



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

February 2009

CME *Business Conditions Survey* February 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 February *Business Conditions Survey* was conducted between February 9th and February 23rd, 2009. A total of 620 companies with operations in all provinces of Canada participated in the February survey.

Province where operations are located:	
British Columbia	17%
Alberta	20%
Saskatchewan	7%
Manitoba	8%
Ontario	56%
Québec	15%
New Brunswick	8%
Nova Scotia	8%
Prince Edward Island	2%
Newfoundland & Labrador	6%

Most firms responding to the survey were small and mid-sized companies – 12 per cent were large companies with more than 500 employees.

Size of company (by # of employees)	
1 to 10	12%
11 to 99	47%
100 to 250	18%
250 to 500	12%
More than 500	12%

The firms responding to the survey were well established enterprises – 96 per cent have been in business for more than five years.

Age of Business	
Less than 2 years	0%
2 – 5 years	4%
More than 5 years	96%

Eighty-six per cent of the firms participating in the survey are exporters. For 40 per cent of the companies, exports account for more than 50 per cent of total sales revenue.

Export sales:	
More than 50% of total sales revenue	40%
25% to 50% of total sales revenue	14%
10% to 25% of total sales revenue	12%
Less than 10% of total sales revenue	20%
Do not export	14%

Participating companies represent a variety of business sectors.

Business sectors:	
Manufacturing	82%
Mining	1%
Oil and Gas Extraction	1%
Engineering & Construction	0%
Wholesale or Retail Trade	0%
Transportation and Warehousing	2%
Software, Information & Telecommunications Services	4%
Business Services	1%
Public Services	4%

Manufacturers accounted for 82 per cent of firms participating in the survey. They are drawn from a variety of manufacturing and processing industries.

Manufacturing sectors:	
Food Products	2%
Textiles or Textile Products	1%
Clothing or Leather Products	1%
Wood Products	4%
Paper Products	4%
Printing	7%
Chemicals	3%
Plastic Products	7%
Rubber Products	1%
Non-Metallic Mineral Products (e.g. ceramics, glass, cement)	1%
Primary Metals	5%
Fabricated Metal Products	32%
Machinery	10%
Computer or Electronic Products	2%
Electrical Equipment, Appliances or Components	6%
Automotive Products	8%
Other Transportation Equipment or Parts	5%

Furniture or Fixtures	2%
Other Consumer Products	2%
Health Care and Veterinary Products	4%
Advanced Technologies	8%
Other Products	15%

Current Orders

A majority of manufacturers and exporters report that the value of their orders declined over the past three months. In this February survey, 68 per cent of companies report that orders have fallen in value since November, 24 per cent say that orders are about the same, while only 8 per cent of firms report that orders have increased. A full 19 per cent of companies report that orders have fallen more than 30 per cent since November. This represents a similar situation to that reported in our January survey where 67 per cent of companies reported a decline in orders, and 21 per cent saw orders fall by more than 30 per cent over the previous three months.

Compared to November, orders are:	National
Higher in value	8%
About the same	24%
Lower by up to 5%	8%
Lower by 5 to 10%	12%
Lower by 10 to 20%	16%
Lower by 20 to 30%	13%
Lower by more than 30%	19%

Ontario, Quebec and Alberta had the sharpest downturn in orders over the past three months.

Compared to November, orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	8%	13%	12%	20%	14%	5%	5%	9%	14%	22%	12%
About the same	24%	19%	19%	20%	23%	20%	24%	36%	41%	33%	47%
Lower by up to 5%	8%	8%	9%	20%	14%	11%	14%	14%	14%	22%	12%
Lower by 5 to 10%	12%	19%	9%	10%	14%	11%	14%	9%	9%	11%	6%
Lower by 10 to 20%	16%	10%	16%	5%	14%	17%	19%	9%	5%	0%	6%
Lower by 20 to 30%	13%	10%	16%	10%	14%	15%	12%	9%	5%	11%	6%
Lower by more than 30%	19%	21%	19%	15%	9%	22%	12%	14%	14%	0%	12%

The downturn in customer demand is now affecting all sizes of companies. The impact is primarily being felt among larger companies.

