



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

SME credit supply and demand in the pandemic recovery

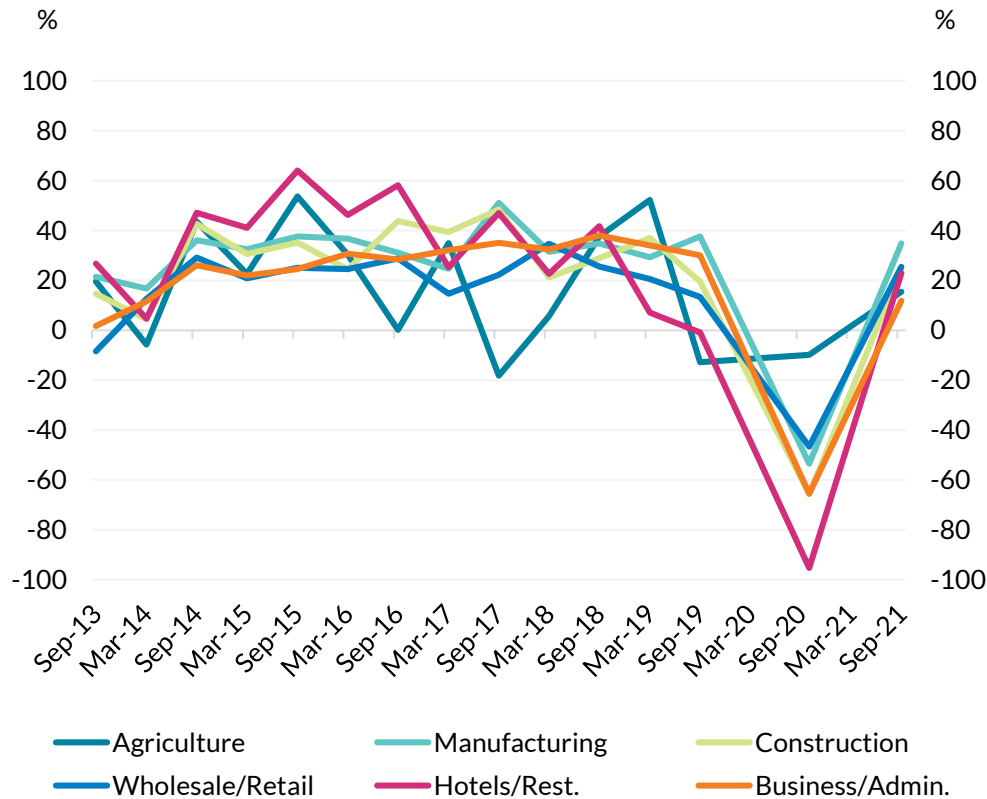
Elena Durante and Niall McGeever

Outline

1. SME trading performance
2. Policy context
3. New lending
4. Credit demand
5. Credit supply

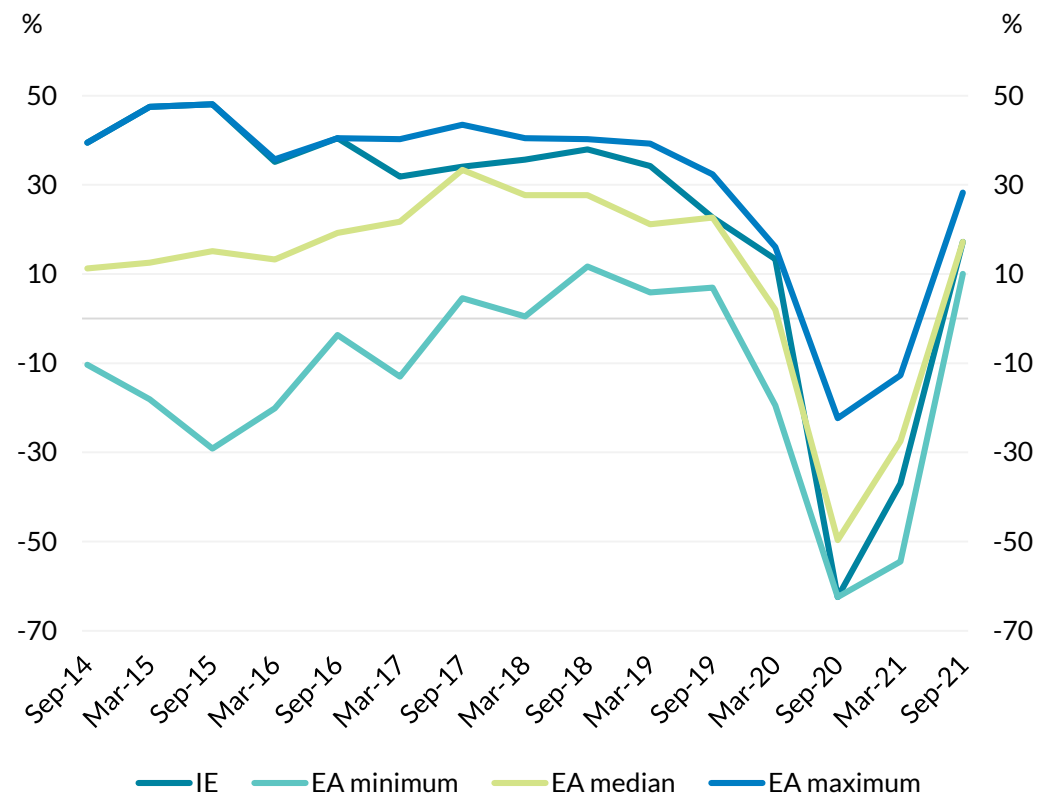
1. SME trading performance

SME turnover recovery is continuing...



