



SME Finance Monitor

Current analysis
3 months to end June 2017

An independent report by
BDRC Continental, July 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 April 2017 to June 2017.

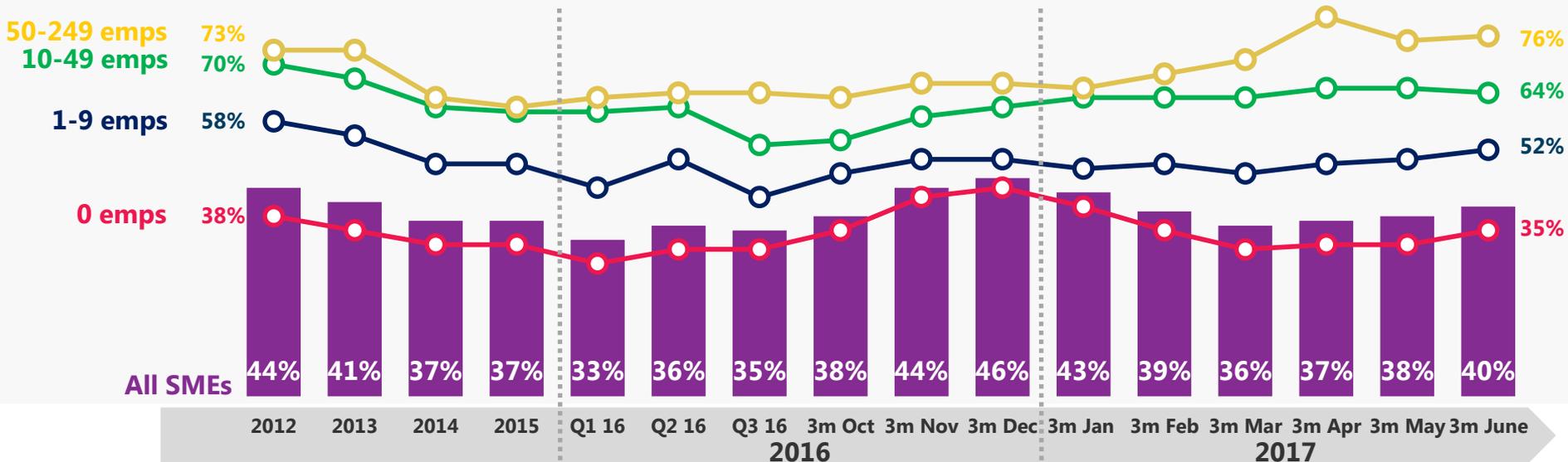
Headline analysis is provided for all SMEs, with key questions split by size of SME. Some analysis is also provided by the type of international trade (if any) undertaken alongside domestic activity:

- 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 June 2017 continues to show lower levels of overall use of finance (40%), again due primarily to the 0 employee SMEs where use has returned to previous lower levels (35% currently).

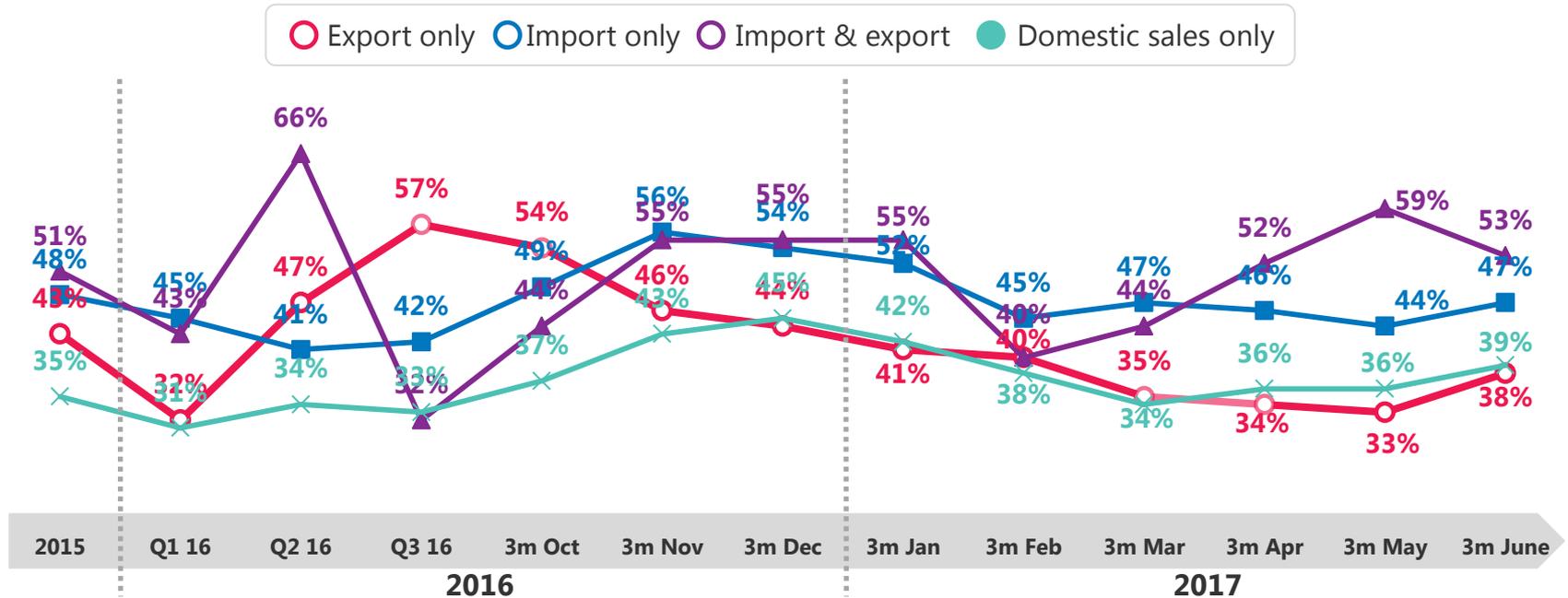
Q15

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4082/4500/4916/4806/4500/4443/4195/4507



Use of external finance by firms that import and export remains higher than for other groups, especially domestic and “export-only” firms.

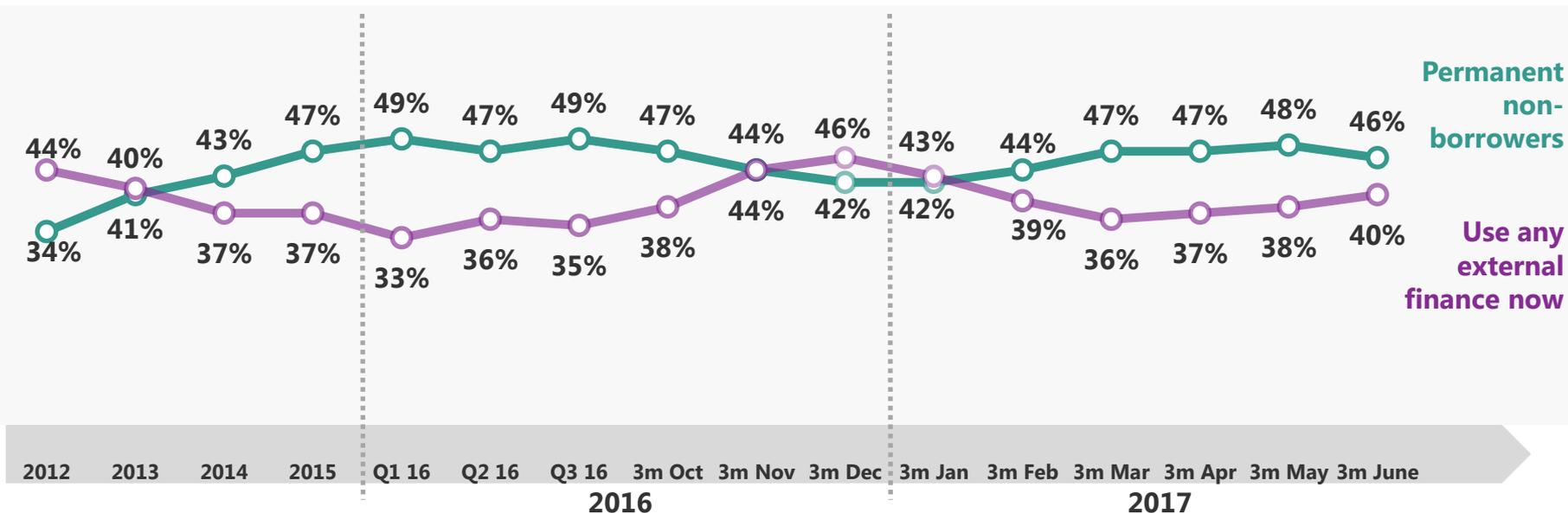
Time series: use of external finance by extent of international trade alongside domestic sales



