

Box 4

THE RESULTS OF THE “SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA: OCTOBER 2011 TO MARCH 2012”

This box presents the main results of the sixth 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 29 February and 29 March 2012 and covered 7,511 firms, of which 6,969 (i.e. 93%) had less than 250 employees (and are thus categorised as SMEs). This box provides evidence mainly on 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 six preceding months (i.e. from October 2011 to March 2012).²

¹ A comprehensive report, detailed statistical tables and additional breakdowns were published on 27 April 2012 in the “Statistics” section of the ECB’s website under Monetary and financial statistics/Surveys/Access to finance of SMEs.

² The reference period for the previous survey round was April to September 2011.

SMEs' overall financial situation deteriorated in the reporting period

In the period from October 2011 to March 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. Overall, when asked for their dominant concern, most SMEs mentioned “Finding customers” (27%, up from 23% in the previous survey round). The importance of “Access to finance” was broadly unchanged as a concern for euro area SMEs (17% mentioned this, compared with 16% in the previous survey round), remaining below the peak reached in the second half of 2009 (19%), whereas “Access to finance” was less of an issue for large firms. Compared with large firms, SMEs’ financial situation remained more difficult.

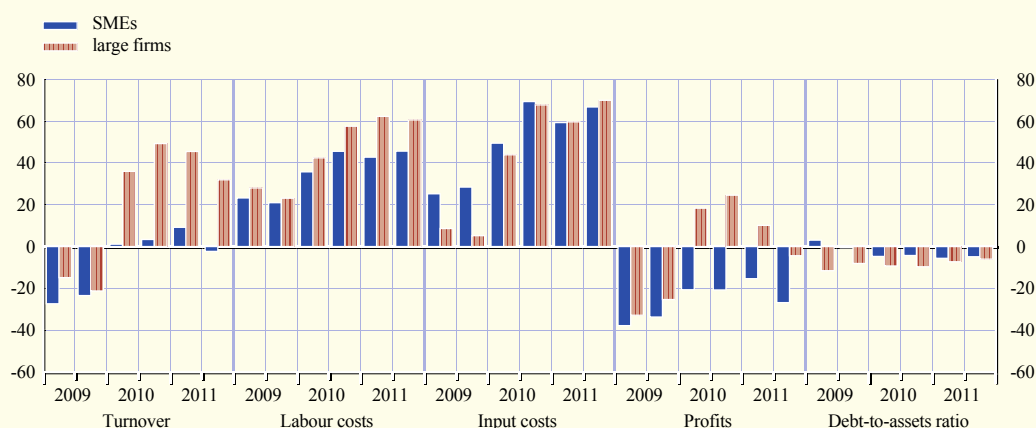
In the survey period, a net³ 2% of euro area SMEs reported a contraction in turnover. This was a deterioration compared with the previous six-month period when SMEs reported on balance an increase in turnover (9%; see Chart A). In addition, on balance, a higher percentage (27%) than in the previous survey period (15%) of euro area SMEs reported a decrease of their profits and increased labour and other input costs (46% and 67% respectively, up from 43% and 59% in the previous survey round), likely reflecting in particular increases in energy prices. Large firms also reported, on balance, a decline in their profits, for the first time since the second half of 2009 (4%, down from a net increase of 10% in the previous survey period). However, the net percentage was much lower than for SMEs. In addition, large firms continued to report on balance an increase in turnover, although the net percentage was lower than in the previous six-month period (32%, down from 45%).

Euro area SMEs reported a slight further decline in their ratio of debt to assets (5%, compared with 6% in the previous survey round). This decline reflects the continued need to deleverage from substantial levels of indebtedness, but also a decrease in the availability of debt financing in the survey period. Large firms’ leverage also continued declining (in net terms 6% of the large

3 Net percentages refer to the difference between firms reporting an increase and those reporting a decrease.

Chart A Indicators of the financial situation of euro area firms

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



Sources: 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.

firms mentioned this, compared with 7% in the previous survey period), similar to what was reported for SMEs.

External financing needs of euro area SMEs increased somewhat

Euro area SMEs' need for bank loans and bank overdrafts increased somewhat compared with the previous six-month period (8% and 14% respectively, up from 5% and 10%), possibly reflecting lower profits, while the need for trade credit remained broadly similar (5%, compared with 4%; see Chart B). While SMEs reported on balance a higher need for external finance, this is not reflected in SMEs' financing need for fixed investment or for inventory and working capital, which remained similar to the previous six-month period (11%, compared with 12%, for both items). Besides the external financing needs due to lower internal funds (on balance 7%, compared with 6% in the previous survey period), the increased need for external financing mentioned by SMEs may also reflect a demand for funds out of precautionary motives, in particular as the survey period from October 2011 to March 2012 was partly characterised by high uncertainty with respect to available (bank) funding sources. Due to the high dependency of SMEs on bank loans, this may have been particularly relevant for them.

Large firms also reported, on balance, an increased need for bank loans (9%, up from 6%), but not for bank overdrafts and trade credit (5% and 8%, compared with 7% and 9% respectively).

