

## Atlanta Fed Survey of Business Inflation Expectations

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The year-ahead inflation expectations of businesses were **1.9 percent in May**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted May 9–13, with 207 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 1.9 percent over the next 12 months. Inflation uncertainty was virtually unchanged at 2.4 percent. Firms also report that, compared to this time last year, their unit costs are up 1.5 percent. Respondents' sales levels, compared to what they consider normal conditions, declined overall to a diffusion index value of -11 compared to -8 in April. Profit margins also declined, with a diffusion index value of -24 compared to -16 in April.

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

Seventy percent of respondents indicated that labor costs will put moderate or strong upward pressure on their prices over the next 12 months. Respondents' expectations regarding the influence of nonlabor costs on prices increased from the last measure, with 59 percent of respondents indicating upward price pressure. Thirty-eight percent of respondents expect sales levels to put moderate or strong upward pressure on prices in the year ahead. The majority of firms expect productivity and margin adjustments to have little or no influence over prices in the next 12 months.

### **Special question: Hiring difficulty and its impact on wage and benefit offerings**

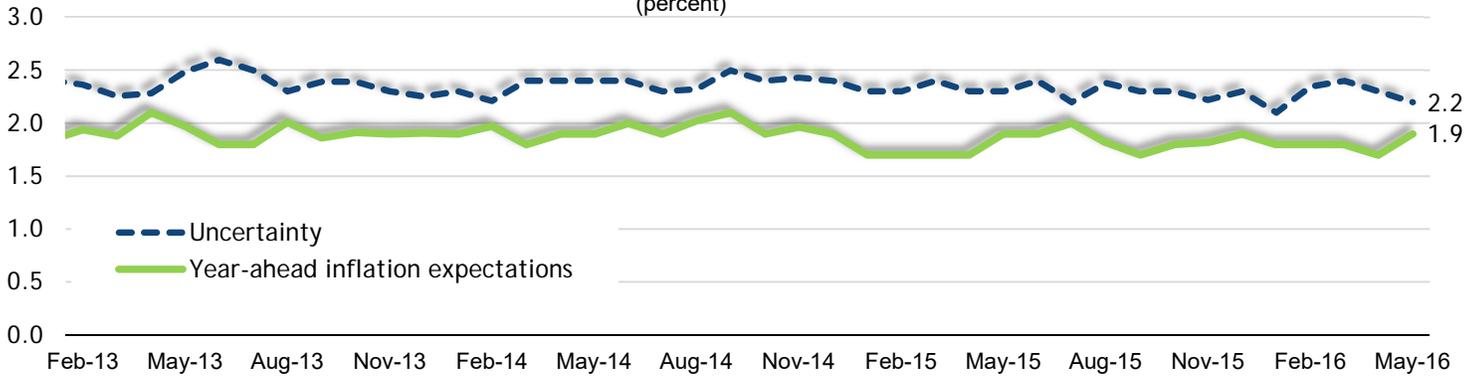
Respondents specified their relative level of difficulty attracting qualified applicants and subsequently indicated whether they had implemented increases in wages and/or various types of benefits as a means of attracting more qualified candidates.

Sixty-six percent of respondents had difficulty attracting qualified applicants for "some" jobs and another 21 percent had difficulty attracting qualified applicants for "most" jobs. Thirteen percent of respondents found it easy to attract qualified applicants. A breakdown of these results can be found on page 3.

## Monthly Questions

### Year-Ahead Inflation Expectations and Uncertainty

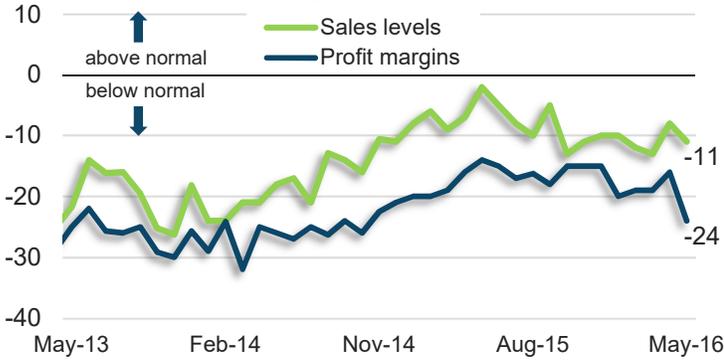
(percent)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

