

Empire State Manufacturing Survey

The May 2013 *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers declined marginally. The general business conditions index fell four points to -1.4, its first negative reading since January. The new orders index also edged into negative territory, and the shipments index fell to zero. The prices paid index declined eight points to 20.5, indicating a slowdown in selling price increases, while the prices received index was little changed at 4.6. Employment indexes were mixed, showing both a modest increase in the number of employees and a slight decline in the length of the average workweek. Indexes for the six-month outlook

were generally lower, suggesting that optimism about future conditions had weakened.

In a series of supplementary survey questions, firms were asked about past and expected changes in both the prices they paid for inputs and the prices they charged their customers. The same questions had previously been asked in surveys conducted in May 2012 and in May of earlier years. Respondents to the current survey, on average, expected the prices they paid to climb by 2.8 percent—the smallest anticipated rise since May 2009. Moreover, the average respondent anticipated an increase of just 1.2 percent in prices received—the

smallest expected increase recorded since these questions were first asked in May 2007.

General Business Conditions Index Falls Below Zero

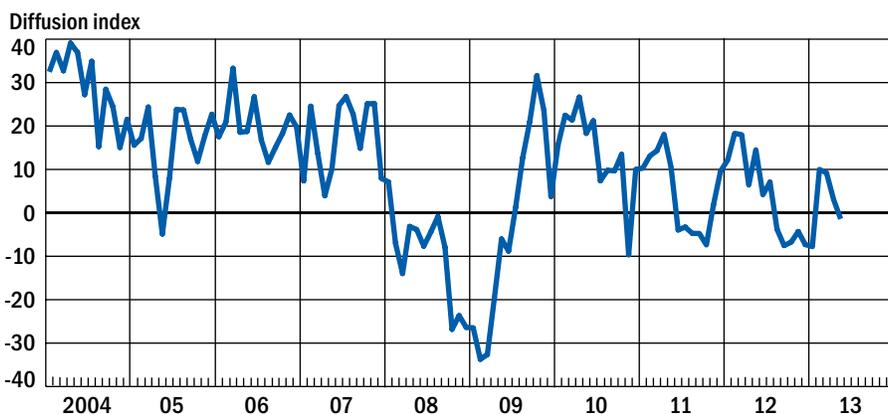
After three months of modestly positive readings, the general business conditions index fell four points to -1.4 in May, pointing to a slight deterioration in business conditions for New York manufacturers for the first time since January. Twenty-five percent of respondents reported that conditions had improved over the month, while 26 percent reported that conditions had worsened. The new orders index also fell below zero, declining three points to -1.2. The shipments index was little changed, holding at zero in a sign that shipments were flat. The unfilled orders index declined three points to -6.8. The delivery time index was unchanged at -3.4, and the inventories index fell three points to -8.0, suggesting a modest decline in inventory levels.

Input Price Increases Slow

The prices paid index fell eight points to 20.5, indicating that input prices were rising at a slower rate. The prices received index remained close to its April reading at 4.6,

General Business Conditions

Seasonally adjusted



Continued

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pointing to a modest yet steady increase in selling prices. The index for number of employees, little changed at 5.7, indicated a small increase in employment levels. The average workweek index, down seven points to -1.1, showed a slight reduction in the length of the average workweek.

Level of Optimism Declines

Indexes for the six-month outlook were generally lower this month,

indicating that optimism about future conditions had slipped somewhat. The future general business conditions index declined for a second consecutive month, dropping six points to 25.5. The future new orders index fell seven points to 28.8, and the future shipments index fell fourteen points to 25.2. The future prices paid index retreated fifteen points to 29.6, suggesting that a slower pace of input price increases was

expected in the months ahead, and the future prices received index was unchanged at 14.8. The index for expected number of employees fell fourteen points to 11.4, and the future average workweek index fell to 1.1. The capital expenditures index climbed two points to 22.7, and the technology spending index was little changed at 11.4. ■

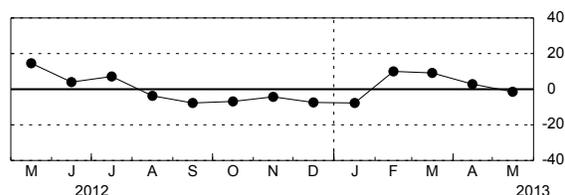
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	25.31	52.43	22.26	3.05
May	25.03	48.50	26.47	-1.43

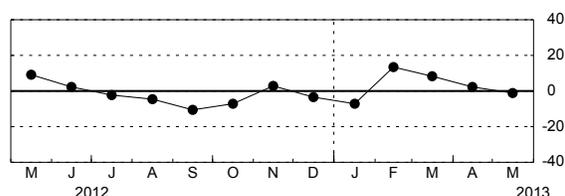
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	27.44	47.31	25.25	2.20
May	30.46	37.92	31.63	-1.17

