

# Empire State Manufacturing Survey

The December 2013 *Empire State Manufacturing Survey* indicates that manufacturing conditions were flat for New York manufacturers. The general business conditions index rose three points but, at 1.0, indicated that activity changed little over the month. The new orders index inched up, but remained negative at -3.5, while the shipments index rose to 7.7. The unfilled orders index fell to -24.1, and the inventories index declined twenty points to -21.7; both indexes reached their lowest levels since 2009. The prices paid index was little changed at 15.7, and the prices received index climbed to 3.6. Labor market conditions remained weak, with the index for number of employees holding at 0.0 for a second month

in a row and the average workweek index dropping six points to -10.8. Indexes for the six-month outlook generally conveyed a fair degree of optimism about future conditions, though to a lesser extent than in the November survey.

This month's supplementary questions asked manufacturers to assess how much of a problem certain business issues were for their firms and whether the issues were expected to become more or less of a problem in the year ahead. As in earlier surveys, the issue cited most frequently, by far, as a major problem was the cost of employee benefits. Moreover, fully 80 percent of respondents expected that this would become even more of a problem a year

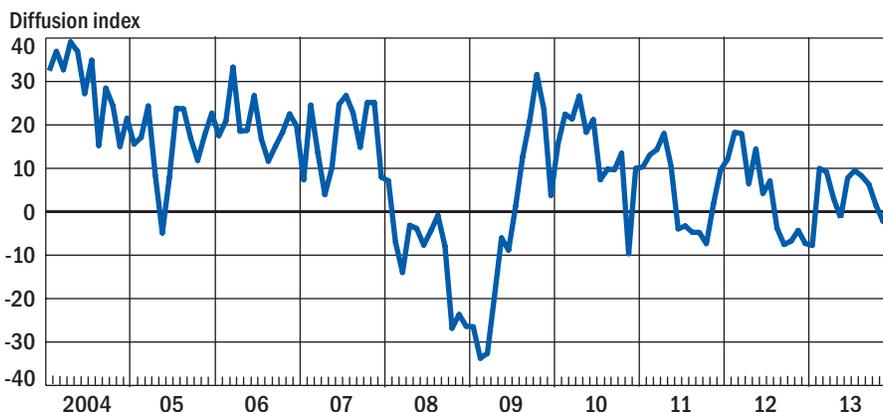
from now. Finding qualified workers emerged as the second most widespread problem, eliciting a considerably larger degree of concern than in earlier surveys. This, too, was expected to become more of a problem in the year ahead by a wide margin. In contrast, the availability, cost, and terms of credit were seen as relatively minor problems that would become even less consequential over the next year. For more details, see the full supplemental report.

## Business Conditions Change Little

Manufacturing conditions were flat, according to the December survey. The general business conditions index rose three points but, at just 1.0, suggested that conditions were steady over the month. The new orders index inched up two points, but remained negative at -3.5—a sign that orders were slightly lower. The shipments index, however, rose eight points to 7.7, pointing to a modest increase in shipments. The unfilled orders index fell seven points to -24.1, its lowest level since 2009, suggesting that the backlog of orders declined significantly. The delivery time index declined six points to -9.6. The inventories index tumbled twenty points to -21.7, indicating that inventory levels fell sharply.

## General Business Conditions

Seasonally adjusted



*Continued*

*Continued from page 1*

**Labor Market Conditions Remain Weak**

Price indexes pointed to a continued moderate increase in input prices and a small increase in selling prices. The prices paid index was little changed at 15.7, while the prices received index rose eight points to 3.6. Labor market conditions remained weak. The index for number of employees was 0.0 for a second month in a row, indicating that employment levels remained unchanged. The average

workweek index was negative for a second month; with a six-point decline to -10.8, the index signaled that workers were working fewer hours, on average.

**Six-Month Outlook Somewhat Less Optimistic**

Indexes for the six-month outlook remained fairly optimistic, but fell in the December survey. The future general business conditions index retreated two points to 35.7, holding just a little below the high levels it

had displayed over the past several months. The future new orders index, however, fell fourteen points to 26.4, and the future shipments index declined six points to 32.0. The future prices paid index climbed six points to 48.2, and the future prices received index rose eleven points to 27.7. The index for expected number of employees fell thirteen points to 9.6. The capital expenditures index drifted down to 8.4, and the technology spending index dropped to 10.8. ■

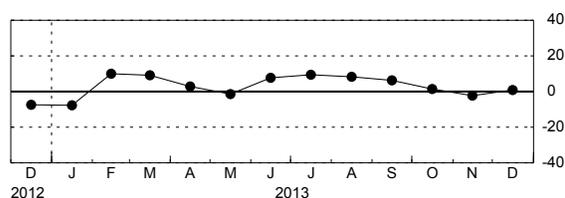
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	23.20	51.38	25.42	-2.21
Dec	24.90	51.17	23.93	0.98

