



SME Finance Monitor

Current analysis
3 months to end April 2017

An independent report by
BDRC Continental, May 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.

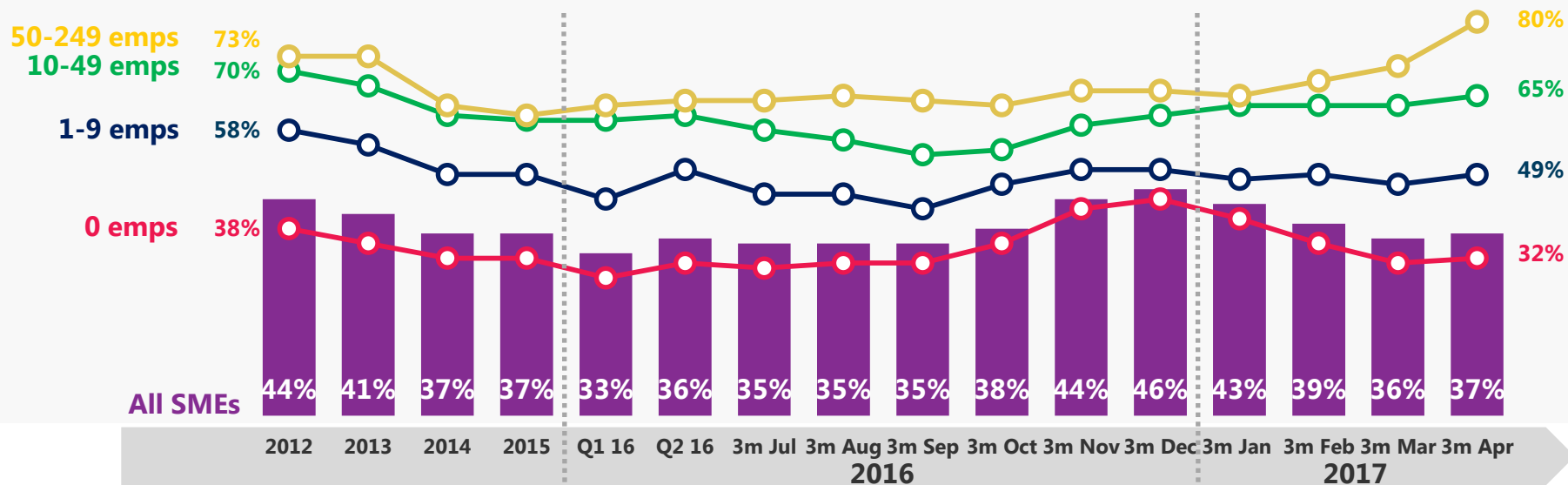
The most recent data point for this report is the 3 months from February 2017 to April 2017. The majority of fieldwork was completed before the General Election was announced

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 April 2017 continues to show lower levels of overall use of finance (37%), again due primarily to the 0 employee SMEs where use has dropped (32% currently). Larger SMEs have seen something of an increase in use of external finance in 2017.

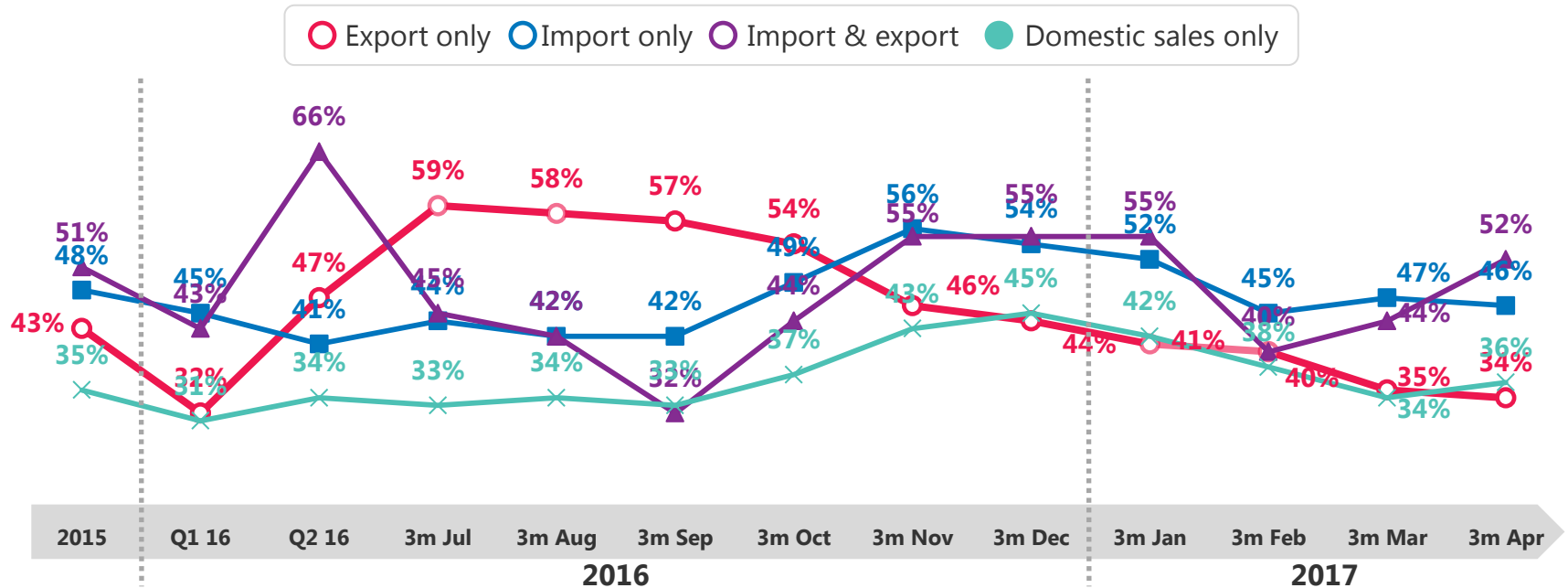
Q15

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



Use of external finance has declined for domestic and export-only SMEs in 2017, but has increased for SMEs that both import and export

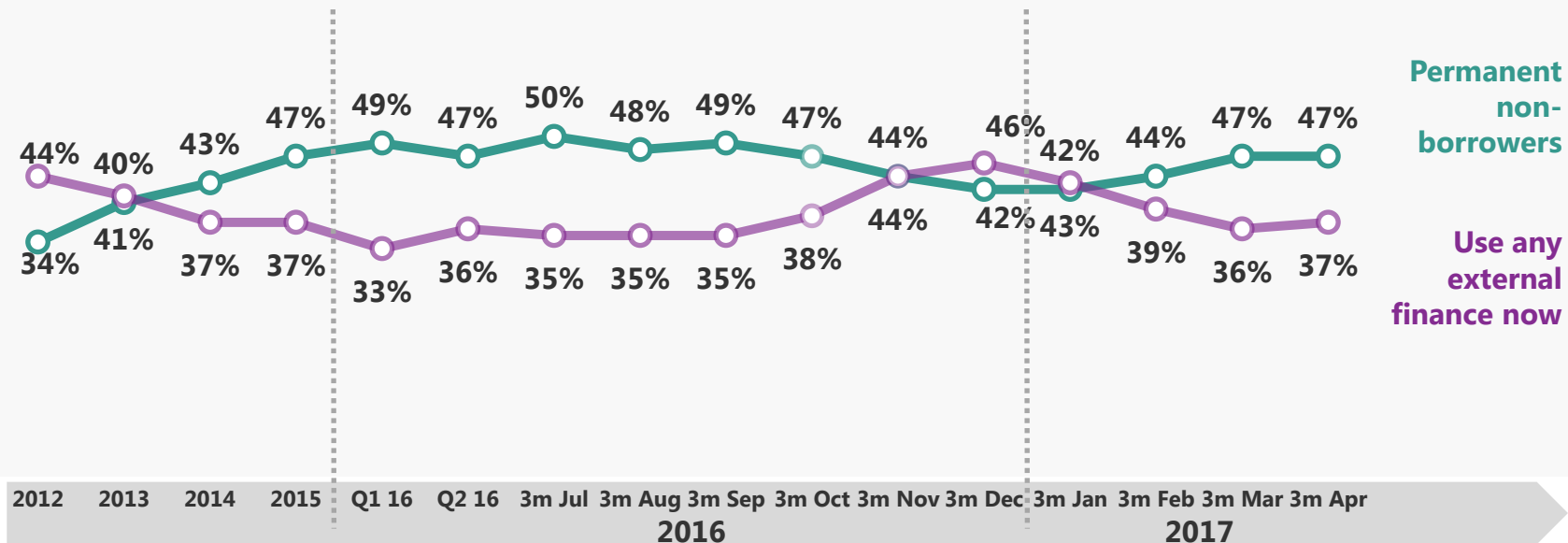
Time series: use of external finance by extent of international trade alongside domestic sales



