RECENT CHANGES IN ACCESS OF SPANISH SMEs TO EXTERNAL FINANCING IN ACCORDANCE WITH THE ECB'S HALF-YEARLY SURVEY

On 28 November the ECB published the results of the 19th round of the Survey on the Access to Finance of Enterprises in the euro area (SAFE), covering the period from April 2018 to September 2018. The survey asks respondent firms, essentially small and medium-sized enterprises (SMEs), about changes in this period in their economic and financial situation, their external financing needs and the conditions under which they have obtained or not such financing.

In the case of Spanish SMEs, the data for this latest round of the survey show, overall, that the improvement in their economic situation has continued, although there are some signs of a slight slowdown. The number of firms reporting an increase in sales once again exceeded those indicating the contrary, which has happened uninterruptedly since 2014. In this case the relative difference between the two groups (net percentage) of 24% is slightly higher than in the previous round (20%, see Chart 1) and similar to that for the euro area (25%). The profit performance was less favourable, owing to the increase both in labour and other costs, a circumstance that was reported by a high net proportion of SMEs in the sample (50% and 66%, respectively, compared with 51% and 57% in the euro area). Thus, the proportion of firms that reported an increase in profits was 2 pp higher than those that stated the opposite, which was 2 pp lower than in the previous round. This difference was 3 pp in the euro area, 1 pp lower than six months earlier.

A lack of customers was cited as the main source of concern by 28% of Spanish SMEs (see Chart 2), while in the euro area, for a large number of firms (26%), it was a shortage of skilled labour. Set against this, access to financing was, among all the factors considered, once again that signalled by the fewest companies: 6% in Spain and 7% in the euro area, which are slightly lower percentages than in the previous round but represent historical lows in both areas since the survey began.

Against this background, the proportion of Spanish SMEs that applied for bank loans fell slightly, by 1 pp, to 28% (see Chart 3), which is marginally higher than that recorded in the euro area (27%). In turn, the availability of bank financing continued to improve (see Chart 4). Thus, in net terms, 21% of Spanish SMEs reported an improvement in this aspect, 3 pp less than in the previous survey, and 10 pp more than the figure for their euro area peers. The firms surveyed perceived that most of the factors affecting the availability of bank loans performed favourably, albeit to a lesser degree than in the previous six months.[1] Specifically, in net terms, 27% of firms perceived a greater willingness of banks to grant loans (a figure 6 pp lower than that recorded in the previous round of the survey) and 17% reported an improvement in their specific situation (8 pp less than six months earlier). By contrast, macroeconomic expectations seem to no longer have a positive effect on access to bank loans since the proportion of SMEs which think that the economic outlook has worsened is somewhat higher (by 1 pp) than that which considers it has improved, whereas six months earlier the latter amply exceeded the former (by 24 pp).

The percentage of Spanish SMEs whose bank loan applications were rejected increased slightly by 1 pp to stand at 6%, a figure somewhat higher than that recorded in the euro area as a whole (5%). The broader indicator of the difficulties in obtaining bank loans[2] shows a slight deterioration. Thus, the difficulties affected 9% of these companies which was 1 pp higher than the figure for the euro area and that recorded in the previous round of the survey (see Chart 5).

As regards financing conditions, the net percentage of firms reporting a decline in interest rates was positive for the eighth time running; it was, however, very low at 1% and 4 pp down from the previous round (see Chart 6). The net proportion of companies indicating an increase in loan amounts was also positive (15%, 4 pp up on six months earlier), as was that indicating a lengthening of maturities (5%, compared with -2% recorded six months earlier). By contrast, 6% of Spanish SMEs as a whole perceived a tightening in the collateral required, and 17% in other terms and conditions of loans.

In short, the latest round of the SAFE shows that from April 2018 to September 2018, the access of Spanish SMEs to external financing continued to improve. The firms reported, as a whole, that during that period they detected an increase in the availability of bank financing, bolstered by a greater willingness of banks to grant loans with favourable conditions and by the improvement in their specific situation. In particular, their financial and economic situation continued to improve, although some signs of a slight slowdown are perceptible. Finally, the survey also shows that Spanish SMEs expected that their access to bank credit would improve from October 2018 to March 2019, albeit at a more moderate pace than in previous rounds.

1 The availability of bank loans is the perception that firms have of their access to financing, which is affected by supply-side (relating to banks), demand-side (the firm's creditworthiness) and macroeconomic factors (general economic situation).

2 This indicator captures companies in the following situations: those whose applications for funds were rejected, those to which the funds were granted but only in part, companies to which loans were granted but at a cost deemed by the companies to be very high and those which did not apply for financing because they believed it would not be granted to them.

Chart 1
SALES AND PROFITS (a)

