

Empire State Manufacturing Survey

Summary

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to improve in March. The general business conditions index inched up 2 points, to 17.5. The new orders and shipments indexes fell but remained above zero, while the unfilled orders index rose above zero for the first time in a year. Price indexes continued to climb, suggesting that price increases had accelerated. Employment indexes were positive and above their February levels, indicating that employment had expanded. Future indexes were little changed, as respondents continued to be strongly optimistic about the six-month outlook, although future price indexes were sharply higher.

In a series of supplementary questions, manufacturers were asked about recent and expected changes in firms' borrowing needs, changes in credit availability, and the effects of such changes. As in the parallel survey conducted last October, respondents generally reported steady borrowing needs—both over the past year and over the past three months. Looking ahead, firms indicated that they expected borrowing needs to increase somewhat, on balance, over the next year. On the issue of changes in credit availability, respondents reported steady to slightly tighter conditions—both over the past three months and over the past year. Moreover, nearly a third of those surveyed reported that borrowing costs had risen over the past three

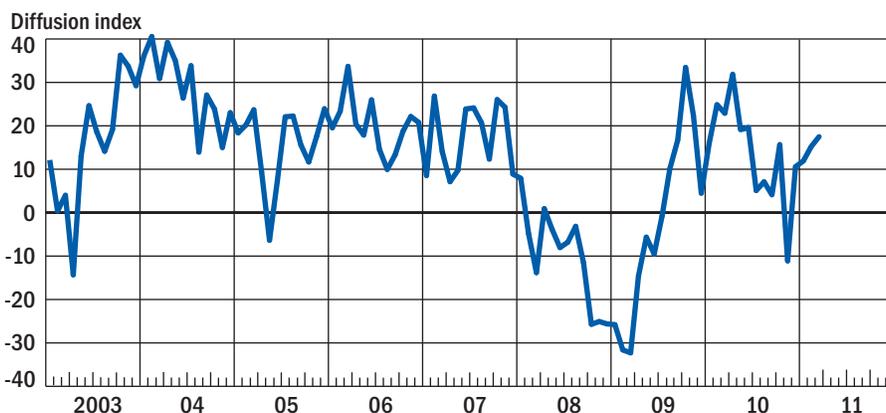
months, while just 3 percent said that they had declined.

Business Activity Continues to Expand

The general business conditions index edged up two points, to 17.5, in March—a sign that manufacturing activity had expanded at a moderate pace over the month. Thirty-two percent of respondents indicated that business conditions had improved, a slightly lower percentage than in February, while 14 percent said that conditions had worsened, down from 21 percent last month. The new orders index fell six points, but remained above zero, suggesting that the expansion of orders was continuing but at a slower pace this month. The shipments index fell 10 points to 1.6, indicating that shipments were little changed. The unfilled orders index climbed above zero for the first time in a year, rising to 2.6—evidence of a small increase in unfilled orders. The delivery time index held steady at -1.3, and the inventories index fell six points, to 3.9.

General Business Conditions

Seasonally adjusted



Prices Continue to Accelerate

The indexes for prices paid and prices received showed that prices continued to accelerate in

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March; the trend was particularly pronounced in the case of the prices paid index, which rose a cumulative 31 points over the past four months. This month, the index advanced 7 points to 53.3, with 53 percent of respondents reporting higher input prices while no respondents reported lower prices. The prices received index also climbed, rising 4 points to 20.8, its highest level since 2008. In addition, employment indexes also gained in March, suggesting an expansion in employment levels and in hours worked. The index for number of employees rose 5 points to 9.1, and the average workweek index rose 10 points to 15.6.

Outlook Remains Favorable

Future indexes revealed ongoing optimism about the six-month outlook. The future general business conditions index held steady at 49.4, with 55 percent of respondents expecting conditions to improve over the next six months and just 5 percent expecting conditions to worsen. The future new orders and shipments indexes were slightly lower, but both remained above 40. The future prices paid and prices received indexes rose sharply, indicating firms' expectation that prices would rise relatively rapidly in the months ahead. The future prices paid index rose 16 points to 71.4, its highest level since mid-2008, and the future

prices received index rose 9 points to 36.4. The index for expected number of employees, at 23.4, was little changed, while the average workweek index fell 8 points, to 10.4. The capital expenditures index fell 6 points, to 22.1, and the technology spending index fell 12 points, to 6.5. ■

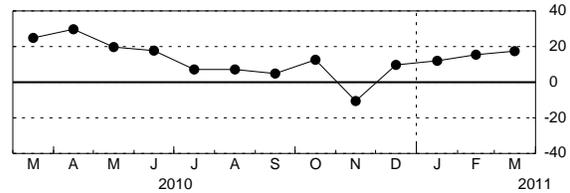
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	35.95	43.54	20.51	15.43
Mar	31.86	53.78	14.36	17.50

