



BANK OF ENGLAND

Speech

UK business finance since the crisis – moving to a new normal?

Speech given by

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It is now well recognised that the effects of financial crises reverberate through the economy for long periods after the initial phase of the crisis has faded. Such legacy effects can be thought of as headwinds that shape the subsequent recovery by acting to constrain the rate of growth, as many of the underlying causes of the financial crisis are gradually unwound.¹ Here in the United Kingdom, we on the Monetary Policy Committee (MPC) have described a number of such headwinds that continue to influence the pace of recovery – constrained credit conditions, debt restructuring, fiscal consolidation, and weaker global growth.

For monetary policy makers, the significance of these headwinds is not only that they act to restrain the rate of economic growth for a lengthy period following the crisis. It is also that they depress the level of the neutral interest rate – the interest rate that is consistent with delivering the two percent inflation target when labour and capital resources are fully employed. The monetary policy stance, and the degree of stimulus provided, depend on where the level of Bank Rate is, relative to that neutral interest rate.

Thinking about such headwinds, and how strongly they may be blowing, helps explain two important aspects of monetary policy at present – first, why nominal interest rates have remained at such a low level for so long, and second, why, when the time comes for policy to be normalised, the MPC believes that rates will need to rise only gradually.

Of course, the level of that neutral rate is not observable directly, and can only be inferred indirectly through observation of the performance of the economy. Nevertheless, it remains an important consideration for policy makers, and although its precise level is difficult to estimate, a number of broad trends of recent years can be stated with some confidence. At the height of the crisis, the neutral rate will have fallen sharply, to levels probably significantly below zero, thus necessitating further monetary stimulus through Quantitative Easing, once Bank Rate had been cut to a level as close to zero as deemed possible at the time. The persistence of the headwinds has kept the neutral rate far below pre-crisis norms for some years, explaining the length of time that the policy rate has had to remain unchanged, and close to zero.

But as time passes, and the processes of economic repair start to make progress, reducing the intensity of the headwinds, it would be reasonable to expect the neutral interest rate to start to recover. Given the severity of the crisis, the period of repair is likely to be lengthy, such that it is likely that the neutral rate will recover only slowly, and will remain at levels significantly lower than before the crisis for some time to come. Nevertheless, as we move gradually away from the crisis years, it is worth taking stock occasionally of how strongly each of the headwinds continues to blow, and hence the backdrop to an important element of our monetary policy deliberations.

¹ In 'What's the Damage? Medium-term Output Dynamics After Banking Crises', IMF Working Paper No. 09/245 (2009), Abiad et al. document how recoveries following a severe banking crisis can be anaemic.

Today I would like to focus on the evolution of just one of those headwinds – that of credit conditions to business. This is an area in which we have seen some dramatic swings in recent years. At the height of the financial crisis, bank lending conditions tightened sharply, and improved only slowly in the subsequent years, raising questions about the extent to which this would constrain corporate investment. More recently, however, conditions have improved further, both for larger companies and, over the past year or so, for SMEs. This gradual thaw in conditions for traditional bank-sourced corporate credit has been accompanied by some potentially more structural shifts in the nature of the market, including the increased use of capital markets, and, more recently, other types of investor, as firms have sought alternative sources of finance. Together, these are bringing about a gradual normalisation of the corporate credit markets, such that this headwind, at least, may be starting to blow itself out.

Credit conditions for business are a function both of the cost of credit – the price of the loan – and of the availability of such credit – the banks' willingness to lend, coupled with the underlying terms on which the credit is offered. I'd like to start by examining the evolution of each since the onset of the crisis.

Bank funding costs and the price of business lending

The cost of business credit from banks is determined by two factors – the cost of wholesale funding for the lender, combined with the loan margin for the loan itself, determined by the bank's risk appetite, credit risk conditions and the bank's willingness to lend. Both have seen sharp swings over the past eight years.

In the pre-crisis era, bank funding costs followed the path of risk-free rates relatively closely and predictably. Spreads were of the order of a few basis points, and were not a material element of the cost of business finance. In the immediate run-up to the crisis, it can be argued that such spreads had become unsustainably low. But the relationship was significantly disrupted by the crisis itself. **Chart 1** shows how long-term funding spreads have evolved since the onset of the financial crisis. From close to zero before the crisis, they jumped sharply in late 2008 and early 2009, easing slightly in 2010 and 2011, before rising again in the summer of 2012 – reflecting the intensification of the euro-area sovereign debt crisis. Following the launch by the Bank of England and HM Treasury of the Funding for Lending Scheme in 2012, and the 'Whatever it takes' comments by ECB President Draghi, spreads have steadily narrowed, although they widened a little following developments in Greece and China this summer. Although relatively stable at low levels for some time now, a 'wedge' remains compared with the pre-crisis period.

How has this translated into the costs of credit faced by individual businesses? The evolution of spreads over LIBOR faced by businesses is illustrated in the Bank of England Credit Conditions Survey (CCS). **Chart 2** shows the sharp deterioration, between 2007 and 2009, of spreads on lending to medium and large PNFCs, as reported by participating lenders. Unfortunately, the data were not collected for small businesses over that period, though I am sure it would tell at least a similar story. Since 2010, the sequence of blue bars above

the axis tells the story of a decline in spreads reducing the cost of loans, though the experience of larger firms and small businesses differs markedly.

Other than for a short period in 2012, loan pricing to large companies has improved markedly since 2010. And in the latest CCS published last week, lenders reported that spreads on lending to large firms continued to fall in 2015 Q3, and are expected to continue to do so in Q4.

This picture of inexpensive credit for large corporates is corroborated by the Deloitte CFO Survey, which showed that in 2015 Q3, similar to previous quarters, a net percentage balance of 84% of corporates reported that new credit was 'cheap' (**Chart 3 – orange bars**).

