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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 ninth round of the survey on the access to finance of small and medium-sized enterprises in the euro area (SAFE). The survey was conducted between 28 August and 4 October 2013 in all euro area countries except Slovakia, where survey interviews lasted one week longer. This survey round was conducted jointly with the European Commission. The total sample size for the euro area was 8,305 firms, of which 7,674 (92%) 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 April to September 2013.²

I THE FINANCIAL SITUATION OF SMEs IN THE EURO AREA

In the period from April to September 2013, the net percentage³ of euro area SMEs reporting a reduction in **turnover** declined (-3%, compared with -11% 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** (43% and 60% respectively, down from 47% and 69% in the previous survey period), with considerable contributions from Germany, France and Italy. In line with turnover and cost developments, euro area SMEs reported a continued decline in **profits** in the period from April to September 2013 (-25%, after -33% in the previous survey period) to which SMEs in Italy and Spain contributed strongly. By contrast, in net terms, SMEs in Germany reported a slight improvement in profitability. Against the background of high corporate indebtedness, euro area SMEs continued to reduce their **leverage** (in net terms -7%, down from -3% in the previous survey period). Among the larger euro area countries, SMEs in Germany contributed most to the deleveraging, whereas, as in previous survey rounds, SMEs in Italy stand out as reporting a significant net increase in their debt-to-assets ratio.

¹ See Annex 3 for details on the weighting scheme.

² The reference period for the previous survey round was October 2012 to March 2013.

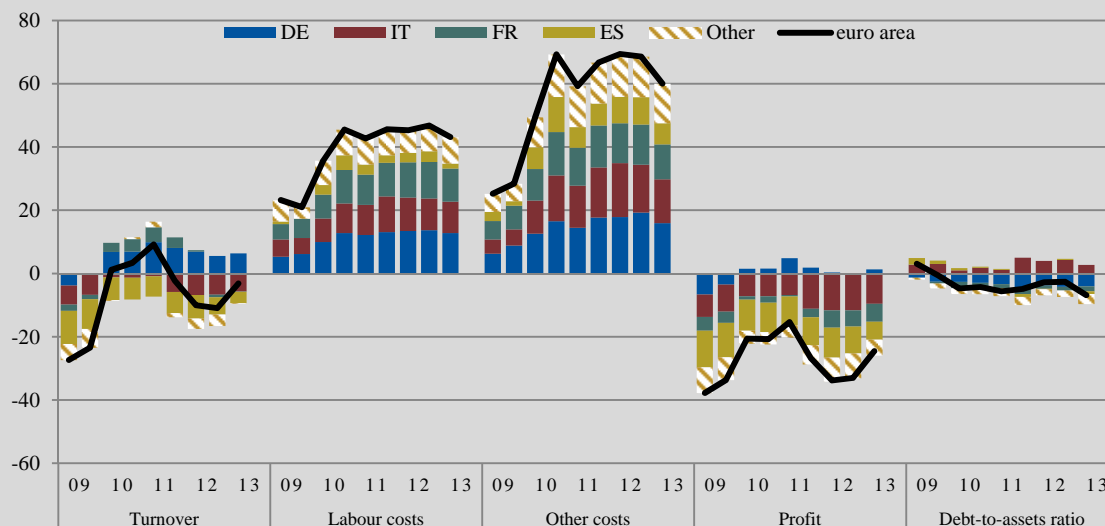
³ Net percentages refer to the difference between the percentage of firms reporting an increase for a given factor and the percentage of those reporting a decrease.

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.

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)



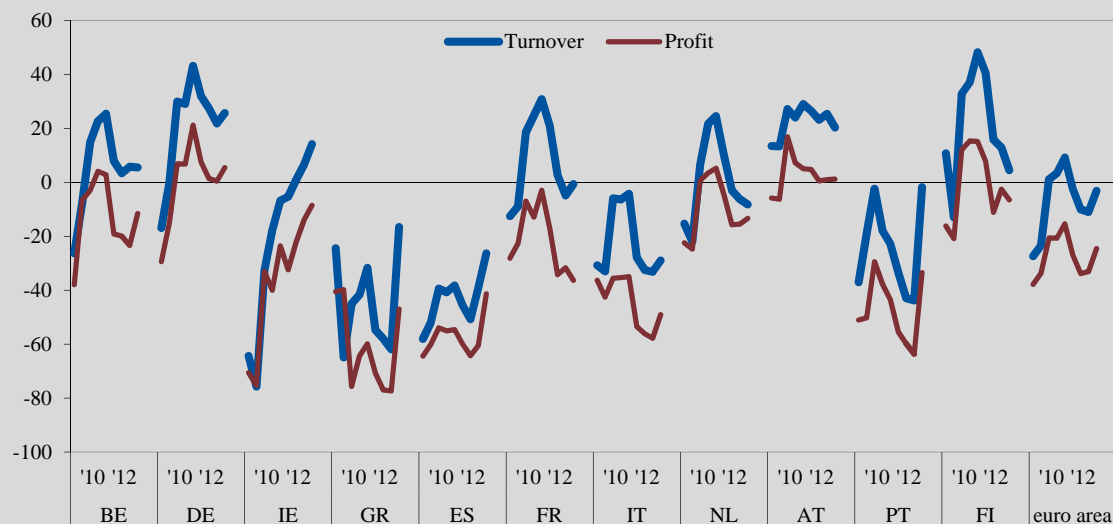
Base: All SMEs.

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 in turnover and profits across countries were diverse. Besides SMEs in Germany and Ireland, where a net 26% and 14% (up from 22% and 7% in the previous survey period) reported an increase in **turnover**, SMEs in Austria, Finland and Belgium signalled a net increase which was more moderate than in the previous survey round (see **Chart 2**). By contrast, SMEs in Italy, Spain and Greece reported, in net terms, still a large worsening in turnover. SMEs in most euro area countries indicated a further decline in **profits**, with the exception of SMEs in Germany and Austria where profits were reported to have slightly increased (in net terms 5% and 1% respectively). Declines in profits were most prevalent for SMEs in Italy (a net 49% of respondents), Greece (47%), Spain (41%) and France (36%).

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.

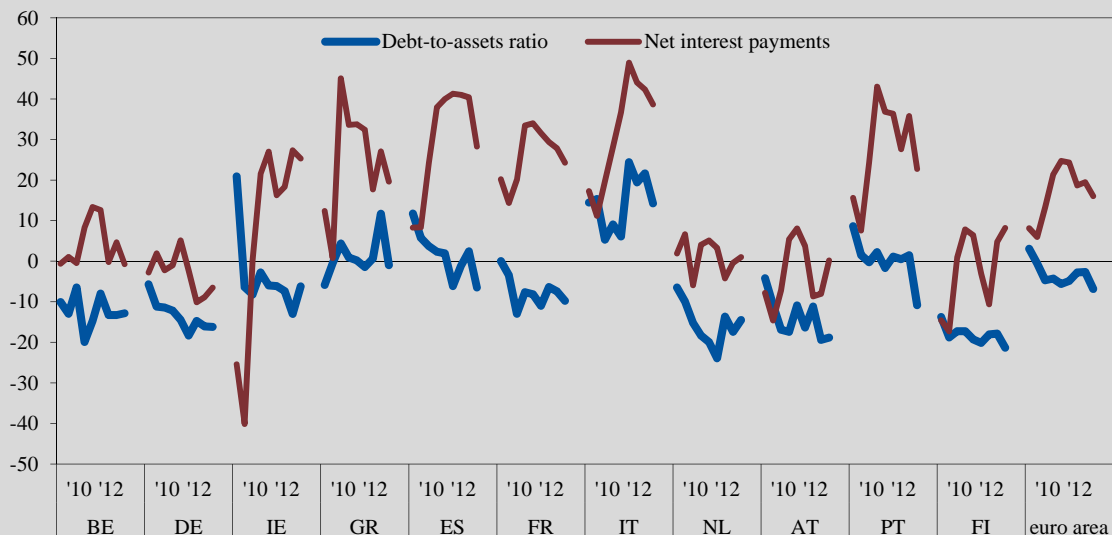
More in detail, SMEs in most euro area countries reported a further decrease in their **debt-to-assets ratios** or a broadly unchanged leverage situation (see **Chart 3**). By contrast, SMEs in Italy reported a net increase in their leverage (14%, down from 22% in the previous wave). The reported developments in **net interest expenses** on debt were very heterogeneous across countries. While SMEs in Germany and Belgium signalled a decline in net interest expenses, SMEs in all other euro area countries reported an increase in or unchanged net interest expenses.

By contrast with SMEs, **large euro area firms** reported, on balance, an increase in turnover in the period from April to September 2013 (20%, broadly unchanged from the previous survey period).⁶ In addition, the deterioration of their profits was, on balance, much more moderate (-8%, after -14%) than for euro area SMEs. Large euro area firms stepped up their deleveraging in the period from April to September 2013 (on balance -12%, compared with -8% in the previous survey period). Overall, for large euro area firms, the financial situation remains more favourable than for SMEs.

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

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.

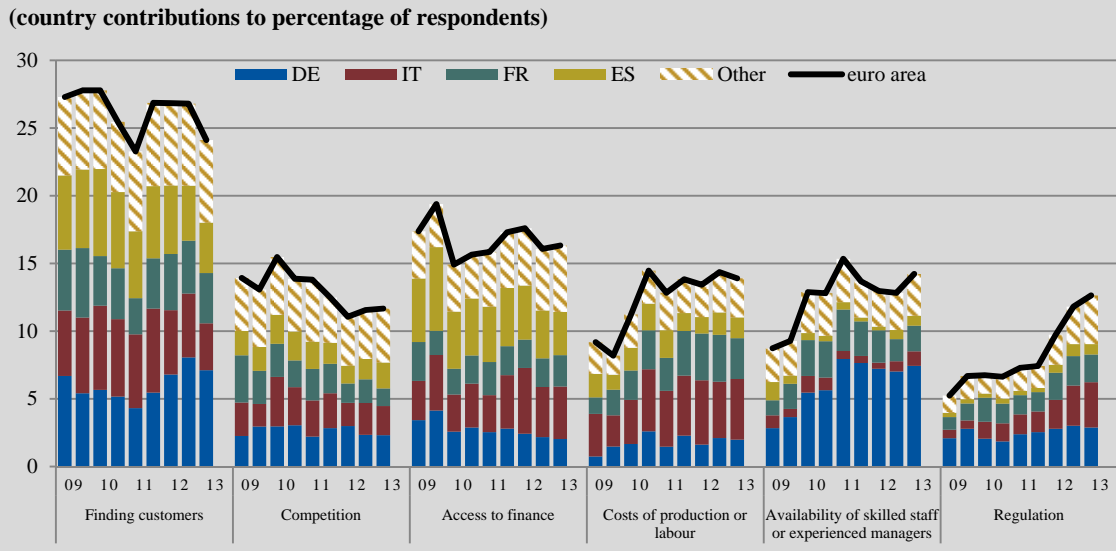
Note: See the note to Chart 1.

“**Finding customers**” remained the **dominant concern** for euro area SMEs also in this survey period (24% of euro area SMEs mentioning this issue, compared with 27% in the previous survey round; see **Chart 4**). This figure has declined or remained broadly unchanged in most countries, except for Austria (36%, up from 30%). “**Access to finance**” was mentioned by the second largest percentage of euro area SMEs (16%, broadly unchanged from the previous survey period), with a wide divergence across countries. On the high side, 32% of the SMEs in Greece, 23% in Spain and 20% in Ireland, Italy and the Netherlands mentioned access to finance as the most pressing problem, compared with around 8% of the SMEs in Germany and Austria on the low side.

SMEs assessed their dominant concern also heterogeneously with respect to the “**Availability of skilled staff or experienced managers**” (14% at the euro area level, broadly unchanged from the previous survey round). SMEs in Germany and Austria (30% and 26% respectively) mentioned this issue relatively frequently, while it was no 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, unchanged from the previous survey round) was mentioned most frequently by SMEs in Italy (23%), Finland (20%), France (19%) and Belgium (18%).

For **large firms**, “finding customers” (28%) and “cost of production or labour” (15%) were the dominant concerns, whereas “access to finance” was mentioned less frequently (10%, down from 11% in the previous round).

CHART 4 COUNTRY CONTRIBUTIONS TO THE MOST PRESSING PROBLEM FACED BY EURO AREA SMEs



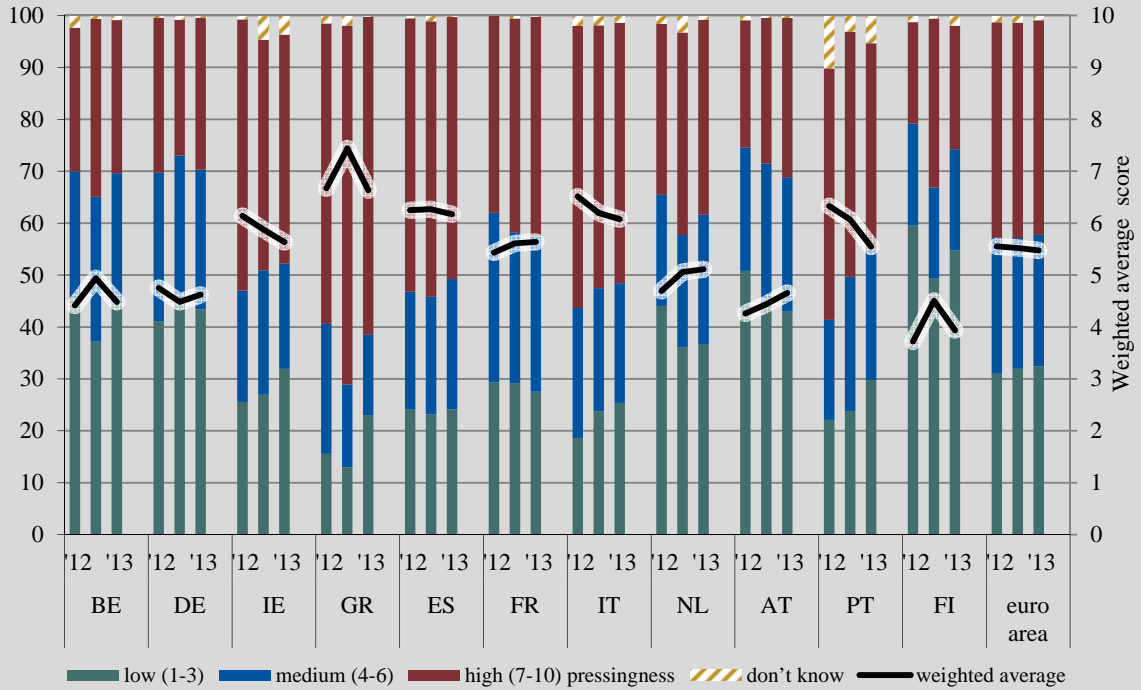
Base: All SMEs.
Note: See the note to Chart 1.

