



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

November 2009

CME *Business Conditions Survey* November 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 November *Business Conditions Survey* was conducted between November 10th to 20th, 2009. A total of 732 companies with operations in all provinces of Canada participated in this survey, compared to 727 in our October survey.

Province where operations are located:	
British Columbia	18%
Alberta	22%
Saskatchewan	13%
Manitoba	13%
Ontario	56%
Québec	16%
New Brunswick	3%
Nova Scotia	7%
Prince Edward Island	2%
Newfoundland & Labrador	3%

As in previous months, most firms responding to the survey were small and mid-sized companies – only eight per cent were large companies with more than 500 employees.

Size of company (by # of employees)	
1 to 10	18%
11 to 99	46%
100 to 250	17%
250 to 500	10%
More than 500	8%

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	1%
2 – 5 years	3%
More than 5 years	96%

Seventy-six per cent of the firms participating in the survey are exporters. For 28 per cent of the companies, exports account for more than 50 per cent of total sales revenue.

Export sales:	
No	24%
More than 50% of total sales revenue	28%
25% to 50% of total sales revenue	17%
10% to 25% of total sales revenue	10%
Less than 10% of total sales revenue	21%

Participating companies represent a variety of business sectors.

Business sectors:	
Manufacturing	77%
Agriculture	3%
Forestry	1%
Mining	0%
Oil and Gas Extraction	1%
Utilities	0%
Engineering & Construction	3%
Wholesale or Retail Trade	5%
Transportation and Warehousing	2%
Software, Information & Telecom Services	1%
Professional, Scientific and Technical Services	3%
Finance, Insurance, Real Estate and Leasing	0%
Business Services	1%
Public Services	0%
Other Services	4%

Manufacturers, accounting for 77 per cent of firms, are drawn from a variety of industries.

Manufacturing sectors:	
Food Products	5%
Beverages or Tobacco Products	1%
Textiles or Textile Products	1%
Clothing or Leather Products	1%
Wood Products	4%
Paper Products	1%
Printing	4%
Refined Petroleum Products	0%
Chemicals	3%
Pharmaceuticals	1%
Fertilizers	1%
Plastic Products	7%
Rubber Products	2%
Non-Metallic Mineral Products (e.g. ceramics, glass)	1%
Primary Metals	5%
Fabricated Metal Products	31%
Machinery	14%
Computer or Electronic Products	2%
Electrical Equipment, Appliances or Components	4%
Automotive Products	9%
Other Transportation Equipment or Parts	3%
Furniture or Fixtures	2%
Other Consumer Products	5%
Health Care and Veterinary Products	3%
Advanced Technologies	4%
Other Products	11%

Current Orders

This month, similar to October, reveals a dramatic decrease in the number of companies that report current orders have fallen in value, compared to three months ago. Only 37 per cent of companies have seen a decrease in orders, a slight decrease from 38 per cent last month. This is a deviation from a four-month trend. September's results of 50 per cent were in line with 51 per cent in August and 53 per cent in July.

Compared to August, a few less companies this month - 32 per cent - say orders are about the same as three months ago. Firms that report orders have increased make up 31 per cent of respondents. This is significant increase from the 27 in October, 23 in September, 22 in August, 19 in July, and 22 per cent in June, 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 again make up only 8 per cent of respondents this month, which is slightly more than October (6 per cent), slightly less than September (10 per cent), both August and July (11 per cent) and both June and May (13 per cent). 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 August, orders are:	National
Higher in value	31%
About the same	32%
Lower by up to 5%	6%
Lower by 5 to 10%	9%
Lower by 10 to 20%	8%
Lower by 20 to 30%	6%
Lower by more than 30%	8%

Saskatchewan, Manitoba and Ontario experienced the sharpest downturn in orders over the past three months.

Compared to August, orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	31%	42%	43%	32%	26%	33%	32%	43%	36%	20%	60%
About the same	32%	29%	28%	32%	26%	30%	35%	43%	43%	60%	20%
Lower by up to 5%	6%	3%	6%	4%	7%	8%	3%	0%	7%	0%	0%
Lower by 5 to 10%	9%	13%	9%	11%	19%	7%	12%	14%	14%	20%	20%
Lower by 10 to 20%	8%	3%	2%	7%	4%	10%	3%	0%	0%	0%	0%
Lower by 20 to 30%	6%	8%	9%	14%	7%	6%	6%	0%	0%	0%	0%
Lower by more than 30%	8%	3%	4%	0%	11%	6%	9%	0%	0%	0%	0%

The downturn in customer demand was primarily being felt the last few months among the very small and small companies. In October, however, it was the mid-sized and larger companies reporting large percentages of orders currently lower by more than 30 per cent. In November all sized companies, with the exception of respondents with 500 or more employees, are reporting orders currently lower by more than 30 per cent.

