

Supplemental Report:

Manufacturers Foresee Some Deceleration in Both Input and Selling Prices

Supplementary questions to the December 2011 *Empire State Manufacturing Survey* focused on recent and expected changes in the prices paid by firms for several major budget categories, including wages, employee benefits, insurance, energy, and other commodities. The same set of questions had been asked in December 2010 and in earlier years.

In the current survey, firms predicted that prices paid would increase by slightly more in calendar 2012 than in 2011 in some budget categories but by less in others. Prices paid overall were reported to have risen 4.3 percent on average in 2011; this rate was expected to slow somewhat to 3.5 percent in 2012. Among the broad budget categories, employee benefits showed the

steepest price increases—both actual and expected; respondents reported that these costs climbed 7.3 percent, on average, in 2011 and were expected to rise 6.1 percent in 2012. Both figures were well below the 10 percent average jump anticipated by respondents in last December's survey. Wages were expected to climb 2.8 percent on average in 2012, with anticipated price rises of 3.9 percent for non-energy commodities and 3.3 percent for insurance (excluding health benefits). Outside services and energy costs were expected to rise by less than 3 percent next year.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The overall distribution very closely resembled the one

in last December's survey: the perceived probability that prices would rise by more than 2 percent averaged out to 64 percent, while respondents reported a 12 percent chance that prices would rise by at least 8 percent. At the other end of the spectrum, the average perceived probability that prices would decline by at least 2 percent overall was a little more than 4 percent—down slightly from 7 percent in last year's survey.

Finally, respondents were asked how they expected their selling prices to change over the next year. The average expected increase in the current survey was 1.8 percent—down from 3.2 percent in last year's survey but roughly equal to the increase foreseen in the December 2009 survey. ■

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Supplemental Report, *continued*

QUESTION 1

For each budget category, please indicate the approximate percentage change in the price you paid in 2011 and the expected percentage change in the price in 2012:

	December 2011 Survey		December 2010 Survey
	Average percentage Change Reported for 2011	Average percentage Change Expected for 2012	Average percentage Change Expected for 2011
Wages	2.4	2.8	3.3
Employee benefits	7.3	6.1	10.1
Insurance (liability, fire, etc.)	2.9	3.3	4.3
Outside services	2.6	2.4	3.3
Energy	2.4	2.9	2.6
Other commodities	5.2	3.9	3.9
Overall	4.3	3.5	4.5

QUESTION 2

What would you say is the percentage chance that, over the next twelve months, your prices paid will . . .

	Average percentage Chance of Specified Price Change in Given Survey Month*	
	December 2011	December 2010
Increase 8 percent or more	11.8	12.2
Increase 2 to 8 percent	52.3	51.5
Stay within 2 percent of current levels	31.5	29.0
Decrease 2 to 8 percent	3.9	5.7
Decrease 8 percent or more	0.5	1.7

* Survey respondents were asked to assign a specific percentage change to each possible outcome; the values in this table reflect the average indicated percentage change across all respondents.

QUESTION 3

By how much do you expect your selling prices to change, on average, over the next year?

	December 2011	December 2010
Average percentage change	1.8	3.2
Median percentage change	2.0	2.5