

Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers improved at an accelerated pace in April. The general business conditions index rose for a fifth consecutive month, reaching 21.7, its highest level in a year. The new orders index jumped 17 points, to 22.3, and the shipments index shot up 27 points to 28.3. The indexes for both prices paid and prices received rose to their highest levels in more than a year, indicating that price increases continued to accelerate. The index for number of employees climbed to 23.1, while the average workweek index edged down to 10.3. Future indexes continued to convey great optimism about the six-month outlook, and the capital spending

and technology spending indexes were noticeably higher.

In a series of supplementary questions, manufacturers were asked to assess the extent to which certain business issues posed problems for their firms and to indicate whether each issue was expected to become more or less of a problem over the next year. As in last April's survey, the issue cited most frequently as a major problem was the cost of employee benefits, followed by government regulation and taxes. Finding qualified workers was also considered a fairly widespread problem, substantially more so than a year ago. The issues in the current survey seen as least problematic were depressed real

estate values, the cost and terms of credit, and credit availability and access. In response to a topical question added to this month's survey, nearly 80 percent of firms indicated that the crisis in Japan was having little or no effect on their business.

Manufacturing Activity Gains Further Momentum

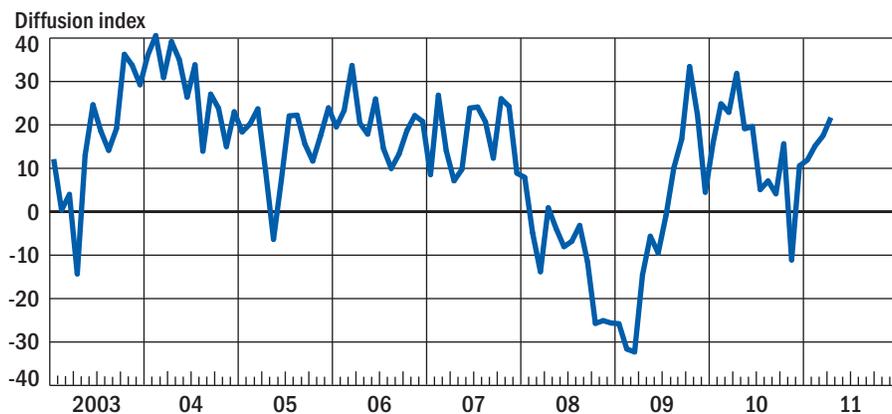
The general business conditions index advanced for a fifth consecutive month in April, rising 4 points to 21.7. Thirty-five percent of respondents reported that conditions had improved over the month, while just 13 percent—the lowest share in more than five years—reported that conditions had worsened. The new orders index climbed 17 points to 22.3, its highest level in a year. The shipments index surged 27 points to 28.3. The unfilled orders index held steady at 2.6, and the delivery time index was unchanged at -1.3. The inventories index fell for a second consecutive month, dipping below zero for the first time since December; at -1.3, it indicated that inventory levels were slightly lower.

Price Increases Continue to Pick Up

Price increases continued to accelerate in April. The prices

General Business Conditions

Seasonally adjusted



Continued

Continued from page 1

paid index moved higher for a fifth month in a row, increasing 4 points to 57.7, with 60 percent of respondents reporting higher prices over the month. The prices received index advanced 6 points, to 26.9, its highest level since mid-2008. Employment indexes were positive, indicating that employment levels and hours worked rose. The index for number of employees climbed an impressive 14 points to 23.1, and the average workweek index fell 5 points to 10.3.

Activity Expected to Expand Further in the Months Ahead

Respondents broadly expected conditions to continue improving over the next six months. The future general business conditions index was little changed from last month, remaining at a relatively high level of 47.4. The future new orders index held steady at 43.6, while the future shipments index dipped a few points to 37.2. After rising sharply last month, the future prices paid index fell back to 56.4, still

an elevated level. The future prices received index inched up to 38.5. The index for expected number of employees climbed 9 points to 32.1, while the future average workweek index fell 4 points to 6.4. The capital spending index rose 7 points to 29.5, while the technology spending index moved up 11 points to 18.0.■

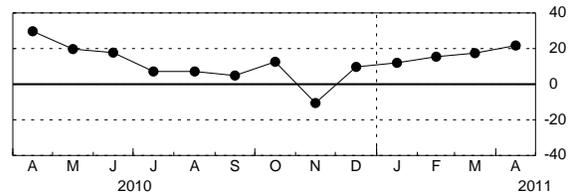
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	31.86	53.78	14.36	17.50
Apr	34.80	52.10	13.10	21.70

