

February 2005

Empire State Manufacturing

Survey



For release: February 15, 2005 8:30 a.m.

Summary

The Empire State Manufacturing Survey indicates that conditions for New York manufacturers continued to improve in February. The general business conditions index, at 19.2, remained near its January level. The new orders and shipments indexes were also positive, with the shipments index rising 7 points. The unfilled orders index fell sharply, turning negative for the first time in more than a year. Price indexes remained positive: The prices paid index descended slightly for a second month from its recent highs, and the prices received index returned to its level of much of the past year after a steep rise last month. Employment indexes indicated continued expansion, but at a pace somewhat slower than in January. Future indexes, while clearly optimistic, were below the levels held late last year.

Conditions Continue to Improve

The general business conditions index was 19.2 in February, virtually unchanged from its January level. This reading indicated continued improvement at a rate similar to the average rate over the past several months. Thirty-six percent of respondents said that conditions had improved in February, while 17 percent reported deterioration. The new orders index was also close to its January level, although it dropped slightly to 17.3. The shipments index rose 7 points to 33.3. Forty-eight percent of respondents reported increased shipments this month, while 14 percent reported a decrease. The unfilled orders index dropped sharply, from 5.7 in January to -12.2, its first negative reading in several months and its lowest level in more than a year. Sixteen percent of respondents saw unfilled orders rise, compared with 24 percent last month, while 28 percent said unfilled orders had fallen.

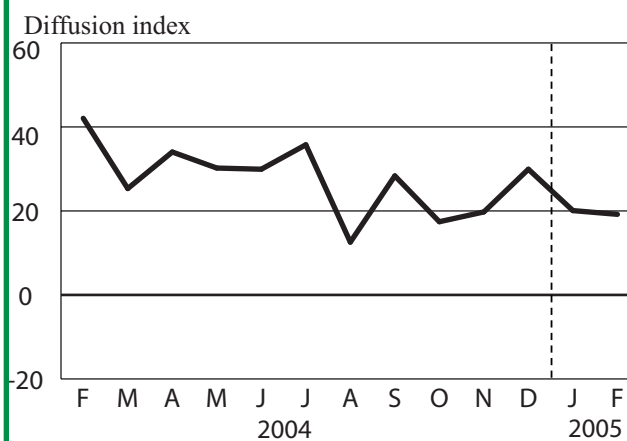
The delivery time index, at -1.6, remained in a tight range around zero, with 77 percent of respondents reporting stable delivery times. The inventories index, at 0.8, rose into positive territory after a sharp drop to below zero in January. Twenty-two percent of respondents—compared with 16 percent last month—reported higher inventories, while 22 percent said inventories had fallen.

Price Acceleration Eases Slightly

Price indexes remained elevated but eased from last month's levels. The prices paid index fell slightly, from 50.4 to 48.8, dropping below 50 for the first time since February 2004. Still, 50 percent of respondents reported rising prices, while just 2 percent reported falling prices. The prices received index, after rising sharply in January to 27.7, retreated to 13.2, a level consistent with the prevailing levels over much of the past year.

Employment indexes, though below January levels, remained positive. The number of employees index dipped to 8.9, with

General Business Conditions



20 percent reporting an increase in employees while 11 percent reported a decrease. The average workweek index dropped to 9.3 but remained above levels of late last year. Eighteen percent of respondents—compared with 26 percent last month—reported a longer workweek, while 9 percent reported a shorter workweek.

Outlook Remains Favorable

Future indexes continued to project strong optimism about conditions six months ahead, but expectations were somewhat lower than those reported over much of the past year. The future general business conditions index was roughly unchanged from January and, at 40.0, conveyed firm optimism, but the readings of the past three months show a drop-off from most of the 2004 readings. The future new orders and shipments indexes exhibited a similar pattern. The future unfilled orders index fell 13 points and, at -0.6, was near its record low. The future inventories index dropped below zero after a sharp rise into positive territory last month. Future price indexes remained elevated, with more than half of respondents expecting prices paid to be higher in six months and one-third expecting prices received to be higher. The future index for number of employees suggested that respondents expect continued expansion, but the future workweek index fell close to zero. The capital expenditures index dropped 11 points but remained positive at 21.7.

