



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Survey on the Access to Finance of Enterprises in the euro area

October 2017 to March 2018

June 2018



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# Introduction

This report presents the main results of the 18th round of the Survey on the Access to Finance of Enterprises (SAFE), which was conducted between 12 March and 20 April 2018. The survey covers the period from October 2017 to March 2018. The total euro area sample size was 11,733 enterprises, of which 10,720 (91%) had fewer than 250 employees.<sup>1</sup>

The report provides evidence of changes in the financial situation of enterprises and documents trends in the needs for and the availability of external financing. It includes results on small and medium-sized enterprises (SMEs) as well as large firms, and examines developments both at the euro area level and in individual countries.

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<sup>1</sup> See Annex 3 for details on methodological issues related to the survey structure.

# 1 Overview of the results

**For the first time since 2009, availability of skilled labour has become the dominant concern for euro area SMEs, together with the difficulty of finding customers, while access to financing was considered the least important obstacle.** As in previous editions, the 18th round of the Survey on the Access to Finance of Enterprises (SAFE) also asked entrepreneurs to indicate the most pressing problem facing their company. Availability of skilled labour has become the main issue for euro area SMEs (24%, compared to 23% in the previous survey wave), together with the difficulty of finding customers (23%, down from 24%). Access to financing, on the other hand, was considered the least important obstacle (8%, unchanged). SMEs in Greece continued to be disproportionately affected by lack of access to financing, with 21% mentioning it as their most important obstacle. At 10%, Italy represented the second largest percentage of SMEs to report access to financing as their dominant concern.

**Euro area SMEs continued to indicate improvements in their overall financial situation during the reference period, albeit at a slower pace.** In particular, a smaller net percentage<sup>2</sup> of SMEs reported a higher turnover (24%, from 27%), a finding that applied to firms regardless of size, class and country. The implied moderation in the growth of turnover was also reflected in profits, as a net percentage of 4% of euro area SMEs reported increases in profits (down from 5%). Cross-country differences in profits were strongly correlated with turnover trends.

**Euro area enterprises continued to report, on balance, rising costs amid improvements in their debt situation and higher investment.** The net percentage of SMEs indicating an increase in labour costs reached 50% (compared to 49%), while the net percentage of firms reporting an increase in other costs (i.e. material and energy) rose to 54% (up from 48%). In this round, a small net percentage of SMEs reported an increase in interest expenses (2%, from -2%), while declining leverage was signalled by fewer SMEs (-7%, from -10%). The broad-based economic expansion was reflected in the investment and hiring decisions. In net terms, 19% of SMEs reported increases in fixed investments (from 17%), 7% in inventories and working capital (from 8%) and 12% in the number of employees (from 14%).

**Demand for external financing increased over the period under review.** In net terms, euro area SMEs reported a slight increase for bank-related products (3% for bank loans, from 0%, and 7% for credit lines, from 4%) (see Table A, second column). About 11% of SMEs, on balance, reported an increased need for trade credit (from 9%), and 12% indicated a higher demand for leasing or hire-purchase (from 11%). Fixed investments and inventory and working capital remained the two most important purposes for which SMEs used their total (internal and external)

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<sup>2</sup> Net terms or net percentages are defined as the difference between the percentage of enterprises reporting that a given factor has increased and the percentage of those reporting that it has declined.

financing, with their importance increasing strongly with firm size. Moreover, a growing number of SMEs used financing to recruit and train new employees and to develop and launch new products.

**SMEs continued to indicate improvements in the availability of external sources of financing.** The net percentage of SMEs reporting an improvement in the availability of bank loans increased to 14% (from 12%) (see Table A, column six). SMEs in Spain, Portugal and Ireland perceived the availability of bank loans to have improved the most. Greece, on the other hand, continued to be the only country where SMEs indicated a net deterioration in the availability of bank loans.

**Table A**  
Latest developments in SAFE country results for SMEs

(over the preceding six months; net percentage of respondents)

	NEEDS				AVAILABILITY				FINANCING GAP		FINANCING OBSTACLES	
	bank loan		credit lines		bank loan		credit lines		17H1	17H2	17H1	17H2
	17H1	17H2	17H1	17H2	17H1	17H2	17H1	17H2				
euro area	0	3	4	7	12	14	11	11	-5	-4	8	8
BE	10	8	9	9	10	10	10	8	0	0	9	6
DE	-9	-4	-3	2	10	13	11	13	-8	-8	4	5
IE	7	0	10	13	17	18	16	16	-4	-4	11	11
GR	19	23	23	28	-3	-3	-2	2	11	14	29	25
ES	-2	-3	5	6	23	24	23	22	-10	-11	9	8
FR	9	10	12	14	7	13	1	4	2	0	8	6
IT	4	12	5	13	14	11	11	4	-4	2	8	11
NL	-6	-11	-2	-7	15	12	16	14	-8	-10	10	8
AT	-3	-6	0	0	11	10	7	11	-5	-7	7	4
PT	-10	-4	-3	2	22	19	21	18	-14	-9	11	8
SK	0	4	5	8	15	16	19	15	-6	-3	11	5
FI	-6	-8	4	6	13	13	9	11	-6	-6	4	5

Note: For the definitions of needs, see the note to Chart 11, for availability, see the note to Chart 15 and for the financing gap, see the note to Chart 17. 17H1 refers to round seventeen (April-September 2017) and 17H2 to round eighteen (October 2017-March 2018).

**SMEs perceived all macroeconomic and firm-related factors examined in the survey to positively affect the availability of external financing, with no major changes from the last survey.** The net percentage of SMEs to have reported a positive impact on the availability of external financing, as a result of the general economic outlook, remained broadly unchanged at 13%, with some variation across countries. At the same time, euro area SMEs continued to report improvements based on their firm-specific outlook (22%), capital position (21%), and credit history (20%), which was broadly unchanged when compared to the previous survey round.

**The external financing gap of SMEs remained negative at the euro area level** (see Table A, column 10). A negative financing gap indicates that the increase in the need for external financing is smaller than the improvement in the access to external financing. Only SMEs in Greece, and, to a lesser extent, in Italy reported a positive financing gap.

**The overall indicator of financing obstacles<sup>3</sup> to bank loans for SMEs remained unchanged at 8%** (see Table A, last column). While the percentages of SMEs to

<sup>3</sup> The financing obstacles indicator is the sum of the percentages of SMEs reporting rejections of loan applications, loan applications for which only a limited amount was granted, and loan applications which resulted in an offer that was rejected by the SMEs owing to borrowing costs that were too high, as well as the percentage of SMEs which did not apply for a loan for fear of rejection.

report difficulties in accessing bank loans have diminished in most countries, financing obstacles were seen to increase predominantly in Italy. In this survey round, 29% (from 27%) of SMEs applied for a bank loan. The rate of fully successful loan applications reached 76% (up from 74%), while the rejection rate declined slightly (4%, from 5%).

**On balance, SMEs reported that terms and conditions for bank financing had improved.** SMEs continued to report, on balance, a decline in interest rates (-1%), albeit much less so than in the previous wave (-5%). At the same time, 26% (from 30%) of SMEs continued to signal higher levels of other costs of financing, such as charges, fees and commissions. As for non-price terms and conditions, SMEs continued to indicate, on balance, increases in the available size (11%), maturity (2%), but also increases in collateral requirements (13%), all broadly unchanged from the previous survey round.

**The financial situation of large enterprises remained better than that of SMEs, as they continued to report marked increases in both turnover and profits.** Around 41% of large firms applied for a bank loan, with a success rate that was much higher (83%) and a rejection rate that was much lower (1%) than those of SMEs. According to the survey results, the average interest rate charged to large enterprises on credit lines was about 210 basis points lower than that paid by SMEs. Large firms therefore continued to benefit from better access to financing than SMEs.

**SMEs tend to have long-term relationships with few banks toward which they tend to concentrate their borrowing.** To emphasize the importance of the banking system for the financing decisions of firms, this survey round included some ad hoc questions on bank relationships along three dimensions: number, duration and exclusivity. The survey responses show that there is a strong negative correlation between the size of firms (and the number of banks with which firms do business) and the concentration of bank debt in the main bank.

**In sum, the survey results are consistent with a continuing economic expansion supported by favourable financing conditions. Nevertheless, in this round, SMEs in various different countries pointed to some supply-side constraints in their business activities, but also to some moderation in demand growth.**

## 2 The financial situation of SMEs in the euro area

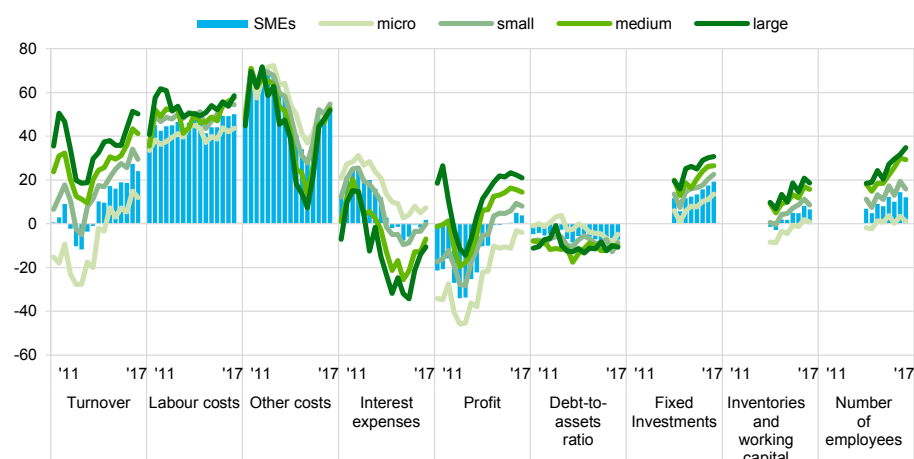
### 2.1 Slow improvement in the financial situation of euro area SMEs

In the period between October 2017 and March 2018, the financial situation of euro area SMEs was consistent with a broad-based economic expansion which continued to be supported by favourable financing conditions, with some signals, however, of moderation (see Chart 1).

**Chart 1**

Change in the income and debt situation of euro area enterprises

(over the preceding six months; net percentage of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All enterprises. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey. Note: The net percentage is the difference between the percentage of enterprises reporting an increase for a given factor and that reporting a decrease. From round eleven onwards (April-September 2014), the concept of "Net interest expenses (what you pay in interest for your debt minus what you receive in interest for your assets)" was changed to "Interest expenses (what your company pays in interest for its debt)".

**The net percentage<sup>4</sup> of euro area SMEs<sup>5</sup> reporting an increase in turnover declined (24%, from 27% during the previous survey period<sup>6</sup>), signalling some moderation in the economic expansion.** As in previous survey rounds, the net percentage of firms signalling a higher turnover increased with size. While on balance 12% (from 15%) of micro firms reported a higher turnover, the

<sup>4</sup> Net terms or net percentages are defined as the difference between the percentage of enterprises reporting that a given factor has increased and the percentage of those reporting that it has declined.

<sup>5</sup> Micro enterprises are enterprises with 1-9 employees, while small enterprises are those with 10-49 employees, medium-sized enterprises have 50-249 employees and large enterprises have more than 250 employees. SMEs comprise micro, small and medium-sized enterprises.

<sup>6</sup> The reference period for the previous survey round was April to September I2017.

corresponding share of large firms was 50% (from 51%), with small and medium-sized firms in between (29% and 41%, respectively, from 34% and 43%).

**Euro area enterprises continued to report, on balance, rising costs amid improvements in their debt situation and higher investment.** A large net percentage of euro area SMEs across all size categories continued to signal rising labour costs (50%, from 49%). On balance, micro firms (44%, from 42%) appeared less exposed to labour cost pressures than small (55%, unchanged), medium (57%, broadly unchanged), and large firms (59%, from 54%). As regards net increases in other costs, large firms (52%, from 48%) and SMEs (54%, from 48%) were affected broadly to the same extent.

**The moderation in turnover was also reflected in profits, as a net percentage of 4% of euro area SMEs reported increases in profits (from 5%).** While few micro firms continued to report declining profits (-4%, from -3%), improvements were reported by the other firm size classes, albeit with lower percentages than in the previous survey round. Notably, a smaller net percentage of small firms (8%, from 9%) and medium firms (14% from 16%) recorded increasing profits. Yet, profits continued to be strongly associated with company size, as 21% of large firms signalled an increase (from 22%).

**Euro area enterprises continued to deleverage, however less so than in the previous survey round.** In net terms, the percentage of SMEs indicating a decline in their debt-to-asset ratio declined (-7%, from -10%), with lower percentages among micro (-5% from -8%) and small firms (-9 from -13%). Among large enterprises, the net percentage signalling reductions in leverage increased slightly (-11%, from -10%).

**In this survey round, a small net percentage of SMEs reported an increase in interest expenses (2%, from -2%).** The average masks considerable heterogeneity with regard to firm size. While, on balance, 7% of micro enterprises reported an increase in interest expenses (from 5%), a sizeable percentage of large enterprises continued to indicate lower interest expenses (-11%, from -14%).

**The broad-based economic expansion was also reflected in investment and hiring decisions.** On balance, euro area SMEs continued to report rising fixed investments (19%, from 17%), inventories and working capital (7%, from 8%) and number of employees (12%, from 14%). These positive developments applied to firms of all size categories, whereas the net percentages of large firms are more than double those of SMEs along each of the three dimensions.

**The moderation in turnover developments was visible across some countries.** Among the large euro area countries, the net percentage of SMEs indicating a higher turnover was largest in Germany (34%, from 35%), followed by France (21% from 20%), Spain (20%, from 26%) and Italy (9%, from 17%, see Chart 2). Fewer SMEs reported a higher turnover, also in the other euro area countries, including Greece, where SMEs reported, on balance, an unchanged turnover since the last survey round (0%, from 5%, see Chart 1a in Annex 1).



**As in previous rounds of the survey, profit dynamics vary greatly from country to country.** Among the large euro area countries, a net percentage of SMEs in Germany (15%, unchanged) and Spain (4%, from 7%) reported increasing profits, while French (-1%, from -5%) and Italian SMEs (-14%, from -11%) signalled a decline. In all other euro area countries with the exception of Greece, fewer SMEs reported, on balance, positive profits (see Chart 1a in Annex 1). In Greece a large percentage of SMEs signalled decreasing profits (-40%, from -31%).

