

July 2002

Empire State Manufacturing

Survey



Summary

The *Empire State Manufacturing Survey* indicates that conditions in New York State's manufacturing sector grew worse from June to July. The survey's main indicator, the general business conditions index, fell from 12.7 to -5.5, dropping below zero for the first time since December 2001. The precise magnitude of the deterioration from June to July remains uncertain, however. According to many respondents, the decline in business activity was seasonal. Although the survey data are adjusted for seasonal variation, the newness of the survey means that the seasonal patterns are not yet precisely established.

Like the business conditions index, indexes for new orders, shipments, and unfilled orders were negative in July. Inventory levels continued to contract. Pricing pressures remained evident; the prices paid index was positive for a fifth straight month and the prices received index was negative for the tenth straight month.

General Business Conditions Drop into Negative Territory

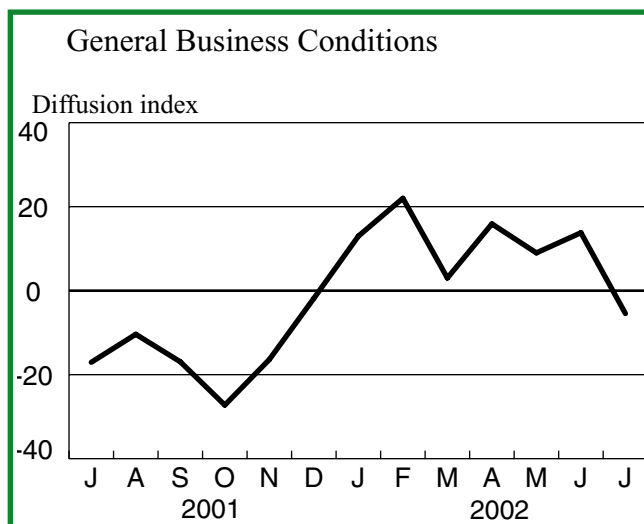
The general business conditions index fell to -5.5 this month, a marked drop from its June level of 12.7. The negative value indicated that more respondents saw conditions grow worse from June to July than saw them improve. Although many respondents viewed the decline as seasonal, others felt that it reflected deteriorating economic conditions. The new orders and shipments indexes also fell: new orders dropped from 14.5 to -0.9, and shipments dropped from 14.3 to -8.0.

The unfilled orders index remained close to its June value, rising only slightly to -5.6. The delivery time index, however, improved from -15.3 to -8.4. Inventories fell at a more rapid pace in July, with only 17 percent reporting higher inventories; that index declined from -7.3 to -14.3.

Pricing Pressures Continue

The prices paid index drifted down for a second month, but only slightly, from 14.8 to 12.5. There was a drop of 4 percentage points in those reporting paying higher prices, from 21 percent to 17 percent, while those reporting lower prices dropped from 6 percent last month to 4 percent in July. The prices received index remained negative, and worsened a bit from -12.6 to -13.7. Manufacturers continued to be squeezed by price pressures; significantly, practically none of the respondents were able to raise prices during the period.

Declines were not universal, however; the number of employees index was positive for a second consecutive



month, just above zero at 3.2. Nonetheless, only 17 percent of manufacturers surveyed increased the size of their workforce in July. Sixty-nine percent kept employee rolls steady. The average employee workweek index dipped below zero. Thirteen percent reported the average workweek shortening, and about 76 percent reported no change.

Optimistic about the Future – but Not about Prices

Expectations for business activity six months ahead remained strongly positive, although a bit lower than the lofty levels of the past few months. The general business conditions index for six months ahead was at 56.7, with 62 percent of those surveyed anticipating that conditions would improve. New orders were expected to pick up in the future by 67 percent of respondents, and 65 percent foresaw shipments improving. The future inventories index rose from -11.8 to 4.3, with 28 percent of respondents anticipating that inventories would rise.

The outlook assumed no easing of pricing pressures. Although more than half of the respondents believed that prices paid and received would be unchanged six months in the future, 37 percent expected to be paying higher prices and 24 percent anticipated receiving lower prices. Forty-three percent of manufacturers surveyed expected to increase their labor forces, and only 7 percent foresaw a workforce reduction. Fully 36 percent of those surveyed indicated that they anticipated increasing capital expenditures.

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.

