

August 2002 Empire State Manufacturing

Survey

Summary

The *Empire State Manufacturing Survey* points to an improvement in New York's business conditions from July to August. The survey's main indicator, the general business conditions index, climbed to 5.9 from last month's negative reading. While indexes for new orders and shipments were positive, as was the index for prices paid, other current indicators were negative in August. Pricing pressures continued during the month, demonstrated by the positive prices paid index and the negative prices received index. Employment indexes were negative and lower in August than they were in July.

In contrast to the current results, expectations for future business activity remained very favorable, as indexes of business conditions, new orders, and shipments were 60 or higher.

General Business Conditions Turn Positive

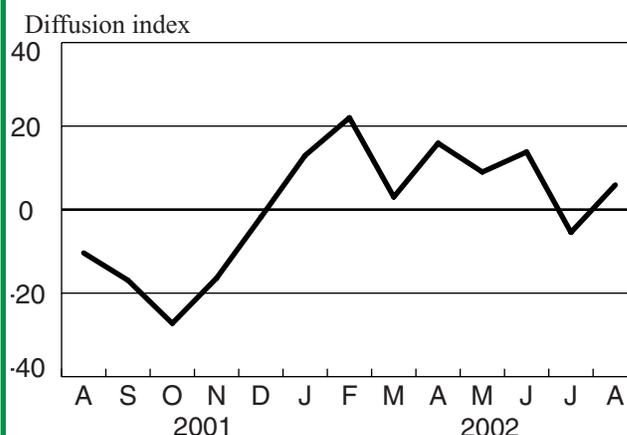
The general business conditions index rose into positive territory in August, going from -4.4 to 5.9. Twenty-six percent of survey respondents indicated that business conditions were better, rather than worse, while 56 percent reported no change.

The new orders index rose slightly, from 0.0 last month to 1.9. Only 24 percent saw new orders increase, a small decline from July. The shipments index moved into positive territory, rising from last month's -6.7 to 6.4. Unfilled orders, however, fell significantly, down to -16.2.

There was a reduction in delivery times since last month: no respondents cited longer times, hence the index fell to -15.8. The inventories index did rise, although remaining in negative territory. Nineteen percent of those surveyed saw inventories rise in August, while 61 percent reported a steady trend. Inventory reductions were observed by only 22 percent of respondents--the lowest percentage in nearly a year.

Pricing pressures continued in August. The prices paid index rose to 14.8 from 11.7 last month. Nineteen percent of the survey group saw prices climb, yet the vast majority, 76 percent, reported no change. The prices received index remained negative; the August reading of -13.1 is near where it has been for most of the year.

General Business Conditions



Employment Numbers Weaken

The index of the number of employees took a turn for the worse, dropping from 4.1 in July to -4.7. Twenty-one percent of those surveyed experienced a lower employment level in August while only 16 percent added workers. In a parallel move, the average workweek index fell to -6.2, with only 7 percent reporting a longer workweek.

Improvements Expected in Future Activity

Expectations for future business activity remain very upbeat. The six-month-ahead index of general business activity rose to 64.5, with almost no respondents expecting conditions to worsen and 66 percent anticipating improvement. The future indexes of shipments and new orders--at 60 or above--reveal similar optimism. Future inventory levels have been marked by volatility in recent months, demonstrated by the August index, which fell to -7.2 from July's positive reading. Only 17 percent of the survey group expect higher inventories six months from now.

Pricing pressures look to continue going forward: the future index of prices paid was positive, at 23.3, while that of prices received fell to its lowest level in several months, -9.7. The future indexes of the number of employees and the average workweek dipped, but both remained definitively positive. Also remaining positive was the future capital spending index, despite falling slightly to 13.7.

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.

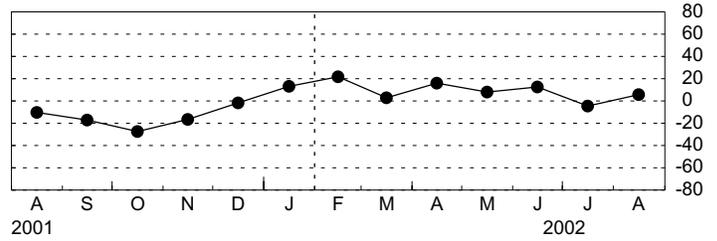
Empire State Manufacturing Survey, August 2002

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	24.70	46.90	29.10	-4.40
Aug	26.40	56.30	20.50	5.90

