

# Empire State Manufacturing Survey

The February *Empire State Manufacturing Survey* indicates that manufacturing activity in New York State expanded for a third consecutive month. The general business conditions index rose six points to 19.5, its highest level in more than a year. The new orders index, at 9.7, was positive but down slightly, and the shipments index was little changed at 22.8. The prices paid index held steady at 25.9, while the prices received index fell eight points to 15.3, suggesting that selling prices rose at a slower pace. Employment indexes were positive and close to last month's levels, indicating that employment levels and the average workweek continued to rise at a

modest pace. Indexes for the six-month outlook, while somewhat lower than last month, remained at fairly high levels, signaling considerable optimism about the future.

In a series of supplementary survey questions, manufacturers were asked about their 2012 capital spending plans and how the plans compared with their actual spending for 2011. Parallel questions had been asked in earlier surveys, including the February 2011 survey. Substantially more respondents indicated that they planned increases (46 percent) than reductions (25 percent) in overall capital spending in 2012. These

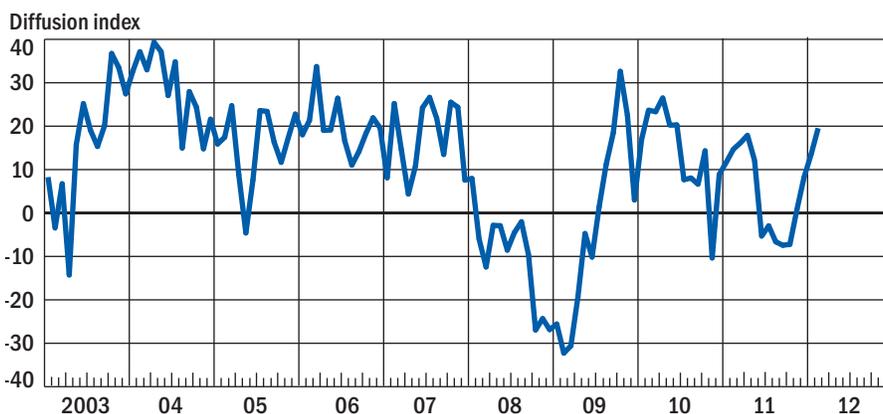
results are not substantially different from those in last February's survey. As in earlier surveys, the increases most widely expected were for non-computer-related equipment; in contrast, manufacturers remained somewhat reluctant to invest in structures, though less so than in earlier surveys. The median projected level of capital spending for 2012 across all respondent firms was up 29 percent from the median actual level reported for 2011.

## Expansion Continues to Gain Momentum

The general business conditions index rose six points in February to 19.5, its highest level since June 2010. The index was last negative in October, then rose to a level of around zero in November; subsequently, the readings have become increasingly positive, suggesting that the expansion in business activity for New York manufacturers has gained momentum in recent months. The new orders index fell four points to 9.7, indicating that orders climbed at a slower pace. The shipments index held steady at 22.8. The unfilled orders index inched down two points to -7.1, and the delivery time index rose four points to 1.2. After climbing above zero last

## General Business Conditions

Seasonally adjusted



*Continued from page 1*

month, the inventories index fell eleven points to -4.7; the return to negative territory indicated that inventory levels were slightly lower.

### **Employment Grows Modestly**

The prices paid index was little changed from last month at 25.9, a sign that input prices rose at about the same pace as in January. The prices received index fell eight points to 15.3, suggesting that selling prices continued to rise, but at a slower pace. Employment indexes, positive and little changed from last month, indicated a modest increase in employment

levels and in the length of the average workweek. The index for number of employees was 11.8, and the average workweek index was 7.1.

