

SBU

Survey of Business Uncertainty



Federal Reserve
Bank of Atlanta



CHICAGO BOOTH
The University of Chicago Booth School of Business

Stanford
University

Monthly Report: January 2023

Based on data through 1/20/2023

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

Headline Results

January 2023 Survey of Business Uncertainty

1. U.S. firms remain more uncertain about future revenue growth than they were before the pandemic.
2. More than a quarter of firms have changed mentoring practices in response to the rise of remote work.
3. Over the next twelve months, firms foresee a drop in office space needs, no change in retail space needs, and increases in space needs for warehousing and production facilities.

The logo for the Survey of Business Uncertainty (SBU), consisting of 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
University

About the Survey

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

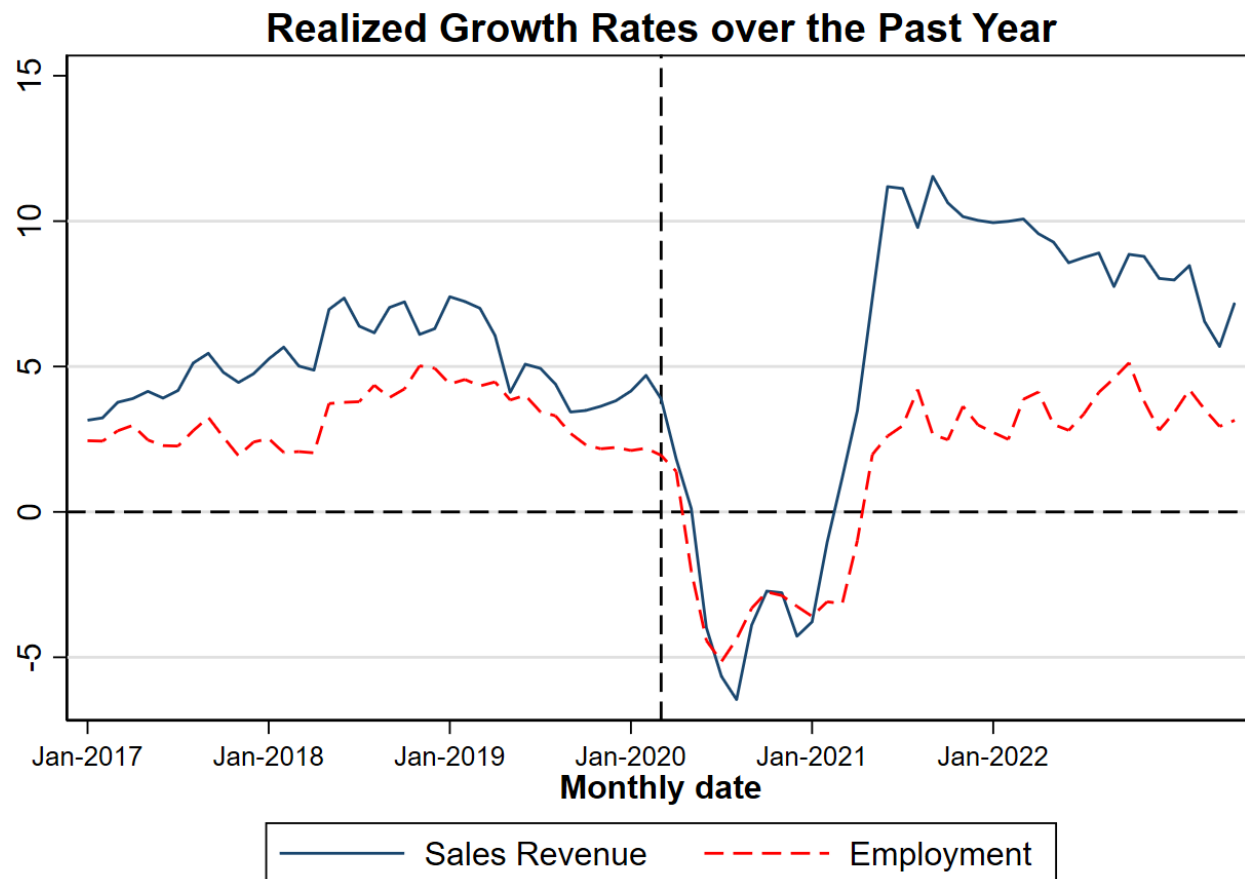
Our monthly Survey of Business Uncertainty (SBU) goes to about 1500 panel members (as of August 2022), who occupy senior finance and managerial positions at U.S. firms. We contact panel members each month by email, and they respond via a web-based instrument.

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 is declining over the past year. Recent employment growth is in line with pre-pandemic growth.

January 2017–January 2023



NOTE: Calculated using monthly data through January 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.

