

# Empire State Manufacturing Survey

The October 2013 *Empire State Manufacturing Survey* indicates that business conditions held steady for New York manufacturers. The general business conditions index fell 5 points to 1.5. The new orders index rose five points to 7.8 and the shipments index fell three points to 13.1, suggesting that both orders and shipments increased modestly over the month. The prices paid index was unchanged at 21.7 and the prices received index fell six points to 2.4. Labor market conditions were also steady, with the index for number of employees falling four points to 3.6 and the average workweek index inching up to 3.6. Indexes for the six-

month outlook continued to convey a strong degree of optimism about future business conditions.

Supplementary questions focused on recent and expected changes in firms' borrowing needs and credit availability. Parallel questions had been asked in October 2012 and in earlier surveys. As in earlier surveys, a majority of respondents to the current survey reported no change in borrowing needs—both over the past year and over the past three months. Queried about changes in credit availability, again, the vast majority of respondents reported no change—both over the past three months and over the past

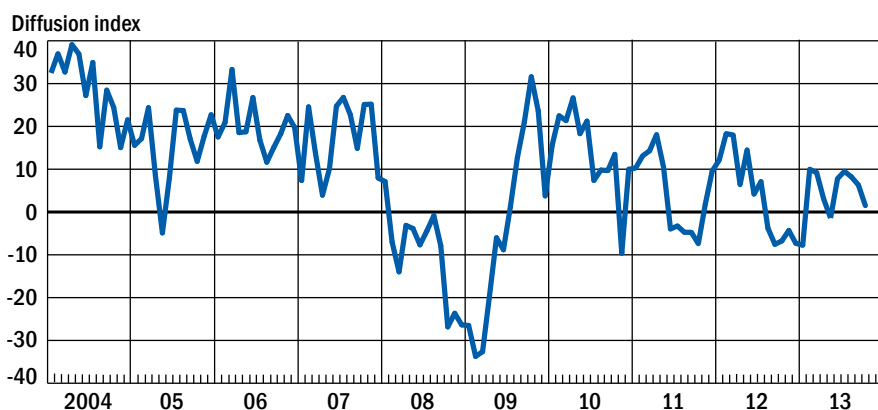
twelve months. In contrast with last year's survey, firms in this month's survey reported increased borrowing costs, on net, over the past three months. Earlier surveys indicated net declines in borrowing costs. For more details, see the full supplemental report.

## Business Conditions Hold Steady

Business conditions held steady, according to the October survey. On the heels of four consecutive months during which the general business conditions index indicated that activity grew modestly, the index fell 5 points to 1.5, suggesting that conditions were little changed over the month. Roughly a quarter of respondents indicated that conditions improved, and about the same share reported that conditions worsened. The new orders index moved in the opposite direction, rising 5 points to 7.8, indicating that orders increased modestly. The shipments index fell 3 points, but at 13.1 it pointed to a modest increase in shipments. The unfilled orders index was little changed at -6.0. The delivery time index fell 7 points to -10.8, pointing to shorter delivery times, and the inventories index came in at zero, suggesting that inventory levels were unchanged.

## General Business Conditions

Seasonally adjusted



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### **Labor Market Conditions Also Steady**

Labor market conditions also held steady. The index for number of employees fell for a second consecutive month, but was slightly positive at 3.6. The average workweek index also held above zero, at 3.6. Price indexes pointed to a steady pace of input price increases and little change in selling prices. The prices paid index was unchanged at 21.7 and the prices received index fell 6 points to 2.4.

### **Six-Month Outlook Remains Favorable**

Indexes for the six-month outlook generally conveyed strong optimism about future business conditions. The future general business conditions index held near last month's year-and-a-half high, at 40.8. The indexes for expected new orders and expected shipments also remained at strong levels. The future prices paid index rose 6 points to 45.8 and the future prices received index held

steady at 25.3. Future employment indexes indicated an expectation that employment levels and hours worked would be somewhat higher in the months ahead. Finally, the capital expenditures index and technology spending index were little changed, at 15.7 and 12.1, respectively. ■

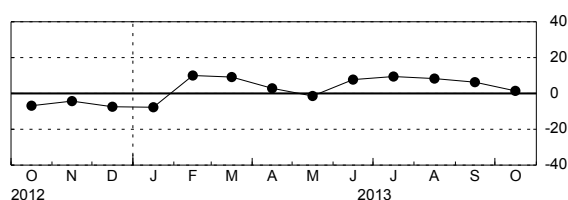
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.68	52.93	20.39	6.29
Oct	26.36	48.80	24.84	1.52