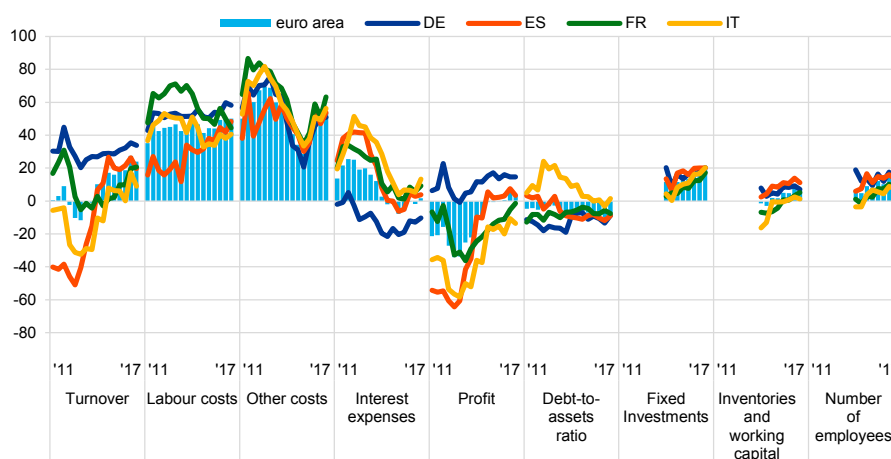
**Across countries, euro area enterprises continued to deleverage but less so than in the previous survey round.** Among the large countries, on balance, -9% of SMEs in Germany (from -13%), -9 % in Spain (from -12%) -8% in France (from -6%) reported a reduction in the debt-to-asset ratio, while Italian SMEs reported an increase in leverage (1%, from -3%). Among other euro area economies, only Greek SMEs indicated an increase in the debt-to-asset ratio (3%, from -1%, see also Chart 2a in Annex 1).

**In line with the moderation in the deleveraging process, most euro area SMEs indicated an increase in interest expenses, albeit country-specific developments differed.** Among the large economies, the highest net percentages were recorded by Italian (13%, from 5%) and French SMEs (9%, from 6%), while German SMEs continued to report lower net interest expenditures (-10%, from -13%). Among the other countries, only SMEs in the Netherlands (-7%, from -15%) and Austria (-5%, from -8%) reported lower net interest expenditures. On balance, almost one fifth of Irish SMEs signalled increase interest expenses (from 17%).

## Chart 2

### Change in the income and debt situation of euro area SMEs

(over the preceding six months; net percentage of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey. Note: See the note to Chart 1.

**The increase in labour and other costs (material, energy and interest expenses) was visible across all countries.** The net percentage of SMEs reporting an increase in labour costs was highest in Ireland (68%, from 53%) and lowest in Italy (41%, from 38%). For other costs, the corresponding net percentage

was highest in Ireland (65%, from 48%) and lowest in the Netherlands (40%, from 35%).

**On balance, SMEs in all countries reported increasing fixed investment, while the increases were more moderate for inventories and working capital and for employment.** Among the large euro area countries, one-fifth of SMEs reported, in net terms, an increase in fixed investment in Germany, Spain and Italy (20%, unchanged) with the lowest being in France (17%, from 13%). Among the other euro area countries, the net percentage of SMEs indicating rising fixed investment was highest in Portugal (29%). In net terms, inventories and working capital increased at a slower pace in most countries. Among the large euro area countries, only French SMEs reported an increase with respect to the previous survey round (5%, from 3%). Only Greek SMEs continued to signal declining inventories and working capital (-12%, from -9%).

With regard to employment in the large euro area countries, the decline in the net percentage of SMEs signalling an increase in the number of employees was largest in Germany (13%, from 18%) and lowest in Italy (8%, from 9%). Among the other euro area countries, the net percentage of SMEs reporting higher employment is highest in Ireland and the Netherlands (23%, both).

## Box 1

### Distressed and profitable firms: two new indicators on the financial position of enterprises

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In this survey round, the financial situation of euro area SMEs continued to improve according to the various dimensions that are considered in the survey.

In this box, two new encompassing indicators are introduced that combine these dimensions with the aim of distinguishing two main groups of firms: the so-called distressed and the profitable firms.

According to Bendel et al. (2017)<sup>7</sup>, distressed firms are defined as those firms that report, simultaneously, lower turnover, decreasing profits, higher interest expenses and higher or unchanged debt-to-total assets. These are firms that exhibit difficulties in running their business, in servicing their debt and which may face more difficulties in accessing financing.

On the other side of the spectrum, a second new indicator includes firms that report, simultaneously, higher turnover and profits, lower interest expenses and lower debt-to-total assets. These firms are more likely to be resilient to financial shocks and tend to invest and hire more often than other firms.

Chart A shows the developments in the distressed and profitable firms over time and by two size classes: SMEs and large firms. Some stylised facts are revealed. First of all, the improved financial and business conditions determine a strong decline in the percentage of firms that are vulnerable, in particular among SMEs. Second, smaller firms remain more vulnerable than large companies, however, the gap has declined over time. Third, the percentage of profitable firms has remained

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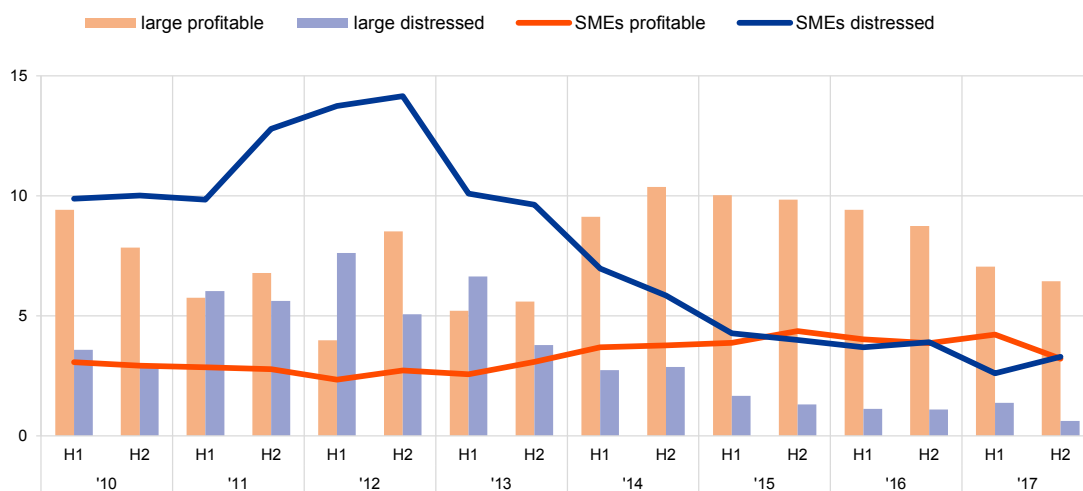
<sup>7</sup> D. Bendel, M. Demary and M. Voigtlander (2017), "Business financing in Europe: How will higher interest rates affect companies' financial situation?", *IW Report*, 28/2017.

almost unchanged among SMEs, while the picture is more variable for large companies. Notably, since the second half of 2013, there are more large companies in a sound financial condition than those that are distressed.

## Chart A

### Distressed and profitable firms

(percentage of all firms; weighted average)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

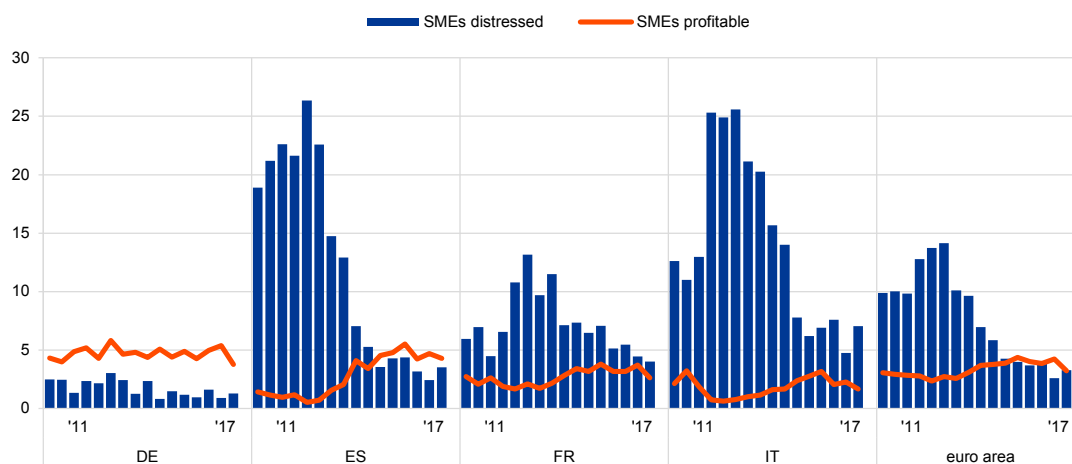
Base: All enterprises. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.

Focusing on SMEs, these two indicators shed some light on differences across countries. Chart B shows the two groups of firms in the large four euro area countries. The percentage of distressed companies was relatively high in Spain and Italy, the two countries affected most by the sovereign debt crisis. Following the introduction of the non-standard monetary policy measures since late 2011 and in 2014, which have been central in creating favourable financing conditions and in supporting euro area growth, the number of distressed firms has rapidly decreased in both countries. In Spain, for instance, the indicator shows that at the peak in the first half of 2012, 26% of SMEs were in a vulnerable position, while in this survey round the percentage declined significantly, reaching 3.5%. Similarly, in Italy the peak of distressed firms was reached in the second part of 2012, reaching 26%, and the percentage is now down at around 7%. More interestingly, the increased pace of economic growth and accommodative monetary policy is also reflected in higher percentages of profitable firms, notably in Spain. By contrast, in Germany, the percentage of vulnerable SMEs has remained stable since 2009 (at less than 3%), as is the case for profitable firms, which on average represent 5% of total German SMEs. For the trend in other euro area countries, see Chart 3a in Annex 1.

## Chart B

### Distressed and profitable firms among selected euro area countries

(percentage of all firms; weighted average)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.

To sum up, these two new indicators enable a concise assessment of the overall financial conditions of the most and least vulnerable euro area firms across firm size and countries.

## 2.2 SMEs continued to rank access to financing as their least important concern

**For the first time since 2009, “availability of skilled labour” has become the dominant concern for euro area SMEs, together with the difficulty of finding customers, while access to financing was considered the least important obstacle.** In this survey round, 24% of euro area SMEs cited “Availability of skilled labour” as the main problem for euro area SMEs (compared to 23% in the previous survey wave), together with the difficulty of finding customers (23%, down from 24%) (see Chart 3).

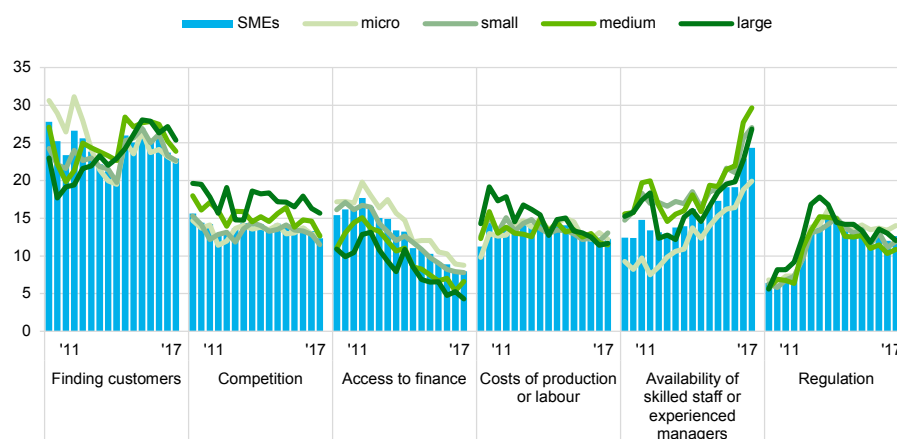
For small and medium-sized firms, the percentage of companies citing “Availability of skilled labour” as their dominant concern (27% and 30%, respectively) was higher than the percentage of those concerned mainly with “Finding customers” (23% and 24%). For micro firms, a smaller percentage of companies is concerned with finding skilled staff (20%), perhaps because micro firms exhibit lower demand, while large firms signalled that the lack of skilled staff had become a pressing problem in their business activity (27%, from 23%). Access to financing, on the other hand, was considered the least important obstacle for euro area SMEs (8%, unchanged), after cost of production (12%, unchanged), competition (12%, down from 13%) and regulation (13%, up from 12%).

**Concern with access to financing is decreasing with firm size.** While for 9% of micro firms access to financing was the dominant problem, this applied to only 4% of large companies. A slightly higher percentage of medium-sized companies (7%, from 5%) considered it an obstacle.

### Chart 3

#### The most important problems faced by euro area enterprises

(percentage of respondents)



Q0. How important have the following problems been for your enterprise in the past six months?

Base: All enterprises. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey. Note: The formulation of the question has changed over the survey rounds. Initially, respondents were asked to select one of the categories as the most pressing problem. From round eight, respondents were asked to indicate how pressing a specific problem was on a scale from 1 (not pressing) to 10 (extremely pressing). In round seven, the formulation of the question followed the initial phrasing for half of the sample and the new phrasing for the other half. Additionally, if two or more items had the highest score in question Q0B on the "pressingness" of the problems, a follow-up question (Q0C) was asked to resolve this, i.e. which of the problems was more pressing, even if only by a small margin. This follow-up question was removed from the questionnaire in round eleven. The past results from round seven onwards were recalculated, disregarding the replies to question Q0C. In round twelve, the word "pressing" was replaced by the word "important".

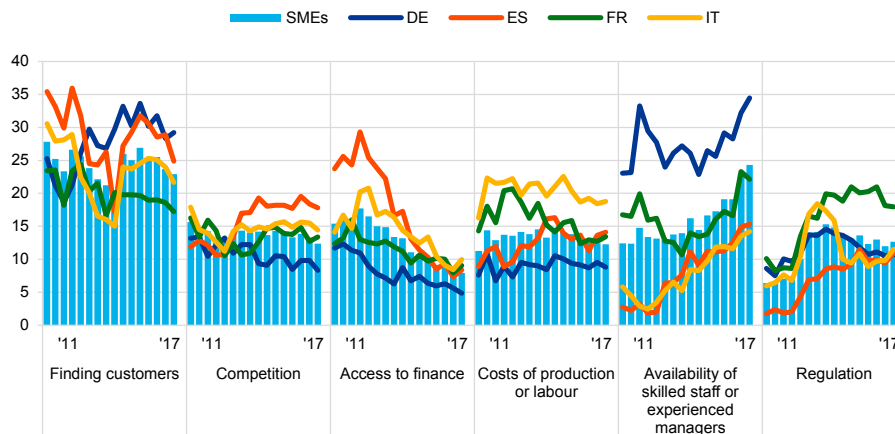
The euro area aggregate masks considerable cross-country differences (see Chart 4 and Chart 4a in Annex 1). German (34%) and French SMEs (22%) most frequently cited the availability of skilled staff as their dominant concern, ahead of finding customers (29% and 17%, respectively). Spanish (25%) and Italian (22%) SMEs most often reported finding customers as their main problem.

SMEs in Greece continued to be disproportionately affected by the lack of access to financing, with 21% mentioning it as their most important problem. At 10%, Italy represented the second largest percentage of SMEs to report access to financing as their dominant concern.

### Chart 4

#### The most important problems faced by euro area SMEs

(percentage of respondents)



Q0. How important have the following problems been for your enterprise in the past six months?

