



SME Finance Monitor

Current analysis
3 months to end May 2017

An independent report by
BDRC Continental, June 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 (YEQ2 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 March 2017 to May 2017.

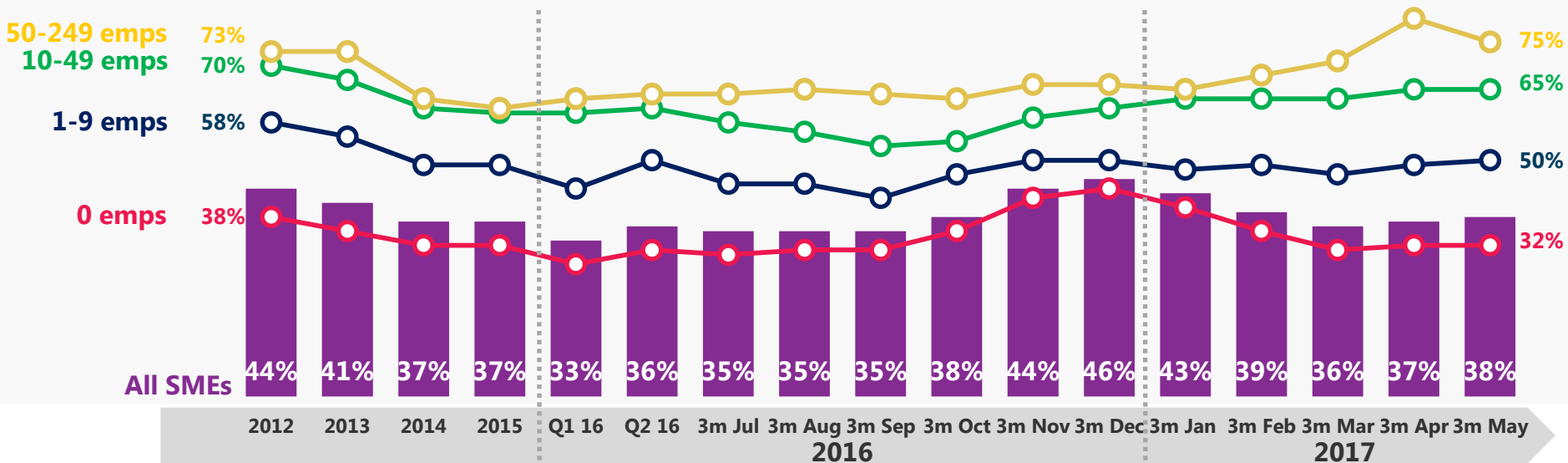
Headline analysis is provided for all SMEs, with key questions split by size of SME. Some analysis is also provided by the type of international trade (if any) undertaken alongside domestic activity:

- 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")

Differences shown month on month are not necessarily statistically significant. Differences of 4%+ month on month are needed for the total sample and up to 10%+ for some of the smaller groups (such as those trading internationally).

Use of external finance has stabilised in 2017 after a brief increase at the end of 2016

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 May 2017 continues to show lower levels of overall use of finance (38%), again due primarily to the 0 employee SMEs where use has returned to previous lower levels. (32% currently). Larger SMEs have seen something of an increase in use of external finance in 2017.

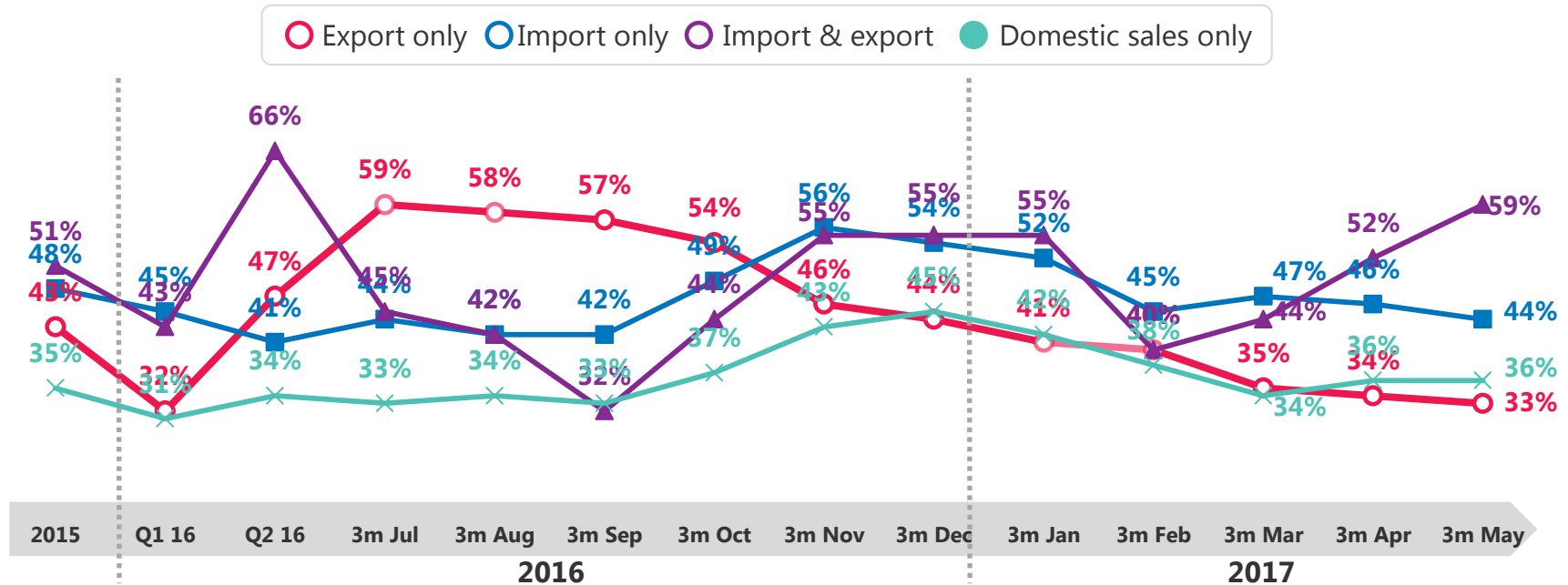
Q15

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4082/4500/4916/4806/4500/4443/4195



Use of external finance amongst those that import and export has returned to previous levels, but declined for those that only export

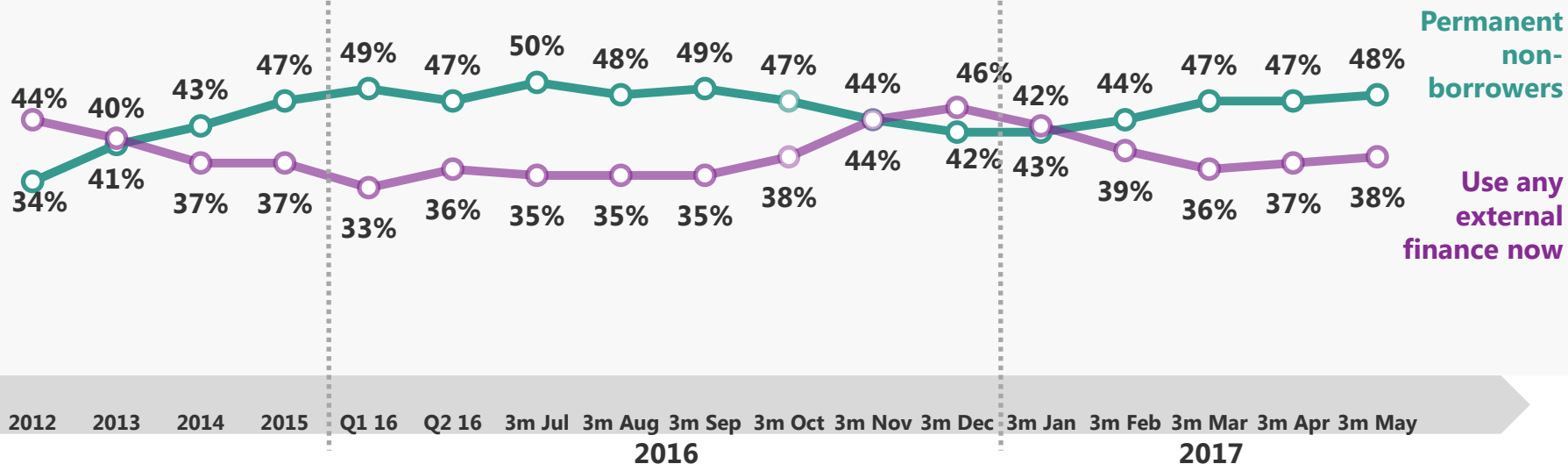
Time series: use of external finance by extent of international trade alongside domestic sales



