

Markit credit conditions survey – manufacturing

Marked national variations in credit conditions

Key findings

- Demand for credit rises in European and BRIC manufacturing economies.
- Availability of credit falls and terms tighten in Europe, Brazil and Russia...
- ...but improve in China and India.
- One-in-ten firms report that a deterioration in credit has constrained business, though national variations are marked.

Overview

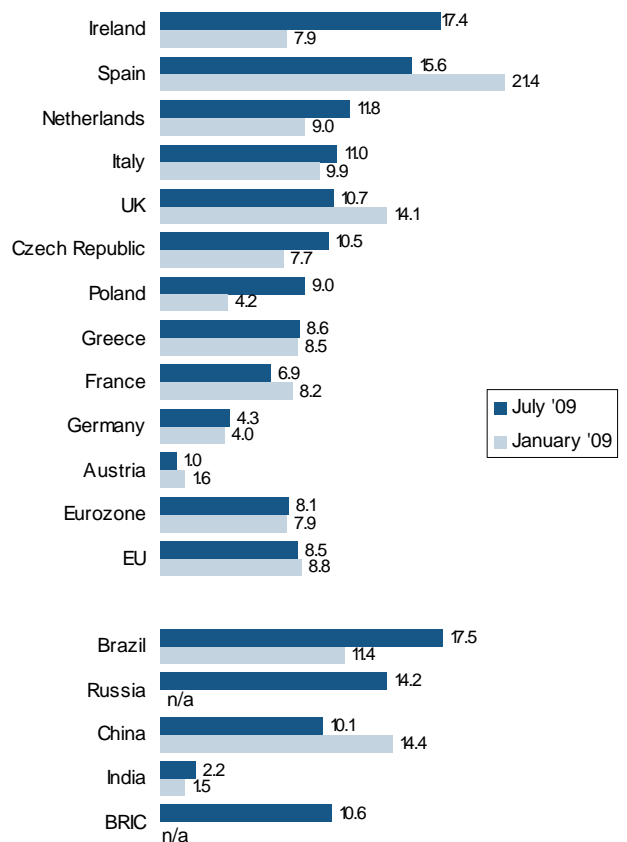
Markit's July survey of credit conditions at 3,000 companies that participate in the monthly manufacturing sector PMI surveys, conducted across 15 European and emerging market countries, found that manufacturers' need for credit rose compared to three months ago in all countries except Poland and Austria.

However, while demand rose, the availability of credit was reported to have deteriorated in most countries, with improvements only seen in China and India. Just under one-in-twelve EU companies reported that availability had deteriorated to the extent that it was constraining their businesses, rising to just over one-in-ten across the BRIC countries; suggesting no improvement on the situation seen in the January credit survey. But credit constraints again varied markedly by country, with very low incidences in India, Germany and Austria contrasting with particularly widespread constraints in Brazil, Ireland, Spain and Russia.

In addition to availability deteriorating, the terms and conditions attached to credit (including price) tightened further in the three months to July on average, although looser terms were notably reported in India and China. Russia, Eastern Europe and Spain saw the most widespread tightening of terms.

Box 1: Summary of credit constraints

% of manufacturing companies reporting that credit availability has worsened compared to three months ago and is now constraining their business



Note: Total, Eurozone, EU, and BRIC data are derived by weighting national results according to manufacturing output.

Demand for credit

The survey found that 82% of European manufacturers use credit to some degree, a figure which falls to 53% across the BRIC countries. The most prevalent use of credit was found in Spain (91%) of companies while the lowest use was seen in China (44%). See box 2.

Those companies that use credit reported that their need for credit had risen on average in the three months to July in all countries except Poland and Austria.

Across the European Union, 24% of companies reported an increased need for credit in the past three months compared to 12% reporting reduced demand. The strongest increase was seen in Greece, followed by Italy and then Spain.

Demand for credit rose at a weaker pace in the UK compared to the average for the EU, although Germany saw the smallest increase of all the major European nations.

