74TH HALF-YEARLY SMEs' BUSINESS CLIMATE SURVEY

SMEs CONFIDENT FOR 2022

January 2022

The upturn is stronger than anticipated last May, and should continue in 2022.

The gradual lifting of the health restrictions in the course of the year has enabled the economy to bounce back in 2021, after a serious recessional shock in 2020. For SMEs, the upturn is clear, and much stronger than anticipated last May. Managing directors are now counting on an average growth in turnover of 7% in 2021, compared with 2.8% anticipated mid-year (after -13% in 2020 according to the estimation of the survey of November 2020). 41% of companies should have found their pre-crisis level of business by the end of the year 2021.

In line with the net upturn in turnover, managing directors declare that they have considerably strengthened their staffing levels this year. The public health crisis has brought lasting changes to companies' organisation of their work. Companies now authorise 1.3 days of remote working per week on average, compared with 0.75 before the crisis. This increased recourse to remote working is set to last, at least partially, for three quarters of SMEs. The majority of managing directors consider that their employees are at least as productive remote working as on site.

The numerous support measures helped companies preserve their financial security and with the net recovery of business, their cash flow finds itself reinforced at the end of 2021. The balance of opinion on the assessment of cash flow has reached its highest level since the launch of the survey (at +2) and 65% of the companies that responded to the survey now judge their cash flow sufficient, a proportion that has been rising steadily since the beginning of the public health crisis. This proportion is lower than that for the Tourism sector (56%), a proportion nevertheless clearly on the rise (39% in May 2021). If a greater number of SMEs in this sector declare a lack of visibility regarding their cash flow (10% versus 5% overall), only 1% declare that they are encountering insurmountable cash-flow difficulties, a proportion similar to that observed in the other sectors.

Among the measures prevailed upon, the state-guaranteed loan (*prêt garanti par l'état*, or PGE) was heavily subscribed. Some funds remain available, as 30% of SME managing directors having obtained a state-guaranteed loan declare they have used it very little or even not at all and 22% have only used a minority proportion. 5% of respondents fear being unable to pay it back, a proportion that has changed little in the last year.

Today, some SMEs still depend on these aids to maintain a healthy financial situation. 35% of SMEs report that the withdrawal of these emergency measures would cause them additional cash-flow difficulties, insurmountable for 10% of companies and surmountable for 25%.

SMEs still enjoy very favourable financial conditions, as only 9% of them have had difficulty financing their cash flow and another 9% for financing their investments, levels that are historically low. Furthermore, companies have declared fewer obstacles to investment this half-year. Conditions were thus in place to allow investment to bounce back. 47% of SMEs have invested this year or intend to do so by the end of the year, a proportion that has risen markedly over 1 year (41% in November 2020 for the year 2020) but remains lower than the levels observed before the crisis (51% in 2019, 57% in 2018). The indicator relating to changes in the amounts invested, on the other hand, has regained its pre-crisis level.

Industry has come out well. The upturn is more vigorous in the sector (+9% growth in turnover estimated for 2021) and 61% of SMEs indicate having invested in 2021, a much higher proportion than in the other sectors and above that observed prior to the crisis. The targeted investment support measures set up for the sector under the France Relance (relaunch France) scheme go some way to explaining this dynamism. Conversely, the SMEs in Tourism, more heavily penalised by the health restrictions in 2020 and early 2021, have seen a slower recovery over the full year 2021 (growth in turnover estimated to be +4.4%). Moreover, they are still affected by the uncertainties surrounding the evolution of the health situation and the restrictions applicable for certain international destinations.

SMEs look confident for 2022. They have considerably increased their projections for turnover, recruitment and investment compared with last year, when they had to face much more serious restrictions. 66% of them will have recovered or exceeded their pre-crisis level of activity by the end of the year 2022. However, 14% envisage a later return to normal business and 19% are uncertain.

There are several points of concern that could compromise the dynamics of this recovery.

(i) Recruitment difficulties: 82% of SMEs declare having encountered this problem, a proportion that has risen sharply over 6 months (75% in May 2021). 43% consider the situation serious. Companies in Construction and Tourism are the most concerned (resp. 56% and 50% having had serious difficulties recruiting).

(ii) Two thirds of SMEs are facing supply problems, with this proportion reaching 92% in Industry. About 30% of SMEs in Industry, Construction and Commerce consider that these difficulties are severely limiting their businesses. 59% of SMEs declare that these difficulties have intensified in the last month. These supply problems translate principally into longer delivery periods (78%) and price rises on goods received (75%). In reaction to these difficulties, 66% of SMEs intend recovering the increased costs in their selling prices and 37% envisage reducing their margins. Certain companies plan to adapt their strategies, modifying their product ranges (25%) or changing their supply channels (25%). 10% may be constrained to cut back their business and 5% to reduce their staffing levels as a result.

At this stage, these points of alarm do not seem to have made a significant impact on companies' optimism for 2022, but they need to be watched closely.

This study is based on the replies from 5,028 SMEs (1 to 249 employees), received between 3rd and 29th November 2021.

SALIENT POINTS

1 2021 revenue should be even better than anticipated last May

Having suffered a significant shock in 2020, SMEs are counting on an average +7% rise in their turnover in 2021, higher growth than anticipated last May (+2.8%). The balance of opinion on the evolution in turnover is at its highest since 2007. Seeing a healthy pick-up in business, SMEs are continuing to recruit, leading 82% of them to declare difficulties experienced in recruiting the staff they need.

2 The cash-flow situation of SMEs has been strengthened

Assessment of the cash flow situation has reached a peak not seen since the creation of the survey. 65% of SMEs now judge their cash flow sufficient in view of the crisis (versus 63% last May and 53% 1 year ago). Only 1.5% declare that they face insurmountable difficulties. In a context of gradual withdrawal of the support measures, high prices for inputs and transport costs, SMEs are nevertheless cautious regarding the future evolution of their cash flow.

3 State-guaranteed loan still very largely a financial reserve

Of the SMEs having taken out a state-guaranteed loan, 52% say they have spent little of it (22%) or indeed none of it (30%). 37% will have repaid their loans, at least partially, by the end of this year 2021. Only 5% of respondents fear not being able to repay their loans, a proportion close to that observed last May (4%).

4 Investment upturn, particularly in Industry

47% of companies invested in 2021, or intend to do so by the end of the year, a significantly higher proportion than in 2020 (41% in November 2020 for the year 2020) but still below the levels prior to the crisis. Investment appears to have been particularly dynamic in Industry, with 61% of SMEs declaring having invested this year, the highest proportion of the major business sectors and above pre-crisis levels. The indicator relating to the evolution in amounts invested has risen markedly, by +28 points over a year to stand at +7, and has found its level of November 2019 again. SMEs report fewer obstacles to investment than last year.

5 The recovery should continue in 2022. At this stage, the supply difficulties have not made a significant impact on companies' optimism

Supply difficulties, which have affected 65% of SMEs (92% in Industry), could compromise the strength of the recovery. However, at this stage, companies remain confident for 2022. The balance of opinion on the expected development of business has risen very sharply (+28 points over 1 year to +31). 66% of SMEs should have returned to a normal level of business by the end of the year 2022, a proportion nevertheless lower than last May (74%). Companies also intend to step up their recruitment and investment in 2022.

Key Figures

7%

EXPECTED GROWTH IN TURNOVER FOR 2021

VERSUS 3% ANTICIPATED IN MAY 2021

65%

SHARE OF SMES THAT CONSIDER THEIR CASH FLOW SUFFICIENT TO FACE UP TO THE CRISIS

THEY STOOD AT 63% 6 MONTHS AGO AND 53% 1 YEAR AGO

91%

SHARE OF SMES NOT HAVING ENCOUNTERED DIFFICULTIES IN FINANCING THEIR CASH FLOW

UP BY 1 POINT OVER ONE YEAR

43%

SHARE OF SMES ENCOUNTERING SERIOUS RECRUITMENT DIFFICULTIES

A RISE OF 8 POINTS IN 6 MONTHS

52%

SHARE OF SMES THAT DECLARE THEY HAVE SPENT LESS THAN HALF OF THEIR STATE-GUARANTEED LOAN

5% FEAR BEING UNABLE TO PAY IT BACK

65%

SHARE OF SMES ENCOUNTERING SUPPLY DIFFICULTIES

92% IN INDUSTRY, 90% IN CONSTRUCTION

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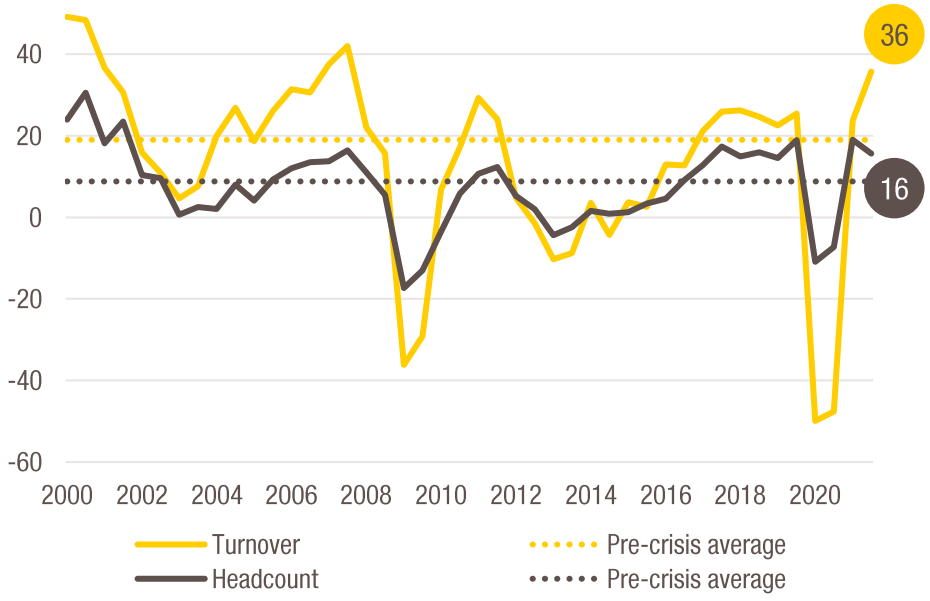
01.

