



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

June 2009

CME Business Conditions Survey June 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 June *Business Conditions Survey* was conducted between June 8th and 17th, 2009. A total of 608 companies with operations in all provinces of Canada participated in the June survey, compared to 629 from our May survey.

Province where operations are located:	
British Columbia	18%
Alberta	22%
Saskatchewan	6%
Manitoba	11%
Ontario	58%
Québec	14%
New Brunswick	5%
Nova Scotia	7%
Prince Edward Island	1%
Newfoundland & Labrador	5%

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	13%
11 to 99	48%
100 to 250	19%
250 to 500	11%
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	5%
More than 5 years	95%

Eighty per cent of the firms participating in the survey are exporters. For 34 per cent of the companies, exports account for more than 50 per cent of total sales revenue.

Export sales:	
No	20%
More than 50% of total sales revenue	34%
25% to 50% of total sales revenue	19%
10% to 25% of total sales revenue	10%
Less than 10% of total sales revenue	16%

Participating companies represent a variety of business sectors.

Business sectors:	
Manufacturing	81%
Agriculture	1%
Oil and Gas Extraction	1%
Engineering & Construction	1%
Wholesale or Retail Trade	0%
Transportation and Warehousing	2%
Software, Information & Telecom Services	5%
Professional, Scientific and Technical Services	1%
Finance, Insurance, Real Estate and Leasing	1%
Business Services	5%

Manufacturers accounted for just over 80 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	2%
Wood Products	1%
Paper Products	6%
Printing	2%
Chemicals	4%
Plastic Products	4%
Non-Metallic Mineral Products (e.g. ceramics, glass)	1%
Primary Metals	12%
Fabricated Metal Products	2%
Machinery	2%
Computer or Electronic Products	2%
Electrical Equipment, Appliances or Components	42%
Automotive Products	13%
Other Transportation Equipment or Parts	2%
Furniture or Fixtures	12%
Other Consumer Products	5%

Health Care and Veterinary Products	5%
Advanced Technologies	3%
Other Products	3%

Current Orders

While many 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, only 51 per cent of companies report that orders have fallen in value compared to three months ago, compared to 57 per cent last month and 65 per cent in April.

Similarly to last month, 27 per cent say orders are about the same as three months ago.

Firms that report orders have increased make up 22 per cent of respondents, up from 18 per cent last month 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 13 per cent of respondents this month, which is the same as last month. This continues a positive trend; in April it was 18 per cent, March 16 per cent, February 19 per cent and January 21 per cent.

Compared to March, orders are:	National
Higher in value	22%
About the same	27%
Lower by up to 5%	5%
Lower by 5 to 10%	10%
Lower by 10 to 20%	10%
Lower by 20 to 30%	13%
Lower by more than 30%	13%

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

Compared to March, orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	22%	18%	15%	0%	35%	18%	19%	43%	9%	50%	71%
About the same	27%	29%	24%	30%	12%	28%	33%	43%	46%	0%	14%
Lower by up to 5%	5%	0%	6%	0%	0%	4%	0%	0%	9%	0%	0%
Lower by 5 to 10%	10%	21%	18%	20%	18%	13%	19%	14%	27%	50%	14%
Lower by 10 to 20%	10%	11%	9%	10%	6%	13%	5%	0%	0%	0%	0%
Lower by 20 to 30%	13%	7%	12%	20%	18%	13%	24%	0%	0%	0%	0%
Lower by more than 30%	13%	14%	18%	20%	12%	10%	0%	0%	9%	0%	0%

The downturn in customer demand is primarily being felt this month among the small, mid-sized and larger-sized companies.

Compared to March, current orders are:	National	1-10	11-99	100-250	250-500	500+
Higher in value	22%	28%	23%	14%	6%	21%
About the same	27%	29%	28%	28%	41%	21%
Lower by up to 5%	5%	5%	7%	0%	6%	0%
Lower by 5 to 10%	10%	14%	8%	10%	6%	21%
Lower by 10 to 20%	10%	5%	11%	21%	6%	7%
Lower by 20 to 30%	13%	0%	16%	10%	18%	14%
Lower by more than 30%	13%	19%	8%	17%	18%	14%

While all sectors of industry have been affected by the downturn in demand, of the sectors below, the fabricated metal and machinery 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 22 per cent of those surveyed this month, compared to 16 per cent last month and eight per cent in April.

