



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

April 2009

CME Business Conditions Survey April 2009

Canadian Manufacturers & Exporters, 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. Monthly survey results can be found on CME's website at www.cme-mec.ca.

Our April *Business Conditions Survey* was conducted between April 13 and 22, 2009. A total of 577 companies, with operations in all provinces of Canada, participated in the April survey.

| Province where operations are located: | |
|---|-----|
| British Columbia | 18% |
| Alberta | 24% |
| Saskatchewan | 8% |
| Manitoba | 10% |
| Ontario | 53% |
| Québec | 9% |
| New Brunswick | 6% |
| Nova Scotia | 6% |
| Prince Edward Island | 2% |
| Newfoundland & Labrador | 4% |

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

| Size of company (by # of employees) | |
|--|-----|
| 1 to 10 | 12% |
| 11 to 99 | 47% |
| 100 to 250 | 22% |
| 250 to 500 | 12% |
| More than 500 | 8% |

Respondents are well established enterprises – 96 per cent have been in business for more than five years.

| Age of Business | |
|------------------------|-----|
| Less than 2 years | 1% |
| 2 – 5 years | 4% |
| More than 5 years | 96% |

Eighty-eight per cent of the firms are exporters and exports account for more than 50 per cent of total sales revenue for 40 per cent of the companies.

| Export sales: | |
|--------------------------------------|-----|
| No | 12% |
| More than 50% of total sales revenue | 40% |
| 25% to 50% of total sales revenue | 16% |
| 10% to 25% of total sales revenue | 14% |
| Less than 10% of total sales revenue | 19% |

While a variety of business sectors are represented in the April survey, 87 per cent of respondents are from manufacturing and processing industries.

| Business sectors: | |
|---|-----|
| Manufacturing | 87% |
| Agriculture | 1% |
| Software, Information & Telecommunications Services | 2% |
| Finance, Insurance, Real Estate and Leasing | 1% |
| Business Services | 3% |
| Other Services | 1% |

| Manufacturing sectors: | |
|--|-----|
| Food Products | 4% |
| Clothing or Leather Products | 1% |
| Wood Products | 1% |
| Paper Products | 5% |
| Printing | 3% |
| Chemicals | 6% |
| Pharmaceuticals | 1% |
| Plastic Products | 6% |
| Rubber Products | 1% |
| Non-Metallic Mineral Products (e.g. ceramics, glass, cement) | 1% |
| Primary Metals | 7% |
| Fabricated Metal Products | 1% |
| Machinery | 2% |
| Computer or Electronic Products | 5% |
| Electrical Equipment, Appliances or Components | 36% |
| Automotive Products | 15% |
| Other Transportation Equipment or Parts | 3% |
| Furniture or Fixtures | 7% |
| Other Consumer Products | 4% |
| Health Care and Veterinary Products | 4% |
| Advanced Technologies | 1% |
| Other Products | 3% |

Current Orders

A majority of manufacturers and exporters report that the value of their orders declined over the past three months. In our April survey, 65 per cent of companies indicate orders have fallen in value since January, while 24 per cent say that orders are about the same and 11 per cent report that orders have increased. Of the total, 18 per cent of companies report that their orders have fallen by 30 per cent or more over the past three months. These results are basically unchanged from our March survey.

| Compared to January, orders are: | National |
|----------------------------------|----------|
| Higher in value | 11% |
| About the same | 24% |
| Lower by up to 5% | 4% |
| Lower by 5 to 10% | 14% |
| Lower by 10 to 20% | 16% |
| Lower by 20 to 30% | 13% |
| Lower by more than 30% | 18% |

Alberta, Manitoba, Ontario, and PEI have experienced the sharpest downturn in orders over the past three months.

| Compared to January, orders are: | National | BC | AB | SK | MB | ON | QC | NB | NS | PE | NL |
|----------------------------------|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Higher in value | 11% | 13% | 10% | 5% | 4% | 8% | 9% | 14% | 13% | 20% | 18% |
| About the same | 24% | 22% | 18% | 30% | 20% | 28% | 27% | 21% | 27% | 0% | 36% |
| Lower by up to 5% | 4% | 2% | 3% | 5% | 8% | 4% | 9% | 7% | 7% | 20% | 9% |
| Lower by 5 to 10% | 14% | 16% | 15% | 10% | 12% | 13% | 14% | 21% | 7% | 20% | 18% |
| Lower by 10 to 20% | 16% | 24% | 22% | 15% | 12% | 14% | 23% | 21% | 20% | 20% | 9% |
| Lower by 20 to 30% | 13% | 4% | 15% | 20% | 12% | 17% | 9% | 14% | 20% | 20% | 0% |
| Lower by more than 30% | 18% | 18% | 17% | 15% | 32% | 17% | 9% | 0% | 7% | 0% | 9% |

The downturn in customer demand is now affecting all sizes of companies.

