

SBU

Survey of Business Uncertainty



Federal Reserve
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CHICAGO BOOTH
The University of Chicago Booth School of Business

Stanford
University

Monthly Report: October 2022

Based on data through 10/21/2022

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The logo for the Survey of Business Uncertainty (SBU) consists of the letters "SBU" in a bold, blue, sans-serif font, enclosed within a white rectangular border.

Survey of Business Uncertainty



FEDERAL RESERVE BANK of ATLANTA



Stanford
University

About the Survey

The Survey of Business Uncertainty (SBU) is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined in cooperation with Nick Bloom of Stanford University and Steven Davis of the Chicago Booth School of Business and the Hoover Institution. Bloom and Davis received research support from the Sloan Foundation and the U.S. National Science Foundation. Davis also received research support from Chicago Booth.

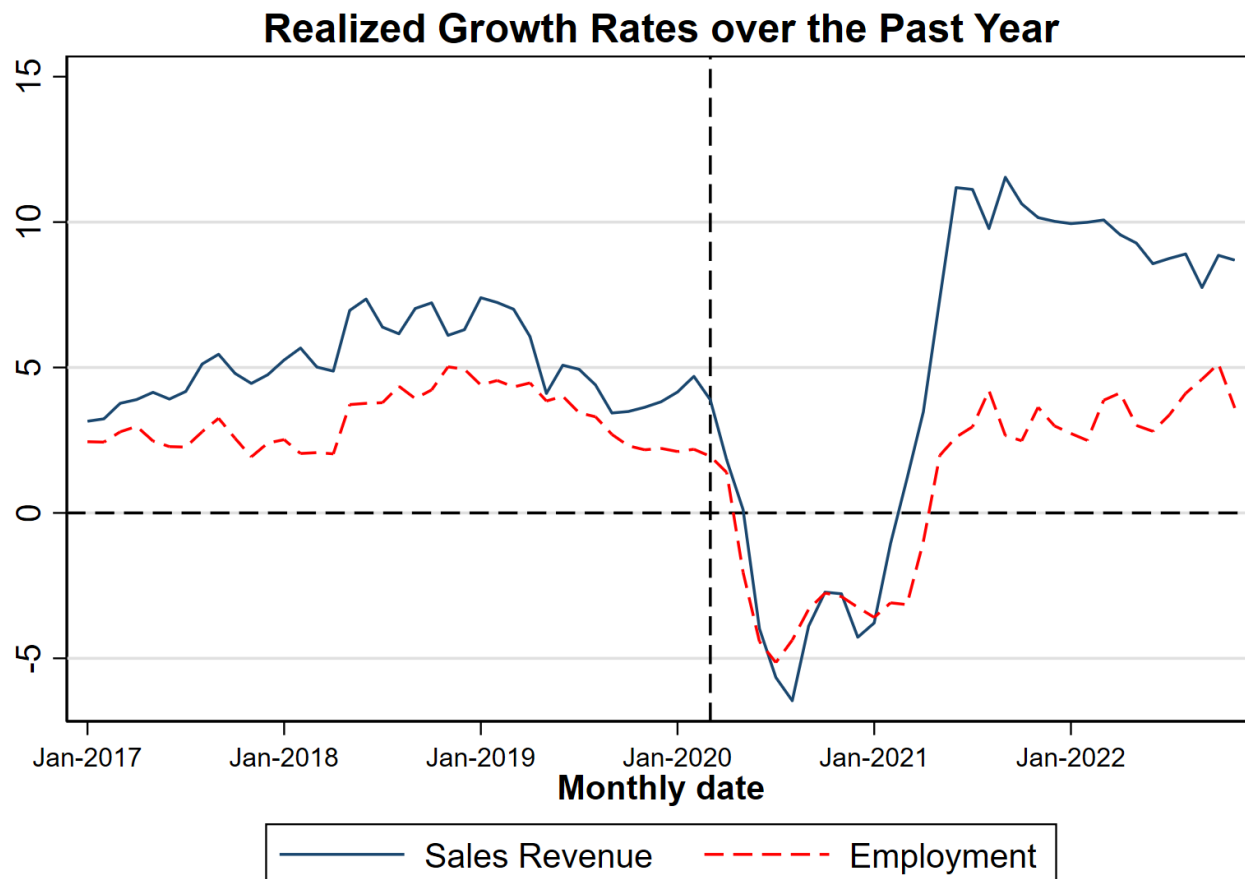
Our monthly Survey of Business Uncertainty (SBU) goes to about 1500 panel members (as of August 2022), who occupy senior finance and managerial positions at U.S. firms. We contact panel members each month by email, and they respond via a web-based instrument.

Survey questions pertain to current, past, and future outcomes at the respondent's firm. Our primary objective is to elicit the respondent's subjective forecast distributions over own-firm future sales growth rates and employment levels. We also ask special questions on timely topics.

For more information on survey design and methodology, please refer to the resources on the [SBU page](#) and "[Surveying Business Uncertainty](#)," published in the *Journal of Econometrics* and also available as NBER Working Paper [25956](#).

Sales revenue growth remains stronger compared to before the COVID pandemic but has been declining in 2022. Recent employment growth is in line with pre-pandemic levels.

January 2017–October 2022



NOTE: Calculated using monthly data through October 2022. Realized growth rate series for sales revenue and employment are activity-weighted averages of firms' reported (look-back) growth rates over the past year (specifically, the previous four quarters for sales revenue and previous 12 months for employment).

NOTE: The chart shows smoothed series.

