



SME Finance Monitor

Current analysis
3 months to end March 2017

An independent report by
BDRC Continental, April 2017

Introduction

The SME Finance Monitor was established in 2011 and provides detailed analysis of SMEs and their access to finance on a half yearly basis. The next full report (Q2 2017) will be published in September 2017.

As fieldwork takes place on a continuous basis, it is also possible to provide headline data on key issues in between these full reports. This pack will therefore be provided on a monthly basis and provide the latest 3 months rolling data across a range of issues.

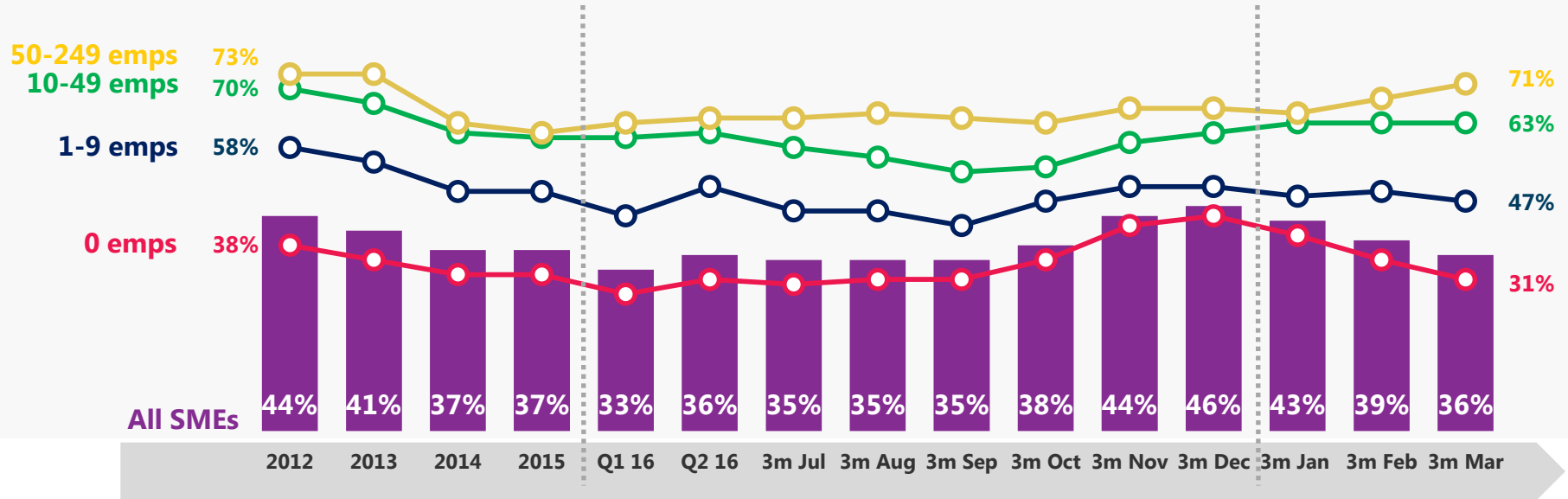
The most recent data point for this report is the 3 months from January 2017 to March 2017. Fieldwork was completed prior to Article 50 being triggered

Headline analysis is provided for all SMEs, with key questions split by size of SME. Some analysis is also provided by the type of international trade (if any) undertaken alongside domestic activity:

- Exporting but no importing (labelled as “export only”)
- Importing but no exporting (labelled as “import only”)
- Both importing and exporting (labelled as “import & export”)
- No international trade, SME only trades domestically (labelled as “domestic sales only”)

The increase in use of external finance at the end of 2016 has not been sustained into 2017, except in the case of the larger SMEs

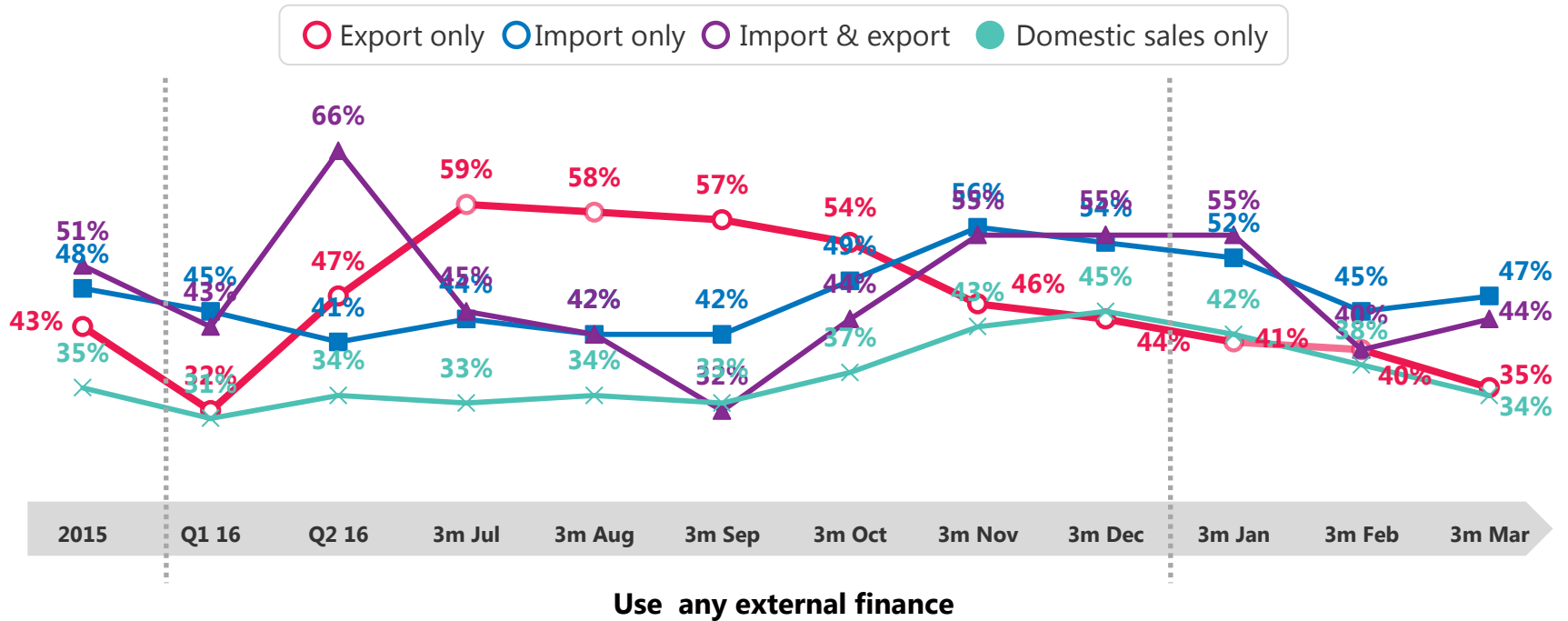
Time series: Use of external finance per quarter



The increase in use of external finance from 36% in Q2 2016 to 46% in the 3 months to December was almost entirely driven by the 0 employee SMEs (31% to 44%). The 3 months to March 2017 shows a further decline in the overall use of finance, to 36%, again due primarily to the 0 employee SMEs where use has dropped from 44% to 31%

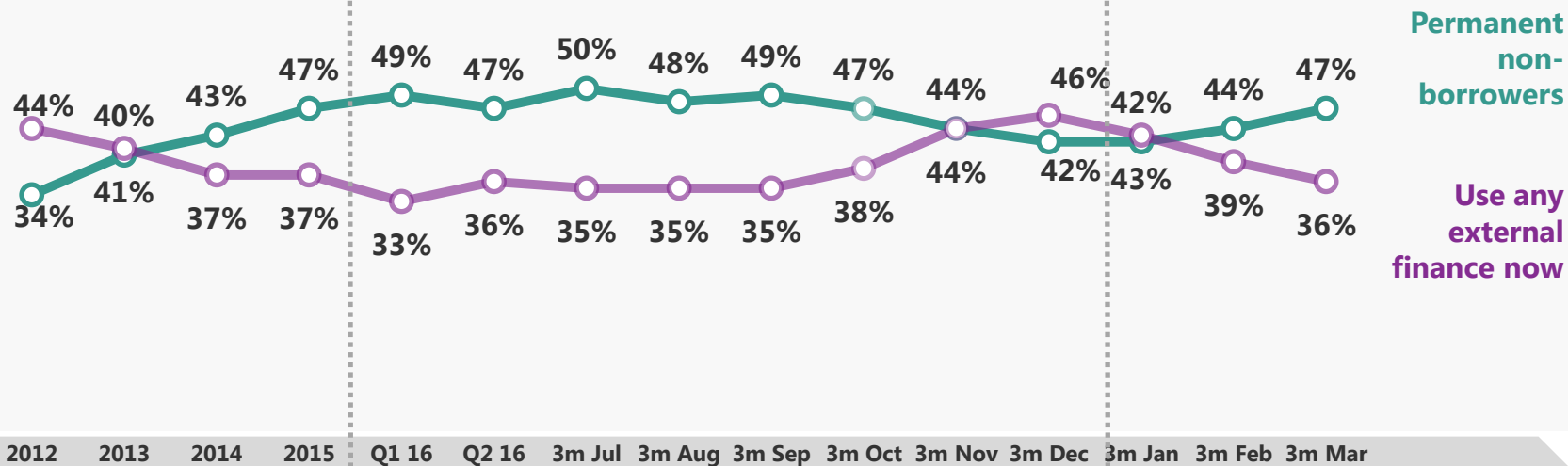
Domestic SMEs and those who only export have become less likely to use external finance

