

January 2007

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Empire State Manufacturing

Survey



Summary

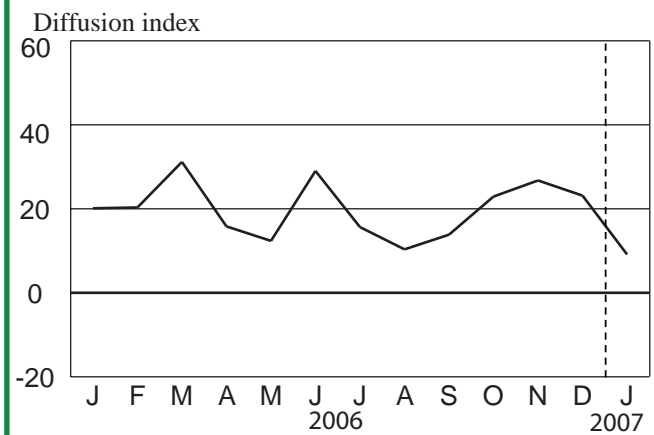
The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers softened in January. The general business conditions index fell sharply to 9.1. The new orders and shipments indexes also fell appreciably, while the unfilled orders index remained well below zero for a second consecutive month. The inventories index dropped to its lowest level in well over a year. The indexes for both prices paid and prices received inched higher, while employment indexes fell markedly. Future indexes indicated that the six-month outlook, while generally positive, turned less favorable. The capital expenditures and technology spending indexes fell, although they remained at relatively high levels.

In a series of supplementary questions, manufacturers were given a list of various state regulations and asked to rank the ones they believed were most burdensome for their business (see table). Workers' compensation and state taxes were considered the most burdensome regulations by a wide margin: each of these was ranked number one by close to 40 percent of respondents and ranked among the top three by 77 to 84 percent of respondents. When asked to compare New York State's workers' compensation regulations and state tax code with those of other states, more than 90 percent of respondents indicated that New York's regulations were more burdensome than other states'. In fact, a sizable majority of firms considered New York's regulations to be more burdensome than other states' in a number of categories.

General Business Conditions Index Drops Sharply

The general business conditions index dropped to its lowest level since the summer of 2005, falling from 22.2 in December to 9.1 in January. The percentage of respondents reporting that conditions improved over the month fell from 40 percent to 34 percent, while the percentage reporting that conditions worsened rose from 17 percent to 25 percent. The new orders index posted a similar decline, falling from 22.5 to 10.3. The shipments index also fell, but not as sharply, dropping from 27.6 to 16.1. The unfilled orders index, which had tumbled to -14.6 in December, remained in negative territory in January, at -8.5. The delivery time index slipped below zero, to -5.3. The inventories index dropped to its lowest level in a few years, declining from -7.9 to -19.2. This drop largely reflected a decline—from 25 percent to 18 percent—in the percentage of respondents reporting that inventories rose.

General Business Conditions



Price Indexes Inch Higher, While Employment Indexes Decline Further

The prices paid index inched higher in January, rising from 28.1 to 35.1, with 37 percent of respondents reporting an increase in prices paid. The prices received index also rose, from 13.5 to 19.2; roughly a quarter of respondents reported an increase in prices received. Employment indexes dropped appreciably. The index for number of employees fell 12 points, to 6.9, its lowest level since the summer. The average workweek index dipped below zero for the first time in well over a year, continuing a pattern of monthly decline that began in September.

Six-Month Outlook Less Bright

Future indexes suggest that while conditions for the most part are expected to improve over the next six months, the outlook has turned less favorable. The future general business conditions index fell 9 points, to 32.5. Future new orders and shipments indexes followed a similar pattern. The future unfilled orders index turned negative, declining to -8.5. Future price indexes held steady at relatively high levels. Future employment indexes, unlike current employment indexes, were both positive and roughly at the same level as last month. The capital expenditures index dropped several points to 31.9, and the technology spending index fell similarly, to 22.3.

Note:

Diffusion indexes are calculated for each indicator by subtracting the percent of respondents reporting the indicator lower from the previous month from those reporting the indicator higher. Thus positive values signify that more respondents report the indicator higher from the previous month than lower. Data are seasonally adjusted to control for seasonal variations.

