

Supplemental Survey Report

Cash Holdings at or Slightly Below Usual Levels; Two in Five Manufacturers Plan to Reduce Debt

The supplementary questions to the March 2017 *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on cash holdings, debt levels, and methods of financing capital spending. Identical questions had been asked in surveys conducted in March 2016 and earlier (see tables below). When queried about expected changes in their outstanding debt in the year ahead, 22 percent of manufacturers anticipated taking on more debt in the year ahead, while 39 percent expected to take on less—little changed from earlier surveys. Among service firms, 24 percent of respondents predicted that their outstanding debt would rise, while 28 percent expected it would fall. This reflects a slightly lower propensity to take on debt than in the 2016 survey but a slightly higher propensity than in earlier surveys. When asked about actual changes in debt over the past twelve months, roughly 40 percent of manufacturing respondents said that debt levels had fallen, while just under a quarter said they had risen. Among service firms, equal proportions of

respondents (29 percent) reported rising and falling debt levels—as was the case in last March’s survey.

In response to a question about projected changes in cash holdings, 41 percent of manufacturers expected cash balances to rise, while 24 percent predicted they would fall. Among service sector firms, projections were more balanced: 30 percent expected cash on hand to rise, while 27 percent anticipated a decline. These results closely match those in last year’s survey. When asked to assess their current cash holdings (relative to the level of business activity), the majority of both manufacturers and service sector respondents reported that they were at or slightly below usual levels, on balance—again, little changed from the 2017 survey.

When asked how they would finance capital expenditures over the next twelve months, service sector firms planned to finance two-thirds of capital spending with cash, on average, up slightly from last year’s survey; service sector respondents planned to use

somewhat less debt—21 percent, on average—than in last year’s survey but about the same as in earlier surveys. Manufacturers’ plans to finance debt were almost identical to those in last year’s survey: Respondents, on average, said they plan to use cash to finance 58 percent and debt to finance 31 percent of capital spending. Both manufacturers and service firms indicated they would finance just under 10 percent of their capital budget through leasing of equipment.

Finally, a new question was included that pertained to New York State’s minimum wage hike that took effect on January 1. Respondents with operations in New York were asked how much of an effect, if any, this increase has had on their decisions about compensation and employment. Just over a third of manufacturers and just over half of service-sector respondents indicated no such effect. At the other end of the spectrum, roughly one in six respondents to both the manufacturing and service sector survey indicated a “significant” effect, and slightly smaller proportions indicated a “moderate” effect. ■

Supplemental Survey Report, *continued*

QUESTION 1

How do you expect your firm's debt levels to change over the *next* twelve months?

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents			Percentage of Respondents		
	March 2015	March 2016	March 2017	March 2015	March 2016	March 2017
Increase a lot	3.2	4.2	3.6	3.0	6.2	2.5
Increase a little	17.0	18.8	18.0	15.2	20.0	21.5
Remain the same	41.5	39.6	39.6	53.0	50.0	47.5
Decrease a little	33.0	37.5	36.0	25.8	20.0	25.9
Decrease a lot	5.3	0.0	2.7	3.0	3.8	2.5

How have your firm's debt levels changed over the *past* twelve months?

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents			Percentage of Respondents		
	March 2015	March 2016	March 2017	March 2015	March 2016	March 2017
Increased a lot	8.6	10.3	8.3	6.9	9.2	8.9
Increased a little	21.5	11.3	15.6	16.8	18.5	20.4
Remained the same	41.9	30.9	34.9	49.6	42.3	41.4
Decreased a little	26.9	40.2	33.0	22.1	25.4	25.5
Decreased a lot	1.1	7.2	8.3	4.6	4.6	3.8

QUESTION 2

How do you expect your firm's cash balances to change over the *next* twelve months?

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents			Percentage of Respondents		
	March 2015	March 2016	March 2017	March 2015	March 2016	March 2017
Increase a lot	6.4	1.0	3.6	5.3	3.8	1.9
Increase a little	36.2	38.8	37.3	30.5	26.0	27.8
Remain the same	36.2	36.7	35.5	41.2	44.3	43.0
Decrease a little	14.9	17.3	17.3	19.8	21.4	25.9
Decrease a lot	6.4	6.1	6.4	3.1	4.6	1.3

Supplemental Survey Report, *continued*

QUESTION 3

How would you describe your current cash balances relative to your level of business activity?

