



## ***Trends in Business Credit and Deposits: Q1 2018***

***On an annual basis, gross new lending to core SMEs was €3.6 billion, representing a 3.3 per cent increase on the same period in the previous 12 months. Drawdowns for agricultural purposes were the largest driver of the new lending figure, with a total of €858 million in gross new lending advanced in this sector over the period.***

- **Core SMEs** repaid €108 million more than they borrowed in the first three months of 2018. However, the annual fall in net lending of €146 million or 0.9 per cent was the smallest decline since the series began in 2010.
- **Property-related lending** constituted 39 per cent of outstanding credit to SMEs, and 38 per cent of gross new drawdowns in Q1. However, there was a €1.1 billion net decrease in this type of lending over the last four quarters.
- **Large enterprise core lending** increased on an annual basis. The 1.9 per cent annual net increase marked the 14<sup>th</sup> consecutive period of positive annual growth. In contrast, net lending to core SMEs continued to decline on an annual basis.
- **Deposits from Irish resident non-financial private-sector enterprises** decreased by €475 million in Q1, the first decrease recorded in the series since Q3 2014. The sectors contributing most to this decrease were the wholesale/retail and construction sectors.

*For further detail, see the [Business Credit and Deposits](#) tables.*

### SME Credit and Interest Rate developments

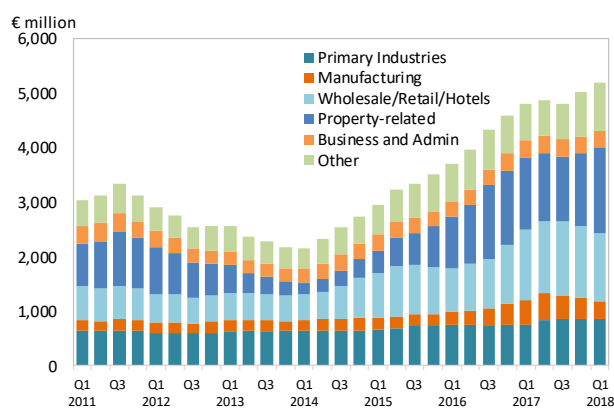
- **Outstanding credit to all Irish SMEs** declined for the 26<sup>th</sup> consecutive quarter in Q1 2018. SME credit declined by 1.4 per cent from the previous quarter, following a decline of 0.3 per cent in Q4 2017.<sup>1</sup> On an annual basis, SME credit declined by 4.5 per cent following a decline of 4.3 per cent in Q4.
- **The outstanding stock of SME credit** was €26 billion in Q1 2018. This included €10.2 billion relating to property (real estate and construction) and €15.7 billion of non-financial, non-property or ‘core’ credit.
- **Lending to non-financial SMEs** declined by €1.2 billion in the year to end-March as repayments continued to exceed new drawdowns. This decline was mostly due to a €1.1 billion reduction in property-related lending.
- **Gross new lending to property-related SMEs** was €1.6 billion in the year to Q1 2018, the largest annual total since the series began in 2010, and a 20 per cent increase on the previous year. This comprised 30 per cent of total non-financial SME drawdowns over the year (Chart 1).
- **Repayments of lending by the non-financial SME sector** in the year to end-March totalled €6.4 billion, down 8.2 per cent from the previous year. Property-related repayments made up 41 per cent of this. Overall, net repayments by non-financial SMEs in Q1 2018 were down slightly on Q1 2017 (Chart 2).
- **Lending to core SMEs** declined by €108 million in Q1 2018 following a rise of €358 million in Q4 (Chart 3), led by a decline of €222 million in the wholesale/retail sector. Only the primary industries, manufacturing, business and administration, and hotels and restaurants sectors registered positive net lending in the quarter.

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

	2015	2016	2017	2018 Q1
<b>Credit to SMEs</b>				
Average net quarterly flow (€m)	-482	-210	-60	-108
Average annual growth rate (%)	-8.1	-6.8	-3.6	-0.9
<b>Credit to large enterprises</b>				
Average net quarterly flow (€m)	321	420	55	-192
Average annual growth rate (%)	13.3	15.1	8.0	1.9

