

# BIE | March 2016



## Atlanta Fed Survey of Business Inflation Expectations

**For immediate release:** March 18, 2016

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The year-ahead inflation expectations of businesses are **1.8 percent in March**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted March 7–11, with 211 firms responding to questions about their business conditions and inflation outlook. The results are summarized below.

### **Year-ahead inflation expectations and current conditions**

Respondents indicated that, on average, they expect unit costs to rise 1.8 percent over the next 12 months. Inflation uncertainty rose to 2.4 percent. Firms also report that, compared to this time last year, their unit costs are up 1.3 percent. Respondents' sales levels, compared to what they consider normal conditions, were virtually unchanged, with approximately 60 percent of respondents indicating current sales levels are at or above normal. Profit margins were also stable, with roughly 54 percent of respondents indicating their profit margins are at or above normal.

### **Quarterly question: Factors influencing price change**

On average (weighted by industry share of gross domestic product), respondents indicated their unit sales gap (percentage below normal unit sales) was approximately 3.0 percent below normal compared to 2.8 percent below normal in December. On average, small firms (fewer than 100 employees) reported an increase in their sales gap to 6.4 percent. Midsize firms' (100–499 employees) sales gap remained unchanged at 1.1 percent, and large firms (500 or more employees) sales gap declined to 1.8 percent below normal.

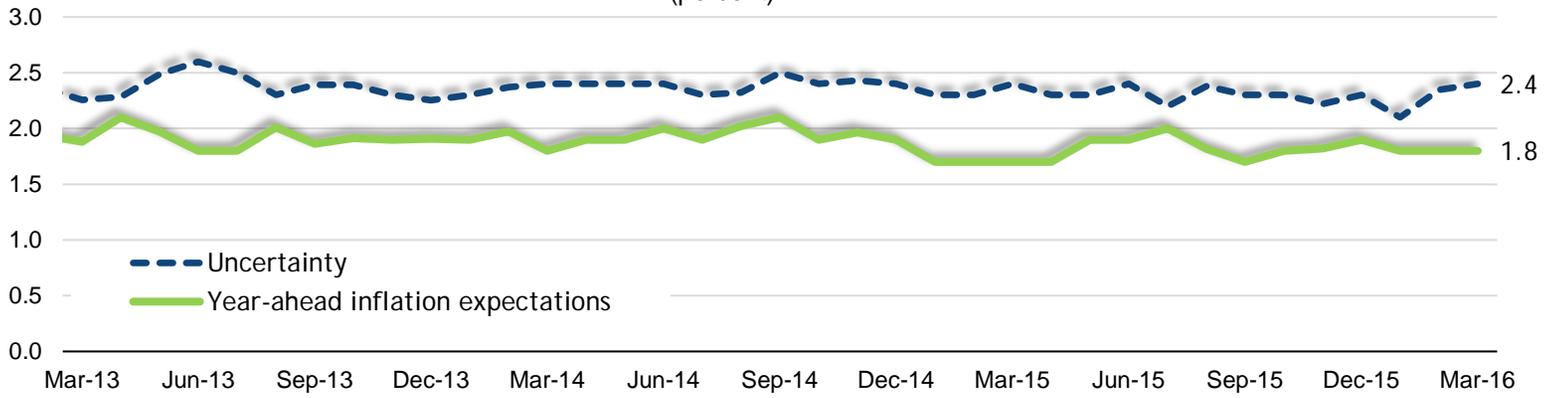
### **Special question: Impacts of financial market volatility**

This question asked respondents if financial market volatility has materially changed their hiring and/or capital investment planning for 2016. Twenty-one percent of respondents indicated that financial market volatility has materially changed their hiring and/or capital investment planning for 2016.

These results can be found on page 3.

