



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

July 2009

CME Business Conditions Survey July 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 July *Business Conditions Survey* was conducted between July 13th and 22nd, 2009. A total of 583 companies with operations in all provinces of Canada participated in the July survey, compared to 608 in our June survey.

Province where operations are located:	
British Columbia	15%
Alberta	22%
Saskatchewan	14%
Manitoba	16%
Ontario	48%
Québec	15%
New Brunswick	5%
Nova Scotia	3%
Prince Edward Island	1%
Newfoundland & Labrador	3%

Most firms responding to the survey were small and mid-sized companies – only 9 per cent were large companies with more than 500 employees.

Size of company (by # of employees)	
1 to 10	14%
11 to 99	48%
100 to 250	20%
250 to 500	9%
More than 500	9%

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-nine per cent of the firms participating in the survey are exporters. For 32 per cent of the companies, exports account for more than 50 per cent of total sales revenue.

Export sales:	
No	11%
More than 50% of total sales revenue	32%
25% to 50% of total sales revenue	27%
10% to 25% of total sales revenue	11%
Less than 10% of total sales revenue	20%

Participating companies represent a variety of business sectors.

Business sectors:	
Manufacturing	84%
Transportation and Warehousing	1%
Software, Information & Telecom Services	6%
Professional, Scientific and Technical Services	1%
Business Services	4%

Manufacturers, accounting for 84 per cent of firms, are drawn from a variety of industries.

Manufacturing sectors:	
Food Products	2%
Textiles or Textile Products	1%
Clothing or Leather Products	2%
Paper Products	5%
Plastic Products	8%
Rubber Products	1%
Primary Metals	12%
Fabricated Metal Products	2%
Machinery	1%
Computer or Electronic Products	3%
Electrical Equipment, Appliances or Components	32%
Automotive Products	8%
Other Transportation Equipment or Parts	3%
Furniture or Fixtures	6%
Other Consumer Products	4%
Health Care and Veterinary Products	1%
Advanced Technologies	5%
Other Products	1%

Current Orders

While most manufacturers and exporters surveyed this month are still reporting the value of their orders is lower than it was three months ago, results this month continue a positive trend that began in May.

In this survey, 53 per cent of companies report that orders have fallen in value compared to three months ago. It was 51 per cent last month, 57 per cent in May and 65 per cent in April.

Similarly to last month and the month before, 28 per cent say orders are about the same as three months ago. Firms that report orders have increased make up 19 per cent of respondents, comparable to the 22 and 18 per cent that reported similarly in June and May, and substantially more than the 11 per cent that reported this in both March and April.

Companies reporting that orders have fallen more than 30 per cent compared to three months ago make up only 11 per cent of respondents this month, slightly less than the 13 per cent that reported this in both June and May. This continues a positive long-term trend; in April it was 18 per cent, March 16 per cent, February 19 per cent and January 21 per cent.

Compared to April, orders are:	National
Higher in value	19%
About the same	28%
Lower by up to 5%	7%
Lower by 5 to 10%	7%
Lower by 10 to 20%	17%
Lower by 20 to 30%	10%
Lower by more than 30%	11%

British Columbia, Alberta and Quebec experienced the sharpest downturn in orders over the past three months.

Compared to April, orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	19%	26%	22%	19%	25%	20%	22%	17%	0%	0%	25%
About the same	28%	21%	15%	13%	20%	24%	28%	33%	25%	0%	25%
Lower by up to 5%	7%	16%	7%	13%	10%	9%	6%	17%	25%	100%	25%
Lower by 5 to 10%	7%	5%	11%	13%	20%	7%	6%	33%	25%	0%	25%
Lower by 10 to 20%	17%	16%	15%	38%	15%	20%	17%	0%	25%	0%	0%
Lower by 20 to 30%	10%	0%	7%	0%	5%	14%	11%	0%	0%	0%	0%
Lower by more than 30%	11%	16%	22%	6%	5%	7%	11%	0%	0%	0%	0%

The downturn in customer demand is primarily being felt this month among the very small and small companies. This is a change from previous months, where many mid-sized and larger companies reported large percentages of orders currently lower by more than 30 per cent.

