

# *Financing Investment in the Recovery*

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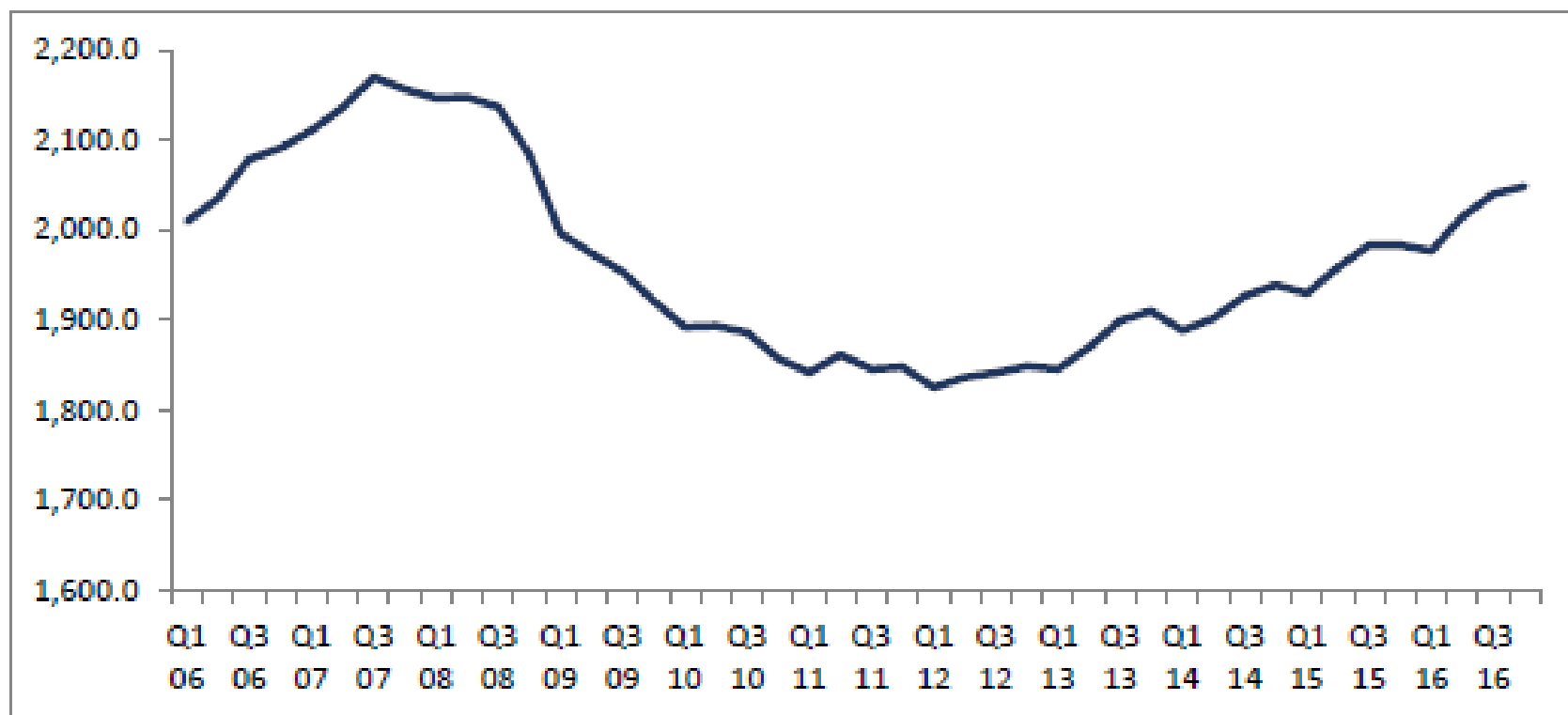
European Investment Bank and Central Bank of Ireland,  
10<sup>th</sup> April 2017

