

Business Inflation Expectations (BIE) Survey

Monthly Report: February 2025



Federal Reserve
Bank *of* Atlanta

Headline Results

1. Firms' year-ahead unit cost expectations remained relatively unchanged at 2.3 percent. Year-ahead unit cost expectations have fallen considerably since hitting a peak of 3.8 percent in April 2022 but remain somewhat elevated relative to their prepandemic average of 2.0 percent (from January 2017 through December 2019).
2. Firms reported a median 4.0 percent (3.5 percent mean) price increase over the past 12 months and a median 3.0 percent (4.0 percent) expected price increase over the next 12 months. Realized price change has increased from November 2024 while expected price change remains relatively the same (3.0 percent median realized price increase, 3.0 percent median expected price increase).
3. In February's special questions, we asked firms questions about turnover, cost passthrough, the level of demand for their core product/service, and what they are doing in response to current levels of demand.
4. Most firms reported that there has been little change in their ability to pass through cost increases over the past 12 months. This result is largely true between all sectors and firm sizes.
5. Most firms reported that current levels of demand are about the same as they were 12 months ago, regardless of size and sector.
6. Most firms that reported a decrease in demand expect demand to remain below normal levels over the next 12 months, while most firms that reported an increase in demand expect demand to remain elevated over the next 12 months.

About the BIE

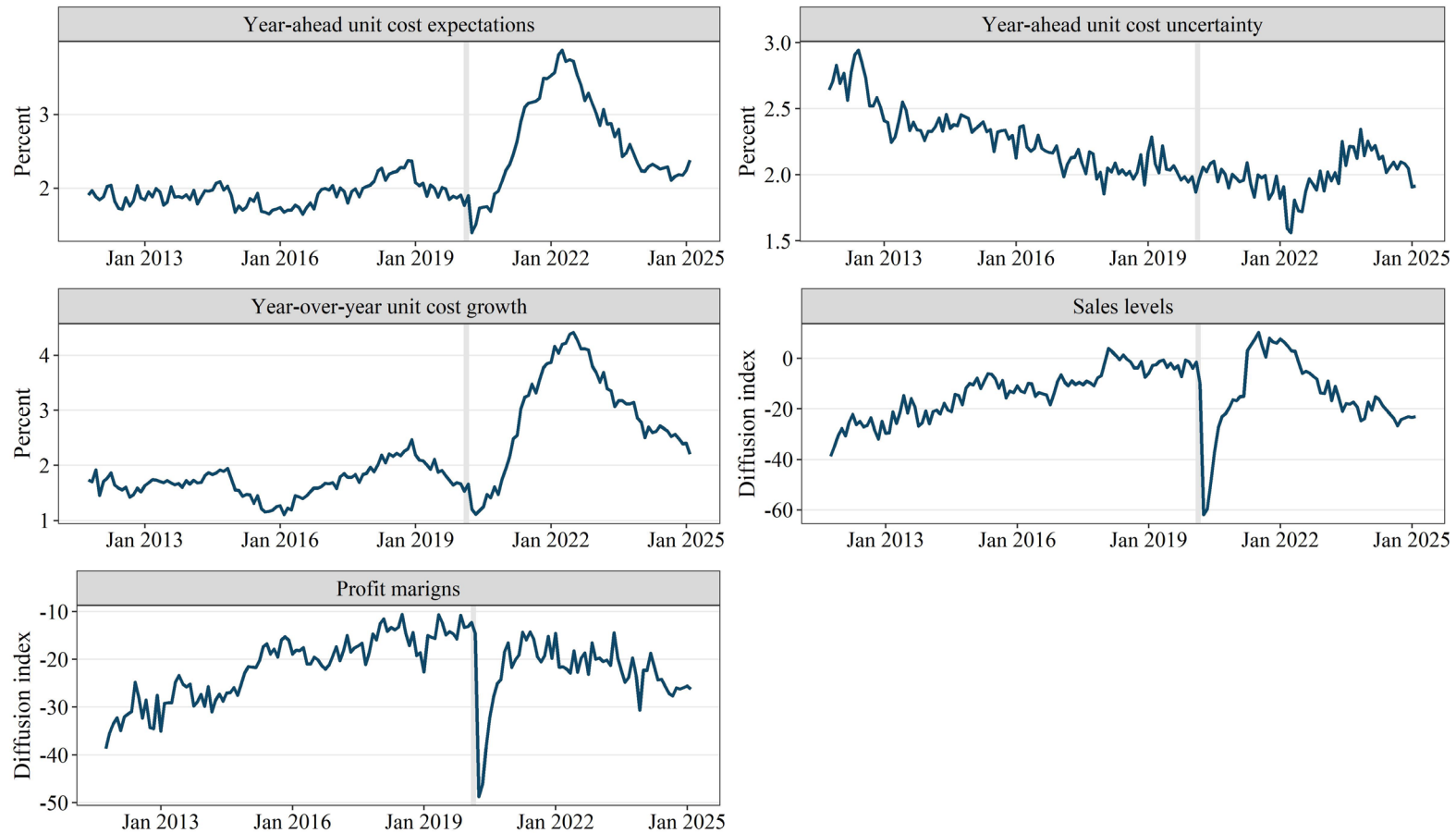
The Business Inflation Expectations (BIE) survey is fielded by the Federal Reserve Bank of Atlanta. It was designed, tested, and refined by the Atlanta Fed Economic Research Survey Center.

Our monthly Business Inflation Expectations survey goes to about 690 panel members (as of February 2024), who occupy executive and managerial positions at Sixth District 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 respondents' firms. Our primary objective is to elicit the respondent's subjective forecast distributions over own-firm future unit-cost growth. We gather qualitative information on firms' sales levels and margins on a monthly basis. We include a set of rotating quarterly questions covering firms' longer-run probabilistic unit-cost expectations, quantitative sales gaps, and realized/expected price change. Our survey also includes special questions on timely, policy-relevant topics.

For more information on survey design and methodology, please refer to resources on the [BIE page](#).

