

# March 2006

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

## Empire State Manufacturing Survey



### Summary

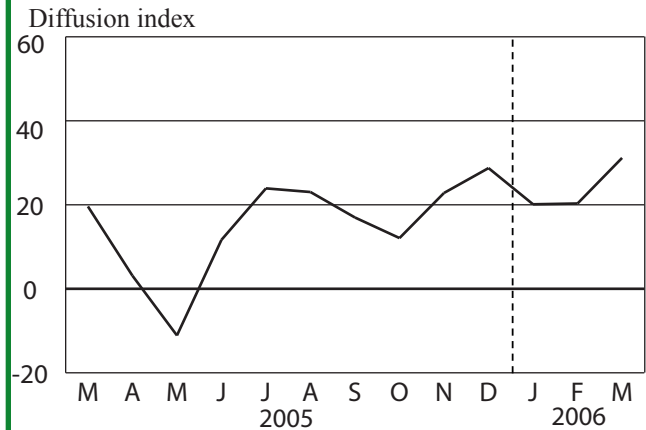
The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to improve at an accelerated pace in March. The general business conditions index advanced 10 points to 31.2. The new orders, shipments, and unfilled orders indexes all increased, the latter two climbing to their highest levels in more than a year. The delivery time index rose sharply, indicating a lengthening of delivery times. The inventories index posted a reading above zero for the first time since November. Price indexes showed continued increases in prices paid and received, but the pace of the increases slowed from last month. Employment indexes shot up, with the average workweek index reaching a record high. Future indexes suggested that respondents anticipate a further expansion of activity, but the future indexes for new orders and shipments reflected a sharp decline in expectations from last month.

In a series of supplementary questions asked both this month and in the March 2005 survey, manufacturers were queried about the difficulty (if any) they were experiencing in finding workers proficient in select skills. Respondents reported substantially more difficulty finding proficient workers, across all categories, than a year ago. Advanced computer skills emerged as the hardest skills to find, followed by punctuality and reliability and then by interpersonal skills.

### The Pace of Expansion Accelerates

The general business conditions index rose from 21.0 in February to 31.2 in March, indicating a pickup in the pace of expansion in business activity. Thirty-nine percent of respondents—a slightly higher percentage than in February—reported that conditions had improved, while 8 percent reported that conditions had worsened, down from 14 percent last month. The new orders index, at 29.2, was near its levels of the past several months, indicating a continued rise in orders. The shipments index advanced to 38.7, its highest level in more than a year. The unfilled orders index rose 11 points, to 15.0, the highest level for this measure in more than a year. Nearly one-quarter of respondents said that unfilled orders had increased in March, while 9 percent reported a decrease. The delivery time index rose markedly, with 17 percent of respondents reporting that delivery times had lengthened. The inventories index climbed above zero for the first time in four months and reached its highest level since September 2001. Thirty-two percent of respondents reported higher inventories, while 21 percent reported lower inventories.

### General Business Conditions



### Price Increases Slow, While Employment Expands

Price indexes were positive, indicating that prices had risen since last month, but were lower, indicating that the pace of increase had slowed. The prices paid index fell from 53.2 to 40.2, with 41 percent of respondents reporting rising prices compared with 55 percent in February. The prices received index dropped from 21.5 to 12.8; 23 percent of respondents indicated that prices had risen, while the percentage reporting lower prices moved up from 4 percent last month to 10 percent in March. Employment indexes rose significantly. The number of employees index surged to 21.8, with 29 percent of respondents raising employment levels. The average workweek index jumped to a record-high 25.3, with 30 percent reporting a longer workweek.

### Expansion Expected to Continue

Future activity indexes were generally positive, indicating that business expansion is expected to continue, but some indexes posted significant declines. The future general business conditions index held steady at 39.0, strongly indicating an expectation that activity will expand over the next six months. The future new orders index fell sharply but remained positive at 32.4. Future price indexes were positive; the future prices paid index fell several points, while the future prices received index was unchanged. Future employment indexes were positive. The capital spending index fell from its recent peak, to 37.6, while the technology spending index rose to 25.6.

