

May 2006

For release: May 15, 2006 8:30 a.m.

Empire State Manufacturing

Survey



Summary

The Empire State Manufacturing Survey indicates that conditions for New York manufacturers continued to improve in May, but at a slightly slower pace than in April. The general business conditions index fell 3½ points, to 12.4. Most other indexes held near their April levels. The new orders, shipments, and unfilled orders indexes were all positive and slightly higher than last month. The delivery time index crept up several points. Price indexes remained elevated: the prices paid index rose several points while the prices received index held steady, and future price indexes rose significantly. The index for number of employees dropped moderately, but remained positive. Future indexes showed a decline in the level of optimism among manufacturers, but still indicated an expectation that activity will continue to expand over the next six months.

Responding to a series of supplementary questions, manufacturers indicated that their 2006 plans for undertaking new construction and leasing space are roughly the same as for 2005. Only a handful of firms reported that they had curtailed construction plans because of rising construction costs.

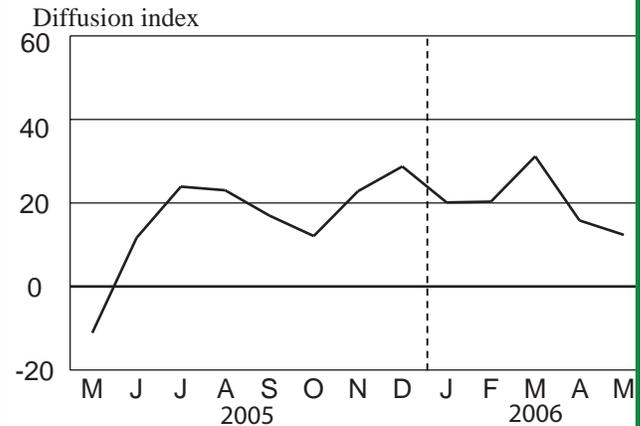
Business Conditions Improve at a Slower Pace

The general business conditions index, at 12.4, remained close to its April level, indicating a continued expansion in business activity. The pace of expansion in April and May, however, was below that observed over much of the past year, when the index hovered around 20. The new orders index rose slightly to 16.4, with 37 percent of respondents reporting an increase in orders and 20 percent reporting a decline. The shipments index posted a similarly small gain, rising to 17.3. After falling below zero in April, the unfilled orders index returned to positive territory, with a reading of 2.1. The delivery time index rose several points to 6.6; 15 percent of respondents reported longer delivery times. The inventories index remained close to zero, dropping slightly to 0.8.

More Firms Report Price Increases

The prices paid index rose from 37.9 to 42.6 in May, suggesting an acceleration in the rate of inflation. Forty-five percent of respondents reported paying higher prices, while 2 percent reported paying lower prices. The prices received index, at 14.8, was little changed, indicating a continued increase in prices received. Twenty percent of respondents reported receiving higher prices, while 6 percent indicated that they were receiving lower prices.

General Business Conditions



Employment indexes indicated a continued expansion in employment. The index for number of employees, however, showed that the rate of employment growth had slowed from its April pace; the index fell 8.3 points in May, to 9.1. Eighteen percent of respondents increased employment over the month, while 9 percent reduced employment. The average workweek index rose modestly, to 8.8, with 17 percent of respondents reporting a longer workweek and 8 percent reporting a shorter workweek.

Expectations Are Favorable, but Diminished

Future indexes indicated that manufacturers expect business conditions to improve over the next six months, but the level of optimism was lower than in May. The future general business conditions index fell from 42.7 to 31.3, with just under half of respondents expecting conditions to improve. The future new orders and shipments indexes followed a similar pattern. The future inventories index remained marginally negative, indicating an expectation that inventories will continue to shrink. Future price indexes rose significantly from April levels. The future prices paid index rose to 59.8, with 63 percent of respondents expecting to pay higher prices, while the future prices received index rose to 32.8, with 40 percent expecting to receive higher prices. Future employment indexes continued to be positive. The capital expenditures index remained high but dipped several points to 32.0. The technology spending index also dipped, to 17.2.

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.

Manufacturers Report Little Change in Construction Plans for 2006

In a series of supplementary questions in the May survey, manufacturers were asked about their 2006 construction plans and anticipated changes in the amount of space leased. One in five manufacturers had started or expected to start major construction activity in 2006. On average, respondents reported that they expected to spend about the same on construction overall in 2006 as in 2005. As for rented or leased space, more

than three out of four firms expected the amount of space they leased to remain unchanged in 2006; 13 percent of firms planned to lease more space going forward, while 10 percent planned to lease less space. Only 7 percent of manufacturers indicated that they had curtailed construction plans because of rising construction costs.

