



SMEs

**62ND BUSINESS
CLIMATE SURVEY**

JANUARY 2016



01.



**A RECOVERY LIKELY
TO GATHER PACE
IN 2016**

+3

**IN THE BALANCE OF OPINION
IN NOVEMBER ON THE TREND IN SME
BUSINESS ACTIVITY FOR 2015,
UP 7 POINTS COMPARED TO ACTIVITY
FOR 2014**

+17

**IN THE BALANCE OF OPINION
ON THE EXPECTED TREND IN BUSINESS
ACTIVITY IN 2016,
THE BRIGHTEST EXPECTATION FOR
THE FOLLOWING YEAR SINCE
NOVEMBER 2010**

-21

**IN THE BALANCE OF OPINION ON THE CASH
POSITION FOR THE LAST 6 MONTHS,
ONCE AGAIN AN IMPROVEMENT,
AND THE BEST SINCE THE END OF 2011**

44%

**OF SMEs EXPECT TO INVEST IN 2016,
UP 3 POINTS OVER 1 YEAR**

Key points

1. There was a moderate improvement in business activity in 2015, driven in particular by innovators and exporting companies, with the exception of construction, which continued to decline at almost the same rate as in 2014.
2. Slightly firmer demand has led to renewed optimism for 2016, with the prospect of construction stabilising. SMEs that innovate and export are by far the most optimistic.
3. Cash positions continue to improve and are back at their long-term average.
4. Capex stabilised in 2015 for the first time since 2011, and expectations for 2016 are reasonably positive.

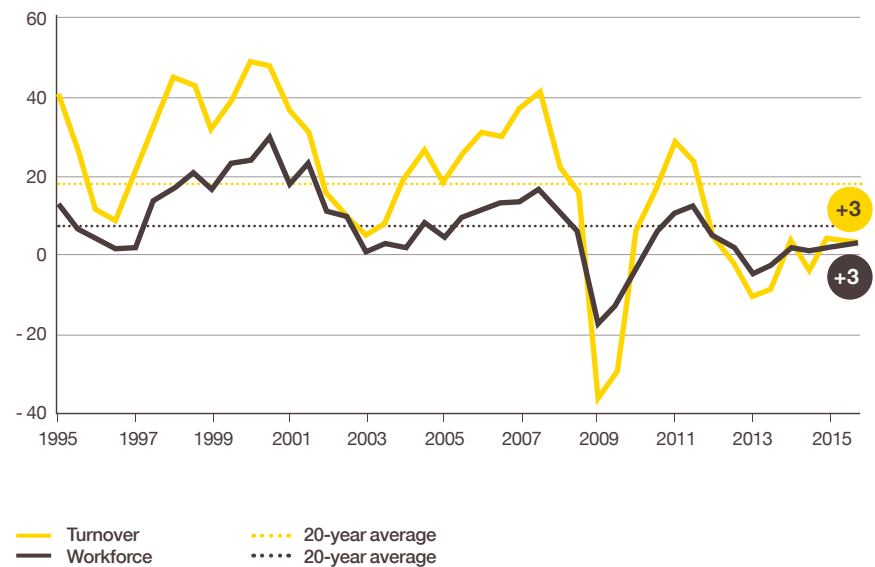
Continuation in the second half of 2015 of a slight rise in business activity and employment

When questioned in November, SMEs announced a slight increase in activity and workforce numbers over 2015 as a whole.

This counts as progress compared to 2014. Over 1 year, the balance of opinion on the trend in business activity gained 7 points to stand at +3, while the figure for employment improved by 2 points, also standing at +3.

This still small but definite upturn in business activity is the result of a sharp improvement in demand. Order books are at their highest since mid-2012, with the indicator standing at -18, up 6 points over 6 months and 10 points over 1 year.

• **GRAPH 1: TRENDS IN BUSINESS ACTIVITY AND WORKFORCE NUMBERS FOR THE CURRENT YEAR**
BALANCE OF OPINION (AS A %)



Note: the net balance of opinion on the trend in business activity for the current year fell from +4 to +3 between the May 2015 and November 2015 surveys.

Source: **Bpifrance Le Lab**

Businesses fall into 2 groups in the tentative recovery we are seeing:

- “growing” SMEs;
- “lagging” SMEs.

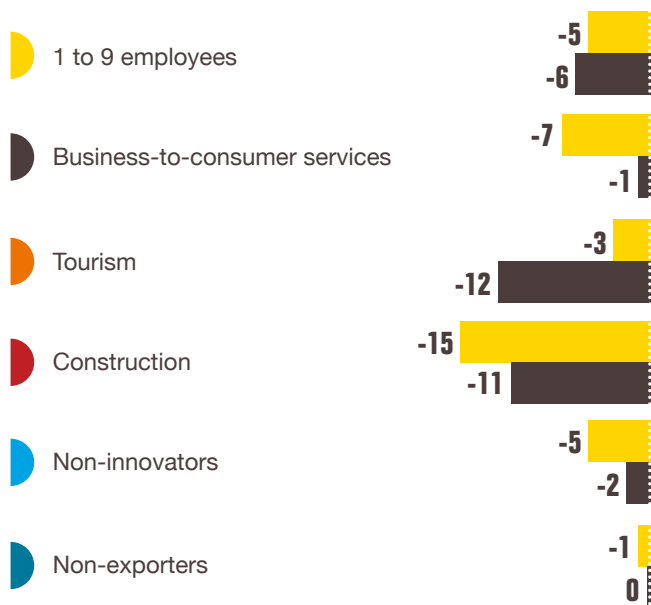
In the first, we find SMEs with between 10 and 249 employees, exporting businesses and innovative businesses. In terms of sector, the group includes business-to-business services, transport, industry and commerce. For these businesses, the trend indicators for activity and workforce numbers were positive in 2015.

