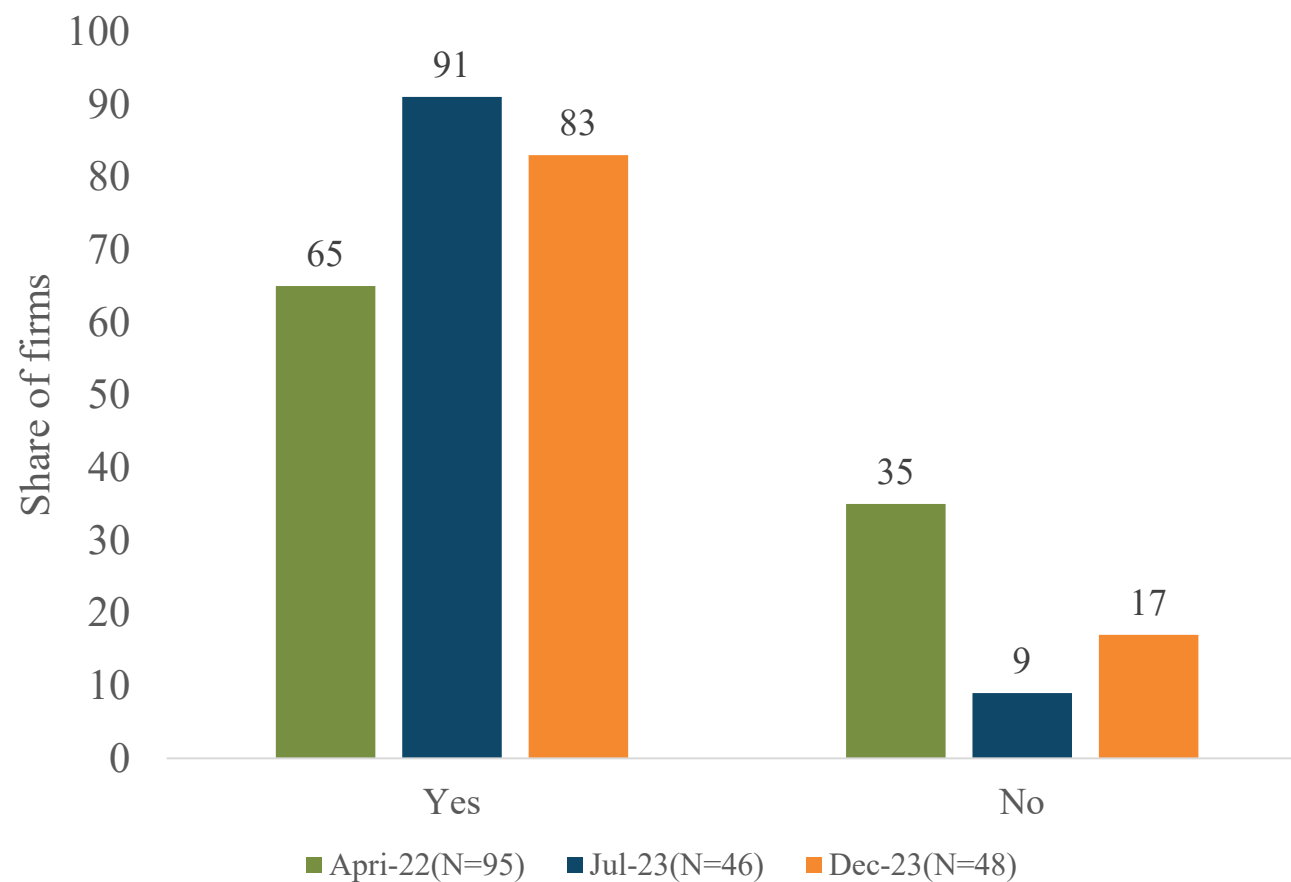
What actions did your firm take as a result of decreased demand?



Looking ahead to 12 months from now, what level of demand does your firm expect? [In case of decrease demand over last 12 months]