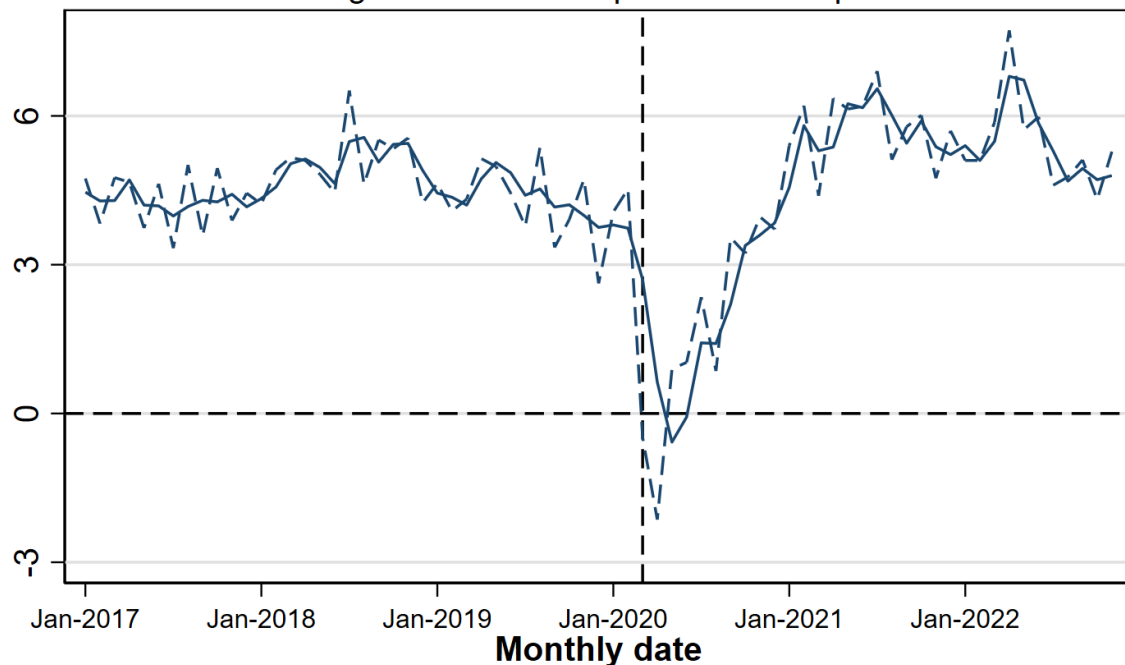
Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent Meyer, and Nick Parker, NBER Working Paper No. 25956, February 2020.

Sales revenue growth expectations have slowed in recent months, but firms remain significantly more uncertain about future revenue growth than they were before the pandemic.

January 2017–October 2022

Year-Ahead Sales Growth Rate Expectations

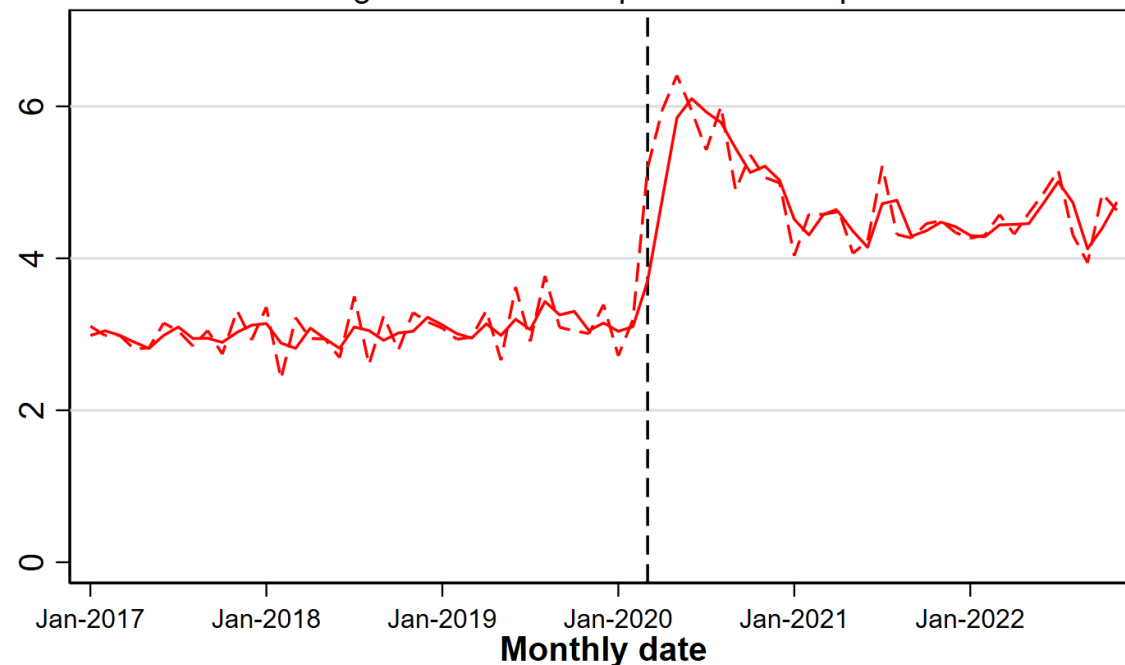
Percent changes from current quarter to four quarters hence



--- Sales Growth (unsmoothed)
— Sales Growth (smoothed)

Year-Ahead Uncertainty about Sales Growth Rates

Percent changes from current quarter to four quarters hence



--- Sales Uncertainty (unsmoothed)
— Sales Uncertainty (smoothed)

NOTE: The charts show smoothed series.