The second group is made up of SME categories whose indicator for business activity and workforce numbers was negative in 2015. These include micro-businesses, non-innovative businesses, non-exporting businesses and SMEs in construction, tourism and business-to-consumer services.

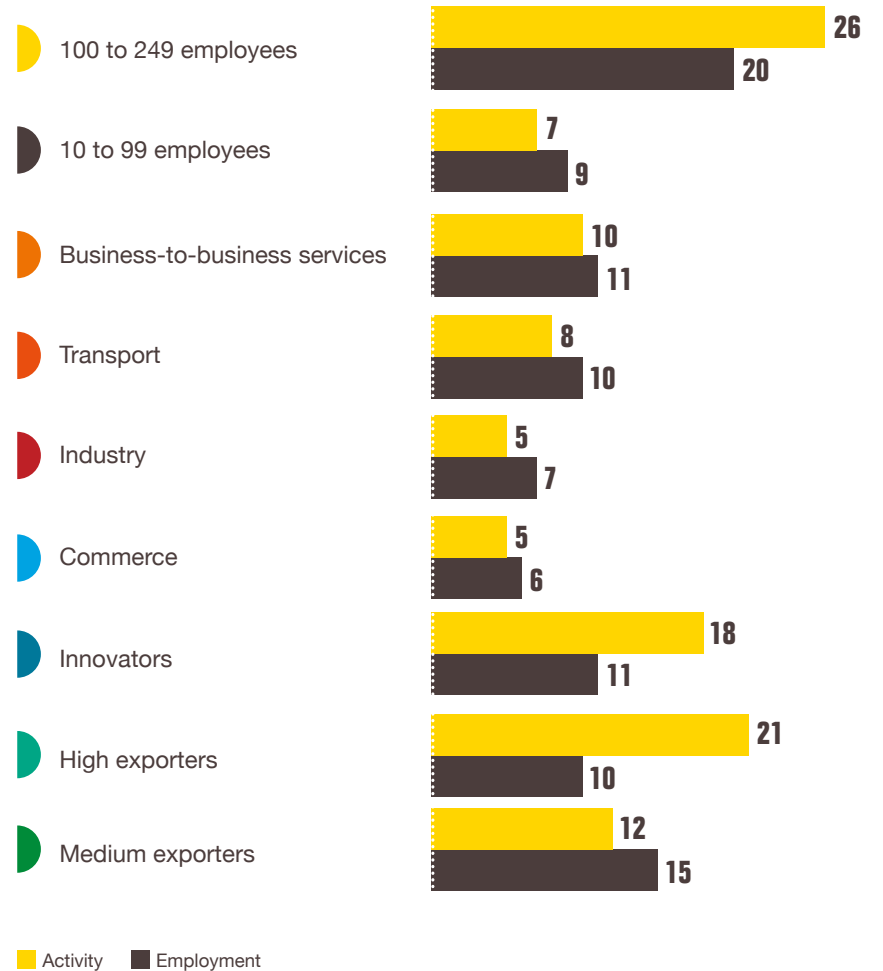
It should be noted that in micro-businesses, in tourism, in non-innovative and in non-exporting companies in general there is a clear improvement compared to the sales revenue situation observed 1 year earlier. This bears witness to a catch-up effect that is having a positive impact on business activity overall.

• **GRAPH 2: CHARACTERISTICS OF THE 2 CATEGORIES OF SME**
BALANCE OF OPINION (AS A %)

SMEs STILL “LAGGING”



“GROWING” SMEs



Source: **Bpifrance Le Lab**

In terms of business activity and employment, innovative and exporting businesses performed much better in 2015 than non-innovative and non-exporting businesses. This confirms what has been observed repeatedly since the 2008-2009 crisis.