Workers' Compensation and State Taxes Deemed Particularly Burdensome

In this month's supplementary questions, manufacturers were presented with a list of state regulation categories and asked to assess how burdensome each one was for their business in New York State—relative to the other regulations, relative to two years ago, and relative to other states. Across all three dimensions, workers' compensation and state taxes were deemed most burdensome, followed distantly by unemployment insurance (see table). Specifically, nearly 40 percent of respondents ranked each of these two categories as the single most burdensome regulation, and well over three-quarters ranked each among the top three. Unemployment insurance was ranked high (top three) by roughly half of respondents, while environmental regulation was ranked high by slightly less than one in four respondents.

When asked whether each category is now more or less burdensome than two years ago, 60 percent of firms indicated that workers' compensation and state taxes had grown increasingly burdensome, while roughly 40 percent said that unemployment insurance and environmental regulations had done so. Fewer than 10 percent of respondents indicated that any of the regulations listed had grown less burdensome. Finally, when asked how burdensome New York was relative to other states in terms of each of the regulations listed, large majorities asserted that New York was more burdensome in a number of categories—specifically workers' compensation, state taxes, unemployment insurance and environmental regulation—while very few (in some cases zero) respondents said that New York was less burdensome than other states.

January 2007 Survey Results Responses to Supplementary Questions

1) Please rank the top five most burdensome state regulations.

	Percentage of Respondents	
	<u>Ranked #1</u>	<u>Ranked in the Top 3</u>
Workers' compensation	38.9	84.4
State taxes	36.7	76.7
Unemployment insurance	2.2	47.8
Environmental regulations	4.4	22.2
Workplace safety	2.2	12.2
Minimum wage	2.2	8.9
Building codes	1.1	5.6
Land-use regulations	0.0	4.4
Equal employment opportunity	1.1	2.2

2) Compared with two years ago, how much more or less burdensome has each of the following become for your business in New York State?

	Percentage of Respondents	
	<u>Less Burdensome than 2 Years Ago</u>	<u>More Burdensome than 2 Years Ago</u>
State taxes	2.2	60.7
Workers' compensation	6.7	60.0
Unemployment insurance	4.5	42.0
Environmental regulations	3.4	35.6
Minimum wage	2.4	29.8
Building codes	4.7	20.9
Land-use regulations	1.2	16.3
Workplace safety	6.9	16.1
Equal employment opportunity	3.5	4.7

3) What is your view of how burdensome New York State is compared with other states in terms of each of the following regulations?

	Percentage of Respondents	
	<u>NY Less Burdensome than other states</u>	<u>NY More Burdensome than other states</u>
Workers' compensation	0.0	94.9
State taxes	2.6	92.2
Unemployment insurance	0.0	81.3
Environmental regulations	2.7	75.7
Building codes	5.6	52.1
Minimum wage	0.0	48.6
Land-use regulations	4.3	43.5
Workplace safety	0.0	43.2
Equal employment opportunity	0.0	28.8

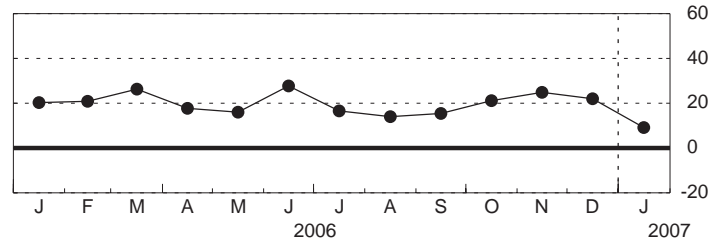
Empire State Manufacturing Survey, January 2007

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	39.56	43.08	17.36	22.19
Jan	34.45	40.24	25.31	9.13

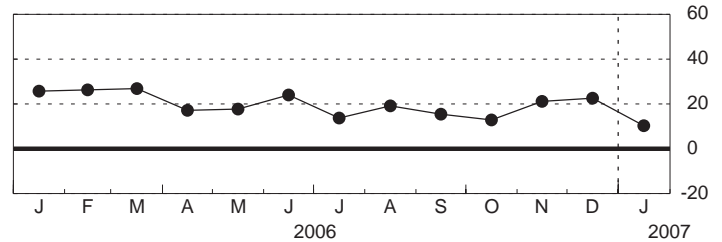
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	40.05	42.41	17.54	22.52
Jan	37.84	34.59	27.58	10.26