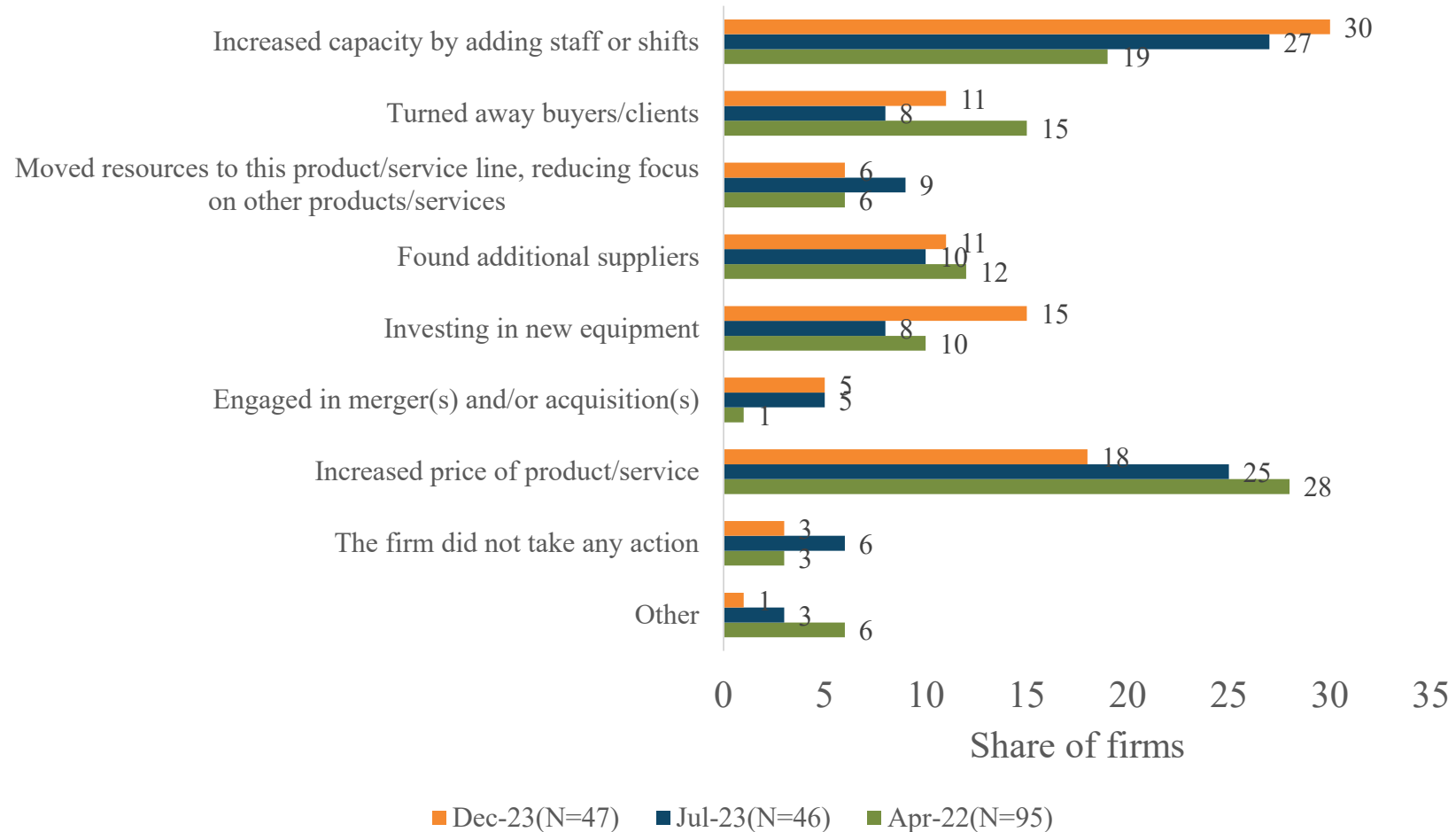
Was your firm able to meet the increased demand?



Note: The results are based on 220 observations.

