

# **EU company financing: stylized facts**



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**Presentation of the Green Paper on  
“Restarting European Long-Term  
Investment Finance”**

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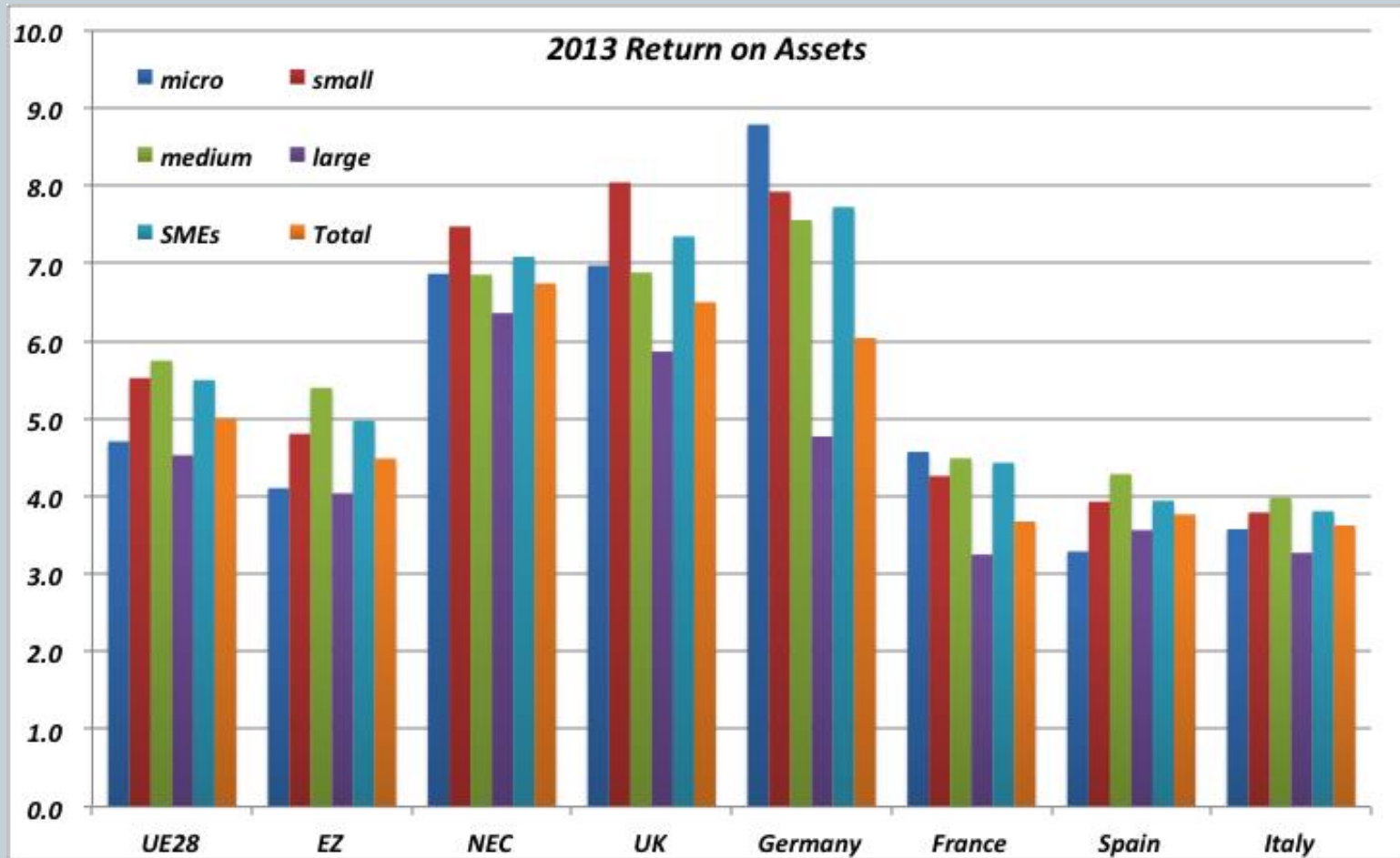
# Fact no. 1

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- Large **differences** between companies:
  - across **countries**
    - ✦ North vs. South
    - ✦ Germany vs. other euro zone (EZ) countries
  - between large and small companies

