

Empire State Manufacturing Survey

The March *Empire State Manufacturing Survey* indicates that manufacturing activity in New York State expanded at a moderate pace. The general business conditions index was little changed at 20.2, its fourth consecutive positive reading. The new orders and shipments indexes were both positive but slightly lower, indicating continued growth in orders and shipments, though at a somewhat slower pace than in the last month. The prices paid index rose a steep 25 points to 50.6, its highest level since summer 2011, and the prices received index was positive but two points lower than in February. Employment indexes

rose and indicated continued growth in both employment levels and the average workweek. Indexes for the six-month outlook, though generally somewhat lower than they were last month, conveyed a high degree of optimism, and the capital spending index rose to its highest level in more than a year.

On a series of supplementary survey questions, respondents were asked about recent and expected changes in their firms' borrowing needs and credit availability. Parallel questions were asked in October 2011, March 2011, and earlier surveys. While a majority of respondents in the latest survey reported no change in borrowing

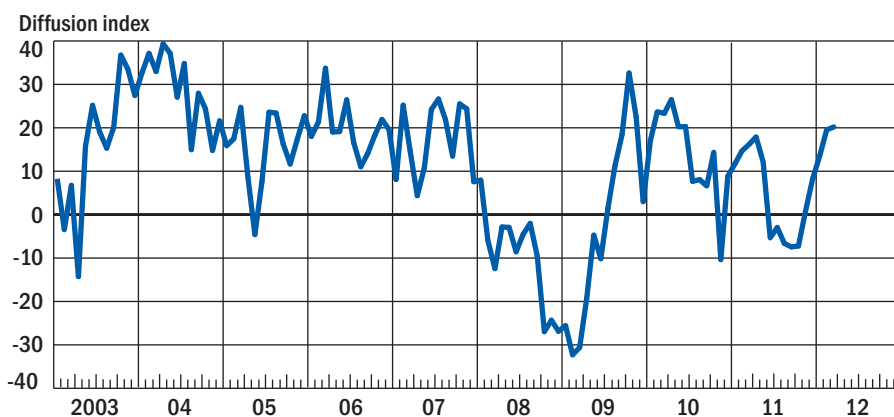
needs, a larger proportion than in earlier surveys indicated a rising need to borrow. Looking ahead, 30 percent of manufacturers indicated that they expect borrowing needs to be higher a year from now, whereas just 13 percent anticipated lower borrowing needs. Respondents were evenly split about both past and expected changes in credit availability. Firms also reported little change in borrowing costs, on balance, over the past three months.

Moderate Pace of Growth Continues

The general business conditions index was little changed in March and, at 20.2, indicated a continued moderate pace of growth in business activity for New York State manufacturers. One-third of respondents reported that conditions had improved, while just 13 percent reported worsening conditions. The new orders index inched down three points to 6.8, indicating a modest growth in orders. The shipments index fell five points to 18.2, revealing a continued increase in shipments, though at a slower pace than in February. The unfilled orders index rose six points to -1.2; though negative, this is the highest value for the index since June 2011. The delivery time index

General Business Conditions

Seasonally adjusted



Continued from page 1

rose six points to 7.4, indicating that delivery times lengthened. The inventories index rose to zero, suggesting that inventory levels held steady.

Input Costs Rise Sharply

The prices paid index rose a steep 25 points to 50.6 in March, suggesting that manufacturers observed a sharp increase in input costs. The last time the index was this high was in summer 2011. The prices received index inched down two points to 13.6, suggesting a modest increase in

selling prices. Employment indexes were positive and higher than they were last month, indicating a continued improvement in labor market conditions. The number of employees index rose two points to 13.6, and the average workweek index climbed 11 points to 18.5.

