



**72<sup>ND</sup> HALF-YEARLY SME  
BUSINESS CLIMATE SURVEY**

**SMES ON COURSE FOR  
2021**

**January 2021**

## The second lockdown has slowed, but not jeopardised, economic recovery. Certain sectors, such as tourism, are suffering.

SMEs, like all of France's business base, were severely affected in 2020 by the Covid-19 crisis and the lockdown measures implemented throughout the year in response to it. The unprecedented hit to SMEs' revenue in every single trade sector forced business owners to cut their recruitment and investment plans for the year considerably.

The implementation of many public-sector financial support measures cushioned much of the blow (cash flow loans, short-time working, and solidarity funds). Hence for example, the reduction in employment has remained much smaller than the reduction in turnover.

In addition, while SMEs report worse cash flow situations than one year ago, they nonetheless believe they are in a position to overcome the financial difficulties encountered. More than half of SMEs (53%) believe their cash flow is sufficient to cope with the crisis, a definite improvement compared with April (30%). 3% say their cash flow difficulties cannot be overcome.

Some sectors are suffering, however. The financial situations of tourism SMEs are the worst hit by the crisis. Just 26% of them believe their cash position is sufficient to see them through the crisis, and 9% say their cash flow difficulties cannot be overcome (as against 3% generally). SMEs in tourism now predict a 42% drop in their full-year turnover in 2020 (compared with 35% in the spring survey and 13% on average for SMEs overall). This is the sector where investment shows the largest reported drop (balance of opinion at -55). While conditions for accessing credit remain particularly relaxed despite the crisis, tourism is increasingly viewed as a high-risk sector.

Large numbers of SMEs applied for state-guaranteed loans to cope with the economic crisis, with more than half (55%) of business owners surveyed saying they had applied for one in 2020. Only a minute proportion reported that they had not heard of the scheme. Most recipients had still not used their state-guaranteed loans by the end of 2020, since 35% of them said they had spent little or none of it at that point. Despite the crisis, the credit risk attached to repaying the state-guaranteed loans appears relatively limited. Only 6% of respondents reported fear at being unable to repay their loan, while half of recipients are planning to repay at least part of it in 2021 (20% repayment in full, 30% part repayment).

The second lockdown has clouded, but not at this stage generally jeopardised, SMEs' prospects for recovery. The timeframe for a return to business as usual has lengthened. Those expecting the return to a normal level of business to be difficult are still in the majority (61% compared with 53% at the end of H1). Most business owners (60%) are anticipating a return to pre-crisis business levels in the second half of 2021, or later.

Nonetheless, the balance of opinion on future order books is recovering (at -14 now, from -21 at the end of the first half-year). The outlooks for recruitment and investment have continued to improve since the spring. Cancelled recruitment and investment plans had fallen to 15% and 13% by the end of the year, compared with 30% and 28% in April. The situation varies somewhat from one sector to another as regards such plans, with trade sectors directly affected by Covid-19 restrictions being the worst hit.

Lastly, the crisis is forcing SMEs to adapt. While investment has fallen this year, more than half of them say they have maintained or accelerated their digital transformation strategy to adapt how their work is organised, and/or their product or service range, to meet the requirements imposed by the public health crisis.

5,178 SMEs (1-250 employees) responded to this survey. In addition to the recurring questions, a number of questions specifically on the impact of the crisis caused by Covid-19 were put to the sample as a whole. These included two questions on businesses' digital transformation strategies which were put to SMEs that were part of an online panel (2,508 SMEs).



# SALIENT POINTS

1

**SMEs' turnover and capital expenditure both showed a definite decline in 2020, as did numbers employed albeit to a lesser extent**

SMEs reported a sharp fall this year in both their turnover (balance of opinion at -48 compared with +25 at the end of 2019) and their capital expenditure (with the indicator reporting amounts invested at -21, down 28 points in one year). The correction on employees appears more limited (balance of opinion at -7), in particular thanks to the substantial use made by SMEs of the short-time working scheme.

2

**Most SMEs believe they are in a position to overcome the financial difficulties encountered.**

Despite the significant impact of the crisis on SMEs' financial situations and the introduction of the second lockdown, 53% of them report that their cash flow is sufficient to cope, once their use of support mechanisms is included (49% in June). However, 3% of business owners believe the cash flow difficulties brought about by the crisis are insurmountable. This proportion is however 9% in tourism.

3

**For most recipients, state-guaranteed loans are still largely not used, and at this stage still constitute a substantial resource for use in addressing the recovery**

Of those SMEs having taken out a loan, 35% say they have spent little or none of it. Half of the SMEs that are loan recipients are planning to repay at least part of it in 2021, while 6% of the managing directors surveyed fear they will not be in a position to repay it.

4

**The second wave of the epidemic seems to have delayed economic recovery without actually jeopardising it, and a return to normality is expected from the second half of 2021**

The indicator on the future outlook for business has itself recovered since the spring, despite the second lockdown, but remains below its usual level. A quick return to business as normal is anticipated by 35% of SMEs (unchanged from April). This proportion does vary from sector to sector, with just 13% in tourism SMEs, compared with 48% in construction, the most optimistic sector. The majority of managing directors see a return to normal levels of business either during or after the second half of 2021.

5

**The outlooks for recruitment and investment are continuing to recover despite the second lockdown**

Of those business owners who reported having recruitment plans before the crisis, 58% are intending to keep them in place, a proportion that is distinctly higher compared with the June half-yearly survey (43%). 27% anticipate postponing their recruitment plans, mostly by less than a year. As regards the business owners who had investment plans, 51% are intending to keep them in place (versus 41% in June).

## Key figures

65%

**SHARE OF SMES PREDICTING A DROP IN TURNOVER OF 10% OF MORE IN 2020 AS A RESULT OF THE PUBLIC HEALTH CRISIS**

THE FIGURE WAS 75% IN JUNE AND 83% IN APRIL

53%

**SHARE OF SMES THAT BELIEVE THEIR CASH RESOURCES ARE SUFFICIENT TO COPE WITH THE CRISIS**

37% BELIEVE THEIR CASH-FLOW ISSUES TO BE MANAGEABLE

41%

**SHARE OF SMES STATING THEY HAD, OR PLANNED TO, INVEST THIS YEAR**

DOWN 10 POINTS OVER ONE YEAR

58%

**PROPORTION OF SMES THAT HAD MADE RECRUITMENT PLANS THAT INTEND TO KEEP THEM IN PLACE**

AFTER 43% IN JUNE AND 31% IN APRIL

35%

**SHARE OF SMES REPORTING THEY HAVE SPENT LITTLE OR NONE OF THEIR STATE-GUARANTEED LOAN**

6% FEAR NOT BEING IN A POSITION TO REPAY IT

60%

**PROPORTION OF SMES ANTICIPATING A RETURN TO BUSINESS AS NORMAL IN H2 2021 OR AFTER**

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**01.**

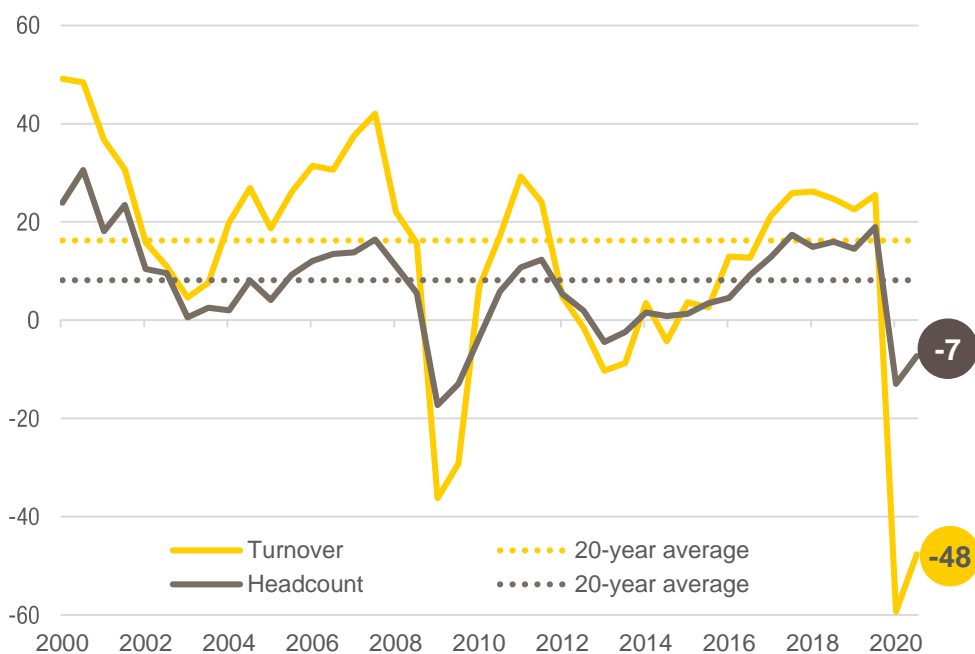


**REVENUE AND  
EMPLOYMENT**

# Record drop in revenue in 2020

**In 2020, SME revenues were adversely affected a great deal by the Covid-19 crisis. Employment was also affected, although less severely thanks to the financial support offered.**

• **GRAPH 1: CHANGES IN TURNOVER AND HEADCOUNT FOR THE CURRENT YEAR**  
BALANCE OF OPINION (AS A %)



Note: the balance of opinion on the change in turnover for this year fell from +25 to -48 between the November 2019 and November 2020 surveys.  
Scope: Total (N=5,178)

Source: Bpifrance Le Lab

The public health crisis and lockdown measures introduced throughout the year to contain the epidemic, in France and elsewhere, resulted in an economic crisis on a record scale. SMEs have obviously been seriously affected:

- The balance of opinion regarding changes in turnover by the end of 2020 shows a fall of 73 points in one year, to a figure of -48, which is nonetheless higher than the all-time lowest level recorded in May, which was -59. This figure shows the scale of the hit sustained by economic activity this year.
- Managing directors anticipate a turnover drop of 13% in 2020 on average, a slightly less pessimistic figure than the result of the spring survey, which was a 15% decrease. 15% of owners expect an increase in business this year (up from 9% in the previous survey) and 62% expect a decrease (from 68%). 24% anticipate little or no change.
- Exporter SMEs are a little more pessimistic than their non-exporting counterparts as regards changes in their turnover in 2020 (-16% versus -13%).
- The balance of opinion on the order book for the last 6 months shows a substantial downturn of 38 points in one year, reaching -30 in November 2020, testifying to the crisis' negative impact on demand.

