

# Markit credit conditions survey – manufacturing

## Credit availability constraining one-in-ten manufacturers

### Key findings

- Demand for credit at manufacturers rises in most European and key emerging market countries.
- Availability of credit falls, but impact on business varied markedly by country.
- Just one-in-ten firms report that a lack of credit is constraining business.
- Credit terms tighten, though China and Germany buck the trend.

### Overview

A survey of credit conditions at 2,875 manufacturing sector PMI respondents in January, conducted by Markit across fourteen European and emerging market countries, found that manufacturers' need for credit has risen in almost all European countries, including the UK and all Eurozone countries, as well as in India, Brazil and China, compared to three months ago.

Unsurprisingly, few companies (especially in Europe) report that credit availability has improved. Across all countries, only one-in-ten companies reported an improvement in credit availability compared to three months ago, while almost one-in-three reported a deterioration. However, only one-in-ten companies reported that availability had deteriorated to the extent that it was constraining their businesses. The situation varied markedly by country, however.

On average, just under one-in-three companies reported that the terms and conditions attached to credit (including price) had tightened, but national variations were striking. China and Germany even reported a net loosening of credit terms compared to three months ago.

### Demand for credit

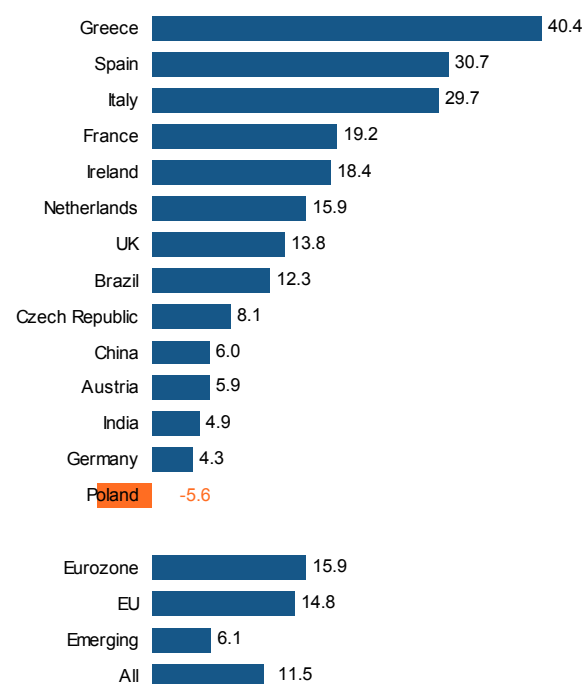
The survey found that a little over three-quarters of all manufacturers used credit, with use somewhat more common in Europe than emerging markets. Brazilian

#### Box 1: Demand for credit

##### Companies' need for credit compared to three months ago

	% all companies surveyed that use credit				(% of respondents that use credit)
	% greater	% unchanged	% less	% net balance	
UK	19.9	73.9	6.2	13.8	(85.4)
Germany	15.4	73.4	11.2	4.3	(72.3)
Italy	37.2	55.4	7.4	29.7	(95.5)
France	28.8	61.6	9.6	19.2	(80.2)
Spain	35.6	59.4	5.0	30.7	(91.0)
Ireland	23.7	71.1	5.3	18.4	(87.0)
Austria	16.9	72.0	11.0	5.9	(77.1)
Greece	51.8	36.8	11.4	40.4	(91.9)
Netherlands	22.0	72.0	6.1	15.9	(72.1)
Czech Republic	23.4	61.3	15.3	8.1	(72.9)
Poland	9.7	75.0	15.3	-5.6	(79.1)
Brazil	30.7	50.9	18.4	12.3	(42.4)
India	13.2	78.5	8.3	4.9	(86.9)
China	27.1	51.8	21.1	6.0	(71.7)
<b>Eurozone</b>	<b>25.0</b>	<b>65.8</b>	<b>9.1</b>	<b>15.9</b>	<b>(82.4)</b>
<b>EU</b>	<b>23.7</b>	<b>67.4</b>	<b>8.9</b>	<b>14.8</b>	<b>(81.9)</b>
<b>Emerging</b>	<b>25.3</b>	<b>55.6</b>	<b>19.1</b>	<b>6.1</b>	<b>(69.6)</b>
<b>All</b>	<b>24.6</b>	<b>62.2</b>	<b>13.2</b>	<b>11.5</b>	<b>(77.7)</b>

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



Note: Total, Eurozone, EU, and Emerging Market data are derived by weighting national results according to manufacturing output. Czech and Polish data are included in both EU and Emerging Market calculations.

companies reported the lowest use of credit, Italian manufacturers the highest.

