Banking & Payments Federation Ireland

Cautious consumers slow to increase spending

Younger, low-paid workers suffer most

Government supports limit income losses

SME Monitor

APRIL 2021

SMEs face challenges on road to recovery

Commentary

Dr Ali Uğur,
Chief Economist, BPFI

Encouraging domestic tourism could get thousands back to work

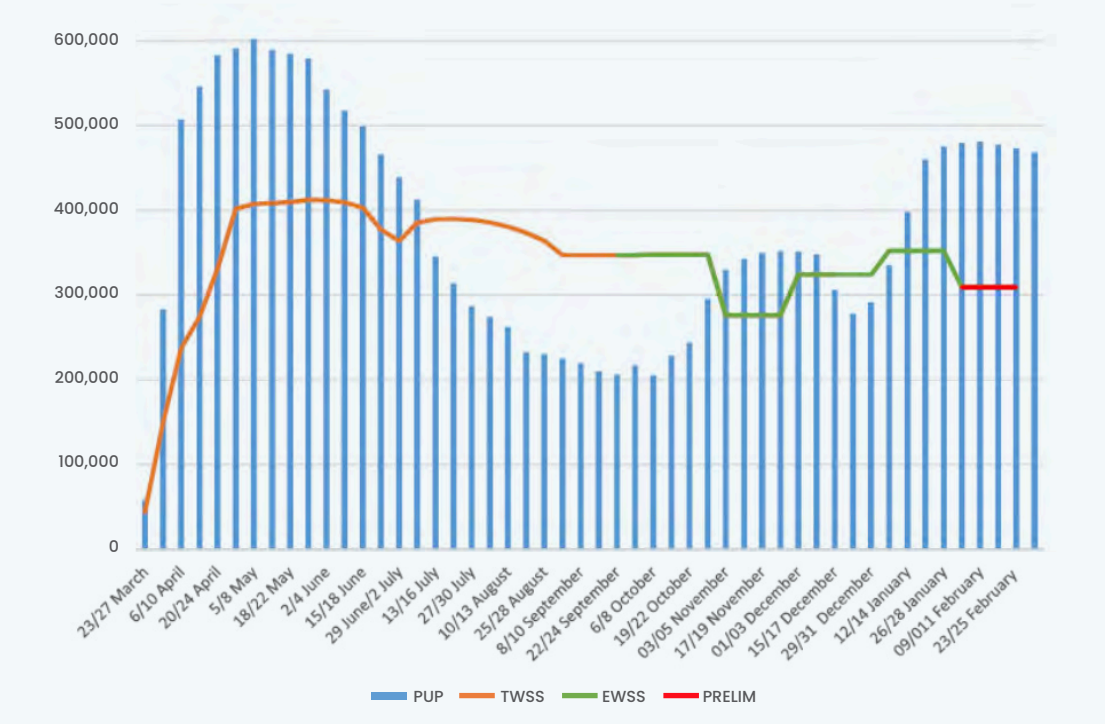
It has been over one year since the first case of Covid-19 was recorded in Ireland on February 29, 2020, followed by a full lock down in March. In terms of the overall economic effects of the pandemic, the preliminary national accounts data published by the Central Statistics Office (CSO) show that gross domestic product (GDP) growth was 3.4% in 2020. Luxembourg was the only other country in the EU with a positive GDP outcome in 2020 during the pandemic.

However, this high GDP growth rate is mainly due to strong export growth observed in sectors such as pharma and IT, where multinational corporation activity is high. Measures that are more related to the actual domestic activity, such as modified domestic demand, show that the Irish economy contracted by around 5.4% in 2020, mainly driven by a 9% decline in personal consumption and a similar decline in investment. We note that initial estimates in the second quarter of 2020 on the expected effect of the pandemic on the Irish GDP was -7% to -9% and around -15% for domestic demand.

More importantly though, the significant negative effects of the pandemic on the Irish economy can be seen through the labour market. While traditional unemployment rates that use standard international methodologies have not changed significantly, 5.0% in March 2020 versus 5.8% in March 2021, the Covid-19 adjusted unemployment rate was 24.2% in March 2021. As the negative effects of the pandemic on employment began to materialise in March 2020, the government set up income support schemes. The most recent data as of mid-April 2021 show that there are still nearly 767,000 workers on some sort of state income support due to the pandemic.

Small and medium enterprises (SMEs) play a significant role in the Irish economy, accounting for nearly 99% of the total number of private enterprises and 68% of all employment in the private sector. The distribution of SMEs across the main economic sectors varies but SMEs in the Services sector account for more than 51% of all active

Number of Individuals supported by various government schemes



Source: Department of Finance

Note: EWSS data for employees supported in February is noted as PRELIM as it remains preliminary (up to 4 March) and likely to rise further by the end of the month.

enterprises and around 47% of employment in this sector.

Given that the labour-intensive services sectors such as retail, food and beverage, accommodation, tourism and travel are the most affected sectors due to the pandemic, this creates a disproportionate effect on SMEs. The most recent Revenue Commissioners data as of mid-April 2021 show that at the end of June 2020, nearly 99% of employers utilising the Temporary Wage Subsidy Scheme (TWSS) were SMEs and 76% of employees on the scheme worked for SMEs. It is important to note that just two sectors, the accommodation and food services and wholesale and retail trade, account for nearly 40% of total state income support in terms of employment as these were the sectors directly hit by the public health measures introduced due to the pandemic.

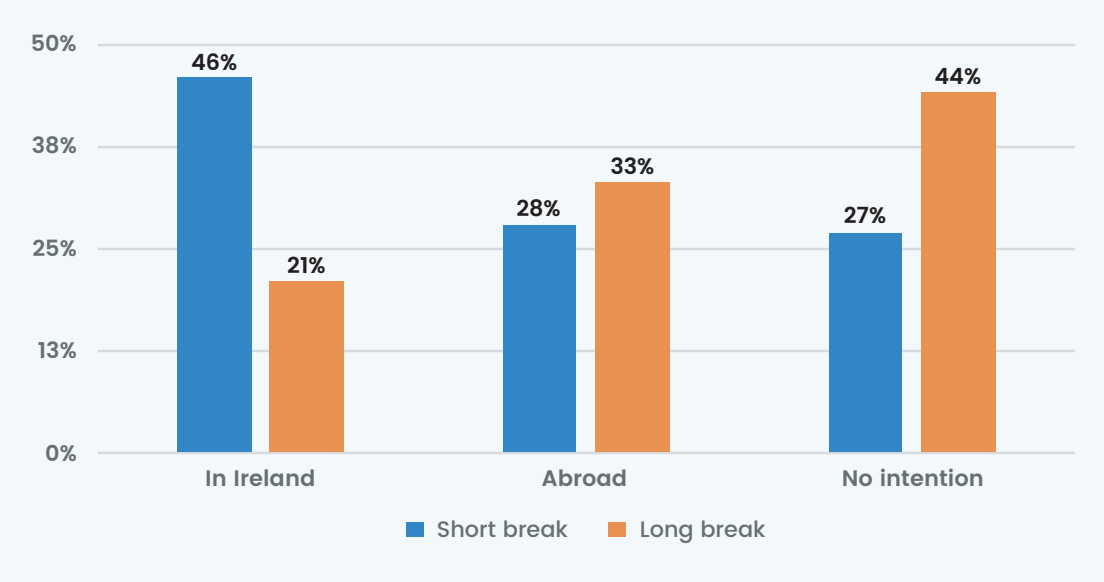
Recent estimates by the Department of Finance show that domestic economic activity is expected to grow by around 3% in 2021 with the unemployment rate increasing to around 8%, assuming that existing public health restrictions are lifted gradually during the second quarter of 2021.

A recent CBI report shows that almost three quarters of SMEs experienced declines in turnover between March and October 2020. While the average fall in turnover across all sectors was 25%, SMEs in hotels and restaurants experienced an average decline of 65% in their turnover during the same period.

