

Executive summary

CREDIT CONDITIONS CONTINUE TO IMPACT ON MAJORITY OF FIRMS

Seven in ten firms surveyed by the CBI in February 2009 have experienced deterioration in their ability to access finance since the onset of the credit crunch. However, the rate of deterioration in credit availability over the past three months is broadly similar to that reported in the last survey. The increase in the cost of existing finance and the worsening of access to trade credit insurance relative to three months ago, remain largely unchanged from January. Financial conditions are increasingly impacting on business activities. Looking ahead to the next three months, firms still expect the availability of new credit to deteriorate further, but they are less negative than they were in January.

Although the availability of finance to business has fallen further since the last survey in January, there is less expectation of deterioration in the availability of both existing and new finance over the next three months than in January.

The increase in direct costs for existing finance remains broadly similar to that reported in the previous survey. Half of all firms continue to report no change in the cost of existing credit lines, one in five saw the cost of credit fall, while one quarter reported an increase.

As in January, the most frequently cited responses to the survey's question on indirect finance costs concerned arrangement fees and the speed and administrative burden of accessing new credit.

The deterioration in the availability of trade credit insurance over the past three months is similar to January's findings.

Current financing conditions are having a growing impact on business activities, with the balances across nearly all business activities falling since the January survey.

CBI Access to Finance Survey – February 2009

Detailed results

**where appropriate figures have been recalculated to exclude not applicables*

- **Finance availability**

The availability of finance to businesses has fallen further since the last survey in January. Seven in ten of the respondents to the CBI's survey said that there was a reduction in credit availability since the onset of the credit crunch, up from 61% of the respondents to the previous survey.

There is less expectation of deterioration in the availability of both existing and new finance over the next three months than in January.

The deterioration in the ability to place corporate paper over the past three months has shown a marked slowing since January's survey.
- **Direct finance cost**

The increase in direct costs for existing finance over the past three months remains broadly similar to the previous survey. Half of all firms continue to report no change in the cost of existing credit lines, one in five saw the cost of credit fall, while one quarter reported an increase. Those firms reporting an increase in the cost of new finance over the past three months moderated from 70% in January to 57% in the latest survey. The number of respondents reporting that new credit was priced with a link to LIBOR remained close to January's findings at 73%.

Those firms reporting a fall of more than 100 basis points in the cost of new or renewed credit over the past three months rose from 4% in January to 12% in February.
- **Indirect finance costs**

Firms were asked to indicate in what ways the cost and availability of finance has changed over the last three months. As in January, the most frequently cited responses concerned arrangement fees and the speed and administrative burden of accessing new credit. Of those firms which incur a charge on their undrawn facilities, a large majority, over 70%, saw no change in the last three months, in line with the previous survey.

The balance of firms reporting deterioration in the cost of finance over the past three months was less negative than in January.

Loan terms are worsening less rapidly than reported in the last survey: a balance of -31 in January has moderated to -23 in February.
- **Trade credit insurance**

As in the previous survey, trade credit insurance was a relevant consideration for only a minority of firms (43%). The deterioration in the availability of trade credit insurance over the past three months is similar to January's findings.

More firms in February reported that the number of customers covered by insurance had fallen over the past three months.

The size of credit limits being insured has deteriorated further from that reported in January.

- **Impact on business**

Firms were asked to indicate what changes to business activity over the past three months could be attributed to current financing conditions. The balances across nearly all the business activities have fallen since the January survey, indicating a growing impact from financing conditions.

More firms have cut back on investment in training than was reported in the previous survey.

Firms reported that as a result of current financing conditions, staff hours worked over the past three months have been reduced by more than in January's survey.