Use any external finance

There remain more SMEs meeting the definition of a Permanent non-borrower than using external finance, but the gap is narrowing again

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



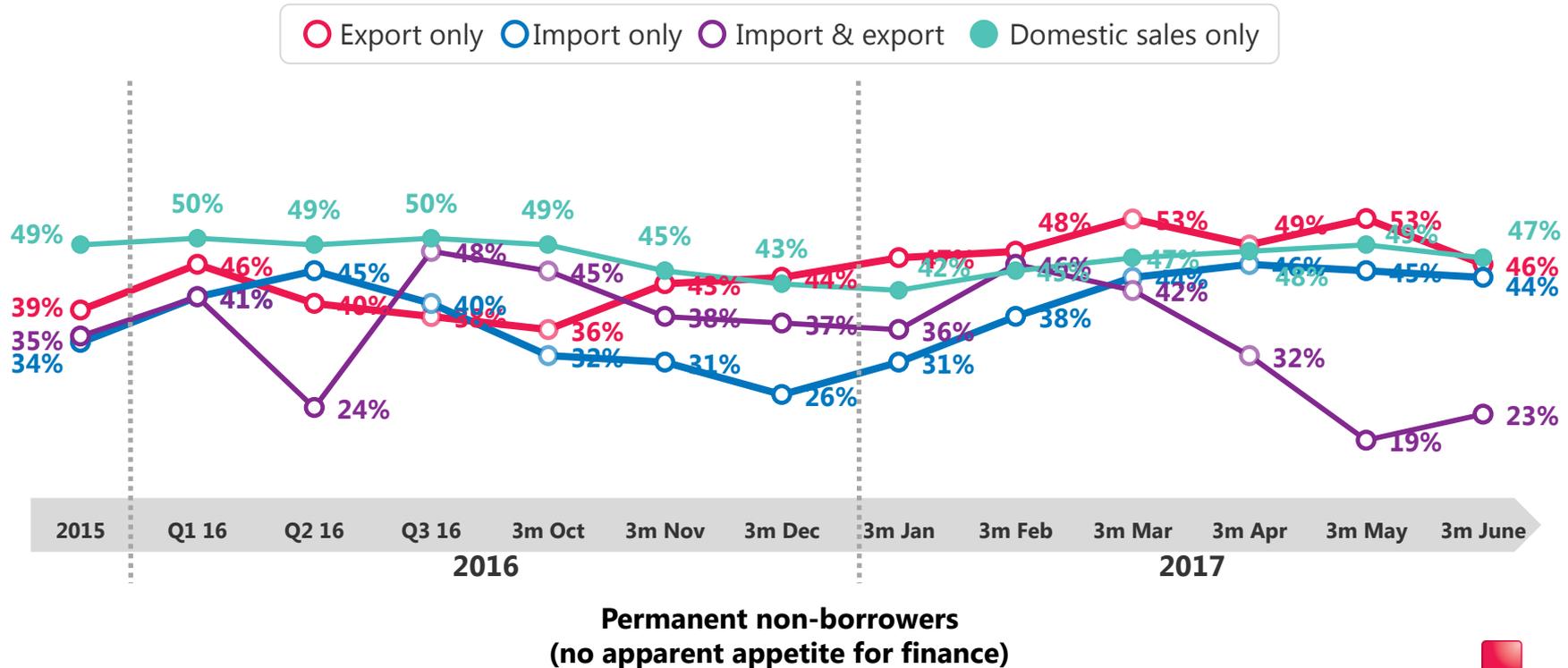
The 'Permanent non-borrowers' are defined by not using external finance and showing no inclination to do so. The proportion meeting the definition declined in late 2016 but returned to previous levels in 2017. The 3 months to June figure of 46% is in line with the proportion of PNBs for 2016 as a whole, but with the slight increase in the use of external finance the gap between the two groups is narrowing again.

Q15/14 and others

Base: All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507

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

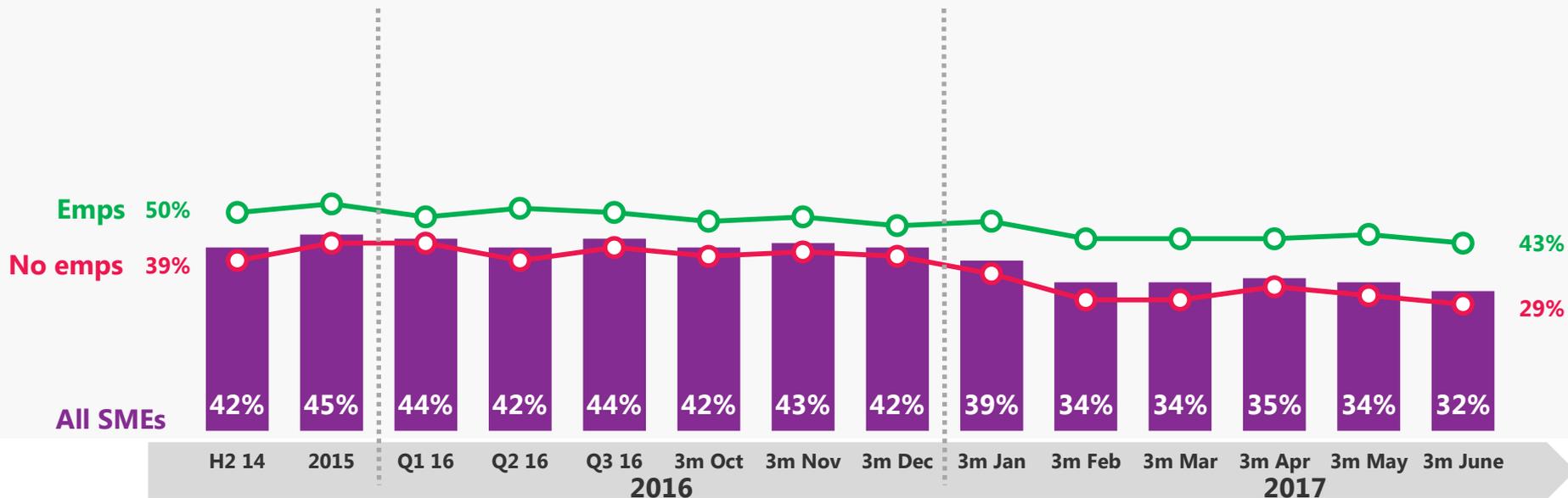
Time series: Permanent non-borrowers by extent of international trade alongside domestic sales