Use any external finance

There remain more SMEs meeting the definition of a Permanent non-borrower than using external finance

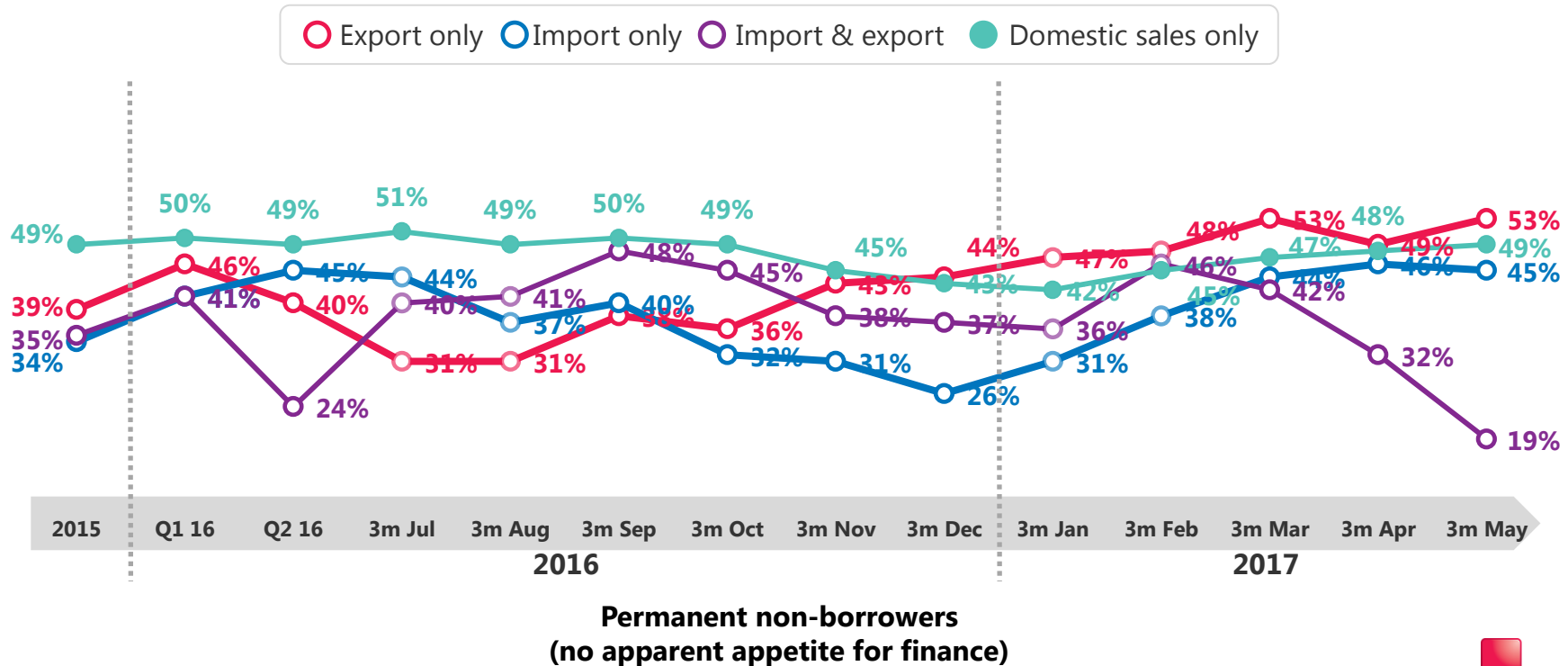
Time series: Permanent non-borrowers and users of external finance



The '**Permanent non-borrowers**' are defined by not using external finance and showing no inclination to do so. The proportion meeting the definition declined in late 2016 but increased again in 2017. The 3 months to May figure of 48% is in line with the proportion of PNBs for 2016 as a whole.

SMEs that both import and export are increasingly less likely to be a permanent non-borrower than other SMEs

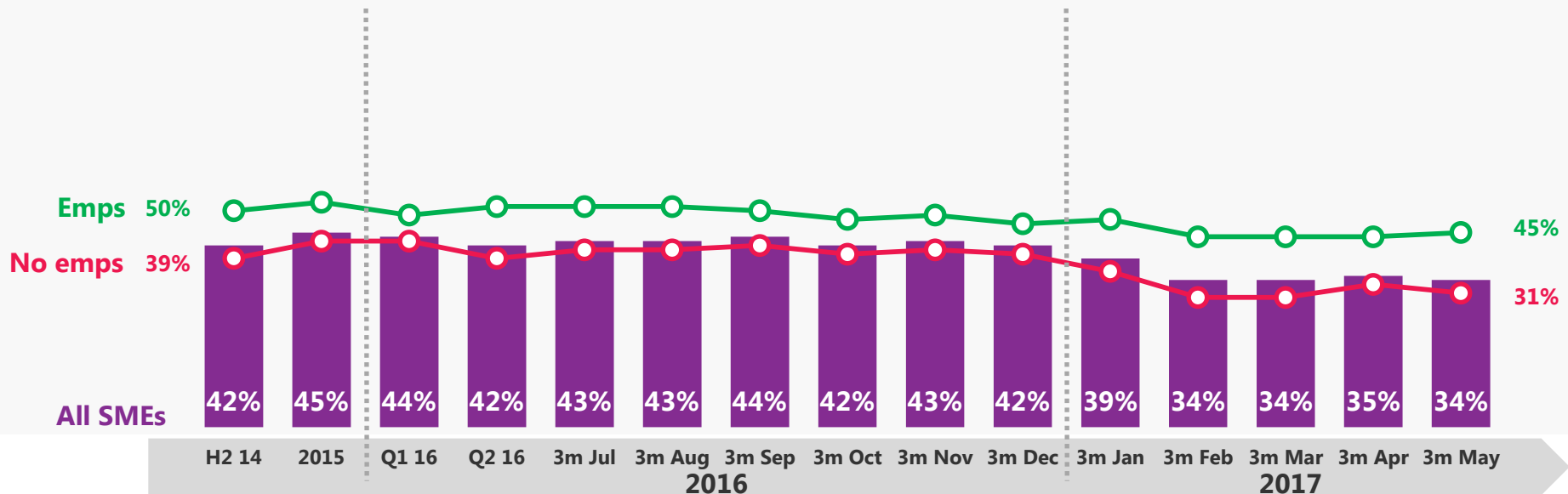
Time series: Permanent non-borrowers by extent of international trade alongside domestic sales



Base : All 3mths to May 210/356/371/3258

The proportion of SMEs 'happy to use finance to grow' remains at lower levels in 2017 than was seen in 2016