*Martina Lawless*



# Irish Recovery Going Strong

Numbers in Employment: Q1 2006 - Q4 2016

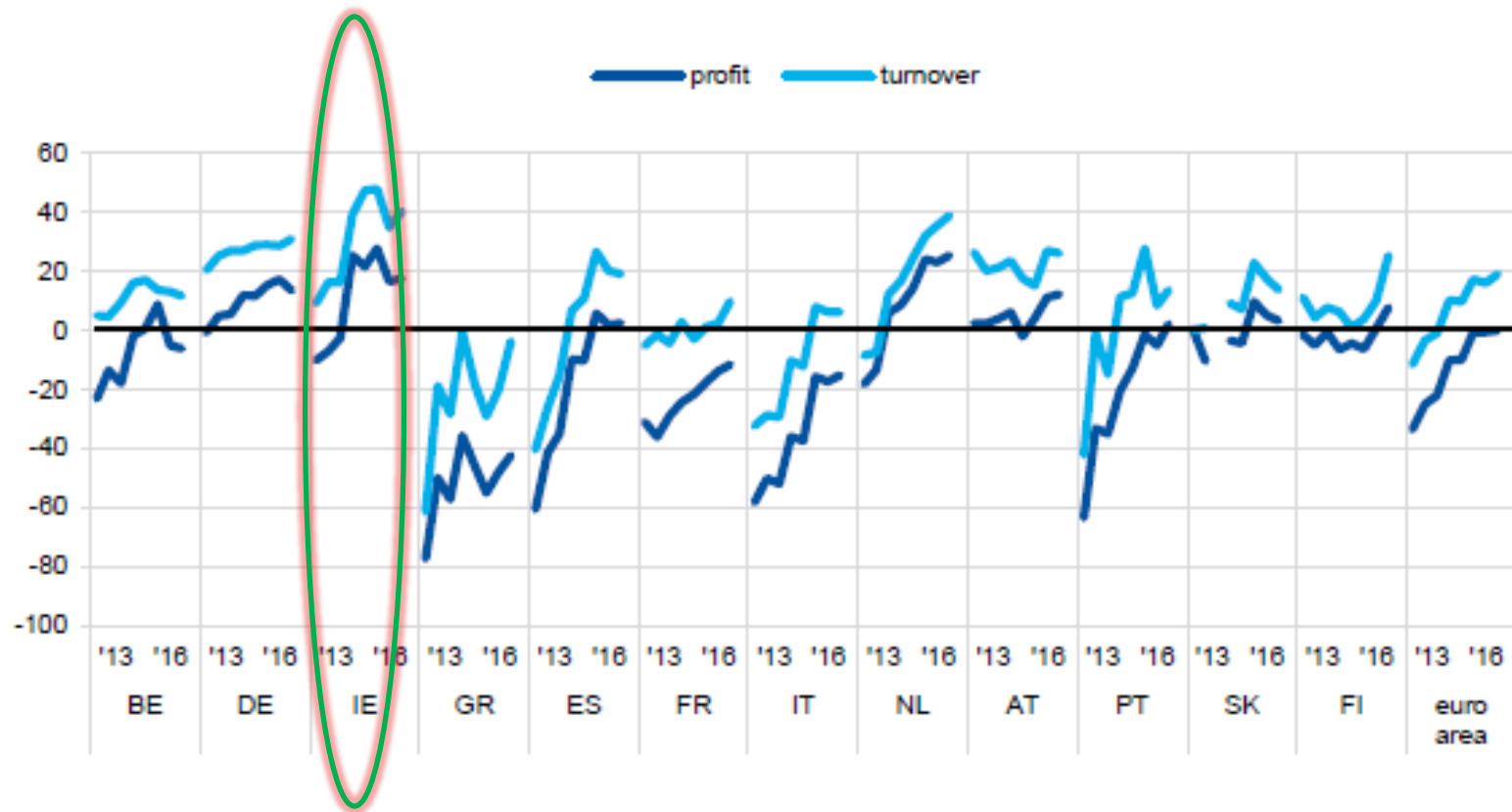


Source: Central Statistics Office.

# Positive Trends in Firm Performance

## Change in turnover and profit of SMEs across euro area countries

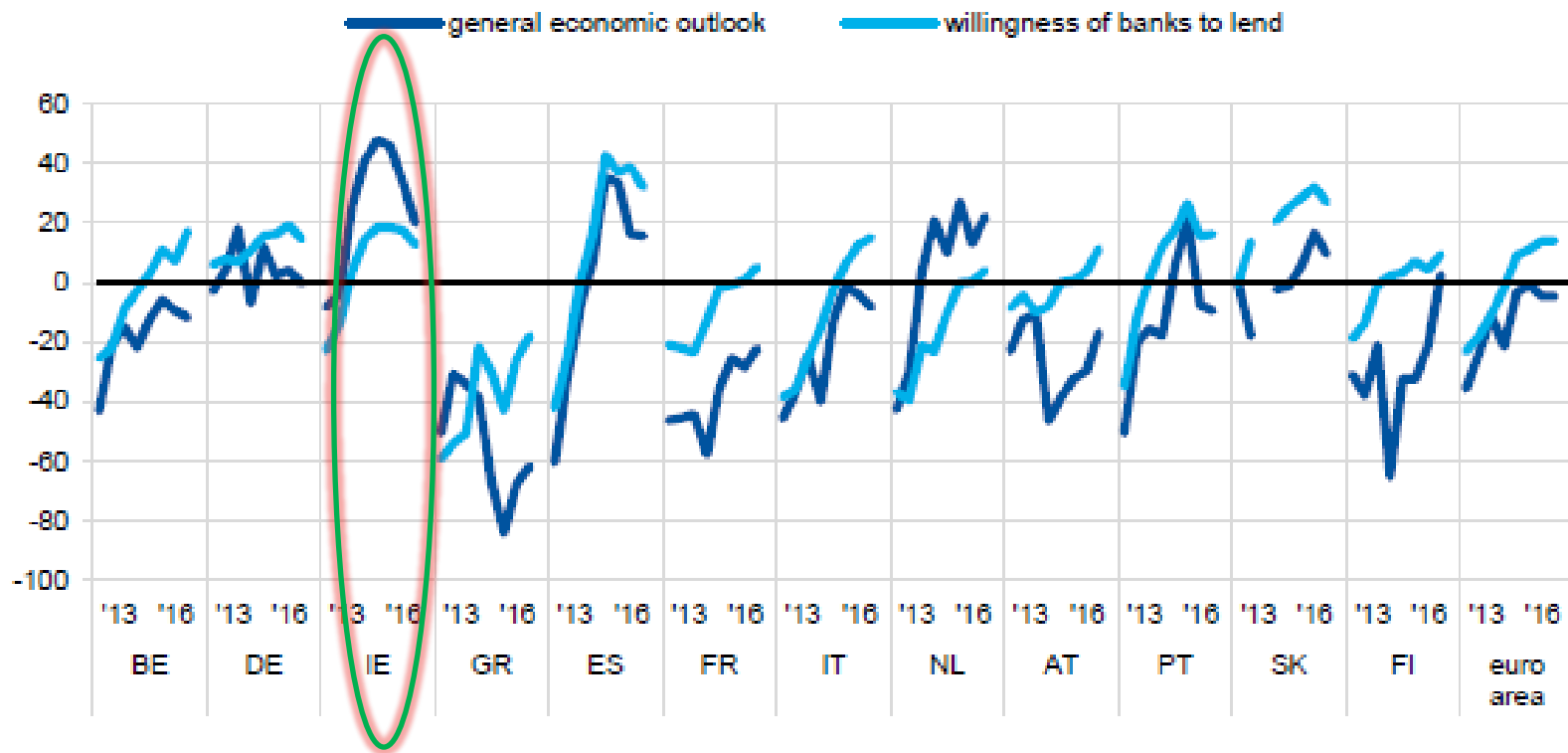
(over the preceding six months; net percentage of respondents)



