

September 2006

Empire State Manufacturing

Survey

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

Summary

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to improve in September at roughly the same pace as in August. The general business conditions index rose slightly to 13.8. Although the new orders index dipped several points, it remained positive; the shipments index rose slightly and the unfilled orders index bounced back into positive territory. The inventories index remained negative. Price indexes held to elevated levels, although the prices paid index dipped somewhat while the prices received index rose marginally. Employment indexes climbed appreciably. Future indexes remained at levels consistent with a favorable outlook for the six months ahead, and the capital expenditures index rose for a third consecutive month.

Supplementary survey questions asked manufacturers to quantify past and expected changes in their overall selling prices. Identical questions had been asked in the September 2005 survey. Responses pertaining to the past twelve months suggested that prices rose 3.6 percent, on average, compared with 1.5 percent in the September 2005 survey. As for the year ahead, respondents expected prices to rise 3.0 percent, on average—up from an expectation of 2.0 percent in last year's survey. An additional question in this year's survey asked firms to assess the probability that prices would rise or fall by certain specified amounts. Respondents on average reported a very high probability (more than 80 percent) that their price changes over the next year would range from a 2 percent decline to an 8 percent increase. (See table on page 2.)

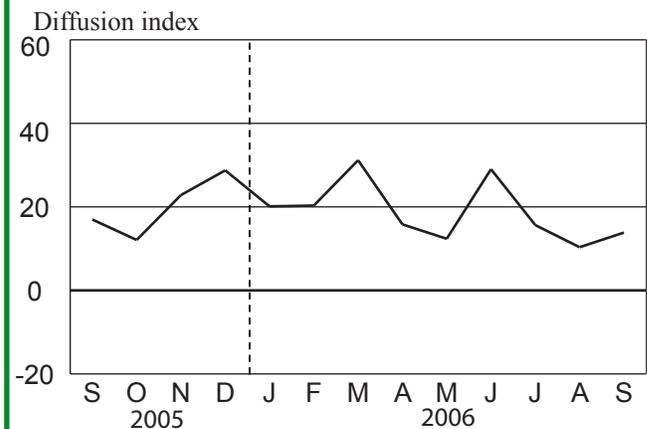
Activity Expands at a Modest Pace

The general business conditions index rose nearly three points from last month, to 13.8. Roughly 30 percent of respondents reported that conditions had improved in September, while 17 percent said that conditions had deteriorated. The new orders index dropped several points, to 14.0. Slightly over a third of respondents—roughly the same percentage as last month—reported a rise in new orders, while 20 percent reported a decline, up from 15 percent last month. The shipments index rose moderately, from 15.4 to 20.6. The unfilled orders index rose to 2.3, returning to positive territory after falling below zero in August. The delivery time index edged down to zero. The inventories index, at -4.0, remained negative for a fourth consecutive month but exceeded last month's level.

Employment Indexes Climb

The prices paid index fell for a third consecutive month, dropping from 52.9 in June to 41.0 in September. Forty-three

General Business Conditions



percent of respondents reported paying higher prices, while 2 percent paid lower prices. The prices received index held relatively steady at 16.0. Employment indexes both climbed significantly. The index for number of employees rose six points, to 12.5, with 25 percent of respondents increasing employment and 13 percent reducing it. The average workweek index rose similarly, from 14.4 last month to 22.6, its highest level since March.

Outlook Remains Favorable

Future indexes continued to convey optimism. The future general business conditions index held steady at 35.2, with roughly half of the respondents expecting conditions to improve in the months ahead. Future new orders and shipments indexes were similarly optimistic and above August levels. The future delivery time and inventories indexes remained negative. The future prices paid index continued to decline, falling to 52.0, while the future prices received index edged up to 37.0. Future employment indexes were positive. The capital spending index rose for a third consecutive month, reaching 36.0, and the technology spending index also rose, to 22.0.