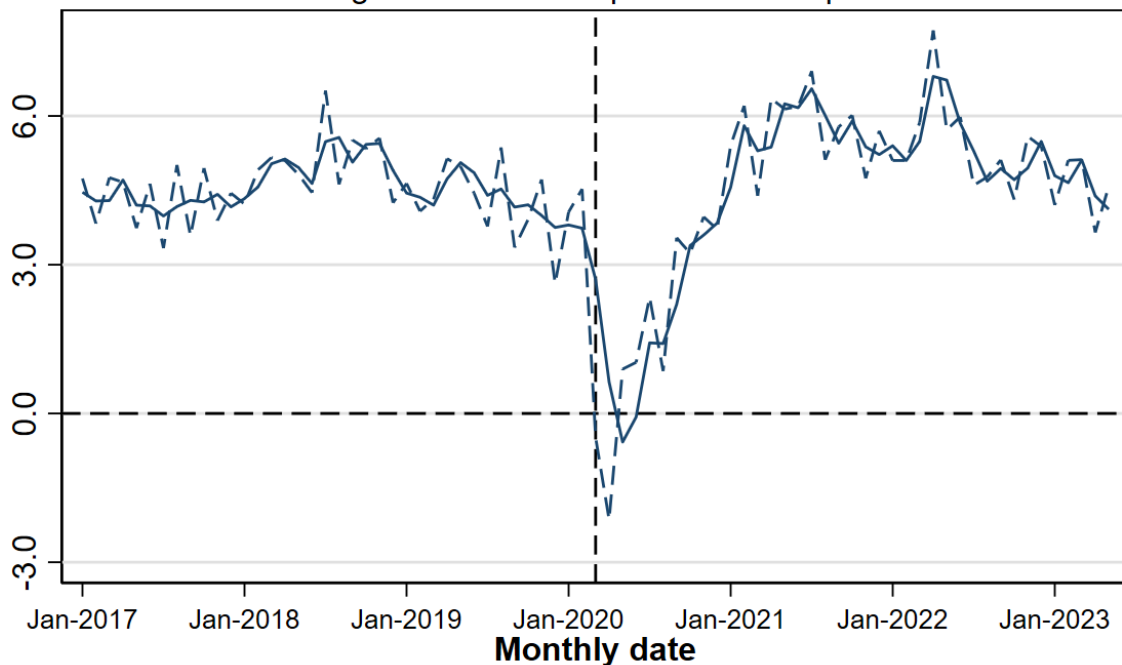
Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent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

Sales revenue growth expectations have slowed in recent months, and firms remain more uncertain about future revenue growth than they were before the pandemic.

January 2017–January 2023

Year-Ahead Sales Growth Rate Expectations

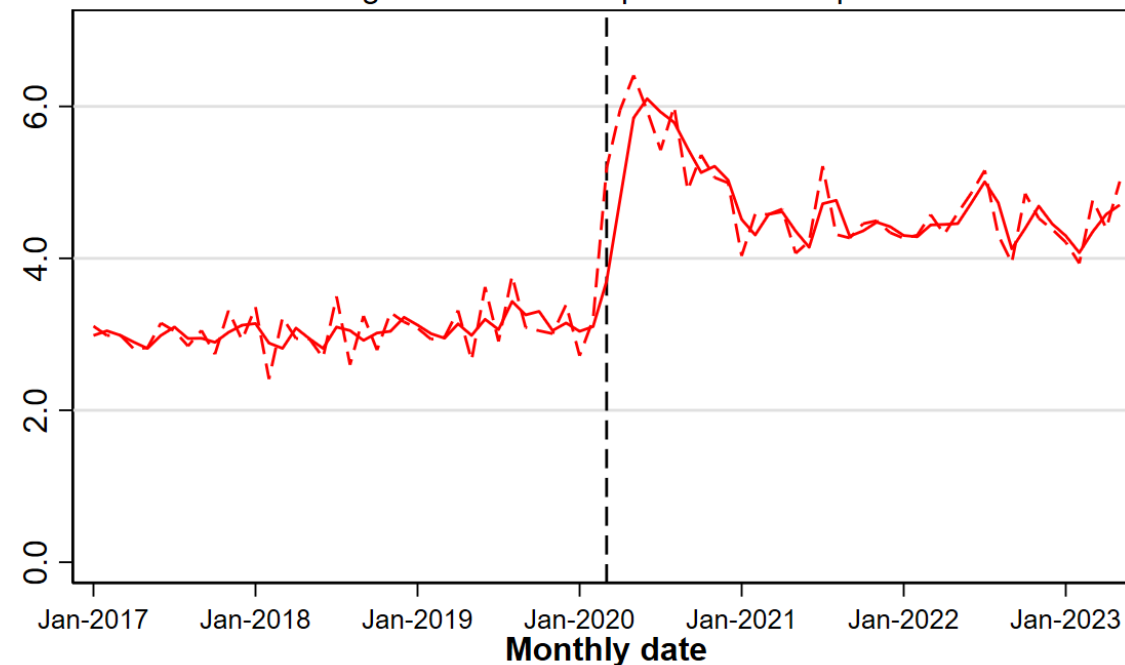
Percent changes from current quarter to four quarters hence



--- Sales Growth (unsmoothed)
— Sales Growth (smoothed)

Year-Ahead Uncertainty about Sales Growth Rates

Percent changes from current quarter to four quarters hence



--- Sales Uncertainty (unsmoothed)
— Sales Uncertainty (smoothed)

NOTE: The charts show smoothed series.

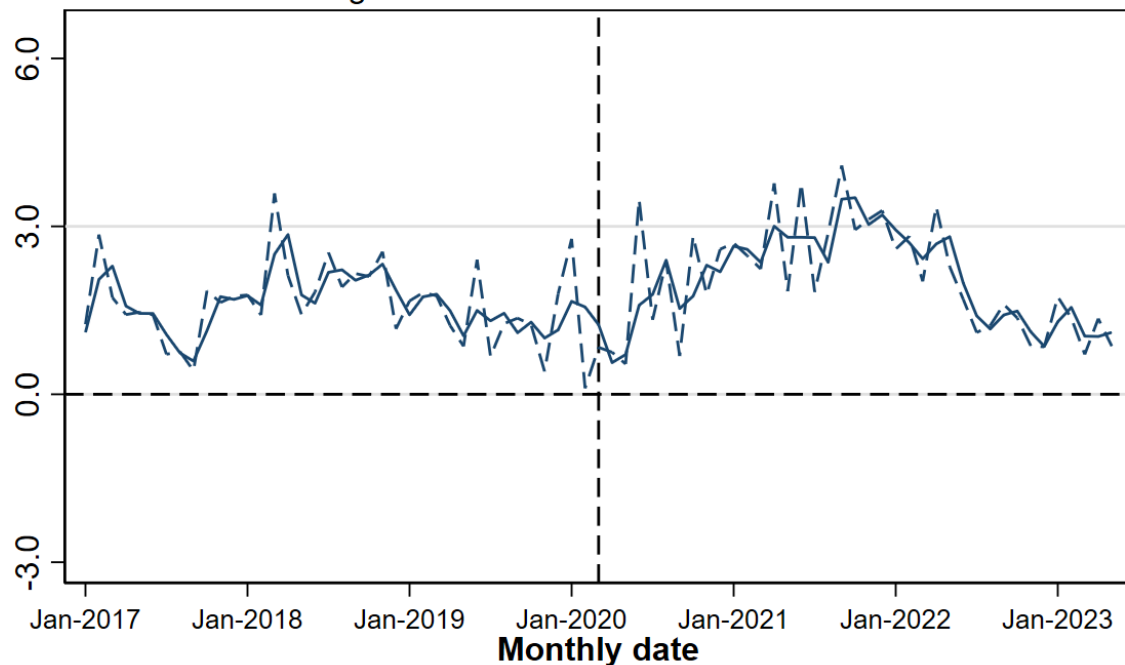
Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent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