Compared to March, current orders are:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Higher in value	21%	30%	17%	6%	13%	26%
About the same	25%	27%	21%	38%	47%	36%
Lower by up to 5%	4%	10%	2%	6%	0%	0%
Lower by 5 to 10%	11%	13%	9%	13%	7%	18%
Lower by 10 to 20%	13%	13%	13%	6%	13%	10%
Lower by 20 to 30%	13%	7%	19%	6%	13%	0%
Lower by more than 30%	13%	0%	19%	25%	7%	9%

New Orders

The positive trend identified for new orders last month continues this month. A majority (69 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 slightly higher than the 66 per cent who predicted similar sales last month and 63 per cent in April.

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

In terms of those expecting to see orders increase, 24 per cent of companies predict this result, which is less than May (28 per cent), but more than April (22 per cent).

This is a 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	24%
About the same	45%
Lower by up to 5%	8%
Lower by 5 to 10%	9%
Lower by 10 to 20%	5%
Lower by 20 to 30%	6%
Lower by more than 30%	4%

Mostly companies in the Maritimes (New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador) are most optimistic about future orders. The only responding manufacturers who expect orders to drop more than 30 per cent are found 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	24%	21%	29%	30%	35%	19%	24%	57%	46%	50%	71%
About the same	45%	36%	32%	20%	24%	48%	43%	29%	27%	0%	14%
Lower by up to 5%	8%	25%	15%	20%	18%	7%	14%	14%	18%	50%	14%
Lower by 5 to 10%	9%	11%	6%	10%	12%	13%	10%	0%	9%	0%	0%
Lower by 10 to 20%	5%	4%	9%	10%	6%	3%	0%	0%	0%	0%	0%
Lower by 20 to 30%	6%	4%	9%	10%	6%	4%	10%	0%	0%	0%	0%
Lower by more than 30%	4%	0%	0%	0%	0%	6%	0%	0%	0%	0%	0%

Companies of all sizes are optimistic about projected future orders, with mid-sized firms (100-250 employees) being the most optimistic. Larger mid-sized companies (with 250-500 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	24%	14%	26%	38%	12%	21%
About the same	45%	48%	49%	21%	53%	43%
Lower by up to 5%	8%	14%	4%	14%	12%	7%
Lower by 5 to 10%	9%	5%	11%	10%	6%	14%
Lower by 10 to 20%	5%	10%	3%	3%	6%	14%
Lower by 20 to 30%	6%	10%	4%	10%	6%	0%
Lower by more than 30%	4%	0%	4%	3%	6%	0%

Companies in the sectors of plastics, fabricated metal and other products are the most optimistic about future orders.

Over the next three months, orders are likely to:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Higher in value	21%	33%	23%	6%	20%	27%
About the same	47%	60%	34%	63%	33%	55%
Lower by up to 5%	8%	0%	8%	13%	7%	0%
Lower by 5 to 10%	10%	7%	13%	6%	20%	9%
Lower by 10 to 20%	5%	0%	6%	6%	13%	0%
Lower by 20 to 30%	6%	0%	11%	0%	7%	0%
Lower by more than 30%	4%	0%	6%	6%	0%	9%

Inventories

Thirty-one per cent of responding manufacturers and exporters report that inventory levels of components and raw materials are currently too high, which is a little lower than last month. A lower percentage (25 per cent) of companies report that finished goods inventories are too high this month compared to 32 per cent last month. These firms will be working inventory levels down instead of increasing production to meet new demand.

Materials inventories are:	National
Too high	31%
Just about right	66%
Too low	3%
Finished goods inventories are:	
Too high	25%
Just about right	69%
Too low	6%

Material inventory levels are particularly high this month in Saskatchewan, Quebec, Nova Scotia and Prince Edward Island, while finished goods inventories are high in Saskatchewan, New Brunswick and Nova Scotia.

