

# Supplemental Survey Report

## Firms Plan to Reduce Debt, Raise Cash Balances; Many Report Adverse Weather Effects

The supplementary questions to the March 2014 *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 March 2013, and most of the same questions had been included in earlier surveys (see table). Queried about expected changes in their outstanding debt in the year ahead, relatively few respondents to the current survey indicated plans to take on more debt. Among manufacturers, just one in four respondents expected their outstanding debt to increase in the year ahead, and one in three projected debt to decrease. Among service firms, 19 percent anticipated that their outstanding debt would rise, while 25 percent expected it would fall. These response patterns are quite similar to those in the 2013 survey. When asked about actual changes in debt over the past twelve months, considerably more manufacturers reported falling than rising debt levels; among service firms, responses were fairly evenly balanced.

In response to a question about projected changes in cash holdings,

just under 40 percent of respondents in both surveys expected cash holdings to rise, while 29 percent of manufacturers and 24 percent of service firms anticipated declining cash balances. Asked to assess their current cash balances (relative to the level of business activity), respondents, on net, reported that balances were lower than usual—especially among manufacturers. This marks a noteworthy shift from service firms' responses to the March 2013 and earlier surveys and from manufacturers' responses to the November 2011 and earlier surveys. In those earlier surveys, more firms characterized their cash balances as high than low.

When asked how they would finance capital expenditures over the next twelve months, manufacturers were increasingly predisposed to use cash: on average, they planned to finance 62 percent of capital outlays with cash, up from 58 percent in last year's survey. Service-sector firms planned to finance 65 percent of their capital spending with cash, down from 73 percent in last March's survey. Manufacturers said they would finance

28 percent of their capital investment with debt, on average, while the corresponding figure among service firms was 22 percent.

Finally, in a series of unrelated questions (appended in response to anecdotes about the effects of harsh weather on business), respondents were asked to assess the weather's impact on their revenues and costs in early 2014. In both the manufacturing and the service-sector surveys, nearly one in six respondents estimated that weather reduced revenues by at least 10 percent in both January and February. Considerably more than half of the service firms and nearly half of the manufacturers maintained that inclement weather reduced revenues by at least 2 percent. A small number of firms in both surveys (2 to 5 percent) estimated that the weather had a positive effect on revenues. When asked about the effect of weather on their business costs, the vast majority of firms in both surveys said that weather did indeed add to their costs in early 2014. ■

## 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		
	November 2011	March 2013	March 2014	November 2011	March 2013	March 2014
Increase a lot	3.7	9.8	3.6	4.9	2.7	3.3
Increase a little	25.6	19.6	21.4	17.1	13.3	15.7
Remain the same	36.6	34.8	41.7	53.7	60.0	56.2
Decrease a little	32.9	31.5	32.1	24.4	20.0	21.5
Decrease a lot	1.2	4.3	1.2	0.0	4.0	3.3

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		
	November 2011	March 2013	March 2014	November 2011	March 2013	March 2014
Increased a lot	N.A.	17.2	9.9	N.A.	5.3	4.9
Increased a little	N.A.	11.8	16.0	N.A.	18.7	22.8
Remained the same	N.A.	37.6	35.8	N.A.	41.3	45.5
Decreased a little	N.A.	23.7	32.1	N.A.	24.0	24.4
Decreased a lot	N.A.	9.7	6.2	N.A.	10.7	2.4

### 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		
	November 2011	March 2013	March 2014	November 2011	March 2013	March 2014
Increase a lot	2.4	5.4	0.0	2.4	4.0	3.3
Increase a little	39.0	30.1	38.6	26.8	24.0	34.7
Remain the same	35.4	34.4	32.5	51.2	52.0	38.0
Decrease a little	20.7	18.3	20.5	17.1	20.0	21.5
Decrease a lot	2.4	11.8	8.4	2.4	0.0	2.5

### 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		
	November 2011	March 2013	March 2014	November 2011	March 2013	March 2014
Much higher than usual	4.9	3.3	6.0	4.9	2.6	2.4
Somewhat higher than usual	29.3	15.2	13.1	22.0	25.0	16.3
At about the usual level	32.9	44.6	42.9	53.7	51.3	55.3
Somewhat lower than usual	22.0	29.3	27.4	14.6	18.4	17.1
Much lower than usual	11.0	7.6	10.7	4.9	2.6	8.9