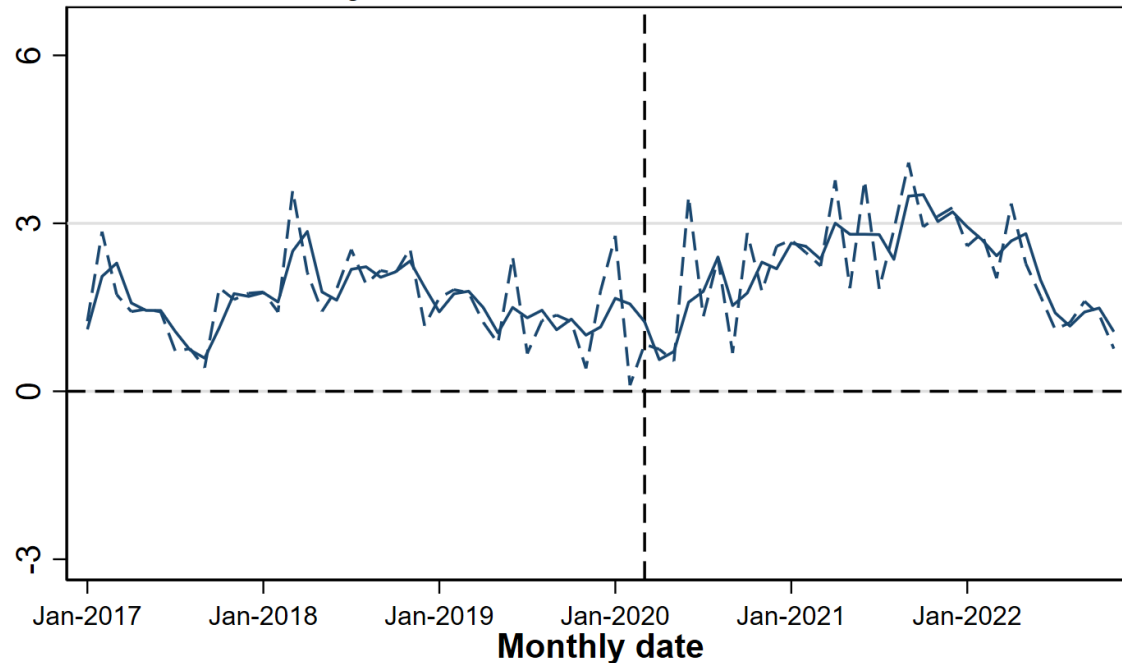
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Firms' expectations about future employment growth have ebbed in recent months and uncertainty remains somewhat above pre-pandemic levels.

January 2017–October 2022

Year-Ahead Employment Growth Rate Expectations

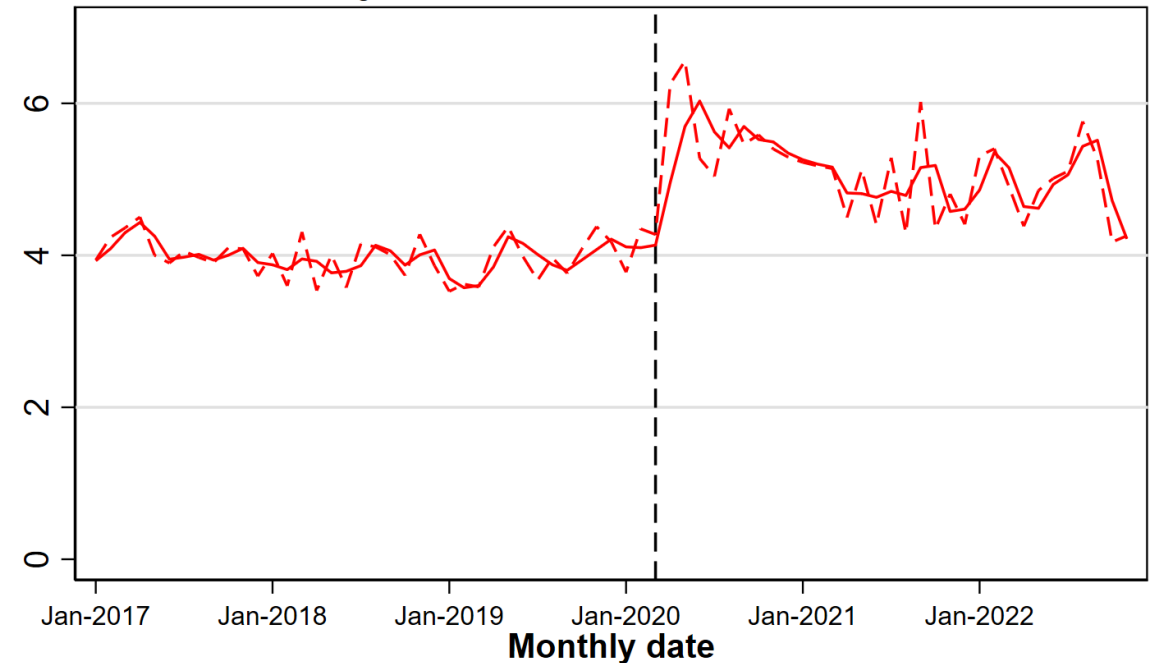
Percent changes from current month to twelve months hence



--- Employment Growth (unsmoothed)
— Employment Growth (smoothed)

Year-Ahead Uncertainty about Employment Growth Rates

Percent changes from current month to twelve months hence



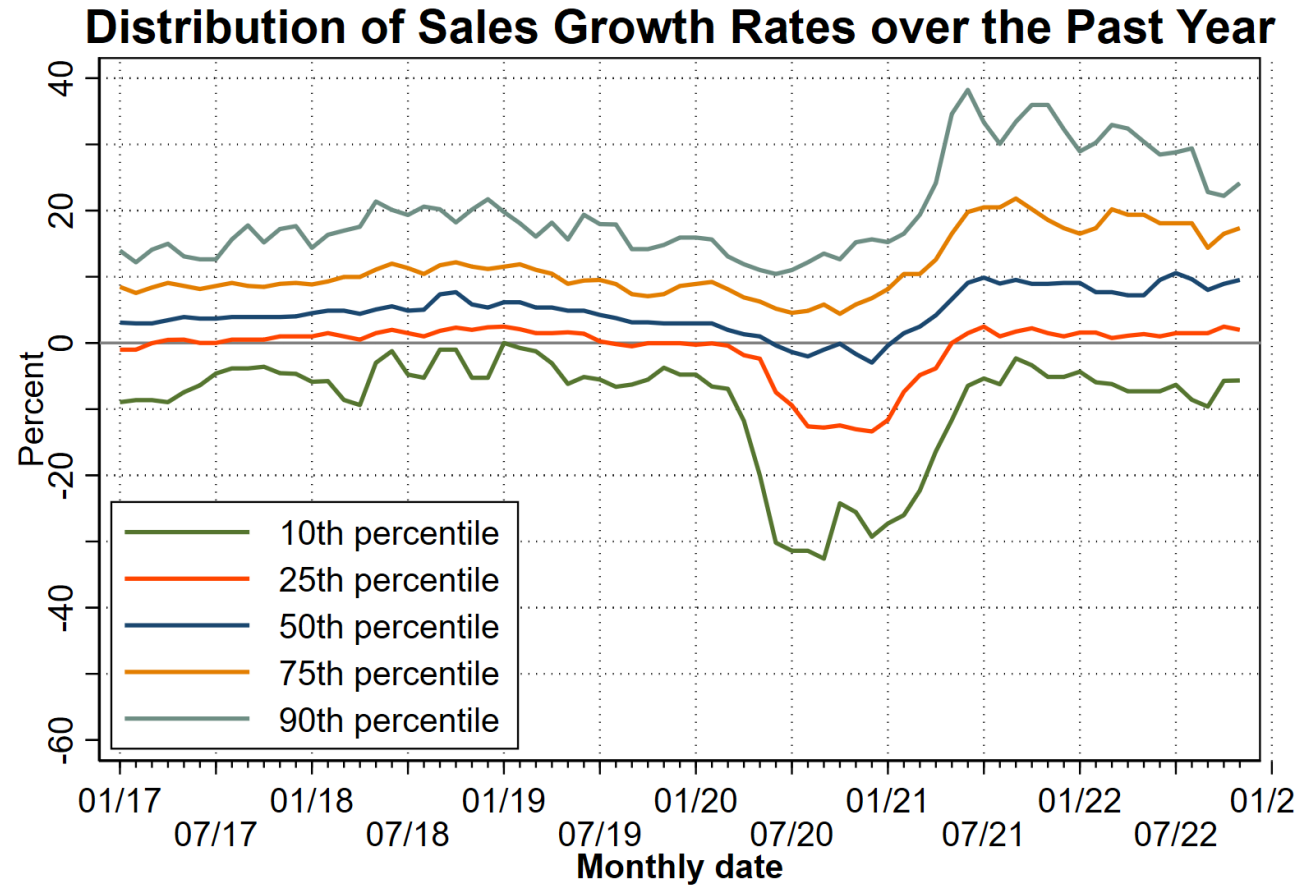
--- Employment Uncertainty (unsmoothed)
— Employment Uncertainty (smoothed)

