



Irving Fisher Committee on
Central Bank Statistics

BANK FOR INTERNATIONAL SETTLEMENTS

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Households' and firms' access to finance in the euro area¹

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¹ This presentation was prepared for the workshop. The views expressed are those of the author and do not necessarily reflect the views of the BIS or the central banks and other institutions represented at the workshop.

**Households' and firms' access to
finance in the euro area:
On ne prête qu'aux riches?**

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European Central Bank

IFC Kuala Lumpur

2 November 2012

Wealth as seen from above



Wealth disparities are well known

- to what extent is it the same for access to finance?**

Outline of presentation

1. **Households' view – the Eurosystem Household Finance and Consumption Survey (HFCS)**
2. **Firms' view – the EC/ECB Survey on the access to finance of SMEs (SAFE)**

What is the HFCS?

Cross-country survey collecting micro-level data

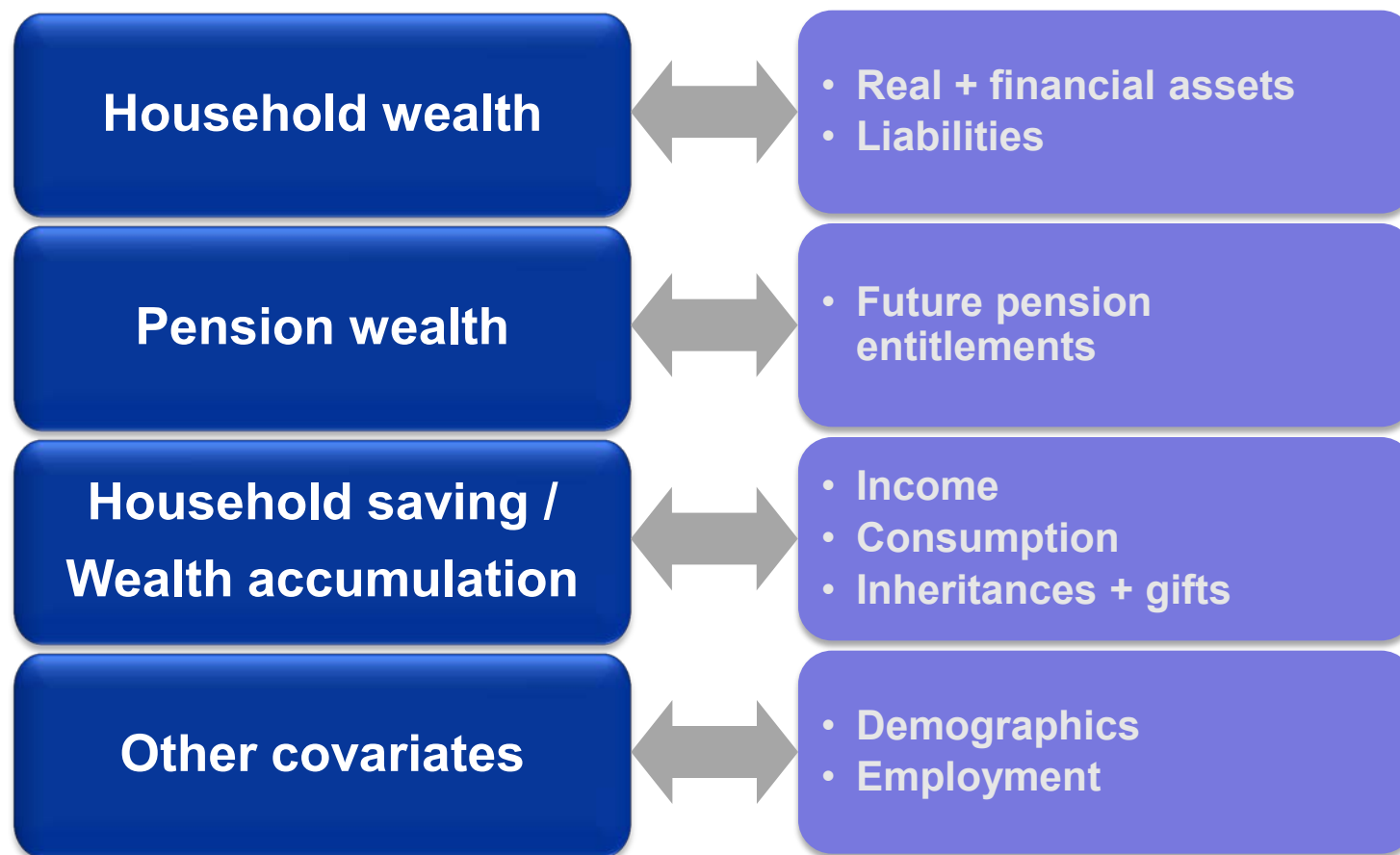
Focus = wealth (mostly)

Country and euro area representative

Ex-ante cross-country comparability

First wave close to finish

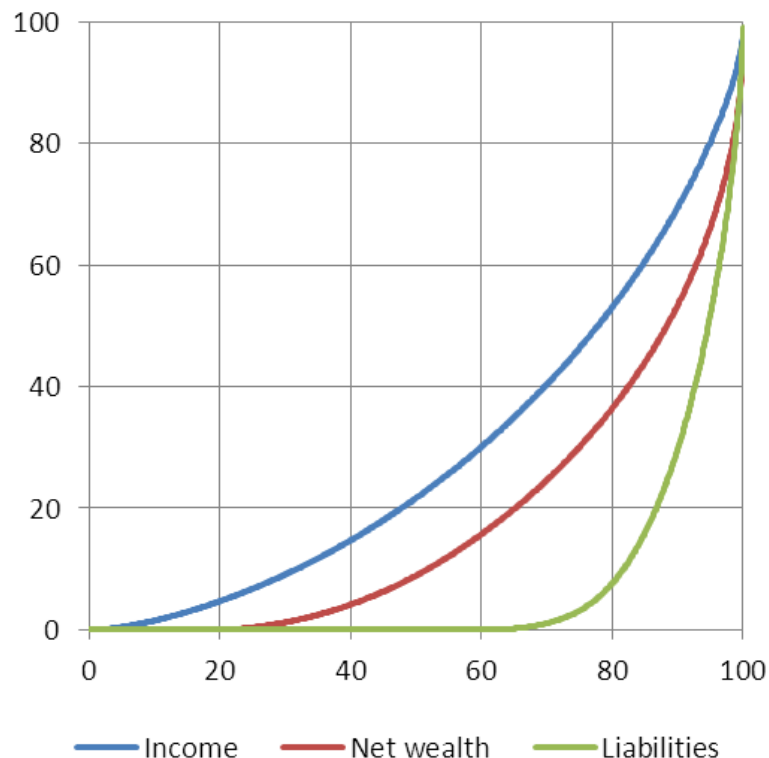
Areas covered by HFCS



Household wealth & debt

- **Strong skewness** wealth distribution
- **Few wealthy households**
→ **substantial** effects on aggregate statistics
- **Net wealth more unevenly distributed than income**
- **Liabilities even more unevenly distributed**

