

Empire State Manufacturing Survey: Supplemental Report

September 2008

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Manufacturers Foresee Moderate Price Hikes in the Year Ahead

In a series of supplementary questions to the September 2008 *Empire State Manufacturing Survey*, manufacturers were asked how much their overall selling prices had changed over the past year and how much they expected their prices to rise or fall in the future. In addition, they were asked to assess the probability that prices would rise or fall by certain specified amounts. Identical questions had been asked in the September 2007 survey.

Respondents indicated that during the past twelve months, prices rose 4.8 percent, on average—a moderately larger increase than the 2.0 percent rise reported in the September 2007 survey (see table). For the coming year, respondents expected prices to rise by 3.6 percent, on average, compared with last year’s expected price rise of 1.7 percent. Still, almost half of all respondents planned to hike prices by at least 4 percent; just 6 percent of respondents expected to lower prices (not shown in table).

In a separate question, manufacturers were asked about the probability of certain specified price changes over the next twelve months. The average respondent reported just a 25 percent chance that prices would remain within 2 percent of their current levels, but a 50 percent chance that they would rise by between 2 and 8 percent. Manufacturers, on average, reported a 7 percent chance that their selling prices would fall more than 2 percent, and an 18 percent chance that they would rise more than 8 percent. A comparison with the 2007 survey results suggests that manufacturers in 2008 perceived steep price rises to be more likely and price declines to be less likely than they did a year earlier.

1) By how much have your selling prices changed, on average, over the *past year*?

	September 2008 Survey	September 2007 Survey
Average percentage change	4.8	2.0
Median percentage change	4.0	1.0

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

	September 2008 Survey	September 2007 Survey
Average percentage change	3.6	1.7
Median percentage change	3.3	2.0

3) What would you say is the percentage chance that, over the next 12 months, your selling prices will:

	September 2008 Survey Percentage Chance*	September 2007 Survey Percentage Chance*
Increase by 15% or more	3.0	1.0
Increase by 8 to 15%	14.7	6.0
Increase by 2 to 8%	50.3	43.1
Stay within 2% of where they are now	24.8	40.4
Decrease by 2 to 8%	6.2	7.4
Decrease by 8% or more	0.9	2.1

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