

# Supplemental Survey Report

## Manufacturers More Inclined to Reduce Debt, Raise Cash Balances; Inclement Weather Moderately Hampers Revenues

The supplementary questions to the March 2015 *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 2014 and March 2013 (see table). When asked about expected changes in their outstanding debt in the year ahead, just 20 percent of manufacturers anticipated taking on more debt in the year ahead, while nearly twice as many projected debt to decrease. Among service firms, 18 percent of respondents predicted that their outstanding debt would rise, while 29 percent expected it would fall. Service-sector responses did not differ much from earlier surveys, but manufacturers' responses reflected less of a propensity to take on debt than in 2014 or 2013. When asked about actual changes in debt over the past twelve months, roughly as many respondents—both manufacturers and service firms—reported falling as rising debt levels.

In response to a question about projected changes in cash holdings, 43 percent of manufacturers expected cash holdings to rise, while just half as many projected

they would fall. Among service firms, projections were more balanced: 36 percent expected cash on hand to rise, while 23 percent predicted it would decline. When asked to assess their current cash holdings (relative to the level of business activity), service-sector responses were fairly balanced. This marks somewhat of a shift from the March 2014 survey, when cash holdings were reported to be rather on the low side, on balance. Among manufacturers, however, considerably more respondents indicated that cash balances were lower, as opposed to higher, than usual—roughly the same pattern as in the earlier surveys.

When asked how they would finance capital expenditures over the next twelve months, service firms planned to finance 69 percent of capital spending with cash, on average, up slightly from last year's survey. However, manufacturers planned to finance less capital spending with cash than in 2014: 55 percent, down from 62 percent in last March's survey. Manufacturers said they would finance 31 percent of their capital investment with debt, on average, while the corresponding figure among service firms was 19 percent.

Finally, in a series of unrelated questions—appended to gauge the effects of harsh winter weather, as in the March 2014 survey—respondents were asked to assess the weather's impact on revenues and costs in early 2015. Roughly one in ten manufacturers estimated that weather had reduced revenues by at least 10 percent in both January and February, with no significant differences in response patterns between upstate and downstate firms. Among service firms, however, results were mixed: the proportion reporting a revenue drop of at least 10 percent was considerably lower among Manhattan-based service firms, but noticeably higher among those in northern New Jersey and the Lower Hudson Valley. Service-sector respondents in Long Island, Fairfield County, Connecticut, and upstate New York also reported fairly widespread weather effects in February, but less so in January. Finally, when asked about the effect of weather on their business costs, roughly 35 percent of respondents to both surveys indicated that weather added at least moderately to their costs in early 2015. Here again, Manhattan-based service firms reported much more modest effects on costs than firms across the rest of the region. ■

## 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 2013	March 2014	March 2015	March 2013	March 2014	March 2015
Increase a lot	9.8	3.6	3.2	2.7	3.3	3.0
Increase a little	19.6	21.4	17.0	13.3	15.7	15.2
Remain the same	34.8	41.7	41.5	60.0	56.2	53.0
Decrease a little	31.5	32.1	33.0	20.0	21.5	25.8
Decrease a lot	4.3	1.2	5.3	4.0	3.3	3.0

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 2013	March 2014	March 2015	March 2013	March 2014	March 2015
Increased a lot	17.2	9.9	8.6	5.3	4.9	6.9
Increased a little	11.8	16.0	21.5	18.7	22.8	16.8
Remained the same	37.6	35.8	41.9	41.3	45.5	49.6
Decreased a little	23.7	32.1	26.9	24.0	24.4	22.1
Decreased a lot	9.7	6.2	1.1	10.7	2.4	4.6

### 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 2013	March 2014	March 2015	March 2013	March 2014	March 2015
Increase a lot	5.4	0.0	6.4	4.0	3.3	5.3
Increase a little	30.1	38.6	36.2	24.0	34.7	30.5
Remain the same	34.4	32.5	36.2	52.0	38.0	41.2
Decrease a little	18.3	20.5	14.9	20.0	21.5	19.8
Decrease a lot	11.8	8.4	6.4	0.0	2.5	3.1