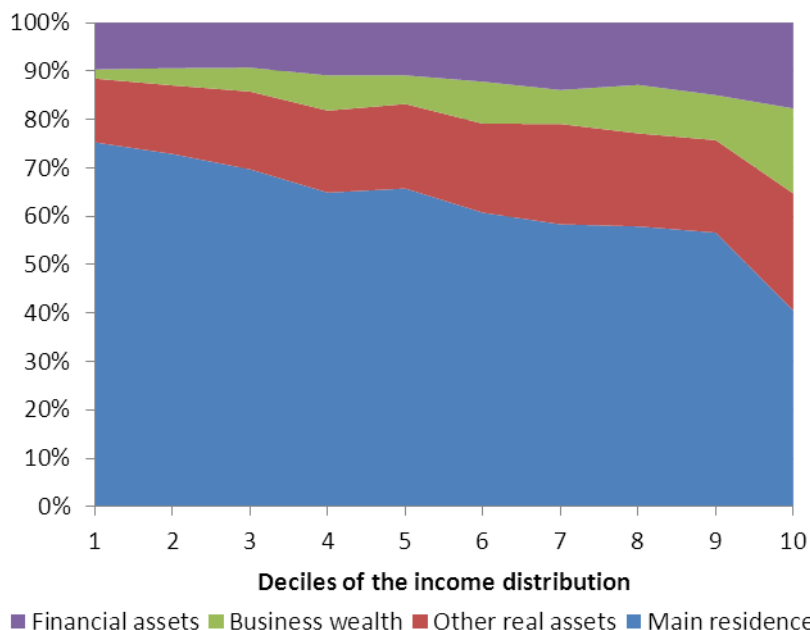
Lorenz curve of Income and Net Wealth



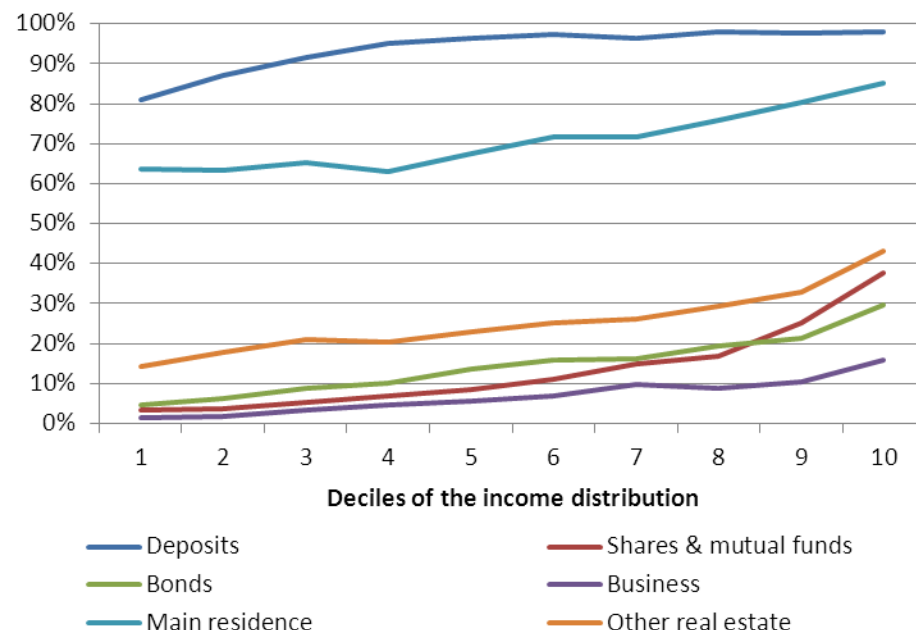
Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

Household assets

Portfolio distribution: % of HH portfolios



Asset participation: % of HHs holding assets



Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

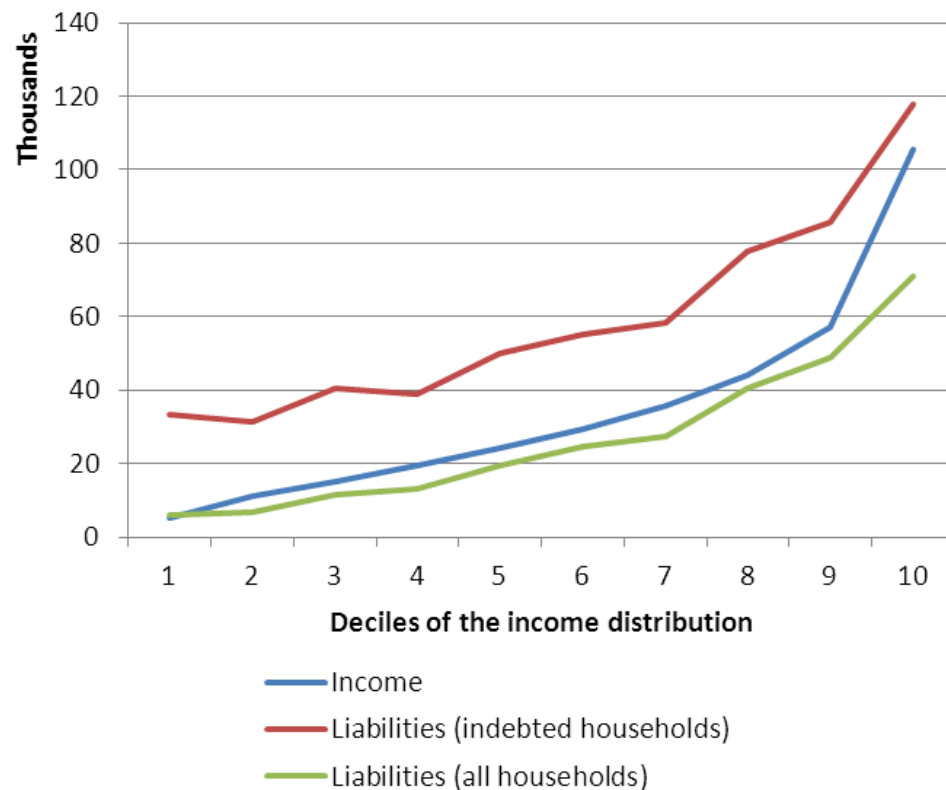
- **Main residence = largest asset**
- **(Portfolio distribution) Increasing importance of business wealth**
- **(Participation) highly dependent on income**
- **Financial assets: low prevalence excl. accounts, even amongst wealthy**