Base : All 3mths to June 203/358/377/3569

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

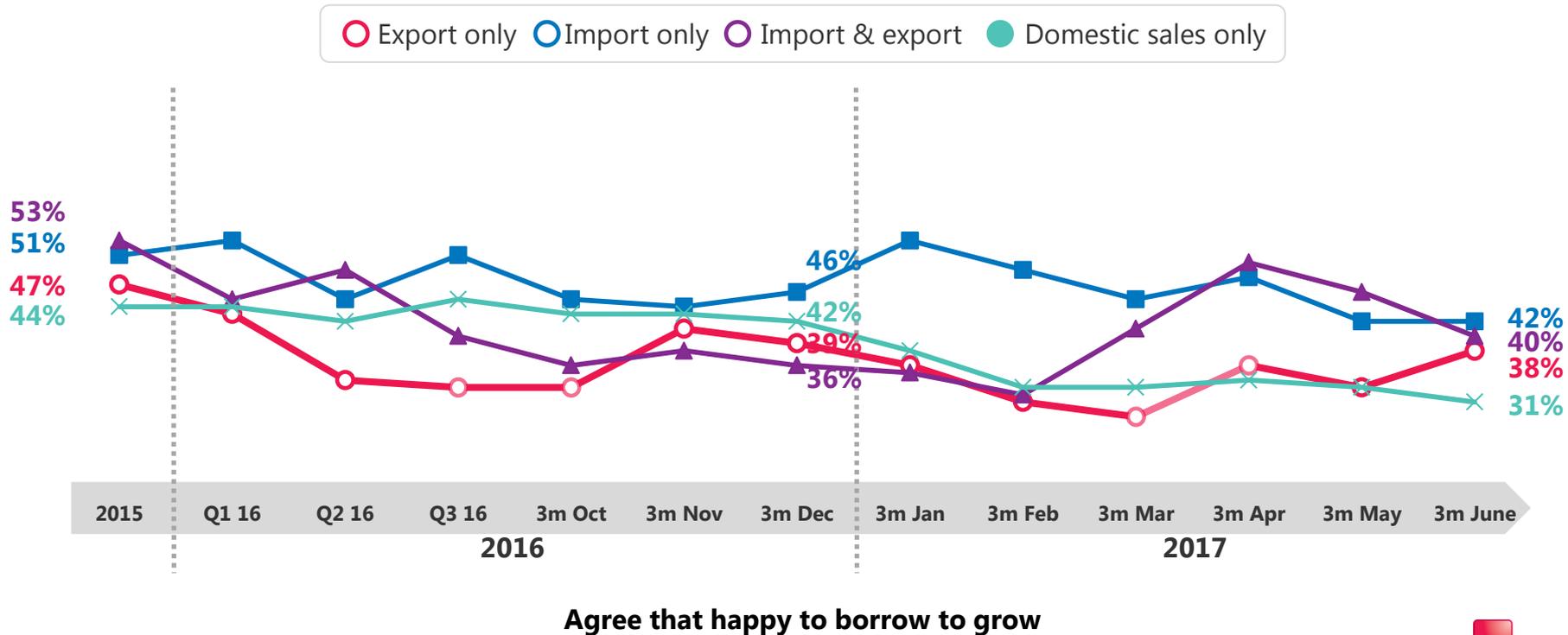
Time series: Agree that happy to use external finance to help business grow



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.

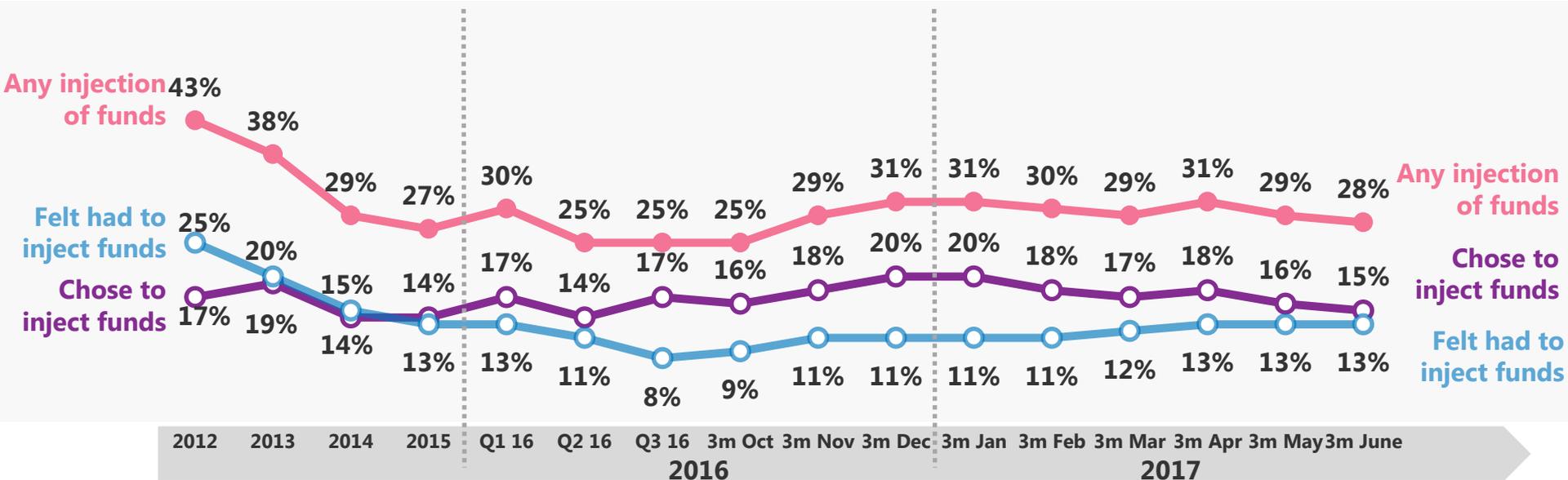
Willingness to borrow to grow has declined more in 2017 amongst domestic SMEs

Time series: happy to borrow to grow by international trade



A steady 3 in 10 SMEs have injected personal funds in 2017 with a slight decline in those choosing to do so

Time series: Injections of personal funds in previous 12 months



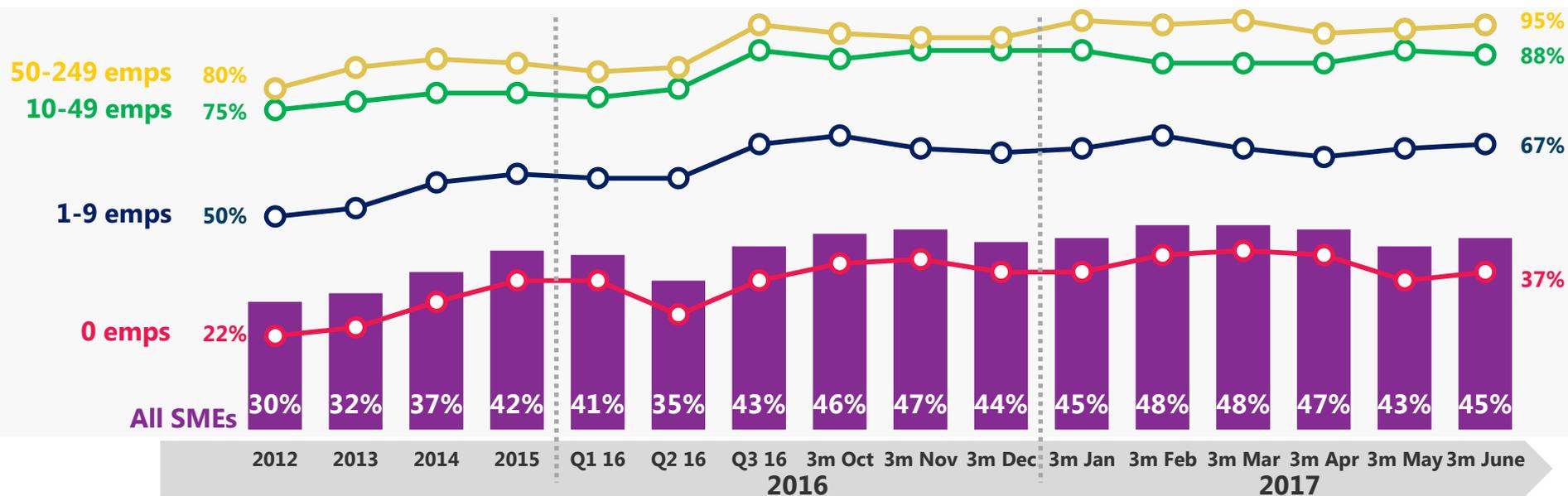
The proportion of SMEs injecting funds fell from a peak of 43% in 2012 to around a quarter of SMEs during 2016. In 2017 a steady 3 in 10 have reported an injection of funds with slightly fewer reports if SMEs choosing to inject funds

Q15d2

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507

The proportion of SMEs with employees holding £5,000 or more of credit balances has been stable in 2017