Across euro area countries, when asked how pressing “access to finance” is as a problem in their current situation⁷ (see **Chart 5**), a very large percentage of firms in Greece (61%), Spain and Italy (both 50%) and, to a lesser extent, Portugal (40%) reported that this is a very pressing problem (scale 7-10), while the corresponding percentage in Germany and Belgium is around 30% and in Finland it drops to 24%. At the same time, 55% of firms in Finland, 45% in Belgium, and 43% in Germany and Austria considered access to finance a not pressing problem (scale 1-3).

⁷ Since the survey round in October 2012, firms have been asked to indicate how pressing a specific problem is, using a scale from 1 (not at all pressing) to 10 (extremely pressing). In the chart, the scale has been divided into three categories: low pressingness (1-3), medium (4-6) and high (7-10).

CHART 5 PRESSINGNESS OF ACCESS TO FINANCE PERCEIVED BY SMEs ACROSS EURO AREA COUNTRIES

(percentages and weighted percentages)



Base: All SMEs.

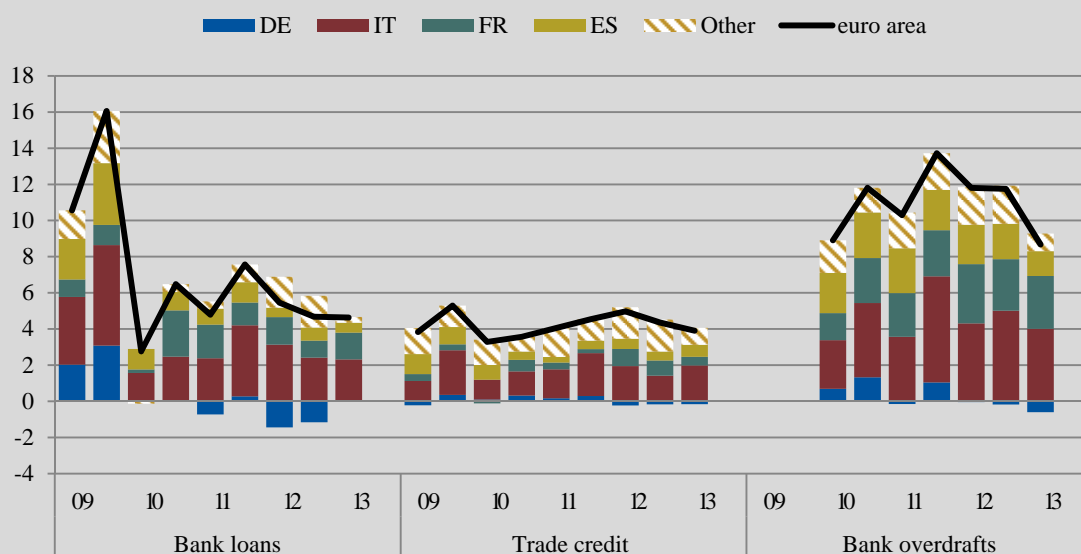
Note: The scale is from 1(not at all pressing) to 10 (extremely pressing). The first observation referring to April-September 2012 is based on half of the sample. The weighted average score is an average of the responses using as weights the weighted number of respondents.

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** (unchanged from the previous survey round) and 9% of the SMEs reported an increased need for **bank overdrafts** (down from 12% in the previous survey round) (see **Chart 6**).⁸ In the period from April to September 2013, SMEs in Italy and France contributed most to the net increase in the need for bank loans and bank overdrafts, whereas SMEs in Germany reported, on balance, an unchanged need for bank loans and a decreased need for bank overdrafts. The picture was overall similar for **trade credit** for which a net percentage of 4% of euro area SMEs (broadly unchanged from the previous survey period) reported an increase in the need.

CHART 6 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.

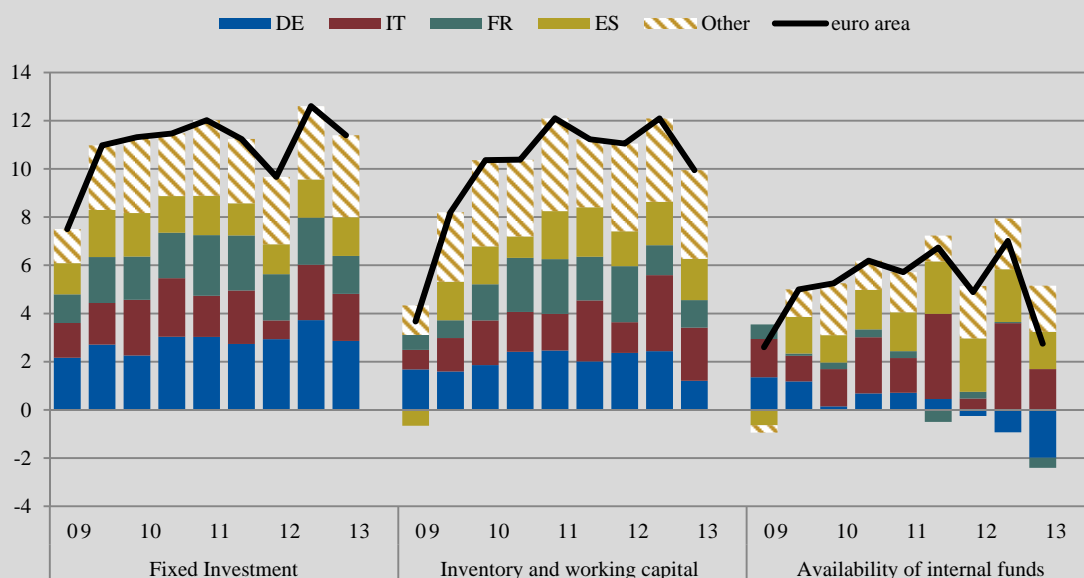
Among the factors affecting SMEs' need for external financing, **fixed investment and inventory and working capital** played the largest role (see **Chart 7**). For fixed investment, on balance, 11% of euro area SMEs (down from 13% in the previous survey round) reported a

⁸ Regardless of whether they have applied or not 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, and equity and debt securities issuance).

smaller impact of this factor on their external financing need, mainly resulting from smaller contributions from SMEs in Germany and France. The net percentage of euro area SMEs reporting an increased external financing need for the purpose of financing inventories and working capital slightly declined to 10% (from 12%), largely related to a lower contribution of SMEs in Italy and Germany. At the same time, euro area SMEs also reported, on balance, a somewhat lower need for external financing resulting from insufficient availability of **internal funds** (3%, down from 7%). This mainly stemmed from a lower need by SMEs in Italy and from a negative contribution by German SMEs that indicated a strong availability of internal sources of funds in the period from April to September 2013.

CHART 7 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.

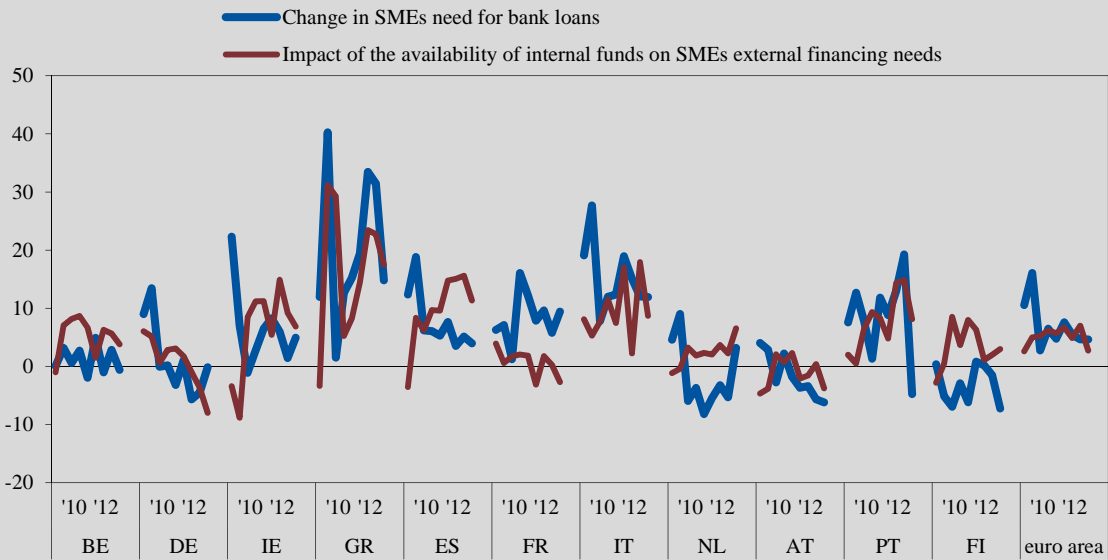
Looking in more detail at **developments across countries**, on balance, SMEs in Greece (15%) and Italy (12%) continued to report the highest increase in their need for bank loans (see **Chart 8**), which may reflect the demand for loans to finance working capital in an environment of still weak profits and squeezed liquidity buffers. SMEs' financing need resulting from the insufficient availability of internal funds was especially strong in Greece (17%), Spain (11%) and Italy (9%). However, these net percentages have strongly declined since the last survey round, reflecting a slower pace of deterioration in the profit situation of SMEs in these countries. By contrast, SMEs in Finland (-7%), Austria (-6%), Portugal (-5%, down from 19%) and Belgium (-1%) reported, on balance, a decline in their need for bank loans. German SMEs

indicated no changes in their need for bank loans (0%) despite the fact that their availability of internal funds reduced their overall external financing need (-8%), indicating a better liquidity situation than in the other euro area countries.

Large firms reported, on balance, a slight decline in the need for external funding in the form of bank loans (4%, down from 6% in the previous survey round), trade credit (1%, down from 4%) and bank overdrafts (2%, down from 4%). The net percentage of large firms reporting an increased financing need for fixed investment declined (on balance 25%, down from 29%) and remained broadly unchanged for working capital (12%, after 11%).

CHART 8 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

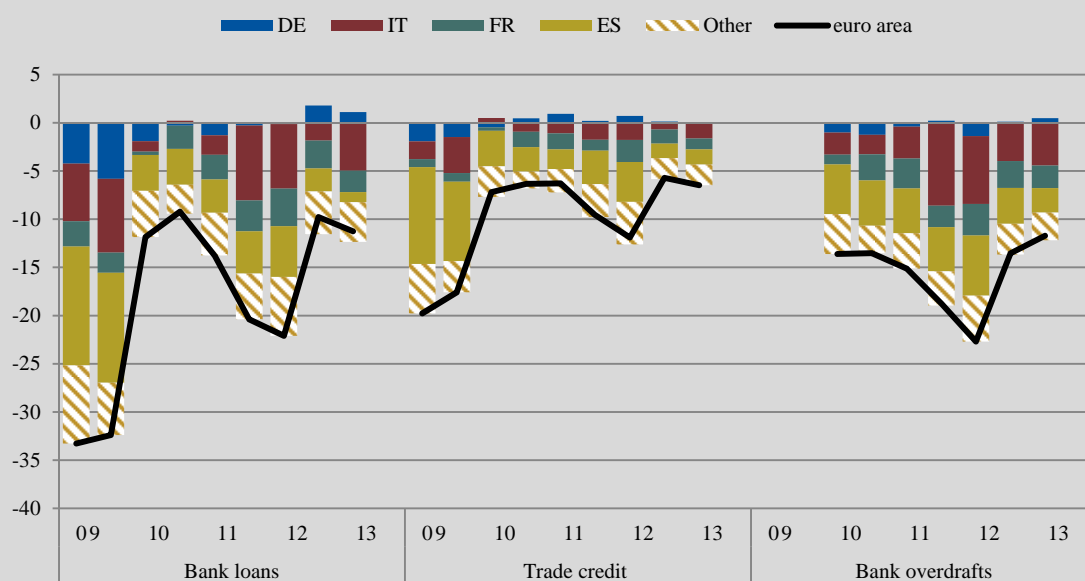
3.1 AVAILABILITY OF EXTERNAL FINANCING

In the period from April to September 2013, the net percentage of euro area SMEs reporting a deterioration in the **availability of bank loans** increased marginally (-11%, after -10%) (see **Chart 9**). This mainly resulted from the strong deterioration signalled by Italian SMEs, which was almost compensated for by SMEs in Germany that reported, on balance, an improvement in the availability of bank loans and by SMEs in Ireland and Spain that indicated, on balance, a smaller net deterioration in the availability of bank loans.

Euro area SMEs also reported, on balance, a smaller deterioration in the availability of **bank overdrafts** (-12%, after -14%), while availability of **trade credit** remained broadly unchanged at -6%.

CHART 9 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.