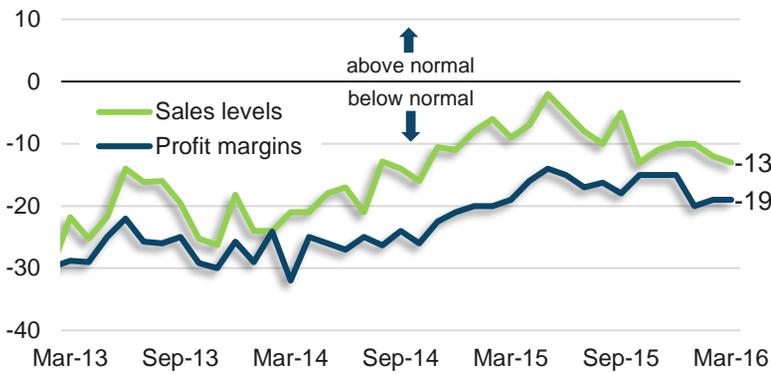
# Monthly Questions

## Year-Ahead Inflation Expectations and Uncertainty (percent)



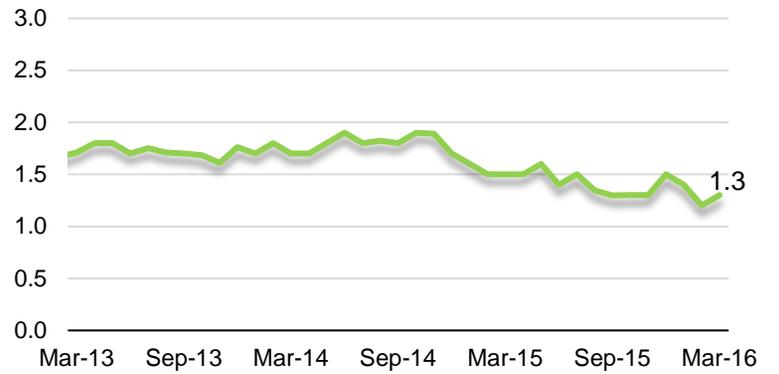
Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Sales Levels and Profit Margins Compared to Normal Times (diffusion index, 0+ = greater than normal times)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

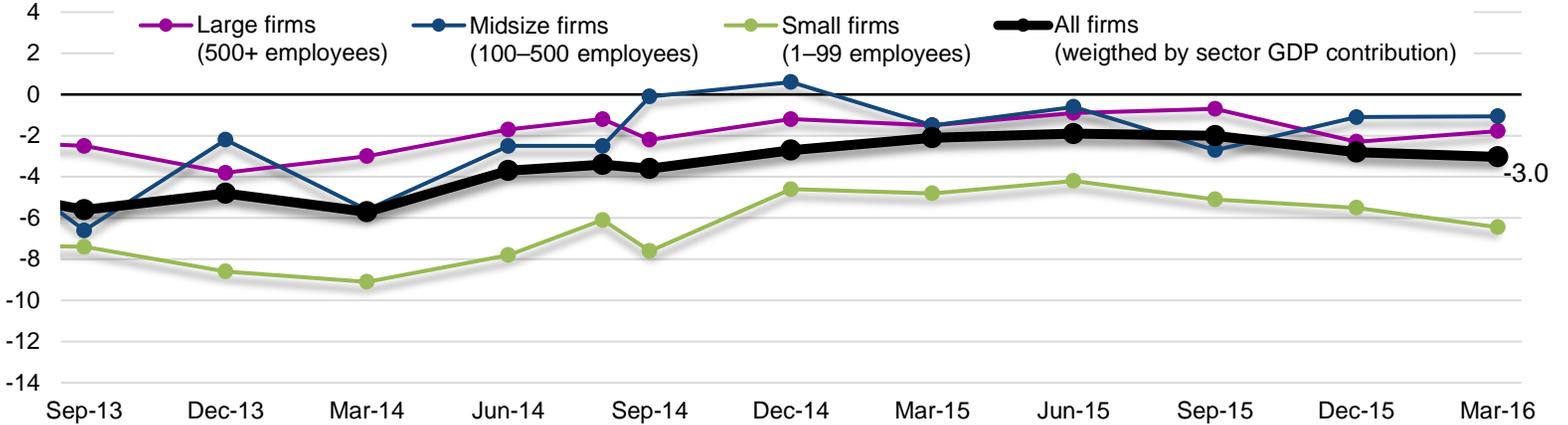
## Year-over-Year Unit Cost Change (percent)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

