



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

**October 2009**

## **CME *Business Conditions Survey* October 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 October *Business Conditions Survey* was conducted between October 13<sup>th</sup> and 23<sup>rd</sup>, 2009. A total of 727 companies with operations in all provinces of Canada participated in this survey, compared to 713 in our September survey.

<b>Province where operations are located:</b>	
British Columbia	16%
Alberta	18%
Saskatchewan	8%
Manitoba	19%
Ontario	48%
Québec	10%
New Brunswick	6%
Nova Scotia	3%
Prince Edward Island	3%
Newfoundland & Labrador	5%

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.

<b>Size of company (by # of employees)</b>	
1 to 10	9%
11 to 99	51%
100 to 250	18%
250 to 500	15%
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.

<b>Age of Business</b>	
Less than 2 years	0%
2 – 5 years	4%
More than 5 years	96%

Ninety per cent of the firms participating in the survey are exporters. For 43 per cent of the companies, exports account for more than 50 per cent of total sales revenue.

<b>Export sales:</b>	
No	10%
More than 50% of total sales revenue	43%
25% to 50% of total sales revenue	11%
10% to 25% of total sales revenue	14%
Less than 10% of total sales revenue	23%

Participating companies represent a variety of business sectors.

<b>Business sectors:</b>	
Manufacturing	81%
Agriculture	1%
Forestry	0%
Mining	3%
Oil and Gas Extraction	0%
Utilities	0%
Engineering & Construction	5%
Wholesale or Retail Trade	3%
Transportation and Warehousing	1%
Software, Information & Telecom Services	3%
Professional, Scientific and Technical Services	0%
Finance, Insurance, Real Estate and Leasing	0%
Business Services	1%
Public Services	0%
Other Services	3%

Manufacturers, accounting for 81 per cent of firms, are drawn from a variety of industries.

<b>Manufacturing sectors:</b>	
Food Products	0%
Beverages or Tobacco Products	0%
Textiles or Textile Products	0%
Clothing or Leather Products	0%
Wood Products	6%
Paper Products	0%
Printing	0%
Refined Petroleum Products	2%
Chemicals	6%
Pharmaceuticals	2%
Fertilizers	0%
Plastic Products	13%
Rubber Products	0%
Non-Metallic Mineral Products (e.g. ceramics, glass)	0%
Primary Metals	5%
Fabricated Metal Products	39%
Machinery	8%
Computer or Electronic Products	3%
Electrical Equipment, Appliances or Components	5%
Automotive Products	9%
Other Transportation Equipment or Parts	3%
Furniture or Fixtures	3%
Other Consumer Products	5%
Health Care and Veterinary Products	5%
Advanced Technologies	8%
Other Products	11%

## Current Orders

This month reveals a dramatic decrease in the number of companies that report current orders have fallen in value, compared to three months ago. Only 38 per cent of companies have seen a decrease in orders, down 12 per cent from 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 July, a few more companies this month - 35 per cent - say orders are about the same as three months ago. Firms that report orders have increased make up 27 per cent of respondents. This is slight increase from the 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 6 per cent of respondents this month, which is 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 July, orders are:	National
Higher in value	27%
About the same	35%
Lower by up to 5%	9%
Lower by 5 to 10%	13%
Lower by 10 to 20%	9%
Lower by 20 to 30%	1%
Lower by more than 30%	6%

Saskatchewan and New Brunswick experienced the sharpest downturn in orders over the past three months.

Compared to July, orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	27%	31%	36%	33%	20%	24%	38%	20%	0%	0%	25%
About the same	35%	46%	36%	17%	60%	34%	38%	20%	100%	100%	75%
Lower by up to 5%	9%	0%	0%	0%	13%	13%	13%	20%	0%	0%	0%
Lower by 5 to 10%	13%	8%	14%	0%	0%	18%	0%	0%	0%	0%	0%
Lower by 10 to 20%	9%	8%	7%	17%	7%	8%	13%	20%	0%	0%	0%
Lower by 20 to 30%	1%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Lower by more than 30%	6%	8%	7%	33%	0%	0%	0%	20%	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 is the mid-sized and larger companies reporting large percentages of orders currently lower by more than 30 per cent.

