

Box 6

THE RESULTS OF THE “SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA”

This box presents the results of the fifth round of the “Survey on the access to finance of small and medium-sized enterprises in the euro area”.¹ The survey was conducted between 22 August and 7 October 2011 and covered 8,316 firms, of which 7,690 (i.e. 92%) had fewer than 250 employees (and are thus categorised as small and medium-sized enterprises (SMEs)).² This box provides information on the financial situation, financing needs and access to financing of SMEs in the euro area, compared with large firms, over the six preceding months (i.e. from April to September 2011).³

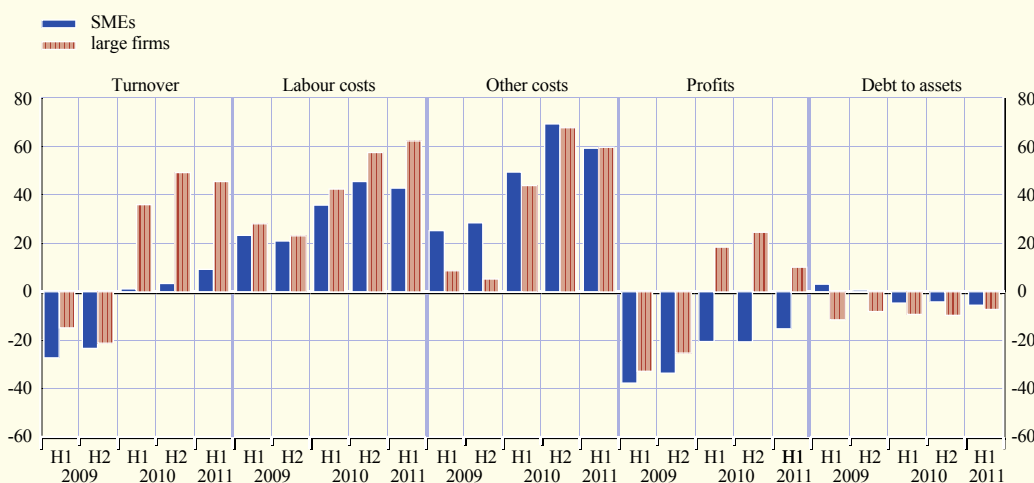
SMEs’ overall financial situation remained difficult

The financial situation of euro area SMEs remained difficult, but less so than in the period from September 2010 to February 2011. By comparison, that of large firms continued to be more favourable. The net percentage of euro area SMEs reporting an increase in turnover during the six months preceding the interview rose further to 9%, mainly reflecting the stronger pace of economic growth in the first half of 2011 (see Chart A). At the same time, they continued to report, on balance, a deterioration in profits, although the percentage declined to 15% (from 21%). In addition, they continued to report an increase in labour and other costs (43% and 59% respectively, in net terms), although the reported increase was smaller than in the previous survey round. This general assessment of cost increases was shared by large firms, which seemed

- 1 Further information, as well as detailed statistical tables and additional breakdowns, is available in the Statistics section of the ECB’s website under Monetary and financial statistics/Surveys/Access to finance of SMEs.
- 2 Unlike the previous survey round, this round covered a small sample from the six smallest euro area countries. There is very little change in the results for the euro area if the sample of firms from these countries is not taken into account.
- 3 The reference period for the previous survey round was September 2010 to February 2011.

Chart A Indicators of the financial situation of euro area firms

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



Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area.
Note: The net percentage is the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

to be more affected by increases in labour costs. In most cases, however, their overall financial situation appeared to be stronger than that of SMEs. On balance, they continued to report an increase in profits, albeit a smaller one than in the previous survey round (10%, compared with 25%), as well as an increase in turnover (45%, down from 49%).

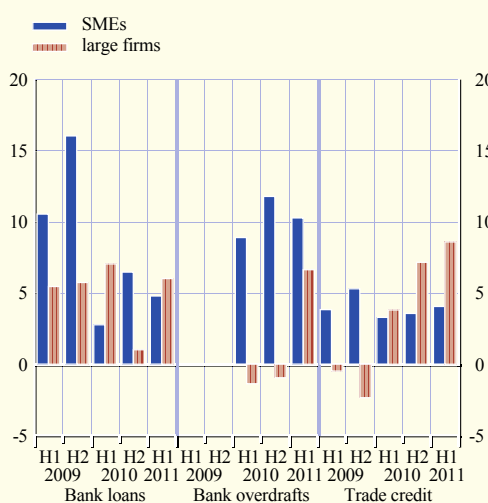
The net percentage of euro area SMEs reporting a slight further decline in their leverage (defined as the ratio of debt to assets) rose slightly to 6%, from 4% in the survey for the second half of 2010. This was due to the ongoing need of SMEs to deleverage from the overall high levels of debt, in an environment of increased sensitivity towards credit risks and overall debt sustainability. At the same time, the net percentage of large firms reporting that their leverage had declined over the preceding six months fell to 7%, from 10% in the previous survey round.