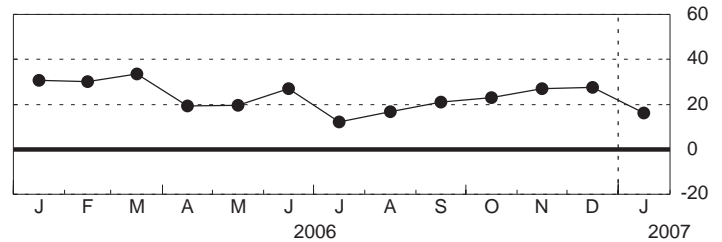
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	44.12	39.36	16.52	27.60
Jan	40.45	35.22	24.34	16.11

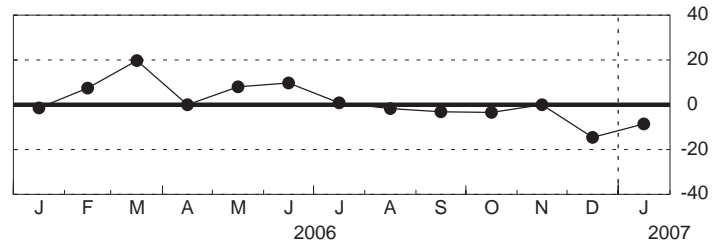
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	14.61	56.18	29.21	-14.61
Jan	14.89	61.70	23.40	-8.51

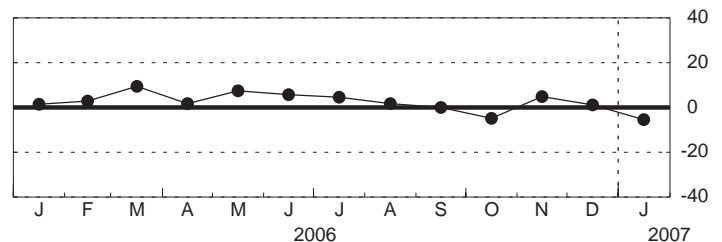
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	13.48	74.16	12.36	1.12
Jan	7.45	79.79	12.77	-5.32

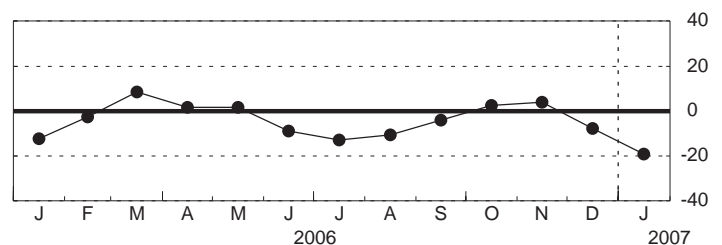
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	24.72	42.70	32.58	-7.87
Jan	18.09	44.68	37.23	-19.15

Inventories - Diffusion Index



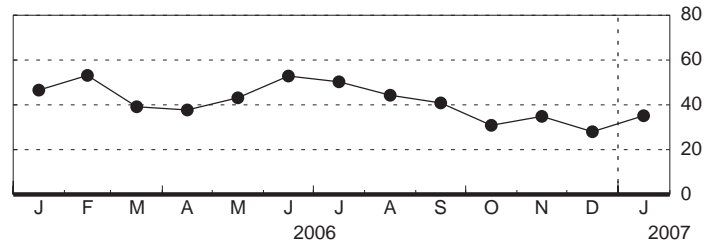
Empire State Manufacturing Survey, January 2007

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	32.58	62.92	4.49	28.09
Jan	37.23	60.64	2.13	35.11

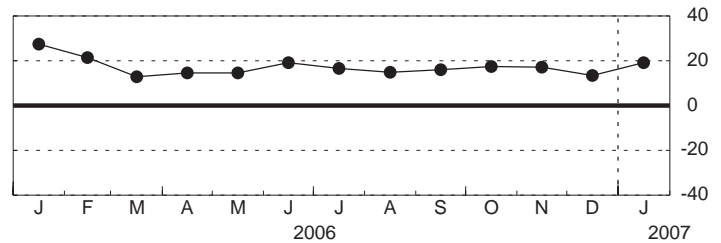
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	16.85	79.78	3.37	13.48
Jan	24.47	70.21	5.32	19.15

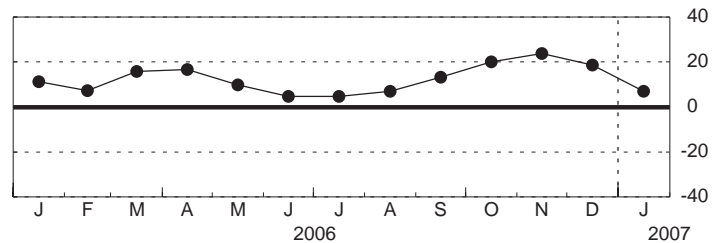
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	33.21	52.19	14.61	18.60
Jan	21.81	63.30	14.89	6.91