Compared to April, current orders are:	National	1-10	11-99	100-250	250-500	500+
Higher in value	19%	6%	22%	24%	36%	9%
About the same	28%	18%	29%	20%	27%	27%
Lower by up to 5%	7%	12%	5%	20%	0%	0%
Lower by 5 to 10%	7%	6%	9%	4%	9%	9%
Lower by 10 to 20%	17%	18%	15%	24%	9%	27%
Lower by 20 to 30%	10%	24%	7%	0%	9%	27%
Lower by more than 30%	11%	18%	14%	8%	9%	0%

While all sectors of industry have been affected by the downturn in demand, of the sectors below, the fabricated metal, machinery and other products sectors report the most significant declines in current orders received. On a positive note, the firms with orders currently higher in value compared to three months ago (within the sectors reporting below), make up 35 per cent of those surveyed this month, compared to 22 in June, 16 in May and eight in April.

Compared to April, current orders are:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Higher in value	22%	42%	19%	38%	39%
About the same	28%	25%	31%	13%	23%
Lower by up to 5%	10%	8%	3%	13%	0%
Lower by 5 to 10%	6%	8%	6%	0%	0%
Lower by 10 to 20%	16%	17%	19%	25%	8%
Lower by 20 to 30%	9%	0%	6%	0%	8%
Lower by more than 30%	11%	0%	16%	13%	23%

New Orders

The positive trend identified in May for new orders continues this month.

A large majority (71 per cent) of respondents report that they expect the value of new orders to stay the same or increase in value over the next three months, which is again slightly higher than the 69 per cent who predicted similar sales last month, 66 per cent in May and 63 per cent in April.

Only 29 per cent say that orders are likely to decrease between June 2009 and September 2009, a continuing improvement from 31 per cent last month, 34 in May and 37 in April.

In terms of those expecting to see orders increase, 33 per cent of companies predict this result, which is a significant improvement from June (24 per cent), May (28 per cent) and April (22 per cent).

This is also 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, and only 18 per cent expected to see orders increase.

Over the next three months, orders are likely to:	National
Higher in value	33%
About the same	38%
Lower by up to 5%	10%
Lower by 5 to 10%	9%
Lower by 10 to 20%	6%
Lower by 20 to 30%	3%
Lower by more than 30%	2%

Surveyed companies in Alberta, Manitoba, Quebec and New Brunswick are the most optimistic about future orders. The only responding manufacturers who expect orders to drop more than 30 per cent are found in the four western provinces. Last month, they were all in Ontario.

Respondents in many provinces expect orders to remain about the same over the next three months.

Over the next three months, orders are likely to:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	33%	16%	33%	24%	45%	25%	33%	33%	25%	0%	25%
About the same	38%	37%	37%	47%	30%	42%	39%	33%	50%	0%	50%
Lower by up to 5%	10%	26%	11%	6%	5%	14%	22%	17%	25%	100%	25%
Lower by 5 to 10%	9%	5%	11%	12%	5%	9%	0%	17%	0%	0%	0%
Lower by 10 to 20%	6%	5%	4%	6%	5%	5%	6%	0%	0%	0%	0%
Lower by 20	3%	0%	0%	0%	5%	5%	0%	0%	0%	0%	0%

to 30%											
Lower by more than 30%	2%	11%	4%	6%	5%	0%	0%	0%	0%	0%	0%

Companies of all sizes are optimistic about projected future orders, with larger firms (250-500 employees) being the most optimistic. However, the largest proportion of those companies expecting the most significant declines in orders over the next three months is also larger companies, with 250-500 employees.

