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SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA

OCTOBER 2013 TO MARCH 2014

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This report presents the main results of the tenth round of the survey on the access to finance of small and medium-sized enterprises (SMEs) in the euro area (SAFE). The survey was conducted between 20 February and 24 March 2014. The total euro area sample size was 7,520 firms, of which 6,969 (93%) had fewer than 250 employees.[1] *The report provides evidence mainly on the change in the financial situation, financing needs and access to external financing of small and medium-sized enterprises in the euro area, and compares the situation with that of large firms. In addition, it provides an overview of developments in SMEs' access to finance across euro area countries. The reference period is the period from October 2013 to March 2014.*[2]

1 THE FINANCIAL SITUATION OF SMES IN THE EURO AREA

In the period from October 2013 to March 2014, the income and debt situation of SMEs changed only marginally compared with the previous six months. However, developments across countries remained relatively diverse.

A small net percentage[3] of euro area SMEs reported a reduction in **turnover** (-2%, compared with -3% in the previous survey period) (see **Chart 1**). In line with previous survey periods, SMEs in Germany contributed positively to turnover developments, while SMEs in Spain and – to a larger extent – Italy contributed negatively (see below for specific country developments).

The net percentage of euro area SMEs that reported an increase in **labour and other costs** remained high, but relatively stable over time (46% and 59% respectively, compared with 43% and 60% in the previous survey period). Germany, Spain and France reported higher contributions than in the previous survey, while Italy's contribution declined somewhat. The net percentage of firms reporting a decline in **profits** changed only marginally to -23%, from -25% in the previous survey period. Among the largest countries, profitability seems to have deteriorated further in Italy, but this was compensated by lower declines in Spain and France and a flat development in Germany.

Against the background of high corporate indebtedness, **deleveraging** in the euro area SMEs was reported to have continued (a net percentage of -8% after -7% in the previous survey period). Among the largest countries, the reduction in debt to total assets in Germany and Spain

1 See Annex 2 for details on the weighting scheme.

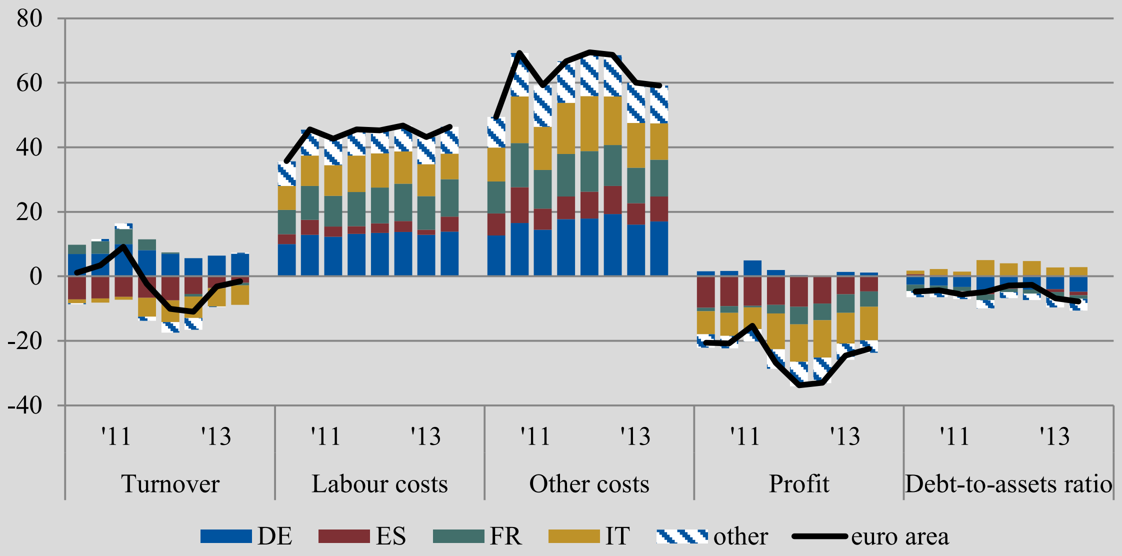
2 The reference period for the previous survey round was April to September 2013.

3 Net percentages refer to the difference between the percentage of firms reporting an increase for a given factor and the percentage of those reporting a decrease.

was partly compensated by small rise in the net percentage of SMEs in Italy reporting an increase in their debt to total assets.

Chart 1 **Country contributions to the change in the income and debt situation of euro area SMEs**

(over the preceding six months; country contributions to net percentage of respondents)



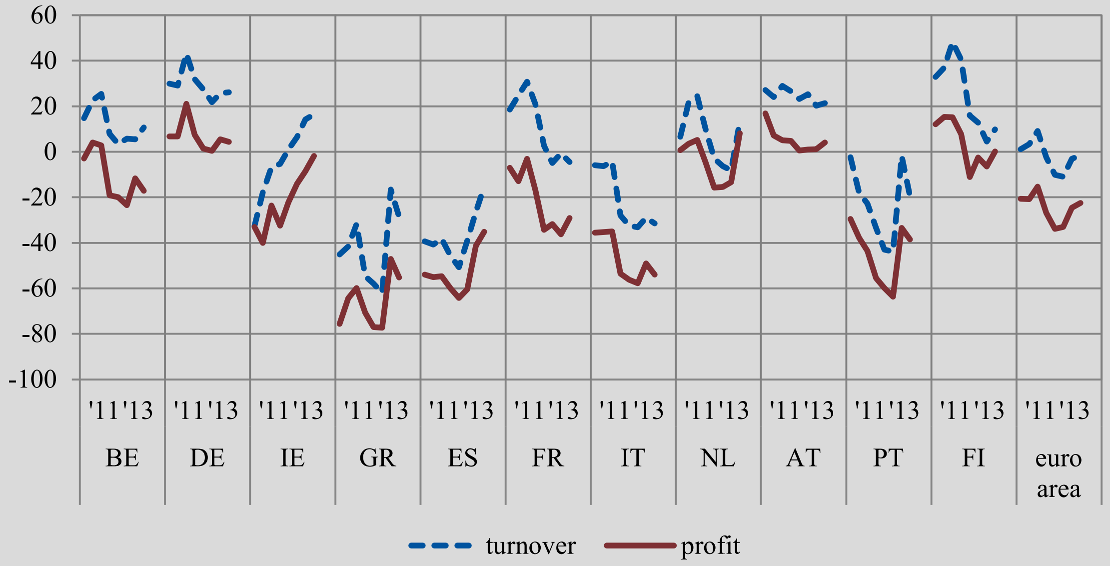
Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: The net percentage is the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

Developments in turnover and profits of other euro area countries were also diverse. SMEs in the Netherlands recorded the highest increases in turnover, with the net response at 13% (up from -8%, in the previous survey period). Turnover in Ireland continued to improve, while SMEs in Belgium and Finland reported a more moderate net increase compared with the previous survey round (see **Chart 2**). By contrast, SMEs in Portugal and Greece reported, in net terms, a deterioration in their turnover. Across the euro area, SMEs' **profit** dynamics were reported to have made a clear improvement in the Netherlands, where the net percentage of respondents rose to 8% from -13% in the previous survey round. In Germany and Austria profits were also reported to continue to increase (in net terms 4% in both countries). By contrast, the worsening in the profit situation was considerable in Greece (-55%), Italy (-54%), Portugal (-38%) and, to lesser extent, Belgium (-17%).

Chart 2 Change in turnover and profit of SMEs across euro area countries

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



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

SMEs in all euro area countries except Italy reported a decline or no change in their **debt-to-assets ratio** (see **Chart 3**). Irish and Dutch SMEs signalled strong deleveraging (-22% compared with -6% and -25% compared with -15%, respectively).

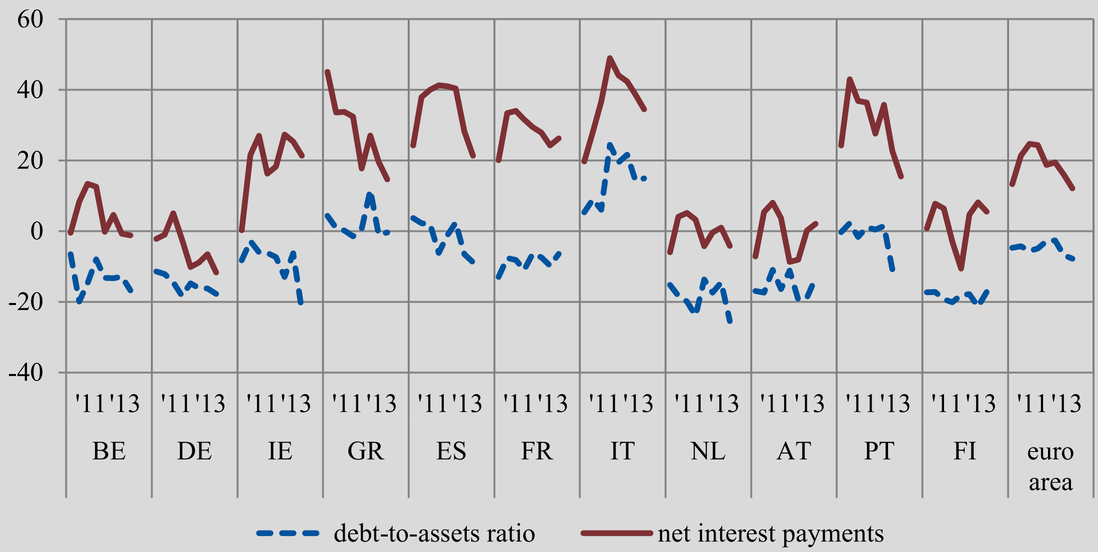
Other than in France and Austria, there were fewer respondents indicating an increase in **net interest expenses** on debt. A net majority of SMEs in Belgium, Germany and the Netherlands reported a decline in net interest expenses on debt.

By contrast with SMEs, **large euro area firms** reported, on balance, an increase in turnover in the period from October 2013 to March 2014 (31%, up from 20% from the previous survey period).[4] In addition, large firms reported, on balance, an increase in their profits. Large euro area firms stepped up their deleveraging in the period from October 2013 to March 2014 (on balance -14%, compared with -12% in the previous survey period). Overall, the financial situation for large euro area firms remains more favourable than for SMEs.

[4] See Annex 1 for an overview of the survey replies for euro area large firms.

Chart 3 **Change in debt to total assets and interest expenses of SMEs across euro area countries**

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



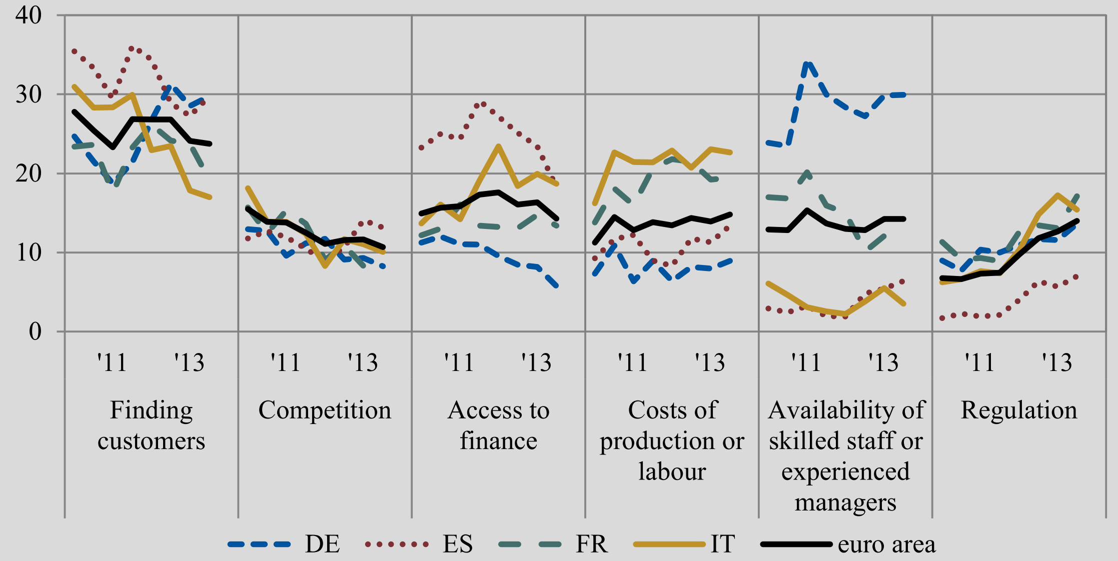
Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

"**Finding customers**" remained the **dominant concern** for euro area SMEs in this survey period (with 24% of euro area SMEs mentioning this issue as their main problem, unchanged from the previous survey round; see **Chart 4**) followed by "**cost of production or labour"** (15%, up from 14%). "**Access to finance**" was somewhat less of a concern (14%, down from 16% in the previous survey round) with a wide divergence across countries. On the high side, 42% of SMEs in Greece, 23% in Ireland, 19% in Italy and 18% in Spain and Portugal mentioned access to finance as the most pressing problem, compared with around 6% of SMEs in Germany and 9% in Austria and Finland on the low side. The "**availability of skilled staff or experienced managers"** (14% at the euro area level) remained a significant concern in countries such as Germany, Austria and Finland, where the net percentages stood at 30%, 27% and 18%, respectively. A net 4% of euro area SMEs said that changes in regulation (related both to European and national laws as well as to industrial regulations) is a pressing problem.