Income and liabilities

Focus on average household hides large heterogeneity

- financial commitments largely correlated with HH income
- Lower-income HHs
→ low access to credit

Household liabilities and income
(averages, EUR)

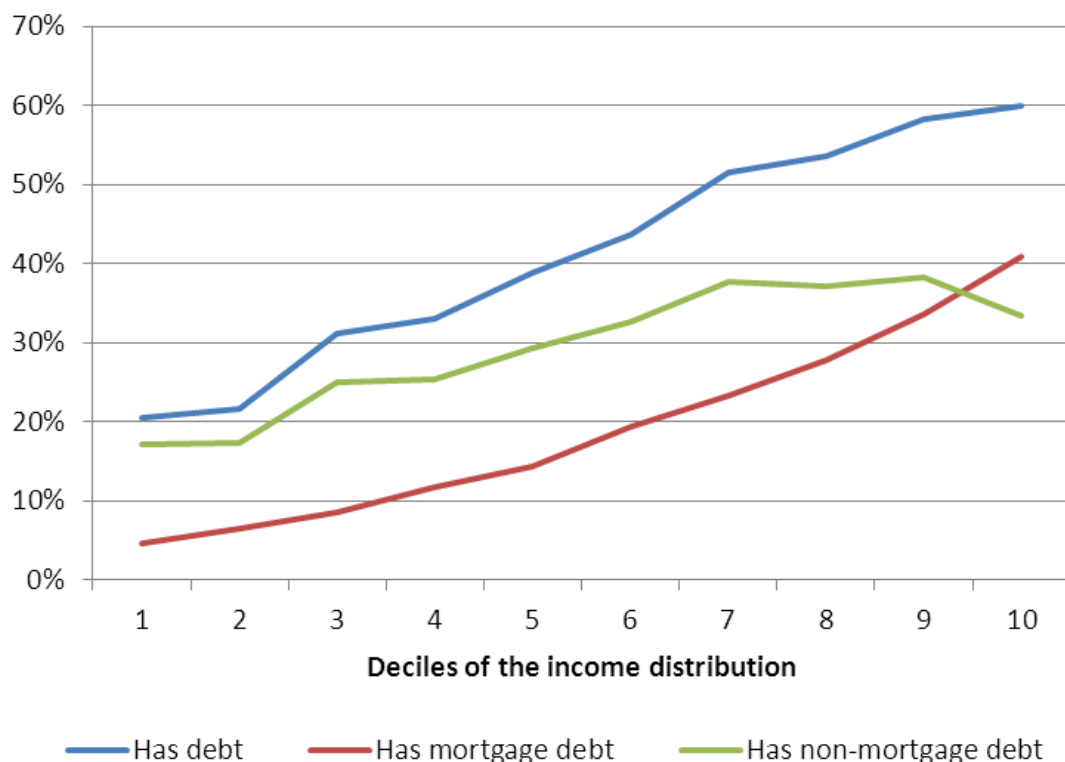


Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

Household liabilities

- **Participation in debt finance highly dependent on income**
 - **More for mortgage than for non-collateralised debt**
- **Mortgage debt = bulk HH debt (~70-90%)**

Share of households having debts
% of households



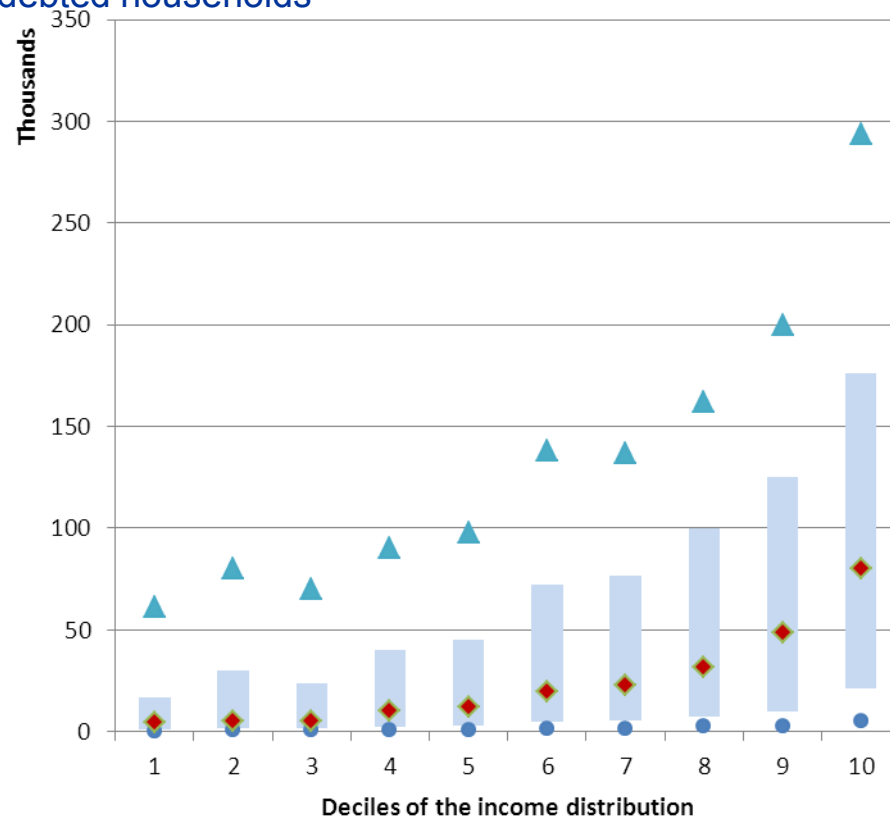
Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

Indebtness

- **Liabilities concentrated on the high income groups**
- **Low income groups have very limited absolute debts, but high relative ones**

Distribution of total liabilities by income group

Indebted households



10th percentile: blue dot, Median: red lozenge, 25th to 75th: light blue rectangle, 90th percentile: blue triangle

