



An Roinn Gnó, Fiontar agus Nuálaíochta  
Department of Business, Enterprise and Innovation

# Building Stronger Business

## **BREXIT** The view of Irish SMEs



# 1. Summary of Main Findings



# Summary of Main Findings

## Impact of Brexit Vote

- Just over **half of all SMEs are reporting they have been impacted by Brexit to date**, with **15% classing that impact as significant** - this situation is much the same as what was indicated in last January's survey.
- However, the proportion of medium sized SMEs reporting an impact has increased markedly since the last survey - 72% of medium sized SMEs now report an impact and 22% say that the impact is significant (vs 12% in January). **Exporters and importers** report high levels of impact – in particular those involved in the **food industry**.
- **SMEs continue to expect greater impacts from Brexit over the next 18 months.**
- Increases in both pricing and staffing are expected over the next 18 months. Significantly fewer companies are projecting higher profitability levels than was the case in January.
- There is a definite expectation of staffing declines within the food industry, and particularly food exporters.

# Summary of Main Findings

## Impact of Brexit on Financial Decisions

- In response to the Brexit announcement **12% have postponed investment decisions** (both long and short) albeit **three quarters of these are under active review.**
- **However, 29% of companies in the food industry have postponed investment decisions.**

## Brexit Contingency Planning

- **Only a minority (16%) have formal contingency plans in place for Brexit outcomes.**
- Small companies are least likely to have a plan but even among medium sized SMEs only 25% have a formal Brexit plan. Among food companies, 26% say they have a formal plan.

# Summary of Main Findings

## Business Strategies and Levers for Growth

- **The three key activities** that will be actioned in order to achieve growth objectives will be **to increase staff, employ new technologies and to purchase or lease plant and machinery.**
- In order of priority for funding a **higher share of their requirements will be needed for purchasing and leasing new plants and machinery, than to fund new technologies and finally staff.**
- **Almost half of the businesses surveyed do not invest in their businesses at all,** with uncertainty due to Brexit, and general uncertainty cited as 2 of the top 3 reasons for no investment. When asked about future investment plans more than half (52%) say they have no plans to invest.

## Sources of Business Funding

- **Both working capital and longer term investment plans seem largely funded by generated business profits. About a third will require business loans.**

# Summary of Main Findings

## Recent Funding Experiences

- **Just 27% of SMEs sought external finance for business investments over the last 12 months** of which 83% were successful.
- The main reason for not successfully bringing formal financial applications to a conclusion is due to not having sufficient collateral or guarantees followed by a sense that there was too much paperwork or that **the financier did not understand the business model.**
- The **greatest potential trigger** to encourage SMEs to seek out finance for future investments is **lower interest rates.** A quarter say lower collateral requirements while 15% are looking for longer maturing loans (greater than 5 years).