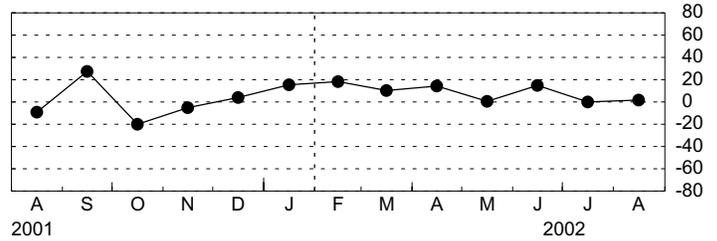
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	26.80	46.40	26.80	-0.00
Aug	24.20	52.40	22.30	1.90

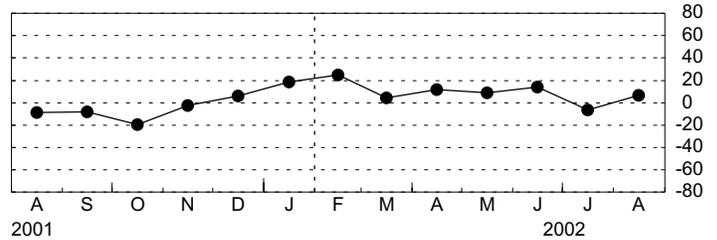
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	27.60	38.00	34.30	-6.70
Aug	29.10	48.20	22.70	6.40

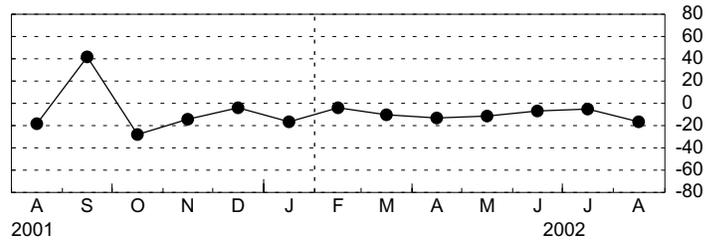
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	11.50	71.70	16.50	-5.00
Aug	9.70	64.40	25.90	-16.20

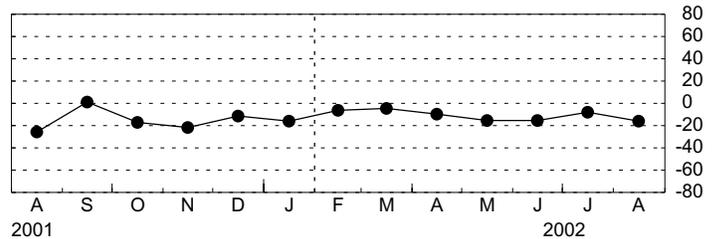
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	6.10	79.90	14.10	-8.00
Aug	-0.50	85.20	15.30	-15.80

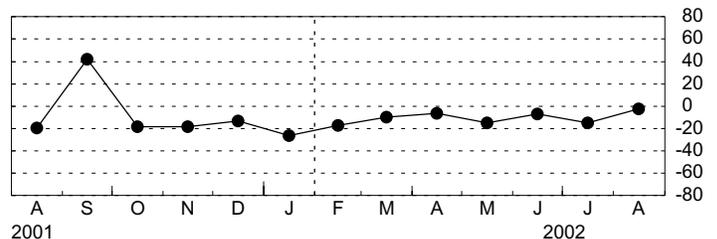
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	16.40	51.50	31.70	-15.30
Aug	19.00	60.50	21.50	-2.50

Inventories - Diffusion Index



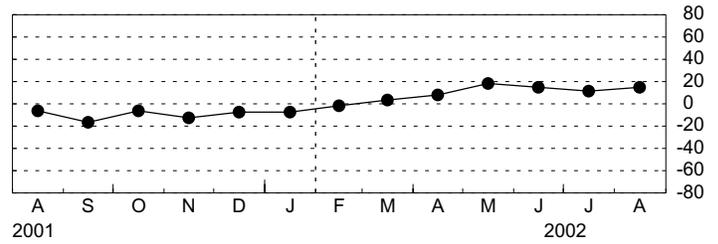
Empire State Manufacturing Survey, August 2002

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	16.70	78.30	5.00	11.70
Aug	19.40	75.70	4.60	14.80