Compared to November, current orders are:	National	1-10	11-99	100-250	250-500	500+
Higher in value	8%	12%	10%	6%	9%	6%
About the same	24%	27%	23%	22%	24%	20%
Lower by up to 5%	8%	6%	5%	6%	9%	23%
Lower by 5 to 10%	12%	6%	13%	8%	18%	11%
Lower by 10 to 20%	16%	12%	19%	18%	9%	17%
Lower by 20 to 30%	13%	15%	10%	14%	18%	14%
Lower by more than 30%	19%	24%	20%	26%	12%	9%

While all sectors of industry have been affected by the downturn in demand, primary metals, fabricated metal, automotive and paper products report the most significant declines in new orders received.

Compared to November, current orders are:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Higher in value	7%	20%	16%	0%	6%	7%	15%
About the same	21%	20%	16%	7%	17%	31%	46%
Lower by up to 5%	7%	15%	11%	7%	9%	3%	8%
Lower by 5 to 10%	13%	15%	11%	0%	16%	14%	8%
Lower by 10 to 20%	18%	10%	16%	36%	19%	10%	8%
Lower by 20 to 30%	14%	5%	21%	14%	11%	17%	15%
Lower by more than 30%	20%	15%	11%	36%	23%	17%	0%

Compared to November, current orders are:	Auto-motive	Other Transport -ation Equipment	Advanced Tech-nologies	Health care	Wood	Paper	Other Products
Higher in value	10%	0%	17%	20%	10%	0%	8%
About the same	5%	36%	17%	30%	40%	17%	25%
Lower by up to 5%	0%	7%	8%	30%	10%	25%	8%
Lower by 5 to 10%	0%	7%	8%	10%	10%	17%	4%
Lower by 10 to 20%	5%	14%	25%	0%	0%	0%	13%
Lower by 20	20%	7%	0%	0%	30%	25%	4%

to 30%							
Lower by more than 30%	60%	29%	25%	10%	0%	17%	38%

New Orders

A majority of manufacturers and exporters also expect the value of new orders to fall over the next three months. Among survey respondents, 56 per cent say that orders are likely to decrease between February 2009 and May 2009, 27 per cent expect orders to remain about the same, while 18 per cent expect to see orders increase. This is a less optimistic outlook than in January when only 43 per cent of companies were expecting new orders to drop in the coming three months, 34 per cent expected orders to remain about the same and 24 per cent expect to see orders increase.

Over the next three months, orders are likely to:	National
Higher in value	18%
About the same	27%
Lower by up to 5%	10%
Lower by 5 to 10%	16%
Lower by 10 to 20%	15%
Lower by 20 to 30%	9%
Lower by more than 30%	6%

Companies in Saskatchewan, Manitoba, Prince Edward Island, and Newfoundland and Labrador are more optimistic about future orders. Again, the weakness is in Ontario, Alberta and British Columbia.

Over the next three months, orders are likely to:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	18%	17%	14%	15%	27%	15%	14%	18%	23%	22%	18%
About the same	27%	23%	26%	45%	36%	30%	33%	32%	27%	33%	35%
Lower by up to 5%	10%	4%	9%	10%	14%	11%	10%	9%	14%	22%	18%
Lower by 5 to 10%	16%	17%	23%	15%	5%	14%	29%	18%	18%	0%	12%
Lower by 10 to 20%	15%	19%	12%	10%	14%	17%	7%	18%	9%	11%	12%
Lower by 20 to 30%	9%	10%	9%	5%	5%	10%	5%	5%	5%	11%	6%
Lower by more than 30%	6%	10%	7%	0%	0%	4%	2%	0%	5%	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.

Over the next three months, orders are likely to:	National	1-10	11-99	100-250	250-500	500+
Higher in value	18%	21%	20%	10%	27%	11%
About the same	27%	32%	26%	28%	21%	34%
Lower by up to 5%	10%	9%	8%	10%	15%	17%
Lower by 5 to 10%	16%	21%	17%	8%	12%	14%
Lower by 10 to 20%	15%	6%	16%	18%	15%	17%
Lower by 20 to 30%	9%	9%	8%	16%	6%	3%
Lower by more than 30%	6%	3%	6%	10%	3%	3%

Companies in the sectors of advanced technologies, wood products and paper products are the most optimistic about future orders.

