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Empire State Survey: How Narrow?

The headline April Empire State Manufacturing index drops an unexpectedly large 13.7 points (Consensus: -2.2 points; Decision Economics: +1.6 points) to 6.6.

That shift clearly amounts to a serious cooling of business sentiment--but it was not evident in the important new orders (-0.4 point, to 6.5) or employment (+5.7 points, to 19.3).

Weakness was conspicuous in narrowing shipments growth (-11.8 points, to 6.4), and strikingly, given that, in weakness in backlogs (-6.0 to -7.2). Incoming orders were evidently smaller in size than the orders shipped in the month.

That would be a minor red flag, except for the fact that the headline index seems to point to sudden shakiness in confidence. Still, the employment result pushes in the other direction, since hiring stepped up even as lengthening in average workweeks slowed (-12.5, to 6.0). Managers remained comfortable in expanding staff.

For the moment, these results will be read as indicating a likely transitory stumble, perhaps strictly regional, not reflecting any serious new national development. More concern will develop if other regional surveys also show souring sentiment--hinting that a broader deterioration is underway.

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