

Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to deteriorate in October. The general business conditions index remained negative and, at -8.5, was little changed. The new orders index hovered around zero, indicating that orders were flat, while the shipments index rose above zero to 5.3. The inventories index stayed below zero, a sign that inventories declined. The indexes for both prices paid and prices received fell, but remained positive, suggesting that price increases moderated. The index for number of employees rose several points but was at a relatively low level of 3.4, while the average workweek index was negative for a

fifth consecutive month. The future general business conditions index dropped six points to 6.7, its lowest level since early 2009, while future indexes for prices paid and prices received declined.

Asked a series of supplementary questions about borrowing needs and credit availability, firms noted some tightening in credit conditions but a modest decline in borrowing costs, on net, over the past three months. When these questions were last posed in March, survey responses had indicated an increase in borrowing costs. In response to a new question about credit applications, roughly three in four firms indicated that they had not

applied for credit over the past three months.

Business Conditions Remain Weak

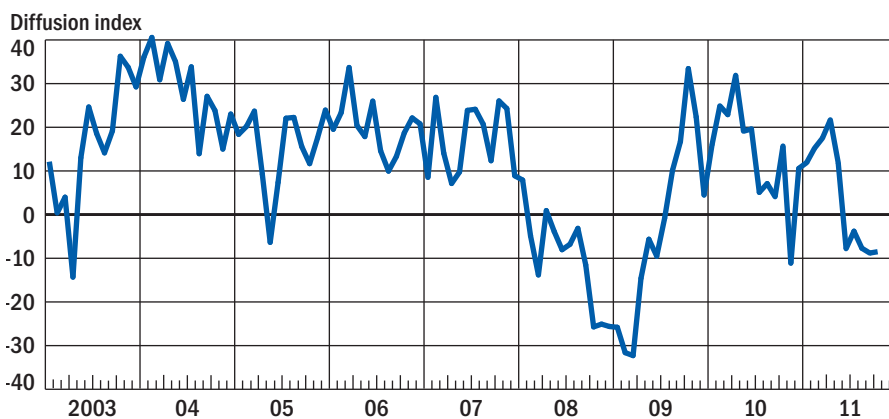
The general business conditions index was negative for a fifth consecutive month, and at -8.5, adhered closely to the level it had held since June. Seventeen percent of respondents reported that conditions had improved over the month, while 26 percent reported that conditions had worsened. After a series of negative readings from June through September, the new orders index rose to 0.2 in October—an indication that orders were unchanged after declining for a number of months. The shipments index advanced eighteen points, rising above zero to 5.3 and signaling an increase in shipments. The unfilled orders index inched upward, but remained below zero at -4.5. The delivery time index was unchanged at -1.1. The inventories index also remained below zero and, at -9.0, indicated a modest decline in inventory levels.

Price Increases Moderate

The indexes for both prices paid and prices received fell in October, indicating that price increases moderated. The prices paid index dropped ten points to 22.5, its

General Business Conditions

Seasonally adjusted



Continued from page 1

lowest level since November of last year. This month, 29 percent of respondents indicated that input prices rose, while 7 percent indicated that input prices fell. The prices received index retreated four points to 4.5, with 80 percent of respondents reporting that they had not changed their selling prices. Employment indexes were mixed. After dipping below zero last month, the index for number of employees climbed nine points to 3.4, suggesting a slight increase in employment levels. The average workweek index, however, remained below zero for a fifth consecutive month and, at -4.5, indicated a slight decline in

the length of the average employee workweek.

