

# Empire State Manufacturing Survey

The August *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers deteriorated over the month. The general business conditions index slipped below zero for the first time since October 2011, falling thirteen points to -5.9. At -5.5, the new orders index was below zero for a second consecutive month, and the shipments index fell six points to 4.1. The prices paid index climbed nine points to 16.5, pointing to a pickup in the pace of increase in input prices, while the prices received index hovered just above zero for a third consecutive month. The index for number of employees inched lower, but remained positive at 16.5, suggesting a moderate increase in employment levels, and the

average workweek index rose to 3.5. Indexes for the six-month outlook were generally positive but lower than in July, indicating that respondents expected business conditions to improve little in the months ahead.

In a series of supplementary questions, manufacturers were asked about modifications to 2012 hiring and capital spending—both year-to-date changes and revisions planned for the rest of the year. Substantially more firms (roughly twice as many) made downward than upward revisions in their plans for the second half of the year. As for actual spending year-to-date, modest downward adjustments were made, on balance. When asked about negative influences on

2012 hiring and capital spending plans, a majority of respondents cited increased uncertainty about business prospects.

## Business Conditions Deteriorate

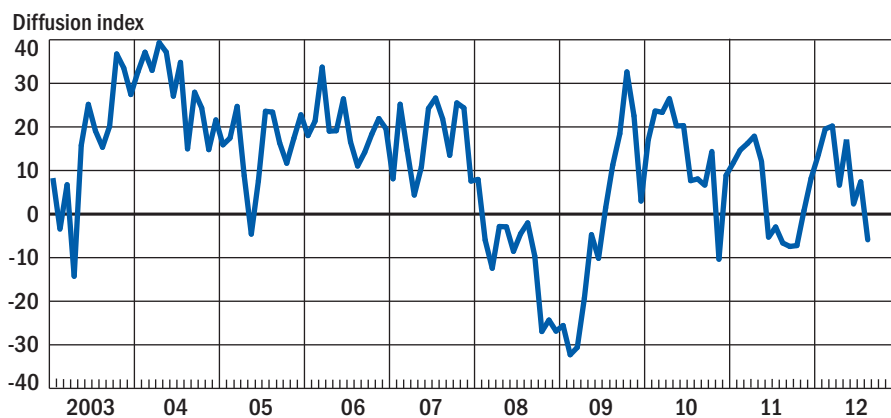
In August, the general business conditions index fell thirteen points to -5.9, slipping below zero for the first time since October of 2011—a sign that activity declined for New York manufacturers over the month. Twenty-two percent of respondents reported that conditions had improved, while 28 percent reported that conditions had worsened. The new orders index fell three points to -5.5, its second consecutive reading below zero, pointing to a small decline in orders. The shipments index fell six points to 4.1, and the unfilled orders index inched higher but remained negative at -10.6. The delivery time index fell six points to -7.1, indicating that delivery times were shorter, and the inventories index declined eight points to -8.3, suggesting a modest decline in inventory levels.

## Input Prices Accelerate, Employment Continues to Pick Up

After recording a cumulative forty-three point decline during the March-July period, the prices paid

## General Business Conditions

Seasonally adjusted



Continued

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index rose nine points in August, to 16.5, suggesting a pickup in the growth rate of input prices. The prices received index was little changed at 2.4, pointing to a slight increase in selling prices. The index for number of employees remained positive, though it was down slightly, and at 16.5, pointed to a moderate increase in employment levels over the month. The average workweek index inched up to 3.5, indicating a slightly longer workweek for the average worker.

#### **Optimism Continues to Wane**

Indexes for the six-month outlook were generally lower than last month and indicated a continued decline in optimism about future conditions. The future general business activity index fell for a seventh consecutive month, dropping five points to 15.2. The future new orders index fell eleven points to 2.4, and the future shipments index declined seven points to 8.3. The future prices paid index fell to 31.8, its lowest level

in more than a year, and the future prices received index inched down to 14.1. The index for expected number of employees fell to 3.5, suggesting that employment levels were expected to be only slightly higher in the months ahead, and the future average workweek index was -8.2. The capital expenditures index fell seven points to 12.9, and the technology spending index fell thirteen points to 5.9. ■

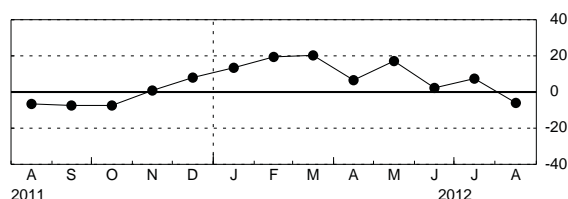
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	32.14	43.10	24.76	7.39
Aug	22.05	50.05	27.90	-5.85

