Box 4

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

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This early-release box was published on 11 June

On 1 June, the European Central Bank (ECB) published the results of the Survey on the Access to Finance of Enterprises (SAFE) in the euro area, which covers the period from October 2020 to March 2021. The survey asks firms, essentially small and medium-sized enterprises (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 has, or has not, been obtained.

In the case of Spanish SMEs, the data of this latest round of the survey show that the decline in their activity, as a result of the weakness of the economic situation, continued, albeit at a lower rate than in the period from April to September 2020, during which the first wave of the pandemic took place. Thus, although the number of firms reporting higher turnover between October 2020 and March 2021 was, for the third consecutive round, lower than the number reporting turnover declines, the difference between the two groups (the net percentage) narrowed significantly, to 35% (from 55% in the previous survey round; see Chart 1). These turnover developments, combined with the increase in (personnel and other) costs, led to a large number of firms reporting a decline in profits, although significantly fewer than in the previous round (43% versus 56%, in net terms), while in the euro area as a whole the number was lower (35%).

When asked about their main concern, the difficulty of finding customers was the one reported by the highest percentage of Spanish SMEs (24%, see Chart 2), while, in the euro area, this concern was in second place, narrowly behind the difficulty in finding skilled labour. In contrast, and despite the complex economic situation since the onset of the pandemic, access to finance was once again, of the concerns included in this question, the one cited by the lowest number of firms, both in Spain and in the euro area (10% and 9%, respectively, percentages similar to those recorded six months earlier).

In this context, the proportion of Spanish SMEs applying for bank loans in the reference period stood at 29% (see Chart 3), somewhat higher than in the euro area as a whole (27%), although almost 20 percentage points (pp) down from the extraordinarily high percentage recorded in the previous round of the survey. That figure largely reflected the large-scale recourse by Spanish SMEs to the public guarantee facilities managed by the ICO that were set up in 2020 to mitigate the adverse effects of the pandemic on business liquidity. Also, SMEs' perception of their access to bank finance continued to improve, albeit at a slightly lower rate than six months earlier (see Chart 4). As was the case in the previous round of the survey, the improvement in access to finance reported by firms contrasts with the deterioration they had anticipated for this period six months previously.

Chart 1
TURNOVER AND PROFIT (a)

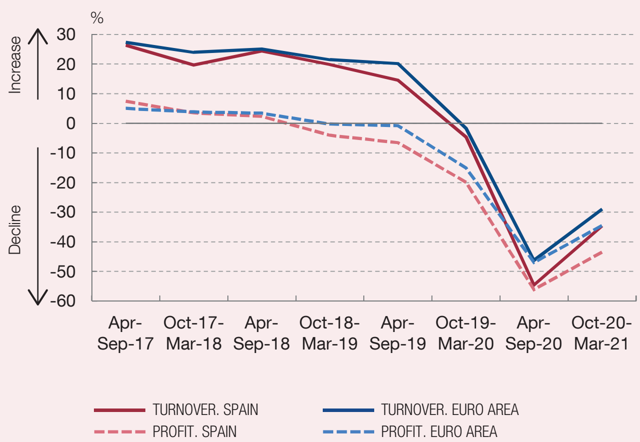
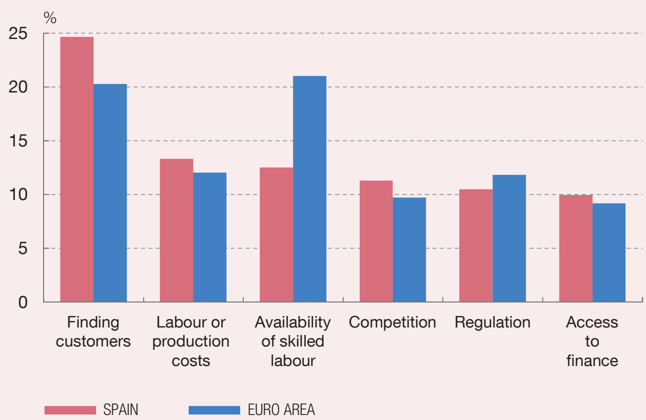


Chart 2
MAIN PROBLEMS AFFECTING BUSINESS. OCTOBER 2020 - MARCH 2021



SOURCE: ECB.