Time series: use of external finance by extent of international trade alongside domestic sales



There are now once again more SMEs meeting the definition of a Permanent non-borrower than using external finance

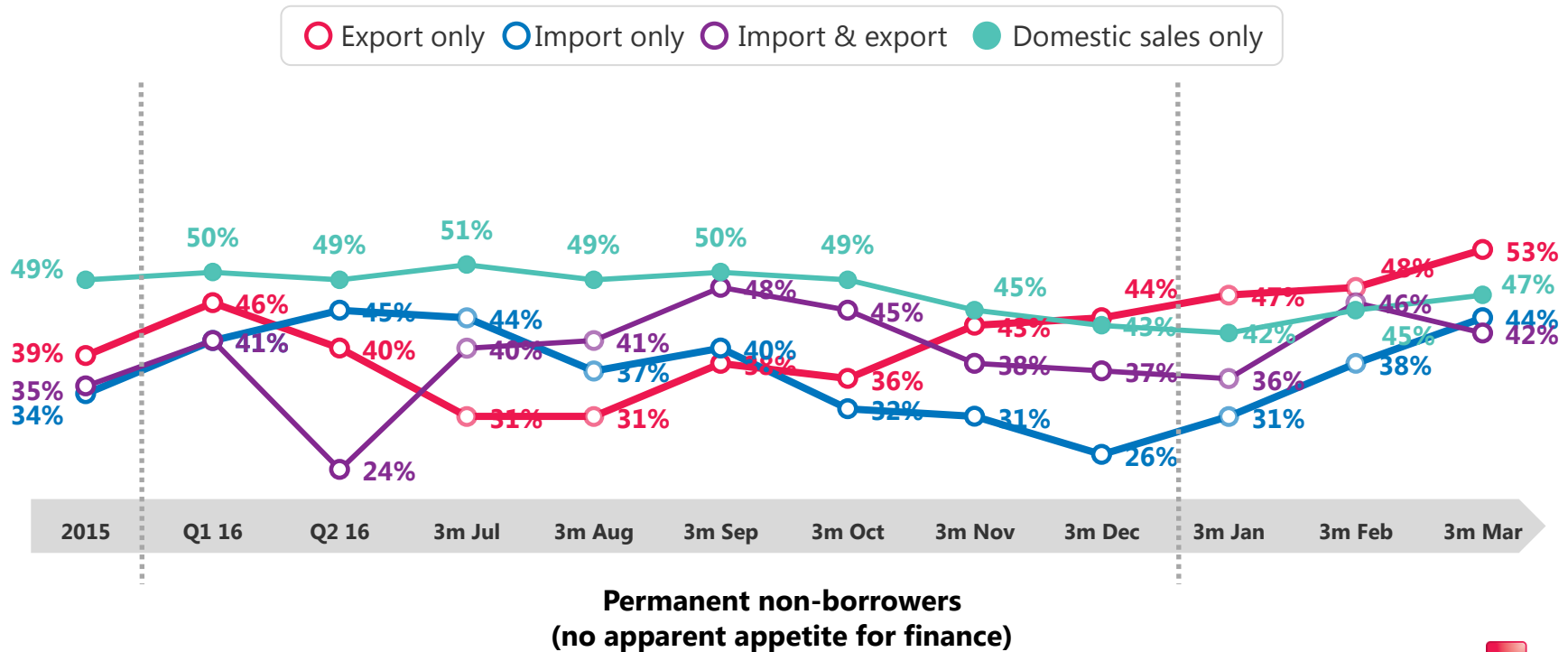
Time series: Permanent non-borrowers and users of external finance



The '**Permanent non-borrowers**' are defined by not using external finance and showing no inclination to do so. The proportion meeting the definition declined slightly over 2016 but increased again in 2017. The 3 months to March figure of 47% is in line with the proportion of PNBs for 2016 as a whole.

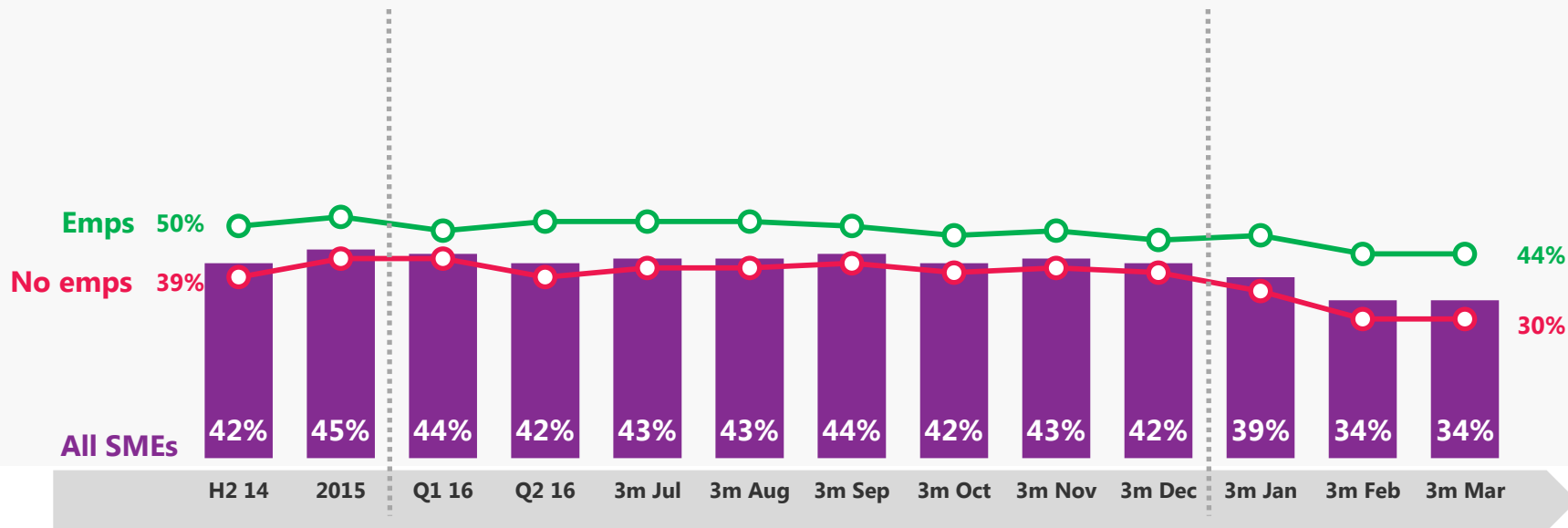
Since December there has been an increase in Permanent non-borrowers amongst international as well as domestic SMEs.

