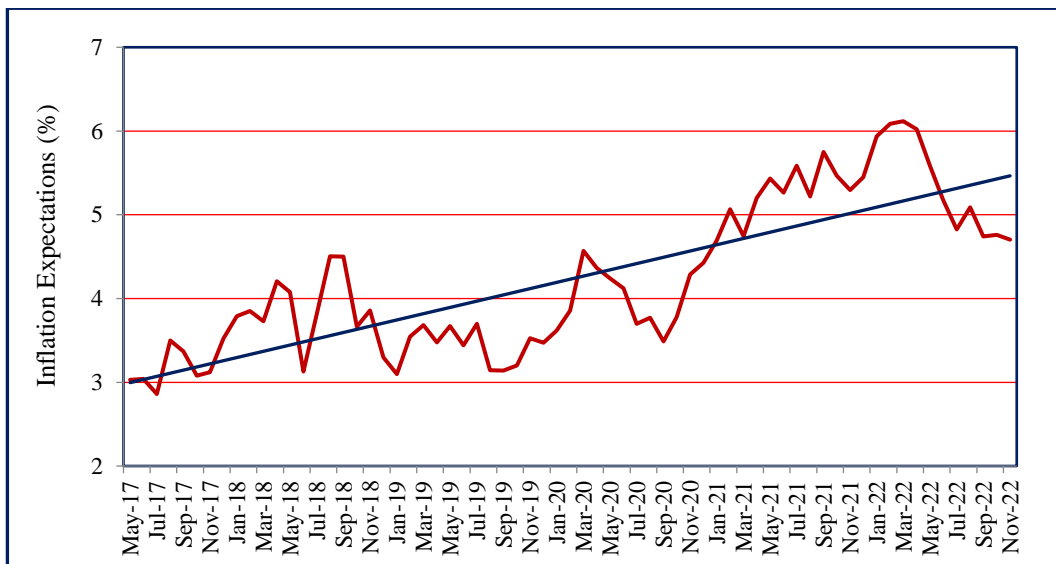


Business Inflation Expectations Survey (BIES)¹ – November 2022

A. Inflation expectations

- One year ahead business inflation expectations, as estimated from the mean of individual probability distribution of unit cost increase, have remained steady around 4.70% during September-November 2022. The trajectory of one year ahead business inflation expectations is presented in Chart 1.
- The uncertainty of business inflation expectations in November 2022, as captured by the square root of the average variance of the individual probability distribution of unit cost increase, has remained around 2.10%.

Chart 1: One year ahead business inflation expectations (%)



B. Costs

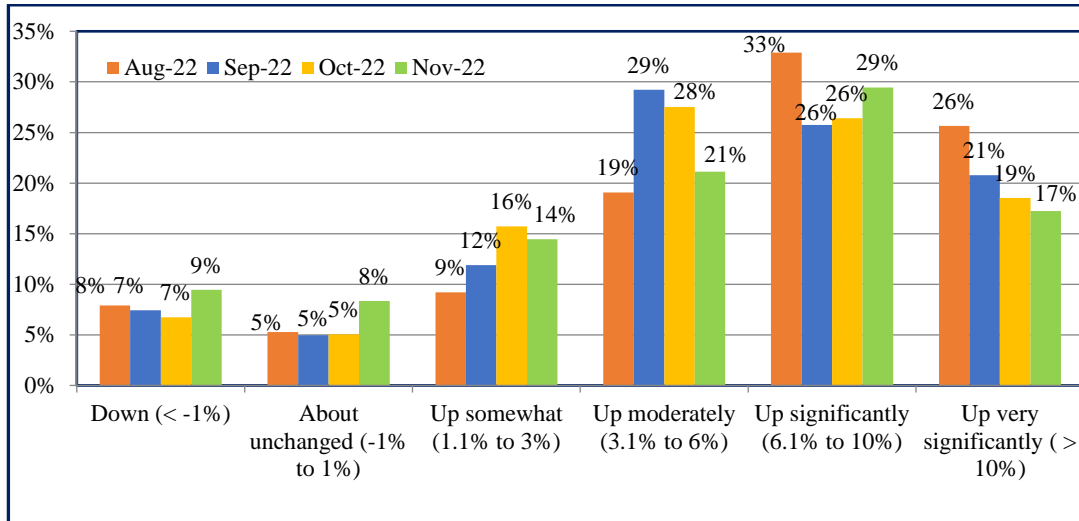
- The distribution of responses on y-o-y cost increase during September-November 2022 indicates the mode to be stabilizing around 5-6%.

