

Supplemental Survey Report

Businesses Expect Costlier Benefits, Modest Wage Hikes in 2016

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 surveys conducted in December 2014 and earlier.

In the current survey, both manufacturers and service firms reported that prices paid overall rose by about 3½ percent, on average, in 2015 and were expected to rise at a slightly faster pace in 2016. Among the broad budget categories, employee benefits once again exhibited the steepest price increase—both actual and expected. Both manufacturers and service sector respondents indicated that benefit costs rose by slightly more than 6½ percent,

on average, over the past year. These increases were roughly in line with the expectations reported in last December's survey. Looking ahead to 2016, both groups of respondents expected an upswing in benefit costs of a little less than 7 percent, on average. Wage increases—both recent and expected—remained subdued. Manufacturers reported that wages rose 3.3 percent, on average, in 2015, and expected them to rise 2.8 percent in 2016; conversely, service firms expected wages to accelerate slightly from a 2.6 percent pace in 2015 to a 3.4 percent average increase next year. Energy costs, which were reported to have declined in 2015, were expected to increase only marginally in 2016. 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 overall distribution was largely similar to that in last year's survey. The average manufacturing respondent reported a 43 percent chance that the prices they paid would remain within 2 percent of current levels and a 42 percent chance that prices would rise by 2 to 8 percent. The average service sector respondent cited a 36 percent chance that prices would stay within 2 percent of existing levels and a 47 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 was 1.8 percent among service firms and just 1.0 percent among manufacturers—down from roughly 2 percent among both groups in last December's 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 2015 and the expected percentage change in the price in 2016:

	Empire State Manufacturing Survey		Business Leaders Survey	
	Average Percentage Change Reported for 2015	Average Percentage Change Expected for 2016	Average Percentage Change Reported for 2015	Average Percentage Change Expected for 2016
Wages	3.3	2.8	2.6	3.4
Employee benefits	6.7	6.8	6.6	6.8
Insurance (e.g., liability, fire)	2.5	2.9	4.0	3.9
Outside services	2.8	2.7	2.3	2.7
Energy	-0.7	0.4	-1.9	0.8
Other commodities	0.5	2.1	1.0	1.7
Overall	3.5	4.4	3.5	4.0

QUESTION 2

What would you say is the percentage chance that, over the next six 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 2015 Survey	December 2014 Survey	December 2015 Survey	December 2014 Survey
Increase 8 percent or more	7.6	8.7	11.0	12.1
Increase 2 to 8 percent	42.3	51.1	47.4	46.5
Stay within 2 percent of current levels	43.4	32.3	35.6	35.2
Decrease 2 to 8 percent	6.0	5.5	5.3	5.3
Decrease 8 percent or more	0.7	2.4	0.7	1.0

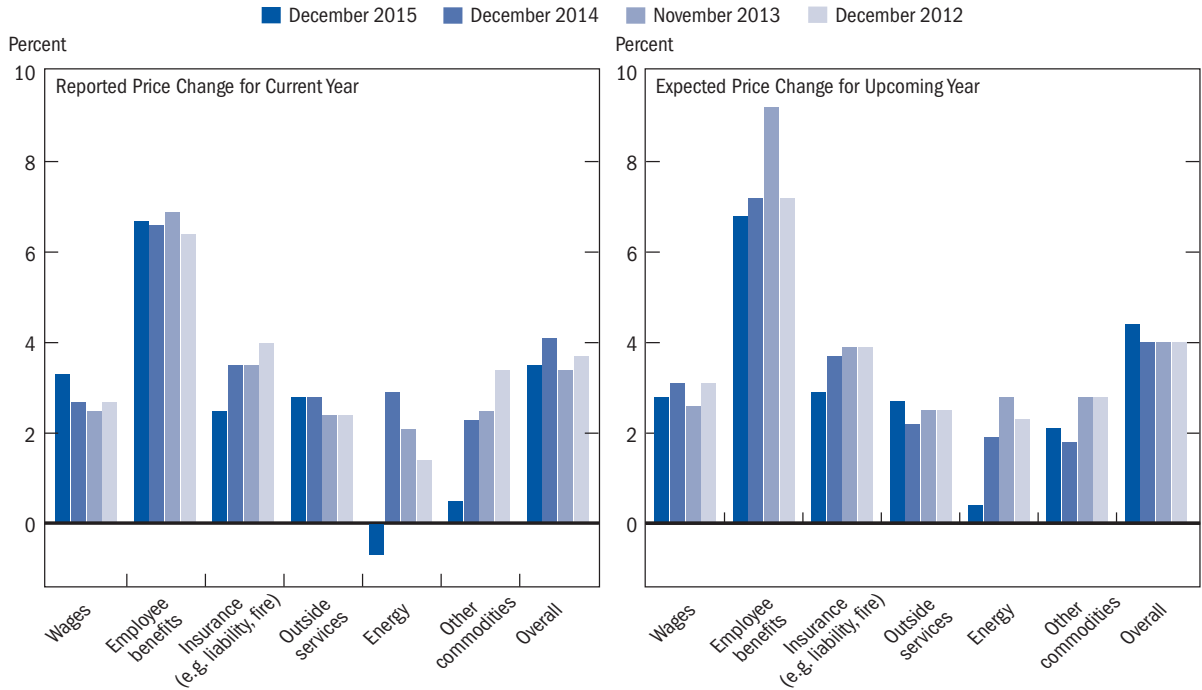
*Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported in this table reflect the average indicated percentage chance across all respondents.