Looking at how the situation has changed between the January and July surveys, demand for credit rose at a stronger pace in Italy and to very marginally greater extents in Greece and Germany. In all other European countries the demand for credit rose at a slower pace than seen in the January survey. Downturns in the rate of growth of demand for credit were particularly noteworthy in the UK and France.

Demand for credit rose in the three months to July at a faster rate in the BRIC countries than in the EU, though trends varied markedly between the four emerging nations. Brazil saw the largest rise in demand, while India saw the weakest (only marginal) increase.

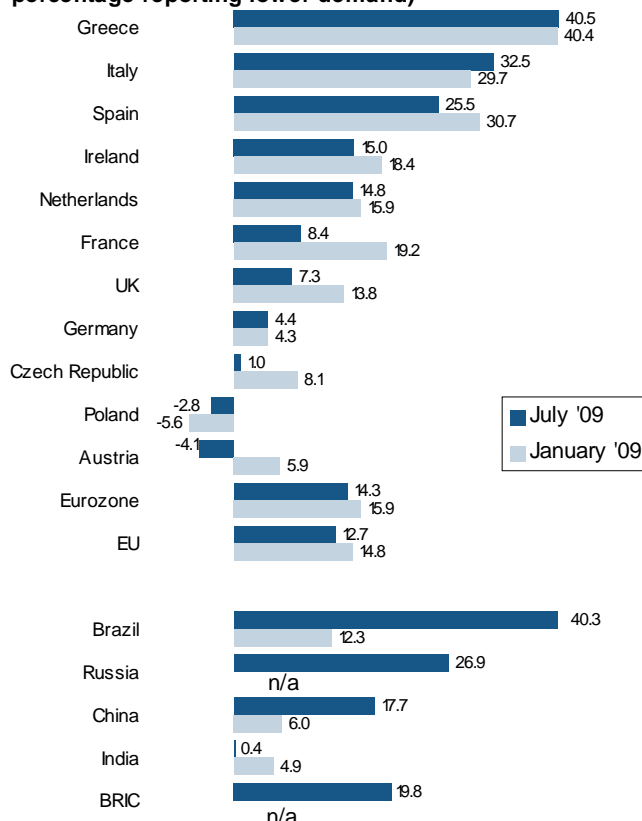
Analysing the data by company size showed that the need for credit again rose most sharply at smaller companies in the EU and Eurozone, but in the BRIC countries it was large firms that reported the strongest rise in demand on average (see appendix 1).

Box 2: Demand for credit

Companies' need for credit compared to three months ago

	% all companies surveyed that use credit			% net balance	(% of survey panel that uses credit)
	greater	unchanged	lower		
UK	15.9	75.5	8.6	7.3	85.6
Germany	16.9	70.5	12.6	4.4	75.0
Italy	41.4	49.7	8.9	32.5	88.2
France	23.8	60.8	15.4	8.4	79.4
Spain	31.6	62.2	6.1	25.5	91.6
Ireland	25.8	63.3	10.8	15.0	85.1
Austria	13.4	69.1	17.5	-4.1	74.0
Greece	50.9	38.8	10.3	40.5	89.2
Netherlands	27.7	59.4	12.9	14.8	78.7
Czech Republic	20.2	60.6	19.2	1.0	74.8
Poland	16.7	63.9	19.4	-2.8	81.8
Eurozone	26.2	61.9	11.9	14.3	81.0
EU	24.4	64.0	11.6	12.7	81.7
Brazil	43.4	53.5	3.1	40.3	71.1
Russia	37.5	51.9	10.6	26.9	56.7
India	14.7	71.0	14.3	0.4	71.0
China	26.6	64.6	8.9	17.7	43.8
BRIC	28.7	62.3	8.9	19.8	52.6

Demand for credit v. three months ago (percentage reporting higher demand minus percentage reporting lower demand)



Note: Total, Eurozone, EU, and BRIC data are derived by weighting national results according to manufacturing output.

Credit availability

The availability of credit continued to vary considerably by country (see box 3).