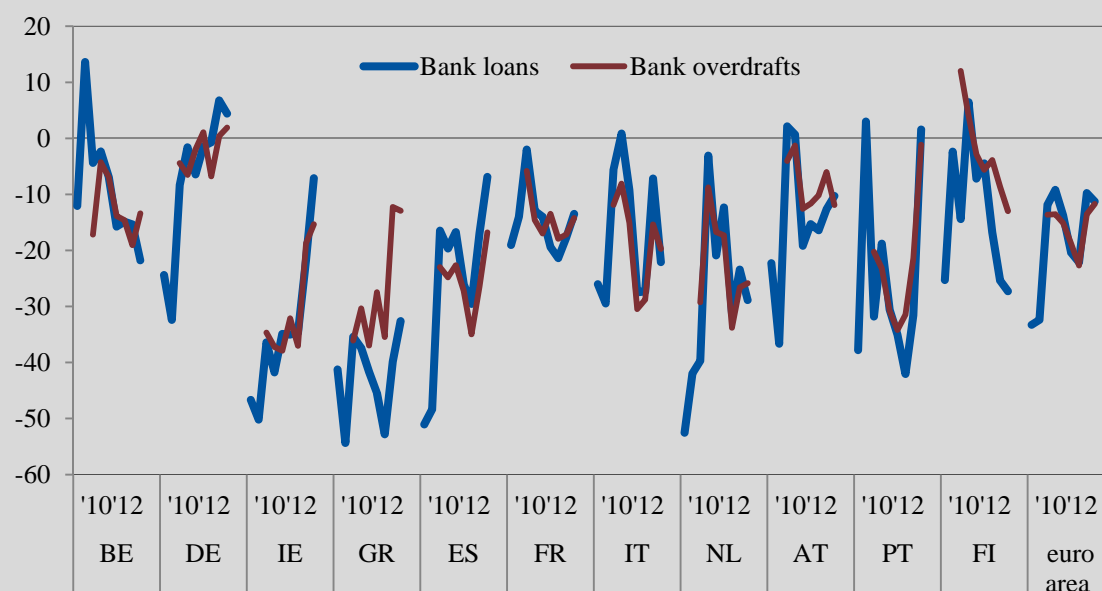
At the same time, when looking at **developments across euro area countries** in detail, the picture becomes more mixed. On the one hand, SMEs in most countries indicated, on balance, a smaller deterioration in the availability of bank loans in the period from April to September 2013 compared with the previous survey round: the positive change was very strong in Portugal

(2%, up from -32%), in Ireland (-7%, up from -22%), in Spain (-7%, up from -17%) and to a lesser extent in Greece (-33%, up from -40%) (see **Chart 10**). On the other hand, the degree of the reported deterioration increased in a number of other countries, in particular in Italy (-22%, after -7%), the Netherlands (-29%, after -23%) and Belgium (-22%, after -15%). Germany was the only country where SMEs continued to report, on balance, improved availability of bank loans (4%, after 7%).

There was a slightly lower net deterioration in the availability of **bank overdrafts** in the period from April to September 2013 compared with the previous survey, and the developments across most countries appeared qualitatively similar to those for bank loans.

CHART 10 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.

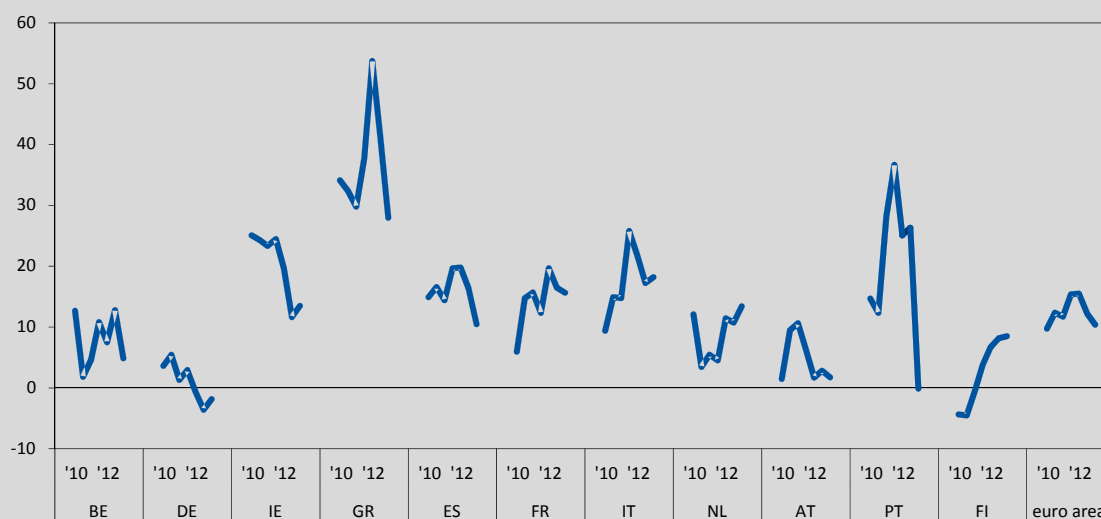
As for euro area SMEs, the availability of bank loans to **large firms** deteriorated less than in the previous survey period (-2%, compared with -8%). In addition, the degree of deterioration remained somewhat lower than for euro area SMEs, indicating generally less constrained access to finance for large firms compared with SMEs. Large firms also reported, on balance, a broadly unchanged deterioration in the availability of bank overdrafts (-7%, after -6%) and an unchanged availability of trade credit (0%).

When combining the information on the change in the need for external financing (across all channels: bank loans, bank overdrafts, trade credit and equity and debt securities) and the

availability of external financing at firm level, one can construct the so-called **external financing gap** as the difference between needs for and availability of funds (see **Chart 11**). In the period from April to September 2013, the financing gap slightly declined at euro area level (to 10% from 12% in the previous survey round). SMEs in France, Greece, Belgium and Spain reported a smaller widening in their financing gap compared with the previous survey period, whereas the financing gap actually declined for SMEs in Germany and Portugal. In Italy, Ireland and the Netherlands the financing gap increased in the same period.

CHART 11 CHANGE IN THE EXTERNAL FINANCING GAP PERCEIVED BY SMES ACROSS EURO AREA COUNTRIES

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



Base: All SMEs which have used the respective instrument in the last six months or have not used it in the last six months but used it in the past “Non-applicable” and “Don’t know” answers are excluded.

Note: The financing gap indicator combines both financing needs and availability of bank loans, bank overdrafts, trade credit, equity and debt securities at the firm level. For each of the five financing instruments, an indicator of a perceived financing gap change takes the value of 1 (-1) if the need increases (decreases) and availability decreases (increases). If firms perceive only a one-sided increase (decrease) in the financing gap, the variable is assigned a value of 0.5 (-0.5). The composite indicator is the weighted average of the financing gap related to the five instruments. A positive value of the indicator suggests an increasing financing gap. Values are multiplied by 100 to obtain weighted net balances in percentages. See Ferrando et al. (2013).

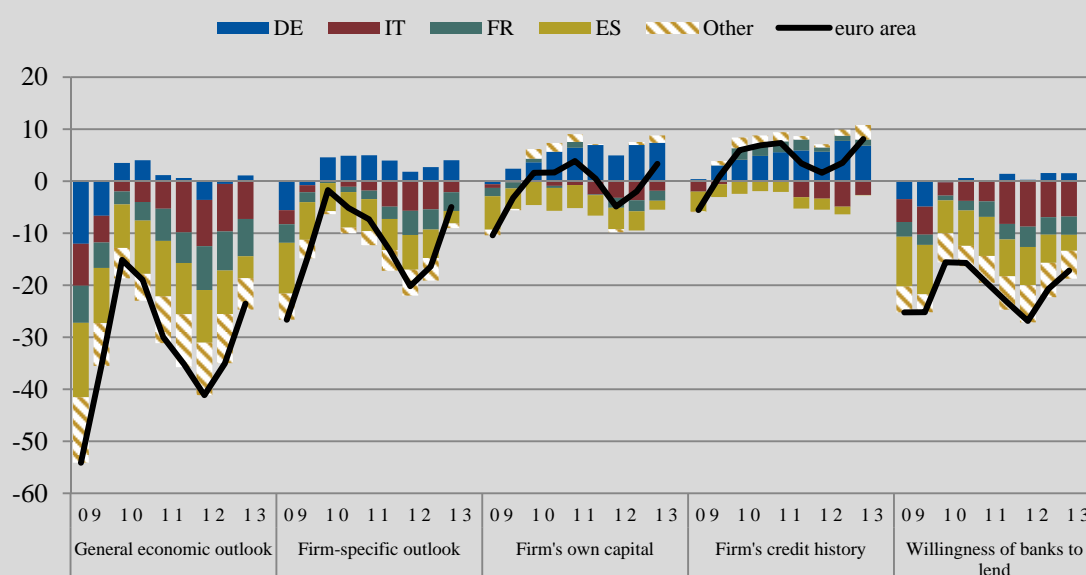
Turning to the **factors** affecting the deterioration in the availability of external financing, SMEs continued to refer in particular to a worsening of the **general economic outlook** (-24% in net terms, after -35%; see **Chart 12**), but to a significantly lower degree than in the previous survey period. In particular, SMEs in Spain and Italy contributed to the less negative assessment, while German SMEs reported on balance a positive contribution of this factor to the availability of external financing. In addition, SMEs reported some signs of a reduced deterioration in some of the firm-specific factors related to availability of external financing. The net percentage of euro area SMEs reporting a worsening in their **firm-specific outlook** declined significantly to -5% (after -16%) in the period from April to September 2013. Euro area **SMEs’ own capital** had, on

balance, a positive impact on the availability of external financing (3%, up from -2%), but with considerable heterogeneity across countries. While SMEs in Germany, Austria, the Netherlands, Belgium, Ireland and Finland reported on balance a positive impact of their own capital on the availability of external financing, the perceived impact was negative for SMEs in Greece, France, Italy, Spain and Portugal.

Similar to these demand-driven factors, SMEs indicated a smaller deterioration of **banks' willingness to provide a loan** in the period from April to September 2013 (-17%, compared with -21% in the previous survey period). SMEs in Spain contributed to this relative improvement.

CHART 12 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)



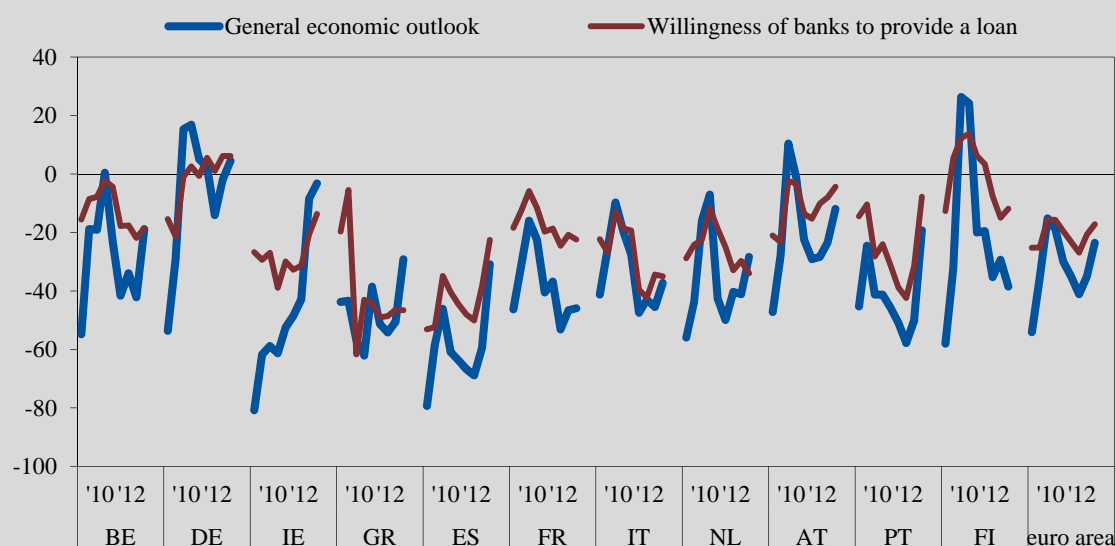
Base: All SMEs.

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 Ireland (-3%, up from -8%) and in Germany, where the impact has become positive (4%, up from -2%) (see **Chart 13**). In several countries the negative impact declined quite substantially, for example Portugal (-19%, up from -50%), Spain (-31%, up from -59%), Greece (-29%, up from -51%) and Belgium (-19%, up from -42%). By contrast, the net percentage of SMEs indicating a worsened impact of the general economic outlook continued to be highest in France (-46%), Finland (-38%) and Italy (-37%).

CHART 13 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 most countries reported on balance a smaller deterioration in banks' willingness to provide a loan, especially in Portugal (-8% compared with -32%) and Spain (-23% compared with -38%). At the same time, the percentage of SMEs reporting a deterioration was larger in the Netherlands (-34%), France (-22%) and Italy (-35%) compared with the previous survey period. By contrast, German SMEs signalled a further improvement in banks' willingness to provide a loan (6%).

Large firms attributed the deterioration in the availability of bank loans mostly to the general economic outlook (-13% in net terms, after -28% in the previous survey period), the assessment being considerably less negative than in the previous survey period. Large firms also assessed in a positive way banks' willingness to provide a loan (1% in net terms, up from -9%). 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

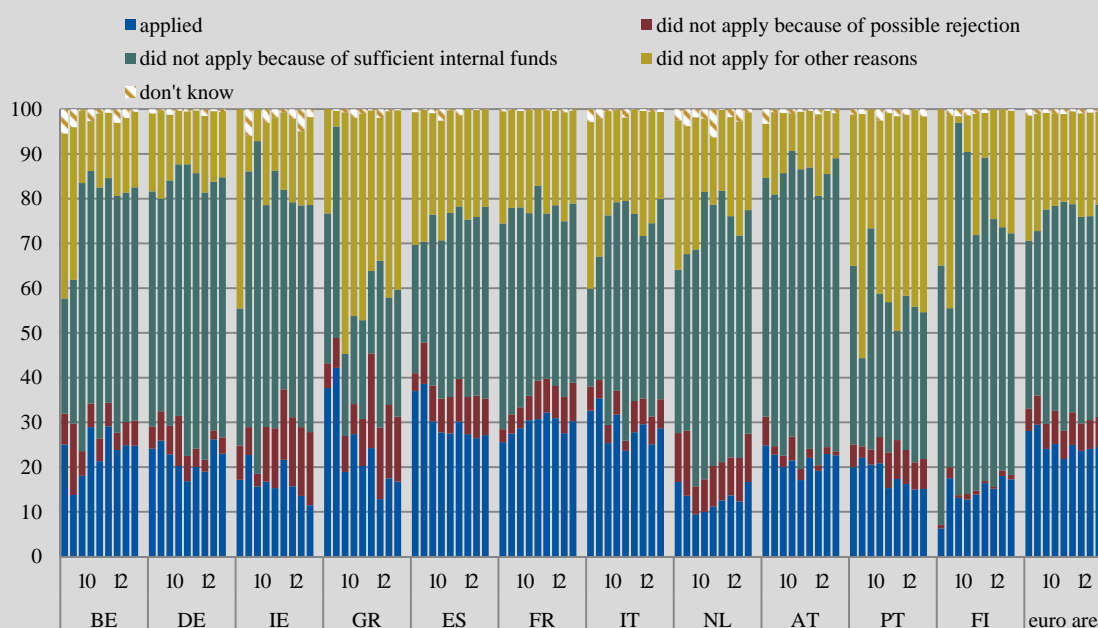
Between April and September 2013, 25% of the euro area SMEs **applied for a bank loan**, while 47% did not apply because of **sufficient internal funds** (see **Chart 14**), broadly

unchanged from the previous survey period. The percentage of firms not applying for a loan for **fear of rejection** (discouraged borrowers) remained also broadly stable (at 7%).

