Remarks to Panel Discussion

EIB/Central Bank conference

Gabriel Fagan, Chief Economist

Central Bank of Ireland
Figure 1. Peak-to-Trough Fall in Investment Since Crisis – Ireland in Comparison

Source: Central Bank of Ireland calculations using Eurostat annual GFCF data.
Economic performance of SMEs improving

Figure 3. Per cent of Firms by Change in Turnover

Source: Department of Finance, survey data.

Figure 4. Per cent of SMEs Investing

Source: Carroll et al. (2016)
Still deleveraging, but new loans up

**Figure 5. Outstanding SME Lending**

**Figure 6. New SME Lending (Sum of Previous Four Quarters, by Quarter)**

*Source: Central Bank of Ireland, Credit, Money and Banking Statistics.*
SME financing conditions improving

Figure 7. Bank Finance Rejection Rates, September 2012-September 2016.

Source: Department of Finance, survey data.
## Firms financing from own funds

<table>
<thead>
<tr>
<th>Source of finance for fixed asset acquisitions</th>
<th>Sept 2015</th>
<th>Sept 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal funds/retained earnings</td>
<td>69%</td>
<td>73%</td>
</tr>
<tr>
<td>Borrowed from banks</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Leasing arrangements</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Owners’ contribution</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Credit from suppliers</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Borrowed from non-bank financial institutions</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Loans from friends and relatives</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Source: Department of Finance, survey data.*
Credit volumes low in an international context

Figure 8 New Lending to NFCs (up to and incl. €1mn) as a Share of Domestic Demand, Q1 2003- Q2 2016.

Source: ECB Statistical Data Warehouse and CSO National Accounts data.
Note: Please see report for notes on calculation.
Market structure and policy supports

Figure 9. Herfindahl-Hirschman Index for Non-Financial, Non-Real Estate SMEs, Q4 2010- Q3 2016

Policy initiatives to date include:

- Strategic Banking Corporation of Ireland – low cost, flexible financing (€544m drawdowns to end Dec 16.)

- Ireland Strategic Investment Fund – equity and debt products in conjunction with private sector (ISIF €450 million SME Credit Fund and a €300 million SME Equity Fund)

- Microfinance Ireland provision of small loans (approx. €14.5m drawdowns)

- Credit Guarantee Scheme

- Other supports and funding (Enterprise Ireland).

Source: FSD calculations using Central Bank of Ireland, Credit, Money and Banking Statistics.

Figure numbers refer to SME Market Report H2 2016.
Concluding remarks

- Recovery is well underway and economy is performing well
- Crisis legacy burdens on SMEs have diminished and they are now benefiting from recovery
- Key role of internal funds for investment.
- Sector likely to be particularly vulnerable Brexit effects.
The components of underlying investment, quarterly national accounts data.

Figure 2: components of Underlying Investment, 2008-2016

Source: Central Bank of Ireland calculations using CSO data.