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

Box 4

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

It should be noted, moreover, that the improvement in access to finance continued to occur even though the number of SMEs considering that both the general economic situation and their specific situation were obstacles to obtaining new loans again exceeded those who considered the opposite. At the same time, 11% of Spanish SMEs perceived an improvement in the willingness of banks to lend (5 pp down from six months previously, but almost double the percentage recorded in the euro area), while access to public financial support had no impact, following its positive consideration in the previous round.

Chart 3
SMEs THAT HAVE APPLIED FOR BANK LOANS

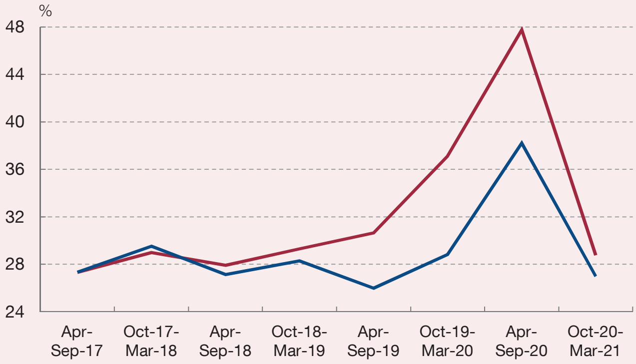
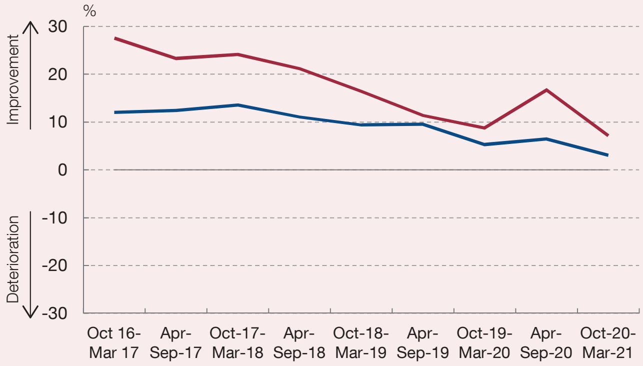


Chart 4
PERCEIVED AVAILABILITY OF BANK LOANS (a)



SPAIN
EURO AREA

Chart 5
SMEs HAVING DIFFICULTIES OBTAINING BANK LOANS (b)

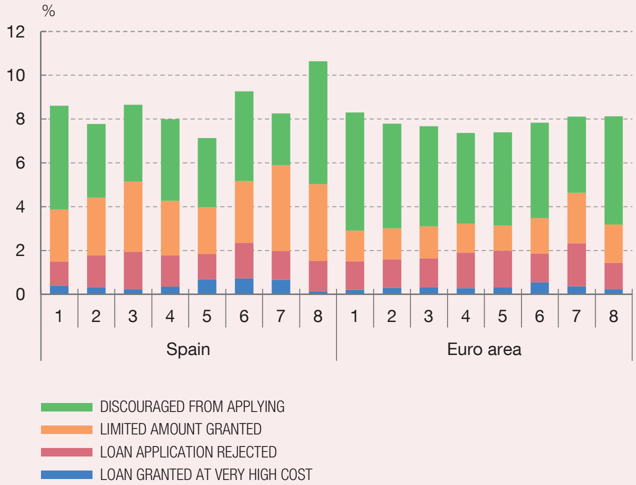
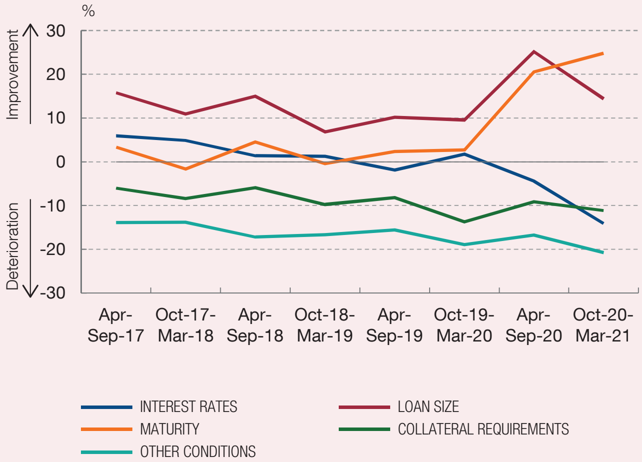


