The Riksbank's funding survey, March 2009

Most of the companies covered by the Riksbank's survey state that they have acquired the funding they need, but at the same time the funding situation of the companies is strained. A majority of the companies say that access to funding is poorer than normal. In the case of those companies that have not acquired adequate funding, the main obstacle is said to be the limited lending capacity of the banks. However, the general economic situation and the profitability of the companies themselves are also mentioned as important reasons. This is revealed in the survey of medium-sized and large companies that the Riksbank conducted in March.

Only a minority of the companies state that they cannot get the funding they need.

In the survey, 14 per cent of the companies interviewed (that is 24 companies) say that they are not getting the funding they need. These companies are larger than the average among all the companies interviewed and they are also represented in all the four sectors concerned: manufacturing, construction, retailing and other services. Seven of them are construction companies or companies dependent on construction activity.

The 24 companies were also asked to state what they believe are the main reasons for them not receiving the funding they need. Many saw "the limited lending capacity of the banks" as a central factor, while several companies also referred to "credit assessments", "the economic situation" and "the profitability of the company". The companies did not attribute an essential role to "loans with foreign banks that have not been extended" in this respect (see Figure 1).

The 24 companies were in general more dissatisfied with both their profitability and the economic situation than the average, which may be an indication of poor creditworthiness among these companies. The responses from the 24 companies also differed in a number of other respects. For example, most of them stated that their loan requirements had increased somewhat or considerably compared to the fourth quarter, while other companies generally responded that their loans requirements were unchanged.

Investment hampered by funding difficulties

Many companies answered yes to the question: "Is access to funding affecting your investment decisions?" 47 per cent answered "yes" to this question and a further 30 per cent answered "partly" (see Figure 2).

Figure 1. Reason why the company has not received the funding it needs (percentage shares)

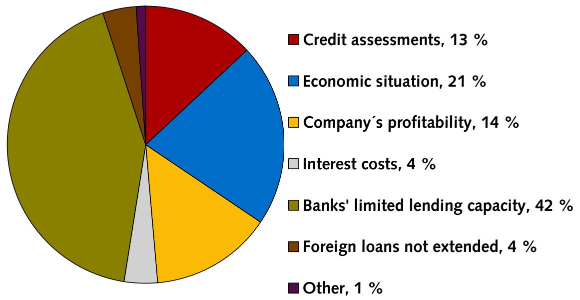
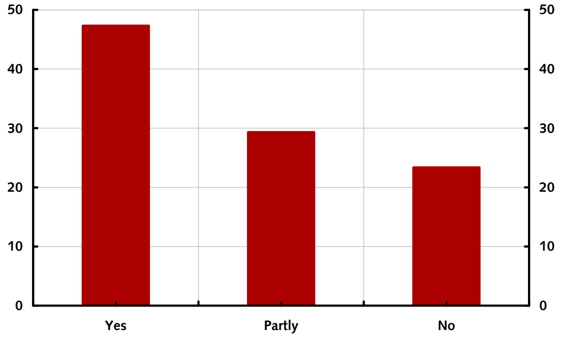


Figure 2. Is funding affecting investment decisions? (per cent)



A reasonable interpretation of this result is that most companies believe that the current funding situation is restricting their investment plans. It is, on the other hand, not possible to conclude that the present funding problems are the only or the primary reason for a decline in the willingness to invest. It is also normal for companies to experience funding problems when there is an economic downturn. The companies' responses to the question did not vary very much from one sector to another. Most of the companies that indicated that the current funding situation is hampering their investment also stated that access to long-term bank loans is poor or very poor.

Large companies more dissatisfied than medium-sized companies
The results of the survey do not support the hypothesis that smaller companies are at a disadvantage on today's credit market (assuming that such conditions are also reflected in the assessments of the companies). The companies' responses indicate that the large companies are experiencing slightly greater funding difficulties than the smaller companies. In this respect, the results of the survey are in line with the results of the business tendency surveys of the National Institute of Economic Research, in which the large companies more often than the smaller companies have stated that funding has become more difficult or considerably more difficult than normal (the business tendency surveys are published on www.konj.se/).

