EUROPEAN CENTRAL BANK

EUROSYSTEM

Survey on the Access to Finance of Enterprises in the euro area

April to September 2020

November 2020

Contents

Introduction

This report presents the main results of the 23rd round of the Survey on the Access to Finance of Enterprises (SAFE) in the euro area, which was conducted between 7 September and 16 October 2020. The survey covered the period from April to September 2020. The total euro area sample size was 11,019 enterprises, of which 10,042 (91%) had fewer than 250 employees.[1]

The report provides evidence on changes in the financial situation of enterprises and documents trends in the need for and availability of external financing. It includes results on small and medium-sized enterprises (SMEs), as well as large firms, and examines developments both at the euro area level and in individual countries.

1 See Annex 3 for details on methodological issues related to the survey set-up.

1 Overview of the results

In the middle of the coronavirus (COVID-19) pandemic, euro area SMEs reported that difficulty in finding customers was the dominant concern for their business activity, while access to finance was considered to be among the least important obstacles. As in previous editions, the 23rd round of the Survey on the Access to Finance of Enterprises (SAFE) in the euro area asked entrepreneurs to indicate the most pressing problem facing their company. Difficulty in finding customers was considered the key concern for euro area SMEs (22%), followed by a lack of availability of skilled labour (19%). Concerns about access to finance rose in most countries. However, while lack of access to finance continued to have a strong impact on SMEs in Greece (22%) and Italy (14%), it remained among the least important obstacles in the euro area as a whole (10%). Other factors that relatively few SMEs saw as a major concern were competition (9%), costs of production and the regulatory burden (both 11%).

The turnover and profits of euro area SMEs deteriorated, reflecting the sharp fall in economic activity. In particular, euro area SMEs reported a strong decline in turnover, indicated by the lowest net percentage value[2] recorded since the inception of the survey in 2009 (-46%, from -2%). At the same time, SMEs signalled declining profits (-47%, from -15%) in most countries and sectors. The decline in economic activity and profits also took a heavy toll on firms' investment and hiring decisions: in net terms, SMEs reported reductions in fixed investments (-10%, from 12%), in inventories and working capital (-15%, from 1%) and in number of employees (-10%, from 5%).

Euro area enterprises reported fewer concerns about labour and other costs. For the first time since 2009, the net percentage of SMEs indicating an increase in labour costs dropped to 3% from 46%, and in some countries SMEs even signalled contractions, while the net percentage of firms reporting an increase in other costs declined to 11% (down from 45%). A small net percentage of SMEs reported an increase in interest expenses (5%, from 1%) and growing debt-to-assets ratios (8%, from -4%).

In this survey round, euro area SMEs reported an increase in the demand for bank loans to bridge their liquidity gaps. In net terms, euro area SMEs reported an increased need for bank loans (20%, from 8%) (see **Table 1**, column 2). Around 12% of SMEs, on balance, reported a rise in the need for trade credit (from 11%), with 6% indicating a higher demand for leasing or hire-purchase (from 10%). Financing was primarily used for inventories and working capital and less for fixed investment. Moreover, a higher percentage of SMEs used funding for refinancing or paying off obligations (17%, from 13%).

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[2] Net terms or net percentages are defined as the difference between the percentage of enterprises reporting that a given factor has increased and the percentage of those reporting that it has declined.

The availability of bank loans increased, while that of trade credit declined compared with the previous survey round. The net percentage of SMEs reporting an improvement in the availability of bank loans increased slightly to 6% (from 5%) (see **Table 1**, column 6). The countries in which SMEs reported the strongest improvement in the availability of bank loans were Spain, Italy and France. Euro area SMEs also indicated, on balance, an improvement in the availability of credit lines (3%, from 4%), mostly in Spain and Italy. By contrast, euro area SMEs reported a decline in the supply of trade credit (-1%, from 3%) – a signal of the continued disruption to supply chains – and increased availability of leasing or hire-purchase was reported by only 3% of SMEs, down from 12% in the previous survey round.

Since the beginning of the COVID-19 pandemic, the external financing gap of SMEs – the difference between the change in demand for and the change in availability of external financing – has turned positive. In this survey round, the financing gap remained positive at the euro area level (5%, from 2%) and across all euro area countries (see **Table 1**, column 10).

The balance sheets of euro area enterprises deteriorated in this survey round for the first time since the global financial crisis. The net percentage of SMEs indicating a rise in their debt-to-assets ratio rose to 8% (from -4%), ending the protracted deleveraging trend observed since 2010.

Table 1

Latest developments in SAFE country results for SMEs

(over the preceding six months; net percentages of respondents)

	NEEDS				AVAILABILITY				FINANCING GAP		FINANCING OBSTACLES	
	bank loans		credit lines		bank loans		credit lines					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	19H2	20H1	19H2	20H1	19H2	20H1	19H2	20H1	19H2	20H1	19H2	20H1
euro area	8	20	13	16	5	6	4	3	2	5	8	8
BE	0	6	4	10	6	-3	6	-1	-1	4	5	7
DE	0	8	7	11	4	1	6	1	-2	3	5	7
IE	0	9	12	13	12	0	9	4	-1	5	8	7
GR	23	38	25	34	11	-3	5	-2	8	17	22	27
ES	14	34	20	31	9	17	6	10	4	8	9	8
FR	14	25	15	14	7	10	1	4	4	5	6	6
IT	12	28	17	16	1	15	-2	6	7	4	10	8
NL	-2	-2	5	2	4	-13	6	-5	-2	3	8	10
AT	1	12	5	11	6	0	8	3	-3	5	4	5
PT	14	26	19	27	8	5	6	2	3	11	8	6
SK	0	12	10	8	8	-2	10	-2	-1	5	9	7
FI	4	7	11	8	4	-9	6	-2	1	4	4	6

Notes: For “needs”, see **Chart 11**; for “availability”, see **Chart 15**; and for the “financing gap”, see the notes to **Chart 17**. For “financing obstacles”, see the notes to **Chart 20**. “19H2” refers to round 22 (October 2019 to March 2020) and “20H1” refers to round 23 (April to September 2020).

The macroeconomic environment had a strong adverse effect on the availability of external financing for SMEs. Changes in the macroeconomic outlook were perceived to have negatively affected access to finance (-41%, from -30%) (**Chart 19**).

The deterioration was widespread across all euro area countries. At the same time, SMEs continued to indicate an improvement in the willingness of banks to provide credit (7%), while reporting deteriorations in their firm-specific outlook (-30%) and capital position (-7%).

For the first time since 2009, euro area SMEs reported an improvement in access to public financial support (14%, from -3%), an indication that the initiatives by a number of governments to provide public guarantees for bank loans during the COVID-19 pandemic have fed through to these enterprises.

The overall financing obstacles indicator[3] **regarding SMEs' access to bank loans remained unchanged at 8%** (see **Table 1**, column 12). While the percentage of SMEs reporting difficulty in accessing bank loans diminished in most countries, financing obstacles remained significant in the Netherlands (10%) and Greece (27%). In this survey round, 38% of SMEs had applied for a loan (up from 21%). The rate for fully successful loan applications reached 71% (from 67%), while the rejection rate remained unchanged at 5%.

Questioned about price terms and conditions of bank financing, SMEs reported, on balance, that bank interest rates had declined (-4%, from -10%). At the same time, a net 20% of SMEs (from 31%) continued to signal higher levels of other costs of financing, such as charges, fees and commissions. As for non-price terms and conditions, SMEs signalled increases in available loan size and maturity (both 14%) but also reported declines in collateral requirements (9%).

Looking ahead, SMEs are expecting the availability of most external financing sources to deteriorate, in particular bank loans (a net -16%, from -11%) and credit lines (-14%, from -11%).

In this survey round, large and medium-sized companies shared most of the concerns raised by SMEs about the development of their financial position in terms of turnover and profits but reported a better credit history and capital position. Around 48% of large firms applied for a bank loan, with a similar success rate (73%) to that of SMEs (71%). However, large firms experienced a lower rejection rate (2%) than SMEs (5%). According to the survey results, the median interest rate charged to large enterprises on credit lines was around 63 basis points lower than that paid by SMEs, although the spread narrowed compared with the previous round.

Nevertheless, large and medium-sized enterprises conveyed a more negative view of the business environment influencing their access to external funds than SMEs. A net 48% of large enterprises and 41% of medium-sized enterprises reported that the general economic outlook might have become an impediment to their access to external finance.

Overall, the survey results show a marked deterioration in the economic environment despite accommodative financing conditions and increased

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[3] The financing obstacles indicator is the sum of the percentages of SMEs reporting rejections of loan applications, loan applications for which only a limited amount was granted, and loan applications which resulted in an offer that was declined by the SME because the borrowing costs were too high, as well as the percentage of SMEs that did not apply for a loan for fear of rejection.

public support. Looking ahead, euro area SMEs meanwhile expect a decline in the availability of external and internal sources of finance.

2 The financial situation of SMEs in the euro area

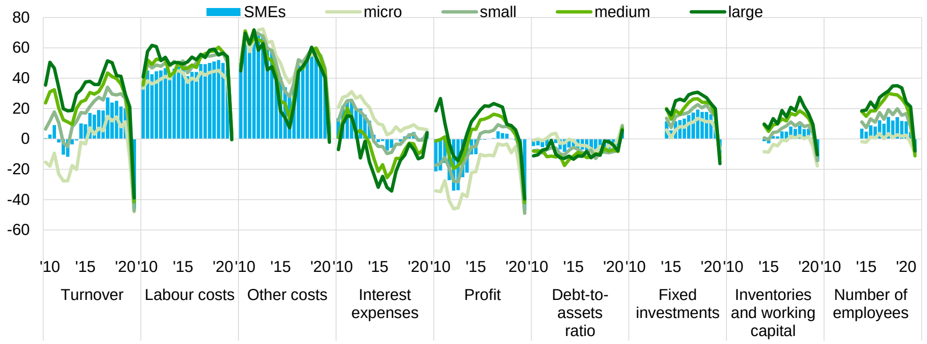
2.1 The financial situation of SMEs deteriorates further

In the period from April to September 2020, euro area SMEs reported a deterioration in the economic environment, despite generally accommodative financing conditions (see **Chart 1**). In this survey round, euro area SMEs signalled a decline in turnover in net terms[4] (-46%, from -2% in the previous survey round). The net percentage of SMEs reporting lower turnover in the current survey round is not only unprecedented (the lowest figure from previous survey rounds was -12% in 2012 at the peak of the euro area debt crisis) but also represents a second consecutive round of turnover declines, a situation that has not been seen since the beginning of 2014 and which highlights the extraordinary challenges SMEs have faced in 2020.

Chart 1

Change in the income and debt situation of euro area enterprises

(over the preceding six months; net percentages of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All enterprises. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Notes: The net percentage is the difference between the percentage of enterprises reporting an increase for a given factor and the percentage reporting a decrease. From round 11 onwards (April-September 2014), the concept of "Net interest expenses (what you pay in interest for your debt minus what you receive in interest for your assets)" was replaced with "Interest expenses (what your company pays in interest for its debt)".

The declines in turnover affected enterprises of different sizes. Larger firms reported slightly smaller net percentage balances (-39%, from 21%, for large companies and -42%, from 12%, for medium-sized companies) than smaller enterprises (-47%, from 4%, for small firms and -48%, from -13%, for micro firms). However, the drop in net percentages was more pronounced in the case of the larger firms.

Consequently, a greater percentage of euro area SMEs reported a deterioration in profits, with the net percentage value the lowest ever recorded in the survey (-47%, from -15%). The deterioration in profits was widespread across all firm sizes, with net percentage balances of -48% (from -23%) for micro firms, -49% (from -11%)

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4 Net terms or net percentages are defined as the difference between the percentage of enterprises reporting that a given factor has increased and the percentage of those reporting that it has declined.

for small firms, -42% (from -6%) for medium-sized companies and -40% (from -3%) for large firms.

At the same time, euro area enterprises reported that they were less concerned than previously about labour and other costs. For the first time since 2009, a much lower net proportion of euro area SMEs continued to report rising labour costs (3% overall, down from 46% previously), with significant reductions across firms of all sizes: the figures were 2% (down from 38%) for micro, 4% (from 50%) for small and 3% (from 53%) for medium. Large firms meanwhile reported declines in labour costs (-1% in net terms, from 54%) for the first time since the survey started in 2009. The situation reported for other costs was similar overall: in net terms, 11% of SMEs (from 45%) reported increases, with micro enterprises at 16% (from 44%), small firms at 9% (from 46%), medium-sized firms at 2% (from 45%) and large firms at -2% (from 40%).

A small net percentage of euro area SMEs reported an increase in interest expenses (5%) in this survey round, up from 1% in the previous round. Moreover, in net terms, firms in all size categories reported an increase in interest rate costs.

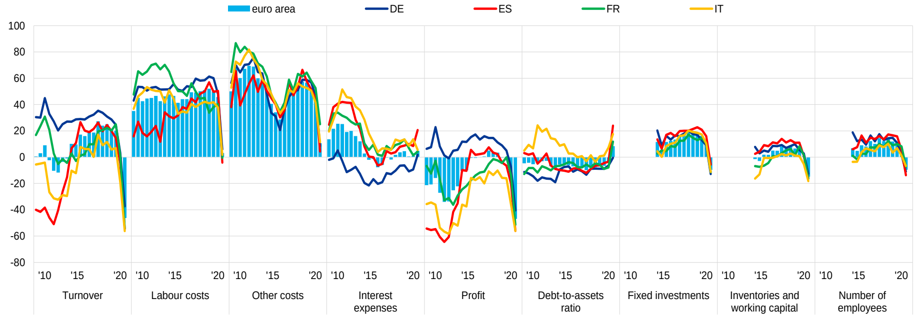
In this survey round, the balance sheets of euro area enterprises deteriorated for the first time since the global financial crisis. The net percentage of SMEs indicating a rise in their debt-to-assets ratio rose to 8% (from -4%) as a result of the adverse economic environment since early 2020, ending the protracted deleveraging trend observed since 2010. A similar net weakening in the financial position of firms was reported across size categories.

The sharp decline in economic activity and profits also took a heavy toll on firms' investment and hiring decisions. On balance, euro area SMEs reported a decline in fixed investments (-10%, down from 12%), inventories and working capital (-15%, from 1%) and number of employees (-10%, from 5%) – in all cases, for the first time in recent years. These negative dynamics applied to firms in all size categories.

Chart 2

Change in the income and debt situation of euro area SMEs

(over the preceding six months; net percentages of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1**.

Turning to developments across countries, the sharp deterioration in SMEs' economic activity over the last six months was widespread. In the largest euro area countries (see **Chart 2**), the net percentage of SMEs indicating a decrease in turnover rose strongly in Italy (-56%, from -19%), Spain (-55%, from -5%) and France (-54%, from 1%), and slightly less so in Germany (-37%, from 3%). SMEs from all euro area countries reported a record decline in turnover, in net terms, with those from Ireland (-62%, from 13%) and Greece (-59%, from -6%) among the most affected, and those from Finland (-22%, from 2%) and the Netherlands (-32%, from 13%) least affected (see **Chart 29** in Annex 1).

SMEs' profits were also hit by the decline in economic activity in all euro area countries. In most countries, the decrease in profits over the last six months came on top of already declining profits in the previous survey round, when the coronavirus (COVID-19) crisis erupted. In net terms, the contraction in profits was rather more severe in Italy (-56%, from -36%), Spain (-56%, from -20%) and France (-51%, from -13%), than it was in Germany (-40%, from -7%). Among the other countries, the percentage of SMEs reporting declining profits was highest in Greece (-66%, from -28%) and Ireland (-55%, from -5%). At the sectoral level, SMEs in the industrial and services sectors appear to have been the most affected by the deterioration in profits (-51%, from -20% and -53%, from -12%, respectively).

