



**75TH HALF-YEARLY SMEs'
BUSINESS CLIMATE SURVEY**

SMEs RUNNING SHORT OF ENERGY

July 2022

Erosion of business prospects for 2022 and 2023

Following a clear upturn in business in 2021, enabled by the lifting of public health constraints, SMEs are counting on a continuation of the upswing in 2022. Activity may slow down this year but should remain quite dynamic: at +25, the balance of opinion regarding this year's business has dropped 11 points over six months, but remains above the historical average of +17. In this context, and in spite of the recruitment difficulties that have almost reached the peak observed before the public health crisis, headcounts should rise again this year.

After an above-average recovery in 2021, business in the Tourism sector appears particularly dynamic. Indeed, the balance of opinion reached +61, compared with +17 in November for 2021. In Industry, growth still looks strong (+35, compared with a historical average of +18). The slow-down this year seems to be coming mostly from the SMEs in Commerce and Construction (with respective balances of opinion of +9 and +8, as against +38 and +33 in November for 2021), affected on the one hand by the reduction in the purchasing power of households in the highly inflationary context, and on the other hand by the marked increase in procurement difficulties (delivery periods and shortages of materials provoking postponement and even cancellation of construction projects).

More and more SMEs are in fact facing tensions in their supply chains: three quarters of them, compared with two thirds last November. One company in two looks set to see their activity noticeably curtailed by these difficulties, a proportion up by 6 points over six months. Construction SMEs look particularly concerned, 76% of them anticipating a moderate or even strong impact on their activity, 12 points more than last November.

In order to dampen the impact of these supply difficulties on their financial situations, more managing directors are seeking to increase their selling prices (73%, 7 points higher than last November), exacerbating inflationary tensions. A similarly higher proportion of SMEs envisage reducing their operating margins (45%, 8 points up on six months ago). So the rise in prices will only partially offset that of costs. To soften the blow, companies have also drawn on their state-guaranteed loans: 53% of them have consumed a large proportion (47% in November) and a considerably greater number envisage amortising their loans over several years (76%, 19 points higher than six months ago).

In this context, SMEs' cash-flow situations are judged to have deteriorated. The balance of opinion regarding cash-flow assessment arrived at -5 (close to the historical average), after having reached its highest historical level of +2 in November 2021. The financial situation of SMEs looks set to continue deteriorating over the next six months: the projection for the cash-flow situation has fallen 9 points to stand at -12, well below its long-term average (-2). This new degradation will be most marked in the sectors most exposed to pressure on costs and prices, namely Industry and Commerce (-10 points), and above all Construction (-14 points).

As a whole, SMEs still declare that they enjoy comfortable financing conditions, 91% of them having encountered no difficulty in financing their investments. Nevertheless, they make mention of slightly tougher obstacles to investment this half-year, though still much less serious than before the crisis. In particular, while the cost of credit remains a rarely cited obstacle, it is on the rise (19%, compared with 11% a year ago), in a context of standardisation of monetary policy, in reaction to the strong inflation.

In this context, the proportion of SMEs having invested or envisaging doing so in 2022 is relatively stable (45%, versus 44% a year earlier), but lower than its level observed prior to the crisis (51% end 2019). On the other hand, the amounts invested are expected to be slightly down this year (the balance of opinion loses 5 points at -2, slightly above its historical average at -4). The slowdown is likely to be more pronounced in Industry and Construction while investment should pick up speed in Tourism.

SMEs are being very cautious about 2023. While 21% more of them anticipate a rise in their business next year rather than a fall, the indicator stands 5 points below its long-term average. The procurement difficulties to which managing directors see no end (40% are uncertain and 43% see the shortages lasting more than a year), probably explain this decrease in confidence. As well as reinforcing production constraints, the context of the war in the Ukraine is more generally worrying for SMEs: among the various world risks, the risk of geopolitical conflict is cited by 70% of them (just behind financial risk, at 77%). In this context of business expected to be less dynamic and shrouded in uncertainty, recruitment looks set to stall in 2023.

In the longer term, the ecological and energy transition should prove a supporting factor for investment, especially for SMEs of 10 to 250 employees: 61% of them envisage increasing their green investments over the next five years, compared with 44% of SMEs of less than 10 employees. The managing directors of SMEs of less than 10 employees are indeed more reserved than those of larger SMEs concerning the impact of the ecological and energy transition on their companies, 34% of them perceiving it as a source of opportunity, compared with almost half of the managing directors of larger SMEs. On the contrary, it would constitute a source of risk for a third of SMEs of less than 10 employees and more than a quarter of the larger SMEs, chiefly due to the rise in input prices and the tightening of climate regulations. To achieve their transition, 42% of SMEs mention a need for technological alternatives, suggesting a need for innovation and thus additional investments. Financing and support requirements are also important, cited by 32% and 26% of SMEs respectively.

This study is based on the replies from 5,093 SMEs (1 to 249 employees), received between 12th May and 13th June 2022.



SALIENT

POINTS

1

In 2022, business should remain dynamic but lose pace, slowed by procurement tensions. There should be a strong recruitment drive.

SMEs are counting on a strong average growth in their turnover in 2022, at +4.9%, but slowing after a marked upturn last year (+ 7%). The balance of opinion has lost 11 points but remains healthily positive (at +25) and above its long-term average (+17). The supply difficulties are limiting the upswing: 62% of SMEs consider that their businesses are affected. In spite of everything, recruitment should remain vigorous. The indicator has even attained its highest level since 2001.

2

From a comfortable situation, the cash-flow situation of SMEs has deteriorated this half-year and looks set to continue worsening over the next few months

SMEs have seen their cash-flow dwindle over the course of the last six months, but it remains at a comfortable level. The balance of opinion has lost 7 points since November, but remains close to its pre-crisis level (-5, versus -6 in 2019). However, it is likely to pursue its downward course over the next half-year, the forecast indicator losing 9 points to land at -12. To limit the impact of the procurement difficulties on their financial situations, an increasing share of SMEs envisage increasing their selling prices (73%) and reducing their operating margins (45%).

3

To cope with rising costs, SMEs are drawing more and more on their financial reserves, built up with the aid of state-guaranteed loans

Of the SMEs having taken out state-guaranteed loans, 53% declare that they have used the majority, with 35% having consumed virtually the entire sums, a proportion that has risen by 6 points over the last six months. 76% of them now wish to amortise their loans over several years and only 6% of respondents fear non-repayment of their loans.

4

In 2022, 45% of companies the momentum of SMEs investment should moderate, in a context where financing terms start to become difficult

have invested in 2022, or intend to do so by the end of the year, a proportion virtually stable compared with 2021 but still below the pre-crisis level. The indicator relating to the evolution in the amounts invested fell by 6 points, to reach -2, in a context where, if the proportion of managing directors confronted with credit access difficulties remains low (between 9 and 10%), the cost of credit is becoming a more onerous obstacle to investment.

5

SME managing directors anticipate a new slow-down of business in 2023, in a context of uncertainty with regard to the end of the tunnel where supply tensions are concerned.

21% more SMEs anticipate an increase in their activity next year rather than a fall. The indicator is 5 points below its long-term average. The context remains uncertain: 40% of SMEs declare that they see no end in sight to the supply difficulties and 43% anticipate that they will last more than a year. With the war in the Ukraine, 70% of managing directors are moderately or even very worried about the risks of geopolitical conflicts.

6

In the coming years, the ecological and energy transition should encourage SME investment

Almost half the SMEs of 10 to 250 employees consider the ecological and energy transition to be a source of opportunity. 61% of them envisage increasing their green investments over the course of the next five years, 29% markedly so. SMEs of less than 10 employees remain more reserved with regard to the ecological and energy transition.



Key Figures



**BALANCE OF OPINION ON EVOLUTION IN TURNOVER
FOR 2022**

DOWN 11 POINTS OVER SIX MONTHS BUT STABLE OVER A YEAR



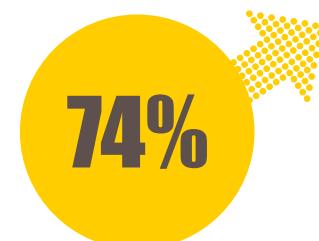
**BALANCE OF OPINION ON THE EVOLUTION IN CASH FLOW
OVER THE NEXT SIX MONTHS**

DOWN BY 9 POINTS OVER THE LAST SIX MONTHS



**PROPORTION OF SMEs DECLARING THAT THEY HAVE SPENT
MORE THAN HALF OF THEIR STATE-GUARANTEED LOANS**

6% FEAR BEING UNABLE TO PAY IT BACK



SHARE OF SMEs ENCOUNTERING SUPPLY DIFFICULTIES

9 POINTS HIGHER THAN IN NOVEMBER 2021



BALANCE OF OPINION ON BUSINESS PROSPECTS FOR 2023

DOWN BY 15 POINTS OVER A YEAR, 5 POINTS LOWER THAN ITS
LONG-TERM AVERAGE



**PROPORTION OF SMEs ENVISAGING INCREASING THEIR GREEN
INVESTMENTS OVER THE NEXT FIVE YEARS**

44% OF SMEs OF LESS THAN 10 EMPLOYEES AND
61% OF LARGER SMEs

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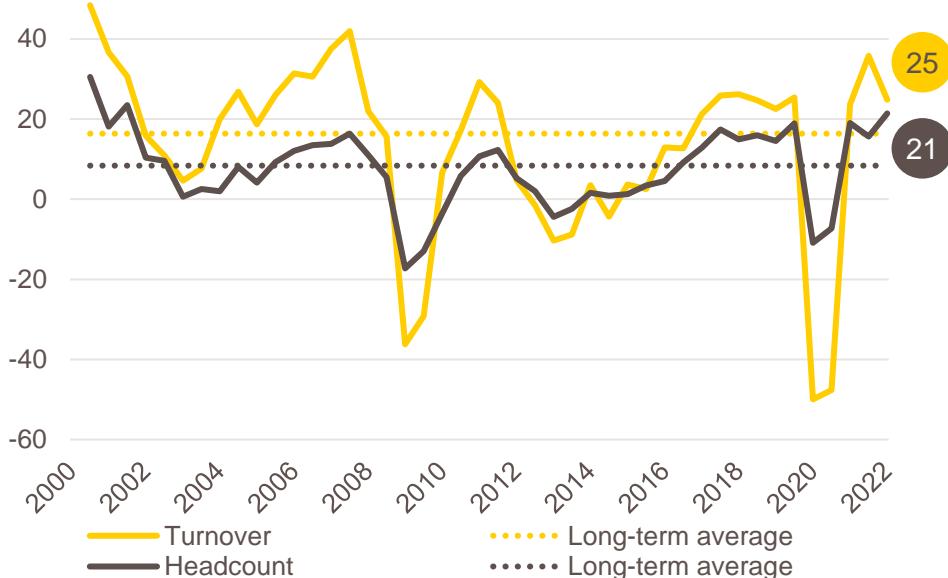
01.

