BIE | March 2015

FEDERAL RESERVE BANK of ATLANTA

Atlanta Fed Survey of Business Inflation Expectations

For immediate release: March 20, 2015
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The year-ahead inflation expectations of businesses were **1.7 percent in March**, according to the Federal Reserve Bank of Atlanta's most recent business inflation expectations (BIE) survey. The survey was conducted March 9-13, with 203 firms responding to questions about their business conditions, inflation outlook, and potential pricing pressures. The results are summarized below.

Year-ahead inflation expectations and current conditions

Respondents indicated that, on average, they expect unit costs to rise 1.7 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, remained steady, with approximately 63 percent of respondents indicating current sales levels are at or above normal. Profit margins also remained steady, with roughly 54 percent of respondents indicating their profit margins are at or above normal.

Quarterly question: Percent above/below normal sales levels

On average (weighed by industry share of gross domestic product), respondents indicated their unit sales gap (percentage below normal unit sales) was approximately 2.1 percent below normal compared to 2.7 percent below normal in December.

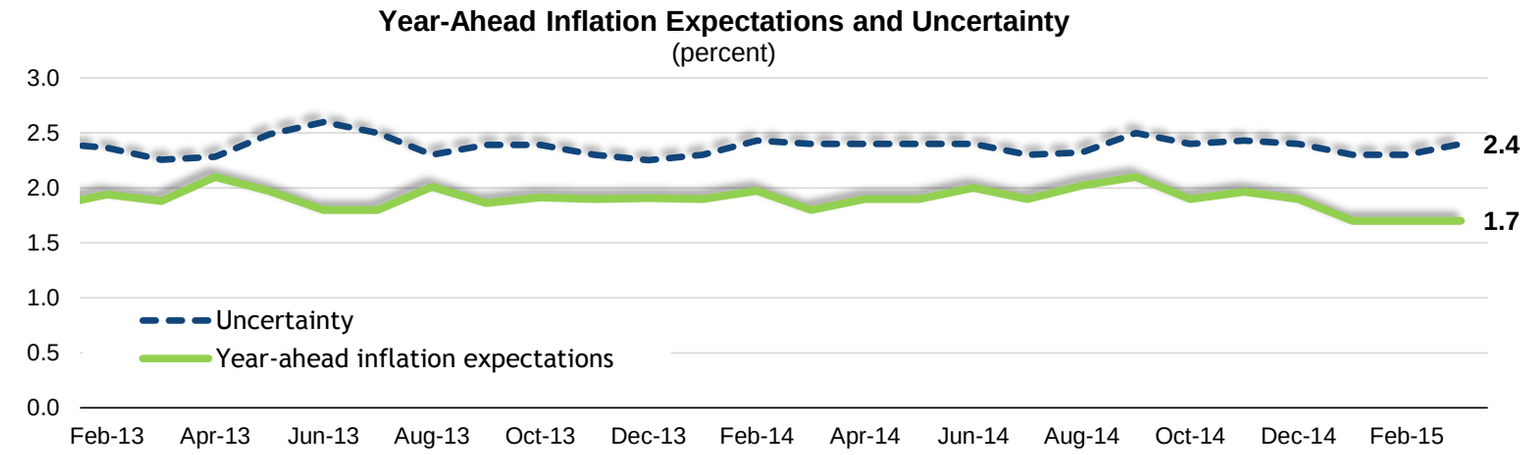
Both large firms (500 or more employees) and midsize firms' (100-499 employees) reported sales levels were 1.5 percent below normal. Small firms (fewer than 100 employees) reported a sales gap of 4.8 percent below normal.

Special question: Frequency of planning/forecasting activity

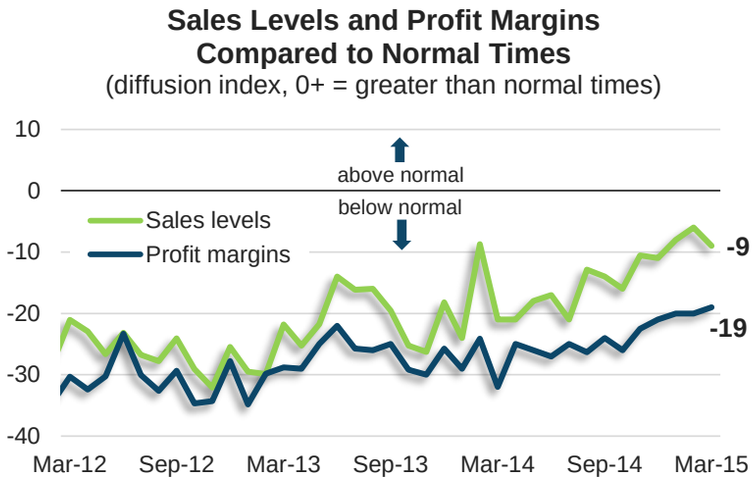
The question assessed the frequency at which firms plan for or forecast sales revenue, unit costs, prices, profit margins, capital investment, and hiring.