NOTE: The charts show smoothed series.

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see "[Surveying Business Uncertainty](#)" by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent Meyer, and Nick Parker, NBER Working Paper No. 25956, February 2020.

The distribution of realized sales growth remains wider than it was in the pre-pandemic period.

January 2017–October 2022

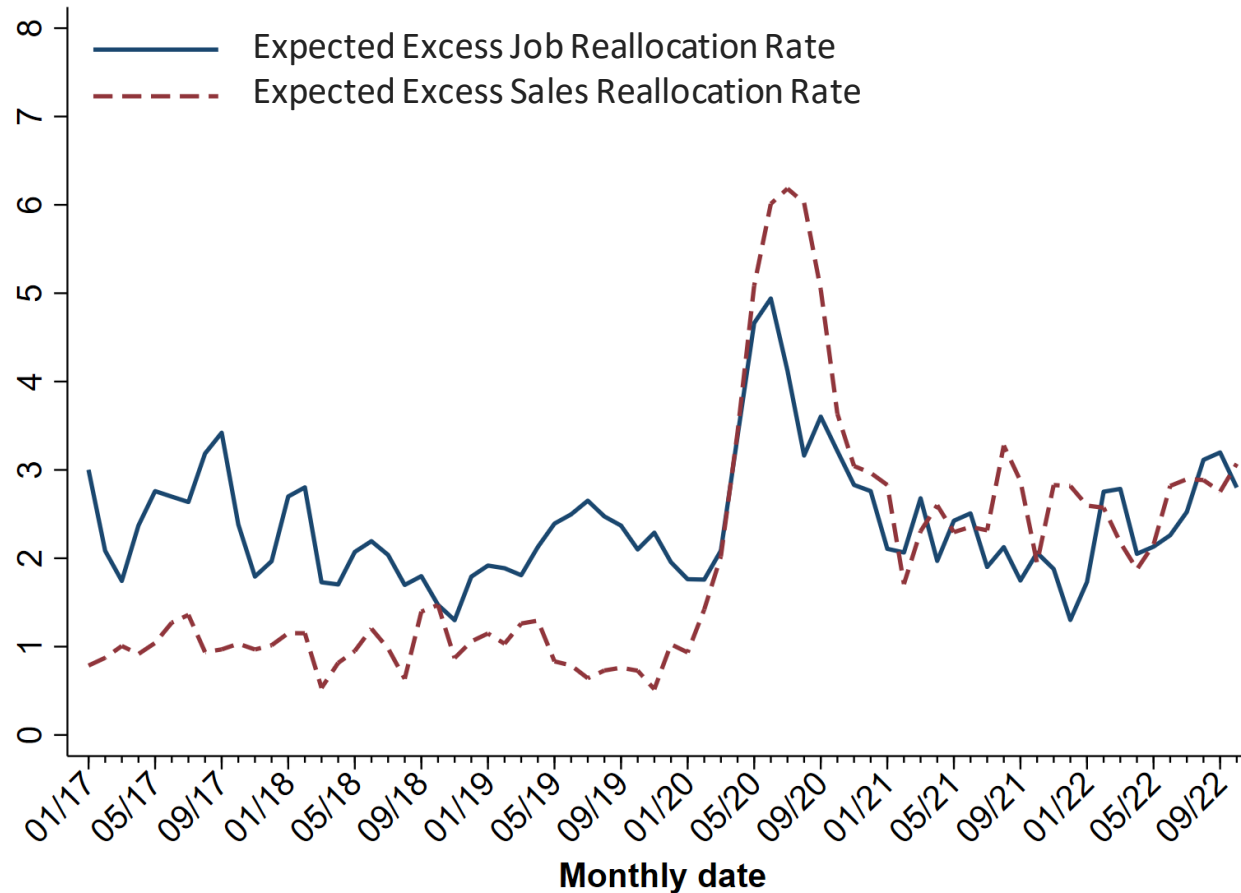


NOTES: Calculated using monthly data through October 2022. The chart shows smoothed series. Lines show percentiles of the activity-weighted distribution of firm-level sales growth rates over the past year.

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business.

Expected excess job reallocation has reverted to pre-pandemic levels, while expected excess sales reallocation remains elevated.