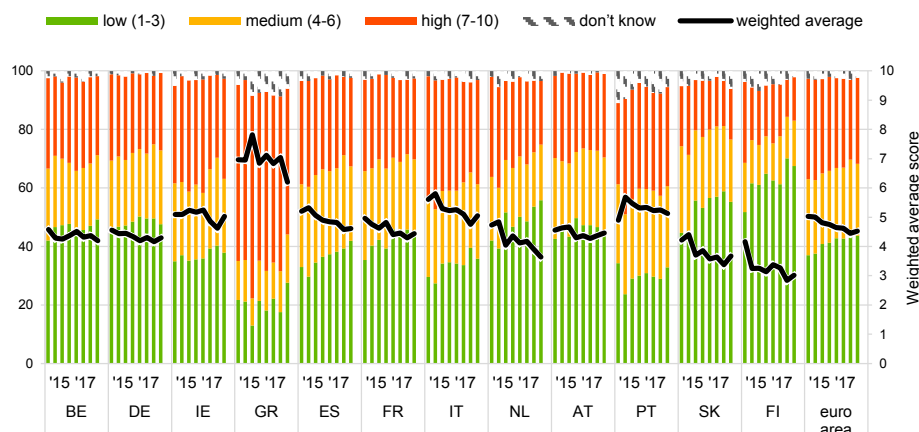
Base: All SMEs. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey. Note: See the note to Chart 3.

A similar picture emerges when looking at the responses to whether “Access to finance” was a problem in their current situation on a scale of 1-10. SMEs in Greece continued to perceive it as a very important issue (rating it at 6.2; see Chart 5). An average score of 5 was reported by SMEs in Italy, Ireland and Portugal. The remainder of the countries reported a score close to or below the euro area average of 4.5, while SMEs in Finland continued to report the lowest average score (3).

### Chart 5

#### Importance of access to financing as perceived by SMEs across euro area countries

(percentages and weighted averages)



Q0b. How important have the following problems been for your enterprise in the past six months?

Base: All SMEs. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey. Note: Firms were asked to indicate how important a specific problem was on a scale from 1 (not at all important) to 10 (extremely important). In the chart, the scale is divided into three categories: low (1-3); medium (4-6); and high importance (7-10). The weighted average score is an average of the responses using the weighted number of respondents as a weight.

## 3 External sources of financing and needs of SMEs in the euro area

### 3.1 Banks remained the most relevant source of financing

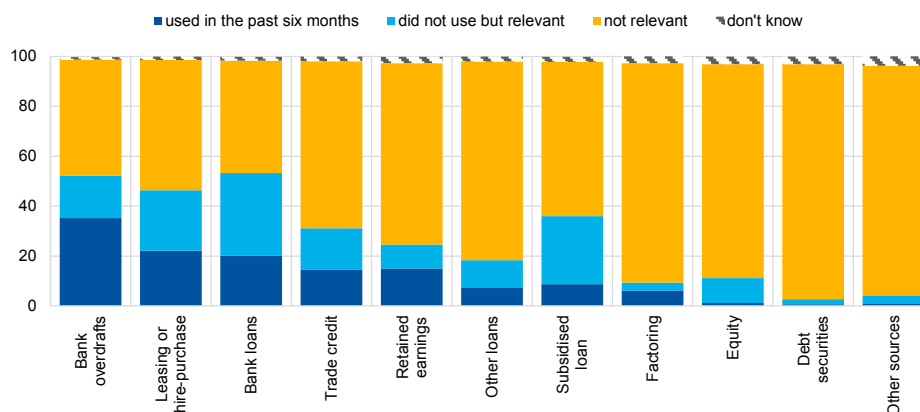
#### Bank-related products remained the most relevant source of financing for SMEs compared with market-based instruments and other sources of financing.

From October 2017 to March 2018, just over half of euro area SMEs considered bank loans and credit lines to be relevant financial instruments for their businesses (53% and 52%, respectively) (see Chart 6).<sup>8</sup> Leasing or hire-purchase was relevant for 46%, and 34% of SMEs signalled that grants and subsidised loans were a potential source of financing. Such loans involve support from public sources in the form of guarantees or other interventions. About 31% of SMEs considered trade credit an important financial instrument, followed by 25% which turn instead to their internal funds to finance their business activities. Finally, 18% of SMEs signalled other loans, for example from family, friends or related companies as a relevant source of financing. On the other hand, market-based instruments, such as equity (11%) and debt securities (3%), but also factoring (9%), were much less frequently considered to be a potential source of financing.

#### Chart 6

#### Relevance of financing sources for euro area SMEs

(over the preceding six months; percentage of respondents)



Q4. Are the following sources of financing relevant to your enterprise, that is to say, have you used them in the past or considered using them in the future? If "yes", have you obtained new financing of this type in the past six months?

Base: All SMEs. Figures refer to round eighteen (October 2017-March 2018) of the survey.

The use of all financing instruments increased with firm size. Compared with SMEs, a greater percentage of large firms reported having used a given financing

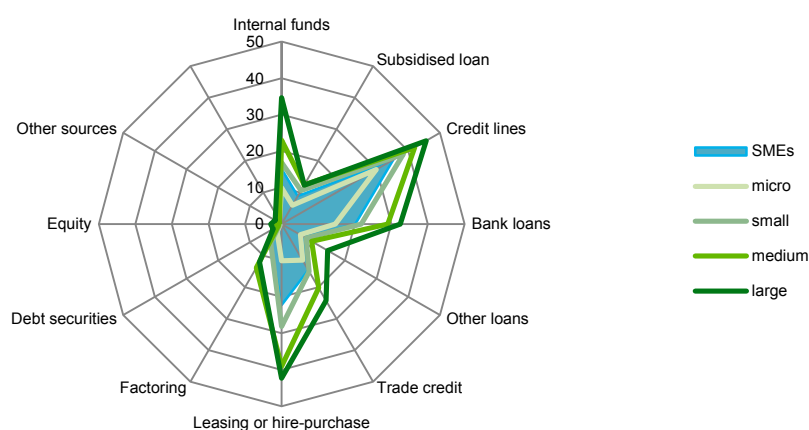
<sup>8</sup> The formulation of the question allows the relevance of a specific financial instrument to be disentangled from its usage. See the [SAFE questionnaire](#).

instrument of some kind (see Chart 7). Short-term bank financing (credit line/bank overdraft/credit card) remained the most popular instrument by some margin, followed by leasing and bank loans. Equity and debt securities, on the other hand, were among the least frequently used sources of financing. This pattern applied to both SMEs and large firms.

### Chart 7

#### Use of internal and external financing by euro area enterprises across firm size

(percentage of respondents that had used the respective instrument in the past six months)



Q4. Are the following sources of financing relevant to your enterprise, that is to say, have you used them in the past or considered using them in the future? If "yes", have you obtained new financing of this type in the past six months?

Base: All enterprises for which the respective instrument is relevant. Figures refer to round eighteen (October 2017-March 2018) of the survey.

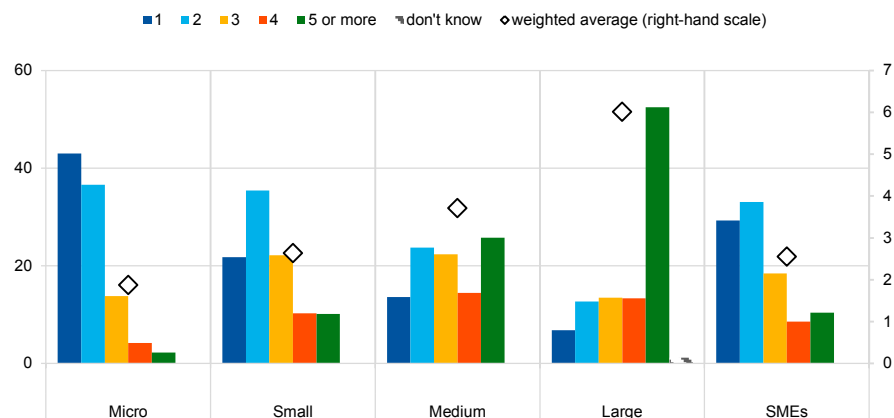
**SMEs tend to have long-term relationships with few banks toward which they tend to concentrate their borrowing. To emphasize the importance of the banking system for the financing decisions of firms, this survey round included some ad hoc questions on bank relationships along three dimensions: number, duration and exclusivity.** First, enterprises were asked to indicate how many banks they had an active relationship with. Unsurprisingly, the number of banks diminishes with firm size (see Chart 8). SMEs have, on average, a relationship with less than 3 banks, with 29% signalling that they had a relationship with only one bank. For micro firms, this percentage rises to 43%. By contrast, for large companies, the average number of banks is six and only 7% of them said they had a one-bank relationship.



## Chart 8

### Number of bank relationships by size class

(percentage of respondents)



QA1. Indicate the number of banks with which your enterprise has an active relationship.

Base: All enterprises for which at least one of the following instruments is relevant: bank loan, grant or subsidised bank loan, credit line, bank overdraft or credit card overdraft. Figures refer to round eighteen (October 2017-March 2018) of the survey.

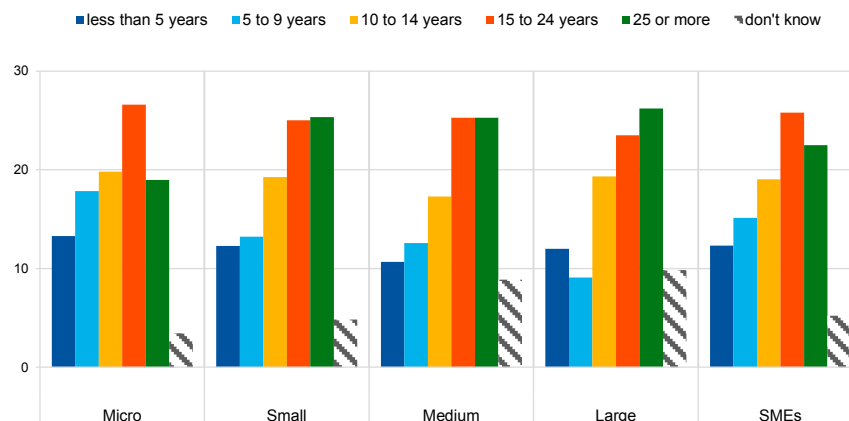
A second dimension which is important in the bank-firm relationship is for how long a firm has worked with its main bank. In the survey, the main bank is defined as the bank with which the enterprise holds most bank debt. The longer the relationship, the easier it is for the lender to acquire confidential information on the borrowers, which is otherwise not publicly available. For firms, this should imply an easier access to financing. It turns out that, as in previous studies<sup>9</sup>, enterprises tend to remain with a single bank for many years, almost irrespective of their size (see Chart 9).

<sup>9</sup> See for instance S. Ongena and D.C. Smith (2001), "The duration of bank relationships", *Journal of Financial Economics*, Vol 61, 2001, pp. 449-75; and R. Guida and V. Sabato (2017), "Relationship Lending and Firms' leverage: empirical evidence in Europe", *European Financial Management*, Vol 23, pp. 807-835.

## Chart 9

### Duration of relationship with main bank

(percentage of respondents)



QA3. For how many years has this bank been the enterprise's main bank?

Base: All enterprises that have at least one active bank and for which at least one of the following instruments is relevant: bank loan, grant or subsidised bank loan, credit line, bank overdraft or credit card overdraft. Figures refer to round eighteen (October 2017-March 2018) of the survey.

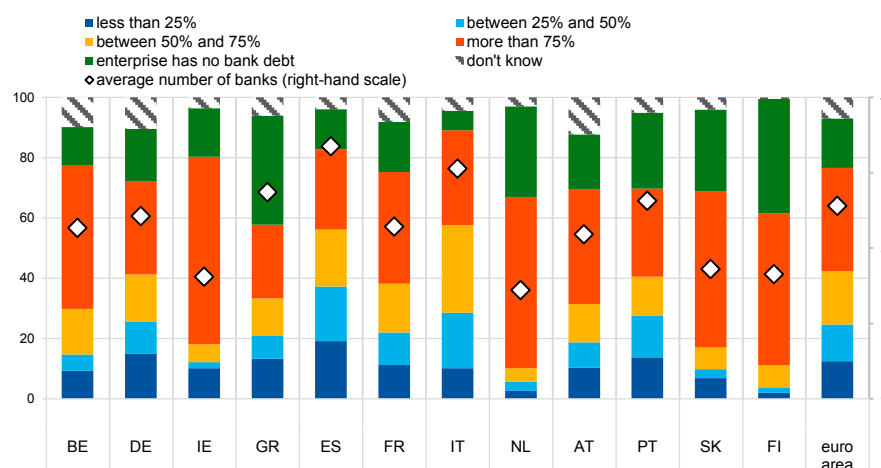
A third dimension is the exclusivity of the relationship between borrowers and lenders. To cover this dimension, firms were asked to report the percentage of their total bank debt held at their main bank. The survey responses show that there is a strong negative correlation between the size of firms (and the number of banks with which firms work) and the concentration of bank debt in the main bank. For instance, while there are 36% of micro firms and 32% of SMEs with more than 75% of their bank debt held by the main bank, the percentage decreases to 16% for large enterprises.

**Across euro area countries, SMEs hold different amounts of bank debt in their main bank, thus reflecting the different national banking structures.** In Chart 10, SMEs with at least one bank relationship are considered. In the Netherlands and Ireland, where SMEs reported, on average, to have an active relationship with the lowest number of banks (around 1.5), around 60% of these concentrate more than 75% of their bank debt in the main bank. By contrast, firms tend to distribute their debt across banks and, as a consequence, reduce the amount held by the main bank where multiple bank relationships are more common. This is the case for SMEs in Spain and Italy where firms reported to do business, on average, with more than three banks.

**Chart 10**

**Debt held at main bank and average number of banks – SMEs across euro area countries**

(percentage of respondents)



QA1. Indicate the number of banks with which your enterprise has an active relationship.  
QA2. What percentage of your enterprise's total bank debt is held at your main bank?

Base: SMEs for which at least one of the following instruments is relevant: bank loan, grant or subsidised bank loan, credit line, bank overdraft or credit card overdraft. Figures refer to round eighteen (October 2017-March 2018) of the survey.

## 3.2 Demand for external financing increased

**SMEs increased their demand for all external financing instruments during the period under review** (see Chart 11). SME demand for bank loans<sup>10</sup> increased to 3% (from 0%), while on balance 7% of SMEs indicated a higher demand for credit lines (from 4%). A greater net percentage of SMEs reported higher demand for non-bank financing, with 11% of SMEs reporting a higher need for trade credit (from 9%), and 12% indicating an increase in their need for leasing or hire-purchase (from 11%). Around 7% of SMEs reported a higher demand for other loans (from 4%).