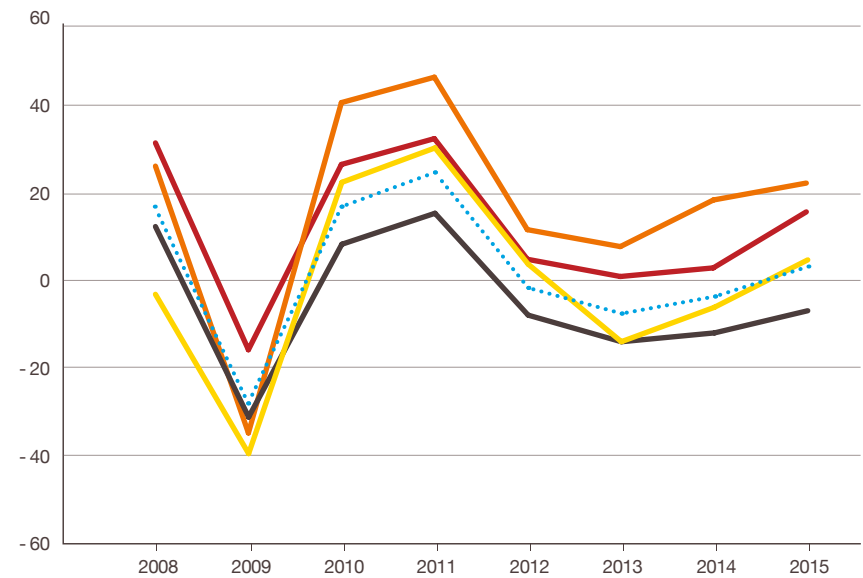
Trends in business activity and in employment in innovative and exporting SMEs since the 2008-2009 crisis

Businesses that innovate and/or export account for a little under one half of SMEs with 1 to 249 employees, but they perform better than other businesses, particularly in terms of activity and employment.

Of these, the best performing are those that both innovate and export. Since the 2009 trough, they have seen a steady recovery in business activity.

By contrast, the balance of opinion on business activity for “non-innovative non exporter” companies is recovering slightly, but has been negative since 2012.

TRENDS IN BUSINESS ACTIVITY ESTIMATED IN NOVEMBER FOR THE CURRENT YEAR BALANCE OF OPINION (AS A %)



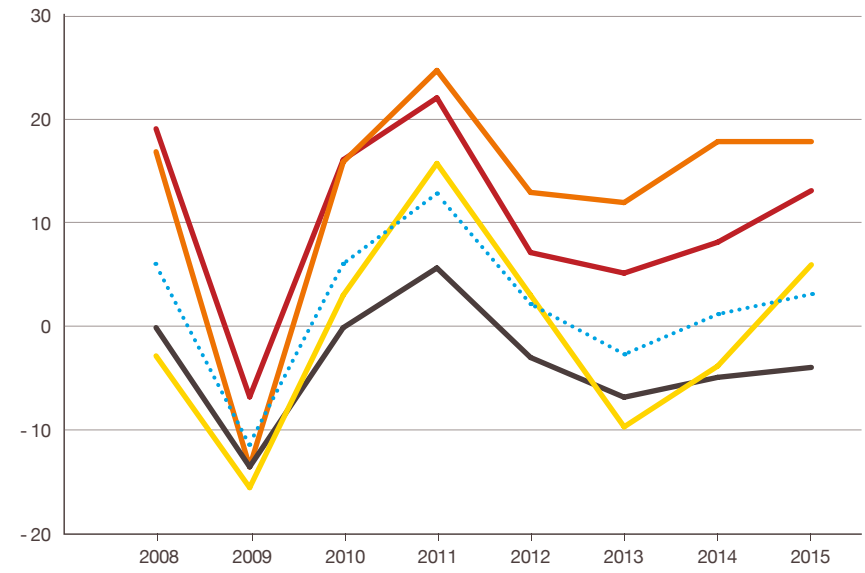
- Non-innovative exporter
- Non-innovative non exporter
- Innovative exporter
- Innovative non exporter
- Total

Source: **Bpifrance Le Lab**

Moreover, since 2010, innovative SMEs, whether exporting or not, have created jobs each year, unlike the others.

By contrast, for the other half of SMEs that are neither innovative nor exporting, the employment trend indicator has remained negative, except in 2010 and 2011.

• **TRENDS IN WORKFORCE NUMBERS SINCE THE END OF THE PREVIOUS YEAR, ESTIMATED IN NOVEMBER OF THE CURRENT YEAR**
BALANCE OF OPINION (AS A %)



- Non-innovative exporter
- Non-innovative non exporter
- Innovative exporter
- Innovative non exporter
- Total

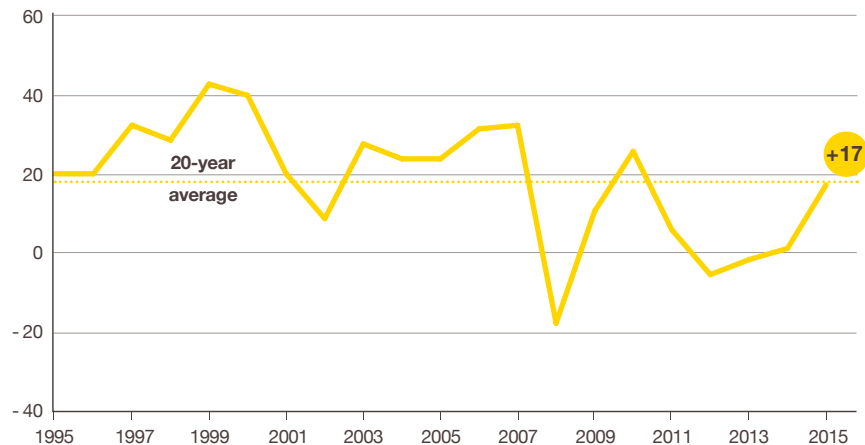
Source: **Bpifrance Le Lab**

A relatively optimistic outlook for business activity in 2016

SMEs are expecting business activity to pick up appreciably in 2016, with the next-year predictor gaining 17 points in 1 year, to stand at +17.

