

## Empire State Manufacturing Survey: Supplemental Report

June 2008

For release June 16, 2008

### Manufacturers Investing Less in Structures, Computers than in 2007

In a series of supplementary questions to the June 2008 *Empire State Manufacturing Survey*, firms were asked about their capital spending plans for 2008 relative to their actual spending in 2007. Parallel questions had been asked in the June 2007 survey (see tables). In the current survey, 32 percent of responding firms reported increased capital spending overall in 2008, while 36 percent reported reductions. These results have markedly less positive implications for capital spending growth among respondents than did the June 2007 survey results, which showed 43 percent of firms reporting increases and just 26 percent reporting declines.

Manufacturers were more restrained, on balance, in every broad category of capital spending in 2008 than they had been in 2007. In the current survey, 36 percent of manufacturers reported lower investment in structures while 21 percent reported higher investment; in last June's survey, the share of firms reporting increases (26 percent) equaled that reporting decreases.

Similarly, roughly 25 percent of respondents in the current survey planned increased spending on both computer hardware and software, down from about 35 percent in the 2007 survey. The only category for which planned increases exceeded decreases was non-computer-related equipment: 37 percent of participants reported increases, while 34 percent noted decreases. In last year's survey, increases had exceeded decreases 42 percent to 25 percent.

Respondents were also asked about the extent to which various factors contributed positively or negatively to their planned changes in capital spending. Close to half of those surveyed cited pre-determined investment schedules as a positive contributor, and almost the same number cited favorable sales and demand trends. The most widely cited driver of reductions in capital spending in 2008 was unfavorable sales and demand trends: 37 percent of respondents cited this as a negative factor in the current survey, up from just 24 percent in the 2007 survey.

Finally, although more respondents expected decreases than increases in capital spending, a comparison of firms' dollar estimates of total capital expenditures for calendar 2008 with the corresponding estimates for calendar 2007 suggests an annual increase in average spending. Estimated capital spending for calendar 2008 across all respondent firms averaged slightly more than \$3.3 million, up from \$3.1 million in 2007—a 6 percent increase—while the median increased from roughly \$400,000 to \$500,000, a gain of nearly 25 percent.

1) To what extent do you expect your firm's spending on new plant and equipment to be higher or lower in 2008 than in 2007? How do you expect each of these capital spending categories to change?

	Current (June 2008) Survey		Prior (June 2007) Survey	
	Percentage of Respondents		Percentage of Respondents	
	Planning Lower Spending	Planning Higher Spending	Planning Lower Spending	Planning Higher Spending
Total	35.7	32.1	25.8	45.2
Structures	35.7	21.4	26.4	26.4
Non-computer-related equipment	33.7	37.3	25.3	41.8
Computers and related hardware	32.1	25.0	25.0	35.9
Software	31.0	27.4	22.2	33.3

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2) How are each of the following factors contributing to changes in your capital spending budget from 2007 to 2008?

	Percentage of Respondents		Percentage of Respondents	
	Reporting Downward Effect in 2008	Reporting Upward Effect in 2008	Reporting Downward Effect in 2008	Reporting Upward Effect in 2008
Long-term plans/investment schedule	17.6	49.4	19.6	46.7
Sales/demand trends for your products	36.5	48.2	23.6	52.8
Need for labor-saving equipment	14.1	44.7	15.7	49.4
Need for energy-saving equipment	14.1	37.6	11.1	31.1
Firm's cash flow/balance sheet position	23.5	22.4	20.0	35.6
Tax/regulatory considerations	17.6	18.8	13.3	17.8
Cost or availability of external finance	15.5	15.5	9.9	15.4
Unusually high/low capital spending in prior year	20.0	5.9	22.8	18.5

3) Please indicate your best estimate of your total capital expenditures for last year and the expected amount for this year.

	June 2008 Survey		
	Expectation for Calendar 2008	Estimate for Calendar 2007	Percentage Change
Average capital expenditures	\$3,322,213	\$3,123,303	6.4
Median capital expenditures	\$500,000	\$401,000	24.7