

# Empire State Manufacturing Survey

The July *Empire State Manufacturing Survey* indicates that manufacturing activity expanded modestly over the month. The general business conditions index rose five points to 7.4. New orders, however, declined, as that index slipped into negative territory for the first time since November 2011, falling five points to -2.7. The shipments index increased five points to 10.3, indicating a rise in shipments. The prices paid index declined for a fourth consecutive month, dropping twelve points to 7.4, its lowest level since mid-2009. The prices received index inched up three points to 3.7. Employment levels climbed higher, with the employment index rising six points to 18.5, while the average workweek index fell three points to

zero. Future indexes were generally positive, but many continued to drift downward and suggested that the level of optimism about future conditions remains below the level earlier this year.

In a series of supplementary questions, manufacturers were asked about their sales performance and expectations for 2012 compared with 2011. The median respondent reported that sales were up 4.5 percent for the first half of 2012 compared with the first six months of 2011, and are expected to be up 5 percent for the full calendar year—values slightly lower than what were reported in last July’s survey. In the current survey, the median respondent indicated a 2 percent increase in the number

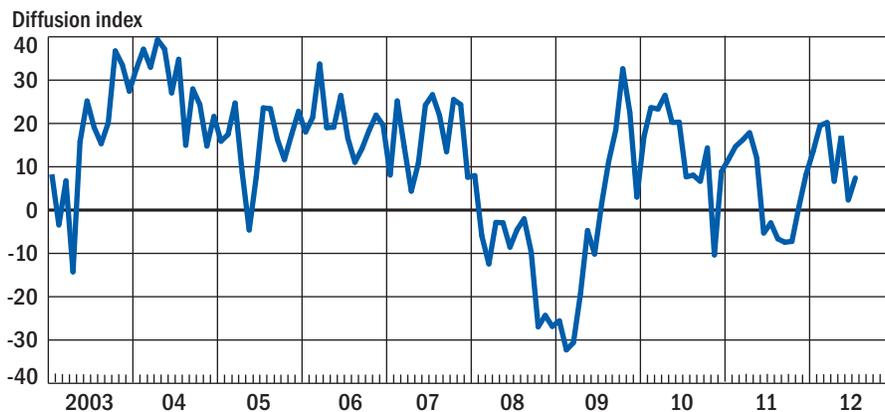
of employees—both for the first half of this year and for what is expected for the full-year 2012. On another question, moderately more respondents indicated that they had ramped up rather than scaled back production plans since the beginning of the year, reflecting a bit more optimism than last year’s responses suggested.

## Business Activity Expands Modestly

The general business conditions index rose five points in July, from 2.3 to 7.4, suggesting that conditions improved modestly over the month. About a third of respondents reported better conditions, while a quarter saw them worsen. The new orders index fell below zero for the first time since November 2011, declining five points to -2.7 and indicating a slight decrease in orders. However, the shipments index rose five points to 10.3, indicating an increase in shipments. The unfilled orders index fell eight points to -13.6. The delivery time index was slightly lower at -1.2, while the inventories index rose out of negative territory to a level of zero, suggesting that inventory levels held steady over the month.

## General Business Conditions

Seasonally adjusted



*Continued*

*Continued from page 1*

**Increases in Input Prices Slow Further**

The prices paid index fell for a fourth consecutive month, declining twelve points to 7.4, its lowest level since mid-2009. This index has fallen a cumulative forty-three points since March, pointing to a significant reduction in the pace of input price increases in recent months. The prices received index inched up three points to 3.7, and suggested a small increase in selling prices. The number of employees index climbed six points to 18.5, indicating a solid increase in employment levels, while the

average workweek index fell to zero, indicating that hours worked held steady over the month.