<b>Compared to July, current orders are:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Higher in value	27%	29%	25%	21%	17%	33%
About the same	35%	43%	40%	21%	50%	17%
Lower by up to 5%	9%	0%	13%	7%	0%	33%
Lower by 5 to 10%	13%	14%	15%	14%	8%	0%
Lower by 10 to 20%	9%	14%	5%	14%	17%	0%
Lower by 20 to 30%	1%	0%	3%	0%	0%	0%
Lower by more than 30%	6%	0%	0%	21%	8%	17%

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. This was also reported in August and September. Firms with orders currently higher in value compared to three months ago (again, within the sectors reporting below), have decreased to 21 per cent this month, compared to 30 in September, 29 in August, 32 in July, 22 in June, and 16 in May . (This is a comparison of the average of the top row, except the manufacturing column).

<b>Compared to July, current orders are:</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Higher in value	22%	20%	25%	16%	0%	0%	33%	29%
About the same	38%	40%	13%	40%	20%	0%	50%	43%
Lower by up to 5%	13%	20%	13%	4%	20%	0%	0%	0%
Lower by 5 to 10%	13%	0%	25%	12%	20%	0%	17%	29%
Lower by 10 to 20%	11%	20%	25%	16%	0%	0%	0%	0%
Lower by 20 to 30%	0%	0%	0%	0%	0%	0%	0%	0%
Lower by more than 30%	5%	0%	0%	12%	40%	0%	0%	0%

## New Orders

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

A large majority (75 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 the same as September and slightly higher than the 74 per cent in August, 71 in July, 69 in June, and 66 per cent in May.

As in September, only 25 per cent of respondents this month say that orders are likely to decrease between October 2009 and December 2009, a continuing improvement from 26 per cent in August, 29 per cent in July, 31 in June, and 34 in May.

In terms of those expecting to see orders increase, 34 per cent of companies predict this result, which is comparable to the September (36 per cent), August (35 per cent), July (33 per cent), June (24 per cent), and May (28 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.

<b>Over the next three months, orders are likely to:</b>	<b>National</b>
Higher in value	34%
About the same	41%
Lower by up to 5%	11%
Lower by 5 to 10%	7%
Lower by 10 to 20%	5%
Lower by 20 to 30%	1%
Lower by more than 30%	1%

Surveyed companies in Saskatchewan, Newfoundland & Labrador, and Quebec are the most optimistic about future orders. The only responding manufacturers who expect orders to drop more than 30 per cent

over the next three months are all found in Saskatchewan. 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.

<b>Over the next three months, orders are likely to:</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Higher in value	34%	46%	36%	50%	33%	32%	63%	20%	0%	0%	50%
About the same	41%	39%	43%	17%	40%	42%	25%	40%	100%	100%	25%
Lower by up to 5%	11%	0%	14%	0%	13%	16%	0%	20%	0%	0%	25%
Lower by 5 to 10%	7%	0%	0%	0%	7%	8%	13%	0%	0%	0%	0%
Lower by 10 to 20%	5%	15%	7%	17%	7%	3%	0%	0%	0%	0%	0%
Lower by 20 to 30%	1%	0%	0%	0%	0%	0%	0%	20%	0%	0%	0%
Lower by more than 30%	1%	0%	0%	17%	0%	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 are reported to be the largest companies with 500 or more employees.