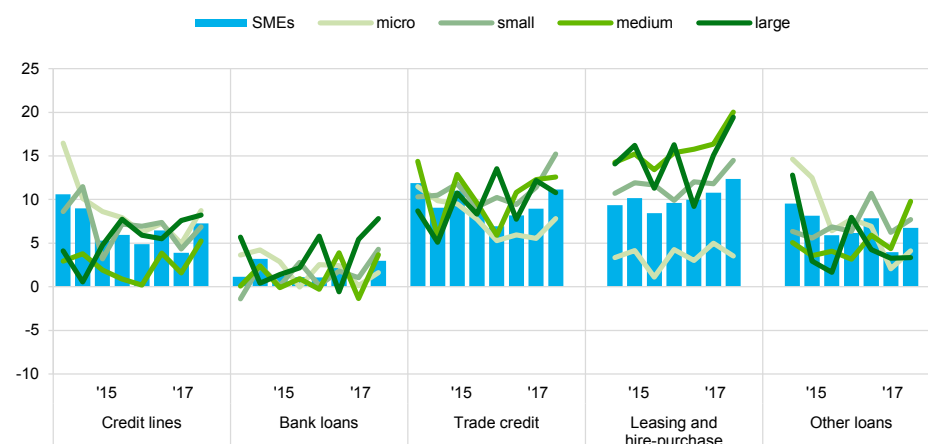
**Large firms more frequently reported an increased demand for external financing than SMEs.** In net terms, 8% of large firms reported an increasing demand for bank loans (from 5%), while 8% indicated a higher demand for credit lines (unchanged). On balance, demand for trade credit (11%, from 12%), other loans (3%, unchanged) also continued to expand. A greater net percentage of large firms reported a higher demand for leasing (19%, from 15%) in comparison to the previous survey round

<sup>10</sup> See the note to Chart 11. Only survey respondents who report that a particular financing instrument is relevant for their enterprise are asked about their need for this source of financing.

**Chart 11**

**Change in external financing needs of euro area enterprises**

(over the preceding six months; net percentage of respondents)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Base: Enterprises for which the respective instrument is relevant. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.

Note: See the note to Chart 1. The categories "Other loans" and "Leasing or hire-purchase" were introduced in round twelve (October 2014-March 2015). A financing instrument is "relevant" if the enterprise used the instrument in the past six months or did not use it but has experience of it (for rounds one to ten). From round eleven onwards, the respondents were asked whether the instrument was relevant, i.e. whether the enterprise had used it in the past or considered using it in the future. Given that the current concept of a "relevant" financing instrument differs from that used in the past, this might have an impact on the comparability over time for the following questions. Caution should therefore be exercised when comparing the recent results with those of the previous rounds.

**Demand for bank financing differed across the large euro area countries, while it was more homogenous for credit lines and non-bank financial products.**

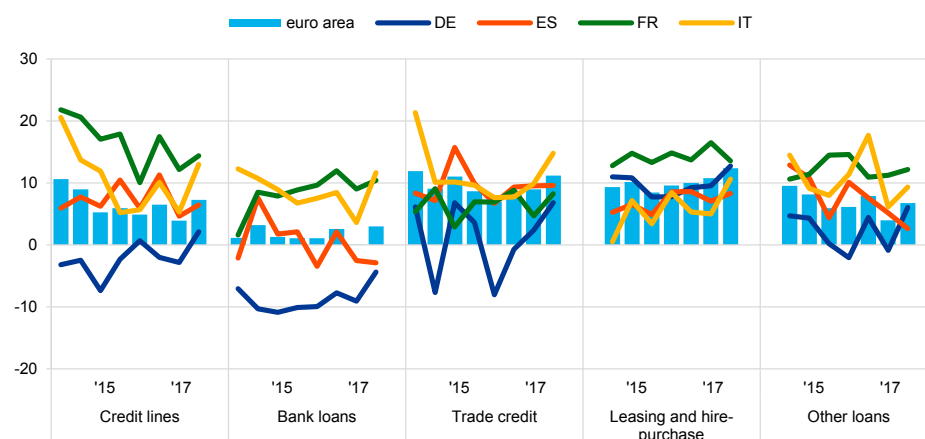
Needs for bank loans strongly increased in Italy (12%, from 4%) and, to a lesser extent, in France (10%, from 9%). They continued to decline, but at a slower pace, in Spain (-3%, from -2%) and Germany (-4%, from -9%; see Chart 12). Also the demand for credit lines increased in all four countries, particularly in Italy (13%, from 5%). Similarly, SMEs from large countries reported, on balance, higher needs for trade credit and leasing and hire purchases.

**In the other euro area countries, demand for external financing was strongest in Greece.** In Greece, on balance, 23% of SMEs indicated a higher demand for bank loans (from 19%), and 28% signalled a higher demand for credit lines (from 23%; see Chart 5a in Annex 1).

**Chart 12**

**Change in external financing needs of euro area SMEs**

(over the preceding six months; net percentage of respondents)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Base: SMEs for which the respective instrument is relevant. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Note: See the notes to Charts 1 and 11.

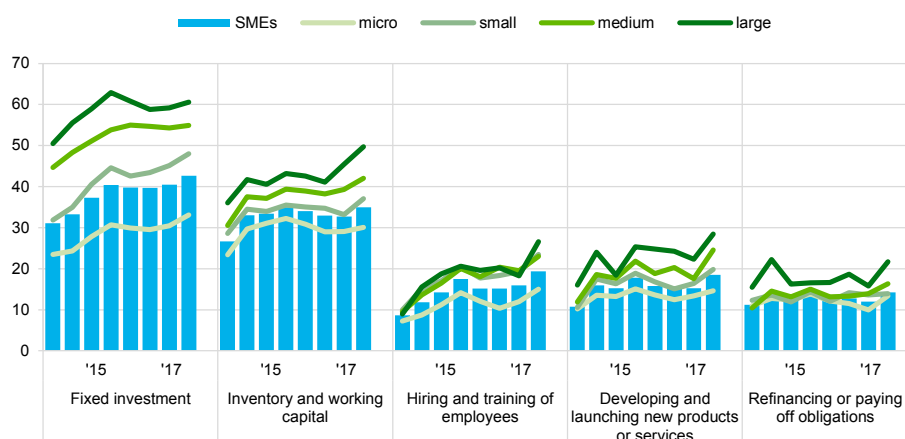
### 3.3 SMEs continued to use financing mostly for fixed investments, inventory and working capital

**Financing from external and internal sources was mainly used for fixed investment, followed by inventories and working capital. Moreover, a higher percentage of euro area SMEs used financing to hire and train new employees and to develop and launch new products than in the previous survey round. Around 44% of SMEs (from 40%) reported using financing for fixed investment, while 35% (from 33%) mentioned inventory and working capital (see Chart 13).**

**Chart 13**

**Purpose of the financing as perceived by euro area enterprises**

(over the preceding six months; percentage of respondents)



Q6A. For what purpose was financing used by your enterprise during the past six months?

Base: All enterprises. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey. Note: The figures are based on the new question introduced in round eleven (April-September 2014).

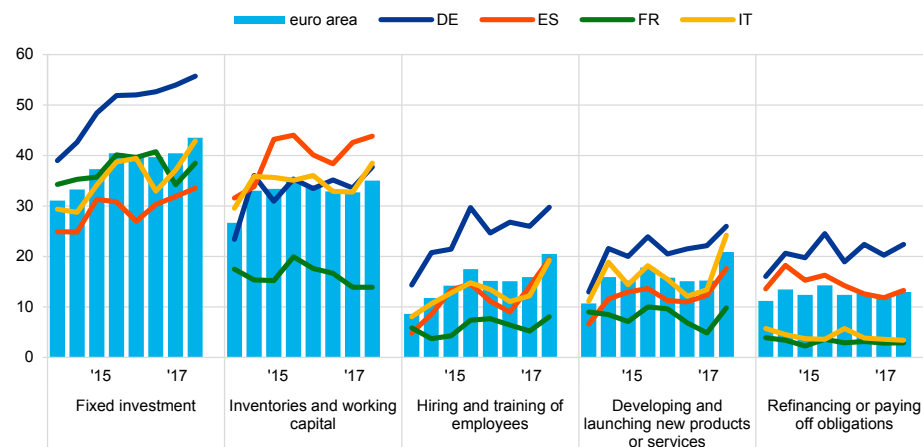
**Perhaps unsurprisingly, the prevalence of fixed investment was strongly associated with company size.** While 63% of large firms reported using financing for fixed investment, this applied to only 33% of micro firms. Investment in working capital and inventories was also correlated with firm size. Less frequently, SMEs used financing to hire employees (21%, from 16%), develop new products (21%, from 15%), and refinancing obligations (13%, from 12%).

Among the large euro area countries, German SMEs continued to stand out in terms of the high prevalence of fixed investment. About 56% of German SMEs used financing for that purpose, compared with only 34% of Spanish SMEs. Apart from that, German SMEs more frequently reported using financing for the development of new products, hiring of employees and refinancing of obligations than SMEs in the other large euro area economies. Spanish firms continued to use financing for inventory and working capital (44%) more frequently than for fixed investment (see Chart 14).

**Chart 14**

**Purpose of the financing as perceived by SMEs across euro area countries**

(over the preceding six months; percentage of respondents)



Q6A. For what purpose was financing used by your enterprise during the past six months?

Base: All SMEs. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Note: See the note to Chart 13.

## 4 Availability of external financing for SMEs in the euro area

### 4.1 Improved availability of external financing, with some moderation particularly for the larger firms

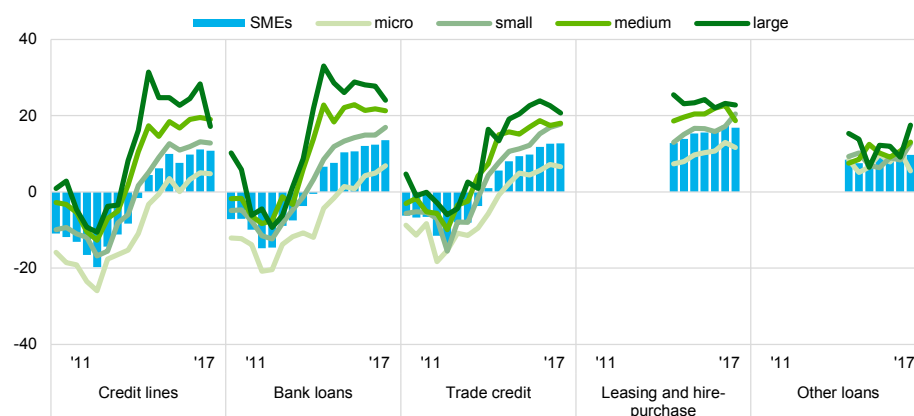
#### 4.1.1 Improved availability of all external financing sources

**In the last round of the survey, SMEs continued to report an improved availability of external financing sources relevant for their business** (see Chart 15).<sup>11</sup> Particularly for bank loans — one of the most important sources of financing for SMEs — the net percentage of respondents indicating greater availability increased to 14% (from 12%). For all other financing instruments, the net percentage of SMEs conveying easier access remained positive and roughly constant, at 11% for credit lines, 13% for trade credit, 17% for leasing and hire-purchase, and 10% for other loans.

**Chart 15**

Change in the availability of external financing for euro area enterprises

(over the preceding six months; net percentage of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: Enterprises for which the respective instrument is relevant. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.  
Note: See the note to Charts 1 and 11.

**Across firm size, large and medium-sized companies continued to assess the availability of external financing most positively.** However, the difference

<sup>11</sup> See the note to Chart 11. Only survey respondents that report that a particular financing instrument (i.e. bank loan, credit line, trade credit, leasing and hire-purchase or other loans) is relevant for their enterprise are asked about the availability of this source of financing.



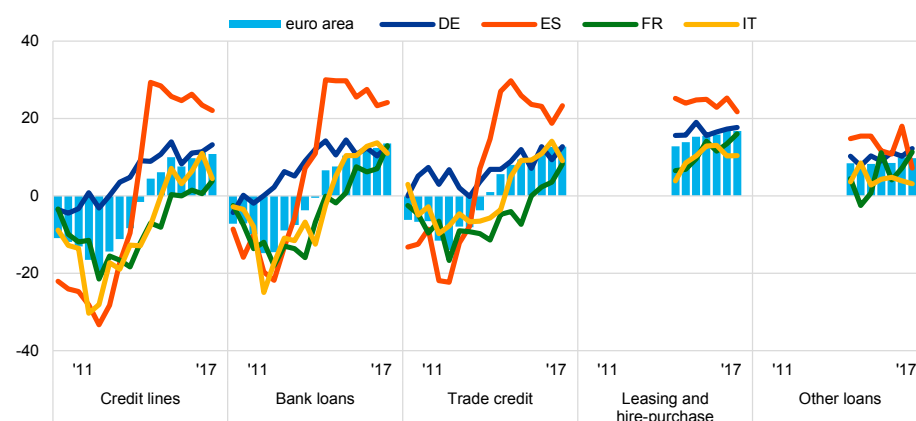
compared to smaller firms narrowed somewhat in recent rounds of the survey. While the net percentage of firms signalling better access to external financing was on an upward trend among micro and small enterprises for most financing instruments, it remained almost unchanged for medium-sized companies and fell slightly for large enterprises. However, the gaps remained sizeable, particularly in the case of bank loans where, in net terms, 7% of micro firms reported greater availability, whereas, in net terms, this figure rose to 24% for large companies. This compares with somewhat smaller differences in trade credit (7% to 21%), credit lines (5% to 17%), other loans (6% to 18%) and leasing and hire-purchases (12% to 23%).

**Across countries, the indications were somewhat mixed** (see Chart 16). A higher net percentage of respondents indicated greater availability of all types of financing in France and Germany. In Italy, by contrast, the net percentage of respondents reporting better access to financing fell across all financing instruments. Lastly, SMEs in Spain remained most sanguine about their external financing environment. At the same time, they provided a mixed assessment about changes in their access to different types of financing in the recent round of the survey, with a rising net percentage signalling easier access to bank loans and trade credit, but with fewer firms doing so for credit lines, leasing and hire-purchases and other loans.

**Chart 16**

**Change in the availability of external financing for euro area SMEs**

(over the preceding six months; net percentage of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.  
Note: See the notes to Charts 1 and 11.

**In other euro area countries, a broadly unchanged to slightly lower net percentage of SMEs reported greater availability of banks loans** (see Chart 5a in Annex 1). Whereas SMEs in Belgium (10%), Finland (13%), Ireland (18%) and Slovakia (16%) signalled close to no change in their access to bank loans, the assessment by SMEs of the availability of bank loans in Austria (10%, from 11%), the Netherlands (12%, from 15%) and Portugal (19%, from 22%) worsened somewhat. In Greece, the only country where more SMEs are still reporting a deterioration

rather than an improvement in the availability of bank loans, the rapid rise in the (negative) net percentage of respondents towards a more balanced level seen in previous vintages of the survey came to a halt in the recent round, hovering at -3%.