Time series: Permanent non-borrowers by extent of international trade alongside domestic sales



The proportion of SMEs 'happy to use finance to grow' has declined somewhat in 2017 to date, led by the 0 employee SMEs

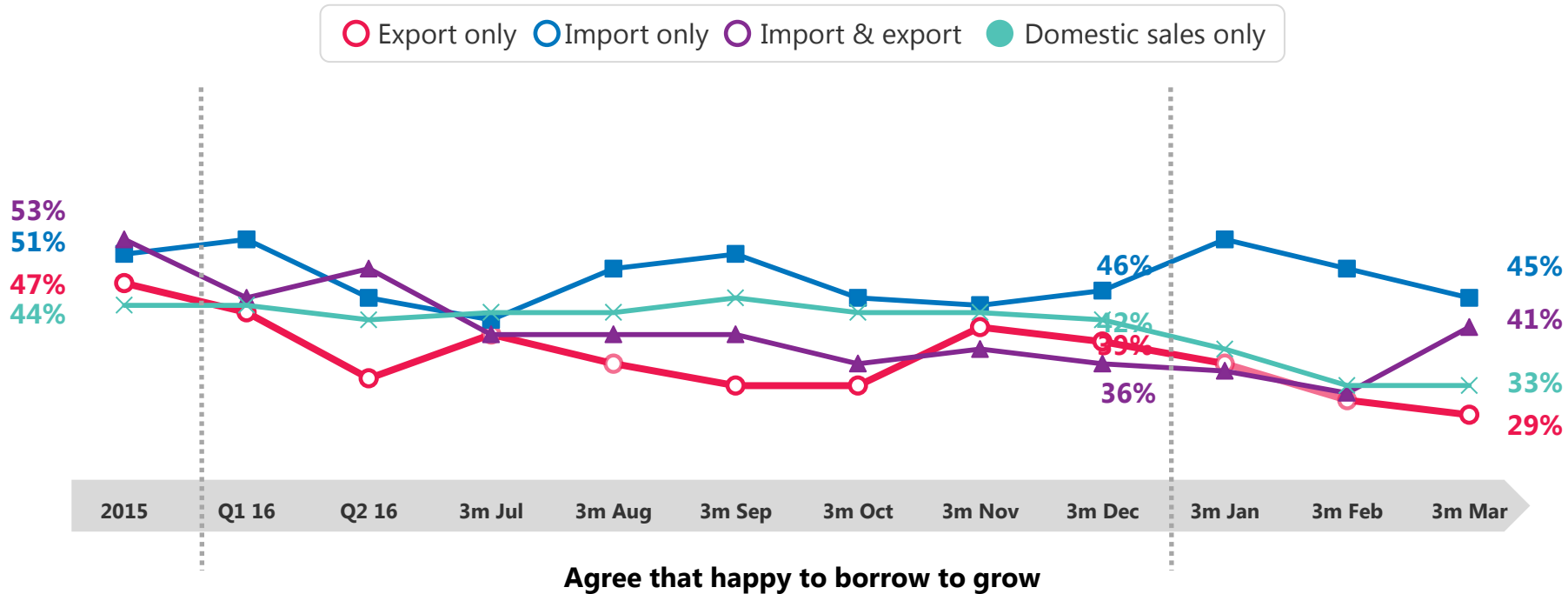
Time series: Agree that happy to use external finance to help business grow



After remaining consistent during 2016, the proportion of SMEs willing to use finance to grow is somewhat lower in 2017 to date. There has been a more marked drop amongst those with 0 employees but also a decline for those with employees.

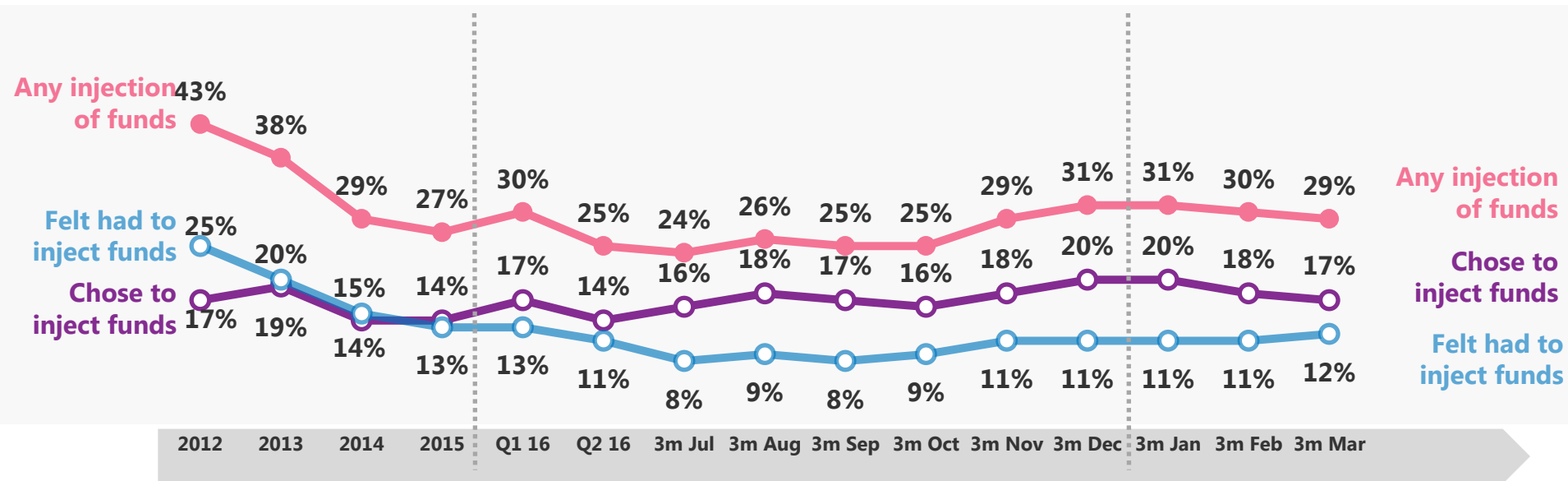
All groups have become less willing to borrow to grow in early 2017, with the exception of SMEs who both import and export

Time series: happy to borrow to grow by international trade



Injections of personal funds return to similar levels to those seen at the start of 2016

Time series: Injections of personal funds in previous 12 months



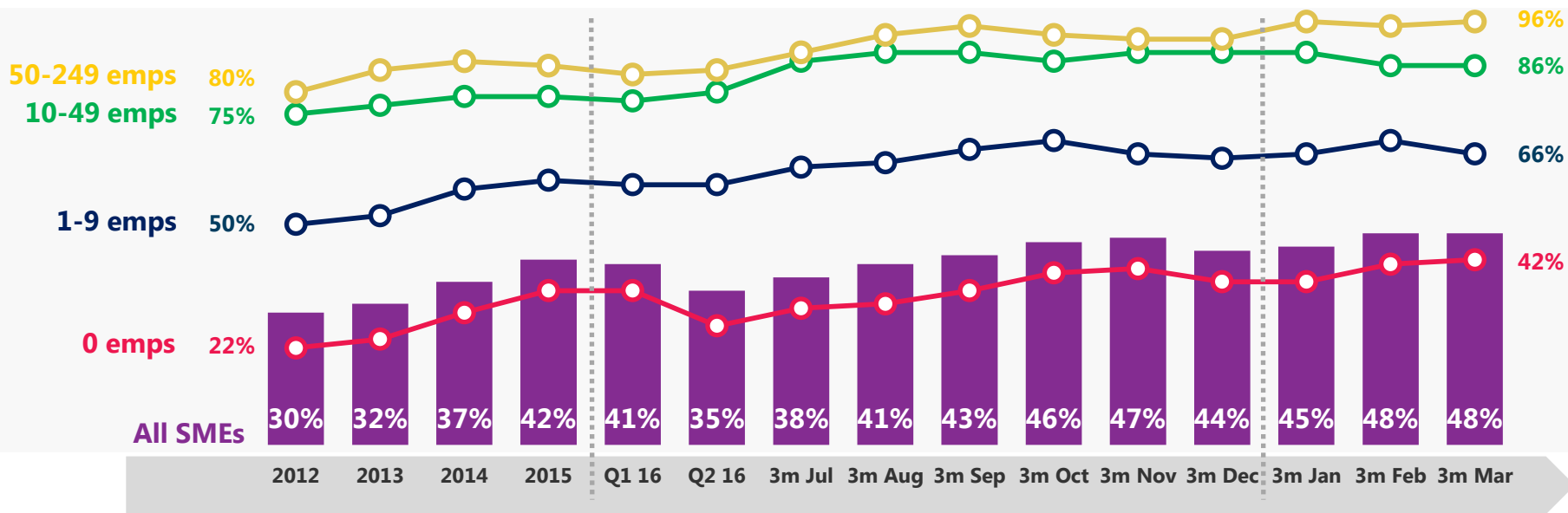
The proportion of SMEs injecting funds has fallen from a peak of 43% in 2012 to around a quarter of SMEs during 2016, but have since returned to around 3 in 10 SMEs, in line with Q1 2016.

