Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

SME Market Report 2020

The Impact of Covid-19 on SMEs

SME Market Report 2020

This special edition of The Central Bank of Ireland's *SME Market Report* aims to provide context, timely information and a review of the challenges faced by Irish Small and Medium Enterprises (SMEs) by the emergence of Covid-19.[1] The report draws on a range of internal and external data sources to provide an overview of various aspects of the challenge posed to SMEs including (1) the impact of Covid-19 on SME's performance, (2) firm costs, (3) new lending and the availability of credit lines, (4) demand for credit, (5) the supply of credit and (6) outstanding debt and performance before Covid-19.

Overview

24%
Percent of firms had ceased trading temporarily or permanently (April 19th)

37%
Percent of firms reported turnover is 50 per cent below normal (May 4th-31st)

27%
Percent of firms had reduced non-personnel costs as of May 31st

995
Peak 7-day overdraft enquiries (March 26th)

72%
Percent of SMEs reported no change in access to finance (May 4th-31st)

29%
Percent of (non-financial) Irish SME balances with active payment breaks at retail banks (June 26th)

Covid-19 poses unique challenges to SMEs operating environment. The primary economic impact from the pandemic is the high level of uncertainty and closure of firms with many ceasing trading temporarily or permanently. As a result, turnover is substantially below normal for many firms. Also notable is the substantial amount of unpaid invoices owed to firms which may strain cashflow or amplify shocks if companies fail.[2]

Firms have adjusted to lower turnover through workforce measures such as decreased hours or temporary layoffs. Government supports for firms and employees include the Temporary Wage Subsidy Scheme (TWSS) and Pandemic Unemployment Payment (PUP) among other supports (schemes available to date are reviewed in Box 1). Firms have also reduced non-personnel costs, particularly among those which suffered the greatest declines in turnover, such as in the Accommodation & Food sector. In addition, firms have renegotiated or deferred payments to Revenue (interest free deferrals) and on properties and loans.

Cashflow management is particularly important for firms to continue to operate. At the onset of the pandemic, revolving loans were fully drawn down for some firms. Small undrawn balances for others indicate limited availability of working capital credit through the banking system. Credit utilisation is particularly high in the Accommodation & Food sector for example. Compared to 2019, new lending for small non-revolving loans was higher in the first few months of the year but declined in April and May. This corresponds to credit enquiries data which report enquiries for credit lines spiked in March before declining along with enquiries for other products. Banks report increased SME demand for credit in Q2 and expect a slight increase in Q3 also.

Capacity for increased borrowing among SMEs may be curtailed by higher indebtedness among some firms in the Accommodation & Food sector. On the other hand, SMEs do not report changes in access to finance even as banks report tightening lending standards. As an alternative to bank debt, trade credit was reported among SMEs to be widely relevant and used in Ireland before the pandemic, exceeding other Euro Area countries. Some firms, particularly Micro firms, also lack an existing bank relationship which can pose difficulties for informed credit assessment, particularly in uncertain economic circumstances.

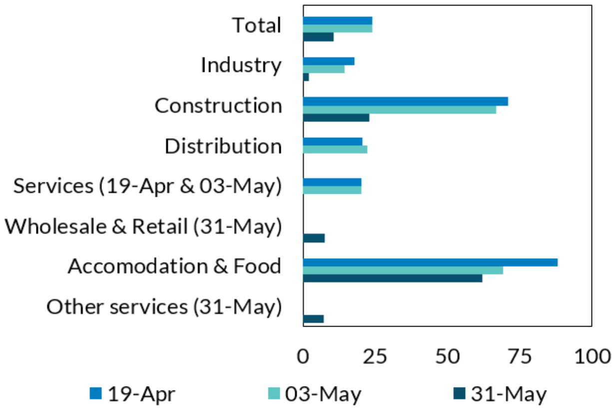
There is pre-existing financial vulnerability before the pandemic through higher loan exposures and greater default rates in the sectors most directly exposed to the shock, such as Accommodation & Food and Wholesale & Retail. Some regions had comparatively higher default rates before the pandemic but these regions are not disproportionately exposed to Covid-19.

Recently, most remaining economic activities have been permitted to reopen throughout June and July with exceptions where a high risk of infection exists such as in pubs and bars (except where food is served), nightclubs and casinos. Government has also announced further supports through its July stimulus. Although data is currently not available for the recent period of reopening, the challenges for SMEs will likely shift from outright closure to lower productivity and revenue as a result of necessary social distancing.

1 The economic impact of Covid-19

Figure 1 | Economic activity has been constrained, particularly in Accommodation & Food

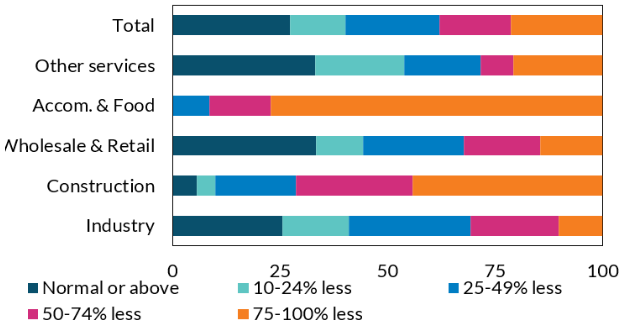
Percentage share of firms in each sector which ceased trading (temporarily or permanently), (indicative results, see Appendix 1)[3]



Source: CSO Business Impact of Covid-19 Survey

Figure 2 | Consequentially, the shock to turnover has been large but also differs by sector

