

Empire State Manufacturing Survey

The October *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to decline for a third consecutive month. The general business conditions index increased four points but remained negative at -6.2. The new orders index rose five points to -9.0, while the shipments index fell nine points to -6.4, its first negative reading in more than a year. The prices paid index was little changed at 17.2, and the prices received index held steady at 4.3. Employment conditions weakened, with the index for number of employees declining five points to -1.1 and the average workweek index falling three points to -4.3. Indexes for the six-month outlook suggested that conditions were expected to improve, although

the level of optimism among manufacturers remained low relative to earlier this year.

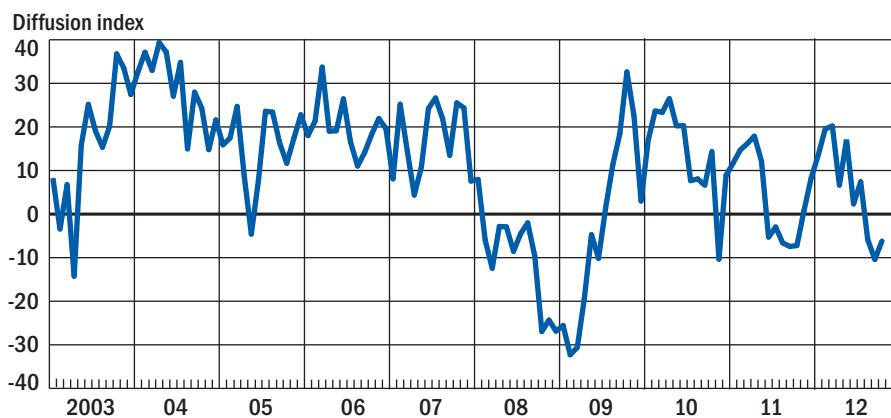
In a series of supplementary questions, more respondents reported rising than declining borrowing needs over the past year, by a margin of 26 percent to 17 percent. Looking ahead to the next twelve months, 24 percent of manufacturers indicated that they expected borrowing needs to be higher a year from now, whereas just 10 percent anticipated lower borrowing needs. While the vast majority of respondents reported no change in credit availability—over either the past three months or the past twelve months—almost twice as many manufacturers reported tightening as easing in credit.

Business Conditions Continue to Worsen

The general business conditions index was negative for a third consecutive month in October, pointing to a continued deterioration in business conditions for New York manufacturers. The index rose four points to -6.2, with 25 percent of respondents reporting that conditions had improved over the month and 31 percent reporting that conditions had worsened. The new orders index climbed five points but, at -9.0, remained negative, indicating that orders were continuing to decline. The shipments index fell below zero for the first time in more than a year, dropping nine points to -6.4—a sign that shipments were lower. The unfilled orders index was slightly lower at -18.3. The delivery time index fell six points to -4.3, and the inventories index edged down to -2.2.

General Business Conditions

Seasonally adjusted



Employment Indexes Weaken

The indexes for both prices paid and prices received were little changed. At 17.2, the prices paid index remained near its level of the past few months, suggesting that moderate input prices increases were continuing. The prices received index held at 4.3, indicating a small increase in selling prices. The index

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for number of employees fell for a second consecutive month and, at -1.1, suggested that employment levels were essentially flat. Prior to September, this index had shown modest increases in employment throughout much of the year. The average workweek index fell three points to -4.3, signaling a shorter workweek.

Modest Improvement Expected in Months Ahead

Indexes for the six-month outlook generally suggested that firms expected conditions to improve, although the level of optimism

remained significantly lower than the levels seen earlier this year. After rising last month, the future general business conditions index fell eight points to 19.4. The future new orders index inched down two points to 15.1, and the future shipments index was little changed at 11.8. The future prices paid index climbed for a second consecutive month, rising four points to 44.1. The future prices received index, at 24.7, held steady. The index for expected number of employees fell nine points to zero—a sign that employment was expected to be unchanged over the next

six months. The future average workweek index fell fourteen points to -11.8, indicating that the average workweek was expected to be shorter. These two employment indexes were at their lowest levels in more than a year. The capital expenditures index fell six points to 6.5, its lowest level since mid-2009, and the technology spending index held steady at 7.5. ■

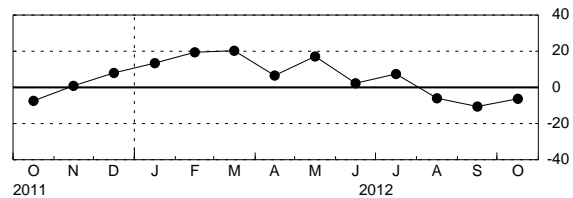
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	18.40	52.78	28.81	-10.41
Oct	24.61	44.63	30.77	-6.16