May 2006 Survey Results Responses to Supplementary Questions

| <u>Question</u> | <u>Response</u> | <u>Percentage of Respondents</u> |
|---|-----------------|--|
| 1) For calendar year 2006, have you started or do you plan to start any major construction activity in the United States? | Yes | 20 |
| | No | 80 |
| 2) Is this year's spending on U.S. construction higher, about the same, or lower than your spending in 2005? | Higher | 22 |
| | Same | 55 |
| | Lower | 23 |
| 3) Are you planning to increase, leave unchanged, or reduce the amount of space leased or rented? | Increase | 13 |
| | Leave unchanged | 77 |
| | Decrease | 10 |
| 4) Have you curtailed any construction plans because of rising construction costs? | Yes | 7 |
| | No | 93 |

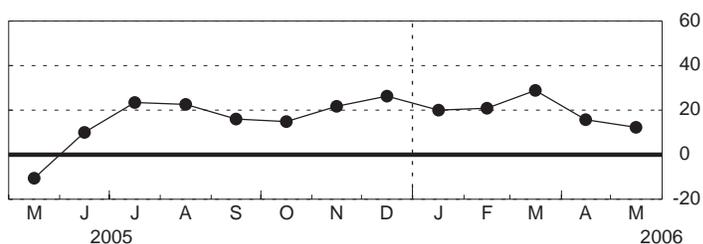
Empire State Manufacturing Survey, May 2006

Seasonally Adjusted

General Business Conditions

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 33.69 | 48.44 | 17.87 | 15.81 |
| May | 34.82 | 42.72 | 22.46 | 12.36 |

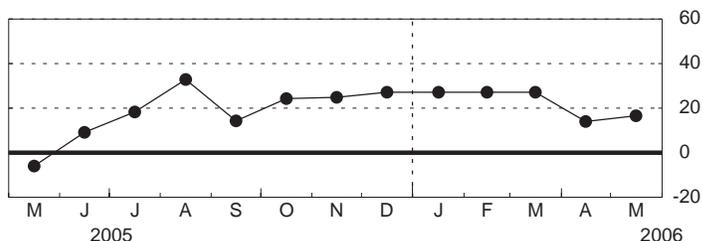
General Business Conditions - Diffusion Index



New Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 33.50 | 47.10 | 19.39 | 14.11 |
| May | 36.82 | 42.76 | 20.41 | 16.41 |

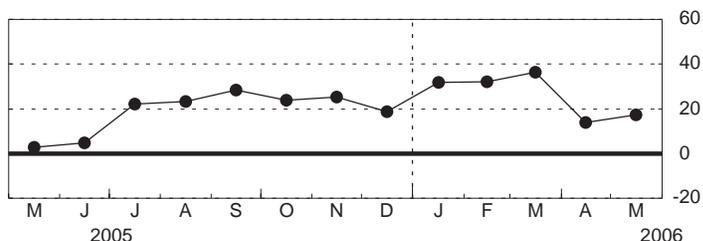
New Orders - Diffusion Index



Shipments

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 34.69 | 44.62 | 20.69 | 14.00 |
| May | 37.29 | 42.68 | 20.02 | 17.27 |

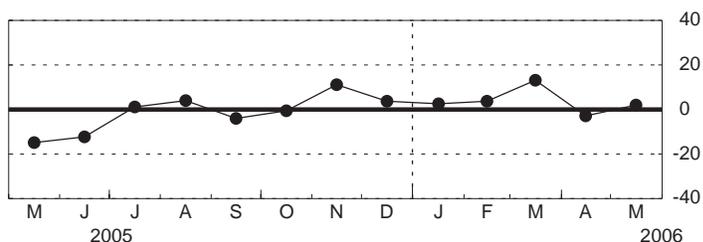
Shipments - Diffusion Index



Unfilled Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 12.06 | 72.98 | 14.96 | -2.90 |
| May | 19.88 | 62.36 | 17.77 | 2.11 |

