

October 2005

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Empire State Manufacturing

Survey



Summary

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to improve in October. The general business conditions index fell for a second consecutive month but remained positive at 12.1. The new orders index jumped more than 13 points from September and approached 25; the shipments index was also well above 20. The unfilled orders index rose to slightly above zero after turning negative last month. The prices paid index remained elevated and near record highs set late last year. The prices received index rose for a second consecutive month. Employment indexes were positive and close to their September levels. Future indexes mostly drifted downward but conveyed an expectation that business activity would continue to expand over the next six months while prices would rise.

Business Activity Continues to Expand

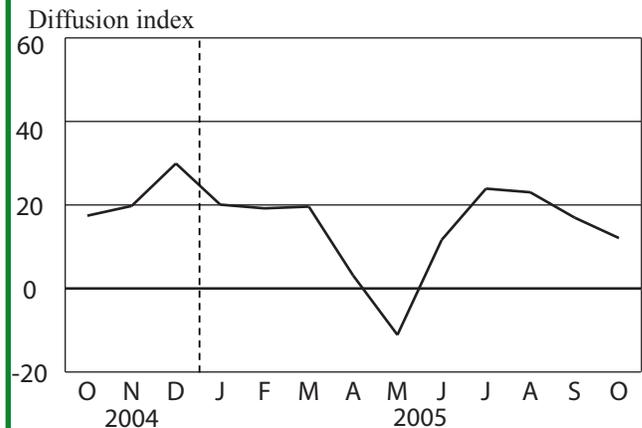
Although the general business conditions index fell slightly in October, it clearly indicated continued improvement in business conditions. The index dropped for a third consecutive month, from a peak of about 24 in July to 12.1 in October. Roughly 31 percent of respondents reported improved conditions, while nearly 19 percent said that conditions had worsened. The new orders index bounced back to 24.9 after a sharp decline last month; nearly 40 percent reported an increase in orders, while 14 percent reported a decline. The shipments index fell several points but, at a little above 23, it remained near its average level for the months from July through September. After turning negative last month, the unfilled orders index rose about 10 points, exceeding 0.

The delivery time index fell below zero to -2.1, with longer delivery times reported by 9 percent of respondents. The inventories index rose above zero to 4.2, with 21 percent of respondents reporting a rise in inventories and 17 percent reporting a decline.

Price Indexes Remain Elevated

The prices paid index sustained the high level reached in September, rising slightly to 57.3, with 60 percent reporting higher prices and 3 percent reporting lower prices. The prices received index rose for a second consecutive month, reaching 15.6, its highest level since March. Roughly 21 percent of respondents reported receiving higher prices, slightly less than the 22 percent who did so last month, while 5 percent of respondents—the lowest percentage in the history of the survey—received lower prices, down from 12 percent in September.

General Business Conditions



Employment indexes remained positive and near their levels of the past few months. The index for number of employees fell from 11.7 to 9.3, with 24 percent of respondents increasing employment and 15 percent reducing employment. The average workweek index was 13.5, slightly above its September level.

Outlook Continues to Be Favorable

The outlook for the next six months was favorable, but respondents' optimism was somewhat more muted than it had been during the summer. The future general business conditions index fell several points to 32.6, with 45 percent expecting conditions to improve and 12 percent expecting conditions to worsen. The future new orders index posted a similar drop, to 37.9, while the future shipments index held steady at 43.2. Future price indexes remained relatively high. The future prices paid index was 71.9, with more than three-quarters of respondents expecting to pay higher prices in six months. The future prices received index was 34.4, with 43 percent expecting to receive higher prices and 8 percent expecting to receive lower prices. Future employment indexes dipped a few points, but remained positive. The capital expenditures index declined marginally to 24.0.

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.

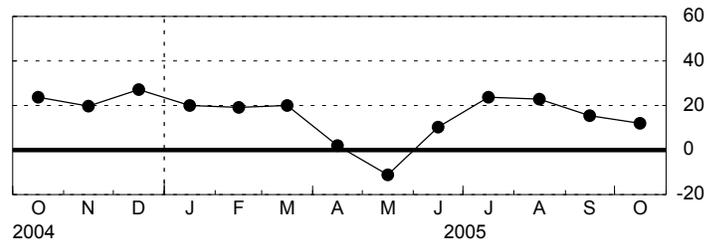
Empire State Manufacturing Survey, October 2005

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	31.91	51.76	16.33	15.58
Oct	30.61	50.87	18.52	12.08

