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## European SME finance Survey / Results 2009

(not to be published / for internal use only)

### Financial crisis being replaced by real economy crisis **SME finance: still difficult, but some signs for easing**

#### 1. Introduction

This first UEAPME SME finance survey is based on national SME finance surveys conducted by national craft and SME associations in Europe either by independent market research institutions or public finance providers.

The questionnaire sent to UEAPME's member organisations in June 2009 (see Annex) was answered by organisations from 10 European countries (AT, DE, ES, FI, FR, IE, LT, NL, PL and UK) and gives a quite representative overview from the most important European areas and the different market structures.

Unfortunately, the input we received for the different Member States is not coherent enough to present quantitative European data. However, it allows presenting some significant trends and confirms the difficulties small and medium sized enterprises are experiencing to obtain access to finance in the current financial and economic crisis.

#### 2. Results of the first UEAPME SME finance Survey

- a. The **overall situation** in May / June 2009 on access to finance for SMEs was significantly worse than a year before, but slightly better than earlier this year (February / March 2009). At the moment between 20% and 32% of SMEs are reporting increased difficulties as regards access to finance, which seems to be 2 or 4 % points lower than at the beginning of this year.
- b. Between 2% and 4% of all SMEs are reporting that they have **not access to finance at all**. Out of those SMEs that have tried to get access to finance during the last months, 12% to 24% say that they have not access at all. These numbers are decreasing for Austria, increasing for Ireland and quite stable for Germany. We have no figures about developments during the last months for the other countries.

- c. As regards access to **working capital** (short term loans, overdrafts), part of the countries are reporting significant problems (i.e. UK) while others do not see relevant changes compared to one year ago. For the UK, the figures show a significant replacement of overdrafts by “de-saving” and an increase in non-secured lending (credit cards).
- d. A quite homogeneous picture emerged as regards the development of **interest rates**. While in the second half of 2008 the interest rates for SME loans increased in line with higher refinancing costs (i.e. Euribor), our members (in the Euro zone) are witnessing a decrease in interest rates during the last months, although the decrease was less pronounced than the interest rate reductions by the Central Banks and at the capital market (Euribor) would have led to expect. This means that the risk premium is still significantly above its rate in normal times.
- e. This is also confirmed by the fact that banks ask SMEs for more **collateral** and more **information to assess the risks** of clients. 14% to 42% of SMEs report that their banks request for higher collateral and 12% to 46% of SMEs report a demand for more information by their banks. For Spain these figures are 88%.
- f. Finally, as regards the **impact of the financial crisis on the real economy**, 18% to 48% of all SMEs said that they will reduce their investments due to the crisis and 7% to 33% fear that the crisis will have negative impacts on employment in their company.

### 3. Summary and conclusions / interpretations

#### Current situation:

- higher risk margins
- more demand for collateral / securities
- lower demand for loans due to the economic crisis
- significant impact of financial difficulties on investment (18% to 48% of companies) and employment (7% to 33% of companies).

#### Recent developments:

- interest rates have decreased since January
- situation improved during last month's slightly for micro / small enterprises and got worse for medium / mid-cap companies
- number of companies reporting impact on investments / employment is also slightly decreasing.
- number of companies reporting that they have no access at all is also slightly decreasing

## Possible interpretations / conclusions

- It is difficult to interpret answers from enterprises as regards the reason of developments. Are difficulties to get access to finance the reason for downsizing of investment and employment or is the worsening of the economic situation for many companies the reason for difficulties to get loans, because of higher risks?

Company owners may tend to lay the blame on banks and on the financial crisis in general rather than reporting internal economic difficulties.

- We see significant differences between countries with decentralised credit sectors (saving banks, cooperative banks) like DE, AT and extended public guarantee schemes (BE, SE, FI) and others (UK, IT, FR).

## Annex

### Questionnaire for an UEAPME SME-finance Survey

Dear colleagues,

access to finance remains one of the most worrying issues throughout the current financial and economic crisis. The danger of a credit crunch and the impact from difficulties to access finance on investment and employment ranks high in the public debate about the crisis.

Many UEAPME member organisations, but also other institutions or organisations in the different Member States have done / or doing survey on the situation and the developments as regards access to finance for SMEs. In order to get a EU-wide picture on the current situation, the UEAPME Study Group decided at its last meeting (28 May 2009) that we should try to collect these national survey and to compile them to an "European SME-finance Survey", which does not exist so far.

Therefore, I would like to ask you to send us information about / results of any survey as regards access to finance done by your organisation or others in your country throughout the current crisis.

In order to allow me to bring the different surveys together, I would like to ask you to structure the results of your surveys - as far as possible - according to the following questions / criteria:

1. Overall situation / development as regards access to finance:
  - Is the situation good / acceptable / unsatisfied?
  - Has the situation got worse / stayed unchanged / improved?
2. How many companies reporting that they have no access to loans at all (even at worse conditions)?
3. How many companies reporting difficulties to have access to loans for working capital or difficulties with overdrafts?
4. Situation / development of interest rates for loans: Went interest rates up / stayed unchanged / down during the last year / last months?
5. Other conditions for loans:
  - Has the request for collateral / securities increased/ stayed unchanged / decreased?
  - Has the demand for information about the company increased stayed unchanged / decreased /?
6. Impact of access to finance:
  - How many companies reporting an impact from lack of finance on investments?
  - How many companies reporting an impact from lack of finance on employment?

Structuring your answer in line with these criteria would allow us to make the answers comparable between Member States. But even if the result of your survey or any available survey does not allow answering the above questions, please send us your figures, because it would improve to overall picture in any case.

If your survey is done regularly, please send us figures, which compare the situation now (last survey) with the situation one year ago and / or three months (half a year) ago.

As discussed at the Study Group meeting, UEAPME was asks to present the results of this survey before the summer break. Therefore, I would like to ask you to send **your input not later than 26 June 2009**.