

Supplemental Report:

Firms Report Higher Borrowing Costs, Anticipate Somewhat Higher Borrowing Needs

Supplementary questions in the March 2011 *Empire State Manufacturing Survey* focused on recent and expected changes in firms' borrowing needs and in the availability of credit. Parallel questions had previously been asked in the October 2010, March 2010, and earlier surveys.

As in last October's survey, respondents generally reported steady borrowing needs—both over the past year and over the past three months. In the current survey, 20 percent of respondents said that their borrowing needs had moderated in the past year, while the same proportion said that they had grown. In assessing changes over the past three months, most respondents reported no change in borrowing needs; 14 percent reported an increase since December, while 8 percent reported a decrease. Looking ahead, firms generally indicated that they expected their borrowing needs to rise somewhat, on balance, over the next year.

In response to questions on expected changes in credit availability, 20 percent of the firms surveyed said that they foresaw an easing of standards over the next twelve months, while 13 percent anticipated a tightening. (This forward-looking question had not been asked in previous surveys.) When queried about recent changes in credit availability, 15 percent of firms reported some tightening over the past three months—the same percentage as in last October's survey—while just 9 percent noted some easing, down modestly from 12 percent in October. When asked how credit availability had changed over the past year, 21 percent of respondents cited tighter credit standards, while 15 percent reported easier credit. When those firms reporting tighter credit over the past three months were asked to identify its effects on their behavior, respondents mentioned a number of effects, but reduced capital investment was cited a bit more often than the others, and a few respondents also mentioned delays

in paying vendors and suppliers and workforce reductions.

Firms reported fairly widespread increases in borrowing costs, on balance, over the past three months: 33 percent of respondents noted rising costs, while just 3 percent noted declining costs. Still, a large majority (65 percent) of respondents reported no change. When asked about recent changes in limits (ceilings) on existing lines of credit, more than 15 percent of those surveyed reported lower ceilings, while 9 percent reported higher ceilings. ■

Supplemental Report, *continued*

QUESTION 1

How do your current borrowing needs compare with those one year earlier? Three months earlier? How do you expect them to change over the next twelve months?

Component	March 2011 Survey			October 2010 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Lower Now	Same	Higher Now	Lower Now	Same	Higher Now
Now compared with twelve months earlier	19.7	60.5	19.7	24.1	58.6	17.2
Now compared with three months earlier	8.1	78.4	13.5	8.8	80.7	10.5
Twelve months from now versus now	10.7	64.0	25.3	n.a.	n.a.	n.a.

QUESTION 2

How has credit availability changed over the past twelve months? Past three months? How do you expect it to change over the next twelve months?

	March 2011 Survey			October 2010 Survey		
	Percentage of Firms Responding . . .			Percentage of Firms Responding . . .		
	Easier	Same	Tighter	Easier	Same	Tighter
Over the past three months	9.2	76.3	14.5	11.9	72.9	15.3
Over the past twelve months	14.7	64.0	21.3	5.1	81.4	13.6
Over the next twelve months	20.0	66.7	13.3	n.a.	n.a.	n.a.

QUESTION 3

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

	March 2011	October 2010	March 2010
Percentage of Firms Responding . . .			
Much easier now	0.0	0.0	1.3
Somewhat easier now	5.3	6.7	8.0
Same	73.3	75.0	61.3
Somewhat tighter now	17.3	13.3	17.3
Much tighter now	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?

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

Supplemental Report, *continued*

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:

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