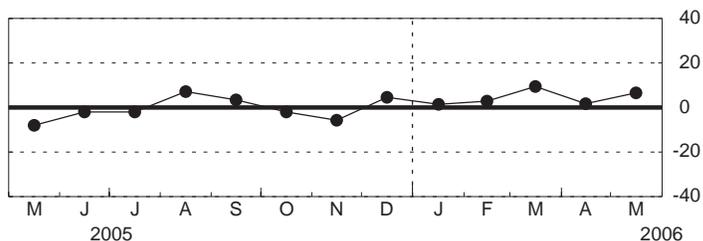
Unfilled Orders - Diffusion Index



Delivery Time

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 9.68 | 82.26 | 8.06 | 1.61 |
| May | 14.75 | 77.05 | 8.20 | 6.56 |

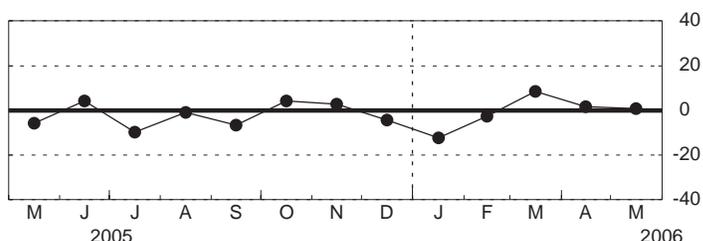
Delivery Time - Diffusion Index



Inventories

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 24.19 | 53.23 | 22.58 | 1.61 |
| May | 27.05 | 46.72 | 26.23 | 0.82 |

Inventories - Diffusion Index

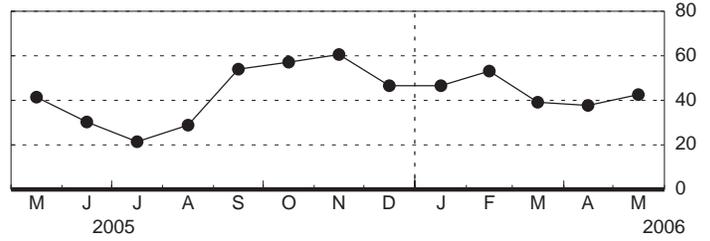


Empire State Manufacturing Survey, May 2006 Seasonally Adjusted

Prices Paid

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 41.94 | 54.03 | 4.03 | 37.90 |
| May | 45.08 | 52.46 | 2.46 | 42.62 |

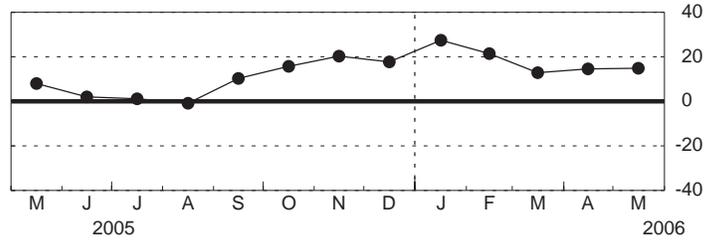
Prices Paid - Diffusion Index



Prices Received

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 21.77 | 70.97 | 7.26 | 14.52 |
| May | 20.49 | 73.77 | 5.74 | 14.75 |

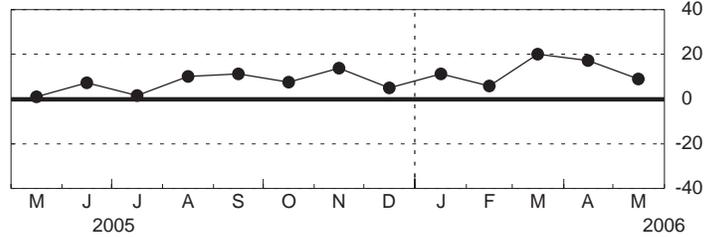
Prices Received - Diffusion Index



Number of Employees

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 21.45 | 74.52 | 4.03 | 17.41 |
| May | 18.13 | 72.85 | 9.02 | 9.11 |

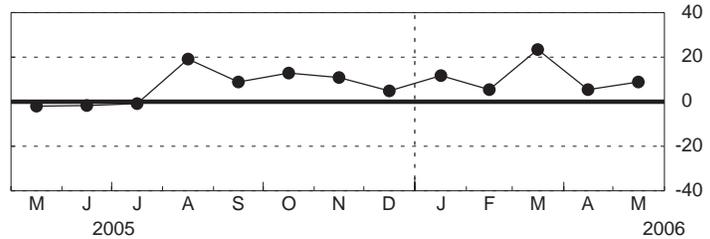
Number of Employees - Diffusion Index



Average Employee Workweek

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 15.92 | 73.59 | 10.48 | 5.44 |
| May | 17.01 | 74.79 | 8.20 | 8.82 |