**REVENUE AND
EMPLOYMENT**

Slow-down in business but strong recruitment in 2022

Following a clear upturn in 2021, SMEs anticipate a slow-down in activity for 2022, though it should remain dynamic over the year as a whole. On the other hand, recruitment is expected to increase slightly.

• GRAPH 1: CHANGES IN TURNOVER AND HEADCOUNT FOR THE CURRENT YEAR BALANCE OF OPINION IN %



Note to the reader: the balance of opposing opinions on the evolution of business for this year passed from +36 to +25 between the surveys of November 2021 and May 2022.
Scope: total (N = 5093)

Source: Bpifrance Le Lab

Following a clear upturn in SMEs' business in 2021, managing directors expect lower growth in their turnover in 2022.

- The balance of opinion regarding the evolution of turnover at mid-2022 has fallen over six months (-11 points) but has been virtually stable over a year (+1 point) to stand at +25, a level that is above the long-term average (+17). 42% of managing directors anticipate an increase in their activity this year (stable over one year) and 17% a decline.
- SME managing directors are counting on an average turnover increase of +4.9% in 2022, a lower figure than in 2021 (+7.0% last November for 2021). The growth in turnover would nevertheless be higher than that declared before the crisis (+3.8% in November 2019 for the year 2019) and the long-term average (+2.1%). This dynamism needs to be treated with caution, as it probably reflects not only an anticipated increase in quantities sold, but also the planned increase in the selling prices, in reaction to the marked rise in production costs (cf. focus below on the supply chain tensions).
- Involving anticipated sales volumes in 2022, the indicators relating to the order books argue dynamic activity in the first half-year followed by a marked slow-down in the second half-year. The balance of opinion on the state of order books these last six months reached +11, +12 points up over one year and well above its long-term average of -7. On the other hand, the indicator relating to the next six months registers a marked decline over one year: -16 points to +2, i.e. below its historical average (+5).
- Exporting companies are, as usual, more optimistic than their non-exporting counterparts. Their balance of opinion is +39 (up by 7 points over 1 year) compared with +21 (down by 1 point over 1 year) for companies oriented towards the home market.
- In the same manner, in a sign of more pronounced dynamism, the balance of opinion is higher for innovating companies (+39) than for non-innovating ones (+18).
- The managing directors of SMEs with at least 10 employees are more optimistic regarding their growth in turnover (balance of opinion of +32) than those of SMEs with 1 to 9 employees (+12).

Recruitment intentions remain dynamic in 2022.

- The balance of opinion regarding the evolution of SME headcounts this year stands at +21 (+2 points over one year), reaching its highest level since 2001.



Following growth of +6.8% in 2021, the forecasting institutes anticipate a clear slow-down in activity this year. Indeed, the OECD, the Banque de France and the INSEE, predict business growth in the order of 2.3-2.5% for 2022 in their June forecasts.

Business

Contrasting developments between sectors

The Tourism sector is expecting a strong upturn in business. Noticeable slow-down anticipated in the Construction and Commerce sectors.

SME business prospects for 2022 vary from sector to sector

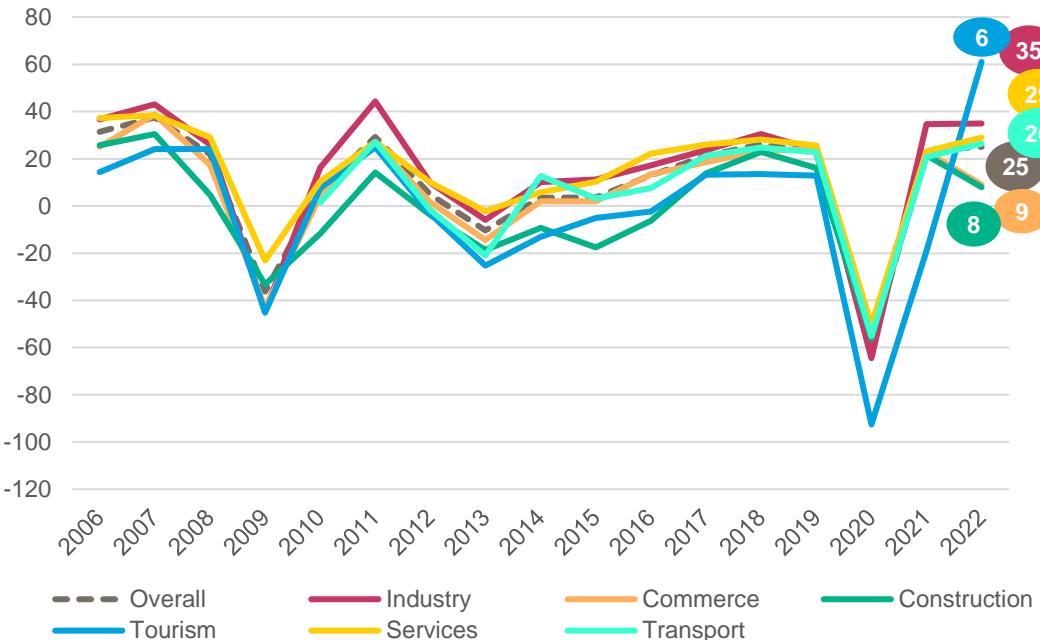
- SMEs in the Tourism sector saw the strongest upturn in activity mid-2022, after a morose 2021, punctuated by waves of epidemic and penalised by a limited resumption of international tourism. 68% of them predict an increase in their turnover this year (42% for all sectors taken together). The balance of opinion stands at +61 (+80 points over one year), the highest level since the recording of these statistics began.
- Business should be dynamic in the Services sector. The balance of opinion reached +29 (+6 points over one year). In Industry, the indicator stood at +35 (stable over one year) and remains well above its long-term average.
- On the other hand, a marked slump is likely in the Construction and Commerce sectors, penalised by the supply difficulties and the sharp rise in prices, a burden on households' spending capacity. Fewer managing directors than a year ago anticipate an increase in business rather than a fall: the balances of opinion relating to the activity stand at +8 and +9 respectively for 2022 (after +22 and +23 for 2021).

 Cf. sectorial focus

- By regions, SMEs in Provence-Alpes-Côte d'Azur and Île-de-France, more touristic regions, are the most optimistic with regard to the evolution of their turnover in 2022 (+6,3 % and +6,1 % respectively). However, in these two regions, the business shock was strongest than the average in 2020. Nevertheless, business should be less dynamic in Hauts-de-France (+2,6 %) than the national average, and to a lesser extent, Grand-Est region (+3,7 %) et Brittany (+3,9 %). However, for this latter, this lesser dynamism follows a particularly dynamic 2021.

 Cf. regional focus

GRAPH 2: BALANCE OF OPINION ON ACTIVITY IN 2022 BY BUSINESS SECTOR
BALANCE OF OPINION IN %



Scope: Total (N = 5093)

Source: Bpifrance Le Lab



According to the [INSEE](#), the consumption of households fell in the first quarter of 2022, partly due to the marked drop in purchasing power (-1.8%), penalised by the inflationary context. The high level of inflation is an explanatory factor for the expected slump in the Commerce sector. The last economic situation surveys by the [INSEE](#) and the [Banque de France](#) noted a short-term deterioration in business prospects in the Construction sector and a relative stability in Industry.

Employment

Good recruitment prospects

In 2022, recruitment is expected to be dynamic across all sectors.

The buoyant employment market concerns all sectors, including Tourism, for which the indicator relating to recruitment intentions is positive for the first time since the beginning of the public health crisis

- After two years at or below zero, the balance of opinion regarding employment is rising sharply in Tourism (+22 points over six months and +16 points over one year to +16), well above its pre-crisis long-term average at 0.
- More than a third of SMEs in Industry anticipate increasing their headcounts. The balance of opinion regarding employment is the highest of all sectors at +29, up by 11 points over the six months and 5 points over one year.
- Already dynamic in the preceding half-year, recruitment appears to be continuing in the Services sector with a balance of opinion up by 5 points compared with last November, at +26. Conversely, the indicator is slightly down in the Commerce and Construction sectors (-1 point over six months, to -13 for both sectors).

 Cf. sectorial focus

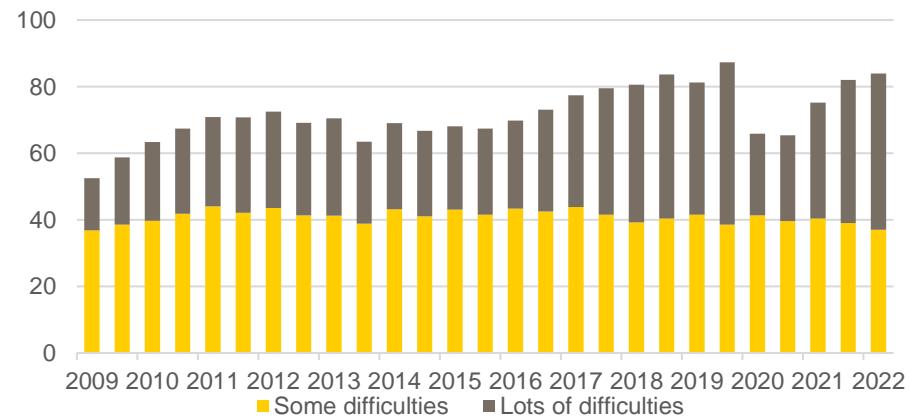
Job creations should be more vigorous among SMEs of at least 10 employees and those that are internationally oriented.

- The managing directors of SMEs of 1 to 9 employees remain quite optimistic with regard to the evolution of their headcounts in 2022. The balance of opinion regarding employment stands at +8, well above its historical average (-1). Employment should pick up in 2022 in SMEs with at least 10 employees (balance of opinion at +28, up +5 points over six months and +3 over one year).
- Recruitment should be more dynamic among innovating companies (+4 points over one year to +37) than among non-innovating ones (+1 point to +14). The same goes for exporting SMEs (+8 points to +33) compared with those centred on the domestic market (stable over one year at +18).