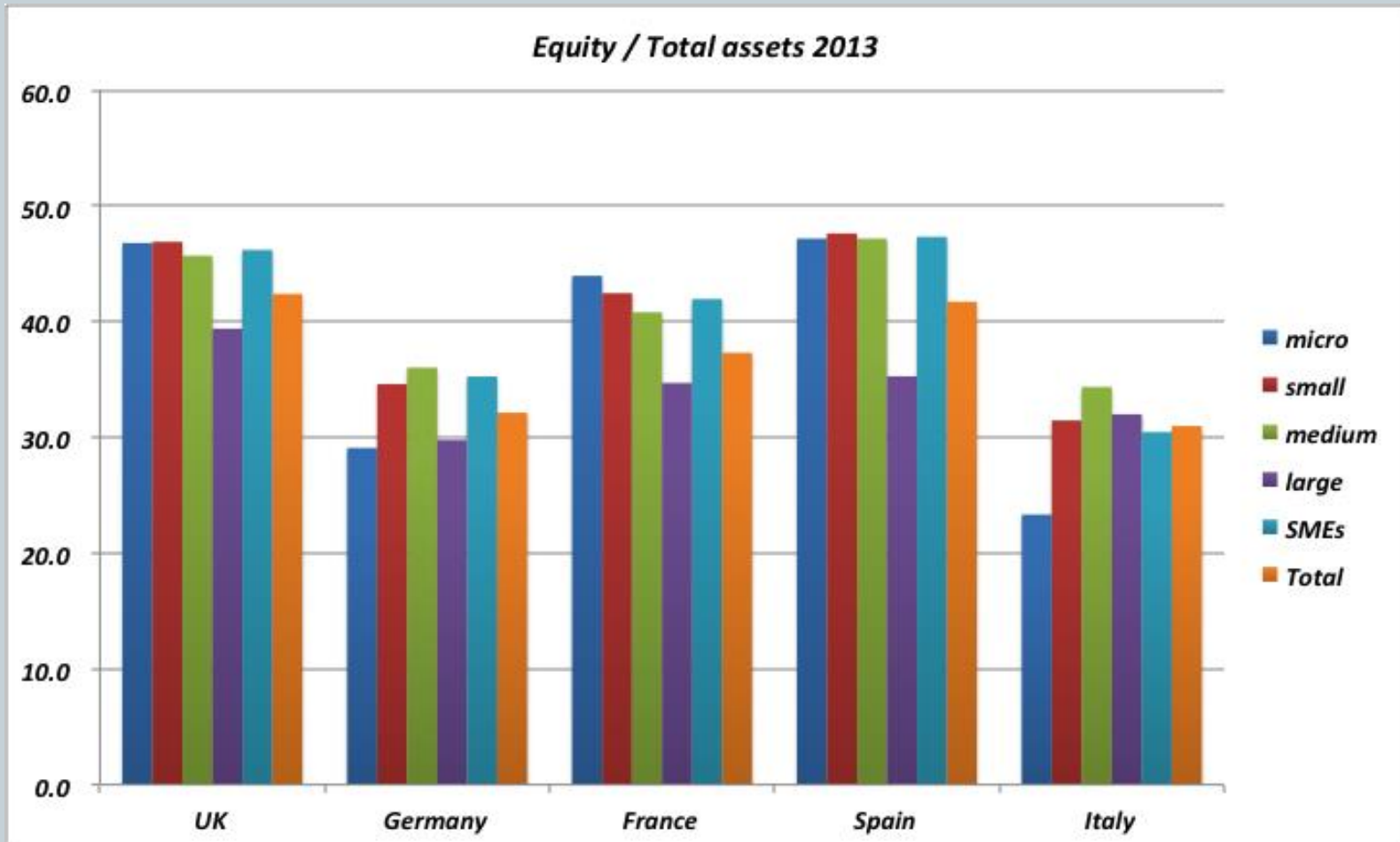
# Differences in firms' profitability...

