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

SEPTEMBER 2009

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In 2009 all ECB publications feature a motif taken from the €200 banknote.

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EXECUTIVE SUMMARY

This report presents the main results of the first wave of the new survey entitled "Access to finance of small and medium-sized enterprises",[1] conducted between 17 June and 23 July 2009 on behalf of the European Central Bank and the European Commission.[2] It provides evidence on financing conditions for small and medium-sized enterprises (SMEs) in the euro area during the preceding six months, broadly corresponding to the first half of 2009.

SMEs' EXTERNAL FINANCING DEPENDS LARGELY ON BANKS

In terms of *financial structure*, the survey highlights some of the differences between SMEs and large firms. Not surprisingly, SMEs largely rely on banks when selecting sources of external financing (32% reported having used a bank loan in the previous six months and 30% a bank overdraft or credit line). Leasing, hire purchase and factoring (used by 27%), as well as, to a lesser extent, trade credit (15%), also played a relatively important role. By contrast, market-based financing was of minor importance (0.9% had issued debt securities in the previous six months and 1.3% had issued equity or relied on external equity investors). It is likely that the structurally low demand of SMEs for market-based financing was compounded by difficult market conditions during the financial crisis (the latter being also reflected in a very sparse use of market-based finance by large firms).

SMEs APPEAR TO HAVE BEEN STRONGLY AFFECTED BY THE ECONOMIC DOWNTURN

When assessing their *recent financial situation*, around half of the euro area SME respondents reported a decrease in turnover and profit over the previous six months. In addition, about 40% of them experienced an increase in production costs over this period. This assessment appears more negative than that of large firms, suggesting that SMEs were more strongly affected by the economic downturn in this period.

The *most pressing problem* facing euro area SMEs at the time of the survey was finding customers (27% chose this reply), which indicates depressed consumption and sluggish overall demand. The next most serious problem appeared to be "access to finance", which was reported by 17% of SMEs and especially by the smaller ones. This was followed by "competition" which was mentioned by 14% of the respondents. Labour or other production costs were seen as an issue by 9% of the respondents, while an equally large percentage saw the lack of skilled staff as the most pressing problem.

EXTERNAL FINANCING NEEDS TENDED TO INCREASE IN THE PREVIOUS SIX MONTHS

Turning to *external financing needs*, almost half of euro area SMEs reported no major change in financing needs in the first half of 2009. However, the net percentage[3] of SMEs reporting an increase in external financing needs, and especially bank loans, was about twice that of large firms (see Chart 1). Regarding the factors that appear to have contributed to the increased financing needs of almost one-fifth of the euro area SMEs in the six-month period in question, fixed investment was reported as being the most important one, closely followed by inventories and working capital, as well as insufficient availability of internal funds. Unsurprisingly, mergers and acquisitions and corporate restructurings had very little relevance in this context.

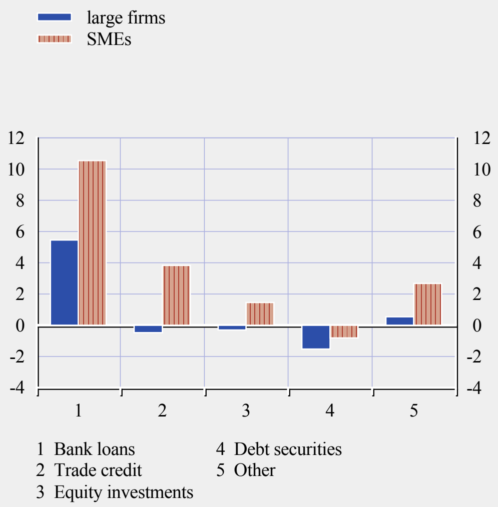
1 Some degree of caution is warranted in interpreting the results. This is the first time the survey has been conducted and the results cannot be compared with those of past waves. Moreover, the combination of a financial crisis and a severe economic downturn during the last six months is likely to have affected SMEs' responses.

2 In parallel to this report, The Gallup Organisation, which conducted the survey, has prepared an analytical report that is being published simultaneously by the European Commission. The Gallup report reflects the particular focus of the Commission on young, high-growth firms and also presents results from a country perspective.

3 The net percentage of firms reporting an increase is calculated as the difference between the percentage of reported "increases" and the percentage of reported "decreases". The net percentage of firms reporting a decrease is calculated as the difference between the percentage of reported "decreases" and the percentage of reported "increases".

Chart 1 Changes in the needs for external financing

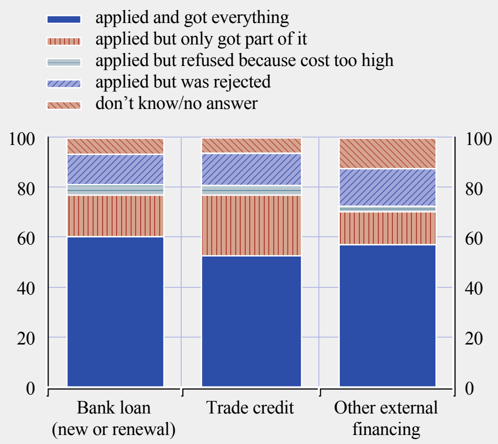
(net percentages of respondents, over the previous six months)



Base: All SMEs.
Notes: The net percentage is calculated as the difference between reported "increases" and "decreases". Respondents also include firms to which the instrument is not applicable.

Chart 2 Outcome of applications for external financing by euro area SMEs

(percentages of all firms applying for external financing)



Base: SMEs that had applied for bank loans, trade credit or other external financing.

SMEs' ACCESS TO FINANCE TENDED TO DETERIORATE, BUT APPLICATIONS FOR EXTERNAL FINANCING WERE MOSTLY SUCCESSFUL

Overall the survey shows a deterioration, on balance, in the availability of external financing in the first half of 2009. In fact, 43% of those SMEs that had applied for a bank loan during that period reported a deterioration in availability, while only 10% saw an improvement. This net worsening of 33% for SMEs was exceeded by that for large firms, for which the difference between these percentages amounted to 41%. Moreover, the availability of trade credit also seems to have worsened significantly (23% of those SMEs that had applied for it saw a deterioration and only 4% an improvement).

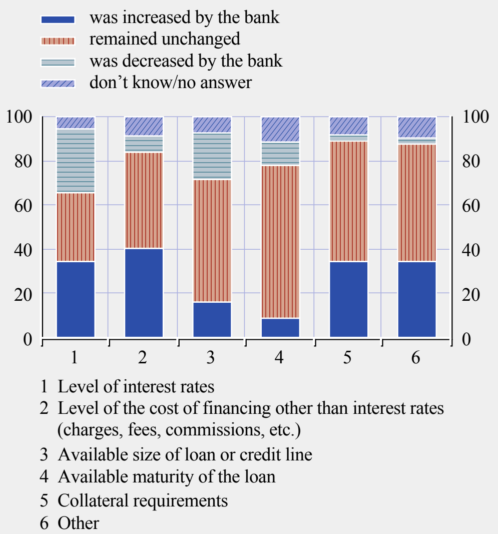
As regards the factors having an impact on the availability of financing, 63% of all responding euro area SMEs considered that the general economic downturn had had a negative impact. A lower percentage of SMEs assessed their firm-specific outlook (42%), their own capital (24%) or their credit history[4] (16%) as having deteriorated and had an impact on their access to finance. This indicates that the largest concerns of SMEs related to the general economic downturn.

In general, the majority of bank loan applications were successful either fully or in part (77%), but 12% were reported to have failed completely (see Chart 2). The bigger and older the firm applying for a bank loan, the more likely it was that the loan (or the trade credit or other forms of external financing) would be granted. While around half of the micro firms reported that they had received the full amount they had applied for, this was the case for around 70% of the medium-sized and large firms. Likewise, the proportion of rejected bank loan applications was considerably higher for micro firms than for firms of other sizes. This may be partly related to the fact that a higher percentage of micro firms reported a deterioration in their firm's own capital and creditworthiness.

4 The credit history of the firm is the record of previous loan repayments (or failure thereof).

Chart 3 Changes in the terms and conditions of bank loans to euro area SMEs over the preceding six months

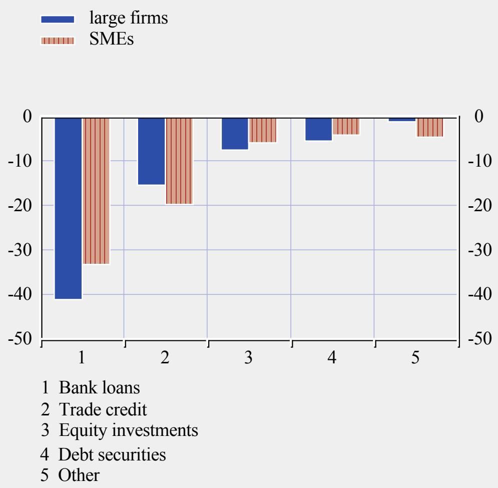
(percentages of all firms applying for bank loans)



Base: SMEs that had applied for bank loans.

Chart 4 Changes in the availability of external financing

(net percentages of respondents, over the previous six months)



Base: All firms that had applied for bank loans, trade credit or other external financing.
Notes: The net percentage is calculated as the difference between reported "increases" and "decreases". Respondents also include firms to which the instrument is not applicable.

A higher proportion of micro firms also refused loans because the cost was assessed as too high. Furthermore, younger firms had had a higher percentage of loan applications rejected than older firms during the preceding six months. Interestingly, only 5% of the SMEs did not apply for loans for fear of rejection.

At the same time, a significant proportion (32%) of SMEs reported a deterioration in banks' willingness to provide a loan. The smaller the firms, the larger the proportion that reported such a deterioration. Although to a much lesser extent than that of banks, the willingness of business partners to provide trade credits was also judged, on balance, to have worsened during the preceding six months.

