

Supplemental Report:

Manufacturers Anticipate Modest Acceleration in Input Prices

Supplementary questions to the December *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 was asked in December 2009 and in earlier years.

In the current survey, firms predicted that prices paid for most budget categories would increase by somewhat more in calendar 2011 than in 2010. Prices paid overall were reported to have risen 4.3 percent on average in 2010, and this rate was expected to accelerate slightly to 4.5 percent in 2011. Among the broad budget categories, employee benefits was expected to show the steepest price increase—both in absolute terms and relative to 2010 increases; respondents

foresaw a 10.1 percent rise in the cost of benefits, up from 8.9 percent in 2010. Wages were expected to climb 3.3 percent on average in 2011, with anticipated price rises of 4.3 percent for insurance (excluding health benefits), 3.3 percent for outside services, and 2.6 percent for energy. In these categories, the expected hikes were higher than those reported for 2010, but by less than a percentage point. Prices for non-energy commodities were expected to increase slightly less in 2011 (3.9 percent) than in 2010 (4.7 percent).

The change in overall prices for 2010 predicted in the December 2009 survey proved to be close to the mark: the average respondent had expected prices to rise 4.2 percent—an increase almost identical to the 4.3 percent rise that respondents reported in the current survey. However, wages, employee

benefits, outside services, and non-energy commodities rose slightly more than had been anticipated, while energy costs rose slightly less than expected.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The perceived probability that prices would rise by more than 2 percent climbed to 64 percent, up from 56 percent in last year's survey and 51 percent in 2008. Respondents in the latest survey reported a 12 percent chance that prices would rise by at least 8 percent, viewing this larger increase as a somewhat more likely outcome than did respondents in last year's survey. The average perceived probability that prices would decline by at least 2 percent overall was 7 percent—the same as in last year's 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 2010 and the expected percentage change in the price in 2011:

	December 2010 Survey		December 2009 Survey
	Average Percentage Change Reported for 2010	Average Percentage Change Expected for 2011	Average Percentage Change Expected for 2010
Wages	2.6	3.3	2.1
Employee benefits	8.9	10.1	7.6
Insurance (liability, fire, etc.)	3.6	4.3	3.5
Outside services	2.9	3.3	2.1
Energy	1.9	2.6	2.2
Other commodities	4.7	3.9	3.5
Overall	4.3	4.5	4.2

QUESTION 2

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

	Average Percentage Chance of Specified Price Change in Given Survey Month*	
	December 2010	December 2009
Increase 8 percent or more	12.2	9.2
Increase 2 to 8 percent	51.5	46.3
Stay within 2 percent of current levels	29.0	37.5
Decrease 2 to 8 percent	5.7	5.9
Decrease 8 percent or more	1.7	1.2

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