

June 2006

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Empire State Manufacturing Survey



Summary

The *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers improved at an accelerated pace in June. The general business conditions index rose significantly, from 12.9 to 29.0. Indexes for new orders, shipments, and unfilled orders were also well above May levels. The inventories index slipped below zero for the first time since February. The indexes for prices paid and prices received were positive and higher than last month. The number of employees index continued to decline but remained positive. Future indexes conveyed continued optimism for conditions six months ahead, although several indexes declined. Future price indexes rose, suggesting that respondents expect price increases to accelerate in the coming months. The capital expenditures index, while positive, fell significantly from last month.

In a series of supplementary questions, manufacturers were asked how much they expected the prices they paid to change over the next six months; they were also asked to assess the probability that prices would rise or fall by certain specified amounts. The responses indicated that the median expected change over the next six months was a 4% increase. On average, manufacturers saw a 54 percent chance that prices would rise by between 2% and 8%, and a 31 percent chance that prices would remain within 2% of their current levels.

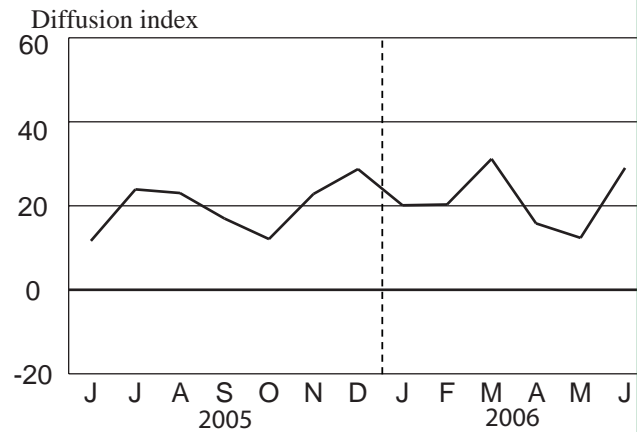
Business Activity Accelerates

The general business conditions index posted a sharp increase in June, rising from 12.9 to 29.0. The percentage of respondents reporting that conditions had improved since last month rose from 35 percent in May to 44 percent in June, while the percentage that reported deteriorating conditions fell from 22 percent to 15 percent. The new orders index rose from 16.2 to 25.8. The shipments index increased substantially, advancing 13 points to 30.3, with 46 percent of respondents reporting elevated shipments. The unfilled orders index also rose, to 9.4. The delivery time index remained just above zero, at 5.8. The inventories index dipped below zero for the first time since February, falling to -9.1.

Price Increases Continue to Accelerate

The prices paid index advanced for a second consecutive month, climbing 10 points to 52.9. Fifty-five percent of respondents—up from 46 percent in May—reported paying higher prices in June. The prices received index also rose from its May level, from 14.6 to 19.0. One-quarter of respondents

General Business Conditions



received higher prices in June, compared with 20 percent in May. The index for number of employees continued to fall for a third consecutive month after reaching a peak in March. The index, however, remained above zero at 5.1. The average workweek index was little changed at 11.3.

Outlook Remains Favorable

Future indexes suggested that respondents expect an ongoing expansion in business activity over the next six months, although some indexes continued to decline. The future general business conditions index rose slightly from May, to 33.7, with 47 percent of respondents expecting conditions to continue improving and 13 percent expecting conditions to deteriorate. The future new orders and shipments indexes fell for a second consecutive month but remained positive. Future price indexes rose several points from May levels, indicating an expectation that price increases will accelerate over the next six months. The future number of employees index, while positive, declined. The capital expenditures index also remained positive but posted a sharp drop, falling from 32.5 to 20.0, and the technology spending index fell slightly to 15.8.

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.

Manufacturers Expect to Pay Higher Prices by Year-End

In a series of supplementary questions in the June survey, manufacturers were asked how much they expected the prices they paid to change over the next six months. The median expected change over the next six months was a 4% increase.