Reported increases in labour and other (i.e. materials and energy) costs eased in net terms across countries. Among the largest countries, SMEs in Spain (-4%, from 50%) and France (-1%, from 40%) actually reported net declines in labour costs, while those in Germany (6%, from 46%) and Italy (2%, from 38%) reported increases. By contrast, other costs reportedly continued to rise in all countries (11%, from 45%, for the euro area as a whole).

On balance, euro area SMEs indicated an increase in interest expenses in this survey round, although country-specific trends differed. Among the large economies, the highest net percentages were recorded among SMEs in Spain (21%, from 9%), while much lower net percentages were reported for those in France (4%, from 1%) and Germany (2%, from -9%). By contrast, a lower net percentage of Italian SMEs reported rising interest rate expenses in this survey round (6%, from 14%).

The crisis triggered a rise in SMEs' debt-to-assets ratios in most countries, breaking the deleveraging trend experienced in recent years. Among the large countries, the debt-to-assets ratio rose, on balance, for SMEs in Spain (24%, from -4%), Italy (18%, from 7%) and France (12%, from -8%). Meanwhile, it remained unchanged for German SMEs (0%, from -6%) (see **Chart 30** in Annex 1 for other countries).

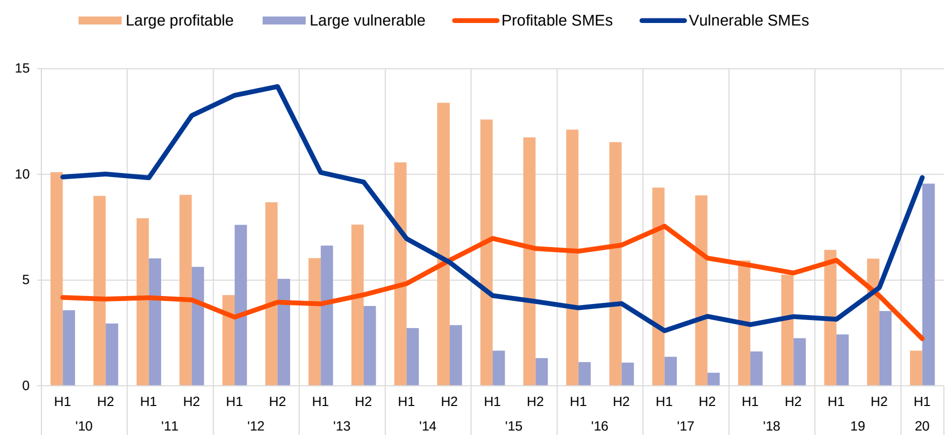
On balance, SMEs in all countries reported a contraction in expenses for fixed investment, inventories and working capital, and employment. The net proportion of SMEs reporting declines in fixed investment ranges between 10% and 20% for most countries, with the lowest adjustments observed in the Netherlands, Portugal and Slovakia. The contraction in inventories and working capital expenses, in net terms, tended to be somewhat stronger than for fixed investment, particularly among Greek (-29%, from -12%) and Portuguese SMEs (-27%, from -6%). Declines in number of employees were also reported, in net terms, in all countries, but the lowest net percentages were reported in Ireland (-23%, from 15%), Slovakia (-15%, from 1%), Spain (-14%, from 5%) and Belgium (-14%, from 8%).

Against this background, the financial vulnerability of euro area SMEs increased. An encompassing indicator of the financial situation of firms[5] (the "financial vulnerability indicator") suggests that 9.9% (from 4.7%) of euro area SMEs encountered major difficulties in running their business and servicing their debt and might therefore face more difficulties than other firms in accessing finance in the future. At the other end of the spectrum, the percentage of profitable firms (i.e. those that were more likely to be resilient to financial shocks) declined to 2.2% (from 4.3%). The financial vulnerability indicator nevertheless remains lower than at its peak in 2012, when it reached 14.2%. For large firms, however, the financial vulnerability indicator is higher now than at any stage of the previous crisis (see **Chart 3**; **Chart 31** in Annex 1 shows the country results).

Chart 3

Vulnerable and profitable enterprises in the euro area

(percentages of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All enterprises. Figures refer to rounds 3 (March-September 2010) to round 23 (April-September 2020) of the survey.
Note: For definitions, see footnote 5 of the report.

Looking at firm size, the number of vulnerable firms has increased for all sizes, but smaller firms remain rather more vulnerable than larger companies. In this survey round, the percentage of vulnerable enterprises among large firms increased to 9.6% (from 3.5%), compared with increases to 9.3% for micro firms (from 6.1%) and to 10.3% for small SMEs (from 3.7%). The percentage of firms characterised as "profitable"[6] is below 3% for all size categories and in most cases at or close to historically low levels.

5 Vulnerable firms are defined as those firms that have reported simultaneously lower turnover, decreasing profits, higher interest expenses and a higher or unchanged debt-to-assets ratio, while profitable firms are those that report simultaneously higher turnover and profits, lower or no interest expenses and a lower or no debt-to-assets ratio. See the box entitled "Distressed and profitable firms: two new indicators on the financial position of enterprises", Survey on the Access to Finance of Enterprises in the euro area, October 2017 to March 2018, ECB.

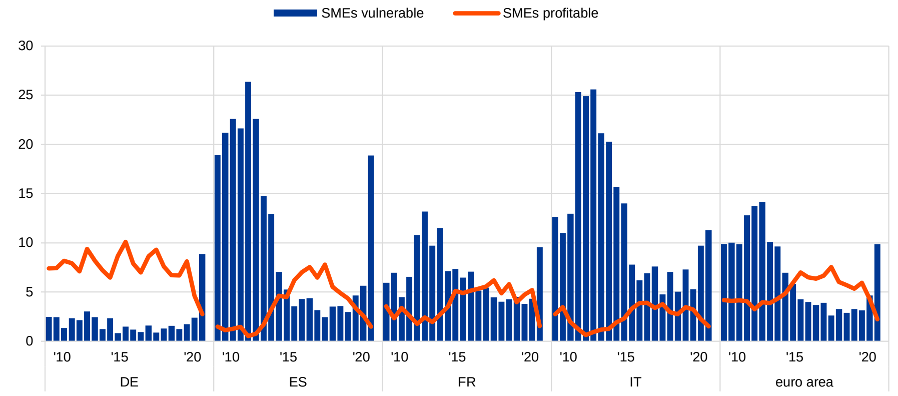
6 See footnote 5 for details.

Focusing on SMEs, the indicators of profitable and vulnerable firms reveal some heterogeneity across countries (see **Chart 4** for the euro area and the large countries). The percentage of distressed companies rose strongly in most countries, particularly Spain (to 18.9%, from 5.6%), Italy (11.3%, from 9.7%) and France (9.6%, from 4.3%). The percentage of vulnerable SMEs also rose in Germany (8.9%, from 2.4%). As regards profitable firms, the percentage likewise continued to decline in all large countries, with the decline in France (to 1.5%, from 5.2%) particularly noticeable. For the trend in other euro area countries, see **Chart 31** in Annex 1.

Chart 4

Vulnerable and profitable SMEs

(percentages of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.

For the second year in a row, the questionnaire included two additional questions for euro area enterprises: (1) on their main export markets and (2) on the impact of late payments on their business plans. Box 1 summarises the main results.

Box 1

Special questions: SMEs' export markets and the impact of late payments

Main features of euro area SME exports in 2019

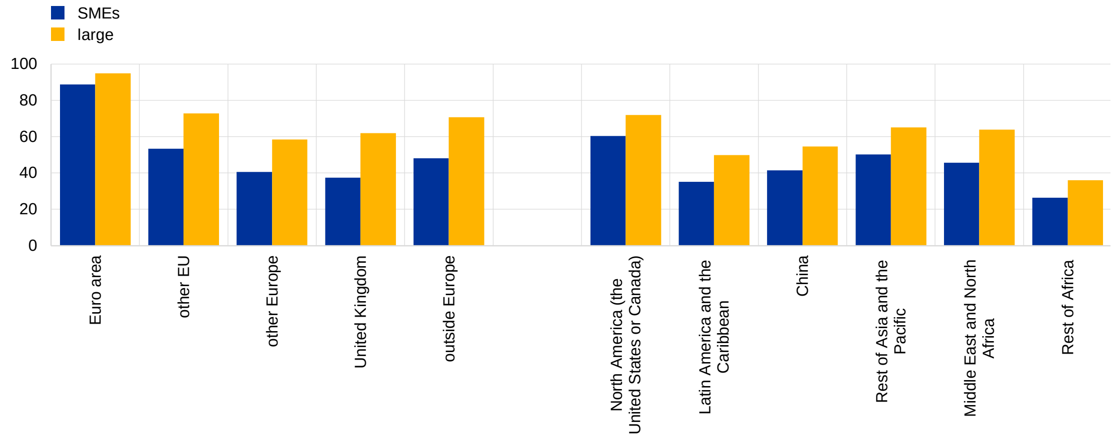
For the second year in a row, this survey enquired about the exporting activities of euro area enterprises. This question collects direct evidence from SMEs that may not be available from other sources. Moreover, comparing this year's replies with those obtained last year helps assess the robustness of the exporting patterns reported then. The overall picture of euro area SME exports arising from the present survey round reaffirms the crucial role of non-domestic sales for euro area companies. Of the SMEs that participated in the survey, 42% reported exporting some goods or services, with the percentage of exporting enterprises increasing with size and reaching 68% among large companies. Regarding the composition of these exports, while SMEs and large companies exported predominantly within the euro area (89% and 95% respectively), a significant percentage of companies also exported outside the euro area: 53% of SMEs exported to non-euro area EU countries, 41% to other European countries and 48% to countries outside Europe (see Chart A). Among SMEs exporting outside Europe, North America is the most common market destination (for

60% of SMEs), followed by Asia and the Pacific (around 50% excluding China, and 42% for China) and the Middle East and North Africa (46%).

Chart A

Export markets of euro area enterprises

(percentages of: (i) all exporting SMEs and large companies, left-hand panel; and (ii) SMEs and large companies exporting outside Europe, right-hand panel)



QA1: To which markets did your company export goods or services in 2019?

Base: Left-hand panel – all enterprises that exported; right-hand panel – all enterprises that exported outside Europe. Figures refer to round 23 (April-September 2020) of the survey.

As expected, larger companies report a greater degree of importance for non-domestic markets, but in terms of export country destinations, they show similar patterns of diversification to those of SMEs. Almost 73% sell their goods and services to other EU countries and 71% sell outside Europe, particularly to North America (72%) and to Asia and the Pacific (65% excluding China, and around 55% to China), which were the biggest markets for large euro area firms exporting outside Europe (see Chart A, right-hand panel).

In fact, exports by euro area enterprises in 2019 were very similar to those reported for 2018. The percentage of large companies declaring that they export to markets outside Europe has decreased from 75% to 71%, with the most substantial contraction being in the percentage of companies exporting to the Chinese market (from 62% to 55%), and with large companies in the services sector being the most affected (from 66% to 52%).

Late payments to euro area SMEs: frequency and impact

For the second year in a row, the survey also asked SMEs about the extent to which they perceived late payments[7] as a problem, and what impact late payments have on their business activity. In this survey round, 12% of euro area enterprises (both SMEs and large companies) signalled that they experienced problems on a regular basis as a result of late payments from private and/or public entities. Meanwhile, 31% of SMEs mentioned that these problems occurred occasionally in the last six months. These numbers imply just a marginal decrease for regular problems (13%) compared with last year's replies and a decrease by the same percentage for occasional ones. The frequency of regular problems with late payments over the last six months is the same for SMEs as for large companies. However, the percentage of large firms experiencing occasional late payments has

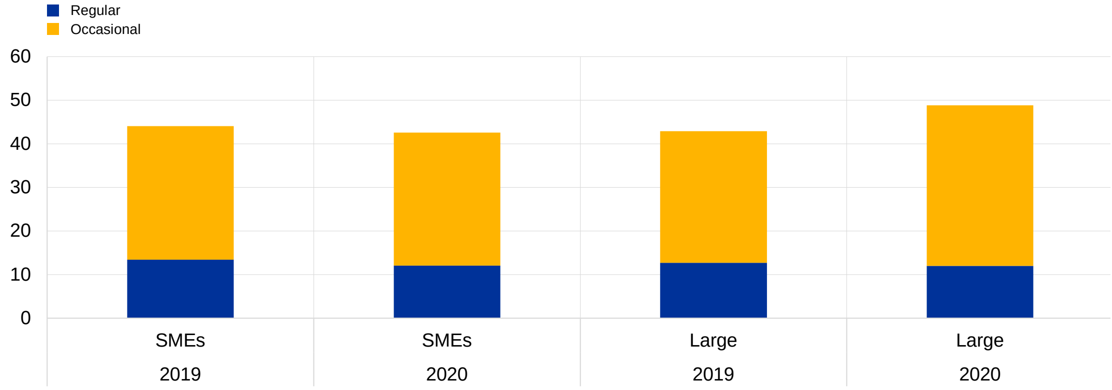
[7] A late payment is defined as a payment not made within the contractual or statutory period of payment, unless the debtor is not responsible for the delay, and when the creditor has fulfilled all its legal and contractual obligations.

increased to 37% over the past six months (from 30% last year), which suggests that larger firms may have been more affected this year by disruptions resulting from the COVID-19 pandemic owing to their supposedly wider business networks.

Chart B

Frequency of late payments among euro area enterprises between 2019 and 2020

(percentage of respondents)



QA2: Has your company experienced problems due to late payments from any private or public entity in the past six months?

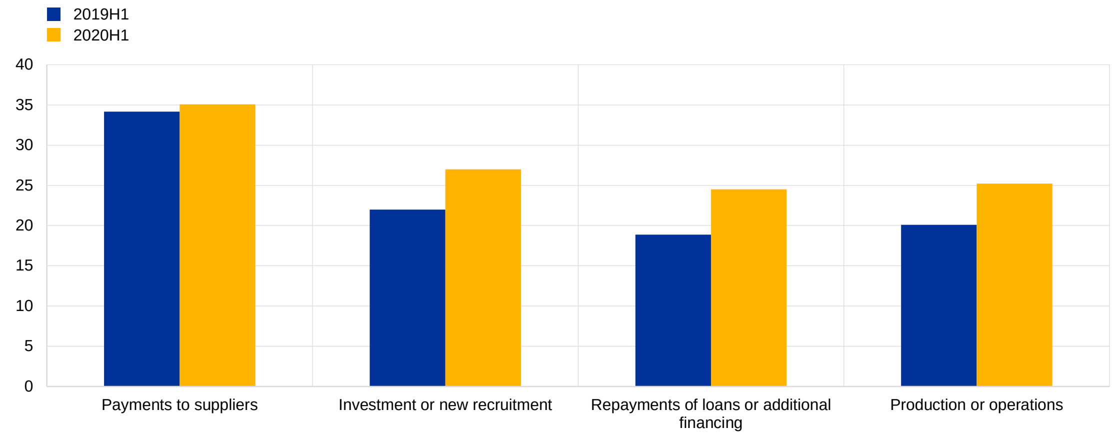
Base: All enterprises. Figures refer to round 23 (April-September 2020) of the survey.

A crucial reason for monitoring late payments is their potential impact on SMEs' business decisions, such as hiring and investing. In addition, late payments may well exacerbate the liquidity needs SMEs have faced during the course of 2020 due to the very challenging business conditions resulting from the COVID-19 pandemic. Compared with last year, a higher percentage of SMEs report that their regular operations have been impacted by late payments (see Chart C). Among those operations, payments to other suppliers have been the most frequently affected (reported by 35% of SMEs, up from 34%), but other business operations have also been affected for a larger percentage of SMEs this year, namely investment or recruitment (for 27%, from 26%), production or operations (for 25%, from 22%) and repayments of loans or use of additional financing (for 25%, from 20%). A similar picture emerges for large companies, although investment decisions and production plans appear to be more resilient to late payments in their case (business operations have only been affected for around 15% of these companies).

