

# Empire State Manufacturing Survey

The *Empire State Manufacturing Survey* indicates that conditions improved in October for New York State manufacturers. The general business conditions index rose 12 points, to 15.7. The new orders and shipments indexes were also positive and well above their September levels. The inventories index dipped below zero, falling to its lowest level since January. The indexes for prices paid and prices received rose. The index for number of employees climbed for a third consecutive month, although the average workweek index dipped slightly. Future indexes turned up noticeably in October, with the future general business conditions

index rising 9 points and the future number of employees index advancing 10 points.

In a series of supplementary questions, firms were asked about borrowing needs, perceived changes in credit availability, and related issues. On balance, respondents reported little change in borrowing needs—over the past twelve months or over the past three months. Similarly, a majority of respondents reported no change in credit availability over the same two intervals; 14 percent indicated that credit had tightened in the past three months, while just 5 percent noted some easing in credit. These results are not substantially different

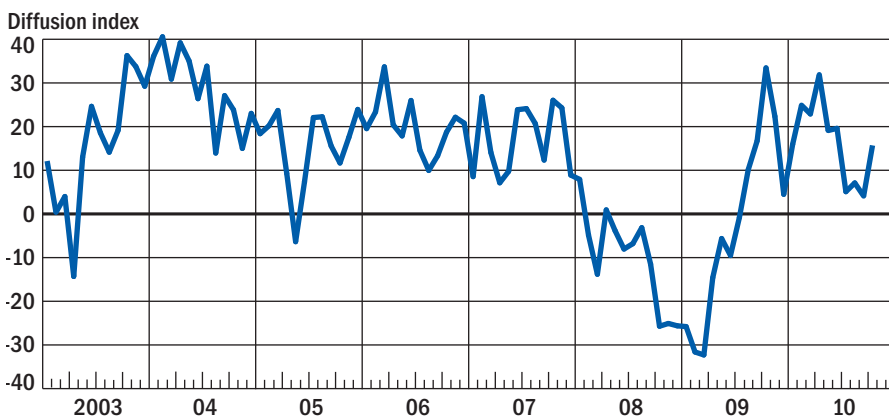
from those of the March 2010 survey, which had asked the same questions.

## Business Activity Picks Up

The general business conditions index climbed 12 points to 15.7, a clear gain over the relatively low but positive readings seen from July through September. This month, 35 percent of respondents—roughly the same share as in September—reported that conditions had improved over the month, while 20 percent reported that conditions had worsened, a significantly lower percentage than last month. The new orders index moved up 9 points, to 12.9. After turning negative in August and September, the shipments index rose above zero, climbing 20 points to 19.4. The unfilled orders index rose for a third consecutive month, but remained just below zero at -1.7. The delivery time index advanced several points, but also remained negative, suggesting that delivery times continued to shorten. The inventories index turned negative, falling 13 points to -11.7, its lowest level since January, indicating that inventory levels declined over the past month.

## General Business Conditions

Seasonally adjusted



*Continued from page 1*

### **Price Increases Accelerate, Employment Levels Rise**

The indexes for prices paid and prices received climbed in October. The prices paid index rose 8 points to 30.0, suggesting that the pace of input price increases had quickened. The prices received index rose 7 points, reaching 8.3. The index for number of employees moved up 7 points, to 21.7, a level roughly matching the peaks reached in April and May of this year. Thirty-three percent of respondents increased employment levels this month, while only 12 percent reduced their workforces. The average workweek index inched down 4 points, but remained positive at 3.3, indicating a slightly lengthening workweek.