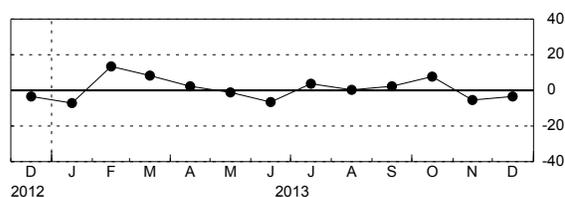
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	22.51	49.45	28.04	-5.53
Dec	21.96	52.54	25.50	-3.54

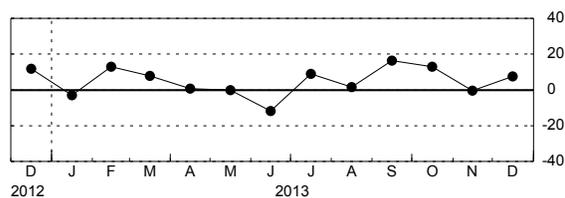
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	24.84	49.79	25.37	-0.53
Dec	33.44	40.78	25.78	7.66

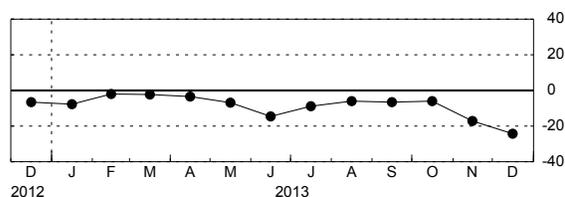
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	14.47	53.95	31.58	-17.11
Dec	4.82	66.27	28.92	-24.10

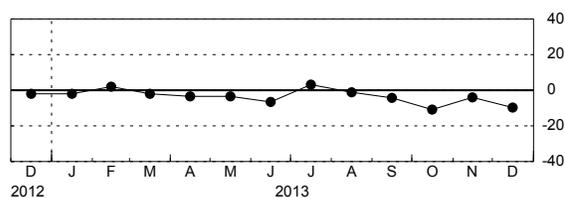
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	10.53	75.00	14.47	-3.95
Dec	3.61	83.13	13.25	-9.64

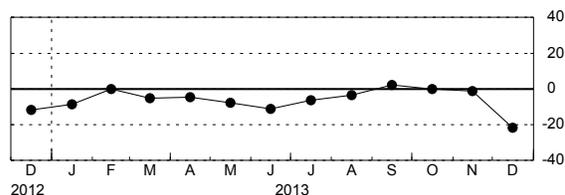
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	26.32	46.05	27.63	-1.32
Dec	13.25	51.81	34.94	-21.69

Inventories - Diffusion Index



## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	19.74	77.63	2.63	17.11
Dec	16.87	81.93	1.20	15.66

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	3.95	88.16	7.89	-3.95
Dec	12.05	79.52	8.43	3.61

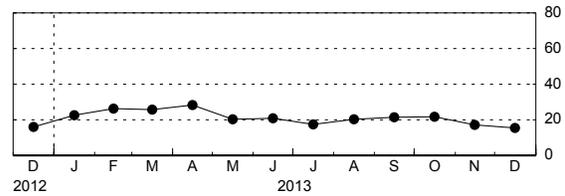
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	13.16	73.68	13.16	0.00
Dec	13.25	73.49	13.25	0.00

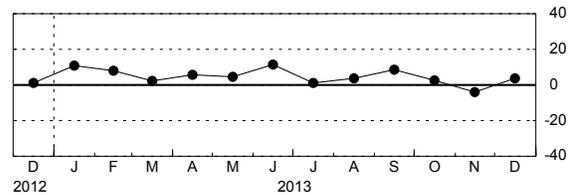
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	9.21	76.32	14.47	-5.26
Dec	7.23	74.70	18.07	-10.84

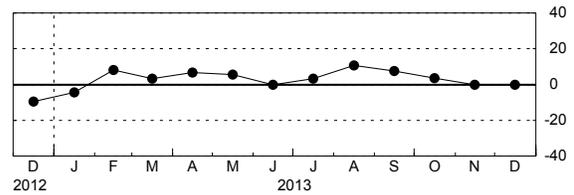
Prices Paid - Diffusion Index



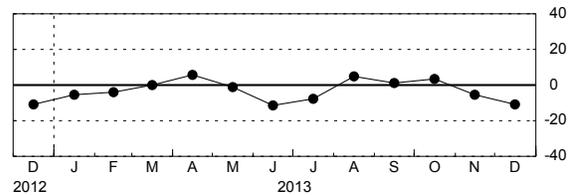
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

