

# Empire State Manufacturing Survey\*

The *Empire State Manufacturing Survey* indicates that manufacturing activity expanded in New York State in January. The general business conditions index climbed five points to 13.5. The new orders index rose eight points to 13.7 and the shipments index inched up to 21.7. The prices paid index was positive and slightly higher than it was last month while the prices received index jumped twenty points to 23.1, indicating a significant pickup in selling prices. Employment indexes were positive and higher, pointing to higher employment levels and a longer average workweek. Future indexes conveyed a high degree of optimism about the six-month

outlook, with the future general business conditions index rising nine points to 54.9, its highest level since January 2011.

On a series of supplementary survey questions, 51 percent of respondents indicated that they expect their workforces to increase over the next six to twelve months, while just 9 percent predicted declines in the total number of workers—results noticeably more positive than in the June 2011 survey. The current results were slightly more positive for larger establishments (150 or more employees) than for smaller ones. High expected sales growth was widely deemed to be the most

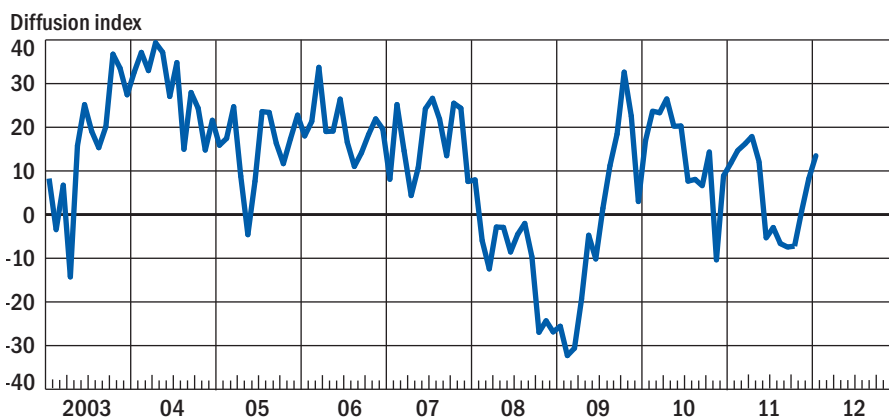
important factor among those who planned to add workers. When asked about anticipated changes in wages per worker, 80 percent of respondents indicated that wages would increase by less than 5 percent and almost all of the remaining 20 percent said wages would stay about the same. When asked about changes in benefits per worker, however, a sizable proportion, 37 percent, estimated that increases would exceed 5 percent.

## Business Activity Continues to Pick Up

Business conditions improved in January, with the general business conditions index rising five points to 13.5. This index has been on a clear upward trend since October 2011. In January, 35 percent of respondents indicated that conditions improved over the month while 22 percent reported a worsening. The new orders index climbed eight points to 13.7 and the shipments index inched up two points to 21.7. The unfilled orders index rose ten points but remained negative at -5.5. The delivery time index fell to -3.3, suggesting a slight decrease in delivery times. The inventories index rose into positive territory for the first time in several months, climbing ten points to 6.6,

## General Business Conditions

Seasonally adjusted



Continued

*Continued from page 1*

indicating that inventory levels increased modestly.

### **Selling Prices Jump**

The prices paid index rose two points to 26.4, indicating that input prices increased at a pace similar to that of last month. The prices received index jumped twenty points to 23.1, pointing to a significant pickup in selling prices, with just over a quarter of respondents increasing their prices in January. Employment indexes were positive and higher than they were last month, indicating that manufacturers had increased their

workforces and the length of the average workweek had risen. The number of employees index rose ten points to 12.1 and the average workweek index rose nine points to 6.6.

### **A Highly Optimistic Six-Month Outlook**

The six-month outlook continued to gain momentum in January. The future general business conditions index rose nine points to 54.9, its highest level since January 2011. This index has risen nearly forty points since October. The future new orders and shipments indexes were also at similarly high levels.