Compared to August, current orders are:	National	1-10	11-99	100-250	250-500	500+
Higher in value	31%	39%	29%	30%	23%	33%
About the same	32%	26%	32%	32%	41%	44%
Lower by up to 5%	6%	3%	3%	5%	9%	22%
Lower by 5 to 10%	9%	5%	12%	14%	5%	0%
Lower by 10 to 20%	8%	8%	9%	5%	14%	0%
Lower by 20 to 30%	6%	8%	9%	5%	0%	0%
Lower by more than 30%	8%	13%	6%	8%	9%	0%

While all sectors of industry have been affected by the downturn in demand, of the sectors below, the Fabricated Metal, Automotive and Machinery sectors report the most significant declines in current orders received. This was also reported in September and October. Firms with orders currently higher in value compared to three months ago (again, within the sectors reporting below), have increased to 27 per cent this month which is a significant increase from the 21 per cent reported in October and comparable to 30 in September, 29 in August and 32 in July. (This is a comparison of the average of the top row, except the manufacturing column).

Compared to August, current orders are:	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Higher in value	31%	27%	18%	31%	26%	33%
About the same	30%	27%	36%	33%	17%	11%
Lower by up to 5%	5%	20%	0%	0%	4%	6%
Lower by 5 to 10%	11%	0%	9%	16%	9%	6%
Lower by 10 to 20%	8%	7%	18%	6%	13%	28%
Lower by 20 to 30%	7%	7%	9%	4%	9%	11%
Lower by more than 30%	8%	13%	9%	10%	22%	6%

New Orders

Fewer respondents expect orders to remain the same or increase over the next three months. Down 5 percentage points to 69, this goes against an upward trend that started five months ago. October, September and August results were approximately 74 per cent.

Approximately 31 per cent of companies expect orders decrease this month, which is up six points from October. Again, this bucks the positive trend that started in May.

In terms of those expecting to see orders increase, only 31 per cent of respondents are reporting positive business results over the next 90 days. This is down three per cent from last month's survey, but still well above March's 18 per cent.

Over the next three months, orders are likely to:	National
Higher in value	31%
About the same	38%
Lower by up to 5%	10%
Lower by 5 to 10%	7%
Lower by 10 to 20%	8%
Lower by 20 to 30%	4%
Lower by more than 30%	2%

Surveyed companies in New Brunswick, Prince Edward Island and Newfoundland & Labrador are the most optimistic about future orders. This month, the responding manufacturers who expect orders to drop more than 30 per cent over the next three months are Manitoba, Ontario and Quebec. In October, only companies from Saskatchewan expected orders to drop more than 30 per cent. In July, August and September all of the western provinces expected orders to drop more than 30 per cent. In June, they were all in Ontario.

A significant number of respondents in all 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	31%	37%	36%	36%	19%	29%	27%	43%	29%	40%	60%
About the same	38%	37%	38%	21%	48%	40%	47%	57%	57%	40%	40%
Lower by up to 5%	10%	11%	11%	21%	15%	13%	12%	0%	14%	20%	0%
Lower by 5 to 10%	7%	5%	6%	7%	0%	7%	3%	0%	0%	0%	0%
Lower by 10 to 20%	8%	3%	4%	11%	15%	8%	0%	0%	0%	0%	0%
Lower by 20 to 30%	4%	8%	4%	4%	0%	3%	6%	0%	0%	0%	0%
Lower by more than 30%	2%	0%	0%	0%	4%	1%	6%	0%	0%	0%	0%

Companies of all sizes are optimistic about projected future orders, with the largest firms (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 are reported to be the 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	31%	33%	31%	30%	27%	39%
About the Same	38%	41%	37%	43%	41%	39%
Lower by up to 5%	10%	10%	9%	8%	14%	22%
Lower by 5 to 10%	7%	5%	8%	8%	5%	0%
Lower by 10 to 20%	8%	8%	7%	8%	0%	0%
Lower by 20 to 30%	4%	0%	6%	3%	9%	0%
Lower by more than 30%	2%	3%	2%	0%	5%	0%

Of the sectors below, Fabricated Metal and Machinery manufacturers are the most optimistic about future orders in this month. Advanced Technology, Fabricated Metal and Automotive manufacturers were the most optimistic in October. In September and August, it was Chemicals, Plastic and Automotive. In July and June, it was Plastics, Fabricated Metal and Machinery.

Over the next three months, orders are likely to:	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Higher in value	30%	13%	18%	26%	57%	17%
About the same	38%	47%	18%	39%	30%	33%
Lower by up to 5%	11%	27%	18%	8%	4%	17%
Lower by 5 to 10%	8%	0%	9%	18%	0%	0%
Lower by 10 to 20%	7%	7%	27%	6%	4%	22%
Lower by 20 to 30%	4%	7%	0%	2%	0%	11%
Lower by more than 30%	2%	0%	9%	2%	4%	0%

Inventories

In November only 29 per cent of responding manufacturers report that inventory levels of components and raw materials are currently too high. This comparable to 28 per cent in October and a slight improvement over the 31 per cent reported in July, August and September. There is a significant decrease in the number of companies (20 per cent) reporting that finished goods inventories are too high this month. In October it was 29 per cent, in September it was 25 per cent, which was the same as August (25 per cent), slightly less than July (27 per cent), the same as June (25 per cent) and significantly lower than May (32 per cent).