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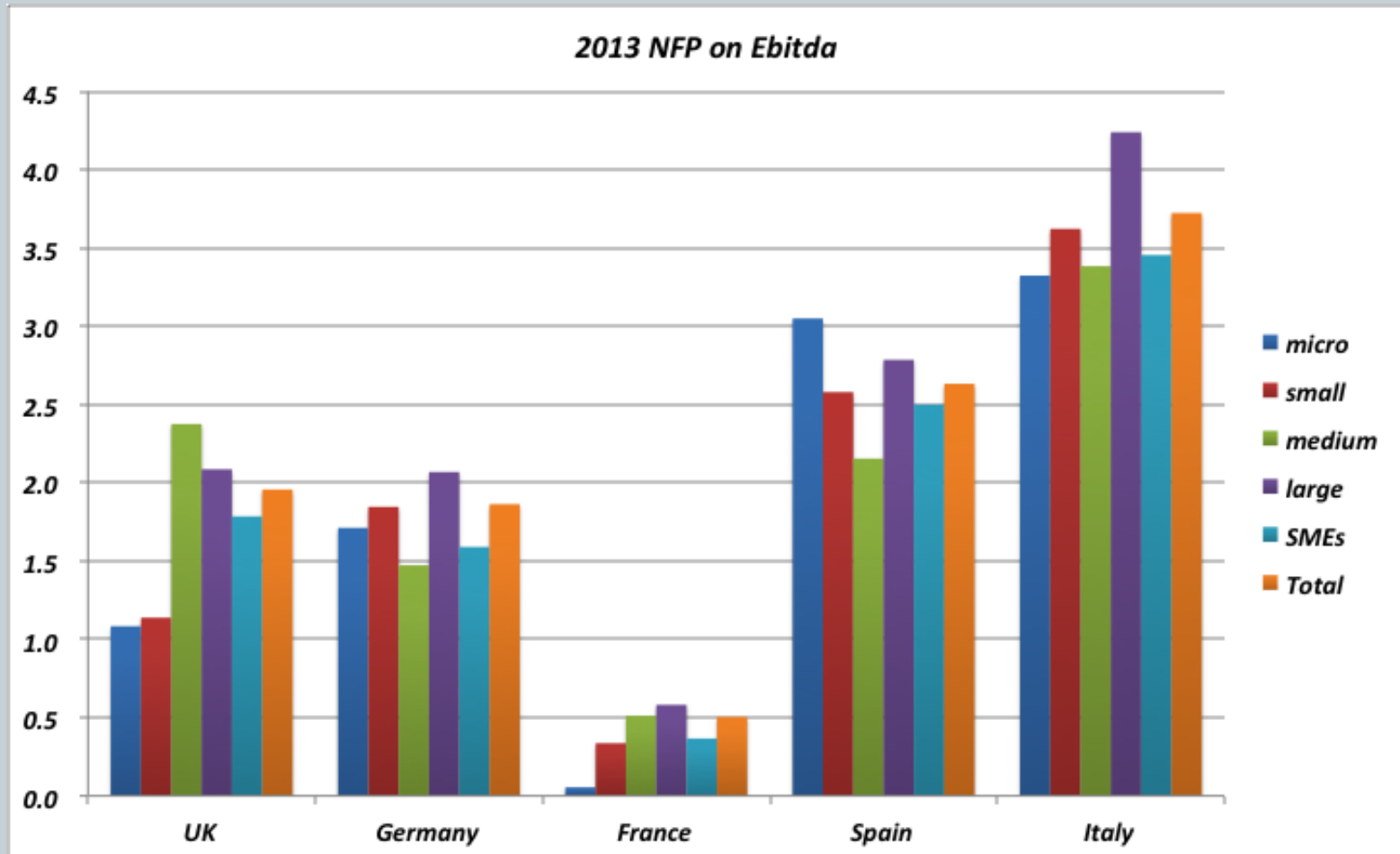
# ... in their capitalization...

