Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Statistical Release

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Trends in Business Credit and Deposits: Q3 2015[1]

Credit to all non-financial, non-property enterprises increased, in annual terms, for first time since mid-2010. However, credit to SMEs continues to register both annual and quarterly declines although gross new draw-downs are growing. Strong deposit growth continued in Q3.

- **Gross new lending to non-financial, non-property related SMEs** amounted to €2.7 billion over the twelve month period to end-Q3 2015; this was almost 21 per cent (€473 million) higher than the previous twelve month period to end-Q3 2014.

- The primary industries sector comprised the **largest share of gross new lending** to SMEs in Q3, with property-related sectors continuing to secure an increasing proportion of new advances.

- **Outstanding credit to non-financial, non-property SMEs** continued to decline in both annual and quarterly terms as repayments continue to exceed new lending.

- **Interest rates charged on new draw-downs** by non-financial, non-property related **SMEs** was 4.78 per cent during Q3 2015, a 16 basis point decline from the previous quarter.

- **Credit to all non-financial and non-property related enterprises** recorded annual growth of 0.5 per cent, the first annual increase since 2010.

- **Deposits from non-financial Irish resident private-sector enterprises** increased by €1.8 billion in Q3 2015, to stand at €48 billion. Deposits from non-financial enterprises have increased consistently since early-2013, and grew by 14.6 per cent in the year to end-Q3 2015. Deposits increased in ten of the fifteen non-financial sectors.

[1] The extensive set of Business Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available here. Recent data are often provisional and may be subject to revision. A list of credit institutions resident in the Republic of Ireland (i.e. the population covered by these statistics) is available here.

Credit Advanced to SMEs

The outstanding stock of credit advanced to Irish SMEs by resident credit institutions decreased 11.4 per cent in the year to end-Q3 2015, to stand at €47.4 billion.[2] This represented a 2.8 per cent decline over Q3; the thirteenth consecutive quarter of decline.

The outstanding stock of SME credit at end-Q3 included €9.7 billion relating to financial intermediation[3], €19 billion relating to property and €18.7 billion relating to non-financial, non-property, or 'core', sectors.

Credit to non-financial SMEs fell by 2.9 per cent during the quarter and by 10.9 per cent over the year. This reflected net repayments of €1.2 billion and €5.2 billion, respectively.

Property-related lending to SMEs constitutes the largest share of outstanding credit to non-financial SMEs, at 50 per cent. Lending to SMEs in these sectors declined by a combined 2.7 per cent over the quarter (net flow of minus €554 million) as repayments continued to outpace new lending. However, gross new lending to property sector SMEs has been increasing since the beginning of the year (Chart 1). €166 million was drawn down in Q3, which constituted 22 per cent of total new SME lending. Repayments by property-related sectors, while remaining elevated, slowed compared to earlier in 2015. Property-related SMEs represented 37 per cent of repayments in Q3 (Chart 2).

[2] SMEs are defined as enterprises with fewer than 250 employees and whose annual turnover does not exceed €50 million and/or whose annual balance sheet does not exceed €43 million. This is the standard EU definition of an SME.
[3] SME data includes lending to some enterprises in the financial intermediation sector, as their balance sheet size brings them into the SME category.

Table 1: Credit advanced to SMEs and large enterprises (non-financial, non-property)

	2012	2013	2014	2015 Q3
Credit to SMEs				
Average net quarterly flow (€m)	-342	-403	-271	-645
Annual growth rate (%)	-5.2	-5.7	-4.9	-8.8
Credit to large enterprises				
Average net quarterly flow (€m)	-198	-113	75	815
Annual growth rate (%)	-5.5	-1.8	-4.2	21.6

Chart 1: Gross new lending to non-financial SMEs (12-month moving sum)

