

Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions held relatively steady in New York's manufacturing sector in September. The general business conditions index remained positive, although it slipped 3 points to 4.1. The new orders and shipments indexes were both up moderately for the month, at levels signaling stable activity. The prices paid index was positive and little changed from last month, while the prices received index edged up to just above zero. Employment indexes were positive, suggesting that employment levels and the average workweek continued to expand over the month. The degree of optimism about the six-month outlook

continued to deteriorate, with the future general business conditions index hitting its lowest level since early 2009.

In response to a series of supplementary questions about past and prospective changes in the selling price of their goods, manufacturers indicated that prices were virtually unchanged, on average, over the past twelve months; in an identical survey conducted last September, the average respondent had reported a decline of 2.1 percent (see pages S1 and S2). Looking ahead to the next twelve months, respondents indicated that they expect prices to rise by 1.8 percent, on average—an

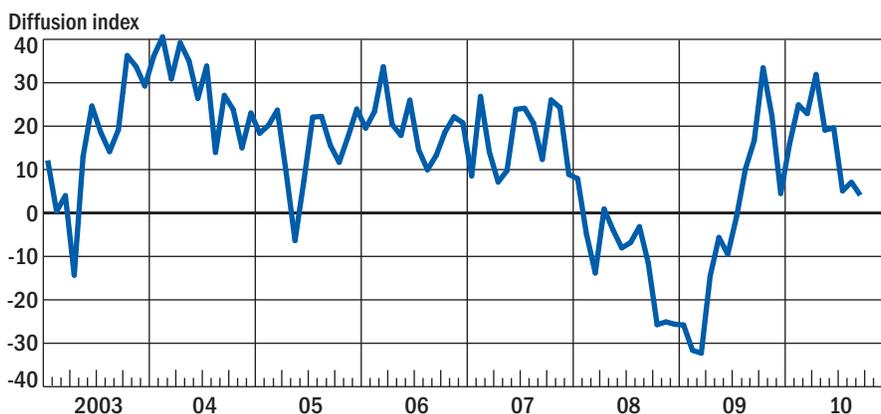
increase very close to that reported in last year's survey. When asked a separate question about the probability of specified price changes over the next twelve months, respondents, on average, reported a 46 percent chance that their selling prices would remain within 2 percent of their current levels, and a 36 percent chance that prices would rise by between 2 and 8 percent.

Business Activity Flattens Out

The general business conditions index remained above zero in September, but inched down three points from August. At 4.1, the index suggests that business activity was little changed over the month. Almost 35 percent of respondents said that conditions had improved over the month—up from the 30 percent who had said so last month, but the percentage that reported worsening conditions increased from 22 percent in August to 31 percent. After falling below zero last month, the new orders index turned positive, rising 7 points to 4.3. The shipments index also rebounded this month, rising 11 points to -0.3. The unfilled orders index climbed as well, rising 4 points to -6.0. The delivery time index fell to -11.9, suggesting that delivery times shortened. The inventories index inched down toward

General Business Conditions

Seasonally adjusted



Continued from page 1
 zero, indicating that inventory levels remained little changed over the month.

Resource Costs and Employment Levels Continue to Climb

The prices paid index held near its August level and, at 22.4, pointed to a continued increase in input prices. The prices received index hovered at a level near zero, suggesting that selling prices had held steady. Employment indexes were positive. The index for number of employees was 14.9, little changed from last month, indicating that employment levels continued to

increase in September. The average workweek was virtually unchanged at 7.5.

Degree of Optimism about the Future Continues to Wane

Future indexes generally continued to trend downward in September, as they had throughout most of the year. The future general business conditions index fell 4 points to 31.3, indicating that, on balance, New York manufacturers still expect business conditions to improve over the next six months; however, the index is at its lowest level since March 2009. The future new orders index drifted

down 6 points to 25.4, while the future shipments index edged up to 28.4. The future unfilled orders index fell below zero. The future inventories index held steady at 3.0. The future prices paid index rose to 35.8, while the future prices received index dropped to 14.9. Future employment indexes fell modestly, but remained above zero, indicating that employment levels are expected to continue to climb in the months ahead. The capital expenditures index rose slightly to 25.4, and the technology spending index climbed to 14.9. ■

