

## Datanote: US Empire State Survey, March

### In one line: No signs of recovery yet

- The Empire State manufacturing index dropped to -20.9 in March, from -2.4 in February, well below the consensus, -7.0.

The 18.5-point fall in the survey's headline general business conditions index may look startling, but the Empire State survey is exceptionally

volatile. The March plunge comes after a 41.3-point surge in February, the second-largest monthly gain in the survey's history. Some reversal of that jump always looked likely.

Their extreme volatility and limited geographical coverage means that the individual Fed surveys tell us little about the national picture for manufacturing, although when averaged together they are much more informative. The Empire State index generally tracks the

national trend captured by the ISM manufacturing index but is far noisier, as the chart below shows. The Empire survey's shipments, new orders and employment indices all fell quite sharply this month, although we will have to wait for corroborating evidence in other surveys before concluding that this is signal rather than noise; the Empire State survey is the first regional report to be published each month.

We lean mostly towards the noise story, and expect the manufacturing

sector's fortunes to begin improving modestly soon, on the back of lower long-term rates. The evidence for this story right now, however, is patchy, and we can't yet rule out the idea that manufacturing tracks sideways for an extended period.

