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

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This report presents the main results of the eighth round of the survey on the access to finance of small and medium-sized enterprises in the euro area (SAFE), conducted between 18 February and 21 March 2013 on behalf of the European Central Bank (ECB). The total sample size for the euro area was 7,510 firms, of which 6,960 (93%) had less than 250 employees.[1] *The report provides evidence mainly on the change in the financial situation, financing needs and access to external financing of small and medium-sized enterprises (SMEs) in the euro area, compared with large firms. In addition, it provides an overview of developments in SMEs' access to finance across euro area countries. The reference period is the preceding six months, i.e. the period from October 2012 to March 2013.*[2]

1 THE FINANCIAL SITUATION OF SMEs IN THE EURO AREA

In the period from October 2012 to March 2013 (H2 2012), the net percentage[3] of euro area SMEs reporting a decline in **turnover** broadly stabilised (-11%, compared with -10% in the previous survey period) (see **Chart 1**).[4] Chart 1 also shows the country contributions adding up to the euro area aggregate figure.[5] SMEs in Germany contributed positively to turnover developments, as in previous survey periods, while SMEs in Italy and Spain contributed negatively (see below for specific country developments). A high net percentage of euro area SMEs continued to report increases in **labour and other costs** (47% and 69% respectively, compared with 45% and 69% in the previous survey period), with considerable contributions from Germany, France and Italy, but less so from Spain, reflecting the severe economic downturn and the sharp moderation in labour costs in that country. As a consequence of turnover and cost developments, euro area SMEs reported a continued decline in **profits,** but at a broadly stable rate, in the period from October 2012 to March 2013 (-33%, compared with -

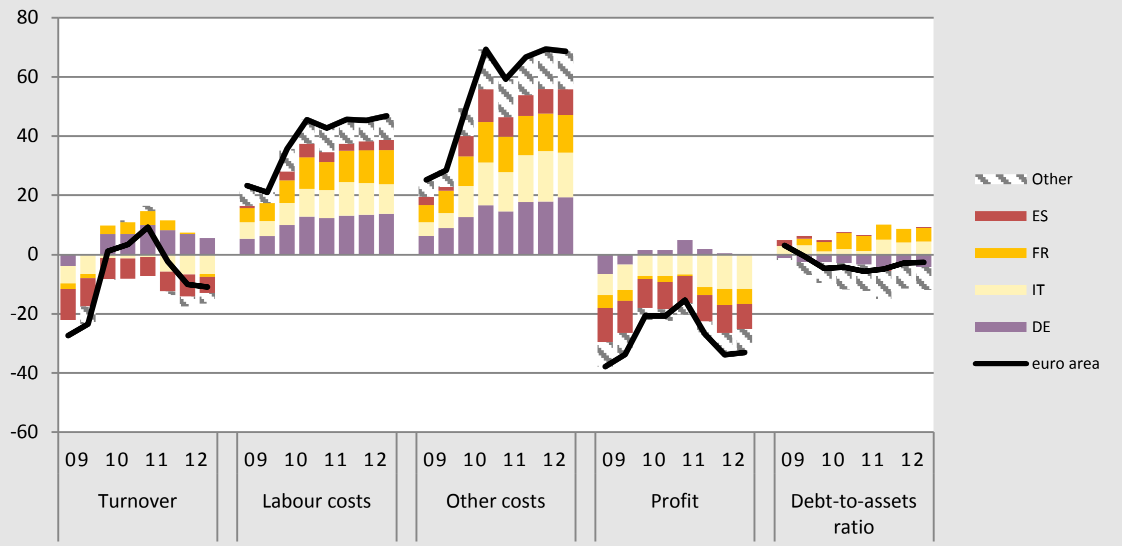
[1] See Annex 3 for details on the weighting scheme.
[2] The reference period for the previous survey round (H1 2012) was April to September 2012.
[3] Net percentages refer to the difference between the percentage of firms reporting an increase for a given factor and the percentage of those reporting a decrease.
[4] See Annex 1 for an overview of the survey replies for euro area SMEs, including a breakdown of net percentage changes.
[5] Country contributions have been constructed by weighting national (net) percentages with the number of firms in each country, weighted according to the number of employees. By contrast with national net percentages, the size of the contributions therefore also reflects the relative importance of the respective national developments for the euro area aggregate.

34% in the previous survey period) to which SMEs in Italy and Spain contributed most. In net terms, SMEs in Germany reported no significant changes to profitability.

Against the background of high corporate indebtedness, heightened risk aversion of banks especially with respect to less creditworthy borrowers, and subdued demand for credit, euro area SMEs continued to reduce their **leverage** (in net terms -3%, unchanged from the previous survey period). Among the larger euro area countries, SMEs in Germany contributed most to the deleveraging, whereas SMEs in France and Italy reported an increase in their debt-to-assets ratio in the period from October 2012 to March 2013.

Chart 1

COUNTRY CONTRIBUTIONS TO THE CHANGE IN THE INCOME AND DEBT SITUATION OF EURO AREA SMEs
(over the preceding six months; country contributions to net percentage of respondents)



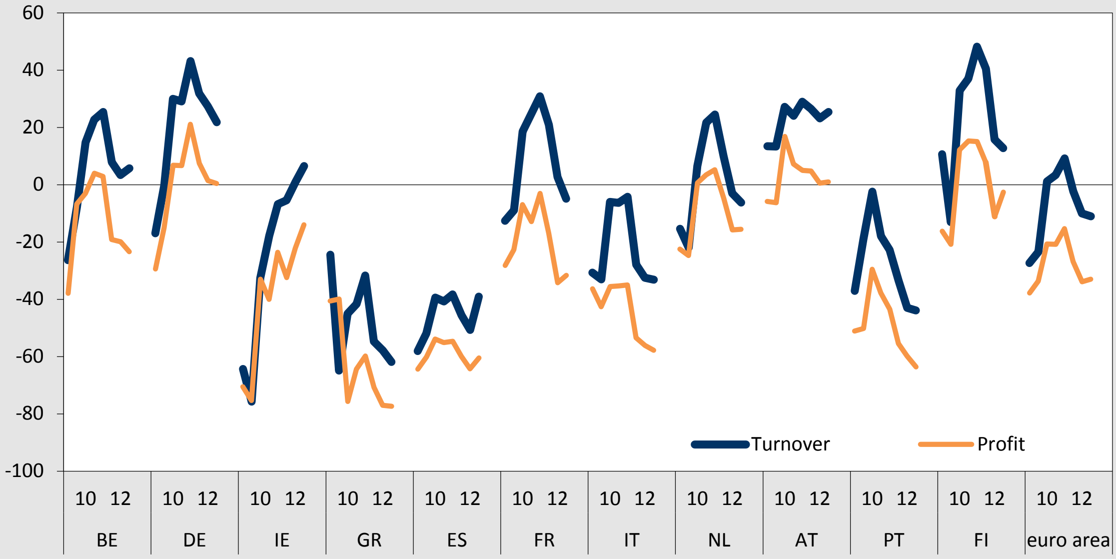
Base: All SMEs.
Note: Net percentages are defined as the difference between the percentage of firms reporting an increase for a given factor and the percentage reporting a decrease.

Developments across countries were diverse. Besides SMEs in Germany, where a net 22% (down from 27% in the previous survey period) reported an increase in **turnover**, SMEs in Belgium, Ireland, Austria and Finland also reported a net increase (see **Chart 2**). By contrast, SMEs in Greece, Spain, Italy and Portugal reported, in net terms, the largest decrease in turnover. In line with the reported weakness in economic activity, SMEs in most euro area reported a further decline in **profits**, with the exception of SMEs in Germany and Austria, where profits were reported to have remained broadly unchanged (at 0% and 1% respectively, in net terms). The reported decline in profits was most prevalent for SMEs in Greece (a net 77% of respondents), Spain (60%), Italy (58%) and Portugal (64%).

Chart 2

CHANGE IN TURNOVER AND PROFIT OF SMEs ACROSS EURO AREA COUNTRIES

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



Base: All SMEs.
Note: See the note to Chart 1.

SMEs in most euro area countries reported a further decrease in their **debt-to-assets ratio** or a broadly unchanged leverage situation (see **Chart 3**). By contrast, SMEs in Greece and especially Italy reported a net increase in their leverage (12% and 22% respectively), which may be partly related to declines in asset values. The reported development of **net interest expenses** on debt is very heterogeneous across countries. While SMEs in Germany and Austria reported a decline in net interest expenses, SMEs in all other euro area countries reported an increase or no change in net interest expenses. In particular, a large number of respondents in Spain, Italy and Portugal (but also in Ireland, Greece and France) reported an increase in net interest expenses, potentially reflecting less favourable financing conditions, which affect interest expenses relatively quickly if a large share of debt has been financed at short-term fixed or variable interest rates.

By contrast with SMEs, **large euro area firms** reported, on balance, an increase in turnover in the period from October 2012 to March 2013 (19%, from 22% in the previous survey period).[6] In addition, the deterioration in their profits was, on balance, much more moderate (-14%, down from -10%) than that of euro area SMEs. After broadly unchanged leverage in the last survey period, large euro area firms resumed their deleveraging in the period from October 2012 to

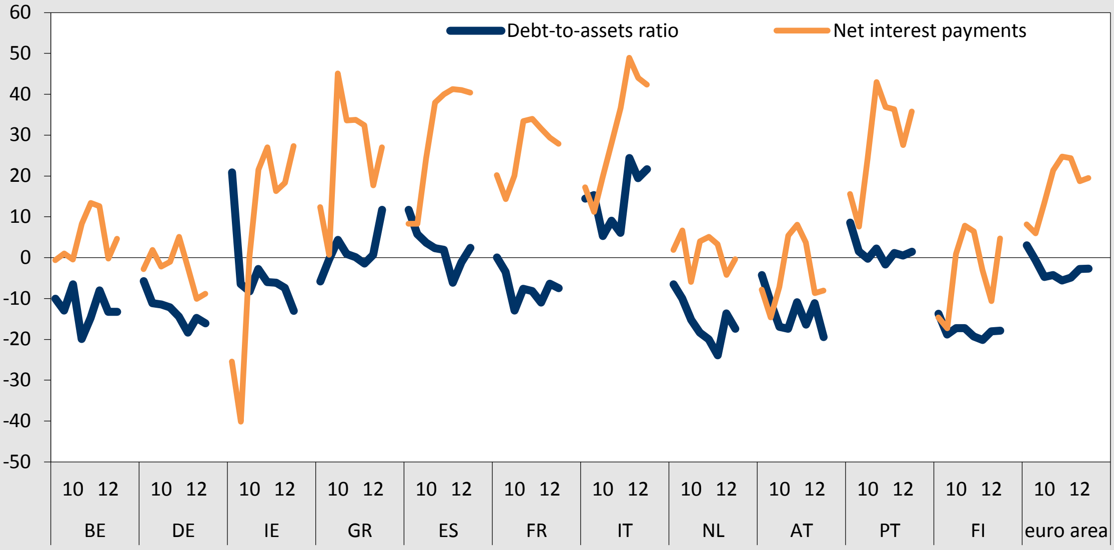
[6] See Annex 2 for an overview of the survey replies for euro area large firms, including a breakdown of net percentage changes.

March 2013 (on balance -8%, down from 1% in the previous survey period). Overall, for large euro area firms, the financial situation appears to remain more favourable than for SMEs.

Chart 3

CHANGE IN DEBT TO TOTAL ASSETS AND INTEREST EXPENSES OF SMEs ACROSS EURO AREA COUNTRIES

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



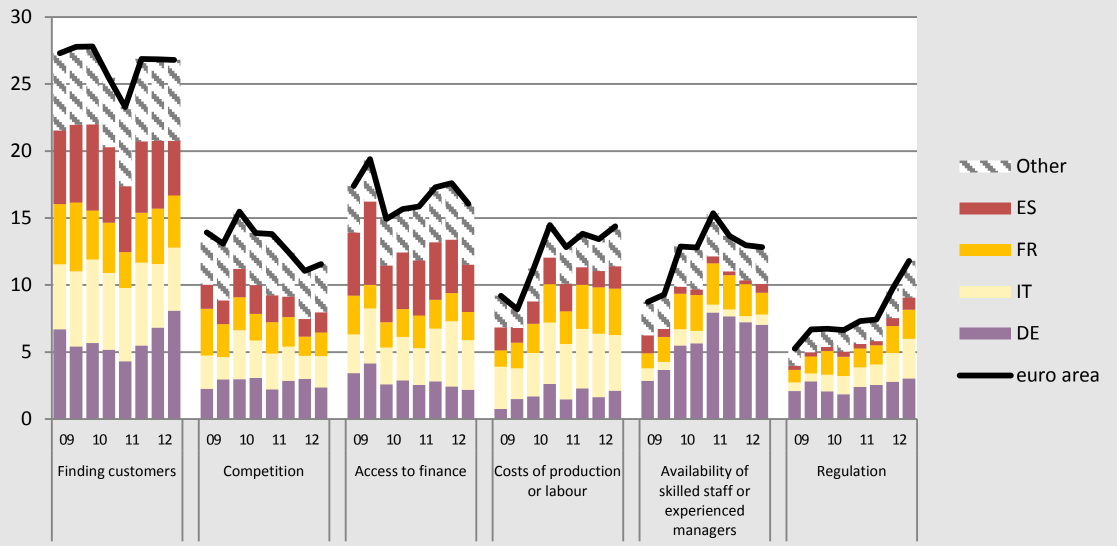
Base: All SMEs.
Note: See the note to Chart 1.

"**Finding customers**" remained the **dominant concern** for euro area SMEs also in this survey period (with 27% of euro area SMEs mentioning this issue, unchanged from the previous survey round; see **Chart 4**). It has increased in particular in Germany (31%, up from 27%), the Netherlands (31%, up from 25%) and Austria (30%, up from 25%). "**Access to finance**" was the concern mentioned by the second largest percentage of euro area SMEs (16%, down from 18% in the previous survey period), with a wide divergence across countries. On the high side, 38% of the SMEs in Greece, 25% in Spain, 24% in Ireland and 21% in Portugal mentioned "Access to finance" as the most pressing problem, compared to 8% of the SMEs in Germany and Austria on the low side. The percentage of SMEs mentioning the "**Availability of skilled staff or experienced managers"** as their dominant concern also diverged across countries (13% at the euro area level, unchanged from the previous survey round). SMEs in Germany and Austria (27% and 28% respectively) mentioned this issue relatively frequently, while it was not an issue in the stressed countries, reflecting highly heterogeneous labour market situations across euro area countries. **"Cost of production or labour"** (14% at the euro area level, up from 13% in the previous survey round) was mentioned most frequently by SMEs in Belgium (26%), France (21%), Italy (21%) and Finland (23%).

For **large firms**, “Finding customers” (25%) and “Cost of production or labour” (18%) were the dominant concerns, whereas “Access to finance” was mentioned less frequently (11%, down from 14% in the previous round).