# Driven by Overall Growth

Change in factors with an impact on the availability of external financing for SMEs across euro area countries

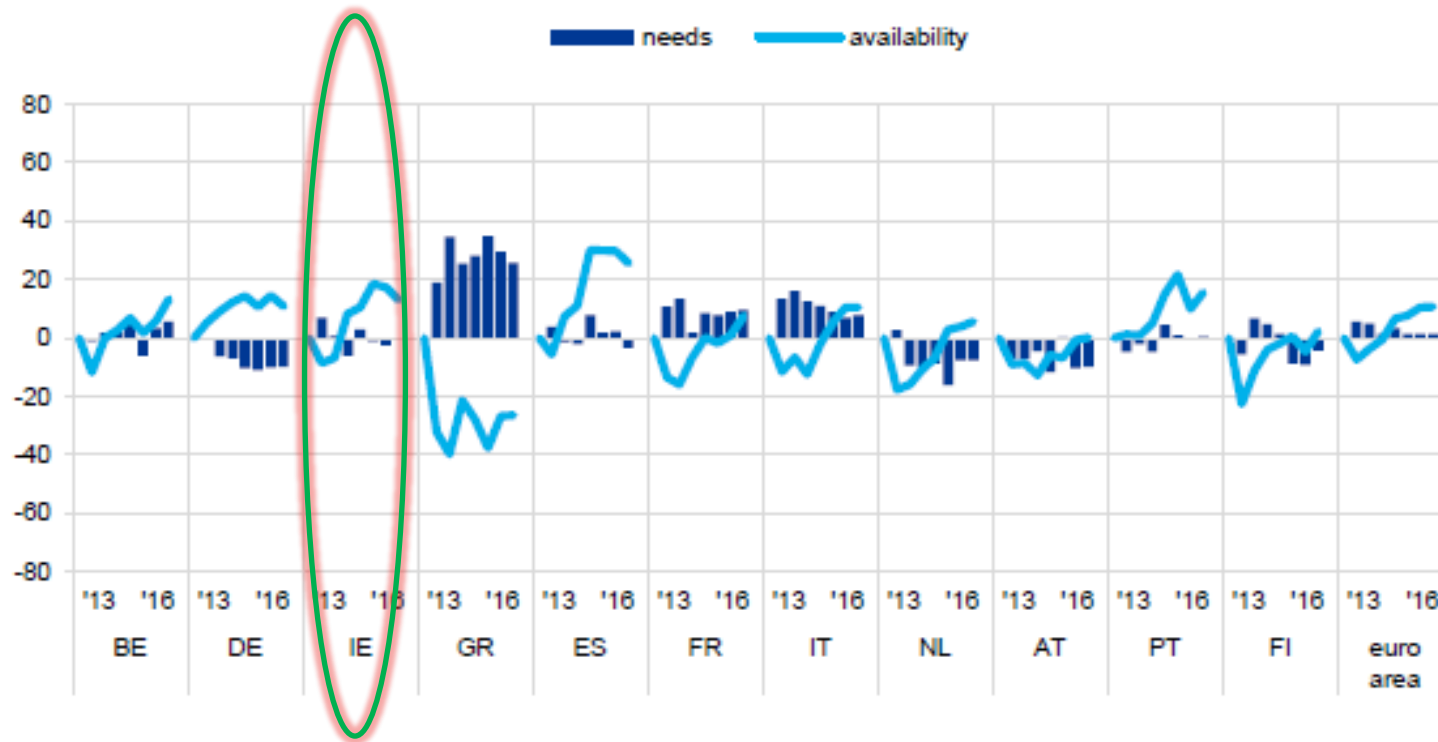
(over the preceding six months; net percentage of respondents)



# Availability of Credit Increasing...

Change in the availability of and need for bank loans for SMEs across euro area countries