The *terms and conditions* of bank loans are an important determinant of their availability. In general, most SMEs reported no change in these terms and conditions during the preceding six months, except for bank lending rates and other borrowing costs (see Chart 3). In particular, a large proportion of euro area SMEs that had applied for a loan in the previous six months highlighted the worsening of other costs and conditions and of collateral requirements. The net percentage of those SMEs that had applied for a bank loan reporting an increase in the non-interest rate cost of financing (i.e. commissions, fees and other costs) was 33%, while the net percentage of such SMEs reporting an increase in collateral requirements was 32%. These figures are significantly higher than the net 5% of SMEs that reported an increase in interest rates. A smaller net percentage of SMEs reported a decrease in the size of the available loan and a shortening of the maturity offered.

The proportion of firms reporting a worsening of terms and conditions of bank lending was somewhat higher for large firms than for SMEs (see Chart 4).

Table 1 Turnover growth over the previous three years versus expected growth over the following two to three years

(percentages of firms)

Past growth	Expected growth: More than 20%	1%-20%	No growth	Negative	*Total*
More than 20%	4	7	5	3	*18*
1%-20%	3	21	11	8	*43*
No growth	1	7	10	4	*22*
Negative	1	5	7	5	*17*
Total	*10*	*39*	*32*	*20*	*100*

Base: Firms in the EC sample that replied to both questions. 4% of the firms had grown by more than 20% per year over the previous three years and expected to grow by more than 20% over the following two to three years. In total, 10% of the firms which replied to both questions expected to grow more than 20%.

THE ABILITY TO OBTAIN FINANCING WAS EXPECTED TO REMAIN BROADLY UNCHANGED IN THE FOLLOWING SIX MONTHS

The majority of SMEs expected their *ability to obtain financing,* across an array of financing alternatives, to remain broadly unchanged in the following six months. For example, 58% of SMEs expected the availability of internal financing to remain unchanged, while 57% expected that of bank loans to remain unchanged (see Chart 5). However, the proportion of SMEs expecting the availability of financing to deteriorate was slightly larger than that expecting an improvement. This difference was equal to 2% for the availability of internal financing and 4% for bank loans. Regarding access to equity investment, trade credit and debt securities a similar pattern emerged, with the majority of SMEs foreseeing no change, while the proportion of more pessimistic SMEs is slightly larger than that of the optimists.

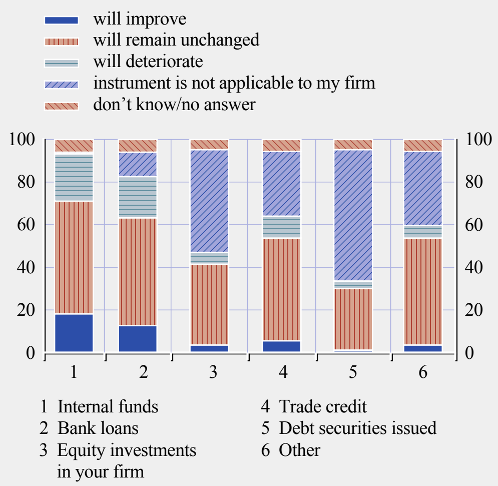
Regarding the growth outlook over the next two to three years, SMEs tended to be somewhat pessimistic at the time of the survey and, on balance, expected their average growth to be lower than the growth they had experienced in the previous three years. This can be seen from Table 1 where, for example, among the SMEs that had experienced moderate growth, 11% expected to reduce their pace of growth and 8% actually to shrink in size, while only 3% expected to grow more than moderately.

Nearly 40% of SMEs did not foresee any obstacle in obtaining the financing they might require for their medium-term growth aspirations. Overly-high interest rates and other borrowing costs were seen as a limiting factor for taking up a loan by 20% of SMEs. “Insufficient collateral or guarantee” was seen as a limiting factor by 26%.

Asked about their aspirations for a stock exchange listing in the following two years, less than 1% of the SMEs expressed such an ambition. In fact, 77% of the SMEs considered themselves to be “too small” for such an undertaking, while only 3% mentioned “unfavourable expected market conditions” as an important obstacle to being listed.

Chart 5 Euro area SMEs’ expectations regarding access to financing over the following six months

(percentages of respondents)



Base: All SMEs.

1 INTRODUCTION

This report presents a comprehensive review of the new survey entitled "Access to finance of small and medium-sized enterprises" conducted on behalf of the European Central Bank and the European Commission, between 17 June and 23 July 2009.[5] The survey covers 8,762 micro, small, medium-sized and large firms in the European Union (EU), of which 6,091 (70%) are in the euro area. It also provides information on SMEs' financing conditions by economic activity and size classes. Four types of economic activity were distinguished, in accordance with standard classifications: construction, industry (comprising manufacturing, mining and utilities), trade and services. Micro, small and medium-sized firms were identified on the basis of the number of their employees. A sample of large firms was added to enable comparisons to be drawn. Other breakdown criteria such as firm age, ownership, autonomy and nationality were also investigated on occasions in order to get a fuller picture.

The report is organised as follows. Section 2 presents an overview of the financial situation of the euro area SMEs. Section 3 discusses SMEs' financing structure and needs. Section 4 presents SMEs' access to finance. Section 5 describes expectations regarding access to finance and the obstacles to growth of euro area SMEs.

Annex 1 provides methodological information on the survey, including a detailed description of the economic activities and the size criteria. Annex 2 provides a graphical description of the general characteristics of the firms. Annex 3 provides an overview of the results for large firms only, by way of comparison.

2 EURO AREA SMEs: AN OVERVIEW OF THEIR FINANCIAL SITUATION

Half of the respondent euro area SMEs[6] (50%) reported a decrease in their *turnover* over the preceding six months (see Chart 6), whereas large firms made a somewhat less negative assessment (44%). At the same time, a net percentage[7] of 23% of the SMEs reported an increase in their *labour costs* and 25% an increase in *other costs (e.g. material and energy costs)*, with negative implications for profit developments. In addition, a net percentage of 8% of SMEs reported that their *net interest expenses* (interest expenses less interest income) had increased, compared with -5% for large firms (see Annex 3). As shown below, this is in line with a decline in leverage for large firms and an increase for SMEs.

These turnover and cost developments had a negative impact on firms' *profit* (net income after taxes). A net percentage of 38% of the SMEs and

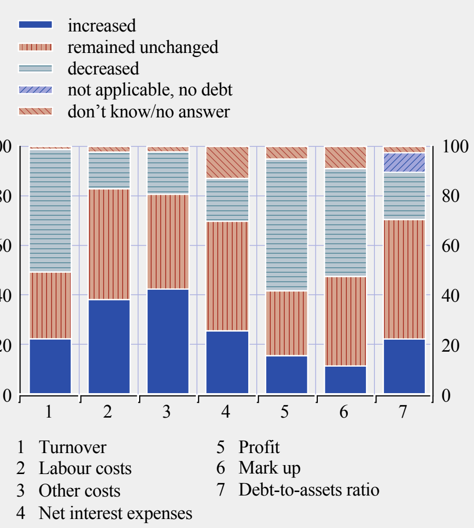
5 Some degree of caution is warranted in interpreting the results. This is the first time that the survey has been conducted and the results cannot be compared with those of past waves. Moreover, the combination of a financial crisis and a severe economic downturn during the last six months is likely to have affected SMEs' responses.

6 SMEs include micro firms (1-9 employees), small firms (10-49 employees) and medium-sized firms (50-249 employees). Large firms are defined as firms with 250 or more employees.

7 The net percentage of firms reporting an increase is calculated as the difference between the percentage of reported "increases" and the percentage of reported "decreases". The net percentage of firms reporting a decrease is calculated as the difference between the percentage of reported "decreases" and the percentage of reported "increases".

Chart 6 Income and debt situation of euro area SMEs, change over the preceding six months

(percentages of respondents)



Base: All SMEs.

a somewhat lower net percentage of 33% of the large firms, in line with less negative turnover developments, reported a decrease in their profit over the preceding six months. Hence, it appears that SMEs were more strongly affected by the economic downturn as regards turnover and profit developments over the reporting period. Compared with the net percentage of SMEs and large firms reporting a decrease in turnover, a somewhat larger net percentage of SMEs (32%) and of large firms (31%) reported that their *mark up* (selling price less unit production cost) had decreased. This suggests that some firms had attempted to improve their turnover by lowering mark ups.

Finally, as regards firms' *leverage* (measured as the ratio of the firms' debt to assets), 10% of the micro firms replied that they had no debt, whereas this was the case for only 6% of the firms in other size groups, including large firms. 48% of SMEs and 45% of large firms reported that their leverage level had remained unchanged over the previous six months. In addition, in net terms, SMEs reported an increase in their leverage (net percentage of 3%). By contrast, the net percentage of large firms reporting an increase in their leverage was negative (-12%). This decrease in leverage in net terms for large firms is in line with the development of their net interest expenses.

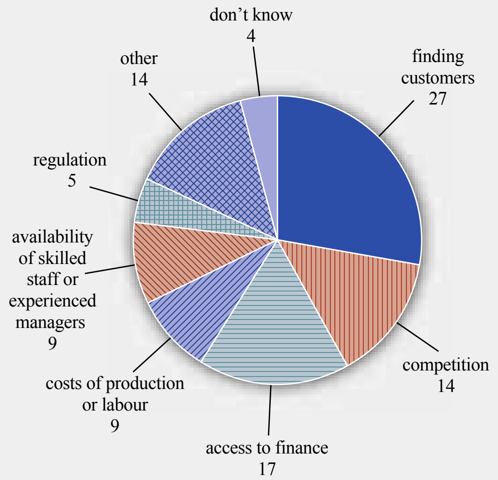
Furthermore, it is noticeable that the net percentage of SMEs reporting a decrease of turnover was highest in industry (39%), possibly as a result of its more cyclical nature.[8] The net percentage of SMEs reporting a decrease in turnover was lowest in services (22%), which are on average less sensitive to the business cycle. At the same time, the net percentage of SMEs reporting an increase in labour costs and other costs was lowest in industry (18% and 13% respectively). Regarding profit developments, the net percentage of SMEs reporting a decrease in profit was highest in industry (46%) and considerably lower in services, in line with turnover developments. Finally, as regards SMEs' leverage, the percentage of micro firms reporting that they had no debt was highest in services (11%). In all four branches of economic activity, broadly half of the SMEs reported that their leverage had remained unchanged over the preceding six months. In addition, the net percentage of SMEs reporting an increase in leverage was considerably higher in construction (10%) than in trade (0%).