<b>Over the next three months, orders are likely to:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Higher in value	34%	29%	35%	29%	42%	33%
About the Same	41%	43%	45%	50%	17%	17%
Lower by up to 5%	11%	14%	10%	7%	17%	33%
Lower by 5 to 10%	7%	14%	5%	0%	17%	0%
Lower by 10 to 20%	5%	0%	5%	14%	0%	0%
Lower by 20 to 30%	1%	0%	0%	0%	0%	17%
Lower by more than 30%	1%	0%	0%	0%	8%	0%

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

Over the next three months, orders are likely to:	MFG	Advanced Tech	Plastic Products	Fabricated Metal	Machinery	Electrical	Auto-motive	Other Products
Higher in value	30%	40%	13%	48%	40%	0%	67%	29%
About the same	39%	20%	50%	24%	0%	0%	17%	43%
Lower by up to 5%	16%	20%	0%	8%	20%	0%	17%	29%
Lower by 5 to 10%	8%	0%	25%	12%	20%	0%	0%	0%
Lower by 10 to 20%	6%	20%	13%	4%	0%	0%	0%	0%
Lower by 20 to 30%	0%	0%	0%	0%	0%	0%	0%	0%
Lower by more than 30%	2%	0%	0%	4%	20%	0%	0%	0%

## Inventories

In October only 28 per cent of responding manufacturers report that inventory levels of components and raw materials are currently too high. This is a slight improvement over the 31 per cent reported in July, August and September. There is a slight increase in the number of companies (29 per cent) reporting that finished goods inventories are too high this month. In September it was 25 per cent, which is 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). These firms will be working to lower inventory levels instead of increasing production to meet new demand.

Materials inventories are:	National
Too high	28%
Just about right	68%
Too low	5%
Finished goods inventories are:	
Too high	29%
Just about right	64%
Too low	7%

Material inventory levels are particularly high this month in New Brunswick, Nova Scotia and Prince Edward Island, while finished goods inventories are high in Saskatchewan as well as all of the eastern provinces.

<b>Materials inventories are:</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Too high	28%	23%	31%	50%	40%	11%	13%	100%	100%	100%	50%
Just about right	68%	69%	54%	50%	47%	89%	88%	0%	0%	0%	25%
Too low	5%	8%	15%	0%	13%	0%	0%	0%	0%	0%	25%
<b>Finished goods inventories are:</b>											
Too high	29%	31%	29%	50%	20%	19%	13%	100%	50%	50%	50%
Just about right	64%	62%	57%	50%	73%	76%	63%	0%	50%	50%	25%
Too low	7%	8%	14%	0%	7%	5%	25%	0%	0%	0%	25%

Similarly to September, August and July, mid-sized and very large firms are most concerned about high inventory levels.

<b>Materials inventories are:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Too high	28%	14%	14%	64%	17%	33%
Just about right	68%	71%	78%	36%	83%	67%
Too low	5%	14%	8%	0%	0%	0%
<b>Finished goods inventories are:</b>						
Too high	29%	57%	18%	39%	33%	17%
Just about right	64%	43%	78%	62%	50%	67%
Too low	7%	0%	5%	0%	17%	17%

Of the sectors below, materials inventories and finished goods inventories are particularly high in the Machinery and Advanced Technology sectors.

<b>Materials inventories are:</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Too high	25%	60%	14%	33%	40%	0%	0%	14%
Just about right	72%	40%	57%	67%	60%	0%	100%	86%
Too low	3%	0%	29%	0%	0%	0%	0%	0%
<b>Finished goods inventories are:</b>								
Too high	28%	40%	0%	34%	63%	0%	10%	0%
Just about right	65%	60%	100%	58%	31%	0%	60%	0%
Too low	7%	0%	0%	8%	6%	0%	30%	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, 24 per cent of companies report this month that their employment levels are likely to fall. This is the same as reported in September as well as August and slightly higher than the 21 per cent reported 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.

<b>Over the next three months, jobs will:</b>	<b>National</b>
Increase	18%
Remain about the same	64%
Decrease	24%

Job prospects are brightest in Alberta, Nova Scotia and Newfoundland & Labrador. However, a significant percentage of firms in Alberta, Quebec and Newfoundland & Labrador – predict they will reduce employment.