At this level, it is close to its long-term average of +19.

• **GRAPH 3: EXPECTATIONS FOR THE TREND IN BUSINESS ACTIVITY FOR THE FOLLOWING YEAR**
BALANCE OF OPINION (AS A %)



Note: the balance of opinion on the trend in business activity for the following year has improved to stand at +17 in November 2015 against 0 in November 2014.

Source: **Bpifrance Le Lab**

Expectations for the trend in business activity for the following year are at their highest since the end of 2010 in industry (indicator at +25), business-to-business services (+29) and wholesale (+26). SME managers in these sectors are in fact expecting a sizeable rise in demand in the first half of 2016, with order books climbing over the next 6 months.

Between November 2014 and November 2015, the order book predictor rose by 12 points in industry to +6, by 19 points in business-to-business services to +14, and by 19 points in wholesale to +10.

Moreover, managers expect little change in construction, where the business activity predictor is nil instead of at -25 at the end of 2014, in tourism (-1 against -9) and in retail (-1 instead of -14).

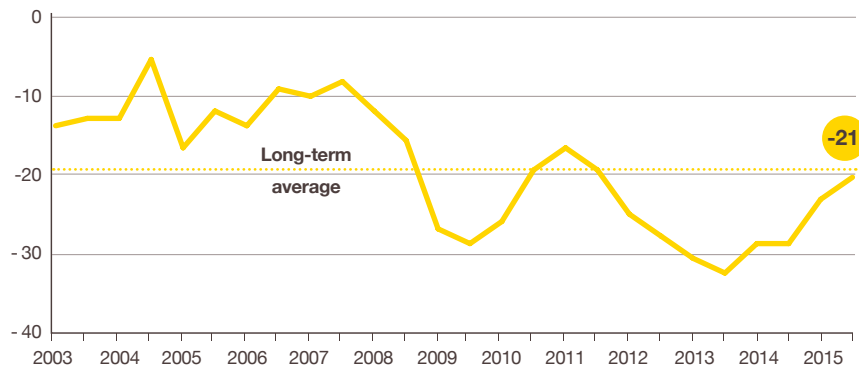
In exporting and innovative SMEs, growth expectations for 2016 are much higher than the average, with business activity predictors of +35 and +39 respectively.

The financial position is continuing to improve

Cash positions have continued to improve sharply since the trough of mid-2013. The balance of opinion indicator improved by 9 points over the year and by 3 points over 6 months, to -21, bringing it close to its long-term average of -19.7.

Cash flow is considered easiest in business-to-business services with an indicator at -15, in industry (-16) and in wholesale (-16). Cash flow is estimated to be tightest in tourism (-36) and business-to-consumer services (-33).

• **GRAPH 4: AVERAGE OPINION ON THE CASH FLOW SITUATION IN THE LAST 6 MONTHS**
BALANCE OF OPINION (AS A %)



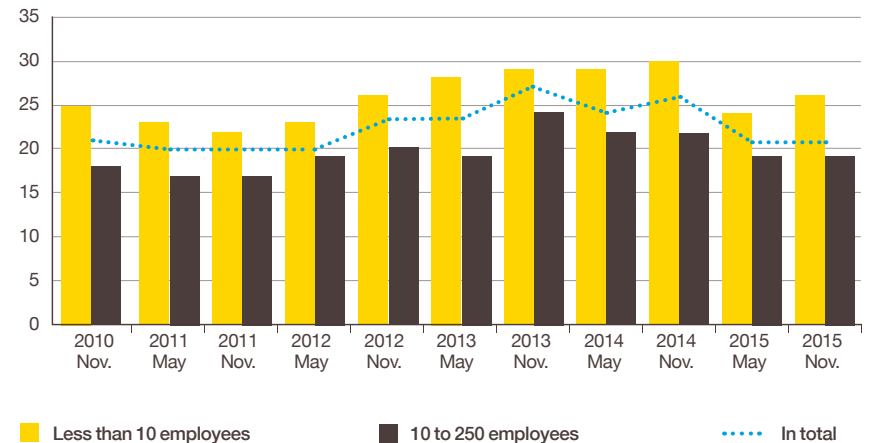
Note: in November 2015, 21% more SMEs said that cash flow was difficult rather than that cash flow was easy.

Source: **Bpifrance Le Lab**

Access to short-term credit during the second half of 2015 stayed at the same level as in the first half, which was a great improvement on 2013-2014. 21% of SMEs said they had difficulty in obtaining short-term facilities.

There is, however, a quite marked disparity between micro-businesses (26% against 24%) and SMEs with between 10 and 249 employees (the same at 19%).

• **GRAPH 5: ACCESS TO SHORT-TERM CREDIT FAIRLY OR VERY DIFFICULT AS A %**



Source: **Bpifrance Le Lab**

Difficulty in accessing short-term credit remains close to average at 21% in all business sectors, except in tourism (35%) and automobile dealing and repair (31%).