Materials inventories are:	National
Too high	29%
Just about right	68%
Too low	4%
Finished goods inventories are:	
Too high	20%
Just about right	73%
Too low	8%

Material inventory levels are particularly high this month in Manitoba, Prince Edward Island and Newfoundland & Labrador while finished goods inventories are high in all of the eastern provinces with the exception of Newfoundland & Labrador.

Materials inventories are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Too high	29%	19%	30%	36%	48%	21%	24%	29%	29%	40%	40%
Just about right	68%	81%	70%	61%	48%	76%	74%	71%	64%	60%	60%
Too low	4%	0%	0%	4%	4%	3%	3%	0%	7%	0%	0%
Finished goods inventories are:											
Too high	20%	11%	19%	21%	19%	19%	24%	29%	36%	40%	0%
Just about right	73%	84%	70%	71%	74%	74%	65%	57%	57%	60%	100%
Too low	8%	5%	11%	7%	7%	8%	12%	14%	7%	0%	0%

Similarly to October, September, August and July, 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	29%	18%	24%	43%	46%	6%
Just about right	68%	72%	73%	57%	55%	94%
Too low	4%	10%	3%	0%	0%	0%
Finished goods inventories are:						
Too high	20%	5%	18%	32%	36%	11%
Just about right	73%	82%	76%	62%	55%	78%
Too low	8%	13%	6%	5%	9%	11%

Of the sectors below, materials inventories and finished goods inventories are particularly high in the Machinery, Fabricated Metal and Other Products sectors.

Materials inventories are:	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Too high	31%	13%	27%	28%	57%	33%
Just about right	67%	87%	73%	68%	39%	67%
Too low	2%	0%	0%	4%	4%	0%
Finished goods inventories are:						
Too high	19%	0%	9%	28%	52%	11%
Just about right	72%	73%	91%	61%	39%	89%
Too low	9%	27%	0%	12%	9%	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 the slightly lower than the 24 per cent reported in October, September and August and the same as in July. 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	16%
Remain about the same	63%
Decrease	21%

Job prospects are brightest in New Brunswick, Nova Scotia and Newfoundland & Labrador. However, a significant percentage of firms in Manitoba, Prince Edward Island and Newfoundland & Labrador – predict they will reduce employment.

Over the next three months, jobs will:	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Increase	16%	18%	15%	25%	15%	16%	15%	29%	29%	20%	40%
Remain about the same	63%	63%	70%	50%	56%	66%	68%	43%	50%	40%	20%
Decrease	21%	18%	15%	25%	30%	18%	18%	29%	21%	40%	40%

This month, small, mid-sized and very large firms are most likely to reduce employment. In October it was small and very large firms. In August and September it was mid-sized and very large firms; in July it was mid-sized companies and in June, it was larger firms.

Over the next three months, jobs will:	National	1-10	11-99	100-250	250-500	500+
Increase	16%	13%	19%	14%	9%	22%
Remain about the same	63%	74%	63%	46%	68%	67%
Decrease	21%	13%	17%	41%	23%	11%

Of the sectors below, employment rates are likely to be reduced the most among Automotive, Plastic Products, and Other Products manufacturers.

Over the next three months, jobs will:	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Increase	11%	7%	18%	8%	17%	17%
Remain about the same	66%	67%	46%	77%	61%	50%
Decrease	23%	27%	36%	16%	22%	33%

IMPACT OF THE RECESSION

Over the past twelve months 68 per cent of manufacturers and exporters have cut employment levels. Included in this number are 16 per cent of companies who have cut employment by more than 30 per cent. Only 10 per cent of companies have increased the size of their workforce while 22 per cent are employing around the same number of people today than at the beginning of the recession.

Over the past 12 months, how much have you cutback your workforce?	National
Remained about the same	22%
Decreased by up to 5%	10%
Decreased by 5 to 10%	16%
Decreased by 10 to 20%	16%
Decreased by 20 to 30%	10%
Decreased by more than 30%	16%
We have increased our workforce	10%

Respondents in British Columbia, Alberta, Manitoba and Ontario have had significant decreases in their workforce by more than 30 per cent while Alberta, British Columbia and Ontario companies report the largest overall layoffs. Newfoundland and Nova Scotia have seen the biggest hiring booms during the recession.

Over the past 12 months, how much have you cutback your workforce?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Remained about the same	22%	16%	17%	14%	11%	20%	24%	0%	14%	0%	20%
Decreased by up to 5%	10%	11%	9%	7%	0%	8%	15%	43%	14%	0%	0%
Decreased by 5 to 10%	16%	26%	19%	11%	15%	18%	21%	43%	29%	80%	40%
Decreased by 10 to 20%	16%	8%	21%	21%	22%	20%	15%	0%	7%	0%	0%
Decreased by 20 to 30%	10%	16%	11%	14%	15%	12%	9%	0%	0%	0%	0%
Decreased by more than 30%	16%	16%	15%	7%	15%	16%	9%	0%	0%	0%	0%
We have increased our workforce	10%	8%	9%	25%	22%	7%	9%	14%	36%	20%	40%

Size doesn't matter in terms of shrinking workforces. Manufacturers and exporters from all segments have experienced significant decreases in their workforce by more than 30 per cent. However, the hardest hit appears to be small and medium sized enterprises.

