

12. The future



This chapter reports

on growth plans and perceived barriers to that growth. It then explores SMEs' intentions for the next 3 months, in terms of finance and the reasons why SMEs think that they will/will not be applying for new/renewed finance in that time period.



Key findings

In Q2 2016, 41% of SMEs expected to grow in the coming 12 months. 16% expected to grow by 20% or more, while 25% expected to grow by up to 20%.

- Larger SMEs were more likely to be planning to grow (38% of those with 0 employees planned to grow compared to 60% of those with either 10-49 or 50-249 employees).
- There has been a slight decline in the proportion planning to grow over time. In 2012, 49% of SMEs planned to grow, compared to 43% in the first half of 2016. This was due to fewer of the smallest and largest SMEs planning to grow.
- Most of those planning to grow expected to achieve this through increased sales in the UK (97% of those planning to grow). Exporters remained more likely to be planning to grow (59% in Q2 2016) and half of exporters planning to grow thought they would do so in overseas markets (53%).

68% of SMEs in Q2 2016 did not consider any of the proposed barriers to be a major obstacle to their business. The current economic climate remained the most likely major obstacle (13%), together with legislation and regulation (11%) and political uncertainty/government policy (10%).

- Larger SMEs, those planning to grow and those with an appetite for finance were all more likely to identify one or more factors as a major obstacle to their business.
- During the referendum campaign (Q1 and Q2 2016) the proportion of SMEs rating either the current economic climate or political uncertainty as major barriers did not change overall. However increases were seen across both factors for larger SMEs and those engaged in international trade and this will be monitored post the Brexit vote.



Looking forward, most SMEs in Q2 2016 expected to be Future happy non-seekers of finance (76%). This proportion has increased steadily over time, having been 63% in 2012.

13% of SMEs were Future would-be seekers of finance with most (12%) having no specific need for finance identified. Their main barrier to application, especially for larger FWBS, remained a reluctance to borrow in the current economic climate (58%).

11% of SMEs interviewed in Q2 2016 planned to apply for new or renewed finance, at the lower end of the range seen over recent quarters.

- Overall, the proportion of SMEs planning to apply has changed relatively little over time. In 2012 and 2013, 14% planned to apply and since then 13% have planned to apply.
- This is due to a relatively stable appetite for finance amongst the 0 employee SMEs. Amongst those with employees, future appetite for finance has declined somewhat (by between 3 and 6 percentage points).
- Excluding the PNBs results in something of an increase in appetite for finance over time (from 21% in 2012 to 25% in the first half of 2016).
- Half of those planning to apply would consider a core form of finance while around 1 in 8 would consider invoice finance or leasing.

All SMEs are now asked about how confident they would be about their bank agreeing to a facility, if they were to apply:

- In H1 2016, 50% of those planning to apply for bank finance were confident their bank would agree. Larger SMEs and those with a minimal or low risk rating remained more confident, and confidence has increased over time (from 42% in 2012).



- Confidence amongst Future happy non-seekers of finance for a hypothetical application was higher at 67% than amongst those planning to apply to a bank. Confidence was lowest amongst Future would-be seekers of finance (44%).

Further confidence measures asked for the first time in 2016 showed that SMEs were slightly more confident assessing products from their own bank (69%) than from another bank (61%). 6 in 10 would be confident applying to a bank other than their own for finance.

- Confidence increased by size of business and was also higher for those with no plans to apply for finance (the FHNS). As above, the Future would-be seekers were the least confident.



Having reviewed performance over the 12 months prior to interview, SMEs were then asked about the **future**. As this is looking forward, the results from each quarter can more easily be compared to each other, providing a guide to SME sentiment.

This chapter reports on growth objectives and perceived barriers to future business performance. It then explores SMEs' intentions for the next 3 months in terms of finance and the reasons why SMEs think that they will/will

not be applying for new/renewed finance in that time period.

Most of this chapter therefore is based on Q2 2016 data gathered between April and June, when the referendum campaign was in full swing. Virtually all these interviews were completed before the result was known and so this chapter presents a snapshot of SME sentiment immediately prior to the Brexit vote, against which future changes can be measured.



Growth plans for next 12 months

SMEs were asked about their growth plans. In Q3 2015 the answer codes to this question were adjusted to match the question asked about past growth. Thus 'Grow substantially' became 'Grow by 20% or more' and 'Grow moderately' became 'Grow but by less than 20%'.

The results reported below show that, since that change, the *net* growth figure has been broadly in line with previous quarters but the split between 'Grow by 20% or more' and 'Grow but by less than 20%' has been different to that seen previously, with more SMEs planning to grow by 20% or more:

Growth in next 12 mths

All SMEs- over time By date of interview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Unweighted base:	5008	5023	5024	5038	5001	5004	5003	4500	4500
Grow by 20% or more*	9%	8%	7%	8%	6%	24%	24%	21%	16%
Grow by less than 20%*	44%	38%	36%	35%	37%	24%	23%	24%	25%
All with objective to grow	53%	46%	43%	43%	43%	48%	47%	45%	41%
Stay the same size	40%	43%	46%	48%	47%	43%	43%	46%	47%
Become smaller	3%	5%	4%	4%	4%	4%	4%	5%	6%
Plan to sell/pass on/close	4%	7%	7%	6%	6%	4%	5%	4%	5%

Q225 All SMEs *definition changed for Q3 2015

The proportion of SMEs *predicting* growth, and 20%+ growth in particular, has typically been somewhat higher than the proportion *achieving* that level of growth. SMES in Q2 2016 were somewhat less likely to be predicting growth of any kind and future waves will help to explore the extent to which this was due to uncertainty over the referendum result (which was not known at the time the data was gathered).



In Q2 2016, the smallest SMEs were less likely to be planning to grow at all (38%), but as likely to be planning to grow by 20% or more (16%):

Plans to grow in next 12 mths		0	1-9	10-49	50-249
Q2 16 only	Total	emp	emps	emps	emps
<i>Unweighted base:</i>	4500	900	1450	1450	700
Grow by 20% or more	16%	16%	19%	19%	13%
Grow by less than 20%	25%	22%	31%	41%	47%
<i>All with objective to grow</i>	41%	38%	50%	60%	60%
Stay the same size	47%	49%	45%	37%	39%
Become smaller	6%	8%	3%	2%	2%
Plan to sell/pass on/close	5%	6%	2%	1%	*

Q225 All SMEs New Question wording in Q4 2012

The table on the next page summarises the growth plans/objectives of SMEs by key demographics over recent quarters, including by size of SME. As reported above, the overall figures are most influenced by the views of the 0 employee SMEs:

- Growth plans amongst SMEs with 0 employees have been quite volatile over time. In the latter half of 2015 there was an increase in the proportion of 0 employee SMEs planning to grow which was not maintained in 2016 (41% in Q2 2016).
- From Q2 2014, a declining proportion of SMEs with 1-9 employees had been planning to grow (59% in Q2 2014 to 51% at the start of 2015). The proportion planning to grow has remained in the low to mid 50's ever since.
- Growth ambitions amongst SMEs with 10-49 employees have been more variable. Since Q3 2015, around 6 in 10 have planned to grow.
- SMEs with 50-249 employees were consistently the most likely to be planning to grow with 7 in 10 planning to do so up to Q2 2015. Since then, around 6 in 10 have planned to grow.



Objective to grow (any) in next 12 months

Over time – row percentages	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
By date of interview	2014	2014	2014	2015	2015	2015	2015	2016	2016
All SMEs	53%	45%	43%	43%	43%	49%	47%	45%	41%
0 employee	50%	41%	39%	39%	39%	46%	43%	41%	38%
1-9 employees	59%	55%	52%	51%	53%	54%	57%	55%	50%
10-49 employees	67%	69%	63%	65%	67%	61%	60%	58%	60%
50-249 employees	72%	68%	69%	69%	71%	64%	58%	56%	60%
Minimal external risk rating	47%	41%	40%	35%	44%	42%	38%	35%	36%
Low external risk rating	51%	41%	40%	44%	44%	47%	42%	44%	37%
Average external risk rating	49%	40%	39%	36%	37%	43%	41%	38%	35%
Worse than average external risk rating	56%	51%	50%	47%	48%	54%	54%	51%	51%
Agriculture	40%	39%	25%	32%	33%	40%	31%	34%	28%
Manufacturing	61%	44%	55%	41%	57%	53%	45%	43%	52%
Construction	43%	37%	34%	33%	31%	35%	42%	40%	33%
Wholesale/Retail	60%	53%	50%	54%	47%	60%	52%	54%	49%
Hotels & Restaurants	46%	40%	41%	45%	40%	48%	51%	49%	50%
Transport	39%	34%	34%	43%	46%	45%	44%	43%	43%
Property/Business Services etc.	56%	47%	45%	43%	48%	56%	46%	46%	40%
Health	46%	55%	50%	51%	43%	51%	46%	38%	39%
Other Community	68%	55%	49%	47%	47%	47%	59%	50%	45%
All Permanent non-borrowers	45%	38%	38%	37%	36%	42%	39%	39%	33%
All excluding PNBs	57%	50%	48%	48%	50%	54%	53%	50%	49%

Q225 All SMEs base size varies by category



The variability in predicted growth quarter on quarter makes trends harder to discern. The table below looks at annual growth plans since 2013 (the question was changed in Q4 2012) by key business demographics:

Objective to grow (any) in next 12 months				
Over time				H1
By date of interview – row percentages	2013	2014	2015	2016
All	49%	47%	45%	43%
0 emp	46%	43%	42%	39%
1-9 emps	54%	56%	54%	53%
10-49 emps	59%	67%	63%	59%
50-249 emps	67%	71%	66%	58%
Minimal external risk rating	45%	45%	40%	35%
Low	45%	45%	44%	40%
Average	41%	42%	39%	36%
Worse than average	54%	52%	51%	51%
Agriculture	43%	37%	34%	31%
Manufacturing	51%	55%	49%	48%
Construction	41%	37%	35%	37%
Wholesale/Retail	51%	54%	53%	51%
Hotels & Restaurants	46%	45%	46%	50%
Transport	48%	37%	44%	43%
Property/ Business Services	53%	49%	48%	43%
Health	49%	49%	48%	39%
Other	52%	57%	50%	47%
PNBs	43%	40%	38%	36%
All excl PNBs	52%	52%	51%	49%

Q225 All SMEs



Analysis on an annual basis, in the table above, reveals the steady decline in the proportion planning to grow from 49% to 43%. The decline was more marked amongst the smallest, 0 employee, SMEs and also the largest, with 50-249 employees. It was also seen more amongst those with a minimal external risk rating and amongst those who met the definition of a PNB.

97% of those planning to grow said that selling to existing markets in the UK was the main way in which this growth would be achieved (the equivalent of 38% of all SMEs). Overall, more SMEs planned to grow by selling to new markets in the UK (9% of all SMEs) than overseas (3%):

How plan to grow	All planning to grow	All SMEs
Q2 16		
<i>Unweighted base:</i>	2218	4500
Sell in the UK	97%	38%
<i>Increase sales in existing markets in UK</i>	88%	35%
<i>Sell in new markets in UK</i>	23%	9%
Sell overseas	12%	5%
<i>Increase sales in existing markets overseas</i>	9%	3%
<i>Sell in new markets overseas</i>	8%	3%

Q226 All SMEs planning to grow excluding DK/All SMEs

Exporters remained more likely to be predicting growth and in Q2 2016, 59% reported that they planned to grow compared to 40% of non-exporters. Exporters are typically larger but both larger and smaller exporters were more likely to report planned growth than their peers:

- Amongst SMEs with 0-9 employees: 58% of exporters interviewed in Q2 2016 planned to grow compared to 39% of non-exporters.
- Amongst SMEs with 10-249 employees: 69% of exporters interviewed in Q2 2016 planned to grow compared to 59% of non-exporters.



As the table below shows, both exporters and non-exporters were most likely to say that they would achieve that growth through sales in the UK. Half of exporters (53%) planned to sell more overseas compared to 6% of those who were not exporting:

How plan to grow Q2 16	All planning to grow who export	All planning to grow who do not export
<i>Unweighted base:</i>	337	1881
Sell in the UK	91%	98%
<i>Increase sales in existing markets in UK</i>	81%	89%
<i>Sell in new markets in UK</i>	35%	22%
Sell overseas	53%	6%
<i>Increase sales in existing markets overseas</i>	46%	3%
<i>Sell in new markets overseas</i>	29%	5%

Q226 All SMEs planning to grow excluding DK

The tables below summarise these differences between exporters and non-exporters over recent quarters. The first table below shows that exporters have been more likely to be planning to grow each quarter than those that do not export, with predicted growth in Q2 2016 similar to that in Q2 2015:

Objective to grow (any) in next 12 months									
By date of interview	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Row percentages	2014	2014	2014	2015	2015	2015	2015	2016	2016
Exporters	69%	58%	57%	64%	61%	69%	66%	60%	59%
Non-exporters	51%	44%	41%	40%	41%	46%	44%	43%	40%

Q225 All SMEs New Question wording in Q4 2012



The second table is based on those planning to grow and summarises how this growth is to be achieved (note that this table has been revised to exclude 'Don't know' answers and thus match the analysis earlier in this chapter). Existing markets were the main target for both exporters and non-exporters:

How plan to grow

By date of interview	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Row percentages	2014	2014	2014	2015	2015	2015	2015	2016	2016
In existing markets:									
<i>Exporters</i>	90%	87%	89%	86%	90%	86%	93%	92%	88%
<i>Non-exporters</i>	87%	84%	89%	90%	87%	90%	89%	92%	89%
New UK markets:									
<i>Exporters</i>	28%	34%	26%	40%	34%	41%	25%	38%	35%
<i>Non-exporters</i>	21%	27%	18%	19%	20%	21%	27%	19%	22%
New overseas markets:									
<i>Exporters</i>	22%	29%	24%	22%	19%	26%	13%	33%	29%
<i>Non-exporters</i>	3%	3%	3%	5%	4%	3%	3%	3%	5%

Q226 All SMEs planning to grow excluding DK



The final piece of analysis in this section takes a longer term view back to 2013. The table below shows that while growth ambitions have declined overall for SMEs (49% to 43%), and for non-exporters (48% to 41%), ambition amongst exporters increased year on year from 2013 to 2015 (60% to 65%) before declining back to 59% in the first half of 2016.

Amongst exporters planning to grow, the proportion planning to do so in new overseas markets (not necessarily within the EU) declined between 2013 and 2015 (30% to 20%) before improving to 31% in the first half of 2016.

Growth plans				
Over time				
By date of interview				
Row percentages	2013	2014	2015	H1 2016
All SMEs:				
Plan to grow	49%	47%	45%	43%
<i>New markets overseas (of those planning to grow)</i>	7%	6%	6%	8%
Exporters:				
Plan to grow	60%	63%	65%	59%
<i>New markets overseas (of those planning to grow)</i>	30%	26%	20%	31%
Non exporters:				
Plan to grow	48%	45%	43%	41%
<i>New markets overseas (of those planning to grow)</i>	4%	3%	4%	4%

Q225/226 All SMEs planning to grow excluding DK



Obstacles to running the business in the next 12 months

SMEs were asked to rate the extent to which each of a number of factors were perceived as obstacles to them running the business as they would wish in the next 12 months, using a 1 to 10 scale (where 1 meant the factor was not an obstacle at all, and 10 that it was seen as a major obstacle). Scores have been analysed in 3 bands:

- 1-4 = a minor obstacle
- 5-7 = a moderate obstacle
- 8-10 = a major obstacle

Over time, some amendments have been made to the list of factors tested.

- In Q3 2014, the following amendments were made:
 - ‘Staff related issues’ was amended to be ‘Issues recruiting and retaining skilled staff’.
 - A new factor was added ‘Political uncertainty and future government policy’.
 - Any SMEs that did not rate any of the factors 8-10 (a major obstacle) were asked whether there was anything else that they saw as an obstacle that was not on this list.
 - In Q3 2015 an additional code was included ‘The quality of management and leadership in the business’.

The latest data was collected during the referendum campaign. At an overall level there was little change in the proportion of SMEs rating either the ‘Current economic climate’ or ‘Political uncertainty and future government policy’ as major obstacles, but this was due to there being no change in the views of 0 employee SMEs. Amongst larger SMEs and notably those with 50-249 employees, and/or those who are international, both of these factors were mentioned more as major obstacles. More detail is provided below and this will be monitored over future waves.



As in all previous quarters, the economic climate remained the key issue in Q2 2016, but was rated a major obstacle by 1 in 8 SMEs compared to 1 in 3 at its peak:

- The **current economic climate** was rated as a major obstacle (8-10) by 13% of SMEs in Q2 2016. Whilst it remains the top rated barrier, this is a declining proportion of SMEs over time.
- **Legislation and regulation** was the next most important obstacle. It was rated a major obstacle by 11% of SMEs.
- 10% rated **political uncertainty/government policy** as a major obstacle but with some clear changes over time by size of SME, discussed below.
- **Cash flow and issues with late payment** was rated a major obstacle by 7% of SMEs.
- 6% rated **recruiting and retaining staff** as a major obstacle.
- 5% saw **access to external finance** as a major obstacle.
- 4% of SMEs rated **availability of relevant advice** for their business as a major obstacle for the year ahead.
- The new factor, **management and leadership skills**, was rated a major obstacle by 3% of SMEs.

The analysis below looks in detail at the barriers perceived in Q2 2016, by size of SME. Details of how these views have changed over time are provided later in this chapter.