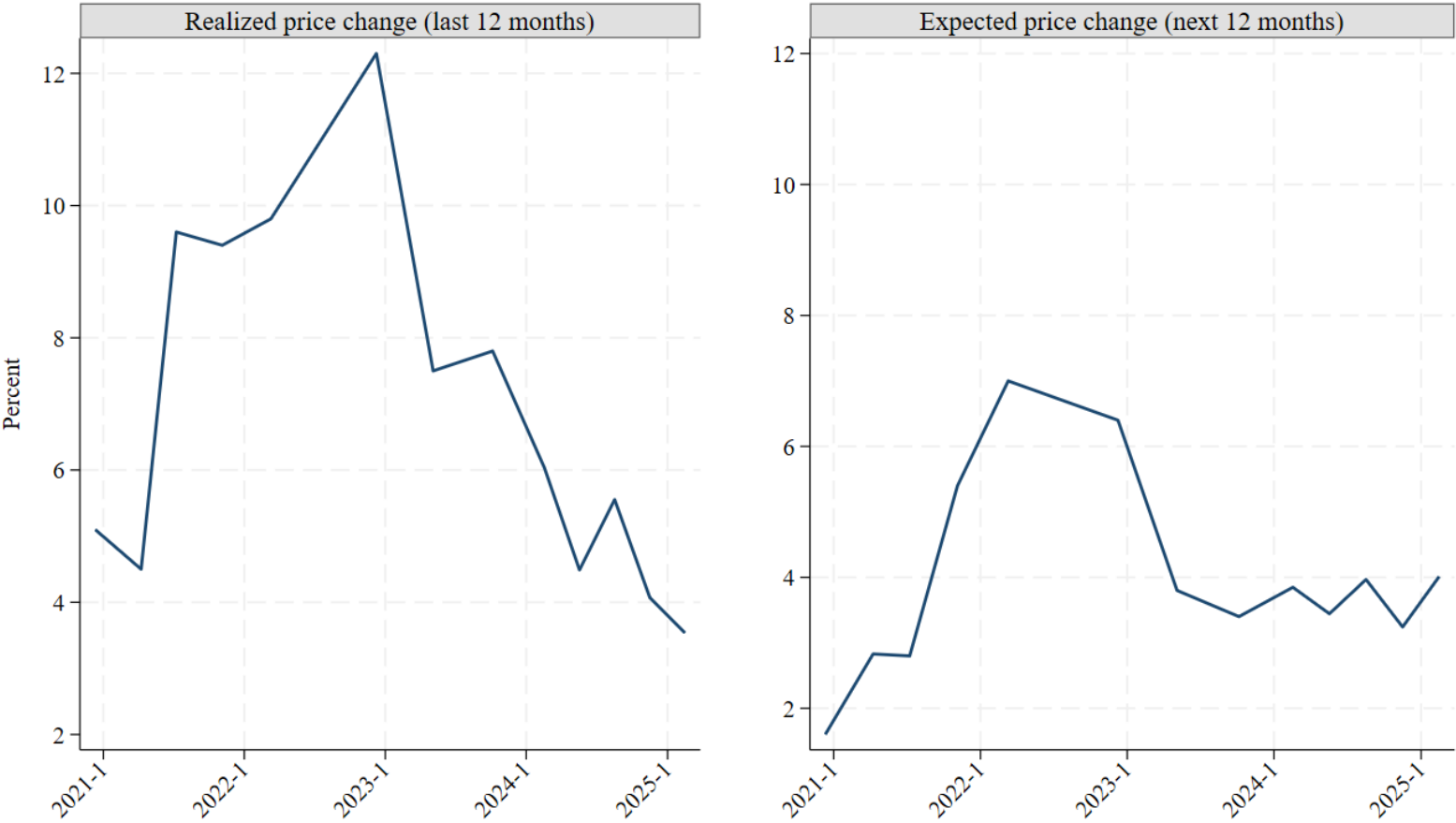
Core Monthly Questions



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Rotating quarterly question: Looking back, by about what percent did you change prices over the last 12 months? Looking ahead, by about what percent do you expect to change prices over the next 12 months?

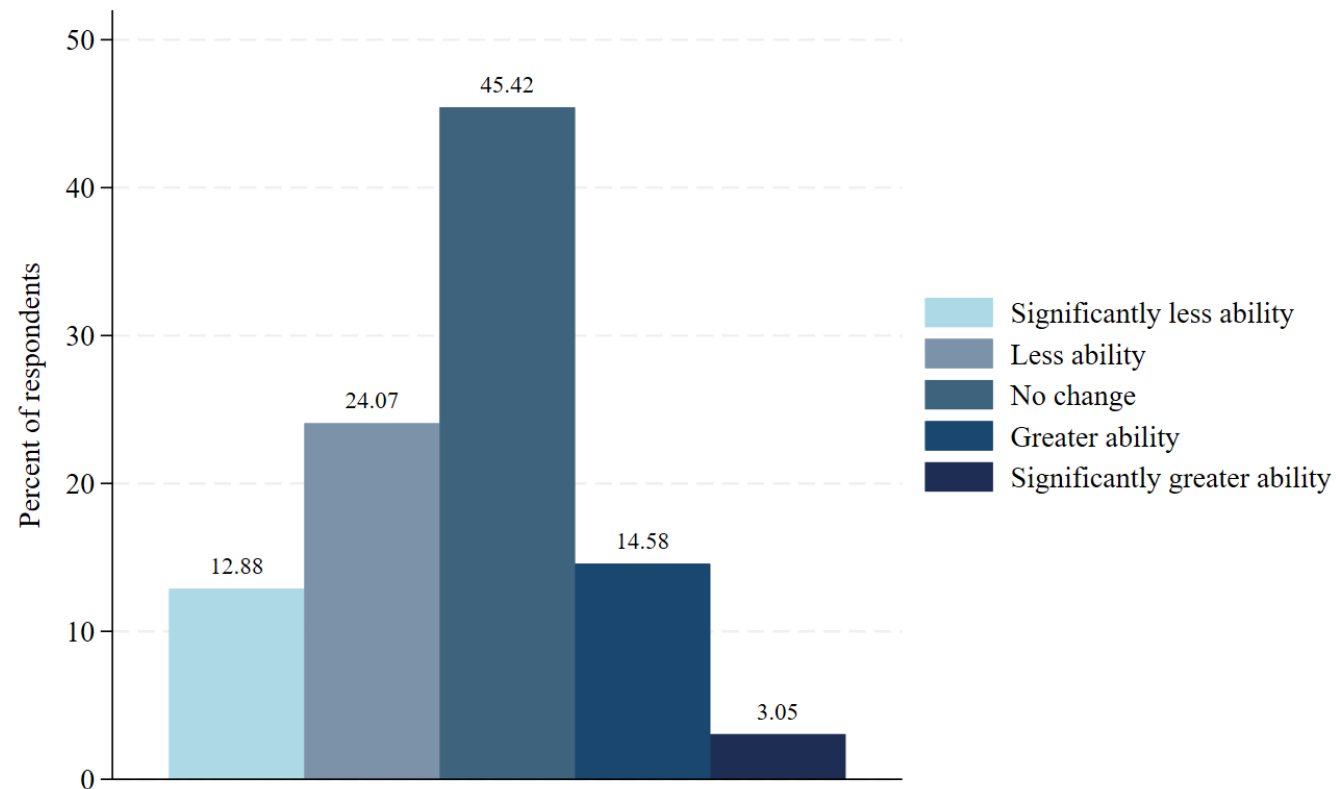


Note: This quarterly question officially started in February 2024. The results prior to that were results collected through our Special Questions Series.
Source: Atlanta Fed Business Inflation Expectations (BIE) survey