Outlook Is Optimistic, with Strong Growth Seen in Capital Spending

Indexes for the six-month outlook were generally somewhat lower than they were last month, but held at levels that conveyed a high degree of optimism. The future general business conditions index dipped three points to 47.5,

the future new orders index also fell three points, to 42.0, and the future shipments index was down six points, reaching 43.2. The future prices paid index rose four points to 66.7, with two-thirds of respondents expecting to pay higher prices in the months ahead. The future prices received index fell two points to 32.1. The future number of employees index rose three points to 32.1, and the future average workweek index rose two points to 21.0. The capital spending index was slightly higher at 32.1, its highest level in more than a year, and the technology spending index rose six points to 24.7. ■

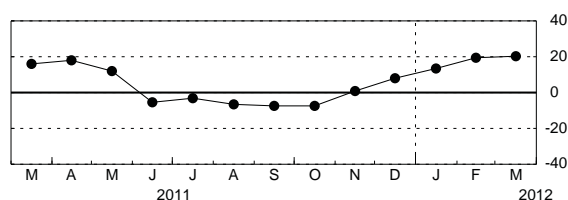
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	31.60	56.33	12.07	19.53
Mar	33.33	53.54	13.12	20.21

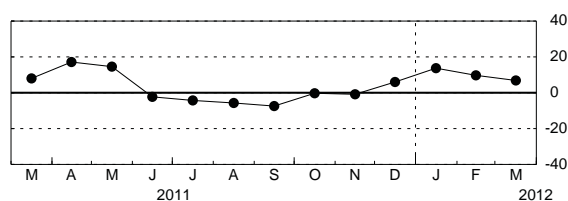
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	25.21	59.30	15.49	9.73
Mar	26.89	53.07	20.05	6.84

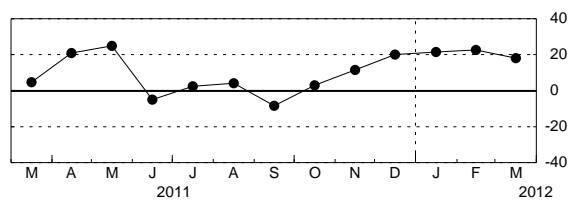
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	36.80	49.18	14.01	22.79
Mar	34.51	49.20	16.30	18.21

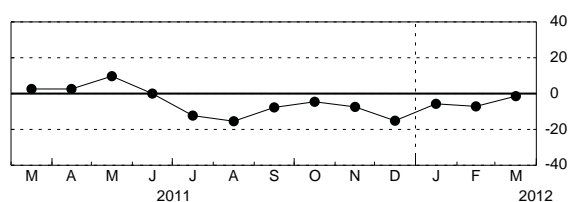
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	11.76	69.41	18.82	-7.06
Mar	13.58	71.60	14.81	-1.23

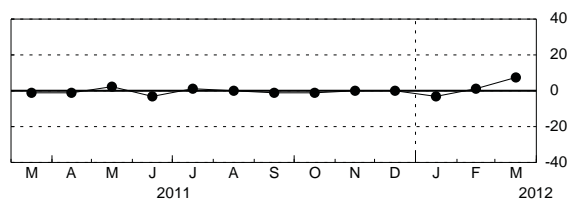
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	4.71	91.76	3.53	1.18
Mar	11.11	85.19	3.70	7.41

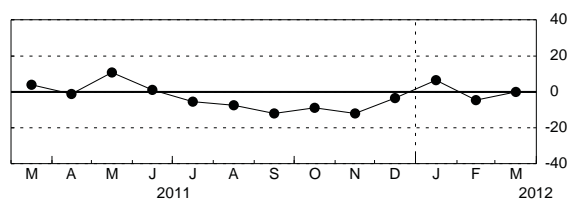
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	17.65	60.00	22.35	-4.71
Mar	24.69	50.62	24.69	0.00

