

Empire State Manufacturing Survey

The March 2013 *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to improve modestly. The general business conditions index was positive for a second consecutive month and, at 9.2, was little changed. The new orders and shipments indexes also remained above zero, though both were somewhat lower than last month's levels. Price indexes showed that input price increases continued at a steady pace while selling prices were flat. Employment indexes suggested that labor market conditions were sluggish, with little change in employment levels and the length of

the average workweek. Indexes for the six-month outlook pointed to an increasing level of optimism about future conditions, with the future general business conditions index rising to its highest level in nearly a year.

In a series of supplementary questions, firms were asked about cash holdings, debt levels, and methods of financing capital spending. Queried about expected changes in their outstanding debt in the year ahead, manufacturers indicated continued reluctance to take on more debt. When asked about anticipated changes in cash holdings in the year ahead, more respondents anticipated increases

than decreases, but by a narrower margin than in earlier surveys. Manufacturers, on average, also reported that they were currently holding less cash than usual.

Business Conditions Improve for a Second Consecutive Month

Business conditions improved modestly for a second consecutive month, according to the March 2013 survey. The general business conditions index held steady at 9.2. Twenty-nine percent of respondents reported that conditions had improved over the month, while 20 percent reported that conditions had worsened. The new orders index was also positive for a second consecutive month, indicating that orders were higher, though the index fell five points to 8.2. The shipments index declined five points to 7.8—a sign that shipments rose at a slower pace this month. The unfilled orders index was little changed at -2.2. The delivery time index dropped four points to -2.2, and the inventories index fell five points to -5.4.

Labor Market Conditions Sluggish

Rising input prices were accompanied by steady selling prices. The prices paid index was little changed at 25.8, suggesting

General Business Conditions

Seasonally adjusted



that input prices continued to increase at about the same pace as last month. The prices received index fell six points to 2.2, indicating that selling prices were essentially flat. Labor market conditions were sluggish. After climbing above zero last month, the index for number of employees fell five points to 3.2, signaling just a slight increase in employment levels. The average workweek index rose to zero, indicating that

the length of the average workweek was unchanged.

An Increasing Level of Optimism

Indexes for the six-month outlook pointed to an increasing level of optimism about future conditions. The future general business conditions index rose three points to 36.4, its highest level in nearly a year. The future new orders and shipments indexes also advanced. Input and selling price increases

were expected to pick up: the future prices paid index rose six points to 50.5, and the future prices received index rose eleven points to 23.7. The index for expected number of employees climbed four points to 19.4, while the future average workweek index fell to 2.2. The capital expenditures index held steady at 15.1, and the technology spending index rose seven points to 18.3.

Correction: *Because of coding errors, some of the figures in the initially released March 2013 Supplemental Report were incorrect. Specifically, the proportion of respondents anticipating increases versus decreases in debt levels and cash balances were reversed. This revised report corrects those figures and some of the write-up. None of the regular monthly indexes were affected. We regret these errors and apologize for any confusion this has caused.*

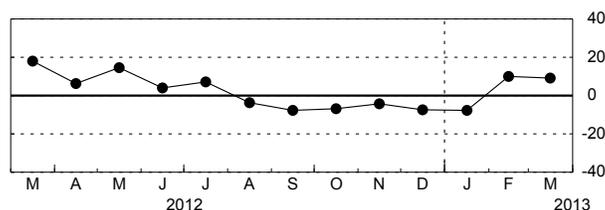
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	28.69	52.66	18.65	10.04
Mar	28.91	51.41	19.68	9.24

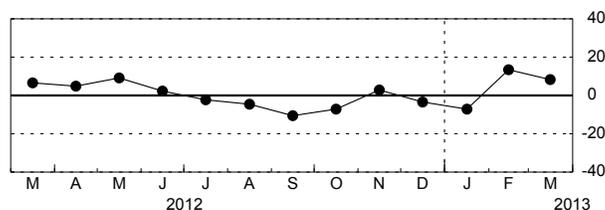
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	35.87	41.58	22.55	13.31
Mar	30.56	47.06	22.38	8.18

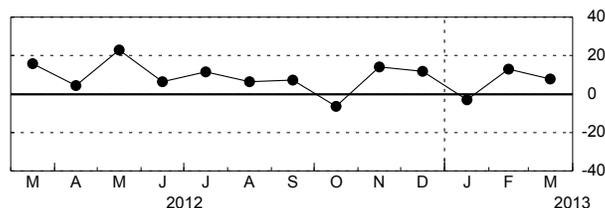
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	35.89	41.30	22.81	13.08
Mar	30.50	46.76	22.74	7.76

