

Macro Roundup Article

Headline: [How Do Firms Adjust Prices in a High Inflation Environment?](#)

Article Link: <https://libertystreeteconomics.newyorkfed.org/2023/06/how-do-firms-adjust-prices-in-a-high-inflation-environment/>

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Tweet: A @NewYorkFed survey of about 700 businesses finds an average 60% rate of cost-price passthrough over 2022-23. Survey responses show that managers often set prices as a fixed markup over costs.

Summary: Using a research design that combines open-ended interviews with a quantitative survey of about 700 businesses, we find, on average, cost-to-price passthroughs in the 60 percent range during a period of elevated inflation—when firms were intensely knowledgeable about, and focused on, prices and costs. These estimates mask considerable heterogeneity, with some firms reporting a passthrough greater than one. Firms report that the key determinants of their pricing decisions include the strength of demand, maintaining steady profit margins, labor and nonlabor costs, and competitors' prices.

Primary Topic: Inflation

Topics: Factoid, GDP, Inflation, Op-Ed/Blog Post

Permalink: <https://www.edwardconard.com/macro-roundup/a-newyorkfed-survey-of-about-700-businesses-finds-an-average-60-rate-of-cost-price-passthrough-over-2022-23-survey-responses-show-that-managers-often-set-prices-as-a-fixed-markup-over-costs?view=detail>

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