

+

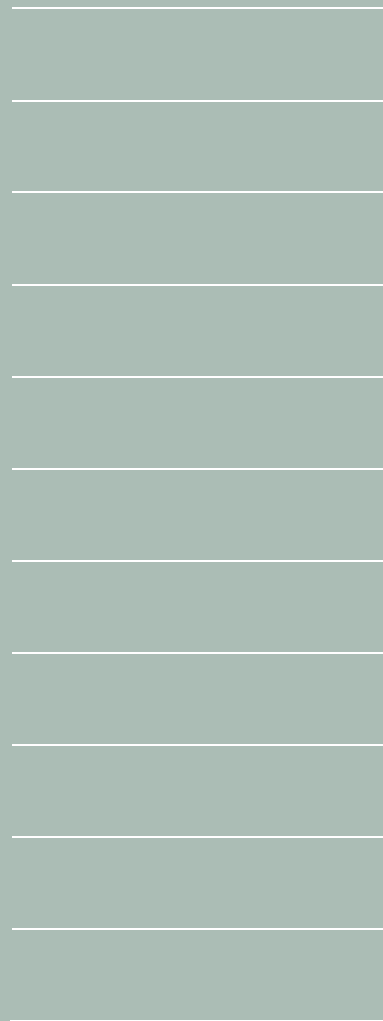


LIETUVOS BANKAS
EUROSISTEMA

REVIEW

OF THE SURVEY OF ENTERPRISES ON BUSINESS FINANCING

2016



ISSN 2424-4791 (ONLINE)

**REVIEW OF THE SURVEY OF
ENTERPRISES
ON BUSINESS FINANCING
2016 / 1**

In the preparation of the Review of the Survey of Enterprises on Business Financing, the data of the Survey of Non-financial Enterprises, commissioned by the Bank of Lithuania, was used.

Reproduction for educational and non-commercial purposes is permitted, provided that the source is acknowledged.

© Bank of Lithuania, 2016

AIMS, METHODS AND PRINCIPLES OF THE SURVEY

Surveys of Non-financial Enterprises (hereinafter — Enterprises) on Business Financing¹ are conducted twice a year in order to obtain information on the trends in the financial standing and operations of enterprises, assess the demand of enterprises for financial resources, changes in borrowing from credit and other financial institutions² (hereinafter — credit institutions), developments in credit standards.

Commissioned by the Bank of Lithuania, the Survey was conducted in February 2016; responses were received from 503 enterprises operating in Lithuania. During the Survey, heads or financiers of the enterprises, classified by main activity and number of employees, were surveyed. Enterprises with up to 50 employees accounted for slightly more than two-thirds of the surveyed respondents, while those having 50 and more employees made up the rest of the respondents (see Tables 1). Further in this Review, enterprises having less than 9 employees are referred to as small enterprises, those having more than 10 but less than 50 employees — medium enterprises, and those with more than 50 employees — large enterprises.³ The number of surveyed enterprises by economic activity and location of registration is presented in Table 2.

Table 1. Number of surveyed enterprises with a specified number of employees and engaged in a specified economic activity

Number of employees	Industry	Construction	Trade	Services	Total
1–9	31	32	46	62	171
10–49	34	30	49	56	169
50 and more	53	29	31	50	163
Total	118	91	126	168	503

The average operating period of the surveyed enterprises is 18 years. Slightly more than 84 per cent of the surveyed enterprises operated as private or public limited liability companies, 10 per cent were comprised of sole proprietorships, while the rest of them included partnerships, municipal and other enterprises.

Table 2. Number of surveyed enterprises by economic activity and location of registration

County	Industry	Construction	Trade	Services	Total
Alytus	4	3	6	6	19
Kaunas	25	25	31	39	120
Klaipėda	15	9	10	14	48
Marijampolė	3	2	6	7	18
Panevėžys	8	3	8	6	25
Šiauliai	11	3	11	15	40
Tauragė	2	2	3	5	12
Telšiai	5	3	4	5	17
Utena	4	1	4	8	17
Vilnius	41	40	43	63	187
Total	118	91	126	168	503

The Survey consists of 3 parts. The first part summarises the data on developments in key financial indicators of enterprises. The second part examines business funding of enterprises and its sources. The third part summarises the assessment of enterprise borrowing from credit institutions as well as relations between enterprises and creditors.

In the Review, a half-year means a calendar half-year, i.e. the first half of the year covers the period of January–June, the second half — the period of July–December.

Net percentage is defined as the difference between the percentage of enterprises that responded, e.g., with 'tightening of credit standards' and the percentage of enterprises that responded with 'easing of credit standards'. A positive net percentage means that more enterprises believe that credit institutions have tightened their credit standards, while a negative percentage (with a minus sign) — that they have eased them. The analogous net percentage is explained by calculating changes in financial indicators (or the factor's importance, its change): positive difference of percentages means that the indicators increased (importance is great, will increase), negative — that it decreased (importance is low, will decrease).

The Review was prepared
by the Economics and Financial Stability Service
of the Bank of Lithuania

¹ Similar to any selective quantitative research, statistical error is applied to the results of this Survey.

² In this Survey, credit and other financial institutions are commercial banks, credit unions, leasing companies and other investment undertakings, from which non-financial enterprises borrow financial resources.

³ The division used by the European Commission and most often encountered in international practice is as follows: very small enterprises are those that have less than 10 employees, small enterprises — having 10 or more employees, but not exceeding 50; medium enterprises — more than 50 but less than 250 employees, and large enterprises — more than 250 employees. Since small and medium-sized businesses dominate in Lithuania, the enterprise classification adapted for Lithuania is applied in this Review.