In line with the above-mentioned evidence on declining turnover, the *most pressing problem* facing euro area SMEs at the time of the survey was finding customers (27% chose this reply). This can be seen in Chart 7. The next most serious problem appeared to be "access to finance", which was reported by 17% of SMEs, and especially by the smaller ones. This was followed by "competition" which was mentioned by 14% of the respondents. Labour or other production costs were seen as an issue by 9% of the respondents, while an equally large percentage saw the lack of skilled staff as the most pressing problem.

8 See Box 6 entitled "A comparison of the current recession in the euro area economy and its two main branches with past periods of recession" in the April 2009 ECB Monthly Bulletin.

Chart 7 Pressing problems faced by euro area SMEs

(percentages of respondents)



Base: SMEs in the European Commission sample.

3 EURO AREA SMEs' FINANCING STRUCTURE AND NEEDS

This section provides an overview of the financing structure of SMEs (Section 3.1) and then considers SMEs' financing needs (Section 3.2).

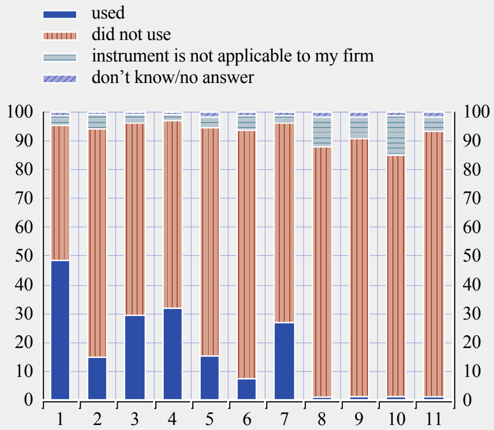
3.1 OVERVIEW OF THE FINANCING STRUCTURE

Firms' financing can be broadly divided into internal and external funds. A firm can use one of these two financing sources only or, as is more often the case in practice, a mixture of them. Traditionally, internal funding, i.e. personal savings, retained profit and sales of assets, is an important means of financing for SMEs.[9] External funding can be broadly divided into debt and equity issuance.

Bank loans (used by 32% of SMEs) and bank overdrafts, credit lines and credit card overdrafts (used by 30% of SMEs) had been the largest source of external financing for SMEs during the preceding six months, in line with the traditionally important role of bank financing for SMEs in the euro area (see Chart 8). Indeed, bank loans, credit lines and overdrafts are not only used to finance investment but also working capital. Leasing, hire purchase and factoring (27%) and trade credit (15%) had also played a relatively important role, while market-based financing had been of minor importance to the financing of SMEs during the preceding six months (1% had issued debt securities and an equally small percentage had issued equity or relied on external equity investors). The very low importance of market-based financing is probably both a structural phenomenon and a consequence of the difficult financial market conditions during the financial turmoil. Large firms had also barely relied on market-based financing (2% used either debt securities issuance or equity issuance or external equity investors) during the preceding six months, relying to a much greater extent on bank loans (used by 38% of the large firms) and on leasing, hire purchase or factoring (36%).

Chart 8 Financing structure of euro area SMEs over the preceding six months

(percentages of respondents)



1 Internal funds
2 Grants or subsidised bank loan (involving support from public sources)
3 Bank overdraft, credit line or credit card overdraft
4 Bank loan (excluding overdraft)
5 Trade credit
6 Other loan
7 Leasing, hire purchase or factoring
8 Debt securities issued
9 Subordinated loans, participation loans or similar financing instruments
10 Equity issuance or external equity investors
11 Other

Base: All SMEs.

3.2 EXTERNAL FINANCING NEEDS

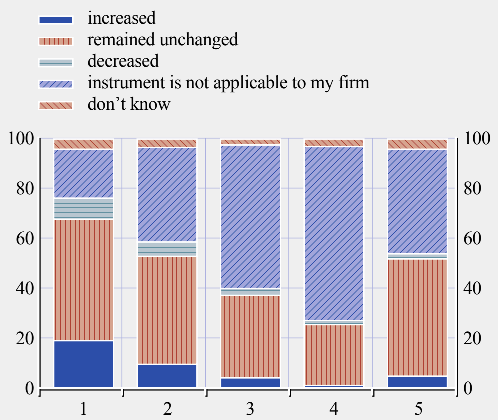
Nearly half of the respondent euro area firms reported that their need for bank loans had remained unchanged over the preceding six months, this percentage being somewhat higher for SMEs (49%) than for large firms (46%) (see Chart 9). However, the net percentage of firms reporting an increase in their need for *bank loans* was considerably higher for SMEs (11%) than for large firms (5%).

Regarding *trade credit* (i.e. business-to-business loans to allow, for example, for delays in payments), a similar picture emerges. A somewhat higher percentage of SMEs

9 Cressy R., Olofsson C., 1997, "European SME financing: An overview", Small Business Economics, vol. 9 no 2, pp. 87-96.

Chart 9 External financing needs of euro area SMEs, change over the preceding six months

(percentages of respondents)

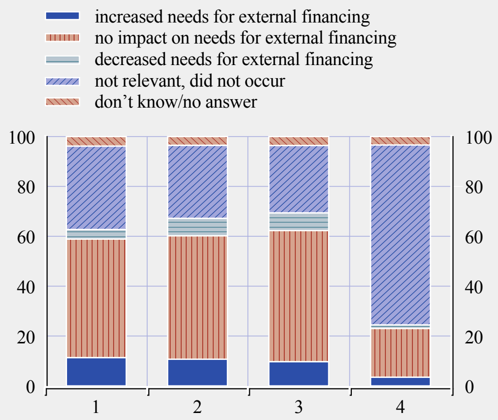


1 Bank loans
2 Trade credit
3 Equity investments in your firm
4 Debt securities issued
5 Other

Base: All SMEs.

Chart 10 Factors affecting the external financing needs of euro area SMEs over the preceding six months

(percentages of respondents)



1 Fixed investment
2 Inventories and working capital
3 Internal funds
4 Mergers and acquisitions and corporate restructuring

Base: All SMEs.

reported an increase than a decrease in their need for trade credit (net percentage of 4%), whereas the opposite was the case for large firms (net percentage of -0.5%). At the same time, 43% of the SMEs reported an unchanged need for trade credit, while this was the case for 49% of the large firms.

In all branches of economic activity, the net percentage of SMEs reporting an increase in their need for bank loans was positive (ranging from 10% in services and trade to 13% in construction). As regards trade credit, between 32% (in construction) and 42% (in services) of the SMEs replied that the instrument is not applicable to them. Among the SMEs to which this instrument was applicable, the majority reported an unchanged need.

Firms were also asked about the *factors* which had had an impact on their external financing needs (see Chart 10). Among all factors, *fixed investment* was regarded as the most important. A net percentage of 8% of SMEs and a net percentage of 9% of the large firms reported that fixed investment had increased their need for external financing during the preceding six months. External financing needs for *inventories and working capital* appear to have somewhat increased as well, broadly in line with anecdotal evidence of an inventories build-up in the first quarter of 2009, followed by a winding-down in more recent months. Reduced availability of *internal funds*, which was probably related to the decline in profit, had also increased some SMEs' external financing needs over the preceding six months (net percentage of 3%). By contrast, internal funds contributed negatively to the external financing needs of large firms (net percentage of -2%). In addition, the large majority of firms reported no external financing need for *mergers and acquisitions and corporate restructuring* as this factor had not been relevant for them during the preceding six months.

Fixed investment was regarded by SMEs in all branches of economic activity as the most relevant factor for their increased need for external financing during the previous six months. Inventories and working capital had had a positive impact in net terms on SMEs' need for external financing in all economic activities, but particularly in trade (net percentage of 5%).

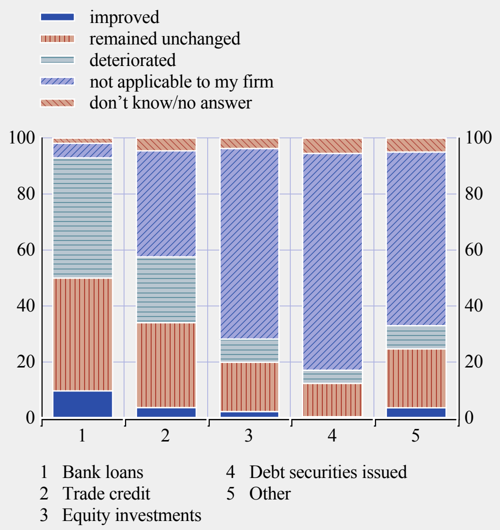
The net percentage of firms reporting increased needs for external financing resulting from a lower availability of internal funds was highest in industry (4%), which may be related to the negative profit developments in this part of the economy (see Section 2).

4 EURO AREA SMEs' ACCESS TO FINANCE

This section focuses on the access to finance of euro area SMEs. Section 4.1 provides an assessment by the firms of the availability of external financing and the factors that had influenced the availability of external financing over the preceding six months. Section 4.2 presents evidence on the experience of firms applying for external financing. Section 4.3 focuses on loan financing, which traditionally plays an important role in the financing of SMEs.