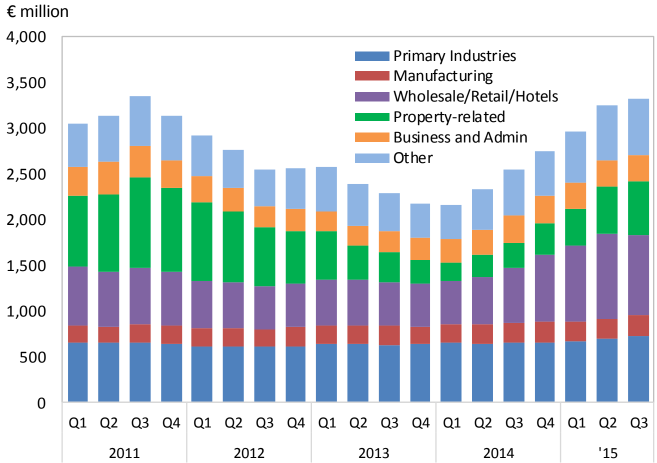
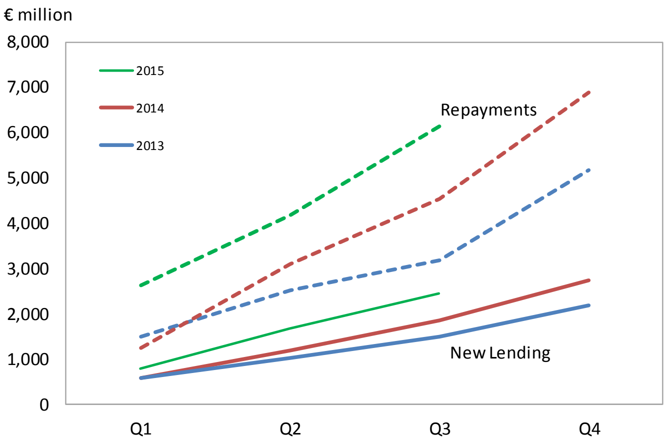


Chart 2: Cumulative gross new lending and repayments vis-à-vis non-financial SMEs



Note: Repayments (dashed lines) are a proxy series and are derived from the gross new lending and net flows series.

Credit to core SMEs contracted by 8.8 per cent (€1.9 billion) in the twelve months to end-Q3 2015. Over the quarter, repayments exceeded drawdowns by €645 million (3.3 per cent), mainly driven by hotels and the seasonally affected wholesale/retail sector. Credit to SMEs has declined markedly in contrast to larger enterprises, which have been net borrowers in three of the last four quarters (Chart 3).

New lending drawdowns by core SMEs amounted to €593 million during Q3 2015[4]. This was a 2.6 per cent increase when compared with the same period in 2014. Most core sectors have seen a rise in new lending as a proportion of outstanding stock, implying a rebalancing of credit institutions balance sheets. The primary industries sector continues to be the largest recipient of new SME lending (€175 million), while new lending to the wholesale/retail trade and repairs sector declined noticeably compared to previous quarters (Chart 1). Core SMEs continued to repay significant amounts (Chart 2), with the wholesale/retail trade and repairs

Chart 3: Quarterly rate of change in credit to enterprises (broken down by SME and large enterprise contributions)

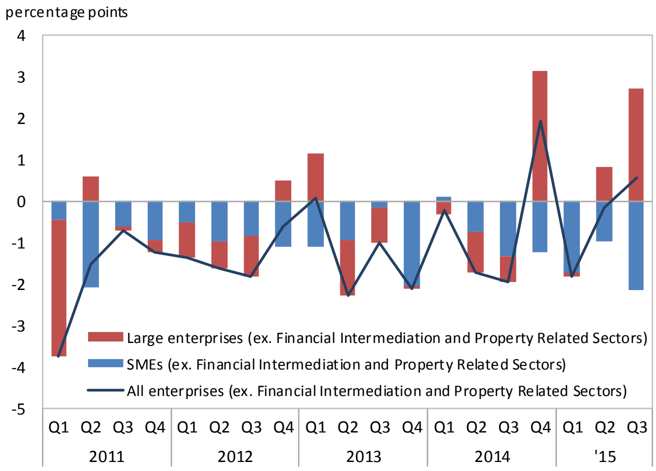


Table A.14.1 Credit Advanced to Irish Resident Small and Medium Sized Enterprises

