

Rising business costs continue to curtail growth for Irish exporters

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****73% of survey respondents exported to GB in Q1 despite ongoing concerns ahead of UK Referendum***

The Irish Exporters Association (IEA), recognised as the ‘voice of Irish exporters’, has released findings from a survey of its members on their export activity in Q1 2016.

This is the first in a series of quarterly reviews scheduled for 2016 which will be evaluated under the organisation’s four policy pillars: 1) *War for talent*, 2) *Cost competitiveness*, 3) *Diversification of export markets* and 4) *Entrepreneurship*. The surveys aim to identify and evaluate trends that affect the Irish export industry and support IEA members to combat issues through representation, advocacy and lobbying.

Key Findings: Q1 2016:

- 62% reported an increase in exports, 8% a decrease in exports and 31% remained unchanged.
- 1/3 reported between 75% and 99% of their turnover is dependent on export and 1/5 reported 100% of their turnover is dependent on export.
- Establishing local relationships is the most significant challenge to doing business overseas (40%). Other challenges include: exchange rate fluctuations (29%), scale required for larger markets (28%), marketing / brand building costs (24%), and transport or logistics (24%).
- 50% reported an increase of employees in Q1 2016.
- 44% reported difficulty in finding candidates that met the minimum criteria for vacancies.

- Of those who reported difficulty recruiting suitably qualified candidates, the common positions companies reported a skills shortage include: Transport Logistics (13%), Engineering (12%), Quality Control (12%), Sales and Marketing (11%), and Operations (8%).
- Difficulties reported in recruiting and retaining staff in Q1 2016 include: lack of available talent in Ireland (24%), competition from other companies (22%), and meeting salary expectations (22%).
- 50% of companies reported Sterling fluctuation had negatively impacted their business.
- Increased business costs include: Insurance (67%), Exchange Rates (64%); Labour (56%), Regulatory Burdens or Red Tape Costs (45%) and Legal Costs (43%).
- Top export markets in Q1: Great Britain (73%), Germany (62%), France (59%), USA (53%) and Netherlands (51%).

Simon McKeever, Chief Executive, Irish Exporters Association commented: *“The underlying problem that we see throughout this review is cost competitiveness. Firstly, the impending referendum in the UK is having an impact, 63% of respondents are transacting in Sterling and 50% have said that Sterling fluctuation has negatively impacted their financial performance in the last quarter, yet 73% are not hedging this risk. Secondly, the rising costs of doing business in Ireland were cited by 15% of members as one of the biggest challenges currently facing them. Looking closer at where increased costs were felt, we specifically see that insurance, exchange rates, labour and regulatory costs are the biggest offenders. And lastly, leading on from labour costs, the skills shortage in Ireland that has been left in the wake of the most recent recession is really being felt by our members. 44% of respondents stated that they had experienced difficulty in finding candidates that met the minimum criteria for vacancies in the first quarter of this year. Gaps are growing in logistics, engineering, quality control and sales.*

The biggest difficulties being felt in recruiting or retaining suitable staff are: lack of available talent in Ireland, competition from other companies, and meeting high salary expectations, all of which link back to the rising costs of running a business in Ireland. We continue to urge wage restraint. In a global economy which is showing signs of slowdown we do not want to repeat the mistakes of the past. The CSO recently reported that Ireland is the third most expensive EU country to live in. The current housing crisis is driving up salary expectations which is affecting exporters’ ability to compete on an international platform. This is a matter of urgency for the new Minister for Housing.”