

Supplemental Report:

Manufacturers Report Tighter Credit Standards but Somewhat Lower Borrowing Costs

Supplementary questions in the October 2011 *Empire State Manufacturing Survey* focused on recent changes in firms' borrowing needs, perceived changes in credit availability, and various measures of borrowing constraints and costs. Parallel questions had been asked in earlier surveys—most recently, the March 2011 and October 2010 surveys. In the current survey, firms were also specifically queried about their experience in applying for credit in the preceding three months.

As in the March 2011 survey, respondents reported that borrowing needs were mostly steady, on balance, over the past year. In the current survey, 16 percent of respondents said that their borrowing needs had decreased in the past year, while 20 percent said that they had increased. In assessing changes over the past three months, however, the share of respondents reporting a decrease in borrowing needs (21 percent) was nearly twice the share reporting an increase (11 percent). This last finding differs somewhat from the corresponding result in the March survey, which showed that more respondents experienced increases

than decreases in the preceding three months. Still, the vast majority of respondents in the current survey—nearly 70 percent—reported no change in borrowing needs.

Queried about the change in credit availability over the past year, 21 percent of firms—the same percentage as in March—reported some tightening, while just 7 percent reported that credit had eased. When asked about the change over the past three months, the vast majority of respondents (83 percent) reported no change; 13 percent noted tightening, while just 5 percent reported easier credit.

Roughly 68 percent of respondents reported no change in borrowing costs over the past three months; 21 percent said that such costs had decreased, while 12 percent indicated that they had increased. These results contrast sharply with the March survey findings, where 33 percent of those surveyed reported increased borrowing costs and just 3 percent reported reduced costs. When asked about recent changes in limits (ceilings) on existing lines of credit, 82 percent of respondents

reported no change; 14 percent reported lower ceilings on existing lines of credit, while just 4 percent reported higher ceilings. When asked about banks' requirements to extend business loans and/or credit lines, 21 percent of firms said that such requirements had tightened somewhat, while 7 percent said they had eased.

Finally, in response to a question not asked previously, nearly three in four firms said that they had not applied for credit in the past three months. The reason cited by most of these firms was that their financing needs were currently being met. However, a number of respondents indicated that they did not expect to be able to get credit. Of the one in four respondents that had applied for credit, 70 percent said they were offered full funding and accepted it; another 18 percent said they were offered partial funding and accepted it. While none of those applying for credit said that they were denied funding altogether, a handful said that the terms were unfavorable or the price was higher than desired. ■

Continued

Supplemental Report, *continued*

QUESTION 1

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

	October 2011 Survey			March 2011 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
One year earlier	16.1	64.4	19.5	19.7	60.5	19.7
Three months earlier	20.5	68.2	11.4	8.1	78.4	13.5

QUESTION 2

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

	October 2011 Survey			March 2011 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past twelve months	6.8	72.7	20.5	14.7	64.0	21.3
Over the past three months	4.6	82.8	12.6	9.2	76.3	14.5

QUESTION 3

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

	October 2011	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .			
Much easier now	2.4	0.0	0.0	1.3
Somewhat easier now	4.9	5.3	6.7	8.0
Same	72.0	73.3	75.0	61.3
Somewhat tighter now	20.7	17.3	13.3	17.3
Much tighter now	0.0	4.0	5.0	12.0

QUESTION 4

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

	October 2011	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .			
Much lower now	1.2	0.0	0.0	0.0
Lower now	19.3	2.6	11.7	5.3
Same	67.5	64.5	76.7	66.7
Higher now	12.0	31.6	10.0	25.3
Much higher now	0.0	1.3	1.7	2.7

QUESTION 5

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

	October 2011	March 2011	October 2010	March 2010
	Percentage of Firms Responding . . .			
Much lower now	4.7	2.6	3.3	3.9
Lower now	9.4	13.2	6.7	13.2
Same	82.4	75.0	81.7	72.4
Higher now	3.5	7.9	8.3	5.3
Much higher now	0.0	1.3	0.0	1.3

QUESTION 6

Did your business apply for credit in the past three months? If not, why? If so, what was the result?

Percentage of Firms Responding . . .	
Did not apply	73.9
Because financing needs were met	62.5
Because did not expect to be able to get credit	6.8
Did apply	26.1
Were offered full funding and accepted it	18.2
Offered full funding and declined: terms unfavorable	1.1
Offered partial funding and accepted	4.5
Offered partial funding and declined	0.0
Offered funding and declined (no longer needed)	0.0
Not offered any funding	0.0