No EU country reported that availability had improved on average (as measured by the net balance of those companies reporting an improvement in availability over the past three months less those reporting a deterioration), although in all cases except Germany the rate of deterioration eased compared to that seen at the start of the year.

Within the EU, Greece reported by far the smallest deterioration in credit availability over the past three months. The Czech Republic, Ireland and Germany reported the steepest deteriorations.

The UK saw availability deteriorate at a broadly similar rate as the Eurozone average.

Among the BRIC countries, credit availability improved in India and China but deteriorated very sharply in Russia and Brazil.

Credit constraints

Constraints arising from a deterioration in credit availability in the three months to July ranged from widespread constraints in Ireland and Brazil to almost no constraints in Austria and India (see box 1).

Within the Eurozone, constraints developed at a slightly faster rate than at the start of the year, with 8% of companies reporting that they were constrained by a lack of available credit.

Ireland, the Netherlands and Italy – and to lesser extents Germany and Greece – all saw constraints develop at faster rates than at the start of the year. In contrast, Spain, France and Austria saw constraints develop at slower rates.

At 11%, the proportion of UK companies reporting that they were constrained by credit was above the Eurozone average of 8%, but fell compared to 14% at the start of the year.

Across the BRIC countries, 11% of firms reported that they were constrained by a lack of credit, ranging from 18% in Brazil to just 2% in India. The proportion of constrained companies fell in China from 14% in January to 10% in July.

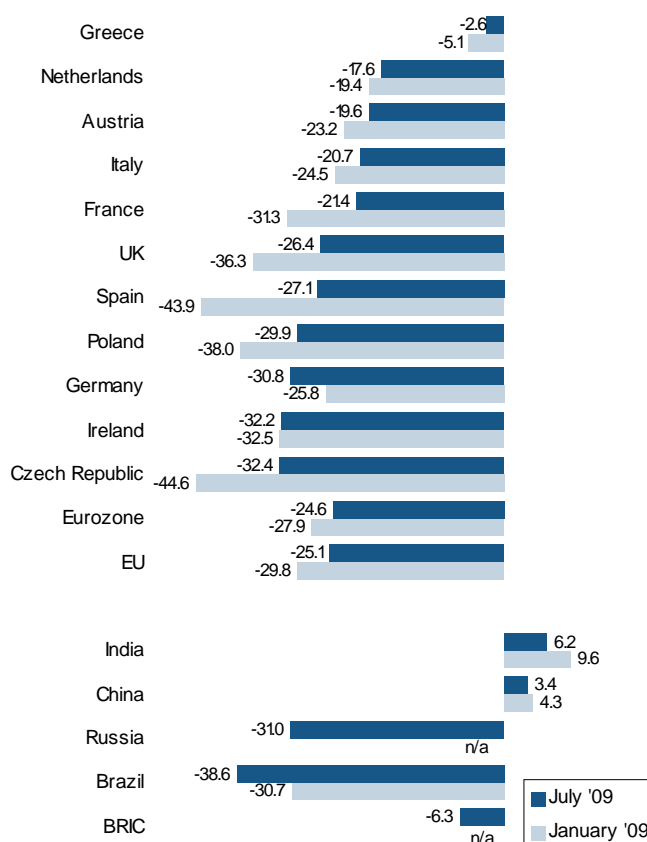
Looking at credit availability by company size (see appendix 2), the constraint on businesses from a lack of credit was more common among smaller companies.