Household liabilities

- **Large cross-country differences in HHs' access to credit**

→ for both mortgage and non-collateralised debt

Share of households having debts

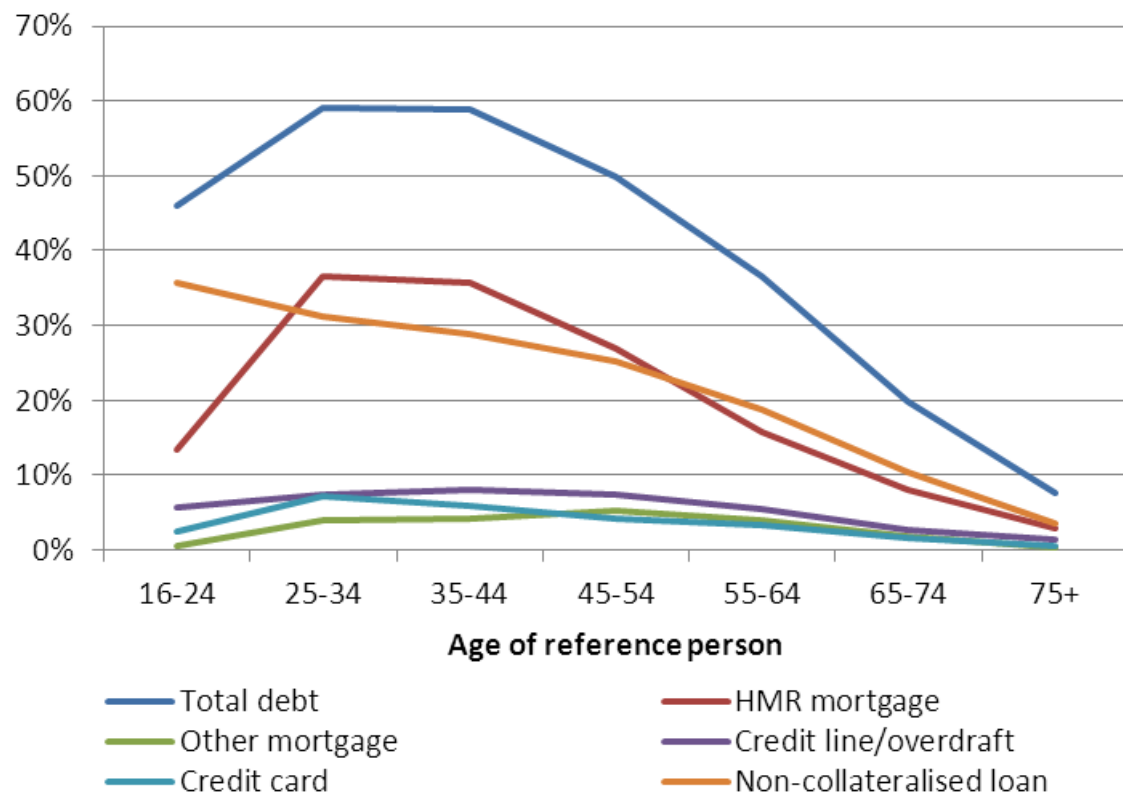
	Has debt	Has mortgage debt	Has non-mortgage debt
BE	44.7%	30.5%	24.0%
ES	49.9%	32.3%	30.7%
IT	24.8%	10.8%	17.3%
LU	58.3%	38.8%	37.0%
MT	34.1%	15.6%	25.2%
NL	65.7%	44.7%	37.3%
PT	37.7%	26.7%	18.3%
AT	35.6%	18.4%	21.4%
SK	26.8%	9.6%	19.9%
FI	59.8%	32.8%	51.2%

Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

Household liabilities

Age-profile debt participation (as well as values) consistent with consumption smoothing

Portfolio distribution: % of HH portfolios

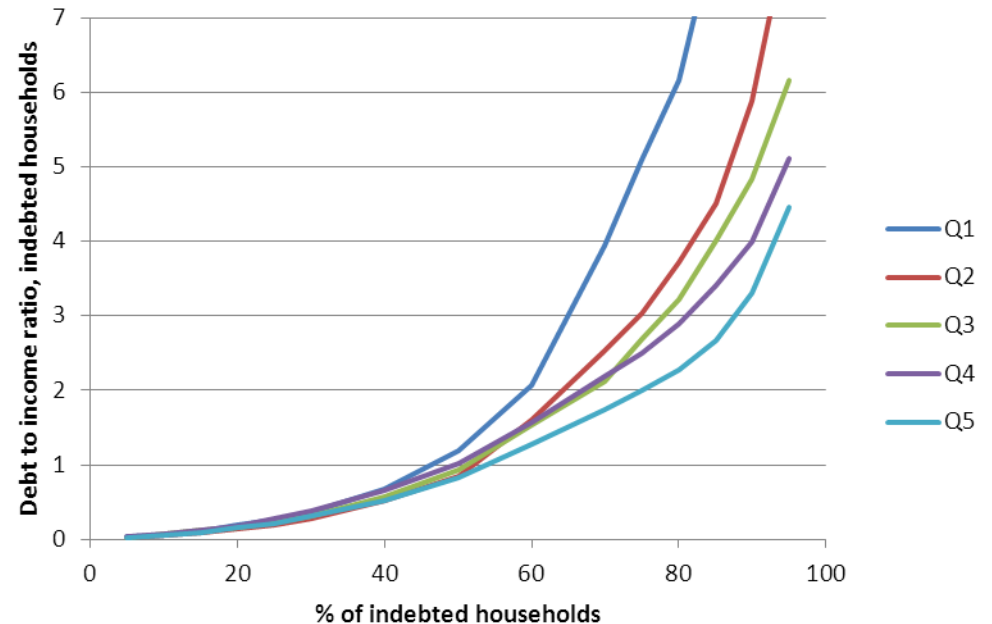


Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

Financial pressure

Debt burden particularly large for low income groups

Distribution of debt-income ratio, breakdown by income quintiles



How to read: in the 5th quintile of income, 80% of the indebted households have a debt-income ratio below 2.3.

