

# Empire State Manufacturing Survey

The July *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers deteriorated for a second consecutive month. The general business conditions index remained below zero, at -3.8. The new orders index also remained negative, while the shipments index increased to a level slightly above zero. The indexes for both prices paid and prices received were positive but lower than last month, suggesting that price increases slowed. The index for number of employees fell to a level near zero, indicating that employment levels held steady, while the average workweek index dropped well into negative territory. Future indexes bounced up after declining steeply

in June—a sign that conditions were generally expected to improve over the next six months—but the level of optimism was well below the levels observed earlier this year.

In a series of supplementary questions, manufacturers were asked about changes in sales, employment, and capital spending from 2010 to 2011. Similar questions had been asked in the June and July surveys of 2010. In the current survey, the median respondent anticipated a 6 percent increase in sales and a 3 percent expansion in employment. Capital spending plans, however, were mixed. Considerably more respondents reported increases than decreases in capital spending

for 2011, but the median estimated level of spending was down moderately from 2010. On balance, manufacturers indicated that they would be spending more this year than last on equipment (both computer and other), but less on structures. This pattern is similar to the one observed in last June's survey.

## Business Activity Weakens for a Second Consecutive Month

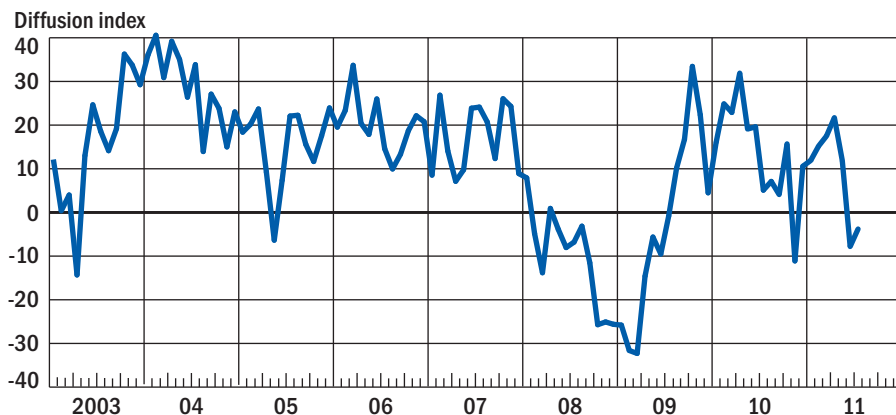
Although the general business conditions index inched up four points to -3.8 in July, it was negative for a second consecutive month, suggesting that business activity had weakened slightly. This month, 23 percent of respondents reported that conditions had improved over the month, while 26 percent reported that conditions had worsened. The new orders index was also below zero for a second consecutive month. It fell two points to -5.5, indicating that the volume of orders was down. The shipments index rose ten points to 2.2, and the unfilled orders index fell twelve points to -12.2. The delivery time index rose to 1.1, and the inventories index dropped to -5.6.

## Price Increases Continue to Slow

The indexes for both prices paid and prices received retreated in July.

## General Business Conditions

Seasonally adjusted



*Continued*

*Continued from page 1*

The prices paid index fell thirteen points to 43.3, posting a cumulative decline of twenty-seven points over the past two months. These figures suggest that price increases, while significant, continued to slow. The prices received index followed a similar pattern. The index fell six points to 5.6, for a cumulative decline of twenty-two points since May. The index for number of employees fell nine points to 1.1, indicating that employment levels held steady, while the average workweek index declined to -15.6, indicating that the length of the average workweek was shorter.