REVENUE AND EMPLOYMENT

Definite upturn in turnover and recruitment in 2021

The business upturn in 2021 should prove more marked than anticipated last May. SMEs anticipate average growth of 7% in their turnover.

• 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 -48 to +36 between the surveys of November 2020 and November 2021.
Scope: total (N=5028)

Source: **Bpifrance Le Lab**

Following a significant recessional shock in 2020, the gradual lifting of restrictive measures over the course of the year, enabled by the improvement in the public health situation, has led to a net upturn in business and recruitment for SMEs. They now anticipate higher growth in turnover for 2021 than they did last May.

- The balance of opinion regarding growth in turnover at the end of the year 2021 has gone up by +12 points since last May and by +84 points over a year to stand at +36, its highest level since 2007. 52% of managing directors anticipate an increase in business this year (versus 15% 1 year ago) and just 17% a decrease (62% 1 year ago).
- SME managing directors have markedly increased their growth forecasts since May: on average they are counting on turnover growth of +7.0% for 2021, (versus +2.8% in May and -13.2% in the survey of November 2020 for 2020).
- Innovative and/or exporting managing directors expect higher growth in their turnover this year. Indeed, the turnover of exporting and innovative SMEs are estimated to have risen by an average of +10.7% (after -12.7% in November 2020 for 2020), versus +5.3% after -13.0% for non-innovative and non-exporting businesses.
- The managing directors of SMEs of at least 10 employees expect greater growth in turnover (+8.9% after -10.8% in 2020) than those of SMEs of 1 to 9 employees (+3.5% after -16.6% in 2020).
- The balance of opinion on the state of the last 6 months' order books has risen by +11 points over the half-year, a rise of +40 points over one year, and stands at +10 (well above the indicator's long-term average before the crisis, -10).

In line with the expected sharp upturn in business, managing directors markedly increased their recruitment projections in 2021, but a little more moderately than last May.

- The balance of opinion regarding the evolution of SME headcounts this year has gained 23 points over 1 year to +16, but fallen by 3 points over the half-year.

According to the INSEE, growth in GDP stands at +6.7% for the full year 2021, following a historical contraction of -8% in 2020. (*cf.* Economic outlook – December 2021).

Revenue
An unequal upturn, led by Industry

Business appears particularly brisk in Industry. The upturn is more subdued in Transport and Tourism.

SMEs in all sectors and regions have revised their revenue forecasts upwards since last May.

- Industrial SMEs show the sharpest business upturn. 60% of them anticipate a rise in their turnover in 2021 (52% all sectors combined) versus 15% expecting a decline. The balance of opinion regarding change in turnover thus stands at +45 (+97 points over 1 year), the highest in 14 years and the highest level among the sectors studied. On average, managing directors in the sector anticipate growth in their turnover of +8.9% in 2021 (versus –12.0% in November 2020, for 2020).
- The upturn looks more timid in Transport and Tourism. Managing directors in these sectors are expecting turnover growth of about +4% on average (versus +7% all sectors combined). For SMEs in the Tourism-sector, more heavily penalised by the crisis and the public health restrictions to date, the balance of opinion on business prospects remains well below that observed in the other sectors.

Cf. sectorial focus

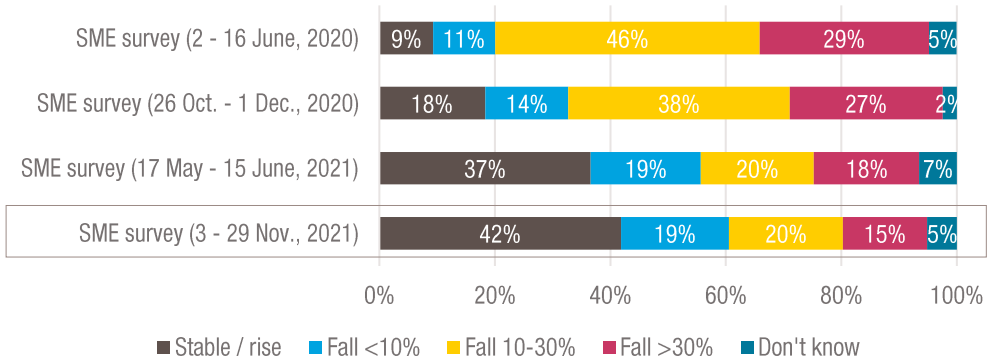
- Business prospects are improving in all regions. SMEs in Brittany are the most optimistic regarding the evolution in their turnover in 2021 (+8.5% on average versus +7% nationwide), even though the shock was less marked in 2020 (-11% versus -13% nationwide). The revenues of SMEs in the Grand-Est and PACA regions, however, seem less vigorous than in the country as a whole (about +5.5% on average in these two regions), even though business in these regions was more heavily affected than average in 2020, particularly in the PACA region (-15% in 2020).

Cf. regional focus

The crisis associated with the Covid-19 epidemic and the measures adopted to tackle it have continued to penalise the turnover of more than 1 SME in 2 in 2021.

- 42% of managing directors consider that the crisis has not had negative impact on their companies' turnover in 2021, a proportion rising steadily with successive surveys (37% last May, 18% in November 2020 for the year 2020). On the other hand, 53% anticipate a shortfall in revenue this year compared with a crisis-free situation, of more than 30% for 15% of managing directors (-3 points compared with last May). The picture is the bleakest in the Tourism sector, where more than 1 SME in 2 (52%) still judges their turnover more than 30% below normal in 2021.

GRAPH 2: IMPACT OF THE PUBLIC HEALTH CRISIS ON TURNOVER FOR THE CURRENT YEAR



Scope: Total (N=5010);

Source: **Bpifrance Le Lab**

Employment
Acceleration of recruitment

In response to the upturn in business, SMEs appear to have accelerated their recruitment in 2021, though to a lesser degree than expected last May.

The upturn in employment is observed in all sectors except Tourism.

- The balance of opinion on employment is highest in the Services sector (at 21, up by 23 points over 1 year), where it has been stable since last May, in contrast with the other sectors where it has fallen slightly over the half-year. Recruitment levels also seem dynamic in Industry, where the indicator exceeds its pre-crisis level, the opposite occurring in the other sectors (+18, i.e. + 28 points over 1 year, versus +16 in November 2019).
- The balance of opinion on employment has increased markedly in the Tourism sector, where it had fallen the most sharply (+40 points over 1 year, to -6). However, it is still below zero, meanings that more of the sector's managing directors anticipate a decline in their headcount in 2021 than expect a rise, and below its pre-crisis long-term average (+2).

Cf. sectorial focus

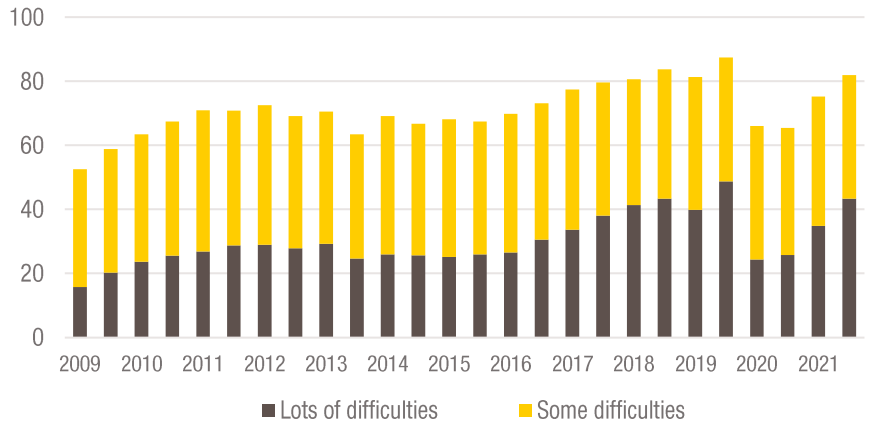
Recruitments seem to be rising more sharply in SMEs of at least 10 employees and in innovative companies.

- Managing directors of SMEs with fewer than 10 employees are less optimistic than last May with regard to the evolution of their headcount in 2021. The balance of opinion on employment stands at +3, up by 13 points over 1 year but down by 7 points over the half year. It is slightly above its pre-crisis historical average (-1). Employment seems most dynamic in SMEs of at least 10 employees (+23, or +28 points over 1 year and -2 points over the half-year and +9 points compared with the long-term average before the crisis).
- In line with a more marked upturn in revenue, employment appears to be making clearer progress in innovative SMEs (+29 points over 1 year to +28) than in non-innovative firms (+20 points to +10) and internationally oriented SMEs (+29 points to +20) than in those focused on the domestic market (+21 points to +14).

The business upturn has been accompanied by a sharp rise in recruitment difficulties.

- 82% of managing directors having sought to recruit declare having encountered difficulties in doing so, a proportion that has risen noticeably over the half-year (75% last May). 43% mention severe recruitment difficulties (35% last May). These figures are close to the levels observed prior to the crisis.
- These severe recruitment difficulties are particularly burdensome in Construction (56% of managing directors) and Tourism (50%).