For SMEs, the picture has been quite different. Lenders in the CCS reported that lending spreads to medium size companies began to improve consistently from late 2012, while for small businesses, spreads continued to rise through 2012, and have improved only modestly thereafter. As a result, although interest rates on lending to SMEs have fallen a little over the past few years, they remain relatively elevated, particularly for smaller SMEs (**Chart 4**). Survey evidence from the latest Federation of Small Businesses' (FSB) survey showed that the net percentage balance of small firms who perceived credit to be 'affordable' remained negative in 2015 Q3, although it has been trending towards zero for some time. This suggests that, even as the cost credit eases, small firms continue to find bank credit relatively costly, although others are gradually becoming accustomed to the changed market conditions.

Availability of credit

The price of credit is not the only factor determining overall credit conditions. Availability matters too. Until a year or so ago, it was a rare regional visit during which I did not meet a small or medium size business that would complain about the difficulty in persuading their bank to lend them money, regardless of the interest rate.

In terms of lending flows, the financial crisis was followed by a collapse of bank lending, as banks undertook the painful task of rebuilding their balance sheets, drastically cutting new lending and increasing loss-absorbing capital. More recently, loan book repair, competition and the emergence of challenger banks has led to some recovery in the market. **Chart 5** shows that following the close-to-double-digit rates of decline in late 2009 and early 2010, the rate of decline of lending to businesses gradually slowed through to the beginning of this year, when it stabilised.

Slightly surprisingly, the distinctions between larger businesses and SMEs are less apparent in terms of lending flows. **Chart 6** shows that since 2012, the trends in lending growth rates by firm size have been remarkably similar, and as of mid-2015, lending to SMEs was growing faster – or rather, falling less fast – than lending to large businesses on an annual basis. Of course, since 2012 large firms have made

substantial use of corporate bond markets, such that their financing constraint was much less than that for SMEs.

But it is important to recognise the influence of specific sectoral factors on the trends in net lending. Having lent heavily to the real estate sector in the run up to the crisis, UK banks have been reducing the size of their loan books to this sector, depressing net lending flows. **Chart 7** shows how much real estate has weighed on aggregate lending figures over the past couple of years. Excluding the real estate sector, annual growth in net lending to non-financial businesses has been positive, at around 2-3% a year, since early 2014.

Chart 8 provides a more granular decomposition of net lending to UK businesses by industrial sector. Again you can see how real estate and construction, together with public services and more recently professional services, have been dragging down on net lending over the past two years. That said, the drag from real estate has abated since the start of the year, consistent with reports from contacts of the Bank's Agents of improving lending conditions to businesses in the commercial real estate sector, although underwriting standards are tighter than before the recession.

The data I have shown so far are for net lending. But at a time when banks are keen to reduce the overall size of their loan books as well as their overall exposure, and in which many companies will have been actively reducing their debt gearing, the data for net flows tell only part of the story. Looking at the cumulative flows of gross new lending, excluding debt repayments (**Chart 9**), shows that this year, for the first time since 2012, gross bank lending to large firms exceeded repayments. In previous years, large firms had consistently paid down more existing debt than they had taken out in new bank loans, depressing the level of net lending. This pattern is also true for SMEs.

The distinction between gross and net lending, and data on repayments, are informative because they help us gauge the desirability of bank credit for businesses. The sizeable loan repayments are consistent with a desire on the part of some companies to reduce their dependence on banks, preferring to diversify their funding sources. The data therefore help address the perennial conundrum in credit markets in recent years – is the persistence of relatively weak bank lending a supply or a demand issue? Once again, the answer seems to depend on whether you are a large or a small firm.

Although the overall availability of credit was little changed in 2015 Q3 according to the CCS, intelligence gleaned by the Bank's Agents indicates that credit continued to be more readily available for large firms, and remained relatively tight for small firms despite the gradual improvement of recent years. In the Agents' latest summary of business conditions (**Chart 10**), contacts at larger companies reported that credit availability was above normal, with current borrowing conditions often said to be comparable to those before the crisis. Reassuringly, a notable difference is that lenders' credit assessment is reported to be more robust than at that time. By contrast, contacts reported that while credit availability for smaller firms had improved and was approaching normal, it remained tighter than for larger firms.

Consistent with these findings, the Deloitte CFO survey shows that the net percentage balance of large corporates who reported that credit was 'available' remained high at 79% in 2015 Q3 (**Chart 3 – navy bars**), while the FSB survey showed that the net percentage balance of small firms who perceived credit to be 'available' remained negative in 2015 Q3, albeit less so than 2015 Q2.

There is no doubt that in terms of their access to credit, SMEs as a class have been hit hard by the financial crisis. As higher-risk businesses, they have been affected not only by the changing risk environment and the commercial risk assessments of the banks, but also indirectly by the necessarily tighter macroprudential regulation of the past few years, which may have discouraged some lending to higher-risk businesses.

Now of course, SMEs have long faced a structural 'funding gap', in that a substantial number of creditworthy SMEs have not been able to obtain finance from the formal financial system, regardless of the state of the economy. As far back as 1931, the Macmillan Commission identified the difficulty for small firms to raise long-term funding – what came to be known as the 'Macmillan Gap'.

This difficulty stems from several sources: an incomplete range of financial products available in domestic financial markets; imperfect (asymmetric) information about SMEs' creditworthiness and the associated monitoring problems might mean it makes sense for finance providers not to lend to SMEs, especially when they lack sufficient collateral or evidence of a track record – a situation that usually describes young firms and start-ups.

But the inadequacy of supply of bank funding to SMEs is not the whole story. There is evidence that, since the crisis, SME demand for funds has been kept in check by a reluctance to borrow. According to the SME Finance Monitor, most SMEs remained "happy non-seekers" of credit in 2015Q2, with the proportion of respondents around the 80% mark, compared with about 65% in 2012 (**Chart 11**). Excluding "permanent non-borrowers", the proportion of "happy non-seekers" falls to slightly more than 60%, and was reported to have risen to 64% in 2015Q2.

