

RECENT DEVELOPMENTS IN SPANISH SMEs' ACCESS TO EXTERNAL FINANCE ACCORDING TO THE ECB'S SIX-MONTHLY SURVEY

On 29 November, the ECB published the results of the 21st round of the Survey on the Access to Finance of Enterprises (SAFE) in the euro area, which covers the period from April to September 2019. The surveyed enterprises, essentially small and medium-sized enterprises (SMEs), were asked about the trends over the previous six months in their economic and financial situation, their external financing requirements and the terms and conditions on which such financing had, or had not, been obtained.

In the case of Spanish SMEs, the data of this latest edition of the survey show, overall, a certain intensification of the less favourable trends already apparent in their economic and financial situation six months ago. Thus, although the number of enterprises reporting higher turnover again exceeded the number reporting lower turnover, the difference between these two groups (net percentage) fell for the second consecutive time, to 15%, five percentage points less than the difference in the previous survey and the difference for the euro area as a whole (see Chart 1). Labour and other costs continued to increase for a high net proportion of the surveyed SMEs (50% and 51%, respectively, as compared with 50% and 53% in the euro area as a whole). As a result profits performed less favourably than turnover. Specifically, as in the previous round, the percentage of enterprises reporting increases in profits was lower than that reporting decreases, with a net negative percentage of -7%, as against -4% in the previous round, and -1% for the euro area as a whole. The sector breakdown shows that the less favourable turnover developments affected almost all sectors, trade being the one with the lowest proportion of enterprises reporting an increase in turnover (7%, in net terms, down six percentage points from the previous round). In the case of profits, trade was also the sector in which the largest number of SMEs reported a decline (20%, in net terms). In construction and services, the number of SMEs reporting a fall in profit also exceeded the number reporting an increase, but the difference between these two groups was more moderate (5% and 1% respectively).

When asked about their dominant concern, the difficulty of finding customers was the one indicated by the

largest percentage of Spanish SMEs (25%, see Chart 2), while in the euro area as a whole, the problem mentioned most frequently was, for the fourth consecutive time, the availability of skilled labour (28%). In contrast, access to finance was again, of all the factors included in this question, the one mentioned by the smallest number of companies (8% in Spain and 7% in the euro area, very similar percentages to those recorded six months earlier).

In this setting, the proportion of Spanish SMEs applying for bank loans rose by 2 pp, to 31% (see Chart 3). This is higher than the figure for the euro area (26%), and yet remains close to the lower values observed in recent years. In turn, access to bank loans continued to improve, although at an increasingly slower pace (see Chart 4). Thus, in net terms, 11% of Spanish SMEs reported an improvement in this respect, 5 pp less than in the previous survey round and just 1 pp more than the figure recorded for their euro area peers with which they have gradually converged over the last two years. The enterprises surveyed observed different changes in the factors affecting the supply of credit, but they all recorded less favourable figures than in the previous round. Specifically, in net terms, 12% of Spanish SMEs perceived a greater willingness of banks to provide credit (this figure is 9 pp lower than that recorded six months earlier) and 7% signalled a favourable impact associated with their credit history (6 pp lower than in the last survey round). By contrast, the percentage of SMEs that reported a deterioration in their specific situation was higher – albeit only slightly (2 pp) – than that reporting the opposite (something not seen since June 2013), compared with the 13% net that reported an improvement in the last survey round. In addition, almost 26% perceived an adverse change in the general economic outlook (compared with 8% net in the immediately preceding period).

The percentage of SMEs whose loan applications were rejected fell slightly, by 1 pp, to 4%, a little lower than the figure for the euro area overall (6%). Moreover, the broad indicator of financing obstacles for bank loans¹ improved somewhat, with a decline of 1 pp in the proportion of firms

1 This indicator reflects enterprises in any of the following situations: those whose applications for funds were rejected; those that were granted funds but only in a limited amount; those that were granted the loan requested but at a cost they considered too high; and those that did not apply for finance for fear of rejection (discouraged borrowers).

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Chart 1
TURNOVER AND PROFIT (a)