<b>Over the next three months, jobs will:</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Increase	18%	23%	29%	17%	13%	16%	13%	20%	50%	0%	50%
Remain about the same	64%	62%	50%	67%	73%	66%	63%	80%	50%	100%	25%
Decrease	24%	15%	21%	17%	13%	18%	25%	0%	0%	0%	25%

This month, small and very large firms are most likely to reduce employment. 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.

<b>Over the next three months, jobs will:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Increase	18%	29%	20%	7%	17%	33%
Remain about the same	64%	43%	68%	79%	50%	50%
Decrease	24%	29%	13%	14%	33%	17%

Of the sectors below, employment rates are likely to be reduced the most among Machinery, Plastic Products, and Fabricated Metal manufacturers.

<b>Over the next three months, jobs will:</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Increase	14%	40%	13%	8%	0%	0%	0%	29%
Remain about the same	67%	60%	50%	64%	60%	0%	83%	71%
Decrease	19%	0%	38%	28%	40%	0%	17%	0%

## 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 66 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. This decrease continues a positive trend over the last few months; it was 71 in September & August, 73 in July, and 77 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	0%	10%	12%	53%
Operating line of credit	2%	9%	16%	49%
Equity financing	1%	6%	3%	34%
Financing for capital investment	3%	8%	8%	41%
Financing for investments in new technologies	3%	6%	9%	37%
Equipment leasing	1%	1%	4%	38%
Financing through bonds or commercial paper	0%	1%	0%	15%
Venture capital	1%	1%	0%	14%
Financing for new product development	1%	4%	5%	38%
Export financing	1%	0%	4%	38%
Export credit insurance	0%	1%	4%	38%
Financing for business acquisitions	1%	4%	3%	22%
Other types of business financing	0%	1%	0%	27%

Almost all of the few companies reporting that they are **unable to obtain financing** this month are in Saskatchewan, Manitoba, Ontario and British Columbia.

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

Generally speaking, more companies in Newfoundland & Labrador, Manitoba and Ontario are **experiencing significant difficulties in obtaining financing** than elsewhere in the country.

<b>Experiencing significant difficulties in accessing:</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Financing for working capital purposes	10%	0%	0%	0%	13%	13%	0%	0%	0%	0%	25%
Operating line of credit	9%	0%	0%	0%	7%	11%	0%	0%	0%	0%	50%
Equity financing	6%	0%	0%	0%	13%	3%	0%	20%	0%	0%	0%
Financing for capital investment	8%	8%	7%	0%	0%	8%	13%	0%	0%	0%	50%
Financing for investments in new technologies	6%	8%	7%	0%	0%	11%	0%	0%	0%	0%	0%
Equipment leasing	1%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Venture capital	1%	0%	0%	0%	7%	0%	0%	0%	0%	0%	0%
Financing for new product development	4%	0%	0%	0%	0%	5%	13%	0%	0%	0%	0%
Export financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Export credit insurance	1%	0%	0%	0%	8%	0%	0%	0%	0%	0%	0%
Financing for business acquisitions	4%	8%	7%	0%	0%	3%	0%	0%	0%	0%	25%
Other types of business financing	1%	0%	7%	0%	0%	0%	0%	0%	0%	0%	0%

**When higher costs are factored into an assessment of financing availability**, more companies in Alberta, Saskatchewan, New Brunswick and Newfoundland & Labrador report they are facing financing difficulties. (Manitoba and Nova Scotia were also among this group in September, August and July.)