Q15d2

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500

The proportion of smaller SMEs holding £5,000 or more of credit balances has increased slightly in 2017

Time series: £5k credit balances held



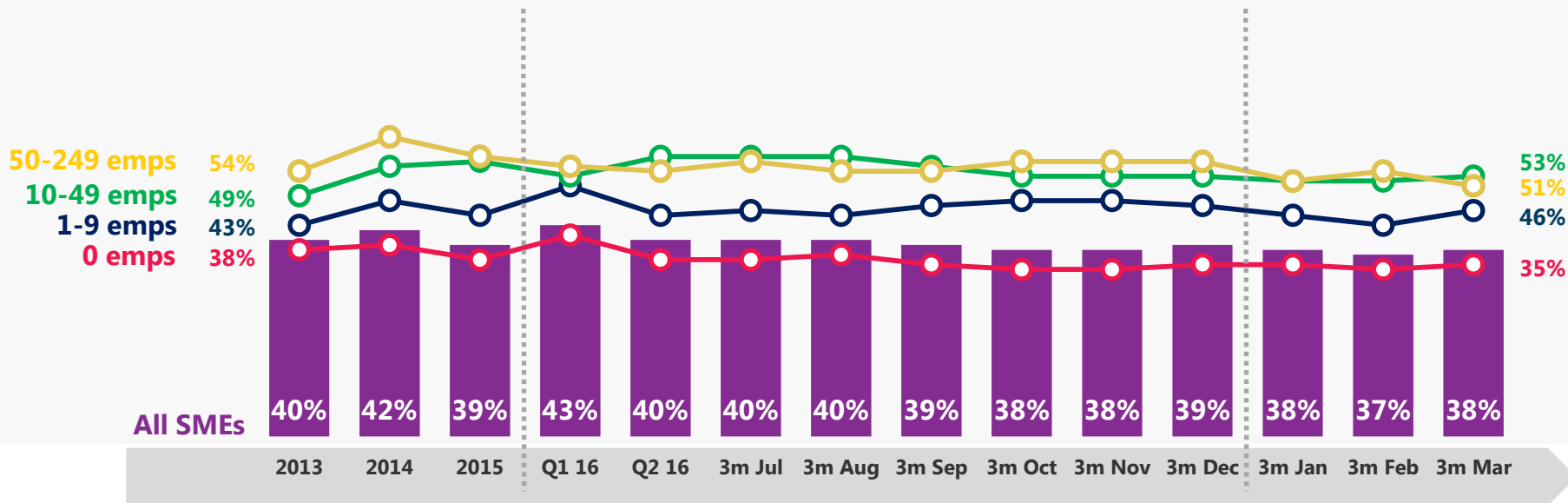
In 2015, 42% of SMEs held £5,000 or more in credit balances. During 2016, the proportion declined slightly to 35% in Q2 before increasing to 47% for the 3 months to November 2016. Since then the proportion has remained broadly stable and is 48% for the current period.

Q245a

Base: All respondents excluding dk/ref 3 mths to Mar 2571

The proportion of SMEs reporting growth is stable

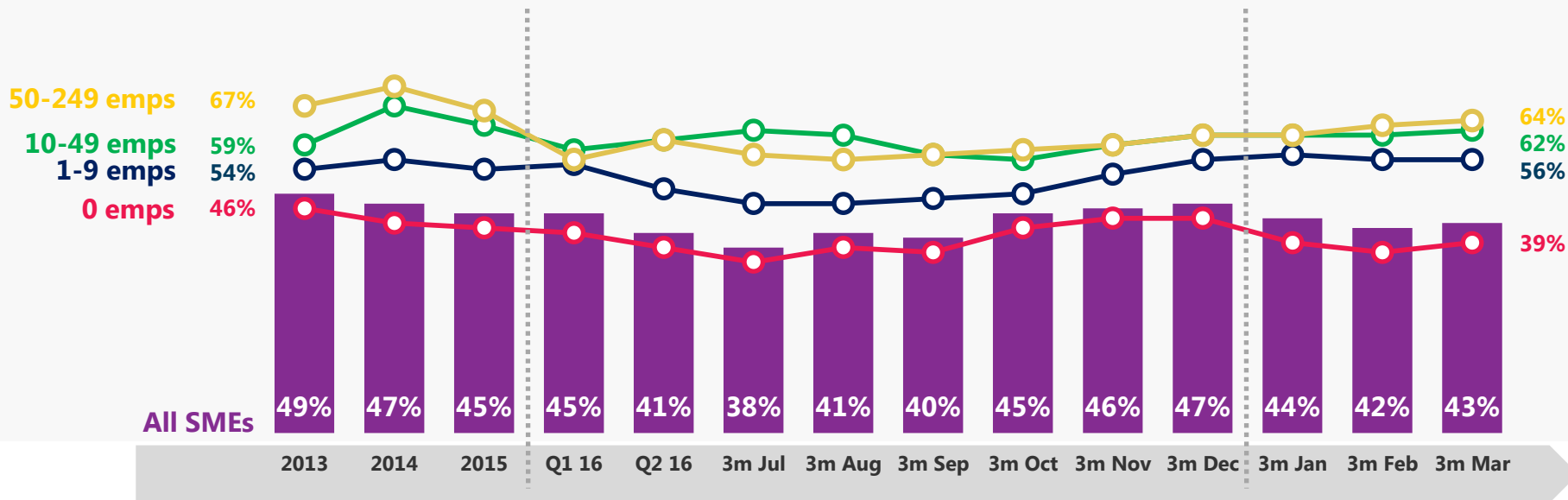
Time series: Have grown (excluding Starts)



Since 2012, the proportion of SMEs reporting growth has varied little and was 40% for 2016 as a whole. Since September, the proportion that have grown has varied relatively little.

The proportion of SMEs planning to grow has fallen back since Q4 2016, as fewer 0 employee SMEs plan to grow

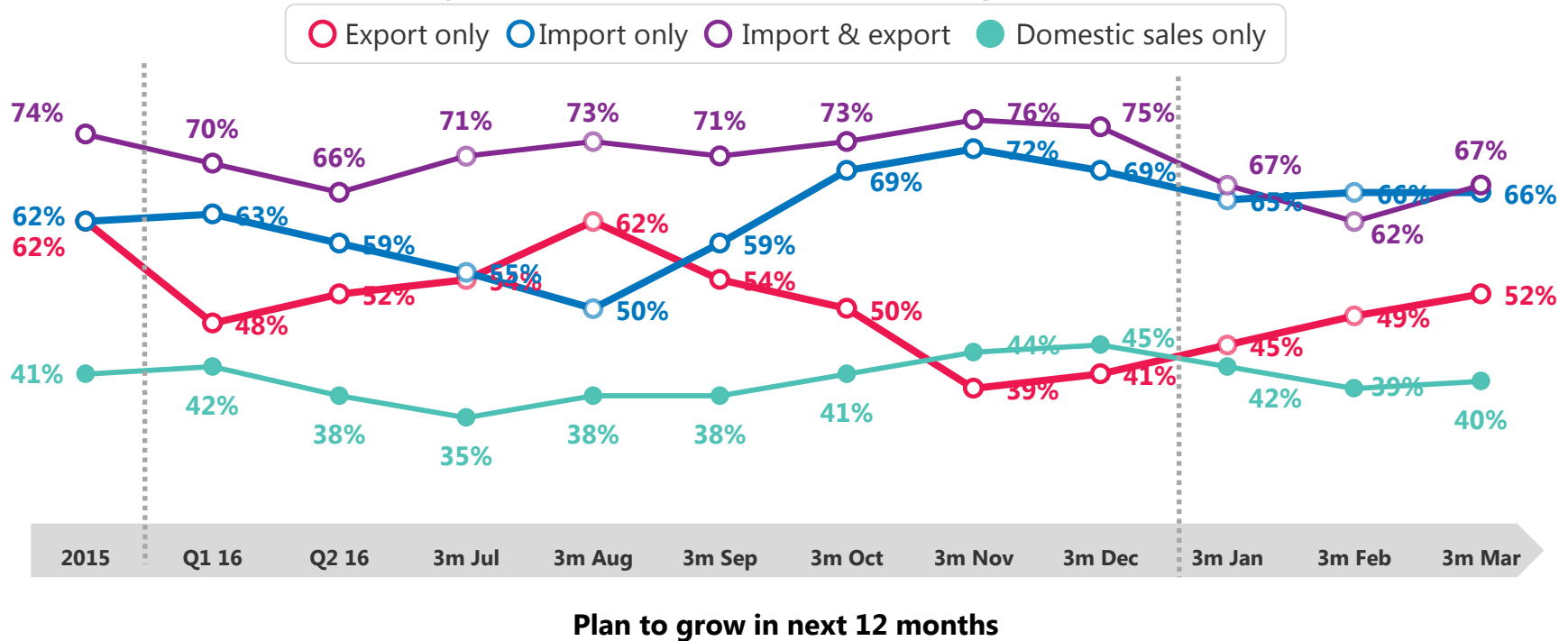
Time series: Have plans to grow – wording change in Q3 2015



There was some variation in growth predictions during 2016. For the year as a whole, 43% of SMEs planned to grow, continuing the slight decline seen since 2013. Initial data for 2017 suggests that the increase in growth ambitions seen at the end of 2016 (when 47% planned to grow) has not been maintained, driven by the 0 employee SMEs.