For **large firms**, "finding customers" (25%) was reported as the dominant concern, followed by "cost of production or labour" and "competition" (both 16%). "Access to finance" was mentioned less frequently (8%, down from 10% in the previous round).

Chart 4 The most pressing problems faced by euro area SMEs

(percentage of respondents)



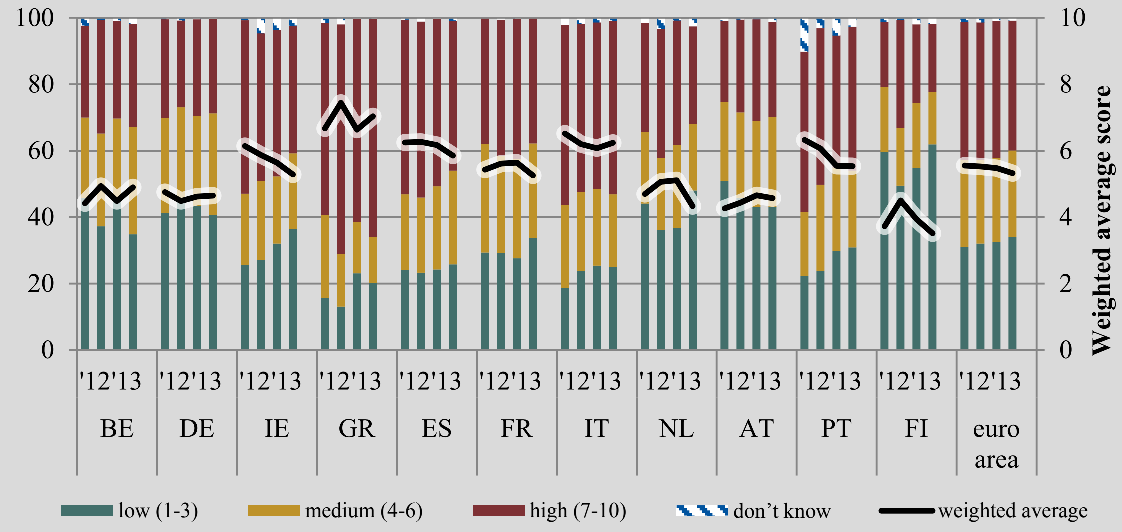
Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Across euro area countries, when asked how pressing was "access to finance" as a problem in their current situation,[5] SMEs in distressed countries said they continued to perceive it as a very pressing problem (giving it 7-10 on a scale of 1-10) (see **Chart 5**). Greece (66%) remains the country reporting the highest percentage in this respect, followed by Italy (52%), Spain (45%) and Portugal (43%). At the other extreme are SMEs in Finland, the Netherlands, Austria and Germany.

[5] Since the survey round in October 2012, firms have been asked to indicate how pressing a specific problem is, using a scale from 1 (not at all pressing) to 10 (extremely pressing). In the chart, the scale has been divided into three categories: low pressingness (1-3), medium (4-6) and high (7-10).

Chart 5 **Pressingness of access to finance as perceived by SMEs across euro area countries**

(percentages and weighted averages)



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

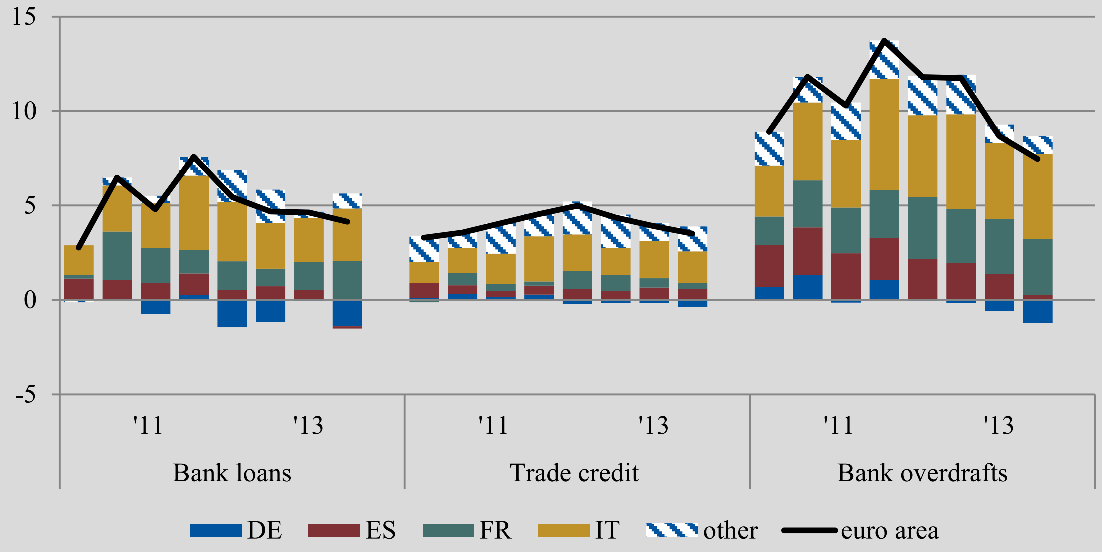
Note: The scale is from 1 (not at all pressing) to 10 (extremely pressing). The first observation, referring to April-September 2012, is based on half of the sample. The weighted average score is an average of the responses using as weight the weighted number of respondents.

2 EXTERNAL FINANCING NEEDS OF SMES IN THE EURO AREA

At the euro area level, on balance, 4% of SMEs reported an increase in their **need (demand) for bank loans** (marginally lower than in the previous survey round) and 7% reported an increased need for **bank overdrafts** (down from 9% in the previous survey round) (see **Chart 6**).[6] Among the largest countries, SMEs in France and Italy contributed most to the net increase in the need for bank loans and bank overdrafts, whereas German SMEs reported, on balance, slightly decreasing needs for bank loans and bank overdrafts. The picture was, overall, similar for **trade credit,** for which a net percentage of 4% of euro area SMEs (unchanged from the previous survey period) reported a higher need.

Chart 6 Country contributions to the change in external financing needs of euro area SMEs

(over the preceding six months; country contributions to net percentage of respondents)



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

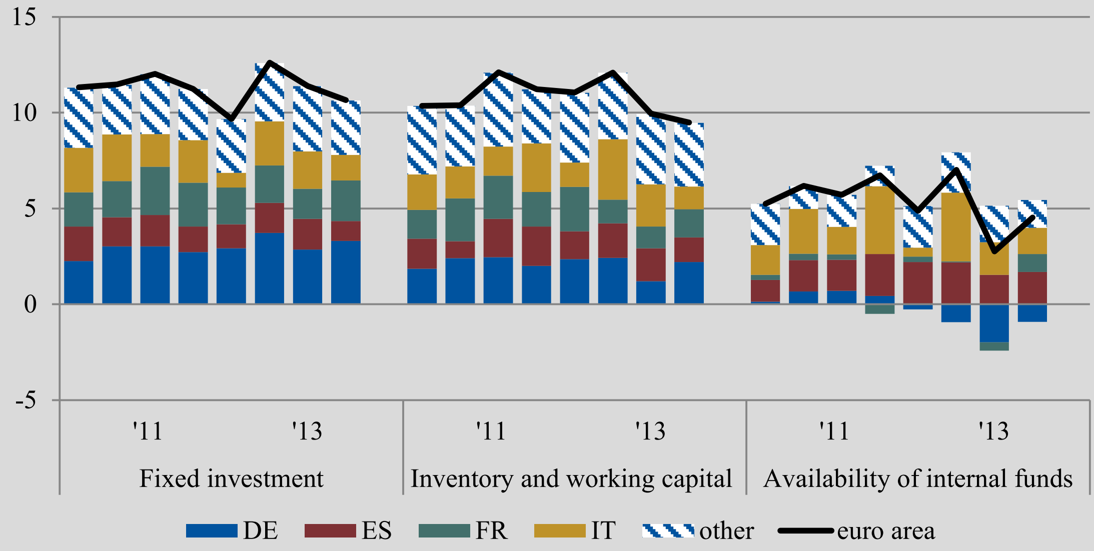
Fixed investment and **inventory and working capital** remained the two most important factors affecting SMEs' need for external financing (see **Chart 7**). In Spain and Italy, fewer

6 Regardless of whether they have applied or not for external financing, all survey respondents are asked about their need for each source of external financing (i.e. bank loans, bank overdrafts and credit lines, trade credit, and equity and debt securities issuance).

SMEs than in the previous survey round identified fixed investment and inventory and working capital as the main source of their increased financial needs, while the opposite was true for Germany. At the same time, euro area SMEs also reported, on balance, a somewhat higher need for external financing resulting from insufficient availability of **internal funds** (5%, up from 3%). This mainly stemmed from a higher need reported by SMEs in France and from a smaller negative impact in Germany.

Chart 7 Country contributions to the change in factors affecting the external financing needs of euro area SMEs

(over the preceding six months; country contributions to net percentage of respondents)



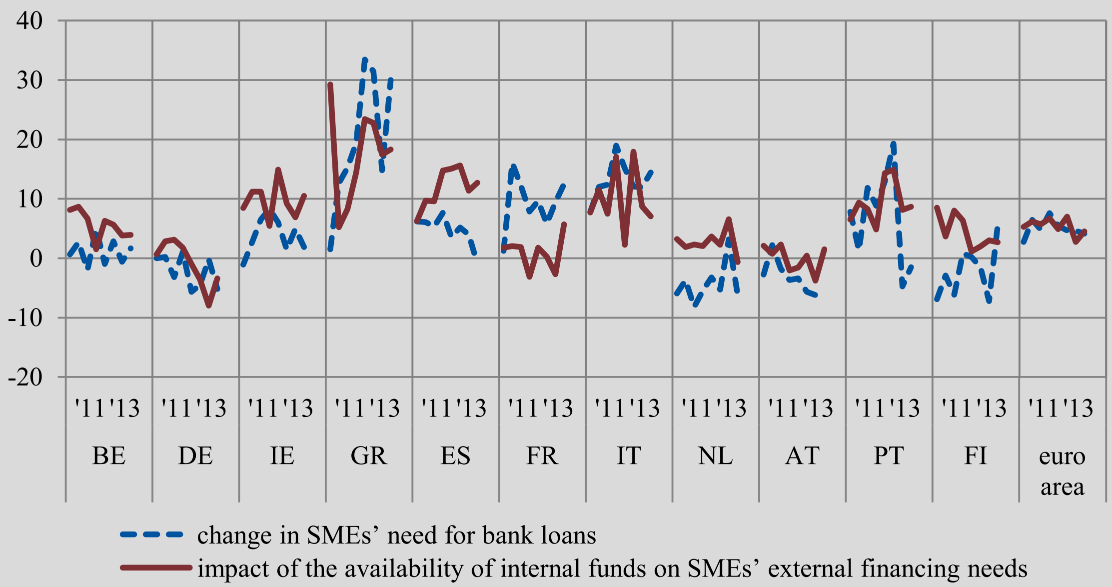
Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

At **country level**, the highest net percentages of SMEs reporting an increase in their need for bank loans were again recorded in Greece (30%) and – to a much lesser extent – Italy (14%) and France (12%) (see **Chart 8**). The **insufficient availability of internal funds** remained an important source of SMEs' financing needs in Greece (18%), Spain (13%) and Portugal (9%). In France, too, the net percentage increased to 6% from -3% in the previous round. Matching these results with the reported net percentages for the factors affecting the external financing needs of SMEs suggests that in Italy and France the high need for bank loans seems related to an environment of weak profits and squeezed liquidity buffers. By contrast, SMEs in Spain, the Netherlands, Austria and Portugal reported, on balance, a decline in their need for bank loans. German SMEs indicated a lower need for bank loans (-5% from 0%) that may reflect a greater availability of internal funds than in most of the other euro area countries.