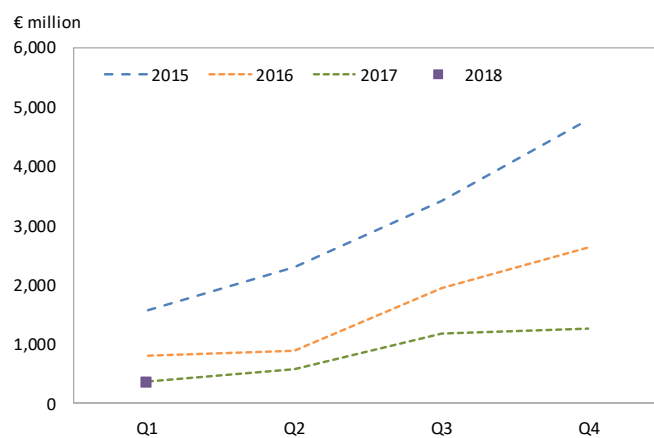
Source: Business Credit and Deposits [Table A.14](#) & [Table A.14.1](#)

**Chart 1: Gross new lending to non-financial SMEs (4-quarter moving sum)**



Source: Business Credit and Deposits [Table A.14.1](#)

**Chart 2: Cumulative net repayments vis-à-vis non-financial SMEs**



Source: Business Credit and Deposits [Table A.14.1](#)

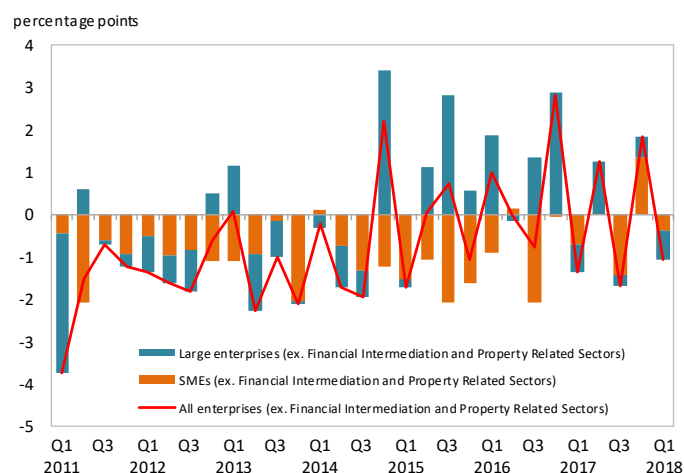
<sup>1</sup> See Note 1 for the definition of SMEs.

- **Annually, core SME credit** declined by €146 million or 0.9 per cent, the slowest rate of decline since the beginning of the series.
- Among the six core sectors to record positive annual SME credit growth were the primary industries sector, which grew by 3 per cent, and the hotels and restaurants sector which increased by 3.7 per cent. There was a 5.1 per cent annual decrease in lending to SMEs engaged in manufacturing and a 6.4 per cent decrease for those engaged in the wholesale/retail sector.
- **Gross new lending to core SMEs** was €837 million in Q1 2018.<sup>2</sup> The four-quarter sum of gross new lending was €3.6 billion, an increase of 3.3 per cent on a year earlier.
- **Five non-financial economic sectors registered increases in net SME lending** during Q1 (drawdowns exceeded repayments); however this was offset by continuing net repayments in property related lending and the wholesale/retail sectors (Chart 4). Overall, non-financial SME credit declined by €339 million in Q1.

### Interest rates on loans to SMEs

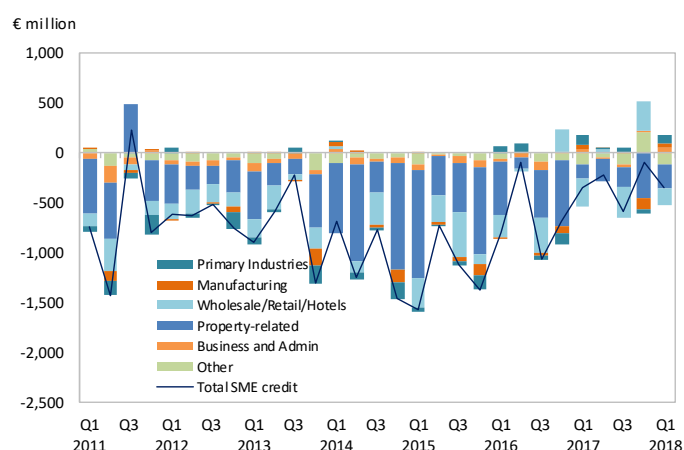
- **The weighted average interest rate on new non-financial SME loan drawdowns** was 3.89 per cent in Q1 2018, a decrease of 21 basis points over the quarter (Chart 5). This remains higher than the average rate of 3.3 per cent on outstanding non-financial SME loans.