Use any external finance

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

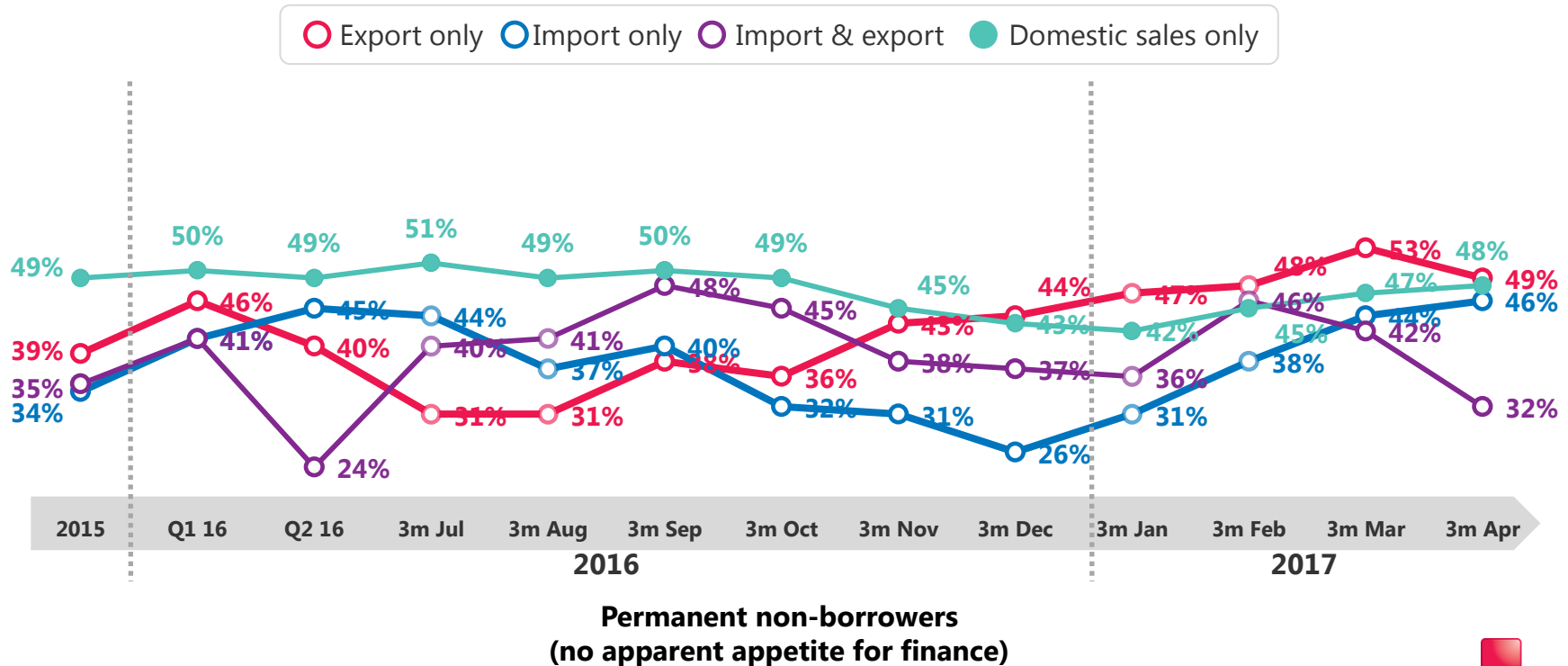
Time series: Permanent non-borrowers and users of external finance



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

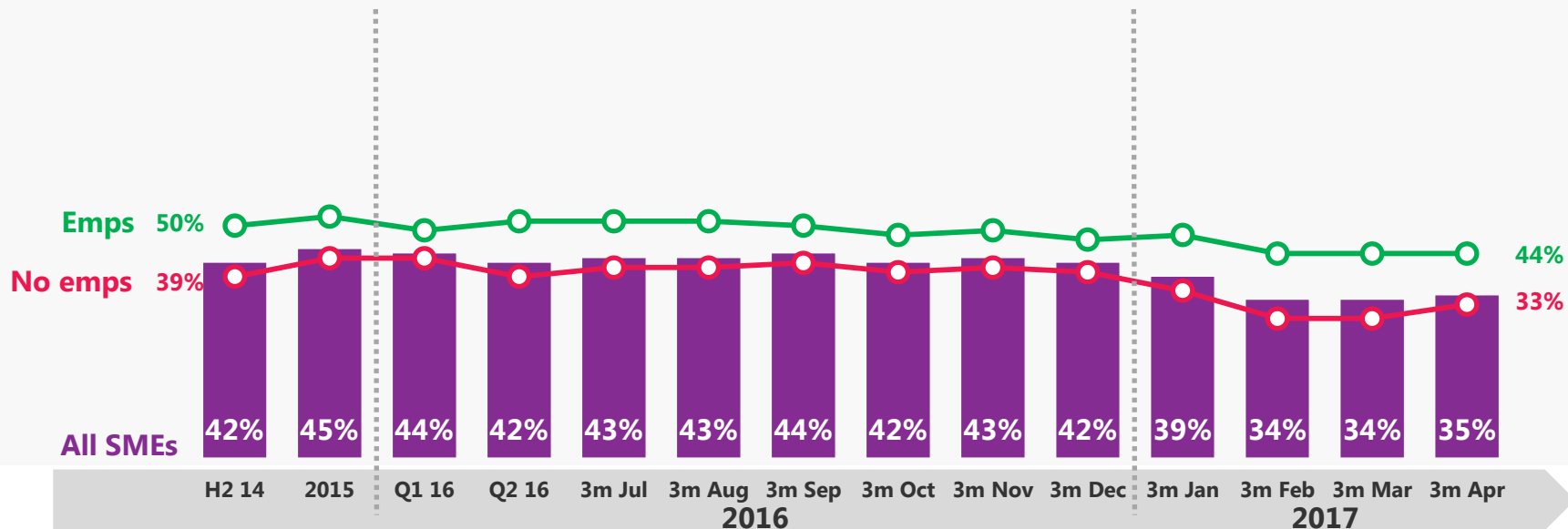
SMEs that both import and export less likely to be a permanent non-borrowers than other SMEs