Over the next three months, orders are likely to:	National	1-10	11-99	100-250	250-500	500+
Higher in value	33%	29%	33%	28%	46%	36%
About the Same	38%	47%	45%	28%	9%	36%
Lower by up to 5%	10%	6%	8%	16%	18%	0%
Lower by 5 to 10%	9%	6%	8%	12%	0%	9%
Lower by 10 to 20%	6%	0%	3%	12%	9%	9%
Lower by 20 to 30%	3%	12%	0%	0%	9%	9%
Lower by more than 30%	2%	0%	2%	4%	9%	0%

Of the sectors that responded in significant numbers, companies who make plastics, fabricated metal and machinery are the most optimistic about future orders. This is similar to last month.

Over the next three months, orders are likely to:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Higher in value	31%	50%	27%	38%	21%
About the same	41%	17%	46%	13%	64%
Lower by up to 5%	9%	17%	9%	13%	7%
Lower by 5 to 10%	8%	17%	6%	25%	0%
Lower by 10 to 20%	6%	0%	6%	13%	0%
Lower by 20 to 30%	4%	0%	3%	0%	0%
Lower by more than 30%	2%	0%	3%	0%	7%

Inventories

As in June, 31 per cent of responding manufacturers and exporters report that inventory levels of components and raw materials are currently too high. Twenty-seven per cent of companies report that finished goods inventories are too high this month, which is slightly more than June (25 per cent) but lower than May (32 per cent). These firms will be working to lower inventory levels instead of increasing production to meet new demand.

Materials inventories are:	National
Too high	31%
Just about right	64%
Too low	6%
Finished goods inventories are:	
Too high	27%
Just about right	67%
Too low	7%

Material inventory levels are particularly high this month in Saskatchewan, Nova Scotia and Prince Edward Island (which all reported similarly last month), while finished goods inventories are high in Alberta, Saskatchewan and Ontario.

Materials inventories are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Too high	31%	47%	35%	69%	32%	37%	25%	33%	75%	100%	50%
Just about right	64%	42%	54%	19%	63%	60%	69%	67%	25%	0%	50%
Too low	6%	11%	12%	13%	5%	4%	6%	0%	0%	0%	0%
Finished goods inventories are:											
Too high	27%	21%	26%	47%	20%	26%	12%	0%	0%	0%	0%
Just about right	67%	79%	70%	41%	75%	67%	77%	100%	100%	100%	75%
Too low	7%	0%	4%	12%	5%	7%	12%	0%	0%	0%	25%

Similarly to June, May and April, mid-sized and very large firms are most concerned about high inventory levels.

Materials inventories are:	National	1-10	11-99	100-250	250-500	500+
Too high	31%	20%	28%	58%	20%	30%
Just about right	64%	60%	69%	38%	70%	70%
Too low	6%	20%	3%	4%	10%	0%
Finished goods inventories are:						
Too high	27%	7%	31%	40%	20%	27%
Just about right	67%	67%	63%	60%	70%	73%
Too low	7%	27%	7%	0%	10%	0%

Of the sectors that responded in significant numbers, materials inventories and finished goods inventories are particularly high in the machinery sector.

Materials inventories are:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Too high	31%	8%	28%	71%	29%
Just about right	64%	83%	72%	29%	64%
Too low	5%	8%	0%	0%	7%
Finished goods inventories are:					
Too high	30%	0%	42%	63%	36%
Just about right	63%	100%	49%	38%	64%
Too low	7%	0%	9%	0%	0%

Employment Prospects

While the vast majority of manufacturers and exporters expect the number of jobs in their firms to increase or remain the same over the next three months, 21 per cent of companies report this month that their employment levels are likely to fall. This is significantly lower than the approximately 27, 38 and 38 per cent of companies that predicted this during June, May and April. This continues a positive long-term trend; 42 and 44 per cent of companies expected employment levels to fall in the March and February surveys.

Over the next three months, jobs will:	National
Increase	12%
Remain about the same	67%
Decrease	21%

Job prospects are brightest in Saskatchewan, Manitoba and New Brunswick. However, all the firms located on Prince Edward Island – and a significant percentage in Saskatchewan, British Columbia and New Brunswick – 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	12%	0%	11%	12%	15%	7%	6%	17%	0%	0%	0%
Remain about the same	67%	68%	67%	47%	75%	75%	83%	50%	75%	0%	75%
Decrease	21%	32%	22%	41%	10%	19%	11%	33%	25%	100%	25%

This month, mid-sized firms are most likely to reduce employment; in June it was larger firms.