### 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 2013	March 2014	March 2015	March 2013	March 2014	March 2015
Much higher than usual	3.3	6.0	1.1	2.6	2.4	3.8
Somewhat higher than usual	15.2	13.1	13.7	25.0	16.3	18.8
At about the usual level	44.6	42.9	53.7	51.3	55.3	52.6
Somewhat lower than usual	29.3	27.4	21.1	18.4	17.1	17.3
Much lower than usual	7.6	10.7	10.5	2.6	8.9	7.5

## 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		
	March 2013	March 2014	March 2015	March 2013	March 2014	March 2015
Cash	58.2	62.0	54.6	73.0	65.5	68.6
Debt	29.1	27.7	30.5	17.0	22.1	18.9
Equity	2.7	0.6	2.6	1.0	4.4	4.5
Leasing of equipment	10.0	9.7	12.2	9.0	8.1	7.9

### 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%	4.2	4.3	5.3	4.5
Reduced revenues by 10 to 20%	6.3	5.3	6.8	13.6
Reduced revenues by 5 to 10%	10.5	11.7	12.0	14.4
Reduced revenues by 2 to 5%	26.3	26.6	26.3	20.5
Little or no effect on revenues	51.6	48.9	48.1	44.7
Boosted revenues	1.1	3.2	1.5	2.3

### QUESTION 6

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

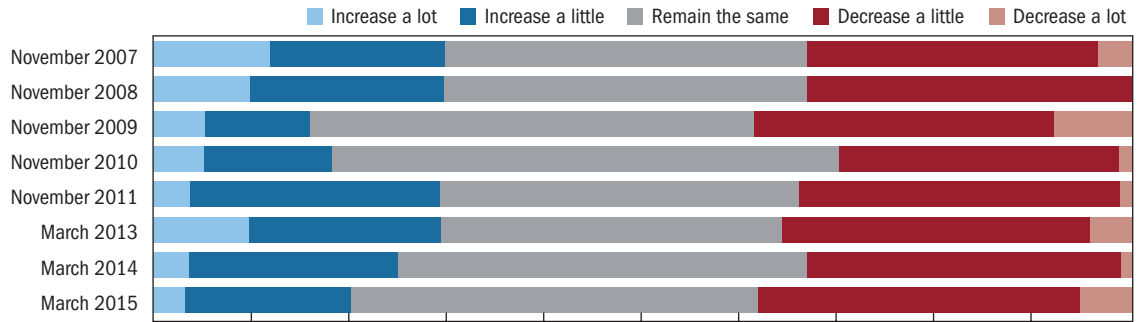
	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents	
Not at all	5.4	24.4
Slightly	59.1	41.2
Moderately	29.0	27.5
Substantially	6.5	6.9