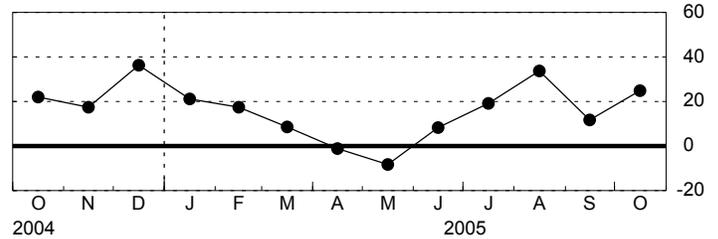
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	33.77	44.09	22.13	11.64
Oct	39.23	46.40	14.37	24.85

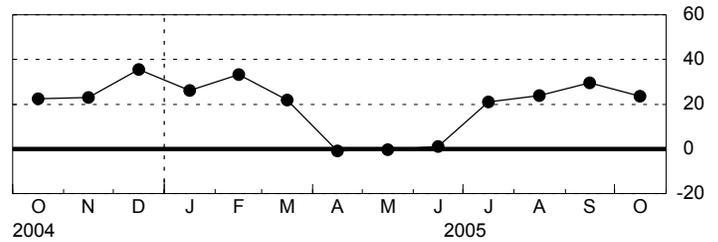
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	47.83	34.00	18.17	29.67
Oct	36.81	49.91	13.28	23.53

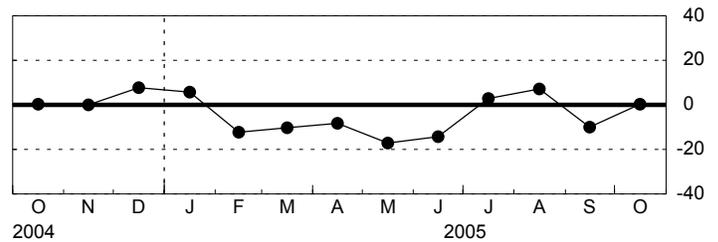
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	12.29	65.59	22.12	-9.84
Oct	13.24	73.92	12.84	0.41

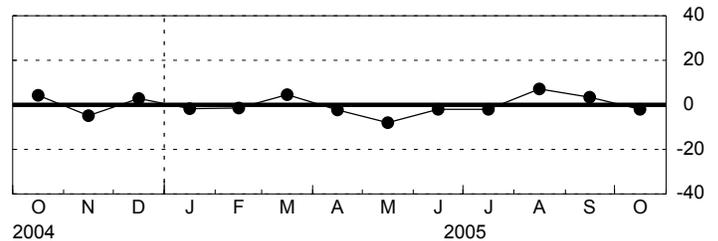
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	7.87	87.64	4.49	3.37
Oct	9.38	79.17	11.46	-2.08

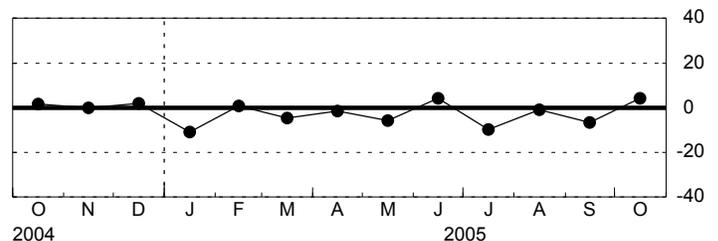
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	17.98	57.30	24.72	-6.74
Oct	20.83	62.50	16.67	4.17

Inventories - Diffusion Index

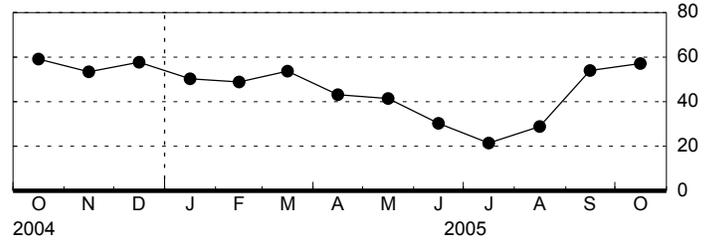


Empire State Manufacturing Survey, October 2005 Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	57.30	39.33	3.37	53.93
Oct	60.42	36.46	3.13	57.29