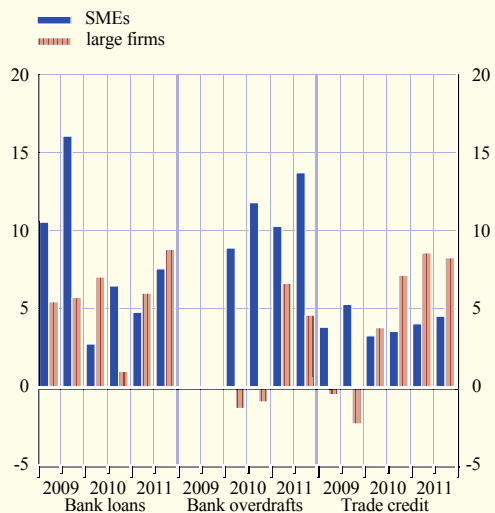
Availability of external financing deteriorated between October 2011 and March 2012

Between October 2011 and March 2012, SMEs perceived a further deterioration in the availability of bank loans (20% in net terms, up from 14% in the previous survey round; see Chart C). The reported deterioration is, however, below the levels of 2009 (around 30%). With regard to other sources of external financing, SMEs also reported a further deterioration in the availability of bank overdrafts as well as trade credit.

The picture with respect to the terms and conditions of bank loan financing was mixed. While the net percentage of SMEs reporting an increase in interest rates remained high (42%), it declined significantly compared with the previous six-month period (54%). At the same time, with respect to non-price terms and conditions, for which the degree of deterioration was generally lower, SMEs reported, for instance, on balance a further albeit moderate increase in collateral requirements (36%, compared with 33%).

Chart B External financing needs of euro area firms

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

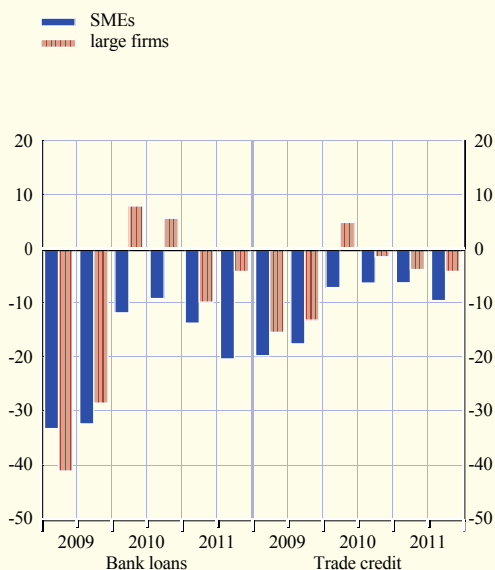


Sources: ECB and European Commission survey on the access to finance of SMEs.

Notes: 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.

Chart C Availability of external financing for euro area firms

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

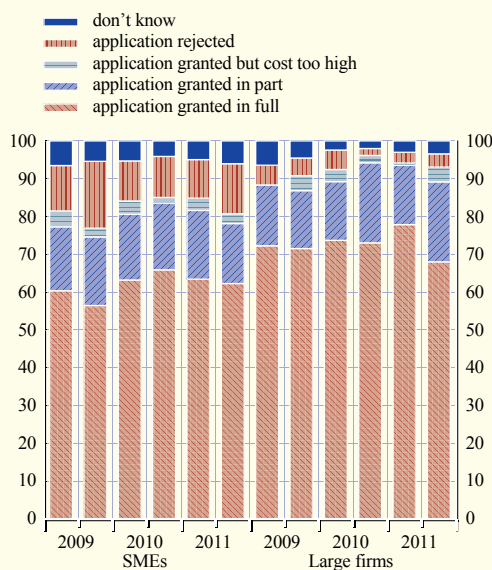


Source: ECB and European Commission survey on the access to finance of SMEs.

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; percentage of firms that applied for bank loans)



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

The deterioration in the availability of bank loans was much less pronounced for large firms (4% in net terms, down from 10%). This may reflect a lower riskiness of bank loans to large firms and/or a stronger negotiation power of large firms.

Higher rejection of bank loan applications of SMEs

When looking at the actual outcome of the bank loan applications by SMEs between October 2011 and March 2012, 13% of the SMEs reported that their application had been rejected (up from 10% in the previous survey round; see Chart D). This is the highest percentage since the peak of 18% in the second half of 2009, thus reflecting constraints on SMEs' access to bank loans between October 2011 and March 2012. At the same time, 62% (practically unchanged from 63% in the previous survey round) of the SMEs reported that they had received the full amount of their loan application (compared with the low of 56% in the second half of 2009). By contrast, the percentage for the loans which were only granted in part declined to 16% compared with 18% in the previous survey round, and was the lowest percentage since the start of this survey in 2009. This may reflect that banks applied a very cautious lending policy in particular for riskier loans, accepting applications only in part possibly related to lacking collateral. For bank overdrafts, SMEs also reported an increase in the rejection rate (to 14%, up from 10% in the previous survey round).

For large firms, the rejection rate for bank loans remained lower (unchanged at 3%). However, their success when applying for a bank loan declined substantially, to 68% (down from 78%),

which is the lowest value since the start of this survey in 2009. By contrast, the percentage of bank loan applications only partly satisfied increased (21%, up from 16% in the previous survey round). This also tends to confirm a possible increased scrutiny of banks aiming at differentiating between loan applications.