Recruitment difficulties are worsening, almost to the pre-crisis levels

- Recruitment difficulties continue to escalate: 84% of managing directors having sought to recruit declare that they have encountered difficulties in doing so (75% a year ago) and 47% indicate having had major difficulties (35% a year ago). These figures are close to the levels observed before the public health crisis (87% and 49% respectively end 2019).
- These difficulties particularly affect the Construction sector (for 92% of managing directors, including 60% encountering severe difficulties) and Tourism (for 88% and 57% of managing directors respectively).

• **GRAPH 3: PROPORTION OF SMES HAVING ENCOUNTERED RECRUITMENT DIFFICULTIES (IN %)**



Note to the reader: The data of November 2019 should be interpreted with caution following a slight modification in the question put to the companies.

Scope: Total (N = 5041)

Source: Bpifrance Le Lab



According to the DARES, 354,700 jobs are vacant in companies of 10 or more employees in the second quarter of 2022, an increase of 2% compared with the last quarter of 2021 and up by +66% compared with the level prior to the public health crisis.

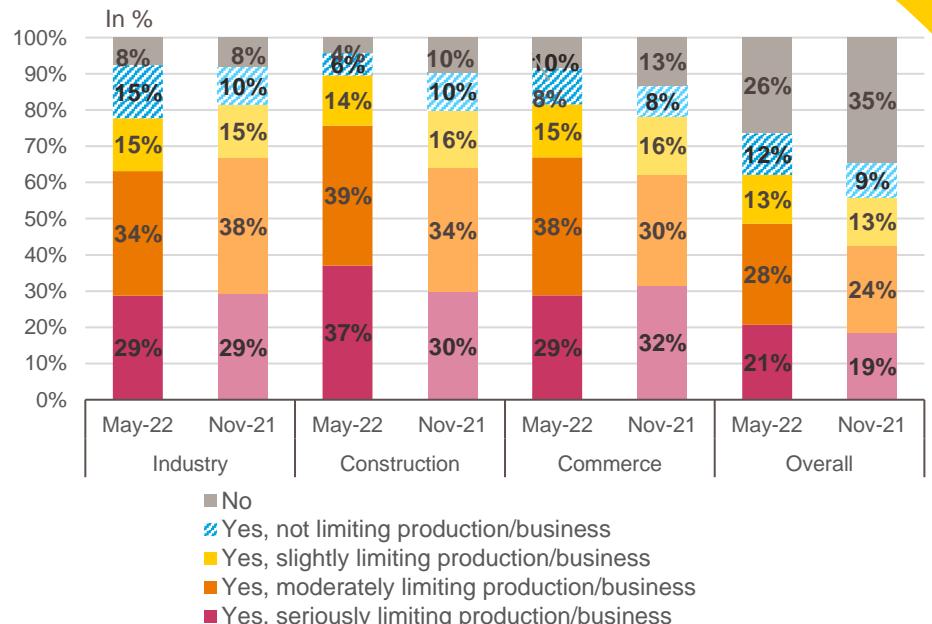
In all sectors there has been a sharp increase in the number of jobs compared with the end of 2019.

FOCUS

Three quarters of SMEs are facing procurement difficulties

74% of SMEs declare that they face procurement difficulties, up 9 points compared with November 2021, confirming that the war in the Ukraine has exacerbated these tensions. Half of the SMEs (49%) even declare that they are moderately or seriously limiting their production (against 43% in the preceding half-year). While in Industry, this proportion has declined slightly (by 4 points), it has increased by 12 points in Construction and 5 points in Commerce. For 54% of the SMEs, these difficulties intensified during the month preceding the survey.

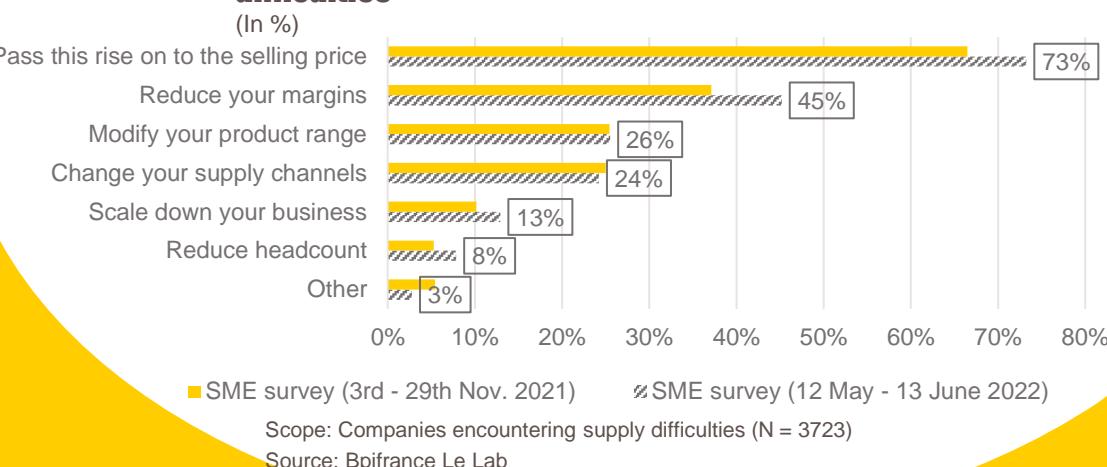
Graph 4: Share of SMEs encountering supply difficulties



Scope: Total (N = 5057), *Adjusted total sample

Source: Bpifrance Le Lab

Graph 5: Reactions of SMEs in the face of supply difficulties



More and more SMEs facing serious tensions in their costs are encountering cash-flow difficulties. 39% of them report a difficult cash-flow situation in the course of the last six months (against 23% on average in the overall sample*) and they are more numerous in this respect than six months ago (27% last November). 9% of them fear being unable to repay their state-guaranteed loans (versus 6% overall).

In order to amortise the impact of the procurement difficulties on their financial situations, **more of the managing directors questioned than six months ago want to increase their selling prices** (73%, compared with 66% last November). They are also more numerous in envisaging cutting their margins (45% versus 37%), or even curtailing their activity (13% against 10%).

As six months ago, the supply difficulties affect the SMEs first of all via the higher input prices and the longer delivery periods, in roughly similar proportions (touching 71% and 74% of the companies respectively). The Construction and Industry sectors are particularly concerned. In third place comes the rise in transport costs, cited by 62% of SMEs, up +13 points over six months. The perturbations in the maritime logistics chain are reinforced by the context of the war in the Ukraine but above all by the lockdowns in China. Transport costs have indeed risen by more than 20% since the beginning of 2022.

SMEs are navigating in an uncertain environment: 40% of them have no idea when these supply difficulties will come to an end and 43% consider that they will last another year. The context of the war in the Ukraine increases the uncertainties regarding the duration of the supply tensions and is of more general concern to SME managing directors: 70% of them declare that they are moderately or very worried about the risk of geopolitical conflicts, just behind the risk of a financial crisis (77%).

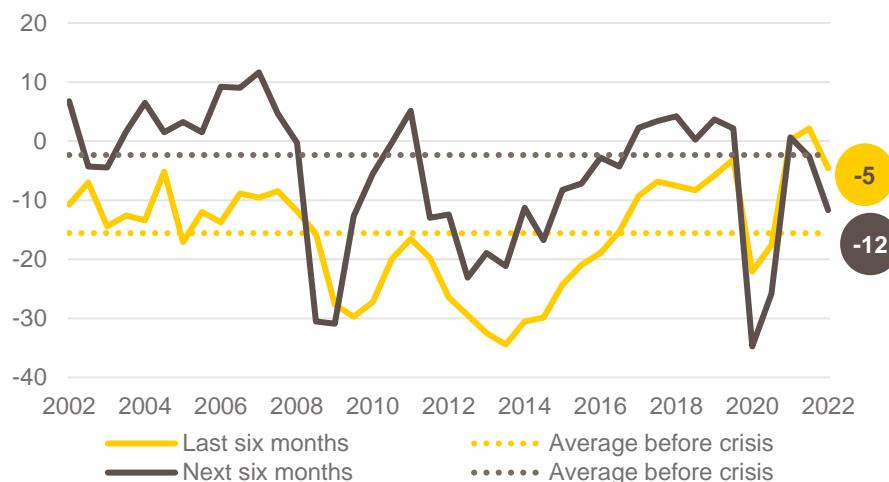
02.

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

A deterioration in cash flow in 2022, after a highly favourable situation in 2021

SMEs' cash-flow situations are deteriorating but remain relatively comfortable at this stage. However, companies anticipate a more marked deterioration over the next few months, in line with the rise in production costs.

- **GRAPH 6: AVERAGE ASSESSMENT OF PAST AND FUTURE CASH-FLOW SITUATIONS (BALANCE OF OPINION IN %)**



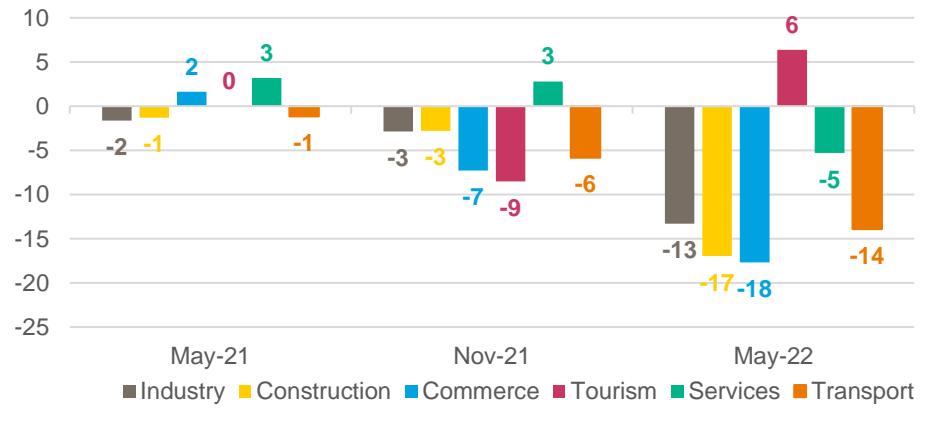
Note to the reader: in May 2022, the share of SMEs declaring a comfortable cash-flow position over the previous six months was lower than that declaring cash-flow difficulties by 5 points.