**Optimism Remains below Levels Seen Earlier in Year**

Indexes for the six-month outlook generally remained favorable, but held at levels below those seen earlier this year. The future general business conditions index fell three points to 20.2, with 37 percent of respondents expecting improved conditions in the months ahead and 17 percent anticipating a worsening. The future new orders

index declined two points to 13.6, while the future shipments index rose two points to 14.8. The future prices paid index held steady at 35.8, and the future prices received index was little changed at 16.1. The future number of employees index fell 10 points to 6.2, its lowest level in several months, while the future average workweek index fell to -4.9, its first negative value since late last year. The capital expenditures index inched down two points to 19.8, and the technology spending index rose six points to 18.5. ■

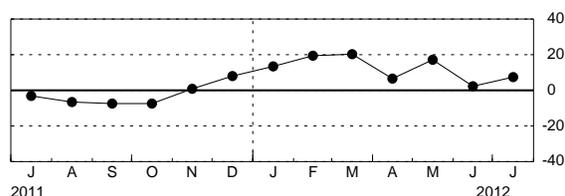
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	30.63	41.04	28.33	2.29
Jul	32.14	43.10	24.76	7.39

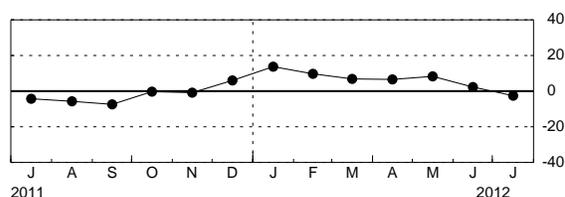
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	30.83	40.53	28.64	2.18
Jul	26.41	44.50	29.09	-2.69

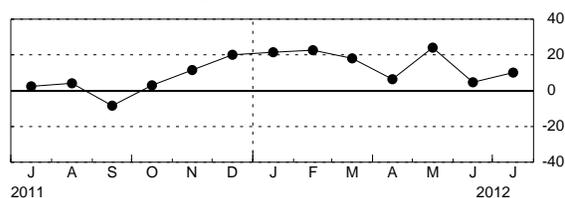
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	31.90	41.01	27.09	4.81
Jul	34.13	42.01	23.85	10.28

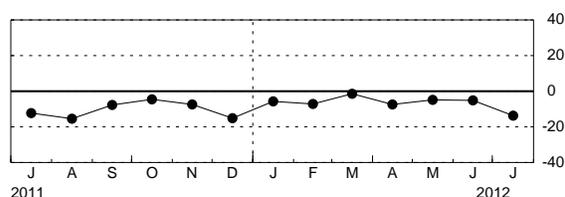
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	13.40	68.04	18.56	-5.15
Jul	8.64	69.14	22.22	-13.58

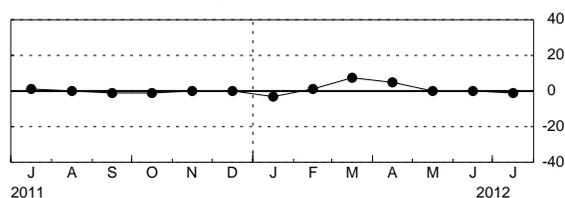
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	11.34	77.32	11.34	0.00
Jul	8.64	81.48	9.88	-1.23

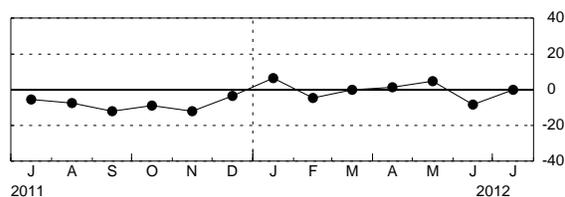
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.62	50.52	28.87	-8.25
Jul	22.22	55.56	22.22	0.00

Inventories - Diffusion Index



## Current Indicators, *continued*

Change from Preceding Month

### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	28.87	61.86	9.28	19.59
Jul	16.05	75.31	8.64	7.41

### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	13.40	74.23	12.37	1.03
Jul	11.11	81.48	7.41	3.70

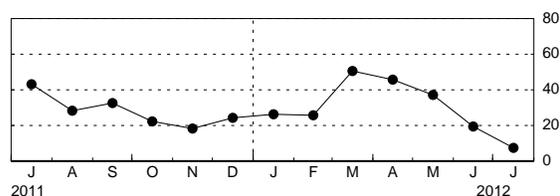
### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	24.74	62.89	12.37	12.37
Jul	24.69	69.14	6.17	18.52