Chart C

Impact of late payments on euro area SMEs between 2019 and 2020

(percentage of respondents)



QA3: What were the consequences of those late payments?

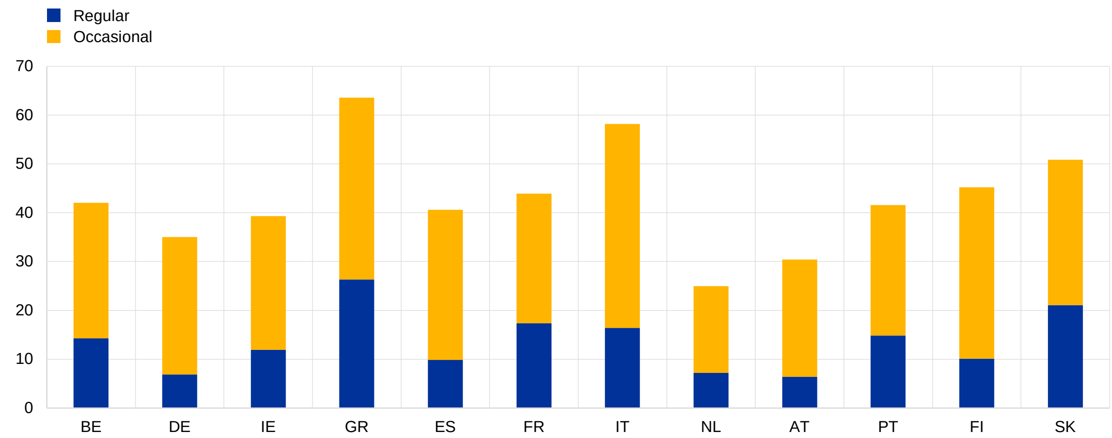
Base: All enterprises that experienced regular or occasional problems due to late payments. Figures refer to round 23 (April-September 2020) of the survey.

Turning to the situation across euro area countries, late payments are a regular problem for a relatively high proportion of firms in Greece and Slovakia (26% and 21% respectively), but also in France (17%) and Italy (16%) among the four largest countries (see Chart D). Occasional late payments have been more frequent in Greece and Italy. Overall, SMEs in the Netherlands and Austria have been the least affected by late payments over the last six months.

Chart D

Frequency of late payments on euro area SMEs in euro area countries in 2020

(percentage of respondents)



QA3: What were the consequences of those late payments?

Base: All enterprises that experienced regular or occasional problems due to late payments. Figures refer to round 23 (April-September 2020) of the survey.

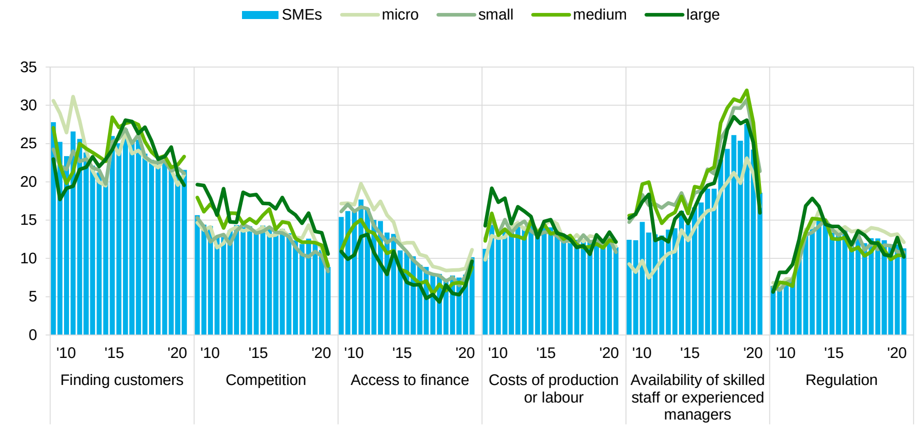
2.2 SMEs are more concerned about finding customers and less concerned about their access to finance

Finding customers and availability of skilled labour continue to be the main concerns for euro area SMEs during the COVID-19 crisis (see Chart 5). However, in this survey round, difficulty in finding customers rose marginally (reported as the main concern by 22% of firms, up from 21% in the previous round), while concerns about availability of skilled labour declined (19%, down from 24%). In addition, concerns regarding costs of production (11%, from 13%), regulation (11%, from 12%) and competition (9%, from 11%) eased slightly in this survey round. By contrast, SMEs reported rising concern over access to finance (10%, from 8%), although the level is still far from the historical peaks observed in 2011.

Chart 5

The most important problems faced by euro area enterprises

(percentages of respondents)



Q0. How important have the following problems been for your enterprise in the past six months?

Base: All enterprises. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Notes: The formulation of the question has changed over the survey rounds. Initially, respondents were asked to select one of the categories as the most pressing problem. From round 8, all respondents were asked to indicate how pressing a specific problem was on a scale of 1 (not pressing) to 10 (extremely pressing). In round 7, the formulation of the question followed the initial phrasing for one half of the sample and the new phrasing for the other half. In addition, if two or more items had the highest score in question Q0B on how pressing the problems were, a follow-up question (Q0C) was asked in order to resolve this, i.e. which of the problems was more pressing, even if only by a small margin. This follow-up question was removed from the questionnaire in round 11. The past results from round 7 onwards were also recalculated, disregarding the replies to question Q0C. In round 12, the word “pressing” was replaced by the word “important”.

Finding customers became the dominant concern for euro area SMEs, overtaking availability of skilled labour in this survey round. Looking at a breakdown by firm size, micro, small and medium-sized euro area companies cited finding customers as their main concern, with percentages of 21% (from 20%), 21% (from 22%) and 23% (from 22%) respectively. The subdued economic activity as a result of the COVID-19 crisis has eased concerns about the availability of skilled workers among SMEs regardless of their size: on balance, only 17%, 21% and 19% of micro, small and medium-sized companies respectively reported being concerned in this survey round, compared with 21%, 26% and 28% respectively in the previous survey round. Moreover, large firms showed a similar easing in their concerns over finding skilled staff (16%, from 25%). Across firm sizes, the concerns regarding costs of production, regulation and competition eased slightly in this survey round.

Meanwhile, concern over access to finance rose slightly, but this continues to be considered among the least important obstacles for euro area SMEs.

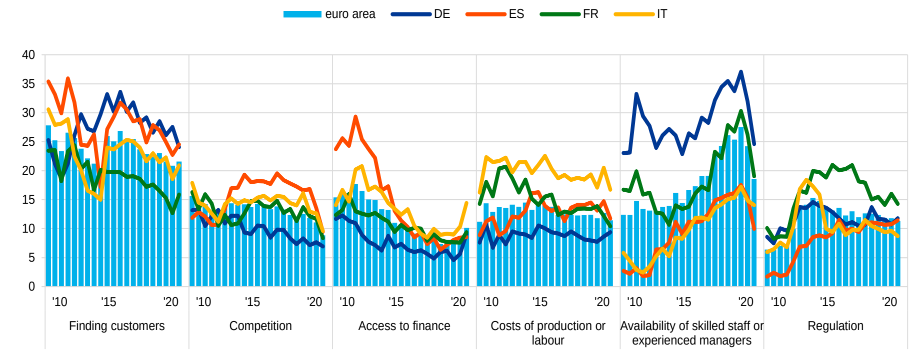
The main concerns among SMEs follow a similar pattern across euro area countries, albeit with some differences (see **Chart 6** and **Chart 32** in Annex 1). Among the largest euro area countries, Spanish SMEs most frequently cited finding customers as their main problem (25%, which is above the euro area average of 22%). At the same time, the lack of skilled staff was signalled as the biggest concern for German SMEs (25%) but as less of a problem for Spanish SMEs (10%). Among other euro area countries, Irish SMEs (29% versus 11%) and Portuguese SMEs (29% versus 13%) also showed greater concern over finding customers than over lack of skilled staff.

SMEs' concerns over access to finance have increased in the majority of countries, but it nonetheless remains the least pressing problem in most countries, with the level of concern far below historical peaks. Greek SMEs continued to be disproportionately affected by the lack of access to finance, with 22% (from 19%) of firms still citing it as their most important problem, well above the level for the other euro area countries, which, with the exception of Italy (14%, from 10%), showed net percentages in single digits.

Chart 6

The most important problems faced by euro area SMEs

(percentages of respondents)



Q0. How important have the following problems been for your enterprise in the past six months?

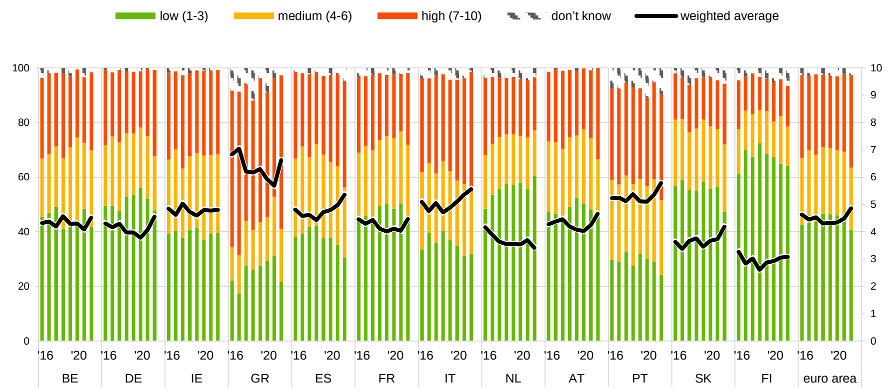
Base: All SMEs. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 5**.

SMEs' responses regarding the importance of access to finance in the current situation on a scale of 1-10 (see **Chart 7**) confirm the overall picture of rising concern in most countries. Scores increased in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal and Slovakia, as well as in the euro area as a whole. In fact, in terms of magnitude, concern among SMEs over access to finance is at its highest level in recent years in most of those countries (Germany, Spain, Italy, Austria, Portugal and Slovakia). In Greece, it is still perceived as a very important issue (with a rating of 6.6 on average), while scores in Portugal (5.8), Italy (5.6) and Spain are above the 5 mark. Finland continues to report the lowest average score (3.1).

Chart 7

Importance of access to finance as perceived by SMEs across euro area countries

(left-hand scale: percentages; right-hand scale: weighted averages)



Q0b. How important have the following problems been for your enterprise in the past six months?

Base: All SMEs. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Notes: Enterprises were asked to indicate how important a specific problem was on a scale of 1 (not at all important) to 10 (extremely important). On the chart, the scale has been divided into three categories: low (1-3), medium (4-6) and high importance (7-10). The weighted average score is an average of the responses using the weighted number of respondents.

3 SMEs' financing needs and sources

3.1 SMEs increased their use of subsidised loans

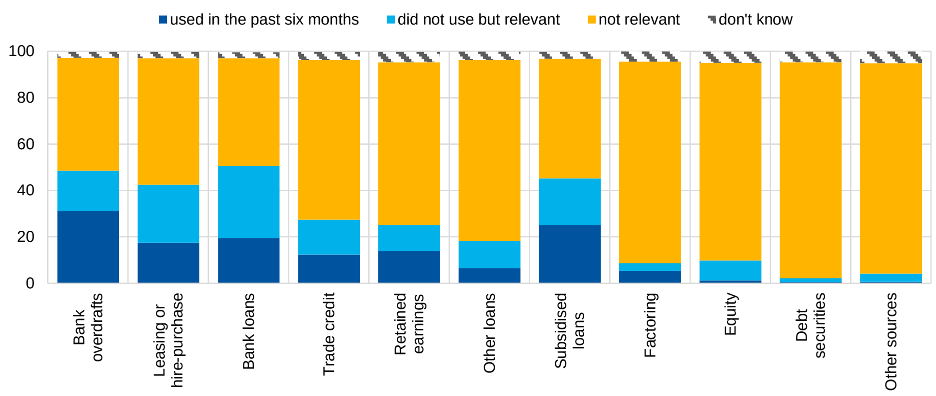
Bank-related products remained the most relevant financing source for SMEs, ahead of subsidised loans (see **Chart 8**). For the period from April to September 2020, around half of the euro area SMEs considered bank loans and credit lines to be relevant financial instruments for their businesses (50% and 49% respectively).[8]

The use of subsidised loans reached its highest level (25%, from 11%) since 2009, when the survey began, with 45% of SMEs (from 42%) indicating such loans as a potential source of finance. Other instruments mentioned by SMEs as an important source of finance were leasing or hire-purchase (43%), trade credit (28%), and internal funds (25%). Lastly, 18% of SMEs pointed to other loans (for example from family, friends or related companies) as a relevant source of finance. Market-based instruments, such as equity (10%), debt securities (2%) and factoring (9%) were much less frequently considered as a potential source of finance, with very marginal changes compared with the previous survey round.

Chart 8

Relevance of financing sources for euro area SMEs

(over the preceding six months; percentages of respondents)



Q4. Are the following sources of financing relevant to your enterprise, that is, have you used them in the past or considered using them in the future? If "yes", have you obtained new financing of this type in the past six months?

Base: All SMEs. Figures refer to round 23 (April-September 2020) of the survey.

The use of most financing instruments increased with firm size: the share of large firms that reported having used any given financing instrument was in all instances higher than that for SMEs, except in the case of subsidised loans (see **Chart 9**). While short-term bank finance (credit line/bank overdraft/credit card) remained the most popular source of finance by some margin, the use of other financing instruments was more heterogeneous. For example, large firms favoured leasing or hire-purchase to

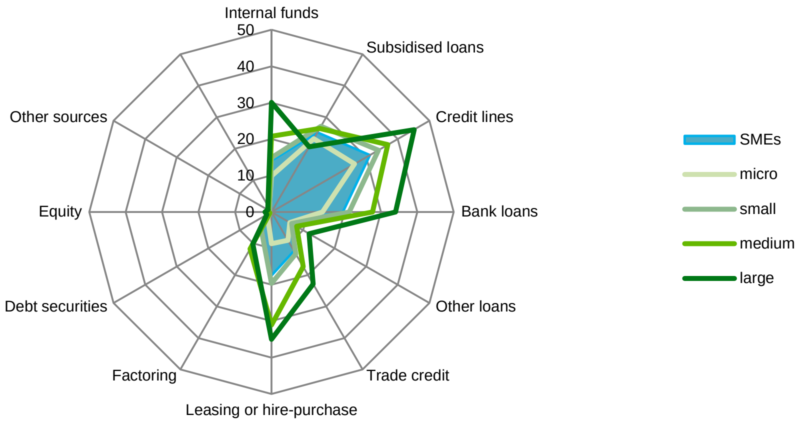
[8] The formulation of the question allows the relevance of a specific financial instrument to be disentangled from its usage. See the SAFE questionnaire.

bank loans, while SMEs reported having used subsidised loans more frequently than bank loans. Equity and debt securities, on the other hand, remained among the least frequently used sources of finance across all firm sizes.

Chart 9

Use of internal and external funds by euro area enterprises by firm size

(percentages of respondents that had used the respective instrument in the past six months)



Q4. Are the following sources of financing relevant to your enterprise, that is, have you used them in the past or considered using them in the future? If "yes", have you obtained new financing of this type in the past six months?

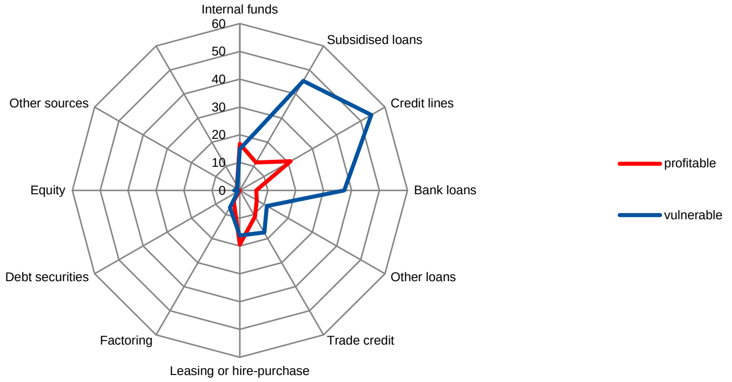
Base: All enterprises. Figures refer to round 23 (April-September 2020) of the survey.