Note:

Diffusion indexes are calculated for each indicator by subtracting the percent of respondents reporting the indicator lower from the previous month from those reporting the indicator higher. Thus positive values signify that more respondents report the indicator higher from the previous month than lower. Data are seasonally adjusted to control for seasonal variations.

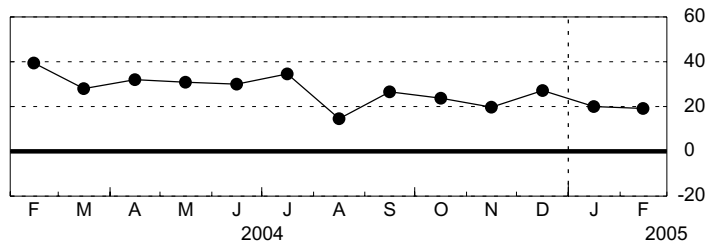
Empire State Manufacturing Survey, February 2005

Seasonally Adjusted

General Business Conditions

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 37.78 | 44.53 | 17.70 | 20.08 |
| Feb | 36.11 | 46.98 | 16.91 | 19.19 |

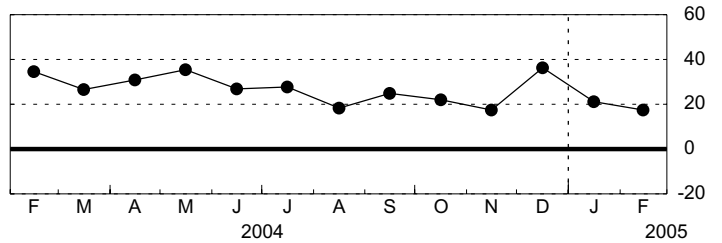
General Business Conditions - Diffusion Index



New Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 38.89 | 43.21 | 17.90 | 20.99 |
| Feb | 34.23 | 48.82 | 16.95 | 17.28 |

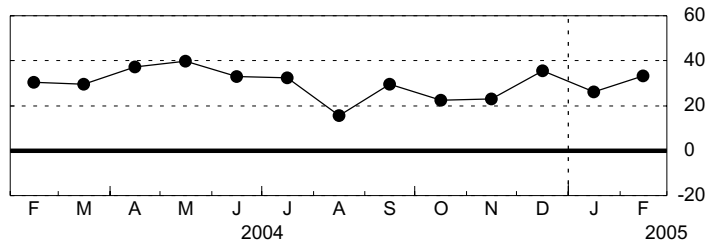
New Orders - Diffusion Index



Shipments

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 42.49 | 41.21 | 16.30 | 26.20 |
| Feb | 47.50 | 38.28 | 14.23 | 33.27 |

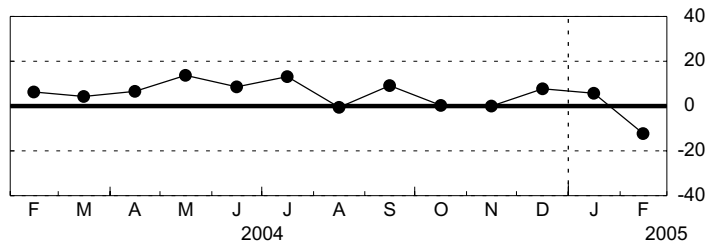
Shipments - Diffusion Index



Unfilled Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 24.46 | 56.74 | 18.81 | 5.65 |
| Feb | 15.74 | 56.34 | 27.92 | -12.18 |

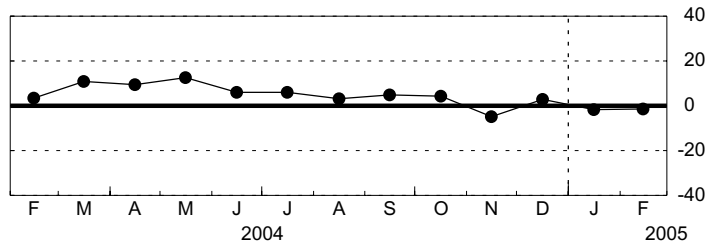
Unfilled Orders - Diffusion Index



Delivery Time

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 10.08 | 78.15 | 11.76 | -1.68 |
| Feb | 10.85 | 76.74 | 12.40 | -1.55 |