Chart 4

COUNTRY CONTRIBUTIONS TO THE MOST PRESSING PROBLEM FACED BY EURO AREA SMEs
(country contributions to percentage of respondents)



Base: All SMEs.

2 EXTERNAL FINANCING NEEDS OF SMEs IN THE EURO AREA

At the euro area level, on balance, 5% of the SMEs reported an increase in their **need (demand) for bank loans** and 12% reported an increased need for **bank overdrafts** (both roughly unchanged from the previous survey round; see **Chart 5**).[7] SMEs in Italy contributed most to the net increase in the need for bank loans and bank overdrafts, whereas SMEs in Germany reported, on balance, a decrease in the need for bank loans and a basically unchanged need for bank overdrafts in the period from October 2012 to March 2013. The overall picture regarding

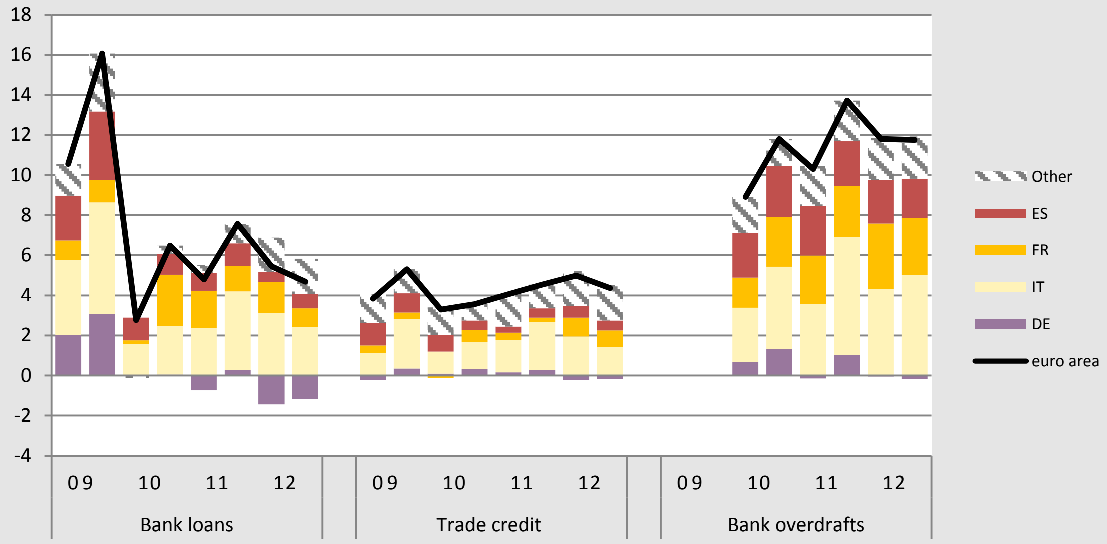
[7] Regardless of whether or not they have applied for external financing, all survey respondents are asked about their needs for each source of external financing (i.e. bank loans, bank overdrafts and credit lines, trade credit, equity and debt securities issuance).

the need for **trade credit** was similar, with a net percentage of 4% of euro area SMEs reporting an increase (compared with 5% in the previous survey period).

Chart 5

COUNTRY CONTRIBUTIONS TO THE CHANGE IN EXTERNAL FINANCING NEEDS OF EURO AREA SMES

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



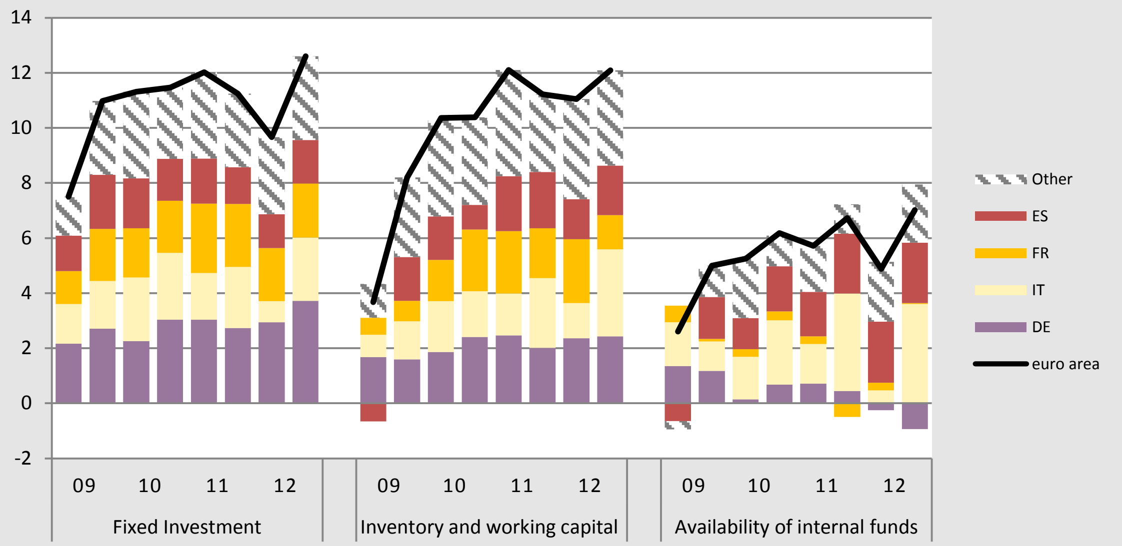
Base: All SMEs.
Note: See the note to Chart 1.

Among the factors affecting SMEs' need for external financing, **fixed investment** and **inventory and working capital** played the largest role (see **Chart 6**). For fixed investment, on balance, 13% of euro area SMEs (up from 10% in the previous survey round) reported an increased impact of this factor on their external financing needs. This mainly resulted from higher contributions from SMEs in Germany and Italy (see below for further details on country developments). In Italy, this reflected a rebound to earlier levels after the particularly negative development of the previous survey wave. The net percentage of euro area SMEs reporting an increase in their external financing needs for the purpose of financing inventories and working capital remained broadly unchanged, at 12% (compared with 11%), largely resulting from a higher contribution of SMEs in Italy and a lower contribution from SMEs in France. Euro area SMEs also reported, on balance, a somewhat higher need for external financing resulting from insufficient availability of **internal funds** (7%, up from 5% in the previous survey round), mainly stemming from SMEs in Italy.

Chart 6

COUNTRY CONTRIBUTIONS TO THE CHANGE IN FACTORS AFFECTING THE EXTERNAL FINANCING NEEDS OF EURO AREA SMEs

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



Base: All SMEs.
Note: See the note to Chart 1.

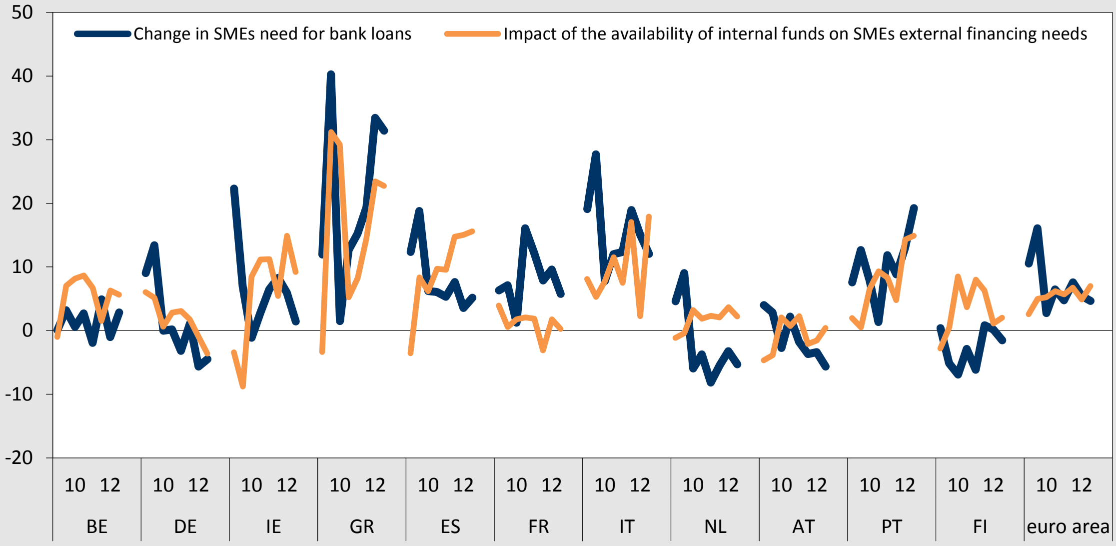
Looking in more detail at **developments across countries**, on balance, SMEs in Greece (31%), Italy (12%) and Portugal (19%) reported the strongest increase in their need for bank loans (see **Chart 7**), which may reflect needs for financing working capital in an environment of weak profits and squeezed liquidity buffers. SMEs' financing needs resulting from the insufficient availability of internal funds were especially strong in Greece (23%), Spain (16%), Italy (18%) and Portugal (15%), reflecting the strongly deteriorated profit situation of SMEs in these countries. By contrast, SMEs in Germany (-4%), the Netherlands (-5%) and Austria (-6%) reported, on balance, a decline in their need for bank loans. In particular, SMEs in Germany reported, on balance, that the availability of internal funds reduced their external financing needs (-4%), indicating that their liquidity situation is better than that of SMEs in the other euro area countries.

Large firms reported, on balance, a slight increase in the need for bank loans (6%, up from 4% in the previous survey round) and a reduced need for trade credit (4%, down from 6%) and bank overdrafts (4%, down from 8%). The net percentage of large firms reporting an increased financing need for fixed investment remained broadly unchanged (on balance 29%, compared with 28% in the previous survey period) and declined for working capital (11%, down from 16%).

Chart 7

CHANGE IN THE NEED FOR BANK LOANS AND THE IMPACT OF INTERNAL FUNDS ON THE NEED FOR EXTERNAL FINANCING, AS PERCEIVED BY SMEs ACROSS EURO AREA COUNTRIES

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



Base: All SMEs.
Note: See the note to Chart 1.

3 AVAILABILITY OF EXTERNAL FINANCING FOR SMEs IN THE EURO AREA

3.1 AVAILABILITY OF EXTERNAL FINANCING

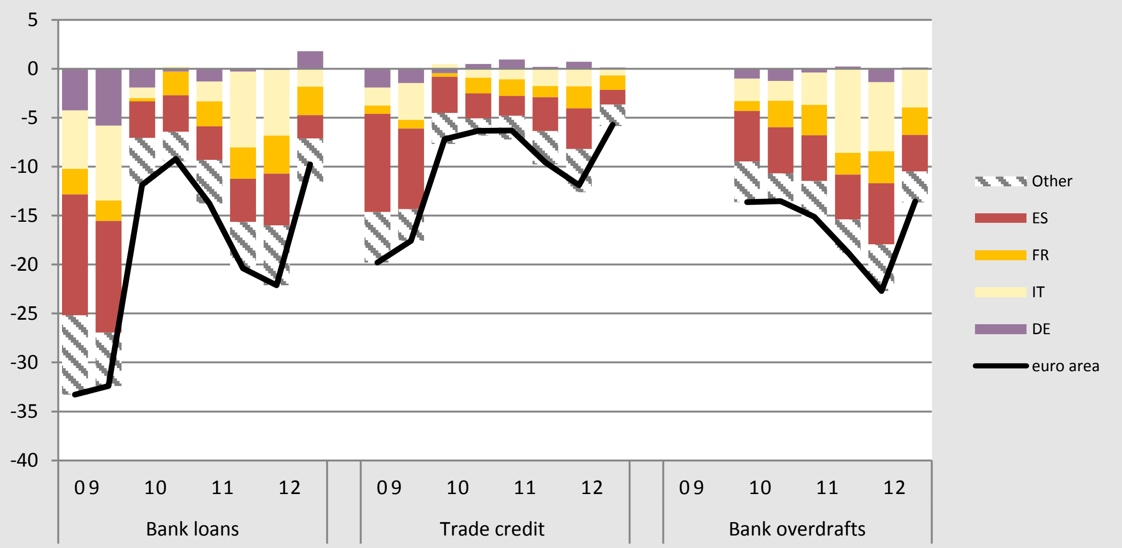
In the period from October 2012 to March 2013, the net percentage of euro area SMEs reporting a deterioration in the **availability of bank loans** declined markedly, to -10% (compared with -22%) (see **Chart 8**). The net percentage reached levels last seen in the second half of 2010. SMEs in Italy and Spain in particular reported, on balance, a smaller net deterioration in the availability of bank loans. In addition, SMEs in Germany reported, on balance, an improvement in the availability of bank loans, thereby contributing to the more favourable development at the euro area level.

Euro area SMEs also reported, on balance, a considerably smaller deterioration in the availability of **bank overdrafts** (-14%, up from -23%) and **trade credit** (-6%, up from -12%).

Chart 8

COUNTRY CONTRIBUTIONS TO THE CHANGE IN THE AVAILABILITY OF EXTERNAL FINANCING FOR EURO AREA SMES

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



Base: SMEs that had applied for external financing.
Note: See the note to Chart 1.

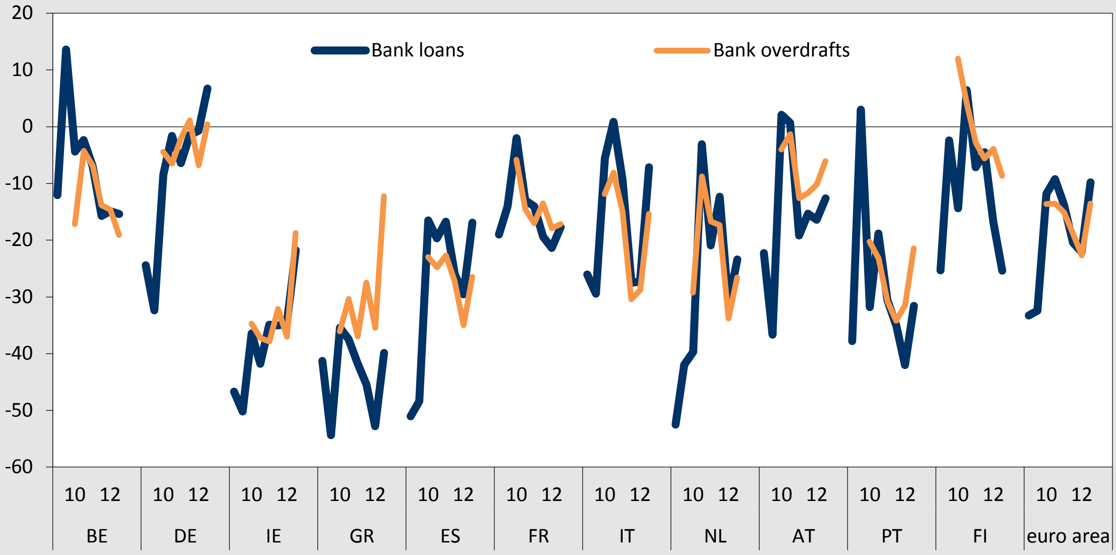
At the same time, when looking at **developments across euro area countries** in detail, the picture becomes more mixed. On the one hand, SMEs in most countries indicated, on balance, a smaller deterioration in the availability of bank loans in the period from October 2012 to March 2013, the change to the better being strongest in Italy (-7%, up from -27%), but also considerable in Ireland (-22%, up from -35%), Greece (-40%, up from -53%) and Spain (-17%, up from -30%) (see **Chart 9**). This development, especially in the euro area countries under strain, reflects the improvement in financial market confidence over the last few months and in banks' funding conditions, helped by the ECB's non-standard monetary policy measures, not least the announcement of Outright Monetary Transactions (OMTs). On the other hand, the degree of the reported deterioration remained significant in a number of the stressed euro area countries, in particular in Greece and Portugal (-32%, up from -42%). Germany was the only country where SMEs reported, on balance, improved availability of bank loans (7%, up from -1%).