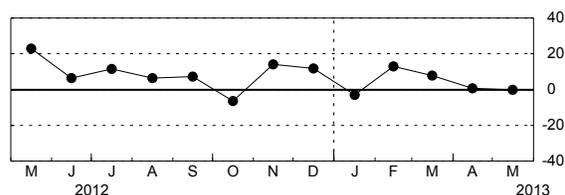
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	26.34	48.06	25.60	0.75
May	26.34	47.31	26.36	-0.02

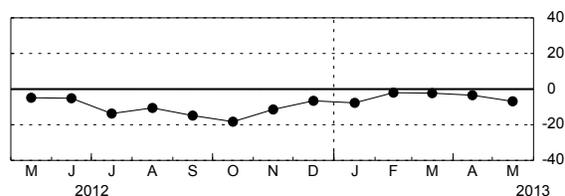
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	13.64	69.32	17.05	-3.41
May	13.64	65.91	20.45	-6.82

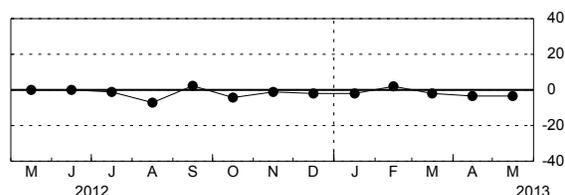
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	7.95	80.68	11.36	-3.41
May	5.68	85.23	9.09	-3.41

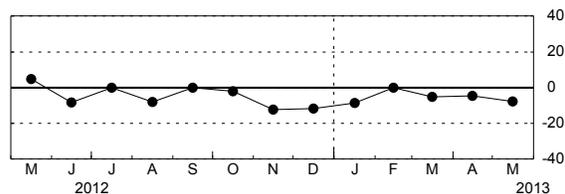
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	20.45	54.55	25.00	-4.55
May	17.05	57.95	25.00	-7.95

Inventories - Diffusion Index



Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	31.82	64.77	3.41	28.41
May	28.41	63.64	7.95	20.45

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	11.36	82.95	5.68	5.68
May	15.91	72.73	11.36	4.55

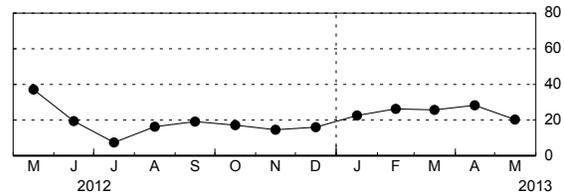
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	19.32	68.18	12.50	6.82
May	17.05	71.59	11.36	5.68

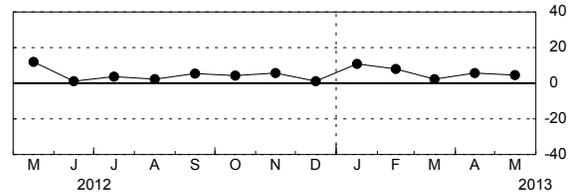
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	13.64	78.41	7.95	5.68
May	14.77	69.32	15.91	-1.14

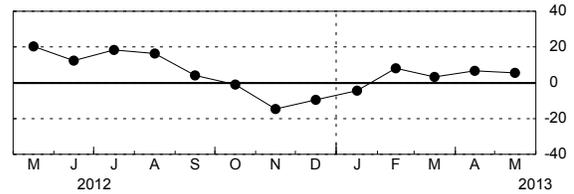
Prices Paid - Diffusion Index



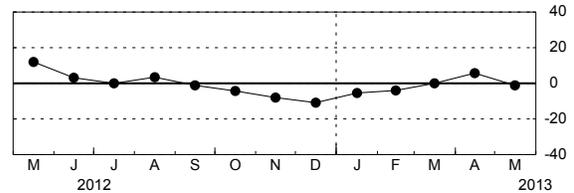
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

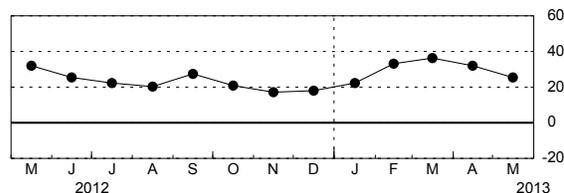
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	44.30	43.36	12.34	31.95
May	38.63	48.22	13.15	25.48

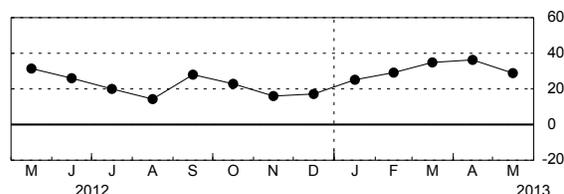
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	48.32	39.59	12.09	36.23
May	39.65	49.54	10.81	28.84