Distinguishing between vulnerable and profitable SMEs can make it possible to analyse the impact a company's financial situation may have on the sources of finance used (see **Chart 10**). Vulnerable firms resorted to credit lines (54%) and subsidised loans (45%) as their main source of external financing to a much larger extent than profitable firms (21% and 12% respectively). In turn, profitable firms chose leasing or hire-purchase more frequently than vulnerable firms or relied more on their internal funds.

Chart 10

Use of internal and external funds by euro area SMEs across profitable and vulnerable firms

(percentages of respondents that had used the respective instrument in the past six months)



Q4. Are the following sources of financing relevant to your enterprise, that is, have you used them in the past or considered using them in the future? If “yes”, have you obtained new financing of this type in the past six months?

Base: All SMEs. Figures refer to round 23 (April-September 2020) of the survey.

3.2 Demand for external financing among euro area SMEs continued to rise

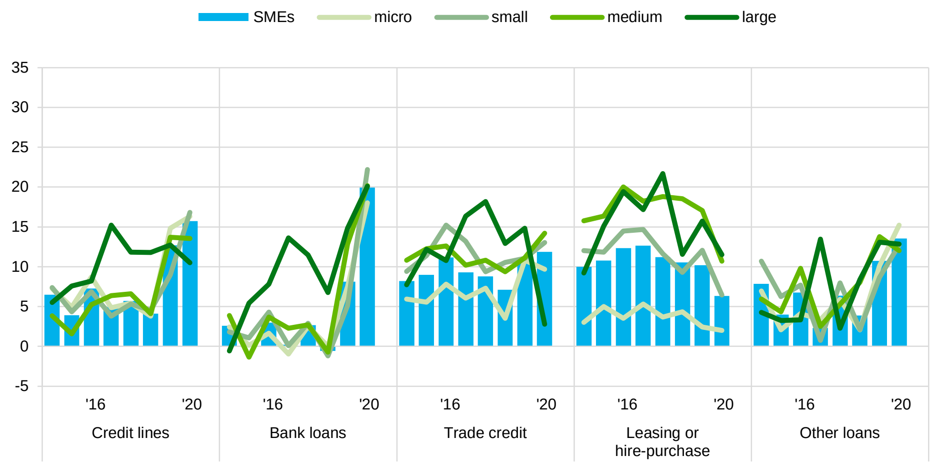
Demand for most external financing instruments among SMEs continued to rise (see **Chart 11**). SMEs reported a marked increase in their demand for bank loans[9] (20%, from 8%), while demand for credit lines and trade credit increased slightly less than previously (16% and 12%, from 13% and 11% respectively). Demand for leasing and hire-purchase agreements also increased at a slower pace (at 6%, from 10%).

[9] See the note to **Chart 11**. Only survey respondents who report that a particular financing instrument is relevant for their enterprise are asked about their need for that source of financing.

Chart 11

Change in external financing needs of euro area enterprises

(over the preceding six months; net percentages of respondents)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Base: Enterprises for which the respective instrument is relevant. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Notes: See the notes to Chart 1. The categories "Other loans" and "Leasing or hire-purchase" were introduced in round 12 (October 2014-March 2015). A financing instrument is "relevant" if the enterprise used the instrument in the past six months or did not use it but has experience of it (for rounds 1 to 10). From round 11 onwards, the respondents were asked whether the instrument was relevant, i.e. whether the enterprise had used it in the past or considered using it in the future. Given that the current concept of a "relevant" financing instrument differs from that used in the past, this might have an impact on the comparability over time for the subsequent questions. Caution should therefore be exercised when comparing the recent results with those of the previous rounds.

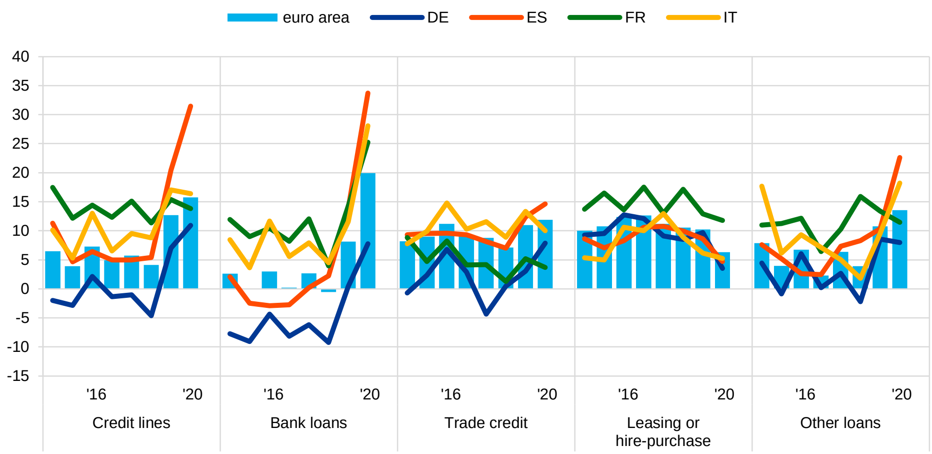
Large firms reported a continued increase in demand for external financing, albeit a weaker one than in the previous survey round. In net terms, while a higher share of large firms reported increases in demand for bank loans (20%, from 15%), for other loans the share remained unchanged at 13%. Demand for credit lines and leasing activity was marginally lower (at 11% and 12%, from 13% and 16%) while, on balance, fewer large firms reported an increased need for trade credit (3%, from 15%) than in the previous round.

Euro area SMEs reported significantly higher demand for bank finance than in the previous survey round in most countries. With the exception of the Netherlands, SMEs indicated increasing needs for bank loans in all euro area countries. Among the four largest economies, SMEs reported strongly increasing needs for bank loans in Spain (34%, from 14%), Italy (28%, from 12%) and France (25%, from 14%). Meanwhile, the need for bank loans rose more moderately in Germany (8%, from 0%, see **Chart 12**). The demand for credit lines rose in Spain (31%, from 20%) and Germany (11%, from 7%). It also rose, at a marginally lower rate than in the previous round, in France (14%, from 15%) and Italy (16%, from 17%).

Chart 12

Change in external financing needs of euro area SMEs

(over the preceding six months; net percentages of respondents)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.

Base: SMEs for which the respective instrument is relevant. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1** and **Chart 11**.

There was more heterogeneity across the large euro area countries for other types of external financing. Compared with the last survey round, SMEs reported a larger increase in the demand for other types of loans (from family, friends and related enterprises or shareholders) in France and Italy, but a somewhat lower increase in France and a decline in Germany. Demand for leasing and hire-purchase in turn increased most in France, while it rose at a similar speed in Germany and increased by less in Spain and Italy. Recourse to trade credit, however, was reported as being lower than in the previous survey round in the four countries.

In the other euro area countries, demand for external financing continued to be strongest in Greece. Greek SMEs reported strong demand for bank loans (38%, from 23%) and credit lines (34%, from 32%) (see **Chart 33** in Annex 1).

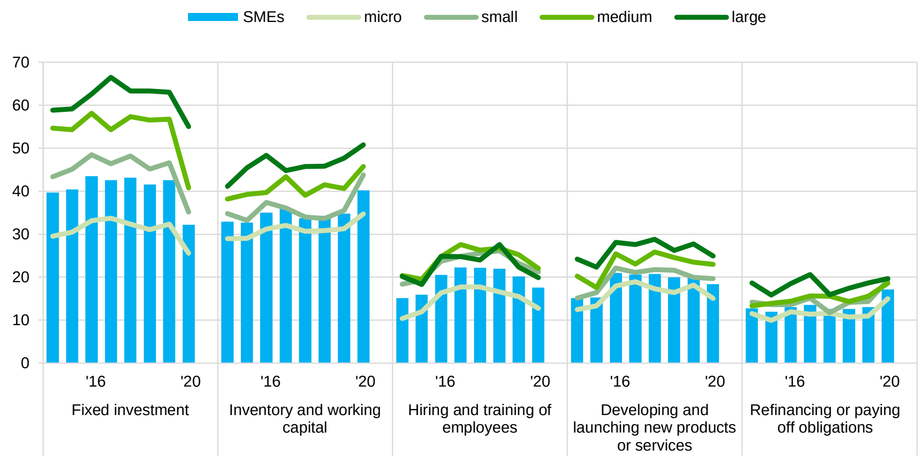
3.3 SMEs continued to use financing primarily for inventory and working capital, and less for fixed investments

Financing from external and internal sources continued to be used mainly for inventories and working capital, followed by fixed investment (see **Chart 13**). Around 40% of SMEs (from 35%) mentioned using inventory and working capital, while 32% (43% previously) reported using financing for fixed investment.

Chart 13

Purpose of the financing as perceived by euro area enterprises

(over the preceding six months; percentages of respondents)



Q6A. For what purpose was financing used by your enterprise during the past six months?

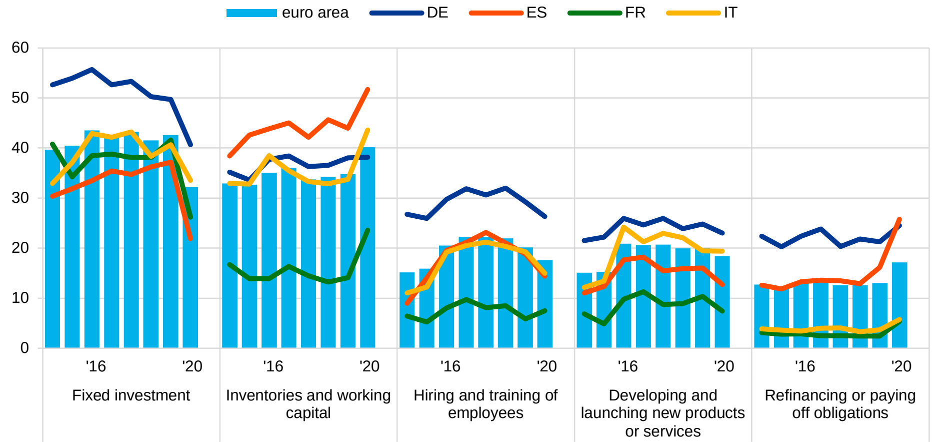
Base: All enterprises. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: The figures are based on the new question introduced in round 11 (April-September 2014).

The prevalence of fixed investment continued to be associated with company size. While 55% of large firms reported using funds for fixed investment, this applied to only 26% of micro firms. Investment in working capital and inventories was also related to firm size (51% for large firms, but only 35% for micro firms). Less frequently, SMEs used financing to hire and train employees (18%, from 20%), develop new products (18%, from 20%) and refinance obligations (17%, from 13%). Among the firms in large euro area countries, German SMEs continued to stand out in terms of use of funds for fixed investment, hiring and training. Around 41% of German SMEs reported using funding for fixed investment, compared with only 34% of Italian or 26% of French SMEs. Spanish firms continued to make strong use of financing for inventory and working capital (52%), employing it more frequently for this purpose than for fixed investment (see **Chart 14**).

Chart 14

Reported purpose of the financing used by SMEs across euro area countries

(over the preceding six months; percentages of respondents)



Q6A. For what purpose was financing used by your enterprise during the past six months?

Base: All SMEs. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the note to **Chart 13**.

4 Availability of external financing for SMEs in the euro area

4.1 Small improvement in the availability of external financing amid growing concerns over macroeconomic factors and the financial position of enterprises

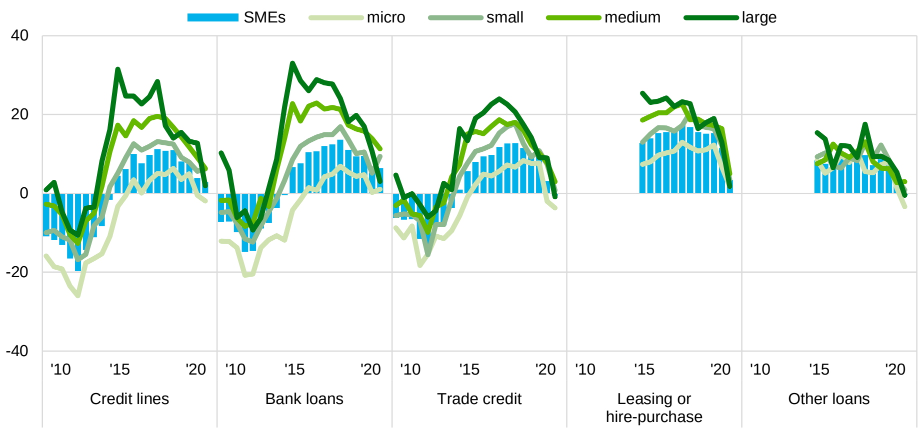
4.1.1 Availability of bank loans slightly improved

In the latest survey round, SMEs reported small improvements in the availability of external financing sources relevant for their business (see **Chart 15**).[10] For bank loans in particular, one of the most important sources of funding for SMEs, the net percentage of respondents indicating improved availability increased to 6% (from 5%). For all other financing instruments except trade credit, the net percentage of SMEs reporting easier access decreased to 3% for credit lines (from 4%), to 3% for leasing and hire-purchase (from 12%) and to 0% for other loans (from 2%). Reflecting the continued disruption in supply chains, euro area SMEs signalled a decline in the supply of trade credit (-1%, from 3%).

Chart 15

Change in the availability of external financing for euro area enterprises

(over the preceding six months; net percentages of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: Enterprises for which the respective instrument is relevant. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1** and **Chart 11**.

[10] See the notes to **Chart 11**. Only survey respondents that report that a particular financing instrument (i.e. bank loans, credit lines, trade credit, leasing and hire-purchase or other loans) is relevant for their enterprise are asked about the availability of these sources of financing.

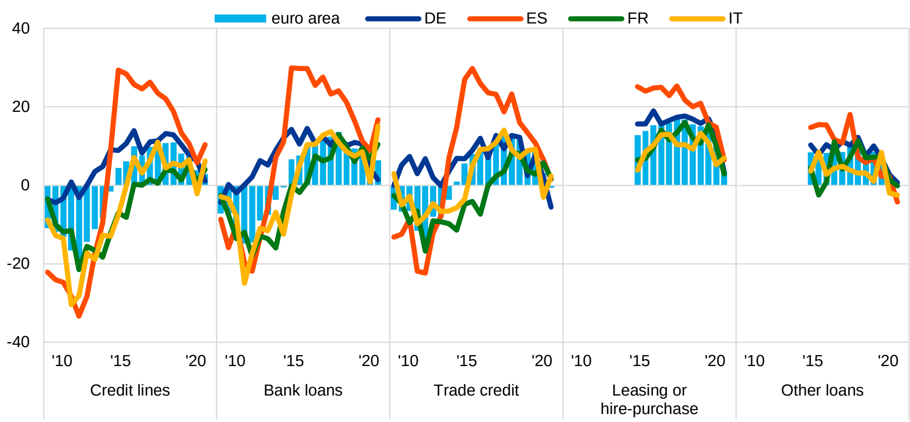
Medium-sized companies were the most positive in their assessment of the availability of external financing. In this survey round, the net percentage of firms reporting better access to external funding declined strongly for large enterprises, narrowing the gap to smaller firms. This was the case for bank loans in particular, for which a net 11% of medium-sized firms reported better availability, compared with 1% of micro and 3% of large companies. The differences are slightly smaller for trade credit (-4% for micro companies, compared with -1% for large companies, but 3% for medium-sized ones), credit lines (-2%, compared with 2% and 6%), other loans (-3%, compared with 0% and 3%) and leasing and hire-purchase (2% for both micro and large companies, compared with 5% for medium-sized companies).