| Compared to January, current orders are: | National | 1-10 | 11-99 | 100-250 | 250-500 | 500+ |
|--|----------|------|-------|---------|---------|------|
| Higher in value | 11% | 3% | 16% | 14% | 10% | 11% |
| About the same | 24% | 32% | 18% | 33% | 21% | 26% |
| Lower by up to 5% | 4% | 3% | 2% | 4% | 7% | 11% |
| Lower by 5 to 10% | 14% | 16% | 16% | 9% | 10% | 5% |
| Lower by 10 to 20% | 16% | 7% | 15% | 7% | 21% | 37% |
| Lower by 20 to 30% | 13% | 10% | 13% | 20% | 21% | 5% |
| Lower by more than 30% | 18% | 29% | 20% | 12% | 10% | 5% |

While all industry sectors have been affected by the downturn in demand, primary metal, fabricated metal and other products report the most significant declines in current orders received. On a positive note, 18 per cent of companies manufacturing wood products have orders higher in value than three months ago.

| Compared to January, current orders are: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|-------------------------|----------------------|-----------------------------|-------------------------------|-------------------------|-----------------------|
| Higher in value | 10% | 18% | 8% | 8% | 7% | 9% |
| About the same | 25% | 36% | 17% | 31% | 40% | 9% |
| Lower by up to 5% | 3% | 0% | 0% | 0% | 0% | 18% |
| Lower by 5 to 10% | 12% | 9% | 42% | 15% | 27% | 9% |
| Lower by 10 to 20% | 15% | 9% | 25% | 31% | 13% | 9% |
| Lower by 20 to 30% | 15% | 18% | 8% | 8% | 0% | 18% |
| Lower by more than 30% | 20% | 9% | 0% | 8% | 13% | 27% |
| Compared to January, current orders are: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products | |
| Higher in value | 10% | 6% | 7% | 0% | 5% | |
| About the same | 20% | 28% | 7% | 18% | 26% | |
| Lower by up to 5% | 4% | 0% | 0% | 0% | 0% | |
| Lower by 5 to 10% | 8% | 13% | 36% | 18% | 0% | |
| Lower by 10 to 20% | 13% | 13% | 7% | 0% | 26% | |
| Lower by 20 to 30% | 15% | 16% | 21% | 46% | 5% | |
| Lower by more than 30% | 30% | 25% | 21% | 18% | 37% | |

New Orders

A new positive trend is identified this month, with a majority (63 per cent) of responding manufacturers and exporters stating they expect the value of new orders to stay the same or increase in value over the next three months. Among respondents, 37 per cent indicate that orders are likely to decrease between April 2009 and July 2009, 41 per cent expect orders to remain about the same and 22 per cent expect orders to increase. This is a markedly more optimistic outlook than in March when 49 per cent of companies were expecting new orders to drop in the coming three months, 33 per cent expected orders to remain about the same and only 18 per cent expecting an increase.

| Over the next three months, orders are likely to: | National |
|--|-----------------|
| Higher in value | 22% |
| About the same | 41% |
| Lower by up to 5% | 8% |
| Lower by 5 to 10% | 6% |
| Lower by 10 to 20% | 9% |
| Lower by 20 to 30% | 8% |
| Lower by more than 30% | 6% |

Companies in the Maritimes (New Brunswick, Nova Scotia and Prince Edward Island) are most optimistic about future orders, although orders also appear to be stabilizing in other provinces as well.

| Over the next three months, orders are likely to: | National | BC | AB | SK | MB | ON | QC | NB | NS | PE | NL |
|--|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Higher in value | 22% | 13% | 18% | 20% | 20% | 16% | 18% | 36% | 53% | 40% | 9% |
| About the same | 41% | 42% | 40% | 50% | 28% | 47% | 41% | 43% | 13% | 40% | 73% |
| Lower by up to 5% | 8% | 4% | 8% | 0% | 12% | 8% | 9% | 7% | 0% | 0% | 0% |
| Lower by 5 to 10% | 6% | 13% | 10% | 5% | 16% | 8% | 14% | 7% | 13% | 20% | 9% |
| Lower by 10 to 20% | 9% | 13% | 10% | 10% | 12% | 8% | 9% | 7% | 7% | 0% | 9% |
| Lower by 20 to 30% | 8% | 9% | 10% | 10% | 12% | 8% | 0% | 0% | 7% | 0% | 0% |
| Lower by more than 30% | 6% | 4% | 3% | 5% | 0% | 7% | 9% | 0% | 7% | 0% | 0% |

Companies of all sizes are more optimistic about future orders, with larger and mid-sized firms (250-500 employees) being the most optimistic. Very small companies (with 1-10 employees) are 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 | 22% | 26% | 18% | 24% | 31% | 0% |
| About the same | 41% | 36% | 43% | 39% | 28% | 68% |
| Lower by up to 5% | 8% | 7% | 9% | 6% | 14% | 5% |
| Lower by 5 to 10% | 6% | 10% | 6% | 6% | 0% | 11% |
| Lower by 10 to 20% | 9% | 3% | 12% | 6% | 14% | 5% |
| Lower by 20 to 30% | 8% | 7% | 9% | 13% | 7% | 5% |
| Lower by more than 30% | 6% | 13% | 4% | 7% | 7% | 5% |

Companies in wood products, chemicals, plastics and other products sectors are the most optimistic about future orders.