### Sales Levels and Profit Margins Compared to Normal Times

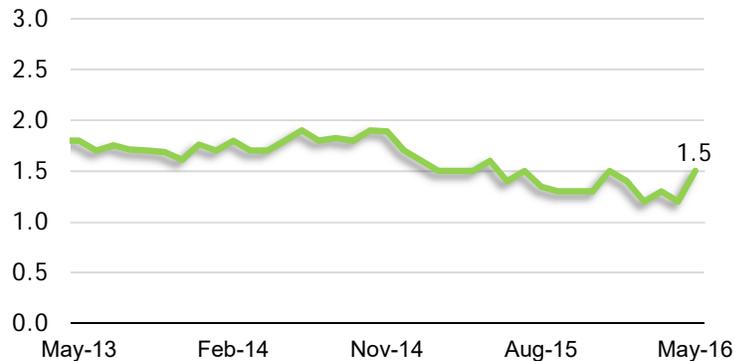
(diffusion index, 0+ = greater than normal times)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

### Year-over-Year Unit Costs

(percent)

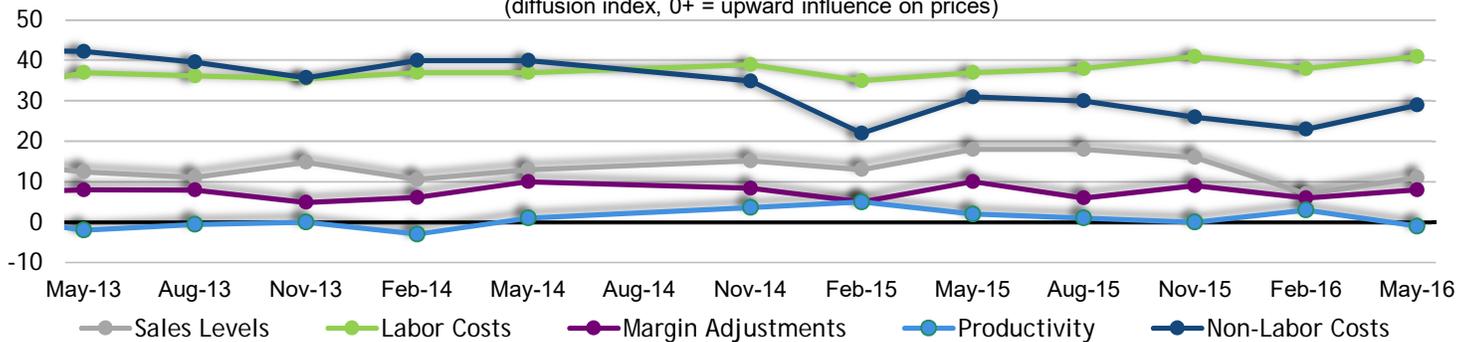


Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Quarterly Question

### Projecting ahead, over the next 12 months, how do you think the following five common influences will affect the prices of your products and/or services?

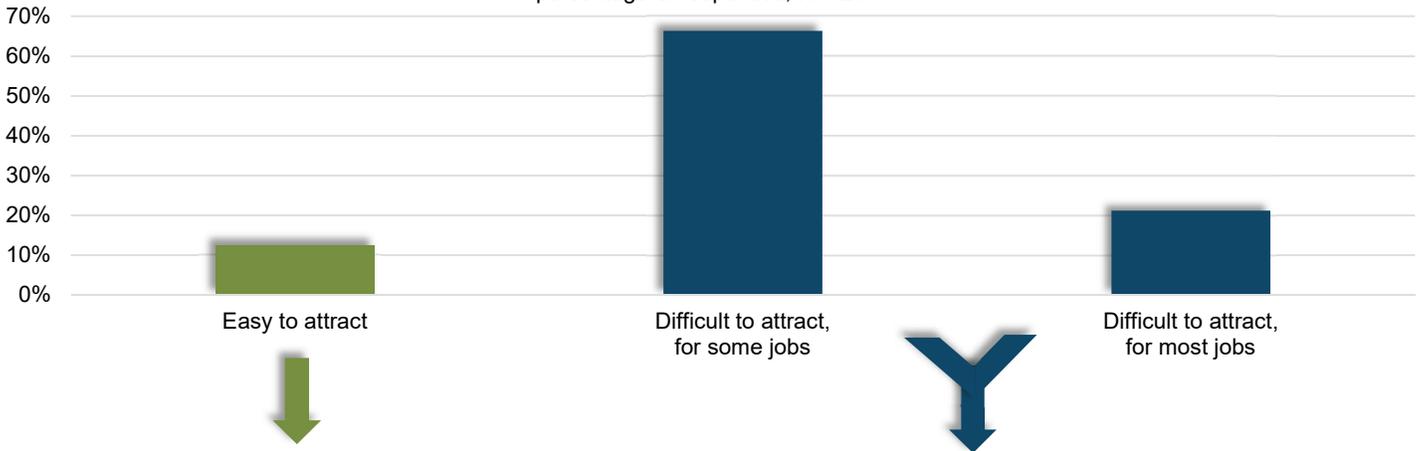
(diffusion index, 0+ = upward influence on prices)