Company Size Breakdown

- **SME's
(0-249 employees)**

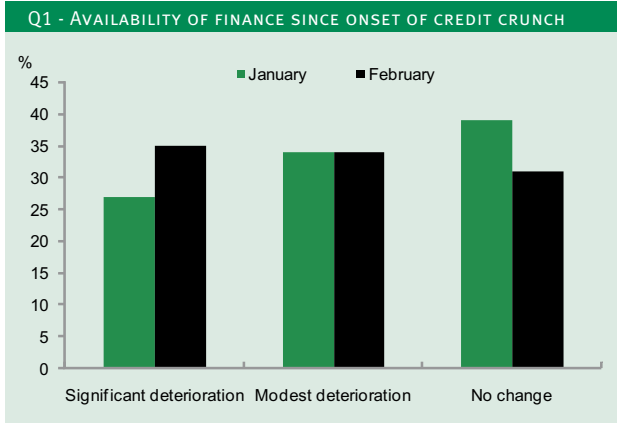
SMEs have experienced further deterioration in the availability of existing credit lines over the past three months and anticipate a further reduction over the next three months. While the impact of the availability of finance on working capital has deteriorated more rapidly than reported in January, financing for capital investment and for mergers and acquisitions is worsening at a slower rate. The proportion of firms reporting an increase in the cost of finance for new credit lines has fallen from 60% in January to 45% in the latest survey. SMEs report a steeper rate of deterioration in staff numbers and in training investment than in January, as a result of current financing conditions.
- **Large firms
(250-4999 employees)**

Large firms still expect the availability of both existing and new credit lines to deteriorate over the next three months, however their expectation is less negative than in January. Such firms have seen a rise in the use of a link to LIBOR for existing credit lines since the last survey. However, almost 20% of large firms report a fall of more than 100 basis points in the cost of new credit lines, up from 2% of such firms in January. Large firms report less of a reduction in capital investment and in output as a result of current financing conditions than in January.
- **Very large firms
(5000+ employees)**

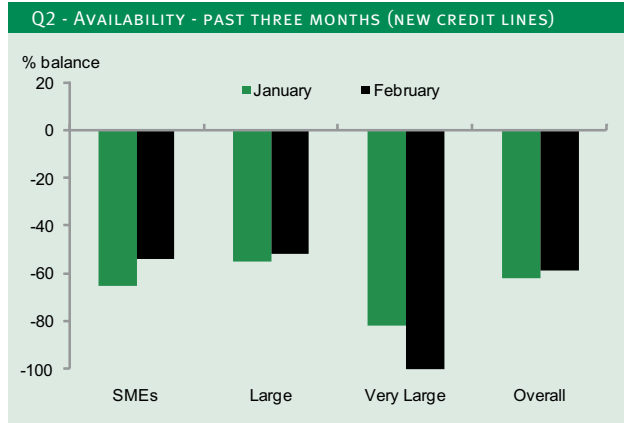
The proportion of very large firms reporting a deterioration in the availability of finance since the onset of the credit crunch is greater than in January. However, among such firms there is less expectation of deterioration in the availability of existing credit lines over the next three months than reported in January. Among the largest firms, the reductions in staff numbers, output, and investment in training over the past three months are more pronounced than in the previous survey.

CBI Access to Finance Survey – February 2009

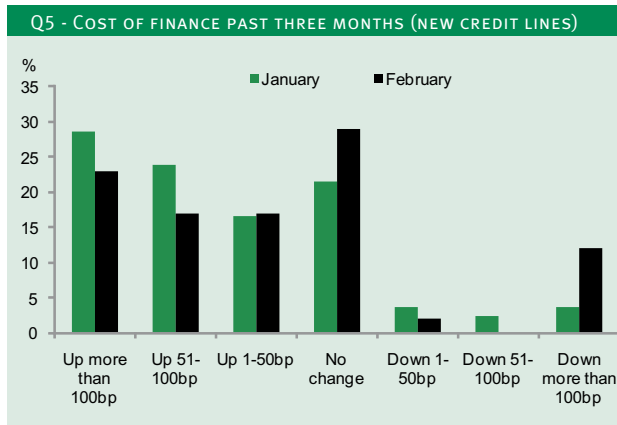
Key Charts



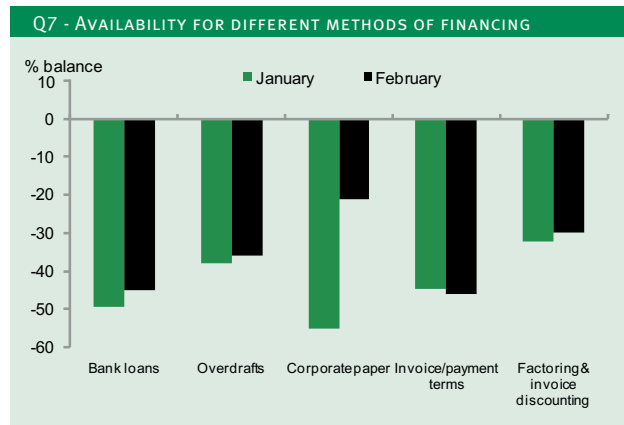
A greater proportion of firms are now reporting significant deterioration in credit availability.