### **Six-Month Outlook Remains Upbeat**

Indexes for the six-month outlook, while somewhat lower than last month, conveyed a widespread expectation that conditions would improve in the months ahead. The future general business conditions index fell four points to 50.4, with 58 percent of respondents expecting conditions to improve over the next six months and 7 percent expecting

conditions to worsen. The future new orders and shipments indexes also declined, but remained at high levels. The future prices paid index advanced nine points to 62.4, indicating that input prices were expected to rise significantly. The future prices received index climbed three points to 34.1. Future employment indexes suggested that firms foresaw an increase in employment. The capital spending index rose six points to 31.8, its highest level in a year, and the technology spending index held steady at 18.8. ■

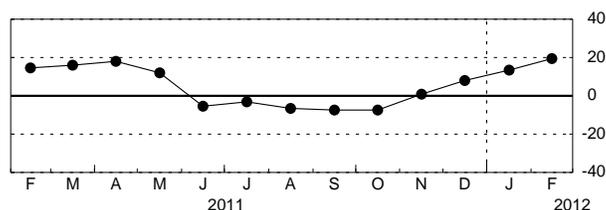
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	35.18	43.12	21.70	13.48
Feb	31.60	56.33	12.07	19.53

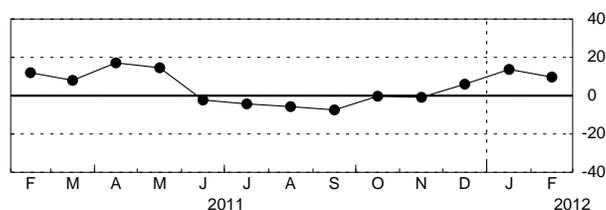
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	33.00	47.71	19.30	13.70
Feb	25.21	59.30	15.49	9.73

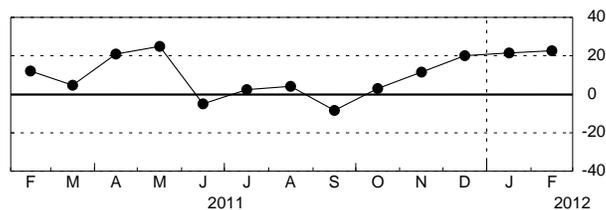
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	38.27	45.16	16.57	21.69
Feb	36.80	49.18	14.01	22.79

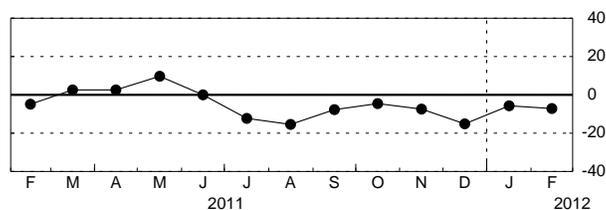
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	15.38	63.74	20.88	-5.49
Feb	11.76	69.41	18.82	-7.06

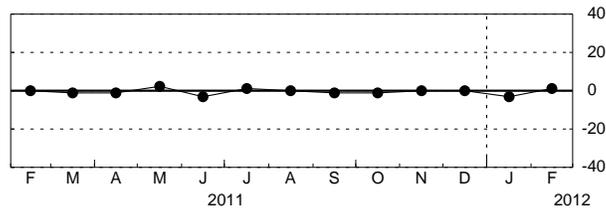
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	7.69	81.32	10.99	-3.30
Feb	4.71	91.76	3.53	1.18

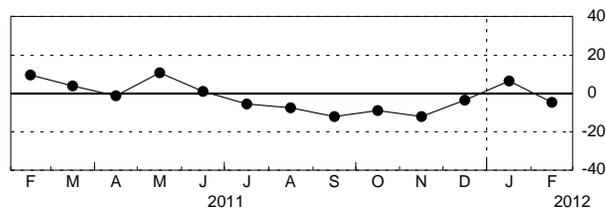
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	26.37	53.85	19.78	6.59
Feb	17.65	60.00	22.35	-4.71

Inventories - Diffusion Index



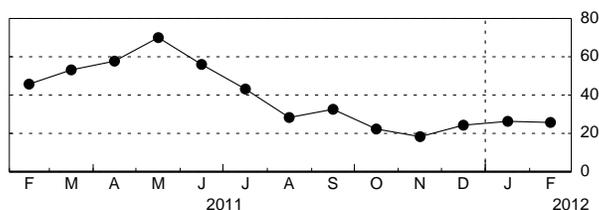
## Current Indicators, *continued*

Change from Preceding Month

### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	31.87	62.64	5.49	26.37
Feb	25.88	74.12	0.00	25.88

