



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

## SME Market Overview

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# Overview

1. Introduction
  2. CBI *Credit Money and Banking Statistics*
  3. CBI Loan-Level Data
  4. DoF *Red C* Credit Demand Survey
  5. *ECB SAFE* Survey
  6. Interest Rates & Market Concentration
  7. Conclusion
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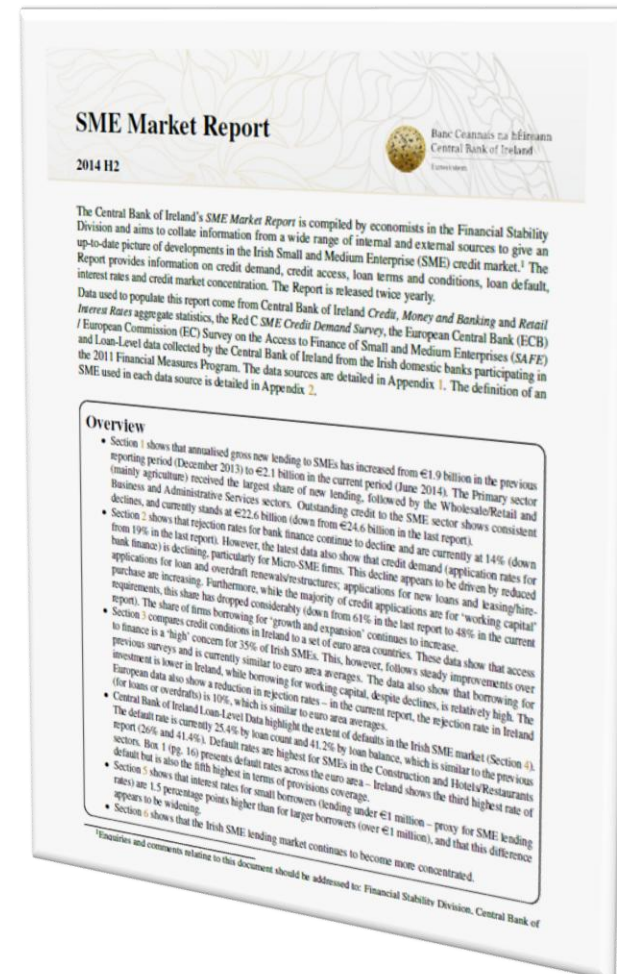
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## Introduction

### CBI *SME Market Report*

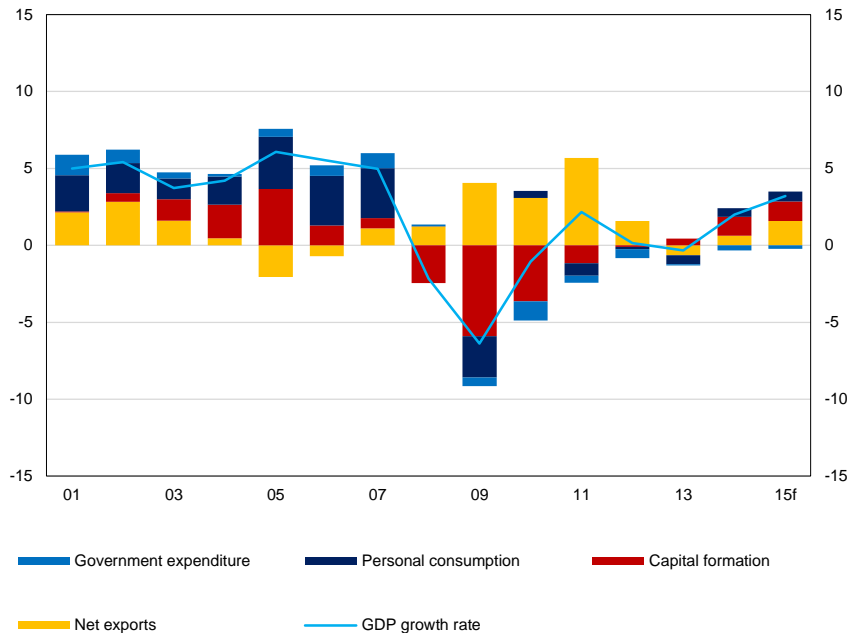
- Twice yearly snapshot:
  - New lending
  - Credit demand
  - Loan conditions
  - Loan Defaults
  - Lending Market Concentration



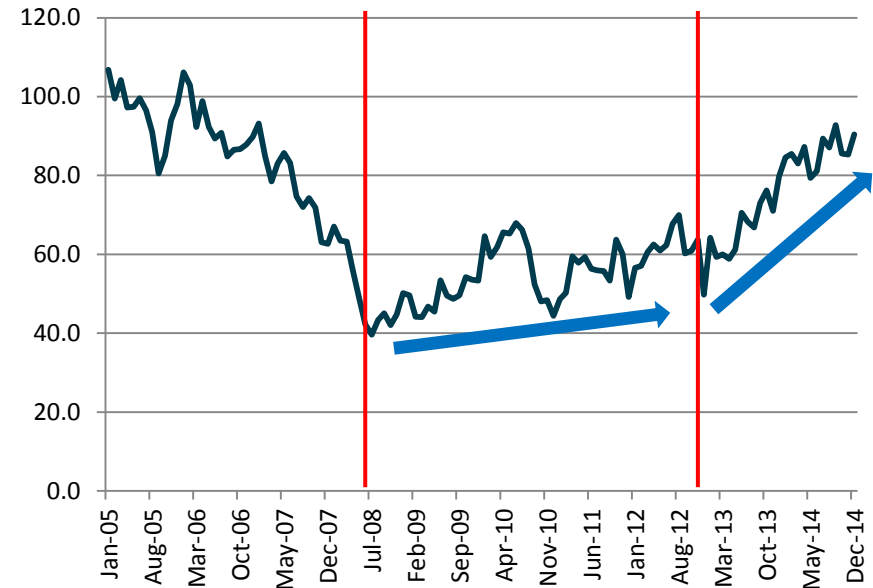


## Introduction – Economic Backdrop

### Contributions to GDP Growth



### Consumer Sentiment Index



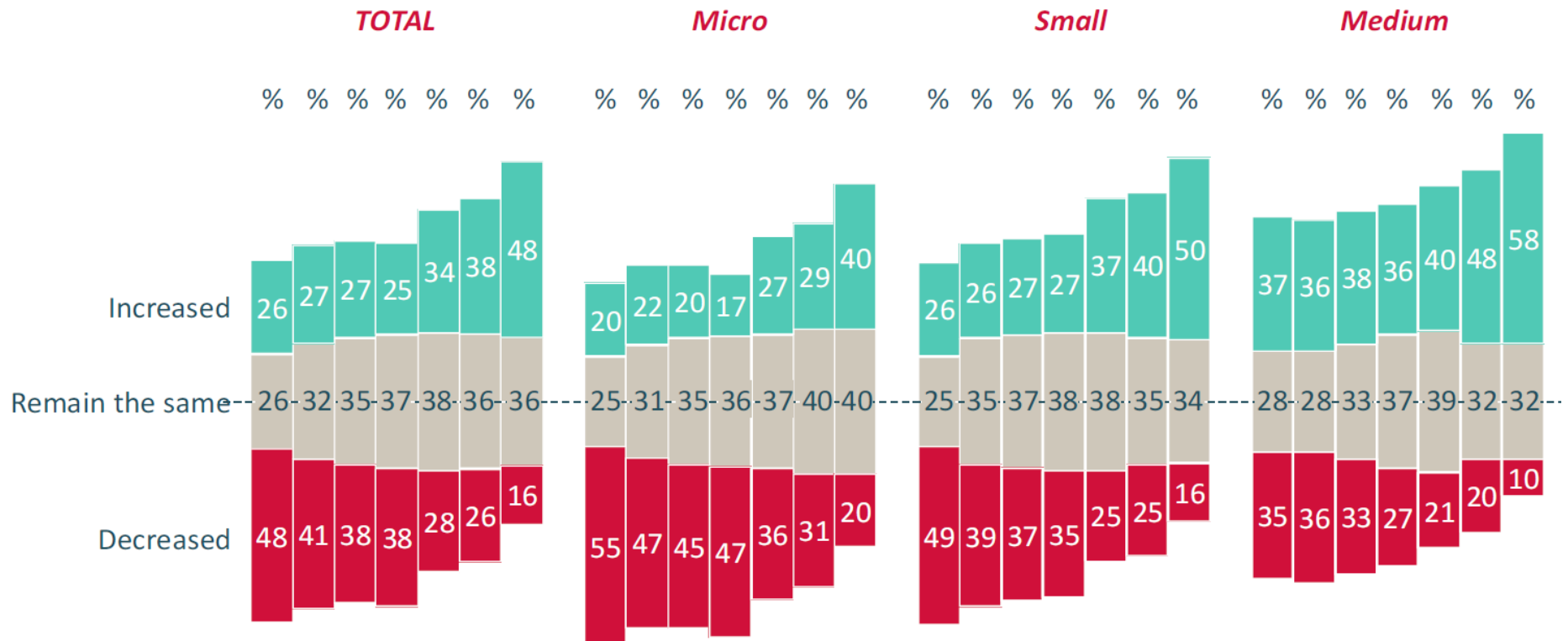
- Domestic Demand improving
- Impact on SMEs...





