



SME Finance Monitor

Current analysis
3 months to end July 2017

An independent report by
BDRC Continental, August 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 May 2017 to July 2017.

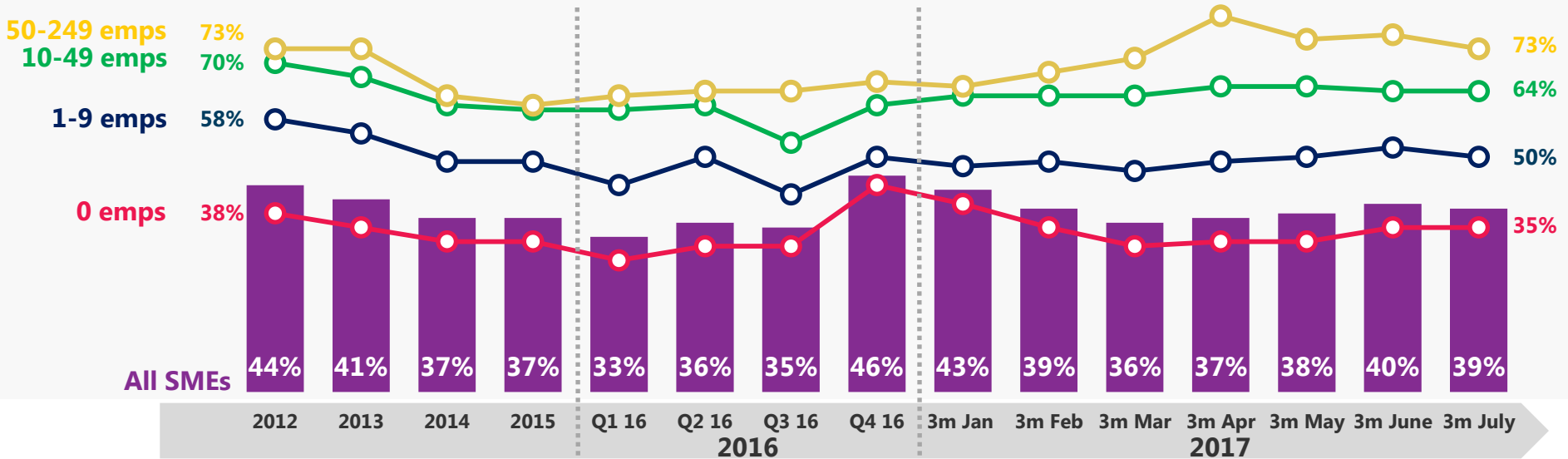
Headline analysis is provided for all SMEs, with key questions split by size of SME. Some analysis is also provided by the type of international trade (if any) undertaken alongside domestic activity:

- 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



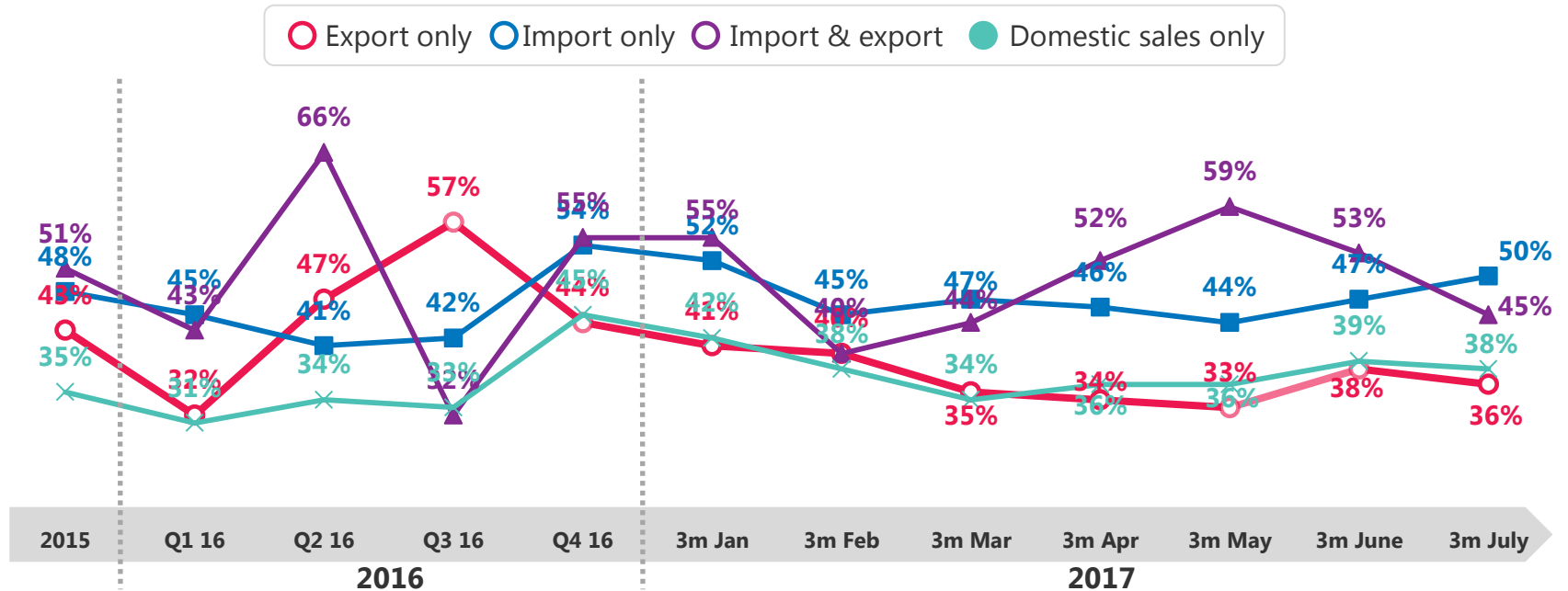
The increase in use of external finance from 36% in Q2 2016 to 46% in the 3 months to December was almost entirely driven by the 0 employee SMEs (31% to 44%). The 3 months to July 2017 continues to show lower levels of overall use of finance (39%), again due primarily to the 0 employee SMEs where use has returned to previous lower levels (35% currently).

Q15

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4082/4500/4916/4806/4500/4443/4195/4507/4739

Exporters and domestic SMEs remain less likely to be using external finance than other international SMEs

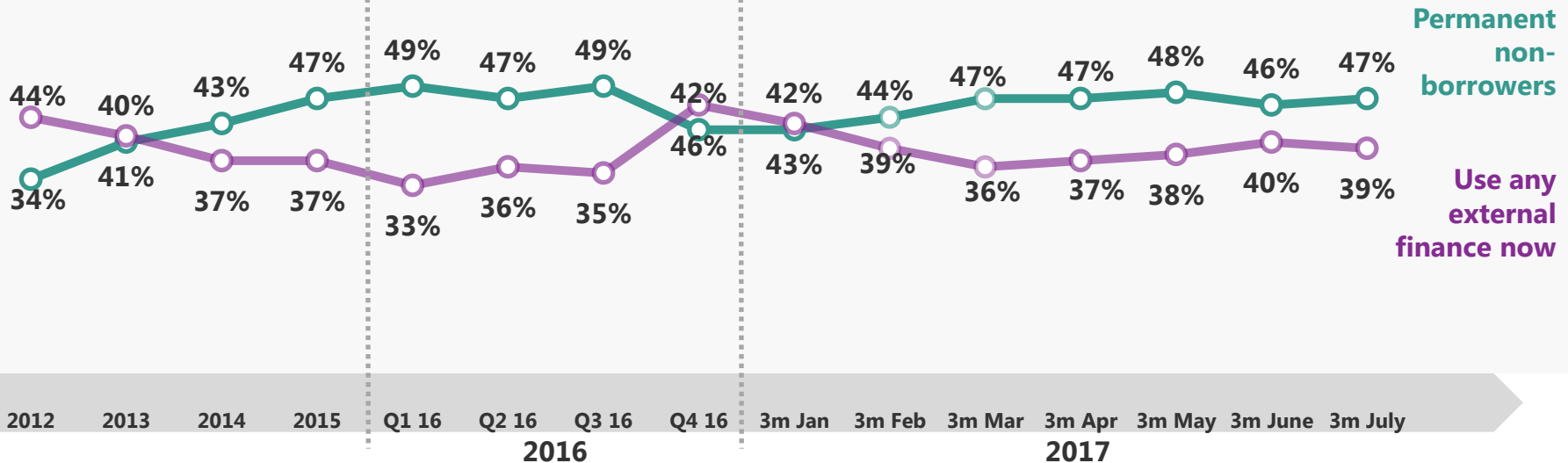
Time series: use of external finance by extent of international trade alongside domestic sales



