Introduction

After a long phase of strong expansion, the rate of growth of bank lending to the private sector began to moderate in 2006. Since 2007 H2 this trend has intensified, as a result of the international financial crisis and its impact on economic activity. The year-on-year rate of growth of credit to non-financial corporations stood at slightly less than 5% in March 2009, against 30% in December 2006.

There are various factors behind this development, on the supply and the demand side, and determination of these factors would be extremely useful for an accurate diagnosis of the situation of the credit markets. Unfortunately, there are only a limited number of tools that enable a distinction to be drawn between the supply and the demand side. In this respect, the Bank Lending Survey (BLS), conducted quarterly in Spain in coordination with the other euro area Member States,[1] is a highly valuable tool, as it provides a qualitative approximation of credit institutions' opinions on credit developments, both for households and firms. On the demand side, a number of regular surveys include questions on the extent to which the financial situation represents a barrier to corporate growth (for example, those conducted by the Chambers of Commerce and the Ministry of Industry). However, in these surveys, the "financial situation" generally includes not only the ease with which external financing may be obtained, but also other matters such as the internal liquidity position, making it impossible to isolate the factors that are directly related to access to credit. Recently, the Chambers of Commerce began to conduct a regular survey (numbering six to date) which, although directed exclusively at SMEs, includes a wide range of questions that permit analysis of various aspects relating to access to bank credit.[2]

In this setting, the Banco de España has commissioned a survey of a representative sample of non-financial corporations, to obtain significant qualitative data on conditions of access to credit. The fieldwork was conducted between 18 March and 3 April and the final selection comprises 1,384 firms, broken down by size and sector as shown in Table 1.[3] The survey included questions on the situation in the last six months and on the outlook for the next six months. The survey's main added value, relative to the BLS, is that it provides the view from the demand side. In comparison with the Chambers of Commerce survey on access to credit, which is also directed at firms but only SMEs, it has the advantage of a broader scope, and it also permits analysis of how the replies differ according to a wider range of characteristics. Thus, in addition to size and sector of activity, it includes variables relating to financial position (profit performance and level of indebtedness).

The following section analyses the extent to which the sample firms had to resort to credit lines and other bank lending, broken down by firm type and financial position. The next section presents the results of the credit applications made, and the following section, the implications for the firms and the outlook for conditions of access to new lending. This is followed by a series of conclusions. The full text of the survey questions, together with the aggregate replies, is presented at Annex 1.

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1. For detailed comments on the results of the latest Bank Lending Survey in Spain, relating to July, see *Boletín Económico,* July-August, Banco de España. For a description of the BLS, see J. Martínez and L. A. Maza (2003), "Resultados de la Encuesta sobre Préstamos Bancarios en España", *Boletín Económico,* May, Banco de España. **2.** Results available at: https://www.camaras.org/publicado/estudios/publicaciones_SE.jsp. **3.** The sectoral breakdown was made considering the weight of each sector in the total GVA of the economy, excluding the Education and the Healthcare, veterinary care and social services sectors in which most activity is linked to general government. As there are no data on GVA breakdown by firm size, the firms were distributed, within each sector, on the basis of the relative weight of each of the five size groups in total sector employment (source: DIRCE).

