

Empire State Manufacturing Survey

The November 2013 *Empire State Manufacturing Survey* indicates that manufacturing conditions weakened somewhat for New York manufacturers. The general business conditions index fell four points to -2.2, its first negative reading since May. The new orders index also entered negative territory, falling thirteen points to -5.5, and the shipments index moved below zero with a fourteen-point drop to -0.5. The prices paid index fell five points to 17.1, indicating a slowing of input price increases. The prices received index fell to -4.0; the negative reading was a sign that selling prices had declined—their first retreat in two years. Labor market conditions were also weak, with the index for number of employees falling four points

to 0.0, while the average workweek index dropped to -5.3. Despite the negative readings registered by many of the indexes for current activity, indexes for the six-month outlook continued to convey a strong degree of optimism about future business conditions.

Supplementary questions in the latest survey focused on recent and expected changes in the prices paid by firms for several major budget categories, including wages, employee benefits, insurance, energy, and other commodities. Manufacturers, on average, predicted that prices paid for most budget categories would increase at a somewhat faster rate in calendar 2014 than in 2013. Prices paid overall were reported to have risen

3.4 percent on average in 2013 and were expected to increase 4.0 percent in 2014. When asked about expected changes in the prices they charge, firms predicted an average increase of 1.8 percent in 2014. For more details, see the full supplemental report.

Business Conditions Weaken

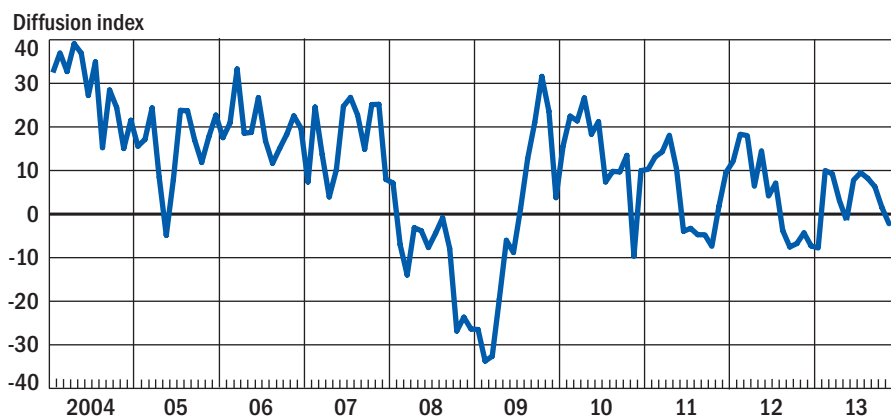
Manufacturing conditions weakened somewhat, according to the November survey. After slowly drifting down since July, the general business conditions index fell below zero for the first time since May, slipping four points to -2.2. This month, 23 percent of respondents reported that conditions had improved while 25 percent reported that conditions had worsened. The new orders index also moved below zero, falling thirteen points to -5.5. The shipments index fell fourteen points to -0.5, and the unfilled orders index declined eleven points to -17.1. The delivery time index rose seven points to -4.0, and the inventories index was little changed at -1.3.

Employment Levels Flat

Labor market conditions were subdued. The index for number of employees drifted downward for a

General Business Conditions

Seasonally adjusted



Continued

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third consecutive month, coming in at 0.0 in November in a sign that employment levels were flat. The average workweek index fell nine points to -5.3, pointing to a decline in hours worked. Price indexes were also lower. The prices paid index fell five points to 17.1, indicating that the pace of input price increases slowed. The prices received index fell six points to -4.0, signifying that selling prices dropped; the price decline was the first in two years.

Six-Month Outlook Remains Favorable

Although many of the indexes for current activity posted negative readings, indexes for the six-month outlook generally conveyed strong optimism about future business prospects. The future general business conditions index fell three points, but remained at a respectably high level of 37.5. The future new orders index climbed three points to 40.3, its highest level in more than a year, and the future shipments index rose six

points to 37.8. The future prices paid index fell to 42.1, and the future prices received index dropped eight points to 17.1. The index for expected number of employees surged fifteen points to 22.4, indicating that strong gains in employment are expected, though the future average workweek index fell to -4.0. The capital expenditures index declined six points to 9.2, and the technology spending index was little changed at 13.2. ■

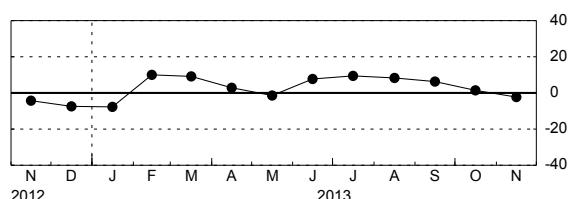
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	26.36	48.80	24.84	1.52
Nov	23.20	51.38	25.42	-2.21