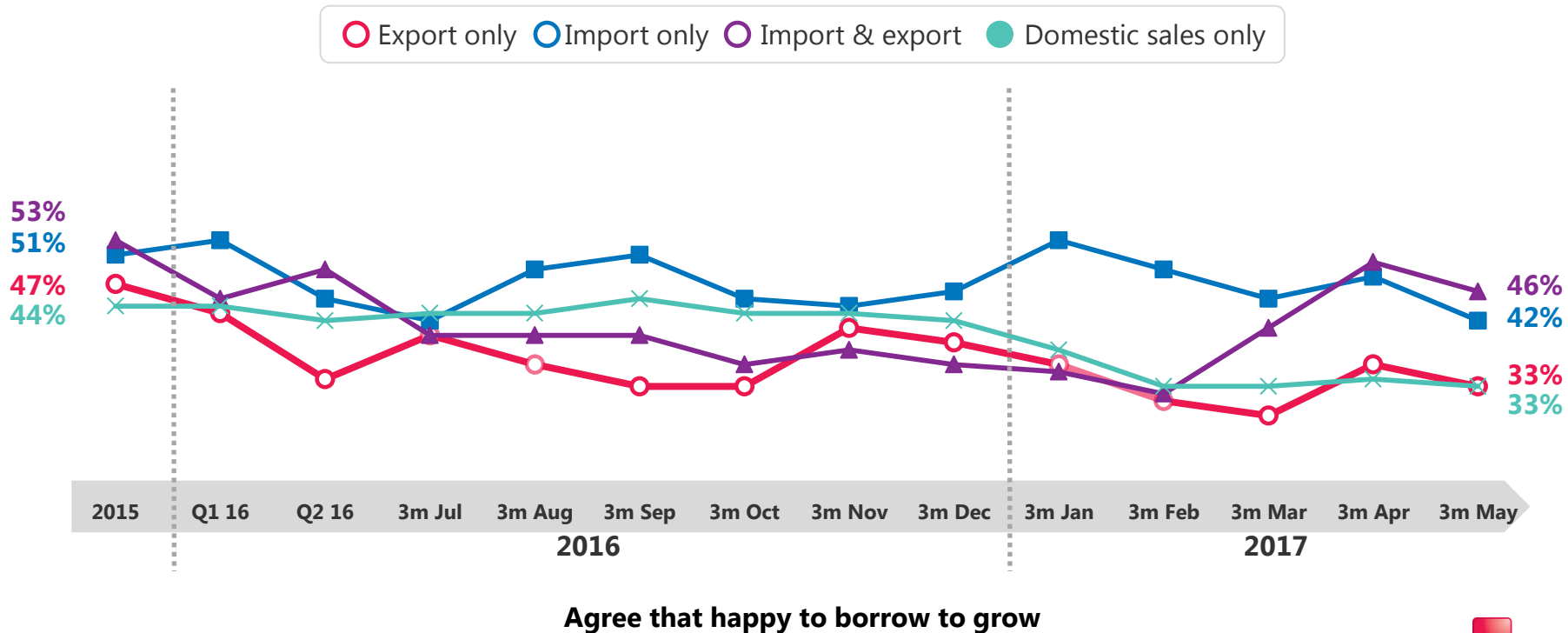
Time series: Agree that happy to use external finance to help business grow



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

SMEs that import and export are currently the only group with an increased willingness to borrow to grow compared to 2016

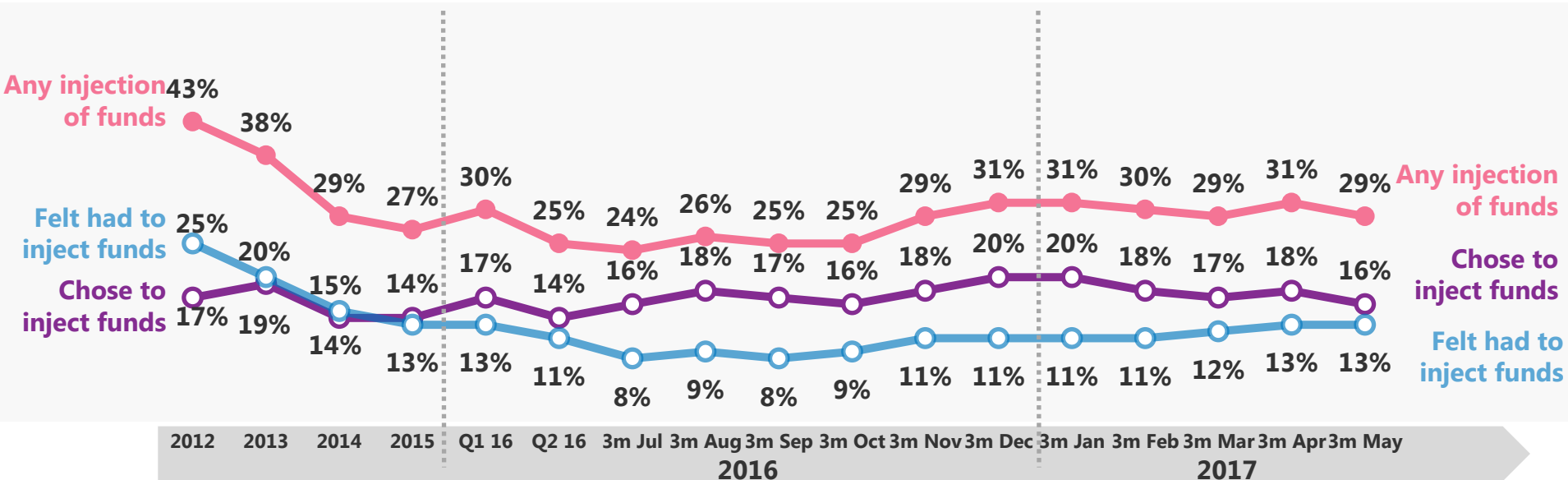
Time series: happy to borrow to grow by international trade



Base : All 3mths to May 210/356/371/3258

The proportion of SMEs feeling they had to inject personal funds has increased slightly since the summer of 2016

Time series: Injections of personal funds in previous 12 months



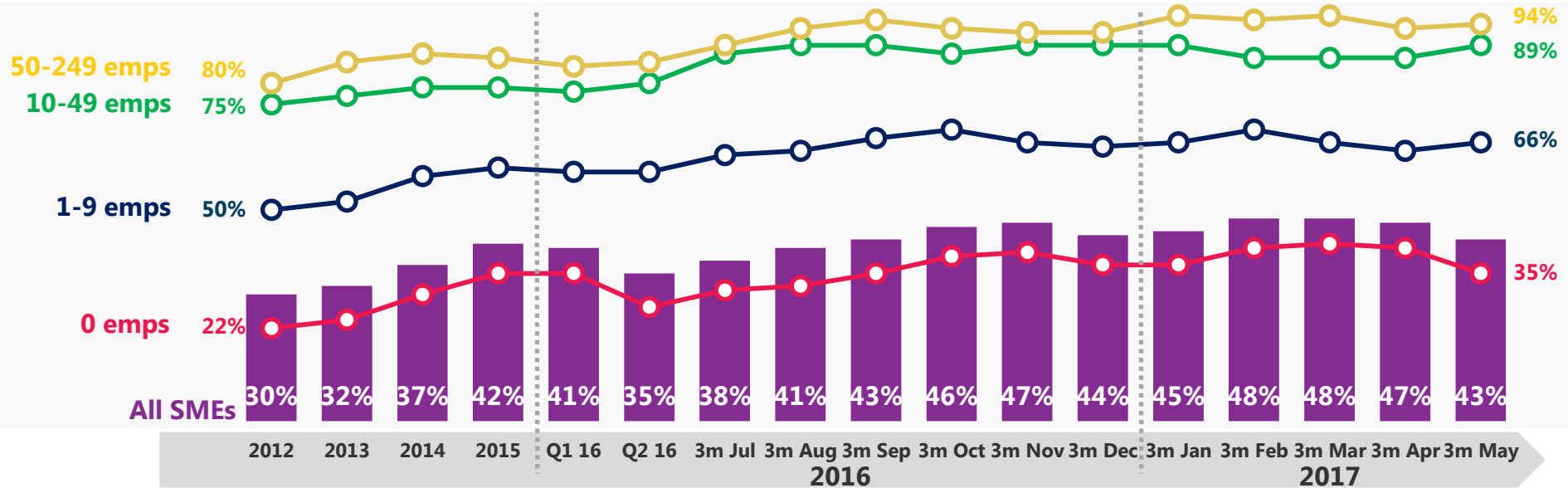
The proportion of SMEs injecting funds has fallen from a peak of 43% in 2012 to around a quarter of SMEs during 2016, but have since returned to around 3 in 10 SMEs, in line with Q1 2016.