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



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

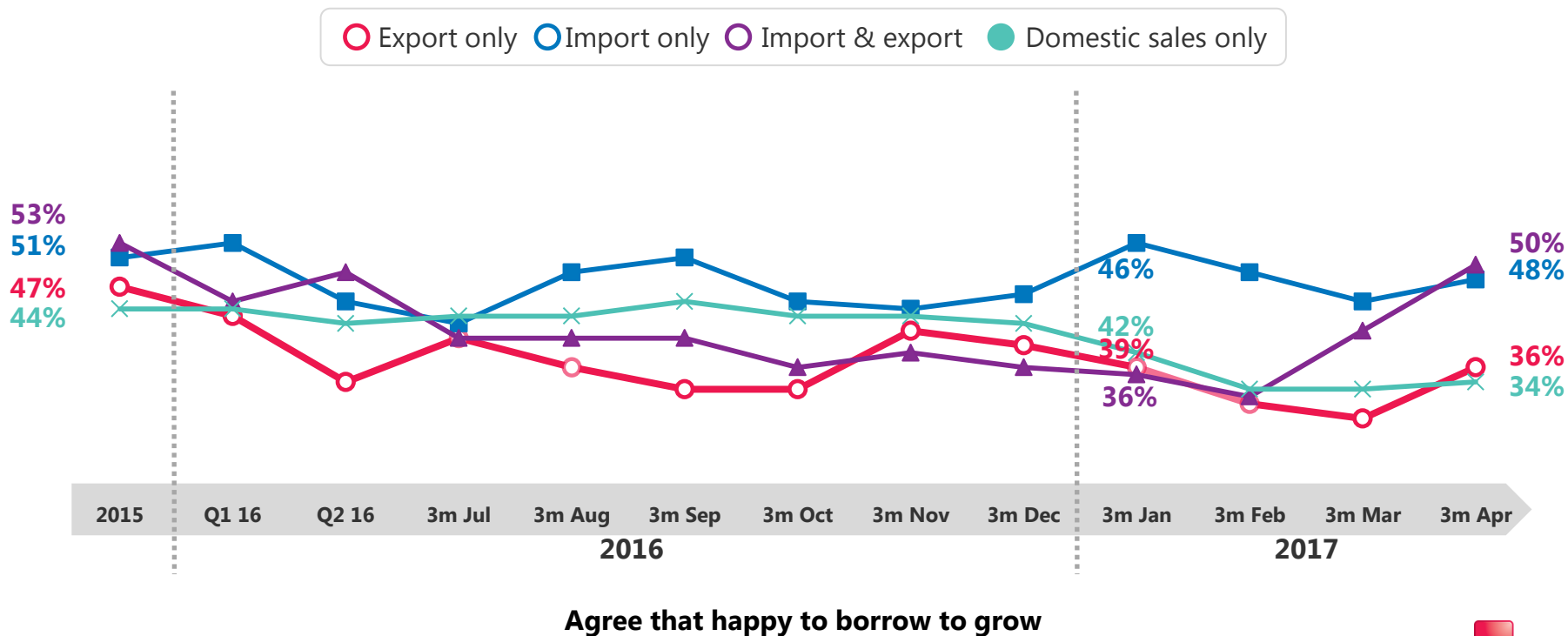
Time series: Agree that happy to use external finance to help business grow



After remaining consistent during 2016, the proportion of SMEs willing to use finance to grow is somewhat 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.

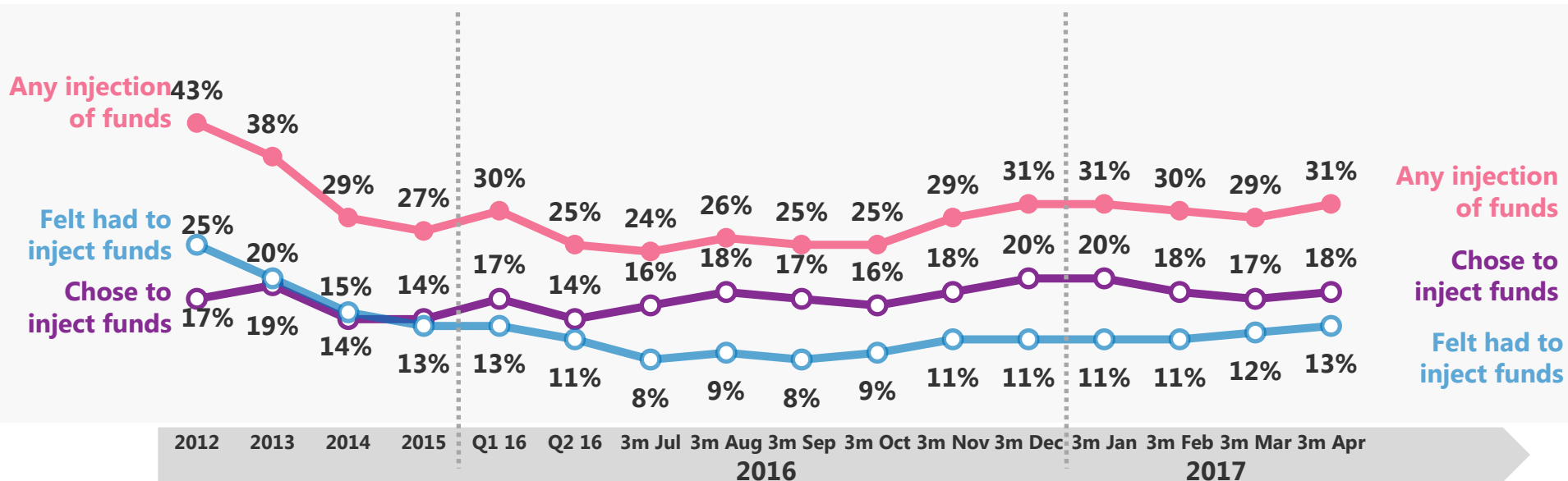
Willingness to borrow to grow in 2017 remains close to 2016 levels, but with signs of a revival from SMEs that both import and export

Time series: happy to borrow to grow by international trade



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

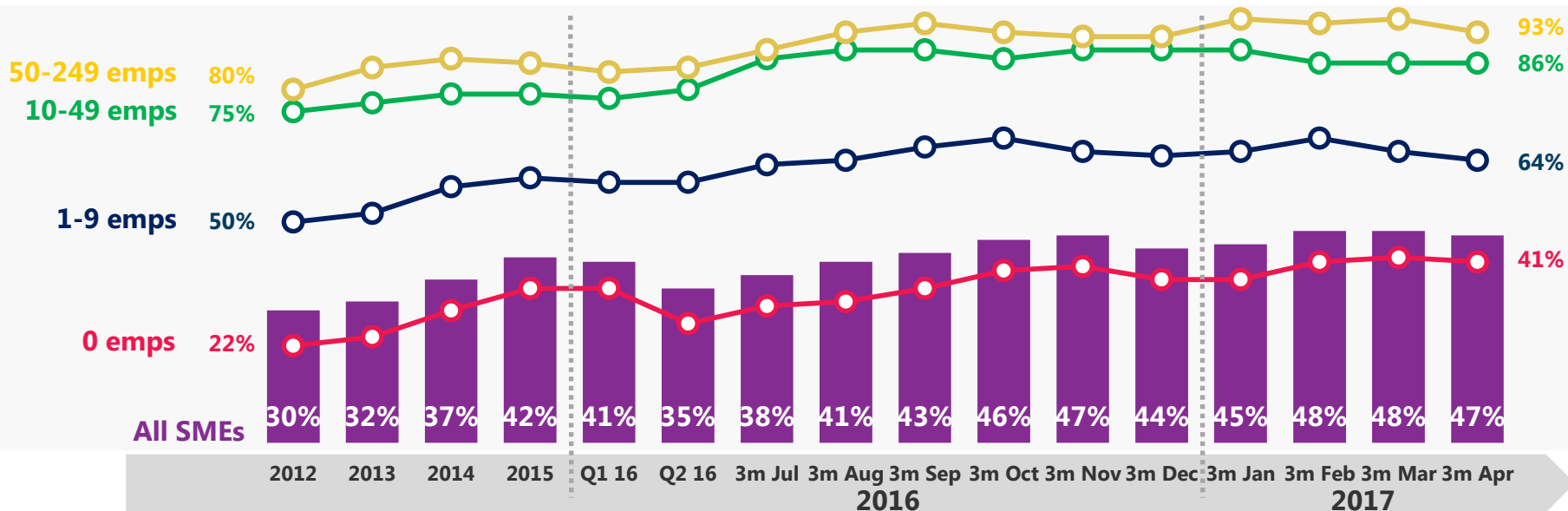
Time series: Injections of personal funds in previous 12 months



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.

