FEDERAL RESERVE BANK of NEW YORK

Empire State Manufacturing Survey: Supplemental Report

March 2008

For release March 17, 2008

One in Five Firms Reports Increased Borrowing Needs, Tighter Credit

Supplementary questions in the March 2008 *Empire State Manufacturing Survey* focused on recent changes in firms' borrowing needs, perceived changes in credit availability, and the causes and effects of such changes.

Roughly 20 percent of respondents indicated that their borrowing needs had increased since last December, while 14 percent indicated that their needs had decreased. When asked about changes since last March (over the past year), roughly equal proportions of respondents—about 20 percent—reported higher and lower borrowing needs. Those respondents who reported higher borrowing needs since the end of 2007 most commonly attributed the increase to customers' lateness in paying their bills and a need to invest in capital equipment, followed by a rise in nonlabor costs.

In response to a separate question on recent changes in credit availability, 21 percent of the firms surveyed reported some tightening over the past three months, while just 5 percent noted some easing. A related question about the changes in credit availability over the past twelve months drew similar responses. Asked to identify the effects of tighter credit on their behavior, firms most commonly cited greater delays in paying vendors and reduced capital investment.

Firms also reported some decline, on net, in the general cost of borrowing funds—38 percent of respondents reported declines, while 22 percent reported increases. And the vast majority of firms reported little or no change in limits (ceilings) on existing lines of credit.

1) How do your current borrowing needs compare with those in the months below?

	Much Lower Now	Lower Now	Same	Higher Now	Much Higher Now
	Percentage of Respondents				
March 2007	9.4	10.6	58.8	17.6	3.5
December 2007	4.7	9.3	66.3	18.6	1.2

Most widely cited reasons for higher borrowing needs (since December):
Customers late in paying bills, capital investment, increased nonlabor costs

2) How has credit availability changed?

	Much Easier ←				→ Much Tighter
	Percentage of Respondents				
Over the past three months	1.2	3.5	74.4	16.3	4.7
Over the past twelve months	1.2	4.7	75.6	10.5	8.1

Most widely cited effects of tighter credit (over the past three months) on firm behavior:
Less capital investment, slower in paying vendors

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(*Continued*)

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3) In your experience, how have banks' requirements to extend business loans and/or credit lines changed over the past three months?

	Percentage of Respondents
Much easier now	0.0
Somewhat easier now	3.5
Same	65.1
Somewhat tighter now	25.6
Much tighter now	5.8

4) Also in your experience, how has the cost of borrowing funds changed over the past three months?

	Percentage of Respondents
Much lower now	3.5
Lower now	34.1
Same	40.0
Higher now	22.4
Much higher now	0.0

5) Again in your experience, how have the limits on existing business lines of credit changed over the past three months? Credit limits (ceilings) have become:

	Percentage of Respondents
Much lower now	1.2
Lower now	7.1
Same	81.2
Higher now	10.6
Much higher now	0.0

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