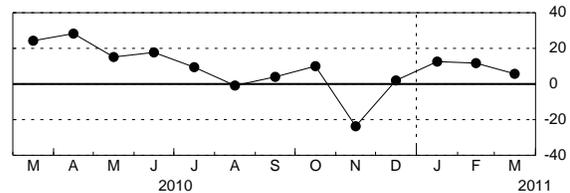
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	32.95	45.90	21.15	11.80
Mar	29.31	47.20	23.49	5.81

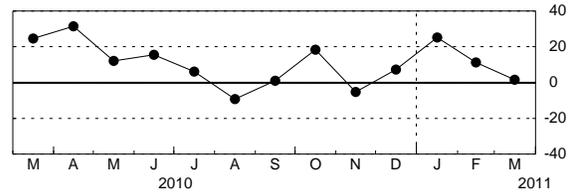
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	36.45	38.41	25.14	11.31
Mar	28.95	43.72	27.33	1.62

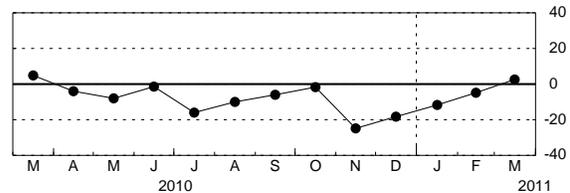
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	15.66	63.86	20.48	-4.82
Mar	19.48	63.64	16.88	2.60

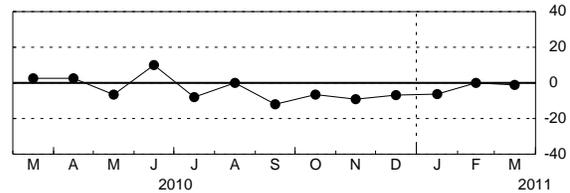
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	9.64	80.72	9.64	0.00
Mar	10.39	77.92	11.69	-1.30

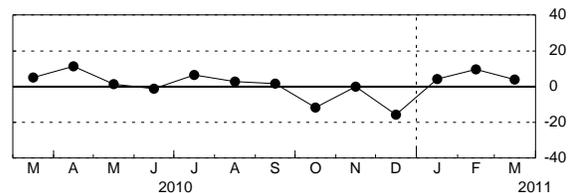
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	26.51	56.63	16.87	9.64
Mar	27.27	49.35	23.38	3.90

Inventories - Diffusion Index



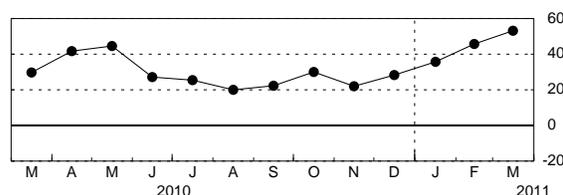
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	48.19	49.40	2.41	45.78
Mar	53.25	46.75	0.00	53.25

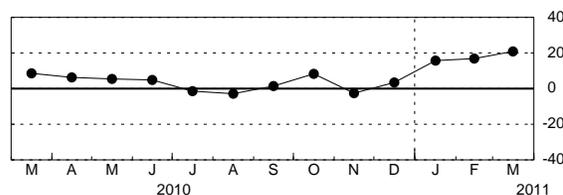
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	24.10	68.67	7.23	16.87
Mar	25.97	68.83	5.19	20.78

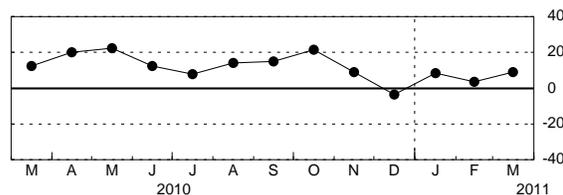
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	16.87	69.88	13.25	3.61
Mar	24.68	59.74	15.58	9.09

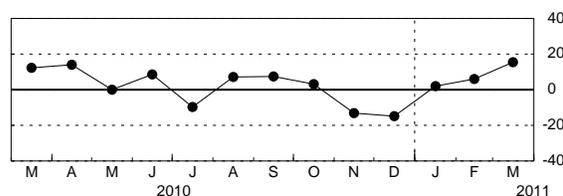
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	15.66	74.70	9.64	6.02
Mar	25.97	63.64	10.39	15.58

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

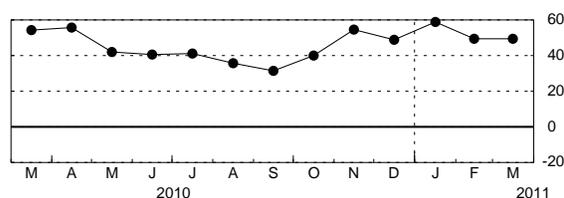
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	60.24	28.92	10.84	49.40
Mar	54.55	40.26	5.19	49.35