The proportion of smaller SMEs holding £5,000 or more of credit balances is currently stable and above levels previously seen

Time series: £5k credit balances held



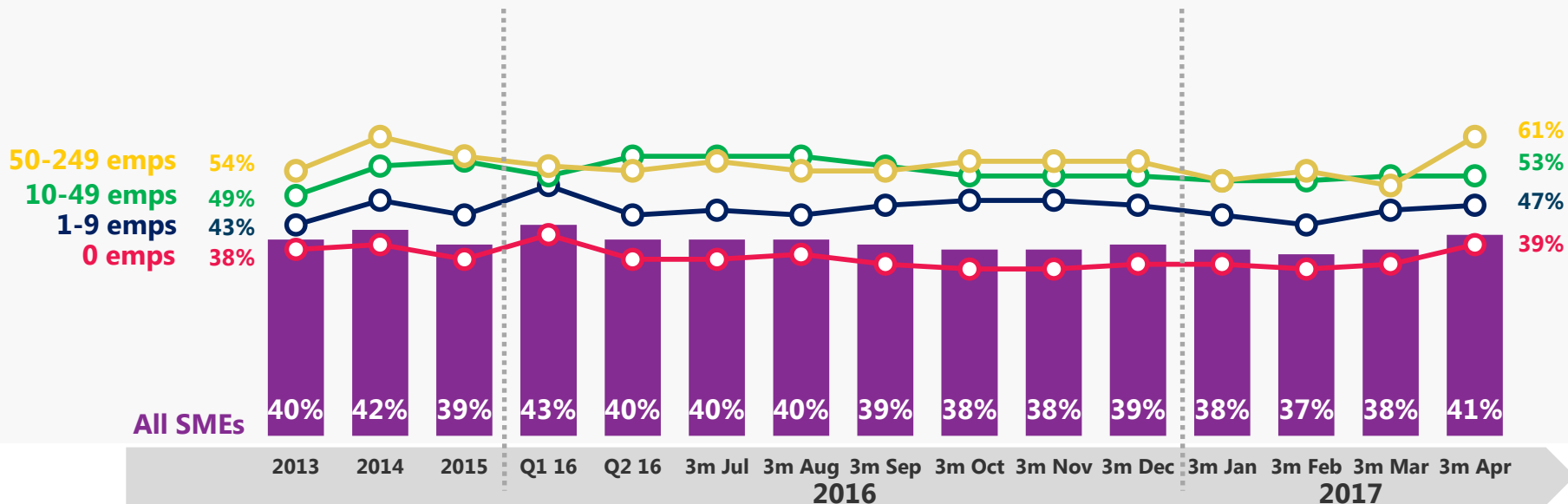
In 2015, 42% of SMEs held £5,000 or more in credit balances. During 2016, the proportion declined slightly to 35% in Q2 before increasing to 47% for the 3 months to November 2016. Since then the proportion has remained broadly stable and is 47% for the current period.

Q245a

Base: All respondents excluding dk/ref 3 mths to April 2661

The proportion of SMEs reporting growth is stable

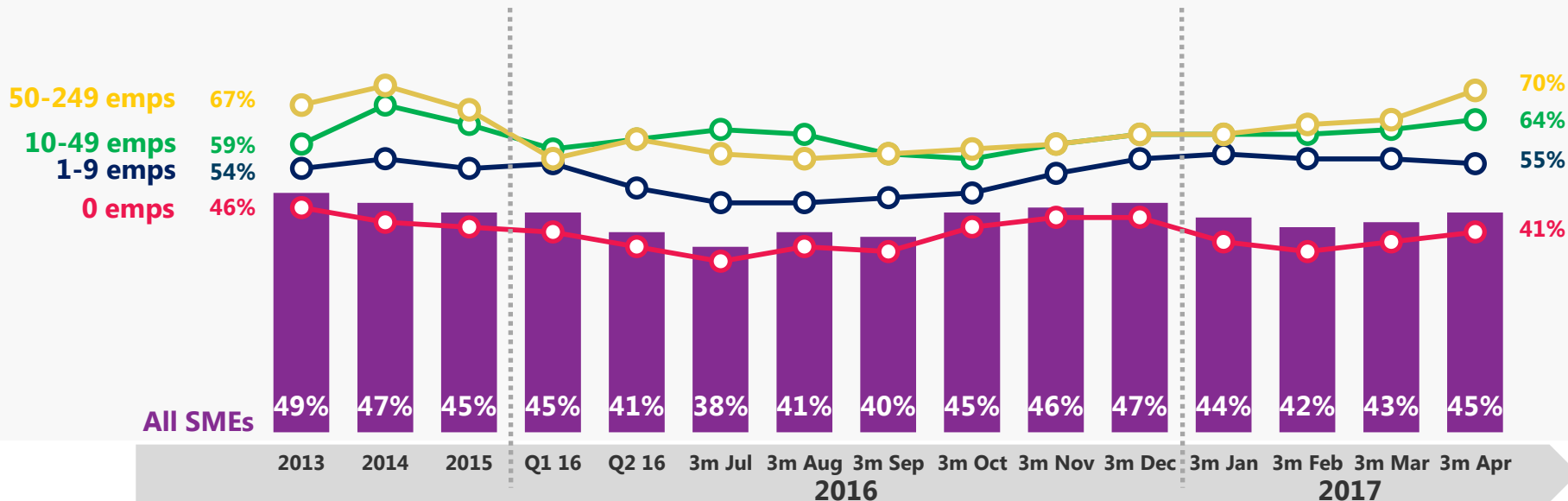
Time series: Have grown (excluding Starts)



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

The proportion of SMEs planning to grow remains fairly stable in 2017, except for larger SMEs who have become more optimistic

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



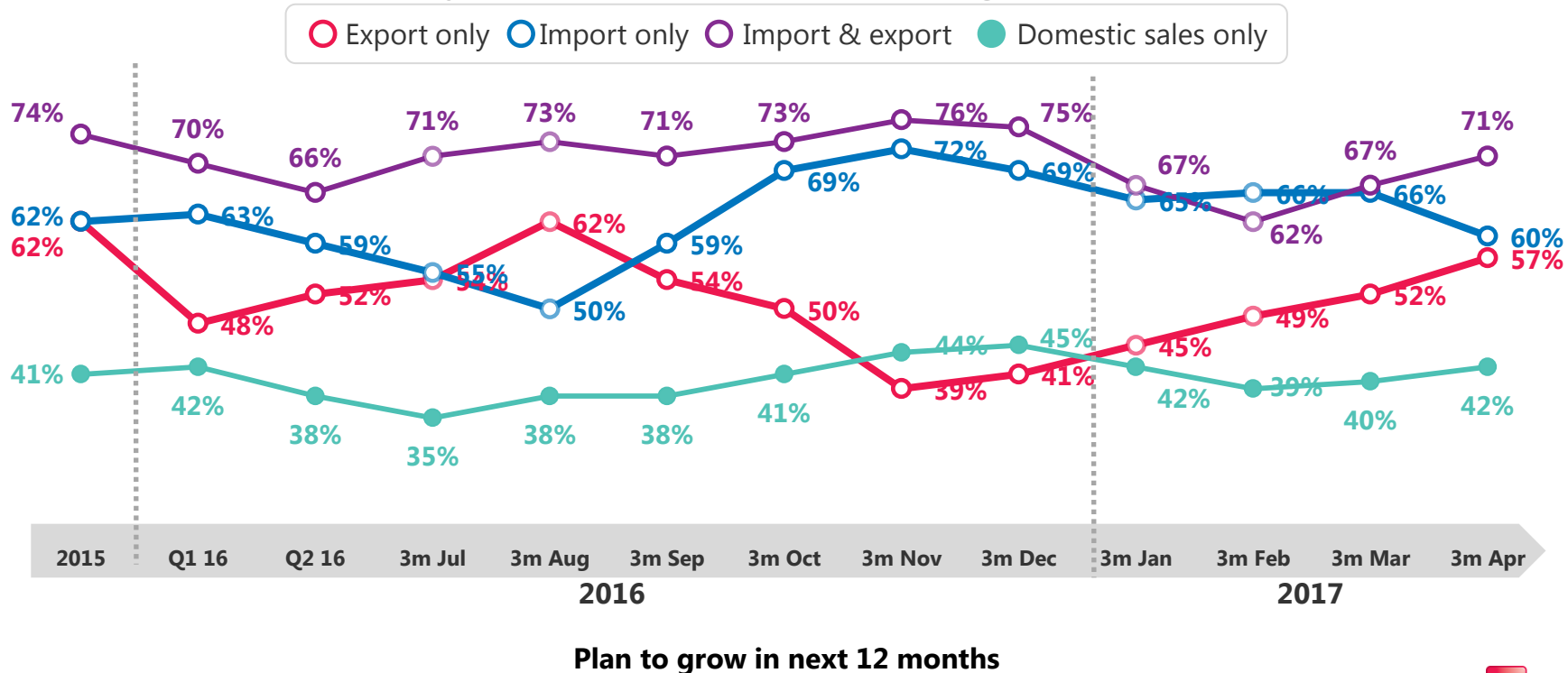
There was some variation in growth predictions during 2016. For the year as a whole, 43% of SMEs planned to grow, continuing the slight decline seen since 2013. Whilst early data for 2017 suggested that the increase in growth ambitions seen at the end of 2016 (when 47% planned to grow) was not being maintained, the current picture is more stable.

