

April 2002

Empire State Manufacturing Survey

Summary

For the past four months, the *Empire State Manufacturing Survey* has shown improvement for the manufacturing sector of the New York State economy. The April report continues that trend. The survey's main indicator, the general business conditions index, has climbed steadily since October of last year. This index has, moreover, been positive since January—for each of the last four months, more respondents saw conditions improve than deteriorate from the previous month. Indexes for new orders, shipments, prices paid, and average employee workweek remained positive and rose above their March levels. Although the indexes for the inventories and number of employees remained negative, both have improved. Expectations for business conditions six months ahead have been favorable, continuing their rise.

April Indicators Rise

The survey's main indicator, the general business conditions index, showed that New York State's manufacturing sector has continued to improve since January 2002. The index has been positive for each of the past four months' surveys, and rose markedly from 3 in March to 17.1 in April. Eighty-four percent of respondents reported conditions as either better or unchanged from last month. The new orders index has also been positive since January, with 38 percent reporting a higher level of orders, corresponding to an increase in the index from 10.5 to 17.8. Shipments also increased—that index climbed from 4.5 last month to 13.6 in April. Unfilled orders remained on a downward trend, with the index falling from -10 to -12.3, and the delivery time index fell from -4.5 to -8.

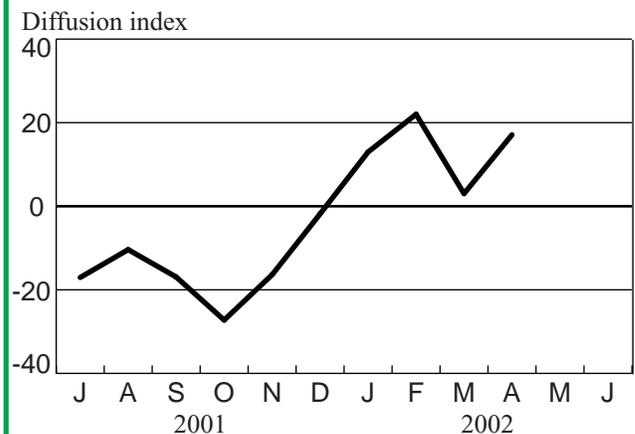
Inventories Index Improves

In April, the inventories index reached its highest level yet (aside from a spike in September), although it remained slightly negative. The number of respondents indicating lower inventories fell steadily—to 25 percent—signaling that the pace of inventory liquidation seen during recent months is moderating.

The prices paid index has been slowly rising throughout 2002. In April, 17 percent of respondents reported an increase; this led the index to rise to a record 10.9. At the same time, prices received remained stable, with 93 percent of respondents reporting steady or lower prices.

Employment levels remained relatively constant, with 69 percent reporting no change in employment. The index was

General Business Conditions



negative, however, indicating that slightly more employers are cutting jobs than increasing them. Sixteen percent have reduced the number of employees since March, and only 14 percent are hiring more. With orders and shipments increasing, and the number of employees remaining relatively constant, the average employee workweek is reported as lengthening. This index was at its highest level yet at 11.9, with 25 percent of respondents reporting an increase in the average workweek.

A Bright Outlook

Expectations for the future have been very positive and remained so in April. The six-month outlook for general business conditions rose from 52.6 to 59, with 73 percent of respondents anticipating improved conditions. Respondents expect most conditions to get better, with 75 to 80 percent expecting more new orders and shipments, and 54 percent expecting to hire more employees. Thirty percent plan to increase their investment in capital over the next several months.

Note:

Diffusion indexes are calculated for each indicator as follows: The percentage of respondents who report that the indicator has declined from the previous month is subtracted from the percentage of respondents who report that the indicator has risen. Thus, positive values signify that more respondents see an improvement in the indicator than a decline. Data are seasonally adjusted to control for seasonal variations.