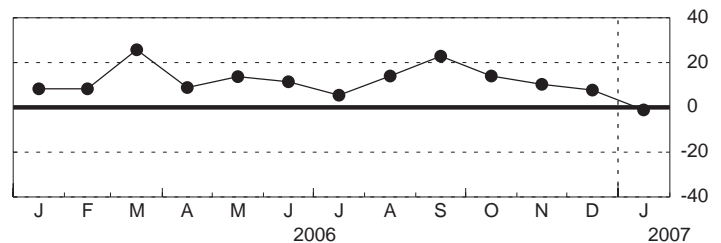
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	20.22	67.42	12.36	7.87
Jan	18.09	62.77	19.15	-1.06

Average Employee Workweek - Diffusion Index

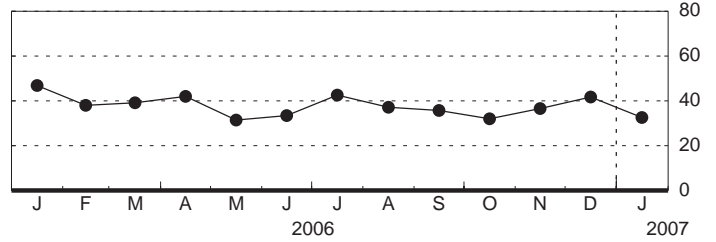


Empire State Manufacturing Survey, January 2007, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	49.83	42.20	7.98	41.85
Jan	54.17	24.19	21.64	32.54

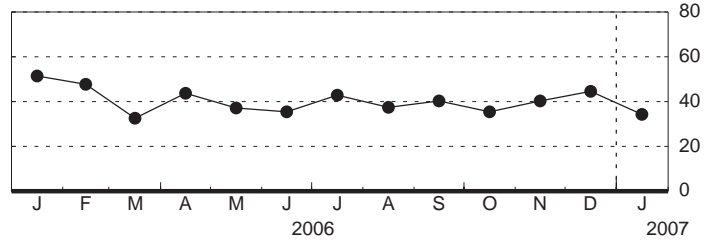
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	52.69	39.25	8.07	44.62
Jan	57.95	18.24	23.81	34.14

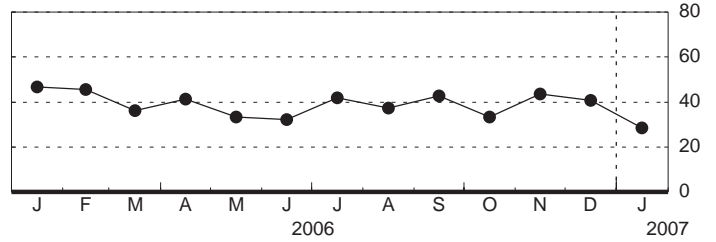
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	48.90	42.92	8.17	40.73
Jan	53.01	22.46	24.54	28.47

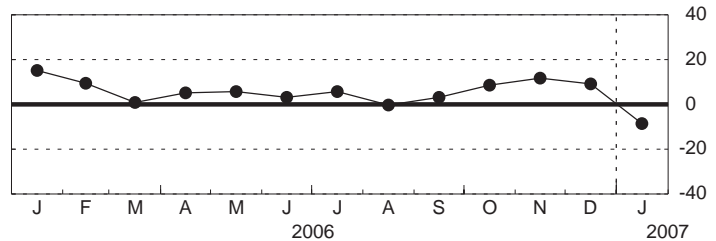
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	20.22	68.78	10.99	9.23
Jan	17.02	57.46	25.52	-8.50

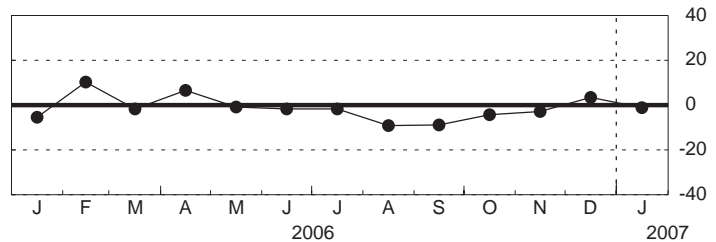
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	14.61	74.16	11.24	3.37
Jan	9.57	79.79	10.64	-1.06

