

# Supplemental Survey Report

## Firms Holding Somewhat Less Cash Than Usual; Manufacturers See Greater Effect from Minimum Wage Hike Than Do Service Firms

The supplementary questions to the April 2018 *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 2017 and earlier (see tables below). Respondents were also queried about the recent hike in New York’s minimum wages.

When asked about expected changes in their outstanding debt in the year ahead, 24 percent of manufacturers anticipated taking on more debt, while 36 percent expected to take on less. Among service firms, 19 percent of respondents predicted that their outstanding debt would rise, while 26 percent expected it to fall. These results were not substantially different from those in last year’s survey. When asked about actual changes in debt over the past twelve months, 39 percent of manufacturing respondents said that debt levels had fallen, while 25 percent said they had risen. Among service firms, roughly equal shares of respondents 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, 50 percent of manufacturers expected cash balances to rise—up from 41 percent in last year’s survey—while 24 percent predicted they would fall. Among service sector firms, projections were more balanced: 32 percent expected cash on hand to rise, while 29 percent anticipated a decline. These results closely matched those in last year’s survey. When asked to assess their current cash holdings relative to their level of business activity, manufacturers and service sector respondents generally indicated that their cash holdings were on the low side—again, a response little changed from the 2017 survey.

When asked how they would finance capital expenditures over the next twelve months, service sector firms indicated that they planned to finance 65 percent of capital spending with cash, on average, down slightly from last year’s survey; they planned to use somewhat less debt (18 percent) and somewhat more equity (7 percent) than reported in earlier surveys. Manufacturers said they planned to finance only about half of their capital spending with cash—a smaller share than in earlier surveys—while they planned to make much greater use of leasing and equity financing

than in the past. They planned to finance 29 percent of capital spending with debt, somewhat less than in earlier surveys.

Finally, businesses operating in New York State were asked a number of questions about the state’s minimum wage hike, which took effect on January 1. Respondents with operations in New York were asked how much of an effect, if any, this increase had had on their decisions about compensation and employment. No effect was reported by 61 percent of service firms; only 36 percent of manufacturers gave the same response. At the other end of the spectrum, 10 percent of service firms and 17 percent of manufacturers reported a “significant” effect, and slightly larger proportions indicated a “moderate” effect. New York businesses were also asked what proportion of their workforce, prior to the latest hike, was earning less than the 2018 minimum wage—the average incidence in both surveys was about 6 percent. These businesses were also asked to estimate the share of their workers whose wages were raised more than they would have been in the absence of the minimum wage hike. The average share was 20 percent among manufacturers and 9 percent among service sector firms. ■

## 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 2016	March 2017	April 2018	March 2016	March 2017	April 2018
Increase a lot	4.2	3.6	6.2	6.2	2.5	3.1
Increase a little	18.8	18.0	17.7	20.0	21.5	15.7
Remain the same	39.6	39.6	40.0	50.0	47.5	54.7
Decrease a little	37.5	36.0	29.2	20.0	25.9	22.6
Decrease a lot	0.0	2.7	6.9	3.8	2.5	3.8

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 2016	March 2017	April 2018	March 2016	March 2017	April 2018
Increased a lot	10.3	8.3	10.2	9.2	8.9	9.3
Increased a little	11.3	15.6	14.8	18.5	20.4	18.0
Remained the same	30.9	34.9	35.9	42.3	41.4	46.6
Decreased a little	40.2	33.0	31.3	25.4	25.5	20.5
Decreased a lot	7.2	8.3	7.8	4.6	3.8	5.6

### 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 2016	March 2017	April 2018	March 2016	March 2017	April 2018
Increase a lot	1.0	3.6	6.9	3.8	1.9	4.3
Increase a little	38.8	37.3	43.1	26.0	27.8	27.2
Remain the same	36.7	35.5	26.2	44.3	43.0	39.5
Decrease a little	17.3	17.3	16.9	21.4	25.9	22.8
Decrease a lot	6.1	6.4	6.9	4.6	1.3	6.2

## 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 2016	March 2017	April 2018	March 2016	March 2017	April 2018
Much higher than usual	0.0	1.8	1.6	0.0	1.9	3.1
Somewhat higher than usual	18.1	21.8	19.4	16.0	23.6	15.5
At about the usual level	47.9	45.5	38.0	53.6	44.6	51.6
Somewhat lower than usual	20.2	20.9	31.8	23.2	24.2	24.8
Much lower than usual	13.8	10.0	9.3	7.2	5.7	5.0