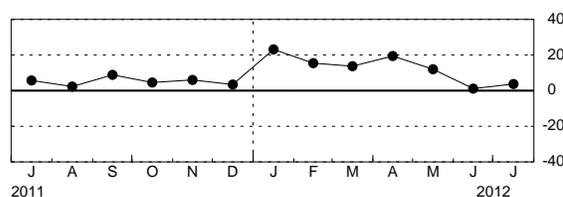
### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	15.46	72.16	12.37	3.09
Jul	13.58	72.84	13.58	0.00

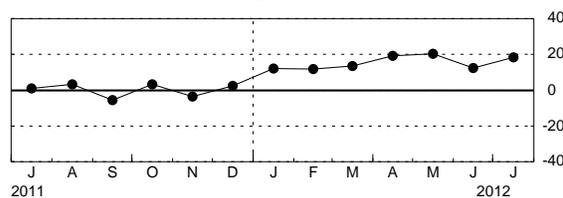
Prices Paid - Diffusion Index



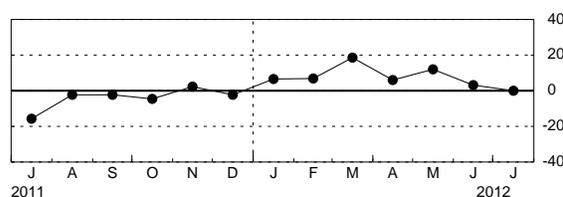
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

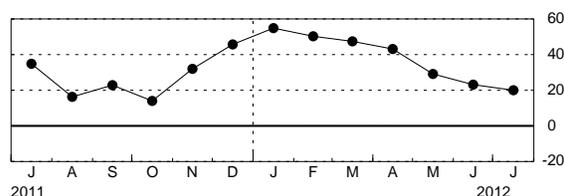
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	39.53	44.06	16.40	23.13
Jul	37.46	45.28	17.26	20.20

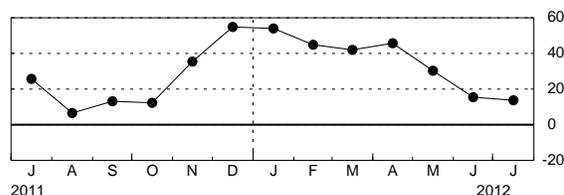
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	38.14	39.18	22.68	15.46
Jul	33.33	46.91	19.75	13.58

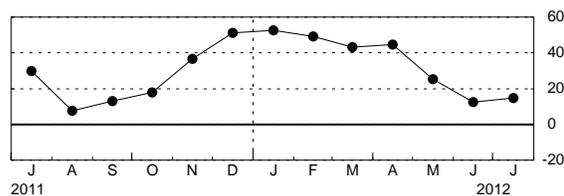
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	34.02	44.33	21.65	12.37
Jul	35.80	43.21	20.99	14.81

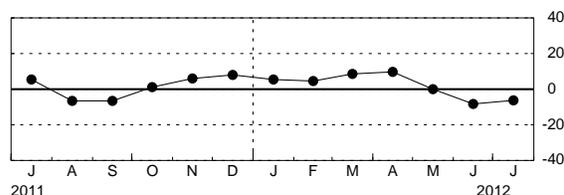
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	11.34	69.07	19.59	-8.25
Jul	12.35	69.14	18.52	-6.17

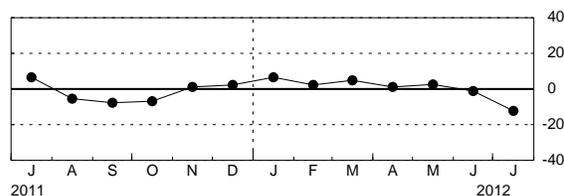
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	10.31	78.35	11.34	-1.03
Jul	6.17	75.31	18.52	-12.35

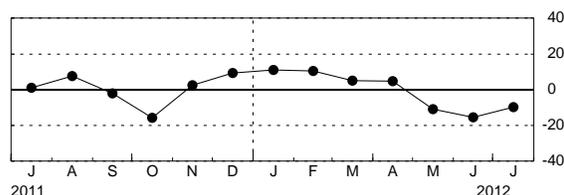
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.62	43.30	36.08	-15.46
Jul	19.75	50.62	29.63	-9.88

