

Empire State Manufacturing Survey

April's *Empire State Manufacturing Survey* indicates that manufacturing activity in New York State improved modestly. Although the general business conditions index fell fourteen points, it remained positive at 6.6. The new orders and shipments indexes also remained positive, but showed only a small increase in orders and shipments. The prices paid index inched downward but remained high, and the prices received index climbed six points to 19.3. The index for number of employees rose to its highest level in nearly a year, indicating a significant increase in employment levels, while the average workweek index fell to a

level that indicated only a small increase in hours worked. Future indexes remained quite positive, suggesting a strong and persistent degree of optimism about the six-month outlook.

In a series of supplementary survey questions—previously posed in August 2011 and March 2007—respondents were asked how much difficulty they had experienced finding workers proficient in mathematical, computer, interpersonal, and other workplace skills. As was the case last August, the most widespread difficulties were cited for advanced computer

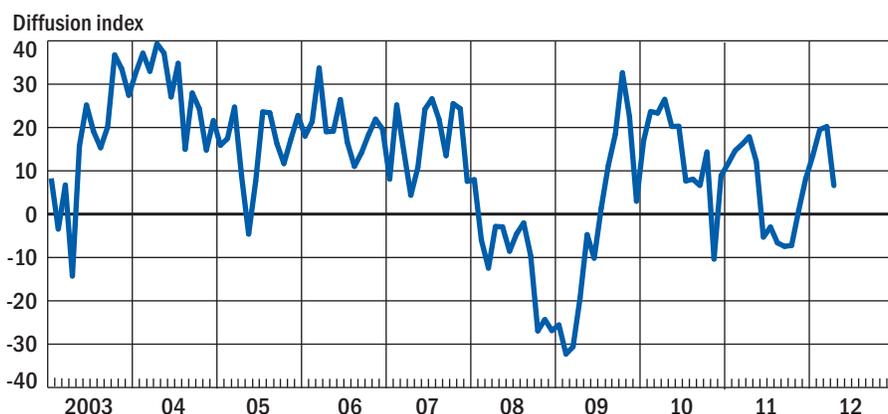
skills. One skill category that has reportedly grown harder to find is basic math. Interestingly, respondents reported at least as much difficulty finding workers with each of these skills as they did prior to the recession, in March 2007. Responses to other supplemental questions indicated that firms expected wages to rise by 2.3 percent, on average, over the next twelve months, and that, for more than a third of the firms, retaining skilled workers would become increasingly difficult over the next twelve months.

Pace of Expansion Slows

The *Empire State Manufacturing Survey's* headline index fell significantly in April, though it still indicated a modest increase in activity. The general business conditions index dropped fourteen points to 6.6, suggesting that while growth continued, the pace slowed over the month. The new orders index was little changed at 6.5, indicating a modest increase in orders, and the shipments index fell twelve points to 6.4, indicating a slower pace of growth for shipments. The unfilled orders index fell six points to -7.2, and the delivery time index dropped three points to 4.8. The inventories index

General Business Conditions

Seasonally adjusted



Continued from page 1

was little changed at 1.2, suggesting that inventory levels held steady.

Prices Continue to Climb

Input price increases remained significant. After rising sharply last month, the prices paid index fell five points to 45.8. Though somewhat lower than in March, this reading was well above the index's level in the preceding several months. Selling prices also rose noticeably, with the prices received index climbing six points to 19.3. Employment indexes were positive, but moved in opposite directions. Pointing to a healthy

increase in employment levels, the index for number of employees rose six points to 19.3, its highest level in nearly a year. The average workweek index fell thirteen points to 6.0, indicating a modest increase in hours worked.