Over the past 12 months, how much have you cutback your workforce?	National	1-10	11-99	100-250	250-500	500+
Remained about the same	22%	41%	16%	22%	18%	17%
Decreased by up to 5%	10%	3%	10%	0%	14%	11%
Decreased by 5 to 10%	16%	15%	13%	24%	14%	22%
Decreased by 10 to 20%	16%	10%	18%	16%	18%	17%
Decreased by 20 to 30%	10%	3%	11%	16%	14%	11%
Decreased by more than 30%	16%	21%	17%	14%	18%	11%
We have increased our workforce	10%	8%	13%	8%	5%	11%

The sectors experiencing the most workforce reductions the past 12 months include the Automotive, Fabricated Metal, Machinery and Other Products.

Over the past 12 months, how much have you cutback your workforce?	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Remained about the same	19%	7%	36%	14%	4%	28%
Decreased by up to 5%	6%	7%	9%	8%	4%	0%
Decreased by 5 to 10%	15%	7%	0%	14%	22%	6%
Decreased by 10 to 20%	21%	20%	27%	16%	13%	28%
Decreased by 20 to 30%	13%	20%	9%	22%	17%	11%
Decreased by more than 30%	21%	40%	9%	22%	39%	17%
We have increased our workforce	7%	0%	9%	6%	0%	11%

In the past twelve months, 42 per cent of companies have reduced capital investments in machinery and equipment, and 20 per cent have cut investment by 30 per cent or more. On the other hand, 22 per cent have increased investments in new technology while 36% have held their capital spending budgets at about the same level as last year.

Over the past twelve months, how much have you reduced your investment in new equipment?	National
Remained about the same	36%
Decreased by up to 5%	3%
Decreased by 5 to 10%	5%
Decreased by 10 to 20%	9%
Decreased by 20 to 30%	5%
Decreased by more than 30%	20%
We have increased our investment in new equipment	22%

Nova Scotia and Newfoundland companies are leading the nation in terms of investing in new equipment, while New Brunswick, Alberta and Ontario companies report the largest decrease in investment.

Over the past twelve months, how much have you reduced your investment in new equipment?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Remained about the same	36%	40%	28%	43%	41%	43%	50%	29%	29%	20%	40%
Decreased by up to 5%	3%	3%	4%	7%	11%	4%	6%	0%	0%	0%	0%
Decreased by 5 to 10%	5%	3%	9%	4%	4%	7%	6%	14%	7%	0%	0%
Decreased by 10 to 20%	9%	13%	11%	0%	11%	9%	3%	29%	14%	40%	0%
Decreased by 20 to 30%	5%	5%	4%	0%	0%	3%	12%	0%	0%	0%	0%
Decreased by more than 30%	20%	18%	19%	21%	11%	18%	12%	14%	7%	20%	20%
We have increased our investment in new equipment	22%	18%	26%	25%	22%	17%	12%	14%	43%	20%	40%

Small and medium-sized enterprises report the biggest decrease in investment in new machinery and equipment.

Over the past twelve months, how much have you reduced your investment in new equipment?	National	1-10	11-99	100-250	250-500	500+
Remained about the same	36%	41%	34%	46%	23%	39%
Decreased by up to 5%	3%	3%	2%	5%	0%	6%
Decreased by 5 to 10%	5%	15%	5%	3%	5%	6%
Decreased by 10 to 20%	9%	10%	10%	0%	23%	17%
Decreased by 20 to 30%	5%	3%	5%	5%	5%	0%
Decreased by more than 30%	20%	21%	17%	32%	27%	11%
We have increased our investment in new equipment	22%	8%	27%	8%	18%	22%

Companies in the Automotive and Machinery sectors report the largest decrease in investments in new equipment the past 12 months.

Over the past twelve months, how much have you reduced your investment in new equipment?	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Remained about the same	34%	47%	27%	37%	30%	33%
Decreased by up to 5%	2%	0%	0%	0%	0%	6%
Decreased by 5 to 10%	5%	0%	0%	10%	4%	6%
Decreased by 10 to 20%	10%	7%	36%	6%	9%	17%
Decreased by 20 to 30%	5%	0%	9%	8%	4%	0%
Decreased by more than 30%	24%	33%	9%	20%	44%	17%
We have increased our investment in new equipment	21%	13%	18%	20%	9%	22%

Over the past twelve months, 27 per cent of companies have reduced spending on new product research and development, but 23 per cent of firms have increased R&D spending and 50 per cent have held product innovation budgets steady.