Source: SME Credit Demand Survey

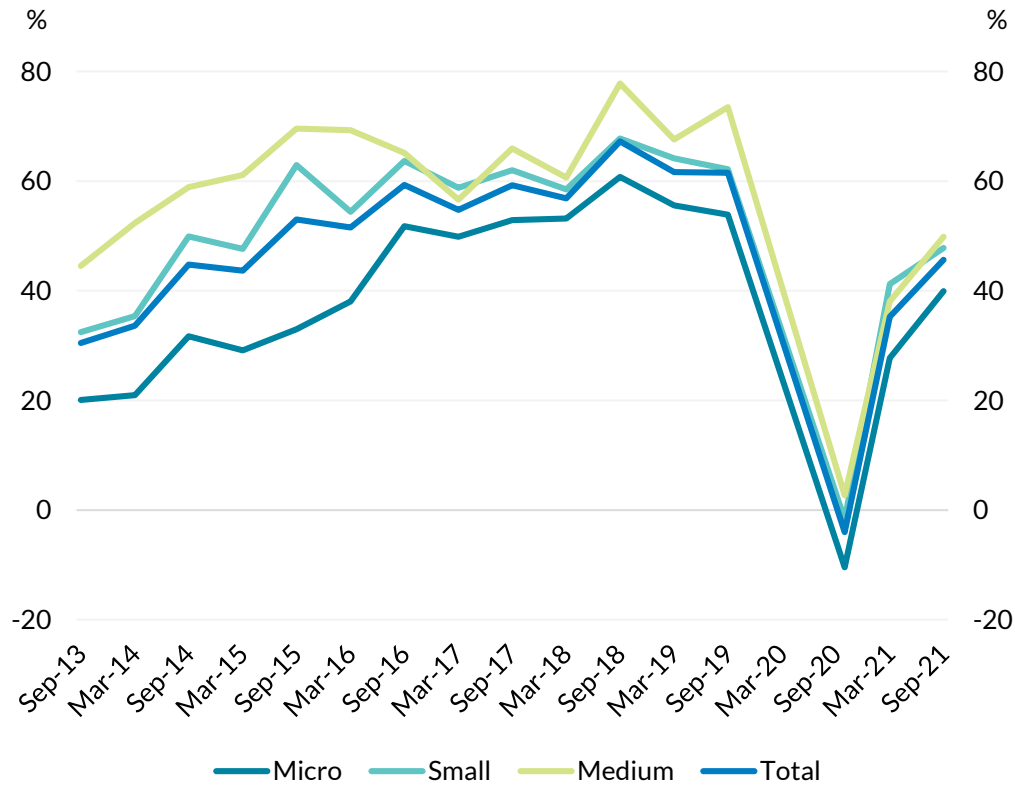
...as it is elsewhere in Europe



Source: ECB SAFE

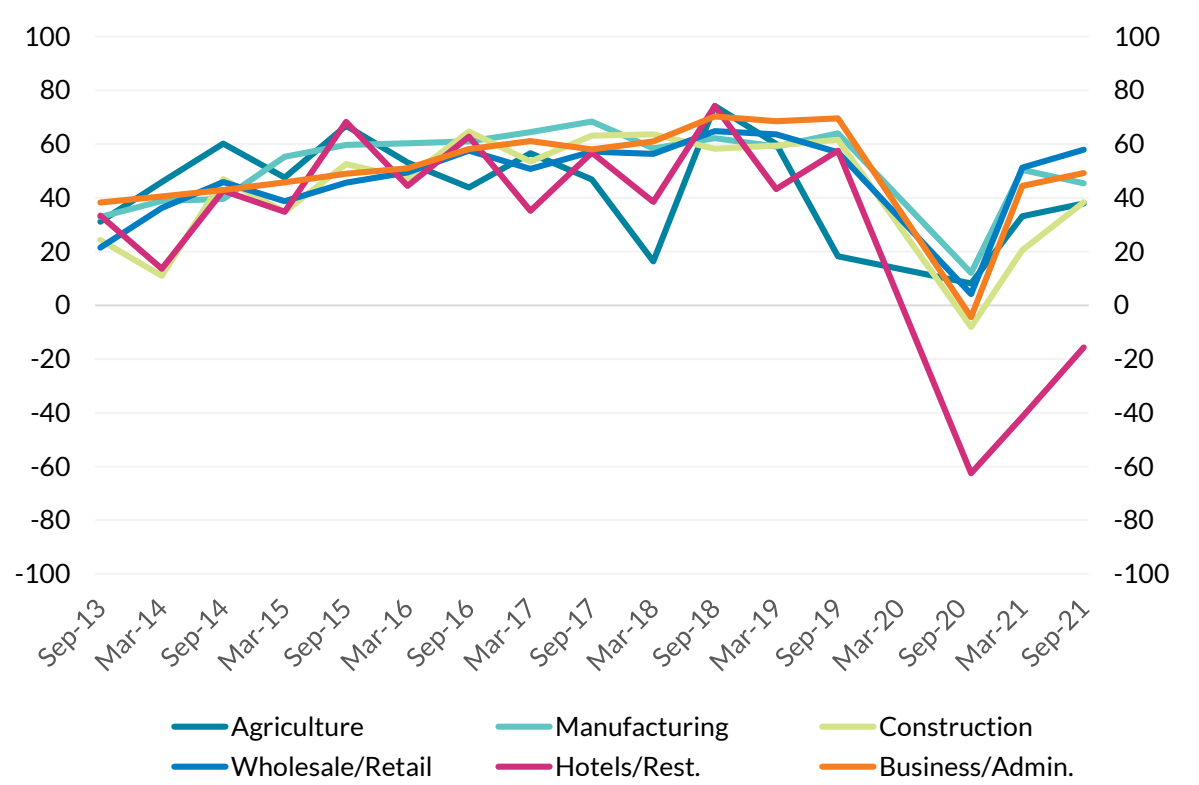
1. SME trading performance

Profitability is also recovering...



Source: SME Credit Demand Survey

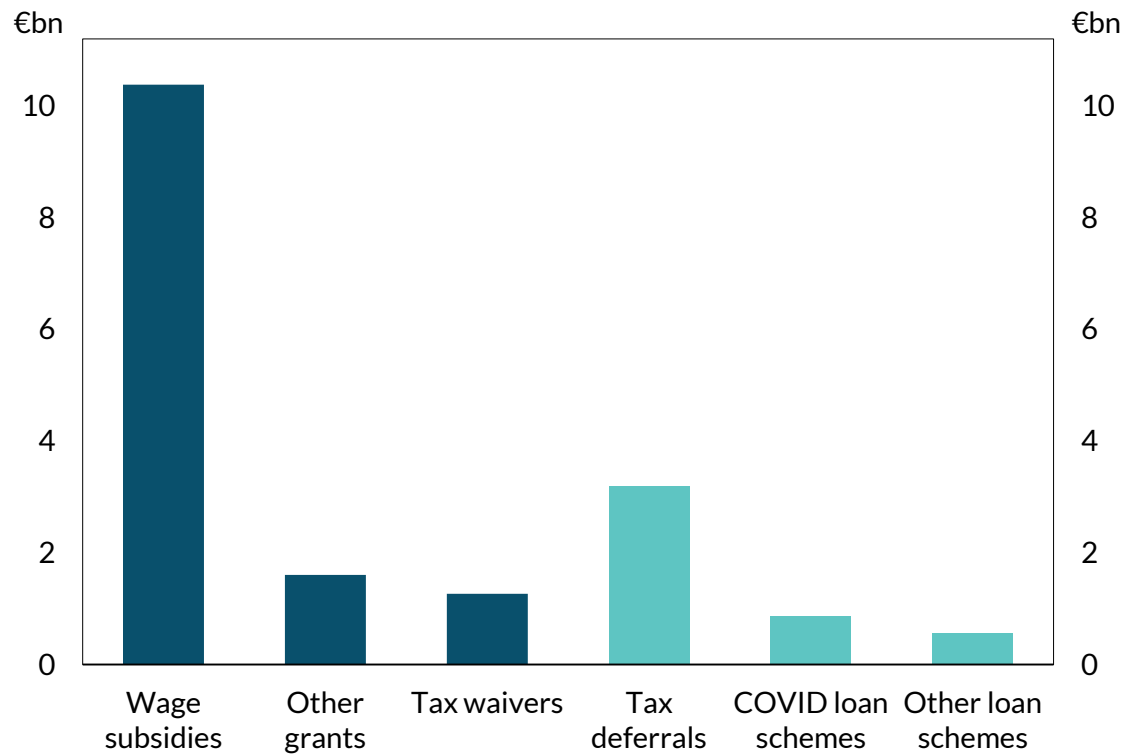
...with signs of a slower recovery in some sectors



