

Supplemental Survey Report

Businesses Expect Some Acceleration in Input Prices, Wages in 2017

Supplementary questions to the December *Empire State Manufacturing Survey* and *Business Leaders 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 had been asked in December 2015 and in earlier surveys.

In the current survey, both manufacturers and service firms reported that prices paid overall rose by roughly 4 percent, on average, in 2016—up from 3½ percent in 2015, based on last December’s survey—and were expected to rise at a somewhat faster pace of just over 4½ percent in 2017. Among the broad budget categories, the steepest price increases—both actual and expected—were, once again, for employee benefits. Manufacturers indicated that such costs rose 6.2 percent, on average, over the past year, while service-sector respondents cited an average rise of 7.0 percent. These increases were roughly

in line with the expectations reported in last year’s survey. Looking ahead to 2017, manufacturers said they expected benefit costs to rise 6½ percent, while service firms predicted an average hike of 7.7 percent. Wage increases—both recent and expected—remained fairly subdued but were expected to pick up somewhat in 2017. Manufacturers reported that wages rose 3.3 percent, on average, in 2016 and said they expected them to rise 3.8 percent in 2017; service firms also foresaw wages accelerating slightly, from a 3.2 percent pace in 2016 to a 3.5 percent average increase next year. Energy costs, which were reported to have been essentially flat in 2016, were expected by respondents to both surveys to rise 2.4 percent next year. Price changes for a few other major categories are shown in the accompanying charts and tables.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within

certain specified ranges. The average manufacturing respondent indicated a 34 percent chance that the prices they paid would remain within 2 percent of current levels and a 49 percent chance that they would rise by 2 to 8 percent. These estimates reflected a somewhat higher perceived chance of rising costs than in last year’s survey. Among service-sector firms, the overall distribution was largely similar to that in last year’s survey: the average respondent reported a 34 percent chance that prices would stay within 2 percent of existing levels and a 50 percent chance that prices would increase by 2 to 8 percent.

Finally, businesses were asked how they expected their selling prices to change over the next year. The average expected increase among service firms was 2.2 percent, up from 1.8 percent in last year’s survey; among manufacturers, however, the average expected increase jumped from 1.0 percent in last December’s survey to 2.6 percent in the latest survey. ■

Supplemental Survey Report, *continued***QUESTION 1**

For each of the following budget categories, please indicate the approximate percentage change in the price you paid in 2016 and the expected percentage change in the price in 2017:

	Empire State Manufacturing Survey		Business Leaders Survey	
	Average Percentage Change Reported for 2016	Average Percentage Change Expected for 2017	Average Percentage Change Reported for 2016	Average Percentage Change Expected for 2017
Wages	3.3	3.8	3.2	3.5
Employee benefits	6.2	6.5	7.0	7.7
Insurance (e.g., liability, fire)	2.7	3.4	3.5	4.2
Outside services	2.1	2.3	2.1	2.9
Energy	0.2	2.4	-0.2	2.4
Other commodities	1.9	2.8	1.5	2.2
Overall	4.0	4.7	4.1	4.6

QUESTION 2

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

	Empire State Manufacturing Survey		Business Leaders Survey	
	Average Percentage Chance of Specified Price Change*		Average Percentage Chance of Specified Price Change*	
	December 2016 Survey	December 2015 Survey	December 2016 Survey	December 2015 Survey
Increase 8 percent or more	11.7	7.6	11.6	11.0
Increase 2 to 8 percent	49.1	42.3	49.7	47.4
Stay within 2 percent of current levels	33.5	43.4	33.8	35.6
Decrease 2 to 8 percent	4.0	6.0	3.9	5.3
Decrease 8 percent or more	1.7	0.7	1.0	0.7