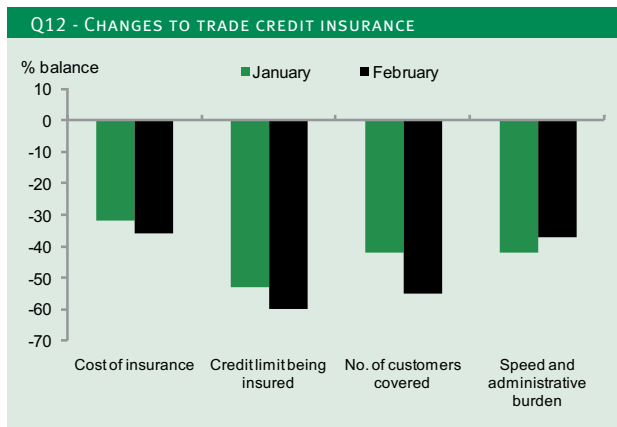
Availability of new credit deteriorated for all very large firms who sought it.



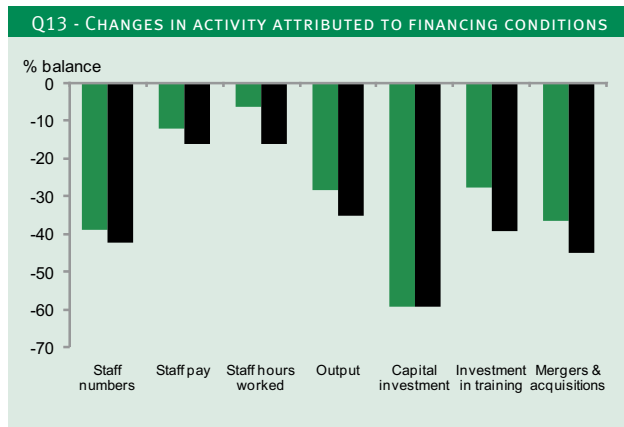
The cost of financing new credit is still rising, but increases were not quite as pronounced in the three months to February.



The ability to place corporate paper (where applicable) deteriorated at a noticeably weaker pace in this survey.



Difficulties accessing trade credit insurance are increasingly impacting on the number of customers covered.



Current financing conditions are having an increasingly negative impact on business activities.

CBI Access to Finance Survey – February 2009

Overall Results – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

AVAILABILITY OF FINANCE			2009	
			Jan	Feb
1	Change in availability since the onset of credit crunch*			
	Significant deterioration		27	35
	Modest deterioration		34	34
	No change		39	31
2	Change in availability over the past three months			
	Existing credit lines		-29	-25
	New/renewed credit lines		-62	-59
3	Expected change in availability over the next three months			
	Existing credit lines		-29	-23
	New/renewed credit lines		-58	-38
6	Impact of availability of finance on:			
	Working capital		-33	-37
	Finance for capital investment		-58	-53
	Finance for acquisition/merger		-66	-49
7	Change in availability for:			
	Bank loans		-49	-45
	Overdrafts		-38	-36
	Ability to place corporate paper		-55	-21
	Invoice/payment terms		-45	-46
	Factoring & invoice discounting		-32	-30
DIRECT FINANCE COSTS				
4	How the cost of finance is calculated*			
			Existing credit lines	
			Spread over	Spread over
			base rate	LIBOR
				Other
			New/renewed credit lines	
			Spread over	Spread over
			base rate	LIBOR
				Other
2009	Jan		46	52
	Feb		41	52
			3	7
			19	78
			19	73
			3	8
5	Change in cost of finance over past three months*			
			Existing credit lines	
			Up more	Up 51-100bp
			than 100bp	Up 1-50bp
			No change	Down 1-50bp
			Down 51-100bp	Down more
				than 100bp
2009	Jan		6	6
	Feb		5	5
			15	16
			53	53
			3	3
			4	7
			13	11
			New/renewed credit lines	
			Up more	Up 51-100bp
			than 100bp	Up 1-50bp
			No change	Down 1-50bp
			Down 51-100bp	Down more
				than 100bp
2009	Jan		29	24
	Feb		23	17
			17	17
			21	29
			4	2
			2	0
			4	12