Large firms reported, on balance, an increase in the need for external funding in the form of bank loans (8%, up from 4% in the previous survey round) and trade credit (5%, up from 1%), while the need for bank overdrafts remained unchanged at 2%. The net percentage of large firms reporting an increased financing need remained broadly unchanged for fixed investment (26% after 25%) and declined for working capital (8%, down from 12%).

Chart 8 Change in the need for bank loans and the impact of internal funds on the need for external financing, as perceived by SMEs across euro area countries

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



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

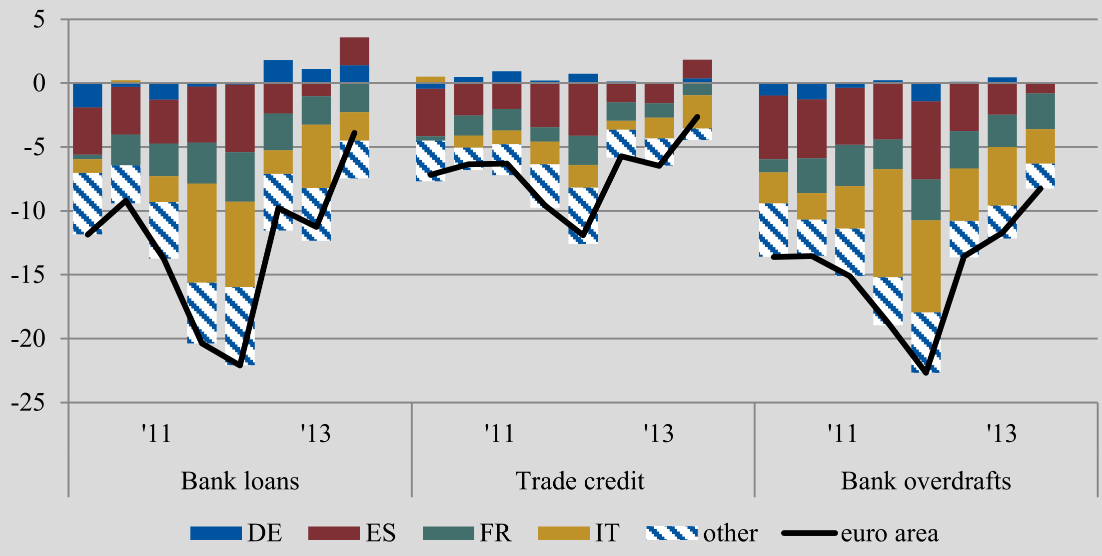
3 AVAILABILITY OF EXTERNAL FINANCING FOR SMES IN THE EURO AREA

3.1 AVAILABILITY OF EXTERNAL FINANCING

In the period from October 2013 to March 2014, fewer euro area SMEs reported a deterioration in the **availability of bank loans** (-4% in net terms, after -11% in the previous survey round) (see **Chart 9**). Among the largest euro area countries, SMEs signalled an improvement in the availability of bank loans in Germany and – most noticeably – in Spain. In France the figure remained unchanged, while in Italy SMEs signalled lower impediments to accessing bank loans, albeit remaining in negative territory.

Chart 9 Country contributions to the change in the availability of external financing for euro area SMEs

(over the preceding six months; country contributions to net percentage of respondents)



Base: SMEs that had applied for external financing. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

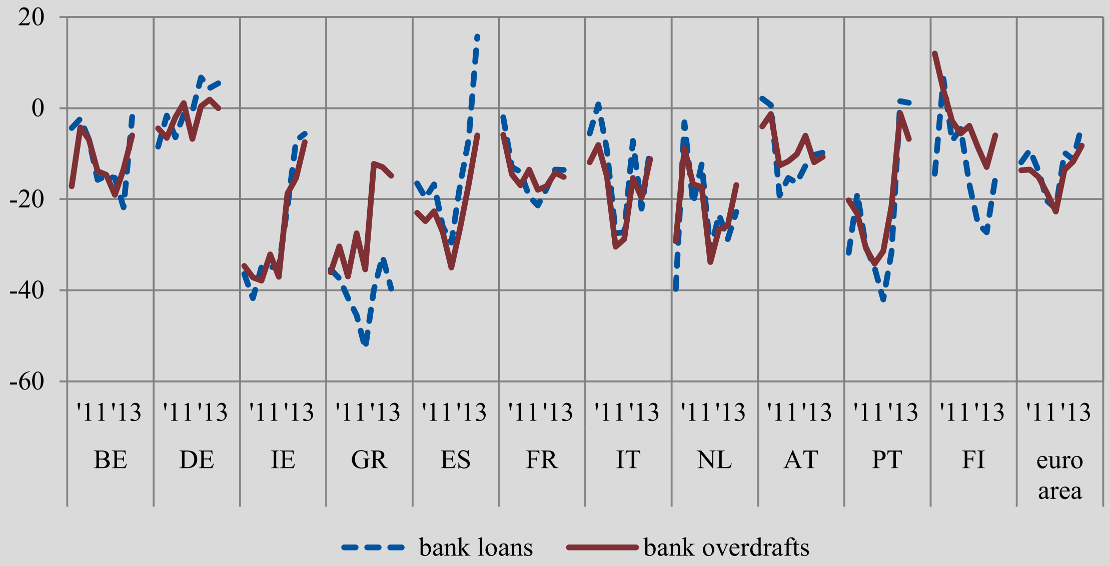
Note: See the note to Chart 1.

The improvement in bank loan availability seems to be also generalised **across other euro area countries,** excluding Greece, where the net percentage fell further to -40% (from -33% in the previous survey round). Spain reported a significant net improvement in the availability of bank loans (16% from -7%), while Belgium (-2% after -22%), Finland (-15% after -27%) and Italy (-9 after -22%) reported smaller net deteriorations (see **Chart 10**).

Euro area SMEs also reported, on balance, a smaller deterioration in the availability of both **bank overdrafts** (-8% after -12%) and **trade credit** (-3% after -6%). The lower net deterioration in the availability of **bank overdrafts** paralleled in qualitative terms the developments in bank loans across most countries.

Chart 10 Change in the availability of bank loans and overdrafts, as perceived by SMEs across euro area countries

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



Base: SMEs that had applied for external financing. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

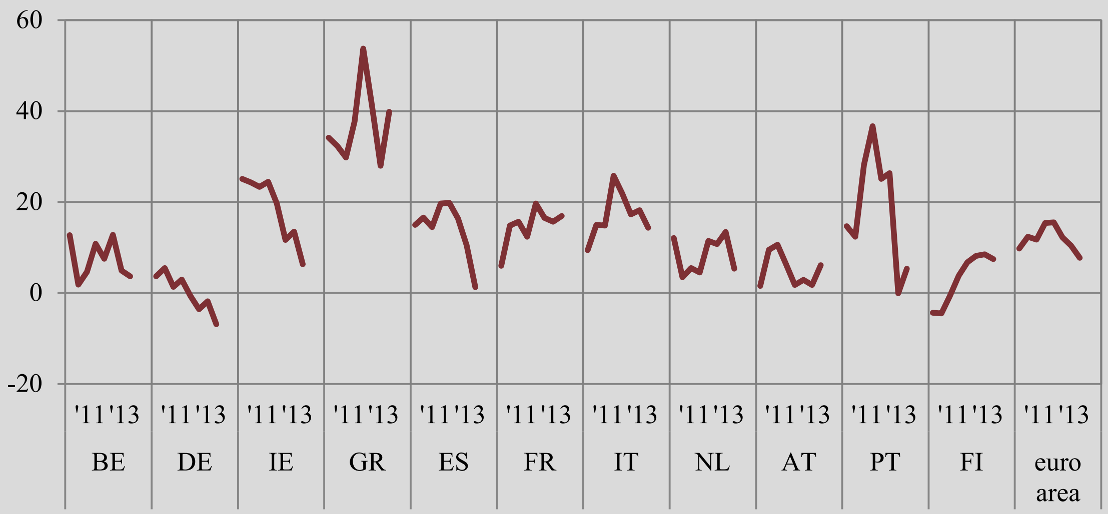
Note: See the note to Chart 1.

As with SMEs, the availability of bank loans for **large firms** in the euro area improved with respect to the previous survey period (5%, compared with -2%), indicating generally less constrained access to finance for large firms compared with SMEs. Large firms also reported, on balance, an improvement in the availability of bank overdrafts (4%, after -7%) and an unchanged availability of trade credit (0%).

The **external financing gap**, which measures the perceived difference at firm level between the need for external funds (across all channels: bank loans, bank overdrafts, trade credit, and equity and debt securities) and the availability of funds (see **Chart 11**) declined to 8% from 10% in the previous survey period. SMEs in Germany, Ireland, Spain, Italy and the Netherlands reported a decline in their financing gap compared with the previous survey period, while the net percentage increased significantly in Greece (40% from 28%) and – to a lesser extent and starting from lower levels – in Austria and Portugal.

Chart 11 Change in the external financing gap perceived by SMEs across euro area countries

(over the preceding six months; weighted net balances)



Base: All SMEs which have used the respective instrument in the last six months or have not used it in the last six months but used it in the past "Non-applicable" and "Don't know" answers are excluded. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

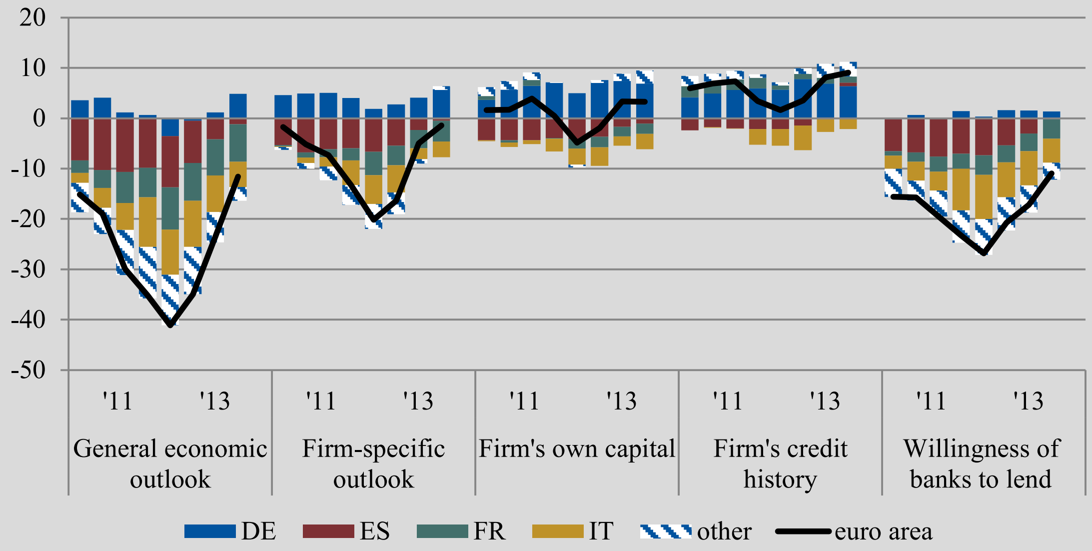
Note: The financing gap indicator combines both financing needs and availability of bank loans, bank overdrafts, trade credit, and equity and debt securities at the firm level. For each of the five financing instruments, an indicator of a perceived financing gap change takes the value of 1 (-1) if the need increases (decreases) and availability decreases (increases). If firms 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. For details, see Ferrando, A., Griesshaber, S., Köhler-Ulbrich, P., Perez-Duarte, S., Schmitt, N., Measuring the opinion of firms on the supply and demand of external financing in the euro area, in: Bank for International Settlements, Proceedings of the Sixth IFC Conference on "Statistical issues and activities in a changing environment", Basel, 28-29 August 2012, IFC Bulletin No 36, February 2013.

Turning to the **factors** affecting the availability of external financing, respondents indicated that the **general economic outlook** continues to have a negative effect, but less so than previously (-12% compared with -24% in the previous survey round) (see **Chart 12**). In particular, the assessment of SMEs in Spain and Italy was less negative, and German SMEs reported on balance a strong positive contribution of the general economic environment to the availability of external financing. There was also some improvement in the role of the **firm-specific outlook** (-1% after -5% in the period from April to September 2013). As in the previous survey round,

SMEs' own capital had a positive impact on the availability of external financing (3%, unchanged from the previous survey round).