Use any external finance

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

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



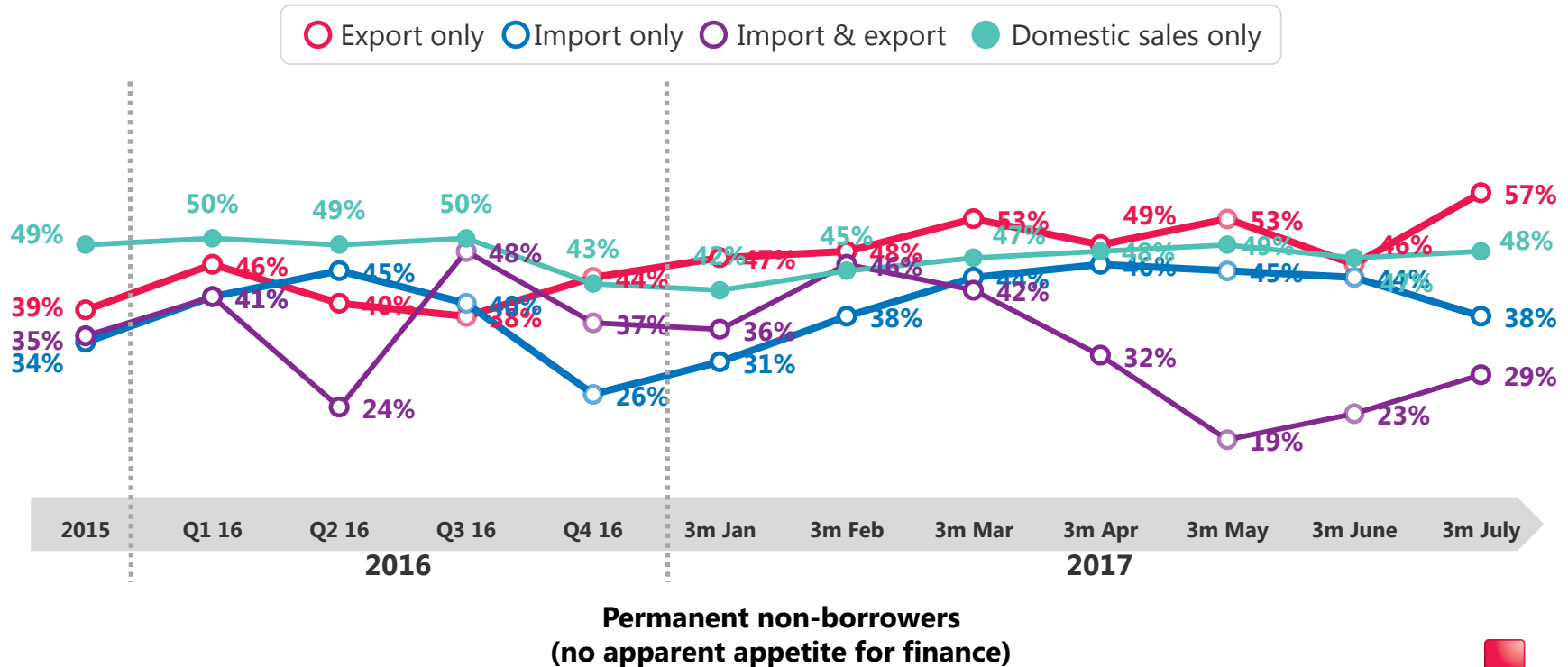
The 'Permanent non-borrowers' are defined by not using external finance and showing no inclination to do so. The proportion meeting the definition declined in late 2016 but returned to previous levels in 2017. The 3 months to July figure of 47% is in line with the proportion of PNBs for 2016 as a whole, and the "gap" between the two groups remains stable

Q15/14 and others

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507/4739

SMEs that import and export remain less likely to be a permanent non-borrower than other SMEs, but the gap is narrowing

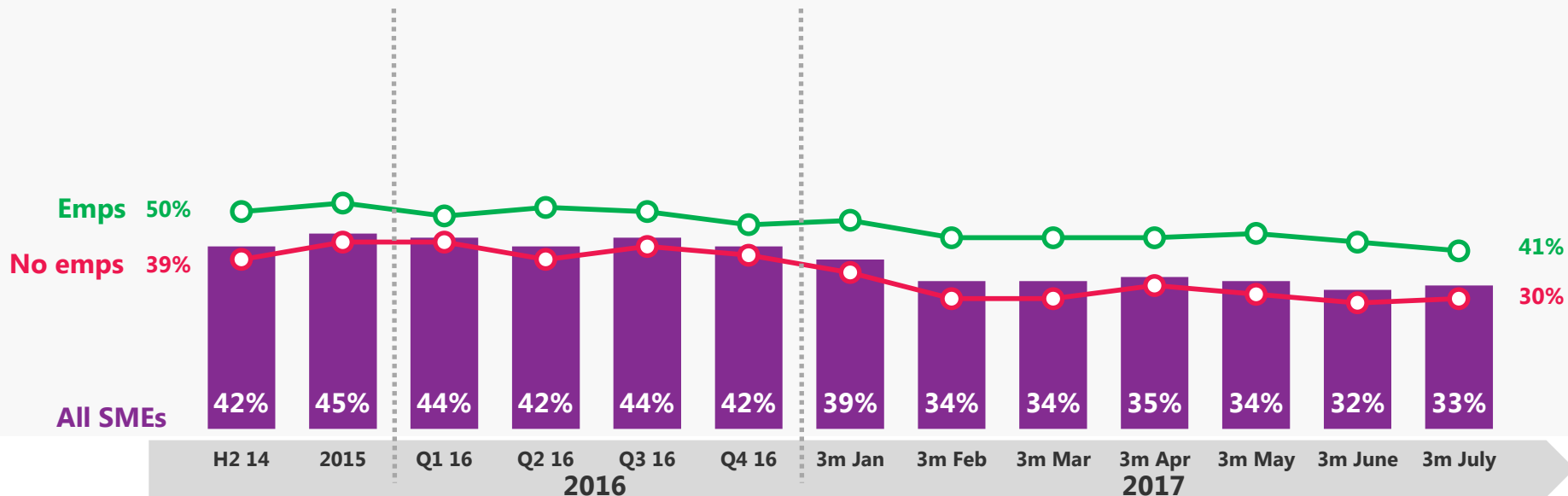
Time series: Permanent non-borrowers by extent of international trade alongside domestic sales