SURVEY OF FIRMS ON ACCESS TO CREDIT, FINAL SAMPLE

TABLE 1

Sectors	Number of firms	Grouped by size within sector — Average number of employees: Fewer than 10	10 to 49	50 to 199	200 to 499	500 or more	Percentage by sector
A.1 Agriculture, hunting and forestry	44	13	12	9	6	4	3.2%
A.2 Fishing	6	2	3	1	0	0	0.4%
A.3 Mining and quarrying	7	1	3	2	0	1	0.5%
A.4.1 Food, beverages and tobacco industries	43	4	16	7	8	8	3.1%
A.4.2 Oil refining	12	3	2	2	2	3	0.9%
A.4.3 Chemical industry	30	1	7	5	9	8	2.2%
A.4.4 Glass, ceramics and building materials	24	2	12	5	3	2	1.7%
A.4.5 Metallurgy and manufacture of metal products; manufacture of machinery and equipment; electrical, electronic and optical materials and equipment	101	13	43	21	11	13	7.3%
A.4.6 Manufacture of transport equipment	32	1	4	4	5	18	2.3%
A.4.7 Other manufacturing industries	86	12	35	21	8	10	6.2%
A.5 Production and distribution of electricity, gas and water	34	2	4	6	8	14	2.5%
A.6 Construction	211	37	101	35	18	20	15.2%
A.7 Wholesale and retail trade and repair services	190	51	61	24	12	42	13.7%
A.8 Hotels and restaurants	135	31	44	17	20	23	9.8%
A.9 Transport, storage and communication	117	16	33	17	9	42	8.5%
A.11.1 Real estate activities	118	53	35	11	13	6	8.5%
A.11.2 Other business services	127	18	29	12	16	52	9.2%
A.12 Other services	67	15	17	15	5	15	4.8%
ALL SECTORS	1,384	275	461	214	153	281	
Percentage by size	100.0%	19.9%	33.3%	15.5%	11.1%	20.3%	

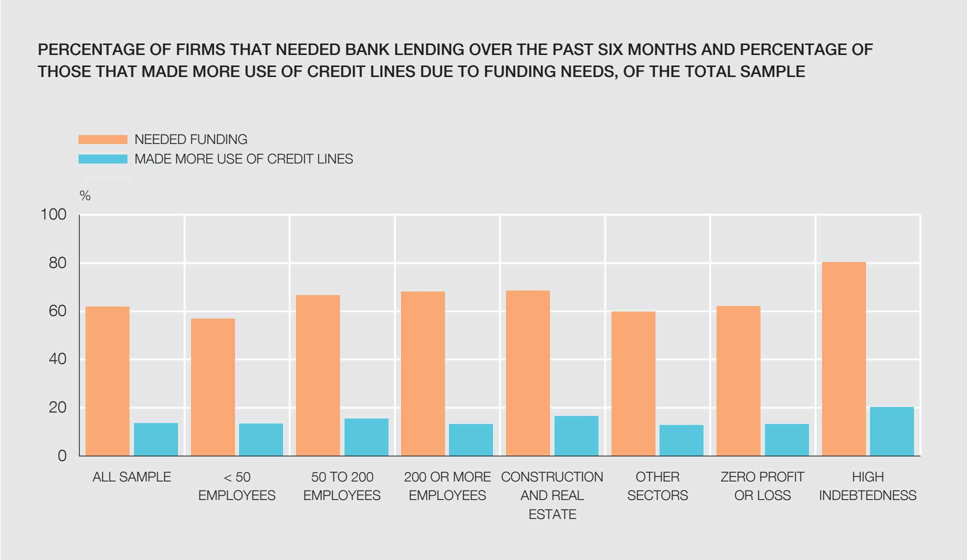
Credit applications and use of credit lines

As Chart 1 shows, 62% of the firms surveyed indicated that they had needed bank lending (whether credit renewals or new lending) in the past six months. This figure includes not only firms that actually submitted a credit application, but also firms that did not do so, despite needing credit, because they did not expect it to be granted. Accordingly, a high percentage of the respondents (38%) signalled that they had had no need of bank lending in the previous six months. The largest firms, and especially those with higher debt levels (measured in terms of debt-to-equity), were those that had had most need of bank credit. The economic position of the firms surveyed also helps explain the reply to this question, as although there are no significant differences between the firms that reported a loss (or virtually zero profit) in 2008 and the remainder, the proportion of respondents that needed external financing was higher among firms that reported a drop in profits in comparison with the previous year, than among those that reported higher or virtually flat profit. Lastly, by sector, real estate and construction companies had most need of bank credit, irrespective of size and financial position.