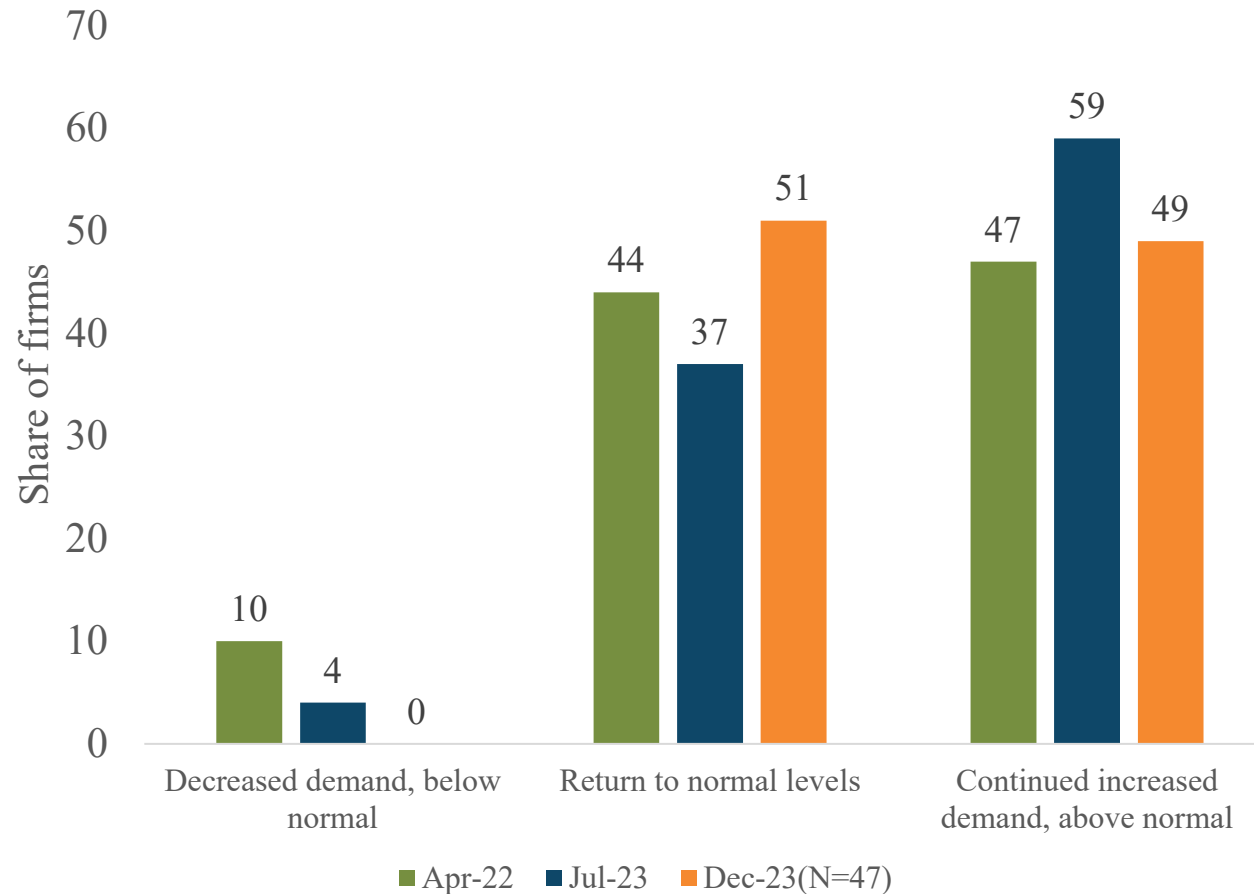
Source: Atlanta Fed Business Inflation Expectations (BIE) survey

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



Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Looking ahead to 12 months from now, what level of demand does your firm expect? [In case of increase demand over last 12 months]