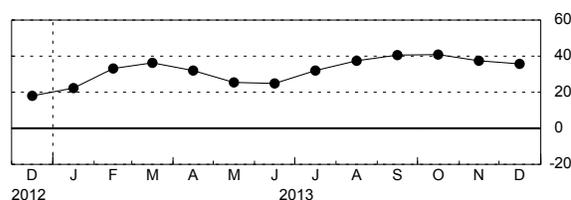
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	49.64	38.24	12.13	37.51
Dec	46.73	42.27	11.01	35.72

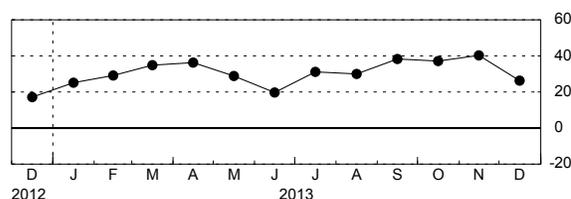
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	50.55	39.16	10.29	40.27
Dec	40.25	45.86	13.89	26.36

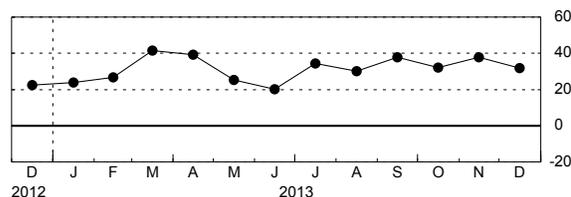
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	51.67	34.46	13.87	37.80
Dec	44.74	42.49	12.77	31.97

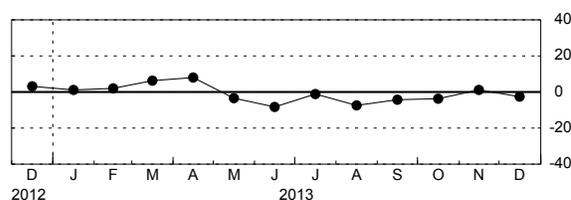
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	14.47	72.37	13.16	1.32
Dec	12.05	73.49	14.46	-2.41

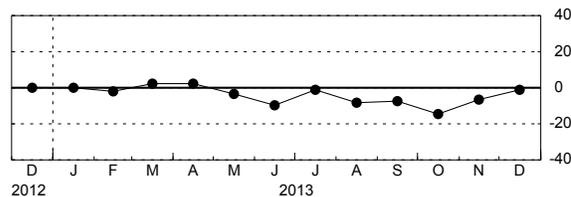
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	7.89	77.63	14.47	-6.58
Dec	9.64	79.52	10.84	-1.20

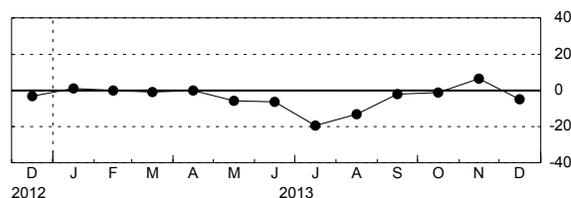
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	28.95	48.68	22.37	6.58
Dec	22.89	49.40	27.71	-4.82

Inventories - Diffusion Index



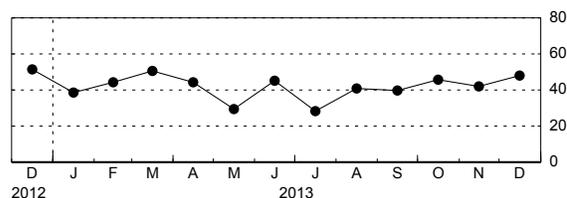
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	48.68	44.74	6.58	42.11
Dec	53.01	42.17	4.82	48.19

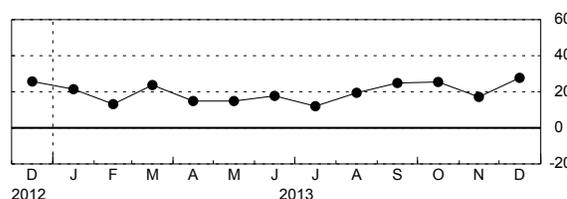
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	28.95	59.21	11.84	17.11
Dec	37.35	53.01	9.64	27.71

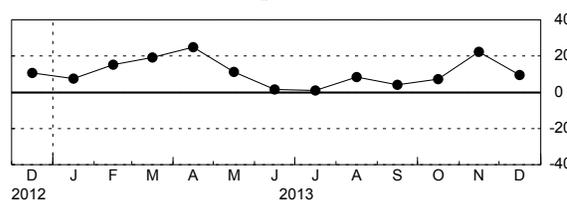
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	32.89	56.58	10.53	22.37
Dec	24.10	61.45	14.46	9.64