SUMMARY

- In the second half of 2015, enterprises that increased their income, profit and asset holdings grew in number. More than three fourths of the surveyed enterprises reported that they operated at a profit, and the share of such enterprises grew by over 6 p.p. over the half-year. The largest share of enterprises that operated at a profit was in the industrial sector (80.5%), the smallest — in the service sector (72.6%).
- Despite an improvement in the operating results, the number of enterprises that increased the number of their employees was almost the same as the number of those that cut it, while compared to the previous half-year, the share of enterprises that increased the number of their employees dropped by 7.6 p. p. Enterprises within the industrial and service sectors more often indicated as having decreased the number of their employees, while enterprises within the construction and trade sector — as having increased it.
- In the second half-year of 2015, prices were raised by slightly over a fourth of the surveyed enterprises, while nearly every second enterprise raised remuneration. Similar trends are projected in the future as well.
- Most of the surveyed enterprises see the outlook for their operation as being optimistic: growth in domestic demand and export development are expected. More than every third enterprise claimed that it planned to expand its export volumes over the upcoming 12 months.
- Nearly half of the surveyed enterprises tended to specify the tax burden as a major concern. Moreover, the significance of stronger competition, legal (administrative) requirements and a lack of proper staff increased markedly.
- While internal resources remained the most popular means of funding, the share of enterprises that used them alone contracted for the second consecutive half-year, dropping by 11.7 p.p. (to 46.1%) over the year. The diversity of external funding sources increased, while the share of enterprises that used bank lending grew the most (to 38.8%).
- Slightly more than every third surveyed enterprise plans to finance its business development in the first half-year of 2016 from internal resources alone; however, this is 11 p.p. less than the figure for enterprises that claimed as having done that in the second half-year of 2015. More than half of enterprises planning to develop their business reported that they would finance at least part of the development in the first half-year of 2016 by using external financing sources.
- The viewpoint of enterprises on the availability of credit to businesses remained basically unchanged in the second half-year of 2015: nearly half of the surveyed enterprises further reported that the availability of credit by credit institutions to businesses was fully or partly limited. The share of rejected applications to borrow or to change the contractual terms of existing liabilities increased by 3 p.p., to 11.6 per cent.
- Compared to the previous half-year, enterprises planned to borrow slightly less actively in the first half-year. Lending conditions and fees for services offered by a credit institution are likely to further exert major influence on the choice of a credit institution.

SUMMARY OF THE SURVEY RESULTS

1. Business Trends of Non-financial Enterprises

Enterprises reported an improvement in their operating results in the second half of 2015 (see Chart 1). The number of profitable enterprises increased: slightly more than three quarters (77.0%) of the respondents claimed that in the second half of 2015 their operations were profitable (an increase of 6.2 p. p from the previous half-year). Most of profitable enterprises operated in the industrial sector (80.5%), while the least number — in the services sector (see Table 1 of the Annex). Almost half of the surveyed enterprises (45.7%) indicated that their income increased in the period under review, while every third of them (31.6%) claimed that they remained unchanged. The number of respondents who managed to increase their income was 6.5 p.p. higher than in the previous half-year, while that of enterprises that experienced a fall in income dropped by 12 p.p. (see Table 1 of the Annex).⁴

An increase in the book value of assets and equity was mainly reported by industrial and construction enterprises. Compared to the previous half-year, the difference between the net percentage of enterprises that reported an increasing or decreasing book value of assets widened by 3.1 per cent, while in terms of equity capital, this indicator rose even more (by 5.3 p.p.). About a fifth (20.5%) of enterprises claimed that they had increased their liabilities: compared to the previous half-year, their share dropped by 4.2 p.p. and the number of such enterprises was higher than of those that managed to reduce their liabilities (see Table 1 of the Annex).

Fewer enterprises increased the number of their employees than in the previous half-year. While the number of enterprises that increased the number of employees in the second half of 2015 was almost the same as the number of those that cut it, compared to the previous half-year, the share of enterprises that increased the number of employees dropped by 7.6 p.p. (from 27.7 to 20.1 per cent). Industrial enterprises and enterprises providing services tended to cut the number of their employees the most, while construction and trade enterprises tended to increase it (see Chart 1 and Table 1 of the Annex).

The tax burden remained a major concern to the biggest share of enterprises; stronger competition as well as tighter legal and administrative requirements posed difficulties to a greater number of enterprises as well. Nearly half of enterprises (47.3%) that participated in the Survey indicated that in the second half of 2015 the tax burden was a highly significant challenge — compared to the previous half-year, 6.9 p.p. more respondents reported this. The tax burden raised the most concerns for small-sized enterprises and enterprises engaged in the provision of services (52.6% and 50.0% respectively). The net percentages reflecting the significance of more intense competition and legal environment grew by 9.7 and 13.2 p. p. In addition, increasingly more enterprises indicate a lack of proper staff as a major challenge: during the previous survey, the respective net percentage for the first time became positive, while increasing further this half-year (see Chart 2 and Table 2 of the Annex).

The future expectations of most enterprises are optimistic: export volumes and domestic demand are expected to increase (see Chart 3). Nearly half (49.5%) of the surveyed enterprises reported that they had earned all of their income in the local market; over a third of them (35.2%), however, claimed that they planned to expand their export volumes as well over the next 12 months (see Tables 3 and 4 of the Annex). Moreover, growth in domestic demand is also expected: nearly every third enterprise projected an increase in the domestic demand for its production (services) in the next half-year, while another half reported that the domestic demand was likely to remain unchanged (see Table 5 of the Annex).

Chart 1. Changes in key financial indicators and number of employees of non-financial enterprises (net percentage)

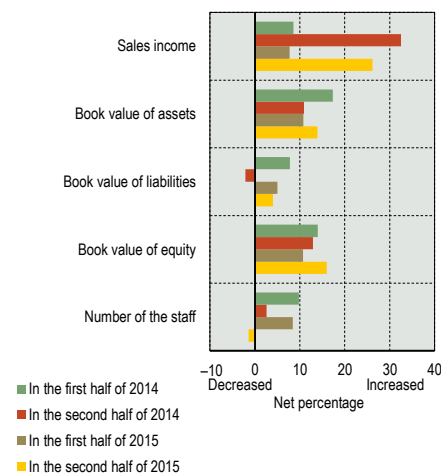


Chart 2. Assessment of significance of challenges faced by non-financial enterprises

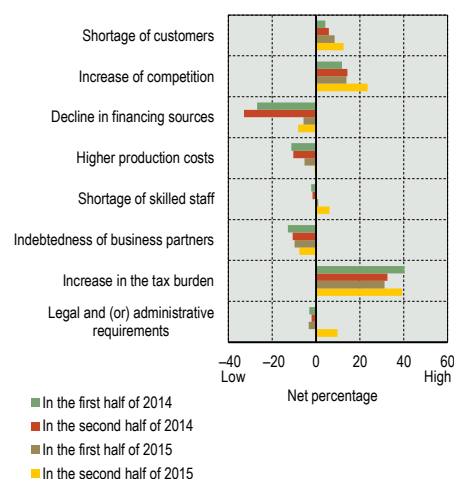
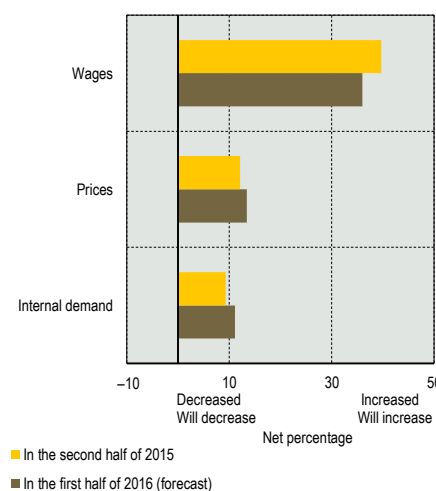