Source: Eurosystem HFCS, data for BE, ES, FI, IT, LU, MT, NL, AT, PT, SK

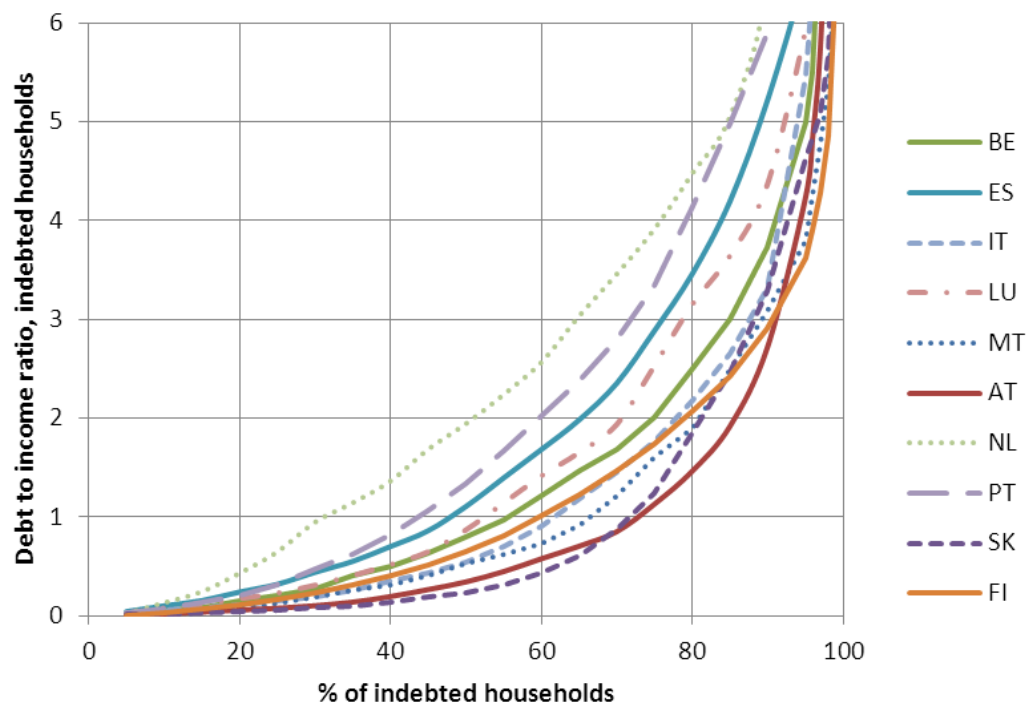
Financial pressure

Large country differences in debt-income ratios:

→ higher than 4 for:

- 20-25% HHs in NL and PT
- 15-20% HHs in ES and LU
- ~5% HHs in other countries

Distribution of debt-income ratio, breakdown by country



How to read: in Austria, 80% of the indebted households have a debt-income ratio below 1.5.

Source: Eurosystem HFCS, data for ES, FI, IT, LU, MT, NL, PT, SK

Motivation of the SME survey

(1)
Importance
SMEs economy

(2)
Monetary policy
transmission
different

(3)
Data scarcity

Main characteristics

Sponsors

- ECB
- European Commission

Frequency

- 6 months – ECB waves, limited euro area
- 2 years – joint with European Commission, extended EU

Timeliness

- Surveys in March and September each year
- Results published in less than a month (2 Nov)

Sample size

- 7,500 for ECB waves
- 15,000 for joint waves

Representativeness

- Since 2010, 11 largest euro area countries
- Limited coverage EE, CY, LU, MT, SI, SK

Breakdowns

- Age, Ownership, Autonomy
- Sector

Questionnaire of the SAFE

Standard formulation questions

- *E.g.: “Over the past six months, has [X] improved, deteriorated, or remained unchanged?”* → where [X] is one of the topics covered

Topics covered

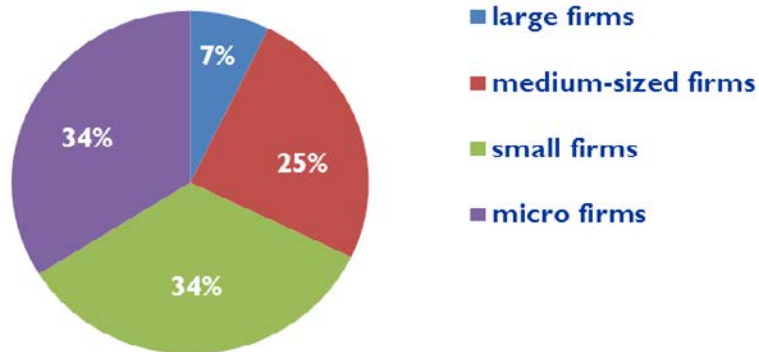
- Indicators of firm, external financing needs and application, terms & conditions for loans