January 2017–October 2022

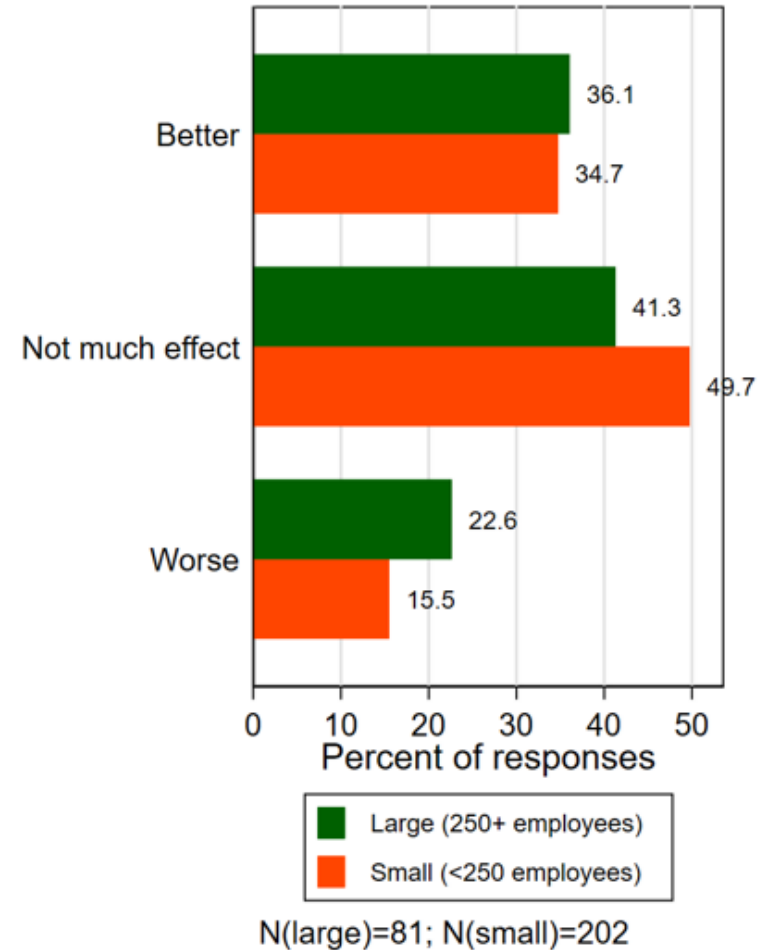
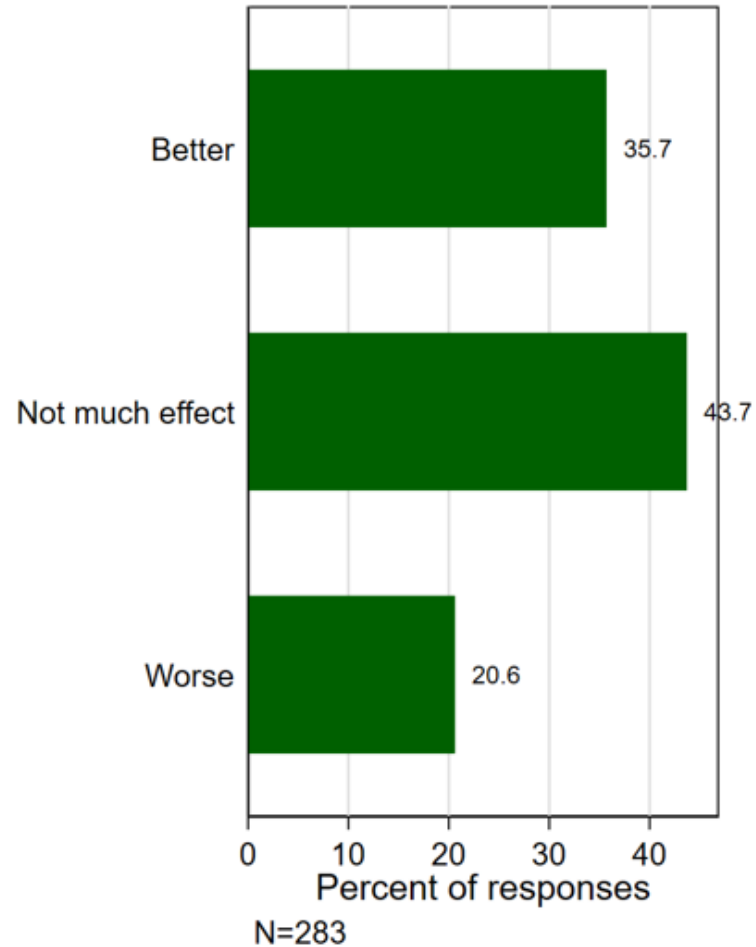


NOTES: Calculated using monthly data through October 2022. The chart shows smoothed series. Expected excess reallocation rates quantify the expected volume of cross-firm job or sales reallocation in excess of what is required by the expected aggregate net change. All data are activity weighted.

Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business.

