

# Survey on the Access to Finance of Enterprises: Small businesses report challenging outlook for their access to external financing due to COVID-19



PRESS RELEASE

8 May 2020

- Small and medium-sized enterprises (SMEs) reporting rapid deterioration in economic environment in context of COVID-19
- Deterioration in economic outlook and SMEs' financial situations having strong negative impact on availability of finance
- SME expectations about access to external finance deteriorating sharply, reflecting expected impact of coronavirus pandemic

Euro area small and medium-sized enterprises (SMEs) reported a decline in turnover (in net terms -2%, from 20% in the previous six months) in the latest European Central Bank (ECB) [Survey on the Access to Finance of Enterprises \(SAFE\)](#). This was the first such decline reported in the twice-yearly survey since early 2014. They also reported a sharp deterioration in profits (in net terms -15%, down from -1% in the previous survey), which was widespread across countries and sectors. The survey covered the period from October 2019 to March 2020.

Euro area SMEs continued to indicate the lack of availability of skilled labour as their main concern (24% of respondents, down from 28%), followed by the difficulty in finding customers (21%, down from 22%).

Regarding access to finance, the net percentage of SMEs reporting an improvement in the availability of bank loans remained positive, but declined to 5% (down from 10%). This was attributed to the willingness of banks to provide credit (11%, down from 14%). However, for the first time since September 2014, euro area SMEs perceived their own financial situations as a factor impeding their access to finance (-18%, down from 5%). In addition, the general economic outlook was reported to be having a strong negative impact (-30%, down from -13%), a net percentage not seen since March 2013.

SMEs' responses on the expected availability of external finance are useful in gauging the possible impact of the coronavirus (COVID-19) pandemic in the immediate future. On balance, they show that expectations about the availability of bank loans were falling significantly in the euro area (-11%, down from 4%), with the level of deterioration varying across countries. Reflecting the severity of the coronavirus pandemic in different countries, Italian SMEs reported the largest deterioration in net terms (-13%, from 9%), followed by French and Spanish SMEs (-9% and -12%, from 8% and -1%, respectively).

This survey round introduced two additional questions: one on the most important factors affecting price-setting and the other on the expected impact of those factors on the prices of goods and services produced by SMEs over the next 12 months. Euro area SMEs reported expected demand for their own products and labour costs as the most important factors, followed by other input prices, competitors' prices and market shares. Looking ahead, they expect price pressures to remain subdued.

The Survey on the Access to Finance of Enterprises was developed to provide evidence on changes in the financial situation of enterprises and to document trends in the need for and availability of external finance. This survey round was conducted between 2 March and 8 April 2020. Despite the difficulties in conducting the survey owing to the spread of the coronavirus across Europe and the associated disruption in the business activity of many euro area firms, the survey was completed successfully, with a total euro area sample size of 11,236 enterprises, of which 10,287 (92%) had fewer than 250 employees.

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Notes

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**[Declaration by the High Representative on behalf of the EU on the alignment](#)**

## of certain countries concerning restrictive measures directed against certain persons, entities and bodies in view of the situation in Ukraine

On 5 March 2020, the Council adopted Decision (CFSP) 2020/373[1] amending Decision 2014/119/CFSP.

The Council Decision extends the existing restrictive measures until 6 March 2021, and amends the list of persons, entities and bodies subject to restrictive measures as set out in the Annex to Decision 2014/119/CFSP by removing two persons.

The Candidate Countries Montenegro and Albania[2], and the EFTA country Norway, member of the European Economic Area, as well as Ukraine and the Republic of Moldova align themselves with this Council Decision.

They will ensure that their national policies conform to this Council Decision.

The European Union takes note of this commitment and welcomes it.

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[1] Published on 06.03.2020 in the Official Journal of the European Union no. L 71, p.10.

[2] Montenegro and Albania continue to be part of the Stabilisation and Association Process.

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## Declaration by the High Representative on behalf of the EU on the alignment of certain countries concerning restrictive measures in respect of actions undermining or threatening the

# territorial integrity, sovereignty and independence of Ukraine

On 13 March 2020, the Council adopted Decision (CFSP) 2020/399[1] amending Decision 2014/145/CFSP.

The Council Decision extends the existing restrictive measures for a further 6 months.

The Decision amends the list of persons, entities and bodies subject to restrictive measures as set out in the Annex to Decision 2014/145/CFSP.

The Candidate Countries Montenegro and Albania[2], and the EFTA country Norway, member of the European Economic Area, as well as Ukraine align themselves with this Council Decision.

They will ensure that their national policies conform to this Council Decision.

The European Union takes note of this commitment and welcomes it.

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[1] Published on 13.03.2020 in the Official Journal of the European Union no. L 78/44

[2] Montenegro and Albania continue to be part of the Stabilisation and Association Process.

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## Press release – Czech PM should resolve his conflict of interest as a matter of urgency say MEPs



After the fact-finding mission, the Budgetary Control Committee Members demand that the Prime Minister “renounces to participate in budget-related negotiations in the European Council until his potential conflict of interest is fully resolved”. A Prime Minister or a member of a government cannot be a beneficial owner or still control a big conglomerate such as Agrofert Group and at the same time receive large EU subsidies while being involved in the programming and financing of the concerned subsidies. Should a potential conflict of interest be confirmed, “he must resolve it by either selling his business interests, stop receiving any public subsidies or funding distributed by his government including EU funds, or stepping down as Prime Minister”, they say.