In addition to approaching banks for new lending or credit renewals, firms may also raise their borrowings by making more use of the balance available on credit lines already open with financial institutions, an area that was also covered by the survey. Thus, the results show that, during the previous six months, 62% of the respondents had access to financing via credit lines; this percentage increased as company size increased; it was also higher among construction firms (73%). Of the firms with access to this type of financing, 43% (i.e. 27% of the total sample) signalled that they had made more use than normal of the credit lines available in the previous six months, indicating a variety of reasons for this. Thus, 14% of all the respondents made more use of credit lines due to higher borrowing requirements (see Chart 1). In this

FUNDING NEEDS

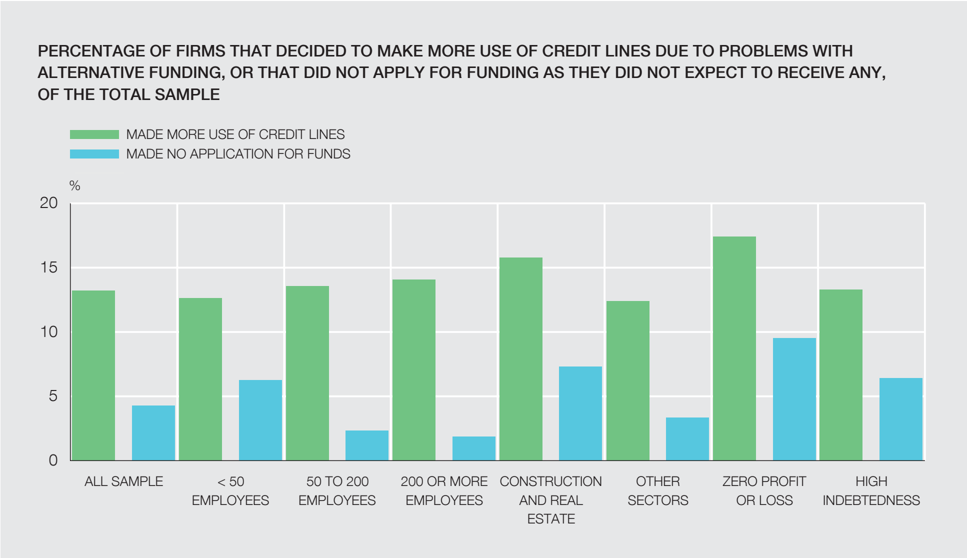
CHART 1



SOURCE: Banco de España.

FUNDING DIFFICULTIES

CHART 2



SOURCE: Banco de España.

case, there is no clear link between this percentage and company size, but the figure is higher among firms with most debt, among those that reported greatest earnings deterioration in 2008 and among construction and real estate services sector firms.

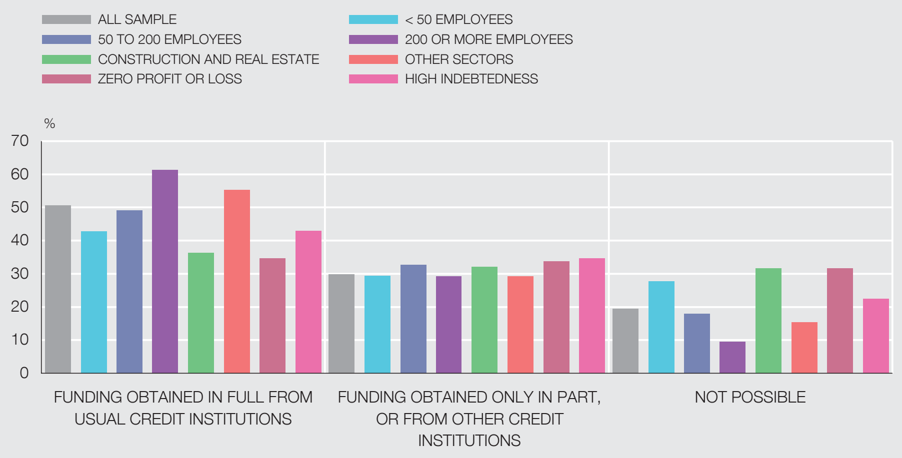
In turn, 13% of the respondents made more use than normal of the credit lines available as a result of difficulties in obtaining funding from other sources or of the higher cost of this alternative funding (see Chart 2). The percentage of firms signalling these reasons was higher in the real estate sector, understood in the broadest sense of the term, and among firms reporting a loss.[4]

4. Greater use of credit lines by firms, for whatever reason, follows a cyclical path, as is evident from the fact that there is now less and less undrawn credit on bank balance sheets (see Box 6 in "Quarterly report on the Spanish economy", *Economic Bulletin,* January 2009).