Firms' expectations about their future employment growth have ebbed in recent months, and uncertainty about employment growth remains somewhat above pre-pandemic levels.

January 2017–January 2023

Year-Ahead Employment Growth Rate Expectations

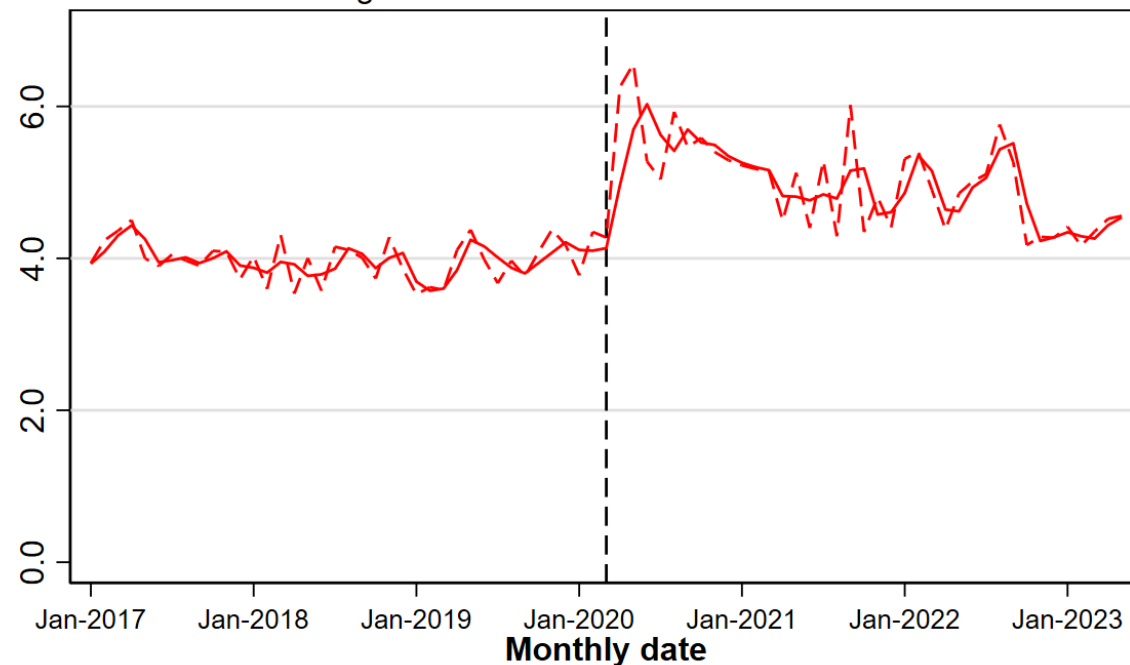
Percent changes from current month to twelve months hence



--- Employment Growth (unsmoothed)
— Employment Growth (smoothed)