### **Six-Month Outlook Improves**

Future indexes were noticeably higher in October, although they generally remained below the

more optimistic values reported earlier this year. The future general business conditions index rose 9 points, reaching 40.0, with a little more than half of respondents expecting conditions to improve in the months ahead. The future new orders and shipments indexes also climbed. The future delivery time index rose above zero—a sign that, on balance, respondents expect delivery times to lengthen. The future inventories index rose to 10.0, suggesting that some increase in inventory levels is expected. The future indexes for prices paid and prices received were positive and higher than last month, and the index for expected number of employees was positive and moved up 10 points. The capital expenditures index held steady at 25.0, and the technology spending index was little changed at 13.3 ■

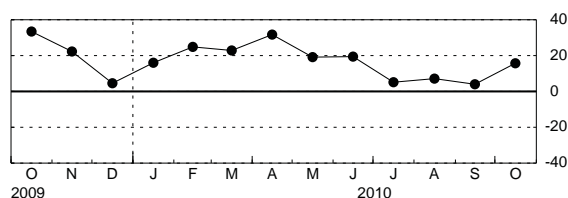
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	34.73	34.67	30.59	4.14
Oct	35.45	44.84	19.72	15.73

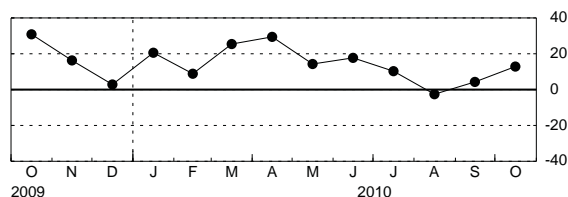
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	30.79	42.76	26.46	4.33
Oct	35.61	41.69	22.70	12.90

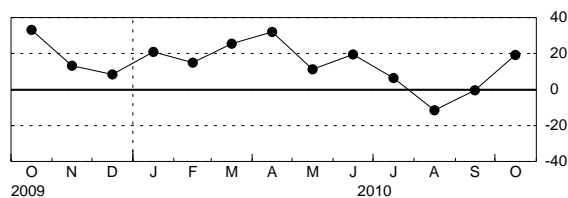
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	30.45	38.83	30.72	-0.27
Oct	42.06	35.27	22.67	19.39

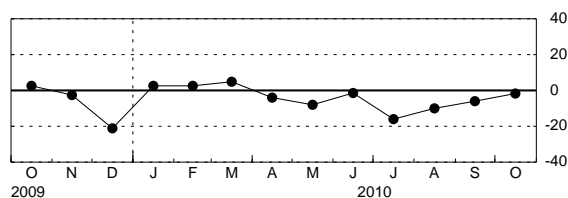
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	16.42	61.19	22.39	-5.97
Oct	15.00	68.33	16.67	-1.67

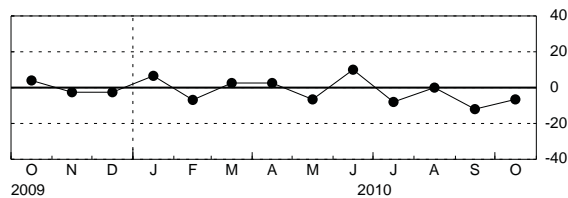
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	7.46	73.13	19.40	-11.94
Oct	6.67	80.00	13.33	-6.67

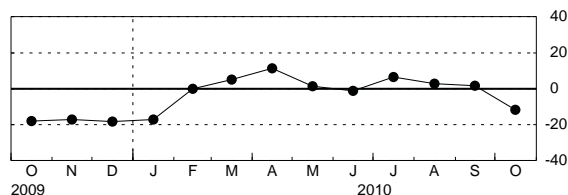
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	25.37	50.75	23.88	1.49
Oct	23.33	41.67	35.00	-11.67

Inventories - Diffusion Index



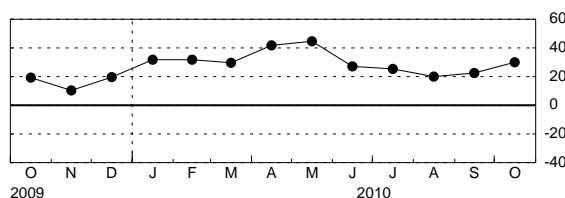
## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	29.85	62.69	7.46	22.39
Oct	35.00	60.00	5.00	30.00