| Over the next three months, orders are likely to: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|--|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Higher in value | 20% | 64% | 0% | 23% | 33% | 9% |
| About the same | 42% | 27% | 42% | 62% | 47% | 46% |
| Lower by up to 5% | 9% | 0% | 25% | 15% | 7% | 9% |
| Lower by 5 to 10% | 6% | 9% | 17% | 0% | 0% | 18% |
| Lower by 10 to 20% | 10% | 0% | 17% | 0% | 13% | 9% |
| Lower by 20 to 30% | 8% | 0% | 0% | 0% | 0% | 0% |
| Lower by more than 30% | 7% | 0% | 0% | 0% | 0% | 9% |

| Over the next three months, orders are likely to: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|--|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Higher in value | 18% | 16% | 7% | 0% | 21% |
| About the same | 39% | 34% | 57% | 36% | 32% |
| Lower by up to 5% | 10% | 6% | 7% | 0% | 5% |
| Lower by 5 to 10% | 5% | 9% | 0% | 9% | 11% |
| Lower by 10 to 20% | 6% | 9% | 14% | 9% | 11% |
| Lower by 20 to 30% | 11% | 13% | 14% | 36% | 16% |
| Lower by more than 30% | 10% | 13% | 0% | 9% | 5% |

Inventories

Thirty-five per cent of manufacturers and exporters report inventory levels of components and raw materials are currently too high, which is a small drop from more than 40 per cent last month. About the same percentage of companies indicate 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 | 35% |
| Just about right | 61% |
| Too low | 4% |
| Finished goods inventories are: | |
| Too high | 36% |
| Just about right | 60% |
| Too low | 4% |

Material inventory levels are particularly high in Alberta, Saskatchewan, Manitoba and New Brunswick, 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 | 35% | 32% | 40% | 35% | 42% | 33% | 32% | 36% | 29% | 20% | 27% |
| Just about right | 61% | 68% | 60% | 60% | 58% | 65% | 68% | 64% | 57% | 80% | 55% |
| Too low | 4% | 0% | 0% | 5% | 0% | 2% | 0% | 0% | 14% | 0% | 18% |
| Finished goods inventories are: | | | | | | | | | | | |
| Too high | 36% | 30% | 36% | 40% | 38% | 40% | 50% | 29% | 60% | 20% | 18% |
| Just about right | 60% | 71% | 64% | 55% | 58% | 56% | 50% | 57% | 27% | 80% | 82% |
| Too low | 4% | 0% | 0% | 5% | 4% | 4% | 0% | 14% | 13% | 0% | 0% |

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 | 35% | 13% | 38% | 37% | 54% | 37% |
| Just about right | 61% | 77% | 59% | 63% | 43% | 63% |
| Too low | 4% | 10% | 4% | 0% | 4% | 0% |
| Finished goods inventories are: | | | | | | |
| Too high | 36% | 20% | 36% | 36% | 61% | 47% |
| Just about right | 60% | 70% | 60% | 62% | 32% | 53% |
| Too low | 4% | 10% | 4% | 2% | 7% | 0% |

Materials inventories are particularly high in the electrical equipment and advanced manufacturing sectors. Fabricated metals and chemicals manufacturers are reporting higher levels of finished goods inventories.

| Materials inventories are: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|--|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Too high | 39% | 40% | 25% | 25% | 43% | 20% |
| Just about right | 59% | 60% | 75% | 75% | 57% | 80% |
| Too low | 2% | 0% | 0% | 0% | 0% | 0% |
| Finished goods inventories are: | | | | | | |
| Too high | 40% | 20% | 18% | 62% | 21% | 30% |
| Just about right | 56% | 80% | 82% | 39% | 71% | 70% |
| Too low | 4% | 0% | 0% | 0% | 7% | 0% |

| Materials inventories are: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|--|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Too high | 42% | 47% | 64% | 55% | 39% |
| Just about right | 56% | 53% | 36% | 46% | 61% |
| Too low | 3% | 0% | 0% | 0% | 0% |
| Finished goods inventories are: | | | | | |
| Too high | 47% | 34% | 36% | 27% | 37% |
| Just about right | 49% | 63% | 64% | 73% | 58% |
| Too low | 4% | 3% | 0% | 0% | 5% |

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, 36 per cent of companies say that employment levels are likely to fall. This is a positive sign compared to the 42 and 44 per cent of companies that expected employment levels to fall in the March and February surveys, respectively.

| Over the next three months, jobs will: | National |
|---|-----------------|
| Increase | 13% |
| Remain about the same | 51% |
| Decrease | 36% |

Job prospects are brightest in Nova Scotia and Prince Edward Island, provinces which project both the most job increases and least decreases. Alberta and Manitoba are most likely to reduce employment.

| Over the next three months, jobs will: | Nat'l | BC | AB | SK | MB | ON | QC | NB | NS | PE | NL |
|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Increase | 13% | 14% | 12% | 20% | 12% | 11% | 5% | 14% | 33% | 20% | 18% |
| Remain about the same | 51% | 50% | 52% | 45% | 44% | 53% | 73% | 64% | 47% | 80% | 46% |
| Decrease | 36% | 36% | 37% | 35% | 44% | 35% | 23% | 21% | 20% | 0% | 36% |

