



**CANADIAN MANUFACTURERS & EXPORTERS  
*BUSINESS CONDITIONS SURVEY***

**January 2009**

## **CME Business Conditions Survey January 2009**

CME, in partnership with member associations of the Canadian Manufacturing Coalition, is conducting monthly surveys of manufacturers and exporters across Canada to assess current market and financing conditions.

The January *Business Conditions Survey* was conducted between January 13<sup>th</sup> and 21<sup>st</sup>, 2009. A total of 379 companies with operations in all provinces of Canada participated in the January survey, an increase of 15 per cent from our December survey.

<b>Province where operations are located:</b>	
British Columbia	17%
Alberta	25%
Saskatchewan	8%
Manitoba	9%
Ontario	55%
Québec	10%
New Brunswick	7%
Nova Scotia	6%
Prince Edward Island	2%
Newfoundland & Labrador	5%

Most firms responding to the survey were small and mid-sized companies – eight per cent were large companies with more than 500 employees.

<b>Size of company (by # of employees)</b>	
1 to 10	15%
11 to 99	49%
100 to 250	19%
250 to 500	9%
More than 500	8%

The firms responding to the survey were well established enterprises – 93 per cent have been in business for more than five years.

<b>Age of Business</b>	
Less than 2 years	2%
2 – 5 years	5%
More than 5 years	93%

Eighty-four per cent of the firms participating in the survey export. For one-third of the companies, exports account for more than 50 per cent of total sales revenue.

<b>Export sales:</b>	
No	16%
More than 50% of total sales revenue	33%
25% to 50% of total sales revenue	17%
10% to 25% of total sales revenue	11%
Less than 10% of total sales revenue	22%

Participating companies represent a variety of business sectors.

<b>Business sectors</b>	
Manufacturing	80%
Agriculture	2%
Mining	1%
Oil and Gas Extraction	1%
Engineering & Construction	2%
Wholesale or Retail Trade	4%
Transportation and Warehousing	1%
Software, Information & Telecommunications Services	1%
Professional, Scientific and Technical Services	2%
Business Services	3%
Public Services	1%
Other Services	4%

Manufacturers accounted for just under 80 per cent of firms participating in the survey. They are drawn from a variety of manufacturing and processing industries.

<b>Manufacturing sectors</b>	
Food Products	4%
Beverages or Tobacco Products	1%
Clothing or Leather Products	1%
Wood Products	2%
Paper Products	3%
Printing	5%
Chemicals	2%
Pharmaceuticals	2%
Plastic Products	7%
Rubber Products	2%
Non-Metallic Mineral Products (e.g. ceramics, glass, cement)	1%
Primary Metals	4%
Fabricated Metal Products	35%
Machinery	15%
Computer or Electronic Products	3%
Electrical Equipment, Appliances or Components	6%
Automotive Products	8%

Other Transportation Equipment or Parts	6%
Furniture or Fixtures	3%
Other Consumer Products	3%
Health Care and Veterinary Products	2%
Advanced Technologies	5%
Other Products	10%

## Current Orders

A majority of manufacturers and exporters report that the value of their orders declined over the past three months. In our January survey, 66 per cent of companies report that orders have fallen in value since October, 22 per cent say that orders are about the same, while only 11 per cent of firms report that orders have increased. A full 21 per cent of companies report that orders have fallen by more than 30 per cent since October. This represents a notable deterioration from our December survey where 59 per cent of companies reported a decline in new orders with 17 per cent saying that orders had fallen by more than 30 per cent over the previous three months.

	National
<b>Compared to October, orders are:</b>	
Higher in value	11%
About the same	22%
Lower by up to 5%	7%
Lower by 5 to 10%	11%
Lower by 10 to 20%	14%
Lower by 20 to 30%	13%
Lower by more than 30%	21%

The sharpest downturn in orders over the past three months has occurred in Ontario, Alberta, and British Columbia.

Compared to October, orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	11%	6%	15%	9%	11%	11%	14%	11%	24%	20%	15%
About the same	22%	14%	14%	18%	33%	18%	21%	16%	24%	0%	39%
Lower by up to 5%	7%	8%	10%	18%	11%	7%	10%	11%	24%	40%	8%
Lower by 5 to 10%	11%	8%	10%	9%	4%	11%	14%	5%	0%	0%	8%
Lower by 10 to 20%	14%	22%	11%	27%	19%	14%	10%	21%	6%	0%	0%
Lower by 20 to 30%	13%	28%	14%	18%	19%	14%	21%	26%	18%	40%	15%
Lower by more than 30%	21%	14%	26%	0%	4%	25%	10%	11%	6%	0%	15%

The downturn in customer demand is now affecting all sizes of companies. In December, the impact was primarily felt among larger companies.