The survey also found that demand for credit is on a rising trend in almost all countries (see box 1), derived from the net balance of those reporting an increased need for credit minus those reporting a reduced need. This is possibly a reflection of the need to supplement weakened cash-flow in recent months.

On average, around one-in-four manufacturers in the EU and Eurozone reported that their need for credit was greater than three months ago compared to just 9% reporting lower demand. Greece, Spain and Italy reported the strongest growth in demand for credit. In contrast, only very modest growth in demand for credit was recorded in Germany, Austria, India and China, while falling demand was evident in Poland.

Looking at trends by company size, the need for credit rose most at medium-sized firms in the EU and Eurozone and least at large companies (see appendix 1). A similar pattern was evident at firms in emerging markets.

### Credit availability

As far as manufacturing is concerned, the impact of the financial sector credit crisis on the availability of credit is varying considerably by country (see box 2).

Suffering the greatest squeeze is Spain, where some 46% of manufacturers noted that credit availability had deteriorated on three months ago, with over one-in-five (21%) reporting that availability had worsened to the extent that it was constraining their business.

At the other end of the scale, a net overall improvement in credit availability was seen in India and China (with the number of companies reporting an improvement in credit exceeding the number reporting a deterioration in both cases). However, credit availability was nevertheless reported to have been acting as a constraint at 14% of Chinese manufacturers – the second-highest proportion of all countries surveyed – though less than 2% reported that availability was acting as a constraint in India.

In the Eurozone, just under one-in-three manufacturers reported that credit availability had worsened compared to three months ago, but only 8% considered it to be constraining their business. However, this masked wide variations by euro member countries.

Compared to the one-in-five Spanish companies that reported being constrained by a lack of credit finance,

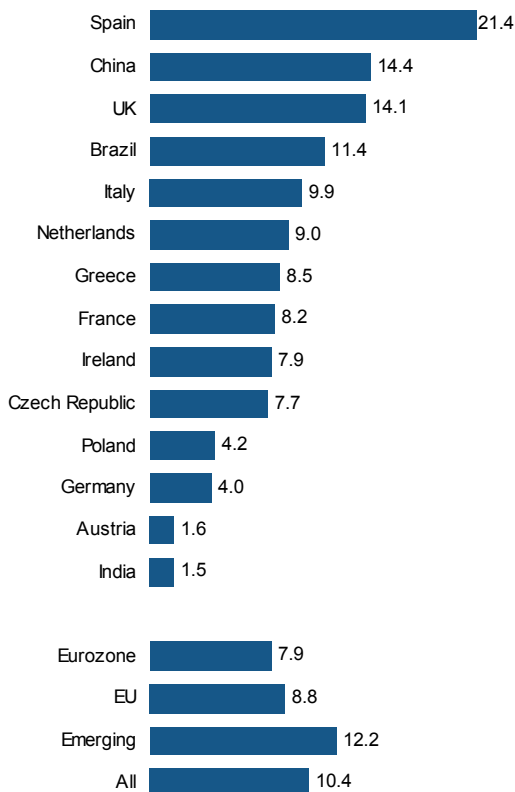
### Box 2: Credit availability

#### Availability of credit compared to three months ago

% all companies surveyed that use credit

	% more available	% unchanged in availability	% less available		
			total	not yet constraining your business	constraining your business
UK	2.7	58.2	39.1	25.0	14.1
Germany	2.5	69.2	28.3	24.2	4.0
Italy	4.6	66.2	29.1	19.2	9.9
France	3.7	61.2	35.1	26.9	8.2
Spain	2.6	51.0	46.4	25.0	21.4
Ireland	4.4	58.8	36.8	28.9	7.9
Austria	1.6	73.6	24.8	23.2	1.6
Greece	11.9	71.2	16.9	8.5	8.5
Netherlands	6.9	66.7	26.4	17.4	9.0
Czech Republic	2.3	50.8	46.9	39.2	7.7
Poland	2.8	56.3	40.8	36.6	4.2
Brazil	8.8	51.8	39.5	28.1	11.4
India	19.9	69.7	10.3	8.8	1.5
China	31.7	40.9	27.4	13.0	14.4
<b>Eurozone</b>	<b>3.5</b>	<b>65.1</b>	<b>31.4</b>	<b>23.4</b>	<b>7.9</b>
<b>EU</b>	<b>3.4</b>	<b>63.5</b>	<b>33.2</b>	<b>24.3</b>	<b>8.8</b>
<b>Emerging</b>	<b>26.1</b>	<b>45.9</b>	<b>28.0</b>	<b>15.8</b>	<b>12.2</b>
<b>All</b>	<b>13.2</b>	<b>56.1</b>	<b>30.7</b>	<b>20.3</b>	<b>10.4</b>

% 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 Emerging Market data are derived by weighting national results according to manufacturing output.

