

Empire State Manufacturing Survey: Supplemental Report

May 2009

For release May 15, 2009

Firms See Little Change in Prices in the Year Ahead

The supplementary questions in the May 2009 *Empire State Manufacturing Survey* focused on past and expected changes in both the prices firms pay for inputs and the prices they charge their customers. Some of the same questions were previously asked in surveys conducted in May 2008 and in September and December of 2007.

Respondents reported that the prices they paid for inputs were essentially unchanged, on average, over the past twelve months—a very different assessment than the 8.7 percent average increase cited by respondents in the May 2008 survey. The median increase was 2.0 percent, down from 7.0 percent in last May’s survey. Looking ahead to the next twelve months, the average respondent expected a 2.2 percent increase in prices paid, while the median expectation was for a 2.0 percent rise. In last May’s survey, the expected increases were 6.8 and 5.0 percent, respectively. In the current survey, respondents cited a 5 percent chance, on average, that prices paid would rise 8 percent or more; in the 2008 survey, the odds of that large an increase were pegged at 30 percent. Conversely, the average reported probability that prices would stay within 2 percent of current levels or decline was 62 percent in this month’s survey, up from a probability of less than 20 percent in May 2008.

In assessing the change in their selling prices over the past twelve months, firms reported an average price increase of 1.2 percent and a median increase of 2.0 percent—down from a rise of roughly 3 percent, in both cases, in last May’s survey. Looking ahead to the next twelve months, firms predicted a 2.6 percent average increase (and a 2.0 percent median increase) in the prices they charge customers—slightly smaller increases than those anticipated in last year’s survey. The probability that selling prices would rise 8 percent or more in the year ahead was reported to be roughly 6 percent, on average; in last year’s survey, respondents judged such a sizable increase to be twice as likely. At the other end of the spectrum, the average respondent reported a 67 percent chance that prices would stay near current levels or decline; in May 2008, the probability of such an outcome was seen to be close to 40 percent.

1) By what percentage have the prices you pay, on average, changed over the past twelve months?

	Percentage Change	
	May 2009	May 2008
Average change	0.1	8.7
Median change	2.0	7.0

2) By what percentage do you expect the prices you pay, on average, to change over the next twelve months?

	Percentage Change	
	May 2009	May 2008
Average change	2.2	6.8
Median change	2.0	5.0

(Continued)

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3) 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*	
	May 2009	May 2008
Increase 8 percent or more	5.2	30.2
Increase 2 to 8 percent	32.9	51.2
Stay within 2 percent of current levels	45.0	13.3
Decrease 2 to 8 percent	14.4	4.3
Decrease 8 percent or more	2.5	0.9

4) By what percentage have your selling prices, on average, changed over the past twelve months?

	Percentage Change	
	May 2009	May 2008
Average change	1.2	2.9
Median change	2.0	3.0

5) By what percentage do you expect your selling prices, on average, to change over the next twelve months?

	Percentage Change	
	May 2009	May 2008
Average change	2.6	4.1
Median change	2.0	3.0

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

	Average Percentage Chance of Specified Price Change*	
	May 2009	May 2008
Increase 8 percent or more	5.9	11.6
Increase 2 to 8 percent	27.1	49.8
Stay within 2 percent of current levels	45.6	31.4
Decrease 2 to 8 percent	18.4	5.6
Decrease 8 percent or more	2.9	1.6

*Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported for questions 3 and 6 reflect the average indicated percentage chance across all respondents.