See page 3 for a breakdown of the results.

Monthly Questions



Source: Atlanta Fed Business Inflation Expectations (BIE) Survey



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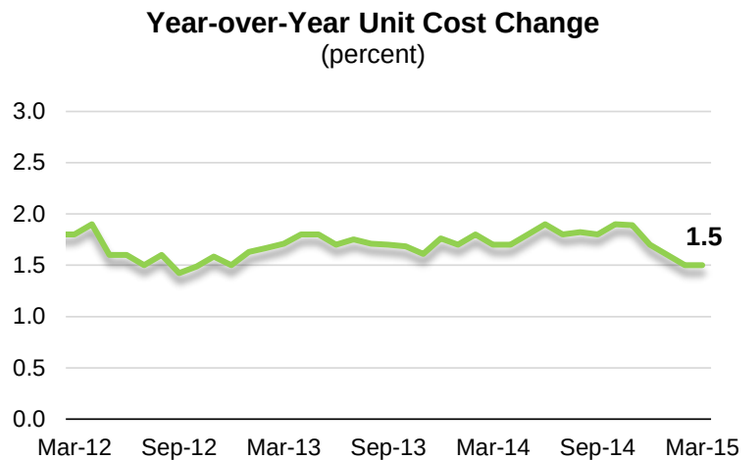

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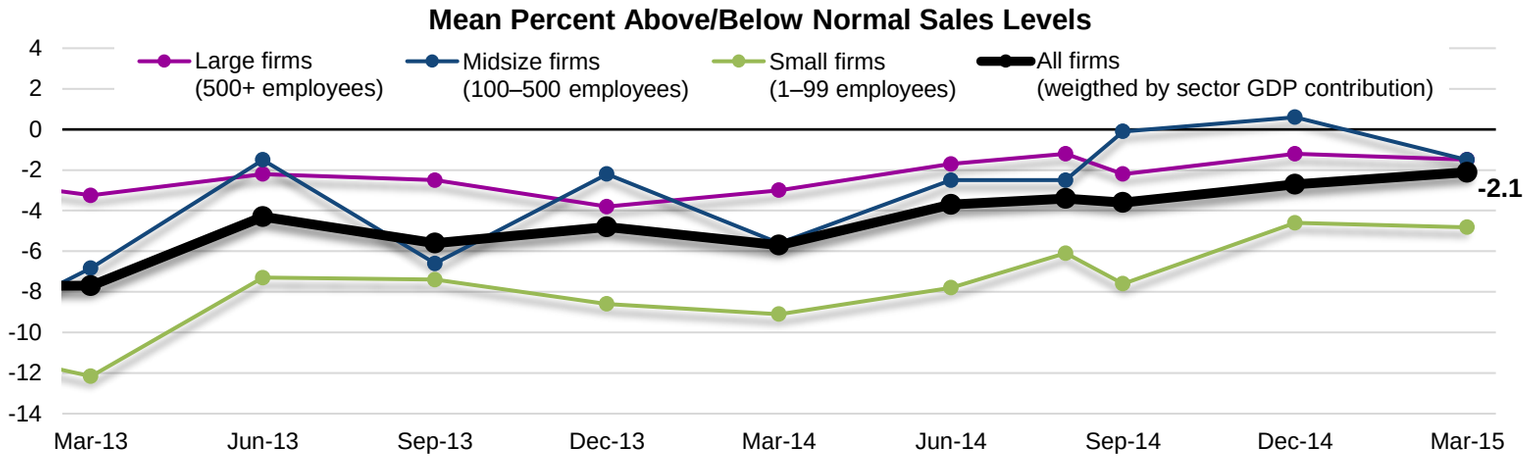
Quarterly Question



