



# **SMEs**

**61ST BUSINESS  
CLIMATE SURVEY**

**JULY 2015**

**01.**

**A TENTATIVE RECOVERY,  
WHICH MAY GATHER  
PACE IN THE SECOND  
HALF OF THE YEAR**

+4

**IN THE BALANCE OF OPINION ON THE CHANGE  
IN SME BUSINESS ACTIVITY EXPECTED IN 2015,  
COMPARED TO -4 IN NOVEMBER 2014**

+26

**IN THE BALANCE OF OPINION  
ON THE CHANGE IN HIGH-EXPORT SME  
BUSINESS ACTIVITY EXPECTED IN 2015,  
UP 6 POINTS ON MAY 2014**

-24

**IN THE BALANCE OF OPINION ON THE CHANGE  
IN THE CASH FLOW POSITION IN MAY 2015,  
UP 6 POINTS ON NOVEMBER 2014**

+5

**IN THE BALANCE OF OPINION ON THE  
EXPECTED CHANGE IN NEW ORDERS,  
UP 17 POINTS OVER SIX MONTHS**

## Key points

1. A positive trend that in the first half of 2015 is still restricted to large SMEs and innovative companies successful internationally.
2. An improvement in the financial position almost across the board.
3. The outlook for investment is still rather downbeat.
4. But optimistic expectations for the second half of 2015 on new orders and cash flow that could unleash investment and hiring.

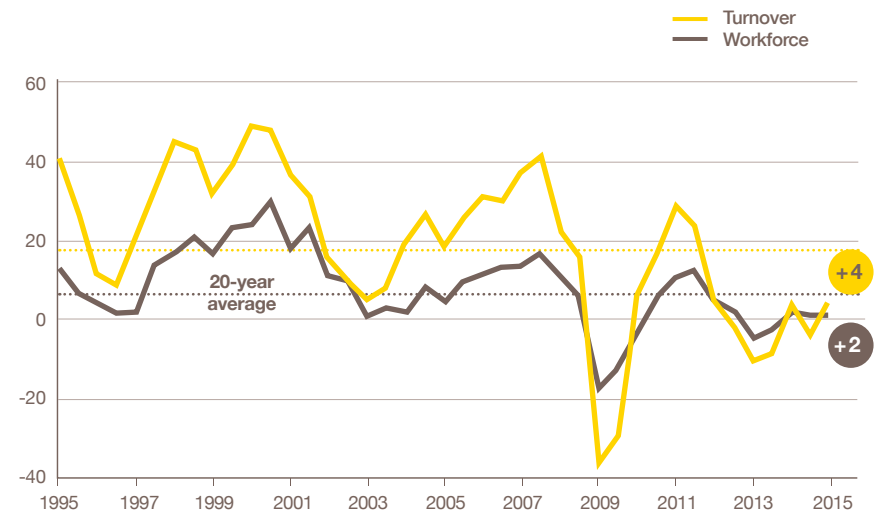
# An improvement in business activity in the first half of 2015, but still patchy

When surveyed in May, SMEs reported a recovery in business activity and workforce numbers compared to the previous half year. This improvement is still fairly small, with the opinion of business activity predictor for 2015 back exactly where it was in May of the previous year, at +4. This leaves it well below its long-term average (graph 1).

Employment is very closely correlated to changes in business activity, so growth in it is weak. The trend indicator for the first months of the year stands at +2, the same as at May 2014.

This rather restrained recovery takes place against a background of still meagre order books, with an indicator figure of -24, identical to that of May 2014 but better than the -28 for November.

• **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 rose from -4 to +4 between the November 2014 and May 2015 surveys.

Source: **Bpifrance Le Lab.**

In the current hesitant recovery, three categories of businesses can be distinguished (graph 2): SMEs experiencing “moderate growth”, those in “near stagnation” and those “on the decline”.

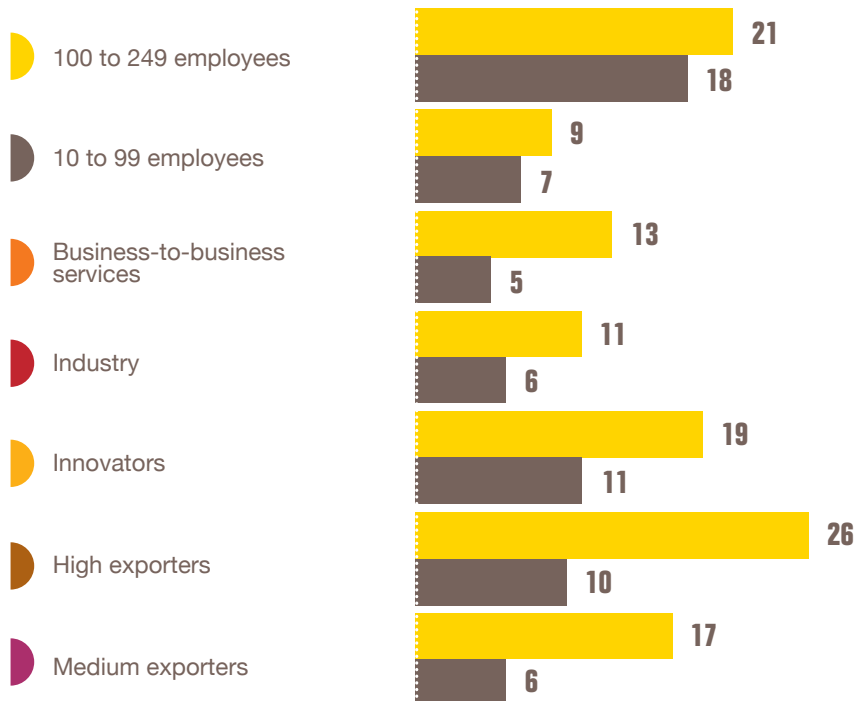
Innovative businesses, along with very international ones, have never been as optimistic since 2011, with predictor figures of +19 and +26 respectively.

