

Empire State Manufacturing Survey

The February 2013 *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers improved for the first time since the summer of last year. The general business conditions index rose into positive territory, advancing eighteen points to 10.0. The new orders index also rose sharply, climbing twenty points to 13.3, and the shipments index increased to 13.1. The prices paid index pointed to a continued acceleration in selling prices, and the prices received index, while positive, inched lower. The index for number of employees rose for a third consecutive month and, at 8.1, registered its first positive reading since September, though the average workweek index remained negative. Indexes for the six-month

outlook were noticeably higher and suggested a firming in the level of optimism about future business conditions.

In a series of supplementary questions, manufacturers were asked about their 2013 capital spending plans and how the plans compared with actual spending for 2012. Roughly the same proportion of respondents indicated that they expected to raise as to lower capital spending this year. However, the median amount budgeted for 2013 was up 11 percent from what had reportedly been spent in 2012. The most widely cited factor constraining 2013 capital investment plans was tax and regulatory considerations. In the February 2012 and 2011 surveys,

more respondents had identified this as a positive than a negative factor.

Business Conditions Improve for the First Time in Months

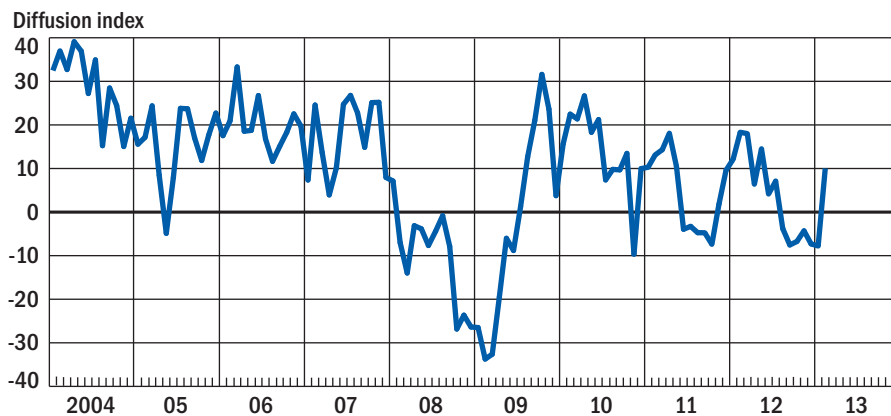
Business activity expanded for New York manufacturers, according to the February survey. The general business conditions index rose into positive territory for the first time since July 2012, climbing eighteen points to 10.0. Twenty-nine percent of respondents reported that conditions had improved over the month, while 19 percent—a significantly lower percentage than in the January survey—reported that conditions had worsened. The new orders index also rose sharply, climbing twenty points to 13.3, its highest level since mid-2011. The shipments index advanced sixteen points to 13.1, and the unfilled orders index rose six points to -2.0. The delivery time index moved up four points to 2.0, suggesting that delivery times were slightly longer. The inventories index rose nine points to zero—a sign that inventory levels flattened after declining in recent months.

Employment Levels Rise

Input price increases continued to pick up this month. The prices paid index rose for a third consecutive

General Business Conditions

Seasonally adjusted



Continued

Continued from page 1

month, advancing four points to 26.3. The prices received index inched down three points to 8.1, pointing to slightly smaller selling price increases. The index for number of employees rose for a third consecutive month, climbing twelve points to 8.1, its first positive reading since September of last year. The average workweek index remained slightly negative and was little changed at -4.0.