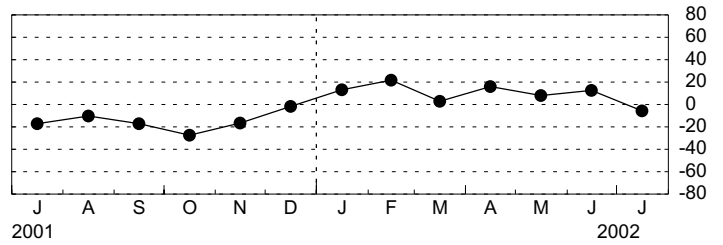
Empire State Manufacturing Survey, July 2002

Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	31.96	51.35	19.28	12.68
Jul	24.49	46.27	29.94	-5.45

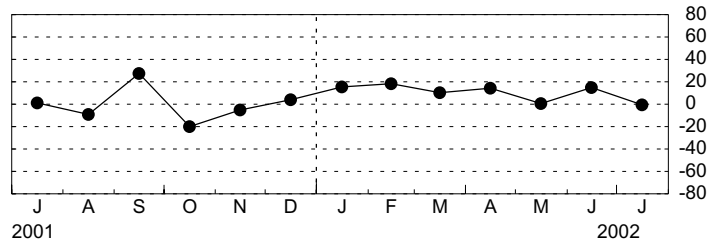
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	32.61	49.32	18.07	14.54
Jul	26.75	45.61	27.64	-0.89

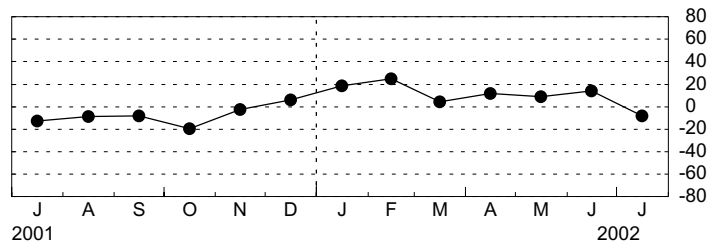
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	32.75	49.61	18.45	14.30
Jul	27.60	36.74	35.56	-7.96

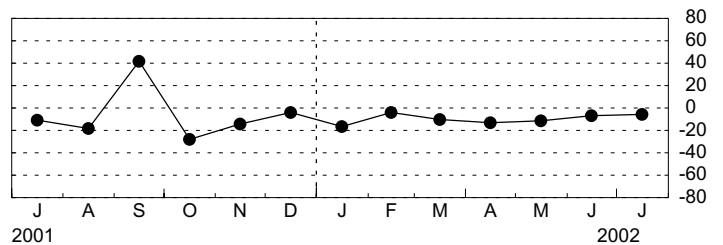
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	13.21	65.40	19.79	-6.58
Jul	11.97	70.17	17.55	-5.58

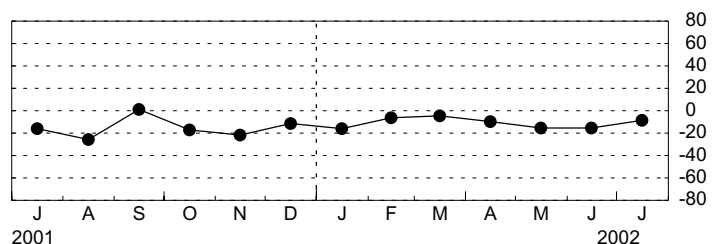
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	2.24	80.21	17.55	-15.32
Jul	6.42	78.85	14.84	-8.42

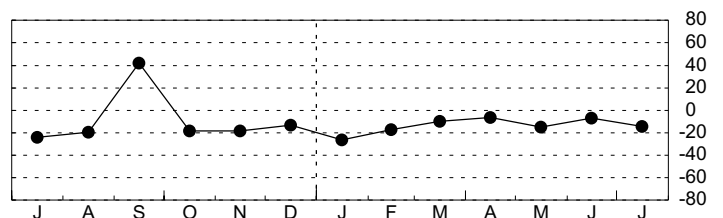
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	22.78	47.11	30.11	-7.33
Jul	17.14	51.08	31.38	-14.25

Inventories - Diffusion Index



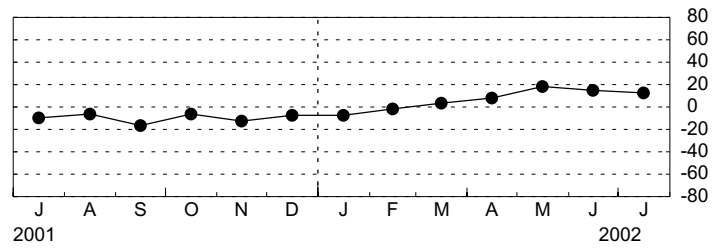
Empire State Manufacturing Survey, July 2002

Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.80	71.76	6.04	14.76
Jul	16.65	79.19	4.16	12.49

