

# Empire State Manufacturing Survey

The July 2013 *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to improve modestly. The general business conditions index rose two points to 9.5. The new orders index rose ten points to 3.8, and the shipments index climbed twenty-one points to 9.0. The prices paid index fell four points to 17.4, pointing to a slower pace of input price increases, while the prices received index fell to 1.1, suggesting that selling prices were little changed. Employment indexes were mixed, and indicated little positive momentum in the labor market. The index for

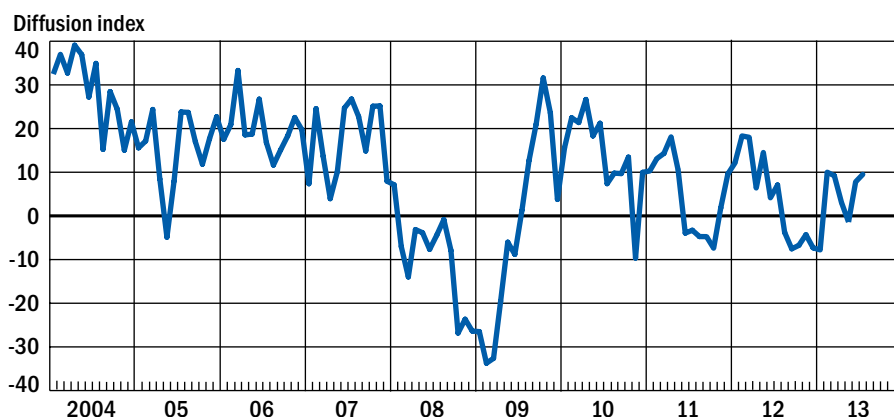
number of employees inched up to 3.3, while the average workweek index remained negative at -7.6. Indexes for the six-month outlook were generally higher—a sign that optimism about future business conditions had strengthened.

In a series of supplementary survey questions, firms were asked how they expected the Affordable Care Act (ACA) to affect them and how they were responding to its provisions. Three in four respondents said that they had not made, and did not plan to make, changes in their health plans. Roughly the same

proportion indicated that they had made minimal or no changes in their workforces; a somewhat smaller majority (65 percent) said they did not anticipate making any major changes over the next year. Nearly 15 percent of those surveyed indicated that they would outsource more work. A large majority of manufacturers, more than 85 percent, reported that they expected their health insurance costs to increase as a result of the ACA; none anticipated a decrease. See the full supplemental report for a more detailed summary.

## General Business Conditions

Seasonally adjusted



## Business Conditions Continue to Improve

The general business conditions index remained positive for a second consecutive month, rising two points to 9.5 in the July survey. This index has been modestly positive for five of the past six months, dipping slightly below zero in May before rising in June and July. Thirty percent of respondents reported that conditions had improved over the month, while 21 percent reported that conditions had worsened. The new orders index climbed above zero, rising ten points to 3.8—evidence of a small increase in orders. The shipments index increased twenty-one points

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to 9.0, its ascent into positive territory indicating that shipments had expanded. The unfilled orders index advanced six points to -8.7. The delivery time index rose to 3.3, suggesting that delivery times were slightly longer this month, and the inventories index remained below zero at -6.5, indicating that inventory levels were lower.

#### **Labor Market Conditions Remain Weak**

Price indexes fell in the July survey. The prices paid index dropped four points to 17.4, indicating that input price increases were somewhat slower than they were last month. The prices received index fell ten points to 1.1,

suggesting that selling prices were little changed. Employment indexes were mixed, and indicated that labor market conditions remained weak. Rising three points to 3.3, the index for number of employees showed only a slight increase in employment levels, while the average workweek index, still negative at -7.6, indicated that hours worked fell.