Time series: £5k credit balances held



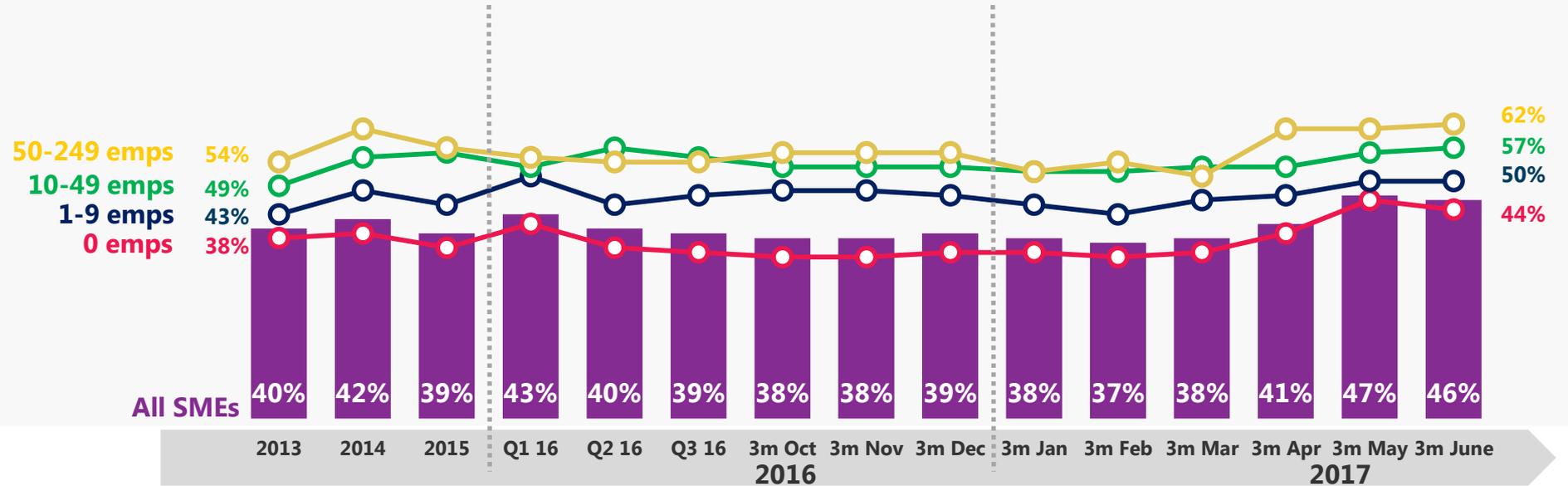
In 2015, 42% of SMEs held £5,000 or more in credit balances. In 2016, 40% held such sums but with an increase in balances held towards the end of the year. In 2017, the proportion has remained broadly stable and was 45% for the current period due to fewer 0 employee SMEs holding such sums (37% from 41%)

Q245a

Base: All respondents excluding dk/ref 3 mths to June 2837

The proportion of SMEs reporting growth remains at a slightly higher level than previously seen

Time series: Have grown (excluding Starts)



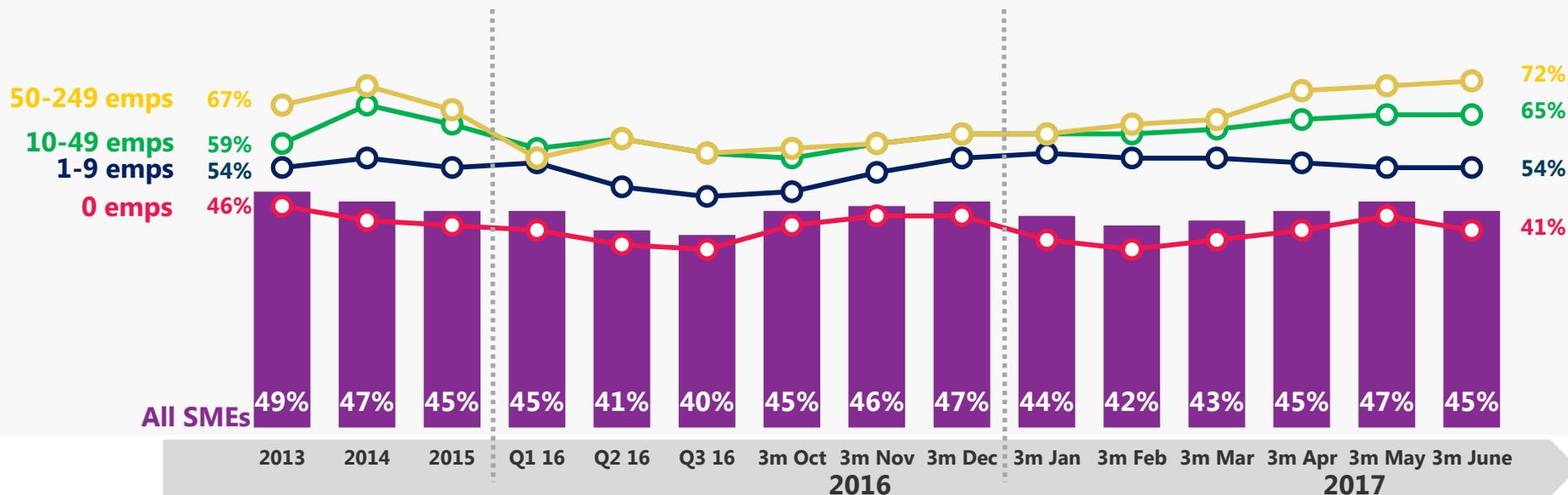
Since 2012, the proportion of SMEs reporting growth has varied little and was 40% for 2016 as a whole. The 46% reporting growth in the current period is somewhat higher than has been seen recently and was driven by the 0 employee SMEs where 44% reported growth (up from 39% in the 3 months to April)

Q245a

Base : All respondents excluding Starts. 3 mths to June 3716

Compared to the end of 2016, the largest SMEs are more likely to be planning to grow, while smaller SMEs are less likely

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. An increase in the proportion of 0 employee SMEs predicting growth drove an increase to 47% for the 3 months to May but this was not maintained in the current period and for 2017 as a whole the position is flat