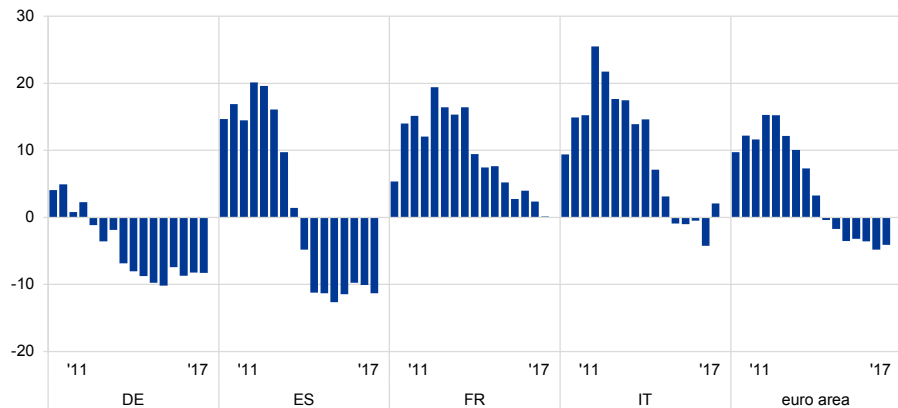
#### 4.1.2 External financing availability seen to rise faster than needs

**For the euro area as a whole, SMEs perceived improvements in their access to external financing to be larger than increases in corresponding financing needs**, thereby resulting in a negative external financing gap of -4% (see Chart 17). At the level of individual euro area countries, the financing gap was negative in the majority of cases, most notably in Germany (-8%, unchanged), the Netherlands (-10%, from -8%), Portugal (-9%, from -14%) and Spain (-11%, from -10%) (see also Chart 6a in Annex 1). In Belgium and France, external financing availability and needs were balanced in the last round of the survey. By contrast, SMEs in Italy perceived some difficulties in meeting all their external financing needs for the first time since the April to September 2015 survey, with the financing gap turning from -4% to +2%. Finally, SMEs in Greece continued to remain financially constrained, with some of the substantial improvement in the financing gap witnessed in the previous round of the survey (11% from 24%) partially reversing this time (14%).

**Chart 17**

Change in the external financing gap perceived by SMEs across euro area countries

(over the preceding six months; weighted net balances)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. "Non-applicable" and "Don't know" answers are excluded. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.

Note: See note to Chart 11. The financing gap indicator combines both financing needs and availability of bank loans, credit lines, trade credit, equity and debt securities at firm level. For each of the five financing instruments, an indicator of a perceived financing gap change takes the value of 1 (-1) if the need increases/decreases and availability decreases/increases. If enterprises perceive only a one-sided increase/decrease in the financing gap, the variable is assigned a value of 0.5 (-0.5). The composite indicator is the weighted average of the financing gap related to the five instruments. A positive value of the indicator suggests an increasing financing gap. Values are multiplied by 100 to obtain weighted net balances in percentages.

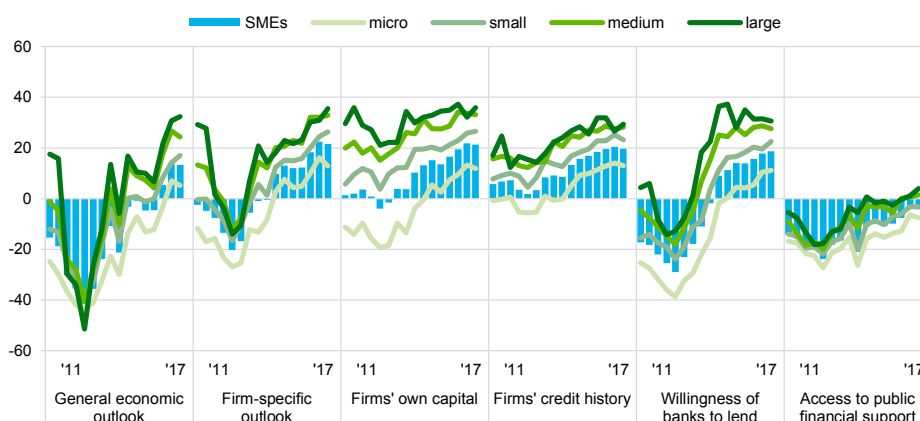
### 4.1.3 Ongoing improvement in the willingness of banks to lend, supported by firm-specific factors and a reassuring general economic outlook

**Firm-specific factors and the general economic outlook supported the access of SMEs to external financing to a degree similar to the previous round** (see Chart 18). Specifically, the firm-specific outlook (22%, unchanged), firms' own capital (21%, from 22%), firms' credit history (20%, from 21%) as well as the general economic outlook (13%, from 14%) consolidated around the levels reached in the previous vintage of the survey, thereby continuing to positively shape the perceptions of SMEs about the availability of external financing. Only access to public financial support registered as negative in net terms, although to a waning degree when seen over the last several iterations of the survey.

**Chart 18**

Change in factors with an impact on the availability of external financing to euro area enterprises

(over the preceding six months; net percentage of respondents)



Q11. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past six months?

Base: All enterprises; for the category "Willingness of banks to lend", enterprises for which at least one bank financing instrument (credit line, bank overdraft, credit card overdraft, bank loan, subsidised bank loan) is relevant. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.

Note: From round eleven (April-September 2014), the category "Willingness of banks to provide a loan" was reformulated slightly to "Willingness of banks to provide credit to your enterprise".

**The willingness of banks to lend improved further.** Rising from 18% to 19%, this added to a series of incremental improvements seen since the October 2014 to March 2015 round of the survey, when the willingness of banks to lend first re-entered positive territory. Consequently, the present willingness of banks to lend appears much more favourable than in 2014, likely also reflecting the various non-standard monetary policy measures adopted by the Eurosystem since then.

**By comparison to SMEs, large enterprises are generally conveying a more favourable outlook for the factors influencing their access to external financing.** Whereas discrepancies in medium-sized companies are relatively minor, the contrast with micro-sized firms is particularly notable. Not only did a much higher

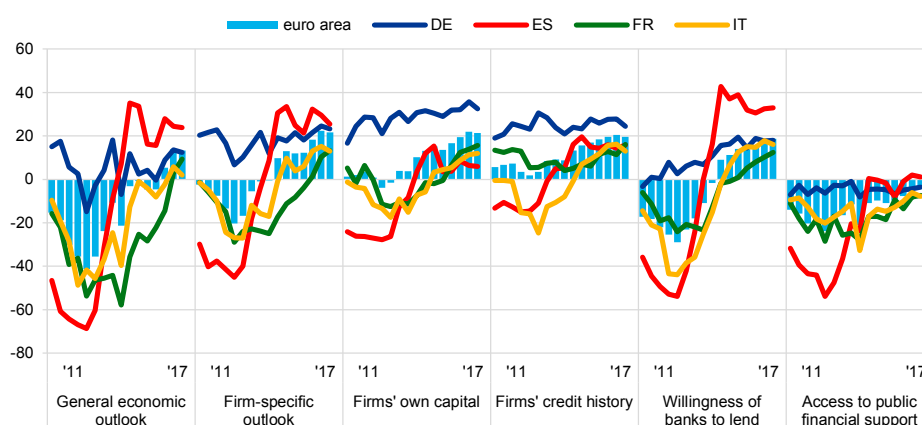
net percentage of large enterprises than micro-sized firms perceive the general economic outlook and firm-specific variables to be supportive for their access to external financing, but in the recent round of the survey the assessment of these factors by large enterprises continued to improve in net terms, while it deteriorated somewhat for micro firms, thereby widening the gap. Only for the willingness of banks to lend did the net percentage of micro firms indicating better conditions increase (11%, from 10%), yet it stagnated (31%) for large enterprises.

**In most of the largest euro area countries, SMEs' positive sentiment about nearly all factors affecting their access to external financing cooled somewhat** in the current round of the survey (see Chart 19). Only in France did SMEs assess all factors influencing the availability of external financing more favourably than in the April to September 2017 survey, particularly the general economic outlook (9%, from 3%), the firm-specific outlook (13%, from 10%) and firms' credit history (16%, from 11%). In Italy, by contrast, SMEs' positive views about the general economic outlook (2%, from 6%) and firms' credit history (13%, from 16%) registered a reversal, with firms' own capital (12%, from 11%) being the only factor showing improvement. Likewise, SMEs in Germany also registered a reversal with regard to their own capital (33%, from 36%) and the firm's credit history (24%, from 28%), and also in Spain for the firm-specific outlook (25%, from 30%).

**Chart 19**

Change in factors with an impact on the availability of external financing to euro area SMEs

(over the preceding six months; net percentage of respondents)



Q11. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past six months?

Base: All SMEs; for the category "Willingness of banks to lend", SMEs for which at least one bank financing instrument (credit line, bank overdraft, credit card overdraft, bank loan, subsidised bank loan) is relevant. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.

Note: From round eleven (April-September 2014), the category "Willingness of banks to provide a loan" was reformulated slightly to "Willingness of banks to provide credit to your enterprise".

**In the other euro area countries, SMEs' views about the willingness of banks to lend improved in the majority of cases**, whereas most other factors affecting the availability of external financing, including the general economic outlook, were generally assessed more cautiously than in the previous round of the survey (see

Chart 7a in Annex 1). Specifically, the willingness of banks to lend was seen to have advanced most prominently in Austria (23%, from 15%), Belgium (15%, from 11%), the Netherlands (20%, from 16%) and Portugal (29%, from 26%) with only Ireland (19%, from 20%) and Slovakia (25%, from 26%) recording modest declines. With regard to the impact of the general economic outlook, SMEs in most economies slightly curbed the optimism expressed about this factor in the previous round of the survey, while maintaining its overall constructive contribution to the availability of external financing.

Similarly, firm-specific factors continued to be judged favourably overall, yet less so than in the April to September 2017 survey. Again, Greek SMEs continued to feel most constrained by the factors impacting the access to external financing examined by the survey, but registered improvements regarding the general economic outlook (-27%, from -32%), firms' credit history (12%, from 8%), and access to public financial support (-29%, from -31%). However, some of this progress was offset by declines in the firm-specific outlook (2%, from 6%) and firm's own capital (-9%, from -5%).

## 4.2 Sustained decline in the percentage of SMEs facing financing obstacles

**The percentage of SMEs reporting obstacles to receiving a bank loan continued to decline in the recent round of the survey**, but remained considerably above the corresponding figure for large enterprises (see Chart 20, upper panel). Among SMEs assessing bank loans relevant for their financing, 7.8% (from 8.3%) of SMEs faced obstacles obtaining a loan, compared to 3.4% (from 2.4%) for large enterprises. The difference between both types of enterprises was primarily driven by SMEs signalling they were discouraged from applying for a loan in the first place (4.8% of SMEs assessing bank loans relevant for their financing against 1.5% for large enterprises), and to a lesser extent, driven by SMEs' loan applications being rejected by lenders (1.3% against 0.5%). By contrast, the share of firms considering the cost of a loan to be too high (0.3% against 0.1%) and receiving only a limited part of the loan amount requested (1.4% against 1.2%) was similar for SMEs and large enterprises. Comfortingly, the percentage of SMEs indicating obstacles to receiving a bank loan persistently fell over the last few rounds of the survey, after reaching a high of 16.2% in the April to September 2014 round.

**Across the largest euro area countries, the percentage of SMEs perceiving financing obstacles rose in Germany and Italy, but continued to fall in France and Spain** (see Chart 20, lower panel). In Germany, the increase in the percentage of SMEs signalling obstacles to obtaining a bank loan to 5.2% (from 4.0%) was mainly the result of more firms feeling discouraged to apply (3.9%, from 2.9%). In Italy, a corresponding rise to 11.0% (from 8.5%) was primarily driven by a sentiment of discouragement to apply (6.4%, from 5.5%), as well as by loans regarded as too costly (0.8%, from 0.1%) and by borrowers being rejected (1.6% from 1.0%). In France and Spain, declines in the percentage of SMEs facing financing obstacles to 6.1% (from 8.4%) and 7.8% (from 8.6%), respectively, were chiefly a consequence of

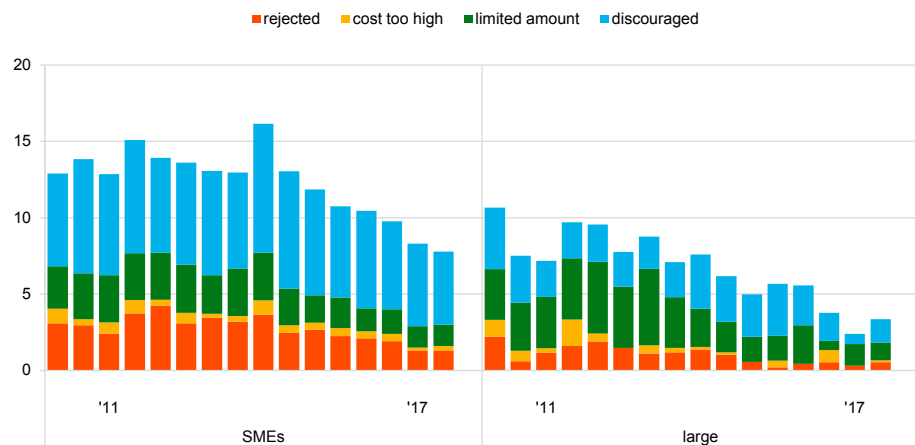
SMEs feeling less discouraged to apply for a loan. Despite diverging developments in the percentage of SMEs indicating obstacles to obtaining a bank loan across the four largest euro area economies in the current survey round, cross-country differences decreased in recent years, after showing peaks in the October 2011 to March 2012 and April to September 2015 rounds.

### Chart 20

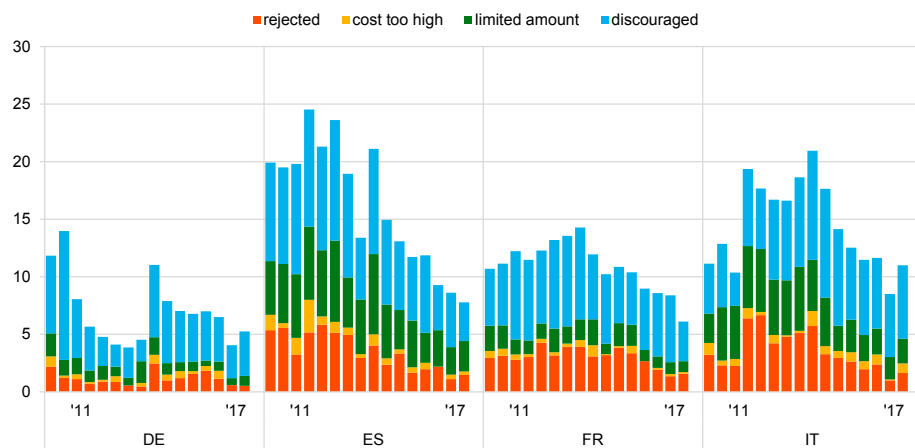
#### Obstacles to receiving a bank loan

(over the preceding six months; percentage of respondents)

#### Panel a: euro area SMEs and large enterprises



#### Panel b: SMEs across euro area countries



Base: Enterprises for which bank loans (including subsidized bank loans) are relevant. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.

