

Supplemental Report:

Firms Plan Somewhat Larger Price Hikes in the Year Ahead

The supplementary questions in the May 2011 *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 had previously been asked in surveys conducted in May 2010 and earlier.

Respondents estimated that the prices they paid for inputs rose by 8.1 percent, *on average*, over the past twelve months—up from 5.9 percent in last May’s survey. The *median* increase reported in the current survey was a more subdued 5.0 percent, up from 3.0. The reason for the sizable gap between the median and the average was that a couple of firms reported price increases of 50 percent or more, apparently stemming from surges in the price of certain commodity inputs; these responses boosted the average but had no effect on the median. The average

increase anticipated for the next twelve months was reported to be 5.6 percent, while the median expected rise was 5.0 percent. Both measures are 1 percentage point higher than in last May’s survey.

In response to a question about the probability of various price scenarios, firms in the current survey estimated a 24 percent chance, on average, that prices paid would rise by 8 percent or more, and an 80 percent chance that prices paid would rise by at least 2 percent. These probabilities are moderately higher than those reported in last May’s survey and substantially higher than those reported in the May 2009 survey. Respondents in the current survey, on average, estimated the likelihood that prices would decline by more than 2 percent to be less than 5 percent; the likelihood that prices would remain relatively steady—within 2 percent of current levels—was seen to be 16 percent.

In assessing past changes in their *selling prices*, firms reported an average price increase of 1.9 percent (down from 2.9 percent in May 2010) and a median increase of 2.0 percent (the same as in last May’s survey). Looking ahead to the next twelve months, firms predicted a 3.6 percent average increase and a 4.0 percent median increase in selling prices—both moderately larger increases than had been anticipated in last year’s survey. Respondents, on average, saw a slightly more than one in ten chance that they would raise their selling prices by 8 percent or more and a three in five chance that they would raise prices by at least 2 percent. Both probabilities are somewhat higher than those cited in last May’s survey. At the other end of the spectrum, the average respondent reported a less than 7 percent chance that selling prices would fall 2 percent or more, down from an average of 11 percent in last May’s survey. ■

Supplemental Report, *continued*

QUESTION 1

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

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	8.1	5.9	0.1
Median change	5.0	3.0	2.0

QUESTION 4

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

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	1.9	2.9	1.2
Median change	2.0	2.0	2.0

QUESTION 2

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

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	5.6	4.6	2.2
Median change	5.0	4.0	2.0

QUESTION 5

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

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	3.6	2.9	2.6
Median change	4.0	3.0	2.0

QUESTION 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 2011	May 2010	May 2009
Increase 8 percent or more	23.6	17.7	5.2
Increase 2 to 8 percent	56.4	45.0	32.9
Stay within 2 percent of current levels	16.4	29.7	45.0
Decrease 2 to 8 percent	2.3	4.8	14.4
Decrease 8 percent or more	1.4	2.8	2.5

QUESTION 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 2011	May 2010	May 2009
Increase 8 percent or more	11.0	9.2	5.9
Increase 2 to 8 percent	50.3	41.9	27.1
Stay within 2 percent of current levels	32.3	37.9	45.6
Decrease 2 to 8 percent	4.4	9.5	18.4
Decrease 8 percent or more	2.0	1.5	2.9

* 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.