- 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.

Source: **Bpifrance Le Lab**

The acceleration of recruitment rhymes with the pace of job creations observed since the start of the year: +541,400 net salaried job creations in the private sector over the first three quarters of the year 2021, compared with a marked decline in 2020 (-350,900 over the whole year and -619,800 over the 1st half-year alone) according to the INSEE.

It should be noted that, at the end of the 2nd quarter of 2021, private-sector salaried employment had already surpassed its end-2019 level and exceeded it by 190.600 jobs, up +1%, at the end of the 3rd quarter. If private-sector salaried employment has overtaken its pre-crisis level in Construction and market Services, it remains lower in Industry.

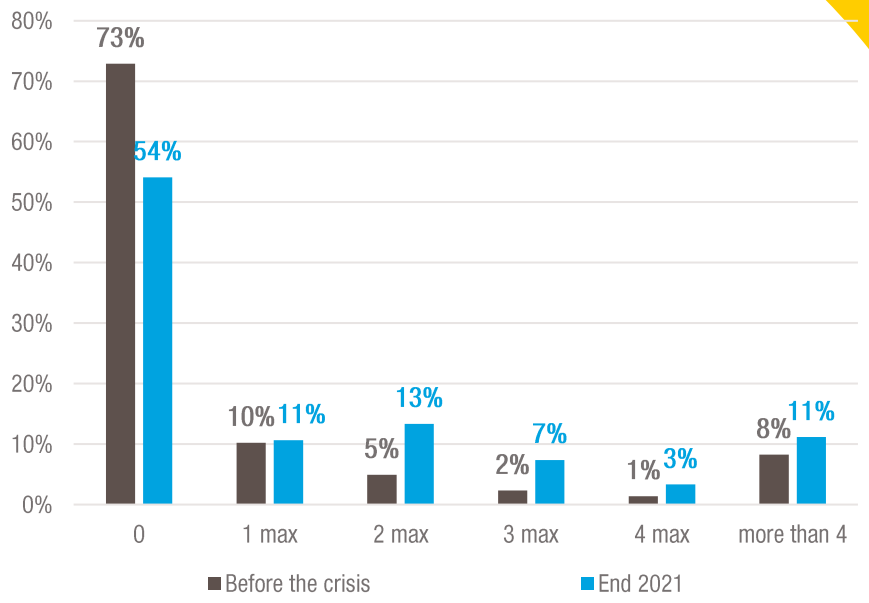
FOCUS

The majority of managing directors consider that their companies' employees are as productive working remotely as on site.

The public health crisis has changed the way companies organise their work, in particular increasing the recourse to remote working. The question is to know whether this evolution will last once the crisis is over.

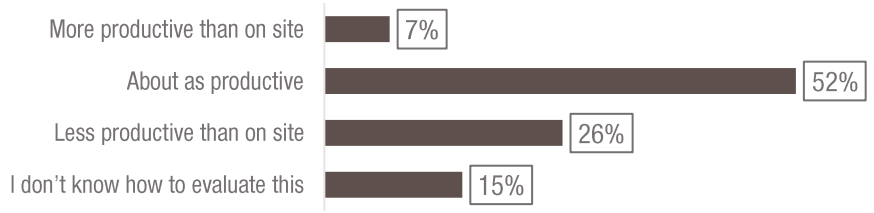
Graph 4: Number of days of remote working authorised

In %



Scope: Total (N=2913)
Source: Bpifrance Le Lab

Graph 5: Productivity of employees working remotely vs working on site, as viewed by managing directors (In %)



Scope: Companies authorising more days of remote working end 2021 than before the crisis (N=1837)
Source: Bpifrance Le Lab

During the lockdown periods, 53% of SMEs resorted to remote working for at least some of their employees (18% for the total of all headcounts).

Managing directors who did not set up a remote working solution or did not do so for all company employees explain the fact essentially by an incompatibility of the jobs with this mode of work organisation (81% of managing directors). 19% of managing directors justify it by their employees' preference for working on site. Only 10% of managing directors declare that they favour their employees' presence on site even for activities compatible with remote working (fear of a loss of productivity, demotivation of employees, etc.).

At the end of 2021, SMEs authorise or tolerate more days of remote working per week than before the crisis. Prior to the public health crisis, companies authorised on average 0.75 day of remote working per week, and 73% of companies did not allow their employees any remote working days in the week. At the end of 2021, they authorise or tolerate 1.3 days of remote working per week and the proportion of companies proposing no use of remote working has fallen to 54%.

This development in company organisation is set to last. Of the companies having increased the number of authorised remote working days per week, 28% intend to retain this measure completely and 46% envisage its partial retention once the crisis is over (proposing more remote working than prior to the crisis but less than today). Conversely, 26% of them ultimately intend to return to the remote working situation prevailing before the crisis.

52% of managing directors having set up remote working solutions in their companies consider that their employees are on average just as productive as when they work on site. 7% think that their employees are even more productive working remotely than on site, while 26% judge their employees less productive in remote working. 15% of managing directors declare that they do not know how to assess the impact of remote working on the productivity of their employees.

It is worth noting that the managing directors who have allowed staff to work remotely during the crisis and consider that the employees doing so are less productive than on site, have a more limited experience of this way of working:

- 61% of them had never resorted to remote working in their companies, versus 48% for managing directors judging the productivity of their employees working remotely at least equivalent to that for on-site work;
- On average, they authorised 1.0 day of remote working per week before the crisis versus 1.5 days for those considering that their employees are just as productive working remotely as when working on site, if not more so;
- They have adopted a smaller increase in their recourse to remote working since the start of the crisis: +0.6 day versus +1.3 days for those judging their employees as productive when working remotely as on site or more productive.

Logically enough, the managing directors judging their employees less productive when working remotely are proportionately fewer to envisage perpetuating this system at least partially (43% versus 88% for those considering that their employees are at least as productive when working remotely).

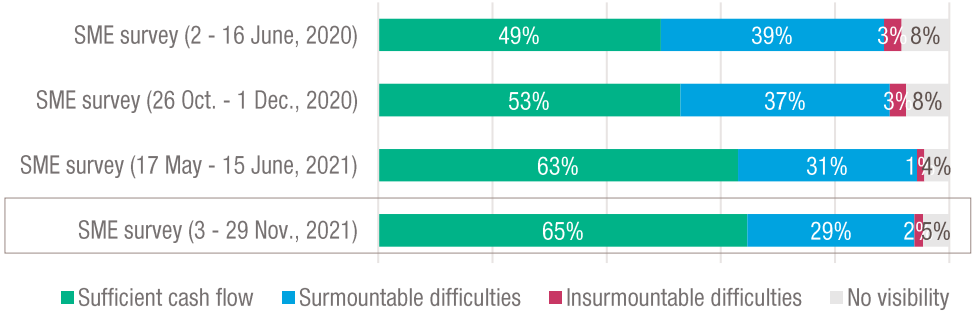
02.

FINANCIAL SITUATION, ACCESS TO CREDIT AND CAPITAL EXPENDITURE

A financial situation preserved thanks to the support measures

SMEs' cash-flow situations have never been so good. Nevertheless, SMEs remain cautious with regard to their future evolution, probably fearing the consequences of the progressive withdrawal of the emergency aid schemes.

- GRAPH 6: EVOLUTION OF THE CASH-FLOW POSITION WITH REGARD TO THE PUBLIC HEALTH CRISIS IN THE COURSE OF THE YEAR 2021

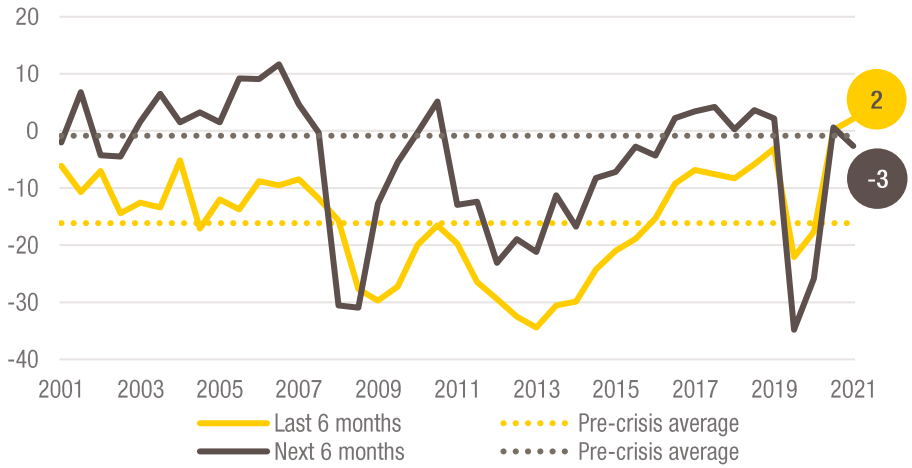


Scope: Total (N=5010); Source: Bpifrance Le Lab

The cash-flow situations of SMEs have further improved at the end of 2021.