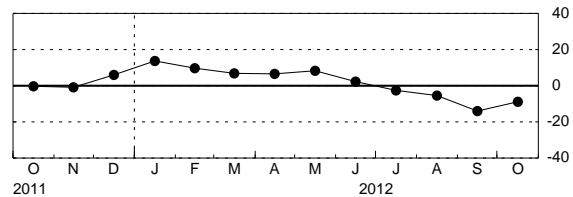
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	18.19	49.59	32.22	-14.03
Oct	23.96	43.10	32.93	-8.97

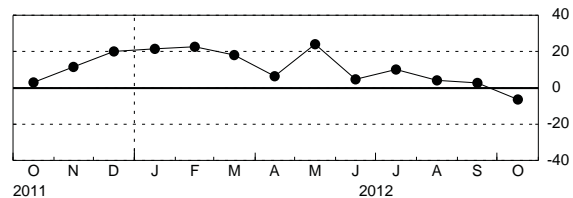
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.46	49.83	23.71	2.75
Oct	27.43	38.73	33.84	-6.40

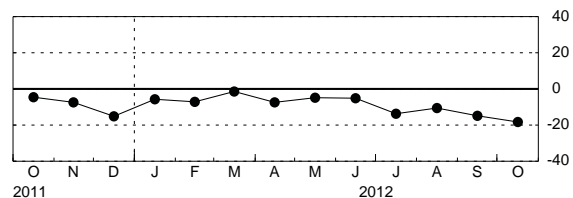
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	9.57	65.96	24.47	-14.89
Oct	10.75	60.22	29.03	-18.28

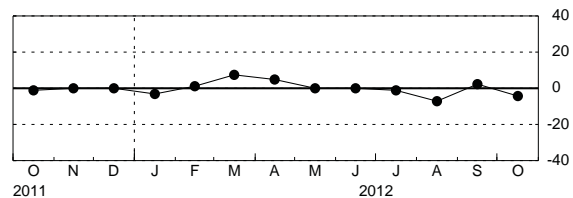
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	11.70	78.72	9.57	2.13
Oct	7.53	80.65	11.83	-4.30

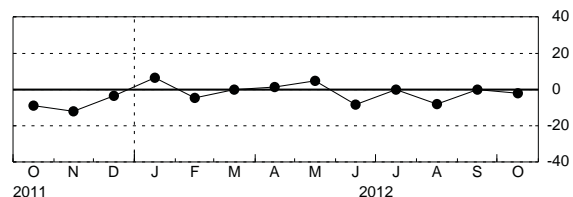
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	20.21	59.57	20.21	0.00
Oct	23.66	50.54	25.81	-2.15

Inventories - Diffusion Index



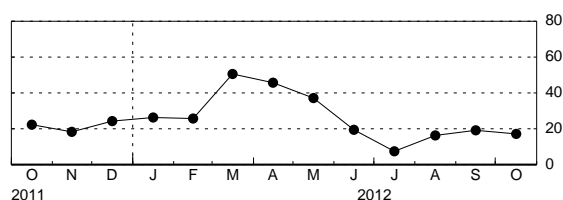
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	24.47	70.21	5.32	19.15
Oct	23.66	69.89	6.45	17.20

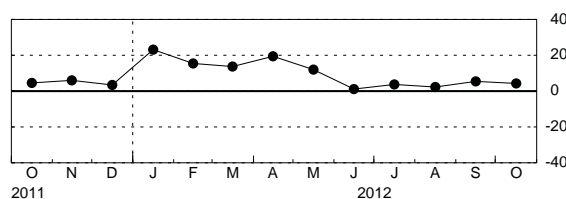
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	12.77	79.79	7.45	5.32
Oct	12.90	78.49	8.60	4.30

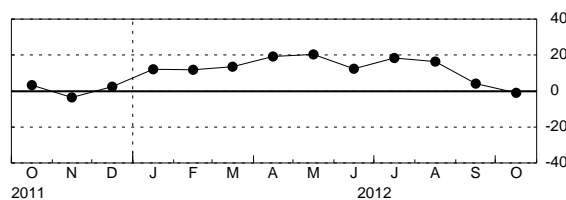
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	19.15	65.96	14.89	4.26
Oct	16.13	66.67	17.20	-1.08

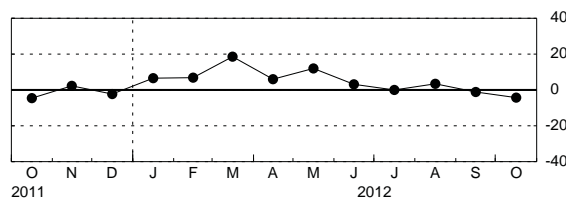
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	11.70	75.53	12.77	-1.06
Oct	12.90	69.89	17.20	-4.30

