

# Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers improved in May, but at a slower pace than in April. The general business conditions index fell ten points to 11.9. The new orders index declined five points to 17.2, and the shipments index slipped three points to 25.8. The inventories index climbed to 10.8, its highest level in a year. The prices paid index rose to 69.9, its highest level since mid-2008, while the prices received index held firm at 28.0. Future indexes continued to convey a high level of optimism about the six-month outlook, although prices are widely expected to rise.

In a series of supplementary questions, firms were asked about past and expected changes in both their

input prices (prices paid) and selling prices (prices received). Respondents estimated that the prices they paid rose by 8.1 percent, on average, over the past twelve months—up from 5.9 percent in last May’s survey. Looking ahead to the next twelve months, respondents on average predicted a price rise of 5.6 percent. Firms reported considerably smaller increases in prices received: the average respondent cited a 1.9 percent increase in selling prices over the past year (down from 2.9 percent in the May 2010 survey) and an expected increase of 3.6 percent for the year ahead.

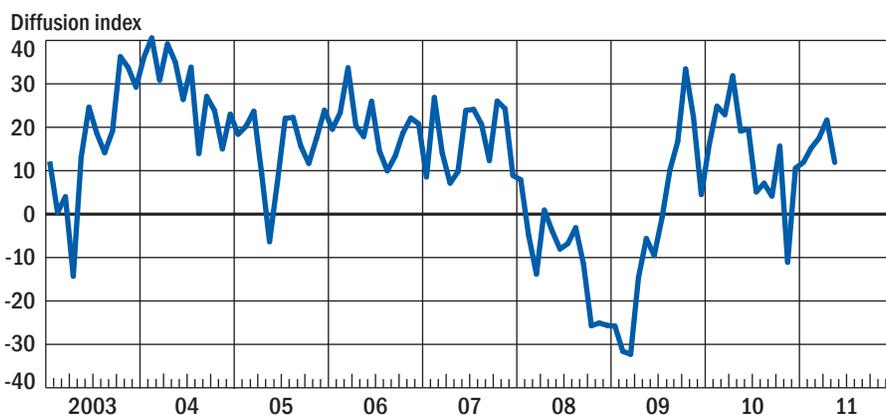
## Activity Expands, but at a Slower Pace

The general business conditions index was positive in May,

indicating that business activity continued to expand over the month, but the level of the index fell ten points to 11.9, a sign that the pace of growth slowed. The change was driven by a decline in the share of businesses reporting that conditions improved over the month—from 35 percent in April to 23 percent in May. The new orders index was also positive but fell five points to 17.2, indicating that orders expanded at a somewhat slower pace this month. The shipments index slipped a couple of points, to 25.8. The unfilled orders index continued to climb, as it generally has done since November, reaching 9.7 after rising seven points. The delivery time index rose three points to 2.2. The inventories index jumped twelve points to 10.8, its highest level in a year, suggesting that inventory levels rose in May.

## General Business Conditions

Seasonally adjusted



## Input Prices Accelerate

The prices paid index rose sharply, indicating that price increases accelerated over the month. The index advanced twelve points to 69.9, its highest level since mid-2008, with roughly 70 percent of respondents reporting price increases, and none reporting price declines. This index has moved up a cumulative fifty points over the past six months. The prices received

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index, at 28.0, was one point higher than in April; its rise over the past six months has paralleled the upward trend in the prices paid index. The index for number of employees inched up to 24.7, indicating that employment levels expanded over the month, and the average workweek index rose thirteen points to 23.7, a multi-year high.

### **Future Indexes Indicate Unwavering Optimism**

Future indexes were generally higher in May, and reflected strong optimism about the six-month

outlook. The future general business conditions index rose five points to 52.7, hovering at the elevated levels it has held since November. The future new orders and shipments indexes also climbed, and the future unfilled orders index rose a sharp twelve points to 19.4, its highest level in a year. The future inventories index fell ten points to 4.3. After declining last month, the future prices paid index rose twelve points to 68.8, while the future prices received index inched down to 35.5. The index for expected number of employees remained

well above zero, but fell twelve points to 20.4, while the future average workweek index climbed six points to 12.9. The capital expenditures index held steady at 30.1, and the technology spending index rose eleven points to 29.0, its highest level in several years. ■

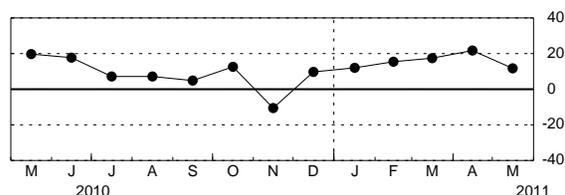
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	34.80	52.10	13.10	21.70
May	22.70	66.48	10.82	11.88