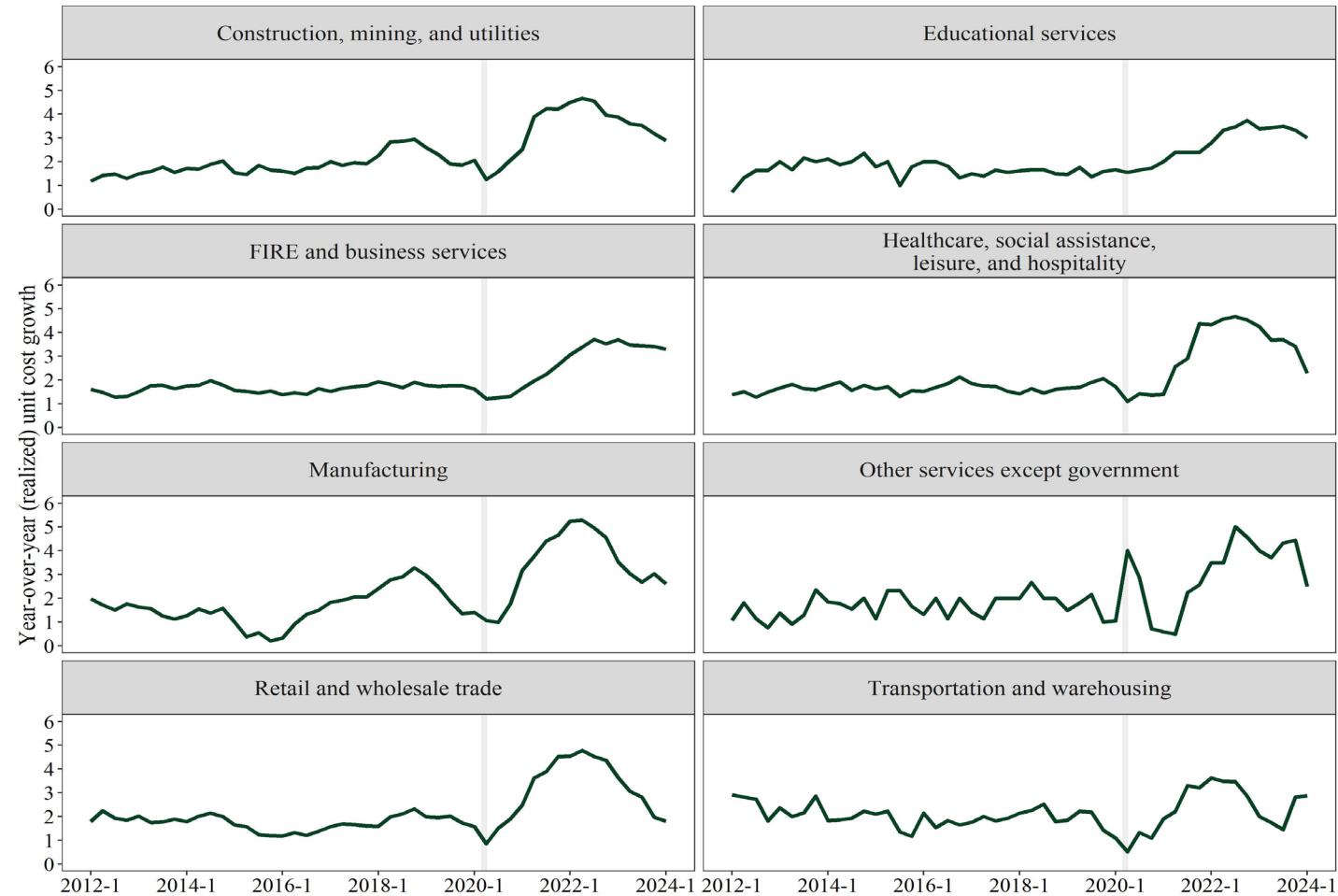


In terms of percentage change, by how much has revenue decreased/increased for the firm because of decreased/increased demand on your firm's core product or service?

	Dec-23		Jul-23		Apr-22	
Variables	Mean	Median	Mean	Median	Mean	Median
Decreased	19.5	15.0	19.3	12	10.6	10.0
Increased	11.6	10.0	10.6	10	13.5	10.0
Overall revenue change	-6.0	0.0	-5.2	0	4.5	0.0

