



## 2018 SME REPORT

### Did 2017 herald a high in the business cycle of SMEs and ISEs?

On the occasion of the international SME day, the Bpifrance SME Observatory publishes the *2018 SME Report*, the 14<sup>th</sup> edition of its yearly report on trends in France's SMEs and intermediate-sized enterprises (ISEs). It contains a wealth of economic and financial analyses of their developments in 2017, supported by data series covering the past five to ten years to better understand how their situation has changed over time.

2017 was a record year for many SMEs and ISEs in France. Their financial and economic indicators hit new highs following on from the two very positive previous years. Business formations were at their highest since 2010 while business failures fell well below pre-crisis levels. French private equity activity reached a new peak in terms of the number of businesses financed, with capital raised hitting a 20-year high. The number of companies qualifying for the JEI innovative start-up status was also at its highest since the scheme was first implemented in 2004, while many other 2017 indicators confirmed the long-term upwards trend, particularly in SMEs.

#### 2018 SME Report: 2017 was a record year, and confirmed the increase in SME and ISE business

SME and ISE 2017 indicators are set fair, led by an ever more favourable French macroeconomic environment. They have consolidated the upwards trend observed for the third year running.

#### 2017 highlights

The creation of new businesses continued to grow in almost all sectors and regions of France, at a faster pace than the previous year and reaching peaks not seen since the beginning of the decade, to stand at 591,000.

Meanwhile, the number of business failures fell again, irrespective of age, size and location, to below its pre-crisis level, standing at 55,300. Under these circumstances, the number of jobs under threat from insolvency proceedings also fell below the 200,000 mark for the first time in ten years to stand at 172,000.

SME shareholders' equity and total turnover were up for the third year running, and their capital expenditure increased in all sectors of the economy with the exception of Commerce, which saw a significant decline, offsetting the increases elsewhere.



These SMEs, and primarily micro-enterprises, are contributing to the rise in French goods exports and consolidating their own performance year-on-year, with a 4.6% increase in exports by value for micro-enterprises and 1% for non-micro-enterprises SMEs.

In terms of financing, private equity activity reached new highs in 2017, with a fifth year of rising investment (€14.3bn) into a record number of companies (2,142) and capital inflows at their highest for twenty years (€16.5bn).

France also remains one of the most favourable countries in terms of SME access to bank lending, as illustrated\* by the continued rise in lending (+3.7%, higher than the median for OECD countries), lower interest rates, the rise in loan applications approved by lenders, and the lowest number of requests for guarantees. France is again in the lead with just 5% of SMEs required to provide fresh guarantees to secure a loan.

As regards R&D, SMEs still account for more than three quarters of businesses carrying out in-house R&D and one sixth of in-house R&D expenditure, and remain the category of business devoting the highest proportion of its turnover to R&D work (7.9% compared to 2.7% for all businesses as a whole)\*.

Over 9,800 businesses have benefited from France's innovative start-up (JEI) scheme in its 14 years of existence. In 2017, some 3,800 companies participated in the scheme, 902 of which had joined that same year, a record number since it was introduced in 2004.

At the same time, SMEs that were members of a competitiveness cluster outperformed their rivals in terms of both turnover growth (+28 percentage points relative to comparable SMEs that were not clusters-members) and increased headcount (+18 points)\*.

*\*Most recent available data: 2016.*

The *2018 SME Report*, including online even more analyses, graphs and data, can be found and downloaded free of charge from 27 June at: [www.bpifrance-lelab.fr/sme2018](http://www.bpifrance-lelab.fr/sme2018)

To keep up-to-date with the analyses produced by the French SME Observatory:

- Sign up for the distribution list: [observatoiredespme@bpifrance.fr](mailto:observatoiredespme@bpifrance.fr)
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### **About the SME Observatory**

The SME Observatory is a hub for accumulating knowledge on the profiles of French SMEs and ISEs. For 14 years:

- it has compiled available data and put them into perspective, making it comparable over time;
- it has clarified the concepts used;
- it has compared the situation in France with that in other countries.

To disseminate structured information and comments to the greatest number of people, the SME Observatory publishes an SME Trends Report each year. The online version of this also gives access to additional resources arranged by subject.

Bpifrance manages the SME Observatory through a steering committee made up of long-standing partners, some of which have been present since 2001. Closer cooperation with other observatories are enabling it to broaden and diversify the range of subjects tackled.

Follow us on Twitter with the hashtag : [#SMEreport](#) (EN) or [#RapportPME](#) (FR).

### **About Bpifrance and Bpifrance Le Lab**

Bpifrance is the French national investment bank: it finances businesses – at every stage of their development – through loans, guarantees, equity investments and export insurances. Bpifrance also provides extrafinancial services (training, consultancy..) to help entrepreneurs meet their challenges (innovation, export...).

For more information, please visit: [www.bpifrance.fr](http://www.bpifrance.fr) - Follow us on Twitter: @Bpifrance - @BpifrancePresse  
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Bpifrance Le Lab is a think tank set up in March 2014 to “bridge the gap” between the world of research and the world of business. It brainstorms ideas for Bpifrance and business leaders, from the start-up stage through to mid-cap.

Bpifrance Le Lab disentangles the factors that determine growth and gives business leaders an insight into a world marked by dramatic economic, societal and environmental shifts, with two main aims:

- to help improve Bpifrance’s performance in providing funding and support;
- to encourage business leaders to think strategically to promote growth in their company.

Bpifrance Le Lab has its own governance, with a steering committee made up of prominent individuals from a variety of disciplines, chaired by Nicolas Dufourcq, Chief Executive Officer of Bpifrance.

All Bpifrance Le Lab publications, as well as the calls for proposals to the academic world for carrying out research work on entrepreneurial practices, are available at [www.bpifrance-lelab.fr](http://www.bpifrance-lelab.fr)