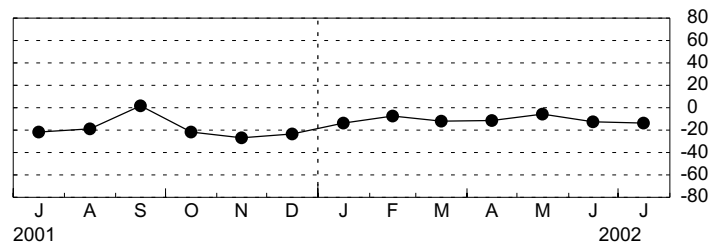
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	4.25	79.79	16.85	-12.60
Jul	0.91	83.85	14.64	-13.74

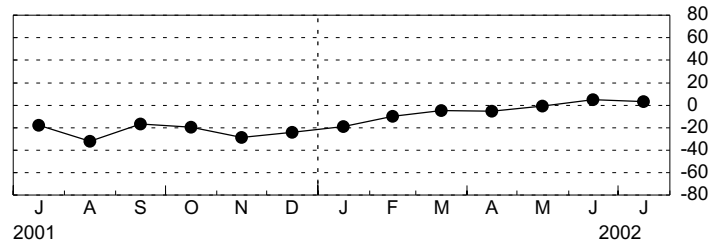
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	17.32	69.86	12.32	5.00
Jul	16.64	68.77	13.49	3.15

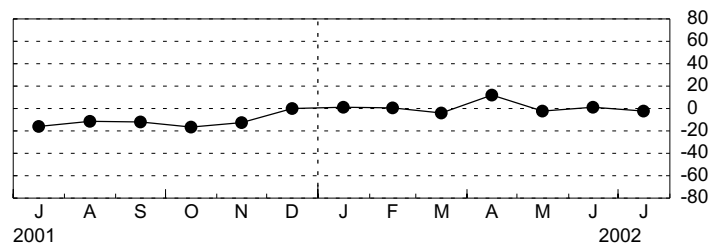
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	17.01	62.37	15.92	1.09
Jul	10.83	76.33	12.84	-2.02

Average Employee Workweek - Diffusion Index

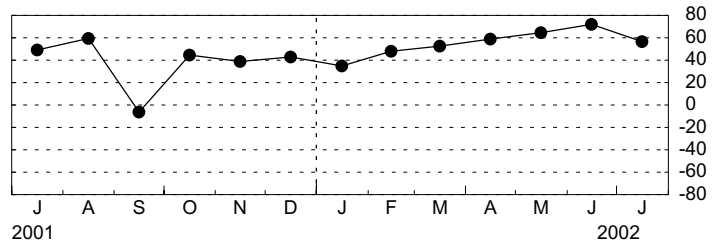


Empire State Manufacturing Survey, July 2002, Expectations Six Months Ahead Seasonally Adjusted

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	73.34	24.15	1.51	71.83
Jul	62.09	28.03	5.38	56.72

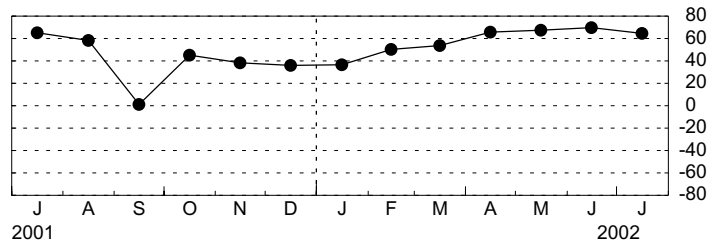
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	72.44	22.87	2.89	69.55
Jul	66.60	27.57	2.23	64.37

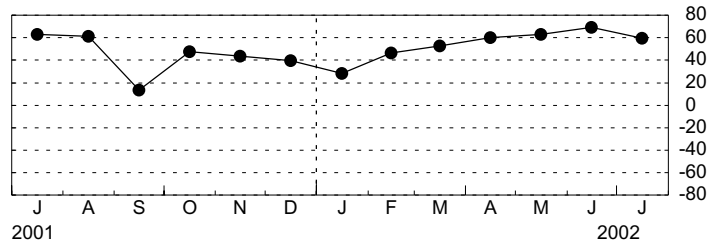
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	74.24	19.55	5.01	69.23
Jul	64.64	28.97	4.78	59.86

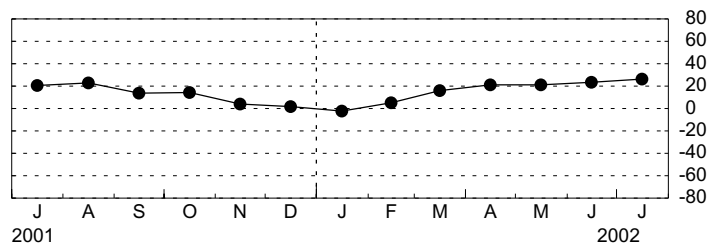
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	33.95	55.61	10.44	23.52
Jul	27.11	71.87	0.92	26.18