Extent of obstacles in next 12 months		0	1-9	10-49	50-249
Q2 16 only – all SMEs		emp	emps	emps	emps
Total					
Unweighted base:	4500	900	1450	1450	700
The current economic climate (mean score)	3.9	3.8	4.4	4.4	4.7
- 8-10 major obstacle	13%	13%	14%	13%	14%
- 5-7 moderate obstacle	30%	27%	36%	38%	43%
- 1-4 minor obstacle	55%	58%	48%	47%	41%
Legislation and regulation	3.4	3.1	4.0	4.2	4.4
- 8-10 major obstacle	11%	10%	13%	14%	14%
- 5-7 moderate obstacle	22%	19%	29%	31%	36%
- 1-4 minor obstacle	65%	69%	55%	52%	49%
Political uncertainty/future govt policy	3.3	3.0	3.9	4.0	4.7
- 8-10 major obstacle	10%	9%	14%	12%	16%
- 5-7 moderate obstacle	23%	20%	28%	32%	37%
- 1-4 minor obstacle	64%	67%	56%	51%	43%

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Cash flow/issues with late payment	2.8	2.7	3.1	3.1	3.3
- 8-10 major obstacle	7%	7%	8%	8%	5%
- 5-7 moderate obstacle	15%	14%	18%	20%	25%
- 1-4 minor obstacle	77%	78%	72%	70%	68%
Recruiting/retaining staff	2.3	1.9	3.1	3.6	3.9
- 8-10 major obstacle	6%	5%	10%	11%	11%
- 5-7 moderate obstacle	10%	7%	19%	25%	30%
- 1-4 minor obstacle	81%	85%	69%	62%	58%
Access to external finance	2.2	2.1	2.5	2.3	2.5
- 8-10 major obstacle	5%	5%	6%	4%	2%
- 5-7 moderate obstacle	10%	8%	13%	13%	17%
- 1-4 minor obstacle	83%	85%	79%	80%	79%
Availability of relevant advice	2.2	2.1	2.4	2.5	2.6
- 8-10 major obstacle	4%	4%	4%	4%	2%
- 5-7 moderate obstacle	12%	11%	15%	13%	18%
- 1-4 minor obstacle	82%	83%	79%	79%	78%
Management and leadership skills	1.8	1.7	2.2	2.6	2.8
- 8-10 major obstacle	3%	2%	5%	6%	5%
- 5-7 moderate obstacle	8%	7%	10%	15%	19%
- 1-4 minor obstacle	87%	89%	83%	77%	75%
None of these are major obstacles	68%	70%	61%	64%	62%

Q227a All SMEs

Amongst SMEs with employees, the proportion rating each factor a major obstacle did not vary much from SMEs overall (14% for the current economic climate, 5% for access to external finance). The largest differences were for 'Legislation and regulation' (14% for those with employees) 'Political uncertainty (13%) and 'Recruiting staff' (11%).

In Q2 2016, 68% of SMEs did not rate any of these potential obstacles as a major obstacle (scoring 8-10) virtually unchanged from Q4 2015 (66%).

All those who did not score 8-10 for *any* of these factors were asked if there were any barriers missing from the list. Almost all (94%) said that there weren't. The top other mention was terrorism (2%) while less than 1% mentioned the referendum.



The tables below focus on those scoring 8-10 for each potential obstacle. For ease, the analysis by size of SME (provided in more detail in the previous table) is summarised below:

Extent of obstacles in next 12 months

Q2 16 only – all SMEs 8-10 impact score	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4500	900	1450	1450	700
The current economic climate	13%	13%	14%	13%	14%
Legislation and regulation	11%	10%	13%	14%	14%
Political uncertainty/future govt policy	10%	9%	14%	12%	16%
Cash flow/issues with late payment	7%	7%	8%	8%	5%
Recruiting/retaining staff	6%	5%	10%	11%	11%
Access to external finance	5%	5%	6%	4%	2%
Availability of relevant advice	4%	4%	4%	4%	2%
Management skills	3%	2%	5%	6%	5%
None of these rated a major obstacle	68%	70%	61%	64%	62%

Q227a All SMEs

This shows that for the smallest SMEs, the ‘Current economic climate’ remained the main obstacle. For those with employees, ‘Legislation and regulation’ presented as much of a barrier.

The smallest SMEs were the most likely to say that none of these factors presented a major obstacle to their business (70%). Amongst those with employees around 6 in 10 said that none of these presented a major obstacle. Whilst the overall figures have changed little over time, those with 50-249 employees were less likely to say that none of these factors presented a major obstacle (62%) than they were in Q4 2015 (76%).



Analysis by risk rating showed that the ‘Current economic climate’ and ‘Legislation and regulation’ remained the two key barriers, with ‘Political uncertainty’ now more of a barrier, especially for those with a low external risk rating:

Extent of obstacles in next 12 months

Q2 16 only – all SMEs 8-10 impact score	Total	Min	Low	Avg	Worse/ Avg
Unweighted base:	4500	736	1466	1022	869
The current economic climate	13%	11%	15%	15%	13%
Legislation and regulation	11%	14%	12%	10%	10%
Political uncertainty/future govt policy	10%	10%	16%	9%	10%
Cash flow/issues with late payment	7%	4%	8%	6%	8%
Recruiting/retaining staff	6%	5%	8%	4%	8%
Access to external finance	5%	2%	4%	3%	8%
Availability of relevant advice	4%	2%	3%	3%	5%
Management skills	3%	3%	4%	3%	3%
None of these rated a major obstacle	68%	71%	62%	72%	67%

Q227a All SMEs for whom risk ratings known



The table below shows that in Q2 2016, there were more differences in perceived obstacles between those with plans to grow and those with no plans than had been seen in earlier waves. Those planning to grow were more likely in particular to see ‘Political uncertainty’ as a barrier and also ‘Access to finance’, and as a result were less likely to say that none of these factors were a major obstacle.

The next table also shows that clear differences were seen on almost all factors depending on whether the SME was a Permanent non-borrower or not. PNBs remained less likely to see any of these issues as major barriers and 75% said that none of them were.

Extent of obstacles in next 12 months

Q2 16 only – all SMEs 8-10 impact score	Total	Plan to grow	No plans to grow	PNB	Not PNB
Unweighted base:	4500	2296	2204	1492	3008
The current economic climate	13%	14%	12%	9%	17%
Legislation and regulation	11%	11%	10%	9%	12%
Political uncertainty/future govt policy	10%	13%	8%	8%	12%
Cash flow/issues with late payment	7%	9%	6%	4%	10%
Recruiting/retaining staff	6%	9%	4%	4%	8%
Access to external finance	5%	8%	3%	2%	8%
Availability of relevant advice	4%	5%	3%	2%	5%
Management skills	3%	4%	3%	2%	4%
None of these rated a major obstacle	68%	62%	72%	75%	61%

Q227a All SMEs



Clear differences in perceived obstacles continued to be seen by whether the SME planned to apply for new/renewed facilities in the next three months, or would like to:

Extent of obstacles in next 12 months

Q2 16 only – all SMEs 8-10 impact score	Total	Plan to apply or FWBS	Future HNS	Future HNS excl. PNB
Unweighted base:	4500	1192	3308	1816
The current economic climate	13%	19%	11%	14%
Legislation and regulation	11%	16%	9%	10%
Political uncertainty/future govt policy	10%	14%	9%	11%
Cash flow/issues with late payment	7%	15%	5%	6%
Recruiting/retaining staff	6%	11%	5%	6%
Access to external finance	5%	13%	2%	4%
Availability of relevant advice	4%	9%	2%	2%
Management skills	3%	6%	2%	3%
None of these rated a major obstacle	68%	53%	73%	68%

Q227a All SMEs

Those with plans/aspirations to apply were more likely to see each of these issues as major obstacles. 73% of Happy non-seekers said that none of these were a major obstacle, compared to 53% of those with plans/aspirations to apply.

The Future happy non-seeker category described above includes those SMEs that met the

definition of a Permanent non-borrower, which indicates that they are unlikely to borrow. Such SMEs have been excluded from the Happy non-seeker definition in the final column above. This increases most of the scores slightly, and reduces the proportion saying that none of these factors presents an obstacle from 73% to 68%.

Analysis of international businesses shows that they continued to be more likely to rate the current economic climate as a major obstacle than their domestic peers (17% v 12%) and similarly the issue of access to finance (8% v 5%). Overall, 59% of international SMEs did not rate any of the factors tested as a major obstacle compared to 69% of domestic SMEs.



The economic climate was the most likely to be rated as a major obstacle to running the business by SMEs overall and in most sectors, together with legislation and regulation, notably in Agriculture, where political uncertainty was also more likely to be seen as an obstacle:

Extent of obstacles in next 12 months

Q2 16 only – all SMEs				Whle	Hotel		Prop/	Hlth	Other
8-10 impact scores	Agric	Mfg	Constr	Retail	Rest	Trans	Bus	SWrk	Comm
Unweighted base:	300	375	800	450	300	500	900	375	500
The current economic climate	15%	15%	10%	15%	16%	15%	14%	10%	12%
Legislation and regulation	19%	14%	10%	11%	14%	15%	9%	9%	8%
Political uncertainty/future govt policy	18%	13%	9%	11%	13%	11%	10%	7%	8%
Cash flow/issues with late payment	13%	6%	7%	6%	5%	9%	6%	6%	9%
Recruiting/retaining staff	3%	7%	6%	6%	12%	8%	6%	4%	4%
Access to external finance	4%	5%	5%	7%	6%	8%	3%	7%	4%
Availability of relevant advice	1%	3%	2%	6%	5%	7%	2%	3%	5%
Management skills	4%	4%	4%	4%	6%	5%	2%	2%	1%
None of these rated a major obstacle	63%	66%	74%	62%	63%	60%	69%	74%	69%

Q227All SMEs

Three quarters of SMEs in the Health or Construction sectors said that none of these were major obstacles, compared to 6 in 10 of those in the Transport sector.