#### **Outlook Relatively Positive**

Future indexes were generally positive and bounced higher after a significant decline last month. The future general business conditions index, which fell thirty points last month, advanced ten points to 32.2, suggesting that on balance, manufacturers expected conditions to improve in the months ahead. The level of optimism, however, was well below the relatively high levels seen earlier this year. The future new orders and shipments indexes also climbed to higher positive readings after a steep decline last month. The future

prices paid index fell four points to 51.1, while the future prices received index rose eleven points to 30.0. The future number of employees and average workweek indexes were both positive and higher than last month, indicating that manufacturers expected employment to rise over the next six months. The capital expenditures index was down slightly, to 22.2, and the technology spending index slipped to 12.2. ■

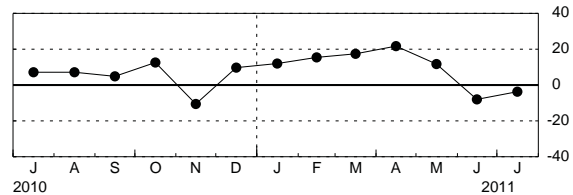
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	17.70	56.81	25.49	-7.79
Jul	22.64	50.95	26.40	-3.76

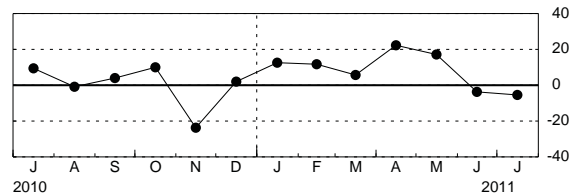
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.75	54.88	24.36	-3.61
Jul	26.15	42.24	31.61	-5.45

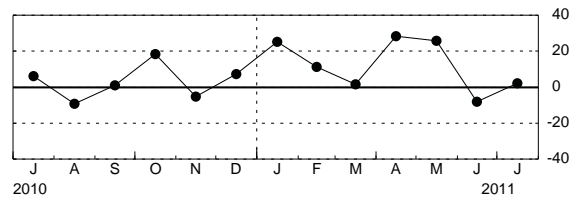
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.24	51.49	28.26	-8.02
Jul	28.83	44.57	26.61	2.22

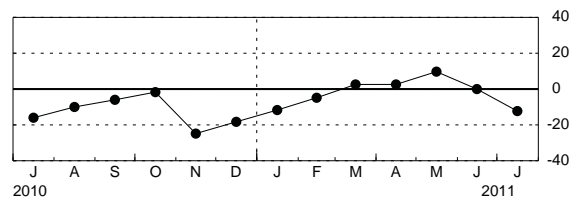
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	14.29	71.43	14.29	0.00
Jul	12.22	63.33	24.44	-12.22

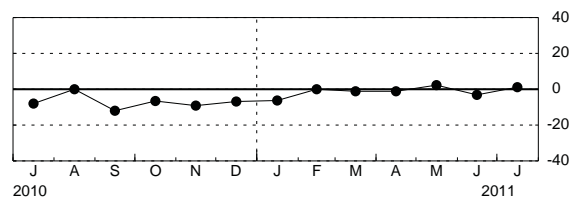
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	8.16	80.61	11.22	-3.06
Jul	12.22	76.67	11.11	1.11

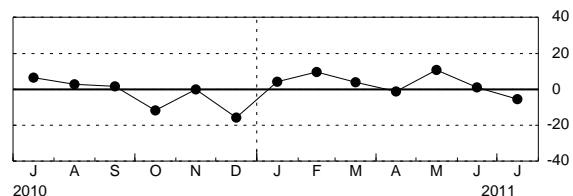
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	27.55	45.92	26.53	1.02
Jul	21.11	52.22	26.67	-5.56

Inventories - Diffusion Index



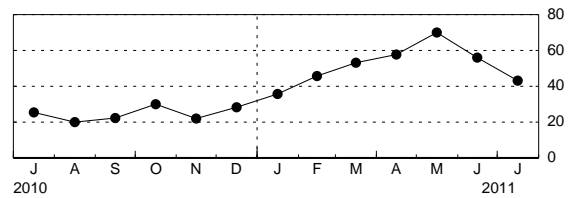
## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	58.16	39.80	2.04	56.12
Jul	47.78	47.78	4.44	43.33