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 Expect a Slight Deceleration in Selling Prices

In a series of supplementary questions identical to those posed in the September 2005 survey, manufacturers were asked to indicate how much their overall selling prices had risen or fallen over the past year, and how much they expected their prices to rise or fall in the year ahead. The average reported price increase for the past year was 3.6 percent, while the median was 3.0 percent; both figures exceeded those reported in last September's survey (see table below). For the coming year, the average anticipated price rise was 3.0 percent—a slightly greater increase than had been anticipated in the 2005 survey, but still a little lower than actually reported for the past year. The median figures painted a similar picture—prices were expected to rise a bit faster than had been expected a year earlier but a bit less rapidly than they actually rose over the past year.

In a separate question, not posed in the 2005 survey, respondents were asked about the probability that their selling prices would rise or fall by certain specified amounts. On average, manufacturers reported a 42 percent probability that prices would remain within 2 percent of their current levels and a 41 percent chance that prices would rise by 2 to 8 percent. The average respondent saw a 9 percent probability that prices would decrease more than 2 percent and, at the other end of the spectrum, a slightly lower probability that prices would increase by more than 8 percent.

September 2006 Survey Results Responses to Supplementary Questions

1) By how much have your selling prices changed, on average, over the *past year*?

	Sept. 2006 Survey	Sept. 2005 Survey
Average percentage change	3.6	1.5
Median percentage change	3.0	2.0

2) By how much do you expect your selling prices to change, on average, over the *next year*?

	Sept. 2006 Survey	Sept. 2005 Survey
Average percentage change	3.0	2.0
Median percentage change	2.5	2.0

3) What would you say is the percent chance that, over the next year, your selling prices will:

	Sept. 2006 Survey <i>Percent Chance*</i>
Increase by 15% or more	1.4
Increase by 8-15%	7.0
Increase by 2-8%	40.8
Stay within 2% of where they are now	41.5
Decrease by 2-8%	7.4
Decrease by 8% or more	1.8

* *The average perceived probability, among all respondents, that prices will change by the given amount.*

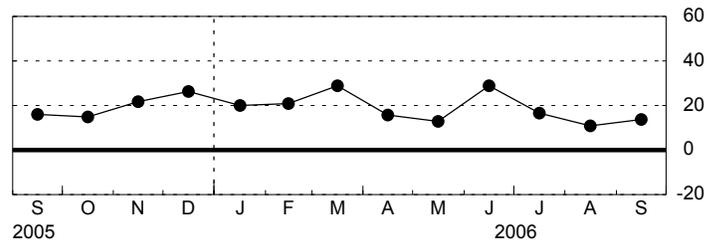
Empire State Manufacturing Survey, September 2006

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	31.44	48.17	20.40	11.04
Sep	30.51	52.82	16.67	13.84

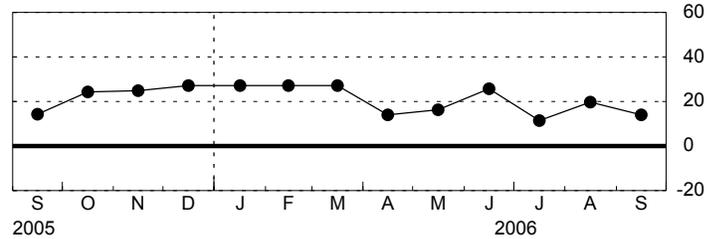
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	34.42	50.93	14.66	19.76
Sep	34.03	45.90	20.07	13.96

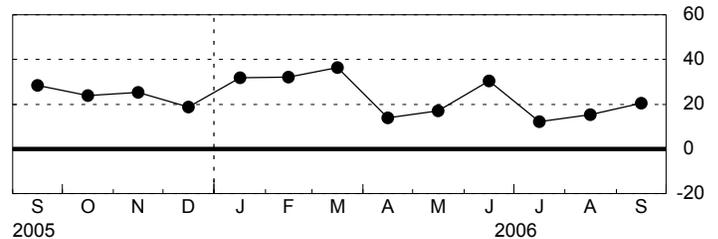
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	37.37	40.68	21.95	15.41
Sep	40.08	40.39	19.53	20.56