Supplemental Survey Report, *continued*

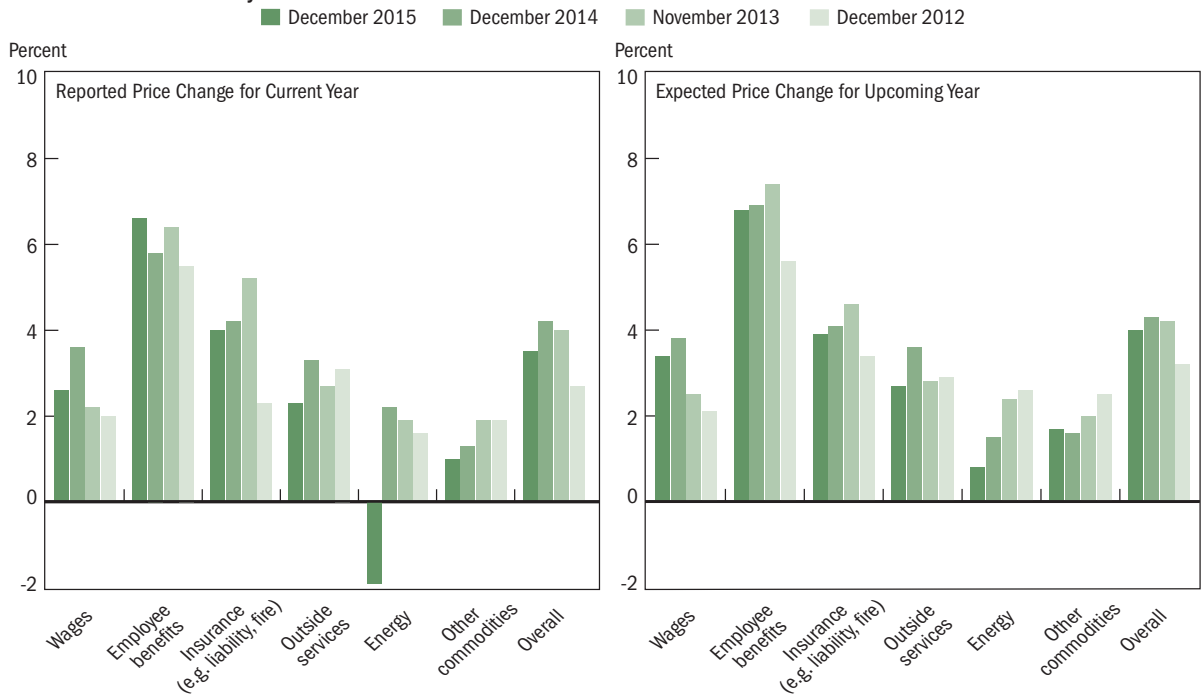
HISTORICAL OVERVIEW FOR QUESTION 1

For each of the following budget categories, please indicate the approximate percentage change in the price you paid in 2015 and the expected percentage change in the price in 2016:

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.