In the first three months of 2021, total tax revenues rose by 1% year on year. During the same period, income tax receipts rose by 4% to almost €5.9 billion, while VAT receipts increased by 8.4% to almost €4.5 billion. The increase in VAT receipts suggests that the restrictions imposed at the end of 2020 had less impact on personal consumption than the public health measures introduced in early 2020 as businesses and consumers try to adapt to a new normal.

Central Bank of Ireland data indicates that household deposits in banks and credit unions have risen steadily in recent years. Household deposits reached almost €128 billion at the end of February 2021 from less than €100 billion three years earlier. The surge in deposits and savings during 2020, which is around €15 billion, could provide funds for increased consumer spending in the years ahead and a release of pent-up demand. However, consumers still face considerable

Consumers' Trip Intentions - Next 6 Months
(March 2021)



Source: Fáilte Ireland

economic uncertainty, while evidence suggests that the additional savings accumulated during 2020 were concentrated among higher income households. For example, data from the KBC consumer sentiment survey in March 2021, indicated that more than one in three respondents did not build up any additional savings during 2020.

Non-essential international travel likely to be limited

Tourism plays an important role for the Irish economy as many services-based sectors benefit from the related activity. It is estimated that during 2019, before the pandemic, non-residents on overseas trips to Ireland spent just over €5 billion in Ireland (excluding fares paid), out of which more than €3 billion was spent for holiday purposes. On the other hand, total expenditure by Irish residents on overseas trips for holiday purposes amounted to around €6 billion in 2019 (including fares). As all non-essential overseas travel was restricted during 2020, expenditure on overseas holidays is likely to be the major source of some of the savings accumulated during 2020.

The Government launched the "Stay and Spend" incentive last year in order to encourage domestic tourism to offset the decline in international tourism. At the time, it was estimated that the cost to the Exchequer of this scheme would be around €270 million, however by early March 2021, Revenue data show that potential cost of the scheme was around €1.8 million with only 56,000 receipts being uploaded to the Revenue system valued at €9.2 million.

Given that non-essential overseas travel is likely to be limited for the rest of 2021, further promotion of domestic tourism can play a significant role in the recovery of most of the services based economic activity, which is mainly made up of small and medium sized enterprises. A recent Fáilte Ireland survey shows that 46% of consumers intended to take a short break in Ireland in the next six months, compared with 21% intending to take a long break. More importantly, the same survey shows that two out of five consumers were most influenced by cost or value of money in their trip decisions. This shows that while many consumers may have additional savings available that can be spent on domestic tourism, value for money will be an important factor that will influence their decisions in how they will spend. Perhaps a new scheme to encourage domestic tourism should be designed to address the value for money concern of the consumers while removing some of the challenges associated with the scheme that was launched last year. This could help around 170,000 employees in the accommodation ad food services sectors who are on some sort of state income support to be able to get back to work as domestic activity increases with the gradual reopening of the economy during the second half of 2021.

Market Analysis

Anthony O'Brien,
Head of Sector Research & Analysis, BPFI

SMEs and the wider economy

The Covid-19 pandemic and the health measures introduced to limit its spread continued to affect economic activity more than a year after the restrictions were first introduced in mid-May 2020. While the government began to ease the Level 5 restrictions in mid-April 2021, business and social activity remained severely curtailed.

The continued easing of restrictions will likely depend, among other things, on relatively low levels of virus transmission and progress in the rollout of the vaccination programme but the impact of the pandemic is expected to endure for months or years to come.

Uneven impact

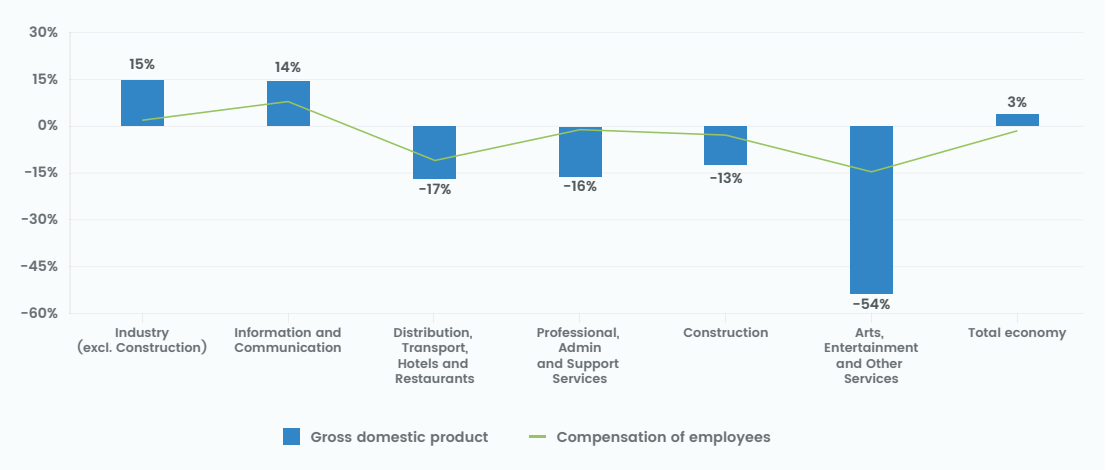
Traditional measures of economic output show that Covid-19 had a significant but uneven impact on the economy. Gross domestic product grew by 3.4% boosted by growth in industry (especially manufacturing) and information and communication services.

Sectors providing services that rely on face-to-face contact were hard hit, especially the hospitality sectors (hotels, restaurants, bars and cafes), personal services (such as hairdressers or beauticians) and arts and entertainment sectors.

These include business sectors with some of the highest concentration of small and medium-sized enterprises (SMEs) – those businesses employing fewer than 250 persons. Retail in particular has had to adapt with both buyers and sellers moving online.

Economic Performance in Selected Sectors

% Change YoY



Source: CSO.

Gross value added by the Distribution, Transport, Hotels and Restaurants sector fell by 17% year on year while compensation of employees fell by 11.3%, according to the Central Statistics Office (CSO).

Substantial government supports, especially the employment wage subsidy scheme, helped to absorb some of the impact of the reduced business activity on workers' incomes.

Sectors dominated by foreign-owned multinational enterprises (MNEs) fared much better than the domestic counterparts with the gross value added by foreign-owned MNE dominated sectors reporting 18.2% growth in gross value added in 2020, compared with a 9.5% contraction for other sectors.

Modified final domestic demand, which excludes globalisation effects such as trade in intellectual property and aircraft leasing, dropped by 5.4% in 2020, with personal consumption and investment down by 9% and 8.5%, respectively.

The total tax take fell by 3.6% year-on-year in 2020 to about €57.2 billion, as sharp declines in value added tax (VAT) and excise duties offset growth in corporation tax receipts and stable income tax receipts. Income tax fell by 1% year on year to €22.7 billion as workers in the lowest earning sectors bore the brunt of the pandemic's economic impact. Corporation tax receipts rose by 8.7% to €11.8 billion.

By contrast, VAT receipts tumbled by 17.8% year on year to €12.4 billion as personal consumption expenditure contracted sharply.

At the same time, gross government expenditure increased by 26.5% year on-year in 2020 driven by increased social protection spending up 47.1% or almost €9.8 billion.

In the first three months of 2021, total tax revenues rose by 1% year-on-year partly due to Revenue forbearance in 2020 and strong tax performance. Income tax receipts rose by 4% to almost €5.9 billion, while VAT receipts increased by 8.4% to almost €4.5 billion. The latter suggests that the Level 5 restrictions imposed at the end of 2020 had less impact on personal consumption that the public health measures introduced in early 2020 as businesses and consumers alike had already adapted selling and buying under the restrictions.

The combination of increased social protection support and reduced consumer spending resulted in a huge increase in household gross savings by €13.7 billion or almost 95% to €28 billion. The CSO noted that about half of the saving in 2020 (€14 billion) flowed into household deposits in banks and credit unions. While some of the savings went into other savings and investments, pension funds or paying off mortgages and other loans, less than a billion went into new housing and home improvements.