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 | 13% | 13% | 16% | 11% | 7% | 5% |
| Remain about the same | 51% | 58% | 45% | 48% | 59% | 53% |
| Decrease | 36% | 29% | 39% | 41% | 35% | 42% |

Employment rates are likely to be reduced the most in primary metals and advanced manufacturing sectors.

| Over the next three months, jobs will: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Increase | 12% | 27% | 8% | 8% | 13% | 9% |
| Remain about the same | 49% | 64% | 50% | 69% | 87% | 18% |
| Decrease | 39% | 9% | 42% | 23% | 0% | 73% |

| Over the next three months, jobs will: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|---|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Increase | 13% | 13% | 7% | 0% | 21% |
| Remain about the same | 41% | 36% | 57% | 36% | 37% |
| Decrease | 47% | 52% | 36% | 64% | 42% |

Access to Financing

In all, 56 per cent of manufacturers and exporters report that they are experiencing difficulties accessing adequate levels of financing, a slight drop from last month. The survey asked whether companies are unable to obtain financing, experiencing significant difficulties in obtaining financing or experiencing difficulties due to higher financing costs. The survey also identifies those companies that are not experiencing difficulties in accessing various forms of financing and those for which the question was not applicable.

Similar to last month, those companies looking for financing experienced the greatest difficulties in obtaining financing for working capital purposes, obtaining an operating line of credit, capital investment purposes and investments in new technology.

| | National | | | |
|---|----------------------------|---------------------------------------|---|-----------------|
| Experiencing difficulties in accessing: | Unable to Obtain Financing | Experiencing Significant Difficulties | Experiencing Difficulties due to Higher Costs | No Difficulties |
| Financing for working capital purposes | 4% | 7% | 16% | 44% |
| Operating line of credit | 3% | 8% | 16% | 50% |
| Equity financing | 2% | 5% | 8% | 24% |
| Financing for capital investment | 4% | 9% | 10% | 36% |
| Financing for investments in new technologies | 4% | 7% | 9% | 29% |
| Equipment leasing | 2% | 4% | 7% | 35% |
| Financing through bonds or commercial paper | 0% | 1% | 3% | 7% |
| Venture capital | 2% | 1% | 2% | 8% |
| Financing for new product development | 2% | 7% | 9% | 26% |
| Export financing | 2% | 6% | 6% | 26% |
| Export credit insurance | 2% | 5% | 7% | 27% |
| Financing for business acquisitions | 3% | 4% | 5% | 17% |
| Other types of business financing | 3% | 2% | 5% | 18% |

Relatively more companies in Saskatchewan, Ontario and Nova Scotia 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% | 0% | 0% | 5% | 0% | 6% | 0% | 0% | 13% | 0% | 0% |
| Operating line of credit | 3% | 0% | 0% | 5% | 0% | 4% | 0% | 0% | 13% | 0% | 0% |
| Equity financing | 2% | 0% | 0% | 5% | 0% | 2% | 0% | 0% | 7% | 0% | 0% |
| Financing for capital investment | 4% | 0% | 2% | 5% | 0% | 6% | 0% | 7% | 7% | 0% | 0% |
| Financing for investments in new technologies | 4% | 2% | 0% | 0% | 0% | 6% | 0% | 0% | 7% | 0% | 0% |
| Equipment leasing | 2% | 0% | 0% | 5% | 0% | 2% | 0% | 0% | 7% | 0% | 0% |
| Financing through bonds or commercial paper | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 7% | 0% | 0% |
| Venture capital | 2% | 0% | 0% | 5% | 0% | 2% | 0% | 0% | 7% | 0% | 0% |
| Financing for new product development | 2% | 2% | 0% | 0% | 0% | 3% | 0% | 0% | 7% | 0% | 0% |
| Export financing | 2% | 0% | 0% | 5% | 4% | 1% | 0% | 0% | 7% | 0% | 0% |
| Export credit insurance | 2% | 0% | 0% | 5% | 0% | 2% | 0% | 0% | 7% | 0% | 0% |
| Financing for business acquisitions | 3% | 0% | 5% | 5% | 0% | 2% | 0% | 0% | 7% | 0% | 0% |
| Other types of business financing | 3% | 2% | 4% | 15% | 4% | 2% | 0% | 0% | 7% | 0% | 0% |