Loan conditions have been tightened
The companies were asked whether access to funding has changed in the most recent quarter and whether the banks' loans conditions have changed in the same period (see questions 5 and 12). The responses indicate that it has become somewhat more difficult to find funding at the same time as a large majority of the companies state that loan conditions have been tightened. The companies also believe that the banks' lending margins are "much higher than normal".

In response to a question in the Riksbank's company survey in December on access to external funding, approximately half of the companies said that this access declined during the autumn. The responses in March indicate that there was a further decline in the first quarter of this year. On the whole, however, it appears that the rate of decline has slowed down.

Difficult to get bank loans at long maturities and for companies to finance their operations using their own debt instruments
Approximately two out of three companies say that access to long-term bank loans (more than one year) is poor or very poor (see the responses to question 14). This group also contains almost all of the companies that say that they have not received the funding they need. The companies that responded that access to long-term bank loans was poor or very poor were often large manufacturing companies.

Around 60 of the companies answered the questions on how they assess the possibility to issue their own debt instruments at various maturities; corporate certificates or bonds. The most common response was "poor" and the second and third alternatives
were "very poor" and "possible" with roughly the same proportion of responses (see Figures 15 and 16). The differences in responses between certificates and bonds were negligible.

Design of the survey
A web questionnaire was sent to financial managers/treasurers on 9 March. The survey targeted 153 companies that had previously been interviewed within the framework of the Riksbank's Company Interviews and 57 corporate members of the Swedish Association of Corporate Treasurers (IFF). Complementary telephone interviews were carried out in the period 18 to 24 March by personnel at the Riksbank. The response rate was 82 per cent.

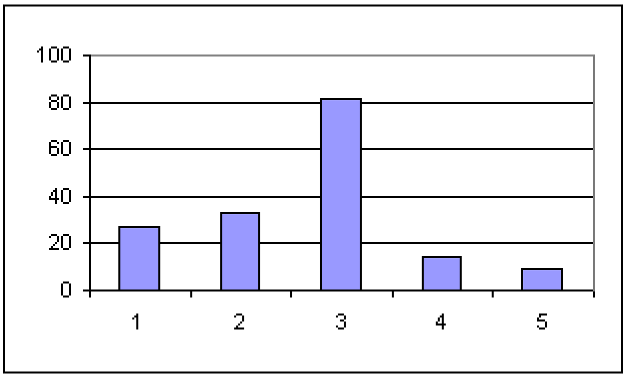
The 172 companies that responded included relatively few small companies and relatively many manufacturing companies compared with the business sector as a whole. In other respects, however, the responses should provide a fairly good picture of the situation in the different parts of the business sector (for example in the manufacturing, construction, retail and service sectors). The number of employees in Sweden in the companies that responded amounts to approximately 470 000 (the principles for the sample are presented in "The design of the Riksbank's company interviews", 2009-02-02 on www.riksbank.se/Press and published).

The questions and the distribution of the responses are presented on pages 4 to 7. Note that the number of responses to the different questions varies as many companies considered particular questions to be irrelevant. This applies, for example, to questions concerning the issue of certificates and bonds.

Questions and responses in the survey

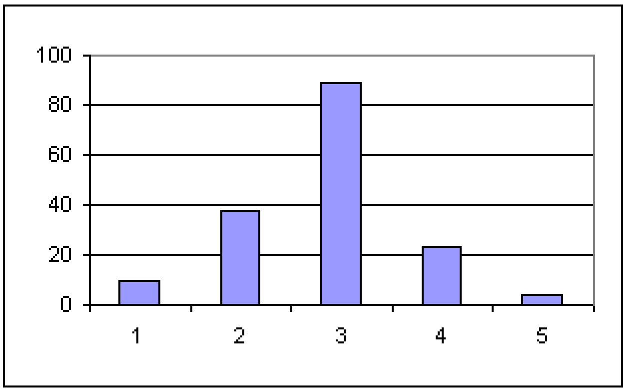
1) How has the company's loan requirement changed during the first quarter compared to the first quarter of last year?