## Introduction – Economic Backdrop

### Turnover in the last 6 months





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## Overview

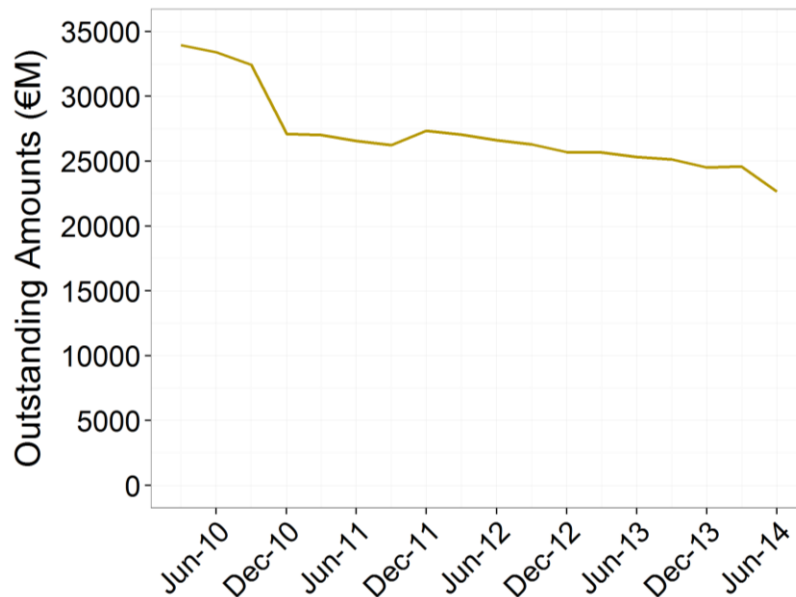
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# CBI Credit Money and Banking Statistics

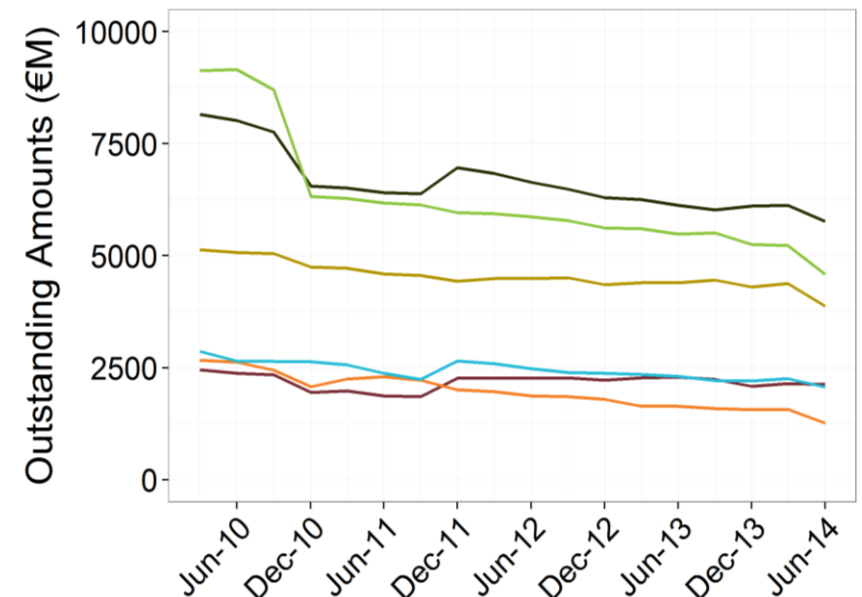
## Outstanding SME Credit (quarter):

### Total



Sector Total excluding Financial and Property Related

### By Sector



Top 6 Sectors Primary Industries Wholesale, Retail, Trade, Repairs  
 Manufacturing Hotels and Restaurants  
 Construction Business and Admin. Services

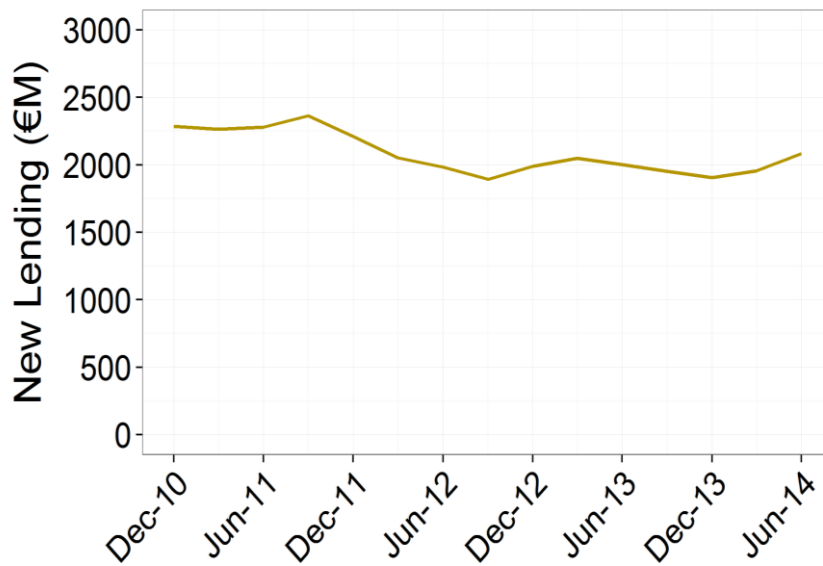




# CBI Credit Money and Banking Statistics

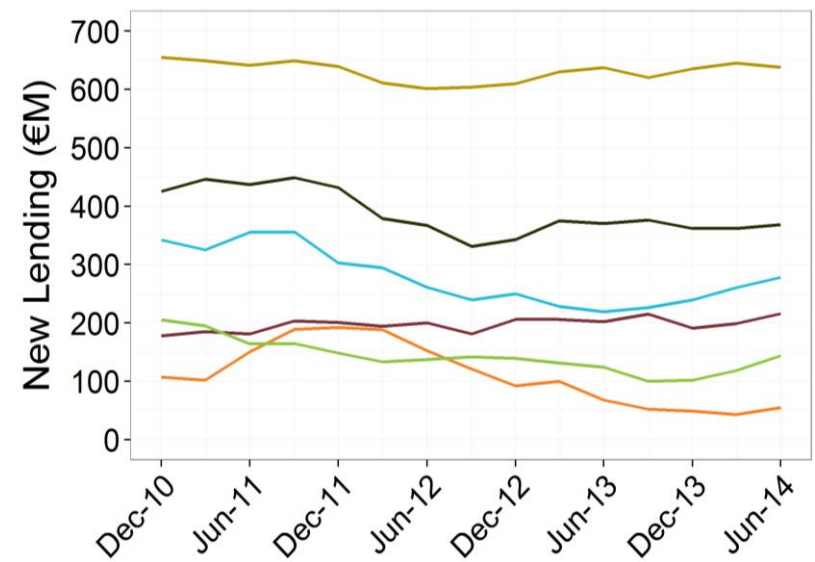
## New SME lending (annual):

### Total



Sector Total excluding Financial and Property Related

### By Sector



Top 6 Sectors Primary Industries Wholesale, Retail, Trade, Repairs  
 Manufacturing Hotels and Restaurants  
 Construction Business and Admin. Services



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## CBI Loan-Level Data

### LLD Description:

	Dec. 2013	Jun. 2014
Total Balance (€M)	21,042	20,684
Average Balance (€)	71,102	67,423
Median Balance (€)	9,954	9,897
Average Interest Rate (%)	6.41	6.50
Default Rate by Count (%)	26.05	25.37
Default Rate by Balance (%)	41.38	41.22

