CANADIAN MANUFACTURERS & EXPORTERS
BUSINESS CONDITIONS SURVEY

December 2008

CME Business Conditions Survey
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CME in partnership with member associations of the Canadian Manufacturing Coalition conducted a survey of manufacturers and exporters across Canada to assess current market and financing conditions.

The survey was conducted between December 9th and 16th, 2008. It is the first of a monthly series of business conditions surveys that CME will conduct across Canada's manufacturing and exporting sectors.

A total of 327 companies with operations in all provinces of Canada participated in the December 2008 survey.

Province where operations are located:	
British Columbia	19%
Alberta	21%
Saskatchewan	8%
Manitoba	11%
Ontario	57%
Québec	17%
New Brunswick	5%
Nova Scotia	5%
Prince Edward Island	2%
Newfoundland & Labrador	2%

Most firms responding to the survey were small and mid-sized companies – 15 per cent were large companies with more than 500 employees.

Size of company (by # of employees)	
1 to 10	17%
11 to 99	39%
100 to 250	21%
250 to 500	8%
Over 500	15%

Participating companies represent a variety of industrial sectors.

Business sectors	
Manufacturing	78%
Agriculture, Forestry, Fishing and Hunting	1%
Mining and Oil and Gas Extraction	1%
Utilities	0%
Construction	2%
Wholesale Trade	4%

Retail Trade	1%
Transportation and Warehousing	1%
Finance, Insurance, Real Estate and Leasing	1%
Professional, Scientific and Technical Services	5%
Educational Services	1%
Other Services	5%
Public Administration	0%

Manufacturers accounted for just under 80 per cent of firms participating in the survey. In turn, they represent a variety of manufacturing and processing industries.

Manufacturing sectors	
Food Products	4%
Beverages or Tobacco Products	0%
Textiles or Textile Products	0%
Clothing or Leather Products	1%
Wood Products	3%
Paper Products	2%
Printing and Related Support Activities	7%
Petroleum or Coal Products	1%
Chemicals	3%
Plastic or Rubber Products	7%
Non-Metallic Mineral Products (e.g. ceramics, glass, cement products)	1%
Primary Metals	4%
Fabricated Metal Products	33%
Machinery	12%
Computer or Electronic Products	4%
Electrical Equipment, Appliances or Components	7%
Transportation Equipment	5%
Furniture or Related Products	3%
Other Products	24%

Current Orders

A majority of manufacturers and exporters report that the value of their orders has declined over the past three months. In our December survey, 59 per cent of companies report that orders have fallen in value since September, 27 per cent say that orders are about the same as in September, while only 14 per cent of firms report that orders have increased. A full 17 per cent of companies report that orders have fallen by more than 30 per cent since September.

Compared to September, current orders are:	National
Higher in value	14%
About the same	27%
Lower by up to 5%	6%
Lower by 5 to 10%	10%
Lower by 10 to 20%	17%
Lower by 20 to 30%	9%
Lower by more than 30%	17%

More companies in Alberta, Saskatchewan and New Brunswick say that current orders are at or above September levels, but half of all survey respondents in those provinces still report that orders have declined.

Compared to September, current orders are:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	14%	13%	13%	17%	15%	17%	18%	29%	24%	43%	43%
About the same	27%	21%	37%	33%	18%	20%	23%	21%	12%	0%	14%
Lower by up to 5%	6%	4%	3%	4%	6%	9%	10%	7%	6%	14%	14%
Lower by 5 to 10%	10%	16%	7%	8%	18%	8%	8%	0%	18%	29%	0%
Lower by 10 to 20%	17%	18%	15%	4%	9%	20%	13%	14%	29%	0%	0%
Lower by 20 to 30%	9%	16%	10%	17%	6%	8%	8%	14%	0%	0%	14%
Lower by more than 30%	17%	13%	15%	17%	27%	19%	23%	14%	12%	14%	14%

Larger companies (defined by number of employees) have been harder hit by the downturn in customer demand.

Compared to September, current orders are:	National	1-10	11-99	100-250	250-500	500+
Higher in value	14%	16%	16%	17%	13%	9%
About the same	27%	42%	19%	21%	33%	21%
Lower by up to 5%	6%	6%	8%	6%	4%	6%
Lower by 5 to 10%	10%	6%	8%	11%	17%	21%
Lower by 10 to 20%	17%	8%	20%	18%	17%	17%
Lower by 20 to 30%	9%	8%	9%	9%	13%	9%
Lower by more than 30%	17%	14%	19%	18%	4%	17%

While all sectors of industry have been affected by the downturn in demand, primary metals, plastics, fabricated metals and automotive production have been affected the most by the decline in orders.