Inventories - Diffusion Index



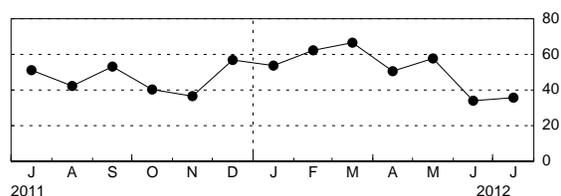
## Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	40.21	53.61	6.19	34.02
Jul	40.74	54.32	4.94	35.80

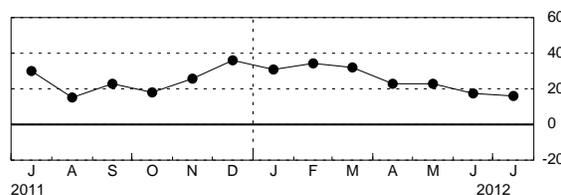
Prices Paid - Diffusion Index



### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	25.77	65.98	8.25	17.53
Jul	23.46	69.14	7.41	16.05

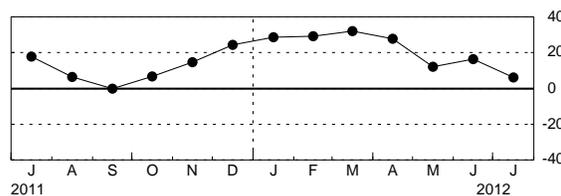
Prices Received - Diffusion Index



### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	29.90	56.70	13.40	16.49
Jul	24.69	56.79	18.52	6.17

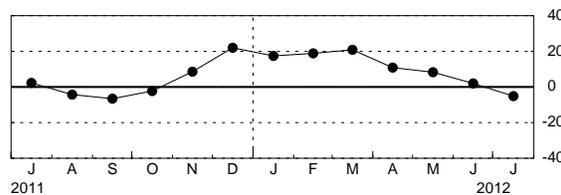
Number of Employees - Diffusion Index



### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	18.56	64.95	16.49	2.06
Jul	14.81	65.43	19.75	-4.94

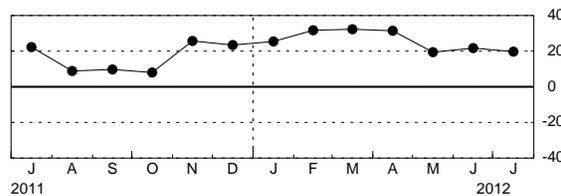
Average Employee Workweek - Diffusion Index



### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	34.02	53.61	12.37	21.65
Jul	30.86	58.02	11.11	19.75

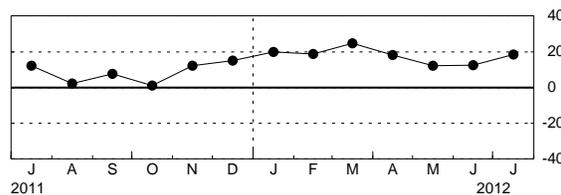
Capital Expenditures - Diffusion Index



### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	22.68	67.01	10.31	12.37
Jul	24.69	69.14	6.17	18.52

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Sales and Employment Up in 2012; Exporters Less Optimistic about Europe, Asia

In a series of supplementary questions to the July 2012 *Empire State Manufacturing Survey*, manufacturers were asked how much their sales and employment levels had changed between the first half of 2011 and the first six months of 2012 and how they expected these measures to pan out for the full year. Parallel questions had been posed in July 2011 and in earlier July surveys. Manufacturers were also queried on their exports and prospects for marketing and selling their products abroad.

In this year's survey, the median respondent reported that sales were up 4.5 percent for the first half of 2012 compared with the first six months of 2011, and are expected to be up 5 percent for the full calendar year. The responses are slightly lower than the respective median responses in last July's survey. In the current survey, the median respondent indicated a 2 percent increase in the number of employees—both for the first half of this year and for what is expected for the full-year 2012. In the 2011 survey, the median estimated change in employment was roughly 3 percent—both for the first half of the year and for all of 2011.

Survey respondents were also asked if they had recently modified their production plans for the second half of 2012. Responses were fairly evenly split, with slightly more indicating that they had ramped up rather than scaled back production plans—26 percent versus 22 percent. This reflects a bit more optimism than at this time last year, when downward revisions in production plans outnumbered upward revisions by a small margin. To put this in context, in July 2009, around the trough of the recession, an extraordinary 63 percent of those surveyed said they had cut back production plans.