There was also a lower net deterioration in the availability of **bank overdrafts** in the period from October 2012 to March 2013, the development in most countries being similar to that of bank loans.

Chart 9

CHANGE IN THE AVAILABILITY OF BANK LOANS AND OVERDRAFTS, AS PERCEIVED BY SMEs ACROSS EURO AREA COUNTRIES

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



Base: SMEs that had applied for external financing.
Note: See the note to Chart 1.

As in the case of euro area SMEs, the availability of bank loans to **large firms** deteriorated less than in the previous survey period (-8%, up from -17%). In addition, the degree of deterioration remained somewhat lower than for euro area SMEs, indicating generally less constrained access to finance for large firms compared with SMEs. Large firms also reported, on balance, a smaller deterioration in the availability of bank overdraft (-6%, up from -12%) and an unchanged availability of trade credit (0%, up from -9%).

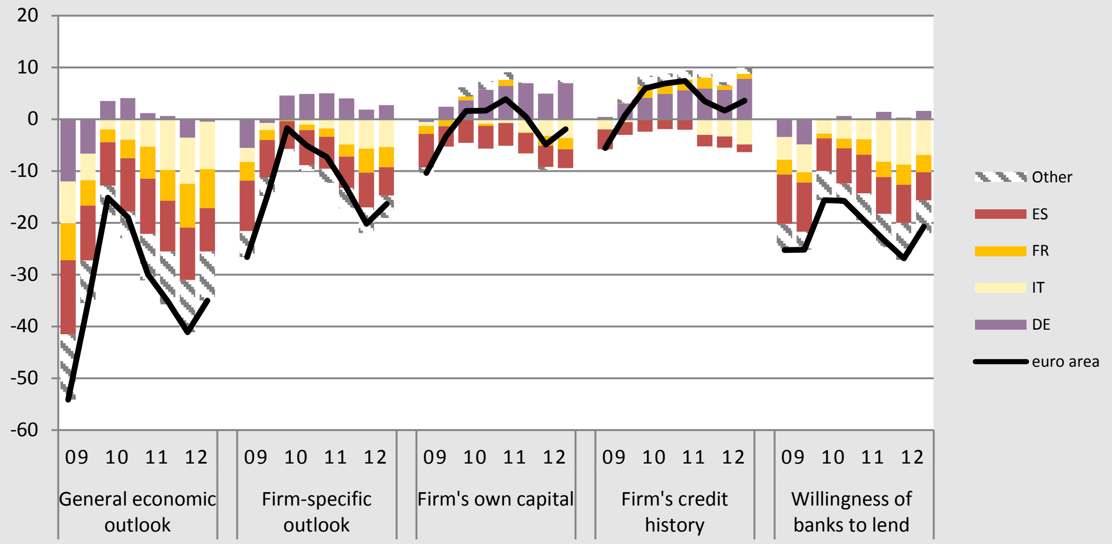
Turning to the **factors** affecting the deterioration in the availability of external financing, SMEs continued to refer in particular to a worsening of the **general economic outlook** (-35% in net terms, up from -41%; see **Chart 10**), but to a lower degree than in the previous survey period. In particular, SMEs in Germany, France and Spain contributed to the less negative assessment, while the contribution of this factor to the deterioration in the availability of external financing has increased for SMEs in Italy. The continued negative assessment at the euro area level signals risks related to subdued economic activity and the creditworthiness of borrowers, which banks take into account in their lending policy. The net percentage of euro area SMEs reporting a worsening in their **firm-specific outlook** (-16%, up from -20%) also declined in the period from October 2012 to March 2013. Euro area SMEs' **own capital** had, on balance, a broadly neutral impact on the availability of external financing (-2%, compared with -5%), but with considerable heterogeneity across countries. While SMEs in Germany reported on balance a positive impact of their own capital on the availability of external financing, the perceived impact was negative for SMEs in France, Italy and Spain.

Similar to these demand-driven factors, SMEs indicated a smaller deterioration of **banks' willingness to provide a loan** in the period from October 2012 to March 2013 (-21%, up from -27% in the previous survey period). SMEs in all larger euro area countries contributed to this relative improvement.

Chart 10

COUNTRY CONTRIBUTIONS TO THE CHANGE IN FACTORS HAVING AN IMPACT ON THE AVAILABILITY OF EXTERNAL FINANCING TO EURO AREA SMEs

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



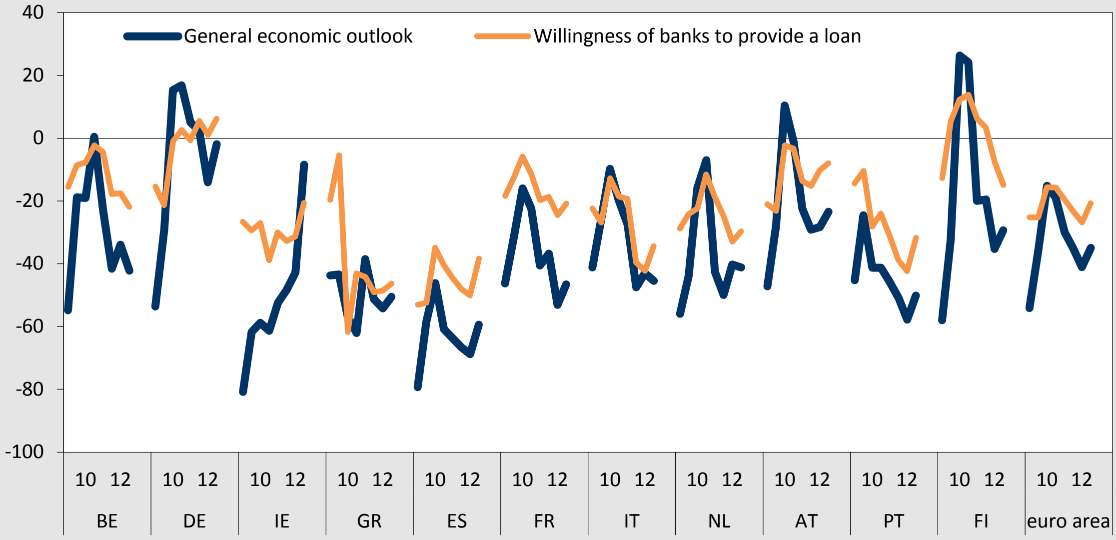
Base: All SMEs.
Note: See the note to Chart 1.

Looking in more detail at **country developments**, SMEs in most countries reported, on balance, a less negative impact of the **general economic outlook** on the availability of external financing, especially SMEs in Germany (-2%, up from -14%) and Ireland (-8%, up from -43%) (see **Chart 11**). In these two countries, the absolute value of the net percentage was also the lowest across all countries in the period from October 2012 to March 2013. By contrast, the net percentage of SMEs indicating a worsened impact of the general economic outlook continued to be highest in Greece (-51%), Spain (-59%) and Portugal (-50%).

Chart 11

CHANGE OF FACTORS HAVING AN IMPACT ON THE AVAILABILITY OF EXTERNAL FINANCING FOR SMEs ACROSS EURO AREA COUNTRIES

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



Base: All SMEs.
Note: See the note to Chart 1.

With respect to **banks' willingness to provide a loan**, SMEs in all countries, with the exception of Germany (6%), reported, on balance, a deterioration, which was especially strong in Greece (-46%), Spain (-38%), Italy (-34%), Portugal (-32%) and the Netherlands (-30%). At the same time, the percentage of SMEs reporting a deterioration was smaller in most countries compared with the previous survey period.

Large firms also attributed the deterioration in the availability of bank loans mostly to the general economic outlook (-28% in net terms, up from -52%), the assessment being considerably less negative than in the previous survey period. Large firms also assessed banks' willingness to provide a loan somewhat less negatively than in the previous survey period (-9% in net terms, up from -11%). In addition, the net percentage of large firms reporting such supply restrictions in the provision of bank loans remained smaller than for euro area SMEs.

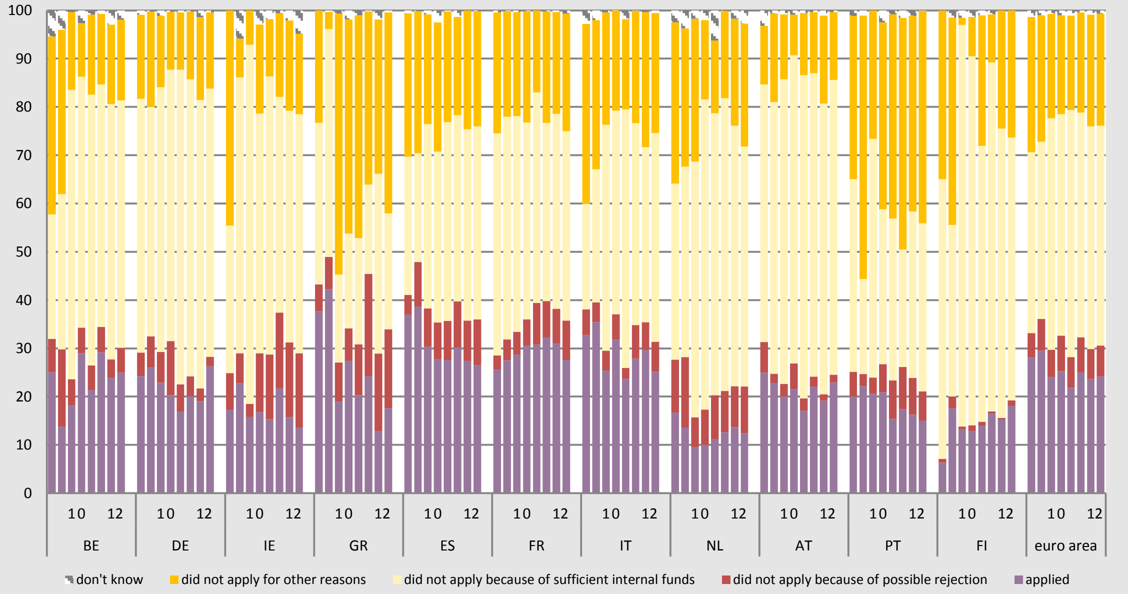
3.2 APPLICATIONS FOR EXTERNAL FINANCING AND THEIR SUCCESS

Between October 2012 and March 2013, 24% of the euro area SMEs **applied for a bank loan**, while 46% did not apply because of **sufficient internal funds** (see **Chart 12**), unchanged from the previous survey period. The percentage of firms not applying for a loan for **fear of rejection** (discouraged borrowers) remained also stable (at 6%).

Across countries, the percentage of SMEs that **applied** for a bank loan was highest in France (28%), Spain (27%) and Germany (26%), and lowest in the Netherlands (12%), Ireland (14%) and Portugal (15%). More than half of the SMEs in Germany, Austria and Finland reported that they did not apply for a loan as they had **sufficient internal funds**. In addition, SMEs in these three countries only rarely (1-2%) referred to **fear of rejection** as a reason for not having applied for a loan during the period from October 2012 to March 2013. By contrast, in line with weak profits (see above), the share of SMEs that did not apply for a loan because they had sufficient internal funds was considerably lower in Greece (24%) and Portugal (35%). Especially in Greece (16%) and Ireland (15%), the fear that their application would be rejected was considerable, reflecting the difficult situation in the banking sector and, in particular in Greece, the weak profit development of SMEs.

Chart 12

APPLICATION FOR BANK LOANS BY SMES ACROSS EURO AREA COUNTRIES
(over the preceding six months; percentage of respondents)



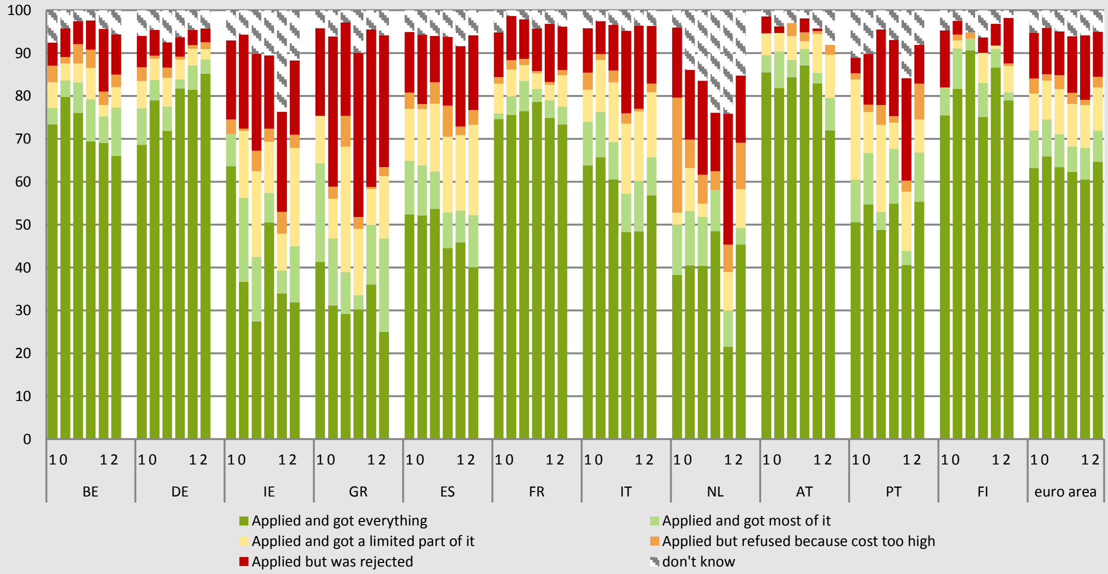
Base: All SMEs.
Note: See the note to Chart 1.

When asked about the **actual success** of their bank loan applications, the situation clearly improved at the euro area level. Of the euro area SMEs, 65% reported that they had received the **full amount** of their loan application (compared with 60% in the previous survey period; see **Chart 13**), which was close to the level in H2 2010 (66%). By contrast, 11% (down from 15%) reported that their bank loan application had been **rejected**, and 10% (unchanged from the previous survey period) that they received **only a limited amount** of their application. For bank overdrafts, euro area SMEs also reported a decline in the rejection rate (to 10%, down from 14%).