In practice, it is unclear quite how 'happy' these non-borrowers are. Having spoken with many small business owners, it is clear that for many, their relationship with their bank was damaged by the financial crisis. So the reluctance to borrow might stem from discouragement – the fear of seeing one's application turned down, and the potential knock-on effect on one's credit rating more broadly – or a lack of willingness to rely on banks to the same extent as in the past.

Over the past two years, rejection rates for bank facilities to SMEs have fallen back, having been elevated for much of the period since the financial crisis (**Charts 12 and 13**), suggesting that the first reason may well be fading. However, anecdotally, it does appear that many SMEs are reluctant to rely on banks as much as before the crisis, suggesting that the emergence of alternative sources of SME funding in recent years may well prove a lasting development.

Alternative sources of finance

With bank lending either constrained or deemed unattractive by the borrower, both large and small firms have increased their recourse to alternative sources of funding.

There are two types of disintermediation from bank finance: what we might call *balance sheet disintermediation*, where banks are still involved in origination and underwrite debt issues; and *origination disintermediation*, where banks are not involved at all in the lending process.

For large firms, raising funds in capital markets is best approximated as balance sheet disintermediation, insofar as banks underwrite capital market issuance and provide short-term credit.

Since the onset of the crisis, large firms have increasingly used capital markets – bonds and equity – both to raise new funds and to reduce their reliance on bank debt (**Chart 14**). In particular, annual gross corporate bond issuance (both in sterling and foreign currency) has since 2012 run at more than double the rates of the five years before the crisis (**Chart 15**).

In the United Kingdom, smaller firms have traditionally enjoyed much less access to capital markets, unlike their counterparts in the United States. Many reasons have been advanced over the years, but the outcome has been to leave them heavily dependent on bank finance.

Broadening their access to finance is an important issue for the health of the UK economy – SMEs accounted for 60% of employment, roughly 55% of output and 33% of investment in 2014 (**Chart 16**). The emergence of alternative sources of financing for SMEs is therefore both an interesting and potentially important innovation as we emerge from the crisis.

As with large firms, SMEs have been broadening their sources of finance away from banks, but more through origination disintermediation, where banks are not involved in the process at all. Because of their lack of access to capital markets – particularly bond markets – small firms are increasingly likely to resort to outright disintermediation, tapping non-bank sources such as equity-investment platforms – so-called ‘crowdfunding’ (e.g. CrowdCube, Seedrs) – as well as peer-to-peer (P2P) lending platforms. There is evidence to suggest that these funding sources are also favoured because of the ease and speed of obtaining the funds.²

It is important to stress however that this type of external finance is still small compared to bank lending, on which SMEs remain heavily reliant. In the first half of 2015, for example, P2P lending to SMEs was less than

² According to a 2014 report on ‘Understanding Alternative Finance’ by the National Endowment for Science Technology and the Arts (NESTA), ‘flexibility’, ‘speed’ and ‘accessibility’ were among the top four categories in which alternative-finance providers fared better than traditional providers. See NESTA (2014), Figure 12, page 27.

20 percent of the flow of net bank lending to SMEs. But alternative finance is growing, and is likely to be a developing feature of the market in future years.

Chart 17 shows that P2P lending accounts for the vast bulk of alternative finance. It can take many forms, ranging from *unsecured personal lending platforms* (e.g. Zopa, Ratesetter), which offer personal borrowers fixed-term repayment loans with rates varying by term and value; *business lending platforms* (e.g. Funding Circle, ThinCats), where lenders bid on secured or unsecured loan proposals and the borrower is offered the cheapest funding tender; and P2P invoice discounting (e.g. MarketInvoice), where businesses can borrow against sales invoices before customers have paid.

This type of P2P lending is a collaborative take on invoice discounting, an instance of asset-based finance which supplements traditional debt and allows firms to get access to working capital. Since the financial crisis, traditional invoice discounting has accounted for the bulk of the rise in asset-based finance (**Chart 18**), while ‘debt factoring’, where the financier collects the debt on behalf of the business, has been fairly stable.

Another way of raising working capital is via ‘supply chain finance’ (SCF). This allows small suppliers to secure short-term credit quickly, by relying on the creditworthiness of a large buyer, whose invoices serve as collateral for a loan extension. The growing popularity of SCF has been driven by a number of factors: increasing globalisation and complexity of supply chains, and changing relationships between large firms at the head of the supply chain and their small-firm suppliers. SCF generally involves the use of a technology platform in order to automate transactions and track the invoice approval and settlement process from initiation to completion. The platform can be provided by a commercial bank, but platforms provided by independent third-party SCF providers have seen the strongest growth.

Overall, it seems to me that we may well be seeing the early stages of some important changes to the architecture of business finance. For large firms, bond and equity finance has increased in importance relative to bank loans. And for SMEs, collaborative and peer-to-peer funding platforms have started to reduce their traditional reliance on bank lending. As yet, these alternative sources of funding are small, but they are growing fast and may well, in due course, help to solve the age-old problem of the “funding gap” faced by SMEs.