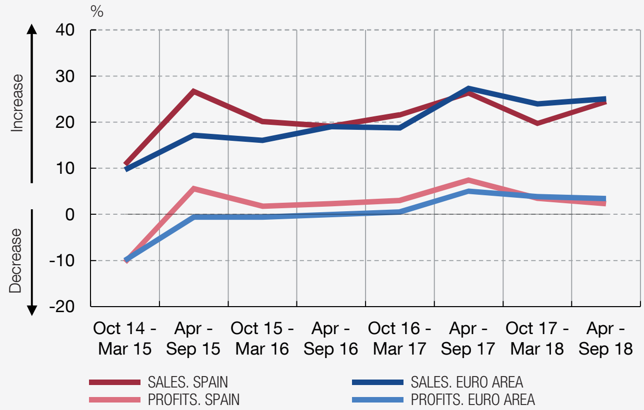


Chart 2
MAIN PROBLEMS AFFECTING ACTIVITY. APRIL 2018 -SEPTEMBER 2018

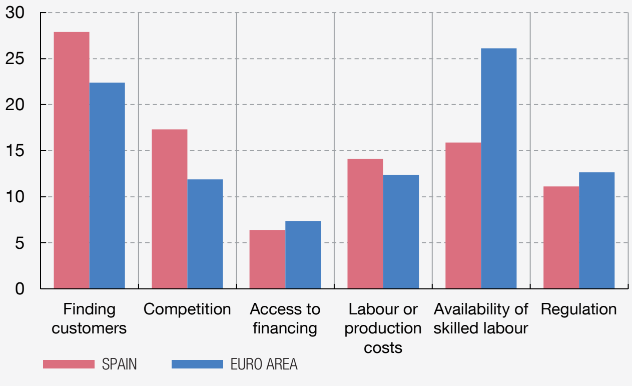


Chart 3
SMEs THAT HAVE APPLIED FOR BANK LOANS

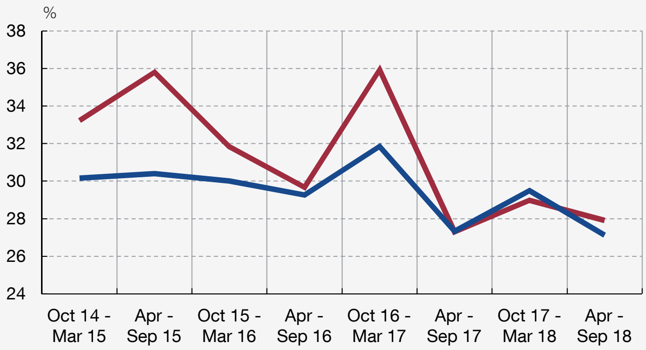
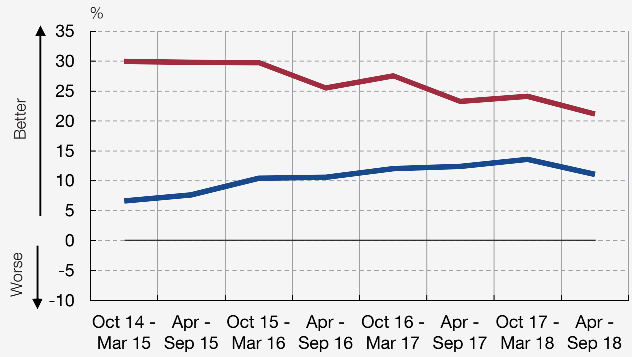


Chart 4
AVAILABILITY OF BANK LOANS



SPAIN EURO AREA

Chart 5
SMEs FACING DIFFICULTIES OBTAINING BANK LOANS (c)

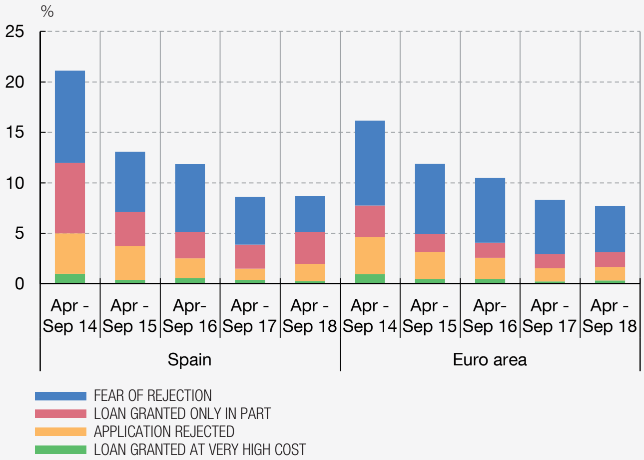
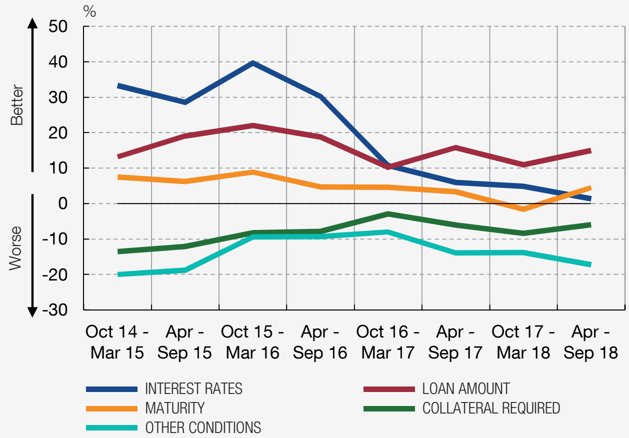


Chart 6
BANK LOAN CONDITIONS. SPAIN (d)



SOURCE: European Central Bank.

- **a** Percentage of firms indicating an increase less the percentage of those indicating a decrease.
- **b** Percentage of firms indicating an improvement less the percentage of those indicating a deterioration.
- **c** This indicator captures the proportion of firms that are in one of the following situations: those whose loan applications were rejected, those whose loans were granted but only in part, those whose loans were granted but at a cost deemed by the firms to be very high and those who did not apply for financing because they thought it would not be granted to them (fear of rejection).
- **d** Percentage of firms indicating better conditions (lower interest rates, higher amounts, longer maturities, less demanding collateral and other required conditions) less the percentage of firms indicating worse conditions.