

Empire State Manufacturing Survey

The December 2014 *Empire State Manufacturing Survey* indicates that business activity declined for New York manufacturers. The headline general business conditions index dropped fourteen points to -3.6, its first negative reading in nearly two years. The new orders index also fell into negative territory, tumbling eleven points to -2.0, and the shipments index fell to -0.2. Labor market conditions were mixed, with the index for number of employees holding steady at 8.3, while the average workweek index declined to -11.5. The prices paid index was little changed at 10.4, indicating a continued modest increase in input prices, while the prices received index climbed to 6.3. Indexes for the six-month outlook continued to convey optimism, but to a somewhat lesser extent than in recent months.

General Business Conditions Index Retreats below Zero

For the first time in nearly two years, the general business conditions index signaled a decline in business activity for New York manufacturers. The index retreated fourteen points to -3.6 in December, with 19 percent of respondents reporting that conditions had improved over the month and 23 percent reporting that conditions had worsened. Overall, readings for the headline index during the fourth quarter of 2014 mark a significant downshift in activity from the levels seen during the five-month period from May through September. The new orders index fell eleven points to -2.0, indicating a small decline in orders, and the shipments index dropped twelve points to -0.2—a sign that shipments were flat. The unfilled orders index plummeted seventeen points to -24.0. The delivery

time index drifted down to -14.6, suggesting that delivery times were shorter, and the inventories index fell to -11.5, pointing to lower inventory levels.

Small Increases Seen in Input and Selling Prices

The prices paid index was little changed at 10.4, signaling only a modest increase in input prices for a third consecutive month. After falling to zero in November, the prices received index advanced six points to 6.3 in December—evidence of a small increase in selling prices. Labor market indicators were mixed. The index for number of employees, at 8.3, held steady for a third consecutive month, suggesting that employment levels continued to increase. The average workweek index, by contrast, declined for a fourth consecutive month, and at -11.5, pointed to a noteworthy decline in hours worked.

General Business Conditions

Seasonally Adjusted

Diffusion index



Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Optimism Softens, but Remains High

Indexes assessing the six-month outlook were generally lower this month, but nevertheless conveyed considerable optimism about future business activity. The index for future general business conditions fell nine points to 38.6—still a fairly high figure by historical standards. The future new orders and shipments indexes declined to similar levels. The index for expected number of employees was 20.8, indicating that employment is expected to expand briskly, and the future average workweek index climbed to 12.5, its highest level in more than two years. The capital expenditures index fell twelve points to 15.6, and the technology spending index inched down to 17.7. ■

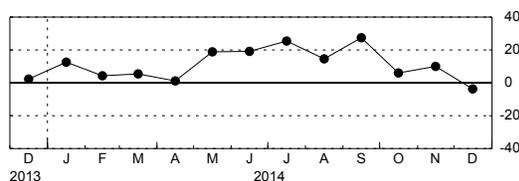
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	34.62	40.93	24.46	10.16
Dec	19.10	58.23	22.68	-3.58

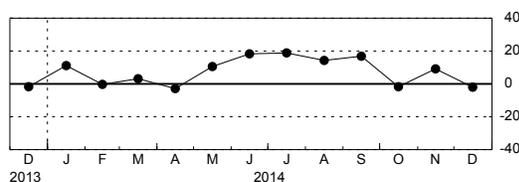
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	32.16	44.82	23.02	9.14
Dec	23.92	50.19	25.89	-1.97

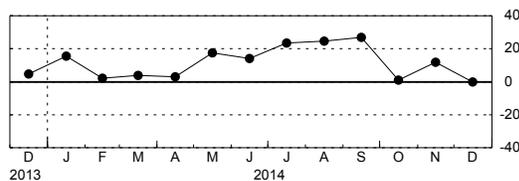
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	37.37	37.08	25.54	11.83
Dec	27.31	45.16	27.53	-0.22

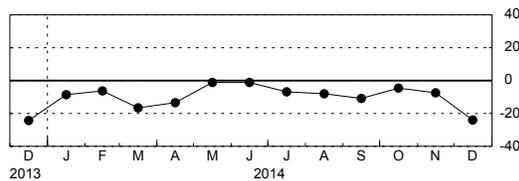
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	13.83	64.89	21.28	-7.45
Dec	9.38	57.29	33.33	-23.96

