

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

This early-release box was published on 10 June

On 8 May the ECB published the results of the survey on the access to finance of enterprises (SAFE), which covers the period from October 2019 to March 2020. The survey asks firms, essentially small and medium-sized enterprises (SMEs), about developments in the past six months in their economic and financial position, their external finance needs and the conditions in which they have obtained (or not) such finance. The information was gathered between 2 March and 8 April. As a result, the firms that responded first to the survey would foreseeably have done so with significantly less knowledge of the new macroeconomic setting caused by the COVID-19 pandemic. And that might have partly influenced the results discussed below.

In the case of Spanish SMEs, the data for this latest wave of the survey show a sharp deterioration in their economic situation. Insofar as the last two weeks of the period analysed coincide with the start of the state of alert in Spain, which forced the shutdown of a high number of companies, these dynamics would already be reflecting the initial impact of the COVID-19 pandemic on the economy. Thus, for the first time since 2013, the number of firms reporting an increase in turnover was lower than those indicating the contrary, and the difference between both groups (net percentage) stood at -5%, compared with the positive figure of 15% recorded in the previous survey, and that of -2% for the euro area as a whole (see Chart 1). This, combined with the increase in costs (both labour and others), meant that a higher number of firms reported a fall in profits, with a negative net percentage of -20% being recorded, compared with the figure of -7% posted in the previous wave, and with that of -15% for the euro area as a whole.

On being asked about their main concern, the lack of customers was, once again, that signalled by the largest proportion of Spanish SMEs (23%, 2 pp down on the previous edition; see Chart 2), whereas in the euro area as a whole the problem most frequently mentioned was, for the fifth time running, the shortage of skilled labour (24%). Set against this, access to finance was, among all the factors included in this question, once again that cited by a smaller number of companies: 8%, both in Spain and in the euro area, very similar figures to those posted six months earlier.

Against this background, the proportion of Spanish SMEs that applied for bank loans rose significantly, up 6 pp to 37% (see Chart 3), a higher figure than that recorded in the euro area (29%). Firms' perception of their access to bank financing continued to improve, although it did so once again at a lower rate than in the preceding periods (see Chart 4). This came about in a setting in which the percentage of SMEs considering that the overall economic situation was denting the obtaining of new lending (31%, 5 pp up on the previous period) increased, as did the net proportion of SMEs reporting that the deterioration in their specific situation was an obstacle to access to bank finance (up to 24%, a figure not reached since June 2013). By contrast, 14% of Spanish SMEs continued to perceive an enhanced readiness of banks to grant loans (2 pp up on six months earlier) and 5% indicated a favourable impact associated with their credit history (2 pp down on the previous edition).

The percentage of SMEs whose applications to borrow were rejected held at similar levels to those of the previous survey, around 4%, only 1 pp down on that recorded in the euro area as a whole. Conversely, the broader indicator of difficulties in obtaining bank lending¹ shows a slight worsening, with an increase of 2 pp in the proportion of Spanish firms facing such difficulties, up to 9%, which is 1 pp higher than the related figure for the euro area (see Chart 5).

As regards financing conditions, the net percentage of firms that reported a decline in interest rates stood at 2% (see Chart 6). Moreover, there continued to be a positive net proportion of firms indicating an increase both in loan amounts (10%, an identical figure to the previous wave) and maturities (3%, 1 pp up on six months earlier). By contrast, SMEs once again reported harsher terms governing required guarantees and other loan conditions (other than the amount and maturity).

In sum, the latest SAFE survey shows that, from October 2019 to March 2020, there was a strong downturn in firms' economic situation, both in Spain and in the euro area as a whole. This would likely have been influenced by the pandemic's strong impact in the final weeks of the period considered. However, Spanish SMEs' access to external finance continued to improve, albeit at a more moderate

1 This indicator tracks some of the following situations: rejected loan applications; loan applications for which only a limited amount was granted; loan applications which resulted in an offer that was declined by the enterprises because the borrowing costs were too high; and those cases in which enterprises did not apply for a loan through fear of rejection (discouraged borrowers).