Over the next three months, orders are likely to:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Higher in value	17%	30%	11%	21%	9%	14%	18%
About the same	26%	25%	42%	21%	28%	31%	29%
Lower by up to 5%	10%	15%	5%	0%	10%	0%	12%
Lower by 5 to 10%	15%	10%	16%	21%	17%	17%	24%
Lower by 10 to 20%	17%	20%	11%	21%	19%	28%	6%
Lower by 20 to 30%	9%	0%	16%	0%	9%	7%	6%
Lower by more than 30%	6%	0%	0%	14%	9%	3%	6%

Over the next three months, orders are likely to:	Auto-Motive	Other Transport -ation Equipment	Advanced Tech-nologies	Health care	Wood	Paper	Other Products
Higher in value	19%	8%	33%	20%	20%	17%	17%
About the same	29%	31%	33%	50%	50%	25%	26%
Lower by up to 5%	0%	0%	5%	20%	10%	8%	10%
Lower by 5 to 10%	14%	0%	10%	0%	0%	33%	21%
Lower by 10 to 20%	24%	39%	19%	0%	10%	8%	10%
Lower by 20 to 30%	0%	0%	0%	10%	10%	8%	12%
Lower by more than 30%	14%	23%	0%	0%	0%	0%	5%

Inventories

More than 40 per cent of manufacturers and exporters report that inventory levels of components and raw materials are currently too high. One-third of 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.

Materials inventories are:	National
Too high	41%
Just about right	55%
Too low	4%
Finished goods inventories are:	
Too high	32%
Just about right	62%
Too low	6%

Material inventory levels are particularly high in Alberta, Manitoba, Nova Scotia, and PEI, while finished goods inventories are high in Saskatchewan, Ontario, Quebec and Nova Scotia.

Materials inventories are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Too high	41%	42%	46%	35%	55%	42%	31%	33%	46%	44%	29%
Just about right	55%	56%	48%	50%	41%	54%	62%	62%	46%	56%	65%
Too low	4%	2%	6%	15%	5%	4%	7%	5%	9%	0%	6%
Finished goods inventories are:											
Too high	32%	27%	35%	40%	27%	38%	41%	33%	41%	22%	18%

Just about right	62%	69%	62%	45%	64%	56%	57%	62%	46%	78%	77%
Too low	6%	4%	4%	15%	9%	6%	2%	5%	14%	0%	6%

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

Materials inventories are:	National	1-10	11-99	100-250	250-500	500+
Too high	41%	24%	39%	46%	55%	40%
Just about right	55%	67%	58%	52%	36%	57%
Too low	4%	9%	4%	2%	9%	3%
Finished goods inventories are:						
Too high	32%	21%	28%	35%	55%	34%
Just about right	62%	71%	64%	63%	33%	66%
Too low	6%	9%	8%	2%	12%	0%

Materials inventories are particularly high in the electrical equipment and primary metals sectors. Primary metals and automotive manufacturers are reporting higher levels of finished goods inventories.

Materials inventories are:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Too high	43%	26%	20%	54%	44%	38%	59%
Just about right	53%	74%	73%	39%	50%	59%	41%
Too low	4%	0%	7%	8%	6%	3%	0%
Finished goods inventories are:							
Too high	36%	0%	32%	50%	38%	28%	41%
Just about right	58%	100%	58%	50%	55%	66%	59%
Too low	6%	0%	11%	0%	8%	7%	0%

Materials inventories are:	Auto-Motive	Other Transport -ation Equipment	Advanced Technologies	Health care	Wood	Paper	Other Products
Too high	38%	23%	33%	20%	10%	18%	36%
Just about right	57%	77%	62%	70%	80%	82%	62%
Too low	5%	0%	5%	10%	10%	0%	2%
Finished goods inventories are:							
Too high	52%	31%	33%	10%	20%	33%	26%
Just about right	33%	62%	62%	80%	80%	67%	67%
Too low	14%	8%	5%	10%	0%	0%	7%

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, 45 per cent of companies say that employment levels are likely to fall. This is slightly higher than the 42 per cent of companies that expected their employment levels to fall in the January survey.

Over the next three months, jobs will:	National
Increase	11%
Remain about the same	44%
Decrease	45%

Job prospects are brightest in Saskatchewan and Newfoundland and Labrador. Companies in Nova Scotia, Alberta and British Columbia are more likely to reduce employment.