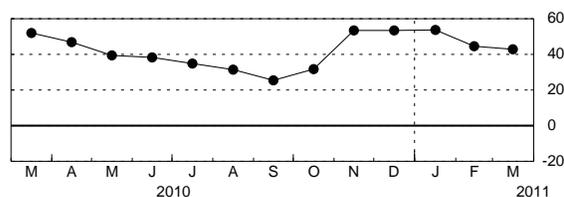
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	55.42	33.73	10.84	44.58
Mar	50.65	41.56	7.79	42.86

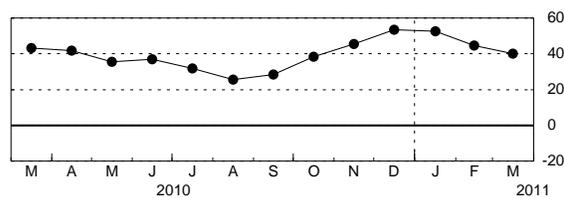
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	55.42	33.73	10.84	44.58
Mar	50.65	38.96	10.39	40.26

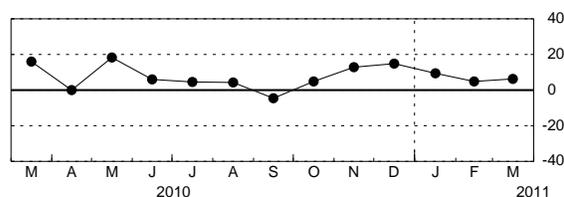
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	18.07	68.67	13.25	4.82
Mar	19.48	67.53	12.99	6.49

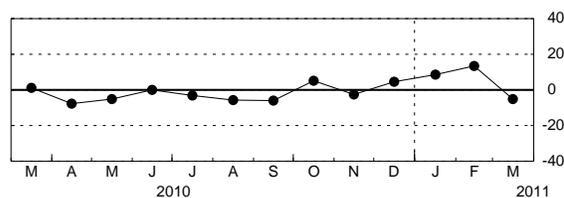
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	16.87	79.52	3.61	13.25
Mar	6.49	81.82	11.69	-5.19

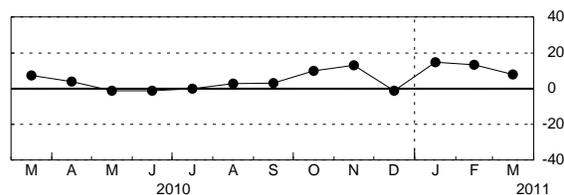
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	28.92	55.42	15.66	13.25
Mar	27.27	53.25	19.48	7.79

Inventories - Diffusion Index



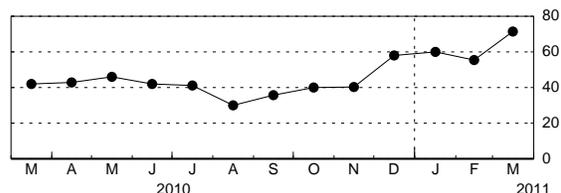
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	57.83	39.76	2.41	55.42
Mar	72.73	25.97	1.30	71.43

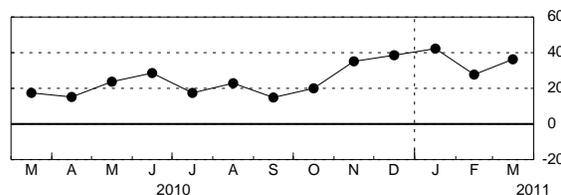
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	33.73	60.24	6.02	27.71
Mar	38.96	58.44	2.60	36.36

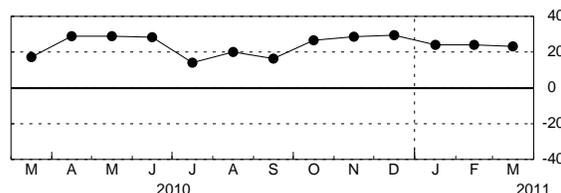
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	32.53	59.04	8.43	24.10
Mar	37.66	48.05	14.29	23.38

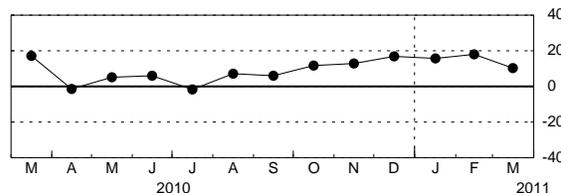
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	21.69	74.70	3.61	18.07
Mar	18.18	74.03	7.79	10.39