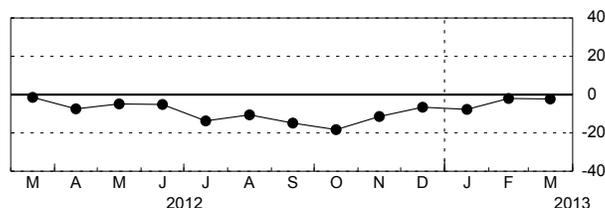
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	15.15	67.68	17.17	-2.02
Mar	8.60	80.65	10.75	-2.15

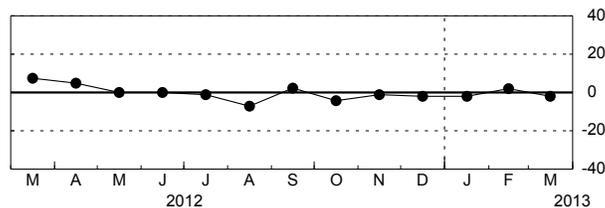
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	12.12	77.78	10.10	2.02
Mar	5.38	87.10	7.53	-2.15

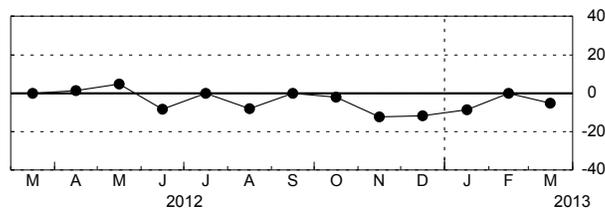
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	24.24	51.52	24.24	0.00
Mar	16.13	62.37	21.51	-5.38

Inventories - Diffusion Index



Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	27.27	71.72	1.01	26.26
Mar	29.03	67.74	3.23	25.81

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	16.16	75.76	8.08	8.08
Mar	9.68	82.80	7.53	2.15

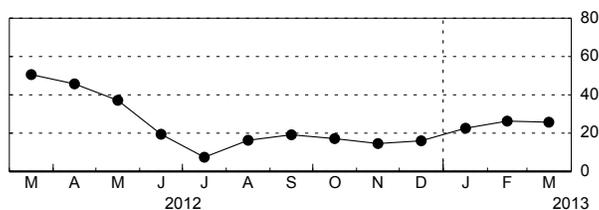
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	18.18	71.72	10.10	8.08
Mar	16.13	70.97	12.90	3.23

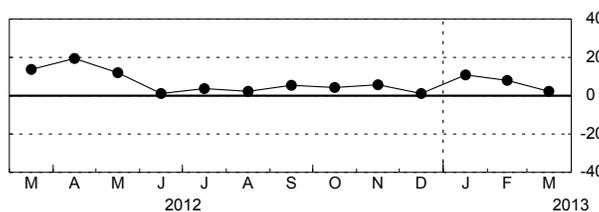
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	8.08	79.80	12.12	-4.04
Mar	8.60	82.80	8.60	0.00

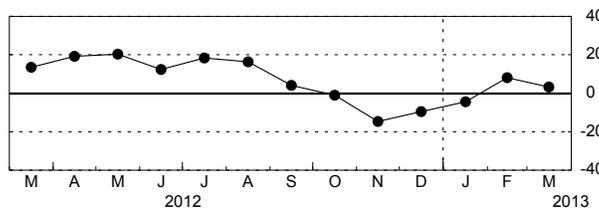
Prices Paid - Diffusion Index



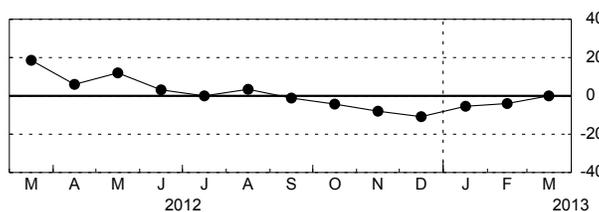
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



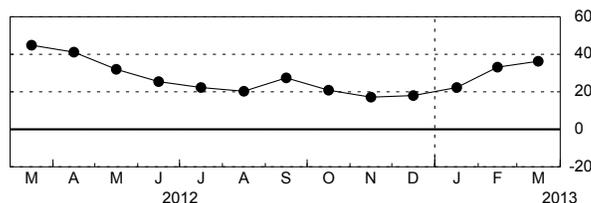
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	49.86	33.35	16.79	33.07
Mar	50.25	35.93	13.82	36.43