Materials inventories are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Too high	31%	36%	42%	50%	41%	32%	43%	14%	46%	50%	14%
Just about right	66%	64%	52%	50%	59%	67%	57%	86%	36%	50%	86%
Too low	3%	0%	6%	0%	0%	1%	0%	0%	18%	0%	0%
Finished goods inventories are:											
Too high	25%	23%	27%	30%	25%	26%	24%	43%	36%	0%	14%
Just about right	69%	69%	70%	70%	75%	68%	71%	57%	46%	100%	86%
Too low	6%	8%	3%	0%	0%	6%	5%	0%	18%	0%	0%

Similarly to May and April, mid-sized and 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%	10%	24%	59%	35%	54%
Just about right	66%	80%	72%	41%	65%	46%
Too low	3%	10%	4%	0%	0%	0%
Finished goods inventories are:						
Too high	25%	16%	29%	28%	18%	36%
Just about right	69%	68%	63%	72%	82%	57%
Too low	6%	16%	8%	0%	0%	7%

Of the sectors below, materials inventories are particularly high in machinery, electrical equipment and other products. Fabricated metal and machinery manufacturers are reporting higher levels of finished goods inventories.

Materials inventories are:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Too high	35%	7%	36%	40%	40%	46%
Just about right	64%	93%	64%	53%	60%	55%
Too low	2%	0%	0%	7%	0%	0%
Finished goods inventories are:						
Too high	29%	7%	35%	43%	20%	27%
Just about right	65%	93%	58%	57%	67%	64%
Too low	7%	0%	8%	0%	13%	9%

Employment Prospects

While many manufacturers and exporters expect the number of jobs in their firms to increase or remain the same over the next three months, 27 per cent of companies say that employment levels are likely to fall, which is significantly lower than the approximately 38 per cent that reported this in the last two months. This continues a positive 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	13%
Remain about the same	60%
Decrease	27%

Job prospects are brightest in New Brunswick, Prince Edward Island and Newfoundland & Labrador. However, half the firms in Prince Edward Island, and a significant percentage in Saskatchewan 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%	9%	0%	12%	7%	5%	43%	18%	50%	29%
Remain about the same	60%	54%	59%	60%	47%	61%	62%	29%	64%	0%	57%
Decrease	27%	32%	32%	40%	41%	32%	33%	29%	18%	50%	14%

Similar to last month, 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%	5%	17%	7%	12%	7%
Remain about the same	60%	67%	59%	62%	53%	57%
Decrease	27%	29%	24%	31%	35%	36%

Employment rates are likely to be reduced the most in the fabricated metal, machinery and electrical equipment sectors. (The fabricated metal and machinery 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	Electrical Equipment	Other Products
Increase	11%	7%	8%	6%	13%	9%
Remain about the same	61%	80%	60%	44%	53%	73%
Decrease	28%	13%	32%	50%	33%	18%

Access to Financing

About 77 per cent of manufacturers report difficulties in accessing or the inability to access financing (for various purposes, as outlined below), which is slightly higher than the 73 per cent that reported similarly during May and April.

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. This month, a small percentage was looking for funding to finance a new product.

Experiencing difficulties in accessing:	National			
	Unable to Obtain Financing	Experiencing Significant Difficulties	Experiencing Difficulties Including Higher Costs	No Difficulties
Financing for working capital purposes	3%	10%	17%	35%
Operating line of credit	2%	11%	15%	45%
Equity financing	5%	1%	6%	16%
Financing for capital investment	4%	6%	13%	26%
Financing for investments in new technologies	4%	5%	7%	22%
Equipment leasing	1%	4%	9%	32%
Financing through bonds or commercial paper	1%	1%	2%	5%
Venture capital	2%	2%	3%	7%
Financing for new product development	4%	10%	6%	26%
Export financing	2%	7%	7%	22%
Export credit insurance	2%	7%	8%	26%
Financing for business	2%	4%	7%	16%

acquisitions				
Other types of business financing	2%	5%	7%	18%

Almost all of the few companies reporting they are unable to obtain financing this month are in Ontario, with a very small number in Alberta.

Unable to obtain:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	3%	0%	0%	0%	0%	6%	0%	0%	0%	0%	0%
Operating line of credit	2%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Equity financing	5%	0%	3%	0%	0%	7%	0%	0%	0%	0%	0%
Financing for capital investment	4%	0%	3%	0%	0%	7%	0%	0%	0%	0%	0%
Financing for investments in new technologies	4%	0%	0%	0%	0%	8%	0%	0%	0%	0%	0%
Equipment leasing	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Venture capital	2%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Financing for new product development	4%	0%	0%	0%	0%	7%	0%	0%	0%	0%	0%
Export financing	2%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Export credit insurance	2%	0%	0%	10%	0%	1%	0%	0%	0%	0%	0%
Financing for business acquisitions	2%	0%	3%	0%	0%	6%	0%	0%	0%	0%	0%
Other types of business financing	2%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%