Chart 3. Wage, price and domestic demand developments and projections



⁴ Data of the Survey of the previous half-year mentioned in this and other paragraphs is available here: http://www.lb.lt/imoniu_apklausa_del_veiklos_finansavimo_apzvalga_2015/ii

Chart 4. Breakdown of enterprises by source of satisfying business funding needs with internal resources

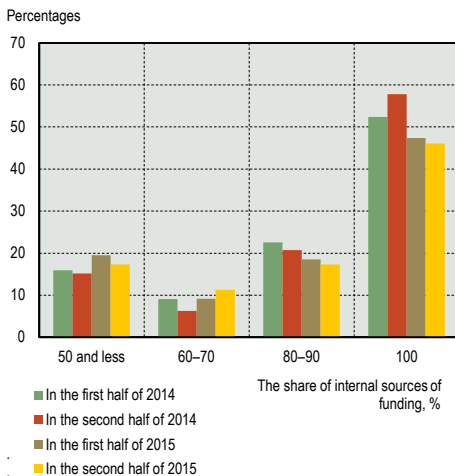


Chart 5. Significance of factors that determined the choice of internal resources in satisfying business needs

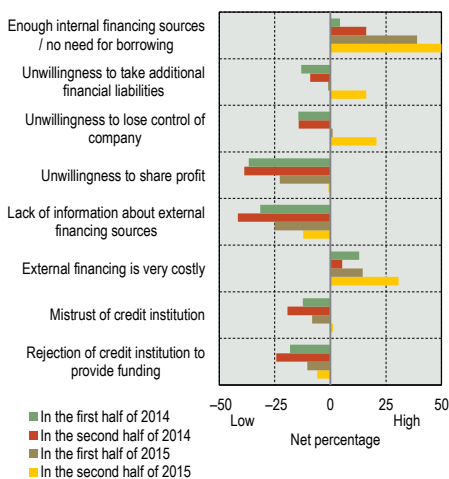
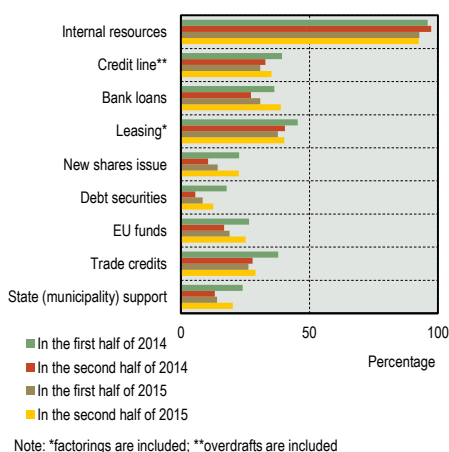


Chart 6. Financing sources of enterprises (share of enterprises that reported a respective source, percentage)



Enterprises project a rise in wages and prices for the production (services) being sold. In the second half of 2015, 27.6 per cent of enterprises raised prices and nearly every second one (45.7%) increased wages (see Tables 6 and 7 of the Annex). Similar trends are also observed in terms of future expectations: prices and wage increases were projected by 23.1 and 40.8 per cent of enterprises respectively, their decreases — by 9.7 and 4.8 per cent of the surveyed respectively. Relatively the largest number of enterprises expecting wage and price increases was within the services and trade sectors (the net percentages accounted for 42.2% and 15.1% respectively).

2. Funding of the Business of Non-Financial Enterprises and Its Sources

The number of enterprises claiming that they only use internal financing sources is declining for the second consecutive half-year. Almost half of the Survey participants (46.1%) indicated that they financed their business activities using only internal resources; however, compared to the previous half-year, there were 1.3 p.p. fewer of such enterprises, while over the year, this share contracted by 11.7 p.p. (see Chart 4). Only internal resources were used mostly by small-sized enterprises and enterprises providing services (62.6% and 56.6% respectively), while large-sized enterprises and those within the industrial sector used them most rarely (28.8% and 34.8% respectively). Traditionally, sufficient internal financing resources and high external financing costs had the most significant impact on the choice of internal financing resources (see Chart 5): the latter factor was accentuated by small-sized enterprises (42.9%). Moreover, the share of enterprises that base the use of internal resources on the unwillingness of their owners to assume additional liabilities and the fear to lose control over management of the enterprise has been increasing gradually since the first half of 2014, and increased particularly markedly in the second half of 2015. The significance of these factors was again more accentuated by small-sized enterprises (29.5% and 27.6% respectively) (see Table 8 of the Annex).

Enterprises claimed that, in the future, they would use internal resources as the only means of business financing more rarely. While more than every third surveyed enterprise plans to finance its business development in the first half of 2016 from internal resources alone, this is 11 p.p. below the figure for enterprises that claimed having done that in the second half of 2015. Small-sized (45.0%) and construction enterprises (38.6%) plan to use internal financing resources most actively, while large-sized (27.4%) and industrial enterprises (28.9%) plan to use them most rarely. Slightly more than half (57.7%) of enterprises planning their business development in the first half of 2016 intended to finance at least part of its development using external financing sources. Compared to the second half of 2015, the number of such enterprises grew by 11.9 p.p. (see Table 8 of the Annex).

The diversity of external funding sources increased, while the share of enterprises that used bank lending grew the most. In the second half of 2015, rent-to-own services were used by 40.2 per cent of respondents, bank loans — 38.8 per cent, while credit line and trade credit — 35.2 and 29.0 per cent respectively (see Chart 6 and Table 8 of the Annex). The share of each means in the total funding means portfolio expanded, while the share of enterprises using bank loans expanded the most (7.9%). In addition, there was an increase in the number of enterprises that financed their business activities with less traditional means, e.g. increase of share capital (a new issue of shares) and European Union (EU) funds were used by 8.2 per cent and 6.2 per cent more enterprises than in the previous half-year.

3. Assessment of Borrowing from Credit Institutions

The assessment of the availability of credit to businesses remained basically unchanged in the second half of 2015: nearly half of the surveyed enterprises reported that lending by credit institutions to businesses was fully or at least partly limited. 12.6 per cent of respondents assessed the lending to business environment positively (see Table 9 of the Annex). Negative assessment dropped to 2.6 p.p. of enterprises that assessed the lending to business environment, while large-sized enterprises (19.6%), service enterprises (15.5%) and industrial enterprises (15.3%) tended to assess loans to businesses as more available or fully available.