Q15

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

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

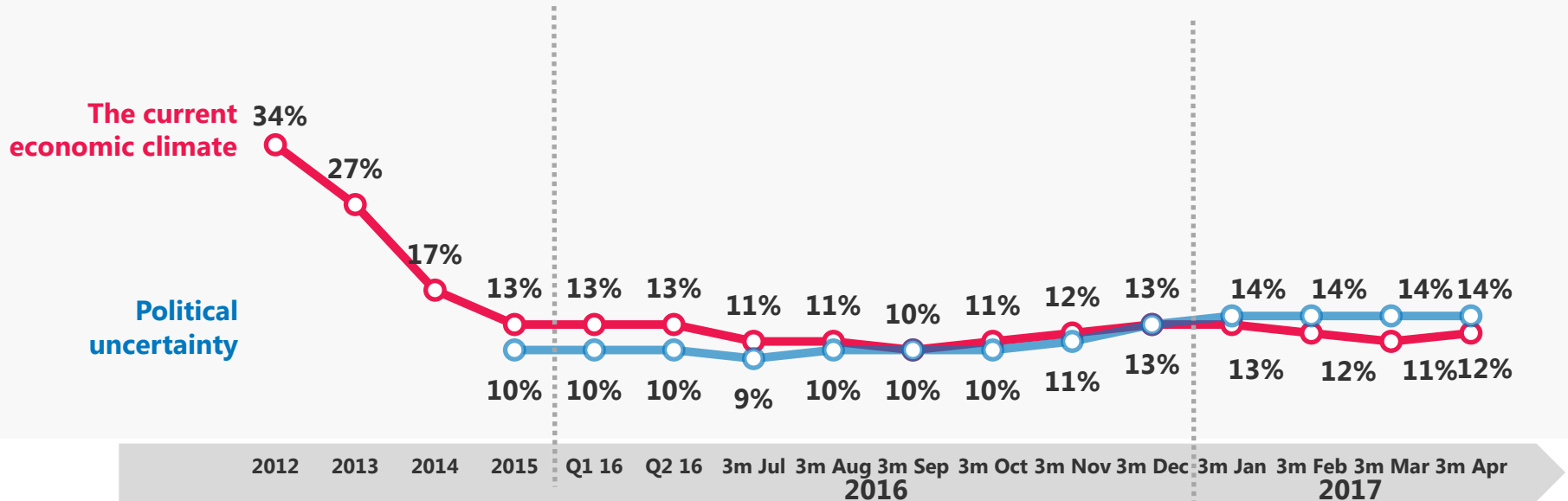
Time series: Growth plans by extent of international trade alongside domestic sales



Base : All 3mths to Apr 223/366/391/3463

Political uncertainty remains narrowly ahead of 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 remained at around 12%

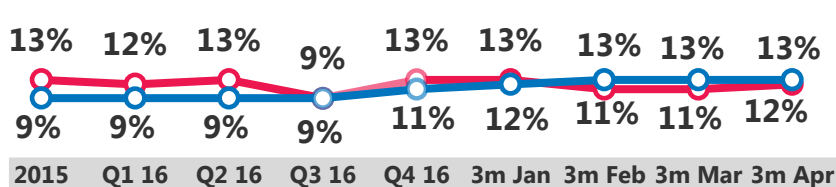
Q227 Barriers to running business as would want in next 12 months

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

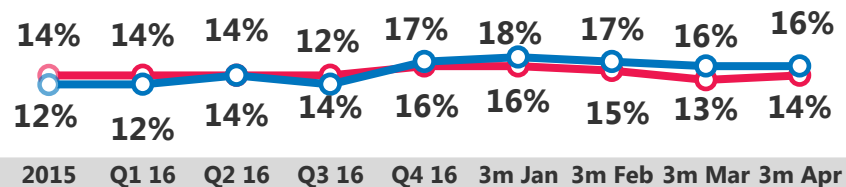
Economic and political concerns have stabilised in 2017 to date, at slightly higher levels than 2015 for those with employees

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

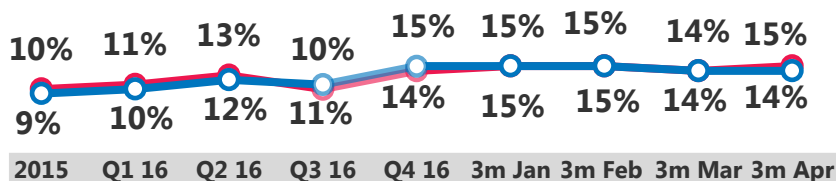
○ Economic climate ○ Political uncertainty



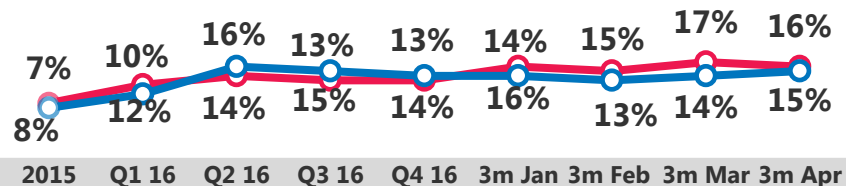
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1-9 emps