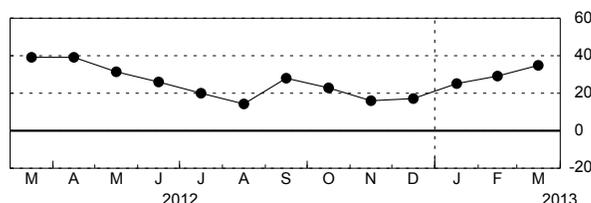
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	46.24	36.63	17.13	29.11
Mar	45.73	43.47	10.79	34.94

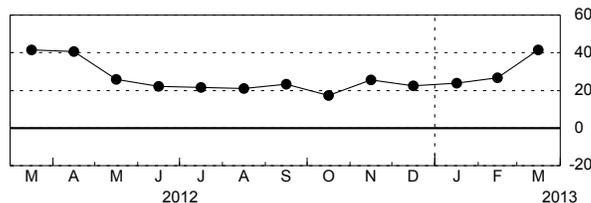
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	48.50	29.82	21.68	26.82
Mar	52.39	36.81	10.79	41.60

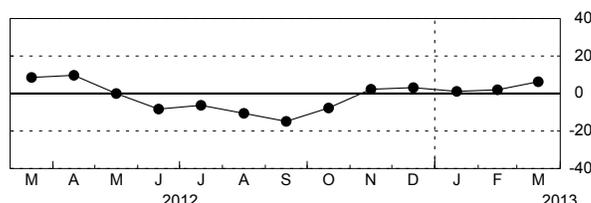
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	17.17	67.68	15.15	2.02
Mar	15.05	76.34	8.60	6.45

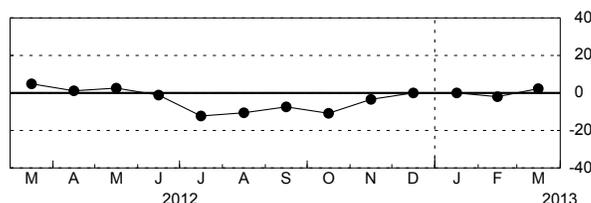
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	9.09	79.80	11.11	-2.02
Mar	10.75	80.65	8.60	2.15

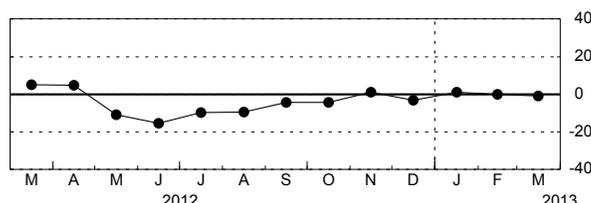
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	23.23	53.54	23.23	0.00
Mar	22.58	53.76	23.66	-1.08

Inventories - Diffusion Index



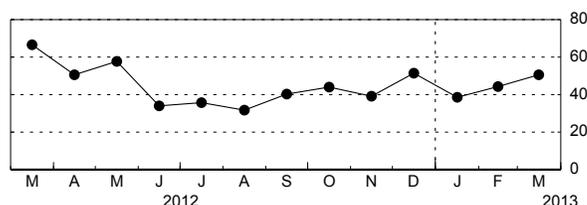
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	47.47	49.49	3.03	44.44
Mar	52.69	45.16	2.15	50.54

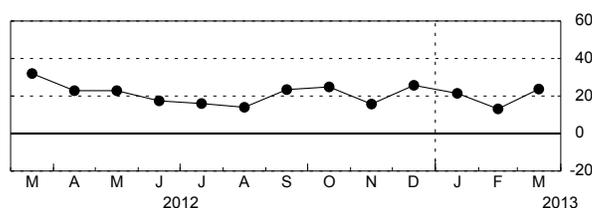
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	25.25	62.63	12.12	13.13
Mar	29.03	65.59	5.38	23.66

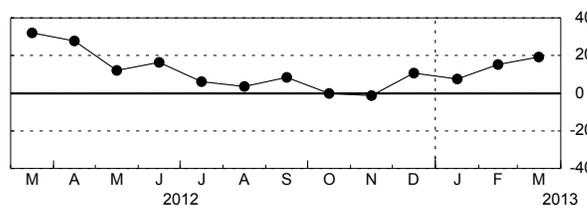
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	26.26	62.63	11.11	15.15
Mar	29.03	61.29	9.68	19.35