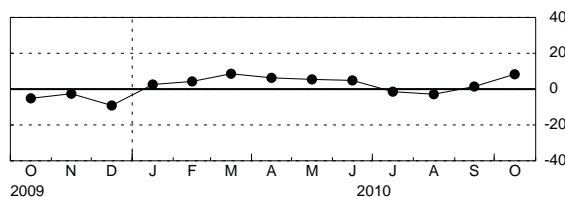
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.43	74.63	11.94	1.49
Oct	13.33	81.67	5.00	8.33

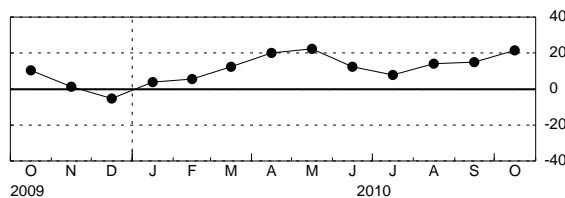
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	28.36	58.21	13.43	14.93
Oct	33.33	55.00	11.67	21.67

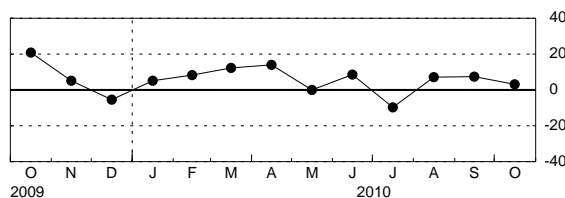
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	22.39	62.69	14.93	7.46
Oct	23.33	56.67	20.00	3.33

Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

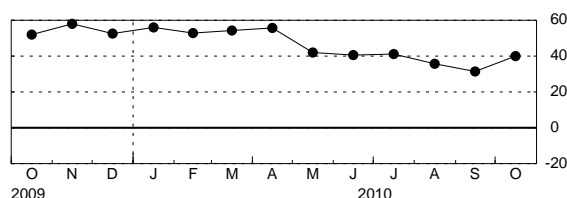
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	44.78	41.79	13.43	31.34
Oct	51.67	36.67	11.67	40.00

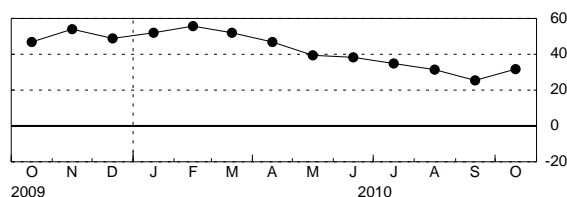
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	38.81	47.76	13.43	25.37
Oct	41.67	48.33	10.00	31.67

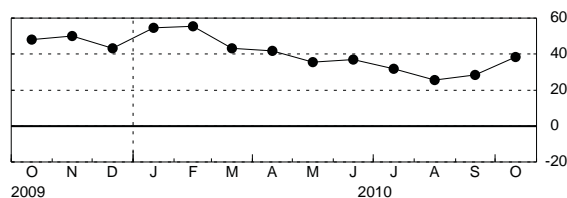
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	43.28	41.79	14.93	28.36
Oct	48.33	41.67	10.00	38.33

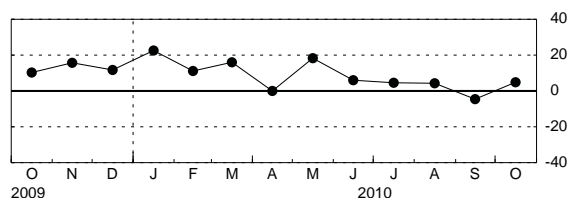
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	13.43	68.66	17.91	-4.48
Oct	16.67	71.67	11.67	5.00