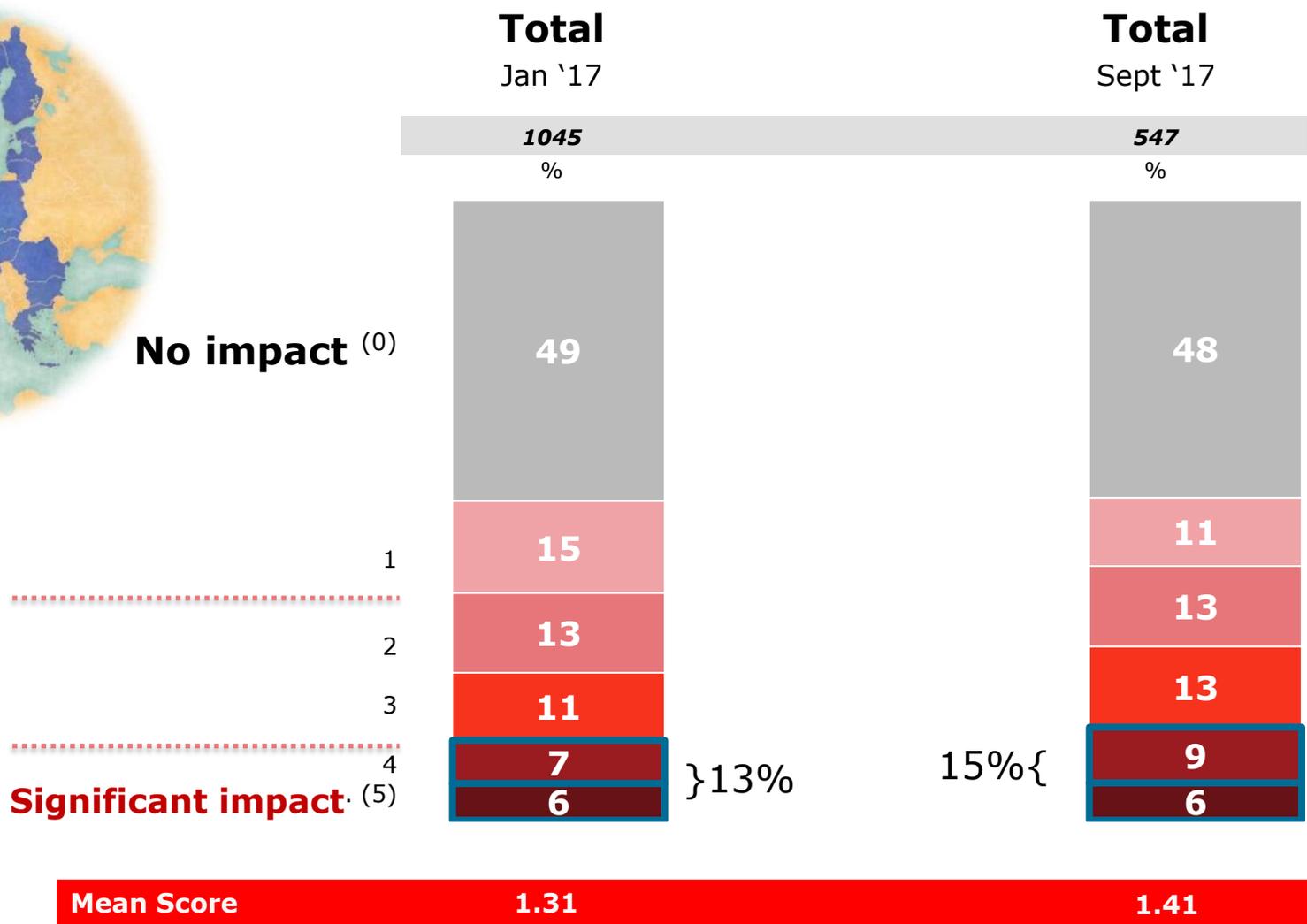


## 2. Impact of Brexit Vote



# Impact of Brexit Vote: **15%** say they strongly impacted by Brexit. The shift since earlier in the year is not statistically significant.

(Base: All SMEs – 1045/547)