APPLICATIONS FOR BANK LENDING

CHART 3

RESULT OF APPLICATIONS FOR BANK LENDING



PERCENTAGE OF FIRMS WHOSE APPLICATIONS FOR BANK LENDING WERE UNSUCCESSFUL

SOURCE: Banco de España.

These difficulties in obtaining funding also explain why not all corporations that needed funds turned to banks. Thus, as Chart 2 also shows, around 4% of the sample firms did not apply for funding because they did not expect to receive any. Once again, the figure is higher in the real estate and construction sector and among firms reporting a loss; it is also higher in firms with fewer than 50 employees and in those with most debt.

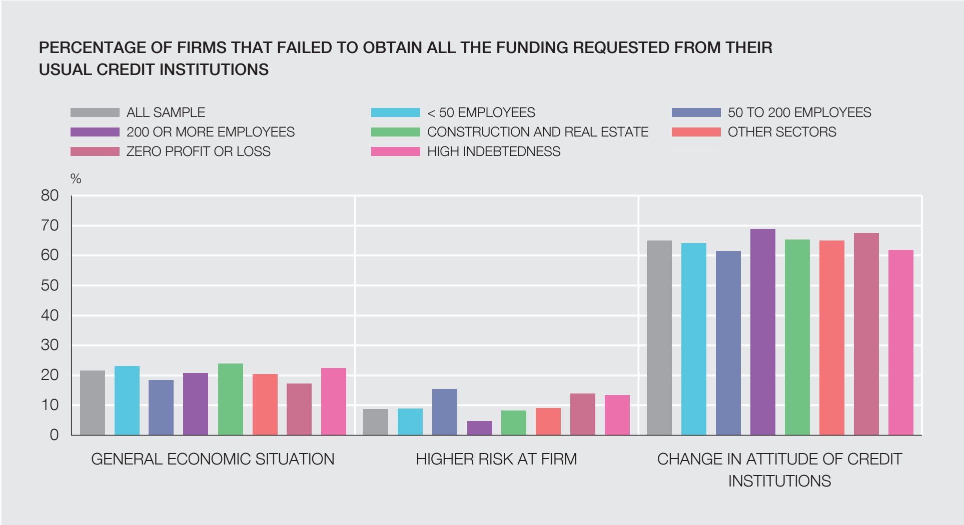
Results of credit applications in the past six months

Approximately half the firms that applied for bank credit in the previous six months declared that they had received all the funds requested from the usual credit institutions (see Chart 3). Around 30% obtained only part of the funding requested, or had to apply to other credit institutions to obtain it in full, while the remainder (slightly less than 20%) declared that they were unable to obtain funding, either because their requests were refused or because the credit terms offered were too onerous for them.

As to be expected, these figures are more negative (i.e. there is a higher proportion of rejected applications and of firms that failed to obtain all the funding desired) among those companies

MAIN REASON FOR NOT OBTAINING ALL FUNDING

CHART 4



SOURCE: Banco de España.

whose earnings fell in 2008, relative to a year earlier, and among those whose financial position had become more compromised (lower profit and/or higher debt levels) at year-end.