Level of Optimism Firms

Indexes for the six-month outlook were noticeably higher this month. The future business conditions index rose eleven points to 33.1, its highest level in several months. The future new orders and shipments indexes also rose, though less steeply. The future prices paid index climbed six points to 44.4, indicating that price increases were expected to pick up, while the

future prices received index fell to 13.1. Future employment indexes were positive and higher than last month, suggesting that labor market conditions were expected to improve in the months ahead. The capital expenditures index moved up ten points to 14.1, and the technology spending index climbed to 11.1. ■

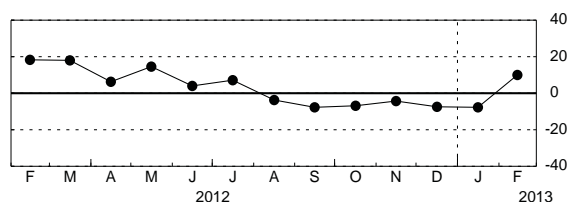
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	25.93	40.37	33.70	-7.78
Feb	28.69	52.66	18.65	10.04

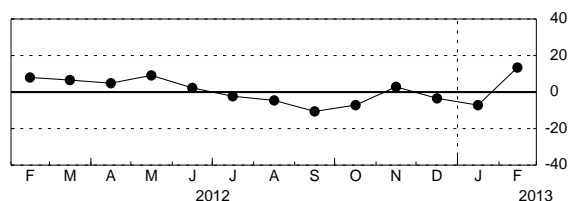
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	27.92	36.99	35.09	-7.18
Feb	35.87	41.58	22.55	13.31

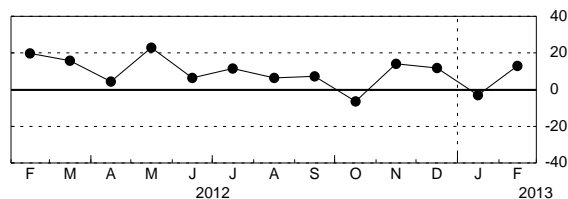
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	26.10	44.73	29.17	-3.08
Feb	35.89	41.30	22.81	13.08

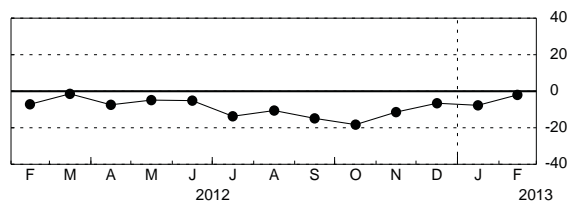
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	10.75	70.97	18.28	-7.53
Feb	15.15	67.68	17.17	-2.02

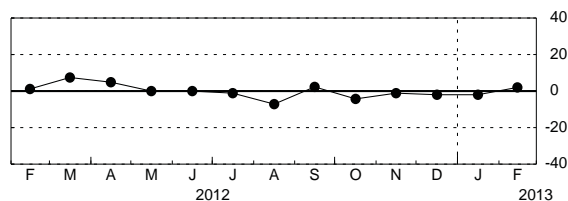
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	8.60	80.65	10.75	-2.15
Feb	12.12	77.78	10.10	2.02

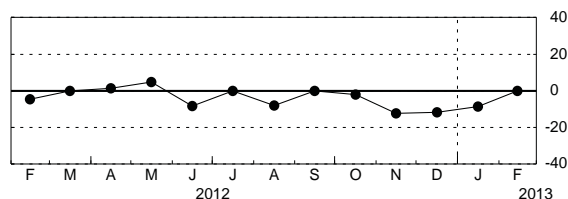
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	16.13	59.14	24.73	-8.60
Feb	24.24	51.52	24.24	0.00

Inventories - Diffusion Index



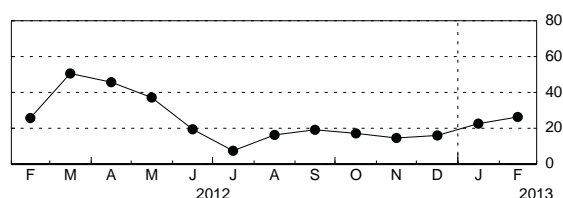
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	24.73	73.12	2.15	22.58
Feb	27.27	71.72	1.01	26.26