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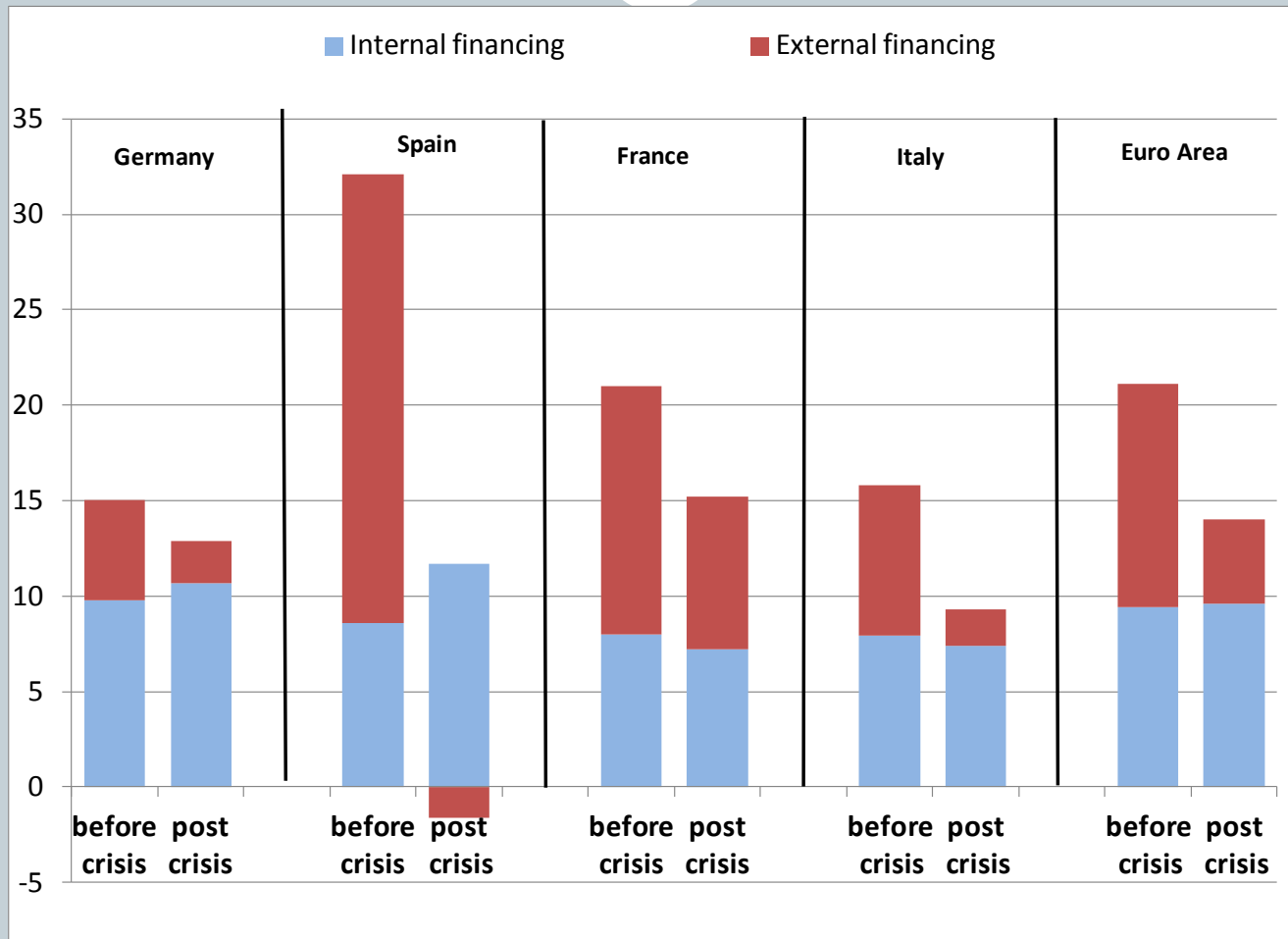
# ... in their net financial position ...