		Number	
(1)	Increased significantly	27	16%
(2)	Increased slightly	33	20%
(3)	Unchanged	81	49%
(4)	Decreased slightly	14	9%
(5)	Decreased significantly	9	5%
		164	



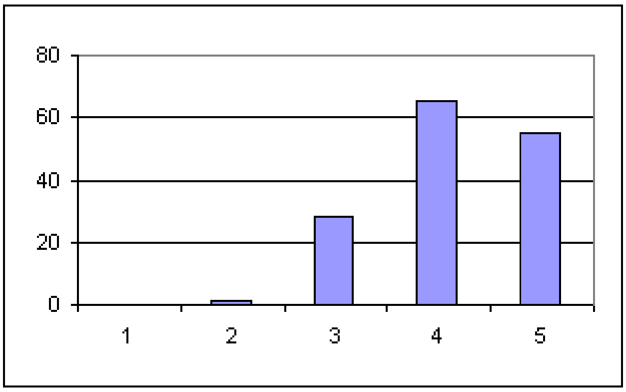
2) How has the company's loan requirement changed during the first quarter compared to the fourth quarter of last year?

		Number	
(1)	Increased significantly	10	6%
(2)	Increased slightly	38	23%
(3)	Unchanged	89	54%
(4)	Decreased slightly	23	14%
(5)	Decreased significantly	4	2%
		164	



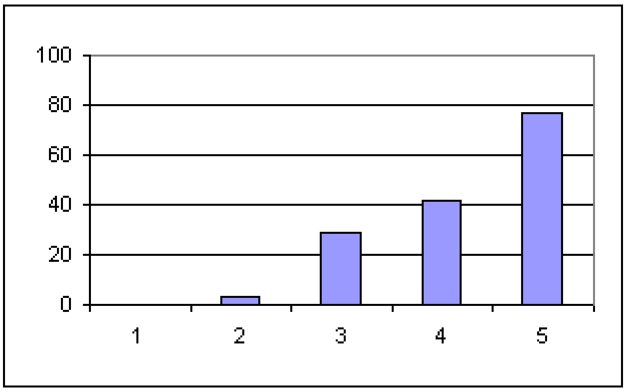
3) How do you assess access to funding in the form of bank loans, bonds, certificates etc. at present?

		Number	
(1)	Much better than normal	0	0%
(2)	Better than normal	1	1%
(3)	Normal	28	19%
(4)	Poorer than normal	65	44%
(5)	Much poorer than normal	55	37%
		149	



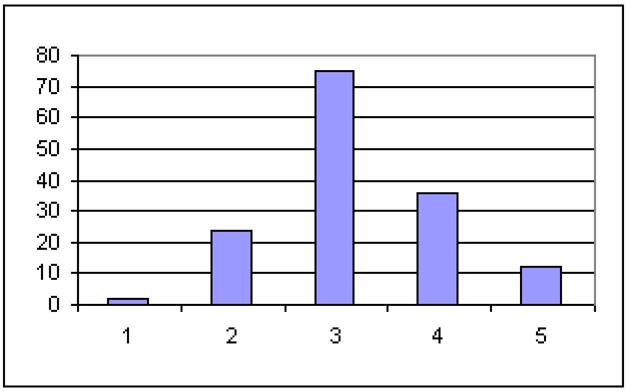
4) How has access to funding in the form of bank loans, bonds, certificates etc. changed during the first quarter compared to the first quarter last year?