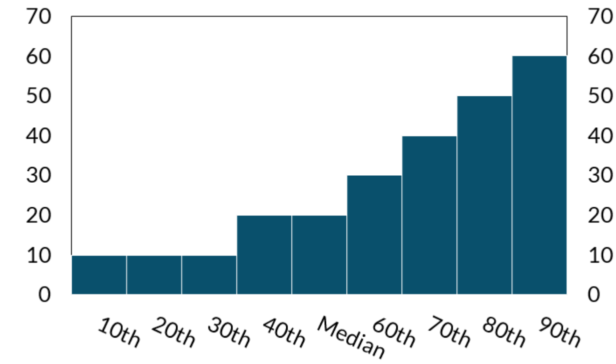
Share of reporting firms by estimated impact on turnover relative to normal conditions, May 4th to 31st (indicative results, see Appendix 1)



Source: CSO Business Impact of Covid-19 Survey

Figure 3 | With turnover constrained, firms have also accumulated substantial unpaid invoices which may strain cashflow and amplify shocks

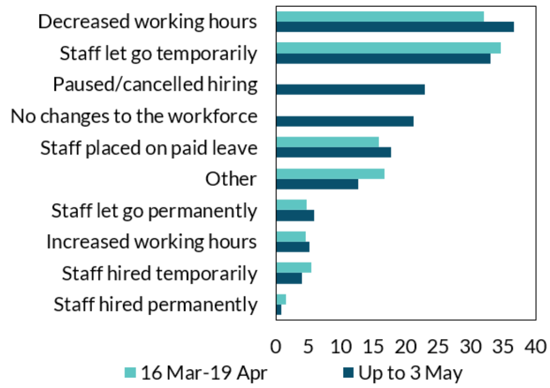
Value of outstanding unpaid invoices as a share of 2019 revenue, by decile (indicative results, see Appendix 1)



Source: Chambers Ireland, May 28th to June 2nd

Figure 4 | Firms have responded to these challenges with reduced working hours and letting staff go temporarily rather than permanently

Share of reporting firms by workforce change implemented (indicative results, see Appendix 1)



Source: CSO Business Impact of Covid-19 Survey

The emergence of Covid-19 has constrained activities in some sectors more than others. Survey evidence suggests 24 per cent of firms had ceased trading temporarily or permanently in April but this declined to 11 per cent by May 31st. The largest share of firms ceasing trading by April 19th was found in the Accommodation & Food (88 per cent) and Construction (71 per cent) sectors. Even as firms began to trade again, 62 per cent of firms in the Accommodation & Food sector were still not trading as of May 31st.

Declines in turnover have been large and differ by sector. For instance, 38 per cent of firms‘ turnover is more than 50 per cent below normal and 21 per cent of firms report turnover is more than 75 per cent lower. In the Accommodation & Food sector, 77 per cent report turnover more than 75 per cent below normal. On the other hand a substantial minority of firms have not experienced a decline in turnover.

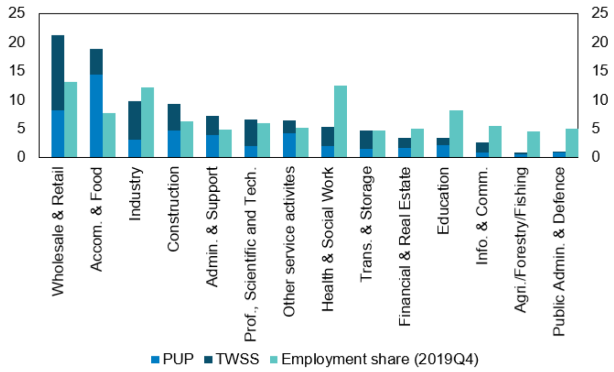
Substantial unpaid invoices have accumulated at firms. Survey evidence suggest 39 per cent of firms have unpaid outstanding invoices. Unpaid outstanding invoices amount to 20 per cent of 2019 revenue at the median which may pressure cashflow or amplify shocks upon company failure.

Firms responded to turnover loss with reduced working hours and temporary layoffs. Survey evidence suggests fewer permanent lay-offs (6 per cent) than reduced hours (37 per cent) or temporary layoffs (33 per cent).

2 Firm costs

Figure 5 | With revenue constrained firms have relied on TWSS supports to support personnel costs, especially in some sectors

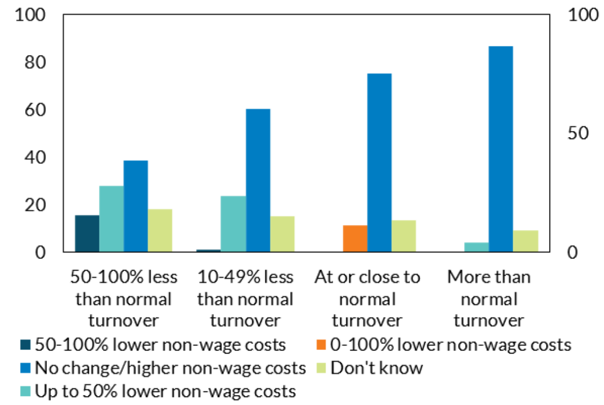
Percentage share of current TWSS/PUP recipients and share of previous total employment by sector.



Source: CSO Labour Force Survey (employment share - 2019Q4), CSO Live Register (PUP and TWSS - 31st May).

Figure 6 | Firms with the largest declines in turnover have reduced non-personnel costs the most but many firms have not reduced these costs

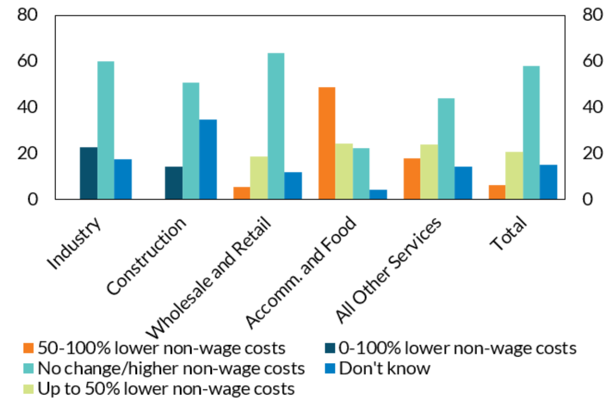
Percentage share of firms by change in turnover and non-personnel costs (indicative results, see Appendix 1)