In any case, even controlling for their financial position, the proportion of firms that were unable to obtain the funding requested was, in general, higher among smaller firms and construction and real estate services sector firms (see bottom panel of Chart 3). In the case of the smaller firms, this is a structural characteristic, seen in various studies and linked to the lower level of collateral that is normally available to these firms. However, although it is impossible to be certain due to the lack of an appropriate time comparison, the possibility that there may also be a conjunctural component in this higher degree of contraction in credit supply to SMEs, connected with the present financial tension, should not be ruled out. This would be consistent with the evidence supplied by the BLS and with the lower rate of growth, in recent months, in smaller loans in comparison with loans of more than €1 million.[5]

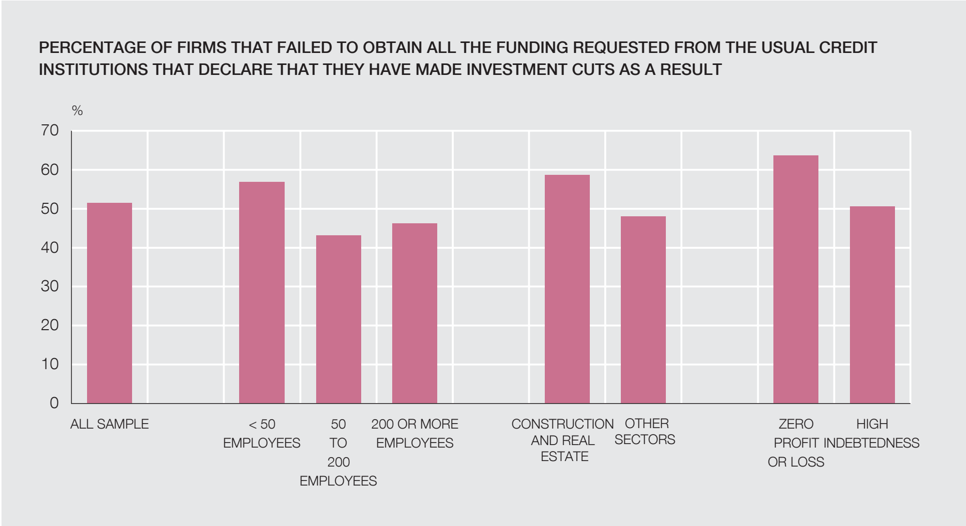
The difference between construction and real estate sector firms and the rest of the sample may be explained by the fact that credit institutions view the future prospects of these two branches of activity less positively. Thus, respondents to the BLS indicate that specific company or sector risks are an important factor behind the contraction in credit supply to non-financial corporations. Accordingly, comparing firms in a similar financial position, credit institutions would tend to be more cautious about granting funds to those connected, in some way, to the real estate sector. The results of the questionnaire (see Chart 3) show that, even considering only firms reporting profit and with a debt-to-equity ratio below 20%, the percentage of credit rejections is 2.4 times higher (26% against 11%) among construction and real estate sector firms. However, this difference disappears when comparing the sample firms whose financial position is more compromised (35% in both cases).

Most firms that were unable to obtain all the funding requested from their usual credit institutions (65%) indicated that the main reason for this was a change in criteria by the banks (see Chart 4). However, a significant percentage declared that the funding difficulties were con-

5. According to Eurosystem harmonised interest rate and new customer loan statistics. It seems reasonable to assume that the bulk of loans to SMEs will be for less than €1 million.

EFFECTS ON INVESTMENT AT FIRMS

CHART 5



SOURCE: Banco de España.

nected with the general economic situation (22%) and with greater corporate risk (9%). In general, no key differences were detected in the replies to this question according to firm size or sector, although real estate and construction firms with more than 200 employees were those that most cited a change in institutions' credit standards as the reason for this (85%). Lastly, among firms with higher debt and lower profit levels, there was a greater tendency to attribute funding difficulties to their higher risk.