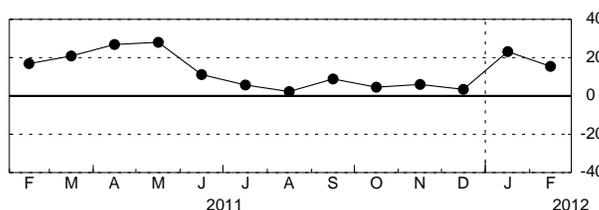
Prices Paid - Diffusion Index



### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	26.37	70.33	3.30	23.08
Feb	20.00	75.29	4.71	15.29

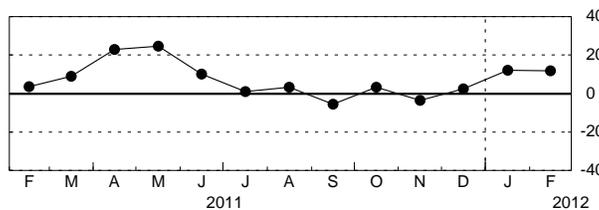
Prices Received - Diffusion Index



### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	21.98	68.13	9.89	12.09
Feb	20.00	71.76	8.24	11.76

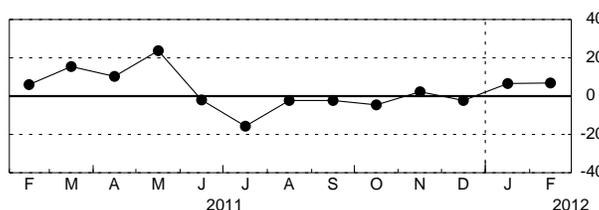
Number of Employees - Diffusion Index



### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	15.38	75.82	8.79	6.59
Feb	14.12	78.82	7.06	7.06

Average Employee Workweek - Diffusion Index



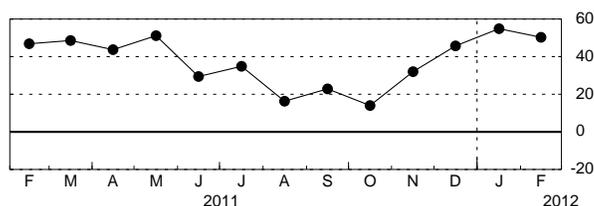
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	60.51	33.85	5.64	54.87
Feb	57.61	35.16	7.23	50.38

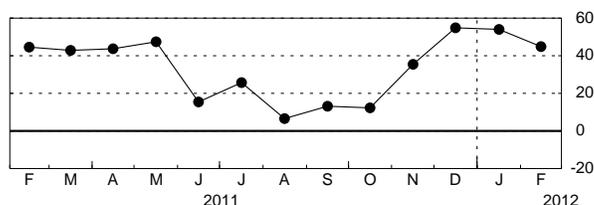
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	61.54	30.77	7.69	53.85
Feb	54.12	36.47	9.41	44.71

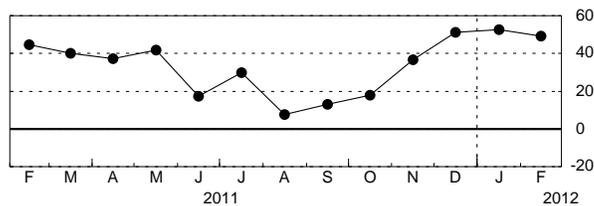
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	59.34	34.07	6.59	52.75
Feb	58.82	31.76	9.41	49.41

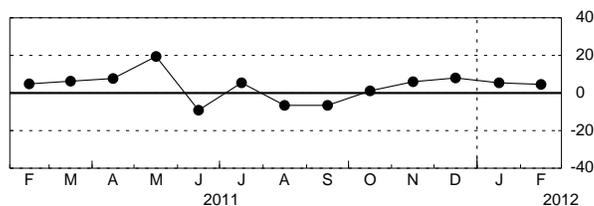
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	18.68	68.13	13.19	5.49
Feb	20.00	64.71	15.29	4.71

