Statistics

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Banks' support for SMEs

20th March 2012

David Dooks, BBA statistics director, said of the new datasets:
"With lending of £108bn and deposit holding of £113bn at the year-end, the level of bank support for non-financial SMEs in the private sector is clear. During the second half of last year, there were more than 226,000 new credit facilities approved for nearly £17bn. These figures reflect application approval rates of around 77% for smaller businesses and around 90% for larger businesses.
"It is the case that whilst almost £13bn of new loans was drawn down in the second half of last year, SMEs made repayments of £14bn, leaving the total stock of borrowing marginally lower at the year-end.
"Lending facilities approved in the second half of last year proportionately reflect the spread of industry sectors and regions in which SMEs operate".

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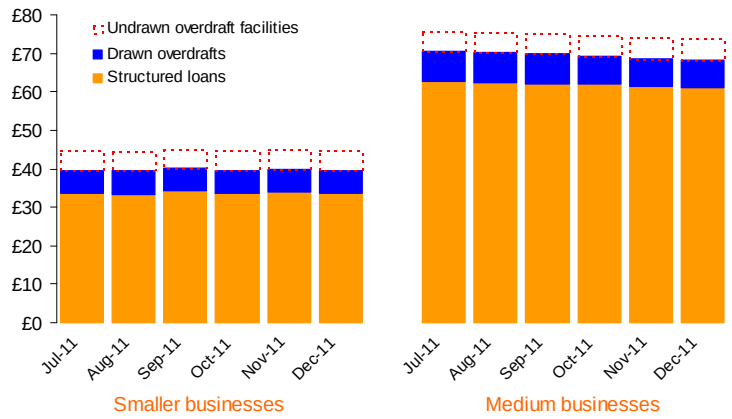
July to December 2011

Fig 1. Business borrowing (amounts outstanding £bn)



Total SME borrowing by way of loans and overdrafts stood at £107.7bn at the end of last year, with overall levels little changed over the second half of 2011.

Borrowing by smaller businesses stood at £33.8bn of structured loans and £5.7bn of drawn overdrafts (from available overdraft facilities of £11bn).

Borrowing by medium businesses stood at £61.1bn of structured loans and £7.2bn of drawn overdrafts (from available overdraft facilities of £12.7bn). Loan balances in this segment saw a small contraction of 3% over the six months.

New loans drawn by smaller businesses in the six months totalled £4.2bn. This new lending was more than balanced by repayments of existing loans totalling £4.7bn, hence a net repayment of £0.5bn and the standstill in amounts outstanding.

New loans drawn by medium businesses in the same period totalled £8.4bn. This was more than offset by loan repayments totalling £9.3bn, leading to a net repayment of £0.8bn.

The value of drawn overdrafts in the period contracted by £0.4bn for smaller businesses and by £0.6bn for medium businesses.

Fig 2. Net value of new loans (£bn)

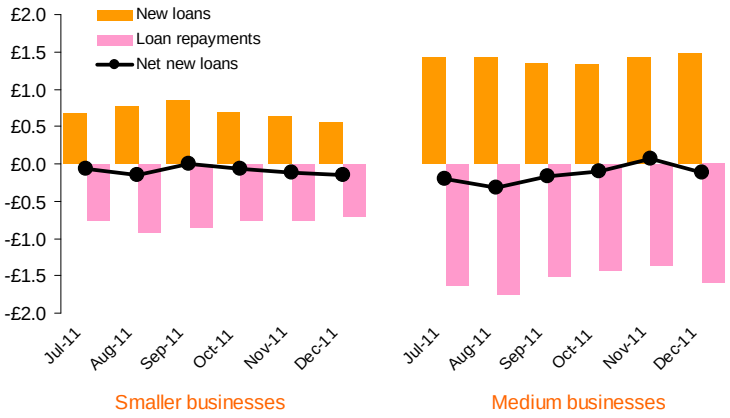
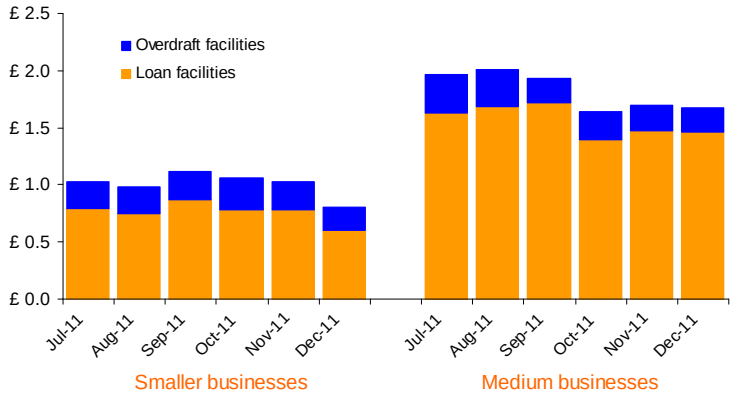


Fig 3. Value of new facilities approved (£bn)



New borrowing facilities (loans and overdrafts) of £6.0bn were approved in the second half of 2011 for smaller businesses and £10.9bn for medium businesses.