Compared to September, current orders are:	MFG	Food	Printing	Chemicals	Plastics or Rubber	Primary Metals	Fabricated Metal Products
Higher in value	12%	10%	8%	8%	15%	0%	15%
About the same	24%	50%	27%	27%	15%	15%	18%
Lower by up to 5%	6%	0%	8%	8%	0%	0%	10%
Lower by 5 to 10%	13%	30%	12%	12%	15%	8%	7%
Lower by 10 to 20%	17%	10%	15%	15%	20%	23%	18%
Lower by 20 to 30%	9%	0%	12%	12%	20%	15%	8%
Lower by more than 30%	19%	0%	19%	19%	15%	39%	22%

Compared to September, current orders are:	Machinery	Computer or Electronic Products	Electric Equip-ment	Transport Equip-ment	Other
Higher in value	20%	17%	23%	0%	17%
About the same	23%	33%	27%	39%	38%
Lower by up to 5%	6%	0%	14%	8%	3%
Lower by 5 to 10%	0%	17%	14%	8%	13%
Lower by 10 to 20%	17%	8%	18%	8%	11%
Lower by 20 to 30%	9%	17%	5%	15%	7%
Lower by more than 30%	26%	8%	0%	23%	13%

New Orders

A majority of manufacturers and exporters also expect that the value of new orders to fall over the next three months. Among survey respondents, 52 per cent say that orders are likely to decrease between December 2008 and March 2009, 31 per cent expect orders to remain about the same, while only 17 per cent report that orders are likely to increase.

Over the next three months, orders are likely to:	National
Higher in value	17%
About the same	31%
Lower by up to 5%	11%
Lower by 5 to 10%	13%
Lower by 10 to 20%	12%
Lower by 20 to 30%	10%
Lower by more than 30%	6%

Companies in Saskatchewan, PEI, and Newfoundland and Labrador are more optimistic about future orders.

Over the next three months, orders are likely to:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Higher in value	17%	16%	14%	0%	9%	19%	18%	7%	12%	29%	29%
About the same	31%	32%	32%	52%	19%	30%	35%	36%	29%	57%	29%
Lower by up to 5%	11%	9%	10%	9%	22%	11%	13%	7%	18%	0%	14%
Lower by 5 to 10%	13%	18%	10%	4%	16%	12%	13%	14%	18%	0%	14%
Lower by 10 to 20%	12%	14%	17%	13%	13%	12%	10%	29%	6%	0%	0%
Lower by 20 to 30%	10%	11%	14%	13%	6%	10%	8%	0%	12%	14%	0%
Lower by more than 30%	6%	0%	3%	9%	16%	7%	5%	7%	6%	0%	14%

Smaller companies (defined by number of employees) are more optimistic than larger firms with respect to the outlook for new orders.

Over the next three months, orders are likely to:	National	1-10	11-99	100-250	250-500	500+
Higher in value	17%	29%	22%	11%	25%	4%
About the same	31%	39%	24%	32%	38%	30%
Lower by up to 5%	11%	4%	10%	12%	4%	23%
Lower by 5 to 10%	13%	8%	14%	17%	4%	15%
Lower by 10 to 20%	12%	10%	13%	15%	17%	9%
Lower by 20 to 30%	10%	10%	10%	6%	8%	13%
Lower by more than 30%	6%	0%	7%	8%	4%	6%

Companies in sectors that have already seen a significant decline in new orders tend to be more optimistic that demand will rebound. Firms in other sectors foresee a delayed decline in orders as customer demand drops across manufacturing.

Over the next three months, orders are likely to:	MFG	Food	Printing	Chemicals	Plastics or Rubber	Primary Metals	Fabricated Metal Products
Higher in value	17%	20%	4%	4%	15%	23%	12%
About the same	30%	20%	27%	27%	45%	8%	37%
Lower by up to 5%	12%	30%	19%	19%	5%	0%	8%
Lower by 5 to 10%	13%	10%	15%	15%	25%	31%	11%
Lower by 10 to 20%	13%	0%	19%	19%	10%	15%	15%
Lower by 20 to 30%	10%	10%	15%	15%	0%	23%	9%
Lower by more than 30%	7%	10%	0%	0%	0%	0%	7%

Over the next three months, orders are likely to:	Machinery	Computer or Electronic Products	Electric Equip-ment	Transport Equip-ment	Other
Higher in value	11%	17%	23%	23%	34%
About the same	37%	33%	5%	31%	31%
Lower by up to 5%	6%	8%	23%	8%	9%
Lower by 5 to 10%	6%	0%	18%	8%	9%
Lower by 10 to 20%	9%	8%	9%	8%	9%
Lower by 20 to 30%	17%	33%	18%	15%	4%
Lower by more than 30%	14%	0%	5%	8%	6%

Inventories

One-third of manufacturers and exporters report that inventory levels of components and raw materials are currently too high. Slightly fewer companies say that finished goods inventories are too high. These firms will be working inventory levels down instead of increasing production to meet new demand.