Across countries, the percentage of SMEs that **applied** for a bank loan was highest in France (30%), Italy (29%) and Spain (27%), whereas it was lowest in Ireland (12%) and Portugal (15%). More than half of the SMEs in Belgium, the Netherlands, Ireland, Germany, Austria and Finland reported that due to **sufficient internal funds** they did not apply for a loan. In addition, in the latter three countries, SMEs only very rarely (up to 4%) referred to **fear of rejection** as a reason for not having applied for a loan during the period from April to September 2013. By contrast, in line with weak profits (see above), the share of SMEs having sufficient internal funds and therefore not applying for a loan was considerably lower in Greece (28%) and Portugal (33%). Especially in Greece (14%) and Ireland (16%), 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 developments for SMEs.

CHART 14 APPLICATIONS FOR BANK LOANS BY SMEs ACROSS EURO AREA COUNTRIES

(over the preceding six months; percentage of respondents)



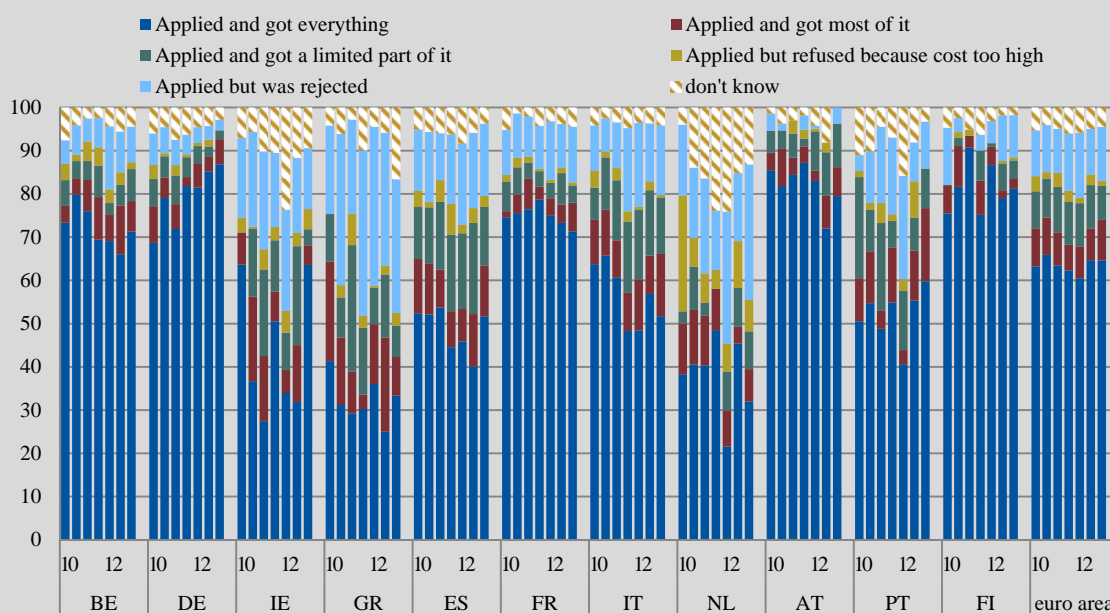
Base: All SMEs.

When asked about the **actual success** of their bank loan applications, the situation broadly remained unchanged at the euro area level. 65% of the euro area SMEs reported that they had received the **full amount** applied for (see **Chart 15**). 12% (up from 11%) of the euro area SMEs reported, by contrast, that their bank loan application had been **rejected**, and 8% (down

from 10%) reported that they received **only a limited part** of the amount applied for. For bank overdrafts, euro area SMEs also reported an unchanged rejection rate (10%).

CHART 15 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.

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

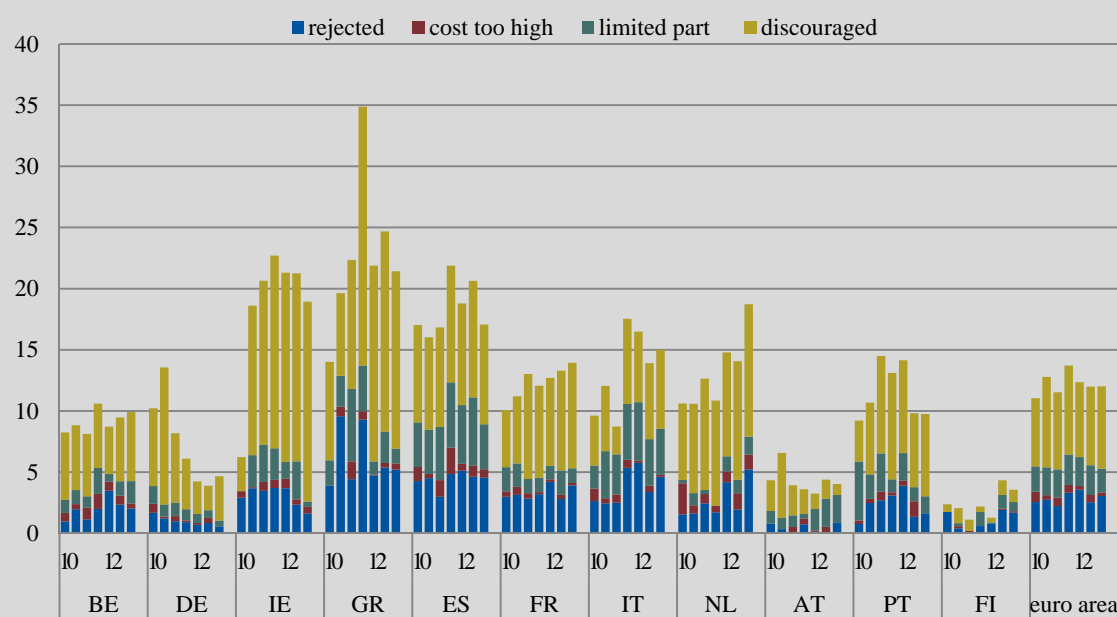
	BE	DE	IE	GR	ES	FR	IT	NL	AT	PT	FI	euro area
April-September 2013	25	23	12	17	27	30	29	17	23	15	17	25

Across countries, the success of bank loan applications increased in most euro area countries, except in the Netherlands, France and Italy. The percentage of SMEs reporting a fully **successful application** was highest in Germany (87%) and Finland (81%) and lowest in Greece (33%) and the Netherlands (32%). In this survey round Irish and Spanish SMEs reported a strong increase in their successful applications (64% and 52%, respectively). By contrast, a complete **rejection** of their loan application was reported mostly by SMEs in Greece (31%) and in the Netherlands, where the percentage doubled from the previous survey round to reach 31%. By contrast, SMEs in Austria (4%) and Germany (2%) reported this outcome only very rarely.

When looking at a more **encompassing measure of financing obstacles** (see **Chart 16**⁹), developments across countries are mixed. When summing up the percentages of SMEs reporting rejections of loan applications, loan applications for which only a limited amount was granted, and loan applications which were rejected by the SME because of too high borrowing costs, as well as of SMEs which did not apply for a loan for fear of rejection (i.e. discouraged borrowers), a share of 12% (unchanged from the previous survey round) of euro area SMEs reported that their desired loan applications were not successful in the period from April to September 2013. Across countries, the percentage of SMEs reporting such financing obstacles was highest in Greece (21%), followed by SMEs in Ireland and the Netherlands (both 19%) and Spain (17%), whereas it was lowest in Austria and Finland (both 4%) and Germany (5%).

CHART 16 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). The calculation of the indicator starts in 2010 when the question on applications for bank overdrafts was included in the questionnaire.

⁹ In this survey round, a new version of the financing obstacle indicator has been introduced, which is based on all SMEs, irrespective of whether they applied or not for a bank loan. In reading the figures, it needs to be kept in mind that a considerable percentage of SMEs did not apply because of sufficient internal funds (47%) or for other reasons (21%).

For **large firms**, the success when applying for a bank loan was larger than for SMEs but declined to 68% (from 74%). The rejection rate remained unchanged at 3%. An encompassing measure of financing obstacles points to a percentage of 8% (up from 7%) of large firms, indicating overall better access to finance of large firms compared with SMEs.

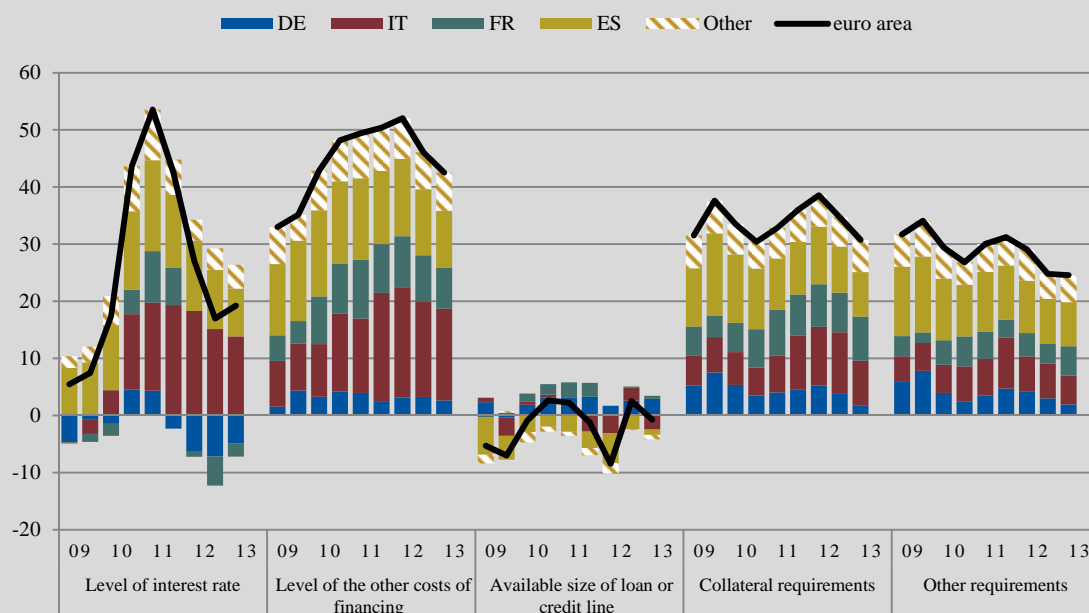
3.3 TERMS AND CONDITIONS OF BANK LOAN FINANCING

In line with the smaller net deterioration in the availability of bank loans, euro area SMEs also reported, on balance, a marginal worsening in the terms and conditions of bank loan financing (see **Chart 17**). On balance, euro area SMEs reported an increase in **interest rates** (up to 19%, from 17% in the previous survey), despite 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 underlines the considerable ongoing fragmentation of SMEs' lending conditions across euro area countries. The net percentage of euro area SMEs reporting an increase in their **costs of financing other than interest rates** (which include charges, fees and commissions) declined (to 43%, from 46%). At the same time and mainly driven by Ireland, Italy and Spain, the share of euro area SMEs reporting on balance an increase in their costs of financing other than interest rates remained high.

With respect to non-price terms and conditions, euro area SMEs indicated on balance a marginal tightening with a reduction in the **size** (-1%, down from 3%) and in the **maturity** (-1%, down from 0%) **of loans**. In addition, SMEs reported on balance a more moderate increase in **collateral requirements** (31%, down from 35%) in the current survey period.

CHART 17 COUNTRY CONTRIBUTIONS TO THE CHANGE IN TERMS AND CONDITIONS OF BANK 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.

Across all euro area countries, the net percentage of SMEs reporting an **increase in bank lending rates** was highest in Spain (58%) and Italy (56%), but lower with respect to the previous survey, and in Finland (54%). In Greece and Ireland, instead, SMEs signalled a strong increase in bank lending rates (50%) during the period from April to September 2013, indicating still some risk aversion of banks in an environment of weak economic activity and difficulties in the banking systems (see **Chart 18**). By contrast, SMEs in Germany (-21%), France (-12%) and Belgium (-1%) reported on balance a decline in bank lending rates.

With respect to non-price terms and conditions, SMEs in Greece (-28%), Ireland (-15%), the Netherlands (-12%) and Italy (-10%) indicated on balance a decrease in the **size of loans**, whereas SMEs reported an increase in loan size in Finland, Germany and, to a lesser extent, France and Belgium (see **Chart 19**).

With regard to **collateral requirements**, on the high side, SMEs in Greece (in net terms 56%), Spain (53%) and Finland (50%) reported increases in these requirements, whereas on the low side 8% of the SMEs in Germany indicated on balance an increase in collateral requirements.

