

Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers deteriorated in June. The general business conditions index slipped below zero for the first time since November of 2010, falling twenty points to -7.8. The new orders and shipments indexes also posted steep declines and fell below zero. The index for number of employees dropped fifteen points to 10.2. The indexes for both prices paid and prices received were positive but lower than last month, suggesting that increases in input prices and selling prices had slowed. Although future indexes were generally above zero, they were well below last month's levels, indicating that the level of optimism about the six-month outlook had deteriorated significantly.

In a series of supplementary questions, respondents were queried about expected changes in the size of their firms' workforces and about the factors underlying these changes. Parallel questions had been asked in the January 2011 survey. In the current survey, 41 percent of respondents indicated that they expected their workforce to increase in the year ahead, while 17 percent predicted declines in the total number of workers. These results were not quite as positive as the findings of January's survey, which showed that a majority of respondents, or 52 percent, expected increases. In contrast with the earlier survey, the current survey yielded somewhat more positive results for smaller establishments

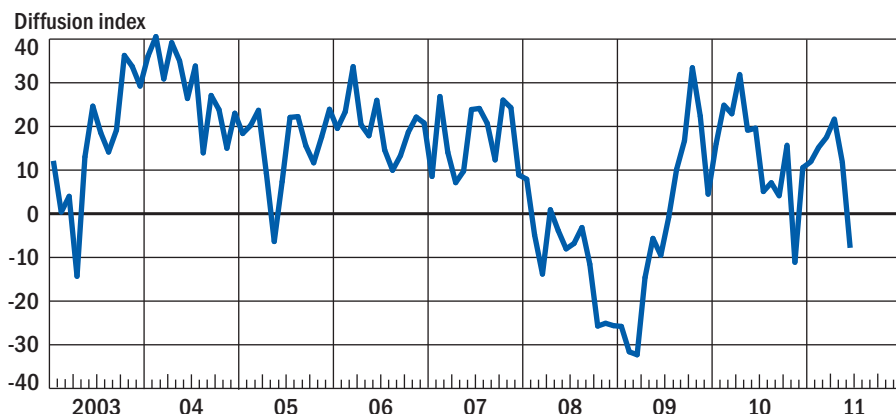
(fewer than 150 employees) than for larger establishments. As in January's survey, high expected sales growth was, by far, the most widely cited factor behind plans to increase employment. Respondents were also queried about anticipated changes in wages and benefit outlays: the vast majority of firms reported that they planned to raise wages by between 0 and 5 percent, while benefits were expected to increase somewhat more.

Business Activity Declines

In June, the general business conditions index fell below zero for the first time since November of 2010, declining a steep twenty points to -7.8. Eighteen percent of respondents—compared with 23 percent in May—reported that conditions had improved over the month, while 25 percent, up from 11 percent last month, reported that conditions had worsened. The new orders index fell twenty-one points to -3.6, and the shipments index tumbled thirty-four points to -8.0. The unfilled orders index fell to zero. The delivery time index slipped five points to -3.1, and the inventories index dropped ten points to 1.0.

General Business Conditions

Seasonally adjusted



Continued from page 1

Price Increases Slow

Price indexes posted their first declines in several months. The prices paid index fell fourteen points, to 56.1—still a relatively high value, but a sign that price increases were smaller in June than in May. The prices received index retreated seventeen points to 11.2, with the share of respondents that reported an increase in selling prices falling from 33 percent last month to 17 percent this month. Employment indexes were also lower. The index for number of employees remained in positive territory, indicating that employment levels increased, but the index fell fifteen points to 10.2. After reaching a relatively high level last

month, the average workweek index tumbled twenty-six points; at -2.0, the index suggested that hours worked fell slightly.