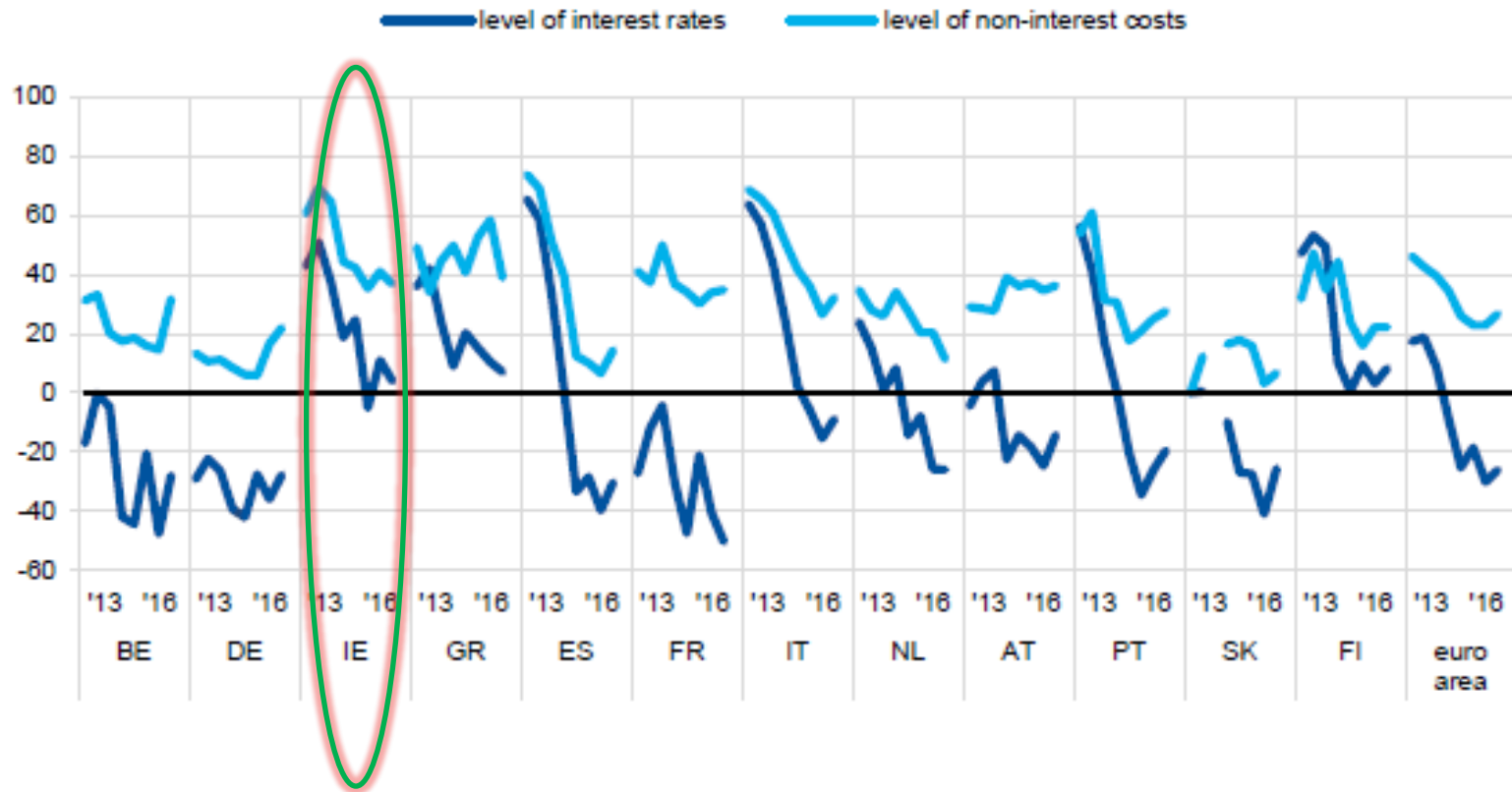
(over the preceding six months; net percentage of respondents)



# ... and Costs Reducing

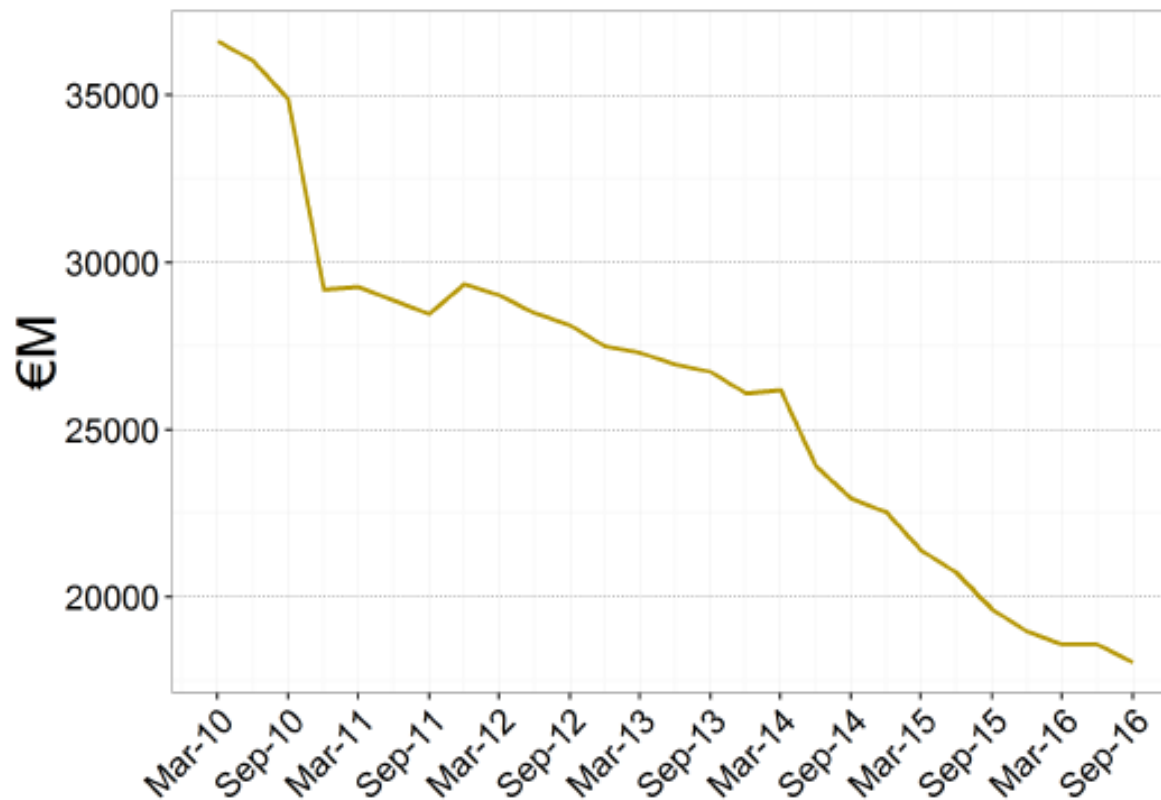
## Change in the cost of bank loans granted to SMEs across euro area countries

(over the preceding six months; net percentages of enterprises that had applied for bank loans)