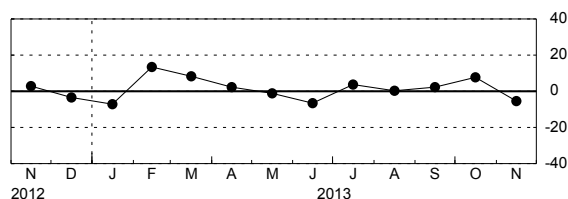
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	29.57	48.62	21.81	7.75
Nov	22.51	49.45	28.04	-5.53

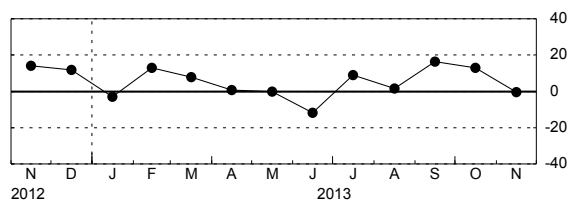
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	35.14	42.85	22.01	13.12
Nov	24.84	49.79	25.37	-0.53

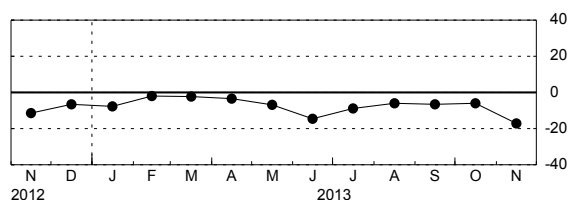
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	15.66	62.65	21.69	-6.02
Nov	14.47	53.95	31.58	-17.11

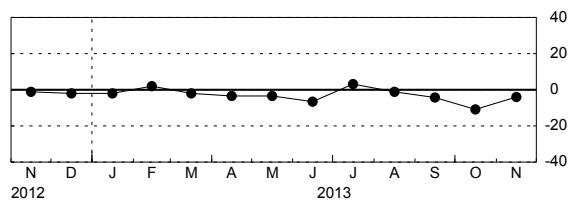
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	4.82	79.52	15.66	-10.84
Nov	10.53	75.00	14.47	-3.95

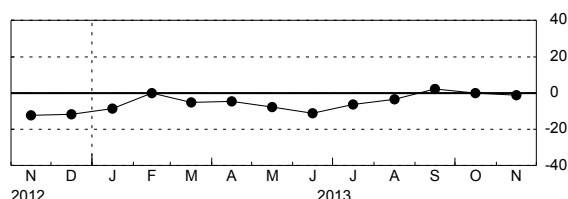
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	22.89	54.22	22.89	0.00
Nov	26.32	46.05	27.63	-1.32

Inventories - Diffusion Index



Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	25.30	71.08	3.61	21.69
Nov	19.74	77.63	2.63	17.11

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	8.43	85.54	6.02	2.41
Nov	3.95	88.16	7.89	-3.95

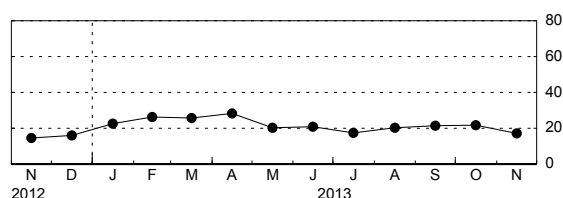
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	18.07	67.47	14.46	3.61
Nov	13.16	73.68	13.16	0.00

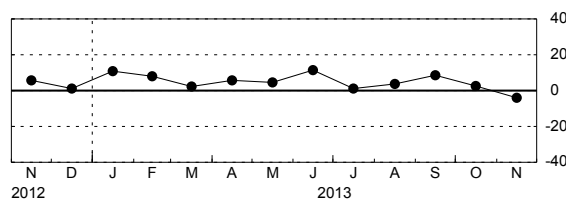
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	14.46	74.70	10.84	3.61
Nov	9.21	76.32	14.47	-5.26

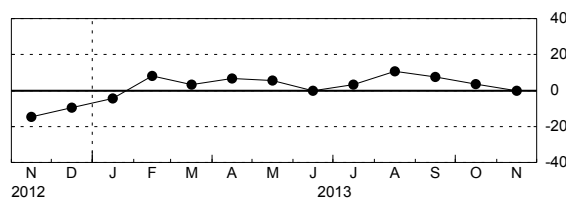
Prices Paid - Diffusion Index



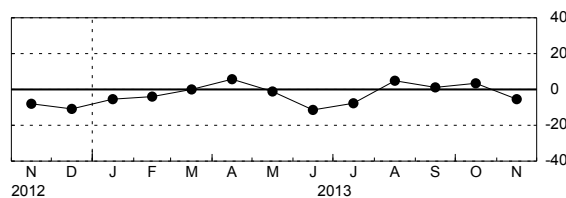
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