- The balance of opinion on the cash-flow situation over the course of the last 6 months has gained +2 points over the half-year (+20 points over 1 year) to reach a new record (at +2) since the launch of the survey. There are now more SMEs finding their cash-flow situations comfortable (21%) than difficult (19%). The indicator is picking up significantly in Tourism: it rose 37 points over the half-year to -4, the highest level for the sector in nearly 20 years.
- The many support measures put in place for companies, including the state-guaranteed loan (*Prêt Garanti par l'État*, or PGE, *cf.* focus slide 13) and the subsequent marked upturn in business have helped prop up SMEs' cash flow. As a result, 65% of SMEs judge their cash flow sufficient on emerging from the crisis, a proportion that has risen steadily since May 2020. 31% report encountering cash-flow difficulties but judge them surmountable in almost all cases. 1.5% are facing severe difficulties, a proportion that has remained virtually stable over the half-year (1.3% last May).
- Fewer Tourism-sector SMEs indicate sufficient cash flow in spite of the shock (56%). Moreover, SMEs in this sector are more numerous in declaring a lack of visibility (10%). However, only 1% declare that they are encountering insurmountable cash-flow difficulties, a proportion similar to that observed in the other sectors.

- GRAPH 7: AVERAGE ASSESSMENT OF THE PAST AND FUTURE CASH-FLOW SITUATIONS (BALANCE OF OPINION IN %)



Note to the reader: in November 2021, the share of SMEs declaring a comfortable cash-flow position over the previous 6 months was higher than that declaring cash-flow difficulties by 2 points.
Scope: total (N=5028); Source: Bpifrance Le Lab

- SMEs are cautious regarding the future evolution of their cash flow. The indicator, well up over 1 year (+23 points), lost 4 points over the half-year to -3, close to its historical average prior to the crisis (-1). The progressive withdrawal of the emergency aid measures for companies provides a partial explanation for this result. Indeed, 10% of SMEs consider that the stopping of these aid measures could lead to insurmountable cash-flow difficulties and 25% fear surmountable difficulties. The supply difficulties companies are encountering could also end up affecting their cash situations (*cf.* focus slide 20).

Similarly, SMEs will see much better profitability this year.

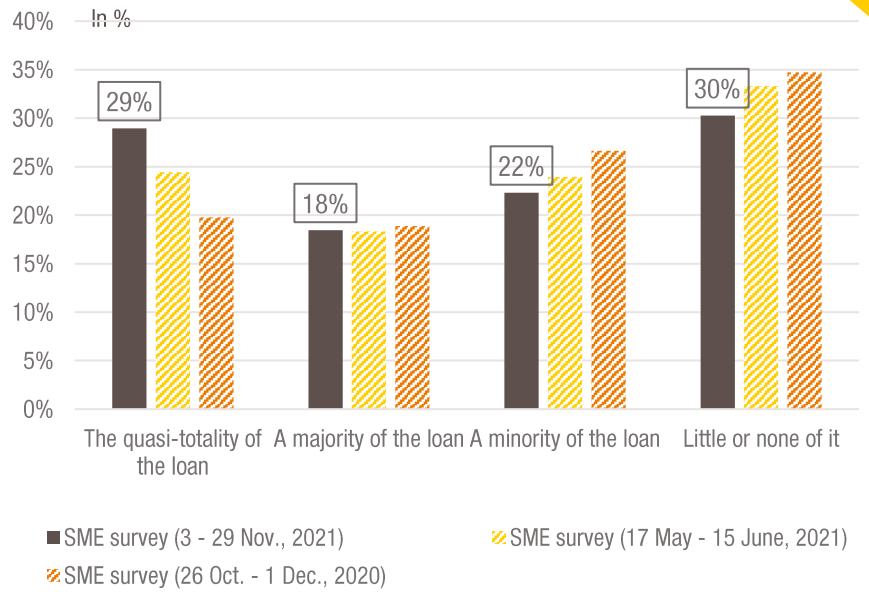
- 77% of SMEs consider that their profitability has been "good" or "normal" in 2021, a proportion well above that observed for 2020 (66% according to the May 2021 survey) but still below that seen before the crisis (83% in 2019 according to the May 2020 survey).
- Improved profitability is expected in 2022. 24% of managing directors anticipate a rise in profitability for their companies in 2022 while 12% fear a drop. They thus show greater optimism than at the end of last year for 2021, when only 21% anticipated a rise and 24% expected a fall.

FOCUS

At the end of 2021, the state-guaranteed loans are largely still kept in reserve by just over half of the beneficiaries.

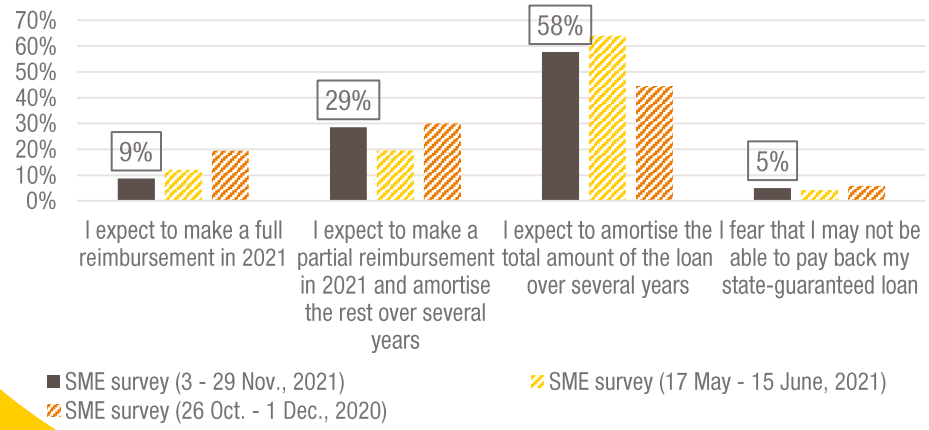
The state-guaranteed loans were in strong demand from SMEs to stand up to the fall in business associated with the Covid-19 epidemic. In late 2021, more than half of managing directors having responded to the survey (53%) declare that they requested a loan.

Graph 8: Amounts of the state-guaranteed loans used



Scope: Companies having requested and obtained a state-guaranteed loan (N=2718)
Source: Bpifrance Le Lab

Graph 9: Time required for reimbursement of the state-guaranteed loans (In %)



Scope: Companies having requested and obtained a state-guaranteed loan (N=2718)
Source: Bpifrance Le Lab

To date, 30% of SME managing directors having obtained a state-guaranteed loan declare that they have used very little or none of it and 22% have only used a minority of it. If these proportions are slightly down compared with last May, just over one SME in two (52%) has still used less than half of the sum granted. On the other hand 29% of SMEs declare having spent almost all of their state-guaranteed loan, a proportion that, as can only be expected, has risen over 1 year (24% in May 2021; 20% in November 2020).

- **Managing directors in the Construction sector are those having most consumed their state-guaranteed loans.** 60% of them declare having used the majority if not virtually all of their loan, by far the highest proportion of all sectors combined.
- **SMEs of less than 10 employees are more numerous to affirm having used almost all of their loan than larger SMEs (30% versus 24%).**

The uses companies have made of the state-guaranteed loans remain similar to those observed in the preceding surveys. Of all the companies having taken out a state-guaranteed loan:

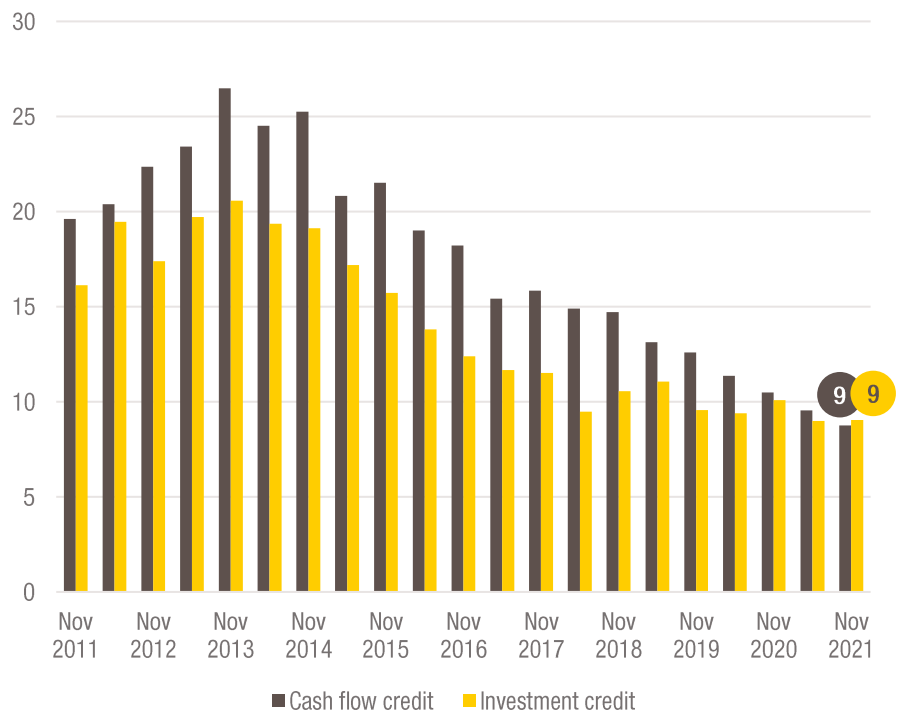
- More than half (55%) have used the loan to finance their working-capital/cash-flow requirements, 21% to reimburse pre-existing debts or fixed charges (e.g.: bank loan, lease, supplier debt, rent, tax and social charges) and 13% to invest.
- 40% declare having conserved a significant part of the amount as a cash reserve and 9% have allocated their state-guaranteed loan to the advance payment of their employees while waiting for reimbursement under the part-time working scheme.

The risk of non-reimbursement associated with the state-guaranteed loan still seems relatively limited at this stage. The majority of SMEs having requested this state aid envisage an amortisation of the total amount of the loan over several years (58%). 37% expect to have repaid their loan at least partially by the end of this year 2021 (9% in full and 29% partially), a proportion that has risen since last May (32%). 5% of respondents fear a non-repayment of their loan, a proportion close to that observed last May (4%).