Generally speaking, more companies in Ontario, New Brunswick and Newfoundland and Labrador are experiencing 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 | 7% | 4% | 5% | 0% | 4% | 6% | 5% | 14% | 13% | 0% | 27% |
| Operating line of credit | 8% | 2% | 3% | 0% | 12% | 6% | 0% | 21% | 20% | 20% | 27% |
| Equity financing | 5% | 0% | 7% | 0% | 0% | 6% | 0% | 14% | 7% | 0% | 9% |
| Financing for capital investment | 9% | 7% | 7% | 0% | 0% | 8% | 10% | 14% | 13% | 0% | 27% |
| Financing for investments in new technologies | 7% | 4% | 5% | 0% | 4% | 6% | 0% | 0% | 13% | 0% | 18% |
| Equipment leasing | 4% | 0% | 0% | 0% | 0% | 7% | 0% | 0% | 7% | 0% | 9% |
| Financing through bonds or commercial paper | 1% | 0% | 0% | 0% | 0% | 2% | 0% | 0% | 0% | 0% | 0% |
| Venture capital | 1% | 0% | 0% | 0% | 0% | 2% | 0% | 0% | 0% | 0% | 10% |
| Financing for new product development | 7% | 2% | 8% | 0% | 0% | 6% | 0% | 14% | 7% | 0% | 18% |
| Export financing | 6% | 4% | 5% | 15% | 4% | 5% | 5% | 0% | 7% | 0% | 9% |
| Export credit insurance | 5% | 5% | 2% | 11% | 4% | 4% | 5% | 0% | 7% | 0% | 0% |
| Financing for business acquisitions | 4% | 2% | 3% | 5% | 0% | 5% | 0% | 7% | 0% | 0% | 0% |
| Other types of business financing | 2% | 0% | 0% | 0% | 0% | 4% | 0% | 0% | 0% | 0% | 0% |

When higher costs are factored into an assessment of financing difficulties, more companies in Alberta, Manitoba, Quebec and Nova Scotia report that they are experiencing problems.

| Experiencing difficulties in accessing (including higher costs): | National | BC | AB | SK | MB | ON | QC | NB | NS | PE | NL |
|---|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Financing for working capital purposes | 16% | 16% | 15% | 20% | 24% | 17% | 23% | 29% | 20% | 20% | 0% |
| Operating line of credit | 16% | 13% | 19% | 20% | 24% | 17% | 18% | 7% | 13% | 0% | 0% |
| Equity financing | 8% | 7% | 9% | 0% | 8% | 6% | 10% | 0% | 7% | 0% | 0% |
| Financing for capital investment | 10% | 4% | 10% | 15% | 16% | 7% | 10% | 0% | 13% | 0% | 0% |
| Financing for investments in new technologies | 9% | 7% | 7% | 5% | 12% | 7% | 9% | 0% | 13% | 0% | 0% |
| Equipment leasing | 7% | 4% | 7% | 10% | 21% | 5% | 14% | 0% | 7% | 0% | 9% |
| Financing through bonds or commercial paper | 3% | 0% | 5% | 0% | 4% | 3% | 0% | 0% | 7% | 0% | 0% |
| Venture capital | 2% | 0% | 2% | 0% | 0% | 2% | 0% | 0% | 0% | 0% | 0% |
| Financing for new product development | 9% | 9% | 8% | 10% | 21% | 8% | 5% | 0% | 7% | 0% | 0% |
| Export financing | 6% | 0% | 8% | 5% | 8% | 4% | 9% | 0% | 13% | 0% | 0% |
| Export credit insurance | 7% | 0% | 10% | 5% | 13% | 6% | 5% | 0% | 13% | 0% | 0% |
| Financing for business acquisitions | 5% | 2% | 7% | 0% | 4% | 6% | 5% | 7% | 7% | 0% | 0% |
| Other types of business financing | 5% | 5% | 9% | 0% | 0% | 4% | 9% | 14% | 7% | 0% | 0% |

Very small companies are more likely to be unable to obtain financing.

| Unable to obtain: | National | 1-10 | 11-99 | 100-250 | 250-500 | 500+ |
|---|-----------------|-------------|--------------|----------------|----------------|-------------|
| Financing for working capital purposes | 4% | 13% | 3% | 4% | 0% | 0% |
| Operating line of credit | 3% | 7% | 3% | 4% | 0% | 0% |
| Equity financing | 2% | 7% | 1% | 0% | 0% | 0% |
| Financing for capital investment | 4% | 3% | 4% | 8% | 0% | 0% |
| Financing for investments in new technologies | 4% | 3% | 4% | 6% | 0% | 0% |
| Equipment leasing | 2% | 3% | 2% | 0% | 0% | 0% |
| Financing through bonds or commercial paper | 0% | 0% | 1% | 0% | 0% | 0% |
| Venture capital | 2% | 10% | 1% | 0% | 0% | 0% |
| Financing for new product development | 2% | 10% | 3% | 0% | 0% | 0% |
| Export financing | 2% | 3% | 1% | 4% | 0% | 0% |
| Export credit insurance | 2% | 3% | 2% | 2% | 0% | 6% |
| Financing for business acquisitions | 3% | 3% | 3% | 4% | 3% | 6% |
| Other types of business financing | 3% | 7% | 1% | 4% | 0% | 11% |

Very small companies also report the most serious difficulties in obtaining financing.

| Experiencing significant difficulties in accessing: | National | 1-10 | 11-99 | 100-250 | 250-500 | 500+ |
|--|-----------------|-------------|--------------|----------------|----------------|-------------|
| Financing for working capital purposes | 7% | 16% | 4% | 8% | 7% | 5% |
| Operating line of credit | 8% | 13% | 5% | 11% | 7% | 5% |
| Equity financing | 5% | 14% | 3% | 6% | 7% | 5% |
| Financing for capital investment | 9% | 17% | 5% | 8% | 10% | 16% |
| Financing for investments in new technologies | 7% | 10% | 6% | 6% | 7% | 11% |
| Equipment leasing | 4% | 10% | 5% | 4% | 0% | 0% |
| Financing through bonds or commercial paper | 1% | 3% | 0% | 2% | 0% | 0% |
| Venture capital | 1% | 7% | 1% | 0% | 0% | 0% |
| Financing for new product development | 7% | 13% | 4% | 10% | 3% | 5% |
| Export financing | 6% | 10% | 2% | 8% | 10% | 11% |
| Export credit insurance | 5% | 3% | 5% | 6% | 7% | 6% |
| Financing for business acquisitions | 4% | 13% | 1% | 6% | 0% | 6% |
| Other types of business financing | 2% | 7% | 1% | 4% | 0% | 0% |