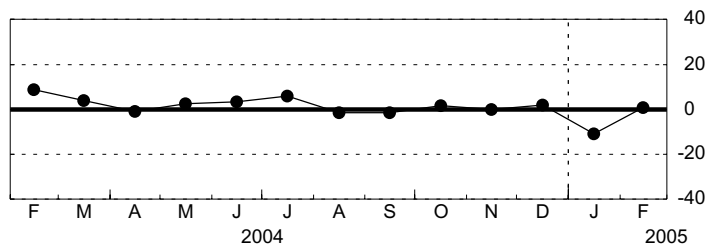
Delivery Time - Diffusion Index



Inventories

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 15.97 | 57.14 | 26.89 | -10.92 |
| Feb | 22.48 | 55.81 | 21.71 | 0.78 |

Inventories - Diffusion Index



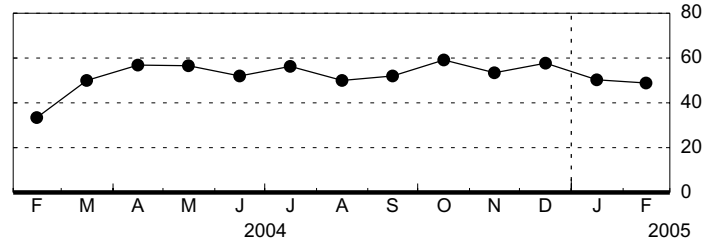
Empire State Manufacturing Survey, February 2005

Seasonally Adjusted

Prices Paid

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 52.94 | 44.54 | 2.52 | 50.42 |
| Feb | 50.39 | 48.06 | 1.55 | 48.84 |

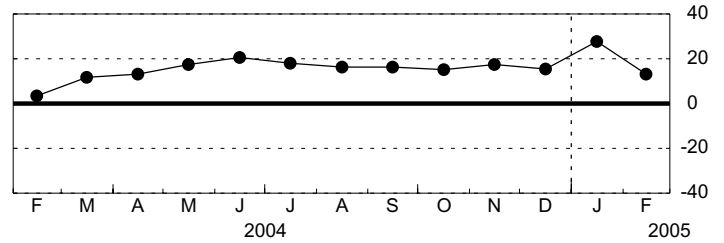
Prices Paid - Diffusion Index



Prices Received

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 34.45 | 58.82 | 6.72 | 27.73 |
| Feb | 24.03 | 65.12 | 10.85 | 13.18 |

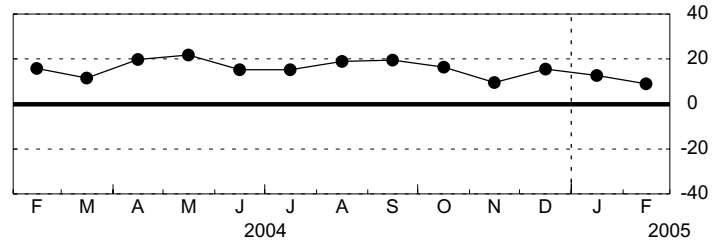
Prices Received - Diffusion Index



Number of Employees

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 28.68 | 55.35 | 15.97 | 12.71 |
| Feb | 19.79 | 69.36 | 10.85 | 8.93 |

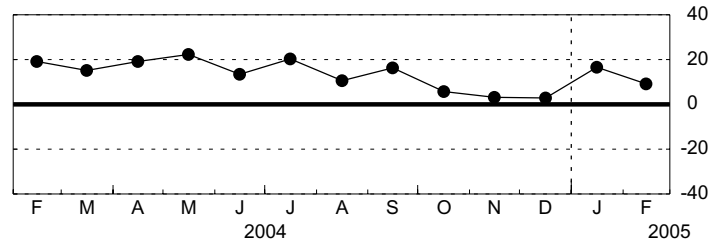
Number of Employees - Diffusion Index



Average Employee Workweek

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 25.97 | 64.79 | 9.24 | 16.72 |
| Feb | 17.83 | 73.65 | 8.53 | 9.30 |