Over the next three months, jobs will:	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Increase	11%	10%	12%	20%	14%	10%	5%	9%	9%	11%	18%
Remain about the same	44%	35%	35%	45%	59%	43%	50%	55%	41%	44%	41%
Decrease	45%	54%	53%	35%	27%	47%	45%	36%	50%	44%	41%

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

Over the next three months, jobs will:	National	1-10	11-99	100-250	250-500	500+
Increase	11%	18%	14%	2%	12%	6%
Remain about the same	44%	56%	44%	40%	27%	49%
Decrease	45%	27%	41%	58%	61%	46%

Employment rates are likely to be reduced the most in the primary and fabricated metals, automotive, transportation equipment sectors and manufacturing sectors. (Primary metals, fabricated metal, automotive and paper products reported the most significant declines in new orders received.)

Over the next three months, jobs will:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Increase	10%	20%	16%	0%	8%	17%	6%
Remain about the same	40%	45%	42%	21%	38%	38%	47%
Decrease	50%	35%	42%	79%	54%	45%	47%

Over the next three months, jobs will:	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health Care	Wood	Paper	Other Products
Increase	10%	8%	33%	10%	10%	17%	12%
Remain about	48%	39%	43%	70%	70%	42%	55%

the same							
Decrease	43%	54%	24%	20%	20%	42%	33%

Access to Financing

In all, 60 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 financing for an operating line of credit, working capital purposes, capital investment purposes, investments in new technology and 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	4%	8%	18%	40%
Operating line of credit	5%	7%	18%	48%
Equity financing	3%	5%	9%	24%
Financing for capital investment	6%	9%	15%	27%
Financing for investments in new technologies	5%	8%	15%	26%
Equipment leasing	2%	4%	10%	34%
Financing through bonds or commercial paper	3%	1%	1%	10%
Venture capital	3%	3%	2%	10%
Financing for new product development	4%	5%	12%	23%
Export financing	3%	6%	6%	25%
Export credit insurance	3%	5%	7%	26%
Financing for business acquisitions	3%	6%	7%	14%
Other types of business financing	3%	3%	5%	18%

Relatively more companies in Saskatchewan, Manitoba, New Brunswick, and Newfoundland and Labrador report that they are unable to obtain financing than elsewhere in the country.

Unable to obtain:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	4%	2%	2%	5%	5%	3%	0%	9%	0%	0%	6%
Operating line of credit	5%	4%	4%	15%	5%	4%	3%	5%	0%	0%	0%
Equity financing	3%	2%	2%	5%	0%	2%	2%	0%	0%	0%	0%
Financing for capital investment	6%	2%	4%	5%	5%	4%	8%	9%	0%	0%	13%
Financing for investments in new technologies	5%	2%	4%	10%	0%	4%	5%	5%	0%	0%	13%
Equipment leasing	2%	2%	2%	5%	0%	1%	0%	5%	0%	0%	0%
Financing through bonds or commercial paper	3%	2%	2%	5%	0%	3%	0%	0%	0%	0%	0%
Venture capital	3%	2%	2%	0%	0%	3%	0%	0%	0%	0%	0%
Financing for new product development	4%	2%	2%	10%	0%	4%	0%	5%	0%	0%	0%
Export financing	3%	4%	2%	5%	0%	2%	3%	5%	0%	0%	0%
Export credit insurance	3%	4%	2%	5%	0%	1%	0%	5%	0%	0%	0%
Financing for business acquisitions	3%	2%	2%	5%	0%	2%	0%	5%	0%	0%	0%
Other types of business financing	3%	4%	0%	5%	0%	2%	3%	5%	0%	0%	0%

Generally speaking, more companies in Saskatchewan, Manitoba, Quebec and the Atlantic provinces report that they are experiencing significant difficulties in obtaining financing than elsewhere in the country.

Experiencing significant difficulties in accessing:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	8%	8%	4%	20%	14%	6%	10%	5%	14%	11%	13%
Operating line of credit	7%	4%	5%	10%	10%	6%	8%	5%	9%	11%	19%

