Business Survey 2018

Credit market sentiment remains strong

Abstract

The funding situation for businesses remains better than ever. Never before have fewer enterprises rated access to credit as ‘difficult’ than in the latest survey. Major contributors were enterprises’ high self-funding capacity, low interest rates, the loosening of credit guidelines by German banks and good business performance. However, young and small enterprises are still much more often affected by difficulties in accessing credit than large enterprises. Lower creditworthiness due to structural factors and the challenge of providing adequate collateral and subsequent loan denials re-main concentrated on these two groups of businesses. The individual survey results:

1. The funding climate marginally improved again last year. The proportion of enterprises reporting difficulties in accessing credit fell by 2.6 percentage points to 12.5 %. By contrast, 54.3 % of businesses indicated that accessing credit was ‘easy’. Their share dropped by a mere one percentage point.

2. Of the small enterprises with an annual turnover of up to EUR 1 million, 24.4 % reported difficulties in accessing credit. That rate was around 14 times higher than among enterprises with a turnover in excess of EUR 50 million. Young enterprises less than six years old report difficulties in accessing credit even more often, at 25.9 %.

3. A long-term comparison shows that since 2012 never have fewer enterprises rated access to credit as ‘difficult’ than in the current survey.

4. Ratings have again improved broadly. A good 32 % of enterprises reported higher ratings, while 7.3 % reported lower ratings. The balance (improved ratings minus lower ratings) increased by four points on the previous year.

5. Bank loans remain the main funding source. Last year, 52.2 % of businesses negotiated loans with banks. But this share has dropped in the past years.

6. Highest in demand, at 49.6 %, were loans for capital goods such as machinery, plant, vehicles and equipment. Real estate loans (40.3 %) and working capital loans (32.9 %) were in second and third place.

7. Long-term loans were highest in demand. Of businesses that had a demand for loans, 55.0 % conducted relevant negotiations. Medium-term loans were just behind with 52.8 %. Short-term loans, in turn, were negotiated much less often (38.3 %).

8. With values between 9.1 and 10.8 %, there is little difference in the frequency of failed negotiations between loans of varying maturities. Depending on the loan term requested, small businesses with an annual turnover of up to EUR 1 million reported failed loan negotiations three to seven times more often than enterprises with a turnover in excess of EUR 10 million.

9. Enterprises are particularly concerned about negative effects on business activity from a looming skills shortage (79.6 %) and the slowing economy (52.0 %). Rising borrowing costs and difficulties in accessing credit rank far behind in third and fifth place (16.5 and 13.8 %, respectively). Large enterprises and manufacturers, on the other hand, fear restrictions on international trade (from protectionism, international crises, unfavourable exchange rates or trade sanctions) more than difficulties in accessing credit.

The survey was conducted for the 17th time among enterprises of all size classes, sectors, legal forms and regions. Nearly 2,200 businesses from 20 trade and regional associations took part in the survey. It took place between mid-December 2017 and mid-March 2018. The present report provides the findings relating to the topic of credit access. The findings on the topic of digital transformation are published separately.