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 | 16% | 6% | 16% | 21% | 17% | 21% |
| Operating line of credit | 16% | 10% | 17% | 21% | 14% | 11% |
| Equity financing | 8% | 0% | 10% | 12% | 7% | 5% |
| Financing for capital investment | 10% | 3% | 8% | 19% | 7% | 11% |
| Financing for investments in new technologies | 9% | 17% | 4% | 13% | 14% | 11% |
| Equipment leasing | 7% | 7% | 2% | 13% | 7% | 21% |
| Financing through bonds or commercial paper | 3% | 3% | 1% | 6% | 7% | 5% |
| Venture capital | 2% | 3% | 0% | 6% | 0% | 0% |
| Financing for new product development | 9% | 3% | 6% | 21% | 10% | 0% |
| Export financing | 6% | 3% | 4% | 11% | 10% | 0% |
| Export credit insurance | 7% | 7% | 4% | 17% | 10% | 0% |
| Financing for business acquisitions | 5% | 3% | 4% | 8% | 7% | 6% |
| Other types of business financing | 5% | 10% | 2% | 4% | 7% | 11% |

Relatively more companies in the printing and machinery sectors report that they are unable to obtain financing.

| Unable to obtain: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Financing for working capital purposes | 4% | 0% | 17% | 0% | 0% | 0% |
| Operating line of Credit | 2% | 0% | 8% | 0% | 0% | 0% |
| Equity financing | 0% | 0% | 8% | 0% | 0% | 0% |
| Financing for capital investment | 4% | 0% | 17% | 8% | 0% | 0% |
| Financing for investments in new technologies | 4% | 0% | 17% | 0% | 0% | 0% |
| Equipment leasing | 1% | 0% | 8% | 0% | 0% | 0% |
| Financing through bonds or commercial paper | 0% | 0% | 0% | 0% | 0% | 0% |
| Venture capital | 1% | 0% | 0% | 0% | 0% | 0% |
| Financing for new product development | 2% | 0% | 0% | 0% | 0% | 0% |

| | | | | | | |
|-------------------------------------|----|----|----|----|----|----|
| Export financing | 1% | 0% | 0% | 0% | 0% | 0% |
| Export credit Insurance | 2% | 0% | 0% | 0% | 0% | 9% |
| Financing for business acquisitions | 3% | 0% | 0% | 0% | 0% | 0% |
| Other types of business financing | 2% | 0% | 0% | 0% | 0% | 0% |

| Unable to obtain: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|---|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Financing for working capital purposes | 4% | 3% | 0% | 0% | 0% |
| Operating line of Credit | 3% | 3% | 0% | 0% | 0% |
| Equity financing | 1% | 0% | 0% | 0% | 0% |
| Financing for capital investment | 4% | 3% | 0% | 0% | 0% |
| Financing for investments in new technologies | 4% | 6% | 0% | 0% | 0% |
| Equipment leasing | 1% | 0% | 0% | 0% | 0% |
| Financing through bonds or commercial paper | 1% | 0% | 0% | 0% | 0% |
| Venture capital | 3% | 0% | 0% | 0% | 0% |
| Financing for new product development | 5% | 3% | 0% | 0% | 0% |
| Export financing | 3% | 6% | 0% | 0% | 5% |
| Export credit Insurance | 3% | 6% | 0% | 0% | 0% |
| Financing for business acquisitions | 4% | 3% | 8% | 9% | 5% |
| Other types of business financing | 1% | 9% | 0% | 0% | 5% |

The wood and plastic products sectors report a relatively high rate of difficulty in obtaining many forms of financing.

| Experiencing difficulties in accessing: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|--|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Financing for working capital purposes | 7% | 9% | 0% | 8% | 13% | 9% |
| Operating line of Credit | 8% | 9% | 8% | 0% | 13% | 9% |
| Equity financing | 6% | 9% | 0% | 0% | 7% | 0% |
| Financing for capital investment | 8% | 27% | 0% | 0% | 20% | 9% |
| Financing for investments in new technologies | 7% | 18% | 0% | 8% | 7% | 9% |
| Equipment leasing | 5% | 9% | 8% | 0% | 7% | 0% |
| Financing through bonds or commercial paper | 1% | 0% | 0% | 0% | 0% | 0% |
| Venture capital | 1% | 0% | 0% | 0% | 0% | 0% |
| Financing for new product development | 6% | 9% | 0% | 0% | 7% | 0% |
| Export financing | 6% | 0% | 0% | 0% | 0% | 0% |
| Export credit Insurance | 6% | 0% | 0% | 0% | 13% | 0% |
| Financing for business acquisitions | 4% | 0% | 0% | 0% | 0% | 0% |
| Other types of business financing | 2% | 0% | 8% | 0% | 7% | 0% |