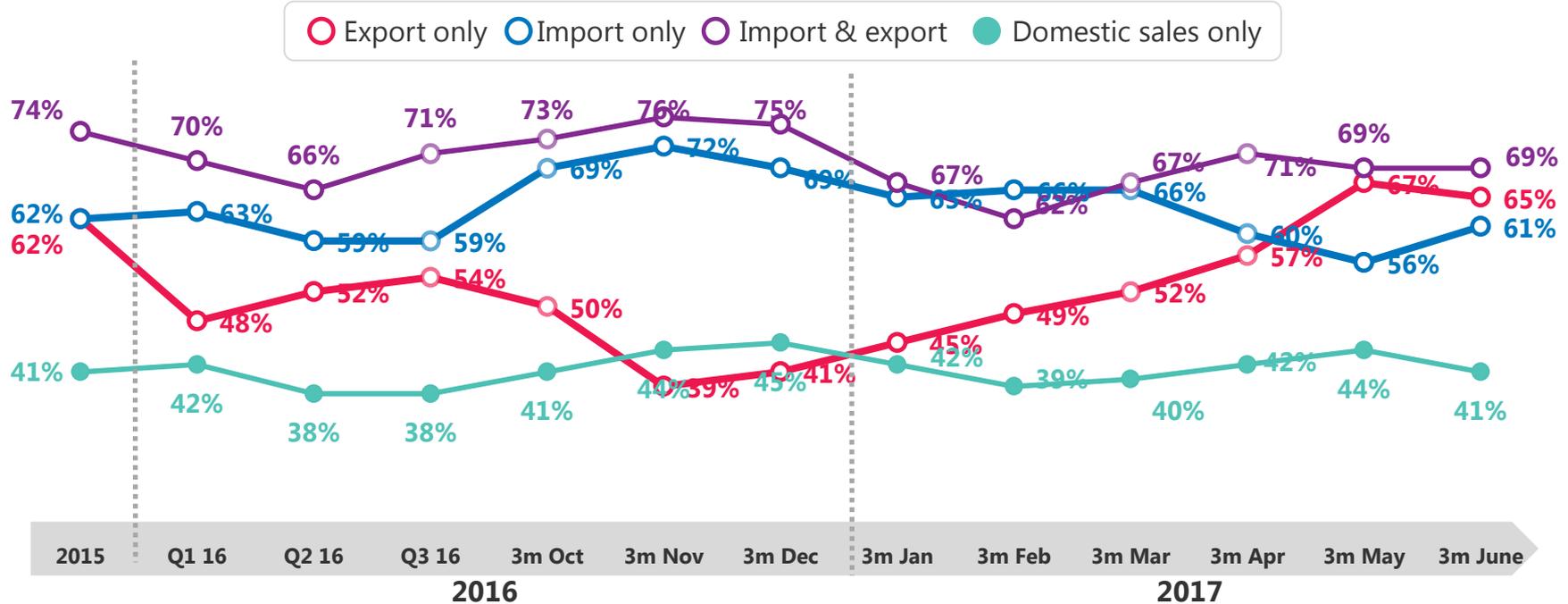
Q15

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507



An increasing proportion of international SMEs that export are planning to grow

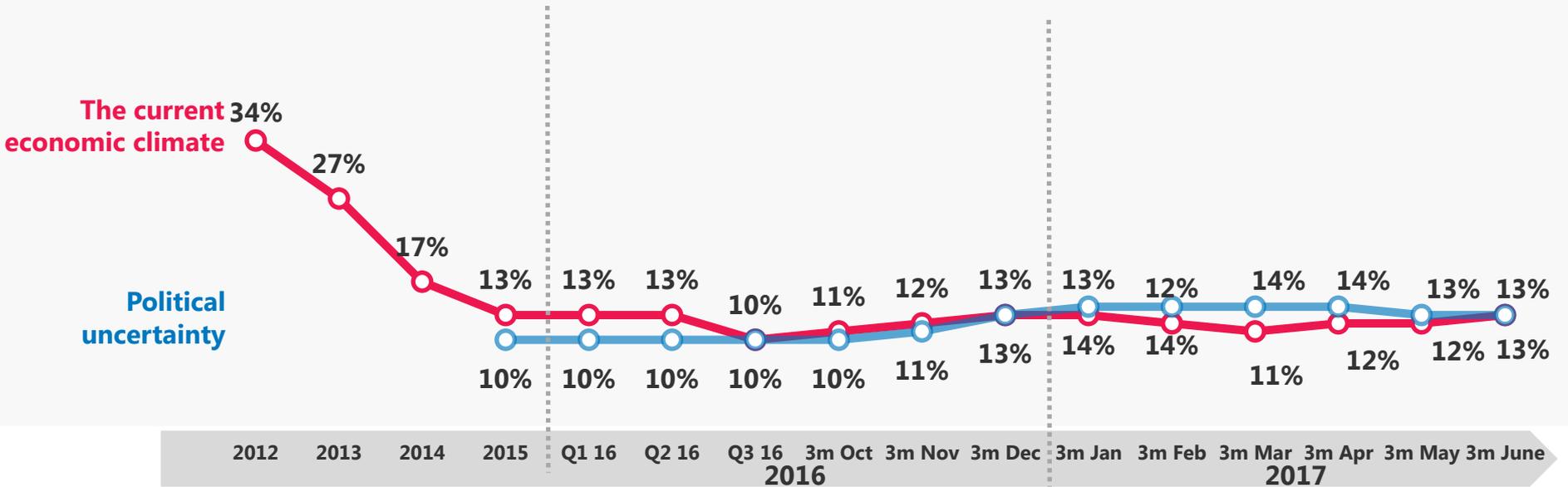
Time series: Growth plans by extent of international trade alongside domestic sales



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



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%. Of the other potential barriers tested, "legislation and regulation" is a key barrier for 10% of SMEs with all others under 7% (Q4 2016 latest published data)

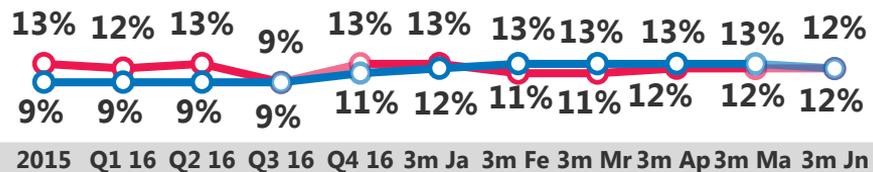
Q227 Barriers to running business as would want in next 12 months

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507

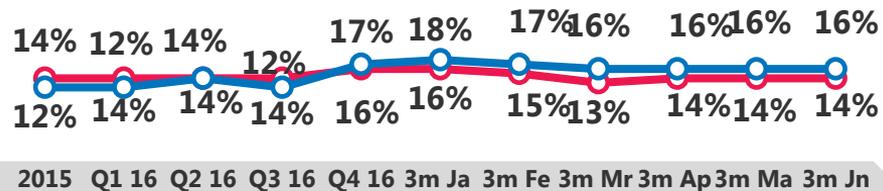
Levels of concern amongst the largest SMEs have increased somewhat in 2017

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

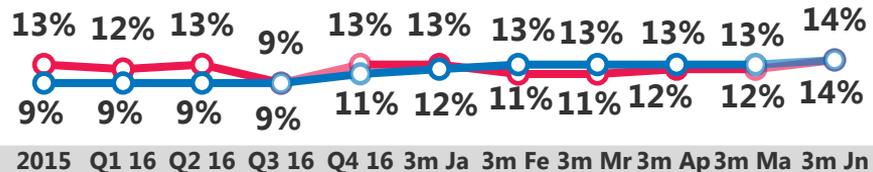
○ Economic climate ○ Political uncertainty



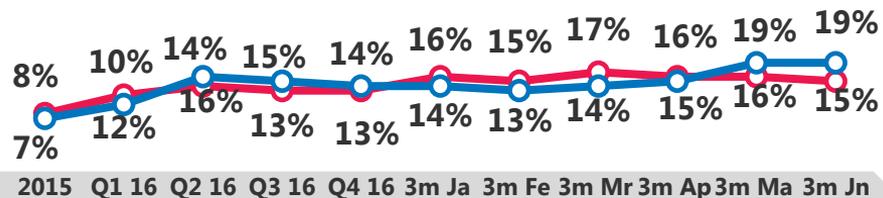
0 emps



1-9 emps



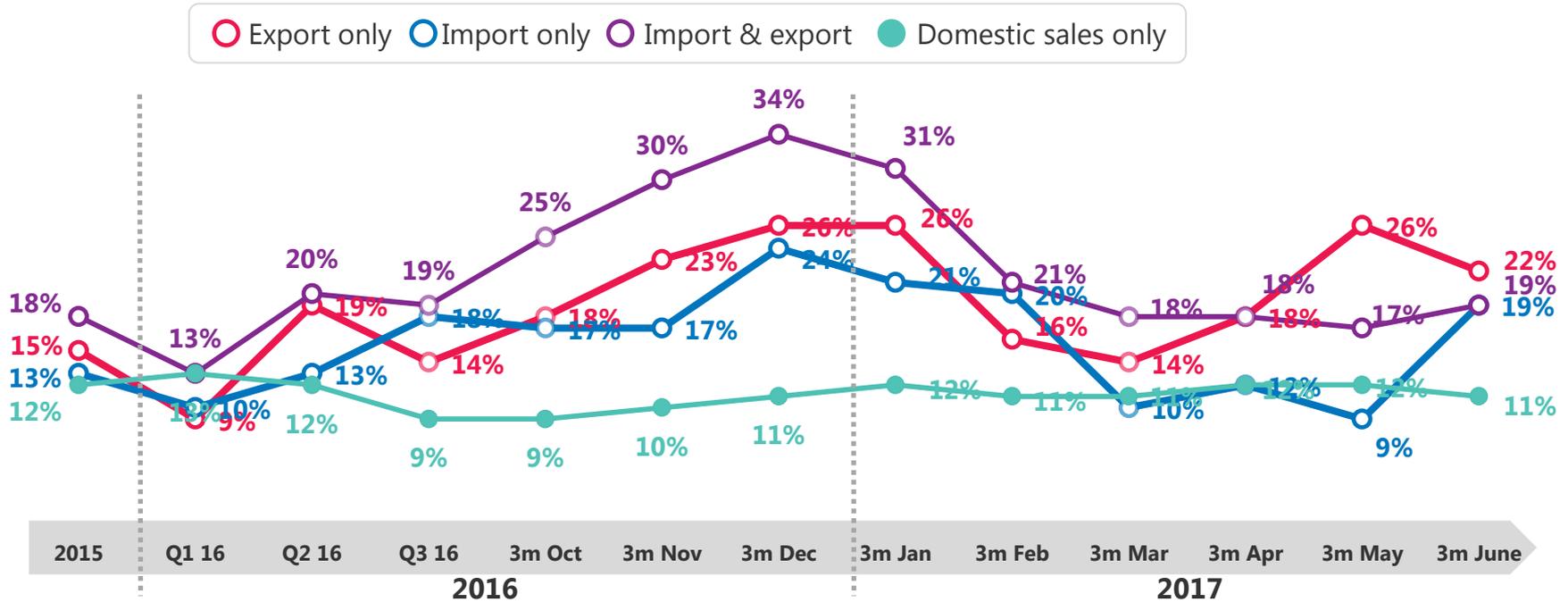
10-49 emps



50-249 emps

Concerns about the economic climate remain more volatile amongst international SMEs and at higher levels than for domestic SMEs.

