

BREXIT REPORT 2018



RESEARCH UNIT

Profile

Region

Some 249 companies overall responded to the Brexit survey in January 2018. Of these, just over half (53%) of respondents were based in the Dublin area. Over one out of ten (14%) respondents were found in the Mid-West/South-East.

Table 1: Region

Dublin	131 (53%)
Mid-West/South-East	35 (14%)
West/North-West	26 (10%)
Cork	18 (7%)
Other*	39 (16%)
Total	249

* Other regions include: North-East, Wicklow, Kildare and the Midlands

Company size

Some three out of five (60%) respondents had fewer than 100 employees, and one in five (20%) had greater than 250. See table 2 below for details.

Table 2: Company size

	No. (%) of companies
<50 employees	93 (37%)
50 - 99 employees	55 (22%)
100 - 249 employees	51 (21%)
250 - 499 employees	15 (6%)
500+ employees	35 (14%)
Total	249

Sector

Over half (51%) were involved in services, which includes the financial services sector, the electronics and telecoms sector as well as other services. Over a third (38%) of overall respondents were in the manufacturing sector and over one in ten (11%) were involved in distribution.

Table 3: Sector

	No. (%) of companies
Services	127 (51%)
Manufacturing	95 (38%)
Distribution (Retail & Wholesale)	27 (11%)
Total	249

Exports

More than three out of five (151, 61%) respondent companies exported goods and/or services:

- Some 130 exporting organisations provided details of their companies' sales that are exported. The average sales exported was 59%.
- The average proportion of total exports currently transported across the UK to another EU member state was 45%. Almost a third (49) of organisations who exported goods and/or services provided this information.

Value of exports

Of the respondents that exported goods and/or services, a larger proportion exported to Great Britain (63%) than Northern Ireland (34%).

A higher proportion of respondents that exported goods and/or services to Northern Ireland (49%) expected Brexit to have a negative impact on the value of their export sales than did those who exported to Great Britain (37%). Table 4 below sets out the details.

Table 4: Impact of Brexit on the value of export sales for exporters

Will the value of your export sales be impacted by the exit of the UK from the EU:	No. (%) of exporting companies	No. (%) exporters to GB	No. (%) exporters to NI
Positive impact	13 (9%)	11 (12%)	4 (8%)
No impact	33 (22%)	24 (25%)	8 (16%)
Negative impact	43 (28%)	35 (37%)	25 (49%)
Don't know/Too early to tell	18 (12%)	17 (18%)	9 (17%)
Not applicable/Not stated	44 (29%)	8 (8%)	5 (10%)
Total	151	95	51

Volume of exports

The findings in relation to the impact of Brexit on the volume of export sales are similar to those found on the value of exports sales. A higher proportion of respondents that exported goods and/or services to Northern Ireland (43%) expected Brexit to have a negative impact on the volume of their export sales than did those who exported to Great Britain (37%).

Table 5 below sets out the details.

Table 5: Impact of Brexit on the volume of export sales for exporters

Will the volume of your export sales be impacted by the exit of the UK from the EU:	No. (%) of companies	No. (%) exporters to GB	No. (%) exporters to NI
Positive impact	12 (8%)	10 (10%)	3 (6%)
No impact	34 (23%)	25 (26%)	8 (16%)
Negative impact	39 (26%)	34 (37%)	22 (43%)
Don't know/Too early to tell	23 (15%)	18 (19%)	13 (25%)
Not applicable/Not stated	43 (28%)	8 (8%)	5 (10%)
Total	151	95	51

Imports

Over half (131, 53%) of respondent companies imported goods and/or services.

- The average proportion of imports that are currently transported across the UK from another EU member state was 43%. Over two out of five (59) organisations who imported goods and/or services provided this information.

Level of imports from the UK

Of the respondents that imported goods and/or services, over seven out of ten (72%) companies imported from Great Britain and over two out of ten (22%) imported from Northern Ireland.