<b>Compared to October, current orders are:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Higher in value	11%	13%	7%	4%	18%	13%
About the same	22%	21%	16%	18%	14%	21%
Lower by up to 5%	7%	5%	4%	11%	14%	5%
Lower by 5 to 10%	11%	10%	9%	14%	18%	10%
Lower by 10 to 20%	14%	15%	18%	18%	14%	15%
Lower by 20 to 30%	13%	16%	14%	18%	9%	16%
Lower by more than 30%	21%	20%	32%	18%	14%	20%

While all sectors of industry have been affected by the downturn in demand, primary metals, automotive, machinery and fabricated metals report the most significant declines in new orders received. The automotive products and primary metals sectors stand out as the industries that have been affected the most by an implosion of customer demand.

<b>Compared to October, current orders are:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
Higher in value	10%	8%	6%	0%	6%	8%	15%
About the same	22%	23%	25%	11%	17%	14%	46%
Lower by up to 5%	5%	8%	0%	0%	6%	8%	8%
Lower by 5 to 10%	11%	8%	13%	0%	13%	14%	8%
Lower by 10 to 20%	15%	31%	13%	11%	18%	14%	8%
Lower by 20 to 30%	15%	15%	25%	11%	17%	8%	15%
Lower by more than 30%	23%	8%	19%	67%	23%	33%	0%

<b>Compared to October, current orders are:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
Higher in value	10%	0%	17%	8%
About the same	5%	36%	17%	25%
Lower by up to 5%	0%	7%	8%	8%
Lower by 5 to 10%	0%	7%	8%	4%
Lower by 10 to 20%	5%	14%	25%	13%
Lower by 20 to 30%	20%	7%	0%	4%
Lower by more than 30%	60%	29%	25%	38%

## New Orders

A majority of manufacturers and exporters also expect that the value of new orders to fall over the next three months. Among survey respondents, 43 per cent say that orders are likely to decrease between January 2009 and April 2009, 34 per cent expect orders to remain about the same and 24 per cent expect to see orders increase. This is a more optimistic outlook than in December when 52 per cent of companies were expecting new orders to drop. In January, four per cent of companies say that new orders are likely to fall by more than 30 per cent over the next three months, which was slightly lower than the six per cent result in December.

<b>Over the next three months, orders are likely to:</b>	<b>National</b>
Higher in value	24%
About the same	34%
Lower by up to 5%	10%
Lower by 5 to 10%	15%
Lower by 10 to 20%	10%
Lower by 20 to 30%	5%
Lower by more than 30%	4%

Companies in Saskatchewan, Quebec, Nova Scotia and Newfoundland and Labrador are more optimistic about future orders. Again, the weakness is in Ontario, Alberta and BC.

<b>Over the next three months, orders are likely to:</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Higher in value	24%	20%	22%	14%	11%	22%	14%	21%	24%	0%	31%
About the same	34%	20%	36%	46%	37%	35%	45%	37%	35%	40%	46%
Lower by up to 5%	10%	10%	3%	14%	15%	7%	10%	5%	18%	20%	8%
Lower by 5 to 10%	15%	10%	16%	14%	19%	18%	14%	11%	12%	0%	0%
Lower by 10 to 20%	10%	22%	14%	9%	15%	10%	14%	16%	12%	40%	15%
Lower by 20 to 30%	5%	10%	7%	5%	4%	4%	3%	11%	0%	0%	0%
Lower by more than 30%	4%	8%	3%	0%	0%	3%	0%	0%	0%	0%	0%

Smaller companies (defined by number of employees) are generally more optimistic than larger firms with respect to the outlook for new orders, although smaller firms are also the ones expecting the most significant declines in orders over the next three months.