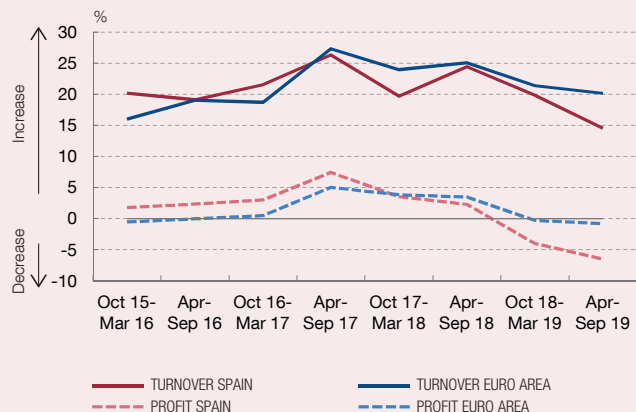


Chart 2
MAIN PROBLEMS AFFECTING BUSINESS. APRIL-SEPTEMBER 2019

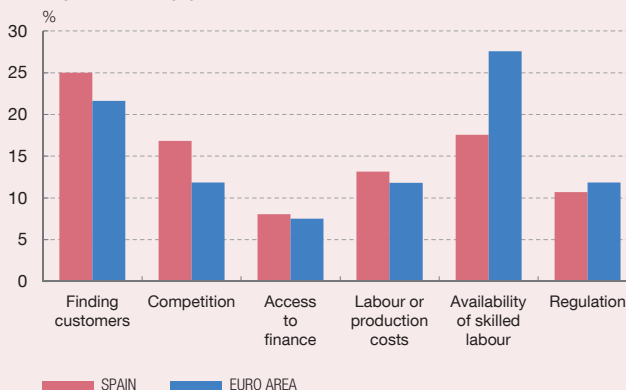


Chart 3
SMEs THAT HAVE APPLIED FOR BANK LOANS

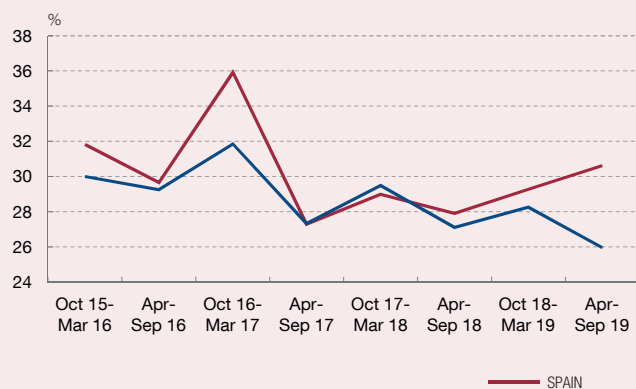


Chart 4
AVAILABILITY OF BANK LOANS (b)

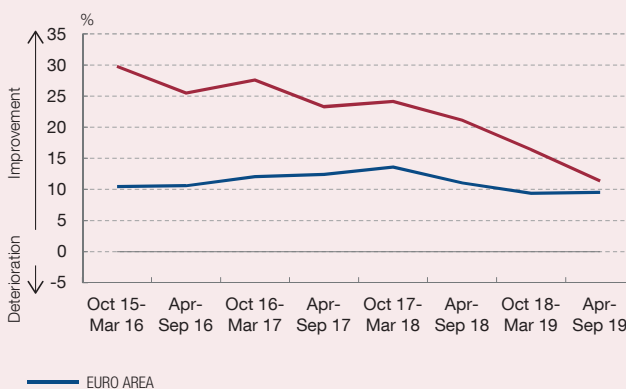


Chart 5
SMEs WITH DIFFICULTIES OBTAINING BANK LOANS (c)

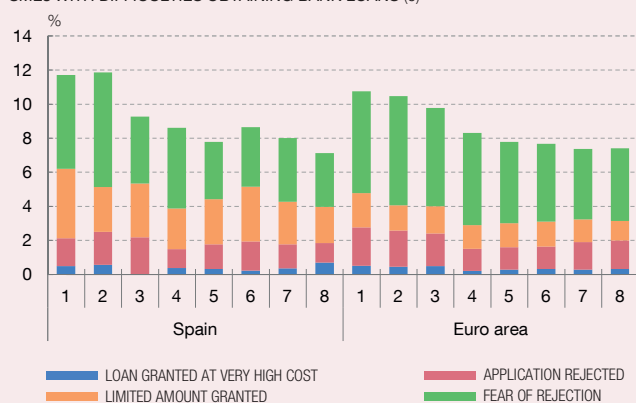
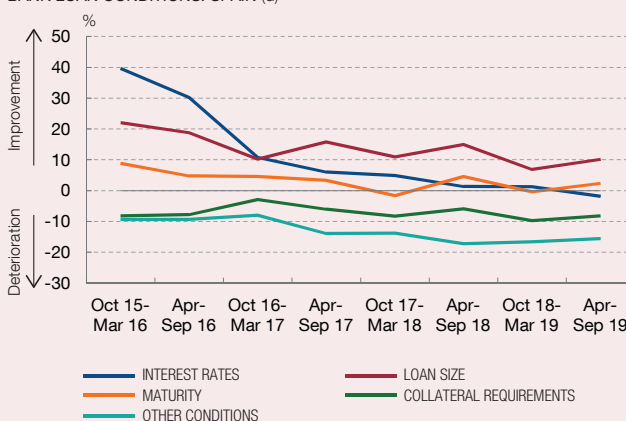


Chart 6
BANK LOAN CONDITIONS. SPAIN (d)



SOURCE: ECB.

- a Percentage of firms that report an increase minus the percentage that report a decrease.
- b Percentage of firms that report an improvement minus the percentage that report a deterioration.
- c This indicator reflects the proportion of firms in any of the following situations: those whose applications for funds were rejected; those that were granted funds but only in a limited amount; those that were granted the loan requested but at a cost they considered too high; and those that did not apply for finance for fear of rejection (discouraged borrowers). The numbers on the horizontal axis denote the survey rounds, with 1 being the period from October 2015 to March 2016 and 8 the period from April to September 2019.
- d Percentage of firms that report an improvement in conditions (fall in interest rates, increase in loan size and maturity, and decrease in collateral and other requirements) minus the percentage that report a deterioration in these conditions.

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facing such obstacles, down to 7%, virtually the same as for the euro area (see Chart 5).

Regarding financing conditions, the percentage of firms reporting an increase in interest rates was higher, by 2 pp, than that reporting a decline, for the first time since 2014, compared with the last survey round where the opposite was the case (with a difference of 1% between the two groups; see Chart 6). Firms also reported a tightening of collateral requirements and of other loan terms and conditions (other than size and maturity). But the net proportion of firms that reported an increase both in the size of loans (10%, compared

with 7% in the last round) and maturities available (8%, 2 pp less than six months earlier) remained positive.

To sum up, the latest round of the SAFE shows that between April and September 2019, access to bank loans for Spanish SMEs continued to improve, albeit at an increasingly moderate pace, in a setting in which, for the second consecutive time, their economic and financial situation showed signs of some deterioration. Spanish SMEs' survey responses also reflected that they expected little change in their access to bank loans in the period from October 2019 to March 2020.