Average Employee Workweek - Diffusion Index



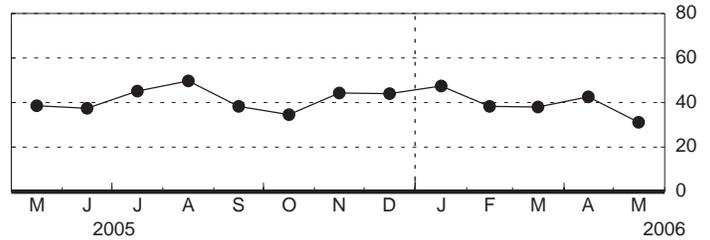
Empire State Manufacturing Survey, May 2006, Expectations Six Months Ahead

Seasonally Adjusted

General Business Conditions

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 52.70 | 37.24 | 10.06 | 42.65 |
| May | 47.66 | 35.97 | 16.37 | 31.29 |

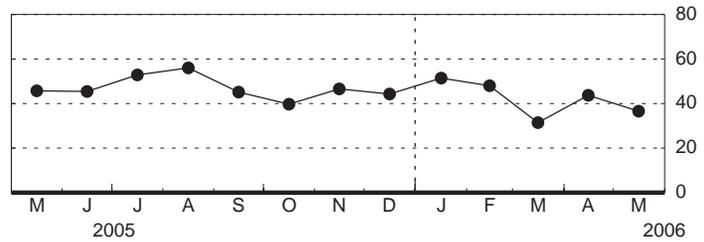
General Business Conditions - Diffusion Index



New Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 55.22 | 33.35 | 11.44 | 43.78 |
| May | 51.00 | 34.48 | 14.52 | 36.48 |

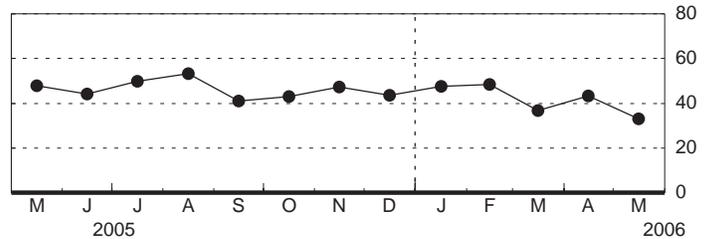
New Orders - Diffusion Index



Shipments

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 53.12 | 36.97 | 9.91 | 43.21 |
| May | 47.58 | 37.77 | 14.65 | 32.93 |

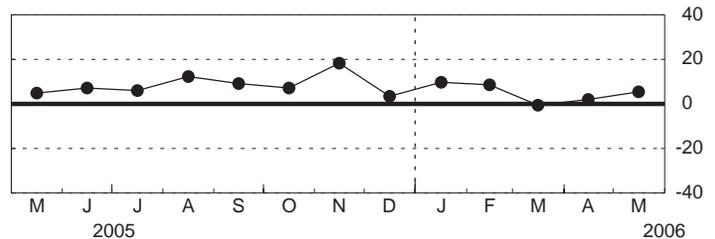
Shipments - Diffusion Index



Unfilled Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 17.30 | 67.36 | 15.34 | 1.96 |
| May | 15.77 | 74.01 | 10.21 | 5.56 |

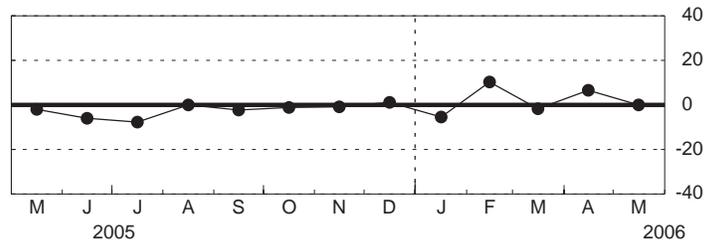
Unfilled Orders - Diffusion Index



Delivery Time

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 11.29 | 83.87 | 4.84 | 6.45 |
| May | 10.66 | 78.69 | 10.66 | 0.00 |

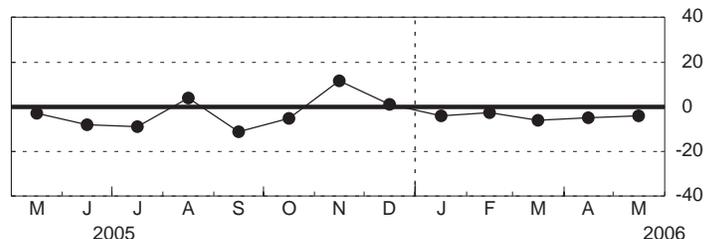
Delivery Time - Diffusion Index



Inventories

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 23.39 | 48.39 | 28.23 | -4.84 |
| May | 22.95 | 50.00 | 27.05 | -4.10 |