<b>Experiencing difficulties in accessing (including higher costs):</b>	<b>National</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Financing for working capital purposes	12%	15%	21%	20%	13%	5%	0%	20%	0%	0%	25%
Operating line of credit	16%	15%	21%	20%	20%	8%	25%	20%	0%	0%	25%
Equity financing	3%	15%	14%	20%	0%	0%	0%	0%	0%	0%	0%
Financing for capital investment	8%	15%	14%	20%	7%	0%	13%	20%	0%	0%	0%
Financing for investments in new technologies	9%	15%	14%	20%	0%	8%	0%	20%	0%	0%	0%
Equipment leasing	4%	15%	7%	0%	7%	0%	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	5%	15%	21%	25%	0%	0%	0%	20%	0%	0%	0%
Export financing	4%	8%	14%	20%	7%	0%	0%	0%	0%	0%	0%
Export credit insurance	4%	8%	8%	50%	8%	0%	0%	0%	0%	0%	0%
Financing for business acquisitions	3%	0%	7%	0%	0%	3%	0%	0%	0%	0%	0%
Other types of business financing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Similarly to September, August and July, very small companies were more likely to be **unable to obtain financing** this month.

<b>Unable to obtain:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Financing for working capital purposes	0%	0%	0%	0%	0%	0%
Operating line of credit	2%	0%	3%	0%	0%	17%
Equity financing	1%	0%	3%	0%	0%	0%
Financing for capital investment	3%	29%	0%	0%	0%	0%
Financing for investments in new technologies	3%	29%	0%	0%	0%	0%
Equipment leasing	1%	14%	0%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%	0%
Venture capital	1%	0%	3%	0%	0%	0%
Financing for new product development	1%	14%	0%	0%	0%	0%
Export financing	1%	14%	0%	0%	0%	0%
Export credit insurance	0%	0%	0%	0%	0%	0%
Financing for business acquisitions	1%	14%	0%	0%	0%	0%
Other types of business financing	0%	0%	0%	0%	0%	0%

Companies of all sizes this month are experiencing **serious difficulties in obtaining financing**.

<b>Experiencing significant difficulties in accessing:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Financing for working capital purposes	10%	29%	8%	8%	0%	17%
Operating line of credit	9%	14%	10%	8%	0%	0%
Equity financing	6%	0%	5%	0%	0%	17%
Financing for capital investment	8%	14%	5%	8%	8%	17%
Financing for investments in new technologies	6%	0%	8%	8%	8%	0%
Equipment leasing	1%	0%	3%	0%	0%	0%
Financing through bonds or commercial paper	1%	0%	0%	0%	0%	0%
Venture capital	1%	0%	0%	0%	0%	17%
Financing for new product development	4%	0%	5%	0%	8%	0%
Export financing	0%	0%	0%	0%	0%	0%
Export credit insurance	1%	0%	0%	0%	0%	17%
Financing for business acquisitions	4%	14%	0%	8%	8%	0%
Other types of business financing	1%	0%	0%	0%	8%	0%

Mid-sized and larger companies report that they are facing **higher costs in accessing financing**.

<b>Experiencing difficulties (including higher costs) in accessing:</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Financing for working capital purposes	12%	0%	10%	15%	25%	0%
Operating line of credit	16%	14%	10%	15%	33%	17%
Equity financing	3%	0%	0%	8%	8%	0%
Financing for capital investment	8%	0%	3%	23%	17%	0%
Financing for investments in new technologies	9%	0%	10%	15%	8%	0%
Equipment leasing	4%	0%	3%	8%	8%	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	5%	0%	3%	8%	17%	0%
Export financing	4%	0%	0%	8%	8%	17%
Export credit insurance	4%	0%	3%	15%	0%	0%
Financing for business acquisitions	3%	0%	3%	0%	8%	0%
Other types of business financing	0%	0%	0%	0%	0%	0%

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

<b>Unable to obtain:</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Financing for working capital purposes	0%	0%	0%	0%	0%	0%	0%	0%
Operating line of Credit	3%	0%	0%	4%	0%	0%	0%	0%
Equity financing	2%	0%	0%	4%	25%	0%	0%	0%
Financing for capital investment	3%	20%	0%	9%	0%	0%	0%	0%
Financing for investments in new technologies	3%	20%	0%	9%	0%	0%	0%	0%
Equipment leasing	2%	0%	0%	4%	0%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%	0%	0%	0%
Venture capital	2%	0%	0%	5%	25%	0%	0%	0%
Financing for new product development	2%	0%	0%	5%	0%	0%	0%	0%
Export financing	2%	0%	0%	4%	0%	0%	0%	0%
Export credit Insurance	0%	0%	0%	0%	0%	0%	0%	0%
Financing for business acquisitions	2%	0%	0%	4%	0%	0%	0%	0%
Other types of business financing	0%	0%	0%	0%	0%	0%	0%	0%