Inventories - Diffusion Index



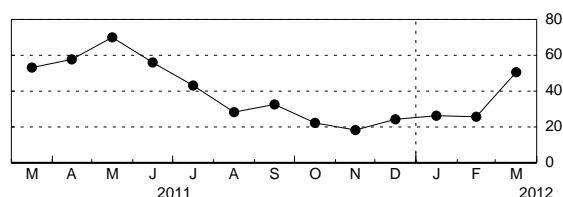
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	25.88	74.12	0.00	25.88
Mar	50.62	49.38	0.00	50.62

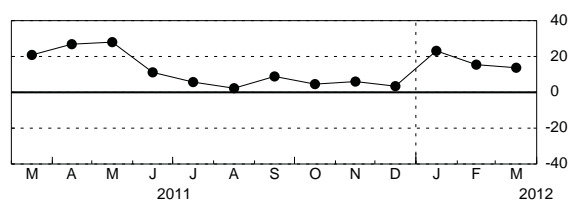
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	20.00	75.29	4.71	15.29
Mar	19.75	74.07	6.17	13.58

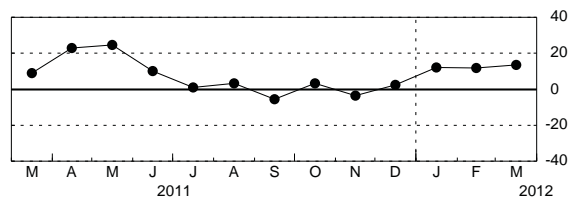
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	20.00	71.76	8.24	11.76
Mar	22.22	69.14	8.64	13.58

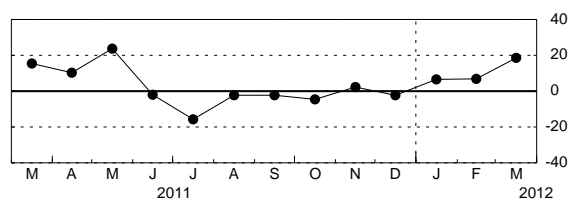
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	14.12	78.82	7.06	7.06
Mar	23.46	71.60	4.94	18.52

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

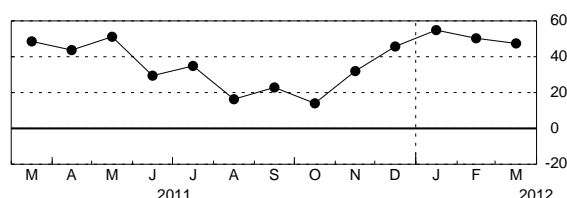
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	57.61	35.16	7.23	50.38
Mar	54.30	38.90	6.80	47.50

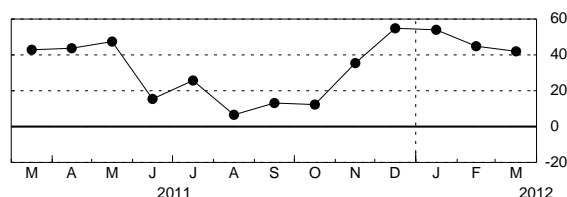
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	54.12	36.47	9.41	44.71
Mar	51.85	38.27	9.88	41.98

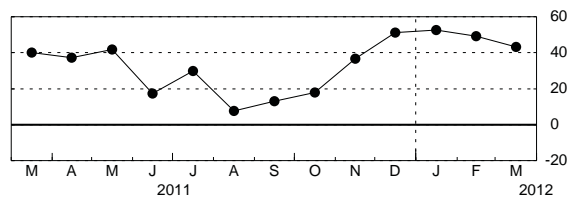
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	58.82	31.76	9.41	49.41
Mar	53.09	37.04	9.88	43.21

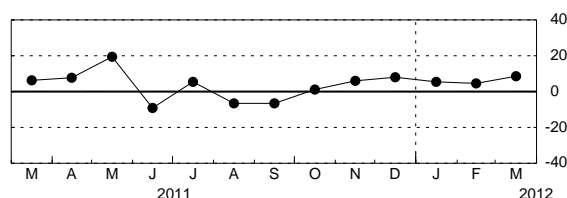
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	20.00	64.71	15.29	4.71
Mar	19.75	69.14	11.11	8.64