Over the next three months, jobs will:	National	1-10	11-99	100-250	250-500	500+
Increase	12%	0%	15%	12%	18%	27%
Remain about the same	67%	94%	68%	48%	64%	73%
Decrease	21%	6%	17%	40%	18%	0%

Of the sectors that responded in significant numbers, employment rates are likely to be reduced the most in the plastics and fabricated metal sectors. (The machinery and other products sectors report the most significant declines in current orders received this month.)

Over the next three months, jobs will:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Increase	12%	17%	15%	0%	7%
Remain about the same	65%	75%	58%	25%	71%
Decrease	23%	8%	27%	75%	21%

Access to Financing

Nationally, about 73 per cent of manufacturers report difficulties in accessing or the inability to access financing for various purposes, which is slightly lower than the 77 in June, but the same percentage reported in the May and April surveys.

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.

Similarly to May, April and March, for those companies looking for financing, the greatest difficulties are in obtaining financing for working capital purposes, operating a line of credit and capital investment purposes.

	National			
	Unable to Obtain Financing	Experiencing Significant Difficulties	Experiencing Difficulties Including Higher Costs	No Difficulties
Experiencing difficulties in accessing:				
Financing for working capital purposes	5%	6%	19%	43%
Operating line of credit	4%	8%	16%	52%
Equity financing	2%	4%	7%	22%
Financing for capital investment	5%	9%	11%	35%
Financing for investments in new technologies	4%	6%	6%	31%
Equipment leasing	5%	1%	8%	33%
Financing through bonds or commercial paper	1%	0%	2%	10%
Venture capital	2%	0%	2%	10%
Financing for new product development	3%	3%	3%	36%
Export financing	3%	7%	8%	26%
Export credit insurance	5%	4%	9%	24%
Financing for business	2%	5%	6%	17%

acquisitions				
Other types of business financing	4%	3%	2%	16%

All of the few companies reporting that they are **unable to obtain financing** this month are in Saskatchewan, Manitoba, Ontario and Quebec.

Unable to obtain:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	5%	0%	0%	6%	5%	5%	12%	0%	0%	0%	0%
Operating line of credit	4%	0%	0%	6%	0%	5%	6%	0%	0%	0%	0%
Equity financing	2%	0%	0%	6%	0%	2%	6%	0%	0%	0%	0%
Financing for capital investment	5%	0%	0%	6%	5%	5%	6%	0%	0%	0%	0%
Financing for investments in new technologies	4%	0%	0%	0%	5%	7%	0%	0%	0%	0%	0%
Equipment leasing	5%	0%	0%	6%	5%	7%	0%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%
Venture capital	2%	0%	0%	6%	0%	3%	0%	0%	0%	0%	0%
Financing for new product development	3%	0%	0%	6%	0%	3%	6%	0%	0%	0%	0%
Export financing	3%	0%	0%	12%	0%	2%	6%	0%	0%	0%	0%
Export credit insurance	5%	0%	0%	24%	0%	2%	6%	0%	0%	0%	0%
Financing for business acquisitions	2%	0%	0%	0%	0%	2%	12%	0%	0%	0%	0%
Other types of business financing	4%	0%	0%	13%	0%	2%	6%	0%	0%	0%	0%