		Number	
(1)	Improved significantly	0	0%
(2)	Improved slightly	3	2%
(3)	Unchanged	29	19%
(4)	Declined slightly	42	28%
(5)	Declined significantly	77	51%
		151	



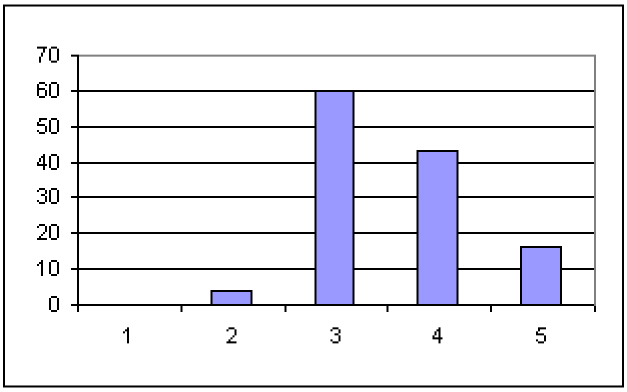
5) How has access to funding in the form of bank loans, bonds, certificates etc. changed during the first quarter compared to the fourth quarter last year?

	Number	
(1) Improved significantly	2	1%
(2) Improved slightly	24	16%
(3) Unchanged	75	50%
(4) Declined slightly	36	24%
(5) Declined significantly	12	8%
	149	



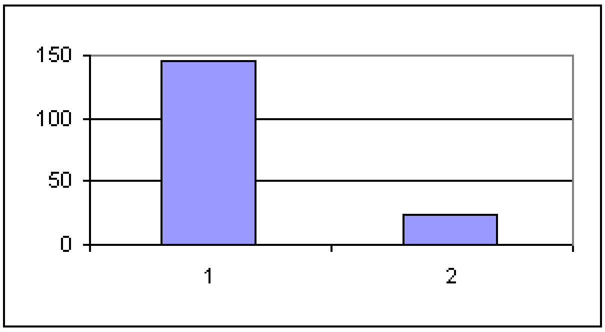
6) How do you assess access to funding in the form of additional funds from the owners at present?

	Number	
(1) Much better than normal	0	0%
(2) Better than normal	4	3%
(3) Normal	60	49%
(4) Poorer than normal	43	35%
(5) Much poorer than normal	16	13%
	123	



7) Is the company receiving the funding it needs at present?

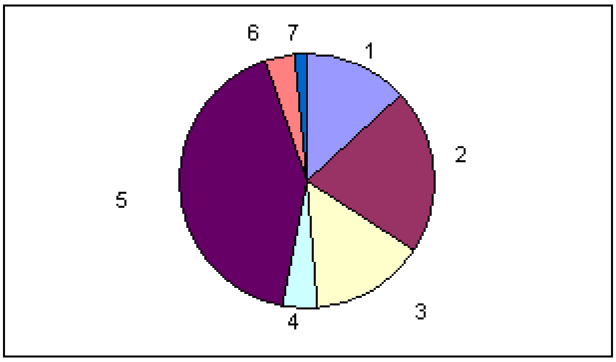
	Number	
(1) Yes	145	86%
(2) No	24	14%
	169	



If "no" to question 7

8) What do you think are the main reasons why the company does not have the funding it needs at present?

	Per cent
(1) Lenders' credit assessments	13
(2) Economic situation	21
(3) Company's profitability	14
(4) Interest costs	4
(5) Banks' limited lending capacity	42
(6) Loans with foreign banks not extended	4
(7) Other	1
	100

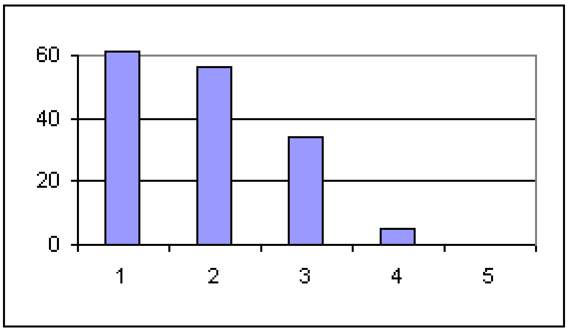


9) Is access to funding affecting..