BIE Special Questions: February 2025

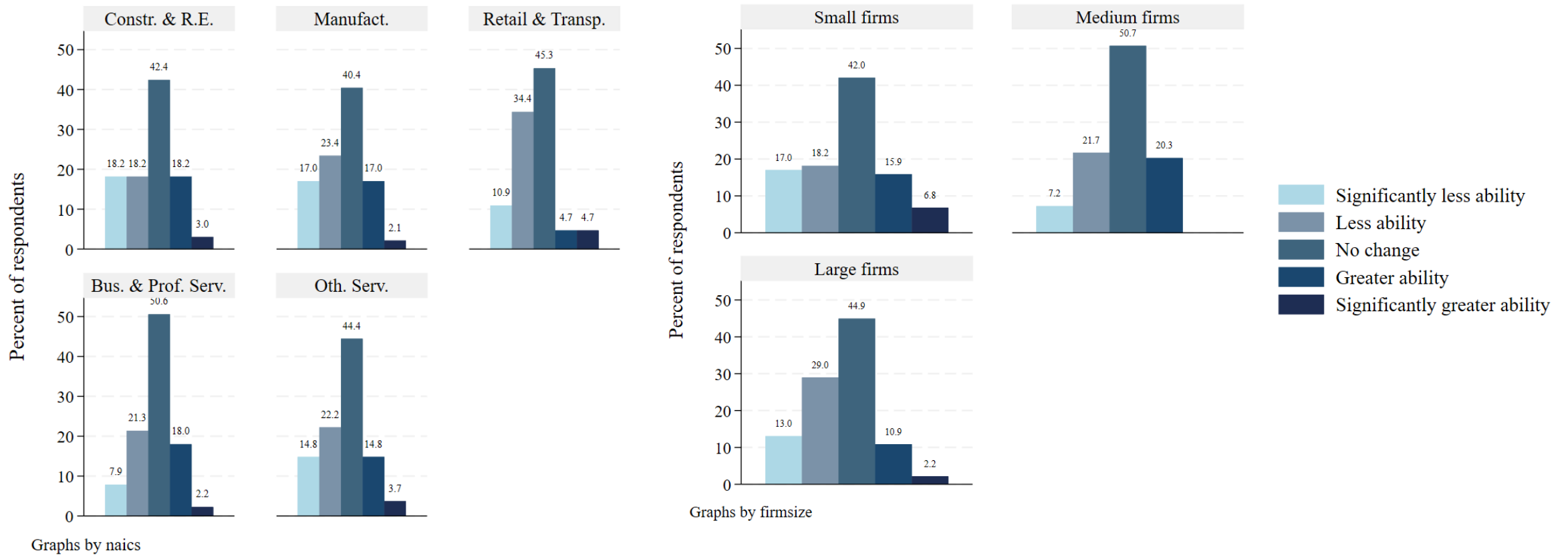
Compared to 12 months ago, how is your firm's current ability to pass through cost increases?

Overall, most firms reported either no change or only slight change to their ability to pass through cost increases.



Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

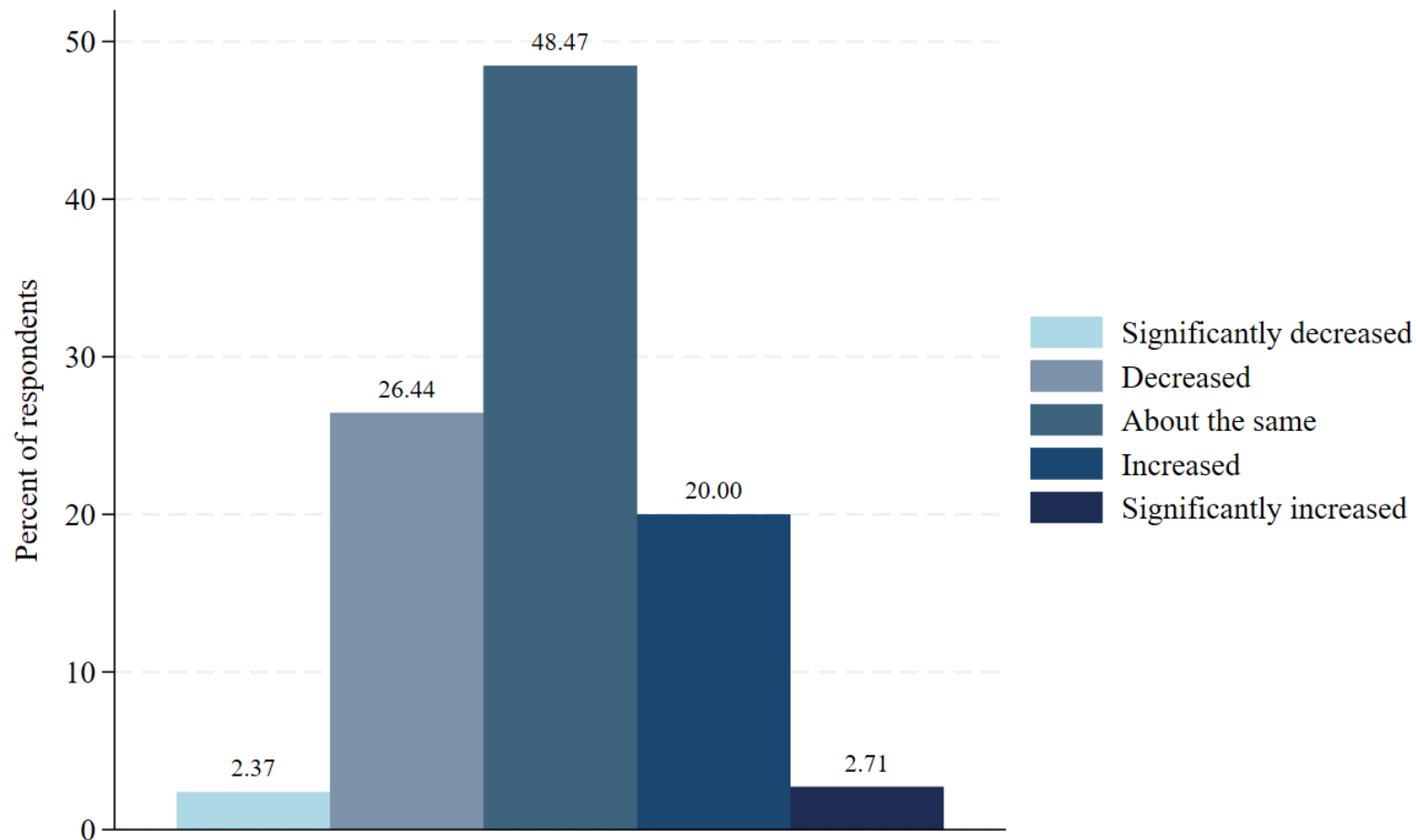
There is some variation among firms of different sizes and sectors. Firms in retail and transportation were much more likely to report less ability to pass through costs.



Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

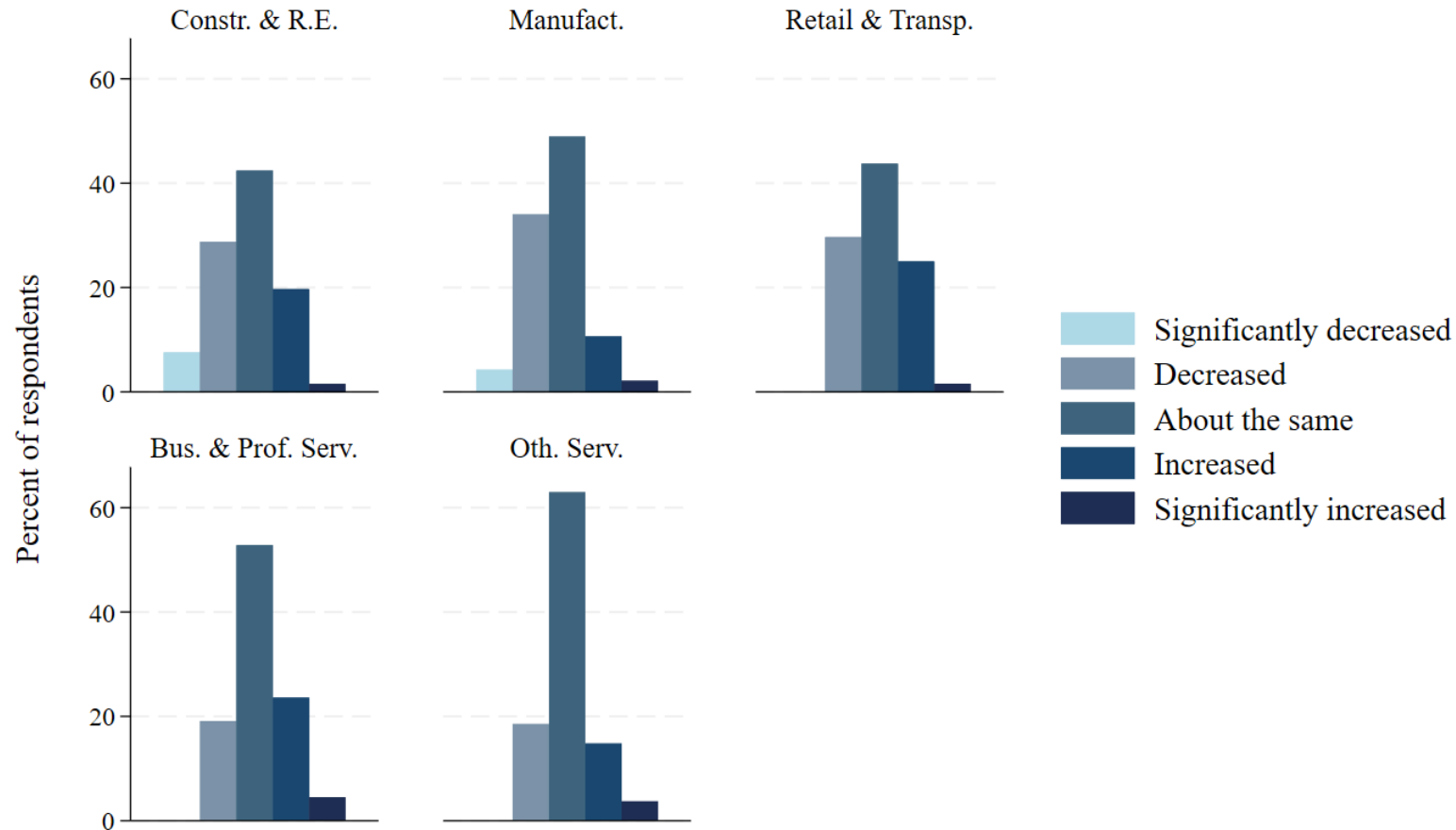
Next, think of your firm's core product(s) or service(s). Compared to 12 months ago, how would you describe the current level of demand for that product or service?

Almost half of our sample said that demand for their product/service has remained about the same compared to 12 months ago. This result looks largely similar to December 2024, the last time we asked this question.



Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

There is some variation among sectors, but by and large they seem to reflect the full sample result. This differs from December 2024, when construction/real estate and manufacturing were much more likely to report a decline in demand compared to 12 months ago.