Loan facilities are typically drawn down in full by businesses, but overdraft facilities run at less then 60% utilised, leaving 40% of agreed facilities available as 'headroom' for businesses to draw on.

The banks received 233,000 loan or overdraft applications from small businesses and 53,000 from medium businesses over the six months.

Over the six months, 178,300 new borrowing facilities were approved by the banks for smaller businesses and 47,600 for medium businesses.

Application approval rates for small businesses in this period were 79% for loans and 75% for overdrafts.

Application approval rates for medium businesses in this period were 87% for loans and 92% for overdrafts.

December typically sees SMEs not seeking finance, so the drop in that month is not significant.

Though many overdraft facilities are approved, the majority of SME current accounts are in credit; only around 17% have overdrawn balances.

Fig 4. Number of new facilities approved

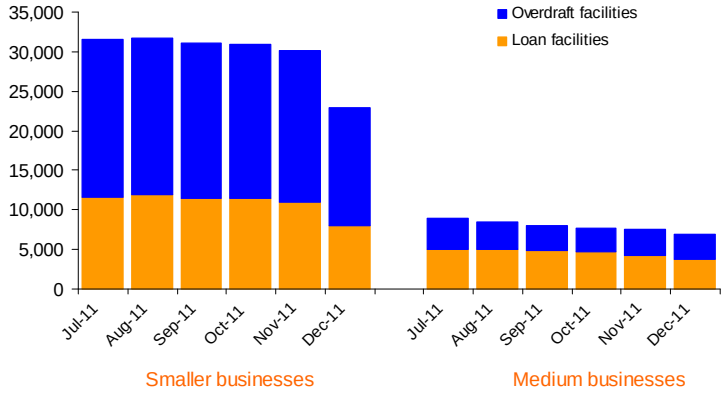
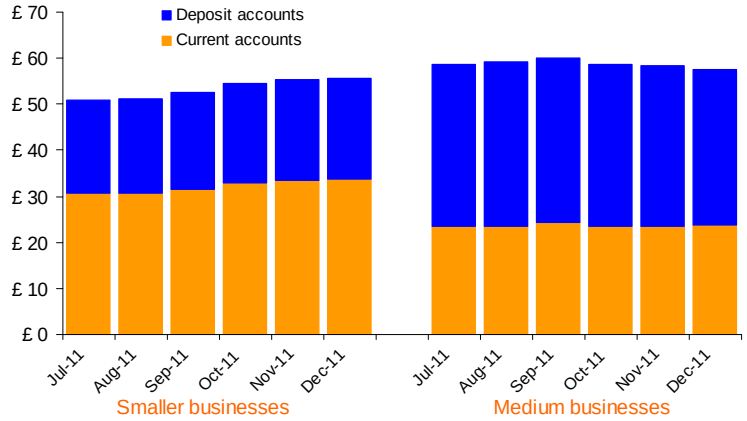


Fig 5. Deposits (balances outstanding £bn)

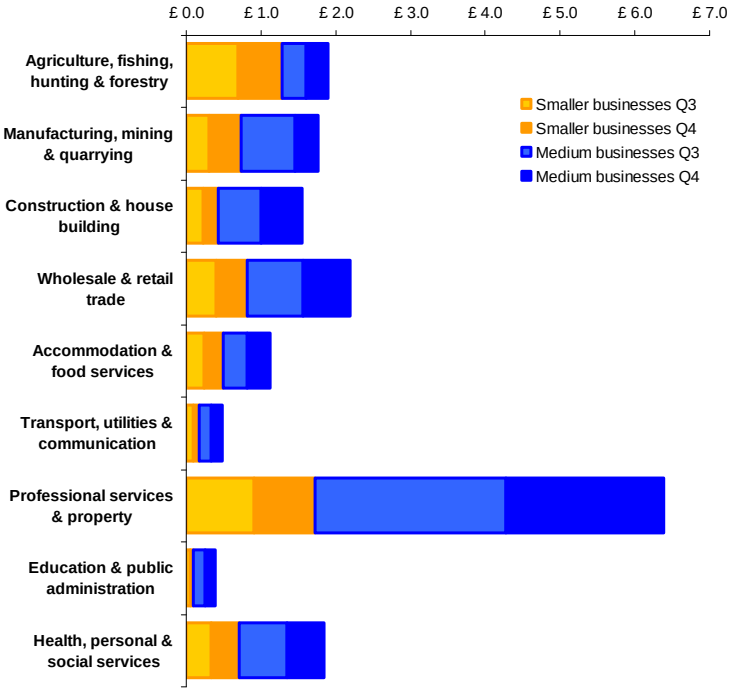


£55.5bn of cash balances were held by smaller businesses either in deposit or current accounts (84% of all current accounts are in credit) at the year-end.

