

Economic Indicator — August 15, 2022

Fall of the Empire: NY Fed Index Posts 2nd Largest Decline on Record

Summary

The Empire Index posted its second largest decline on record in August. At a time when financial markets are coming to grips with whether the economy is currently in recession or heading into one, this is not an encouraging development for measures of industrial production—one of the four key categories watched by the NBER's dating committee to determine the starting date for a recession.

Economist(s)

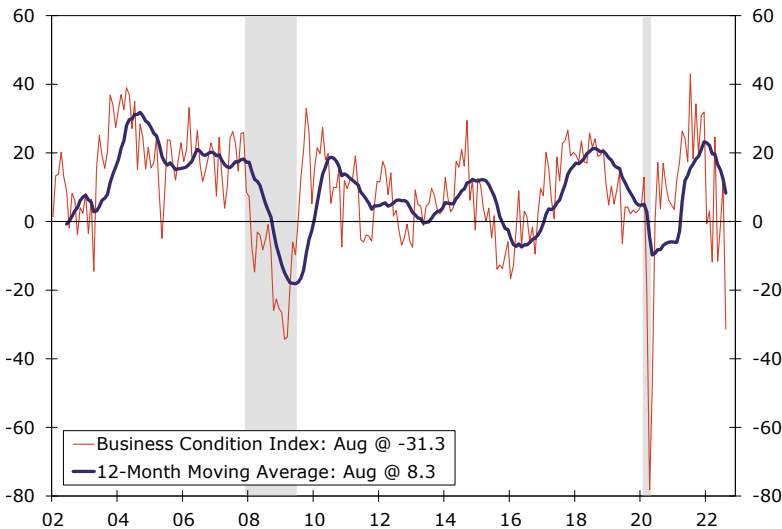
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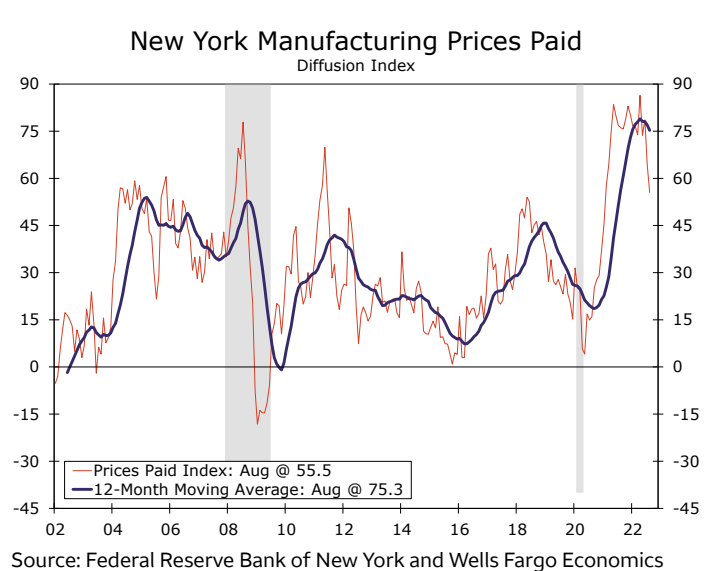
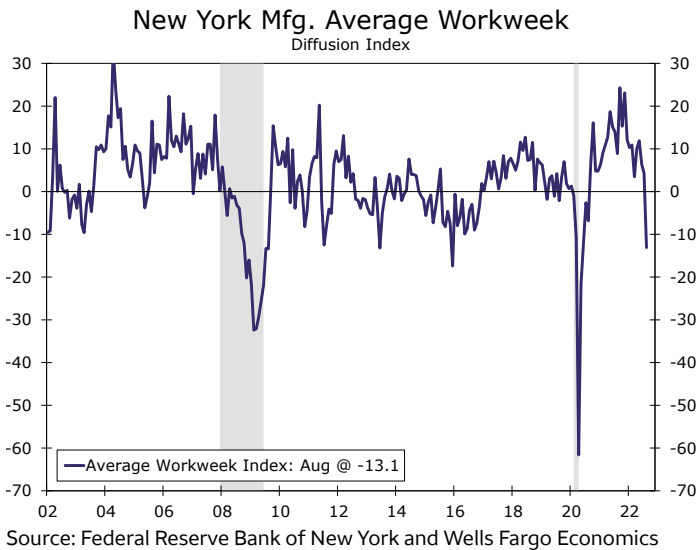
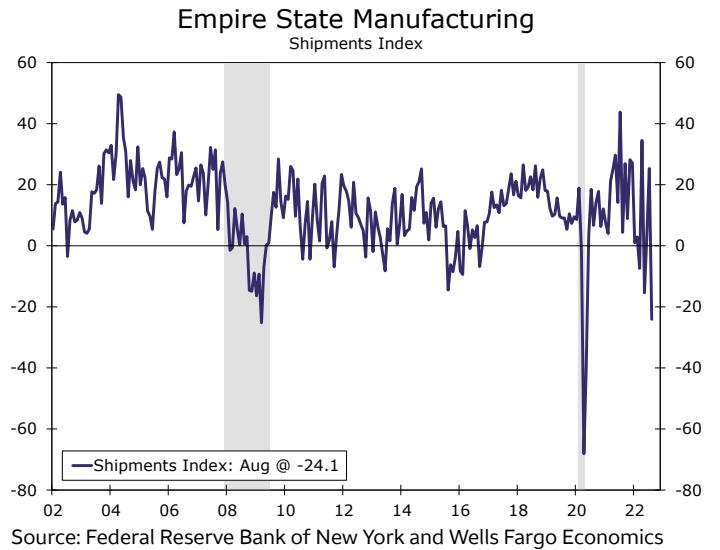
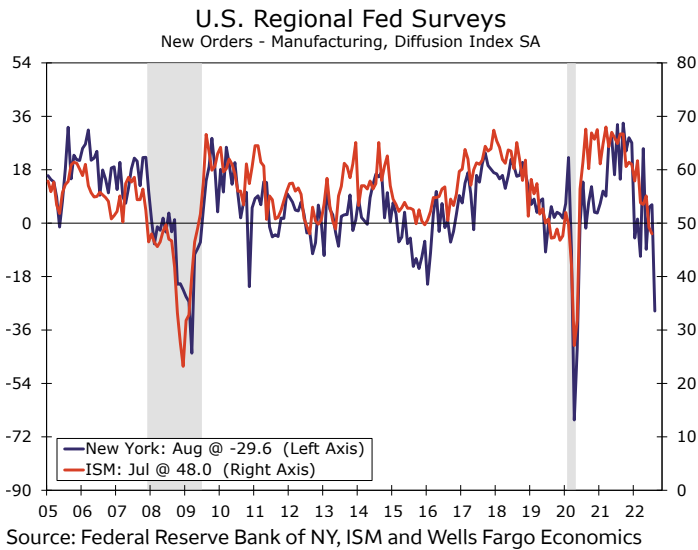
New York Mfg. General Business Conditions
 Diffusion Index



Source: Federal Reserve Bank of New York and Wells Fargo Economics

Empire Strikes a Nerve

- The New York Fed's Empire Manufacturing Index fell 42.4 points to -31.3 in August, marking the second largest monthly decline in data going back to 2001.
- This is just one monthly report for one region of the country (albeit an important one), and it is not cause for full-blown alarm. But coming on the heels of back-to-back declines in manufacturing production for the broader economy, the sudden drop in activity should not be dismissed out of hand.
- New orders plunged 35.8 points to -29.6 in August. Shipments cratered. The 49.4 point drop between July and August ranks third among the biggest monthly swings on record.
- The strength of the job market is still the best argument for why the economy is not in recession at present, but there was some deterioration evident in today's Empire survey for the job market in the New York area. The number of employees fell to 7.4 from 18.0 last month, and the average workweek fell to -13.1 showing a decline in hours worked.
- To the extent that there was "good" news, the prices paid measure came in at 55.5 versus 64.3 in the prior month.



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