

May 2002

Empire State Manufacturing Survey

Summary

The *Empire State Manufacturing Survey* showed continuing improvement in New York State's manufacturing sector in May. Since January 2002, more respondents each month have seen conditions improve than deteriorate. Nonetheless, the survey's general business conditions index fell from April's level of 15.9 to 9 in May. Indexes for new orders and shipments also fell, the unfilled orders index remained negative, and the inventories index fell—after three months of increasing. In addition, continued upward pressure on prices was evident in the fourth consecutive rise in the prices paid index, while there was very little sign of firming in prices received. Expectations for improved conditions in the future remained bright, with the index for general business conditions six months ahead at a record high.

General Business Conditions Index Slips

Although the survey continues to show improvement in manufacturing, the general business conditions index, the survey's main indicator, dropped from April's reading of 15.9 to 9. While this still indicates that more respondents saw conditions improve than decline in May, slightly more respondents saw conditions deteriorate this month (21 percent) than last month (17 percent). Moreover, slightly fewer respondents saw conditions improve in May (30 percent) than in April (33 percent). Roughly half of the respondents indicated no change in business conditions, much the same number as last month.

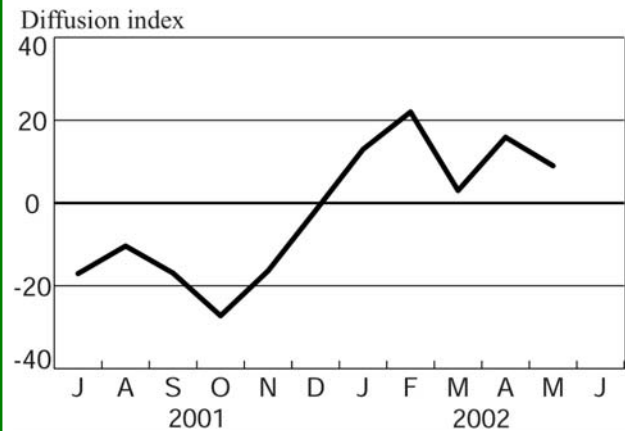
The index for new orders also declined, from 14.2 to 2.3. The decline reflected both a decrease in the percentage of respondents reporting a higher level of new orders and an increase in those reporting a lower level of new orders. The shipments index fell slightly, from 11.8 to 9.9, and the unfilled orders index remained negative, although it improved a bit, from -13 to -10.5. The delivery time index fell from -9.5 to -14.8.

Inventory Liquidation Increases

The percentage of respondents reporting lower inventories rose in May to 36 percent from 28 percent last month. In general, the share of respondents reporting an increase in inventories has exceeded 20 percent in each of the past three months, compared with roughly 15 percent in the months before March.

The prices paid index rose for the fourth straight month, to 18.4 from last month's 8.3. While nearly 80 percent of

General Business Conditions



respondents reported no change in prices paid, 20 percent indicated higher prices from last month, compared with just 14 percent in April. Prices received showed a slight improvement, with this index rising to -6.2 from -11.7. A mere 7 percent of respondents indicated that they received higher prices.

The number of employees showed improvement in May, with the index rising slightly to 1.3. That marked the first time this index has been positive. Respondents reporting a rise in employment rose from 13 percent in April to 22 percent in May. The index for the average employee workweek fell from 12 last month to -1.8 in May, driven in large part by a drop—from 24 percent to 15 percent—in those reporting an increase in the average workweek.

Future Outlook Remains Optimistic

More than 74 percent of respondents expect conditions to improve in the next six months, the highest percentage since the survey began. In addition, 70 percent expect new orders and shipments to increase. Respondents generally believe that prices received will continue to decline while prices paid will continue to increase. More respondents expect prices received to decline than to rise, with the six-month expectations index for prices received at -2. Increased hiring is foreseen by 46 percent of respondents, and 36 percent expect to increase capital spending six months from now.

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.