While future price indexes were somewhat lower for the month, they remained at relatively high levels, suggesting that input price increases and selling price increases are widely expected in the months ahead. The future index for number of employees rose four points to 28.6 while the future index for average workweek fell five points to 17.6. The future capital expenditures index inched up two points to 25.3 and the future technology spending index rose four points to 19.8. ■

*\*Data have undergone an annual benchmark revision. For several series, including the general business conditions index, historical data have been revised.*

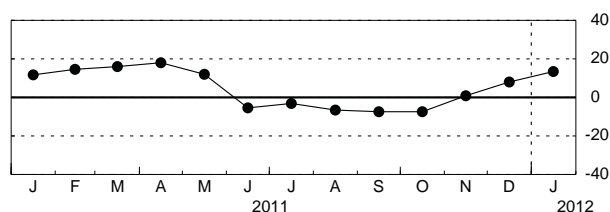
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.86	48.48	21.66	8.19
Jan	35.18	43.12	21.70	13.48

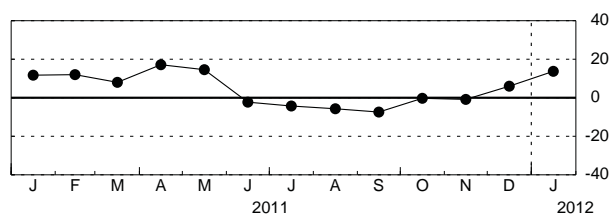
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	30.06	45.87	24.07	5.99
Jan	33.00	47.71	19.30	13.70

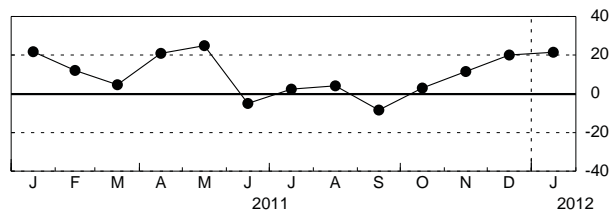
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	38.87	42.32	18.81	20.06
Jan	38.27	45.16	16.57	21.69

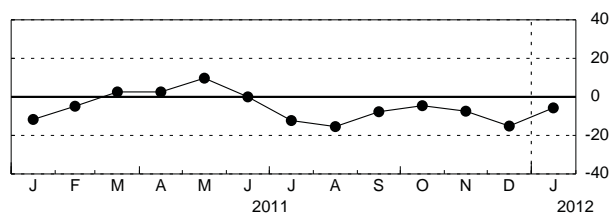
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	12.79	59.30	27.91	-15.12
Jan	15.38	63.74	20.88	-5.49

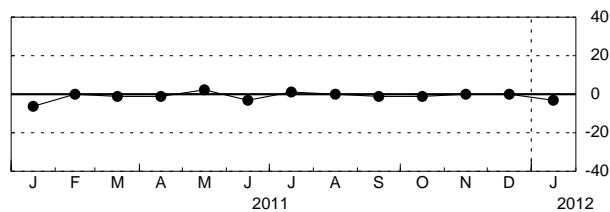
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	11.63	76.74	11.63	0.00
Jan	7.69	81.32	10.99	-3.30

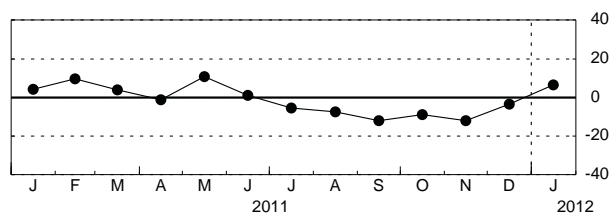
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	25.58	45.35	29.07	-3.49
Jan	26.37	53.85	19.78	6.59

Inventories - Diffusion Index



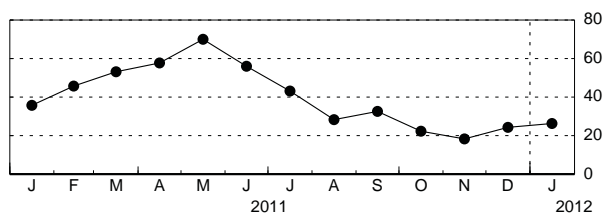
## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.07	66.28	4.65	24.42
Jan	31.87	62.64	5.49	26.37