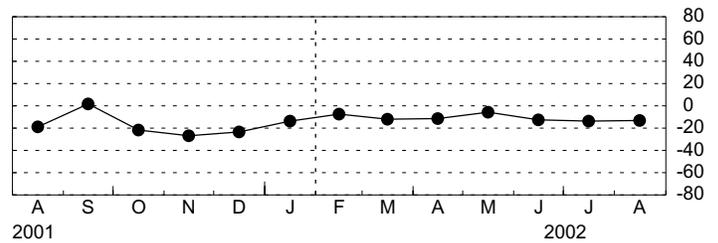
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	0.80	83.80	14.80	-14.00
Aug	3.90	78.80	17.00	-13.10

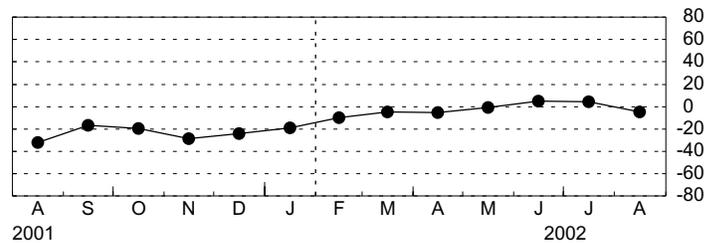
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	17.80	67.40	13.70	4.10
Aug	16.10	64.10	20.80	-4.70

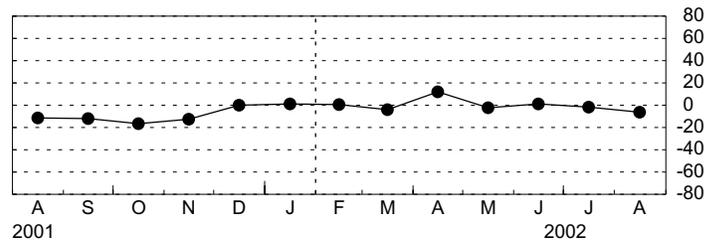
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	11.30	75.70	13.00	-1.70
Aug	6.80	79.70	13.00	-6.20

Average Employee Workweek - Diffusion Index

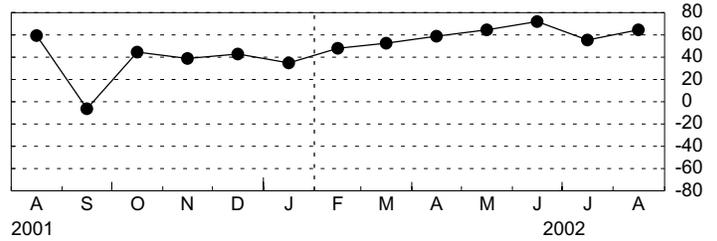


Empire State Manufacturing Survey, August 2002, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	61.20	28.50	5.80	55.40
Aug	66.20	31.50	1.70	64.50

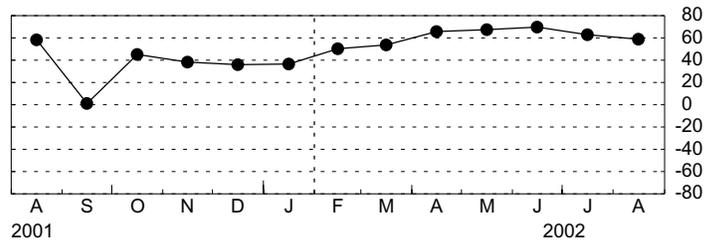
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	65.60	28.20	2.60	63.00
Aug	63.30	31.60	4.40	58.90

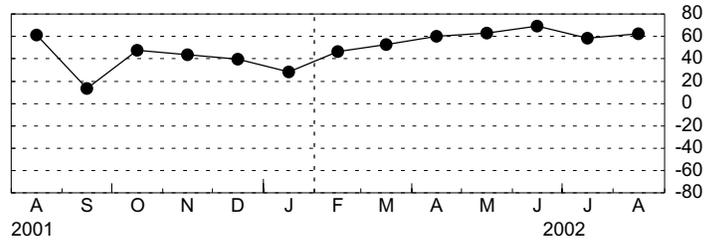
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	63.80	29.50	5.10	58.70
Aug	64.20	34.60	1.80	62.40

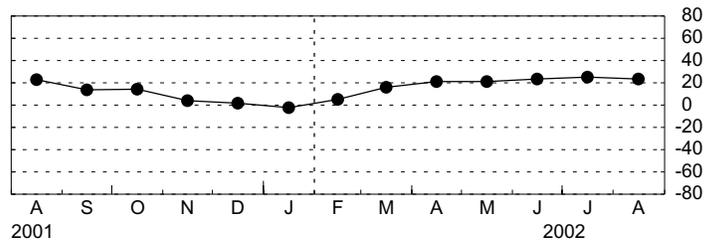
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	27.00	71.40	1.50	25.50
Aug	33.30	58.30	9.70	23.60