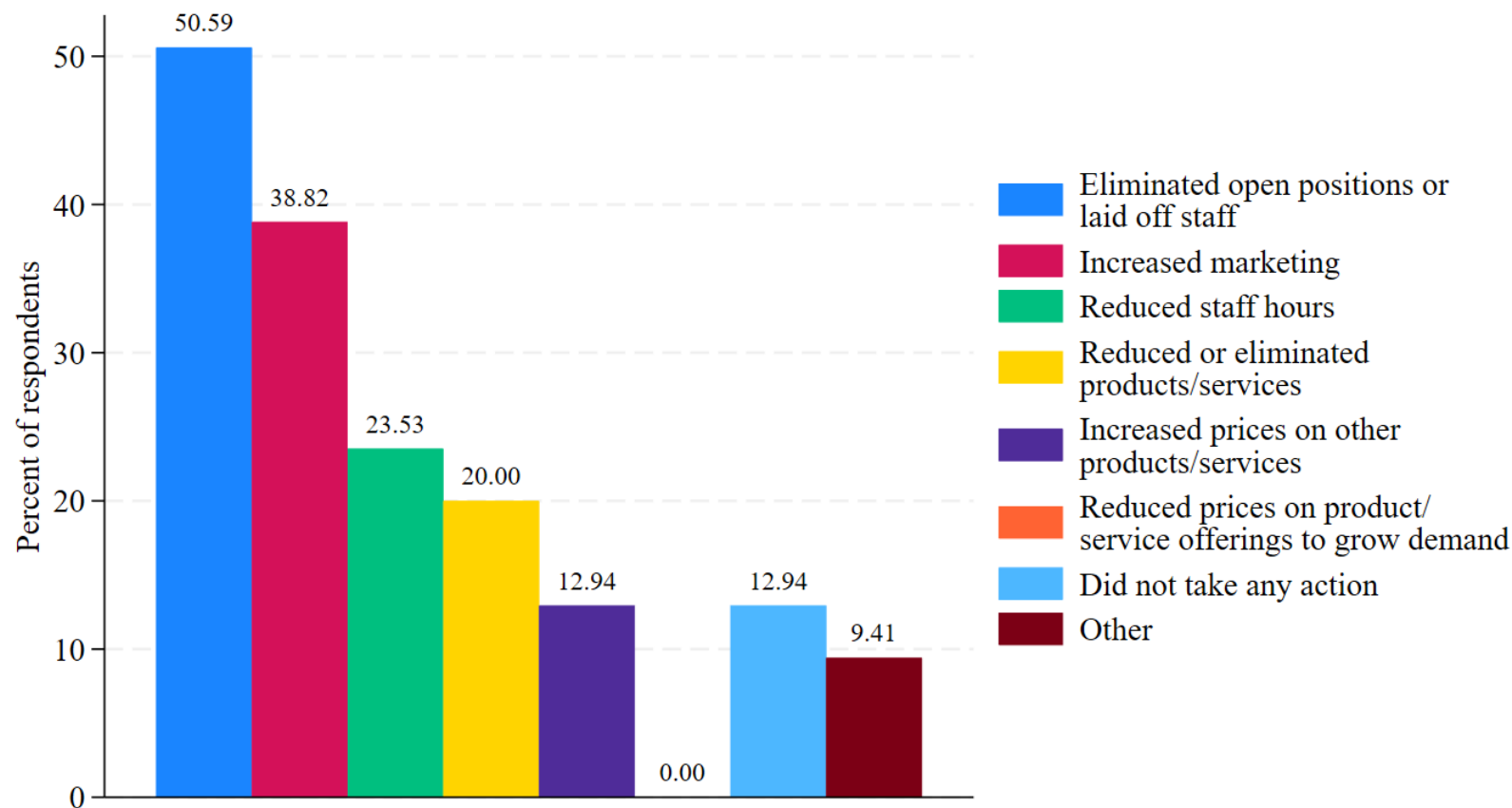


Source: Atlanta Fed's Business Inflation Expectations (BIE) survey

What actions did your firm take as a result of decreased [increased] demand?

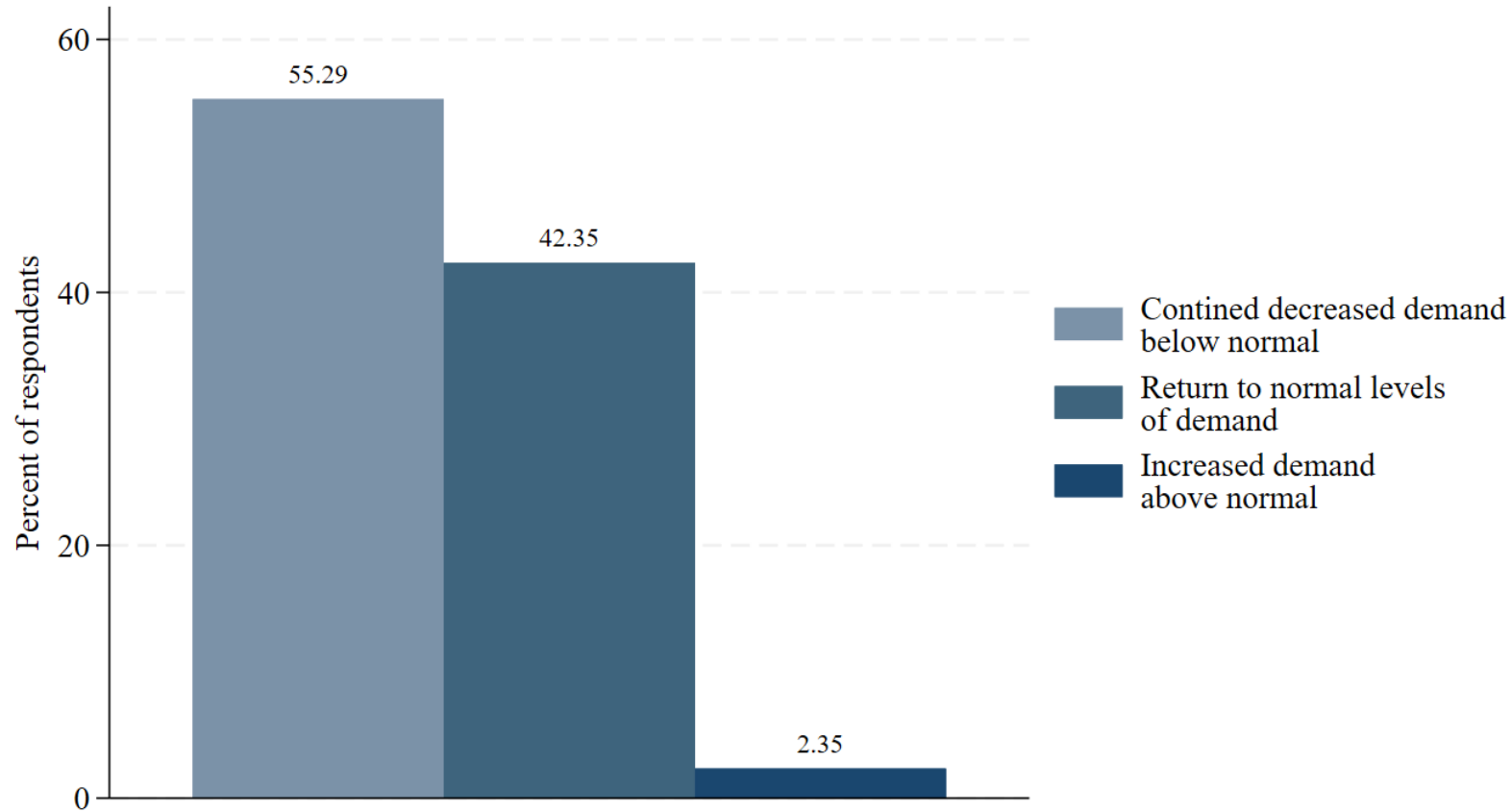
Looking ahead to 12 months from now, what level of demand does your firm expect?

Firms in our sample that reported a decrease in demand responded primarily by eliminating open positions/laying off staff, increasing marketing, and reducing staff hours. No firms reported reducing prices.