Generally speaking, more companies in British Columbia, Ontario and Quebec 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	6%	11%	0%	0%	5%	7%	0%	0%	0%	0%	0%
Operating line of credit	8%	11%	0%	0%	10%	10%	0%	0%	0%	0%	0%
Equity financing	4%	0%	0%	0%	0%	8%	0%	0%	0%	0%	0%
Financing for capital investment	9%	11%	4%	6%	0%	12%	12%	0%	0%	0%	0%
Financing for investments in new technologies	6%	11%	4%	6%	0%	7%	6%	0%	0%	0%	0%
Equipment leasing	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Venture capital	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Financing for new product development	3%	0%	0%	0%	0%	3%	6%	0%	0%	0%	0%
Export financing	7%	12%	0%	18%	5%	5%	0%	0%	0%	0%	0%
Export credit insurance	4%	0%	0%	0%	5%	5%	6%	0%	0%	0%	0%
Financing for business acquisitions	5%	12%	8%	6%	0%	5%	6%	0%	0%	0%	0%
Other types of business financing	3%	6%	0%	0%	0%	2%	6%	0%	0%	0%	0%

When higher costs are factored into an assessment of financing availability, more companies in British Columbia, Manitoba and Nova Scotia report they are facing financing difficulties. (BC and Nova Scotia were also among this group last month.)

Experiencing difficulties in accessing (including higher costs):	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	19%	16%	19%	12%	25%	19%	18%	0%	25%	0%	0%
Operating line of credit	16%	16%	15%	12%	20%	14%	18%	0%	25%	0%	0%
Equity financing	7%	6%	4%	0%	10%	5%	6%	0%	25%	0%	0%
Financing for capital investment	11%	17%	7%	6%	20%	10%	6%	0%	25%	0%	0%
Financing for investments in new technologies	6%	11%	4%	0%	15%	5%	0%	0%	25%	0%	0%
Equipment leasing	8%	11%	7%	6%	20%	5%	6%	0%	0%	0%	0%
Financing through bonds or commercial paper	2%	0%	4%	0%	5%	0%	0%	0%	0%	0%	0%
Venture capital	2%	0%	4%	0%	5%	2%	0%	0%	0%	0%	0%
Financing for new product development	3%	6%	4%	6%	10%	3%	0%	0%	0%	0%	0%
Export financing	8%	12%	12%	18%	15%	7%	0%	0%	0%	0%	0%
Export credit insurance	9%	12%	12%	24%	21%	5%	0%	0%	0%	0%	0%
Financing for business acquisitions	6%	12%	8%	6%	10%	5%	0%	0%	25%	0%	0%
Other types of business financing	2%	0%	4%	0%	5%	0%	0%	0%	0%	0%	0%

Similarly to June, very small companies were more likely to be **unable to obtain financing** this month.

Unable to obtain:	National	1-10	11-99	100-250	250-500	500+
Financing for working capital purposes	5%	29%	2%	0%	0%	0%
Operating line of credit	4%	18%	3%	0%	0%	0%
Equity financing	2%	19%	0%	0%	0%	0%
Financing for capital investment	5%	19%	3%	0%	0%	10%
Financing for investments in new technologies	4%	13%	3%	0%	0%	10%
Equipment leasing	5%	19%	5%	0%	0%	0%
Financing through bonds or commercial paper	1%	6%	0%	0%	0%	0%
Venture capital	2%	20%	0%	0%	0%	0%
Financing for new product development	3%	19%	0%	0%	0%	10%
Export financing	3%	19%	2%	0%	0%	0%
Export credit insurance	5%	19%	2%	4%	0%	10%
Financing for business acquisitions	2%	13%	0%	0%	0%	10%
Other types of business financing	4%	19%	2%	0%	0%	0%

Also similarly to June, very small, mid-sized and very large companies 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	6%	18%	5%	4%	0%	0%
Operating line of credit	8%	24%	10%	0%	0%	0%
Equity financing	4%	6%	5%	4%	0%	0%
Financing for capital investment	9%	13%	8%	12%	0%	10%
Financing for investments in new technologies	6%	6%	5%	8%	0%	10%
Equipment leasing	1%	0%	2%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%	0%
Venture capital	0%	0%	0%	0%	0%	0%
Financing for new product development	3%	6%	2%	0%	0%	10%
Export financing	7%	0%	5%	21%	0%	10%
Export credit insurance	4%	0%	3%	13%	0%	0%
Financing for business acquisitions	5%	6%	3%	13%	0%	0%