Chart 11 Availability of external financing for euro area SMEs, change over the preceding six months

(percentages of firms that had applied for external financing)



Base: SMEs that had applied for some kind of external financing.

4.1 AVAILABILITY OF EXTERNAL FINANCING

The firms that had applied for any category of external financing during the preceding six months, i.e. broadly the first half of 2009, were asked for their assessment as to whether the availability of the various external financing alternatives had improved or deteriorated over that period.

A net 33% of those SMEs reported a deterioration in the availability of *bank loans* (new loan or renewal of an existing loan) over the preceding six months (see Chart 11). This percentage was higher for large firms, 41% of which reported a deterioration in the availability of bank loans. The net percentage of micro firms reporting a deterioration in the availability of bank loans (38%) was higher than that of small and medium-sized firms. This is in line with the higher percentage of micro firms that had experienced a loan application rejection over the preceding six months (see Section 4.2).

Regarding *trade credit*, a net 20% of the SMEs reported a deterioration in the availability of this external financing instrument. This is somewhat higher than the net percentage of large firms reporting such a deterioration (15%).

Across branches of economic activity, the assessment regarding the change in the availability of bank loans (new or renewal) during the preceding six months was most negative in construction (where a net percentage of 41% of the SMEs reported a deterioration) and least negative in industry (where a net percentage of 29% of the SMEs reported a deterioration). Also, regarding the availability of trade credit, SMEs in construction gave the most negative assessment.

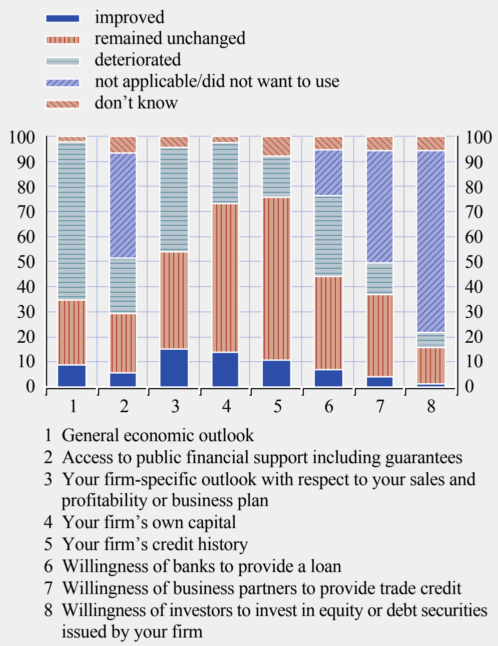
The availability of external financing depends on various factors, including the general economic situation, the firm-specific outlook and the attitude of lenders. The attitude of lenders refers to the supply-side aspects of the availability of external financing. In the case of bank lending, this refers to changes in bank lending policies, for instance due to changes in the bank's balance sheet situation, which can have an impact on the availability of external financing to firms.

As regards *demand-related factors*, the majority of SMEs (63%) replied that the *general economic outlook* had deteriorated over the preceding six months, while a lower but still high percentage of SMEs assessed their *firm-specific situation* as having deteriorated (42%) (see Chart 12). A broadly comparable relative assessment was reported by large firms. In line with the deterioration in the economic and firm-specific situation, a net percentage of 10% and 6% of SMEs respectively replied that their *firm's own capital* and their *firm's credit history* had deteriorated over the preceding six months.[10] At the same time, 59% and 65% of the SMEs respectively reported that their own capital and credit history had remained unchanged over the preceding six months. It was generally the case that the smaller the firm size, the larger the net percentage of firms reporting a deterioration of their firm's own capital and their firm's credit history over the preceding six months, i.e. the net percentages were the highest for micro firms (14% and 9% respectively).

Regarding *supply-side effects* on the availability of external financing, a net percentage of 25% of SMEs reported that *banks' willingness to provide a loan* had decreased over the preceding six months, while 37% of the SMEs reported that banks' willingness had remained unchanged. The net percentage of large firms replying that banks' willingness to provide a loan had deteriorated stood at 20%, while 41% replied that it had remained unchanged. Regarding the *willingness of business partners to provide trade credit*, SMEs and large firms also reported a decline in net terms (9% and 12% respectively), but 45% of the SMEs and 40% of the large firms did not use this instrument. As regards the *willingness of investors to invest in equity or debt securities issued by the firm*, a very large majority of the firms had not used this instrument over the preceding six months. At the same time, in net terms, both SMEs and large firms reported a lower willingness of investors to invest in equity or debt securities issued by the firm (5% and 7% respectively).

Chart 12 Factors having an impact on the availability of financing to euro area SMEs, changes over the preceding six months

(as a percentage of respondents)



Base: All SMEs.

In line with the SMEs' assessment of turnover and profit developments, the percentage of SMEs reporting a deterioration in the general economic situation was highest in industry (67%). At the same time, a lower percentage of firms reported that their firm-specific outlook, with respect to their sales, profitability or business plan, had deteriorated (ranging from 40% in services to 46% in industry). The net percentages of SMEs reporting that their firm's own capital and their firm's credit history had deteriorated were highest in construction (18% and 15% respectively). At the same time, the majority of SMEs in all branches of economic activity reported that their own capital and credit history were unchanged.

As regards the supply-side effects, the net percentage of SMEs reporting that banks' willingness to provide a loan had decreased

10 The credit history of the firm is the record of previous loan repayments (or failure thereof).

over the preceding six months was highest in construction (34%). This may be related to the deterioration of the firms' own capital and credit history, which was also most pronounced in this branch. Regarding the willingness of business partners to provide trade credit, firms in all branches of economic activity reported a decline in net terms.

It is noteworthy that the change in banks' willingness to provide a bank loan hardly varied with the firms' age. In particular, about 40% of *young firms* (i.e. in existence for less than two years) reported that their bank's willingness to lend had remained broadly unchanged, despite the fact that they may generally have a short credit history. By contrast, the net percentage of firms reporting a lower willingness of banks to provide a loan was highest for firms between five and ten years old (31%).

4.2 APPLICATION FOR EXTERNAL FINANCING AND ITS SUCCESS

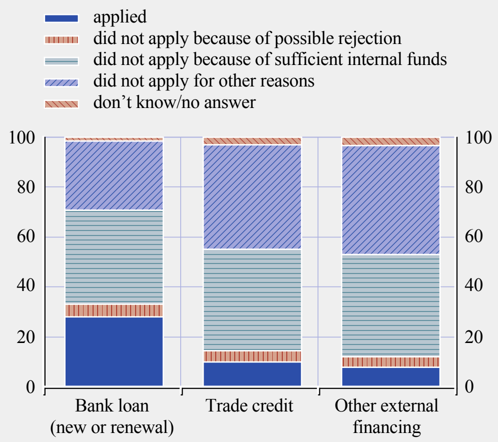
This section reports on firms' experience with respect to applications for external financing. It covers alternative sources of external financing, in addition to bank loans.

Firms were asked whether they had applied for various forms of external financing during the preceding six months and, if not, about the reasons for not applying.[11] In addition, the firms which had applied for external financing were asked whether they had been successful in their application.

Over the preceding six months, a minority of firms (28% of SMEs and 34% of large firms) reported that they had applied for *bank loans* (new loan or renewal of an existing bank loan; see Chart 13). The main reason for not applying for a loan was sufficient availability of internal funds (reported by 37% of SMEs and 38% of large firms). Only 5% of the SMEs reported that they did not apply because of a possible rejection. The smaller the firm, the higher this percentage, i.e. while only 1% of the large

Chart 13 Applications for external financing by euro area SMEs over the preceding six months

(percentages)



Base: All SMEs.

firms reported that they did not apply for fear of rejection, this percentage increased to 7% for micro firms. The age of the firm, however, did not seem to matter in this respect, as a lower percentage of young firms (less than two years old; 3%) did not apply because of a possible rejection than of somewhat older firms (e.g. between five and ten years old; 7%). Other reasons for not applying for a bank loan, such as low investment opportunities, were reported by 28% of firms.

Compared with bank loans, a lower percentage of firms had attempted to use *trade credit* (10% of SMEs and 13% of large firms) or *other external financing* (8% of SMEs and 11% of large firms) over the preceding six months, reflecting the lower importance of these financing alternatives compared with bank loans. The proportions of firms that had not applied for trade credit or other external financing because they were anticipating a possible rejection were similarly low as in the case of bank loans.

11 See, for instance, Hubbard, R. G., "Capital market imperfections and investment", NBER Working Paper 599, 1998, for a general survey of empirical academic studies on financing constraints.

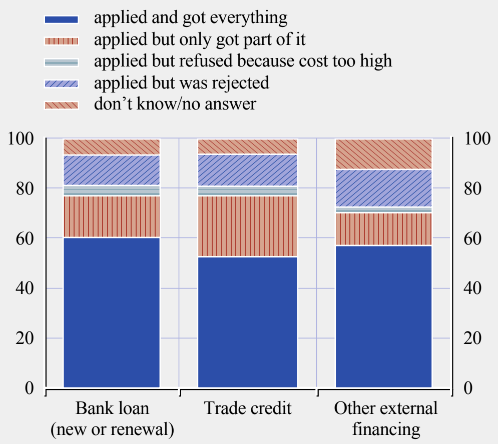
Across branches of economic activity, the percentage of SMEs that had applied for a bank loan over the preceding six months was somewhat higher in construction (33%) and industry (34%) than in services (25%) and trade (28%). At the same time, the percentages of firms which had not applied for a loan because of a possible rejection were relatively similar in all branches of economic activity (ranging from 5% in services to 6% in construction).