Q15d2

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195

The proportion of smaller SMEs holding £5,000 or more of credit balances declined somewhat in the latest period

Time series: £5k credit balances held



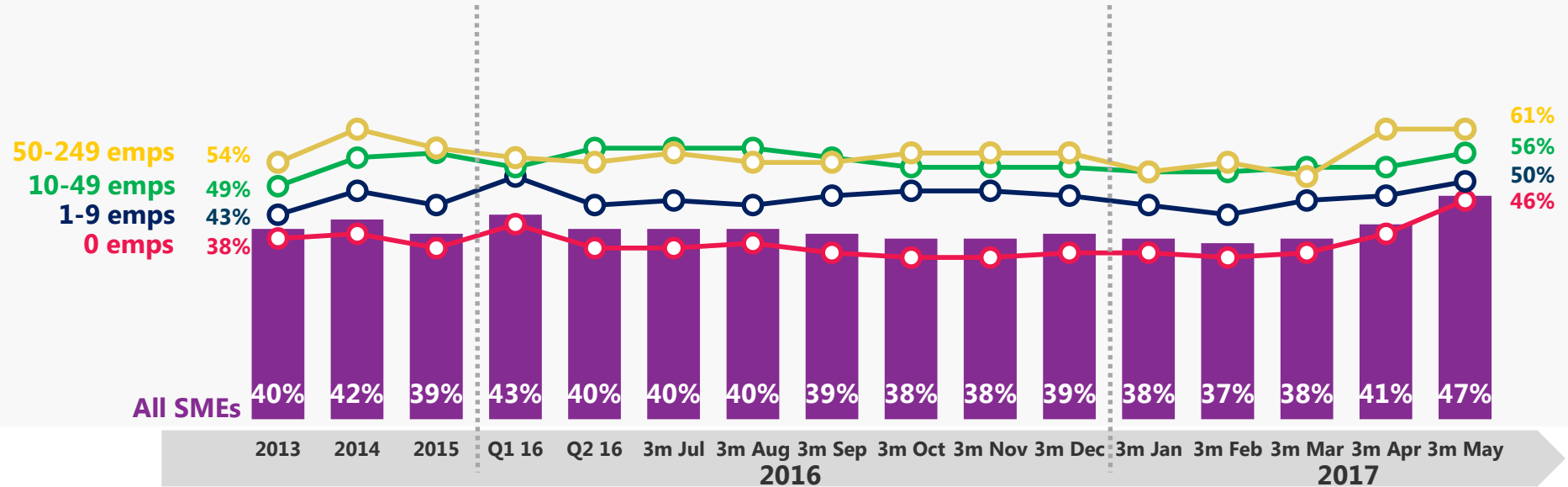
In 2015, 42% of SMEs held £5,000 or more in credit balances. In 2016, 40% held such sums but with an increase in balances held towards the end of the year. In 2017, the proportion has remained broadly stable but was 43% for the current period due to fewer 0 employee SMEs holding such sums (35% from 41%)

Q245a

Base: All respondents excluding dk/ref 3 mths to May 2550

The proportion of SMEs reporting growth increased in the latest period, due primarily to the 0 employee SMEs

Time series: Have grown (excluding Starts)



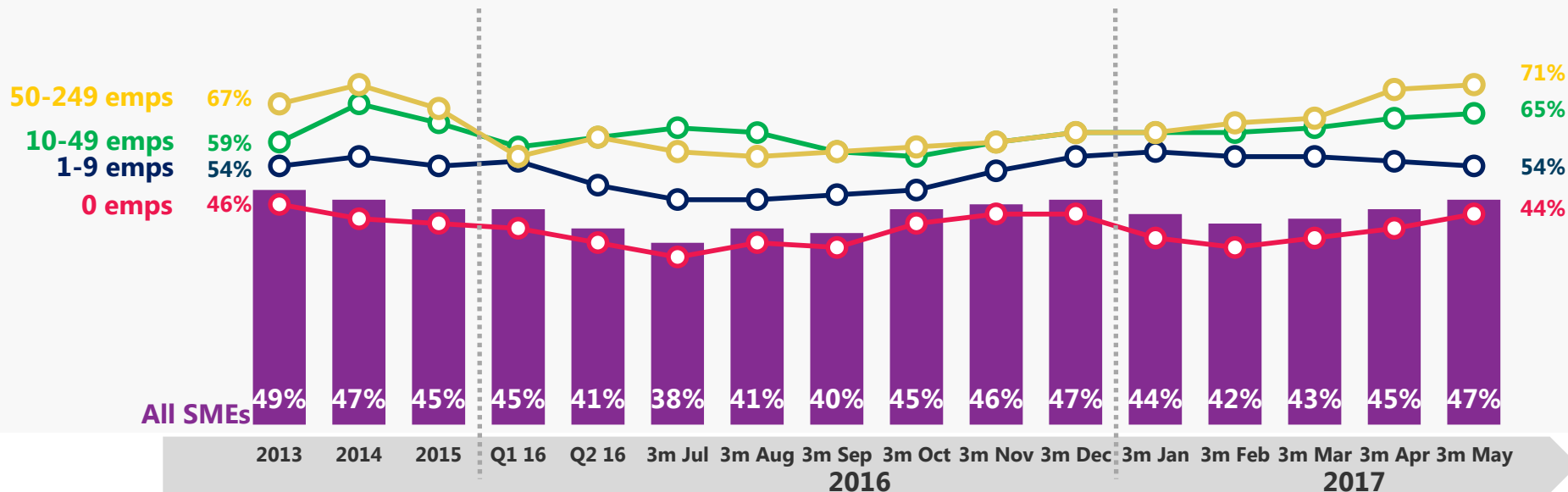
Since 2012, the proportion of SMEs reporting growth has varied little and was 40% for 2016 as a whole. The 47% reporting growth in the current period is somewhat higher than has been seen recently and was driven by the 0 employee SMEs where 46% reported growth (up from 39% in the 3 months to April)

Q245a

Base : All respondents excluding Starts. 3 mths to May 3495

The proportion of SMEs planning to grow has also shown a slight increase latterly, back to the position at the end of 2016

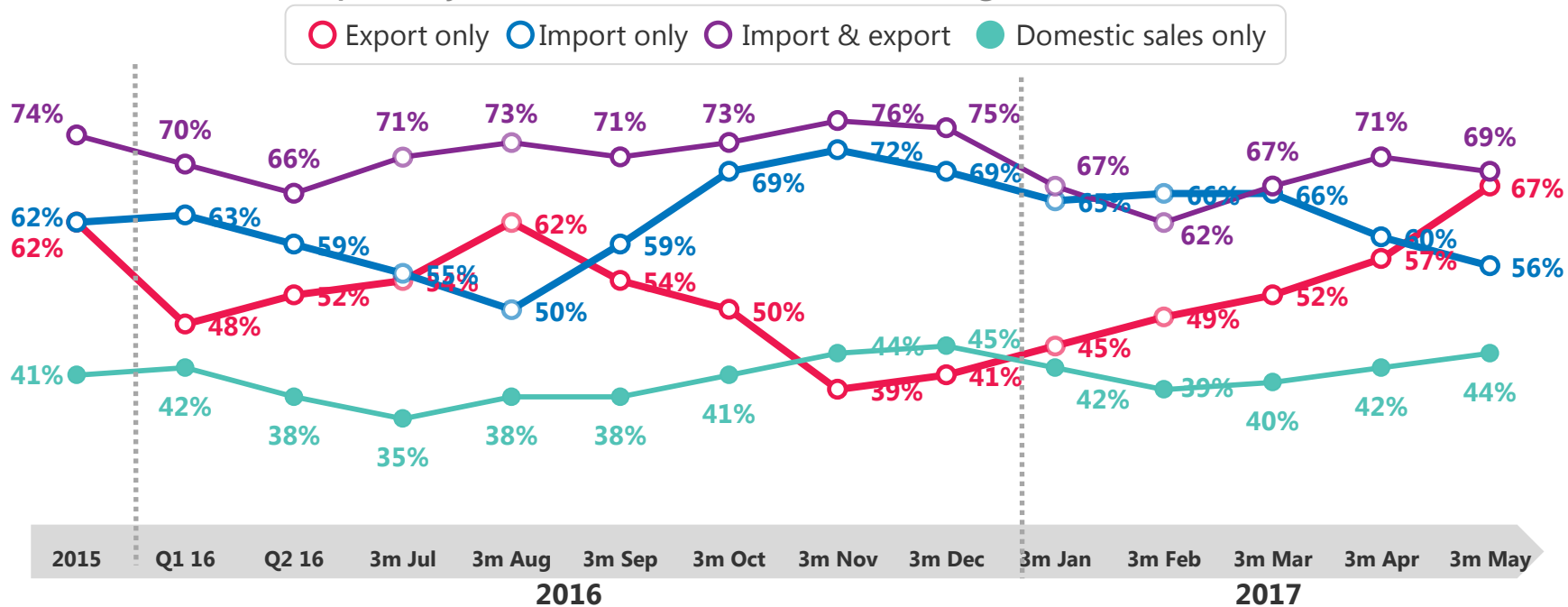
Time series: Have plans to grow – wording change in Q3 2015