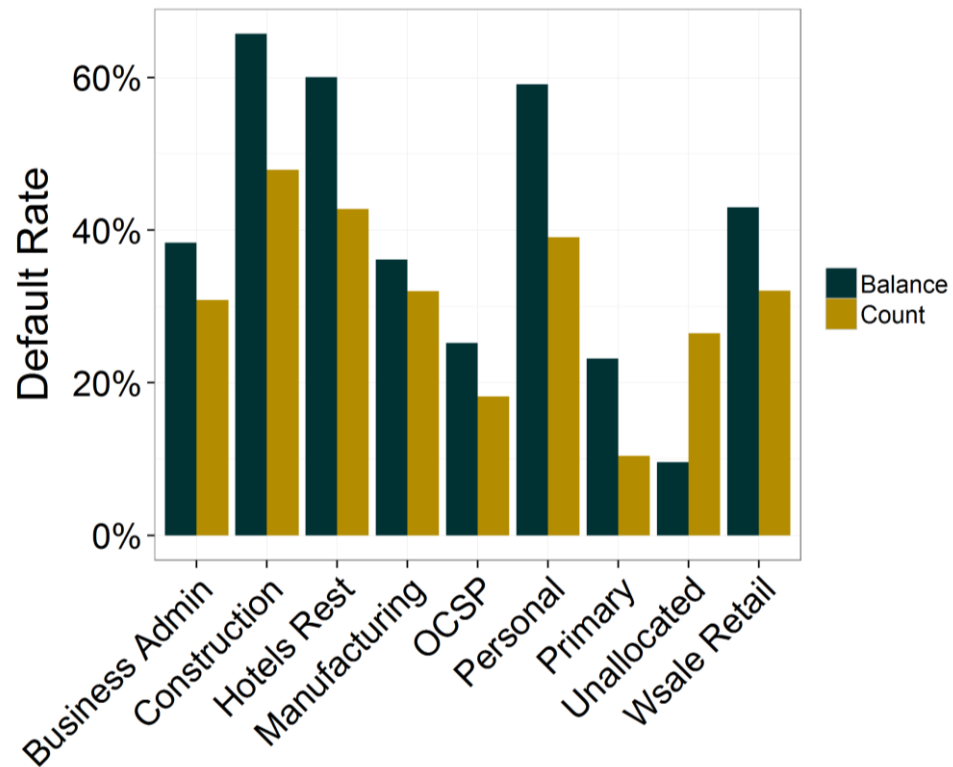
### SME loan Transitions:

	Performing Jun '14	Default Jun '14	Total
By Count	%	%	Number
Performing Dec '13	97.2	2.8	267,907
Default Dec '13	2.9	97.1	70,653
By Balance	%	%	€M
Performing Dec '13	95.4	4.6	11,298
Default Dec '13	2.9	97.1	8,070