Still more favourable terms for access to credit

Terms for access to credit remain particularly relaxed. Difficulties in the Tourism sector, whether for financing cash flow or investment, are clearly on the decline.

- GRAPH 10: DIFFICULTIES ACCESSING CREDIT
FAIRLY OR VERY DIFFICULT, AS A %



Scope: Total (N=5028)
Source: Bpifrance Le Lab

Difficulties accessing cash flow credit continue to fall away as they have been doing steadily since the end of 2013.

- Only 8.8% of SMEs declare that they have encountered difficulties accessing cash-flow credit, a proportion that has been in steady decline (10.5% 1 year ago, 12.6% in November 2019). SMEs' massive recourse to state-guaranteed loans, which provided and are still providing companies with liquid funds to meet their cash-flow requirements during the crisis, without doubt largely explains the maintenance of highly favourable short-term credit conditions in spite of the recessional shock.
- In the second half-year of 2021, access to cash flow credit remained generally stable in most sectors. However, it was considerably facilitated in Tourism. The share of SMEs in the sector having encountered difficulties financing their day-to-day operation fell sharply from 21% last May to 14% in November 2021. However, the difficulties remain slightly higher than in the other sectors, even if the gap has been considerably closed.
- For SMEs encountering difficulties in financing their day-to-day operation, an insufficient level of business, with or without excessively uncertain prospects, remains the chief explanation, cited by 54% of them (a proportion down by 3 points, though, over 1 year). This proportion climbs to 71% in the Tourism sector. The second-most cited explanation for these difficulties is the risk associated with the business sector. 33% of SMEs mentioning difficulties in financing their cash flow identify this as the cause. Once again, this reason is particularly prevalent among Tourism-sector SMEs (55%) and those in Transport (48%). The excessive level of guarantees demanded is also cited as an explanatory factor by 32% of SMEs encountering difficulties financing their cash flow. This is particularly the case in the Transport sector (40%).

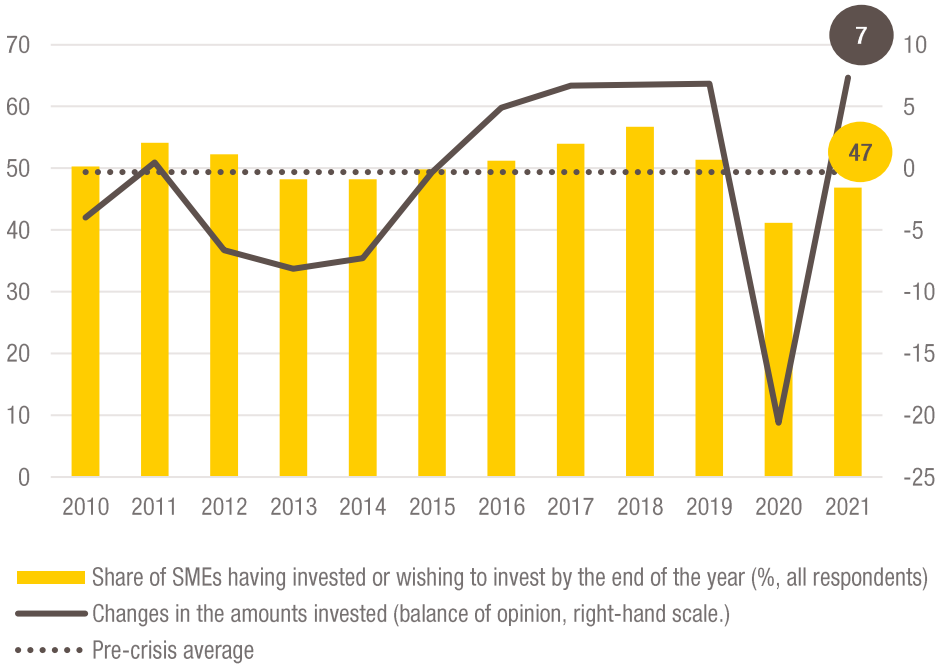
Difficulties accessing investment credit remain at historically low levels.

- Only 9% of SMEs declare having met difficulties accessing investment credit, a proportion that has remained almost stable for 2 years.
- Access to investment credit has become easier over the last year in Construction (7% after 11% in November 2020), and more so in Tourism (13% after 18%), where difficulties nevertheless remain slightly higher than in the other sectors.
- Companies encountering difficulties accessing investment credit cite the financial fragility of their companies as the principal cause, in proportions similar to those observed a year earlier (69%). SMEs in Construction are the most concerned by these difficulties: 85% of them identify this reason, a proportion that has climbed markedly over 1 year (72% in November 2020). It is worth noting that the essentially immaterial nature of projects is a cause that has risen markedly over 1 year (cited by 19% of SMEs having encountered difficulties accessing investment credit after 11% in November 2020), chiefly reflecting the situation of SMEs in Industry (21% after 5%) and Services (32% after 25%).

SME investment expected to pick up in 2021

In 2021, SMEs in all sectors anticipate an increase in their investments. The upturn will be more pronounced in Industry, more subdued in Tourism.

• GRAPH 11: EVOLUTION OF INVESTMENT FOR THE CURRENT YEAR



Scope: Total (N=5028)
Source: Bpifrance Le Lab

47% of SMEs declare having invested or intending to do so in 2021, a proportion that has risen sharply over 1 year (41% in November 2020 for the year 2020) but is still below its pre-crisis level (51% in 2019).

- Industry comes out on top: the proportion of SMEs affirming having invested or intending to do so this year is the highest, all sectors combined, and exceeds its pre-crisis level (61% after 54% 1 year ago and 58% in 2019). Conversely, the Tourism sector bears the lowest share of SMEs having invested or planning to do so this year, and is the farthest from its pre-crisis level (36% versus 53% in 2019).

The indicator relating to the evolution in the amounts invested rose significantly, by +28 points over a year to stand at +7, the same level as before the crisis.

- Here again, the indicator climbed sharply in Industry to reach +17, the highest level in all sectors combined and well above the pre-crisis level in the sector (+5 in 2019). The indicator remains the least healthy in the Tourism sector in spite of a steep recovery (+50 points over 1 year to -6), and is also in negative territory in Transport (-2).

Investments were largely self-financed. The share of bank financing has dwindled.

SMEs turned less towards bank financing than in other years. It represents 38% of funding, after 41% 1 year ago for the year 2020 and 44% end 2019. SMEs are mostly, 40%, self-financed, a proportion that has risen (37% 1 year ago for the year 2020 and 33% end 2019).

By destination, managing directors declare that they are slightly increasing their investments in movable assets (materials, vehicles, miscellaneous equipment; 52% after 50% 1 year ago) and property (land plots, buildings, existing premises, refurbishings...; 43% after 42% 1 year ago), at the expense of intangible investments (6% after 9% 1 year ago and end 2019).

In the 1st quarter of 2021, investment by non-financial companies recovered to its level of the 4th quarter 2019. According to the last Economic outlook from the INSEE, it should increase by 12.5% in 2021, after having registered a fall of 8.1% in 2020. At the end of 2021, it should therefore stand at 3.7% above its pre-crisis level.

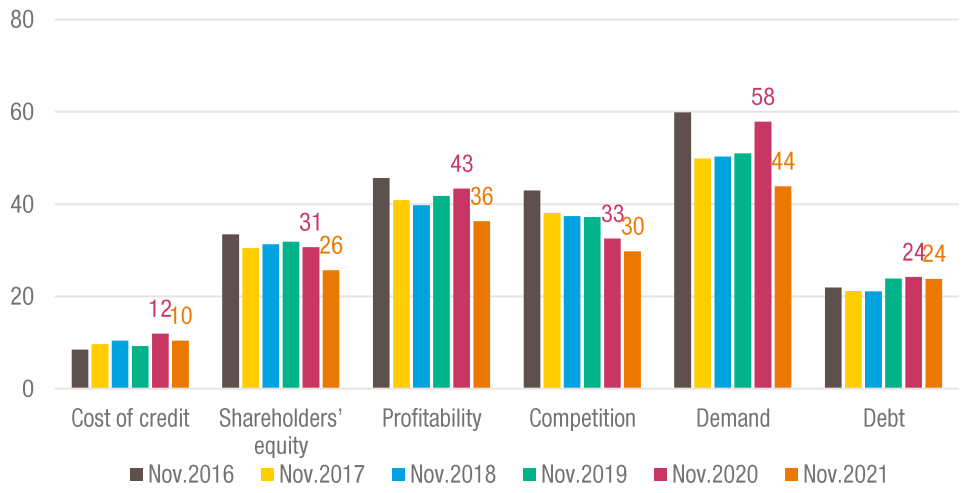
Investment in Industry is specifically assisted by the supportive measures of the France Relance scheme devoted to the sector (budget of €35 bn over the period 2020-2022).

Obstacles to investment have largely diminished

SMEs report fewer obstacles to investment than last year. Restricted opportunities remain the principal obstacle, though well on the decline.