Over the past twelve months, how much have you reduced your investment in new product development/research?	National
Remained about the same	50%
Decreased by up to 5%	3%
Decreased by 5 to 10%	6%
Decreased by 10 to 20%	7%
Decreased by 20 to 30%	3%
Decreased by more than 30%	8%
We have increased our investment in new product	23%

Companies in Quebec, New Brunswick, Nova Scotia and Prince Edward Island report the largest decreases in new product R&D the past 12 months.

Over the past twelve months, how much have you reduced your investment in new product development/research?	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Remained about the same	50%	58%	60%	68%	48%	52%	47%	43%	29%	20%	60%
Decreased by up to 5%	3%	3%	4%	4%	0%	3%	6%	0%	0%	0%	0%
Decreased by 5 to 10%	6%	3%	4%	0%	4%	7%	6%	0%	0%	20%	0%
Decreased by 10 to 20%	7%	8%	9%	7%	0%	5%	18%	29%	29%	20%	0%
Decreased by 20 to 30%	3%	5%	2%	0%	0%	4%	3%	0%	0%	0%	0%
Decreased by more than 30%	8%	5%	9%	4%	7%	8%	9%	0%	0%	0%	0%
We have increased our investment in new product	23%	18%	13%	18%	41%	21%	12%	29%	43%	40%	40%

Small companies report the most significant decrease in R&D investments as a result of the recession.

Over the past twelve months, how much have you reduced your investment in new product development/research?	National	1-10	11-99	100-250	250-500	500+
Remained about the same	50%	46%	53%	51%	50%	50%
Decreased by up to 5%	3%	5%	2%	3%	0%	6%
Decreased by 5 to 10%	6%	3%	4%	14%	9%	6%
Decreased by 10 to 20%	7%	15%	3%	3%	9%	6%
Decreased by 20 to 30%	3%	5%	2%	3%	0%	6%
Decreased by more than 30%	8%	18%	6%	5%	14%	6%
We have increased our investment in new product	23%	8%	30%	22%	18%	22%

Companies in the plastics sector are leading manufacturers with 82 per cent reporting the same or an increase in new product R&D investment.

Over the past twelve months, how much have you reduced your investment in new product development/research?	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Remained about the same	49%	40%	64%	49%	48%	56%
Decreased by up to 5%	2%	0%	0%	0%	4%	0%
Decreased by 5 to 10%	6%	0%	9%	6%	9%	6%
Decreased by 10 to 20%	5%	0%	9%	8%	4%	6%
Decreased by 20 to 30%	4%	20%	0%	4%	4%	0%
Decreased by more than 30%	10%	27%	0%	12%	4%	6%
We have increased our investment in new product	24%	13%	18%	22%	26%	28%

Access to Financing

The survey asked whether companies were unable to obtain financing, experiencing significant difficulties in obtaining financing, or difficulties including higher financing costs. The survey also identified those companies that were not experiencing difficulties in accessing various forms of financing and those for which the question was not applicable.

Nationally, about 71 per cent of manufacturers report difficulties in accessing or the inability to access financing for various purposes. This is calculated by subtracting the average percentage of firms experiencing 'no difficulties' (the farthest column to the right) from 100. Although this amount is slightly higher than the 66 per cent reported in October, it is comparable to the 71 per cent in September & August and lower than the 73 per cent in July and the 77 per cent in June.

Similarly to past months, those companies looking for financing found the greatest difficulties in obtaining financing was for working capital purposes, operating a line of credit and capital investment purposes.

Experiencing difficulties in accessing:	National			
	Unable to Obtain Financing	Experiencing Significant Difficulties	Experiencing Difficulties Including Higher Costs	No Difficulties
Financing for working capital purposes	5%	8%	14%	51%
Operating line of credit	5%	8%	14%	58%
Equity financing	2%	6%	6%	32%
Financing for capital investment	5%	8%	12%	39%
Financing for investments in new technologies	4%	7%	9%	29%
Equipment leasing	2%	5%	7%	34%
Financing through bonds or commercial paper	1%	2%	2%	11%
Venture capital	2%	5%	2%	12%
Financing for new product development	2%	5%	6%	30%
Export financing	2%	5%	7%	22%
Export credit insurance	2%	4%	6%	25%
Financing for business acquisitions	4%	4%	6%	18%
Other types of business financing	2%	3%	3%	20%

The majority of the companies reporting that they are **unable to obtain financing** this month are in Ontario, Quebec and Newfoundland & Labrador.