#### 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.

### Greater Difficulty Finding Workers with Select Skills

In a set of supplementary questions, manufacturers were asked how much difficulty, if any, they were experiencing in finding workers proficient in particular areas. The table below shows the responses given to these survey questions in March 2006 and March 2005.

Across every skill category listed, respondents to the 2006 survey reported substantially more difficulty in finding workers than did respondents in 2005. In both years, workers with advanced computer skills were seen as the hardest to find: 43 percent of respondents in 2006 reported “great difficulty,” up from 24 percent in last year’s survey. There was also a large increase in the proportion of respondents having great difficulty finding workers who are punctual and reliable (24 percent) and who have good interpersonal skills (21 percent); both these figures were up from 8 percent in the 2005 survey.

Respondents were also asked how much they expected employee retirements over the next one to two years to contribute to skill shortages in their workforce. Nearly 40 percent of respondents in 2006 expected retirements to add “somewhat” or “greatly” to shortages, compared with 34 percent in 2005.

Finally, respondents were asked whether they were currently experiencing difficulty filling job openings in particular occupations. (This question was not asked in 2005.) Roughly 40 percent of firms reported difficulty in filling production jobs. Slightly over 20 percent had trouble filling management jobs and 17 percent had difficulty finding workers to fill installation, repair, and maintenance positions.

### March 2006 Survey Results Responses to Supplementary Questions

**1) To what extent have you recently had difficulty finding workers that are proficient in each of the following areas?**

|                           | Percentage of Respondents Reporting “Great Difficulty” |                   |
|---------------------------|--|-------------------|
|                           | <i>March 2006</i>                                      | <i>March 2005</i> |
| Basic math skills         | 17   | 8                 |
| Basic English skills      | 17   | 6                 |
| Basic computer skills     | 17   | 8                 |
| Advanced computer skills  | 43   | 24                |
| Interpersonal skills      | 21   | 8                 |
| Punctuality / reliability | 24   | 8                 |

**2) To what extent do you expect employee retirements over the next one to two years to contribute to skill shortages in your workforce?**

|             | Percentage of Respondents |                   |
|-------------|---------------------------|-------------------|
|             | <i>March 2006</i>         | <i>March 2005</i> |
| Not at all  | 28                        | 27                |
| Very little | 33                        | 38                |
| Somewhat    | 32                        | 28                |
| Greatly     | 7                         | 6                 |

**3) Are you experiencing difficulty finding workers to fill openings in any the following occupations?**

|                                    | Percentage of Respondents<br><i>March 2006</i> |
|------------------------------------|--|
| Production                         | 40   |
| Management                         | 22   |
| Business & finance                 | 7  |
| Office and administrative          | 13   |
| Construction                       | 0  |
| Transportation operators           | 1  |
| Installation, repair & maintenance | 17   |
| Healthcare service providers       | 0  |
| Education & training               | 0  |
| Computer & IT                      | 10   |
| Protection                         | 0  |
| Personal care                      | 1  |
| Architects & engineers             | 11   |
| Physical & social sciences         | 1  |
| Legal                              | 0  |
| Arts & entertainment               | 0  |
| Building maintenance               | 3  |
| Social service providers           | 0  |
| Sales (including retail clerks)    | 8  |
| Food preparation                   | 3  |

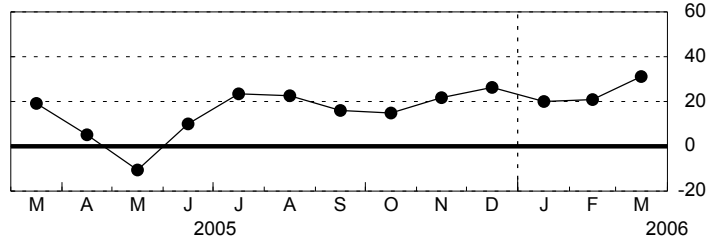
# Empire State Manufacturing Survey, March 2006

## Seasonally Adjusted

### General Business Conditions

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 35.43         | 50.16       | 14.41        | 21.02        |
| Mar | 39.41         | 52.34       | 8.25         | 31.16        |