The share of enterprises with financial liabilities remained basically unchanged over the half-year. Slightly fewer than a half of the surveyed enterprises reported that they had some kind of financial liabilities to credit institutions in the second half of 2015 (an increase of 1.1 p.p. from the previous half-year). Industrial enterprises mostly reported further having financial liabilities, while the number of enterprises engaged in the provision of services with financial liabilities was the least (see Chart 7 and Table 9 of the Annex). Slightly more than two thirds of enterprises indicated that the discharge of their liabilities to credit institutions was secured by pledged assets or guarantees (a drop of 6.7 p.p. from the previous half-year). While, similarly to the previous half-year, slightly more than every third (34.6%) enterprise secured its liabilities by warranty of natural persons (see Table 9 of the Annex), significant structural changes have been observed though: an increase of more than 24.8 p.p. in the number of enterprises that had secured their liabilities by warranty of natural persons⁵ and a drop of about 11 p.p. in the respective share of medium-sized enterprises.

In the second half of 2015, slightly less than a third of all enterprises that claimed already having financial liabilities applied to credit institutions to borrow or change the contractual terms and conditions of their current liabilities. Slightly more than three fourths of these applications were satisfied, granting the entire requested amount (see Table 9 of the Annex). Compared to the previous half-year, the number of rejected applications increased by 3 p. p. Negative decisions increased the most with respect to enterprises providing services (see Chart 8 and Table 9 of the Annex).

Enterprises planned to borrow slightly less actively in the first half-year of 2016. Compared to the previous half-year, the net percentage of enterprises planning to increase and decrease borrowing fell from 18.5 to 14.0 per cent (see Table 10 of the Annex). Funds lent will mainly be used for the repair or acquisition of equipment, machinery and vehicles (55.9%; see Table 11 of the Annex).

The most important factors determining the selection of a credit institution were favourable credit standards and low service charges of a credit institution (see Table 12 of the Annex). Compared to the second half of 2015, the latter factor was more important than the rate of decision-making by a credit institution. As in the previous half-year, in the perception of the surveyed enterprises, the most important factors for a credit institution in making a decision on lending were the ability of an enterprise to repay its debts, its current level of indebtedness, credit history and profitability (see Chart 9).

Chart 7. Share of enterprises that had financial liabilities to credit institutions

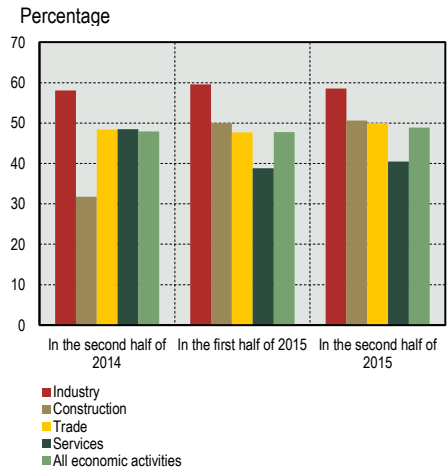


Chart 8. Share of rejected applications for borrowing or changing the contractual terms and conditions of existing liabilities

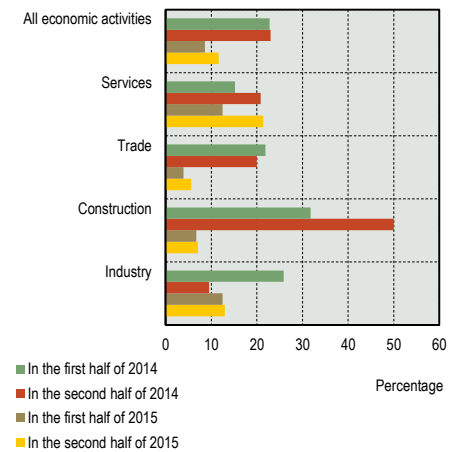
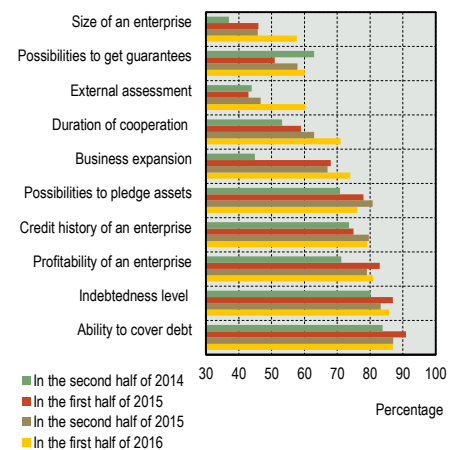


Chart 9. Share of enterprises that see the indicated factors as important for credit institutions in making a decision on lending



⁵ Having considered the common practice of commercial banks and other credit institutions to require that a business loan is warranted by the owners of the business it is extended to or other natural persons, as well as the risk posed by such a practice, the Bank of Lithuania has prepared and submitted for a public debate its proposals on how to improve the regulation of such personal warranty measures.

ANNEX. SUMMARY OF ANSWERS TO MAIN QUESTIONS

Table 1. Changes in key financial indicators and number of employees of non-financial enterprises (unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Sales income (net percentage)	31.4	39.6	33.3	10.1	13.4	35.5	30.1	26.2
Decreased	20.3	9.9	18.3	25.0	24.0	16.0	18.4	19.5
Remained unchanged	27.1	37.3	27.0	35.1	36.3	29.5	28.8	31.6
Increased	51.7	49.5	51.6	35.1	37.4	51.5	48.5	45.7
Unspecified	0.9	3.3	3.1	4.8	2.3	3.0	4.3	3.2
Book value of assets (net percentage)	18.7	22.0	11.1	8.3	5.2	16.6	20.3	13.9
Decreased	11.0	6.6	16.7	15.5	16.4	13.0	9.8	13.1
Remained unchanged	55.9	59.3	50.8	53.0	57.9	49.1	55.8	54.3
Increased	29.7	28.6	27.8	23.8	21.6	29.6	30.1	27.0
Unspecified	3.4	5.5	4.7	7.7	4.1	8.3	4.3	5.6
Book value of liabilities (net percentage)	2.6	4.4	6.3	3.0	-3.0	8.9	6.1	4.0
Decreased	18.6	15.4	15.9	16.1	17.0	16.0	16.6	16.5
Remained unchanged	51.7	60.4	52.4	58.3	62.6	50.3	54.0	55.7
Increased	21.2	19.8	22.2	19.1	14.0	24.9	22.7	20.5
Unspecified	8.5	4.4	9.5	6.5	6.4	8.8	6.7	7.3
Book value of equity (net percentage)	25.4	23.1	11.9	8.4	6.4	17.7	24.0	16.0
Decreased	6.8	7.7	10.3	10.7	12.9	8.3	6.1	9.1
Remained unchanged	54.2	57.1	58.7	61.3	62.0	56.8	55.8	58.2
Increased	32.2	30.8	22.2	19.1	19.3	26.0	30.1	25.1
Unspecified	6.8	4.4	8.8	8.9	5.8	8.9	8.0	7.6
Number of employees (net percentage)	-5.0	2.2	6.3	-6.6	-5.3	5.3	-4.3	-1.4
Decreased	23.7	22.0	13.5	25.6	16.4	20.7	27.6	21.5
Remained unchanged	57.6	52.7	66.7	55.4	72.5	53.3	48.5	58.3
Increased	18.7	24.2	19.8	19.0	11.1	26.0	23.3	20.1
Unspecified	0.0	1.1	0.0	0.0	0.0	0.0	0.6	0.1
Operating result for the first half of 2015	56.7	58.2	40.6	47.7	39.8	47.3	63.2	49.9
Profit	73.7	72.5	68.3	69.7	65.5	69.8	77.3	70.8
Loss	17.0	14.3	27.7	22.0	25.7	22.5	14.1	20.9
Unspecified	9.3	13.2	4.0	8.3	8.8	7.7	8.6	8.3
Operating result for the second half of 2014 (net percentage)	71.2	72.5	61.9	54.7	58.5	55.6	77.2	63.7
Profit	80.5	76.9	79.4	72.6	74.3	72.2	84.6	77.0
Loss	9.3	4.4	17.5	17.9	15.8	16.6	7.4	13.3
Unspecified	10.2	18.7	3.1	9.5	9.9	11.2	8.0	9.7