- **Low demand constitutes the principal obstacle to investment**, cited by 44% of SMEs but there has been good improvement over 1 year (58% in November 2020) and the levels are better than before the crisis, a consequence of the acceleration in demand as we emerge from the crisis. Tourism-sector SMEs are more numerous in citing poor demand as an obstacle to investment (56%), even if much fewer than 1 year ago (71% in November 2020), given that the sector is more heavily affected by the restrictive measures, particularly where international travel is concerned.
- **Poor profitability is the second obstacle mentioned by managing directors,** even if, there again, less of a problem than during the same period last year (cited by 36% of managing directors, a reduction of 5 points over a year). This obstacle is in fact less cited than before the crisis.
- **The balance-sheet constraints identified by SMEs remain contained**. Insufficient shareholder equity is more seldom evoked as an obstacle to investment than a year ago (26% after 31%) or even before the crisis. Excessive debt is cited by 24% of SMEs, a similar proportion to those observed 1 year ago and before the crisis. It represents a greater obstacle to investment for the SMEs of the Tourism sector (cited by 35% of them).
- The cost of credit remains a minor obstacle to investment, in a context of funding conditions that are still highly favourable (*cf.* graph 10). Cited by 10% of managing directors, it has seen a slight diminution over a year (-2 points) and has returned to the levels observed prior to the crisis.

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



Scope: Total (N=5028)
Source: **Bpifrance Le Lab**

03.

OUTLOOK FOR 2022

Business and employment outlook on course for 2022

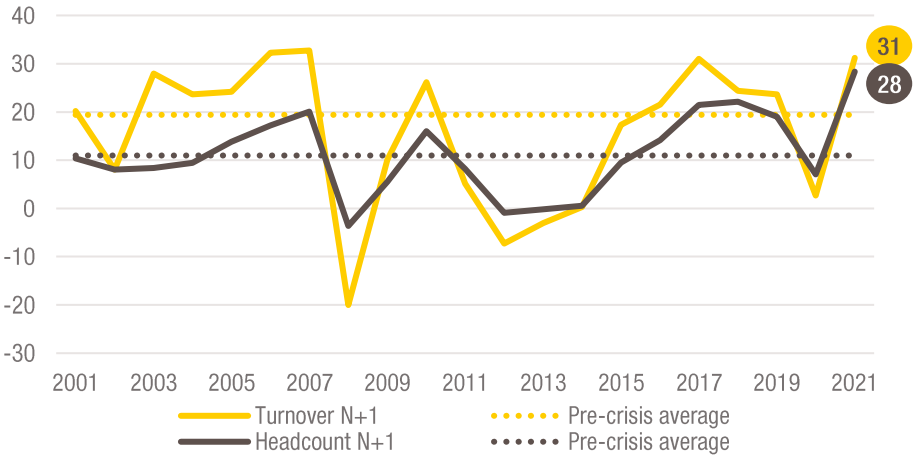
Overall, the general outlook for business looks good. 2/3 of SMEs should have recovered their pre-crisis level of business by the end of the year 2022.

The indicators for SMEs' business prospects has seen a marked rise.

- The balance of opinion on the expected development of turnover for next year has picked up very significantly: it has climbed +28 points over 1 year to stand at +31 in November 2021 for 2022. The supply difficulties encountered by companies do not appear to have affected their optimism significantly (cf. focus slide 20) at this stage.
- The evaluation of order books has also made a sharp upturn over 1 year, but has fallen back slightly since last May. The balance of opinion stands at +13 up by 27 points over 1 year and slightly down, by 5 points, over 6 months.
- Managing directors in all sectors are clearly anticipating a marked rebound for 2022. Tourism SMEs, more seriously affected by the crisis in 2020 and 2021, are by far the most optimistic: the balance of opinion regarding turnover stands at +57, up by 77 points over 1 year. Commerce is the only sector to show a balance of opinion (+22) lower than its historical average prior to the crisis.

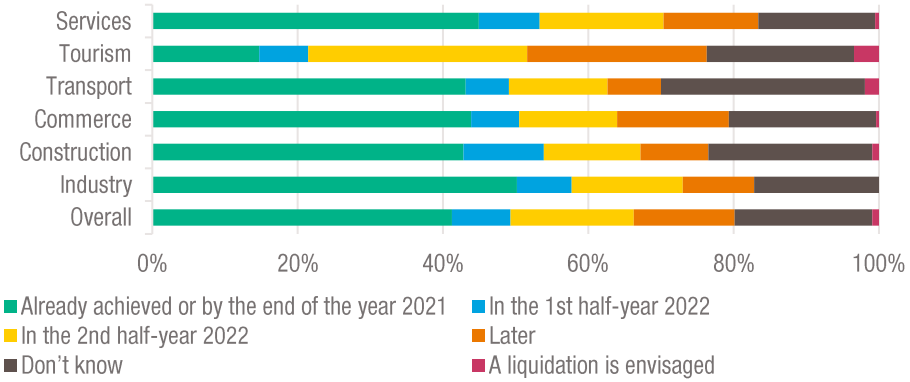
• GRAPH 13: DEVELOPMENT OF TURNOVER AND EMPLOYMENT FOR NEXT YEAR

BALANCE OF OPINION IN %



Note: the balance of opinion on the development in turnover anticipated for the following year rose by 28 points over 1 year to stand at +31 in November 2021 for 2022.
Scope: Total (N=5028); Source: Bpifrance Le Lab

• GRAPH 14: TIME REQUIRED FOR BUSINESS RESUMPTION



Scope: Total (N=5010); Source: Bpifrance Le Lab

Two thirds of SMEs predict recovering a normal level of business by the end of the year 2022, a lower proportion than last May. A tiny share of SMEs (1%) envisage liquidation.

- 41% of SMEs have already achieved, even surpassed, their normal level of turnover, or expect to do so by the end of the year. This proportion is slightly lower than last May (46%). 25% of SMEs expect this recovery during 2022 (28% last May), while 14% do not expect a return to normal before 2023. The time needed for full recovery is uncertain for 19% of SMEs (15% last May). Only 1% of managing directors envisage liquidating their companies.
- The recovery is slower in Tourism, where only 15% of SMEs expect to have reached their normal level of turnover by the end of the year 2021. 52% expect having doing so at the end of 2022, a proportion well below average, and 25% fear a more prolonged return to normal. 3% of SME managing directors in the sector envisage liquidating their companies, a higher proportion than in the other sectors. Conversely, the Industry-sector SMEs seem the most solid. 73% of them expect to reach their pre-crisis level of turnover by the end of 2022, and no managing director envisages company liquidation.
- By size of company, the return to normal seems likely to be slower for SMEs with fewer than 10 employees: it should occur by the end of the year 2022 for 65% of them versus 75% for SMEs of 10 employees or more.

Recruitment should accelerate in 2022:

- The indicator regarding headcount for the year N+1 has bounced back significantly to +28 (after +7 in November 2020 for 2021), a historically high level. This reflects the situation across all sectors. The rise in the balance of opinion is particularly marked in the Tourism sector (+44 points over 1 year to +24, a record level). Industry shows the highest balance of opinion (+35, up +24 points over 1 year, here too to a record level).
- Recruitment is expected to rise sharply for all companies in 2022, whatever their innovative or exporting nature. 2022 employment prospects are even healthier for SMEs of at least 10 employees (+23 points to +35, a record level for this series, compared with a historical pre-crisis average of +16) than for SMEs of 1 to 9 employees (+17 points to +17, compared with a historical pre-crisis average of +9).

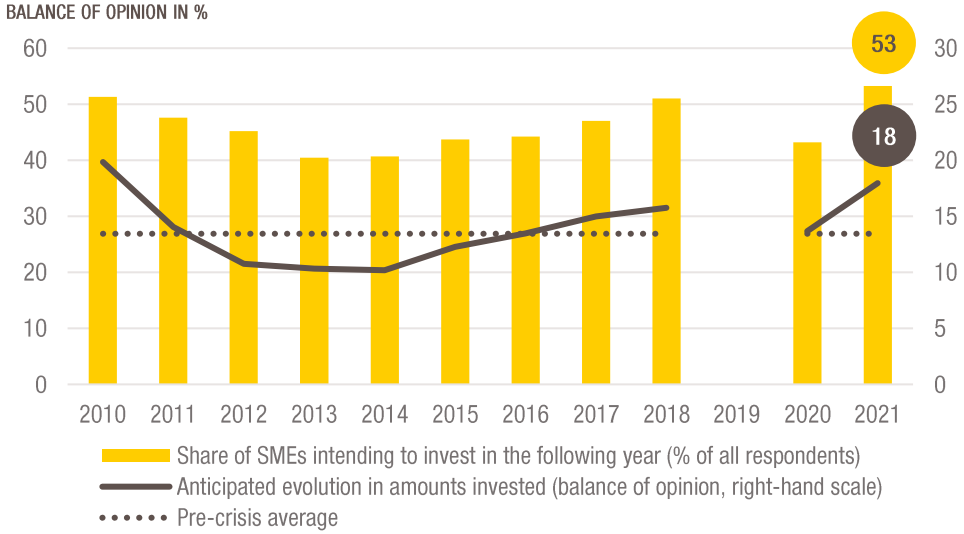
Investment should remain dynamic in 2022

SMEs should accelerate their investments in 2022, in a context where funding conditions are still highly favourable and obstacles to investment have diminished.

More than half of SMEs intend to invest in 2022 and an increase in the amounts spent is expected.

- 53% of SMEs intend to invest in 2022, a proportion well up on last year (43% for the year 2021) and above levels observed before the crisis. The balance of opinion on the anticipated evolution in investment expenditure attained +18, up by +4 points over 1 year and at its highest level since 2010.
- The proportion of SMEs envisaging investing in 2022 is rising sharply across all sectors to levels generally above those observed before the crisis. This proportion climbs to 65% in Industry. The balance of opinion figures on the evolution of the amounts invested display the sharpest rises and the highest levels in Tourism (+23 points to +27) and Transport (+11 points to +18).