<b>Over the next three months, orders are likely to:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Higher in value	24%	36%	30%	4%	11%	18%
About the same	34%	44%	29%	35%	50%	36%
Lower by up to 5%	10%	4%	6%	9%	11%	18%
Lower by 5 to 10%	15%	0%	17%	26%	7%	18%
Lower by 10 to 20%	10%	4%	11%	14%	18%	5%
Lower by 20 to 30%	5%	4%	4%	11%	4%	5%
Lower by more than 30%	4%	7%	4%	2%	0%	0%

Companies in sectors that have already seen a significant decline in new orders tend to be more optimistic that demand will rebound. Firms in other sectors foresee a delayed decline in orders as customer demand drops across manufacturing.

<b>Compared to October, current orders are:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
Higher in value	18%	46%	13%	11%	12%	11%	7%
About the same	37%	23%	31%	22%	38%	39%	36%
Lower by up to 5%	8%	15%	6%	0%	8%	11%	14%
Lower by 5 to 10%	18%	0%	38%	0%	18%	17%	29%
Lower by 10 to 20%	11%	8%	6%	33%	16%	11%	14%
Lower by 20 to 30%	5%	0%	0%	11%	6%	8%	0%
Lower by more than 30%	2%	8%	6%	22%	2%	3%	0%

<b>Compared to October, current orders are:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
Higher in value	20%	14%	17%	21%
About the same	30%	50%	25%	38%
Lower by up to 5%	10%	0%	8%	13%
Lower by 5 to 10%	25%	14%	25%	8%
Lower by 10 to 20%	10%	7%	8%	8%
Lower by 20 to 30%	0%	14%	17%	8%
Lower by more than 30%	5%	0%	0%	4%

## Inventories

Just over 30 per cent of manufacturers and exporters report that inventory levels of components and raw materials are currently too high. Fewer companies say that finished goods inventories are too high. These firms will be working inventory levels down instead of increasing production to meet new demand.

<b>Materials inventories are:</b>	<b>National</b>
Too high	31%
Just about right	63%
Too low	6%
<b>Finished goods inventories are:</b>	
Too high	24%
Just about right	66%
Too low	11%

Inventory levels are particularly high in New Brunswick, Saskatchewan and Quebec.

<b>Materials inventories are:</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Too high	31%	33%	31%	55%	28%	30%	31%	58%	35%	20%	23%
Just about right	63%	67%	63%	40%	72%	63%	66%	42%	65%	80%	77%
Too low	6%	0%	6%	5%	0%	7%	3%	0%	0%	0%	0%
<b>Finished goods inventories are:</b>											
Too high	24%	37%	25%	36%	19%	25%	29%	33%	12%	0%	8%
Just about right	66%	57%	67%	55%	82%	65%	68%	56%	82%	100%	85%
Too low	11%	6%	8%	9%	0%	10%	4%	11%	6%	0%	8%

Mid-sized and larger firms are most concerned about high inventory levels.

<b>Materials inventories are:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Too high	31%	14%	27%	46%	44%	36%
Just about right	63%	67%	69%	53%	56%	64%
Too low	6%	19%	4%	2%	0%	0%
<b>Finished goods inventories are:</b>						
Too high	24%	13%	22%	32%	43%	27%
Just about right	66%	62%	70%	65%	50%	64%
Too low	11%	24%	8%	4%	7%	9%

Materials inventories are particularly high in processing and equipment sectors, while components manufacturers tend to report higher levels of finished goods inventories. The automotive sector is reporting high inventory levels for both materials and finished products.

<b>Materials inventories are:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
Too high	32%	8%	20%	50%	37%	29%	46%
Just about right	64%	85%	73%	38%	56%	66%	54%
Too low	4%	8%	7%	13%	7%	6%	0%
<b>Finished goods inventories are:</b>							
Too high	26%	0%	6%	22%	27%	19%	21%
Just about right	66%	92%	75%	67%	62%	67%	79%
Too low	8%	8%	19%	11%	11%	14%	0%

<b>Materials inventories are:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
Too high	35%	36%	17%	21%
Just about right	55%	64%	67%	75%
Too low	10%	0%	17%	4%
<b>Finished goods inventories are:</b>				
Too high	45%	21%	8%	21%
Just about right	40%	79%	75%	67%
Too low	14%	0%	14%	15%

## Employment Prospects

While many manufacturers and exporters expect the number of jobs in their firm to increase or remain the same over the next three months, 42 per cent of companies say that employment levels are likely to fall. This is slightly higher than the 38 per cent of companies that expected their employment levels to fall in the December survey.

