

Box 3

SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA: APRIL TO SEPTEMBER 2012

This box presents the main results of the seventh round of the “Survey on the access to finance of small and medium-sized enterprises (SMEs) in the euro area”.¹ The survey was conducted between 3 September and 11 October 2012 and covered 7,514 firms, of which 6,959 (i.e. 93%) had less than 250 employees and are thus categorised as SMEs. This box describes the changes in the financial situation, financing needs and the access to financing of SMEs in the euro area, compared with large firms, over the preceding six months (i.e. from April to September 2012).²

Deterioration in the overall financial situation of SMEs

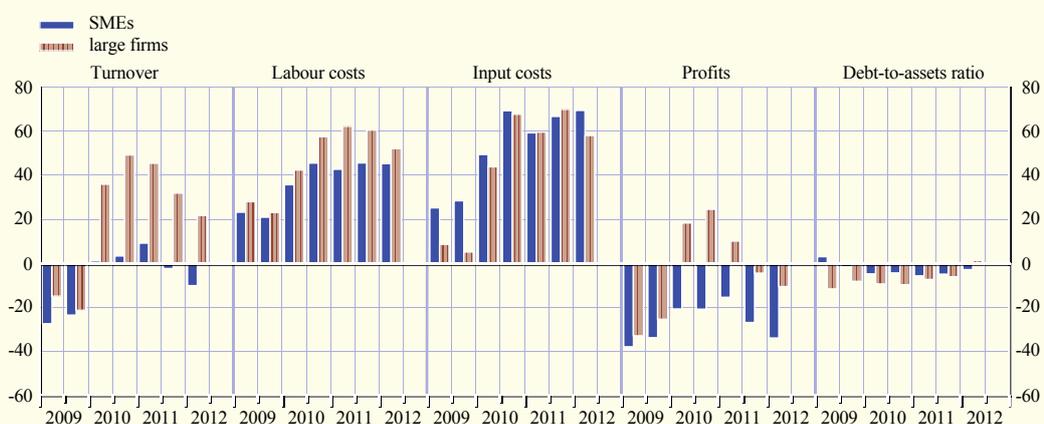
In the period from April to September 2012, which was characterised by a weakening of economic activity in the euro area compared with the previous six-month period, the financial situation of euro area SMEs deteriorated. The dominant concern mentioned by most SMEs continued to be “Finding customers” (27%, unchanged from the previous survey round). The importance of “Access to finance” was broadly unchanged as a concern (18%, compared with 17% in the previous survey round) and remained below the peak of 19% reached in the second half of 2009, whereas “Access to finance” was less of an issue for large firms.

In the survey period, 10% of euro area SMEs reported, in net terms,³ a contraction in turnover (-2%), which was a further deterioration compared with the previous six-month period (see Chart A). In addition, on balance, a higher percentage of euro area SMEs (-34%) than in

- 1 A comprehensive report, detailed statistical tables and additional breakdowns were published in the “Statistics” section of the ECB’s website on 2 November 2012 (see “Monetary and financial statistics/Surveys/Access to finance of SMEs”).
- 2 The reference period for the previous survey round (H2 2011) was October 2011 to March 2012.
- 3 Net terms refer to the difference between the percentage of firms reporting an increase and that reporting a decrease.

Chart A Indicators of the financial situation of euro area firms

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

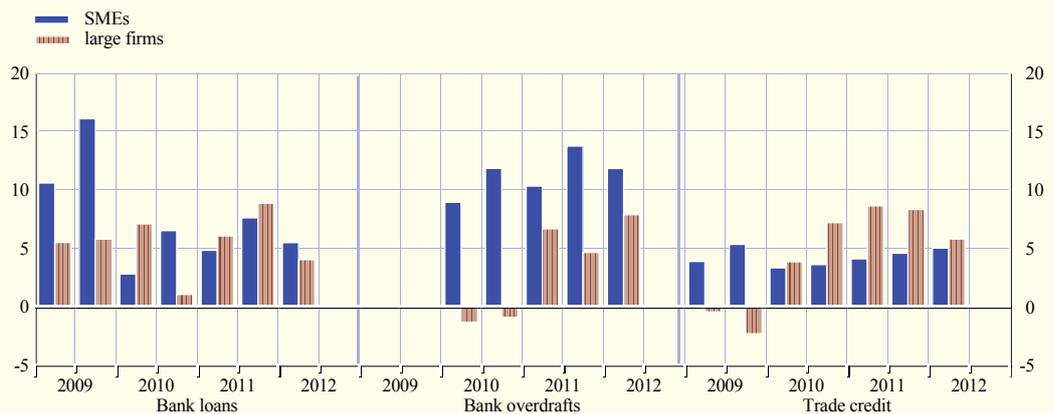


Source: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

Chart B External financing needs of euro area firms

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



Source: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase in needs and that reporting a decrease. Data for bank overdrafts (which also include credit lines and credit card overdrafts) are not available for the first two rounds of the survey.

the previous survey round (-27%) reported a decrease in their profits. Instead, the percentage of SMEs reporting increased labour and other costs remained broadly unchanged (45% and 69% respectively). A larger percentage of large firms also reported, on balance, a decline in their profits (-10%, down from a decrease of -4% in the previous survey period), but to a much lesser extent than for SMEs. In addition, large firms continued to report, on balance, an increase in turnover, albeit at a lower level than in the previous six-month period (22%, down from 32%).