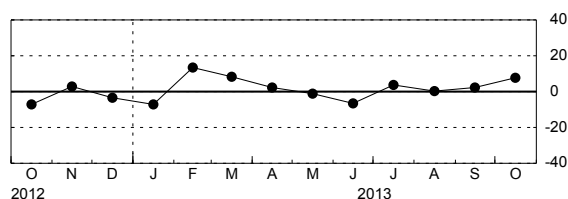
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	28.01	46.34	25.66	2.35
Oct	29.57	48.62	21.81	7.75

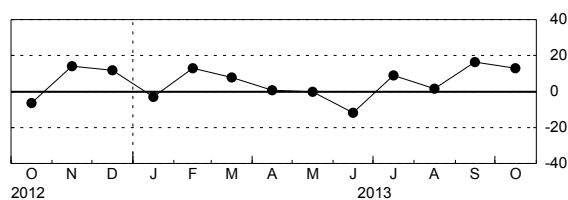
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	35.31	45.80	18.89	16.43
Oct	35.14	42.85	22.01	13.12

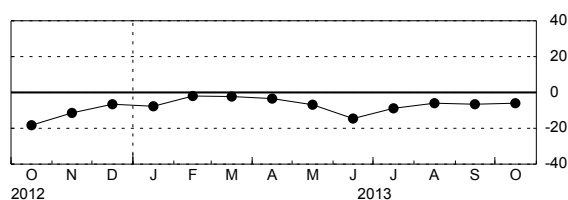
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	10.75	72.04	17.20	-6.45
Oct	15.66	62.65	21.69	-6.02

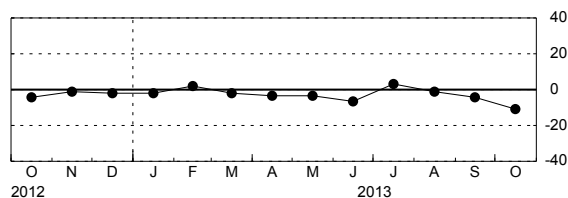
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	7.53	80.65	11.83	-4.30
Oct	4.82	79.52	15.66	-10.84

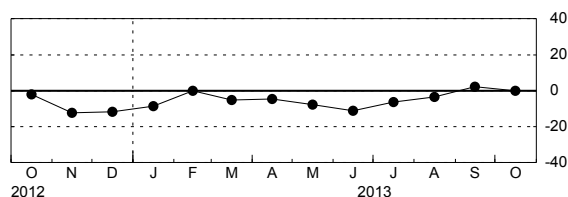
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	22.58	56.99	20.43	2.15
Oct	22.89	54.22	22.89	0.00

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	23.66	74.19	2.15	21.51
Oct	25.30	71.08	3.61	21.69

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.98	80.65	5.38	8.60
Oct	8.43	85.54	6.02	2.41

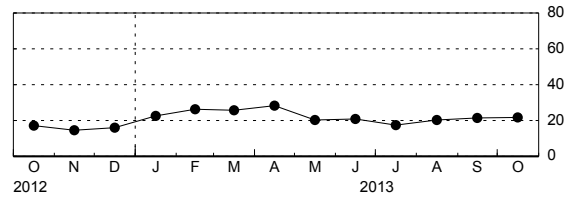
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	20.43	66.67	12.90	7.53
Oct	18.07	67.47	14.46	3.61

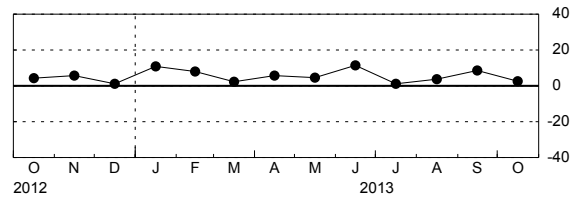
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.98	73.12	12.90	1.08
Oct	14.46	74.70	10.84	3.61

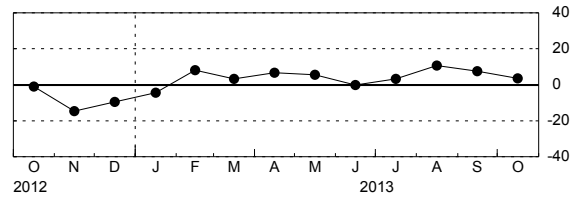
Prices Paid - Diffusion Index



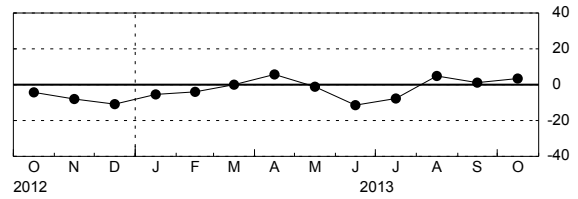
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

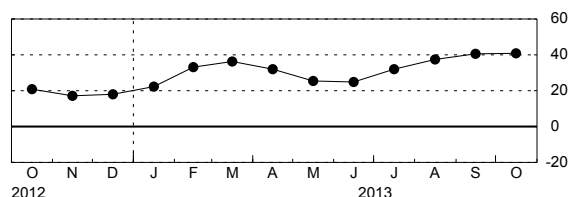
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	49.11	42.41	8.47	40.64
Oct	47.45	45.85	6.70	40.76