Realizations and expectations by industry

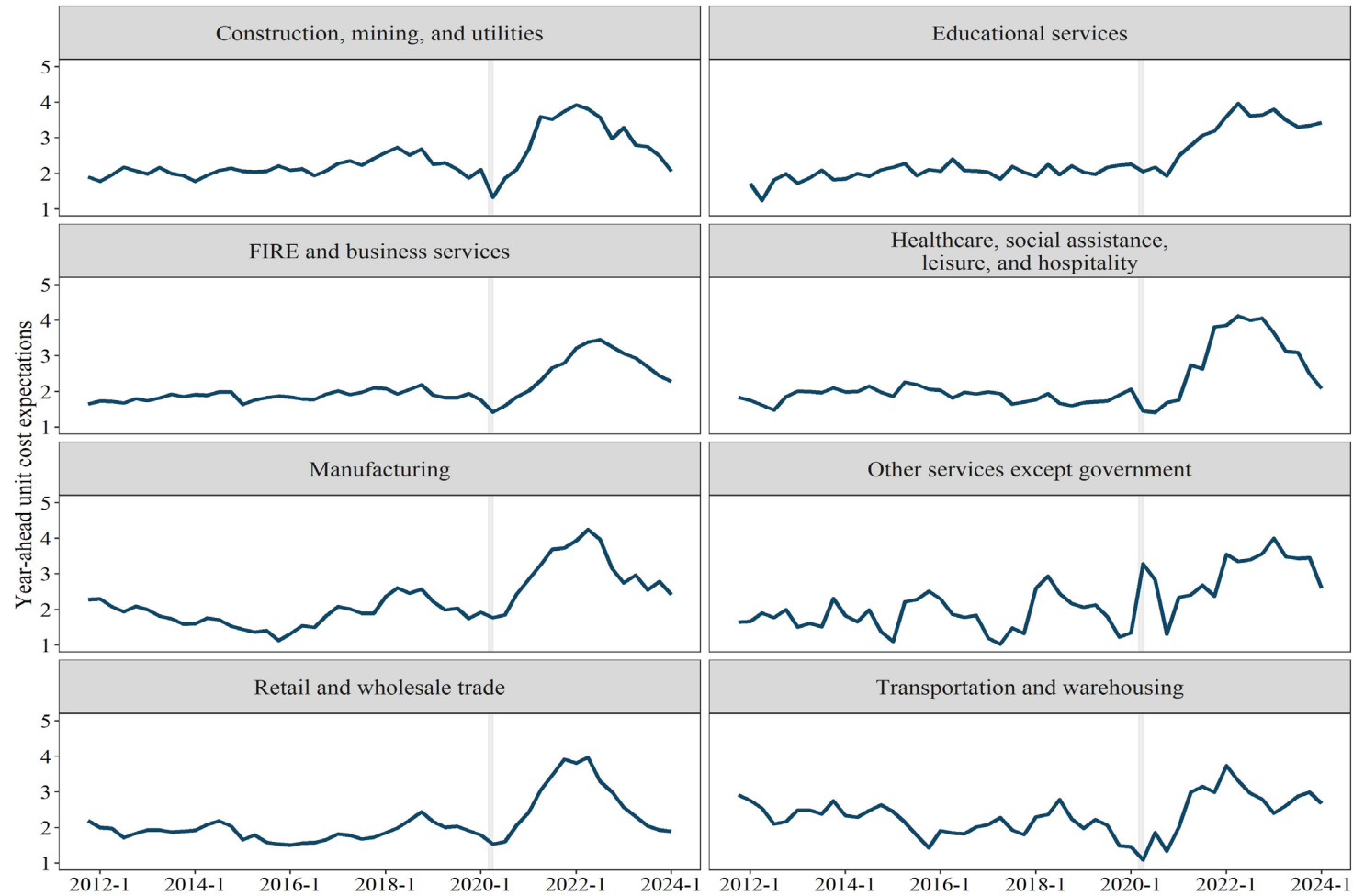
Firms' realized unit-cost growth across most broad industry classifications continues to ebb from peak levels.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

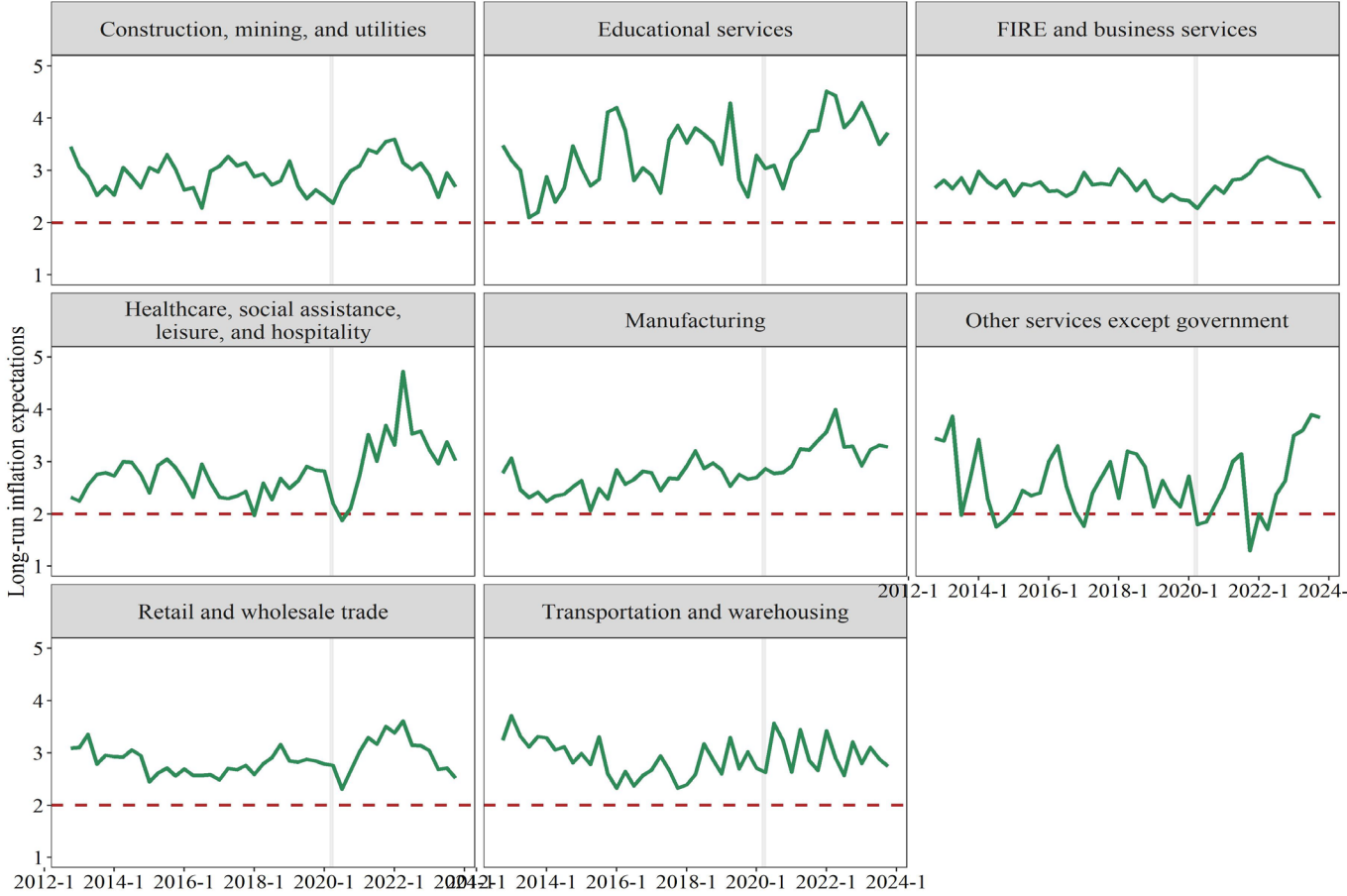
Year-ahead unit-cost expectations vary meaningfully by sector.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