Scope: total (N = 5093); Source: Bpifrance Le Lab

SMEs' cash-flow situations deteriorated slightly in the first half-year, and seem likely to deteriorate more seriously over the next few months.

- The balance of opinion regarding the cash-flow situation over the course of the previous six months has lost 7 points over the half-year but remains at a high level, close to that of before the crisis (-5 compared with -6 in 2019) and well above its historical average (-16). Fewer SMEs now consider their cash-flow situations comfortable (17%) than find it difficult (22%).
- However, this deterioration in cash flow comes after a particularly comfortable situation in 2021, thanks to the support measures put in place during the public health crisis, including the state-guaranteed loan (cf. focus slide 13).

- **GRAPH 7: ASSESSMENT OF THE FUTURE CASH-FLOW SITUATION BY BUSINESS SECTOR (BALANCE OF OPINION IN %)**



- In spite of the public measures aimed at helping companies suffering from supply difficulties, which constitute a new support for cash flow (postponement of charges, raising of the state-guaranteed loan ceiling, etc.), SMEs are more pessimistic about the future evolution of their cash flow. Indeed, the indicator fell 9 points over the half-year to -12, a level well below its pre-crisis historical average (-2). Tensions in production costs, particularly affecting the Industry and Construction sectors, and the strong inflation affecting business in the Commerce and Transport sectors, can partly explain this result. The forecast indicator for the cash-flow situation did in fact fall the most sharply in these four sectors, by 8 points in Transport, 10 points in Industry and Commerce and 14 points in Construction. Conversely, Tourism managing directors anticipate a clear improvement in their cash-flow situations, the balance of opinion gaining 12 points over six months, to +6.

Similarly, SMEs' profitability looks set to decline this year.

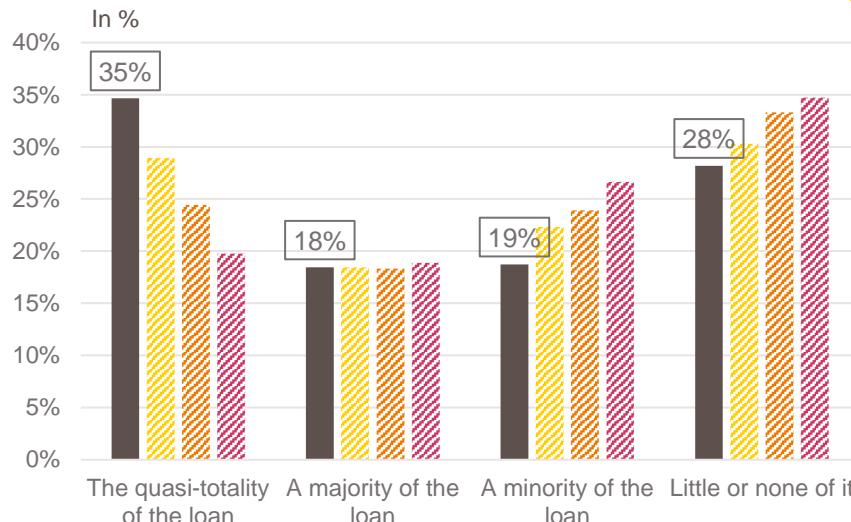
- 78% of SMEs consider that their profitability has been "good" or "normal" in 2021, a proportion well above that observed for 2020 (66% according to the May 2021 survey). However, this proportion is still below that seen before the crisis (83% in 2019 according to the May 2020 survey) but slightly above the historical average (75%).
- SMEs are much more pessimistic about their profitability for 2022 than at the end of last year. Where 12% of them anticipated lower profitability for 2022 in November 2021, 23% do so in May 2022. A similar proportion foresees an improvement this year (24% in November 2021 for 2022, compared with 21% in this survey).
- Profitability looks set to decline in the Construction and Commerce sectors in 2022, the balance of opinion standing at -14 (after +13 and +11 respectively last November), and also in Transport (-3, after +8). It should continue to increase in Industry and Services, though more slowly than last year, and pick up speed in Tourism.

FOCUS

At the beginning of 2022, the state-guaranteed loans have been largely consumed by just over half of the beneficiaries.

State-guaranteed loans were strongly solicited by SMEs to face the business shock associated with the covid-19 epidemic. Indeed, about half of the companies that responded to this survey have obtained a state-guaranteed loan since the start of the public health crisis.

Graph 8: Amounts of the state-guaranteed loans used



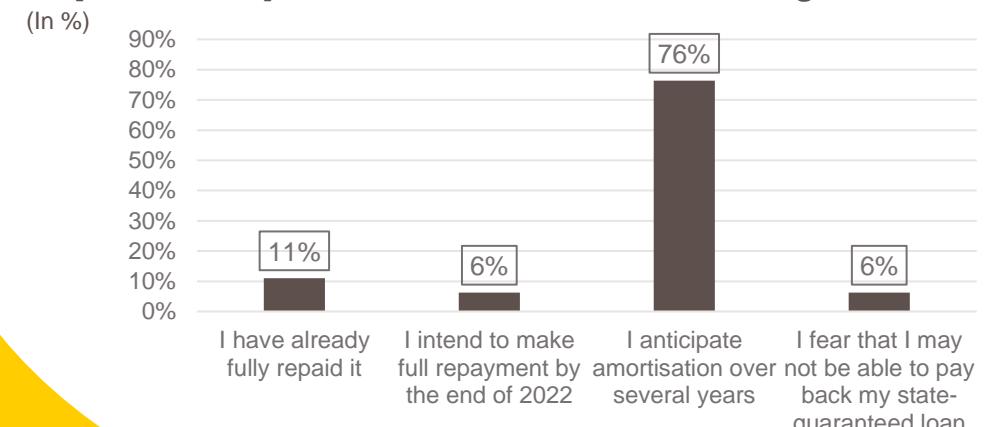
■ SME survey (12 May - 13 June 2022) ■ SME survey (3 - 29 Nov. 2021)

■ SME survey (17 May - 15 June 2021) ■ SME survey (26 Oct. - 1 Dec. 2020)

Scope: Companies having requested and obtained a state-guaranteed loan (N = 2481)

Source: Bpifrance Le Lab

Graph 9: Time required for reimbursement of the state-guaranteed loans



Scope: Companies having requested and obtained a state-guaranteed loan (N = 2481)
Source: Bpifrance Le Lab

To date, 53% of SME managing directors having obtained a state-guaranteed loan declare that they have consumed the majority (18%) or virtually all (35%) of it, a proportion that has risen since November 2021 (47%). On the other hand, logically, the share of SMEs having kept the loan largely in reserve has declined to stand at 47% (cf. 53% in November 2021).

- Managing directors in the Commerce and Construction sectors are those having most consumed their state-guaranteed loans. 61% and 57% of them respectively declare having used the majority or virtually all of their loan, compared with 54% in Tourism and between 47 and 49% in the Industry, Services and Transport sectors.
- SMEs of less than 10 employees are more numerous by 9 points in affirming having used the majority or even almost all of their loan than larger SMEs (55% versus 46%).

The risk of non-repayment of the state-guaranteed loans still seems relatively limited at this stage.

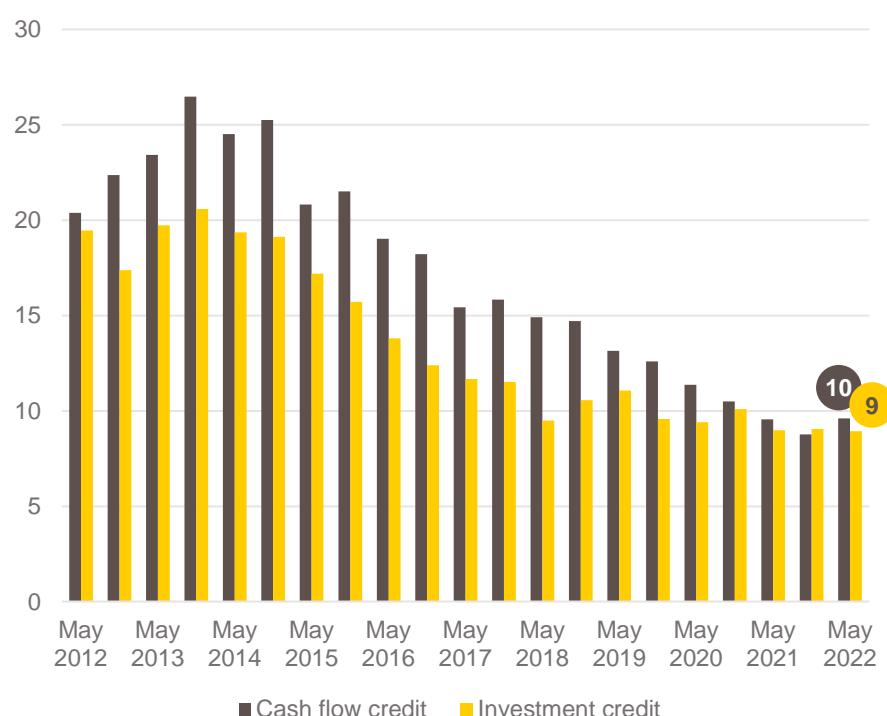
- About three SMEs in four having solicited this public aid scheme envisage an amortisation of the total loan amount over several years. 17% have already made full repayment (11%) or intend to do so by the end of the year (6%).
- 6% of respondents fear being unable to repay their loans, a proportion close to that observed last November (5%). SMEs in the Tourism sector are more numerous in voicing this fear, those in the Transport sector less so (9% against 1%).

Terms for access to credit are still evaluated as comfortable

Terms for access to credit are still considered to be relaxed. Difficulties in the Industry sector are grimmer, whether for financing cash flow or investment.

• GRAPH 10: DIFFICULTIES ACCESSING CREDIT

FAIRLY OR VERY DIFFICULT, AS A %



Difficulties accessing cash flow credit have increased slightly after an almost continuous fall since the end of 2013.