Capex stopped falling in 2015 and could rise slightly in 2016

Capex has stabilised after a 3-year decline

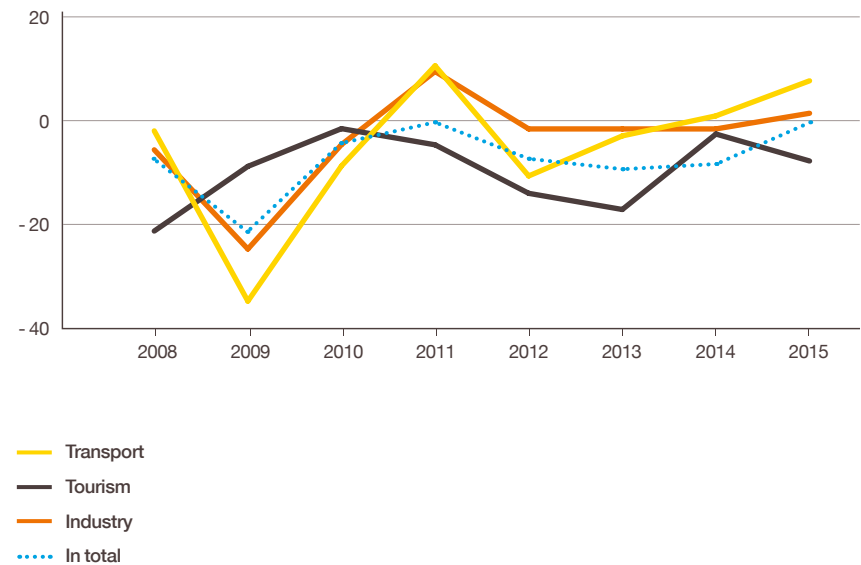
50% of SMEs incurred capital expenditure in 2015, against only 48% in 2013 and 2014. Moreover, the indicator for the trend in volumes of capex, in other words the amounts invested, was stable in 2015 for the first time since 2011.

Capex by volume for SMEs as a whole fell in 2012, 2013 and 2014.

There was a significant upturn in transport, for which the indicator gained 7 points over 1 year to stand at +8, in industry (+1 in 2015, up 3 points), in business-to-business services (also +1, against -7) and in automobile dealing and repair (+7, against -3).

By contrast, the decline in capex in tourism increased (indicator at -8 against -3 in 2014), whereas the drop was less significant in construction (-5 against -17), retail (-7 against -14) and business-to-consumer services (-4 against -14).

• **GRAPH 6: AVERAGE OPINION ON THE TREND IN INVESTMENT IN THE CURRENT YEAR**
NOVEMBER ANSWERS - BALANCE OF OPINION (AS A %)



Note: of the 50% of SMEs that said they invested in 2015, 25% said the volume of capex was up compared to 2014 and 25% said it was down, giving a nil balance of opinion indicator for SMEs as a whole.

Source: **Bpifrance Le Lab**

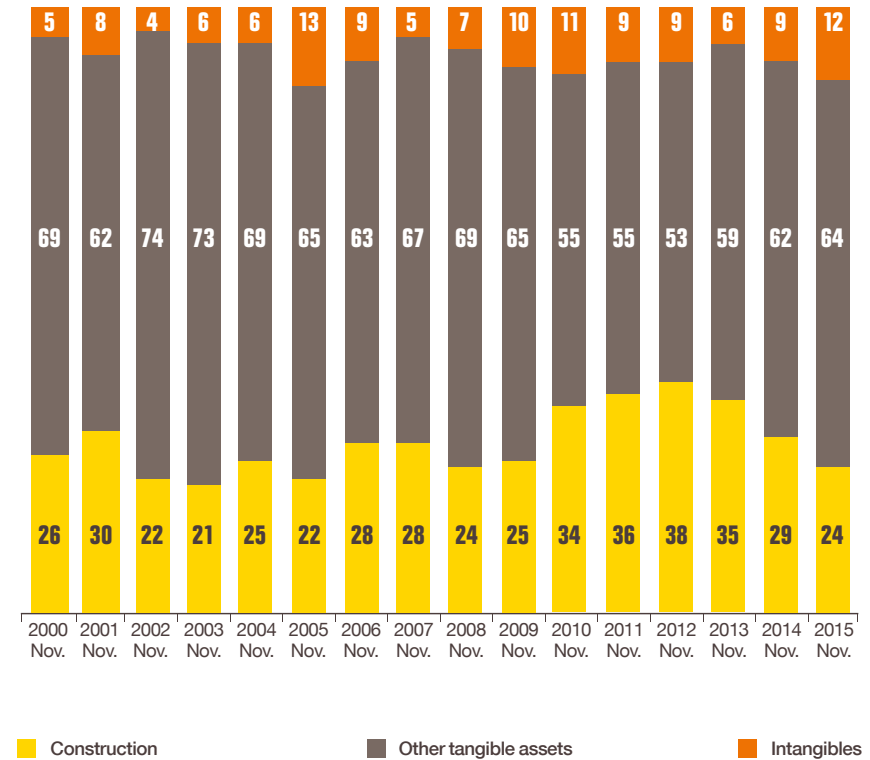
A relative drop in real estate to the benefit of equipment and intangibles

The weighting of capital expenditure on movable property (materials, vehicles and other equipment) as a proportion of total capex rose by 2 points to 64%, while capital expenditure on intangibles (purchased goodwill, property leases, patents, licences and software) is up by 3 points at 12%.