SMEs with over 100 employees are also much more optimistic than other SMEs, both on business activity and on employment. The importance of the size factor is also corroborated by intermediate-sized enterprises (insert no. 1).

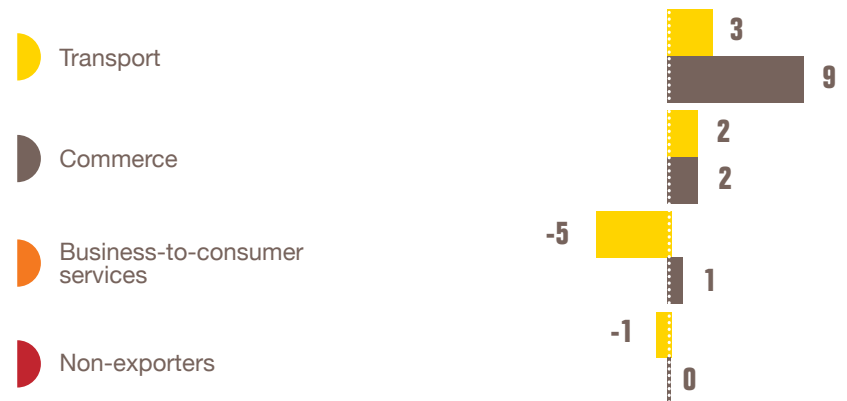
Looking at it by sector, SMEs in industry and business-to-business services offer the best prospects.