5



# ... and mix of external & internal finance

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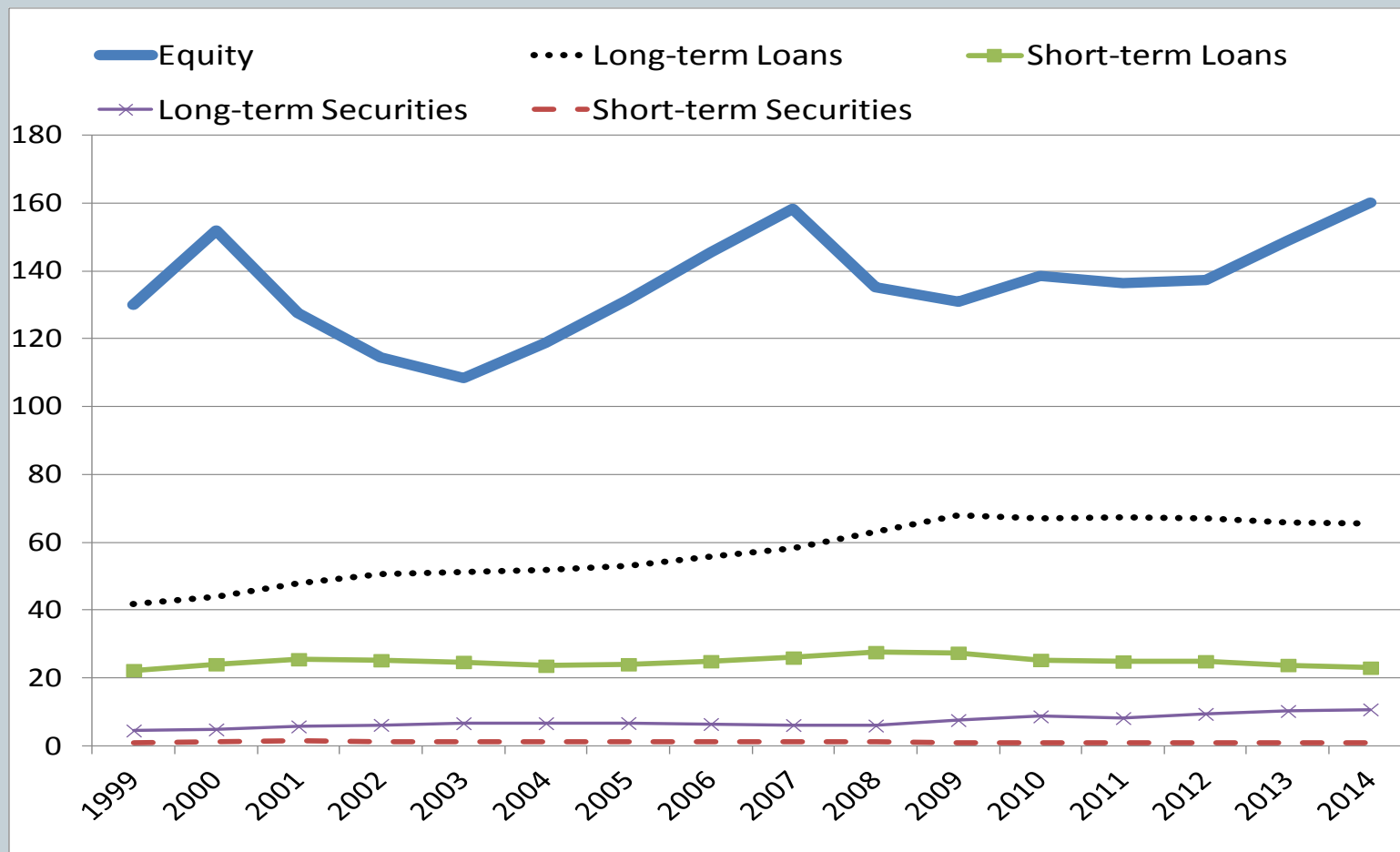
# Fact no. 2

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- Overall **little shortage of long-term finance**:
  - firms have increased their capitalization (E/A)
  - large firms have increased bond issuance
  - BUT small and medium firms are still bank dependent
  - ... and bank loans are very cyclical, while bond issuance is more stable and counter-cyclical

# Composition of EZ firms' liabilities (% GDP)

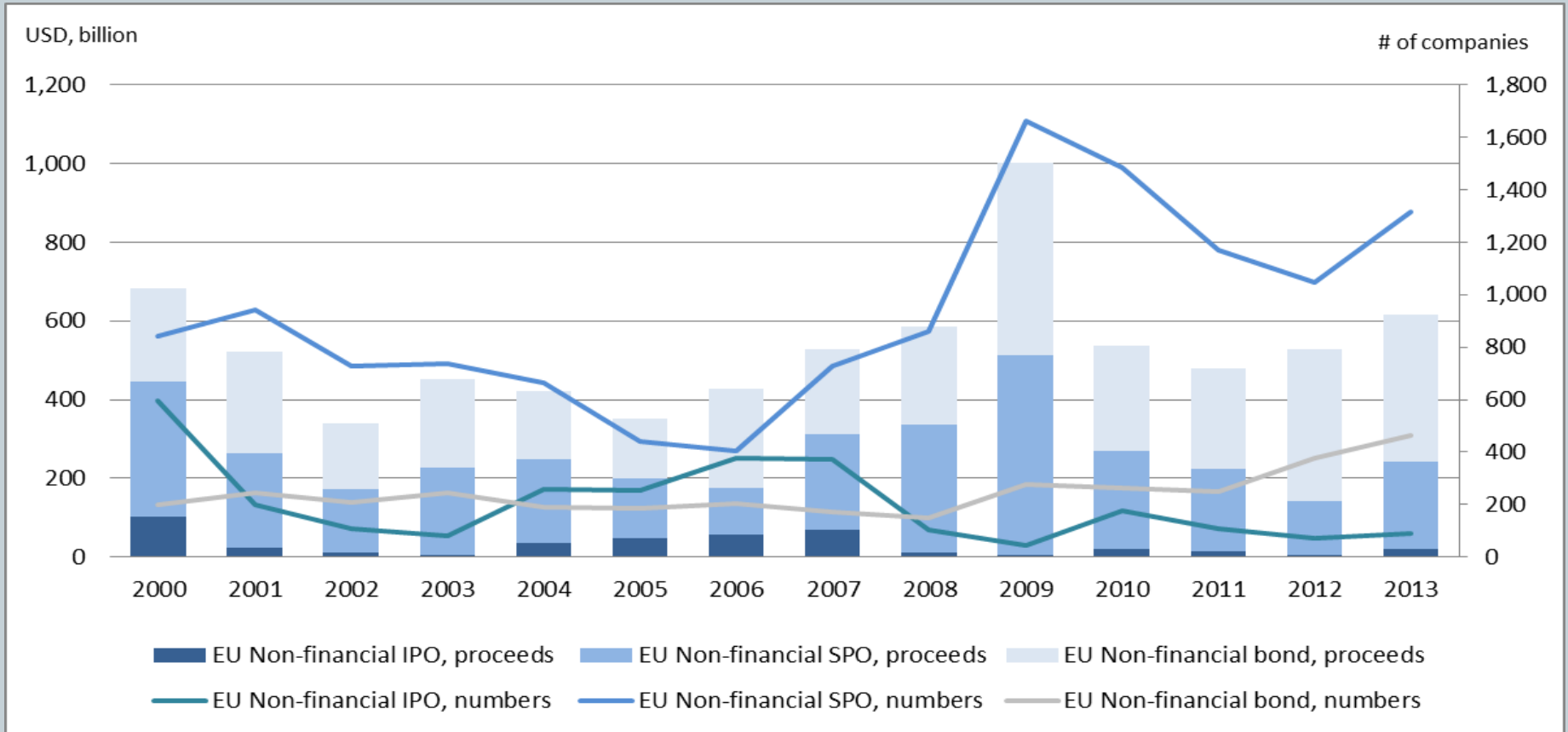
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# Capital market financing of firms in Europe