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

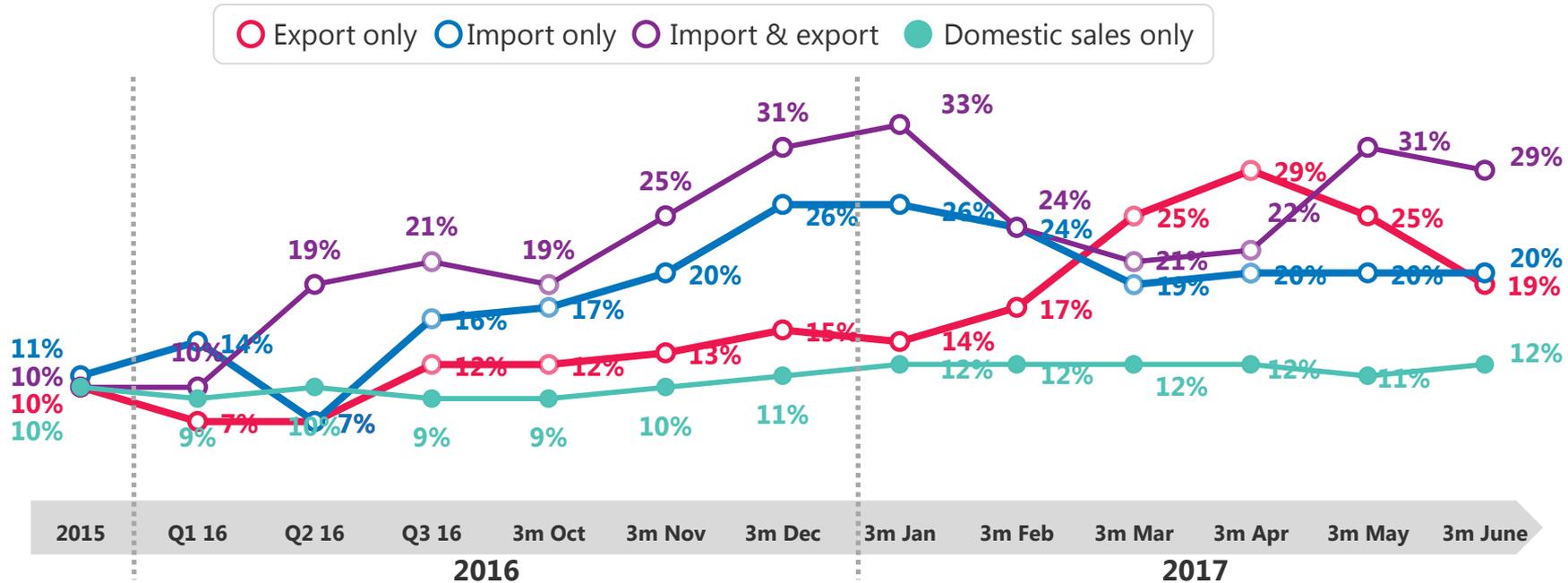


Rating the current economic climate a major obstacle (8-10)

Base : All 3mths to June 203/358/377/3569

Concerns about political uncertainty also remain more volatile amongst international SMEs and higher than for domestic SMEs.

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

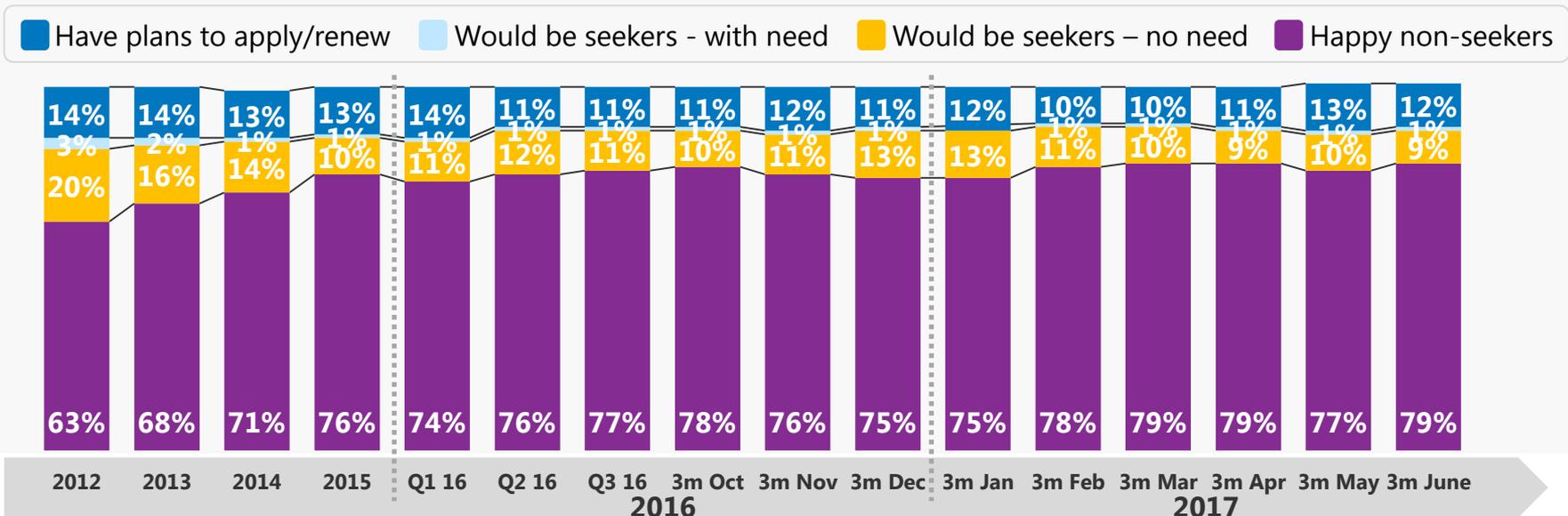


Rating political uncertainty a major obstacle (8-10)

Base : All 3mths to June 203/358/377/3569

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

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



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 almost 8 in 10 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 remained fairly stable.