Source: SME Credit Demand Survey

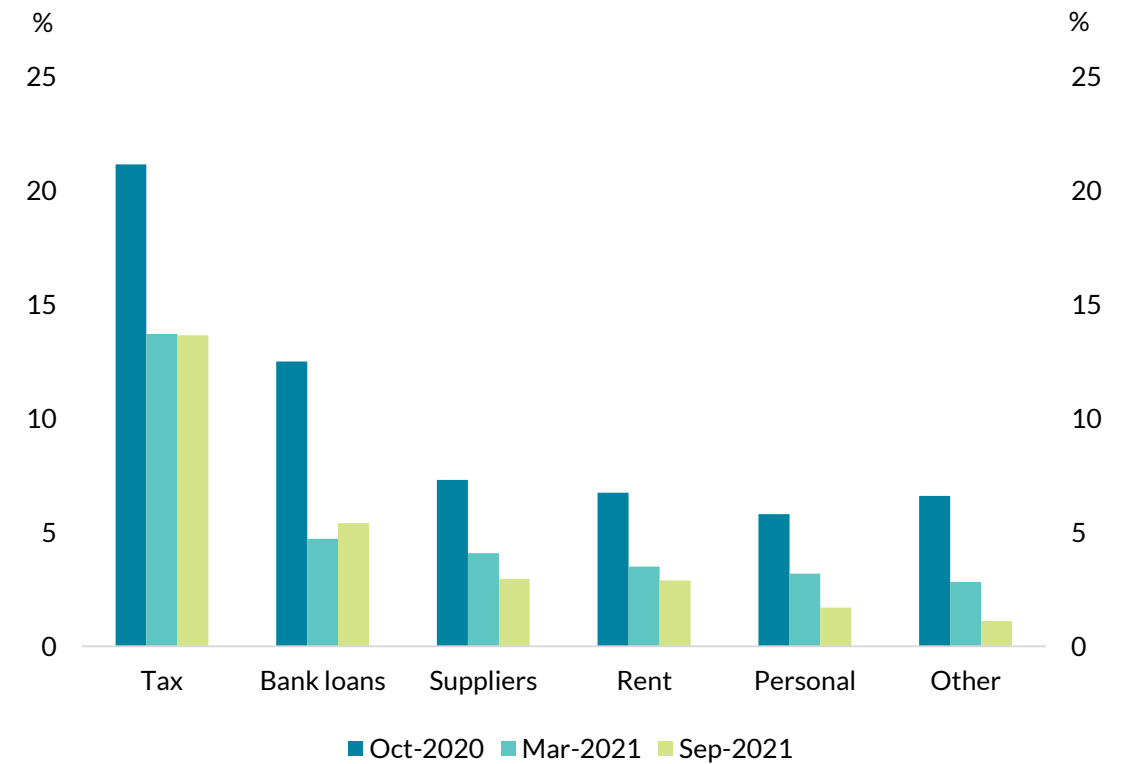
2. Policy context

Government supports were large and mainly in the form of grants



Source: DETE; Revenue Commissioners

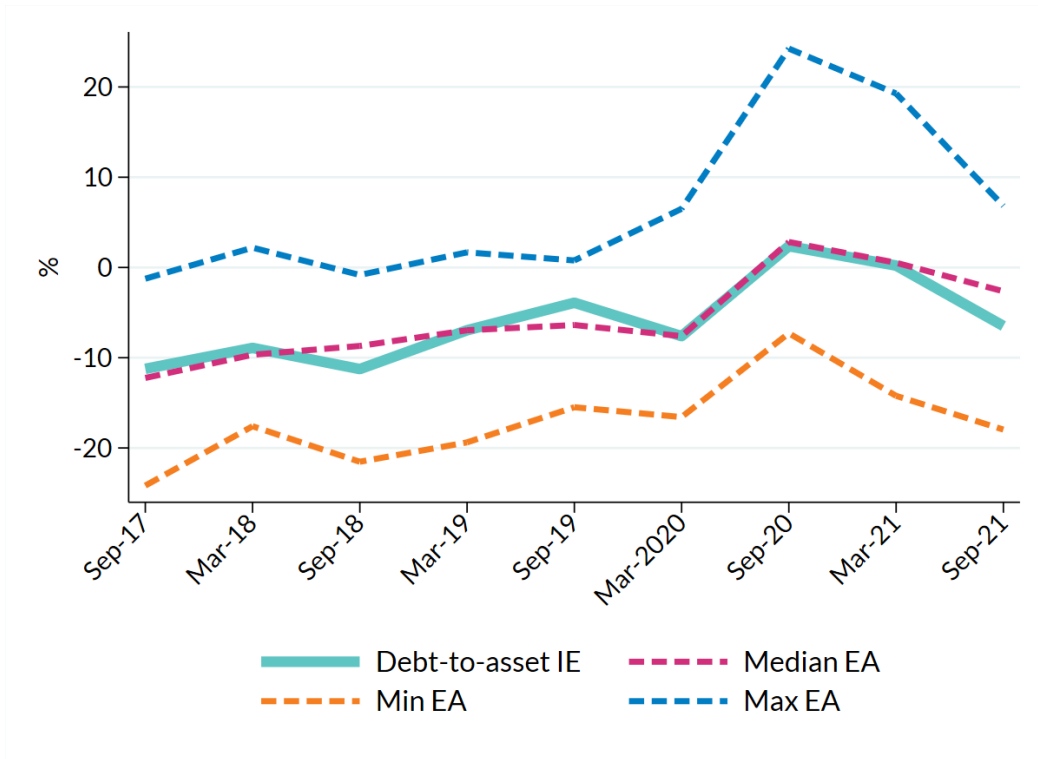
Firms continued to defer payments on liabilities



Source: SME Credit Demand Survey

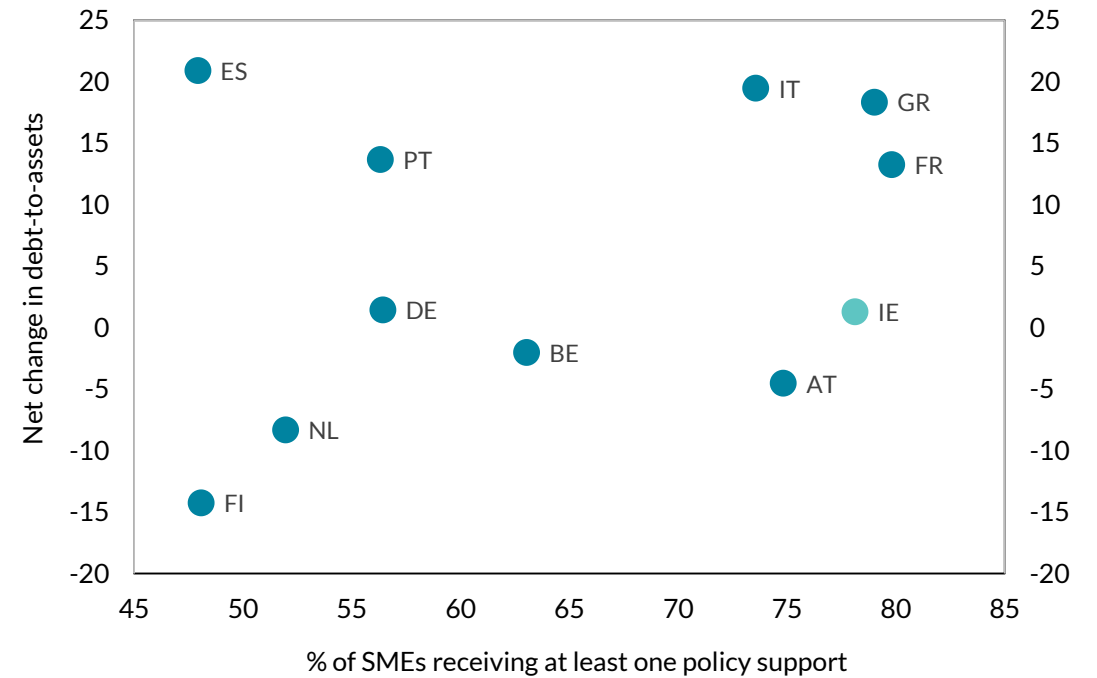
2. Policy context

The amount of bank debt owed by Irish SMEs stayed relatively steady



Source: ECB SAFE

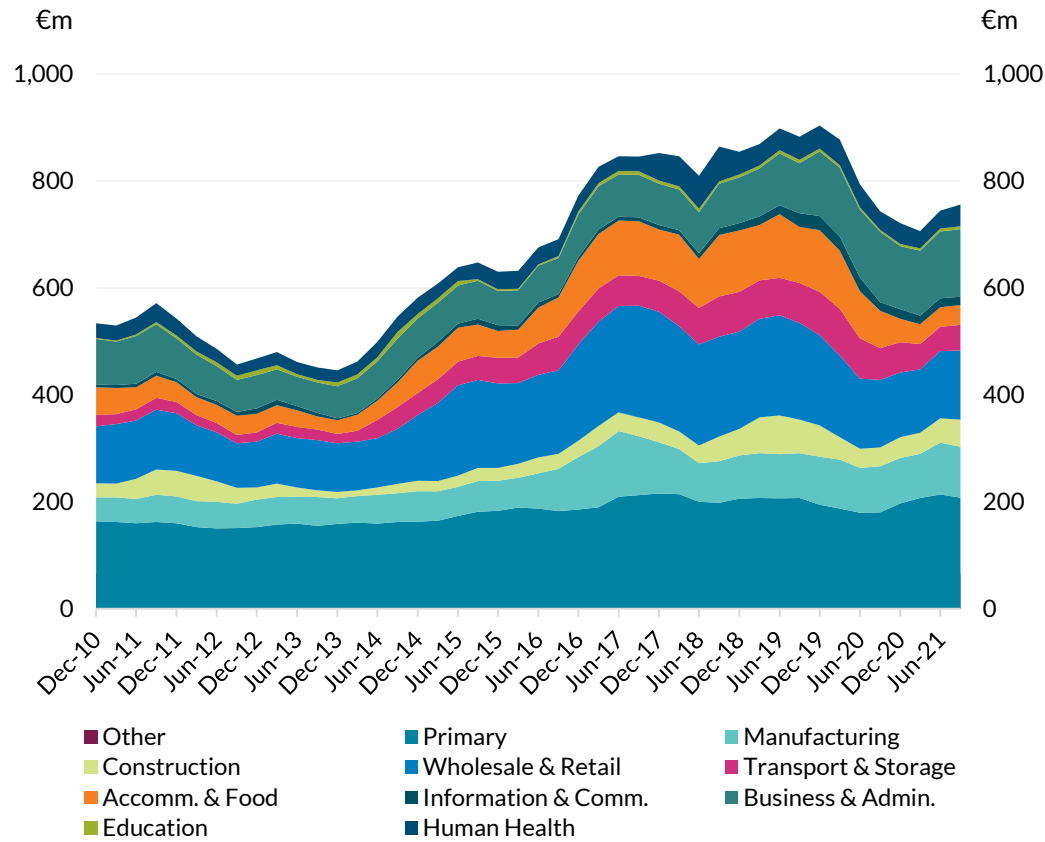
Grants have helped mitigate debt overhang risk