Level of Optimism Deteriorates Significantly

The six-month outlook was notably less optimistic in June than in May. The future general business conditions index fell thirty points, reaching 22.5, its lowest level since early 2009. While the index was still above zero—an indication that conditions were expected to improve in the months ahead—its June decline represented the second largest drop in the index in the history of the survey. The future new orders

index fell thirty-two points to 15.3, and the future shipments index fell twenty-five points to 17.4. The future inventories index retreated thirteen points to -9.2, suggesting that manufacturers expected inventory levels to fall over the next six months. Future price indexes fell but remained positive, implying that price increases were expected, but would occur at a slower pace than was expected last month. The index for expected number of employees fell fourteen points to 6.1, and the future average workweek index fell to -2.0. The capital expenditures index slid four points to 26.5, and the technology spending index dropped fifteen points to 14.3. ■

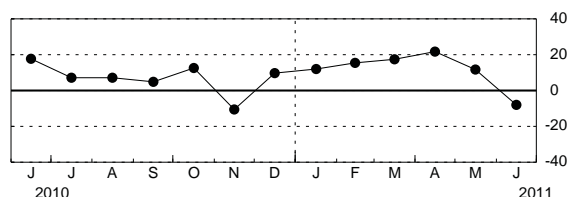
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	22.70	66.48	10.82	11.88
Jun	17.70	56.81	25.49	-7.79

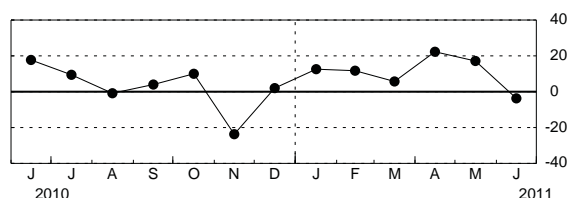
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	34.23	48.72	17.04	17.19
Jun	20.75	54.88	24.36	-3.61

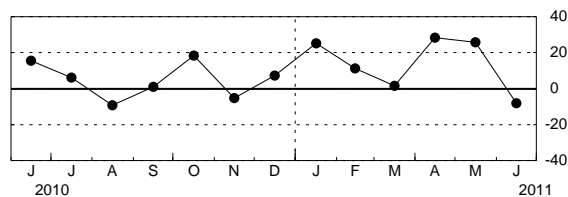
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	35.58	54.59	9.83	25.75
Jun	20.24	51.49	28.26	-8.02

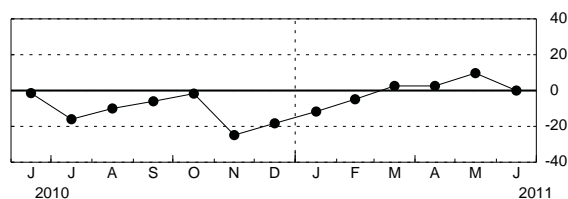
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	25.81	58.06	16.13	9.68
Jun	14.29	71.43	14.29	0.00

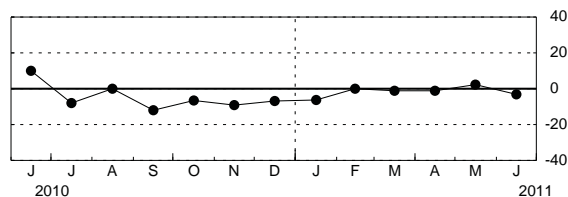
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	11.83	78.49	9.68	2.15
Jun	8.16	80.61	11.22	-3.06

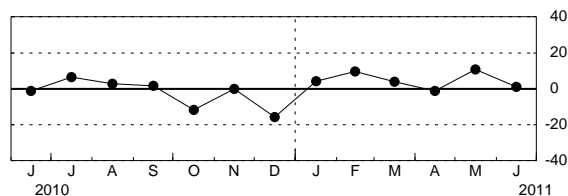
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	27.96	54.84	17.20	10.75
Jun	27.55	45.92	26.53	1.02

Inventories - Diffusion Index



Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	69.89	30.11	0.00	69.89
Jun	58.16	39.80	2.04	56.12

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	33.33	61.29	5.38	27.96
Jun	17.35	76.53	6.12	11.22