To sum up, the headwind of tight credit conditions for the business sector has diminished markedly since the immediate aftermath of the financial crisis. Indeed, large businesses are currently facing very favourable financing conditions – at least on a par with those that prevailed before the financial crisis. SMEs too have seen their credit conditions improve, though by relatively less than their larger counterparts. We have not returned to the conditions in the run-up to the crisis – nor would we want to. Lending spreads were unsustainably low and lending conditions too accommodative. But we are approaching what might be seen as ‘a new normal’. Current conditions appear unlikely to act as a material constraint on investment planning

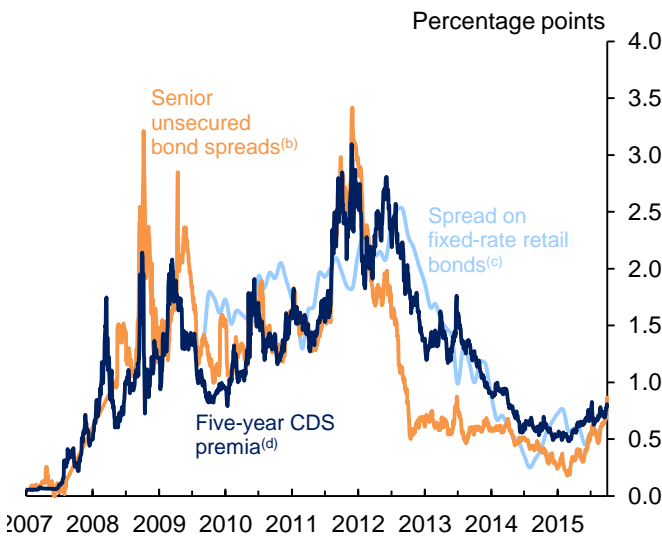
by businesses – survey investment intentions remain robust (**Chart 19**) – and provide a favourable backdrop for the continued pickup in corporate investment since 2013.

Monetary policy implications

I would like to leave you with a few thoughts about what these developments in business finance mean for monetary policy at this stage of the cycle. As the crisis-induced headwinds start to diminish, and the economy begins to normalise, it would be reasonable to expect the neutral interest rate – the level of interest rates consistent with full employment and inflation at target – to also move towards more normal levels. Now of course, credit conditions have not been the only headwind weighing on the recovery. The ongoing fiscal consolidation and sub-par growth in the world economy both act to constrain growth, and are likely to do so for some time to come. As a result, the normalisation of the neutral interest rate is likely to be very gradual, and its level will remain below that prior to 2007 in coming years. Nevertheless, to the extent that the neutral rate is gradually rising, it remains a consideration in setting the appropriate level of Bank Rate, for, as the neutral rate increases, it requires Bank Rate to be lifted in parallel if the stance of policy – the level of monetary stimulus – is to remain unchanged.

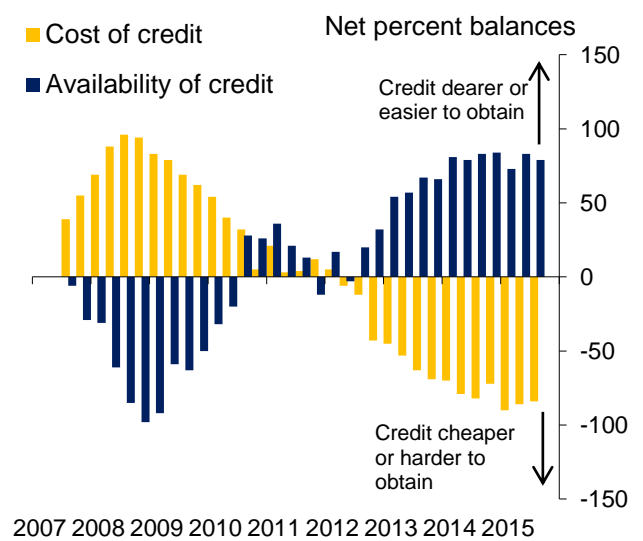
In terms of the month-by-month policy decision, such considerations are of course subordinate to an assessment of the economic conjuncture. My primary reason for having voted for a rate increase since August is based on my reading of the outlook, and of the balance of risks around inflation by 2017. But over that period, it is likely that the neutral rate will have risen further, as at least some of the headwinds slowly fade, and it is important that this is taken into account when considering the appropriate stance and path for monetary policy. If we on the MPC are to achieve our ambition of raising rates only gradually, so as to minimise the disruption to households and businesses of a normalisation of policy after a long period in which interest rates have been at historic lows, we need to avoid getting ‘behind the curve’ with respect to the neutral rate. And for me, that provides an additional justification not to leave the start date for lift off too late.

Chart 1: Long-term funding spreads



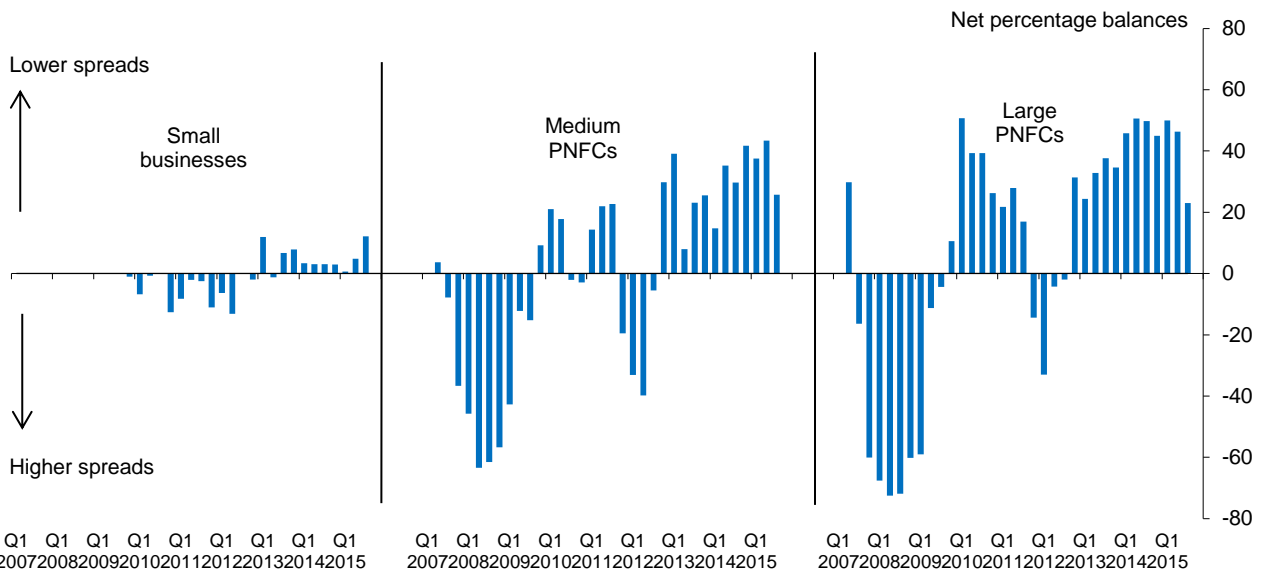
Source: Bloomberg, Markit Group Limited, Bank of England and Bank calculations. (a) Data are to end-September 2015. (b) Constant-maturity unweighted average of secondary market spreads to mid-swaps for the major UK lenders' five-year euro senior unsecured bonds or a suitable proxy when unavailable. (c) Unweighted average of spreads for two-year and three-year sterling fixed-rate retail bonds over equivalent-maturity swaps. Bond rates are end-month rates and swap rates are monthly averages of daily rates. (d) Unweighted average of the five-year euro senior CDS premia for the major UK lenders.