For respondents that imported goods and/or services from Great Britain, over two out of five (44%) organisations expected Brexit to have a potentially negative impact on the level of their imports from the UK. Almost half (48%) of companies that imported goods and/or services from Northern Ireland expected a potentially negative impact.

Table 6: Impact of Brexit on the level of imports from the UK for importers

Will the level of your imports from the UK be impacted by Brexit:	No. (%) of companies	No. (%) importers from GB	No. (%) importers from NI
Positive impact	6 (5%)	6 (6%)	4 (14%)
No impact	30 (23%)	19 (20%)	3 (10%)
Negative impact	43 (33%)	41 (44%)	14 (48%)
Don't know/Too early to tell	24 (18%)	20 (21%)	7 (24%)
Not applicable/ Not stated	28 (21%)	8 (9%)	1 (4%)
Total	131	94	29

Hedging

Some 205 (82%) of the respondent companies provided details on the existence of hedging and/or pricing agreements. The majority (57%) did not have a hedging or pricing agreement in place. Full details are:

- 117 (57%) had no hedging or pricing agreements in place
- 71 (35%) had a hedging or a pricing agreement in place
- 17 (8%) did not know

Of the 71 respondents that had a hedging or pricing agreement in place:

- 35 (49%) had a hedging agreement in place
- 24 (34%) had a pricing agreement in place
- 12 (17%) had both a hedging and a pricing agreement in place

Of the 71 respondents that had a hedging or pricing agreement in place, over seven out of ten (74%) were covered by agreements that lasted for up to twelve months. Almost one third (31%) of respondents were covered for 9 – 12 months.

Table 7: The duration of hedging and/or pricing agreement in place

Duration of pricing and/or hedging agreement in place	No. of companies
0-3 months	9 (13%)
3-6 months	14 (20%)
6-9 months	7 (10%)
9-12 months	22 (31%)
12-18 months	6 (8%)
18 months - 2 years	2 (3%)
Not stated	4 (5%)
Other	7 (10%)
Total	71

Contingency plans

In relation to contingency planning around Britain’s exit from the EU, three quarters (187) of respondent companies provided details.

Of these, over one in five companies (21%) already had a contingency plan in place, while over half of companies (53%) are either currently working on plans or aim to work on a plan in the coming months. Over a quarter (26%) did not know their plans or believed that it was too early to tell.

Contingency plans around key areas

Some 195 companies provided information on the areas that they intended to focus on for their contingency plans. Some 39 of these already had a contingency plan in place.

Companies focused contingency plans around new geographical markets outside of the UK (32%), diversification into new business products (25%), alternatives to transit of goods through the UK (25%) and sourcing strategies for materials (21%).