#### **Six-Month Outlook Strengthens**

Indexes for the six-month outlook generally rose, indicating increased optimism about future conditions. The future general business conditions index advanced seven points to 32.0. The future new orders index climbed eleven points

to 31.1, and the future shipments index rose fourteen points to 34.4. The future inventories index fell noticeably, declining thirteen points to -19.6 in a sign that inventory levels were expected to be lower. The future prices paid and future prices received indexes also fell, suggesting that both input and selling price increases were expected to be less widespread in the months ahead. Future employment indexes hovered around zero, indicating that employment levels and hours worked were expected to be little changed. The capital expenditures index rose seven points to 9.8, and the technology spending index rose fourteen points to 10.9. ■

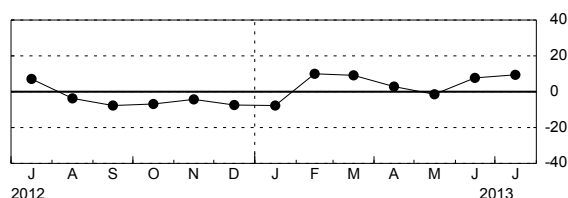
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	29.39	49.05	21.56	7.84
Jul	30.01	49.43	20.55	9.46

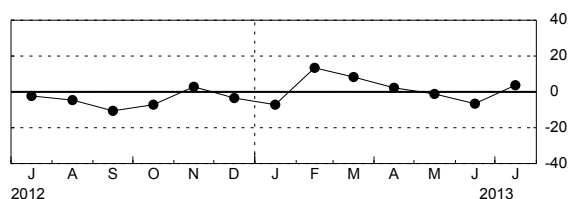
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	23.22	46.88	29.91	-6.69
Jul	28.89	45.99	25.12	3.77

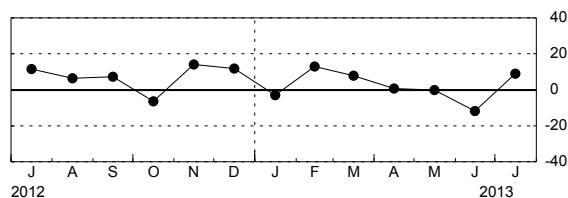
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	22.25	43.73	34.02	-11.77
Jul	31.17	46.61	22.22	8.96

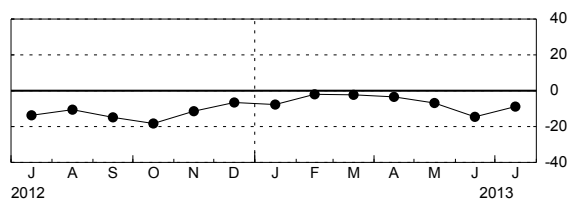
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	9.68	66.13	24.19	-14.52
Jul	14.13	63.04	22.83	-8.70

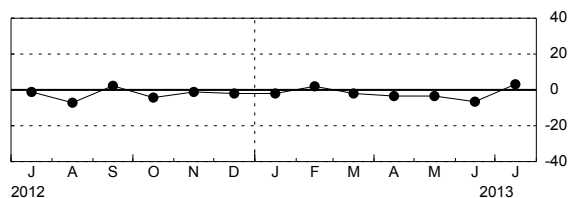
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	4.84	83.87	11.29	-6.45
Jul	10.87	81.52	7.61	3.26

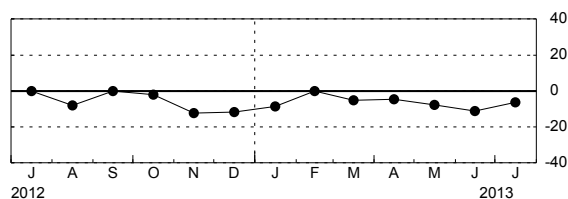
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	14.52	59.68	25.81	-11.29
Jul	25.00	43.48	31.52	-6.52

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	24.19	72.58	3.23	20.97
Jul	25.00	67.39	7.61	17.39

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	22.58	66.13	11.29	11.29
Jul	10.87	79.35	9.78	1.09

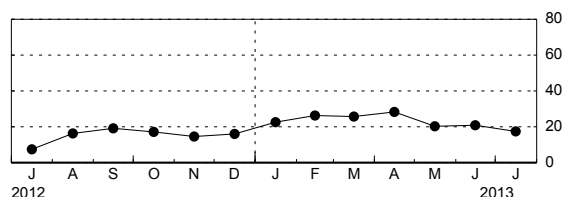
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	9.68	80.65	9.68	0.00
Jul	15.22	72.83	11.96	3.26