Chart 13

OUTCOME OF THE APPLICATION FOR BANK LOANS BY SMEs ACROSS EURO AREA COUNTRIES

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



Base: SMEs that had applied for bank loans.
Note: See the note to Chart 1.

Firms that applied for a bank loan (new or renewal; excluding overdraft and credit lines)
(over the preceding six months, in percentages)

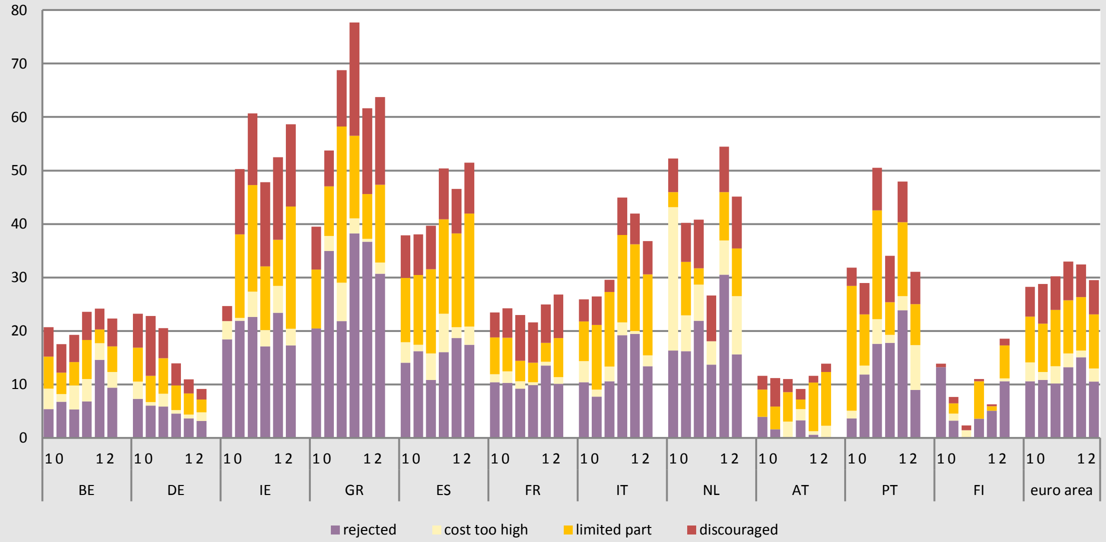
	BE	DE	IE	GR	ES	FR	IT	NL	AT	PT	FI	euro area
H2 2012	25	26	14	18	27	28	25	12	23	15	18	24

Across countries, the success of bank loan applications increased in some countries (Germany, Italy, the Netherlands and Portugal), but deteriorated in a number of other countries (for instance in Greece and Austria). The percentage of SMEs reporting a fully **successful application** was highest in Germany (85%) and Finland (79%) and lowest in Greece (25%) and Ireland (32%). By contrast, a complete **rejection** of their loan application was reported mostly by SMEs in Greece (31%), whereas SMEs in Austria (0%) and Germany (3%) reported this outcome not at all or only rarely. Compared with the previous survey period, the rejection rate for SME loans declined in most countries, in particular in the Netherlands (16%, down from 31%) and Portugal (9%, down from 24%).

Chart 14

FINANCING OBSTACLES OF SMEs FOR RECEIVING A BANK LOAN ACROSS EURO AREA COUNTRIES

(over the preceding six months; percentage of respondents)



Base: All SMEs.

Notes: See the note to Chart 1. Financing obstacles are defined here as the sum of the percentages of SMEs reporting loan applications which were rejected, loan applications for which only a limited amount was granted, and loan applications which were rejected by the SMEs because the borrowing costs were too high, as well as of SMEs which did not apply for a loan for fear of rejection (i.e. discouraged borrowers).

When looking at a more encompassing measure of **financing obstacles** (see **Chart 14**), developments across countries are mixed. When summing up the percentages of SMEs reporting loan applications which were rejected, loan applications for which only a limited amount was granted, and loan applications which were rejected by the SMEs because the borrowing costs were too high, as well as the percentage of SMEs that did not apply for a loan for fear of rejection (i.e. discouraged borrowers), a share of 30% (down from 32%) of euro area SMEs reported that their desired loan applications were not successful in the period from October 2012 to March 2013. Across countries, the percentage of SMEs reporting such financing obstacles was highest in Greece (64%), followed by SMEs in Ireland (59%), Spain (51%) and the Netherlands (45%), whereas it was lowest in Germany (9%). The divergence in the outcome of bank loan applications reflects the considerable heterogeneity of bank lending conditions in the euro area, as also indicated by the euro area bank lending survey.

For **large firms**, the rate of success when applying for a bank loan was higher than for SMEs and increased to 74% (up from 72%). The rejection rate declined somewhat (3%, down from 5%). An encompassing measure of financing obstacles points to a percentage of 15% (down from 18%) of large firms, indicating that large firms generally had better access to finance than SMEs.

3.3 TERMS AND CONDITIONS OF BANK LOAN FINANCING

In line with the smaller net deterioration in the availability of bank loans, euro area SMEs also reported, on balance, considerably less tightening of the terms and conditions of bank loan financing (see **Chart 15**). On balance, remarkably fewer euro area SMEs reported an increase in **interest rates** (17%, down from 27% in the previous survey), possibly reflecting the improved funding situation of banks and the slight moderation in aggregate bank lending rates on very small loans (up to EUR 0.25 million) since August 2012. At the same time, country developments were heterogeneous. Mainly SMEs in Spain and Italy contributed, on balance, to the reported increase in bank lending rates, whereas SMEs in Germany and France indicated, on balance, a decline. This reflects the considerable fragmentation of lending conditions for SMEs across euro area countries. The net percentage of euro area SMEs reporting an increase in **other costs of financing than interest rates** (which include charges, fees and commissions) also declined (46%, down from 52%). At the same time, and mainly driven by Italy and Spain, the share of euro area SMEs reporting, on balance, an increase in their cost of financing other than interest rates remained high.

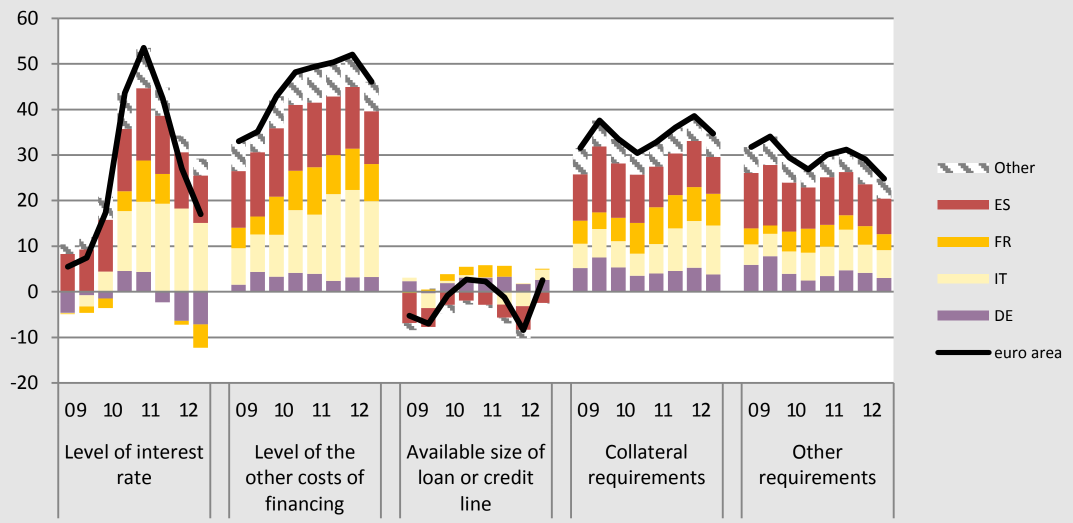
With respect to non-price terms and conditions, euro area SMEs reported, on balance and for the first time since H1 2011, an increase in the **size of the loans** (3%, from -8%), pointing to less quantitative constraints in the availability of loans. In addition, SMEs reported, on balance, a smaller increase in **collateral requirements** (35%, down from 39%) in the current survey period.

Across all euro area countries, the net percentage of SMEs reporting an increase in **bank lending rates** was highest in Spain (66%), Italy (62%) and Portugal (56%), indicating strong risk aversion of banks in an environment of weak economic activity and difficulties in the banking systems (see **Chart 16**). By contrast, SMEs in Belgium (-12%), Germany (-29%), France (-27%) and Austria (-1%) reported, on balance, declining or broadly unchanged bank lending rates. With respect to non-price terms and conditions, SMEs in Ireland (-24%), Spain (-16%) and the Netherlands (-8%) reported, on balance, a decrease in the **size of loans**, whereas SMEs in the other euro area countries reported broadly no change or an increase in size (see **Chart 17**). With respect to **collateral requirements**, on the high side, SMEs in Spain (in net terms 51%), Greece (45%), Italy (44%) and Ireland (43%) reported increases in these requirements, whereas, on the low side, 15% of the SMEs in Germany indicated, on balance, an increase in collateral requirements.

Chart 15

COUNTRY CONTRIBUTIONS TO THE CHANGE IN TERMS AND CONDITIONS OF BANKS LOANS GRANTED TO EURO AREA SMEs

(over the preceding six months; country contributions to net percentages of firms that had applied for bank loans)



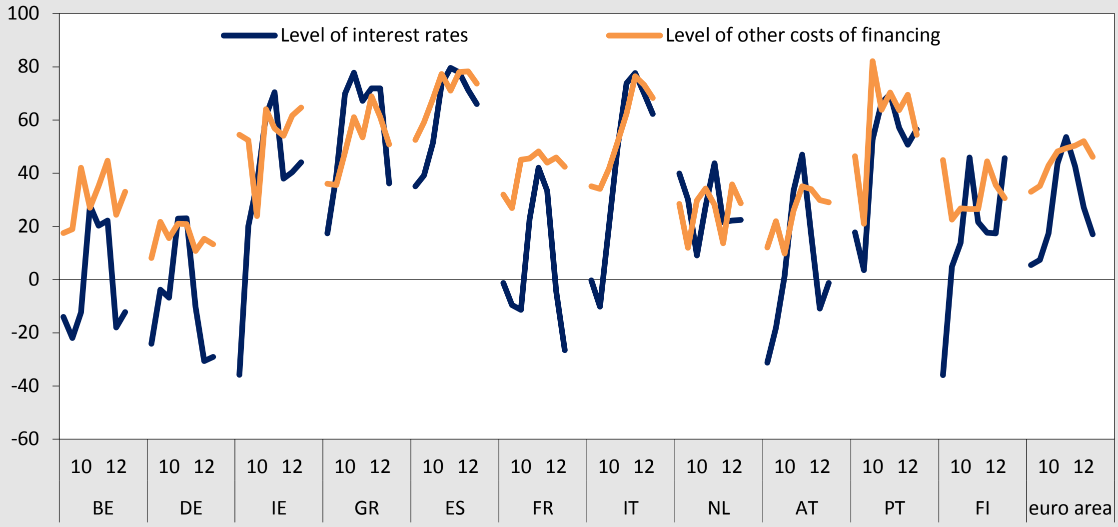
Base: SMEs that had applied for bank loans.
Note: See the note to Chart 1.

The net percentage of **large firms** reporting an increase in interest rates continued to be considerably lower than for SMEs and remained broadly unchanged compared with the previous survey round (6%, compared with 5%). In addition, large firms reported, on balance, smaller increases in non-price factors, such as collateral requirements (22%, down from 27%).

Chart 16

CHANGE IN THE COST OF BANK LOANS GRANTED TO SMEs ACROSS EURO AREA COUNTRIES

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

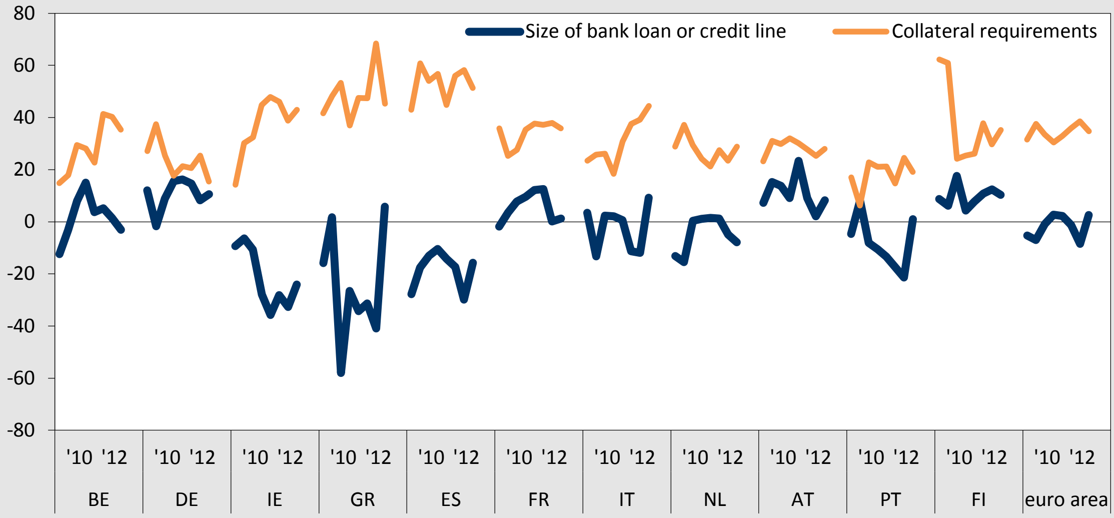


Base: SMEs that had applied for bank loans.
Note: See the note to Chart 1.

Chart 17

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 firms that had applied for bank loans)



Base: SMEs that had applied for bank loans.
Note: See the note to Chart 1.