Chart 3: Deloitte CFO Survey: cost and availability of credit



Source: Deloitte CFO Survey 2015 Q3
 Net percentage balances for the cost of credit are calculated as the percentage of respondents reporting that bank credit is 'costly' less the percentage reporting that it is 'cheap'. Net percentage balances for the availability of credit are calculated as the percentage of respondents reporting that credit is 'available' less the percentage of respondents reporting that it is 'hard to get'. A positive balance indicates that a net balance of respondents report that credit is 'costly' or credit is 'available'.

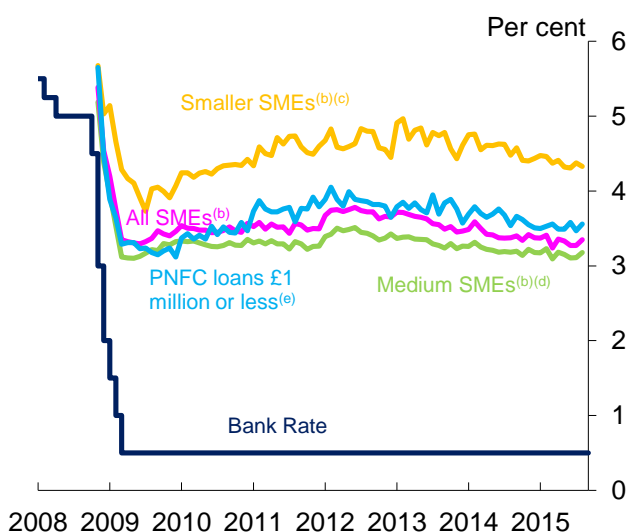
Chart 2: Spreads on lending to corporates



Source: Bank of England Credit Conditions Survey 2015 Q3.

Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. Spreads are over Bank Rate or London interbank offered rate (Libor) for small businesses and over Libor for medium-sized companies and large corporates. A positive balance indicates that spreads have fallen such that, all else being equal, it is cheaper for corporates to borrow.

Chart 4: Indicative interest rates on lending to SMEs^(a)



Source: BIS, Bank of England and Bank calculations.

(a) These indicative rates do not reflect the impact of cashback deals or fees. Data for Bank Rate are to end-September and for all other series to end-August. Non-seasonally adjusted.

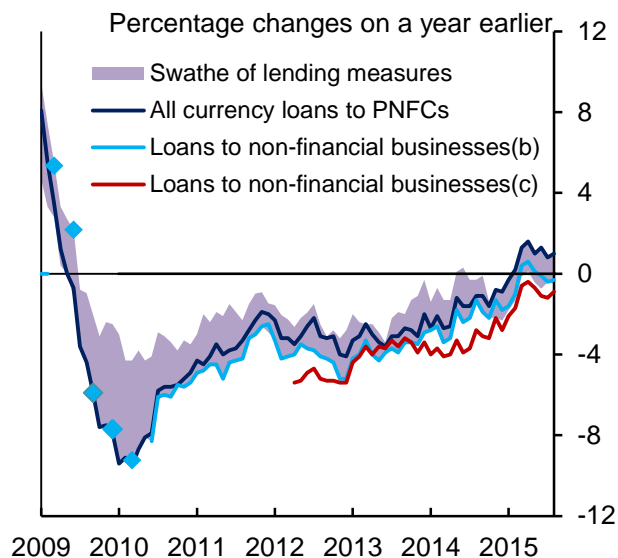
(b) Median by value of SME facilities (new loans, new and renewed overdrafts) priced at margins over base rates, by four major UK lenders (Barclays, HSBC, Lloyds Banking Group and Royal Bank of Scotland). Data cover lending in both sterling and foreign currency, expressed in sterling.

(c) Smaller SMEs are businesses with annual debit account turnover on the main business account less than £1 million.

(d) Medium SMEs are businesses with annual debit account turnover on the main business account between £1 million and £25 million.

(e) Weighted average of new lending to PNFCs of all sizes by UK MFIs for advances less than or equal to £1 million, an indicator of pricing for small business loans. Data cover lending in sterling. The Bank's effective interest rates series are currently compiled using data from 22 UK MFIs.

Chart 5: Lending to UK businesses^(a)



Source: Bank of England Credit Conditions Review 2015 Q2

(a) Lending by UK MFIs to PNFCs or non-financial businesses.

Rate of growth in the stock of lending. Series included in the swathe are PNFC M4L (seasonally adjusted), all currency loans to PNFCs (seasonally adjusted), sterling loans to PNFCs (seasonally adjusted), and all currency loans to non-financial businesses (non seasonally adjusted).