Across countries, the differences are increasing (see **Chart 16** and **Chart 33** in Annex 1). Higher net percentages of respondents indicated better availability of bank loans, particularly in Spain, France and Italy, counterbalanced by lower percentages in the remaining countries, particularly in the case of Dutch, Greek, Irish and Finnish SMEs.

Chart 16

Change in the availability of external financing for euro area SMEs

(over the preceding six months; net percentages of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1** and **Chart 11**.

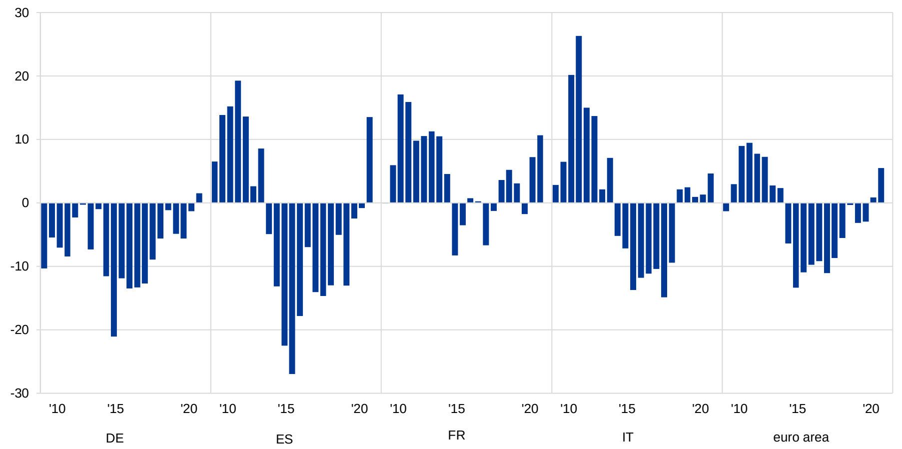
4.1.2 Demand for external funds rose faster than availability

Since the beginning of the COVID-19 pandemic, the external financing gap of euro area SMEs has remained positive across all euro area countries. For the euro area as a whole, SMEs perceived the improvements in their access to external funds to be smaller than the corresponding financing needs, resulting in a positive external financing gap of 5% (from 2%), see **Chart 17**). At the level of individual euro area countries, the financing gap was highest in Greece (17%), Portugal (11%) and Spain (8%) (see also **Chart 34** in Annex 1).

Chart 17

Change in the external financing gap perceived by SMEs across euro area countries

(over the preceding six months; weighted net balances)



Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.
Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. "Not applicable" and "Don't know" answers are excluded. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Notes: See the notes to **Chart 11**. The financing gap indicator combines both financing needs and availability of bank loans, credit lines, trade credit, equity and debt securities at the firm level. For each of the five financing instruments, the indicator of the perceived change in the financing gap takes the value of 1 (-1) if the need increases (decreases) and availability decreases (increases). If enterprises perceive only a one-sided increase (decrease) in the financing gap, the variable is assigned a value of 0.5 (-0.5). The composite indicator is the weighted average of the financing gap related to the five instruments. A positive value of the indicator suggests an increasing financing gap. Values are multiplied by 100 to obtain weighted net balances in percentages.

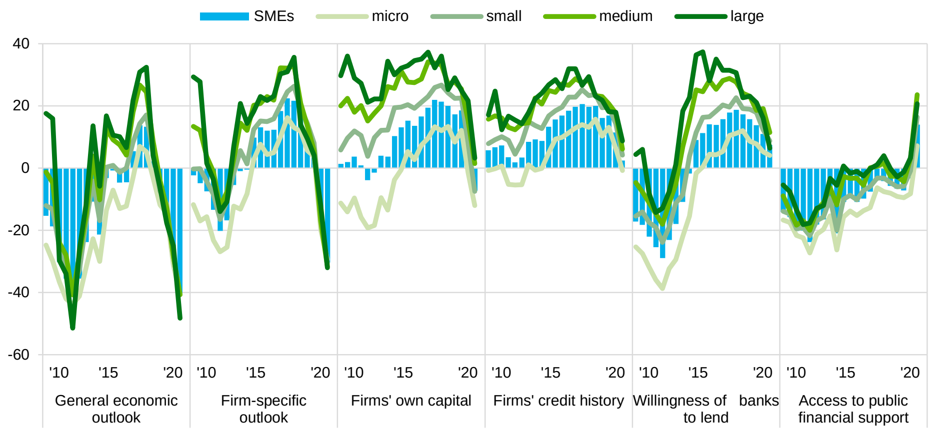
4.1.3 SMEs signalled strong concerns in relation to macroeconomic factors affecting their access to external finance

The adverse macroeconomic environment was reflected in the replies of SMEs regarding the impact of various factors on the availability of external finance (see **Chart 18**). Specifically, SMEs perceived changes in the general economic outlook to have negatively affected their access to finance (-41%, from -30%). In addition, euro area SMEs reported that deteriorations in their firm-specific outlook (-30%, from -18%) and capital position (-7%, from 5%) were also negatively affecting their ability to access to finance. By contrast, firms' perceived creditworthiness seemed not to be affected yet as 2% of euro area SMEs continued to report improvements, down from 11% in the previous survey round.

Chart 18

Change in factors with an impact on the availability of external financing to euro area enterprises

(over the preceding six months; net percentages of respondents)



Q11. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past six months?

Base: All enterprises; for the category “Willingness of banks to lend”, enterprises for which at least one bank financing instrument (credit line, bank overdraft, credit card overdraft, bank loan, subsidised bank loan) is relevant. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: From round 11 (April-September 2014), the category “Willingness of banks to provide a loan” was reformulated slightly to “Willingness of banks to provide credit to your enterprise”.

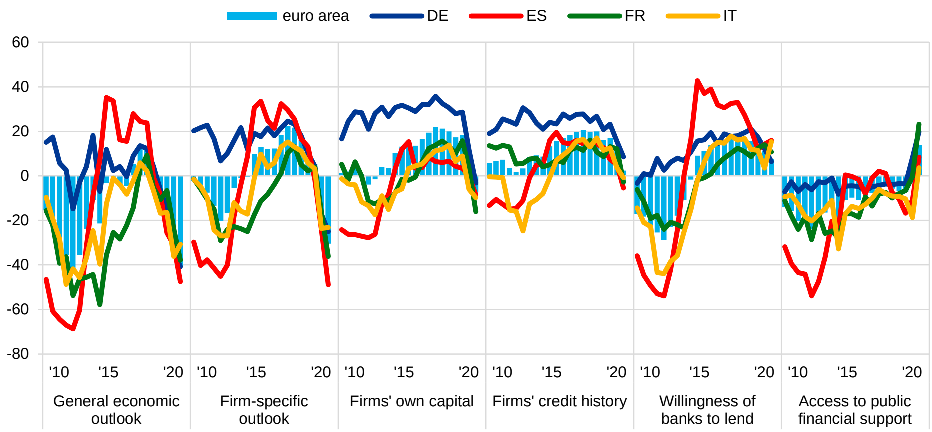
Large and medium-sized enterprises conveyed a more negative view of the business environment influencing their access to external finance than SMEs. A net 48% of large enterprises and 41% of medium-sized ones reported that the general economic outlook might have become an impediment for their access to external finance (from -25% and -28% respectively). While the assessment by medium and large enterprises deteriorated more in terms of their firm-specific outlook, it continued to improve in terms of their own capital and credit history in net terms, albeit by much less than in previous survey rounds. For the willingness of banks to lend, the net percentage of micro firms indicating better conditions declined slightly (to 4%, from 5%), as was the case for the other size classes, with the highest drops in percentages for large and medium-sized enterprises (at 6% and 11% respectively, from 16% and 19% in the previous survey round).

In the largest euro area countries, SMEs’ negative sentiment about the business environment increased considerably, while nearly all other factors affecting their access to external finance receded further relative to the previous survey round (see **Chart 19**). SMEs in Germany (-41%, from -34%), Spain (-47%, from 31%), France (-38%, from -24%) and Italy (-31%, from -36%) acknowledged the ongoing negative contribution made by the general economic outlook to the availability of external financing.

Chart 19

Change in factors with an impact on the availability of external financing to euro area SMEs

(over the preceding six months; net percentages of respondents)



Q11. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past six months?

Base: All SMEs; for the category "Willingness of banks to lend", SMEs for which at least one bank financing instrument (credit line, bank overdraft, credit card overdraft, bank loan or subsidised bank loan) is relevant. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: From round 11 (April-September 2014), the category "Willingness of banks to provide a loan" was reformulated slightly to "Willingness of banks to provide credit to your enterprise".

This increasingly negative impact was likewise observed across all the other euro area countries but was strongest in Austria (-57%, from -31%), Finland (-50%, from -44%), Portugal (-49%, from -29%) and Ireland (-48%, from -20%).

At the same time, banks' willingness to provide credit continued to improve, albeit by less than in previous survey rounds. 7% of SMEs reported, in net terms, an increasing willingness of banks to lend (from 11%), masking some heterogeneity across countries. The highest percentages of SMEs that felt there had been an improvement in the supply of bank credit were recorded in Spain (16%, from 14%) and Italy (15%, from 4%). Meanwhile, the percentage declined but still remained positive in France (11%, from 14%) and Germany (6%, from 12%). Elsewhere, the willingness of banks to lend was seen as having declined most in the Netherlands (-18%, from 5%) and Belgium (-5%, from 6%) (see **Chart 35** in Annex 1).

For the first time since 2009, euro area SMEs reported an improvement in access to public financial support (14%, from -3%), an indication that the initiatives by a number of governments to provide public guarantees for bank loans during the COVID-19 pandemic have fed through to these enterprises. Across countries, the percentages of SMEs were highest in Austria (38%, from 5%), Ireland (25%, from -1%), France (23%, from 0%) and Germany (20%, from 8%). They were lowest in Italy (4%, from -19%), Spain (8%, from -11%), where they turned positive for the first time since the inception of the survey, and the Netherlands (8%, from 0%). By contrast, in Belgium and Slovakia a small net percentage of SMEs reported a deterioration in public financial support (-2%, from -6%, and -1%, from -9%).

4.2 No significant changes in financing obstacles for SMEs

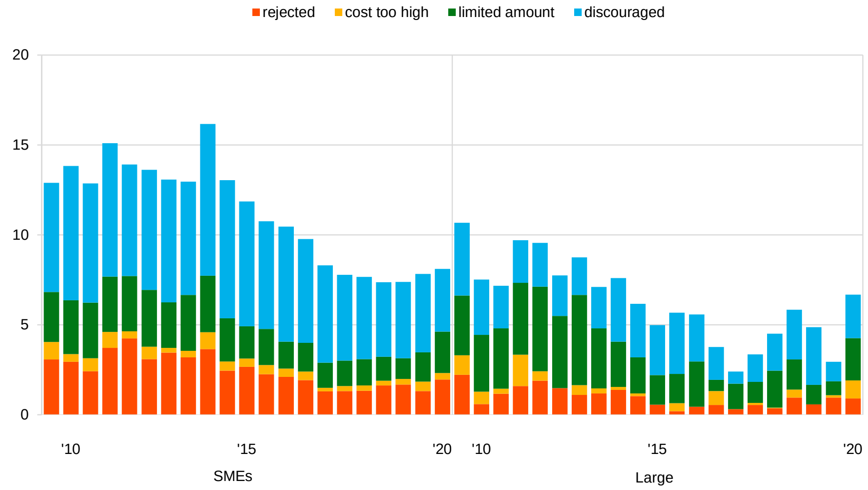
The share of SMEs reporting obstacles to obtaining a bank loan remained almost unchanged, while it increased for large enterprises (see **Chart 20**, panel a). Among enterprises judging bank loans relevant for their funding, 8.1% of SMEs faced obstacles to obtaining a loan (slightly up from 7.8%); the share increased to 6.7% for large enterprises (from 2.9%).

Looking at the different components of the financing obstacles indicator, the proportion of SMEs discouraged from applying for a loan declined to 3.5% (from 4.4%), while for large enterprises it increased to 2.4% (from 1.1%). At the same time, the proportion of loan applications rejected increased for SMEs (2%, from 1.3%) but declined slightly for large enterprises (0.9%, from 1.0%). By contrast, a higher percentage of SMEs and large companies reported receiving only a limited part of the loan amount requested (2.3% for SMEs and 2.4% for large firms), both higher than in the previous survey round (1.6% and 0.8%). Almost no enterprise (SME or large) considered the cost of a loan to be too high, but large companies indicated higher loan costs (1.0%, from 0.4%)

Chart 20
Obstacles to receiving a bank loan

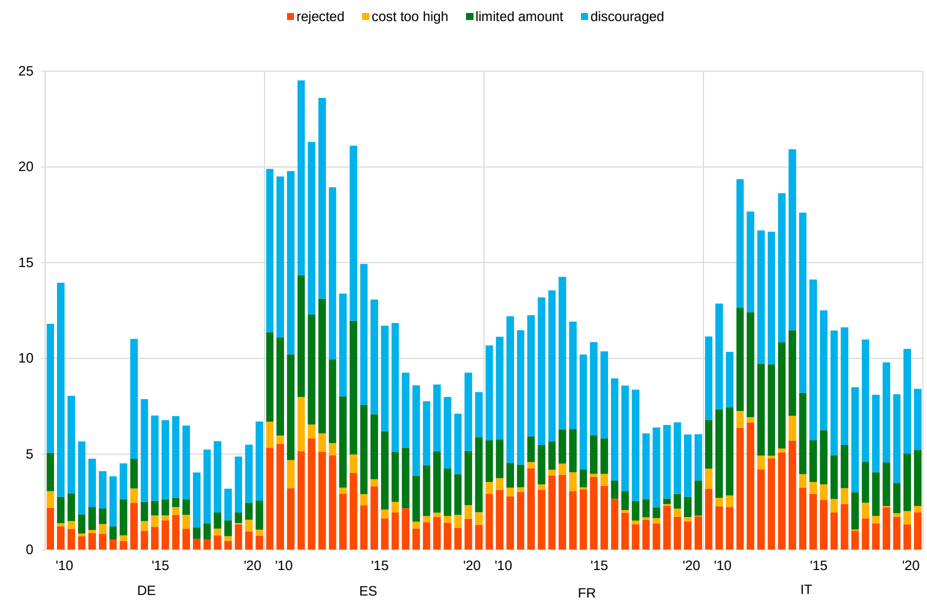
(over the preceding six months; percentages of respondents)

Panel a: Euro area SMEs and large enterprises



SMEs

Panel b: SMEs across euro area countries



Base: Enterprises for which bank loans (including subsided bank loans) are relevant. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Notes: Financing obstacles are defined here as the total of the percentages of enterprises reporting loan applications which were rejected, loan applications for which only a limited amount was granted, loan applications which resulted in an offer that was declined by the enterprises because the borrowing costs were too high, and enterprises that did not apply for a loan for fear of rejection (discouraged borrowers). The calculation of the indicator starts in 2010, when the question on applications for credit lines was first included in the questionnaire. The components of the financing obstacles indicator were affected by the amendments to the questionnaire in round 11 (filtering based on the relevance of the financing instrument and addition of the new category "My application is still pending"), and past data have been revised accordingly. The figures include the categories "My application is still pending" and "Don't know".