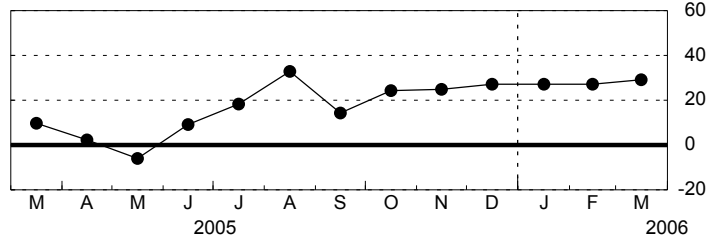
### General Business Conditions - Diffusion Index



### New Orders

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 41.18         | 44.78       | 14.04        | 27.14        |
| Mar | 41.86         | 45.43       | 12.71        | 29.15        |

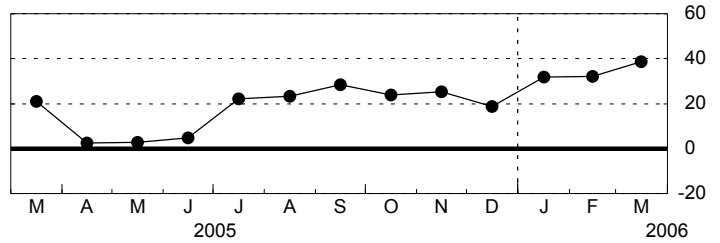
### New Orders - Diffusion Index



### Shipments

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 46.23         | 39.75       | 14.02        | 32.22        |
| Mar | 48.42         | 41.87       | 9.72         | 38.70        |

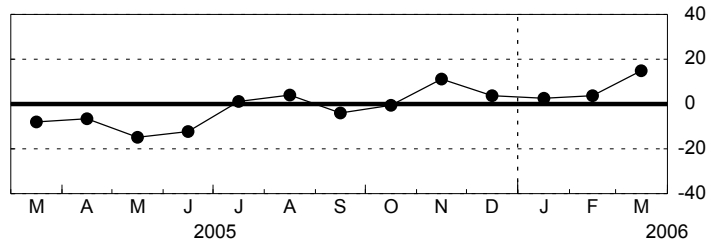
### Shipments - Diffusion Index



### Unfilled Orders

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 18.45         | 66.86       | 14.69        | 3.76         |
| Mar | 23.66         | 67.71       | 8.63         | 15.04        |

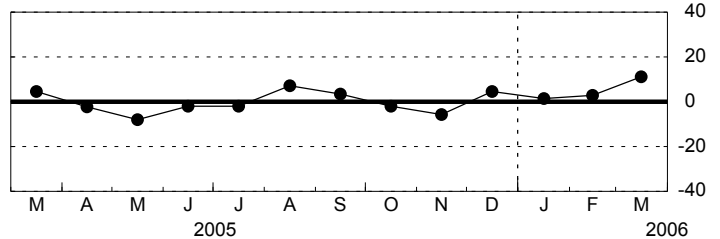
### Unfilled Orders - Diffusion Index



### Delivery Time

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 13.08         | 76.64       | 10.28        | 2.80         |
| Mar | 17.09         | 76.92       | 5.98         | 11.11        |

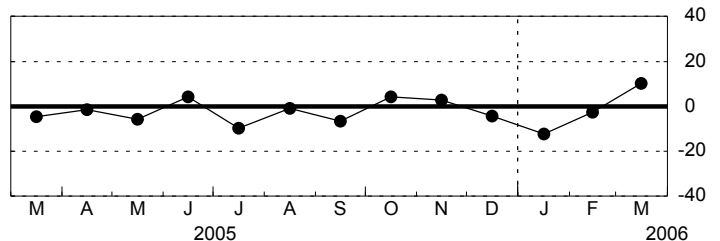
### Delivery Time - Diffusion Index



### Inventories

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 23.36         | 50.47       | 26.17        | -2.80        |
| Mar | 31.62         | 47.01       | 21.37        | 10.26        |