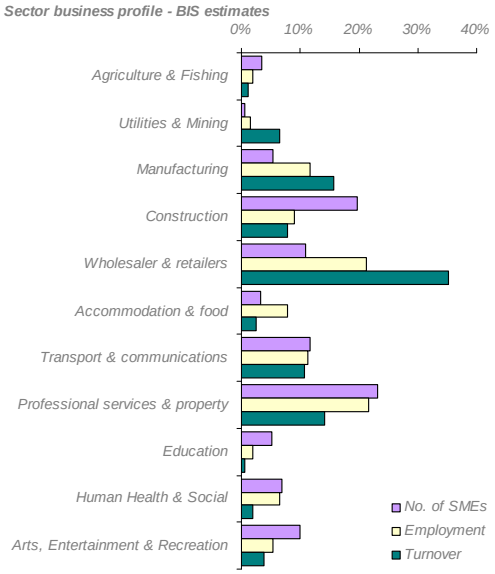
£57.5bn of cash balances were held by medium businesses in deposit or current accounts (82% of total current accounts are in credit).

For the smaller business segment, the level of deposits exceeded the level of borrowing.

Fig 6. Value of facilities approved in second half of 2011 (£bn)



A quarter of all UK SMEs are in the Professional services & property sector, employing one-fifth of all SME employees. Notably, medium businesses in this sector attract significant bank support.



One-third of all UK SMEs are located in London and the South East, employing one-third of all SME employees. As would be expected, these regions therefore attract larger proportions of lending, but the profile of lending across England, Scotland & Wales generally reflects the regional profile of businesses, shown below.

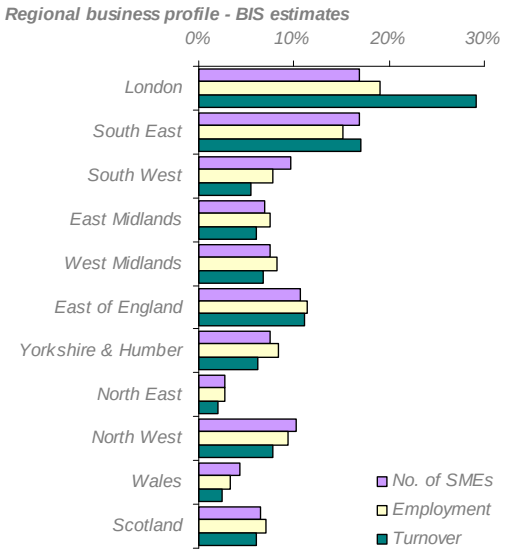
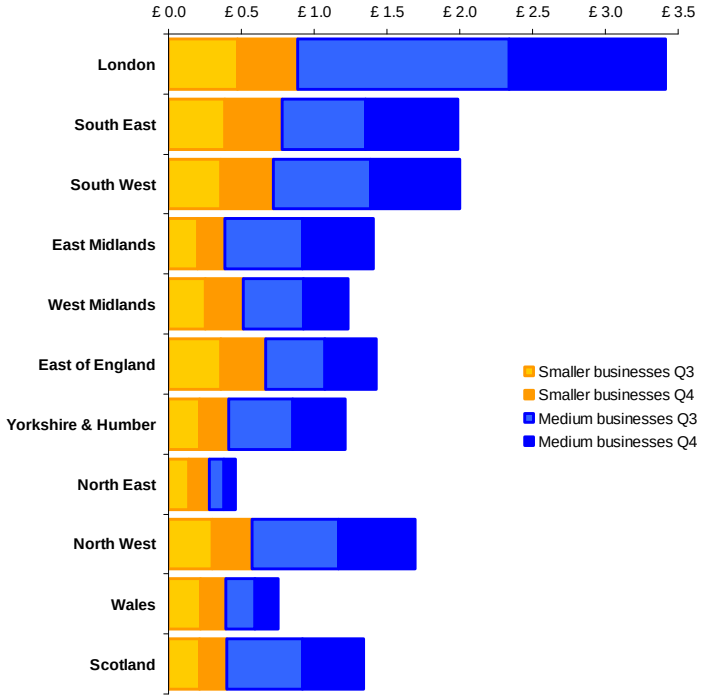


Fig 7. Value of facilities approved in second half of 2011 (£bn)