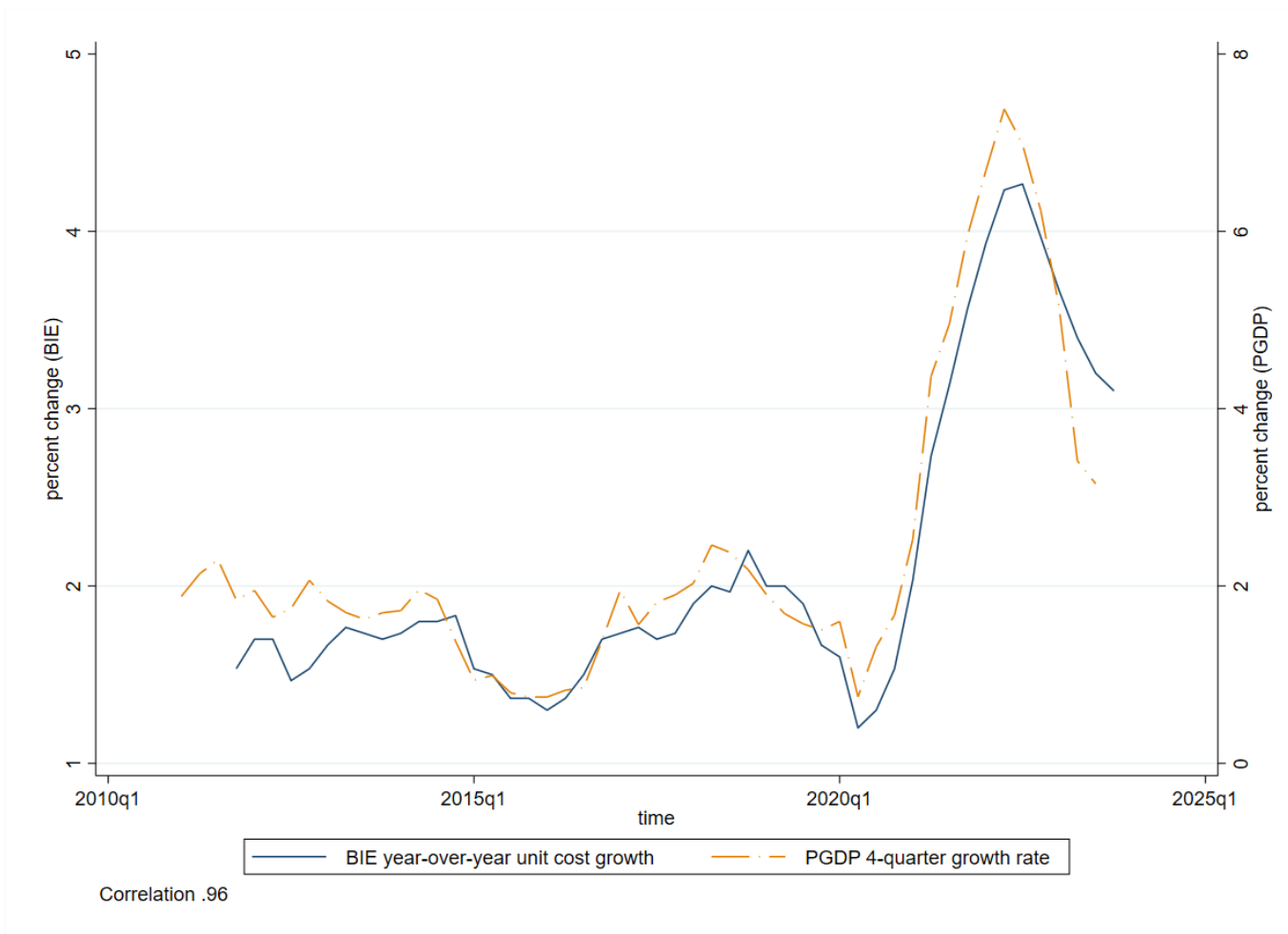
Longer-run unit cost expectations across most broad industry classifications remain elevated relative to prepandemic averages.