Base : All 3mths to July 241/368/403/3727

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

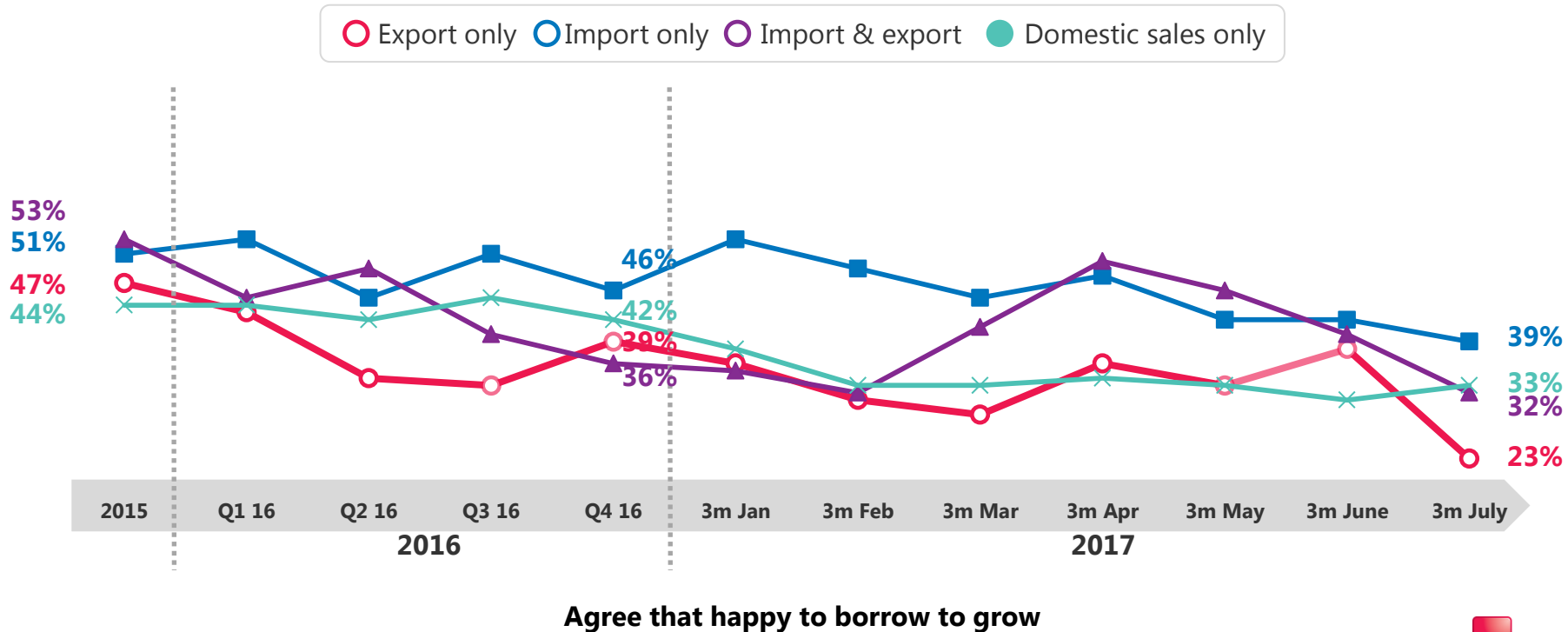
Time series: Agree that happy to use external finance to help business grow



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 drop in 2017 amongst both the 0 employee SMEs and those with employees.

Willingness to borrow has declined amongst all groups since 2016

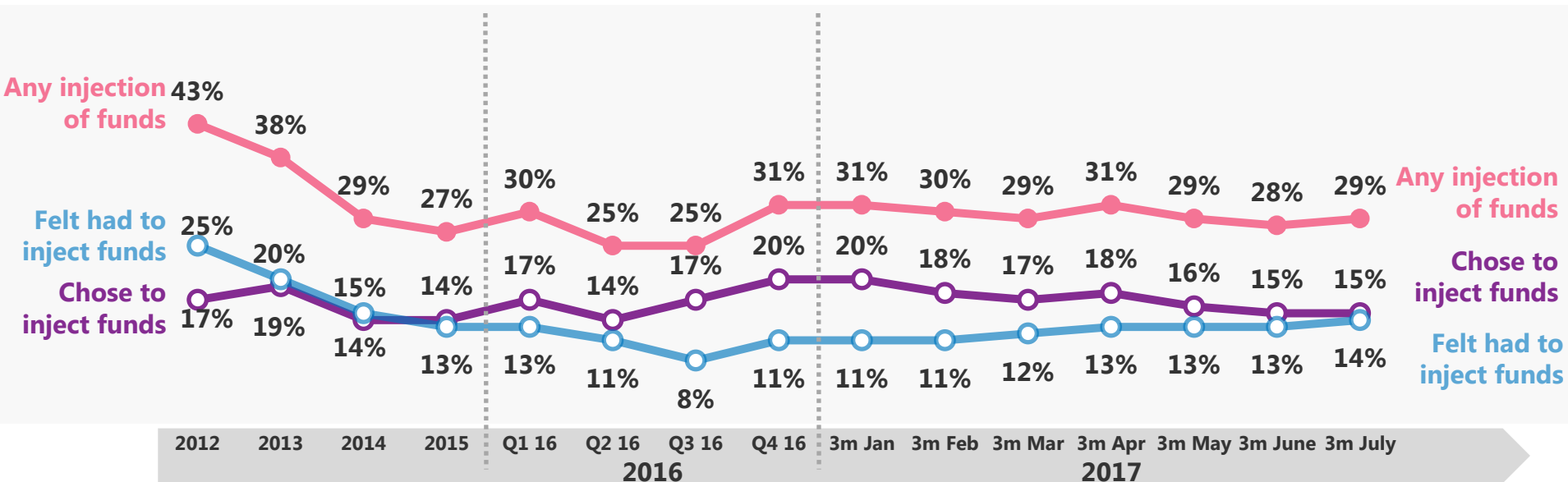
Time series: happy to borrow to grow by international trade



Base : All 3mths to July 241/368/403/3727

A steady 3 in 10 SMEs have injected personal funds in 2017, with a slight increase in those feeling they had to put funds in

Time series: Injections of personal funds in previous 12 months



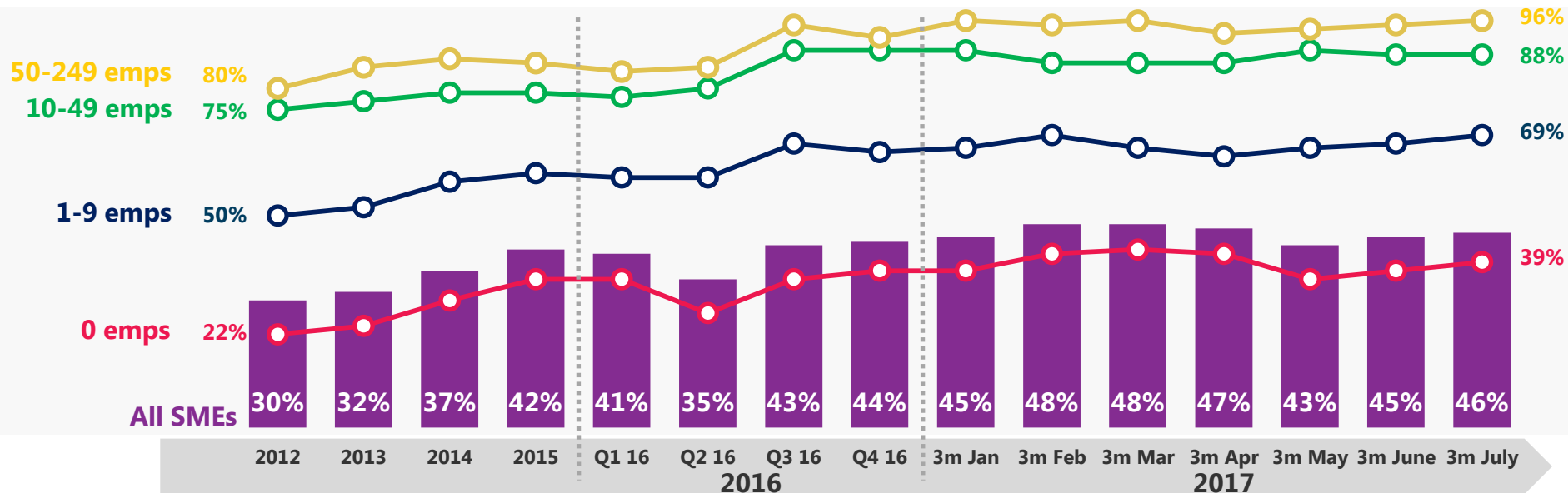
The proportion of SMEs injecting funds fell from a peak of 43% in 2012 to around a quarter of SMEs during 2016. In 2017 a steady 3 in 10 have reported an injection of funds, with slightly fewer choosing to put in funds and more feeling that they had to