Consistent with the clear decrease in turnover, business owners have considerably cut their planned recruitment in 2020. The correction to jobs is however less severe than the fall in revenue, partly a result of the short-time working scheme introduced during lockdown.

- Settling at -7 at year-end, the balance of opinion for the indicator for changes in SME headcount in 2020 fell by 26 points in one year. The drop in this indicator is large, but smaller than that seen during the 2008-2009 financial crisis.



The French national statistics office INSEE (see [Competition update of 15 December 2020](#)) and the Banque de France (see [Macroeconomic projections – December 2020](#)) anticipate a 9% reduction in France's GDP for 2020 as a whole.

# Revenue

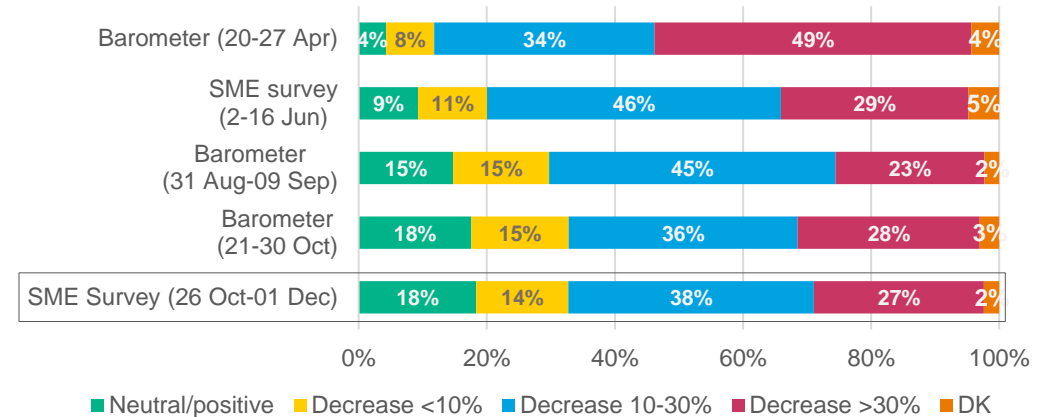
## Despite the second lockdown, business owners have not further reduced their turnover forecasts for 2020.

**SMEs are less pessimistic about the size of the decrease in their turnover than they were in the spring, with the exception of those in tourism.**

The impact of the economic crisis caused by Coronavirus and by the restrictions imposed in response to the epidemic (enforced business closures, curfews, etc.) is unprecedented in scale. The introduction of the second lockdown in late October has not, however, further depressed the overall expectations of business owners as regards their business turnover in 2020.

- 79% of business owners anticipate a decrease in their firm's turnover this year as a result of the Covid-19 crisis. In more detail, 65% expect a significant decrease, of more than 10%, including 27% of more than 30%. 14% say they foresee a moderate reduction in turnover, of under 10%, and 18% no impact or a positive impact.
- In comparison with the spring survey, the introduction of a second lockdown has not further depressed SMEs' turnover expectations for 2020 as a whole. While 91% of business owners anticipated some loss of revenue in the spring owing to the public health crisis, that proportion now stands at 79%, little changed since October, before the new lockdown was announced. This revision of opinions over the course of the year is probably the result of better visibility (particularly over the size of the recovery in Q3). Moreover, fewer businesses were directly affected by the second lockdown, which was less strict than the spring lockdown.
- Micro-enterprises remain the most pessimistic about changes to their turnover in 2020. For this category of businesses, the balance of opinion on turnover stands at -53, compared with -44 businesses employing 10-250 employees, a gap of 9 points (the gap was 4 points in the spring).

GRAPH 2: IMPACT OF THE PUBLIC HEALTH CRISIS ON 2020 TURNOVER



Scope: Total (N=5,178)  
Source: **Bpifrance Le Lab**

### The crisis has affected different sectors and regions in different ways:

- SMEs in the tourism sector are obviously the worst hit, suffering the effects of two lockdown periods. Furthermore, the benefits of the recovery after the first lockdown were mitigated by continued restrictions on their business. 95% of them expect to see decreased turnover in 2020. On average, SMEs in tourism predict a 42% drop in their full-year turnover in 2020 (compared with 35% in the spring survey).

See also the focus by sector

- While no region was spared by the crisis, SMEs in the Ile-de-France seem to anticipate the largest drop in their turnover in 2020 (-19% on average). In contrast, SMEs in the Pays-de-la-Loire were the least affected (-9% on average), closely followed by SMEs in Hauts-de-France and Nouvelle-Aquitaine (-10%).

See also the focus by region

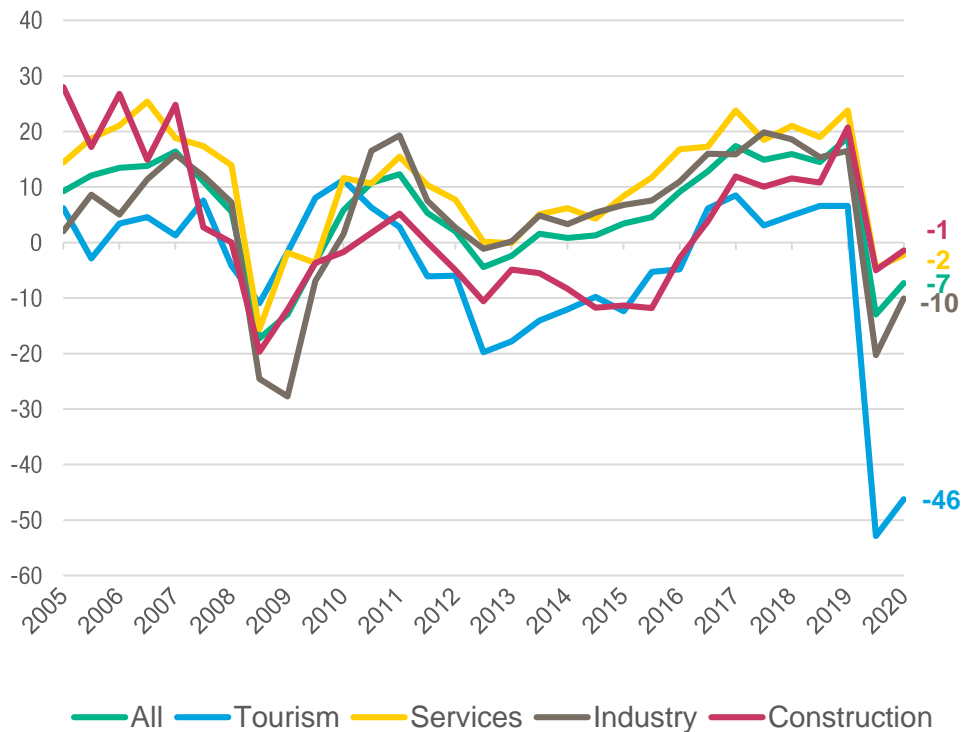


## Employment

### The impact on employment was cushioned by the short-time working scheme

**While SMEs report a reduced headcount, the correction seems to be on a smaller scale than for revenue thanks to the short-time working scheme. The decline in headcount is greatest in tourism, which is the sector most affected by the Covid crisis.**

• GRAPH 3: CHANGES IN HEADCOUNT FOR THE CURRENT YEAR  
BALANCE OF OPINION (AS A %)



Interpretation: the balance of opposite opinions on changes in headcount this year fell from +19 to -7 between the November 2019 and November 2020 surveys.  
Scope: Total (N=5,178)

Source: Bpifrance Le Lab

SMEs generally reported a decline in headcount in 2020. However, this summary conceals great disparity between sectors.

- The balance of opinion on changes in headcount dropped 26 points over the year, ending at -7.
- By far the greatest drop in this indicator was seen in the tourism sector (down 53 points in one year, to -46), where the largest decrease in revenue was also seen. The employee headcount indicator also nosedived in industry (down 27 in one year, to -10). While distinctly reduced, the headcount indicators in services and construction appear healthier, although they are still reporting declining numbers (indicator at -2 in services and -1 in construction).
- It should be noted that recruitment issues remain particularly high in construction (80% of business owners affected, compared with 65% on average in all sectors combined).