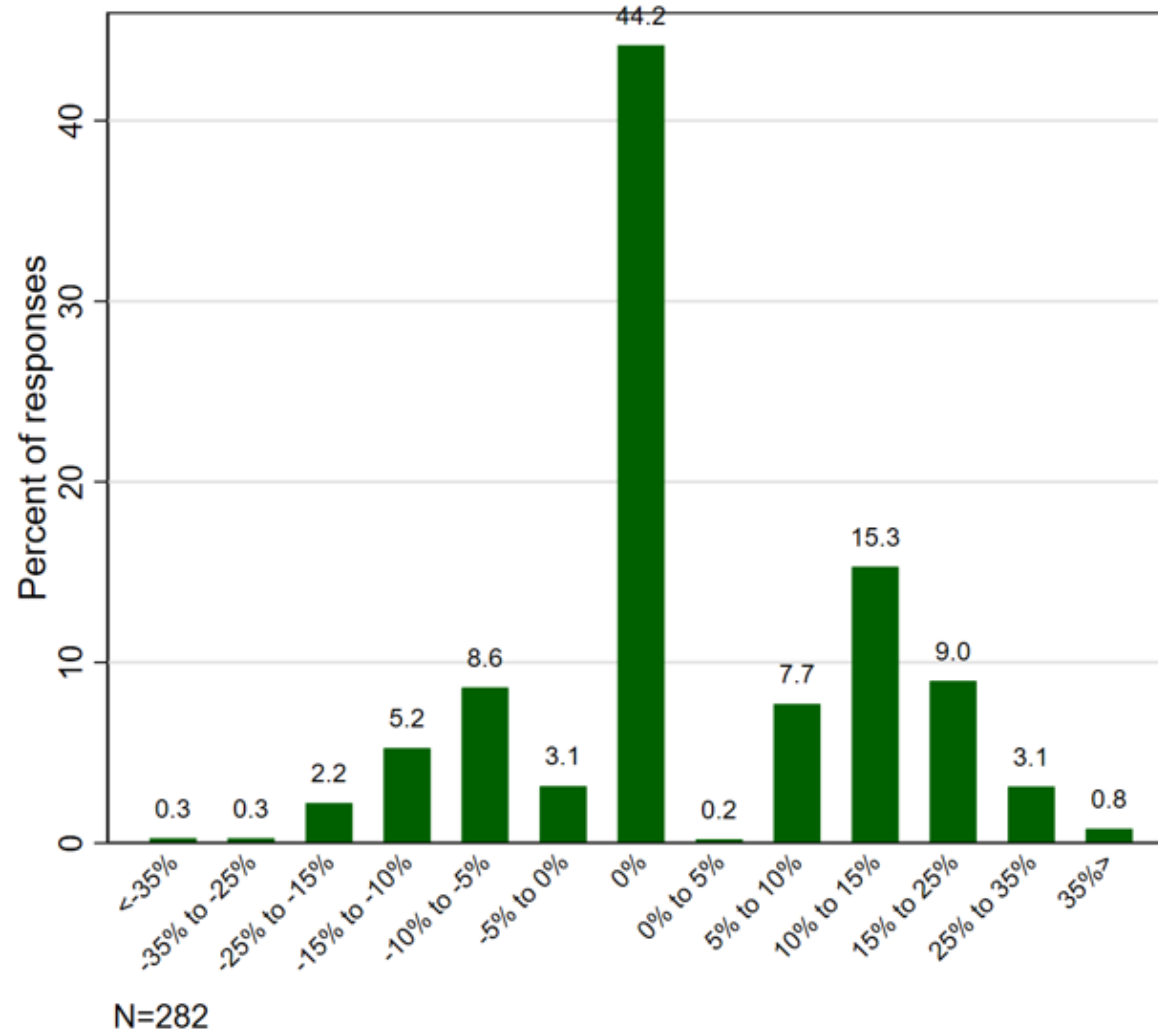
A plurality of managers think work from home has little impact on their firm's productivity, but more see a negative impact than a positive one

Consider your full-time employees who currently work from home at least one day per week. On average, how do you think it would affect their productivity if they work at your business premises five days a week?



Managerial views range widely on how work from home affects productivity at their firms

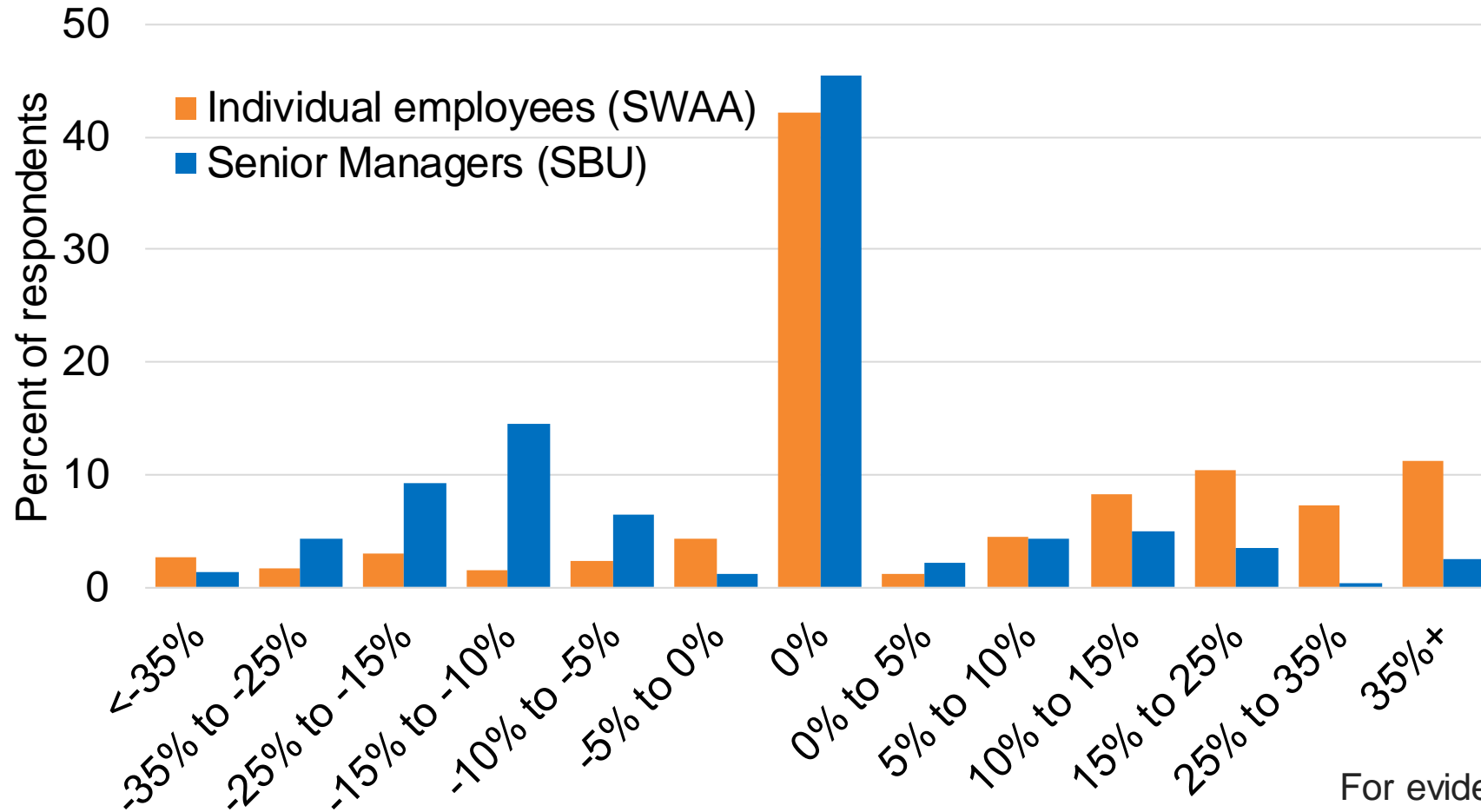
How much less/more productive would employees [who work from home at least one day per week] be if working on business premises five days a week?