Inventories - Diffusion Index

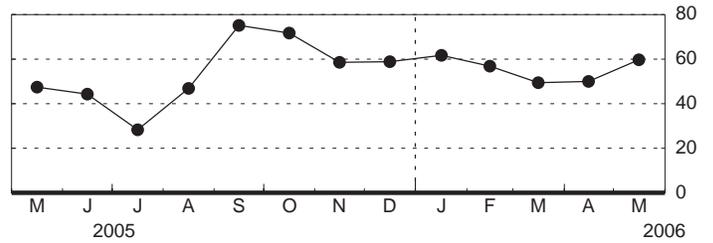


Empire State Manufacturing Survey, May 2006, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 52.42 | 45.16 | 2.42 | 50.00 |
| May | 63.11 | 33.61 | 3.28 | 59.84 |

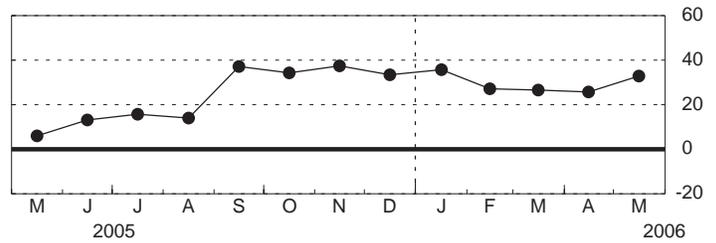
Prices Paid - Diffusion Index



Prices Received

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 34.68 | 56.45 | 8.87 | 25.81 |
| May | 40.16 | 52.46 | 7.38 | 32.79 |

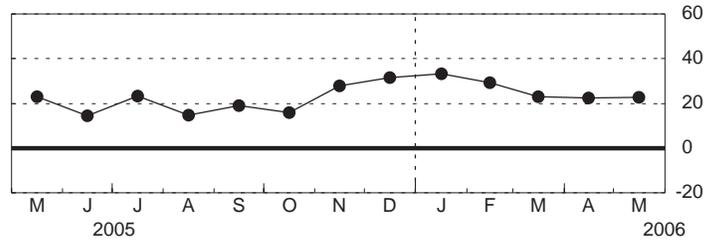
Prices Received - Diffusion Index



Number of Employees

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 35.48 | 51.53 | 12.99 | 22.49 |
| May | 31.15 | 60.42 | 8.44 | 22.71 |

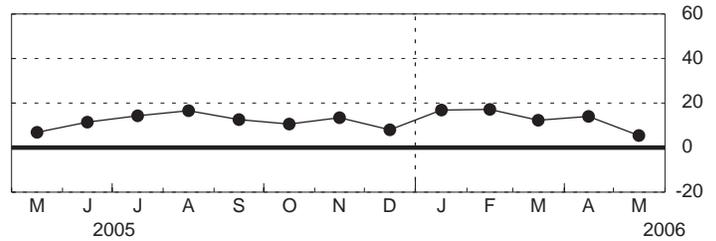
Number of Employees - Diffusion Index



Average Employee Workweek

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 22.81 | 68.32 | 8.87 | 13.94 |
| May | 15.38 | 74.88 | 9.74 | 5.64 |

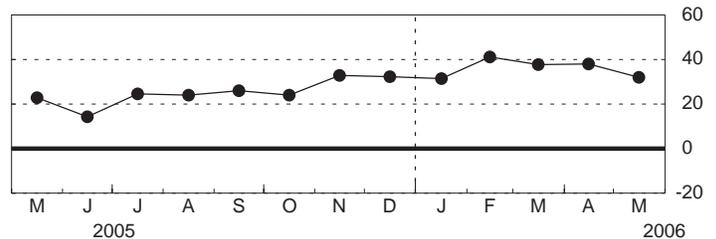
Average Employee Workweek - Diffusion Index



Capital Expenditures

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 45.97 | 45.97 | 8.06 | 37.90 |
| May | 41.80 | 48.36 | 9.84 | 31.97 |

Capital Expenditures - Diffusion Index



Technology Spendings

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Apr | 28.23 | 63.71 | 8.06 | 20.16 |
| May | 26.23 | 64.75 | 9.02 | 17.21 |

Technology Spendings - Diffusion Index