Across the largest euro area countries, the share of SMEs perceiving financing obstacles declined in Spain and Italy, but increased in Germany (see **Chart 20**, panel b). Reductions in the share of SMEs facing financing constraints were reported in Spain and Italy (from 9.3% to 8.2% in Spain and from 10.5% to 8.4% in Italy), as fewer SMEs signalled they were discouraged, although in Spain more SMEs signalled that they were quantity-constrained than six months previously. By contrast, in Germany there was an increase to 6.7% (from 5.5%) in the percentage of SMEs facing financing obstacles as a consequence of SMEs being more discouraged than in the previous survey round. French SMEs reported no changes in financing obstacles (6%), with a slightly higher percentage of quantity constrained firms offset by a smaller percentage of discouraged firms. During the COVID-19 pandemic, the percentage of SMEs reporting difficulties in accessing bank loans has increased in some countries and, in this survey round, was highest in the Netherlands (10.2%, from 8.5%) and Greece (27.3%, from 22%).

A small but increasing share of SMEs applied for a bank loan according to figures based only on firms that deemed such financing relevant for their business (see **Chart 36** in Annex 1). At the level of the euro area, 38% of SMEs applied for a loan (from 29%), while 33% of SMEs did not apply because of sufficient availability of internal funds (from 42%). Among firms submitting a loan application, 71% reported being successful in obtaining the full amount requested (from 67%) (see **Chart 37** in Annex 1). Among large enterprises, 73% received the full amount requested, down from 80%.

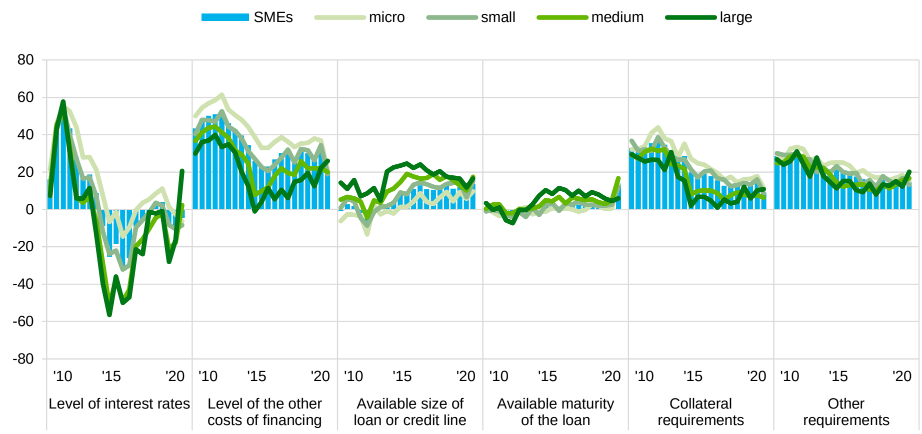
4.3 Interest rates declined while other costs of financing continued to increase

In this survey round, SMEs reported declines in interest rates on bank loans, with the net percentage reaching -4% (down from -10% in the previous round), although medium-sized firms reported an increase (2%, from -18%) (see **Chart 21**). SMEs continued to report an increase in other costs of financing, such as charges, fees and commissions, albeit a slightly smaller one than in the previous survey round (20%, from 31%). Other terms and conditions of bank loans were considered to have improved by a similar net percentage of SMEs compared with the previous round, including the available size of a loan or credit line (14%, from 7%), the available maturity (14%, from 2%), collateral requirements (9%, from 14%) and other requirements (15%, from 17%).

Chart 21

Change in terms and conditions of bank financing for euro area enterprises

(over the preceding six months; net percentages of respondents)



Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: Enterprises that had applied for bank loans (including subsidised bank loans), credit lines, or bank or credit card overdrafts. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1**.

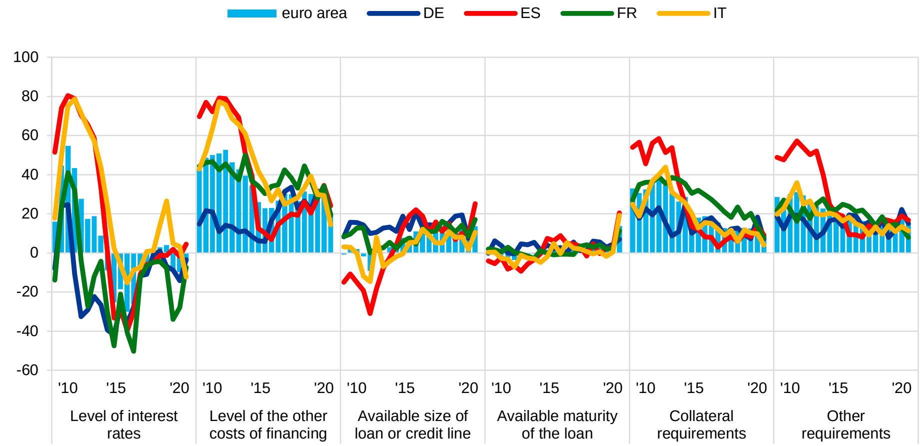
By contrast, large enterprises indicated a strong increase in interest rates and other costs of financing. A substantial net percentage of large enterprises reported higher interest rates on loans granted to them (21%, from -16%) than SMEs. At the same time, a greater net share of large enterprises indicated rises in other costs of financing (26%, from 22%) and other requirements (20%, from 12%), but also increasing size of available loans or credit lines (17%, from 12%). The net percentages remained more stable with respect to the previous survey round for other terms and conditions, namely collateral requirements (11%, from 10%) and available maturity (6%, from 4%).

Developments in interest rates were mixed in the large euro area economies (see **Chart 22**). The net percentage of SMEs reporting reductions in interest rates declined in Germany (-3%%, from -14%) and France (-7%, from -28%), while it was much higher in Italy (-12%, from 3%). In Spain, SMEs reported a slight increase in interest rates (4%, from -2%). By contrast, smaller shares of SMEs reported increases in other costs of financing in all four countries, Italy (14%, from 29%), France (19%, from 34%), Germany (20%, from 29%) and Spain (24%, from 34%).

Chart 22

Change in terms and conditions of bank financing for euro area SMEs

(over the preceding six months; net percentages of respondents)



Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: SMEs that had applied for bank loans (including subsidised bank loans), credit lines, or bank or credit card overdrafts. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1**.

In the other euro area countries, SMEs reported lower interest rates, with the exception of Belgian SMEs (see **Chart 38** and **Chart 39** in Annex 1). With regard to increases in other costs of financing (charges, fees and commissions), SMEs in most countries reported some deceleration relative to the previous survey round, except in the Netherlands and in Finland.

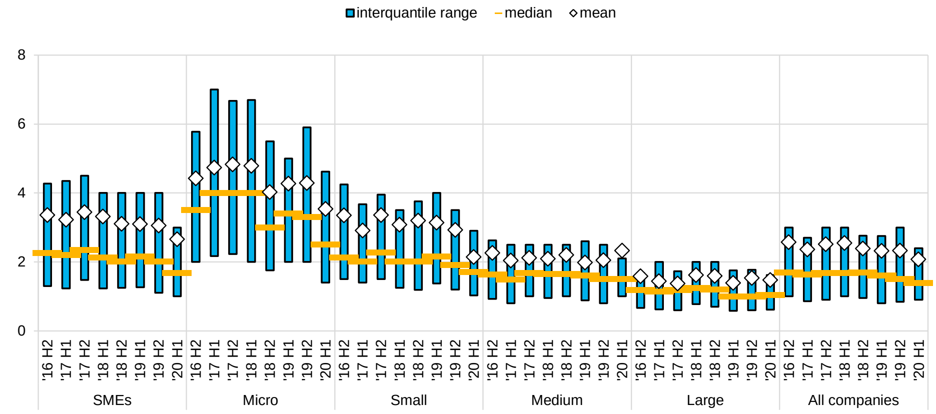
When asked about interest rates charged by banks on credit lines and overdrafts between April and September 2020, SMEs signalled some declines (see **Chart 23**)[11]. The median interest rate for SMEs decreased by 33 basis points to 1.7%. By contrast, interest rates for large enterprises remained broadly unchanged at 1.0% (4 basis points lower), considerably below the borrowing costs for all types of SMEs, particularly when compared with micro firms (2.5%, down from 3.0%).

[11] From round 11 (April-September 2014), the question regarding the interest rate of the credit line or bank overdraft was added to the questionnaire. The weighted mean reported by euro area enterprises (2.07%) is 16 basis points higher than the official monetary financial institutions' interest rate statistics on bank overdrafts (average in the period from April-September 2020), while the median value (1.39%) is 53 basis points lower. Two caveats apply when comparing the figures quoted in this report with the official bank interest rate statistics: (i) the bank statistics are weighted by the loan volumes, while the survey responses are weighted by the number of employees; and (ii) the bank statistics refer to the full financing granted in the period, while the survey includes all enterprises that had successfully applied for the credit line or bank overdraft or did not apply because the cost was too high.

Chart 23

Interest rate charged for a credit line or bank overdraft to euro area enterprises

(percentages)



Q8B. What interest rate was charged for the credit line or bank overdraft for which you applied?

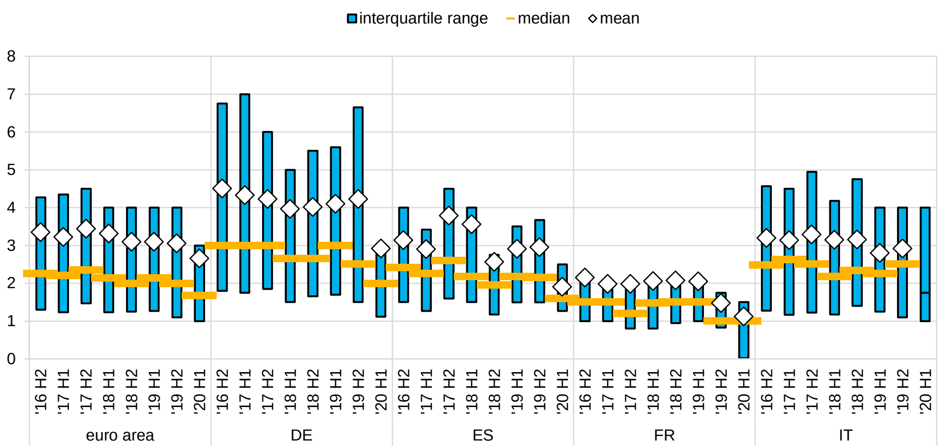
Base: Enterprises that had successfully applied for a credit line or bank overdraft or that did not apply because the cost was too high. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Notes: The interquartile range is defined as the difference between the 75th percentile and the 25th percentile. The figures are based on the question introduced in round 11 (April-September 2014).

In most large euro area countries, the interest rates charged for bank overdrafts and credit lines either decreased or remained unchanged. The highest reductions were signalled in Italy, where the reported median rate dropped by 75 basis points to 1.75%, and in Spain, where it fell by 55 basis point to 1.60%. The median rate also declined in Germany, falling 50 basis points to 2%. By contrast, French SMEs reported an unchanged median rate of 1% (see **Chart 24**).

Chart 24

Interest rate charged for a credit line or bank overdraft to euro area SMEs

(percentages)



Q8B. What interest rate was charged for the credit line or bank overdraft for which you applied?

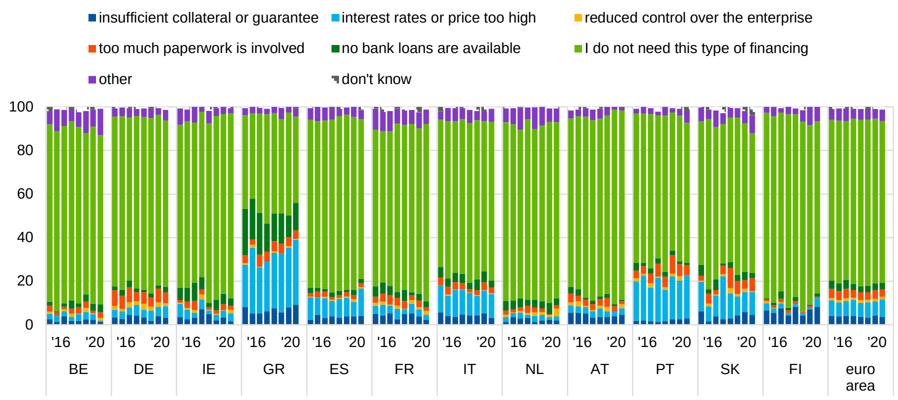
Base: SMEs that had successfully applied for a credit line or bank overdraft or that did not apply because the cost was too high. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Notes: The interquartile range is defined as the difference between the 75th percentile and the 25th percentile. The figures are based on the question introduced in round 11 (April-September 2014).

Around 47% of the SMEs interviewed indicated that bank loans are not a relevant source of finance for them. In the vast majority of these cases, SMEs had no need for financing via bank loan (74%; see **Chart 25**). A small percentage pointed to high interest rates or price as the primary reason for not using bank loans (8%, from 7%), with peaks in Spain (13%, from 7%), Portugal (20%, from 18%) and Greece (30%, from 27%).

Chart 25

Reasons why bank loans are not a relevant source of financing for euro area SMEs

(over the preceding six months; percentages of respondents)



Q32. You mentioned that bank loans are not relevant for your enterprise. What is the main reason for this?

Base: SMEs for which bank loans are not a relevant source of financing. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.

5 Expectations regarding access to finance

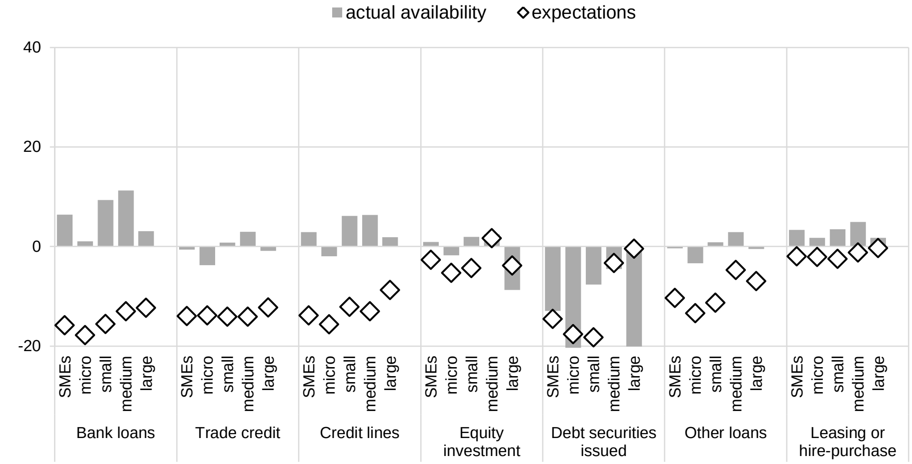
5.1 SMEs concerned about their access to external financing in the near future

In this survey round, SMEs are expecting a deterioration in the availability of most external financing sources (see **Chart 26**). Specifically, SMEs' expectations regarding access to bank loans over the next six months have deteriorated to -16% in net terms from the -11% reported in the previous survey round. Similarly, expectations regarding access to credit lines have also declined to a net -14% (from -11%). For trade credit, the net percentage is -14% (from -20%), while for other loans it is -10% (from -11%), and for leasing and hire-purchase it is -2% (from -3%). SMEs' expectations regarding debt securities issuance (-15%, from -16%) and equity issuance (-3%, from -5%) likewise point to a deterioration.[12]

Chart 26

Change in euro area enterprises' expectations regarding the availability of financing

(over the preceding six months and over the next six months; net percentages of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?
Q23. Looking ahead, for each of the following types of financing available to your enterprise, please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next six months.

Base: Enterprises for which the respective instrument is relevant. Figures refer to round 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1** and **Chart 11**.

Across company sizes, larger enterprises tend to be somewhat less pessimistic in their expectations for most sources of external financing. For example, while the net percentages for large firms also show that they expect a deterioration in access to bank-related products in the months ahead, these percentages are generally lower than those for SMEs regarding bank loans (-12%, compared with

[12] As usual, the figures relating to market-based finance need to be treated with some caution, as the percentage of firms answering this question in the survey remains extremely low (only 14% of all SMEs considered market-based financing potentially relevant).