See also the focus by sector

- The impact of the Covid-19 crisis on salaried employment in SMEs appears much less than its impact on turnover. This finding could be partly attributable to the substantial use made by SMEs of the short-time working scheme (79% of SMEs asked during the last survey about their use of the government's support measures stated they had put at least one employee on short-time working).



According to the French Ministry of Employment's statistics unit, DARES, a total of 76,100 job cuts have been planned altogether under redundancy plans since 1 March, almost three times as many as over the same period in 2019. Businesses are also making extensive use of employment support schemes. In total, as at 6 December, 7.1 million employees were covered for at least one day in November by a request for prior authorisation under the Covid short-time working scheme. Between 26 October and 6 December 2020, 475,100 such requests were submitted. (See [Dashboard – Labour market situation during the public health crisis on 8 December 2020](#)).

Over the first three quarters of 2020, some 300,000 jobs were lost, the jobs created in Q3 being insufficient to offset the losses in the first half of the year. 80% of these lost jobs were in tertiary market services (i.e. excluding non-profits and the public sector) (see [INSEE Employment – 3rd quarter 2020](#)).

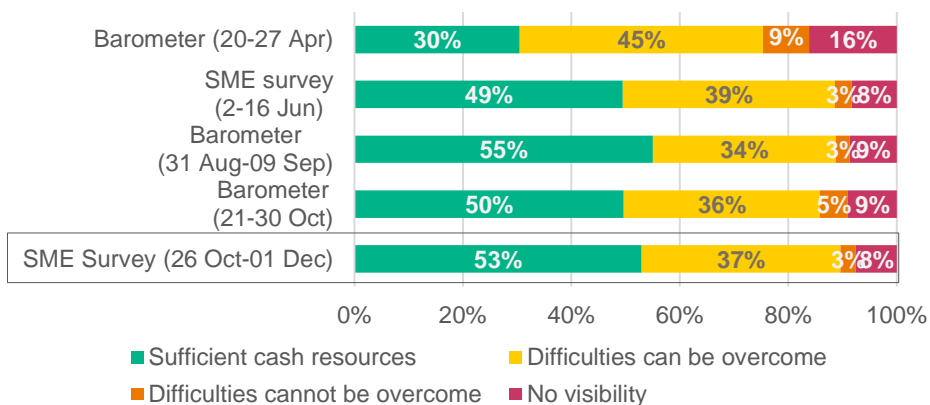
**02.**

**FINANCIAL  
SITUATION,  
ACCESS TO CREDIT  
AND CAPITAL  
EXPENDITURE**

# Cash flow difficulties are reckoned to be manageable thanks to support measures

**More than half of SMEs reckon their cash position is sufficient to see them through the crisis, once the government's support mechanisms are included. This proportion drops to a quarter in tourism.**

• GRAPH 4: CHANGE IN CASH FLOW SITUATION IN VIEW OF THE CRISIS OVER THE COURSE OF 2020



Scope: Total (N=5,178);  
Source: Bpifrance Le Lab

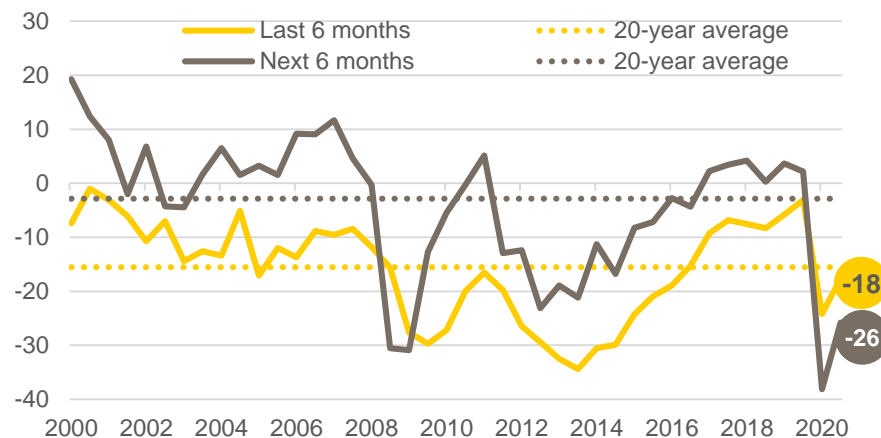
**Most SMEs believe they are in a position to overcome the financial difficulties encountered once they have made use of the French government's support schemes.**

- More than half of SMEs (53%) believe their cash flow is sufficient to cope with the crisis, a definite improvement compared with April (30%) and, to a lesser extent, with the June half-yearly survey (49%). 37% of them consider that the difficulties encountered can be overcome given the support measures used (compared to 39% in June and 45% in the spring).
- 3% of SMEs believe the cash flow difficulties encountered in the context of this crisis are insurmountable. In the tourism sector, however, this proportion is three times greater, at 9%. Just 26% of tourism SMEs believe their cash position is sufficient to see them through the crisis.

The cash flow situation has improved since spring, while still far from normal.

- The indicator reflecting opinions on the cash flow situation over the last 6 months gained 7 points since June to reach -18, but remains 14 lower than the figure at the end of 2019. This is higher than the record low point reached during the 2008-2009 financial crisis. However, the indicator is at an all-time low in tourism, at -70.
- The future cash flow indicator is down on one year (-28 points to -26), reflecting the continued high degree of uncertainty as regards post-crisis recovery.

• GRAPH 5: AVERAGE OPINION ON THE PAST AND FUTURE CASH FLOW SITUATION  
BALANCE OF OPINION (AS A %)



Note: In November 2020, the share of SMEs saying cash flow was difficult over the last 6 months was 24 points higher than the share saying cash flow was easy.  
Scope: Total (N=5,178); Source: Bpifrance Le Lab



In response to the health and economic crisis, a range of measures were implemented to support French businesses' cash flow. According to INSEE, more than four companies in five (84%) reported they had used one or more of these emergency support measures early in 2020 (see [Impact of the crisis of businesses' organisation and activities – INSEE December 2020](#)).

According to the French Ministry for the Economy, Finance and Recovery, these measures cover 90% of the adverse impact felt on businesses' cash flows (excluding the state-guaranteed loans). The short-time working scheme and solidarity fund have reportedly led to a 75% reduction in the number of businesses becoming insolvent as a result of the Covid-19 crisis (See [Economic, employment and financial report – appendix to France's finance bill for 2021](#)).

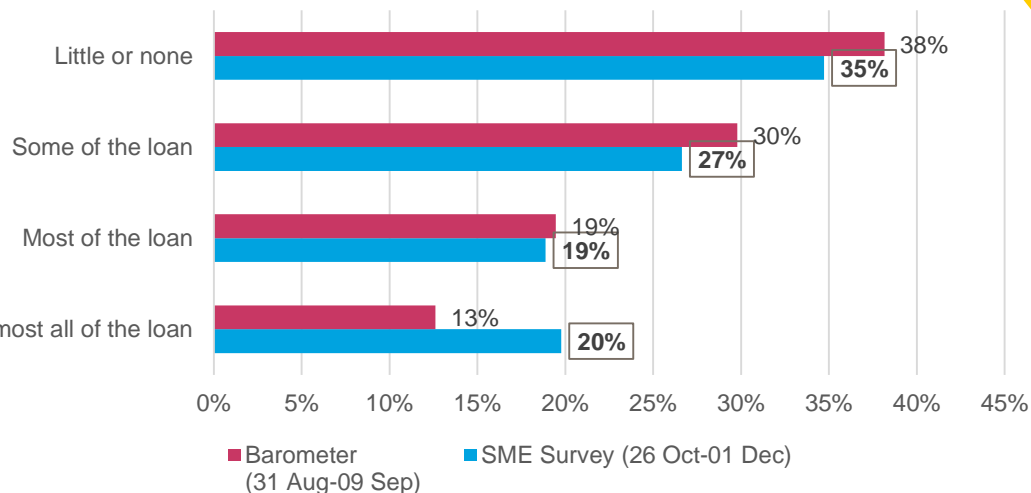
# FOCUS

## Most recipients had still not used their state-guaranteed loans by the end of 2020.

Large numbers of SMEs had applied for state-guaranteed loans to cope with the economic crisis. More than half of business owners (55%) who responded to the survey reported that they had applied for a state-guaranteed loan in 2020. Conversely, 33% of SMEs said they had no plans to apply for one at this stage. According to the survey's findings, the support mechanism is extremely well-known to SMEs, as only a minute proportion (0.2%) reported that they had not heard of it.