Source: ECB SAFE

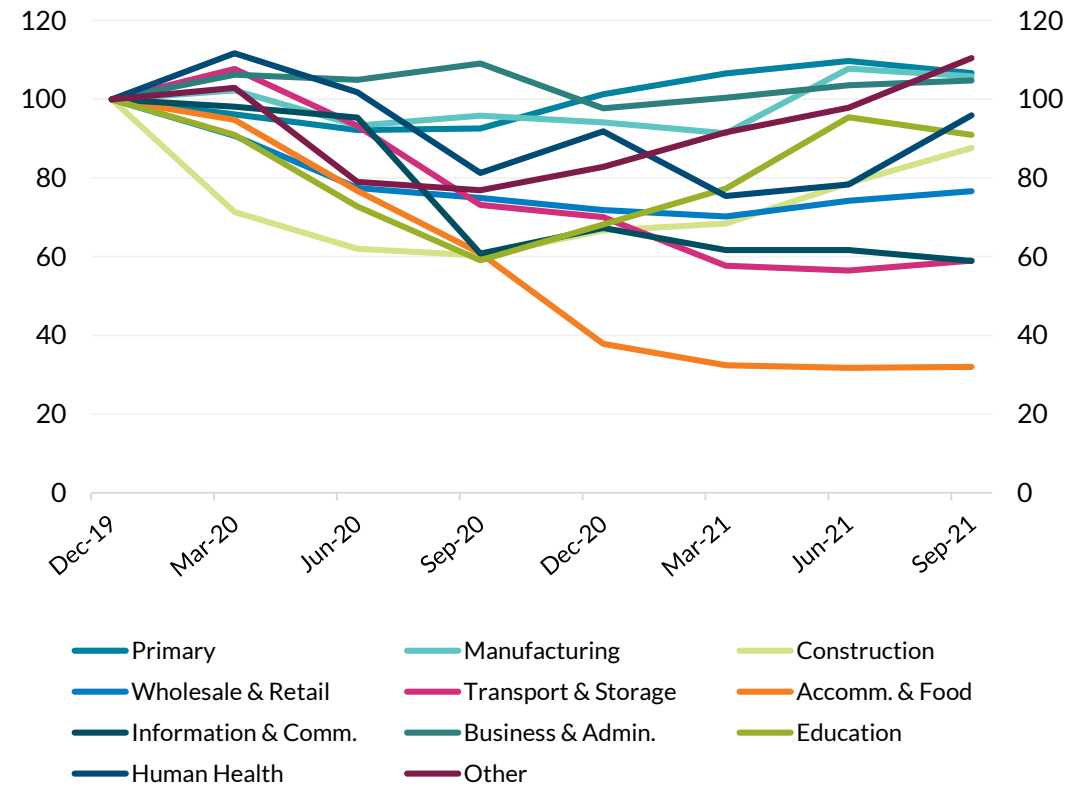
3. New lending

New bank lending has fallen to 2016 levels...



Source: Central Bank of Ireland

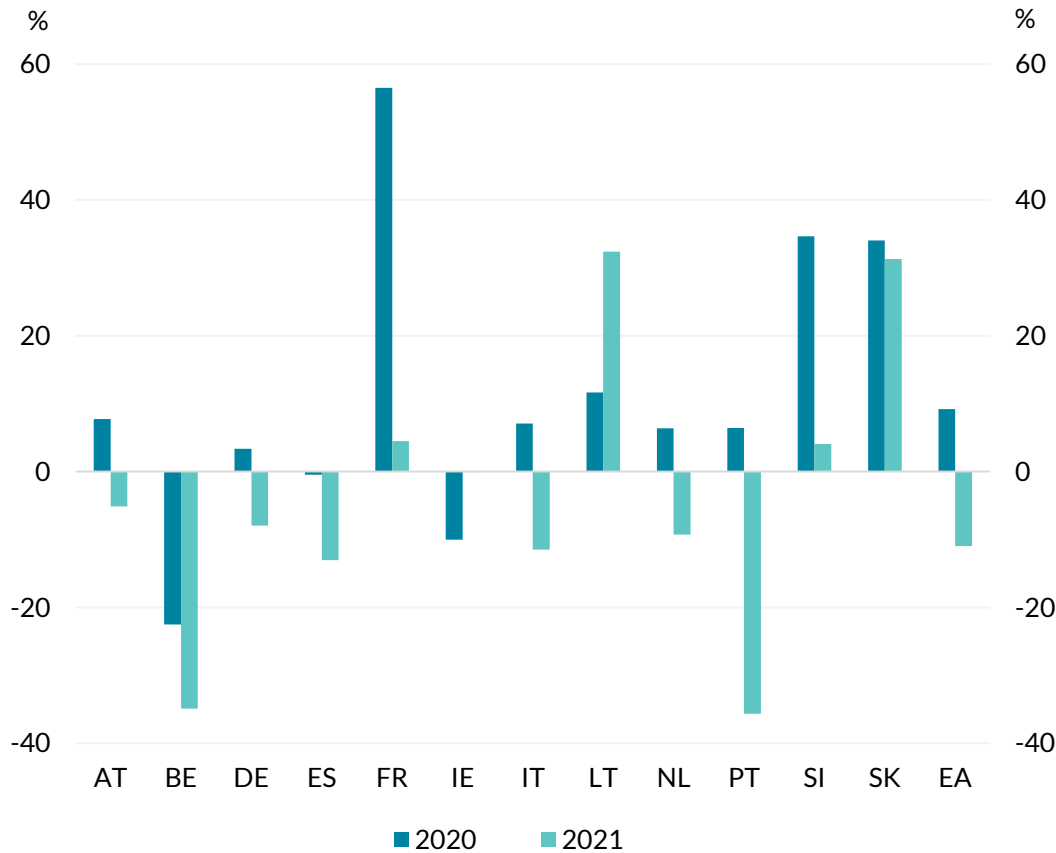
...and Accommodation & Food has seen the largest decline