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

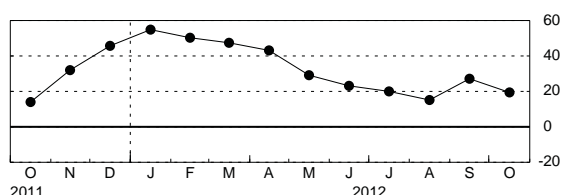
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	41.40	44.42	14.18	27.22
Oct	38.06	43.30	18.64	19.42

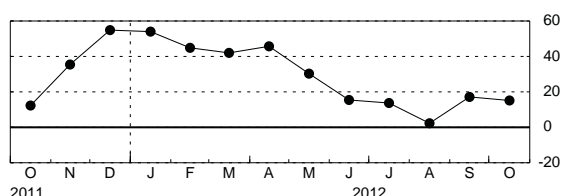
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	37.23	42.55	20.21	17.02
Oct	37.63	39.78	22.58	15.05

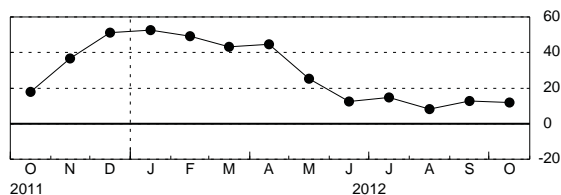
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	34.04	44.68	21.28	12.77
Oct	37.63	36.56	25.81	11.83

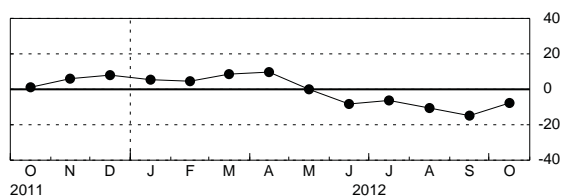
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	8.51	68.09	23.40	-14.89
Oct	12.90	66.67	20.43	-7.53

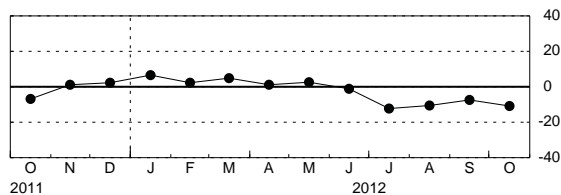
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	5.32	81.91	12.77	-7.45
Oct	6.45	76.34	17.20	-10.75

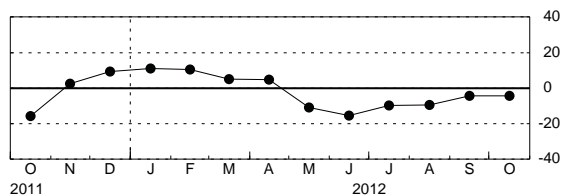
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	18.09	59.57	22.34	-4.26
Oct	20.43	54.84	24.73	-4.30

Inventories - Diffusion Index



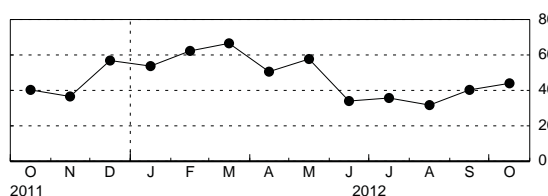
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	43.62	53.19	3.19	40.43
Oct	50.54	43.01	6.45	44.09

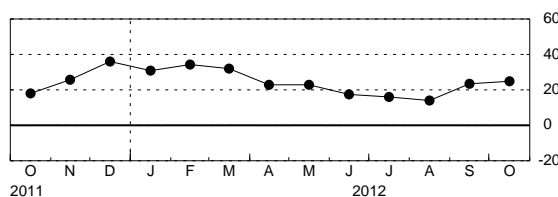
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	29.79	63.83	6.38	23.40
Oct	34.41	55.91	9.68	24.73

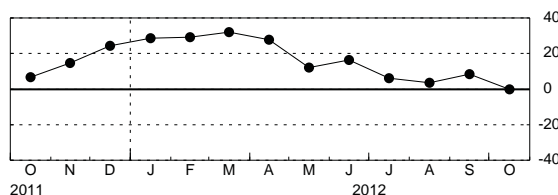
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.60	55.32	18.09	8.51
Oct	23.66	52.69	23.66	0.00

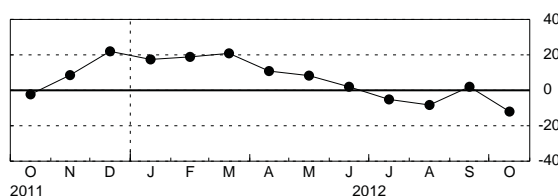
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.83	74.47	11.70	2.13
Oct	6.45	75.27	18.28	-11.83