Source: CSO Business Impact of Covid-19 Survey, May 31st

Figure 7 | Firms in the Accommodation & Food and Other Services sectors have reduced non-personnel costs most

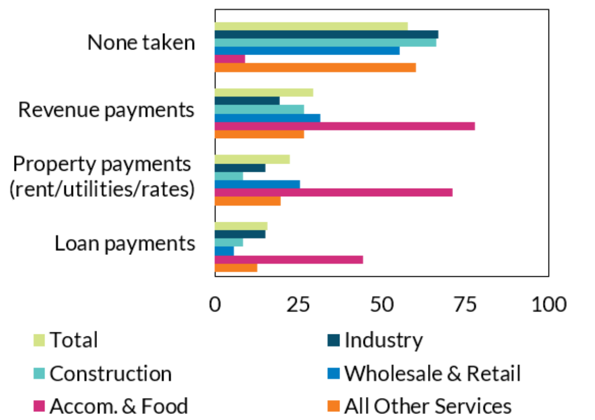
Percentage share of firms by change in non-personnel costs by sector (indicative results, see Appendix 1)



Source: CSO Business Impact of Covid-19 Survey, May 31st

Figure 8 | In addition to costs, firms have deferred or changed payments to manage cash flow, especially in the Accommodation & Food sector.

Share of firms by type of deferred or changed payments taken to manage cashflow as a result of Covid-19 (indicative results, see Appendix 1)



Source: CSO Business Impact of Covid-19 Survey, May 31st

Reliance on TWSS/PUP supports illustrate the disproportionate economic impact on the Wholesale & Retail, Accommodation & Food and Construction sectors relative to previous employment. The Accommodation & Food sector is notable for the large share of PUP payments indicating a loss of the employee/employer link.

Firms with the most constrained revenue have reduced non-personnel costs the most but many firms have not. Firms reporting revenue declines of over 50 per cent have reduced non-personnel costs by 43 per cent but 39 per cent have not reduced costs, increasing to 60 per cent where revenues declined 10-49 per cent.

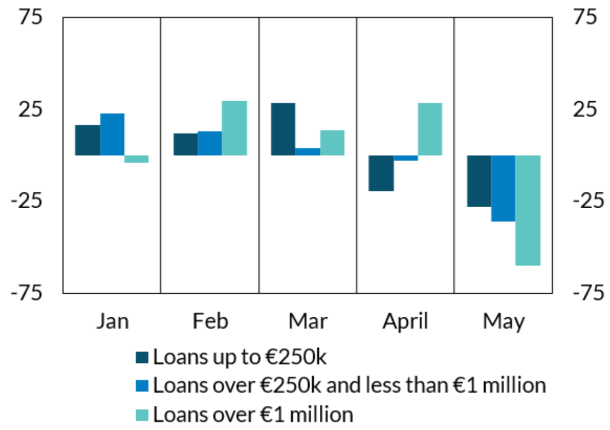
The Accommodation & Food and Other Services sectors have reduced non-personnel costs the most. 49 per cent of firms in Accommodation & Food have reduced non-personnel costs by more than 50 per cent.

Changes or deferrals of payments to manage cashflow are reported by 42 per cent of firms. This increases to 91 per cent of firms in the Accommodation & Food sector. Fewer adjustments were reported for loan payments but 57 per cent of SMEs have no debt (Credit Demand Survey, April to September 2019). Central bank data report 29% of non-financial Irish SME loan balances had active payment breaks as at June 26th.

3 New loans and credit lines

Figure 9 | The volume of new lending for smaller Non-Financial Corporate (NFC) non-revolving loans was lower in April and May compared to the same months in 2019

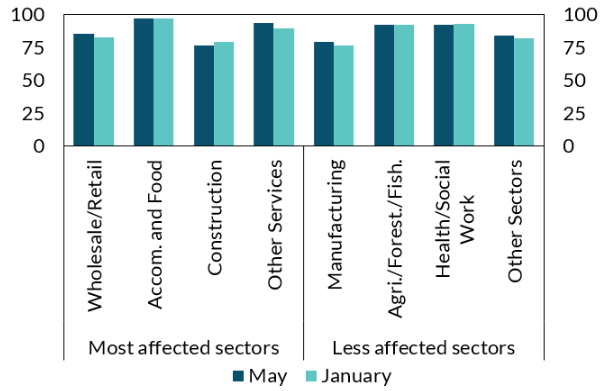
Percentage change in the volume of new NFC non-revolving lending by loan size on the same month in 2019



Source: Central Bank of Ireland Statistics data

Figure 10 | Credit utilisation has changed little since the pandemic emerged and remains high in the Accommodation & Food sector

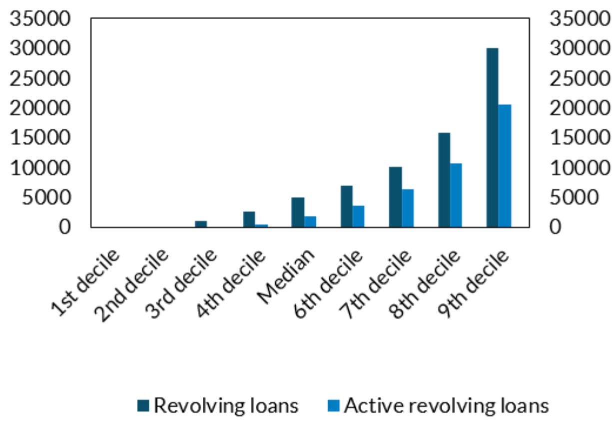
Share of credit balance utilisation by sector, January and May 2020



Source: Central Bank of Ireland monitoring template data

Figure 11 | Many SME revolving loans have zero or small undrawn balances indicating limited working capital credit buffers

Distribution of SME undrawn balances revolving loans by decile, December 2019



Source: Central Bank of Ireland loan-level data

Following increases in the volume of small NFC non-revolving loans early in the year compared to 2019, and especially in March, new lending has since declined. Small loans of less than €250,000, approximating SME lending, have declined in volume (-19.6 per cent in April and -28 per cent in May) compared to 2019 after increasing earlier in the year. The increased lending was particularly evident in March (28.9 per cent) when the risk from Covid-19 began to materialise in Ireland.