- 10% of SMEs declare that they have encountered difficulties with access to cash-flow credit, a proportion slightly up over the half-year and back at the level reached a year ago. Conditions are still judged highly favourable, the share of SMEs having difficulties remaining lower than before the public health crisis (13% in November 2019). The ending of the state-guaranteed loan scheme has been put back to 30 June 2022, and companies affected by the war in the Ukraine can request the new state-guaranteed loan known as "resilience", available until the beginning of the summer (date limit effective at the time of drafting of the survey but which could be extended).
- In the first six months of 2022, access to cash-flow credit was slightly harder in the business sectors where the short-term financial situation has deteriorated the most. The share of SMEs meeting difficulties financing their day-to-day operations increased by 3 points in Industry (to 11%) and by 1 point in Construction and Commerce (to 11% and 7% respectively). This proportion has fallen by 2 points to 12% in Tourism and by 1 point to 9% in Services.
- For SMEs encountering difficulties in financing their day-to-day operations, an insufficient level of activity and/or prospects that are too uncertain remain the principal explanation, cited by 51% of them (however, a proportion that has fallen by 10 points over one year). The second-most-cited reason for these difficulties is the need to provide guarantees considered by more than one SME in three to be too consequent. This point of view is especially prevalent among SMEs in Construction (47%) and Transport (46%). The risk associated with the business sector seems to be an obstacle to access to short-term credits for 27% of SMEs. This factor is cited by SMEs in Tourism in particular (52%).

Difficulties accessing investment credit remain at historically low levels.

- Only 9% of SMEs declare having met difficulties accessing investment credit, a proportion that has remained very stable for two years.
- Access to investment credit has become much easier over the last year in the Tourism sector (8%, after 20% in May 2021) but is becoming slightly more restricted in Industry (10%, after 9%).
- Companies encountering difficulties gaining access to investment credit cite the financial fragility of their companies as the main reason, a proportion that is nevertheless down compared with that observed a year earlier (69% versus 72%). Construction companies are still the most concerned by these difficulties, more than three quarters of them. It is worth noting that banks' poor knowledge of the business is a cause that has risen sharply over one year (cited by 21% of SMEs having encountered difficulties in gaining access to investment credit, after 12% in May 2021).

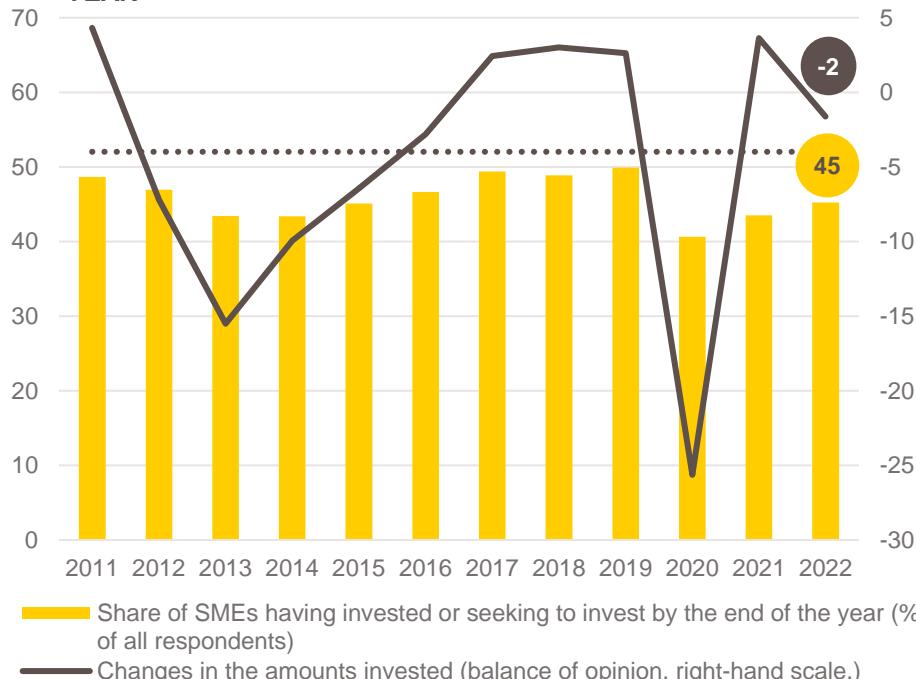
Scope: Total (N = 5044)

Source: Bpifrance Le Lab

The momentum of SME's investment expected to moderate in 2022

In 2022, SMEs in the Industry, Construction and Commerce sectors seem to be seeing a marked slowdown, in their investments this year.

• GRAPH 11: EVOLUTION OF INVESTMENT FOR THE CURRENT YEAR



Scope: Total (N = 5093)
Source: Bpifrance Le Lab

45% of SMEs declare having invested or intending to do so in 2022, a proportion that has remained virtually stable over one year (44% in May 2021 for the year 2021) but is still below its pre-crisis level (50% in 2019 and 51% on average over a long period).

- The industrial SMEs are those that, structurally, invest the most, all sectors considered. The proportion of these companies attesting having invested or planning to do so this year reached 59%, almost back to its pre-crisis level (60% in May 2019) and slightly exceeding its long-term average of 58%. Conversely, SMEs in the Tourism, Commerce and Services sectors had the lowest shares, of between 36 and 38%.

The indicator relating to evolution in the amounts invested or envisaged for investment this year fell by 5 points over one year to reach -2, a level that is still above its historical average (-4).

- The sectors seeing a deterioration in their cash flow and profitability show less well oriented investment prospects than last year. Investment in 2022 has dropped markedly among Industry SMEs: the indicator is down 14 points, at +2, almost at its historical average of +1. In Construction, the indicator is down 9 points over one year, at -8, back to its long-term average. In the Commerce sector, the indicator is down to 4 points and stands at -3, a level slightly above its average level (-5). However, investment in the Tourism should be better, the balance of opinion gaining 17 points over one year, to stand -6, a level higher than its long-term average (-10).

Investments in 2022 appear to be a little less financed by bank loans and a little more self-financed. The share of SMEs envisaging taking out a bank loan fell by 3 points over one year, to stand at 39%. Conversely, the proportion of companies wishing to resort to self-financing rose by 4 points to reach 37% (compared with 31% over the same period in 2019).

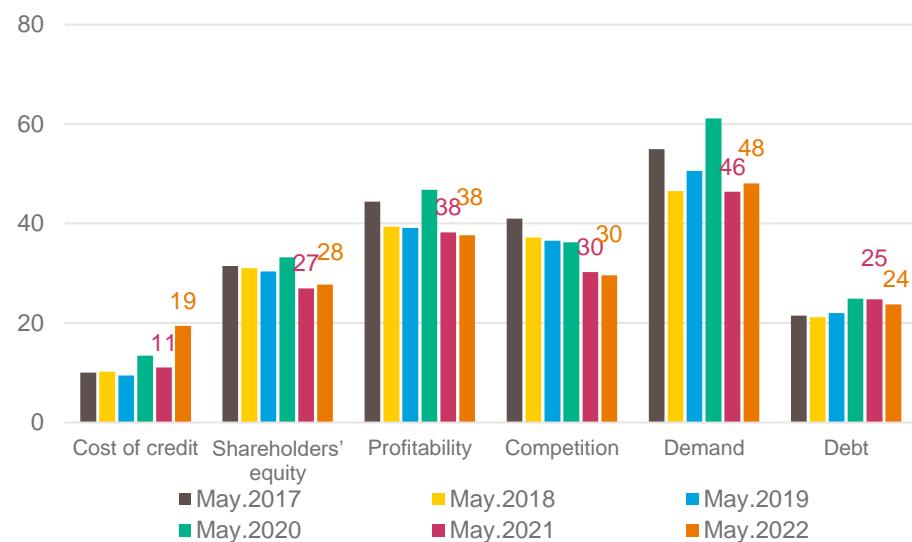
By destination, managing directors declare that they are increasing their property investments (plots of land, construction, refurbishing of existing premises; 40%, after 35% a year ago), to the detriment of material investments (materials, vehicles, miscellaneous equipment; 60%, after 53% a year ago). Intangible investments (business capital, patents, etc.) seem to be relatively stable, at 7% (after 6% a year ago).

Obstacles to investment become a little tougher

In 2022, opportunity constraints are having a greater impact on investment by Commerce and Construction SMEs and the cost of credit is becoming a much greater obstacle across all business sectors.

- **The weakness of demand, as usual, constitutes the principal obstacle to investment**, cited by 48% of SMEs, a figure up slightly over one year (46% in May 2021) but just below the pre-crisis level (51% in May 2019). SMEs in the Commerce sector are the most numerous in citing weakness of demand as an obstacle to investment (53%, versus 45% in May 2021), along with those in Construction (53%, compared with 44% in 2021). Commerce is of course the most directly affected by the drop in purchasing power of households in this inflationary context. In contrast, investment by SMEs in the Tourism and Services sectors is suffering less from the demand constraints of last year (51% and 42% respectively, after 57% and 45% in 2021).
- **Low profitability is the second obstacle mentioned by the managing directors, affecting a similar proportion to that of last year** (cited by 38% of managing directors). Here again, Commerce and Construction SMEs are slightly more numerous than last year to consider it a major, even insurmountable, obstacle to investment (35% and 40% respectively, after 32% and 36% in May 2021).
- **Balance-sheet constraints identified by SMEs remain under control**. An insufficiency of equity is raised as an obstacle to investment to the same extent as a year ago (28%, after 27%), but still less than before the crisis. Excessive indebtedness is cited by 24% of SMEs, a proportion similar to that observed a year ago.
- **The cost of credit remains a less burdensome obstacle to investment, but has gained in significance this half-year** (19%, versus 11% in May 2021) across all business sectors (between +6 and +9 points depending on the sector).

• **GRAPH 12: EVALUATION OF OBSTACLES TO INVESTMENT SERIOUS OR INSURMOUNTABLE, IN %**



Scope: Total (N = 5093)

Source: Bpifrance Le Lab



The rise in the cost of credit occurs in an inflationary context, which is pushing the European Central Bank (ECB) to standardise its monetary policy. The ECB's asset purchase programme will end on 1st July, stabilising the size of its balance sheet for a period extending beyond the rise in policy interest rates. A first such rise, of 25 basis points, is planned for the next monetary policy meeting in July, and already the ECB anticipates a new rise in September.

03.