Equity financing	5%	6%	4%	10%	10%	4%	2%	9%	9%	11%	13%
Financing for capital investment	9%	4%	6%	10%	5%	10%	13%	14%	14%	22%	19%
Financing for investments in new technologies	8%	6%	5%	10%	10%	7%	13%	18%	18%	22%	19%
Equipment leasing	4%	6%	4%	15%	5%	4%	7%	5%	5%	11%	6%
Financing through bonds or commercial paper	1%	2%	2%	10%	5%	1%	3%	5%	10%	11%	6%
Venture capital	3%	2%	2%	15%	5%	3%	5%	5%	5%	11%	6%
Financing for new product development	5%	4%	2%	10%	5%	5%	8%	9%	9%	11%	6%
Export financing	6%	4%	4%	15%	10%	6%	5%	5%	10%	11%	13%
Export credit insurance	5%	2%	2%	5%	5%	6%	3%	0%	0%	0%	7%
Financing for business acquisitions	6%	10%	13%	5%	10%	6%	13%	9%	14%	11%	6%
Other types of business financing	3%	2%	2%	15%	11%	3%	3%	5%	5%	11%	7%

When higher costs are factored into an assessment of financing availability, more companies in Ontario and Quebec report that they are facing financing difficulties.

Experiencing difficulties in accessing (including higher costs):	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	18%	15%	15%	0%	5%	20%	18%	9%	18%	11%	19%
Operating line of credit	18%	19%	7%	10%	10%	20%	20%	14%	9%	0%	25%
Equity financing	9%	6%	15%	10%	10%	9%	15%	0%	9%	0%	0%
Financing for capital investment	15%	23%	13%	15%	14%	12%	18%	14%	32%	0%	13%
Financing for investments in new technologies	15%	15%	13%	5%	10%	12%	15%	14%	27%	0%	13%
Equipment leasing	10%	8%	11%	5%	10%	9%	10%	14%	14%	0%	31%

Financing through bonds or commercial paper	1%	0%	4%	0%	0%	2%	3%	0%	0%	0%	0%
Venture capital	2%	0%	0%	0%	0%	3%	0%	0%	5%	0%	0%
Financing for new product development	12%	8%	11%	5%	10%	11%	15%	5%	23%	0%	13%
Export financing	6%	4%	2%	5%	0%	8%	3%	0%	5%	0%	0%
Export credit insurance	7%	6%	4%	5%	0%	9%	3%	5%	5%	0%	0%
Financing for business acquisitions	7%	6%	7%	5%	0%	6%	13%	9%	9%	0%	19%
Other types of business financing	5%	4%	6%	5%	0%	5%	11%	14%	10%	0%	7%

Smaller companies are more likely to be unable to obtain financing.

	National	1-10	11-99	100-250	250-500	500+
Unable to obtain:						
Financing for working capital purposes	4%	8%	5%	2%	3%	0%
Operating line of credit	5%	15%	5%	4%	0%	0%
Equity financing	3%	1%	3%	3%	4%	3%
Financing for capital investment	6%	15%	6%	4%	3%	3%
Financing for investments in new technologies	5%	10%	5%	4%	0%	0%
Equipment leasing	2%	5%	0%	2%	0%	3%
Financing through bonds or commercial paper	3%	1%	1%	2%	3%	3%
Venture capital	3%	12%	2%	0%	0%	0%
Financing for new product development	4%	18%	2%	2%	0%	0%
Export financing	3%	9%	2%	4%	0%	0%
Export credit insurance	3%	9%	1%	6%	0%	0%
Financing for business acquisitions	3%	3%	2%	2%	4%	0%
Other types of business financing	3%	9%	1%	6%	0%	0%

Companies of all sizes report difficulties in obtaining financing.

Experiencing significant difficulties in accessing:	National	1-10	11-99	100-250	250-500	500+
Financing for working capital purposes	8%	12%	9%	4%	6%	9%
Operating line of credit	7%	3%	8%	4%	6%	9%
Equity financing	5%	0%	5%	8%	6%	6%
Financing for capital investment	9%	3%	7%	14%	13%	15%
Financing for investments in new technologies	8%	6%	6%	8%	13%	12%
Equipment leasing	4%	6%	4%	0%	9%	6%
Financing through bonds or commercial paper	1%	0%	0%	4%	3%	3%
Venture capital	3%	3%	2%	2%	3%	6%
Financing for new product development	5%	6%	5%	2%	6%	9%
Export financing	6%	9%	5%	6%	3%	9%
Export credit insurance	5%	6%	5%	6%	7%	3%
Financing for business acquisitions	6%	6%	2%	8%	19%	10%
Other types of business financing	3%	3%	0%	4%	4%	9%

Again companies of all sizes report that they are facing higher costs in accessing financing.