## Supplemental Survey Report, *continued*

### 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		
	November 2011	March 2013	March 2014	November 2011	March 2013	March 2014
Cash	56.1	58.2	62.0	60.5	73.0	65.5
Debt	29.7	29.1	27.7	26.5	17.0	22.1
Equity	1.8	2.7	0.6	2.2	1.0	4.4
Leasing of equipment	12.3	10.0	9.7	10.8	9.0	8.1

### QUESTION 5

If you had to give a rough estimate, how much lower (or higher) do you think your revenues were as a result of the unusually inclement winter weather?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	Effect in January	Effect in February	Effect in January	Effect in February
Reduced revenues by more than 20%	3.6	2.4	5.0	5.9
Reduced revenues by 10 to 20%	11.9	13.1	10.0	9.2
Reduced revenues by 5 to 10%	13.1	16.7	18.3	17.6
Reduced revenues by 2 to 5%	16.7	15.5	24.2	23.5
Little or no effect on revenues	51.2	50.0	37.5	39.5
Boosted revenues	3.6	2.4	5.0	4.2

### QUESTION 6

Aside from any effect on revenues, has bad weather in January and February added to your costs?

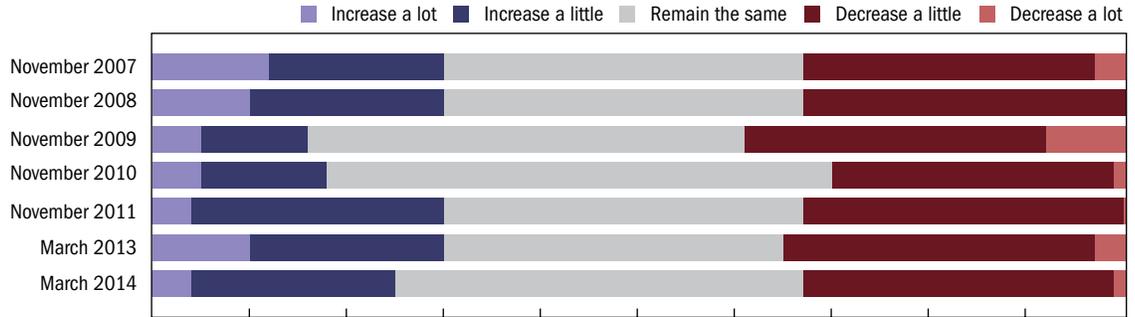
	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	
Not at all	10.6	16.8
Slightly	44.7	47.1
Moderately	32.9	29.4
Substantially	11.8	6.7