		yes	partly	not at all	*No. of resp.*
(1)	..your investment decisions	79	49	39	*167*
(2)	..your possibilities to retain personnel	23	41	102	*166*
(3)	..your possibilities to maintain your competitiveness?	28	59	79	*166*

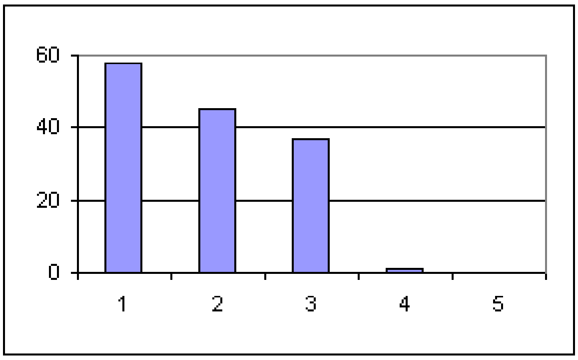
10) What do you think about the banks' lending margins on loans to your company at present ?

		Number	
(1)	Much higher than normal	61	39%
(2)	Higher than normal	56	36%
(3)	Normal	34	22%
(4)	Lower than normal	5	3%
(5)	Much lower than normal	0	0%
		156	



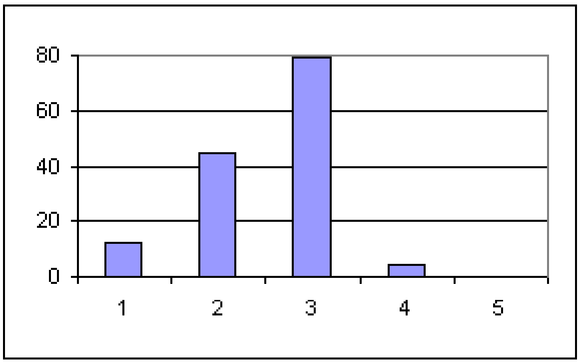
11) Have the banks' loan conditions changed, e.g. regarding collateral requirements, interest coverage, debt levels, payback periods etc. during the first quarter compared to the first quarter last year?

		Number	
(1)	Tightened significantly	58	41%
(2)	Tightened slightly	45	32%
(3)	Unchanged	37	26%
(4)	Eased slightly	1	1%
(5)	Eased significantly	0	0%
		141	



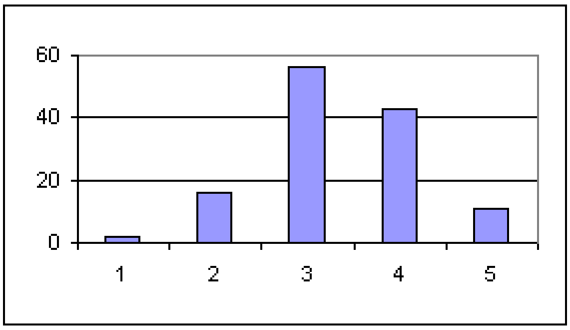
12) Have the banks' loan conditions changed, e.g. regarding collateral requirements, interest coverage, debt levels, payback periods etc. during the first quarter compared to the fourth quarter last year?

		Number	
(1)	Tightened significantly	12	9%
(2)	Tightened slightly	45	32%
(3)	Unchanged	79	56%
(4)	Eased slightly	4	3%
(5)	Eased significantly	0	0%
		140	



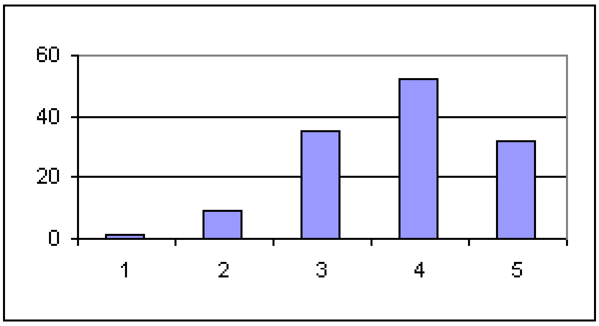
13) How do you assess access to bank loans at short maturities (less than one year) at present?