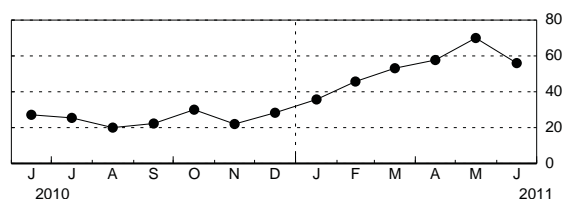
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	32.26	60.22	7.53	24.73
Jun	22.45	65.31	12.24	10.20

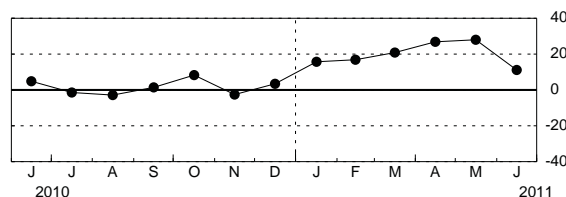
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	29.03	65.59	5.38	23.66
Jun	12.24	73.47	14.29	-2.04

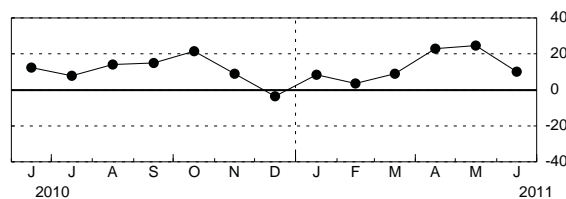
Prices Paid - Diffusion Index



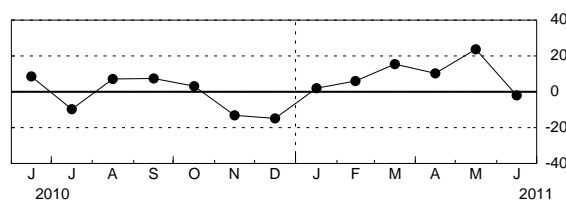
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

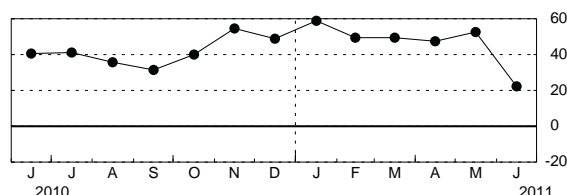
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	59.14	34.41	6.45	52.69
Jun	42.86	36.73	20.41	22.45

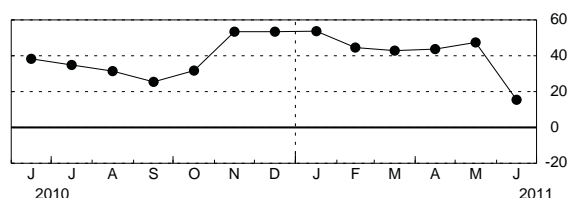
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	56.99	33.33	9.68	47.31
Jun	36.73	41.84	21.43	15.31

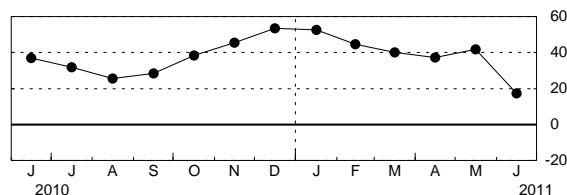
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	51.61	38.71	9.68	41.94
Jun	38.78	39.80	21.43	17.35

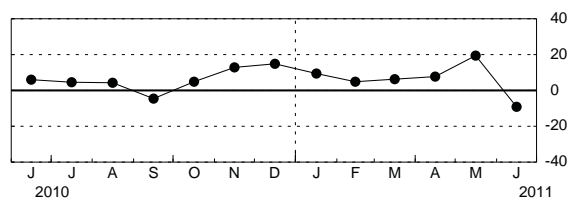
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	27.96	63.44	8.60	19.35
Jun	11.22	68.37	20.41	-9.18

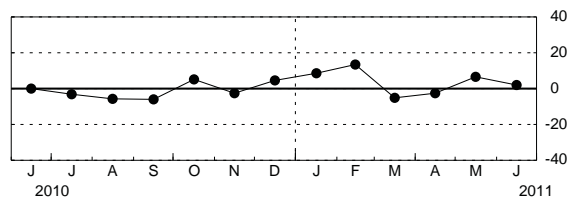
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	15.05	76.34	8.60	6.45
Jun	14.29	73.47	12.24	2.04