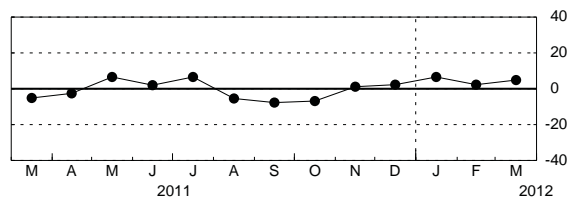
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	12.94	76.47	10.59	2.35
Mar	13.58	77.78	8.64	4.94

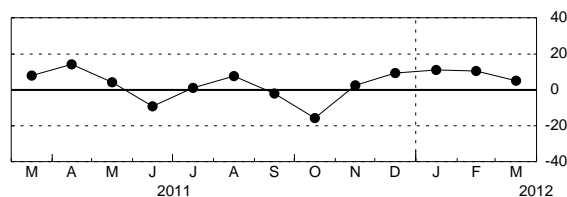
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	32.94	44.71	22.35	10.59
Mar	25.93	53.09	20.99	4.94

Inventories - Diffusion Index



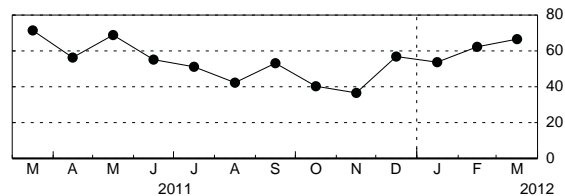
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	63.53	35.29	1.18	62.35
Mar	66.67	33.33	0.00	66.67

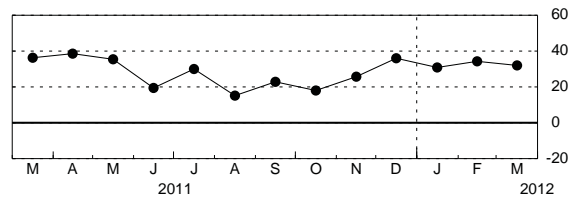
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	38.82	56.47	4.71	34.12
Mar	38.27	55.56	6.17	32.10

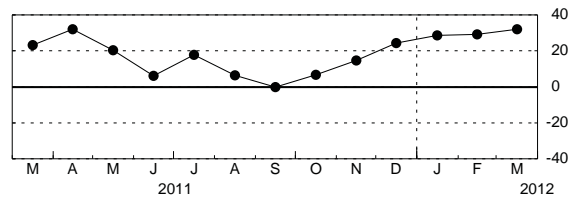
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	37.65	54.12	8.24	29.41
Mar	38.27	55.56	6.17	32.10

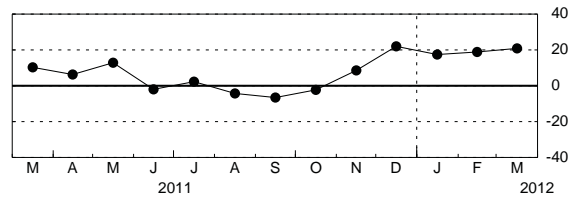
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	24.71	69.41	5.88	18.82
Mar	28.40	64.20	7.41	20.99

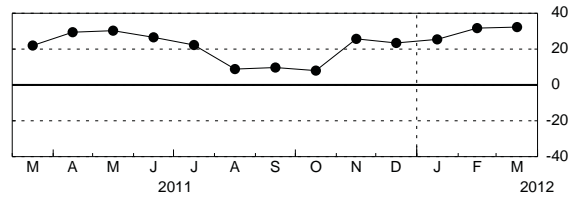
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	40.00	51.76	8.24	31.76
Mar	39.51	53.09	7.41	32.10