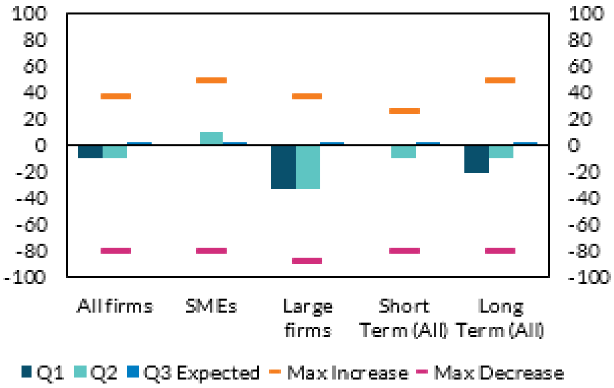
Credit balances are almost fully utilised in the Accommodation & Food sector in May with more scope in other sectors. Credit utilisation has changed little since January. The Accommodation & Food sector has utilised 97 per cent of credit balances with less credit utilisation in the other most affected sectors.

Undrawn balances were zero or small for many firms with existing revolving facilities. At the median, undrawn balances amounted to €5,000. Active balances, where at least some of the facility was drawn down, had lower undrawn balances available with a value of €1,733 at the median.

4 Credit demand

Figure 12 | Banks report SME credit demand inreased in Q2 and is expected to increase slightly in Q3.

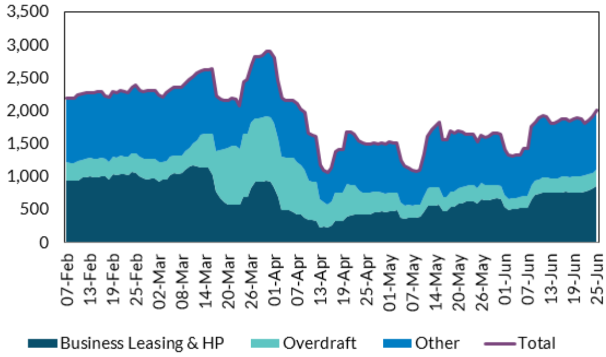
Diffusion index indicating increased demand (up to 100 for all banks) and negative (-100 for all banks), 2002 Q4 to 2020 Q2



Source: Bank lending survey

Figure 13 | Company overdrafts spiked in March as enquiries for other products declined

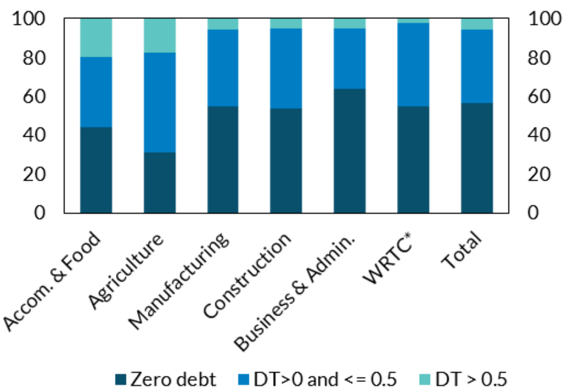
Company credit applications by product type, February 7th to June 25th



Source: Central Credit Register, and Central Bank of Ireland calculations. Statistics Division, Box A: Household and Business Financing Developments during Covid-19, Quarterly Bulletin, Q3-2020

Figure 14 | More indebted firms, such as some in the Accommodation & Food sector, have less capacity to borrow more.

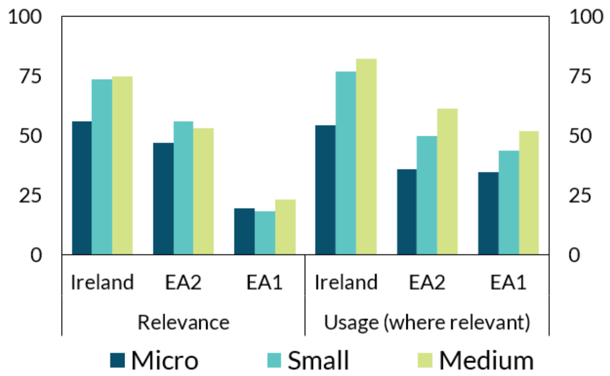
Distribution of debt-to-turnover ratios by sector and, April 2019 to September 2019



Source: Department of Finance Credit Demand Survey.
*Note: *Wholesale, Retail, Transport and Communication sector.*

Figure 15 | Trade credit is also important – before the pandemic Irish SMEs of all sizes reported greater relevance of trade credit than firms in other EA member states, and where relevant, Irish SME use trade credit more.

Relevance and usage (where relevant) of trade credit for Ireland, EA1 and EA2, October 2019 to March 2020[4]



Source: ECB/EC Survey on the access to finance of enterprises

Banks report SME credit demand increased in Q2 and is expected to increase slightly in Q3. Demand for all firms is expected to increase slightly in Q3 and for both short and long term credit.

Company credit enquiries spiked in April for overdrafts as other products declined. The spike in overdrafts was likely as a precautionary measure to ensure the availability of working capital and declined thereafter. In contrast, enquiries for other products declined in April and gradually recovered through to the end of June.