<b>Over the next three months, jobs will:</b>	<b>National</b>
Increase	14%
Remain about the same	44%
Decrease	42%

Job prospects are brightest in Nova Scotia and Saskatchewan. Companies in Prince Edward Island, Quebec and British Columbia are more likely to reduce employment.

<b>Over the next three months, jobs will:</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Increase	14%	8%	17%	18%	4%	12%	7%	5%	24%	0%	15%
Remain about the same	44%	43%	38%	36%	48%	41%	43%	47%	41%	40%	54%
Decrease	42%	49%	46%	46%	48%	47%	50%	47%	35%	60%	31%

Mid-sized and larger firms are most likely to reduce employment.

<b>Over the next three months, jobs will:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Increase	14%	27%	19%	2%	14%	9%
Remain about the same	44%	49%	42%	34%	46%	36%
Decrease	42%	24%	39%	64%	39%	55%

Employment rates are likely to be reduced the most in the primary and fabricated metals, automotive, transportation equipment sectors and plastics sectors.

<b>Over the next three months, jobs will:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
Increase	13%	8%	7%	11%	15%	8%	21%
Remain about the same	41%	77%	40%	22%	33%	42%	29%
Decrease	46%	15%	53%	67%	53%	50%	50%

<b>Over the next three months, jobs will:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
Increase	0%	14%	17%	8%
Remain about the same	35%	29%	42%	54%
Decrease	65%	57%	42%	38%

## Access to Financing

In all, 48 per cent of manufacturers and exporters report that they are experiencing difficulties accessing adequate levels of financing. The survey asked whether companies were unable to obtain financing, experiencing significant difficulties in obtaining financing, or difficulties including higher financing costs. The survey also identified those companies that were not experiencing difficulties in accessing various forms of financing and those for which the question was not applicable.

For those companies looking for financing, the greatest difficulties are in obtaining venture capital, financing for business acquisitions, financing for capital investment purposes and investments in new technology, and financing for new product development.

	National			
Experiencing difficulties in accessing:	Unable to Obtain Financing	Experiencing Significant Difficulties	Experiencing Difficulties Including Higher Costs	No Difficulties
Financing for working capital purposes	5%	11%	15%	42%
Operating line of credit	5%	10%	14%	52%
Equity financing	5%	9%	7%	25%
Financing for capital investment	6%	10%	15%	29%
Financing for investments in new technologies	6%	8%	13%	27%
Equipment leasing	5%	6%	8%	35%
Venture capital	7%	6%	3%	9%
Financing for new product development	6%	8%	10%	27%
Export financing	4%	6%	6%	25%
Export credit insurance	3%	5%	5%	29%
Financing for business acquisitions	6%	8%	5%	15%
Other types of business financing	3%	6%	6%	17%

Generally speaking, more companies in British Columbia, Ontario and the Maritimes are experiencing difficulties in obtaining financing than elsewhere in the country.

<b>Experiencing difficulties in accessing:</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Financing for working capital purposes	31%	37%	19%	26%	32%	35%	23%	45%	28%	33%	31%
Operating line of credit	29%	27%	15%	22%	36%	33%	17%	45%	33%	33%	29%
Equity financing	21%	23%	13%	26%	19%	26%	17%	40%	22%	33%	29%
Financing for capital investment	31%	40%	19%	30%	39%	31%	31%	53%	33%	33%	36%
Financing for investments in new technologies	26%	39%	14%	17%	32%	28%	21%	40%	28%	33%	29%
Equipment leasing	19%	25%	13%	22%	21%	24%	28%	40%	28%	33%	14%
Venture capital	16%	19%	7%	17%	18%	19%	10%	25%	28%	33%	29%
Financing for new product development	24%	25%	14%	17%	25%	28%	17%	35%	44%	33%	31%
Export financing	17%	13%	6%	13%	11%	20%	11%	15%	28%	17%	14%
Export credit insurance	13%	11%	7%	18%	19%	18%	14%	21%	17%	17%	7%
Financing for business acquisitions	18%	18%	13%	13%	14%	31%	20%	25%	12%	33%	29%
Other types of business financing	15%	13%	9%	24%	13%	10%	12%	26%	22%	33%	15%

Companies with fewer than 10 employees and firms with 250-500 employees report the most serious difficulties in obtaining financing.