CHART 18 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)



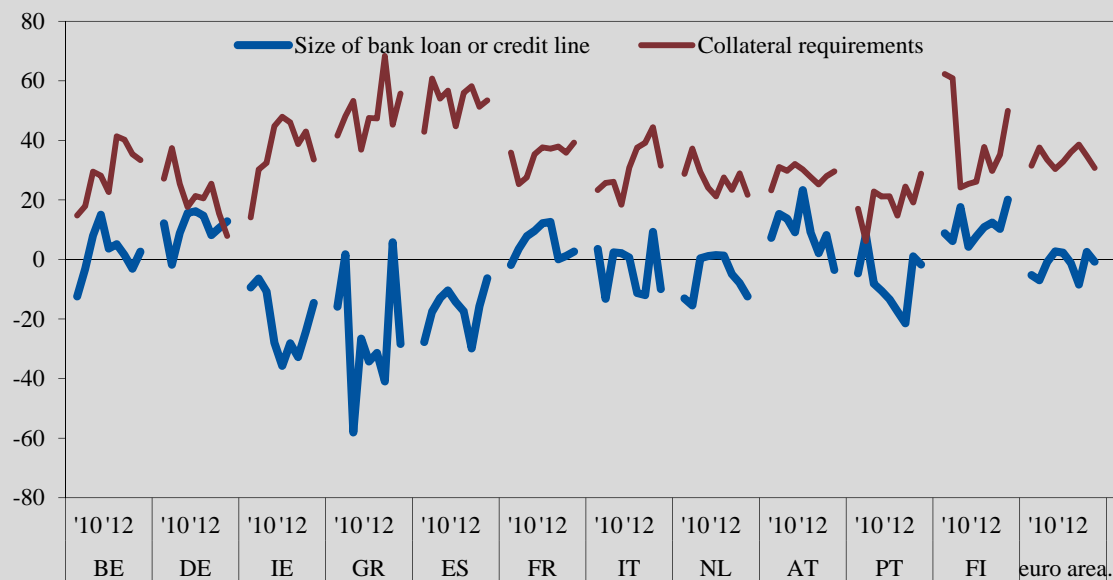
Base: SMEs that had applied for bank loans.

Note: See the note to Chart 1.

The net percentage of **large firms** reporting an increase in interest rates continued to be lower than for SMEs but almost doubled compared with the previous survey round (11%, up from 6%). In addition, compared with the previous survey period, large firms signalled, on balance, a strong increase in collateral requirements (32%, up from 22%).

CHART 19 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.

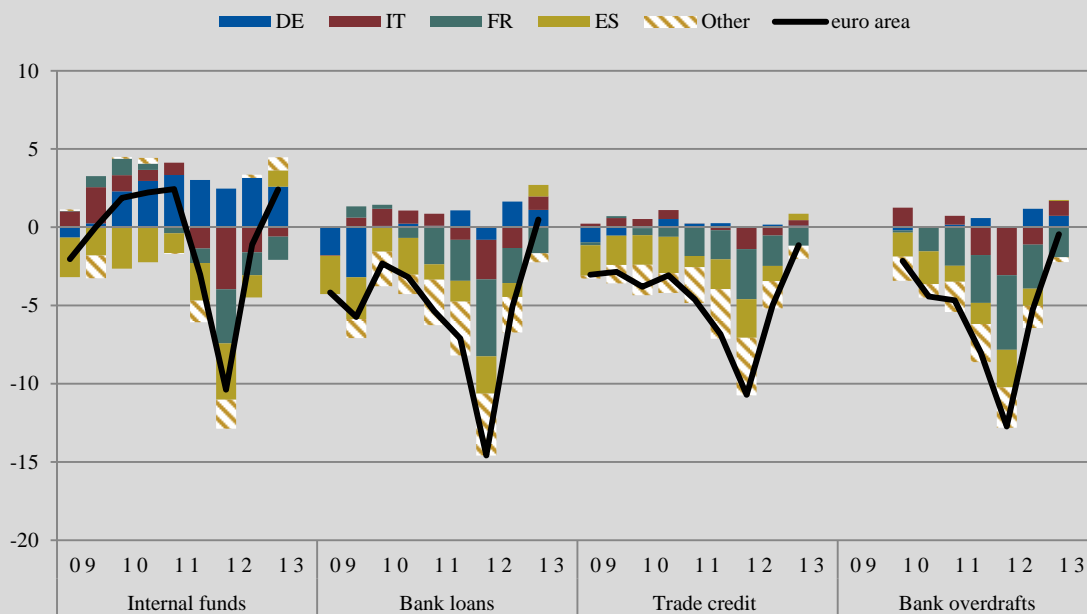
3.4 EXPECTATIONS REGARDING ACCESS TO FINANCE

For the coming six-month period (October 2013 to March 2014), euro area SMEs expect, on balance, no deterioration of the **availability of bank loans and bank overdrafts** (both 0%, after an expected -5% for the period October 2012-March 2013; see **Chart 20**). In addition, euro area SMEs expect on balance a slight increase in **internal funds** (retained earnings or sale of assets) for the period from October 2013 to March 2014 (2%, up from -1%), reflecting some expected improvement of the economic outlook for the next two quarters. These developments were driven by SMEs in Germany and, for the first time, in Spain, with SMEs in both countries expecting on balance an improved access and higher internal funds, as well as by a less negative assessment of SMEs in Italy.

When looking at **developments across all euro area countries**, SMEs' expectations regarding the availability of bank loans during the period from October 2013 to March 2014 were most negative in Greece and France (-11% for both), whereas SMEs in Spain (5%), Portugal (6%) and Ireland (2%) expected an improved access for the first time since the start of the survey (see **Chart 21**).

CHART 20 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)

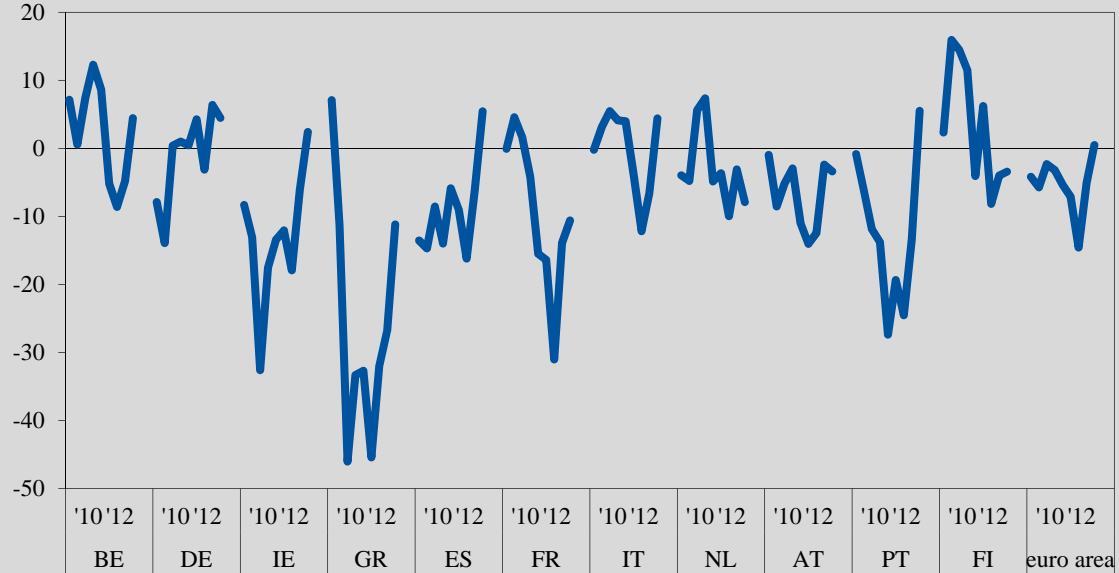


Base: All SMEs.

Note: See the note to Chart 1.

CHART 21 SMES' EXPECTATIONS REGARDING THE AVAILABILITY OF BANK LOANS ACROSS EURO AREA COUNTRIES

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



Base: All SMEs.

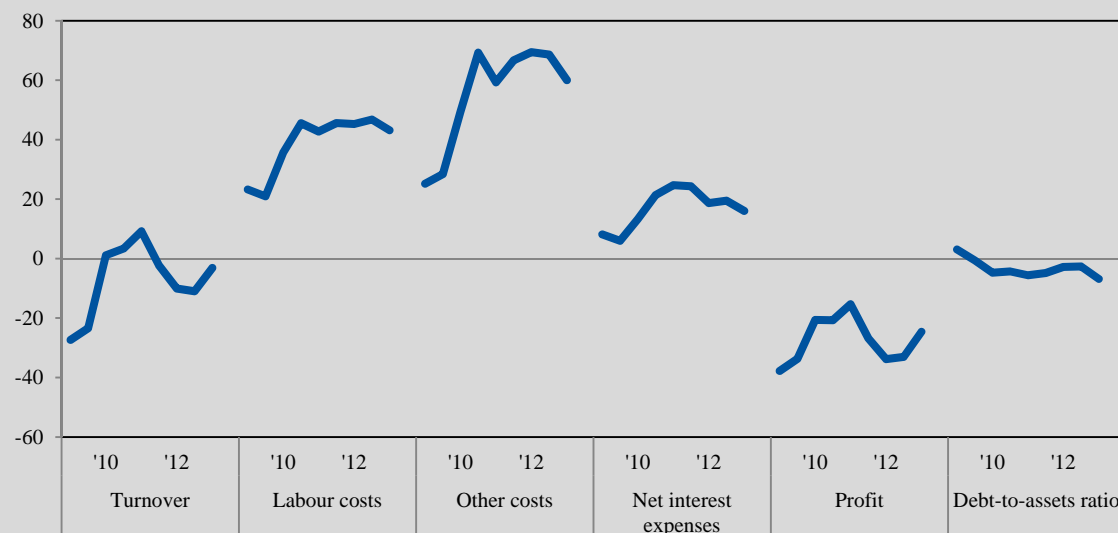
Note: See the note to Chart 1.

Large firms are more optimistic regarding their availability of internal funds, expecting on balance an increase for the period from October 2013 to March 2014 (to 12%, from an expected 5%), as well as regarding bank loans and bank overdrafts (in net terms 7% and 2% respectively, up from -3% and -4%).

ANNEX IA: 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)

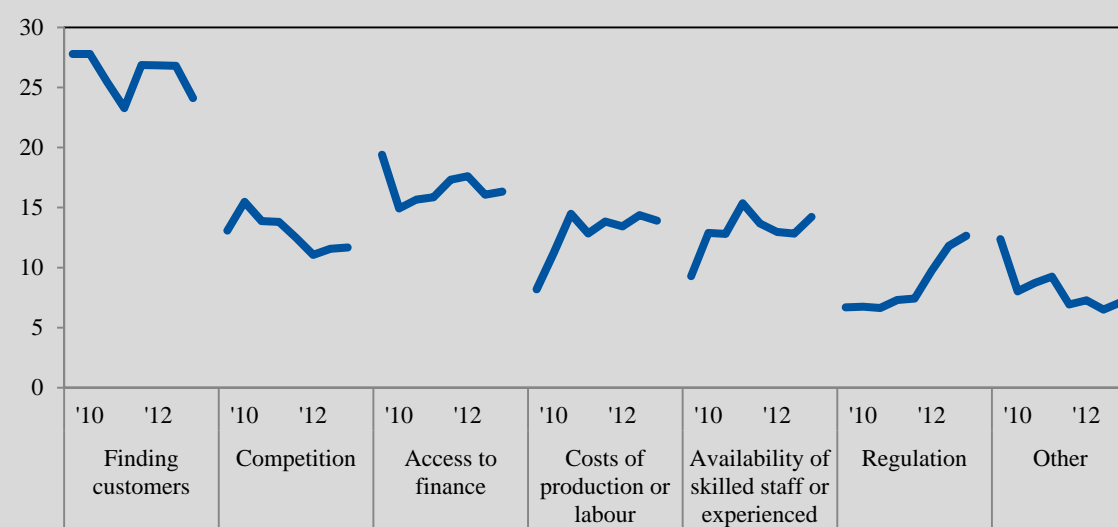


Base: All SMEs.

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

CHART 2A THE MOST PRESSING PROBLEMS FACED BY EURO AREA SMEs

(percentage of respondents)

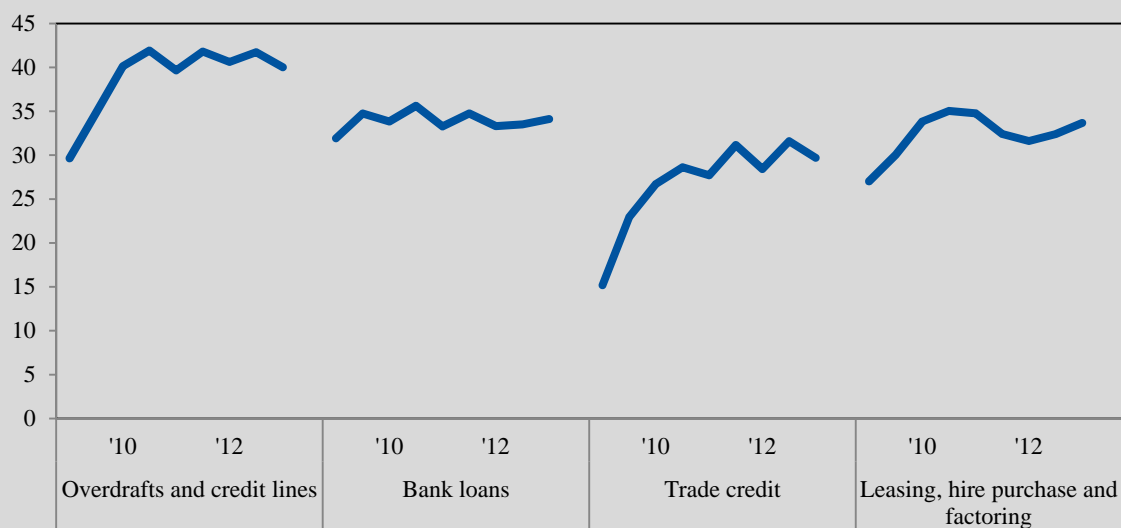


Base: All SMEs.

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

CHART 3A SOURCES OF EXTERNAL FINANCING OF EURO AREA SMEs

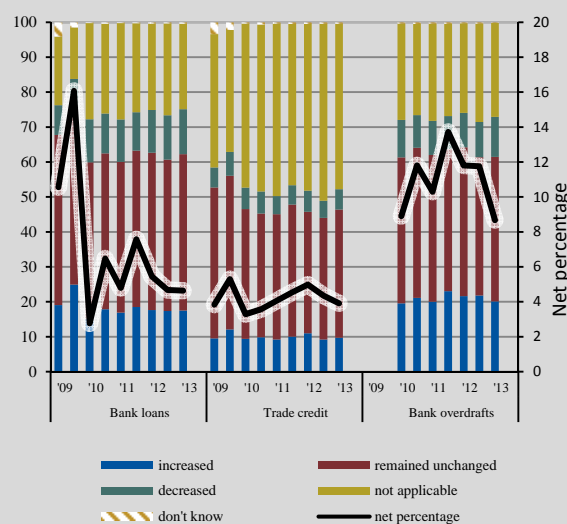
(over the preceding six months; percentage of respondents)



Base: All SMEs.