Generally speaking, more companies in Ontario, Quebec and Nova Scotia 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	10%	4%	3%	0%	6%	12%	5%	0%	9%	0%	0%
Operating line of credit	11%	7%	3%	0%	0%	16%	10%	0%	9%	0%	0%
Equity financing	1%	0%	3%	0%	0%	0%	0%	0%	9%	0%	0%
Financing for capital investment	6%	11%	3%	0%	0%	6%	19%	14%	9%	0%	0%
Financing for investments in new technologies	5%	4%	6%	0%	0%	6%	10%	0%	9%	0%	0%
Equipment leasing	4%	4%	0%	0%	0%	6%	5%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	4%	3%	10%	6%	2%	5%	14%	9%	0%	0%
Venture capital	2%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Financing for new product development	10%	11%	9%	0%	0%	14%	14%	0%	18%	0%	0%
Export financing	7%	0%	0%	10%	0%	9%	0%	0%	18%	0%	0%
Export credit insurance	5%	0%	3%	0%	6%	6%	0%	0%	18%	0%	0%
Financing for business acquisitions	7%	14%	9%	10%	0%	7%	10%	0%	0%	0%	0%
Other types of business financing	4%	4%	0%	10%	0%	4%	0%	0%	0%	0%	0%

When higher costs are factored into an assessment of financing availability, more companies in British Columbia, Alberta, Ontario and Nova Scotia report they are facing financing difficulties (British Columbia, Alberta and Ontario 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	17%	18%	21%	20%	12%	18%	24%	14%	18%	0%	14%
Operating line of credit	15%	14%	15%	10%	18%	16%	14%	14%	9%	0%	14%
Equity financing	6%	4%	3%	0%	0%	10%	5%	0%	0%	0%	0%
Financing for capital investment	13%	11%	15%	10%	12%	15%	10%	0%	9%	0%	0%
Financing for investments in new technologies	7%	11%	6%	0%	0%	8%	0%	0%	9%	0%	0%
Equipment leasing	9%	4%	6%	0%	6%	12%	19%	0%	9%	0%	0%
Financing through bonds or commercial paper	2%	0%	3%	0%	0%	2%	0%	14%	9%	50%	14%
Venture capital	3%	4%	6%	0%	0%	3%	0%	0%	0%	0%	0%
Financing for new product development	6%	14%	6%	0%	6%	3%	5%	0%	0%	0%	0%
Export financing	7%	11%	6%	0%	6%	7%	5%	0%	9%	0%	0%
Export credit insurance	8%	7%	0%	0%	6%	9%	19%	0%	9%	0%	0%
Financing for business acquisitions	5%	4%	9%	10%	6%	3%	5%	0%	9%	0%	0%
Other types of business financing	2%	4%	0%	0%	0%	1%	5%	0%	9%	0%	0%

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

Small, mid-sized and 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	10%	10%	11%	17%	0%	0%
Operating line of credit	11%	14%	12%	17%	0%	7%
Equity financing	1%	0%	1%	0%	0%	7%
Financing for capital investment	6%	10%	5%	3%	0%	21%
Financing for investments in new technologies	5%	10%	7%	0%	0%	7%
Equipment leasing	4%	5%	3%	7%	0%	7%
Financing through bonds or commercial paper	1%	0%	0%	4%	6%	0%
Venture capital	2%	10%	1%	0%	0%	0%
Financing for new product development	10%	24%	5%	11%	12%	14%
Export financing	7%	10%	7%	3%	12%	8%
Export credit insurance	5%	5%	7%	3%	6%	0%
Financing for business acquisitions	7%	10%	1%	10%	0%	29%
Other types of business financing	4%	15%	0%	4%	0%	8%

Larger 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	17%	14%	13%	28%	12%	29%
Operating line of credit	15%	10%	13%	28%	6%	14%
Equity financing	6%	5%	7%	11%	6%	0%
Financing for capital investment	13%	5%	8%	24%	24%	14%
Financing for investments in new technologies	7%	14%	4%	7%	12%	7%
Equipment leasing	9%	14%	8%	7%	6%	14%
Financing through bonds or commercial paper	2%	5%	0%	4%	6%	0%
Venture capital	3%	0%	0%	4%	12%	7%
Financing for new product development	6%	0%	4%	14%	6%	7%
Export financing	7%	5%	5%	10%	12%	8%
Export credit insurance	8%	5%	10%	7%	6%	14%
Financing for business acquisitions	5%	5%	3%	7%	18%	0%
Other types of business financing	2%	0%	1%	0%	6%	8%

Relatively more companies in the machinery and electrical equipment sector report that they are unable to obtain financing.