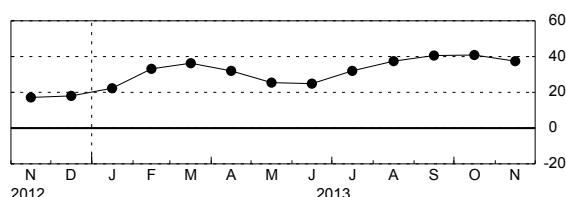
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	47.45	45.85	6.70	40.76
Nov	49.64	38.24	12.13	37.51

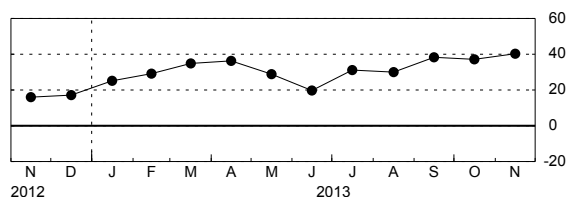
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	46.54	43.97	9.50	37.04
Nov	50.55	39.16	10.29	40.27

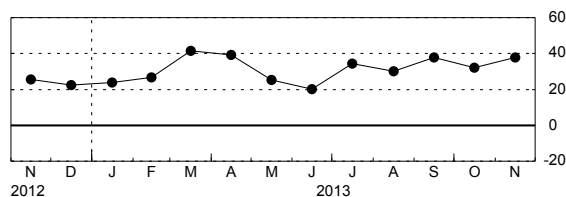
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	43.49	45.20	11.31	32.18
Nov	51.67	34.46	13.87	37.80

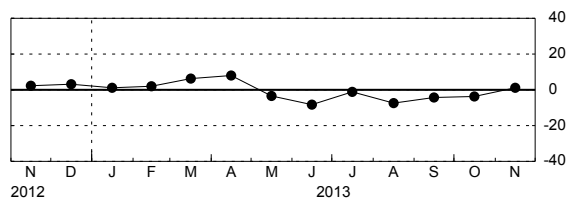
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	10.84	74.70	14.46	-3.61
Nov	14.47	72.37	13.16	1.32

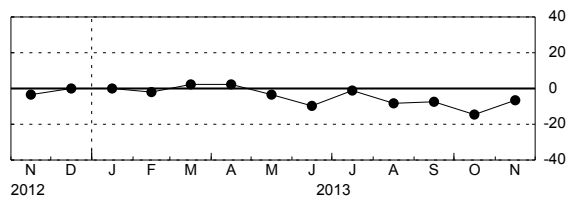
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	2.41	80.72	16.87	-14.46
Nov	7.89	77.63	14.47	-6.58

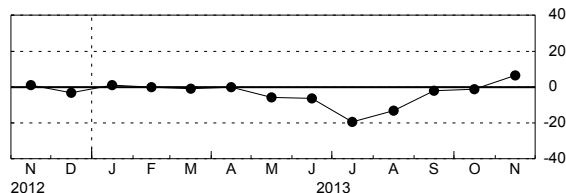
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	19.28	60.24	20.48	-1.20
Nov	28.95	48.68	22.37	6.58

Inventories - Diffusion Index



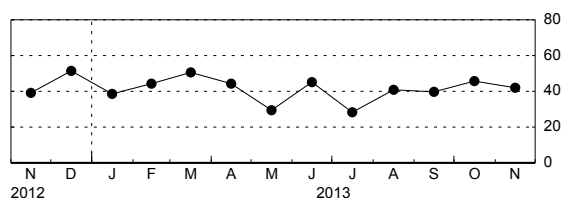
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	50.60	44.58	4.82	45.78
Nov	48.68	44.74	6.58	42.11

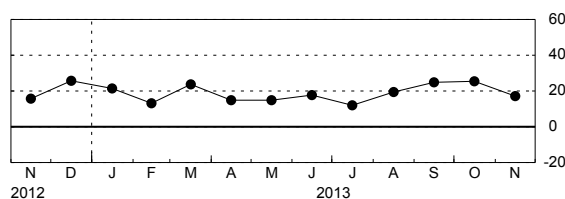
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	32.53	60.24	7.23	25.30
Nov	28.95	59.21	11.84	17.11

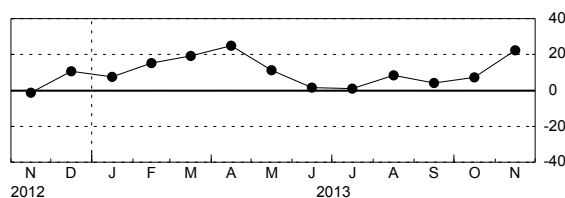
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	19.28	68.67	12.05	7.23
Nov	32.89	56.58	10.53	22.37