Conversely, the proportion of capital expenditure on real estate (land, buildings, existing premises and improvements) fell by 5 points, to 24%.

Of this capex, on average 40% was self-financed, against 39% in 2014 and 42% in 2013. Of the remainder, 54% was financed using short-term facilities (equipment leasing and 2- to 7-year bank loans) and 6% was financed using long-term finance (real-estate leasing and bank loans of 8 years or over).

• GRAPH 7: SME INVESTMENT EXPENDITURE IN 2015 BY TYPE



Note: in 2015, 24% of total investment expenditure was in construction, 64% in other tangible assets and 12% in intangibles.

Source: **Bpifrance Le Lab**

A moderate rise in capex expected for 2016

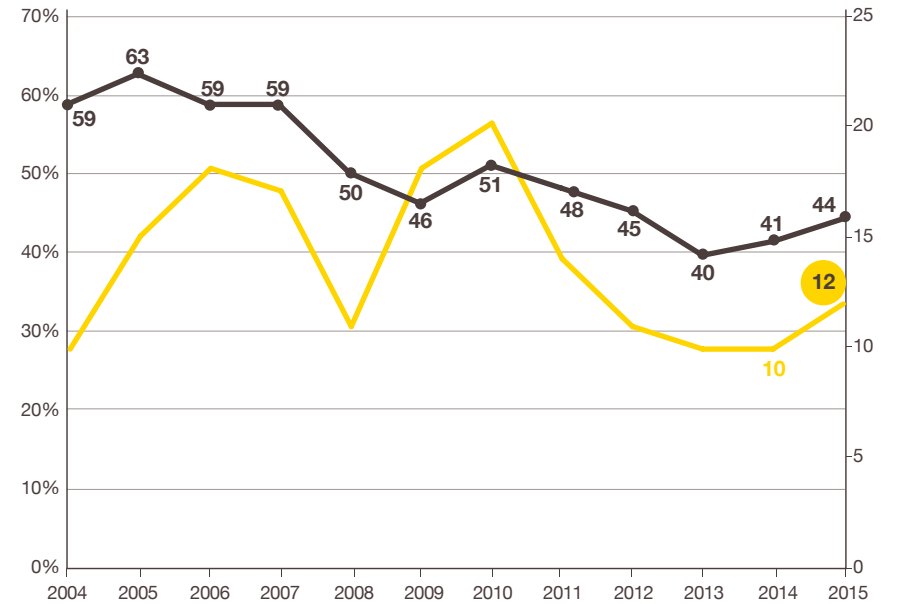
Since order books are fuller at the end of 2015 and demand is steadily firming up, SMEs expect to invest a little more in 2016.

As a result, 44% of them are thinking of investing during the next year against only 41% 1 year earlier. Similarly, there is a significant improvement in the predictor for the volume of capex, which stands at +12, close to its long-term average.

Expectations for the capex trend in 2016 are at their most positive in industry (volume predictor at +15, against +13 at the end of 2014) and in retail (+17 against +12) and wholesale (+16 against +13).

By contrast, there is much greater reluctance to invest in transport (predictor at +4 instead of 0 at the end of 2014) and above all in public works (-7 against +7).

• GRAPH 8: INVESTMENT TREND EXPECTATIONS FOR THE FOLLOWING YEAR NOVEMBER ANSWERS - BALANCE OF OPINION (AS A %)



— Capex trends for the following year (balance of opinion, right axis)
— Proportion of SMEs saying they want to invest the following year (% of the total responses, left axis)

Note: in November 2015, 44% of SMEs say they are ready to invest in 2016 (left axis) and 12% more expect expenditure to increase rather than decrease compared to 2015 (balance of opinion, right axis).

Source: Bpifrance Le Lab

By way of conclusion

The slight improvement in the situation for SMEs in 2015 should continue into 2016, and perhaps even gather momentum

At the end of 2015, all lights are now green for SMEs: business activity, employment, financial position and even capex, for the first time.

Although still timorous for this past year, increasing optimism prevails for 2016, since cash flow pressures have eased over the last few half-year periods.

Businesses with a commitment to innovation and an international outlook are particularly optimistic about 2016.

The others, some perhaps still waiting to see what happens, particularly very small businesses, should also reap the benefit of the economic recovery that is gathering pace and spreading throughout Europe.

Regional economic environment: summary

In 2015, SMEs have seen their position improve more or less depending on the region, in terms of activity, employment, cash flow...

By level, business activity is on average stable or even increasing slightly in Poitou-Charentes, Bourgogne, Brittany, the Pays de la Loire and in the regions of Île-de-France, Rhône-Alpes and Champagne-Ardenne.