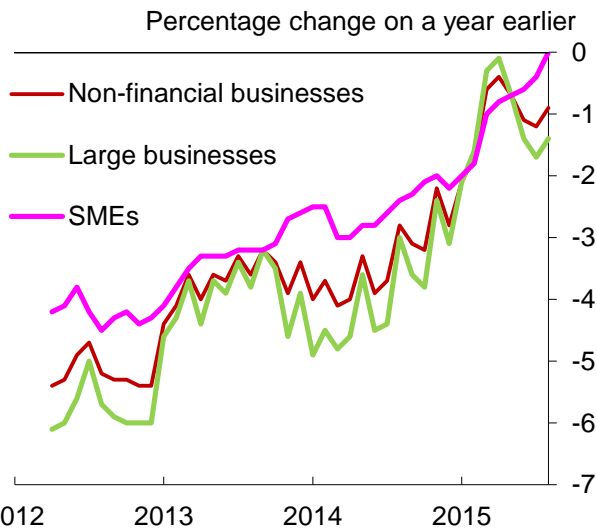
(b) Data sourced from form AL Analysis of Lending.

(c) Data sourced from form LN Lending to Businesses.

Form LN is designed to be consistent with form AL, in that it uses the same definition of loans and advances and of businesses. For a review of the differences of coverage between the two forms, see

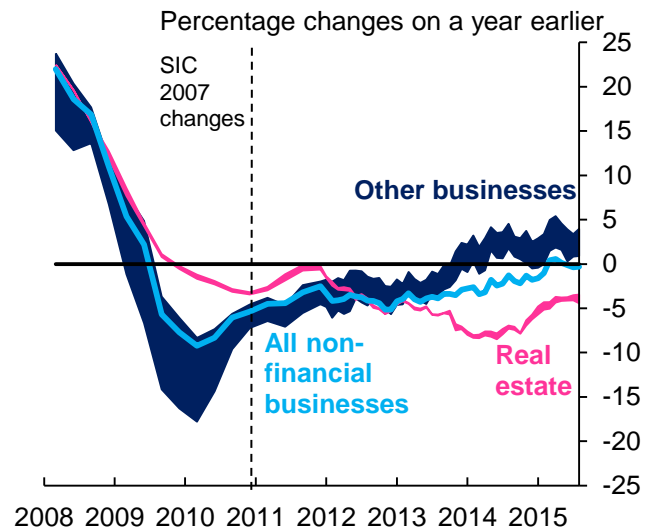
http://www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/loans_to_non-financial_businesses.aspx

Chart 6: Lending to UK NFBs by firm size



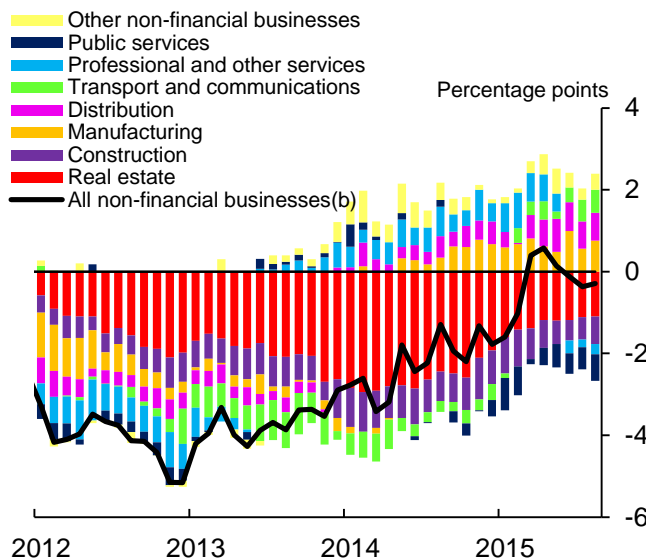
Source: Bank of England Credit Conditions Review 2015 Q3. Rate of growth in the stock of lending. Lending by UK MFIs in all currencies expressed in sterling. Non seasonally adjusted. SMEs are those businesses with annual debit account turnover on the main business account less than £25 million. Large businesses are those with annual debit account turnover on the main business account over £25 million.

Chart 7: Lending to the UK real estate sector and other businesses



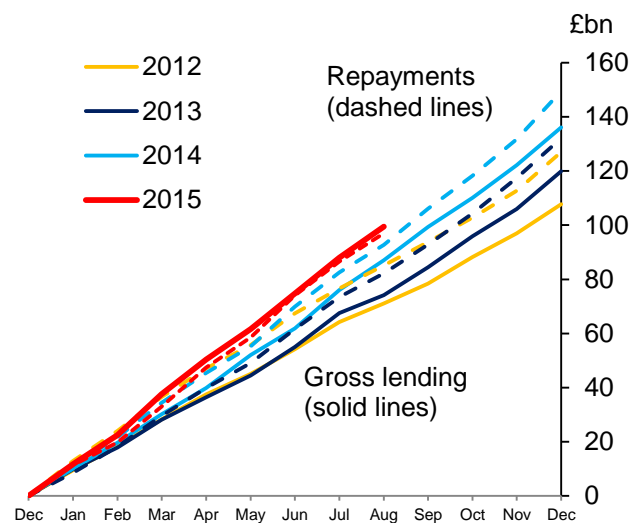
Source: Bank of England Credit Conditions Review 2015 Q2. Lending by UK MFIs. Rate of growth in the stock of lending. Non seasonally adjusted.

Chart 8: Lending to UK businesses by major industrial sectors^(a)



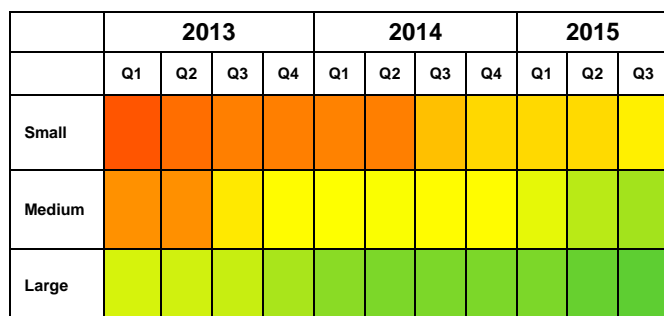
Source: Bank of England Credit Conditions Review 2015 Q2. (a) Lending by UK MFIs. Data cover lending in both sterling and foreign currency, expressed in sterling. Non seasonally adjusted (b) Rate of growth in the stock of lending.

