

Supplemental Report:

Sizable Increases Planned for Capital Spending in 2012

In a series of supplementary questions to the February 2012 *Empire State Manufacturing Survey*, manufacturers were asked about their 2012 capital spending plans and how the plans compared with actual spending for 2012—both overall and for a few broad categories of capital. Parallel questions had been asked in February 2011 and earlier, and some of the same questions had been asked in July 2011 (see table). In the current survey, substantially more responding firms planned increases (46 percent) than reductions (25 percent) in overall capital spending in 2012. These findings are slightly more upbeat, though not substantially different, from those in last July's or last February's surveys.

Firms' spending plans continued to vary considerably across the different categories of capital. As in earlier surveys, the increases most widely expected were for non-computer-related equipment:

48 percent of manufacturers planned to spend more in 2012 than in 2011, while just 23 percent planned to spend less. On balance, respondents also reported that they planned to spend more on computers, related hardware, and software. Manufacturers remain somewhat reluctant to invest in structures, though less so than in earlier surveys: 23 percent of those surveyed said they were budgeting more for structures in 2012 than in 2011, while 24 percent indicated that they would cut back on such investment. This is a moderately less negative balance than in last July's survey and considerably less negative than in February 2011, when planned cuts outnumbered planned increases by more than two to one.

In a separate question, firms were asked about the extent to which various factors contributed to planned increases in capital spending. A majority of respondents cited a need for labor-saving

equipment and favorable sales and demand trends as factors supporting higher spending, and nearly half cited long-term plans (investment schedules). Respondents were also asked about factors holding back capital spending; the most widely cited factor was unusually high capital spending in 2011, though even this was cited by only 27 percent of those surveyed.

The median projected level of capital spending for 2012 across all respondent firms was \$375,000—up 29 percent from the actual level of \$290,000 reported for 2011. In last July's survey, the median level of capital spending was seen as declining from \$350,000 in 2010 to \$300,000 in 2011. (In comparing the median level projected for 2011 in last July's survey with the actual median level for 2011 reported in the current survey, one should note that the numbers are based on somewhat different pools of respondent firms and are not strictly comparable.) ■

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Supplemental Report, *continued*

QUESTION 1

To what extent do you expect your firm's spending on new plant and equipment to be higher or lower in 2012 than in 2011? How do you expect each of these capital spending categories to change?

	February 2012 Survey		February 2011 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Planning Lower Spending in 2012	Planning Higher Spending in 2012	Planning Lower Spending in 2011	Planning Higher Spending in 2011
Total	24.7	45.7	26.8	46.3
Structures	24.1	22.9	25.9	12.3
Non-computer-related equipment	22.9	48.2	15.7	44.6
Computers and related hardware	11.9	31.0	14.5	30.1
Software	17.9	31.0	18.1	26.5

QUESTION 2

How are each of the following factors contributing to changes in your capital spending budget from 2011 to 2012?

	February 2012 Survey		February 2011 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reporting Downward Effect in 2012	Reporting Upward Effect in 2012	Reporting Downward Effect in 2011	Reporting Upward Effect in 2011
Unusually high/low capital spending in 2011	27.4	25.0	22.0	18.3
Long-term plans / investment schedule	11.9	45.2	12.2	42.7
Sales / demand trends for your products	22.9	51.8	18.3	47.6
Need for labor-saving equipment	9.5	53.6	8.5	54.9
Need for energy-saving equipment	10.8	37.3	6.1	39.0
Cost or availability of external finance	9.5	13.1	17.1	13.4
Firm's cash flow / balance sheet position	15.5	34.5	21.0	34.6
Tax / regulatory considerations	20.2	25.0	15.9	34.1

QUESTION 3

Please indicate your best estimate of your total capital expenditures for last year (calendar year 2011) and the expected amount for this year (calendar year 2012).

	February 2012 Survey		July 2011 Survey	
	Current Year	Prior Year	Current Year	Prior Year
Median capital spending	\$375,000	\$290,000	\$300,000	\$350,000