Box 3: Availability of credit

Availability of credit compared to three months ago

	% all companies surveyed		% less available		
	% more available	% unchanged in availability	total	not yet constraining your business	constraining your business
UK	6.1	61.3	32.6	21.8	10.7
Germany	1.1	67.0	31.9	27.6	4.3
Italy	11.0	57.3	31.7	20.7	11.0
France	6.9	64.8	28.3	21.4	6.9
Spain	9.4	54.2	36.5	20.8	15.6
Ireland	7.0	53.9	39.1	21.7	17.4
Austria	2.9	74.5	22.5	21.6	1.0
Greece	17.2	62.9	19.8	11.2	8.6
Netherlands	9.8	62.7	27.5	15.7	11.8
Czech Republic	6.7	54.3	39.0	28.6	10.5
Poland	6.0	58.2	35.8	26.9	9.0
EZ	6.2	62.9	30.8	22.8	8.1
EU	6.2	62.5	31.3	22.8	8.5
Brazil	8.8	43.9	47.4	29.8	17.5
Russia	10.6	47.8	41.6	27.4	14.2
India	13.5	79.2	7.3	5.1	2.2
China	22.5	58.4	19.1	9.0	10.1
BRIC	18.0	57.7	24.3	13.6	10.6

% of manufacturing companies reporting that credit availability has improved compared to three months ago minus % reporting a deterioration



Note: Total, Eurozone, EU, and BRIC data are derived by weighting national results according to manufacturing output.

Credit terms

Credit terms generally tightened in the three months to July, calculated by the difference between the number of companies reporting a tightening of credit terms minus the proportion reporting a loosening.

Across the EU, some 32% of firms reported tighter credit terms compared to just 6% reporting an easing. At 26% the net balance was only slightly below that seen in January (28%), suggesting that the overall rate of tightening was little changed on that seen at the start of the year. However, by country, the situation varied considerably. Spain saw terms tighten to the greatest extent compared to three months ago, but Austria even saw a loosening of credit terms and German manufacturers reported only a modest tightening.

The UK saw terms tighten to a greater extent than the Eurozone average.

Among the BRIC countries, a widespread tightening of credit terms was reported in Russia and to a lesser extent Brazil, but terms loosened in both China and India.

Generally speaking, within Europe it was larger companies that saw credit terms and conditions tighten by more than small and medium-sized firms, though smaller companies reported the greatest tightening across the BRIC countries on average. However, these regional trends masked wide national variations (see net balances in appendix 3).

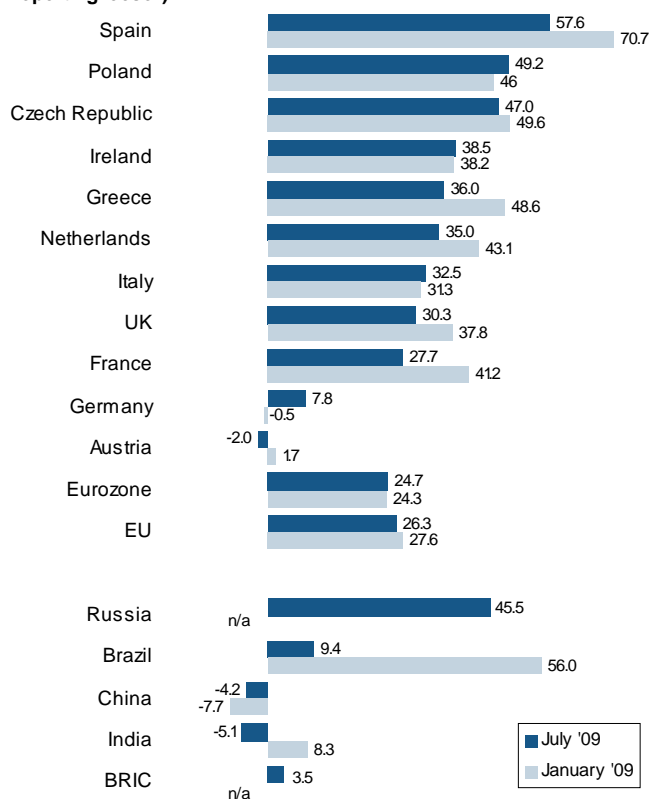
Box 4: Credit terms and conditions

Terms and conditions (including price and non-price factors) for credit available to your company compared to three months ago