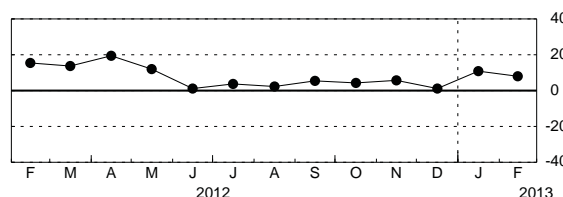
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	18.28	74.19	7.53	10.75
Feb	16.16	75.76	8.08	8.08

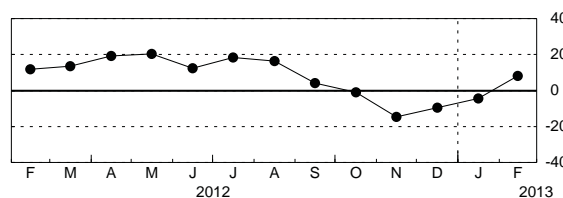
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	11.83	72.04	16.13	-4.30
Feb	18.18	71.72	10.10	8.08

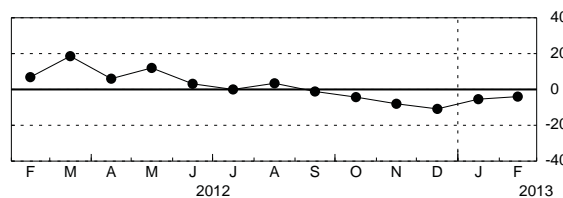
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	11.83	70.97	17.20	-5.38
Feb	8.08	79.80	12.12	-4.04

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

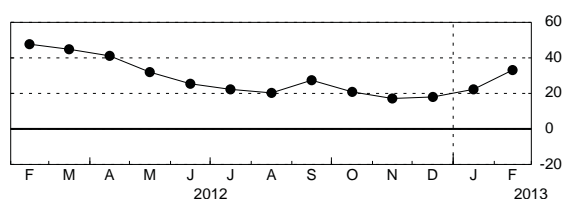
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	40.82	40.78	18.41	22.41
Feb	49.86	33.35	16.79	33.07

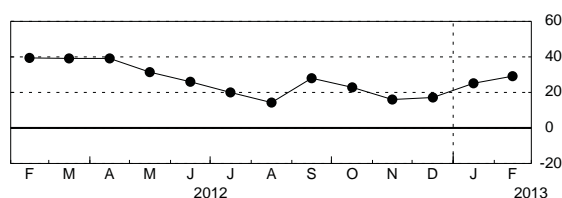
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	43.84	37.42	18.74	25.11
Feb	46.24	36.63	17.13	29.11

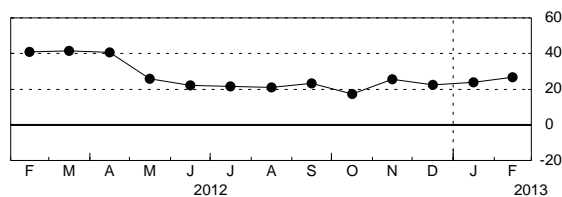
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	46.44	30.98	22.58	23.86
Feb	48.50	29.82	21.68	26.82

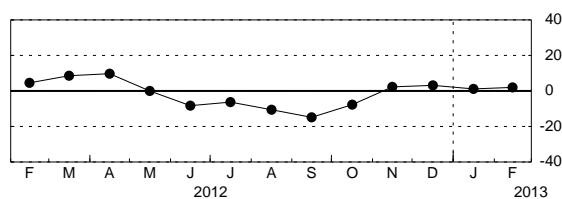
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	11.83	77.42	10.75	1.08
Feb	17.17	67.68	15.15	2.02