CBI Access to Finance Survey – February 2009

Overall Results – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

INDIRECT FINANCE COSTS

8 Changes in the cost/availability of finance of:

	2009	
	Jan	Feb
Arrangement fees	-47	-42
Cost of finance	-38	-27
Loan terms e.g. covenants	-31	-23
Required security	-29	-23
Speed and administrative burden of renewing/accessing new finance	-49	-49

9 Change to lump sum fee on 'undrawn facility' over past three months *

		Up more than 1%	Up 0.5%-1%	Up less than 0.5%	No change	Down less than 0.5%	Down 0.5%-1%	Down more than 1%
2009	Jan	5	8	16	70	0	0	0
	Feb	4	11	11	71	0	0	4

10 Change to basis point spread on 'undrawn facility' over past three months*

		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	2	8	10	77	2	0	0
	Feb	3	0	16	82	0	0	0

TRADE CREDIT INSURANCE

11 Change in availability over past three months

2009
Jan Feb

-65 -61

12 How the availability of trade credit insurance has changed:

Cost of insurance	-32	-36
Credit limit being insured	-53	-60
No. of customers covered by insurance	-42	-55
Speed and administrative burden of renewing insurance	-42	-37

IMPACT ON BUSINESS

13 Changes to business activity over past three months directly attributed to current financing conditions

	2009	
	Jan	Feb
Staff numbers	-39	-42
Staff pay	-12	-16
Staff hours worked	-6	-16
Output	-28	-35
Capital investment	-59	-59
Investment in training	-27	-39
Mergers & acquisitions	-37	-45

CBI Access to Finance Survey – February 2009

SME Results (0-249 employees) – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

AVAILABILITY OF FINANCE								
		2009						
		Jan	Feb					
1	Change in availability since the onset of credit crunch*							
	Significant deterioration	35	42					
	Modest deterioration	29	29					
	No change	35	29					
2	Change in availability over the past three months							
	Existing credit lines	-36	-50					
	New/renewed credit lines	-65	-54					
3	Expected change in availability over the next three months							
	Existing credit lines	-31	-37					
	New/renewed credit lines	-58	-44					
6	Impact of availability of finance on:							
	Working capital	-42	-57					
	Finance for capital investment	-77	-69					
	Finance for acquisition/merger	-71	-54					
7	Change in availability for:							
	Bank loans	-54	-44					
	Overdrafts	-38	-38					
	Ability to place corporate paper	-67	-50					
	Invoice/payment terms	-59	-56					
	Factoring & invoice discounting	-36	-36					
DIRECT FINANCE COSTS								
4	How the cost of finance is calculated*							
		Existing credit lines			New/renewed credit lines			
		Spread over base rate	Spread over LIBOR	Other	Spread over base rate	Spread over LIBOR	Other	
2009	Jan	71	26	3	33	67	0	
	Feb	75	14	11	40	50	10	
5	Change in cost of finance over past three months*							
		Existing credit lines						
		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	7	4	18	50	4	0	18
	Feb	7	11	21	39	4	7	11
		New/renewed credit lines						
		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	24	24	12	29	6	0	6
	Feb	11	17	17	39	6	0	11

CBI Access to Finance Survey – February 2009

SME Results (0-249 employees) – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

INDIRECT FINANCE COSTS

8 Changes in the cost/availability of finance of:

	2009	
	Jan	Feb
Arrangement fees	-44	-39
Cost of finance	-30	-25
Loan terms e.g. covenants	-40	-43
Required security	-47	-36
Speed and administrative burden of renewing/accessing new finance	-63	-54