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. There has been a slight increase latterly in the proportion planning to grow due predominantly to the 0 employee SMEs, now back to levels seen at the end of 2016

An increasing proportion of international SMEs that export are planning to grow, while those who import are less sure

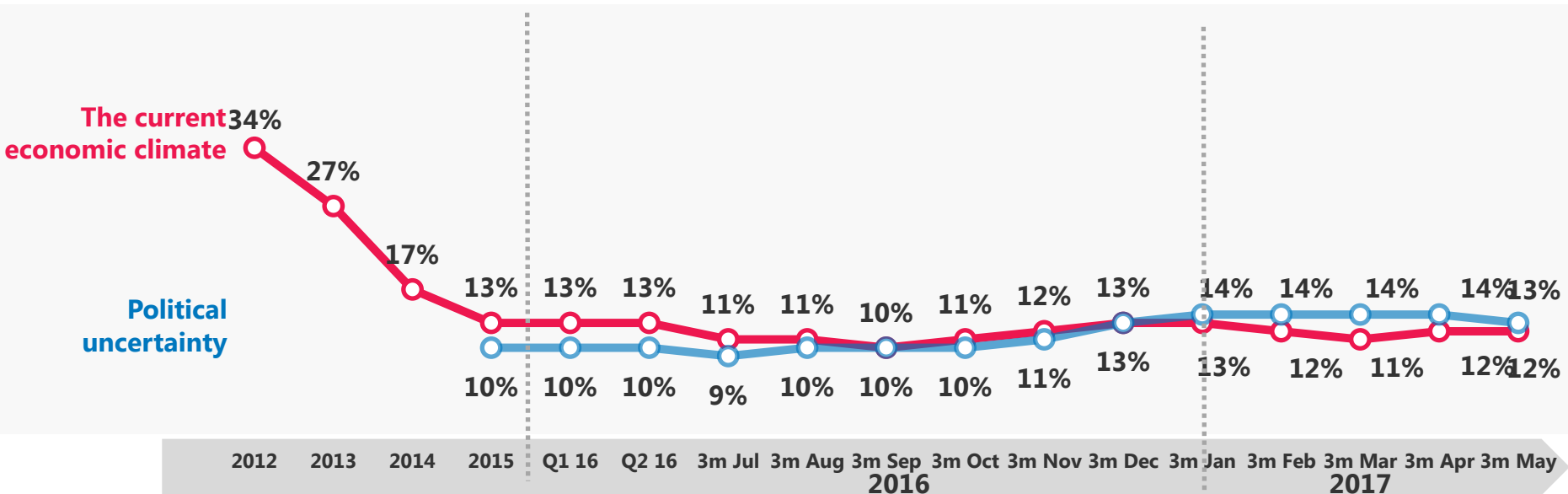
Time series: Growth plans by extent of international trade alongside domestic sales



Plan to grow in next 12 months

Political uncertainty and the current economic climate remain the key concerns for SMEs, with little change over time

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 13%, while the proportion of all SMEs rating the economic climate as a major barrier has remained at around 12%

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

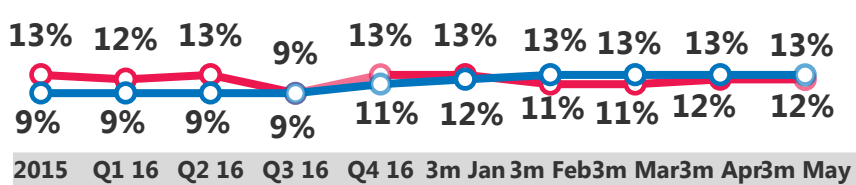
Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195



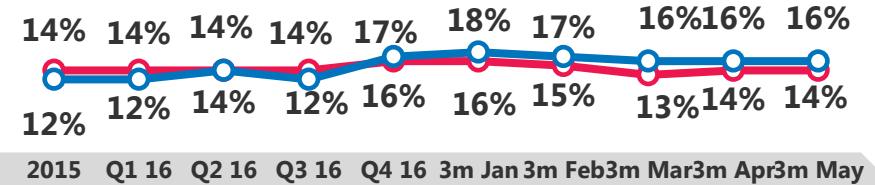
Levels of concern amongst the largest SMEs have increased somewhat in 2017

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

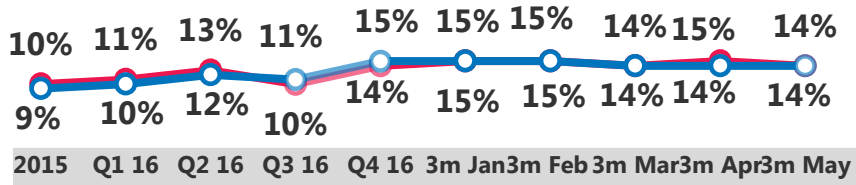
○ Economic climate ○ Political uncertainty



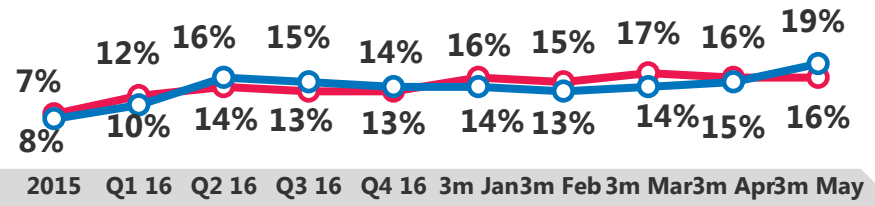
0 emps



1-9 emps



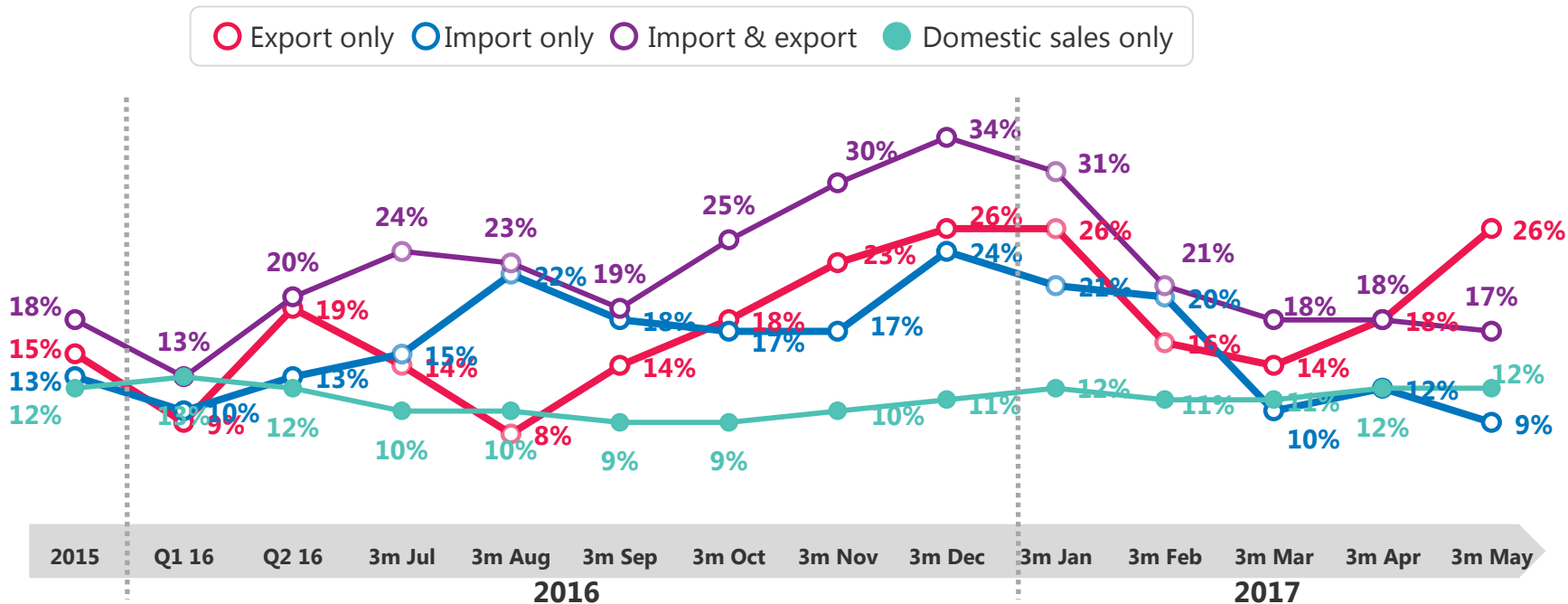
10-49 emps



50-249 emps

Concerns about the economic climate amongst exporters have started to increase again in 2017.