Consequences and outlook

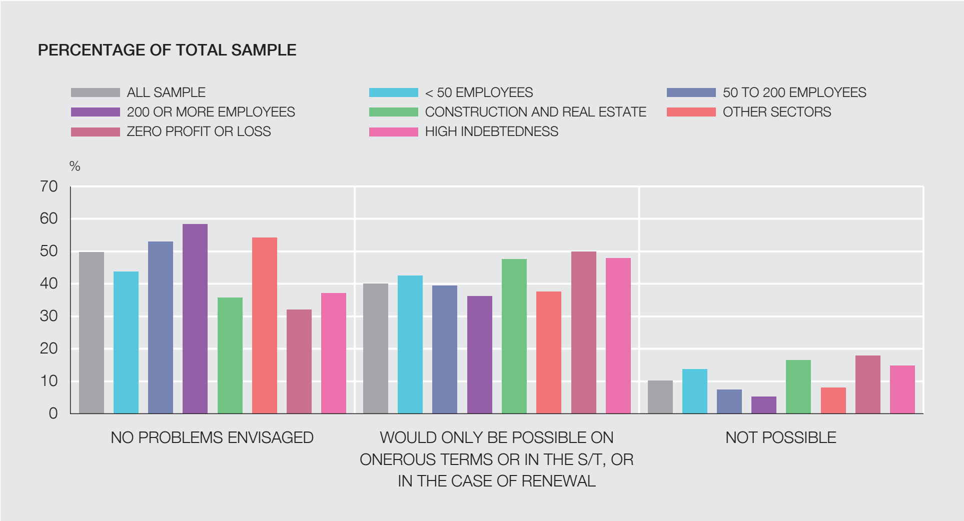
Most firms that failed to obtain all the funding requested from their usual credit institutions declared that, as a result, they had had to take alternative steps (with more than one alternative step possible by firm). The most common measure adopted was to cut projected investment: thus, around half the sample firms in this position (see Chart 5), equivalent to some 15% of the total sample, did just that, while 40% resorted to alternative sources of financing or available credit lines, 21% resorted to raising new funds from shareholders and 13% made asset disposals.

The more difficult a firm's financial position, the lower the degree of recourse to alternative sources of financing and the higher the degree of recourse to contributions from shareholders, asset disposals and investment cuts. By way of example, 64% of corporations that reported a loss in 2008 and that were unable to obtain all the funding requested from their usual credit institutions made investment cuts; this figure is significantly above the average, reflecting the fact that these corporations have fewer internal funds with which to offset the lack of external financing. This figure was also higher among smaller firms and construction and real estate firms, irrespective of their financial position. Asset disposals were most common among real estate services firms (31%), irrespective of whether they reported a profit (21%) or not (38%) in 2008.

The survey also included questions on firms' expectations regarding access to credit as at the date of the survey and over the next six months. Slightly less than half the sample firms indicated that they would not expect to have any difficulty in obtaining funding were they to need it as at the date of the survey, while 10% declared that it would be impossible to obtain funding (see Chart 6). The remainder expected that they would only be able to obtain funding on very onerous terms, that it would only be short-term funding and/or secured credit, or that it would only be possible via renewal of existing credit lines. Once again, smaller firms, real estate and