Table 2. Significance of experienced challenges and their likely development (unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Shortage of customers in the second half of 2015 (net percentage)	10.2	9.9	14.3	14.3	12.9	18.4	6.1	12.5
Low	17.8	15.4	14.3	15.5	14.0	12.4	20.9	15.7
Medium	37.3	30.8	41.3	36.3	40.9	40.2	28.8	36.8
High	28.0	25.3	28.6	29.8	26.9	30.8	27.0	28.2
No such challenge was faced	13.5	25.3	12.7	16.7	17.0	13.6	19.0	16.5
Unspecified	3.4	3.2	3.1	1.7	1.2	3.0	4.3	
Likely development of the shortage of clients in the first half of 2016 (net percentage)	4.3	16.5	19.1	10.2	12.8	10.1	13.5	12.1
Will decrease	11.0	6.6	7.1	8.9	8.8	9.4	7.4	8.6
Will remain unchanged	48.3	49.5	46.8	53.0	51.5	48.5	49.1	49.7
Will increase	15.3	23.1	26.2	19.1	21.6	19.5	20.9	20.7
No such challenge will be faced	11.0	7.7	5.6	8.9	7.0	7.7	10.4	8.4
Unspecified	14.4	13.1	14.3	10.1	11.1	14.9	13.5	12.6
Increase in competitiveness in the second half of 2015 (net percentage)	16.1	30.8	21.4	26.2	21.0	31.4	17.9	23.5
Low	11.9	9.9	11.9	13.1	13.5	7.1	15.3	11.9
Medium	49.2	33.0	40.5	31.0	34.5	42.0	37.4	38.0
High	28.0	40.7	33.3	39.3	34.5	38.5	33.2	35.4
No such challenge was faced	7.6	12.1	13.5	13.1	15.2	8.9	11.0	11.7
Unspecified	3.3	4.3	0.8	3.5	2.3	3.5	3.1	3.0
Likely development of the increase in competitiveness in the first half of 2016 (net percentage)	28.8	29.7	34.9	33.9	28.6	37.8	30.1	32.2
Will decrease	1.7	4.4	0.0	0.6	0.6	2.4	1.2	1.4
Will remain unchanged	48.3	42.9	46.1	46.4	52.6	39.6	46.0	46.1
Will increase	30.5	34.1	34.9	34.5	29.2	40.2	31.3	33.6
No such challenge will be faced	5.1	7.6	7.1	7.2	7.1	5.3	8.0	6.8
Unspecified	14.4	11.0	11.9	11.3	10.5	12.5	13.5	12.1
Decrease in financing sources in the second half of 2015 (net percentage)	-10.1	3.3	-10.3	-11.3	2.3	-10.7	-16.6	-8.2
Low	25.4	14.3	21.4	23.2	15.2	24.9	25.2	21.7
Medium	26.3	25.3	17.5	16.1	13.5	17.8	30.7	20.5
High	15.3	17.6	11.1	11.9	17.5	14.2	8.6	13.5
No such challenge was faced	23.7	31.8	44.4	38.7	43.3	32.5	30.1	35.3
Unspecified	9.3	11.0	5.6	10.1	10.5	10.6	5.4	9.0
Likely development of the decrease in financing sources in the first half of 2016 (net percentage)	0.8	8.8	12.7	8.9	7.0	11.3	5.5	7.9
Will decrease	8.5	6.6	4.0	2.4	4.7	5.3	4.9	5.0
Will remain unchanged	46.6	45.1	31.8	43.5	39.2	36.7	49.1	41.6
Will increase	9.3	15.4	16.7	11.3	11.7	16.6	10.4	12.9
No such challenge will be faced	16.1	14.3	27.7	23.8	26.3	20.1	17.2	21.3
Unspecified	19.5	18.7	19.8	19.0	18.1	21.3	18.4	19.2
Increased production costs in the second half of 2015 (net percentage)	18.7	-1.1	-8.0	-9.0	-3.5	1.2	0.0	-0.8
Low	9.3	18.7	19.1	26.2	19.3	21.3	16.6	19.1
Medium	46.6	41.8	27.0	31.0	31.6	30.8	44.8	35.6
High	28.0	17.6	11.1	17.2	15.8	22.5	16.6	18.3
No such challenge was faced	11.9	18.6	35.7	19.6	28.1	19.5	17.2	22.7
Unspecified	4.2	3.3	7.1	6.0	5.3	5.9	4.9	5.4

