

# Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions improved in December for New York State manufacturers. After dropping sharply into negative territory in November, the general business conditions index bounced back above zero, climbing 22 points to 10.6. The new orders and shipments indexes also rose above zero, while the unfilled orders index remained negative. The inventories index was negative, indicating that inventory levels were lower over the month. The indexes for both prices paid and prices received were positive and higher than last month, suggesting that prices rose, while employment indexes were negative, indicating that employment declined. Future

indexes were generally at high levels—a sign that conditions were expected to improve over the next six months. Significantly, the future prices paid index was positive and rose sharply, indicating that respondents expected input prices to accelerate.

In a series of supplementary questions, respondents were asked about 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 questions had been asked in December 2009 and in earlier years. Respondents reported that in 2010, prices paid overall rose 4.3 percent on

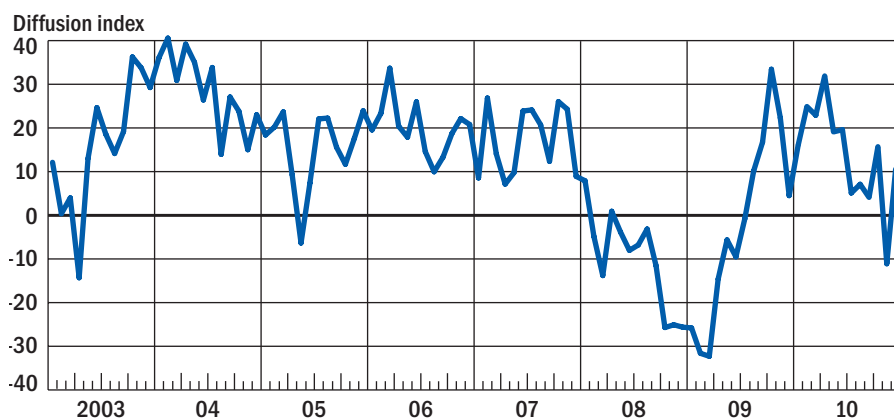
average, and they predicted that this rate would accelerate slightly to 4.5 percent in 2011. The steepest increase foreseen was in employee benefits, where prices were expected to climb 10.1 percent, up from the 8.9 percent increase observed in 2010. The average respondent reported a 64 percent chance that prices would rise at least 2 percent over the next six months but only a 12 percent chance that they would increase at least 8 percent.

## Business Activity Recovers

After dropping a steep 27 points and turning negative in November, the general business conditions index recovered in December, rising 22 points to 10.6. The percentage of respondents reporting that conditions had improved advanced from 17 percent to 30 percent, and the percentage reporting that conditions had worsened declined from 28 percent to 19 percent. The new orders index also climbed above zero, rising 27 points to 2.6, and the shipments index moved up 13 points, to 7.1. The unfilled orders index improved but, at -18.2, remained negative. The delivery time index was little changed at -6.8. The inventories index fell 16 points to -15.9, suggesting a significant drop in inventory levels.

## General Business Conditions

Seasonally adjusted



Continued

*Continued from page 1*

### **Rising Prices, Falling Employment**

Indexes for both prices paid and prices received were positive and higher than last month. The prices paid index rose 6 points to 28.4—a sign that input prices were accelerating; the prices received index also rose 6 points, to 3.4. The employment indexes, both negative, indicated a drop-off in employment activity in December. The index for number of employees fell 13 points to -3.4, for a cumulative decline of 25 points over the past two months. The average workweek index edged further into negative territory, reaching -14.8.

### **Future Indexes Remain Positive**

Future indexes pointed to ongoing optimism about the six-month outlook. The future general business conditions index was several points lower than last month but, at 48.9, was still close to the relatively high readings seen earlier in the year. The future new orders and shipments indexes were also relatively high, with the latter continuing a four-month streak of rising values. The future prices paid index posted a notable increase, rising 18 points to 58.0, its highest level since 2008; the upswing suggests that manufacturers expect

input price increases to accelerate in the months ahead. The future prices received index also climbed. Future employment indexes were positive and little changed. The capital expenditures index held steady at 22.7, while the technology spending index rose 9 points to 19.3. ■

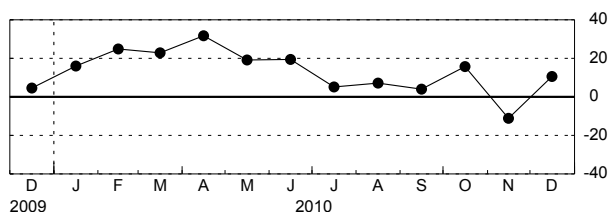
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	16.67	55.52	27.81	-11.14
Dec	29.98	50.61	19.41	10.57