EXPECTATIONS REGARDING THE POSSIBILITY OF OBTAINING FUNDING AT THE PRESENT DATE

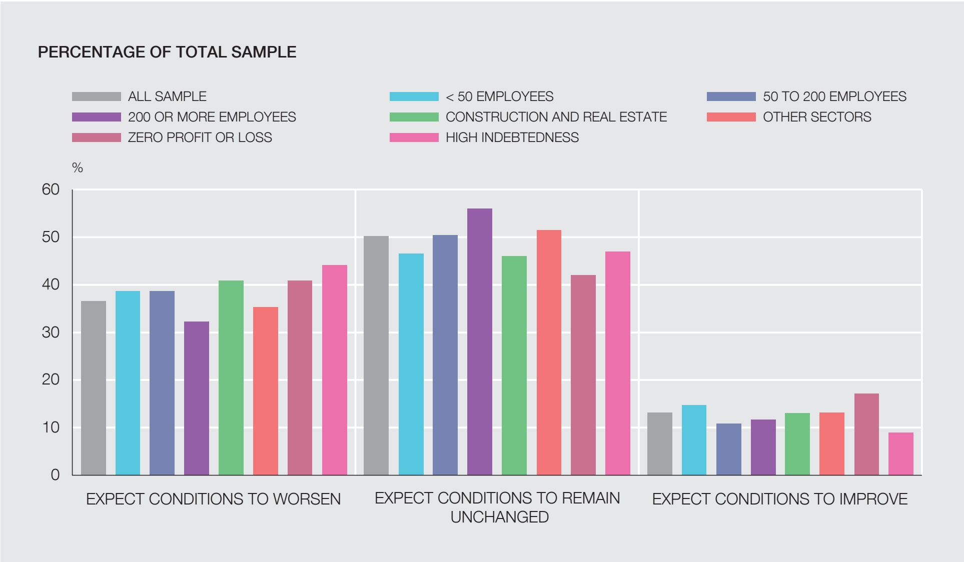
CHART 6



SOURCE: Banco de España.

EXPECTATIONS FOR CONDITIONS OF ACCESS TO CREDIT OVER THE NEXT SIX MONTHS

CHART 7



SOURCE: Banco de España.

construction firms and those whose financial position was more compromised expected to encounter the most difficulties.

Lastly, as Chart 7 shows, 37% of firms expected their access to credit to worsen over the next six months, while just 13% expected it to improve. The difference between these two views was slightly smaller among corporations with more than 200 employees and in branches of activity not connected with the real estate sector. By contrast, the percentage of firms expecting their access to credit to improve was higher among firms reporting a loss or zero profit (18%) and among firms with higher debt levels (15%), probably because they were already encountering greater difficulties in this respect.

Conclusions

In short, the results of the survey commissioned by the Banco de España show that firms whose financial position is more compromised, smaller firms and real estate and construction firms are encountering the most difficulties in accessing credit. As the questionnaire reflects recent credit standards, rather than how these standards have changed, it does not permit analysis of the extent to which these differences stem from structural or conjunctural factors. As regards the differences according to firm size, it seems reasonable to assume that these are, in part, due to structural factors, in line with the pattern identified in numerous empirical studies. In any case, the evidence provided by financial institutions through the BLS seems to suggest that an important part are also due to the current financial tension. The greater difficulties in accessing bank lending encountered by construction and real estate firms exceed those that may be warranted by their more compromised present financial position, meaning that they must be connected with a less positive view, on the part of credit institutions, of the future outlook for these branches of activity. A high proportion of firms that have faced difficulties in accessing credit have had to cut their spending plans; however, considering that a significant proportion of firms had no need to turn to the credit market for funding in the previous six months, this figure is lower as a percentage of the total sample.

13.5.2009.

ANNEX 1

Survey of Spanish non-financial corporations on conditions of access to credit (18.3.2009-3.4.2009)

SECTION 1: FIRM'S ECONOMIC POSITION

Q.1 Did your firm report a net profit or loss in 2008? (If the 2008 accounts have not yet been closed, please indicate whether you expect to report a net profit or loss at end-2008.)

— Profit	902
— Virtually zero profit	147
— Loss	318
— Don't know/No answer	17

Q.2 In comparison with the previous year, did your firm's profits improve, remain virtually unchanged or worsen in 2008?

— Improve	329
— Remain virtually unchanged	325
— Worsen	719
— Don't know/No answer	11

Q.3 What was the ratio of interest-bearing debt to equity at your firm at end-2008? Please include the interest-bearing debt owed to group companies, if any.

— Up to 20%	519
— Over 20% and up to 50%	390
— Over 50% and up to 100%	135
— Over 100% and up to 200%	48
— Over 200% and up to 400%	21
— Over 400%	14
— No debt	141
— Don't know/No answer	116

SECTION 2: RELATIONS WITH CREDIT INSTITUTIONS

2.1 Credit lines available

Q.4 Do you have a credit line available with a credit institution, or have you had one available in the last six months?

— Yes		862
— No	→ Go to Q.7	519
— Don't know/No answer		3

Only if the answer to Q.4 was "Yes":

Q.5 In the last six months, did your firm make more than usual use of your credit line(s)?