External financing needs of euro area SMEs continued to increase, but less so than in the previous survey round

Compared with the previous survey round, euro area SMEs reported, on balance, virtually no change in their need for bank loans (5%, compared with 6%; see Chart B). With regard to their need for bank overdrafts and credit lines, they continued to signal a net increase, albeit a smaller one compared with the previous round (10%, down from 12%), while in terms of their need for trade credit, there was little change, on balance, from the previous round. By contrast, a higher percentage of large firms reported an increase in their need for external financing. This percentage was also higher than in the previous survey round. In particular, their need for bank loans rose to 6% (compared with 1%), trade credit to 9% (up from 7%) and bank overdrafts to 7% (up from -1%).

Chart B External financing needs of euro area firms

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



Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area. Notes: The net percentage is the difference between the percentage of firms reporting an increase in financing needs and that reporting a decrease. Data for bank overdrafts (which also cover credit lines and credit cards) are not available for the first two rounds of the survey.

With regard to the factors affecting SMEs' external financing needs, there was also little change from the last survey round, with fixed investment, as well as inventories and working capital, contributing to a slight increase in financing needs. By contrast, the increase in the financing needs of large firms was attributable more to inventories and working capital than to fixed investment.

Availability of external financing deteriorated between April and September 2011

The survey results show that access to sources of external financing, in particular bank loans, continued to deteriorate, with SMEs reporting a further decline in the net availability of bank loans (14%, compared with 9% in the previous survey round; see Chart C). As regards other sources of external financing, such as trade

credit, SMEs did not indicate a further deterioration in availability. By contrast, euro area large firms reported a more pronounced reduction in the availability of bank loans (from 6% to -10% in net terms).

With regard to the terms and conditions of financing loans, SMEs reported an increase in lending rates and “other costs of financing”, and generally perceived the increases in non-price terms and conditions (i.e. collateral requirements, covenants and other guarantees) to be smaller than for interest rates.

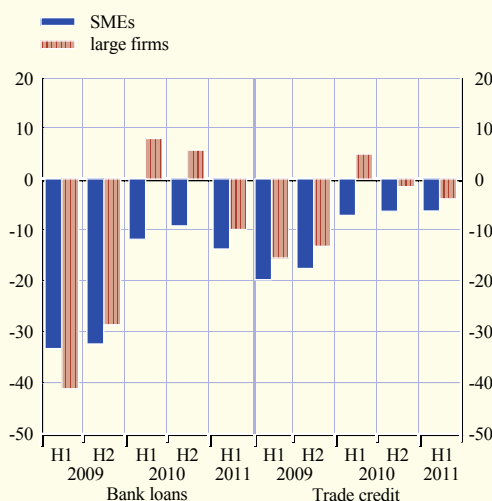
Overall, issues related to “access to finance” were cited by 16% of euro area SMEs and 11% of large firms as being their most pressing problem, unchanged from the previous survey round in both cases. 23% of SMEs reported “Finding customers” as being by far their most pressing problem, with only around 15% reporting either “Availability of skilled staff or experienced managers” or “Competitive pressure”. The most pressing problem for large firms was “Finding customers”, followed by the “Availability of skilled staff or experienced managers”.

Bank loan applications were slightly less successful

Between April and September 2011 22% of SMEs applied for a bank loan (down from 25% in the second half of 2010 and the lowest percentage since the beginning of the survey), while 51% (up from 46%) did not apply because they believed they had sufficient internal funds to cover their financing needs. The percentage of firms not applying for a loan for fear of rejection remained broadly stable at 6%. When asked about the actual success of their applications for bank loans, SMEs reported that there had basically been no change in the rejection rate (10%) from the previous survey round (see Chart D). In addition, the percentage of euro area SMEs reporting they had received the full amount they applied for decreased slightly to 63% (from 66% in the

Chart C Availability of external financing for euro area firms

(change over the preceding six months; net percentage of firms that had applied for external financing)

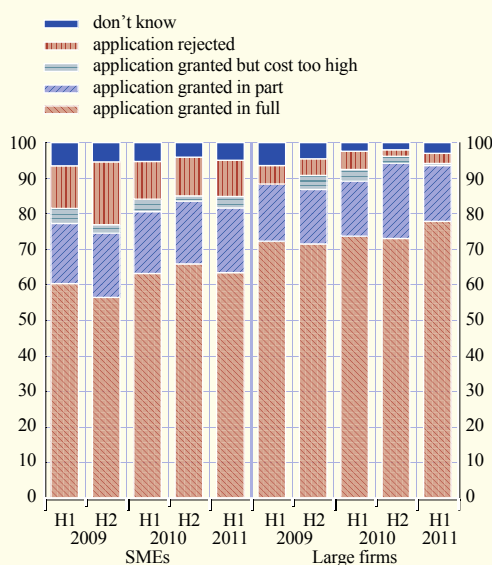


Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area.

Note: The net percentage is 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; percentage of firms that had applied for bank loans)



Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area.

previous round). Compared with SMEs, large firms continued to report a lower rejection rate (3%, compared with 2% in the previous survey round) and a higher success rate (78%, up from 73%) when applying for a bank loan. Alternative sources of financing, in particular trade credit, developed along similar lines.