

Empire State Manufacturing Survey*

The January 2013 *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to decline at a modest pace. The general business conditions index was negative for a sixth consecutive month and, at -7.8, was little changed from its recent readings. The new orders index fell four points to -7.2, and the shipments index declined a full fifteen points to -3.1. Price increases picked up, with the prices paid index rising six points to 22.6 and the prices received index rising ten points to 10.8, the highest readings for both of these indexes in several months. Labor market conditions remained weak, with the indexes for both the number of employees and the average workweek remaining below

zero for a fourth month in a row. The level of optimism about the six-month outlook rose somewhat from December, but remained low compared with levels in early 2012. Significantly, the capital expenditures index fell to 4.3, its lowest reading since 2009.

In a series of supplementary questions, manufacturers were asked about anticipated changes in their workforce and the factors underlying these changes. Twenty-seven percent of survey respondents indicated that they expected the total number of workers at their firm to increase over the next twelve months, while 19 percent predicted declines in their workforce—a considerably less positive balance than in last January's survey. Among firms

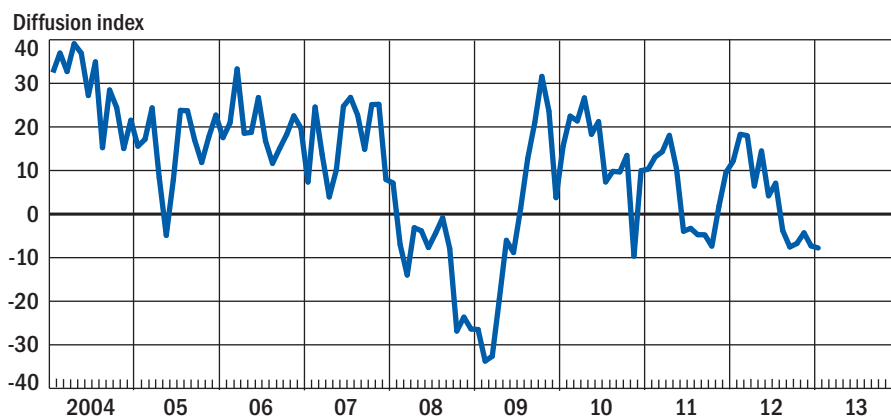
planning to boost employment, high expected sales growth was widely reported to be the most important impetus to hiring; conversely, low expected sales growth was most widely cited as the primary restraint on hiring. Sales growth was also seen as the primary factor behind employment increases and decreases in the 2012 survey.

Business Conditions Continue Their Modest Decline

Business activity for New York manufacturers declined at a modest pace for a sixth consecutive month, according to the January survey. The general business conditions index was little changed at -7.8, with 26 percent of respondents reporting that conditions had improved over the month and 34 percent reporting that conditions had worsened. The new orders index fell four points to -7.2, suggesting that orders had declined. After two months of positive readings, the shipments index dropped fifteen points to -3.1, pointing to a slight fall in shipments. The unfilled orders index was little changed at -7.5. The delivery time index held steady at -2.2, and the inventories index remained negative at -8.6—a sign that inventory levels continued to fall.

General Business Conditions

Seasonally adjusted



Continued

Continued from page 1

Price Increases Pick Up

Prices increases steepened, with the indexes for both prices paid and prices received reaching their highest levels in several months. The prices paid index rose six points to 22.6; twenty-five percent of respondents reported that input prices had increased and just two percent reported that input prices had dropped. The prices received index rose ten points to 10.8. Employment indexes suggested that labor market conditions remained weak. The index for number of employees was -4.3, and the average workweek

index was -5.4. Although these readings were somewhat higher than in December, both indexes were negative for a fourth consecutive month.