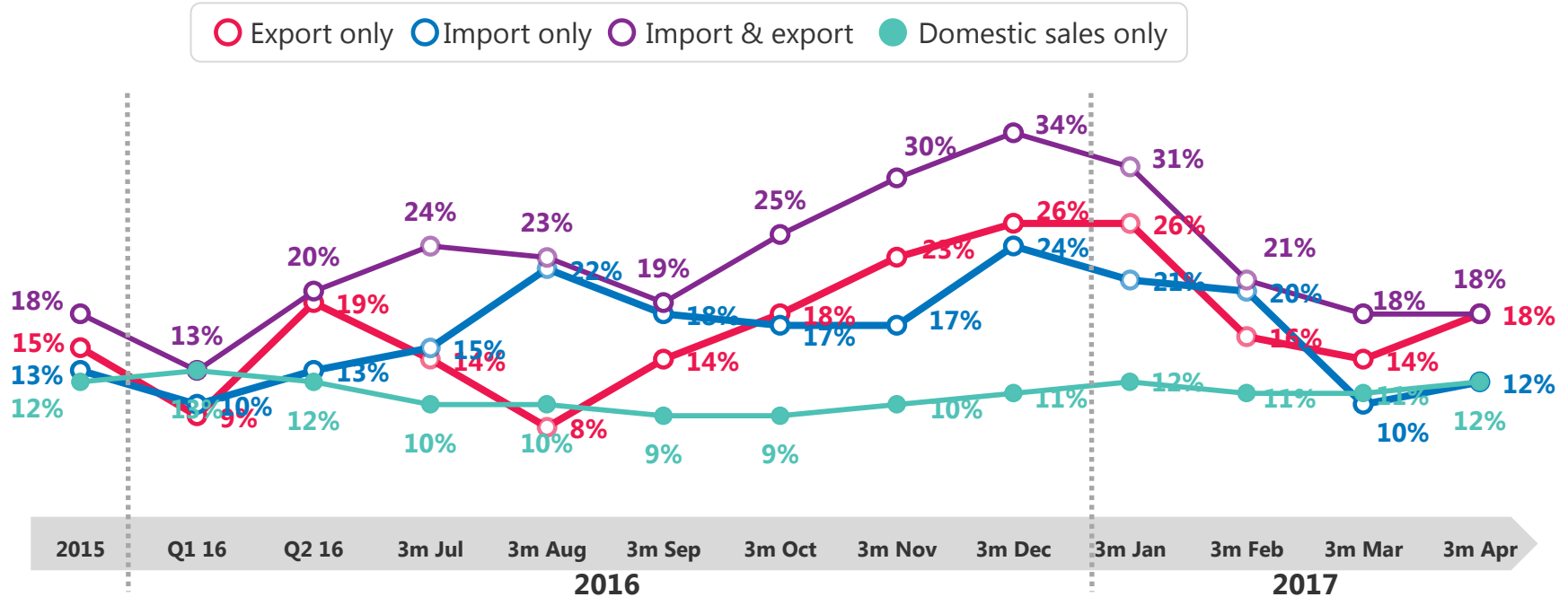
10-49 emps



50-249 emps

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

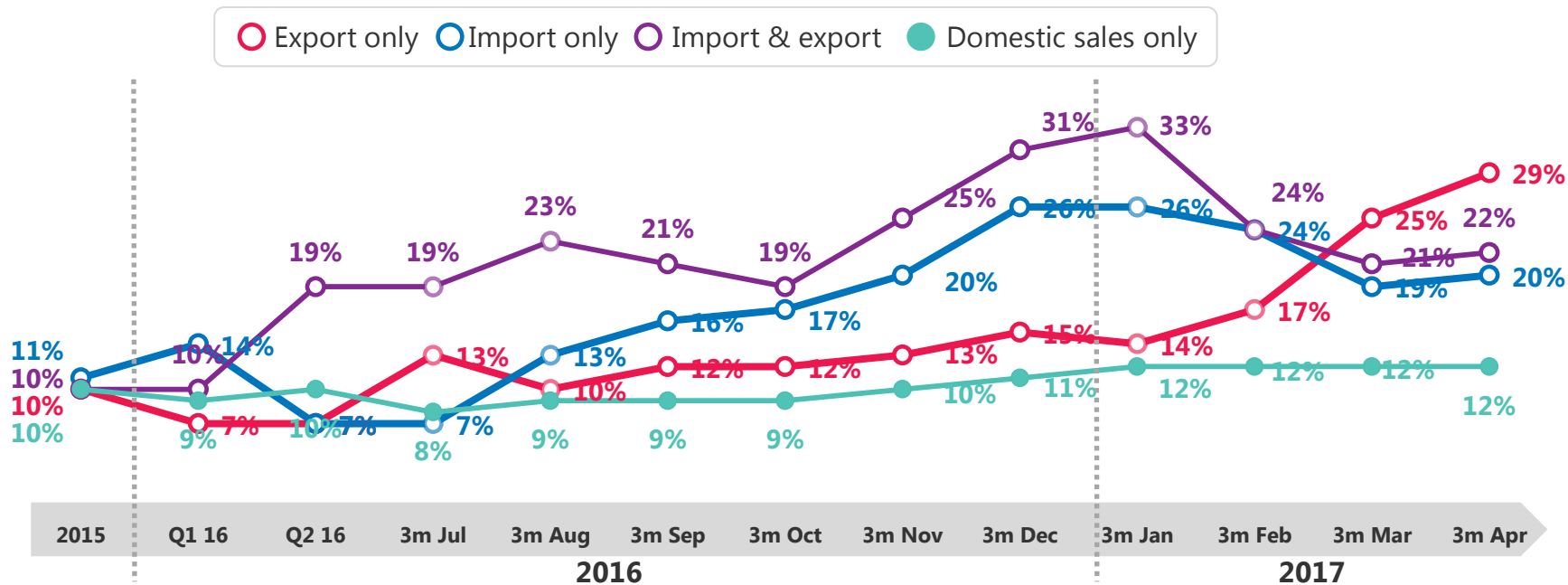
Time series: 8-10 economic climate by extent of international trade alongside domestic sales



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

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

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



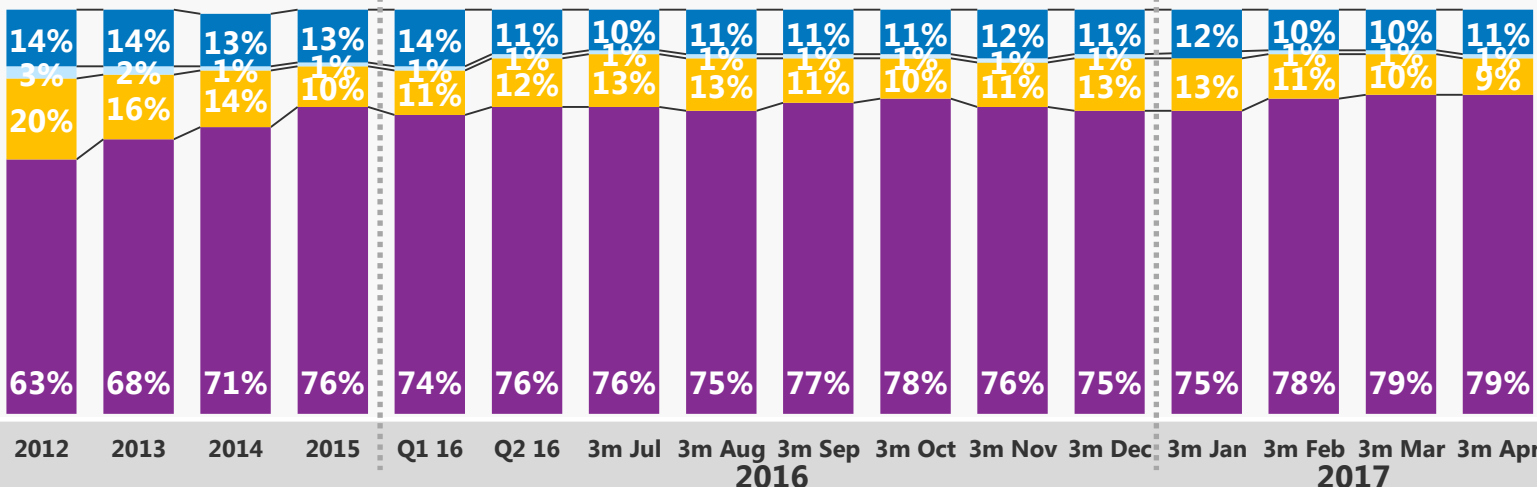
Rating political uncertainty a major obstacle (8-10)

Base : All 3mths to Apr 223/366/391/3463

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

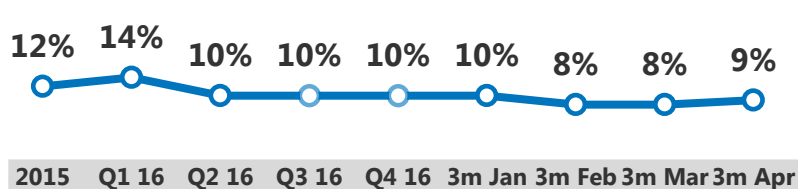


Each quarter, the majority of SMEs have expected to be “**Future happy non-seekers**” of finance. Over time this proportion has increased from two-thirds to over three-quarters of SMEs as the proportion of “Future would-be seekers” has fallen

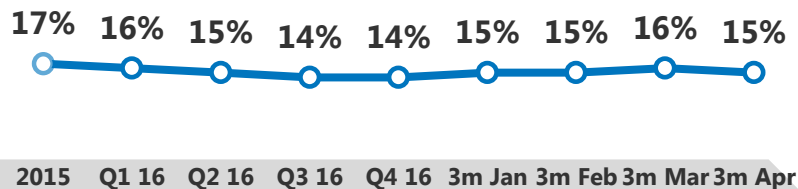
Overall, SMEs' future appetite for finance was broadly stable in early 2017, and is little changed on a year ago