# Deleveraging Continuing

## Outstanding SME Credit 2010-16

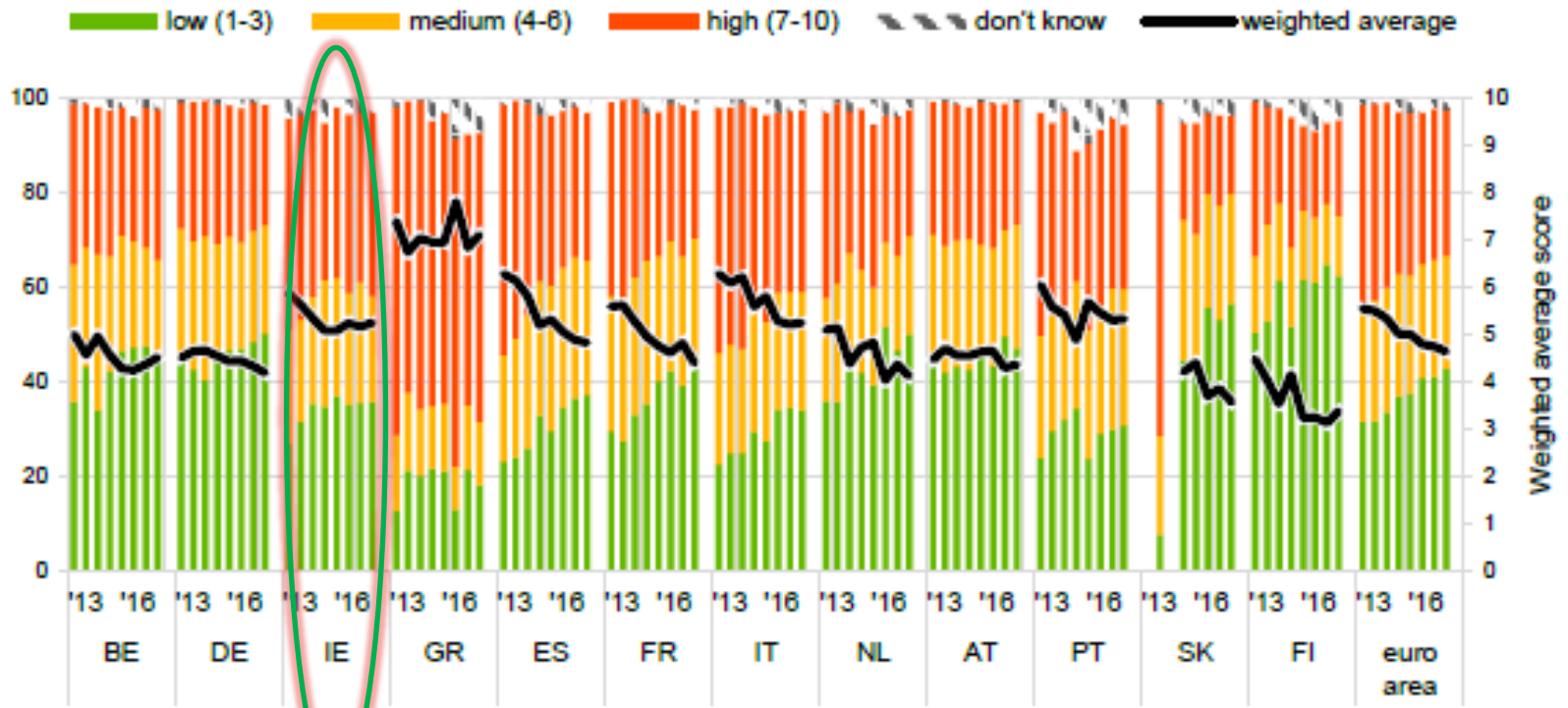


Source: SME Market Monitor,  
Central Bank of Ireland, 2016H2

# Finance Concerns High but Easing

Importance of access to finance as perceived by SMEs across euro area countries

(percentages and weighted averages)

