

Research [in] Brief

What Are Business Leaders' Inflation Expectations? Ask SoFIE



Primary issue

Business leaders' inflation expectations can influence the prices their firms charge customers, and these prices can, in turn, influence the path of inflation. While several surveys regularly chart consumers' inflation expectations, what do the inflation expectations of senior business executives look like? The Survey of Firms' Inflation Expectations (SoFIE) was created to address this gap with quarterly readings on inflation expectations over the next 12 months among top business executives in a nationally representative sample.



Key findings

The survey finds that firms' inflation expectations rose over the course of 2021 and 2022 as inflation surged in the United States, but in early 2023, expectations for inflation over the next year began to decline, though to a level that was still higher than before the pandemic.

The increase in inflation expectations over 2021 and 2022 was not confined to near-term expectations, either; firms also expected inflation to increase over a longer horizon, and their estimates of past inflation and of the Federal Reserve's inflation target also increased.



The bottom line

The Cleveland Fed will present updated estimates from the Survey of Firms' Inflation Expectations each quarter on its website, via clefed.org/SoFIE. For each quarter, the survey asks about expected inflation over the next 12 months, along with a second question that rotates by quarter among four options, capturing business executives' beliefs concerning inflation on average over the next five years, inflation over the previous year, the probability that inflation over the next 12 months will exceed 5 percent, and the Federal Reserve's inflation target.

Want to find out more? Read "The Survey of Firms' Inflation Expectations" at clefed.org/ec202310 and consult the clefed.org/SoFIE, updated quarterly.

Stay up to date with the Bank's inflation research and news with the Center for Inflation Research's quarterly newsletter. Subscribe: clevelandfed.org/center-for-inflation-research.