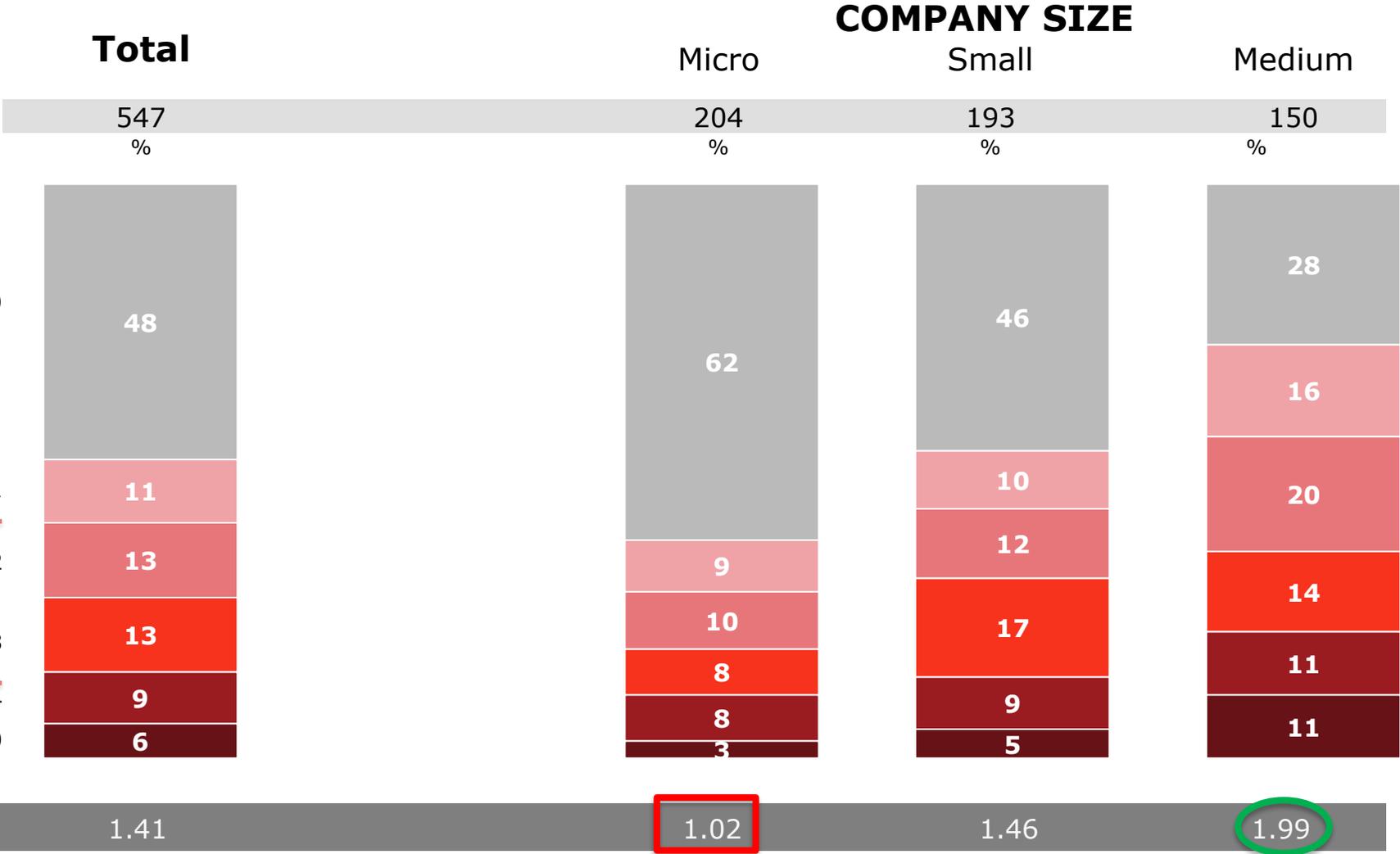
**Q.6** On the 23<sup>rd</sup> June 2016 the UK voted to leave the European Union. On a scale of 0-5 how much impact, if any, has this Brexit vote had on your business since it was announced? In this case 0 means that it has had no impact and 5 means that the impact on your business has been significant. Bear in mind that the impact, if any, can be positive or negative and we will evaluate that later.

# Impact of Brexit Vote: The impact is most significant for medium size companies. 72% of medium sized companies report an impact compared with only 38% of micro companies

(Base: All SMEs – 547)