9 Change to lump sum fee on 'undrawn facility' over past three months *

		Up more than 1%	Up 0.5%-1%	Up less than 0.5%	No change	Down less than 0.5%	Down 0.5%-1%	Down more than 1%
2009	Jan	17	17	0	67	0	0	0
	Feb	0	0	22	78	0	0	0

10 Change to basis point spread on 'undrawn facility' over past three months*

		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	0	0	13	75	13	0	0
	Feb	0	0	11	89	0	0	0

TRADE CREDIT INSURANCE

	2009	
	Jan	Feb
11 Change in availability over past three months	-42	-46
12 How the availability of trade credit insurance has changed:		
Cost of insurance	-18	-41
Credit limit being insured	-32	-58
No. of customers covered by insurance	-35	-46
Speed and administrative burden of renewing insurance	-39	-25

IMPACT ON BUSINESS

13 Changes to business activity over past three months directly attributed to current financing conditions

	2009	
	Jan	Feb
Staff numbers	-24	-44
Staff pay	-9	-20
Staff hours worked	-6	-25
Output	-18	-38
Capital investment	-61	-61
Investment in training	-19	-48
Mergers & acquisitions	-54	-38

CBI Access to Finance Survey – February 2009

Large Company Results (250-4999 employees) – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

AVAILABILITY OF FINANCE

		2009	
		Jan	Feb
1 Change in availability since the onset of credit crunch*			
	Significant deterioration	17	16
	Modest deterioration	36	39
	No change	47	45
2 Change in availability over the past three months			
	Existing credit lines	-20	-13
	New/renewed credit lines	-55	-52
3 Expected change in availability over the next three months			
	Existing credit lines	-24	-10
	New/renewed credit lines	-56	-35
6 Impact of availability of finance on:			
	Working capital	-20	-18
	Finance for capital investment	-48	-45
	Finance for acquisition/merger	-53	-50
7 Change in availability for:			
	Bank loans	-37	-42
	Overdrafts	-30	-19
	Ability to place corporate paper	-50	-29
	Invoice/payment terms	-36	-35
	Factoring & invoice discounting	-29	0

DIRECT FINANCE COSTS

		Existing credit lines			New/renewed credit lines			
		Spread over base rate	Spread over LIBOR	Other	Spread over base rate	Spread over LIBOR	Other	
2009	Jan	42	54	3	11	83	7	
	Feb	21	71	7	9	82	9	
4 How the cost of finance is calculated*								
		Existing credit lines						
		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	5	3	17	54	3	5	12
	Feb	0	0	18	61	4	4	14
5 Change in cost of finance over past three months*								
		New/renewed credit lines						
		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	29	16	20	24	4	4	2
	Feb	10	24	29	19	0	0	19

CBI Access to Finance Survey – February 2009

Large Company Results (250-4999 employees) – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

INDIRECT FINANCE COSTS

8 Changes in the cost/availability of finance of:

	2009	
	Jan	Feb
Arrangement fees	-38	-34
Cost of finance	-33	-15
Loan terms e.g. covenants	-25	-12
Required security	-20	-17
Speed and administrative burden of renewing/accessing new finance	-36	-36

9 Change to lump sum fee on 'undrawn facility' over past three months *

		Up more than 1%	Up 0.5%-1%	Up less than 0.5%	No change	Down less than 0.5%	Down 0.5%-1%	Down more than 1%
2009	Jan	0	9	17	74	0	0	0
	Feb	7	21	7	57	0	0	7

10 Change to basis point spread on 'undrawn facility' over past three months*

		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	4	9	9	78	0	0	0
	Feb	6	0	25	69	0	0	0

TRADE CREDIT INSURANCE

	2009	
	Jan	Feb
11 Change in availability over past three months	-73	-73
12 How the availability of trade credit insurance has changed:		
Cost of insurance	-35	-29
Credit limit being insured	-63	-54
No. of customers covered by insurance	-46	-54
Speed and administrative burden of renewing insurance	-40	-32