Outlook Remains Subdued

Future indexes generally indicated an expectation that conditions would improve in the months ahead, but the level of optimism remained relatively low. The future general business conditions index fell six points to 6.7, its lowest level since February of 2009. The future new orders index held steady at 12.4, and the future shipments index rose five points to 18.0. All of these indexes were well below levels seen earlier this year. The future inventories index fell fourteen points to -15.7, conveying

an expectation that inventory levels would decline over the next six months. The future indexes for both prices paid and prices received were positive but significantly lower, indicating that price increases were expected to continue moderating. At 6.7, the index for future number of employees suggested that employment levels were expected to rise slightly, although the future average workweek index was slightly negative. The capital expenditures index was 7.9, close to last month's reading, and the technology spending index dipped six points to 1.1. ■

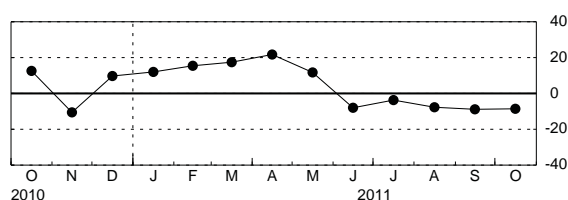
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	19.38	52.41	28.21	-8.82
Oct	17.05	57.41	25.53	-8.48

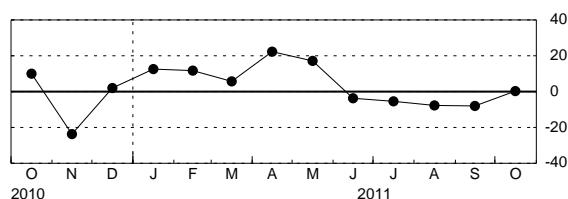
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	19.61	52.78	27.61	-8.00
Oct	31.52	37.13	31.36	0.16

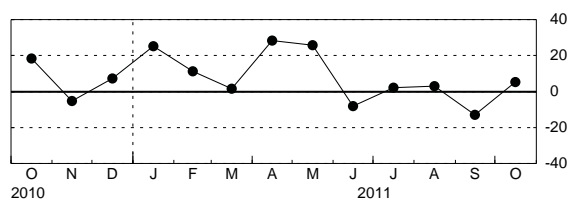
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	20.34	46.44	33.22	-12.88
Oct	34.71	35.90	29.39	5.33

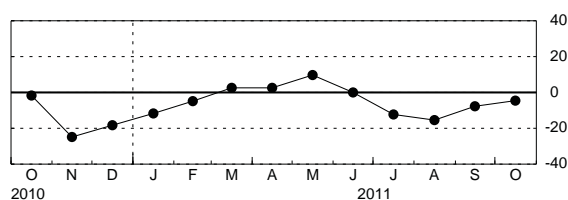
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	16.30	59.78	23.91	-7.61
Oct	13.48	68.54	17.98	-4.49

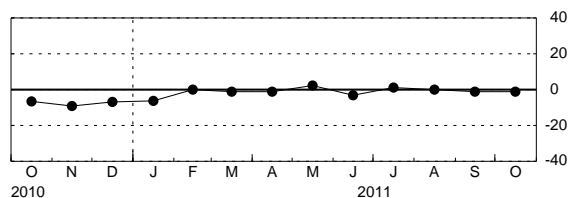
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	8.70	81.52	9.78	-1.09
Oct	6.74	85.39	7.87	-1.12

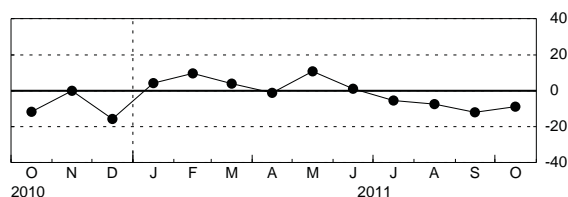
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	20.65	46.74	32.61	-11.96
Oct	20.22	50.56	29.21	-8.99

Inventories - Diffusion Index



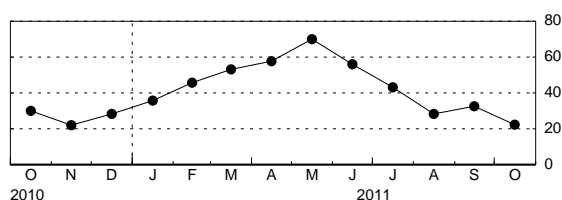
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	34.78	63.04	2.17	32.61
Oct	29.21	64.04	6.74	22.47