Experiencing difficulties (including higher costs) in accessing:	National	1-10	11-99	100-250	250-500	500+
Financing for working capital purposes	18%	12%	20%	16%	22%	15%
Operating line of credit	18%	3%	22%	12%	19%	12%
Equity financing	9%	0%	5%	12%	22%	9%
Financing for capital investment	15%	3%	11%	18%	31%	15%
Financing for investments in new technologies	15%	6%	9%	20%	25%	21%
Equipment leasing	10%	6%	8%	10%	6%	18%
Financing through bonds or commercial paper	1%	0%	2%	2%	0%	3%
Venture capital	2%	3%	2%	0%	3%	0%
Financing for new product development	12%	6%	8%	16%	16%	16%
Export financing	6%	9%	8%	6%	3%	3%
Export credit insurance	7%	6%	6%	6%	17%	10%
Financing for business acquisitions	7%	6%	4%	8%	16%	10%
Other types of business financing	5%	3%	2%	2%	8%	9%

Relatively more companies in the automotive, primary metals and advanced technologies sectors report that they are unable to obtain financing.

Unable to obtain:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Financing for working capital purposes	3%	0%	0%	7%	0%	11%	0%
Operating line of credit	5%	5%	0%	7%	1%	14%	0%
Equity financing	2%	0%	0%	7%	0%	4%	0%
Financing for capital investment	5%	0%	0%	14%	2%	7%	0%
Financing for investments in new technologies	4%	5%	0%	14%	3%	11%	0%
Equipment leasing	2%	0%	0%	8%	1%	4%	0%
Financing through bonds or commercial paper	3%	5%	0%	8%	2%	0%	0%
Venture capital	3%	5%	0%	8%	2%	4%	0%
Financing for new product development	4%	0%	0%	7%	5%	11%	0%
Export financing	3%	0%	0%	14%	3%	4%	0%
Export credit insurance	2%	0%	0%	8%	3%	4%	0%
Financing for business acquisitions	2%	0%	0%	8%	2%	7%	0%
Other types of business financing	2%	0%	0%	7%	0%	8%	0%

Experiencing difficulties in accessing:	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health Care	Wood	Paper	Other Products
Financing for working capital purposes	14%	0%	19%	0%	0%	8%	2%
Operating line of credit	24%	0%	14%	0%	0%	0%	5%

Equity financing	10%	0%	10%	0%	10%	0%	2%
Financing for capital investment	10%	8%	19%	0%	11%	8%	2%
Financing for investments in new technologies	5%	8%	19%	0%	100%	0%	2%
Equipment leasing	5%	0%	14%	0%	0%	0%	0%
Financing through bonds or commercial paper	11%	0%	10%	0%	0%	0%	0%
Venture capital	10%	0%	5%	0%	0%	0%	0%
Financing for new product development	10%	0%	14%	0%	0%	0%	0%
Export financing	11%	8%	10%	0%	0%	0%	0%
Export credit insurance	5%	8%	10%	0%	0%	0%	0%
Financing for business acquisitions	5%	0%	10%	0%	0%	0%	0%
Other types of business financing	5%	9%	10%	0%	0%	0%	0%

The transportation equipment and machinery sectors report a relatively high rate of difficulty in obtaining all forms of financing.

Experiencing difficulties in accessing:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Financing for working capital purposes	9%	5%	5%	7%	7%	11%	6%
Operating line of credit	7%	10%	5%	7%	7%	7%	6%
Equity financing	6%	10%	0%	7%	3%	7%	6%
Financing for capital investment	11%	11%	11%	29%	8%	11%	6%
Financing for investments in new technologies	9%	10%	5%	29%	7%	4%	6%

Equipment leasing	5%	10%	5%	8%	2%	4%	6%
Financing through bonds or commercial paper	1%	0%	0%	8%	1%	4%	6%
Venture capital	3%	0%	0%	0%	1%	7%	6%
Financing for new product development	5%	0%	5%	0%	2%	4%	6%
Export financing	6%	5%	5%	0%	7%	11%	6%
Export credit insurance	6%	5%	5%	0%	6%	12%	6%
Financing for business acquisitions	6%	5%	11%	0%	7%	4%	6%
Other types of business financing	3%	0%	0%	0%	2%	8%	6%