3.4 EXPECTATIONS REGARDING ACCESS TO FINANCE

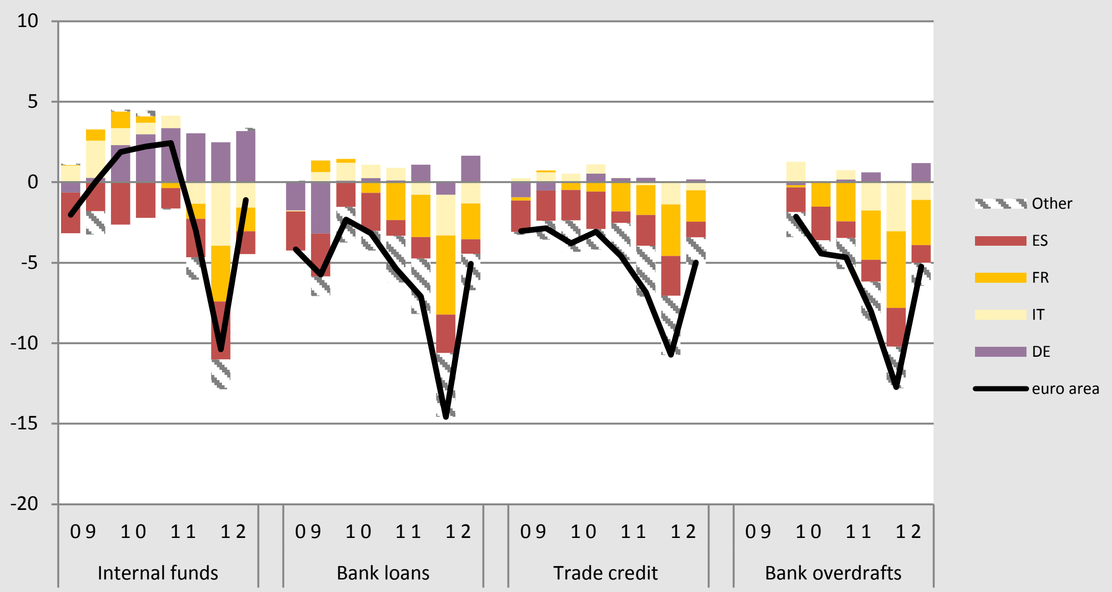
For the coming six-month period (April to September 2013), euro area SMEs expect, on balance, only a small further deterioration of the **availability of bank loans and bank overdrafts** (both -5%, down from an expected -15% and -13% for H2 2012; see **Chart 18**). In addition, euro area SMEs expect, on balance, broadly unchanged **internal funds** (retained earnings or sale of assets) for the period from April to September 2013 (-1%, up from -10%), reflecting some expected stabilisation of the economic outlook for 2013. These developments were mainly driven by SMEs in Germany, which expected, on balance, improved access and higher internal funds as well as less negative assessments by SMEs in France, Italy and Spain.

When looking at **developments across all euro area countries**, SMEs' expectations regarding the availability of bank loans during the period from April to September 2013 were most negative in Greece (-27%), whereas SMEs in Germany expected an improvement in access (6%; see **Chart 19**).

Chart 18

COUNTRY CONTRIBUTIONS TO THE CHANGE IN EURO AREA SMES' EXPECTATIONS REGARDING THE AVAILABILITY OF FINANCING

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

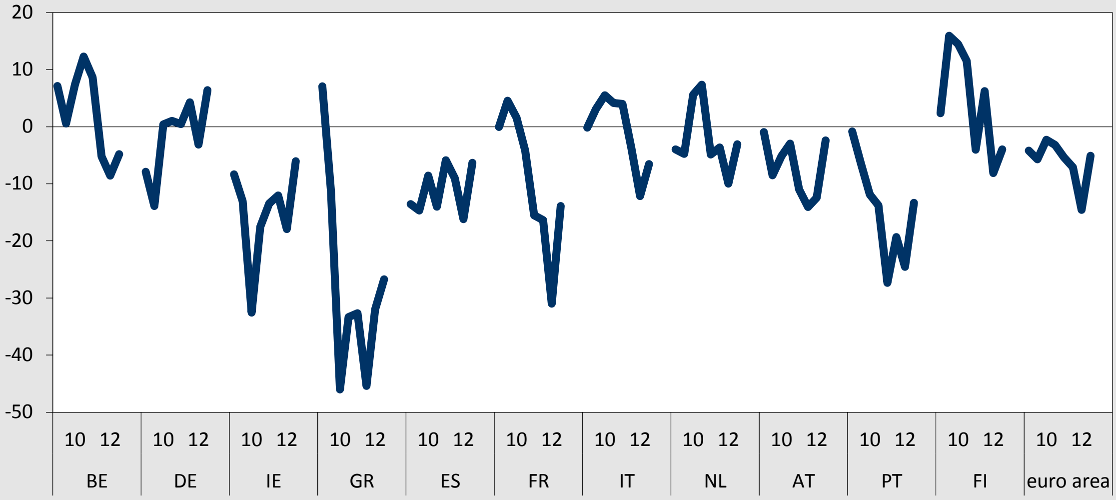


Base: All SMEs.
Note: See the note to Chart 1.

Chart 19

SMEs' EXPECTATIONS REGARDING THE AVAILABILITY OF BANK LOANS ACROSS EURO AREA COUNTRIES

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



Base: All SMEs that applied for a bank loan.
Note: See the note to Chart 1.

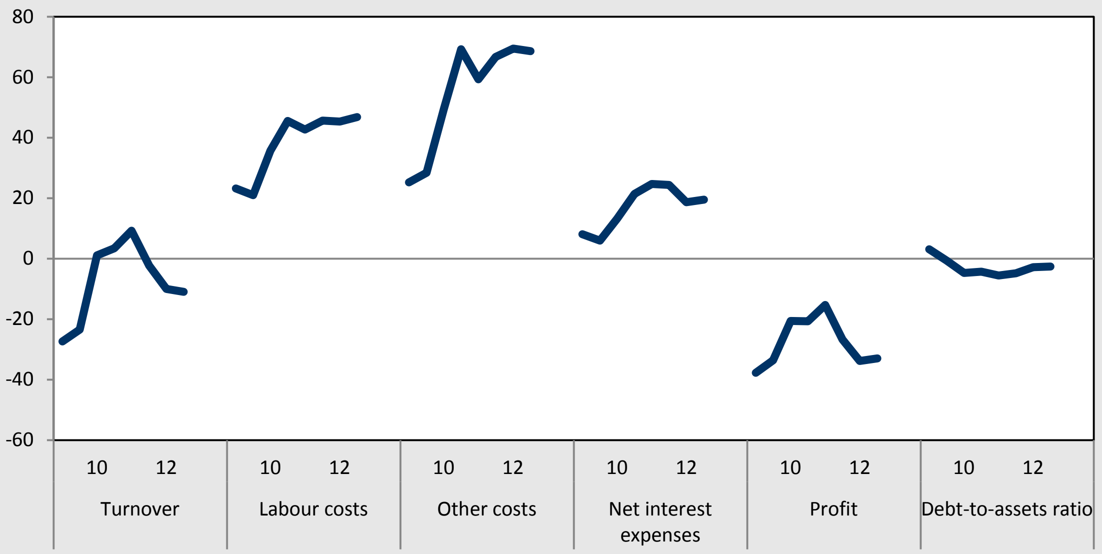
Large firms are more optimistic regarding their availability of internal funds, expecting, on balance, an increase for the period from April to September 2013 (5%, up from an expected 3%). At the same time, their expectations are similar to those of SMEs regarding the availability of bank loans and bank overdrafts (in net terms -3% and -4% respectively, down from -9% for both).

ANNEX 1: EURO AREA SMEs – OVERVIEW OF THE SURVEY REPLIES

Chart 1a

CHANGE IN THE INCOME AND DEBT SITUATION OF EURO AREA SMEs

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

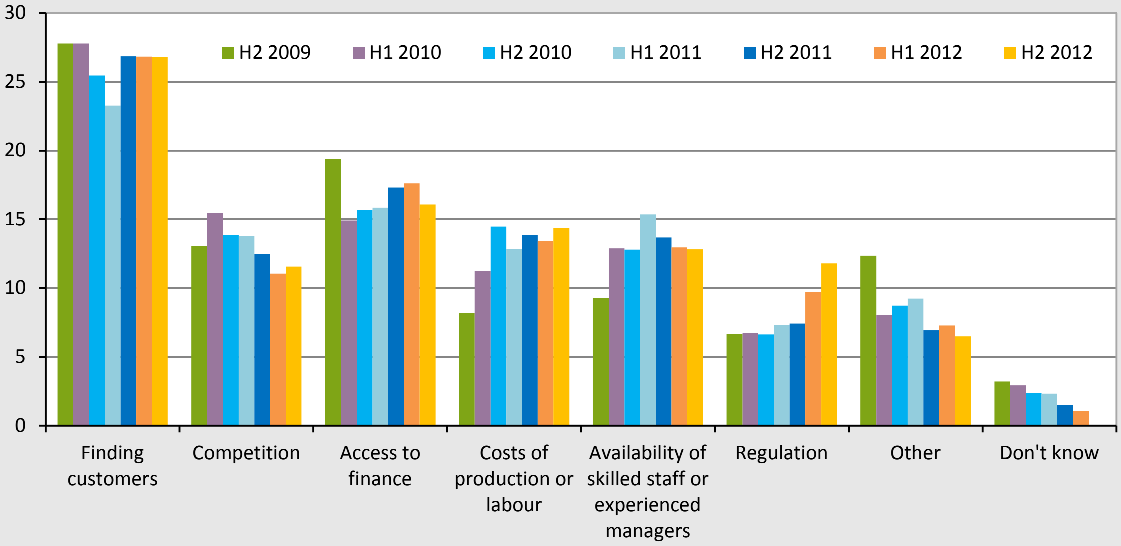


Base: All SMEs.
Note: The net percentage is the difference between the percentage of firms reporting an increase for a given factor and the percentage of those reporting a decrease.

Chart 2a

THE MOST PRESSING PROBLEMS FACED BY EURO AREA SMEs

(percentage of respondents)

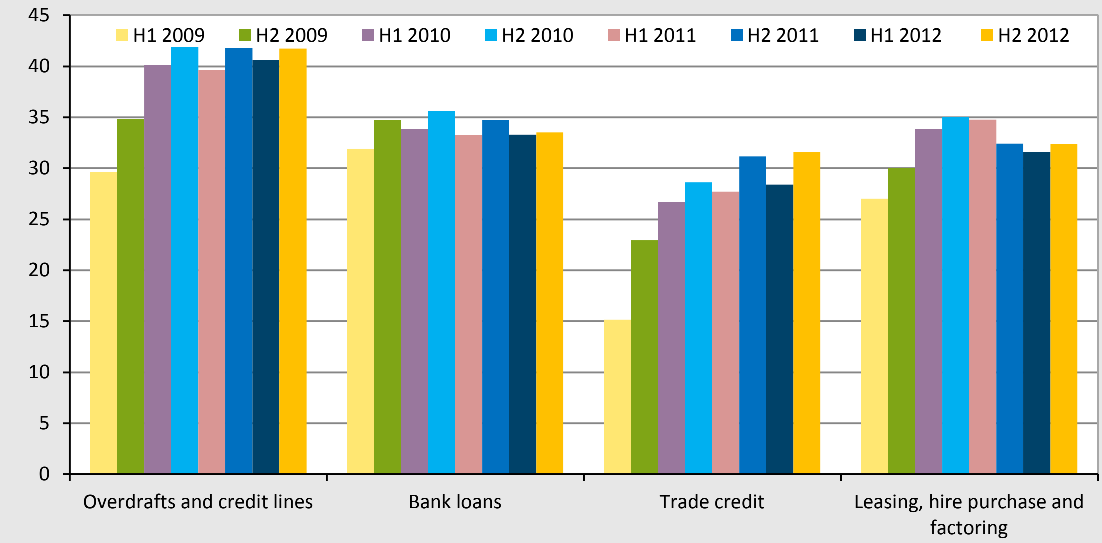


Base: All SMEs.
Note: The results for H1 2009 are not comparable and therefore not shown.

Chart 3a

SOURCES OF EXTERNAL FINANCING OF EURO AREA SMEs

(over the preceding six months; percentage of respondents)

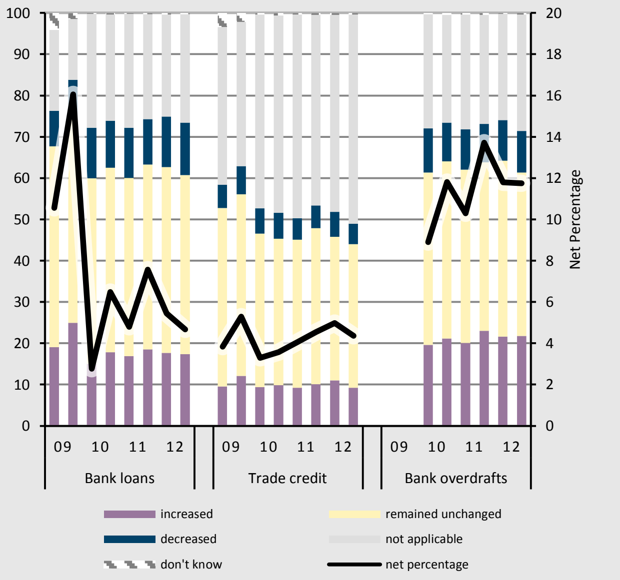


Base: All SMEs.

Chart 4a

CHANGE IN THE EXTERNAL FINANCING NEEDS OF EURO AREA SMEs

(over the preceding six months; percentage of respondents)

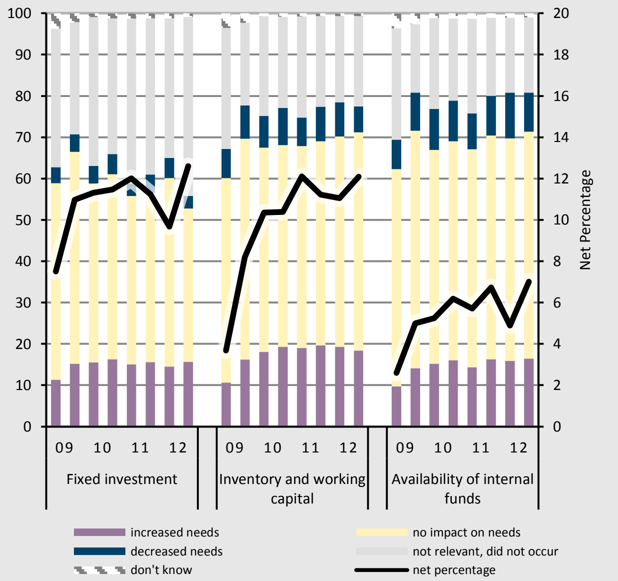


Base: All SMEs.
Note: See the note to Chart 1a.

