

BIE | March 2017



Atlanta Fed Survey of Business Inflation Expectations

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The year-ahead inflation expectations of businesses were **2.1 percent in March**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted March 6–10, 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 2.1 percent over the next 12 months. Inflation uncertainty was virtually unchanged at 2.1 percent. Firms also report that, compared to this time last year, their unit costs are up 1.7 percent. Respondents' sales levels, compared to what they consider normal conditions, declined somewhat to a diffusion index value of -12. Profit margins improved somewhat, with a diffusion index value of -19.

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 1.8 percent below normal compared to 3.4 percent below normal last December. On average, small firms (fewer than 100 employees) reported an increase in their sales gap to 6.1 percent. Midsize firms' (100–499 employees) sales gap was positive at 2.7 percent above normal, and large firms (500 or more employees) sales gap increased slightly to 1.7 percent below normal.

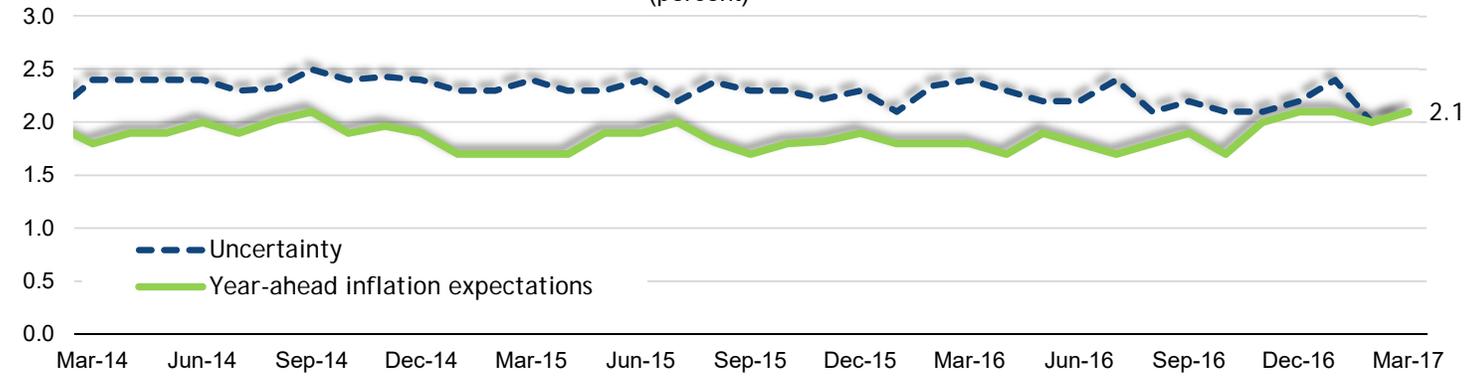
Special question: Share of sales revenue and inputs from abroad

Firms were asked the approximate percentage share of their sales revenue and inputs, respectively, coming from abroad. Firms were also asked their expectations regarding the possible change in the value of the dollar, compared to a broad range of currencies, by the end of 2017.

A breakdown of these results can be found on page 3.

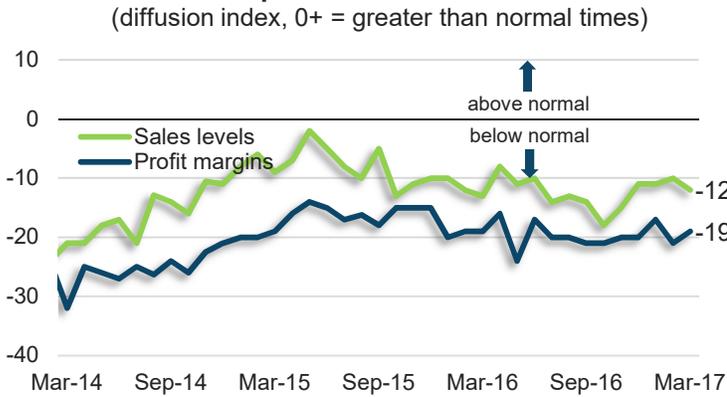
Monthly Questions

Year-Ahead Inflation Expectations and Uncertainty (percent)