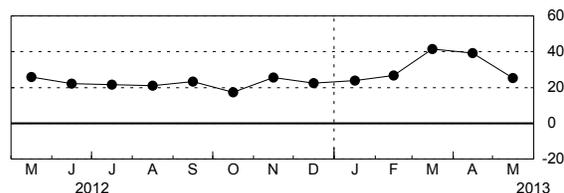
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	49.03	41.21	9.76	39.28
May	35.55	54.07	10.38	25.18

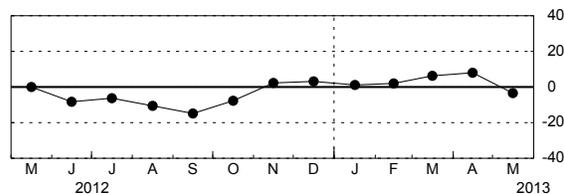
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	17.05	73.86	9.09	7.95
May	9.09	78.41	12.50	-3.41

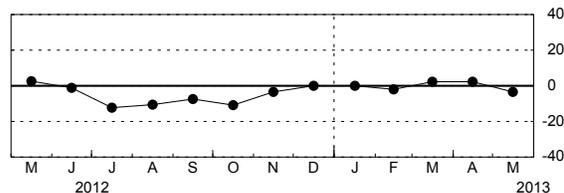
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	12.50	77.27	10.23	2.27
May	5.68	85.23	9.09	-3.41

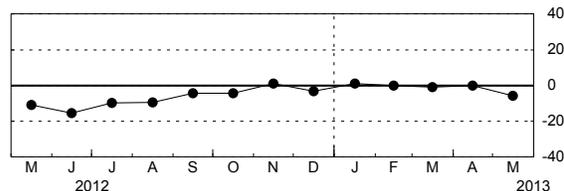
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	21.59	56.82	21.59	0.00
May	18.18	57.95	23.86	-5.68

Inventories - Diffusion Index



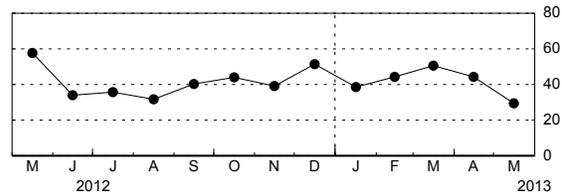
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	47.73	48.86	3.41	44.32
May	38.64	52.27	9.09	29.55

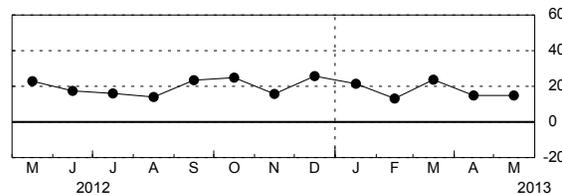
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	22.73	69.32	7.95	14.77
May	26.14	62.50	11.36	14.77

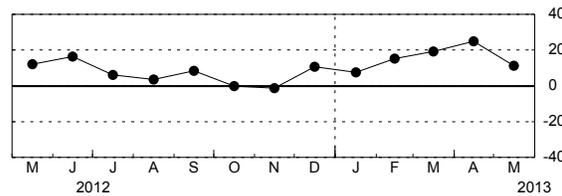
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	34.09	56.82	9.09	25.00
May	25.00	61.36	13.64	11.36

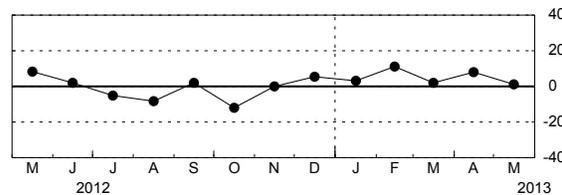
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	15.91	76.14	7.95	7.95
May	11.36	78.41	10.23	1.14

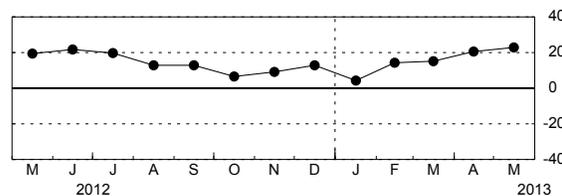
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	32.95	54.55	12.50	20.45
May	34.09	54.55	11.36	22.73

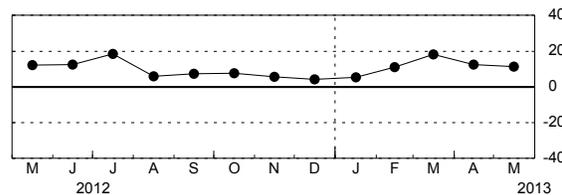
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	25.00	62.50	12.50	12.50
May	20.45	70.45	9.09	11.36

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Firms Foresee Modest Hike in Prices Paid and Little Change in Selling Prices

The supplementary questions in the May 2013 *Empire State Manufacturing Survey* focused on past and expected changes in both the prices firms pay for inputs and the prices they charge their customers. The same questions had previously been asked in surveys conducted each May starting in 2008, and some of the questions were posed in the May 2007 survey.