Czech and Polish data are included in both EU and Emerging Market calculations.

just 2% of manufacturers in Austria and 4% in Germany reported that their businesses had been constrained. Credit problems were more serious in France and Italy, where just under one-in-ten firms reported a credit-related constraint in both cases.

The issue of credit was more serious in the UK than the Eurozone, with 39% of companies seeing a deterioration in availability and 14% reporting that credit limitations were constraining their businesses.

Looking at credit availability by company size (see appendix 2), the constraint on businesses from a lack of credit was broadly similar for small, medium and large companies, though smaller firms saw a slightly greater incidence of credit affecting their businesses.

### Credit terms

Credit terms generally tightened in the three months to January, calculated by the difference between the number of companies reporting a tightening of credit terms minus the proportion reporting a loosening. Some 32% of firms reported tighter credit terms compared to just 15% that reported an easing. The tightening was more evident in Europe than in emerging markets, but again trends varied substantially by country.

Chinese firms even reported that credit terms, including price, had actually become looser compared to three months ago on average. The only other country to see any such improvement in credit terms was Germany, albeit to a lesser extent than China.

In addition to seeing the most widespread constraints from a shortage of credit, Spanish manufacturers also reported the most widespread tightening of terms and conditions linked to the supply of credit (a striking 72% of Spanish respondents reported a tightening of credit terms against just 1% reporting an easing), followed by firms in Brazil.

UK manufacturers, meanwhile, reported that credit terms had tightened to a greater extent than the average reported in the both the EU and Eurozone.

Generally speaking, large companies appear to have seen credit terms and conditions tighten by more than small and medium-sized firms (see net balances in appendix 3).

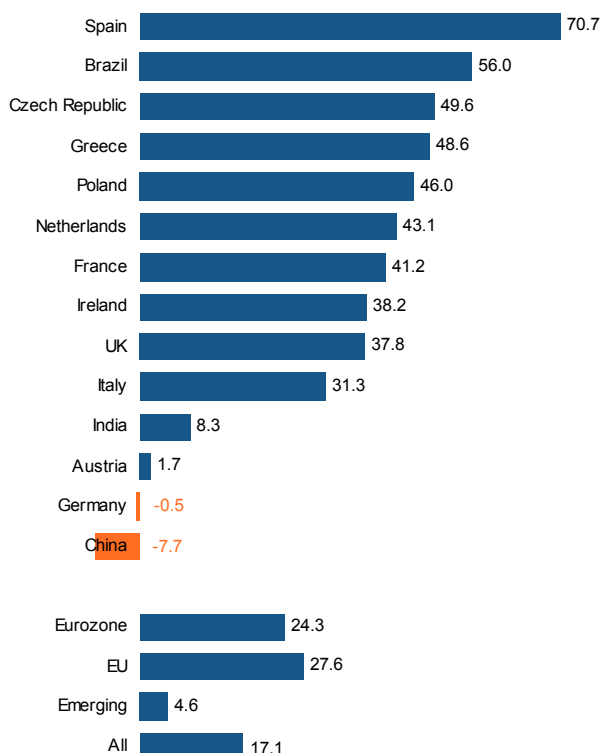
### Box 3: Credit terms and conditions

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

% all companies surveyed that use credit

	% tighter	% unchanged	% looser	% net balance
UK	41.0	55.8	3.2	37.8
Germany	18.3	62.8	18.8	-0.5
Italy	35.4	60.5	4.1	31.3
France	43.7	53.8	2.5	41.2
Spain	71.8	27.1	1.1	70.7
Ireland	40.9	56.4	2.7	38.2
Austria	24.6	52.5	22.9	1.7
Greece	52.3	44.1	3.6	48.6
Netherlands	43.8	55.4	0.8	43.1
Czech Republic	51.2	47.1	1.7	49.6
Poland	50.8	44.4	4.8	46.0
Brazil	60.6	34.9	4.6	56.0
India	15.4	77.5	7.1	8.3
China	21.9	48.6	29.5	-7.7
<b>Eurozone</b>	<b>34.1</b>	<b>56.0</b>	<b>9.9</b>	<b>24.3</b>
<b>EU</b>	<b>36.1</b>	<b>55.5</b>	<b>8.5</b>	<b>27.6</b>
<b>Emerging</b>	<b>27.4</b>	<b>49.8</b>	<b>22.8</b>	<b>4.6</b>
<b>All</b>	<b>31.9</b>	<b>53.3</b>	<b>14.8</b>	<b>17.1</b>

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.