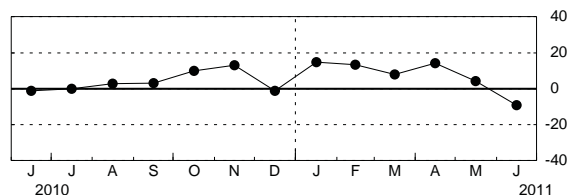
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	27.96	48.39	23.66	4.30
Jun	22.45	45.92	31.63	-9.18

Inventories - Diffusion Index



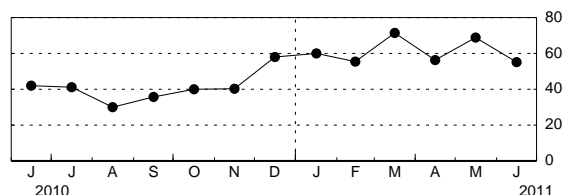
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	70.97	26.88	2.15	68.82
Jun	58.16	38.78	3.06	55.10

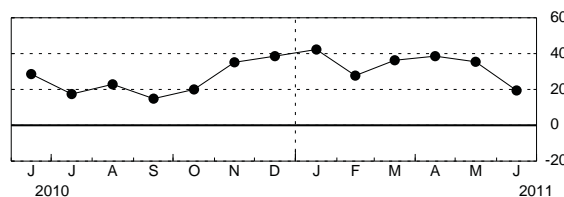
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	40.86	53.76	5.38	35.48
Jun	30.61	58.16	11.22	19.39

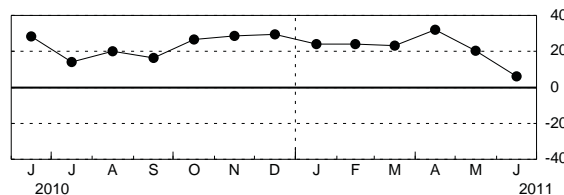
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	33.33	53.76	12.90	20.43
Jun	24.49	57.14	18.37	6.12

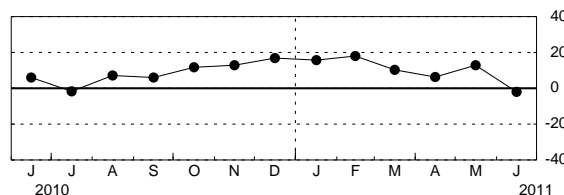
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	23.66	65.59	10.75	12.90
Jun	11.22	75.51	13.27	-2.04

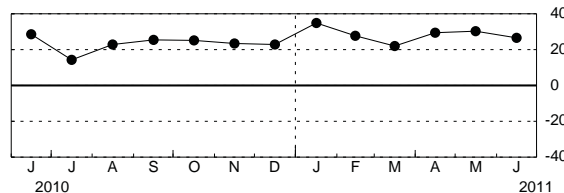
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	35.48	59.14	5.38	30.11
Jun	37.76	51.02	11.22	26.53

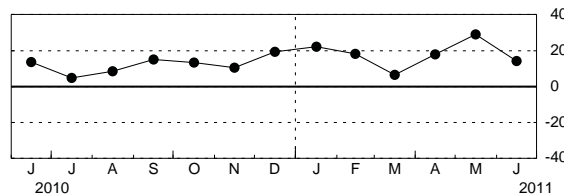
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	32.26	64.52	3.23	29.03
Jun	24.49	65.31	10.20	14.29

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Two in Five Respondents Plan to Expand Workforce in Year Ahead

Supplementary questions in the June 2011 *Empire State Manufacturing Survey* focused on expected changes in the size of firms' workforces and on the reasons for the changes. Most of these questions had been asked in the January 2011 and February 2010 surveys.