Financial instruments covered

- Bank loans, overdrafts, credit lines, trade credit, debt securities, equity

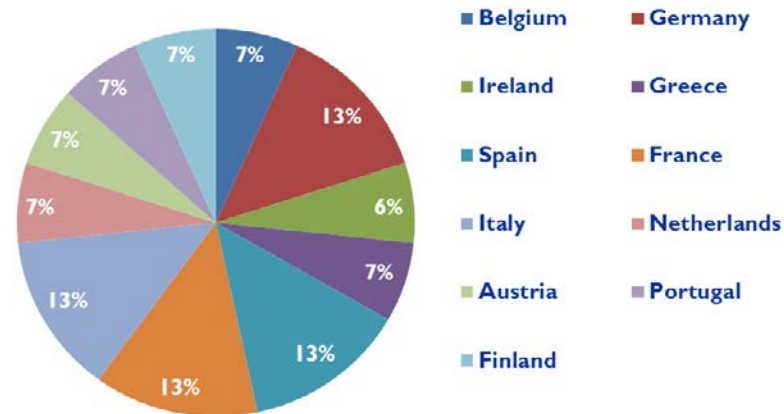
Breakdown of firms in sample

Size



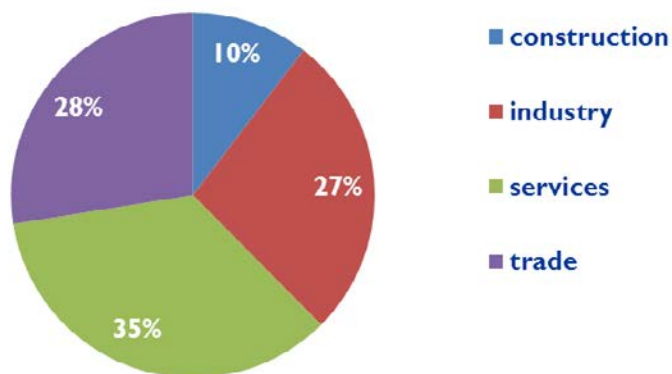
Sample size: 7,511

Countries



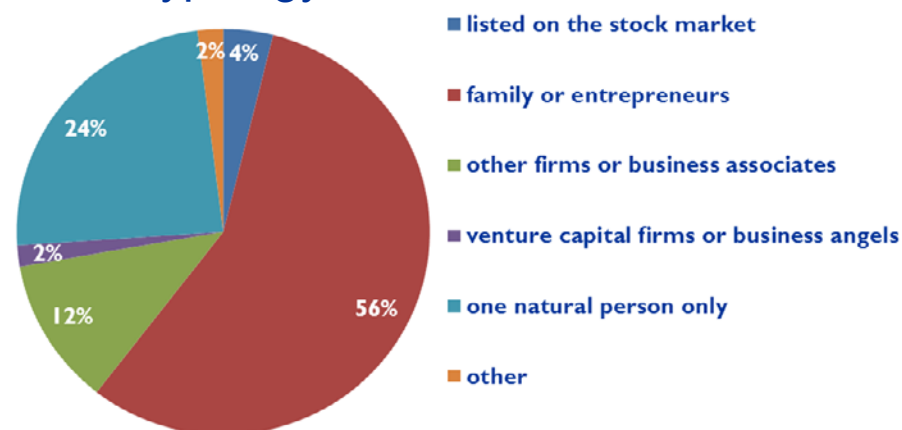
Sample size: 7,511

Category



Sample size: 7,511

Typology



Sample size: 7,511

Overall financial situation SMEs

- **Turnover dropping**

→ past two semesters

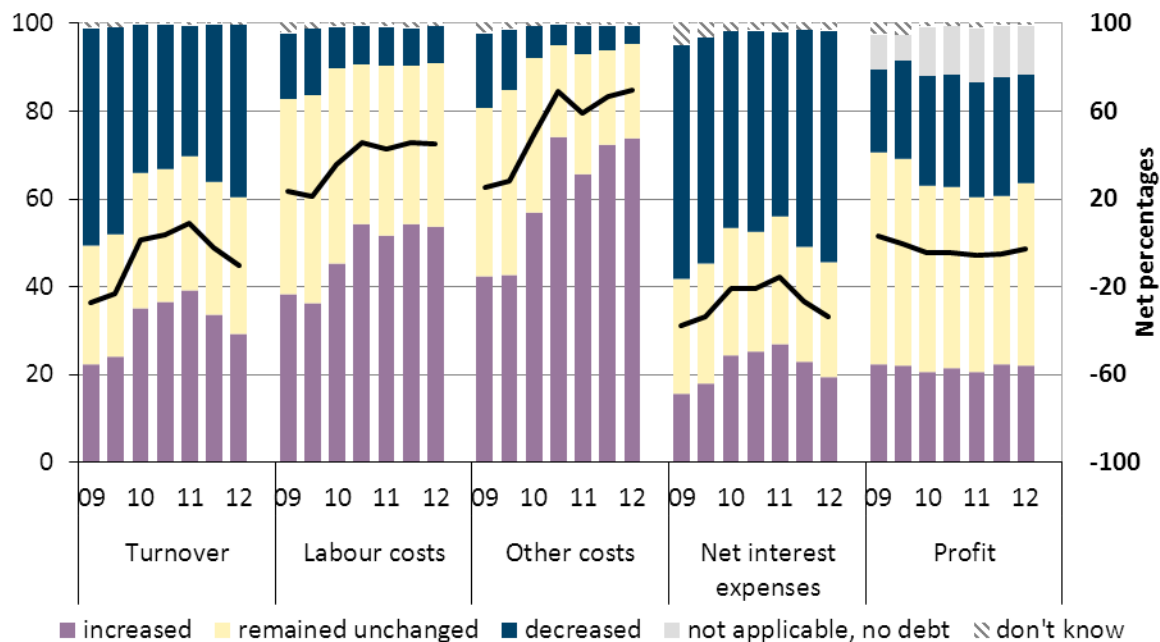
- **Overall increase costs**

→ 50% SMEs

→ declaring profit

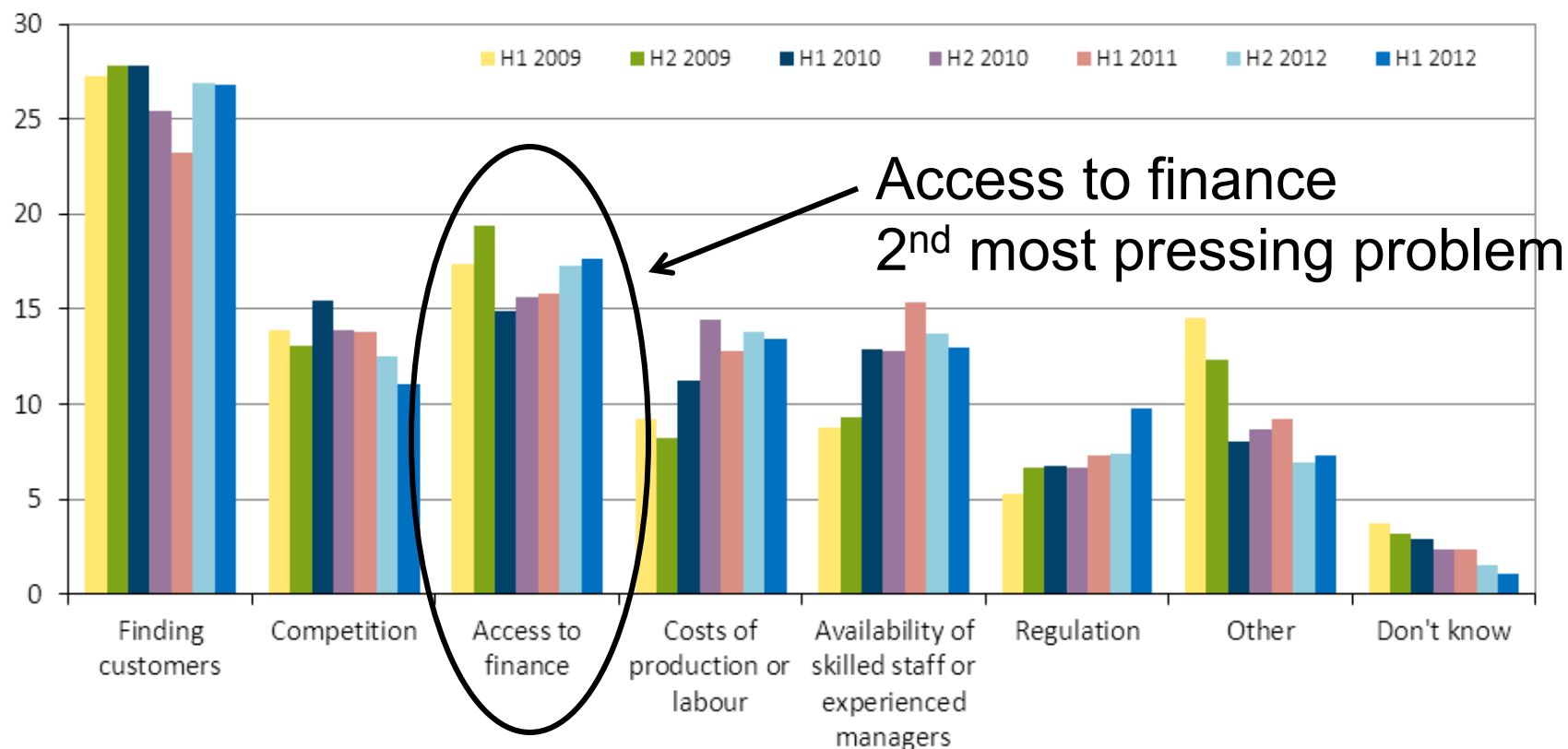
reductions throughout whole reference period