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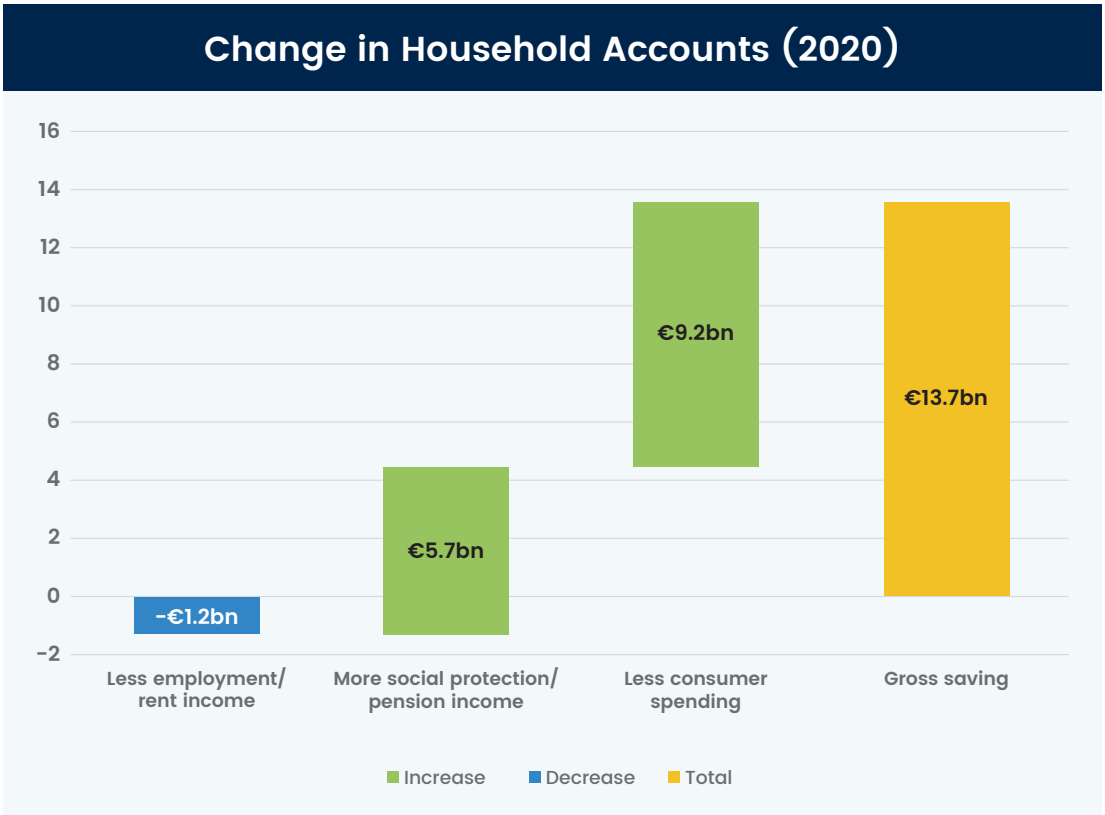
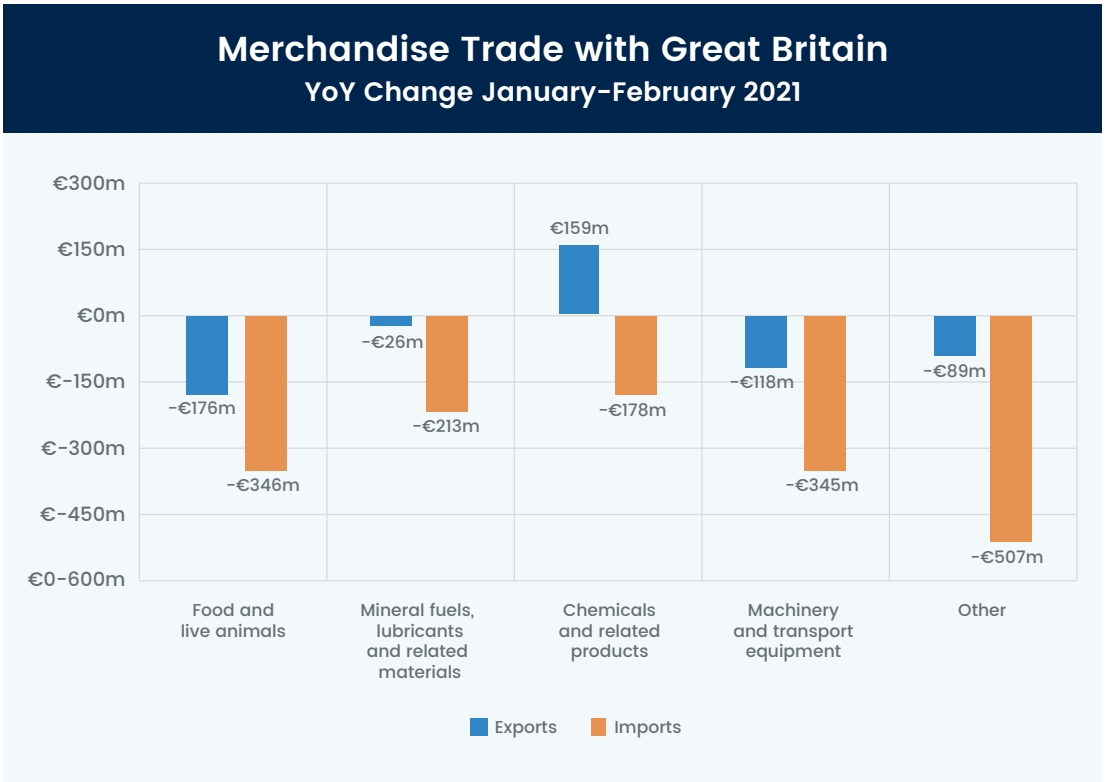


Source: BPFI estimates based on CSO data.

For many, however, there were no such savings. Asked in March 2021's KBC Consumer Sentiment survey how they would spend additional savings built over the past 12 months, almost 35% said they had not built up any additional savings.

The seasonally adjusted unemployment rate rose from 5% in February 2020 to 6.8% in September 2020 before falling back to 5.8% in December. The CSO estimated the adjusted unemployment rate was 24.2% in March 2021 when all claimants for the Pandemic Unemployment Payment (PUP) were included, down from 24.8% in February 2021 and up from 21.1% in March 2020.

With many businesses still not being able to operate fully in the first quarter of 2021, it is not yet clear what impact the EU-UK Trade and Cooperation Agreement, which took effect on 1 January, has had on trade with the UK. Exports to Britain fell by 12% year on year across January and February 2021 and imports plunged by 57%. The largest declines were in food and live animals and machinery and transport equipment. While imports of chemicals and other products fell, exports rose significantly.



Source: CSO

Freight volumes between Britain and the Republic of Ireland fell by 40% year on year in the first eight weeks of 2021 while the frequency of direct sailings between Ireland and continental Europe increased by 150%, according to the Department of Finance.

New customs checks also had an impact with 79% of the 47,200 freight vehicle movements from Britain to Ireland we green routed (and could immediately leave the port).

Some 17% needed a documentary check while 4% required a physical examination or inspection of goods. Manufacturers reported longer suppliers' delivery times and upward pressure on input prices in part due to the new customs checks, global raw material shortages and shipping delays.

A dose of hope

Declining Covid case numbers and hospitalisations in tandem in the continued rollout of the vaccination programme raised hopes for an easing of restrictions and for recovery in 2021 and beyond.

The AIB Services and Manufacturing purchasing managers' indices (PMIs) both produced encouraging results in March. Manufacturing output, new orders and exports rose strongly, and job creation accelerated to the fastest rate since September 2018. The services business activity index rose at the strongest rate since February 2020 although activity in the transport, tourism and leisure sub-sector declined for the eighth successive month. Similarly, the Ulster Bank Construction PMI indicated a significant contraction in construction activity for the third straight month, but the future activity index reached its highest level in two and a half years.