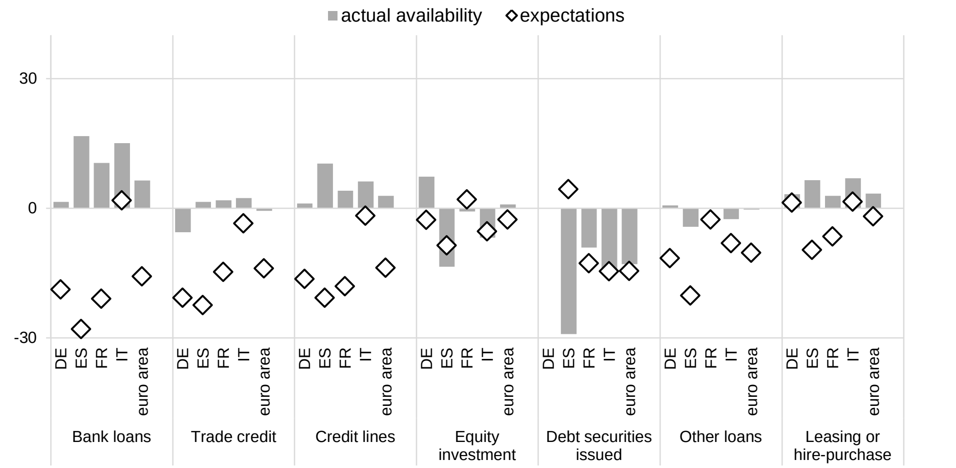
-16% for SMEs), credit lines (-9%, compared with -14%), and leasing or hire-purchase (broadly unchanged compared with -2%), even though smaller firms seem to have benefited more than larger firms from improvements in external financing over the last six months. This is also the case for other sources of external funds, except equity investment (-4%, compared with -3% for SMEs).

SMEs' expectations regarding the availability of external financing in the coming months show a high degree of heterogeneity across the largest euro area countries (see **Chart 27**). For example, a deterioration from the last round is expected in Germany (-19%, compared with -9% in the last round), Spain (-28%, compared with -12%) and France (21%, compared with -9%). By contrast, Italian SMEs, on balance, expect a slight improvement (2%, compared with -13%) in the availability of bank loans in the next six months. Italian firms also expect relatively lower deteriorations for trade credit and credit lines, while French companies are the only ones expecting an improvement in equity issuance, and Spanish firms are alone in expecting an improvement in debt securities issuance (see **Chart 27**).

Chart 27

Change in euro area SMEs' expectations regarding the availability of financing

(over the preceding six months and over the next six months; net percentages of respondents)



Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?
Q23. Looking ahead, for each of the following types of financing available to your enterprise, please indicate whether you think their availability will improve, deteriorate or remain unchanged over the next six months.

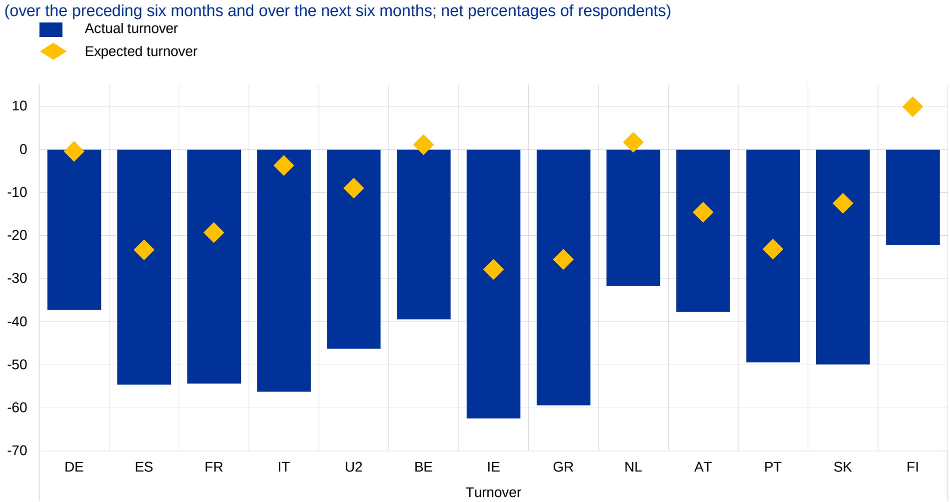
Base: SMEs for which the respective instrument is relevant. Figures refer to round 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1** and **Chart 11**.

Expectations regarding turnover suggest that the COVID-19 pandemic will have a lasting effect on business activity. The net percentage figure (-9%) indicates that, on balance, euro area enterprises foresee a continued decrease in turnover during the next six months (see **Chart 28**) – although the number of SMEs expecting a further decline in turnover is lower than the number of enterprises that reported an actual decline over the past six months (-46%). Survey results also indicated some heterogeneity in the expected speed of recovery among countries. In Belgium (1%), the Netherlands (2%) and particularly in Finland (10%), higher turnover is already expected, on balance, over the next six months, while in Germany (-1%) and Italy (-4%) expectations suggest relatively mild declines. By contrast, the expectations of firms in Ireland (-28%), Greece (-26%), Spain and Portugal (-23% in both cases) clearly indicate a continued decrease in turnover, suggesting that there will be no recovery in business activity in those countries over the next six months.

Chart 28

Actual and expected turnover among euro area SMEs

(over the preceding six months and over the next six months; net percentages of respondents)



Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?
Q26. Looking ahead, please indicate whether you think your company's turnover will increase, decrease or remain unchanged over the next six months.

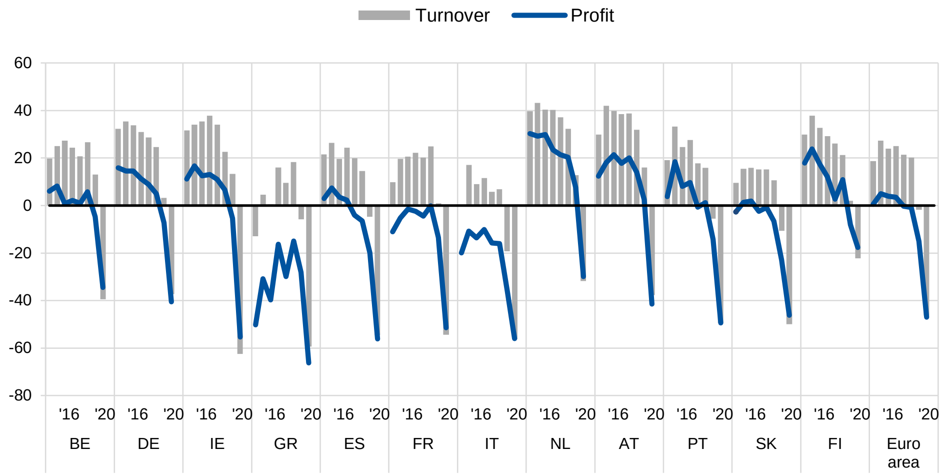
Base: Euro area SMEs, net percentages of respondents across past 6 months and next 6 months. Figures refer to round 23 (April-September 2020) of the survey.

Annexes

Annex 1
Overview of the survey replies – selected charts

Chart 29
Change in turnover and profits of SMEs across euro area countries

(over the preceding six months; net percentages of respondents)

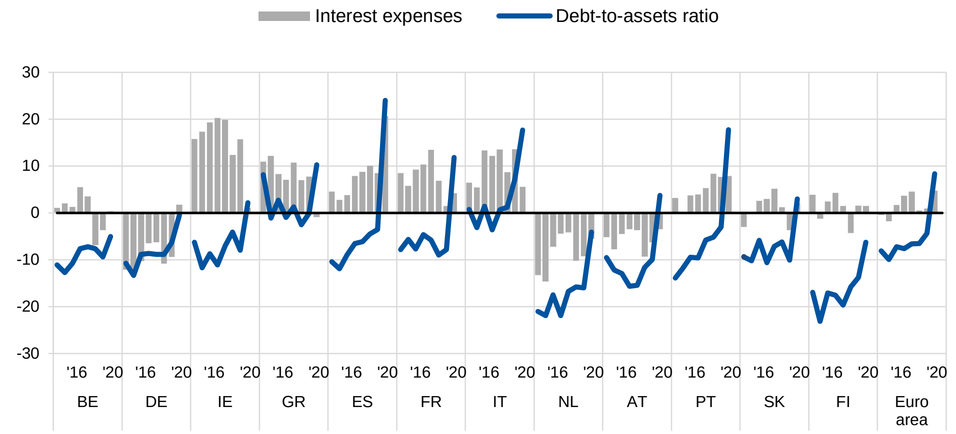


Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September) 2020) of the survey.
Note: See the notes to **Chart 1**.

Chart 30
Change in debt-to-assets ratio and interest expenses of SMEs across euro area countries

(over the preceding six months; net percentages of respondents)



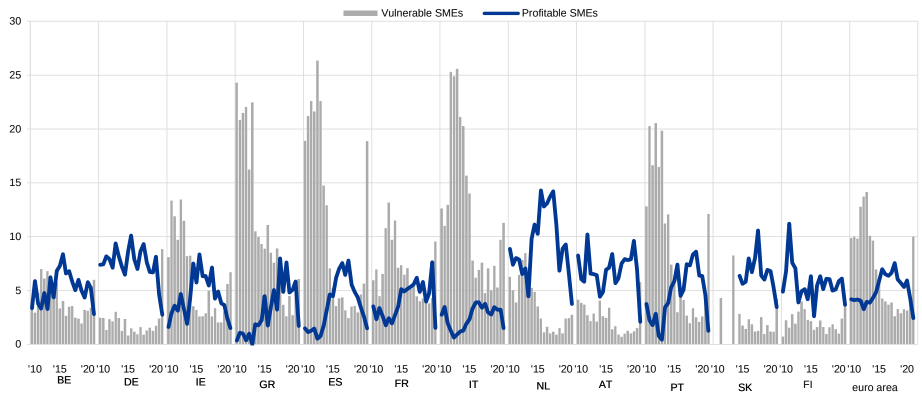
Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020)23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1**.

Chart 31

Vulnerable and profitable SMEs across euro area countries

(over the preceding six months; percentages of respondents)



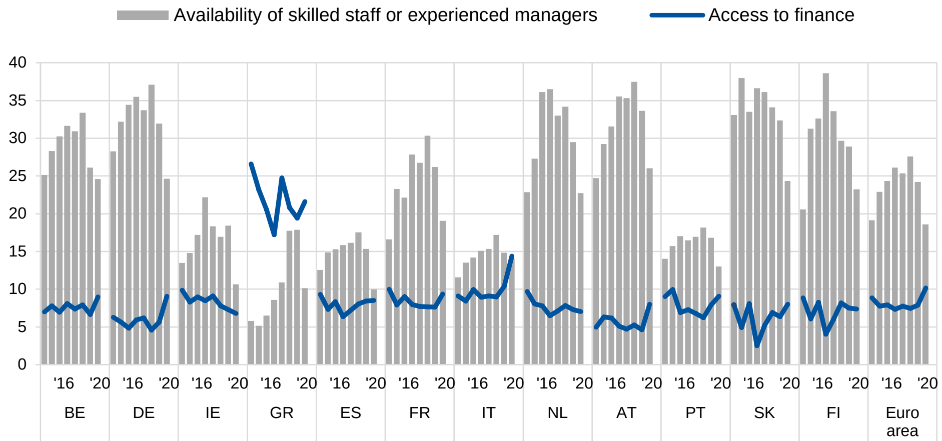
Q2. Have the following company indicators decreased, remained unchanged or increased over the past six months?

Base: All SMEs. Figures refer to rounds 3 (March-September 2010) to 23 (April-September 2020) of the survey.
Notes: For definitions, see footnote 5 of the report. In Slovakia, the survey was initially conducted every two years (first half of 2009, 2011 and 2013). From 2014 onwards, Slovakia has been included in the sample in each survey round.

Chart 32

The most important problems faced by euro area SMEs across euro area countries

(over the preceding six months; percentages of respondents)



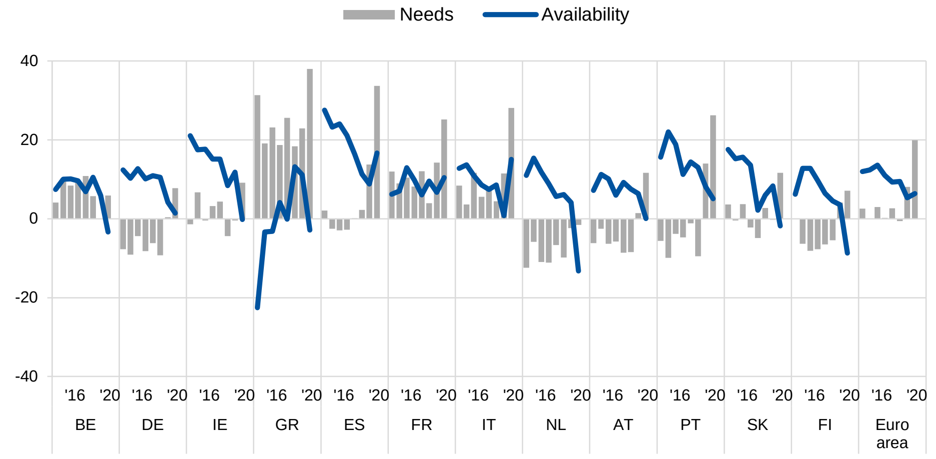
Q0. How important have the following problems been for your enterprise in the past six months?

Base: All SMEs. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 5**.

Chart 33

Change in the availability of and need for bank loans for SMEs across euro area countries

(over the preceding six months; net percentages of respondents)



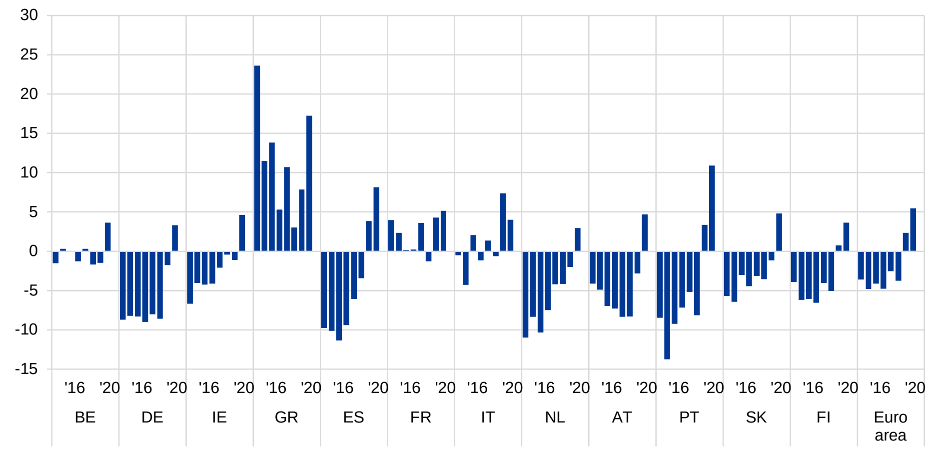
Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.
Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1** and **Chart 11**.

Chart 34

Change in the external financing gap perceived by SMEs across euro area countries

(over the preceding six months; weighted net balances)



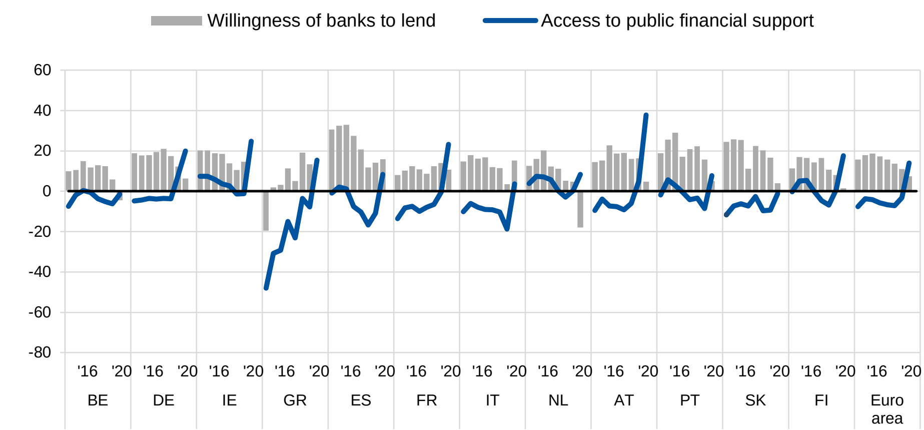
Q5. For each of the following types of external financing, please indicate if your needs increased, remained unchanged or decreased over the past six months.
Q9. For each of the following types of financing, would you say that their availability has improved, remained unchanged or deteriorated for your enterprise over the past six months?