**• GRAPH 2: CHARACTERISTICS OF THE 3 CATEGORIES OF SME**  
BALANCE OF OPINION INDICATORS (AS A %)

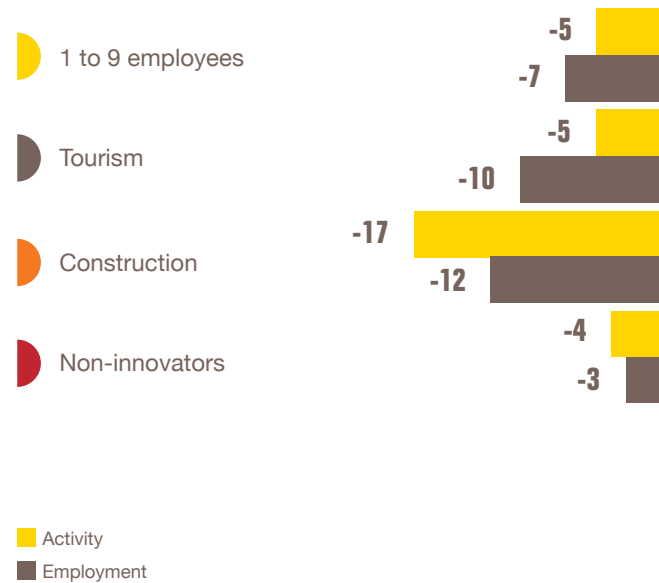
**SMES EXPERIENCING MODERATE GROWTH**



**SMES IN NEAR STAGNATION**



**SMES ON THE DECLINE**

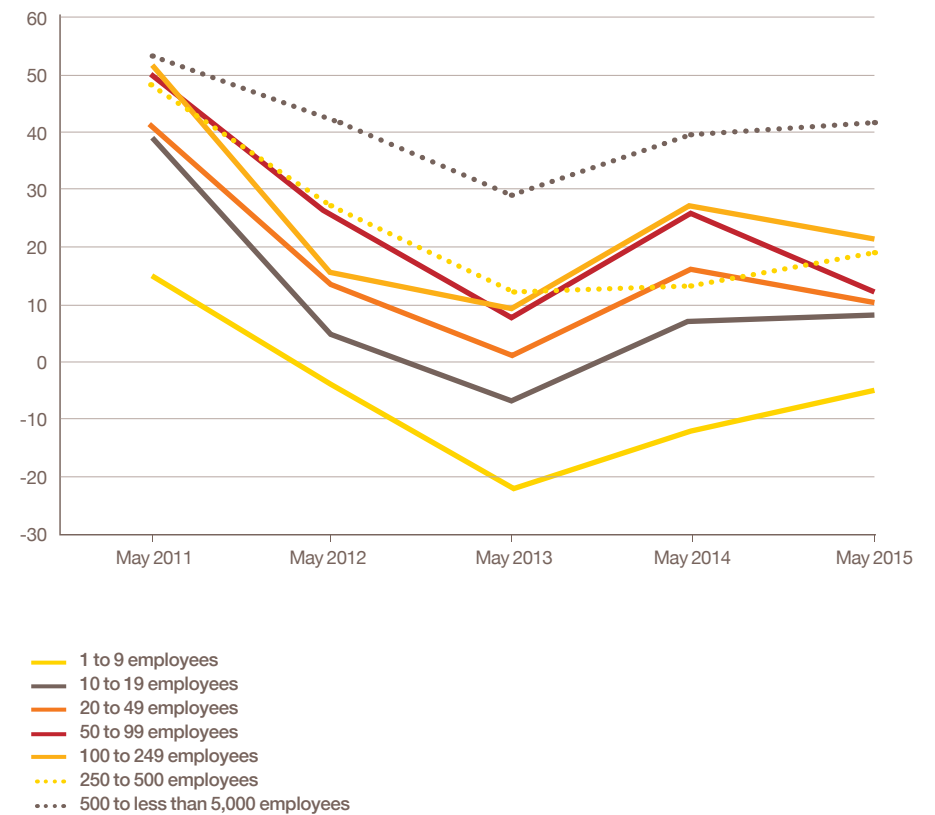


Source: **Bpifrance Le Lab.**

## There is a positive correlation between the size of the business and the expected improvement in business activity

The outlook for sales in 2015 is still negative for micro-businesses (indicator of -5), but much less so than in May 2014 for that same year, when it stood at -12. The business activity predictor rises steadily in line with size, up to a maximum of +41 in big intermediate-sized enterprises (500 to 5,000 employees).<sup>(1)</sup>

### MOVEMENT IN PROJECTED SALES BY SIZE OF BUSINESS SME/INTERMEDIATE-SIZED ENTERPRISE COMPARISON BALANCE OF OPINION (AS A %)



<sup>(1)</sup> DGE, Bpifrance, intermediate-sized enterprise 2015 survey, June 2015.

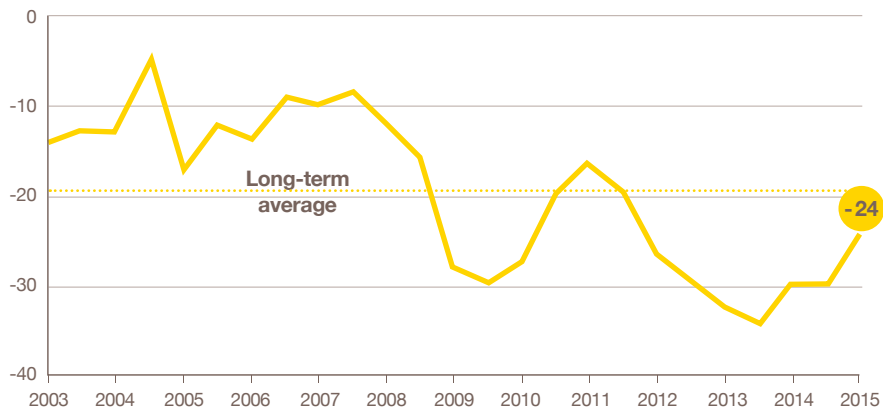
Source: **Bpifrance Le Lab.**

## However the financial position improves markedly at the beginning of 2015

Estimates of profitability for the previous year are at their highest since May 2012 and the cash flow stranglehold is loosening. The CICE competitiveness tax credit mechanism now seems to be producing its full effect, contributing to a recovery in profitability and an easing of cash flow pressures.

Opinions on the cash flow position improved significantly in the first half of 2015, with the balance of opinion indicator climbing 6 points in six months, to -24 (graph 3). The upturn was sharpest in transport, which also benefited from the oil price drop.

### • GRAPH 3: AVERAGE OPINION ON THE CASH FLOW SITUATION BALANCE OF OPINION (AS A %)



Note: in May 2015, 24% more SMEs said that cash flow was difficult rather than that cash flow was easy.

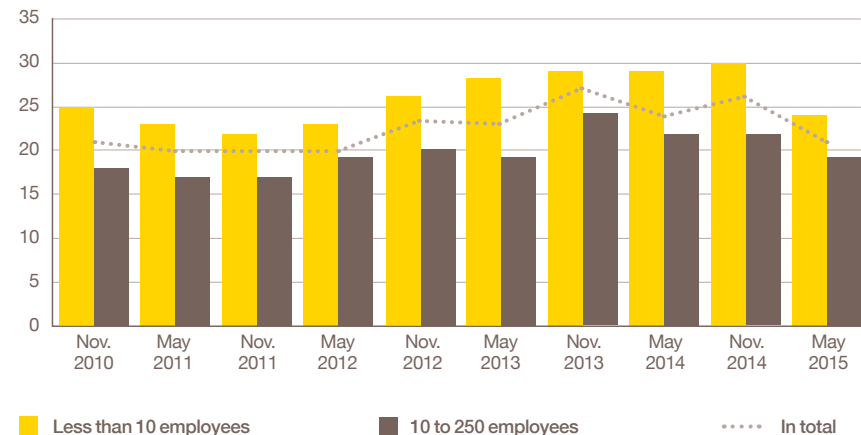
Source: **Bpifrance Le Lab.**

In May 2015, 21% of SMEs considered 2014 profitability to be good, while 30% considered it to be bad. The net balance of opinion therefore came out at -9, an improvement of 5 points over twelve months, and at its highest for three years. There is a clear upturn in transport, industry, commerce and tourism. Construction is the exception, with a significant deterioration in estimates over one year.

It should be noted that the profitability indicator is positive only in companies with between 100 and 249 employees and in those that generate more than one quarter of their business internationally.

Access to short-term credit in the first half of 2015 was significantly easier than before (graph 4). Only 21% of SMEs said they had run into difficulty in obtaining short-term finance, as against 26% in November 2014. That is the lowest proportion since May 2012. The improvement was felt by micro-businesses just as much as by SMEs with between 10 and 249 employees.

