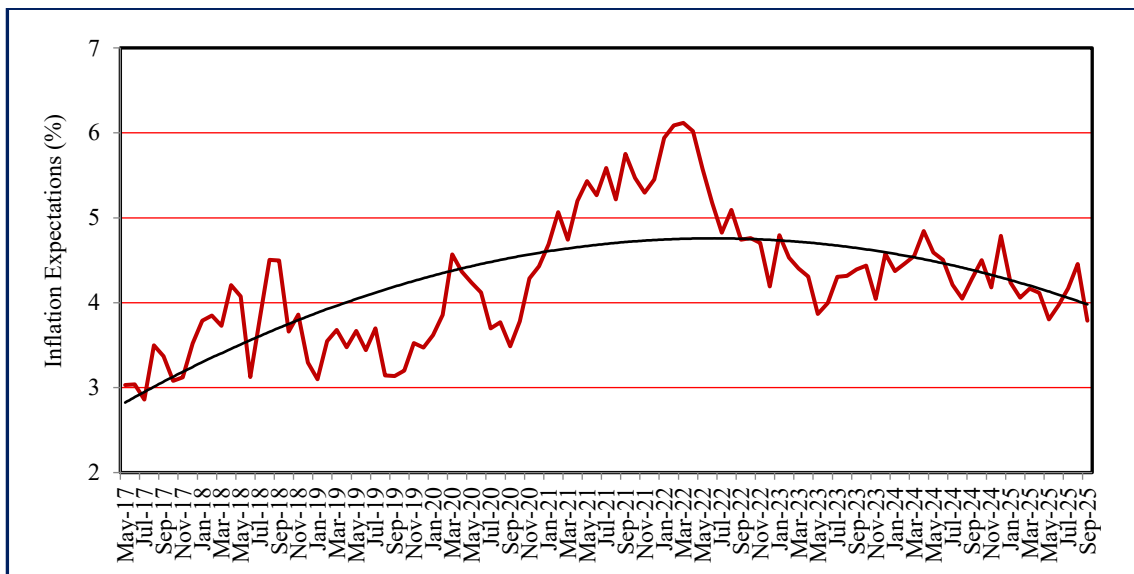


Business Inflation Expectations Survey (BIES)¹ – September 2025

A. Inflation expectations

- One year ahead business inflation expectation, as estimated from the mean of individual probability distribution of unit cost increase, has declined significantly by 66 basis points to 3.79% in September 2025 from 4.45% reported in August 2025. Firms' average inflation expectation during the past 12 months has remained anchored around 4.19%. The trajectory of one year ahead business inflation expectations is presented in Chart 1.
- The uncertainty of business inflation expectations in September 2025, as captured by the square root of the average variance of the individual probability distribution of unit cost increase, has marginally gone up to 1.90% from 1.85% reported in August 2025.

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



B. Costs

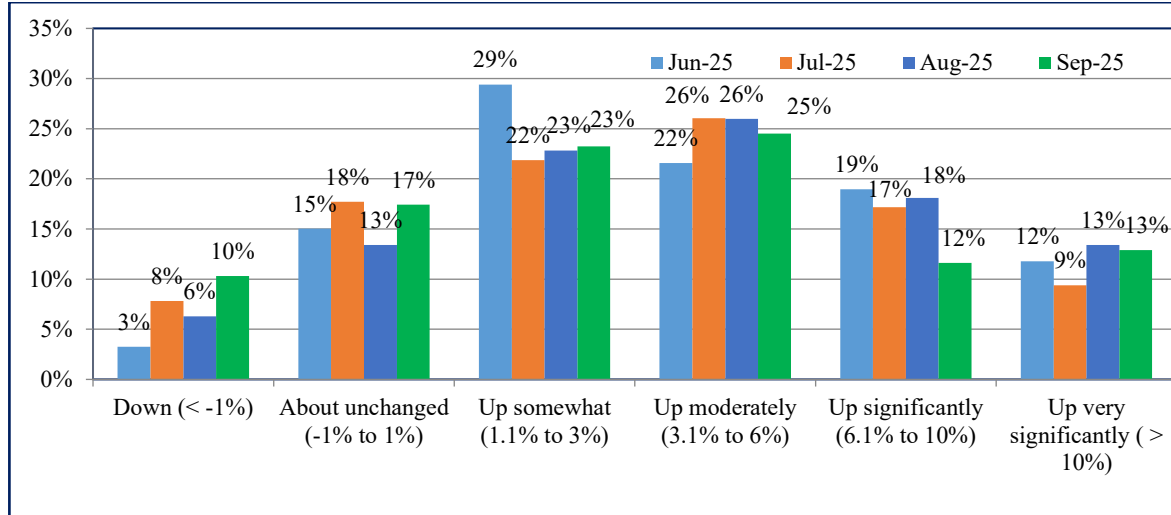
- Overall, the cost perceptions data in September 2025 indicate visible signs of decline in cost pressures.

¹The 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 – September 2025” is the 101th round of the Survey. These results are based on the responses of around 900 companies.