They were also asked about the probability that prices would rise or fall by certain specified amounts. On average, manufacturers indicated that there was a 54 percent chance that prices would

rise by between 2% and 8% and a nearly 20 percent chance that prices would increase by more than 8%. The respondents saw a 31 percent probability that prices would remain within 2% of their current levels and a less than 7 percent probability that prices would decrease more than 2%.

June 2006 Survey Results
Responses to Supplementary Questions

Question

1) By what percentage do you expect the prices you pay six months from now to differ from current prices?

**Median Expected
Percentage Change**

4

2) What would you say is the percent chance that, over the next six months, the prices you pay will:

**Average
Percentage Chance
(Probability)**

Increase by 8% or more	19.5
Increase by between 2% and 8%	54.2
Stay within 2% of where they are now	30.7
Decrease by between 2% and 8%	4.9
Decrease by 8% or more	1.6

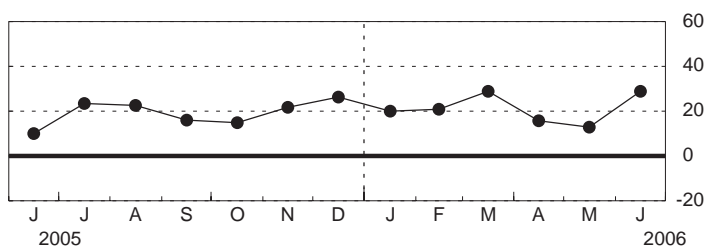
Empire State Manufacturing Survey, June 2006

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	35.23	42.47	22.29	12.94
Jun	43.74	41.52	14.74	29.01

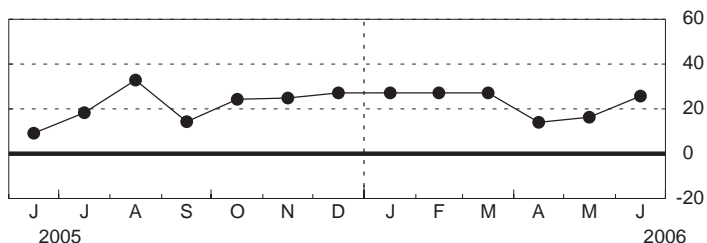
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	36.48	43.26	20.26	16.22
Jun	43.33	39.16	17.52	25.81

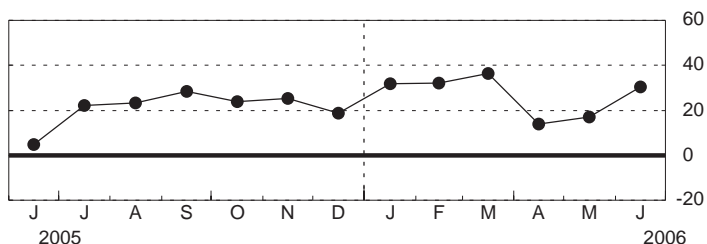
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	36.94	43.19	19.87	17.08
Jun	45.89	38.55	15.57	30.32

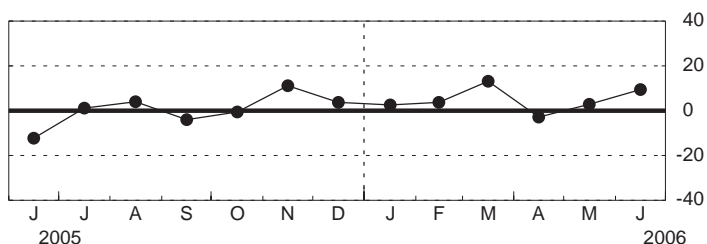
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	20.46	61.91	17.63	2.84
Jun	20.73	67.98	11.29	9.44