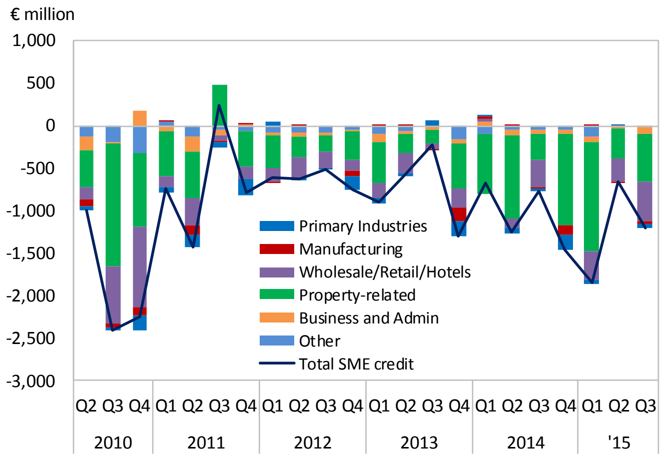
	Outstanding amounts - € million		*Transactions - € million*		*Annual Growth rates - per cent.*		*Gross New Lending € million*	
	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15	Jun-15	Sep-15
1. Primary Industries	3,755	3,708	5	-42	-6.0	-6.4	184	175
2. Manufacturing	1,791	1,723	-18	-39	-7.3	-8.2	56	63
3. Electricity, Gas, Steam and Air Conditioning Supply	231	240	10	9	8.5	4.3	12	10
4. Water Supply, Sewerage, Waste Management and Remediation..	20	18	-1	-1	-17.9	-20.4	1	0
5. Construction	906	851	9	-8	-5.6	-4.6	25	32
6. Wholesale/Retail Trade & Repairs	5,010	4,488	-182	-293	-7.1	-9.0	169	90
7. Transportation and Storage	655	643	7	-10	-4.2	-5.3	70	41
8. Hotels and Restaurants	3,429	3,209	-78	-172	-11.8	-14.5	58	38
9. Information and Communication	167	173	14	4	1.4	6.0	3	17
10. Financial Intermediation (Excl. Monetary Financial Institutions)	9,879	9,684	-242	-236	-12.9	-13.7	5	4
11. Real Estate Activities	19,990	18,114	-374	-546	-11.4	-12.9	153	134
12. Business and Administrative Services	1,809	1,690	-22	-77	-8.1	-10.5	50	68
13. Other Community, Social and Personal Services	1,516	1,459	8	-21	-6.2	-6.4	81	47
14. Education	268	257	-28	-4	-18.5	-14.7	3	4
15. Human Health and Social Work	1,190	1,170	-13	0	-2.9	-1.2	28	40
16. Total	50,615	47,426	-904	-1,436	-10.2	-11.4	898	764
16.1 Total ex. Financial Intermediation	40,737	37,742	-662	-1,200	-9.6	-10.9	893	760
16.2 Total ex. Financial Intermediation and Property Related Sectors	19,841	18,777	-297	-645	-7.6	-8.8	715	593

[4]Gross new lending excludes restructures or renegotiations which do not increase the size of outstanding loans. It does include new funds drawn-down following a restructure or renegotiation of an existing facility that were not included in credit advanced at the end of the previous quarter.

sector accounting for almost a third of repayments.

Most core SME sectors, however, registered underlying declines in net lending (repayments exceeded drawdowns) with only two sectors recording minor increases during Q3. The highest net flow increase was to electricity, gas, steam and air conditioning supply (€9 million). The wholesale/retail trade and repairs sector registered the largest decline of €293 million (Chart 4).

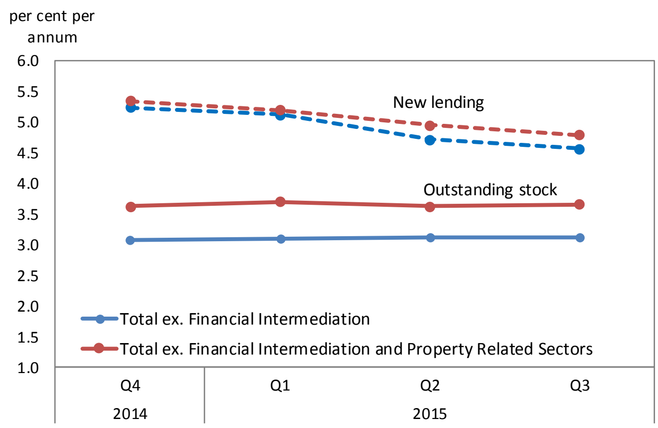
Chart 4: Net lending/repayment position of non-financial SMEs



Interest rates on loans to SMEs[5]

The total weighted average **interest rate on new non-financial SME loan draw-downs** during Q3 2015, was 4.56 per cent. This represents a 15 basis point decline from the previous quarter. In contrast, the existing stock of Irish SME loans carry a lower weighted average interest rate of 3.11 per cent as at end-Q3 2015 (Chart 5). Outstanding stock includes renegotiations of existing loans, which are excluded from new draw-downs.