- GRAPH 15: EVOLUTION IN INVESTMENT FOR THE FOLLOWING YEAR



Note: in November 2021, 53% of SMEs have declared that they are ready to invest in 2022 and those anticipating a rise in expenditure compared with 2021 outnumber those anticipating a fall by 18 points.
Owing to a change in methodology, the data for the year 2019 cannot be interpreted.
Scope: Total (N=5028); Source: Bpifrance Le Lab

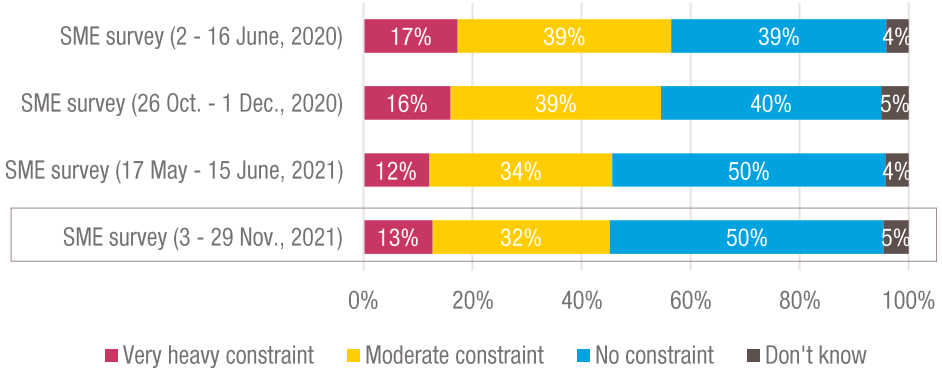
Investment is likely to be more oriented towards digital technology and climate and environmental issues.

- 56% of SMEs want to accelerate or maintain their digital transformation strategies on emerging from the crisis, a proportion that has risen over 1 year (53% in November 2020) and been stable since last May.
- Climate and environmental issues have gained in importance, with 38% of SMEs wishing to accelerate or maintain their strategies in this area, a proportion that has steadily risen over 1 year (36% in May 2021 and 32% in November 2020).

Insufficient shareholders' equity remains a moderate obstacle to tackling resumption of business.

- For one SME in two, the level of shareholders' equity does not constitute a constraint in tackling the upturn in business. On the other hand, 45% consider it limiting for their companies' development, severely so for 13%. 5% make no comment. These proportions have changed little since last May.
- Tourism-sector SMEs are by far the most worried about their level of shareholders' equity. 20% consider that it presents a severe constraint in tackling the upturn in business, and 43% a moderate constraint.

- GRAPH 16: CONSTRAINTS ON BUSINESS RESUMPTION IMPOSED BY SHAREHOLDERS' EQUITY



Scope: Total (N=5010); Source: Bpifrance Le Lab

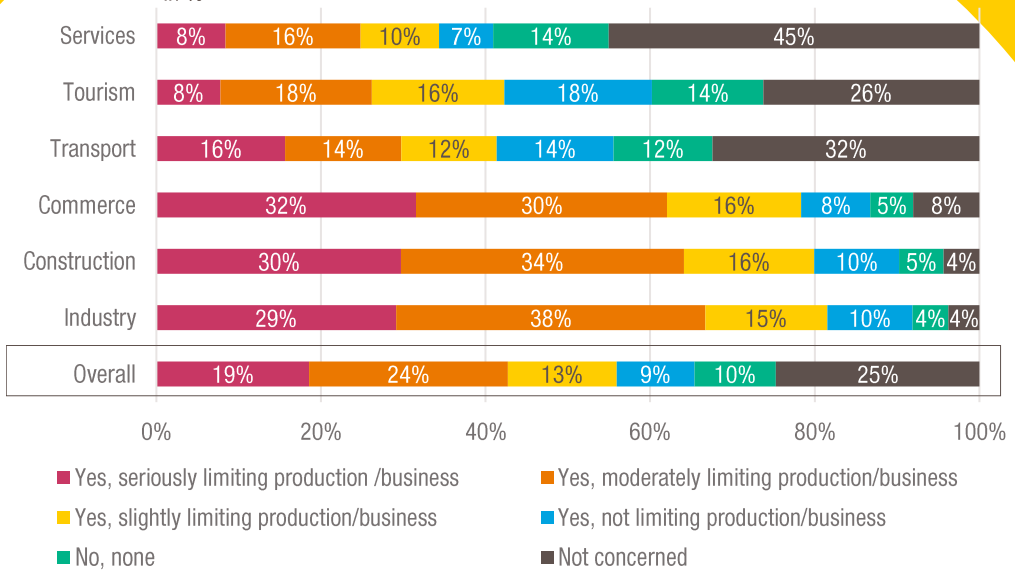
FOCUS

Two thirds of SMEs are facing supply difficulties that could hold back the rate of recovery.

65% of SMEs declare that they have encountered supply difficulties, with varying impact on their businesses. 43% of SMEs are confronted with supply difficulties that limit their production seriously (19%) or moderately (24%). 22% of companies face less restrictive supply difficulties. These supply difficulties chiefly affect SMEs in Industry (92%), Construction (90%) and Commerce (87%). It is noted that companies facing serious supply difficulties suffer more from cash-flow problems, 27% of them reporting cash-flow difficulties in the course of the last 6 months versus an average of 21% in the total sample*. On the other hand, they are not proportionately more numerous in fearing being unable to pay back their state-guaranteed loans, where they have them.

Graph 17: Share of SMEs encountering supply difficulties

In %

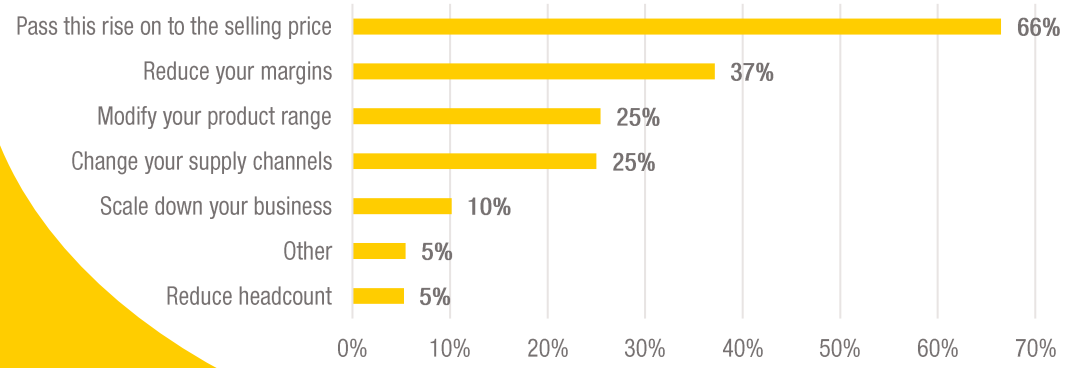


Scope: Total (N=5010)
Source: Bpifrance Le Lab

* Adjusted total sample

Graph 18: Reactions of SMEs in the face of supply difficulties

(In %)



Scope: Companies encountering supply difficulties (N=3781)
Source: Bpifrance Le Lab

Overall, the supply difficulties intensified towards the end of the year. 59% of SMEs report an escalation of supply difficulties in the course of the last month, versus just 4% reporting easing of problems. 37% found no change.

These supply difficulties manifest themselves chiefly in the form of longer delivery periods and an increase in input costs.

- Of companies declaring supply difficulties, 78% face longer delivery periods. SMEs in Construction are particularly affected by this phenomenon (91%).
- 75% are suffering from increased input costs, Construction and Industry being the sectors most concerned (resp. 91% and 89% of them).
- Nearly half are confronted with a rise in transport costs (49% of them). In Industry and Commerce over 60% mention this.
- Finally, 37% of them face a total shortage of one or more component(s). This proportion even climbs to 42% in Commerce.

To face up to these difficulties, 2/3 of SMEs intend passing on the increased costs to their selling prices. This option is envisaged by 82% of SMEs in Industry (87% in the food industry), which could lead to lasting inflationary pressure if the supply difficulties take time to be resolved. Meanwhile, 37% of companies envisage cutting their margins to tackle this pressure. SMEs in Industry and Construction are slightly more numerous in adopting this approach (resp. 41% and 43%). If companies' margins have been relatively preserved in spite of the crisis, situations are heterogeneous and some companies could find themselves in serious difficulty. Certain companies are envisaging adapting their strategies: 25% intend to modify their product ranges (48% in the Tourism sector) and another 25% to change their supply channels. 10% of SMEs encountering supply difficulties declare a need to reduce their level of business and 5% their headcount.

Regional economic situation: summary

SMEs across mainland France are counting on an upturn in their turnover in 2021, more so than anticipated last May. Depending on the regions, turnover growth expected in 2021 varies between +5% and +9% on average.

Business seems to have been the most brisk in Brittany, with SMEs expecting growth of 8.5% on average, even though the shock was less marked than the average for the regions in 2020 (-11% versus -13%). Conversely, SMEs in the Grand-Est and Provence-Alpes-Côte d'Azur regions anticipate rather more moderate growth in their turnover in 2021 (+5.4% and +5.5% respectively, on average). Île-de-France SMEs expect growth of 7.4% on average but show the poorest balance of opinion on the development of business (+27, "only" 17 points above its average before the crisis, compared with +36 nationwide, 26 points above the pre-crisis average), probably a consequence of particularly pronounced heterogeneities in this region.