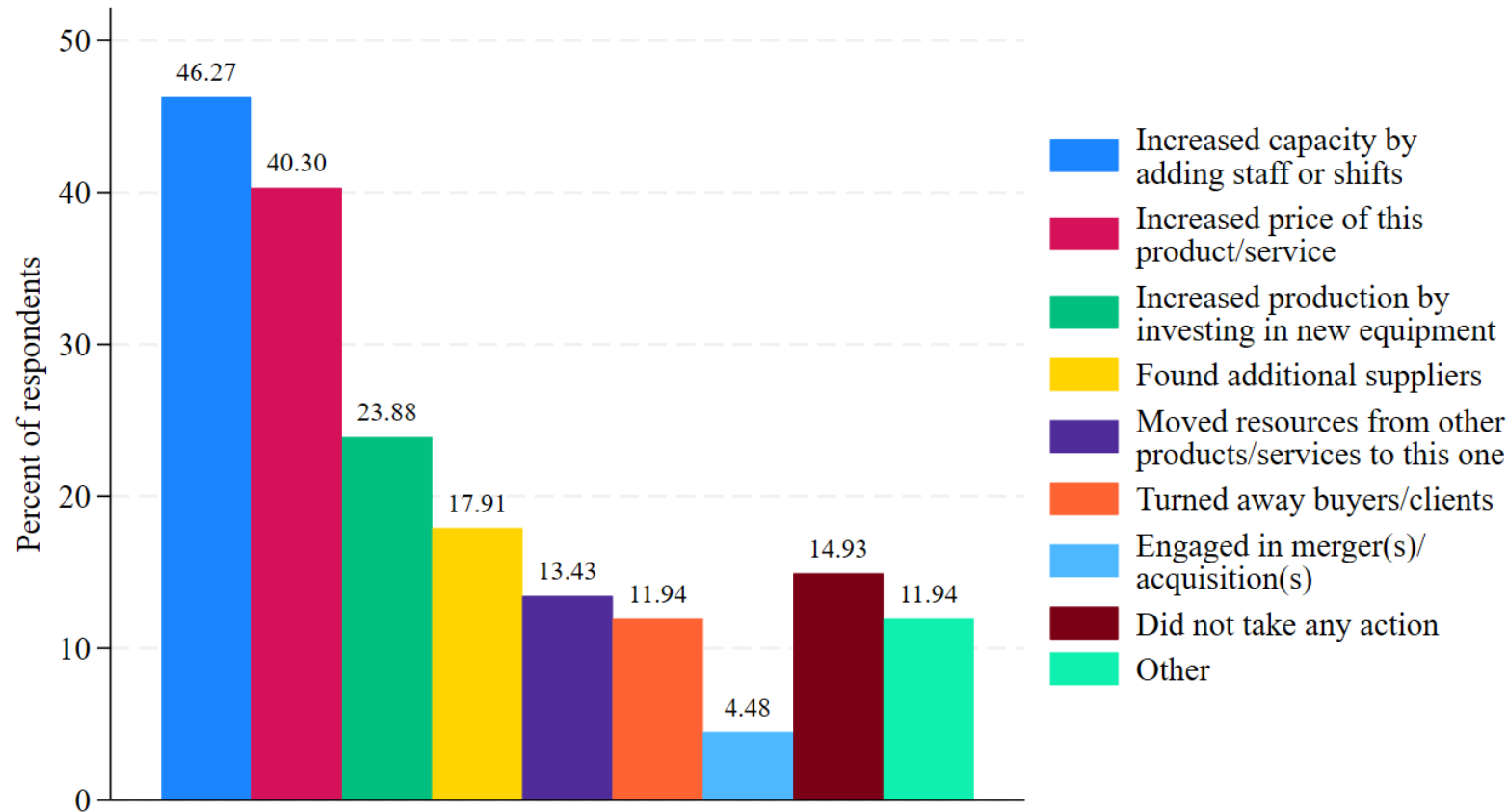
Only includes firms that reported decreased consumer demand on their core product/service.
N: 85

About **55 percent** of firms that reported a decrease in demand expect demand to remain lower than normal over the next 12 months, while about **42 percent** expect demand to return to normal. This largely differs from our December 2024 survey, when the majority of these firms expected demand to return to normal.



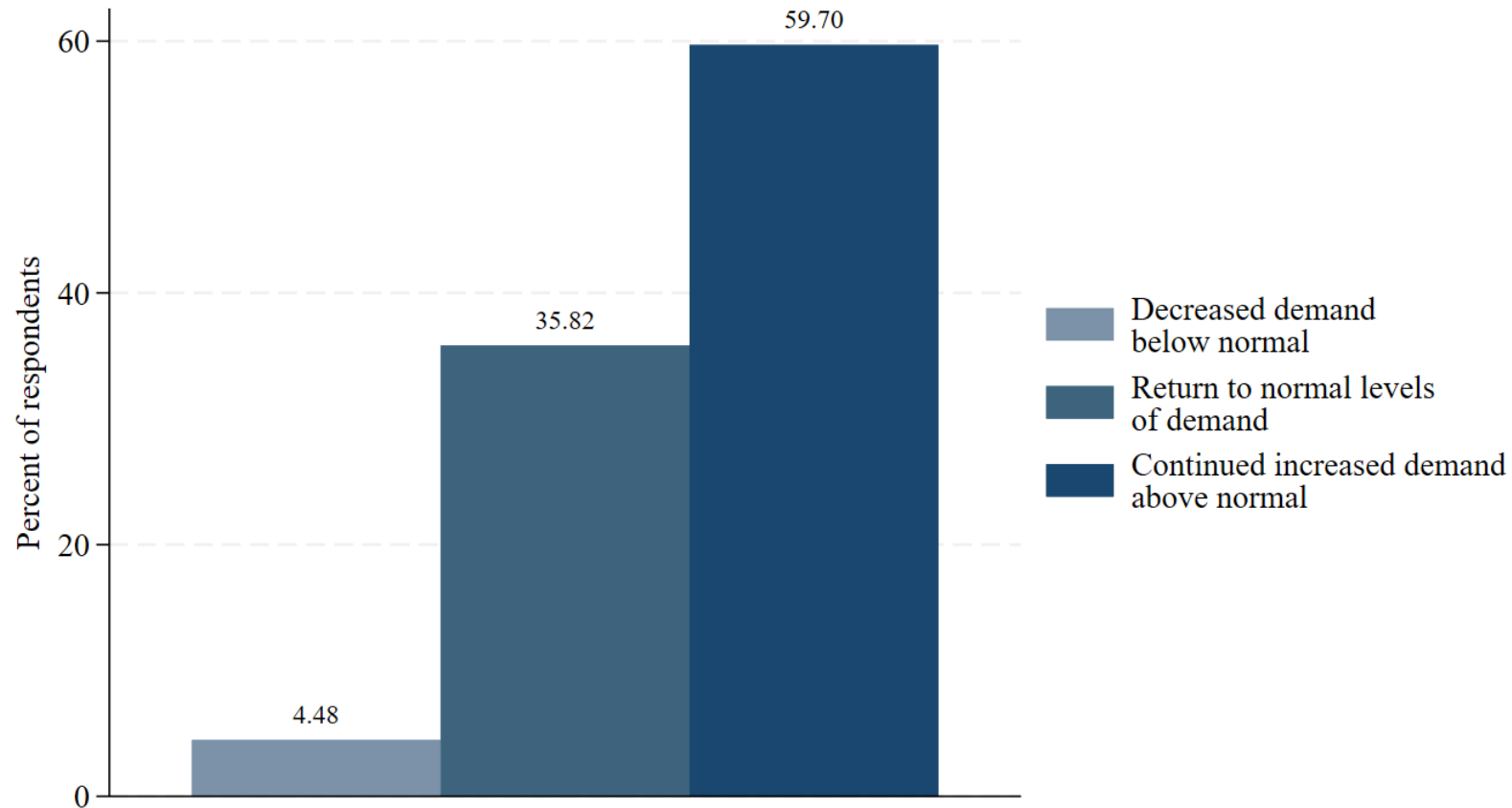
Only includes firms that reported decreased consumer demand on their core product/service.
N: 85

Firms in our sample who reported an increase in demand responded primarily by increasing capacity, increasing the price of the product/service, and increasing investment in new equipment.