Outlook Remains Favorable

Indexes for the six-month outlook remained favorable, with readings close to last month's. The future general business conditions index fell four points to 43.1; roughly half of respondents expected conditions to improve in the months ahead. The future new

orders index rose four points to 45.8, and the future shipments index was little changed at 44.6. The future prices paid index fell sixteen points to 50.6 – an elevated level to be sure, but lower than in recent months. The future prices received index also retreated, falling nine points to 22.9. The index for expected number of employees fell four points to 27.7, and the future average workweek index declined ten points to 10.8. The capital expenditures index was little changed at 31.3, while the technology spending index dropped seven points to 18.1. ■

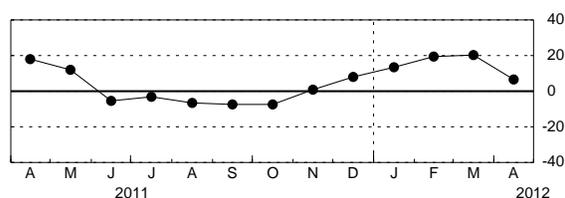
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	33.33	53.54	13.12	20.21
Apr	27.90	50.76	21.34	6.56

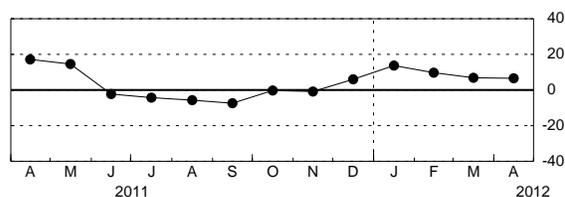
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	26.89	53.07	20.05	6.84
Apr	29.19	48.10	22.71	6.48

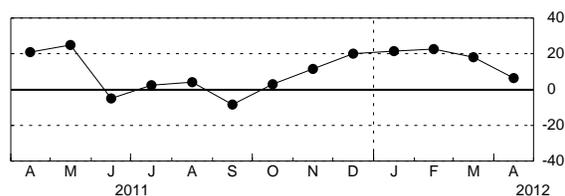
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	34.51	49.20	16.30	18.21
Apr	29.60	47.21	23.19	6.41

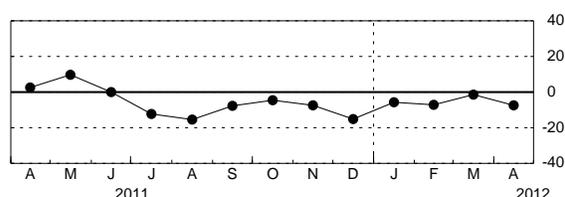
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	13.58	71.60	14.81	-1.23
Apr	10.84	71.08	18.07	-7.23

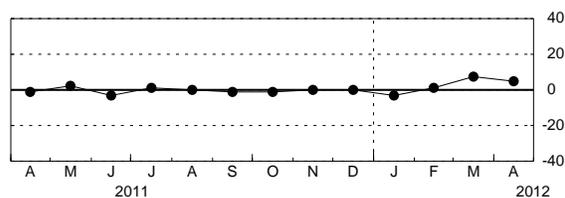
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	11.11	85.19	3.70	7.41
Apr	9.64	85.54	4.82	4.82

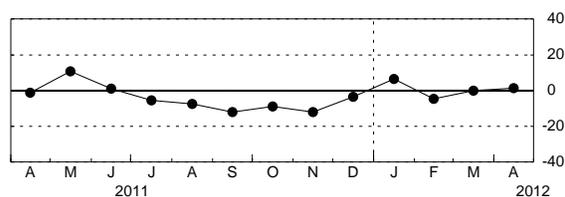
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	24.69	50.62	24.69	0.00
Apr	25.30	50.60	24.10	1.20

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	50.62	49.38	0.00	50.62
Apr	48.19	49.40	2.41	45.78

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	19.75	74.07	6.17	13.58
Apr	21.69	75.90	2.41	19.28

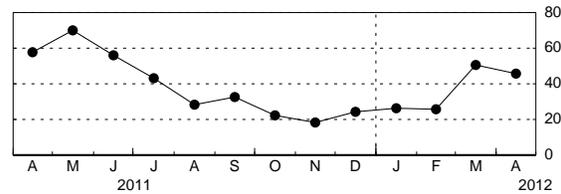
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	22.22	69.14	8.64	13.58
Apr	27.71	63.86	8.43	19.28