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

<b>Experiencing difficulties in accessing:</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Financing for working capital purposes	11%	0%	13%	13%	25%	0%	17%	0%
Operating line of Credit	8%	0%	13%	8%	25%	0%	17%	0%
Equity financing	5%	0%	13%	4%	0%	0%	0%	0%
Financing for capital investment	8%	0%	13%	9%	0%	0%	17%	0%
Financing for investments in new technologies	8%	0%	13%	13%	25%	0%	17%	0%
Equipment leasing	2%	0%	13%	0%	0%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%	0%	0%	0%
Venture capital	2%	0%	0%	0%	0%	0%	0%	0%
Financing for new product development	5%	0%	13%	9%	0%	0%	0%	0%
Export financing	0%	0%	0%	0%	0%	0%	0%	0%
Export credit Insurance	2%	0%	0%	0%	0%	0%	0%	0%
Financing for business acquisitions	5%	0%	0%	4%	0%	0%	17%	0%
Other types of business financing	2%	0%	0%	0%	0%	0%	17%	0%

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

<b>Experiencing difficulties, including higher costs:</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Financing for working capital purposes	11%	20%	0%	13%	0%	0%	17%	0%
Operating line of Credit	14%	20%	0%	17%	0%	0%	33%	14%
Equity financing	3%	20%	0%	4%	0%	0%	0%	0%
Financing for capital investment	10%	40%	0%	13%	25%	0%	17%	0%
Financing for investments in new technologies	11%	40%	0%	17%	25%	0%	33%	14%
Equipment leasing	3%	20%	0%	9%	25%	0%	0%	0%
Financing through bonds or commercial paper	0%	0%	0%	0%	0%	0%	0%	0%
Venture capital	0%	0%	0%	0%	0%	0%	0%	0%
Financing for new product development	7%	20%	0%	9%	0%	0%	17%	0%
Export financing	5%	20%	0%	0%	0%	0%	17%	0%
Export credit Insurance	5%	20%	0%	4%	0%	0%	0%	0%
Financing for business acquisitions	3%	0%	0%	4%	0%	0%	17%	0%
Other types of business financing	0%	0%	0%	0%	0%	0%	0%	0%

## Increasing Line of Credit

Nationally, only four per cent of respondents are using all their line of credit availability. About 68 per cent are using less than half.

Percentage of line of credit currently being used	Nationally
100%	4%
90% to 100%	8%
80% to 90%	5%
70% to 80%	7%
50% to 70%	9%
Less than 50%	68%

Nationally, only 18 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 – 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	18%	15%	21%	17%	14%	24%	29%	0%	0%	0%	50%
No	82%	85%	79%	83%	86%	76%	71%	100%	100%	100%	50%

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	18%	29%	15%	7%	18%	33%
No	82%	71%	85%	93%	82%	67%

Companies in the sectors of Plastic, Automotive, Machinery and Other Products are making the most requests for line of credit increases.

Sector:	MFG	Advanced Tech	Plastic Products	Fabricated Metal	Machinery	Electrical	Auto-motive	Other Products
<b>In the past three months, requested increase in line of credit?</b>	16%	0%	14%	12%	20%	0%	50%	14%

In terms of companies requesting an increase in their line of credit to cover current expenses in the face of lower sales, it was 50 per cent this month. This is a definite increase compared to the 38 per cent in September, 39 per cent in August, 31 per cent in July, 41 per cent in June, 61 per cent in May and 44 per cent in April,

In addition, this month 28 per cent were looking to cover expenses in order to finance business growth. It 29 per cent last month, 27 per cent in August, 45 in July, 19 in June, 31 in April and 40 per cent in March.