As regards trade credit and other external financing, the proportions of SMEs that had applied for these were highest in construction (14% and 10% respectively) and lowest in services (both 7%), in line with the evidence on increased financing needs (see Section 3). The percentages of SMEs that had not applied because of a possible rejection were similarly low in all branches, as in the case of bank loans.

Those firms that had applied for external financing over the preceding six months were also asked about the *outcome of their*

Chart 14 Outcome of the applications for external financing by euro area SMEs over the preceding six months

(percentages of those firms that had applied for external financing)



Base: SMEs that had applied for bank loans, trade credit or other external financing.

application (Chart 14). The larger the firm, the more successful they were in obtaining a loan. While 53% of the micro firms that had applied for loans had received the whole amount they had applied for, this was the case for 62% of the small firms, 69% of the medium-sized firms and 72% of the large firms. A considerable percentage of SMEs (17%) reported that they had received part of the amount they had applied for. Mirroring the application success rate, 18% of micro firms' applications for bank loans were rejected, whereas this was the case for only 9% of the small firms, 7% of the medium-sized ones and 5% of the large ones. A higher percentage of micro firms (6%) also refused the loan because the cost was assessed as too high, while this was the case for only 1% of the medium-sized firms and was not an issue for large firms.

The *age of the firm* also mattered for the success of a bank loan application. Generally, the percentage of SMEs reporting that their application for a bank loan was rejected during the preceding six months was lower for firms older than ten years (10%) than for younger SMEs. The percentage of SMEs reporting a rejection was highest for the age group two to four years old (17%). In addition, a higher net percentage of SMEs older than ten years received the full amount they had requested (63%) than of SMEs in all the other age groups (between 56% and 58%).

Regarding *trade credit* and *other external financing*, the picture is broadly similar. The majority of SMEs that had applied for trade credit or other external financing during the preceding six months had received the full amount requested. At the same time, the percentage of SMEs reporting a rejection of their application for trade credit or other external financing was higher for micro firms (18% and 17% respectively) than for all other firm size groups.

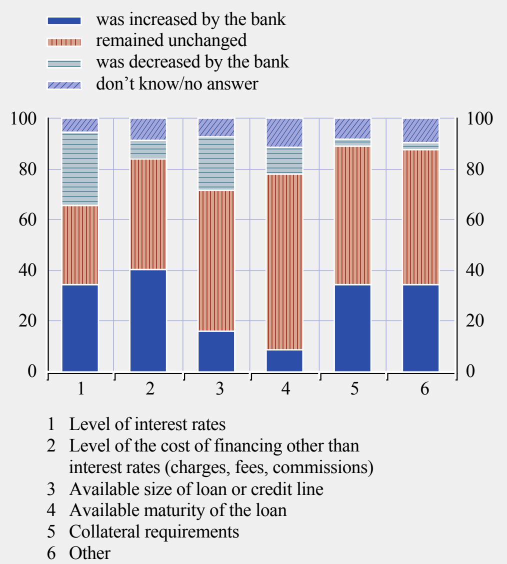
4.3 CONDITIONS AND CHARACTERISTICS OF LOAN FINANCING

As regards the *terms and conditions of bank loans*, a net 5% of the SMEs reported that the *level of interest rates* had increased during the preceding six months, compared with a net 11% of large firms (Chart 15). Among SMEs, the net percentage of firms reporting an increase in bank lending rates was lower the larger the firm size. It was highest for micro firms (15%), in line with their more negative assessment of the change in the availability of bank loans during the preceding six months. While the net percentage of firms reporting an increase in bank lending rates was also positive, but much lower, for small firms (2%), it was negative for medium-sized firms (-6%), i.e. more medium-sized firms reported a decline than an increase in the level of interest rates over the preceding six months.

More importantly, *non-price terms and conditions* appear to have played a major role in the deterioration in the availability of external financing. The net percentage of SMEs reporting an increase in the cost of financing other than interest rates (e.g. charges, fees and commissions) was much higher (33%) than for interest rates. In addition, with regard to non-price terms and conditions, a considerable net percentage of SMEs reported an increase in collateral requirements (32%) and in other non-price terms and conditions, such as loan covenants and information requirements (32%). A smaller net percentage of SMEs also reported a decrease in the available size of the loan or credit line (5%) or in the available loan maturity (2%). At the same time, the majority of the firms reported that non-price terms and conditions had not changed over the preceding six months.

Chart 15 Changes in terms and conditions of bank loans granted to euro area SMEs over the preceding six months

(percentages of those firms that had applied for bank loans)



Base: SMEs that had applied for bank loans.

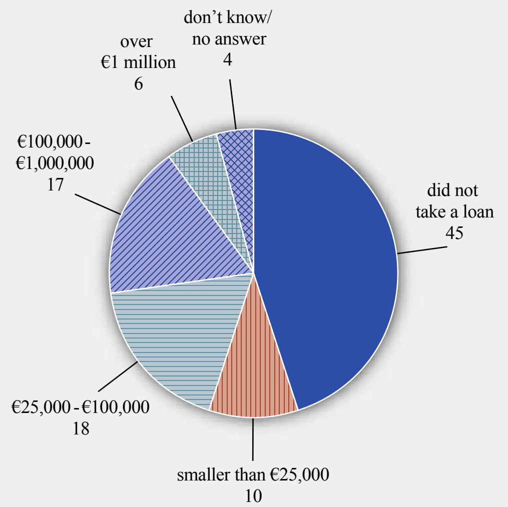
When investigating the terms and conditions of bank loans across *branches of economic activity*, the net percentage of SMEs reporting an increase in the level of interest rates was highest in construction (15%), whereas, on balance, SMEs in industry and trade reported a decrease in the level of interest rates over the preceding six months (net percentages of 2% and 1% respectively). In addition, while SMEs in all branches reported an increase in net terms in the non-interest rate cost of financing, this percentage was highest in construction (42%). The net percentage of SMEs reporting an increase in collateral requirements was also highest in construction (45%).

Firms were also asked to state the *size of their last loan*, obtained during the previous two years (Chart 16).

45% of the SMEs reported that they had not taken out a loan during the previous two years. The most common loans taken out by SMEs were between €25,000 and €100,000, and between €100,000 and €1,000,000 (taken out by 18% and 17% of the SMEs, respectively). The size of the loan typically increased with the size of the firm, i.e. while micro firms had predominantly taken out loans of between €25,000 and €100,000 (22%), small and medium-sized firms had mostly taken out loans of €100,000 to €1,000,000 (23% and 27% respectively).

Chart 16 Size of the last loan

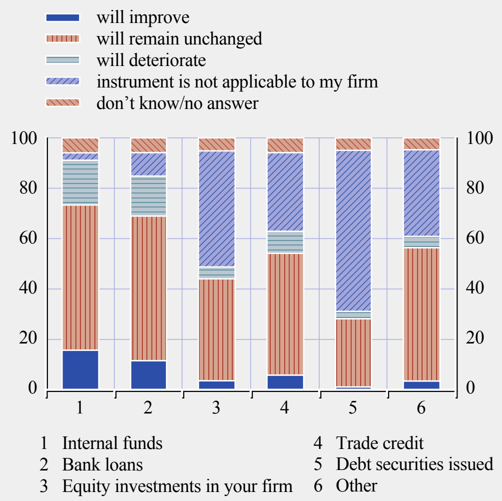
(percentages of respondents)



Base: SMEs in the European Commission sample.

Chart 17 Euro area SMEs' expectations regarding access to financing over the following six months

(percentages of respondents)



Base: All SMEs.

The percentage of SMEs that had not taken out a loan during the preceding two years was highest in services (50%) and lowest in construction (36%). In addition, while for SMEs in industry and trade the most typical loan size was €100,000 to €1,000,000, it was €25,000 to €100,000 for those in construction and services.

By far the most important uses of the last loan by SMEs were for land/buildings or equipment/vehicles (as indicated by 49% of the SMEs) or for working capital (indicated by 40% of the SMEs). The use for working capital was important for SMEs in trade (mentioned by 49% of such SMEs), while the use for land/buildings or equipment/vehicles was important for SMEs in construction (mentioned by 62% of such SMEs), reflecting the different nature of the economic activities.

5 EXPECTATIONS REGARDING ACCESS TO FINANCE AND THE OBSTACLES TO GROWTH OF EURO AREA SMEs

The first part of this section focuses on SMEs' expectations regarding their access to alternative sources of financing, while the next part deals with growth expectations and obstacles to growth aspirations as identified by SMEs in the survey.

5.1 EXPECTATIONS REGARDING ACCESS TO FINANCING

The survey shows that the majority of the respondent firms expected their ability to obtain financing to remain unchanged over the following six months. This result holds true across an array of financing alternatives suggested to the respondents.

For example, just around one-fifth (18%) of all respondent SMEs expected *internal financing* to deteriorate over the following six months, whereas a slightly lower percentage expected access to internal funding to improve (16%) (see Chart 17). A majority of SMEs (58%) expected the availability of internal funds to remain unchanged. A similar picture emerges for *bank loans* where 16% of all respondent SMEs expected a deterioration in the availability of this type of financing during the following six months. This figure is considerably lower than the percentage of SMEs for which the availability of bank loans had deteriorated over the preceding six months (see Section 4.1). In addition, a majority of SMEs (57%) expected their ability to access bank lending to remain unchanged, while a much lower but sizeable 12% of SMEs expected the availability of bank loans to improve in the following six months. As regards access to other financing sources such as *equity investment, trade credit and debt securities* a relatively large proportion of SMEs, ranging from 31% to 64%, answered that it "was not applicable". The majority of SMEs that can access these types of financing did not foresee significant changes.

As regards *large firms,* a picture similar to SMEs emerges. The majority of large firms foresaw the accessibility of financing remaining unchanged (61% in the case of bank loans). However, in contrast to SMEs, a higher proportion of large firms expected it to improve rather than to deteriorate. With regard to bank loans, 13% expected a deterioration and also 13% expected an improvement.