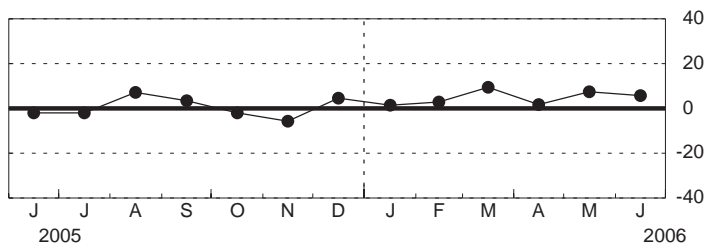
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	15.45	76.42	8.13	7.32
Jun	13.22	79.34	7.44	5.79

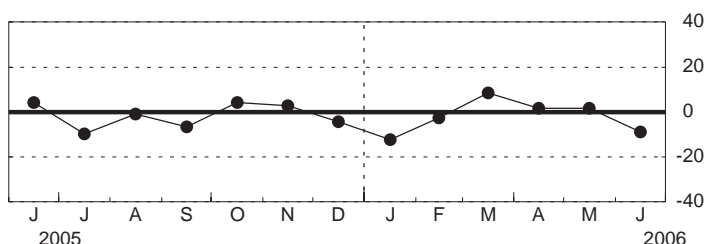
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	27.64	46.34	26.02	1.63
Jun	17.36	56.20	26.45	-9.09

Inventories - Diffusion Index



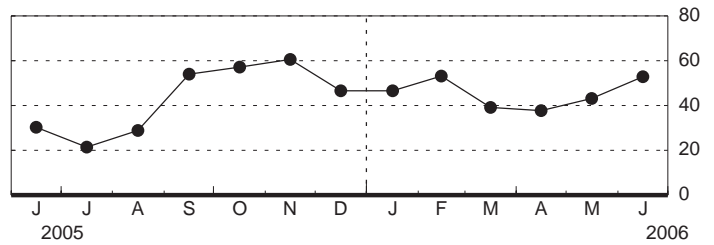
Empire State Manufacturing Survey, June 2006

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	45.53	52.03	2.44	43.09
Jun	54.55	43.80	1.65	52.89

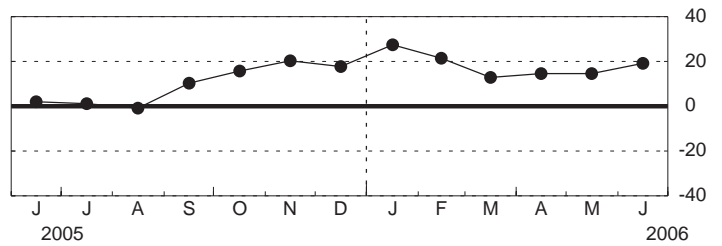
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	20.33	73.98	5.69	14.63
Jun	24.79	69.42	5.79	19.01

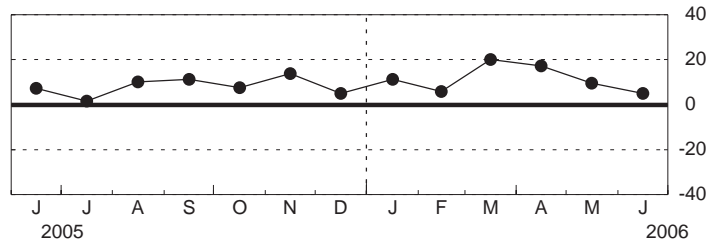
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	18.64	72.42	8.94	9.70
Jun	20.00	65.13	14.88	5.12

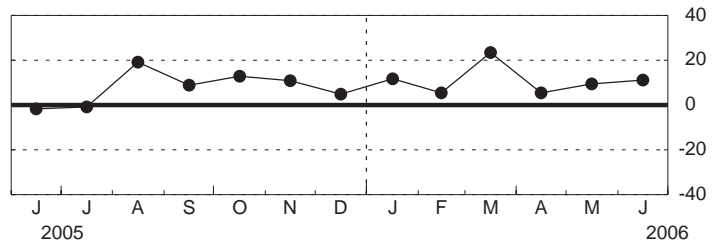
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	17.55	74.32	8.13	9.42
Jun	21.20	68.89	9.92	11.28