# Supplemental Survey Report, *continued*

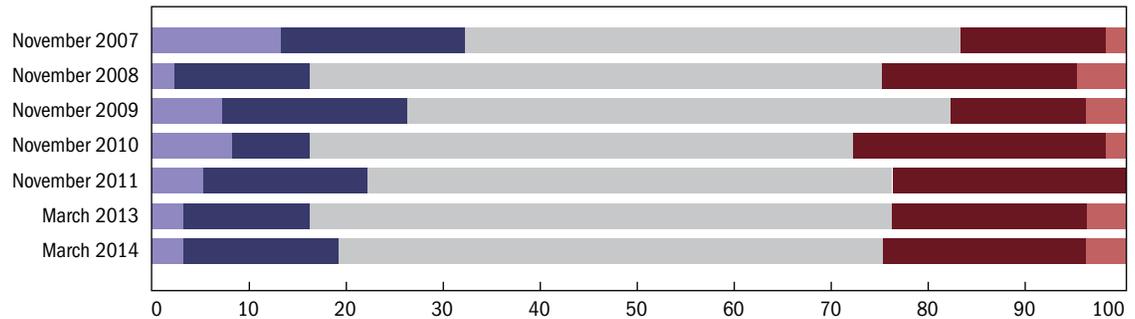
**HISTORICAL OVERVIEW FOR QUESTION 1**

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

Empire State Manufacturing Survey



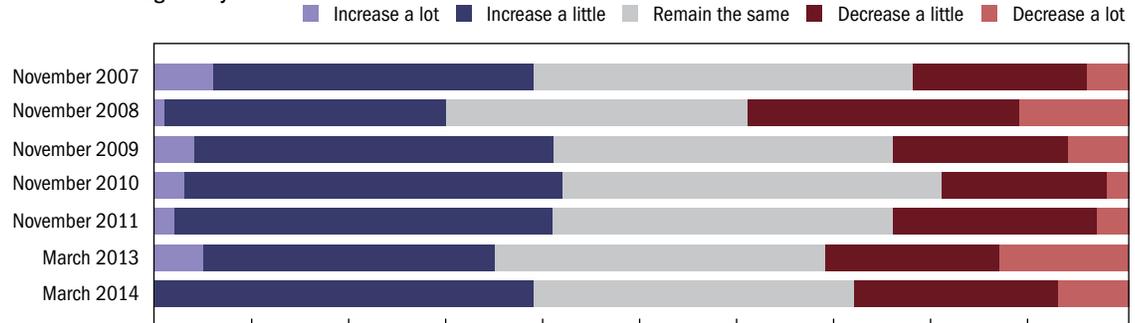
Business Leaders Survey



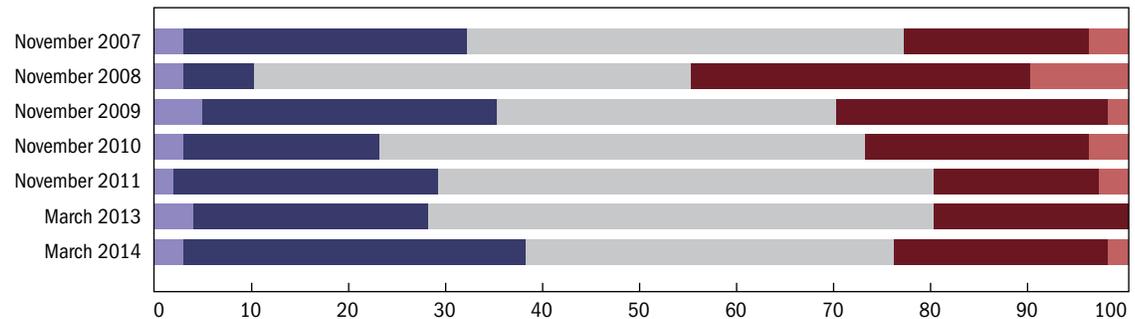
**HISTORICAL OVERVIEW FOR QUESTION 2**

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

Empire State Manufacturing Survey



Business Leaders Survey



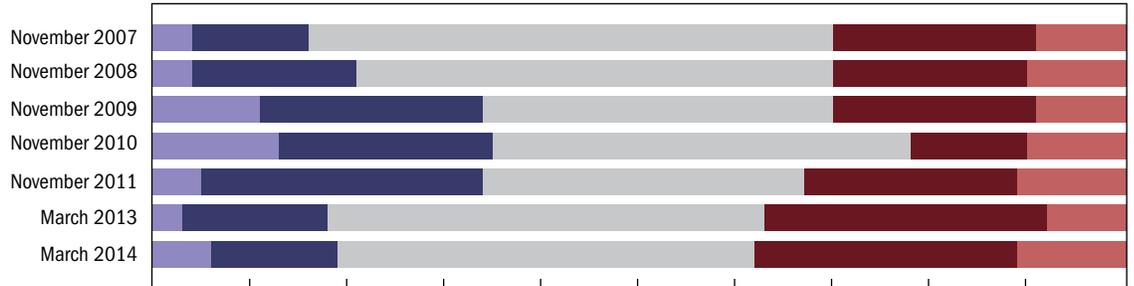
# Supplemental Survey Report, *continued*

**HISTORICAL OVERVIEW FOR QUESTION 3**

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

**Empire State Manufacturing Survey**

- Much higher than usual
- Somewhat higher than usual
- About the usual level
- Somewhat lower than usual
- Much lower than usual



**Business Leaders Survey**