Unable to obtain:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	5%	3%	2%	4%	0%	6%	6%	0%	0%	0%	0%
Operating line of credit	5%	3%	0%	0%	0%	6%	6%	0%	0%	0%	0%
Equity financing	2%	0%	0%	0%	0%	2%	6%	0%	0%	0%	0%
Financing for capital investment	5%	0%	0%	0%	0%	7%	6%	0%	0%	0%	0%
Financing for investments in new technologies	4%	0%	0%	4%	0%	3%	9%	0%	8%	0%	0%
Equipment leasing	2%	0%	0%	0%	0%	3%	3%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	2%	3%	0%	0%	0%	0%
Venture capital	2%	0%	2%	0%	0%	2%	3%	0%	0%	0%	0%
Financing for new product development	2%	0%	0%	0%	0%	1%	6%	0%	8%	0%	20%
Export financing	2%	0%	0%	0%	0%	2%	3%	0%	0%	0%	20%
Export credit insurance	2%	0%	0%	0%	0%	2%	6%	0%	0%	0%	0%
Financing for business acquisitions	4%	3%	2%	0%	0%	4%	3%	0%	0%	0%	0%
Other types of business financing	2%	0%	0%	0%	0%	2%	3%	0%	0%	0%	0%

Generally speaking, more companies in Newfoundland & Labrador, New Brunswick and Prince Edward Island are **experiencing significant difficulties in obtaining financing** than elsewhere in the country.

Experiencing significant difficulties in accessing:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	8%	8%	4%	7%	0%	7%	15%	17%	0%	0%	20%
Operating line of credit	8%	3%	2%	7%	0%	7%	15%	17%	15%	0%	40%
Equity financing	6%	5%	0%	4%	0%	8%	9%	17%	0%	0%	20%
Financing for capital investment	8%	5%	2%	7%	0%	9%	9%	33%	8%	25%	40%
Financing for investments in new technologies	7%	3%	0%	4%	0%	8%	12%	17%	8%	25%	20%
Equipment leasing	5%	5%	4%	4%	0%	3%	12%	0%	8%	0%	0%
Financing through bonds or commercial paper	2%	0%	0%	0%	0%	2%	6%	0%	0%	0%	0%
Venture capital	5%	3%	0%	4%	0%	4%	12%	17%	8%	0%	20%
Financing for new product development	5%	3%	2%	4%	0%	5%	12%	33%	8%	25%	20%
Export financing	5%	3%	0%	4%	4%	3%	9%	0%	0%	0%	0%
Export credit insurance	4%	0%	0%	7%	4%	2%	6%	0%	0%	0%	20%
Financing for business acquisitions	4%	3%	0%	0%	0%	4%	12%	17%	0%	0%	20%
Other types of business financing	3%	3%	0%	0%	0%	4%	6%	20%	0%	0%	25%

When higher costs are factored into an assessment of financing availability, more companies in Manitoba, Ontario, Quebec and Nova Scotia report they are facing financing difficulties. (Manitoba and Nova Scotia were also among this group in October, September, August and July.)

Experiencing difficulties in accessing (including higher costs):	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing for working capital purposes	14%	8%	9%	11%	12%	13%	12%	17%	23%	0%	20%
Operating line of credit	14%	13%	13%	11%	23%	12%	6%	17%	8%	25%	0%
Equity financing	6%	3%	6%	11%	12%	3%	6%	0%	8%	0%	0%
Financing for capital investment	12%	13%	11%	11%	19%	11%	21%	0%	15%	0%	0%
Financing for investments in new technologies	9%	11%	9%	11%	19%	9%	9%	0%	8%	0%	0%
Equipment leasing	7%	5%	4%	7%	4%	9%	6%	0%	8%	0%	20%
Financing through bonds or commercial paper	2%	5%	4%	0%	0%	3%	3%	0%	0%	0%	0%
Venture capital	2%	3%	2%	4%	4%	3%	0%	0%	0%	0%	0%
Financing for new product development	6%	6%	4%	0%	12%	9%	3%	0%	0%	0%	0%
Export financing	7%	8%	6%	11%	12%	5%	3%	17%	15%	25%	20%
Export credit insurance	6%	8%	6%	7%	15%	4%	3%	0%	8%	0%	0%
Financing for business acquisitions	6%	5%	9%	7%	12%	5%	12%	0%	0%	0%	0%
Other types of business financing	3%	6%	5%	4%	8%	2%	6%	0%	0%	0%	0%

Similar to October, September, August and July, 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%	18%	1%	3%	0%	6%
Operating line of credit	5%	18%	2%	3%	0%	0%
Equity financing	2%	8%	1%	0%	0%	0%
Financing for capital investment	5%	11%	1%	8%	0%	12%
Financing for investments in new technologies	4%	16%	1%	3%	0%	0%
Equipment leasing	2%	5%	1%	0%	0%	6%
Financing through bonds or commercial paper	1%	5%	0%	3%	0%	0%
Venture capital	2%	5%	2%	0%	0%	0%
Financing for new product development	2%	11%	1%	0%	0%	0%
Export financing	2%	11%	0%	0%	0%	0%
Export credit insurance	2%	8%	1%	0%	0%	0%
Financing for business acquisitions	4%	8%	1%	9%	0%	6%
Other types of business financing	2%	6%	0%	3%	0%	0%

Very small companies are reporting experiencing **serious difficulties in obtaining financing** this month, compared to companies of all sizes last month .