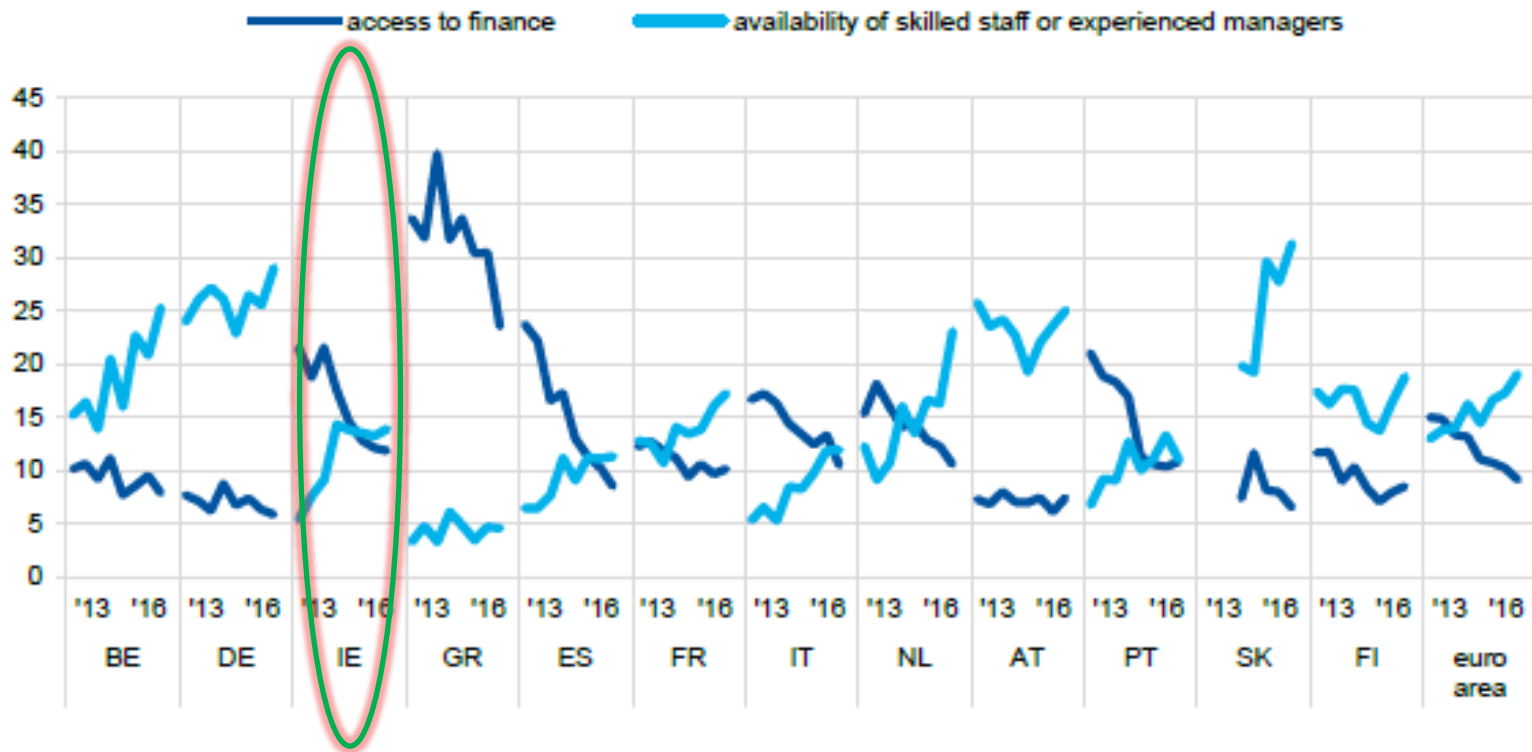




# Finance No Longer Main Problem

## The most important problems faced by euro area SMEs across euro area countries

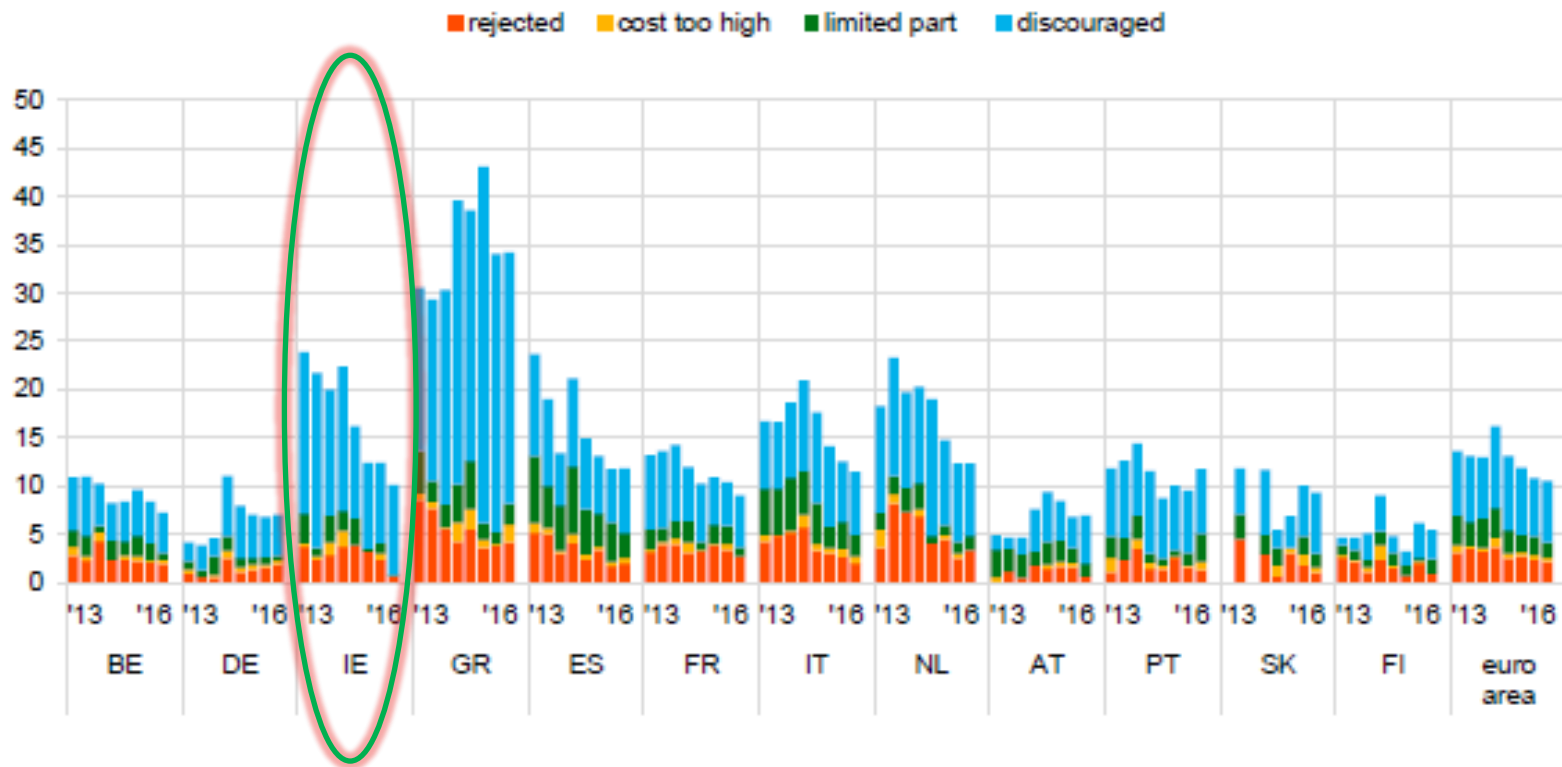
(over the preceding six months; percentage of respondents)



