

Eurozone SMEs manage for now but their finances will get worse

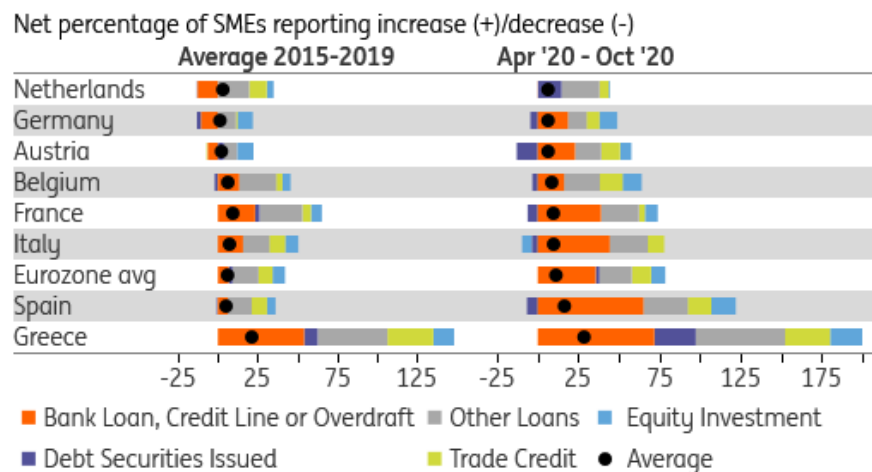
Policy measures propping up funding to eurozone SMEs have worked well, but all-too-familiar eurozone rifts between North and South are opening up again



Net 35% of eurozone SMEs needed additional bank credit facilities this year

The latest ECB [Survey on Access to Finance](#) ("SAFE") queried eurozone businesses from early September through the first half of October, before major new constraints were imposed throughout Europe. However, the spring lockdown measures had already left their mark on the health of small and medium-sized enterprises, and concern about a second wave was already in the air. A net 46% of eurozone SMEs reported a drop in turnover, the worst score on record (even worse than 2009, when the SAFE was first held). The biggest impact was felt in Italy and France (over 50% of SMEs reporting a contraction in turnover), while the impact was relatively mild in the Netherlands and Belgium (net 32%). This obviously has financial consequences. In the "normal" years of 2015 to 2019, on average a net 6.7% of eurozone SMEs reported needing a bank loan, credit line or overdraft facility. This jumped to 35.7% in the surveyed period. Indeed, helped by government guarantee schemes, bank borrowing increased sharply almost everywhere in the eurozone in spring.

SME financing needs



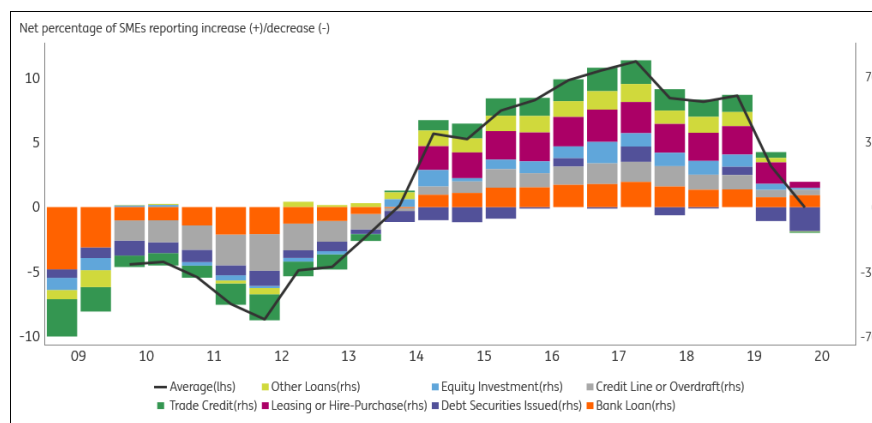
Source: Source: ECB SAFE, ING

Behind the eurozone numbers are some familiar north-south dividing lines. In Germany, the Netherlands and Belgium, the reported net additional need for bank facilities was below 20%, and even just 0.3% in the Netherlands. By contrast in Spain, a net 65% of SMEs needed to draw on their bank, with Italy and France around 40%.

SMEs got the financing they needed to tide them over

Eurozone SMEs on balance reported no change in the availability of finance. This can be considered positive given the circumstances, though it can also be interpreted as a deterioration compared to the years 2015-2019 when the availability of finance continuously improved. Bank facilities remained available in the surveyed period, a sign that policy measures to support bank lending, including guarantee schemes, worked. A conclusion also borne out by bankruptcy figures, which have stayed below 2019 levels so far this year.

