FEDERAL RESERVE BANK of NEW YORK

Empire State Manufacturing Survey: Supplemental Report

October 2009

For release October 15, 2009

Manufacturers Report Increased Credit Constraints but Reduced Borrowing Needs

Supplementary questions in the October 2009 *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 March 2009, October 2008, and March 2008.

Manufacturers generally reported that borrowing needs had eased over the past year: in the current survey, 36 percent of respondents said that their borrowing needs had decreased in the past year, while 24 percent said they had decreased since July. Just 17 percent of respondents indicated that their borrowing needs had increased—both over the past year and over the past three months. Those respondents reporting higher borrowing needs since July most commonly attributed the increase to declines in business revenue, a need to invest in capital equipment, and management of existing debt. Those reporting lower borrowing needs since July most often traced the change to management of existing debt, an increase in revenue, and a reduced need to replace or expand capital equipment.

In response to questions on recent changes in credit availability, 39 percent of the firms surveyed reported some tightening over the past year, while just 12 percent noted some easing. A related question about credit availability over the past three months prompted 20 percent of respondents to report tighter credit standards; 12 percent reported easier credit. Among the firms reporting tighter credit over the past three months, the most commonly cited effect on behavior was reduced capital investment, followed by cutting back on employee hours and workforce reductions.

Firms also reported increased borrowing costs on net: a third of respondents indicated that borrowing costs had risen, while 12 percent said that they had declined. When asked about recent changes in limits (ceilings) on existing lines of credit, 71 percent of respondents reported no change, 19 percent reported lower ceilings, and just 11 percent reported higher ceilings.

1) How do your current borrowing needs compare with those in past periods?

	October 2009 Survey			March 2009 Survey		
	Percentage of Firms Responding			Percentage of Firms Responding		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
One year earlier	**36.0**	**46.7**	**17.3**	27.7	49.4	22.9
Three months earlier	**23.7**	**59.2**	**17.1**	23.5	61.7	14.8

2) How has credit availability changed?

	October 2009 Survey			March 2009 Survey		
	Percentage of Firms Responding			Percentage of Firms Responding		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past twelve months	**12.0**	**49.3**	**38.7**	2.4	57.1	40.5
Over the past three months	**12.0**	**68.0**	**20.0**	1.2	60.2	38.6

(*Continued*)

Empire State Manufacturing Survey: Supplemental Report

October 2009

For release October 15, 2009

Manufacturers Report Increased Credit Constraints but Reduced Borrowing Needs *(Continued)*

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	
	October 2009 Survey	March 2009 Survey
Much easier now	**0.0**	0.0
Somewhat easier now	**8.2**	0.0
Same	**65.8**	53.0
Somewhat tighter now	**19.2**	20.5
Much tighter now	**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	
	October 2009 Survey	March 2009 Survey
Much lower now	**1.3**	1.2
Lower now	**10.7**	19.3
Same	**54.7**	34.9
Higher now	**30.7**	30.1
Much higher now	**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	
	October 2009 Survey	March 2009 Survey
Much lower now	**5.3**	7.2
Lower now	**13.3**	10.8
Same	**70.7**	69.9
Higher now	**9.3**	7.2
Much higher now	**1.3**	4.8