Materials inventories are:	**National**
Too high	34%
Just about right	61%
Too low	5%
Finished goods inventories are:	
Too high	29%
Just about right	63%
Too low	8%

Inventory levels are particularly high in Alberta, Saskatchewan and Quebec.

Materials inventories are:	**National**	**BC**	**AB**	**SK**	**MB**	**ON**	**QC**	**NB**	**NS**	**PE**	**NL**
Too high	34%	37%	29%	41%	33%	32%	50%	20%	17%	29%	36%
Just about right	61%	58%	63%	59%	61%	66%	50%	73%	83%	71%	60%
Too low	5%	5%	8%	0%	6%	3%	0%	7%	0%	0%	4%
Finished goods inventories are:											
Too high	29%	23%	46%	33%	32%	28%	46%	25%	17%	71%	27%
Just about right	63%	67%	46%	61%	62%	64%	54%	69%	83%	29%	68%
Too low	8%	10%	8%	6%	7%	8%	0%	6%	0%	0%	5%

Mid-sized and larger firms are most concerned about high inventory levels.

Materials inventories are:	**National**	**1-10**	**11-99**	**100-250**	**250-500**	**500+**
Too high	34%	33%	39%	42%	43%	15%
Just about right	61%	61%	61%	50%	55%	75%
Too low	5%	6%	0%	8%	2%	10%
Finished goods inventories are:						
Too high	29%	4%	30%	30%	33%	38%
Just about right	63%	79%	65%	67%	58%	51%
Too low	8%	17%	6%	3%	8%	11%

Materials inventories are particularly high in processing and equipment sectors, while components manufacturers tend to report higher levels of finished goods inventories.

Materials inventories are:	**MFG**	**Food**	**Printing**	**Chemicals**	**Plastics or Rubber**	**Primary Metals**	**Fabricated Metal Products**
Too high	37%	22%	42%	42%	35%	58%	36%
Just about right	59%	67%	54%	54%	55%	33%	60%
Too low	4%	11%	4%	4%	10%	8%	4%
Finished goods inventories are:							
Too high	30%	30%	29%	29%	40%	54%	29%
Just about right	63%	60%	71%	71%	50%	39%	64%
Too low	7%	10%	0%	0%	10%	8%	7%

Materials inventories are:	**Machinery**	**Computer or Electronic Products**	**Electric Equip-ment**	**Transport Equip-ment**	**Other**
Too high	29%	58%	36%	42%	19%
Just about right	60%	42%	55%	58%	73%
Too low	11%	0%	9%	0%	9%
Finished goods inventories are:					
Too high	31%	36%	18%	39%	17%
Just about right	54%	64%	68%	46%	75%
Too low	14%	0%	14%	15%	9%

Employment Prospects

While many manufacturers and exporters expect the number of jobs in their firm to increase or remain the same over the next three months, 38 per cent of companies say that employment levels are likely to fall.

Over the next three months, jobs will:	National
Increase	15%
Remain about the same	47%
Decrease	38%

Job prospects are brightest in Saskatchewan and the Maritimes. Companies in Manitoba, Ontario and New Brunswick are more likely to reduce employment.

Over the next three months, jobs will:	Nat'l	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Increase	15%	14%	15%	21%	15%	14%	18%	36%	24%	14%	29%
Remain about the same	47%	44%	52%	42%	42%	43%	45%	21%	41%	57%	43%
Decrease	38%	42%	33%	38%	42%	43%	38%	43%	35%	29%	29%

Mid-sized and 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	15%	4%	17%	11%	21%	9%
Remain about the same	47%	79%	45%	46%	46%	45%
Decrease	38%	17%	38%	44%	33%	47%

Employment rates are likely to be reduced the most in the printing, chemicals, primary metals, electronics and transportation equipment sectors.