Source: Central Bank of Ireland

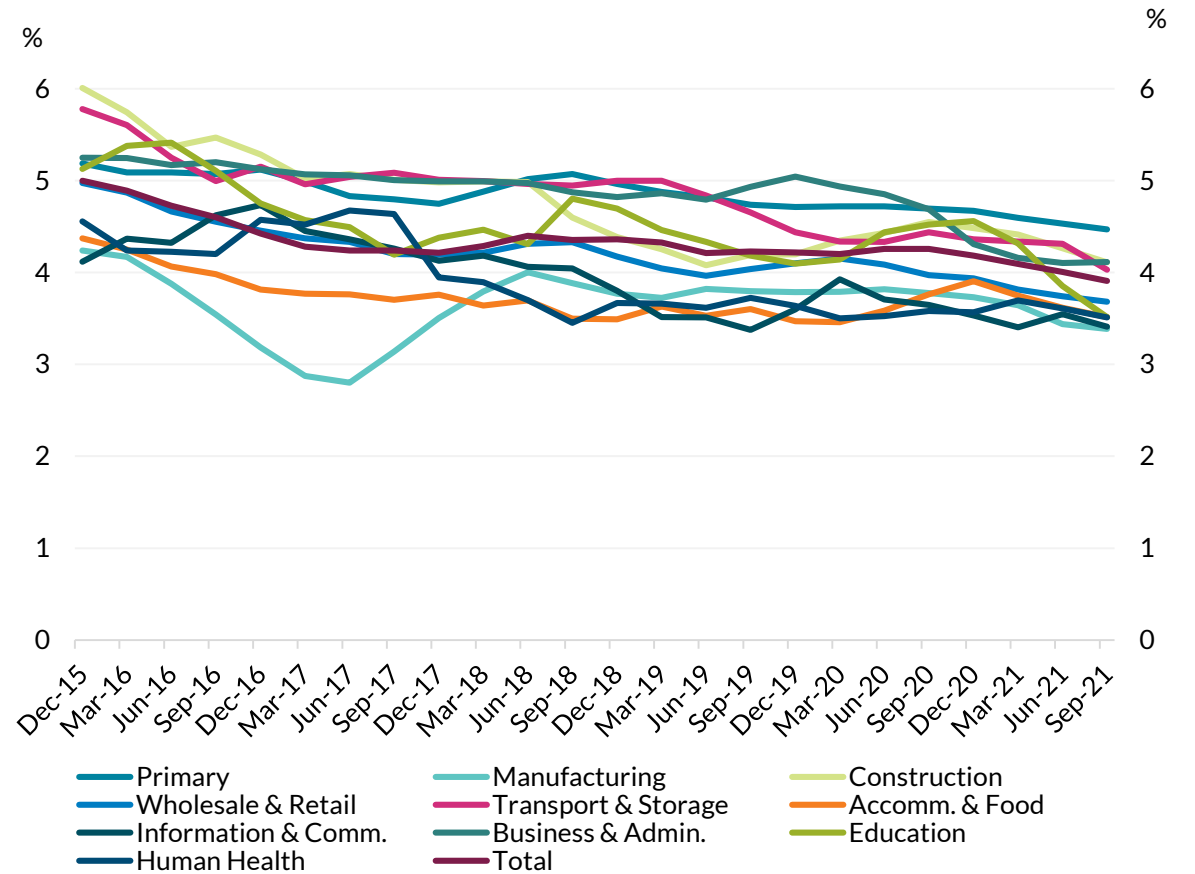
3. New lending

New lending under €1m in Europe has fallen below 2019 levels



Source: ECB

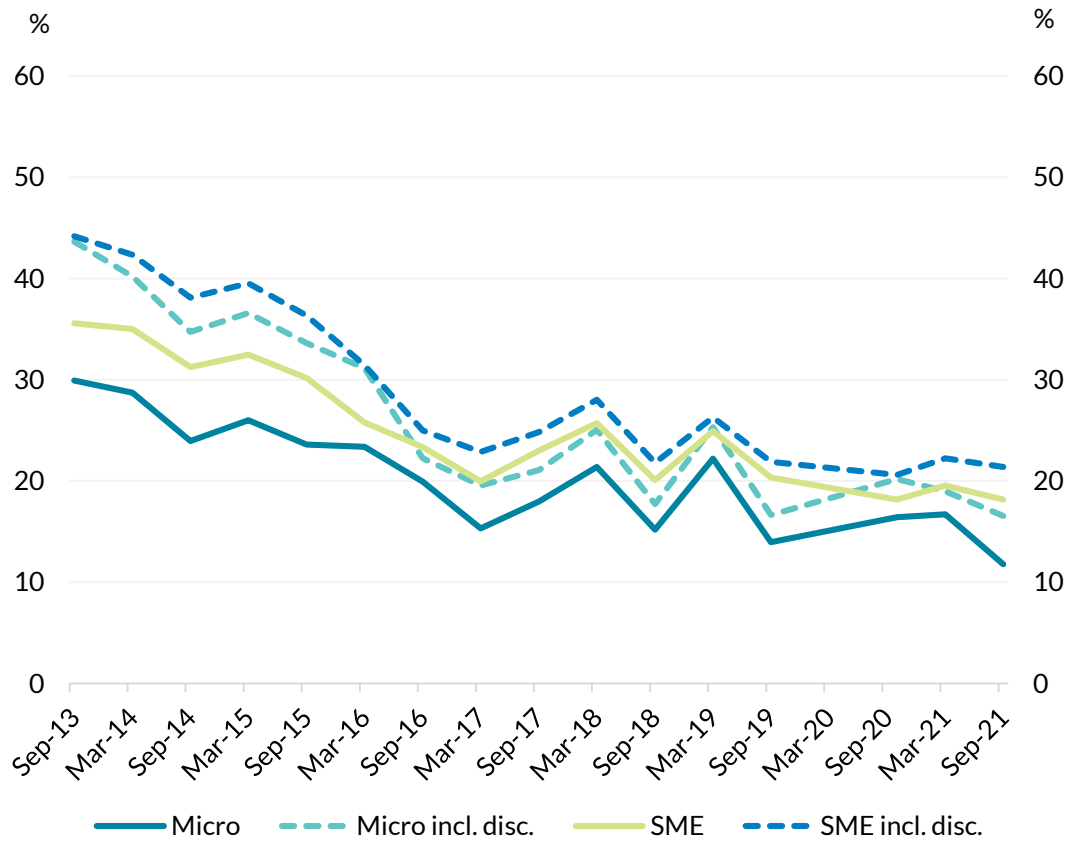
Interest rates in Ireland have trended downwards slowly since 2015



Source: Central Bank of Ireland

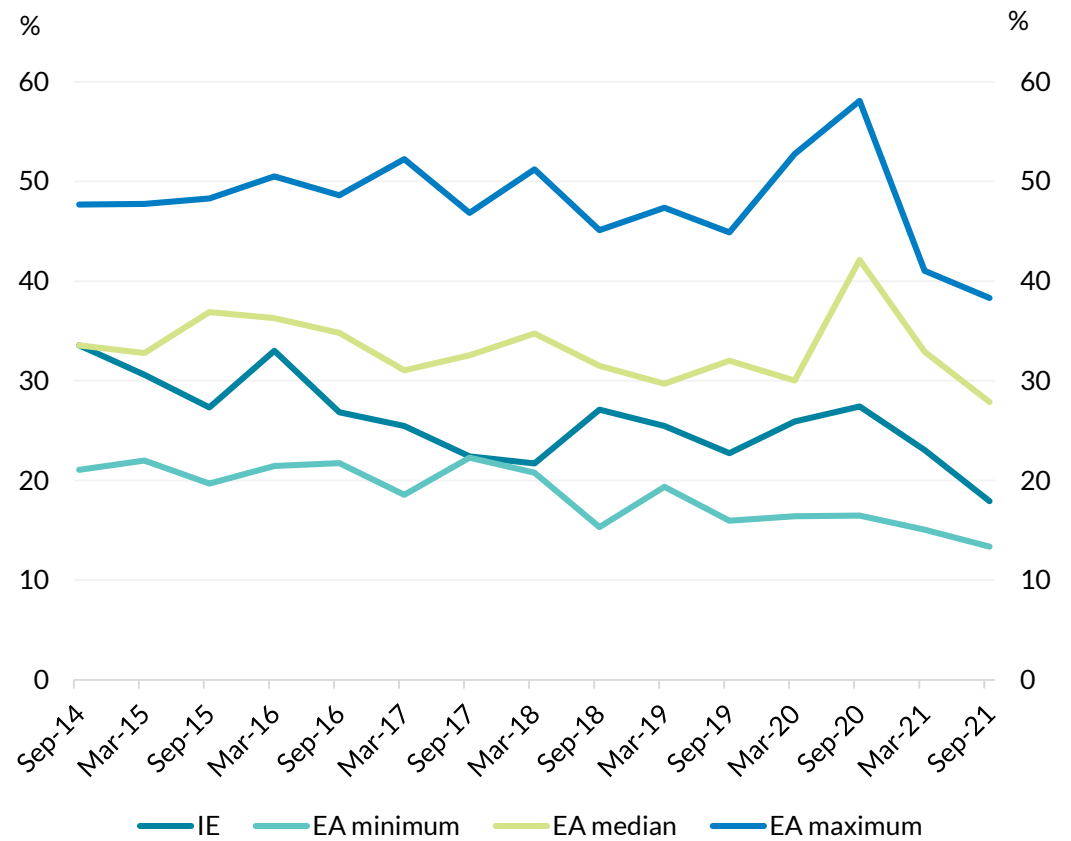
4. Credit demand

The credit application rate in Ireland is relatively low...