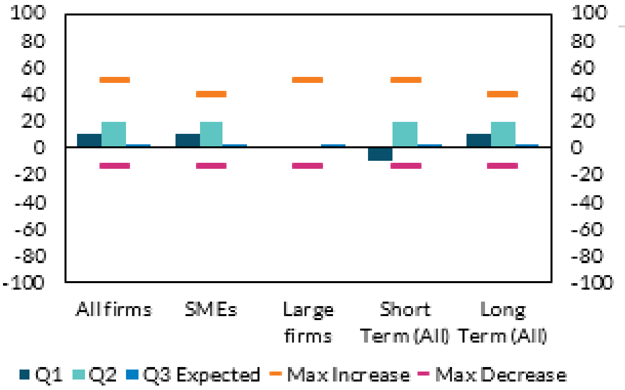
Greater SME indebtedness in the Accommodation & Food (20 per cent exceeding half of turnover) may limit capacity to borrow more. However, 57 per cent of firms do not hold any debt as do 44 per in the Accommodation & Food sector.

Before the pandemic, more Irish SMEs reported trade credit as relevant than elsewhere in the Euro Area with greater usage also. 67 per cent of Irish SMEs identify trade credit as relevant. Where relevant, 71 per cent use this type of credit. Typically fewer smaller SMEs report trade credit as relevant with lower usage also.

5 Credit Supply

Figure 16 | Banks report SME lending standards have tightened in Q1 and Q2 and are expected to tighten slightly in Q3

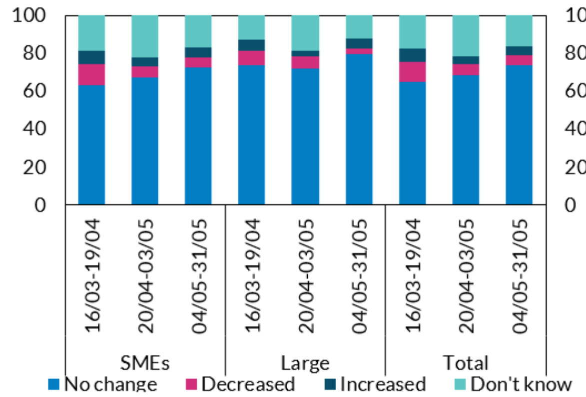
Diffusion index indicating net positive (tightening to 100 for all banks) and negative (loosening down to -100 for all banks), 2002 Q4 to 2020 Q2



Source: Bank lending survey

Figure 17 | However, most firms report no change in access to finance and fewer SMEs reported a decline in access to finance

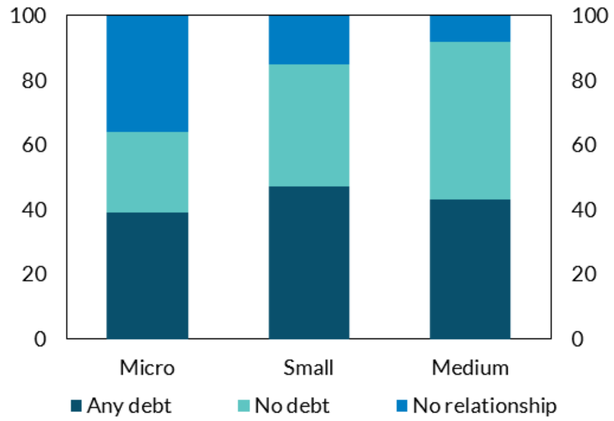
Percentage share of SMEs by reported impact of Covid-19 on access to finance and size (indicative results, see Appendix 1)



Source: CSO Business Impact of Covid-19 Survey

Figure 18 | Some SMEs lack a lender relationship through existing bank debt or a relationship manager to support access to finance, particularly Micro firms

Share of firms by relationship status and size[5]



Source: Department of finance Credit Demand Survey, September 2019

Banks reported tightening lending standards for SMEs and both short and long term lending in Q2 for all firms. However, the increase in tightening is not large compared to previous changes and further tightening in Q3 is expected to be small.

On the other hand, most firms (SME and large) report no change in access to finance and fewer SMEs reported a decline. As of May, 72 per cent of SMEs reported no change in access to finance. 6 per cent of SMEs reported that access to finance decreased, down 9 percentage points from March and April. By comparison, 3 percentage point fewer large firms reported access to finance decreased.

Smaller firms, particularly Micro firms, lack bank relationships, which can help inform lenders credit assessments and support the firm's access to finance. While a comparable share of Micro firms hold debt compared to Small and Medium firms, 36 per cent of Micro firms lack debt or a bank manager relationship compared to 15 per of Small and 8 per cent of Medium firms.

Box 1: Government Covid-19 supports for firms to date

Box authors: Derek Lambert (derek.lamber@centralbank.ie) and Jane Kelly (jane.kelly@centralbank.ie).

Many firms are likely to require external liquidity support to re-open and adapt to the new environment following the Covid related closures (McGeever, McQuinn & Myers).[6] This box provides an overview of the type of schemes firms can use as well as scheme take-up, as of June 30th, with further supports to be announced in the July stimulus package.

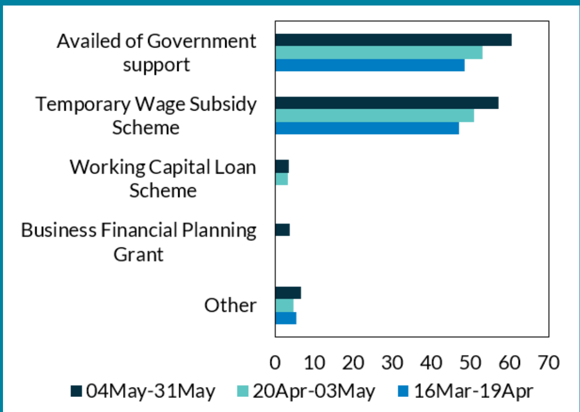
The full list of government supports is available at the Department of Business, Enterprise and Innovation. The schemes include indirect loans via banks with a government guarantee and direct loans from state agencies such as Enterprise Ireland. Grants, income supports and equity injections are also available. Individual schemes include:

Scheme	Details	Terms
Credit Guarantee Scheme	Strategic Banking Corporation of Ireland (SBCI), supports up to €2 billion in loans to SMEs with an actual/projected fall in turnover or profit of at least 15 per cent through a partial guarantee (80 per cent).	Facilitates loans of €10,000 - €1 million for periods of up to 7 years.
Covid-19 Business Loans	Microenterprises can access Covid-19 Business Loans of up to €50,000 from Microfinance Ireland.	36 month loan period. First six months interest free and repayment free moratorium.
Covid-19 Working Capital Scheme	€450m SBCI scheme for eligible businesses supports to help finance the day to day running of a business.	Supports loans from €25,000 up to €1.5 million with a maximum interest rate of 4 per cent.
Future Growth Loan Scheme	SBCI supports €500 million in funding through the Future Growth Loan Scheme to provide longer-term loans to Covid-19 impacted businesses.	Loans range from €100,000 (€50,000 for farmers) to €3 million, with unsecured loans up to €500,000 over a term of 8-10 years.
Restart Grant	€250m to provide direct grant aid to micro and small businesses for costs associated with reopening and re-employing workers.	The grant is the equivalent to the rates bill of the business in 2019 or a minimum grant of €2,000, with a maximum grant of €10,000.
Temporary Wage Subsidy Scheme	Provides financial support to Irish workers and businesses affected by the crisis via salary supports supplied through the payroll system.	Subsidy up to 70 – 80 per cent dependent on average net weekly pay.
Pandemic Stabilisation and Recovery Fund	Up to €2 billion in total will be made available through the Ireland Strategic Investment Fund to support medium to large enterprises affected by Covid-19.	Capital made available under commercial terms.
Other supports		
	Covid-19 Business Financial Planning grant ->	€5,000 grant to work with consultants in preparing a detailed financial plan
	Trading Online Voucher ->	Training & advisory up to €2,500
	Lean Business Continuity Voucher ->	Grant of up to €2,500 with training & advice
	Sustaining Enterprise Fund (manufacturing and internationally traded services ->	Repayable advances (up to 250,000), equity (above 250,000) up to a maximum of €800,000

The most recent survey data reported by the CSO Covid-19 Business Impact Survey suggests that more SMEs availed of Government Support during the four-week period from 04 May to 31 May 2020, at 60.5 per cent (figure 19). This is up from 53.2 per cent of SMEs during the period 20 April to 03 May. Of those SMEs who availed of Government Supports in May, 57.1 per cent availed of the Temporary Wage Subsidy Scheme, 3.5 per cent availed of the Working Capital Loan Scheme, and 3.8 per cent the Business Financial Planning Grant.

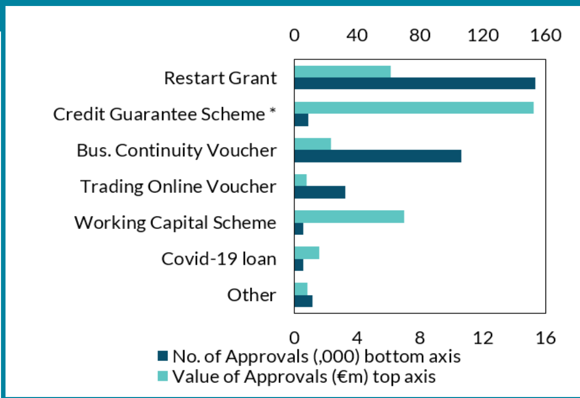
The local authority provided Restart Grant has the greatest number of approvals with 15,366 applications approved as of 30 June 2020, at a value of €61.2m. This provides small grants of between €2,000 and €10,000 to help fund the re-opening of firms. The Businesses Continuity Voucher received the second highest level of approvals with 10,642 applications approved. Among business supports, the Covid-19 Working Capital Scheme has thus far approved the greatest value of assistance, with €69.9m in loans approved to 584 firms. Wage supports for workers and businesses amount to €2,062 million (as of July 16th).

Figure 19: Share of SMEs availing of Gov supports (04May-31May, 20Apr-03May), indicative results, see Appendix 1



Source: CSO Business Impact of Covid-19 Survey (04May-31May, 20Apr-03May, 16Mar-19Apr 2020)

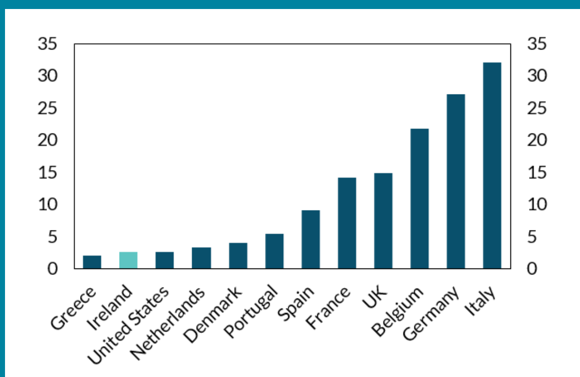
Figure 20: Covid-19 Business Supports - Number and value of approvals made (as of 30 June 2020)



*Source: Department of Business, Enterprise and Innovation Covid-19 Business Supports Tracker. Note: * Figures provided for the Credit Guarantee Scheme precede the new Covid-19 Scheme and date back to the original schemes inception in 2012.*

Under the SME Credit Guarantee Scheme, the Government can guarantee up to €2 billion in qualifying SME loans, which equates to 1 per cent of GNI*. Loans and liquidity are also available for SME and large firms affected by Covid-19 under various schemes referenced above. This equates to 2.6 per cent of GNI*, including guarantees and lending but excluding direct grants. This is roughly in line with levels available in countries such as Greece , the United States and the Netherlands; which announced liquidity and guarantee schemes valued up to 2.1, 2.6, and 3.4 per cent of GDP respectively. However, at the time of writing countries such as Italy and Germany have provided guarantees against larger potential lending volumes to firms, with announced schemes valued up to 32.1 and 27.2 per cent of GDP respectively.