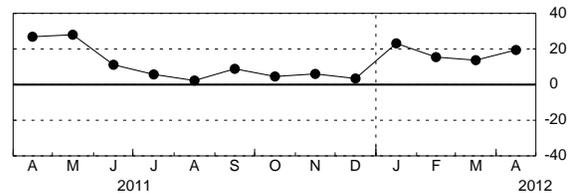
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	23.46	71.60	4.94	18.52
Apr	16.87	72.29	10.84	6.02

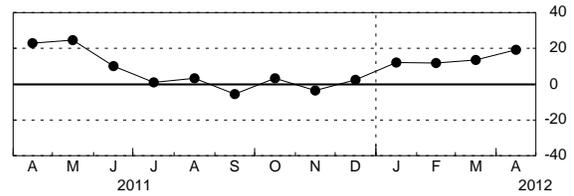
Prices Paid - Diffusion Index



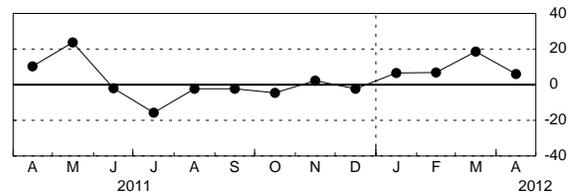
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

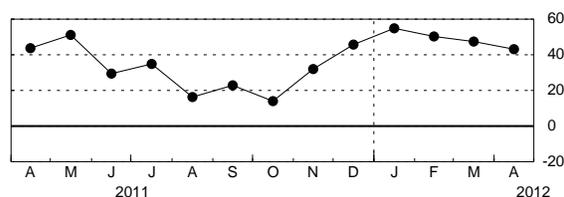
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	54.30	38.90	6.80	47.50
Apr	49.23	44.66	6.11	43.12

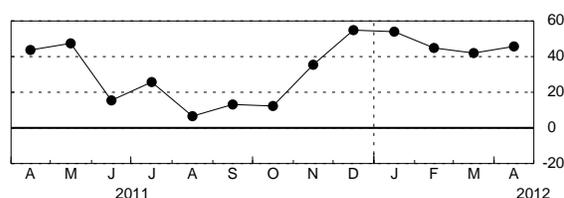
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	51.85	38.27	9.88	41.98
Apr	56.63	32.53	10.84	45.78

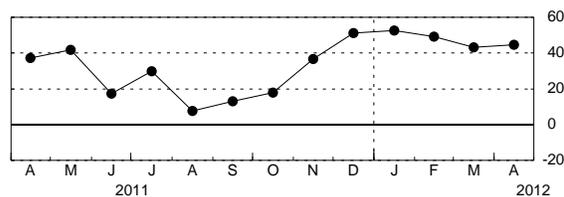
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	53.09	37.04	9.88	43.21
Apr	55.42	33.73	10.84	44.58

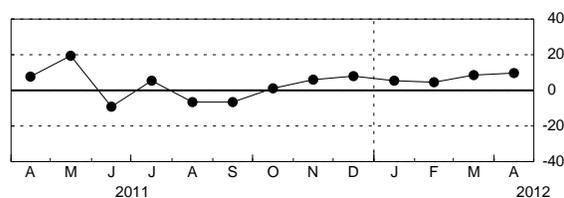
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	19.75	69.14	11.11	8.64
Apr	16.87	75.90	7.23	9.64

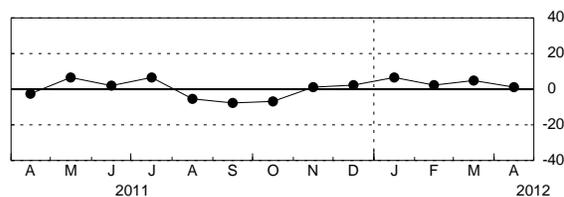
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	13.58	77.78	8.64	4.94
Apr	10.84	79.52	9.64	1.20