Box 5

RECENT DEVELOPMENTS IN SPANISH SMEs' ACCESS TO EXTERNAL FINANCE ACCORDING TO THE ECB'S HALF-YEARLY SURVEY (cont'd)

Chart 1
TURNOVER AND PROFIT (a)

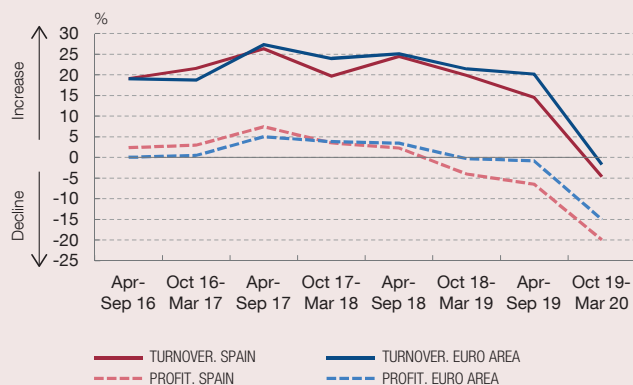


Chart 2
MAIN PROBLEMS AFFECTING ACTIVITY. OCTOBER 2019-MARCH 2020

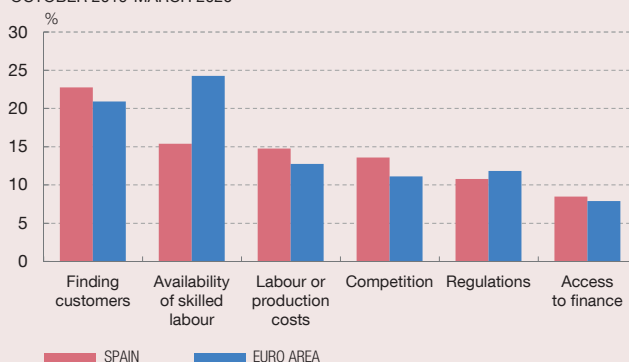


Chart 3
SMEs THAT HAVE APPLIED FOR BANK LOANS

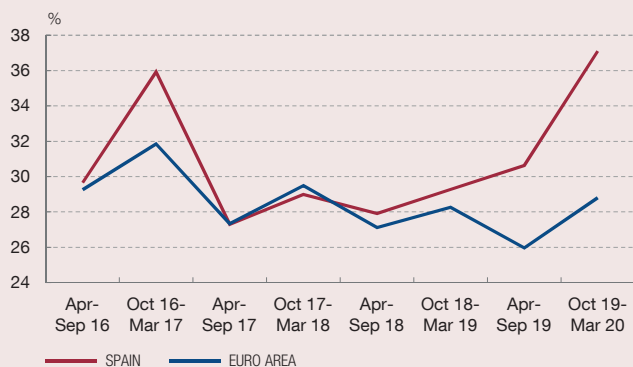


Chart 4
PERCEIVED AVAILABILITY OF BANK LOANS (b)

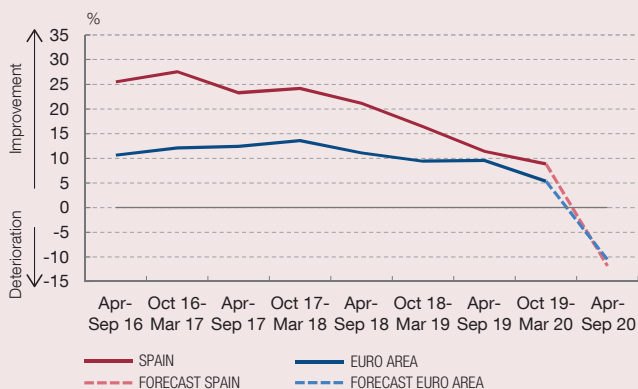


Chart 5
SMEs HAVING DIFFICULTIES OBTAINING BANK LOANS (c)

