

Business Survey 2024

Financing environment has worsened – sustainability continues to gain in importance

Executive summary

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After recovering from the COVID-19 shock up until early 2022, the financing environment for businesses has since worsened again significantly as a result of monetary tightening. With the economy facing headwinds at the same time, credit demand has also receded accordingly in some parts of the business sector. Despite the challenges, however, businesses' equity situation has stabilised. And enterprises have also continued to place a growing focus on the issue of sustainability. These are the findings of the Business Survey 2024.

This year again, KfW Group has carried out its 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 the beginning of March and the end of April 2024 and essentially reflects the situation and sentiment prevailing in the year 2023.

The main findings of the Business Survey 2024:

1. The financing environment has worsened compared with the previous survey of the year 2022. While in the previous survey around 43% of companies described accessing credit as easy, that share was only just under 35% in the current survey. This spring, the financing environment remained difficult particularly for retailers and service providers.
2. In the twelve months preceding the start of the survey, 49% of the businesses surveyed were in loan negotiations. This rate remained almost steady compared with the previous survey of 2022, which referred to demand in the year 2021. However, various parts of the business sector exhibited clearly diverging trends. Demand for loans tended to decline in the segment of smaller enterprises.
3. Businesses continued to stabilise their equity base last year following the COVID-19 shock. In the spring of 2024, some 37% of the businesses surveyed reported that their equity ratio had improved over the preceding twelve months, while a mere 24% reported a deterioration. In the previous survey, these shares were around 34% each.
4. Credit ratings also showed further improvement. Some 24% of businesses now reported that their rating had improved. Only 19% of the companies surveyed reported a deterioration. The balance of higher ratings to lower ratings reported has thus turned positive again compared with the previous survey.
5. The current survey underscores that internal funding continues to play by far the most important role in business financing. Bank loans as well as loans and deposits from shareholders and family members also play an important role. Alternative forms of financing such as mezzanine or equity finance, on the other hand, continue to be less relevant. Newer financing instruments such as loans from credit funds or crowd financing have not yet been able to make a broad breakthrough either.
6. Sustainability is now a topic that is firmly mainstreamed into businesses. It now has high or very high relevance for more than half the businesses surveyed. Sustainability has particularly high relevance for manufacturers and service providers. Larger enterprises are also more likely to attach greater importance to the topic. Overall, businesses are likely to continue regarding sustainability as a topic of growing significance in the next three to five years.
7. Some 70% of all businesses surveyed mentioned customer demands and social responsibility as the main reasons for engaging more intensively with the issue of sustainability. Further important motives for the majority of enterprises to engage with the topic were legal regulations (60%) and a desire to reduce operating costs (56%). However,

- insufficient human resources (58%) and lack of financial resources (45%) in particular were mentioned as a major barrier to deepening their sustainability commitment.
8. The issue of sustainability also plays an increasingly important role in loan negotiations. More than one in four enterprises (27%) that were in loan negotiations in the 12 months prior to the survey noted that the issue of sustainability was addressed during the negotiations. That was the case for only around 18% of businesses in the previous survey of the year 2022. Sustainability aspects played a role relatively often in loan negotiations of larger enterprises.
 9. Of the businesses reporting that sustainability was addressed in loan discussions, slightly more than half (56%) were asked to provide specific sustainability information or indicators. In most cases, the information requested was data on greenhouse gas emissions (40%) and energy consumption (38%). More than one in four businesses that were asked to provide specific data reported that they were required to present an ESG rating or certification. The vast majority of these were larger enterprises.
 10. Loans with sustainability criteria still make up only a very small proportion of business loans outstanding. For around 85% of enterprises, this share is zero. Loans with sustainability criteria currently account for up to 25% of the loans in the portfolio of only around one in ten businesses.
 11. Many businesses are aware that they are likely to be asked about sustainability aspects with greater frequency in loan negotiations in the future. Four in ten businesses surveyed anticipate that transparency requirements around sustainability will increase in future loan negotiations. At present, however, only one in three businesses consider themselves well or very well positioned or prepared with respect to sustainability KPIs. Large gaps between the expected relevance of the topic and level of preparation are particularly evident in the segment of larger enterprises.