Average Employee Workweek - Diffusion Index

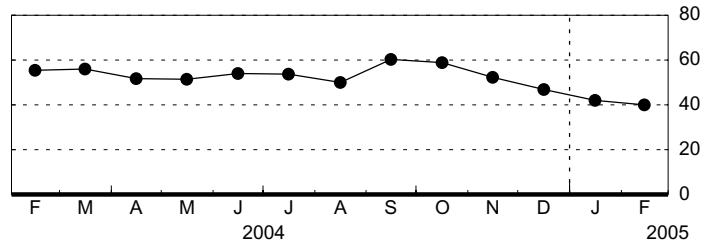


Empire State Manufacturing Survey, February 2005, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 49.93 | 42.29 | 7.77 | 42.16 |
| Feb | 49.22 | 41.57 | 9.21 | 40.01 |

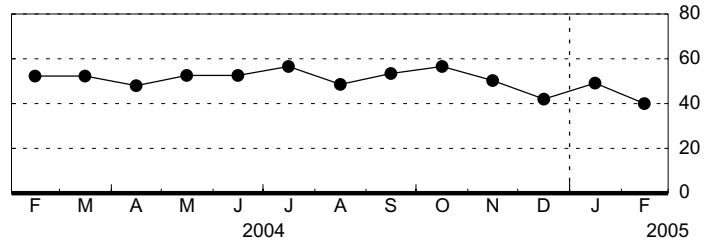
General Business Conditions - Diffusion Index



New Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 55.82 | 37.44 | 6.74 | 49.07 |
| Feb | 49.33 | 41.27 | 9.40 | 39.94 |

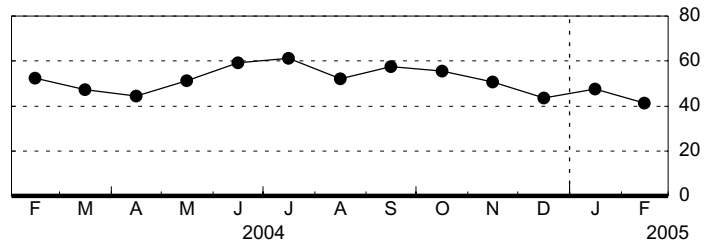
New Orders - Diffusion Index



Shipments

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 53.61 | 40.45 | 5.94 | 47.67 |
| Feb | 52.29 | 36.59 | 11.12 | 41.17 |

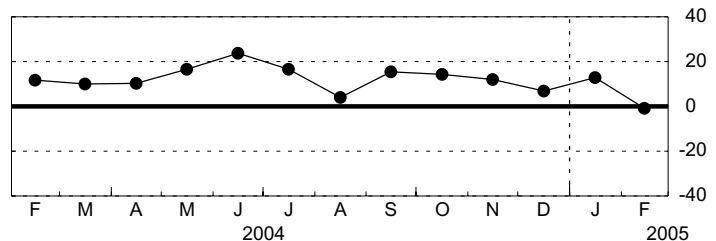
Shipments - Diffusion Index



Unfilled Orders

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 23.64 | 65.53 | 10.82 | 12.82 |
| Feb | 15.20 | 68.95 | 15.84 | -0.64 |

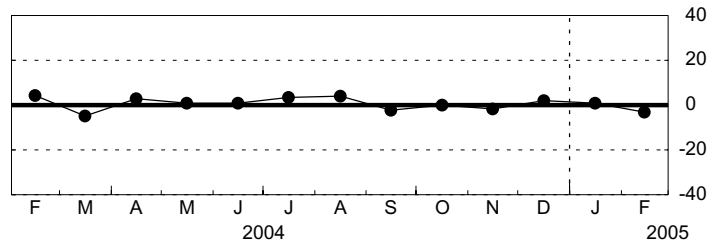
Unfilled Orders - Diffusion Index



Delivery Time

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 10.92 | 78.99 | 10.08 | 0.84 |
| Feb | 10.08 | 76.74 | 13.18 | -3.10 |