Chart 5: Interest rates on new and outstanding SME loans



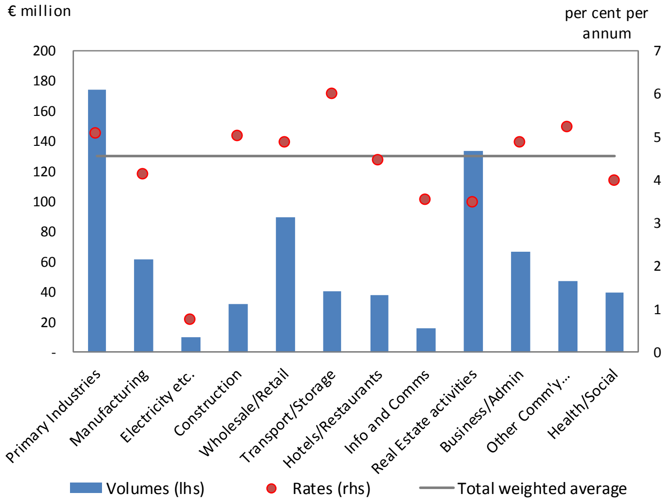
New lending rates declined for SMEs in most economic sectors during the third quarter of the year. Of note were interest rate declines to SMEs engaged in construction (136 basis points) and in the information and communication sector (133 basis points). Nonetheless, rates applicable to construction remain above average rates charged to all SMEs. Four sectors experienced interest rate increases, with the hotels and restaurants sector registering a 13 basis points increase.

Chart 6 shows the **sectoral lending rates to Irish SMEs** by a representative sample of resident banks. Of note is

[5] See page 8, Note 1 on the compilation of SME interest rates.

the higher than average rates charged on new draw-downs in Q3 by SMEs engaged in the business and administration, hotels and restaurants and agriculture sectors. These sectors typically secure the largest shares of new lending. Rates on new draw-downs to construction SMEs, at 5.03 per cent, remained markedly higher than rates to the real-estate sector, which attracted one of the lowest rates on new draw-downs, at 3.47 per cent.

Chart 6: SME new lending interest rates and corresponding new lending drawdowns – Q3 2015



Note: draw-downs as reported with interest rates will not exactly match gross new lending figures due to differences in the reporting population. See Note 1.

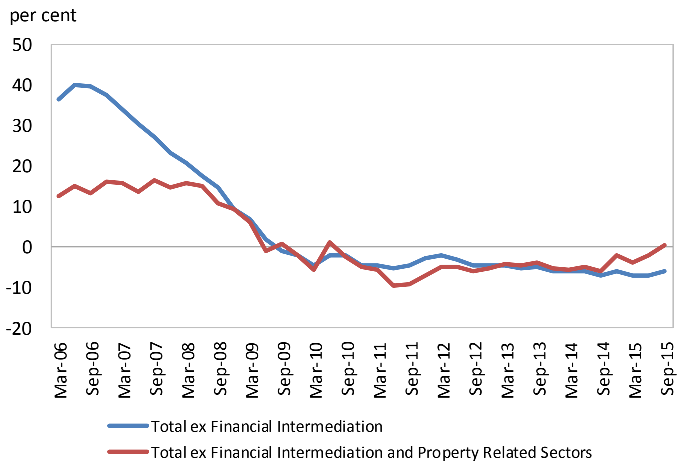
Credit Advanced to All Irish Resident Private-Sector Enterprises

The total amount of credit outstanding to all Irish private-sector enterprises on the balance sheet of resident credit institutions was €117.4 billion at end-Q3 2015. Approximately 54 per cent of this amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by the NAMA Master SPV and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €53.9 billion at end-Q3 2015.

Outstanding credit to the non-financial private-sector declined by 5.8 per cent in the year to end-Q3 2015 (Chart 7), equivalent to a net annual flow of minus €3.8 billion. The decline was driven by property-related credit, which fell by 11.7 per cent (€3.9 billion) over the year, with SMEs accounting for most of the fall.