Unable to obtain:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Financing for working capital purposes	3%	0%	2%	6%	0%	0%
Operating line of Credit	2%	0%	0%	0%	0%	0%
Equity financing	4%	0%	2%	6%	0%	0%
Financing for capital investment	4%	0%	2%	0%	7%	0%
Financing for investments in new technologies	4%	0%	2%	6%	7%	0%
Equipment leasing	2%	0%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	0%
Venture capital	1%	0%	2%	0%	0%	0%
Financing for	3%	0%	4%	6%	0%	0%

new product development						
Export financing	0%	0%	0%	0%	0%	0%
Export credit Insurance	1%	0%	2%	6%	0%	0%
Financing for business acquisitions	4%	0%	2%	6%	7%	0%
Other types of business financing	1%	0%	0%	6%	0%	0%

The plastic, fabricated metals and other products sectors report a relatively high rate of difficulty in obtaining many forms of financing.

Experiencing difficulties in accessing:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Financing for working capital purposes	10%	13%	9%	6%	7%	18%
Operating line of Credit	13%	13%	13%	13%	7%	9%
Equity financing	2%	0%	2%	0%	0%	0%
Financing for capital investment	7%	13%	6%	6%	0%	9%
Financing for investments in new technologies	5%	20%	8%	0%	0%	9%
Equipment leasing	3%	7%	4%	0%	0%	9%
Financing through bonds or commercial paper	2%	0%	2%	6%	0%	9%
Venture capital	2%	7%	4%	0%	0%	9%
Financing for new product development	9%	20%	8%	6%	0%	27%
Export financing	9%	13%	13%	13%	0%	18%
Export credit Insurance	6%	7%	10%	0%	0%	9%
Financing for business acquisitions	6%	15%	8%	0%	0%	0%
Other types of business financing	3%	0%	6%	6%	0%	0%

The plastics, fabricated metals and other products sectors report difficulties when higher financing costs are taken into consideration.

Experiencing difficulties, including higher costs:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Financing for working capital purposes	19%	20%	23%	13%	13%	18%
Operating line of Credit	17%	20%	23%	13%	7%	27%
Equity financing	6%	20%	8%	6%	0%	9%
Financing for capital investment	14%	20%	15%	0%	13%	18%
Financing for investments in new technologies	6%	13%	6%	0%	0%	0%
Equipment leasing	10%	13%	8%	6%	0%	9%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	0%
Venture capital	2%	0%	2%	0%	0%	0%
Financing for new product development	6%	13%	6%	0%	0%	0%
Export financing	7%	7%	2%	6%	0%	9%
Export credit Insurance	8%	7%	4%	0%	7%	9%
Financing for business acquisitions	6%	0%	8%	6%	0%	0%
Other types of business financing	2%	0%	0%	0%	0%	0%

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, an increase from 15 per cent in May, and similar to the 18 and 22 per cent reported in April and March.

Companies in Ontario, 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	18%	14%	9%	10%	12%	22%	5%	17%	27%	0%	43%
No	82%	86%	91%	90%	88%	78%	95%	83%	73%	100%	57%

Small 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%	38%	15%	21%	18%	0%
No	82%	62%	85%	79%	82%	100%

Companies in the sectors of plastics and machinery sectors are making the most requests for line of credit increases.

Sector:	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
In the past three months, requested increase in line of credit?	19%	33%	17%	20%	7%	9%

This month, we may be seeing 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 41 per cent this month, 61 per cent in May and 44 per cent in April.

Similarly, 45 per cent were looking to cover expenses in order to finance business growth. It was 19 per cent last month, 31 per cent in April and 40 per cent in March.