**Key**

- Significantly higher than total
- Significantly lower than total



**No impact (0)**

1

2

3

4

**Significant impact (5)**

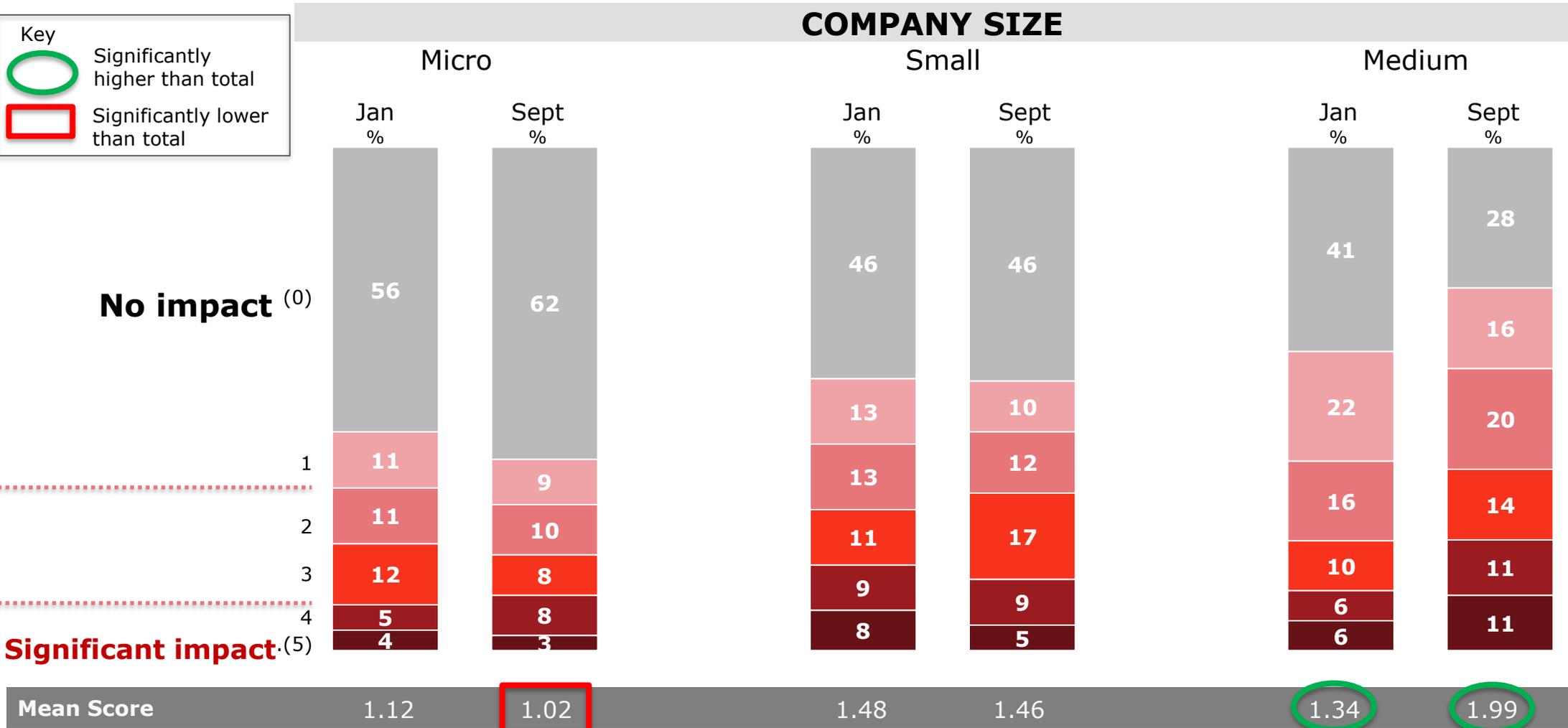
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# Impact of Brexit Vote: **Despite there being little change overall, there has been some movement under the bonnet. The key differences are that micro companies are reporting less impact while more medium sized SMEs are now impacted.**

(Base: All SMEs – 547)

**Key**

- Significantly higher than total
- Significantly lower than total

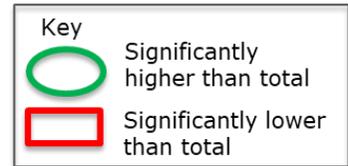


**Q.6** On the 23<sup>rd</sup> June 2016 the UK voted to leave the European Union. On a scale of 0-5 how much impact, if any, has this Brexit vote had on your business since it was announced? In this case 0 means that it has had no impact and 5 means that the impact on your business has been significant. Bear in mind that the impact, if any, can be positive or negative and we will evaluate that later.

# Impact of Brexit Vote: Brexit is most strongly felt among SMEs who export, more so food exporting companies and not surprisingly, those exporting to the UK.

(Base: All SMEs – 547)

On the whole more companies now impacted but at a slightly lower level with the exception of those exporting to Europe.