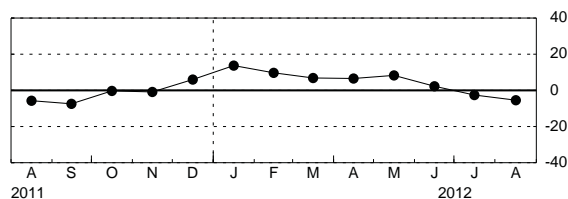
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	26.41	44.50	29.09	-2.69
Aug	25.76	42.98	31.26	-5.50

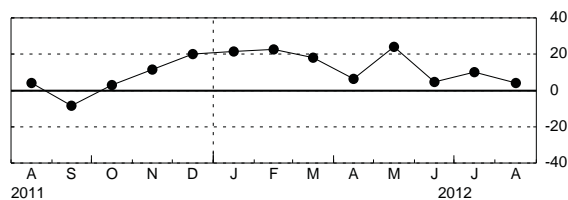
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	34.13	42.01	23.85	10.28
Aug	29.53	45.04	25.44	4.09

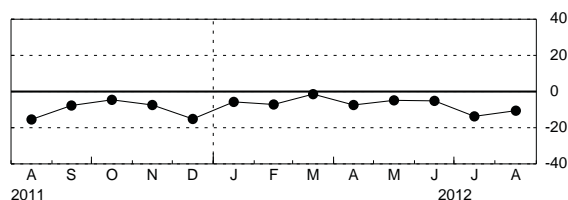
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	8.64	69.14	22.22	-13.58
Aug	14.12	61.18	24.71	-10.59

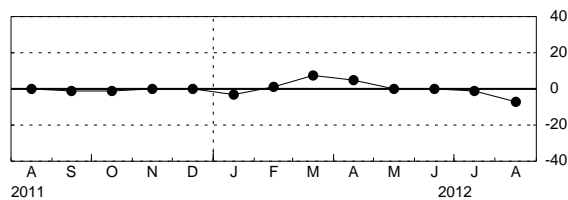
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	8.64	81.48	9.88	-1.23
Aug	10.59	71.76	17.65	-7.06

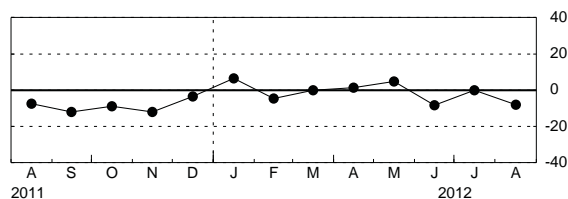
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	22.22	55.56	22.22	0.00
Aug	21.18	49.41	29.41	-8.24

Inventories - Diffusion Index



## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	16.05	75.31	8.64	7.41
Aug	22.35	71.76	5.88	16.47

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	11.11	81.48	7.41	3.70
Aug	11.76	78.82	9.41	2.35

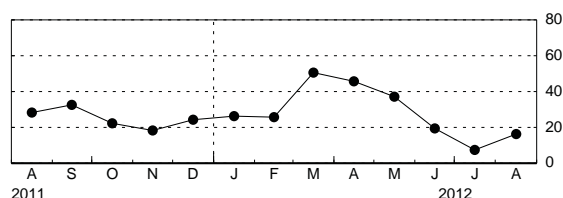
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	24.69	69.14	6.17	18.52
Aug	24.71	67.06	8.24	16.47

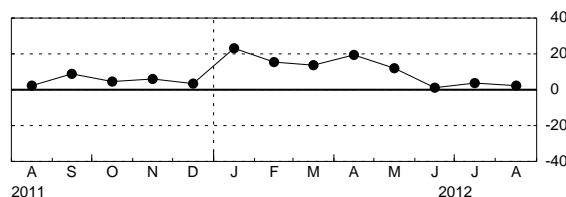
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	13.58	72.84	13.58	0.00
Aug	15.29	72.94	11.76	3.53

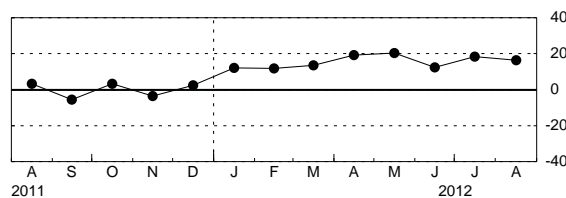
Prices Paid - Diffusion Index



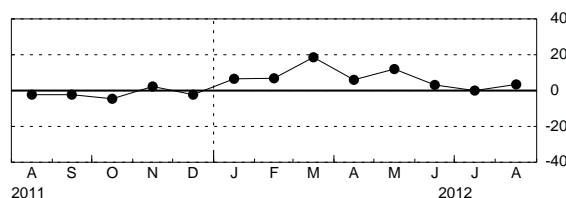
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