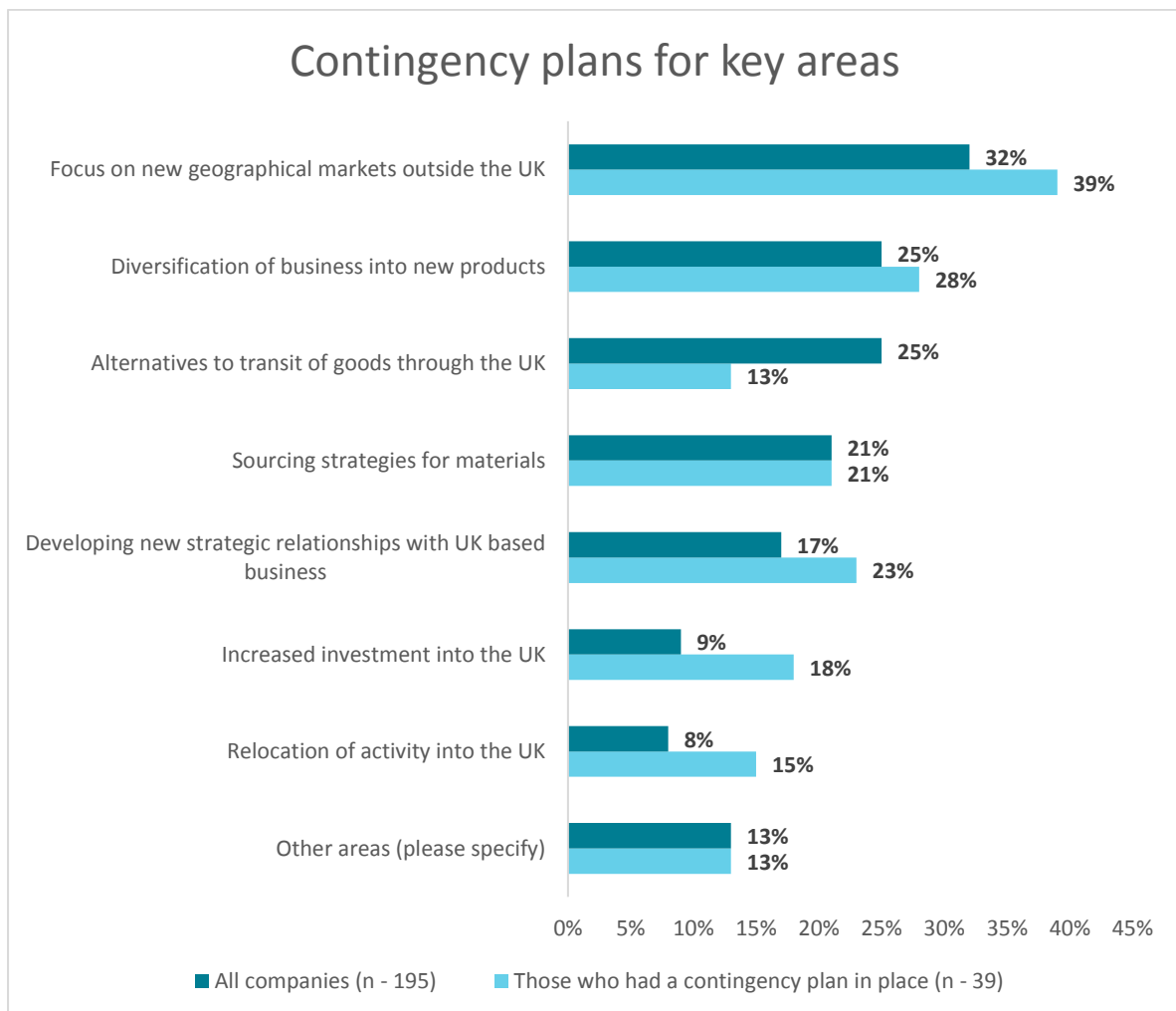


Figure 1: Percentage of companies who had or expected to have contingency plans for activities

A greater focus was placed by those that already had a contingency plan in place on new geographical markets outside the UK (39%) and diversification into new products (28%) than by the overall response group. A larger focus was also placed on developing new strategic relationships with UK based business (23%) compared to the general respondent group (17%).

Those with a contingency plan in place had a greater focus on both increased investment into the UK (18%) and relocation of activity into the UK (15%) when compared to the overall response group, at 9% and 8% respectively.

Conversely, fewer of those who currently had a contingency plan in place (13%) focused on alternatives to transit of goods through the UK than did the overall response group (25%).

Impact on your business

Brexit was expected to impact negatively on exchange rate movements (47%), the cost of custom compliance procedures with NI/GB (45%), pricing (32%), level of imports from the UK (31%) and on the value (29%) and volume of exports (27%).

A more positive than negative outcome for businesses due to Brexit was expected on the ability of respondents to win new inbound investment projects (20% positive impact, 7% negative impact), on investment plans in Ireland (19% positive impact, 14% negative impact) and on the sourcing of staff from the UK (16% positive impact, 10% negative impact).

Brexit was expected to impact both positively (17%) and negatively (19%) in similar levels on the creation of jobs.