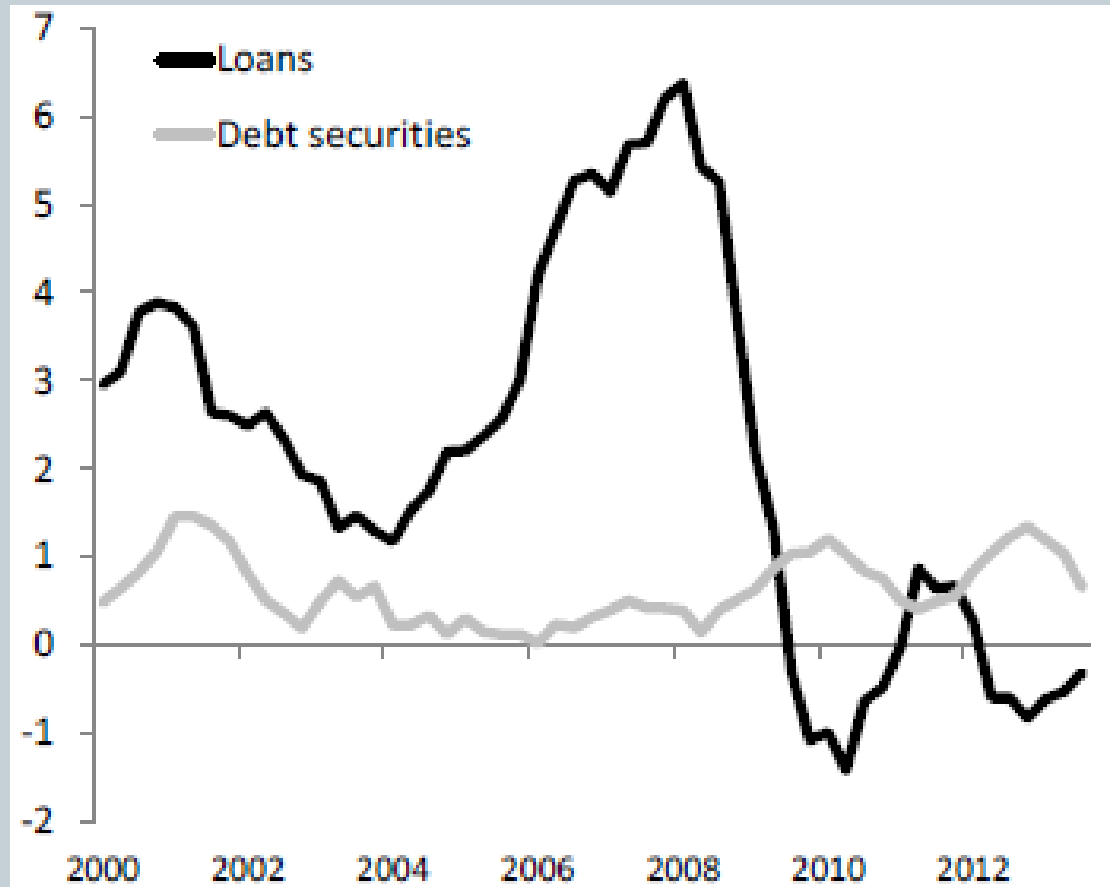
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Source: OECD

