New York • London • Boston • Chicago
DECISION ECONOMICS, INC.
Information for Decisions™

New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

August 15, 2012

Empire State: Idling?

The headline August Empire State Manufacturing Index is unexpectedly weak, dropping to -5.9 from the +7.4 July level (Consensus: 7.0; Decision Economics: 7.8).

There is clearly no indication of manufacturing re-acceleration in the numbers, but, as always, there is a question of whether New York State developments accurately reflect the national trend--and, this month, whether the national ISM will be yanked down from the current stagnation level.

The entirely separate survey activity indexes were broadly in line with the headline movement, but can be spun a bit less negatively. The critical new orders index fell to -5.5 from -2.7--not good, but a relatively modest new deterioration.

Notably, and in a hint of optimism, the employment index slipped only to +16.5 from +18.5, and that slowdown was still accompanied by a rise in the workweek index to +3.5 from 0.0. Employers are not over-hiring.

Shipments slowed to +4.1 from +10.3, curbing the decline in the backlog, and causing that index to rise from -13.6 to -10.6. Production may not have slowed much at all, since inventories fell (-8.2 from 0.0) with the decline in shipments.

Altogether this looks like a manufacturing sector running at a steady pace, even in the face of moderately slowing orders, because managers are confident that activity will pick up in the near future. They are being prudent, managing inventories and employment closely, but remain content in using the backlog to stabilize their general level of production.

FOMC observers will certainly wait for ISM results before drawing conclusions, and few will be greatly shaken by these results.

© 2012 Decision Economics, Inc. All rights reserved. Reproduction in whole or in part without the written permission of the copyright owner is prohibited.