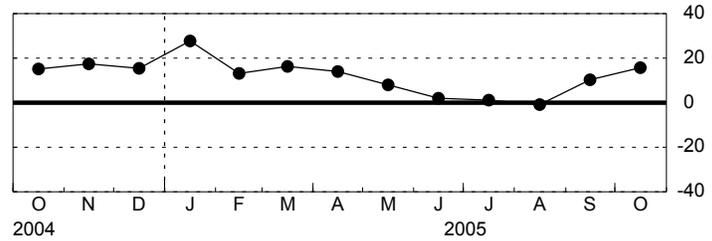
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	22.47	65.17	12.36	10.11
Oct	20.83	73.96	5.21	15.63

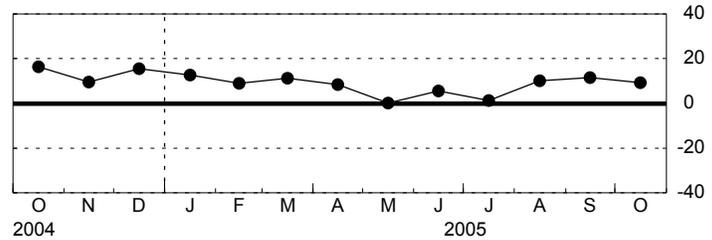
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	20.64	70.37	8.99	11.65
Oct	23.85	61.57	14.58	9.26

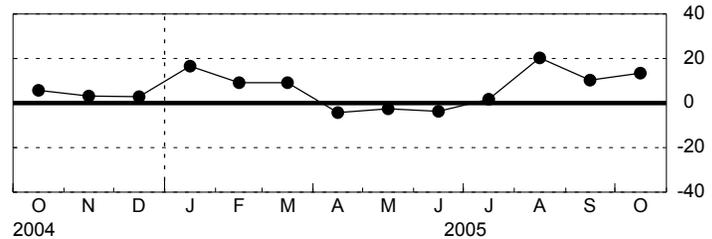
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	22.75	64.89	12.36	10.39
Oct	25.97	61.53	12.50	13.47

Average Employee Workweek - Diffusion Index

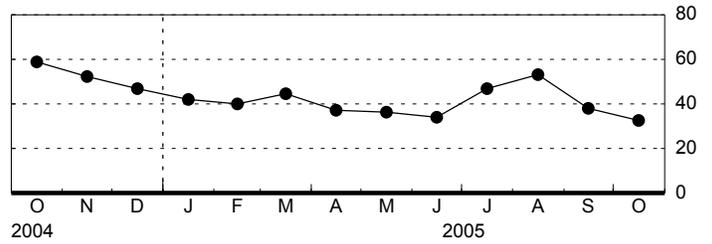


Empire State Manufacturing Survey, October 2005, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	46.65	44.84	8.51	38.14
Oct	44.81	43.01	12.18	32.64

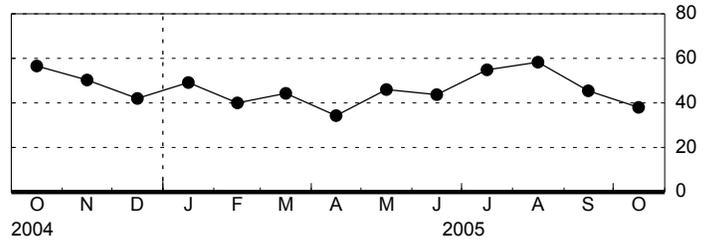
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	53.08	39.12	7.79	45.29
Oct	50.28	37.37	12.34	37.94

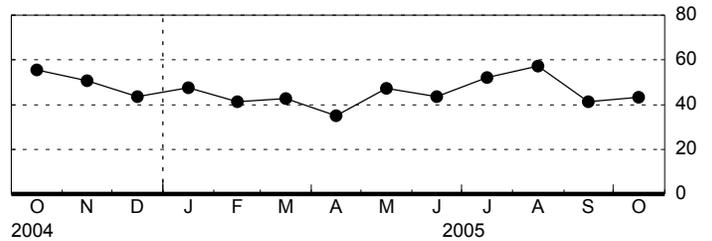
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	50.36	40.60	9.04	41.32
Oct	53.11	36.95	9.94	43.17

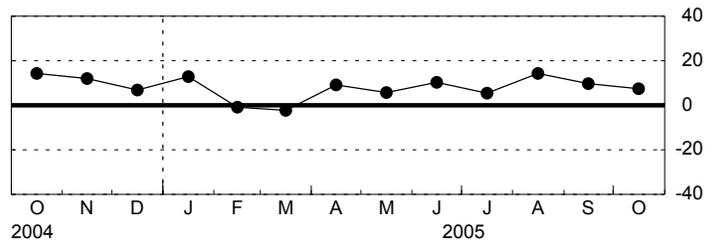
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	20.26	69.23	10.50	9.76
Oct	17.84	71.77	10.40	7.44