Notes: Financing obstacles are defined here as the total of the percentages of enterprises reporting loan applications which were rejected, loan applications for which only a limited amount was granted, and loan applications which resulted in an offer that was rejected by the enterprises because the borrowing costs were too high, as well as of enterprises which did not apply for a loan for fear of rejection (i.e. discouraged borrowers). The calculation of the indicator starts in 2010 when the question on applications for credit lines was included in the questionnaire. The components of the financing obstacles indicator are affected by the amendments to the questionnaire in round eleven (i.e. filtering based on the relevance of the financing instrument and addition of the new category "My application is still pending"), and past data have been revised accordingly. The figures are calculated including the category "My application is still pending" and "Don't know".

**In line with past vintages of the survey, a comparatively small percentage of SMEs saw the necessity to apply for a bank loan, even when focusing only on firms that deemed such financing relevant for their business (see Chart 8a in Annex 1). At the level of the euro area, less than one-third of SMEs applied for a loan, while**

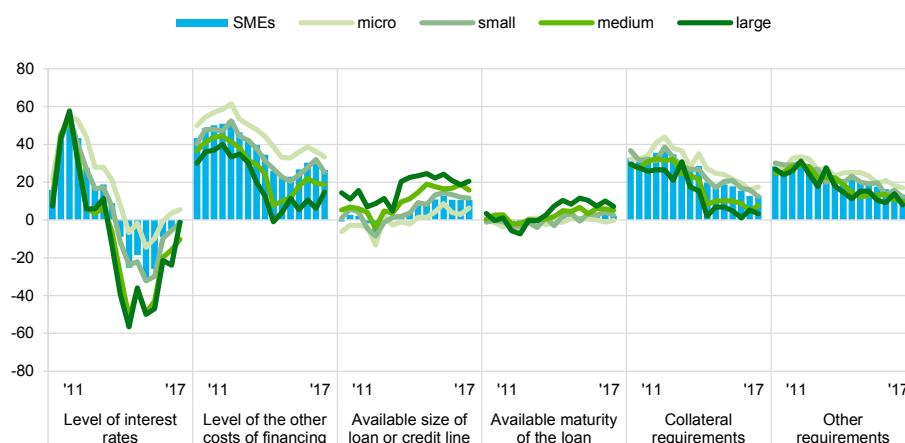
43% of SMEs did not apply thanks to sufficient availability of internal funds. Among firms submitting a loan application, 76% reported successfully obtaining the full amount of financing requested, two percentage points higher than in the previous round of the survey (see Chart 9a in Annex 1).

### 4.3 Signs of continued falling interest rates and a slower rise in non-interest costs

In the current survey period, the net percentage of SMEs signalling a fall in interest rates on bank loans declined, reaching -1% after -5% in the previous round (see Chart 21). At the same time, SMEs registered an increase in other costs of financing, such as charges, fees and commissions (26%, from 30%). The remaining terms and conditions of bank loans were seen to have improved by a similar or somewhat smaller net percentage of SMEs than in the previous round of the survey, including the available size of a loan or credit line (11%, unchanged), the available maturity (2%, from 3%), collateral requirements (13%, unchanged) and other requirements (13%, from 15%).

**Chart 21**  
Change in terms and conditions of bank loans granted to euro area enterprises

(over the preceding six months; net percentages of enterprises that had applied for bank loans)



Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: Enterprises that had applied for bank loans (including subsidised bank loans), credit lines, credit lines or credit card overdrafts. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey. Note: See the note to Chart 1.

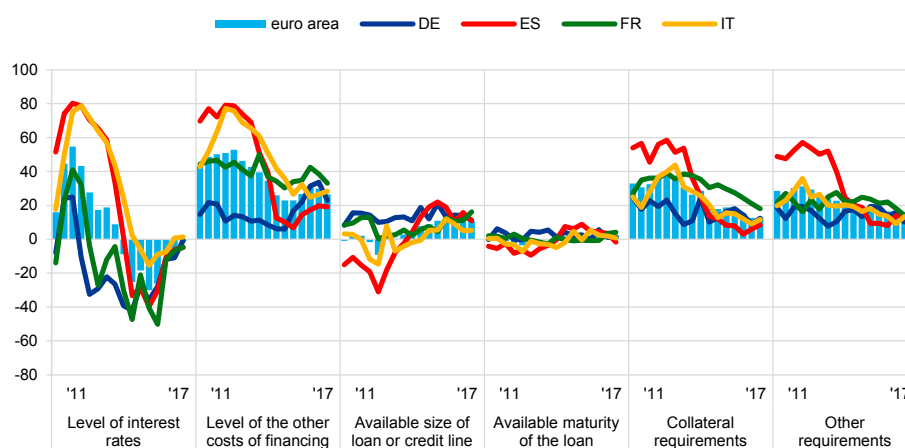
**Large enterprises indicated a halt in the interest rate decline and increases in other costs of financing.** The net percentage of large enterprises reporting lower interest rates on loans granted to them shrank substantially when compared to the previous round of the survey (-1%, from -24%), making it above corresponding figures for medium (-10%) and small (-2%) firms for the first time since September 2011. Likewise, a rising net share of large enterprises indicated an increase in other costs of financing (15%, from 6%), in contrast to the experience of SMEs. However, some of this deterioration in the interest and other costs of bank loans was offset by

more positive indications from large enterprises about available loan or credit line sizes (21%, from 19%), collateral requirements (3%, from 5%) and other requirements (8%, from 14%).

**The fall in interest rates continued to level off in most of the large euro area economies, with a small net percentage of SMEs in Italy seeing an increase** (see Chart 22). Particularly in Germany, the net percentage of SMEs reporting declining interest rates contracted notably (-1%, from -11%), while perceptions about interest rates changed more modestly in France (-5%, from -7%) and Spain (-5%, from -6%). In Italy, a net 1% (unchanged) of SMEs signalled rising interest rates. There were some signs that the increase in other costs of financing was slowing down in Germany (23%, from 34%), France (33%, from 38%) and Spain (19%, from 20%), but not in Italy (28%, from 27%). Similarly, SMEs in Italy also appeared less sanguine about non-price terms and conditions of their loans overall, whereas the picture in the other large euro area countries was more mixed in this respect.

**Chart 22**  
Change in terms and conditions of bank loans granted to euro area SMEs

(over the preceding six months; net percentages of enterprises that had applied for bank loans)



Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: SMEs that had applied for bank loans (including subsidised bank loans), credit lines, credit lines or credit card overdrafts. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey. Note: See the note to Chart 1.

**In the other euro area countries**, Greek SMEs registered substantial improvements in the terms and conditions of bank loans (see Chart 10a and Chart 11a in Annex 1) with a much smaller net percentage of firms reporting a rise in other costs of financing (in terms of charges, fees and commissions) (26%, from 43%) and collateral requirements (26%, from 34%) than in the previous round. In addition, for the first time since the euro area sovereign debt crisis, more SMEs reported a decline rather than an increase in interest rates (-13%, from 6%) and a larger rather than a smaller loan size offered to them (15%, from -1%). In the other economies, a positive net percentage of SMEs in Belgium, Finland and Ireland signalled higher interest rates, while the opposite held true for Austria, the Netherlands, Portugal and Slovakia. As regards the level of non-interest costs and collateral requirements, in most countries fewer SMEs reported increases than in the previous survey round.



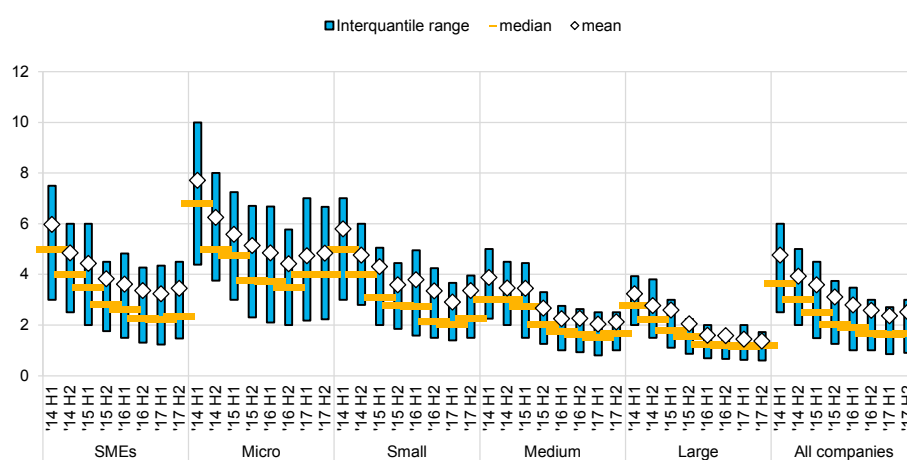
### Interest rates charged by banks on credit lines and overdrafts to SMEs

increased slightly in the recent survey, (see Chart 23).<sup>12</sup> The median interest rate for SMEs rose from 2.2% in the previous survey round to 2.3%, thereby halting the declining trend prevailing since the question was introduced to the survey in the April to September 2014 vintage. By contrast, interest rates for large enterprises remained at 1.2%, considerably below the borrowing costs for all types of SMEs. Particularly small and medium-sized firms were signalled as facing higher interest rates, while rates of micro firms showed relatively little change.

**Chart 23**

Interest rate charged for a credit line or bank overdraft to euro area enterprises

(percentages)



Q8B. What interest rate was charged for the credit line or bank overdraft for which you applied?

Base: Enterprises that had successfully applied for a credit line or bank overdraft or that did not apply because the cost was too high. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey. Notes: The interquartile range is defined as the difference between the 75th percentile and the 25th percentile. The figures are based on the new question introduced in round eleven (April-September 2014).

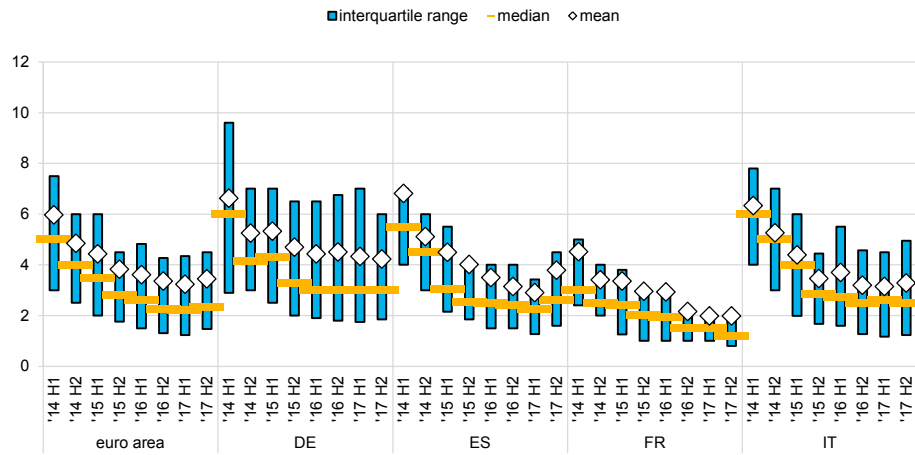
**The slight increase in the interest rate of bank overdrafts and credit lines can be traced back to the SMEs in Spain** (see Chart 24), where the reported median rates rose from 2.3% to 2.6%. In the other countries, rates were mainly unchanged to slightly lower.

<sup>12</sup> From round eleven (April-September 2014), the question regarding the interest rate of the credit line or bank overdraft was introduced to the questionnaire. The weighted mean reported by euro area enterprises is around 15 basis points higher than the official monetary financial institutions' interest rate statistics on bank overdrafts (average in the period from October 2017 to March 2018), while the median value is about 70 basis points lower. Some caveats apply when comparing the figures quoted in this report with the official bank interest rate statistics: (i) the bank statistics are weighted by the loan volumes, while the survey responses are weighted by the number of employees; and (ii) the bank statistics refer to the full financing granted in the period, while the survey includes all enterprises that had successfully applied for the credit line or bank overdraft or did not apply because the cost was too high.

**Chart 24**

**Interest rate charged for a credit line or bank overdraft to euro area SMEs**

(percentages)



Q8B. What interest rate was charged for the credit line or bank overdraft for which you applied?

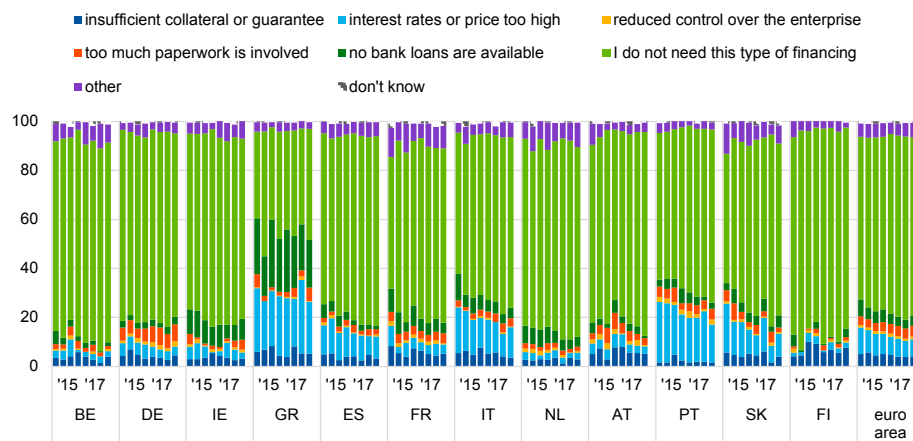
Base: SMEs that had successfully applied for a credit line or bank overdraft or that did not apply because the cost was too high. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey. Notes: The interquartile range is defined as the difference between the 75th percentile and the 25th percentile. The figures are based on the new question introduced in round eleven (April-September 2014).

**Around 45% of SMEs interviewed indicated that bank loans are not a relevant source of financing for them** (Chart 25). In the vast majority of these cases, SMEs had no need for financing via a bank loan (73%). A small percentage indicated high interest rates or the costs as the primary reason for not using bank loans (7%, up from 6%). In Spain (9%, from 8%), Italy (12%, from 9%) and Slovakia (9%, from 7%), this percentage rose somewhat since the last wave, while in Portugal (15%, from 21%) and Greece (21%, from 30%) it fell, albeit from high levels. In addition, a lack of available bank loans is also weighing on Greek SMEs to a notable extent (19%, unchanged).

**Chart 25**

**Reasons why bank loans are not a relevant source of financing for euro area SMEs**

(over the preceding six months; percentage of respondents)



Q32. You mentioned that bank loans are not relevant for your enterprise. What is the main reason for this?

Base: SMEs for which bank loans are not a relevant source of financing. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.

Notes: The figures are based on the new question introduced in round eleven (April-September 2014).