Chart 5a

CHANGE IN FACTORS AFFECTING THE EXTERNAL FINANCING NEEDS OF EURO AREA SMEs

(over the preceding six months; percentage of respondents)

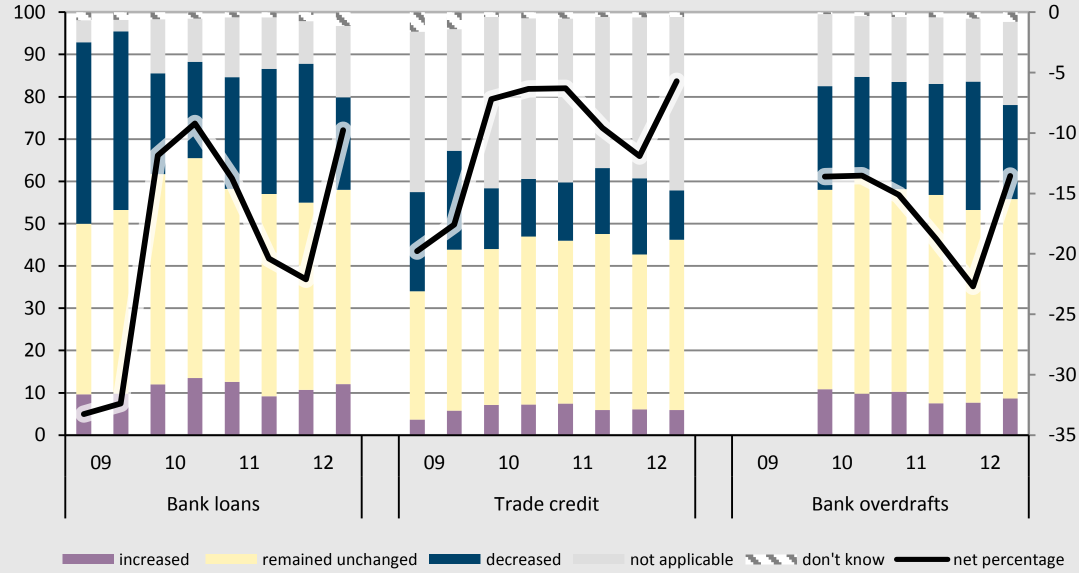


Base: All SMEs.
Note: See the note to Chart 1a.

Chart 6a

CHANGE IN THE AVAILABILITY OF EXTERNAL FINANCING FOR EURO AREA SMEs

(over the preceding six months; percentage of respondents)

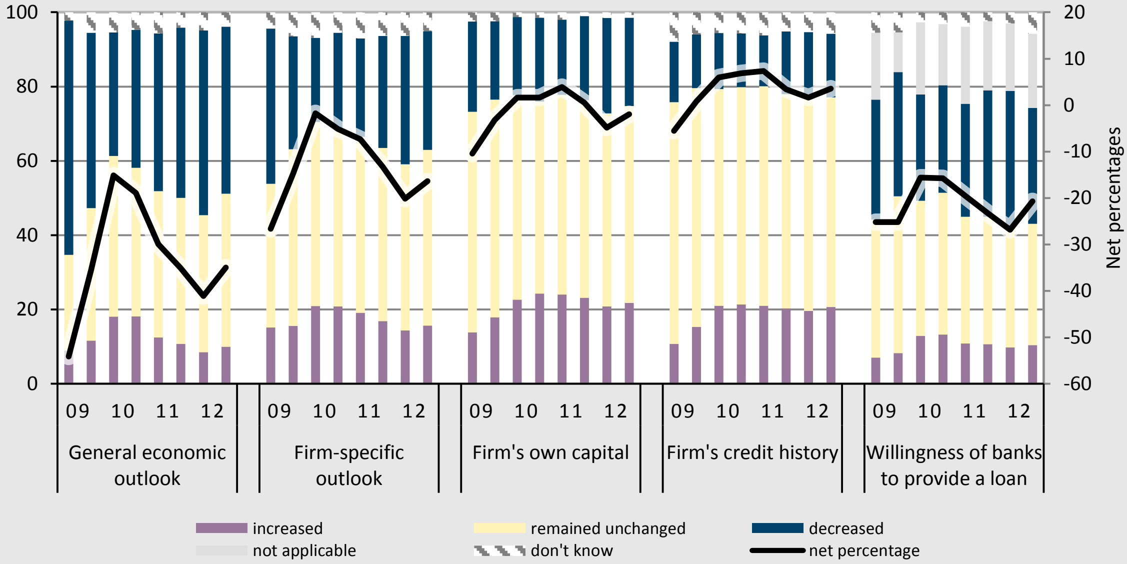


Base: SMEs that had applied for external financing.
Note: See the note to Chart 1a.

Chart 7a

CHANGE IN FACTORS HAVING AN IMPACT ON THE AVAILABILITY OF EXTERNAL FINANCING TO EURO AREA SMEs

(over the preceding six months; percentage of respondents)

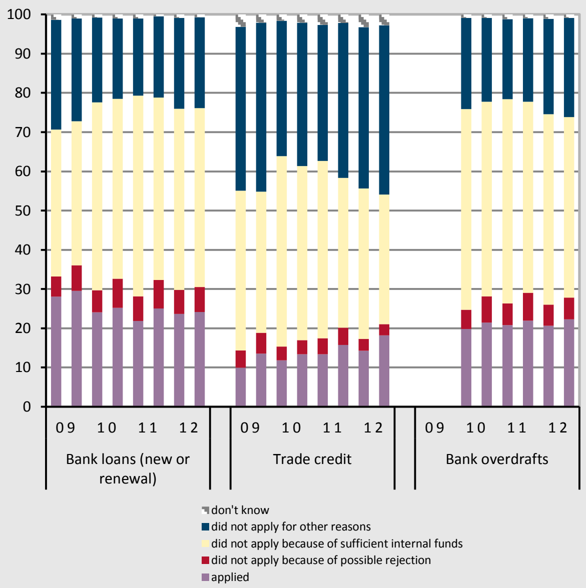


Base: All SMEs.
Note: See the note to Chart 1a.

Chart 8a

APPLICATIONS FOR EXTERNAL FINANCING BY EURO AREA SMEs

(over the preceding six months; percentage of respondents)

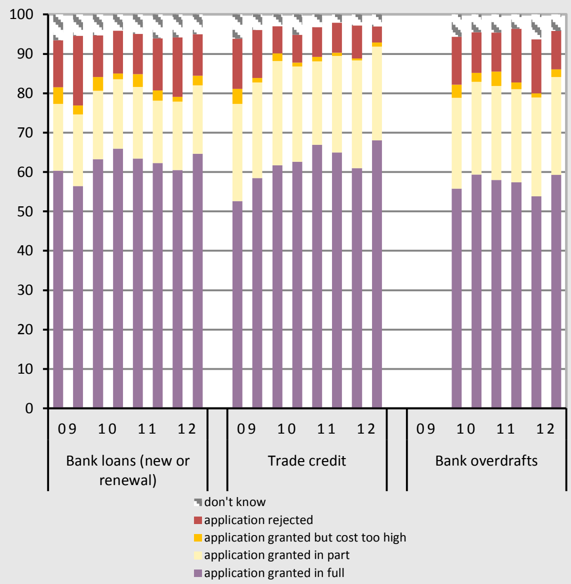


Base: All SMEs.

Chart 9a

OUTCOME OF THE APPLICATIONS FOR EXTERNAL FINANCING BY EURO AREA SMEs

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

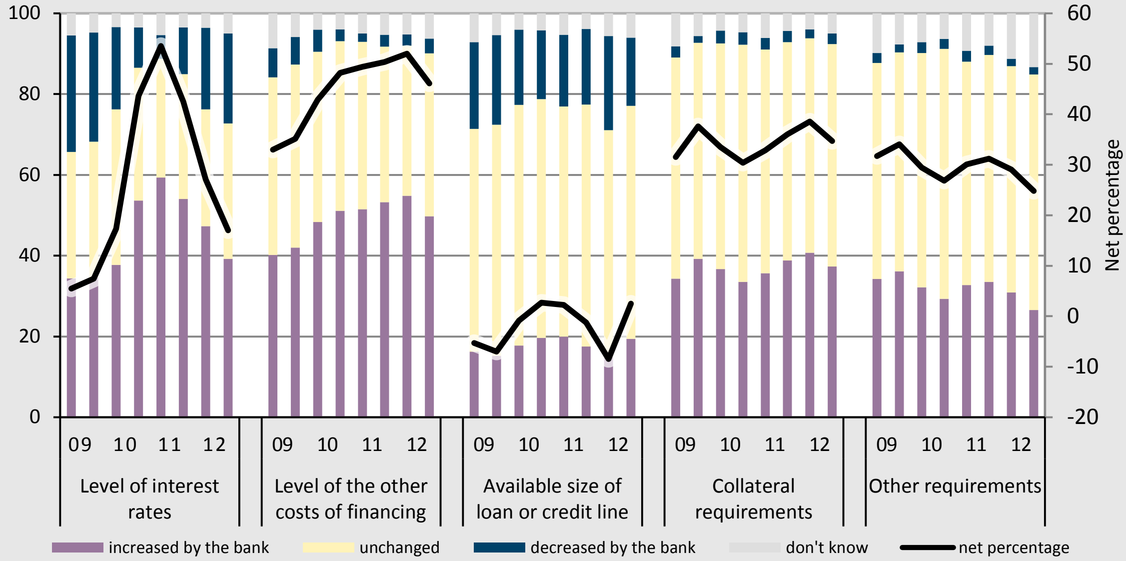


Base: SMEs that had applied for bank loans or trade credit.

Chart 10a

CHANGE IN THE TERMS AND CONDITIONS OF BANK LOANS GRANTED TO EURO AREA SMEs

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



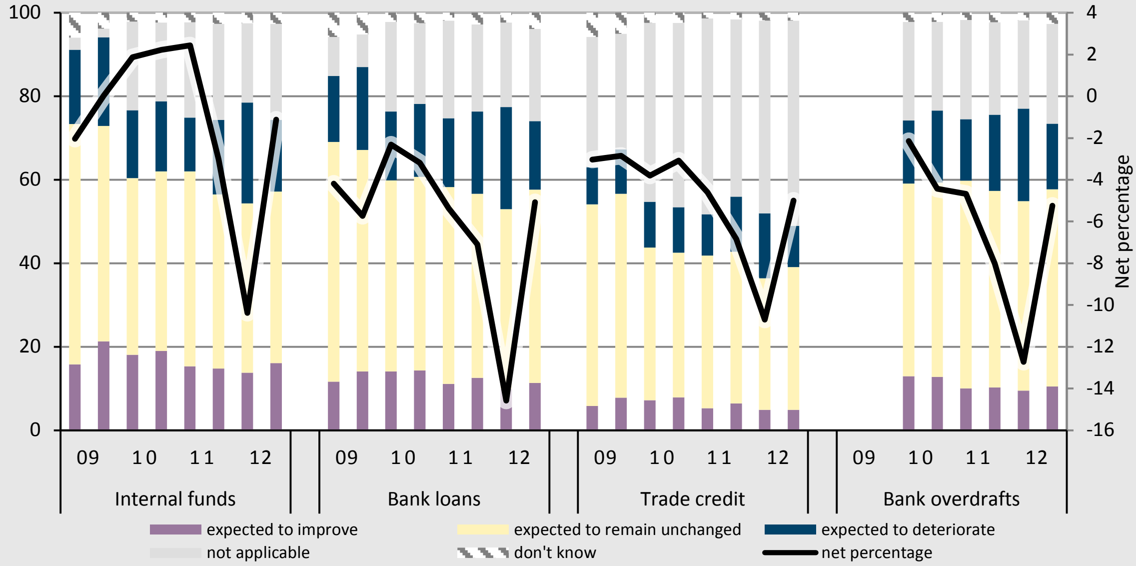
Base: SMEs that had applied for bank loans or trade credit.

Note: The net percentage is the difference between the percentage of firms reporting that the given factor has increased and the percentage reporting that it has decreased.

Chart 11a

CHANGE IN EURO AREA SMEs' EXPECTATIONS REGARDING ACCESS TO FINANCE

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



Base: All SMEs.

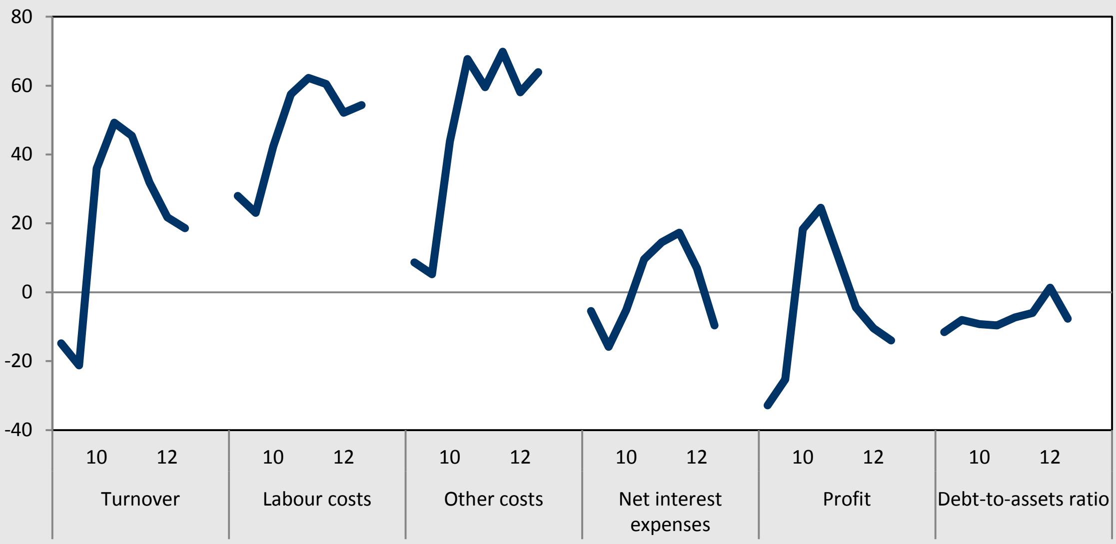
Note: The net percentage is the difference between the percentage of firms expecting an improvement in the source of financing and the percentage expecting a deterioration.

ANNEX 2: EURO AREA LARGE FIRMS – OVERVIEW OF THE SURVEY REPLIES

Chart 1b

CHANGE IN THE INCOME AND DEBT SITUATION OF LARGE EURO AREA FIRMS

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

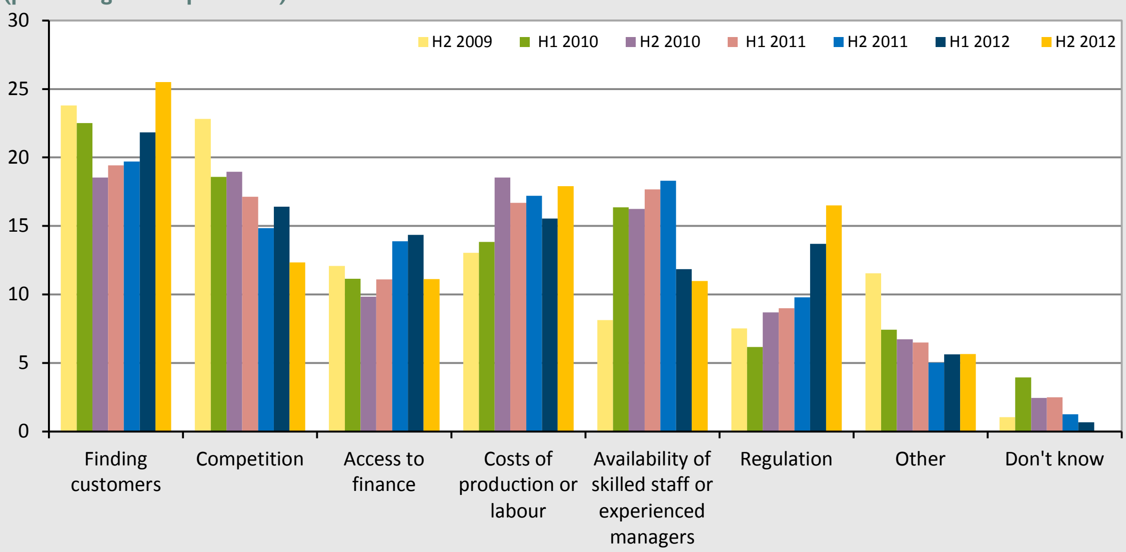


Base: All large firms.
Note: The net percentage is the difference between the percentage of firms reporting an increase for a given factor and the percentage of those reporting a decrease.

