

July 2003

Empire State Manufacturing

Survey



Summary

The *Empire State Manufacturing Survey* indicates that conditions improved for New York manufacturers for a third consecutive month in July. The general business conditions index stood at 22.6, only slightly below last month's level of 27.6. The new orders and shipments indexes remained well above zero, continuing the trend set in the preceding two months. The unfilled orders, delivery time, and inventories indexes were all slightly negative. The prices paid index returned to positive territory while the prices received index remained negative, and the employment indexes indicated continued contraction. The forward-looking indexes generally reflected optimism, with the future general business conditions, new orders, and shipments indexes above 50, and the capital expenditures index remaining strongly positive at 21.5.

A Third Consecutive Month of Improvement

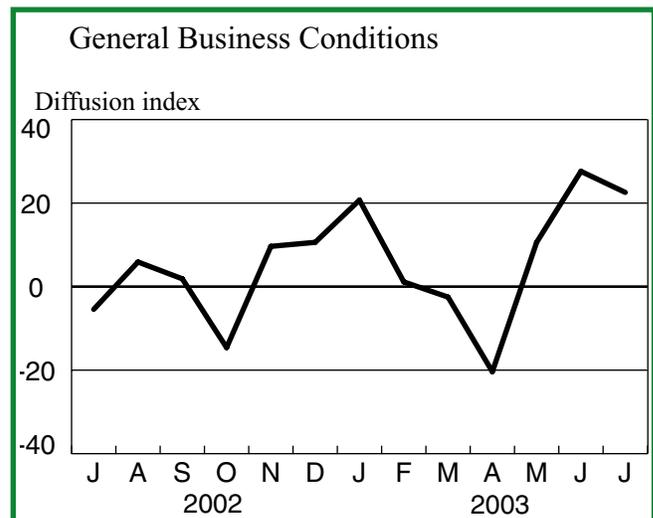
The general business conditions index remained well above zero in July, falling only slightly from last month to 22.6 and continuing a three-month positive trend. Thirty-five percent of respondents said that conditions improved in July from June, while 12 percent reported that conditions had deteriorated. A little more than half of respondents reported that conditions were unchanged. The new orders index, at 16.9, was near last month's level, with 32 percent of respondents indicating a rise in orders. A small increase from last month brought the shipments index to 21.2. The unfilled orders index dropped below zero after a positive reading in June, falling to -5.7 with only 12 percent reporting an increase.

The delivery time index also retreated, falling from 3.1 to -6.5. Holding close to its June level, the inventories index was just below zero at -2.2. Nineteen percent of respondents reported a rise in inventories, while 22 percent reported a decline.

Prices Paid Returns to Positive Territory

Pricing pressures continued in July after a brief and slight respite in June. After a one-month dip below zero, the prices paid index rose from -2.0 to 6.5. While last month 9 percent of respondents indicated that prices paid had fallen, only 3 percent reported a decline in July. Eighty-seven percent indicated no change. The prices received index remained negative at -14.0, with very few respondents reporting a rise and 15 percent reporting a decline.

Employment indexes indicated contraction in July: the number of employees index and the average workweek index were both below zero. Nineteen percent of respondents reported



a reduction in the number of employees, while 11 percent reported an increase. The average workweek was reported longer by 8 percent, while 14 percent indicated that the average workweek was shorter.

Future Indexes Remain Strong

Future indexes remained high and near the levels observed before the war in Iraq. The six-months-ahead index for general business conditions was 52.5, with more than half of respondents expecting conditions to improve. Only 7 percent expected conditions to deteriorate. The future new orders and shipments indexes both were just above 50. The future index for unfilled orders fell slightly to 18.3. Respondents expected pricing pressures to continue: the future prices paid index was positive at 8.6 and the future prices received index negative at -7.5. Employment was expected to increase, with the future number of employees index at 14.0 and the future workweek index at 20.9. The capital expenditures index for six months ahead rose modestly to 21.5, with 31 percent reporting an increase in planned capital spending.

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.