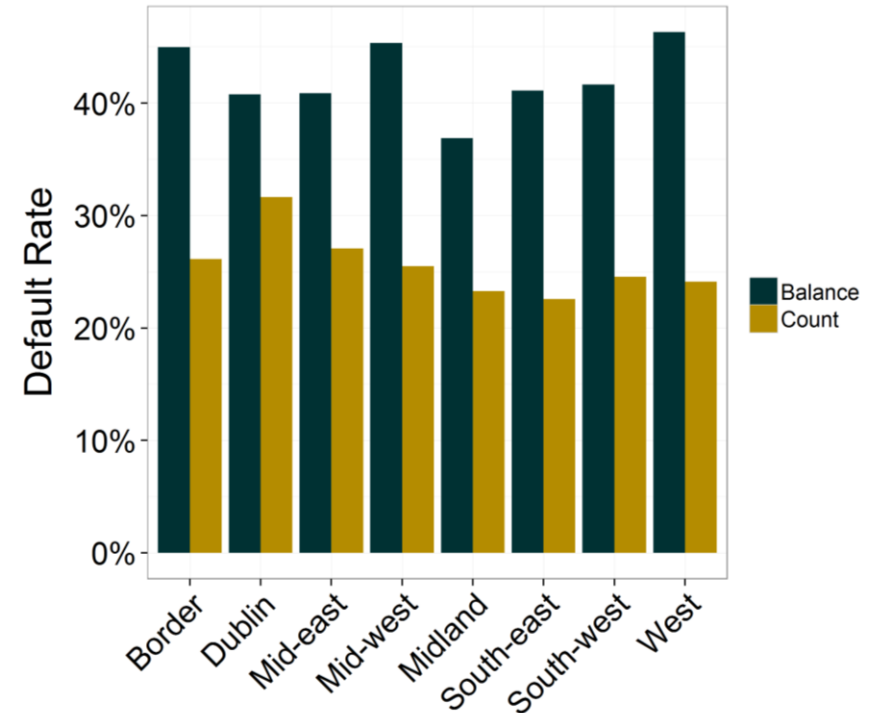


## CBI Loan-Level Data

### Defaults by Sector



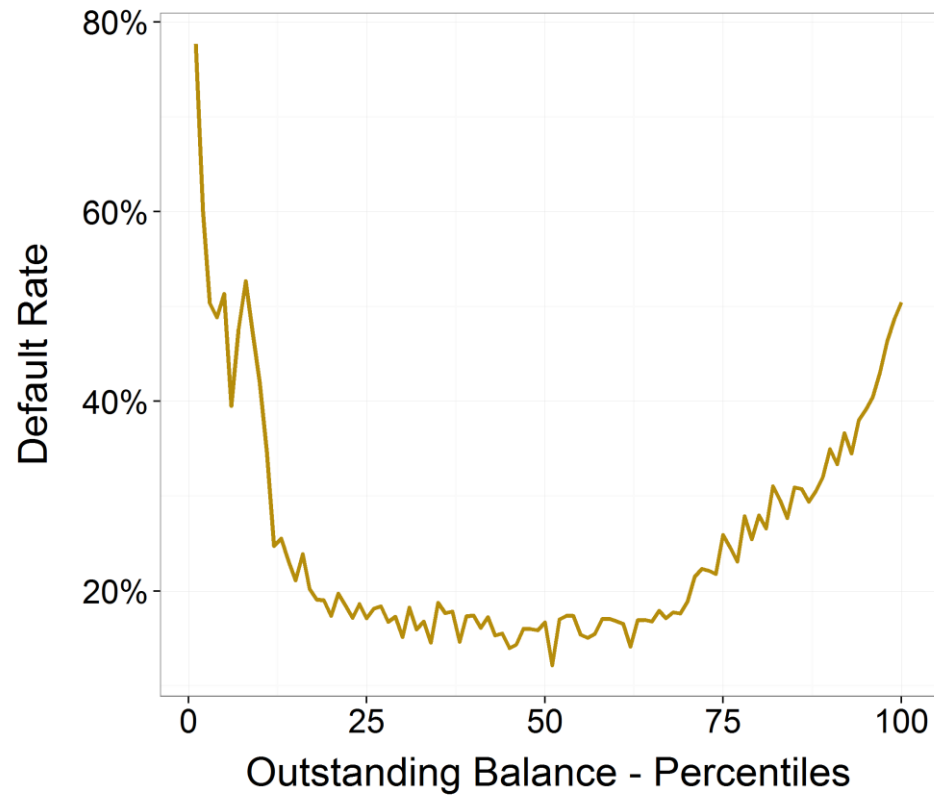
### Defaults by Region





## CBI Loan-Level Data

### Default by Loan Size

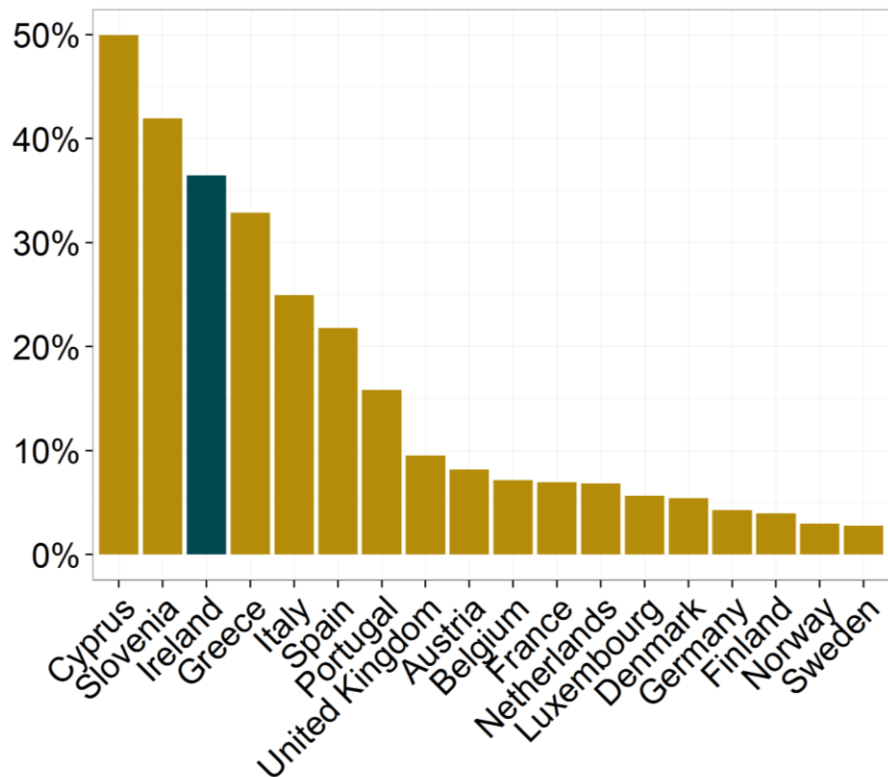




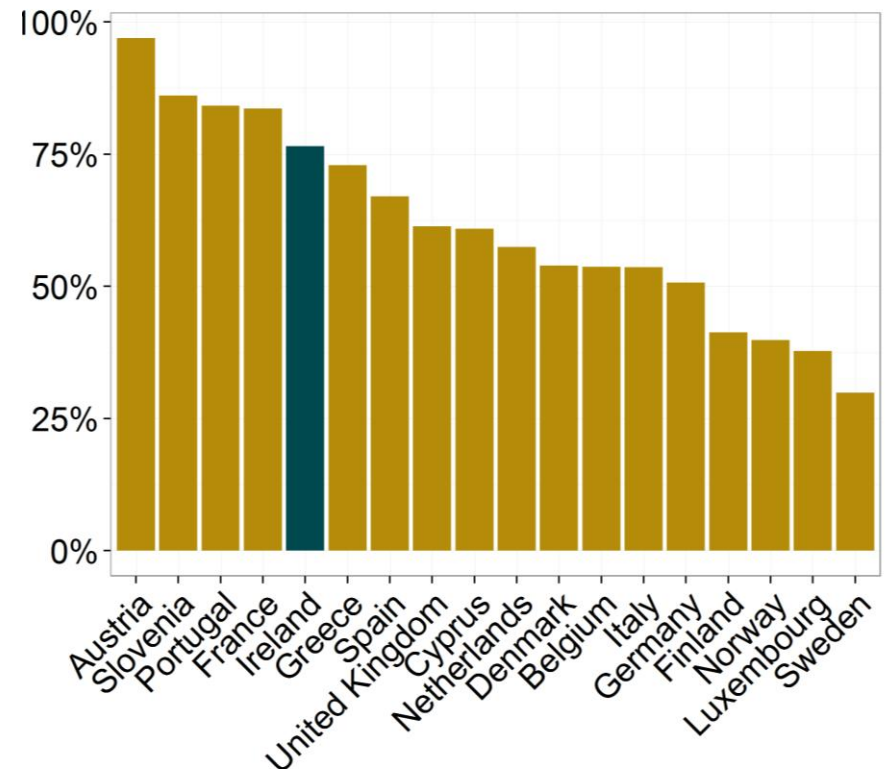


## EBA Stress Test Results

### Default Rate (Balance)



### Provision Coverage





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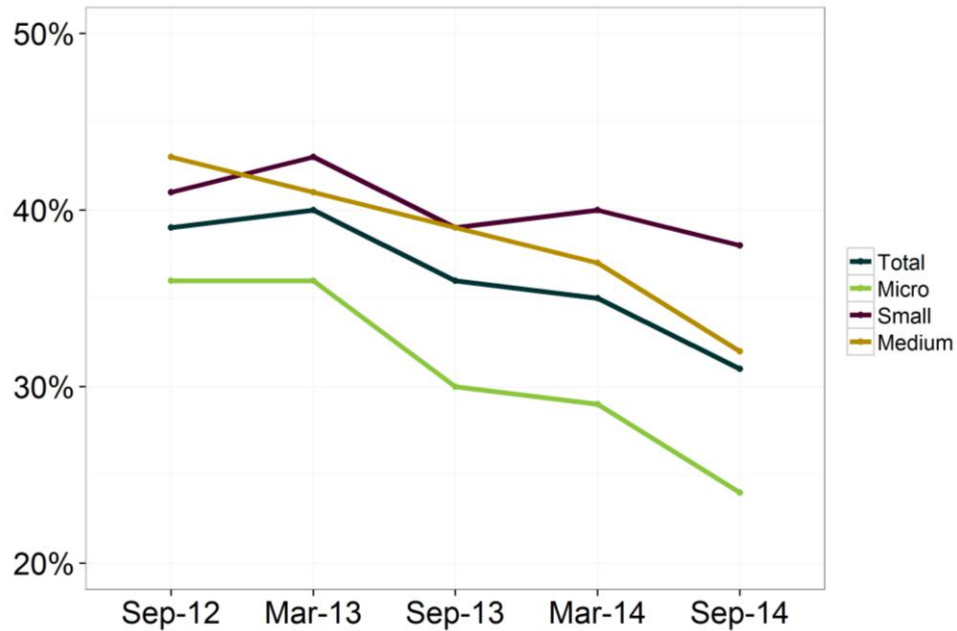
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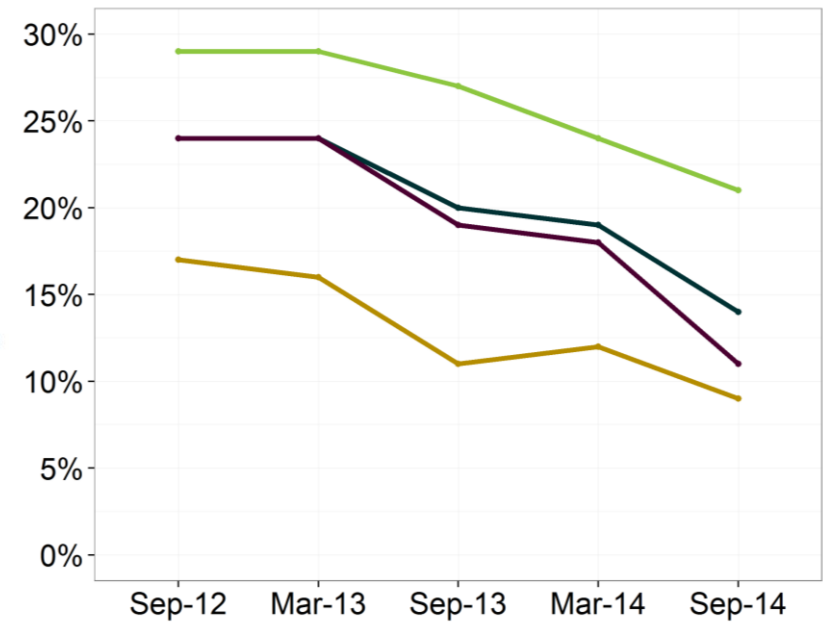


## Red-C Credit Demand Survey

### Application Rates:



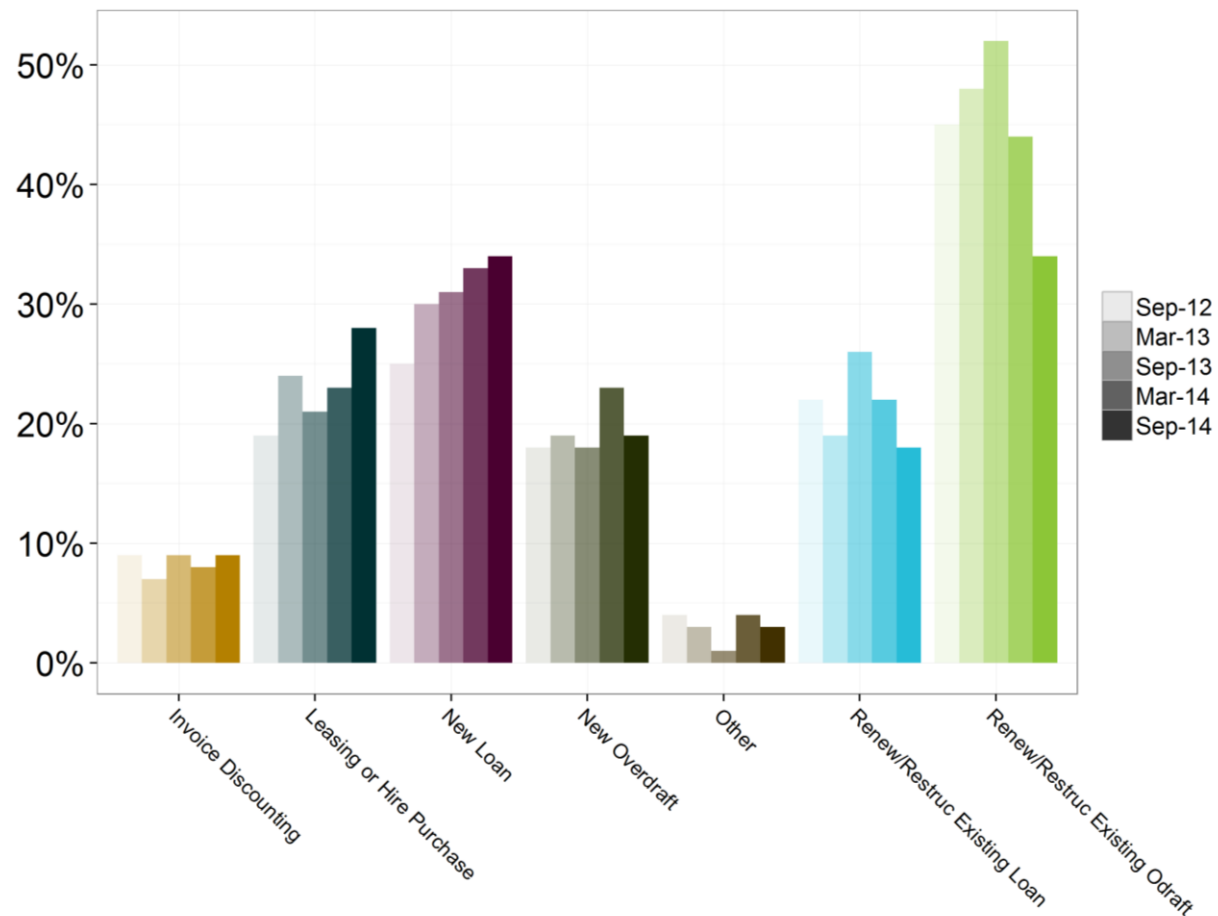
### Rejection Rates:





## Red-C Credit Demand Survey

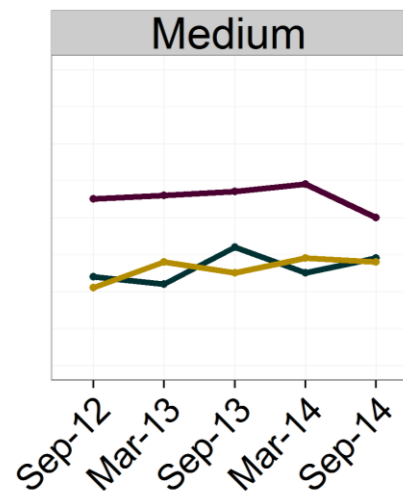
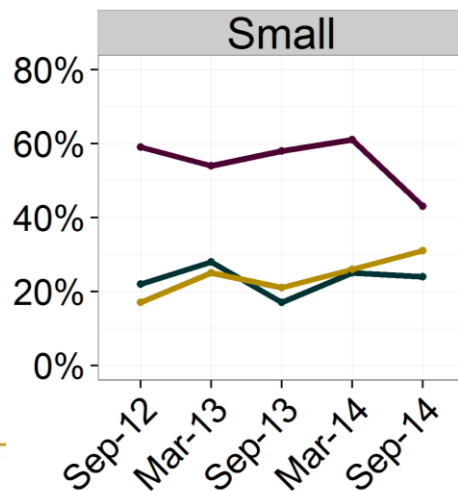
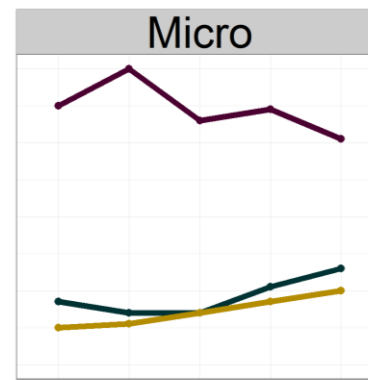
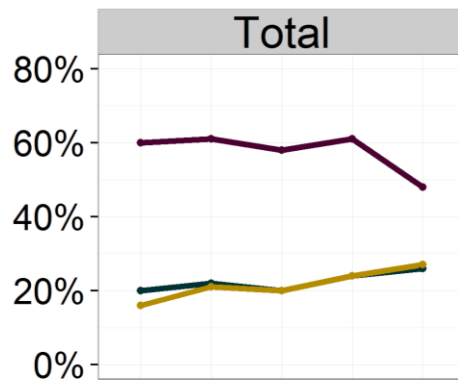
...driven by declining applications for renewals/restructures:





# Red-C Credit Demand Survey

## Reason for Credit Applications



- Growth & Expansion
- New Vehicles/Equipment
- Working Capital





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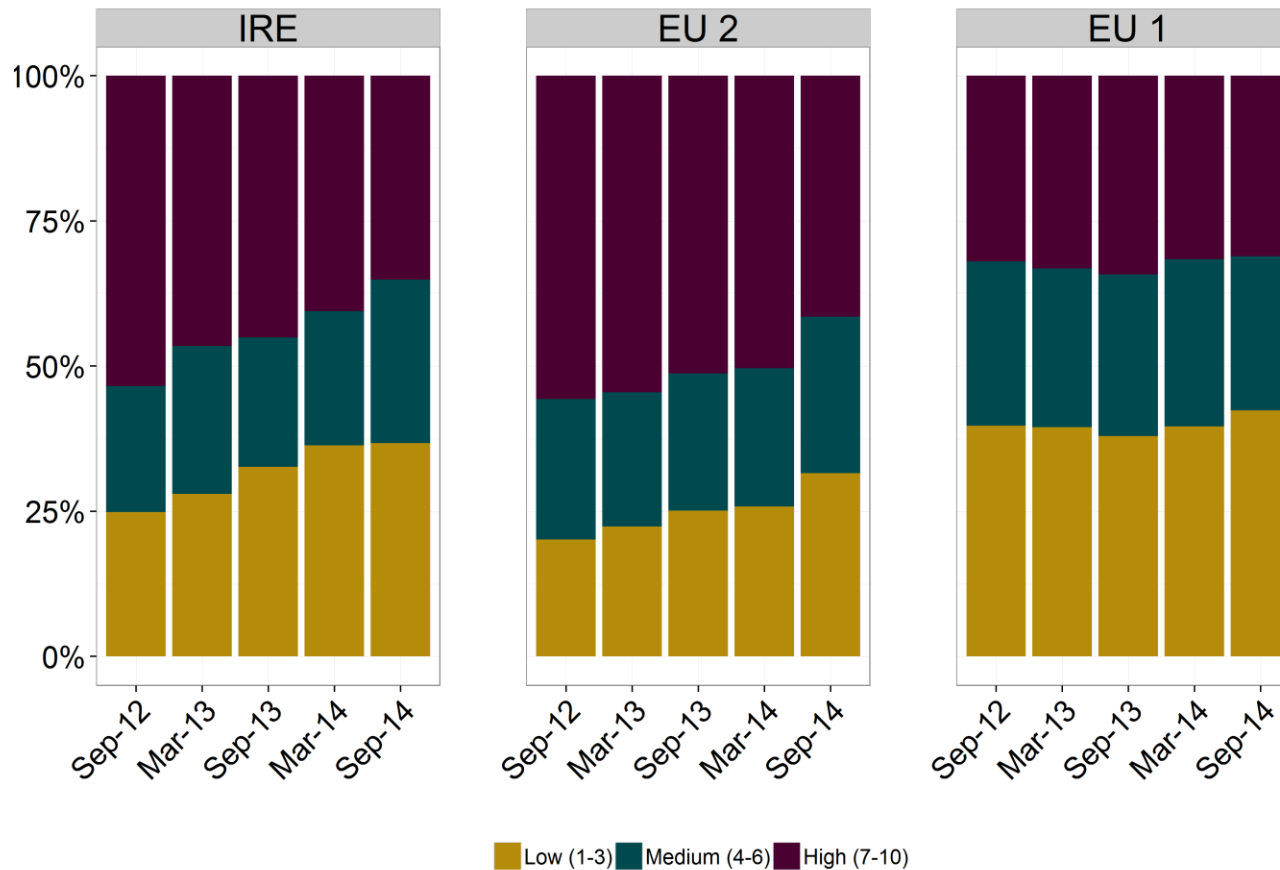
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## ECB SAFE Survey

How 'pressing' is access to finance (firm perception):



