



Gross new lending to small and medium sized enterprises (SMEs) showed a slight recovery in the second quarter of 2021 compared to the first quarter. Overall, banks advanced €1.1 billion of gross new lending to all Irish SMEs during Q2 2021. This lending represented a strong increase of 49 per cent when compared to the challenging second quarter of 2020. The recovery in lending was uneven across economic sectors, with the manufacturing and the property related sectors (construction and real estate) recording the largest increases in gross new lending. The property related sectors were among the sectors that had seen the largest declines in gross new lending when restrictions were first introduced in 2020. Many service based sectors have seen a slower recovery in lending activity, with lending to sectors such as hotels and restaurants still far below pre-pandemic levels.

Gross new lending to selected SME sectors – Year-on-year percentage change



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

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

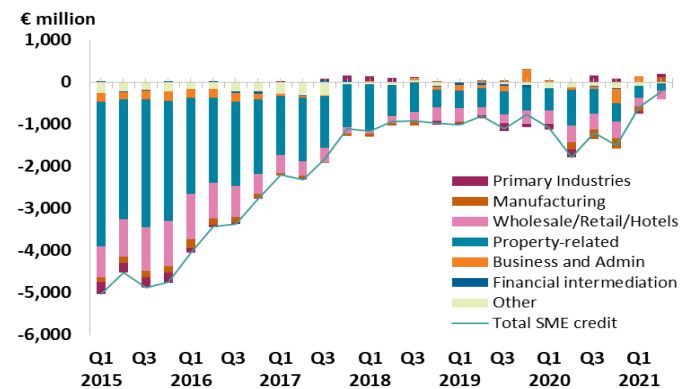
SME Credit developments

- The outstanding stock of SME credit on the balance sheets of Irish banks decreased over Q2 2021 by 0.6 per cent, to stand at €19.3 billion; marking the lowest outstanding stock reported since the series began. This included €6.4 billion relating to property and €12.8 billion of core SME credit¹.
- Net lending to SMEs was minus €107 million in the quarter, this compares with a negative net flow of €498 million in Q2 2020. Annually, repayments exceeded new lending by €209 million over the year to end-June (Chart 1).
- Gross new lending advanced to SMEs was €1.1 billion during Q2 2021 (Chart 2).² This represents an increase of €42 million or 4.1 per cent when compared to the previous quarter, mostly driven by property-related sectors. Compared to the corresponding quarter in 2020, quarterly gross new lending increased by €349 million or 49 per cent.
- Estimated Repayments by all SMEs were higher than in the previous quarter at €1.2 billion³ (Chart 3). Annually, repayments by all SMEs were €4.5 billion; continuing the trend of low annual repayment levels during the pandemic. Payment breaks agreed on many loans have contributed to this development

Core SME Credit developments

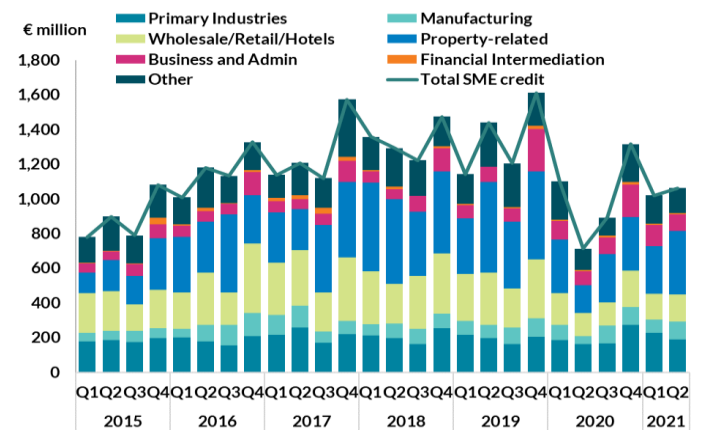
- Gross new lending to core SMEs totalled €3 billion over the four quarters to end-Q2 2021, reflecting a decrease of €192 million or 6 per cent when compared year-on-year.
- Quarterly net lending to core SMEs remained positive in Q2 2021, albeit at a low level of €11 million.

Chart 1: Annual net lending to SMEs (4-quarter moving sum)



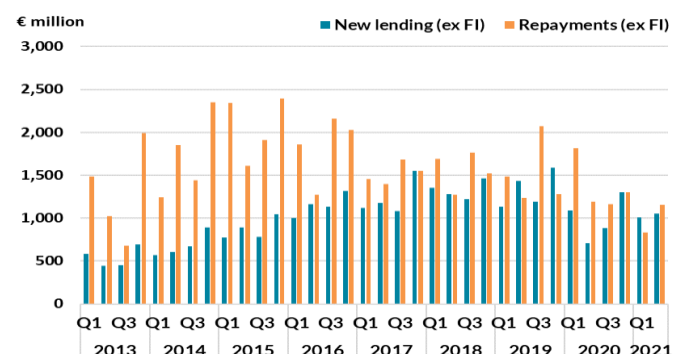
Source: Business Credit and Deposits [Table A.14.1](#)

Chart 2: Gross new lending to all SMEs (quarterly basis)



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

Chart 3: Gross new lending to SMEs ex. Financial Intermediation (FI) and repayments by SMEs ex. FI (quarterly basis)



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

¹ See Note 1 for the definition of SMEs and other groupings used in this release.

² See Note 2 for the definition of gross new lending.

³ Repayments are a derived proxy series.