Q15d2

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507/4739

Since mid-2016 the proportion of SMEs holding more than £5000 of credit balances has increased across all size bands

Time series: £5k credit balances held



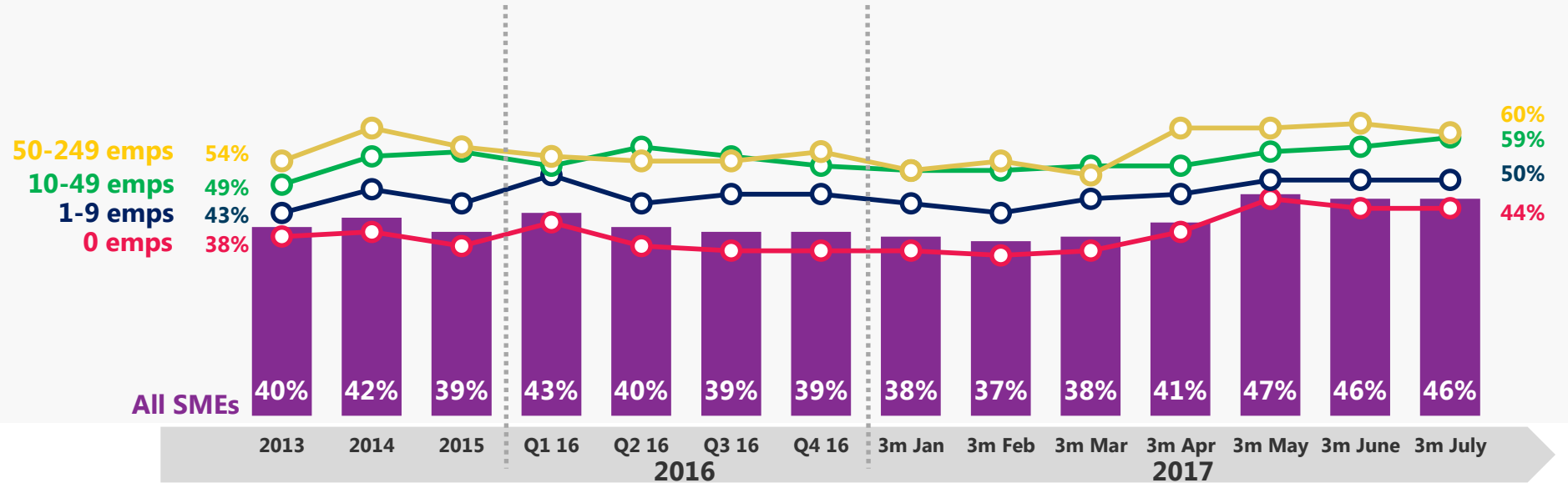
In 2015, 42% of SMEs held £5,000 or more in credit balances. In 2016, 40% held such sums but with an increase in balances held in the second half of the year. In all size bands, the proportion holding £5k or more of credit balances is currently higher in 2017 than it was in 2016 as a whole.

Q245a

Base: All respondents excluding dk/ref 3 mths to July 2911

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

Time series: Have grown (excluding Starts)



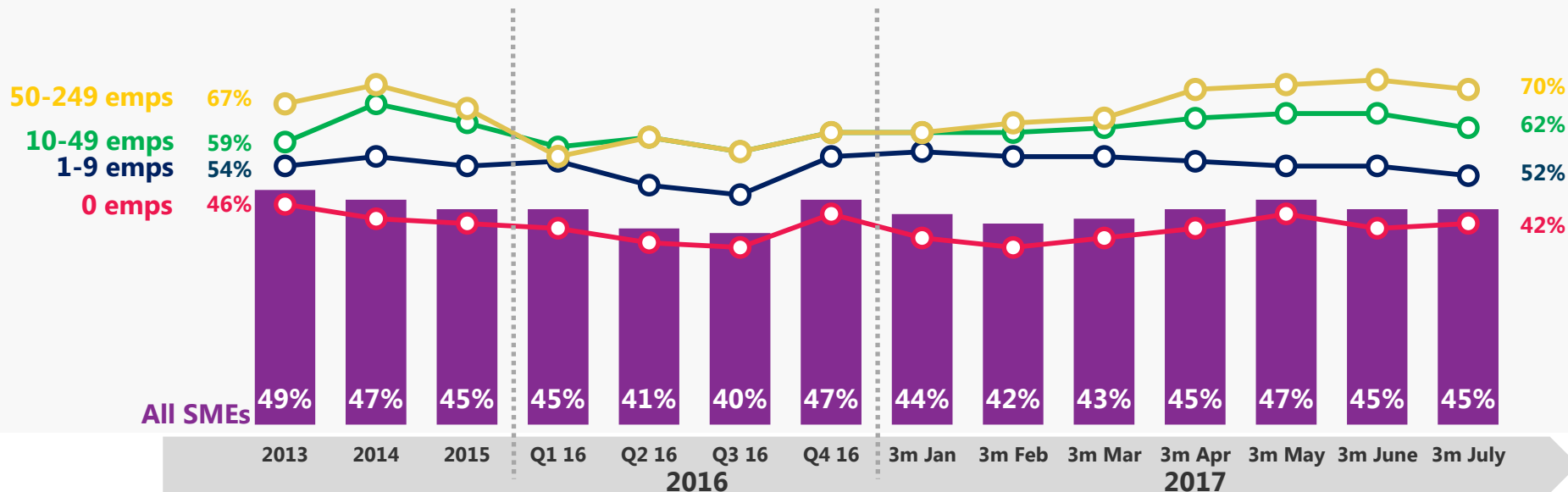
Since 2012, the proportion of SMEs reporting growth has varied little and was 40% for 2016 as a whole. The 46% reporting growth in the current period is somewhat higher than was seen earlier in 2017 and was driven by the 0 employee SMEs where 44% reported growth (up from 39% in the 3 months to April).

Q245a

Base : All respondents excluding Starts. 3 mths to July 3909

Growth ambitions in 2017 have been stable overall. Larger SMEs are more likely to be planning to grow than they were in 2016.

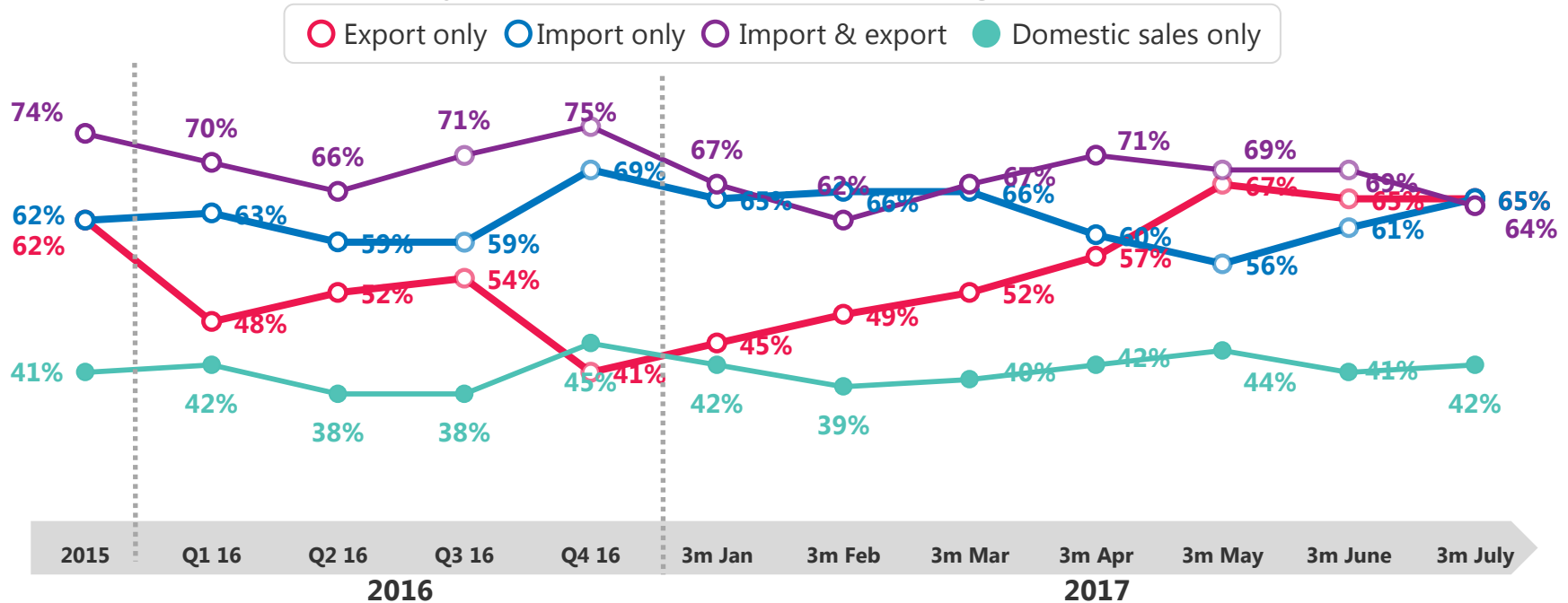
Time series: Have plans to grow – wording change in Q3 2015