### • GRAPH 4: ACCESS TO SHORT-TERM CREDIT FAIRLY OR VERY DIFFICULT AS A %



Source: **Bpifrance Le Lab.**

Difficulty in accessing short-term credit is close to average at 21% in all business sectors, except for tourism in which it is nearly twice as frequent at 38%.

## The outlook is still unclear, but the situation may improve in the second half of 2015

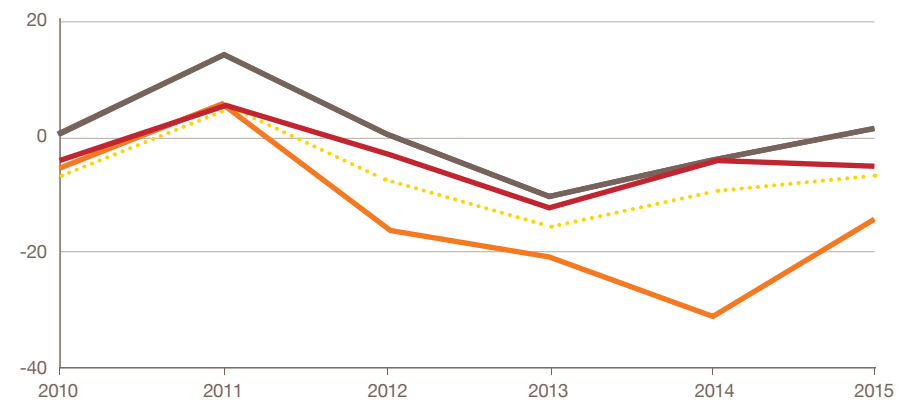
### The beginnings of an upturn in investment in industry

Investment intentions for 2015, measured by the net balance of opinion, are still negative at -7. This investment predictor is nevertheless an improvement on the two previous years, when it stood at -9 in May 2014 and at its lowest, at -16, in May 2013.

The indicator is negative in all business sectors, except in industry, where it becomes positive once more at +1 for the first time since 2012 (graph 5).



• **GRAPH 5: AVERAGE OPINION ON THE TREND IN INVESTMENT  
IN THE CURRENT YEAR**  
BALANCE OF OPINION (AS A %)



..... In total  
— Industry  
— Tourism  
— Business-to-business services

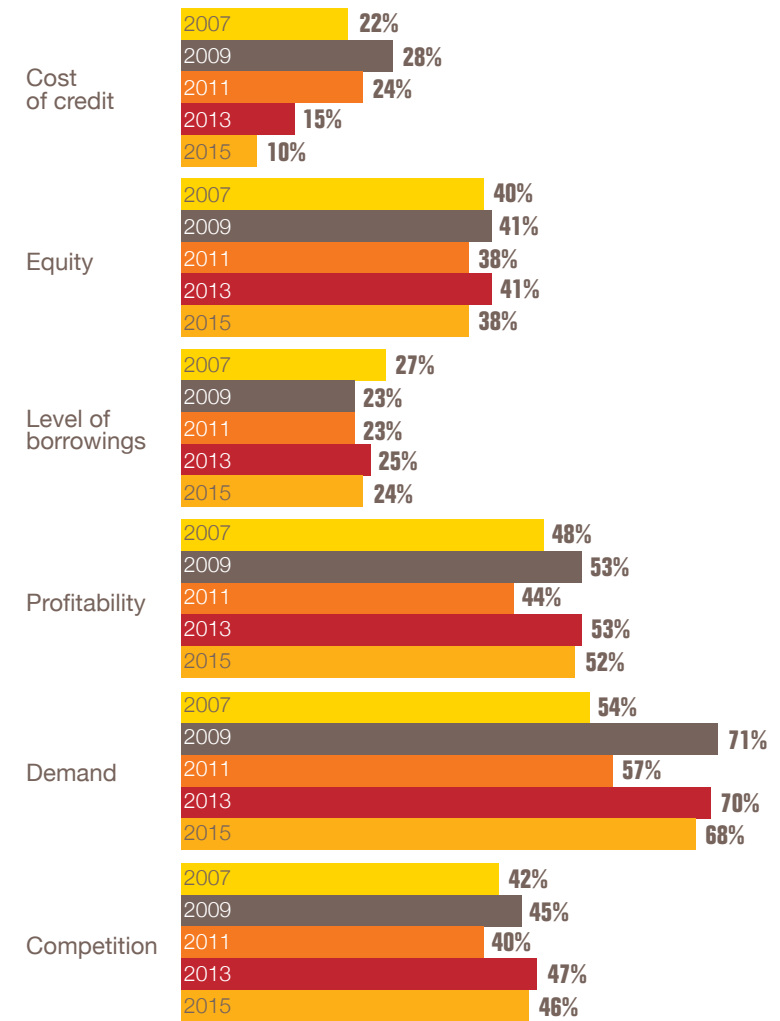
Source: **Bpifrance Le Lab.**



## The brakes on investment as perceived by SMEs are releasing

Of the six potential brakes on investment on which SMEs are surveyed each half-year, the two main ones are still weak demand and inadequate profitability (graph 6). The first obstacle is cited by 68% of managers, 2 points down on the end of 2014, bringing it back down to the end-2012 level. The second major brake, inadequate profitability, was cited by 52% of respondents, as against 55% at the end of 2014. There is therefore a real feeling of improvement, both as to a revival in demand and a recovery in profitability.