Obstacles to running the business in the next 12 months – over time

The summary table below shows the proportion of SMEs rating each factor a major obstacle across the most recent nine waves of the Monitor. The current economic climate was the most likely to be rated a major obstacle in all quarters, and the proportion has been stable over recent quarters:

Extent of obstacles in next 12 months

All SMEs over time

8-10 impact score

By date of interview

	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Unweighted base:	5008	5023	5024	5038	5001	5004	5003	4500	4500
The current economic climate	17%	16%	14%	13%	14%	13%	13%	13%	13%
Legislation and regulation	12%	12%	11%	12%	11%	13%	10%	11%	11%
Political uncertainty/ future govt policy	-	12%	9%	10%	9%	10%	9%	10%	10%
Cash flow/issues with late payment	10%	9%	8%	8%	9%	9%	8%	8%	7%
Recruiting/retaining staff*	3%	7%	6%	6%	6%	6%	8%	6%	6%
Access to external finance	8%	7%	6%	6%	5%	6%	6%	5%	5%
Availability of relevant advice	6%	5%	6%	4%	4%	6%	5%	4%	4%
Management skills	-	-	-	-	-	7%	5%	5%	3%
None of these rated a major obstacle	65%	64%	69%	68%	68%	64%	66%	67%	68%

Q227 All SMEs



The tables below provide a longer term view back to 2012 to identify changes over time:

Extent of obstacles in next 12 months					
Over time – all SMEs					H1
8-10 impact score	2012	2013	2014	2015	2016
<i>Unweighted base:</i>	20,055	20,036	20,055	20,046	9000
The current economic climate	34%	27%	17%	13%	13%
Legislation and regulation	13%	13%	12%	11%	11%
Political uncertainty/future govt policy	-	-	-	10%	10%
Cash flow/issues with late payment	13%	11%	9%	9%	8%
Recruiting/retaining staff	3%	3%	5%	6%	6%
Access to external finance	11%	10%	7%	6%	5%
Availability of relevant advice	6%	6%	5%	5%	4%
Management skills	-	-	-	-	4%

Q227a All SMEs

This shows the marked decline in the proportion of SMEs citing the current economic climate as a barrier. There has also been something of a decline in mentions of most of the other barriers with the exception of staff where there has been a slight increase (and a slight change in wording in 2014 to emphasise recruitment and retention).

The Q1 and Q2 2016 data was gathered during the referendum campaign and, with a Brexit vote, perceptions about barriers to doing business may change in future. The table below shows the changes between 2015 and 2016 for two key barriers, the economic climate and political uncertainty, by size of SME but also amongst those engaged in international trade.



The tables below show that both factors were increasingly likely to be cited as barriers over time by larger SMEs and those engaged in international trade, while smaller SMEs gave more consistent ratings across this period:

The current economic climate

8-10 impact score		Q1	Q2
Row percentages	2015	2016	2016
All SMEs	13%	13%	13%
0 employees	12%	12%	13%
1-9 employees	14%	14%	14%
10-49 employees	10%	11%	13%
50-249 employees	8%	12%	14%
Exporters	18%	11%	20%
Importers	14%	11%	16%

Q227a All SMEs

Political uncertainty and future govt policy

8-10 impact score		Q1	Q2
Row percentages	2015	2016	2016
All SMEs	9%	10%	10%
0 employees	9%	9%	9%
1-9 employees	12%	12%	14%
10-49 employees	9%	10%	12%
50-249 employees	7%	10%	16%
Exporters	8%	9%	13%
Importers	10%	12%	12%

Q227a All SMEs

Access to finance is the key theme of this report but an issue that has been less likely to be rated a barrier by SMEs over time. The table below shows these changes over recent quarters by key demographics. Access to finance remains more of a barrier for those with a future appetite for finance, but again, the proportion citing it as a barrier is declining over time.



Access to finance – 8-10 impact scores

Over time – row percentages	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
By date of interview	14	14	14	15	15	15	15	16	16
All SMEs	8%	7%	6%	6%	5%	6%	6%	5%	5%
0 employee	9%	7%	6%	6%	4%	5%	5%	5%	5%
1-9 employees	8%	10%	9%	8%	6%	8%	8%	6%	6%
10-49 employees	6%	6%	5%	5%	4%	6%	5%	5%	4%
50-249 employees	4%	3%	3%	4%	3%	2%	2%	2%	2%
Minimal external risk rating	4%	4%	7%	4%	5%	3%	3%	2%	2%
Low external risk rating	4%	5%	5%	7%	2%	5%	3%	3%	4%
Average external risk rating	7%	6%	4%	5%	4%	5%	5%	5%	3%
Worse than average external risk rating	11%	9%	8%	8%	5%	6%	8%	5%	8%
Agriculture	5%	6%	7%	4%	5%	4%	6%	5%	4%
Manufacturing	12%	4%	5%	3%	4%	4%	6%	6%	5%
Construction	7%	7%	5%	4%	3%	5%	5%	3%	5%
Wholesale/Retail	10%	10%	11%	9%	6%	9%	5%	4%	7%
Hotels & Restaurants	10%	13%	8%	9%	6%	8%	10%	9%	6%
Transport	10%	11%	12%	8%	5%	7%	9%	9%	8%
Property/Business Services etc.	8%	6%	4%	8%	5%	6%	6%	4%	3%
Health	4%	10%	4%	2%	2%	3%	5%	4%	7%
Other Community	12%	5%	7%	5%	6%	5%	4%	4%	4%
Use external finance	12%	11%	10%	10%	7%	8%	8%	7%	6%
Plan to borrow/FWBS	17%	17%	13%	18%	13%	13%	14%	14%	13%
Future Happy non-seekers	4%	3%	4%	2%	2%	3%	3%	2%	2%
All SMEs excluding PNBs	12%	11%	10%	10%	8%	9%	9%	8%	8%

Q227a_2 All SMEs, base sizes vary



Financial requirements in the next 3 months

SMEs were asked to consider their financial plans over the next 3 months. The proportion planning to apply/renew has changed relatively little over time, albeit the proportion planning to renew/apply in Q2 2016 (11%) was at the lower end of the range seen across recent quarters:

% likely in next 3 months

All SMEs – over time	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
By date of interview	2014	2014	2014	2015	2015	2015	2015	2016	2016
Unweighted base:	5008	5023	5024	5038	5001	5004	5003	4500	4500
Will have a need for (more) external finance	10%	11%	8%	9%	7%	9%	10%	11%	9%
Will apply for more external finance	8%	9%	7%	8%	6%	7%	8%	9%	7%
Renew existing borrowing at same level	9%	10%	8%	9%	7%	8%	10%	8%	7%
Any apply/renew	14%	15%	13%	14%	11%	12%	16%	14%	11%
Reduce the amount of external finance used	9%	9%	7%	8%	8%	8%	9%	8%	7%
Inject personal funds into business	16%	20%	14%	16%	14%	18%	17%	17%	15%

Q229 All SMEs

The lower level of planned application/renewal in Q2 2016 (11%) was due to a lower appetite for finance across all sizes of SME with the exception of those with 50-249 employees where appetite for finance was stable, but lower than in some other groups at 13%. This is explored in more detail later in this chapter.

In all quarters to date, more SMEs have identified a need for finance than thought they

would apply for it (although the gap is narrow in Q2 2016 - 9% v 7%). The predicted level of applications/renewals in the coming quarter has consistently been higher than the actual level of applications/renewals reported subsequently (by different SMEs). Whilst 11-16% of SMEs have said that they *planned* to apply for finance, annual levels of application have typically been around 8%.



Amongst those SMEs that are companies, there continued to be limited interest in seeking new equity finance:

% likely in next 3 months

All companies – over time By date of interview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Unweighted base:	2999	2826	2822	2927	2794	2876	2997	2670	2833
Any new equity	4%	5%	5%	3%	2%	3%	5%	3%	4%

Q229 All companies

In Q2 2016 as in previous quarters, there continued to be a difference in future appetite for finance by size of business. Appetite was lower amongst those with 0 employees and these SMEs remained more likely to anticipate an injection of personal funds (16%) than an application for new/renewed finance (10%). The largest SMEs with 50-249 employees also had a lower appetite for finance (13%) but in this case very few were planning an injection of personal funds (4%):

% likely in next 3 months

Q2 16 only – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4500	900	1450	1450	700
Will have a need for (more) external finance	9%	8%	11%	9%	9%
Will apply for more external finance	7%	7%	8%	8%	7%
Renew existing borrowing at same level	7%	6%	10%	12%	10%
Any apply/renew	11%	10%	15%	16%	13%
Reduce the amount of external finance used	7%	6%	8%	10%	9%
Inject personal funds into business	15%	16%	13%	6%	4%

Q229 All SMEs

Amongst SMEs with employees, 15% had plans to apply/renew in the next 3 months and 11% believed they would have a need for (more) external finance.