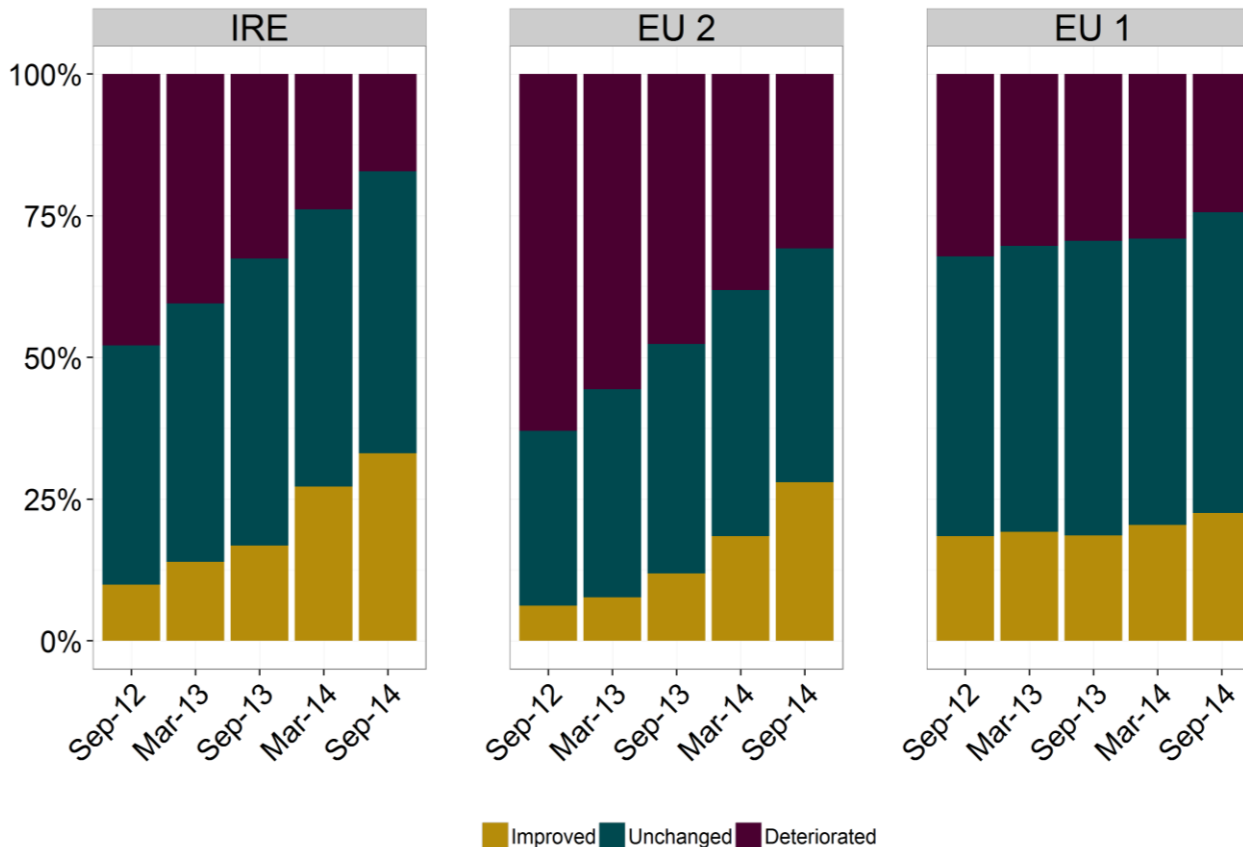
EU2: Portugal, Italy, Spain, Greece

EU1: Austria, Belgium, Germany, Finland, The Netherlands, France



## ECB SAFE Survey

### Bank willingness to provide credit (firm perception):



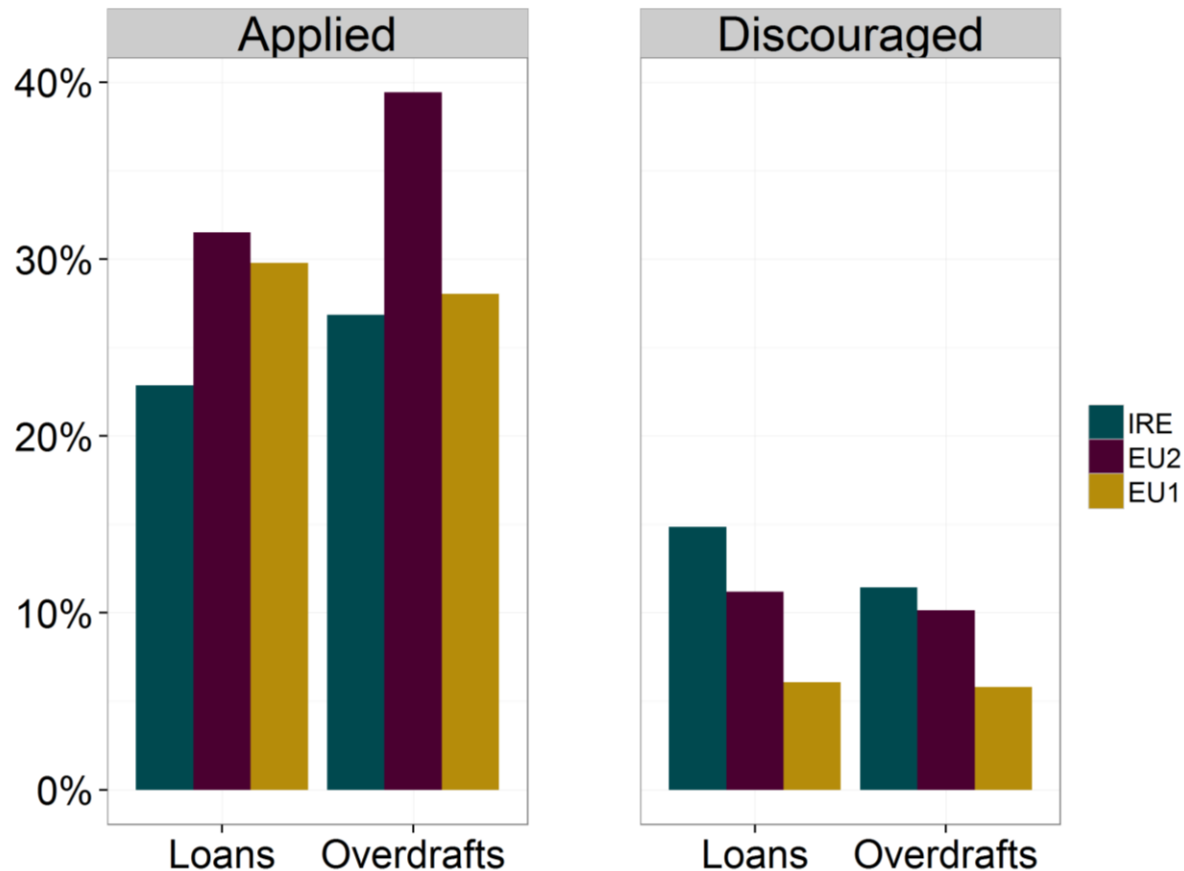
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## ECB SAFE Survey

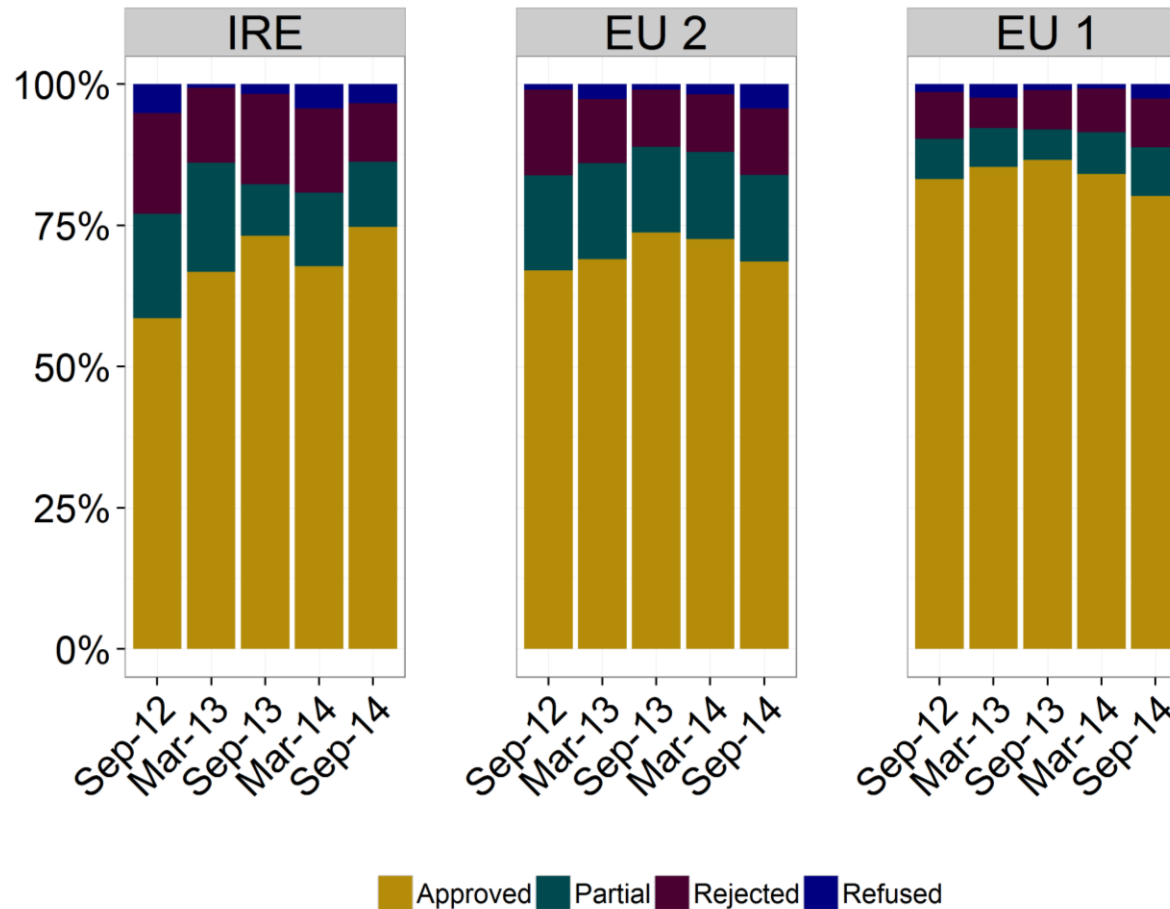
### Application/Discouraged Borrower Rates Sept. 2014