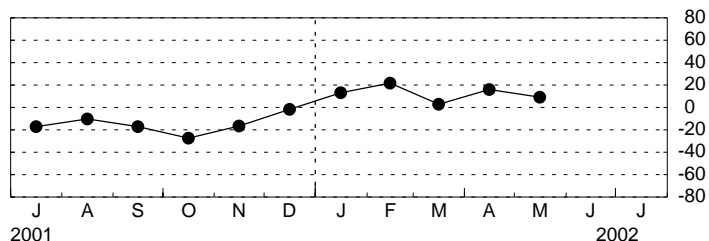
Empire State Manufacturing Survey, May 2002

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	32.70	51.30	16.80	15.90
May	29.60	50.52	20.59	9.01

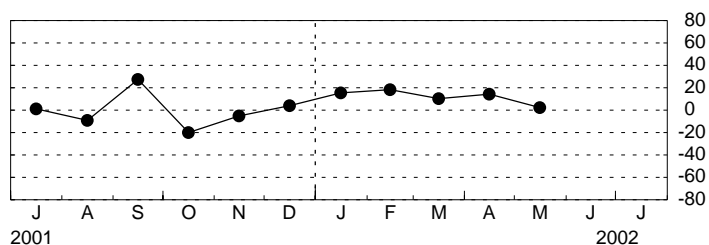
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	35.90	42.40	21.70	14.20
May	27.69	47.76	25.35	2.34

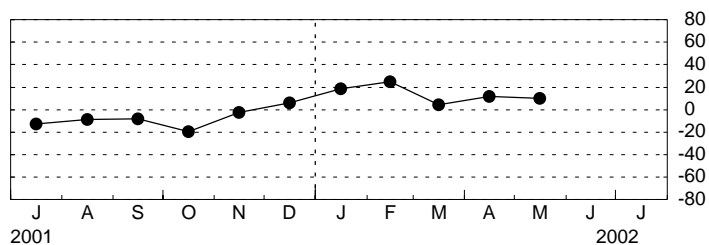
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	34.10	43.80	22.30	11.80
May	31.85	47.16	21.99	9.86

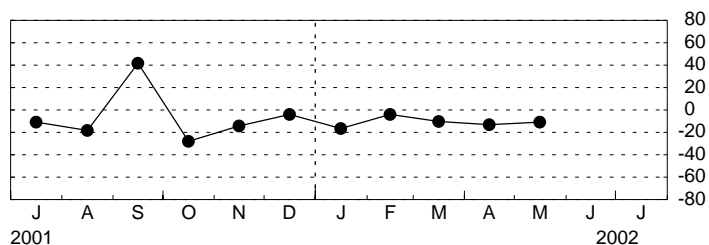
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	12.80	60.80	25.80	-13.00
May	12.69	64.17	23.15	-10.46

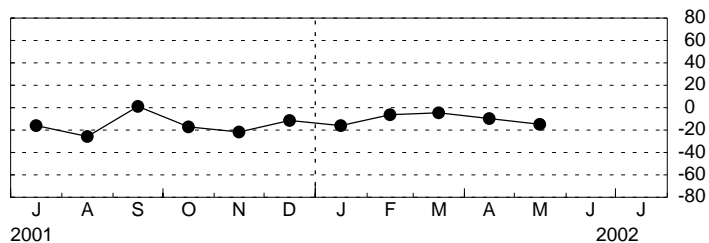
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	5.20	79.30	14.70	-9.50
May	2.97	78.24	17.79	-14.82

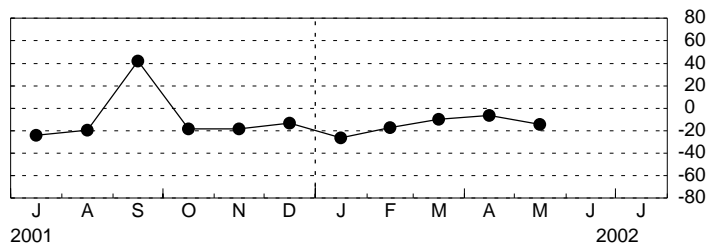
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	21.20	52.10	27.50	-6.30
May	21.57	43.45	35.88	-14.31

Inventories - Diffusion Index



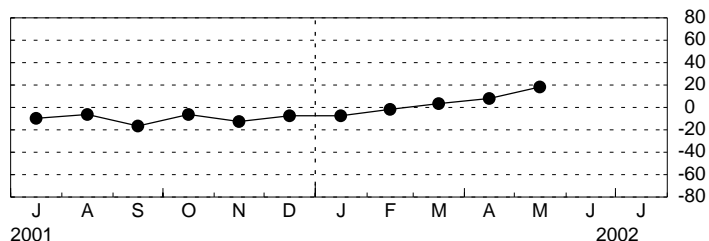
Empire State Manufacturing Survey, May 2002

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	14.40	78.90	6.10	8.30
May	19.60	79.24	1.16	18.44