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Likely development of the increased production costs in the first half of 2016 (net percentage)	31.4	25.3	25.4	26.2	25.8	31.9	23.3	27.0
Will decrease	3.4	5.5	0.8	4.2	2.9	2.4	4.9	3.4
Will remain unchanged	42.4	38.5	33.4	39.9	44.4	30.8	40.5	38.6
Will increase	34.8	30.8	26.2	30.4	28.7	34.3	28.2	30.4
No such challenge will be faced	5.9	12.0	19.8	10.7	10.5	15.4	10.4	12.1
Unspecified	13.5	13.2	19.8	14.8	13.5	17.1	16.0	15.5
Lack of adequate staff in the second half of 2015 (net percentage)	15.3	14.4	-3.2	2.4	11.7	5.3	1.3	6.1
Low	18.6	15.3	23.0	23.2	17.0	20.7	24.5	20.7
Medium	28.0	29.7	31.0	27.4	19.3	33.7	33.7	28.8
High	33.9	29.7	19.8	25.6	28.7	26.0	25.8	26.8
No such challenge was faced	14.4	22.0	24.6	19.6	31.0	17.2	11.7	20.1
Unspecified	5.1	3.3	1.6	4.2	4.0	2.4	4.3	3.6
Likely development of the lack of adequate staff in the first half of 2016 (net percentage)	16.9	28.6	14.3	21.4	18.1	21.4	20.3	19.9
Will decrease	6.8	3.3	3.2	4.8	3.5	4.7	5.5	4.6
Will remain unchanged	48.3	40.7	47.6	44.6	45.6	44.4	46.6	45.5
Will increase	23.7	31.9	17.5	26.2	21.6	26.1	25.8	24.5
No such challenge will be faced	8.5	11.0	19.8	10.7	17.5	11.8	8.0	12.5
Unspecified	12.7	13.1	11.9	13.7	11.8	13.0	14.1	12.9
Indebtedness of business partners in the second half of 2015 (net percentage)	-12.7	8.8	-8.8	-11.9	-1.1	-5.3	-16.6	-7.6
Low	26.3	17.6	28.6	24.4	18.1	26.6	29.5	24.7
Medium	35.6	23.1	28.6	27.4	21.6	26.0	39.3	28.8
High	13.6	26.4	19.8	12.5	17.0	21.3	12.9	17.1
No such challenge was faced	17.0	26.4	17.5	29.7	38.6	18.9	11.0	23.1
Unspecified	7.5	6.5	5.5	6.0	4.7	7.2	7.3	6.3
Likely development of the indebtedness of business partners in the first half of 2016 (net percentage)	2.6	9.9	11.1	4.8	12.3	6.0	1.8	6.7
Will decrease	9.3	8.8	8.7	7.7	4.7	11.8	9.2	8.6
Will remain unchanged	44.9	37.4	40.5	46.4	43.9	37.9	47.2	42.9
Will increase	11.9	18.7	19.8	12.5	17.0	17.8	11.0	15.3
No such challenge will be faced	12.7	15.4	9.5	16.7	18.1	13.6	9.2	13.7
Unspecified	21.2	19.7	21.5	16.7	16.4	18.9	23.3	19.5
Increase in tax burden in the second half of 2015 (net percentage)	37.3	42.9	35.7	41.7	47.9	45.6	23.9	39.3
Low	11.0	5.5	6.4	8.3	4.7	5.9	13.5	8.0
Medium	29.7	29.7	44.4	31.6	33.3	32.0	36.8	34.0
High	48.3	48.4	42.1	50.0	52.6	51.5	37.4	47.3
No such challenge was faced	5.1	11.0	6.4	8.3	7.6	8.3	6.8	7.6
Unspecified	5.9	5.4	0.7	1.8	1.8	2.3	5.5	3.1
Likely development of the increase in tax burden in the first half of 2016 (net percentage)	19.5	25.3	35.7	27.4	36.2	27.8	17.2	27.2
Will decrease	3.4	3.3	0.8	0.6	0.6	3.0	1.8	1.8
Will remain unchanged	52.5	46.2	45.2	53.0	44.4	49.7	55.2	49.7
Will increase	22.9	28.6	36.5	28.0	36.8	30.8	19.0	29.0
No such challenge will be faced	5.1	9.9	3.2	6.0	7.0	4.7	5.5	5.8
Unspecified	16.1	12.0	14.3	12.5	11.2	11.8	18.5	13.7

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Legal/administrative requirements in the second half of 2015 (net percentage)	10.2	13.2	6.3	10.1	13.5	13.6	1.9	9.8
Low	16.1	13.2	13.5	18.5	14.6	13.6	19.0	15.7
Medium	32.2	34.1	36.5	26.8	31.0	30.8	33.7	31.8
High	26.3	26.4	19.8	28.6	28.1	27.2	20.9	25.5
No such challenge was faced	16.1	15.4	23.0	19.6	18.7	21.3	16.6	18.9
Unspecified	9.3	10.9	7.2	6.6	7.6	7.1	9.8	8.2
Likely development of legal/administrative requirements in the first half of 2016 (net percentage)	8.5	15.3	18.2	20.8	17.5	18.4	12.9	16.3
Will decrease	5.1	5.5	1.6	2.4	1.8	4.7	3.7	3.4
Will remain unchanged	50.0	40.7	41.3	43.5	45.0	38.5	48.5	43.9
Will increase	13.6	20.8	19.8	23.2	19.3	23.1	16.6	19.7
No such challenge will be faced	10.2	11.0	15.9	13.7	15.8	12.4	10.4	12.9
Unspecified	21.1	22.0	21.4	17.2	18.1	21.3	20,88.5	20.1
Other challenges in the second half of 2015 (net percentage)	-6.0	-3.3	-2.3	-1.1	-1.2	-4.2	-3.7	-3.0
Low	10.2	8.8	8.7	7.1	8.2	10.7	6.8	8.6
Medium	11.0	8.8	7.1	8.9	6.4	10.1	10.4	9.0
High	4.2	5.5	6.4	6.0	7.0	6.5	3.1	5.6
No such challenge was faced	16.1	17.6	15.1	14.3	14.6	16.6	15.3	15.5
Unspecified	58.5	59.3	62.7	63.7	63.8	56.1	64.4	61.4
Likely development of other challenges in the first half of 2016 (net percentage)	1.7	2.2	4.8	2.4	0.6	5.3	2.5	2.8
Will decrease	1.7	3.3	1.6	3.0	2.9	3.6	0.6	2.4
Will remain unchanged	29.7	19.8	15.1	22.6	23.4	18.9	23.3	21.9
Will increase	3.4	5.5	6.4	5.4	3.5	8.9	3.1	5.2
No such challenge will be faced	11.9	8.8	15.1	8.9	10.5	12.4	10.4	11.1
Unspecified	53.3	62.6	61.8	60.1	59.7	56.2	62.6	59.4

Table 3. Breakdown of enterprises within a specified business area or size group by location of sales income (unless otherwise specified, %)

