

Supplemental Report:

Manufacturers Foresee Steady Price Pressures, Modest Impact from Sandy

Supplementary questions to the December 2012 *Empire State Manufacturing Survey* focused on recent and expected changes in the prices paid by firms for several major budget categories, including wages, employee benefits, insurance, energy, and other commodities. The same set of questions was asked in December 2011 and in earlier years.

In the current survey, firms predicted that prices paid for most budget categories would increase by about the same rate in calendar 2013 as in 2012. Prices paid overall were reported to have risen 3.7 percent on average in 2012, and this rate was expected to edge up to 4.0 percent in 2013. Among the broad budget categories, employee benefits showed the steepest price increase, both actual and expected: respondents reported that these costs climbed 6.4 percent, on average, in 2012 and were expected to accelerate to 7.2 percent in 2013. Wages were expected to climb 3.1 percent on average in 2013, with anticipated price rises of 2.8 percent for non-energy commodities and 3.9 percent for insurance (excluding

health benefits). Outside services and energy costs were expected to rise by less than 3 percent next year—as was the case in 2012.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The overall distribution of responses closely resembles those in the 2011 and 2010 surveys: the perceived probability that prices would rise by more than 2 percent averaged out to 59 percent, while respondents reported a 9 percent chance that prices would rise by at least 8 percent. At the other end of the spectrum, the average perceived probability that prices would decline by at least 2 percent overall was just 6 percent—up slightly from 4 percent in last year’s survey.

In a final question about prices, respondents were asked how they expected their *selling* prices to change over the next year. The average expected increase in the current survey was 1.0 percent—down from 1.8 percent in last year’s survey and 3.2 percent in the December 2010 survey.

In addition to the price questions, a three-part follow-up question was asked on the net effects of superstorm Sandy on firms’ revenues in October and November and the storm’s expected effects on December revenues. Establishments in downstate New York (the New York City metro area) reported that revenues were roughly 7 percent lower than they otherwise would have been in October and were diminished by about 5 percent in November. However, revenues were expected to be unaffected, on net, in December. Respondents in upstate New York saw virtually no net effect, on average, in any of the three months. However, a few upstate respondents reported sizable effects on revenues—both increases and decreases—of 10 percent or more. Increases, for example, accrued to manufacturers of water-removal equipment and those taking on extra production from affected facilities in the New York City area; decreases mainly stemmed from the storm’s adverse effects on customers and supply chains. ■

Supplemental Report, *continued*

QUESTION 1

For each budget category, please indicate the approximate percentage change in the price you paid in 2012 and the expected percentage change in the price in 2013:

	December 2012 Survey		December 2011 Survey
	Average Percentage Change Reported for 2012	Average Percentage Change Expected for 2013	Average Percentage Change Expected for 2012
Wages	2.7	3.1	2.8
Employee benefits	6.4	7.2	6.1
Insurance (liability, fire, etc.)	4.0	3.9	3.3
Outside services	2.4	2.5	2.4
Energy	1.4	2.3	2.9
Other commodities	3.4	2.8	3.9
Overall	3.7	4.0	3.5

QUESTION 2

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

	Average Percentage Chance of Specified Price Change in Given Survey Month*	
	December 2012	December 2011
Increase 8 percent or more	9.0	11.8
Increase 2 to 8 percent	49.7	52.3
Stay within 2 percent of current levels	35.2	31.5
Decrease 2 to 8 percent	5.5	3.9
Decrease 8 percent or more	0.6	0.5

* Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported in this table reflect the average indicated percentage chance across all respondents.

QUESTION 3

By how much do you expect your selling prices to change, on average, over the next year?

	December 2012	December 2011
Average percentage change	1.0	1.8
Median percentage change	2.0	2.0