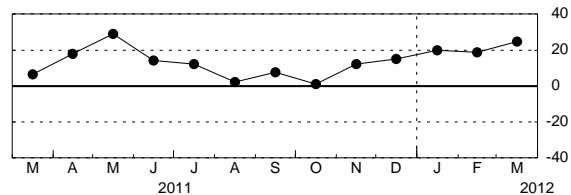
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	25.88	67.06	7.06	18.82
Mar	28.40	67.90	3.70	24.69

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Manufacturers See Increased Borrowing Needs, Little Change in Credit Availability

Supplementary questions in the March 2012 *Empire State Manufacturing Survey* focused on recent and expected changes in firms' borrowing needs and credit availability. Parallel questions were asked in October 2011, March 2011, and earlier surveys.

While a majority of respondents in the latest survey reported no change in borrowing needs, a larger proportion than in earlier surveys indicated a rise in the need to borrow—both over the past three months and over the past year. In the current survey, 26 percent said their borrowing needs had increased in the past year, while just 17 percent reported a decrease. Similarly, just under 20 percent reported that borrowing costs had increased over the past three months, while roughly half as many

said they had declined. Looking ahead, 30 percent of manufacturers indicated that they expect borrowing needs to be higher a year from now, whereas just 13 percent anticipated lower borrowing needs.

In response to questions on expected changes in credit availability in the year ahead, manufacturers were evenly split: 19 percent foresaw tighter credit and the same proportion anticipated easier credit. Respondents were also evenly split over past changes in credit availability—both over the past three months and over the past twelve months. This marks somewhat of a shift from the surveys conducted in October and March 2011, when considerably more firms reported tightening than easing credit.

Firms also reported little change in borrowing costs, on balance, over the past three months: 14 percent indicated declining costs, while 11 percent noted increasing costs; the large majority (75 percent) reported no change. Respondents had reported declining borrowing costs, on balance, in last October's survey, but rising borrowing costs (by a wide margin) in the March 2011 survey. Four out of five respondents reported no change in limits (ceilings) on existing lines of credit over the past three months; those who did indicate some change were about evenly split between higher limits and more restrictive limits. ■

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	March 2012 Survey			October 2011 Survey			March 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	10.4	70.1	19.5	20.5	68.2	11.4	8.1	78.4	13.5
Now compared with twelve months earlier	16.7	57.7	25.6	16.1	64.4	19.5	19.7	60.5	19.7
Over the next twelve months	12.7	57.0	30.4	n.a.	n.a.	n.a.	10.7	64.0	25.3

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	March 2012 Survey			October 2011 Survey			March 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	11.3	78.8	10.0	4.6	82.8	12.6	9.2	76.3	14.5
Over the past twelve months	13.8	72.5	13.8	6.8	72.7	20.5	14.7	64.0	21.3
Over the next twelve months	18.8	62.5	18.8	n.a.	n.a.	n.a.	20.0	66.7	13.3

QUESTION 3

In your experience, how have banks' requirements to extend business loans and/or credit lines changed over the past three months?

	March 2012	October 2011	March 2011
	Percentage of Firms Responding . . .		
Much easier now	0.0	2.4	0.0
Somewhat easier now	10.0	4.9	5.3
Same	76.3	72.0	73.3
Somewhat tighter now	12.5	20.7	17.3
Much tighter now	1.3	0.0	4.0

QUESTION 4

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

	March 2012	October 2011	March 2011
	Percentage of Firms Responding . . .		
Much lower now	0.0	1.2	0.0
Lower now	13.9	19.3	2.6
Same	74.7	67.5	64.5
Higher now	11.4	12.0	31.6
Much higher now	0.0	0.0	1.3

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:

	March 2012	October 2011	March 2011
	Percentage of Firms Responding . . .		
Much lower now	1.3	4.7	2.6
Lower now	7.5	9.4	13.2
Same	80.0	82.4	75.0
Higher now	11.3	3.5	7.9
Much higher now	0.0	0.0	1.3