¹ The Business Inflation Expectations Survey (BIES) provides ways to examine the amount of slack in the economy by polling a panel of business leaders about their inflation expectations in the short and medium term. This monthly survey asks questions about year-ahead cost expectations and the factors influencing price changes, such as profit, sales levels, etc. The survey is unique in that it goes straight to businesses - the price setters - rather than to consumers or households, to understand their expectations of the price level changes. One major advantage of BIES is that one can get a probabilistic assessment of inflation expectations and thus get a measure of uncertainty. It also provides an indirect assessment of overall demand condition of the economy. Results of this Survey are, therefore, useful in understanding the inflation expectations of businesses and complement other macro data required for policy making. With this objective, the BIES is conducted monthly at the Misra Centre for Financial Markets and Economy, IIMA. A copy of the questionnaire is annexed.

Companies are selected primarily from the manufacturing sector. Starting in May 2017, the “BIES - November 2022” is the 67th round of the Survey. These results are based on the responses of around 1000 companies.

- The percentage of firms perceiving over 10% cost increase y-o-y has further declined. Over 17% of the firms in November 2022 round of the survey perceive that costs have increased very significantly (over 10%) – down from 19% recorded in October 2022 (Chart 2).

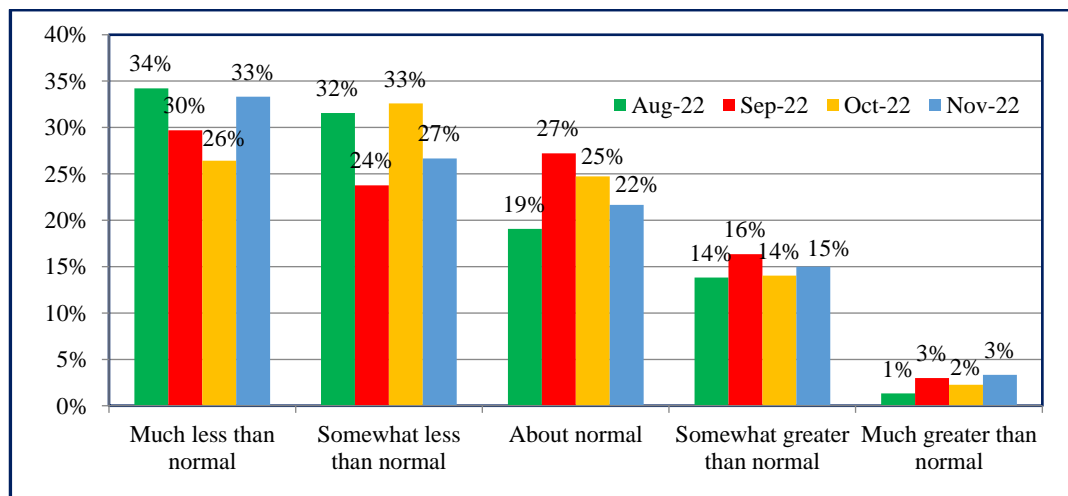
Chart 2: How do current costs per unit compare with this time last year? – % responses



C. Sales Levels

- Firms' sales expectations have remained subdued. Percentage of firms reporting 'much less than normal' sales has sharply increased to 33% in November 2022, from 26% reported in October 2022.
- Around 22% of the firms in November 2022 report that sales are 'about normal', further down from 25% reported in October 2022 (Chart 3)².