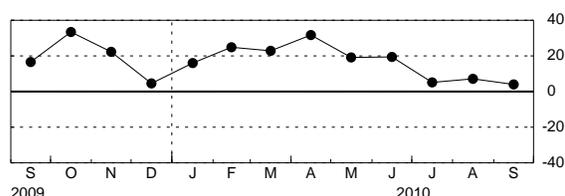
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	29.54	48.02	22.44	7.10
Sep	34.73	34.67	30.59	4.14

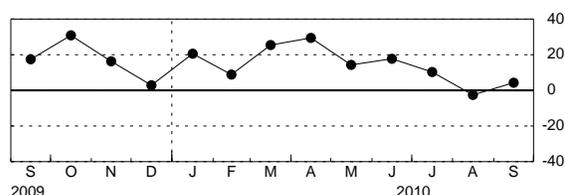
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	27.88	41.54	30.59	-2.71
Sep	30.79	42.76	26.46	4.33

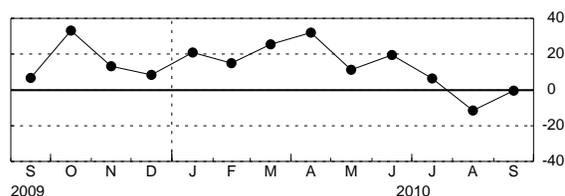
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	26.08	36.35	37.58	-11.50
Sep	30.45	38.83	30.72	-0.27

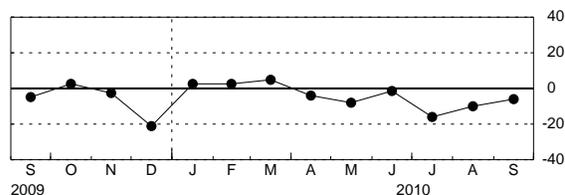
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	12.86	64.29	22.86	-10.00
Sep	16.42	61.19	22.39	-5.97

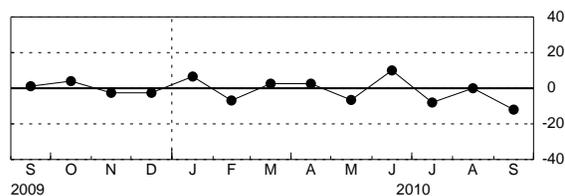
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	8.57	82.86	8.57	0.00
Sep	7.46	73.13	19.40	-11.94

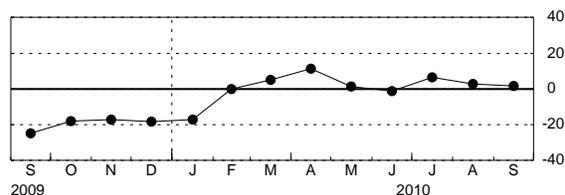
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	28.57	45.71	25.71	2.86
Sep	25.37	50.75	23.88	1.49

Inventories - Diffusion Index



Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	25.71	68.57	5.71	20.00
Sep	29.85	62.69	7.46	22.39

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	7.14	82.86	10.00	-2.86
Sep	13.43	74.63	11.94	1.49

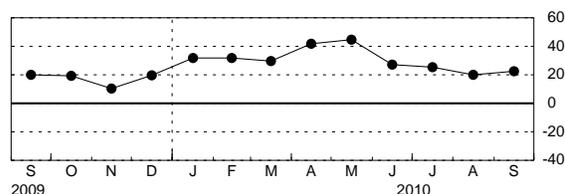
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	27.14	60.00	12.86	14.29
Sep	28.36	58.21	13.43	14.93

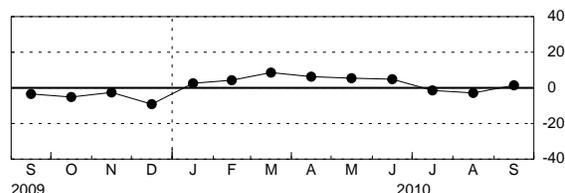
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	17.14	72.86	10.00	7.14
Sep	22.39	62.69	14.93	7.46