	Empire State Manufacturing Survey			Business Leaders Survey		
	Percentage of Respondents			Percentage of Respondents		
	March 2015	March 2016	March 2017	March 2015	March 2016	March 2017
Much higher than usual	1.1	0.0	1.8	3.8	0.0	1.9
Somewhat higher than usual	13.7	18.1	21.8	18.8	16.0	23.6
At about the usual level	53.7	47.9	45.5	52.6	53.6	44.6
Somewhat lower than usual	21.1	20.2	20.9	17.3	23.2	24.2
Much lower than usual	10.5	13.8	10.0	7.5	7.2	5.7

QUESTION 4

How do you expect to finance capital spending over the next twelve months?

	Empire State Manufacturing Survey			Business Leaders Survey		
	Average Percentage of Capital Spending			Average Percentage of Capital Spending		
	March 2015	March 2016	March 2017	March 2015	March 2016	March 2017
Cash	54.6	58.0	57.6	68.6	61.7	66.5
Debt	30.5	33.7	30.6	18.9	25.6	21.3
Equity	2.6	2.3	2.6	4.5	4.5	4.6
Leasing of equipment	12.2	6.0	9.2	7.9	8.3	8.3

QUESTION 5

Has the recent increase in the minimum wage, effective January 1, had any effect on your business's decisions about compensation and employment?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	March 2017		March 2017	
No effect	36.4		50.8	
Small effect	33.6		16.9	
Moderate effect	13.6		15.3	
Significant effect	16.4		16.9	

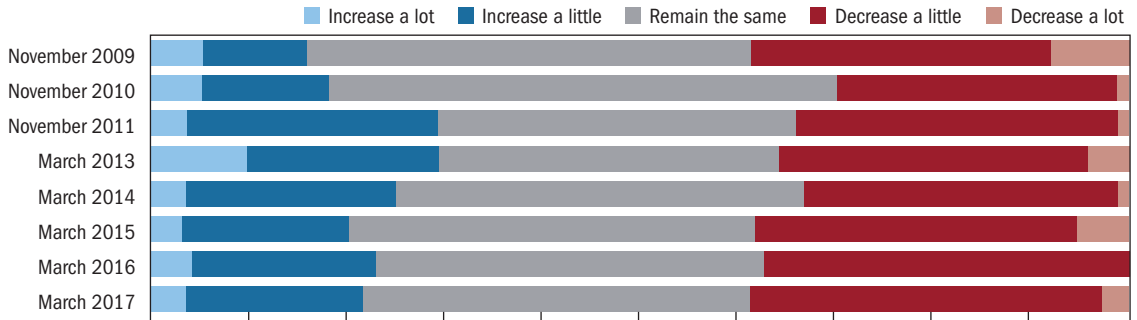
Note: Only businesses with operations in New York State were asked to respond to this question.

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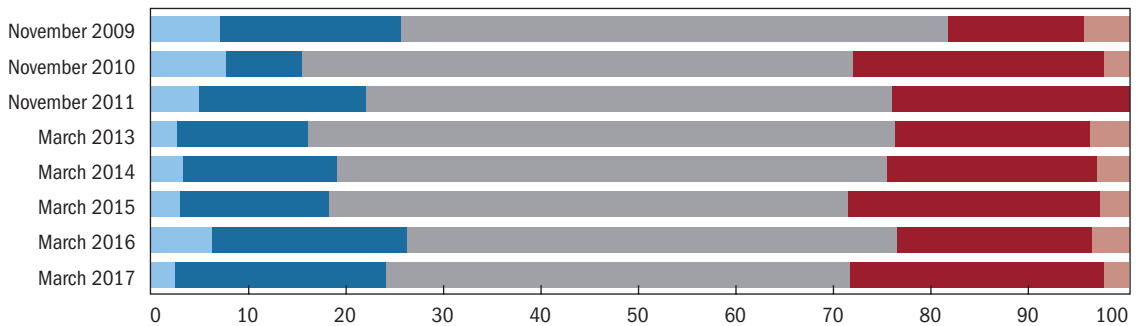
HISTORICAL OVERVIEW FOR QUESTION 1

How do you expect your firm's debt levels to change over the next twelve months?