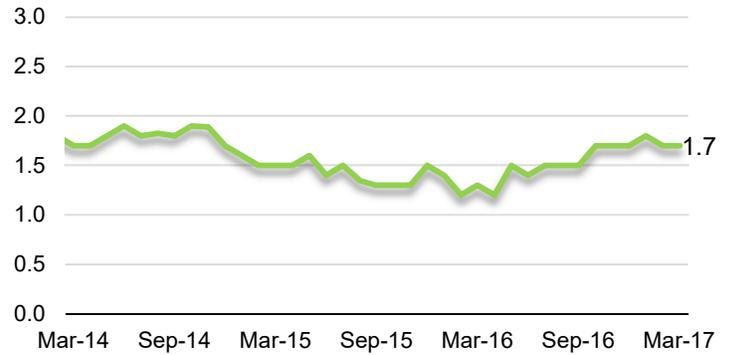
Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

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



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

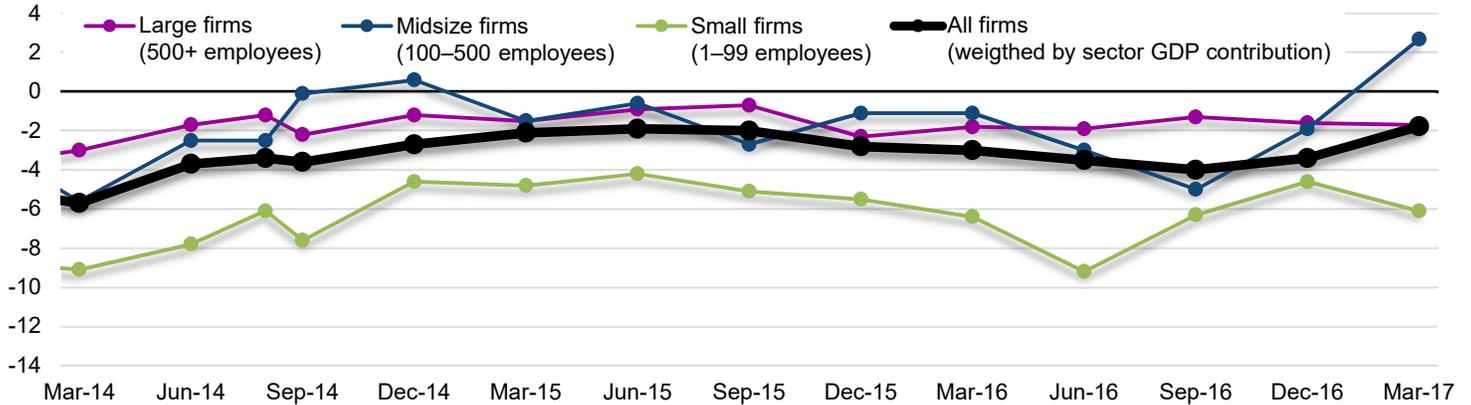
Year-over-Year Unit Cost Change (percent)