Source: SME Credit Demand Survey

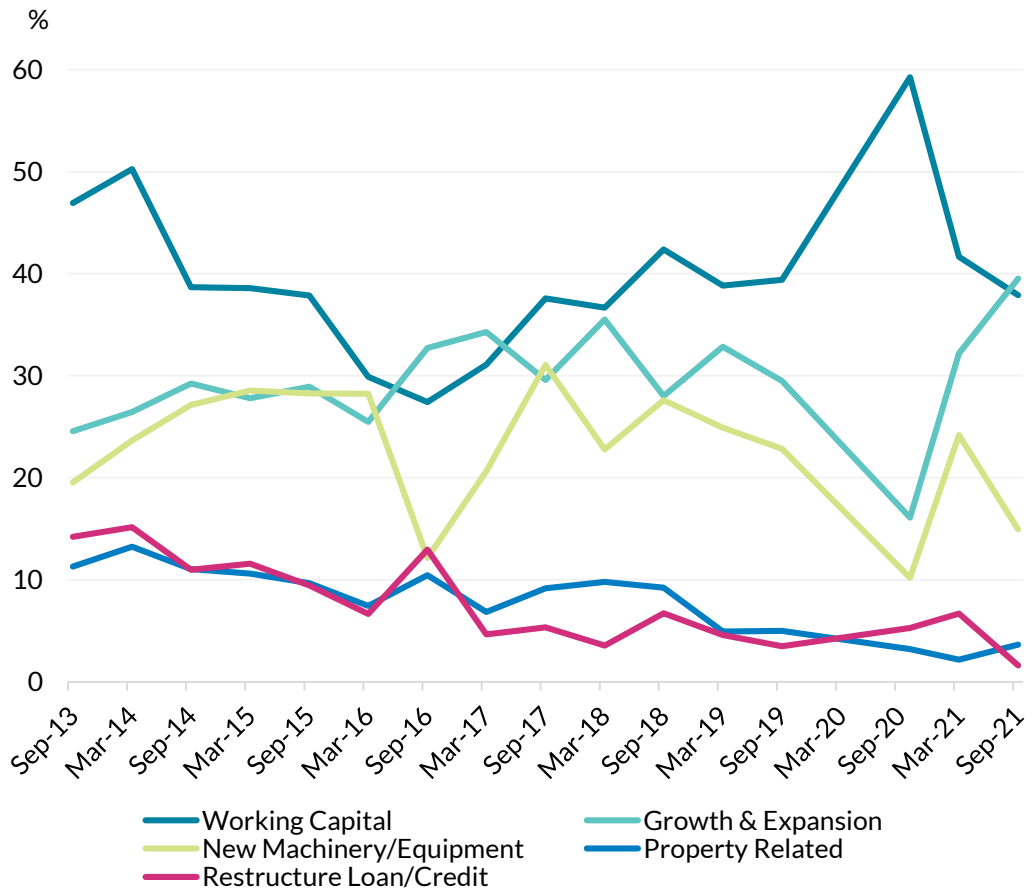
...and application rates in Europe have fallen from pandemic highs



Source: ECB SAFE

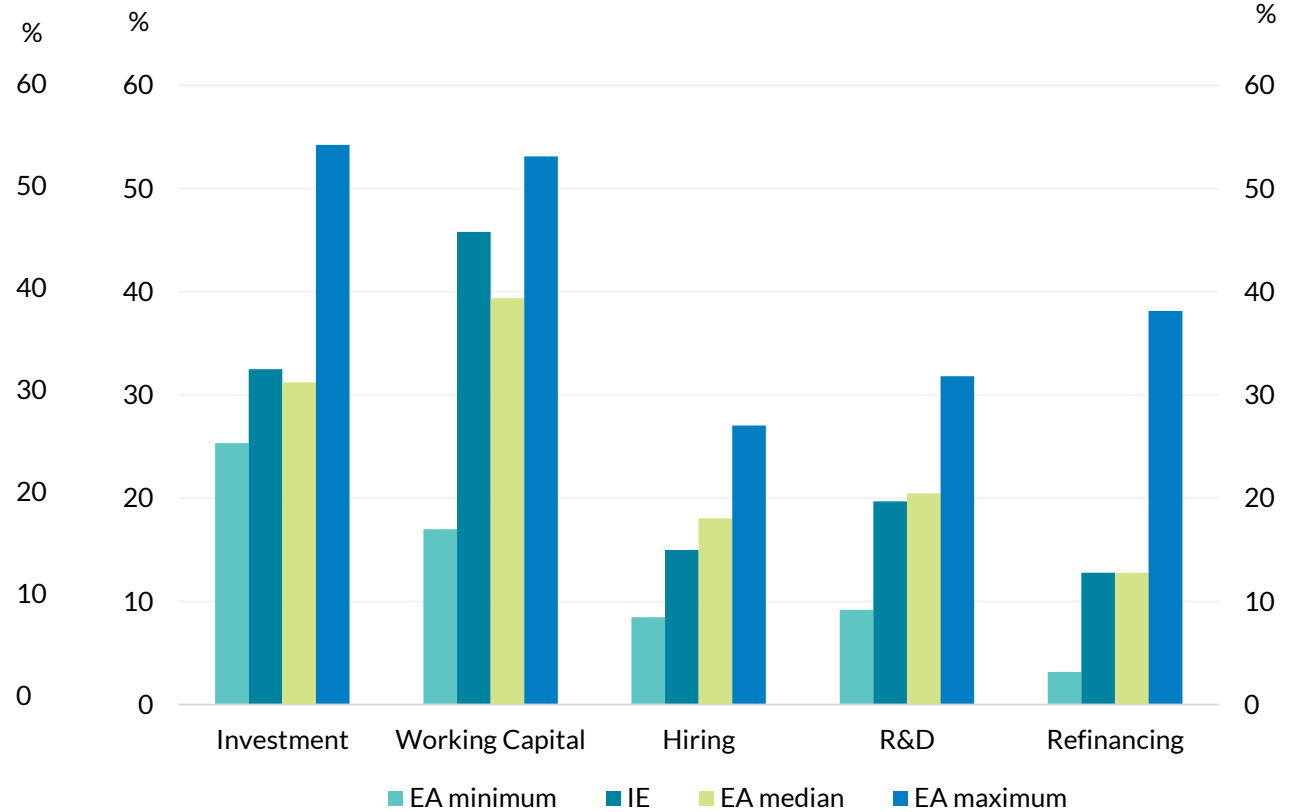
4. Credit demand

Borrowing for liquidity and investment have normalised...



Source: SME Credit Demand Survey

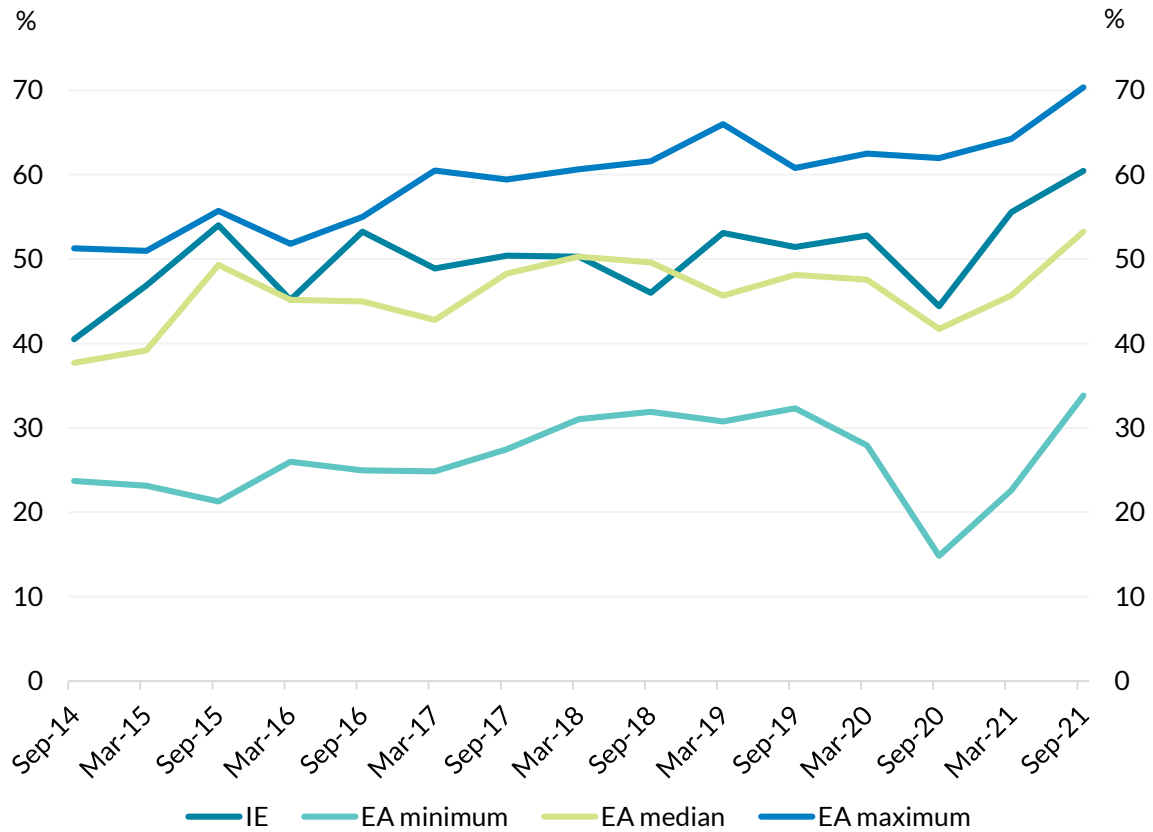
...and Ireland looks to be in line with other countries in Europe