Base: SMEs for which the respective instrument is relevant. “Not applicable” and “Don’t know” answers are excluded. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Notes: See the notes to **Chart 17**. The financing gap indicator combines both financing needs and availability of bank loans, credit lines, trade credit, equity and debt securities at the firm level. For each of the five financing instruments, the indicator of the perceived change in the financing gap takes the value of 1 (-1) if the need increases (decreases) and availability decreases (increases). If enterprises perceive only a one-sided increase (decrease) in the financing gap, the variable is assigned a value of 0.5 (-0.5). The composite indicator is the weighted average of the financing gap related to the five instruments. A positive value of the indicator suggests an increasing financing gap. Values are multiplied by 100 to obtain weighted net balances in percentages.

Chart 35

Change in factors with an impact on the availability of external financing for SMEs across euro area countries

(over the preceding six months; net percentages of respondents)



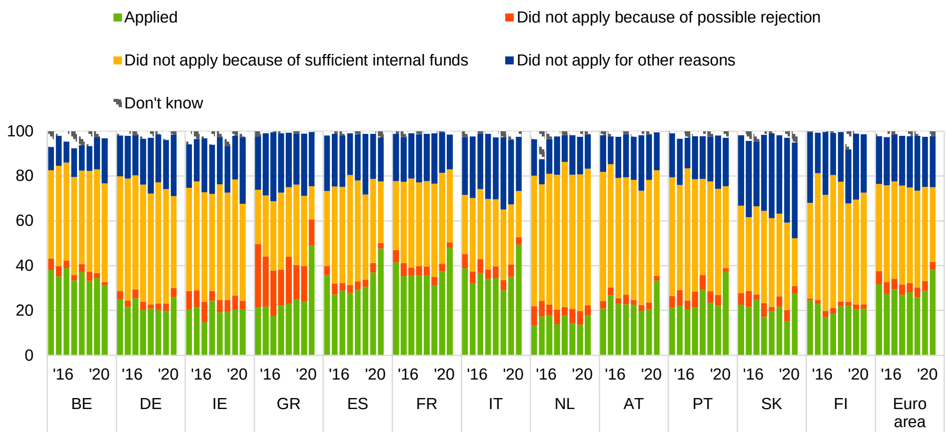
Q11. For each of the following factors, would you say that they have improved, remained unchanged or deteriorated over the past six months?

Base: All SMEs. For the category "Willingness of banks to lend", these are SMEs for which at least one bank financing instrument (credit line, bank overdraft, credit card overdraft, bank loan or subsidised bank loan) is relevant. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Notes: See the notes to **Chart 1** and **Chart 18**. From round 11 (April-September 2014), the category "Willingness of banks to provide a loan" was reformulated slightly to "Willingness of banks to provide credit to your enterprise".

Chart 36

Applications for bank loans by SMEs across euro area countries

(over the preceding six months; percentages of respondents)



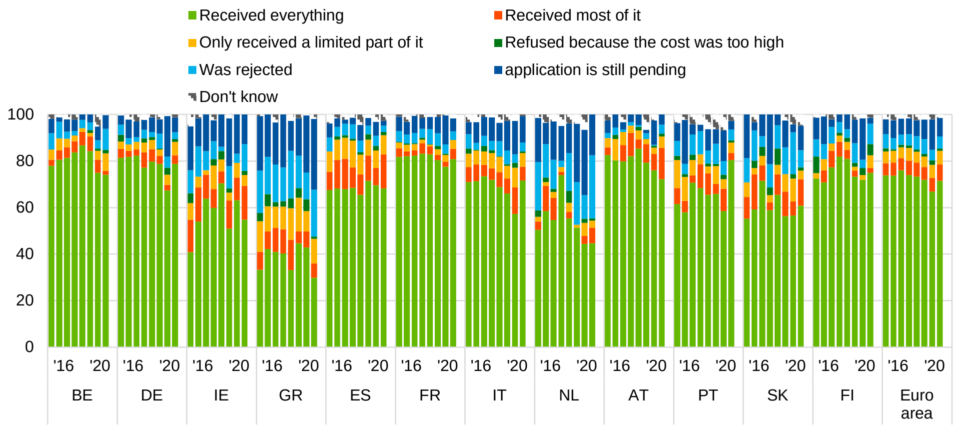
Q7A. Have you applied for the following types of financing in the past six months?

Base: SMEs for which bank loans (including subsided bank loans) are relevant. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 11**.

Chart 37

Outcome of applications for bank loans by SMEs across euro area countries

(over the preceding six months; percentages of respondents)



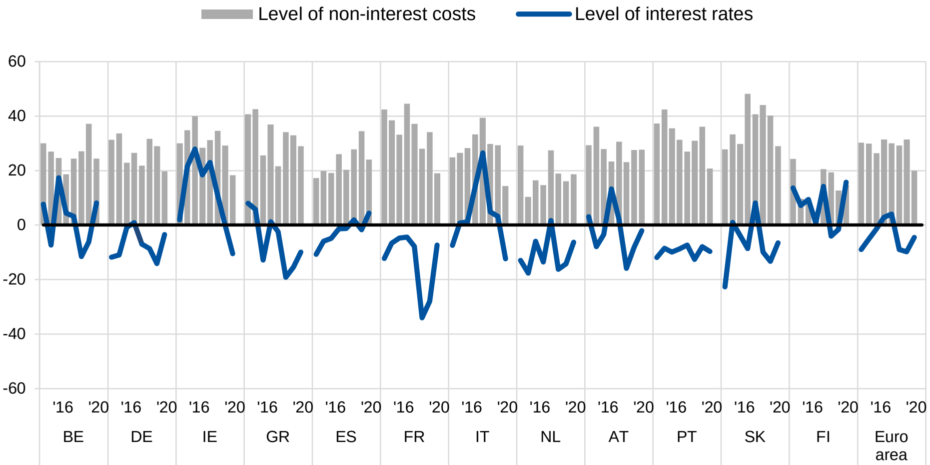
Q7B. If you applied and tried to negotiate this type of financing over the past six months, what was the outcome?

Base: SMEs that had applied for bank loans (including subsided bank loans). Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 11**.

Chart 38

Change in the cost of bank financing for SMEs across euro area countries

(over the preceding six months; net percentages of respondents)



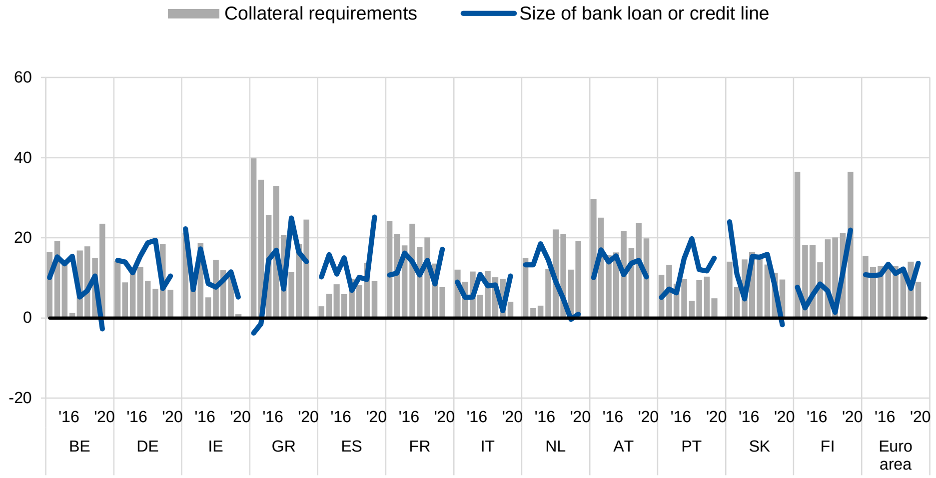
Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

Base: SMEs that had applied for bank loans (including subsidised bank loans), credit lines, or bank or credit card overdrafts. Figures refer to rounds 16 (October 2016-March 2017) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1**.

Chart 39

Change in non-price terms and conditions of bank financing for SMEs across euro area countries

(over the preceding six months; net percentages of respondents)



Q10. Please indicate whether the following items increased, remained unchanged or decreased in the past six months.

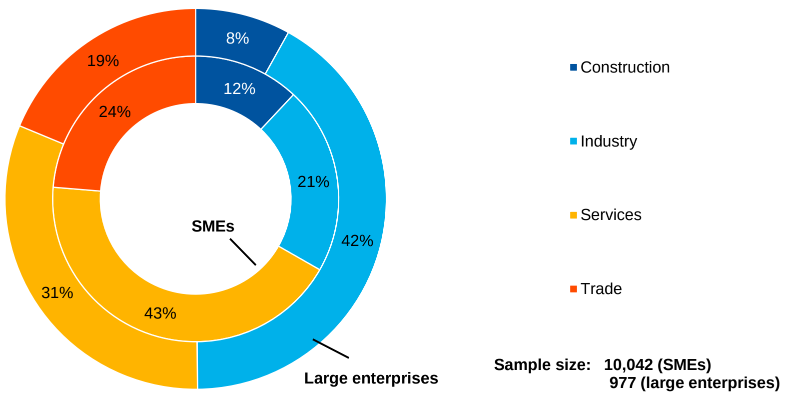
Base: SMEs that had applied for bank loans (including subsidised bank loans), credit lines, or bank or credit card overdrafts. Figures refer to rounds 16 (March 2017-April 2016) to 23 (April-September 2020) of the survey.
Note: See the notes to **Chart 1**.

Annex 2
Descriptive statistics for the sample of enterprises

Chart 40

Breakdown of enterprises by economic activity

(unweighted percentages)

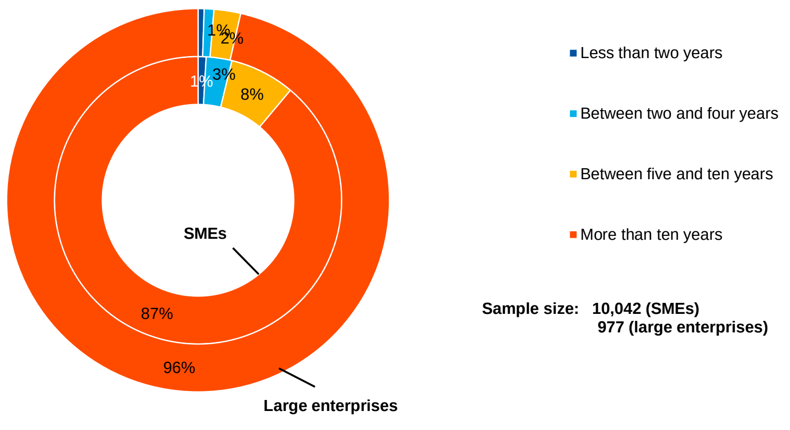


Base: Figures refer to round 23 (April-September 2020) of the survey.

Chart 41

Breakdown of enterprises by age

(unweighted percentages)

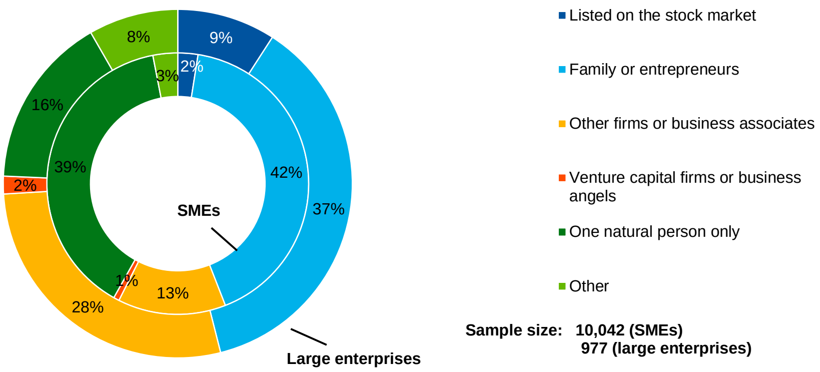


Base: Figures refer to round 23 (April-September 2020) of the survey.

Chart 42

Breakdown of enterprises by ownership

(unweighted percentages)

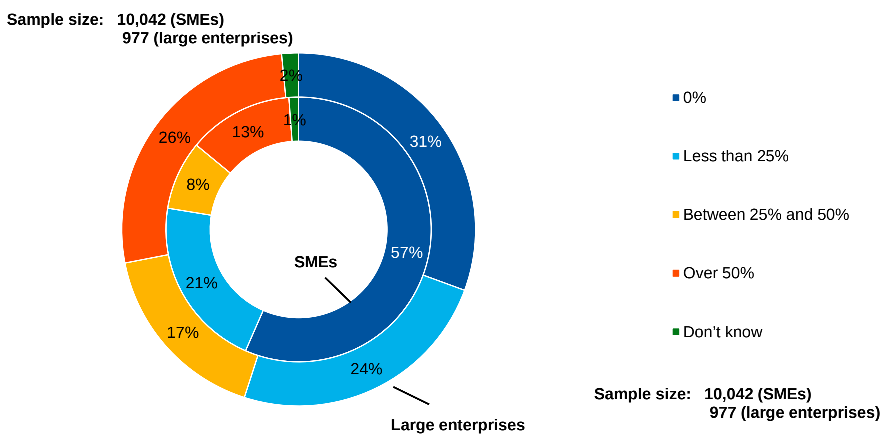


Base: Figures refer to round 23 (April-September 2020) of the survey.

Chart 43

Breakdown of enterprises by exports

(unweighted percentages)



Base: Figures refer to round 23 (April-September 2020) of the survey.

Annex 3
Methodological information on the survey

This annex presents the main changes introduced in the latest round of the Survey on the Access to Finance of Enterprises (SAFE). For an overview of how the survey was set up, the general characteristics of the euro area enterprises that participated in the survey and the changes introduced to the methodology and the questionnaire over time, see the "Methodological information on the survey and user guide for the anonymised micro dataset" available on the ECB's website.[13]

Since September 2014 the survey has been carried out by Panteia b.v., in cooperation with the fieldwork provider GDCC. To the best of our knowledge, no breaks in the series are attributable to any change of provider over the life cycle of the survey.

However, some changes in the questionnaire may have caused a break between the round covering the second half of 2013 and that covering the first half of 2014. This stems from the review of various components of the survey after ten survey rounds, covering the questionnaire, sample allocation, survey mode and weighting scheme (see Annex 4 in the corresponding report on the ECB's website for details[14]).

With regard to the weighting scheme, up to the survey round in the first half of 2015, the calibration targets were updated with each survey round based on the latest available figures from Eurostat's structural business statistics (SBS). Since then, with all the euro area countries participating in the survey, the weighting scheme has been updated once a year.[15]

In this survey round, no major changes were made to the existing questions in the questionnaire.[16]

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13 Survey on the access to finance of enterprises – Methodological information on the survey and user guide for the anonymised micro dataset.

14 Survey on the Access to Finance of Enterprises in the euro area – April 2014 to September 2014.

15 For more details, see the section on weighting in Survey on the access to finance of enterprises – Methodological information on the survey and user guide for the anonymised micro dataset.

16 The questionnaire is available on the ECB's website. It was translated into the respective languages for the purposes of the survey.

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