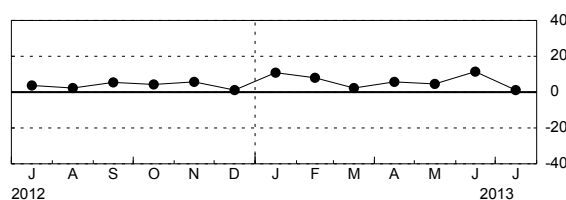
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	6.45	75.81	17.74	-11.29
Jul	7.61	77.17	15.22	-7.61

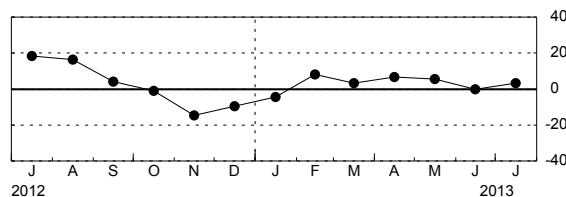
Prices Paid - Diffusion Index



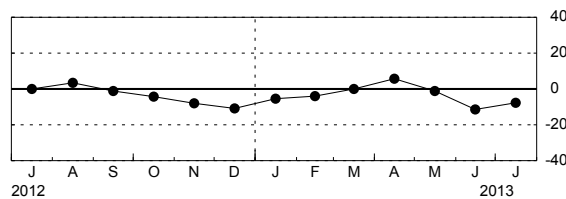
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

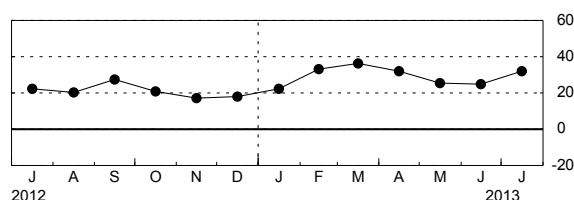
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	39.97	45.03	14.99	24.98
Jul	40.89	50.22	8.88	32.01

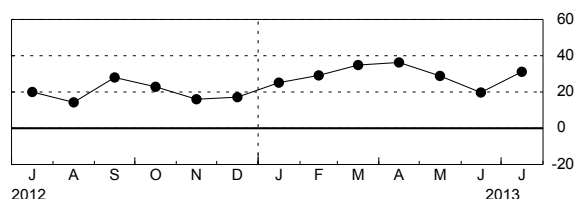
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	36.63	46.50	16.86	19.77
Jul	43.94	43.23	12.82	31.12

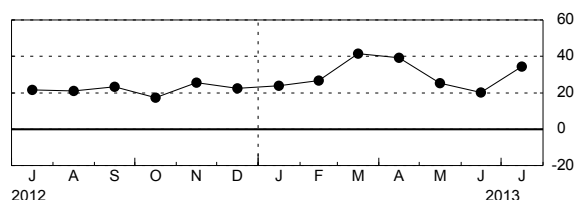
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	39.67	40.86	19.46	20.21
Jul	46.83	40.78	12.39	34.44

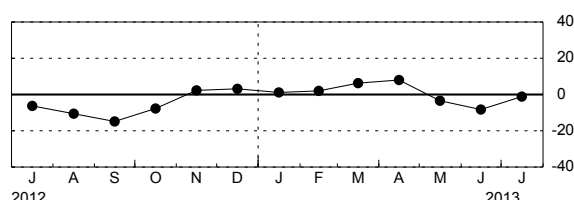
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	9.68	72.58	17.74	-8.06
Jul	14.13	70.65	15.22	-1.09

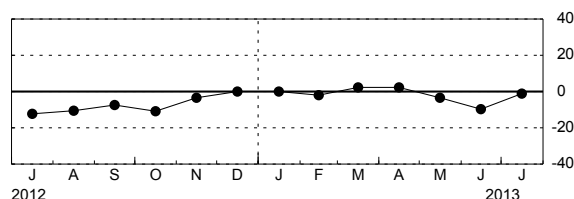
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	3.23	83.87	12.90	-9.68
Jul	8.70	81.52	9.78	-1.09