Source: ECB SAFE

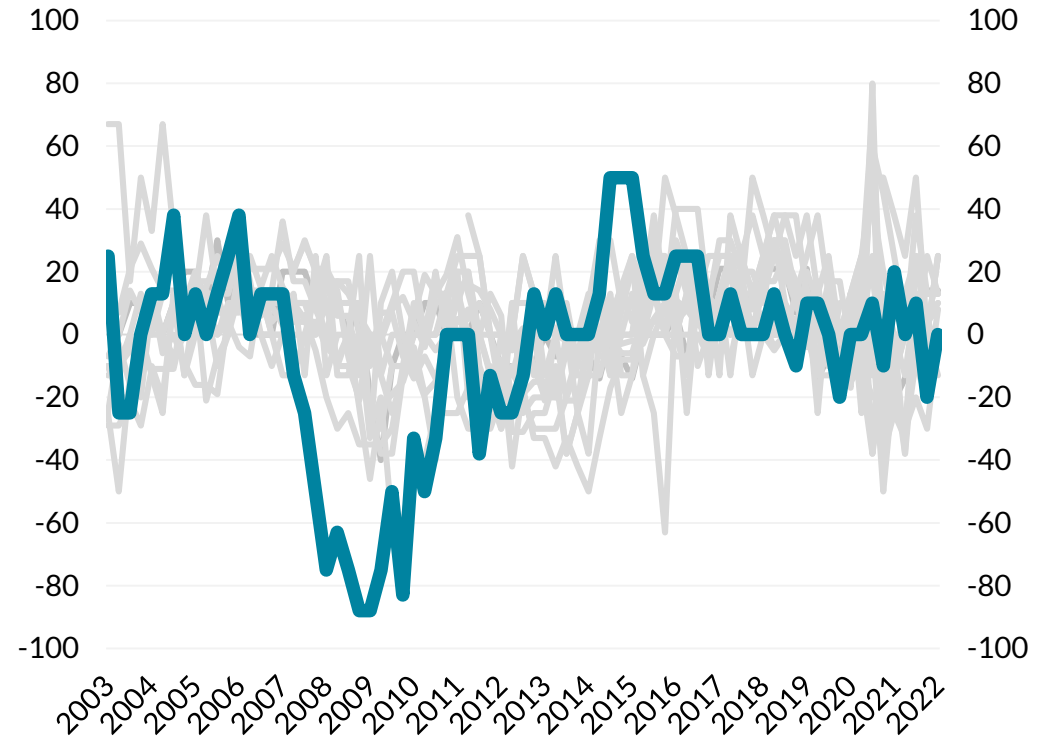
4. Credit demand

The main reason for not applying was sufficient internal funds



Source: ECB SAFE

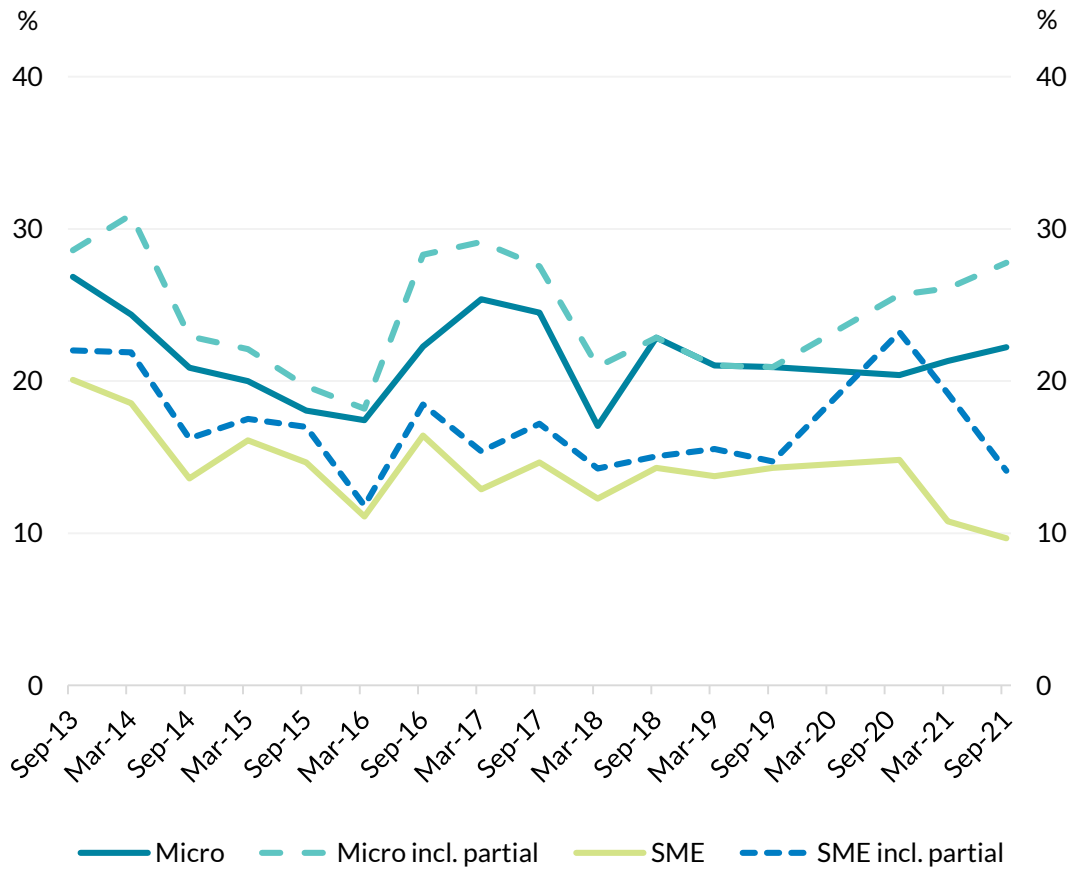
Banks have reported some weakness in SME credit demand