| Experiencing difficulties in accessing: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|--|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Financing for working capital purposes | 4% | 6% | 8% | 9% | 0% |
| Operating line of Credit | 4% | 6% | 8% | 0% | 0% |
| Equity financing | 6% | 3% | 8% | 0% | 0% |
| Financing for capital investment | 6% | 9% | 8% | 0% | 11% |
| Financing for investments in new technologies | 9% | 3% | 8% | 0% | 16% |
| Equipment leasing | 5% | 3% | 0% | 0% | 0% |

| | | | | | |
|---|----|-----|----|-----|-----|
| Financing through bonds or commercial paper | 0% | 0% | 0% | 0% | 0% |
| Venture capital | 1% | 0% | 0% | 0% | 0% |
| Financing for new product development | 5% | 3% | 8% | 9% | 5% |
| Export financing | 6% | 9% | 0% | 9% | 11% |
| Export credit Insurance | 6% | 13% | 0% | 18% | 16% |
| Financing for business acquisitions | 5% | 6% | 0% | 0% | 0% |
| Other types of business financing | 1% | 0% | 8% | 0% | 0% |

The primary metals and advanced manufacturing sectors report difficulties when higher financing costs are taken into consideration.

| Experiencing difficulties, including higher costs: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Financing for working capital purposes | 18% | 27% | 8% | 0% | 13% | 36% |
| Operating line of Credit | 17% | 18% | 8% | 0% | 7% | 36% |
| Equity financing | 9% | 9% | 8% | 8% | 13% | 18% |
| Financing for capital investment | 11% | 0% | 0% | 8% | 7% | 27% |
| Financing for investments in new technologies | 9% | 0% | 8% | 8% | 7% | 27% |
| Equipment leasing | 7% | 18% | 0% | 0% | 0% | 36% |
| Financing through bonds or commercial paper | 4% | 0% | 0% | 8% | 0% | 18% |
| Venture capital | 1% | 0% | 0% | 0% | 7% | 9% |
| Financing for new product development | 10% | 0% | 0% | 8% | 7% | 27% |
| Export financing | 6% | 9% | 9% | 0% | 0% | 18% |
| Export credit Insurance | 8% | 9% | 0% | 8% | 0% | 18% |
| Financing for business acquisitions | 5% | 0% | 9% | 8% | 14% | 18% |
| Other types of business financing | 5% | 0% | 8% | 8% | 13% | 18% |

| Experiencing difficulties in accessing, including higher costs: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|--|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Financing for working capital purposes | 15% | 22% | 23% | 36% | 21% |
| Operating line of Credit | 18% | 22% | 31% | 36% | 16% |
| Equity financing | 8% | 9% | 8% | 27% | 11% |
| Financing for capital investment | 14% | 13% | 0% | 36% | 11% |
| Financing for investments in new technologies | 9% | 3% | 8% | 36% | 16% |
| Equipment leasing | 9% | 0% | 0% | 0% | 0% |
| Financing through bonds or commercial paper | 4% | 0% | 8% | 9% | 0% |
| Venture capital | 0% | 0% | 8% | 0% | 0% |
| Financing for new product development | 12% | 16% | 8% | 18% | 11% |
| Export financing | 5% | 6% | 0% | 27% | 5% |
| Export credit Insurance | 8% | 9% | 8% | 18% | 0% |
| Financing for business acquisitions | 4% | 3% | 8% | 18% | 5% |
| Other types of business financing | 4% | 3% | 0% | 9% | 5% |

Increasing Line of Credit

Nationally, 18 per cent of respondents have asked their financial institution to increase their operating line of credit in the past three months, a drop from 22 per cent in last month's survey. Companies in Ontario, Prince Edward Island and Newfoundland & Labrador 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 | 18% | 16% | 18% | 16% | 13% | 20% | 15% | 15% | 15% | 25% | 27% |
| No | 82% | 84% | 83% | 84% | 88% | 80% | 85% | 85% | 85% | 75% | 73% |

Very small and 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 | 18% | 29% | 15% | 23% | 11% | 11% |
| No | 82% | 71% | 85% | 77% | 89% | 89% |

Companies in the printing, plastics, machinery and advanced manufacturing sectors are making the most requests for line of credit increases, with plastics leading the way.

| Sector: | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| In the past three months, requested increase in line of credit | 17% | 10% | 18% | 8% | 20% | 0% |

| Sector: | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|---|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| In the past three months, requested increase in line of credit | 15% | 19% | 17% | 18% | 11% |

Forty-four per cent of companies that have requested an increase in their line of credit over the past three months are looking to cover current expenses in the face of lower sales. Slightly more than 30 per cent are looking to finance business growth. (This is significantly lower than March's survey results of 52 and 40 per cent.)

| Reasons to increase line of credit | National |
|---|-----------------|
| To cover current expenses to grow business | 31% |
| To cover research and development and other expenses to support future growth | 16% |
| To cover current expenses during the present slowdown when sales are down | 44% |
| Other | 9% |