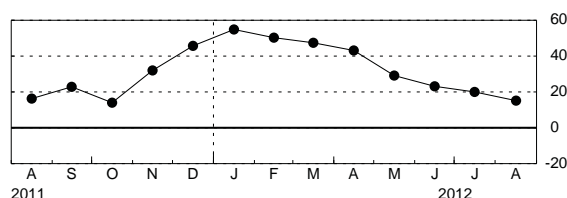
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	37.46	45.28	17.26	20.20
Aug	37.31	40.59	22.11	15.20

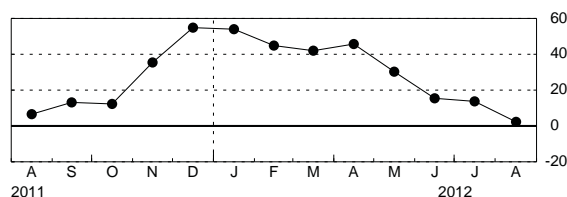
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	33.33	46.91	19.75	13.58
Aug	28.24	45.88	25.88	2.35

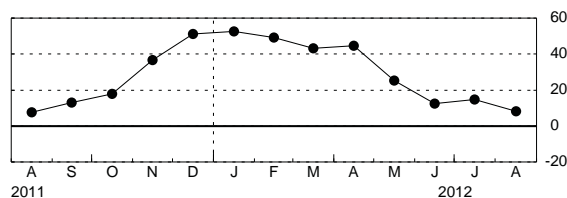
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	35.80	43.21	20.99	14.81
Aug	31.76	44.71	23.53	8.24

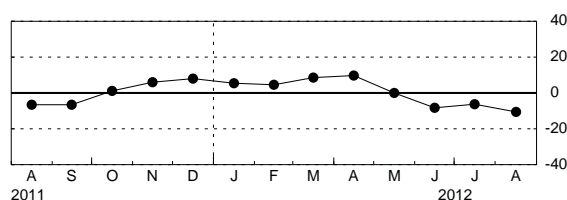
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	12.35	69.14	18.52	-6.17
Aug	10.59	68.24	21.18	-10.59

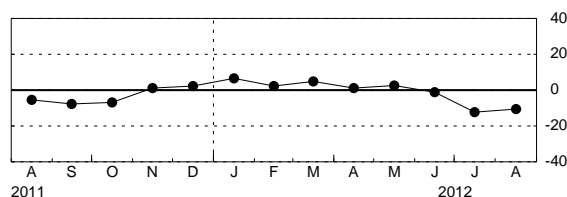
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	6.17	75.31	18.52	-12.35
Aug	3.53	82.35	14.12	-10.59

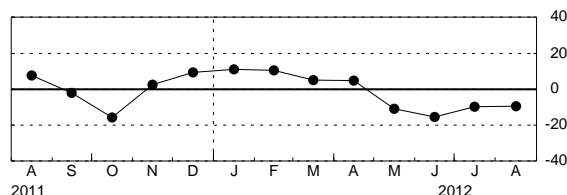
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	19.75	50.62	29.63	-9.88
Aug	17.65	55.29	27.06	-9.41

Inventories - Diffusion Index



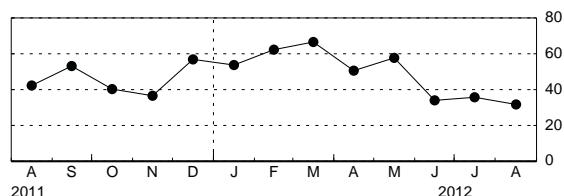
## Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	40.74	54.32	4.94	35.80
Aug	38.82	54.12	7.06	31.76

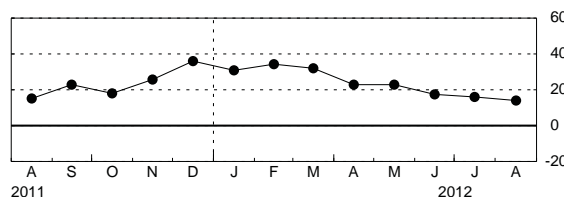
Prices Paid - Diffusion Index



### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	23.46	69.14	7.41	16.05
Aug	25.88	62.35	11.76	14.12

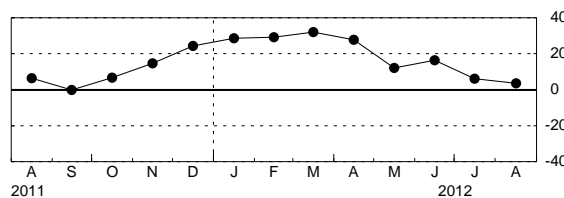
Prices Received - Diffusion Index



### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	24.69	56.79	18.52	6.17
Aug	20.00	63.53	16.47	3.53