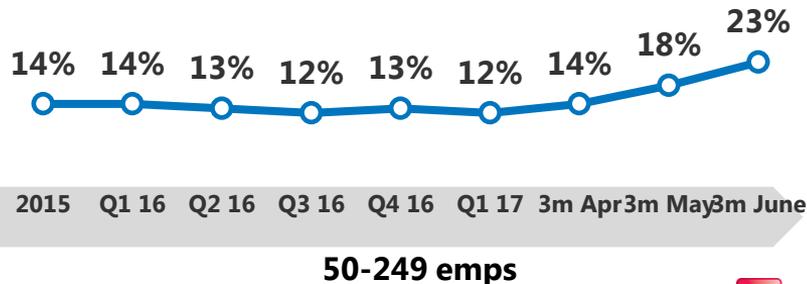
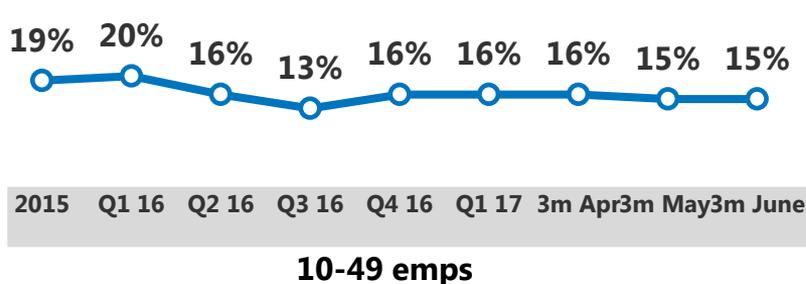
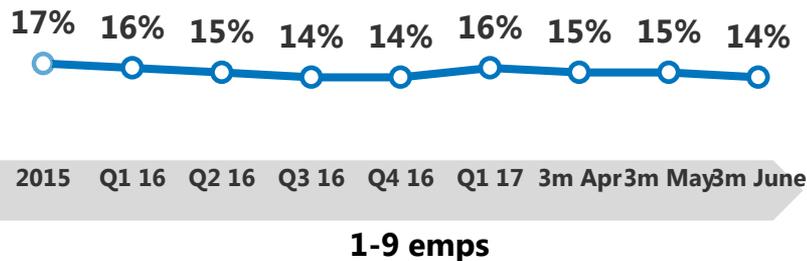
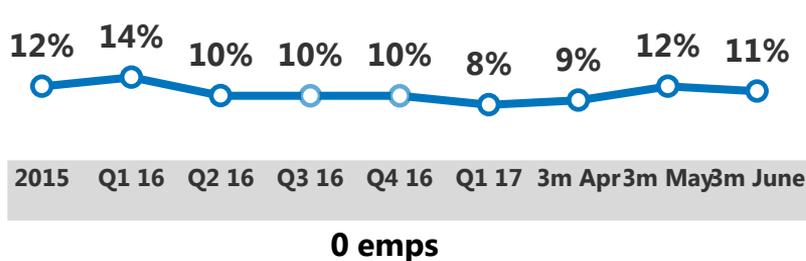
Q229

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507

Future appetite for finance is increasing for the largest SMEs but is stable elsewhere

Time series: % planning to apply

○ Plan to apply

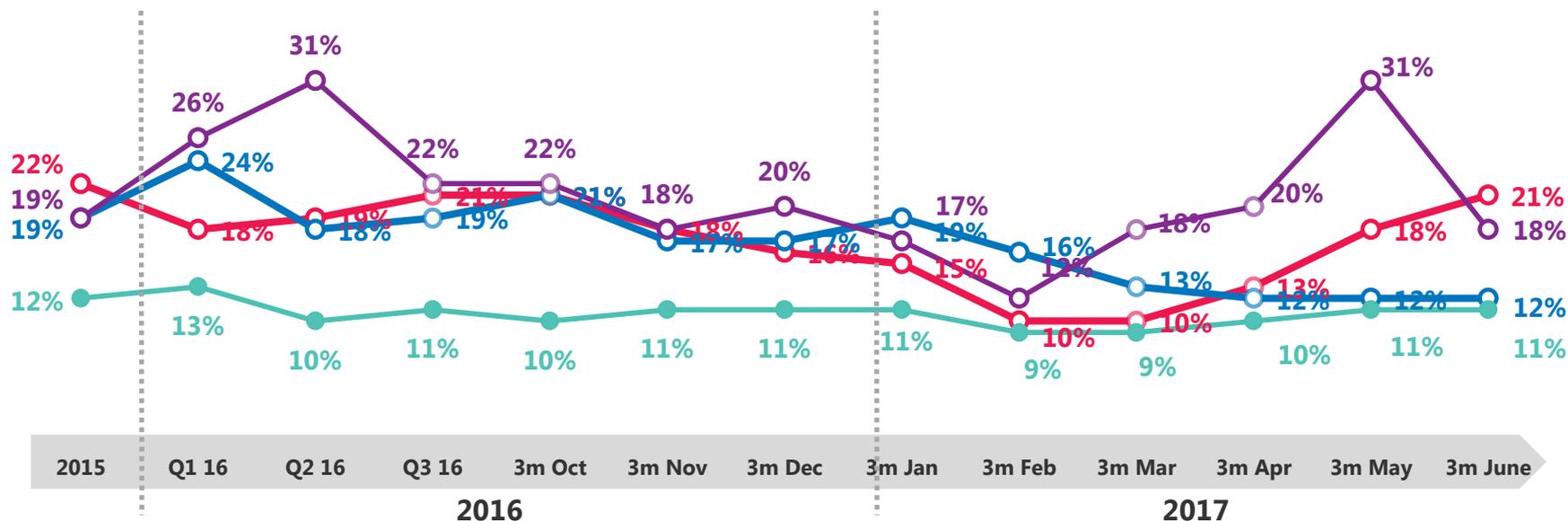


SMEs who only export have reported increased appetite for external finance as more plan to apply

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

Plan to apply for external finance

○ Export only ○ Import only ○ Import & export ● Domestic sales only



There has been a steady increase in the proportion of export only SMEs planning to apply for finance in the next 3 months, whilst those who only import have become somewhat less likely to say they will apply.

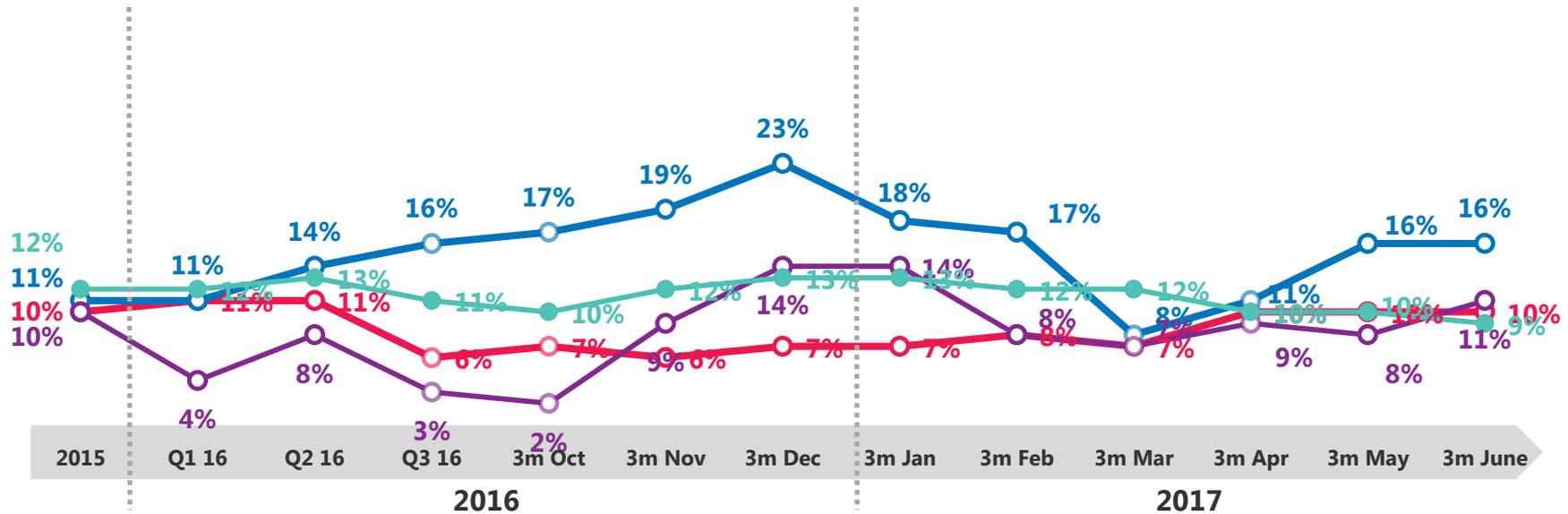
Base : All 3mths to June 203/358/377/3569

Those who only import are less likely to be planning to apply* and more likely to be a would-be seeker, i.e. seeing a barrier to application

