

# Supplemental Survey Report

## Businesses Anticipate Modest Price Increases in Year Ahead

Supplementary questions to the October *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on recent and expected changes in the prices paid by firms and in the prices they receive. Businesses were also asked for their estimate of overall inflation (as measured by the consumer price index, or CPI) over the next year. Some of these questions had been asked in surveys conducted in December 2019 and earlier.

In the current survey, service sector respondents reported that prices paid overall rose 4.1 percent, on average, over the past twelve months, with the rate expected to slow to 3.2 percent over the next twelve months. Manufacturers reported an average rise of 3.6 percent over the past year and expect the rate to accelerate slightly to 3.9 percent over the next twelve months. In addition to these point estimates, 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 in both surveys reported a roughly two in three chance that the prices they paid would rise by 8 percent or less. Price hikes of 2-8 percent were seen as more likely than increases of 0-2 percent. Service firms, on average, reported that declines

in prices paid were more likely than increases of 8 percent or more, while manufacturers indicated the reverse.

When asked about changes in the prices they receive, the average manufacturer reported an increase of just 1.1 percent over the past twelve months, a pace that is expected to rise to 2.2 percent in the year ahead. Meanwhile, the average service sector respondent reported a marginal decline of 0.1 percent in prices received over the past year, while the average change expected for the next twelve months was an increase of 1.7 percent. Within the service sector, however, there was some variation across industry sectors (not shown in tables). Among retailers, both past and expected selling price increases averaged somewhat over 3 percent. In the hard-hit leisure and hospitality sector, past changes in prices received averaged just above zero, but expected changes averaged nearly 4 percent (though with a good deal of variation among respondents). In contrast, survey participants from the information, finance, and professional and business services sectors reported flat to declining prices and projected little change in their prices in the year ahead.

When businesses were asked about the likelihood that their selling prices would increase or decrease within certain specified ranges, the results were not much different than for prices paid. The average manufacturing respondent reported about a two in three chance that they would hike prices by less than 8 percent; the chances for such an increase were seen as slightly lower among service firms. Among manufacturers, increases of 2-8 percent were seen as somewhat more probable than hikes of less than 2 percent, while among service firms that expectation was reversed. Manufacturers, on average, reported a roughly one in five probability that they would cut prices; among service firms, the probability of price reductions was estimated to be one in four.

Finally, in addition to being asked about their own input and selling prices, businesses were asked to estimate what they thought general inflation—as measured by the CPI—would average over the next year. The average manufacturer predicted that inflation would average 2.6 percent, while the average service firm projected inflation to be 1.8 percent. ■

## Supplemental Survey Report, *continued*

### QUESTIONS 1 AND 2

By what percentage have your *input prices* changed over the past twelve months? And how do you expect them to change over the next twelve months?

	Business Leaders Survey		Empire State Manufacturing Survey	
	Past Twelve Months	Next Twelve Months	Past Twelve Months	Next Twelve Months
Median percentage change	2.0	2.0	3.0	3.0
Average percentage change	4.1	3.2	3.6	3.9

### QUESTION 3

Compared to today, what do you think is the percent chance that your input prices at this time next year (that is, twelve months from now) will be ...

	Business Leaders Survey	Empire State Manufacturing Survey
	Average Percent Chance of Specified Price Change	
More than 8 percent higher	13.3	18.3
2-8 percent higher	37.9	41.4
Less than 2 percent higher	29.5	25.7
Less than 2 percent lower	12.5	8.4
2-8 percent lower	4.5	4.0
More than 8 percent lower	1.8	1.4

## Supplemental Survey Report, *continued*

### QUESTIONS 4 AND 5

By what percentage have your *selling prices* changed over the past twelve months? And how do you expect them to change over the next twelve months?

	Business Leaders Survey		Empire State Manufacturing Survey	
	Past Twelve Months	Next Twelve Months	Past Twelve Months	Next Twelve Months
Median percentage change	0.0	1.0	0.0	2.0
Average percentage change	-0.1	1.7	1.1	2.2

### QUESTION 6

Compared to today, what do you think is the percent chance that your selling prices at this time next year (that is, twelve months from now) will be ...

	Business Leaders Survey	Empire State Manufacturing Survey
	Average Percent Chance of Specified Price Change	
More than 8 percent higher	10.7	11.0
2-8 percent higher	29.8	37.4
Less than 2 percent higher	33.0	31.7
Less than 2 percent lower	13.8	10.5
2-8 percent lower	8.2	6.0
More than 8 percent lower	4.0	2.8

### QUESTION 8

Thinking about the overall inflation rate in the economy—as measured by the consumer price index (CPI)—what is your best estimate for what this rate will be, on average, over the next twelve months?

	Business Leaders Survey	Empire State Manufacturing Survey
Median response	2.0	2.0
Average response	1.8	2.6