CHART 4A CHANGE IN EXTERNAL FINANCING NEEDS OF EURO AREA SMES

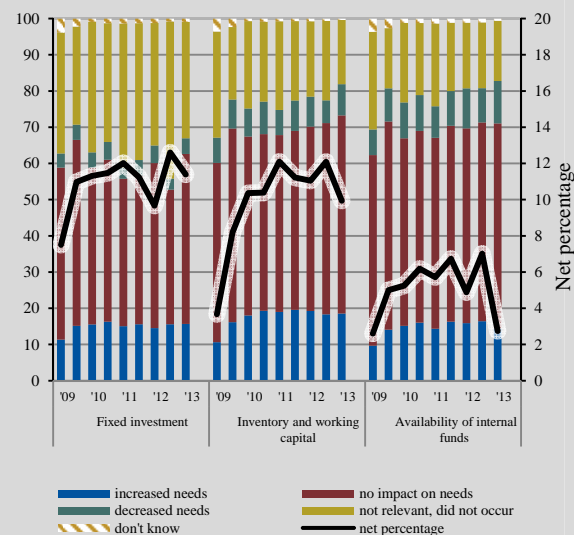
(over the preceding six months; percentage of respondents)



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

CHART 5A CHANGE IN FACTORS AFFECTING THE EXTERNAL FINANCING NEEDS OF EURO AREA SMES

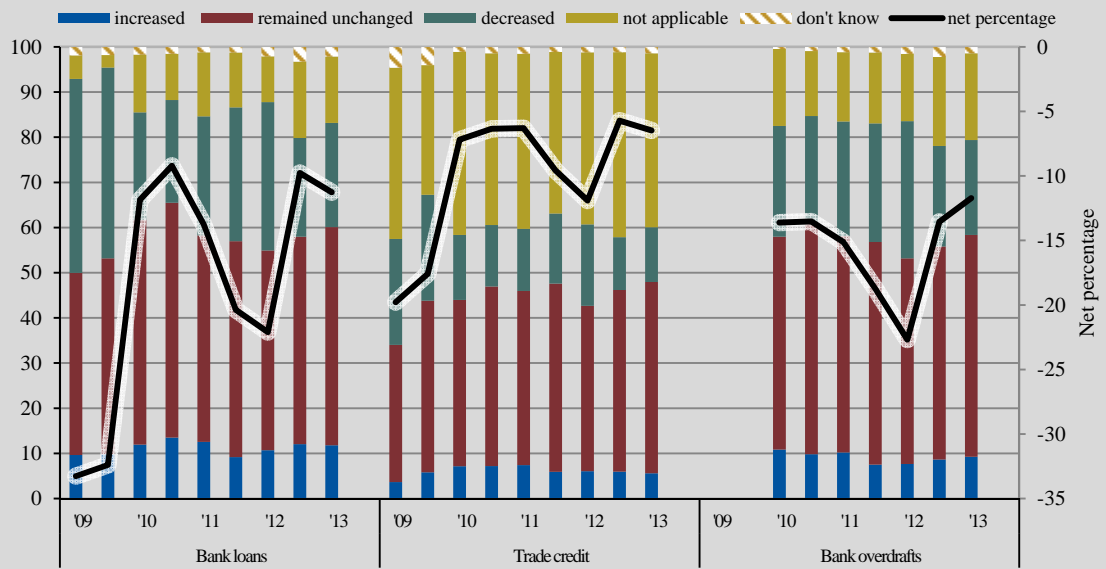
(over the preceding six months; percentage of respondents)



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)

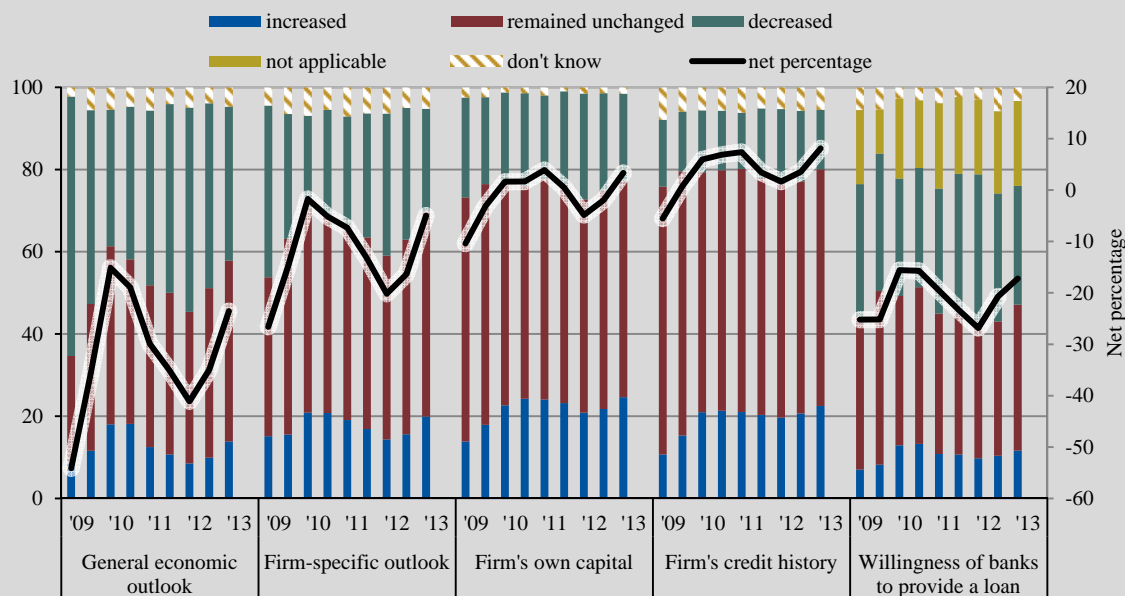


Base: SMEs that had applied for external financing.

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)

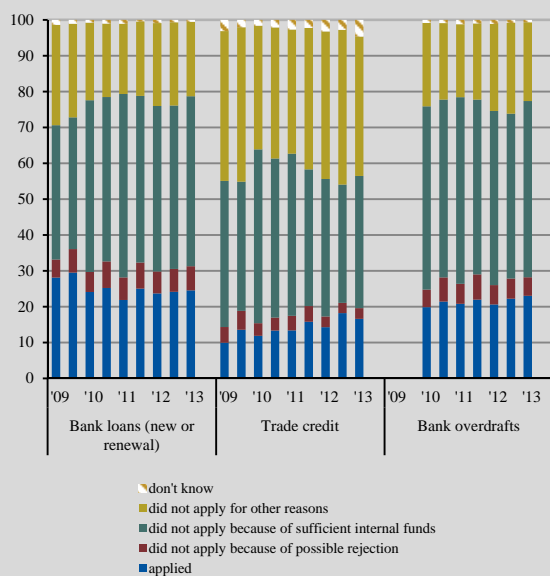


Base: All SMEs.

Note: See the note to Chart 1a.

CHART 8A APPLICATIONS FOR EXTERNAL FINANCING BY EURO AREA SMEs

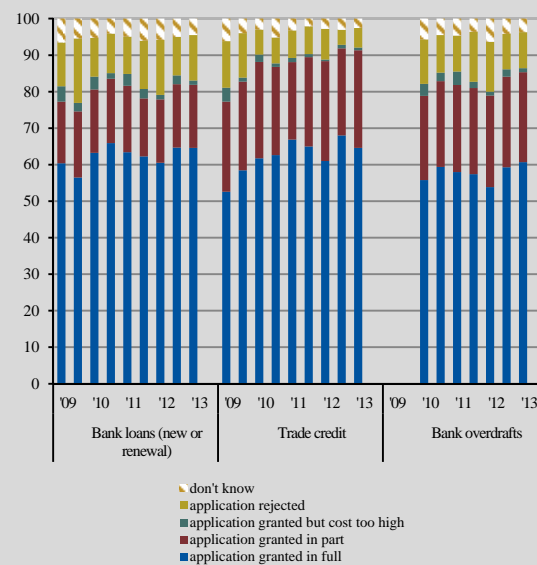
(over the preceding six months; percentage of respondents)



Base: All SMEs.

CHART 9A OUTCOME OF THE APPLICATIONS FOR EXTERNAL FINANCING BY EURO AREA SMEs

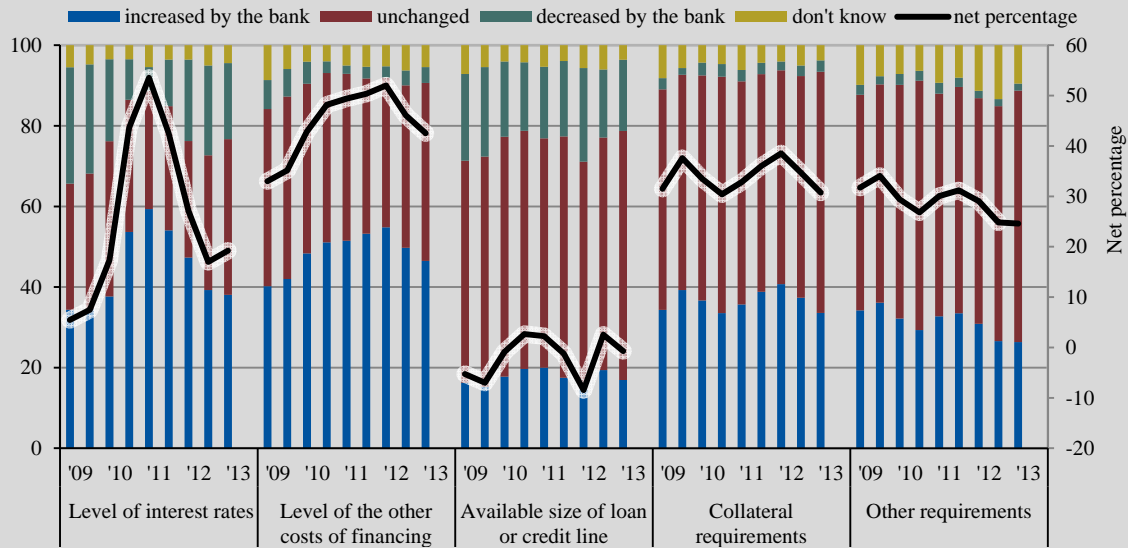
(over the preceding six months; percentage of firms that had applied for bank loans or trade credit)



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)

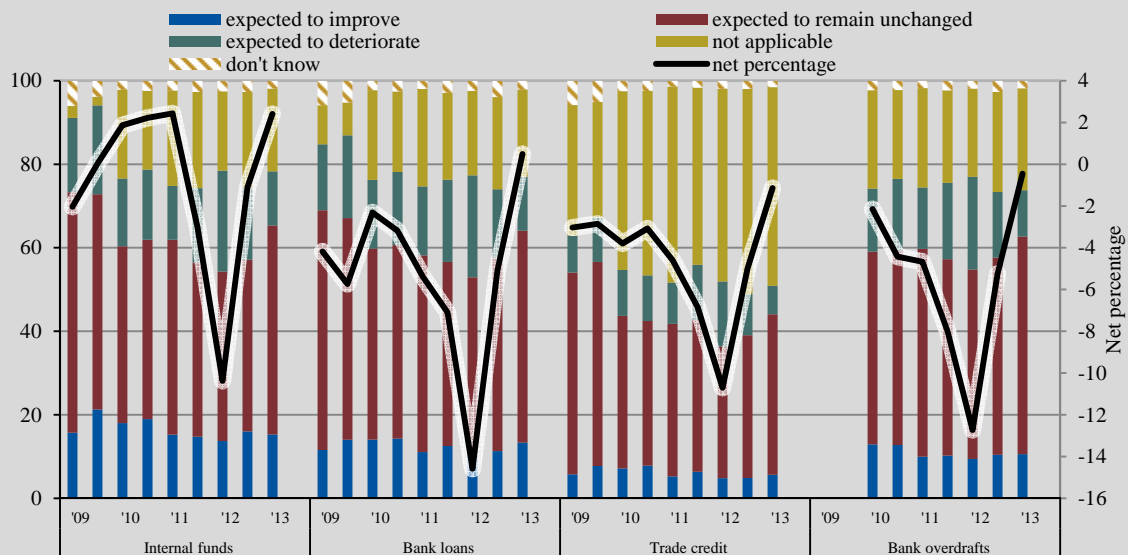


Base: SMEs that had applied for bank loans or trade credit.

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)



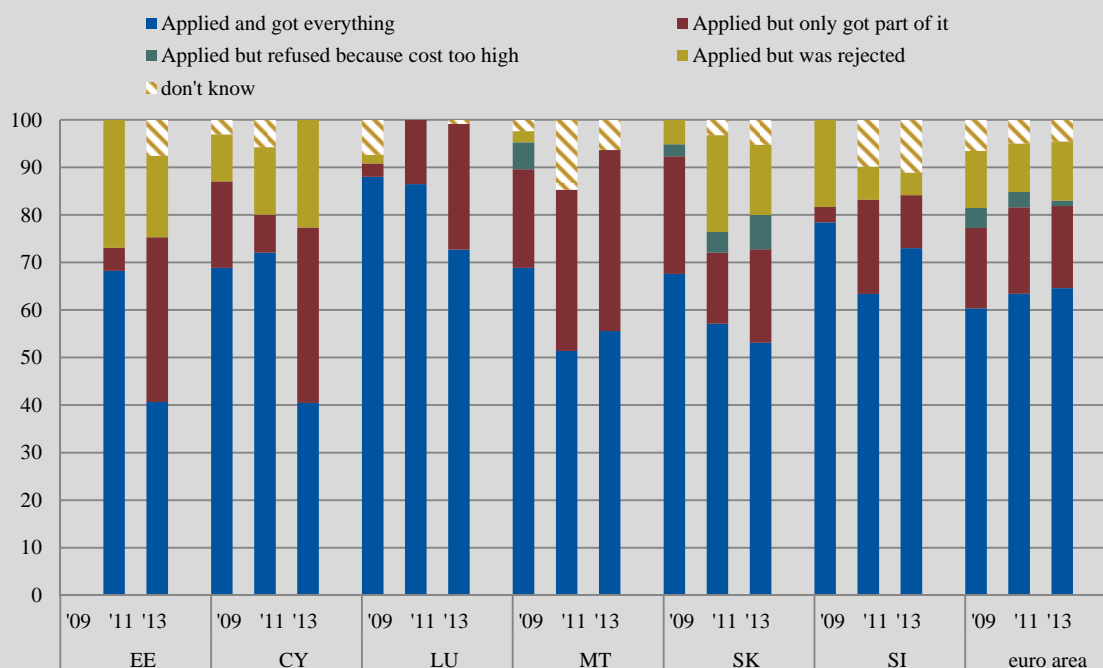
Base: All SMEs.