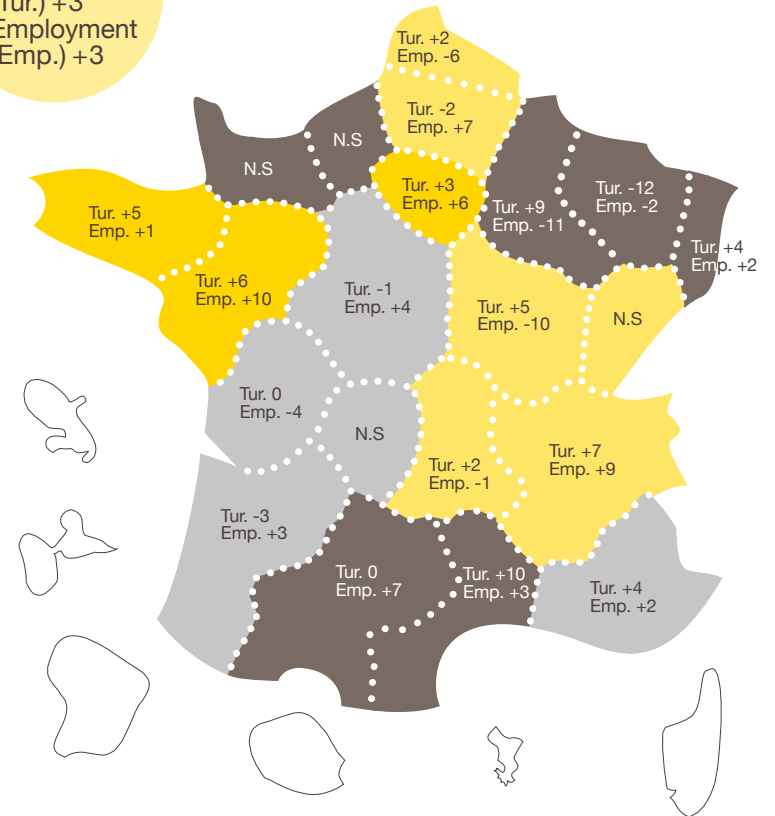
The cash position has improved in almost all regions.

Despite a slight improvement, 2 regions still run into difficulties: Lorraine and Nord-Pas de Calais.

The detailed results by region are available as regional summaries at www.bpifrance-lelab.fr

TREND IN TURNOVER AND WORKFORCE BY REGION BALANCE OF OPINION

France :
Turnover (Tur.) +3
Employment (Emp.) +3



Average trend in turnover at nominal value per new region

- ≤ -0,6%
- From -0,5% to 0,0%
- From +0,1% to +0,5%
- From +0,6% to +1,1%
- N.S - Not significant (fewer than 100 responses)

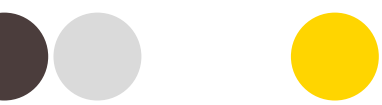
Source: **Bpifrance Le Lab**



02.



RESULTS SUMMARY



TURNOVER

WORKFORCE

INVESTMENT

PAST ACTIVITY ⁽¹⁾

All SMEs

10 - 250 employees
Less than 10 employees

Industry
Construction
Commerce
Transport
Tourism
Services

	Average 2005 to 2014	November 2014	November 2015	Trend/ november 2014
All SMEs	+11	-4	+3	↗
10 - 250 employees	+21	+5	+8	↗
Less than 10 employees	-1	-16	-5	↘
Industry	+14	+6	+5	↔
Construction	+9	-17	-15	↗
Commerce	+8	-12	+5	↗
Transport	+15	+7	+8	↗
Tourism	+2	-21	-3	↗
Services	+16	+0	+7	↗

	Average 2005 to 2014	November 2014	November 2015	Trend/ november 2014
All SMEs	+5	+1	+3	↗
10 - 250 employees	+11	+7	+10	↗
Less than 10 employees	-3	-7	-6	↗
Industry	+3	+4	+7	↗
Construction	+5	-8	-11	↘
Commerce	+3	+1	+6	↗
Transport	+4	+2	+10	↗
Tourism	-2	-12	-12	↔
Services	+11	+6	+8	↗

	Average 2005 to 2014	November 2014	November 2015	Trend/ november 2014
All SMEs	-6	-8	0	↗
10 - 250 employees	-3	-1	+2	↗
Less than 10 employees	-10	-16	-4	↗
Industry	-3	-2	+1	↗
Construction	-11	-17	-5	↗
Commerce	-8	-9	+1	↗
Transport	-5	+1	+8	↗
Tourism	-9	-3	-8	↘
Services	-2	-8	+0	↗

EXPECTED ACTIVITY ⁽¹⁾

All SMEs

10 - 250 employees
Less than 10 employees

Industry
Construction
Commerce
Transport
Tourism
Services

	Average 2005 to 2014	November 2014	November 2015	Trend/ november 2014
All SMEs	+10	+0	+17	↗
10 - 250 employees	+17	+8	+24	↗
Less than 10 employees	+1	-9	+9	↗
Industry	+16	+14	+25	↗
Construction	-9	-29	-2	↗
Commerce	+10	+2	+17	↗
Transport	+7	-10	+11	↗
Tourism	+0	-9	-1	↗
Services	+19	+6	+27	↗

	Average 2005 to 2014	November 2014	November 2015	Trend/ november 2014
All SMEs	+8	+0	+10	↗
10 - 250 employees	+10	+4	+13	↗
Less than 10 employees	+4	-4	+5	↗
Industry	+10	+7	+11	↗
Construction	+0	-18	-3	↗
Commerce	+5	+0	+8	↗
Transport	+5	-7	+8	↗
Tourism	-2	-9	-1	↗
Services	+16	+8	+18	↗

	Average 2005 to 2014	November 2014	November 2015	Trend/ november 2014
All SMEs	+14	+10	+12	↗
10 - 250 employees	+14	+10	+12	↗
Less than 10 employees	+15	+11	+13	↗
Industry	+17	+12	+15	↗
Construction	+8	+4	+7	↗
Commerce	+16	+12	+15	↗
Transport	+2	+7	+4	↘
Tourism	+15	+13	+14	↗
Services	+15	+10	+13	↗

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



03.