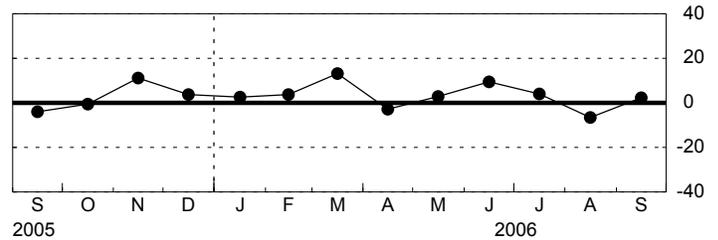
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	14.21	64.94	20.84	-6.63
Sep	17.55	67.17	15.29	2.26

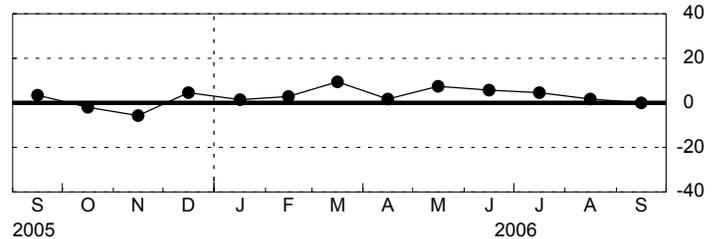
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	13.11	75.41	11.48	1.64
Sep	11.00	78.00	11.00	0.00

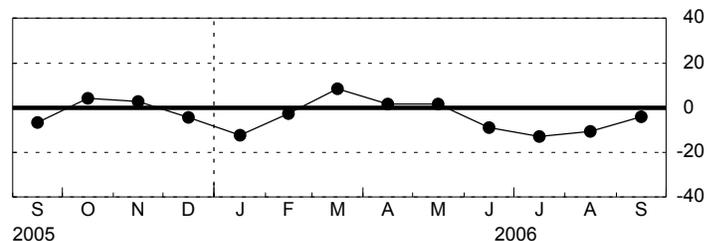
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	18.85	51.64	29.51	-10.66
Sep	21.00	54.00	25.00	-4.00

Inventories - Diffusion Index



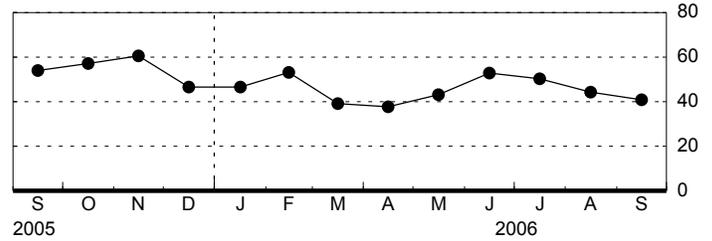
Empire State Manufacturing Survey, September 2006

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	47.54	49.18	3.28	44.26
Sep	43.00	55.00	2.00	41.00

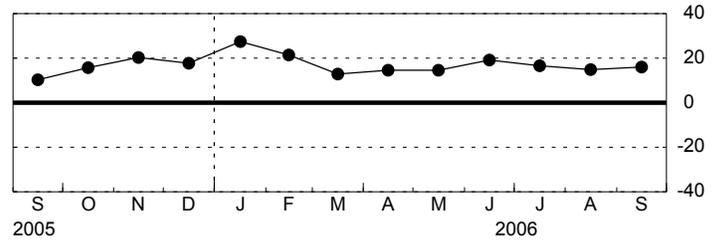
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	20.49	73.77	5.74	14.75
Sep	20.00	76.00	4.00	16.00

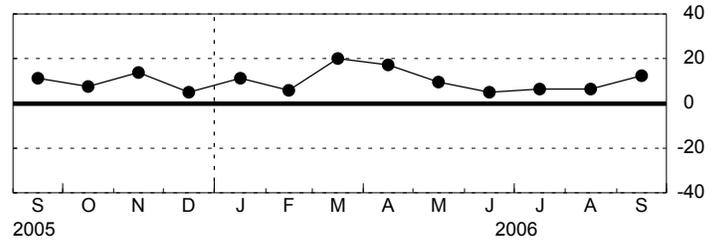
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	21.20	64.05	14.75	6.45
Sep	25.47	61.53	13.00	12.47