# But “Discouraged” Firms Remain High

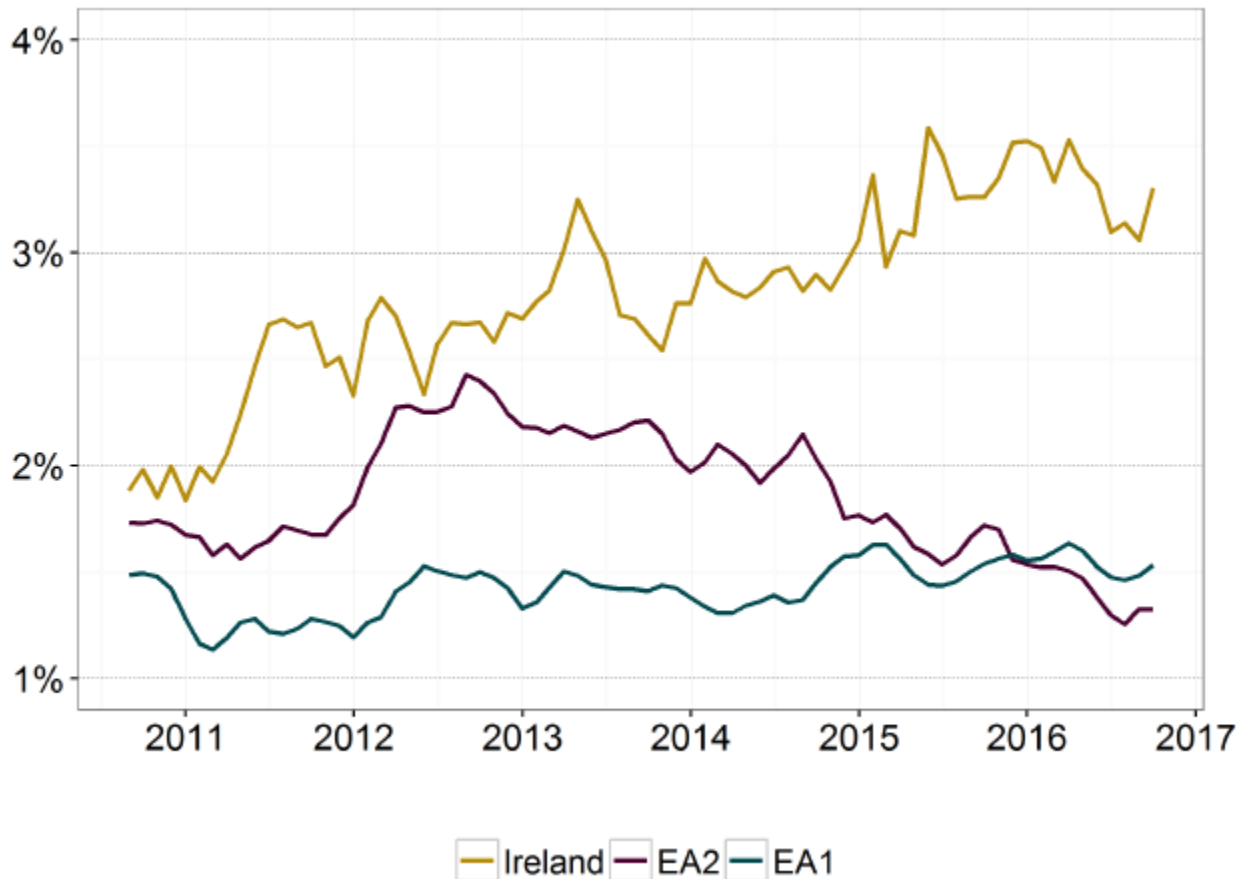
## Obstacles to receiving a bank loan for SMEs across euro area countries

(over the preceding six months; percentage of respondents)



# Large Interest Premium for Smaller Firms

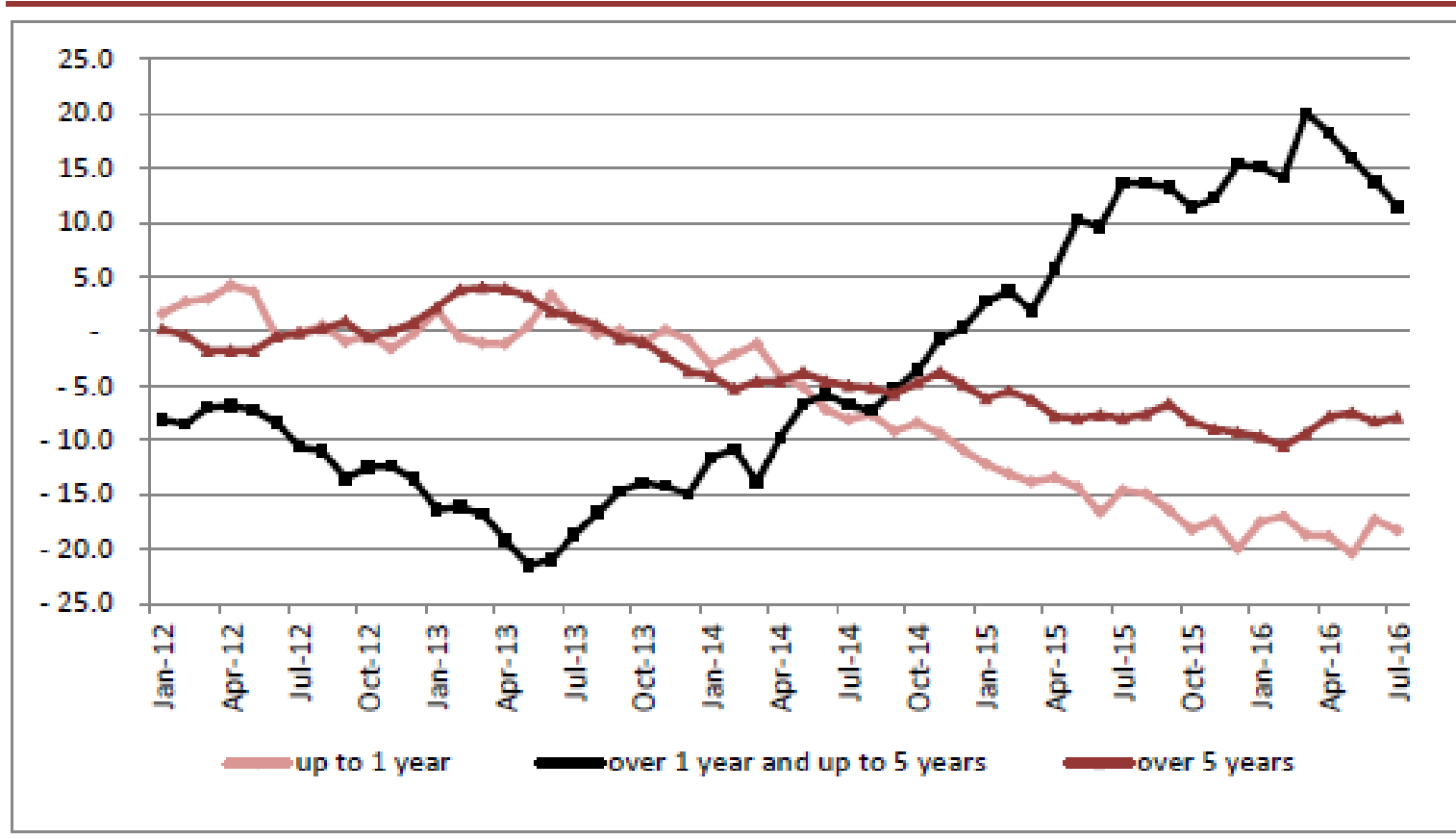
Difference between interest rates on small and large NFC loans  
(3-month moving average)



