

## Empire State Manufacturing Survey: Supplemental Report

**May 2010**

*For release May 17, 2010*

### Firms Foresee Moderate Rises in Prices Paid and Received in Year Ahead

The supplementary questions in the May 2010 *Empire State Manufacturing Survey* focused on past and expected changes in both the prices that firms pay for inputs and the prices they charge their customers. Some of the same questions were previously asked in the May 2009 and earlier surveys.

Manufacturers estimated that over the past twelve months, the prices they paid for inputs rose on average a little less than 6 percent—a very different assessment from the May 2009 survey finding that prices were essentially unchanged from the prior year. The median increase reported in the current survey was a more subdued 3.0 percent, up from 2.0. (The median and average increases differed so sharply because a few respondents in the current survey reported price increases of 25 percent or more; these large increases boosted the average but had no effect on the median.) The median increase expected over the next twelve months was 4.0 percent, while the average expected rise was 4.6 percent. In last May’s survey, the anticipated increases were 2.0 and 2.2 percent, respectively.

Asked to assess the probability that price changes would fall within certain ranges, respondents to the current survey estimated a 63 percent chance, on average, that prices paid would rise 2 percent or more. In the 2009 survey, by contrast, the odds of that magnitude of increase were pegged at just 38 percent. Moreover, the probability that prices would rise by at least 8 percent rose from 5 percent in last May’s survey to 18 percent in the current survey. The average reported probability that prices would decline by more than 2 percent fell from 17 percent in last year’s survey to just 8 percent currently.

In assessing changes in their *selling* prices, firms reported an average price increase of 2.9 percent (up from 1.2 percent in May 2009) and a median increase of 2.0 percent (unchanged from May 2009). Looking ahead to the next twelve months, firms predicted a 2.9 percent average increase and a 3.0 percent median increase—modestly larger increases than had been anticipated in last year’s survey. The probability that selling prices would rise 2 percent or more in the year ahead rose from one in three, on average, in last May’s survey to roughly one in two in the current survey. At the other end of the spectrum, the average respondent reported an 11 percent chance that selling prices would fall 2 percent or more, down from a 21 percent chance in last May’s survey.

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

	Percentage Change		
	May 2010	May 2009	May 2008
Average change	<b>5.9</b>	0.1	8.7
Median change	<b>3.0</b>	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 2010	May 2009	May 2008
Average change	<b>4.6</b>	2.2	6.8
Median change	<b>4.0</b>	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 2010	May 2009	May 2008
Increase 8 percent or more	17.7	5.2	30.2
Increase 2 to 8 percent	45.0	32.9	51.2
Stay within 2 percent of current levels	29.7	45.0	13.3
Decrease 2 to 8 percent	4.8	14.4	4.3
Decrease 8 percent or more	2.8	2.5	0.9

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

	Percentage Change		
	May 2010	May 2009	May 2008
Average change	2.9	1.2	2.9
Median change	2.0	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 2010	May 2009	May 2008
Average change	2.9	2.6	4.1
Median change	3.0	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 2010	May 2009	May 2008
Increase 8 percent or more	9.2	5.9	11.6
Increase 2 to 8 percent	41.9	27.1	49.8
Stay within 2 percent of current levels	37.9	45.6	31.4
Decrease 2 to 8 percent	9.5	18.4	5.6
Decrease 8 percent or more	1.5	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.