Chart 12 Country contributions to the change in factors having an impact on the availability of external financing to euro area SMEs

(over the preceding six months; country contributions to net percentage of respondents)



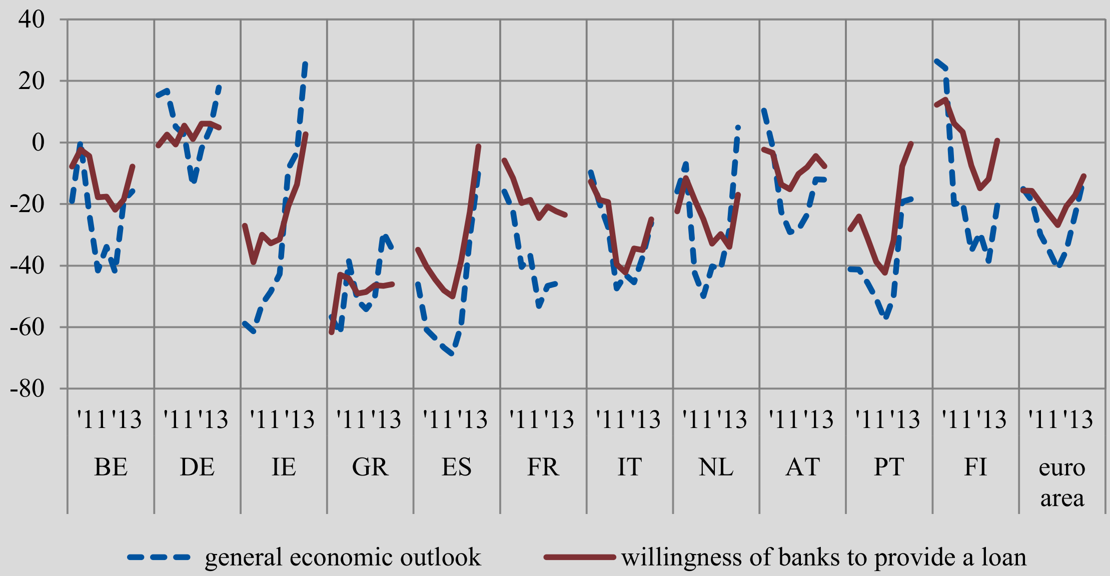
Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

Looking in more detail at **country developments**, for the first time since the beginning of the survey in 2009 a net positive influence from the general economic outlook on external finance was reported not only in Germany but also in Ireland (27%, up from -3%) and the Netherlands (5%, up from -28%) (see **Chart 13**). All other countries – excluding Greece (-35% after -29%) – reported, on balance, a less negative impact. In particular, Spain (-9% after -31%) and Italy (-26% after -37%) contributed to the overall improvement, while the general economic outlook remained a significant factor in France, where SMEs recorded a broadly unchanged net percentage (-45% after -46%).

From the supply side, SMEs indicated a further improvement in **banks' willingness to provide a loan** in the period from October 2013 to March 2014 (-11% compared with -17% in the previous survey period). SMEs in Spain continued to contribute most to these developments, with the net percentage moving to -1% from -23% in the previous survey period.

Chart 13 Change in factors having an impact on the availability of external financing for SMEs across euro area countries

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



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

SMEs in most countries reported smaller deterioration in **banks' willingness to provide a loan.** Italy (-25% after -35%), the Netherlands (-17% after -34%) as well as Belgium (-8% from -19%) all signalled a much lower deterioration. Ireland (3% after -14%) and Finland (1% after -12%) even reported an increase in banks' willingness to provide a loan as compared with previous rounds. In Germany SMEs signalled broadly unchanged willingness of banks to provide a loan (5% after 6%).

Large firms attributed the improvement in the availability of bank loans mostly to a strong positive impact of the general economic outlook (13% in net terms, after -13% in the previous survey period). They also gave a positive assessment of banks' willingness to provide a loan (17% in net terms, up from 1%), the highest percentage since the beginning of the survey in 2009.

3.2 APPLICATIONS FOR EXTERNAL FINANCING AND THEIR SUCCESS

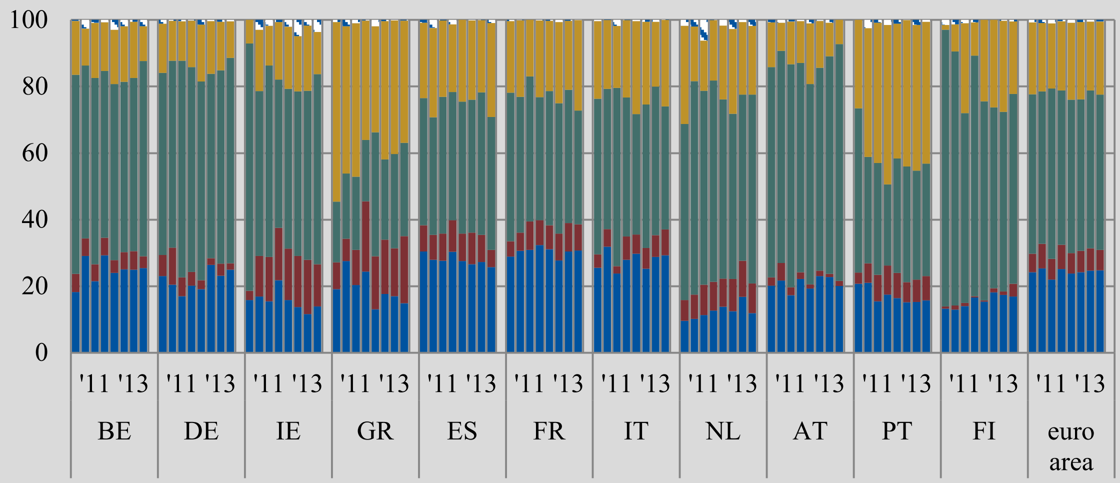
Broadly unchanged from the previous survey period, between October 2013 and March 2014, 25% of euro area SMEs **applied for a bank loan**, while 47% did not apply because of **sufficient internal funds** (see **Chart 14**). At the same time, the percentage of firms not applying for a loan for **fear of rejection** (discouraged borrowers) declined somewhat to 6% (from 7%). Among individual countries, France remained the country with the highest percentage of SMEs **applying** for a bank loan (31%), followed by Italy (29%) and Spain (26%), while the figure was lowest in the Netherlands (12%), Ireland (14%) and Greece (15%).

More than 70% of SMEs in Austria reported that they did not apply for a loan owing to **sufficient internal funds.** In Belgium, Germany, Ireland and the Netherlands, the percentages remained high (between 57% and 62%) and increased compared with the previous survey round. By contrast, and in line with the weak dynamics in profits (see above), the share of SMEs having sufficient internal funds and therefore not applying for a loan was considerably lower in Greece (28%) and Portugal (34%).

In Belgium, Germany and Austria, **fear of rejection** was cited by SMEs as an only very minor reason for not having applied for a loan during the period from October 2013 and March 2014. In Greece, by contrast, the still difficult situation in the banking sector combined with the uncertain economic developments and sluggish profit developments led to an increase in the net percentage of SMEs (20%, up from 14%) that mentioned fear of rejection as a factor discouraging applications for a bank loan. In Ireland the net percentage remained high compared with the rest of the countries (13%) but lower than in the previous survey round (16%).

Chart 14 Applications for bank loans by SMEs across euro area countries

(over the preceding six months; percentage of respondents)

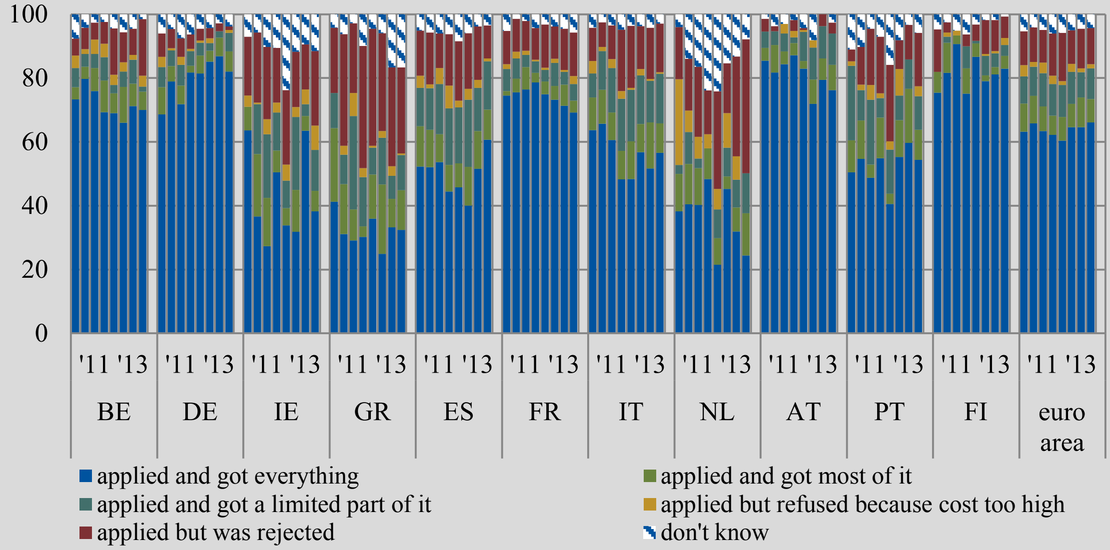


Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

When asked about the **actual success** of their bank loan applications, SMEs indicated a broadly unchanged situation at the euro area level. 66% of euro area SMEs reported that they had received the **full amount** they had applied for (see **Chart 15**). On the opposite side of the distribution, 11% (down from 12%) reported that their bank loan application had been **rejected**, and 10% (up from 8%) reported that they received **only a limited part** of the amount they had applied for. For bank overdrafts, euro area SMEs also reported an unchanged rejection rate (11%).

Chart 15 Outcome of applications for bank loans by SMEs across euro area countries

(over the preceding six months; percentage of firms that applied for bank loans)



Base: SMEs that had applied for bank loans. Figures refer to round three (March-September 2010) to round then (October 2013-March 2014) of the survey.

Firms that applied for a bank loan (new or renewal; excluding overdrafts and credit lines) *(over the preceding six months, percentages)*

	BE	DE	IE	GR	ES	FR	IT	NL	AT	PT	FI	euro area
October 2013-March 2014	25	25	14	15	26	31	29	12	20	16	17	25

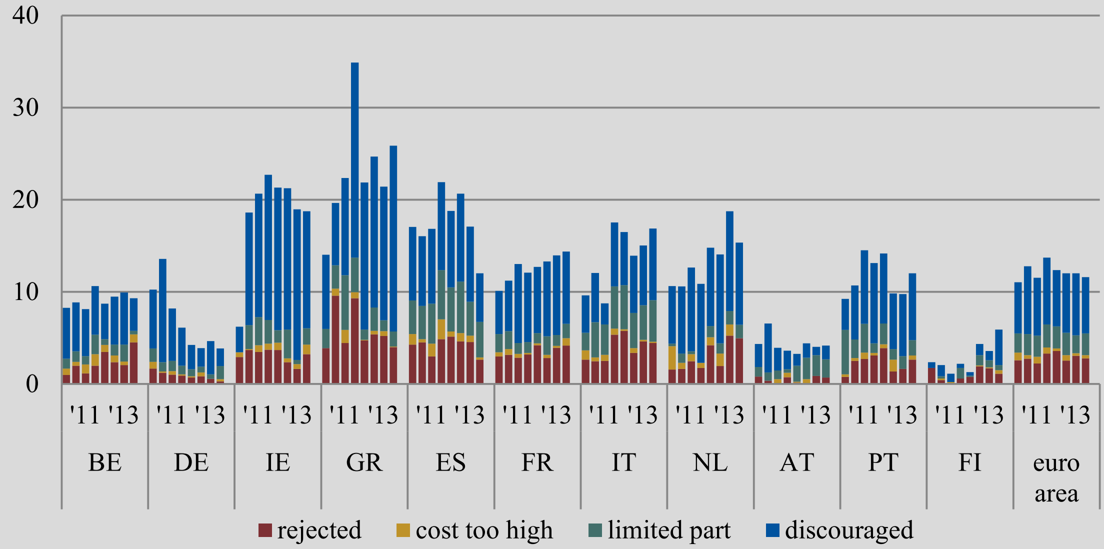
Across countries, the rate of success of bank loan applications was relatively stable or declined only slightly in most euro area countries, with the exception of Ireland where the decline was relatively strong (38%, down from 64%). The rate of success increased in Spain (to 61% from

52%) and Italy (to 57% from 52%), possibly signalling an improvement in SMEs' access to finance in those countries. The highest percentages of SMEs reporting a fully **successful application** remained those recorded in Finland (83%) and Germany (82%), while the lowest were those recorded for the Netherlands (25%) and Greece (33%). On the opposite side, a complete **rejection** of their loan applications was reported above all by SMEs in the Netherlands (42%, up from 31%) and Greece (27%, down from 31%). As in the previous survey round, SMEs in Germany (1%) and Austria (3%) did not signal any significant rejection of their bank loan applications.