Year-Ahead Uncertainty about Employment Growth Rates

Percent changes from current month to twelve months hence



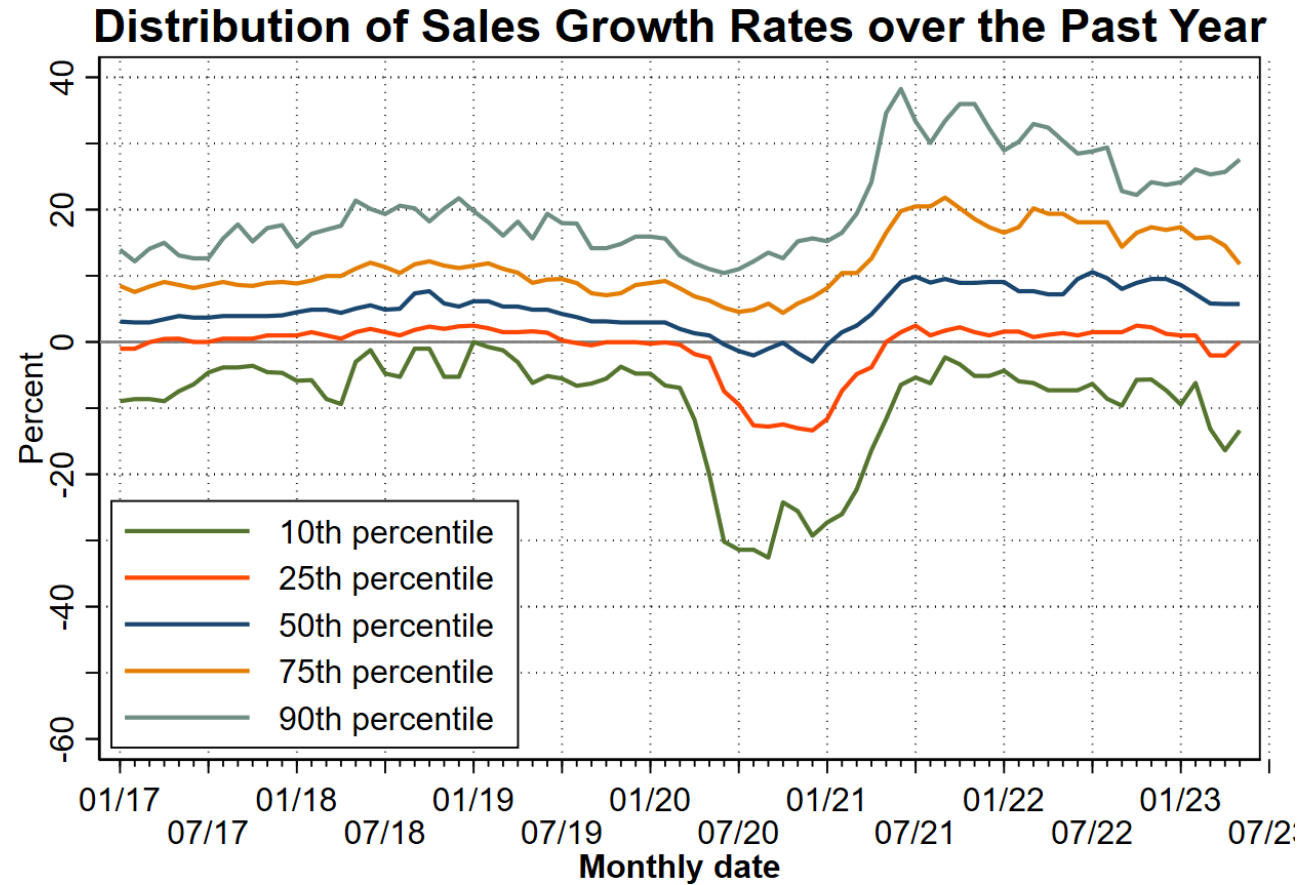
--- Employment Uncertainty (unsmoothed)
— Employment Uncertainty (smoothed)

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 realized sales growth remains wider than it was in the pre-pandemic period.

January 2017–January 2023

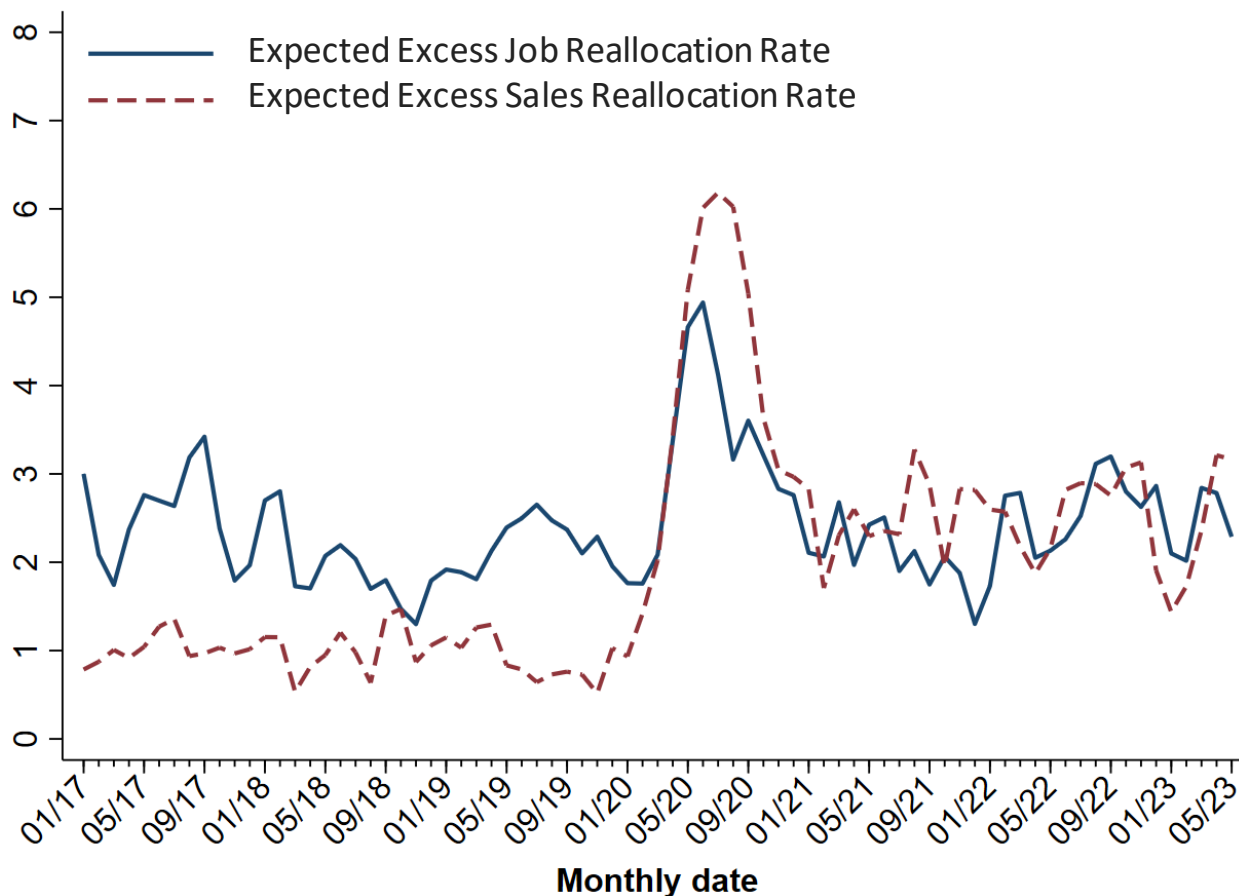


NOTES: Calculated using monthly data through January 2023. The chart shows smoothed series. Lines show percentiles of the activity-weighted distribution of firm-level sales growth rates over the past year.