Only includes firms that reported increased consumer demand on their core product/service.
N: 67

Only about 35 percent of firms that reported an increase in demand expected demand to return to normal levels over the next 12 months. Most of these firms (59 percent) expect demand to remain elevated, lower than in December 2024.



Only includes firms that reported decreased consumer demand on their core product/service.
N: 67

Realizations and expectations by industry

Firms' realized unit-cost growth across most broad industry classifications continues to ebb from peak levels.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

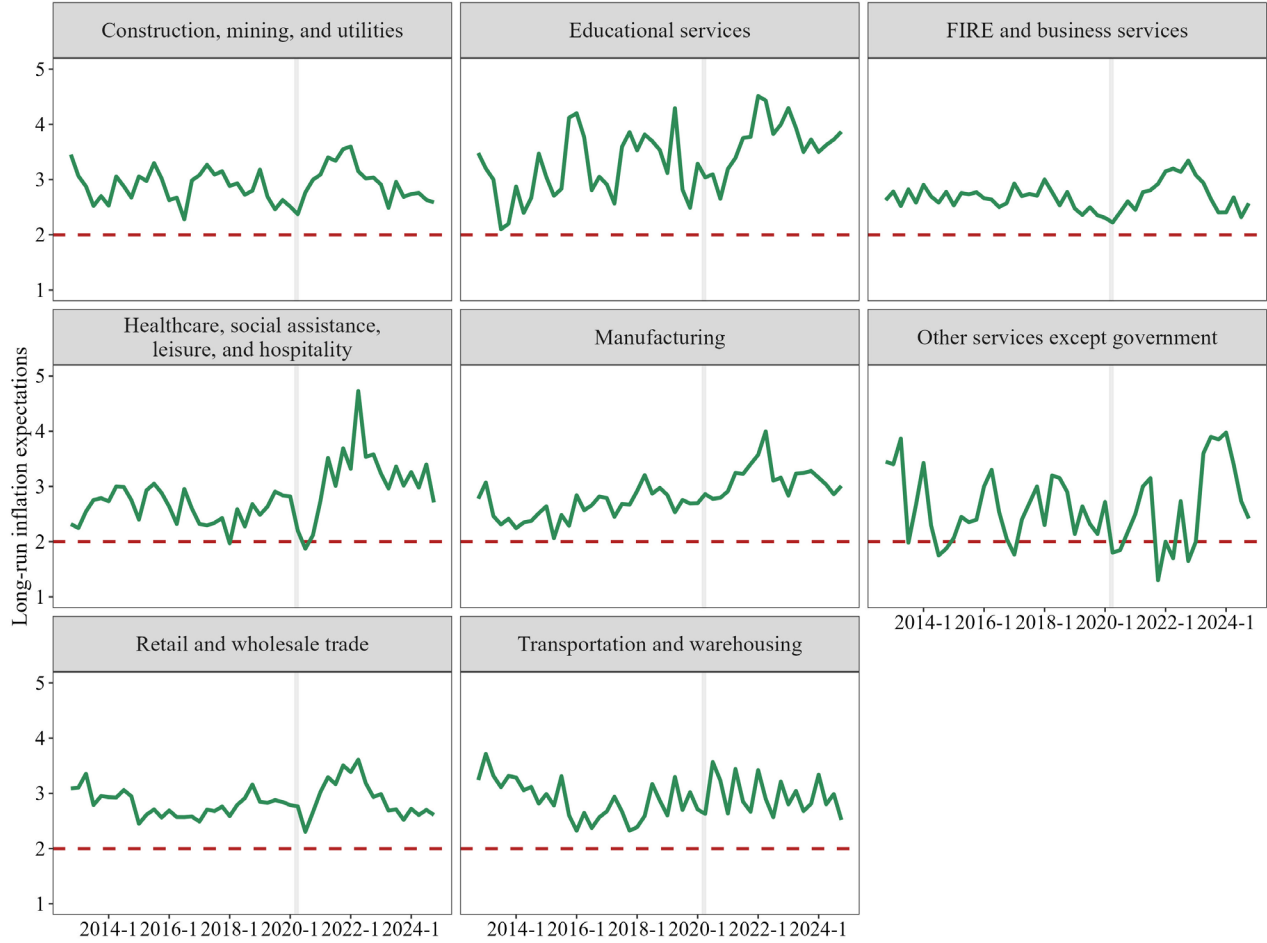
Year-ahead unit-cost expectations vary meaningfully by sector.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Longer-run unit cost expectations across most broad industry classifications remain elevated relative to prepandemic averages.