Looking at a more **encompassing measure of financing obstacles** (see **Chart 16**), developments across countries are mixed. Adding together the percentages of SMEs reporting rejections of loan applications, loan applications for which only a limited amount was granted, and loan applications which were rejected by the SME because of too high borrowing costs, as well as the percentage of SMEs which did not apply for a loan for fear of rejection, gives a share of 12% (unchanged from the previous survey round) of euro area SMEs having reported that their loan applications were not successful in the period from October 2013 to March 2014. Across countries, the percentage was highest in Greece (26%) and Ireland (19%), followed by Italy (17%) and the Netherlands (15%), and was lowest Finland (6%), Austria and Germany (both 4%).

Chart 16 Obstacles to receiving a bank loan for SMEs across euro area countries

(over the preceding six months; percentage of respondents)



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Notes: Financing obstacles are defined here as the sum of the percentages of SMEs reporting loan applications which were rejected, loan applications for which only a limited amount was granted, and loan applications which were rejected by the SME because the borrowing costs were too high, as well as of SMEs which did not apply for a loan for fear of rejection (i.e. discouraged borrowers). The calculation of the indicator starts in 2010 when the question on applications for bank overdrafts was included in the questionnaire.

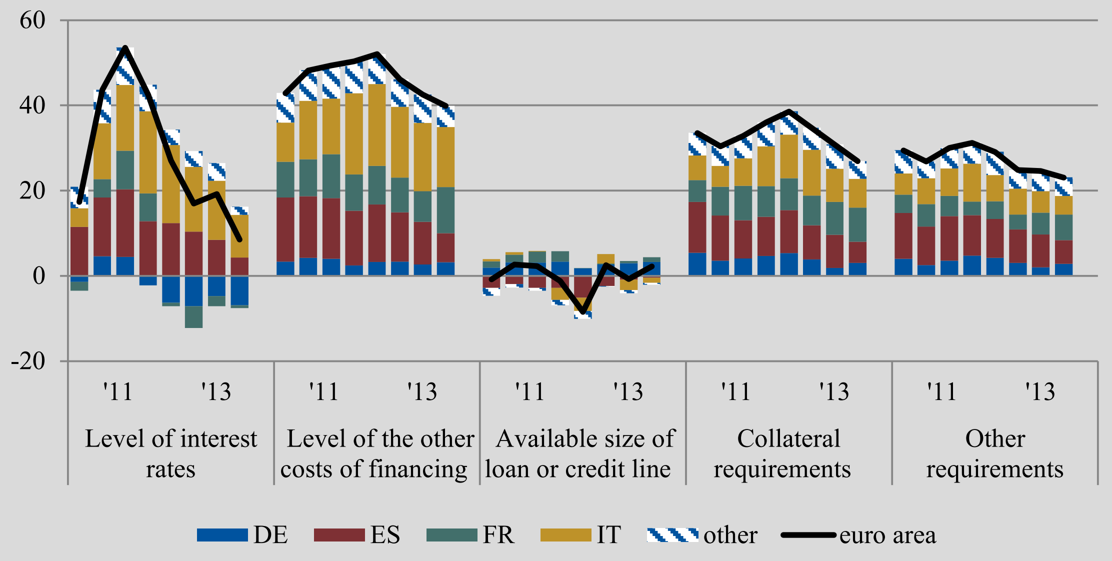
Large firms had greater success applying for bank loans than SMEs, with 75% of requests met (up from 68%). The rejection rate remained broadly unchanged at 2%. The encompassing measure of financing obstacles gives a percentage of 6% (down from 8%), indicating, overall, that large firms had better access to finance than SMEs.

3.3 TERMS AND CONDITIONS OF BANK LOAN FINANCING

In line with the stabilisation in the availability of bank loans, euro area SMEs also reported, on balance, an improvement in the terms and conditions of bank loan financing (see **Chart 17**). On balance, they reported a significant decline in **interest rates** (a net percentage of 9%, down from 19% in the previous survey, in line with the reduction in aggregate bank lending rates on very small loans (up to EUR 0.25 million) in the period from October 2013 to February 2014. At the same time, country developments were heterogeneous and still reflected the fragmentation of the bank loan market across the euro area. As in the previous survey round, SMEs in Spain and Italy contributed to the overall result by reporting lower but still positive net percentages. By contrast, SMEs in France and especially Germany indicated on balance a decline. The net percentage of euro area SMEs reporting an increase in their **costs of financing other than interest rates** (which include charges, fees and commissions) declined (to 40% from 43%). Among the largest euro area countries, Italy reported the highest net contribution, broadly unchanged from the previous round, while France signalled a sharp increase. With respect to non-price terms and conditions, euro area SMEs indicated on balance a marginal easing, with an increase in the **size** (2%, up from -1%) and unchanged tightening in the **maturity** (-1%) **of loans**. In addition, SMEs reported on balance a more moderate increase in **collateral requirements** (27%, down from 31%) in the current survey period.

Chart 17 Country contributions to the change in terms and conditions of bank loans granted to euro area SMEs

(over the preceding six months; country contributions to net percentages of firms that had applied for bank loans)



Base: SMEs that had applied for bank loans. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: See the note to Chart 1.

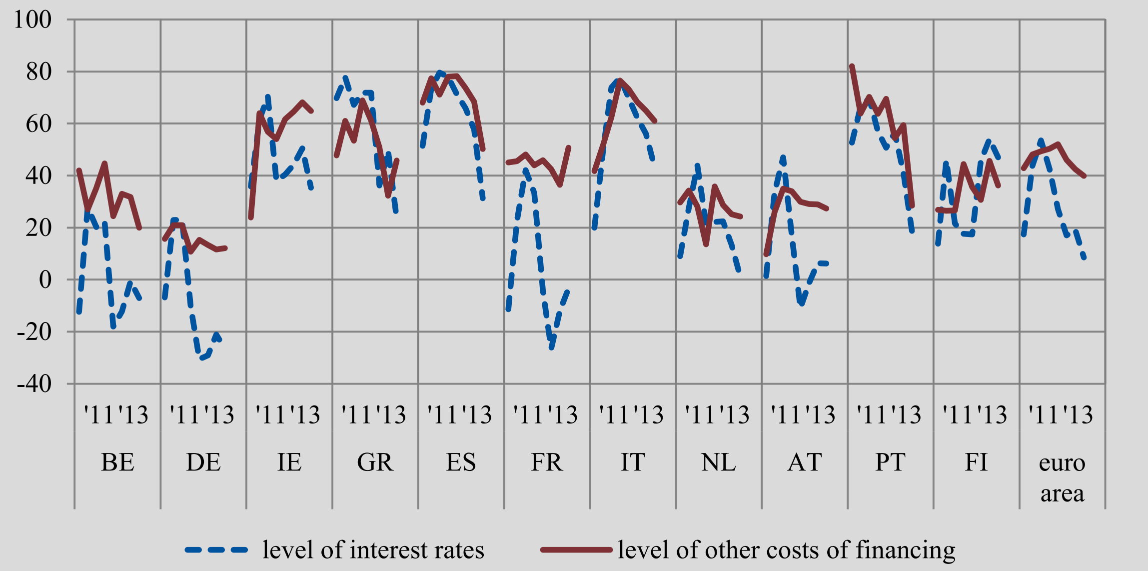
Looking at individual euro area countries, the net percentage of SMEs reporting an **increase in bank lending rates** was highest in Finland (47%) and Italy (43%). In both countries the net percentage was significantly lower than the previous round. The most significant declines in the net percentage compared with the previous survey round were recorded in Greece (23% after 50%) and Spain (31% after 58%), followed by Ireland (35% after 50%), probably reflecting some improvement in the respective banking systems. By contrast, SMEs in Germany (-27%), Belgium (-7%) and France (-3%) reported on balance a decline in bank lending rates.

With respect to non-price terms and conditions, SMEs in Greece (-21%), Netherlands (-18%) and Italy (-5%) and Spain (-4%) indicated, on balance, a decrease in the **size of loans**, whereas SMEs reported an increase in loan size in Finland (26%), Germany (12%) and, to a lesser extent, France, Belgium and Austria (see **Chart 19**). Particularly noticeable was Ireland, where SMEs reported an increase in the size of the bank loans granted (4% compared with -15% in the previous survey round).

Collateral requirements remain on the high side for SMEs in Greece (45%), France (38%), Spain (37%) and Finland (41%), which reported positive but declining net percentages compared with the previous survey round. Portugal (10%, down from 29%) and Germany (12%, up from 8%) indicated on balance a more moderate increase in collateral requirements.

Chart 18 Change in the cost of bank loans granted to SMEs across euro area countries

(over the preceding six months; net percentages of firms that had applied for bank loans)

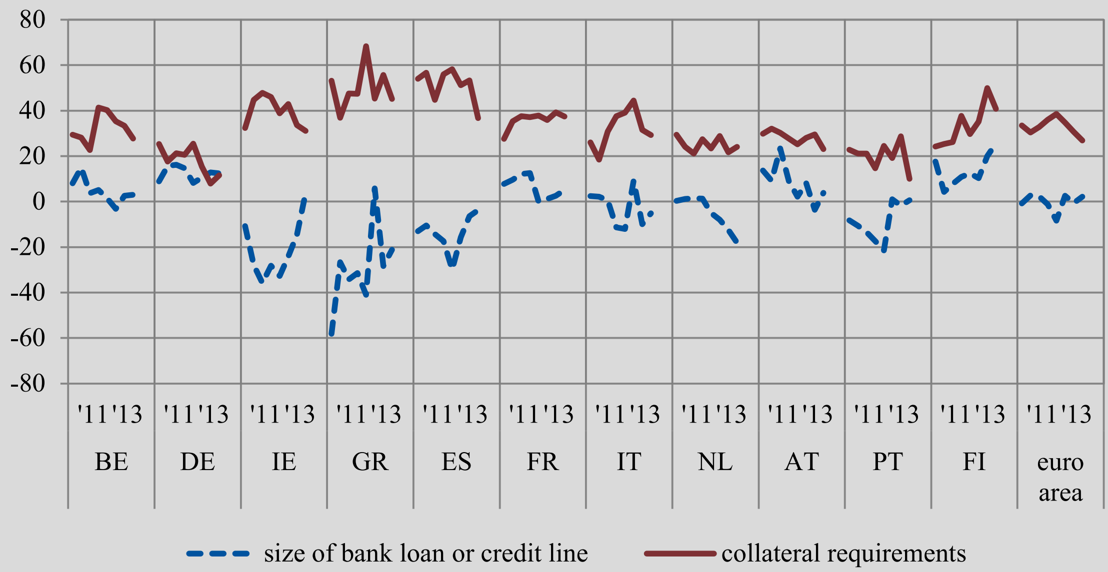


Base: SMEs that had applied for bank loans. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

Large firms reported a decline in interest rates (-15%, down from 11%). In addition, compared with the previous survey period, they signalled, on balance, a decline in collateral requirements (19%, down from 32%).

Chart 19 Change in non-price terms and conditions of bank loans granted to SMEs across euro area countries

(over the preceding six months; net percentages of firms that had applied for bank loans)



Base: SMEs that had applied for bank loans. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: See the note to Chart 1.

