

Supplemental Report:

Firms Plan to Spend More on Equipment, Less on Structures in 2011

In a series of supplementary questions to the February 2011 *Empire State Manufacturing Survey*, manufacturers were asked about their capital spending plans for 2011 relative to their actual spending for 2010, both overall and for a few broad categories of capital. Parallel questions had been asked in the June 2010 and earlier surveys (see table). In the current survey, substantially more responding firms planned increases (47 percent) than reductions (26 percent) in overall capital spending in 2011. These results are broadly similar to those from last year's survey; however, they contrast markedly with the survey results from June 2009, when far more respondents had reported decreases (56 percent) than increases (20 percent).

In the current survey, as in last June's survey, firms' capital spending plans varied greatly across the different categories. The most widespread increases were reported for non-computer-related equipment:

45 percent of manufacturers planned to spend more in 2011 than in 2010, while just 16 percent planned to spend less. On balance, respondents also reported that they planned to spend more on computers, related hardware, and software. In contrast, only 13 percent of those surveyed said they were budgeting more for structures in 2011 than in 2010, whereas 25 percent indicated that they would cut back on such investment. This finding is more negative than the corresponding result from last year's survey, which showed that firms planning reduced spending on structures outnumbered firms anticipating increased spending by only a narrow margin.

In a separate question, firms were asked about the extent to which various factors contributed to planned increases in capital spending. Considerably more than half of all respondents cited a need for labor-saving equipment as a factor supporting higher spending, and nearly half cited sales and demand trends. Also fairly high on the list

were long-term plans (investment schedules) and a need for energy-saving equipment. Roughly a third of respondents mentioned improved cash flow (balance sheet position) and tax or regulatory considerations—including last year's 100 percent bonus depreciation tax measure—as contributing positively. Respondents were also asked about factors holding back capital spending; however, none of the factors identified in the survey question were cited by even a quarter of the respondents.

The median projected level of capital spending for 2011 across all respondent firms was \$450,000, up from \$292,500 in 2010—a 54 percent increase. In last June's survey, the median level of capital spending had reportedly risen from roughly \$300,000 in 2009 to \$425,000 in 2010. (In comparing the median level projected for 2010 in last June's survey with the actual level for 2010 reported in the current survey, one should note that the numbers are based on somewhat different pools of respondent firms.) ■

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 2011 than in 2010? How do you expect each of these capital spending categories to change?

	February 2011 Survey		June 2010 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Planning Lower Spending in 2011	Planning Higher Spending in 2011	Planning Lower Spending in 2010	Planning Higher Spending in 2010
Total	25.9	46.9	25.3	45.6
Structures	25.0	12.5	23.8	18.8
Non-computer-related equipment	15.9	45.1	18.8	38.8
Computers and related hardware	14.6	29.3	13.8	35.0
Software	18.3	25.6	17.7	32.9

QUESTION 2

How are each of the following factors contributing to changes in your capital spending budget from 2010 to 2011?

	February 2011 Survey		June 2010 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reporting Downward Effect in 2011	Reporting Upward Effect in 2011	Reporting Downward Effect in 2010	Reporting Upward Effect in 2010
Unusually high/low capital spending in 2010	22.2	17.3	17.9	29.5
Long-term plans/investment schedule	12.3	42.0	12.8	50.0
Sales/demand trends for your products	18.5	48.1	22.5	60.0
Need for labor-saving equipment	7.4	55.6	12.8	50.0
Need for energy-saving equipment	4.9	39.5	13.9	35.4
Cost or availability of external finance	16.0	13.6	11.5	15.4
Firm's cash flow/balance sheet position	21.3	35.0	20.3	32.9
Tax/regulatory considerations	16.0	33.3	14.3	27.3

QUESTION 3

Please indicate your best estimate of your total capital expenditures for last year (calendar year 2010) and the expected amount for this year (calendar year 2011).

	February 2011 Survey		June 2010 Survey	
	Current Year	Prior Year	Current Year	Prior Year
Average capital spending	\$3,482,154	\$2,869,449	\$4,314,949	\$3,386,417
Median capital spending	\$450,000	\$292,500	\$425,000	\$302,500