Income received in the domestic and foreign markets respectively		Activity				Size of enterprise			Total
		industry	construc- tion	trade	services	low	medium	high	
share of income received in the domestic market, percentage	share of income received in foreign market, percentage								
0	100	3.4	1.1	0.8	1.2	1.2	1.8	1.6	1.6
10	90	5.1	0.0	1.6	4.2	2.9	1.8	3.0	3.0
20	80	4.2	0.0	4.0	3.6	2.3	1.8	3.2	3.2
30	70	7.6	0.0	4.8	3.0	2.3	4.7	4.0	4.0
40	60	5.1	0.0	2.4	1.2	1.2	1.2	2.2	2.2
50	50	10.2	4.4	2.4	2.4	2.9	5.3	4.6	4.6
60	40	5.1	0.0	5.6	0.6	0.6	2.4	2.8	2.8
70	30	5.9	4.4	7.9	2.4	4.1	6.5	5.0	5.0
80	20	4.2	12.1	4.0	1.8	3.5	5.3	4.8	4.8
90	10	13.6	7.7	22.2	8.9	12.9	14.8	13.1	13.1
100	0	31.4	61.5	40.5	62.5	62.0	47.3	49.5	49.5
Unspecified	Unspecified	4.2	8.8	4.0	8.3	4.1	7.1	6.4	6.4

Table 4. Breakdown of enterprises within a specified business area or size group by likely development of export volume within the next 12 months

(unless otherwise specified, %; sample of respondents — 222 enterprises)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
net percentage	35.5	0.0	4.3	36.7	12.0	13.0	35.6	21.7
Will decrease	9.2	22.2	17.1	10.2	19.0	19.5	4.6	13.5
Will remain unchanged	38.2	51.9	54.3	26.5	39.7	41.5	44.8	42.3
Will increase	44.7	22.2	21.4	46.9	31.0	32.5	40.2	35.2
Unspecified	7.9	3.7	7.2	16.4	10.3	6.5	10.4	9.0

Table 5. Breakdown of enterprises within a specified business area or size group by development of demand in the domestic market

(unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Development of domestic demand in the second half of 2015 (net percentage)	5.9	15.4	14.3	4.8	6.5	13.1	8.6	9.3
Decreased	17.8	20.9	20.6	23.2	22.2	18.9	21.5	20.9
Remained unchanged	55.9	39.6	43.7	46.4	48.0	47.9	44.2	46.7
Increased	23.7	36.3	34.9	28.0	28.7	32.0	30.1	30.2
Unspecified	2.6	3.2	0.8	2.4	1.1	1.2	4.2	2.2
Likely development of domestic demand in the first half of 2016 (net percentage)	11.9	11.0	3.2	16.6	10.0	4.1	19.6	11.1
Will decrease	18.6	23.1	23.0	16.1	21.6	23.1	14.1	19.7
Will remain unchanged	45.8	38.5	49.2	49.4	43.9	47.3	48.5	46.5
Will increase	30.5	34.1	26.2	32.7	31.6	27.2	33.7	30.8
Unspecified	5.1	4.3	1.6	1.8	2.9	2.4	3.7	3.0

Table 6. Breakdown of enterprises within a specified business area or size group by development of prices of production (services)

(unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Development of prices of production (services) in the second half of 2015 (net percentage)	13.6	20.9	7.9	9.5	15.2	7.1	14.1	12.1
Decreased	16.1	11.0	15.1	17.9	11.7	18.3	16.6	15.5
Remained unchanged	53.4	57.1	61.1	53.6	60.2	55.6	52.2	56.1
Increased	29.7	31.9	23.0	27.4	26.9	25.4	30.7	27.6
Unspecified	0.8	0.0	0.8	1.1	1.2	0.7	0.5	0.8
Likely development of prices in the first half of 2016 (net percentage)	11.9	12.1	15.1	13.7	18.1	11.2	10.5	13.4
Will decrease	11.0	8.8	7.1	11.3	8.8	9.5	11.0	9.7
Will remain unchanged	63.6	67.0	69.8	60.1	60.8	69.8	63.2	64.6
Will increase	22.9	20.9	22.2	25.0	26.9	20.7	21.5	23.1
Unspecified	2.5	3.3	0.9	3.6	3.5	0.0	4.3	2.6

Table 7. Breakdown of enterprises within a specified business area or size group by wage dynamics of employees working in an enterprise

(unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Wage dynamics in the second half of 2015 (net percentage)	51.7	42.8	34.0	34.0	32.8	46.2	40.4	39.7
Decreased	4.2	5.5	4.8	8.3	7.0	4.1	6.8	6.0
Remained unchanged	39.0	46.2	54.8	48.2	52.1	45.6	44.2	47.3
Increased	55.9	48.3	38.8	42.3	39.8	50.3	47.2	45.7
Unspecified	0.9	0.0	1.6	1.2	1.1	0.0	1.8	1.0

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Likely development of prices in the first half of 2016 (net percentage)	36.5	24.2	35.7	42.2	32.7	34.3	41.1	36.0
Will decrease	4.2	11.0	3.2	3.0	4.7	5.3	4.3	4.8
Will remain unchanged	50.9	50.6	55.6	48.2	55.6	52.1	45.4	51.1
Will increase	40.7	35.2	38.9	45.2	37.4	39.6	45.4	40.8
Unspecified	4.2	3.2	2.3	2.6	2.3	3.0	4.9	3.3

Table 8. Breakdown of enterprises within a specified business area or size group by origin of satisfaction of business financial needs (unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Share of internal financing resources, %								
50 per cent and below	20.3	16.5	23.0	11.3	10.5	20.7	20.9	17.3
60–70 per cent	11.9	14.3	9.5	10.7	8.2	11.2	14.7	11.3
80–90 per cent	22.9	18.6	15.9	13.7	15.2	14.2	22.7	17.3
100 per cent	34.8	40.7	46.8	56.6	62.6	46.2	28.8	46.1
Unspecified	10.1	9.9	4.8	7.7	3.5	7.7	12.9	8.0
Breakdown of enterprises by intention of satisfying business funding needs with internal resources⁶								
50 per cent and below	26.7	20.5	23.3	29.0	21.6	30.6	22.6	25.2
60–70 per cent	11.1	18.2	11.6	12.9	11.7	12.5	16.1	13.4
80–90 per cent	24.4	15.9	20.9	16.1	16.7	16.7	24.2	19.1
100 per cent	28.9	38.6	37.2	35.5	45.0	33.3	27.4	35.1
Unspecified	8.9	6.8	7.0	6.5	5.0	6.9	9.7	7.2
Significance of factors that determined the choice of internal financing sources in satisfying business needs								
Sufficient internal resources or no need to borrow (net percentage)	43.3	47.9	50.5	54.9	55.1	46.3	47.5	50.0
Unwillingness of owners of an enterprise to assume additional liabilities (net percentage)	5.6	15.1	20.0	20.4	29.5	8.8	6.8	16.1
Unwillingness of owners of an enterprise to lose control over management of the enterprise (net percentage)	20.0	21.9	17.1	23.2	27.6	18.4	14.4	20.7
Unwillingness of owners of an enterprise to share profits earned (net percentage)	4.4	0.0	–0.9	–4.9	3.2	–5.1	–1.7	–0.9
Lack of information or not knowing how to attract external resources (net percentage)	–20.0	–4.1	–9.5	–13.4	–5.8	–13.2	–19.5	–12.2
Too high a price of external resources (net percentage)	27.8	35.6	27.6	32.4	42.9	26.5	19.5	30.7
Distrust in system of credit institutions (net percentage)	5.6	11.0	–0.09	–4.9	14.1	–0.7	–13.6	1.2
Refusal of a credit institutions or another lender to provide financing (net percentage)	–8.9	1.4	–7.6	–6.3	–5.1	–3.7	–9.3	–5.9
Instruments for financing enterprise operations (share of enterprises using								