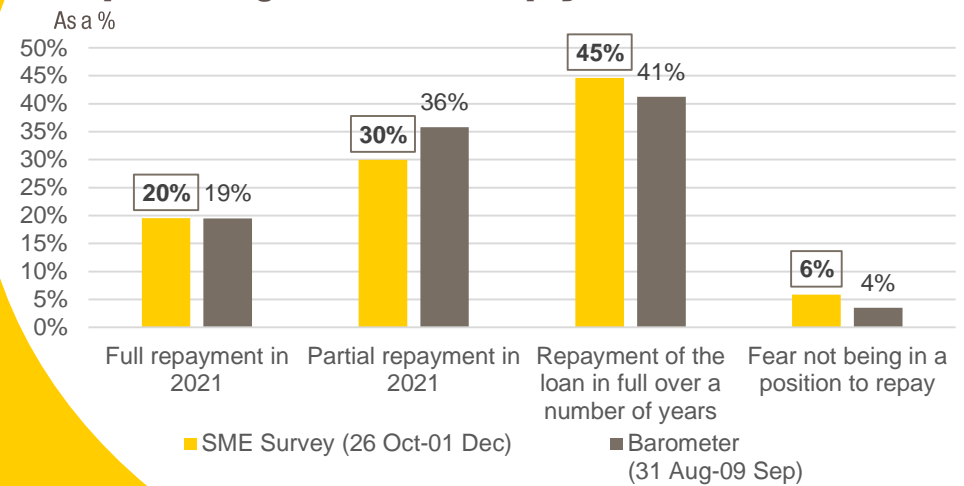
**Graph 6: Shares of state-guaranteed loans used**

As a %



Scope: Businesses having requested and obtained a loan  
Source: Bpifrance Le Lab

**Graph 7: State-guaranteed loan repayment timeframe**



Scope: Businesses in receipt of a state-guaranteed loan  
Source: Bpifrance Le Lab

Of those SME business owners reporting having taken out a loan, 35% said they had spent little or none of it at this point. On the other hand, 20% of SMEs said they had used almost all of their loan, as against 13% in our September survey (the Bpifrance–Rexecode survey).

Of those businesses having requested a state-guaranteed loan:

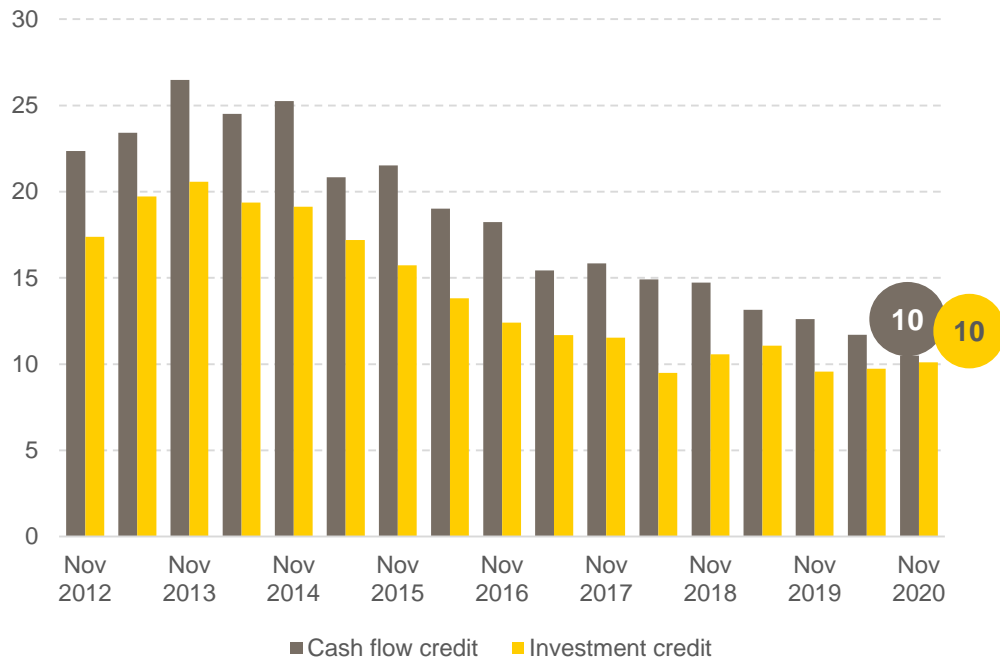
- 16% have used it or are considering using it to repay pre-existing borrowing or fixed costs during lockdown (e.g. bank borrowing, HP payments, supplier payables, rent, tax & social security contributions). 35% of SMEs report they have used or plan to use the loan to finance their working capital requirements (WCR) or in their cash flow.
- 31% say they have retained a substantial share of the loan as a liquidity reserve, and 9% spent it on paying employees up-front, pending reimbursement under the short-time working scheme.

Despite the crisis, the credit risk attached to repaying the state-guaranteed loans appears relatively limited at this stage. To date, half of the SMEs that are loan recipients are planning to repay at least part of it in 2021 (20% repayment in full, 30% part repayment). 45% of the managing directors surveyed anticipate repaying the loan in full over a number of years. Only 6% of the respondents feared they would be unable to repay their state-guaranteed loan, although this figure is higher than it was in September (4%). Note too that 13% of tourism SMEs are in this position. The majority of SMEs in this sector (52%) plan to repay the loan over a number of years.

# Still very comfortable terms for access to credit

**Despite the scale of the economic crisis, credit terms remain particularly relaxed. Tourism is, however, increasingly viewed as a high-risk sector.**

**GRAPH 8: DIFFICULTIES ACCESSING CREDIT**  
FAIRLY OR VERY DIFFICULT (AS A %)



Scope: Total (N=5,178)  
Source: Bpifrance Le Lab

Difficulties accessing cash flow credit facilities, which have declined near-continuously since the end of 2013, continue to decrease.

- Only 10% of SMEs report experiencing difficulties in accessing cash flow credit facilities, a lower proportion than one year ago (13% in November 2019). The significant use made by SMEs of the state-guaranteed loan scheme, which serves to provide cash to businesses to meet cash flow needs during the crisis, explains to a large extent the availability of short-term credit facilities under favourable terms despite the current crisis.
- Access to cash flow credit facilities has become less tough in every sector except transport (12% of SMEs reported some difficulties with access, compared with 8% one year ago).
- Despite some improvement in the situation, tourism businesses are still experiencing more issues than other sectors (21% from 23% a year ago),
- For SMEs experiencing difficulties financing their day-to-day operations, the main reason by far remains an insufficient level of revenue and/or lack of certainty over their outlook, which has risen steeply this year (cited by 58% of SMEs after 51% one year ago). This reason is mentioned particularly by SMEs in commerce (66%) and tourism (65%). Of the SMEs in tourism encountering issues in financing their cash flow requirements, 47% attribute it to the risk associated with their trade sector (versus 38% one year ago).

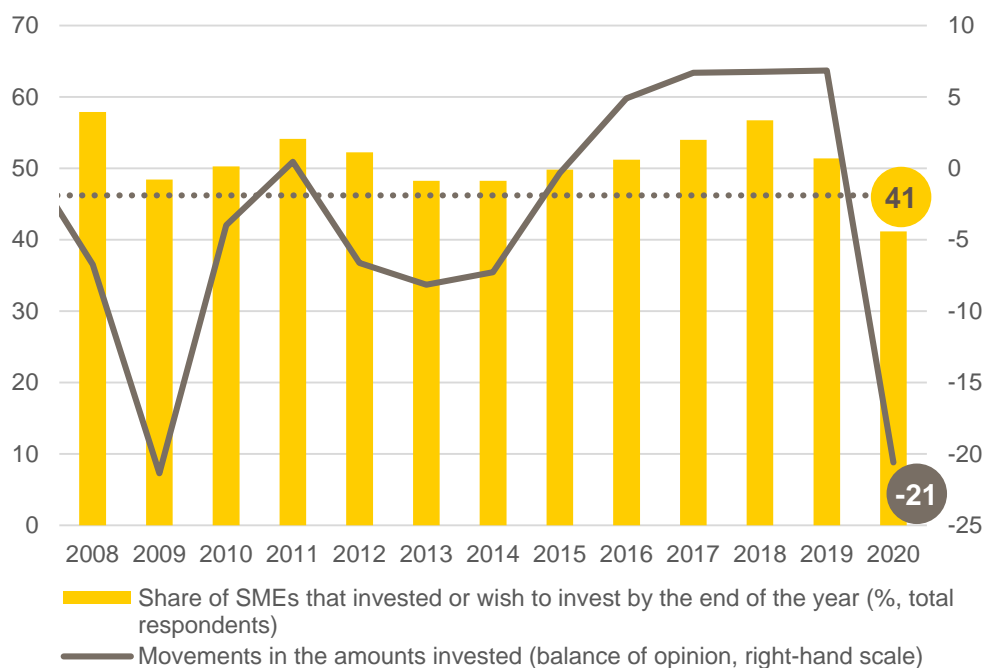
Difficulties in accessing investment credit facilities have remained stable overall for 2 years.

- Only 10% of SMEs experienced difficulty in accessing investment credit facilities, a stable proportion over one year.
- Here too, SMEs in tourism encounter far more access issues, although the situation has clearly improved (18% from 26% one year ago).
- Firms experiencing difficulties accessing investment credit facilities cite the financial fragility of their business as the main reason, a slightly lower proportion than one year ago (69% after 72% the previous year). Note that more than half (52%) of the tourism SMEs affected by such difficulties mention the excessive riskiness of their sector as a reason, a much higher proportion than one year ago (36%).

# Clear downturn in SME investment in 2020

**A definite decrease is expected in capital expenditure in 2020, depressed by the spring crisis and prevailing uncertainty**

• GRAPH 9: CHANGES IN INVESTMENT AT YEAR-END 2020



Scope: Total (N=5,178)  
 Source: Bpifrance Le Lab

41% of SMEs report actual or planned capital investment in 2020, a proportion that is down 10 points compared to the previous year.