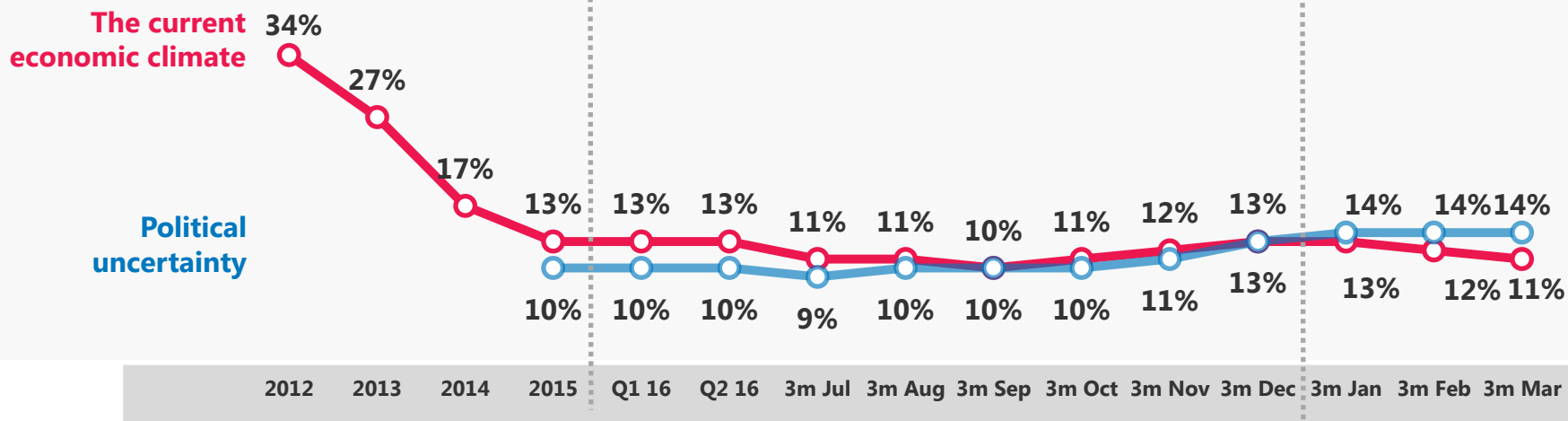
SMEs' plans to grow have returned to levels seen in the first half of 2016

Time series: Growth plans by extent of international trade alongside domestic sales



Political uncertainty has now narrowly overtaken the economic climate as a key concern for SMEs

Time series: 8-10 Major obstacle to running business in next 12 months



There has been little variation in scores but since the start of 2016, the proportion of SMEs rating political uncertainty as a key barrier has increased slightly from 10% to 14%, while the proportion of all SMEs rating the economic climate as a major barrier has declined from 13% to 11%

Q227 Barriers to running business as would want in next 12 months

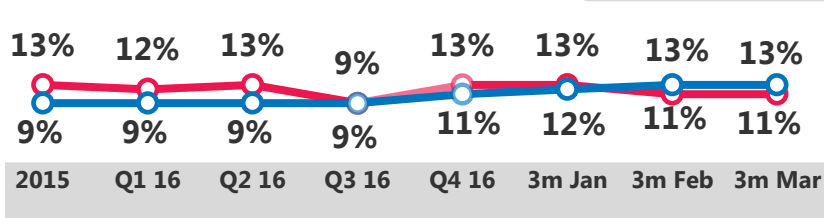
Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500



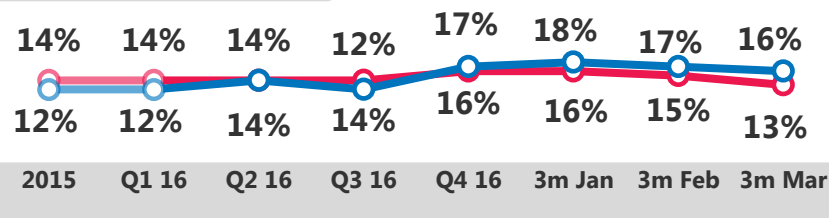
Economic and political concerns have stabilised in 2017 to date, at slightly higher levels than 2015 for those with employees

Time series: % Rating 'The economic climate' and 'Political uncertainty/govt policy' 8-10 a major obstacle for next 12 months

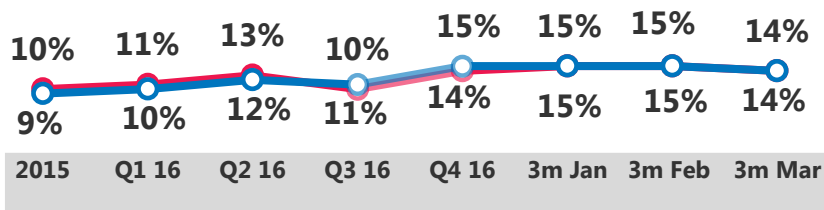
○ Economic climate ○ Political uncertainty