Table 8: The impact that the UK leaving the EU may have on respondent's businesses

	Positive impact	No impact	Negative impact	Don't know/Too early to tell	Not applicable	Total No. of responses
Ability to win new inbound investment projects	37 (20%)	59 (32%)	13 (7%)	29 (16%)	45 (25%)	183
Competition from non-EU markets	5 (3%)	70 (40%)	17 (10%)	40 (22%)	44 (25%)	176
Cost of custom compliance procedures with NI/GB	2 (1%)	29 (16%)	81 (45%)	35 (20%)	32 (18%)	179
Creation of jobs	31 (17%)	53 (30%)	35 (19%)	39 (22%)	21 (12%)	179
Exchange rate movements	12 (6%)	23 (13%)	85 (47%)	41 (23%)	20 (11%)	181
Investment plans in Ireland	35 (19%)	57 (32%)	25 (14%)	37 (21%)	25 (14%)	179
Level of imports from the UK	7 (4%)	50 (27%)	56 (31%)	32 (18%)	36 (20%)	181
Placing Irish staff into the UK	6 (3%)	64 (36%)	18 (10%)	25 (14%)	65 (37%)	178
Placing non-national Irish staff into the UK	2 (1%)	63 (35%)	25 (14%)	25 (14%)	65 (36%)	180
Pricing	8 (4%)	49 (27%)	58 (32%)	39 (22%)	26 (15%)	180
Sourcing of staff from the UK	29 (16%)	61 (33%)	18(10%)	25 (14%)	49 (27%)	182
Value of domestic sales	22 (12%)	73 (41%)	30 (17%)	26 (14%)	29 (16%)	180
Value of export sales	14 (8%)	52 (29%)	53 (29%)	22(12%)	40 (22%)	181
Volume of domestic sales	20 (11%)	80 (45%)	26 (14%)	26 (14%)	29 (16%)	181
Volume of export sales	13 (7%)	52 (29%)	49 (27%)	27 (15%)	40 (22%)	181
Other	0 (0%)	19 (21%)	8 (8%)	19 (21%)	46 (50%)	92

The impact of Brexit for exporters

Similar results to those found for the overall group that responded to this section were found amongst those that exported goods and/or services. Brexit was expected to impact negatively on the cost of custom compliance procedures with NI/GB (50%) and exchange rate movements (49%). Negative impacts on these key areas, specifically where exporters are concerned, could go on to influence some of the other items on the list and a negative impact was also found on the value of export sales (38%), the volume of export sales (34%), pricing (34%), and on the level of imports from the UK (30%).

A more positive than negative outcome for businesses due to Brexit was expected on the ability of respondents to win new inbound investment projects (16% positive impact, 8% negative impact), on the sourcing of staff from the UK (16% positive impact, 10% negative impact) and on investment plans in Ireland (16% positive impact, 15% negative impact).

Table 9: The impact that the UK leaving the EU may have on exporter's businesses

	Positive impact	No impact	Negative impact	Don't know/Too early to tell	Not applicable	Total No. of responses
Ability to win new inbound investment projects	18 (16%)	44 (39%)	9 (8%)	22 (19%)	20 (18%)	113
Competition from non-EU markets	5 (5%)	45 (40%)	14 (12%)	30 (27%)	18 (16%)	112
Cost of custom compliance procedures with NI/GB	1 (1%)	15 (13%)	57 (50%)	28 (25%)	12 (11%)	113
Creation of jobs	17 (15%)	37 (33%)	25 (22%)	26 (23%)	7 (7%)	112
Exchange rate movements	8 (7%)	15 (13%)	56 (49%)	30 (26%)	5 (5%)	114
Investment plans in Ireland	18 (16%)	42 (37%)	17 (15%)	25 (22%)	11 (10%)	113
Level of imports from the UK	6 (5%)	34 (30%)	34 (30%)	26 (23%)	14 (12%)	114
Placing Irish staff into the UK	3 (3%)	46 (41%)	12 (11%)	17 (15%)	34 (30%)	112
Placing non-national Irish staff into the UK	1 (1%)	43 (38%)	17 (15%)	17 (15%)	35 (31%)	113
Pricing	5 (4%)	32 (28%)	38 (34%)	27 (24%)	11 (10%)	113
Sourcing of staff from the UK	18 (16%)	40 (35%)	11(10%)	17 (15%)	28 (24%)	114
Value of domestic sales	13 (11%)	56 (50%)	15 (13%)	17 (15%)	12 (11%)	113
Value of export sales	13 (11%)	33 (29%)	43 (38%)	18(16%)	7 (6%)	114
Volume of domestic sales	11 (10%)	63 (55%)	11 (10%)	17 (15%)	12 (10%)	114
Volume of export sales	12 (10%)	34 (30%)	39 (34%)	23 (20%)	7 (6%)	115
Other	0 (0%)	10 (20%)	5 (10%)	13 (25%)	23 (45%)	51