The indicator on the change in amounts invested has dropped 28 points in one year to stand at -21. However, it remains above the record low reached in 2009.

- Investment reportedly shrank to the greatest extent in the tourism and transport sectors (-55 and -26 points respectively), with these sectors being among the worst affected by decreases in turnover as a result of the economic impact and public health restrictions on their businesses.

In terms of purpose, managing directors reported reduced capital expenditure on moveable property in particular, this being easier to cut than real estate expenditure. There has thus been a relative increase in expenditure on real estate (42% from 36% one year ago), at the expense of movable property (plant & machinery, vehicles and other equipment at 50% after 56% one year previously). Investment in intangibles, slightly down from last year, accounts for 9% of spending.

The clear reduction in SMEs' investment in 2020 reflects the high degree of uncertainty resulting from the public health situation and the economic crisis it has caused. While a majority of SMEs (51%) that had made investment plans opted to keep them in place in 2020 despite the crisis, 36% decided to postpone them (see Graph 19, p. 20) and 13% to cancel them entirely.



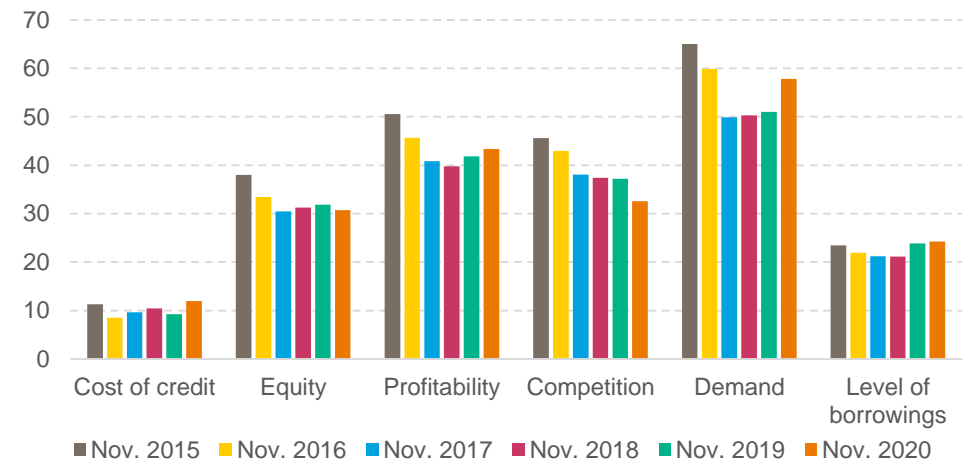
Capital expenditure in non-financial companies is expected to show a definite decline this year. According to INSEE's figures, the growth trajectory for gross capital formation for such companies at the end of Q3, i.e. the full-year growth in investment for 2020 if there was no change in Q4, was a fall of -9%.

## Capital expenditure is suffering from the high level of uncertainty

**For SMEs, limitations on sales opportunities remain the main obstacle to investment, while financial structure constraints are less of an issue, despite the crisis**

- **Weak demand is the main obstacle to capital expenditure**, mentioned by 58% of SMEs, marking a 7% increase over one year. This also reflects both the current lack of sales outlets and the poor outlook for demand, made worse by the prevailing uncertainty over how long the epidemic will last, and the measures to curb it.
- **The second obstacle mentioned by business owners**, showing a minor rise compared with the same period last year, is **reduced profitability** (mentioned by 43% of business owners, up 2 points year on year).
- **Financial structure constraints identified by SMEs remain modest**. Of the obstacles identified, excessive debt is unchanged from 1 year ago (mentioned by 24% of business owners) and remains under its 5-year average (27%). Cited by 31% of business owners, insufficient shareholders' equity is not a growing obstacle, probably thanks to the wide-ranging public-sector support mechanisms implemented to buoy up businesses' financial positions
- The cost of credit remains a minor obstacle to investment, against a backdrop of still very favourable financing conditions. It nonetheless rose slightly (mentioned by 12% of business owners and up 3 points year on year).

• GRAPH 10: OPINION ON OBSTACLES TO INVESTMENT  
SIGNIFICANT OR INSURMOUNTABLE, AS A %



Scope: Total (N=5,178)

Source: Bpifrance Le Lab



According to the Banque de France, the proportion of equity in the total funds employed by French SMEs has recorded a distinct increase, accounting for 44% of total resources for all SMEs in 2019, compared with 37.8% in 2007. SMEs consequently appear more financially sound to cope with the Covid-19 crisis than in 2008 (see Banque de France – Bulletin no. 232 – 2 November 2020).



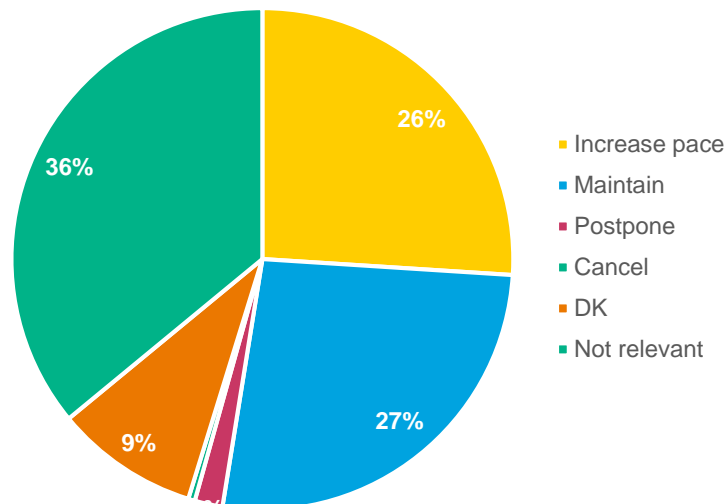
# FOCUS

## In response to the crisis, half of SMEs have maintained or accelerated their digital transformation strategy

The crisis, and the restrictions imposed as a result (the two lockdowns, in essence), pushed some SMEs into significant adaptations in how work is organised and their product range.

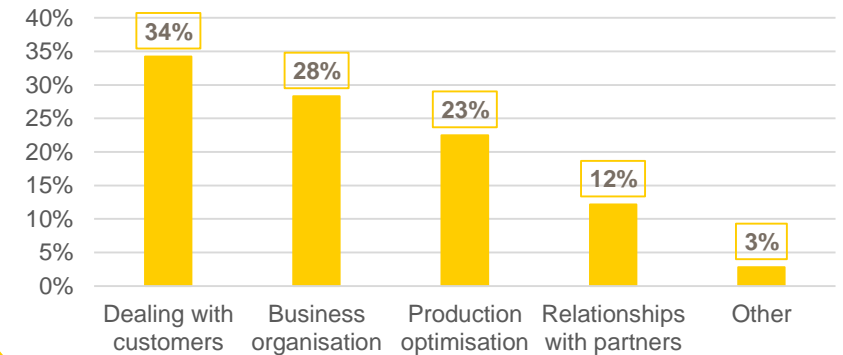
### Graph 11: Changes to digital transformation strategy in response to the crisis

As a %



Scope: Online panel (N=2,508)\*  
Source: Bpifrance Le Lab

### Graph 12: Aspects of the business requiring more digitalisation



Scope: Businesses reporting their digital transformation has accelerated (N=2,508)\*  
Source: Bpifrance Le Lab

53% of businesses say they have maintained or accelerated their digital transformation strategy in response to the Covid-19 crisis.

- More than a quarter report they have accelerated their digital transformation strategy.
- Despite the prevailing climate of uncertainty causing a definite decrease in businesses' investment this year, only a very small fraction of businesses (2%) say they cancelled or postponed their digital transformation projects in 2020.

The responses from businesses on areas for improving digitalisation are fairly diverse:

- 34% of managing directors mention dealing with customers as the main aspect (to increase online sales for example).
- 28% of business owners state that business organisation is an area requiring more digitalisation in the context of this crisis (digital systems to boost remote working, collaborative working, etc.), followed by production optimisation (23% – analysis of customer data, smarter processes, etc.). The relationship with partners was the aspect mentioned the least often (12% – paperless invoices payable for example).





**03.**



**OUTLOOK FOR 2021**

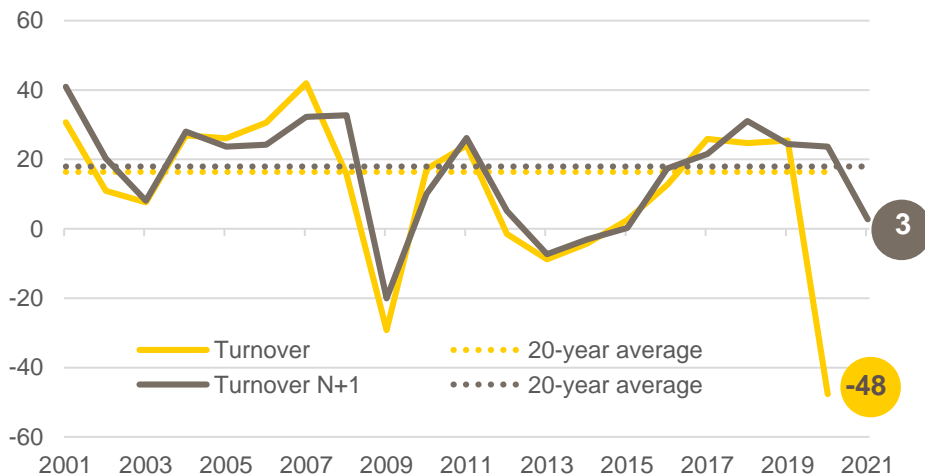
# A gradual recovery in business, slowed by the second wave of Covid-19

**Half of business owners expect their business to return to pre-crisis levels by the end of 2021.**

The SME business outlook indicators for 2021 are dropping.