# 5 Expectations regarding access to financing

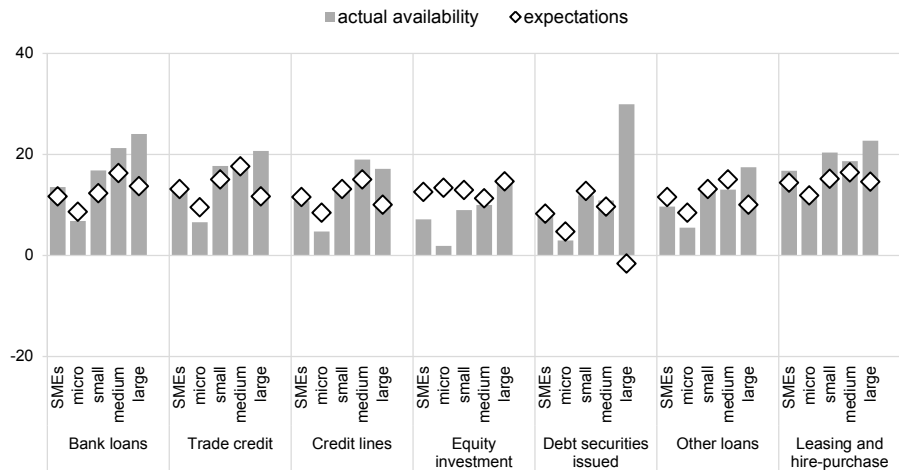
## 5.1 Expectations of SMEs about further improvements in access to external financing remain comparatively solid

**For the April to September 2018 period, SMEs are expecting improvements in the availability of external financing sources, yet at a more moderate pace** when compared to the actual changes indicated in the current round of the survey (see Chart 26). Specifically, in net terms, 12% of SMEs anticipate better access to bank loans, the most important source of external financing for SMEs, somewhat less than the actual, 14%, figure seen in the current round of the survey. Most other external financing instruments are seen to perform similarly or better, including trade credit (13% expected against 13% posted), credit lines (12% against 11%) and other loans (12% against 10%). Only the advances for leasing and hire-purchase are anticipated to slow (14%, from 17%).

**Chart 26**

Change in euro area enterprises' expectations regarding the availability of financing

(over the preceding six months; net percentage of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Q23. Looking ahead, for each of the following types of financing available to your enterprise, please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next six months.

Base: Enterprises for which the respective instrument is relevant. Figures refer to round eighteen (October 2017-March 2018) of the survey.

Note: See the notes to Charts 1 and 11.

**Across different company sizes, the expectations of micro enterprises appeared the most optimistic, extending to all categories of external financing.**

In particular, micro firms seem considerably more optimistic than larger companies about the outlook for bank loans – with a net balance of 9% of micro firms expecting an improvement against a net balance of 7% registering an actual improvement in the current survey – and trade credit (9% against 7%). Large enterprises, which

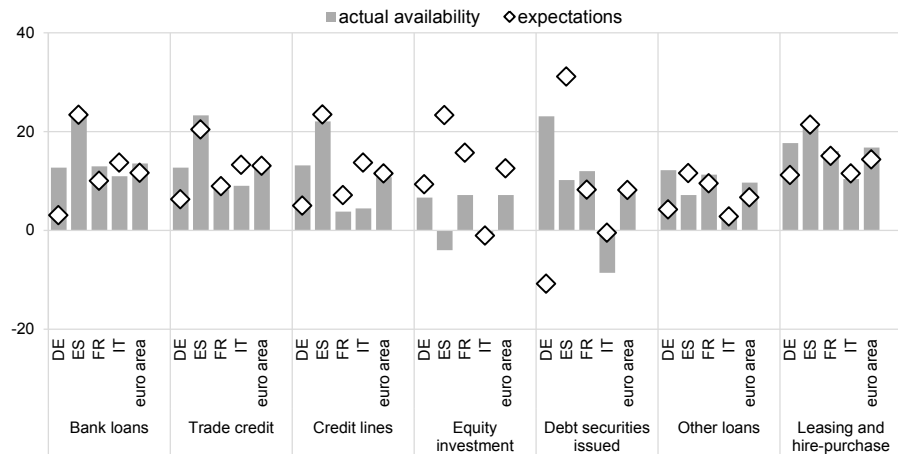
would appear to have benefited the most thus far by the improvement in external financing, revealed a relatively cautious assessment of further improvements in the future. The net percentage of large firms expecting improvements was in general lower than those reporting actual improvements for bank loans (14% against 24%), trade credit (12% against 21%), credit lines (10% against 17%), other loans (10% against 18%) and leasing and hire-purchase (15% from 23%).

**In the largest euro area countries, mainly German SMEs scaled back their expectations of further improvements to external financing access**, with a more marginal moderation visible in France (see Chart 27). By contrast, a larger net balance of Italian SMEs anticipated additional improvements across nearly all sources of external financing.

**Chart 27**

Change in euro area SMEs' expectations regarding the availability of financing

(over the preceding six months; net percentage of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Q23. Looking ahead, for each of the following types of financing available to your enterprise, please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next six months.

Base: SMEs for which the respective instrument is relevant. Figures refer to round eighteen (October 2017-March 2018) of the survey. Note: See the notes to Charts 1 and 8.

# Annexes

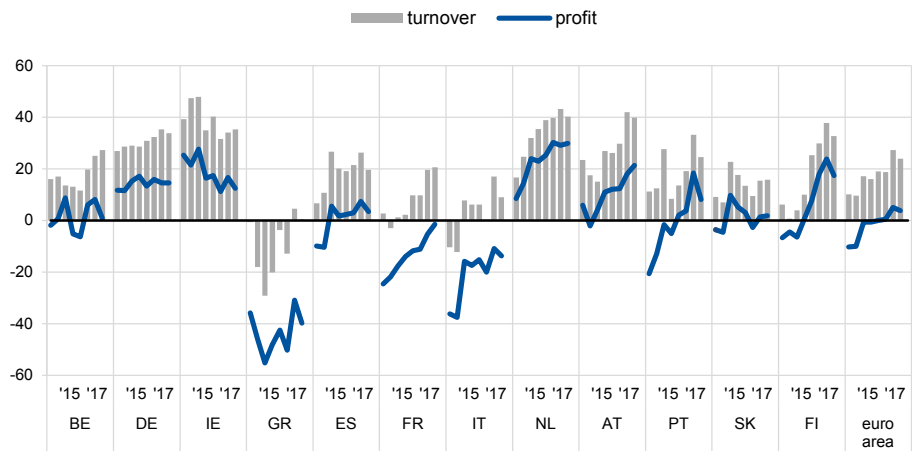
## Annex 1

### Overview of the survey replies – selected charts

#### Chart 1a

##### Change in turnover and profits of SMEs across euro area countries

(over the preceding six months; net percentage of respondents)



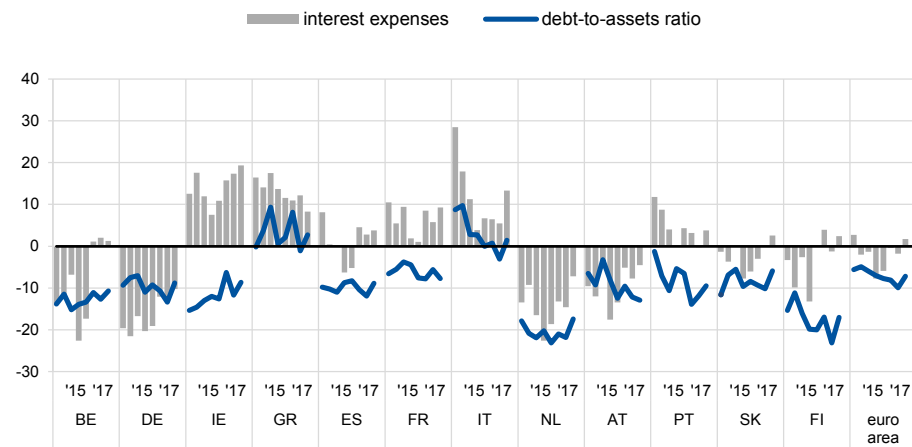
Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Notes: See the note to Chart 1.

#### Chart 2a

##### Change in debt-to-total-assets ratio and interest expenses of SMEs across euro area countries

(over the preceding six months; net percentage of respondents)



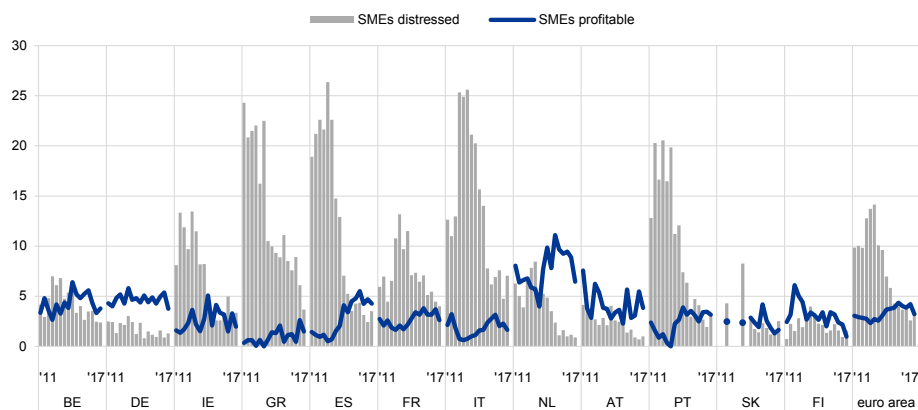
Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Notes: See the note to Chart 1.

### Chart 3a

#### Distressed and profitable firms among euro area countries

(over the preceding six months; percentage of respondents)



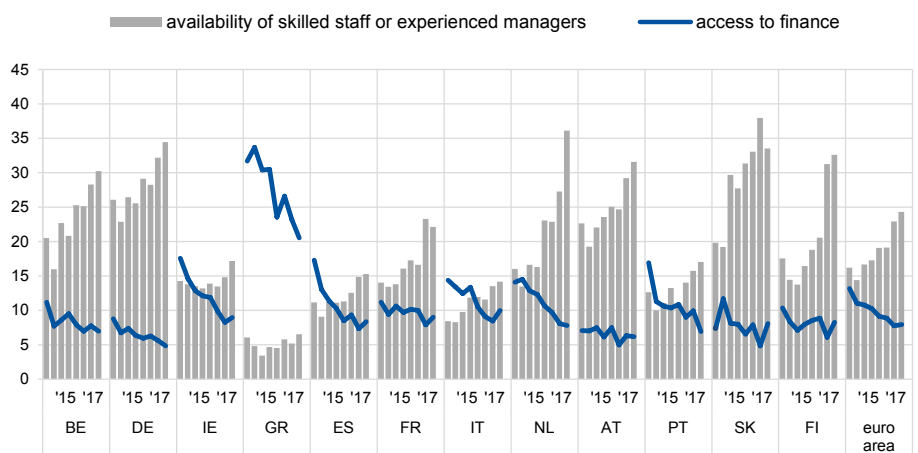
Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds three (March-September 2010) to eighteen (October 2017-March 2018) of the survey.  
 Note: In Slovakia, the survey was initially conducted every two years (H1 2009, H1 2011 and H1 2013). From 2014 onwards, Slovakia has been included in the sample in each survey round.

### Chart 4a

#### The most important problems faced by euro area SMEs across euro area countries

(over the preceding six months; percentage of respondents)



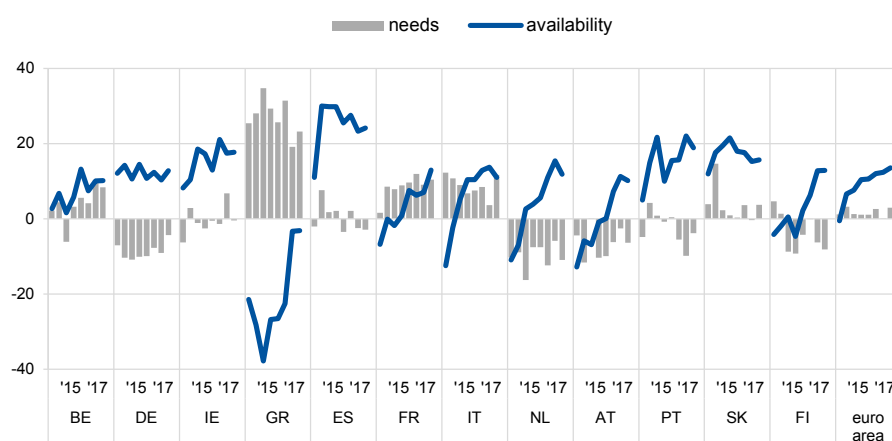
Q0. How important have the following problems been for your enterprise in the past six months?

Base: All SMEs. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
 Notes: See the notes to Chart 3.

### Chart 5a

#### Change in the availability of and need for bank loans for SMEs across euro area countries

(over the preceding six months; net percentage of respondents)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

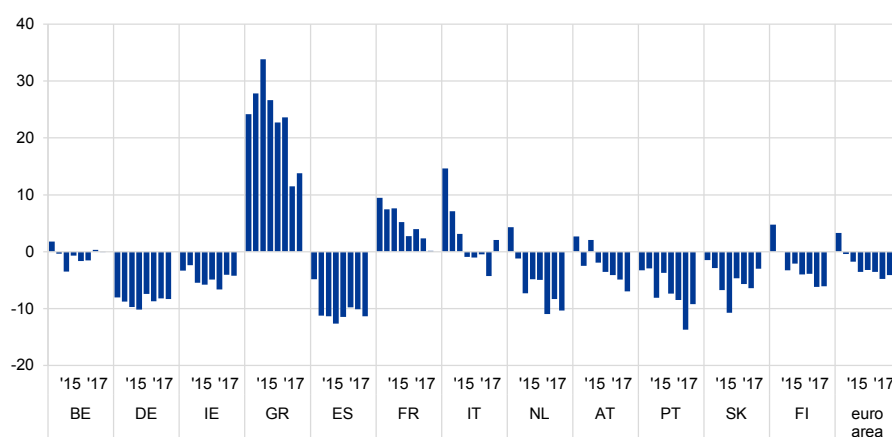
Base: SMEs for which the respective instrument is relevant. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.

Notes: See the notes to Charts 1 and 8

### Chart 6a

#### Change in the external financing gap perceived by SMEs across euro area countries

(over the preceding six months; weighted net balances)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. "Non-applicable" and "Don't know" answers are excluded. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.