• **GRAPH 6: OPINION ON OBSTACLES TO INVESTMENT**  
PROPORTION OF RESPONDENTS (AS A %)



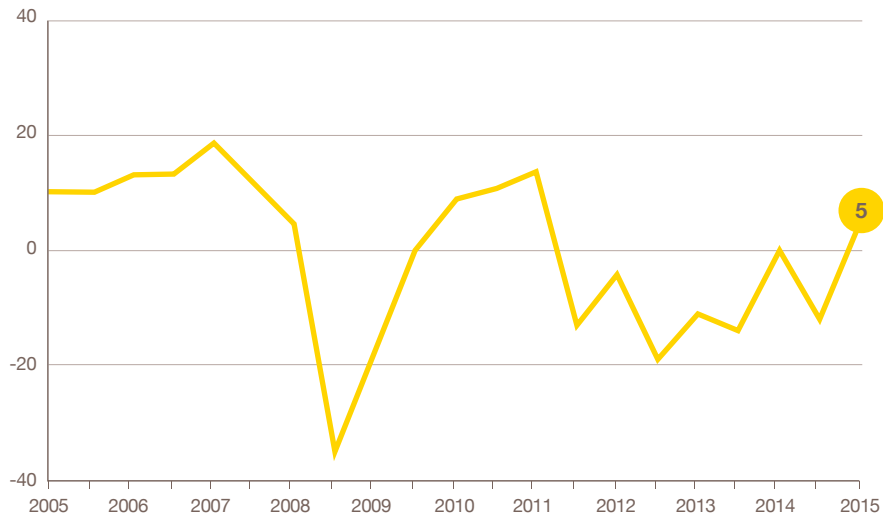
Source: **Bpifrance Le Lab.**

## And the climate could continue to ease over the next few months

The constraints on demand could slacken in the next few months. Opinion on the direction that order books will take has improved sharply (+5), hitting its highest level since May 2011 (graph 7). This in particular affects industry (+11 after -6 in November 2014), innovative companies and companies operating internationally.

What is more, SMEs are expecting a further easing in cash flow. The balance of opinion on the outlook for cash flow, at -8, is at its best since May 2011. This applies to all sectors and sizes of business. This continued improvement in cash flow could have a positive impact on hiring and investment intentions in the next few months (insert no. 2).

### • GRAPH 7: EXPECTED MOVEMENTS IN ORDER BOOKS BALANCE OF OPINION (AS A %)



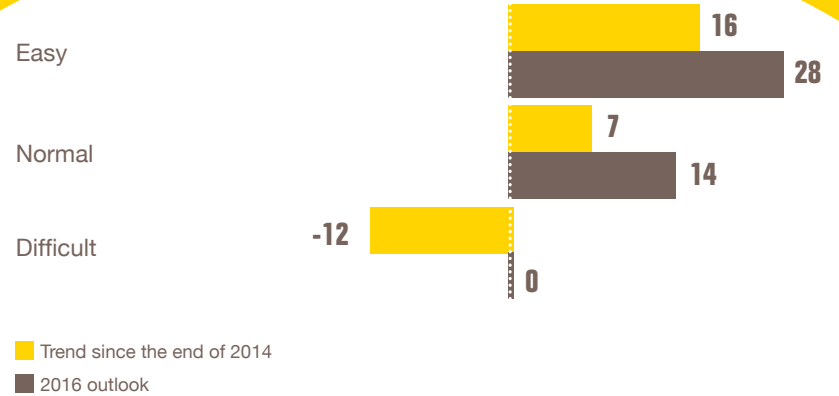
Source: **Bpifrance Le Lab.**

## The outlook for hiring and investment is closely linked to the cash flow situation

When SMEs have a healthy cash flow, they increase their workforce numbers, and are planning to keep on doing so in 2016.

The same applies to their investment plans, which are projected to rise, in contrast to companies with financial problems.

### • CHANGES IN WORKFORCE NUMBERS AS A FUNCTION OF CASH FLOW BALANCE OF OPINION (AS A %)



Note: 16% more SMEs with a healthy cash flow increased their workforce numbers since the end of 2014 than reduced them, and 28% more plan to increase workforce numbers in 2016.

Source: **Bpifrance Le Lab.**

### • PROJECTED INVESTMENT FOR THE CURRENT YEAR AS A FUNCTION OF CASH FLOW BALANCE OF OPINION (AS A %)



Note: 15% more SMEs with a healthy cash flow expect their investment to rise in 2015 rather than to fall.

Source: **Bpifrance Le Lab.**

## To conclude

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Although SMEs did not see their business activity as being particularly vibrant in the first half of 2015, they reported an improvement in their financial position, and they are glimpsing the first signs of a recovery in demand for the next few months. This is an outlook that may start SMEs off on a trend of greater hiring and investment.