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

Expected excess job and sales reallocation rates have reverted to pre-pandemic levels.

January 2017–January 2023

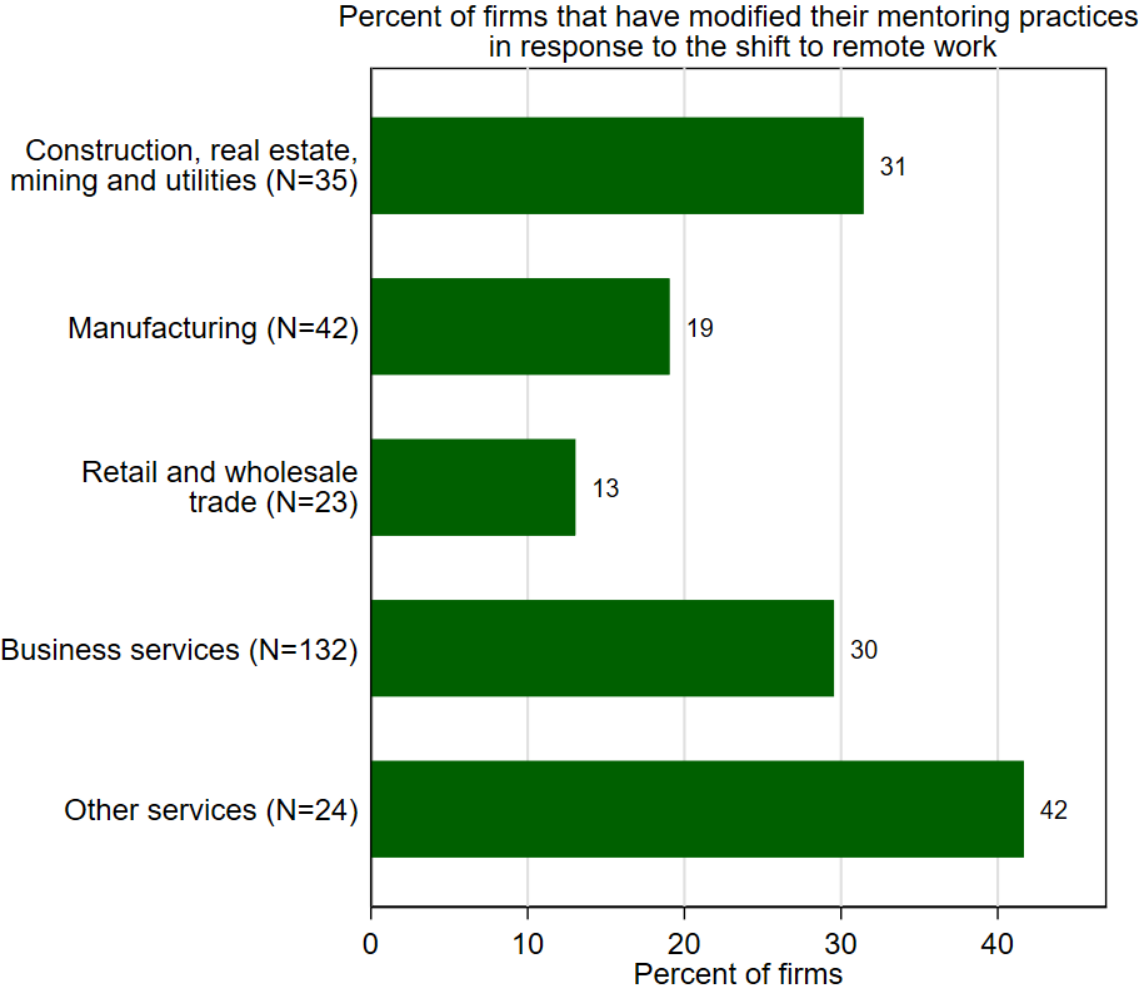
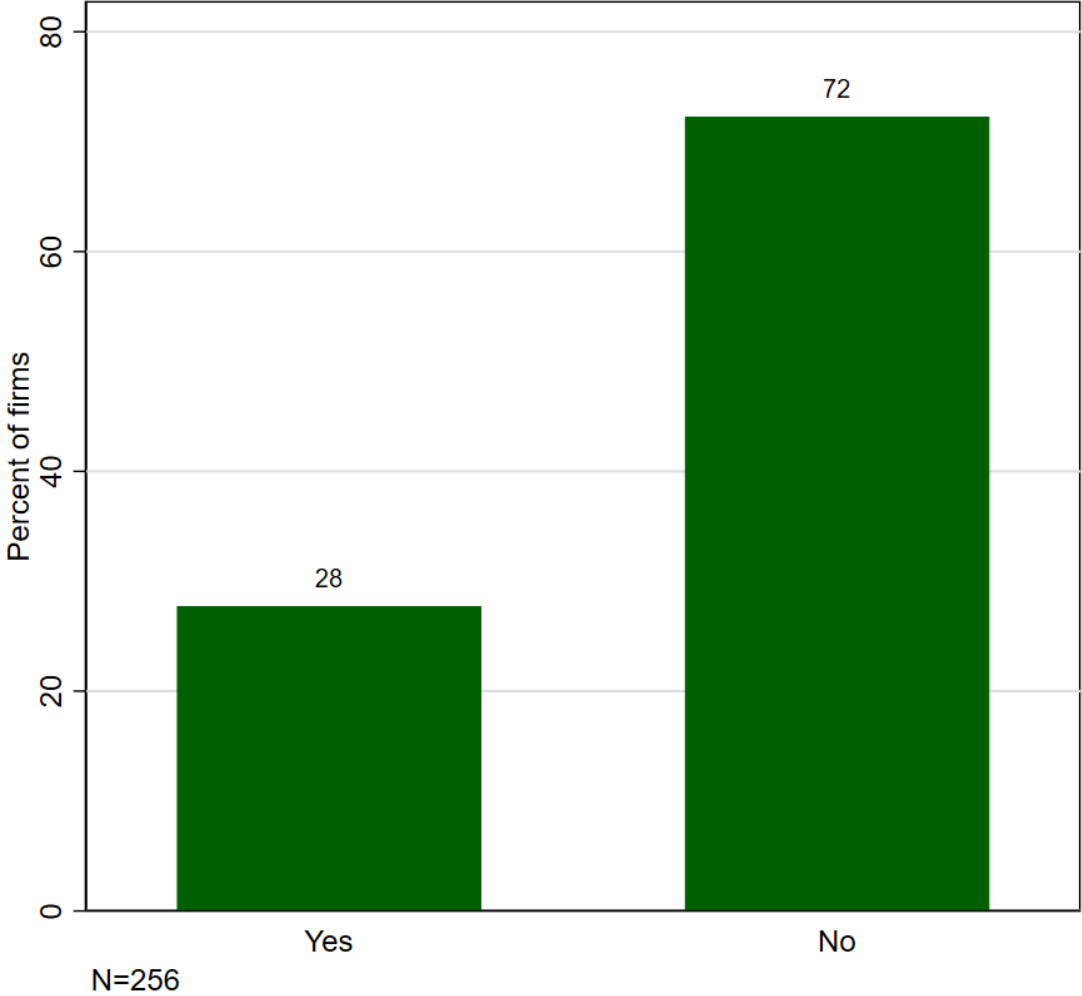