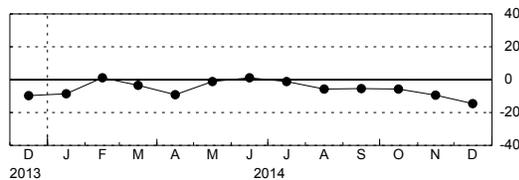
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	10.64	69.15	20.21	-9.57
Dec	5.21	75.00	19.79	-14.58

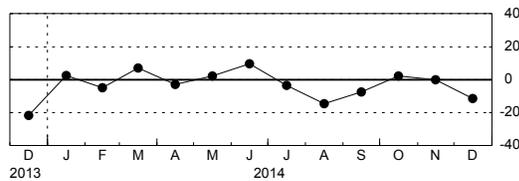
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	19.15	61.70	19.15	0.00
Dec	18.75	51.04	30.21	-11.46

Inventories - Diffusion Index



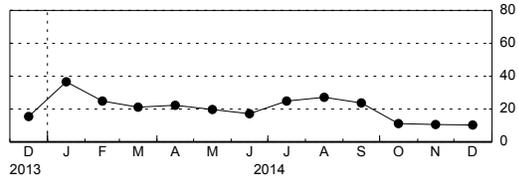
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	17.02	76.60	6.38	10.64
Dec	19.79	70.83	9.38	10.42

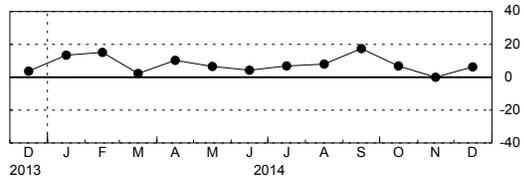
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	6.38	87.23	6.38	0.00
Dec	11.46	83.33	5.21	6.25

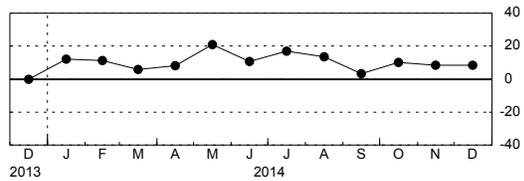
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	18.09	72.34	9.57	8.51
Dec	18.75	70.83	10.42	8.33

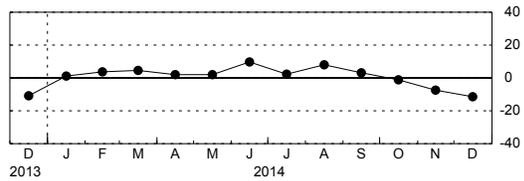
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	9.57	73.40	17.02	-7.45
Dec	8.33	71.88	19.79	-11.46

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

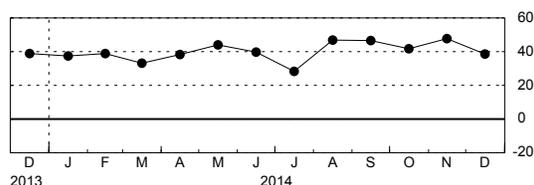
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	53.43	40.76	5.82	47.61
Dec	49.37	39.85	10.78	38.58

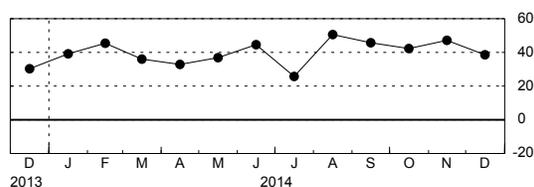
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	51.65	43.70	4.66	46.99
Dec	51.29	35.85	12.87	38.42

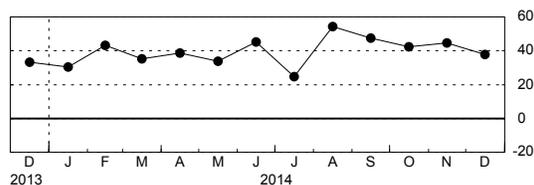
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	49.65	45.39	4.97	44.68
Dec	49.97	37.99	12.04	37.92