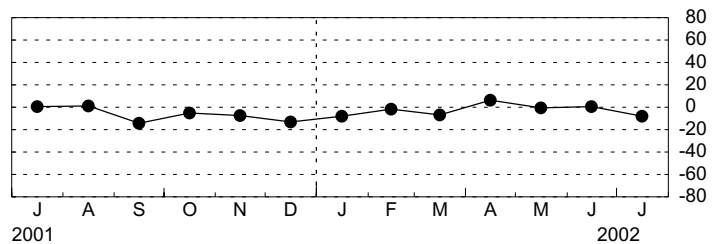
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	12.40	74.56	11.84	0.56
Jul	8.02	77.78	15.90	-7.88

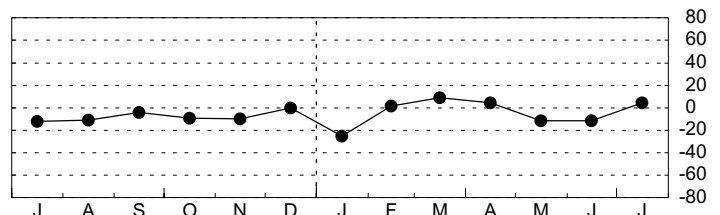
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	24.22	40.25	36.03	-11.81
Jul	27.97	45.26	23.67	4.30

Inventories - Diffusion Index

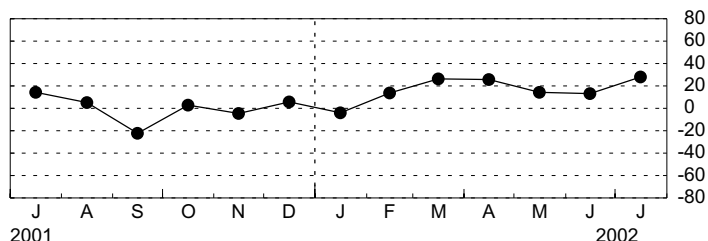


Empire State Manufacturing Survey, July 2002, Expectations Six Months Ahead Seasonally Adjusted

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	24.07	64.74	10.69	13.38
Jul	36.83	54.00	8.67	28.16

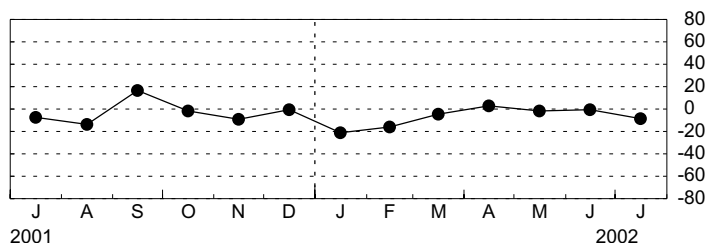
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	17.66	64.65	18.19	-0.53
Jul	15.18	59.96	23.86	-8.68

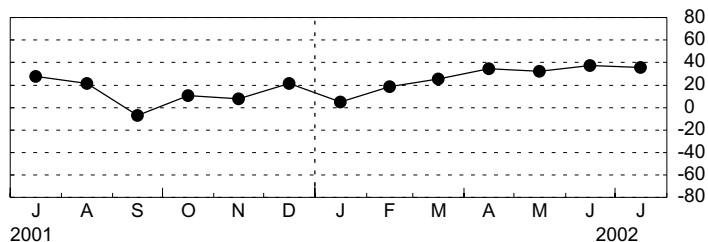
Prices Received - Diffusion Index



No. of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	42.58	50.51	5.41	37.17
Jul	42.94	49.67	7.39	35.55

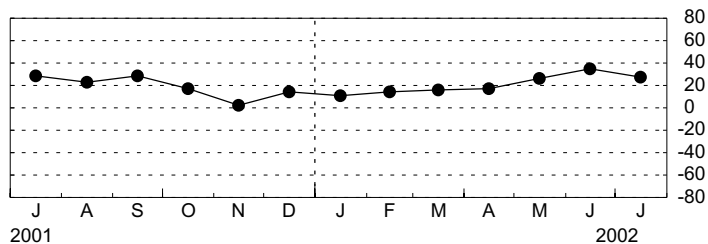
No. of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	36.58	60.95	1.76	34.82
Jul	29.56	68.42	1.92	27.64

Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	32.71	56.47	11.82	20.89
Jul	35.77	52.94	12.28	23.49

Capital Expenditures - Diffusion Index