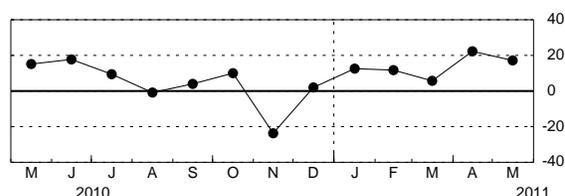
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	38.86	44.63	16.51	22.34
May	34.23	48.72	17.04	17.19

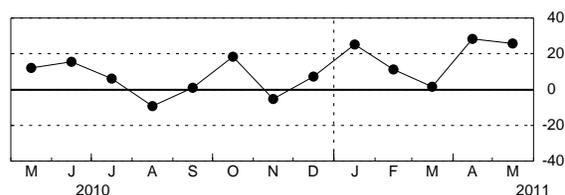
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	45.08	38.13	16.79	28.29
May	35.58	54.59	9.83	25.75

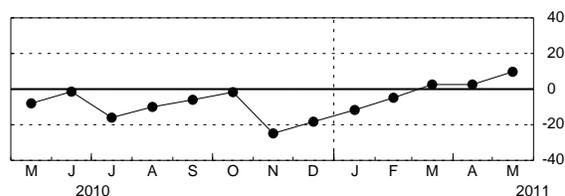
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	15.38	71.79	12.82	2.56
May	25.81	58.06	16.13	9.68

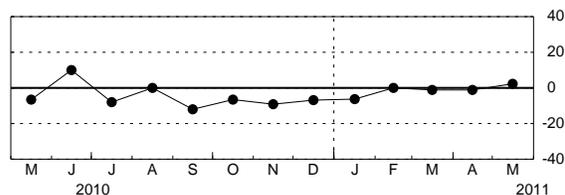
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	10.26	78.21	11.54	-1.28
May	11.83	78.49	9.68	2.15

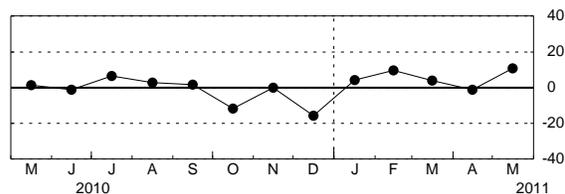
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	21.79	55.13	23.08	-1.28
May	27.96	54.84	17.20	10.75

Inventories - Diffusion Index



## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	60.26	37.18	2.56	57.69
May	69.89	30.11	0.00	69.89

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	29.49	67.95	2.56	26.92
May	33.33	61.29	5.38	27.96

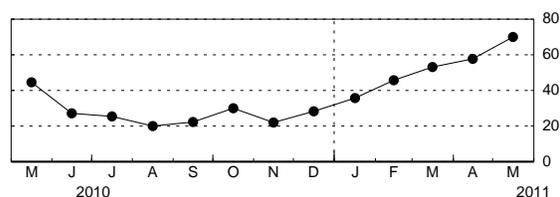
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	33.33	56.41	10.26	23.08
May	32.26	60.22	7.53	24.73

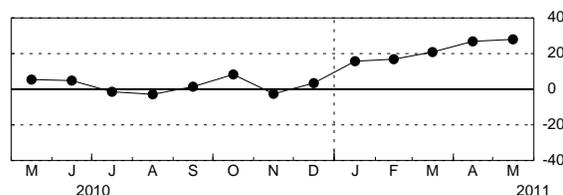
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	19.23	71.79	8.97	10.26
May	29.03	65.59	5.38	23.66

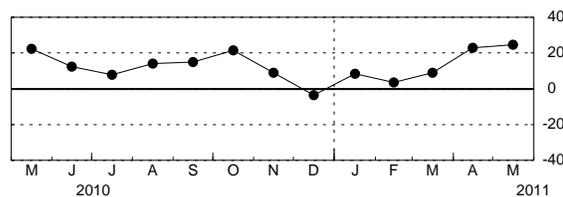
Prices Paid - Diffusion Index



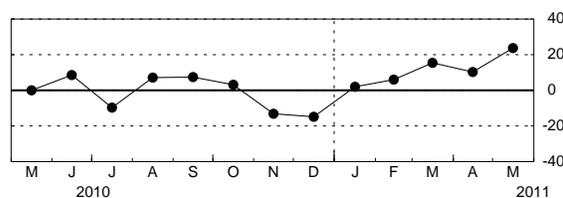
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

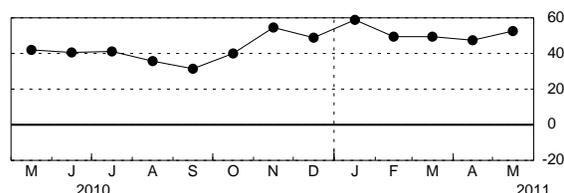
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	57.69	32.05	10.26	47.44
May	59.14	34.41	6.45	52.69

