

## Empire State Manufacturing Survey: Supplemental Report

**March 2010**

*For release March 15, 2010*

### Manufacturers Report a Leveling Off in Credit Availability but Higher Borrowing Costs

Supplementary questions in the March 2010 *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. Parallel questions had previously been asked in the October 2009, March 2009, October 2008, and March 2008 surveys.

As in last October's survey, manufacturers generally reported steady to declining borrowing needs over the past year: in the current survey, 28 percent said their borrowing needs had decreased in the past year, while 19 percent said they had decreased over the past three months. Roughly 16 percent of respondents indicated that their borrowing needs had increased—both over the past year and over the past three months. Those respondents reporting increased borrowing needs since December most commonly attributed the rise to declines in business revenue, the management of existing debt, and a need to invest in capital equipment. A number of respondents added written comments attributing the increase to positive developments at their firms, including the pursuit of new opportunities and a need to keep up with growing demand. Among those reporting declines in borrowing needs, the most widely cited reasons were a reduced need to replace or expand capital equipment, vendor tolerance for delayed payments, and customers' more timely payment of their bills.

In response to questions on recent changes in credit availability, 24 percent of firms reported some tightening over the past year—down noticeably from 39 percent in last October's survey—while just 11 percent noted some easing, about the same percentage as in October's survey. A related question about such changes over the past three months showed 17 percent noting tighter credit standards and 13 percent noting easier credit. When those firms reporting tighter credit were asked to identify its effects on their behavior, respondents most commonly cited reduced capital investment, followed by cuts in employee hours, workforce reductions, and delays in paying vendors.

Firms also reported rising borrowing costs on net: 28 percent of respondents reported increases in borrowing costs, while just 5 percent indicated declines. When asked about recent changes in limits (ceilings) on existing lines of credit, 72 percent of respondents reported no change, 17 percent reported decreases in limits on existing lines of credit, and just 7 percent reported increases.

1) How do your current borrowing needs compare with those one year earlier? Three months earlier?

	March 2010 Survey			October 2009 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
One year earlier	<b>27.8</b>	<b>55.7</b>	<b>16.5</b>	36.0	46.7	17.3
Three months earlier	<b>19.2</b>	<b>65.4</b>	<b>15.4</b>	23.7	59.2	17.1

*(Continued)*

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2) How has credit availability changed over the past twelve months? Past three months?

	March 2010 Survey			October 2009 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past twelve months	<b>11.4</b>	<b>64.6</b>	<b>24.1</b>	12.0	49.3	38.7
Over the past three months	<b>12.7</b>	<b>70.9</b>	<b>16.5</b>	12.0	68.0	20.0

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

	Percentage of Firms Responding . . .		
	March 2010	October 2009	March 2009
Much easier now	<b>1.3</b>	0.0	0.0
Somewhat easier now	<b>8.0</b>	8.2	0.0
Same	<b>61.3</b>	65.8	53.0
Somewhat tighter now	<b>17.3</b>	19.2	20.5
Much tighter now	<b>12.0</b>	6.8	26.5

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

	Percentage of Firms Responding . . .		
	March 2010	October 2009	March 2009
Much lower now	<b>0.0</b>	1.3	1.2
Lower now	<b>5.3</b>	10.7	19.3
Same	<b>66.7</b>	54.7	34.9
Higher now	<b>25.3</b>	30.7	30.1
Much higher now	<b>2.7</b>	2.7	14.5

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 Firms Responding . . .		
	March 2010	October 2009	March 2009
Much lower now	<b>3.9</b>	5.3	7.2
Lower now	<b>13.2</b>	13.3	10.8
Same	<b>72.4</b>	70.7	69.9
Higher now	<b>5.3</b>	9.3	7.2
Much higher now	<b>1.3</b>	1.3	4.8