

## Supplemental Report:

# Capital Spending Plans Restrained by Tax and Regulatory Concerns in 2013

In a series of supplementary questions to the February 2013 *Empire State Manufacturing Survey*, manufacturers were asked about their 2013 capital spending plans and how the plans compared with actual spending for 2012—both overall and for a few broad categories of capital. Parallel questions had been asked in surveys conducted in February 2012 and earlier. In the latest survey, roughly the same proportion of responding firms planned reductions (32 percent) as increases (33 percent) in overall capital spending for the current year. In the February 2011 and 2012 surveys, planned increases outnumbered planned reductions by roughly 20 percentage points.

Firms' capital spending plans continued to vary considerably across the different categories. In a break with earlier surveys, the most widespread increases were reported for computers and related hardware: 32 percent of manufacturers planned to spend more in 2013

than in 2012, while just 20 percent planned to spend less. As in earlier surveys, however, spending on structures was expected to decline: just 19 percent of those surveyed said they were budgeting more for structures in 2013 than in 2012, while 27 percent indicated that they would cut back on such investment. This is a moderately more negative balance than in last February's survey. Spending on both software and non-computer-related equipment was expected to be up slightly in 2013.

In a separate question, firms were asked about the extent to which various factors contributed to planned increases in capital spending. Half of those surveyed cited favorable sales/demand trends as a factor supporting higher spending, and almost as many cited a need for labor-saving equipment. Respondents were also asked about factors holding back capital spending: the most widely cited factor was tax and regulatory considerations. This was the first

time since the June 2009 survey that more respondents considered this a negative than a positive factor.

Finally, the median projected level of capital spending for 2013 across all respondent firms was \$400,000—up 11 percent from the actual level of \$360,000 reported for 2012. In last February's survey, the median level of capital spending was seen surging from \$290,000 in 2011 to \$375,000 in 2012. Note that although the median level projected for 2012 in last February's survey is fairly close to the actual median level for 2012 reported in the current survey, the numbers are based on somewhat different pools of respondent firms and are not strictly comparable. ■

## 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 2013 than in 2012? How do you expect each of these capital spending categories to change?

	February 2013 Survey		February 2012 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Planning Lower Spending in 2013	Planning Higher Spending in 2013	Planning Lower Spending in 2012	Planning Higher Spending in 2012
Total	32.3	33.3	24.7	45.7
Structures	27.1	18.8	24.1	22.9
Non-computer-related equipment	28.1	29.2	22.9	48.2
Computers and related hardware	20.0	31.6	11.9	31.0
Software	24.2	29.5	17.9	31.0

### QUESTION 2

How are each of the following factors contributing to changes in your capital spending budget from 2012 to 2013?

	February 2013 Survey		February 2012 Survey	
	Percentage of Respondents		Percentage of Respondents	
	Reporting Downward Effect in 2013	Reporting Upward Effect in 2013	Reporting Downward Effect in 2012	Reporting Upward Effect in 2012
Unusually high/low capital spending in 2012	22.4	12.2	27.4	25.0
Long-term plans/investment schedule	11.3	37.1	11.9	45.2
Sales/demand trends for your products	19.4	50.0	22.9	51.8
Need for labor-saving equipment	11.2	46.9	9.5	53.6
Need for energy-saving equipment	7.1	23.5	10.8	37.3
Cost or availability of external finance	8.2	17.3	9.5	13.1
Firm's cash flow/balance sheet position	18.4	27.6	15.5	34.5
Tax/regulatory considerations	25.5	18.4	20.2	25.0

### QUESTION 3

Please indicate your best estimate of your total capital expenditures for last year (calendar 2012) and the expected amount for this year (calendar 2013).

	February 2013 Survey		February 2012 Survey	
	Current Year	Prior Year	Current Year	Prior Year
Median capital spending	\$400,000	\$360,000	\$375,000	\$290,000