⁶ sample — 194 enterprises

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
an instrument)								
Internal resources	91.5	93.4	92.1	93.5	94.2	93.5	90.2	92.6
Overdraft and credit lines	41.5	41.8	35.7	26.8	21.6	34.9	49.7	35.2
Bank loans	51.7	45.1	35.7	28.0	21.6	36.1	58.9	38.8
Leasing, rent-to-own, factor- ing	49.2	45.1	35.7	34.5	24.6	41.4	55.2	40.2
Increase of share capital (new issue of enterprise stocks)	28.8	23.1	20.6	19.1	14.0	24.3	29.5	22.5
Issue of debt securities	17.8	18.7	11.1	6.6	8.2	13.0	16.6	12.5
Use of EU funds	34.8	34.1	12.7	22.6	12.9	24.3	38.7	25.1
Trade credits	38.1	35.2	33.3	16.1	21.1	31.4	35.0	29.0
Financial aid from state/municipality	23.7	30.8	9.5	19.6	9.4	20.7	30.7	20.1
Venture capital and private equity funds, angel investors	17.8	18.7	11.9	8.9	8.8	14.2	17.8	13.5
Share of enterprises plan- ning to change business financing sources	19.5	14.3	9.5	9.5	11.7	11.8	14.7	12.7

Table 9. Breakdown of enterprises within a specified business area or size group by assessment of borrowing from credit institutions
(unless otherwise specified, %)

Indicators	Activity				Size of enterprise			Total
	industry	construc- tion	trade	services	low	medium	high	
Assessment of availability of business loans								
Lending to businesses is strictly limited	9.3	15.4	11.1	14.3	17.5	12.4	7.4	12.5
Lending to businesses is partly limited	39.8	34.1	32.5	32.1	31.6	31.4	40.5	34.4
Lending to businesses is the same as it was before	21.2	23.1	30.2	18.5	22.2	23.1	23.3	22.9
Lending to businesses is partly more available	6.8	6.6	5.6	10.7	6.4	6.5	10.4	7.8
Lending to businesses is fully available	8.5	2.2	3.2	4.8	1.8	3.6	9.2	4.8
Not sure (did not answer)	14.4	18.6	17.5	19.6	20.5	23.0	9.2	17.6
Share of enterprises with liabilities to credit institu- tions	58.5	50.6	50.0	40.5	31.6	47.3	68.7	48.9
Share of enterprises that secured their liabilities by pledge of assets (warrant- ies)	68.1	73.9	76.2	52.9	64.8	65.0	69.6	67.1
Share of enterprises that secured their liabilities by warranty of natural persons (the results for the first half of 2015 are presented in brackets)⁸	39.1 (27.9)	34.8 (22.2)	38.1 (37.7)	26.5 (36.4)	57.4 (32.6)	28.8 (39.8)	27.7 (25.2)	34.6 (31.7)
Share of enterprises that applied to credit institu- tions for a new loan or change of the terms and conditions of current loan⁹	33.3	30.4	28.6	20.6	31.5	27.5	26.8	28.1
Satisfaction of applications for borrowing or changing the contractual terms and conditions of existing liabilities¹⁰								

⁷ sample — 246 enterprises

⁸ sample — 246 enterprises

⁹ sample — 246 enterprises

¹⁰ sample — 69 enterprises

Application was rejected	13.0	7.1	5.6	21.4	17.7	18.2	3.3	11.6
Lent a smaller amount than was applied for	8.7	0.0	5.6	7.1	5.9	4.6	6.7	5.8
Lent the entire amount applied for but under additional conditions	30.4	28.6	38.9	21.4	41.2	22.7	30.0	30.4
Application was fully satisfied	47.8	57.1	44.4	50.0	29.4	50.0	60.0	49.2

Table 10. Borrowing from credit institutions requirement in the first half of 2016 (unless otherwise specified, %)

	2015 H2	2015 H1	2014 H2	2014 H1
Net percentage between enterprises planning to increase and decrease borrowing	14.0	18.5	27.3	15.3
There will be no need	9.0	14.8	15.2	19.0
Will decrease considerably	3.0	3.7	1.0	2.1
Will decrease	14.0	6.8	4.1	6.7
Will remain unchanged	32.5	36.4	38.7	40.5
Will increase	30.0	26.5	26.3	21.0
Will increase considerably	1.0	2.5	6.1	3.1
Unspecified	10.5	9.3	13.6	7.7
<i>Sample of respondents (number of enterprises, units)</i>	200	162	243	195

Table 11. Use of funds received from external financing sources (share of enterprises that reported a given purpose) (unless otherwise specified, %)

Purpose	2015 H2	2015 H1	2014 H2	2014 H1
Repair, purchase or rental of equipment, machinery, transport vehicles	55.9	48.0	52.0	35.2
Purchase of raw materials, fuel, goods for resale	49.1	42.8	37.6	25.8
Construction, reconstruction, purchase (renting) of engineering buildings, buildings.	29.2	22.8	16.2	18.8
Outsourcing	18.0	15.4	11.0	8.9
Purchase or rent of land	9.9	–	–	–
<i>Sample of respondents (number of enterprises, units)</i>	161	123	173	143

Table 12. Assessment of factors important in selecting a credit institution (share of enterprises that reported a given factor) (unless otherwise specified, %)

Factors	2015 H2	2015 H1	2014 H2	2014 H1
Credit terms of credit institution are favourable	88.6	87.6	84.6	81.0
Fees for services offered by credit institution are low	85.8	81.3	75.8	71.3
Credit institution quickly takes decisions	83.0	82.5	75.8	68.1
Credit institution has a wide range of services	70.7	69.2	58.3	55.6
Credit institution is knowledgeable of the activities of your enterprise	65.9	55.8	46.7	44.4
Broad network of credit institution's branches	44.7	34.6	32.1	29.2
Personal relations of owners (managers) of an enterprise with a credit institution	37.8	31.4	19.6	19.9
<i>Sample of respondents (number of enterprises, units)</i>	246	240	240	216