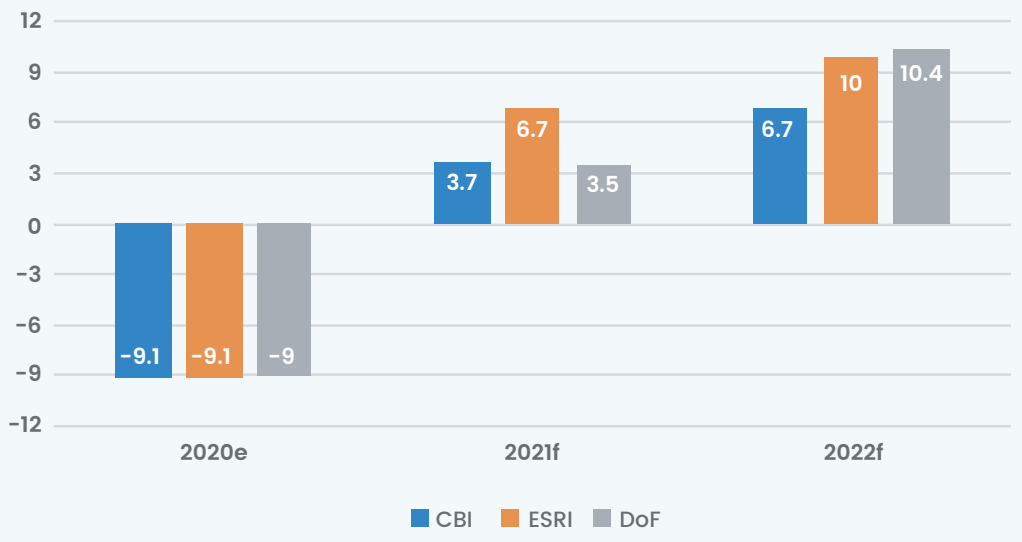
The KBC consumer sentiment index saw consumer sentiment improve to its highest level in twelve months confidence but still well below the long-term series average. As such, sentiment towards the economy and household finances remained subdued.

On December 24 2020, the government ordered a return to Level 5 restrictions on business, social and other activities but allowed non-essential retail to remain open. Six days later the government imposed full Level 5 restrictions. They remained largely in place until April, when schools fully reopened and residential construction resumed.

While outdoor attractions can reopen from 26 April (excluding amusement parks), the next milestone for businesses is expected to be 4 May. That is the date the government is considering for the full reopening on construction, the phased restarting of non-essential retail starting with click and collect services and outdoor retail, and the return of personal services such as hairdressers and beauticians on a staggered basis.

That means that most non-essential shops as well as restaurants, cafes and bars will likely remain closed to customers for the first 20 weeks of 2021, at least, with only collection, takeaway or delivery services available.

Personal Consumption Expenditure Growth (%)



Source: Central Bank of Ireland, Economic & Social Research Institute (ESRI), Department of Finance.

The Central Bank of Ireland forecasts some economic recovery this year, with modified domestic demand rising by 2.8% in 2021 and 3.9% in 2022. The Department of Finance's (DoF's) forecasts are more modest for 2021 at 2.6% but more optimistic for 2022 at 7.4%. Most economists expect spending deferred and savings accumulated during the pandemic to drive a surge in consumer spending with consumption rebounding to 2019 levels by 2022.

The CBI also forecasts the unemployment rate to increase, reaching 8.1% in 2022 as the PUP unwinds and many workers are reclassified as unemployed.

As other government supports such as the Employment Wage Subsidy Scheme expire, the impact of the pandemic on those businesses will become clearer.

Finding Customers

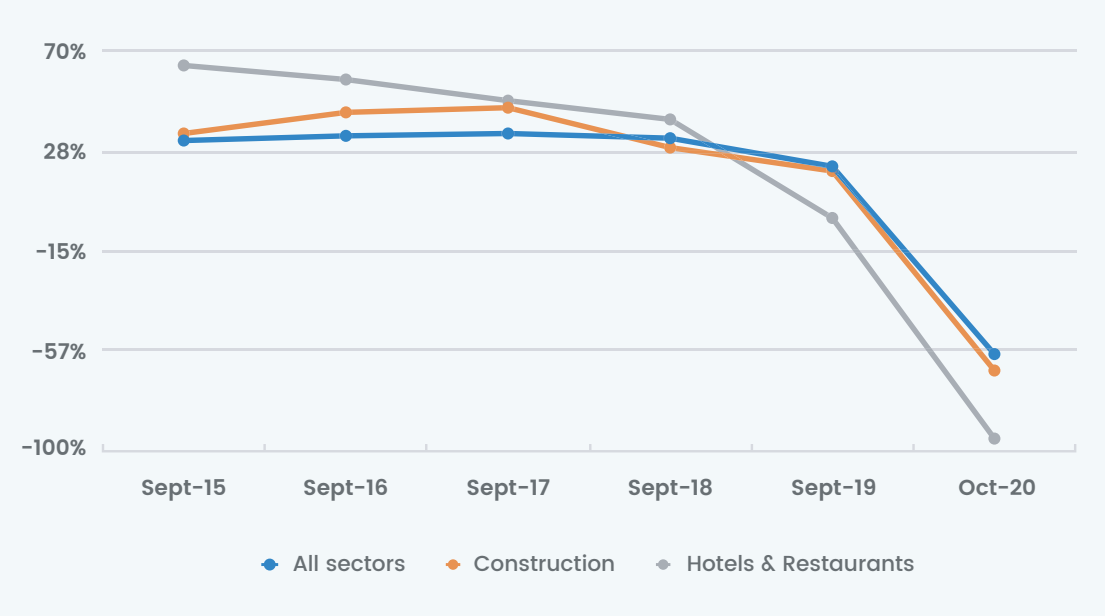
Business sectors with the highest concentration of SMEs have been among the worst affected by Covid-19; in particular, accommodation and food services, construction, wholesale and retail trade.

The European Central Bank (ECB) Survey on Access to Finance for SMEs (SAFE) highlights finding customers as the most pressing problem for SMEs in Ireland and elsewhere in the euro area, followed by the availability of skilled staff or experienced managers.

It also showed that SMEs across the euro area were reporting worsening turnover performances.

In the construction and hotel and restaurant sectors, survey data suggests that business turnover began to deteriorate as far back as 2016. The Department of Finance's Credit Demand Survey suggests that the net percentage of construction SMEs reporting a decrease in turnover in the previous six months reached 53% in October 2020. Hotel and restaurant businesses had reported worsening performances since 2016 and by 2020, 96% reported a decrease in turnover, while 1% reported an increase.

Business Turnover Past Six Months
Net Percentage of Respondents



Source: Department of Finance Credit Demand Survey

The seasonally adjusted value of monthly services fell in year-on-year terms each month from March 2020, with the services index falling by 7.7% in 2020. Within that, accommodation output fell by 69.1% in 2020 while food and beverage services activities fell by 24.4%. In January the food and beverage services activities value index fell to its lowest level since the series began in 2015 before recovering slightly in February. The accommodation index fell to 7.4, marginally higher than the low point of 3.9 in May 2020.

In July 2020, the government announced a package of measures to stimulate consumer spending. These included a six-month reduction in the standard VAT rate from 23% to 21% and a "Stay and Spend" incentive providing income tax credits of up to €125 per taxpayer for spending of up to €625 on domestic accommodation and/or food services (excluding alcohol) between October 2020 and April 2021.

The Stay and Spend incentive aimed to encourage domestic tourism to offset the decline in international al travel and tourism. The government estimate the Exchequer costs at €270 million based on 2.15 million individual taxpayers availing of it. However, by 4 March 2021, about 56,000 receipts had been uploaded to the Revenue Receipts Tracker valued at €9.2 million and with a potential tax cost of about €1.8 million.

By March 2021, 46% of consumers said they intended to take a short break in Ireland in the next six months, compared with 21% intending to take a long break here, according to surveys commissioned by Fáilte Ireland. However, 44% indicated that they did not intend to take any long break at home or abroad in the next six months.