Overall, for all forms of financing, the general view appears to be that the availability of financing would remain broadly unchanged, with a roughly symmetric distribution between those that were more pessimistic and those that were more optimistic.

The *age* of firms seems to have had an impact on their confidence and expectations regarding the availability of external financing. In general, the newer the firms were, the more optimism they expressed. For bank loans, for example, differences in net percentages between older firms and newer firms are significant. For older firms (more than ten years old), in net terms, 5% more firms expressed pessimism than optimism; for newer firms (less than two years old) there were, in net terms, 2% more optimists than pessimists.

Across branches of economic activity there are also considerable differences. More specifically, for all types of financing, SMEs in construction tended to express more pessimism compared with firms in the other branches of economic activity, which may reflect the negative developments in construction during the financial crisis. For example, regarding bank loans, in net terms, 7% of SMEs in construction have expectations skewed towards the negative side, followed by 5% in industry, 4% in trade and 3% in services.

5.2 GROWTH EXPECTATIONS AND OBSTACLES TO FINANCING AND GROWTH

The survey also asked SMEs about their *expectations to grow over the next two to three years* (see Chart 19). Over one-third of all SMEs expected to grow "moderately" (between 0% and 20% per year in terms of turnover), while just below 10% expected to grow "substantially" (i.e. above 20% per year in terms of turnover).

When it comes to "substantial growth", 11% of micro firms had expectations in this direction followed by small (8%) and medium-sized firms (7%). Many micro firms are new and innovative firms, including a relatively large proportion of start-ups. For example, the survey shows that 21% of micro firms with ambitions of substantial growth were set up less than two years ago, and only 7% more than ten years ago.[12] Expectations to "grow moderately" increased as firms got bigger. For example, while about 33% of micro firms expected to grow moderately, this proportion increased to 35% for small firms and 43% for medium-sized firms.

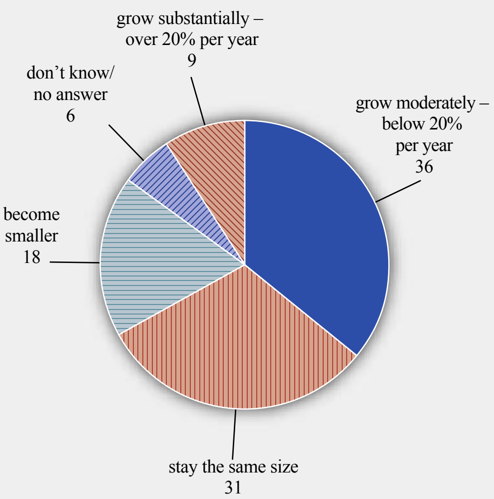
Overall, a sizeable percentage (45%) of SMEs aimed to grow in the following two to three years, while 31% expected to remain the same size and 18% to fit into a "tighter jacket". (Chart 18).

If one compares such expectations with *actual growth,* as measured in terms of turnover over

12 See OECD, "High-Growth SMEs and Employment", 2002; Bullock A., et al., 2004, "SME Growth Trajectories", Cambridge University.

Chart 18 Firms' expectations for turnover growth over the following two to three years

(percentages)



Base: SMEs in the European Commission sample.

the past three years, 40% of SMEs have "grown moderately" and 18% substantially. Only 4% expected their substantial growth to continue at the same pace. This can be seen in Table 2. In addition, for example, among the SMEs that had experienced moderate growth, 11% expected to reduce their pace of growth and 8% actually to shrink in size, while only 3% expected to grow more than moderately.

Looking at branches of economic activity, some interesting differences emerge. First, in terms of actual growth, as measured in terms of turnover, 23% and 21% of the SMEs in construction and industry reported substantial growth, while this proportion was considerably lower in services (16%). Second, in terms of expected future growth, in construction and industry only 9% and 10% of firms expected to grow substantially over the following two to three years, while the decrease in this percentage was lower in services. This is in line with the fact that industry and construction are substantially more cyclical activities than services.

A similar pattern emerges in relation to the "down in size" answer. For example, in construction 19% of SMEs had diminished in size, while 21% expected to shrink in the near future. More specifically, future expectations are particularly muted among medium-sized firms, 39% of which expected to become smaller. For micro firms this proportion was lower, standing at 18%.

What type of external financing is preferred by SMEs for funding future growth opportunities? It appears that bank loans are not only the most used source of external financing but also the preferred source for future use. 70% of all SMEs reported that they would prefer bank lending to finance their growth aspirations while 9% would use loans from other sources and 6% equity investment (Chart 19). In addition, as in the actual use of financing sources (see Section 3.1), the more sophisticated sources of financing, such as subordinated loans and other types of structured loans, were chosen only by a very small minority of SMEs (3%).

Table 2 Turnover growth over the preceding three years, versus expected growth over the following two to three years

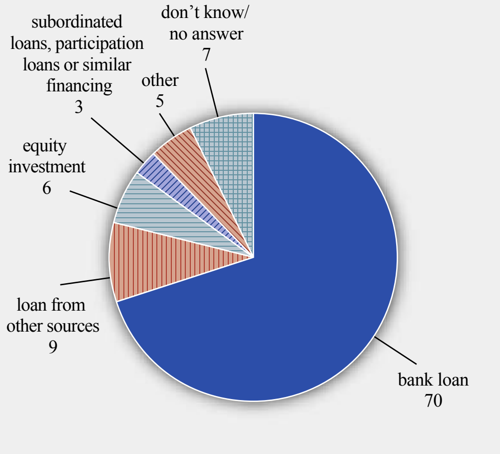
(percentages of respondents)

	Expected growth				
Past growth	More than 20%	1%-20%	No growth	Negative	*Total*
More than 20%	4	7	5	3	*18*
1%-20%	3	21	11	8	*43*
No growth	1	7	10	4	*22*
Negative	1	5	7	5	*17*
Total	*10*	*39*	*32*	*20*	*100*

Base: Firms in the EC sample that replied to both questions. 4% of the firms had had past growth of more than 20% per year over the preceding three years and expected to grow by more than 20% over the following two to three years. In total, 10% of the firms which replied to both questions expected to grow by more than 20%.

Chart 19 Euro area SMEs' preferred sources of external financing for realising growth ambitions

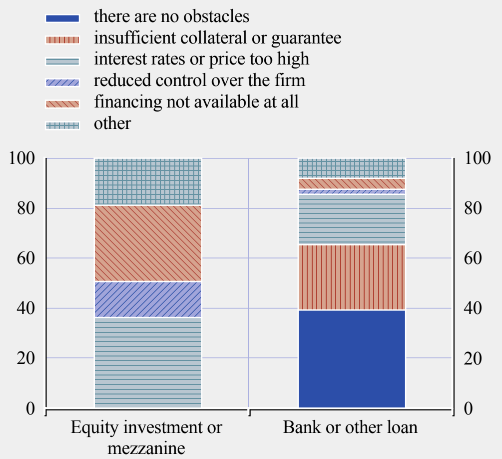
(percentages of firms that expect to grow)



Base: SMEs expecting to grow.

Chart 20 The most important limiting factor for financing euro area SMEs' growth ambitions

(percentages of those firms that expect to use external financing for their growth)



Base: SMEs expecting to use external financing for their growth.

Looking at the *main concerns and difficulties of firms*, the survey distinguishes between those that preferred bank loans or other loans and those that preferred equity investment or, for example, subordinated loans.

39% of the SMEs did not foresee any obstacles to receiving loans. At the same time, for a significant number of those respondent SMEs that preferred loans as their main source of financing, their cost (interest rates or price too high) (20%) together with the availability of insufficient collateral or guarantee (26%) seemed to be of particular concern (Chart 20).

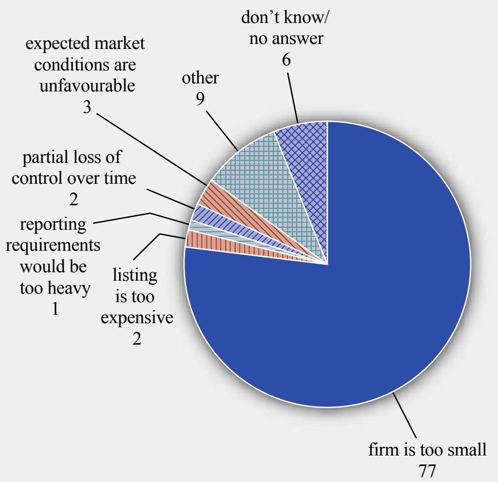
While only 4% of the SMEs that preferred bank lending expected that this type of financing would not be available at all, a much higher proportion (31%) of those that preferred equity and structured loans expected this type of financing to be unavailable to them. Not surprisingly, the unavailability of structured financing is correlated with firm size. In line with the literature, it appears that the larger the firm the easier the access to this kind of financing.[13] 39% of the interviewed micro firms answered that such a source of financing would not be available to them at all. In contrast, for medium-sized firms and to some extent also for small firms this appeared to be less of a concern. Only 15% of medium-sized firms saw the lack of availability of this type of financing as an obstacle to their growth aspirations. The proportion of small firms (32%) that viewed the unavailability of equity investment as a limiting factor was larger than that of medium-sized firms but below that of micro firms.

By branch of economic activity, some noteworthy results emerge. Among SMEs that preferred bank loans, those in industry (29%), services (28%) and construction (26%) saw the insufficient availability of collateral or guarantee as the main obstacle to receiving the loan. Interestingly, SMEs in trade considered the cost argument to be relatively more important (25%).

