

# BIE | September 2016



## Atlanta Fed Survey of Business Inflation Expectations

**For immediate release:** September 23, 2016

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The year-ahead inflation expectations of businesses were **1.9 percent in September**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted September 12–16, with 229 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 increased to 2.2 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, fell slightly to a diffusion index value of -14 compared to -13 in August. Profit margins also fell somewhat, with a diffusion index value of -21.

### Quarterly question: Percent above/below normal sales levels

On average (weighted by industry share of gross domestic product), respondents indicated their unit sales gap (percentage below normal unit sales) was approximately 4.0 percent below normal compared to 3.5 percent below normal in June. On average, small firms (fewer than 100 employees) reported a decline in their sales gap to 6.3 percent. Midsize firms' (100–499 employees) sales gap increased to 5.0 percent, and large firms (500 or more employees) sales gap decreased to 1.3 percent below normal.

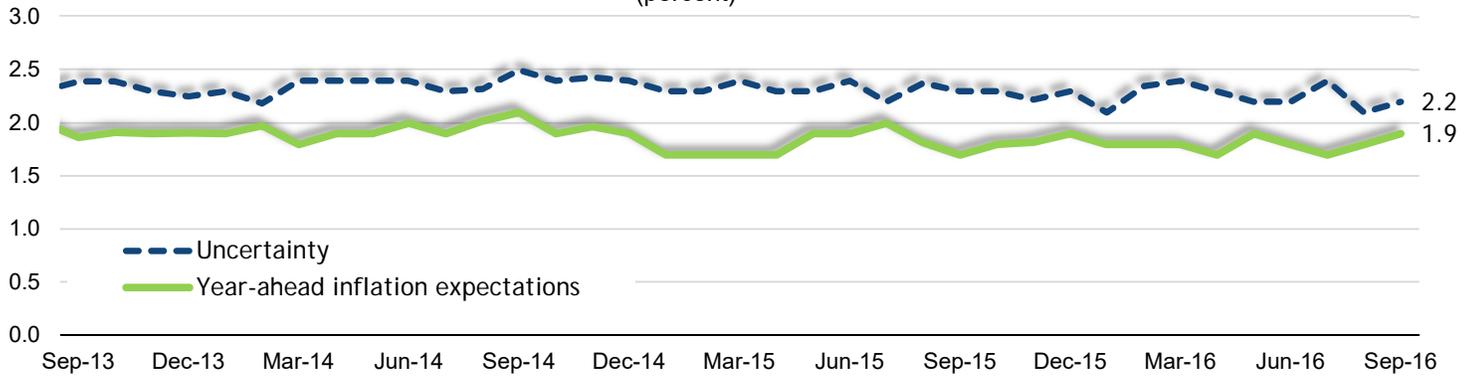
### Special question: Presidential election uncertainty

Firms were asked whether uncertainty regarding the outcome of the upcoming presidential election was influencing their current business decisions. Sixty-eight percent of those responding said no and 32 percent said yes.

Those firms indicating their current business decisions were being influenced by uncertainty over the upcoming presidential election were asked to provide specific examples of how it was affecting their decision making. While many firms provided reasons for their uncertainty, approximately 15 percent included specific examples of decisions made as a result. All of these decisions relate to the postponement of hiring and/or capital investment decisions until after the election.

