

Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers improved in January. The general business conditions index rose 2 points to 11.9. The new orders index moved up 10 points to 12.4, and the shipments index surged 18 points to 25.4. After a sharp decline last month, the inventories index rose above zero. Employment indexes also climbed into positive territory. Both the prices paid and prices received indexes rose, pointing to an acceleration in both input prices and selling prices. Future indexes conveyed a high level of optimism, with the future general business conditions index advancing to a level not seen since early 2010, while future price indexes climbed to multiyear highs.

In a series of supplementary questions, respondents were asked about expected changes in the size of their firms' workforces and about the reasons for the changes. Slightly more than half of respondents indicated that they expected their workforce to increase in the year ahead, while just 15 percent predicted declines in the total number of workers. In last February's survey—when a similar question was asked—an even larger majority, 64 percent, predicted increases. The current results were slightly more positive for larger establishments (150 or more employees) than for smaller establishments. When those respondents intending to increase employment were asked to identify key factors underlying their plans,

the vast majority (77 percent) ranked high expected sales growth as the most important. Conversely, the most widely cited factor restraining hiring plans was low expected sales growth (31 percent).

Business Activity Strengthens

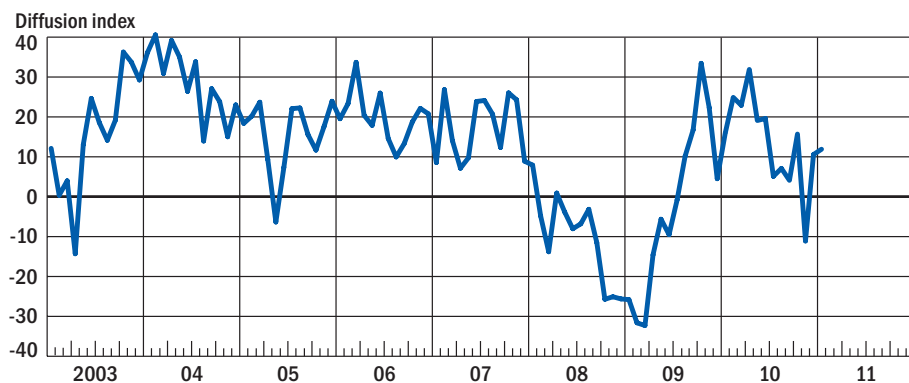
In January, the general business conditions index rose 2 points to 11.9, its second consecutive positive reading since dipping below zero for a single month in November of last year. Thirty-three percent of respondents reported that conditions had improved over the month, while 21 percent reported that conditions had worsened. The new orders index rose 10 points to 12.4, and the shipments index shot up 18 points to 25.4. The delivery time index was unchanged at -6.3. After dropping 15 points into negative territory last month, the inventories index rose 20 points, to 4.2, suggesting that inventory levels increased in January after declining in December.

Prices Accelerate

Both prices paid and prices received indexes were positive and markedly higher this month. The prices paid index rose 7 points to 35.8, its highest level in several months, with 41 percent reporting increased input prices. The prices

General Business Conditions

Seasonally adjusted



Continued from page 1

received index advanced 12 points to 15.8, its highest level since late 2008; 20 percent of respondents boosted selling prices in January, up from 10 percent in December. Employment indexes climbed above zero, suggesting that employment increased this month after declining last month. The index for number of employees moved up 12 points to 8.4, while the average workweek index rose 17 points, to 2.1.

Very Favorable Outlook for the Months Ahead

Future indexes were at relatively high levels, suggesting that manufacturers widely expected conditions to continue improving over the next six months. The future general business conditions index rose 10 points to 59.0, with 61 percent of respondents

expecting conditions to be better in six months. The future new orders and shipments indexes remained at similarly high levels. The future inventories index rose 16 points to 14.7, a record high, indicating that inventory levels were expected to increase in the near future as business activity improved. Future price indexes, already elevated, inched higher—a sign that respondents expected both input prices and selling prices to accelerate. Future employment indexes, though slightly lower, were positive, indicating that employment levels were expected to continue increasing. The capital expenditures index moved up significantly, to 34.7, and the technology spending index edged up to 22.1. ■

Note: Data have undergone an annual benchmark revision.
All historical data have been revised using new seasonal factors.