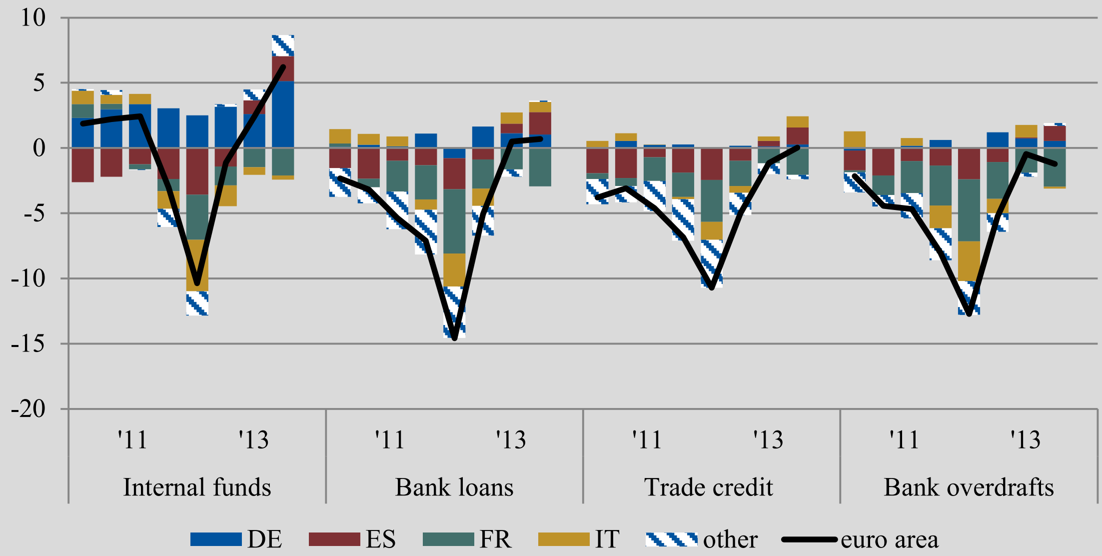
3.4 EXPECTATIONS REGARDING ACCESS TO FINANCE

For the coming six-month period (April to September 2014), euro area SMEs expected, on balance, a slight improvement in the **availability of bank loans** (1%, after 0% for the period October 2013 to March 2014) and a marginal deterioration in **the availability of bank overdrafts** (-1% after 0%) (see **Chart 20**). In addition, they expected on balance a somewhat stronger increase in **internal funds** (retained earnings or sale of assets) for the same period (6%, up from 2%), reflecting some expected improvement in the economic outlook for the next two quarters. These developments were driven by Germany and Spain, where SMEs' outlook for their access to finance, including internal funds, has been improving since the last survey round. The outlook for SMEs located in Italy was for the second consecutive survey somewhat less negative than previously. SMEs' expectations regarding the availability of bank loans during the period from April to September 2014 showed a deterioration in France (-18%, after -11%), whereas expectations improved significantly for SMEs in Spain (13% after 5%) and Ireland (11% after 2%) (see **Chart 21**).

Large firms were more optimistic regarding the availability of internal funds, expecting on balance an increase for the period from April to September 2014 (19%). They also expected an increase in the availability of different sources of external finance: bank loans (11%), bank overdrafts (7%) and trade credit (4%).

Chart 20 Country contributions to the change in euro area SMEs' expectations regarding the availability of financing

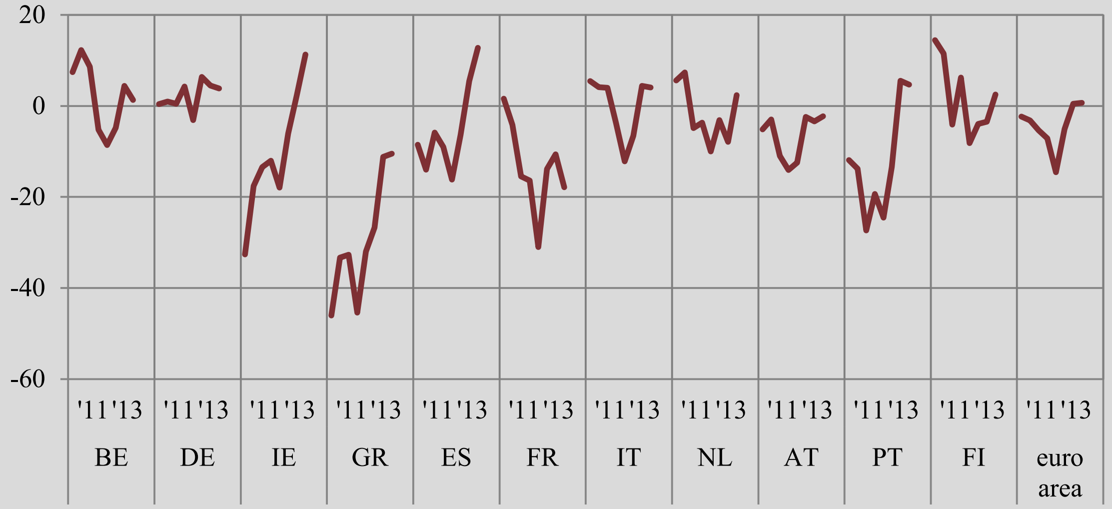
(over the preceding six months; country contributions to net percentage of respondents)



Base: All SMEs. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

Chart 21 **SMEs' expectations regarding the availability of bank loans across euro area countries**

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

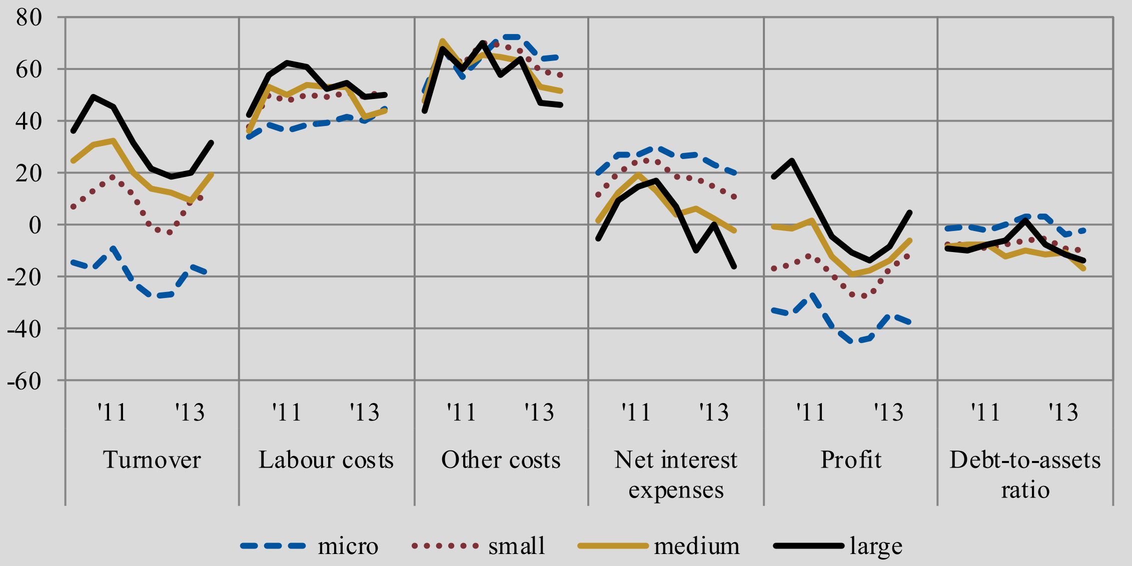


Base: All SMEs. Figures refer to round three (March-September 2010) round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1.

ANNEX 1: EURO AREA FIRMS – OVERVIEW OF THE SURVEY REPLIES

Chart 1a Change in the income and debt situation of euro area firms

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

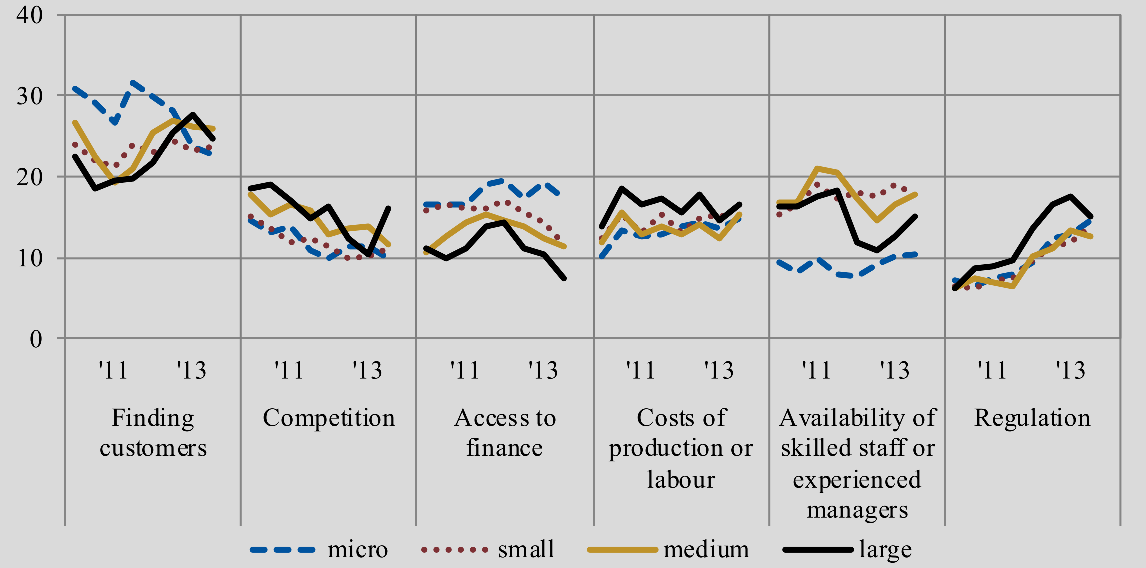


Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: The net percentage is the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

Chart 2a The most pressing problems faced by euro area firms

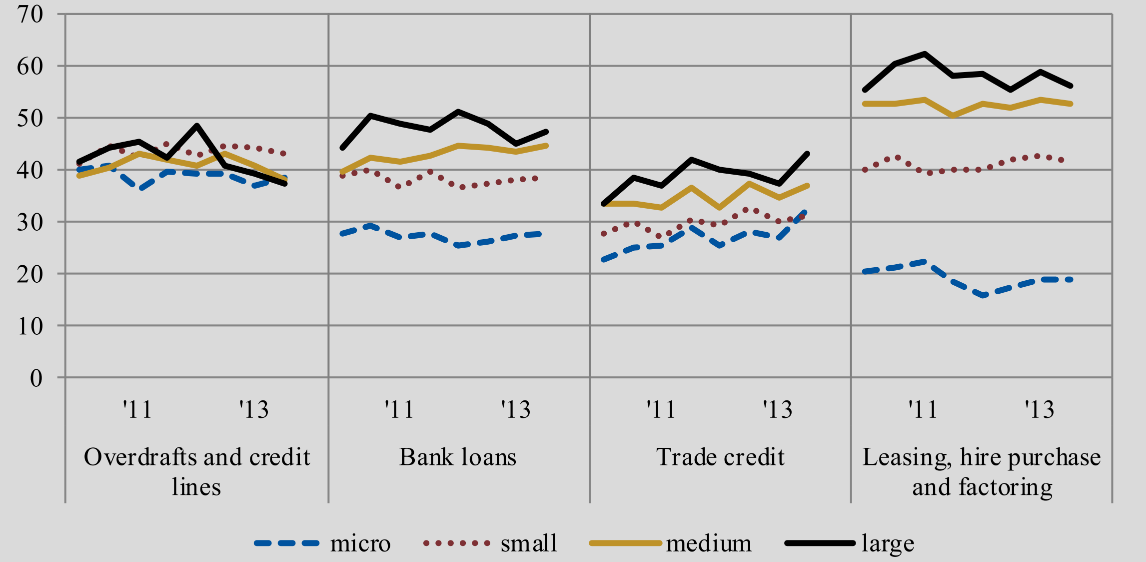
(percentage of respondents)



Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Chart 3a Sources of external financing of euro area firms