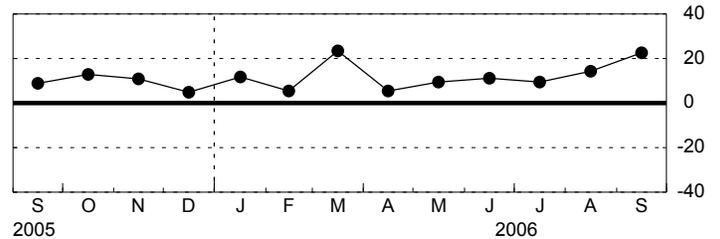
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	24.21	65.95	9.84	14.38
Sep	29.59	63.41	7.00	22.59

Average Employee Workweek - Diffusion Index

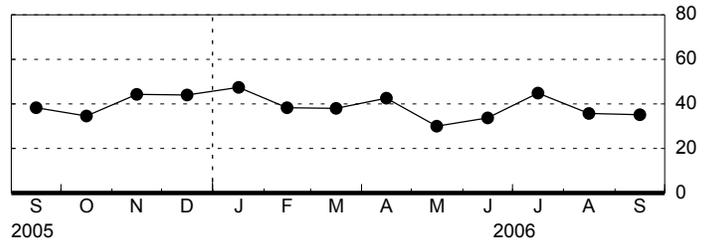


Empire State Manufacturing Survey, September 2006, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	48.73	38.33	12.93	35.80
Sep	49.00	37.20	13.80	35.20

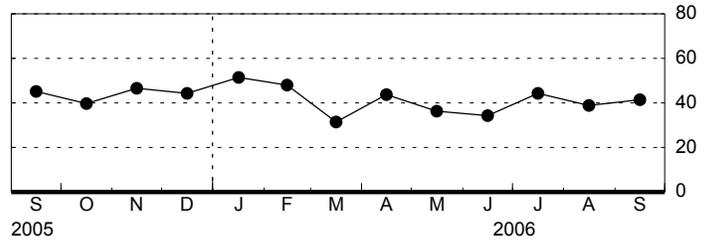
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	51.53	35.72	12.76	38.77
Sep	54.75	31.76	13.49	41.27

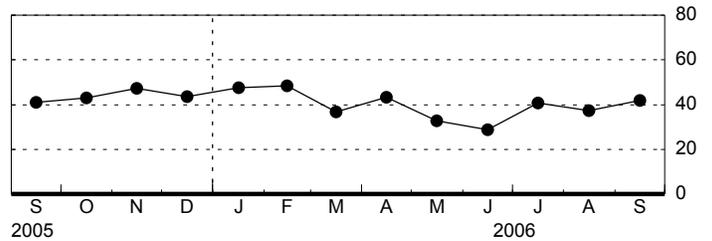
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	51.49	34.42	14.09	37.40
Sep	55.55	30.68	13.77	41.78

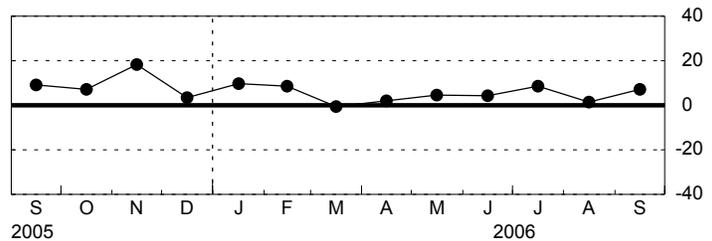
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	10.32	80.92	8.76	1.55
Sep	15.92	75.31	8.77	7.14

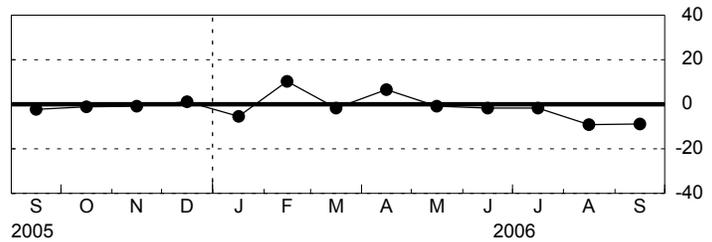
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	4.10	82.79	13.11	-9.02
Sep	6.00	79.00	15.00	-9.00