Note: Results are weighted by firm size. "Not much effect" responses were assigned 0 values.

Employees think work from home has positive productivity effects, on average, while managers see negative average effects. Separate research finds that most of the worker-perceived productivity gains reflect a savings in commuting time.

Estimated effect of working from home on productivity?



Note: SWAA participants asked “How much less/more efficient are you working from home than on business premises?” from the July to September 2022 reweighted to match all US employees 20 to 64. N=13,082; www.wfhresearch.com

SBU participants asked: “How much less/more productive would employees [who work from home at least one day per week] be if working on business premises five days a week?” reweighted to match all US firms. N=282.

www.atlantafed.org/SBU

For evidence on the sources of worker-perceived productivity benefits, see “[Why Working from Home Will Stick](#)” and these [slides](#).

Managers think work from home has small negative productivity effects, on average, across broad industry groups and firm size categories

Question 1: Consider your full-time employees who currently work from home at least one day per week. On average, how do you think it would affect their productivity if they work at your business premises five days a week?

a. Better b. Not much effect c. Worse

Question 2 (if selected "Worse"): How much less productive would they be if working on business premises five days a week?

Question 2 (if selected "Better"): How much more productive would they be if working on business premises five days a week?

How much less/more productive would employees [who work from home at least one day per week] be if working on business premises five days a week?	N	Mean	Mean Adjusted for the share of employees who currently work from home
Total	282	3.5	0.9
<50 employees	103	5.2	1.3
50-99 employees	46	3.4	1.8
100-249 employees	53	2.2	0.1
250+ employees	80	3.8	1.0
Construction, Real Estate, Mining and Utilities	37	5.9	1.4
Manufacturing	46	2.8	0.3
Retail and Wholesale Trade	27	9.6	1.5
Business Services	146	1.4	0.8
Other Services	26	5.2	0.9

Note: Weighted results are calculated using firm-size weights. "Not much effect" responses were assigned 0 values. The results in the rightmost column were obtained by multiplying firm responses to question "How much less/more productive would employees [who work from home at least one day per week] be if working on business premises five days a week?" by the share of firm workforce that works from home at least one day per week. Those shares were calculated from special questions we asked in the October 2021 survey wave.

Appendix: Technical Information

Computing Moments of the Firm-Level Subjective Forecast Distributions

We calculate first and second moments of the subjective growth rate distributions of employment and sales revenue over the next 12 months or four quarters, as appropriate. Following standard practice in the literature on business-level dynamics, we calculate the growth rate of x from $t-1$ to t as $g_t = 2(x_t - x_{t-1}) / (x_t + x_{t-1})$.

Employment

$CEmp$ = firm's current employment level, as reported by the respondent

$FEmp_i$ = employment 12 months hence in scenario i , for $i = 1, 2, 3, 4, 5$

p_i = the associated probabilities, $i = 1, 2, 3, 4, 5$

Scenario-Specific Growth Rates

$EGr_i = 2(FEmp_i - CEmp) / (FEmp_i + CEmp)$, $i = 1, 2, 3, 4, 5$

First and Second Moments of the Subjective Growth Rate Forecast Distribution

$Mean(EGr) = \sum_{i=1}^5 p_i EGr_i$

$Var(EGr) = \sum_{i=1}^5 p_i (EmpGr_i - Mean(EGr))^2$

$SD(EGr) = \sqrt{Var(EGr)}$

Sales Revenue

$CSale$ = firm's sales revenue in the current quarter, as reported by the respondent

$FSaleGr_i$ = respondent's scenario-specific sales growth rate from now to four quarters hence, $i = 1, 2, 3, 4, 5$

p_i = the associated probabilities, $i = 1, 2, 3, 4, 5$

Implied Future Sales Level

$FSale_i = \left(1 + \frac{FSaleGr_i}{100}\right) CSale$, $i = 1, 2, 3, 4, 5$

Scenario-Specific Growth Rates (re-expressing respondent growth rates to our growth rate measure)

$SaleGr_i = 2(FSale_i - CSale) / (FSale_i + CSale) = 2FSaleGr_i / (FSaleGr_i + 2)$, $i = 1, 2, 3, 4, 5$

First and Second Moments of the Subjective Growth Rate Forecast Distribution

$Mean(SaleGr) = \sum_{i=1}^5 p_i SaleGr_i$

$Var(SaleGr) = \sum_{i=1}^5 p_i (SaleGr_i - Mean(SaleGr))^2$

$SD(SaleGr) = \sqrt{Var(SaleGr)}$

Subjective Expectations and Uncertainty Indices

We construct a monthly activity-weighted expectations (first-moment) index for employment growth and sales growth looking one year ahead. We also construct a monthly activity-weighted uncertainty (second-moment) index for the employment growth and sales growth looking one year ahead.

- In month t , the index for employment (sales) takes a value equal to the activity-weighted average of subjective mean employment (sales) growth rates looking one year hence ($Mean(Gr)$), averaging across all firms responding that month. We compute these subjective mean growth rates as described on slide 3, and winsorize them at the first and 99th percentiles before using them to construct the index.
- The month- t index of year-ahead subjective uncertainty for employment (sales) growth is the activity-weighted mean of ($SD(Gr)$) values across firms responding in month t . We compute these subjective standard deviations over growth rates as described on slide 3, and winsorize them at the first and 99th percentiles before inputting them into the index construction formula.
- When constructing first- and second-moment employment growth indexes, we weight firm i 's subjective mean growth rate expectation and uncertainty by the average of its month- t employment ($CEmp_{it}$) and its expected employment level ($EEmp_{it}$). We top-code these weights at 500 to diminish the influence of outliers among very large firms.
- When constructing first- and second-moment sales revenue growth indexes, we weight firms i 's subjective mean growth rate expectation and uncertainty by the average of its month- t sales revenue ($CSale_{it}$) and its expected sales level ($ESale_{it}$). We winsorize these activity-weights at the 1st and 80th percentile.
- Finally, we smooth our topic-specific indices by taking a moving average. We set the window for the moving average to 2 or 3 months, to match the panel structure of our survey.