Chart 2b

THE MOST PRESSING PROBLEMS FACED BY LARGE EURO AREA FIRMS

(percentage of respondents)

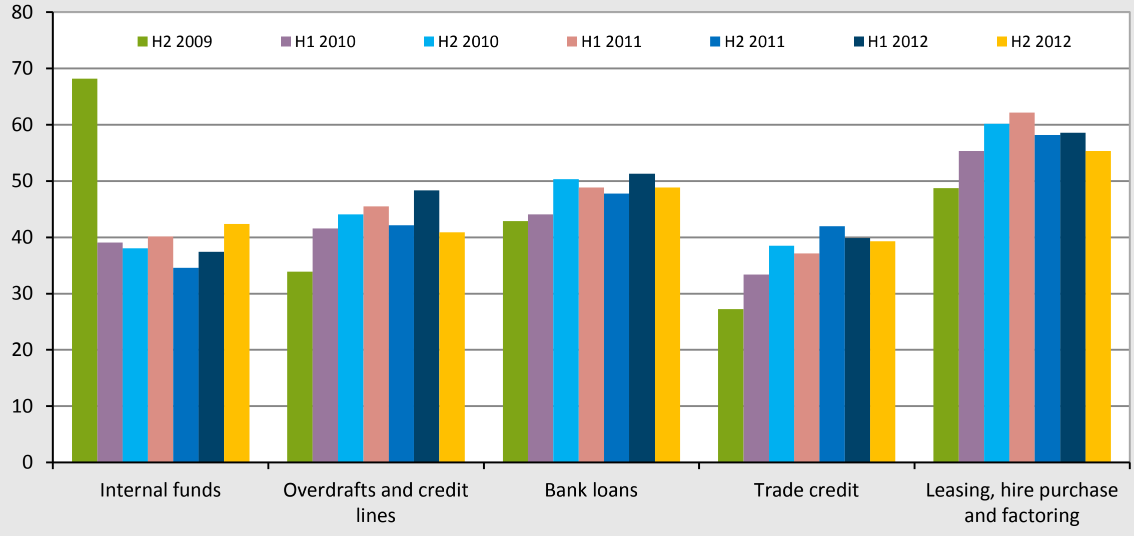


Base: All large firms.
Note: The results for H1 2009 are not comparable and therefore not shown.

Chart 3b

SOURCES OF EXTERNAL FINANCING OF LARGE EURO AREA FIRMS

(over the preceding six months; percentage of respondents)

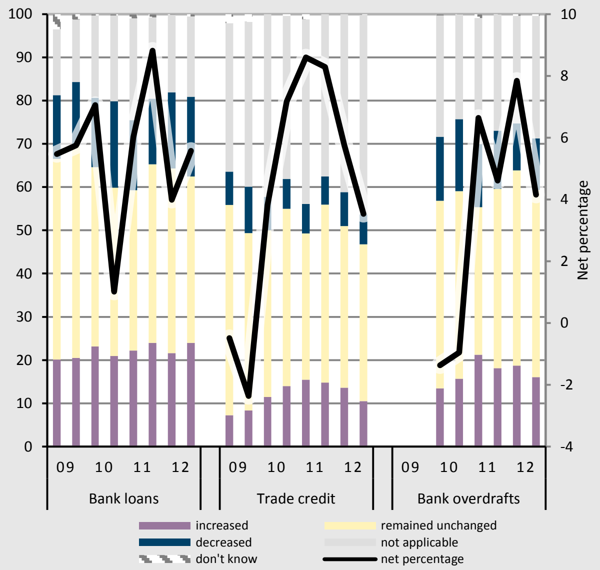


Base: All large firms.

Chart 4b

CHANGE IN THE EXTERNAL FINANCING NEEDS OF LARGE EURO AREA FIRMS

(over the preceding six months; percentage of respondents)

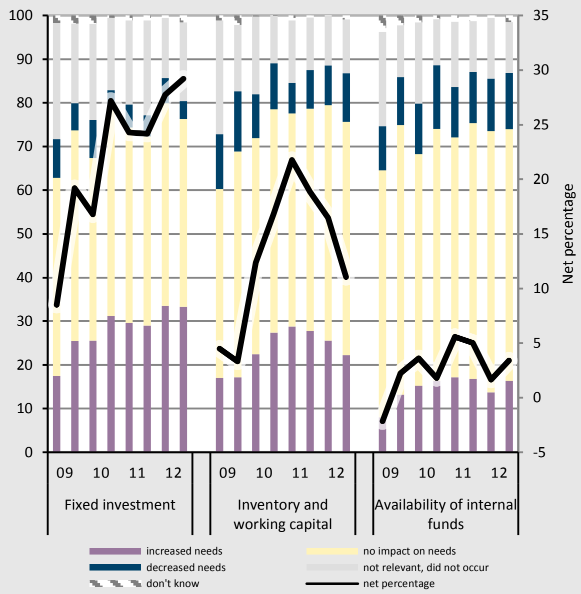


Base: All large firms.
Note: See the note to Chart 1a.

Chart 5b

CHANGE IN FACTORS AFFECTING THE EXTERNAL FINANCING NEEDS OF LARGE EURO AREA FIRMS

(over the preceding six months; percentage of respondents)

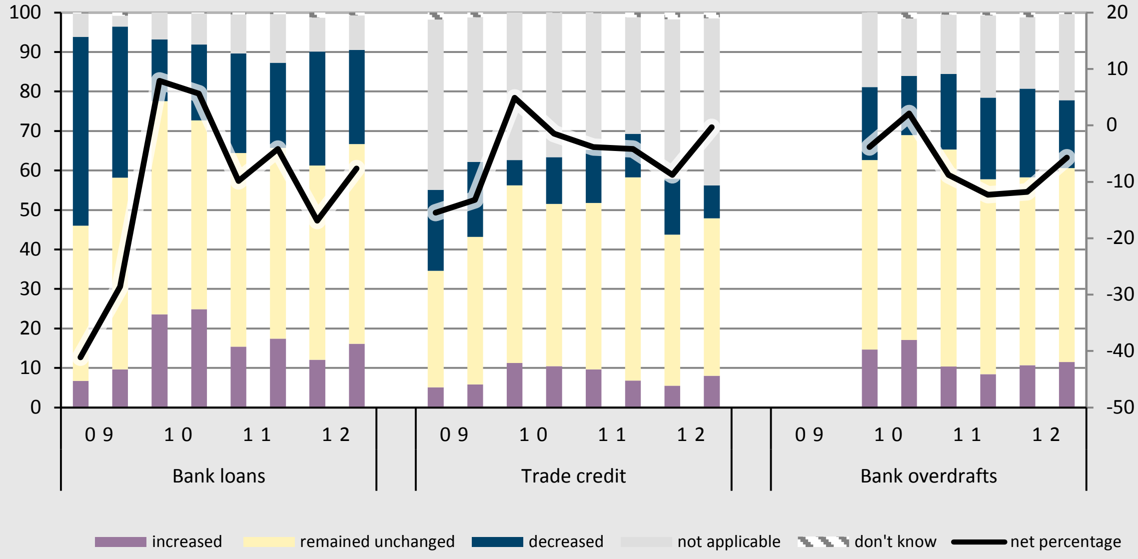


Base: All large firms.
Note: See the note to Chart 1a.

Chart 6b

CHANGE IN THE AVAILABILITY OF EXTERNAL FINANCING FOR LARGE EURO AREA FIRMS

(over the preceding six months; percentage of respondents)

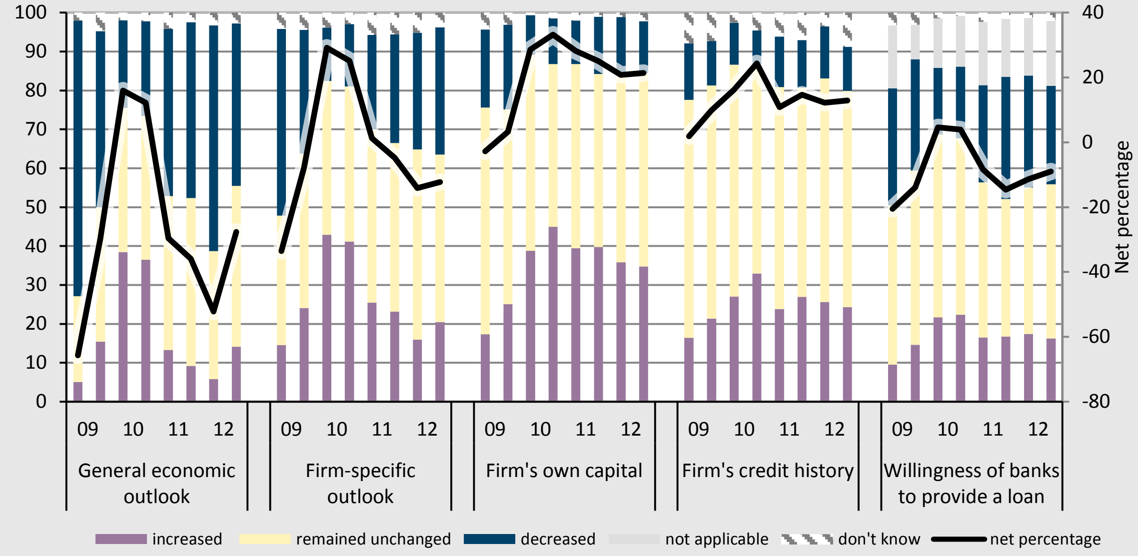


Base: Large firms that had applied for external financing.
Note: See the note to Chart 1a.

Chart 7b

CHANGE IN FACTORS HAVING AN IMPACT ON THE AVAILABILITY OF EXTERNAL FINANCING TO LARGE EURO AREA FIRMS

(over the preceding six months; percentage of respondents)

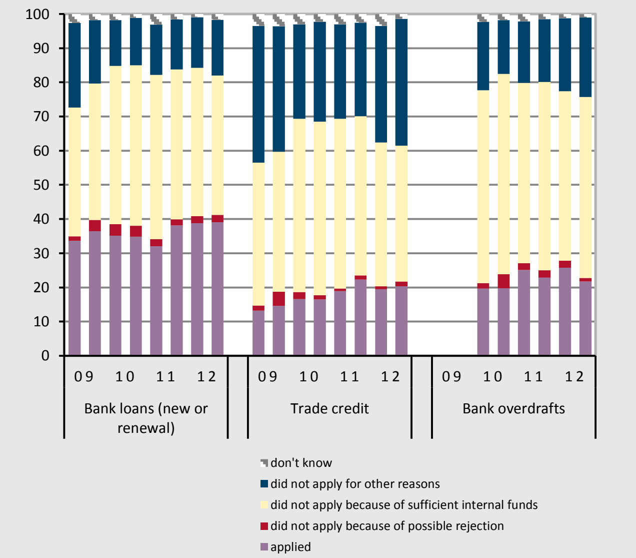


Base: All large firms.
Note: See the note to Chart 1a.

Chart 8b

APPLICATIONS FOR EXTERNAL FINANCING BY LARGE EURO AREA FIRMS

(over the preceding six months; percentage of respondents)

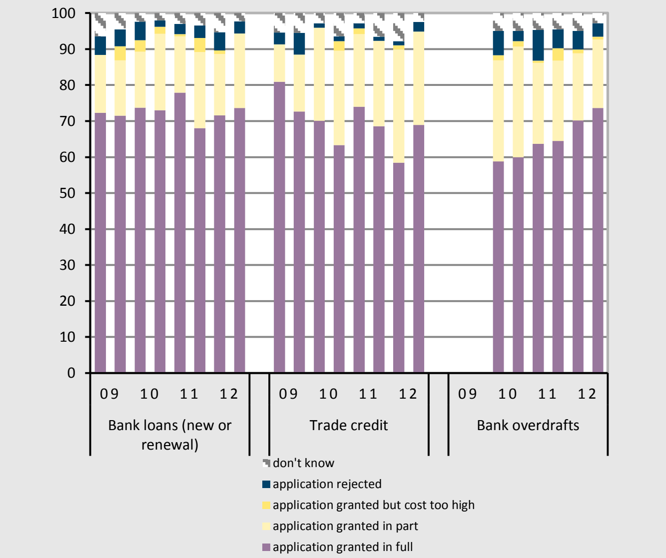


Base: All large firms.

Chart 9b

OUTCOME OF THE APPLICATIONS FOR EXTERNAL FINANCING BY LARGE EURO AREA FIRMS

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

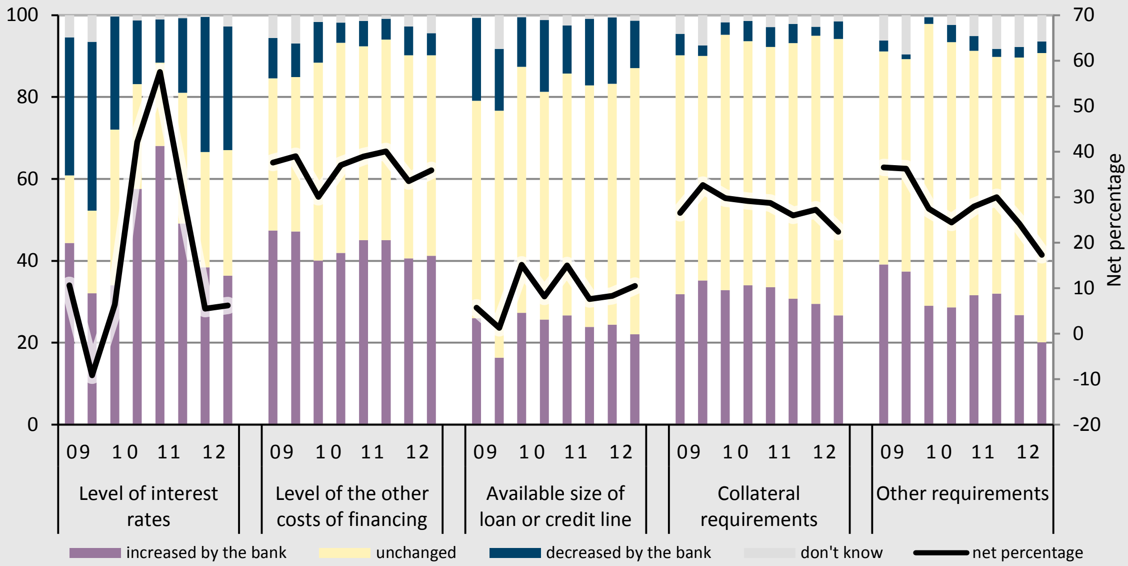


Base: Large firms that had applied for bank loans or trade credit.