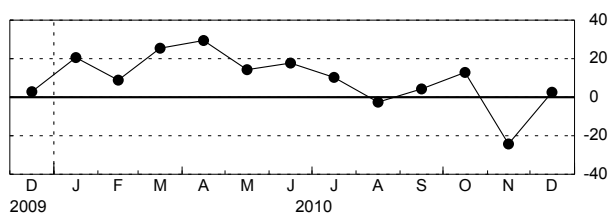
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	13.88	47.87	38.26	-24.38
Dec	27.88	46.84	25.28	2.60

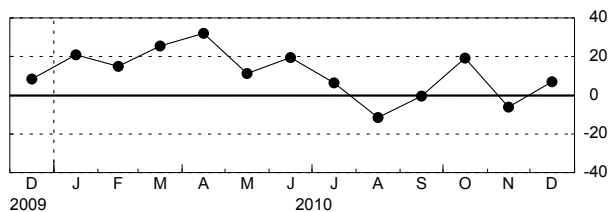
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	19.76	54.35	25.89	-6.13
Dec	28.42	50.28	21.30	7.11

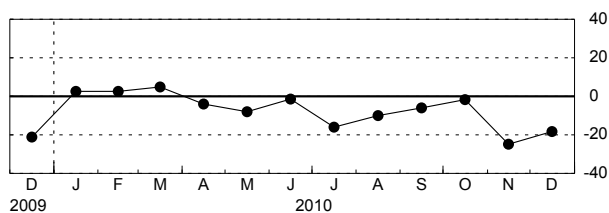
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	2.60	70.13	27.27	-24.68
Dec	10.23	61.36	28.41	-18.18

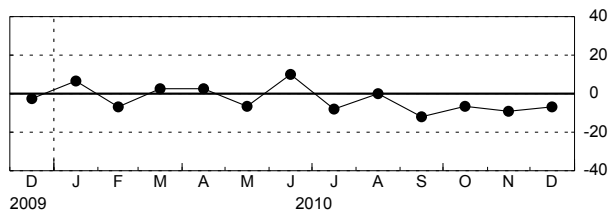
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	2.60	85.71	11.69	-9.09
Dec	5.68	81.82	12.50	-6.82

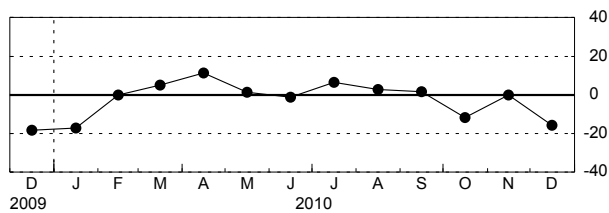
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	25.97	48.05	25.97	0.00
Dec	19.32	45.45	35.23	-15.91

Inventories - Diffusion Index



## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	28.57	64.94	6.49	22.08
Dec	36.36	55.68	7.95	28.41

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	6.49	84.42	9.09	-2.60
Dec	10.23	82.95	6.82	3.41

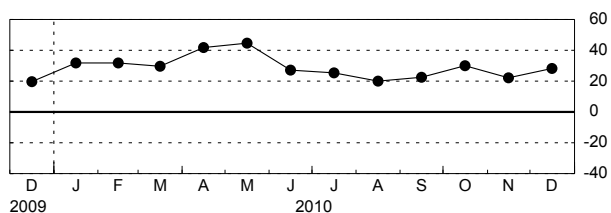
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	20.78	67.53	11.69	9.09
Dec	17.05	62.50	20.45	-3.41

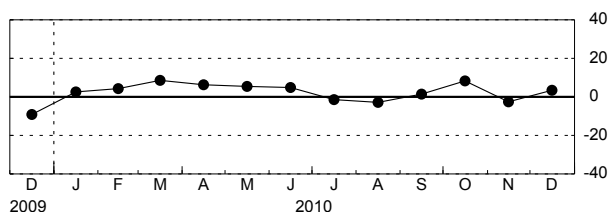
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	6.49	74.03	19.48	-12.99
Dec	9.09	67.05	23.86	-14.77

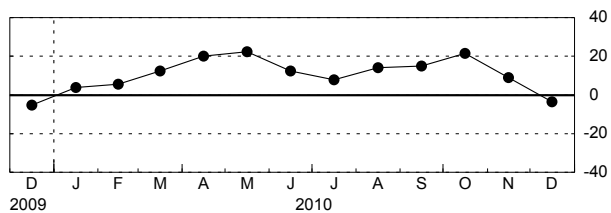
Prices Paid - Diffusion Index



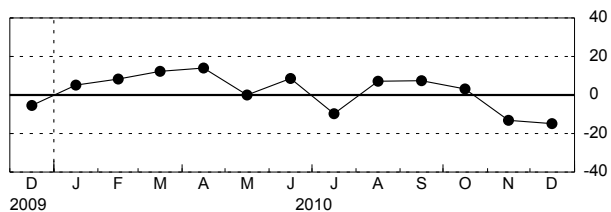
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