Over the next three months, jobs will:	MFG	Food	Printing	Chemicals	Plastics or Rubber	Primary Metals	Fabricated Metal Products
Increase	13%	30%	8%	8%	15%	8%	14%
Remain about the same	47%	30%	39%	39%	50%	23%	52%
Decrease	41%	40%	54%	54%	35%	69%	34%

Over the next three months, jobs will:	Machinery	Computer or Electronic Products	Electric Equip-ment	Transport Equip-ment	Other
Increase	11%	17%	23%	8%	26%
Remain about the same	43%	33%	46%	46%	48%
Decrease	46%	50%	32%	46%	26%

Access to Financing

More than one-third of manufacturers and exporters report that they are experiencing difficulties accessing adequate levels of financing. Working capital and financing for capital investments and acquisitions are relatively more difficult to obtain.

Experiencing difficulties in accessing:	National
Financing in general	34%
Financing for working capital	35%
Operating line of credit	29%
Equity financing	27%
Financing for capital investment including investments in new technologies	39%
Export financing	20%
Export credit insurance	18%
Financing for business acquisitions	35%
Government financing	32%
Other types of business financing	20%

Generally speaking, more companies in Ontario and the Maritimes are experiencing difficulties in obtaining financing than elsewhere in the country.

Experiencing difficulties in accessing:	National	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Financing in general	34%	25%	17%	26%	28%	37%	27%	50%	56%	29%	29%
Financing for working capital	35%	27%	23%	33%	31%	36%	31%	38%	47%	17%	29%
Operating line of credit	29%	19%	20%	27%	24%	30%	19%	31%	25%	0%	29%
Equity financing	27%	18%	13%	11%	17%	31%	24%	33%	25%	0%	50%
Financing for capital investment incl. technology investments	39%	28%	24%	14%	31%	41%	34%	38%	36%	0%	43%
Export financing	20%	16%	15%	29%	28%	18%	13%	20%	36%	0%	25%
Export credit insurance	18%	11%	6%	11%	22%	18%	17%	10%	18%	0%	20%
Financing for business acquisitions	35%	30%	32%	24%	42%	34%	32%	30%	40%	0%	50%
Government financing	32%	21%	12%	18%	27%	31%	26%	40%	56%	0%	50%
Other types of financing	20%	17%	11%	23%	14%	24%	18%	25%	17%	0%	0%

More companies with fewer than 10 employees and firms with 500 plus employees report difficulties in obtaining financing.

Experiencing difficulties in accessing:	National	1-10	11-99	100-250	250-500	500+
Financing in general	34%	44%	30%	29%	39%	38%
Financing for working capital	35%	49%	29%	31%	39%	35%
Operating line of credit	29%	42%	25%	29%	25%	23%
Equity financing	27%	39%	24%	24%	26%	25%
Financing for capital investment including investments in new technologies	39%	50%	33%	34%	35%	50%
Export financing	20%	29%	16%	20%	10%	24%
Export credit insurance	18%	21%	18%	17%	10%	21%
Financing for business acquisitions	35%	41%	30%	35%	15%	44%
Government financing	32%	39%	35%	27%	10%	36%
Other types of business financing	20%	30%	16%	13%	12%	29%

Manufacturers report higher-than-average difficulties when it comes to access to financing. The transportation equipment sector (including the automotive industry) reports a very high rate of difficulty in accessing all forms of financing.

Experiencing difficulties in accessing:	MFG	Food	Printing	Chemicals	Plastics or Rubber	Primary Metals	Fabri-cated Metals
Financing in general	44%	50%	43%	43%	39%	38%	24%
Financing for working capital	49%	50%	48%	48%	53%	23%	27%
Operating line of credit	42%	20%	46%	46%	32%	23%	22%
Equity financing	39%	25%	44%	44%	33%	50%	15%
Financing for capital investment including investments in new technologies	50%	50%	50%	50%	53%	75%	29%
Export financing	29%	38%	0%	0%	33%	36%	17%
Export credit insurance	21%	29%	15%	15%	24%	45%	16%
Financing for business acquisitions	41%	63%	43%	43%	29%	58%	28%

Government financing	39%	56%	54%	54%	35%	36%	28%
Other types of business financing	30%	17%	43%	43%	33%	43%	17%

Experiencing difficulties in accessing:	**Machinery**	**Computer or Electronic Products**	**Electric Equip-ment**	**Transport Equip-ment**	**Other**
Financing in general	38%	33%	19%	69%	36%
Financing for working capital	38%	25%	24%	69%	34%
Operating line of credit	27%	33%	19%	62%	26%
Equity financing	26%	18%	20%	58%	32%
Financing for capital investment including investments in new technologies	31%	27%	25%	50%	35%
Export financing	28%	0%	5%	45%	14%
Export credit insurance	23%	18%	5%	45%	15%
Financing for business acquisitions	33%	22%	16%	73%	25%
Government financing	24%	20%	17%	55%	42%
Other types of business financing	30%	13%	7%	57%	18%