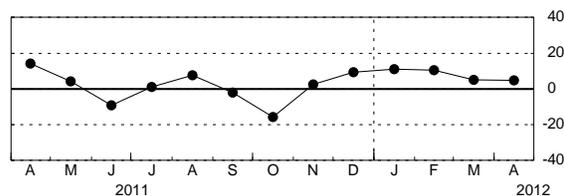
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	25.93	53.09	20.99	4.94
Apr	22.89	59.04	18.07	4.82

Inventories - Diffusion Index



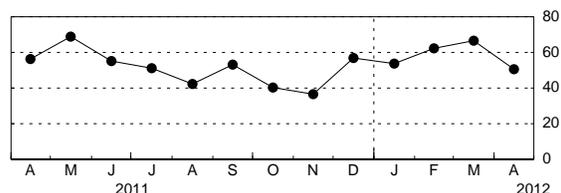
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	66.67	33.33	0.00	66.67
Apr	51.81	46.99	1.20	50.60

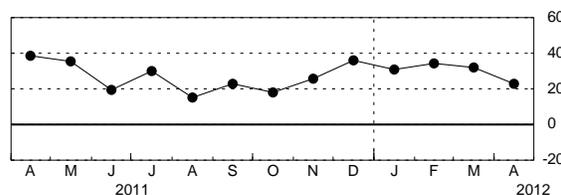
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	38.27	55.56	6.17	32.10
Apr	26.51	69.88	3.61	22.89

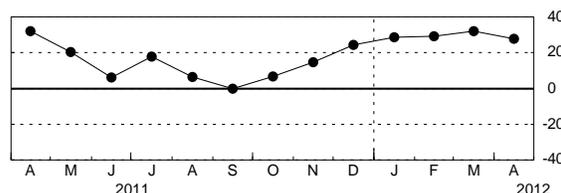
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	38.27	55.56	6.17	32.10
Apr	33.73	60.24	6.02	27.71

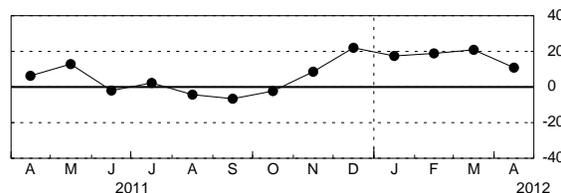
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	28.40	64.20	7.41	20.99
Apr	16.87	77.11	6.02	10.84

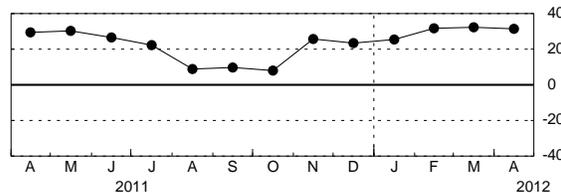
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	39.51	53.09	7.41	32.10
Apr	36.14	59.04	4.82	31.33

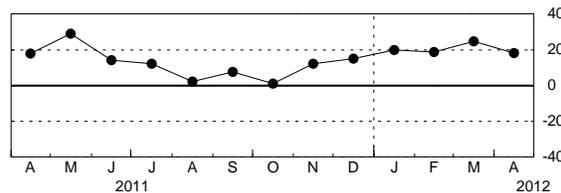
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Mar	28.40	67.90	3.70	24.69
Apr	21.69	74.70	3.61	18.07

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Firms Cite Increased Difficulty Finding Workers with Math and Computer Skills

In a series of supplementary questions to the April 2012 *Empire State Manufacturing Survey*, respondents were asked how much difficulty, if any, they were experiencing in finding workers proficient in select skill categories. They were also asked about anticipated increases in wages and salaries over the next twelve months, and about recent and expected changes in the level of difficulty they faced in retaining both skilled and unskilled workers. The table below reports results of the survey alongside results from parallel surveys conducted in August 2011 and March 2007.