NOTES: Calculated using monthly data through January 2023. The chart shows smoothed series. Expected excess reallocation rates quantify the expected volume of cross-firm job or sales reallocation in excess of what is required by the expected aggregate net change. All data are activity weighted.

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 a quarter of firms changed mentoring practices in response to the shift to remote work

Has your firm modified its mentoring practices in response to a shift to remote work?



Note: This question was given only to respondents who said that their firms have employees working from home.

They did so by more use of phone and video, more frequent performance reviews, greater use of collaboration and mentoring tools, and more monitoring.

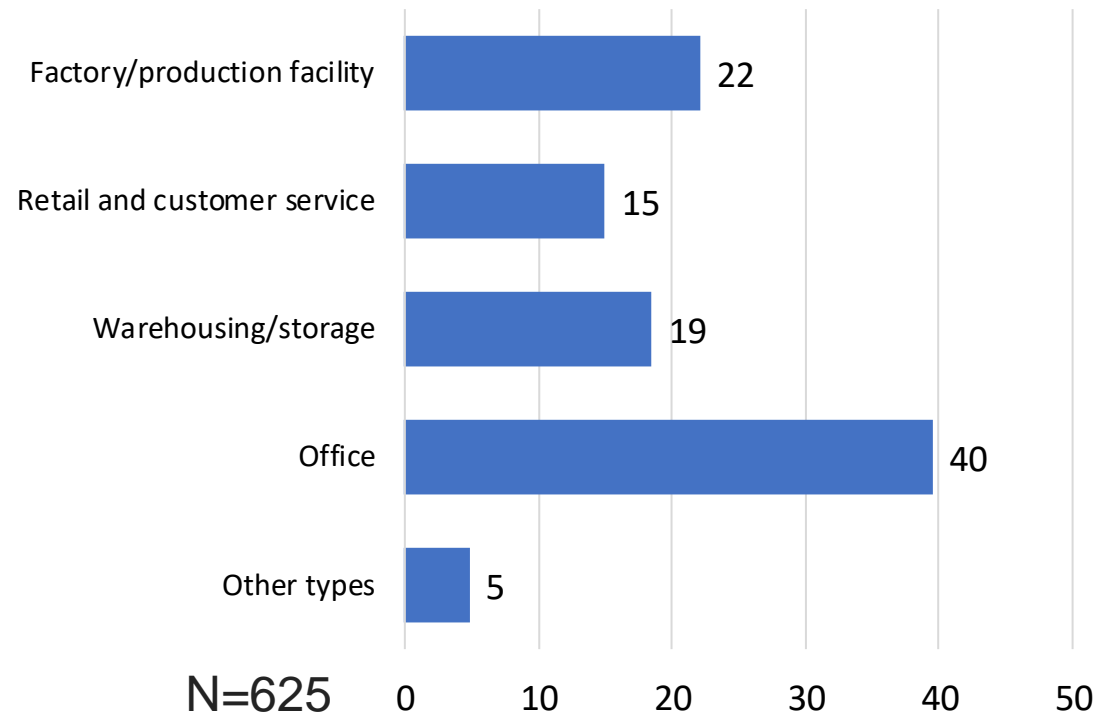
In your own words, please describe how your firm has modified its mentoring practices in response to a shift to remote work.

Change in work practices in response to a shift to remote work	Percent of firms (N^{total}=64)
Increased communication via phone/video communication platforms	41%
More frequent check-ins/formal reviews	28%
Increased use of collaboration tools and training/coaching/mentoring	14%
Attendance in person	13%
Monitoring work/activity/output	11%
More frequent scheduled team meetings	8%