### Inventories - Diffusion Index

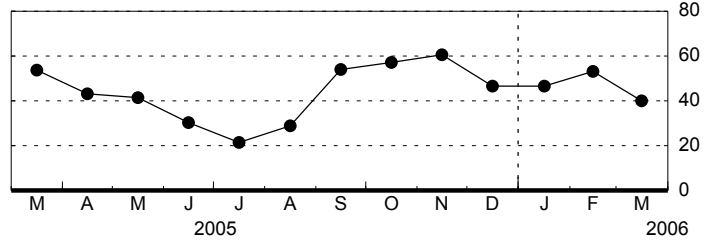


## Empire State Manufacturing Survey, March 2006 Seasonally Adjusted

### Prices Paid

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 55.14         | 42.99       | 1.87         | 53.27        |
| Mar | 41.03         | 58.12       | 0.85         | 40.17        |

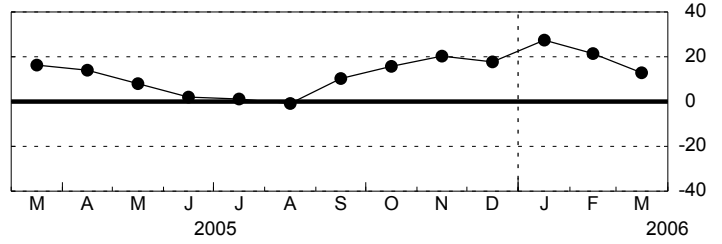
**Prices Paid - Diffusion Index**



### Prices Received

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 25.23         | 71.03       | 3.74         | 21.50        |
| Mar | 23.08         | 66.67       | 10.26        | 12.82        |

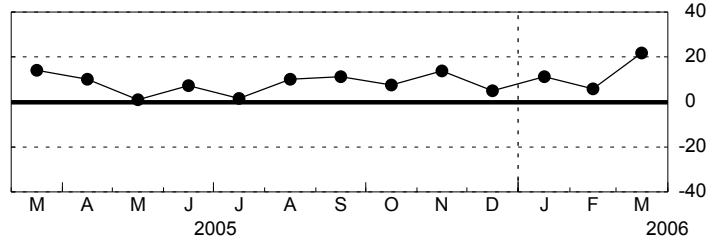
**Prices Received - Diffusion Index**



### Number of Employees

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 19.08         | 67.84       | 13.08        | 5.99         |
| Mar | 29.44         | 62.86       | 7.69         | 21.75        |

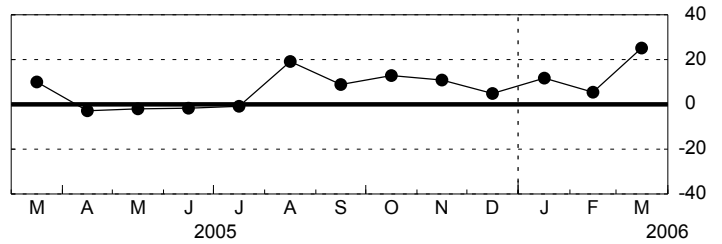
**Number of Employees - Diffusion Index**



### Average Employee Workweek

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 16.68         | 72.10       | 11.21        | 5.47         |
| Mar | 30.42         | 64.45       | 5.13         | 25.29        |

**Average Employee Workweek - Diffusion Index**

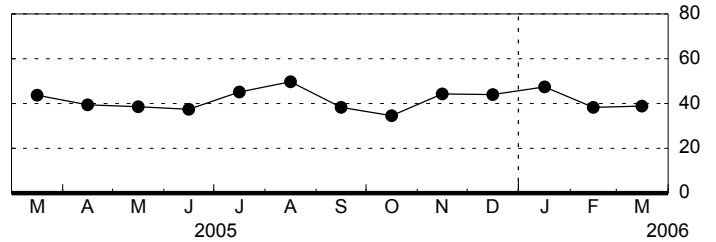


# Empire State Manufacturing Survey, March 2006, Expectations Six Months Ahead Seasonally Adjusted

## General Business Conditions

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 52.50         | 33.42       | 14.08        | 38.41        |
| Mar | 47.77         | 43.49       | 8.74         | 39.04        |