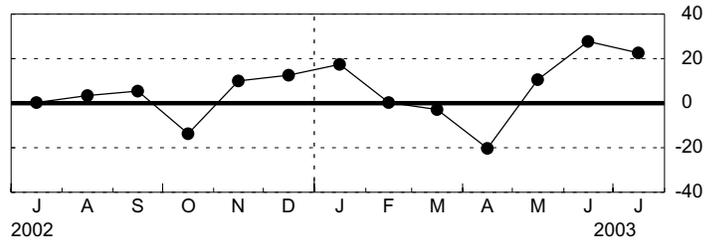
Empire State Manufacturing Survey, July 2003

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	43.68	40.24	16.08	27.60
Jul	34.54	53.47	11.99	22.56

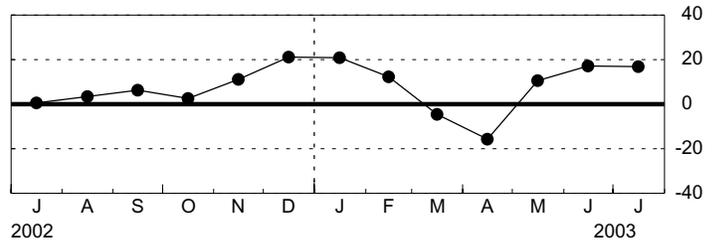
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	34.44	48.11	17.44	17.00
Jul	32.10	52.69	15.21	16.88

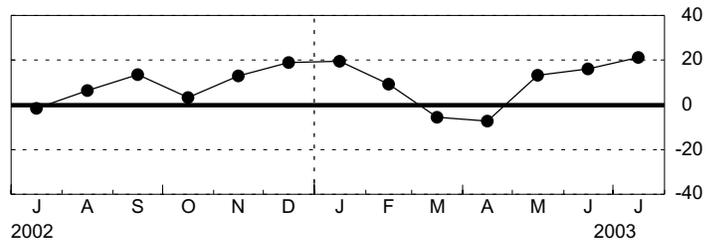
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	30.31	55.50	14.19	16.12
Jul	33.76	53.66	12.58	21.19

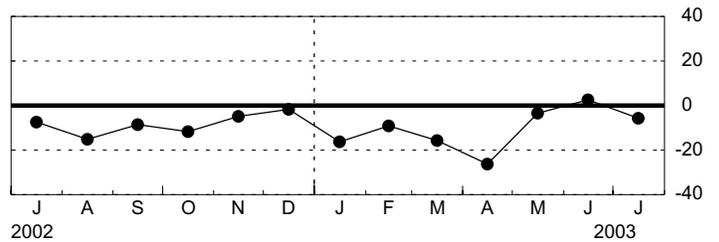
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.26	62.09	17.65	2.61
Jul	11.56	71.17	17.27	-5.71

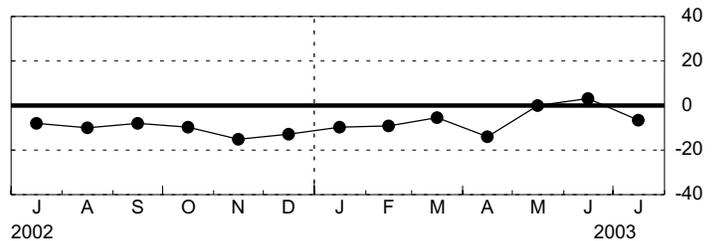
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	11.22	80.61	8.16	3.06
Jul	7.53	78.49	13.98	-6.45

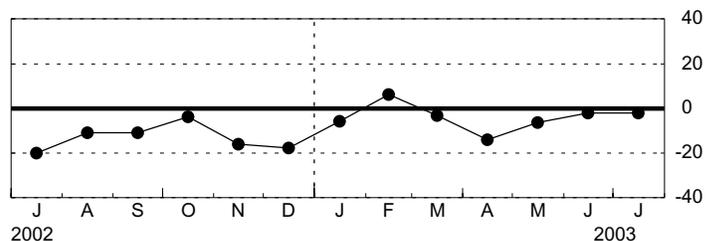
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	19.39	59.18	21.43	-2.04
Jul	19.35	59.14	21.51	-2.15

Inventories - Diffusion Index



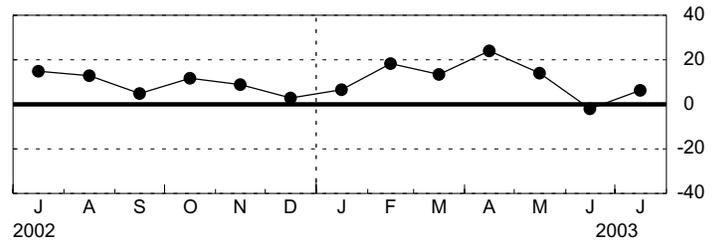
Empire State Manufacturing Survey, July 2003

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	7.14	83.67	9.18	-2.04
Jul	9.68	87.10	3.23	6.45

