

## Export confidence at five-year low over 'hard Brexit' fears

Survey reveals 23pc of exporting firms predict a first-quarter dip in activity levels, writes Simon Rowe

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Fears over what a 'hard Brexit' will mean for the Irish economy has seen confidence among exporters plummet to its lowest level since 2012, according to a new business survey.

And one in three of the country's largest firms said the UK's exit from the EU had dented their hiring plans.

The findings of the latest Optimism Index from business advisory firm BDO suggest that UK Prime Minister Theresa May's so-called 'hard Brexit' speech in January had an immediate and negative impact on Irish business confidence.

The quarterly BDO index tracks business performance and polls the views of business leaders across Ireland.

The impact of Brexit was particularly pronounced among exporters, with 23pc forecasting a first-quarter dip in activity levels. That's the biggest dip in confidence among exporters since 2012, when Europe was in the midst of a crisis over Greek debt.

Two-thirds of Irish exporters send goods through Britain to get their produce to customers on mainland Europe and further afield.

In total, 28pc of Irish firms said a 'hard Brexit' would have a negative impact on their future hiring plans. But larger companies forecast an even bigger impact on recruitment, with 32pc in that category saying it would dent their future hiring plans.

"It is clear that Brexit is having an impact on business confidence, with first-quarter projections at their weakest since 2013," said Michael Costello, managing partner of BDO Ireland.

"This is most pronounced among exporters, who are clearly most exposed to the ramifications of the UK's decision to leave the EU."

While business confidence has been hurt by the uncertainty caused by Brexit, business activity across the economy continued to improve in the fourth quarter of 2016, Costello said.

Some 21pc of companies said they had raised their prices in the fourth quarter of 2016, with just 6pc saying they had lowered them.

Despite the negative outlook concerning Brexit, Costello said that "only 4pc of Irish companies have sought external advice and support on the implications of Brexit".

The previous BDO survey published last December revealed that optimism among Irish retailers had plummeted to a three-year low as anxiety around sterling soared.

It also revealed that just one in 20 firms had a plan in place to deal with a potential customs border with the North following the Brexit vote.

"What is very noticeable is the number of businesses that have not sought advice on how to deal with Brexit. Clearly, Brexit presents challenges and opportunities for companies operating in Ireland. Planning is key for Brexit and being prepared is essential," Costello added.

"It is clear that Brexit will impact trading, particularly for companies who deal with the UK. Preparation is key in order for businesses to be able to both mitigate and exploit the challenges presented by Brexit."

A separate survey published this week by the Irish Exporters Association - which polled 150 members in the final week of January - found that 58pc of companies were planning to diversify export markets, with the US, Germany and France among the top markets.

Unsurprisingly, 88pc of those surveyed feel that Brexit will damage the Irish economy, almost all said it would hurt Irish exporters, and 81pc said it would be harmful to the UK economy.

A total of 63pc of Irish exporters polled cited Donald Trump's presidency as another cause for concern.