METHODOLOGY

Definitions

Indicator or balance of opinion is the difference between the percentages of opposing opinions:

- Indicator of trend = $[(x\% \text{ "up"}) - (y\% \text{ "down"})] \times 100$
- Indicator of level = $[(x\% \text{ "good/easy"}) - (y\% \text{ "bad/difficult"})] \times 100$

The percentages of neutral opinions ("same" and "normal"), which take the balances up to 100%, are not taken into account in 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 companies and excluding aesthetic changes or changes to the packaging of products already in existence), or has 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.

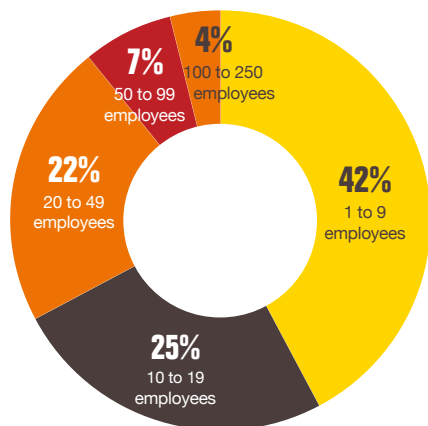
A **"high-export"** business conducts over 1 quarter of its business internationally, a **"medium-export"** business between 6% and 25%, and **"non-exporters"** less than 6% (including 0%).

Sample structure

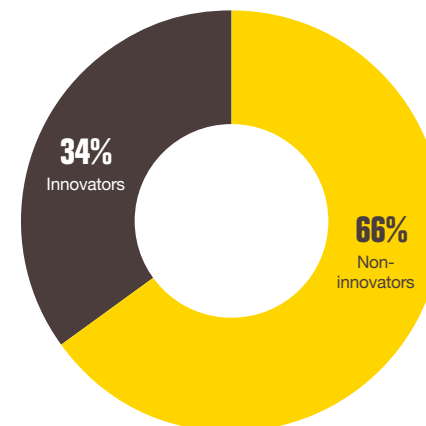
For this 62nd half-yearly business climate survey, 29,400 non-agricultural commercial companies with 1 to fewer than 250 employees and a turnover of less than €50 million were surveyed at the start of November 2015.

The report is based on the first 4,560 responses judged complete and reliable received before 28 November 2015.

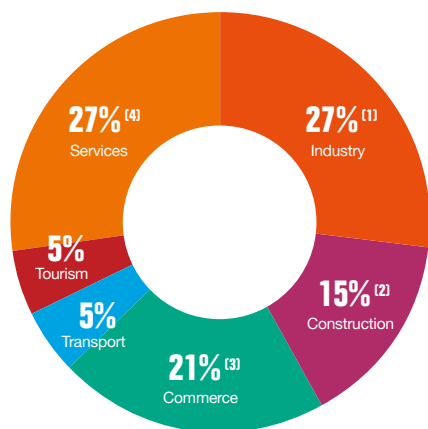
SIZE



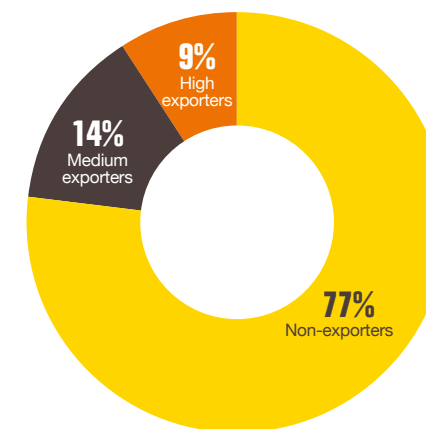
INNOVATIVE NATURE



BUSINESS SECTOR

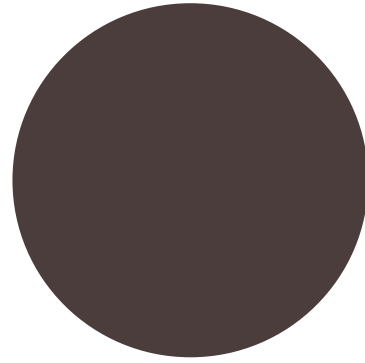


EXPORT



(1) 3% food, 13% intermediate goods, 8% capital goods and 3% consumer goods.
 (2) 13% construction and 2% public works.
 (3) 2% automobile dealing and repair, 12% wholesale and 7% retail.
 (4) 23% business-to-business services and 4% business-to-consumer services.

Source: **Bpifrance Le Lab**



**SERVIR
L'AVENIR**