Czech and Polish data are included in both EU and Emerging Market calculations.

### About the survey.

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

Responses were received from 2,875 companies (see box 4 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 4: Survey responses

#### Number of companies

	All	Small	Medium	Large
UK	325	153	120	52
Germany	260	58	103	99
Italy	155	77	33	45
France	182	49	66	67
Spain	222	96	89	37
Ireland	132	39	58	35
Austria	153	37	72	44
Greece	124	51	42	31
Netherlands	183	44	101	38
Czech Repub	170	44	101	25
Poland	91	29	47	15
Brazil	269	85	108	76
India	305	112	88	105
China	304	126	107	71
<b>Eurozone</b>	<b>1,411</b>	<b>451</b>	<b>564</b>	<b>396</b>
<b>EU*</b>	<b>1,997</b>	<b>677</b>	<b>832</b>	<b>488</b>
<b>Emerging*</b>	<b>1,139</b>	<b>396</b>	<b>451</b>	<b>292</b>
<b>All</b>	<b>2,875</b>	<b>1000</b>	<b>1135</b>	<b>740</b>

\* Czech and Polish companies are included in both EU and Emerging groups.

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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 respondents that use credit)	% all companies surveyed that use credit				(%) of respondents that use credit)	% all companies surveyed that use credit				(%) of respondents that use credit)
	% greater	% unchanged	% less	% net balance		% greater	% unchanged	% less	% net balance		% greater	% unchanged	% less	% net balance	
UK	23.3	68.2	8.5	14.7	84.3	20.8	77.2	2.0	18.8	84.2	10.4	81.3	8.3	2.1	92.3
Germany	11.6	72.1	16.3	-4.7	74.1	16.7	75.6	7.7	9.0	75.7	16.4	71.6	11.9	4.5	67.7
Italy	44.6	45.9	9.5	35.1	96.1	39.4	60.6	0.0	39.4	100.0	22.0	68.3	9.8	12.2	91.1
France	36.8	50.0	13.2	23.7	77.6	23.2	69.6	7.1	16.1	84.8	28.8	61.5	9.6	19.2	77.6
Spain	35.2	59.1	5.7	29.5	91.7	41.8	53.2	5.1	36.7	88.8	22.9	74.3	2.9	20.0	94.6
Ireland	27.8	63.9	8.3	19.4	92.3	20.8	75.5	3.8	17.0	91.4	23.1	73.1	3.8	19.2	74.3
Austria	18.5	77.8	3.7	14.8	73.0	16.7	68.5	14.8	1.9	75.0	16.2	73.0	10.8	5.4	84.1
Greece	37.8	46.7	15.6	22.2	88.2	50.0	38.1	11.9	38.1	100.0	77.8	18.5	3.7	74.1	87.1
Netherlands	35.5	61.3	3.2	32.3	70.5	20.0	74.7	5.3	14.7	74.3	11.5	76.9	11.5	0.0	68.4
Czech Republic	12.0	68.0	20.0	-8.0	56.8	29.9	61.0	9.1	20.8	76.2	13.6	54.5	31.8	-18.2	88.0
Poland	18.2	63.6	18.2	0.0	75.9	5.1	84.6	10.3	-5.1	83.0	9.1	63.6	27.3	-18.2	73.3
Brazil	34.9	53.5	11.6	23.3	50.6	34.1	48.8	17.1	17.1	38.0	20.0	50.0	30.0	-10.0	39.5
India	11.8	78.5	9.7	2.2	83.0	12.8	78.2	9.0	3.8	88.6	14.9	78.7	6.4	8.5	89.5
China	24.1	51.9	24.1	0.0	62.7	31.4	50.0	18.6	12.8	80.4	24.5	54.7	20.8	3.8	74.6
<b>Eurozone</b>	<b>27.0</b>	<b>61.0</b>	<b>12.0</b>	<b>15.0</b>	<b>81.0</b>	<b>25.2</b>	<b>68.7</b>	<b>6.0</b>	<b>19.2</b>	<b>83.9</b>	<b>21.2</b>	<b>69.0</b>	<b>9.8</b>	<b>11.4</b>	<b>77.5</b>
<b>EU</b>	<b>25.9</b>	<b>62.3</b>	<b>11.8</b>	<b>14.1</b>	<b>81.0</b>	<b>24.0</b>	<b>70.5</b>	<b>5.5</b>	<b>18.5</b>	<b>83.8</b>	<b>19.0</b>	<b>70.6</b>	<b>10.4</b>	<b>8.5</b>	<b>80.0</b>
<b>Emerging</b>	<b>23.5</b>	<b>55.6</b>	<b>20.9</b>	<b>2.7</b>	<b>63.8</b>	<b>28.7</b>	<b>54.4</b>	<b>16.9</b>	<b>11.8</b>	<b>76.5</b>	<b>22.2</b>	<b>57.0</b>	<b>20.8</b>	<b>1.3</b>	<b>72.4</b>
<b>All</b>	<b>25.1</b>	<b>59.4</b>	<b>15.5</b>	<b>9.6</b>	<b>73.9</b>	<b>26.3</b>	<b>63.4</b>	<b>10.3</b>	<b>16.0</b>	<b>80.7</b>	<b>20.6</b>	<b>65.0</b>	<b>14.4</b>	<b>6.2</b>	<b>76.8</b>