% all companies surveyed

	% tighter	% unchanged	% looser	% net balance
UK	34.1	62.1	3.8	30.3
Germany	17.9	72.1	10.1	7.8
Italy	36.9	58.8	4.4	32.5
France	32.3	63.1	4.6	27.7
Spain	59.8	38.0	2.2	57.6
Ireland	41.3	56.0	2.8	38.5
Austria	15.0	68.0	17.0	-2.0
Greece	43.2	49.5	7.2	36.0
Netherlands	37.2	60.6	2.2	35.0
Czech Republic	47.0	53.0	0.0	47.0
Poland	54.0	41.3	4.8	49.2
Eurozone	31.2	62.3	6.5	24.7
EU	32.3	61.7	6.0	26.3
Brazil	42.4	24.7	32.9	9.4
Russia	50.9	43.6	5.5	45.5
India	5.8	83.3	10.9	-5.1
China	17.4	61.1	21.6	-4.2
BRIC	23.4	56.7	19.9	3.5

Terms and conditions for credit - including price - v. three months ago (percentage reporting tighter minus percentage reporting looser)



Note: Total, Eurozone, EU, and Emerging Market data are derived by weighting national results according to manufacturing output.

About the survey.

The credit conditions survey was conducted in the second half of July 2009, based on Markit's representative PMI manufacturing survey panels.

Responses were received from 3,000 companies (see box 5 for distribution of replies).

The precise questions asked were as follows:

Compared to 3 months ago, are your firm's needs for credit:

- greater
- unchanged
- less
- n/a (we do not use credit)

Compared to 3 months ago, credit for your company is:

- more available
- no change in availability
- less available but is not yet constraining your business
- less available and is constraining your business
- don't know

Compared to 3 months ago, terms and conditions (including price and non-price factors) for credit available to your company are:

- tighter
- approximately unchanged
- looser
- don't know

Box 5: Survey responses				
Number of companies				
	<u>All</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>
UK	353	162	129	62
Germany	244	47	107	90
Italy	178	88	38	52
France	180	59	57	64
Spain	214	102	77	35
Ireland	141	42	62	37
Austria	131	28	65	38
Greece	130	54	53	23
Netherlands	197	44	112	41
Czech Rep.	139	46	73	20
Poland	88	26	48	14
EZ	1415	464	571	380
EU	1995	698	821	476
Brazil	205	52	86	67
Russia	149	50	53	46
India	351	125	109	117
China	300	123	101	76
BRIC	1005	350	349	306

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Appendix 1: Need for credit by company size

	SMALL COMPANIES					MEDIUM COMPANIES					LARGE COMPANIES				
	% all companies surveyed that use credit				(%) of survey panel that uses credit)	% all companies surveyed that use credit				(%) of survey panel that uses credit)	% all companies surveyed that use credit				(%) of survey panel that uses credit)
	% greater	% unchanged	% lower	% net balance		% greater	% unchanged	% lower	% net balance		% greater	% unchanged	% lower	% net balance	
UK	15.4	57.4	9.3	+6.2	82.1	14.7	71.3	4.7	+10.1	90.7	6.5	69.4	8.1	-1.6	83.9
Germany	12.8	57.4	10.6	+2.1	80.9	13.1	52.3	12.1	+0.9	77.6	12.2	51.1	5.6	+6.7	68.9
Italy	39.8	42.0	8.0	+31.8	89.8	28.9	55.3	5.3	+23.7	89.5	36.5	38.5	9.6	+26.9	84.6
France	23.7	44.1	8.5	+15.3	76.3	22.8	49.1	17.5	+5.3	89.5	10.9	51.6	10.9	+0.0	73.4
Spain	30.4	53.9	7.8	+22.5	92.2	26.0	59.7	5.2	+20.8	90.9	31.4	60.0	0.0	+31.4	91.4
Ireland	31.0	52.4	2.4	+28.6	85.7	22.6	54.8	12.9	+9.7	90.3	10.8	54.1	10.8	+0.0	75.7
Austria	10.7	46.4	14.3	-3.6	71.4	12.3	50.8	16.9	-4.6	80.0	5.3	55.3	5.3	+0.0	65.8
Greece	42.6	31.5	13.0	+29.6	87.0	41.5	39.6	9.4	+32.1	90.6	60.9	30.4	0.0	+60.9	91.3
Netherlands	20.5	52.3	6.8	+13.6	79.5	23.2	44.6	10.7	+12.5	78.6	19.5	46.3	12.2	+7.3	78.0
Czech Republic	13.0	39.1	13.0	+0.0	65.2	15.1	50.7	13.7	+1.4	79.5	20.0	40.0	20.0	+0.0	80.0
Poland	11.5	65.4	11.5	+0.0	88.5	14.6	43.8	16.7	-2.1	75.0	14.3	57.1	21.4	-7.1	92.9
Eurozone	23.7	49.7	9.1	+14.6	82.6	21.0	52.4	11.2	+9.8	84.6	19.9	49.2	7.4	+12.5	76.4
EU	22.1	51.1	9.2	+12.8	82.5	19.8	55.0	10.4	+9.5	85.2	17.7	52.3	7.9	+9.8	77.9
Brazil	30.8	32.7	1.9	+28.8	65.4	36.0	41.9	1.2	+34.9	79.1	32.8	47.8	4.5	+28.4	85.1
Russia	22.0	22.0	6.0	+16.0	50.0	18.9	47.2	9.4	+9.4	75.5	39.1	39.1	6.5	+32.6	84.8
India	9.6	49.6	12.0	-2.4	71.2	10.1	52.3	15.6	-5.5	78.0	14.5	63.2	6.0	+8.5	83.8
China	16.3	37.4	7.3	+8.9	61.0	15.8	46.5	5.0	+10.9	67.3	19.7	40.8	3.9	+15.8	64.5
BRIC	18.1	36.5	7.0	+11.2	61.6	18.3	46.7	6.3	+12.0	71.3	23.2	44.4	4.6	+18.6	72.3