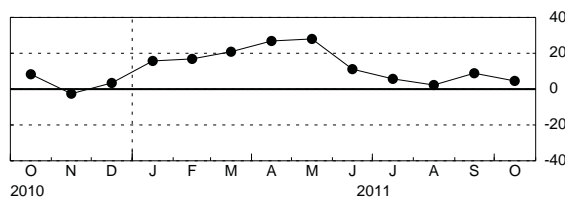
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	17.39	73.91	8.70	8.70
Oct	12.36	79.78	7.87	4.49

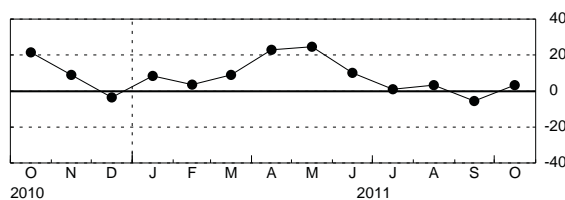
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.04	68.48	18.48	-5.43
Oct	21.35	60.67	17.98	3.37

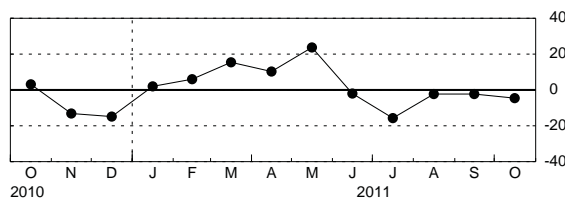
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	14.13	69.57	16.30	-2.17
Oct	13.48	68.54	17.98	-4.49

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

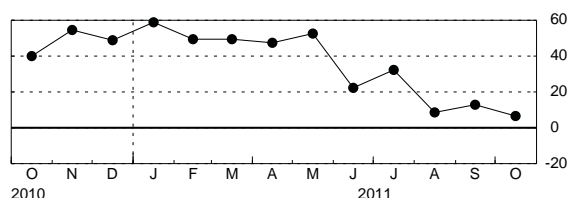
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	36.96	39.13	23.91	13.04
Oct	31.46	43.82	24.72	6.74

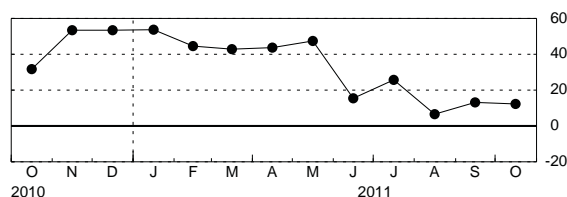
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	33.70	45.65	20.65	13.04
Oct	35.96	40.45	23.60	12.36

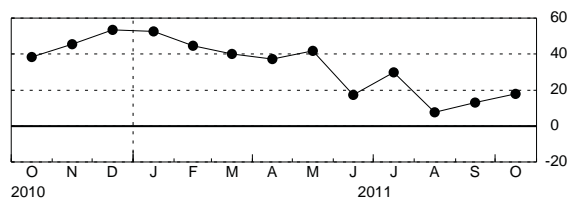
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	33.70	45.65	20.65	13.04
Oct	38.20	41.57	20.22	17.98

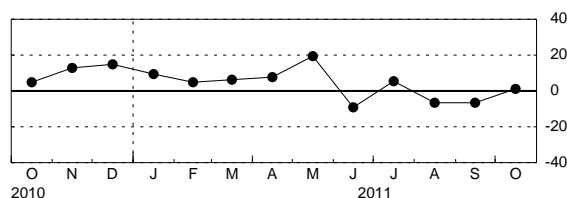
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	14.13	65.22	20.65	-6.52
Oct	17.98	65.17	16.85	1.12

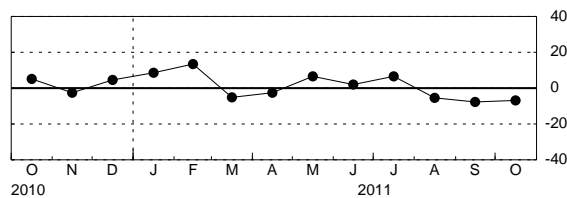
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	5.43	81.52	13.04	-7.61
Oct	5.62	82.02	12.36	-6.74

