Box 4

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

Álvaro Menéndez

This early-release box was published on 7 December

On 24 November the European Central Bank (ECB) published the results of the latest round of the Survey on the Access to Finance of Enterprises (SAFE) in the euro area, covering the period from April to September 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 financing needs and the terms and conditions on which such financing has, or has not, been obtained.

The results of this round show that more Spanish SMEs reported an increase in turnover between April and September 2021 than signalled the opposite. This had not occurred in the last three survey rounds and is consistent with the rebound in economic activity over the period analysed (see Chart 1). Despite these favourable turnover developments, higher labour and other costs meant that, in net terms, 16% of Spanish SMEs reported a deterioration in profits between April and September. This figure is higher than the percentage for the euro area as a whole (6%), but considerably lower than that recorded in Spain in the previous survey round (43%).

When asked about the main problem affecting their business, the difficulty in finding customers was the one reported by the highest percentage of Spanish SMEs (22%, see Chart 2), while in the euro area, this concern was placed second behind the availability of skilled labour.[1] In contrast, of those included in the question, access to finance was once again the concern cited by the lowest number of firms, both in Spain and in the euro area (8% and 7%, respectively, down slightly on the figures recorded six months earlier).

Meanwhile, the proportion of Spanish SMEs applying for bank loans between April and September 2021 declined by 6 percentage points (pp) as compared with the previous round of the survey, to 23% (see Chart 3). This is the lowest figure since the survey began in 2009 and very similar to that observed in the euro area. The steep downward trend shown by this indicator in the last two rounds of the survey foreseeably owes to Spanish firms' lower financing needs in recent months, following their large-scale borrowing in 2020 that was mainly attributable to the availability of State-guaranteed loans.

Chart 1
TURNOVER AND PROFIT (a)

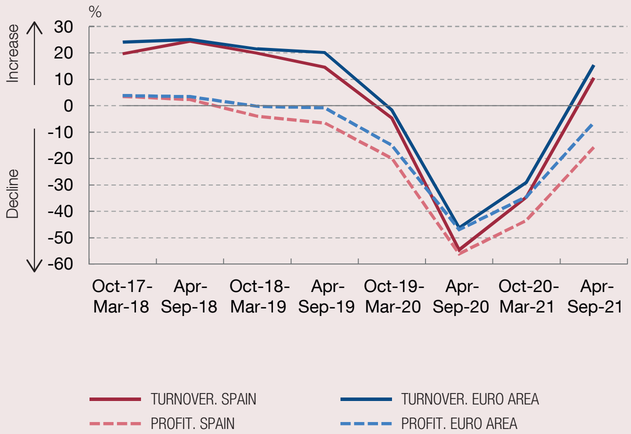
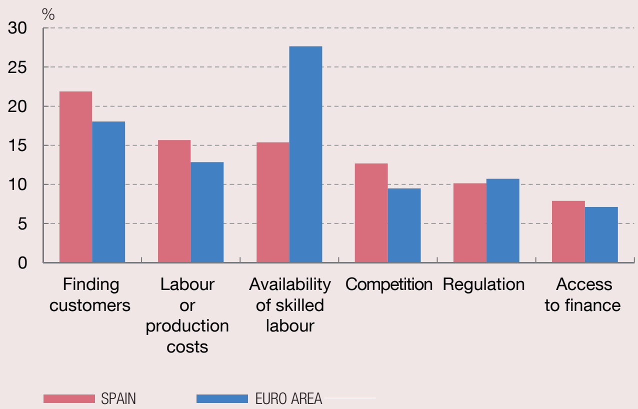


Chart 2
MAIN PROBLEMS AFFECTING BUSINESS. APRIL-SEPTEMBER 2021



SOURCE: ECB.