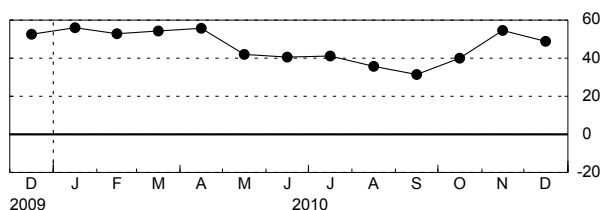
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	59.74	35.06	5.19	54.55
Dec	56.82	35.23	7.95	48.86

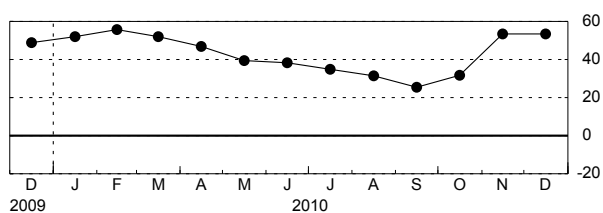
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	59.74	33.77	6.49	53.25
Dec	60.23	32.95	6.82	53.41

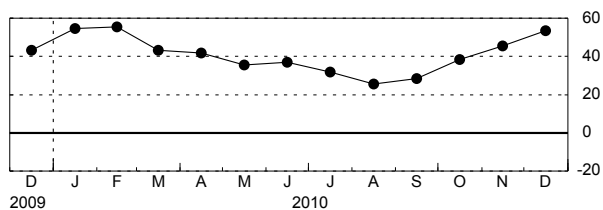
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	51.95	41.56	6.49	45.45
Dec	61.36	30.68	7.95	53.41

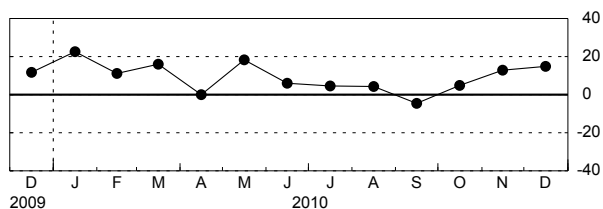
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	24.68	63.64	11.69	12.99
Dec	25.00	64.77	10.23	14.77

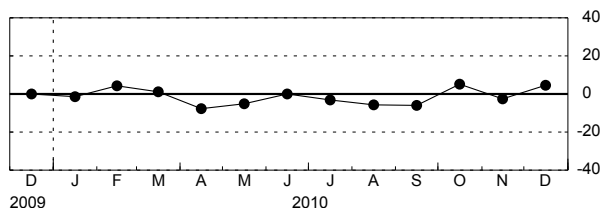
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	7.79	81.82	10.39	-2.60
Dec	12.50	79.55	7.95	4.55

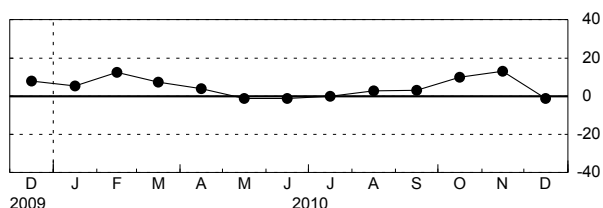
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	31.17	50.65	18.18	12.99
Dec	22.73	53.41	23.86	-1.14

Inventories - Diffusion Index



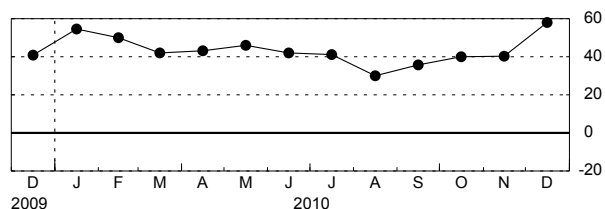
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	45.45	49.35	5.19	40.26
Dec	61.36	35.23	3.41	57.95

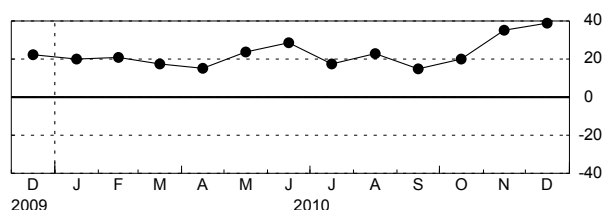
#### Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	45.45	44.16	10.39	35.06
Dec	44.32	50.00	5.68	38.64

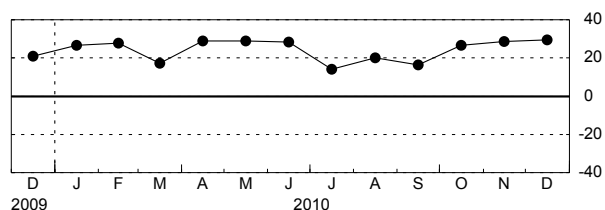
#### Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	40.26	48.05	11.69	28.57
Dec	39.77	50.00	10.23	29.55