Reasons to increase line of credit	National
To cover current expenses to grow business	7%
To cover research and development and other expenses to support future growth	21%
To cover current expenses during the present slowdown when sales are down	50%
Other	21%

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	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%
To cover R&D etc. to support future growth	21%	0%	33%	0%	0%	22%	0%	0%	0%	0%	0%
To cover current expenses during slowdown	50%	50%	33%	0%	50%	56%	50%	0%	0%	0%	0%
Other	21%	50%	33%	100%	50%	22%	50%	0%	0%	0%	50%

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	7%	50%	0%	0%	0%	0%
To cover R&D etc. to support future growth	21%	0%	33%	0%	50%	0%
To cover current expenses during the present slowdown when sales are down	50%	50%	33%	100%	50%	50%
Other	21%	0%	33%	0%	0%	50%

Of those who requested an increase in their line in credit, all companies in the Other Products and Machinery sectors and a significant percentage in the Automotive sector did so to cover current expenses during the present slowdown.

Reasons to increase line of credit	MFG	Advanced Tech	Plastic Products	Fabricated Metal	Machinery	Electrical	Auto-motive	Other Products
To cover current expenses to grow business	10%	0%	0%	0%	0%	0%	0%	0%
To cover R&D etc. to support future growth	30%	0%	100%	33%	0%	0%	33%	0%
To cover current expenses during the present slowdown when sales are down	50%	0%	0%	67%	100%	0%	67%	100%
Other	10%	0%	0%	0%	0%	0%	0%	0%

Among the companies that requested an increase in operating lines of credit over the past three months, 29 per cent were declined this month. This is lower than June, July, August and September where it remained around 33 per cent. It was a little higher in May (39 per cent) and April (36 per cent).

Has your financial institution agreed to increase your operating line of credit?	National
Yes	50%
No	29%
I don't know yet	21%

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

<b>Has your financial institution agreed to increase your operating line of credit?</b>	<b>Nat'l</b>	<b>BC</b>	<b>AB</b>	<b>SK</b>	<b>MB</b>	<b>ON</b>	<b>QC</b>	<b>NB</b>	<b>NS</b>	<b>PE</b>	<b>NL</b>
Yes	50%	100%	100%	100%	50%	56%	50%	0%	0%	0%	0%
No	29%	0%	0%	0%	50%	33%	0%	0%	0%	0%	0%
I don't know yet	21%	0%	0%	0%	0%	11%	50%	0%	0%	0%	100%

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

<b>Has your financial institution agreed to increase your operating line of credit?</b>	<b>National</b>	<b>1-10</b>	<b>11-99</b>	<b>100-250</b>	<b>250-500</b>	<b>500+</b>
Yes	50%	0%	50%	100%	100%	0%
No	29%	0%	50%	0%	0%	50%
I don't know yet	21%	100%	0%	0%	0%	50%

Refusal rates were highest in Plastic Products and Machinery sectors.

<b>Has your financial institution agreed to increase your operating line of credit?</b>	<b>MFG</b>	<b>Advanced Tech</b>	<b>Plastic Products</b>	<b>Fabricated Metal</b>	<b>Machinery</b>	<b>Electrical</b>	<b>Auto-motive</b>	<b>Other Products</b>
Yes	40%	0%	0%	0%	0%	0%	100%	100%
No	40%	0%	100%	67%	100%	0%	0%	0%
I don't know yet	20%	0%	0%	33%	0%	0%	0%	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.

<b>Reasons why operating line of credit cannot be increased:</b>	<b>National</b>
Company's overall debt level is too high	50%
Assets given as security do not meet the bank's requirements	25%
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	25%
Withdrew application, bank fees were too high	0%
General lack of liquidity in the financial markets	0%
Not sure	0%
Other	0%