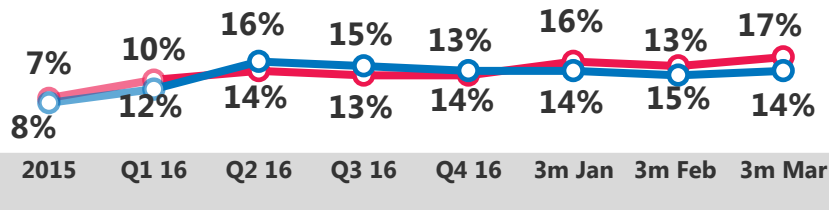
0 emps



1-9 emps



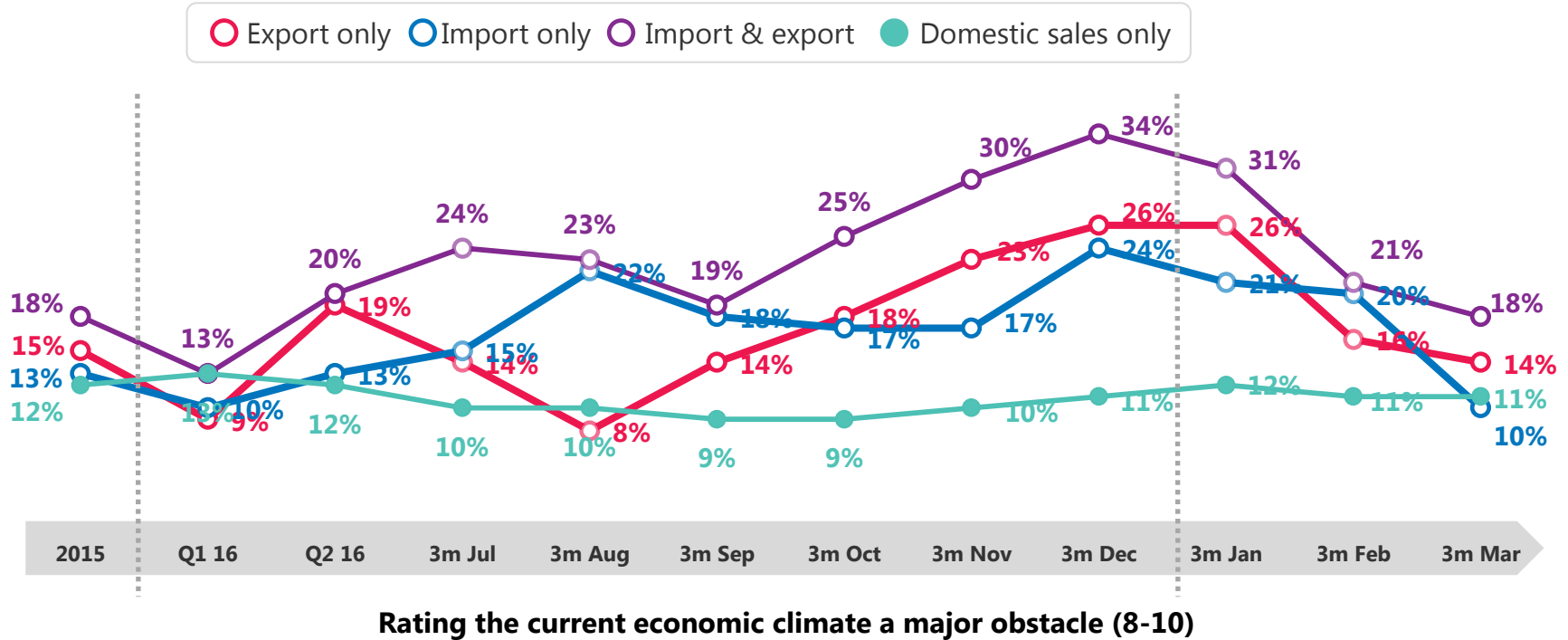
10-49 emps



50-249 emps

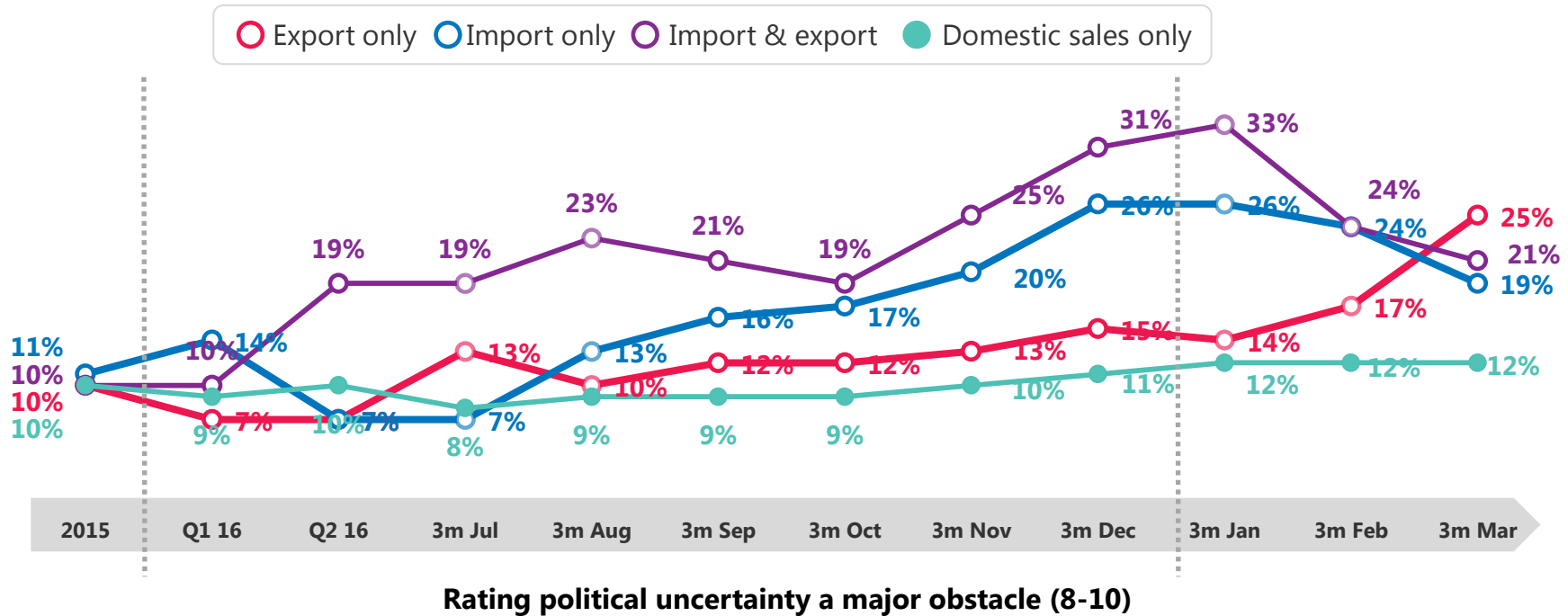
Concerns in the second half of 2016 amongst international SMEs about the economic climate have abated sharply in early 2017

Time series: 8-10 economic climate by extent of international trade alongside domestic sales



Concerns about political uncertainty continued to rise amongst export-only SMEs, but fell amongst other international SMEs

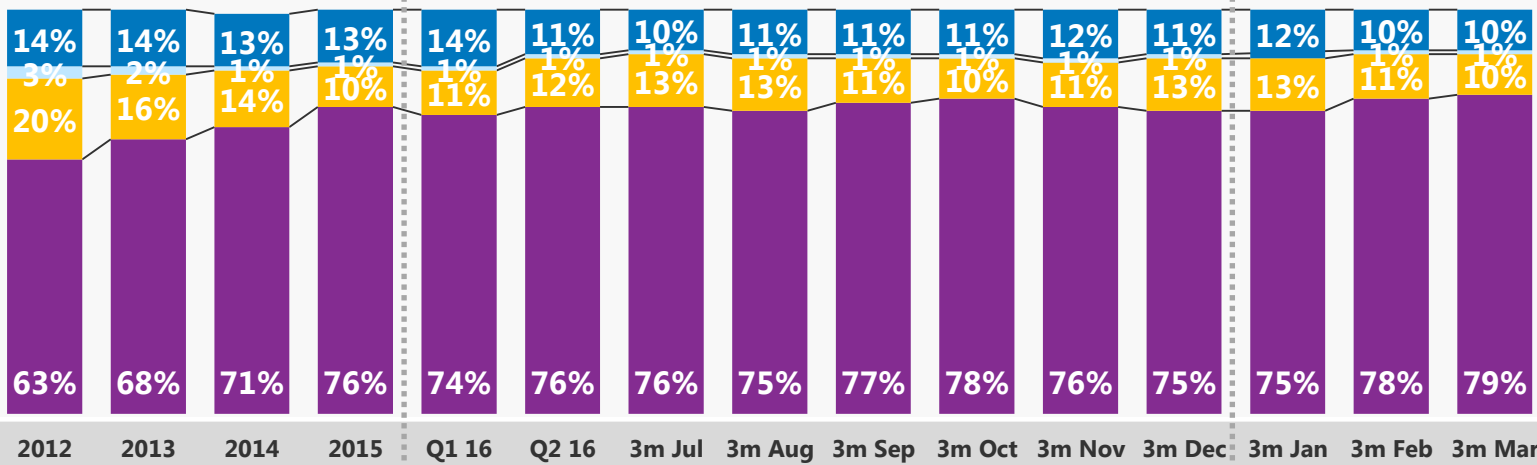
Time series: 8-10 political uncertainty by extent of international trade alongside domestic sales



Most SMEs are 'Future happy non-seekers'. Future appetite for finance remains consistent, at a lower level than in previous years

Time series: Anticipated borrowing profile for next 3 months after ...

■ Have plans to apply/renew
 ■ Would be seekers - with need
 ■ Would be seekers – no need
 ■ Happy non-seekers



Each quarter, the majority of SMEs have expected to be “**Future happy non-seekers**” of finance. Over time this proportion has increased from two-thirds to over three-quarters of SMEs as the proportion of “Future would-be seekers” has fallen

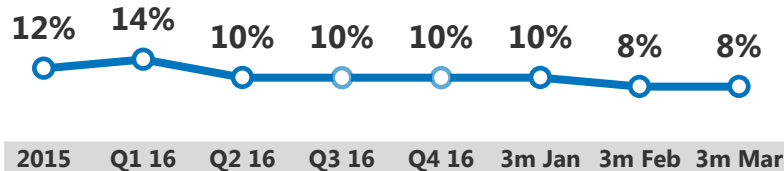
Q229

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500

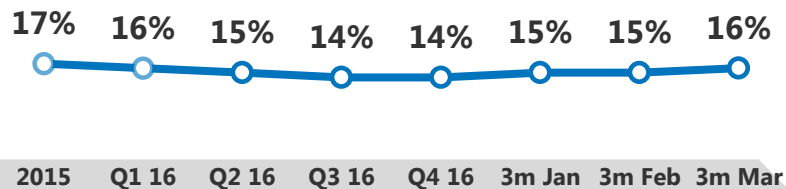
Future appetite for finance is broadly stable in early 2017, albeit typically lower than a year ago