N_(respondents)=64

A breakdown for the types of physical space that SBU firms use

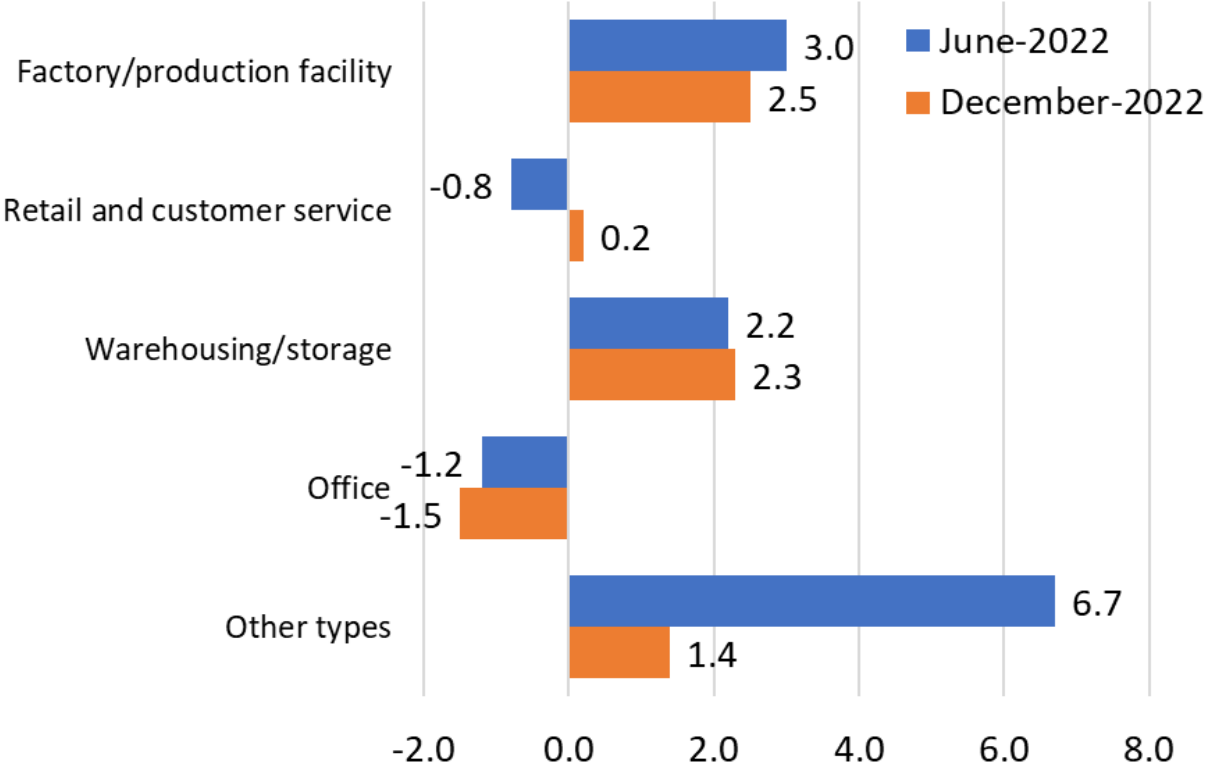
Currently, what percentage of the physical space that your firm uses falls into the following categories? Please only include physical space owned or leased by your firm (do not include use of home offices, for example).



Note: The table shows results from the combined responses from the July 2022 and December 2022 waves. For participants who completed the survey in both waves we calculate an average of the two responses. The responses are weighted by firms' total number of employees.

Percent changes in space usage that firms anticipate over the next 12 months.

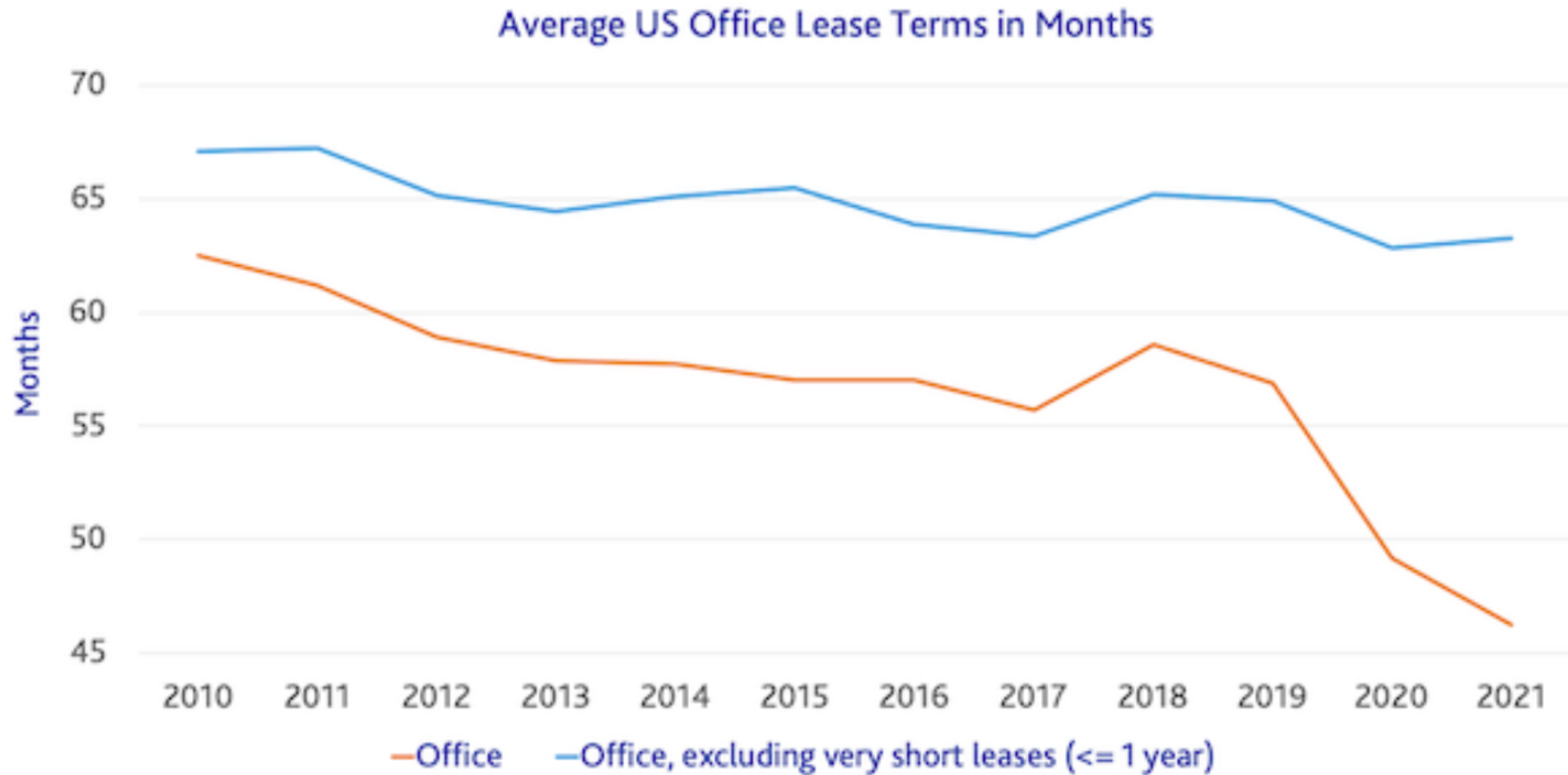
You said your firm will use less (more) of the following types of physical spaces over the next 12 months. Please provide an estimate in percentage terms of how much less (more) space you expect to use.