# Quarterly Question

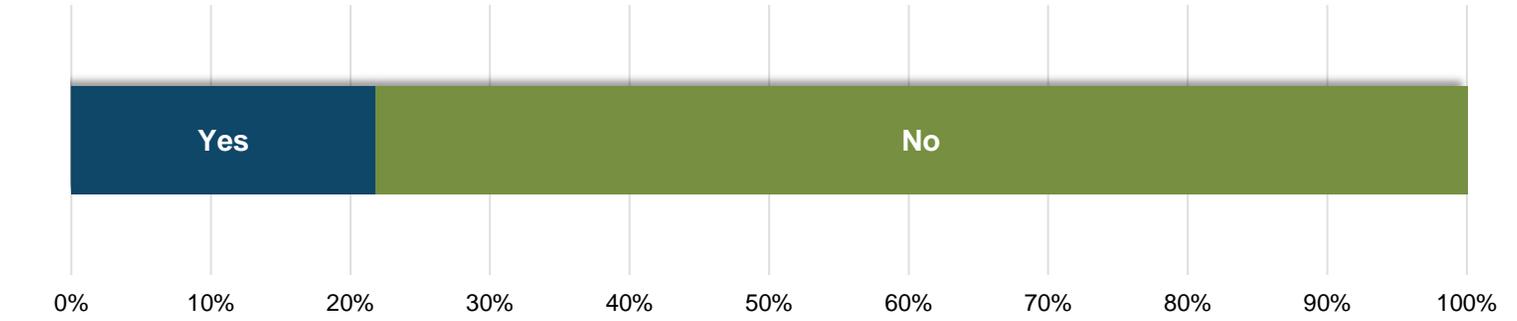
## Mean Percent Above/Below Normal Sales Levels



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Special Question

**Has the volatility in financial markets materially changed your capital investment and/or hiring plans for 2016?**



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

How do your SALES LEVELS compare with sales levels during what you consider to be “normal” times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
January	6%	32%	35%	24%	0%	-10
February	5%	36%	37%	22%	0%	-12
March	8%	32%	39%	20%	1%	-13

How do your current PROFIT MARGINS compare with “normal” times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
January	8%	39%	36%	16%	0%	-20
February	7%	38%	39%	16%	0%	-19
March	12%	34%	35%	18%	1%	-19

Looking back, how do your UNIT COSTS compare with this time last year?						
	Down (<-1%)	About unchanged (-1% to 1%)	Up somewhat (1.1% to 3%)	Up moderately (3.1% to 5%)	Up a lot (>5%)	Mean
January	8%	27%	54%	9%	2%	1.4%
February	10%	30%	53%	6%	1%	1.2%
March	8%	24%	62%	6%	0%	1.3%

Projecting ahead, to the best of your ability, please assign a percent likelihood to the following changes to unit costs over the next 12 months.						
	Down (<-1%)	About unchanged (-1% to 1%)	Up somewhat (1.1% to 3%)	Up moderately (3.1% to 5%)	Up a lot (>5%)	Mean (Variance)
January	6%	27%	44%	16%	7%	1.8% (2.1%)
February	7%	27%	42%	18%	6%	1.8% (2.3%)
March	6%	27%	44%	17%	6%	1.8% (2.4%)

Quarterly Question: By roughly what percent are your firm's sales levels above/below “normal,” if at all?						
Firm size	Average percent above/below normal (number of responses)					
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Small (1-99 employees)	-4.6 (100)	-4.8 (97)	-4.2 (96)	-5.1 (92)	-5.5 (93)	-6.4 (90)
Midsize (100-499 employees)	0.6 (39)	-1.5 (42)	-0.6 (39)	-2.7 (74)	-1.1 (58)	-1.1 (66)
Large (500+ employees)	-1.2 (58)	-1.5 (59)	-0.9 (51)	-0.7 (47)	-2.3 (48)	-1.8 (50)
All	-2.7 (197)	-2.1 (198)	-1.9 (186)	-2.0 (213)	-2.8 (199)	-3.0 (206)

Note: Percentages may not sum to 100 due to rounding.

\*The diffusion index is calculated as an average response such that each response of much less is assigned a value of -100; somewhat less is assigned a value of -50; about normal, 0; somewhat greater, 50; and much greater, 100. Therefore, a positive index value implies that the indicator is greater, on average, and a negative index value implies that the indicator is lower, on average.