Empire State Manufacturing Survey



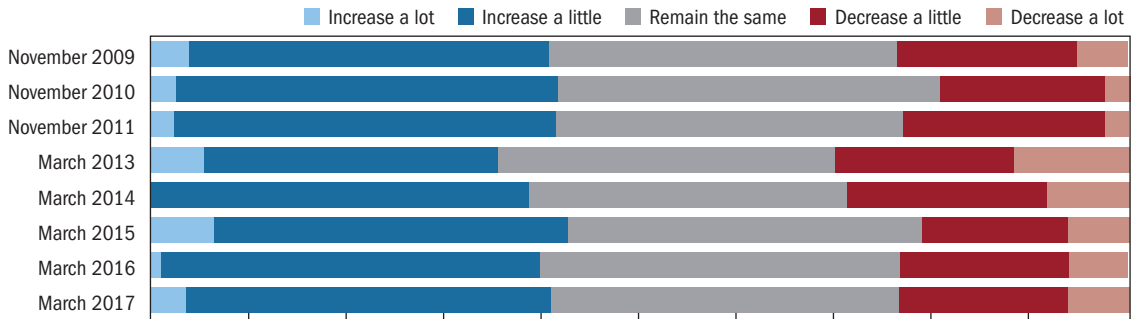
Business Leaders Survey



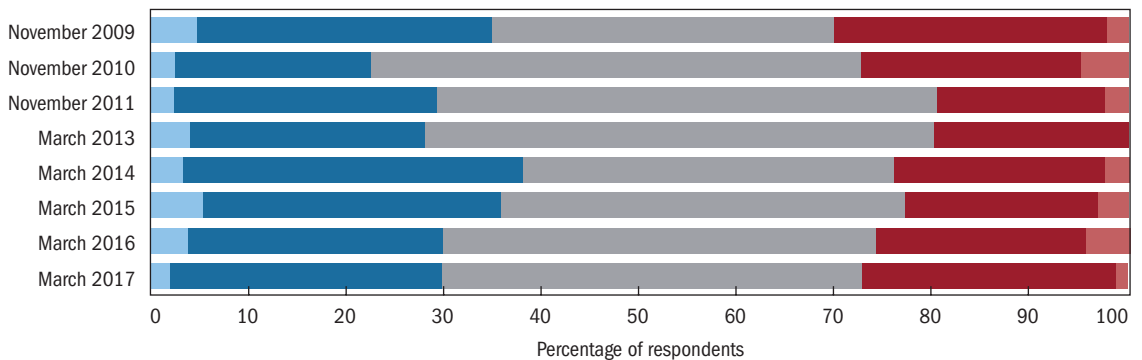
HISTORICAL OVERVIEW FOR QUESTION 2

How do you expect your firm's cash balances to change over the next twelve months?

Empire State Manufacturing Survey



Business Leaders Survey

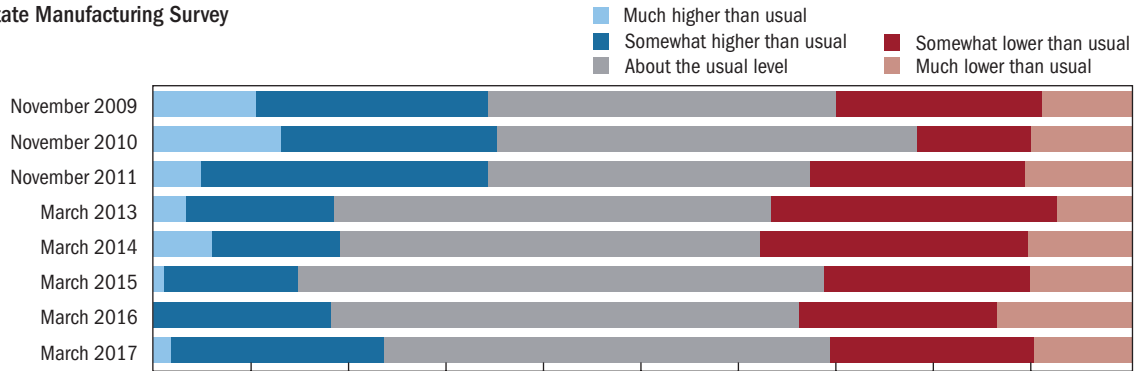


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HISTORICAL OVERVIEW FOR QUESTION 3

How would you describe your current cash balances, relative to your level of business activity?

Empire State Manufacturing Survey



Business Leaders Survey

