भारतीय प्रबंध संस्थान अहमदाबाद
INDIAN INSTITUTE *of* MANAGEMENT AHMEDABAD

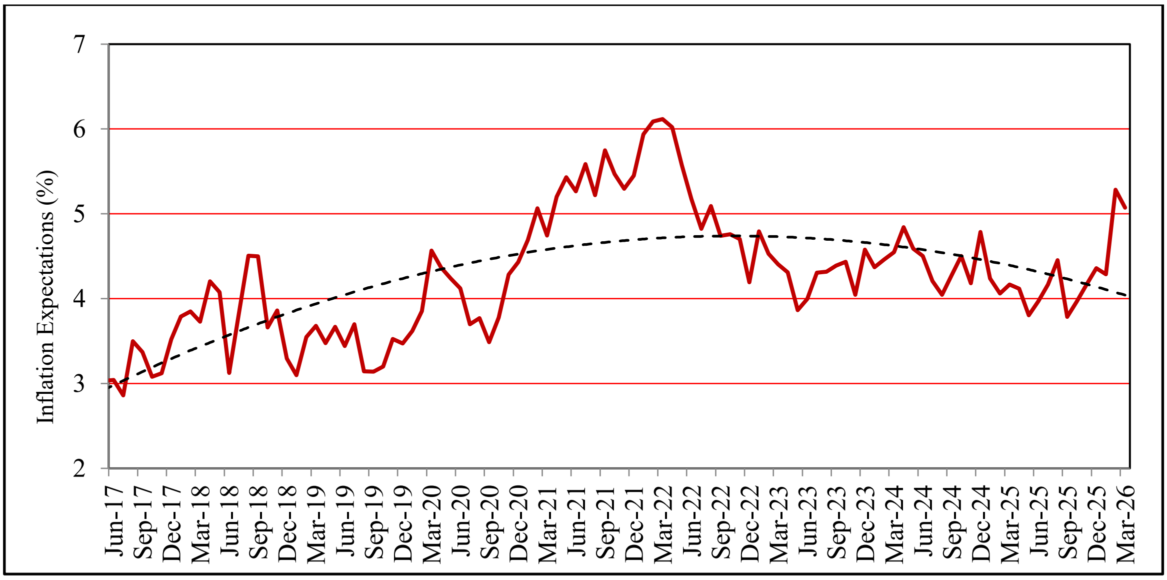
Business Inflation Expectations Survey (BIES)[1] – March 2026

A. Inflation expectations

- One year ahead business inflation expectation in March 2026, as estimated from the mean of individual probability distribution of unit cost increase, has declined by 22 bps to 5.07%, from 5.29% reported in February 2026. Firms held their inflation expectations at over 5% for two consecutive months - a phenomenon witnessed after August 2022. The trajectory of one year ahead business inflation expectations is presented in Chart 1.

- The uncertainty of business inflation expectations in March 2026, as captured by the square root of the average variance of the individual probability distribution of unit cost increase, remained elevated at over 2% for the past three consecutive months.

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



B. Costs

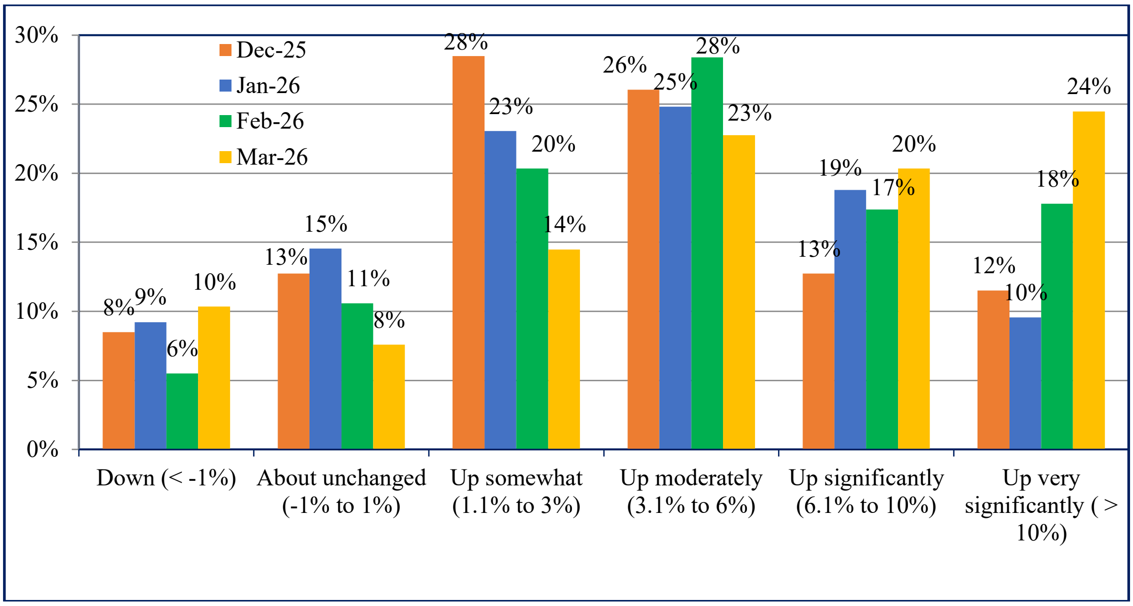
- Overall, the cost perceptions data in March 2026 indicates significant increase in cost pressures.

[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 – March 2026" is the 107th round of the Survey. These results are based on the responses of around 1100 companies.

- The percentage of firms perceiving costs to be 'up significantly' and above (over 6%) in March 2026 has increased to 44%, from 35% reported in February 2026 (Chart 2).