0 No impact

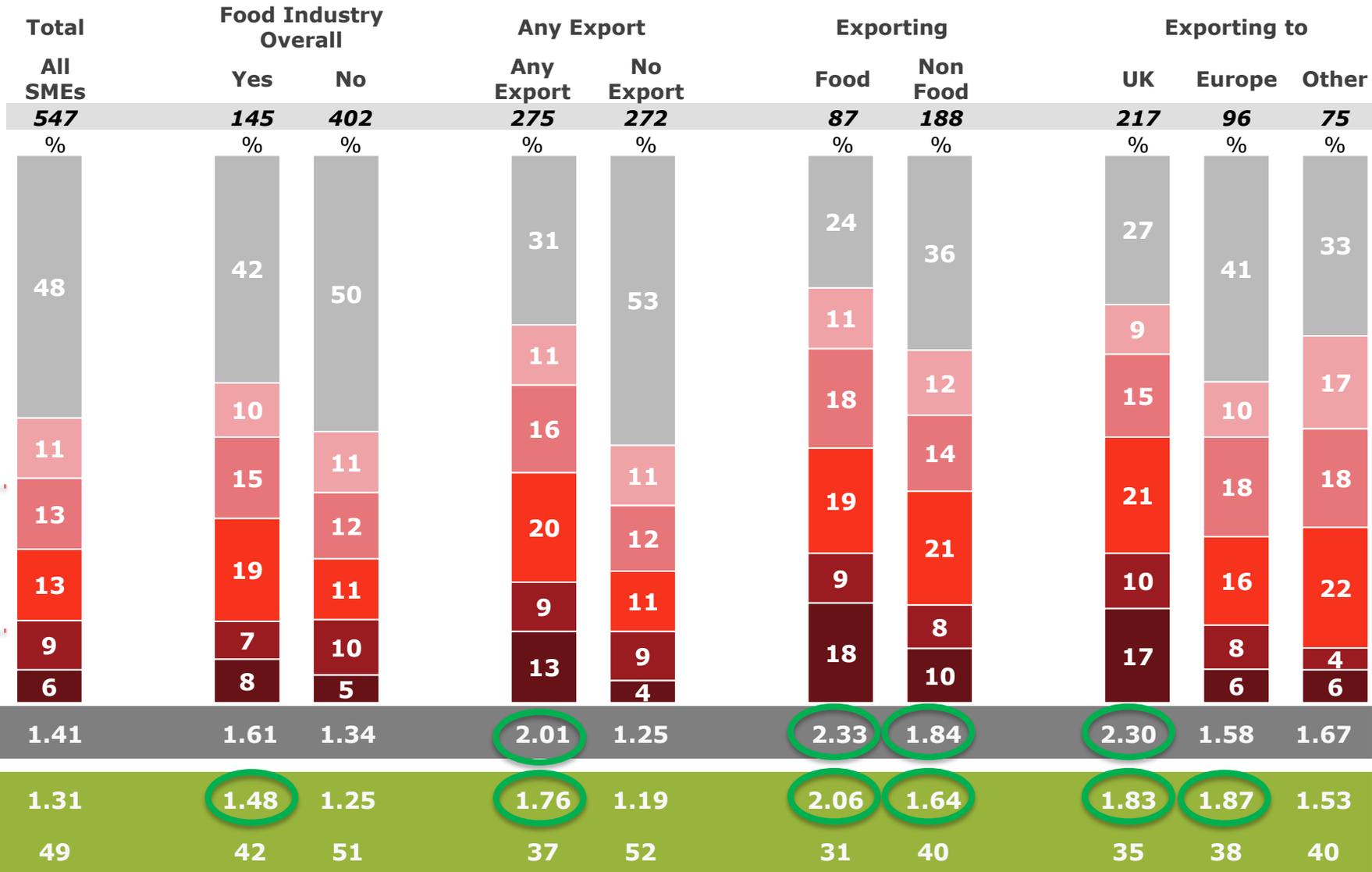
1

2

3

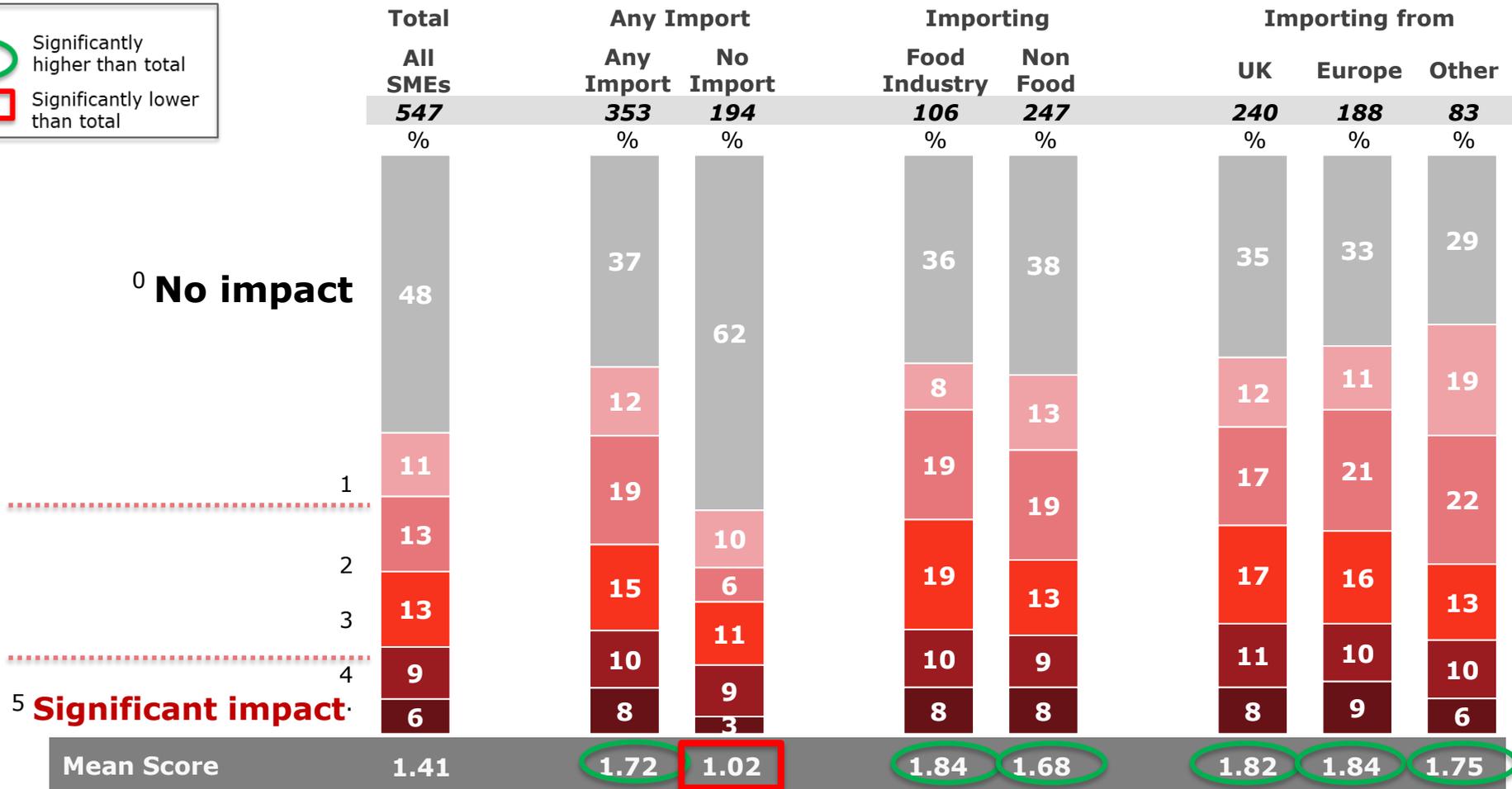
4

5 Significant impact



# Impact of Brexit Vote: **Brexit is also strongly felt among those who import source material**

(Base: All SMEs – 547)



**Impact of Brexit Vote: Since Brexit, the main change does appear to be to profitability and this is not improving. However, since the beginning of the year, there has also been a statistically significant increase in staffing levels. Price points remain slightly higher since the announcement but at much the same level as previously.**

(Base: All SMEs – 1045/547)

**Key**  
 Significantly higher than January  
 Significantly lower than January

Profitability levels		Staffing levels		Prices charged	
Jan '17	Sept '17	Jan '17	Sept '17	Jan '17	Sept '17
1045	547	1045	547	1045	547
%	%	%	%	%	%