Note: The data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey

Comparing BIE realizations and expectations to actual data and other surveys

BIE Unit Cost Growth versus GDP Chain-type Price Index

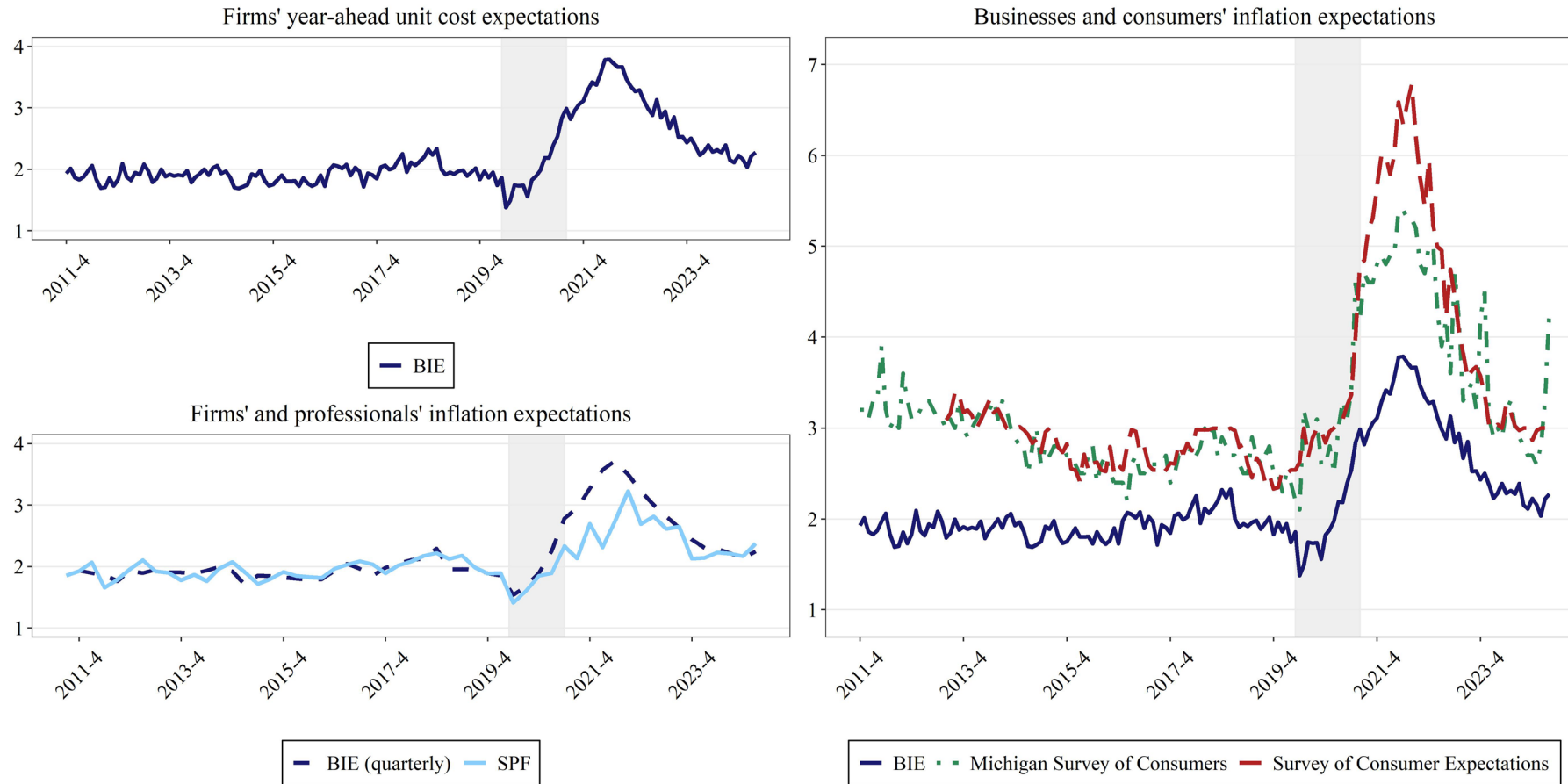


Correlation .93

Note: The data are shown quarterly for both measures.

Source: Atlanta Fed's Business Inflation Expectations survey, Haver Analytics, and the Federal Reserve Economic Data (FRED) GDP Price Index <https://fred.stlouisfed.org/series/GDPCTPI>

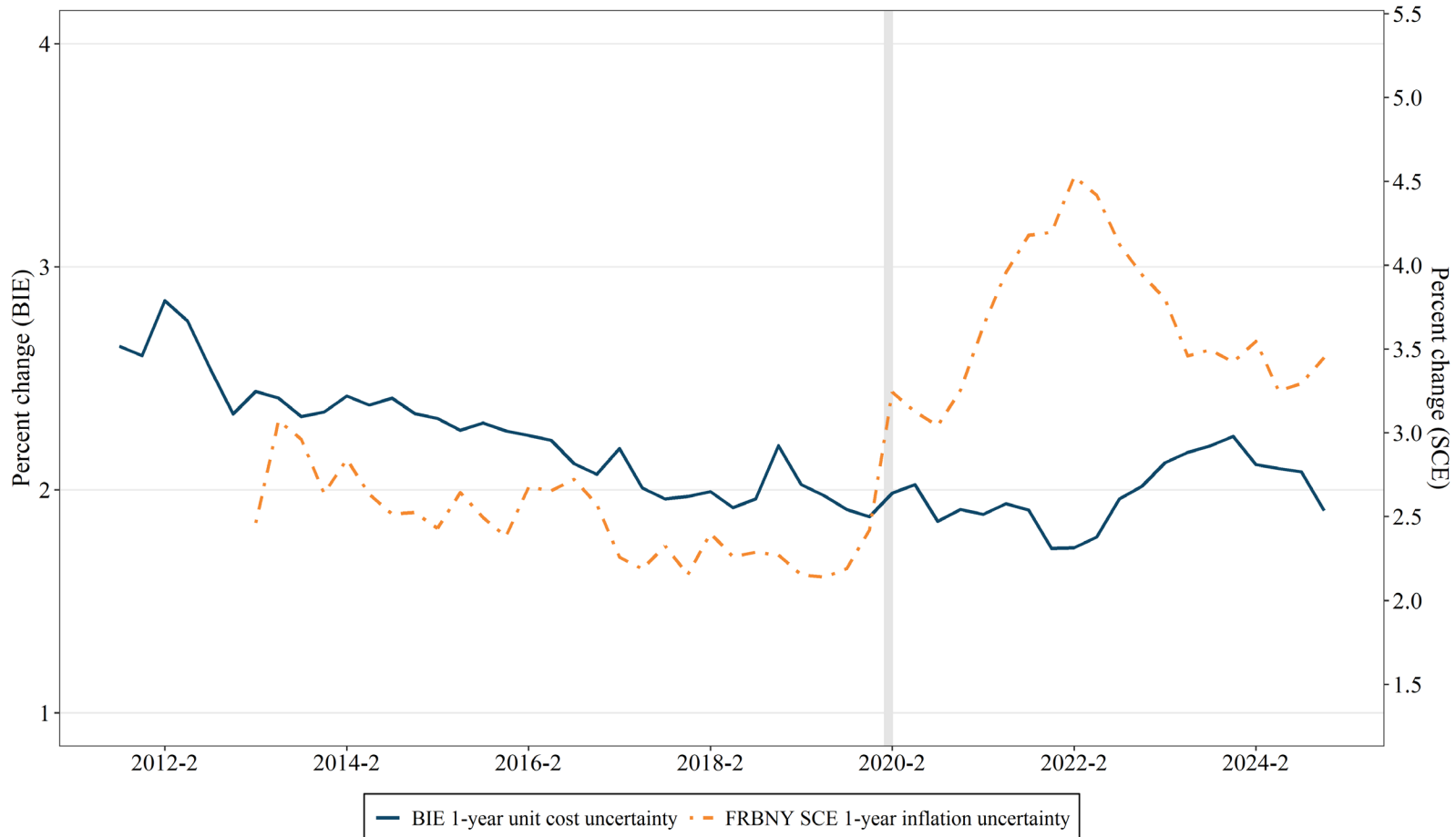
BIE Survey versus SPF and Survey of Consumers



Note: Except the chart at lower left with quarterly data, all remaining chart data are shown monthly.

Source: Atlanta Fed Business Inflation Expectations (BIE) survey, Philadelphia Fed Survey of Professional Forecasters (SPF), and University of Michigan Survey of Consumers

Uncertainty: BIE versus SCE



Note: The data are shown quarterly for both measures.

Source: Atlanta Fed's Business Inflation Expectations (BIE) survey and the New York Fed Survey of Consumer Expectations (SCE)

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