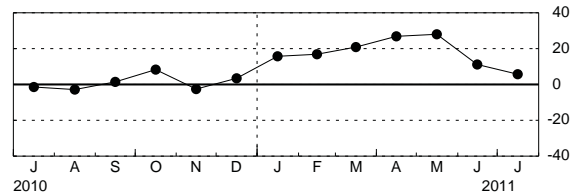
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	17.35	76.53	6.12	11.22
Jul	14.44	76.67	8.89	5.56

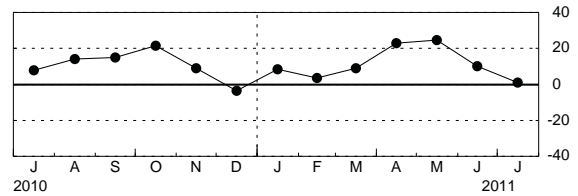
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	22.45	65.31	12.24	10.20
Jul	16.67	67.78	15.56	1.11

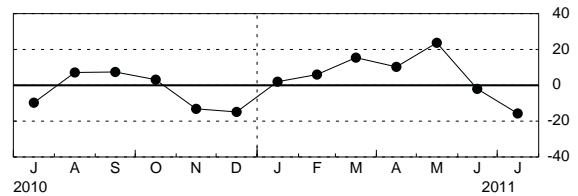
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	12.24	73.47	14.29	-2.04
Jul	3.33	77.78	18.89	-15.56

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

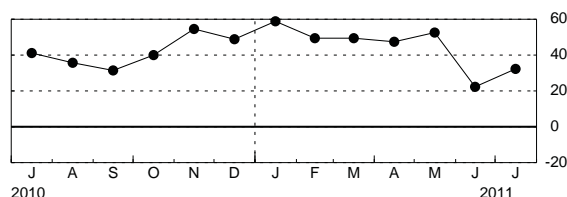
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	42.86	36.73	20.41	22.45
Jul	47.78	36.67	15.56	32.22

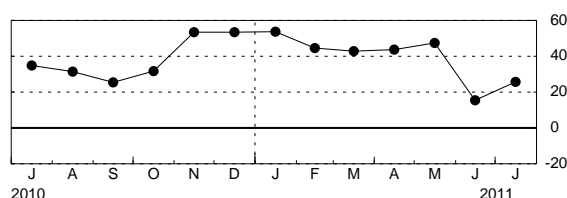
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	36.73	41.84	21.43	15.31
Jul	43.33	38.89	17.78	25.56

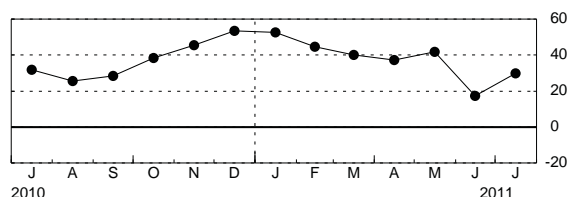
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	38.78	39.80	21.43	17.35
Jul	44.44	41.11	14.44	30.00

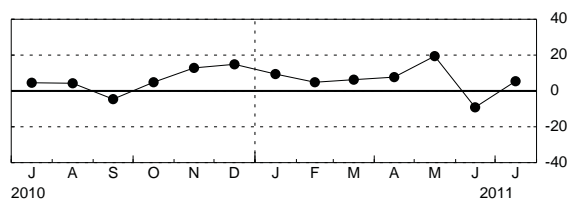
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	11.22	68.37	20.41	-9.18
Jul	17.78	70.00	12.22	5.56

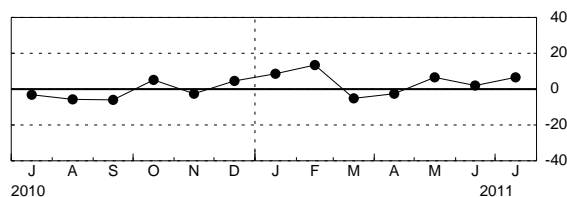
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	14.29	73.47	12.24	2.04
Jul	14.44	77.78	7.78	6.67