## Regional economic environment: summary

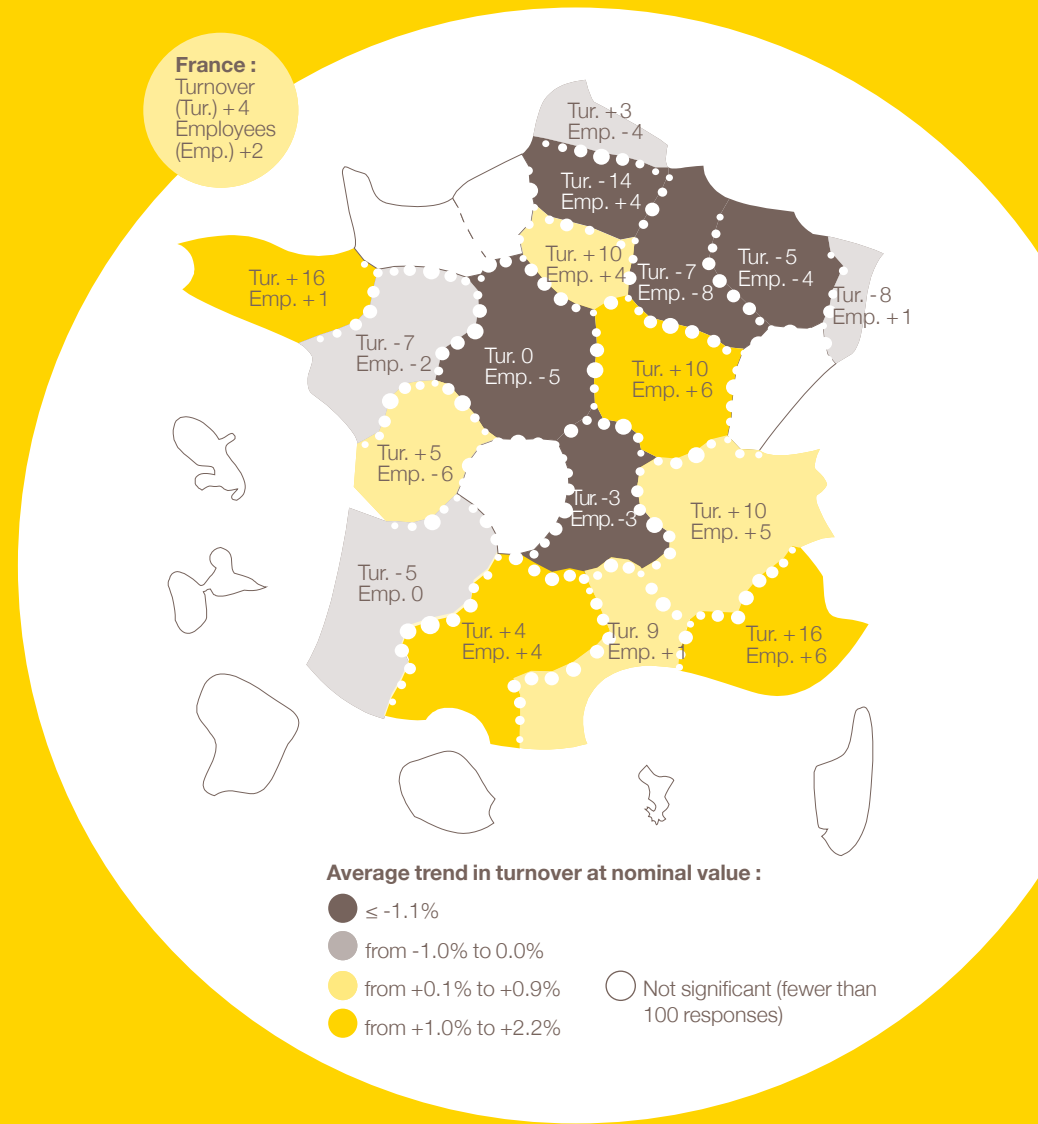
Projected growth in SME business activity for 2015 varies widely from region to region.

SMEs are much more optimistic in the Bourgogne, Île-de-France, Rhône-Alpes, Brittany and Provence-Alpes-Côte d'Azur regions. By contrast, in the Picardie, Alsace and Pays de la Loire regions, SMEs are very guarded as to the outlook for their business for 2015.

Cash flow has improved in all regions except Auvergne, Midi-Pyrénées and Poitou-Charentes, where businesses have seen their financial positions deteriorate.

The detailed results by region are available as regional summaries at [www.bpifrance-lelab.fr](http://www.bpifrance-lelab.fr).

## • TREND IN TURNOVER AND WORKFORCE BY REGION BALANCE OF OPINION (AS A %)



Source: Bpifrance Le Lab.



**02.**



**RESULTS  
SUMMARY**



## TURNOVER

## WORKFORCE

## INVESTMENT

Aug 2005-2014    May 2014    May 2015    Trend / May 2014

Aug 2005-2014    May 2014    May 2015    Trend / May 2014

Aug 2005-2014    May 2014    May 2015    Trend / May 2014

### YEAR 2015 <sup>(1)</sup>

#### All SMEs

10 - 250 employees  
less than 10 employees

Industry  
Construction  
Commerce  
Transport  
Tourism  
Services

	Aug 2005-2014	May 2014	May 2015	Trend / May 2014
All SMEs	+11	+4	+4	→
10 - 250 employees	+19	+15	+10	↘
less than 10 employees	+0	-12	-5	↘
Industry	+16	+10	+11	↘
Construction	+1	-10	-17	↘
Commerce	+7	+2	+2	→
Transport	+10	+13	+3	↘
Tourism	+2	-13	-5	↘
Services	+17	+6	+10	↘

	Aug 2005-2014	May 2014	May 2015	Trend / May 2014
All SMEs	+3	+2	+2	→
10 - 250 employees	+8	+7	+8	↘
less than 10 employees	-4	-7	-7	→
Industry	+3	+5	+6	↘
Construction	+1	-5	-12	↘
Commerce	+2	-1	+2	↘
Transport	+5	+6	+9	↘
Tourism	-3	-14	-10	↘
Services	+8	+5	+4	↘

	Aug 2005-2014	May 2014	May 2015	Trend / May 2014
All SMEs	-6	-9	-7	↘
10 - 250 employees	-3	-4	-3	↘
less than 10 employees	-10	-18	-11	↘
Industry	-2	-4	+1	↘
Construction	-11	-15	-17	↘
Commerce	-10	-13	-8	↘
Transport	-14	-11	-7	↘
Tourism	-11	-31	-14	↘
Services	-2	-6	-6	→