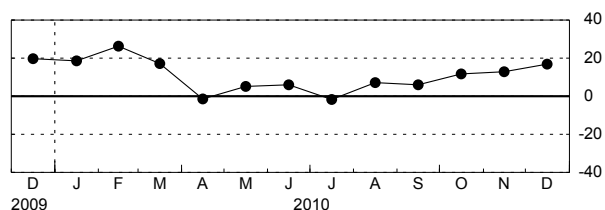
#### Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	22.08	68.83	9.09	12.99
Dec	25.00	67.05	7.95	17.05

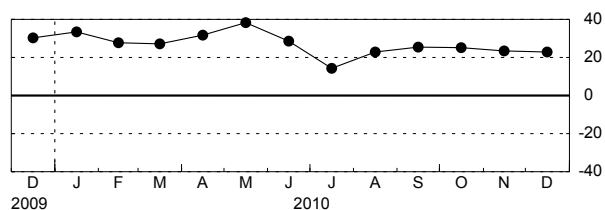
#### Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	37.66	48.05	14.29	23.38
Dec	35.23	52.27	12.50	22.73

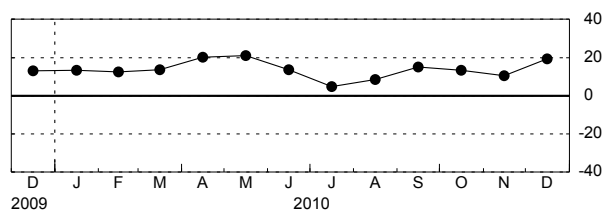
#### Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	20.78	68.83	10.39	10.39
Dec	28.41	62.50	9.09	19.32

#### Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Manufacturers Anticipate Modest Acceleration in Input Prices

Supplementary questions to the December *Empire State Manufacturing 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 was asked in December 2009 and in earlier years.

In the current survey, firms predicted that prices paid for most budget categories would increase by somewhat more in calendar 2011 than in 2010. Prices paid overall were reported to have risen 4.3 percent on average in 2010, and this rate was expected to accelerate slightly to 4.5 percent in 2011. Among the broad budget categories, employee benefits was expected to show the steepest price increase—both in absolute terms and relative to 2010 increases; respondents

foresaw a 10.1 percent rise in the cost of benefits, up from 8.9 percent in 2010. Wages were expected to climb 3.3 percent on average in 2011, with anticipated price rises of 4.3 percent for insurance (excluding health benefits), 3.3 percent for outside services, and 2.6 percent for energy. In these categories, the expected hikes were higher than those reported for 2010, but by less than a percentage point. Prices for non-energy commodities were expected to increase slightly less in 2011 (3.9 percent) than in 2010 (4.7 percent).

The change in overall prices for 2010 predicted in the December 2009 survey proved to be close to the mark: the average respondent had expected prices to rise 4.2 percent—an increase almost identical to the 4.3 percent rise that respondents reported in the current survey. However, wages, employee

benefits, outside services, and non-energy commodities rose slightly more than had been anticipated, while energy costs rose slightly less than expected.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The perceived probability that prices would rise by more than 2 percent climbed to 64 percent, up from 56 percent in last year's survey and 51 percent in 2008. Respondents in the latest survey reported a 12 percent chance that prices would rise by at least 8 percent, viewing this larger increase as a somewhat more likely outcome than did respondents in last year's survey. The average perceived probability that prices would decline by at least 2 percent overall was 7 percent—the same as in last year's survey. ■

*Continued*

## Supplemental Report, *continued*

### QUESTION 1

For each budget category, please indicate the approximate percentage change in the price you paid in 2010 and the expected percentage change in the price in 2011:

	December 2010 Survey		December 2009 Survey
	Average Percentage Change Reported for 2010	Average Percentage Change Expected for 2011	Average Percentage Change Expected for 2010
Wages	2.6	3.3	2.1
Employee benefits	8.9	10.1	7.6
Insurance (liability, fire, etc.)	3.6	4.3	3.5
Outside services	2.9	3.3	2.1
Energy	1.9	2.6	2.2
Other commodities	4.7	3.9	3.5
Overall	4.3	4.5	4.2

### QUESTION 2

What would you say is the percentage chance that, over the next six months, your prices paid will . . .

	Average Percentage Chance of Specified Price Change in Given Survey Month*	
	December 2010	December 2009
Increase 8 percent or more	12.2	9.2
Increase 2 to 8 percent	51.5	46.3
Stay within 2 percent of current levels	29.0	37.5
Decrease 2 to 8 percent	5.7	5.9
Decrease 8 percent or more	1.7	1.2

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