Time series: % planning to apply

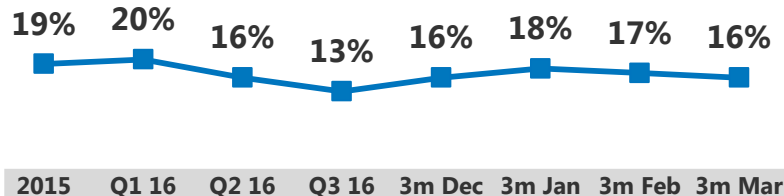
○ Plan to apply



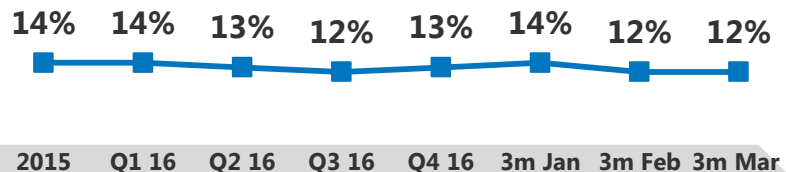
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1-9 emps



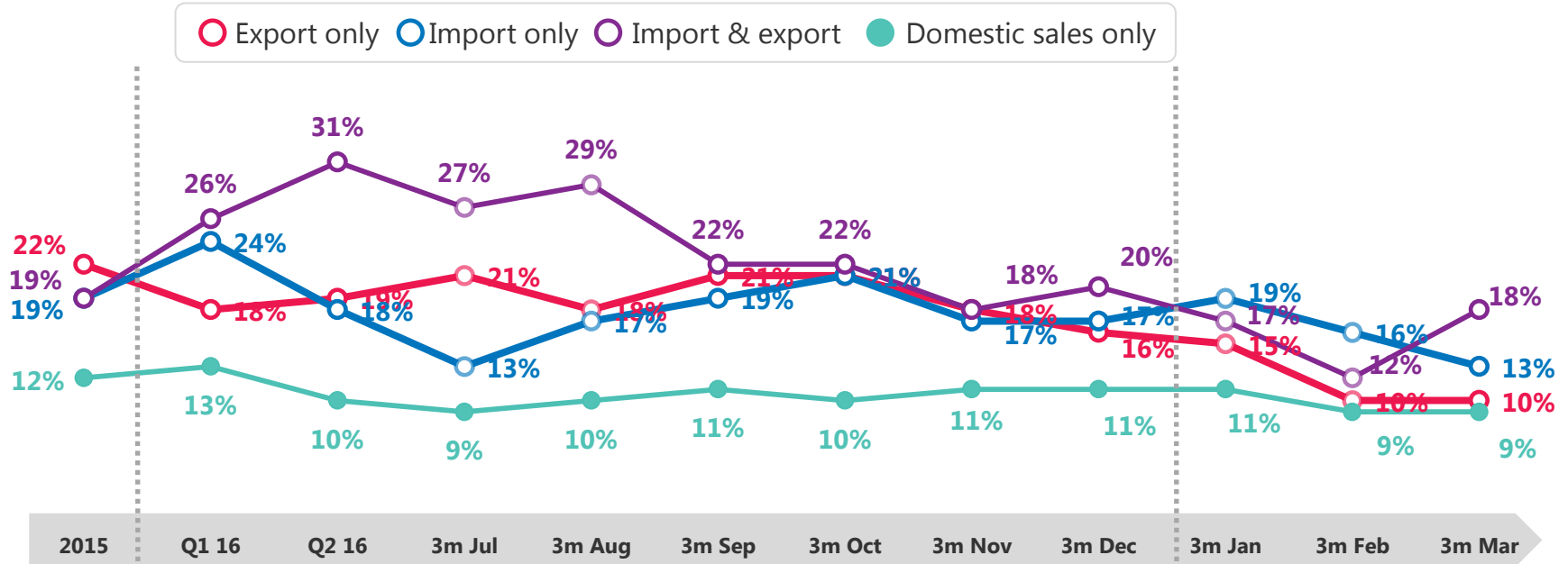
10-49 emps



50-249 emps

International SMEs are no longer much more likely to be planning to seek finance than domestic SMEs

Time series: plan to apply for finance by extent of international trade alongside domestic sales

