Box 3

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

Álvaro Menéndez Pujadas

This early-release box was published on 15 December

On 24 November, the ECB published the results of the Survey on the Access to Finance of Enterprises (SAFE) in the euro area, which covers the period from April to September 2020. The survey asks firms, essentially SMEs, about developments over the preceding six months in their economic and financial situation, their external finance needs and the terms and conditions on which such financing had, or had not, been obtained.

The data from this survey round show a marked deterioration in the economic situation of Spanish SMEs as a result of the severe impact associated with the COVID-19 pandemic. The number of SMEs reporting higher turnover between April and September was, for the second consecutive round, lower than the number reporting turnover declines, and the difference between the two groups (net percentage) increased significantly, to -55%, compared with the previous survey round, corresponding to the period from October 2019 to March 2020 (-5%). This is the lowest net percentage value recorded in this survey since the first half of 2009 (-59%) and is also lower, in absolute terms, than that recorded for the euro area (-46%) (see Chart 1). These adverse turnover developments led a high number of SMEs to report a decline in profits (a net percentage of -55%, compared to -20% in the previous survey round and -47% for the euro area). This occurred despite the net percentage of SMEs reporting higher costs decreasing substantially.

Difficulty in finding customers was considered the key concern by the highest percentage of Spanish (24%) and euro area (22%) SMEs (see Chart 2). These percentages barely increased in comparison to six months earlier, despite the sharp rise in SMEs reporting a decline in turnover. Set against this, among the factors included in this question, access to finance continued to be the concern raised by the lowest number of Spanish SMEs (9%) and by the second lowest number of euro area SMEs (10%). These percentages were slightly higher than those recorded six months earlier.

Against this background, the proportion of Spanish SMEs that applied for bank loans rose significantly, up 11 percentage points (pp) to 48% (see Chart 3), a higher figure than that recorded in the euro area (38%). In addition, SMEs' perception of their access to bank financing continued to improve, doing so at a higher rate than six months earlier (see Chart 4). This result contrasts with what SMEs reported in the previous round, when most expected access to finance to deteriorate between April and September. This could be because when responding to that survey, they lacked sufficient information to adequately assess the public support measures and, in particular, the positive impact of the public guarantee facilities.

Access to finance improved despite the sharp rise in the percentage of SMEs that perceived the general economic

Chart 1
TURNOVER AND PROFIT (a)

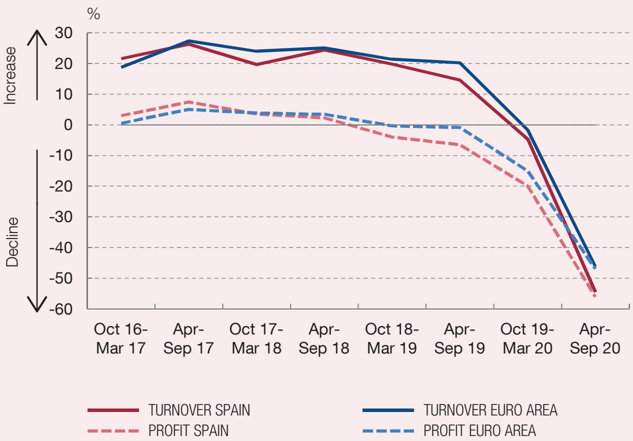


Chart 2
MAIN PROBLEMS AFFECTING BUSINESS. APRIL-SEPTEMBER 2020

SOURCE: ECB.

a Percentage of firms reporting an increase minus percentage reporting a decline.

Box 3

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

outlook as an impediment to access to new loans (47%, up 16 pp from the previous period) and the deterioration in their firm-specific outlook as an obstacle to accessing bank financing (49%, the second highest value, behind that recorded in June 2009). By contrast, 16% of Spanish SMEs continued to perceive an improvement in the willingness of banks to lend (up 2 pp from six months earlier and practically twice that recorded in the euro area) and 8% reported a favourable impact associated with access to public financial support, including guarantees. This is the highest value recorded for this factor since this survey began in 2009.

3% of SMEs had their loan applications rejected, down 1 pp from the previous survey round and 2 pp lower than

Chart 3
SMEs THAT HAVE APPLIED FOR BANK LOANS

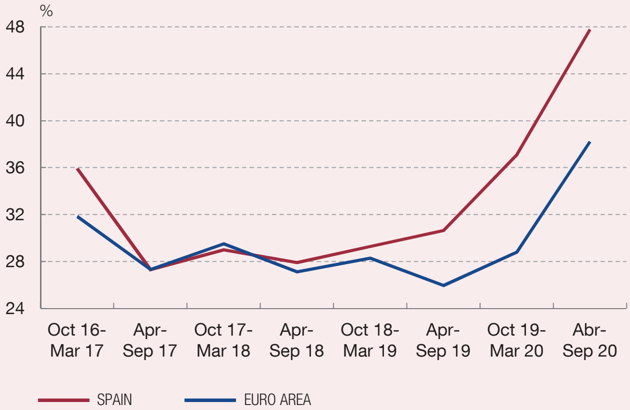


Chart 4
PERCEIVED AVAILABILITY OF BANK LOANS (a)