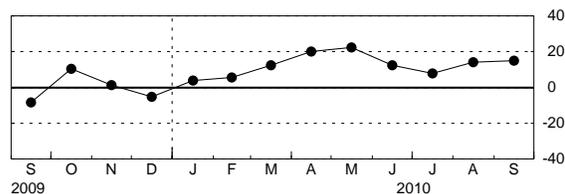
Prices Paid - Diffusion Index



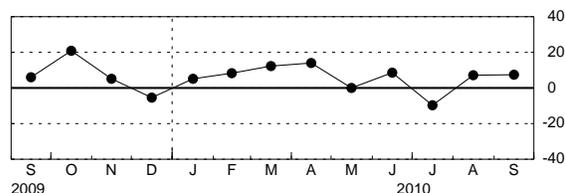
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

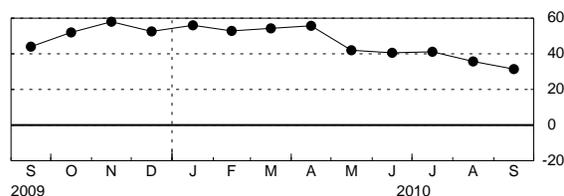
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	42.86	50.00	7.14	35.71
Sep	44.78	41.79	13.43	31.34

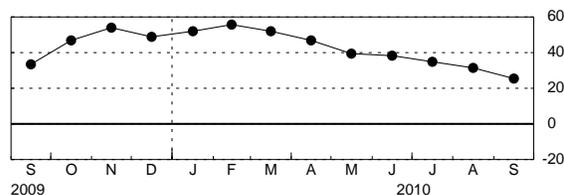
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	47.14	37.14	15.71	31.43
Sep	38.81	47.76	13.43	25.37

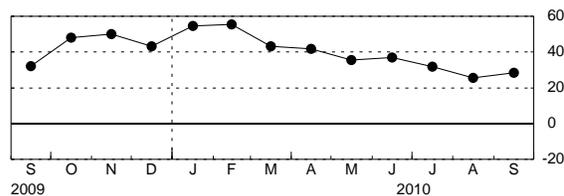
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	41.43	42.86	15.71	25.71
Sep	43.28	41.79	14.93	28.36

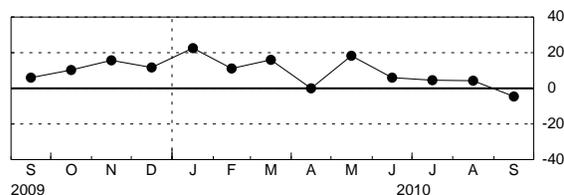
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	15.71	72.86	11.43	4.29
Sep	13.43	68.66	17.91	-4.48

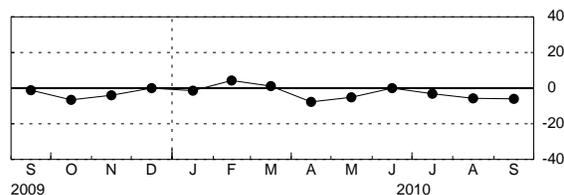
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	8.57	77.14	14.29	-5.71
Sep	8.96	76.12	14.93	-5.97

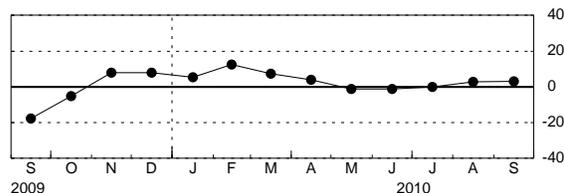
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	25.71	51.43	22.86	2.86
Sep	26.87	49.25	23.88	2.99

Inventories - Diffusion Index



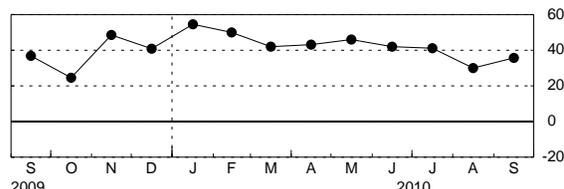
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	38.57	52.86	8.57	30.00
Sep	44.78	46.27	8.96	35.82

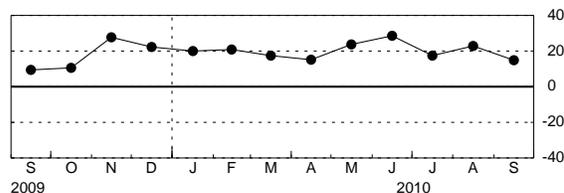
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	30.00	62.86	7.14	22.86
Sep	26.87	61.19	11.94	14.93