Figure 21: Liquidity and Guarantees for SME and large firms (International Comparison) as percentage of GDP

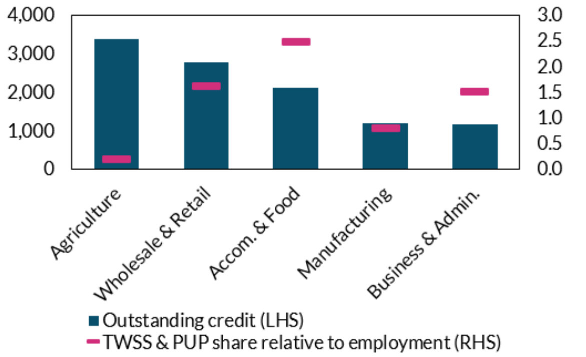


Source: Bruegel, CSO, Department of Business, Enterprise and Innovation
Notes: Data includes loans and loan guarantees, does not include direct grants, vouchers etc. Figures as percentage of GDP (2019), Irish figures as percentage of GNI (2018)*

6 Outstanding debt and performance before the pandemic

Figure 22 | Some of the sectors with large SME outstanding debt also have a high relative exposure to Covid-19, such as Accommodation & Food and Wholesale & Retail

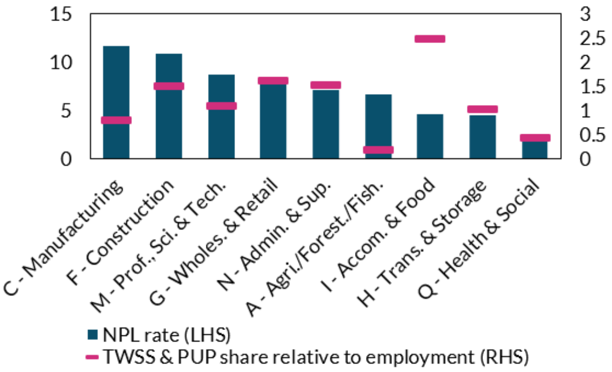
Outstanding lending to SMEs (2020 Q1) and employee share of TWSS & PUP (31st May) relative to employment share (2019Q4) by sector[7]



Source: Central Bank of Ireland Credit, Money and Banking Statistics and CSO

Figure 23 | SME default rates before the pandemic were higher in some sectors with relatively higher Covid-19 exposure such as Construction and Wholesale & Retail.

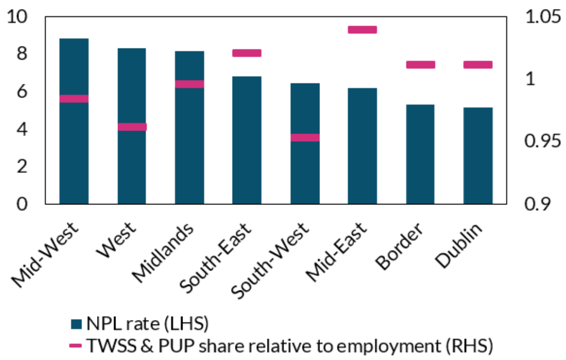
SME default rates (December 2019) and TWSS & PUP (31st May) relative to employment share (2019Q4) by sector



Source: Central Bank of Ireland Loan-Level Data and CSO

Figure 24 | SME default rates were highest in the Mid-West, West and Midlands before the pandemic but are not disproportionately exposed to Covid-19.

SME default rates (December 2019), TWSS & PUP (31st May) relative to employment share (2019Q4) by region[8]



Source: Central Bank of Ireland Loan-Level Data and CSO

Some of the sectors with the largest amount of outstanding bank debt are more exposed to Covid-19. Sectors such as the Accommodation & Food and Wholesale & Retail sectors have the highest reliance on TWSS/PUP supports.

Before the pandemic, the SME default rate on the stock of lending was 6.7 per cent and higher in some sectors with relatively higher Covid-19 exposure such as Construction and Wholesale & Retail. The default rate is highest in the Manufacturing (11.6 per cent) and Construction (10.9 per cent) sectors and lowest in Health & Social Work (2.1 per cent) and Transport & Storage (4.5 per cent).

On a regional basis, the highest SME default rates before the pandemic was clustered in the Mid West (8.9 per cent), West (8.3 per cent) and Midlands (8.2 per cent), regions with relatively low Covid-19 exposure. The lowest default rates were found in Dublin (5.1 per cent) and the Border (5.3 per cent) regions.