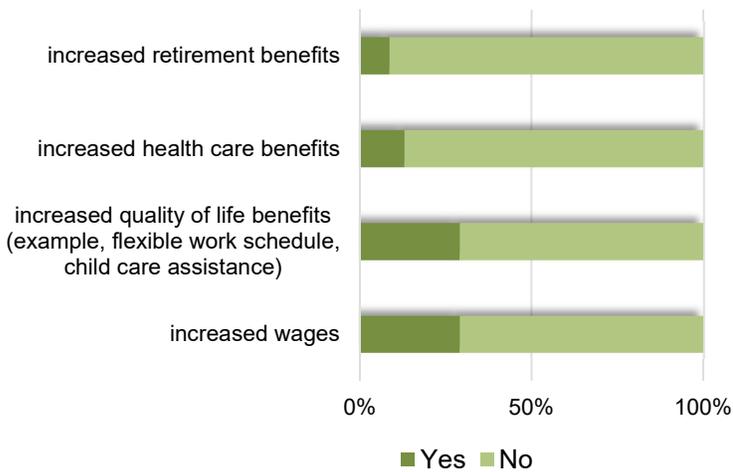
Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

## Special Question

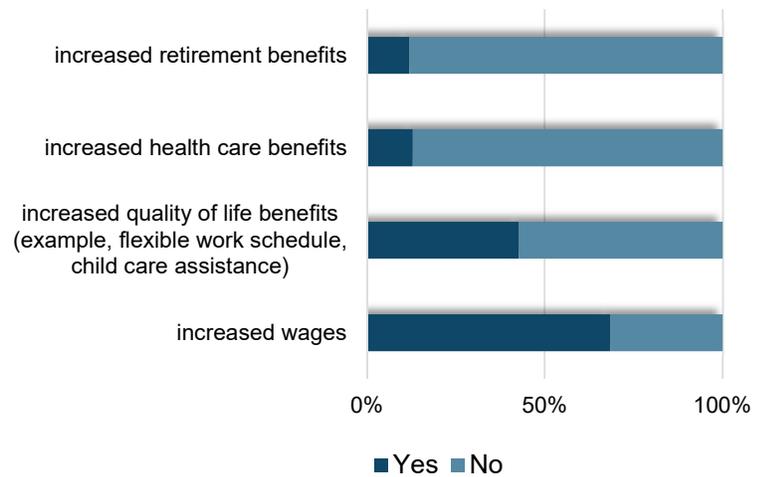
When it comes to your firm's ability to attract qualified job applicants, which of the following best describes your current experience?  
percentage of responses, N = 207



Were any of the following changes implemented recently to make qualified candidates easier to attract?  
percentage of responses



Have you already or are you planning to implement any of the following to help attract qualified job applicants?  
percentage of responses



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*
March	8%	32%	39%	20%	1%	-13
April	6%	34%	32%	27%	1%	-8
May	7%	36%	30%	27%	1%	-11

How do your current PROFIT MARGINS compare with "normal" times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
March	12%	34%	35%	18%	1%	-19
April	8%	35%	38%	18%	0%	-16
May	11%	37%	38%	13%	0%	-23

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
March	8%	24%	62%	6%	0%	1.3%
April	9%	28%	56%	6%	0%	1.2%
May	9%	18%	62%	9%	2%	1.5%

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)
March	6%	27%	44%	17%	6%	1.8% (2.4%)
April	6%	29%	44%	16%	5%	1.7% (2.3%)
May	5%	26%	45%	18%	5%	1.9% (2.2%)

Projecting ahead over the next 12 months, how do you think the following five common influences will affect the prices of your products and/or services?						
	Strong downward influence	Moderate downward influence	Little/no influence	Moderate upward influence	Strong upward influence	Diffusion Index†
<b>Labor Costs</b>						
November	0%	2%	25%	63%	11%	41
February	1%	1%	29%	62%	8%	38
May	0%	1%	26%	58%	12%	41
<b>Non-Labor Costs</b>						
November	1%	8%	33%	53%	5%	26
February	1%	11%	34%	49%	5%	23
May	0%	6%	32%	54%	5%	29
<b>Productivity</b>						
November	0%	17%	66%	16%	0%	0
February	1%	13%	67%	18%	2%	3
May	0%	16%	68%	10%	2%	-1
<b>Margin Adjustments</b>						
November	1%	12%	57%	29%	2%	9
February	1%	12%	65%	19%	4%	6
May	1%	14%	55%	24%	3%	8
<b>Sales Levels</b>						
November	3%	9%	43%	42%	2%	16
February	2%	19%	46%	28%	5%	7
May	2%	15%	42%	36%	2%	11

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.

†The diffusion index is calculated such that each response of strong downward influence is assigned a value of -100; moderate downward influence is assigned a value of -50; little/no influence, 0; moderate upward influence, 50; and strong upward influence, 100. Therefore, a positive index value indicates that overall prices are being influenced upwards, on average, and a negative index value indicates that prices are being influenced downwards, on average.