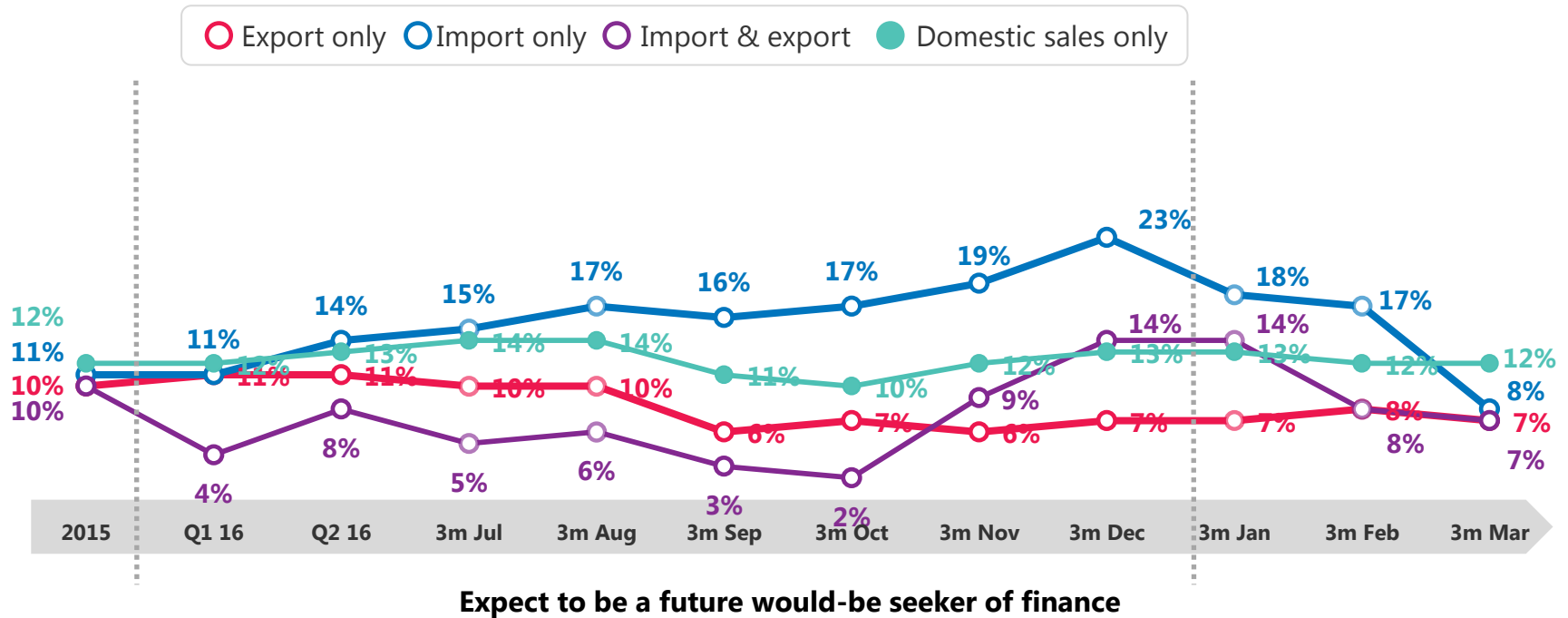


Plan to apply for external finance

Base : All 3mths to Mar 249/347/404/3500

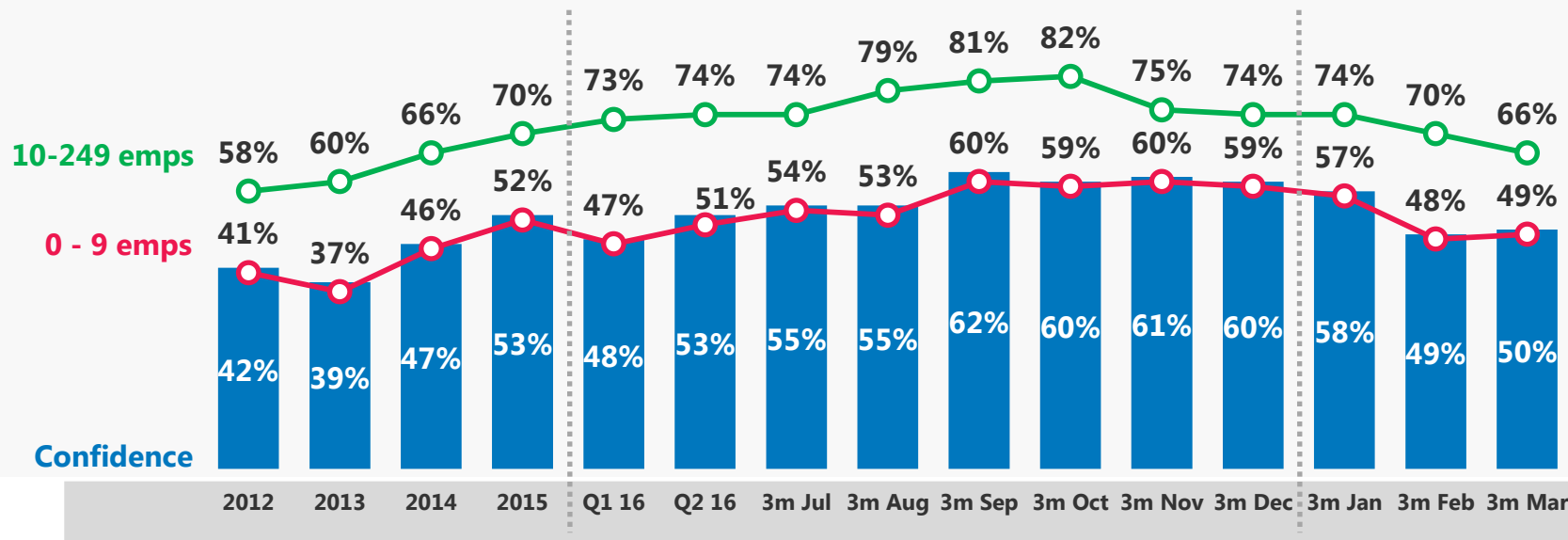
International SMEs are also somewhat less likely to meet the definition of a Future would-be seeker of finance now than at the end of 2016

Time series: future would be seekers by extent of international trade alongside domestic sales



Amongst SMEs planning to apply for bank finance, slightly fewer are now confident of success than in the latter half of 2016

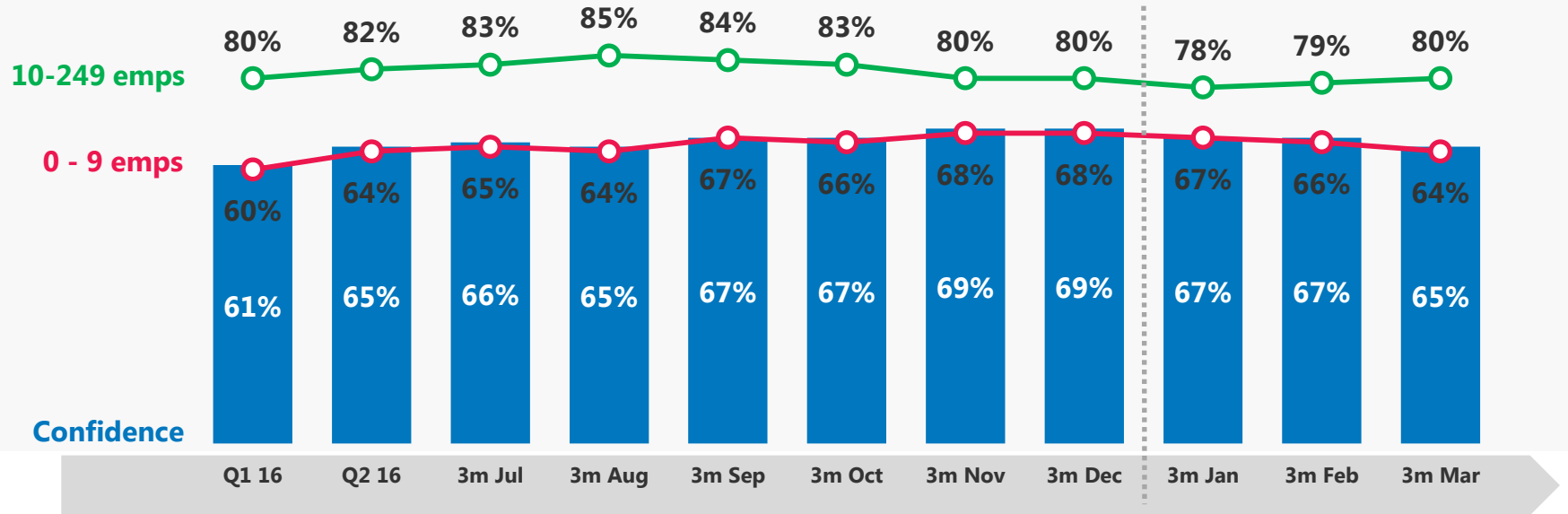
Time series: Confidence (very/fairly) bank will agree to facility next 3 months – by size



Confidence amongst smaller potential applicants with 0-9 employees has been volatile over time. The increased levels of confidence reported in the latter stages of 2016 have not been maintained into 2017. Larger potential applicants remain more confident of success but have also seen levels of confidence fall.

SMEs with no plans to apply to a bank remain confident of a positive 'hypothetical' response

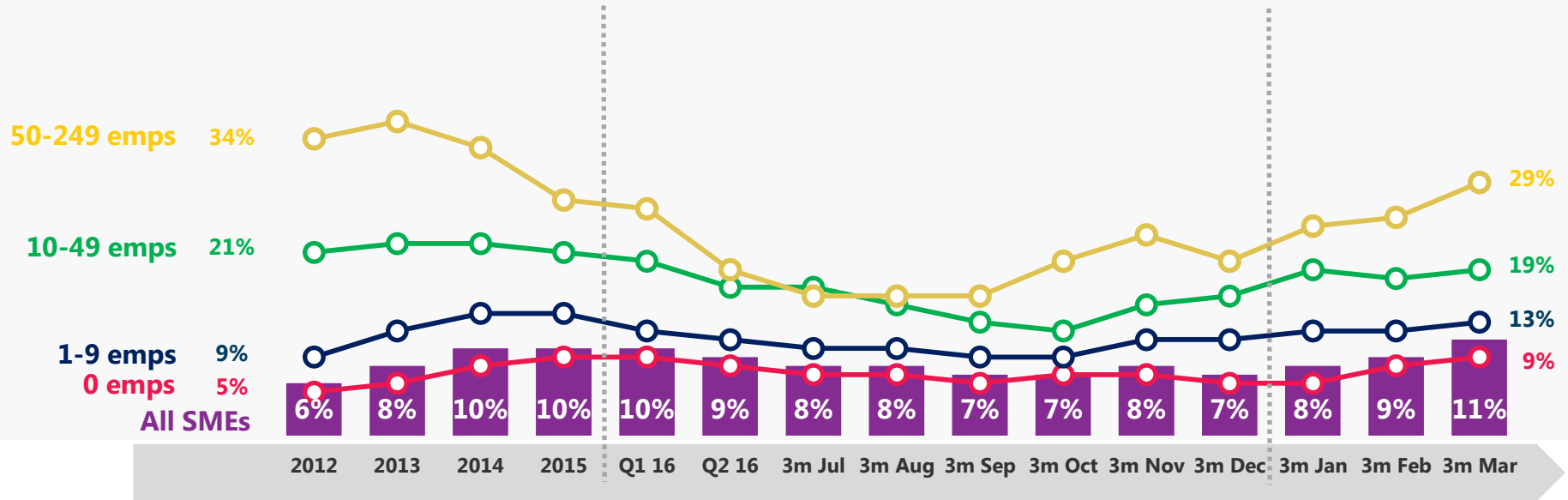
Time series: Confidence (very/fairly) bank will agree to facility next 3 months – by size



Two thirds of those with no plans to apply to a bank for finance are confident of a hypothetical success and remain somewhat more confident than those *with* plans that the bank would say yes. Larger hypothetical applicants remain more confident of success than smaller ones, where confidence has declined slightly in 2017

The proportion of SMEs that export has recovered to levels seen a year ago

Time series: Exporters



The proportion of exporters increased from 6% in 2012 to 10% in 2014 and 2015. In 2016, the proportion exporting was lower (8%), but there are signs of an increase in exporting.