In the February survey, more than half of consumers who hadn't booked (51%) said they were waiting for travel restrictions to be lifted and/or the government to say it was safe to travel. The government continues to advise against non-essential foreign travel and mandatory hotel quarantine for passengers arriving in Ireland from designated counties from 26 March. Overseas arrivals and departures plunged after February 2020. There number of arrivals fell from almost 2.5 million in January-February 2020 to fewer than 163,000 a year later, while departure numbers also fell by about 93%.

About two out of five consumers were most influenced by cost or value of money in their trip decisions, according to Fáilte Ireland. This suggests that while many consumers may have additional savings available, they plan to spend wisely.

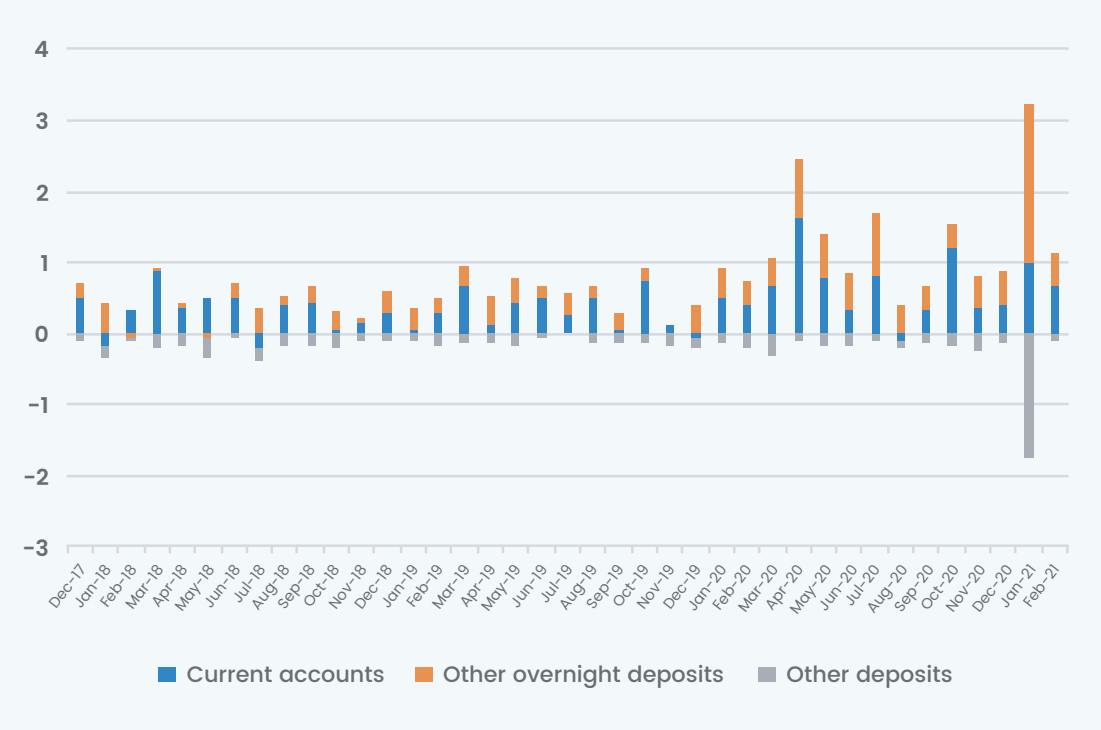
More cash in the bank and beyond

CBI data indicates that household deposits in banks and credit unions have risen steadily in recent years. Household deposits reached almost €128 billion at the end of February 2021 from less than €100 billion three years earlier. Indeed, household deposit transactions have been positive each month since December 2017.

Underlying the increase in total deposits is a shift from deposits on fixed terms or redeemable at notice to overnight deposits. In January 2021 alone, some €2.2 billion in deposits with agreed terms flowed out of accounts while more than €4 billion in overnight deposits flowed into accounts. By February 2021, outstanding deposits in household current accounts reached almost €50 billion, more than double the value of those deposits five years earlier.

State Savings products also enjoyed a strong year in 2020 with total State Savings up by about €1.5 billion to €22.7 billion, including €14.7 billion in fixed rate products and €4.1 billion in prize bonds.

Household deposit transactions



Source: Central Bank of Ireland.

The surge in deposits and savings during 2020 could provide funds for increased consumer spending in the years ahead and a release of pent-up demand. However, consumers still face considerable economic uncertainty, while evidence suggests that the additional savings accumulated during 2020 were concentrated among higher income households.

Survey data from the KBC consumer sentiment survey in March 20210, indicated that more than one in three respondents did not build up any additional savings.

Most of the growth in deposits in 2020 likely came from precautionary or enforced savings. Precautionary savings were linked to consumer caution and uncertainty about the future while enforced saving built up due to restrictions with consumers unable to visit shops, eat out, attend arts and entertainment events or holiday at home or abroad for much of the year.

On the precautionary side, some 21.6% of consumers in indicated they would keep the additional savings for a rainy day, while on the enforced side, about 23% indicated they were likely to spend their additional savings within the next year.

YoY Change in Personal Card Spend by Selected Merchant Type (January/February)

Source: CBI analysis of monthly credit and debit card data.

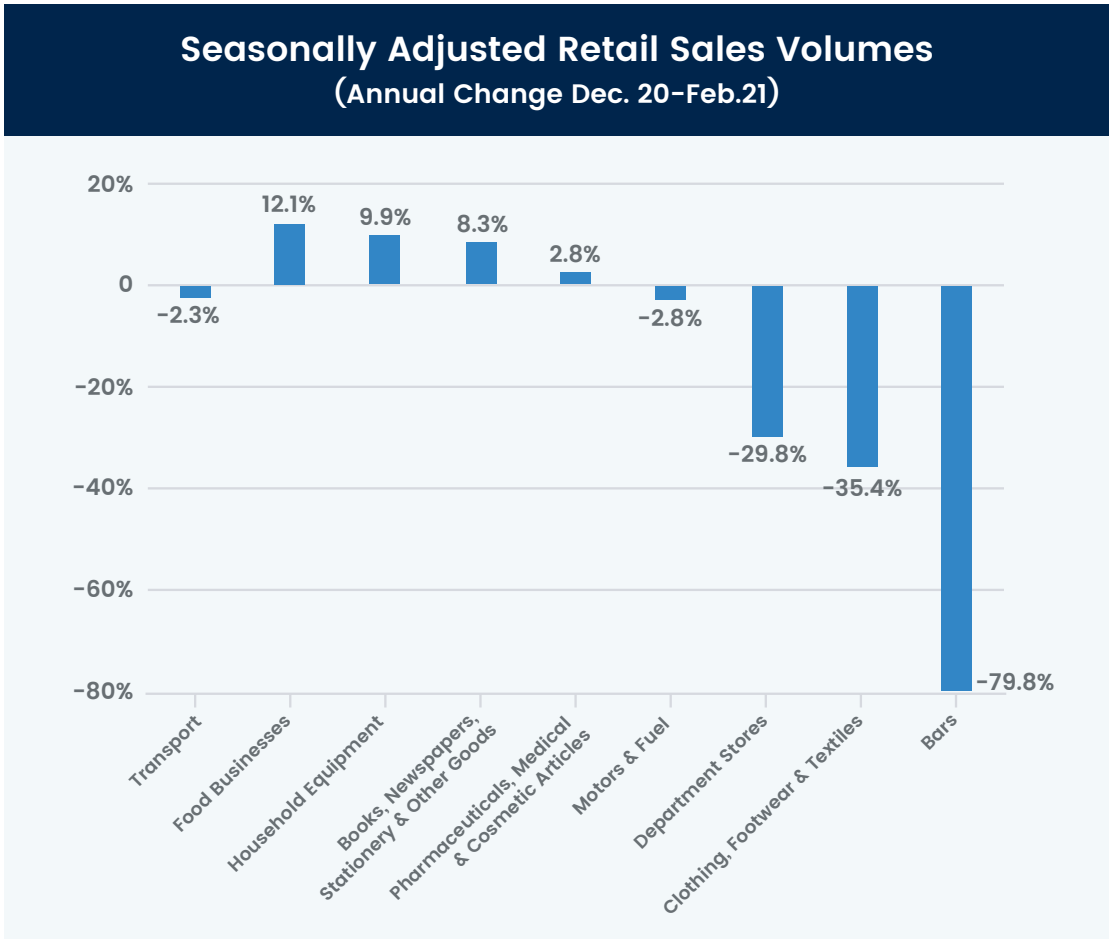
The CBI's monthly card payments data and the CSO's retail sales index both point to sharp divergences in turnover trends in different sectors. The CBI shows that personal card spend on groceries/perishables increased sharply in January-February for the second year in a row, with an additional €514 million, an increase of 29%, spent on groceries/perishables in the first two months of 2021.

