Supplemental Report:
Firms Now Hold Lower Cash Balances

The supplementary questions to the March 2013 *Empire State Manufacturing Survey* focused on cash holdings, debt levels, and methods of financing capital spending. Most of the same questions had been asked in surveys conducted in November 2011 and earlier (see table). Queried about expected changes in their outstanding debt in the year ahead, respondents to the current survey indicated some continued reluctance to take on more debt: nearly 36 percent of respondents said that they expected debt levels to decrease, while a little under 30 percent anticipated increases in debt levels; both these figures are little changed from the November 2011 survey. In response to a related question, not asked previously, slightly more manufacturers reported that their debt levels had decreased than increased over the past year.

In the current survey, 36 percent of manufacturers expected cash holdings to increase over the next year, while 30 percent expected them to decline. This was a narrower margin than in earlier surveys. Manufacturers also reported that they were holding less cash than usual: 37 percent of those surveyed said that they were currently holding lower-than-usual cash balances, while just 19 percent said that they were holding higher-than-usual (excess) cash balances. These results contrasted noticeably with those of the November 2011 survey; 34 percent of respondents in the earlier survey described their cash holdings as higher than usual—slightly outnumbering the 33 percent reporting lower-than-usual cash balances.

When asked how they planned to finance capital expenditures over the next twelve months, manufacturers responded in much the same way as their counterparts in earlier surveys: on average, they planned to finance 58 percent of capital outlays with cash, 29 percent with debt financing, and 3 percent with equity. They expected to finance another 10 percent, on average, by leasing (as opposed to purchasing) equipment. All these shares differed little from those reported in the 2009-11 surveys. Prior to that, the use of debt to finance capital spending was almost as widespread as the use of cash.■

Correction: *Because of coding errors, some of the figures in the initially released March 2013 Supplemental Report were incorrect. Specifically, the proportion of respondents anticipating increases versus decreases in debt levels and cash balances were reversed. This revised report corrects those figures and some of the write-up. None of the regular monthly indexes were affected. We regret these errors and apologize for any confusion this has caused.*

Continued

Supplemental Report, *continued*

QUESTION 1

How do you expect your firm's debt levels to change over the next twelve months? And how have they changed over the past twelve months?

	Next 12 Months			Past 12 Months
	Percentage of Respondents			Percentage of Respondents
	March 2013	November 2011	November 2010	March 2013
Increase(d)	29	29	18	29
Remain(ed) the same	35	37	52	38
Decrease(d)	36	34	30	33

QUESTION 2

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

	Percentage of Respondents		
	March 2013	November 2011	November 2010
Increase	36	41	42
Remain the same	34	35	38
Decrease	30	23	19

QUESTION 3

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

	Percentage of Respondents		
	March 2013	November 2011	November 2010
Higher than usual	19	34	35
At about the usual level	44	33	43
Lower than usual	37	33	22

QUESTION 4

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

	Average Percentage of Expenditures			
	March 2013	November 2011	November 2010	November 2009
Cash	58	56	59	59
Debt	29	30	24	25
Equity	3	2	3	2
Leasing of equipment	10	12	13	13