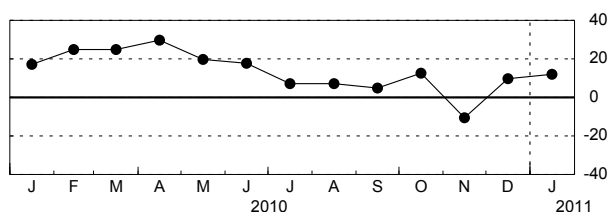
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.79	50.30	19.91	9.89
Jan	32.72	46.49	20.80	11.92

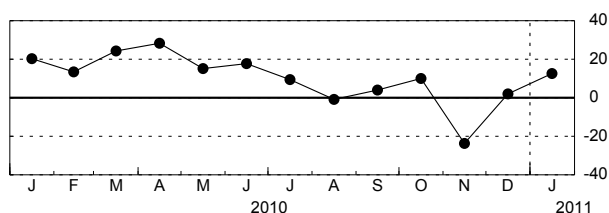
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	27.68	46.66	25.65	2.03
Jan	35.33	41.73	22.94	12.39

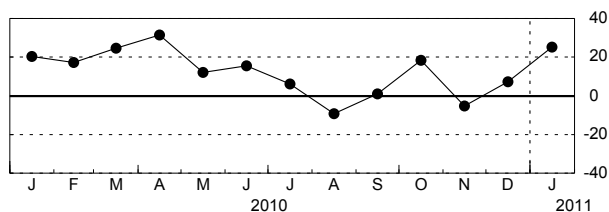
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	28.71	49.73	21.55	7.16
Jan	40.56	44.26	15.17	25.39

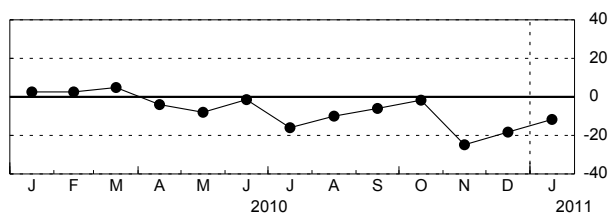
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	10.23	61.36	28.41	-18.18
Jan	10.53	67.37	22.11	-11.58

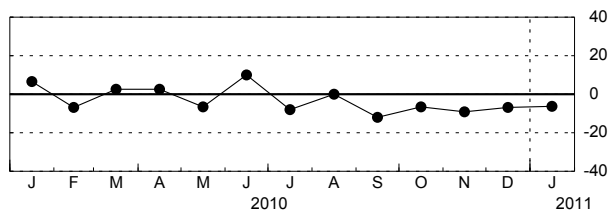
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	5.68	81.82	12.50	-6.82
Jan	5.26	83.16	11.58	-6.32

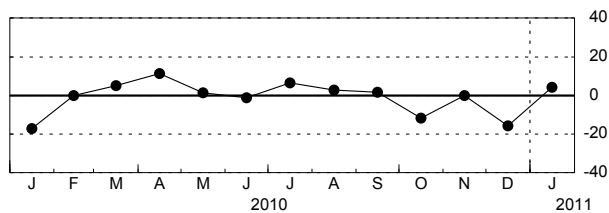
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	19.32	45.45	35.23	-15.91
Jan	23.16	57.89	18.95	4.21

Inventories - Diffusion Index



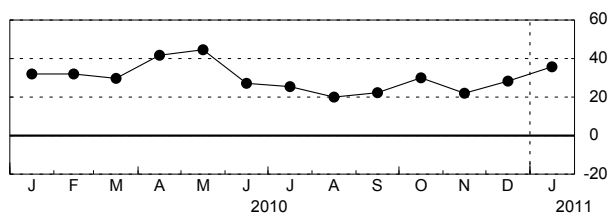
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	36.36	55.68	7.95	28.41
Jan	41.05	53.68	5.26	35.79

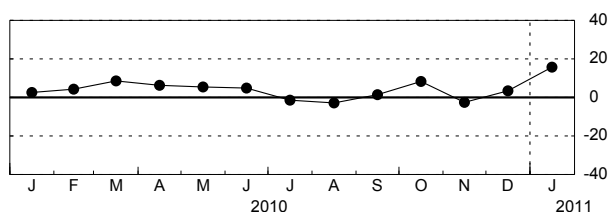
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	10.23	82.95	6.82	3.41
Jan	20.00	75.79	4.21	15.79

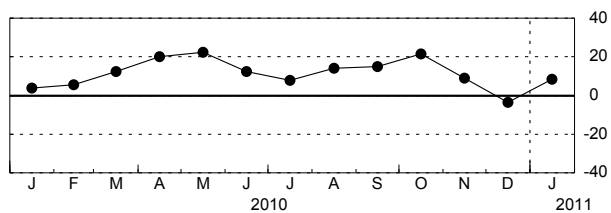
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	17.05	62.50	20.45	-3.41
Jan	23.16	62.11	14.74	8.42

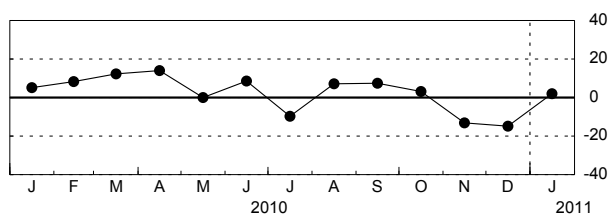
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	9.09	67.05	23.86	-14.77
Jan	21.05	60.00	18.95	2.11