Other sectors that enjoyed a strong start to 2021 included electrical, electronic and hardware goods (for example, personal card spend on electrical goods jumped by 48.3% or €94 million) as consumers and businesses adjusted to spending most of their time at home, including working remotely.

Even with stores closed many businesses pivoted to or prioritised online sales and orders, boosting the sale of digital services such as gaming and streaming. Online expenditure accounted for 54% of all card spending in February 2021, up from 45% in February 2020 and 42% in December 2020 when most restrictions were temporarily lifted.

Personal card spending plunged in the hospitality and leisure sectors, with card spend on transport (including commuter travel and holiday-related travel such as flights), accommodation and restaurants down by more than €1.1 billion compared with January-February 2020. Spend on transport and accommodation both fell by more than 80% year on year.

> Some 13% of all retail turnover was generated online in February 2021, up from 3.5% a year earlier.



Source: CSO

Similarly business card spending on hospitality sectors fell by 87% or €141 million year on year.

The CSO's retail sales index shows that food businesses, especially supermarkets, recorded growth in sales in the period from December 2020 to February 2021. Sales of household equipment and books, newspapers, stationery and other goods also showed solid growth. Sales in department stores and clothing, footwear and textiles outlets fell by 29.8% and 35.4%, respectively, suggesting that consumers prefer the in-store experience to shopping online when buying from these stores. However, they have adapted to the prevailing conditions with 33.3% of department store turnover and 64.2% of clothing, footwear and textiles turnover generated online in February 2021.

Some 13% of all retail turnover was generated online in February 2021, up from 3.5% a year earlier.

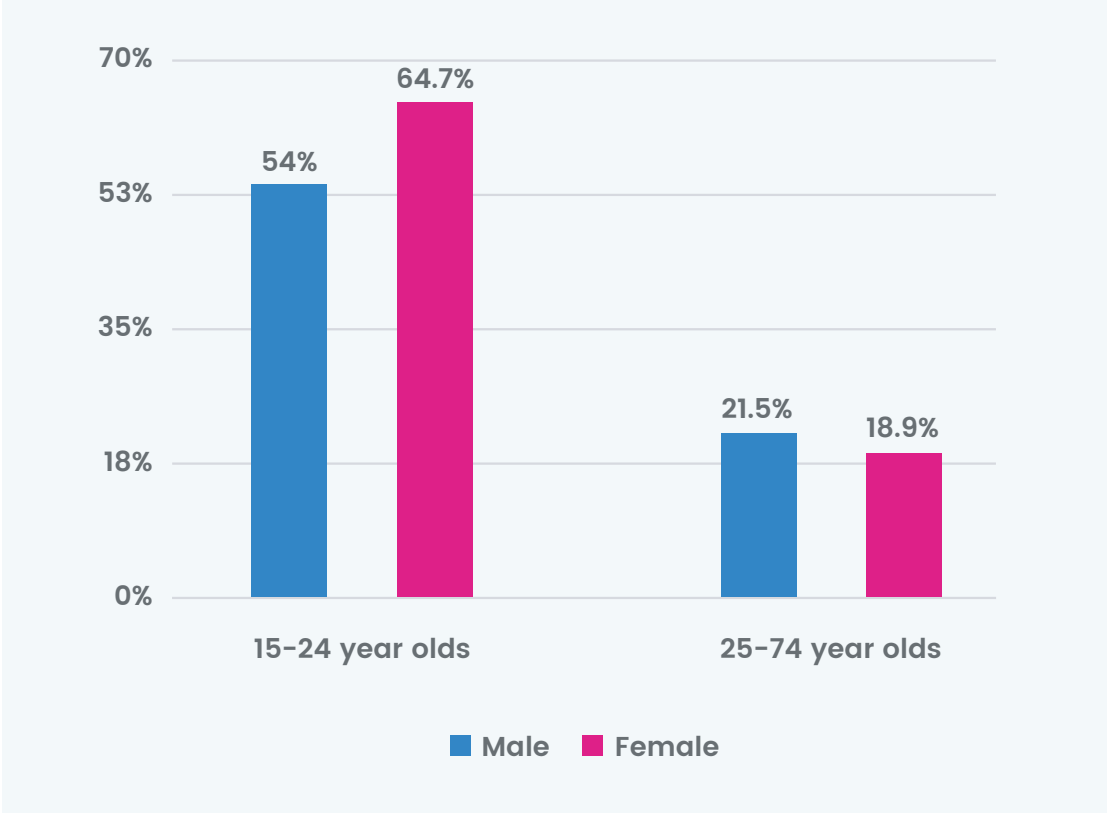
Availability of skilled labour

The pandemic and the public health measures to manage it have had a huge impact on the labour force, with many jobs lost or in a vulnerable position and many employees adapting to new ways of working.

The standard seasonally adjusted unemployment reached 5.8% in March 2021, up from 5% in March 2020 but down from 6.8% in September 2020. The CSO's Covid-19 adjusted unemployment rate – adjusted to include all recipient so the pandemic unemployment payment (PUP) – reached 24.2% in March 2021, up from 21.1% in March 2020.

With 59.2% of 15-24 year olds classified as unemployed using the adjusted measure (14.9% according to the standard measure, up from 12.6% a year earlier), the pandemic has had a major impact on younger people's employment chances. That rate rises to 64.7% for younger females.

Covid-19 Adjusted Unemployment Rate (Upper bounds)

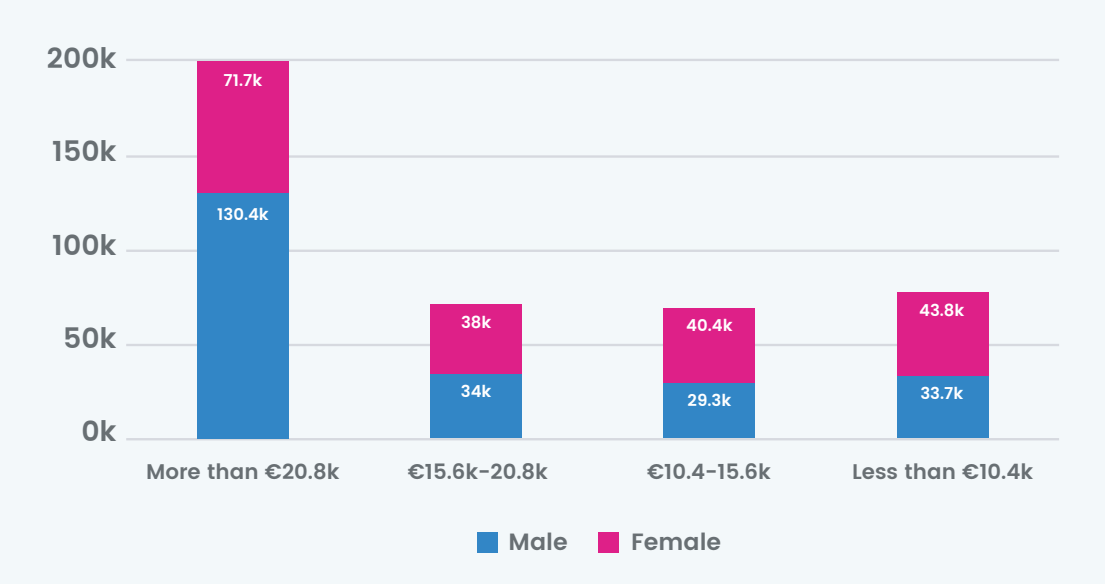


Source: CSO.