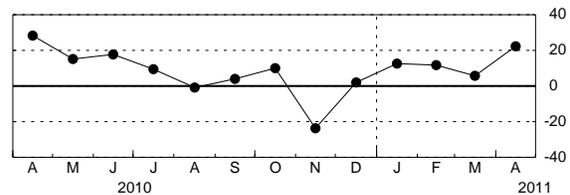
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	29.31	47.20	23.49	5.81
Apr	38.86	44.63	16.51	22.34

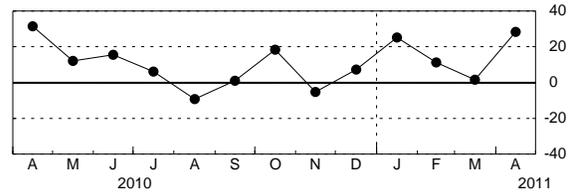
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	28.95	43.72	27.33	1.62
Apr	45.08	38.13	16.79	28.29

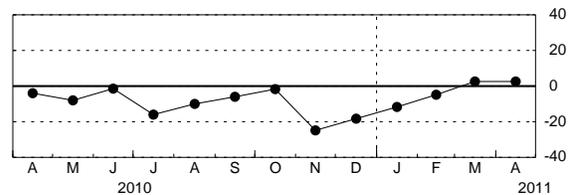
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	19.48	63.64	16.88	2.60
Apr	15.38	71.79	12.82	2.56

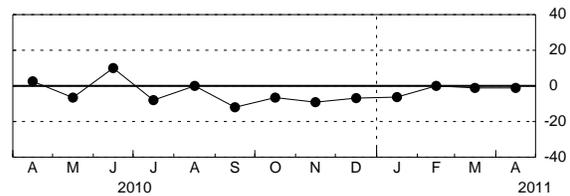
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	10.39	77.92	11.69	-1.30
Apr	10.26	78.21	11.54	-1.28

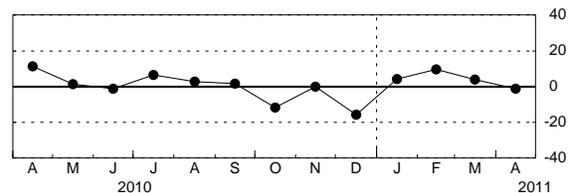
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	27.27	49.35	23.38	3.90
Apr	21.79	55.13	23.08	-1.28

Inventories - Diffusion Index



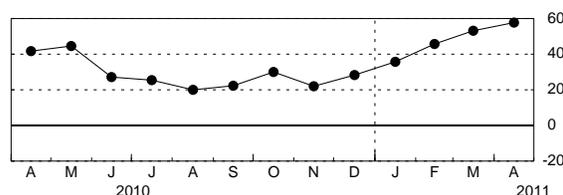
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	53.25	46.75	0.00	53.25
Apr	60.26	37.18	2.56	57.69

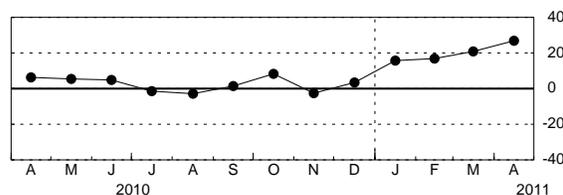
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	25.97	68.83	5.19	20.78
Apr	29.49	67.95	2.56	26.92

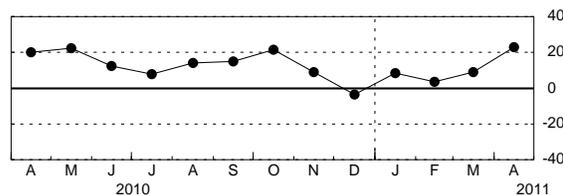
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	24.68	59.74	15.58	9.09
Apr	33.33	56.41	10.26	23.08

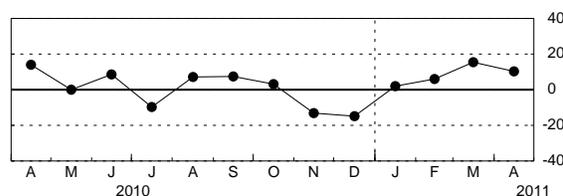
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	25.97	63.64	10.39	15.58
Apr	19.23	71.79	8.97	10.26