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. For 2017 to date the position is stable overall.

There is now little to choose between the growth ambitions of SMEs that import, export and those that do both.

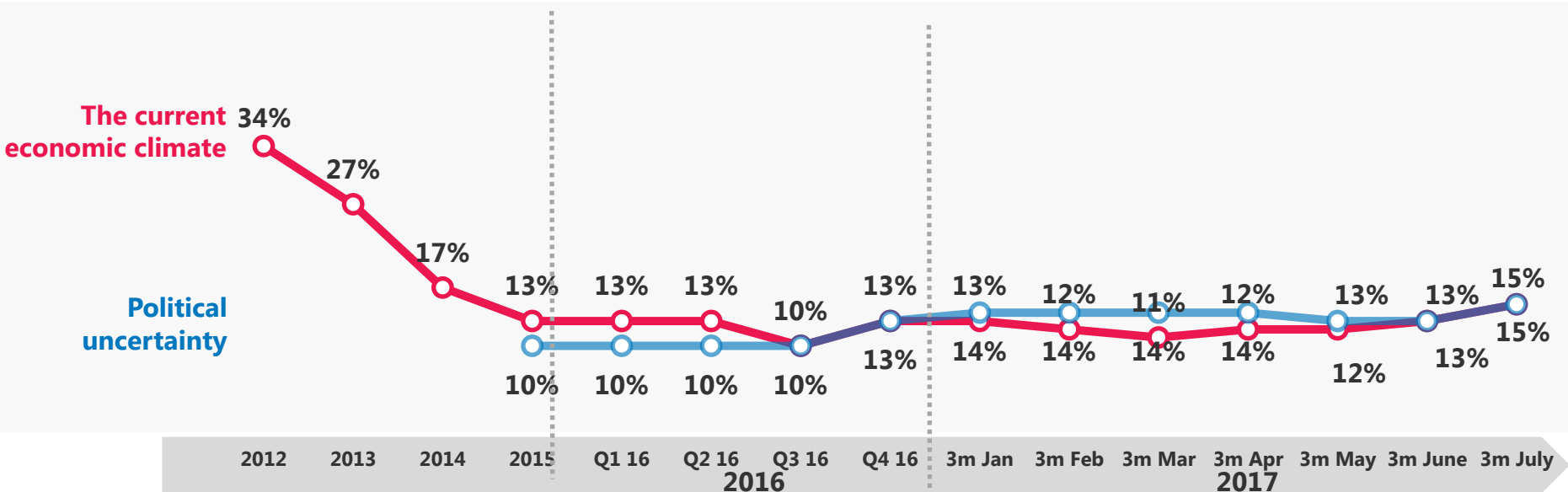
Time series: Growth plans by extent of international trade alongside domestic sales



Plan to grow in next 12 months

There has been a slight increase in levels of concern around political uncertainty and the current economic climate

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

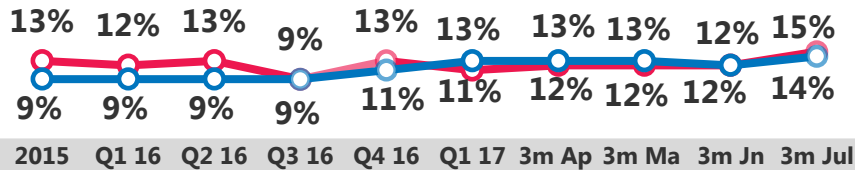


Since the start of 2016, the proportion of SMEs rating political uncertainty as a key barrier has increased from 10% to 15%, while the proportion of all SMEs rating the economic climate as a major barrier has also increased very slightly to 15%

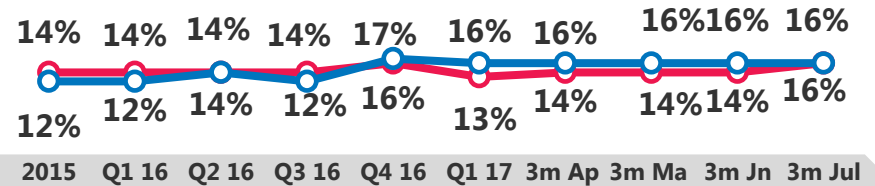
Political uncertainty remains more of a barrier for all SMEs than it was in 2015, and especially for larger SMEs.

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

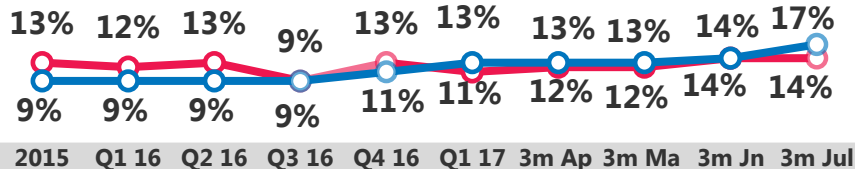
○ Economic climate ○ Political uncertainty