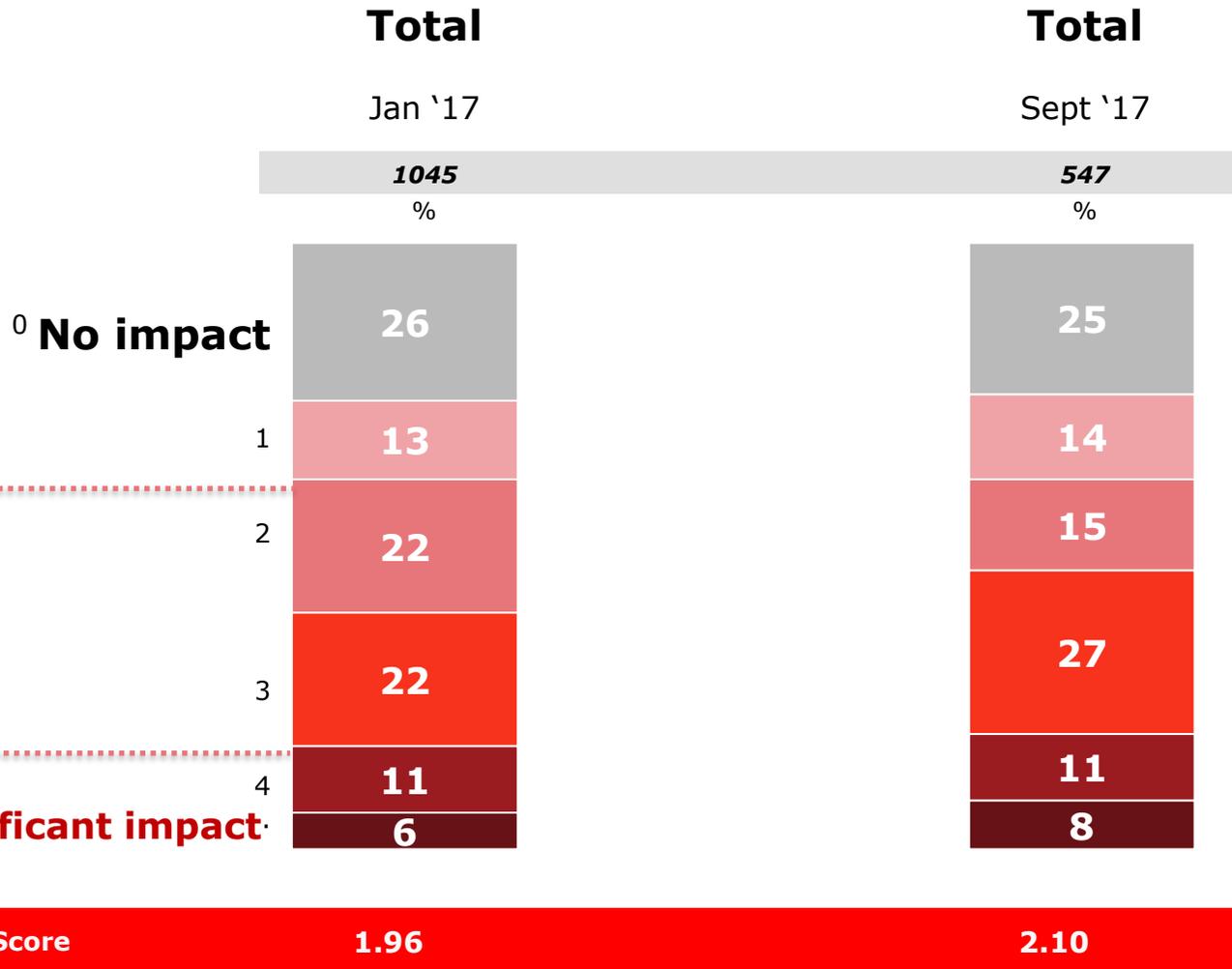
- ANY Higher	11	10	7	10	13	14
- ANY Lower	21	22	6	5	8	8
<b>Diff</b>	<b>-10</b>	<b>-12</b>	<b>+1</b>	<b>+5</b>	<b>+5</b>	<b>+6</b>

**Q.7** We are now going to evaluate the possible impact of Brexit, if any, in more detail. Let's begin with profitability. Would you say since Brexit was announced that your profitability levels are .. **READ OUT.**  
**Q.8** And what about staffing levels. Since the Brexit announcement are they .. **READ OUT**  
**Q.9** And what about prices charged. Since the Brexit announcement are they ..