Outlook Remains Mildly Positive

Indexes for the six-month outlook remained positive and rose slightly, but generally stayed at levels below those seen a year earlier. The future general business conditions index rose four points to 22.4, with 41 percent of respondents expecting conditions to improve in the months ahead and 18 percent expecting conditions to worsen. The

future new orders index climbed eight points to 25.1, and the future shipments index inched up to 23.9. Future price indexes declined, but remained well above zero. Although future employment indexes inched lower, they still conveyed an expectation that employment levels and hours worked would increase slightly over the next six months. The capital expenditures index dropped nine points to 4.3, its lowest level since 2009, and the technology spending index edged up to 5.4. ■

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

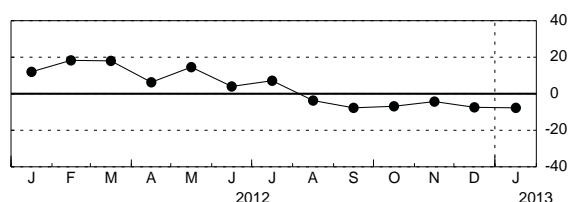
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	16.25	60.20	23.55	-7.30
Jan	25.93	40.37	33.70	-7.78

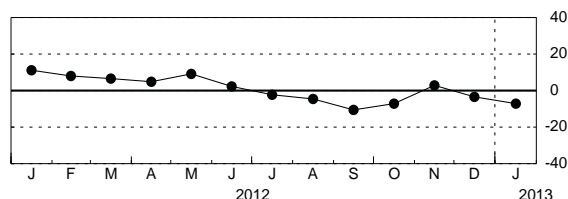
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	19.66	57.24	23.10	-3.44
Jan	27.92	36.99	35.09	-7.18

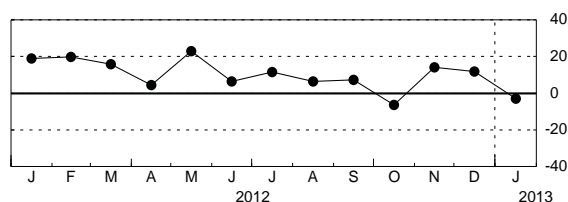
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	28.90	54.14	16.97	11.93
Jan	26.10	44.73	29.17	-3.08

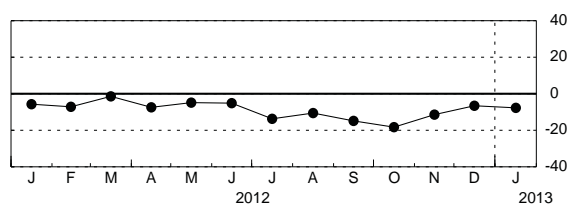
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	12.90	67.74	19.35	-6.45
Jan	10.75	70.97	18.28	-7.53

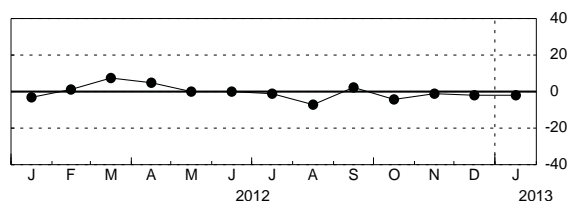
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	7.53	82.80	9.68	-2.15
Jan	8.60	80.65	10.75	-2.15

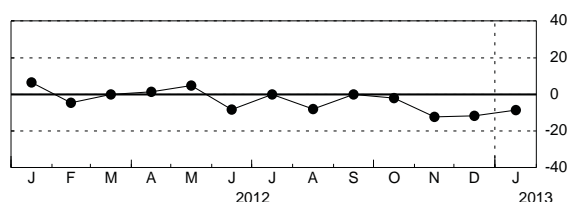
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	18.28	51.61	30.11	-11.83
Jan	16.13	59.14	24.73	-8.60

Inventories - Diffusion Index



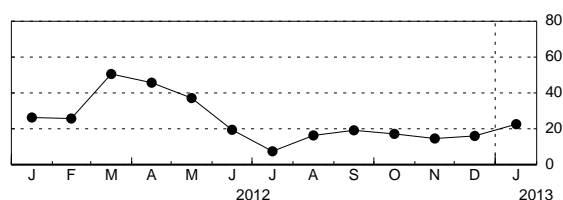
Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	20.43	75.27	4.30	16.13
Jan	24.73	73.12	2.15	22.58