<b>Experiencing difficulties in accessing:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Financing for working capital purposes	31%	56%	27%	25%	36%	26%
Operating line of credit	29%	39%	29%	23%	31%	22%
Equity financing	21%	35%	18%	16%	23%	26%
Financing for capital investment	31%	40%	26%	28%	42%	39%
Financing for investments in new technologies	26%	36%	24%	25%	30%	30%
Equipment leasing	19%	30%	13%	21%	30%	26%
Venture capital	16%	38%	13%	7%	19%	22%

Financing for new product development	24%	33%	13%	23%	33%	22%
Export financing	17%	30%	17%	11%	19%	13%
Export credit insurance	13%	26%	10%	14%	22%	9%
Financing for business acquisitions	18%	30%	16%	12%	21%	26%
Other types of business financing	15%	27%	12%	13%	16%	24%

The plastic products, automotive and other transportation equipment, and advanced technology sectors report a relatively high rate of difficulty in obtaining all forms of financing.

<b>Experiencing difficulties in accessing:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
Financing for working capital purposes	32%	23%	40%	22%	28%	25%	13%
Operating line of credit	30%	31%	50%	22%	25%	22%	27%
Equity financing	20%	15%	33%	33%	17%	19%	20%
Financing for capital investment	30%	23%	56%	67%	28%	24%	20%
Financing for investments in new technologies	27%	23%	40%	56%	22%	19%	13%
Equipment leasing	20%	15%	50%	44%	16%	17%	13%
Venture capital	15%	8%	27%	33%	14%	17%	13%
Financing for new product development	25%	8%	47%	44%	19%	22%	14%
Export financing	17%	0%	27%	44%	16%	22%	7%
Export credit insurance	14%	0%	21%	33%	13%	17%	13%
Financing for business acquisitions	19%	23%	33%	56%	13%	19%	20%
Other types of business financing	17%	17%	17%	22%	12%	18%	21%

<b>Experiencing difficulties in accessing:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
Financing for working capital purposes	70%	53%	69%	28%
Operating line of credit	63%	40%	62%	20%
Equity financing	53%	33%	62%	21%
Financing for capital investment	68%	53%	62%	29%
Financing for investments in new technologies	63%	53%	54%	28%
Equipment leasing	63%	27%	54%	21%
Venture capital	47%	27%	54%	17%
Financing for new product development	58%	47%	54%	24%
Export financing	39%	13%	38%	20%
Export credit insurance	47%	14%	31%	17%
Financing for business acquisitions	55%	27%	38%	29%
Other types of business financing	44%	36%	38%	14%

## Working Capital

Almost 60 per cent of companies report operating lines of credit up to \$1 million. Twenty-two per cent have lines of credit amounting to \$1 million to \$10 million, while 20 per cent have lines of credit in excess of \$10 million.

<b>Current approved operating line of credit:</b>	<b>National</b>
Less than \$250,000	23%
\$250,000 – \$500,000	23%
\$500,000 – \$1 million	13%
\$1 million – \$3 million	16%
\$3 million – \$5 million	3%
\$5 million – \$10 million	3%
\$10 million – \$25 million	7%
More than \$25 million	13%

Two-thirds of companies report that their operating line of credit is currently sufficient for their business. However, 19 per cent say that their current line of credit is insufficient to meet working capital requirements.

<b>With respect to working capital requirements, operating line of credit is:</b>	<b>National</b>
Sufficient	66%
Insufficient	19%
No line of credit	15%

A higher percentage of companies in Ontario and Newfoundland and Labrador report that their operating line of credit is insufficient to meet their working capital requirements.

<b>Line of credit is:</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Sufficient	66%	66%	67%	74%	64%	63%	77%	55%	50%	50%	57%
Insufficient	19%	16%	8%	0%	14%	23%	3%	20%	11%	0%	29%
No line of credit	15%	18%	25%	26%	21%	15%	20%	25%	39%	50%	14%

Smaller companies in particular report that their line of credit is insufficient to meet working capital requirements.

<b>Line of credit is:</b>	<b>Nat'l</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Sufficient	66%	40%	70%	74%	61%	70%
Insufficient	19%	31%	21%	12%	18%	13%
No line of credit	15%	29%	9%	14%	21%	17%

Relatively more companies in automotive products, advanced technology, printing, plastic products and primary metals sectors report that operating lines of credit are insufficient to meet their working capital requirements.