— Yes		373
— No	→ Go to Q.7	492
— Don't know/No answer		5

Only if the answer to Q.5 was "Yes":

Q.6 What was the main reason for your firm making more than usual use of your credit line(s)?

— Impossible to obtain funding through other channels	140
— Lower funding cost than through alternative channels	45
— Past-dues	64
— Growth/Investment	27
— Lower sales/Adverse situation	37
— Need for cash	39
— Other	23
— Don't know/No answer	0

2.2 New lending

To all

Q.7.a Over the last six months, did you renew any existing funding that matured?

— Yes	576
— No, it wasn't necessary	678
— No, it wasn't possible	124
— Don't know/No answer	6

Q.7.b Over the last six months, did you apply to a credit institution for any new funding?

— Yes	563
— No, we didn't need any	723
— No, we weren't able to or we didn't expect to obtain any	91
— Don't know/No answer	7

Only if the answer to Q.7.a or Q.7.b was "Yes":

Q.8 What was the result of applications made for new lending or credit renewals over the last six months?

— Impossible with any credit institution at any cost		107
— Impossible with any credit institution on terms that were not too onerous for the firm		41
— Obtained in part, i.e. not in the full amount or for a shorter term than requested, but not from the usual credit institutions		33
— Obtained in part, i.e. not in the full amount or for a shorter term than requested, from the usual credit institutions		139
— Obtained in full, but not from the usual credit institutions		55
— Obtained in full from the usual credit institutions	→ Go to Q.11	384
— Don't know/No answer		37

Q.9 What do you think was the *main reason* for your not obtaining all the funding from your usual credit institution(s)?

— General economic situation	84
— Firm's higher economic risk	33
— Change in credit institutions' attitude	255
— Less competition between credit institutions	1
— Other	20
— Don't know/No answer	25

Q.10 What kind of unexpected measures have you had to take as a result of your not obtaining all the funding from your usual credit institution(s)? (Where appropriate, please mark several options.)

— Greater recourse to undrawn balances in existing credit lines	43
— Recourse to other sources of borrowing (eg. trade credit, intercompany loans)	110
— Recourse to funds from shareholders	78
— Asset disposals	48
— Cuts in projected investment	207
— Other	69
— None	54
— Don't know/No answer	9

To all

Q.11 If you were to need new funding now, or if you had to renew existing funding that had matured, which of the following statements would be most appropriate to your firm's position?

— It would be totally impossible	136
— It would only be possible on highly onerous terms for the firm	205
— It would only be possible in the short term and/or via secured lending	185
— It would be impossible to obtain new funding, but it would be possible to renew existing funding upon maturity	149
— No difficulties in obtaining funding are envisaged, although the terms could be less favourable than in previous years	670
— Don't know/No answer	39

Classification data

D.1 Sector of activity

A.1	Agriculture, hunting and forestry		44
A.2	Fishing		6
A.3	Mining and quarrying		7
A.4			
	A.4.1	Food, beverages and tobacco industries	43
	A.4.2	Oil refining	12
	A.4.3	Chemical industry	30
	A.4.4	Glass, ceramics and building materials	24
	A.4.5	Metallurgy and manufacture of metal products; manufacture of machinery and equipment; electrical, electronic and optical materials and equipment	101
	A.4.6	Manufacture of transport equipment	32
	A.4.7	Other manufacturing industries	86
A.5	Production and distribution of electricity, gas and water		34
A.6	Construction		211
A.7	Wholesale and retail trade and repair services		190
A.8	Hotels and restaurants		135
A.9	Transport, storage and communication		117
A.11			
	A.11.1	Real estate activities	118
	A.11.2	Other business services	127
A.12	Other services		67

D.2 Size of firm

— Fewer than 10 workers	275
— Between 10 and 49 workers	461
— Between 50 and 199 workers	214
— Between 200 and 499 workers	153
— 500 or more workers	281