Responses in this month's survey were not substantially different from those recorded either last August or in March 2007. As in the earlier surveys, workers with advanced computer skills were seen as the hardest to find: On a scale of 0 to 100, this task received a difficulty rating of 63 in this month's survey—up slightly from the 2011 and 2007 surveys. (See the first table for a detailed explanation

of this measure.) Finding workers with basic math skills received the second highest difficulty rating; in fact, the rating for this task jumped from just below 50 in the two earlier surveys to 55 in the current survey. In general, difficulty ratings for most of the skill categories were a bit higher than in the August 2011 survey. Moreover, the ratings were at least as high as those in the March 2007 survey—an interesting result given that New York State's unemployment rate was more than 4 percentage points lower in early 2007 than in early 2012.

In a separate question, also posed last August but not in 2007, manufacturers were asked how much they expected a typical worker's wage or salary to increase (or decrease) over the next twelve months—not including benefits and not including any promotion or change in hours worked. The vast majority of respondents, 83 percent, predicted at least some increase in pay, while the remaining 17 percent expected no change in wages; none of the respondents

anticipated a decline. The average expected pay increase was reported to be 2.3 percent, while the median was 2.6 percent; both figures were marginally lower than the corresponding figures in last August's survey.

Finally, in a set of questions not posed previously, respondents were asked whether it had become easier or more difficult to retain (both skilled and other) workers in recent months, and how they expected their assessment to change over the next twelve months. While most firms reported no recent change, the percentage of respondents reporting that it had grown more difficult was considerably higher than the percentage reporting the reverse—especially for skilled workers. Moreover, looking ahead to the next twelve months, a sizable 36 percent of respondents expected that it would get harder to retain skilled workers, while just 3 percent thought that it would get easier. ■

Supplemental Report, *continued*

QUESTION 1

To what extent have you recently had difficulty finding workers who are proficient in each of the following areas?

	Percentage of Respondents Reporting:					Difficulty Rating*		
	No Difficulty	←————→			Great Difficulty	April 2012	August 2011	March 2007
Basic math skills	8	14	38	30	10	55.4	49.4	48.8
Basic English skills	14	14	41	27	5	48.7	48.9	47.6
Basic computer skills	9	16	43	25	6	50.9	44.7	48.2
Advanced computer skills	5	10	35	27	23	63.0	61.3	61.6
Interpersonal skills	5	14	47	30	4	53.5	50.6	51.5
Punctuality / reliability	5	18	44	20	13	54.4	55.9	54.2

* This composite measure facilitates comparisons across the three surveys as well as the six skill categories. The measure gives the following weights to the columns shown: 0 percent, 25 percent, 50 percent, 75 percent, 100 percent. It can range from 0 (when all respondents indicate no difficulty) to 100 (when all respondents indicate great difficulty).

QUESTION 2

By about what percentage, on average, do you expect a typical worker's wage/salary—not including benefits—to change over the next twelve months?

	April 2012	August 2011
Average expected percentage increase	2.3	2.4
Median expected percentage increase	2.6	2.8
Percentage of respondents expecting		
Decrease	0.0	0.0
No change	17.5	21.1
Increase	82.5	78.9
2 percent or less	26.3	18.9
More than 2 and up to 4 percent	55.0	52.2
More than 4 percent	1.3	7.8

QUESTION 3

In recent months, has it become easier or more difficult for your firm to retain its existing skilled, as well as unskilled, workers? How about over the next twelve months?

Percentage of Respondents Indicating . . .	In Recent Months		In the Next Twelve Months	
	Skilled Workers	Unskilled Workers	Skilled Workers	Unskilled Workers
Increasingly difficult to retain	22.2	14.1	35.8	13.9
No change	72.8	80.8	61.7	81.0
Increasingly easy to retain	4.9	5.1	2.5	5.1