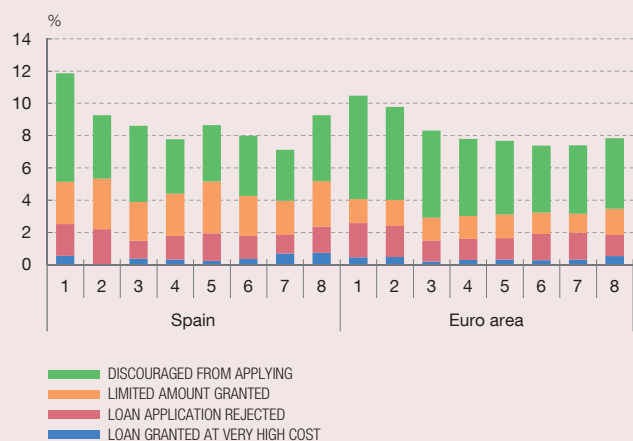
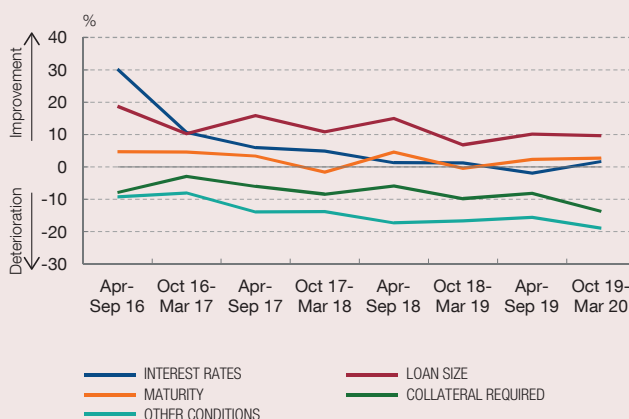


Chart 6
BANK LOAN CONDITIONS. SPAIN (d)



SOURCE: ECB.

- a Percentage of firms reporting an increase minus percentage of firms reporting a decline.
- b Percentage of firms reporting an improvement minus percentage of firms reporting a worsening.
- c This indicator reflects the proportion of firms in one of the following situations: those whose applications for funds were rejected; those which were granted funds but only a limited amount; those which were granted a loan but at a cost they considered very high; and those which did not apply for finance because they expected to be rejected (discouraged from applying). The numbers on the horizontal axis depict the rounds of the survey, with 1 corresponding to the period April-September 2016 and 8 to the period October 2019 to March 2020.
- d Percentage of firms reporting an improvement in conditions (lower interest rates, increase in amounts and maturities and lower collateral and other requirements) minus percentage of firms reporting a worsening in these conditions.

RECENT DEVELOPMENTS IN SPANISH SMEs' ACCESS TO EXTERNAL FINANCE ACCORDING TO THE ECB'S HALF-YEARLY SURVEY (cont'd)

rate, and there was a strong rise in applications for bank loans, in a setting in which financing conditions held favourable.

Ahead of the coming months, a high net percentage of Spanish SMEs (12%, very similar to the overall euro area figure of 11%) expect, for the period running from April to September 2020, that there might be a significant deterioration in their access to bank finance, something not seen since the 2012 sovereign debt crisis (although the maximum percentage then recorded, 18%, was higher). This result contrasts with banks' expectations

reflected, at similar dates, in the Bank Lending Survey, and which suggest an easing in the lending standards for Q2. In this respect, the firms surveyed in SAFE may possibly not have taken sufficiently into account in their replies the positive impact on their access to finance derived from the ICO guarantees programme, which has entailed the granting of over €30 billion to close to 200,000 Spanish SMEs from end-March to mid-May. Conversely, it might also be the case that, even with this public guarantees programme, SMEs anticipate that their access to lending will be more difficult in the coming months as a result of the worsening of their economic situation.