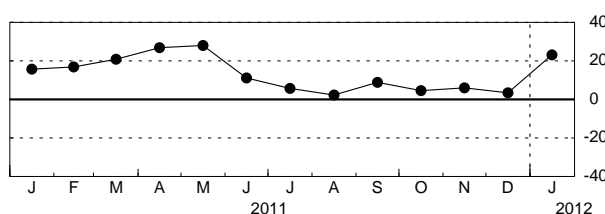
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	10.47	82.56	6.98	3.49
Jan	26.37	70.33	3.30	23.08

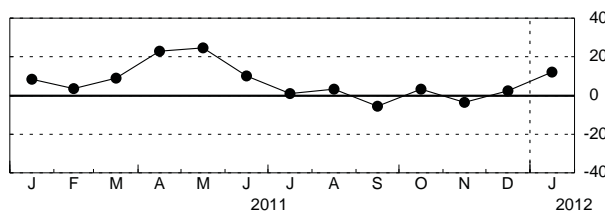
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	16.28	69.77	13.95	2.33
Jan	21.98	68.13	9.89	12.09

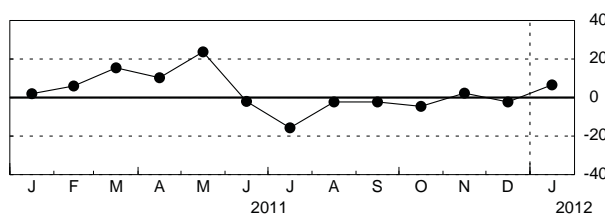
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	15.12	67.44	17.44	-2.33
Jan	15.38	75.82	8.79	6.59

Average Employee Workweek - Diffusion Index



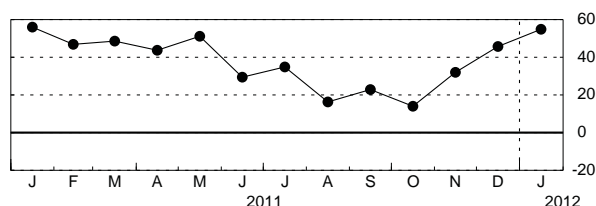
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	56.74	32.12	11.14	45.61
Jan	60.51	33.85	5.64	54.87

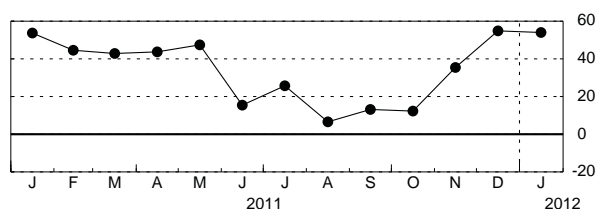
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	63.95	26.74	9.30	54.65
Jan	61.54	30.77	7.69	53.85

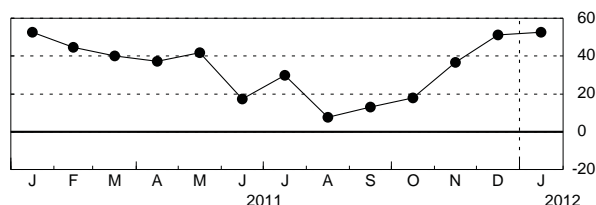
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	61.63	27.91	10.47	51.16
Jan	59.34	34.07	6.59	52.75

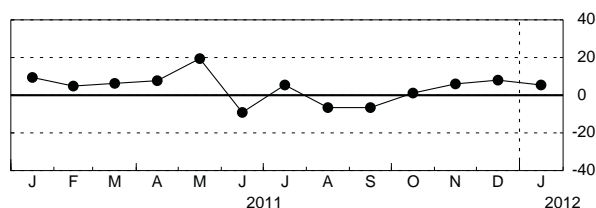
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	22.09	63.95	13.95	8.14
Jan	18.68	68.13	13.19	5.49

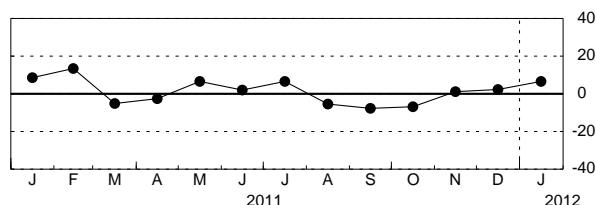
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	10.47	81.40	8.14	2.33
Jan	9.89	86.81	3.30	6.59