When property-related (real-estate and construction) and financial sectors are excluded, credit advanced to Irish private-sector enterprises increased by 0.5 in annual terms to stand at €29.4 billion at end-Q3 2015. This represented the first annual increase since 2010.

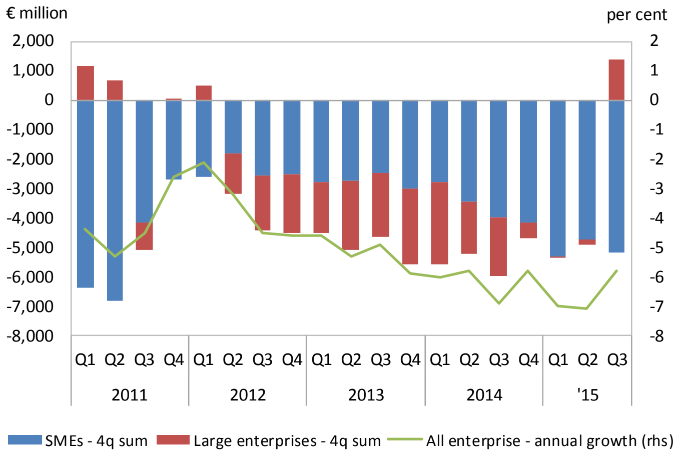
Chart 7: Annual rates of change in credit to Irish private-sector enterprises



Annual developments were mainly driven by growth in manufacturing credit (16.7 per cent) which offset falls in credit advanced to the wholesale/retail trade and repairs and hotels and restaurants sector.

Non-property, non-financial loan drawdowns exceeded repayments by €170 million in Q3 (0.6 per cent), compared to net repayments of €50 million in the previous quarter (minus 0.2 per cent). The manufacturing sector registered the largest quarterly increase of €393 million, with five other non-financial, non-property related sectors recording combined increases of €162 million.

Chart 8: Annual rates of change in credit to non-financial Irish private-sector enterprises and net flows broken down by SMEs and large enterprises



Note: Net flows are shown as a four-quarter sum.

Table A.14 Credit Advanced to Irish Resident Private-Sector Enterprises

	Outstanding amounts - € million		*Transactions - € million*		*Annual Growth rates - per cent.*	
	Jun-15	**Sep-15**	**Jun-15**	**Sep-15**	**Jun-15**	**Sep-15**
1. Primary Industries	4,098	4,088	8	44	-2.7	-2.4
1.1 Agriculture	3,412	3,397	25	47	-2.3	-1.8
1.2 Forestry, logging, mining and quarrying	448	445	-23	-11	-8.7	-11.2
1.3 Fishing and aquaculture	238	247	6	8	3.0	7.7
2. Manufacturing	4,009	4,173	145	393	6.8	16.7
3. Electricity, Gas, Steam and Air Conditioning Supply	695	726	17	30	-31.8	5.8
4. Water Supply, Sewerage, Waste Management and Remediation..	306	354	-15	48	235.2	358.4
5. Construction	1,295	1,222	-77	-34	-17.4	-15.5
6. Wholesale/Retail Trade & Repairs	6,574	6,149	-345	-216	-4.9	-5.6
7. Transportation and Storage	2,515	2,456	36	-32	-5.5	-6.9
8. Hotels and Restaurants	4,765	4,641	-21	-50	-6.8	-5.7
9. Information and Communication	377	393	-15	16	-11.7	-6.4
10. Financial Intermediation (Excl. Monetary Financial Institutions)	66,576	63,449	-3,396	-2,560	-22.3	-22.4
11. Real Estate, Land and Development Activities	25,462	23,256	-947	-564	-11.3	-11.5
12. Business and Administrative Services	2,522	2,350	-56	-59	-0.8	-3.3
13. Other Community, Social and Personal Services	1,959	1,901	127	-17	5.1	5.4
14. Education	535	516	71	-11	4.5	11.4
15. Human Health and Social Work	1,732	1,701	-2	24	-1.0	-1.2
16. Extra-Territorial Organisations and Bodies	0	0	0	0		
17. Total	123,420	117,375	-4,470	-2,987	-15.4	-14.9
17.1 Total ex Financial Intermediation	56,844	53,926	-1,074	-427	-7.1	-5.8
17.2 Total ex Financial Intermediation and Property Related Sectors	30,087	29,448	-50	170	-2.1	0.5

Deposits from Irish Resident Private-Sector Enterprises

Deposits from all Irish private-sector enterprises increased by €792 million (0.9 per cent) during Q3 2015 to stand at €85.5 billion. In annual terms, Irish resident private-sector enterprises deposits declined 0.4 per cent in Q3, (minus 1.3 per cent at end-Q2).