### YEAR 2016 <sup>(1)</sup>

#### All SMEs

10 - 250 employees  
less than 10 employees

Industry  
Construction  
Commerce  
Transport  
Tourism  
Services

	Aug 2005-2014	May 2014	May 2015	Trend / May 2014
All SMEs	+23	+17	+19	↘
10 - 250 employees	+29	+26	+27	↘
less than 10 employees	+15	+6	+9	↘
Industry	+33	+30	+31	↘
Construction	+4	-7	-1	↘
Commerce	+23	+16	+18	↘
Transport	+16	+18	+10	↘
Tourism	+12	+3	+11	↘
Services	+28	+20	+23	↘

	Aug 2005-2014	May 2014	May 2015	Trend / May 2014
All SMEs	+14	+10	+10	→
10 - 250 employees	+17	+16	+14	↘
less than 10 employees	+10	+3	+7	↘
Industry	+16	+16	+17	↘
Construction	+7	-4	-7	↘
Commerce	+10	+7	+10	↘
Transport	+11	+14	+7	↘
Tourism	-1	-10	-6	↘
Services	+22	+15	+18	↘

	Aug 2005-2014	May 2014	May 2015	Trend / May 2014
All SMEs	-6	-9	-7	↘
10 - 250 employees	-3	-4	-3	↘
less than 10 employees	-10	-18	-11	↘
Industry	-2	-4	+1	↘
Construction	-11	-15	-17	↘
Commerce	-10	-13	-8	↘
Transport	-14	-11	-7	↘
Tourism	-11	-31	-14	↘
Services	-2	-6	-6	→

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



# METHODOLOGY

## Definitions

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

- Indicator of trend = [(x% “up”) - (y% “down”)] x 100
- Indicator of level = [(x% “good/easy”) - (y% “bad/difficult”)] x 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 one 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 one quarter of its business internationally, a **“medium-export”** business between 6% and 25%, and **“non-exporters”** less than 6% (including 0%).

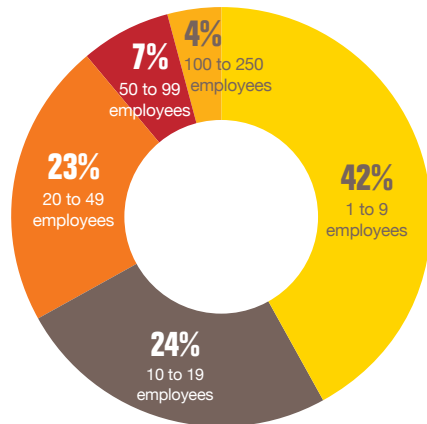


# Sample structure

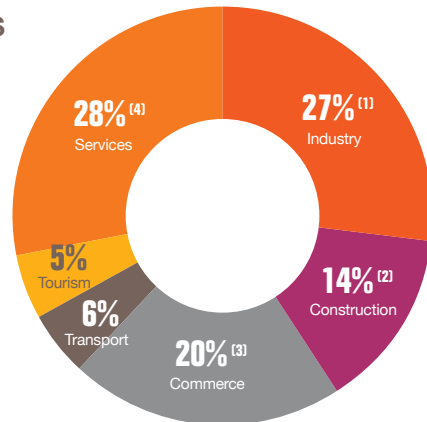
For this 61st half-yearly business climate survey, 28,600 non-agricultural commercial companies with 1 to fewer than 250 employees and a turnover of less than €50 million were surveyed at the start of May 2015.

The report is based on the 4,373 responses judged complete and reliable received before June 12th 2015.

## SIZE



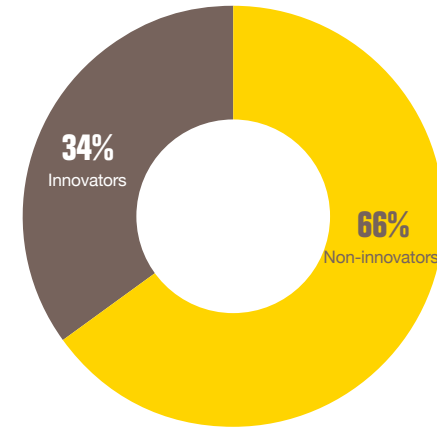
## BUSINESS SECTOR



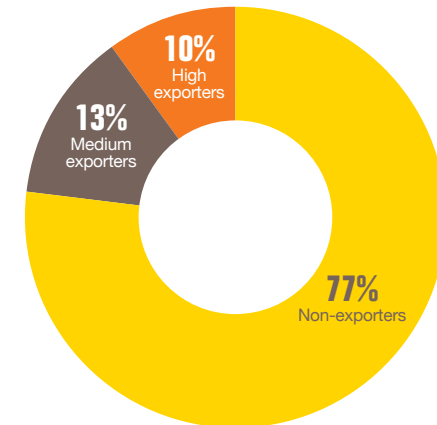
Source: **Bpifrance Le Lab.**

(1) 3% food, 13% intermediate goods, 8% capital goods, 3% consumer goods.  
 (2) 12% construction, 2% public works.  
 (3) 2% automobile dealing and repair, 12% wholesale, 6% retail.  
 (4) 23% business-to-business services, 5% business-to-consumer services.