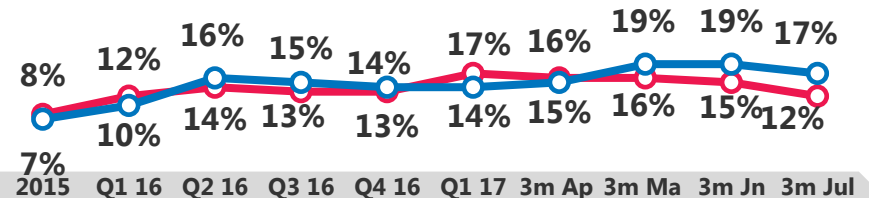
0 emps



1-9 emps



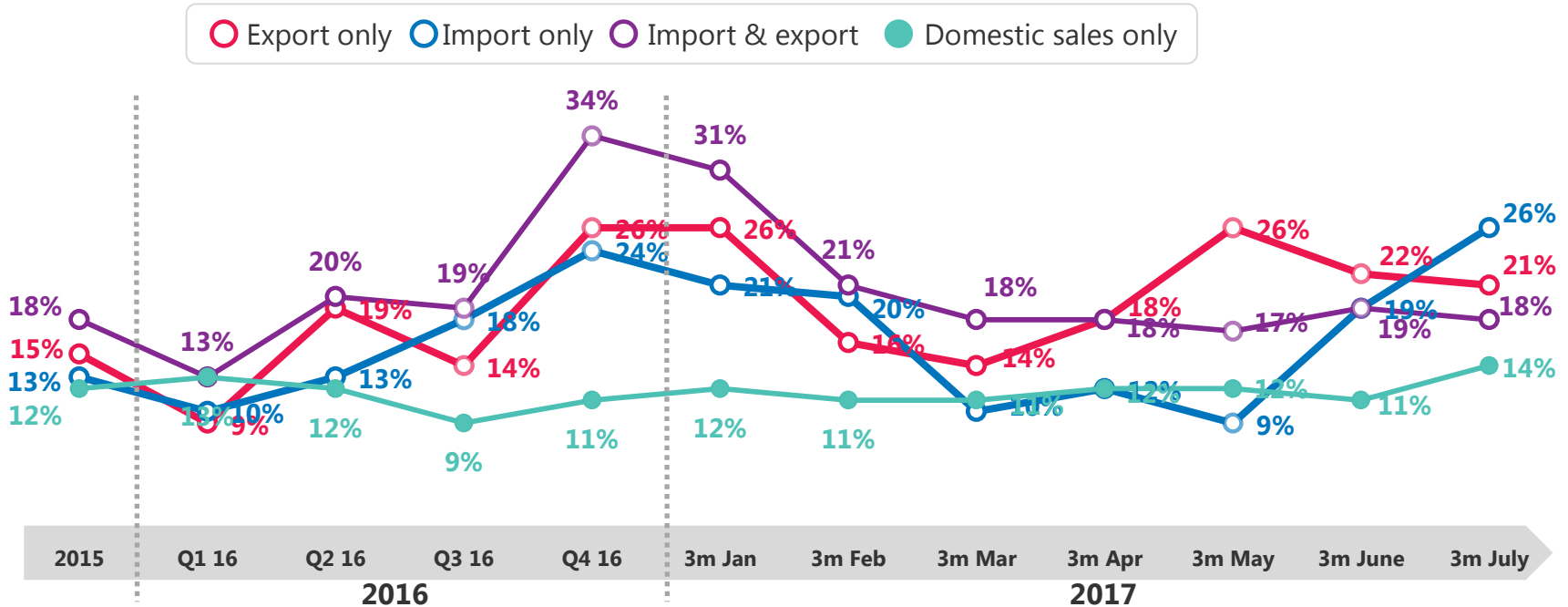
10-49 emps



50-249 emps

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

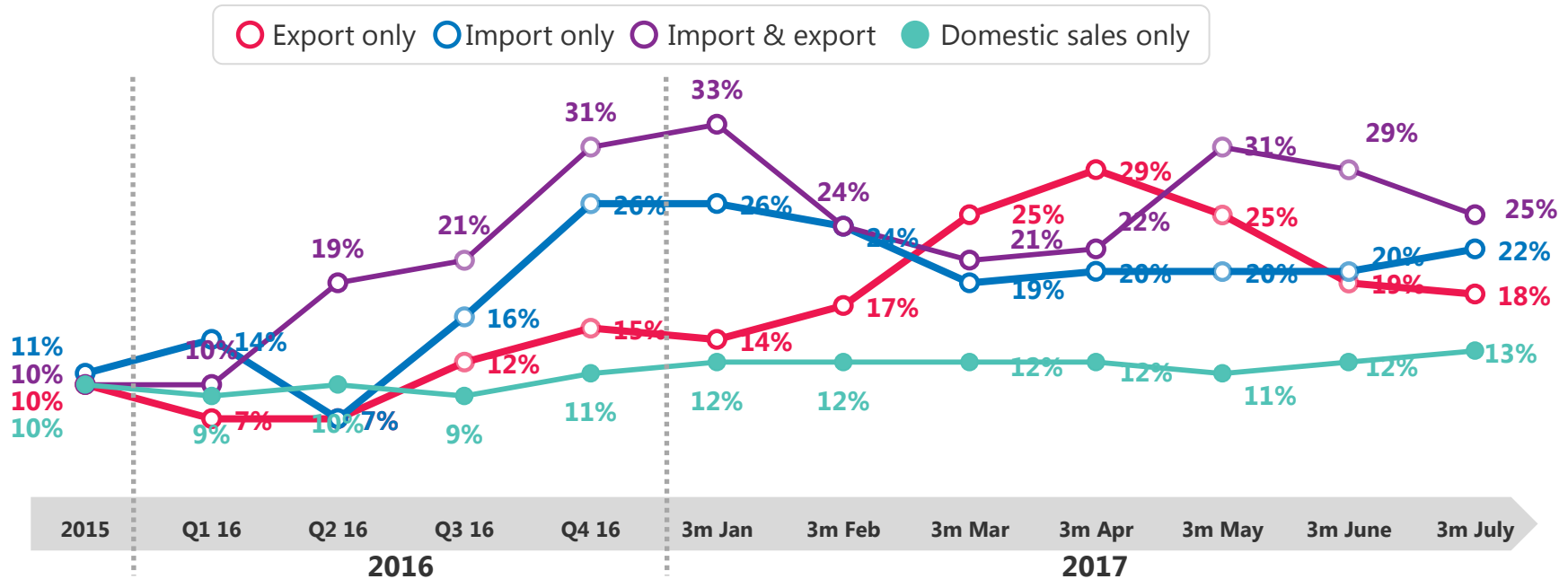
Time series: 8-10 economic climate by extent of international trade alongside domestic sales



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

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

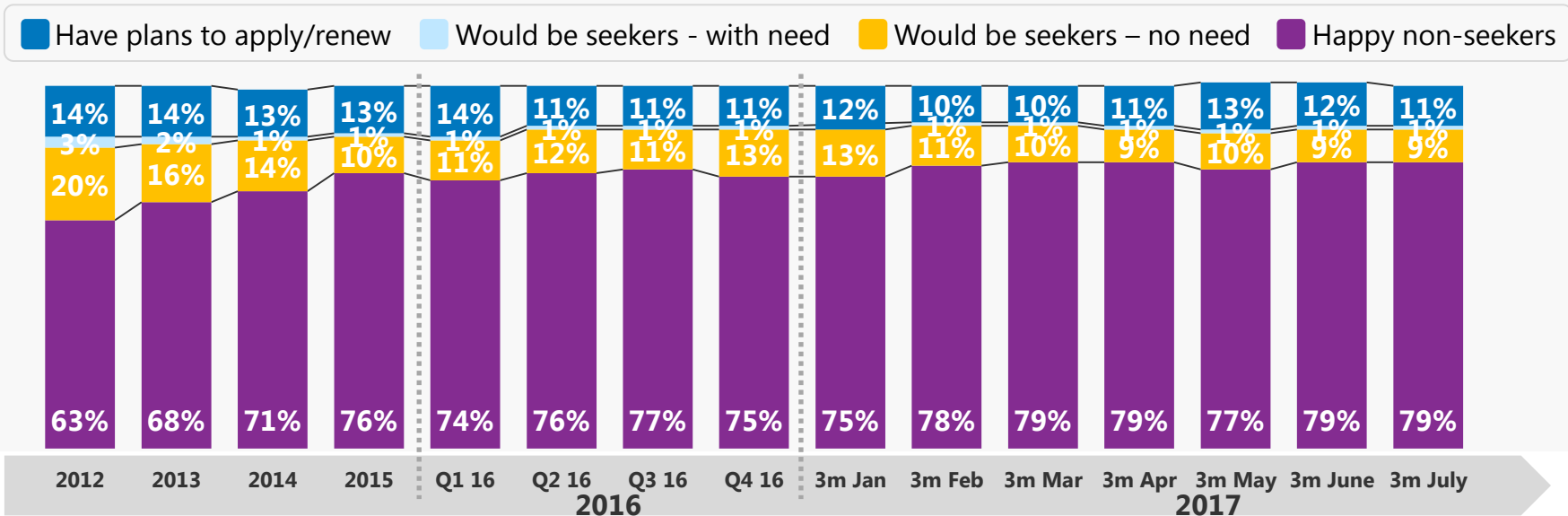
Time series: 8-10 political uncertainty by extent of international trade alongside domestic sales



Rating political uncertainty a major obstacle (8-10)

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.