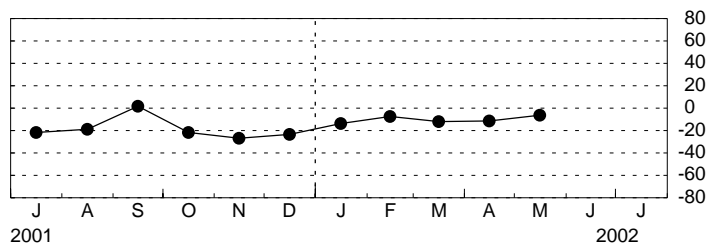
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	5.60	77.10	17.30	-11.70
May	7.42	77.99	13.59	-6.16

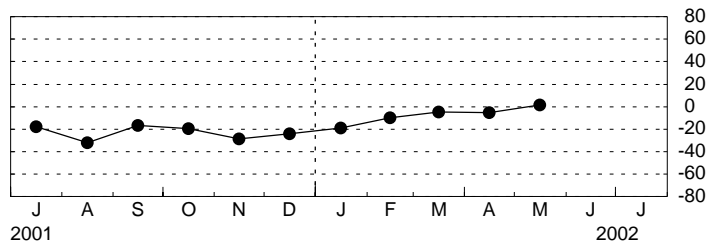
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	12.80	67.20	18.40	-5.60
May	22.31	56.89	21.00	1.31

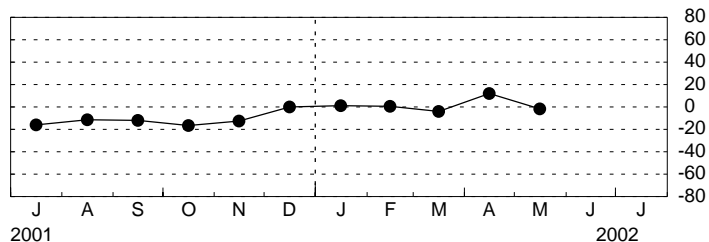
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	24.20	64.40	12.20	12.00
May	15.20	68.62	16.98	-1.78

Average Employee Workweek - Diffusion Index

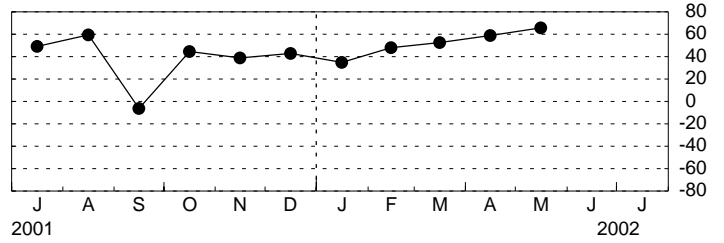


Empire State Manufacturing Survey, May 2002, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	72.90	14.10	13.80	59.10
May	74.38	19.91	8.41	65.96

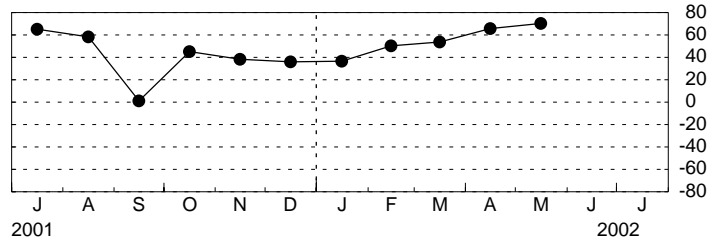
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	76.10	13.70	10.40	65.70
May	74.17	21.87	3.96	70.21

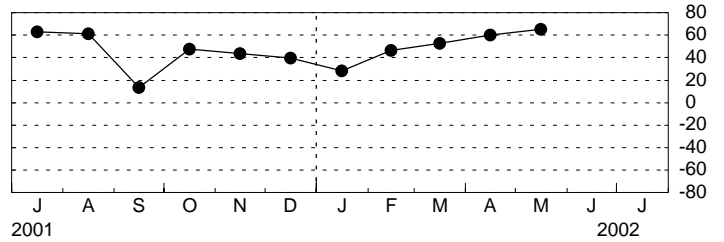
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	73.50	12.90	13.00	60.50
May	72.57	22.47	7.36	65.21

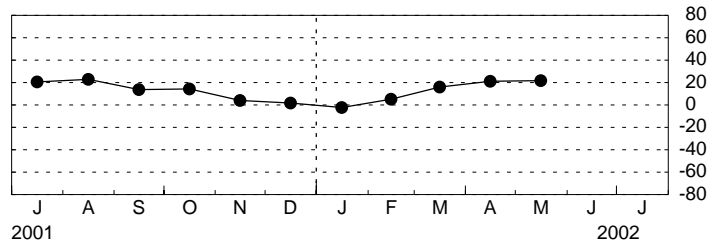
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	35.10	51.40	13.90	21.20
May	32.82	54.70	10.87	21.95