In line with this upturn in business, SMEs in all regions declare that they will be increasing their headcounts this year. The rise in employment should be particularly pronounced in Centre-Val-de-Loire, where the balance of opinion has gained 30 points over 1 year to reach +24 (the highest regional level, well above its historical average of +4 prior to the crisis). The strengthening of personnel is more modest in Île-de-France, the indicator standing at +10 (the lowest regional level, just 4 points above its historical average prior to the crisis).

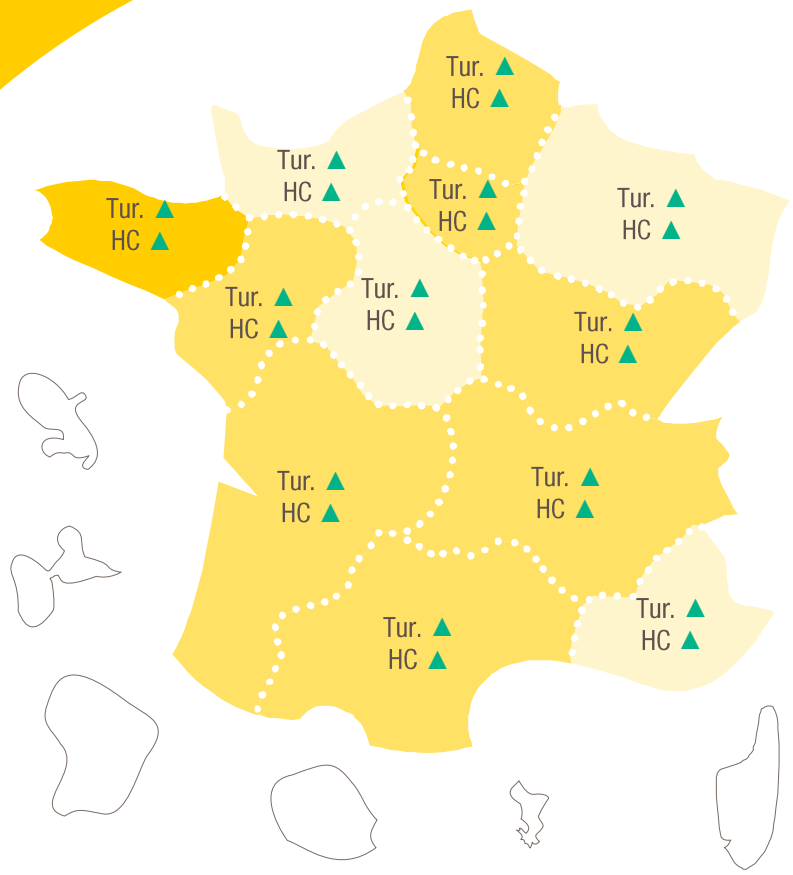
SMEs in the Bourgogne-Franche-Comté and Pays de la Loire regions significantly boosted their investment projects in 2021, with 55% and 58% respectively declaring that they invested in 2021, higher proportions than in the other regions and above their end-2019 levels, in contrast with the other regions. Once again, the Île-de-France SMEs are the least optimistic, with just 32% of them declaring they invested in 2021 (43% before 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, more SMEs registered difficulties in Île-de-France than in other regions (24% of them versus a national average of 19%), while SMEs in the Pays de la Loire region were the fewest to report cash-flow difficulties over the course of the last 6 months (12% of them).

For 2022, expectations concerning level of business are positive for SMEs in all the French regions. SMEs in Île-de-France are the most optimistic (balance of opinion regarding turnover up by 37 points to +39). SMEs in all regions also intend to increase their headcounts and investments in parallel.

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

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



Average turnover evolution in nominal value

- From 5.4% to 6.9%
- From 7.0% to 7.9%
- 8.0% and over
- Not significant

- ▲ balance of opinion up over one year
- ► balance of opinion stable over one year
- ▼ balance of opinion down over one year

	TURNOVER				HEADCOUNT				INVESTMENT			
	Average 2000 to 2019	Nov. 2020	Nov. 2021	Change/ Nov. 2020	Average 2000 to 2019	Nov. 2020	Nov. 2021	Change/ Nov. 2020	Average 2000 to 2019	Nov. 2020	Nov. 2021	Change/ Nov. 2020
YEAR 2021 (1)												
All SMEs	**16**	**-48**	**36**		**8**	**-7**	**16**		**-4**	**-21**	**7**	
10 – 249 employees	23	-44	46		14	-5	23		-1	-17	13	
Fewer than 10 employees	6	-53	18		-1	-10	3		-8	-25	-3	
Commerce	15	-35	38		7	1	14		-6	-14	5	
Construction	10	-45	33		6	-1	14		-9	-19	3	
Industry	18	-52	45		7	-10	18		0	-20	17	
Services	21	-42	31		13	-2	21		-3	-17	6	
Tourism	7	-93	17		1	-46	6		-10	-56	-6	
Transport	11	-56	31		8	-16	11		-5	-26	-2	
YEAR 2022 (1)												
All SMEs	**26**	**3**	**31**		**16**	**7**	**28**		**16**	**14**	**18**	
10 – 249 employees	32	11	36		19	12	35		19	15	20	
Fewer than 10 employees	17	-9	22		12	0	17		12	12	15	
Commerce	26	2	22		14	6	19		14	16	15	
Construction	6	4	13		8	9	24		8	5	10	
Industry	34	11	38		18	11	35		18	21	22	
Services	30	4	37		24	11	33		24	13	18	
Tourism	16	-20	57		3	-20	24		3	4	27	
Transport	15	12	23		10	-4	20		10	7	18	

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

04.

METHODOLOGY

Definitions

Indicators or balances of opinion 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%).

Structure of the sample

For this 74th half-yearly business climate survey, 31,356 non-agricultural private-sector companies, with from 1 to 249 employees and a turnover of less than €50 M, were surveyed in November 2021.

5,028 replies, received between the 3rd and 29th November 2021 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.

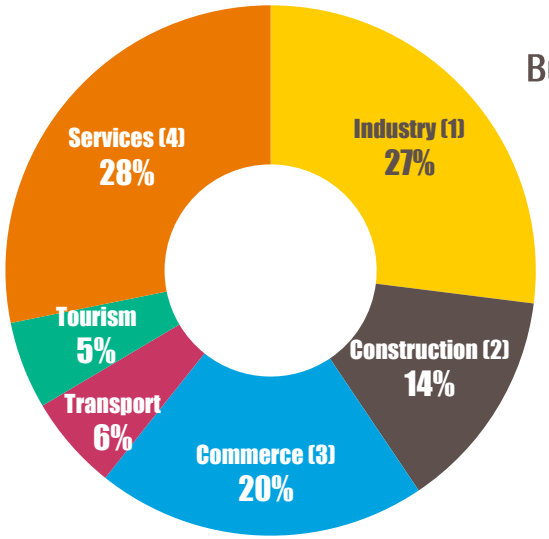
Additional questions relating to the impact of the current crisis linked to Covid-19 and supply difficulties were introduced to the entire sample (5,010 replies to these questions were analysed). Further questions concerning the recourse to remote working were put to the sample questioned by email campaign (2,913 replies to these questions were 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

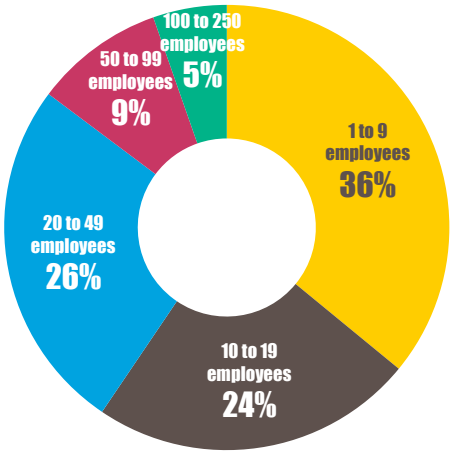
The adjustment was made on the basis of the numbers of companies in the different categories.

Business sector

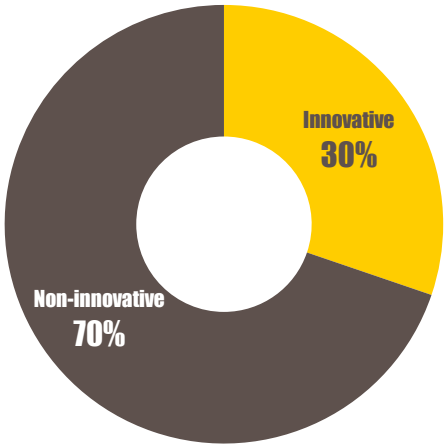


(1) 2% food, 13% intermediate goods, 8% capital goods, 4% consumer goods
(2) 11% construction, 2% public works
(3) 2% automobile trade and repairs, 12% wholesale, 6% retail
(4) 24% corporate services, 4% retail services

Size



Innovative nature



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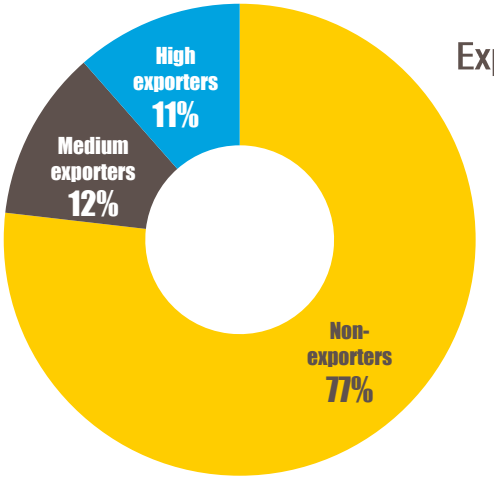

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