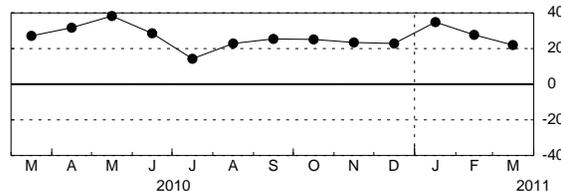
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	33.73	60.24	6.02	27.71
Mar	35.06	51.95	12.99	22.08

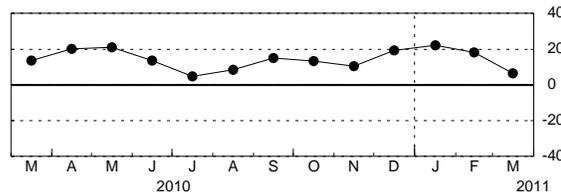
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	28.92	60.24	10.84	18.07
Mar	20.78	64.94	14.29	6.49

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Firms Report Higher Borrowing Costs, Anticipate Somewhat Higher Borrowing Needs

Supplementary questions in the March 2011 *Empire State Manufacturing Survey* focused on recent and expected changes in firms' borrowing needs and in the availability of credit. Parallel questions had previously been asked in the October 2010, March 2010, and earlier surveys.

As in last October's survey, respondents generally reported steady borrowing needs—both over the past year and over the past three months. In the current survey, 20 percent of respondents said that their borrowing needs had moderated in the past year, while the same proportion said that they had grown. In assessing changes over the past three months, most respondents reported no change in borrowing needs; 14 percent reported an increase since December, while 8 percent reported a decrease. Looking ahead, firms generally indicated that they expected their borrowing needs to rise somewhat, on balance, over the next year.

In response to questions on expected changes in credit availability, 20 percent of the firms surveyed said that they foresaw an easing of standards over the next twelve months, while 13 percent anticipated a tightening. (This forward-looking question had not been asked in previous surveys.) When queried about recent changes in credit availability, 15 percent of firms reported some tightening over the past three months—the same percentage as in last October's survey—while just 9 percent noted some easing, down modestly from 12 percent in October. When asked how credit availability had changed over the past year, 21 percent of respondents cited tighter credit standards, while 15 percent reported easier credit. When those firms reporting tighter credit over the past three months were asked to identify its effects on their behavior, respondents mentioned a number of effects, but reduced capital investment was cited a bit more often than the others, and a few respondents also mentioned delays

in paying vendors and suppliers and workforce reductions.

Firms reported fairly widespread increases in borrowing costs, on balance, over the past three months: 33 percent of respondents noted rising costs, while just 3 percent noted declining costs. Still, a large majority (65 percent) of respondents reported no change. When asked about recent changes in limits (ceilings) on existing lines of credit, more than 15 percent of those surveyed reported lower ceilings, while 9 percent reported higher ceilings. ■

Supplemental Report, *continued*

QUESTION 1

How do your current borrowing needs compare with those one year earlier? Three months earlier? How do you expect them to change over the next twelve months?

Component	March 2011 Survey			October 2010 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
Now compared with twelve months earlier	19.7	60.5	19.7	24.1	58.6	17.2
Now compared with three months earlier	8.1	78.4	13.5	8.8	80.7	10.5
Twelve months from now versus now	10.7	64.0	25.3	n.a.	n.a.	n.a.

QUESTION 2

How has credit availability changed over the past twelve months? Past three months? How do you expect it to change over the next twelve months?

	March 2011 Survey			October 2010 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past three months	9.2	76.3	14.5	11.9	72.9	15.3
Over the past twelve months	14.7	64.0	21.3	5.1	81.4	13.6
Over the next twelve months	20.0	66.7	13.3	n.a.	n.a.	n.a.

QUESTION 3

In your experience, how have banks' requirements to extend business loans and/or credit lines changed over the past three months?

	March 2011	October 2010	March 2010
Percentage of Firms Responding . . .			
Much easier now	0.0	0.0	1.3
Somewhat easier now	5.3	6.7	8.0
Same	73.3	75.0	61.3
Somewhat tighter now	17.3	13.3	17.3
Much tighter now	4.0	5.0	12.0

QUESTION 4

Also in your experience, how has the cost of borrowing funds changed over the past three months?

	March 2011	October 2010	March 2010
Percentage of Firms Responding . . .			
Much lower now	0.0	0.0	0.0
Lower now	2.6	11.7	5.3
Same	64.5	76.7	66.7
Higher now	31.6	10.0	25.3
Much higher now	1.3	1.7	2.7

Supplemental Report, *continued*

QUESTION 5

Again in your experience, how have the limits (ceilings) on existing business lines of credit changed over the past three months? Credit limits have become:

	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .		
Much lower now	2.6	3.3	3.9
Lower now	13.2	6.7	13.2
Same	75.0	81.7	72.4
Higher now	7.9	8.3	5.3
Much higher now	1.3	0.0	1.3