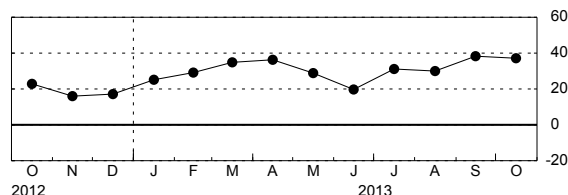
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	49.62	38.93	11.45	38.17
Oct	46.54	43.97	9.50	37.04

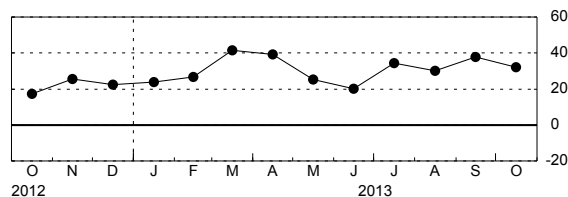
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	48.55	40.75	10.71	37.84
Oct	43.49	45.20	11.31	32.18

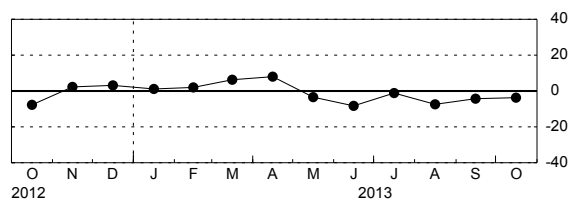
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	11.83	72.04	16.13	-4.30
Oct	10.84	74.70	14.46	-3.61

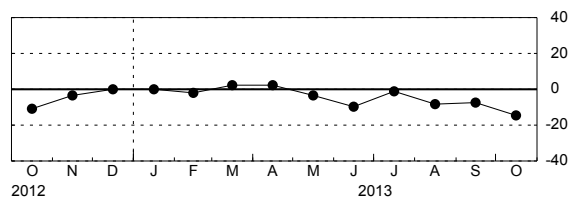
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	5.38	81.72	12.90	-7.53
Oct	2.41	80.72	16.87	-14.46

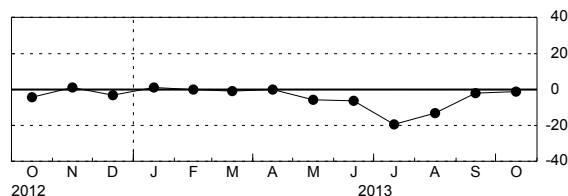
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	22.58	52.69	24.73	-2.15
Oct	19.28	60.24	20.48	-1.20

Inventories - Diffusion Index



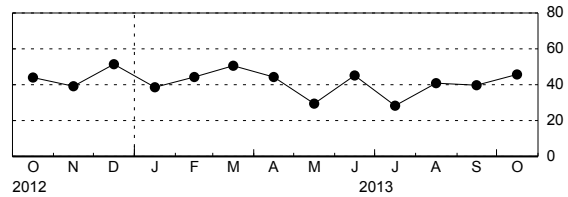
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	45.16	49.46	5.38	39.78
Oct	50.60	44.58	4.82	45.78

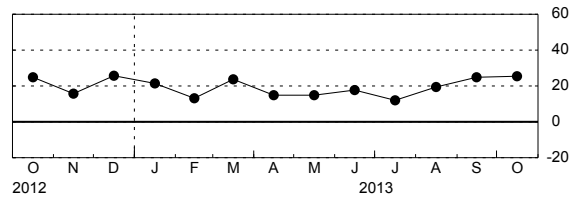
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	30.11	64.52	5.38	24.73
Oct	32.53	60.24	7.23	25.30

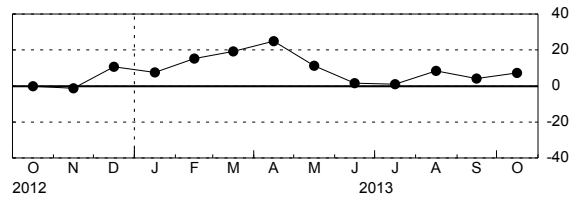
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	21.51	61.29	17.20	4.30
Oct	19.28	68.67	12.05	7.23

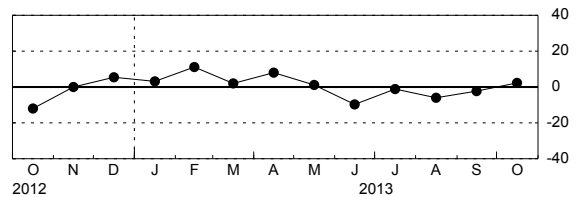
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	11.83	74.19	13.98	-2.15
Oct	10.84	80.72	8.43	2.41