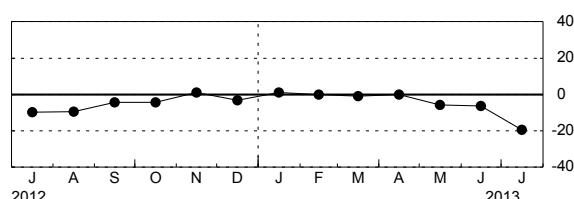
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	19.35	54.84	25.81	-6.45
Jul	16.30	47.83	35.87	-19.57

Inventories - Diffusion Index



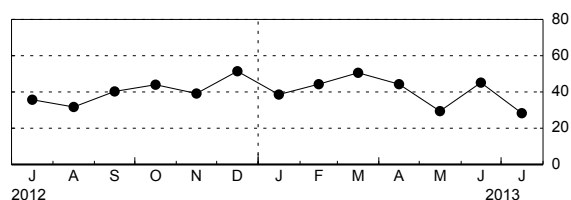
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	48.39	48.39	3.23	45.16
Jul	36.96	54.35	8.70	28.26

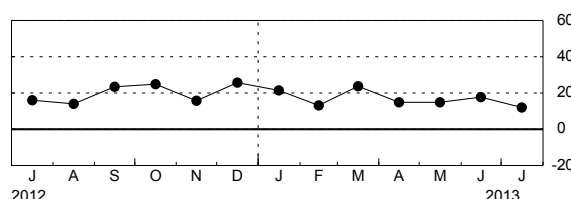
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	27.42	62.90	9.68	17.74
Jul	21.74	68.48	9.78	11.96

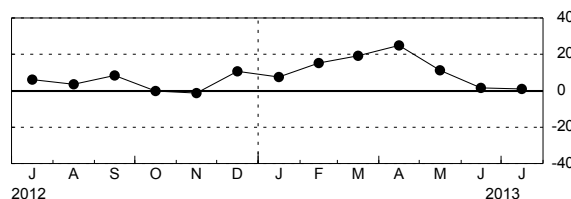
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	19.35	62.90	17.74	1.61
Jul	16.30	68.48	15.22	1.09

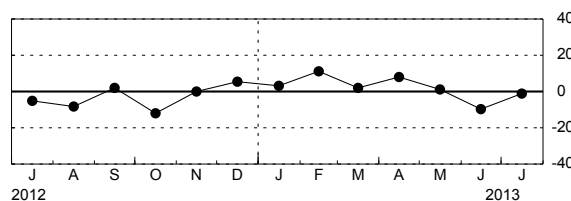
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	8.06	74.19	17.74	-9.68
Jul	13.04	72.83	14.13	-1.09

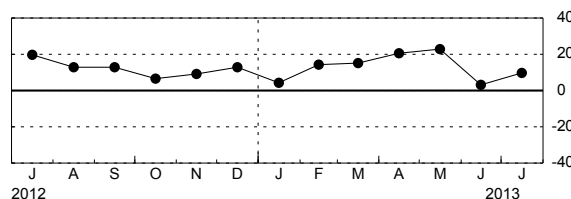
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	16.13	70.97	12.90	3.23
Jul	25.00	59.78	15.22	9.78

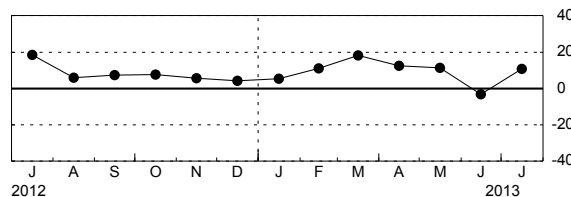
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	6.45	83.87	9.68	-3.23
Jul	20.65	69.57	9.78	10.87

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Firms Assess Effects of Affordable Care Act

Supplementary questions in the July 2013 *Empire State Manufacturing Survey* focused on businesses' response to provisions of the Affordable Care Act (ACA) that take effect in 2014.\* This month's questions had not been asked previously.