- The percentage of firms perceiving significant or very significant cost increase (above 6%) has decreased to 25% from 31% reported in August 2025 survey (Chart 2).

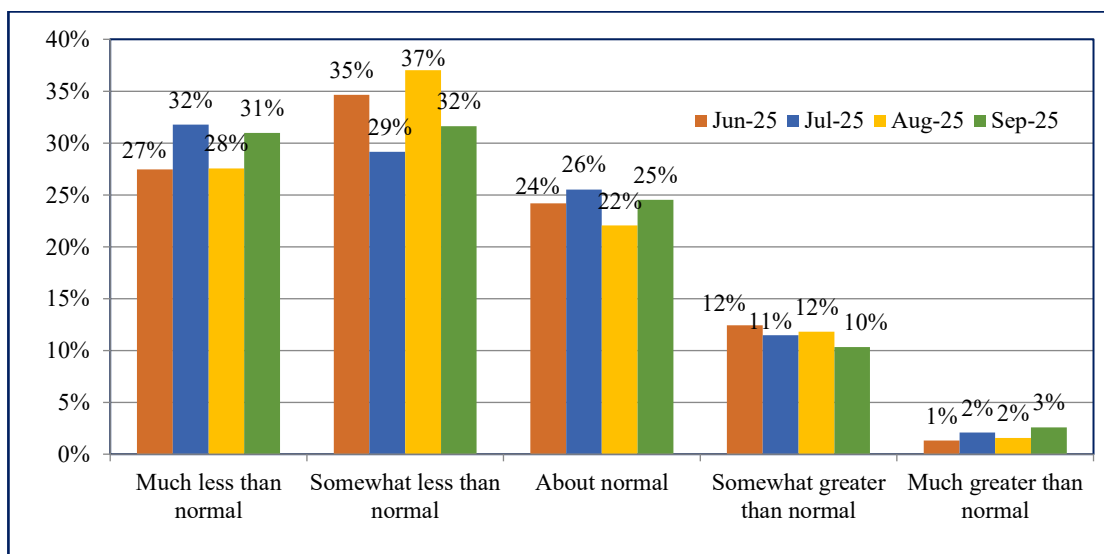
Chart 2: How do current costs per unit compare with this time last year? – % responses



C. Sales Levels

- During June-September 2025, over 60% of the firms reported 'much less than normal' or 'somewhat less than normal' sales² (Chart 3).
- The percentage of firms reporting 'about normal' or more sales in September 2025 has marginally increased to 38% from 36% reported in August 2025.

Chart 3: Sales Levels - % response

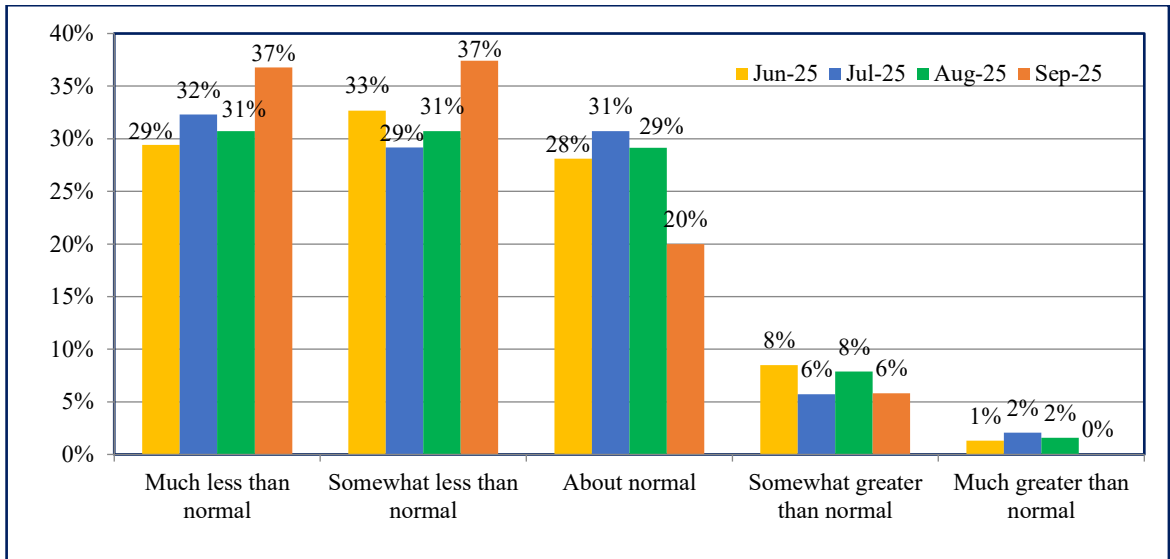


² "Normal" means as compared to the average level obtained in the preceding 3 years, excluding the Covid-19 period.

D. Profit Margins

- Around 74% of the firms reported 'somewhat less than normal' or lower profit expectations in September 2025 (Chart 4).
- The percentage of firms reporting 'about normal' or higher profit expectations in September 2025 has sharply declined to 26% from around 39% during July-August 2025 survey.

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%.