IMPACT ON BUSINESS

13 Changes to business activity over past three months directly attributed to current financing conditions

	2009	
	Jan	Feb
Staff numbers	-48	-43
Staff pay	-15	-19
Staff hours worked	-15	-11
Output	-44	-33
Capital investment	-60	-48
Investment in training	-33	-25
Mergers & acquisitions	-40	-47

CBI Access to Finance Survey – February 2009

Very Large Company Results (5000+ employees) – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

AVAILABILITY OF FINANCE			ACCESS TO FINANCE RESULTS						
			2009						
			Jan	Feb					
1	Change in availability since the onset of credit crunch*								
	Significant deterioration		45	58					
	Modest deterioration		36	42					
	No change		18	0					
2	Change in availability over the past three months								
	Existing credit lines		-43	0					
	New/renewed credit lines		-82	-100					
3	Expected change in availability over the next three months								
	Existing credit lines		-30	-17					
	New/renewed credit lines		-60	-55					
6	Impact of availability of finance on:								
	Working capital		-52	-42					
	Finance for capital investment		-56	-40					
	Finance for acquisition/merger		-92	-14					
7	Change in availability for:								
	Bank loans		-82	-60					
	Overdrafts		-60	-70					
	Ability to place corporate paper		-56	0					
	Invoice/payment terms		-44	-40					
	Factoring & invoice discounting		-33	-60					
DIRECT FINANCE COSTS									
4	How the cost of finance is calculated*		Existing credit lines			New/renewed credit lines			
			Spread over	Spread over	Other	Spread over	Spread over	Other	
			base rate	LIBOR		base rate	LIBOR		
2009	Jan		10	90	0	12	88	0	
	Feb		9	91	0	0	90	10	
5	Change in cost of finance over past three months*		Existing credit lines						
			Up more	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more
			than 100bp						than 100bp
2009	Jan		10	19	5	52	0	5	10
	Feb		10	10	0	60	0	20	0
			New/renewed credit lines						
			Up more	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more
			than 100bp						than 100bp
2009	Jan		35	47	12	0	0	0	6
	Feb		86	0	0	14	0	0	0

CBI Access to Finance Survey – February 2009

Very Large Company Results (5000+ employees) – time series

Where possible figures are presented as percentage balances (improved minus deteriorated) excluding responses of 'don't know' or 'N/A'. Responses of 'significant' are given a weight of 1 (or -1) and 'modest' 0.5 (or -0.5).

*for some questions where balances could not be calculated, figures are simple percentages. These also exclude 'don't know's' and 'N/A's'.

INDIRECT FINANCE COSTS

8 Changes in the cost/availability of finance of:

	2009	
	Jan	Feb
Arrangement fees	-75	-65
Cost of finance	-67	-65
Loan terms e.g. covenants	-33	-19
Required security	-28	-14
Speed and administrative burden of renewing/accessing new finance	-68	-80

9 Change to lump sum fee on 'undrawn facility' over past three months *

		Up more than 1%	Up 0.5%-1%	Up less than 0.5%	No change	Down less than 0.5%	Down 0.5%-1%	Down more than 1%
2009	Jan	13	0	25	63	0	0	0
	Feb	0	0	0	100	0	0	0

10 Change to basis point spread on 'undrawn facility' over past three months*

		Up more than 100bp	Up 51-100bp	Up 1-50bp	No change	Down 1-50bp	Down 51-100bp	Down more than 100bp
2009	Jan	0	12	12	76	0	0	0
	Feb	0	0	13	88	0	0	0

TRADE CREDIT INSURANCE

11 Change in availability over past three months

2009
Jan Feb

-67 -100

12 How the availability of trade credit insurance has changed:

Cost of insurance	-63	-100
Credit limit being insured	-60	-83
No. of customers covered by insurance	-25	-100
Speed and administrative burden of renewing insurance	-63	-100

IMPACT ON BUSINESS

13 Changes to business activity over past three months directly attributed to current financing conditions

	2009	
	Jan	Feb
Staff numbers	-30	-45
Staff pay	-6	0
Staff hours worked	26	0
Output	0	-30
Capital investment	-50	-55
Investment in training	-21	-40
Mergers & acquisitions	-21	-43