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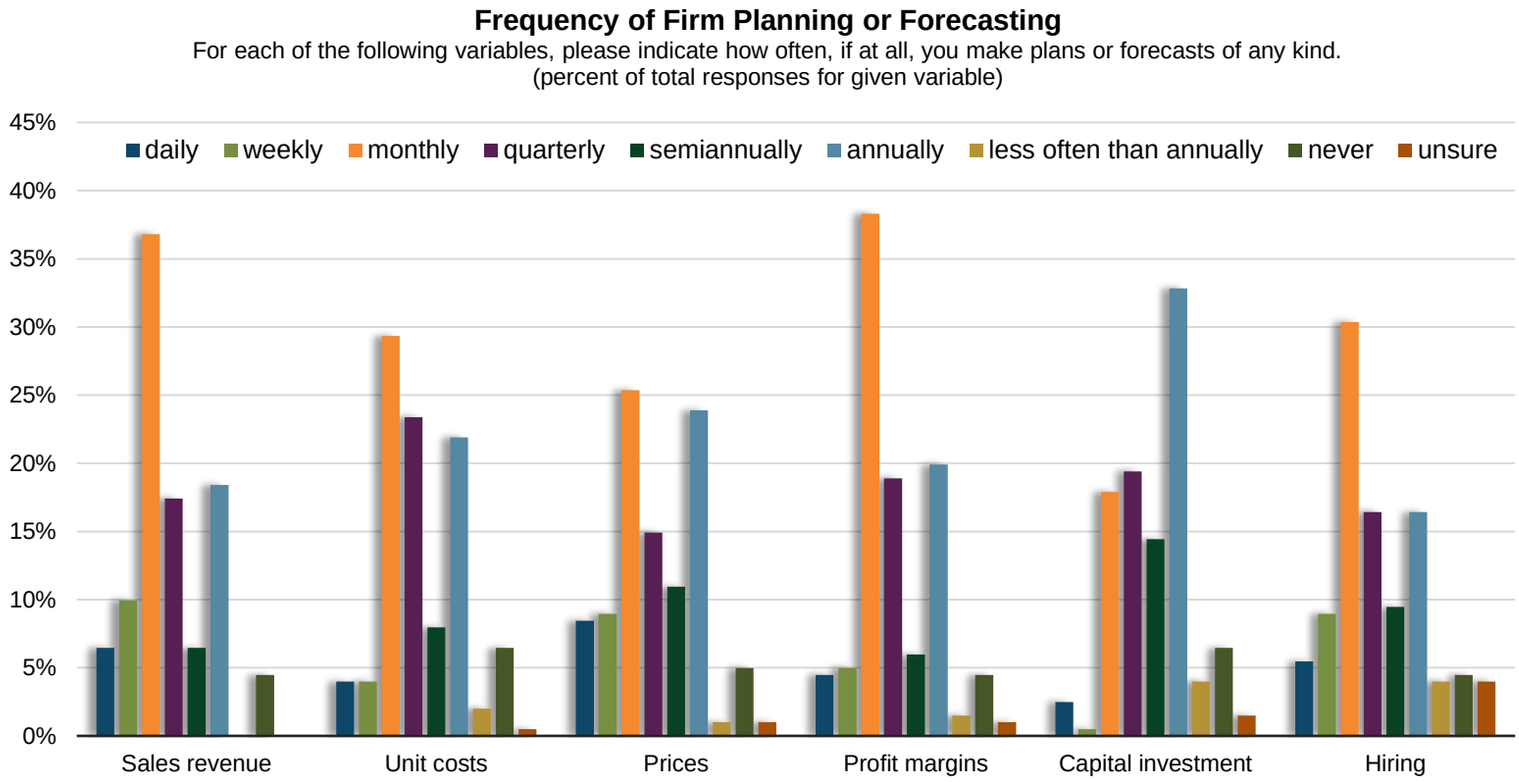
Special Question



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%	28%	35%	27%	1%	-8
February	8%	27%	36%	26%	2%	-6
March	6%	30%	38%	24%	1%	-9

How do your current PROFIT MARGINS compare with "normal" times?						
	Much less	Somewhat less	About normal	Somewhat greater	Much greater	Diffusion index*
January	9%	38%	36%	16%	1%	-20
February	11%	36%	37%	16%	1%	-20
March	8%	39%	38%	15%	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	6%	24%	58%	10%	2%	1.6%
February	5%	27%	57%	9%	2%	1.5%
March	6%	24%	57%	11%	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)
January	8%	26%	44%	16%	6%	1.7% (2.3%)
February	7%	27%	45%	16%	5%	1.7% (2.3%)
March	7%	27%	44%	16%	6%	1.7% (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)					
	Mar-14	Jun-14	Aug-14	Sep-14	Dec-14	Mar-15
Small (1-99 employees)	-9.1 (83)	-7.8 (131)	-6.1 (117)	-7.6 (89)	-4.6 (100)	-4.8 (97)
Midsize (100-499 employees)	-5.6 (46)	-2.5 (44)	-2.5 (38)	-0.1 (39)	0.6 (39)	-1.5 (42)
Large (500+ employees)	-3.0 (67)	-1.7 (61)	-1.2 (53)	-2.2 (57)	-1.2 (58)	-1.5 (59)
All	**-5.7 (196)**	**-3.7 (236)**	**-3.4 (208)**	**-3.6 (185)**	**-2.7 (197)**	**-2.1 (198)**

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.