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

1 In this connection, it should be highlighted that, in recent months, European Commission surveys have pointed to materials and/or equipment shortages as being a very significant constraint on Spanish and European manufacturing firms' capacity. For further details on the determinants and the effects of these bottlenecks, which are not analysed explicitly in the ECB's SAFE, see, for example, I. Kataryniuk, A. del Río and C. Sánchez Carretero (2021), "Euro area manufacturing bottlenecks", Box 3, "Quarterly report on the Spanish economy", *Economic Bulletin* 3/2021, Banco de España, and Box 5, "The potential impact of global supply chain bottlenecks on the Spanish economy in coming quarters", to this report.

SMEs' perception of their capacity to access bank financing continued to improve, doing so at a slightly higher rate than six months earlier (see Chart 4). This improvement came about despite the number of SMEs that perceived the general economic situation as an obstacle in terms of accessing new loans again exceeding those with the opposite view. However, in this round the difference between the two groups narrowed to just 4 pp, far less than the gap six months earlier (30.5 pp). All of the other factors considered had a favourable impact on access to finance. In particular, in contrast with the four previous rounds of the survey, the percentage of SMEs that thought the financial

Chart 3
SMEs THAT HAVE APPLIED FOR BANK LOANS

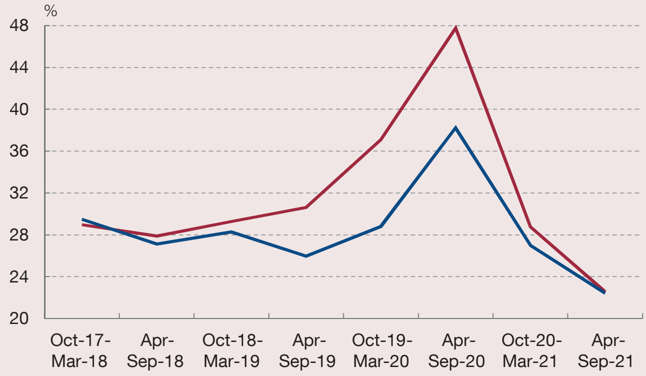
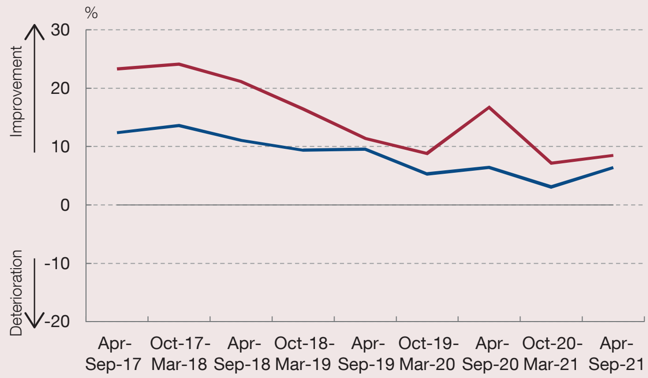


Chart 4
PERCEIVED AVAILABILITY OF BANK LOANS (a)



SPAIN
EURO AREA

Chart 5
SMEs HAVING DIFFICULTIES OBTAINING BANK LOANS (b)