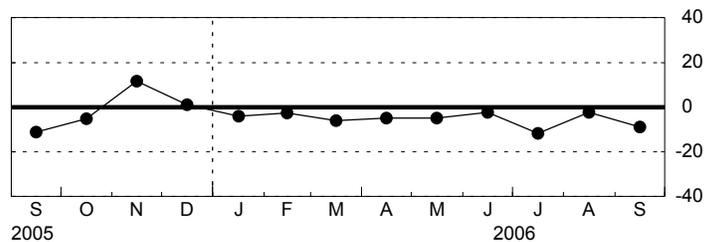
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	25.41	46.72	27.87	-2.46
Sep	23.00	45.00	32.00	-9.00

Inventories - Diffusion Index

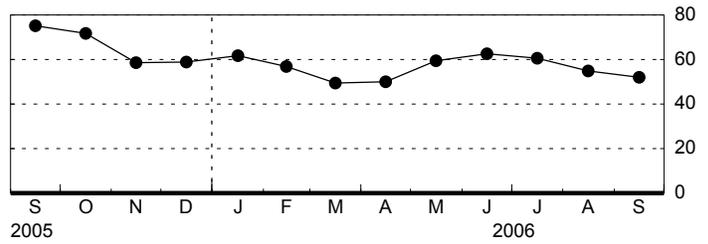


Empire State Manufacturing Survey, September 2006, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	59.02	36.89	4.10	54.92
Sep	56.00	40.00	4.00	52.00

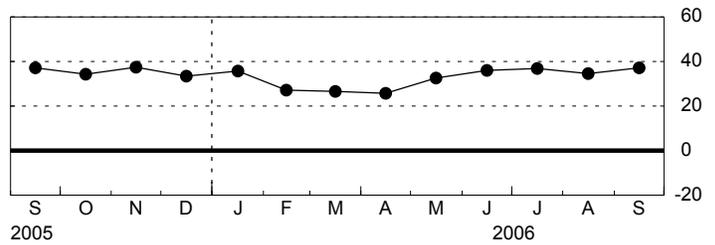
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	38.52	57.38	4.10	34.43
Sep	42.00	53.00	5.00	37.00

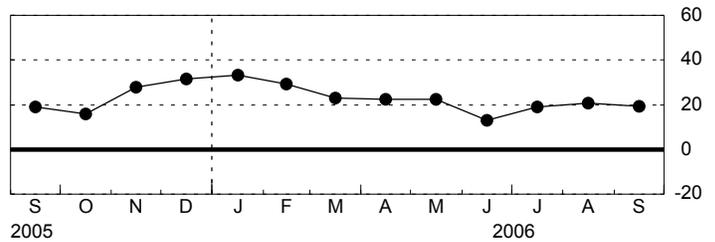
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	32.79	55.19	12.02	20.76
Sep	32.00	55.34	12.66	19.34

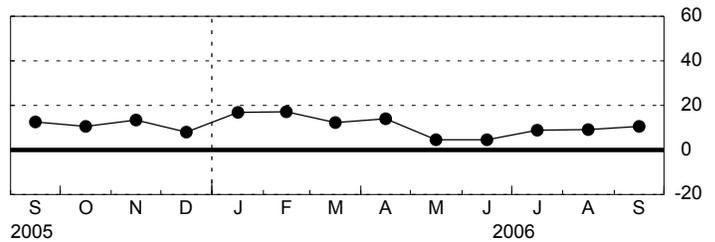
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	17.40	74.55	8.05	9.35
Sep	21.07	68.42	10.51	10.55

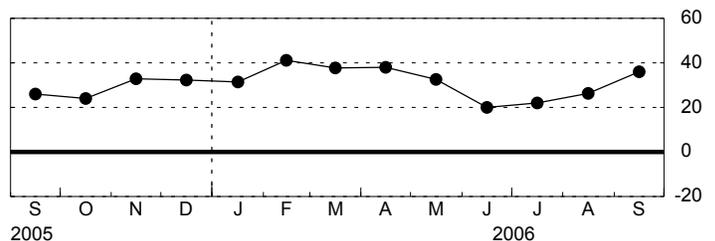
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	42.62	40.98	16.39	26.23
Sep	42.00	52.00	6.00	36.00

Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	28.69	59.02	12.30	16.39
Sep	27.00	68.00	5.00	22.00

Technology Spending - Diffusion Index