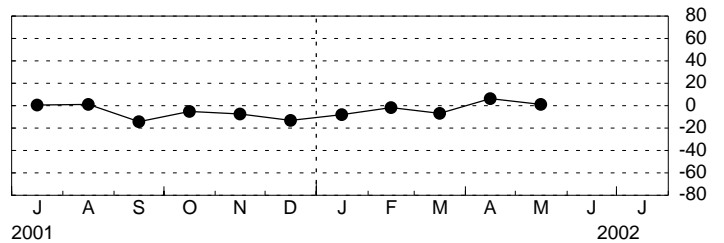
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	18.30	70.70	11.90	6.40
May	16.93	64.68	15.89	1.05

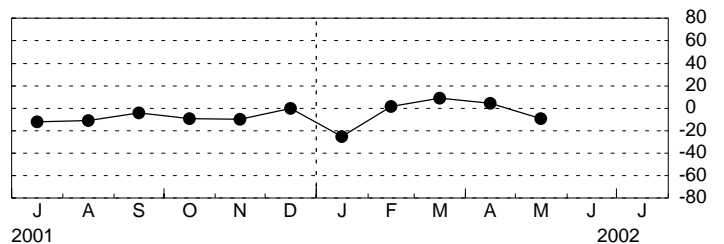
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	28.80	47.80	24.50	4.30
May	21.80	46.31	31.29	-9.49

Inventories - Diffusion Index

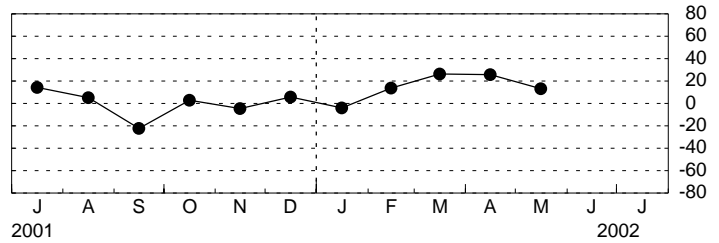


Empire State Manufacturing Survey, May 2002, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	31.80	62.10	5.80	26.00
May	26.31	63.01	12.98	13.33

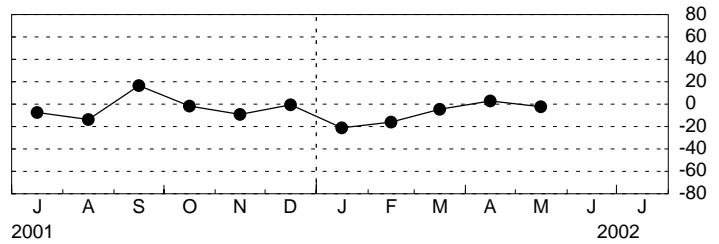
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	20.00	63.40	17.10	2.90
May	17.14	64.17	19.19	-2.05

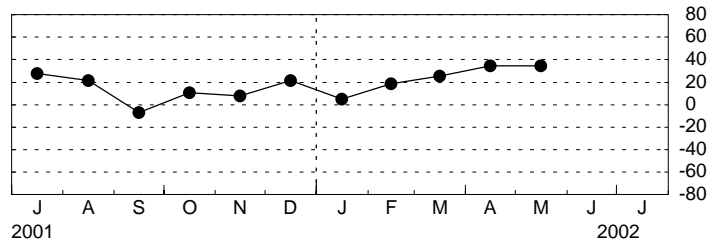
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	49.50	38.20	15.10	34.40
May	46.40	41.42	11.68	34.73

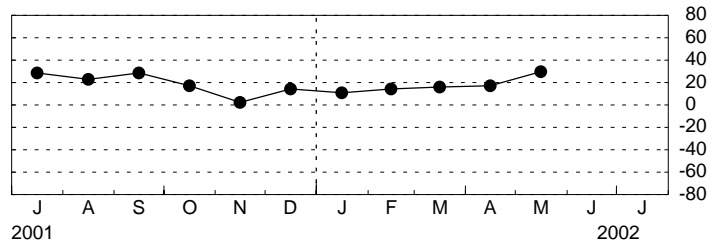
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	29.20	57.70	12.10	17.10
May	38.64	52.94	9.02	29.62

Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	30.00	66.20	5.00	25.00
May	35.79	52.04	11.57	24.21

Capital Expenditures - Diffusion Index