### 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 2016	March 2017	April 2018	March 2016	March 2017	April 2018
Cash	58.0	57.6	50.8	61.7	66.5	65.4
Debt	33.7	30.6	28.9	25.6	21.3	18.1
Equity	2.3	2.6	5.3	4.5	4.6	7.1
Leasing of equipment	6.0	9.2	15.1	8.3	8.3	9.4

### 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	April 2018	March 2017	April 2018
No effect	36.4	35.7	50.8	61.0
Small effect	33.6	28.7	16.9	14.7
Moderate effect	13.6	18.6	15.3	14.7
Significant effect	16.4	17.1	16.9	9.6

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

## Supplemental Survey Report, *continued*

### QUESTION 6

What proportion of your workforce, prior to this latest hike, was earning less than the 2018 minimum wage?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	April 2018		April 2018	
None	69.5		75.8	
Under 10 percent	10.9		6.1	
10 to 25 percent	11.7		9.1	
25 to 50 percent	2.3		3.8	
50 percent or more	5.5		5.3	
Average proportion of workforce	5.9		6.2	

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

### QUESTION 7

For what proportion of your workforce did the latest hike cause you to raise wages more than you otherwise would have?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents		Percentage of Respondents	
	April 2018		April 2018	
None	45.3		71.0	
Under 10 percent	13.3		8.4	
10 to 25 percent	14.8		6.1	
25 to 50 percent	8.6		5.3	
50 percent or more	18.0		9.2	
Average proportion of workforce	19.9		9.0	

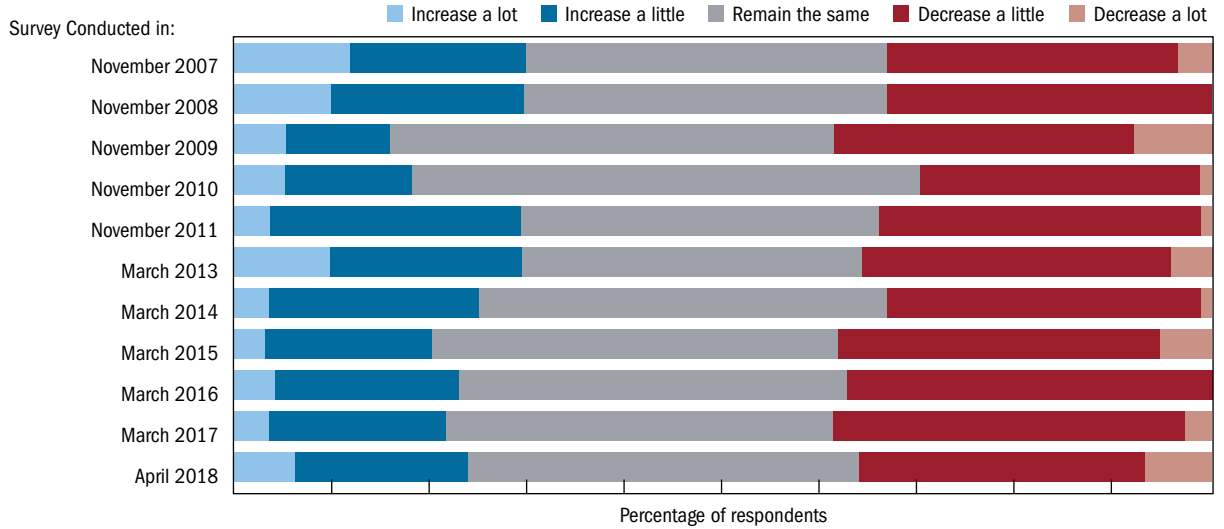
*Note: Only businesses with operations in New York State were asked to respond to this question.*