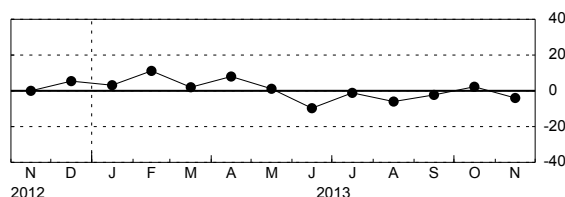
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	10.84	80.72	8.43	2.41
Nov	9.21	77.63	13.16	-3.95

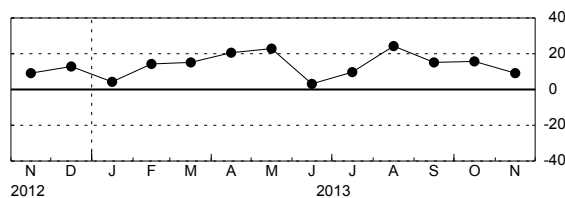
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	27.71	60.24	12.05	15.66
Nov	26.32	56.58	17.11	9.21

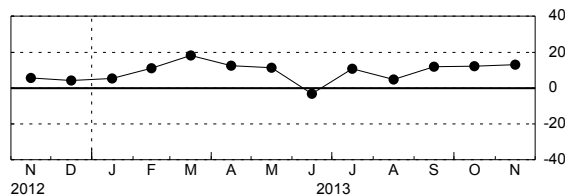
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	19.28	73.49	7.23	12.05
Nov	22.37	68.42	9.21	13.16

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Manufacturers Continue to Expect Moderate Price Pressures

Supplementary questions to the November *Empire State Manufacturing Survey* focused on recent and expected changes in the prices paid by firms for several major budget categories, including wages, employee benefits, insurance, energy, and other commodities. The same set of questions had been asked in December 2012 and earlier.

In the current survey, firms predicted that prices paid for most budget categories would increase at a somewhat faster rate in calendar 2014 than in 2013. Prices paid overall were reported to have risen 3.4 percent on average in 2013, and this rate was expected to increase to 4.0 percent in 2014. Among the broad budget categories, employee benefits showed the steepest price increase—both actual and expected: respondents expected these costs to accelerate from a 7 percent increase in 2013 to a more than 9 percent increase next year. Energy costs, which had reportedly risen by

2.1 percent in 2013, are expected to advance 2.8 percent in 2014, and non-medical insurance costs are also expected to accelerate slightly, rising by just under 4 percent. Wages are expected to climb 2.6 percent on average in 2014, with prices paid for outside services and non-energy commodities expected to rise by a bit less than 3 percent—all closely matching the respective reported increases for 2013.

Respondents were also asked to gauge the likelihood that the prices they paid overall would increase or decrease within certain specified ranges. The overall distribution reflects a higher perceived likelihood of moderate price increases than in last year's survey. The probability that prices would rise by 8 percent or more averaged out to just 8 percent—about the same as in last December's survey—but the perceived chance of a 2 to 8 percent increase rose from 50 percent in the 2012 survey to 61 percent in the current survey.

At the other end of the spectrum, the average perceived probability that prices would decline by at least 2 percent overall was 4 percent—slightly lower than in last year's survey.

Finally, respondents were asked how they expected their selling prices to change over the next year. The average expected increase in the current survey was 1.8 percent—up from 1.0 percent in last December's survey but exactly matching the increase predicted in the December 2011 survey. ■

Supplemental Report, *continued*

QUESTION 1

For each budget category, please indicate the approximate percentage change in the price you paid in 2013 and the expected percentage change in the price in 2014:

	November 2013 Survey		December 2012 Survey
	Average Percentage Change Reported for 2013	Average Percentage Change Expected for 2014	Average Percentage Change Expected for 2013
Wages	2.5	2.6	3.1
Employee benefits	6.9	9.2	7.2
Insurance (liability, fire, etc.)	3.5	3.9	3.9
Outside services	2.4	2.5	2.5
Energy	2.1	2.8	2.3
Other commodities	2.5	2.8	2.8
Overall	3.4	4.0	4.0

QUESTION 2

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*	
	November 2013 Survey	December 2012 Survey
Increase 8 percent or more	7.6	9.0
Increase 2 to 8 percent	60.6	49.7
Stay within 2 percent of current levels	27.5	35.2
Decrease 2 to 8 percent	3.6	5.5
Decrease 8 percent or more	0.6	0.6

* Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported in this table reflect the average indicated percentage chance across all respondents.

QUESTION 3

By how much do you expect your selling prices to change, on average, over the next year?

	November 2013 Survey	December 2012 Survey
Average percentage change	1.8	1.0
Median percentage change	2.0	2.0