The vast majority of firms reported that their primary source of information and advice on the Affordable Care Act had been a health care insurance broker. In addition, one in four respondents cited a professional consultant. When asked what changes they had made or planned to make in their health plans in response to ACA requirements, 75 percent of those surveyed said "none." A majority of these firms, in turn, said this was mainly because they already offered health insurance; however, some of these firms indicated that their business was too small to be affected by the mandate.

Eleven percent of firms indicated that they were or would be cutting back or dropping health insurance, while roughly the same proportion reported making health insurance more comprehensive. Also, a number of firms checked off "other" and wrote in a response suggesting that they would be moving to a plan with higher deductibles.

Three in four respondents indicated that they had made minimal or no changes in their workforces in response to the Affordable Care Act; a somewhat smaller majority (65 percent) said they did not anticipate making any major staffing changes over the next year. Nearly 15 percent of those surveyed reported that they would outsource more work.

A large majority of manufacturers, more than 85 percent, reported that they expected their health insurance costs to increase

as a result of the ACA; none anticipated a decrease. When asked what actions they were likely to take in response to the ACA provisions that take effect in 2014, more than 80 percent said that they would leave wage and salary compensation and retirement benefits the same. However, 30 percent of the respondents said they would likely reduce other employee benefits, and an even more sizable minority of firms—39 percent—said they would likely raise the prices they charged their customers.

Finally, many of the open-ended comments suggested that there was still a fair amount of uncertainty regarding both the legislation itself and its likely effects on respondents' business and the economy generally. ■

\* The announcement in early July that certain requirements of the ACA would be postponed for at least a year was made during the survey data collection period. However, pre- and post-announcement responses were similar, suggesting that the announcement did not have a significant effect on the survey results.

## Supplemental Report, *continued*

### QUESTION 1

**How many full-time-equivalent employees does your firm employ?**

Average	218
Median	104

### QUESTION 2

**Where are you receiving information and/or advice on implications of the Affordable Care Act for your business?**

	Percentage of Respondents*
healthcare.gov website	9.8
State government website	10.9
Health care insurance broker	80.4
Professional consultant	25.0
Haven't investigated implications yet	5.4
Other	13.0

### QUESTION 3

**What changes, if any, have you made or do you plan to make to your firm's health plan in response to the requirements of the Affordable Care Act?**

	Percentage of Respondents*
None: Firm is too small for mandate	12.0
None: Already offer health insurance	63.0
We're making health insurance more comprehensive	9.8
We're planning to offer health insurance for the first time	0.0
We're expanding coverage to those working thirty or more hours	1.1
We're cutting back or dropping health insurance	10.9
Other	20.7

### QUESTION 4

**What changes to your workforce, if any, have you already made in response to the Affordable Care Act?**

	Percentage of Respondents*
Fire/refrain from hiring to keep payroll under fifty full-time employees	6.5
Shift from full-time to part-time workers	5.4
More outsourcing of work	10.9
Minimal or no changes in response to the Affordable Care Act	75.0
Other	4.3

### QUESTION 5

**What changes to your workforce, if any, do you anticipate making over the next year in response to the Affordable Care Act?**

	Percentage of Respondents*
Fire/refrain from hiring in order to keep payroll under fifty full-time employees	7.6
Shift from full-time to part-time workers	6.5
More outsourcing of work	14.1
Minimal or no changes in response to the Affordable Care Act	65.2
Other	6.5

\* Questions 2-5 allowed firms to choose more than one response. For this reason, the percentages may sum to more than 100.



## Supplemental Report

### QUESTION 6

**What impact do you expect the Affordable Care Act provisions that take effect in 2014 to have on health insurance costs?**

	Percentage of Respondents
Increase substantially	50.0
Increase somewhat	36.7
Little or no impact	13.3
Decrease somewhat	0.0
Decrease substantially	0.0
We plan to pay penalty in lieu of coverage	3.3

### QUESTION 7

**Which, if any, of the following actions are you likely to take in response to the Affordable Care Act provisions that take effect in 2014?**

	Percentage of Respondents		
	Reduce	Keep the Same	Increase
Prices charged to customers	1.1	59.8	39.1
Wage and salary compensation	15.7	80.9	3.4
Retirement benefits	17.2	81.6	1.1
Other benefits	29.8	69.0	1.2