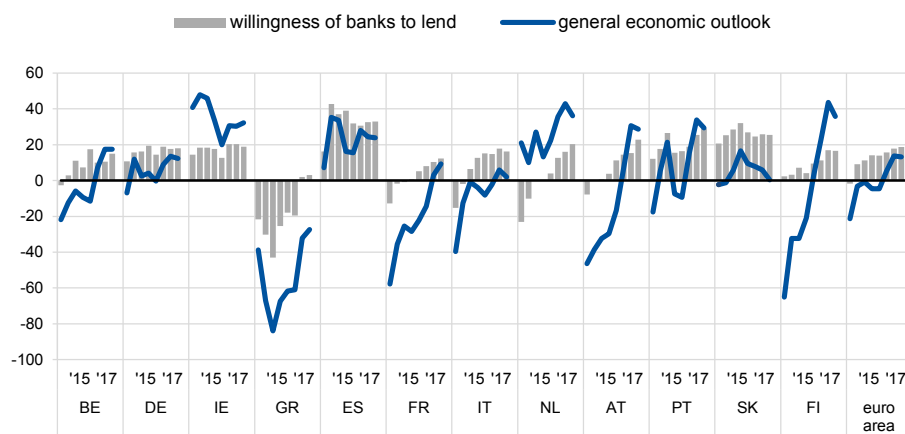
Notes: See note to Chart 8. The financing gap indicator combines both financing needs and availability of bank loans, credit lines, trade credit, equity and debt securities at firm level. For each of the five financing instruments, an indicator of a perceived financing gap change takes the value of 1 (-1) if the need increases/decreases and availability decreases/increases. If enterprises perceive only a one-sided increase/decrease in the financing gap, the variable is assigned a value of 0.5 (-0.5). The composite indicator is the weighted average of the financing gap related to the five instruments. A positive value of the indicator suggests an increasing financing gap. Values are multiplied by 100 to obtain weighted net balances in percentages.



### Chart 7a

#### Change in factors with an impact on the availability of external financing for SMEs across euro area countries

(over the preceding six months; net percentage of respondents)



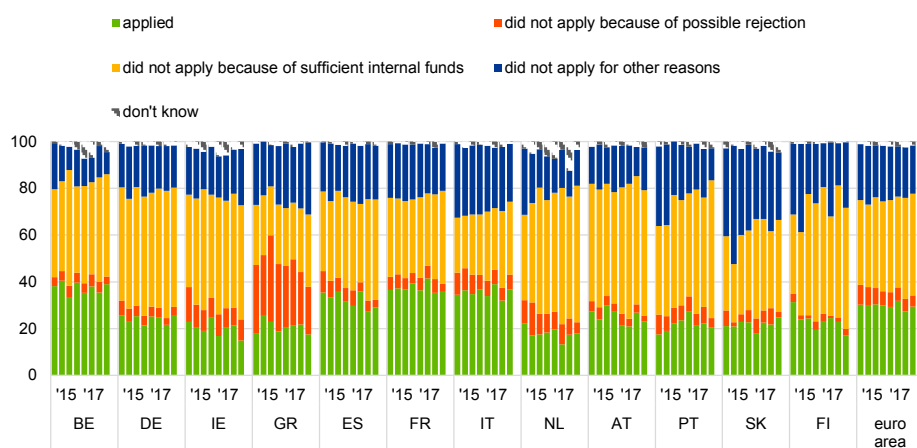
Q11. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past six months?

Base: All SMEs. For the category "Willingness of banks to lend", these are SMEs for which at least one bank financing instrument (credit line, bank overdraft, credit card overdraft, bank loan, subsidised bank loan) is relevant. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Notes: See the notes to Charts 1 and 8. From round eleven (April-September 2014), the category "Willingness of banks to provide a loan" was reformulated slightly to "Willingness of banks to provide credit to your enterprise".

### Chart 8a

#### Applications for bank loans by SMEs across euro area countries

(over the preceding six months; percentage of respondents)



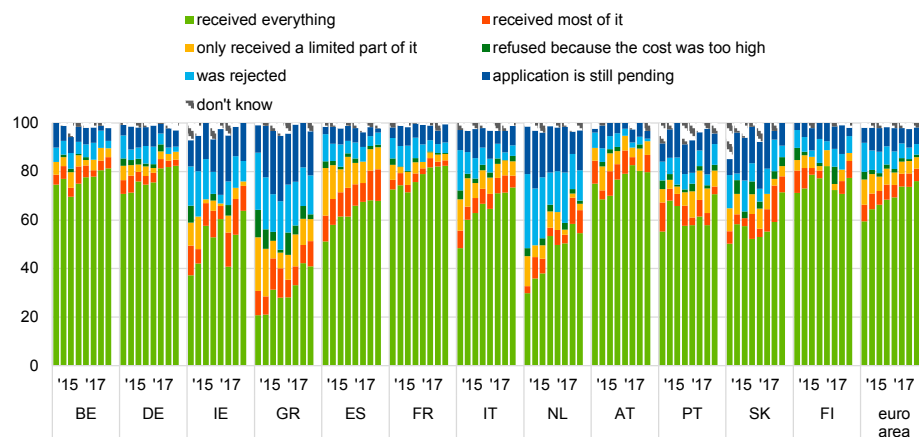
Q7A. Have you applied for the following types of financing in the past six months?

Base: SMEs for which bank loans (including subsidised bank loans) are relevant. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Note: See the notes to Charts 1 and 8.

### Chart 9a

#### Outcome of applications for bank loans by SMEs across euro area countries

(over the preceding six months; percentage of respondents)



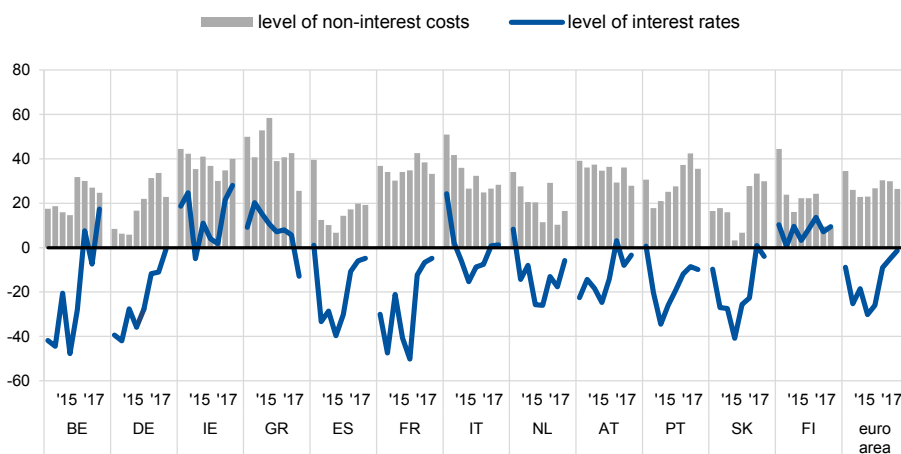
Q7B. If you applied and tried to negotiate for this type of financing over the past six months, what was the outcome?

Base: SMEs that had applied for bank loans (including subsidised bank loans). Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Note: See the notes to Charts 1 and 8.

### Chart 10a

#### Change in the cost of bank loans granted to SMEs across euro area countries

(over the preceding six months; net percentages of enterprises that had applied for bank loans)



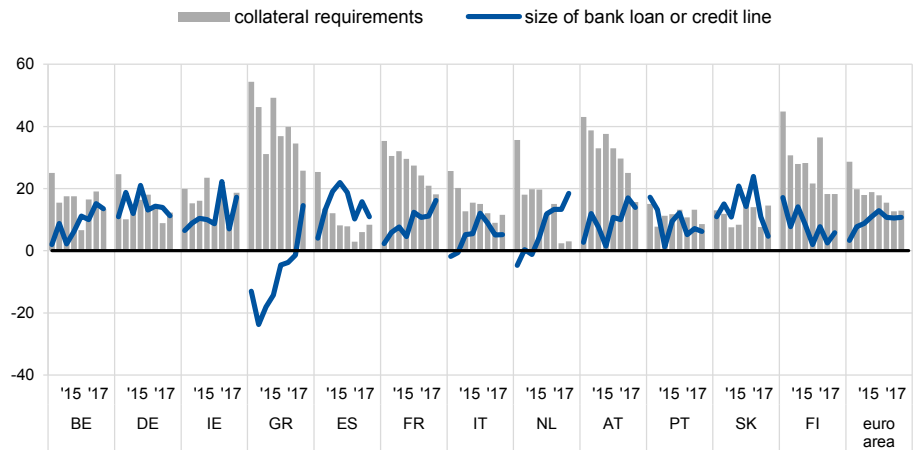
Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: SMEs that had applied for bank loans (including subsidised bank loans), credit lines, credit lines or credit card overdrafts. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey.  
Note: See the note to Chart 1.

**Chart 11a**

**Change in non-price terms and conditions of bank loans granted to SMEs across euro area countries**

(over the preceding six months; net percentages of enterprises that had applied for bank loans)



Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: SMEs that had applied for bank loans (including subsidised bank loans), credit lines, credit lines or credit card overdrafts. Figures refer to rounds eleven (April-September 2014) to eighteen (October 2017-March 2018) of the survey. Note: See the note to Chart 1.

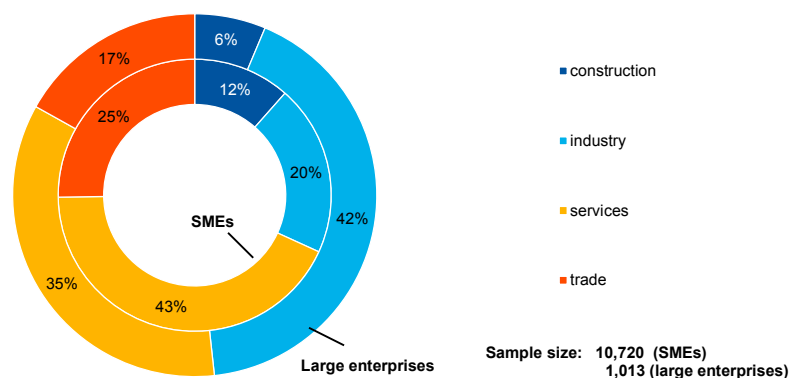
## Annex 2

### Descriptive statistics for the sample of enterprises

**Chart 1b**

Breakdown of enterprises across economic activities

(unweighted percentages)

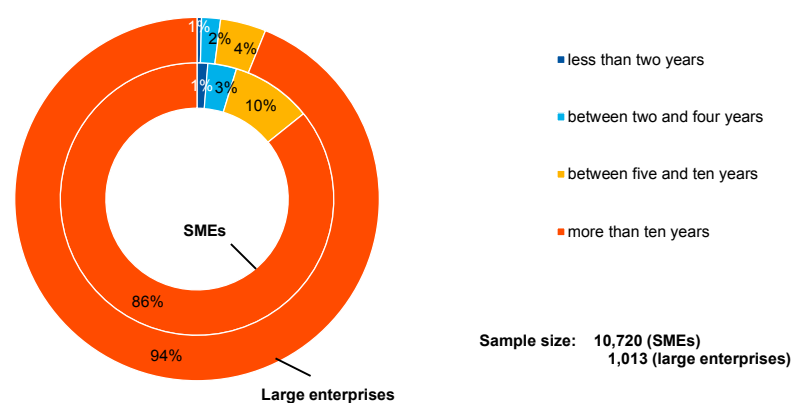


Base: Figures refer to round eighteen (October 2017- arch 2018) of the survey.

**Chart 2b**

Breakdown of enterprises by age of the firm

(unweighted percentages)

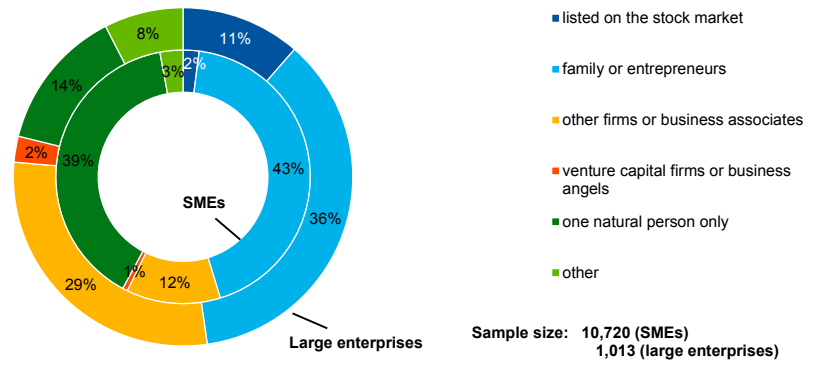


Base: Figures refer to round eighteen (October 2017-March 2018) of the survey.

### Chart 3b

#### Breakdown of enterprises according to ownership

(unweighted percentages)

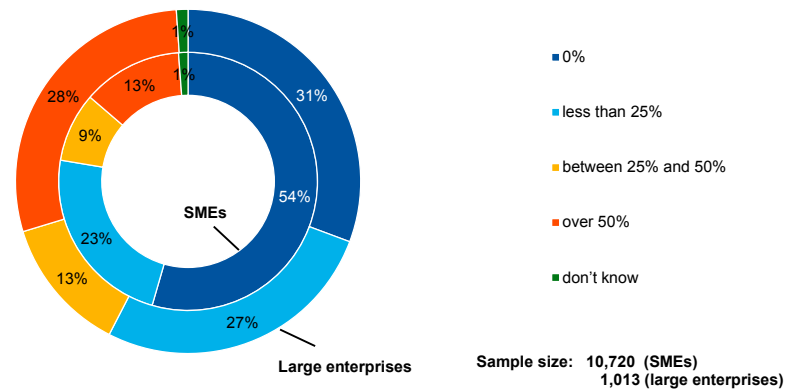


Base: Figures refer to round eighteen (October 2017-March 2018) of the survey.

### Chart 4b

#### Breakdown of enterprises according to exports

(unweighted percentages)



Base: Figures refer to round eighteen (October 2017-March 2018) of the survey.

## Annex 3

### Methodological information on the survey

This annex presents the main changes introduced in the latest round of the Survey on the Access to Finance of Enterprises (SAFE). For an overview of how the survey was structured, the general characteristics of the euro area enterprises that participated in the survey and the changes introduced to the methodology and the questionnaire over time, see the “Methodological information on the survey and user guide for the anonymised micro dataset” available on the ECB’s website.<sup>13</sup>

Since September 2014, the survey has been carried out by Panteia b.v., in cooperation with the fieldwork provider GDCC. To the best of our knowledge, no breaks in the series are attributable to the change of providers over the life cycle of the survey.

However, some changes in the questionnaire may have caused a break between the round covering the second half of 2013 and that covering the first half of 2014. This stems from the review of various components of the SAFE after ten survey rounds, covering the questionnaire, sample allocation, survey mode and weighting scheme (see Annex 4 in the corresponding report on the ECB’s website for details<sup>14</sup>).

With regard to the weighting scheme, up to the H1 2015 round, the calibration targets were updated with each survey round based on the latest available figures from Eurostat’s structural business statistics (SBS). Since then, with all the euro area countries participating in the survey, the weighting scheme has been updated once a year.<sup>15</sup>

In this survey round no major changes were made to the existing questions in the questionnaire.<sup>16</sup>

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<sup>13</sup> [“Methodological information on the survey and user guide for the anonymised micro dataset”](#).

<sup>14</sup> [“Survey on the Access to Finance of Enterprises in the euro area – April 2014 to September 2014”](#).

<sup>15</sup> For more details, see Section Weighting in [“Methodological information on the survey and user guide for the anonymised micro dataset”](#).

<sup>16</sup> The [questionnaire](#) is available on the ECB’s website. It was translated into the respective languages for the purposes of the survey.

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