# Supplemental Survey Report, *continued*

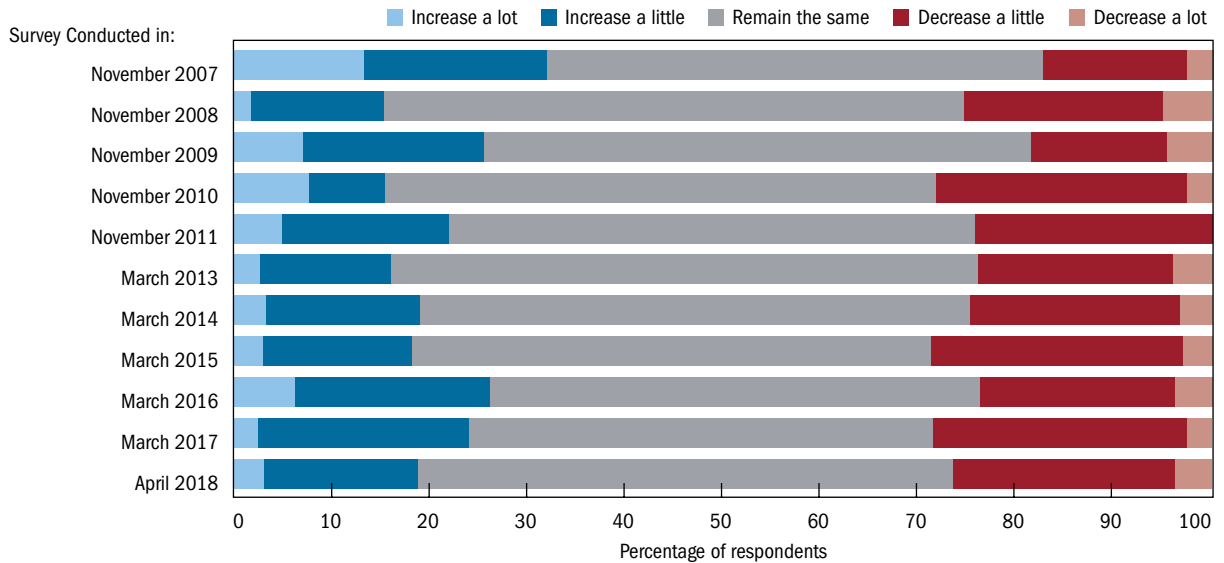
**HISTORICAL OVERVIEW FOR QUESTION 1**

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

**Empire State Manufacturing Survey**



**Business Leaders Survey**

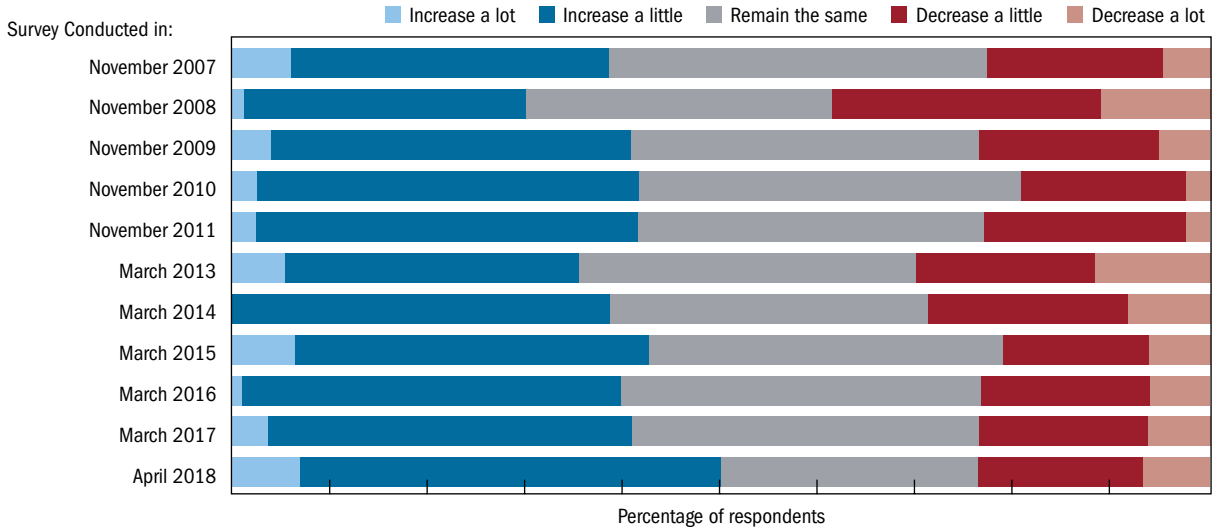


# Supplemental Survey Report, *continued*

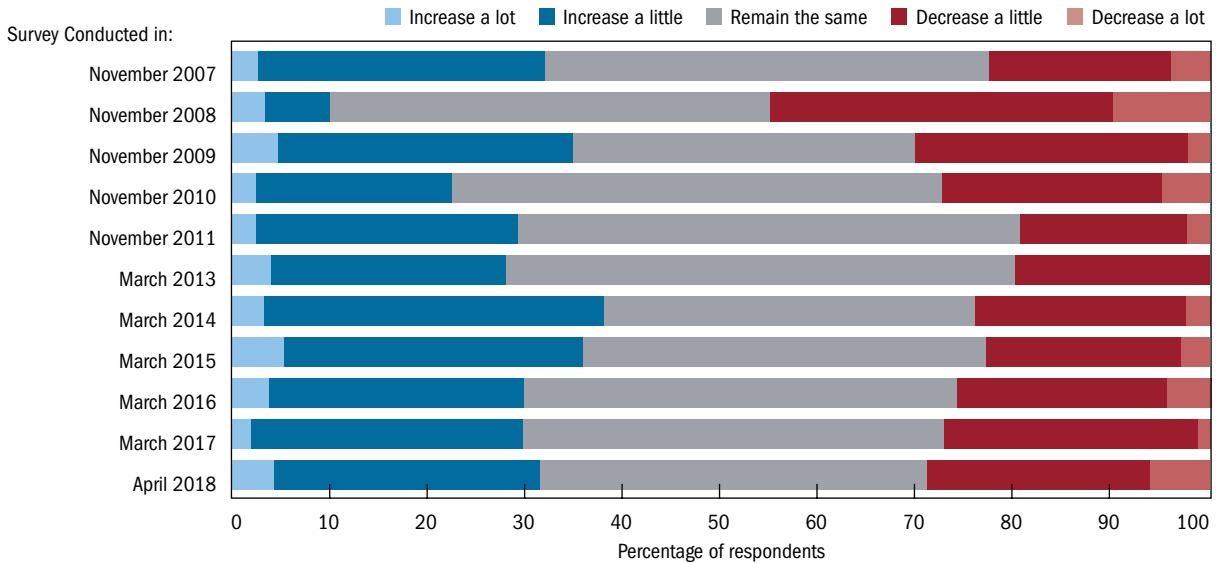