In the current survey, 41 percent of respondents indicated that they expected their workforce to increase over the next twelve months, while 17 percent of respondents predicted declines in the total number of workers. In January's survey, a majority of respondents, or 52 percent, predicted increases. The June results were somewhat more positive for smaller establishments (fewer than 150 employees) than for larger establishments—a reversal of the prior survey's findings.

When those respondents expecting to increase employment were asked to identify the key factors underlying their plans, the vast majority (87 percent) ranked high expected sales growth as the most important factor. Other factors deemed important were the

need for skills not possessed by current workers, an overworked current staff, decreased economic or financial uncertainty, and too steep a reduction in employment during the recession.

When asked about factors restraining hiring plans, respondents identified low expected sales growth as the most important factor, followed by a desire to keep operating costs low and an inability to find workers with required skills. Twenty-six percent of respondents—roughly the same percentage as in January's survey—reported that there were no sources of restraint.

Finally, when asked about estimated changes in wages per worker and benefits per worker from 2010 to 2011, more than three in four respondents indicated that wages would increase by less than 5 percent, and almost all the rest of those surveyed said that wages would stay about the same. However, a sizable proportion of respondents, 34 percent, estimated that increases in benefits would exceed 5 percent. ■

Supplemental Report, *continued*

QUESTION 1

For each category, please indicate the number of employees you have currently.

	Percentage of Respondents		
	June 2011	January 2011	February 2010
Under 100	51.0	58.2	47.2
100 to 150	20.8	17.6	23.6
150 to 200	8.3	7.7	11.1
200 to 500	13.5	11.0	12.5
500 or more	6.3	5.5	5.6

	Average Number of Workers		
	June 2011	January 2011	February 2010
Total workers	377.6	361.2	243.3
Full-time workers	338.0	326.8	225.8
Part-time workers	7.4	5.0	5.2
Contract employees	32.3	29.4	11.7

QUESTION 2

Do you expect that your number of employees will increase, remain unchanged, or decrease over the next twelve months?

	Percentage of Respondents		
	June 2011	January 2011	February 2010
Increase	41.3	52.2	63.9
Remain unchanged	41.3	32.6	20.8
Decrease	17.4	15.2	15.3

QUESTION 3

If you plan to increase total employment: What are the three most important factors behind your plans to increase employment? Please rank up to three factors.

	Percentage of Respondents Ranking the Factor as		
	1	2	3
Expected growth of sales is high	86.8	13.2	7.9
Reduced employment too much	5.3	2.6	2.6
Current staff are overworked	7.9	23.7	21.1
Need skills not possessed by current staff	7.9	34.2	5.3
Labor costs have fallen	0.0	0.0	0.0
Decreased economic or financial uncertainty	0.0	10.5	21.1
Firm's financial position has improved	0.0	5.3	7.9
Other factors	0.0	0.0	7.9

Supplemental Report, *continued*

QUESTION 4

What are the three most important factors, if any, restraining your hiring plans? If there are no important factors restraining your hiring plans, please check “no sources of restraint” below. Otherwise, please rank up to three factors.

Percent indicating no sources of restraint: 25.5

	Percentage of Respondents Ranking the Factor as		
	1	2	3
Expected growth of sales is low	43.8	6.8	5.5
Current staff are underutilized/working reduced hours	4.1	4.1	1.4
Cannot find workers with required skills	19.2	12.3	6.8
Labor costs are high	1.4	6.8	4.1
Uncertainty about the cost of health insurance	0.0	15.1	13.7
Uncertainty about other regulations or government policies	2.7	12.3	13.7
Firm's financial position has deteriorated	0.0	0.0	0.0
Want to keep operating costs low	20.5	20.5	17.8
Other factors	4.1	2.7	5.5

QUESTION 5

How much do you estimate wages and benefits will change from 2010 to 2011?

	Percentage of Respondents	
	Wage per Employee (Excluding Overtime and Variable Pay)	Benefits per Employee (Employer Contribution)
Decrease	2.1	0.0
Stay at current levels	19.8	24.0
Increase less than 2.5 percent	37.5	14.6
Increase 2.5 to 5 percent	39.6	27.1
Increase more than 5 percent	1.0	34.4