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IRISH exporters association

Ibec warns of looming business closures as sterling slides again

Brexit-related collapse in sterling is heaping further pain on exporters here

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Expectations are growing that the Bank of England will hold off on raising interest rates due to Brexit-related risks. Photograph: AFP

Employers’ group Ibec has warned of imminent business closures in the wake of another significant slide in the value of sterling.

The Brexit-related collapse in the British currency has accelerated in recent days on the back of lacklustre economic data, heaping further pain on exporters here.

On Friday, it was trading at just over 91 pence against the euro, having been at 77pence prior to the UK’s referendum on EU membership last year.

Ibec chief executive Danny McCoy said the swing against sterling was exacting a greater toll on Ireland’s regional economy, where low-margin agri-food and manufacturing businesses predominated.

The rural economy, he said, was also suffering from a significant fall-off in UK tourist numbers, who had seen their buying power collapse in recent months.

If sterling were to stay above 90 pence, Mr McCoy said certain UK-reliant businesses with limited credit lines and balance sheet resources would face closure within the quarter.

“There’s no doubt – at 90 and rising – that pain threshold is hurting everybody in the low-margin space that’s exposed to the UK market,” he said.

His comments were echoed by the Irish Exporters’ Association (IEA), which said the slide in sterling had eroded profitability across the board.

High growth markets

“The level of pain in the exchange rate is the big issue for Irish exporters with 79 per cent of our member’s profitability being affected at 0.80 or higher, this is the first point of pain for a lot of companies and the possibility of reaching parity would really hit the cost competiveness and profitability of Irish exporters,” chief executive Simon McKeever said.

“We need to be cognisant of the fact that it is much easier for Irish companies to do business with the UK than any other country in the world but this current situation does highlight the need for Ireland to diversity its export markets,” he said.

“We need to focus more of our attention on high growth markets like China, India, Africa, South America and on the emerging opportunities in places like Iran, and become less dependent on our trade relationships with the EU, USA and UK,” Mr McKeever added.

Retail sales data

Sterling fell against the euro again on Friday and was poised for a third consecutive week of losses as a global sell-off in risky assets prompted investors to cut bets after a week of tepid UK data.

With growing market expectations that the Bank of England is unlikely to raise interest rates over the coming months due to Brexit-related risks and business uncertainty, sterling slipped towards a fresh eight-month low on a trade-weighted basis.

“This week’s wages and retail sales data did little to alter the growing market belief that a UK rate hike is likely only in the second half of 2018 and with a thin data calendar for the next couple of weeks, the market will be range-bound,” said Manuel Oliveri, an FX strategist at Credit Agricole in London.

Sterling was a touch lower against the single currency at 91.10 pence per euro as risk appetite took a beating across the board.

Data released by the Food & Drink Federation (FDF) on Friday showed sterling’s slump has caused Britain’s food and drink trade deficit to balloon in the first half of the year, despite salmon and whisky sales helping exports touch a record high of £10.2 billion.