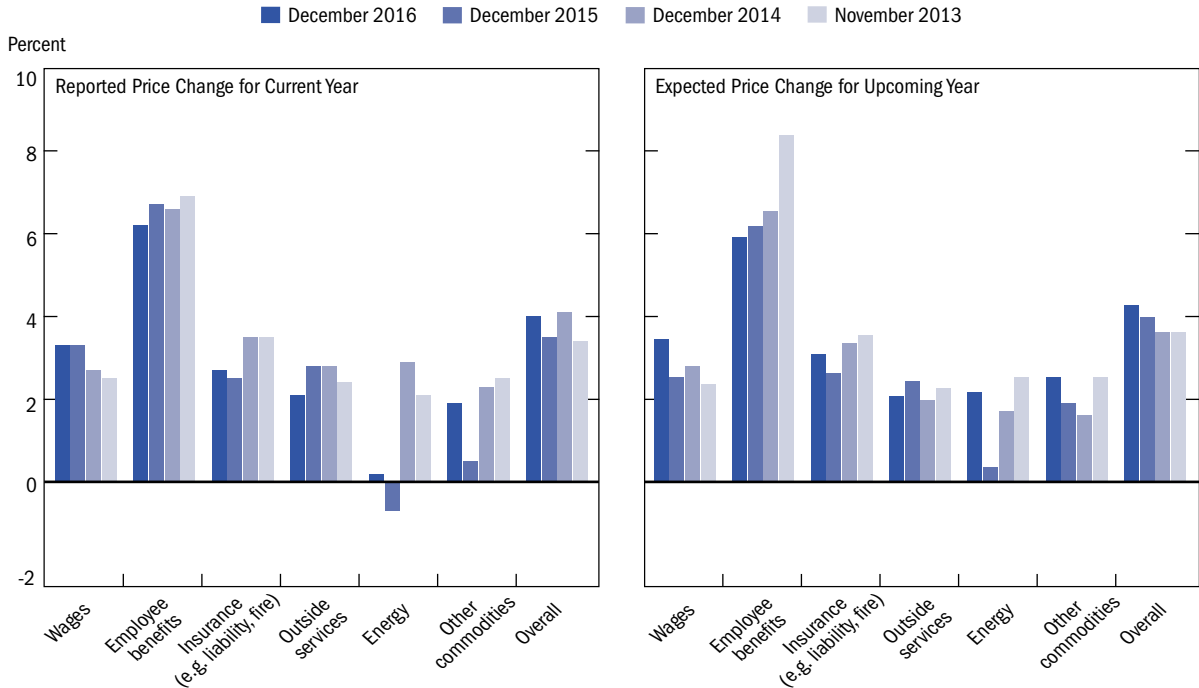
*Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported in this table reflect the average indicated percentage chance across all respondents.

Supplemental Survey Report, *continued*

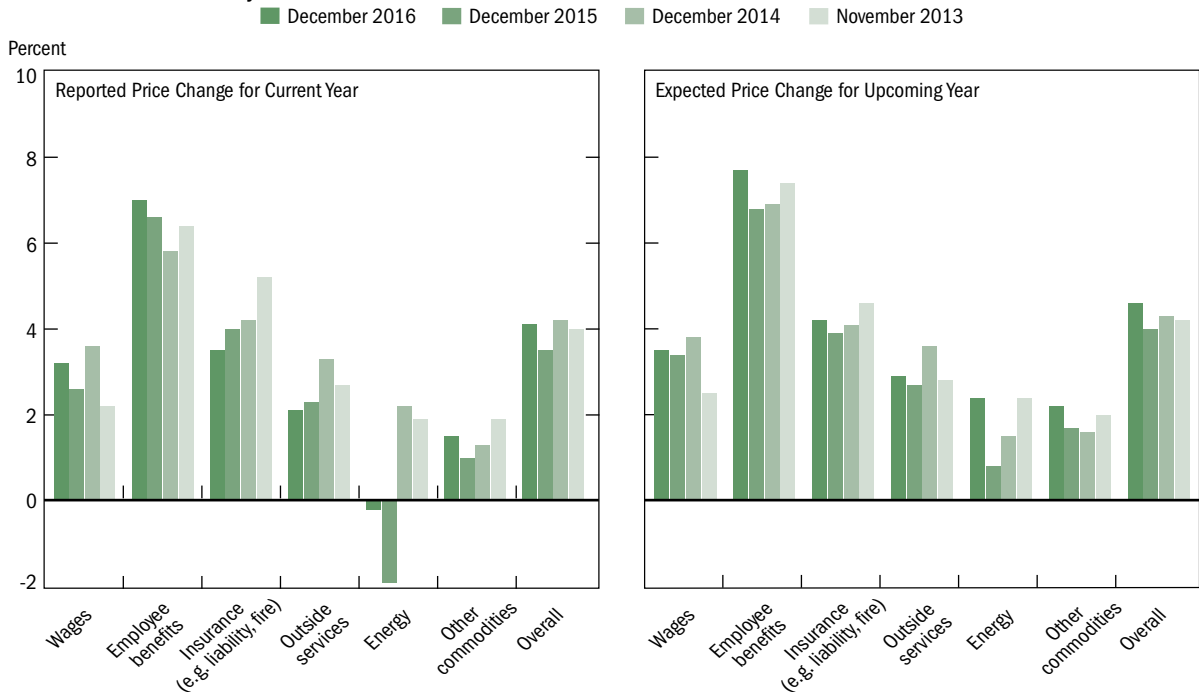
HISTORICAL OVERVIEW FOR QUESTION 1

For each of the following budget categories, please indicate the approximate percentage change in the price you paid in 2016 and the expected percentage change in the price in 2017:

Empire State Manufacturing Survey



Business Leaders Survey



Supplemental Survey Report, *continued*

HISTORICAL OVERVIEW FOR QUESTION 3

Please estimate the percentage change in your firm's *selling prices* over the next year. :

