

Empire State Manufacturing Survey: Supplemental Report

December 2008

For release December 15, 2008

Manufacturers Anticipate Slower Growth 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 2007.

Firms predicted slower growth in prices paid for most budget categories in calendar year 2009. Respondents indicated that in 2008, prices paid across all budget categories had risen 6.7 percent on average; the average price increase expected for 2009 was a more moderate 3.5 percent. The most pronounced deceleration in price increases was foreseen for energy and other commodities: the average respondent predicted that energy costs would rise 3.1 percent in 2009 following an 8.3 percent rise this past year, while costs of non-energy commodities would rise just 1.1 percent after jumping 7.5 percent in 2008. Manufacturers anticipated increases of slightly more than 3 percent in wages and a little more than 2 percent in prices paid for insurance and outside services in 2009—about a point lower than the corresponding increases reported for 2008. The only price category seen rising more rapidly in 2009 than in 2008 was employee benefits; this cost was expected to climb 7.6 percent next year, after advancing 7.1 percent in 2008.

A comparison of expected price changes from the December 2007 survey with the actual changes reported currently reveals that prices paid rose only slightly more in 2008 than had been expected in last year's survey—6.7 percent, as opposed to the average expected increase of 6.4 percent. Prices for commodities and insurance rose a bit more than had been anticipated, while prices for outside services came in a little below expectations.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The average respondent saw a 12 percent chance that prices would rise by 8 percent or more and, at the other extreme, a 4 percent chance that prices would decline by at least 8 percent.

1) For each budget category, please indicate the approximate percentage change in the price you paid in 2008 and the expected percentage change in the price in 2009:

	December 2008 Survey		December 2007 Survey
	Average Percentage Change Reported for 2008	Average Percentage Change Expected for 2009	Average Percentage Change Expected for 2008
Wages	4.1	3.2	4.0
Employee benefits	7.1	7.6	7.5
Insurance (liability, fire, etc.)	3.5	2.1	2.2
Outside services	3.2	2.2	3.9
Energy	8.3	3.1	7.6
Other commodities	7.5	1.1	5.2
Overall	6.7	3.5	6.4

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

	Rise 8 Percent or More	Rise 2-8 Percent	Change by Less Than 2 Percent	Decline 2-8 Percent	Decline 8 Percent or More
Average percentage chance *	11.9	38.8	30.3	14.7	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.