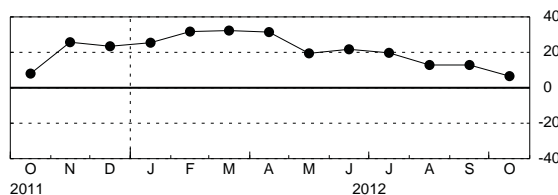
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.60	59.57	13.83	12.77
Oct	27.96	50.54	21.51	6.45

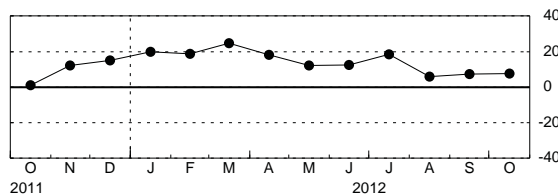
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	17.02	73.40	9.57	7.45
Oct	18.28	70.97	10.75	7.53

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Manufacturers Anticipate Increased Borrowing Needs, See Slight Decline in Credit Availability

Supplementary questions in the October 2012 *Empire State Manufacturing Survey* focused on recent and expected changes in firms' borrowing needs and credit availability. Parallel questions had been asked in previous surveys—most recently, in the March 2012 and October 2011 surveys.

As in these earlier surveys, a majority of respondents in the latest survey reported no change in borrowing needs. Still, the share of respondents reported rising borrowing needs over the past year exceeded the share reporting declining needs: 26 percent said that their borrowing needs had increased in the past year, while just 16 percent said they had decreased. This breakdown is almost identical to that in March's survey. When asked about changes over the past three months, however, just

17 percent of respondents reported that borrowing needs had increased, while 12 percent said that they had declined. Looking ahead, 24 percent of manufacturers indicated that they expected borrowing needs to be higher a year from now, whereas just 10 percent anticipated lower borrowing needs.

Queried about changes in credit availability, the vast majority of respondents reported no change—both over the past three months and over the past twelve months. However, the share of manufacturers reporting a tightening in credit was almost twice that reporting an easing in credit. This finding contrasts somewhat with survey results from March, when the percentage of respondents reporting easier credit matched the percentage reporting tighter credit. In last October's

survey, however, substantially more manufacturers noted a tightening than an easing of credit. Looking ahead to expected credit availability over the next year, three in four manufacturers anticipated no change. As in March's survey, those expecting some change were fairly evenly split: 13 percent predicted some tightening in credit, while 12 percent anticipated some easing.

Firms reported some decline in borrowing costs, on net, over the past three months: 17 percent indicated declining costs, while just 7 percent noted increasing costs; the large majority (77 percent) reported no change. Net declines in borrowing costs were also seen in the March 2012 and October 2011 surveys. Nearly 90 percent of respondents reported no change in limits (ceilings) on existing lines of credit over the past three months. ■

Supplemental Report, *continued*

QUESTION 1

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

Component	October 2012 Survey			March 2012 Survey			October 2011 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
Now compared with three months earlier	12.1	71.4	16.5	10.4	70.1	19.5	20.5	68.2	11.4
Now compared with twelve months earlier	15.6	58.9	25.6	16.7	57.7	25.6	16.1	64.4	19.5
Over the next twelve months	9.9	65.9	24.2	12.7	57.0	30.4	N.A.	N.A.	N.A.

QUESTION 2

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

Component	October 2012 Survey			March 2012 Survey			October 2011 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter	Easier	Same	Tighter
Over the past three months	4.4	87.8	7.8	11.3	78.8	10.0	4.6	82.8	12.6
Over the past twelve months	7.8	77.8	14.4	13.8	72.5	13.8	6.8	72.7	20.5
Over the next twelve months	12.1	74.7	13.2	18.8	62.5	18.8	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?

	October 2012	March 2012	October 2011
	Percentage of Firms Responding . . .		
Much easier now	0.0	0.0	2.4
Somewhat easier now	6.7	10.0	4.9
Same	76.4	76.3	72.0
Somewhat tighter now	12.4	12.5	20.7
Much tighter now	4.5	1.3	0.0

QUESTION 4

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

	October 2012	March 2012	October 2011
	Percentage of Firms Responding . . .		
Much lower now	0.0	0.0	1.2
Lower now	16.7	13.9	19.3
Same	76.7	74.7	67.5
Higher now	5.6	11.4	12.0
Much higher now	1.1	0.0	0.0

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:

	October 2012	March 2012	October 2011
	Percentage of Firms Responding . . .		
Much lower now	2.2	1.3	4.7
Lower now	3.3	7.5	9.4
Same	87.9	80.0	82.4
Higher now	6.6	11.3	3.5
Much higher now	0.0	0.0	0.0