

# Supplemental Survey Report

## Businesses Foresee Inflation Moderating Next Year

Supplementary questions to the December 2022 *Business Leaders Survey* and *Empire State Manufacturing Survey* focused on recent and expected changes in firms' selling prices and in the prices they pay. A somewhat similar set of questions had been asked in the December 2021 survey, as well as earlier surveys. Businesses were also queried on their expectations of the overall rate of inflation in the economy. The latest survey was in the field from December 2 through December 9.

Survey participants were asked about changes in both their selling prices and their input prices over the past year. For selling prices, service firms reported an average rise of 7.3 percent, while manufacturers noted an average hike of 9.5 percent. Regarding input prices, both groups of firms indicated an average increase of

about 3 ½ percentage points higher—11 percent and 13 percent, respectively. Looking ahead to the next twelve months, both groups of firms indicated that they expected price pressures to abate considerably, anticipating an average increase of about 5 percent in both selling and input prices.

Businesses were also asked how confident, on a scale from 1 to 5, they were in the accuracy of their predictions. Among service firms the mix was fairly symmetric, with roughly a quarter of respondents saying they were “very” or “quite” confident and slightly over a third saying they were “not at all” or only “somewhat” confident.

Businesses were also queried on the factors contributing to their price-setting. Specifically, survey participants were asked how important

a series of listed factors were in influencing the prices they charge for their goods and/or services. Among both service firms and manufacturers, the most important of those factors was deemed to be the strength of demand for their products and services, followed closely by labor costs. Service firms ranked competitors' prices a distant third, while manufacturers' third-ranking factor was non-labor costs—such as materials, energy, transportation, and rent—followed closely by the overall consumer price index (CPI) inflation rate.

Finally, business panelists were asked about their expectations for the overall rate of inflation in the economy, as measured by the CPI. Among service-sector respondents, the average expected inflation rate for the year ahead was 5½ percent; among manufacturers, it was 6 percent. ■

## Supplemental Survey Report, *continued*

### QUESTIONS 1 AND 2

Looking back, by about what percent did the prices and costs of your goods or services change over the *last* twelve months?

	Business Leaders Survey		Empire State Manufacturing Survey	
	Percentage Change			
	Average*	Median	Average*	Median
The <b>selling prices</b> of your goods/services	7.3	5.0	9.5	8.0
The <b>costs</b> associated with your goods/services	11.0	10.0	13.0	10.0

*\*The "average" response reported here is a trimmed mean, which reflects the mean of the middle 90 percent of responses (that is, excluding the highest 5 percent and the lowest 5 percent of responses).*

### QUESTIONS 3 AND 4

Looking ahead, by about what percent do you expect the prices and costs of your goods or services will change over the *next* twelve months?

	Business Leaders Survey		Empire State Manufacturing Survey	
	Percentage Change			
	Average*	Median	Average*	Median
The <b>selling prices</b> of your goods/services	4.7	5.0	5.4	5.0
The <b>costs</b> associated with your goods/services	5.3	5.0	5.0	5.0

*\*The "average" response reported here is a trimmed mean, which reflects the mean of the middle 90 percent of responses (that is, excluding the highest 5 percent and the lowest 5 percent of responses).*

### QUESTION 5

How confident are you about the accuracy of your forecasted changes?

	Business Leaders Survey	Empire State Manufacturing Survey
	Percentage of Respondents	
Not very confident	6.5	14.0
Somewhat confident	29.0	22.0
Confident	39.1	40.0
Quite confident	22.5	20.0
Very confident	3.0	4.0

## Supplemental Survey Report, *continued*

### QUESTION 6

Currently, when you think about setting the prices of your goods and/or services, how important to you are the following factors in making those decisions?

	Business Leaders Survey	Empire State Manufacturing Survey
	Composite Measure of Importance (Percentage)*	
Your competitors' prices	60	61
The strength of demand for your most important good(s) or service(s)	79	81
Your wages and labor costs (including benefits)	74	78
Your non-labor costs, such as energy prices, materials prices, transportation costs, and rent	56	72
Maintaining steady profit margins (price over cost)	54	64
Interest rates, borrowing rates, and cost of capital	33	44
Problems with your supply chains, such as bottlenecks and product shortages	46	56
The overall rate of inflation in the U.S. economy, as measured by the consumer price index (CPI)	54	69
Other	46	61

\*Respondents were asked to assess how important each factor is, on a scale from 1 to 5. This composite measure represents a weighted average of the ratings giving 1 (least important) a weight of 0, 2 a weight of 0.25, 3 a weight of 0.5, 4 a weight of 0.75, and 5 (most important) a weight of 1.

### QUESTION 7

What do you think will be the inflation rate, as measured by the consumer price index (CPI), over the next twelve months?

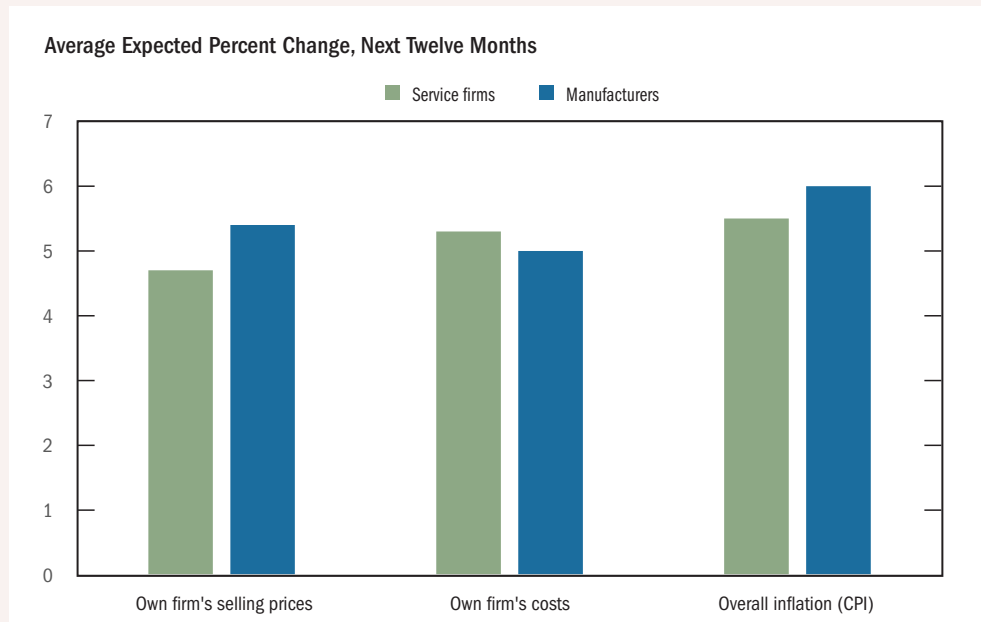
	Business Leaders Survey		Empire State Manufacturing Survey	
	Percent			
	Average*	Median	Average*	Median
The CPI inflation rate	5.5	5.0	6.0	6.0

\*The "average" response reported here is a trimmed mean, which reflects the mean of the middle 90 percent of responses (that is, excluding the highest 5 percent and the lowest 5 percent of responses).

## Supplemental Survey Report, *continued*

### OVERVIEW FOR QUESTIONS 3, 4, AND 7

Looking ahead, by about what percent do you expect the prices and costs of your goods or services, as well as the consumer price index overall, will change over the next twelve months?



*\*The "average" represents a trimmed mean among responses; the highest 5 percent and the lowest 5 percent of responses are excluded in these measures.*