Interest rates on loans to SMEs

- **The weighted average interest rates on outstanding SME loans** increased slightly over Q2 2021, rising by four basis points to 3.54 per cent. However, there was a decline of 12 basis points over the year (Chart 4).
- **The interest rate on new SME loan drawdowns** increased by 9 basis points in the quarter, and now stands at 3.84 per cent. SME interest rates varied between sectors. Higher than average rates were charged to the primary industries, transportation/storage and business/administration sectors (Chart 5).

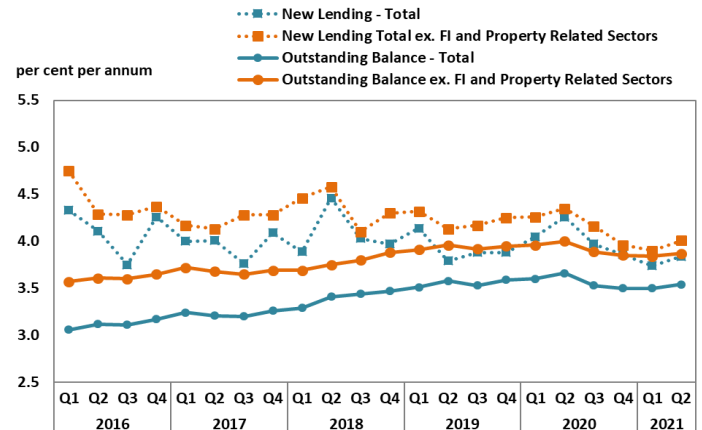
Private-Sector Enterprise Credit developments

- **The total outstanding amount of credit to all Irish resident private-sector enterprises**, comprising both SMEs and large enterprises, stood at €65.9 billion, marking the lowest level of outstanding credit since the series began.
- However, **credit advanced to core private-sector enterprises** increased by €349 million in net terms over the quarter, marking the first increase in two years. In annual terms, credit to all core enterprises decreased by €1.9 billion or 6.7 per cent, to stand at €25.4 billion at end-Q2 2021.
- **Net Lending to large core enterprises** was €338 million in Q2 2021, while annually repayments exceeded drawdowns by €1.9 billion.

Private-Sector Enterprise Deposit developments

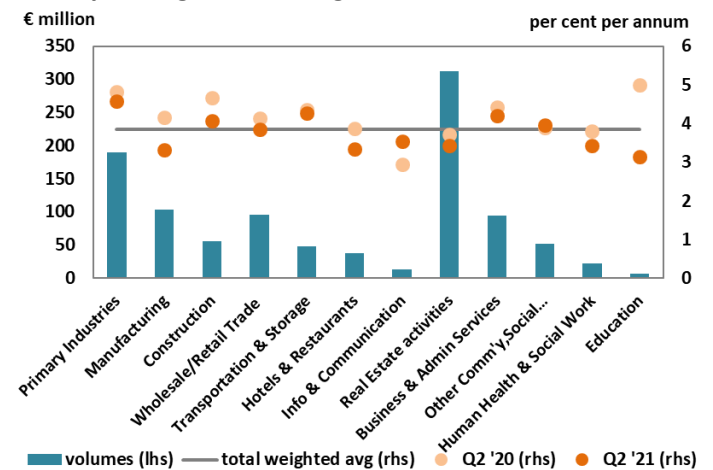
- **Deposits from all Irish private-sector enterprises** continued to grow across the majority of sectors, increasing by €4.5 billion over the quarter and €19.9 billion over the year (Chart 6). Deposits from enterprises engaged in core sectors increased by €1.9 billion, to stand at €71.9 billion end-June 2021.

Chart 4: Interest rates on new and outstanding SME loans



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

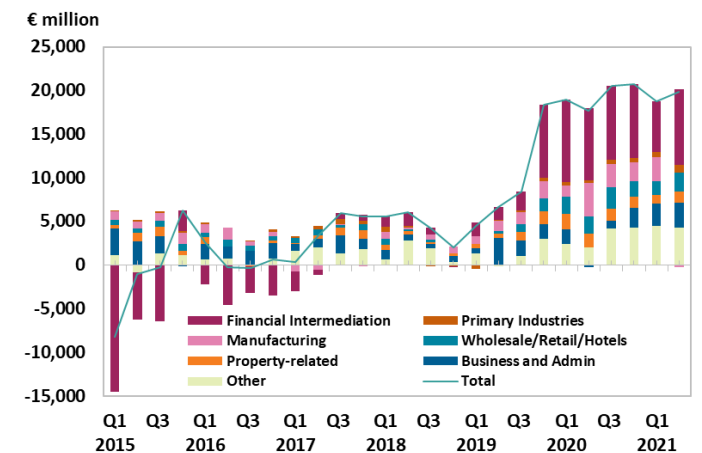
Chart 5: SME new lending interest rates and corresponding new lending drawdowns



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

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

Chart 6: Deposit flows by sector (4 quarter moving sum)



Source: Business Credit and Deposits [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.

In this release ‘core’ sectors are all non-financial, non-property related sectors.

‘Property’ is made up of the construction and real-estate sectors.

‘Private sector enterprise’ refers to enterprises of all sizes, and therefore encompasses both SMEs and large-sized firms.

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.

Note 4:

A number of lenders have agreed payment breaks with their customers since the onset of the COVID-19 crisis. These breaks are likely to significantly affect lending data in this period, predominantly by keeping outstanding loan balances higher than they would be, had repayments followed their initial schedule.

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](#).

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