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

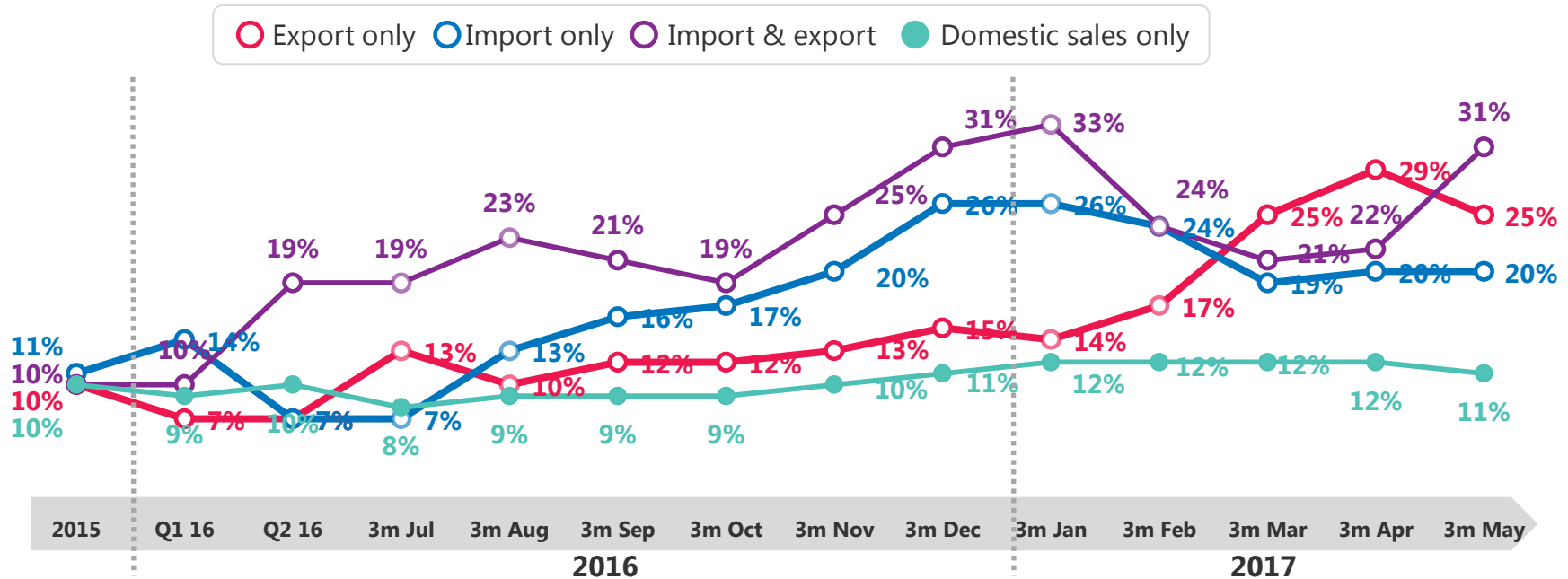


Rating the current economic climate a major obstacle (8-10)

Base : All 3mths to May 210/356/371/3258

Those involved with exporting are more concerned about political uncertainty

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



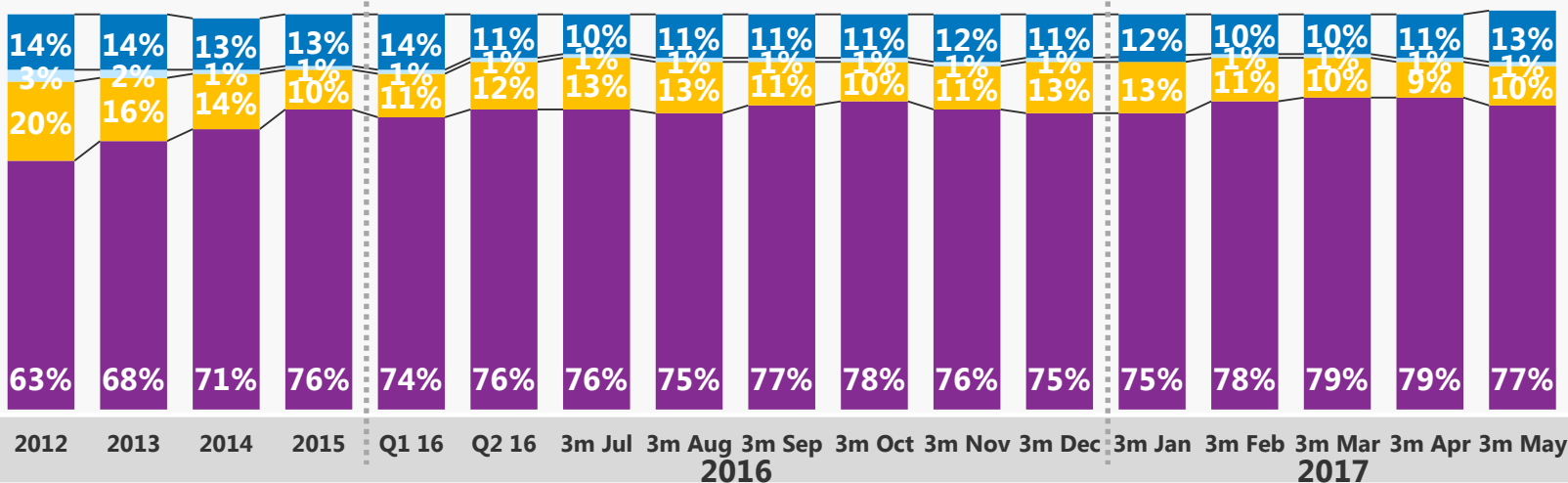
Rating political uncertainty a major obstacle (8-10)

Base : All 3mths to May 210/356/371/3258

Most SMEs are 'Future happy non-seekers'. Potential appetite for finance remains consistent

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. The proportion of SMEs with *potential* appetite for finance (planning to apply or a future “would-be seeker) has remains fairly stable.