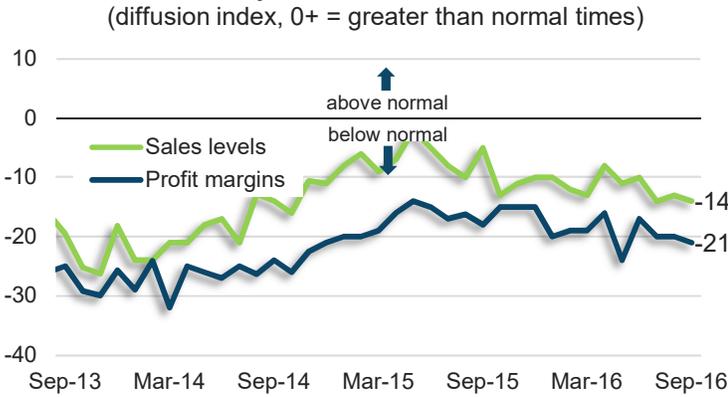
# Monthly Questions

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



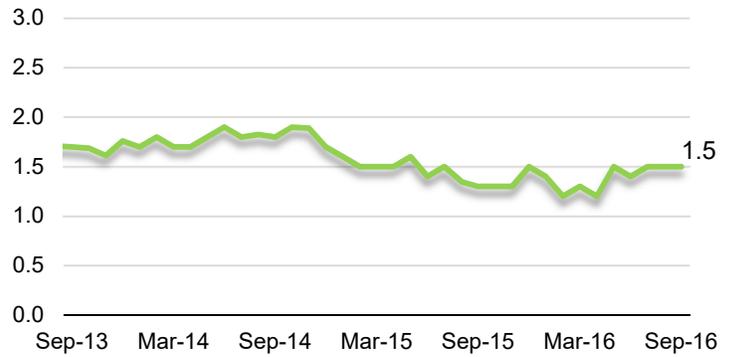
Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

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



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

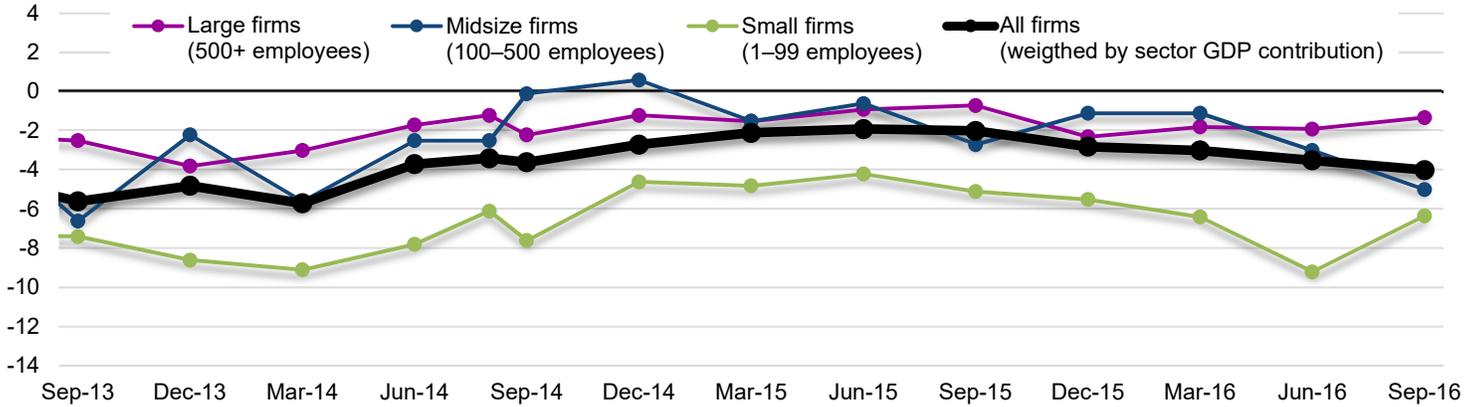
## Year-over-Year Unit Cost Change (percent)



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

Is uncertainty regarding the outcome of the upcoming presidential election materially impacting your current business decisions?



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*
July	9%	33%	38%	20%	1%	-14
August	9%	29%	43%	18%	1%	-13
September	9%	33%	37%	19%	2%	-14

How do your current PROFIT MARGINS compare with “normal” times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
July	11%	32%	43%	13%	0%	-20
August	7%	37%	44%	11%	0%	-20
September	11%	36%	39%	12%	2%	-21

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
July	4%	31%	55%	7%	3%	1.5%
August	6%	26%	58%	8%	2%	1.5%
September	3%	28%	61%	7%	1%	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)
July	6%	30%	42%	15%	7%	1.7% (2.4%)
August	6%	28%	44%	16%	6%	1.8% (2.1%)
September	5%	26%	43%	19%	6%	1.9% (2.2%)

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)					
	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Small (1-99 employees)	-4.2 (96)	-5.1 (92)	-5.5 (93)	-6.4 (90)	-9.2 (96)	-6.3 (108)
Midsized (100-499 employees)	-0.6 (39)	-2.7 (74)	-1.1 (58)	-1.1 (66)	-3.0 (64)	-5.0 (61)
Large (500+ employees)	-0.9 (51)	-0.7 (47)	-2.3 (48)	-1.8 (50)	-1.9 (53)	-1.3 (50)
All	-1.9 (186)	-2.0 (213)	-2.8 (199)	-3.0 (206)	-3.5 (213)	-4.0 (219)

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.