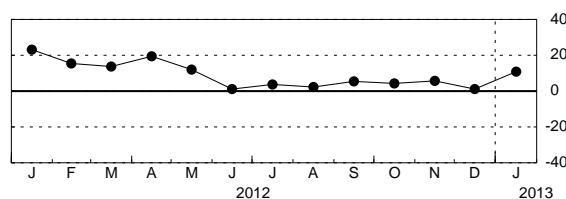
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	11.83	77.42	10.75	1.08
Jan	18.28	74.19	7.53	10.75

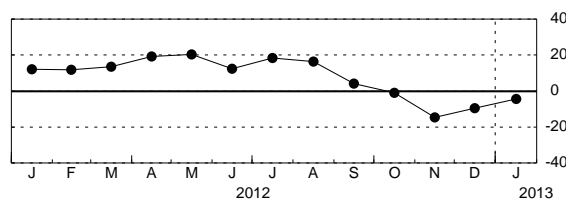
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	8.60	73.12	18.28	-9.68
Jan	11.83	72.04	16.13	-4.30

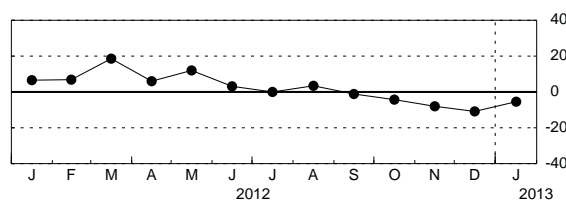
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	6.45	76.34	17.20	-10.75
Jan	11.83	70.97	17.20	-5.38

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

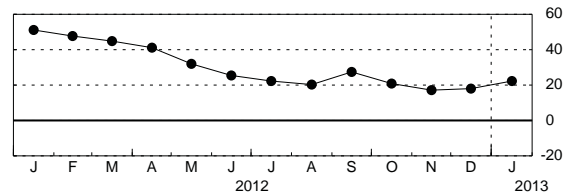
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	38.80	40.36	20.85	17.95
Jan	40.82	40.78	18.41	22.41

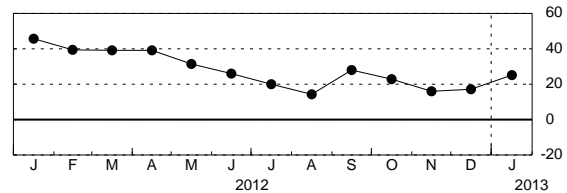
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	41.32	34.55	24.13	17.19
Jan	43.84	37.42	18.74	25.11

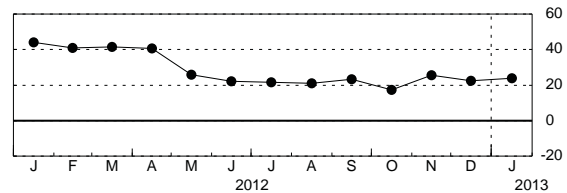
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	41.23	39.99	18.78	22.46
Jan	46.44	30.98	22.58	23.86

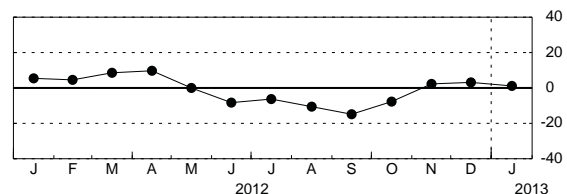
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	16.13	70.97	12.90	3.23
Jan	11.83	77.42	10.75	1.08

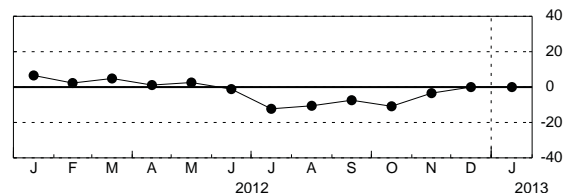
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	11.83	76.34	11.83	0.00
Jan	8.60	82.80	8.60	0.00