Source: SME Market Monitor,  
Central Bank of Ireland, 2016H2

# Most Lending Short-term

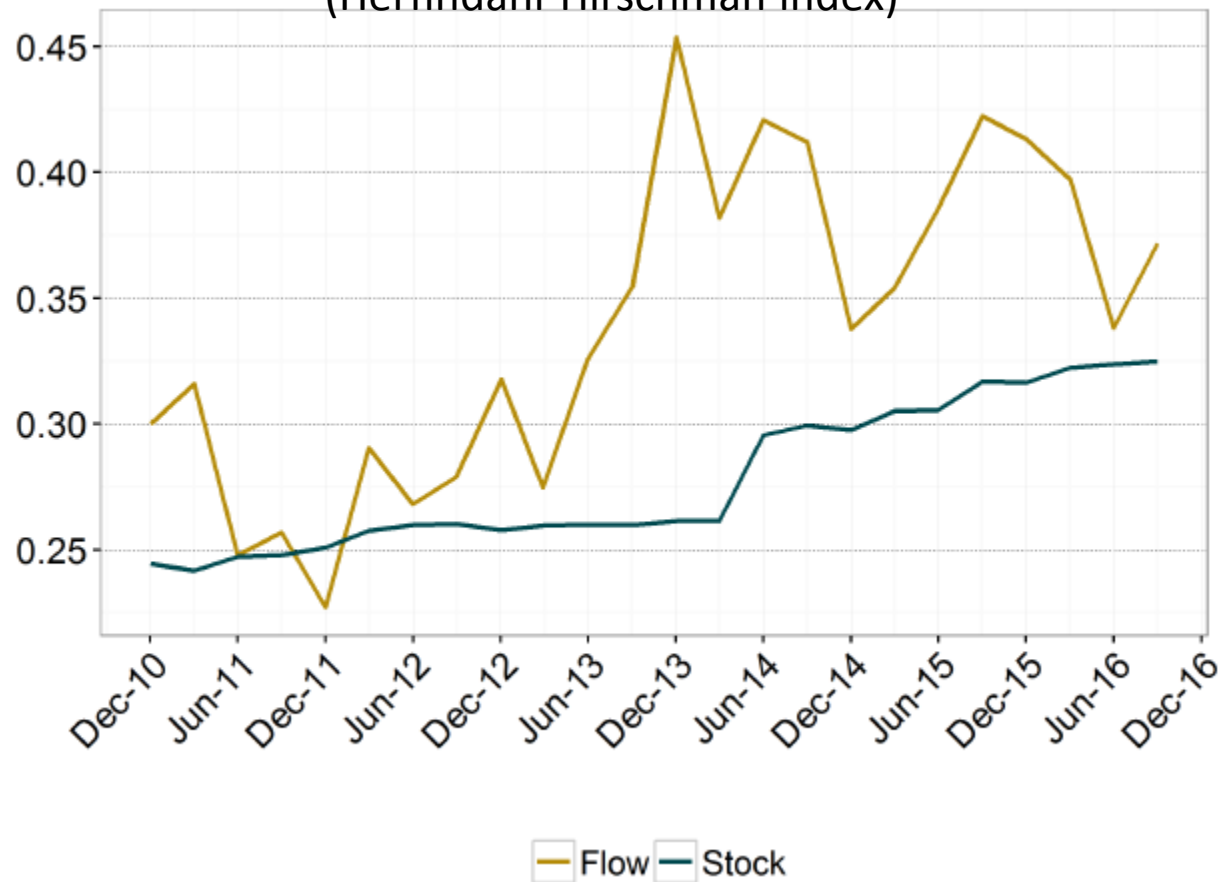
% Year-on-Year Change in Lending to Irish Resident Non-financial Corporations



Source: Central Bank of Ireland.

# Banking Sector Competition Low

Concentration Measure for non-financial, non-real estate SME Lending  
(Herfindahl-Hirschman index)



# Risks Ahead – Brexit and Investment

Effect of Brexit referendum on investment activities: difference between the share of firms expecting a positive effect and the share of firms expecting a negative effect.