Chart 9: Large businesses – gross lending and repayments



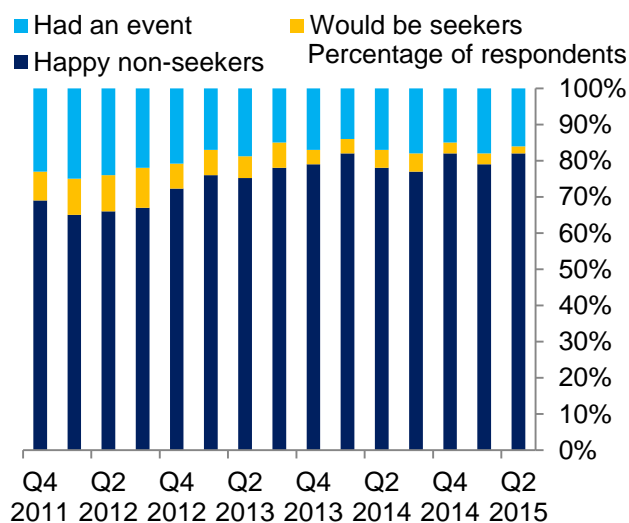
Source: Bank of England 'Money and Credit: August 2015. Lending by UK MFIs in all currencies expressed in sterling. Non seasonally adjusted. Gross lending excludes overdrafts. Large businesses are those with annual debit account turnover on the main business account over £25 million.

Chart 10: The Bank's Agents' assessment of corporate credit availability



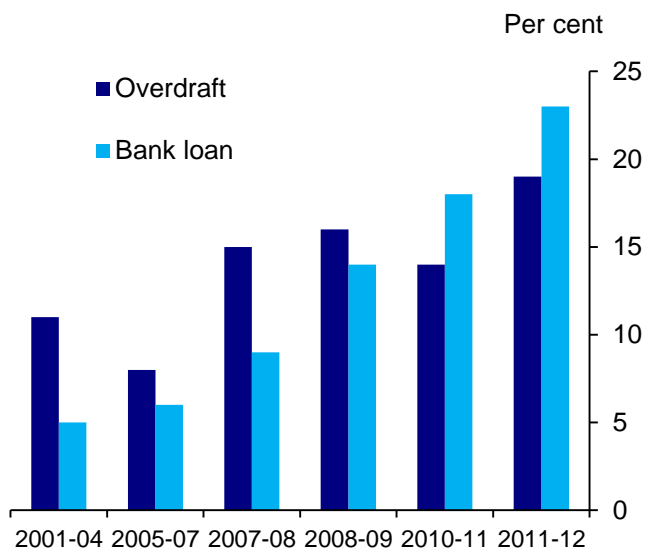
Source: Bank of England Agents' Summary of Business Conditions 2015 Q3.
 This mapping is based on individual Agencies' national assessments of corporate credit availability, weighted by the gross value added of their regions or countries. 2013 Q1 uses assessment as at end-2012.
 The greater the intensity of red, the tighter credit availability; the greater the intensity of green, the looser credit availability. Yellow indicates normal conditions. Includes bank and non-bank credit.

Chart 11: SMEs as seekers of credit



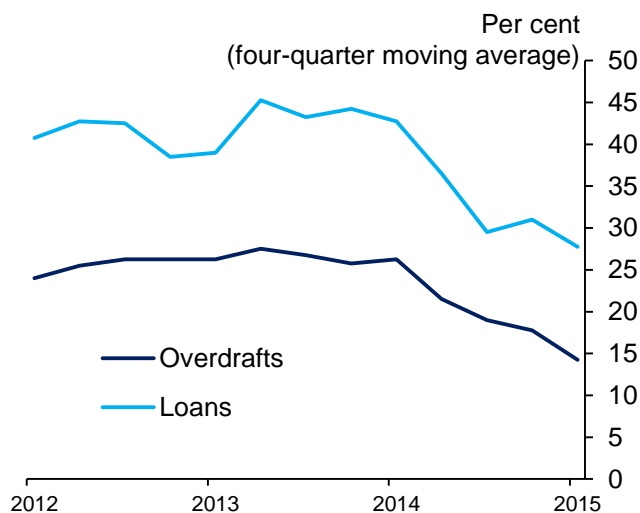
Source: BDRC SME Finance Monitor Q2 2015. Survey question asks if SMEs had undertaken a borrowing 'event' (any new application/renewal, or if bank or SME sought cancellation/renewal encompassing both overdrafts and loans) in the previous twelve months and if they had not whether there had been any barriers to applying. SMEs are defined as businesses with up to 249 employees.

Chart 12: Rejection rates of bank finance to SMEs



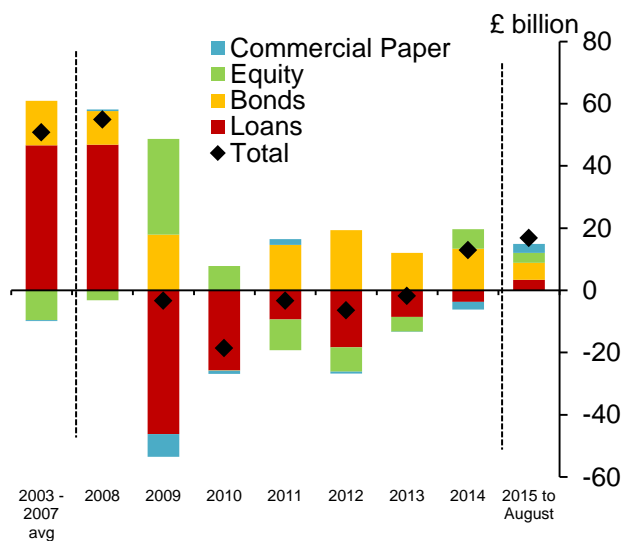
Source: NIESR (2013)