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

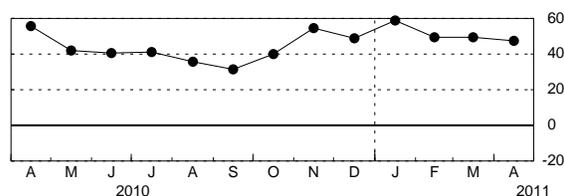
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	54.55	40.26	5.19	49.35
Apr	57.69	32.05	10.26	47.44

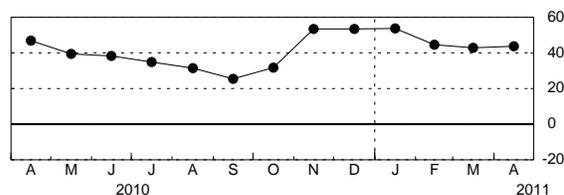
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	50.65	41.56	7.79	42.86
Apr	53.85	35.90	10.26	43.59

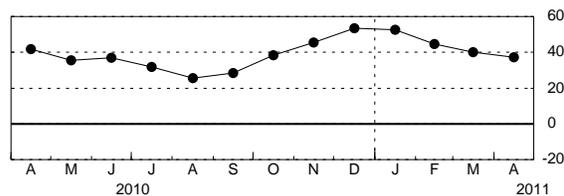
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	50.65	38.96	10.39	40.26
Apr	48.72	39.74	11.54	37.18

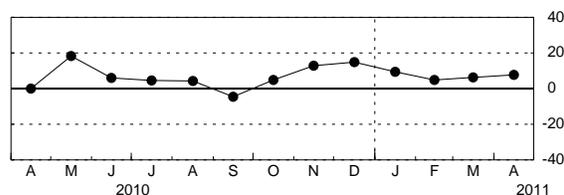
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	19.48	67.53	12.99	6.49
Apr	19.23	69.23	11.54	7.69

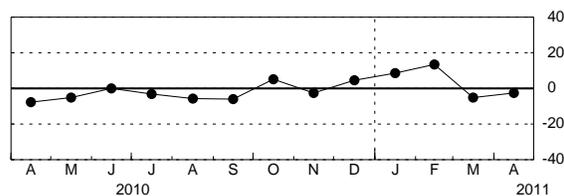
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	6.49	81.82	11.69	-5.19
Apr	10.26	76.92	12.82	-2.56

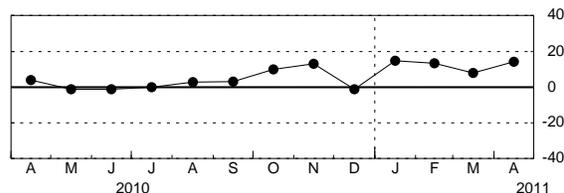
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	27.27	53.25	19.48	7.79
Apr	30.77	52.56	16.67	14.10

Inventories - Diffusion Index



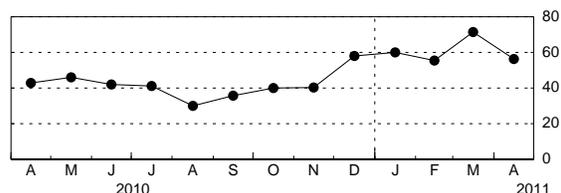
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	72.73	25.97	1.30	71.43
Apr	62.82	30.77	6.41	56.41

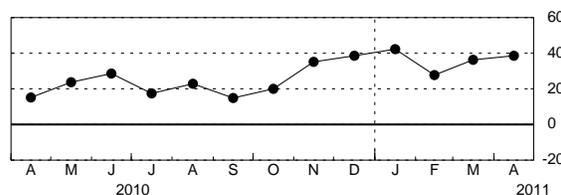
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	38.96	58.44	2.60	36.36
Apr	44.87	48.72	6.41	38.46

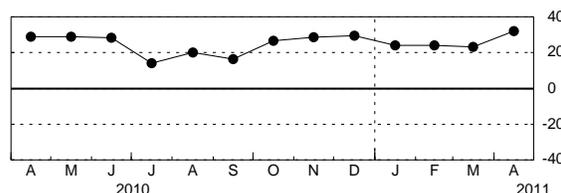
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	37.66	48.05	14.29	23.38
Apr	43.59	44.87	11.54	32.05

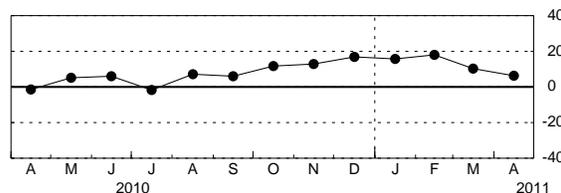
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	18.18	74.03	7.79	10.39
Apr	17.95	70.51	11.54	6.41