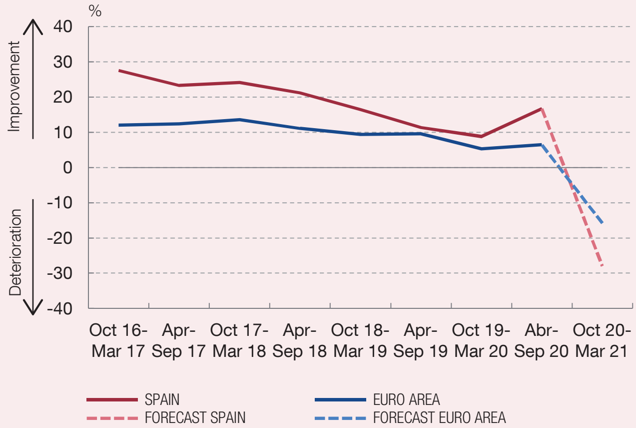


Chart 5
SMEs HAVING DIFFICULTIES OBTAINING BANK LOANS (b)

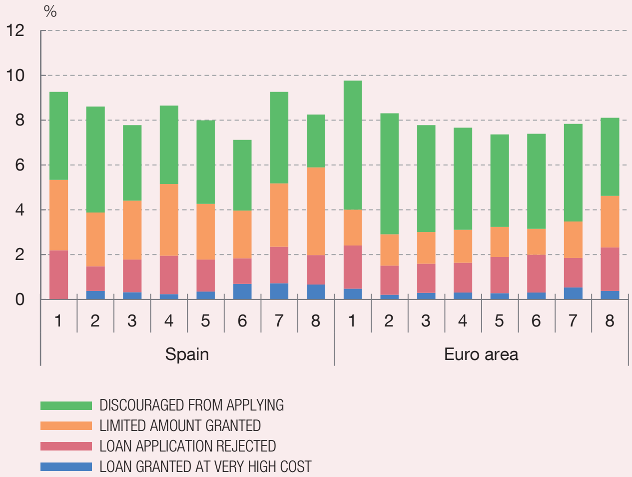
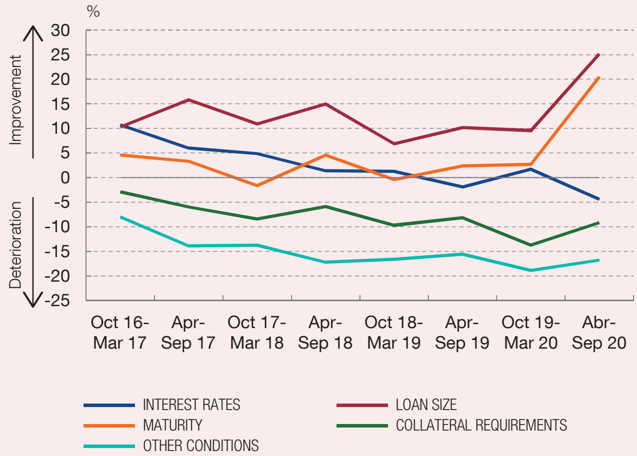


Chart 6
BANK LOAN CONDITIONS.
SPAIN (c)



SOURCE: ECB.

a Percentage of firms reporting an improvement minus percentage of firms reporting a worsening.
b 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 for fear of rejection (discouraged from applying). The numbers on the horizontal axis depict the rounds of the survey, with 1 corresponding to the period October 2016-March 2017 and 8 to the period April-September 2020.
c 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.

that recorded in the euro area. In a similar vein, the overall financing obstacles indicator[1] improved slightly, with the proportion of Spanish SMEs encountering this type of obstacle declining by 1 pp to 8%, a figure similar to that of the euro area (see Chart 5).

With regard to financing conditions, a net percentage of 4% of SMEs reported an increase in interest rates (see Chart 6). In addition, SMEs perceived once again, in net terms, a tightening of collateral requirements and of other loan terms and conditions (other than size and maturity). However, the net proportion of firms that reported an increase in both loan size (25%) and maturity (20%) remained clearly positive. In both cases, these percentages were far higher than in the previous survey round (10% and 3%, respectively). This appears to be linked to the favourable conditions of the loans granted under the public guarantee scheme.[2]

In summary, the latest round of the SAFE shows that, between April and September 2020, Spanish SMEs' economic outlook deteriorated considerably, doing so somewhat more acutely than in the euro area as a whole, owing to the severe impact of the COVID-19 pandemic. However, in a setting in which bank loan applications grew, Spanish SMEs' access to external finance continued to improve and financing conditions remained favourable. These developments would be explained largely by the positive impact associated with the public guarantee facilities.

Looking ahead, a high net percentage of Spanish SMEs (28%, above the 16% of euro area SMEs) expected their access to bank financing to deteriorate significantly between October 2020 and March 2021. This result, however, could be influenced, at least partially, by the firms surveyed being unable to factor into their responses the possible positive impact on access to finance of Royal Decree-Law 34/2020 of 17 November 2020 (approved after this survey was conducted). This Royal Decree-Law extends to June 2021 the deadline for applying for loans backed by a public guarantee, with longer maturities and payment holidays than those of the first guarantee facility.

1 This indicator reflects one 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 SME because the borrowing costs were too high; and those cases where SMEs did not apply for a loan for fear of rejection.

2 For further details, see Box 1 "The role of the public guarantee programme in the recent buoyancy in lending to the self-employed and non-financial corporations", included in the Banco de España Analytical Article "Recent developments in financing and bank lending to the non-financial private sector", published in September 2020.