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

Quarterly Question

Mean Percent Above/Below Normal Sales Levels

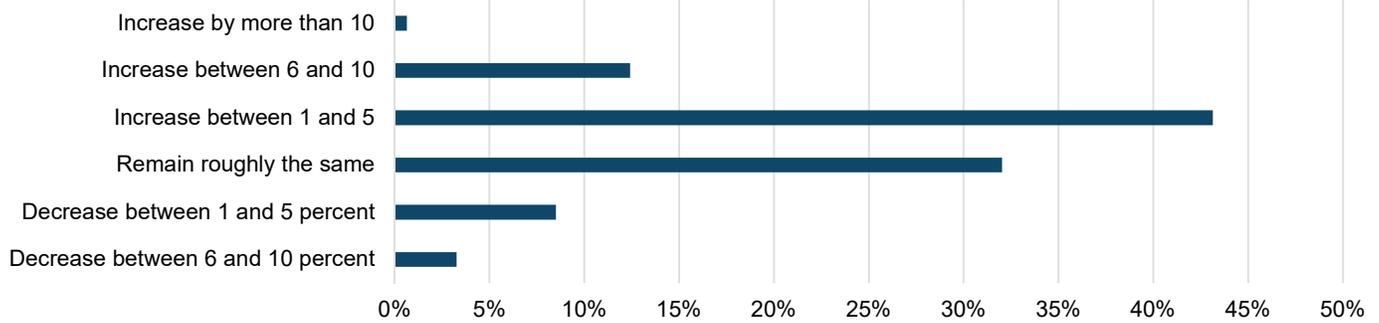


Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

Special Question

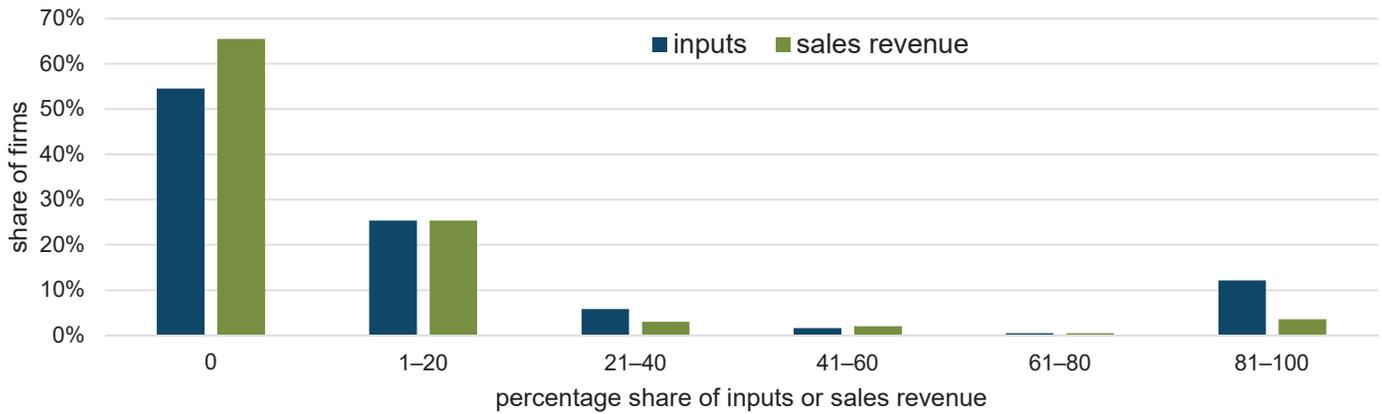
Firms' Expectations for Change in the Value of the U.S. Dollar Compared to Broad Range of Currencies

by the end of 2017, share of firms



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey

Percentage Share of Sales Revenue and Inputs from Abroad



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	9%	27%	45%	18%	2%	-11
February	7%	29%	43%	20%	1%	-10
March	9%	27%	44%	19%	1%	-12

How do your current PROFIT MARGINS compare with "normal" times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
January	10%	31%	44%	14%	1%	-17
February	8%	37%	41%	13%	0%	-21
March	9%	34%	46%	12%	0%	-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	3%	23%	60%	10%	4%	1.8%
February	1%	29%	58%	8%	3%	1.7%
March	3%	22%	63%	8%	4%	1.7%

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	5%	23%	45%	18%	9%	2.1% (2.1%)
February	3%	27%	44%	18%	8%	2.0% (2.0%)
March	4%	23%	47%	19%	8%	2.1% (2.1%)

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-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Small (1-99 employees)	-5.5 (93)	-6.4 (90)	-9.2 (96)	-6.3 (108)	-4.6 (101)	-6.1 (110)
Midsized (100-499 employees)	-1.1 (58)	-1.1 (66)	-3.0 (64)	-5.0 (61)	-1.9 (55)	2.7 (53)
Large (500+ employees)	-2.3 (48)	-1.8 (50)	-1.9 (53)	-1.3 (50)	-1.6 (46)	-1.7 (36)
All	-2.8 (199)	-3.0 (206)	-3.5 (213)	-4.0 (219)	-3.4 (202)	-1.8 (199)

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.