Before looking at future applications for finance in more detail, the analysis below explores the role of personal funding of SMEs. Between 2012 and 2014 there was a decline in the proportion of SMEs that had injected personal funds. Since then, around 3 in 10 have reported an injection of funds. The proportion of SMEs planning to inject personal funds in the 3 months after interview has followed a similar pattern but at lower levels, with 1 in 6 of those interviewed in H1 2016 planning an injection of funds:

Injections of personal funds past and future					H1
Over time – all SMEs	2012	2013	2014	2015	2016
Unweighted base:	20,055	20,036	20,055	20,046	9000
Have injected personal funds	43%	38%	29%	28%	27%
Plan to inject personal funds	24%	20%	16%	16%	16%

Q 15d/Q229-5 All companies

The table below shows how the injections of personal funds past and present have combined. Over recent quarters around two thirds of SMEs had neither put in funds, nor thought it likely they would do so (69% in Q2 2016). The proportion that had both put in funds in the past *and* planned to do so in future (9% in Q2 2016) has changed relatively little:

Injections of personal funds	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All SMEs – over time	2014	2014	2014	2015	2015	2015	2015	2016	2016
Unweighted base:	5008	5023	5024	5038	5001	5004	5003	4500	4500
Have injected personal funds and likely to do so again	11%	12%	9%	10%	9%	12%	11%	11%	9%
Have not put in personal funds but likely to do so	5%	8%	5%	6%	5%	6%	6%	6%	6%
Have injected personal funds but unlikely to do so again	19%	16%	20%	16%	17%	18%	18%	18%	16%
Have not put in personal funds and not likely to do so	65%	64%	66%	68%	69%	64%	65%	64%	69%

Q229/Q15d-d2 All SMEs



Turning back to future applications for external finance there has been limited variation in the proportion of SMEs planning to apply/renew (11-16% over recent quarters):

% likely to apply or renew in next 3 months

Over time – row percentages By date of interview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
All SMEs	14%	15%	13%	14%	11%	12%	16%	14%	11%
0 employee	13%	12%	11%	12%	9%	11%	14%	14%	10%
1-9 employees	18%	23%	19%	18%	16%	16%	20%	16%	15%
10-49 employees	15%	23%	16%	20%	19%	17%	20%	20%	16%
50-249 employees	13%	17%	15%	14%	15%	12%	13%	14%	13%
Minimal external risk rating	18%	15%	10%	13%	9%	11%	19%	12%	10%
Low external risk rating	13%	11%	13%	19%	14%	14%	14%	14%	13%
Average external risk rating	11%	16%	10%	14%	12%	13%	16%	12%	10%
Worse than average external risk rating	15%	15%	16%	12%	11%	11%	16%	15%	14%
Agriculture	18%	17%	13%	19%	18%	19%	18%	15%	13%
Manufacturing	18%	17%	15%	14%	16%	16%	17%	16%	15%
Construction	13%	12%	11%	10%	10%	11%	12%	17%	8%
Wholesale/Retail	17%	25%	18%	16%	10%	15%	19%	14%	12%
Hotels & Restaurants	14%	21%	15%	16%	14%	14%	20%	17%	13%
Transport	19%	11%	15%	12%	12%	14%	14%	14%	16%
Property/Business Services etc.	11%	12%	12%	16%	11%	12%	15%	12%	10%
Health	11%	16%	8%	10%	6%	8%	12%	11%	11%
Other Community	16%	15%	11%	13%	9%	12%	19%	17%	15%
Objective to grow	19%	21%	16%	20%	15%	17%	23%	21%	18%
No objective to grow	9%	10%	10%	9%	8%	8%	9%	9%	7%
All SMEs excluding PNBs	23%	25%	24%	27%	21%	23%	28%	28%	22%

Q229 All SMEs base size varies by category



The variability in predicted appetite for finance quarter on quarter makes trends harder to discern. The table below looks at annual appetite for finance since 2012 by key business demographics. This shows a stable picture overall (due to the 0 employee SMEs) but with a slight increase in appetite for finance once the PNBs are excluded:

% likely to apply or renew in next 3 months					
Over time					H1
By date of interview – row percentages	2012	2013	2014	2015	2016
All	14%	14%	13%	13%	13%
0 emp	12%	12%	11%	12%	12%
1-9 emps	20%	19%	20%	17%	15%
10-49 emps	21%	17%	18%	19%	18%
50-249 emps	19%	16%	14%	14%	13%
Minimal external risk rating	16%	12%	13%	13%	11%
Low	17%	13%	14%	15%	14%
Average	13%	13%	12%	14%	11%
Worse than average	15%	14%	14%	12%	14%
Agriculture	18%	16%	15%	18%	14%
Manufacturing	16%	13%	16%	16%	15%
Construction	14%	13%	11%	11%	12%
Wholesale/Retail	16%	18%	19%	15%	13%
Hotels & Restaurants	17%	15%	16%	16%	15%
Transport	14%	16%	15%	13%	15%
Property/ Business Services	12%	13%	11%	13%	11%
Health	11%	12%	11%	9%	11%
Other	16%	12%	14%	13%	16%
All excl PNBs	21%	23%	24%	25%	25%

Q229 All SMEs



Amongst those planning to apply or renew in the next 3 months, working capital has been the most frequently mentioned purpose of future funding over recent quarters (now excluding DK answers in line with similar questions elsewhere in this report):

Use of new/renewed facility

All planning to seek/renew

Over time excl DK By date of interview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Unweighted base:	766	996	769	842	747	761	850	750	642
Working capital	51%	53%	64%	63%	57%	57%	57%	56%	60%
Plant & machinery	33%	27%	21%	24%	22%	25%	28%	24%	21%
UK growth*	37%	32%	24%	28%	25%	30%	28%	30%	23%
Premises	12%	13%	8%	6%	10%	7%	8%	11%	7%
New products or services	13%	11%	5%	9%	5%	7%	6%	12%	9%
Growth overseas*	6%	8%	5%	6%	5%	4%	8%	6%	4%

Q230 All planning to apply for/renew facilities in next 3 months. *Growth replaced expansion in Q2 2013 NOW EXCL DK

Taking a longer term view back to 2012 shows relatively little variation in the proposed purpose of future funding, with slightly fewer mentions of plant and machinery and more mentions of funding new products and services in 2016 to date:

Use of new/renewed facility						H1
All planning to seek/renew – over time	2012	2013	2014	2015	2016	
Unweighted base:	3717	3316	3310	3200	1392	
Working capital	63%	62%	57%	59%	58%	
Plant & machinery	27%	27%	26%	25%	23%	
UK growth*	21%	28%	30%	28%	27%	
Premises	7%	7%	10%	7%	9%	
New products or services	10%	9%	9%	7%	11%	
Growth overseas*	3%	5%	6%	6%	5%	

Q230 All planning to apply for/renew facilities in next 3 months excl DK. *Growth replaced expansion in Q2 2013



The table below details what types of finance those planning to apply would consider for their new/renewed finance over recent quarters. From Q1 2016 data has been collected at a headline level rather than for each possible type of finance. Data is shown from Q3 2014 onwards as this was when loans and commercial mortgages were separated into

two individual categories, making this comparison possible over time.

Consideration over time of any of the core lending products (overdrafts, loans and credit cards) and/or other forms of borrowing, is shown below for those planning to apply, using the new summary categories introduced from Q1 2016:

% of those seeking/renewing finance that would consider form of funding

Over time By date of interview	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Unweighted base:	1023	787	860	772	776	891	771	672
Core product (loan, O/D, credit card)	66%	61%	57%	63%	61%	57%	52%	52%
Commercial mortgage	13%	13%	12%	11%	9%	10%	18%	16%
Leasing/invoice finance	29%	26%	31%	29%	28%	29%	23%	16%
Other	49%	45%	48%	45%	49%	49%	30%	22%
None of these	21%	23%	23%	25%	25%	28%	33%	41%

Q233 All SMEs seeking new/renewing finance in next 3 months

In all quarters consideration has been highest for the core products. 17% of potential applicants in 2015 said that they would **only** consider one or more of the core products, somewhat lower than in 2012 (26%), but early indications are of an improvement in 2016 (24%).

The proportion saying ‘none of these’ was stable at around 1 in 4 but is higher in the most recent quarters. This will be monitored in future waves to see if it appears to be as a result of simplifying the question (as SMEs are no longer prompted with every individual type of finance in the other category).



The table below shows levels of consideration in Q2 2016 by the size of SME considering funding.

% of those seeking/renewing finance would consider funding		0	1-9	10-49	50-249
Q2 16 only	Total	emp	emps	emps	emps
Unweighted base:	672	97*	218	252	105
Core product (loan, od, credit card)	52%	52%	54%	39%	50%
Commercial mortgage	16%	13%	21%	21%	24%
Leasing/invoice finance	16%	14%	18%	20%	26%
Other	22%	21%	25%	19%	29%
None of these	41%	42%	36%	46%	42%

Q233 All SMEs seeking new/renewing finance in next 3 months

The balance between consideration of core and other forms of funding changes by size of SME. Whilst those with 0 employees who planned to apply were much more likely to consider core forms of finance than any other, larger SMEs were more likely to consider a range of funding.

Amongst SMEs with employees, 51% would consider one or more core products for their future lending, 21% a commercial mortgage, 19% leasing or invoice finance and 24% some other form of funding. 38% said they would not consider any of these.



Application confidence

Those planning to apply via loan, overdraft, leasing, invoice finance and/or credit cards were asked how confident they were that their bank would agree to their request (note that this excludes those planning to apply who only considered one of the other forms of finance specified or did not nominate any form of finance).