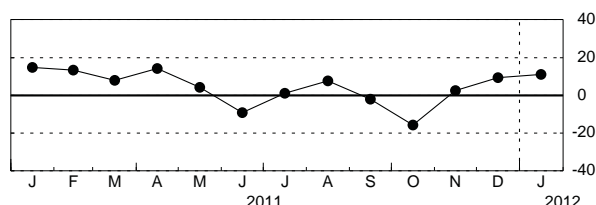
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.07	51.16	19.77	9.30
Jan	30.77	49.45	19.78	10.99

Inventories - Diffusion Index



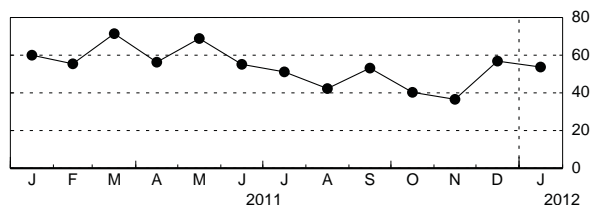
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	59.30	38.37	2.33	56.98
Jan	57.14	39.56	3.30	53.85

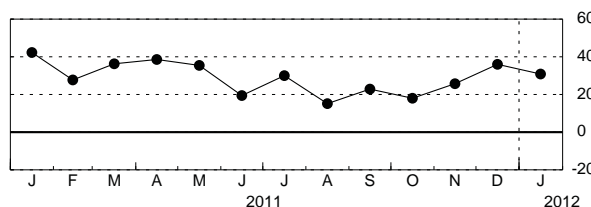
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	44.19	47.67	8.14	36.05
Jan	39.56	51.65	8.79	30.77

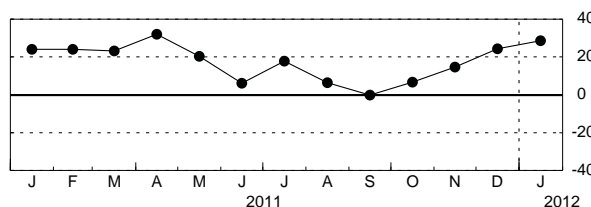
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	38.37	47.67	13.95	24.42
Jan	36.26	56.04	7.69	28.57

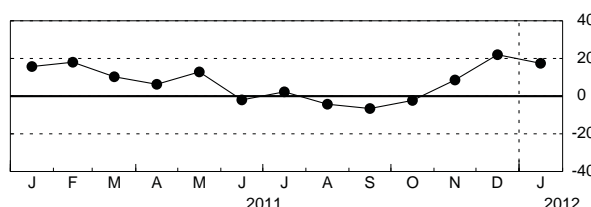
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	27.91	66.28	5.81	22.09
Jan	21.98	73.63	4.40	17.58

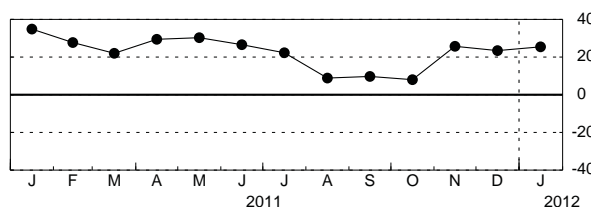
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	36.05	51.16	12.79	23.26
Jan	38.46	48.35	13.19	25.27

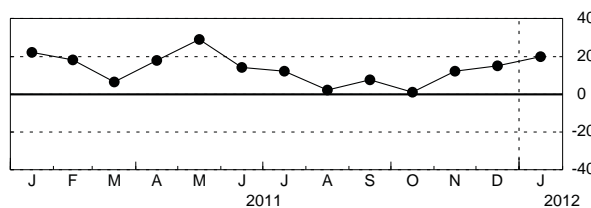
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	25.58	63.95	10.47	15.12
Jan	27.47	64.84	7.69	19.78

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Majority of Respondents Plan to Expand Workforce in 2012

Supplementary questions in the January 2012 *Empire State Manufacturing Survey* focused on expected changes in the size of firms' workforces and on the reasons for the changes. Many of the same questions had been asked in the June 2011 and January 2011 surveys.