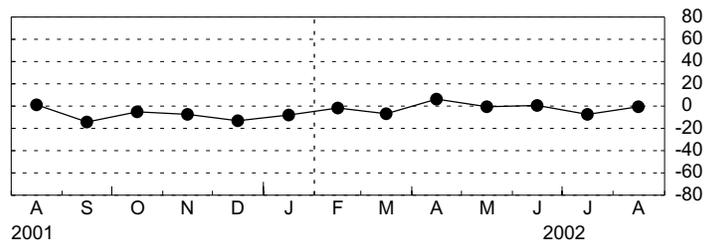
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	8.70	77.10	15.90	-7.20
Aug	12.00	76.30	12.70	-0.70

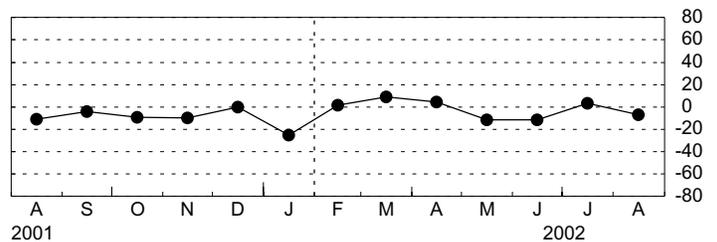
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	27.60	45.00	24.30	3.30
Aug	17.20	58.10	24.40	-7.20

Inventories - Diffusion Index

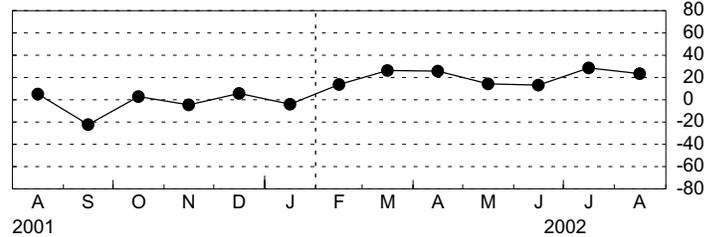


Empire State Manufacturing Survey, August 2002, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	37.20	54.00	8.30	28.90
Aug	26.60	69.90	3.30	23.30

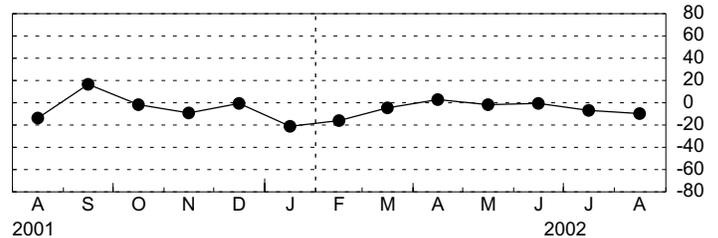
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	15.60	60.80	22.60	-7.00
Aug	13.60	63.30	23.30	-9.70

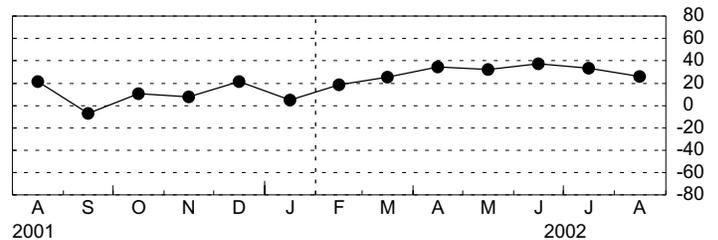
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	42.20	49.20	8.60	33.60
Aug	37.80	51.50	11.70	26.10

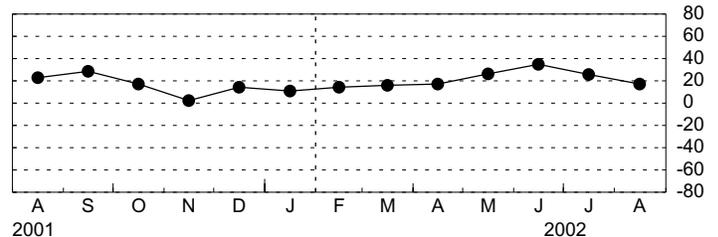
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	29.40	67.00	3.50	25.90
Aug	25.50	63.10	8.30	17.20

Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	35.30	53.10	12.60	22.70
Aug	28.30	56.30	14.60	13.70

Capital Expenditures - Diffusion Index