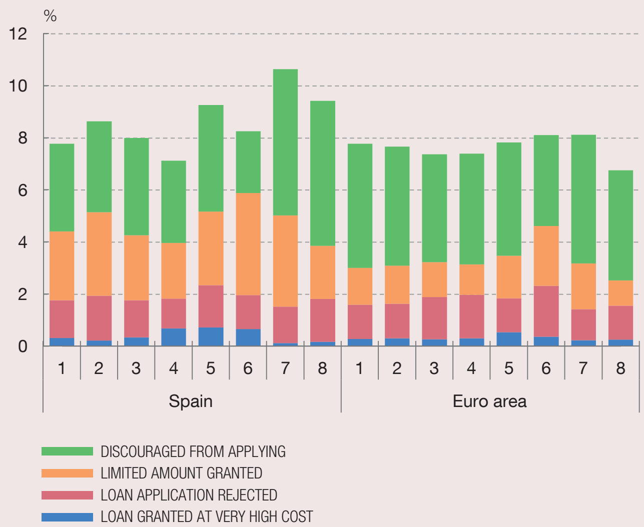
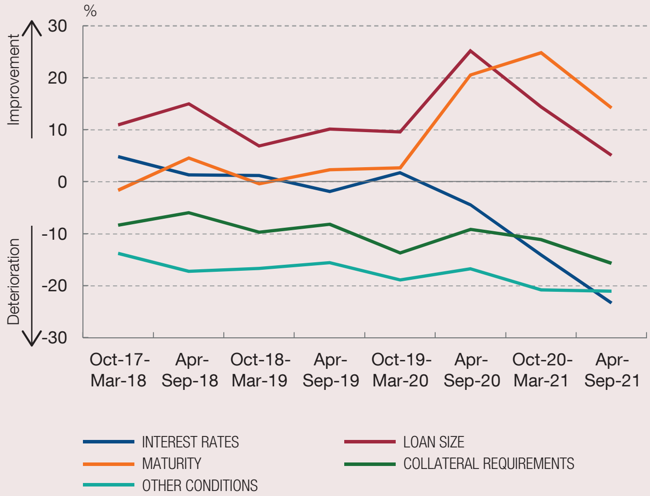


Chart 6
BANK LOAN CONDITIONS. SPAIN (c)



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 October 2017-March 2018 and 8 to the period April-September 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.

situation favoured their access to finance was higher (by 12 pp) than those who thought the opposite. Also, 10% of Spanish SMEs (in net terms) perceived greater willingness among banks to lend. This is 1 pp down on six months earlier and very similar to the euro area figure.

Despite the perception that access to bank finance has improved, 7% of SMEs' loan applications were rejected in the period from April to September 2021, up 2 pp on six months earlier and 1 pp higher than the rate recorded in the euro area as a whole.[2] By contrast, the overall financing obstacles indicator[3] improved slightly, with the proportion of Spanish SMEs encountering this type of obstacle declining by just over 1 pp to 9%, compared with 7% observed in the euro area (see Chart 5). Despite this decline, the percentage of SMEs discouraged from applying for financing (because they believed it would not be granted to them) held virtually unchanged at relatively high levels (just over 5%).

With regard to financing conditions, the net percentage of firms reporting an increase in interest rates continued to grow significantly, to 23%, 9 pp more than six months earlier (see Chart 6). In addition, SMEs perceived, again in net terms, a tightening of collateral requirements and of loan terms and conditions other than loan size and maturity. By contrast, the net proportion of companies indicating an increase both in the size and maturity of loans (5% and 14%, respectively) remained positive, although in both cases the percentages were substantially lower than in the previous round of the survey (14% and 25%, respectively).

Lastly, this round of the survey included an additional question on the problem of late payments by customers. In Spain, 7% of SMEs reported having had problems of this kind regularly in the period analysed, while 27% had only occasionally had such problems. Both percentages are lower than a year earlier (10% and 31%, respectively), and slightly lower than the figures for the euro area overall (10% and 28%, respectively).

In short, the latest round of the SAFE shows that, although turnover increased from April to September 2021 for most Spanish SMEs, their higher costs drove down their profits. In this setting, while their perception of access to external finance continued to improve, those that had applied for bank loans – less than a quarter of the total, the lowest figure since the survey was launched in 2009 – reported a slight increase in loan applications rejected and a tightening of the terms and conditions in respect of interest rates and collateral requirements, although other conditions – such as the size and maturity of loans – continued to evolve more favourably.

2 The reason for the apparent discrepancy between the changes in these two indicators – access to bank finance and the percentage of rejected applications – is mainly that the former encompasses the perception of all firms, whether or not they applied for financing, while the second is constructed solely on information provided by the companies that actually applied for loans (just 23% of all firms).

3 This indicator reflects one or more of the following situations: rejected loan applications; loan applications granted, but only in part; loan applications granted but at a cost deemed very high by the firms; and SMEs that did not apply for financing because they believed it would not be granted.