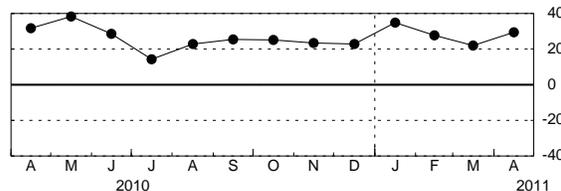
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	35.06	51.95	12.99	22.08
Apr	34.62	60.26	5.13	29.49

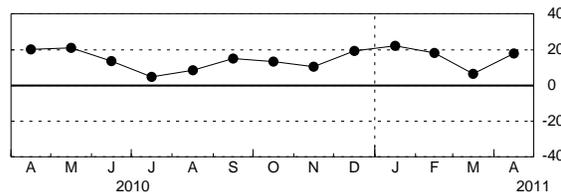
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	20.78	64.94	14.29	6.49
Apr	23.08	71.79	5.13	17.95

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Benefit Costs Again Top the List of Firms' Problems; Finding Qualified Workers a Rising Concern

In a series of supplementary questions to the April 2011 *Empire State Manufacturing Survey*, manufacturers were asked to assess the extent to which certain business issues posed problems for their firms. In addition, they were asked if each issue was expected to become more or less of a problem over the next year. Similar questions had been posed in the April 2010 survey, although this year the cost and availability of resources were added to the list of potential problems.

As in last April's survey, the cost of employee benefits was cited most frequently, by far, as a major problem. Government regulation ranked second this year. Taxes and finding qualified workers ranked third and fourth, respectively, with the former viewed as less problematic than a year ago while the latter was viewed as more of a major problem. The cost of

resources, which was not included in last April's survey but appeared in earlier surveys, was fifth on the list. The business issues seen as least problematic in the current survey were depressed real estate values, the cost and terms of credit, and the availability of and access to credit.

When firms were asked about the extent to which each of these concerns was expected to become more or less of a problem over the next year, their responses again put employee benefit costs at the top of the list: three out of four respondents anticipated that this would be more of a problem a year from now. In last April's survey, 90 percent had anticipated that this would be a growing problem. Government regulation and taxes were also seen as becoming increasingly problematic by a majority of those surveyed. The only other issues where pessimists

outnumbered optimists by a substantial margin were the cost of resources, finding qualified workers, and employee wage costs. Depressed real estate values, as well as the availability and the cost and terms of credit, were not only seen as relatively minor problems now but were also widely expected to be even less of a problem a year from now.

Finally, in a topical question added to this month's survey, respondents were queried about the extent to which the crisis in Japan was affecting (or was likely to affect) their business—either directly or indirectly. Almost half of the firms surveyed indicated that there was no effect, and a little less than a third reported only a minor effect. Of those indicating at least some effect, most cited supply or production disruptions; a few respondents mentioned reduced demand from Japanese customers. ■

Supplemental Report, *continued*

QUESTION 1

To what extent does each of the following issues pose a problem for your firm?

	Percentage of Respondents Identifying the Issue as a Major Problem*		
	April 2011	April 2010	August 2009
Employee benefit costs	79.2	77.3	78.7
Government regulation	62.3	66.7	—
Taxes	54.5	69.2	—
Finding qualified workers	51.9	43.9	35.1
Cost of resources	45.5	—	41.5
Weak sales	36.8	50.0	—
Employee wage costs	29.9	30.3	24.5
Availability of resources	20.8	—	4.3
Quality of government services	19.7	43.8	—
Availability and access to credit	13.0	18.2	—
Cost and terms of credit	13.0	16.7	—
Depressed real estate values	6.5	12.1	—

* Responses are on a scale of 1 (relatively minor problem) to 5 (relatively major problem); these percentages refer to responses of either 4 or 5.

QUESTION 2

To what extent do you expect each of the following issues to be more or less of a problem a year from now?

	April 2011 Survey	
	Percentage of Respondents Expecting the Issue to Be . . .	
	More of a Problem a Year from Now	Less of a Problem a Year from Now
Employee benefit costs	76.3	1.3
Government regulation	57.1	9.1
Taxes	54.5	10.4
Cost of resources	46.8	9.1
Finding qualified workers	44.2	10.4
Employee wage costs	36.4	13.0
Weak sales	31.6	32.9
Availability of resources	26.3	21.1
Quality of government services	25.0	25.0
Cost and terms of credit	16.9	46.8
Availability and access to credit	14.3	46.8
Depressed real estate values	6.5	57.1