

Empire State Manufacturing Survey: Supplemental Report

October 2007

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Manufacturers Plan to Increase Capital Spending in Year Ahead

In a series of supplementary questions to the October *Empire State Manufacturing Survey*, manufacturers were asked about their capital spending plans. Nearly 42 percent of respondents indicated that, over the next six to twelve months, they expected to increase capital spending relative to its level in the past six to twelve months, while 19 percent anticipated declines. However, results suggest that the percentage of respondents planning increases may be lower now than it was earlier this year: when asked about recent *revisions* to capital spending plans, slightly more respondents reported downward revisions (23 percent) than upward revisions (16 percent).

In an additional set of questions, manufacturers were asked how their 2008 capital spending budgets compared with their 2007 budgets. Overall, 45 percent of the manufacturers surveyed reported that they planned higher spending next year, while 21 percent planned lower spending. This question was also posed with respect to a few major categories of capital spending. When asked about spending on structures, more respondents expected to decrease their outlays (32 percent) than to increase them (27 percent). However, when asked about spending on computer hardware and other equipment, more firms planned increases than cutbacks.

1) Have recent changes in financial conditions prompted your firm to revise its planned spending on new plant and equipment over the next 6-12 months?

	<u>Percentage of Respondents Planning . . .</u>
Substantial downward revision	9.3
Small downward revision	14.0
No revision	60.5
Small upward revision	11.6
Substantial upward revision	4.7

2) Do you expect your firm's spending on new plant and equipment over the next 6-12 months to increase, decrease, or be about unchanged relative to your actual spending over the past 6-12 months?

	<u>Percentage of Respondents Expecting Spending to . . .</u>
Decrease	18.6
Stay the same	39.5
Increase	41.9

3) To what extent do you expect your firm's spending on new plant and equipment to be higher or lower in 2008 than in 2007? How do you expect each of these capital spending categories to change?

	<u>Oct. 2007 (Current Survey)</u>		<u>Oct. 2006 (Prior Survey)</u>	
	<u>Percentage of Respondents Expecting . . .</u>			
	<u>Lower Spending in 2008</u>	<u>Higher Spending in 2008</u>	<u>Lower Spending in 2007</u>	<u>Higher Spending in 2007</u>
Total	20.9	45.3	20.8	44.2
Structures	31.7	26.8	24.6	24.6
Non-computer-related equipment	29.4	36.5	20.2	47.9
Computers and related hardware	19.8	26.7	16.7	30.8
Software	21.2	25.9	18.5	20.2