## Appendix 2: Availability of credit by company size\*

	SMALL COMPANIES					MEDIUM COMPANIES					LARGE COMPANIES				
	% more available	% unchanged availability	% less available			% more available	% unchanged availability	% less available			% more available	% unchanged availability	% less available		
			total less available	not yet constraining your business	constraining your business			total less available	not yet constraining your business	constraining your business			total less available	not yet constraining your business	constraining your business
UK	3.3	64.2	32.5	15.4	17.1	1.1	54.3	44.7	34.0	10.6	4.9	48.8	46.3	31.7	14.6
Germany	6.4	76.6	17.0	10.6	6.4	0.0	69.9	30.1	26.5	3.6	2.9	63.2	33.8	30.9	2.9
Italy	2.7	68.0	29.3	21.3	8.0	6.1	69.7	24.2	12.1	12.1	7.0	60.5	32.6	20.9	11.6
France	5.3	52.6	42.1	34.2	7.9	1.9	63.0	35.2	27.8	7.4	4.8	66.7	28.6	19.0	9.5
Spain	1.2	53.0	45.8	27.7	18.1	3.8	43.8	52.5	25.0	27.5	3.0	63.6	33.3	18.2	15.2
Ireland	2.9	55.9	41.2	32.4	8.8	5.7	58.5	35.8	30.2	5.7	3.6	64.3	32.1	21.4	10.7
Austria	0.0	69.0	31.0	24.1	6.9	1.8	71.4	26.8	26.8	0.0	2.5	80.0	17.5	17.5	0.0
Greece	15.2	67.4	17.4	10.9	6.5	9.5	71.4	19.0	11.9	7.1	10.0	76.7	13.3	0.0	13.3
Netherlands	21.2	60.6	18.2	12.1	6.1	2.4	68.7	28.9	18.1	10.8	3.6	67.9	28.6	21.4	7.1
Czech Republic	0.0	58.1	41.9	38.7	3.2	3.8	43.6	52.6	42.3	10.3	0.0	66.7	33.3	28.6	4.8
Poland	8.7	65.2	26.1	21.7	4.3	0.0	56.4	43.6	38.5	5.1	0.0	33.3	66.7	66.7	0.0
Brazil	11.6	48.8	39.5	27.9	11.6	12.2	56.1	31.7	22.0	9.8	0.0	50.0	50.0	36.7	13.3
India	16.7	72.2	11.1	8.9	2.2	22.1	63.6	14.3	13.0	1.3	21.3	72.3	6.4	5.3	1.1
China	23.4	49.4	27.3	11.7	15.6	31.7	36.6	31.7	15.9	15.9	44.9	34.7	20.4	10.2	10.2
<b>Eurozone</b>	<b>5.5</b>	<b>66.3</b>	<b>28.1</b>	<b>19.9</b>	<b>8.2</b>	<b>2.3</b>	<b>65.6</b>	<b>32.0</b>	<b>23.5</b>	<b>8.6</b>	<b>4.2</b>	<b>64.5</b>	<b>31.3</b>	<b>23.9</b>	<b>7.4</b>
<b>EU</b>	<b>5.2</b>	<b>65.8</b>	<b>29.0</b>	<b>19.5</b>	<b>9.5</b>	<b>2.1</b>	<b>63.1</b>	<b>34.8</b>	<b>26.0</b>	<b>8.8</b>	<b>4.1</b>	<b>61.0</b>	<b>34.9</b>	<b>26.5</b>	<b>8.4</b>
<b>Emerging</b>	<b>20.3</b>	<b>52.5</b>	<b>27.3</b>	<b>14.2</b>	<b>13.1</b>	<b>26.6</b>	<b>42.5</b>	<b>30.9</b>	<b>17.7</b>	<b>13.1</b>	<b>34.6</b>	<b>40.9</b>	<b>24.5</b>	<b>15.4</b>	<b>9.1</b>
<b>All</b>	<b>11.7</b>	<b>60.1</b>	<b>28.2</b>	<b>17.0</b>	<b>11.2</b>	<b>12.7</b>	<b>54.5</b>	<b>32.8</b>	<b>22.0</b>	<b>10.7</b>	<b>17.4</b>	<b>52.7</b>	<b>29.9</b>	<b>21.0</b>	<b>8.9</b>