The average duration of office leases is about four years, and many lease terms are much longer. Thus, it's reasonable to anticipate that office space usage will continue to fall as existing leases expire.

Note: The results are based only on responses of firms that said they utilize a certain type of workspace. The responses are weighted by firms' total number of employees.

The average lease duration for US office space has dropped sharply since 2019, as many more tenants now opt for very short leases with terms of one year or less.



The share of new leases with terms of one year or less has roughly doubled, rising from 14.8 percent in 2019 to 32.2 percent in 2021, according to Moody's Analytics.

Historical average U.S. Office Lease Term in Months: We included all lease types (new/renewal/extension/expansion), and lease term lengths declined evenly among all lease types over recent years. (Sources: CompStak, Moody's Analytics)

Source: <https://cre.moodyanalytics.com/insights/cre-news/the-big-short-of-office-leases-what-do-shorter-terms-really-mean-and-will-they-last/>

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 (EMp_{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 1st and 80th 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 ,

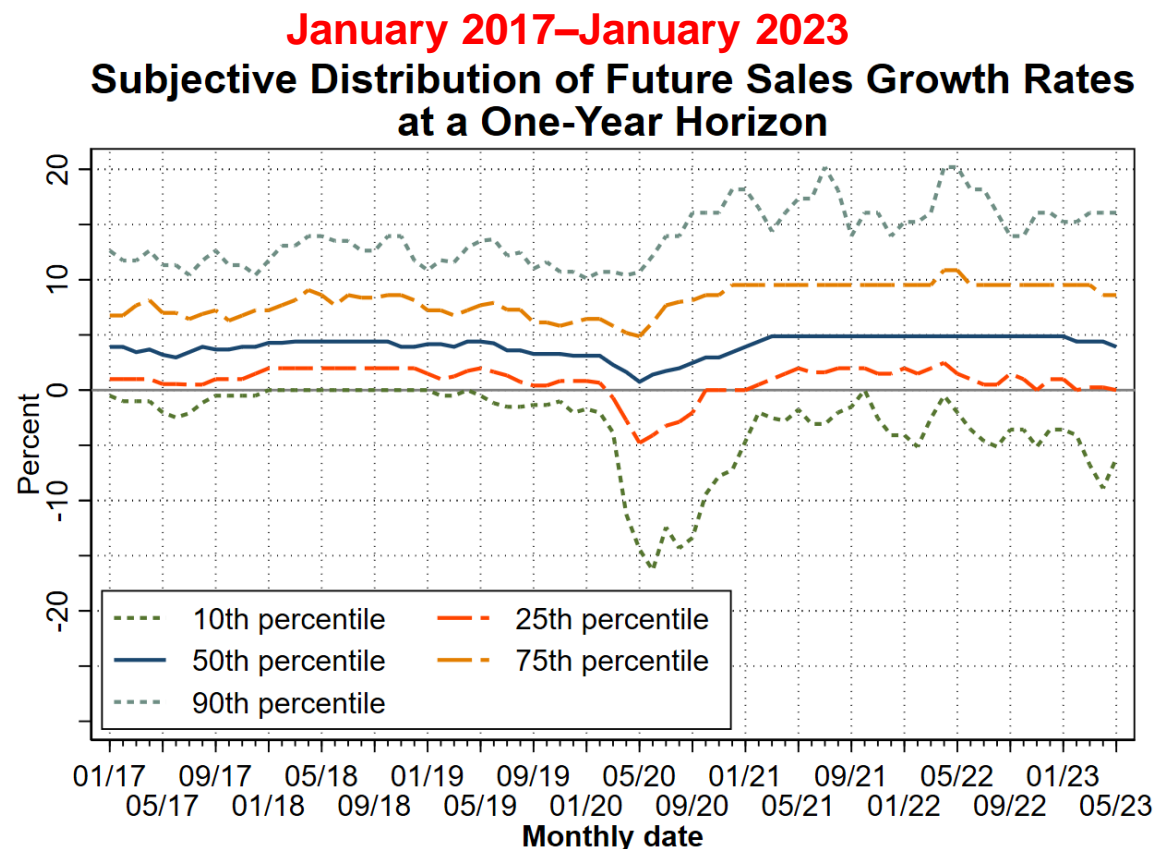
$$Expected\ Job\ Reallocation\ Rate_t = \sum_i w_{it} \cdot |Mean(EGr)| - \left| \sum_i w_{it} \cdot Mean(EGr) \right|$$

- 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 1st 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 (EMp_{it} or $FSale_{it}$). We top-code these weights at 500 for employment and at the 80th 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 January 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.