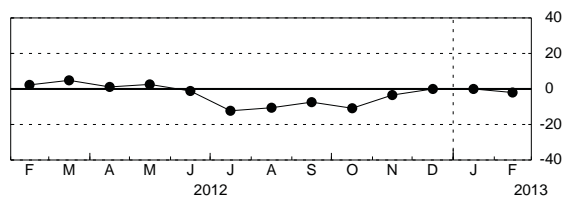
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	8.60	82.80	8.60	0.00
Feb	9.09	79.80	11.11	-2.02

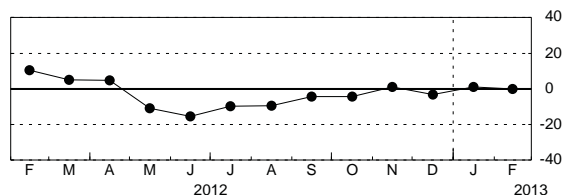
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	24.73	51.61	23.66	1.08
Feb	23.23	53.54	23.23	0.00

Inventories - Diffusion Index



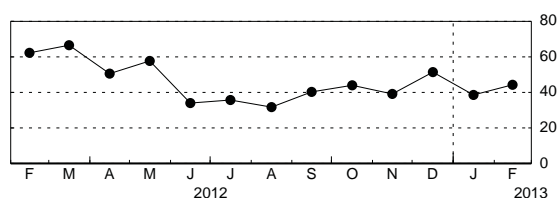
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	43.01	52.69	4.30	38.71
Feb	47.47	49.49	3.03	44.44

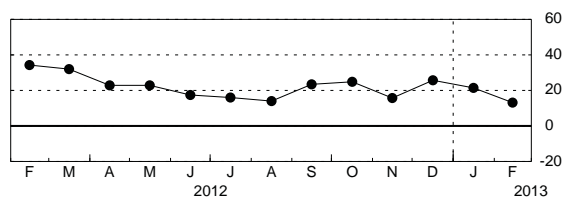
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	30.11	61.29	8.60	21.51
Feb	25.25	62.63	12.12	13.13

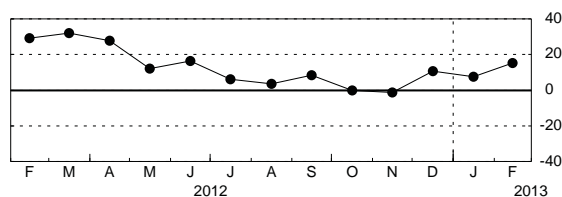
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	22.58	62.37	15.05	7.53
Feb	26.26	62.63	11.11	15.15

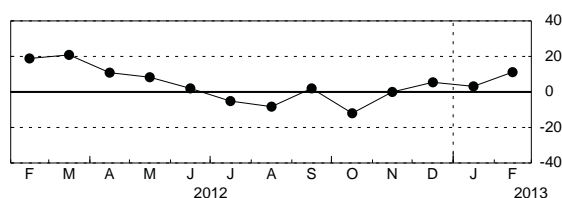
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	15.05	73.12	11.83	3.23
Feb	20.20	70.71	9.09	11.11

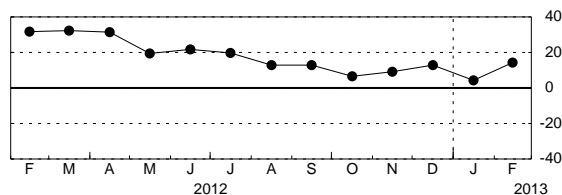
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	22.58	59.14	18.28	4.30
Feb	28.28	57.58	14.14	14.14

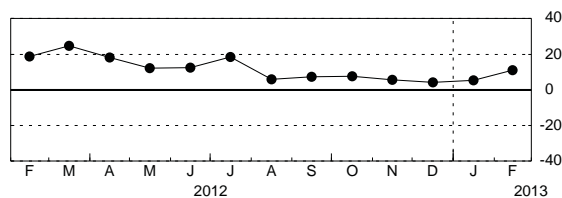
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	21.51	62.37	16.13	5.38
Feb	23.23	64.65	12.12	11.11