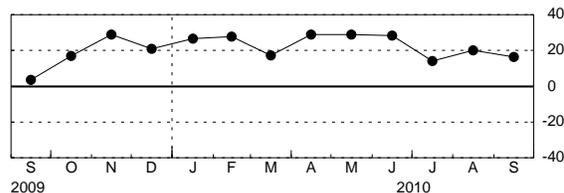
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	31.43	57.14	11.43	20.00
Sep	31.34	53.73	14.93	16.42

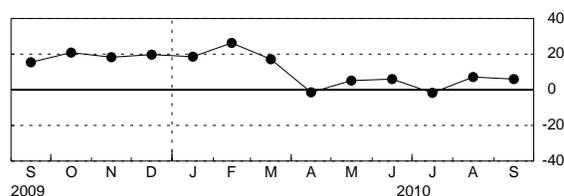
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	14.29	78.57	7.14	7.14
Sep	16.42	73.13	10.45	5.97

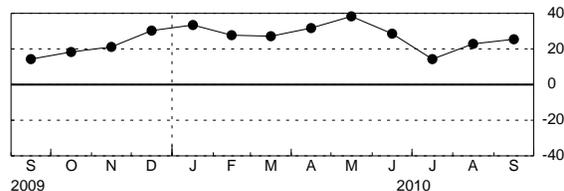
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	34.29	54.29	11.43	22.86
Sep	37.31	50.75	11.94	25.37

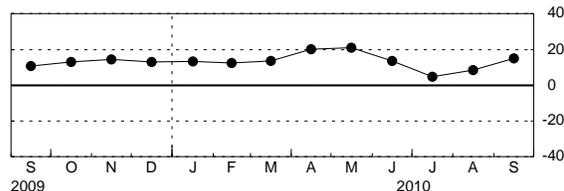
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	17.14	74.29	8.57	8.57
Sep	26.87	61.19	11.94	14.93

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Manufacturers Foresee Modest Increases in Selling Prices

In a series of supplementary questions to the September 2010 *Empire State Manufacturing Survey*, manufacturers were asked how much their overall selling prices had changed over the past year and how much they expected their prices to rise or fall in the future. In addition, they were asked to assess the probability that prices would rise or fall by certain specified amounts. Identical questions had been asked in the September 2009, September 2008, and earlier surveys.

Respondents indicated that during the past twelve months, prices had remained virtually unchanged, on average—a contrast with the 2.1 percent decline in prices reported in the September 2009 survey (see table). Looking ahead to 2011, the average respondent predicted a 1.8 percent rise in selling prices, about the same increase that was projected

in last year's survey. Although the predicted rise in selling prices was modest, more than 45 percent of respondents planned to hike prices by at least 2 percent; just 8 percent expected to lower prices.

When asked a separate question about the probability of specified price changes over the next twelve months, respondents on average reported a 46 percent chance that prices would remain within 2 percent of their current levels. They saw a 44 percent chance that prices would rise by 2 percent or more but just an 8 percent chance that they would rise by at least 8 percent. The chances of a decline of 2 percent or more were pegged at 11 percent, on average. Overall, these results are similar to those in the September 2009 survey, but they suggest a considerably less inflationary environment than did the results of the 2008 and earlier surveys. ■

Continued

Supplemental Report, *continued*

QUESTION 1

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

	September 2010 Survey	September 2009 Survey	September 2008 Survey
Average percentage change	-0.1	-2.1	4.8
Median percentage change	0.0	0.0	4.0

QUESTION 2

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

	September 2010 Survey	September 2009 Survey	September 2008 Survey
Average percentage change	1.8	1.9	3.6
Median percentage change	1.0	0.0	3.3

QUESTION 3

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

	September 2010 Survey Percentage Chance*	September 2009 Survey Percentage Chance*	September 2008 Survey Percentage Chance*
Decrease 8 percent or more	1.5	2.5	0.9
Decrease 2 to 8 percent	9.1	9.2	6.2
Stay within 2 percent of where they are now	45.7	49.3	24.8
Increase 2 to 8 percent	35.6	29.1	50.3
Increase 8 to 15 percent	4.9	6.0	14.7
Increase 15 percent or more	3.1	3.8	3.0

*Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values shown reflect the average indicated percentage chance across all respondents.