<b>Line of credit is:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
Sufficient	67%	39%	63%	63%	77%	65%	87%
Insufficient	19%	31%	31%	25%	16%	14%	0%
No line of credit	14%	31%	6%	13%	7%	22%	13%

<b>Line of credit is:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
Sufficient	42%	80%	46%	64%
Insufficient	47%	0%	31%	8%
No line of credit	11%	20%	23%	28%

## Borrowing Base

Companies with an operating line of credit were asked where they stand with respect to their current authorized financing agreement and the criteria used for calculating their borrowing base (for example, 50 per cent of inventories and 75 per cent of receivables). Twenty-four per cent of companies could not answer this question. Of the companies that were able to respond, 58 per cent report that their borrowing base amounts to 70 per cent or more of their line of credit.

<b>Borrowing base is:</b>	<b>National</b>
90% to 100% of your authorized operating line of credit	20%
80% to 89% of your line of credit	11%
70% to 79% of your line of credit	12%
Less than 70% of your line of credit	42%
Up to 10% more than your authorized operating line of credit	2%
11% to 20% more than your line of credit	4%
21% to 30% more than your line of credit	3%
More than 30% more than your line of credit	7%

Borrowing bases are the highest in Manitoba and the Maritime provinces and lowest in Quebec in relation to operating lines of credit.

<b>Borrowing base is:</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>NL</b>
90% to 100% of your authorized operating line of credit	20%	17%	15%	0%	27%	22%	12%	22%	0%	34%
80% to 89% of your line of credit	11%	17%	8%	13%	9%	11%	6%	22%	0%	0%
70% to 79% of your line of credit	12%	10%	15%	25%	0%	12%	18%	22%	40%	34%
Less than 70% of your line of credit	42%	43%	47%	50%	27%	42%	65%	22%	60%	0%
Up to 10% more than your authorized operating line of credit	2%	0%	0%	13%	0%	2%	0%	0%	0%	0%
11% to 20% more than your line of credit	4%	3%	5%	0%	9%	4%	0%	0%	0%	0%
21% to 30% more than your line of credit	3%	7%	2%	0%	9%	3%	0%	11%	0%	0%
More than 30% more than your line of credit	7%	3%	8%	0%	18%	6%	0%	0%	0%	34%

Borrowing bases are highest for smaller companies.

<b>Borrowing base is:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
90% to 100% of your authorized operating line of credit	20%	28%	18%	26%	27%	0%
80% to 89% of your line of credit	11%	10%	8%	18%	13%	18%
70% to 79% of your line of credit	12%	10%	15%	6%	7%	9%
Less than 70% of your line of credit	42%	28%	46%	26%	54%	55%
Up to 10% more than your authorized operating line of credit	2%	5%	1%	3%	0%	0%
11% to 20% more than your line of credit	4%	10%	4%	3%	0%	0%
21% to 30% more than your line of credit	3%	0%	2%	9%	0%	9%
More than 30% more than your line of credit	7%	10%	6%	9%	0%	9%

Borrowing bases are highest in the plastic products, primary metals, automotive products and other manufactured products sectors.

<b>Borrowing base is:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
90% to 100% of your line of credit	20%	12%	31%	29%	19%	23%	25%
80% to 89% of your line of credit	10%	25%	8%	0%	11%	5%	12%
70% to 79% of your line of credit	10%	12%	8%	14%	12%	5%	0%
Less than 70% of your line of credit	43%	50%	38%	29%	45%	59%	62%
Up to 10% more than your line of credit	2%	0%	8%	14%	0%	5%	0%
11% to 20% more than your line of credit	3%	0%	8%	14%	5%	0%	0%
21% to 30% more than your line of credit	4%	0%	0%	0%	2%	0%	0%
More than 30% more than your line of credit	8%	0%	0%	0%	8%	5%	0%

	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other</b>
<b>Borrowing base is:</b>				
90% to 100% of your authorized operating line of credit	14%	20%	0%	34%
80% to 89% of your line of credit	21%	0%	0%	0%
70% to 79% of your line of credit	21%	40%	12%	9%
Less than 70% of your line of credit	29%	40%	50%	34%
Up to 10% more than your authorized operating line of credit	7%	0%	12%	9%
11% to 20% more than your line of credit	0%	0%	0%	0%
21% to 30% more than your line of credit	7%	0%	25%	0%
More than 30% more than your line of credit	0%	0%	0%	17%

## Credit Utilization

Twenty-nine per cent of companies currently use 80 per cent or more of their borrowing base while nine per cent are using their full credit facility.