## 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
Germany	12.5	66.7	20.8	-8.3	17.1	59.2	23.7	-6.6	23.9	64.2	11.9	11.9
Italy	33.3	58.3	8.3	25.0	39.4	60.6	0.0	39.4	35.7	64.3	0.0	35.7
France	52.9	44.1	2.9	50.0	43.8	52.1	4.2	39.6	35.1	64.9	0.0	35.1
Spain	72.5	26.3	1.3	71.3	73.7	25.0	1.3	72.4	65.6	34.4	0.0	65.6
Ireland	35.5	61.3	3.2	32.3	46.2	50.0	3.8	42.3	39.3	60.7	0.0	39.3
Austria	31.0	48.3	20.7	10.3	24.5	49.1	26.4	-1.9	19.4	61.1	19.4	0.0
Greece	47.7	47.7	4.5	43.2	51.3	43.6	5.1	46.2	60.7	39.3	0.0	60.7
Netherlands	41.9	54.8	3.2	38.7	45.1	54.9	0.0	45.1	42.9	57.1	0.0	42.9
Czech Republic	46.4	53.6	0.0	46.4	54.1	43.2	2.7	51.4	47.4	52.6	0.0	47.4
Poland	36.8	57.9	5.3	31.6	52.8	41.7	5.6	47.2	75.0	25.0	0.0	75.0
Brazil	64.1	30.8	5.1	59.0	57.5	40.0	2.5	55.0	60.0	33.3	6.7	53.3
India	9.1	81.8	9.1	0.0	18.6	74.3	7.1	11.4	18.9	75.8	5.3	13.7
China	17.5	57.1	25.4	-7.9	23.0	43.2	33.8	-10.8	26.1	45.7	28.3	-2.2
<b>Eurozone</b>	<b>33.2</b>	<b>55.2</b>	<b>11.6</b>	<b>21.6</b>	<b>34.8</b>	<b>53.7</b>	<b>11.5</b>	<b>23.3</b>	<b>34.0</b>	<b>60.5</b>	<b>5.5</b>	<b>28.6</b>
<b>EU</b>	<b>34.3</b>	<b>55.9</b>	<b>9.8</b>	<b>24.4</b>	<b>36.8</b>	<b>53.4</b>	<b>9.8</b>	<b>26.9</b>	<b>38.3</b>	<b>56.9</b>	<b>4.7</b>	<b>33.6</b>
<b>Emerging</b>	<b>23.3</b>	<b>56.6</b>	<b>20.1</b>	<b>3.2</b>	<b>28.3</b>	<b>46.0</b>	<b>25.7</b>	<b>2.6</b>	<b>31.6</b>	<b>46.6</b>	<b>21.7</b>	<b>9.9</b>
<b>All</b>	<b>29.4</b>	<b>56.2</b>	<b>14.4</b>	<b>14.9</b>	<b>32.7</b>	<b>50.5</b>	<b>16.8</b>	<b>15.8</b>	<b>34.7</b>	<b>53.1</b>	<b>12.2</b>	<b>22.5</b>

\* percentages relate to companies that use credit.

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