Average Employee Workweek - Diffusion Index

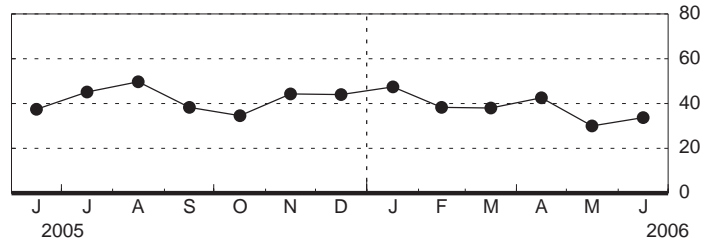


Empire State Manufacturing Survey, June 2006, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	47.30	35.58	17.13	30.17
Jun	46.61	40.44	12.95	33.66

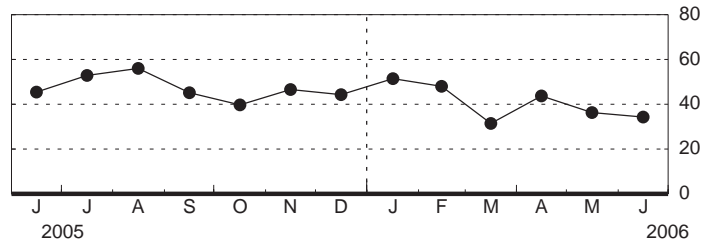
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	50.61	34.99	14.40	36.21
Jun	51.96	30.23	17.82	34.14

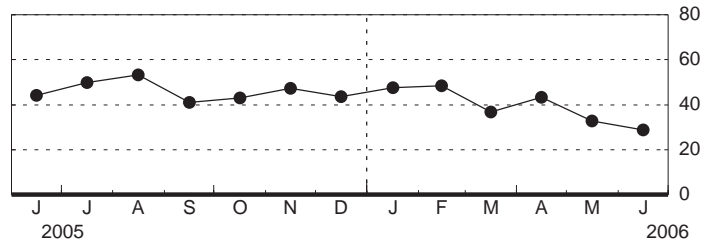
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	47.21	38.25	14.53	32.68
Jun	46.78	35.28	17.94	28.84

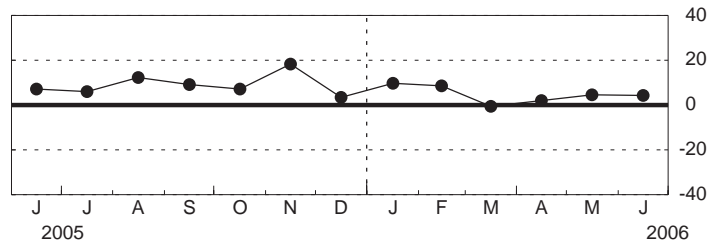
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	15.64	73.44	10.91	4.73
Jun	15.03	74.23	10.74	4.28

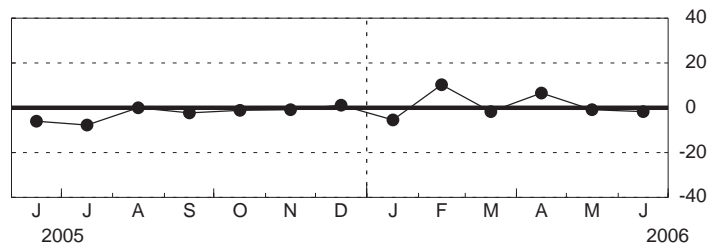
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	10.57	78.05	11.38	-0.81
Jun	7.50	83.33	9.17	-1.67

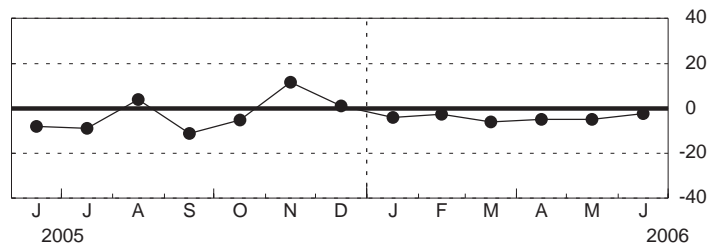
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	22.76	49.59	27.64	-4.88
Jun	23.33	50.83	25.83	-2.50