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

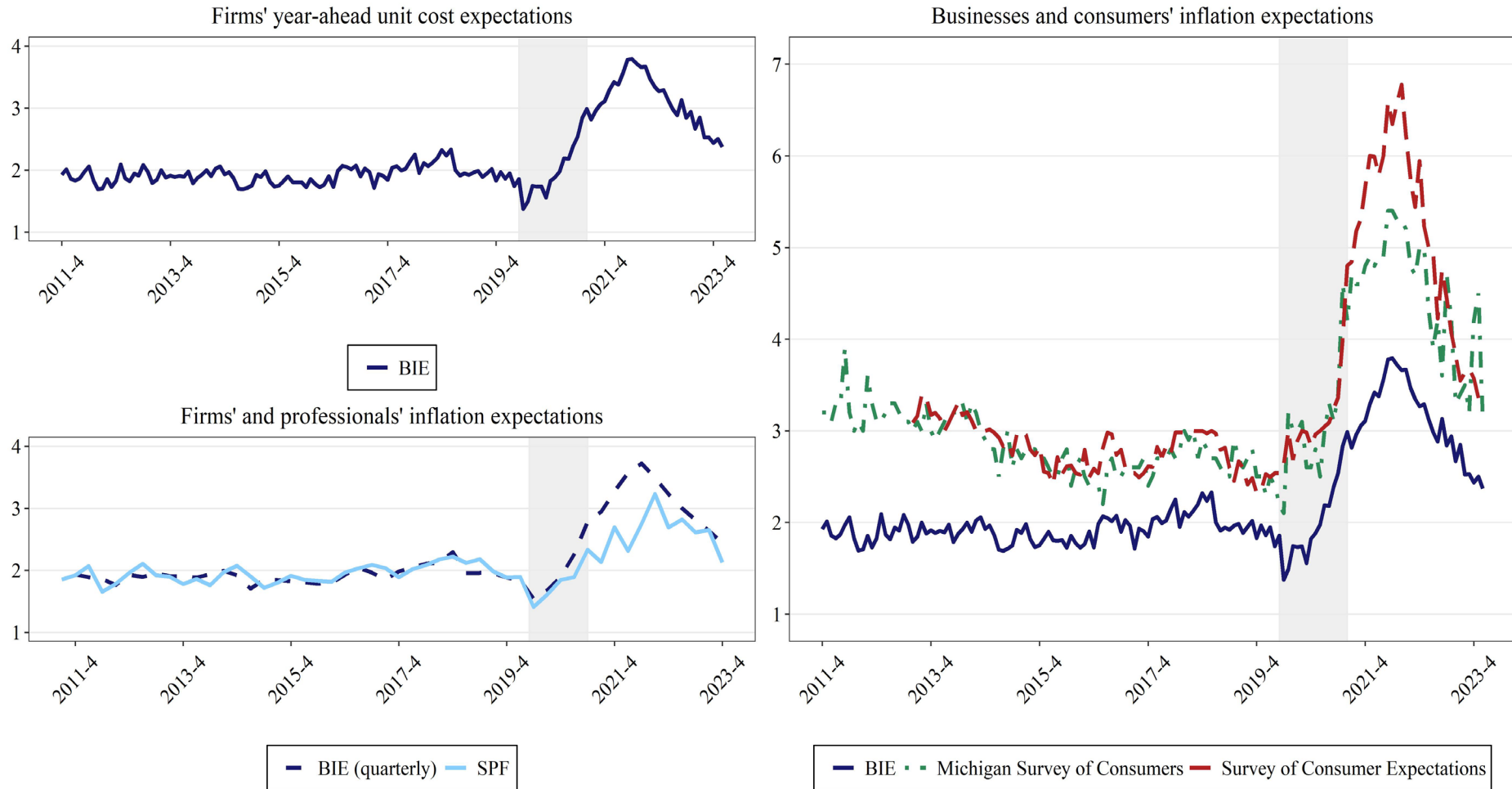
BIE Unit Cost Growth versus GDP Chain-type Price Index