In a separate series of questions—last asked in July 2010—firms were queried about the importance of exports in their revenue stream and about their global marketing and sales efforts. In general, firms reported that exports have accounted for a varying share of revenues over the past three years, with the median share being 5 percent in 2012 and 2010 but 7 percent in 2011. Roughly one in four respondents derived no revenue directly from exports. Survey participants were also asked how their international marketing resources are allocated.

Canada was the most prominent, garnering 27 percent of resources on average, followed by Asia (21 percent), Europe (18 percent), and Latin America (11 percent). The shares allocated to Asia and Latin America are up noticeably compared with percentages in the 2010 survey, while the shares allocated to Canada and Europe are down.

Looking ahead, firms on balance reported plans to devote more resources in 2013 to selling/marketing in most parts of the world—most notably, Asia and Latin America. Resources devoted to Europe are expected to change very little. Finally, when asked if they expected to sell more or fewer products in these broad parts of the world, respondents were most optimistic with respect to Latin America and Canada; the average respondent was considerably less optimistic than in the 2010 survey about prospects for Europe and especially Asia. But manufacturers remain quite optimistic about prospects for the “rest of the world.” ■

## Supplemental Report, *continued*

### QUESTION 1

Please estimate the percent change in your firm's sales and employment levels from 2011 to 2012—both for the first half of the year and what you expect for the full year:

	Median Percent Change from Prior Year				
	July 2012	July 2011	July 2010	July 2009	July 2008
Total sales					
First half (median percent change)	4.5	5.0	7.0	-15.0	5.0
Full year (median percent change)	5.0	6.0	8.0	-15.0	5.0
Number of employees					
First half (median percent change)	2.0	3.0	0.0	-10.0	0.0
Full year (median percent change)	2.0	2.8	0.0	-10.0	0.5

### QUESTION 2

In the past several months, to what extent have you modified your production plans or sales expectations for the second half (of the current year)?

	Percentage of Respondents				
	July 2012 Survey	July 2011 Survey	July 2010 Survey	July 2009 Survey	July 2008 Survey
Reduced substantially	6.2	1.1	1.6	31.3	8.7
Reduced somewhat	16.0	23.3	17.5	31.3	26.1
No change	51.9	53.3	47.6	16.7	38.0
Increased somewhat	23.5	16.7	30.2	19.8	21.7
Increased substantially	2.5	5.6	3.2	1.0	5.4

### QUESTION 3

Approximately what percentage of your overall revenues would you say comes from exports (in 2012, 2011, and 2010)?

	Percentage Change	
	July 2012 Survey	July 2010 Survey
Median for 2012 (2010 for earlier survey)	5.0	6.0
Median for 2011 (2009 for earlier survey)	5.0	5.0
Median for 2010 (2008 for earlier survey)	5.0	5.0

### QUESTION 4

Of all the resources you expend selling/marketing abroad, roughly what proportion would you estimate is targeted toward . . .

	Average Proportion of Resources	
	July 2012 Survey	July 2010 Survey
Canada	26.8	35.6
Latin America	11.0	8.4
Europe	17.5	20.3
Asia	20.8	14.9
Rest of the world	14.6	12.9

## Supplemental Report

### QUESTION 5

Do you plan on devoting more or fewer resources to selling/marketing in each of these areas of the world in 2013 than in 2012?

	July 2012 Survey		July 2010 Survey	
	Fewer	More	Fewer	More
Canada	12.1	18.2	21.4	25.0
Latin America	15.9	28.6	18.5	29.6
Europe	16.7	16.7	17.0	34.0
Asia	15.6	31.3	18.9	39.6
Rest of the world	14.1	28.1	15.1	35.8

### QUESTION 6

Do you expect to sell more or fewer products in each of these areas of the world over the next twelve months than in the past twelve months?

	July 2012 Survey		July 2010 Survey	
	Fewer	More	Fewer	More
Canada	6.8	24.7	3.5	24.6
Latin America	2.9	22.9	1.8	28.6
Europe	12.9	14.3	1.8	26.8
Asia	15.9	18.8	0.0	34.5
Rest of the world	1.5	25.0	5.5	29.1