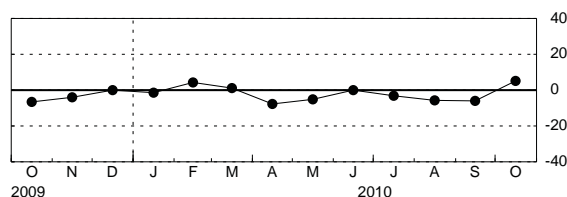
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	8.96	76.12	14.93	-5.97
Oct	11.67	81.67	6.67	5.00

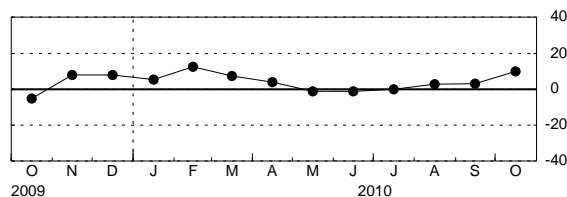
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.87	49.25	23.88	2.99
Oct	26.67	56.67	16.67	10.00

Inventories - Diffusion Index



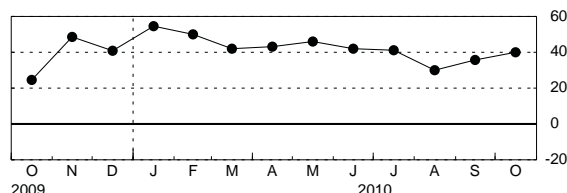
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	44.78	46.27	8.96	35.82
Oct	43.33	53.33	3.33	40.00

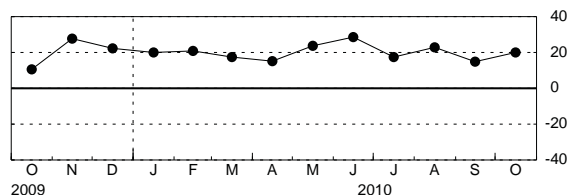
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.87	61.19	11.94	14.93
Oct	30.00	60.00	10.00	20.00

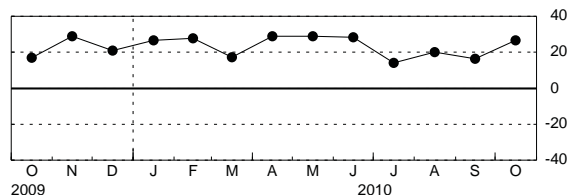
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	31.34	53.73	14.93	16.42
Oct	35.00	56.67	8.33	26.67

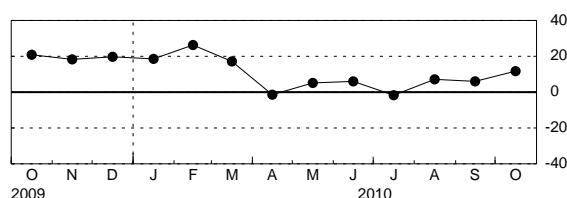
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	16.42	73.13	10.45	5.97
Oct	16.67	78.33	5.00	11.67

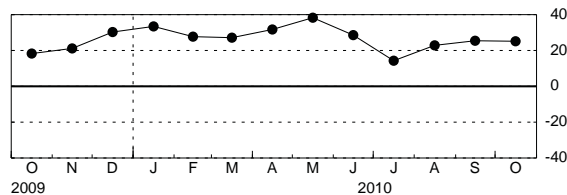
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	37.31	50.75	11.94	25.37
Oct	33.33	58.33	8.33	25.00

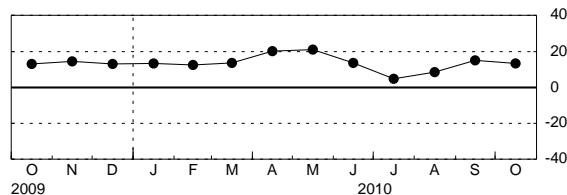
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	26.87	61.19	11.94	14.93
Oct	23.33	66.67	10.00	13.33

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Manufacturers Report Little Change in Borrowing Needs or Credit Availability

Supplementary questions in the October 2010 *Empire State Manufacturing Survey* focused on recent changes in firms' borrowing needs, perceived changes in credit availability, and the causes and effects of such changes. Parallel questions had previously been asked in March 2010, October 2009, and earlier months.