The adjusted unemployment rate data may overstate unemployment among younger age groups as it includes all recipients of the PUP including those who lost have lost income from employment, including casual employees, part-time workers and students. Indeed, the CSO reported in their Live register report in March 2021 that at least 33.3% of PUP recipients under 25 years were attending full-time education at the time of certification in March 2020.

More than 421,000 people received the PUP in the week of 13 April 2021. Some €152.5 million was paid out with payment rates varying depending on the prior average gross weekly earnings of the recipient.

PUP Recipients by Estimated Prior Earnings
(13 April 2021)



Source: BPFI calculations based on Department of Social Protection data.

Some 48% of recipients had earned more than €20,800 a year, according to BPFI estimates based on data from the Department of Social Protection, while about 35% had earned less than €15,600. The profile of recipients varies substantially by gender with only 57% of male recipients having earned more than €20,800 and only 28% having earned less than €15,600.

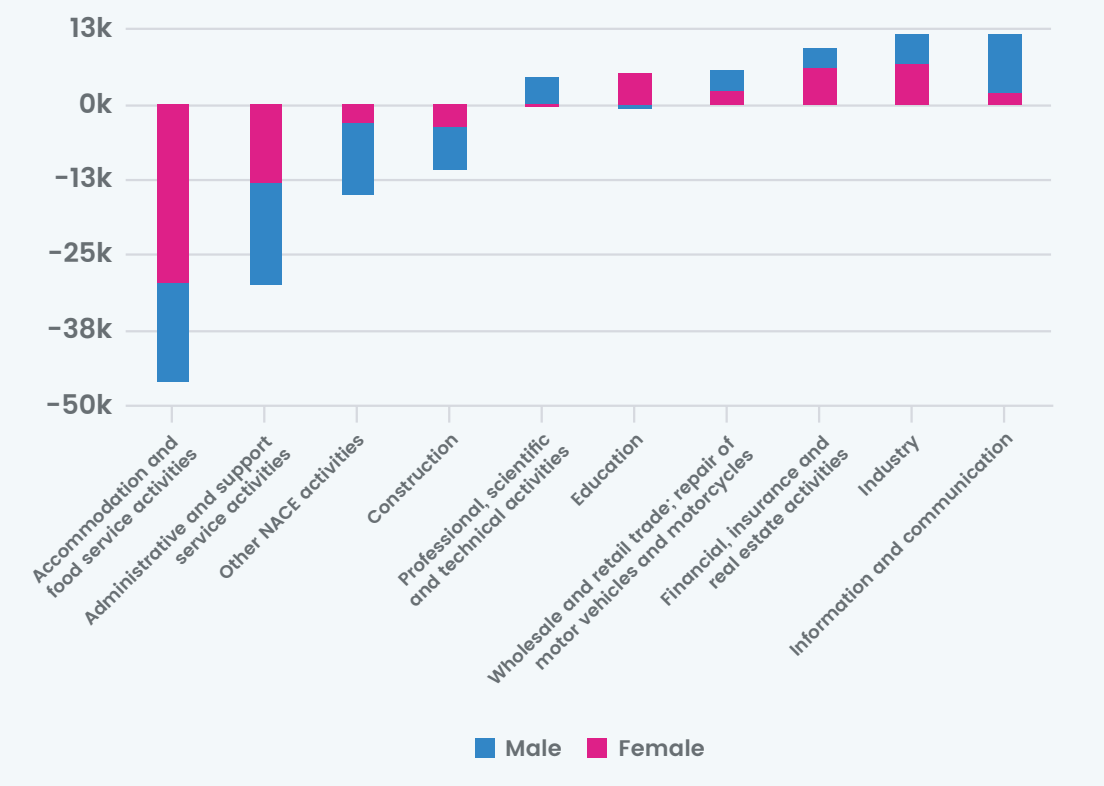
Labour-intensive sectors such as construction, hospitality and retail have been hard hit by Covid-19, a fact illustrated by the high proportion of workers in those sectors on government supports through the crisis. In the week in which residential construction was due to restart, construction accounted for 12% of PUP recipients. Wholesale and retail trade and accommodation and food services activities accounted for 16% and 24% respectively.

The Employment Wage Subsidy Scheme (EWSS) which provides a subsidy to qualifying employers based on the numbers of eligible employees on the employer's payroll, replaced the Temporary Wage Subsidy Scheme in September 2020 and is expected to run until the end of June 2021.

By 15 April some 24,100 employers covering 212,000 employees, according to the Revenue Commissioners. Some 48,500 employers covering 549,600 employees had availed of the scheme since its launch in July 2020 with total EWSS payments of €2.7 billion and €455 million in PRSI foregone due to the reduced rate of PRSI on eligible wages paid.

While the PUP and the EWSS have helped to maintain the income of workers affected by Covid-19 or protected jobs where possible, there were 55,000 fewer people in employment at the end of 2020 than a year earlier, according to CSO data. The most affected areas were accommodation and food services and administrative and support services where some 46,000 and 30,000 fewer people, respectively, were in employment. By contrast, financial, insurance and real estate activities, industry and information and communication each had between 9,000 and 11,000 more people in employment.

YoY Change in Persons Employed Q4 2020 (000s)



Source: CSO.

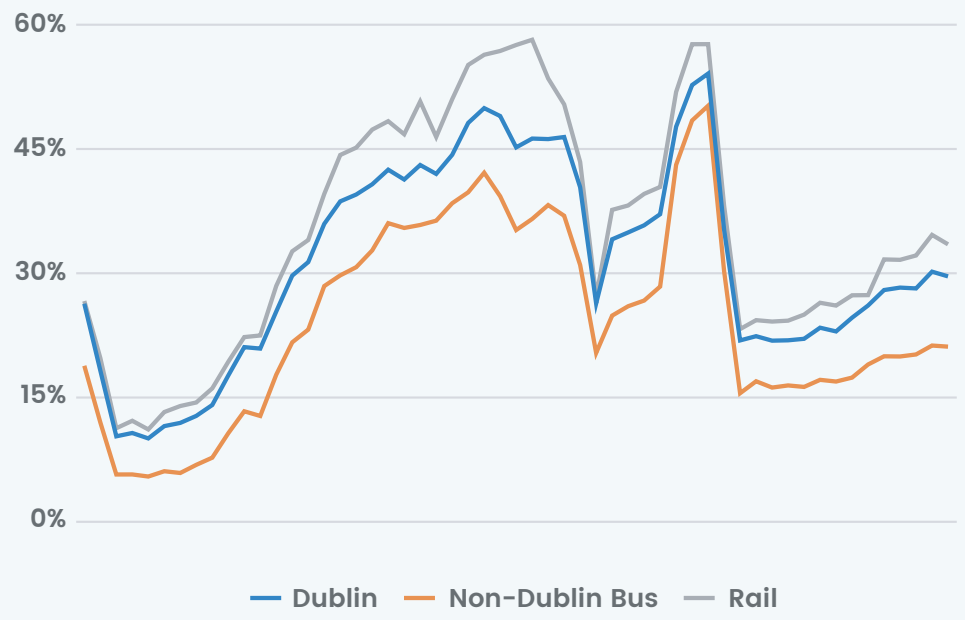
Home work

Many businesses have facilitated their staff to start working from home since the start of the pandemic. ESRI survey data suggests that about one in three visited their workplace in March and about 31% of those were non-essential workers. Almost one in four non-essential workers said they could have worked from home but either preferred or felt pressured to go to work.

The change in working habits and the government advice to stay at home for long periods had a significant impact on commuting trends. CSO data suggests that, by early April, the number of journeys taken by bus and rail were about 30% of the journeys taken at the start of the pandemic. For Dublin, the data indicates that there were about 2.9 million fewer local bus and Luas journeys in the first week of March than in the same week of 2020.

With the use of public transport limited to essential purposes only, some may have resorted to taking the car. The weekly volume of cars at selected traffic count sites Dublin fell by no more 53% in the early weeks of 2021. By mid-March, volumes were down by only 11.8% year on year and by late March the volume had more than doubled (up by 127.9%) in year-on-year terms.