OUTLOOK FOR 2023

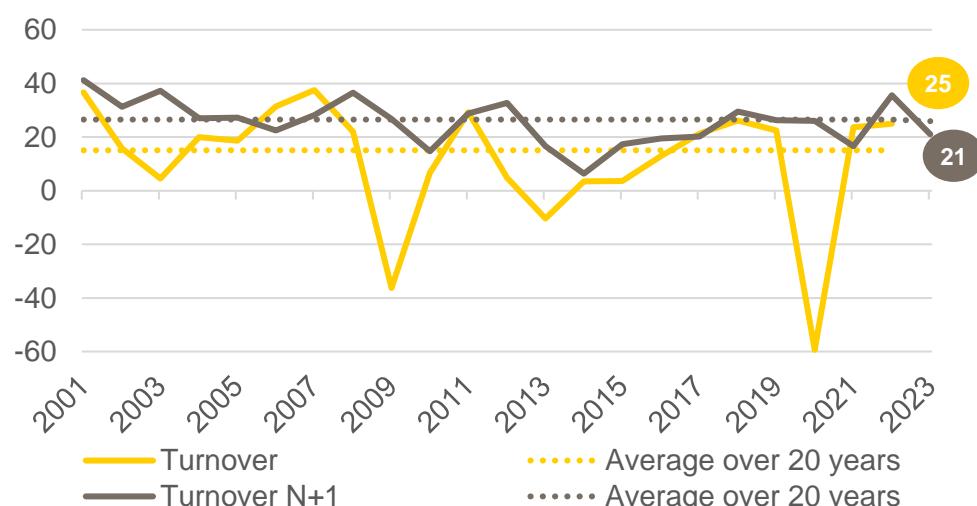
Business prospects for 2023 are faltering

If SMEs are expecting a new increase in their business in 2023, the indicator stands well below its historical average.

Managing directors not very optimistic regarding their companies' business prospects for 2023.

- SMEs anticipate a marked slow-down, in a context where 43% of them consider that the supply difficulties are going to last more than a year and 40% declare that they feel very uncertain on this subject (cf. focus above). The balance of opinion on business prospects for 2023 has fallen to +21 (-15 points over one year) and now stands below its long-term average (+27).

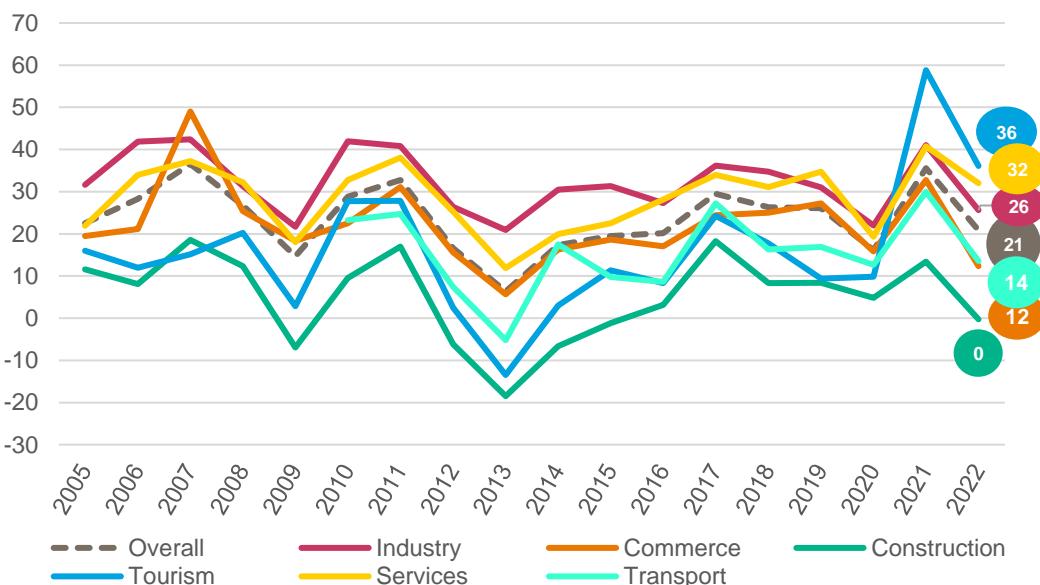
GRAPH 13: DEVELOPMENT OF TURNOVER AND EMPLOYMENT FOR NEXT YEAR BALANCE OF OPINION IN %



Note: the balance of opinion on the development in turnover anticipated for the following year fell by 15 points over 1 year to stand at +21 in May 2022 for 2023.

Scope: Total (N = 5093); Source: Bpifrance Le Lab

GRAPH 14: DEVELOPMENT OF BUSINESS BY SECTOR FOR NEXT YEAR BALANCE OF OPINION IN %



Note: the balance of opinion on the development in turnover for the following year fell by 15 points over one year to stand at +21 in May 2022 for 2023.

Scope: Total (N = 5093); Source: Bpifrance Le Lab

The indicators for SME's business prospects for 2023 are falling markedly across all sectors.

- For 2023, managing directors in all sectors see their businesses slowing down. And the indicator has in fact gone below the long-term average for all sectors except Services and Tourism.
- Construction SMEs are the most pessimistic with a balance of opinion at zero, i.e. anticipating a stable level of activity (-14 points over one year). Those in Tourism have a higher balance of opinion (+36) but the indicator has seen a sharp fall (-23 points over one year).

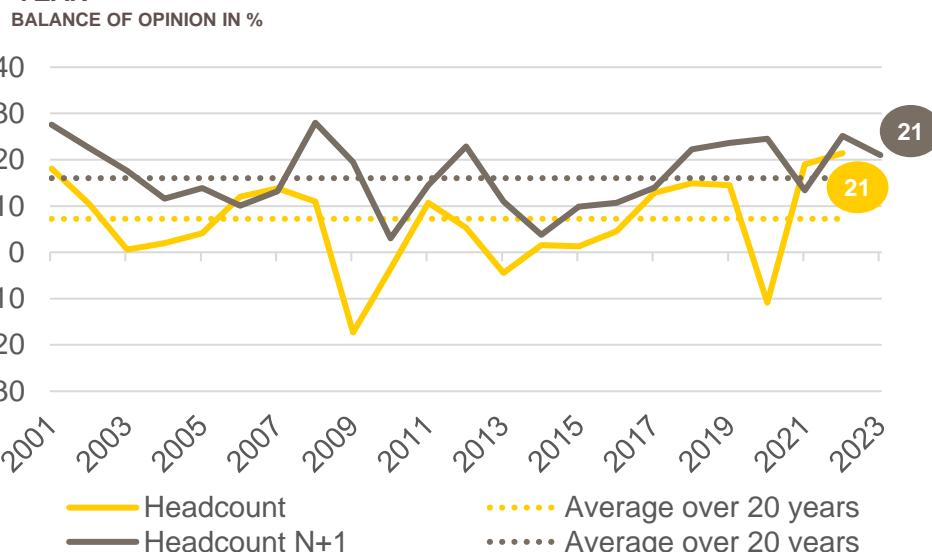
Employment forecasts predict a slight slow-down for 2023

All sectors are likely to be concerned by a slow-down in recruitment next year, though to a limited extent.

Managing directors forecast a slowing down of recruitment in 2023.

- The forecast indicator for headcounts has dropped to +21 (-4 points over one year) but remains above its long-term average (+16).
- All sectors anticipate a slow-down in recruitment, though the balances of opinion are still above their long-term averages, except in the Transport sector. This latter sector appears especially affected by the slump in recruitment, with a balance of opinion having fallen to +9 (-10 points over one year), slightly below its historical average. As is often the case, companies in the Services sector have better prospects and show the highest balance of option (+30 and just -1 point over one year).

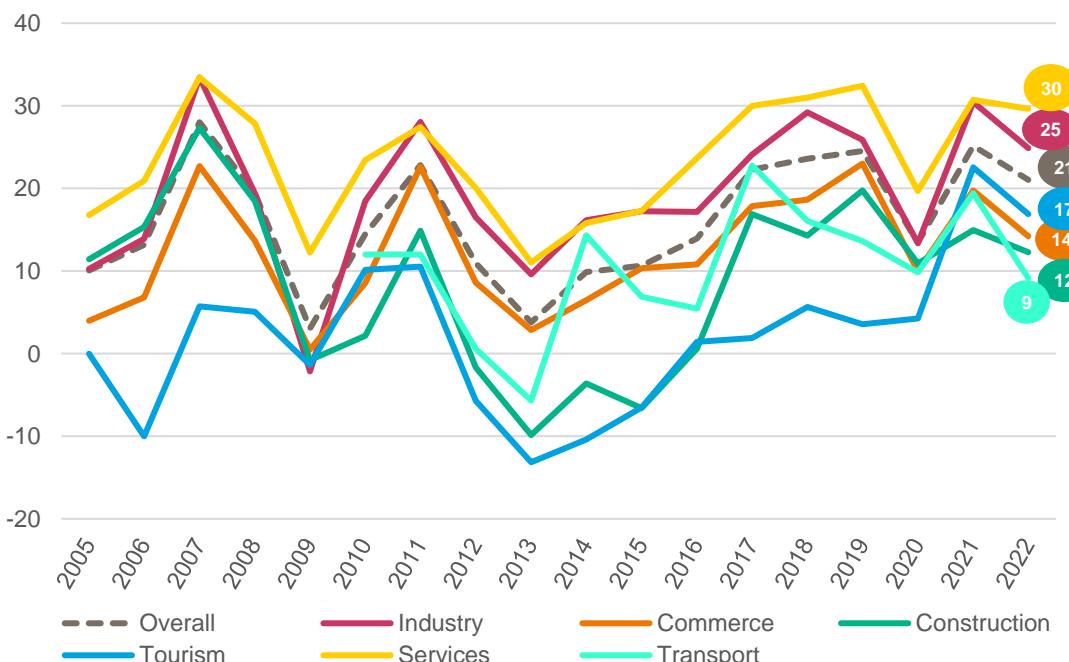
GRAPH 15: DEVELOPMENT OF TURNOVER AND EMPLOYMENT FOR NEXT YEAR



Note: the balance of opinion on the development in turnover anticipated for the following year fell by 15 points over one year to stand at +21 in May 2022 for 2023.
Scope: Total (N = 5093); Source: Bpifrance Le Lab

GRAPH 16: EVOLUTION OF HEADCOUNTS BY SECTOR FOR NEXT YEAR

BALANCE OF OPINION IN %



Note: the balance of opinion on the evolution in headcounts for the following year fell by 4 points over one year to stand at +21 in May 2022 for 2023.

Scope: Total (N = 5093); Source: Bpifrance Le Lab

Better employment prospects in exporting and innovative companies

- SMEs, whatever their innovative or exporting nature, are expecting a slow-down in their job creations for 2023. However, the balances of opinion remain higher than their long-term averages, whether for exporting companies or innovative ones (+32 and +37 respectively, compared with +23 and +30).
- Employment prospects remain more dynamic in SMEs of at least 10 employees (-6 points to +25, compared with a historical average of +19) than in SMEs of 1 to 9 employees (-3 points to +13, compared with a historical average of +11).