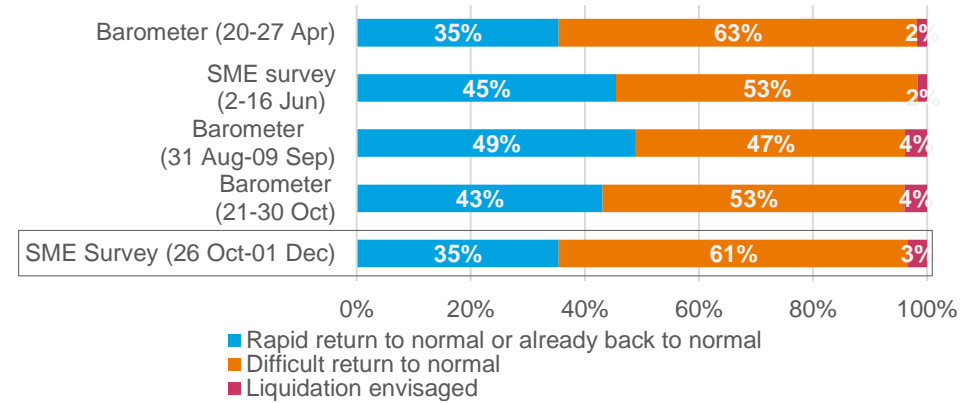
- The business outlook indicator remains well below its pre-crisis level. The balance of opinion on the expected change in turnover for the following year fell 21 points over 1 year to stand at +3 in November 2020 for 2021. At the same time, the view of future order books has also declined sharply in the space of 1 year. The balance of opinion is 22 points down to -14 in November 2020, which is nonetheless higher than June's figure of -21.
- Business owners' expectations for 2021 vary a great deal across trade sectors. While the balance of opinion on business outlook is positive in industry (+11), construction (+4) and retail and wholesale commerce (+2), it is resolutely negative in transport (-12) and especially tourism (-20).

**GRAPH 13: CHANGE IN TURNOVER FOR THIS YEAR AND THE FOLLOWING YEAR**  
BALANCE OF OPINION (AS A %)



Note: the balance of opinion on the expected change in turnover for the following year fell 21 points over 1 year to stand at +3 in November 2020 for 2021.  
Scope: Total (N=5,178); Source: Bpifrance Le Lab

**GRAPH 14: TYPE OF RECOVERY EXPECTED**

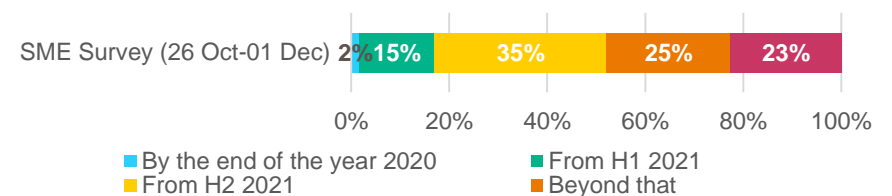


Scope: Total (N=5,178); SMEs anticipating an adverse effect from the crisis on their full-year turnover in 2020; Source: Bpifrance Le Lab

**Most managing directors anticipate an arduous return to business as usual, usually during the second half of 2021, but with wide disparities from one sector to another**

- The majority of business owners expect the return to a normal level of business to be difficult, and the proportion is rising (61% compared with 53% in June 2020). This surge in pessimism was probably brought about by the second wave of the epidemic and the resulting introduction of a second lockdown. The proportion is, nevertheless, slightly smaller than the 63% seen during the spring lockdown. Of owners who have seen their business turnover reduced by the crisis, around 3% are planning to wind the business up.
- In contrast, 35% of managing directors predict a quick return to normal levels of business (stable compared to April). This proportion does vary from sector to sector, with just 13% in tourism SMEs, compared with 48% in construction. The fraction is in the 37-38% range for other sectors (industry, commerce, transport, services).
- As regards the timeframe for a return to normal levels of business, great uncertainty is seen, with 23% of managing directors stating they simply do not know. For the others, recovery is anticipated after H2 2021, with 35% predicting normal business will have returned by the second half of 2021 and 25% after 2021. Just 15% anticipate a return to pre-crisis levels in the first half of next year, and a mere 2% by the end of this year, 2020.

**GRAPH 15: TIMEFRAME FOR TURNOVER TO RETURN TO PRE-CRISIS LEVELS**



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Scope: Total (N=5,178); Source: Bpifrance Le Lab

# Nevertheless, the employment outlook is improving

**Just 15% of recruitment plans are reportedly threatened with cancellation, versus 30% in April. The jobs outlook remains sluggish, however, in tourism and transport.**

## Improvement in recruitment plans

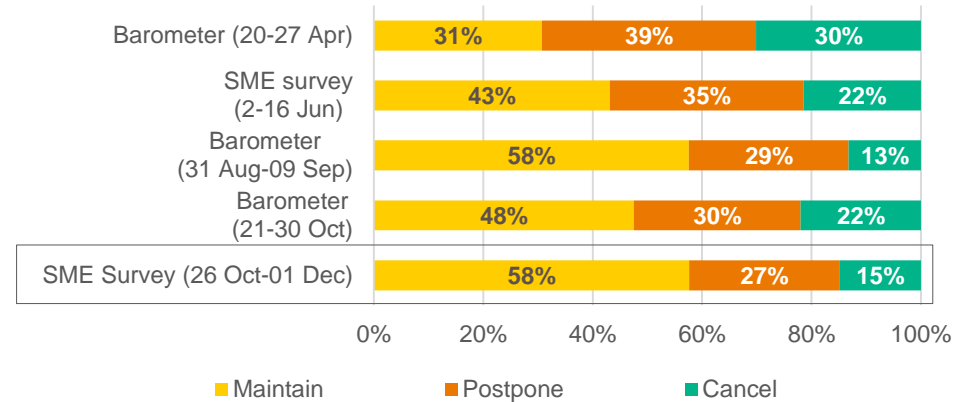
- Of those business owners who had recruitment plans, 58% are intending to keep them in place. This proportion has leapt up in comparison with our June half-yearly survey (43%) and relative to the findings in April during the first lockdown (31%).
- 27% of business owners intend to postpone their recruitment plans (as against 35% in June) and 15% to cancel them entirely (22% were considering it in June).
- **More than half the managing directors (54%) who plan to postpone their recruitment plans believe they will undertake recruitment within 12 months.** 29% expect to postpone their plans for longer.
- This improvement in expectations regarding recruitment plans, a result of the economic recovery since the spring, seems to reflect some resilience in SMEs' confidence despite the second lockdown.

## The outlook for new jobs in 2021 remains below normal levels

- Standing at +7, compared with a long-term average of +11, the year N+1 headcount indicator actually shows some resilience given the scale of the current crisis.
- However, huge divergence is seen between different sectors, with the indicator being negative in transport (-4) and, obviously, tourism (-20, an all-time low), being a sector particularly badly-hit by the crisis.

• GRAPH 16: INTENTIONS REGARDING RECRUITMENT PLANS

AS A %

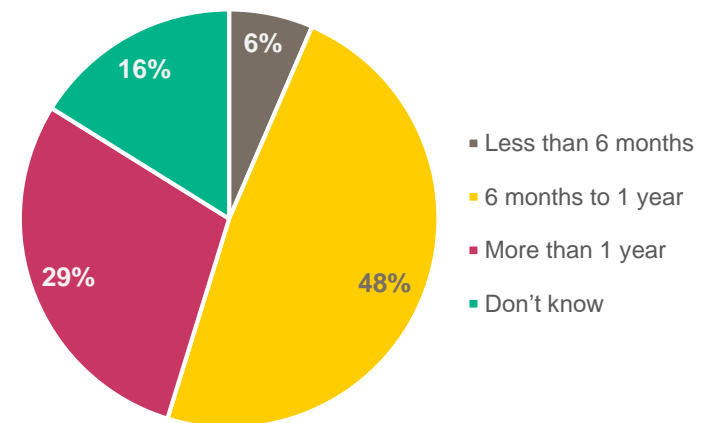


Scope: Total (N=5,178); SMEs that had made recruitment plans

Source: Bpifrance Le Lab

• GRAPH 17: POSTPONEMENT TIMEFRAME FOR ANY RECRUITMENT PLANS

AS A %



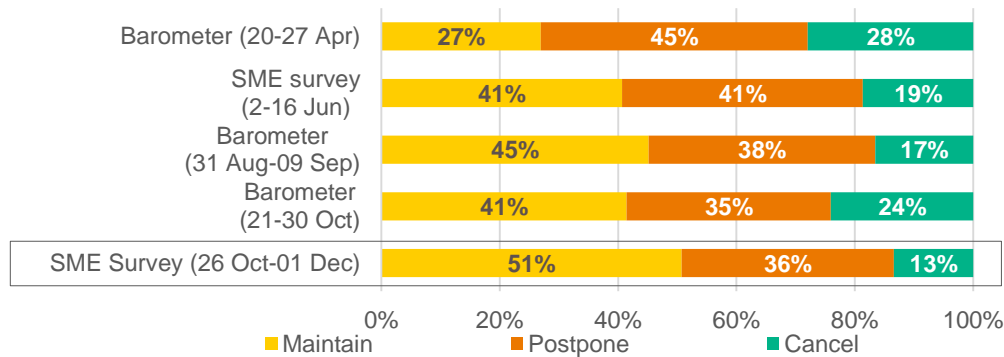
Scope: Total (N=5,178); SMEs having reported postponement of their recruitment plans