		Number	
(1)	Very good	2	2%
(2)	Good	16	13%
(3)	Possible	56	44%
(4)	Poor	43	34%
(5)	Very poor	11	9%
		128	



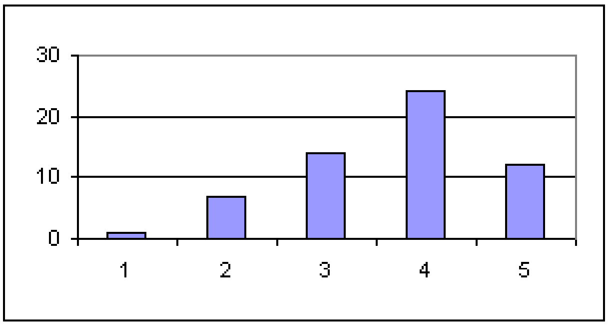
14) How do you assess access to bank loans at longer maturities (more than one year) at present?

		Number	
(1)	Very good	1	1%
(2)	Good	9	7%
(3)	Possible	35	27%
(4)	Poor	52	40%
(5)	Very poor	32	25%
		129	



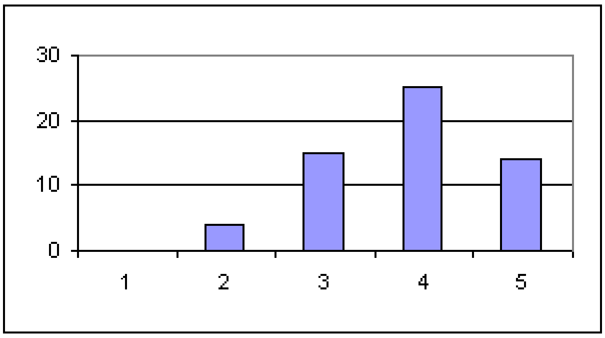
15) How do you assess the possibility to issue corporate certificates at present?

		Number	
(1)	Very good	1	2%
(2)	Good	7	12%
(3)	Possible	14	24%
(4)	Poor	24	41%
(5)	Very poor	12	21%
		58	



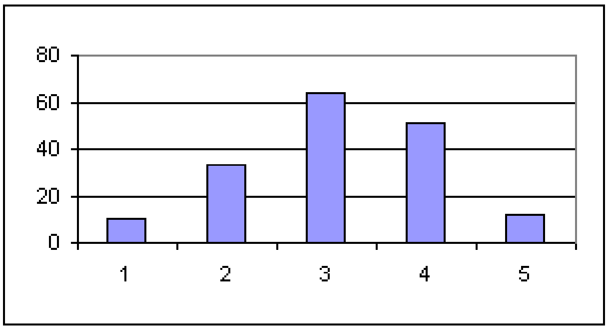
16) How do you assess the possibility to issue company bonds at present?

		Number	
(1)	Very good	0	0%
(2)	Good	4	7%
(3)	Possible	15	26%
(4)	Poor	25	43%
(5)	Very poor	14	24%
		58	



17) How do you assess the company's profitability at present?

		Number	
(1)	Very good	10	6%
(2)	Good	33	19%
(3)	Satisfactory	64	38%
(4)	Poor	51	30%
(5)	Very poor	12	7%
		170	



18) How do you assess the economic situation for your company at present?

		Number	
(1)	Very good	1	1%
(2)	Good	20	12%
(3)	Satisfactory	51	30%
(4)	Poor	66	39%
(5)	Very poor	33	19%
		171