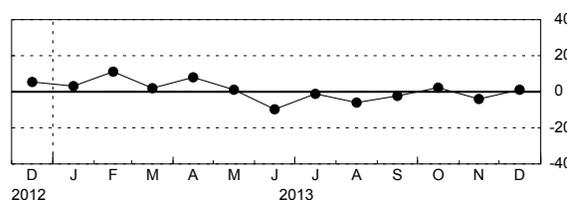
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	9.21	77.63	13.16	-3.95
Dec	18.07	65.06	16.87	1.20

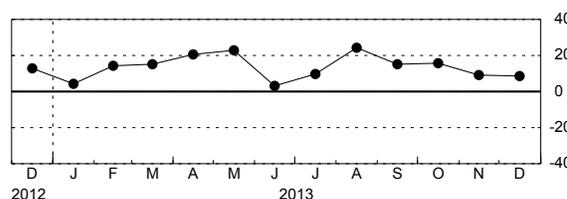
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	26.32	56.58	17.11	9.21
Dec	25.30	57.83	16.87	8.43

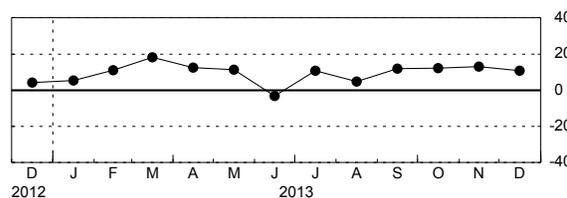
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	22.37	68.42	9.21	13.16
Dec	22.89	65.06	12.05	10.84

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Benefit Costs Again Top the List of Firms' Problems; Finding Qualified Workers Seen as Increasingly Difficult

In a series of supplementary questions, manufacturers were asked to assess the extent to which certain business issues posed problems for their firms, and to indicate whether each issue was expected to become more or less of a problem over the next year. Identical questions were posed in April 2011, and similar questions were asked in April 2010 and earlier.

As in previous surveys, the cost of employee benefits was cited most frequently, by far, as a major problem. Finding qualified workers emerged as the second most widespread problem, eliciting a considerably greater degree of concern than in earlier

surveys. More than 66 percent of respondents cited taxes as a major problem, up from 55 percent in the 2011 survey, but still a somewhat lower proportion than in the April 2010 survey. Rounding out the top four was government regulation, which was viewed with about the same degree of concern as in April 2011 but with less concern than in the 2010 survey. Weak sales came in a distant fifth, and the quality of government services followed closely. The cost of resources and employee wage costs were viewed as less serious problems than in the prior (April 2011) survey.

When firms were asked about the extent to which each of these issues was expected to become

more or less of a problem over the next year, their responses again put employee benefit costs at the top of the list: 80 percent of respondents anticipated that this would be more of a problem a year from now. Finding qualified workers and government regulation were also seen as becoming increasingly problematic by a majority of those surveyed. Other categories where pessimists outnumbered optimists by a substantial margin were taxes, employee wage costs, the cost of resources, and the quality of government services. The cost, terms, and availability of credit were not only seen as relatively minor problems now but were also widely expected to be even less of a problem a year from now. ■

## Supplemental Report, *continued*

### QUESTION 1

To what extent does each of the following issues pose a problem for your firm?

	Percentage of Respondents Identifying the Issue as a Major Problem*		
	December 2013	April 2011	April 2010
Employee benefit costs	85.2	79.2	77.3
Finding qualified workers	70.4	51.9	43.9
Taxes	66.7	54.5	69.2
Government regulation	61.7	62.3	66.7
Weak sales	40.7	36.8	50.0
Quality of government services	37.0	19.7	43.8
Cost of resources	30.0	45.5	—
Employee wage costs	24.7	29.9	30.3
Availability of resources	19.8	20.8	—
Availability and access to credit	13.6	13.0	18.2
Cost and terms of credit	12.3	13.0	16.7
Depressed real estate values	7.4	6.5	12.1

\* Responses are on a scale of 1 (relatively minor problem) to 5 (relatively major problem); these percentages refer to responses of either 4 or 5.

### QUESTION 2

To what extent do you expect each of the following issues to be more or less of a problem a year from now?

	December 2013 Survey	
	Percentage of Respondents Expecting the Issue to Be . . .	
	More of a Problem a Year from Now	Less of a Problem a Year from Now
Employee benefit costs	80.2	3.7
Finding qualified workers	60.5	4.9
Government regulation	59.3	8.6
Taxes	51.9	14.8
Employee wage costs	43.2	9.9
Cost of resources	38.3	18.5
Quality of government services	34.6	17.3
Weak sales	30.0	31.3
Availability of resources	19.8	23.5
Availability and access to credit	17.3	42.0
Cost and terms of credit	17.3	38.3
Depressed real estate values	4.9	53.1