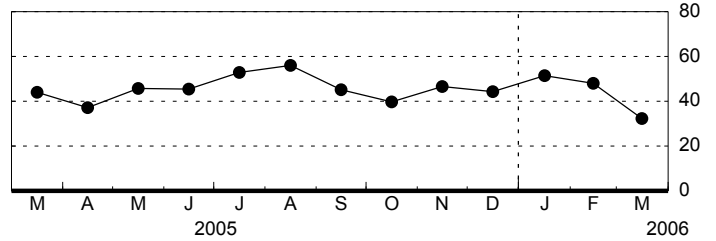
## General Business Conditions - Diffusion Index



## New Orders

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 55.20         | 37.58       | 7.22         | 47.98        |
| Mar | 43.96         | 44.45       | 11.60        | 32.36        |

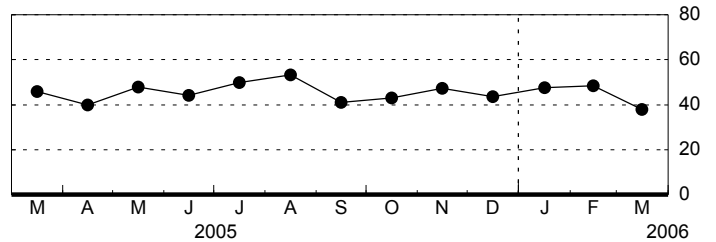
## New Orders - Diffusion Index



## Shipments

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 53.82         | 40.84       | 5.34         | 48.49        |
| Mar | 47.50         | 42.78       | 9.72         | 37.77        |

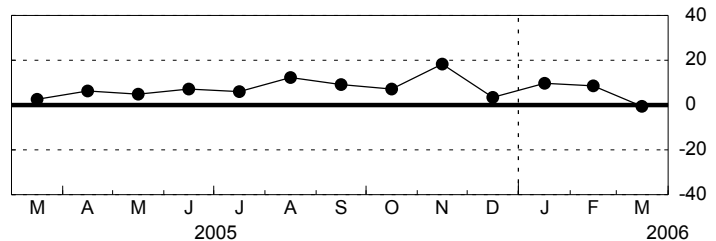
## Shipments - Diffusion Index



## Unfilled Orders

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 21.16         | 66.35       | 12.50        | 8.66         |
| Mar | 14.92         | 69.69       | 15.39        | -0.47        |

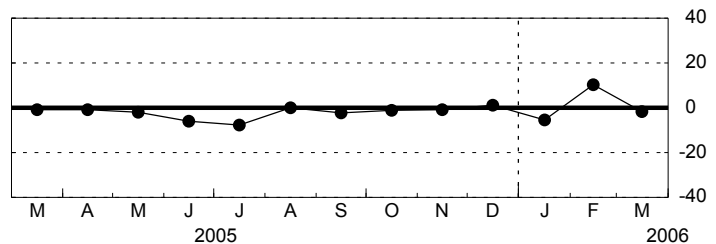
## Unfilled Orders - Diffusion Index



## Delivery Time

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 16.82         | 76.64       | 6.54         | 10.28        |
| Mar | 9.40          | 79.49       | 11.11        | -1.71        |

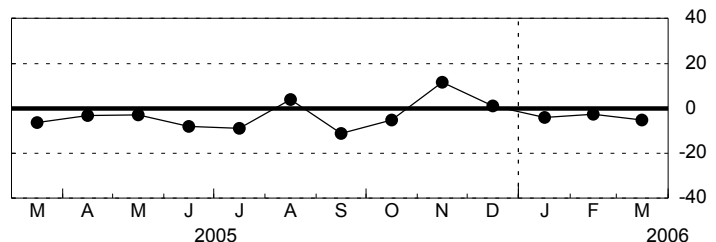
## Delivery Time - Diffusion Index



## Inventories

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 27.10         | 42.99       | 29.91        | -2.80        |
| Mar | 25.64         | 43.59       | 30.77        | -5.13        |