Topic-specific Expected Excess Reallocation Indices

We construct forward-looking indices of excess job and sales revenue reallocation. These series measure the volume of cross-firm reallocation in economic activity above the reallocation required to support aggregate growth. For ease of exposition, we often refer to these as simply "reallocation rates":

- First, in each month t , we compute the activity-weighted average of own-firm expected gross job creation and destruction rates, which boils down to the activity-weighted average of the absolute value of subjective mean growth rates $|Mean(EGr)|$.
- Then, in each month t , we compute the absolute value of the activity weighted average of own-firm expected employment growth $Mean(EGr)$. This is effectively the absolute value of the employment growth expectations index in month t .
- We then obtain the expected job reallocation rate index value for month t by subtracting the outcome of the second bullet from the first. Letting w_{it} be firm i 's activity weight in month t ,

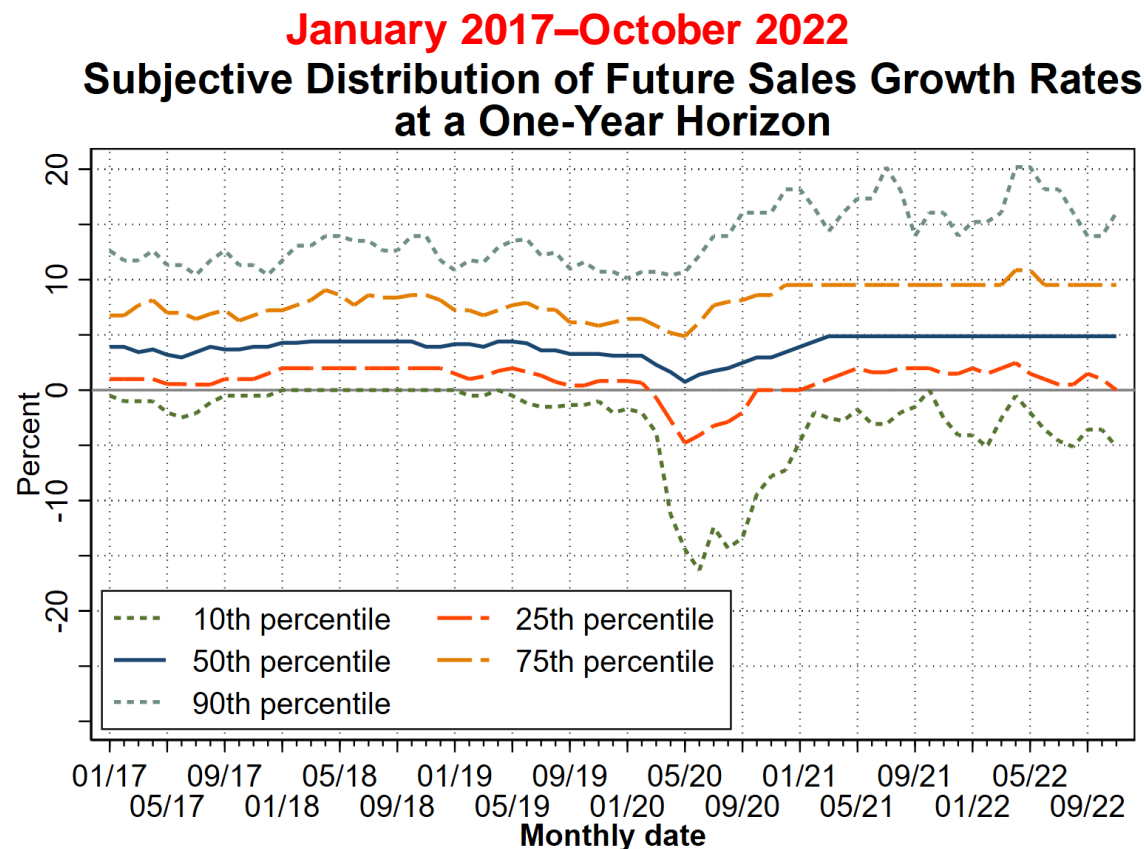
$$Expected\ Job\ Reallocation\ Rate_t = \sum_i w_{it} \cdot |Mean(EGr)| - \left| \sum_i w_{it} \cdot Mean(EGr) \right|$$

- Analogously, the expected sales revenue reallocation rate index in month t is the difference between the activity-weighted average of absolute expected sales growth rates, minus the absolute value of the average activity-weighted growth rate:

$$Expected\ Reallocation\ Rate\ For\ Sales\ Revenue_t = \sum_i w_{it} \cdot |Mean(SaleGr)| - \left| \sum_i w_{it} \cdot Mean(SaleGr) \right|$$

- We compute the subjective mean growth rates $Mean(EGr)$ and $Mean(SaleGr)$ as described on slides 18-21, and winsorize them at the 1st and 99th percentiles before using them to construct the index.
- Firm i 's activity weight w_{it} is the average of its month- t employment or sales level ($CEmp_{it}$ or $CSale_{it}$) and its expected employment or sales level twelve months hence ($FEmp_{it}$ or $FSale_{it}$). We top-code these weights at 500 for employment and at the 80th percentile for sales to diminish the influence of outliers among very large firms.

Appendix: Subjective Forecast Distribution of Future Sales Growth Rates at a One-Year Horizon



NOTES: Calculated using monthly data through October 2022. The charts show smoothed series. This is a plot of the subjective distribution for the representative firm's future sales growth rates over a 4-quarter look-ahead horizon. To calculate this distribution, we pool over all firm-level subjective forecast distributions in the indicated month and weight each firm by its activity level. Then we use the probabilities assigned to each possible future sales growth rate to obtain activity-weighted quantiles of the future sales growth rate distribution.