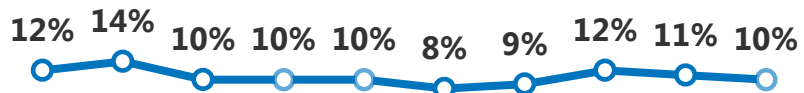
Q229

Base : All respondents From Q1 16: 4500/4500/4565/4543/4500/4191/4092/4500/4916/4806/4500/4443/4195/4507/4739

Future appetite for finance remains higher for the largest SMEs but is stable elsewhere

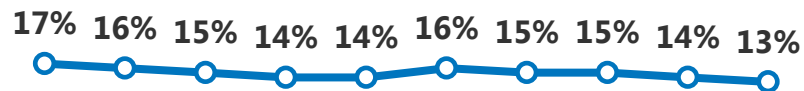
Time series: % planning to apply

○ Plan to apply



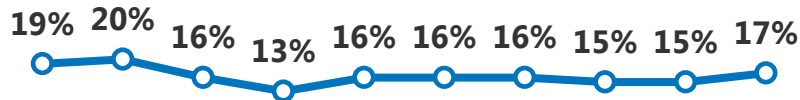
2015 Q1 16 Q2 16 Q3 16 Q4 16 Q1 17 3m Ap 3m May 3m Jn 3m Jul

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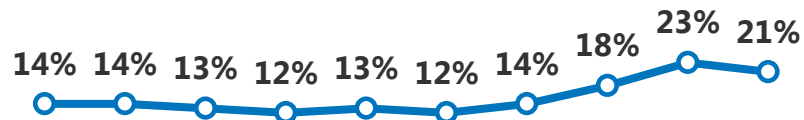
2015 Q1 16 Q2 16 Q3 16 Q4 16 Q1 17 3m Ap 3m May 3m Jn 3m Jul

1-9 emps



2015 Q1 16 Q2 16 Q3 16 Q4 16 Q1 17 3m Ap 3m May 3m Jn 3m Jul

10-49 emps



2015 Q1 16 Q2 16 Q3 16 Q4 16 Q1 17 3m Ap 3m May 3m Jn 3m Jul

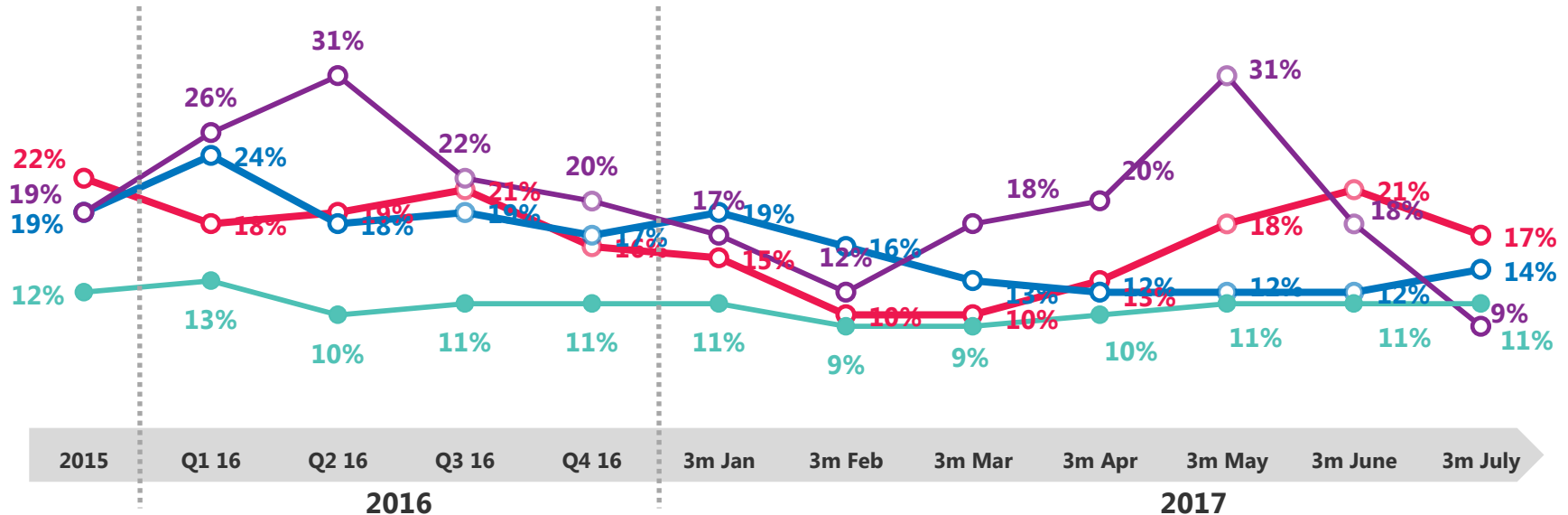
50-249 emps

Appetite for external finance amongst international SMEs and those who both import and export in particular, remains volatile

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



Appetite for finance amongst those that both import and export has ranged from 31% in 2016 Q2 and 3m to May 2017 to 9% currently. Those who export have shown a recovering appetite for finance recently.

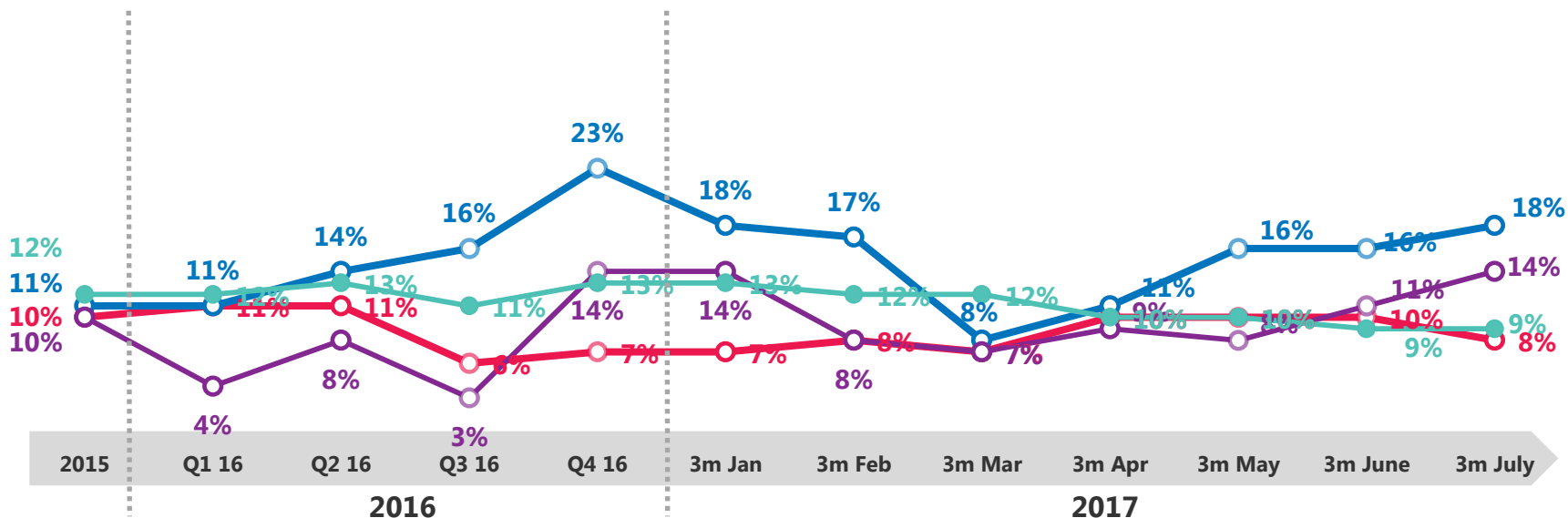
Base : All 3mths to July 241/368/403/3727