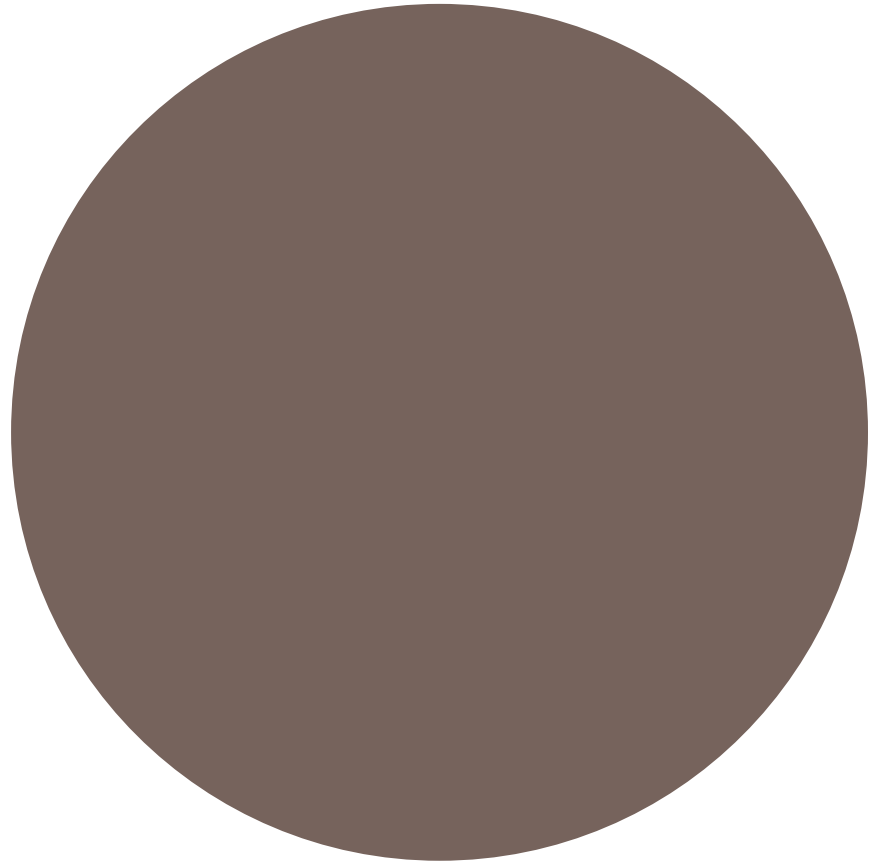
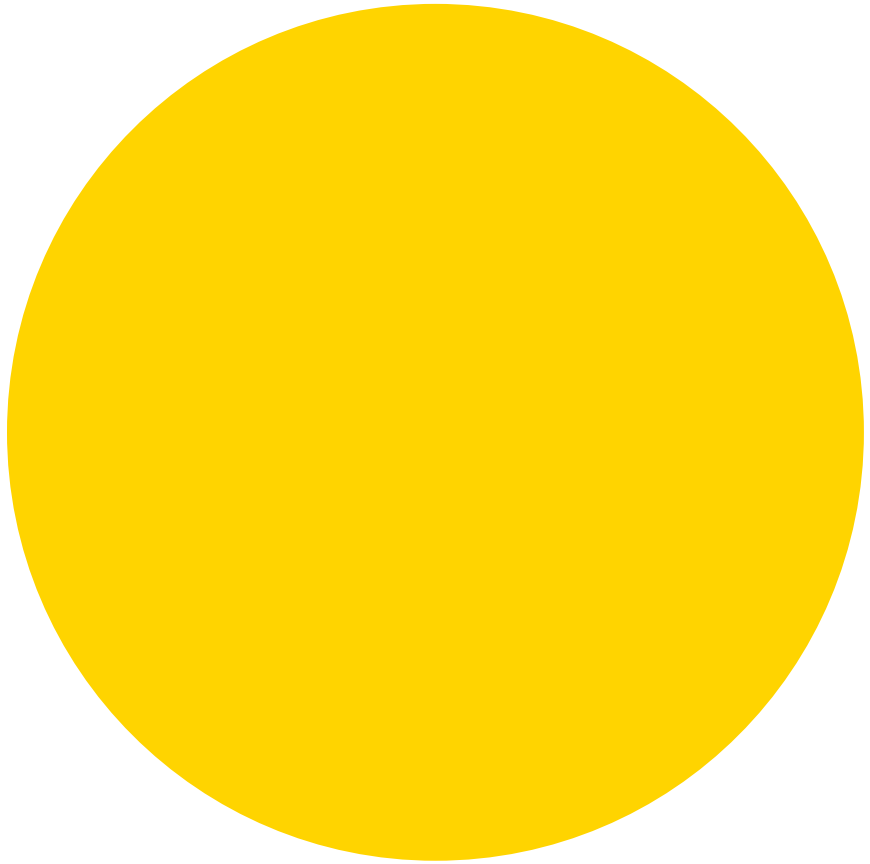
## INNOVATIVE NATURE

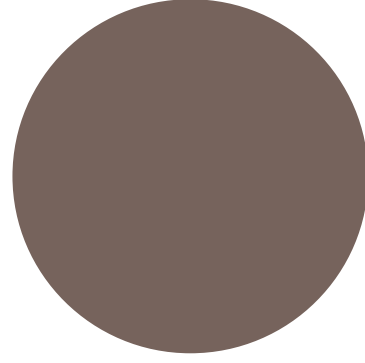


## EXPORT



Source: **Bpifrance Le Lab.**





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