Change income and debt situation of euro area SME
(over the preceding 6 months; in percentage of respondents)



Net percentages = balance of opinion, increased – decreased (right hand scale)

Most pressing problem

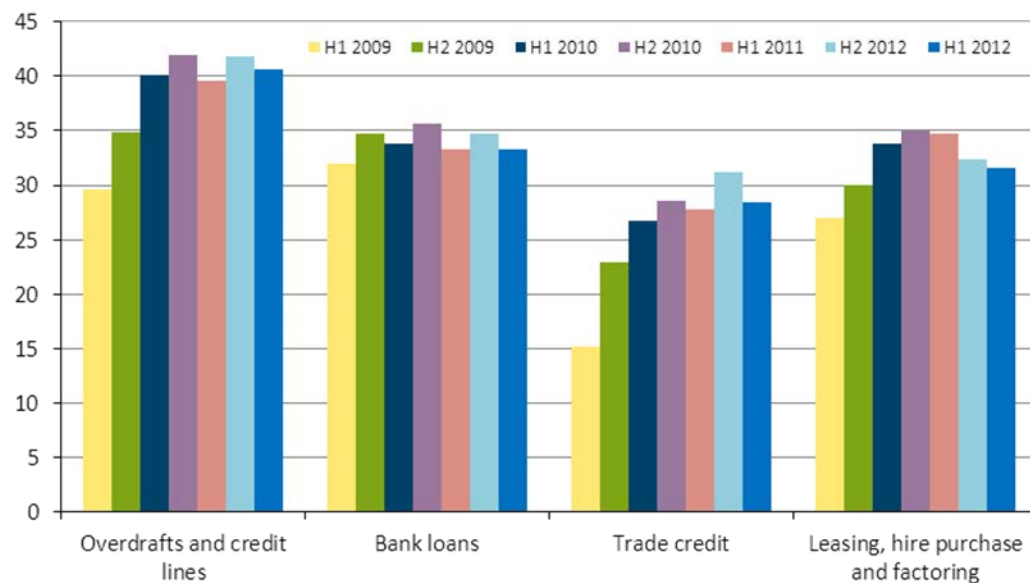


Access to finance is more pressing in **micro** firms than in medium-sized ones (18% vs. 14%), lowest in large firms

The financing of SMEs

- **SMEs largely dependent on banks**
- **Increasing external financing needs**
- **Leasing/hire-purchase/factoring decreasing since peak in 2nd half of 2010**
→ Recovery of inter-company financing

Sources of external financing of euro area SMEs
(over the preceding 6 months; % of respondents)



Availability of external financing

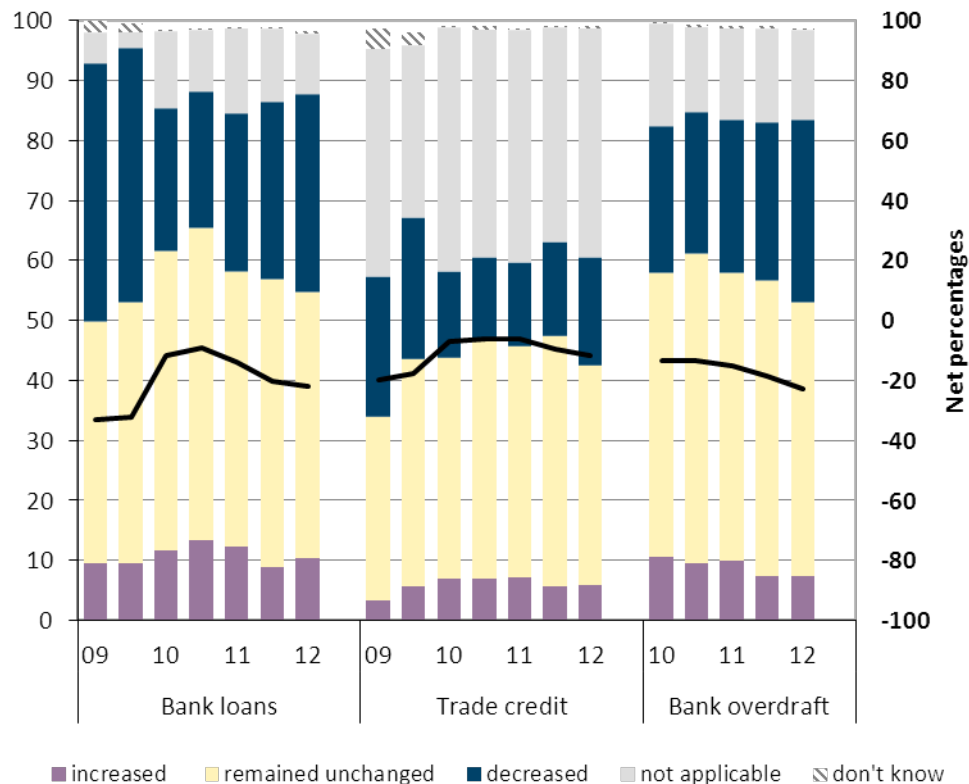
- **Availability overall negative, and decreasing**

→ decreasing last year over all instruments

- **Cited factors:**

1. General economic outlook
2. (Lack of) willingness banks

Change availability external financing euro area SME
(over the preceding 6 months; in percentage of respondents)