In Q2 2016, half of these prospective applicants (53%) were confident that the bank would lend to them, maintaining the higher levels of confidence seen in recent quarters:

Confidence bank would lend									
All planning to seek finance Over time by date of interview	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Unweighted base:	538	699	526	592	494	522	586	433	377
Very confident	25%	18%	31%	23%	25%	28%	21%	23%	22%
Fairly confident	18%	28%	23%	26%	24%	32%	31%	25%	31%
Overall confidence	43%	46%	54%	49%	49%	60%	52%	48%	53%
Neither/nor	31%	23%	19%	21%	22%	17%	24%	33%	22%
Not confident	26%	30%	28%	29%	28%	23%	24%	19%	25%
Net confidence (confident – not confident)	+17	+16	+26	+20	+21	+37	+28	+29	+26

Q238 All SMEs seeking new/renewing finance in next 3 months

Confidence amongst prospective applicants with employees was 68% in Q2 2016.



Over the longer term, there has been a steady increase since 2012 in levels of confidence amongst applicants, with half of prospective applicants now confident their bank will agree:

Confidence bank would agree to lend						H1
All planning to apply – over time	2012	2013	2014	2015	2016	
Unweighted base:	2933	2477	2337	2194	810	
Very confident	15%	14%	24%	24%	23%	
Fairly confident	27%	25%	23%	29%	27%	
Overall confidence	42%	39%	47%	53%	50%	
Neither/nor	23%	30%	24%	21%	28%	
Not confident	35%	31%	29%	26%	22%	
Net confidence (confident – not confident)	+10	+8	+18	+27	+28	

Q238 All SMEs seeking new/renewing finance in next 3 months

As the table below shows, larger prospective applicants with 10-249 employees and those with a minimal/low external risk rating have always been more confident of success:

Overall confidence bank would lend					
All planning to seek finance - over time					
By date of interview	Total	0-9 emps	10-249 emps	Min/low	Av/Worse than avge
Q2 2014	43%	42%	67%	60%	41%
Q3 2014	46%	45%	70%	77%	44%
Q4 2014	54%	53%	65%	58%	54%
Q1 2015	49%	49%	66%	71%	38%
Q2 2015	49%	48%	77%	63%	45%
Q3 2015	60%	60%	66%	67%	55%
Q4 2015	52%	52%	71%	57%	52%
Q1 2016	48%	47%	73%	71%	41%
Q2 2016	53%	51%	74%	83%	47%

Q238 All SMEs seeking new/renewing finance in next 3 months



A longer term view shows that the improvement in overall confidence year on year was seen amongst both larger and smaller potential applicants and also those with a minimal/low risk rating. There has been less of a change in levels of confidence amongst those with an average or worse than average risk rating:

Confidence bank would agree to lend					
All planning to apply – over time					
Row percentages	2012	2013	2014	2015	H1 2016
All	42%	39%	47%	53%	50%
0-9 employees	41%	37%	46%	52%	49%
10-49 employees	58%	60%	66%	70%	73%
Minimum/Low risk rating	57%	67%	65%	66%	76%
Average/WTA risk rating	40%	35%	45%	48%	44%

Q238 All SMEs seeking new/renewing finance in next 3 months

Those planning to renew remained more confident of success than those planning to apply for a new facility. Analysis shows that overall confidence in H1 2016 remained at around 6 in 10 for those planning to renew (64%) but was somewhat lower amongst those planning to apply for new facilities (41%).

In both instances larger SMEs were more confident of success. Analysis over time shows confidence for renewals improving steadily while levels of confidence for those applying for new money remained more stable:

- For renewals confidence was 56% for 2014, 60% for 2015 and 64% for H1 2016
- For new facilities confidence was 39% for 2014, 42% for 2015 and 41% for H1 2016

These levels of confidence remained in contrast to the actual outcome of applications. The success rate for renewals in the last 18 months was 99% compared to a confidence level of 64%, while for new funds the success rate in the same period was 66% against a confidence level of 41%.



In a new question asked for the first time in Q1 2016, all other SMEs were asked how confident they would be of their bank saying yes if they were to apply. The table below shows the results for the first half of 2016 and how confidence increased by size of SME:

Confidence bank would say yes if asked		0	1-9	10-49	50-249
All not planning to apply to bank H1 16	Total	emp	emps	emps	emps
Unweighted base:	8190	1670	2634	2608	1278
Very confident	33%	31%	37%	45%	46%
Fairly confident	30%	29%	33%	36%	37%
Overall confidence	63%	60%	70%	81%	83%
Neither/nor	24%	25%	19%	14%	14%
Not confident	13%	15%	11%	5%	3%
Net confidence (confident – not confident)	+50	+45	+59	+76	+80

Q239b All SMEs not seeking new/renewing finance from bank in next 3 months

Included in the table above are those who planned to renew/apply but then did not nominate any bank products (or indeed any products) for consideration. The table below shows the confidence for this group (shown as 'all others planning to apply') and for those who expect to be Future would-be seekers or Future happy non-seekers of finance:

Confidence bank would say yes if asked	All planning to apply to bank	All others planning to apply	Future WBS	Future HNS
H1 16				
Unweighted base:	810	633	986	6571
Very confident	23%	31%	17%	36%
Fairly confident	27%	26%	27%	31%
Overall confidence	50%	57%	44%	67%
Neither/nor	28%	25%	27%	23%
Not confident	22%	19%	29%	10%
Net confidence (confident – not confident)	+28	+38	+15	+57

Q239b All SMEs not seeking new/renewing finance from bank in next 3 months



These initial results show that those who had no need or plans to apply (the Future happy non-seekers) were the most confident that if they were to approach their bank they would be successful. Those who planned to apply but did not nominate a bank product were the next most confident, suggesting that it was not a fear of rejection that was affecting their choice of funding vehicle. The least confident of these three groups was the Future would-be seekers.

By sector, confidence that the bank will say yes amongst those planning to apply was highest for those in Agriculture (70%) and lowest for those in the Transport sector (42%) with little variation otherwise by sector (47-53%). Amongst those thinking hypothetically about an application, confidence the bank would agree was again higher in Agriculture (69%)

and also Wholesale/Retail (also 69%). The lowest level of 'hypothetical' confidence was amongst those in the Hotel & Restaurant sector (59%) with again little variation across the other sectors (60-65%).

Confidence amongst those planning to grow that the bank would say yes to an application is somewhat mixed. Of those currently planning to apply for bank finance, confidence amongst those also planning to grow is 51% compared to 60% of those not planning to grow. Amongst those thinking hypothetically about an application, confidence amongst Future Happy non-seekers varies little by whether the SME also plans to grow (65% if planning to grow, 68% if not) whilst amongst Future would-be seekers there is more of a difference (39% confident if also planning to grow, 46% if not).



Those not planning to seek or renew facilities in the next 3 months

In Q2 2016, 11% of all SMEs reported plans to apply for, or renew, facilities in the following 3 months, leaving the majority (89%) with no such plans. A third of that majority (31%) were current users of external finance, the rest were not. This means that, for Q2 2016, 61% of all SMEs neither used external finance nor had any immediate plans to apply for any. This proportion increased from 50% in 2011 to 60% for 2014 and has been stable since (59% for 2015).

When thinking about SMEs with no plans to apply/renew, it is important to distinguish between two groups:

- those that were happy with the decision because they did not need to borrow (more) or already had the facilities they needed – the Future happy non-seekers
- those that felt that there were barriers that might stop them making an application (such as discouragement, the economy or the principle or process of borrowing) – the Future would-be seekers.

These Future would-be seekers can then be split into 2 further groups:

- those that had already identified that they were likely to need external finance in the coming 3 months (and could foresee barriers to an application to meet that need).
- those that thought it unlikely that they would have a need for external finance in the next 3 months but who thought there would be barriers to their applying, were a need to emerge.

As reported later in this chapter, very few of the Future would-be seekers had an actual need for finance already identified, and thus they are somewhat different from the Would-be seekers of the past 12 months, *all* of whom reported having an identified need for a loan or overdraft that they had not applied for.

There have been no changes over time to these definitions, unlike the equivalent question for *past* behaviour featured earlier in this report (although the option ‘I prefer not to borrow’ as a reason why Future would-be seekers were not planning to seek facilities was removed in Q4 2012, as it was for past behaviour).



The picture for recent quarters is reported below. Three quarters of SMEs in Q2 2016 met the definition of a Future happy non-seeker and this has changed little over recent waves:

Future finance plans

All SMEs – over time By date of interview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Unweighted base:	5008	5023	5024	5038	5001	5004	5003	4500	4500
Plan to apply/renew	14%	15%	13%	14%	11%	12%	16%	14%	11%
Future would-be seekers – with identified need	1%	2%	1%	1%	*	1%	1%	1%	1%
Future would-be seekers – no immediate identified need	17%	14%	11%	10%	10%	11%	11%	11%	12%
Happy non-seekers	68%	69%	75%	75%	79%	76%	73%	74%	76%

Q230/239 All SMEs

Amongst SMEs with employees in Q2 2016, 15% had plans to apply/renew while 12% met the definition of a Future would-be seeker. The Future happy non-seekers remained the largest group at 73%.

As reported earlier, a quarter of past Happy non-seekers were users of external finance. A similar proportion of Future happy non-seekers identified above were using external finance (28% for the first half of 2016). This has declined over time from 37% in 2012.



