

Supplemental Report:

Manufacturers Continue to Expect Moderate Price Pressures

Supplementary questions to the November *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 2012 and earlier.

In the current survey, firms predicted that prices paid for most budget categories would increase at a somewhat faster rate in calendar 2014 than in 2013. Prices paid overall were reported to have risen 3.4 percent on average in 2013, and this rate was expected to increase to 4.0 percent in 2014. Among the broad budget categories, employee benefits showed the steepest price increase—both actual and expected: respondents expected these costs to accelerate from a 7 percent increase in 2013 to a more than 9 percent increase next year. Energy costs, which had reportedly risen by

2.1 percent in 2013, are expected to advance 2.8 percent in 2014, and non-medical insurance costs are also expected to accelerate slightly, rising by just under 4 percent. Wages are expected to climb 2.6 percent on average in 2014, with prices paid for outside services and non-energy commodities expected to rise by a bit less than 3 percent—all closely matching the respective reported increases for 2013.

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 reflects a higher perceived likelihood of moderate price increases than in last year's survey. The probability that prices would rise by 8 percent or more averaged out to just 8 percent—about the same as in last December's survey—but the perceived chance of a 2 to 8 percent increase rose from 50 percent in the 2012 survey to 61 percent in the current survey.

At the other end of the spectrum, the average perceived probability that prices would decline by at least 2 percent overall was 4 percent—slightly lower than 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—up from 1.0 percent in last December's survey but exactly matching the increase predicted in the December 2011 survey. ■

Supplemental Report, *continued*

QUESTION 1

For each budget category, please indicate the approximate percentage change in the price you paid in 2013 and the expected percentage change in the price in 2014:

	November 2013 Survey		December 2012 Survey
	Average Percentage Change Reported for 2013	Average Percentage Change Expected for 2014	Average Percentage Change Expected for 2013
Wages	2.5	2.6	3.1
Employee benefits	6.9	9.2	7.2
Insurance (liability, fire, etc.)	3.5	3.9	3.9
Outside services	2.4	2.5	2.5
Energy	2.1	2.8	2.3
Other commodities	2.5	2.8	2.8
Overall	3.4	4.0	4.0

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*	
	November 2013 Survey	December 2012 Survey
Increase 8 percent or more	7.6	9.0
Increase 2 to 8 percent	60.6	49.7
Stay within 2 percent of current levels	27.5	35.2
Decrease 2 to 8 percent	3.6	5.5
Decrease 8 percent or more	0.6	0.6

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

QUESTION 3

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

	November 2013 Survey	December 2012 Survey
Average percentage change	1.8	1.0
Median percentage change	2.0	2.0