Experiencing difficulties in accessing:	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health Care	Wood	Paper	Other Products
Financing for working capital purposes	14%	23%	10%	20%	11%	0%	7%
Operating line of credit	5%	23%	14%	10%	10%	0%	2%
Equity financing	10%	15%	10%	20%	0%	0%	2%
Financing for capital investment	10%	23%	5%	20%	0%	8%	5%
Financing for investments in new technologies	15%	23%	5%	30%	0%	17%	7%
Equipment leasing	10%	23%	5%	20%	0%	0%	5%
Financing through bonds or commercial paper	0%	15%	5%	10%	0%	0%	0%
Venture capital	10%	23%	5%	10%	0%	0%	0%
Financing for new product	20%	31%	5%	20%	11%	8%	5%

development							
Export financing	11%	8%	14%	10%	0%	0%	8%
Export credit insurance	15%	0%	14%	0%	0%	0%	5%
Financing for business acquisitions	10%	8%	10%	10%	0%	8%	13%
Other types of business financing	5%	18%	10%	10%	0%	0%	0%

Other sectors also report difficulties when higher financing costs are taken into consideration.

Experiencing difficulties (including higher costs) in accessing:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Financing for working capital purposes	19%	30%	16%	7%	20%	14%	18%
Operating line of credit	19%	20%	16%	14%	22%	18%	12%
Equity financing	10%	0%	11%	7%	8%	7%	0%
Financing for capital investment	15%	16%	11%	21%	14%	11%	0%
Financing for investments in new technologies	14%	20%	11%	21%	11%	7%	0%
Equipment leasing	10%	5%	11%	31%	8%	7%	0%
Financing through bonds or commercial paper	2%	0%	5%	0%	1%	0%	0%
Venture capital	2%	0%	5%	0%	1%	4%	0%
Financing for new product development	11%	10%	16%	21%	10%	4%	0%
Export financing	6%	0%	11%	7%	6%	7%	0%
Export credit insurance	8%	5%	16%	0%	5%	8%	0%
Financing for business acquisitions	7%	5%	0%	15%	5%	7%	0%

Other types of business financing	4%	5%	5%	21%	1%	0%	0%
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Experiencing difficulties (including higher costs) in accessing:	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health Care	Wood	Paper	Other Products
Financing for working capital purposes	29%	0%	19%	20%	22%	8%	10%
Operating line of credit	29%	8%	29%	20%	30%	0%	7%
Equity financing	19%	0%	19%	20%	10%	0%	10%
Financing for capital investment	14%	8%	24%	20%	11%	0%	21%
Financing for investments in new technologies	15%	8%	24%	10%	11%	0%	12%
Equipment leasing	5%	0%	14%	10%	20%	8%	7%
Financing through bonds or commercial paper	5%	0%	0%	0%	0%	0%	5%
Venture capital	10%	0%	5%	0%	0%	0%	3%
Financing for new product development	10%	0%	19%	20%	11%	0%	15%
Export financing	21%	0%	10%	30%	0%	0%	5%
Export credit insurance	20%	8%	0%	20%	0%	8%	5%
Financing for business acquisitions	10%	15%	10%	10%	25%	0%	5%
Other types of business financing	5%	9%	5%	10%	0%	0%	8%

Increasing Lines of Credit

Nationally, 20 per cent of respondents have asked their financial institution to increase their operating line of credit in the past three months. Companies in Ontario, Quebec and British Columbia are making the most requests.

Requested increase in line of credit during last three months:	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Yes	20%	19%	13%	5%	5%	22%	27%	5%	14%	0%	18%
No	80%	81%	87%	95%	95%	78%	73%	96%	86%	100%	82%

Mid-sized companies are making the most recent requests for line of credit increases.

Requested increase in line of credit during last three months:	Nat'l	1-10	11-99	100-250	250-500	500+
Yes	20%	12%	22%	27%	16%	12%
No	80%	88%	78%	74%	84%	88%

Companies in the automotive, advanced technologies and wood products sectors are making the most requests for line of credit increases.

Experiencing difficulties (including higher costs) in accessing:	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Yes	21%	15%	24%	7%	21%	17%	13%
No	79%	85%	77%	93%	79%	83%	88%

Experiencing difficulties (including higher costs) in accessing:	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health Care	Wood	Paper	Other Products
Yes	43%	15%	33%	20%	30%	8%	7%
No	57%	85%	67%	80%	70%	92%	93%

Forty-one 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. Slightly less than 40 per cent were looking to finance business growth.