Public Transport Trips
(Relative to Week 1 of March 2020)



Source: BPFI calculations based on CSO data – number of journeys in each week divided by the number of journeys in the first week of March 2020.

Accessing finance

Access to cashflow and liquidity concerns have been the key drivers for credit demand during the pandemic, at least in its early stages. CBI data based on consumer credit register enquiries suggest that the demand for business overdrafts spiked in April, while demand for other credit products (leasing and hire purchase and loans) declined. Demand for overdrafts declined from late April and stabilised at a relatively low level from August onwards. Demand for business leasing and hire purchase products recovered from late April and showed modest growth into 2021.

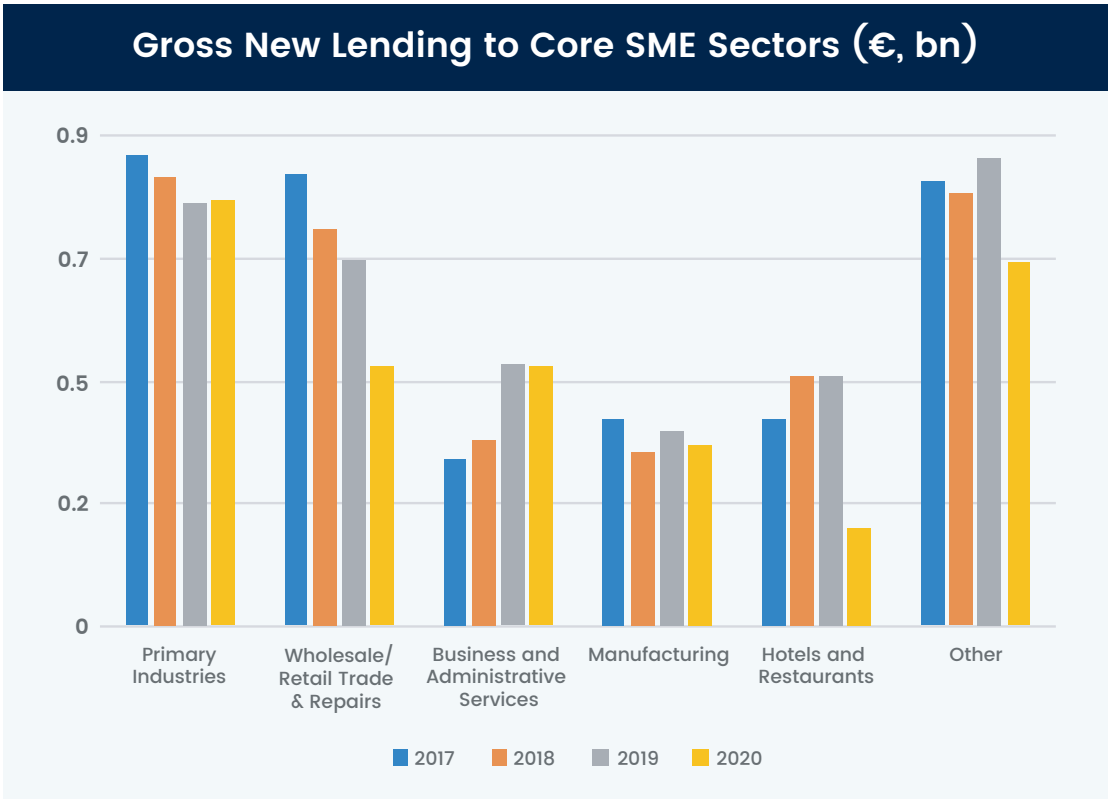
Overall demand remained weak with only 18% of SMEs responding to the October 2020 Department of Finance Credit Demand Survey reporting that they had requested bank finance in the previous six months. That compared with 20% in September 2019 and 39% in 2012. Some 85% of SMEs that had not requested finance said they had sufficient internal funds or current lines of credit, while 19% said they did not "like to be indebted". Debt aversion was strongest among micro SMEs (employing fewer than ten people), with 28% saying that they did not like to be indebted.

Gross new lending to core SMEs (excluding property-related sectors and financial intermediation) fell to €1.4 million in Q4 2020, from €1.6 billion a year earlier.

In annual terms, gross new lending fell from almost €5.4 billion in 2019 to less than €4.1 billion in 2020. Hotels and restaurants and wholesale and retail trade recorded by sharpest declines with lending down by €198 million and €280 million, respectively in 2020. While annual lending to hotels and restaurants fell to its lowest level since 2013, lending to the wholesale and retail trade fell for the third year in succession.

Three sectors (primary industries including agriculture, wholesale/retail trade and repairs and hotels and restaurants) accounted 62% of outstanding credit to core SMEs. The value of outstanding credit contracted as businesses continued to deleverage falling from €14.3 billion at the end of 2019 to €12.8 billion a year later.

Deleveraging slowed somewhat in 2020 as a significant proportion of SMEs availed of payment breaks offered by lenders. CBI data suggests that accounts that received payment breaks in 2020 represented 25.8% of non-financial, non-real estate SME outstanding balances. For loans and advances in the accommodation and food service sector, that ratio was 67.4%.



Source: Central Bank of Ireland – core SMEs exclude financial intermediation and property-related sectors.

Financial supports

The government offers a range of financial supports for businesses affected by Covid-19.

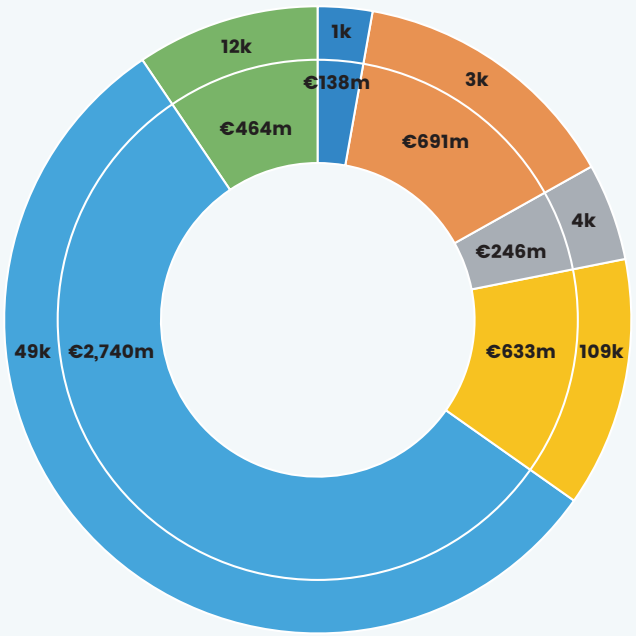
These includes grant provided by local authorities, local enterprises offices and State enterprise agencies, loans provided by bank and non-bank lenders with the support of the Strategic Banking Corporation of Ireland (SBCI) and subsidies provided through the Revenue Commissioners.

The largest by volume was the Restart Grant and Restart Grant Plus which resulted almost 110,000 approved payments before it was closed for applications in October 2020. Grants averaged less than €6,000 in contrast to the loans backed by the SBCI where the average Future Growth Loan Scheme loan, which is intended to finance longer term strategic investments and including funding for the agricultural sector, has averaged almost €210,000.

The average Credit Guarantee Scheme (CGS) loan drawdown has been much lower at about €56,000 and is intended for liquidity and investment purposes. The accommodation and food service and wholesale/retail trade and repairs sectors accounted for 30% of the number and 34% of the value of drawdowns by the start of April 2021.

The biggest supports by value have come through Revenue subsidies including the EWSS and the Covid Restrictions Support Scheme (CRSS), which was launched in November 2020 to support businesses required to prohibit or considerably restrict customers from accessing its premises. Businesses can claim up to €5,000 per week.

Government Supports for Business
(April 2021)



Source: BPFI calculations based on data from the Department of Business, Enterprise and Innovation (at 9 April) and the Revenue Commissioners (at 15 April).

Note: SBCI data represents loans approved, except for the Credit Guarantee Scheme which represents loans drawn down. CRSS volumes reflect premises affected.

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