Box 4

SURVEY ON THE ACCESS TO FINANCE OF ENTERPRISES IN THE EURO AREA: APRIL TO SEPTEMBER 2014

This box presents the main results of the eleventh round of the survey on the access to finance of enterprises in the euro area (SAFE), which was conducted between 1 September and 10 October 2014.[1] The total euro area sample size was 10,750 firms, of which 9,792 (91%) were small and medium-sized enterprises (SMEs), that is, enterprises with fewer than 250 employees. This box describes the changes in the financial situation, financing needs and access to finance of SMEs in the euro area over the six months preceding the survey (i.e. from April to September 2014).[2] In addition, developments for SMEs are compared with those for large firms over the same period.

Summary of the main results

Overall, euro area SMEs reported that their financial situation had improved compared with the previous survey period. "Finding customers" remained the dominant concern for euro area SMEs (with 20% mentioning this issue as their main problem, down from 21% in the previous survey

1 A comprehensive report, detailed statistical tables and additional breakdowns were published in the "Statistics" section of the ECB's website on 12 November 2014 ("Monetary and financial statistics"/"Surveys"/"Access to finance of SMEs").
2 The reference period for the previous survey round was October 2013 to March 2014.

round), followed by "availability of skilled labour" (16%), "regulation" (15%) and "competition" (14%). "Access to finance" as the dominant concern took fifth place (13%, unchanged from the previous survey period), whereas it was slightly less of an issue for large euro area firms (11%, up from 8%).

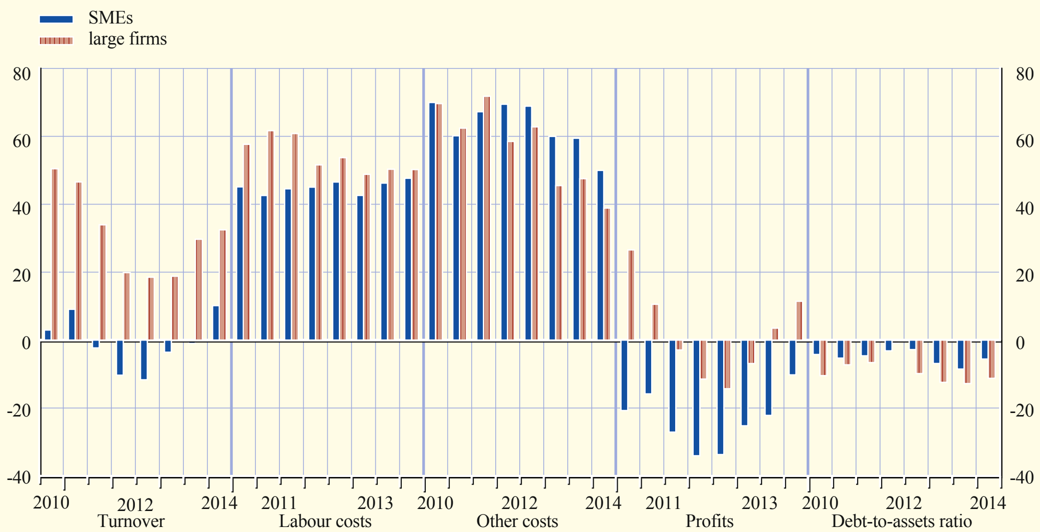
The financial situation of SMEs has improved

In the period from April to September 2014, the financial situation of euro area SMEs improved compared with the previous survey period. In net terms[3], euro area SMEs reported a significant increase in turnover (10% compared with -1% in the previous period; see Chart A). The net percentage of euro area SMEs that reported a rise in labour costs remained high (48% compared with 46% in the previous period), while the net percentage reporting increases in other costs declined (50% compared with 59% in the previous survey). In line with the developments in turnover and other costs, there was a drop in the net percentage of euro area SMEs reporting a decline in profits (-10% compared with -22%). The financial situation of large euro area firms has apparently continued to improve since the last survey period, as they reported, on balance, increases in turnover and profits of 32% and 11% respectively (up from 30% and 4% in the previous survey).

Deleveraging by euro area enterprises appears to have continued, but at slower pace than in the previous survey period. There was a decline in the net percentage of euro area SMEs and large firms reporting a decrease in their leverage ratio (-6% and -11% respectively, after -9% and -13% in the previous survey round).

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 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.

3 "Net terms" refers to the difference between the percentage of firms reporting an increase and those reporting a decrease.

Overall slight further increase in the external financing needs of euro area SMEs

On balance, 1% of euro area SMEs reported an increase in their need for bank loans (lower than in the previous survey round, when 5% reported an increase; see Chart B) and 11% signalled an increased need for bank overdrafts (down from 12%). In net terms, 12% of euro area SMEs reported a greater need for trade credit (up from 9%). Fixed investment, along with inventory and working capital, remained the two most important factors affecting SMEs' need for external financing. On balance, 31% of euro area SMEs signalled fixed investment and 27% working capital as the main sources of their financing needs.

Large firms reported, on balance, a smaller increase in their need for external financing in the form of bank loans (6%, down from 9% in the previous survey round), trade credit (9%, down from 11%) and bank overdrafts (4%, down from 6%).