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 IB: SMEs IN OTHER SMALL EURO AREA COUNTRIES – OVERVIEW OF THE SURVEY REPLIES

CHART I OUTCOME OF THE APPLICATION FOR BANK LOANS BY SMEs ACROSS OTHER SMALL EURO AREA COUNTRIES

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



Base: SMEs that had applied for bank loans, April to September 2013 survey round.

Note: The category "other small euro area countries" comprises Estonia, Cyprus, Luxembourg, Malta, Slovakia and Slovenia. Data are available only every two years (starting from H1 2009, Estonia from H1 2011).

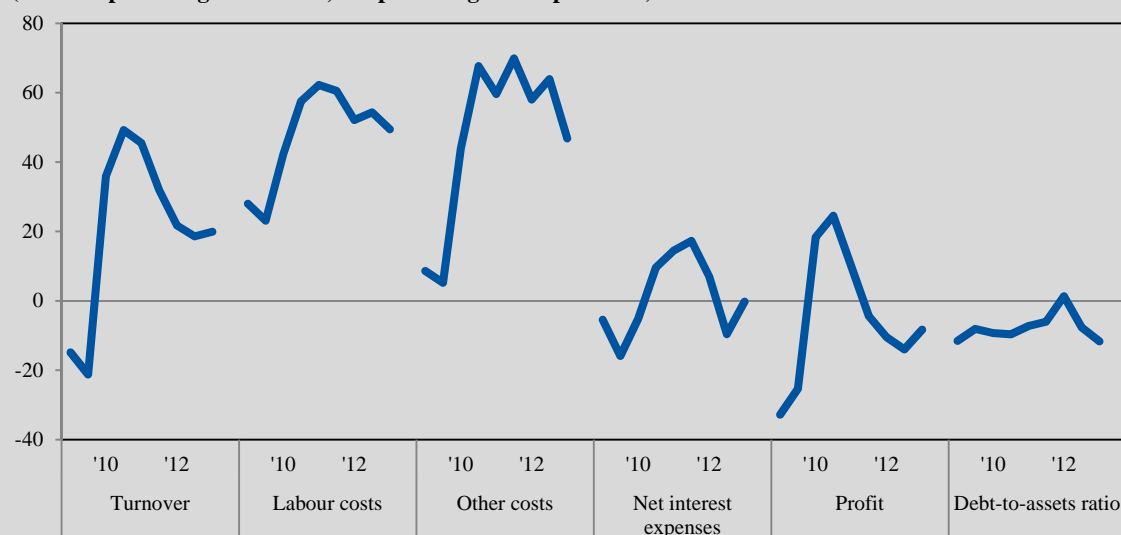
Firms that applied for a bank loan (new or renewal; excluding overdrafts and credit lines)
(over the preceding six months, in percentages)

	EE	CY	LU	MT	SK	SI	euro area
April-September 2013	8	14	31	24	16	30	25

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)

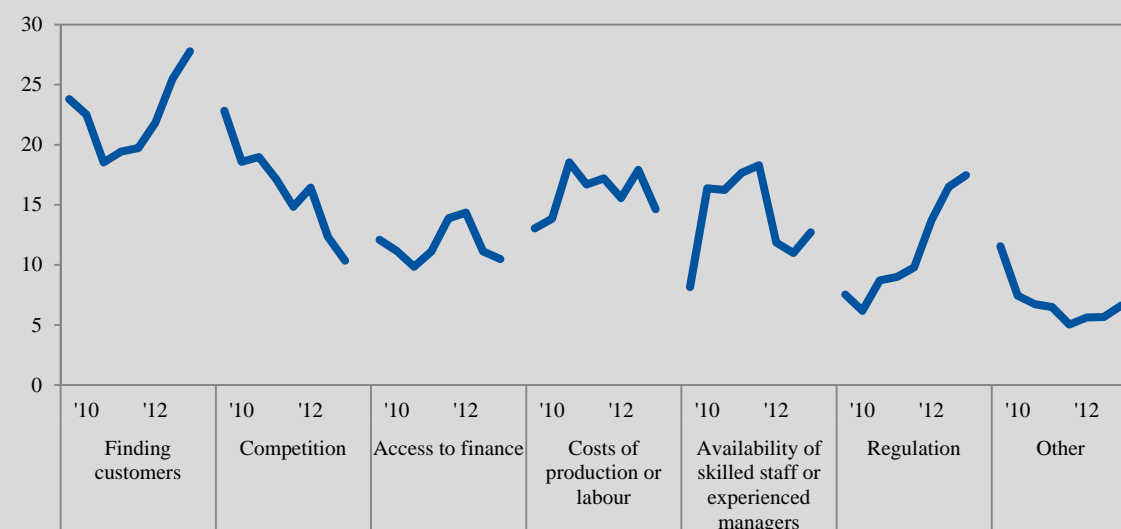


Base: All large firms.

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

CHART 2B THE MOST PRESSING PROBLEMS FACED BY LARGE EURO AREA FIRMS

(percentage of respondents)

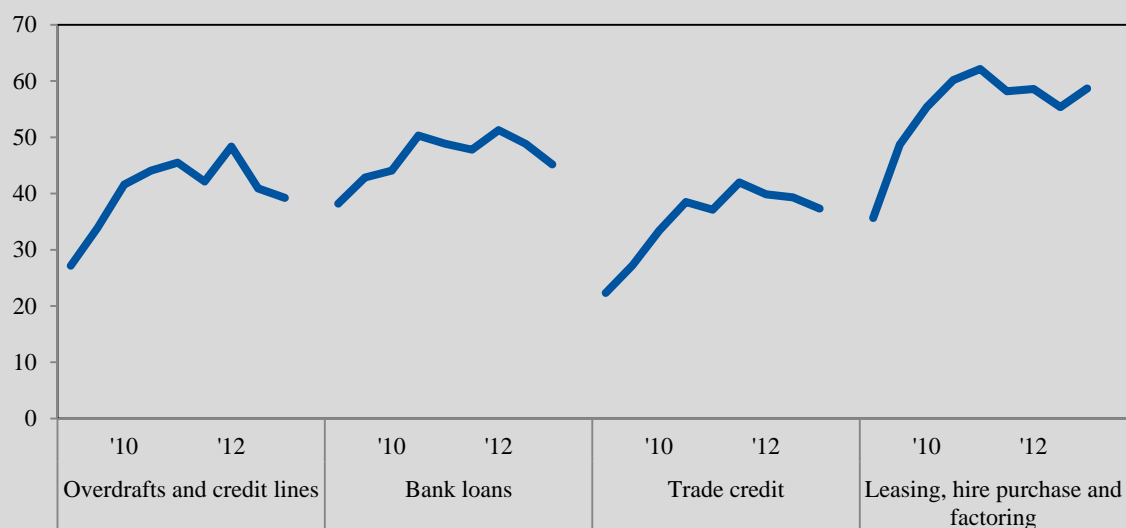


Base: All large firms.

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

CHART 3B SOURCES OF EXTERNAL FINANCING OF LARGE EURO AREA FIRMS

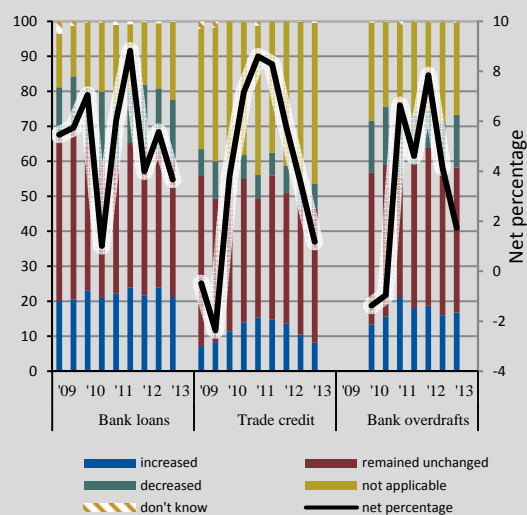
(over the preceding six months; percentage of respondents)



Base: All large firms.

CHART 4B CHANGE IN THE EXTERNAL FINANCING NEEDS OF LARGE EURO AREA FIRMS

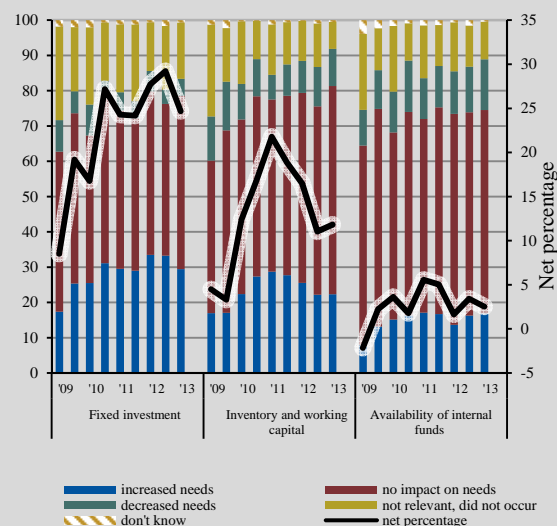
(over the preceding six months; percentage of respondents)



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

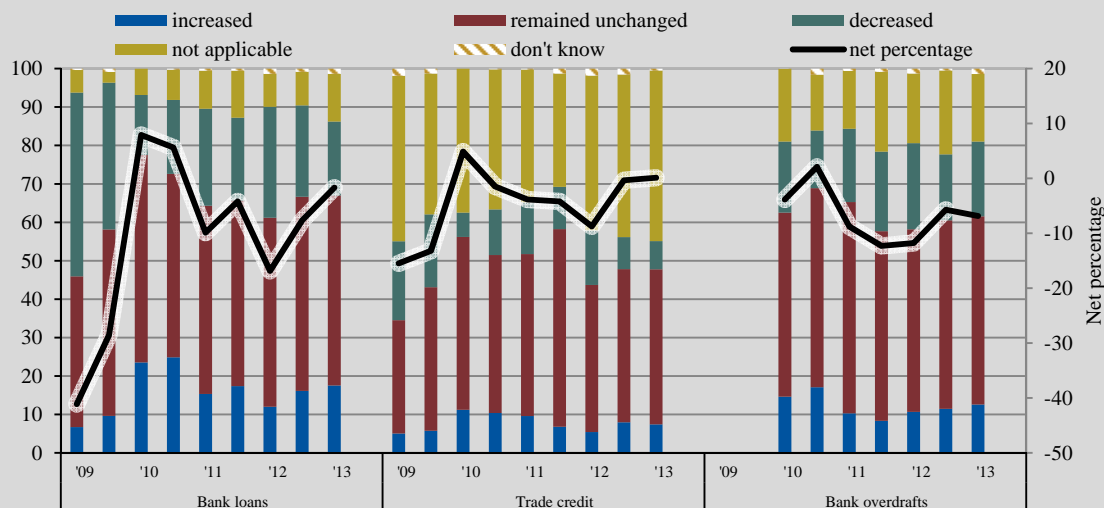
(over the preceding six months; percentage of respondents)



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)

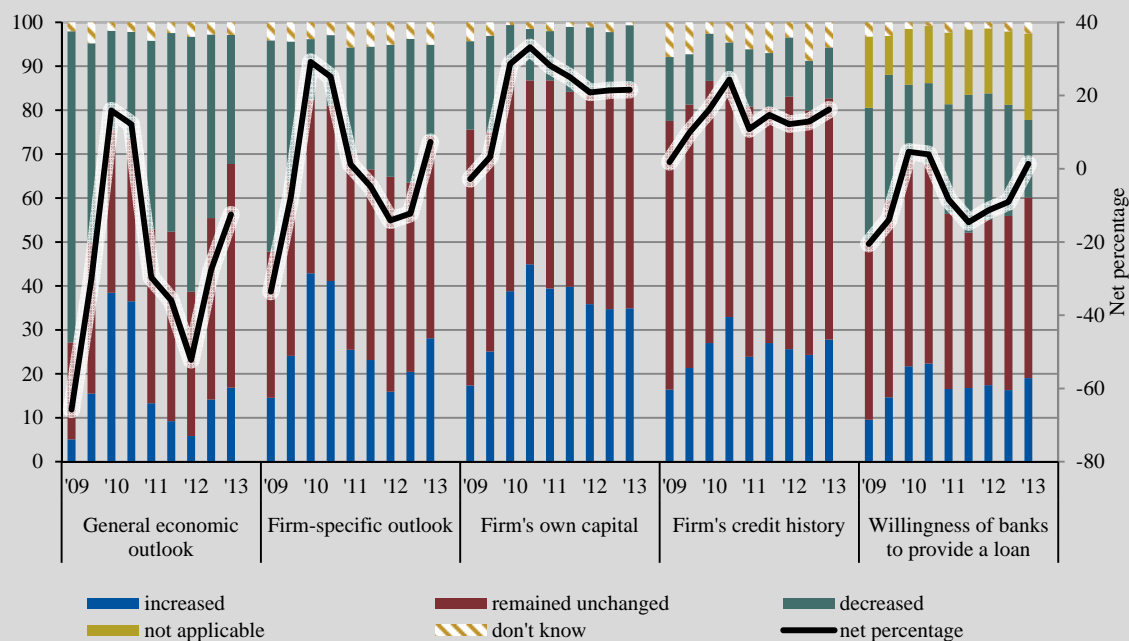


Base: Large firms that had applied for external financing.