Appendix 2: Availability of credit by company size*

	SMALL COMPANIES					MEDIUM COMPANIES					LARGE COMPANIES				
	% more available	% unchanged in availability	% less available			% more available	% unchanged in availability	% less available			% more available	% unchanged in availability	% less available		
			total less available	constraining your business	not yet constraining your business			total less available	constraining your business	not yet constraining your business			total less available	constraining your business	not yet constraining your business
UK	3.1	46.3	23.5	13.6	9.9	3.9	45.0	26.4	19.4	7.0	9.7	43.5	21.0	16.1	4.8
Germany	2.1	48.9	23.4	21.3	2.1	0.9	58.9	20.6	17.8	2.8	0.0	42.2	28.9	24.4	4.4
Italy	13.6	53.4	26.1	13.6	12.5	0.0	63.2	26.3	21.1	5.3	11.5	44.2	36.5	26.9	9.6
France	5.1	49.2	30.5	20.3	10.2	5.3	56.1	24.6	17.5	7.0	6.3	51.6	14.1	14.1	0.0
Spain	6.9	52.9	33.3	21.6	11.8	13.0	39.0	31.2	15.6	15.6	2.9	57.1	34.3	17.1	17.1
Ireland	2.4	45.2	35.7	16.7	19.0	8.1	40.3	35.5	21.0	14.5	5.4	48.6	21.6	13.5	8.1
Austria	0.0	53.6	17.9	14.3	3.6	3.1	58.5	21.5	21.5	0.0	2.6	60.5	10.5	10.5	0.0
Greece	16.7	48.1	18.5	13.0	5.6	11.3	66.0	17.0	7.5	9.4	21.7	52.2	17.4	8.7	8.7
Netherlands	6.8	45.5	22.7	6.8	15.9	5.4	49.1	23.2	15.2	8.0	14.6	51.2	14.6	9.8	4.9
Czech Republic	2.2	37.0	30.4	15.2	15.2	6.8	41.1	28.8	23.3	5.5	5.0	50.0	30.0	30.0	0.0
Poland	7.7	50.0	19.2	15.4	3.8	4.2	37.5	33.3	22.9	10.4	0.0	57.1	21.4	21.4	0.0
Eurozone	6.1	50.2	26.4	18.1	8.3	3.6	56.3	24.1	18.1	6.1	5.5	47.8	25.9	20.1	5.9
EU	5.6	49.5	25.9	17.4	8.5	3.7	54.0	24.7	18.4	6.3	6.0	47.4	25.1	19.6	5.5
Brazil	23.1	30.8	32.7	21.2	11.5	34.9	23.3	23.3	11.6	11.6	37.3	20.9	25.4	19.4	6.0
Russia	8.0	32.0	28.0	16.0	12.0	7.5	34.0	34.0	22.6	11.3	8.7	43.5	32.6	23.9	8.7
India	8.0	57.6	6.4	4.0	2.4	7.3	64.2	6.4	4.6	1.8	16.2	64.1	4.3	3.4	0.9
China	12.2	33.3	13.0	4.1	8.9	9.9	41.6	8.9	5.9	3.0	19.7	27.6	11.8	6.6	5.3
BRIC	12.7	35.9	16.7	7.9	8.8	12.8	41.0	13.6	8.6	5.0	20.5	33.2	15.3	10.1	5.2