# Bank loans & security funding of European firms

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% of GDP. Source: ESRB Report no. 2, 2014

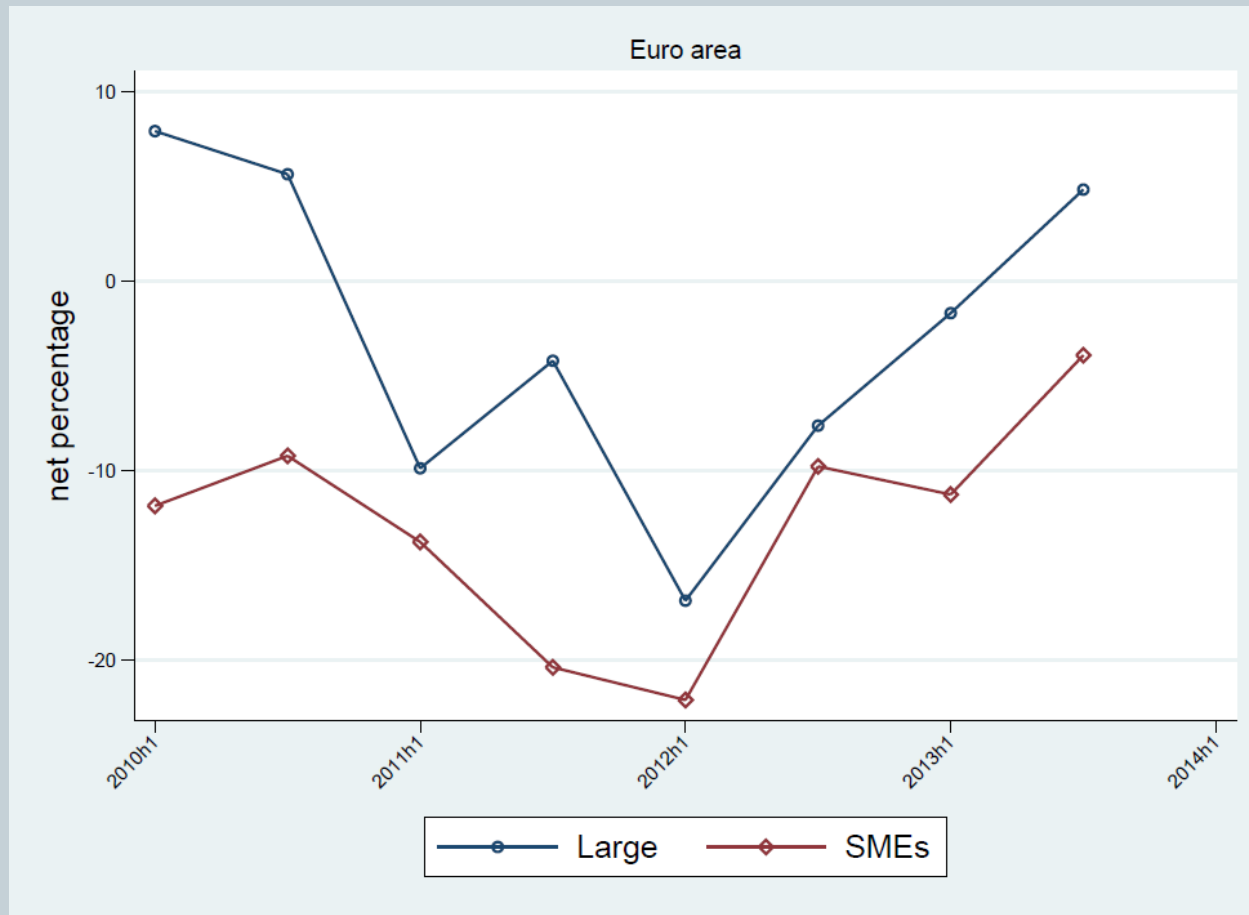
# Fact no. 3

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- **Bank loans contracted sharply** in the crisis:
  - especially for small and medium firms
  - credit availability dropped at the same time (or shortly before) firms' demand for credit: identification problem!
  - both dropped much more sharply in Italy and Spain than in France and especially Germany

