BUSINESS SURVEY 2017

Funding situation of businesses is moving sideways – first signs of a change in trend?

Executive summary

This funding situation of businesses is moving sideways. The trend of previous years has stopped for the first time since 2011. More and more young and small businesses in particular are reporting greater difficulties accessing credit. Large enterprises are also reporting problems more often than last year – although only to a slightly higher degree. This is occurring despite the healthy business cycle, businesses' high self-funding capacity and continuing improvements in ratings. In a historic comparison, however, the funding situation is still extremely positive.

1. The overall financing climate deteriorated slightly last year. The proportion of enterprises reporting greater difficulties in accessing credit rose by 2 percentage points to 16.7 %, while the share of businesses reporting an improved financing climate increased by a mere 0.8 percentage points to 12.5 %.

2. Of the small enterprises with an annual turnover of up to EUR 1 million, 26.8 % reported greater difficulties in accessing credit. That rate was around seven times higher than among enterprises with a turnover in excess of EUR 50 million. Young enterprises less than six years old are reporting difficulties in accessing credit even more often (28.7 %)

3. Compared with the previous year, the likelihood of reporting greater difficulties rose by 3.3 percentage points for enterprises with an annual turnover of up to EUR 2.5 million. The same value surged by 8.3 percentage points for young enterprises.

4. Just under 31 % of enterprises reported higher ratings, while 9.3 % reported lower ratings. The balance (improved ratings minus lower ratings) remained unchanged on the previous year. Thus ratings have again improved across a broad front.

5. Bank loans continue to be an important source of funding, with 55 % of businesses having conducted loan negotiations last year. However, that share dropped by 4 percentage points on the previous year.

6. Highest in demand, at 53.4 %, were loans for capital goods such as machinery, plant, vehicles or equipment. Real estate loans (38.6 %) and working capital loans (30 %) were in second and third place.

7. Long-term loans are highest in demand. Of businesses that have a demand for loans, 55.9 % conduct relevant negotiations. Medium-term loans are just behind with 52.7 %. Short-term loans are negotiated significantly less often (36.5 %).

8. With values between 10.8 and 12.6 %, there is little difference in the frequency of failed negotiations between loans of varying maturities. Small businesses report failed loan negotiations around ten times more often than large enterprises.

The survey was conducted for the 16th time among enterprises of all size classes, sectors, legal forms and regions. In addition to ‘credit access’, the traditional topic, the current survey wave included a block of questions on digital transformation for the first time. Nearly 2,100 businesses from 18 trade and regional associations took part in the survey. It was conducted between mid-December 2016 and mid-March 2017. The present report provides the findings relating to the topic of credit access. The findings on digital transformation have already been published separately.[1]

[1] Cf. Zimmermann, V. (2017) Business Survey 2017 – digital transformation of industries: broad basis, multiple barriers, KfW Bankengruppe.