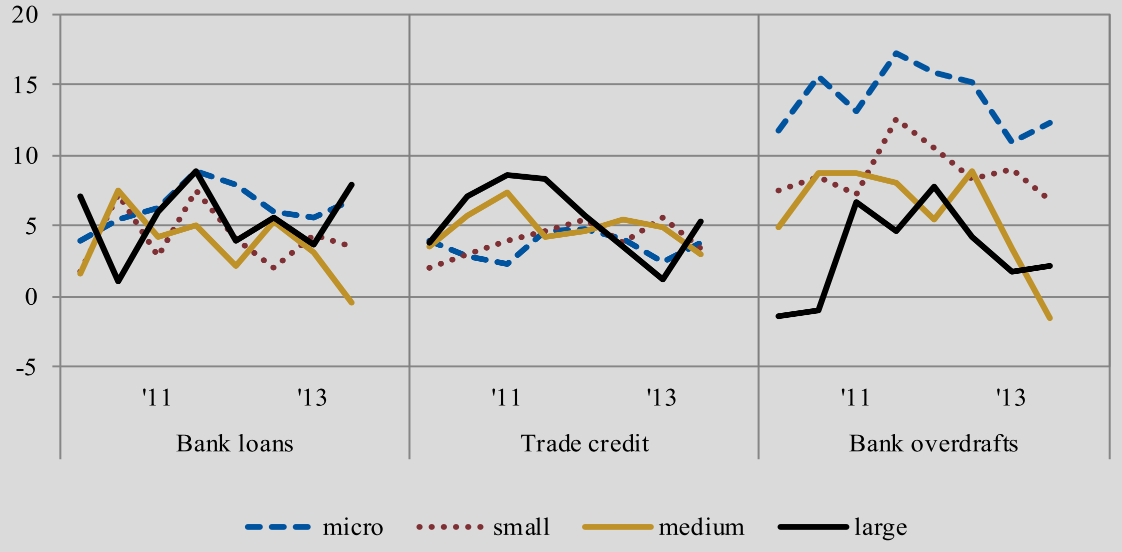
(over the preceding six months; percentage of respondents)



Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Chart 4a Change in the external financing needs of euro area firms

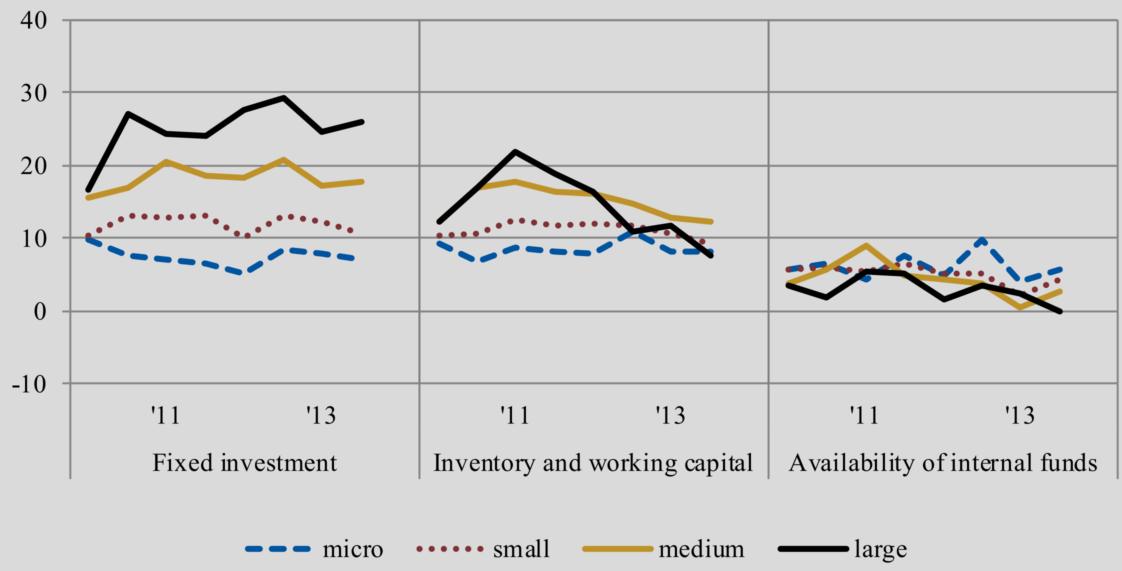
(over the preceding six months; net percentage of respondents)



Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1a.

Chart 5a Change in factors affecting the external financing needs of euro area firms

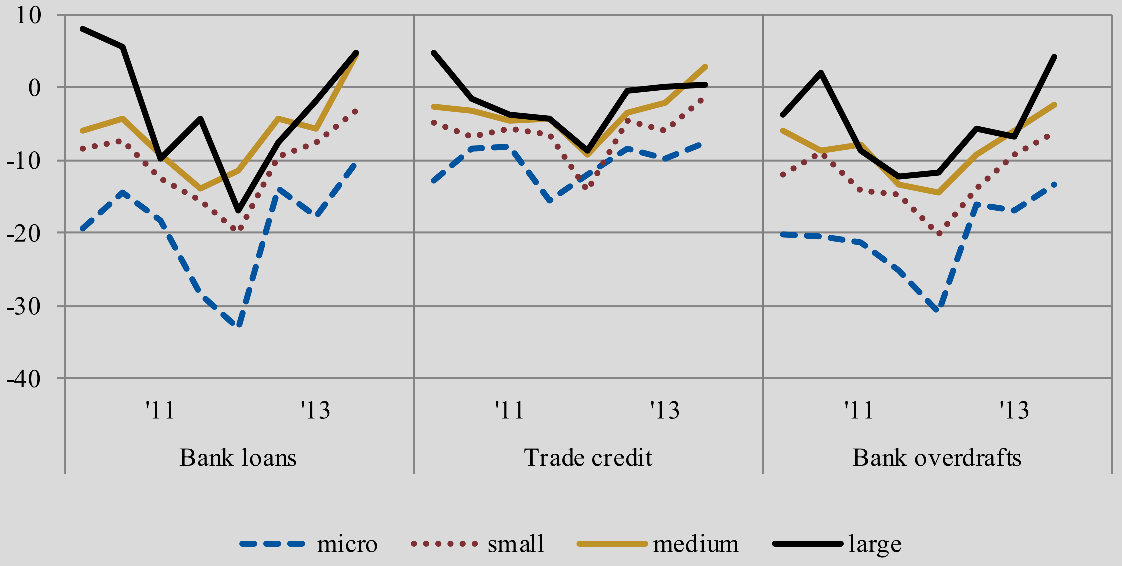
(over the preceding six months; net percentage of respondents)



Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1a.

Chart 6a Change in the availability of external financing for euro area firms

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

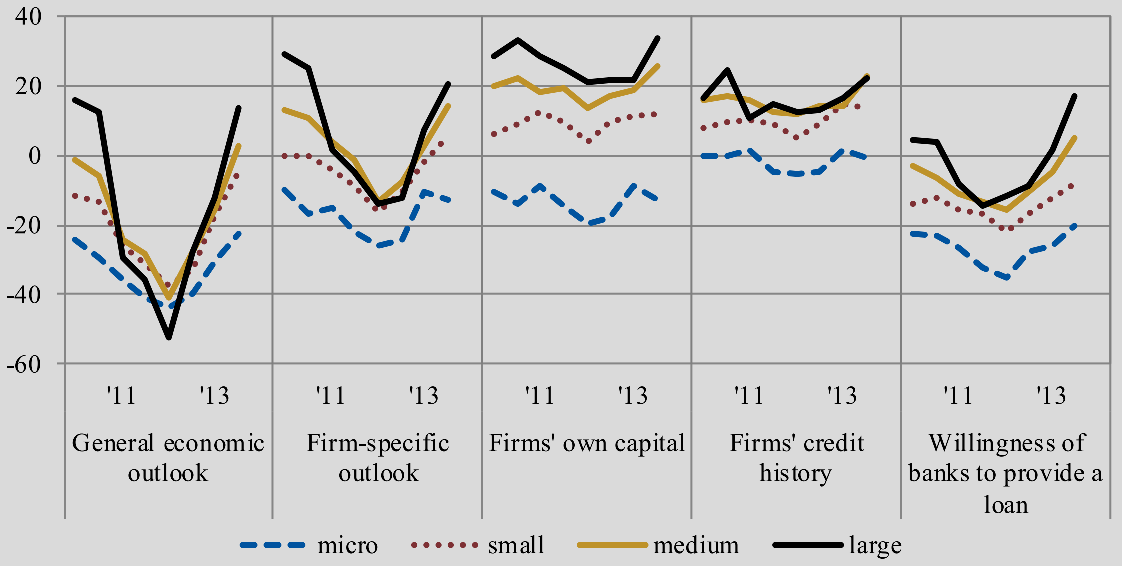


Base: Firms that had applied for external financing. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: See the note to Chart 1a.

Chart 7a Change in factors having an impact on the availability of external financing to euro area firms

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

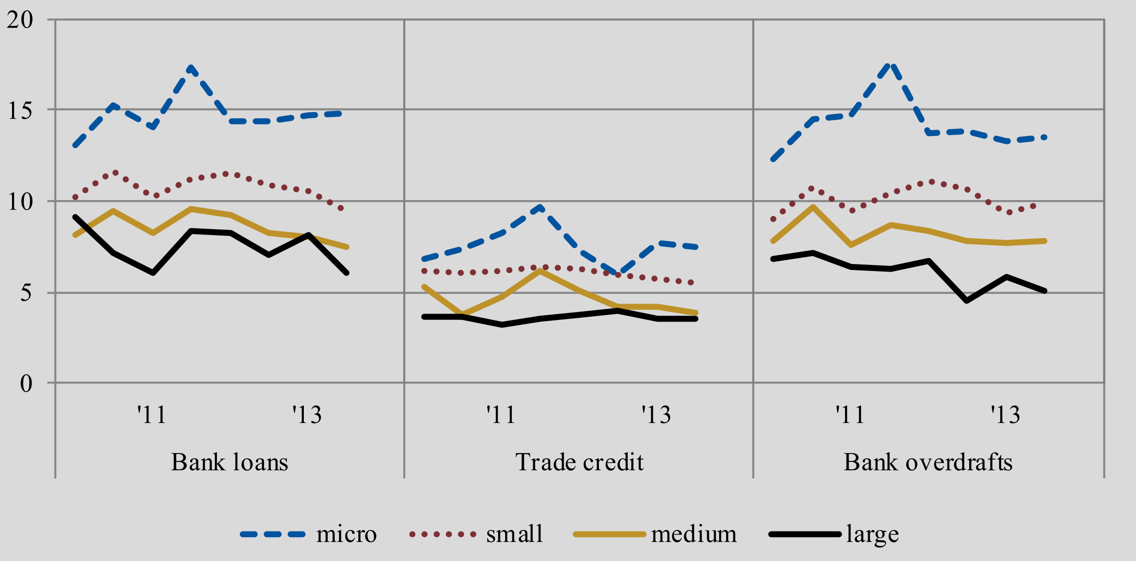


Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: See the note to Chart 1a.

Chart 8a Obstacles to receiving a bank loan for firms across euro area countries

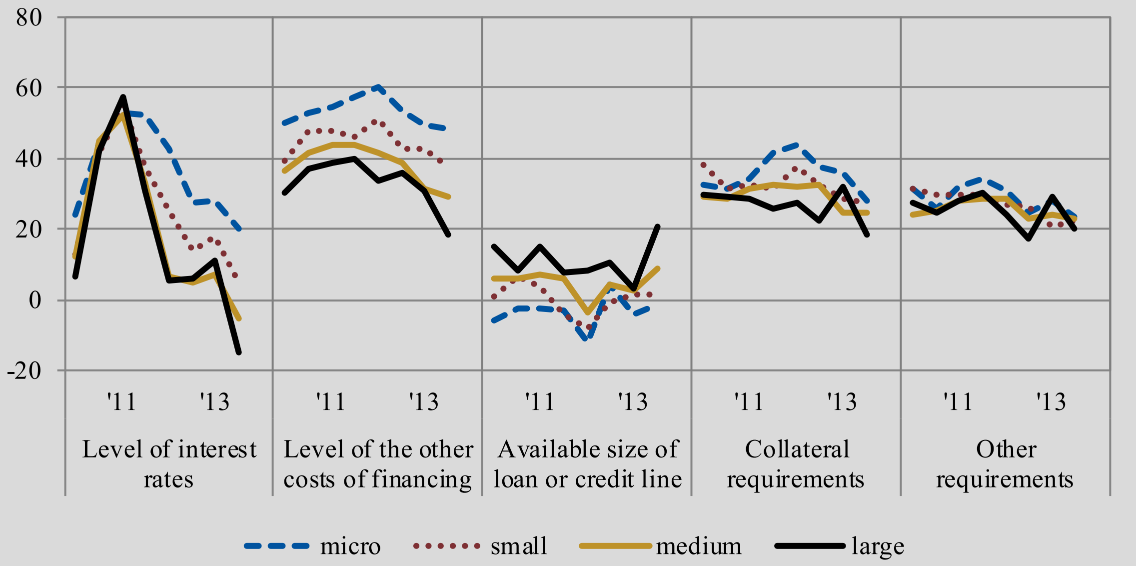
(over the preceding six months; percentage of respondents)



Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Chart 9a Change in the terms and conditions of bank loans granted to euro area firms