Source: Bpifrance Le Lab

# Encouraging investment prospects for 2021

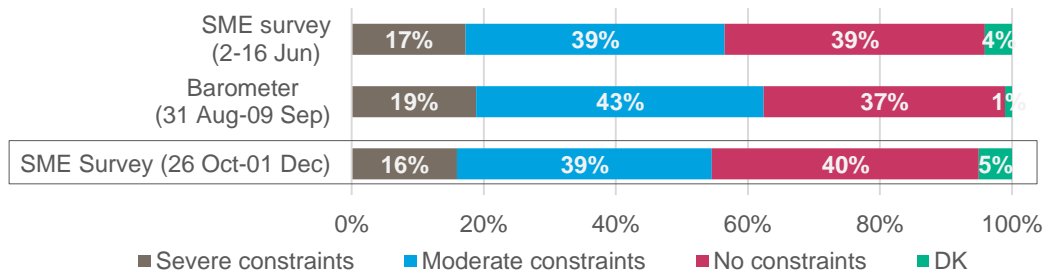
**More than half of the managing directors with investment plans intend to keep them in place**

• **GRAPH 19: INTENTIONS REGARDING CAPITAL EXPENDITURE PLANS**  
AS A %



Scope: Total (N=5,178); SMEs that had made capex plans  
Source: Bpifrance Le Lab

• **GRAPH 20: CONSTRAINTS IMPOSED ON BENEFITING FROM THE RECOVERY THROUGH SHAREHOLDERS' EQUITY**  
AS A %



Scope: Total (N=5,178)  
Source: Bpifrance Le Lab

## SMEs' investment plans have gradually expanded as the year has progressed

- Of those business owners who had investment plans, 51% are intending to keep them in place. This proportion is distinctly up, when compared with either April (27%) or the period after the first lockdown (41% in June).
- Moreover, the proportion of business owners intending to postpone investment plans has dropped 5 points compared with June, to now stand at 36%. These include, in the face of the huge uncertainty that remains, a majority anticipating a postponement of their investment plans for over a year (43%).
- The proportion of business owners expecting to cancel their investment plans entirely has declined overall as the year has progressed. Now, 13% believe they will cancel their plans, from 19% in June and 28% in April. The second lockdown consequently seems to have had much less adverse impact on businesses' investment intentions than the first.

## The public-sector support schemes limited the damaging effect on SMEs' financial situations, thereby brightening the outlook for future investments.

- 40% of businesses report that their shareholders' equity does not constrain their ability to take advantage of the recovery, and 39% say the constraints are moderate, despite the crisis.
- However, given the high level of uncertainty that persists as regards post-crisis recovery, business owners' view on their future cash flow situation has nosedived from one year ago (balance of opinion down -28 points to -26 at year-end 2020).
- Furthermore, restarting investment could be hampered by the businesses' higher debt levels in 2021, mainly a result of the substantial take-up by SMEs of the state-guaranteed loans offered to cope with Covid-19.



According to the Banque de France, businesses took out more loans in 2020 despite the crisis. The total stood at €1,176.8 billion in October, a 12.1% increase year-on-year. The growth in borrowing is particularly high in SMEs, at 19.3% in one year, driven by the use made of the state-guaranteed loans (see Banque de France – October 2020)

## Regional economic environment: summary

The record-beating negative effects of the crisis were seen across France. The average drop in turnover in one year fluctuated from an average of 9% to 19% in 2020, depending on the region.

SMEs in Ile-de-France and Provence-Alpes-Côte d'Azur, regions particularly badly hit by the epidemic and/or traditionally popular with tourists, reported the largest average falls in turnover, at -19% and -15% respectively. SMEs in Normandy complete the top three for businesses worst hit by the crisis, with turnover down 14% on average. While also affected a great deal, SMEs in the Pays de la Loire region recorded a downturn less severe than in other regions, at minus 9%.

Naturally, SMEs in all regions reported headcount reductions this year. Job losses appear to be largest in Ile-de-France, Normandy and Provence-Alpes-Côte d'Azur, being also the regions that saw the steepest decline in turnover in 2020. The same observation applies as regards investment, as SMEs in all regions combined reported considerable cuts in their capital expenditure this year.

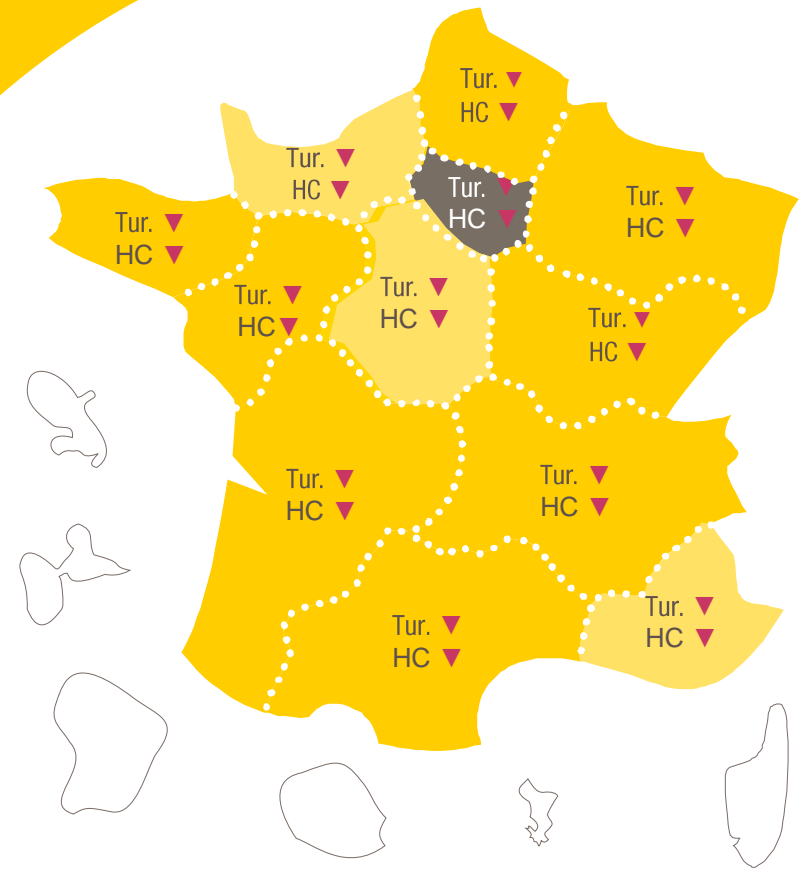
The recession affected the financial situation of SMEs across the whole of France. The cash flow of SMEs in the Ile-de-France region and in Provence were however worst hit by the economic crisis. Meanwhile, SMEs in the regions of Bourgogne-Franche-Comté, Nouvelle Aquitaine and Pays de la Loire reported fewer cash flow issues at year-end 2020.

Anticipations in terms of a recovery in 2021 are still clouded by the high degree of uncertainty prevailing over SMEs in all regions of the country, although there are variations in expectations. SMEs in Provence-Alpes-Côte d'Azur, Grand Est and Bourgogne-Franche-Comté show more pessimism regarding a future upturn in business (balance of opinion on business outlook standing at -3.4, -3.2 and -1.3 respectively). SMEs in the Pays de la Loire (+11) and Centre-Val-de-Loire (+9) regions are the most optimistic.

Recruitment outlooks are also relatively varied. Here too, SMEs in the Provence-Alpes-Côte d'Azur and Grand Est regions are the least optimistic, with balances of opinion on recruitment in 2021 at +3 and +4 respectively. In contrast, SMEs in the Pays de la Loire seem much more upbeat about next year than other regions, with a balance of opinion at +14 versus the average figure of +8.