Main challenges posed by Brexit for Irish Business

Companies were asked to identify the main challenges posed by Brexit for their business from a pre-set list. This was done by ranking the items in terms of their importance and, from this, a mean score was derived. Information on both the ranking positions as well as the mean scores can be found in table 10 below.

Table 10: Challenges posed by Brexit for Irish businesses

Challenges	Ranked 1	Ranked top 3	Mean Score*
	Number of companies		
Customs and certification barriers/procedures	34	67	0.93
Regulatory divergence from UK	22	60	0.72
Exchange rate volatility	21	60	0.70
Disruption of transit through the UK to the rest of the EU	18	40	0.54
Tariff barriers to the UK market	16	40	0.50
Limits on freedom of movement of people between the UK and Ireland	15	48	0.58
Cost competitiveness versus the UK	14	46	0.58
Consumer confidence	7	31	0.32
Inward competition from the UK into the Irish market	7	20	0.24
Disruption to the All-Island market	5	32	0.34
Investment confidence	5	33	0.34
Increased competition from UK in export markets	0	9	0.07
Increased competition from UK for mobile investment	0	5	0.04
Other	3	10	0.11
Total	167		

* Mean score is calculated by assigning a value of 3 to a ranking of 1, a value of 2 to a ranking of 2 and a value of 1 to a ranking of 3. Values are multiplied, added together and divided by the number of cases. This gives an insight into the relative importance of the items on the list. The higher the mean score the greater the importance of the item, across the top 3 rankings.

A fifth of respondents (20%) identified customs and certification barriers/procedures as their main challenge and one in four companies placed it in their top three challenges. The mean score here was also the highest, at 0.93. Over one in ten respondents identified both regulatory divergence from the UK (13%) and Exchange rate volatility (13%) as the most highly rated challenge with a mean score of 0.72 and 0.70 respectively.

Limits on the freedom of movement of people between the UK and Ireland and cost competitiveness versus the UK did not appear as the highest rated challenge in large numbers, however they appeared numerous times within the top three rankings, highlighting these as important additional challenges.

While none of the respondents placed increased competition from the UK in either export markets or for mobile investment as their main challenge, a low number of companies did identify these as being amongst their top three challenges.

Brexit and the Island of Ireland

In relation to the impact of Brexit on the island of Ireland, respondents were asked about the importance of several issues for their business:

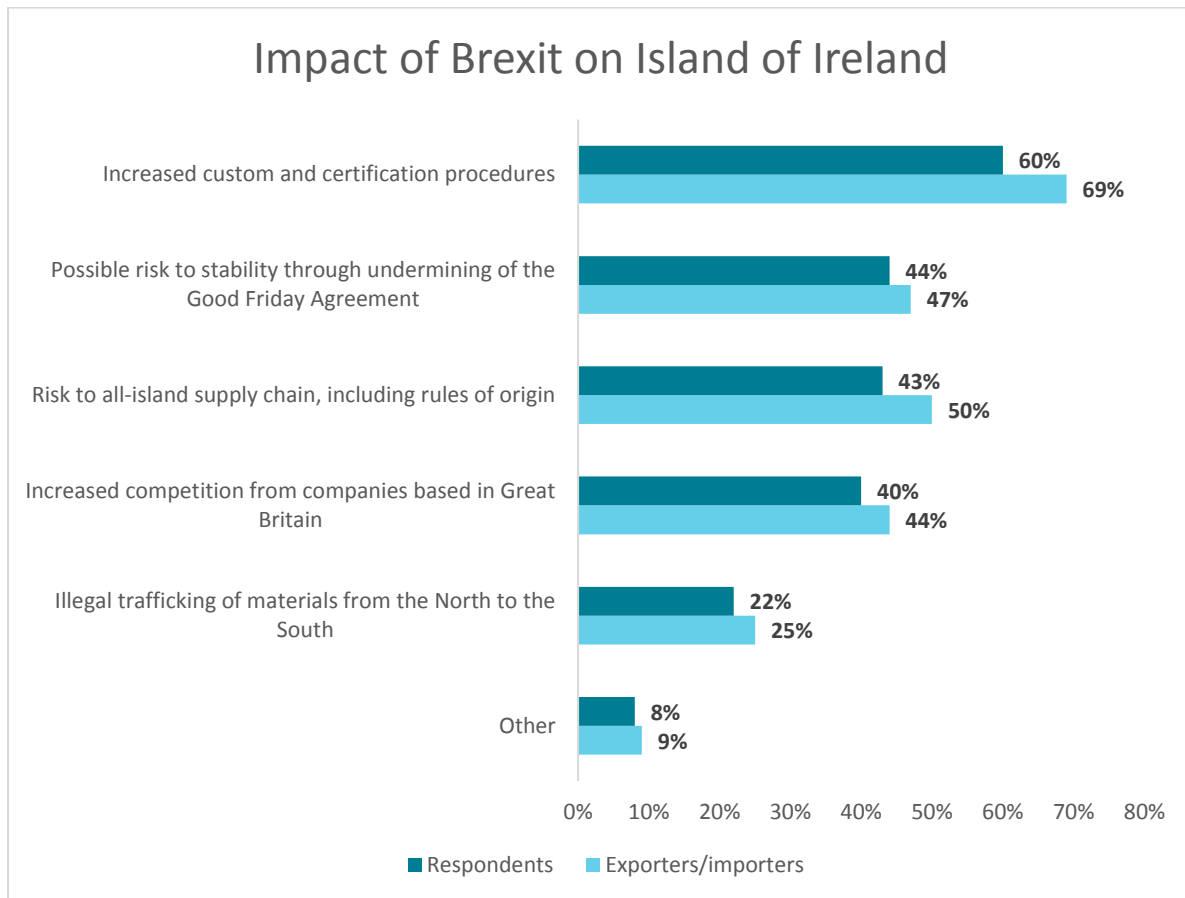


Figure 2: Percentage who found issues to be important in relation to impact of Brexit on island of Ireland

Some three out of five (60%) respondents highlighted the importance that increased custom and certification procedures would have on their business. Many of the other issues had similar levels of importance, including the possible risk to stability through undermining of the Good Friday Agreement (44%) the possible risk to all-island supply chain (43%) and increased competition from companies based in Great Britain (40%).

Some four out of ten (40%) respondents believed that Brexit would have an important impact on increased competition from companies based in Great Britain and this was similar to those who believed that it would be unimportant (30%).

Comparatively, less importance was placed upon the illegal trafficking of materials from the North to the South. Some 22% of respondents believed that the impact of Brexit would be important while almost two out of five (39%) believed that the impact would be unimportant.

Over two thirds (69%) of those who exported or imported goods and/or services, and provided information, believed that Brexit would have an important impact on custom and certification procedures. Half (50%) believed that the impact of Brexit upon the possible risk to all-island supply chain, including rules of origin, would be important. Many of the other issues had similar levels of importance including the possible risk to stability through undermining of the Good Friday Agreement (47%) and increased competition from companies based in Great Britain (44%).

The Future of Europe

The following information represents data from just those respondents who provided information to the questions on the Future of Europe section of the Ibec Brexit survey.

The economy

Respondents were very positive about membership of the EU for the Irish economy in general. Over nine out of ten (96%) respondents stated that membership has been important (84% - very important, 12% - important).