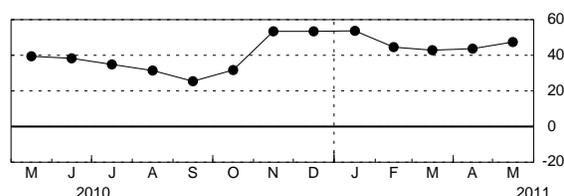
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	53.85	35.90	10.26	43.59
May	56.99	33.33	9.68	47.31

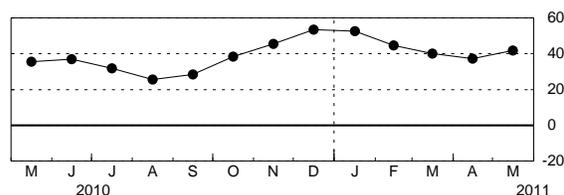
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	48.72	39.74	11.54	37.18
May	51.61	38.71	9.68	41.94

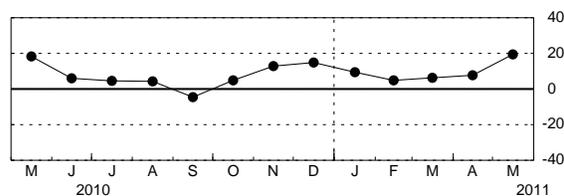
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	19.23	69.23	11.54	7.69
May	27.96	63.44	8.60	19.35

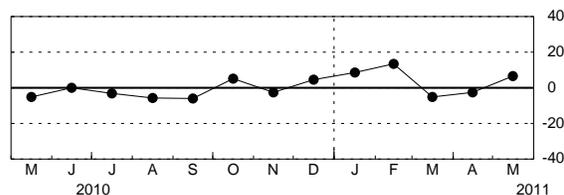
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	10.26	76.92	12.82	-2.56
May	15.05	76.34	8.60	6.45

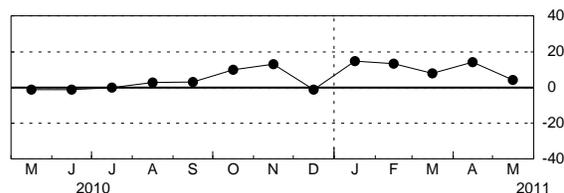
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	30.77	52.56	16.67	14.10
May	27.96	48.39	23.66	4.30

Inventories - Diffusion Index



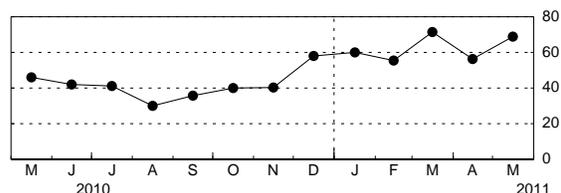
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	62.82	30.77	6.41	56.41
May	70.97	26.88	2.15	68.82

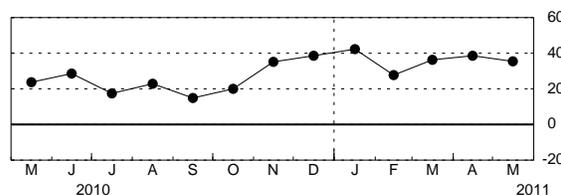
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	44.87	48.72	6.41	38.46
May	40.86	53.76	5.38	35.48

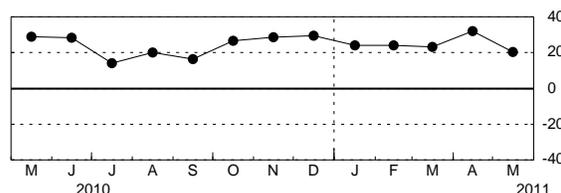
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	43.59	44.87	11.54	32.05
May	33.33	53.76	12.90	20.43

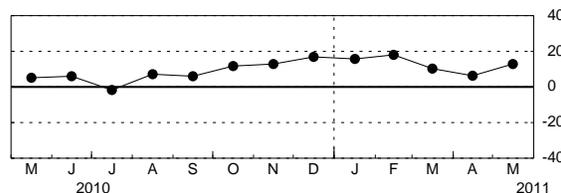
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	17.95	70.51	11.54	6.41
May	23.66	65.59	10.75	12.90

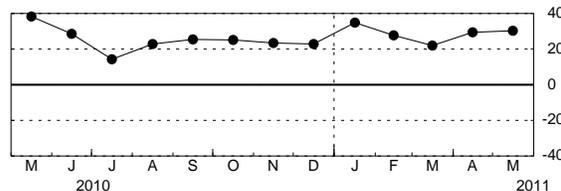
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	34.62	60.26	5.13	29.49
May	35.48	59.14	5.38	30.11