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Capital Spending Plans Restrained by Tax and Regulatory Concerns in 2013

In a series of supplementary questions to the February 2013 *Empire State Manufacturing Survey*, manufacturers were asked about their 2013 capital spending plans and how the plans compared with actual spending for 2012—both overall and for a few broad categories of capital. Parallel questions had been asked in surveys conducted in February 2012 and earlier. In the latest survey, roughly the same proportion of responding firms planned reductions (32 percent) as increases (33 percent) in overall capital spending for the current year. In the February 2011 and 2012 surveys, planned increases outnumbered planned reductions by roughly 20 percentage points.

Firms' capital spending plans continued to vary considerably across the different categories. In a break with earlier surveys, the most widespread increases were reported for computers and related hardware: 32 percent of manufacturers planned to spend more in 2013

than in 2012, while just 20 percent planned to spend less. As in earlier surveys, however, spending on structures was expected to decline: just 19 percent of those surveyed said they were budgeting more for structures in 2013 than in 2012, while 27 percent indicated that they would cut back on such investment. This is a moderately more negative balance than in last February's survey. Spending on both software and non-computer-related equipment was expected to be up slightly in 2013.

In a separate question, firms were asked about the extent to which various factors contributed to planned increases in capital spending. Half of those surveyed cited favorable sales/demand trends as a factor supporting higher spending, and almost as many cited a need for labor-saving equipment. Respondents were also asked about factors holding back capital spending: the most widely cited factor was tax and regulatory considerations. This was the first

time since the June 2009 survey that more respondents considered this a negative than a positive factor.

Finally, the median projected level of capital spending for 2013 across all respondent firms was \$400,000—up 11 percent from the actual level of \$360,000 reported for 2012. In last February's survey, the median level of capital spending was seen surging from \$290,000 in 2011 to \$375,000 in 2012. Note that although the median level projected for 2012 in last February's survey is fairly close to the actual median level for 2012 reported in the current survey, the numbers are based on somewhat different pools of respondent firms and are not strictly comparable. ■

Supplemental Report, *continued*

QUESTION 1

To what extent do you expect your firm's spending on new plant and equipment to be higher or lower in 2013 than in 2012? How do you expect each of these capital spending categories to change?

	February 2013 Survey		February 2012 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Planning Lower Spending in 2013	Planning Higher Spending in 2013	Planning Lower Spending in 2012	Planning Higher Spending in 2012
Total	32.3	33.3	24.7	45.7
Structures	27.1	18.8	24.1	22.9
Non-computer-related equipment	28.1	29.2	22.9	48.2
Computers and related hardware	20.0	31.6	11.9	31.0
Software	24.2	29.5	17.9	31.0

QUESTION 2

How are each of the following factors contributing to changes in your capital spending budget from 2012 to 2013?

	February 2013 Survey		February 2012 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reporting Downward Effect in 2013	Reporting Upward Effect in 2013	Reporting Downward Effect in 2012	Reporting Upward Effect in 2012
Unusually high/low capital spending in 2012	22.4	12.2	27.4	25.0
Long-term plans/investment schedule	11.3	37.1	11.9	45.2
Sales/demand trends for your products	19.4	50.0	22.9	51.8
Need for labor-saving equipment	11.2	46.9	9.5	53.6
Need for energy-saving equipment	7.1	23.5	10.8	37.3
Cost or availability of external finance	8.2	17.3	9.5	13.1
Firm's cash flow/balance sheet position	18.4	27.6	15.5	34.5
Tax/regulatory considerations	25.5	18.4	20.2	25.0

QUESTION 3

Please indicate your best estimate of your total capital expenditures for last year (calendar 2012) and the expected amount for this year (calendar 2013).

	February 2013 Survey		February 2012 Survey	
	Current Year	Prior Year	Current Year	Prior Year
Median capital spending	\$400,000	\$360,000	\$375,000	\$290,000