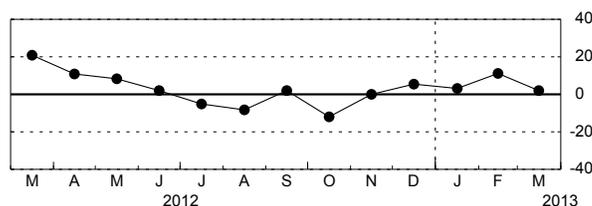
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	20.20	70.71	9.09	11.11
Mar	11.83	78.49	9.68	2.15

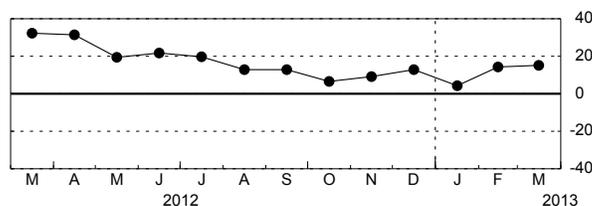
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	28.28	57.58	14.14	14.14
Mar	25.81	63.44	10.75	15.05

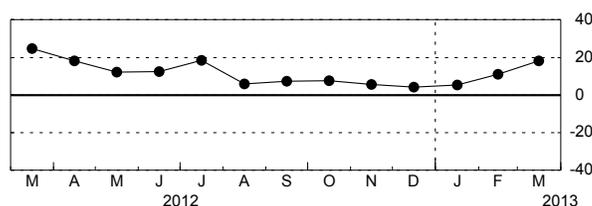
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	23.23	64.65	12.12	11.11
Mar	27.96	62.37	9.68	18.28

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Firms Now Hold Lower Cash Balances

The supplementary questions to the March 2013 *Empire State Manufacturing Survey* focused on cash holdings, debt levels, and methods of financing capital spending. Most of the same questions had been asked in surveys conducted in November 2011 and earlier (see table). Queried about expected changes in their outstanding debt in the year ahead, respondents to the current survey indicated some continued reluctance to take on more debt: nearly 36 percent of respondents said that they expected debt levels to decrease, while a little under 30 percent anticipated increases in debt levels; both these figures are little changed from the November 2011 survey. In response to a related question, not asked previously,

slightly more manufacturers reported that their debt levels had decreased than increased over the past year.

In the current survey, 36 percent of manufacturers expected cash holdings to increase over the next year, while 30 percent expected them to decline. This was a narrower margin than in earlier surveys. Manufacturers also reported that they were holding less cash than usual: 37 percent of those surveyed said that they were currently holding lower-than-usual cash balances, while just 19 percent said that they were holding higher-than-usual (excess) cash balances. These results contrasted noticeably with those of the November 2011 survey; 34 percent of respondents in the earlier survey described

their cash holdings as higher than usual—slightly outnumbering the 33 percent reporting lower-than-usual cash balances.

When asked how they planned to finance capital expenditures over the next twelve months, manufacturers responded in much the same way as their counterparts in earlier surveys: on average, they planned to finance 58 percent of capital outlays with cash, 29 percent with debt financing, and 3 percent with equity. They expected to finance another 10 percent, on average, by leasing (as opposed to purchasing) equipment. All these shares differed little from those reported in the 2009-11 surveys. Prior to that, the use of debt to finance capital spending was almost as widespread as the use of cash.■

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Continued

Supplemental Report, *continued*

QUESTION 1

How do you expect your firm's debt levels to change over the next twelve months? And how have they changed over the past twelve months?

	Next 12 Months			Past 12 Months	
	Percentage of Respondents			Percentage of Respondents	
	March 2013	November 2011	November 2010	March 2013	
Increase(d)	29	29	18	29	
Remain(ed) the same	35	37	52	38	
Decrease(d)	36	34	30	33	

QUESTION 2

How do you expect your firm's cash balances to change over the next twelve months?

	Percentage of Respondents		
	March 2013	November 2011	November 2010
Increase	36	41	42
Remain the same	34	35	38
Decrease	30	23	19

QUESTION 3

How would you describe your current cash balances relative to your level of business activity?

	Percentage of Respondents		
	March 2013	November 2011	November 2010
Higher than usual	19	34	35
At about the usual level	44	33	43
Lower than usual	37	33	22

QUESTION 4

How do you expect to finance capital spending over the next twelve months?

	Average Percentage of Expenditures			
	March 2013	November 2011	November 2010	November 2009
Cash	58	56	59	59
Debt	29	30	24	25
Equity	3	2	3	2
Leasing of equipment	10	12	13	13