Eurozone availability of finance for SMEs

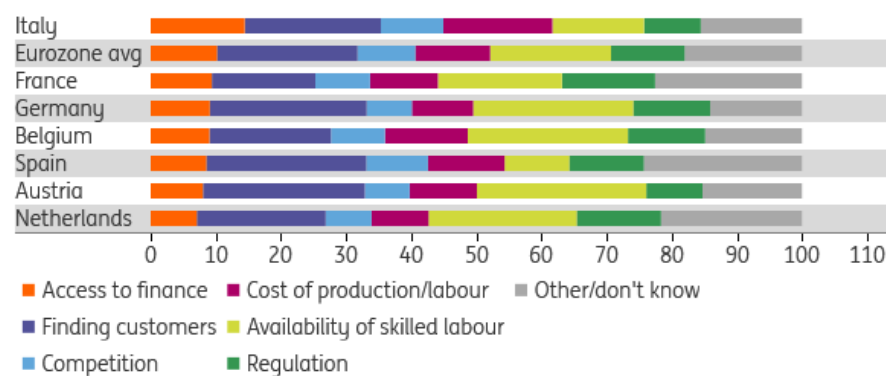


Source: ECB SAFE, ING

The biggest increases in availability of bank facilities were reported in Spain, Italy and France. Those are indeed the countries that saw the biggest bank lending growth this year. SMEs in the

Netherlands and Belgium reported reduced availability of bank facilities, though this should be put in the context of relatively low financing needs reported in these countries (see above). Indeed the “financing gap”, which is the difference between financing needed and obtained, widened everywhere, but the least in the Netherlands, Germany and Belgium. Moreover, obtaining finance remained “the least of my worries” for most SMEs. Finding customers and the right employees remain top concerns.

Most pressing SME problem



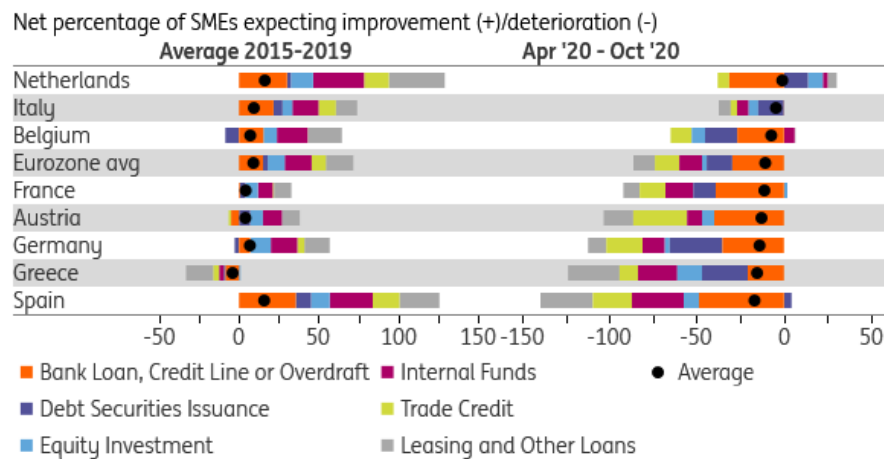
Source: ECB SAFE, ING

Asked why the availability of finance changed, eurozone SMEs overwhelmingly pointed to the much deteriorated general economic outlook and reduced prospects for their own firm. Government measures, including guarantee schemes, mitigated the impact. Banks generally remained willing to lend, according to SMEs.

It ain't over till the mass vaccine stings

SMEs are understandably pessimistic about the expected availability of finance in the near future. Dutch SMEs are least pessimistic about this. On balance, they expect reduced availability of bank facilities to be almost fully compensated by other sources, mainly increased security issuance and equity investment. Italian SMEs are also not overly pessimistic. The biggest SME pessimists can be found in Spain, Greece and... Germany. The last one is a surprise, given that the German government has implemented relatively generous support facilities, and also given that German SMEs report one of the lowest needs for finance in the eurozone (see above).

SME expected availability of finance



Source: ECB SAFE, ING

The ECB Survey on Access to Finance of Enterprises confirms that efforts to keep financing available for businesses in the eurozone generally worked well. The gap between funding needed and sources available did widen, but only by a moderate amount, taking the size of the economic impact into account. SMEs reported much bigger financial problems back in 2010-2012. That said, providing liquidity to businesses has attended to immediate financing needs, but does not address solvency issues. This is perhaps the biggest item on the financial to-do-list. Moreover, familiar rifts within the eurozone have opened up again, with SMEs in the North generally reporting low financing needs, and those in the South reporting bigger impacts on turnover and correspondingly higher demand for finance.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801
martin.van.vliet@ing.com

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com