Q229

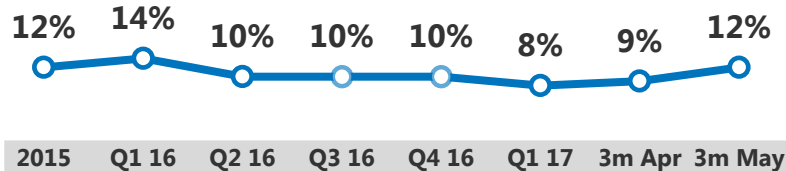
Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195



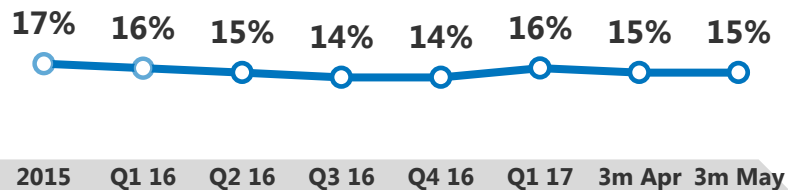
SMEs' future appetite for finance is showing signs of a rise in the latest period, but only amongst 0 employee and medium-sized SMEs

Time series: % planning to apply

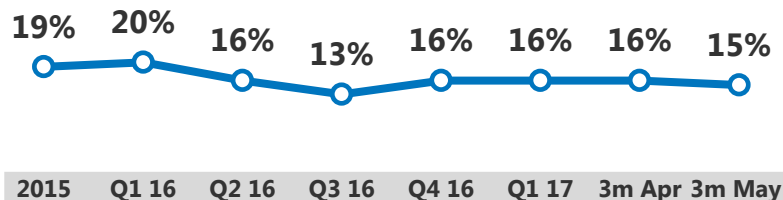
○ Plan to apply



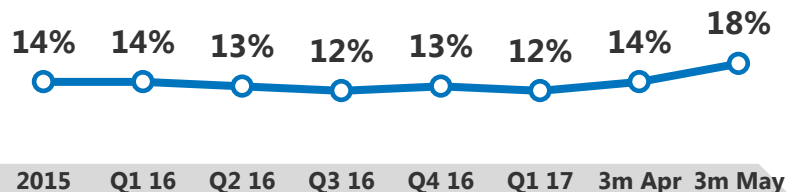
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1-9 emps



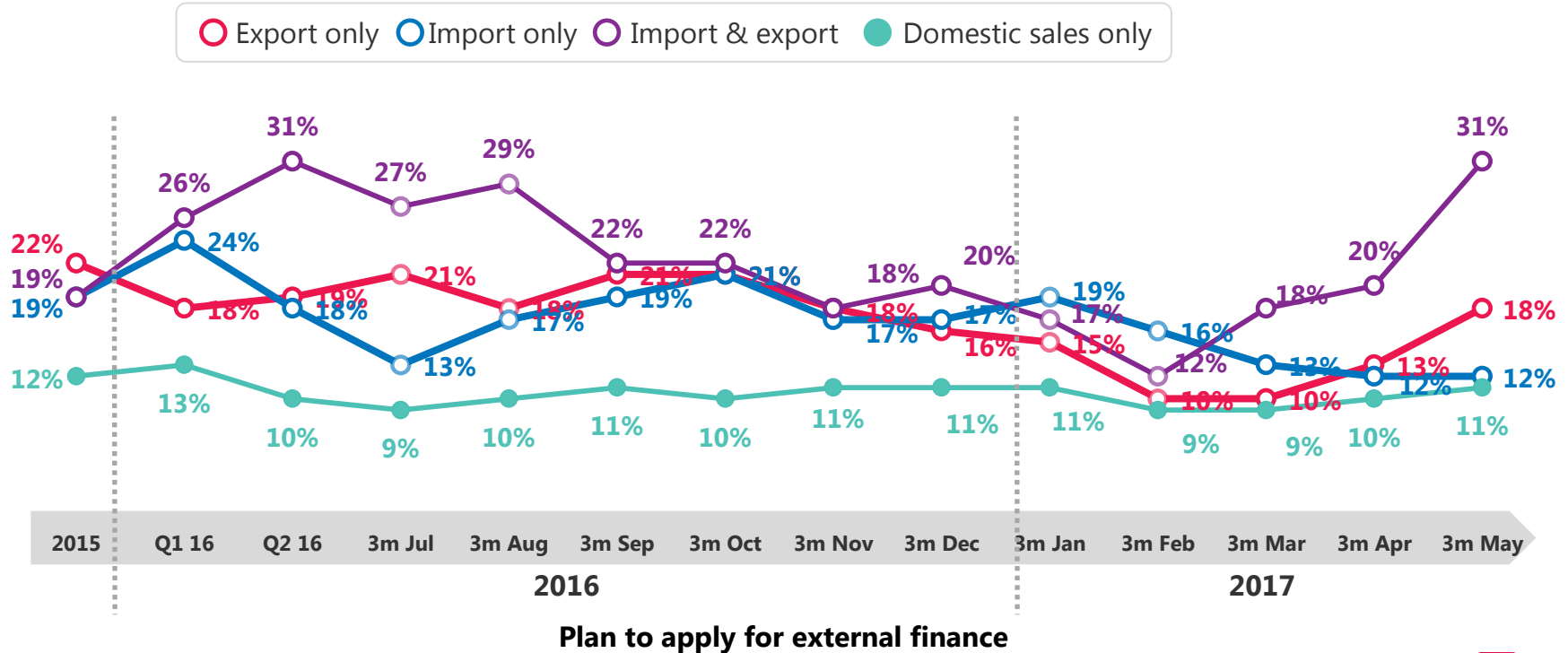
10-49 emps



50-249 emps

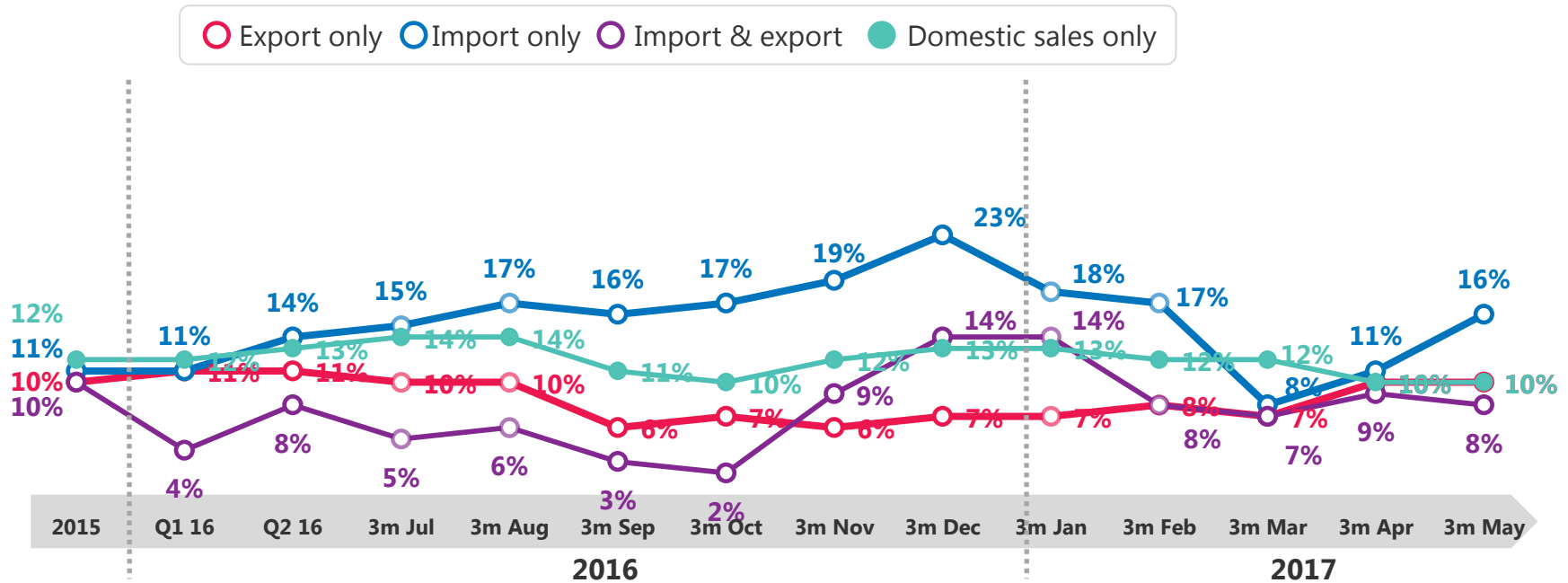
In 2017, SMEs that both import and export have reported increased appetite for external finance, back to levels seen around a year ago

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



Those who only import are once again more likely to expect to be a “would-be seeker” of finance