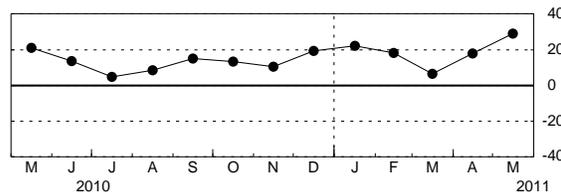
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	23.08	71.79	5.13	17.95
May	32.26	64.52	3.23	29.03

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Firms Plan Somewhat Larger Price Hikes in the Year Ahead

The supplementary questions in the May 2011 *Empire State Manufacturing Survey* focused on past and expected changes in both the prices firms pay for inputs and the prices they charge their customers. Some of the same questions had previously been asked in surveys conducted in May 2010 and earlier.

Respondents estimated that the prices they paid for inputs rose by 8.1 percent, *on average*, over the past twelve months—up from 5.9 percent in last May’s survey. The *median* increase reported in the current survey was a more subdued 5.0 percent, up from 3.0. The reason for the sizable gap between the median and the average was that a couple of firms reported price increases of 50 percent or more, apparently stemming from surges in the price of certain commodity inputs; these responses boosted the average but had no effect on the median. The average

increase anticipated for the next twelve months was reported to be 5.6 percent, while the median expected rise was 5.0 percent. Both measures are 1 percentage point higher than in last May’s survey.

In response to a question about the probability of various price scenarios, firms in the current survey estimated a 24 percent chance, on average, that prices paid would rise by 8 percent or more, and an 80 percent chance that prices paid would rise by at least 2 percent. These probabilities are moderately higher than those reported in last May’s survey and substantially higher than those reported in the May 2009 survey. Respondents in the current survey, on average, estimated the likelihood that prices would decline by more than 2 percent to be less than 5 percent; the likelihood that prices would remain relatively steady—within 2 percent of current levels—was seen to be 16 percent.

In assessing past changes in their *selling prices*, firms reported an average price increase of 1.9 percent (down from 2.9 percent in May 2010) and a median increase of 2.0 percent (the same as in last May’s survey). Looking ahead to the next twelve months, firms predicted a 3.6 percent average increase and a 4.0 percent median increase in selling prices—both moderately larger increases than had been anticipated in last year’s survey. Respondents, on average, saw a slightly more than one in ten chance that they would raise their selling prices by 8 percent or more and a three in five chance that they would raise prices by at least 2 percent. Both probabilities are somewhat higher than those cited in last May’s survey. At the other end of the spectrum, the average respondent reported a less than 7 percent chance that selling prices would fall 2 percent or more, down from an average of 11 percent in last May’s survey. ■

## Supplemental Report, *continued*

### QUESTION 1

By what percentage have the prices you pay, on average, changed over the past twelve months?

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	<b>8.1</b>	5.9	0.1
Median change	<b>5.0</b>	3.0	2.0

### QUESTION 4

By what percentage have your selling prices, on average, changed over the past twelve months?

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	<b>1.9</b>	2.9	1.2
Median change	<b>2.0</b>	2.0	2.0

### QUESTION 2

By what percentage do you expect the prices you pay, on average, to change over the next twelve months?

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	<b>5.6</b>	4.6	2.2
Median change	<b>5.0</b>	4.0	2.0

### QUESTION 5

By what percentage do you expect your selling prices, on average, to change over the next twelve months?

	Percentage Change		
	May 2011	May 2010	May 2009
Average change	<b>3.6</b>	2.9	2.6
Median change	<b>4.0</b>	3.0	2.0

### QUESTION 3

What would you say is the percentage chance that, over the next twelve months, your prices paid will . . .

	Average Percentage Chance of Specified Price Change*		
	May 2011	May 2010	May 2009
Increase 8 percent or more	<b>23.6</b>	17.7	5.2
Increase 2 to 8 percent	<b>56.4</b>	45.0	32.9
Stay within 2 percent of current levels	<b>16.4</b>	29.7	45.0
Decrease 2 to 8 percent	<b>2.3</b>	4.8	14.4
Decrease 8 percent or more	<b>1.4</b>	2.8	2.5

### QUESTION 6

What would you say is the percentage chance that, over the next twelve months, your selling prices will . . .

	Average Percentage Chance of Specified Price Change*		
	May 2011	May 2010	May 2009
Increase 8 percent or more	<b>11.0</b>	9.2	5.9
Increase 2 to 8 percent	<b>50.3</b>	41.9	27.1
Stay within 2 percent of current levels	<b>32.3</b>	37.9	45.6
Decrease 2 to 8 percent	<b>4.4</b>	9.5	18.4
Decrease 8 percent or more	<b>2.0</b>	1.5	2.9

\* Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported for questions 3 and 6 reflect the average indicated percentage chance across all respondents.