Appendix 1: Data Sources

- CSO *Business Impact of Covid-19 Surveys* for 2020; March 16th – April 19th, 20th April – 3rd May and 4th April – 31st May. These surveys provide timely data on company trading status and qualitative variables relating to turnover, international trade, workforce planning, access to finance and utilisation of Government support schemes. The results from these surveys represent responding enterprises only and are unweighted. The CSO acknowledges that non-response may be related to whether businesses are adversely impacted by COVID-19 and could bias the estimates. Weighting procedures would not correct non-response in this case.
- Central Bank of Ireland loan-level data, December 2019. This dataset provides information on a wide range of loan characteristics including outstanding balances, sector of activity and loan repayment for the population of enterprise loans outstanding at Allied Irish Banks, Bank of Ireland, Permanent TSB and Ulster Bank. 'Default' is defined according to the European Banking Authority Implementing Technical Standard definition.
- Central Bank of Ireland monitoring template data, April 2020. This dataset provides timely aggregated information on outstanding and undrawn balances, sector of activity and loan repayment for SME loans at Allied Irish Banks, Bank of Ireland and Ulster Bank.
- Central Bank of Ireland *Central Credit Register*. This is a new daily dataset based on lender enquiries on the Central Credit Register following new loan applications. Over time, coverage of the dataset has been extended to a range of bank and non-bank lenders and a variety of financial products such as business loans, overdrafts, hire purchase and asset finance. The data can be limited in its measure of credit demand as it does not capture immediate rejections or discouraged borrowers, which do not apply because of potential rejection. Similarly, borrowers may apply to many lenders which could exaggerate credit demand.
- Central Bank of Ireland *Credit, Money and Banking* statistics, Q1 2020. This source contains outstanding lending by quarter and sector for all Irish credit institutions. See Business Credit and Deposits Explanatory Notes for more details. Questions on this data may be directed to statistics@centralbank.ie.
- *Bank Lending Survey* for 2020 Q2. This survey provides quarterly qualitative data from Irish banks. The survey asks questions on supply and demand conditions in the loan market. The data from this survey complement quantitative data on developments in the lending market.
- Department of Finance *SME Credit Demand Survey*, April – September 2019. This nationally representative survey of 1,500 Irish SMEs collects information on demand for credit, success in applying for credit and trading performance.
- European Central Bank (ECB) / European Commission (EC) *Survey on the Access to Finance of Enterprises* (SAFE), October 2019 – March 2020. The Irish component of this European survey contains information for 500 SMEs. The cross-country nature of the survey allows credit conditions faced by Irish SMEs to be placed in a Euro Area context.
- Chambers Ireland *Business Community Survey*, May 28th and June 2nd. The sample consists of an unstratified sample of 1,320 respondents. The survey collects data on invoicing, business activity, performance and sentiment.
- CSO *Labour Force Survey*, 2019Q4. This survey of households produces quarterly estimates of employment by NACE Rev. 2 sectors according to the International Labour Organisation basis.
- CSO *Live register*, 31st May. The Live register provides breakdowns of the numbers receiving the Pandemic Unemployment Payment (PUP) and the Temporary Wage Subsidy Scheme (TWSS) including by sector or region. As the records of TWSS recipients is dependent on payment frequencies (i.e. individuals on a monthly TWSS are only recorded once a month) recipients are estimated by assuming they have been on the scheme for the frequency at which they have been paid such that persons paid every four weeks would be assumed to be recipients for the previous four weeks. As a result, the data is produced with a lag.

Appendix 2: Classification of SMEs

For the purposes of the Central Bank of Ireland aggregate statistical series and the Department of Finance SME Credit Demand Survey, an SME counterparty is defined as any entity engaged in an economic activity, irrespective of legal form (i.e. corporation, partnership, sole-trader, etc.), which employs fewer than 250 persons and whose annual turnover does not exceed €50 million or whose annual balance sheet does not exceed €43 million. This is consistent with the SME definition in the Central Bank's SME Lending Regulation, the Credit Review Office and the European Commission, for the later see here.

In the SAFE survey, SMEs are defined solely by their employment size. Three categories of SME are analysed: Micro firms, with less than 10 employees, Small firms with 10 to 49 employees, while Medium firms are those with 50 to 249 employees. All firms with more than 250 employees are considered to be Large firms and are removed from the analysis.

The Central Bank of Ireland loan-level data do not contain the relevant information on borrowing firms to define SMEs in a similar fashion. All firms managed in retail and business banking units of the subject banks are classified as SMEs, while all exposures managed in corporate banking divisions are considered to be Large firms and excluded from the analysis.

The CSO Business Impact of Covid-19 Survey data define SMEs according to employment of less than 250 where identified as such. Where not identified as an SME, the data relates to all firms including large firms.

In the Bank Lending survey, large and small and medium-sized enterprises are defined according to annual net turnover. A firm is considered an SME if its annual net turnover is less than €50 million.

Appendix 3: Footnotes

1. Enquiries and comments relating to this document should be addressed to: Macro-Financial Division, Central Bank of Ireland, PO Box 559, Dublin 1. Email: MFDadmin@centralbank.ie
2. McCann, F. and Myers, S. (2020), "COVID-19 and the transmission of shocks through domestic supply chains", Financial Stability Note No. 3, Central Bank of Ireland.
3. Sectors are classified according the NACE Rev. 2 sector classification in the report unless otherwise indicated
4. Ireland is compared to two groups of countries: EA1 countries which comprises of Austria, Belgium, Germany, Finland, The Netherlands and France, and EA2 countries which comprises of Portugal, Italy, Spain and Greece.
5. Firm size is typically defined according to the firms' employment size, Micro firms have less than ten employed, Small firms have 10-49 employed and Medium have 50-249 employed. In this specific survey a firms meeting the employment condition and one of the following turnover or balance sheet conditions qualifies; Micro – turnover or balance sheet of less than or equal to €2m, Small – turnover or balance sheet of less than or equal to €10m and Medium – turnover of less than or equal to €50m or balance sheet of less than or equal to €43m.
6. McGeever, N., McQuinn, J. and Myers, S. (2020), "SME liquidity needs during the COVID-19 shock", Financial Stability Note No. 2, Central Bank of Ireland.
7. Sector classifications used in Central Bank, Credit, Money and Banking statistics broadly correspond to NACE Rev. 2. Agriculture (including Forestry and Fishing) correspond to Primary Industries and Accommodation & Food correspond to Hotels & Restaurants.
8. Nomenclature of Territorial Units for Statistics (NUTS) regions - 'Border': Donegal, Sligo, Leitrim, Cavan, Monaghan; 'Mid-East': Wicklow, Kildare, Meath, Louth; 'Mid-West': Clare, Tipperary, Limerick,; 'Midlands': Laois, Longford, Offaly, Westmeath; 'South-East': Carlow, Kilkenny, Waterford, Wexford; 'South-West': Cork, Kerry, 'West': Galway, Mayo, Roscommon.

T: +353 (0)1 224 6000
www.centralbank.ie
publications@centralbank.ie

Bosca PO 559, Baile Átha Cliath 1, Éire
PO Box 559, Dublin 1, Ireland