Respondents were also very positive on the importance of future membership of the EU for the Irish economy in general, with 94% indicating that EU membership will be important in the next five/ten years (80% - very important, 14% - important).

Respondents own business

Respondents were very positive about membership of the EU for their business, with almost nine out of ten (89%) respondents stating that membership of the EU has been important (58% - very important, 31% - important).

Respondents also saw the importance of EU membership for the future. Some nine out of ten (90%) respondents believed that membership of the EU will be important for their business in the next five to ten years (65% - very important, 25% - important).

The future of Europe for exporters/importers

The economy

Some 97% of respondents who either exported or imported goods and or services believed that membership of the EU has been important for the Irish economy in general (87% - very important, 10% - important)

Some 95% of respondents who were either exporters or importers of goods and/or services believed that membership of the EU will be important for the Irish economy in the next five/ten years (80% - very important, 15% - important).

Respondents own business

Respondents that either imported or exported goods and or/services were very positive about membership of the EU for their business, with over nine out of ten (92%) respondents believing that membership of the EU has been important for their business (64% - very important, 28% - important).

Over nine out of ten (91%) respondents who either exported or imported goods and/or services believed that membership of the EU will be important for their business in the next five/ten years (68% - very important, 23% - important).

Future business plans with the EU

Regarding what companies foresee for their business following the UK exit from the EU, over a third of respondents (35%) believed that there would be higher investment in Ireland following Brexit. Over a fifth of respondents believed that there would both be higher exports of goods (21%) and higher export of services (21%) to the EU from their business.

Table 11: What companies foresee for their business following the UK exit from the EU

	Yes	No	Don't know	Total no. of responses
Higher exports of goods to the EU from their business:	37 (21%)	84 (48%)	53 (31%)	174
Higher exports of services to the EU from their business:	36 (21%)	87 (50%)	51 (29%)	174
Higher investment in Ireland by their business:	61 (35%)	59 (33%)	57 (32%)	177

Note: Proportions were similar amongst exporting companies

Access to EU workers

Access to EU workers currently is important in over two thirds (67%) of the 176 organisations who answered this question (37% - very important, 30% - important). A further 30% of organisations stated that access to EU workers is not important and 3% had no opinion or didn't know.

Skills

Of the 249 respondents, some 182 (73%) provided details on whether they had analysed the skills required by their company after the UK leaves the EU. Over two out of five (41%) of these stated that they had done so while almost three out of five (59%) stated that they had not.

Of those 182 that provided details on skills shortages (Respondents could choose more than one option):

- Customs procedures (35%), logistics and distribution (25%) and supply chain management (22%) were the skills areas respondents identified as most likely to experience shortages post-Brexit. The training of existing staff to address such shortages was a clear priority for respondents, however recruitment within Ireland was also a focus area.
- Half (50%) of those who expect shortages in foreign languages and cultural awareness and 44% of those that expect shortages around international sales plan to address these shortages through recruitment from outside of Ireland.

Table 12: Skills shortages after Brexit

After Brexit, does your company expect shortages in any of the following areas?	Shortages expected	Actions to address shortages			
		Address shortages by training existing staff	Address shortages by recruitment within Ireland	Address shortages by recruitment from outside Ireland	Don't know/Too early to tell
Customs procedures	63 (35%)	42 (67%)	10 (16%)	0 (0%)	12 (19%)
Foreign languages and cultural awareness	16 (9%)	5 (31%)	5 (31%)	8 (50%)	3 (19%)
International marketing	21 (12%)	8 (38%)	6 (29%)	4 (19%)	2 (10%)
International sales	27 (15%)	11 (41%)	9 (33%)	12 (44%)	3 (11%)
Logistics and distribution	45 (25%)	24 (53%)	10 (22%)	3 (7%)	11 (24%)
Supply chain management	40 (22%)	21 (52%)	10 (25%)	4 (10%)	10 (25%)
Other	8 (4%)	4 (50%)	1 (12%)	1 (12%)	4 (50%)