**Chart 3: Quarterly rate of change in credit to enterprises; by SME and large enterprise contribution**



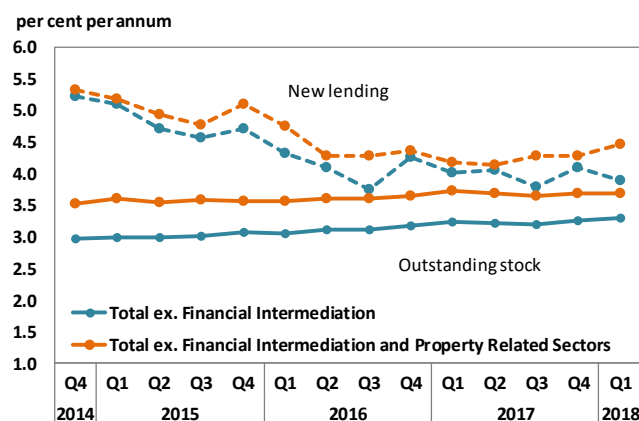
Source: Business Credit and Deposits [Table A.14](#) & [Table A.14.1](#)

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



Source: Business Credit and Deposits [Table A.14.1](#)

**Chart 5: Interest rates on new and outstanding SME loans**

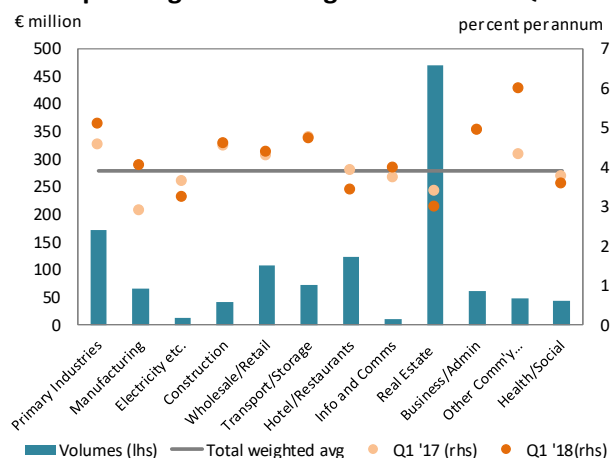


Source: Business Credit and Deposits [Table A.14.1](#)

<sup>2</sup> See Note 2 for the definition of gross new lending.

- **The weighted average interest rate for new non-financial SME loans** declined by 12 basis points in Q1 2018 relative to a year earlier, driven by a 41 basis point decline in interest rates in the real estate sector (chart 6). On a four-quarter moving average basis, rates for the majority of sectors continue to decline.
- **Higher than average new lending rates** were recorded in most sectors in Q1. Among the sectors with the highest rates were primary industries, construction, and wholesale/retail. Rates on new drawdowns to construction SMEs, at 4.57 per cent, remained significantly higher than rates in the real-estate sector, at 2.96 per cent. Rates for both sectors have decreased significantly in recent years.
- **The margin between rates charged** on the outstanding stock of non-financial SME loans and new drawdowns and was 59 basis points in Q1 2018 (Chart 7). Only the water supply sector recorded lower rates on new drawdowns compared to the existing stock of loans during the quarter.

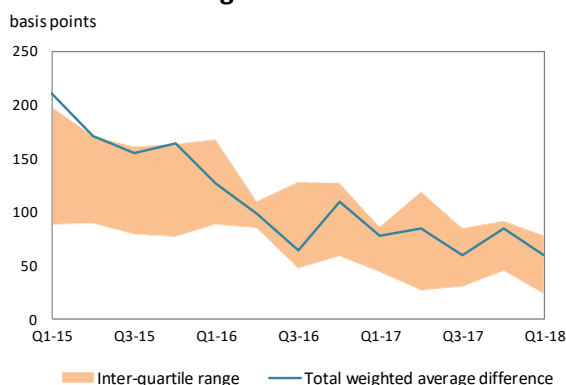
**Chart 6: SME new lending interest rates and corresponding new lending drawdowns – Q1 2018**



Source: Business Credit and Deposits [Table A.14.1](#)

Note: See Note 3 on drawdowns as reported with rates.

**Chart 7: Differential between SME new lending interest rates and outstanding SME loan interest rates**



Source: Business Credit and Deposits [Table A.14.1](#)

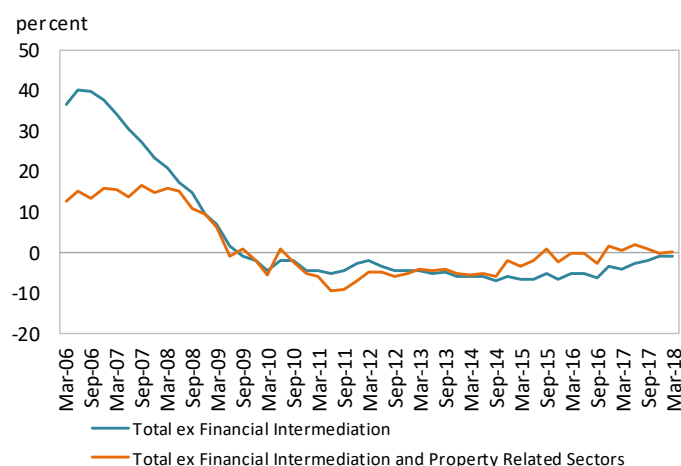
**Table A.14.1 Credit Advanced to Irish Resident Small and Medium Sized Enterprises**