Source: ECB Bank Lending Survey

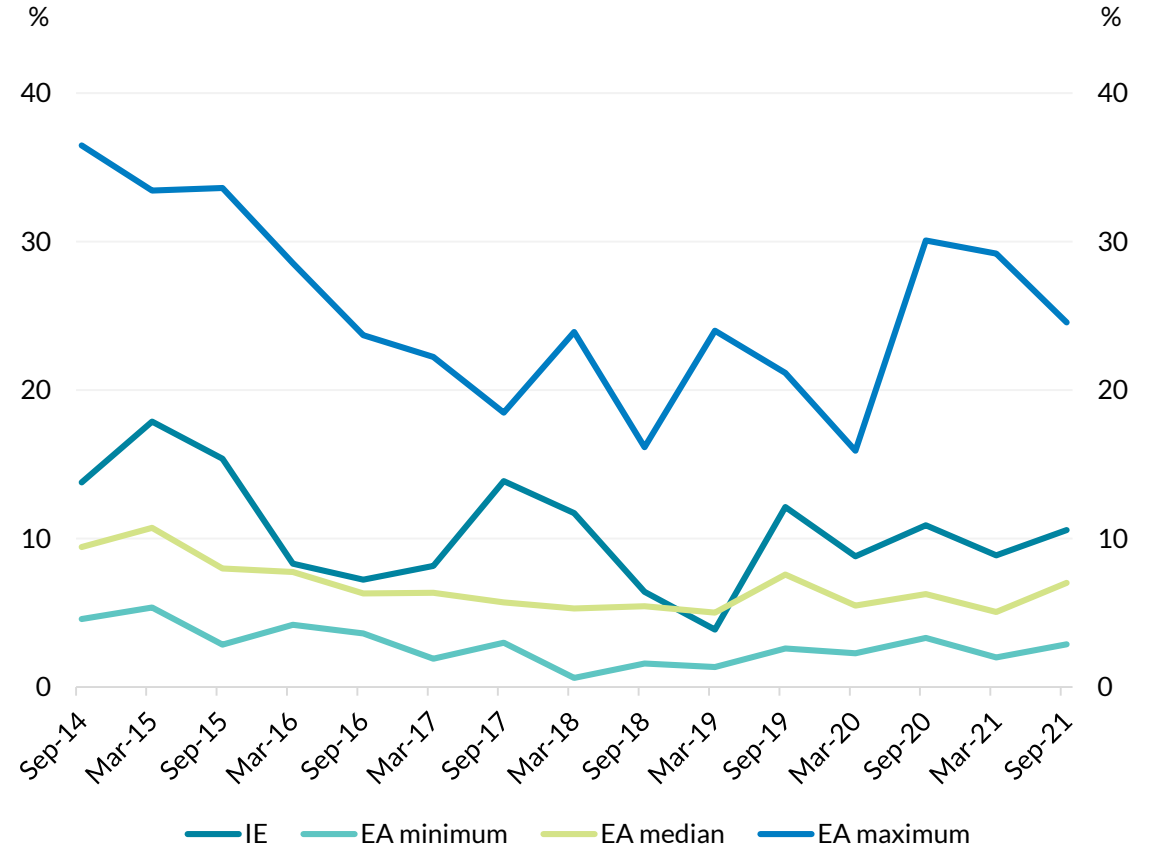
5. Credit supply

Rejection rates are relatively stable...



Source: SME Credit Demand Survey

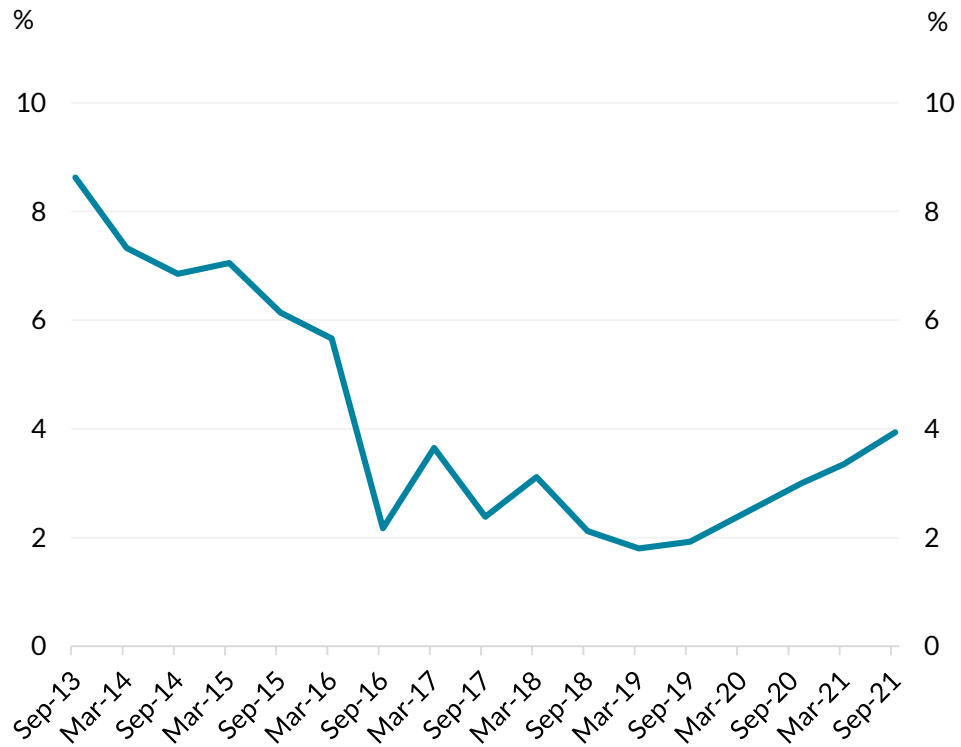
...with a similar picture in Europe



Source: ECB SAFE

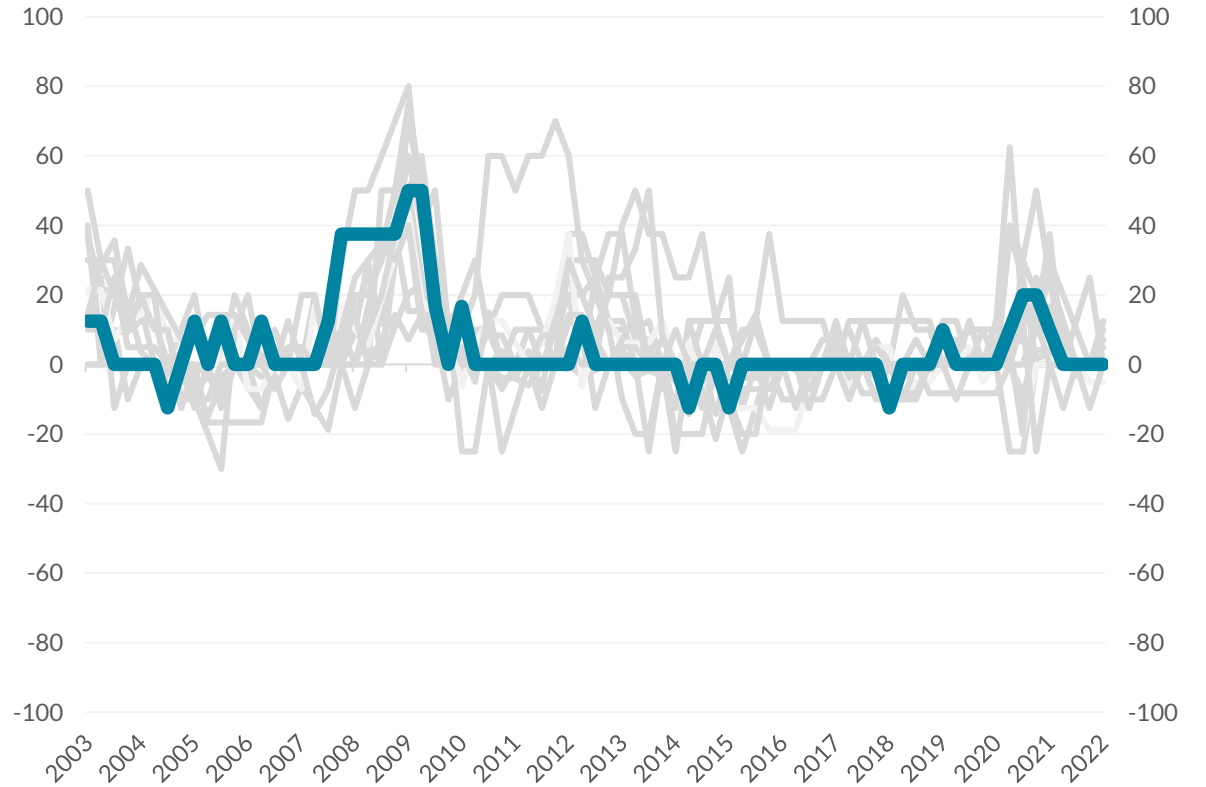
5. Credit supply

The rate of borrower discouragement has risen modestly



Source: SME Credit Demand Survey

Banks are no longer tightening credit standards



Source: ECB Bank Lending Survey

Summary

1. SME turnover and profitability are recovering
2. Policy supports and forbearance have provided extensive liquidity finance
3. New lending is down moderately, mainly due to pandemic-affected sectors
4. Credit demand is relatively low
5. Credit supply indicators show little sign of stress