Experiencing significant difficulties in accessing:	National	1-10	11-99	100-250	250-500	500+
Financing for working capital purposes	8%	16%	7%	3%	10%	6%
Operating line of credit	8%	18%	6%	6%	10%	6%
Equity financing	6%	14%	5%	0%	10%	6%
Financing for capital investment	8%	16%	7%	3%	5%	12%
Financing for investments in new technologies	7%	16%	5%	6%	5%	6%
Equipment leasing	5%	11%	3%	3%	10%	0%
Financing through bonds or commercial paper	2%	5%	0%	0%	5%	6%
Venture capital	5%	14%	3%	0%	0%	12%
Financing for new product development	5%	11%	4%	6%	0%	6%
Export financing	5%	8%	4%	6%	5%	0%
Export credit insurance	4%	8%	1%	3%	14%	0%
Financing for business acquisitions	4%	11%	1%	3%	5%	6%
Other types of business financing	3%	6%	0%	3%	6%	13%

Mid-sized and 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	14%	8%	12%	19%	24%	12%
Operating line of credit	14%	5%	14%	25%	19%	12%
Equity financing	6%	6%	5%	17%	0%	0%
Financing for capital investment	12%	5%	6%	28%	24%	12%
Financing for investments in new technologies	9%	0%	6%	14%	29%	12%
Equipment leasing	7%	8%	6%	0%	14%	12%
Financing through bonds or commercial paper	2%	0%	2%	3%	5%	6%
Venture capital	2%	0%	0%	6%	10%	0%
Financing for new product development	6%	3%	4%	6%	14%	12%
Export financing	7%	0%	4%	12%	29%	6%
Export credit insurance	6%	0%	4%	9%	19%	6%
Financing for business acquisitions	6%	0%	4%	9%	19%	6%
Other types of business financing	3%	6%	2%	6%	0%	0%

Relatively more companies in the Machinery, Automotive and Fabricated Metals sectors report they are **unable to obtain financing**. Last month, it was the Fabricated Metal, Machinery and Advanced Technology sectors.

Unable to obtain:	MFG	Auto- motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Financing for working capital purposes	5%	7%	0%	6%	0%	0%
Operating line of Credit	5%	0%	0%	8%	0%	0%
Equity financing	2%	0%	0%	2%	0%	0%
Financing for capital investment	6%	13%	0%	4%	4%	0%
Financing for investments in new technologies	3%	0%	0%	0%	4%	0%
Equipment leasing	2%	7%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	4%	0%
Venture capital	1%	0%	0%	2%	0%	0%
Financing for new product development	1%	0%	0%	0%	0%	0%
Export financing	2%	0%	0%	0%	0%	0%
Export credit Insurance	2%	0%	0%	0%	4%	0%
Financing for business acquisitions	4%	7%	9%	2%	4%	0%
Other types of business financing	1%	0%	10%	0%	0%	0%

The Automotive, Fabricated Metal, and Machinery sectors report a relatively **high rate of difficulty in obtaining many forms of financing.**

Experiencing difficulties in accessing:	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Financing for working capital purposes	8%	7%	0%	6%	13%	11%
Operating line of Credit	9%	13%	0%	8%	13%	6%
Equity financing	6%	20%	0%	2%	4%	6%
Financing for capital investment	9%	13%	0%	10%	4%	6%
Financing for investments in new technologies	8%	20%	9%	10%	4%	6%
Equipment leasing	6%	7%	0%	2%	4%	6%
Financing through bonds or commercial paper	1%	13%	0%	0%	0%	0%
Venture capital	4%	20%	0%	4%	4%	0%
Financing for new product development	5%	7%	0%	8%	4%	0%
Export financing	6%	7%	0%	4%	17%	6%
Export credit Insurance	3%	7%	0%	0%	9%	6%
Financing for business acquisitions	3%	7%	0%	2%	0%	0%
Other types of business financing	3%	14%	0%	0%	0%	0%

The Automotive, Fabricated Metal and Machinery Product sectors report **more difficulties when higher financing costs are taken into consideration.** Last month, it was Advanced Technology, Automotive, Fabricated Metal and Machinery Products.

Experiencing difficulties, including higher costs:	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Financing for working capital purposes	15%	33%	0%	16%	4%	11%
Operating line of Credit	13%	27%	0%	14%	9%	17%
Equity financing	4%	0%	0%	10%	4%	0%
Financing for capital investment	12%	20%	0%	14%	17%	0%
Financing for investments in new technologies	11%	13%	0%	12%	13%	6%
Equipment leasing	6%	7%	0%	4%	4%	0%
Financing through bonds or commercial paper	2%	7%	0%	0%	4%	0%
Venture capital	1%	0%	0%	0%	4%	0%
Financing for new product development	7%	27%	0%	4%	9%	6%
Export financing	8%	13%	0%	8%	17%	0%
Export credit Insurance	7%	7%	0%	4%	9%	6%
Financing for business acquisitions	6%	13%	0%	9%	13%	6%
Other types of business financing	3%	0%	0%	9%	0%	0%

Increasing Line of Credit

Nationally, only eleven per cent of respondents are using all their line of credit availability. About 56 per cent are using less than half.