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

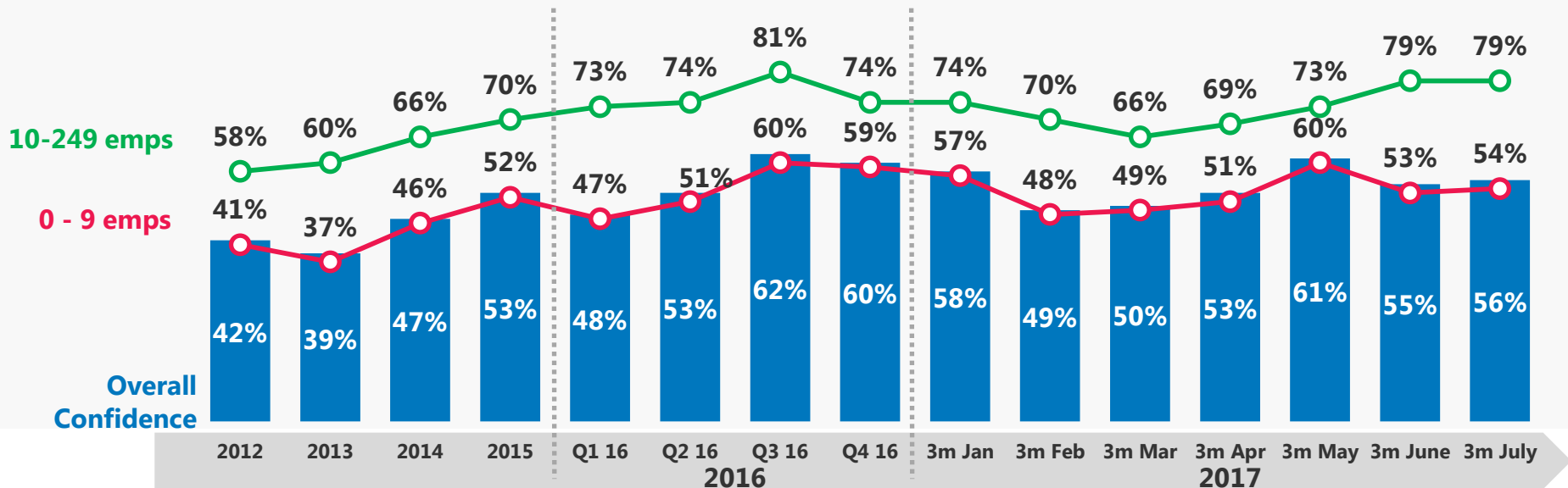


As those who only import became less likely to plan to apply for finance, they also became more likely to be a *would-be* seeker of finance – an SME that can see barriers to making a future application.

* SEE SLIDE 20 Base : All 3mths to July 241/368/403/3727

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



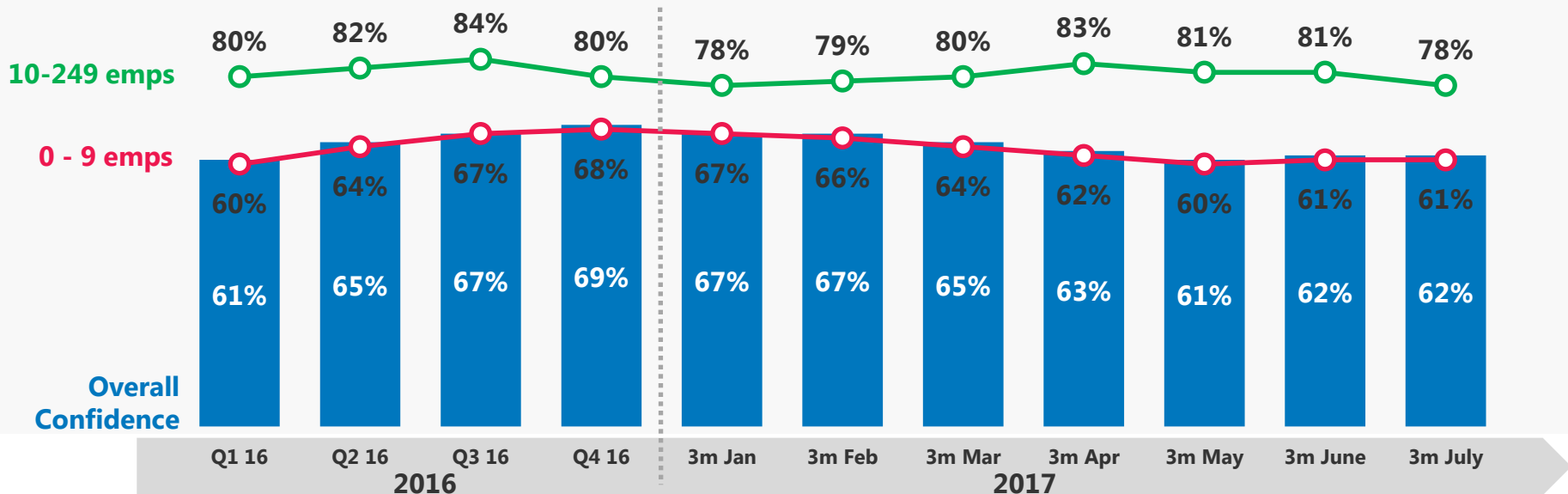
56% of those planning to apply for finance were confident the bank will agree to lend. This is somewhat lower than the 61% that were confident in the 3 months to May, due to lower confidence amongst those with 0-9 employees. Confidence amongst those with 10-249 employees has increased recently, back to levels seen in Q3 2016.

Q238

Base : All planning to apply for new/renewed facilities 3mths July 481 186/295

During 2017 smaller SMEs with no plans to apply have become somewhat less confident of a positive response if they were to do so

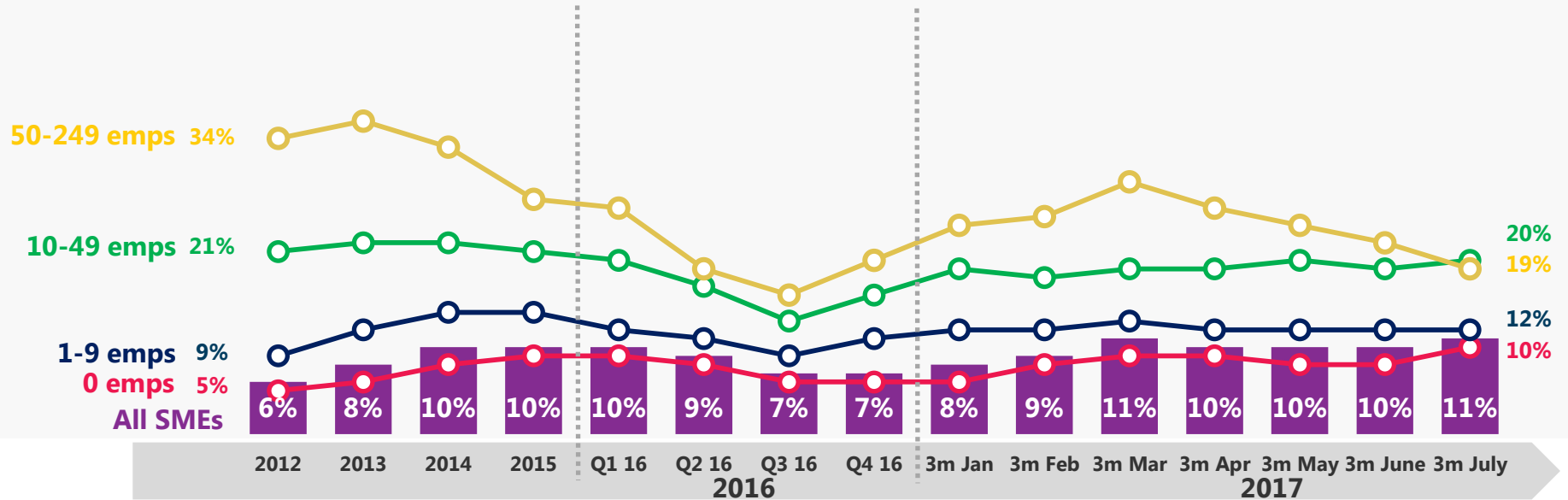
Time series: Confidence (very/fairly) bank would agree to facility next 3 months – by size



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. Overall, hypothetical applicants are once again more confident than those *with* plans that the bank would say yes.

The proportion of SMEs that export is currently stable and back to levels last seen in Q1 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.