13 See Ferrando A., Coluzzi C. and Martinez-Carrascal C., 2009, "Financing obstacles and growth: an analysis for euro area non-financial corporations", *ECB Working Paper* No 997 and Banco de España, *Documento de Trabajo* 836; Ferrando A., Köhler-Ulbrich P., Pal R., 2007, "Is the growth of euro area small and medium-sized enterprises constrained by financing barriers?" *Industry policy and economic reform papers,* No 6, DG Enterprise and Industry, European Commission; Carpenter R., Petersen B., 2002, "Is the growth of small firms constrained by internal finance?", *The review of Economics and Statistics*, 84, pp. 238-309.

Chart 21 Main obstacles for euro area SMEs to being listed on a stock market

(percentages of firms not already listed on the stock market)



Base: SMEs in the European Commission sample not already listed on the stock market.

Finally, the survey showed that only very few SMEs (0.3%) planned a *stock exchange listing, either* on the main list (0.3%) or on an alternative, growth-oriented list (0.4%), in the following two years. For micro and small firms these proportions were even lower, while for medium-sized firms they were slightly higher.

The main obstacle for SMEs to issue equity seemed to be their size. 77% of all firms considered the size of their firms "too small" while only 3% regarded "unfavourable expected market conditions" as an obstacle (Chart 21). Other reasons such as "high costs" and "partial loss of control" were regarded as a main obstacle by only 2% of the respondents.

ANNEXES

1 METHODOLOGICAL INFORMATION ON THE SURVEY

SURVEY BACKGROUND

The data presented in this report were collected through a survey of companies in the European Union, conducted on behalf of the European Commission (Directorate General Enterprise and Industry) and the European Central Bank. It uses in part the framework of the Flash Eurobarometer organised and managed by the European Commission. The survey was carried out by Gallup, in cooperation with Gallup's Flash Eurobarometer network of national research agencies in the different countries.

SAMPLE SELECTION

The companies in the sample were randomly selected 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 intentionally modified to increase the accuracy of the survey by activity and size class. For example, the proportion of small firms selected for the sample was higher than their economic weight. Correct results are then achieved by the use of appropriate weights (as described below).

The total euro area sample size is 6,091 firms, of which 5,642 have less than 250 employees. However, not all questions were put to all the firms. Some questions, of specific interest to the European Commission, were only put to 3,079 firms (of which 2,937 firms had less 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 firms (50 to 249 employees). In addition, a sample of large firms (250 or more employees) was included in order to be able to compare developments for SMEs with those for large firms.

The sample sizes for each economic activity were selected to ensure sufficient representativity across the four largest activities: industry, construction, trade and services. The statistical stratification took into account economic activities at the 1-digit level of the European NACE-Nomenclature (rev. 1.1). Enterprises from "mining and quarrying" (C), "manufacturing" (D), "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" include enterprises in "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, forestry, fishing (NACE A and B), financial intermediation (J), public administration (L), activities of households (P), extra-territorial organisations and bodies (Q), holding companies (NACE 75.14) and private non-profit institutions were excluded from the sample.

Table 1 Number of interviews conducted with euro area firms, broken down by firm size classes

	Number of interviews
Micro	2,504
Small	1,934
Medium-sized	1,204
Large	449

Table 2 Number of interviews conducted with euro area firms in the European Commission sample, broken down by firm size classes

	Number of interviews
Micro	1,594
Small	1,032
Medium-sized	311
Large	142

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 representativity at the country level. Besides the representativeness of the sample at the euro area level, the sample is representative for the four largest euro area countries, i.e. Germany, France, Italy and Spain (see the section "Weighting" below for information on the weights used); the sample size in the other countries is too small to permit robust analysis in each country separately.

FIELDWORK OF THE SURVEY

The survey interviews were conducted between 17 June 2009 and 23 July 2009. The interviews were predominantly conducted by telephone. In addition, the option was offered to participate through an internet questionnaire or on paper, via fax. 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 conducting the survey.

WEIGHTING

In order to restore the modified proportions, with regard to company size and economic activity (see the section "Sample selection" above), post-stratification weights were used. Since the economic weight of the companies varies according to the size of the company, two main classes of weights could 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. In the study of the European Commission the first set of weights is used, as the interest resides more in the study of the behaviour of firms.[14]

The post-stratification targets were derived from the latest figures of Eurostat's Structural Business Statistics in terms of the number of firms and the number of persons employed, by economic activity, size class and country,

Table 3 Number of interviews conducted with euro area firms, broken down by economic activity

	Number of interviews
Industry	1,326
Construction	783
Trade	1,668
Services	2,314

Table 4 Number of interviews conducted with euro area firms in the European Commission sample, broken down by economic activity

	Number of interviews
Industry	538
Construction	388
Trade	926
Services	1,227

Table 5 Number of interviews conducted with euro area firms broken down by country and by sample

	Number of interviews	
	All	EC
Belgium	220	220
Germany	1,003	302
Ireland	110	110
Greece	220	220
Spain	1,012	308
France	1,000	300
Italy	1,006	303
Cyprus	110	110
Luxembourg	103	103
Malta	100	100
Netherlands	323	221
Austria	224	224
Portugal	327	225
Slovenia	110	110
Slovakia	112	112
Finland	111	111

14 In the euro area, according to official statistics, 92% of firms are micro firms (1 to 9 employees), 7% are small firms, 1% are medium-sized and 0.2% are large firms. However, in terms of economic weight, as measured by the number of persons employed, micro firms represent 31%, small firms 22%, medium-sized firms 16% and large firms 30% of all firms.

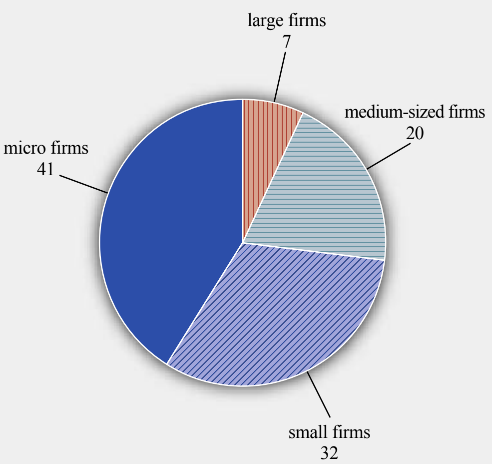
with figures from national accounts and from different country-specific registers to cover for activities not included in the Structural Business Statistics regulations.

2 GENERAL CHARACTERISTICS OF THE FIRMS

This annex presents an overview of the general characteristics of the euro area firms which have participated in this survey.

Chart 1 Breakdown of firms into size classes

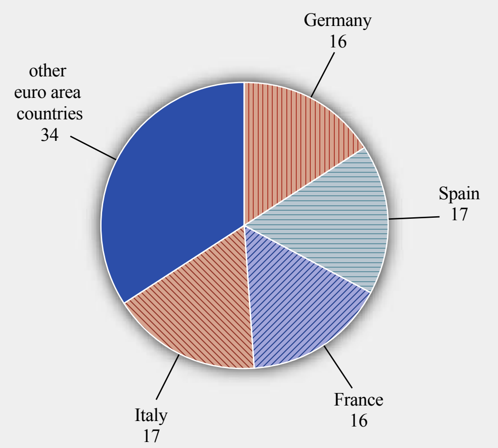
(percentages)



Sample size: 6091.
Note: Firms have been classified according to size in terms of the number of employees: micro firms have between 1 and 9 employees, small firms between 10 and 49, medium-sized firms between 50 and 249, and large firms have 250 or more employees.

Chart 2 Breakdown of firms across euro area countries

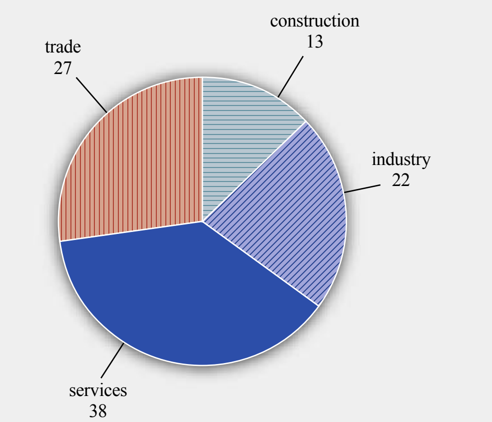
(percentages)



Sample size: 6091.

Chart 3 Breakdown of firms across economic activities

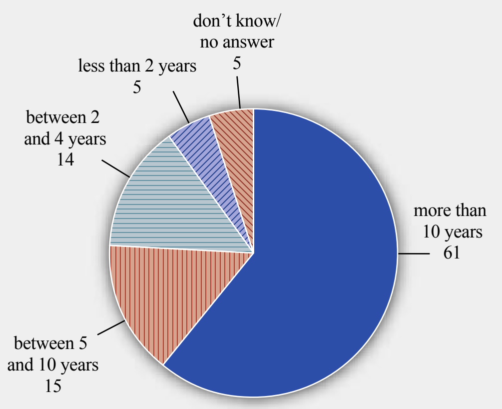
(percentages)



Sample size: 6091.

Chart 4 Breakdown of firms by firm age

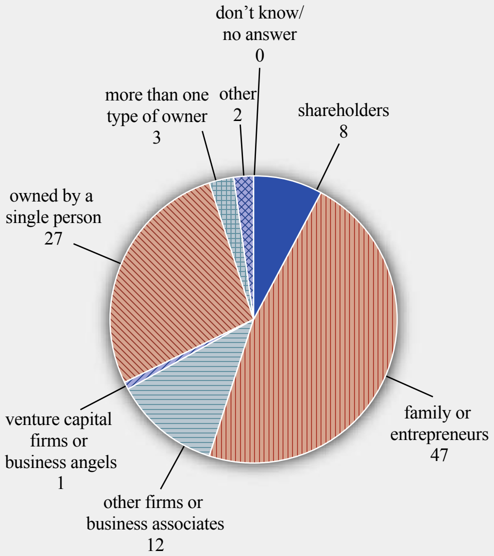
(percentages)



Sample size: 6091.