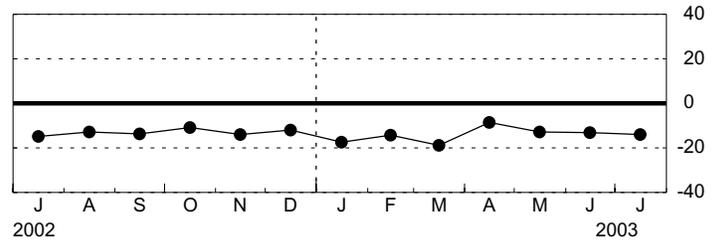
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	3.06	80.61	16.33	-13.27
Jul	1.08	83.87	15.05	-13.98

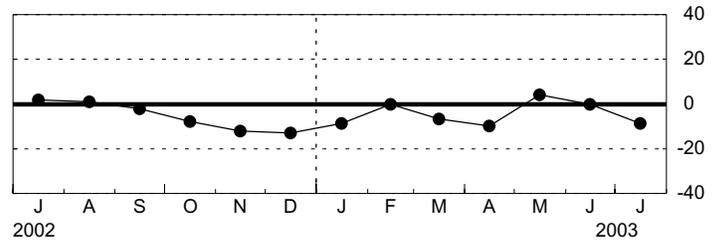
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	18.37	63.27	18.37	0.00
Jul	10.75	69.89	19.35	-8.60

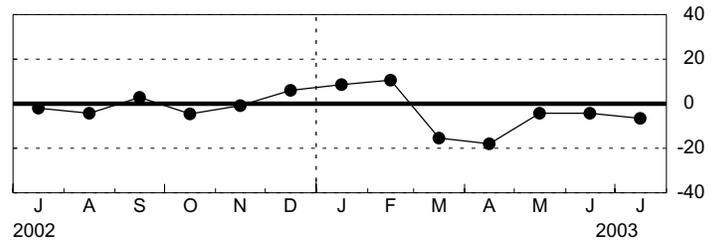
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	10.31	75.32	14.38	-4.07
Jul	7.60	78.38	14.02	-6.42

Average Employee Workweek - Diffusion Index

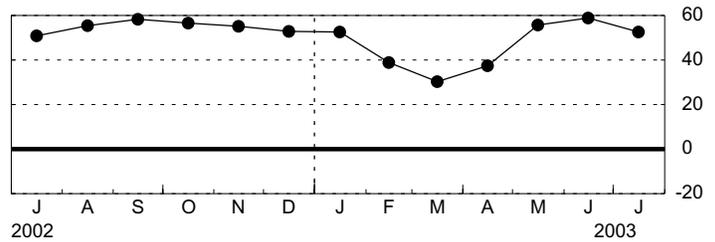


Empire State Manufacturing Survey, July 2003, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	65.52	27.83	6.65	58.87
Jul	59.77	33.00	7.23	52.54

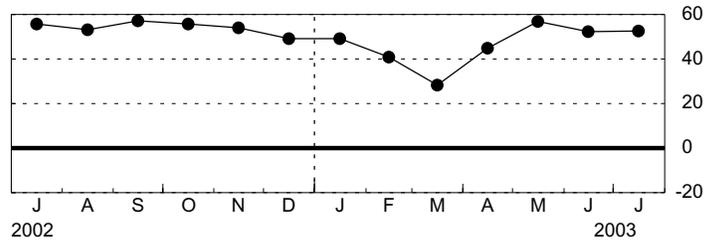
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	62.41	27.41	10.18	52.23
Jul	60.19	32.02	7.79	52.40

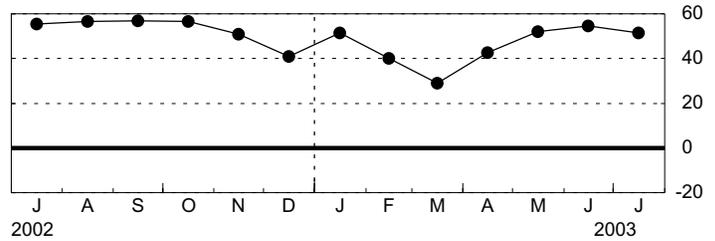
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	62.84	28.90	8.26	54.58
Jul	59.17	33.25	7.58	51.59

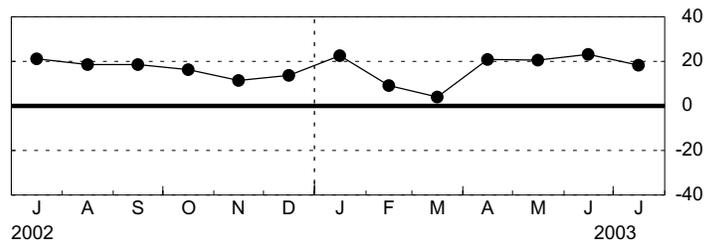
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	32.81	57.47	9.72	23.08
Jul	31.88	54.49	13.63	18.26