Reasons to increase line of credit	National
To cover current expenses to grow business	45%
To cover research and development and other expenses to support future growth	7%
To cover current expenses during the present slowdown when sales are down	41%
Other	7%

A significant majority of responding companies in Saskatchewan, 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	45%	25%	0%	25%	0%	40%	0%	0%	33%	0%	100%
To cover R&D etc. to support future growth	7%	25%	33%	0%	0%	10%	0%	0%	0%	0%	0%
To cover current expenses during slowdown	41%	25%	0%	50%	50%	45%	0%	0%	33%	0%	0%
Other	7%	25%	67%	25%	50%	5%	100%	100%	33%	0%	0%

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	45%	38%	73%	29%	0%	NA
To cover R&D etc. to support future growth	7%	13%	0%	0%	33%	NA
To cover current expenses during the present slowdown when sales are down	41%	50%	27%	57%	33%	NA
Other	7%	0%	0%	14%	33%	NA

Of those who requested an increase in their line in credit, a significant number (50-60 per cent) of companies in the plastics and electrical equipment sectors did so to cover current expenses during the present slowdown.

Reasons to increase line of credit	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
To cover current expenses to grow business	44%	40%	44%	0%	50%	0%
To cover R&D etc. to support future growth	8%	0%	11%	33%	0%	0%
To cover current expenses during the present slowdown when sales are down	40%	60%	33%	0%	50%	0%
Other	8%	0%	11%	67%	0%	100%

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 an improvement over the 39 per cent approval rate from May. In April, 36 per cent were declined, in March 33, and in February, 22 per cent.

Has your financial institution agreed to increase your operating line of credit?	National
Yes	38%
No	31%
I don't know yet	31%

Of those that have been refused, refusal rates were highest in Ontario and Nova Scotia.

Has your financial institution agreed to increase your operating line of credit?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Yes	38%	50%	67%	0%	50%	35%	0%	0%	33%	0%	0%
No	31%	25%	0%	0%	0%	35%	0%	0%	33%	0%	0%
I don't know yet	31%	25%	33%	100%	50%	30%	100%	100%	33%	0%	100%

This month, refusal rates were highest for small and large companies.

Has your financial institution agreed to increase your operating line of credit?	National	1-10	11-99	100-250	250-500	500+
Yes	38%	36%	29%	67%	NA	38%
No	50%	18%	43%	0%	NA	50%
I don't know yet	13%	46%	29%	33%	NA	13%

Refusal rates were highest in machinery and electrical equipment sectors.

Has your financial institution agreed to increase your operating line of credit?	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Yes	40%	40%	56%	33%	0%	0%
No	24%	0%	11%	33%	50%	0%
I don't know yet	36%	60%	33%	33%	50%	100%

The companies whose requests were refused report a variety of reasons given by their financial institutions. 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%

Buy America provisions

Nationally, 36 per cent of companies say they are being affected by the *Buy America* provisions, with most of those being located in Ontario. (Please note: NA denotes provinces where respondents did not answer the question.)

Affected by 'Buy America'?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Yes	36%	0%	NA	NA	NA	50%	NA	0%	0%	0%	NA
No	64%	100%	NA	NA	NA	50%	NA	100%	100%	0%	NA

Respondents who felt they are being affected are in the small and mid-sized categories.

Affected by 'Buy America'?	Nat'l	1-10	11-99	100-250	250-500	500+
Yes	36%	75%	0%	33%	NA	0%
No	64%	25%	100%	67%	NA	100%

Respondents who felt they are being affected are in the fabricated metals and machinery sectors.

Affected by 'Buy America'?	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Yes	29%	NA	100%	100%	0%	NA
No	71%	NA	0%	0%	100%	NA

Business Continuity Planning

Nationally, 64 per cent of companies say they have a business continuity plan, with most of those being located in Ontario and Nova Scotia. (Please note: NA denotes provinces where respondents did not answer the question.)

Have a continuity plan?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Yes	64%	0%	NA	NA	NA	63%	NA	100%	100%	NA	NA
No	36%	100%	NA	NA	NA	38%	NA	0%	0%	NA	NA

Many respondents who have a business continuity plan are in the mid-sized range. All surveyed companies with more than 500 employees have plans in place.

Have a continuity plan?	Nat'l	1-10	11-99	100-250	250-500	500+
Yes	55%	0%	40%	75%	NA	100%
No	46%	100%	60%	25%	NA	0%

Respondents who have a business continuity plan are in the machinery and electrical equipment sectors.

Have a continuity plan?	MFG	Plastic Products	Fabricated Metal	Machinery	Electrical Equipment	Other Products
Yes	71%	NA	0%	100%	100%	NA
No	29%	NA	100%	0%	0%	NA