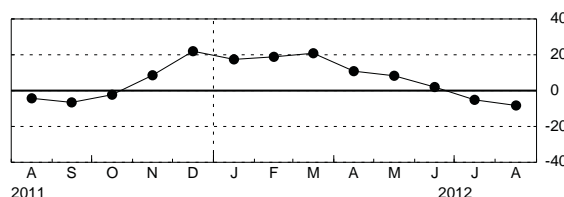
Number of Employees - Diffusion Index



### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	14.81	65.43	19.75	-4.94
Aug	7.06	77.65	15.29	-8.24

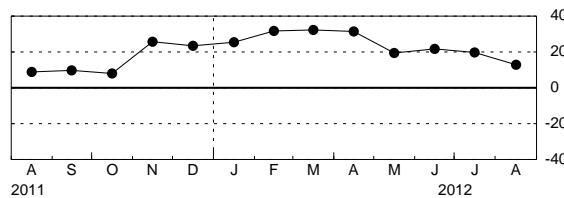
Average Employee Workweek - Diffusion Index



### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	30.86	58.02	11.11	19.75
Aug	28.24	56.47	15.29	12.94

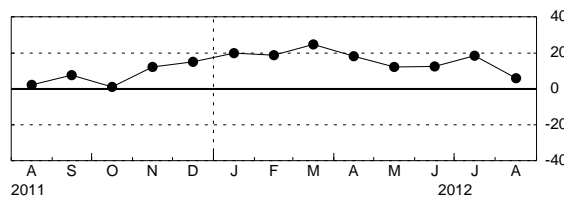
Capital Expenditures - Diffusion Index



### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	24.69	69.14	6.17	18.52
Aug	15.29	75.29	9.41	5.88

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Increasing Uncertainty Dampening Hiring and Capital Spending Plans

In a series of supplementary questions to the August 2012 *Empire State Manufacturing Survey*, manufacturers were asked if they had modified their actual year-to-date hiring and capital spending since the beginning of 2012 and if they were planning revisions for the second half of this year. Respondents were also asked about the extent to which various factors contributed positively or negatively to revisions in hiring and capital spending plans for the second half of 2012.

With regard to actual hiring and capital spending year-to-date, slightly more firms reported making downward than upward modifications, relative to what they had been planning at the beginning of the year. Moreover, considerably more firms (roughly twice as many) reported making downward than upward revisions to their hiring and capital spending plans for the second half of 2012.

By far the most widely cited factor behind the downward revisions—for both hiring plans and capital spending plans—was increasing uncertainty about business prospects. Indeed, more than half of all respondents saw uncertainty as a negative influence. More than 30 percent of respondents cited sales running below plan as a factor dampening both hiring and capital spending. A sizable number of manufacturers (28 percent) also reported that increased difficulty in finding qualified job applicants adversely affected hiring. Only a handful of manufacturers cited reduced access to credit as a negative influence on capital spending plans.

As for positive influences on hiring and capital spending, the most widely cited factor was higher-than-expected sales; 37 percent of respondents noted this as a factor supporting increased hiring, while a little more than 30 percent

identified it as a factor supporting higher capital spending. Only about 10 percent of respondents cited decreasing uncertainty about business prospects as a positive influence on hiring and capital spending plans. ■

## Supplemental Report, *continued*

**TABLE 1**

Relative to what you were planning at the beginning of 2012, how have your actual hiring and capital spending proceeded thus far this year?

	Percentage of Respondents				
	Much Less Than Planned	Somewhat Less Than Planned	About as Planned	Somewhat More Than Planned	Much More Than Planned
Actual hiring	6.0	22.6	48.8	21.4	1.2
Actual capital spending	8.5	15.9	56.1	15.9	3.7

**TABLE 2**

How have you modified your hiring and capital spending plans for the remainder of 2012?

	Percentage of Respondents				
	Revised Downward Substantially	Revised Downward Somewhat	About the Same	Revised Upward Somewhat	Revised Upward Substantially
Planned hiring	8.2	28.2	44.7	18.8	0.0
Planned capital spending	9.5	20.2	54.8	14.3	1.2

**TABLE 3**

Please indicate which, if any, of the following influenced your hiring plans and capital spending plans—either positively or negatively—for 2012 overall?

	Percentage of Respondents	
	Positive Influence	Negative Influence
<b>Influences on hiring plans</b>		
Sales above/below plan	36.5	35.3
Declining/increasing uncertainty	10.6	52.9
Compensation costs lower/higher than expected	1.2	14.1
Easier/harder to find qualified applicants	4.7	28.2
Other	9.4	7.1
<b>Influences on capital spending plans</b>		
Sales above/below plan	30.6	32.9
Declining/increasing uncertainty	11.8	51.8
Easier/harder access to credit	2.4	7.1
Other	17.6	5.9