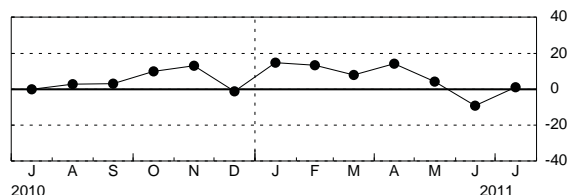
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	22.45	45.92	31.63	-9.18
Jul	25.56	50.00	24.44	1.11

Inventories - Diffusion Index



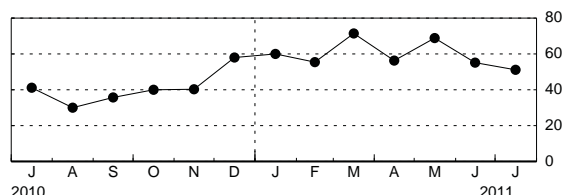
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	58.16	38.78	3.06	55.10
Jul	56.67	37.78	5.56	51.11

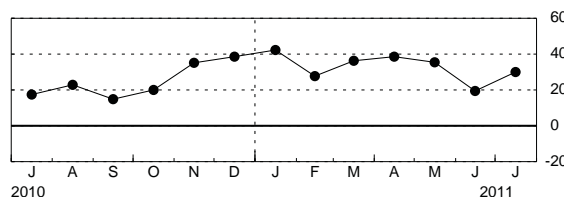
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	30.61	58.16	11.22	19.39
Jul	38.89	52.22	8.89	30.00

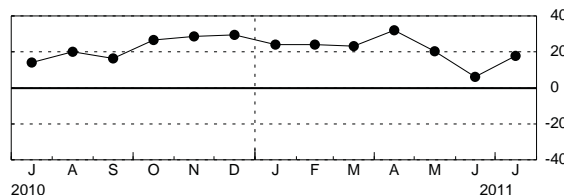
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	24.49	57.14	18.37	6.12
Jul	31.11	55.56	13.33	17.78

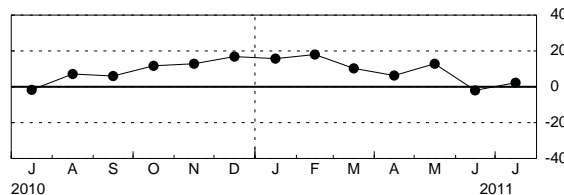
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	11.22	75.51	13.27	-2.04
Jul	11.11	80.00	8.89	2.22

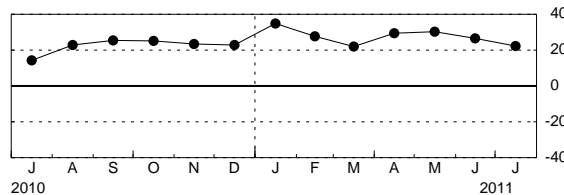
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	37.76	51.02	11.22	26.53
Jul	32.22	57.78	10.00	22.22

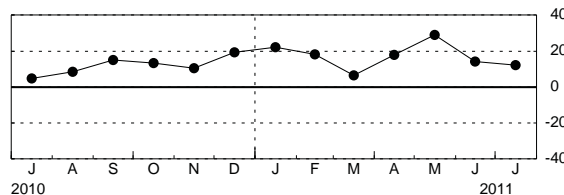
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	24.49	65.31	10.20	14.29
Jul	23.33	65.56	11.11	12.22

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Sales and Employment Up in 2011; Capital Spending Mixed

In a series of supplementary questions to the July 2011 *Empire State Manufacturing Survey*, manufacturers were asked how much their sales and employment levels had changed between the first half of 2010 and the first half of 2011 and how these measures were expected to evolve over the full year. Similar questions had been posed in earlier surveys. Manufacturers were also queried on their capital spending plans for 2011; these questions were previously asked in June 2010.