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)

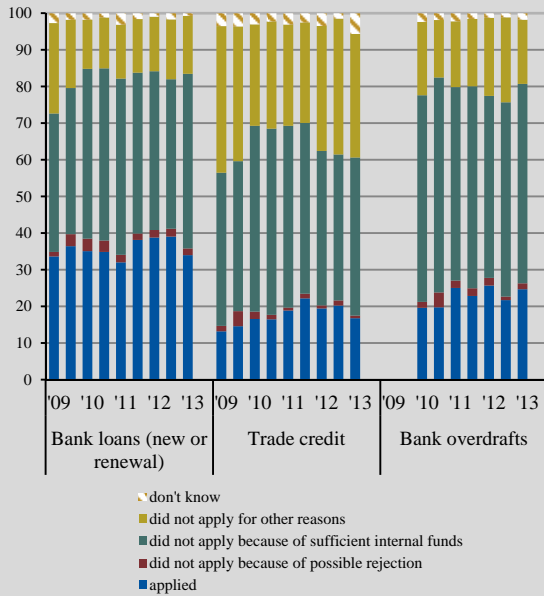


Base: All large firms.

Note: See the note to Chart 1a.

CHART 8B APPLICATIONS FOR EXTERNAL FINANCING BY LARGE EURO AREA FIRMS

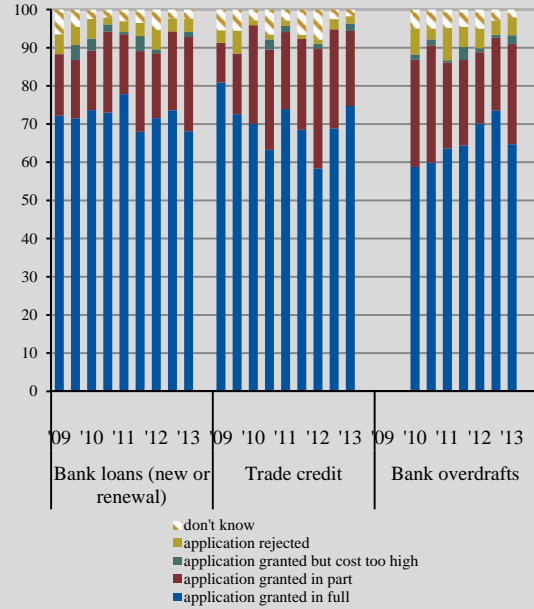
(over the preceding six months; percentage of respondents)



Base: All large firms.

CHART 9B OUTCOME OF THE APPLICATIONS FOR EXTERNAL FINANCING BY LARGE EURO AREA FIRMS

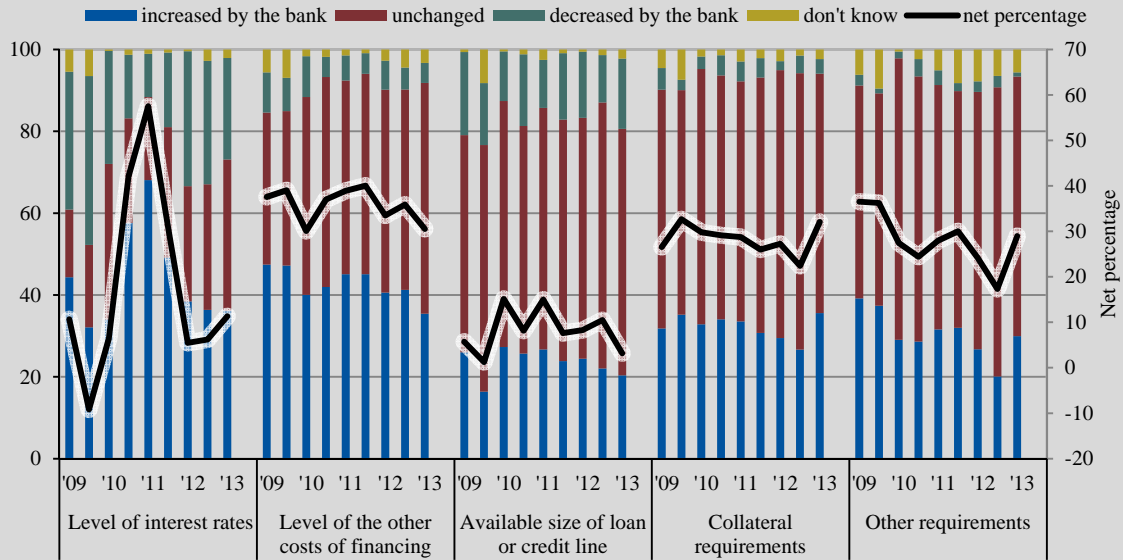
(over the preceding six months; percentage of firms that had applied for bank loans or trade credit)



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)

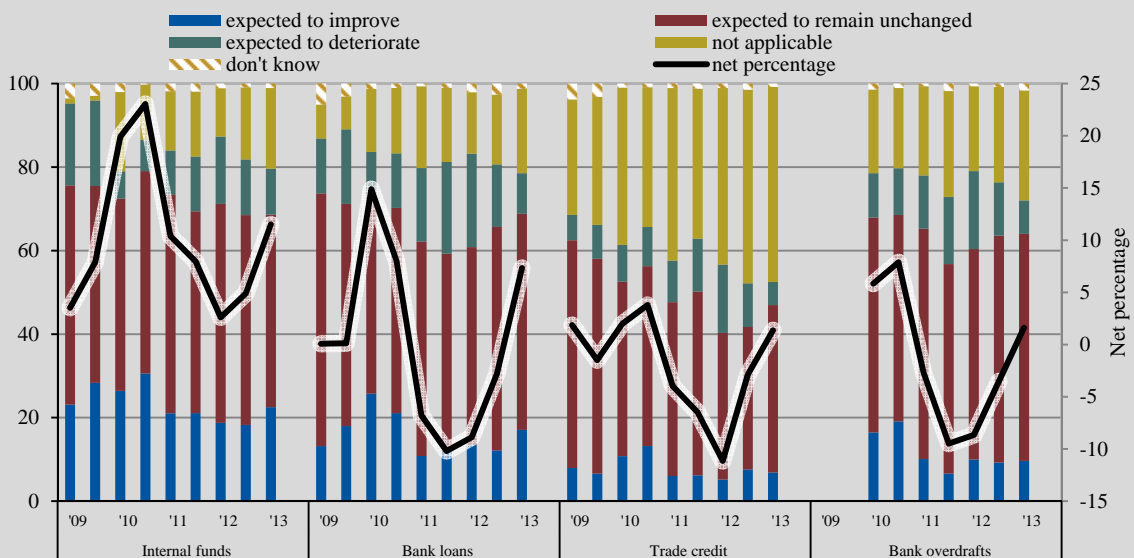


Base: Large firms that had applied for bank loans or trade credit.

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 28 August and 4 October 2013 in all countries except Slovakia, where survey interviews were conducted one week longer.

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 8,305 firms, of which 7,674 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	2,768	Medium-sized	2,116
Small	2,790	Large	631

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	2,303	Trade	2,273
Construction	832	Services	2,897

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. Additionally, and as is the case every two years, the six smallest countries in the euro area (Estonia, Cyprus,

Luxembourg, Malta, Slovenia and Slovakia) were 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		Number of interviews	
Belgium	500	Luxembourg	100
Germany	1,000	Malta	100
Estonia	100	Netherlands	500
Ireland	500	Austria	501
Greece	500	Portugal	500
Spain	1,001	Slovenia	100
France	1,002	Slovakia	300
Italy	1,000	Finland	501
Cyprus	100		

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, as is the case every two years, it included additional questions on loan financing, as well as growth expectations and perceived obstacles to growth aspirations.

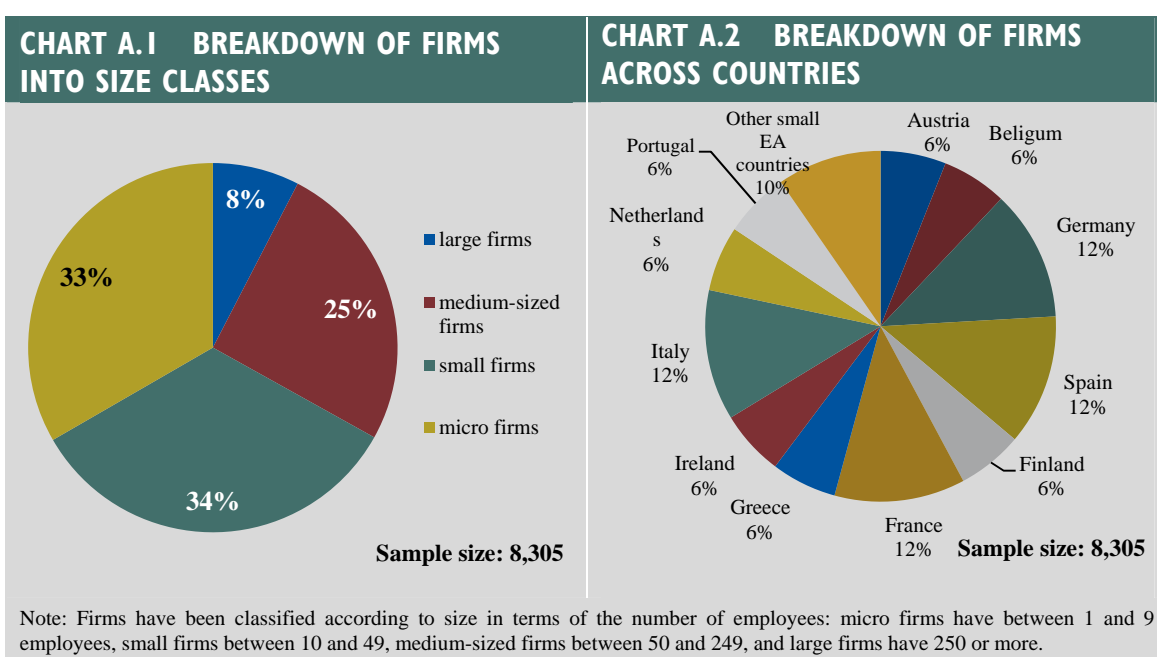
WEIGHTING

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.¹⁰

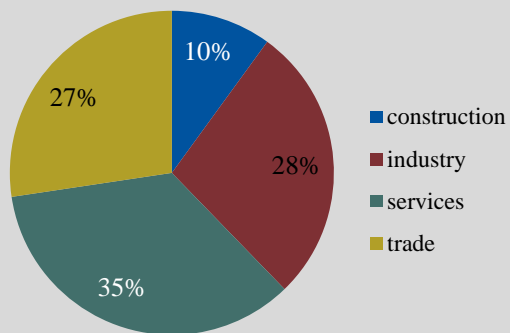
The calibration targets were derived from the latest figures of Eurostat’s Structural Business Statistics in terms of the number of persons employed, by economic activity, size class and country, with figures from national accounts and from different country-specific registers to cover for activities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

DESCRIPTIVE STATISTICS OF THE SAMPLE OF FIRMS



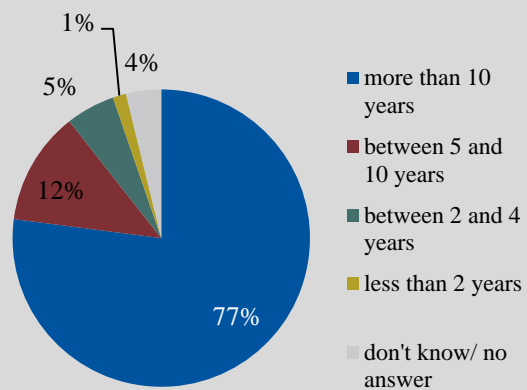
¹⁰ According to official statistics, 92% of firms in the euro area are micro firms (with 1 to 9 employees), 7% are small firms, 1% are medium-sized firms and 0.2% are large firms. However, in terms of economic weight, as measured by the number of persons employed, micro firms represent 31%, small firms 22%, medium-sized firms 16% and large firms 30% of all firms.

CHART A.3 BREAKDOWN OF FIRMS ACROSS ECONOMIC



Sample size: 8,305

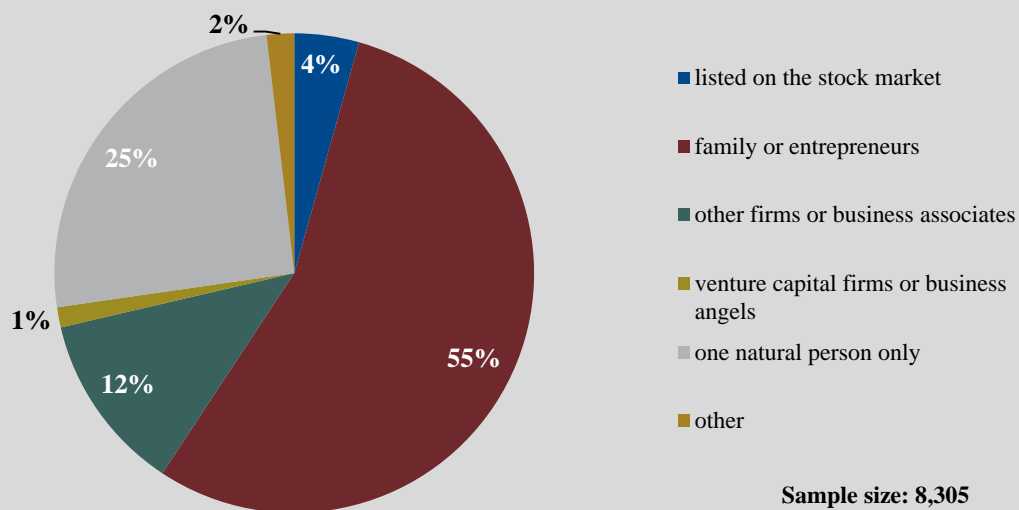
CHART A.4 BREAKDOWN OF FIRMS BY FIRM AGE



Sample size: 8,305

CHART A.5 BREAKDOWN OF FIRMS ACCORDING TO OWNERSHIP

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



Sample size: 8,305