Supplemental Report:

Most Manufacturers Plan to Maintain or Hike Capital Spending

In a series of supplementary questions to the August *Empire State Manufacturing Survey*, firms were asked about their capital spending plans. Looking ahead to the next six to twelve months, 37 percent of respondents indicated that they expected to increase capital spending relative to its level in the past six to twelve months, while just 13 percent planned reductions. Responses were not quite as positive as they had been in January, when the same question was posed to survey participants. At that time, 44 percent of firms anticipated higher capital spending, while just 12 percent planned to reduce spending.

Of those firms in the current survey who predicted increased capital spending, 27 percent noted that "a considerable fraction" of the increase reflected investment that had been postponed because of the recession, down from 41 percent in January's survey. Another 46 percent of those surveyed this month attributed "some" of the increase to the recession. The most commonly cited factors behind increased investment were high expected growth in sales and a need to replace capital goods other than IT (information technology) equipment. In January's survey, the need to replace IT equipment and the need to replace other capital goods were the most frequently cited factors; high sales growth was less widely regarded as a factor. The most commonly mentioned factors behind steady or decreased capital investment in the current survey were low expected sales growth, low capacity utilization, and limited need to replace non-IT capital goods. Economic/financial uncertainty and limited need to replace IT equipment were also fairly widely cited. The cost or availability of external finance was not considered to be a major contributor to either increased or reduced spending. ■

Supplemental Report, *continued*

QUESTION 1

Do you expect your firm's spending on new plant and equipment over the next six to twelve months to increase, decrease, or be about unchanged relative to your actual spending over the past six to twelve months?

	Percentage of Respondents	
	August 2010	January 2010
Increase	37.1	44.0
Stay the same	50.0	44.0
Decrease	12.9	12.0

QUESTION 2

If you expect capital spending to rise, how much of the increase reflects investment that had been postponed because of the recession?

	Percentage of Respondents	
	August 2010	January 2010
A considerable fraction	26.9	40.6
Some	46.2	37.5
Not much	26.9	21.9

QUESTION 3A

If you expect capital spending to rise, what are the major factors behind your plan to increase capital spending? Please check any that apply.

	Percentage of Respondents	
	August 2010	January 2010
Expected growth of sales is high	38.5	30.3
Capacity utilization is currently high	26.9	18.2
Need to replace information technology equipment	30.8	42.4
Need to replace other capital goods	38.5	39.4
Need to replace equipment that uses too much energy	7.7	15.2
Cost or availability of external finance has improved	0.0	0.0
Cash flow or balance sheet position has improved	15.4	24.2
Decreased economic/financial uncertainty	7.7	18.2
Other factors	23.1	36.4

QUESTION 3B

If you expect capital spending to decrease or remain unchanged, what are the major factors behind your plan *not* to increase capital spending? Please check any that apply.

	Percentage of Respondents	
	August 2010	January 2010
Expected growth of sales is low	54.5	54.8
Capacity utilization is currently low	54.5	54.8
Limited need to replace information technology equipment	38.6	28.6
Limited need to replace other capital goods	54.5	35.7
Cost or availability of external finance has deteriorated	6.8	14.3
Cash flow or balance sheet position has deteriorated	13.6	19.0
Outsourcing	11.4	19.0
Increased or high economic/ financial uncertainty	45.5	33.3
Other factors	11.4	19.0