Other types of business financing	3%	0%	2%	5%	0%	11%
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Mid-sized, larger and the largest companies 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	19%	18%	19%	20%	18%	20%
Operating line of credit	16%	18%	12%	24%	9%	20%
Equity financing	7%	6%	5%	8%	9%	10%
Financing for capital investment	11%	13%	12%	8%	18%	10%
Financing for investments in new technologies	6%	13%	5%	0%	18%	0%
Equipment leasing	8%	6%	7%	4%	18%	20%
Financing through bonds or commercial paper	2%	0%	2%	0%	9%	0%
Venture capital	2%	0%	2%	4%	9%	0%
Financing for new product development	3%	0%	3%	0%	18%	0%
Export financing	8%	0%	7%	13%	18%	10%
Export credit insurance	9%	0%	7%	17%	20%	11%
Financing for business acquisitions	6%	6%	7%	0%	18%	0%
Other types of business financing	2%	0%	2%	0%	9%	0%

Relatively more companies in the fabricated metal and other products sectors report that they are **unable to obtain financing**.

Unable to obtain:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Financing for working capital purposes	3%	0%	3%	0%	0%
Operating line of Credit	3%	0%	0%	0%	7%
Equity financing	1%	0%	0%	0%	0%
Financing for capital investment	3%	0%	0%	0%	7%
Financing for investments in new technologies	3%	0%	3%	0%	7%
Equipment leasing	3%	0%	0%	0%	14%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%
Venture capital	1%	0%	3%	0%	0%
Financing for new product development	2%	0%	0%	0%	0%
Export financing	2%	0%	3%	0%	7%
Export credit Insurance	3%	0%	6%	0%	7%

Financing for business acquisitions	2%	0%	0%	0%	0%
Other types of business financing	2%	0%	3%	0%	0%

All sectors below report a relatively **high rate of difficulty in obtaining many forms of financing.**

Experiencing difficulties in accessing:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Financing for working capital purposes	3%	3%	6%	13%	7%
Operating line of credit	8%	13%	13%	13%	7%
Equity financing	4%	6%	0%	0%	0%
Financing for capital investment	10%	13%	6%	0%	7%
Financing for investments in new technologies	7%	6%	0%	0%	7%
Equipment leasing	1%	0%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	6%	0%	0%
Venture capital	0%	0%	0%	0%	0%
Financing for new product development	2%	3%	6%	0%	0%
Export financing	6%	13%	13%	0%	7%
Export credit insurance	4%	6%	0%	0%	0%
Financing for business acquisitions	4%	6%	0%	0%	0%
Other types of business financing	1%	0%	6%	0%	8%

The plastics, fabricated metals and machinery sectors report **more difficulties when higher financing costs are taken into consideration.**

Experiencing difficulties, including higher costs:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Financing for working capital purposes	22%	25%	22%	13%	21%
Operating line of credit	17%	25%	16%	13%	14%
Equity financing	7%	17%	3%	0%	0%
Financing for capital investment	13%	0%	13%	14%	7%
Financing for investments in new technologies	6%	0%	6%	0%	7%
Equipment leasing	10%	8%	13%	0%	7%
Financing through bonds or commercial paper	2%	8%	0%	0%	0%
Venture capital	3%	17%	0%	0%	0%
Financing for new product development	4%	0%	6%	0%	0%
Export financing	10%	8%	13%	14%	0%
Export credit insurance	11%	0%	15%	17%	0%
Financing for business acquisitions	6%	0%	6%	14%	0%

Other types of business financing	2%	9%	0%	0%	0%
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Increasing Line of Credit

Nationally, only a small proportion of respondents (21 per cent) have asked their financial institution to increase their operating line of credit in the past three months. This is a slight increase from 18 per cent in June, 15 in May, 18 in April and 22 per cent in March.

Companies in New Brunswick, Nova Scotia 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	21%	11%	22%	24%	15%	22%	22%	33%	50%	0%	25%
No	79%	90%	78%	77%	85%	78%	78%	67%	50%	100%	75%

Very small companies are making the most recent requests for increases to their lines of credit.