(over the preceding six months; net percentage of firms that had applied for bank loans)

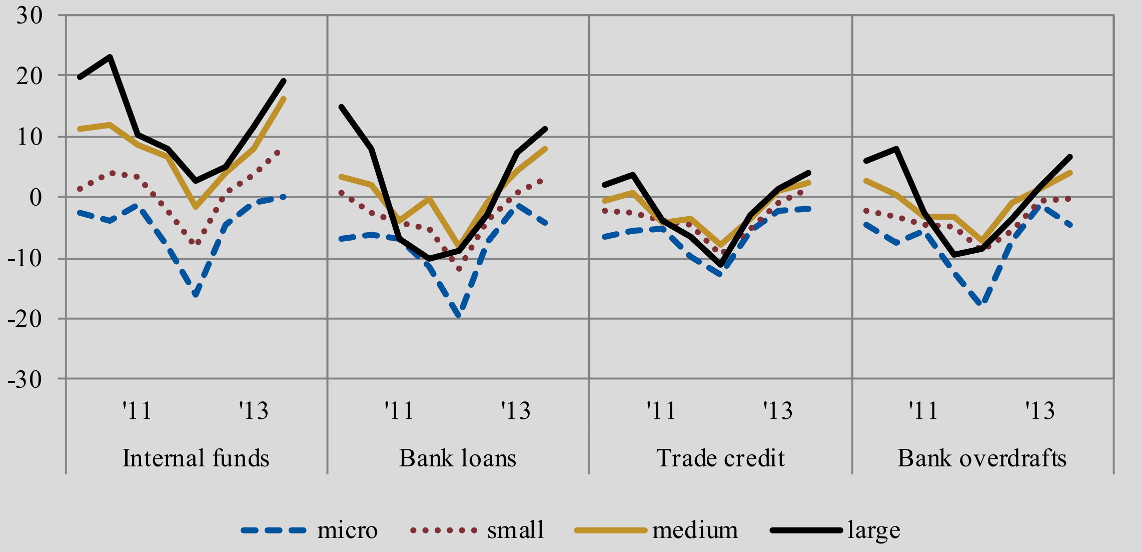


Base: Firms that had applied for bank loans or trade credit. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.

Note: See the note to Chart 1a.

Chart 10a Change in euro area firms' expectations regarding the availability of financing

(over the following six months; net percentage of respondents)



Base: All firms. Figures refer to round three (March-September 2010) to round ten (October 2013-March 2014) of the survey.
Note: See the note to Chart 1a.

ANNEX 2: METHODOLOGICAL INFORMATION ON THE SURVEY AND GENERAL CHARACTERISTICS OF THE FIRMS IN THE SAMPLE

This annex presents an overview of the methodology of the survey and the general characteristics of the euro area firms that participated in the survey.

BACKGROUND

The data presented in this report were collected through a survey of companies in the euro area. The first two survey rounds were carried out by Gallup, while the following rounds were carried out by IPSOS MORI, in cooperation with the IPSOS network of national research agencies in the various Member States. To the best of our knowledge, no breaks in the series were attributable to the change of provider. However, some changes in the questionnaire (for instance, the change to the wording of "internal funds" and "equity", and additional questions on bank overdrafts) may have caused a break between the round covering the second half of 2009 and that covering the first half of 2010.

The survey interviews for this round were conducted between 20 February and 24 March 2014.

SAMPLE SELECTION

The companies in the sample were selected randomly from the Dun & Bradstreet database of firms. The sample was stratified by firm size class, economic activity and country. The number of firms in each of these strata of the sample was adjusted to increase the accuracy of the survey across activities and size classes. For example, the proportion of small firms selected for the sample was higher than their economic weight. The results were then corrected using the appropriate weights (see the section entitled "Weighting" below).

The total euro area sample size was 7,520 firms, of which 6,969 had fewer than 250 employees.

As regards the stratification by firm size class, the sample was constructed to offer the same precision for micro (1 to 9 employees), small (10 to 49 employees) and medium-sized (50 to 249 employees) firms. In addition, a sample of large firms (250 or more employees) was included in order to make it possible to compare developments for SMEs with those for large firms.

Table 1b	Number of interviews conducted with euro area firms, broken down by firm size class		
	Number of interviews		Number of interviews
Micro	2,544	Medium-sized	1,876
Small	2,549	Large	551

The sample sizes for each economic activity were selected to ensure sufficient representativeness across the four major activities: industry, construction, trade and services. The statistical stratification was based on economic activities at the one-digit level of the European NACE classification (Rev. 1.1). Enterprises in the categories mining and quarrying (C), manufacturing (D), and electricity, gas and water supply (E) were combined into "industry". "Construction" is simply construction (F). "Trade" includes wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods (G). "Services" includes enterprises in the categories hotels and restaurants (H), transport, storage and communication (I), real estate, renting and business activities (K), education (M), health and social work (N), and other community, social and personal service activities (O).

Agriculture, hunting and forestry (A), fishing (B), financial intermediation (J), public administration (L), activities of households (P), extra-territorial organisations and bodies (Q), holding companies (NACE 74.15) and private non-profit institutions were excluded from the sample.

Table 2b	Number of interviews conducted with euro area firms, broken down by economic activity		
	Number of interviews		Number of interviews
Industry	2,159	Trade	2,050
Construction	766	Services	2,545

Finally, the sample sizes in the different countries were selected on the basis of a compromise between the costs of the survey at the euro area level and representativeness at the country level. Besides being representative at the euro area level, the sample is also representative for the four largest euro area countries, i.e. Germany, France, Italy and Spain (see the section entitled "Weighting" below for information on the weights used). The sample size in the seven other euro area countries that are included in the survey each time (Belgium, Ireland, Greece, Netherlands, Austria, Portugal and Finland) was increased in the round covering the second half of 2010 to 500 firms in each country, enabling some significant results to be drawn for these countries. The six smallest countries in the euro area (Estonia, Cyprus, Luxembourg, Malta, Slovenia and Slovakia) were not included in the sample. Since they represent less than 3% of the total number of employees in the euro area, this had only a very marginal impact on the results for the euro area as a whole.

In terms of euro area countries, the sample structure for this survey round was as follows:

Table 3b Number of interviews conducted with euro area firms, broken down by country

	Number of interviews		Number of interviews
Belgium	507	Italy	1,001
Germany	1,000	Netherlands	504
Ireland	500	Austria	500
Greece	500	Portugal	501
Spain	1,000	Finland	502
France	1,005		

FIELDWORK

All interviews were conducted by telephone (CATI). The person interviewed in each company was a top-level executive (general manager, financial director or chief accountant).

QUESTIONNAIRE

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

WEIGHTING

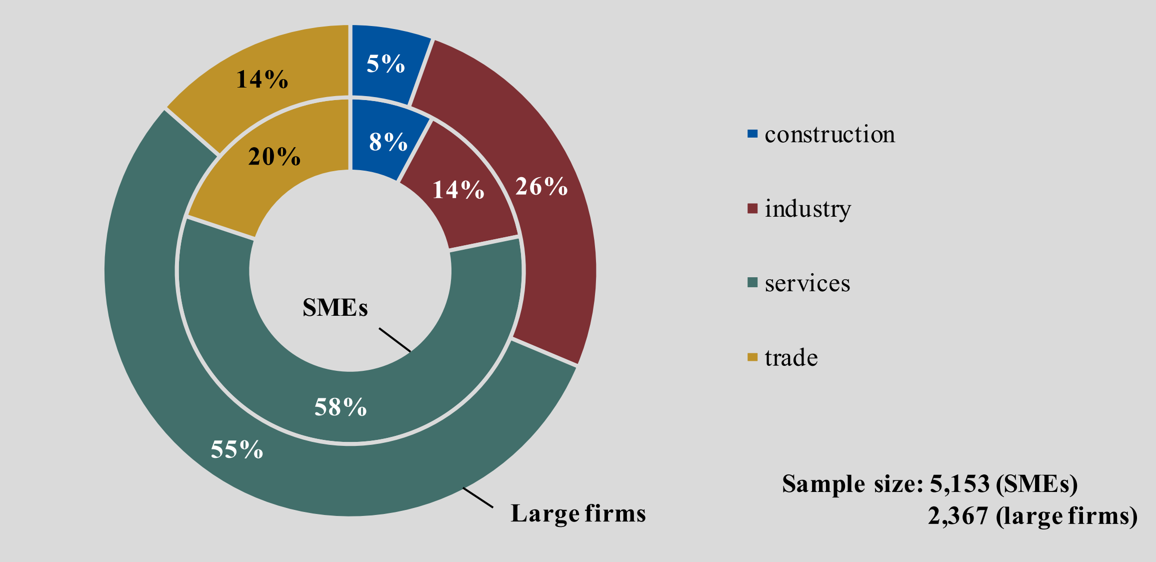
In order to restore the modified proportions, with regard to company size and economic activity (see the section entitled "Sample selection" above), calibrated weights were used. Since the economic weight of the companies varies according to the size of the company, there are two main classes of weights which can be used: (i) weights that restore the proportions of the number of firms in each size class, economic activity and country; and (ii) weights that restore the proportions of the economic weight of each size class, economic activity and country. In this report, the second set of weights is used, as the objective is to measure the effect of access to finance on economic variables. The number of persons employed is used as a proxy for economic weight.[7]

The calibration targets were derived from the latest figures from Eurostat's Structural Business Statistics in terms of the number of persons employed, by economic activity, size class and country, with figures from national accounts and from different country-specific registers used to cover activities not included in the Structural Business Statistics regulations, as well as from figures from the SME Performance Review of the European Commission.

DESCRIPTIVE STATISTICS FOR THE SAMPLE OF FIRMS

Chart 1b Breakdown of firms across economic activities

(weighted percentage)



[7] According to official statistics, 92% of firms in the euro area are micro firms (with one to nine employees), 7% are small firms, 1% are medium-sized firms and 0.2% are large firms. However, in terms of economic weight, as measured by the number of persons employed, micro firms represent 31% of all firms, small firms 22%, medium-sized firms 16% and large firms 30%.

Chart 2b Breakdown of firms by firm age

(weighted percentage)

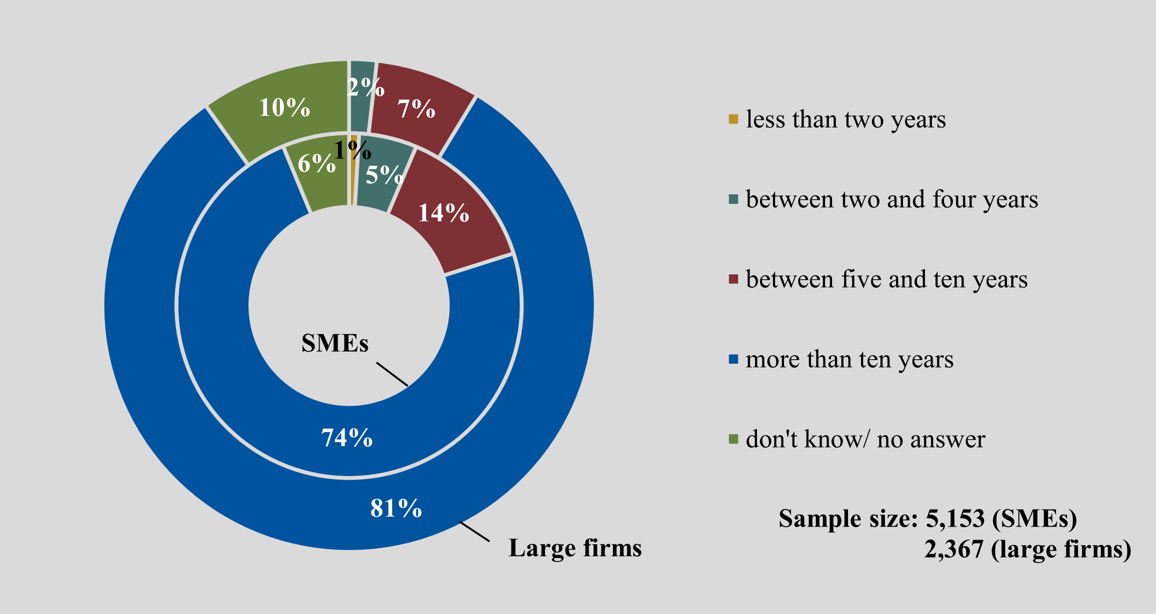


Chart 3b Breakdown of firms according to ownership

(weighted percentage)