Time series: % planning to apply

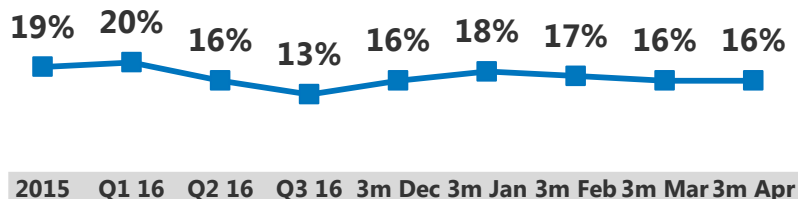
○ Plan to apply



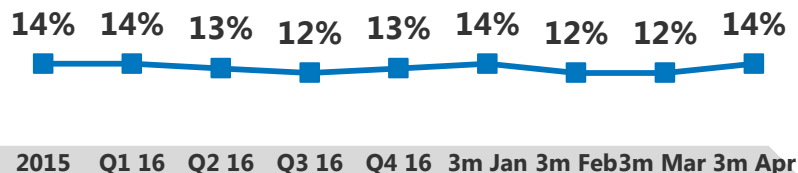
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1-9 emps



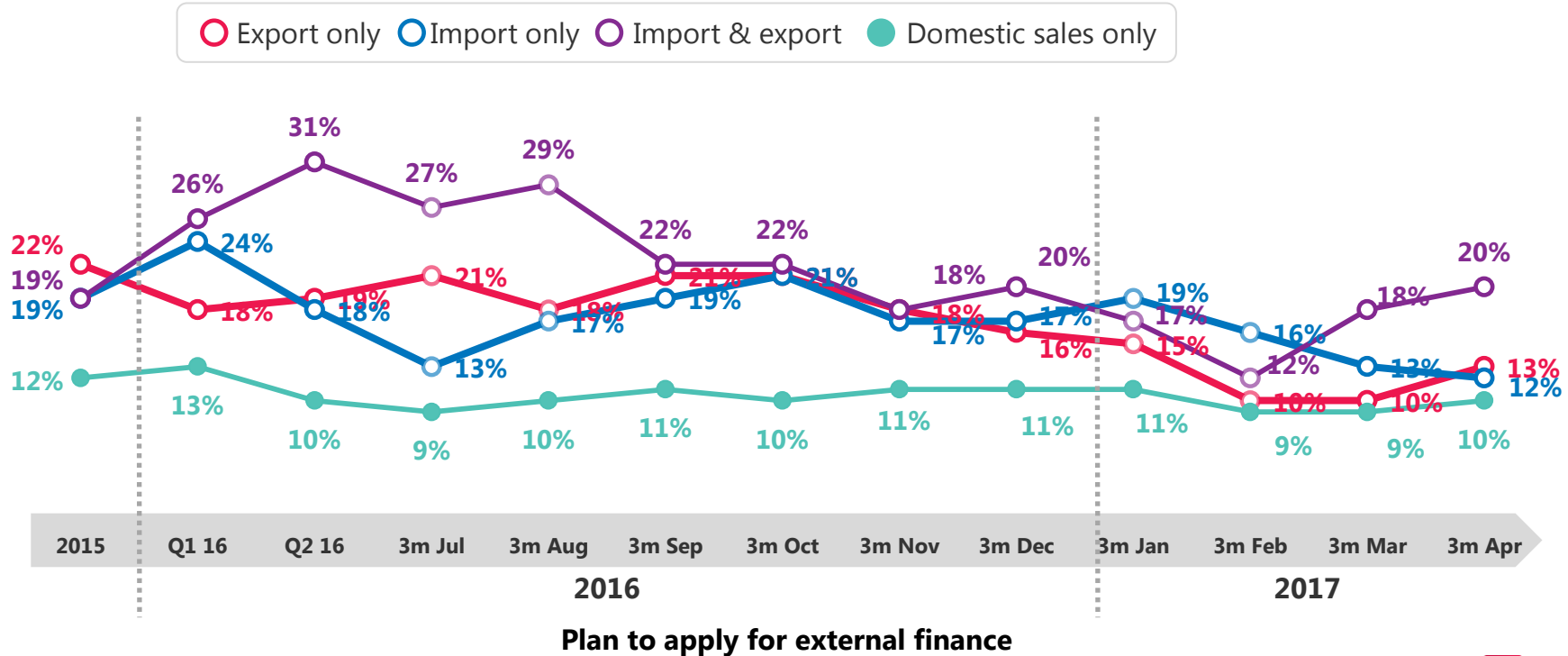
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50-249 emps

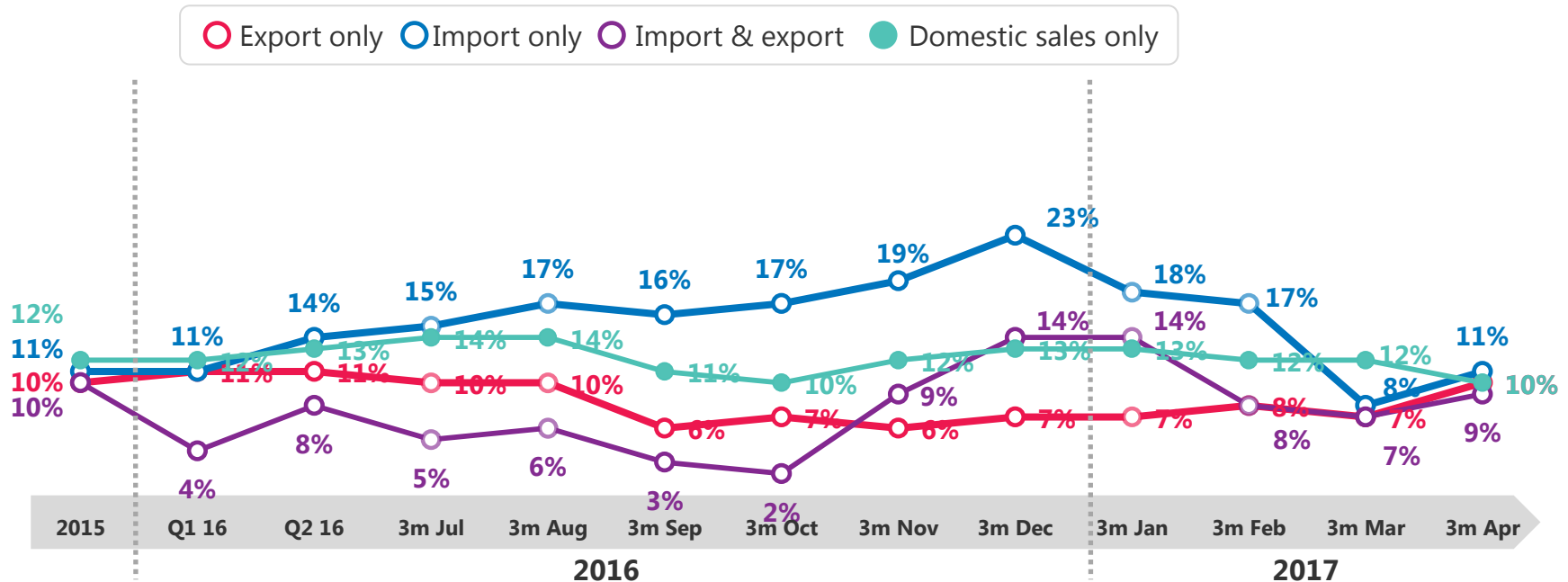
Amongst SMEs that both import and export, there are signs of a recovery in their plans to apply for external finance in 2017

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



The proportion of future would-be seekers does not currently vary by types of international trade