	Outstanding amounts - € million		Transactions - € million		Annual Growth rates - per cent.		Gross New Lending - € million	
	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18
1. Primary Industries	3,504	3,588	-50	92	3.1	3.0	221	211
2. Manufacturing	1,241	1,272	-117	33	-4.8	-5.1	76	67
3. Electricity, Gas, Steam and Air Conditioning Supply	310	290	85	-20	40.0	32.7	87	12
4. Water Supply, Sewerage, Waste Management and Remediation..	34	34	0	0	140.0	160.6	0	1
5. Construction	523	537	-31	14	-7.2	-9.0	35	42
6. Wholesale/Retail Trade & Repairs	3,832	3,603	250	-222	-6.8	-6.4	245	179
7. Transportation and Storage	507	497	-8	-13	-5.8	-5.8	40	76
8. Hotels and Restaurants	2,569	2,610	46	45	1.6	3.7	117	124
9. Information and Communication	167	147	0	-21	-9.2	-19.2	11	11
10. Financial Intermediation (Excl. Monetary Financial Institutions)	177	158	9	-20	32.9	1.8	23	8
11. Real Estate Activities	9,877	9,644	-413	-246	-8.7	-9.5	397	471
12. Business and Administrative Services	1,243	1,289	25	59	1.0	2.1	124	63
13. Other Community, Social and Personal Services	1,183	1,184	-21	-6	-4.6	-4.1	53	48
14. Education	203	198	25	-4	-6.6	2.2	6	2
15. Human Health and Social Work	1,030	978	123	-50	-3.4	-3.4	133	44
16. Total	26,400	26,029	-78	-359	-4.3	-4.5	1,569	1,358
16.1 Total ex. Financial Intermediation	26,222	25,871	-86	-339	-4.5	-4.5	1,546	1,350
16.2 Total ex. Financial Intermediation and Property Related Sectors	15,823	15,690	358	-108	-1.5	-0.9	1,114	837

### Private-Sector Enterprise Credit developments

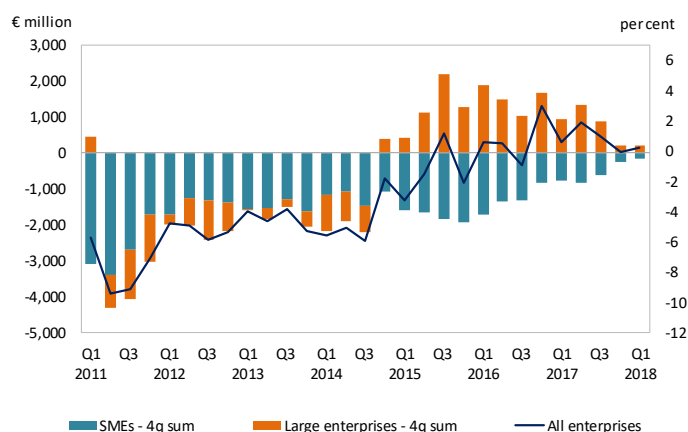
- **The total outstanding amount of credit to all Irish resident private-sector enterprises** was €88.6 billion at end-Q1. Excluding financial intermediation<sup>3</sup>, which accounts for 52 per cent of total credit, outstanding stock was €42.5 billion.
- **Credit to non-financial enterprises** declined by 1 per cent over the previous four quarters (Chart 8), as private-sector enterprises repaid €425 million more than was drawn down in new loans. The real estate sector drove the overall decline with repayments exceeding new lending by €463 million over the year.
- **Credit advanced to core Irish private-sector enterprises** increased by 0.3 per cent in annual terms (Chart 8), to stand at €27.6 billion at end-Q1 2018. Drawdowns exceeded repayments by €69 million over the year. This was made up of an increase in large enterprise net lending of €215 million, offset by a decrease in SME lending of €146 million (Chart 9).
- **Lending to large enterprises engaged in core activities** recorded an annual increase of 1.9 per cent over the past year, despite a quarterly decline of 1.6 per cent in Q1. Large enterprises in the wholesale, and business and administration sectors were the main drivers of the annual net growth, recording lending increases of €280 million and €123 million respectively over the year.
- In quarterly terms, six large core sectors registered net increases, but overall repayments exceeded drawdowns by €192 million.