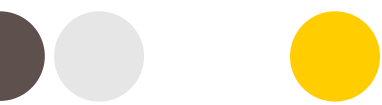
The detailed results by region are available as regional summaries, at <https://lelab.bpifrance.fr/>

## • CHANGES IN TURNOVER AND HEADCOUNT BY REGION BALANCE OF OPINION (AS A %)



### Average change in turnover at nominal value





## TURNOVER

## HEADCOUNT

## INVESTMENT

### YEAR 2020<sup>(1)</sup>

	Average 2000 to 2019	November 2019	November 2020	Change/November 2019	Average 2000 to 2019	November 2019	November 2020	Change/November 2019	Average 2000 to 2019	November 2019	November 2020	Change/November 2019
<b>All SMEs</b>	<b>16</b>	<b>25</b>	<b>-48</b>		<b>8</b>	<b>19</b>	<b>-7</b>		<b>-4</b>	<b>7</b>	<b>-21</b>	
10-250 employees	23	32	-44		14	26	-5		-1	10	-17	
Fewer than 10 employees	6	13	-53		-1	8	-10		-8	2	-25	
Commerce	15	22	-35		7	17	1		-6	4	-14	
Construction	10	26	-45		6	21	-1		-9	7	-19	
Industry	18	23	-52		7	16	-10		0	5	-20	
Services	21	27	-42		13	24	-2		-3	13	-17	
Tourism	7	17	-93		1	7	-46		-10	-3	-56	
Transport	11	27	-56		8	16	-16		-5	1	-26	

### YEAR 2021<sup>(1)</sup>

	Average 2000 to 2019	November 2019	November 2020	Change/November 2019	Average 2000 to 2019	November 2019	November 2020	Change/November 2019	Average 2000 to 2019	November 2019	November 2020	Change/November 2019
<b>All SMEs</b>	<b>26</b>	<b>24</b>	<b>3</b>		<b>16</b>	<b>19</b>	<b>7</b>					
10-250 employees	32	29	11		19	23	12					
Fewer than 10 employees	17	15	-9		12	13	0					
Commerce	26	21	2		14	13	6					
Construction	6	15	4		8	22	9					
Industry	34	25	11		18	19	11					
Services	30	31	4		24	24	11					
Tourism	16	23	-20		3	3	-20					
Transport	15	12	-12		10	17	-4					

(1) Balance of opinion = (Share of businesses anticipating a rise - Share of businesses anticipating a fall)



**04.**



**METHODOLOGY**

## Definitions

**Indicators or differences between opinions** are conventionally used in business surveys to track the changes over time in the evaluation of the main socio-economic parameters (business activity, employment, exports and capital expenditure) and financial parameters (cash flow, access to credit, etc.).

They equate to the differences between percentages of opposite opinions:

- **Indicator of trend** = [(x% “up”) - (y% “down”)] x 100
- **Indicator of level** = [(x% “good/comfortable”) - (y% “poor/difficult”)] x 100

The percentages of neutral opinions (“same” and “normal”), which take the balances up to 100%, are not included when calculating indicators of this type.

**A business is considered “innovative”** if it has taken at least 1 of the following 5 steps during the last 3 years:

- funded research and development expenditure (in-house or externally) or recruited R&D personnel;
- acquired an operating licence for a process or technology;
- filed a patent, a trademark, a design or a utility model;
- developed a new or significantly improved product or process (service provision) on behalf of a third party;
- marketed a new product, asset or service (other than simply reselling new products bought from other businesses and excluding aesthetic changes or changes to the packaging of products already in existence), or used a new production, marketing or organisational process (or method). Furthermore, no similar product or process should already have been marketed or used by competitors.

A **“high-export”** business conducts over one quarter of its business internationally, a **“medium-export”** business between 6% and 25%, and **“non-exporters”** less than 6% (including 0%).



# Sample structure

For this 72<sup>nd</sup> half-yearly business climate survey, 39,127 non-agricultural commercial companies with 1 to fewer than 250 employees and a turnover of less than €50 million were surveyed between the end of October and the beginning of December.

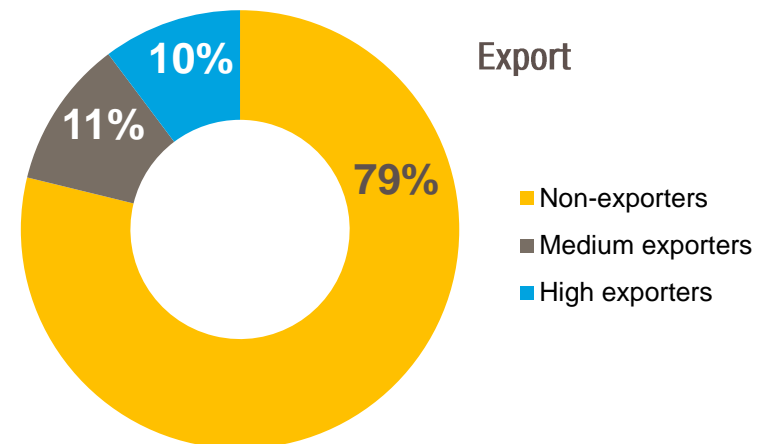
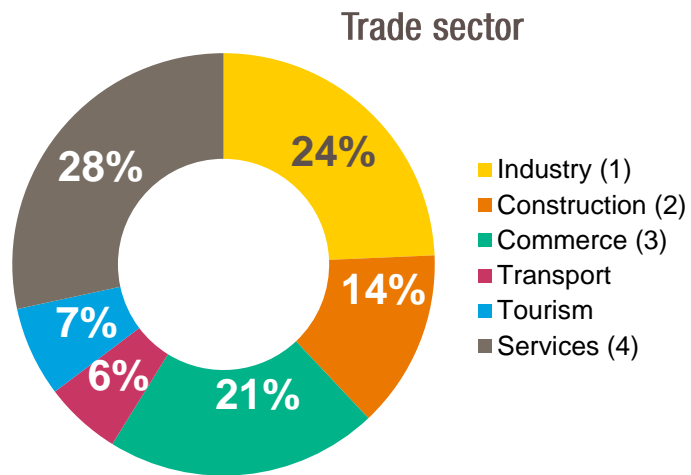
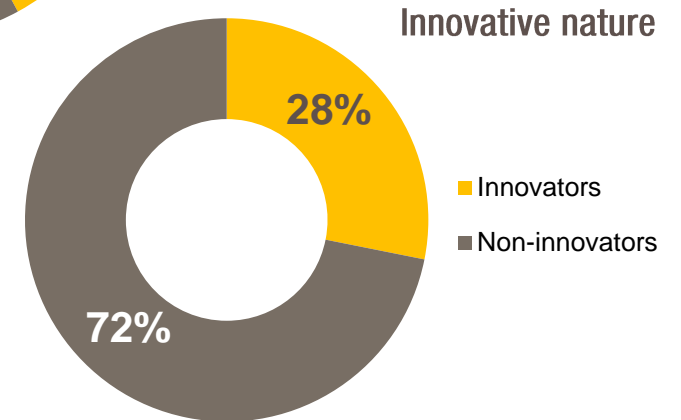
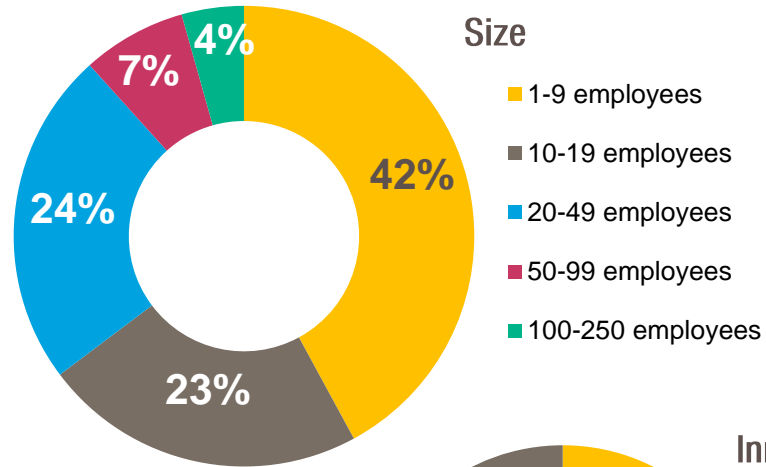
The 5,178 responses received between 26 October and 2 December, considered complete and reliable, have been compiled nationally and broken down for all regions except for Corsica and France's overseas territories, for which the number of responses is insufficient.

Extra questions on the impact of the current crisis caused by Covid-19 were added for the sample as a whole. Of these questions, two of them, on SMEs' digital transformation, were put to the online panel only (2,508 responses to these two questions were analysed).

Answers to the extra questions on the impact of the Covid-19 crisis were adjusted for two factors, in such a way as to reflect the demographics of French SMEs:

- Number of employees, to correct the under-representation of micro-enterprises among respondents;
- Trade sector, to correct the over-representation of industry and the under-representation of tourism.

The adjustment was made on the basis of the number of businesses in the different categories.



(1) 3% food, 12% intermediate goods, 7% capital goods, 3% consumer goods  
 (2) 12% construction, 2% public works  
 (3) 2% automobile dealing and repair, 12% wholesale, 6% retail  
 (4) 24% business-to-business services, 5% business-to-consumer services

Survey managers: Sabrina El Kasmi, Ibrahim S. Barry  
Evaluation, Research and Forecasting Department Macroeconomic  
Division – Economic Environment

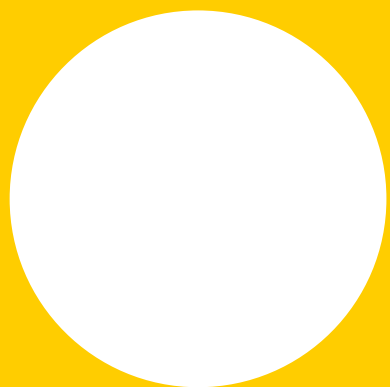
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