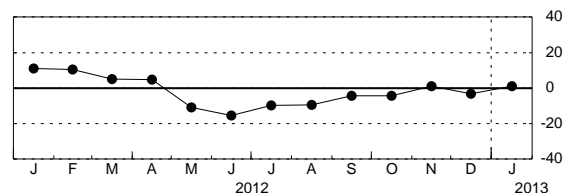
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	20.43	55.91	23.66	-3.23
Jan	24.73	51.61	23.66	1.08

Inventories - Diffusion Index



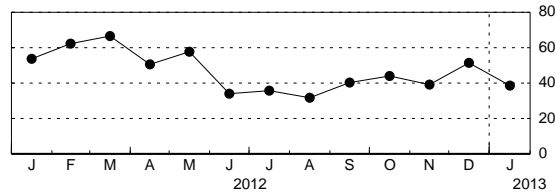
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	52.69	46.24	1.08	51.61
Jan	43.01	52.69	4.30	38.71

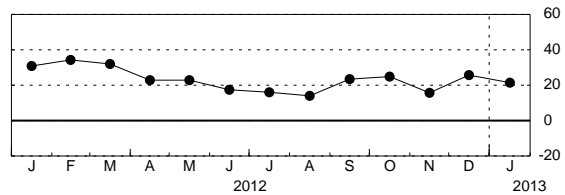
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	35.48	54.84	9.68	25.81
Jan	30.11	61.29	8.60	21.51

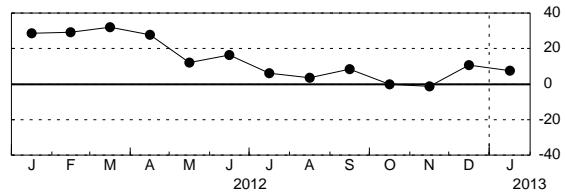
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	25.81	59.14	15.05	10.75
Jan	22.58	62.37	15.05	7.53

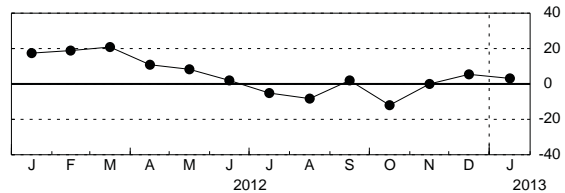
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	17.20	70.97	11.83	5.38
Jan	15.05	73.12	11.83	3.23

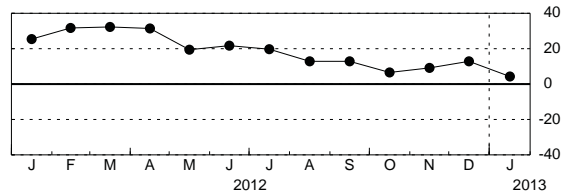
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	30.11	52.69	17.20	12.90
Jan	22.58	59.14	18.28	4.30

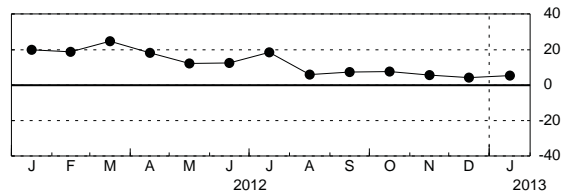
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	19.35	65.59	15.05	4.30
Jan	21.51	62.37	16.13	5.38

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Firms Anticipate Little Change in Workforce in 2013

Supplementary questions in the January 2013 *Empire State Manufacturing Survey* focused on expected changes in the size of firms' workforces and on the factors underlying the changes. The same questions had been asked in surveys conducted in January 2012 and earlier.