In this year's survey, the median respondent reported that sales were up 5 percent for the first half of 2011 relative to their level in the first half of 2010, and were expected to be up 6 percent for the full calendar year—somewhat smaller gains than reported in last July's survey. On the issue of staffing, however, respondents were more positive this year than last: in the current survey, the median respondent cited an increase of 2.8 percent in employment levels for calendar

year 2011; in last July's survey, the median firm reported no change in employment from 2009 to 2010.

Survey respondents were also asked if they had recently modified their production plans for the second half of 2011. Responses were fairly evenly split, with slightly more respondents indicating that they had scaled back than increased production plans—24 percent versus 22 percent. At this time last year, responses were more upbeat, with 33 percent of respondents bumping up production plans, and just 19 percent scaling back. In the July 2009 survey, which was conducted close to the trough of the recession, an extraordinary 63 percent of those surveyed said that they had cut back production plans.

In a separate series of questions about capital spending plans, 43 percent of respondents indicated that capital spending budgets for 2011 exceeded 2010 levels, while 27 percent reported budget cutbacks. These results were almost

as positive as those in last June's survey and contrasted dramatically with the 2009 survey results, which had shown a majority of respondents planning decreases. Responses, however, varied by category of capital: on balance, manufacturers planned to spend more than in 2011 on both computer and other equipment, but somewhat less on structures—a pattern similar to that observed in last June's survey. Spending on software appeared to be little changed from last year.

Not surprisingly, with substantially more respondents reporting increases than decreases in capital spending this year, the average dollar estimate of total capital expenditures for calendar year 2011 was up 10 percent from calendar year 2010. However, the median estimated level was actually 14 percent lower: \$300,000, down from \$350,000 in 2010. In last June's survey, respondents had reported a 40 percent rise in the median level of capital spending. ■

## Supplemental Report, *continued*

### QUESTION 1

Please estimate the percentage change in your firm's sales and employment levels from 2010 to 2011—both the change for the first half of the year and the expected change for the full year:

	Median Percentage Change from Prior Year		
	July 2011	July 2010	July 2009
Total sales			
First half	5.0	7.0	-15.0
Full year	6.0	8.0	-15.0
Number of employees			
First half	3.0	0.0	-10.0
Full year	2.8	0.0	-10.0

### QUESTION 2

In the past several months, to what extent have you modified your production plans for the second half of the year?

	Percentage of Respondents		
	July 2011 Survey	July 2010 Survey	July 2009 Survey
Reduced substantially	1.1	1.6	31.3
Reduced somewhat	23.3	17.5	31.3
No change	53.3	47.6	16.7
Increased somewhat	16.7	30.2	19.8
Increased substantially	5.6	3.2	1.0

### QUESTION 3

To what extent do you expect your firm's annual spending on new plant and equipment to be higher or lower in 2011 than in 2010?

	Percentage of Respondents Expecting . . .				
	Much Lower Spending	Somewhat Lower Spending	About the Same Spending	Somewhat Higher Spending	Much Higher Spending
Total	9.5	17.9	29.8	32.1	10.7
Structures	12.0	14.5	54.2	13.3	6.0
Non-computer-related equipment	9.5	14.3	34.5	29.8	11.9
Computers and related hardware	4.8	16.7	46.4	32.1	0.0
Software	6.0	17.9	50.0	25.0	1.2

### QUESTION 4

Please provide your best estimate of your total capital expenditures for last year (calendar year 2010) and the expected amount for this year (2011).

	July 2011 Survey	June 2010 Survey	June 2009 Survey
Median capital spending in current year	\$300,000	\$425,000	\$275,000
Median capital spending in prior year	\$350,000	\$302,500	\$500,000
Percentage change	-14%	+40%	-45%