Inventories - Diffusion Index

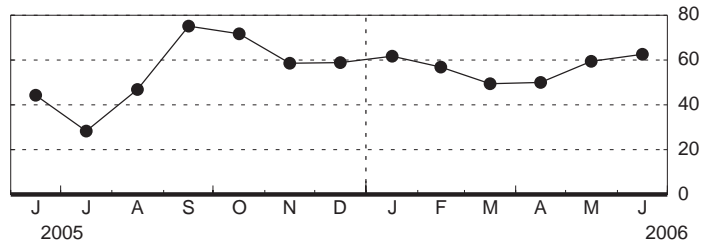


Empire State Manufacturing Survey, June 2006, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	62.60	34.15	3.25	59.35
Jun	66.67	29.17	4.17	62.50

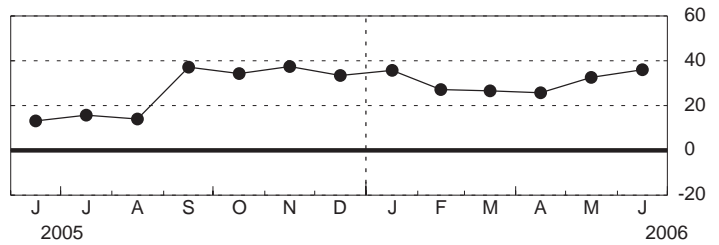
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	39.84	52.85	7.32	32.52
Jun	45.00	45.83	9.17	35.83

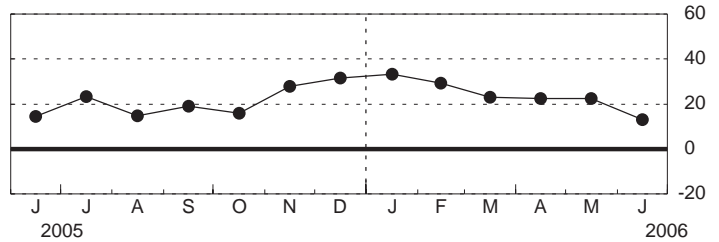
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	30.89	60.74	8.37	22.53
Jun	30.00	53.09	16.91	13.09

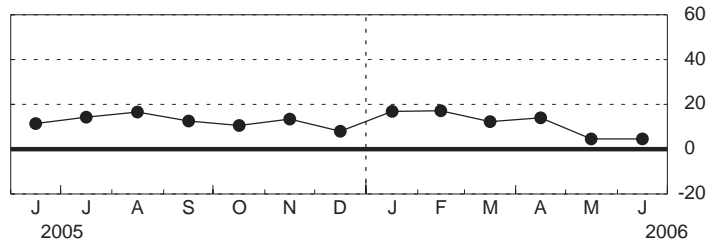
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	15.26	74.04	10.71	4.55
Jun	18.26	68.12	13.62	4.63

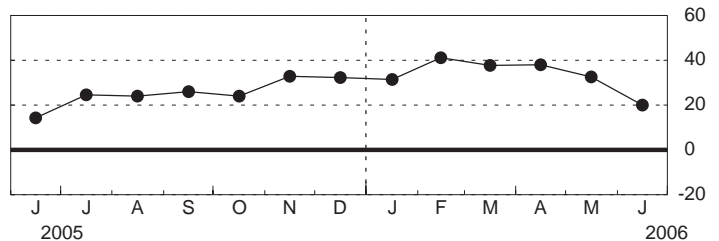
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	42.28	47.97	9.76	32.52
Jun	37.50	45.00	17.50	20.00

Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
May	26.83	64.23	8.94	17.89
Jun	28.33	59.17	12.50	15.83

Technology Spending - Diffusion Index