In the current survey, 27 percent of respondents indicated that they expected their workforce to increase over the next twelve months, while 19 percent predicted declines in the total number of workers. This balance is considerably less positive than in last January's survey—when 51 percent had predicted increases and just 9 percent had anticipated decreases—and also less positive than in the 2011 surveys. Expectations in the current survey were fairly similar for larger establishments (150 or more employees) and smaller establishments.

When those firms planning to increase employment were asked to rank the factors behind their decision, they responded in much the same way as their counterparts in last January's survey. High expected sales growth was ranked first ("most important") by more than 70 percent of respondents, compared with 65 percent in the earlier survey. Other factors deemed important in both the current survey and the 2012 survey were an overworked staff, a need for skills not possessed by current staff, and decreased economic or financial uncertainty.

When asked about factors restraining hiring plans, 19 percent of all respondents—a somewhat smaller proportion than in earlier surveys—reported no sources of restraint. Those who did report some source(s) of restraint saw low expected sales growth as the most important, by a somewhat greater

margin than in last January's survey. An inability to find workers with the required skills, an underutilized current staff, and uncertainty about health insurance costs and other government regulations were also cited as important factors restraining hiring.

Finally, firms were asked to identify the recruiting tools they planned to use to increase employment. The most widely cited tools were advertising, word-of-mouth, and referrals from other employees. ■

Supplemental Report, *continued*

QUESTION 1

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

	Percentage of Respondents		
	January 2013 Survey	January 2012 Survey	June 2011 Survey
Under 100	43.5	52.2	51.0
100 to 150	21.7	23.3	20.8
150 to 200	10.9	3.3	8.3
200 to 500	16.3	16.7	13.5
500 or more	7.6	4.4	6.3

Employee Category	Average Percentage of Employees		
	January 2013 Survey	January 2012 Survey	June 2011 Survey
Full-time employees	92.4	96.0	89.3
Part-time employees	4.9	1.9	1.9
Contract employees	2.7	2.1	8.7

QUESTION 2

Do you expect that your number of employees will increase, remain unchanged, or decrease over the next twelve months?

	Percentage of Respondents		
	January 2013 Survey	January 2012 Survey	June 2011 Survey
Increase	27.2	50.5	41.3
Remain unchanged	54.3	40.7	41.3
Decrease	18.5	8.8	17.4

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		
	Most Important	Second Most Important	Third Most Important
Expected growth of sales is high	72.0	16.0	8.0
Reduced employment too much	4.0	4.0	0.0
Current staff are overworked	8.0	32.0	4.0
Need skills not possessed by current staff	8.0	12.0	24.0
Labor costs have fallen	0.0	0.0	0.0
Decreased economic or financial uncertainty	0.0	12.0	8.0
Firm's financial position has improved	0.0	4.0	16.0
Other factors	8.0	4.0	0.0

Supplemental Report

QUESTION 4

If you plan to *increase* total employment: What recruiting tools do you anticipate using to increase employment? (Check all that apply.)

	Percentage of Respondents	
	January 2013 Survey	January 2012 Survey
Raise starting pay	16.0	15.2
Use a recruiting firm	32.0	39.1
Advertise (newspaper, Internet, or elsewhere)	80.0	69.6
Hold job fairs	4.0	13.0
Word of mouth	80.0	50.0
Referrals from other employees	76.0	71.7
None	0.0	0.0
Other	8.0	8.7

QUESTION 5

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 indicating no sources of restraint: 19.4

	Percentage of Respondents Ranking the Factor as		
	Most Important	Second Most Important	Third Most Important
Expected growth of sales is low	45.3	10.7	2.7
Current staff are underutilized/working reduced hours	9.3	13.3	5.3
Cannot find workers with required skills	13.3	6.7	13.3
Labor costs are high	2.7	10.7	2.7
Uncertainty about the cost of health insurance	5.3	17.3	17.3
Uncertainty about other regulations or govt. policies	9.3	8.0	13.3
Firm's financial position has deteriorated	2.7	0.0	6.7
Want to keep operating costs low	5.3	18.7	10.7
Other factors	4.0	1.3	1.3