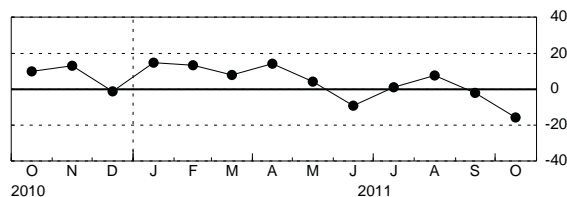
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	23.91	50.00	26.09	-2.17
Oct	12.36	59.55	28.09	-15.73

Inventories - Diffusion Index



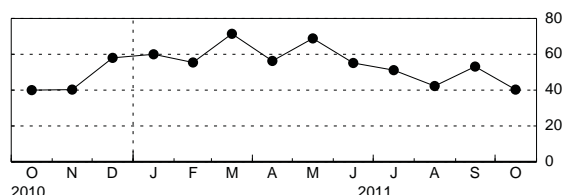
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	54.35	44.57	1.09	53.26
Oct	47.19	46.07	6.74	40.45

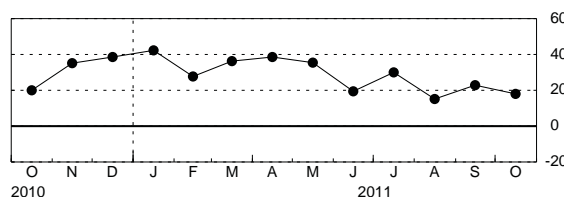
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	33.70	55.43	10.87	22.83
Oct	28.09	61.80	10.11	17.98

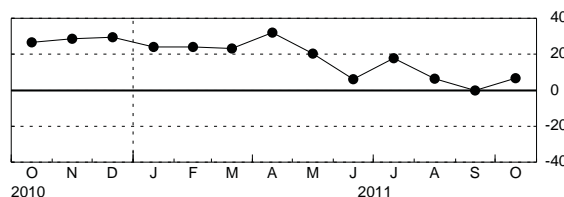
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	23.91	52.17	23.91	0.00
Oct	23.60	59.55	16.85	6.74

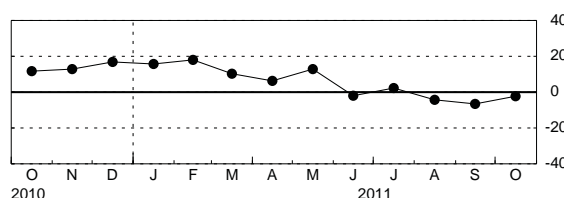
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.04	67.39	19.57	-6.52
Oct	12.36	73.03	14.61	-2.25

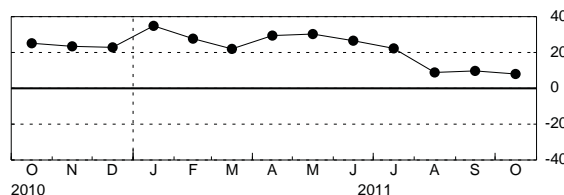
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	25.00	59.78	15.22	9.78
Oct	24.72	58.43	16.85	7.87

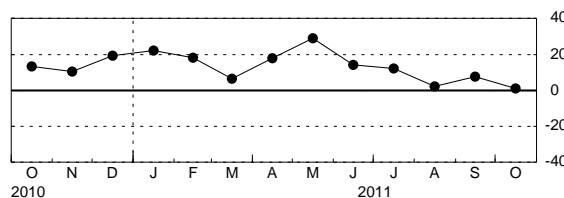
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	19.57	68.48	11.96	7.61
Oct	14.61	71.91	13.48	1.12

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Manufacturers Report Tighter Credit Standards but Somewhat Lower Borrowing Costs

Supplementary questions in the October 2011 *Empire State Manufacturing Survey* focused on recent changes in firms' borrowing needs, perceived changes in credit availability, and various measures of borrowing constraints and costs. Parallel questions had been asked in earlier surveys—most recently, the March 2011 and October 2010 surveys. In the current survey, firms were also specifically queried about their experience in applying for credit in the preceding three months.