In the current survey, 51 percent of respondents indicated that they expected their workforce to increase over the next six to twelve months, while just 9 percent predicted declines in the total number of employees. These findings were markedly more positive than those from last June's survey—when 41 percent of respondents had predicted increases while 17 percent had anticipated decreases—and modestly improved from the January 2011 survey. Larger establishments (150 or more employees) were slightly more optimistic than smaller establishments—a result that

reversed the June 2011 findings but paralleled the findings from last January's probe.

When those respondents planning to increase employment were asked to identify the key factors behind their decision, nearly two-thirds ranked high expected sales growth as the most important factor. In the 2011 surveys, more than three-quarters of respondents ranked this as most important. Other factors deemed important in the current survey were decreased economic or financial uncertainty. An overworked staff and a need for skills not possessed by current staff were most widely ranked as the second most important factor.

When asked about factors restraining hiring plans, 23 percent of respondents—down moderately from earlier surveys—reported no sources of restraint. Low expected sales growth was judged to be the most important factor depressing

hiring, though to a lesser degree than in last June's survey. An inability to find workers with the required skills and a desire to keep down operating costs were also cited as important constraints, followed by uncertainty about the cost of health insurance.

Finally, when asked about expected changes in wages per worker and benefits per worker from 2011 to 2012, 80 percent of respondents indicated that wages would increase by less than 5 percent, and almost all the rest of those surveyed said that wages would stay about the same. With regard to benefits, however, a sizable proportion of respondents, 37 percent, estimated that increases would exceed 5 percent, and another 34 percent anticipated that benefit costs would rise by between 2½ and 5 percent. These results correspond fairly closely to those in last June's survey. ■

*Continued*

## Supplemental Report, *continued*

### QUESTION 1

For each category, please indicate the number of employees you have currently.

Number of employees	Percentage of Respondents		
	January 2012 Survey	June 2011 Survey	January 2011 Survey
Under 100	52.2	51.0	58.2
100 to 150	23.3	20.8	17.6
150 to 200	3.3	8.3	7.7
200 to 500	16.7	13.5	11.0
500 or more	4.4	6.3	5.5
<b>Employee category</b>	<b>Average Percentage of Employees</b>		
Full-time employees	96.0	89.5	90.5
Part-time employees	1.9	2.0	1.4
Contract employees	2.1	8.5	8.1

### 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 2012 Survey	June 2011 Survey	January 2011 Survey
Increase	50.5	41.3	52.2
Remain unchanged	40.7	41.3	32.6
Decrease	8.8	17.4	15.2

\*The time horizon in the June 2011 survey was twelve months.

### 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	65.2	4.3	0.0
Reduced employment too much	0.0	2.2	2.2
Current staff are overworked	4.3	28.3	13.0
Need skills not possessed by current staff	4.3	21.7	10.9
Labor costs have fallen	0.0	0.0	2.2
Decreased economic or financial uncertainty	8.7	6.5	13.0
Firm's financial position has improved	4.3	8.7	17.4
Other factors	8.7	4.3	2.2

### 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 Ranking the Factor as		
	1	2	3
Percentage of respondents indicating no sources of restraint	23.1		
Expected growth of sales is low	34.3	18.6	5.7
Current staff are underutilized/working reduced hours	5.7	5.7	2.9
Cannot find workers with required skills	17.1	12.9	10.0
Labor costs are high	2.9	5.7	1.4
Uncertainty about the cost of health insurance	7.1	10.0	10.0
Uncertainty about other regulations or govt. policies	4.3	8.6	11.4
Firm's financial position has deteriorated	2.9	2.9	4.3
Want to keep operating costs low	14.3	18.6	20.0
Other factors	7.1	0.0	4.3



## Supplemental Report, *continued*

**QUESTION 5**

**How much do you estimate wages and benefits will change from 2011 to 2012?**

	Percentage of Respondents	
	Wage per Employee (Excluding Overtime and Variable Pay)	Benefits per Employee (Employer Contribution)
Decrease	1.1	1.1
Stay at current levels	18.9	6.7
Increase less than 2.5 percent	34.4	21.1
Increase 2.5 to 5 percent	45.6	34.4
Increase more than 5 percent	0.0	36.7