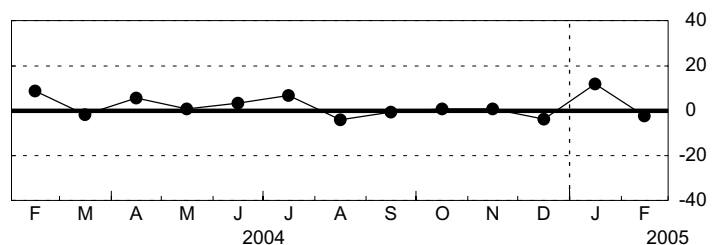
Delivery Time - Diffusion Index



Inventories

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 29.41 | 52.94 | 17.65 | 11.76 |
| Feb | 22.48 | 52.71 | 24.81 | -2.33 |

Inventories - Diffusion Index

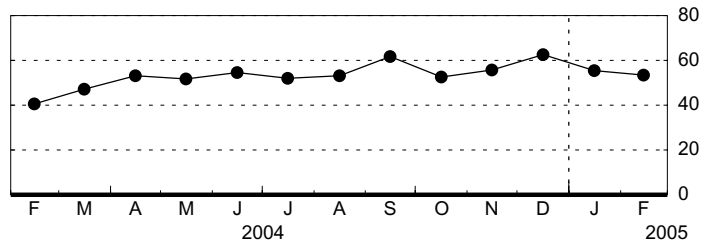


Empire State Manufacturing Survey, February 2005, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 57.14 | 41.18 | 1.68 | 55.46 |
| Feb | 55.81 | 41.86 | 2.33 | 53.49 |

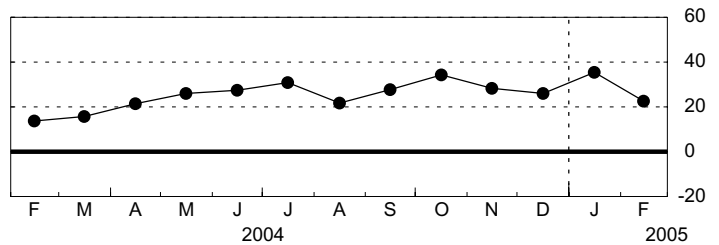
Prices Paid - Diffusion Index



Prices Received

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 42.02 | 51.26 | 6.72 | 35.29 |
| Feb | 33.33 | 55.81 | 10.85 | 22.48 |

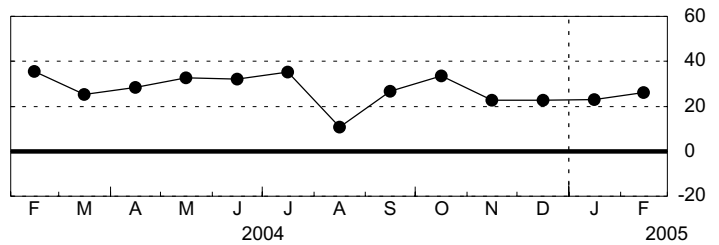
Prices Received - Diffusion Index



Number of Employees

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 30.25 | 62.40 | 7.35 | 22.91 |
| Feb | 35.66 | 54.76 | 9.58 | 26.08 |

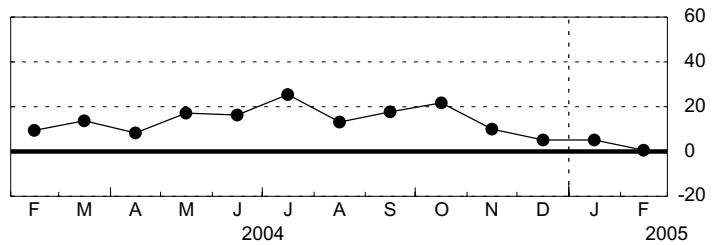
Number of Employees - Diffusion Index



Average Employee Workweek

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 12.84 | 79.43 | 7.72 | 5.12 |
| Feb | 13.06 | 74.56 | 12.38 | 0.69 |

Average Employee Workweek - Diffusion Index



Capital Expenditures

| | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 39.50 | 53.78 | 6.72 | 32.77 |
| Feb | 34.88 | 51.94 | 13.18 | 21.71 |

Capital Expenditures - Diffusion Index