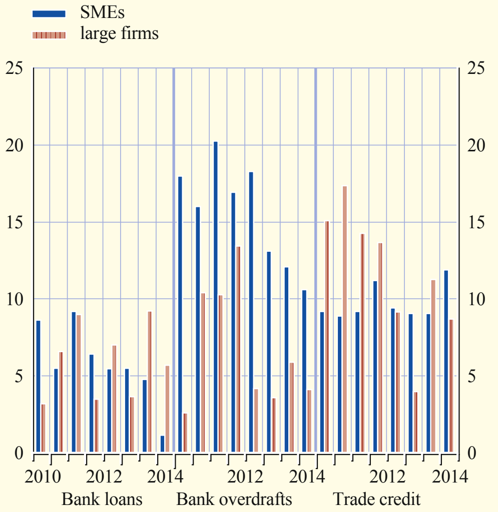
Evidence of stabilisation in the availability of external financing for euro area SMEs

Between April and September 2014 external financing conditions for euro area SMEs tended to stabilise or improve. The net percentage of euro area SMEs indicating a deterioration in the availability of bank loans declined to -1% (from -4%; see Chart C). Euro area SMEs, on balance, also reported a smaller deterioration in the availability of bank overdrafts (-2%, from -8%), while they signalled an improved availability of trade credit (1%, from -4%).

Euro area SMEs continued to attribute the unavailability of external financing mainly to a further deterioration in the general economic outlook (-21%, in net terms, from -11%). Furthermore, the impact of the other factors related to the availability of external financing was almost unchanged or slightly more positive than in the previous survey round.

Chart B External financing needs of euro area firms

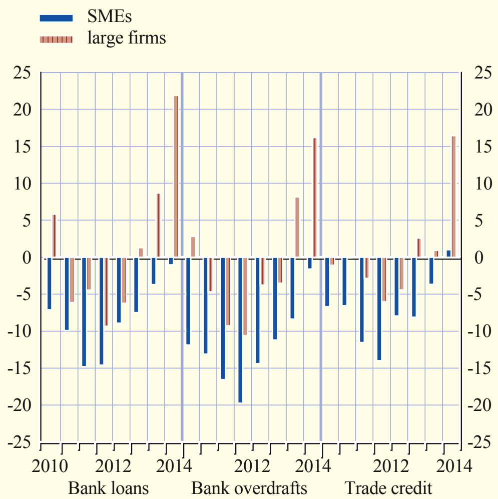
(change over the preceding six months; net percentage of respondents)



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

The net percentage of euro area SMEs reporting a worsening in their firm-specific outlook remained unchanged at -1%, while SMEs' own capital continued to have a positive impact, on balance, on the availability of external financing (10%, up from 4%). In addition, euro area SMEs indicated a smaller deterioration in banks' willingness to provide a loan (-2%, compared with -11% in the previous survey).

In line with the stabilisation in the availability of bank loans, euro area SMEs also reported, on balance, an improvement in the terms and conditions of bank loan financing. Euro area SMEs reported declines in the level of interest rates (-9%, down from +9% in the previous survey). With regard to non-price terms and conditions, they indicated an unchanged increase in the size of loans at 3% and a slight increase in collateral requirements in the current survey period (29%, up from 26%).

The availability of bank loans for large firms continued to improve (22%, up from 9%) indicating that large firms generally had better access to finance than SMEs.

Continuing financing obstacles for euro area SMEs

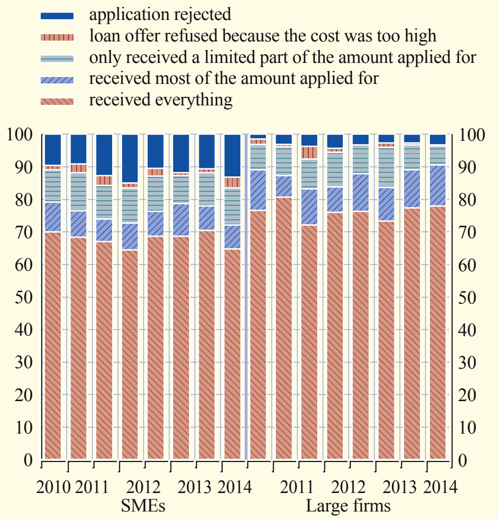
During the survey period, 30% of euro area SMEs applied for a bank loan, while 36% did not as they held sufficient internal funds. Among those that applied for a loan, 65% reported that their application had been successful and that they had received the full amount requested.[4] By contrast, 13% reported that their application had been rejected (up from 11%) and 11% reported that they had received only a part of the amount applied for (up from 10%; see Chart D).

An overall indicator of SMEs' financing obstacles can be obtained by summing up the percentages of SMEs reporting rejected loan applications, loan applications for which only a part of the amount applied for was granted, loan offers which SMEs did not accept because the borrowing costs were too high and the percentage of SMEs that did not apply for a loan for fear of rejection (i.e. discouraged borrowers). The indicator of euro area SMEs' financing obstacles has deteriorated overall, increasing to 16% (from 13% in the previous survey round).

Large firms had greater success when applying for bank loans than SMEs, with 78% of requests being accepted (up from 77%). The rejection rate remained unchanged at 3%.

Chart D Outcome of loan applications by euro area firms

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



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

4 In the previous survey round, 71% of euro area SMEs reported that they had received the full amount applied for. The results may not be fully comparable, however, as the question was formulated differently for the current survey round – as a result the percentages were calculated excluding the categories "loan application is still pending" and "do not know". See, for more details, the annex to the report mentioned in footnote 1.

According to the overall indicator of large firms' financing obstacles, 8% of large firms reported that their desired loan applications were not successful (up from 7%), indicating that large firms generally had better access to finance than SMEs.