

# Business Survey 2022

## Financing environment is recovering from the coronavirus crisis – sustainability is gaining in importance

### Summary

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After a notable deterioration of the financing environment in the coronavirus crisis, the situation eased again slightly for businesses last year. Demand for credit has fallen again lately, after growing significantly at the start of the pandemic as businesses' liquidity needs increased. Businesses again have slightly better equity ratios than just a year ago. These are the findings of the Business Survey 2022.

KfW Research has carried out its 21<sup>st</sup> broad survey of enterprises of all size classes, sectors, legal forms and regions together with 17 umbrella organisations, trade and regional business associations. The survey was conducted between mid-December 2021 and mid-April 2022 and essentially maps the situation and sentiment prevailing in the year 2021.

The results thus do not yet fully reflect the impact of the war in Ukraine. The worsening economic situation and increasingly tighter monetary policy have created a high level of uncertainty about the further development of the financing environment.

Transitioning to a sustainable and climate-neutral economy remains a challenge. The results of the current survey show that sustainability is a topic that is gaining increasing importance for businesses. It is already playing a role in loan negotiations as well. At the same time, lack of funds is a key barrier preventing businesses from increasing their commitment to sustainability.

The main findings of the Business Survey 2022:

1. The financing environment has improved again slightly since the previous survey but remains below the pre-crisis level. While in last year's survey only around 35% of companies described accessing credit as easy, that share was nearly 41% in the current survey. Conditions remain difficult for service industries and retailers in particular.
2. Credit demand fell again slightly in 2021 on the previous year. Around 44% of businesses were in loan negotiations in 2021 – nearly one third fewer than in the coronavirus year 2020, when many enterprises used loans to bridge liquidity bottlenecks.
3. Long-term loans were most commonly sought after. Around 56% of all companies in negotiations applied for loans with maturities of at least five years. Roughly 48% of enterprises negotiated loans with medium-term maturities and around 47% requested loans with short-term maturities.
4. Loan negotiations were successful in more than half of all cases. In the current survey, around 54% of businesses that were in negotiations for short-term loans reported that these were successful. Negotiations for medium-term loans were successful in 58% and for long-term loans in 54% of cases.
5. Whereas in the previous survey more businesses reported decreased than increased equity ratios, the current survey suggests a stabilisation of the trend. For 2021, around one third of businesses reported a deterioration in their equity ratio but one third also reported an improvement.
6. The development of ratings also points to an improvement since last year's survey. An improvement was reported by 24.1% of businesses, while 28.5% reported a deterioration. The balance between higher and lower ratings reported thus remained slightly negative (-4.4%) but substantially smaller than in last year's survey (-15%).
7. The coronavirus pandemic has also affected the ways in which businesses and credit institutions communicate and has accelerated the trend towards digitalising their interaction. Thirty-four per cent more businesses reported an increase than a decrease in the use of digital channels such as email, video calls and chats since March 2020. The

use of digital online banking services (28%) and telephone consultations (14%) also increased on balance. In contrast, face-to-face interactions (-34%) and the use of bank branches (-36%) fell sharply.

8. The issue of sustainability is currently of high or even very high importance for 57% of businesses. Around 78% of respondents believe that sustainability will have high or very high importance for their business in three to five years. Companies of all sectors and size classes expect the topic to play an increasingly significant role.
9. Three quarters of all businesses surveyed mentioned social responsibility as the main reason for engaging more intensively with the issue of sustainability. Other important motives are customer requirements (65%), reducing operating costs (57%) and, particularly for larger enterprises, legal regulations (53%). Higher staff motivation (40%), accessing new markets (22%) and requirements of suppliers (15%) play a lesser role. So far, requirements imposed by credit institutions hardly play a role (3%).
10. Even if requirements from credit institutions are not among the main reasons for stepping up sustainability efforts, around 18% of businesses that were in loan negotiations reported that the issue played a role in the process. Sustainability was addressed particularly in loan negotiations conducted by businesses with an annual turnover of more than EUR 50 million (30%).
11. A lack of funds was a major barrier preventing 43% of businesses from deepening their sustainability commitment. Small businesses with low annual turnovers were particularly affected. Lack of personnel (49%) was the only greater obstacle for those who responded. Lack of alternative technologies or materials (41%), a shortage of advisory offerings (32%) and insufficient knowledge about the topic (29%) also played a role. Only 12% of respondents saw no need to deal with the issue of sustainability.