Percentage of line of credit currently being used	Nationally
100%	11%
90% to 100%	7%
80% to 90%	8%
70% to 80%	6%
50% to 70%	13%
Less than 50%	56%

Nationally, only 20 per cent of respondents have asked their financial institution to increase their operating line of credit in the past three months. This is similar to the last few months – 18 in October, 19 in September, 19 in August, 21 in July, 18 in June, 15 in May and 18 per cent in April.

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	20%	27%	20%	26%	12%	16%	21%	33%	31%	0%	40%
No	80%	73%	80%	74%	89%	84%	79%	67%	69%	100%	60%

Very small companies as well as some of the largest 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	20%	36%	18%	11%	25%	13%
No	80%	64%	82%	89%	75%	88%

Companies in the sectors of Fabricated Metal, Automotive and Machinery are making the most requests for line of credit increases.

Sector:	MFG	Auto- motive	Plastic Products	Fabricated Metal	Machinery	Other Products
In the past three months, requested increase in line of credit?	20%	20%	9%	18%	24%	11%

In terms 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. This is a definite decrease compared to the 50 per cent in October but higher than the 38 per cent in September, 39 per cent in August, 31 per cent in July, 41 per cent in June, lower than the 61 per cent in May and 44 per cent in April.

In addition, this month 37 per cent were looking to cover expenses in order to finance business growth. This is a significant increase to the 28 per cent last month, the 29 per cent in September and 27 per cent in August, lower than the 45 in July, higher than the 19 in June and 31 in April.

Reasons to increase line of credit	National
To cover current expenses to grow business	37%
To cover research and development and other expenses to support future growth	9%
To cover current expenses during the present slowdown when sales are down	41%
Other	13%

A significant majority of responding companies in Newfoundland & Labrador were looking to increase their lines of credit to cover current expenses.

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	37%	36%	40%	71%	67%	29%	33%	67%	40%	0%	100%
To cover R&D etc. to support future growth	9%	9%	10%	14%	0%	19%	11%	0%	20%	0%	0%
To cover current expenses during slowdown	41%	36%	40%	14%	33%	33%	44%	0%	20%	0%	0%
Other	13%	18%	10%	0%	0%	19%	11%	33%	20%	100%	0%

All sized companies are requesting an increase in their operating line of credit to cover expenses in response to the recession.

Reasons to increase line of credit	National	1-10	11-99	100-250	250-500	500+
To cover current expenses to grow business	37%	43%	28%	40%	33%	67%
To cover R&D etc. to support future growth	9%	14%	6%	20%	0%	0%
To cover current expenses during the present slowdown when sales are down	41%	43%	44%	40%	50%	0%
Other	13%	0%	22%	0%	17%	33%

Of those who requested an increase in their line in credit, all companies in the Plastic Products and a significant percentage in the Fabricated Metal sector did so to cover current expenses to grow business.

Reasons to increase line of credit	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
To cover current expenses to grow business	31%	0%	100%	50%	0%	0%
To cover R&D etc. to support future growth	9%	0%	0%	0%	33%	0%
To cover current expenses during the present slowdown when sales are down	43%	67%	0%	40%	33%	50%
Other	17%	33%	0%	10%	33%	50%

Among the companies that requested an increase in operating lines of credit over the past three months, 37 per cent were declined this month. This is higher than the 29 per cent reported last month as well as June, July, August and September where it remained around 33 per cent. It was a little higher in May (39 per cent).

Has your financial institution agreed to increase your operating line of credit?	National
Yes	51%
No	37%
I don't know yet	12%

Of those who know about the outcome of their requests, most that have been refused this month are in Ontario, Quebec 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	51%	55%	80%	86%	67%	60%	25%	100%	75%	0%	0%
No	37%	27%	10%	14%	0%	30%	63%	0%	25%	0%	50%
I don't know yet	12%	18%	10%	0%	33%	10%	13%	0%	0%	0%	50%

This month, refusal rates were highest for small companies and mid-sized companies.

Has your financial institution agreed to increase your operating line of credit?	National	1-10	11-99	100-250	250-500	500+
Yes	51%	29%	59%	50%	80%	67%
No	37%	64%	29%	50%	0%	0%
I don't know yet	12%	7%	12%	0%	20%	33%

Refusal rates were highest in Fabricated Metal and Other Product sectors.

Has your financial institution agreed to increase your operating line of credit?	MFG	Auto-motive	Plastic Products	Fabricated Metal	Machinery	Other Products
Yes	49%	67%	100%	44%	33%	50%
No	39%	33%	0%	56%	17%	50%
I don't know yet	12%	0%	0%	0%	50%	0%

The companies whose requests were refused report a variety of reasons given by their financial institutions. They were mostly refused because the company's overall debt was too high. They were also refused because the industry sector in question is too risky and because the assets given as security did not meet requirements.

Reasons why operating line of credit cannot be increased:	National
Company's overall debt level is too high	18%
Assets given as security do not meet the bank's requirements	24%
Business is growing too quickly right now	0%
Operations are seasonal	6%
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	6%
Not sure	12%
Other	12%