Chart 3: Sales Levels - % response

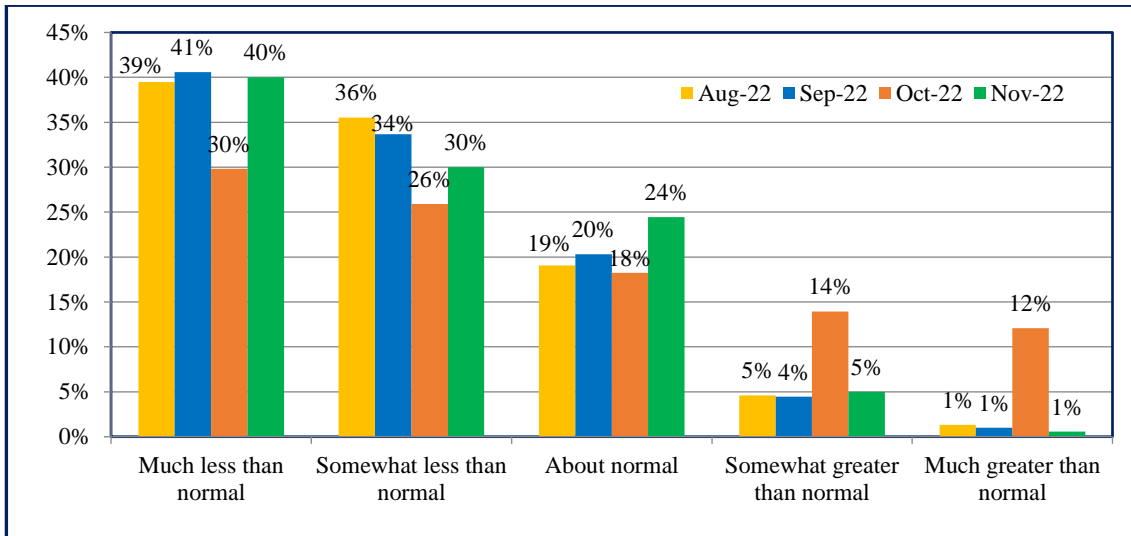


² "Normal" means as compared to the average level obtained in the preceding 3 years, excluding the Covid-19 period.

D. Profit Margins

- With moderation in sales expectations, profit margins expectations have deteriorated sharply.
- Over 40% of the participating firms in November 2022 perceive profit margins are ‘much less than normal’ – significantly up from 30% reported in October 2022 (Chart 4).

Chart 4: Profit Margins - % response



Business Inflation Expectation Survey (BIES) – Questionnaire

A. Current Business Conditions

Q1. How do your current **PROFIT MARGINS**[@] compare with "normal"* times?

- Much less than normal
- Somewhat less than normal
- About normal
- Somewhat greater than normal
- Much greater than normal

Q2. How do your current sales levels compare with **SALES LEVELS**[@] during what you consider to be "normal"* times?

- Much less than normal
- Somewhat less than normal
- About normal
- somewhat greater than normal
- Much greater than normal

[@] of the main or most important product in terms of sales.

*"normal" means the average level obtained during the corresponding time point of preceding 3 years, excluding the Covid-19 period.

B. Current Costs Per Unit[^]

Q3. Looking back, how do your current **COSTS PER UNIT**[^] compare with this time last year?

- Down (< -1%)
- About unchanged (-1% to 1%)
- Up somewhat (1.1% to 3%)
- Up moderately (3.1% to 6%)
- Up significantly (6.1% to 10%)
- Up very significantly (> 10%)
-

[^] of the main or most important product in terms of sales.

C. Forward Looking Costs Per Unit^{\$}

Q4. Projecting ahead, to the best of your ability, please assign a percent likelihood (probability) to the following changes to costs per unit^{\$} over the next 12 months.

- Unit costs down (less than -1%)
- Unit costs about unchanged (-1% to 1%)
- Unit costs up somewhat (1.1% to 3%)
- Unit costs up moderately (3.1% to 6%)
- Unit costs up significantly (6.1% to 10%)
- Unit costs up very significantly (>10%)

	%
	%
	%
	%
	%
	%

^{\$} of the main or most important product in terms of sales.

Values should add up to 100%.