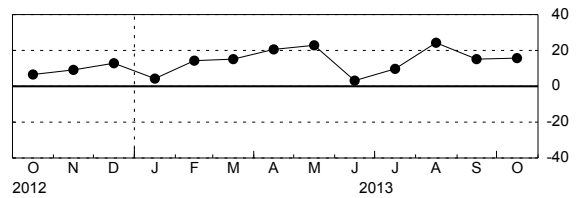
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	25.81	63.44	10.75	15.05
Oct	27.71	60.24	12.05	15.66

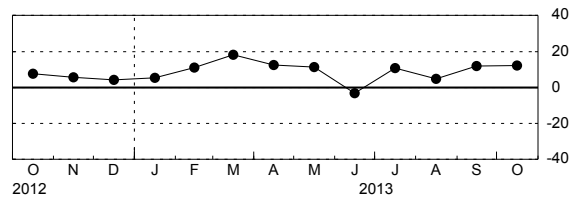
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	19.35	73.12	7.53	11.83
Oct	19.28	73.49	7.23	12.05

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Manufacturers Anticipate Increased Borrowing Needs, Tighter Credit

Supplementary questions in the October 2013 *Empire State Manufacturing Survey* focused on recent and expected changes in firms' borrowing needs and credit availability. Parallel questions had been asked in October 2012 and in earlier surveys.

As in earlier surveys, a majority of respondents in the current survey reported no change in borrowing needs—both over the past year and over the past three months. Over the past twelve months, roughly twice as many respondents reported rising rather than declining borrowing needs, by a margin of 26 percent to 13 percent—a slightly wider margin than in last October's survey. Similarly, when asked about changes over the past three months, 17 percent of respondents reported that borrowing needs had increased, while just 7 percent said

that they had declined. Looking ahead, 29 percent of manufacturers indicated that they expected borrowing needs to be higher a year from now, whereas just 10 percent anticipated falling borrowing needs—an even wider margin than in last October's survey.

Queried about changes in credit availability, again, the vast majority of respondents reported no change—both over the past three months and over the past twelve months. The shares of manufacturers reporting tightening versus easing credit were roughly in balance in the current survey. This contrasts somewhat with last year's survey, when more manufacturers indicated tightening rather than easing conditions. Looking ahead to expected changes in credit availability over the next year,

however, considerably more respondents anticipated tightening rather than easing conditions, 24 percent versus 9 percent. In last October's survey, those expecting some change were almost evenly split.

In contrast with last year's survey, firms in this month's survey reported increased borrowing costs, on net, over the past three months: 21 percent indicated increasing costs, while just 7 percent noted declining costs; a large majority (72 percent) reported no change. Earlier surveys indicated net declines in borrowing costs. More than 80 percent of respondents reported no change in limits (ceilings) on existing lines of credit over the past three months, with the balance of responses evenly split. ■

## Supplemental Report

### QUESTION 1

How do your current borrowing needs compare with those three months earlier? Twelve months earlier? How do you expect them to change over the next twelve months?

Component	October 2013 Survey			October 2012 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
Now compared with three months earlier	7.2	75.9	16.9	12.1	71.4	16.5
Now compared with twelve months earlier	13.4	61.0	25.6	15.6	58.9	25.6
Over the next twelve months	9.6	61.4	28.9	9.9	65.9	24.2

### QUESTION 2

How has credit availability changed over the past three months? Past twelve months? How do you expect it to change over the next twelve months?

Component	October 2013 Survey			October 2012 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past three months	8.5	80.5	11.0	4.4	87.8	7.8
Over the past twelve months	13.8	75.0	11.3	7.8	77.8	14.4
Over the next twelve months	8.6	67.9	23.5	12.1	74.7	13.2

### QUESTION 3

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

	October 2013	October 2012	October 2011
	Percentage of Firms Responding . . .		
Much easier now	0.0	0.0	2.4
Somewhat easier now	10.0	6.7	4.9
Same	71.3	76.4	72.0
Somewhat tighter now	17.5	12.4	20.7
Much tighter now	1.3	4.5	0.0

### QUESTION 4

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

	October 2013	October 2012	October 2011
	Percentage of Firms Responding . . .		
Much lower now	0.0	0.0	1.2
Lower now	7.4	16.7	19.3
Same	71.6	76.7	67.5
Higher now	19.8	5.6	12.0
Much higher now	1.2	1.1	0.0

### 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 2013	October 2012	October 2011
	Percentage of Firms Responding . . .		
Much lower now	0.0	2.2	4.7
Lower now	9.9	3.3	9.4
Same	81.5	87.9	82.4
Higher now	7.4	6.6	3.5
Much higher now	1.2	0.0	0.0