**Chart 8: Annual rates of change in credit to Irish private-sector enterprises**



Source: Business Credit and Deposits [Table A.14](#)

**Chart 9: Annual rates of change in credit to core Irish private-sector enterprises, and net flows**



Source: Business Credit and Deposits [Table A.14](#) & [Table A.14.1](#)

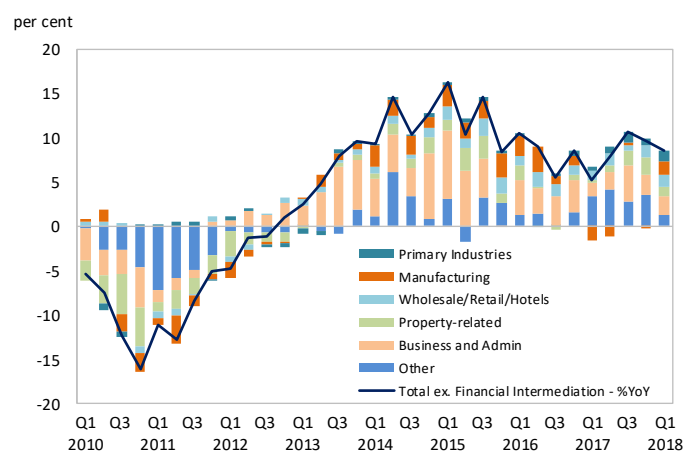
Note: Net flows are shown as a four-quarter sum.

<sup>3</sup> This would include holdings of debt securities issued by the NAMA Master SPV and other financial vehicle corporations.

### Private-Sector Enterprise Deposit developments

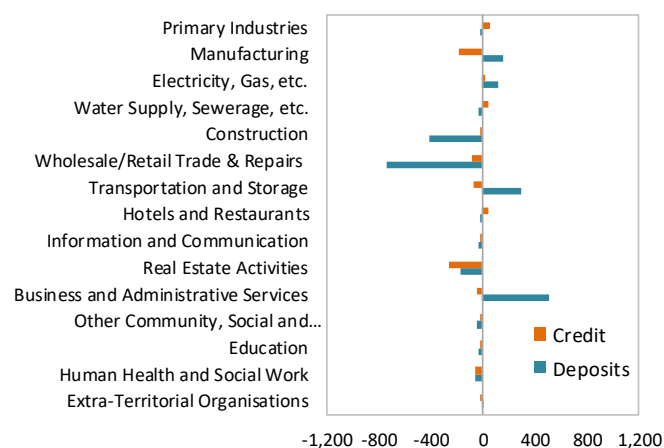
- **Deposits from all Irish private-sector enterprises** increased by €5.6 billion over the previous four quarters, with total outstanding deposits now standing at €92 billion. This reflects an annual growth rate of 6.3 per cent.
- The financial intermediation sector (excluding monetary financial institutions) recorded net deposit inflows of €1.2 billion in annual terms. This was primarily driven by strong inflows in Q3 2017.
- **Excluding financial intermediation, deposits from private-sector enterprises** increased by 8.5 per cent year-on-year, to stand at €55.3 billion. All sector groupings recorded positive annual growth (Chart 10). On a quarterly basis however, deposits from all non-financial sectors decreased by 0.8 per cent, or €475 million.
- **Deposits from five of the fifteen non-financial sectors increased in Q1 2018** (Chart 11). Enterprises engaged in the business and admin sector recorded the largest net inflows over the quarter, with deposits in this sector increasing by €511 million. Deposit decreases of €740 million and €406 million occurred in the wholesale/retail and construction sectors respectively.

**Chart 10: Annual rate of change in deposits and contributions from Irish private-sector enterprises**



Source: Business Credit and Deposits [Table A.16](#)

**Chart 11: Quarterly net flow in deposits and credit vis-à-vis Irish non-financial private-sector enterprises – Q1 2018**



Source: Business Credit and Deposits [Table A.14](#) & [Table A.16](#)

**Note 1:**

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.

**Note 2:**

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.

**Note 3:**

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.

For further detail please see the [Business Credit and Deposits](#) webpage for:

- An extensive set of [Business Credit and Deposits tables](#) and previous [releases](#);
- [Business Credit and Deposits Explanatory Notes](#).

**Keywords:** Business credit, Private-Sector Enterprises, Irish Financial Statistics, SME Credit, Loans to SMEs, Large enterprise, SME interest rates.