# Supplemental Survey Report, *continued*

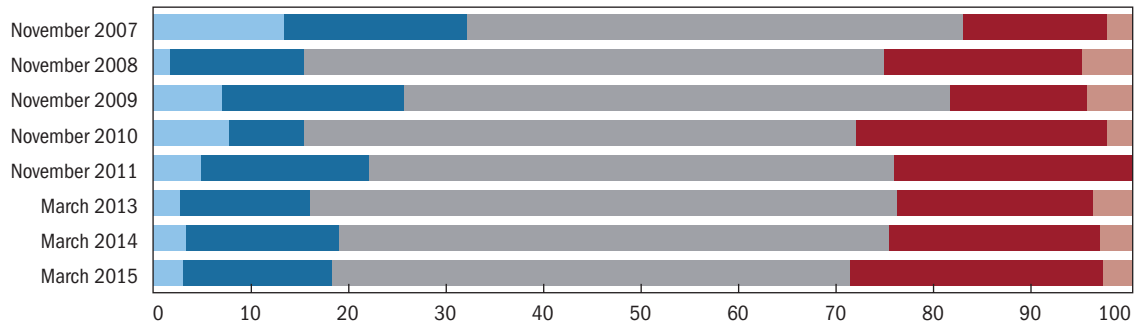
**HISTORICAL OVERVIEW FOR QUESTION 1**

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

Empire State Manufacturing Survey



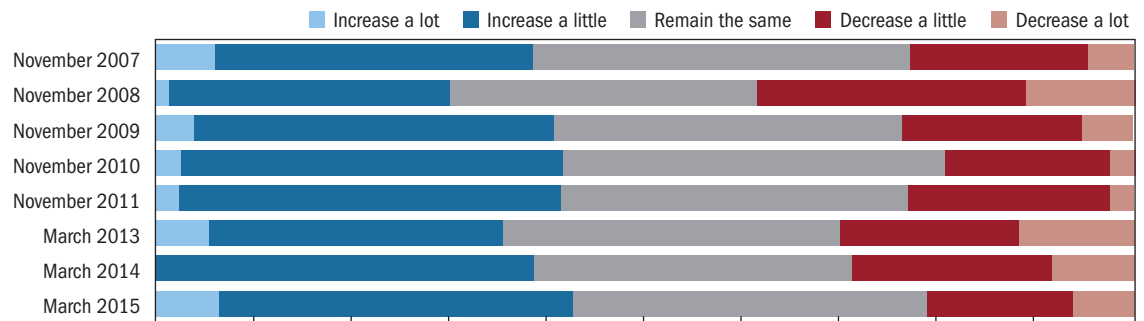
Business Leaders Survey



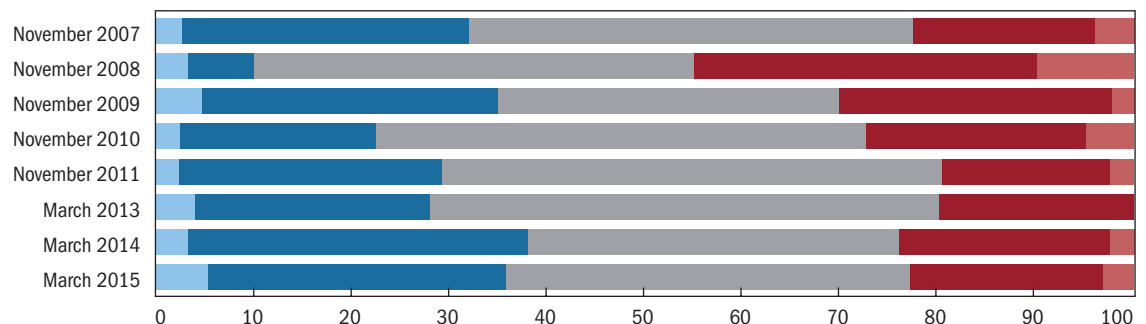
**HISTORICAL OVERVIEW FOR QUESTION 2**

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

Empire State Manufacturing Survey



Business Leaders Survey

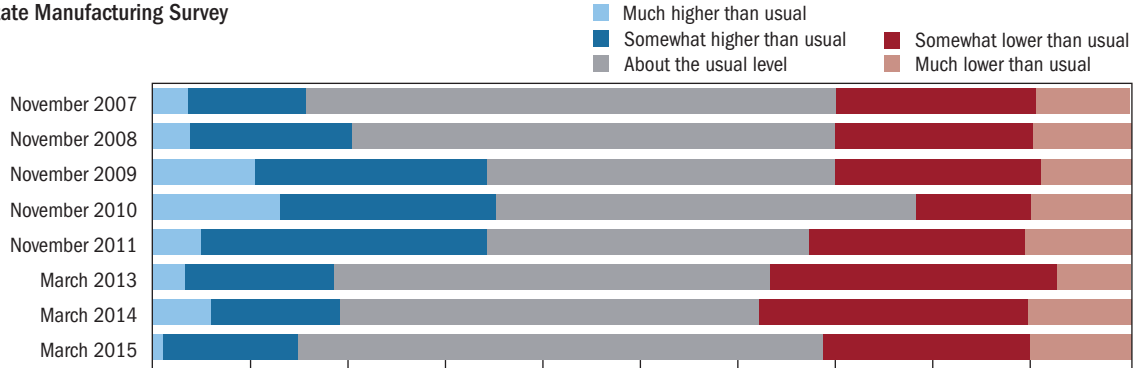


# Supplemental Survey Report, *continued*

**HISTORICAL OVERVIEW FOR QUESTION 3**

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

**Empire State Manufacturing Survey**



**Business Leaders Survey**