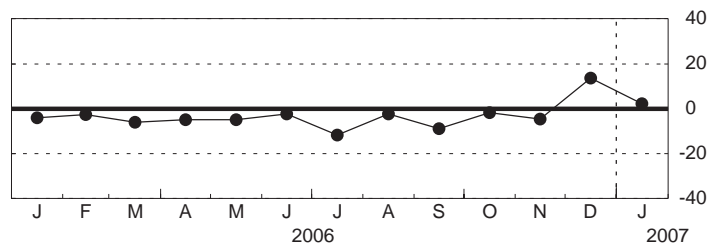
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	35.96	41.57	22.47	13.48
Jan	26.60	48.94	24.47	2.13

Inventories - Diffusion Index

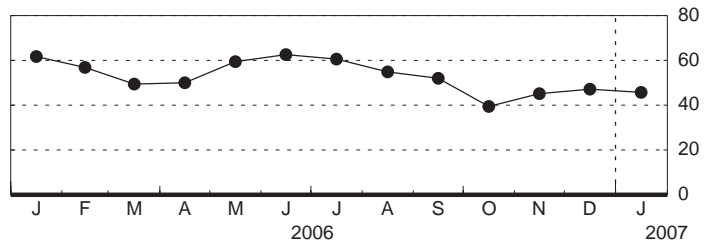


Empire State Manufacturing Survey, January 2007, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	51.69	43.82	4.49	47.19
Jan	47.87	50.00	2.13	45.74

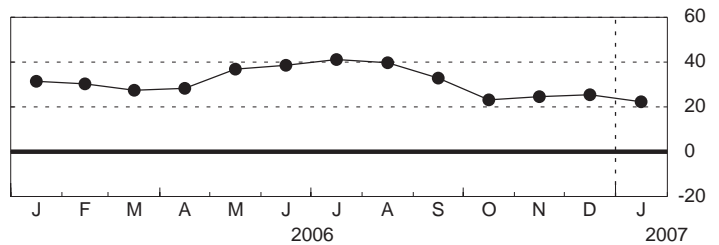
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.94	65.57	4.49	25.44
Jan	28.78	64.84	6.38	22.39

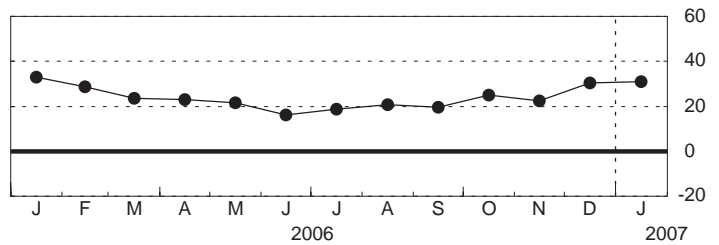
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	40.45	49.47	10.08	30.37
Jan	40.43	50.27	9.30	31.12

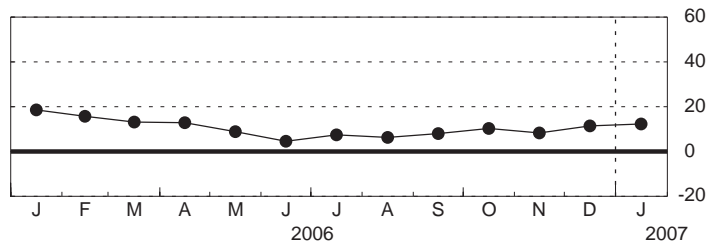
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	21.77	68.12	10.11	11.66
Jan	21.97	68.46	9.57	12.39

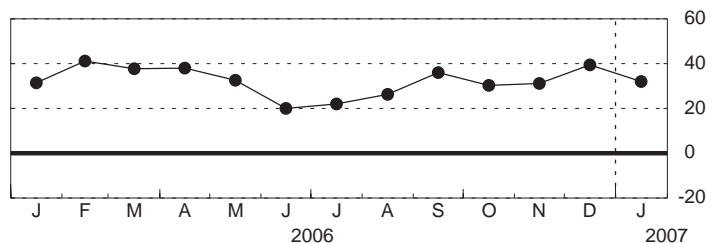
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	48.31	42.70	8.99	39.33
Jan	43.62	44.68	11.70	31.91

Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	31.46	65.17	3.37	28.09
Jan	29.79	62.77	7.45	22.34

Technology Spending - Diffusion Index