## ECB SAFE Survey

### Outcome of Loan/Overdraft Applications



EU2: Portugal, Italy, Spain, Greece

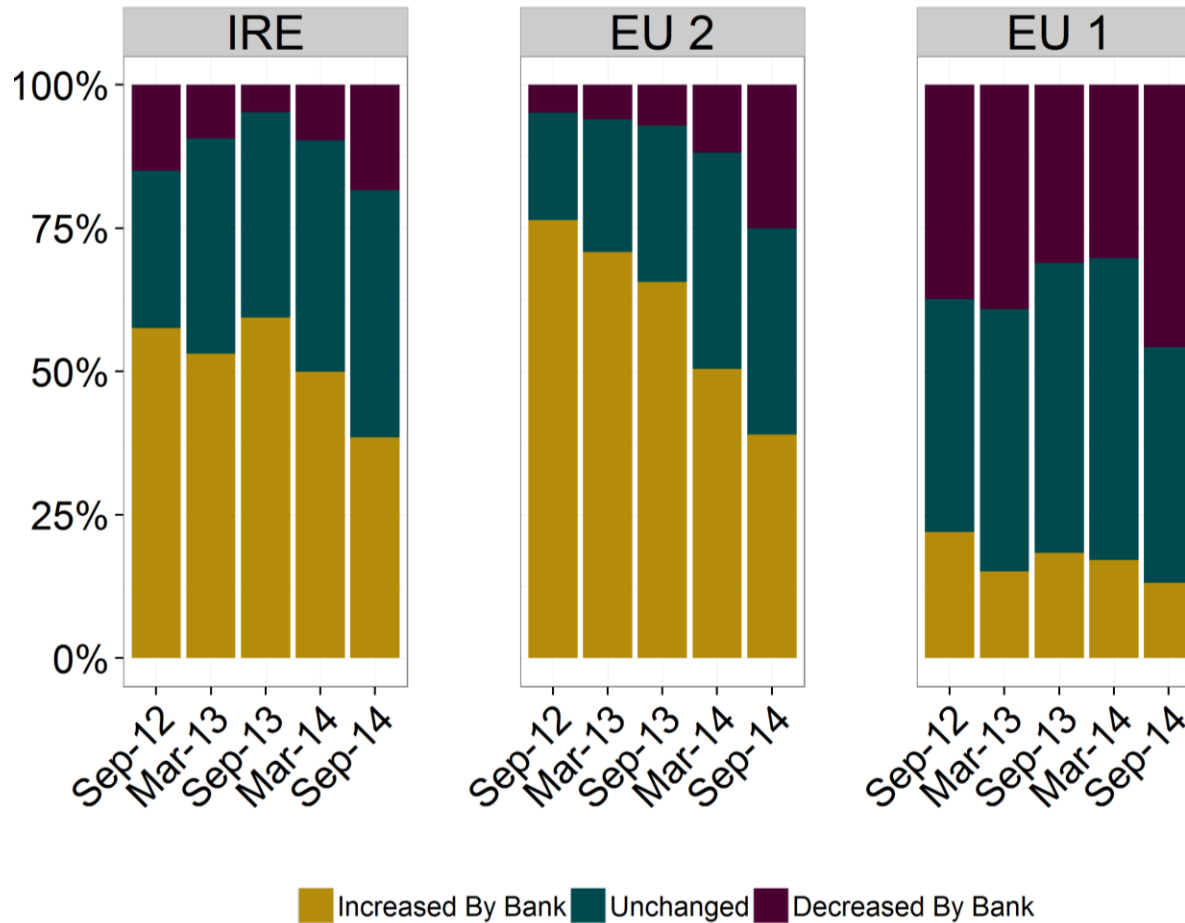
EU1: Austria, Belgium, Germany, Finland, The Netherlands, France





## ECB SAFE Survey

### Credit Conditions: Interest Rates



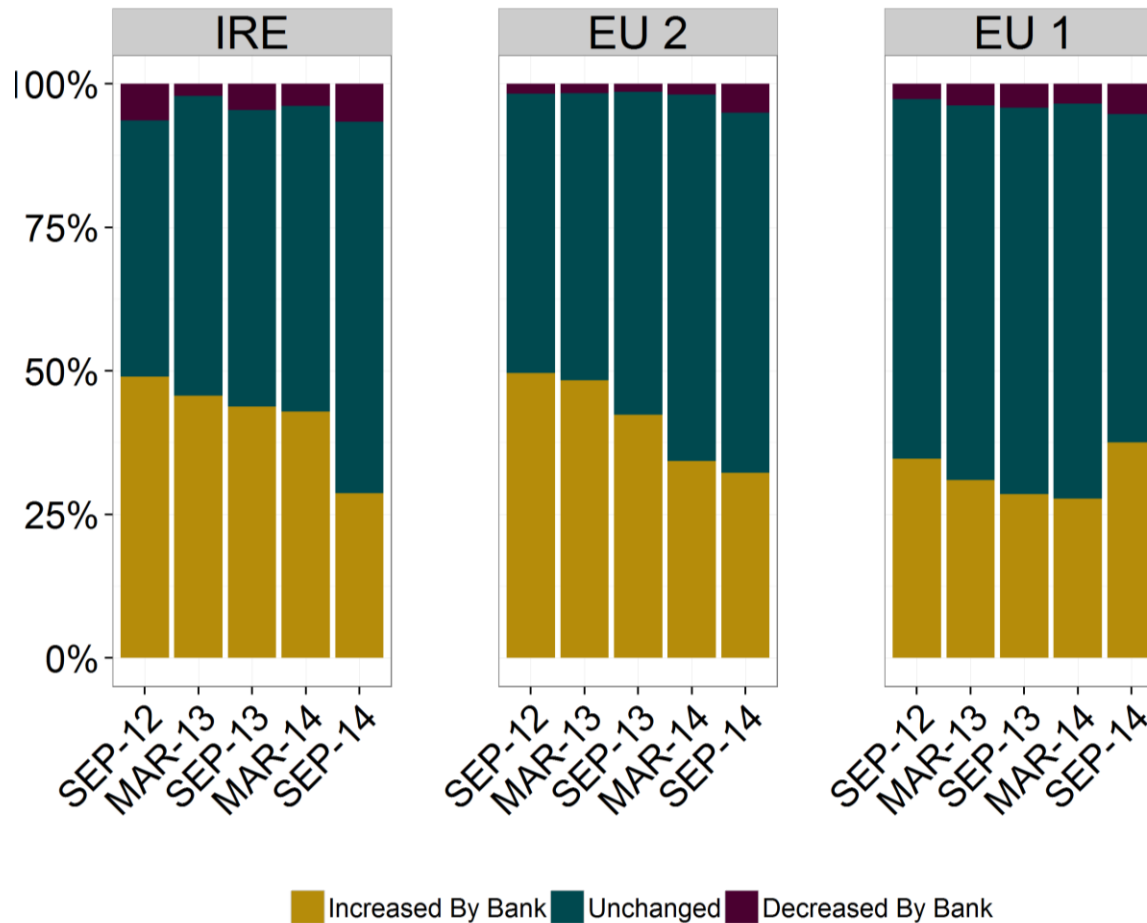
EU2: Portugal, Italy, Spain, Greece

EU1: Austria, Belgium, Germany, Finland, The Netherlands, France



## ECB SAFE Survey

### Credit Conditions: Collateral Requirements



EU2: Portugal, Italy, Spain, Greece

EU1: Austria, Belgium, Germany, Finland, The Netherlands, France



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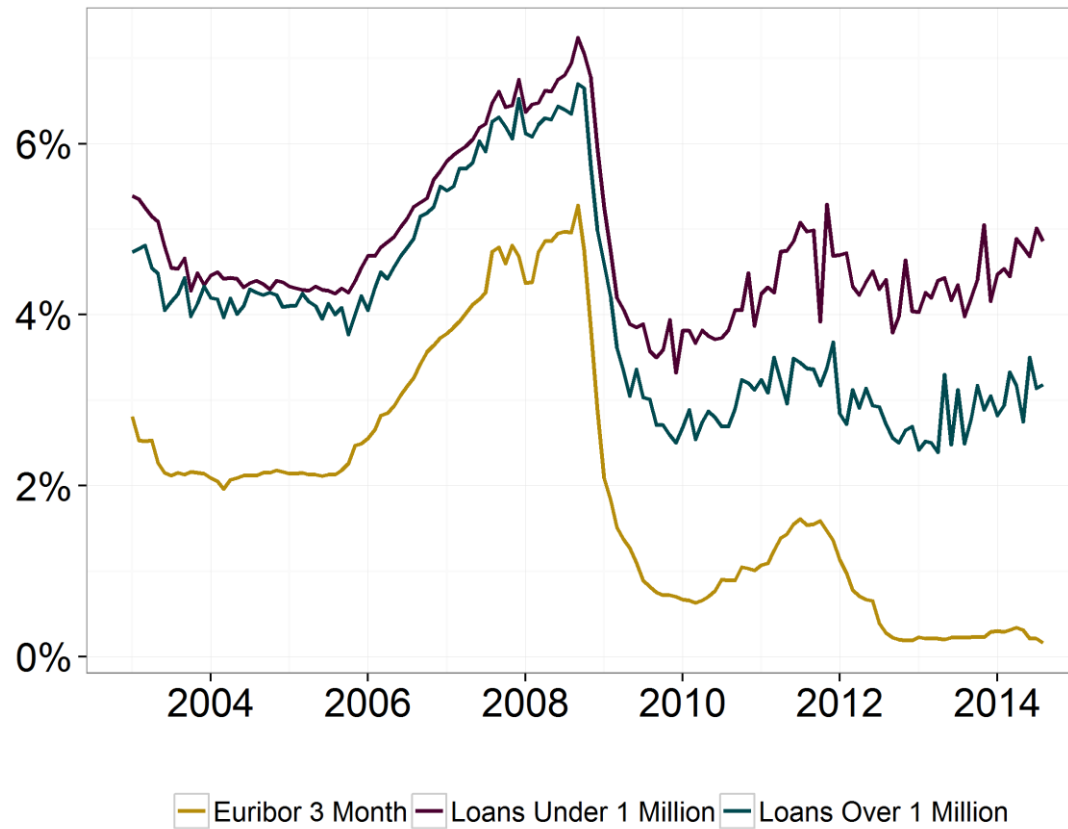
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## Interest Rates and Credit Market Concentration