## Inventories - Diffusion Index

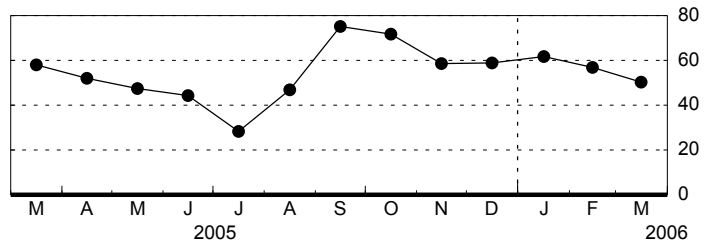


# Empire State Manufacturing Survey, March 2006, Expectations Six Months Ahead Seasonally Adjusted

## Prices Paid

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 59.81         | 37.38       | 2.80         | 57.01        |
| Mar | 51.28         | 47.86       | 0.85         | 50.43        |

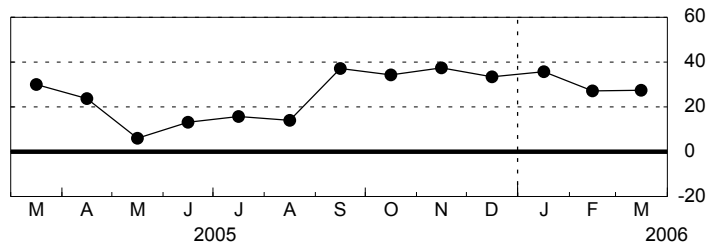
**Prices Paid - Diffusion Index**



## Prices Received

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 33.64         | 59.81       | 6.54         | 27.10        |
| Mar | 35.04         | 57.26       | 7.69         | 27.35        |

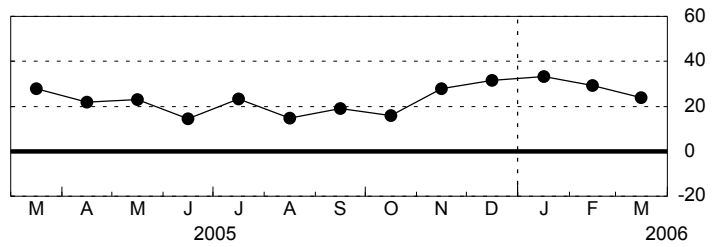
**Prices Received - Diffusion Index**



## Number of Employees

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 38.32         | 52.79       | 8.89         | 29.43        |
| Mar | 35.04         | 53.76       | 11.20        | 23.84        |

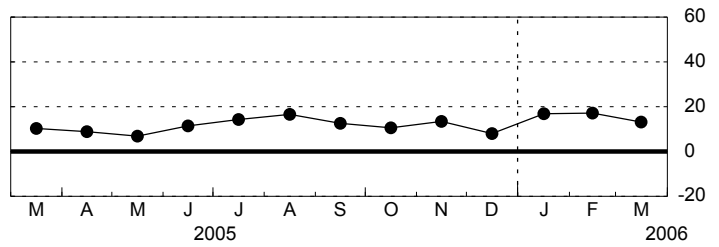
**Number of Employees - Diffusion Index**



## Average Employee Workweek

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 22.93         | 71.39       | 5.68         | 17.25        |
| Mar | 20.14         | 73.09       | 6.77         | 13.37        |

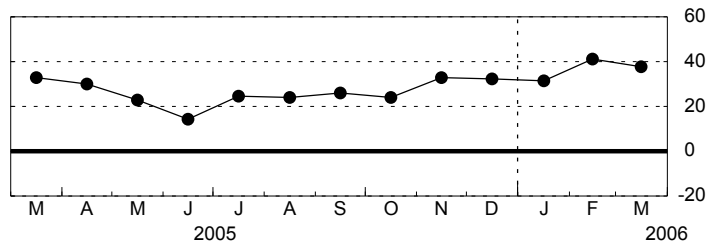
**Average Employee Workweek - Diffusion Index**



## Capital Expenditures

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 49.53         | 42.06       | 8.41         | 41.12        |
| Mar | 44.44         | 48.72       | 6.84         | 37.61        |

**Capital Expenditures - Diffusion Index**



## Technology Spendings

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Feb | 30.84         | 60.75       | 8.41         | 22.43        |
| Mar | 30.77         | 64.10       | 5.13         | 25.64        |

**Technology Spendings - Diffusion Index**