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

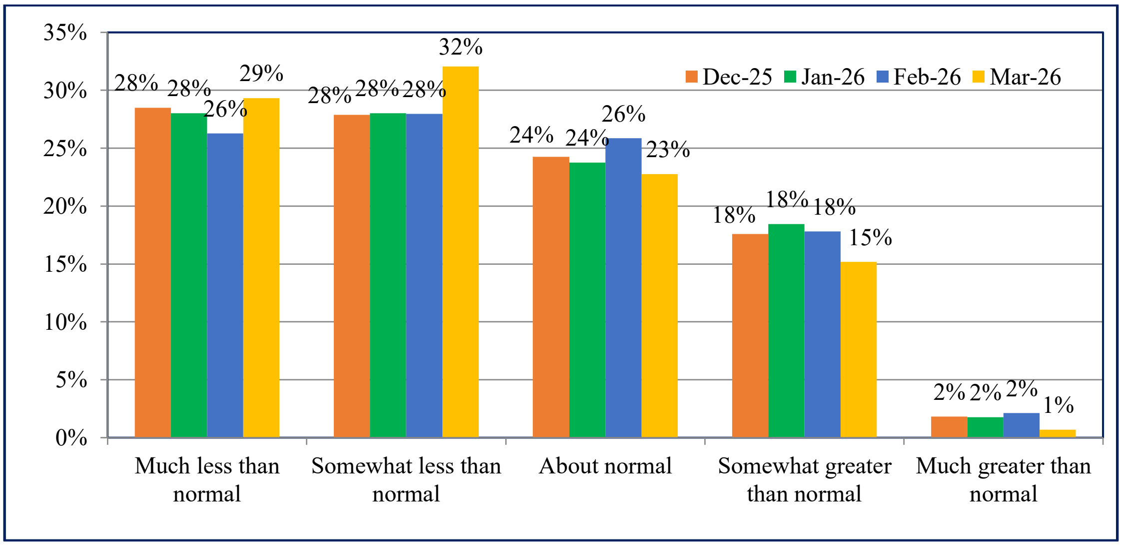


C. Sales Levels

- Firms' sales expectations remain subdued and similar during November 2025 – March 2026.

- Around 61% firms in March 2026 are reporting 'much less than normal' or 'somewhat less than normal' sales[2], further up from 54% reported in February 2026 (Chart 3).

Chart 3: Sales Levels - % response



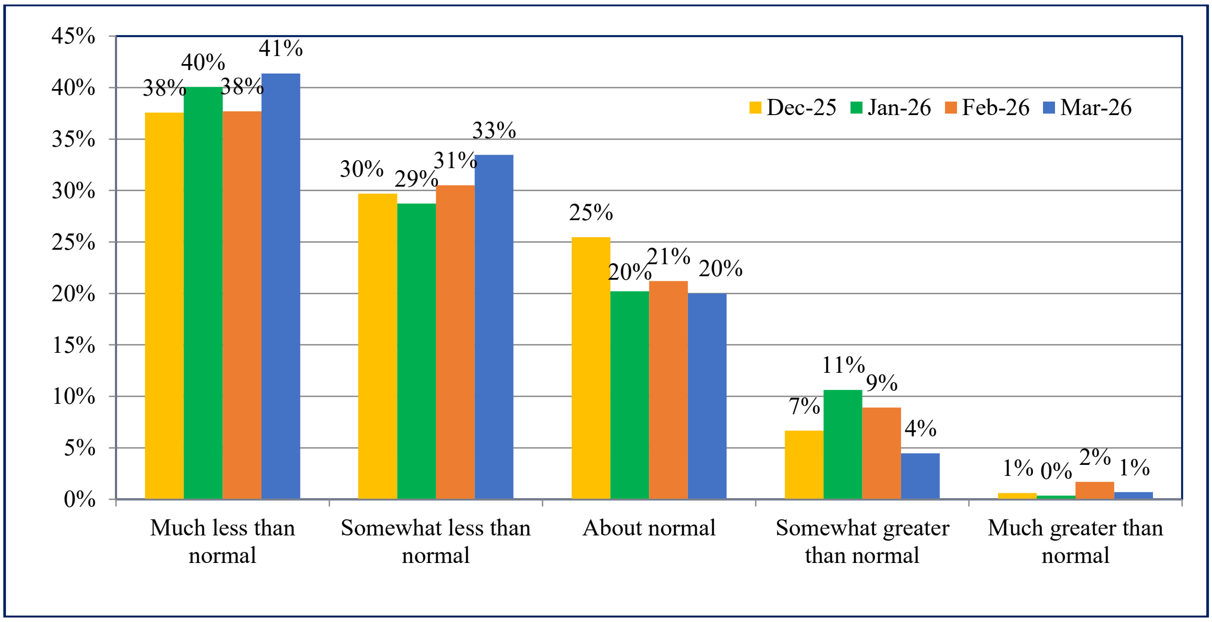
[2] "Normal" means as compared to the average level obtained in the preceding 3 years, excluding the Covid-19 period.

D. Profit Margins

- The percentage of firms reporting 'somewhat less than normal' or below profit margin expectations in March 2026 has further increased to 74%, from around 69% reported during November 2025 -February 2026 (Chart 4).

- Overall, the profit margin expectations have further deteriorated.

Chart 4: Profit Margins - % response



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Business Inflation Expectation Survey (BIES) – Questionnaire

A. Current Business Conditions

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

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

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

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

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

^ *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.

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

$ *of the main or most important product in terms of sales.*
Values should add up to 100%.