Respondents estimated that the prices they paid for inputs rose by 3.1 percent, on average, over the past twelve months—down from 3.6 percent in last May’s survey and down substantially from 8.1 percent in the May 2011 survey. This is the smallest reported increase since May 2009. The median increase was almost identical and unchanged from last May’s survey. The average and median increases anticipated for the next twelve months were 2.8 percent and 3.0 percent, respectively. The average expected rise of 2.8 was the smallest

expected increase since the May 2009 survey. The median expected increase was the same as in last May’s survey.

Regarding perceived probabilities of various price scenarios, respondents in the current survey estimated an 8 percent chance, on average, that prices paid would rise 8 percent or more, and a 64 percent chance that prices paid would rise at least 2 percent. These probabilities are not substantially different from those cited in last May’s survey. Respondents in the current survey, on average, indicated an 8 percent chance that prices would decline by more than 2 percent—a slightly higher probability than in last year’s survey. The probability that prices would remain relatively steady (within 2 percent of current levels) was seen to be 28 percent.

In assessing past changes in their selling prices, firms reported an average price increase of

just 0.6 percent and a median increase of 1.0 percent—about a full percentage point lower than in last May’s survey. Looking ahead to the next twelve months, firms predicted a 1.2 percent average rise—the smallest increase on record—and a 2.0 percent median increase. Both these figures are about a full percentage point lower than the corresponding figures in last year’s survey. Respondents, on average, saw a less than 2 percent chance that they would raise their selling prices by 8 percent or more and a 45 percent chance that they would raise prices by at least 2 percent. Both probabilities are somewhat lower than estimated in last May’s survey. At the other end of the spectrum, the average respondent reported a nearly one in six chance that prices received would fall 2 percent or more—a probability that was somewhat higher than in last May’s survey and considerably higher than in the 2011 survey. ■

Supplemental Report, *continued*

QUESTION 1

By what percentage have the prices you pay, on average, changed over the past twelve months?

	Percentage Change			
	May 2013	May 2012	May 2011	May 2010
Average change	3.1	3.6	8.1	5.9
Median change	3.0	3.0	5.0	3.0

QUESTION 4

By what percentage have your selling prices, on average, changed over the past twelve months?

	Percentage Change			
	May 2013	May 2012	May 2011	May 2010
Average change	0.6	1.7	1.9	2.9
Median change	1.0	2.0	2.0	2.0

QUESTION 2

By what percentage do you expect the prices you pay, on average, to change over the next twelve months?

	Percentage Change			
	May 2013	May 2012	May 2011	May 2010
Average change	2.8	3.5	5.6	4.6
Median change	3.0	3.0	5.0	4.0

QUESTION 5

By what percentage do you expect your selling prices, on average, to change over the next twelve months?

	Percentage Change			
	May 2013	May 2012	May 2011	May 2010
Average change	1.2	2.1	3.6	2.9
Median change	2.0	3.0	4.0	3.0

QUESTION 3

What would you say is the percentage chance that, over the next twelve months, your prices paid will . . .

	Average Percentage Chance of Specified Price Change*			
	May 2013	May 2012	May 2011	May 2010
Increase 8 percent or more	7.6	8.8	23.6	17.7
Increase 2 to 8 percent	56.6	55.0	56.4	45.0
Stay within 2 percent of current levels	27.8	30.7	16.4	29.7
Decrease 2 to 8 percent	6.8	4.7	2.3	4.8
Decrease 8 percent or more	1.2	0.7	1.4	2.8

QUESTION 6

What would you say is the percentage chance that, over the next twelve months, your selling prices will . . .

	Average Percentage Chance of Specified Price Change*			
	May 2013	May 2012	May 2011	May 2010
Increase 8 percent or more	1.5	4.2	11.0	9.2
Increase 2 to 8 percent	43.7	43.8	50.3	41.9
Stay within 2 percent of current levels	39.0	42.6	32.3	37.9
Decrease 2 to 8 percent	11.6	7.5	4.4	9.5
Decrease 8 percent or more	4.2	1.8	2.0	1.5

* Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported for questions 3 and 6 reflect the average indicated percentage chance across all respondents.