# Credit availability as reported by EZ firms

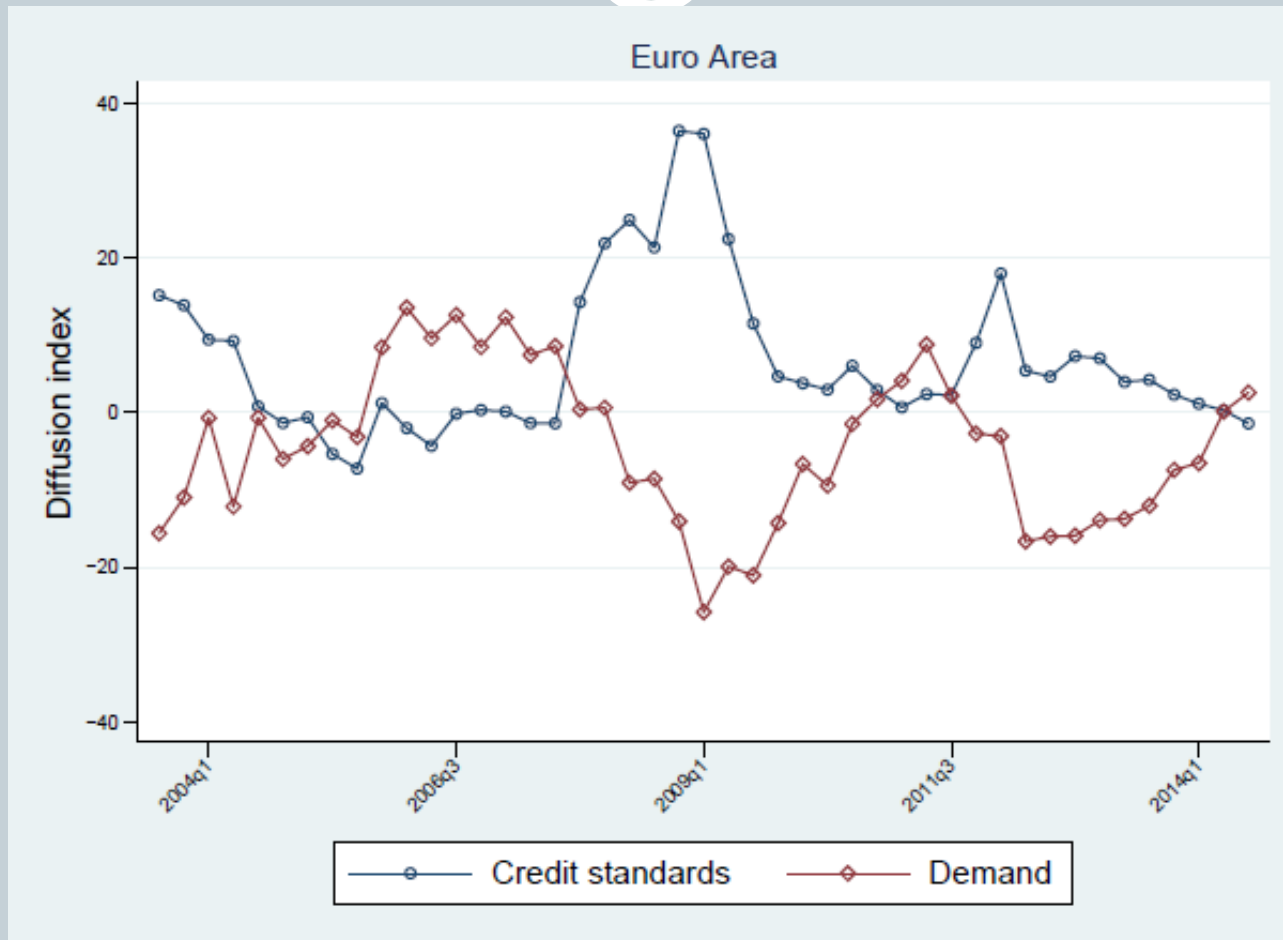
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Source: ECB Survey on Access to Finance for Enterprises.

# Credit standards & demand for credit in the EZ

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Source: ECB Bank Lending Survey.

# Credit standards & demand for credit, by country

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Source: ECB Bank Lending Survey.