### Interest rate on NFC loans and EURIBOR

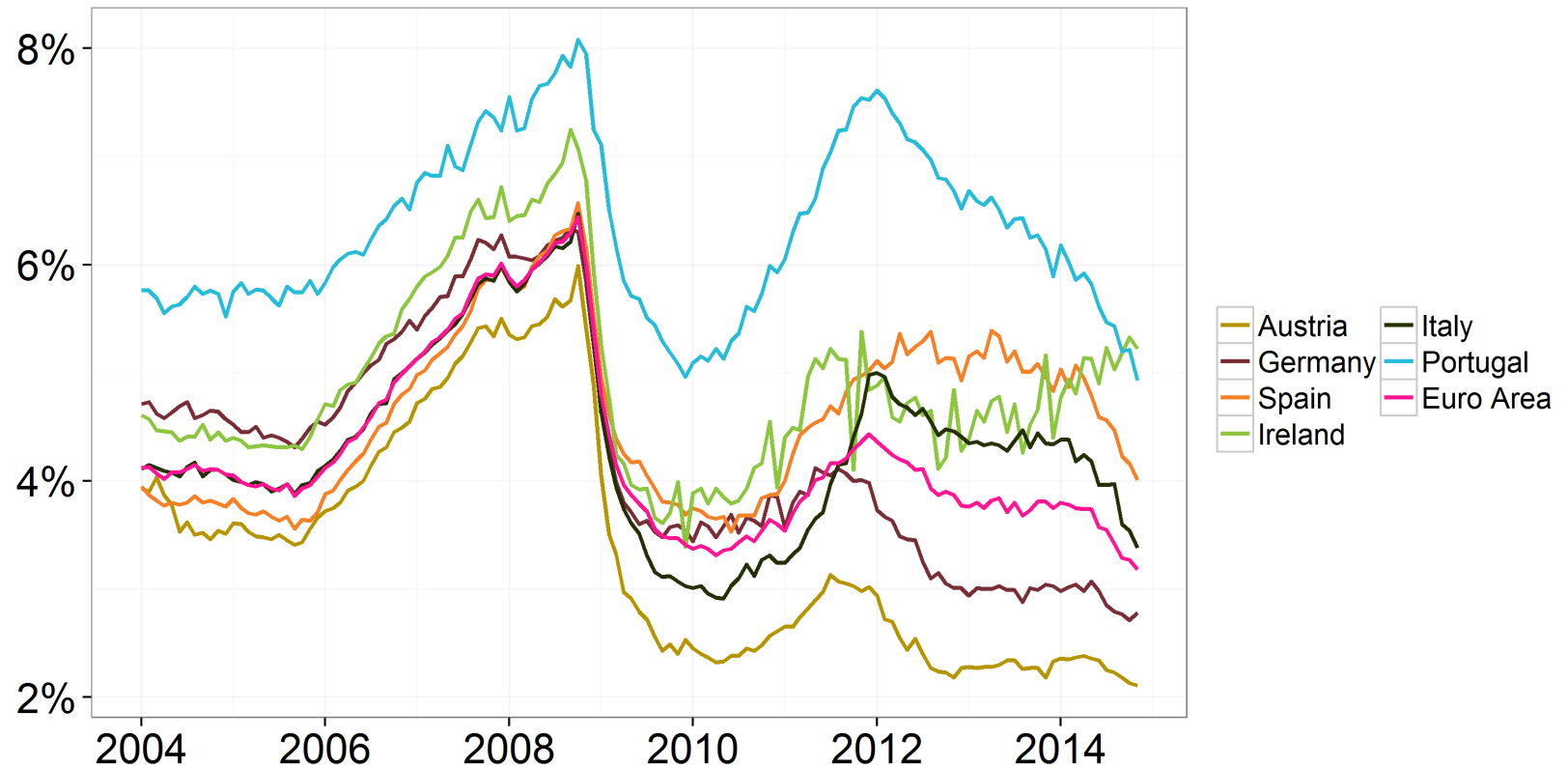


Source: ECB, MFI data.



## Bank Financing – Market Overview

### Interest Rates on NFC



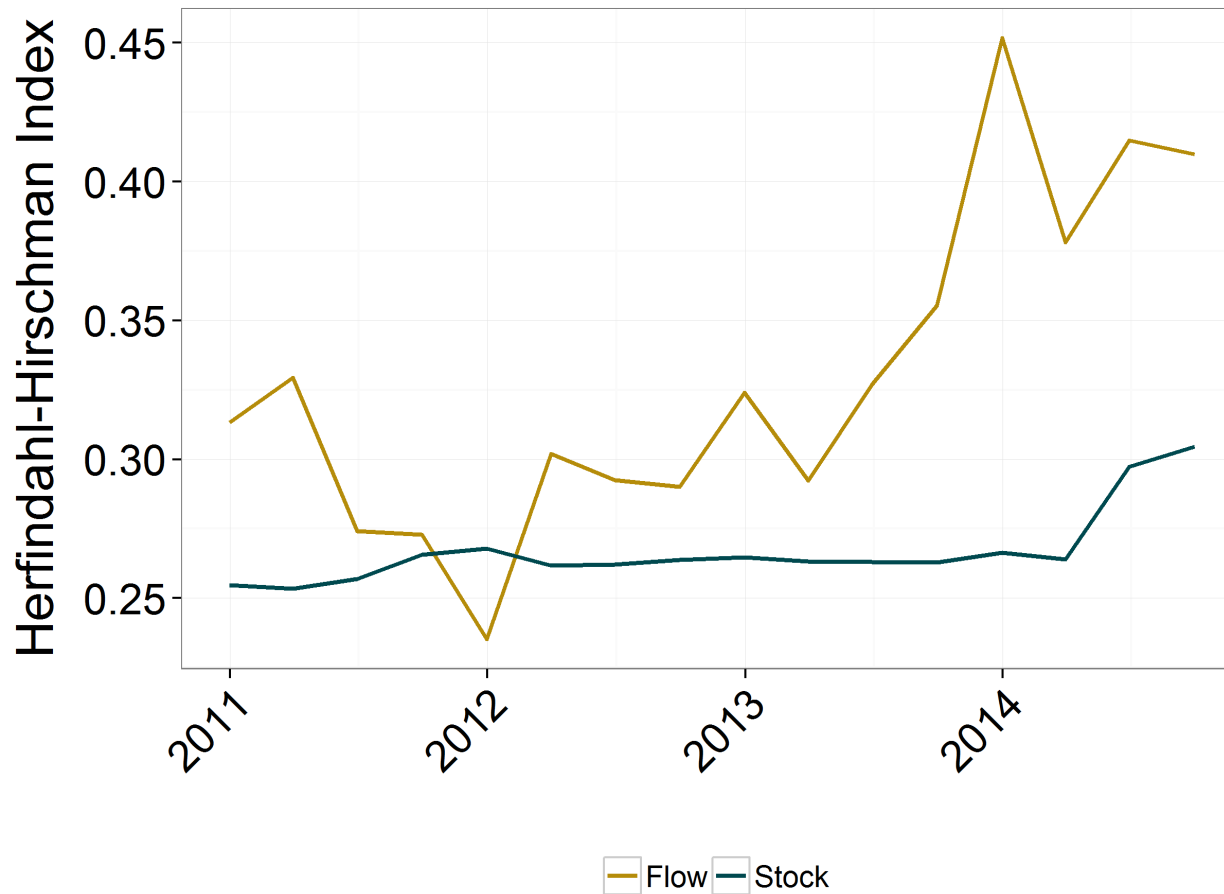
Source: ECB, MFI data.





## Bank Financing – Market Overview

### Credit Concentration





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## Conclusion

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- Outstanding credit falling
  - New lending steady (signs of slight upturn)
  - Application and Rejection rates falling
  - But increased application for loans & leasing/hire purchase
  - Borrowing for 'Growth and Expansion' increasing
  - SME defaults – 41% overall (3<sup>rd</sup> highest in EU), and higher for Construction and Hotel/Restaurants
  - Access to finance less 'pressing' a concern, but still a high concern for 35% of SMEs (similar to EU)
  - Rejection/Approval Rates now similar to EU
  - Interest Rates rising and now among highest in EU
  - Credit Concentration Increasing
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