HISTORICAL OVERVIEW FOR QUESTION 2

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

### Empire State Manufacturing Survey



### Business Leaders Survey

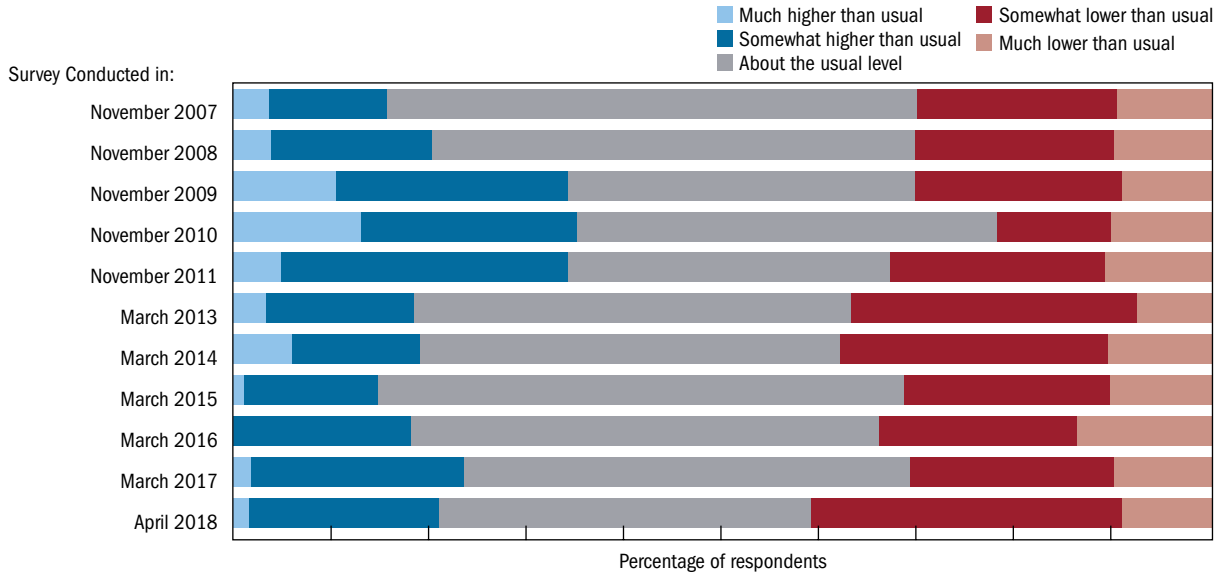


# Supplemental Survey Report, *continued*

HISTORICAL OVERVIEW FOR QUESTION 3

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

**Empire State Manufacturing Survey**



**Business Leaders Survey**