Reasons to increase line of credit	National
To cover current expenses to grow business	38%
To cover research and development and other expenses to support future growth	5%
To cover current expenses during the present slowdown when sales are down	41%
Other	16%

More companies in British Columbia, Ontario and Manitoba were looking to increase their lines of credit to cover current expenses in the face of the economic downturn.

Reasons to increase line of credit	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
To cover current expenses to grow business	38%	44%	29%	28%	45%	42%	18%	0%	33%	0%	33%
To cover R&D etc. to support future growth	5%	0%	0%	5%	5%	0%	9%	0%	33%	0%	0%
To cover current expenses during slowdown	41%	44%	57%	67%	50%	45%	73%	100%	33%	0%	0%
Other	16%	11%	14%	0%	0%	13%	0%	0%	0%	0%	67%

A significant majority of the largest companies (500+ employees) report that they requested an increase in their operating line in response to deteriorating economic conditions.

Reasons to increase line of credit	National	1-10	11-99	100-250	250-500	500+
To cover current expenses to grow business	38%	25%	47%	29%	33%	25%
To cover R&D etc. to support future growth	5%	0%	3%	0%	33%	0%
To cover current expenses during the present slowdown when sales are down	41%	0%	40%	50%	33%	75%
Other	16%	75%	10%	21%	0%	0%

Of those who requested an increase in their line in credit, all companies in the electrical equipment and paper sector did so to cover current expenses during the present slowdown, and three-quarters of companies in the wood products sector named the same reason.

Reasons to increase line of credit	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
To cover current expenses to grow business	40%	67%	60%	0%	32%	60%	0%
To cover R&D etc. to support future growth	4%	0%	0%	0%	0%	0%	0%
To cover current expenses during the present slowdown when sales are down	44%	33%	20%	0%	42%	20%	100%
Other	12%	0%	20%	100%	26%	20%	0%

Reasons to increase line of credit	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health care	Wood	Paper	Other Products
To cover current expenses to grow business	44%	0%	57%	50%	0%	0%	33%
To cover R&D etc. to support future growth	0%	50%	0%	50%	0%	0%	0%
To cover current expenses during the present slowdown	44%	50%	14%	0%	67%	100%	67%
Other				0%	33%	0%	0%

Among the companies that requested an increase in operating lines of credit over the past three months, 22 per cent were declined and 35 per cent are uncertain at this point.

Has your financial institution agreed to increase your operating line of credit?	National
Yes	43%
No	22%
I don't know yet	35%

Refusal rates were highest in Saskatchewan, Manitoba and New Brunswick.

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	43%	33%	29%	10%	16%	42%	27%	20%	100%	0%	100%
No	22%	22%	14%	70%	52%	16%	9%	75%	0%	0%	0%
I don't know yet	35%	44%	57%	20%	32%	42%	64%	5%	0%	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	43%	50%	47%	43%	17%	50%
No	22%	50%	20%	29%	17%	0%
I don't know yet	35%	0%	33%	29%	67%	50%

Refusal rates were highest in primary metals, transportation equipment and health care product sectors.

Has your financial institution agreed to increase your operating line of credit?	MFG	Printing	Plastic Products	Primary Metals	Fabricated Metal	Machinery	Electrical Equipment
Yes	44%	67%	40%	0%	63%	40%	33%
No	19%	0%	20%	100%	11%	20%	0%
I don't know yet	37%	33%	40%	0%	26%	40%	67%

Has your financial institution agreed to increase your operating line of credit?	Auto-motive	Other Transportation Equipment	Advanced Technologies	Health care	Wood	Paper	Other Products
Yes	44%	50%	57%	50%	0%	0%	0%
No	22%	50%	29%	50%	33%	0%	0%
I don't know yet	33%	0%	14%	0%	67%	100%	100%

The companies whose requests were refused report a variety of reasons given by their financial institutions. The most common (reported by almost 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 23 per cent of firms) is that the assets given as security do not meet the bank's requirements. This is similar to January's report

Reasons why operating line of credit cannot be increased:	National
Company's overall debt level is too high	8%
Assets given as security do not meet the bank's requirements	23%
Business is growing too quickly right now	0%
Operations are seasonal	0%
Bank thinks the industry or sector my company is in is too risky	39%
Withdrew application, bank fees were too high	0%
General lack of liquidity in the financial markets	23%
Not sure	0%
Other	8%