Chart 5 Breakdown of firms according to owner

(percentages)

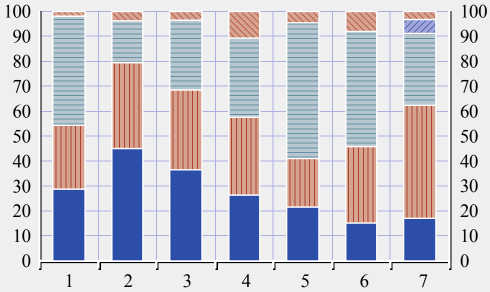


Sample size: 6091.

3 LARGE FIRMS – OVERVIEW OF THE SURVEY REPLIES

Chart 6 Income and debt situation of euro area large firms

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

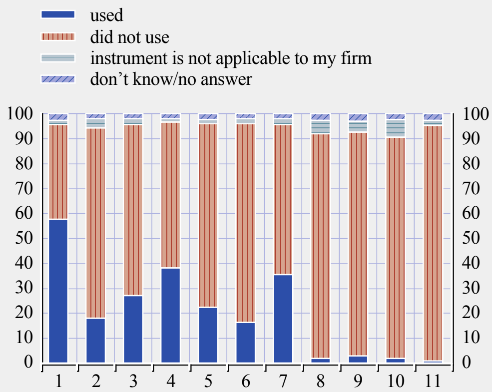


1 Turnover
2 Labour cost
3 Other cost
4 Net interest expenses
5 Profit
6 Mark up
7 Debt-to-assets ratio

Base: Large firms.

Chart 7 Financing structure of euro area large firms over the preceding six months

(percentages of respondents)

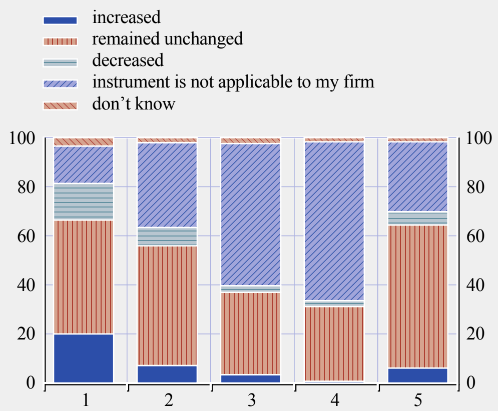


1 Internal funds
2 Grants or subsidised bank loan (involving support from public sources)
3 Bank overdraft, credit line or credit cards overdraft
4 Bank loan (excluding overdraft)
5 Trade credit
6 Other loan
7 Leasing or hire-purchase or factoring
8 Debt securities issued
9 Subordinated loans, participation loans or similar financing instruments
10 Equity issuance or external equity investors
11 Other

Base: Large firms.

Chart 8 External financing needs of euro area large firms

(percentages of respondents; change over the previous six months)

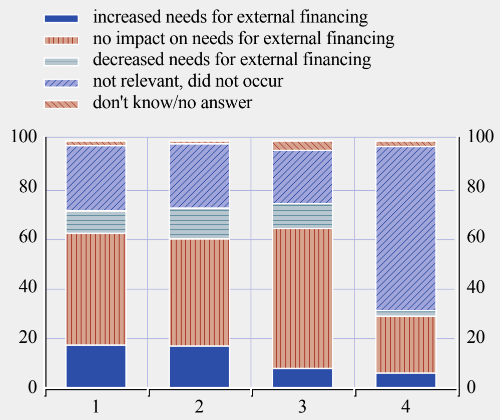


1 Bank loans
2 Trade credit
3 Equity investments in your firm
4 Debt securities issued
5 Other

Base: Large firms.

Chart 9 Factors affecting external financing needs of euro area large firms over the previous six months

(percentages of respondents)

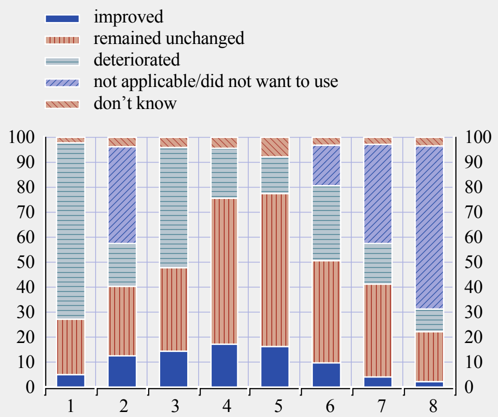


1 Fixed investment
2 Inventories and working capital
3 Equity investments in your firm
4 Internal funds
5 Mergers & acquisitions and corporate restructuring

Base: Large firms.

Chart 10 Factors impacting on the availability of financing of euro area large firms

(percentages of respondents; change over the previous six months)

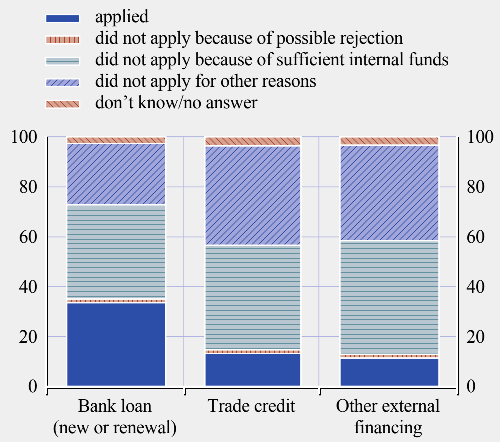


1 General economic outlook
2 Access to public financial support including guarantees
3 Your firm-specific outlook with respect to your sales and profitability or business plan
4 Your firm's own capital
5 Your firm's credit history
6 Willingness of banks to provide a loan
7 Willingness of business partners to provide trade credit
8 Willingness of investors to invest in equity or debt securities issued by your firm

Base: Large firms that had applied for external financing.

Chart 11 Applications for external financing by euro area large firms over the previous six months

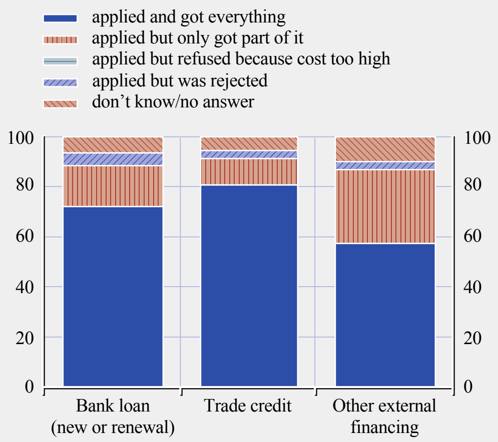
(percentages of respondents)



Base: Large firms.

Chart 12 Outcome of applications for external financing by euro area large firms over the previous six months

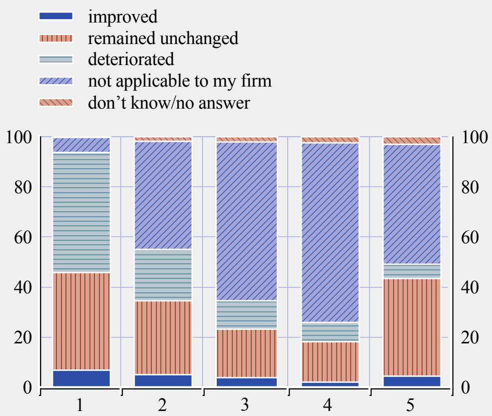
(percentages of firms that had applied for external financing)



Base: Large firms that had applied for bank loans, trade credit or other external financing.

Chart 13 Availability of external financing for euro area large firms

(percentages of firms that had applied for external financing; change over the previous six months)

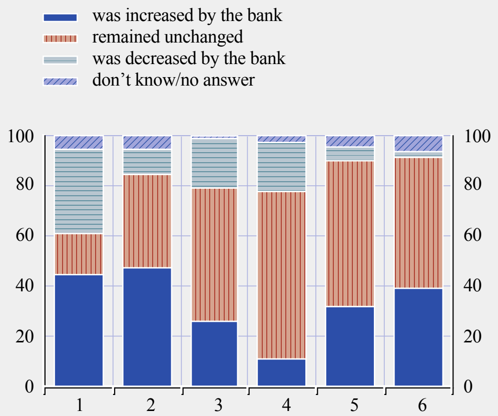


1 Bank loans
2 Trade credit
3 Equity investments
4 Debt securities issued
5 Other

Base: Large firms that had applied for bank loans, trade credit or other external financing.

Chart 14 Changes in terms and conditions of bank loans to euro area large firms

(percentages of firms that had applied for bank loans; change in the previous six months)

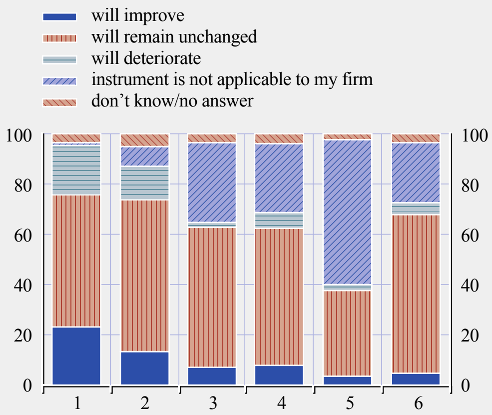


1 Level of interest rates
2 Level of the cost of financing other than interest rates (charges, fees, commissions)
3 Available size of loan or credit line
4 Available maturity of the loan
5 Collateral requirements
6 Other

Base: Large firms that had applied for bank loans.

Chart 15 Euro area large firms' expectations regarding access to financing over the following six months

(percentages of respondents)



1 Internal funds
2 Bank loans
3 Equity investments in your firm
4 Trade credit
5 Debt securities issued
6 Other

Base: Large firms.