### **Address weaknesses immediately**

The Czech public administration has no clear system for protecting EU funds against conflicts of interest, MEPs state. They call on the Czech authorities to address the systemic weaknesses “without any further delays”, by requiring public officials to list their financial interest and publishing the final beneficial owners of legal entities and trusts, and by increasing budgetary transparency and access by the general public to information on how to procure publicly-funded contracts.

The Committee also demands that land ownership rules are clarified and that small farmers are not discriminated against in favour of larger conglomerates in land auctions.

Furthermore, the Supreme Audit Office (the Czech Court of Auditors) should receive the legal competence to perform systematic on-the-spot checks of final beneficiaries. They need to have a complete overview of all payments and related information to perform their audits in accordance with international standards.

### **Zero-tolerance policy towards conflicts of interest**

MEPs call on the European Commission to implement a zero-tolerance policy as

regards conflicts of interest, by evaluating the preventive measures taken by Czechia, by swiftly recovering any subsidies that are paid out irregularly and by intervening when national authorities fail to act regarding conflicts of interest involving their highest representatives.

Finally, they demand that legal procedures on conflicts of interest and recovery of irregularly paid-out subsidies in the next MFF are sped up and that no more EU funds are paid to Agrofert Group until the Czech Prime Minister's potential conflict of interest is fully resolved.

**Hohlmeier: “we expect a swift reaction from the Czech government on our recommendations”**

After MEPs had backed the recommendations, Budgetary Control Committee Chair Monika Hohlmeier (EPP, DE), who led the fact-finding delegation, said:

“The fact-finding mission showed to the participants that there is currently no clear mechanism to identify conflicts of interest concerning EU subsidies. The doubts of CONT Members were rather confirmed that, in Czechia, oligarchic structures are fostered by an opaque system of dispersed control and lack of overview and responsibility for conflicts of interest.”

“We expect the Czech authorities, the Prime Minister, as well as the European Commission, to give their full attention to problems we identified in today's report, and act without delay to establish and remedy what we perceive to be grave, prolonged and systemic weaknesses. We owe this to taxpayers in Czechia and throughout the EU”.

**Background**

The European Parliament's Committee on Budgetary Control (CONT) controls and monitors the correct and targeted use of the EU budget by scrutinising its implementation by the European Commission and all the other EU institutions, bodies, offices and agencies, to ensure that EU taxpayers' money is used appropriately.

Some 80% of the EU budget is implemented in the member states.

Six members of the CONT Committee went on a fact-finding mission to Czechia from 26 to 28 February 2020 to gain insights into the distribution of EU funds and to follow up on reports of possible irregularities on how the cohesion and agricultural funds are managed. They met with ministerial authorities, representatives of the civil society, associations, journalists and NGOs.

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# Press release – COVID-19: MEPs fear impact on justice system and threat to rule of law



In his opening remarks, Commissioner Reynders underlined that the current health crisis has had a major impact on the acceleration of the digital transition, especially in the judicial and company law sector. He welcomed that work on key files such as collective redress was continuing and reassured MEPs that the Artificial Intelligence (AI) and Data Strategy remain a high priority for the Commission. With the rise of insolvency and layoffs related to COVID-19, MEPs said they fear increased pressure and delays in judicial proceedings and underlined the necessity to support national governments in the digitalisation of judicial systems.

## **Concerns regarding the situation in Poland and Hungary**

Mr Reynders reminded the committee of [recent infringement procedures](#) launched against Poland regarding judicial independence and took note of yesterday's decision to postpone presidential elections, which the Commission will continue to monitor. The Commission is following closely the rule of law situation in all member states and is due to publish its report in September, he said.

MEPs stressed that rule of law is essential for the proper functioning of the judiciary in the EU and raised their concerns in relation to the situation in countries like Poland and Hungary, which they fear used the crisis to put in place measures that weaken democracy, pose a threat to the justice system and hamper freedom of expression.

## **Tracing apps, data protection and artificial intelligence**

Several MEPs quizzed Mr. Reynders on how the Commission is going to ensure

the legality and interoperability of tracing apps, the protection of personal health data and anonymity of users. MEPs also wanted to know how new technologies such as AI can be used to recover from the crisis while ensuring high EU standards and values. The Commissioner highlighted that recently issued guidelines on interoperability fully comply with data protection rules and reminded MEPs that the topic will be further discussed in plenary next week.

MEPs also asked the Justice Commissioner whether the recent German constitutional court ruling on the legality of European monetary policy could endanger the EU legal system and create a precedent in the context of COVID-19. Reynders reassured MEPs that the decision will be examined very closely by the Commission and that the primacy of EU law prevails.

Finally, various MEPs asked for more details on ensuring liquidity for businesses, measures taken against illegal and counterfeit products online, the rights and conditions of inmates in prisons.

You can watch a replay of the debate [here](#)