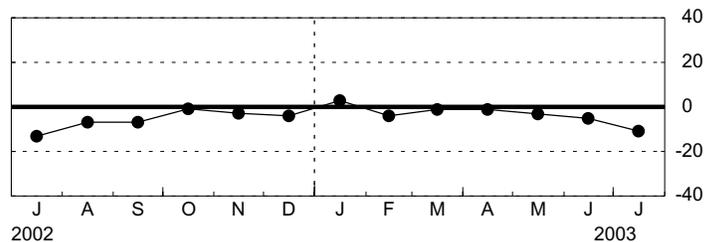
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	8.16	78.57	13.27	-5.10
Jul	7.53	74.19	18.28	-10.75

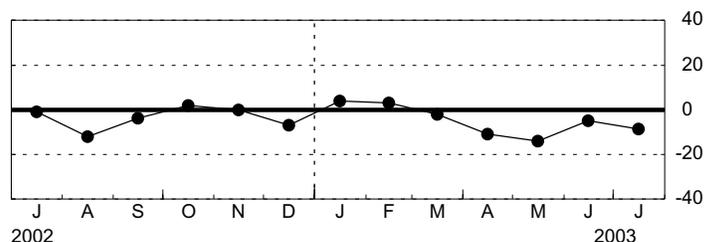
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	23.47	47.96	28.57	-5.10
Jul	21.51	48.39	30.11	-8.60

Inventories - Diffusion Index

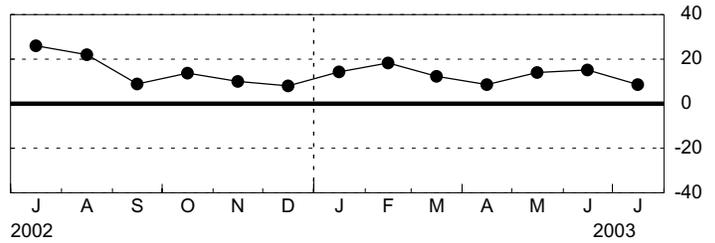


Empire State Manufacturing Survey, July 2003, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.41	74.49	5.10	15.31
Jul	17.20	74.19	8.60	8.60

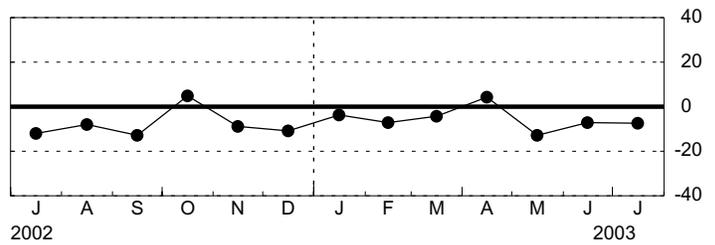
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	9.18	74.49	16.33	-7.14
Jul	8.60	75.27	16.13	-7.53

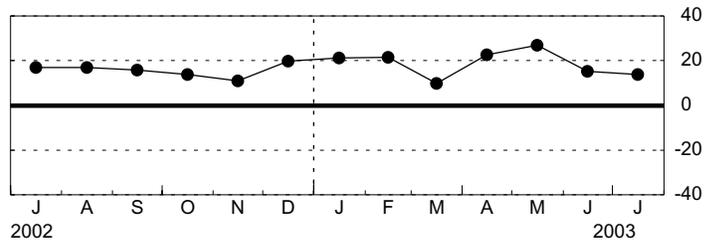
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	29.59	56.12	14.29	15.31
Jul	30.11	53.76	16.13	13.98

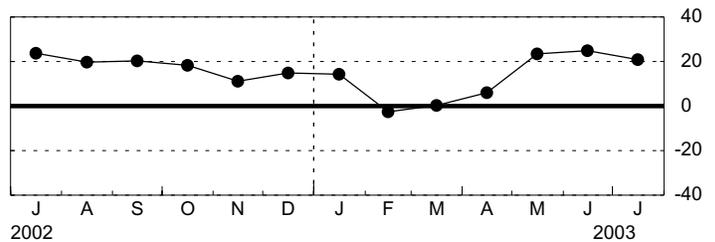
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	33.07	58.70	8.23	24.84
Jul	28.04	64.86	7.11	20.93

Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	24.49	66.33	9.18	15.31
Jul	31.18	59.14	9.68	21.51

Capital Expenditures - Diffusion Index