Requested increase in line of credit during last three months:	Nat'l	1-10	11-99	100-250	250-500	500+
Yes	21%	35%	22%	20%	0%	18%
No	79%	65%	78%	80%	100%	82%

Companies in the sectors of fabricated metal and other products sectors are making the most requests for line of credit increases.

Sector:	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
In the past three months, requested increase in line of credit?	19%	18%	21%	13%	21%

This month, we continue to see a trend returning to pre-May numbers in terms of the percentage of companies requesting an increase in their line of credit to cover current expenses in the face of lower sales.

It was 31 per cent this month, 41 per cent in June, 61 per cent in May and 44 per cent in April. In addition, this month 31 per cent were looking to cover expenses in order to finance business growth. It was 45 per cent last month, 19 in May, 31 in April and 40 per cent in March.

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	12%
To cover current expenses during the present slowdown when sales are down	31%
Other	27%

A significant majority of responding companies in British Columbia, Manitoba and Ontario 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	31%	0%	33%	25%	0%	31%	25%	50%	0%	NA	0%
To cover R&D etc. to support future growth	12%	0%	17%	0%	0%	8%	25%	0%	0%	NA	0%
To cover current expenses during slowdown	31%	50%	17%	25%	50%	46%	0%	0%	0%	NA	0%
Other	27%	50%	33%	50%	50%	15%	50%	50%	100%	NA	100%

Some companies are requesting an increase in their operating line of credit to grow their business, but a significant percentage also requested it 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%	17%	46%	20%	NA	0%
To cover R&D etc. to support future growth	12%	33%	0%	0%	NA	50%
To cover current expenses during the present slowdown when sales are down	31%	33%	23%	60%	NA	0%
Other	27%	17%	31%	20%	NA	50%

Of those who requested an increase in their line in credit, a significant number of companies in the plastics and machinery sectors did so to cover current expenses during the present slowdown.

Reasons to increase line of credit	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
To cover current expenses to grow business	37%	0%	57%	0%	100%
To cover R&D etc. to support future growth	5%	0%	0%	0%	0%
To cover current expenses during the present slowdown when sales are down	37%	50%	14%	100%	0%
Other	21%	50%	29%	0%	0%

Among the companies that requested an increase in operating lines of credit over the past three months, 31 per cent were declined this month. This is the same as June and similar to the last few months. In May, 39 per cent were declined, in April 36 per cent, and in March 33 per cent.

Has your financial institution agreed to increase your operating line of credit?	National
Yes	46%
No	31%
I don't know yet	23%

Of those who know about the outcome of their requests, all who have been refused this month are in Ontario.

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	46%	100%	100%	100%	33%	15%	75%	100%	100%	NA	100%
No	31%	0%	0%	0%	0%	62%	0%	0%	0%	NA	0%
I don't know yet	23%	0%	0%	0%	67%	23%	25%	0%	0%	NA	0%

This month, 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	46%	33%	39%	80%	NA	50%
No	31%	50%	39%	0%	NA	0%
I don't know yet	23%	17%	23%	20%	NA	50%

Refusal rates were highest in 'Other Products' sector.

Has your financial institution agreed to increase your operating line of credit?	MFG	Plastic Products	Fabricated Metal	Machinery	Other Products
Yes	47%	50%	71%	100%	33%
No	32%	0%	14%	0%	33%
I don't know yet	21%	50%	14%	0%	33%

The companies whose requests were refused report a variety of reasons given by their financial institutions. Similarly to last month, the most common reasons their banks gave were: the company's overall debt level is too high and that the industry sector in question is too risky.

Reasons why operating line of credit cannot be increased:	National
Company's overall debt level is too high	20%
Assets given as security do not meet the bank's requirements	10%
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	50%
Withdrew application, bank fees were too high	0%
General lack of liquidity in the financial markets	10%
Not sure	0%
Other	10%