Chart 13: Rejection rates of bank finance to SMEs



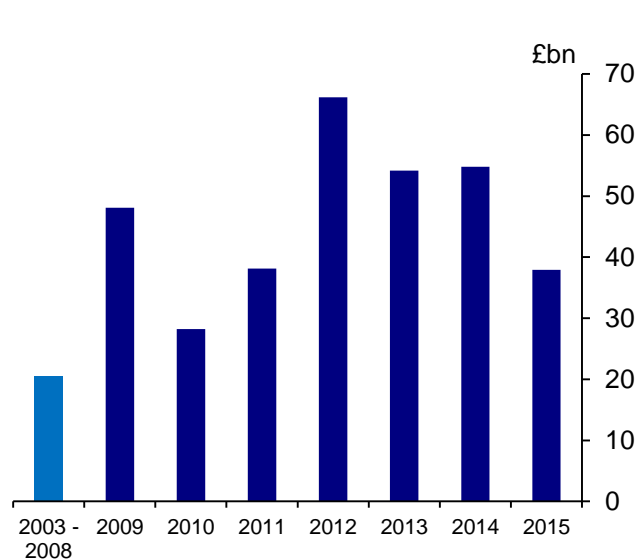
Source: BDRC SME Finance Monitor Q2 2015.

Chart 14: Total net external finance raised by UK PNFCs



Source: Bank of England Money and Credit: August 2015. Finance raised by PNFCs from monetary financial institutions and capital markets. Data cover funds raised in both sterling and foreign currency, expressed in sterling. Bonds, equity and commercial paper are non seasonal. Each of the series is seasonally adjusted independently, and so the total may not add up to the sum of its components.

Chart 15: Annual gross bond issuance by UK PNFCs



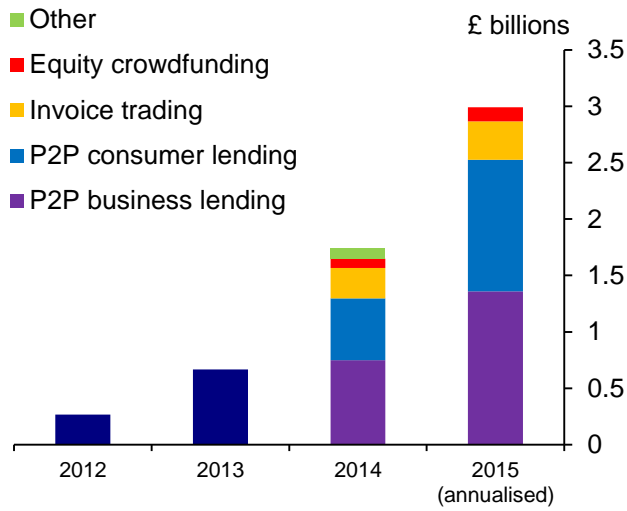
Source: Dealogic. Issuance in all currencies.

Chart 16: SMEs' share of the private sector



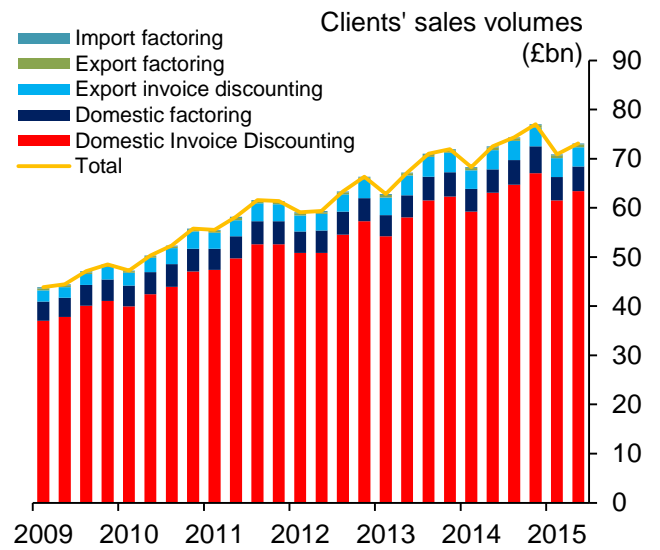
Source: BIS Business Population Estimates for the UK and Regions 2014, ONS Annual Business Survey 2014, ONS Vacancy Survey. For vacancies, real GVA and investment, sole traders are included within small firms.

Chart 17: Gross flows of alternative finance by platform



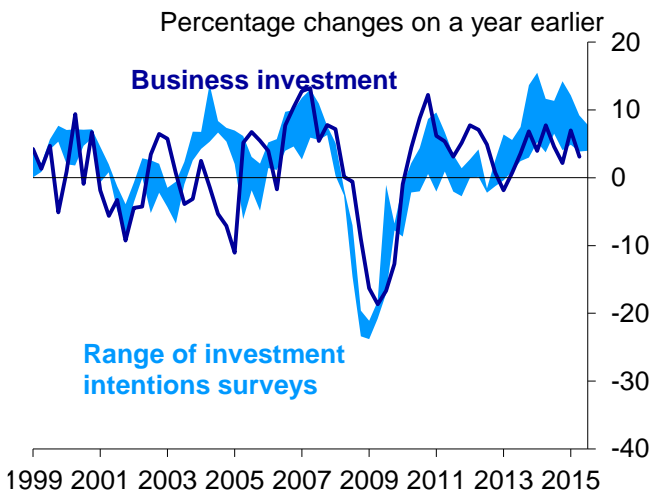
Source: NESTA for 2012-2014; [AltFi Liberum Volume Index UK](#) for 2015 (data to 12 October).

Chart 18: UK asset-backed finance



Source: [Asset Backed Finance Association](#)

Chart 19: Surveys of business intentions and business investment



Source: ONS, Banks' Agents, BCC, CBI and Bank calculations.

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