



To XXXXXXXXXXXXXXXXXXXXXXXX
 From XXXXXXXXXXXXXXXXXXXXXXXX Economic Policy and Statistics
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SME lending in Ireland

You asked about the big increase in lending to SMEs in Ireland.

The first thing to note is that although there has been an increase in SME lending in Ireland, this **began before the introduction of the regulations mentioned in the article** you linked to. The regulations that the article mentions were introduced in early 2015. The upward trend in lending began in late 2013. But the regulations may well have helped to embed and encourage this trend.

The following chart shows new lending to SMEs in Ireland since the end of 2010 (data from the Central Bank of Ireland [SME market reports](#)). To view the data used in this chart, download the [2018 datasheet](#), and go to Tab 1.



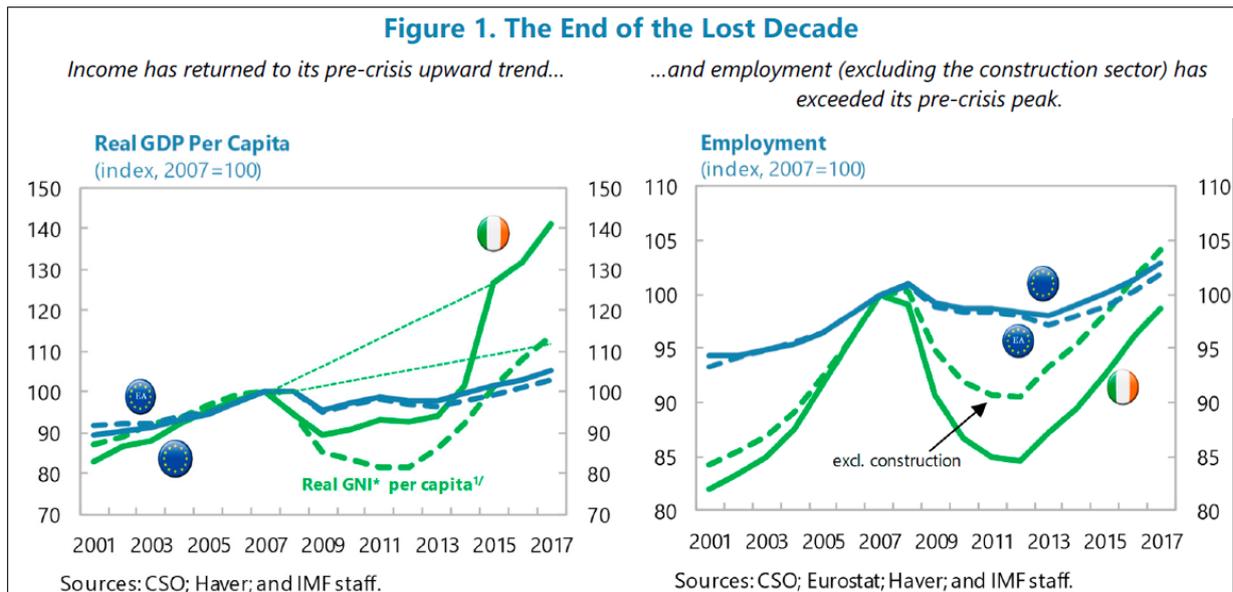
From the recent trough in new lending to SMEs in Q4 2013, to Q3 2015, new lending grew by 46%. From then to Q1 2018, new lending grew by 31%. Over the whole of the period from Q4 2013 to Q1 2018, new lending has grown by 92%.

The latest [SME lending report](#) from the Central Bank of Ireland reports that access to finance for SMEs has improved since 2013 by the second largest margin in the UK, after Spain ([see page 16](#)). Ireland ranks 15th in the EU28 (the UK is 1st) in terms of access to finance. Ireland’s rank has improved by six places since 2013.

One major fact behind the growth in SME lending is the improvement in the Irish economy over the past five years. In the [IMF’s most recent economic assessment of the Irish Economy](#) (published in July 2018) states that (on page 4):

Ireland has made remarkable strides in recovering from the 2008 bust of the credit driven real estate bubble. Strong ownership of its adjustment program, supported by IMF, EU, and bilateral loans, as well as a flexible and vibrant economic fabric were key to the turnaround. Public finances improved by broadening the tax base and containing expenditure, while protecting the most vulnerable. Wage cuts in the private and public sectors helped restore competitiveness. The banking sector was deeply restructured, and its financial soundness improved. As a result, economic growth resumed, initially led by exports, but, with time, more broadly based and job rich.

The IMF illustrates this point with the following charts, both of which show that the economic recovery began in 2013, at around the same time of the big increase in SME lending.



As economies grow, there is more demand for lending from businesses, as they seek to take advantage of more customers willing to spend. And banks are more willing to lend in an environment when a business is more likely to be successful and therefore banks are likely to see their loans repaid or good returns on their investments.

The regulatory and policy environment that SMEs operate in also has an impact on lending, but the broad context of economic growth and quickly improving economic sentiment are just as if not more important than other factors.

Other factors behind the rise in SME lending are discussed in an Irish Times article from February 2017: [Looking beyond the traditional sources of lending.](#)