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>

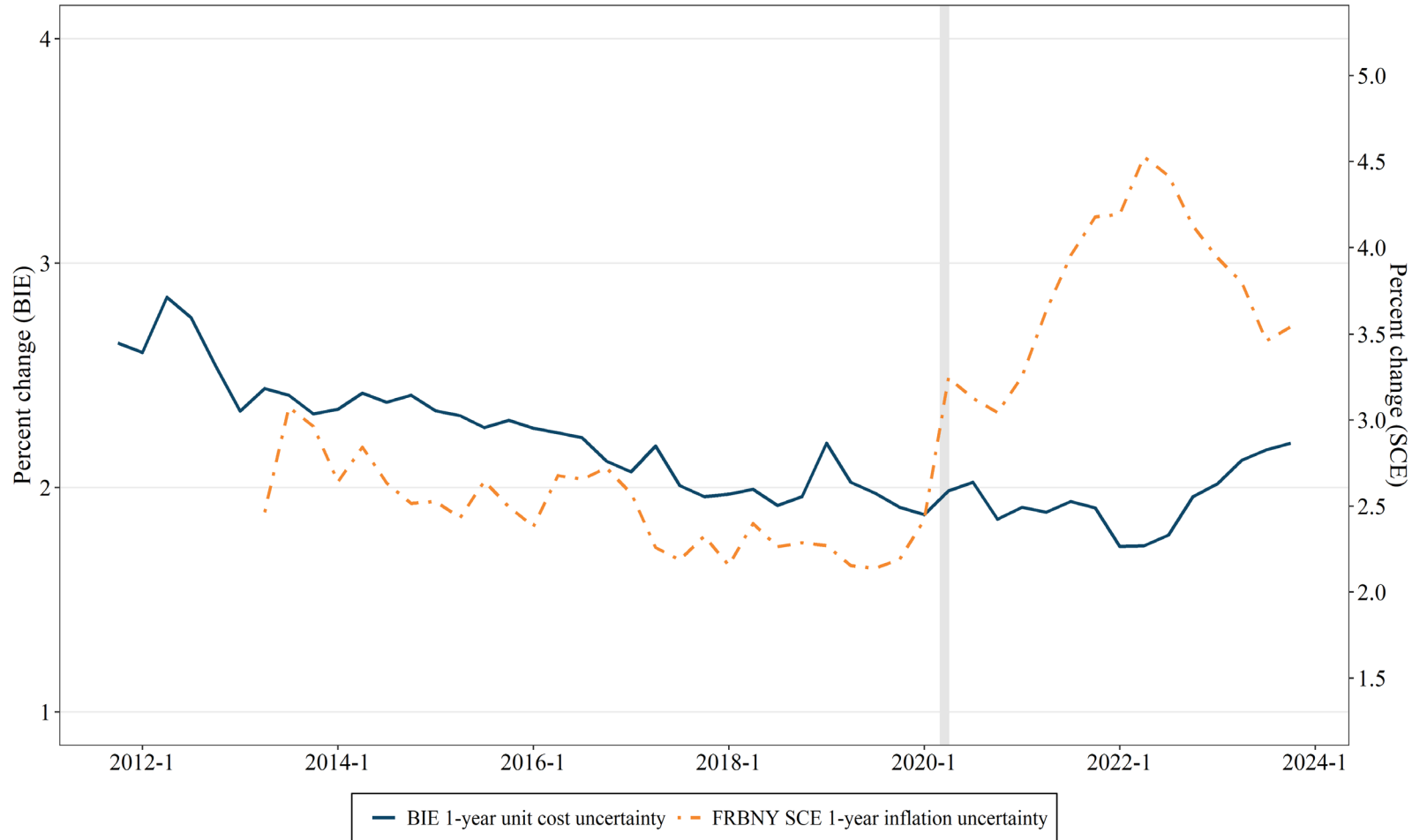
BIE Survey versus SPF and Survey of Consumers



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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