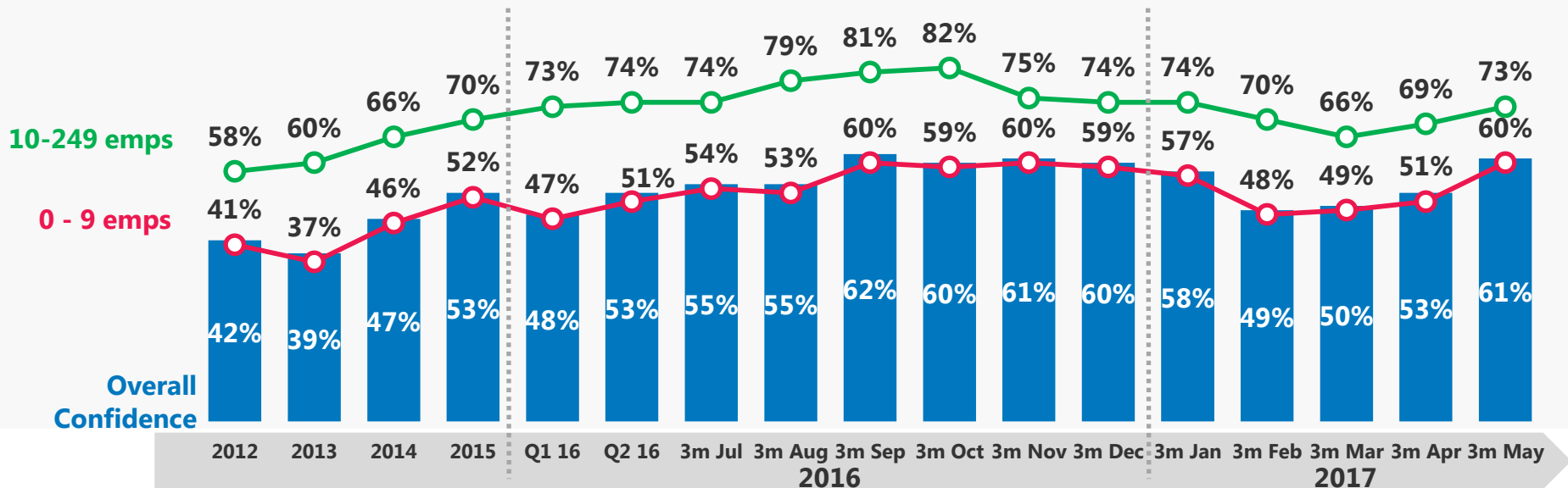
Time series: future would be seekers by extent of international trade alongside domestic sales



Expect to be a future would-be seeker of finance

Amongst SMEs planning to apply for bank finance, confidence of success has returned to levels seen in Autumn 2016

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



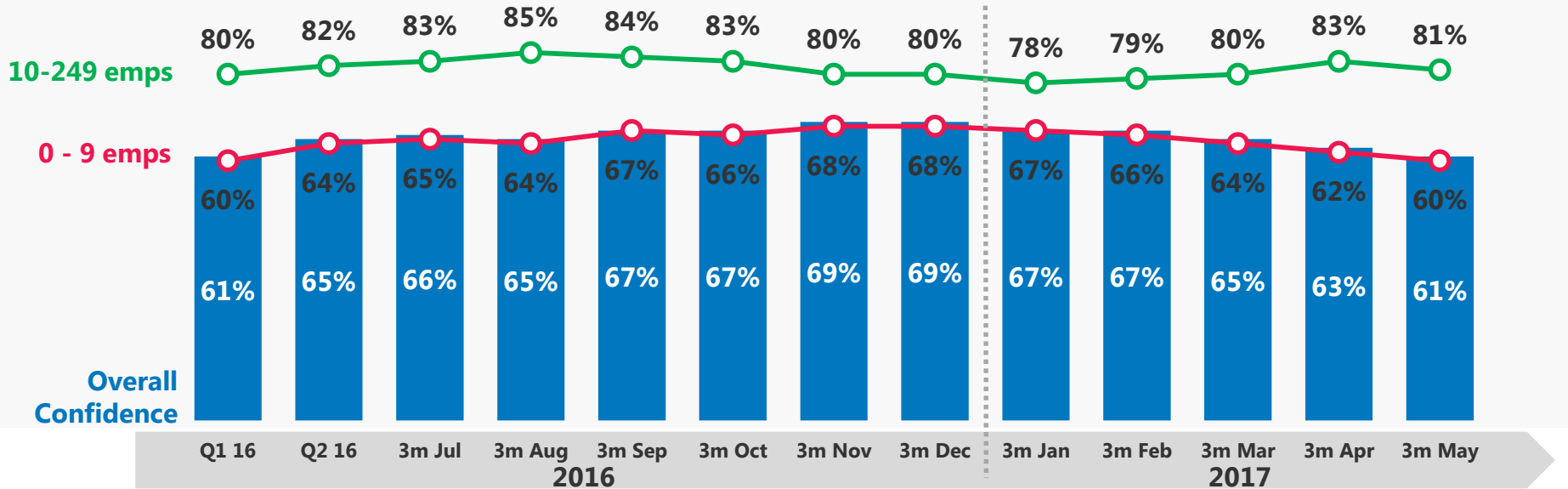
61% of those planning to apply for finance were confident the bank will agree to lend. Confidence amongst smaller potential applicants with 0-9 employees has been volatile over time - the increased levels of confidence reported in the latter stages of 2016 were not initially maintained into 2017 but are currently showing signs of recovery.

Q238

Base : All planning to apply for new/renewed facilities 3mths May 395 178/217

Smaller SMEs with no plans to apply to a bank have become somewhat less confident of a positive response if they were to do so

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



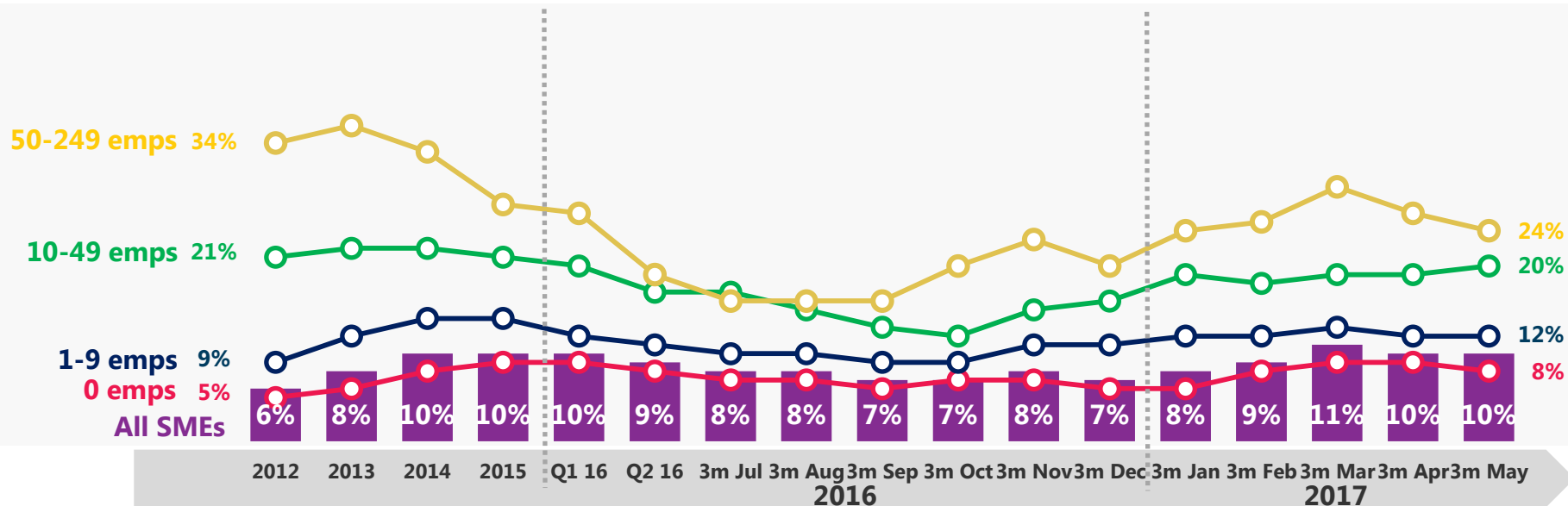
6 in 10 (61%) of those with **no plans** to apply to a bank for finance are confident of a hypothetical success and larger hypothetical applicants remain somewhat more confident than those *with* plans that the bank would say yes.

Q239b

Base : All not planning to apply for new/renewed facilities 3mths May 3800 1932/1868

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, especially amongst larger SMEs