As has been discussed elsewhere in this report, around half of SMEs can be described as Permanent non-borrowers based on their past and indicated future behaviour. The table below shows future plans over recent quarters once this group has been excluded, resulting in a higher proportion planning to apply (22% in Q2 2016) and fewer Future happy non-seekers (55% - although they remain the largest single group, as overall):

Future finance plans

SMEs excluding PNB- over time By date of interview	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Unweighted base:	3514	3576	3153	3220	3195	3258	3338	2854	3008
Plan to apply/renew	23%	25%	24%	27%	21%	23%	28%	28%	22%
Future would-be seekers – with identified need	1%	3%	2%	3%	1%	2%	1%	2%	1%
Future would-be seekers – no immediate identified need	28%	24%	21%	18%	20%	20%	19%	22%	22%
Happy non-seekers	48%	48%	53%	53%	58%	55%	52%	49%	55%

Q230/239 All SMEs excluding the Permanent non-borrowers

The tables below take a longer term view on changes in future appetite for finance from 2012, both overall and once the Permanent non-borrowers are excluded.



Future demand for finance has remained virtually unchanged since 2012. The proportion of Future would-be seekers has halved in that time, as the proportion of Future happy non-seekers has increased:

Future finance plans					H1
Over time – all SMEs	2012	2013	2014	2015	2016
Unweighted base:	20,055	20,036	20,055	20,046	9000
Plan to apply/renew	14%	14%	13%	13%	13%
Future would-be seekers	23%	18%	16%	11%	12%
Happy non-seekers	63%	68%	71%	76%	75%

Q230/239 All SMEs

Once the Permanent non-borrowers were excluded, more SMEs were planning to apply or renew and this proportion has increased slightly over recent years to 25% of SMEs for H1 2016. The proportion of Future would-be seekers has fallen, as the proportion of Future happy non-seekers has increased but less markedly than for SMEs overall:

Future finance plans					H1
Over time – all SMEs excluding PNBs	2012	2013	2014	2015	2016
Unweighted base:	15,312	14,578	13,613	13,011	5862
Plan to apply/renew	21%	23%	24%	25%	25%
Future would-be seekers	35%	30%	28%	21%	23%
Happy non-seekers	44%	47%	49%	54%	52%

Q230/239 All SMEs

The Future would-be seekers are a group of interest as they represent a measure of ‘unmet’ demand. The table below looks at the profile of this group over recent quarters.



The table below shows how the proportion of Future would-be seekers has been stable over recent quarters (but, as already reported, at lower levels than were seen in previous years):

Future would-be seekers

Over time – row percentages
By date of interview

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
All SMEs	18%	16%	12%	11%	11%	12%	12%	12%	12%
0 employee	18%	18%	12%	11%	11%	13%	12%	12%	13%
1-9 employees	19%	12%	12%	12%	10%	10%	11%	10%	13%
10-49 employees	16%	8%	9%	9%	7%	7%	9%	9%	8%
50-249 employees	18%	8%	8%	10%	8%	7%	9%	11%	14%
Minimal external risk rating	10%	13%	12%	7%	9%	11%	7%	12%	11%
Low external risk rating	13%	13%	8%	11%	9%	9%	15%	10%	6%
Average external risk rating	17%	15%	10%	12%	11%	11%	12%	14%	11%
Worse than average external risk rating	21%	18%	16%	11%	11%	13%	10%	11%	14%
Agriculture	16%	15%	15%	7%	8%	7%	11%	17%	11%
Manufacturing	14%	13%	9%	7%	13%	10%	7%	11%	12%
Construction	19%	20%	13%	13%	13%	13%	10%	12%	17%
Wholesale/Retail	20%	12%	11%	12%	12%	15%	15%	11%	13%
Hotels & Restaurants	21%	16%	12%	12%	12%	13%	13%	11%	14%
Transport	18%	16%	14%	15%	12%	7%	12%	12%	14%
Property/Business Services	18%	18%	12%	9%	10%	11%	11%	10%	10%
Health	15%	15%	11%	11%	15%	15%	18%	14%	11%
Other Community	16%	12%	11%	10%	3%	10%	13%	14%	10%
All SMEs excluding PNBs	29%	27%	23%	21%	21%	22%	21%	23%	24%

Q230/239 All SMEs * shows overall base size, which varies by category



To understand this further, the table below shows all the reasons given by Future would-be seekers in Q2 2016 for thinking that they would not apply for finance in the next three months. It highlights the continued reluctance to borrow in the current environment (especially amongst larger FWBS), whether due to the predicted performance of their business specifically, or the economic climate more generally:

Reasons for not applying (all mentions)		0-9	10-249
All Future would-be seekers Q2 16 only	Total	emps	emps
Unweighted base:	520	292	228
Reluctant to borrow now (any)	58%	57%	83%
-Prefer not to borrow in economic climate	42%	42%	43%
-Predicted performance of business	18%	17%	40%
Issues with <u>principle</u> of borrowing	6%	6%	2%
-Not lose control of business	4%	5%	2%
-Can raise personal funds if needed	1%	1%	*
-Prefer other forms of finance	1%	1%	*
-Go to family and friends	1%	1%	*
Issues with <u>process</u> of borrowing	24%	25%	6%
-Would be too much hassle	17%	17%	4%
-Thought would be too expensive	10%	10%	1%
-Bank would want too much security	1%	1%	1%
-Too many terms and conditions	1%	1%	1%
-Did not want to go through process	*	*	-
-Forms too hard to understand	1%	1%	1%
Discouraged (any)	15%	16%	9%
-Direct (Put off by bank)	3%	3%	1%
-Indirect (Think I would be turned down)	14%	14%	9%

Q239 Future would-be seekers SMEs



Those SMEs that gave more than one reason for being unlikely to apply for new/renewed facilities were asked for the main reason, and all the main reasons given over time are shown below.

A reluctance to borrow now, at 56%, remained the main reason for not applying for external finance in Q2 2016. The proportion of Future would-be seekers who gave the 'process of borrowing' as their main reason has increased since the start of 2015 and was 22% in Q2:

Main reason for not applying

Future would-be seekers – over time	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
By date of interview	14	14	14	15	15	15	15	16	16
Unweighted base:	876	580	544	514	455	445	525	466	520
Reluctant to borrow now (any)	58%	53%	61%	54%	55%	58%	52%	44%	56%
-Prefer not to borrow in economic climate	42%	40%	37%	37%	34%	36%	34%	21%	40%
-Predicted performance of business	16%	13%	24%	17%	22%	22%	19%	23%	16%
Issues with <u>principle</u> of borrowing	4%	5%	5%	10%	7%	3%	1%	4%	4%
Issues with <u>process</u> of borrowing	15%	15%	13%	16%	18%	17%	22%	19%	22%
Discouraged (any)	15%	13%	9%	13%	9%	18%	15%	23%	12%
-Direct (Put off by bank)	*	2%	*	1%	3%	*	*	3%	2%
-Indirect (Think I would be turned down)	15%	11%	9%	12%	6%	18%	15%	20%	10%
None of these	8%	14%	12%	7%	11%	4%	10%	10%	6%

Q239/239a Future would-be seekers SMEs



Analysis over the longer term from 2013 shows the decline in the proportion mentioning a reluctance to borrow now, although it remained the most mentioned reason. There has been a small but steady increase in the proportion mentioning the process of borrowing (hassle, expense, security etc):

Main reason for not applying				
Future would-be seekers – over time	2013	2014	2015	H1 2016
<i>Unweighted base:</i>	3241	2765	1939	986
Reluctant to borrow now (any)	64%	59%	55%	50%
Discouraged (any)	14%	13%	14%	17%
Issues with <u>process</u> of borrowing	12%	15%	18%	20%
Issues with <u>principle</u> of borrowing	3%	4%	5%	4%
Other	2%	3%	1%	2%

Q239/239a Future would-be seekers SMEs

These reasons remain in contrast to those given by past Would-be seekers where the economic climate is little mentioned and the two key reasons have been discouragement and the ‘process of borrowing’.

When these Future would-be seekers were first described, they were the sum of two groups – those with an identified need they thought it unlikely they would apply for, and a larger group of those with no immediate need identified. Over time, the main barriers to borrowing have been shown to be somewhat different for the two groups.

Results for these SMEs are reported on a two quarter rolling basis to boost the limited base sizes of Future would-be seekers with an identified need.