Average Employee Workweek - Diffusion Index



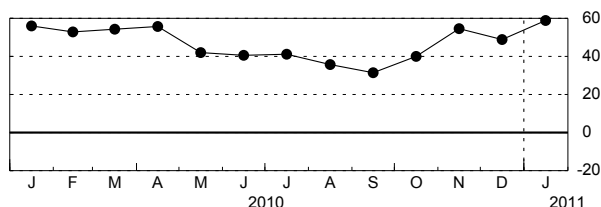
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	56.82	35.23	7.95	48.86
Jan	61.05	36.84	2.11	58.95

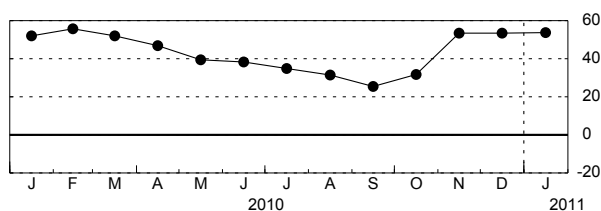
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	60.23	32.95	6.82	53.41
Jan	57.89	37.89	4.21	53.68

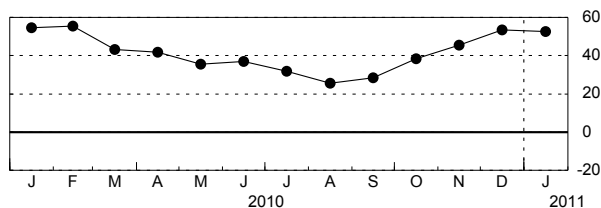
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	61.36	30.68	7.95	53.41
Jan	57.89	36.84	5.26	52.63

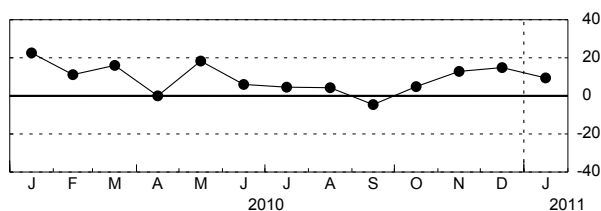
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	25.00	64.77	10.23	14.77
Jan	23.16	63.16	13.68	9.47

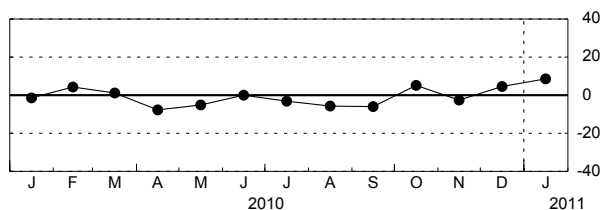
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	12.50	79.55	7.95	4.55
Jan	15.79	76.84	7.37	8.42

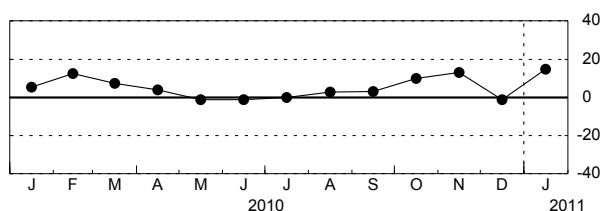
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	22.73	53.41	23.86	-1.14
Jan	28.42	57.89	13.68	14.74

Inventories - Diffusion Index



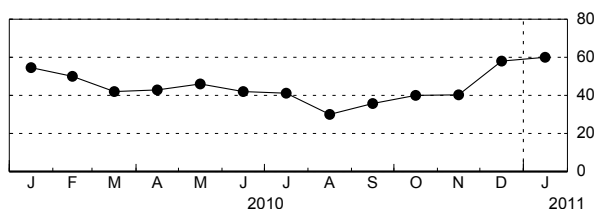
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	61.36	35.23	3.41	57.95
Jan	66.32	27.37	6.32	60.00

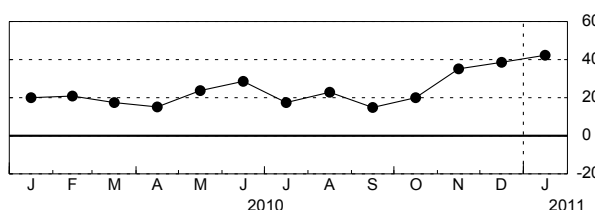
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	44.32	50.00	5.68	38.64
Jan	47.37	47.37	5.26	42.11