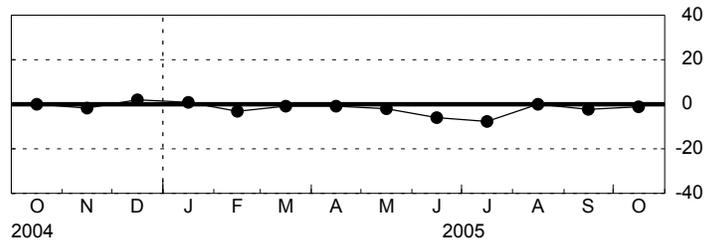
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	8.99	79.78	11.24	-2.25
Oct	7.29	84.38	8.33	-1.04

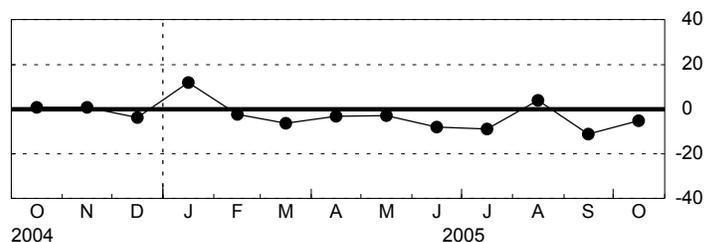
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	17.98	52.81	29.21	-11.24
Oct	18.75	57.29	23.96	-5.21

Inventories - Diffusion Index

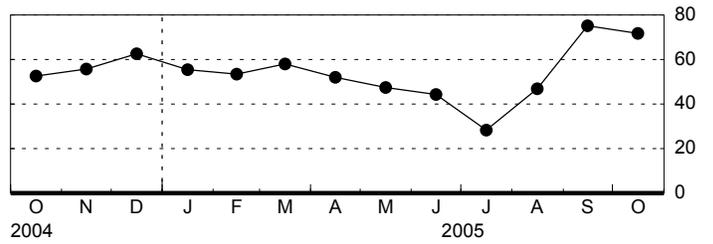


Empire State Manufacturing Survey, October 2005, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	75.28	24.72	0.00	75.28
Oct	76.04	19.79	4.17	71.88

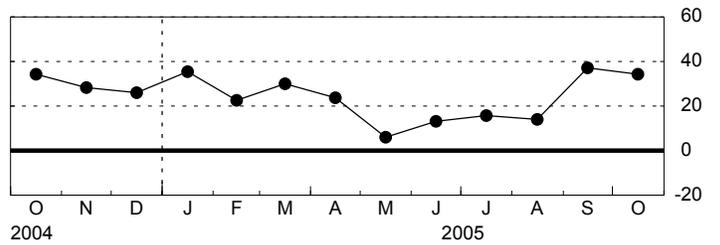
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	42.70	51.69	5.62	37.08
Oct	42.71	48.96	8.33	34.38

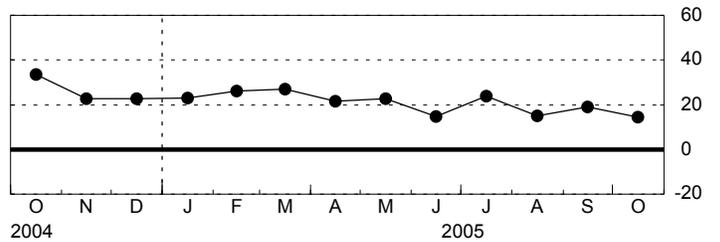
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	31.46	56.03	12.51	18.95
Oct	29.17	56.22	14.61	14.55

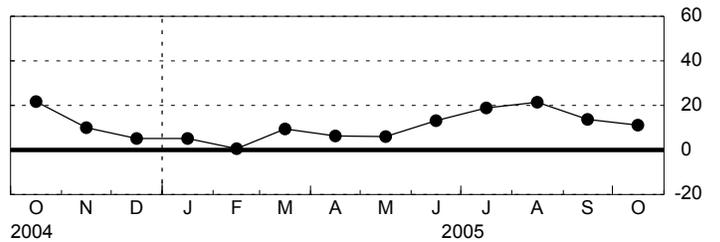
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	24.47	64.90	10.64	13.83
Oct	21.09	68.95	9.96	11.13

Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	37.08	51.69	11.24	25.84
Oct	36.46	51.04	12.50	23.96

Capital Expenditures - Diffusion Index