As in the March survey, most of the respondents reported steady borrowing needs—both over the past year and over the past three months. In the current survey, 24 percent said that their borrowing needs had moderated in the past year, while 17 percent said that their needs had grown. In assessing changes over the past three months, 80 percent of respondents indicated no change in borrowing needs; 11 percent reported an increase, while 9 percent reported a decrease since July.

Those respondents reporting increased borrowing needs since July most commonly attributed the increase to late payment of bills by customers, followed by higher nonlabor costs and declines in business revenues. Those reporting reduced borrowing needs most commonly gave as the reason more timely payment of bills by customers, followed by increased business revenues and management of existing debts.

In response to questions on changes in credit availability, 15 percent of firms reported some tightening over the past year—down noticeably from 24 percent of firms in the March survey and 39 percent in last October's survey—while just 12 percent noted some easing, about the same percentage as in earlier surveys. Answering a related question about changes in credit availability over the past three

months, 14 percent of respondents noted tighter credit standards and just 5 percent noted easier credit. When those firms reporting tighter credit were asked to identify its effects on their behavior, respondents mentioned a number of effects, but delay in paying vendors and suppliers was cited a little more often than the others.

Most firms also reported little change in borrowing costs over the past three months: 77 percent of respondents reported no change, while the remaining respondents were evenly split between higher and lower costs. When asked about recent changes in limits (ceilings) on existing lines of credit, 82 percent of respondents reported no change, 10 percent reported lower ceilings, and 8 percent reported higher ceilings. ■

*Continued*

## Supplemental Report, *continued*

### QUESTION 1

How do your current borrowing needs compare with those one year earlier? three months earlier?

	October 2010 Survey			March 2010 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
One year earlier	24.1	58.6	17.2	27.8	55.7	16.5
Three months earlier	8.8	80.7	10.5	19.2	65.4	15.4

### QUESTION 2

How has credit availability changed over the past twelve months? past three months?

	October 2010 Survey			March 2010 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past twelve months	11.9	72.9	15.3	11.4	64.6	24.1
Over the past three months	5.1	81.4	13.6	12.7	70.9	16.5

### QUESTION 3

In your experience, how have banks' requirements to extend business loans and/or credit lines changed over the past three months?

	October 2010	March 2010	October 2009	March 2009
	Percentage of Firms Responding . . .			
Much easier now	0.0	1.3	0.0	0.0
Somewhat easier now	6.7	8.0	8.2	0.0
Same	75.0	61.3	65.8	53.0
Somewhat tighter now	13.3	17.3	19.2	20.5
Much tighter now	5.0	12.0	6.8	26.5

### QUESTION 4

Also in your experience, how has the cost of borrowing funds changed over the past three months?

	October 2010	March 2010	October 2009	March 2009
	Percentage of Firms Responding . . .			
Much lower now	0.0	0.0	1.3	1.2
Lower now	11.7	5.3	10.7	19.3
Same	76.7	66.7	54.7	34.9
Higher now	10.0	25.3	30.7	30.1
Much higher now	1.7	2.7	2.7	14.5

### QUESTION 5

Again in your experience, how have the limits (ceilings) on existing business lines of credit changed over the past three months? Credit limits have become:

	October 2010	March 2010	October 2009	March 2009
	Percentage of Firms Responding . . .			
Much lower now	3.3	3.9	5.3	7.2
Lower now	6.7	13.2	13.3	10.8
Same	81.7	72.4	70.7	69.9
Higher now	8.3	5.3	9.3	7.2
Much higher now	0.0	1.3	1.3	4.8