The deleveraging process of euro area SMEs continued, but may have slowed down, as they reported, in net terms, a less pronounced decline in their ratio of debt to assets (-3%, compared with -5% in the previous survey round). This reduction reflects the ongoing adjustment in the balance sheets of enterprises in an environment of heightened risk aversion, but also a decline in the availability of debt financing in the survey period. Large firms reported instead, for the first time since the start of the survey, an increase in net terms in their leverage ratio (1%, compared with -6% in the previous survey round).

Some decrease in the external financing needs of euro area SMEs

On balance, external financing needs of euro area SMEs for bank loans and bank overdrafts decreased somewhat compared with the previous six-month period (5% and 12% respectively, down from 8% and 14%), while the need for trade credit remained broadly unchanged at 5% (see Chart B). SMEs reported broadly unchanged financing needs for fixed investment or for the financing of inventory and working capital (at 10% and 11% respectively). The availability of internal funds remained, on balance, positive (5%, compared with 7% in the previous survey period), although it decreased and thus contributed less to SMEs' overall financing.

Large firms reported, on balance, a decreased need for bank loans and trade credit (4% and 6%, down from 9% and 8% respectively). But unlike SMEs, they reported an increase in bank overdrafts (8%, up from 5%).

Deterioration in the availability of external financing

Between April and September 2012, SMEs reported, in net terms, a stronger deterioration in the availability of bank loans at -22% in net terms, down from -20% in the previous survey round (see Chart C). The perceived deterioration is, however, well below the peak of 2009 (around -30%), which occurred in the period following the bankruptcy of Lehman Brothers. More SMEs also reported a further deterioration in the availability of two other sources of external financing, namely bank overdrafts and trade credit.

The picture regarding the terms and conditions of bank loan financing was mixed. On balance, fewer SMEs reported an increase in interest rates (27%, down from 42%). At the same time, with respect to non-price terms and conditions, the degree of deterioration was generally lower for other costs of financing and collateral requirements, but SMEs reported, on balance, a stronger decline in the size of the loans or credit lines (-8%, from -1% in the previous survey round).

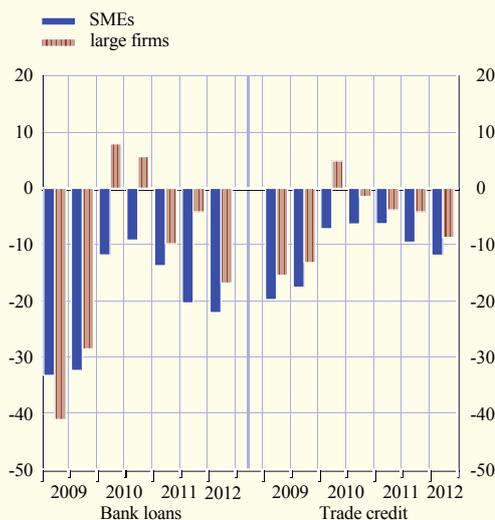
In this survey round, the deterioration in the availability of bank loans for large firms (-17% in net terms, down from -4%) was stronger than for SMEs, narrowing the perceived differences in availability across firm sizes.

Higher rejection of bank loan applications of SMEs

When looking at the actual outcome of bank loan applications by SMEs between April and September 2012, 15% of the SMEs reported that their application had been rejected (up from 13% in the previous survey round; see Chart D). This is the highest percentage since the peak of 18% in the second half of 2009, and reflects SMEs' constraints in accessing bank lending in the period under review. At the same time, 60% (slightly lower than the 62% of the previous survey round) of

Chart C Availability of external financing for euro area firms

(changes over the preceding six months; as a net percentage of firms that applied for external financing)

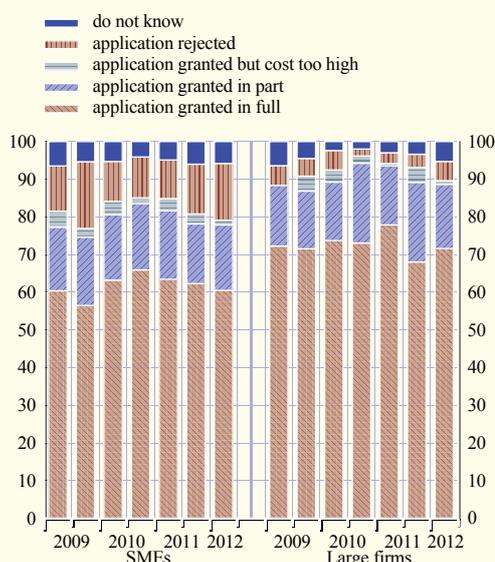


Source: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase in availability and that reporting a decrease.

Chart D Outcome of loan applications by euro area firms

(over the preceding six months; as a percentage of firms that applied for bank loans)



Source: ECB and European Commission survey on the access to finance of SMEs.

the SMEs reported that they had received the full amount of their loan application (the lowest percentage was 56% in the second half of 2009). The reduction was partially compensated for by a small increase in the percentage of loans which were only granted in part (17%, compared with 16% in the previous survey round). This may reflect the fact that banks continued to apply a very cautious lending policy, in particular for riskier loans. Regarding bank overdrafts, SMEs reported no changes in the rejection rate, which remained at 14%.

For large firms, the rejection rate for bank loans increased marginally, to 5% (up from 3% in the previous survey round). However, their success when applying for a bank loan increased to 72% (up from 68%), whereas there was a decrease in the percentage of bank loan applications only partly satisfied (17%, down from 21% in the previous survey round). This result also tends to confirm a possible increased scrutiny of banks aiming at differentiating between loan applications.