FOCUS

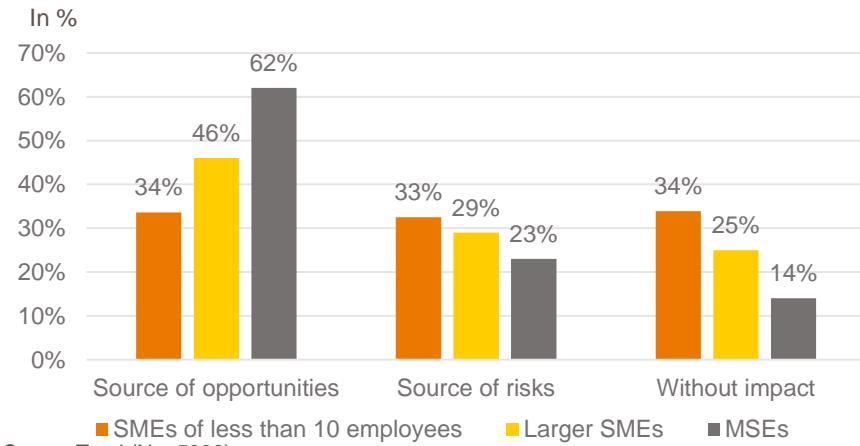
Five years from now, the ecological and energy transition will have attracted investment from 47% of SMEs

For 36% of SMEs, their ecological and energy transition should be a source of opportunity. However, there are divergences with company size: 46% of SMEs with 10 to 250 employees see their transition in this way, a much higher proportion than for SMEs of less than 10 employees, (34%) but lower than for MSEs (62%, cf. [Bpifrance Le Lab, June 2022](#)). SMEs in the Services and Industry sectors are the first to envisage transition opportunities (41% and 37% respectively). Those in Transport and Tourism are less convinced (29% and 26% respectively).

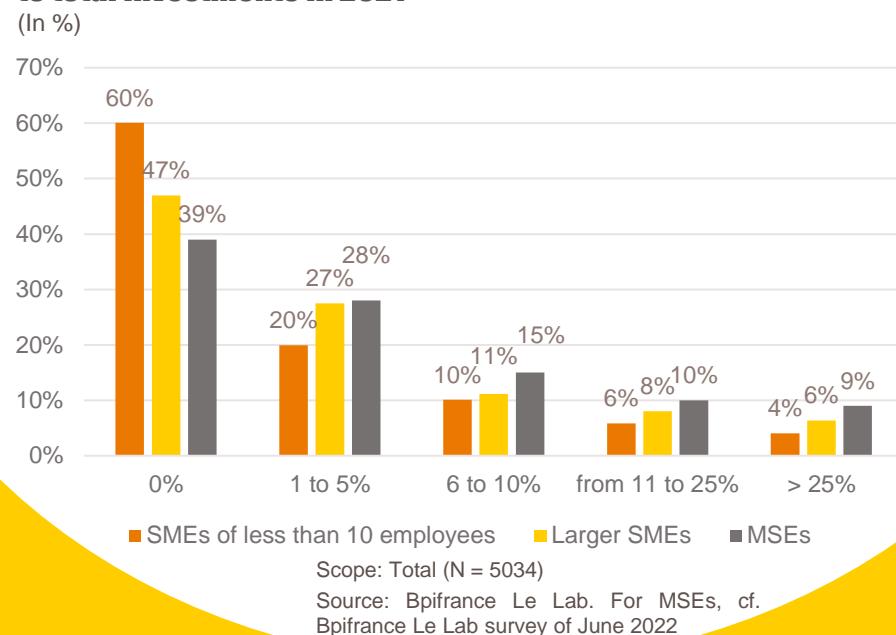
The ecological and energy transition appears as a source of risk for a third of SMEs of less than 10 employees and 29% of SMEs of 10 to 250 employees. It is the case for 60% of companies in Transport and 41% of those in Tourism in particular.

The principal risk is seen as a rise in input prices, cited by 79% of SMEs (probably via an increase in the price of carbon-based fuels and inputs necessary for the fabrication of ecological and energy transition technological equipment). The tightening of climate regulations is also seen as a source of risk by 59% of managing directors questioned.

Graph 16: Perception of the ecological and energy transition has a source of risk or opportunity by SMEs



Graph 17: Breakdown of SMEs by the ratio of green investments to total investments in 2021



In 2021, green investments were particularly concentrated in a small number of SMEs. Nearly three in four SMEs of at least 10 employees devoted less than 5% of their investments to their ecological and energy transition, and 80% of SMEs of less than 10 employees. Only 11% of SMEs allocated more than 10% to the transition (8 points less than for MSEs). The proportions were 15% in Industry and Construction and 14% in Transport.

47% of SMEs envisage increasing their green investments over the course of the next five years, but here again with significant divergences according to company size. While 44% of SMEs of less than 10 employees envisage doing so (18% in a significant manner), this would be the case for 61% of SMEs of at least 10 employees (29%). These projections, however, are more moderate than for the MSEs, 70% of which envisage an increase in their green investments, 42% to a significant degree. Between business sectors, the share of SMEs planning to increase these investments shows little variation, ranging from 43% in Commerce to 53% in Industry, with a proportion situated between 46% and 49% in the other branches.

However, SMEs face obstacles that could slow down their transition:

- 42% of SMEs need technological alternatives (46% of SMEs of at least 10 employees, a share close to that of MSEs at 49%, comparing with 34% for SMEs of less than 10 employees).
- 32% of SME managing directors anticipate having financial needs. This would be the case for 35% of managing directors of SMEs of at least 10 employees, versus 34% for MSEs and 27% for SMEs of less than 10 employees.
- 26% of SMEs feel that they would need support and guidance (20% of SMEs of less than 10 employees, 30% of SMEs of at least 10 employees), compared with 37% of MSEs.
- As for MSEs, the need for training seems less important, cited by 23% of SMEs (20% by SMEs of less than 10 employees, 25% by SMEs of at least 10 employees), versus 26% by MSEs.

Regional economic situation: summary

Business should slowdown in most regions but should remain relatively dynamic, notably comparatively to historical averages. However, disparities in the situation depending on the region are apparent.

In Provence-Alpes-Côte d'Azur and Île-de-France, more touristic regions, SMEs are the most optimistic with regard to the evolution of their turnover, that they forecast to +6,3 % and +6,1 % in 2022 (after +5,5 % in 2021). Normandy SMEs showed the highest balance of opinion at +33, up by 10 points over one year and virtually stable over six months, and especially well above its historical average (+5). They expect average growth in their turnover of 5,3 % in 2022. Nevertheless, business should be less dynamic in Hauts-de-France (+2,6 %) than the national average, and to a lesser extent, Grand-Est region (+3,7 %) et Brittany (+3,9 % where 2021 was particularly dynamic with an activity growth of 8,5 %). SMEs in all regions declare that they expect an increase of headcount this year. This tendency appears more pronounced in the Pays de Loire where the balance of opinion reached +29 (the highest regional level) and less so in the Grand-Est region, where the indicator stands at +13 (down by 2 points over one year).

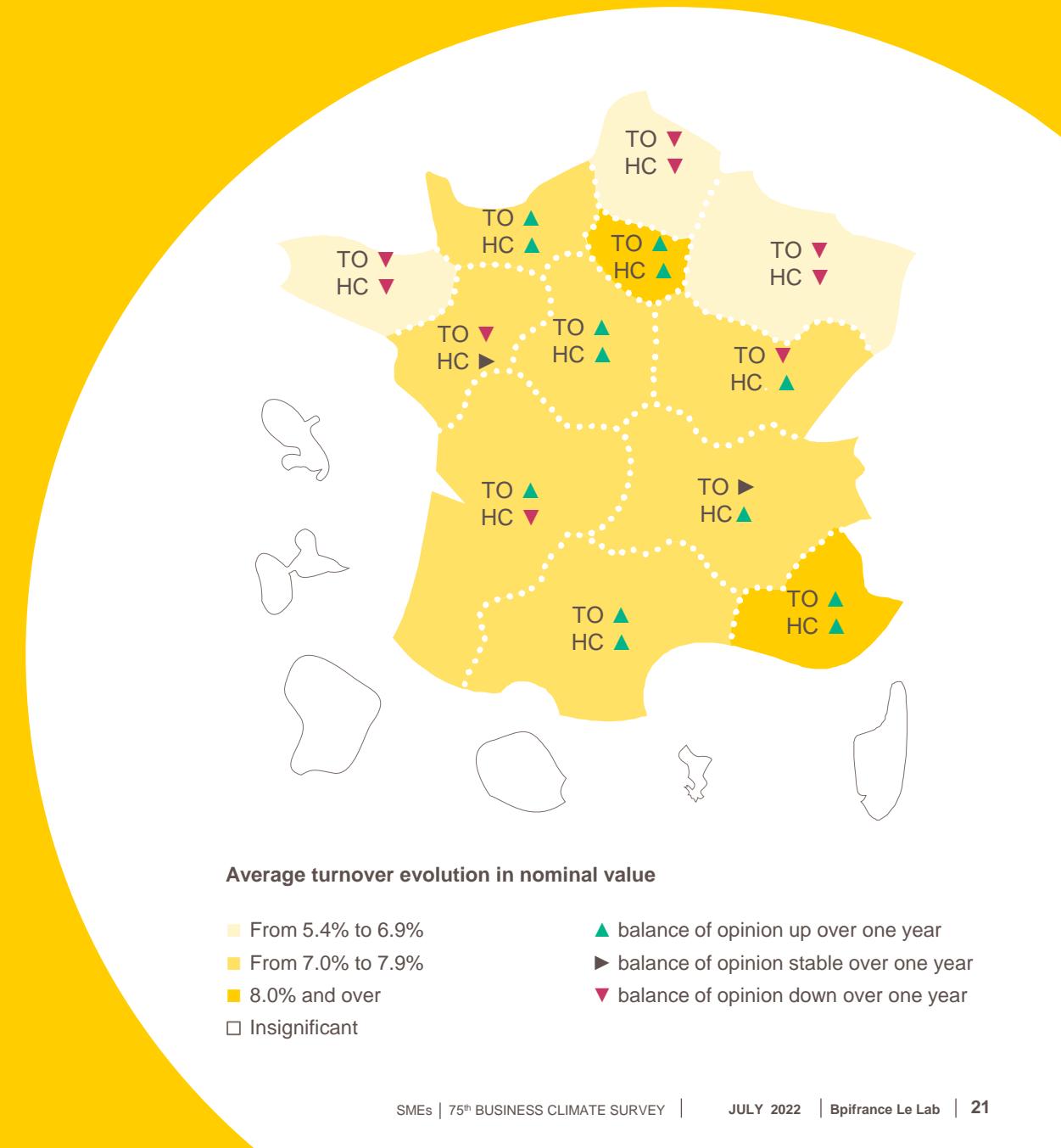
It is in the Pays de la Loire that SME managing directors are the most numerous in declaring that they will invest in 2022 (58%, a level higher than before the crisis). Half the managing directors in the Grand-Est region, Normandy, Centre-Val de Loire and Burgundy-Franche-Comté think that they will invest this year, a proportion well below that prior to the crisis for Normandy and the Grand-Est region (61% and 59% respectively end 2019). Only a third of Île-de-France SMEs intend to invest in 2022 (43% prior to the crisis).