Amongst the limited number of SMEs with an identified need for finance, a ‘reluctance to borrow’ in the current economic climate (30%) has typically taken turns with discouragement (29%) as the main reason for not having applied. In recent periods however, the ‘process of borrowing’ has been as likely to be mentioned as the main reason:

Main reason for not applying

Future would-be seekers with identified need	Q2-3 2014	Q3-4 2014	Q4-1 2015	Q1-2 2015	Q2-3 2015	Q3-4 2015	Q4-1 2016	Q1-2 2016
Unweighted base:	103	86*	68*	65*	60*	73*	60*	53*
Reluctant to borrow now (any)	30%	38%	42%	30%	26%	25%	28%	30%
-Prefer not to borrow in economic climate	18%	17%	26%	26%	23%	21%	24%	24%
-Predicted performance of business	12%	22%	16%	4%	2%	4%	3%	6%
Issues with <u>principle</u> of borrowing	6%	6%	11%	14%	10%	7%	-	1%
Issues with <u>process</u> of borrowing	25%	20%	9%	10%	15%	35%	33%	30%
Discouraged (any)	23%	26%	28%	29%	43%	31%	31%	29%
- Direct (Put off by bank)	*	*	1%	1%	1%	-	14%	14%
-Indirect (Think I would be turned down)	23%	26%	27%	27%	42%	31%	18%	15%
None of these	16%	10%	10%	17%	6%	2%	8%	10%

Q239/239a Future would-be seekers SMEs *SMALL BASE



As the table below shows, amongst those Future would-be seekers with no specific need for finance in mind, a 'reluctance to borrow' in the current climate presents more of a barrier than other factors (albeit with fewer mentions in recent quarters). Discouragement is much less likely to be mentioned by this group, but where it is, almost all of it is indirect:

Main reason for not applying

Future would-be seekers with no identified need	Q2-3 2014	Q3-4 2014	Q4-1 2015	Q1-2 2015	Q2-3 2015	Q3-4 2015	Q4-1 2016	Q1-2 2016
Unweighted base:	1353	1038	990	904	840	897	931	933
Reluctant to borrow now (any)	58%	58%	59%	57%	59%	57%	50%	52%
-Prefer not to borrow in economic climate	43%	41%	38%	36%	35%	36%	28%	32%
-Predicted performance of business	14%	17%	21%	21%	23%	22%	22%	20%
Issues with <u>principle</u> of borrowing	5%	5%	7%	8%	5%	2%	3%	4%
Issues with <u>process</u> of borrowing	14%	14%	15%	17%	17%	18%	20%	20%
Discouraged (any)	13%	10%	9%	9%	12%	16%	18%	16%
- Direct (Put off by bank)	1%	1%	1%	2%	1%	*	1%	1%
-Indirect (Think I would be turned down)	12%	8%	9%	7%	11%	16%	18%	15%
None of these	10%	13%	10%	9%	7%	7%	9%	8%

Q239/239a Future would-be seekers SMEs



Other analysis of all Future would-be seekers including by size and risk rating, is based on the latest quarter (Q2 2016).

By size, a ‘reluctance to borrow now’ was the top reason given, notably for larger SMEs, while the ‘process of borrowing’ is more of a barrier for smaller Future would-be seekers:

Main reason for not applying

Future would-be seekers by size Q2 16 only	Total	0-9 emps	10-249 emps
Unweighted base:	520	292	228
Reluctant to borrow now (any)	56%	55%	83%
-Prefer not to borrow in economic climate	40%	40%	42%
-Predicted performance of business	16%	15%	40%
Issues with <u>principle</u> of borrowing	4%	4%	2%
Issues with <u>process</u> of borrowing	22%	22%	4%
Discouraged (any)	12%	12%	9%
-Direct (Put off by bank)	2%	2%	1%
-Indirect (Think I would be turned down)	10%	10%	9%

Q239/239a Future would-be seekers SMEs

Excluding the Future would-be seekers with 0 employees makes relatively little difference to the overall picture above. 63% of FWBS with employees cited a reluctance to borrow now, with 44% citing the current climate and 19% their own performance. 15% cited discouragement.



The table below shows the main reasons given for not applying in Q2 2016 split by risk rating. A 'reluctance to borrow now' remained the main barrier across the risk ratings, especially for those FWBS with a minimal/low rating. The 'process of borrowing' was mentioned by 1 in 5 of those with an average or worse than average risk rating:

Main reason for not applying

Future would-be seekers by risk rating Q2 16 only	Total	Min/Low	Avg	Worse/ Avg
Unweighted base:	520	216	118	120
Reluctant to borrow now (any)	56%	66%	52%	58%
-Prefer not to borrow in economic climate	40%	39%	46%	41%
-Predicted performance of business	16%	27%	6%	18%
Issues with <u>principle</u> of borrowing	4%	3%	*	5%
Issues with <u>process</u> of borrowing	22%	14%	22%	22%
Discouraged (any)	12%	17%	12%	10%
-Direct (Put off by bank)	2%	9%	*	1%
-Indirect (Think I would be turned down)	10%	8%	12%	9%

Q239/239a Future would-be seekers SMEs



To put all these results in context, the table below shows the equivalent figures for each reason amongst all SMEs in Q2 2016.

7% of all SMEs would have liked to apply for new/renewed facilities in the next 3 months but thought they would be unlikely to do so because of the current climate or the performance of their business:

Reasons for not applying	Main reason	All SMEs Q2	All SMEs excl. PNB
Q2 16 only – Future would-be seekers			
<i>Unweighted base:</i>	520	4500	3008
Reluctant to borrow now (any)	56%	7%	13%
- <i>Prefer not to borrow in economic climate</i>	40%	5%	10%
- <i>Predicted performance of business</i>	16%	2%	4%
Issues with <u>principle</u> of borrowing	4%	*	1%
Issues with <u>process</u> of borrowing	22%	3%	5%
Discouraged (any)	12%	2%	3%
- <i>Direct (Put off by bank)</i>	2%	*	*
- <i>Indirect (Think I would be turned down)</i>	10%	1%	2%

Q239/239a Future would-be seekers SMEs

The table above also shows the equivalent proportion of SMEs *excluding* the Permanent non-borrowers. Of those SMEs that *might* be interested in seeking finance (once the PNBs had been excluded), 13% were put off by the current economic climate (including their current performance in that climate).



Attitudes to seeking finance in future

This report has already highlighted lower levels of demand for finance and some attitudinal reluctance towards using external finance. In order to try to understand barriers to application in more detail, new questions were added from Q1 2016 and asked of all SMEs. These sought to explore the extent to which a lack of knowledge or understanding of financial products presented a barrier to SMEs.

The new questions asked SMEs how confident they were in their future ability to assess the advantages and disadvantages of finance products offered by either their own bank or another bank, or to put together an application for finance from someone other than their main

bank (as this would be likely to require more information about the business and its finances than an application made to an existing bank).

Across Q1 and Q2 2016 around 7 in 10 SMEs felt confident about assessing their own bank's products and services, while 6 in 10 were confident about assessing or approaching another bank for finance.

The tables below show levels of confidence in H1 2016 by size of SME. Larger SMEs were more confident about assessing the advantages and disadvantages of financial products offered by their own bank:

Confidence assessing financial products from own bank

H1 16 only – all SMEs excl DK	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	8907	1780	2873	2869	1385
Very confident	29%	28%	33%	38%	39%
Fairly confident	40%	40%	39%	39%	44%
Overall confidence	69%	68%	72%	77%	83%
Not sure	22%	23%	21%	18%	14%
Not confident	9%	9%	8%	5%	3%

Q240i All SMEs excluding DK



Larger SMEs were also more confident about assessing the advantages and disadvantages of financial products offered by other banks, but across all groups, levels of confidence were lower than for assessing such products from their own bank:

Confidence assessing financial products from another bank

H1 16 only – all SMEs excl DK	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	8849	1769	2851	2848	1381
Very confident	25%	24%	27%	30%	29%
Fairly confident	36%	35%	38%	38%	46%
Overall confidence	61%	59%	65%	68%	75%
Not sure	29%	30%	26%	25%	21%
Not confident	11%	12%	9%	6%	4%

Q240i All SMEs excluding DK

Levels of confidence in putting together an application for finance to a bank other than their own were very similar to those reported above for the assessment of products at another bank:

Confidence putting together application for finance to other bank

H1 16 only – all SMEs excl DK	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	8852	1771	2850	2852	1379
Very confident	26%	25%	28%	32%	34%
Fairly confident	34%	33%	35%	36%	41%
Overall confidence	60%	58%	63%	68%	75%
Not sure	27%	27%	25%	24%	22%
Not confident	14%	15%	11%	9%	4%

Q240i All SMEs excluding DK



The summary table below shows firstly how confidence varied by future plans for finance. Future happy non-seekers were the most confident about assessing products from their own or any other bank, and as confident as those planning to apply that they could make an application to a bank other than their own. In each instance, Future would-be seekers were somewhat less confident, which may help explain why they are a Future would-be seeker:

Confidence summary table					
H1 16 only – all SMEs excl DK	Total	Plan to apply	FWBS	FHNS	All excl PNB
Unweighted base (overall – will vary):	9000	1443	986	6571	5862
Confident assessing products at main bank	69%	63%	58%	71%	67%
• <i>Very confident</i>	29%	24%	21%	31%	27%
• <i>Fairly confident</i>	40%	39%	37%	40%	40%
Confident assessing products at other bank	61%	56%	49%	63%	58%
• <i>Very confident</i>	25%	22%	15%	27%	22%
• <i>Fairly confident</i>	36%	34%	34%	36%	36%
Confident applying for finance to another bank	60%	59%	53%	60%	57%
• <i>Very confident</i>	26%	24%	19%	27%	24%
• <i>Fairly confident</i>	34%	35%	34%	33%	33%

Q240i All SMEs excluding DK

The table also shows the impact of excluding the Permanent non-borrowers who appear to have little interest in applying for finance. Amongst those with some interest in finance, confidence is lower than it is for SMEs overall, meaning that PNBs must be as confident, if not more confident, than their peers about assessing banks or applying for finance. This is therefore unlikely to be a reason why they are not using finance.

Further analysis will be included as base sizes permit.