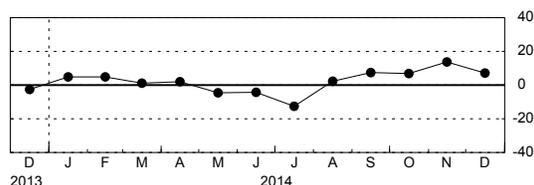
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	24.47	64.89	10.64	13.83
Dec	20.83	65.63	13.54	7.29

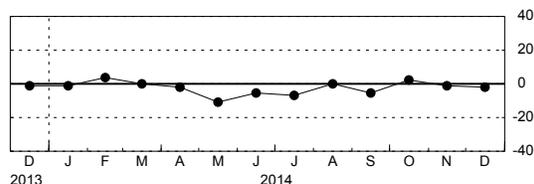
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	10.64	77.66	11.70	-1.06
Dec	11.46	75.00	13.54	-2.08

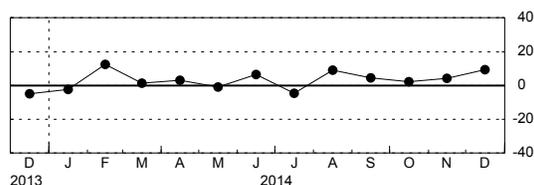
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	22.34	59.57	18.09	4.26
Dec	29.17	51.04	19.79	9.38

Inventories - Diffusion Index



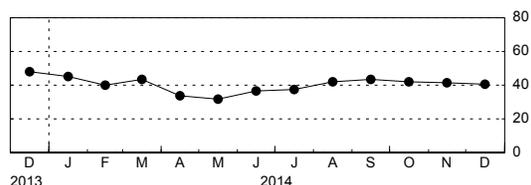
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	44.68	52.13	3.19	41.49
Dec	44.79	51.04	4.17	40.63

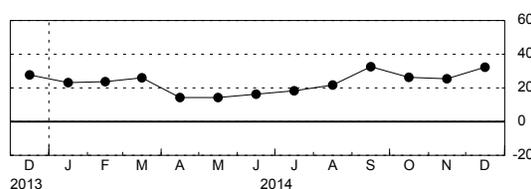
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	31.91	61.70	6.38	25.53
Dec	38.54	55.21	6.25	32.29

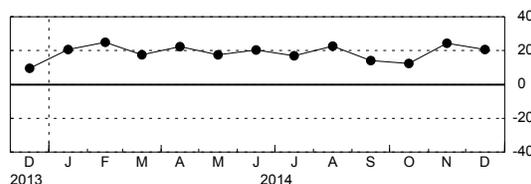
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	32.98	58.51	8.51	24.47
Dec	31.25	58.33	10.42	20.83

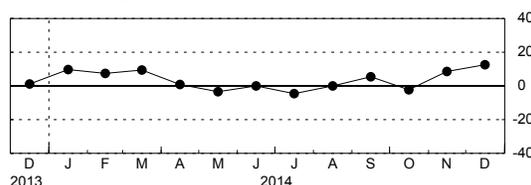
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	17.02	74.47	8.51	8.51
Dec	19.79	72.92	7.29	12.50

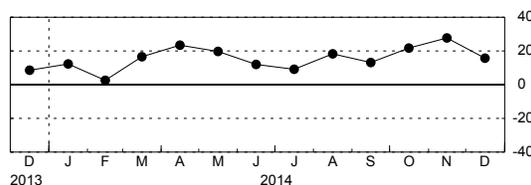
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	39.36	48.94	11.70	27.66
Dec	27.08	61.46	11.46	15.63

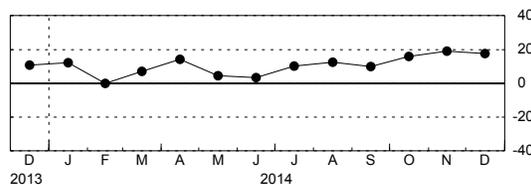
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	27.66	63.83	8.51	19.15
Dec	25.00	67.71	7.29	17.71

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.