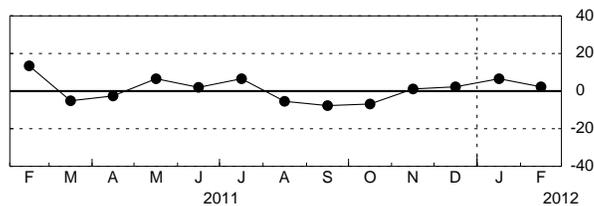
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	9.89	86.81	3.30	6.59
Feb	12.94	76.47	10.59	2.35

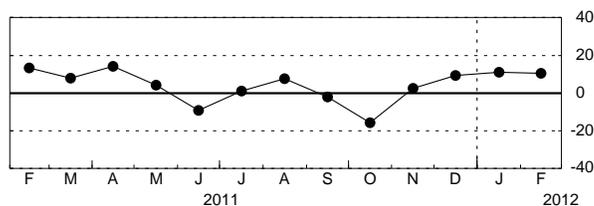
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	30.77	49.45	19.78	10.99
Feb	32.94	44.71	22.35	10.59

Inventories - Diffusion Index



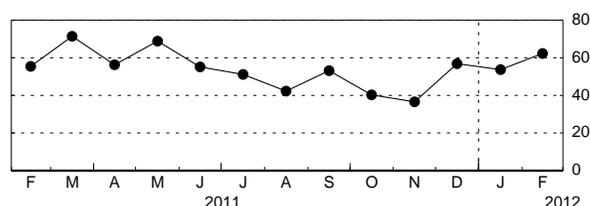
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	57.14	39.56	3.30	53.85
Feb	63.53	35.29	1.18	62.35

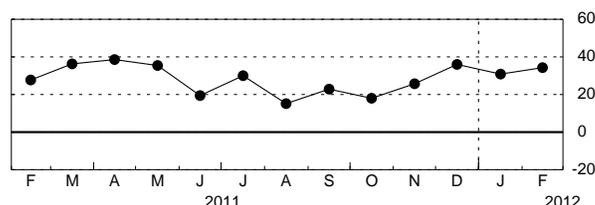
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	39.56	51.65	8.79	30.77
Feb	38.82	56.47	4.71	34.12

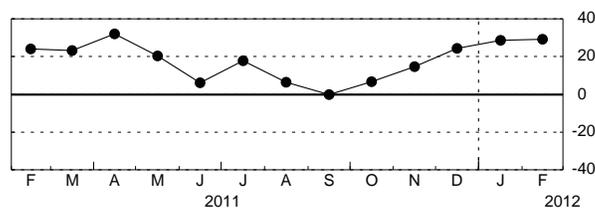
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	36.26	56.04	7.69	28.57
Feb	37.65	54.12	8.24	29.41

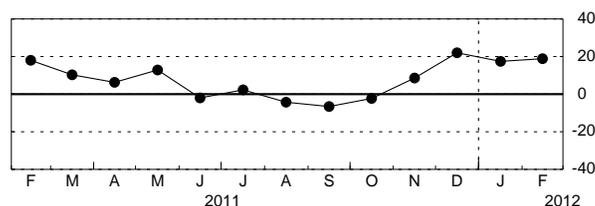
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	21.98	73.63	4.40	17.58
Feb	24.71	69.41	5.88	18.82

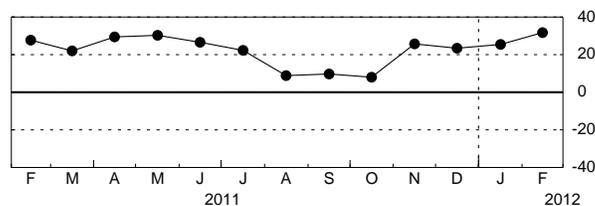
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	38.46	48.35	13.19	25.27
Feb	40.00	51.76	8.24	31.76

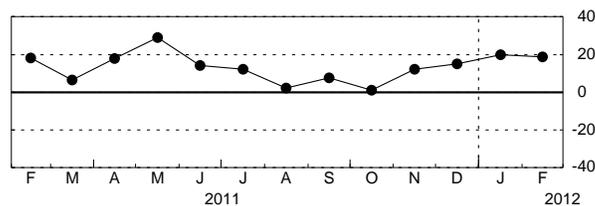
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	27.47	64.84	7.69	19.78
Feb	25.88	67.06	7.06	18.82