Smaller Business Monthly Statistics

See	Fig. 2	Fig. 2	Fig. 2	Fig. 1	Fig. 3	Fig. 4	Fig. 4	Fig. 5
	Net new loans	Value of new loans drawn	Value of loan repayments	Change in value of overdraft borrowing (net)	Value of loan & overdraft borrowing facilities approved	No. of loan facilities approved	No. of overdraft facilities approved	Change in value of all deposits (net)
	£mn	£mn	£mn	£mn	£mn			£mn
Dec 11	- 155	552	707	- 446	803	7,969	14,933	+ 324
Nov 11	- 114	637	752	+ 38	1,029	10,940	19,148	+ 807
Oct 11	- 67	685	752	+ 30	1,059	11,503	19,469	+ 1,914
Sep 11	+ 6	857	851	+ 16	1,112	11,416	19,698	+ 1,377
Aug 11	- 159	770	929	- 19	979	11,922	19,752	+ 172
Jul 11	- 75	676	751	n/a	1,030	11,687	19,850	n/a
	Term Loans **(end-Dec)** £mn			Overdraft borrowing **(end-Dec)** £mn				All deposits **(end-Dec)** £mn
	drawn balances			*drawn balances*				*balances*
	33,756			5,653				55,556
	facilities available			*facilities available*			*current accounts*	*33,854*
	34,322			10,960			*deposit accounts*	*21,703*

Medium Business Monthly Statistics

See	Fig. 2	Fig. 2	Fig. 2	Fig. 1	Fig. 3	Fig. 4	Fig. 4	Fig. 5
	Net new loans	Value of new loans drawn	Value of loan repayments	Change in value of overdraft borrowing (net)	Value of loan & overdraft borrowing facilities approved	No. of loan facilities approved	No. of overdraft facilities approved	Change in value of all deposits (net)
	£mn	£mn	£mn	£mn	£mn			£mn
Dec 11	- 120	1,477	1,598	- 179	1,676	3,821	3,104	- 953
Nov 11	+ 67	1,421	1,353	- 63	1,692	4,211	3,256	- 263
Oct 11	- 96	1,331	1,427	- 282	1,638	4,638	3,118	- 1,275
Sep 11	- 171	1,344	1,514	- 32	1,936	4,846	3,194	+ 715
Aug 11	- 314	1,436	1,750	- 31	2,009	4,951	3,540	+ 742
Jul 11	- 201	1,430	1,630	n/a	1,959	5,063	3,831	n/a
	Term Loans **(end-Dec)** £mn			Overdraft borrowing **(end-Dec)** £mn				All deposits **(end-Dec)** £mn
	drawn balances			*drawn balances*				*balances*
	61,135			7,157				57,528
	facilities available			*facilities available*			*current accounts*	*23,719*
	66,495			12,655			*deposit accounts*	*33,809*

Notes to editors:

1. *Contributors to these regular datasets are Barclays, HSBC, Lloyds Banking Group (including HBOS), National Australia Bank UK (Clydesdale, including Yorkshire Bank), Royal Bank of Scotland Group (including NatWest), Santander and The Co-operative Bank.*

2. *SMEs covered are private sector businesses (sole traders, partnerships, limited companies) but NOT the following:*

    a. *Clubs, charities and societies operating business accounts with banks, because their activities are not typically commercial in nature and are not covered.*
    b. *Financial sector businesses are not covered.*

3. *The provision of credit is not restricted to business loans (structured over a fixed term period) and overdrafts. Banks also provide business credit cards and asset-based finance (such as hire purchase, leasing, revolving credit, trade finance, invoice discounting, factoring, etc), but those products are not covered by these data.*

4. *These datasets are not consistent with the data published by the Bank of England for the Project Merlin agreement. That basis of measurement covered a much wider range of credit products provided across whole banking groups (ie including non-bank subsidiaries) for all UK businesses (ie including financial sector and non-commercial customers) and included rolled-over facilities in some cases.*

5. *The distinction between 'smaller businesses' and 'medium-sized businesses' is not exact – the notional differentiation of size is based on business turnover (with small segmentation for SMEs being up to £1m/£2m and medium segmentation being up to £25m), but operationally, banks consider many other business characteristics to position SMEs in either their standard business product range 'smaller business banking' segment or the more relational, 'medium business commercial banking' segment.*

6. *In aggregating data from banks, it is not possible to de-duplicate multi-banked businesses. There is no impact on lending or deposit data but in associated published tables, the numbers of businesses covered will include double-counting.*

7. *Net changes are adjusted where appropriate to remove the effects of reporting discontinuities or coverage breaks, thus reflecting underlying movements.*

8. *BetterBusinessFinance is the 'delivery channel' for initiatives coming out from the Business Finance Taskforce. Progress on the range of initiatives is detailed at http://www.betterbusinessfinance.co.uk/*