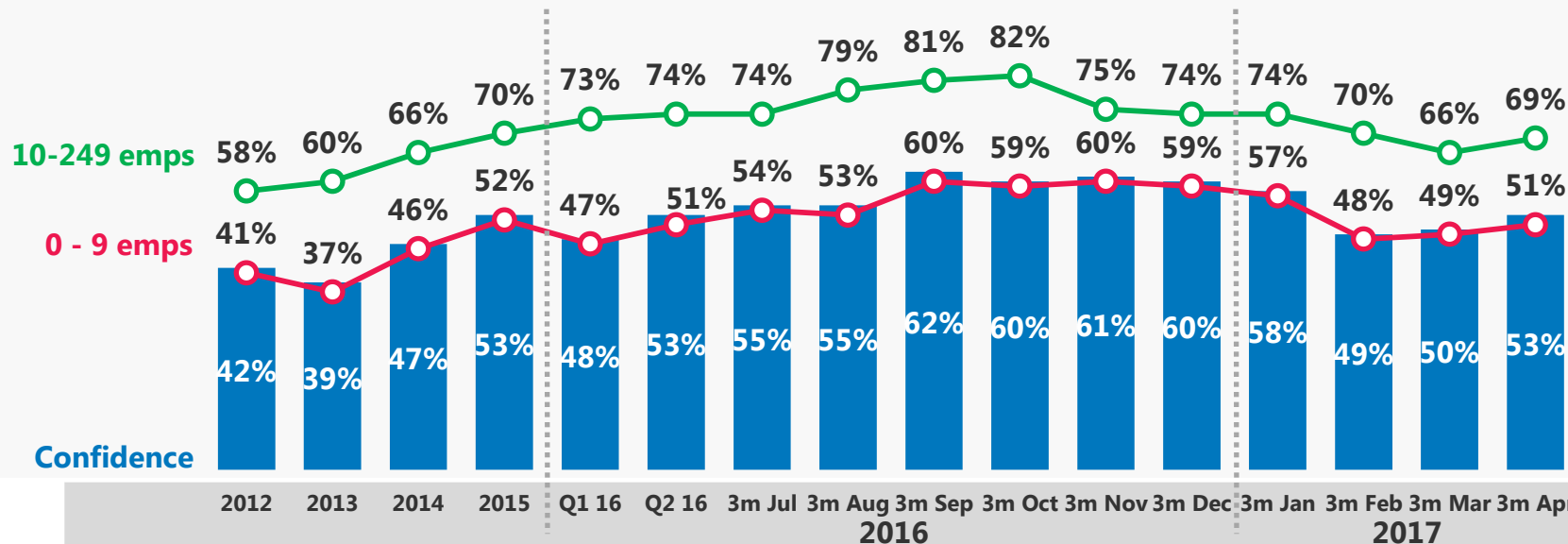
Time series: future would be seekers by extent of international trade alongside domestic sales



Expect to be a future would-be seeker of finance

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

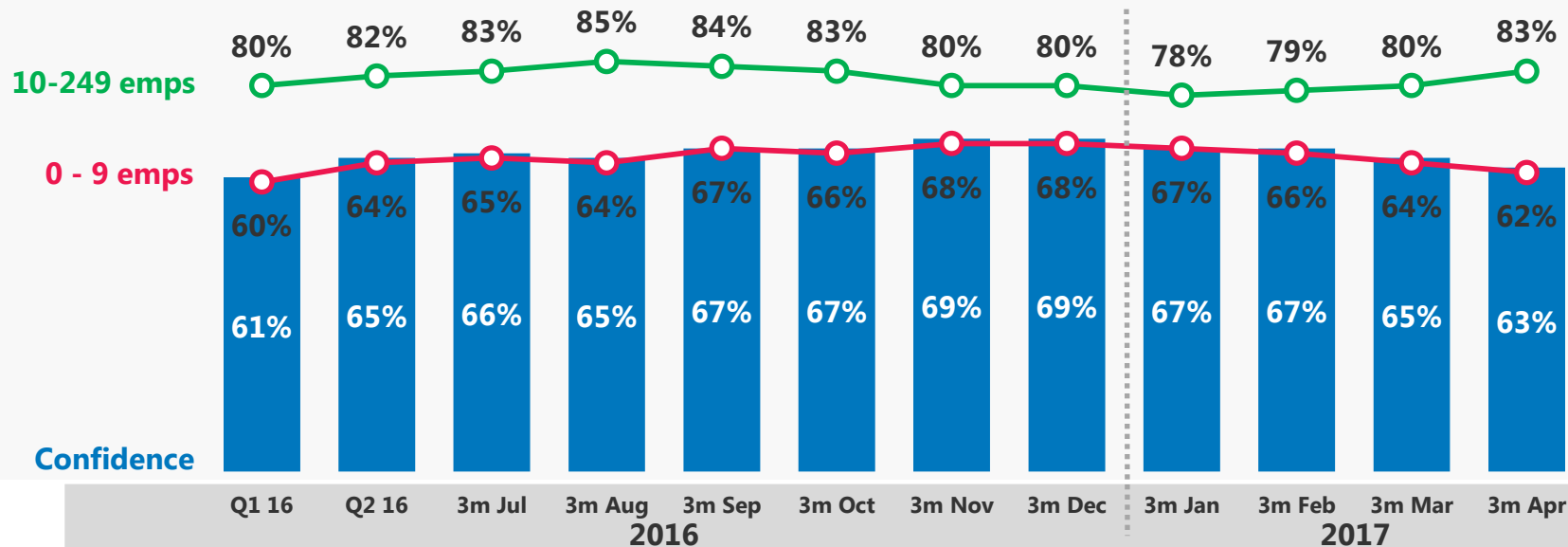
Time series: Confidence (very/fairly) bank will agree to facility next 3 months – by size



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 if they were to do so

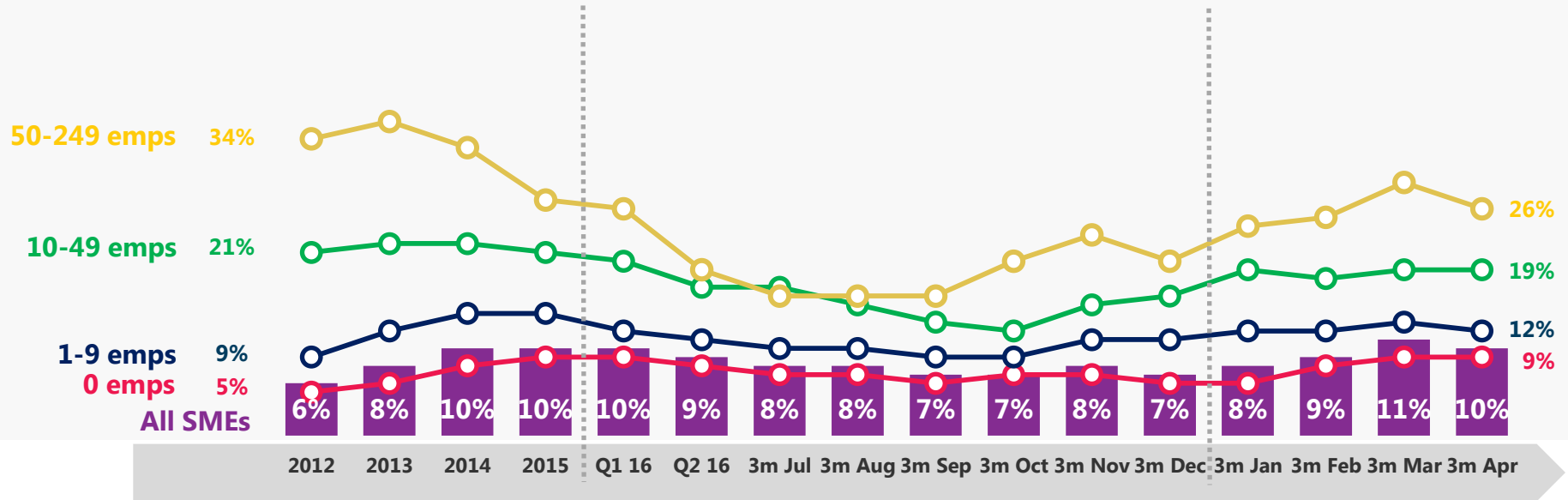
Time series: Confidence (very/fairly) bank will agree to facility next 3 months – by size



6 in 10 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.