Supplemental Report:

More Firms Than a Year Ago Expect Debt Levels To Rise

The supplementary questions to the November 2011 *Empire State Manufacturing Survey* focused on cash holdings and debt financing; the same questions had been posed in the November surveys in 2010 and earlier years (see table). Asked about expected changes in their outstanding debt in the year ahead, manufacturers reported a growing inclination to take on more debt: nearly 30 percent of manufacturing respondents—up from 18 percent in the November 2010 survey and 16 percent in the 2009 survey—said that they expected debt levels to rise. Thirty-four percent anticipated declines in debt levels, up slightly from 30 percent in last November's survey but down from 39 percent in the 2009 survey.

In the current survey, 41 percent of manufacturers expected cash holdings to increase over the next year, while 23 percent expected them to decline. This finding is not substantially different from the results of the 2010 or 2009 surveys; however, it contrasts markedly with the results of the November 2008 survey, which showed that more respondents had expected cash holdings to decline than rise. In response to a related question about *current* cash holdings, 34 percent of firms—about the same proportion as in last year's survey—said that they were currently holding higher than usual (excess) cash balances. Roughly a third of firms, up from 22 percent in last November's survey, indicated that their cash balances were lower than usual.

When asked how they planned to finance capital expenditures over the next twelve months, manufacturers gave a breakdown of their funding similar to that in last November's survey. On average, firms planned to finance 56 percent of capital outlays with cash—a slightly smaller share than in the 2010 and 2009 surveys but up considerably from 46 percent in the 2008 survey. They expected to finance roughly 30 percent of their expenditures with debt, just 2 percent with equity, and 12 percent through the leasing, rather than the purchase, of equipment. All of these shares are fairly close to those in the 2010 and 2009 surveys. Prior to that, the use of debt to finance capital spending was almost as widespread as the use of cash.■

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Supplemental Report, *continued*

QUESTION 1

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

	Debt Levels			Cash Balances		
	Percentage of Respondents			Percentage of Respondents		
	November 2011	November 2010	November 2009	November 2011	November 2010	November 2009
Increase	29	18	16	41	42	41
Remain the same	37	52	45	35	38	35
Decrease	34	30	39	23	19	24

QUESTION 2

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

	Percentage of Respondents		
	November 2011	November 2010	November 2009
Higher than usual	34	35	34
At about the usual level	33	43	36
Lower than usual	33	22	30

QUESTION 3

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

	Average Percentage of Expenditures		
	November 2011	November 2010	November 2009
Cash	56	59	59
Debt	30	24	25
Equity	2	3	2
Leasing of equipment	12	13	13