<b>Utilizing:</b>	<b>National</b>
100% of borrowing base	9%
90% to 99% of borrowing base	11%
80% to 89% of borrowing base	9%
70% to 79% of borrowing base	11%
70% of borrowing base	48%
Unsure	11%

Companies in Ontario, British Columbia and Nova Scotia are using a higher proportion of their lines of credit.

<b>Utilizing:</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
100% of borrowing base	9%	10%	2%	0%	5%	11%	4%	7%	10%	0%	0%
90% to 99% of borrowing base	11%	10%	11%	6%	20%	10%	17%	21%	10%	0%	9%
80% to 89% of borrowing base	9%	10%	6%	0%	5%	11%	8%	0%	10%	0%	18%
70% to 79% of borrowing base	11%	10%	15%	6%	10%	9%	4%	14%	10%	0%	9%
70% of borrowing base	48%	49%	56%	63%	45%	46%	54%	50%	50%	50%	55%
Unsure	11%	10%	11%	25%	15%	12%	13%	7%	10%	50%	9%

Smaller companies use a higher proportion of their borrowing base.

<b>Utilizing:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
100% of borrowing base	9%	25%	8%	8%	4%	0%
90% to 99% of borrowing base	11%	3%	12%	13%	17%	0%
80% to 89% of borrowing base	9%	6%	9%	6%	22%	11%
70% to 79% of borrowing base	11%	16%	12%	10%	9%	6%
70% of borrowing base	48%	34%	55%	46%	39%	50%
Unsure	11%	16%	5%	17%	9%	33%

More than 50 per cent of companies in the automotive, advanced technology and primary metals sectors report using 80 per cent or more their borrowing base amounts.

<b>Utilizing:</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
100% of borrowing base	9%	0%	13%	14%	10%	14%	0%
90% to 99% of borrowing base	12%	11%	20%	14%	10%	0%	25%
80% to 89% of borrowing base	10%	22%	13%	14%	10%	7%	0%
70% to 79% of borrowing base	9%	11%	20%	0%	5%	7%	8%
70% of borrowing base	50%	44%	20%	57%	59%	61%	42%
Unsure	10%	11%	13%	0%	5%	11%	25%

<b>Utilizing:</b>	<b>Automotive</b>	<b>Other Transportation Equipment</b>	<b>Advanced Technologies</b>	<b>Other Products</b>
100% of borrowing base	17%	0%	11%	6%
90% to 99% of borrowing base	17%	9%	22%	12%
80% to 89% of borrowing base	17%	9%	22%	12%
70% to 79% of borrowing base	11%	27%	0%	6%
70% of borrowing base	33%	36%	33%	53%
Unsure	6%	18%	11%	12%

## Increasing Line of Credit

Over the past three months, 28 per cent of companies report that they asked their financial institution to increase their line of credit. The requests were made by all sizes of business.

	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
<b>In the past three months, requested increase in line of credit</b>	28%	23%	20%	7%	20%	29%	29%	29%	30%	0%	27%

	National	1-10	11-99	100-250	250-500	500+
<b>In the past three months, requested increase in line of credit</b>	25%	25%	29%	29%	17%	22%

Relatively more companies in the printing, plastic products, primary metals, automotive products and advanced technology sectors asked for an increase to their line of credit. These are also the sectors reporting the most significant declines in new orders.

	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
<b>In the past three months, requested increase in line of credit</b>	27%	44%	33%	57%	23%	29%	25%

	Automotive	Other Transportation Equipment	Advanced Technologies	Other Products
<b>In the past three months, requested increase in line of credit</b>	56%	27%	33%	24%

Forty per cent of companies that requested an increase in their line of credit were looking to cover current expenses in the face of lower sales. Half of companies were looking to finance business growth.

<b>Reasons to increase line of credit</b>	<b>National</b>
To cover current expenses to grow business	39%
To cover research and development and other expenses to support future growth	11%
To cover current expenses during the present slowdown when sales are down	40%
Other	10%

More companies in BC, Ontario, Quebec and New Brunswick were looking to increase their lines of credit to cover current expenses in the face of the economic downturn.