All the responding companies in New Brunswick, Nova Scotia and Prince Edward Island are 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 | 31% | 38% | 64% | 100% | 67% | 26% | 25% | 0% | 0% | 0% | 33% |
| To cover R&D etc. to support future growth | 16% | 13% | 0% | 0% | 0% | 15% | 0% | 0% | 0% | 0% | 67% |
| To cover current expenses during slowdown | 44% | 50% | 27% | 0% | 33% | 48% | 75% | 100% | 100% | 100% | 0% |
| Other | 9% | 0% | 9% | 0% | 0% | 11% | 0% | 0% | 0% | 0% | 0% |

All respondents in the 500+ employee category report 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 | 31% | 11% | 44% | 25% | 50% | 0% |
| To cover R&D etc. to support future growth | 16% | 56% | 6% | 8% | 0% | 0% |
| To cover current expenses during the present slowdown when sales are down | 44% | 11% | 50% | 50% | 50% | 100% |
| Other | 9% | 22% | 0% | 17% | 0% | 0% |

Of those who requested an increase to their line in credit, the largest percentage of companies in the plastics, electrical equipment and other products sectors did so to cover current expenses during the present slowdown.

| Reasons to increase line of credit | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| To cover current expenses to grow business | 34% | 0% | 50% | 50% | 33% | 0% |
| To cover R&D etc. to support future growth | 8% | 100% | 0% | 0% | 0% | 0% |
| To cover current expenses during the present slowdown when sales are down | 47% | 0% | 50% | 50% | 67% | 0% |
| Other | 11% | 0% | 0% | 0% | 0% | 0% |

| Reasons to increase line of credit | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|---|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| To cover current expenses to grow business | 58% | 33% | 33% | 50% | 0% |
| To cover R&D etc. to support future growth | 0% | 17% | 0% | 0% | 0% |
| To cover current expenses during the present slowdown when sales are down | 33% | 17% | 67% | 50% | 100% |
| Other | 8% | 33% | 0% | 0% | 0% |

Among the companies that requested an increase in operating lines of credit over the past three months, 36 per cent were declined and 22 per cent are uncertain at this point. This shows a negative trend: in March, 33 per cent were declined and in February when it was 22 per cent.

| Has your financial institution agreed to increase your operating line of credit? | National |
|---|-----------------|
| Yes | 42% |
| No | 36% |
| I don't know yet | 22% |

Of those that have been refused, refusal rates are highest in Manitoba, New Brunswick, Nova Scotia and Newfoundland & 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 | 42% | 75% | 64% | 67% | 0% | 41% | 75% | 50% | 50% | 100% | 0% |
| No | 36% | 25% | 27% | 33% | 67% | 33% | 0% | 50% | 50% | 0% | 67% |
| I don't know yet | 22% | 0% | 9% | 0% | 33% | 26% | 25% | 0% | 0% | 0% | 33% |

Refusal rates are highest for smaller companies.

| Has your financial institution agreed to increase your operating line of credit? | National | 1-10 | 11-99 | 100-250 | 250-500 | 500+ |
|---|-----------------|-------------|--------------|----------------|----------------|-------------|
| Yes | 42% | 33% | 44% | 33% | 75% | 50% |
| No | 36% | 44% | 44% | 25% | 25% | 0% |
| I don't know yet | 22% | 22% | 11% | 42% | 0% | 50% |

Refusal rates are highest in printing, plastics, fabricated metals and machinery sectors. (Primary metal, fabricated metal and other products report the most significant declines in current orders received.)

| Has your financial institution agreed to increase your operating line of credit? | MFG | Wood Products | Printing | Chemicals | Plastic Products | Primary Metals |
|---|------------|----------------------|-----------------|------------------|-------------------------|-----------------------|
| Yes | 42% | 0% | 50% | 50% | 33% | 0% |
| No | 34% | 0% | 50% | 0% | 33% | 0% |
| I don't know yet | 24% | 100% | 0% | 50% | 33% | 0% |

| Has your financial institution agreed to increase your operating line of credit? | Fabricated Metal | Machinery | Electrical Equipment | Advanced Manufacturing | Other Products |
|---|-------------------------|------------------|-----------------------------|-------------------------------|-----------------------|
| Yes | 50% | 33% | 33% | 50% | 100% |
| No | 42% | 33% | 0% | 0% | 0% |
| I don't know yet | 8% | 33% | 67% | 50% | 0% |

The companies whose requests were refused, report a variety of reasons given by their financial institutions. The most common reasons (both reported by 24 per cent of firms) are that their banks think their industry sector is too risky or refuse to lend money based on general lack of liquidity in financial markets.

| Reasons why operating line of credit cannot be increased: | National |
|--|-----------------|
| Company's overall debt level is too high | 12% |
| Assets given as security do not meet the bank's requirements | 12% |
| Business is growing too quickly right now | 12% |
| Operations are seasonal | 0% |
| Bank thinks the industry or sector my company is in is too risky | 24% |
| Withdrew application, bank fees were too high | 0% |
| General lack of liquidity in the financial markets | 24% |
| Not sure | 0% |
| Other | 18% |