The public support measures rolled out for companies during the crisis enabled SMEs to contain their cash-flow difficulties significantly across all regions. However, those of Centre-Val de Loire indicated more difficulties than the others (25% of them versus a national average of 22%). In contrast, only 15% of SMEs in the Pays de la Loire region reported cash-flow difficulties over the course of the last six months.

For 2023, the balance of opinion relating to business activity is lower across all the French regions, in a particularly uncertain context (duration of the procurement difficulties, evolution of the public health situation, etc.). As often, the Île-de-France SMEs are the most optimistic (balance of opinion at +30). A slowdown is also expected where recruitment is concerned.

The detailed results by region are available in the regional focus, accessible on <https://lelab.bpf.fr/>.

• EVOLUTION IN TURNOVER AND HEADCOUNTS BY REGION BALANCE OF OPINION IN %



	TURNOVER				HEADCOUNT				INVESTMENT					
	Average 2000 to 2019	May 2021	May 2022	Change/ May 2021		Average 2000 to 2019	May 2021	May 2022	Change/ May 2021		Average 2000 to 2019	May 2021	May 2022	Change/ May 2021
YEAR 2022 (1)														
All SMEs	16	24	25	↗		8	19	21	↗	-4	4	-2	↗	
10 – 250 employees	23	33	32	↗		14	25	28	↗	-1	9	2	↗	
Fewer than 10 employees	6	9	12	↗		-1	10	8	↗	-8	-5	-9	↗	
Commerce	15	23	9	↗		7	17	13	↗	-6	0	-3	↗	
Construction	10	22	8	↗		6	18	13	↗	-9	1	-8	↗	
Industry	18	35	35	↔		7	24	29	↗	0	16	2	↗	
Services	21	23	29	↗		13	21	26	↗	-3	2	0	↗	
Tourism	7	-19	61	↗		1	0	16	↗	-10	-24	-6	↗	
Transport	11	21	26	↗		8	16	15	↗	-5	-1	-3	↗	
YEAR 2023 (1)														
All SMEs	26	36	21	↘		16	25	21	↘					
10 – 250 employees	32	41	25	↘		19	31	25	↘					
Fewer than 10 employees	17	28	12	↘		12	17	13	↘					
Commerce	26	33	12	↘		14	20	14	↘					
Construction	6	13	0	↘		8	15	12	↘					
Industry	34	41	26	↘		18	30	25	↘					
Services	30	41	32	↘		24	31	30	↘					
Tourism	16	59	36	↘		3	23	17	↘					
Transport	15	30	14	↘		10	19	9	↘					

(1) Balance of opinion = (Share of companies anticipating a rise – Share of companies anticipating a fall)

04.

METHODOLOGY

Definitions

Indicators or balance of opinion figures are classic tools used in economic situation surveys to follow changes in assessment of the main socio-economic factors (turnover, employment, exports, investments...) and financial parameters (cash flow, access to credit, etc.) over time.

They correspond to balances of percentages of opposed opinions:

- **Change indicator** = $[(x\% \text{ "on the rise"}) - (y\% \text{ "in decline"})] \times 100$
- **Level indicator** = $[(x\% \text{ "good/easy"}) - (y\% \text{ "bad/difficult"})] \times 100$

Percentages of neutral opinion ("stable" or "normal"), which make up any shortfall to arrive at 100% of responses, are therefore not taken into account in the calculation of this type of indicator.

A company is described as "innovative" if it has implemented at least one of the following five actions in the course of the last three years:

- financed research and development (internal or external) or recruited R&D staff;
- acquired an operating licence for a process or technology;
- registered a patent, brand, design or model;
- developed a new or significantly improved product or process (service) for a third party;
- marketed a new product or service (excluding simple resale of new products bought from other companies and excluding modifications in the appearance or packaging of already existing products) or used a new production, commercialisation or organisational process (or method). In addition, no analogous product or process is already marketed or used by any competitors.

A "strongly exporting" company makes more than a quarter of its turnover abroad, an "averagely exporting" one between 6% and 25% and a "non-exporting" one less than 6% (including 0%).

Structure of the sample

For this 75th six-monthly economic situation survey, 40,000 companies in non-agricultural commercial sectors, with from 1 to 249 employees and a turnover of less than €50 M, were questioned in the spring of 2022.

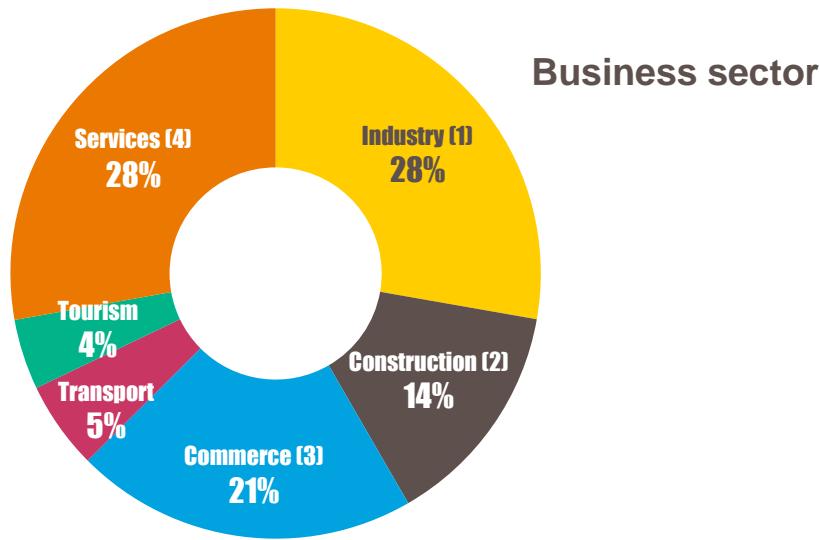
5,093 replies, received between the 12th May and 13th June 2022 and judged complete and reliable, were used on a national level and were broken down to cover all the regions with the exceptions of Corsica and the Overseas Territories, for which the numbers of responses were insufficient.

Additional questions regarding procurement difficulties, the consequences of the conflict in the Ukraine and the SMEs' ecological and energy transition were introduced for the whole sample (about 5,050 responses to these questions have been analysed).

The responses to these additional questions were adjusted with regard to two aspects, so as to reproduce the demography of French SMEs:

- The number of employees, in order to correct an under-representation of SMEs of less than 10 employees among the respondents
- The business sector, to correct for an over-representation of Industry and an under-representation of the Tourism sector

The adjustment was made based on the numbers of companies in the different categories.

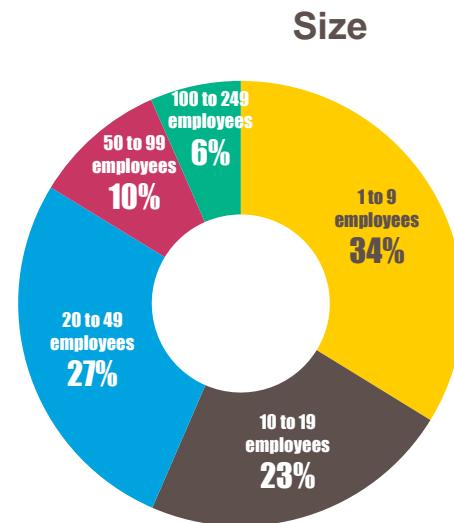


(1) 2% food, 13% intermediate goods, 8% capital equipment, 4% consumer goods

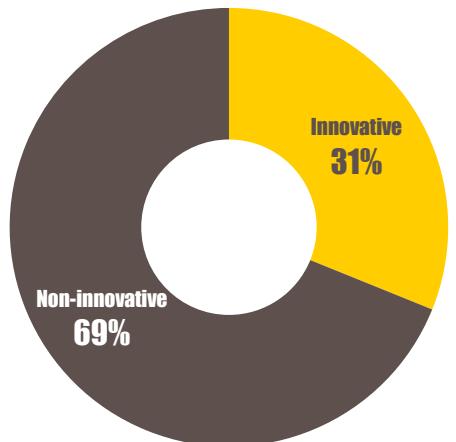
(2) 11% construction, 2% public works

(3) 2% automobile trade and repairs, 12% wholesale, 6% retail

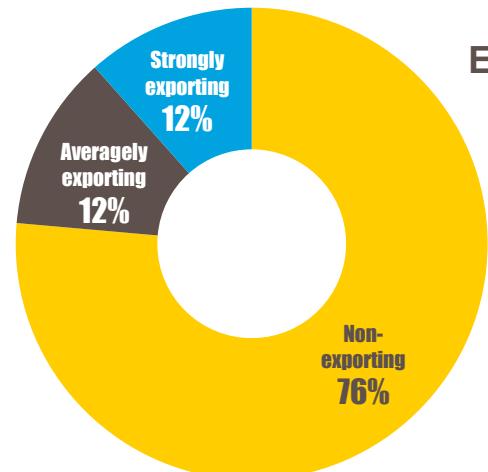
(4) 24% corporate services, 4% retail services



Innovative nature



Export



Survey managers: Thomas Laboureau, Aurore Le Saule
Direction de l'Évaluation, des Études et de la Prospective
Pôle Macroéconomie – Conjoncture.

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