The financial intermediation sector (excluding monetary financial institutions) was responsible for the subdued developments in annual deposits, with a decline of €6.4 billion over the year. This was mainly related to a large transaction between affiliated entities in Q4 2014.

Excluding financial intermediation, **deposits from private-sector enterprises** increased by 14.6 per cent (€6.2 billion) in the year to end-Q3 2015, to stand at €48 billion. Almost a third of the annual growth can be attributed to the continued increase in deposits from the business and administration sector (Chart 9). On a quarterly basis, deposits from all non-financial sectors increased 3.8 per cent (€1.8 billion).

Deposits from ten of the fifteen non-financial sectors increased in Q3 2015 (Chart 10), with information and communication enterprises recording the largest increase of €658 million.

Chart 9: Annual rate of change in deposits and contributions from Irish private-sector enterprises

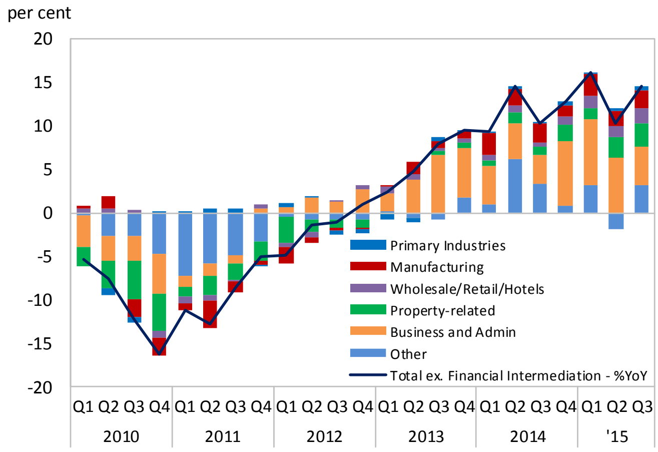
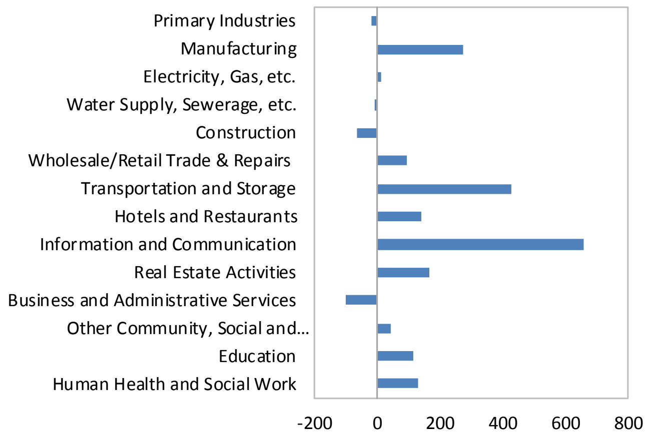


Chart 10: Quarterly net flows in deposits from Irish non-financial private-sector enterprises (€ million) – Q3 2015



Interestingly, for the second consecutive quarter, real-estate enterprises increased deposit holdings, along with increasing their share of new SME lending. Additionally, SME net repayments were reduced compared to previous quarters, while real estate SMEs also experienced lower interest rates on new loans in Q3 2015.

Further information

Note 1:

The reporting population for interest rate statistics are those credit institutions with a significant level of lending or deposit business with households or non-financial corporations. All other SME statistics are collected from the full population of resident credit institutions. Although the interest rate data are collected from a sample of institutions and the coverage of the SME market is very high, gross new lending volumes underpinning the interest rates and volumes data will not match exactly. The reporting population is monitored under Regulation ECB/2014/30.

The extensive set of Business Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available at:
http://www.centralbank.ie/polstats/stats/cmab/Pages/BusinessCredit.aspx

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