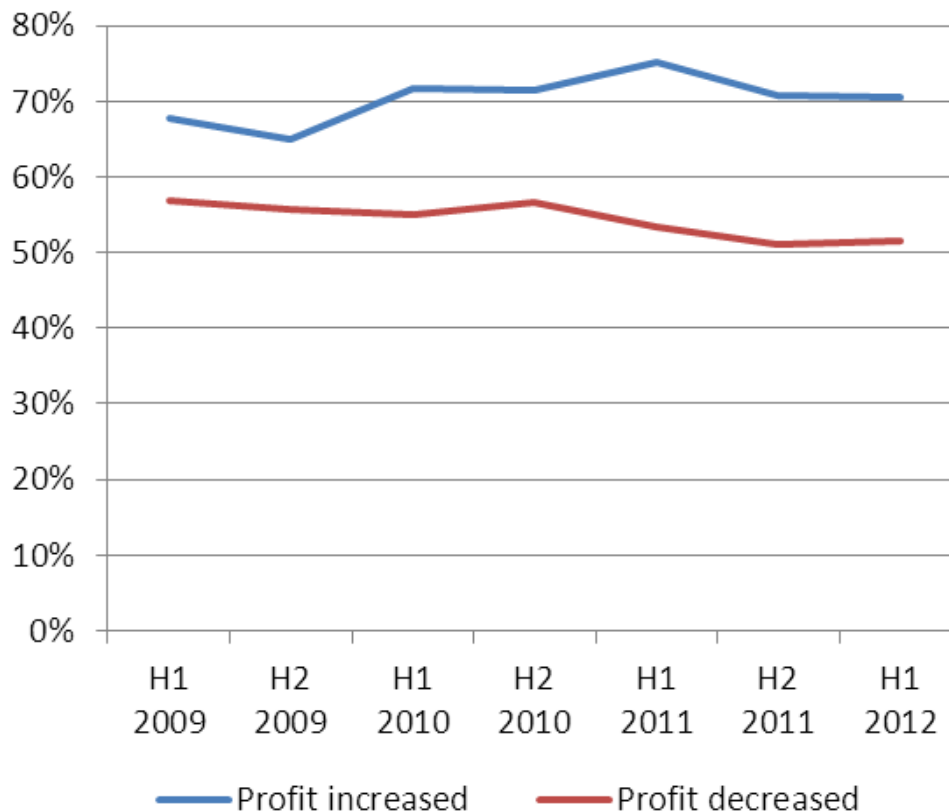


Net percentages = balance of opinion, increased – decreased (right hand scale)

Success when applying for a bank loan

- SMEs have **higher rejection rates & higher fear of refusal**
- SMEs with increased profits had **higher rates of successful financing**
- SMEs with decreased profits are **30% more likely to abstain from applying for fear of refusal**

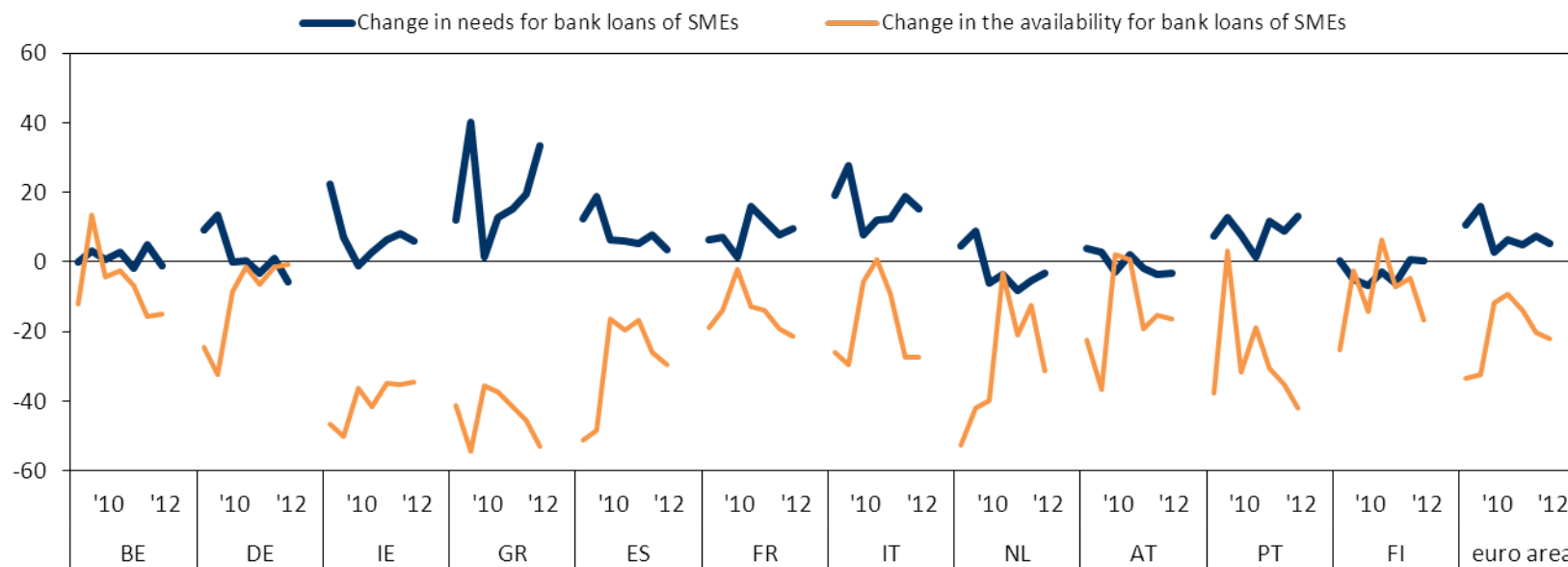
SMEs obtaining all of the loan they applied for
(over the preceding 6 months; in percentage of firms applying)



Needs and availability financing

Change in needs and availability of SMEs for bank loans across euro area countries

(over the preceding 6 months; net percentages)



- **External financing needs**

- Increase more in GR
- Positive or neutral in most countries, stable compared to last period

- **Availability changes contrasted by country**

- Decreasing in GR, ES, PT, NL, FI
- Negative but stable in BE, IE, IT, AT

Concluding remarks

- **Two (very different) surveys show European perspective on access to finance**
- **Household survey: structural issues**
 - Debt **more concentrated** than wealth
 - Lower absolute liabilities for low income households, but **higher relative debt burden**
- **SME survey: conjunctural issues**
 - Access to finance remains **second most pressing** problem
 - **Banks** = main external financing source for SMEs
 - Availability of external financing has decreased in recent year

Way forward

- **Household survey**
 - Main results to be published in **February 2013**
 - Data **available** for research purposes through ECB
 - More detailed analysis to be conducted then
- **SME survey**
 - Results just published (last Friday)
 - Waves **every six months**
 - “Big” wave with all EU countries and more questions in **September 2013**

Thank you for your time