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Sizable Increases Planned for Capital Spending in 2012

In a series of supplementary questions to the February 2012 *Empire State Manufacturing Survey*, manufacturers were asked about their 2012 capital spending plans and how the plans compared with actual spending for 2012—both overall and for a few broad categories of capital. Parallel questions had been asked in February 2011 and earlier, and some of the same questions had been asked in July 2011 (see table). In the current survey, substantially more responding firms planned increases (46 percent) than reductions (25 percent) in overall capital spending in 2012. These findings are slightly more upbeat, though not substantially different, from those in last July's or last February's surveys.

Firms' spending plans continued to vary considerably across the different categories of capital. As in earlier surveys, the increases most widely expected were for non-computer-related equipment:

48 percent of manufacturers planned to spend more in 2012 than in 2011, while just 23 percent planned to spend less. On balance, respondents also reported that they planned to spend more on computers, related hardware, and software. Manufacturers remain somewhat reluctant to invest in structures, though less so than in earlier surveys: 23 percent of those surveyed said they were budgeting more for structures in 2012 than in 2011, while 24 percent indicated that they would cut back on such investment. This is a moderately less negative balance than in last July's survey and considerably less negative than in February 2011, when planned cuts outnumbered planned increases by more than two to one.

In a separate question, firms were asked about the extent to which various factors contributed to planned increases in capital spending. A majority of respondents cited a need for labor-saving

equipment and favorable sales and demand trends as factors supporting higher spending, and nearly half cited long-term plans (investment schedules). Respondents were also asked about factors holding back capital spending; the most widely cited factor was unusually high capital spending in 2011, though even this was cited by only 27 percent of those surveyed.

The median projected level of capital spending for 2012 across all respondent firms was \$375,000—up 29 percent from the actual level of \$290,000 reported for 2011. In last July's survey, the median level of capital spending was seen as declining from \$350,000 in 2010 to \$300,000 in 2011. (In comparing the median level projected for 2011 in last July's survey with the actual median level for 2011 reported in the current survey, one should note that the numbers are based on somewhat different pools of respondent firms and are not strictly comparable.) ■

*Continued*

## Supplemental Report, *continued*

### QUESTION 1

To what extent do you expect your firm's spending on new plant and equipment to be higher or lower in 2012 than in 2011? How do you expect each of these capital spending categories to change?

	February 2012 Survey		February 2011 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Planning Lower Spending in 2012	Planning Higher Spending in 2012	Planning Lower Spending in 2011	Planning Higher Spending in 2011
Total	24.7	45.7	26.8	46.3
Structures	24.1	22.9	25.9	12.3
Non-computer-related equipment	22.9	48.2	15.7	44.6
Computers and related hardware	11.9	31.0	14.5	30.1
Software	17.9	31.0	18.1	26.5

### QUESTION 2

How are each of the following factors contributing to changes in your capital spending budget from 2011 to 2012?

	February 2012 Survey		February 2011 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reporting Downward Effect in 2012	Reporting Upward Effect in 2012	Reporting Downward Effect in 2011	Reporting Upward Effect in 2011
Unusually high/low capital spending in 2011	27.4	25.0	22.0	18.3
Long-term plans / investment schedule	11.9	45.2	12.2	42.7
Sales / demand trends for your products	22.9	51.8	18.3	47.6
Need for labor-saving equipment	9.5	53.6	8.5	54.9
Need for energy-saving equipment	10.8	37.3	6.1	39.0
Cost or availability of external finance	9.5	13.1	17.1	13.4
Firm's cash flow / balance sheet position	15.5	34.5	21.0	34.6
Tax / regulatory considerations	20.2	25.0	15.9	34.1

### QUESTION 3

Please indicate your best estimate of your total capital expenditures for last year (calendar year 2011) and the expected amount for this year (calendar year 2012).

	February 2012 Survey		July 2011 Survey	
	Current Year	Prior Year	Current Year	Prior Year
Median capital spending	\$375,000	\$290,000	\$300,000	\$350,000