As in the March 2011 survey, respondents reported that borrowing needs were mostly steady, on balance, over the past year. In the current survey, 16 percent of respondents said that their borrowing needs had decreased in the past year, while 20 percent said that they had increased. In assessing changes over the past three months, however, the share of respondents reporting a decrease in borrowing needs (21 percent) was nearly twice the share reporting an increase (11 percent). This last finding differs somewhat from the corresponding result in the March survey, which showed that more respondents experienced increases

than decreases in the preceding three months. Still, the vast majority of respondents in the current survey—nearly 70 percent—reported no change in borrowing needs.

Queried about the change in credit availability over the past year, 21 percent of firms—the same percentage as in March—reported some tightening, while just 7 percent reported that credit had eased. When asked about the change over the past three months, the vast majority of respondents (83 percent) reported no change; 13 percent noted tightening, while just 5 percent reported easier credit.

Roughly 68 percent of respondents reported no change in borrowing costs over the past three months; 21 percent said that such costs had decreased, while 12 percent indicated that they had increased. These results contrast sharply with the March survey findings, where 33 percent of those surveyed reported increased borrowing costs and just 3 percent reported reduced costs. When asked about recent changes in limits (ceilings) on existing lines of credit, 82 percent of respondents

reported no change; 14 percent reported lower ceilings on existing lines of credit, while just 4 percent reported higher ceilings. When asked about banks' requirements to extend business loans and/or credit lines, 21 percent of firms said that such requirements had tightened somewhat, while 7 percent said they had eased.

Finally, in response to a question not asked previously, nearly three in four firms said that they had not applied for credit in the past three months. The reason cited by most of these firms was that their financing needs were currently being met. However, a number of respondents indicated that they did not expect to be able to get credit. Of the one in four respondents that had applied for credit, 70 percent said they were offered full funding and accepted it; another 18 percent said they were offered partial funding and accepted it. While none of those applying for credit said that they were denied funding altogether, a handful said that the terms were unfavorable or the price was higher than desired. ■

Continued

Supplemental Report, *continued*

QUESTION 1

How do your current borrowing needs compare with those one year earlier? Three months earlier?

	October 2011 Survey			March 2011 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
One year earlier	16.1	64.4	19.5	19.7	60.5	19.7
Three months earlier	20.5	68.2	11.4	8.1	78.4	13.5

QUESTION 2

How has credit availability changed over the past twelve months? Past three months?

	October 2011 Survey			March 2011 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past twelve months	6.8	72.7	20.5	14.7	64.0	21.3
Over the past three months	4.6	82.8	12.6	9.2	76.3	14.5

QUESTION 3

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

	October 2011	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .			
Much easier now	2.4	0.0	0.0	1.3
Somewhat easier now	4.9	5.3	6.7	8.0
Same	72.0	73.3	75.0	61.3
Somewhat tighter now	20.7	17.3	13.3	17.3
Much tighter now	0.0	4.0	5.0	12.0

QUESTION 4

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

	October 2011	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .			
Much lower now	1.2	0.0	0.0	0.0
Lower now	19.3	2.6	11.7	5.3
Same	67.5	64.5	76.7	66.7
Higher now	12.0	31.6	10.0	25.3
Much higher now	0.0	1.3	1.7	2.7

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:

	October 2011	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .			
Much lower now	4.7	2.6	3.3	3.9
Lower now	9.4	13.2	6.7	13.2
Same	82.4	75.0	81.7	72.4
Higher now	3.5	7.9	8.3	5.3
Much higher now	0.0	1.3	0.0	1.3

QUESTION 6

Did your business apply for credit in the past three months? If not, why? If so, what was the result?

Percentage of Firms Responding . . .	
Did not apply	73.9
Because financing needs were met	62.5
Because did not expect to be able to get credit	6.8
Did apply	26.1
Were offered full funding and accepted it	18.2
Offered full funding and declined: terms unfavorable	1.1
Offered partial funding and accepted	4.5
Offered partial funding and declined	0.0
Offered funding and declined (no longer needed)	0.0
Not offered any funding	0.0