Appendix 3: Credit terms and conditions (v. three months ago) by company size*

	SMALL COMPANIES				MEDIUM COMPANIES				LARGE COMPANIES			
	% tighter	% unchanged	% looser	% net balance	% tighter	% unchanged	% looser	% net balance	% tighter	% unchanged	% looser	% net balance
UK	23.5	47.5	1.9	+27.2	26.4	46.5	3.1	+24.0	27.4	40.3	4.8	+27.4
Germany	8.5	59.6	10.6	+21.3	9.3	55.1	10.3	+25.2	20.0	46.7	2.2	+31.1
Italy	29.5	59.1	3.4	+8.0	36.8	47.4	0.0	+15.8	36.5	46.2	7.7	+9.6
France	28.8	44.1	3.4	+23.7	24.6	45.6	5.3	+24.6	17.2	46.9	1.6	+34.4
Spain	55.9	28.4	2.0	+13.7	50.6	29.9	1.3	+18.2	40.0	51.4	2.9	+5.7
Ireland	40.5	42.9	0.0	+16.7	29.0	43.5	3.2	+24.2	27.0	43.2	2.7	+27.0
Austria	14.3	46.4	7.1	+32.1	15.4	50.8	18.5	+15.4	2.6	57.9	7.9	+31.6
Greece	29.6	44.4	5.6	+20.4	43.4	39.6	7.5	+9.4	39.1	43.5	4.3	+13.0
Netherlands	29.5	29.5	0.0	+40.9	25.0	42.0	1.8	+31.3	24.4	56.1	2.4	+17.1
Czech Republic	28.3	37.0	0.0	+34.8	32.9	39.7	0.0	+27.4	50.0	35.0	0.0	+15.0
Poland	15.4	50.0	7.7	+26.9	47.9	20.8	2.1	+29.2	50.0	21.4	0.0	+28.6
Eurozone	24.6	49.9	5.6	+19.8	24.7	47.4	5.8	+22.1	24.9	48.1	3.6	+23.5
EU	24.3	49.4	5.0	+21.3	25.6	46.6	5.2	+22.6	26.1	46.2	3.7	+24.1
Brazil	32.7	23.1	28.8	+15.4	32.6	22.1	27.9	+17.4	40.3	16.4	25.4	+17.9
Russia	38.0	26.0	6.0	+30.0	35.8	32.1	1.9	+30.2	39.1	39.1	4.3	+17.4
India	4.0	61.6	6.4	+28.0	0.9	68.8	9.2	+21.1	8.5	66.7	10.3	+14.5
China	8.9	40.7	6.5	+43.9	12.9	30.7	13.9	+42.6	6.6	27.6	18.4	+47.4
BRIC	15.1	39.1	9.6	+36.2	16.9	34.5	13.8	+34.8	15.5	32.4	16.7	+35.5

* percentages relate to companies that use credit.

EZ, EZ and BRIC data are derived by weighting national results according to manufacturing output.