Chart 6
BANK LOAN CONDITIONS. SPAIN (c)



SOURCE: ECB.

a Percentage of firms reporting an improvement minus percentage of firms reporting a deterioration.
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 April-September 2017 and 8 to the period October 2020-March 2021.
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 deterioration in these conditions.

In any event, despite the perception that access to bank finance has improved, 5% of SMEs' loan applications were rejected in the period from October 2020 to March 2021, up 2 pp on six months earlier and 1 pp higher than the rate recorded in the euro area as a whole. In a similar vein, the broadest indicator of difficulty in obtaining bank loans[1] worsened. Thus, the proportion of Spanish companies encountering difficulties of this kind increased by 3 pp, to 11% (compared with 8% in the euro area). This was mainly due to the increase in the number of firms that did not apply for financing because they believed it would not be granted to them (discouraged from applying) (see Chart 5). It should be noted in this connection that the reason for the apparent discrepancy between the changes in the indicator of access to bank finance and the indicator of difficulties in obtaining bank loans is mainly that while the former indicator comprises the perception of all firms, regardless of whether they had requested or wished to apply for financing, the second indicator is constructed solely on the basis of the information furnished by companies which had applied for loans or that would have liked to but did not because they believed the funding would not be granted to them (overall, these firms account for less than 50% of the total).

With regard to financing conditions, the net percentage of firms reporting an increase in interest rates grew significantly, to 14%, 10 pp more than six months earlier (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. In contrast, the net proportion of companies indicating an increase in loan amounts continued to be positive (14%, compared with 25% in the previous survey round), as was (even more so) that indicating a lengthening of maturities (25%, up 5 pp on six months earlier). This latter development appears to be linked to the extension of repayment periods for loans granted under the public guarantee scheme which was approved by the Government in November 2020.

Lastly, this round of the survey included a question on the impact of the different government support measures for firms adopted in response to the pandemic. In Spain, 31% of the SMEs surveyed had access in the previous 12 months to assistance to alleviate staff expenses, 14% had benefited from tax cuts and fiscal moratoria, and 21% had received other types of support, such as loan guarantees. In all three cases the percentages were below those reported for the euro area as a whole (48%, 25% and 32%, respectively). Also, a very high proportion of the Spanish SMEs that have received assistance (between 71% and 87%, depending on the type of measure used) believe that these actions have contributed significantly to covering their liquidity needs in the short term. In contrast, most of the firms (63%) consider that the measures (in force or envisaged) aiming to reduce solvency risks in the medium term will not have a significant impact on their debt repayment ability.

In short, the latest round of the SAFE shows that from October 2020 to March 2021 the activity of Spanish SMEs continued to deteriorate, albeit more moderately than in the previous round. Against this backdrop of economic weakness, SMEs as a whole perceive that their access to external financing has continued to improve, although the proportion of firms that have experienced difficulties in obtaining such financing has increased. SMEs also signalled a slight increase in interest rates and a tightening of collateral requirements, although they reported that other financing conditions had evolved more favourably, particularly loan maturities.

1 This indicator reflects one or more 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 cases where SMEs did not apply for a loan for fear of rejection.