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

Expect to be a future would-be seeker of finance

○ Export only ○ Import only ○ Import & export ● Domestic sales only

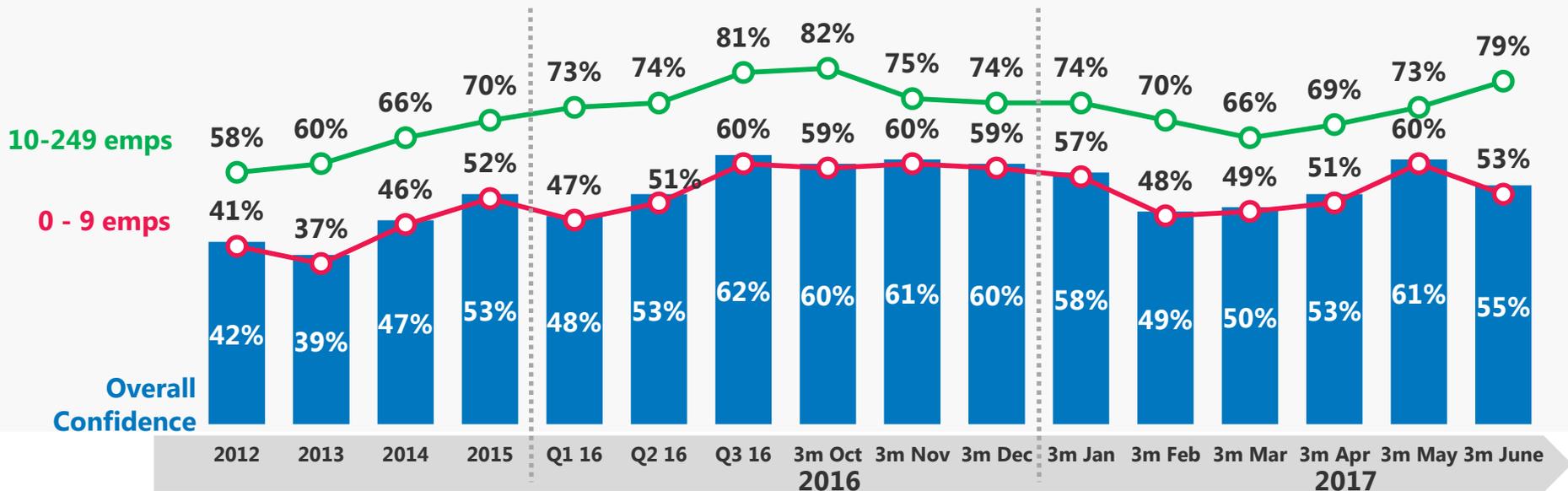


As those who only import have become less likely to plan to apply for finance, they have become more likely to be a *would-be* seeker of finance – an SME that can see barriers to making a future application

* SEE SLIDE 20 Base : All 3mths to June 203/358/377/3569

Amongst larger SMEs planning to apply for bank finance, confidence of success continues to improve

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



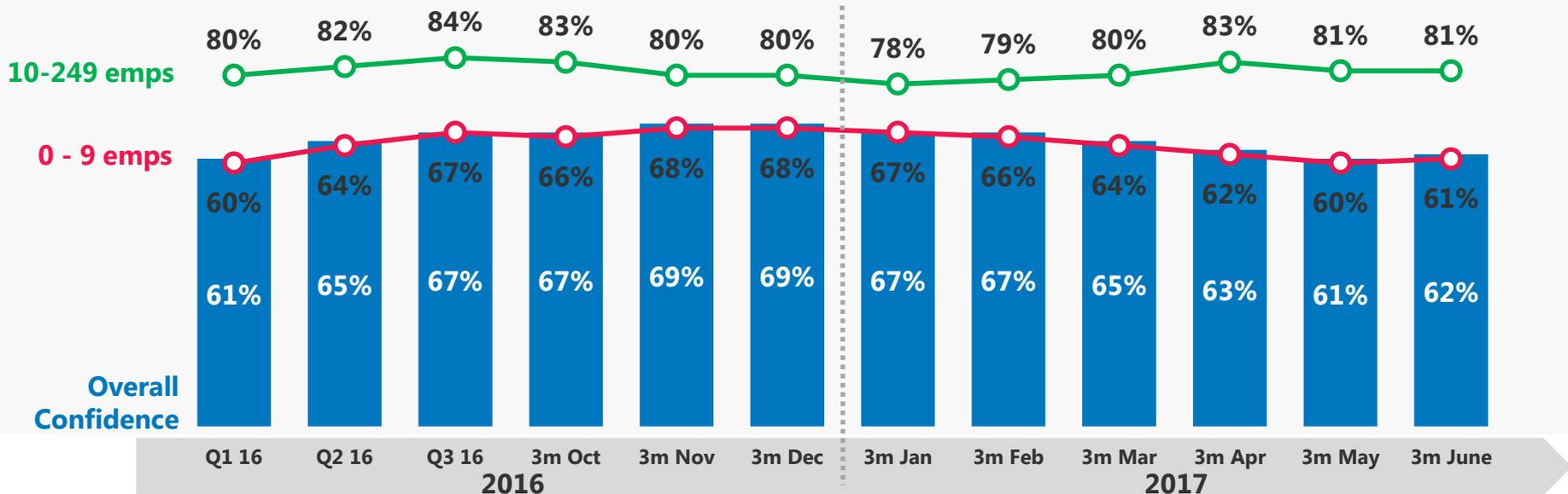
55% of those planning to apply for finance were confident the bank will agree to lend. This is somewhat lower than the 61% that were confident in the 3 months to May, due to lower confidence amongst those with 0-9 employees. Confidence amongst those with 10-249 employees has increased recently, back to levels seen in Q3 2016

Q238

Base : All planning to apply for new/renewed facilities 3mths June 437 184/253

During 2017 smaller SMEs with no plans to apply 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



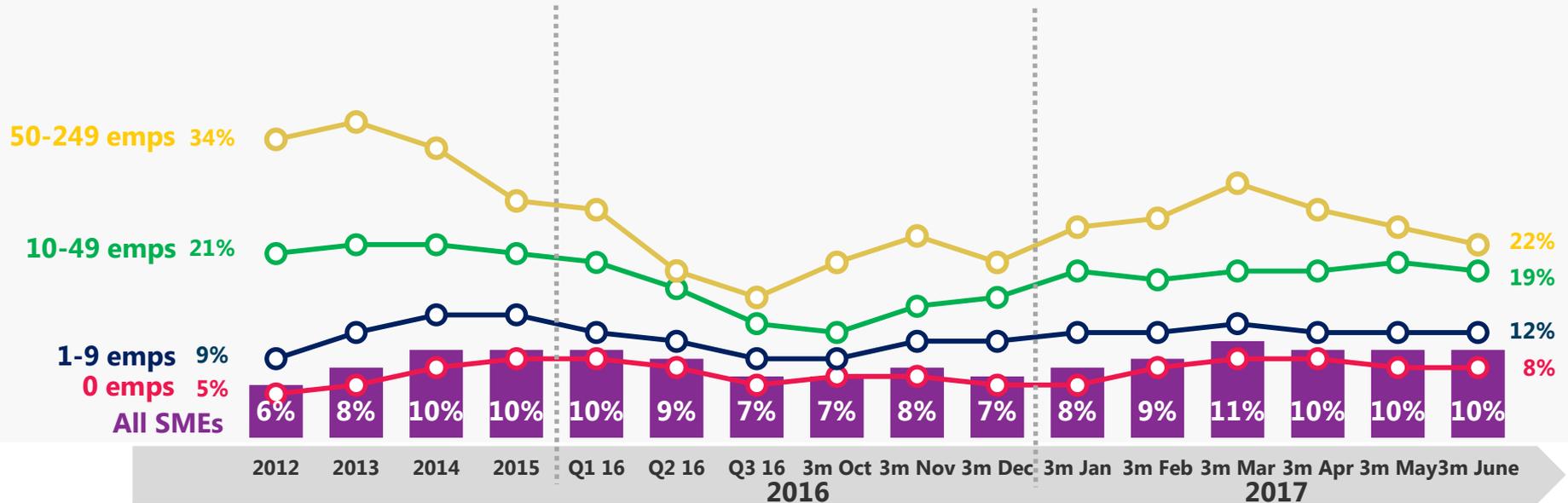
6 in 10 (62%) of those with **no plans** to apply to a bank for finance are confident of a hypothetical success. Larger hypothetical applicants remain somewhat more confident than smaller ones and hypothetical applicants are once again more confident than those *with* plans that the bank would say yes.

Q239b

Base : All not planning to apply for new/renewed facilities 3mths June 4070 2172/1898

The proportion of SMEs that export is currently stable and in line with the first half of 2016

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 a stable 1 in 10 are exporting in 2017