

## Empire State Manufacturing Survey: Supplemental Report

December 2009

For release December 15, 2009

### Manufacturers Anticipate Some 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 inputs or budget categories, including wages, employee benefits, insurance, energy, and other commodities. The same set of questions was asked a year ago, in December 2008.

Firms predicted that prices paid for most budget categories would increase by considerably more in calendar 2010 than in 2009. While prices paid overall were reported to have risen 2.5 percent on average in 2009, this rate was expected to accelerate to 4.2 percent in 2010. The anticipated acceleration was fairly broad-based across categories: the average respondent foresaw an increase of 2.1 percent in both wages and the costs of outside services, 7.6 percent in employee benefit costs, and 3.5 percent in nonmedical insurance costs—increases that exceeded those reported for 2009 by 2 to 2½ percentage points. Similarly, energy costs were expected to rise 2.2 percent in 2010, after remaining little changed this past year, and costs for other commodities were expected to climb 3.5 percent, after a 2.3 percent gain in 2009. Prices paid were not expected to decelerate in any category.

A comparison of expected price changes from the December 2008 survey with the actual changes reported in the current survey shows that prices paid rose less than had been anticipated in most categories—and particularly in energy and wages, where prices paid actually edged down on average. Only non-energy commodity costs rose more rapidly in 2009 than had been anticipated. Overall prices, which had been expected to climb 3.5 percent in 2009, reportedly rose 2.5 percent on average.

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 decline by at least 2 percent in the year ahead tumbled from 19 percent, on average, in last year's survey to just 7 percent in the current survey. At the same time, the probability that prices paid would rise at least 8 percent also declined—from 12 percent on average in the 2008 survey to 9 percent currently.

1) For each budget category, please indicate the approximate percentage change in the price you paid in 2009 and the expected percentage change in the price in 2010:

	December 2009 Survey		December 2008 Survey
	Average Percentage Change Reported for 2009	Average Percentage Change Expected for 2010	Average Percentage Change Expected for 2009
Wages	-0.3	2.1	3.2
Employee benefits	5.5	7.6	7.6
Insurance (liability, fire, etc.)	1.5	3.5	2.1
Outside services	0.2	2.1	2.2
Energy	-0.2	2.2	3.1
Other commodities	2.3	3.5	1.1
Overall	2.5	4.2	3.5

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2) 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 in Given Survey Month*	
	December 2009	December 2008
Increase 8 percent or more	<b>9.2</b>	11.9
Increase 2 to 8 percent	<b>46.3</b>	38.8
Stay within 2 percent of current levels	<b>37.5</b>	30.3
Decrease 2 to 8 percent	<b>5.9</b>	14.7
Decrease 8 percent or more	<b>1.2</b>	4.2

\*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.