Chart 10b

CHANGE IN THE TERMS AND CONDITIONS OF BANK LOANS GRANTED TO LARGE EURO AREA FIRMS

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



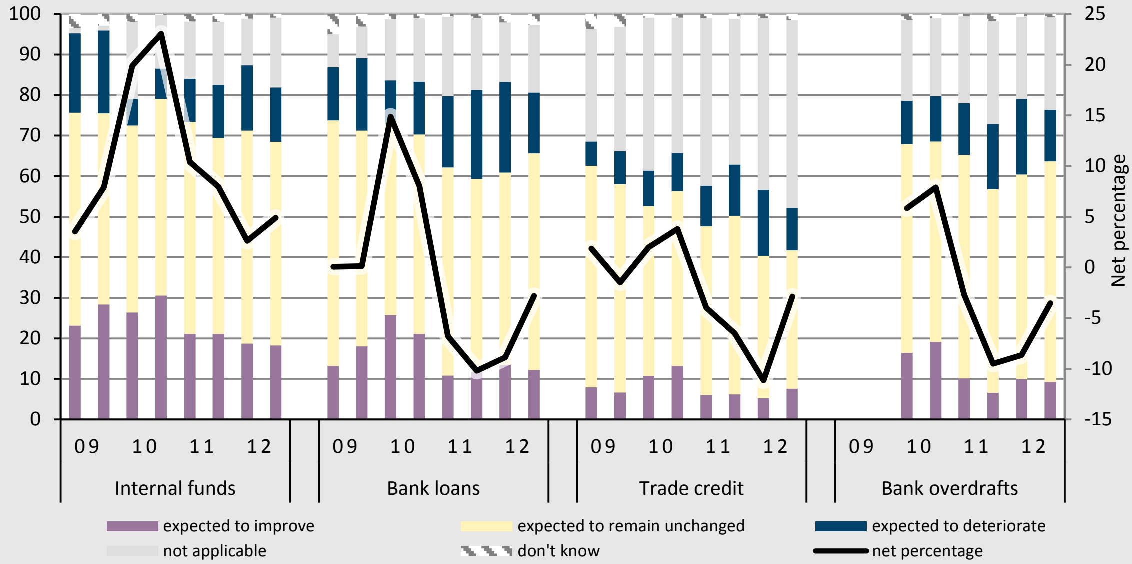
Base: Large firms that had applied for bank loans or trade credit.

Note: The net percentage is the difference between the percentage of firms reporting that the given factor has increased and the percentage reporting that it has decreased.

Chart 11b

CHANGE IN LARGE EURO AREA FIRMS' EXPECTATIONS REGARDING ACCESS TO FINANCE

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



Base: All large firms.

Note: The net percentage is the difference between the percentage of firms expecting an improvement in the source of financing and the percentage expecting a deterioration.

ANNEX 3: METHODOLOGICAL INFORMATION ON THE SURVEY AND GENERAL CHARACTERISTICS OF THE FIRMS IN THE SAMPLE

This annex presents an overview of the methodology of the survey and the general characteristics of the euro area firms that participated in this survey.

BACKGROUND

The data presented in this report were collected through a survey of companies in the euro area. The first two survey rounds were carried out by Gallup, while the following rounds were carried out by IPSOS MORI, in cooperation with the IPSOS network of national research agencies in the various Member States. To the best of our knowledge, there were no breaks attributable to the change of provider. However, some changes in the questionnaire (for instance, the change to the wording of "internal funds" and "equity", and additional questions on bank overdrafts) may have caused a break in the series between the H2 2009 and H1 2010 rounds.

The survey interviews for this round were conducted between 18 February and 21 March 2013.

SAMPLE SELECTION

The companies in the sample were selected randomly from the Dun & Bradstreet database of firms. The sample was stratified by firm size class, economic activity and country. The number of firms in each of these strata of the sample was adjusted to increase the accuracy of the survey across activities and size classes. For example, the proportion of small firms selected for the sample was higher than their economic weight. The results were then corrected using the appropriate weights (see the section "Weighting" below).

The total euro area sample size was 7,510 firms, of which 6,960 had fewer than 250 employees.

As regards the stratification by firm size class, the sample was constructed to offer the same precision for micro (1 to 9 employees), small (10 to 49 employees) and medium-sized (50 to 249 employees) firms. In addition, a sample of large firms (250 or more employees) was included in order to be able to compare developments for SMEs with those for large firms.

Table A.1

NUMBER OF INTERVIEWS CONDUCTED WITH EURO AREA FIRMS, BROKEN DOWN BY FIRM SIZE CLASS

	Number of interviews		Number of interviews
Micro	2,547	Medium-sized	1,865
Small	2,548	Large	550

The sample sizes for each economic activity were selected to ensure sufficient representativeness across the four major activities: industry, construction, trade and services. The statistical stratification was based on economic activities at the one-digit level of the European NACE classification (Rev. 1.1). Enterprises from mining and quarrying (C), manufacturing (D), and electricity, gas and water supply (E) were combined into "industry". "Construction" is simply construction (F). "Trade" includes wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods (G). "Services" includes enterprises in hotels and restaurants (H), transport, storage and communication (I), real estate, renting and business activities (K), education (M), health and social work (N) and other community, social and personal service activities (O).

Agriculture, hunting and forestry (A), fishing (B), financial intermediation (J), public administration (L), activities of households (P), extra-territorial organisations and bodies (Q), holding companies (NACE 74.15) and private non-profit institutions were excluded from the sample.

Table A.2

NUMBER OF INTERVIEWS CONDUCTED WITH EURO AREA FIRMS, BROKEN DOWN BY ECONOMIC ACTIVITY

	Number of interviews		Number of interviews
Industry	1,911	Trade	1,984
Construction	810	Services	2,805

Finally, the sample sizes in the different countries were selected on the basis of a compromise between the costs of the survey at the euro area level and representativeness at the country level. Besides being representative at the euro area level, the sample is also representative for the four largest euro area countries, i.e. Germany, France, Italy and Spain (see the section entitled "Weighting" below for information on the weights used). The sample size in the seven other euro area countries that are included in the survey every six months (Belgium, Ireland, Greece, Netherlands, Austria, Portugal and Finland) was increased in the H2 2010 round to 500 firms in each country, enabling some significant results to be drawn from these countries. The six smallest countries in the euro area (Estonia, Cyprus, Luxembourg, Malta, Slovenia and Slovakia) were not included in the sample. Since they represent less than 3% of the total number of employees in the euro area, this had only a very marginal impact on the results for the euro area as a whole.

In terms of euro area countries, the sample structure for this survey round was as follows:

Table A.3

NUMBER OF INTERVIEWS CONDUCTED WITH EURO AREA FIRMS, BROKEN DOWN BY COUNTRY

	Number of interviews
Belgium	500
Germany	1,002
Ireland	500
Greece	500
Spain	1,003
France	1,002

	Number of interviews
Italy	1,003
Netherlands	500
Austria	500
Portugal	500
Finland	500

FIELDWORK

All interviews were conducted by telephone (CATI). The person interviewed in each company was a top-level executive (general manager, financial director or chief accountant).

QUESTIONNAIRE

The questionnaire used for the survey is available on the ECB's website. It was translated into the respective languages for the purposes of the survey.

In this round, the question Q0 on the most pressing problem has been replaced by a set of numerical questions indicating on a scale from 1 to 10 how pressing each problem is. This new set of questions (along with a tie-breaking follow-up question) enables to reconstruct a variable similar to the Q0 one used so far, ensuring approximate time continuity, while allowing for a richer analysis. The only significant break detected in the series could be an increase in the importance of regulation as a pressing problem.

WEIGHTING

In order to restore the modified proportions, with regard to company size and economic activity (see the section "Sample selection" above), calibrated weights were used. Since the economic weight of the companies varies according to the size of the company, there are two main classes of weights which can be used: (i) weights that restore the proportions of the number of firms in each size class, economic activity and country; and (ii) weights that restore the proportions of the economic weight of each size class, economic activity and country. In this report, the second set of weights is used, as the objective is to measure the effect of access to finance on economic variables. The number of persons employed is used as a proxy for economic weight.[8]

The calibration targets were derived from the latest figures of Eurostat's Structural Business Statistics in terms of the number of persons employed, by economic activity, size class and country, with figures from national accounts and from different country-specific registers to cover for activities not included in the Structural Business Statistics regulations, as well as from figures from the SME performance review, prepared by EIM for the European Commission.

DESCRIPTIVE STATISTICS OF THE SAMPLE OF FIRMS

Chart A.1
BREAKDOWN OF FIRMS INTO SIZE CLASSES

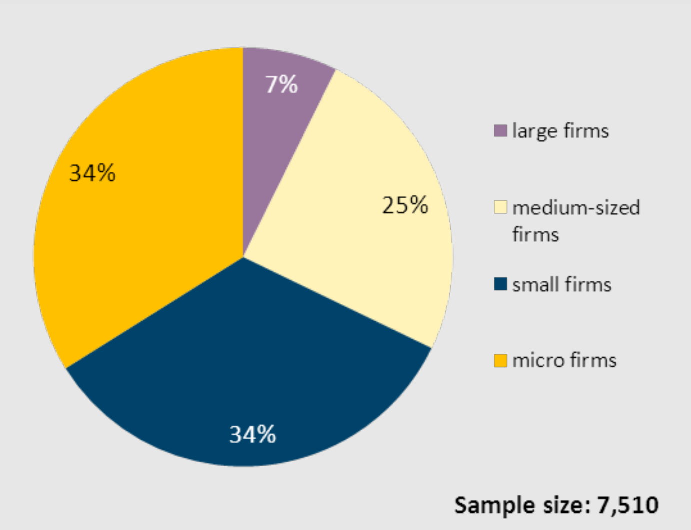
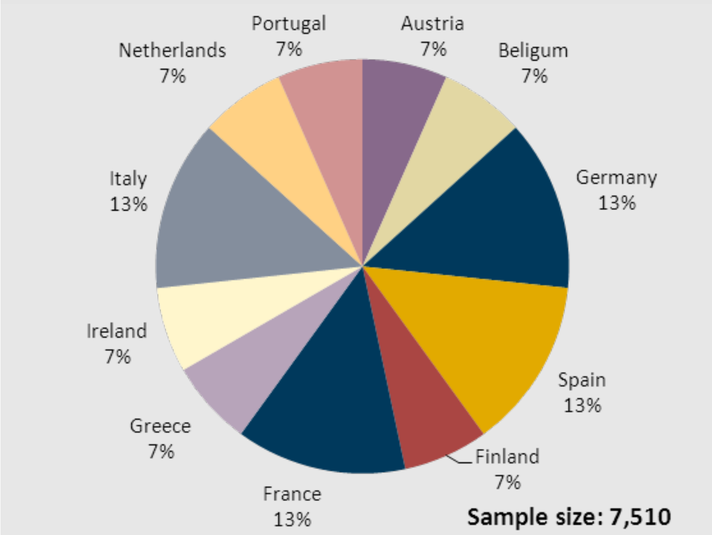


Chart A.2
BREAKDOWN OF FIRMS ACROSS COUNTRIES



Note: Firms have been classified according to size in terms of the number of employees: micro firms have between 1 and 9 employees, small firms between 10 and 49, medium-sized firms between 50 and 249, and large firms have 250 or more.

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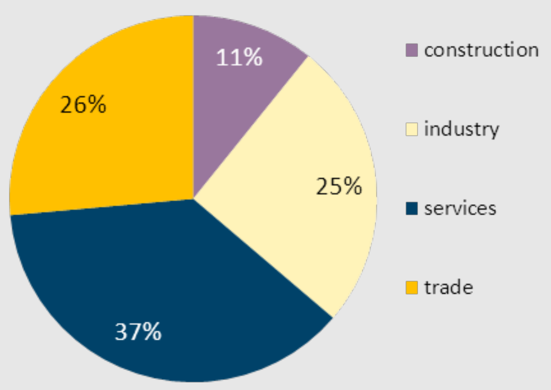
[8] According to official statistics, 92% of firms in the euro area are micro firms (with 1 to 9 employees), 7% are small firms, 1% are medium-sized firms and 0.2% are large firms. However, in terms of economic weight, as measured by the number of persons employed, micro firms represent 31%, small firms 22%, medium-sized firms 16% and large firms 30% of all firms.

Chart A.3

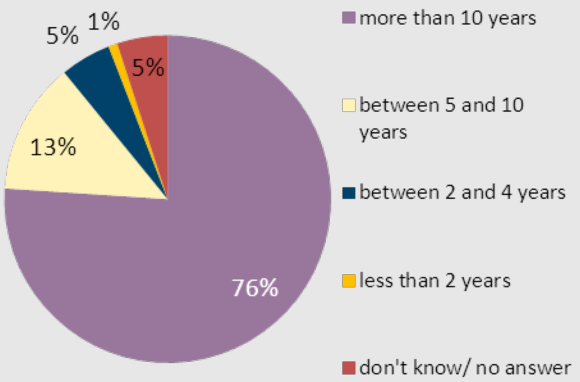
BREAKDOWN OF FIRMS ACROSS ECONOMIC ACTIVITIES



Sample size: 7,510

Chart A.4

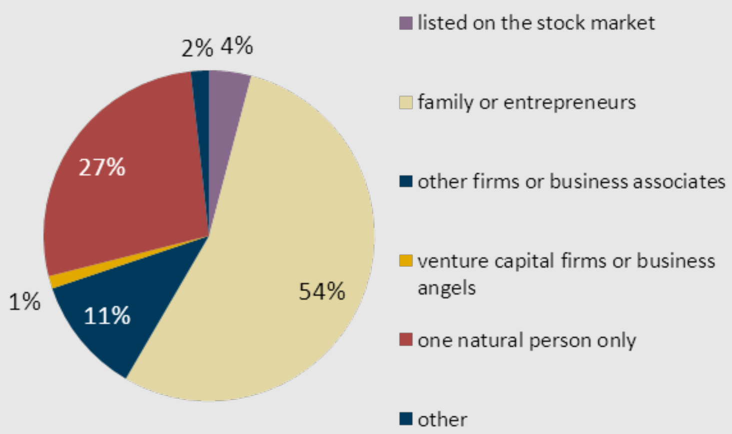
BREAKDOWN OF FIRMS BY FIRM AGE



Sample size: 7,510

Chart A.5

BREAKDOWN OF FIRMS ACCORDING TO OWNERSHIP



Sample size: 7,510