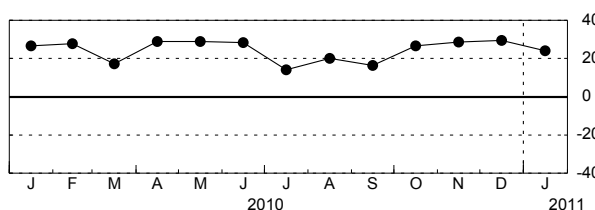
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	39.77	50.00	10.23	29.55
Jan	35.79	52.63	11.58	24.21

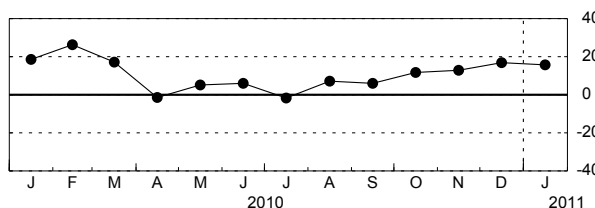
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	25.00	67.05	7.95	17.05
Jan	25.26	65.26	9.47	15.79

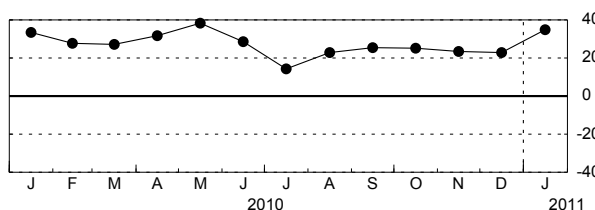
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	35.23	52.27	12.50	22.73
Jan	43.16	48.42	8.42	34.74

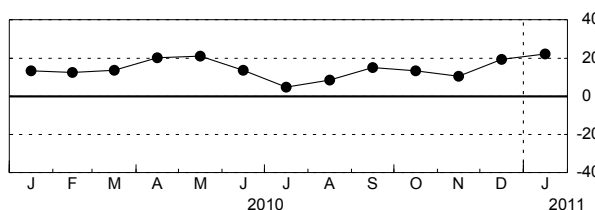
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	28.41	62.50	9.09	19.32
Jan	30.53	61.05	8.42	22.11

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Majority of Manufacturers Expect to Expand Workforce in 2011

Supplementary questions in the January 2011 *Empire State Manufacturing Survey* focused on expected changes in the size of firms' workforces and on the reasons for those changes. Somewhat similar questions had been asked in the February 2010 survey.

In the current survey, 52 percent of respondents indicated that they expected their workforce to increase in the year ahead, while just 15 percent predicted declines in the total number of workers. In last February's survey, an even larger majority, 64 percent, predicted increases. The 2011 results were slightly more positive for larger establishments (150 or more employees) than for smaller establishments.

When those respondents intending to increase employment were asked to identify the key factors underlying their plans, the vast majority (77 percent) ranked high

expected sales growth as the most important factor. An overworked current staff was seen as the second most important factor, followed by the need for skills not possessed by current staff.

When all respondents were asked about factors restraining hiring plans, low expected sales growth was deemed to be most important, followed by an inability to find workers with required skills. Twenty-seven percent of respondents reported that there were no sources of restraint. The questions about the factors underlying firms' plans had not been asked in previous surveys. ■

Continued

Supplemental Report, *continued*

QUESTION 1

Please indicate the number of employees you have currently.

Total Number of Employees	Percentage of Respondents
Under 100	58.2
100 to 150	17.6
150 to 200	7.7
200 to 500	11.0
500 or more	5.5
Average Number of Employees, by Category	
Total employees	361.2
Full-time employees	326.8
Part-time employees	5.0
Contract employees	29.4

QUESTION 2

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

	Percentage of Respondents	
	January 2011	February 2010
Increase	52.2	63.9
Remain unchanged	32.6	20.8
Decrease	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	77.1	8.3	6.3
Current staff are overworked	8.3	29.2	8.3
Need skills not possessed by current staff	4.2	18.8	18.8
Labor costs have fallen	0.0	0.0	2.1
Decreased economic or financial uncertainty	4.2	12.5	14.6
Firm's financial position has improved	4.2	6.3	14.6
Other factors (please specify)	0.0	2.1	0.0

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.

Percentage of respondents indicating no sources of restraint: 27.4

	Percentage of Respondents Ranking the Factor as		
	1	2	3
Expected growth of sales is low	30.5	3.2	0.0
Current staff are underutilized/working reduced hours	6.3	10.5	3.2
Cannot find workers with required skills	10.5	8.4	8.4
Labor costs are high	0.0	5.3	12.6
Uncertainty about the cost of health insurance	5.3	17.9	5.3
Uncertainty about other regulations or government policies	5.3	8.4	11.6
Firm's financial position has deteriorated	2.1	2.1	6.3
Other factors (please specify)	4.2	0.0	0.0