<b>Reasons to increase line of credit</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
To cover current expenses to grow business	39%	33%	46%	0%	80%	30%	0%	0%	33%	0%	33%
To cover research and development and other expenses to support future growth	11%	11%	9%	0%	0%	5%	29%	0%	33%	0%	33%
To cover current expenses during the present slowdown when sales are down	40%	56%	36%	0%	20%	55%	71%	100%	0%	0%	33%
Other	10%	0%	9%	100%	0%	10%	0%	0%	33%	0%	0%

A higher proportion of very small and mid-sized to large companies report that they requested an increase in their operating line in response to deteriorating economic conditions.

<b>Reasons to increase line of credit</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
To cover current expenses to grow business	39%	50%	40%	36%	0%	50%
To cover research and development and other expenses to support future growth	11%	0%	18%	0%	0%	0%
To cover current expenses during the present slowdown when sales are down	40%	50%	34%	43%	75%	50%
Other	10%	0%	8%	21%	25%	0%

More companies requested an increase in those industry sectors hardest hit by a downturn in new orders.

<b>Reasons to increase line of credit</b>	<b>MFG</b>	<b>Printing</b>	<b>Plastic Products</b>	<b>Primary Metals</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical Equipment</b>
To cover current expenses to grow business	38%	25%	40%	25%	39%	13%	33%
To cover research and development	5%	25%	0%	0%	6%	0%	0%

and other expenses to support future growth							
To cover current expenses during the present slowdown when sales are down	45%	50%	40%	75%	33%	63%	67%
Other	13%	0%	20%	0%	22%	25%	0%

Reasons to increase line of credit	Automotive	Other Transportation Equipment	Advanced Technologies	Other Products
To cover current expenses to grow business	10%	67%	33%	25%
To cover research and development and other expenses to support future growth	0%	33%	0%	0%
To cover current expenses during the present slowdown when sales are down	90%	0%	67%	75%
Other	0%	0%	0%	0%

Among the companies that requested an increase in operating lines of credit over the past three months, 44 per cent were declined.

Has your financial institution agreed to increase your operating line of credit?	National
Yes	38%
No	44%
I don't know yet	18%

Refusal rates were highest in BC, Ontario, Quebec, New Brunswick, and Newfoundland and Labrador.

Has your financial institution agreed to increase your operating line of credit?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Yes	38%	33%	64%	100%	60%	25%	33%	0%	33%	0%	50%
No	44%	56%	18%	0%	40%	48%	50%	100%	33%	0%	50%
I don't know yet	18%	11%	18%	0%	0%	28%	17%	0%	33%	0%	0%

Refusal rates were highest for small companies.

Has your financial institution agreed to increase your operating line of credit?	National	1-10	11-99	100-250	250-500	500+
Yes	38%	50%	32%	43%	50%	67%
No	44%	50%	45%	36%	25%	33%
I don't know yet	18%	0%	24%	21%	25%	0%

Refusal rates were highest in plastic products, primary metals, automotive products, advanced technology and "other" manufacturing sectors – the same sectors that are experiencing the sharpest downturn in new orders.

Has your financial institution agreed to increase your operating line of credit?	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Yes	40%	50%	0%	0%	39%	63%	67%
No	38%	0%	80%	67%	39%	25%	0%
I don't know yet	22%	50%	20%	33%	22%	13%	33%

Has your financial institution agreed to increase your operating line of credit?	Automotive	Other Transportation Equipment	Advanced Technologies	Other Products
Yes	30%	67%	33%	50%
No	50%	33%	67%	50%
I don't know yet	20%	0%	0%	0%

The companies whose requests were refused report a variety of reasons given by their financial institutions. The most common (reported by 40 per cent of firms) is that their bank thinks that their industry sector is too risky. The second most common reason for refusal (reported by 17 per cent of firms) is that the assets given as security do not meet the bank's requirements.

Reasons why operating line of credit cannot be increased:	National
Company's overall debt level is too high	10%
Assets given as security do not meet the bank's requirements	17%
Business is growing too quickly right now	3%
Operations are seasonal	0%
Bank thinks the industry or sector my company is in is too risky	40%
Withdrew application, bank fees were too high	7%
General lack of liquidity in the financial markets	10%
Not sure	7%
Other	7%