# Expected impact of Brexit over next 18 months

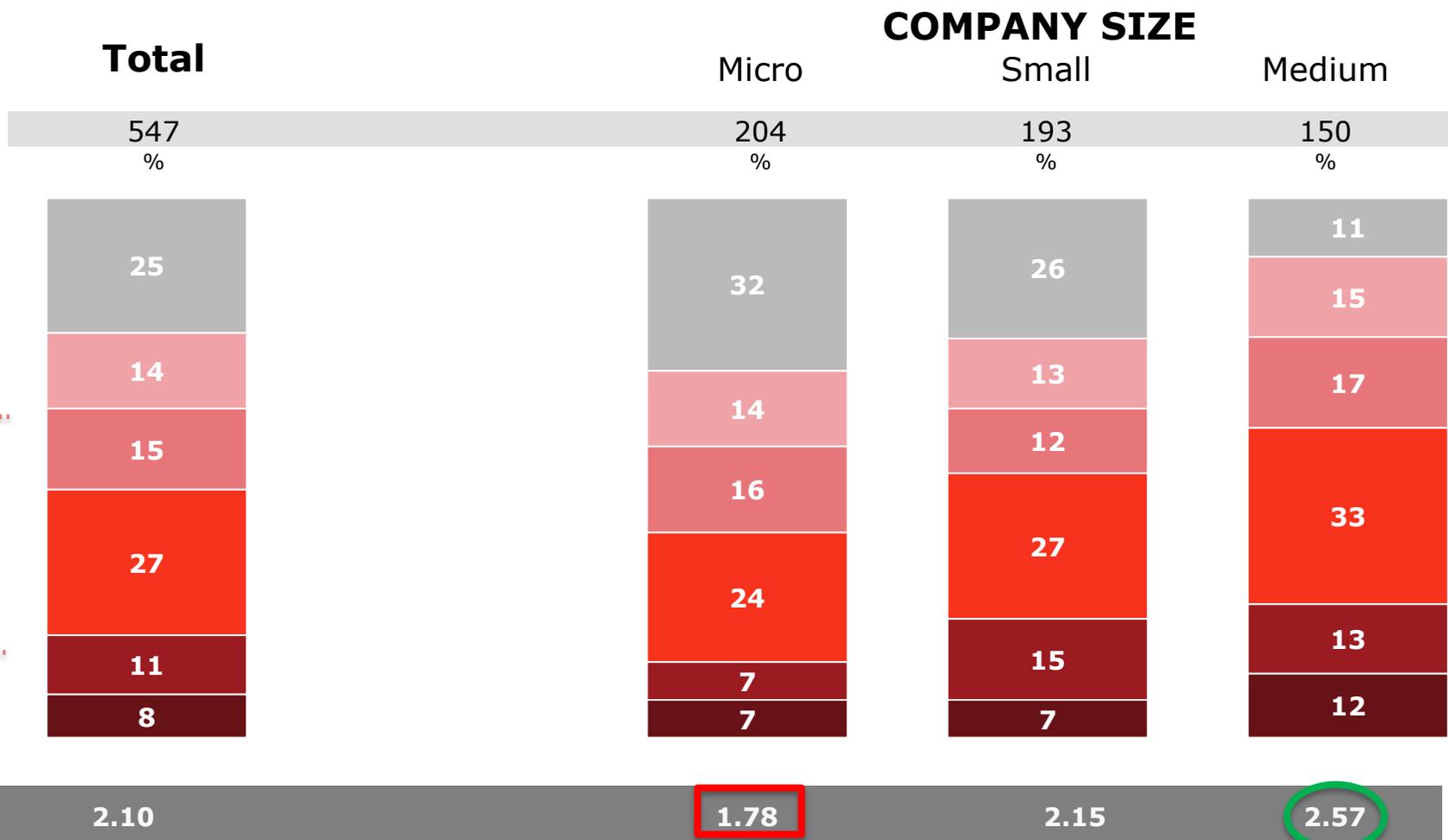
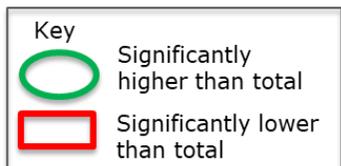
**No significant difference in this regard since January and so future impact is still expected to be greater than that experienced to date.**

(Base: All SMEs – 547)



# Expected impact of Brexit over next 18 months **is highest for medium sized SMEs.**

(Base: All SMEs – 547)

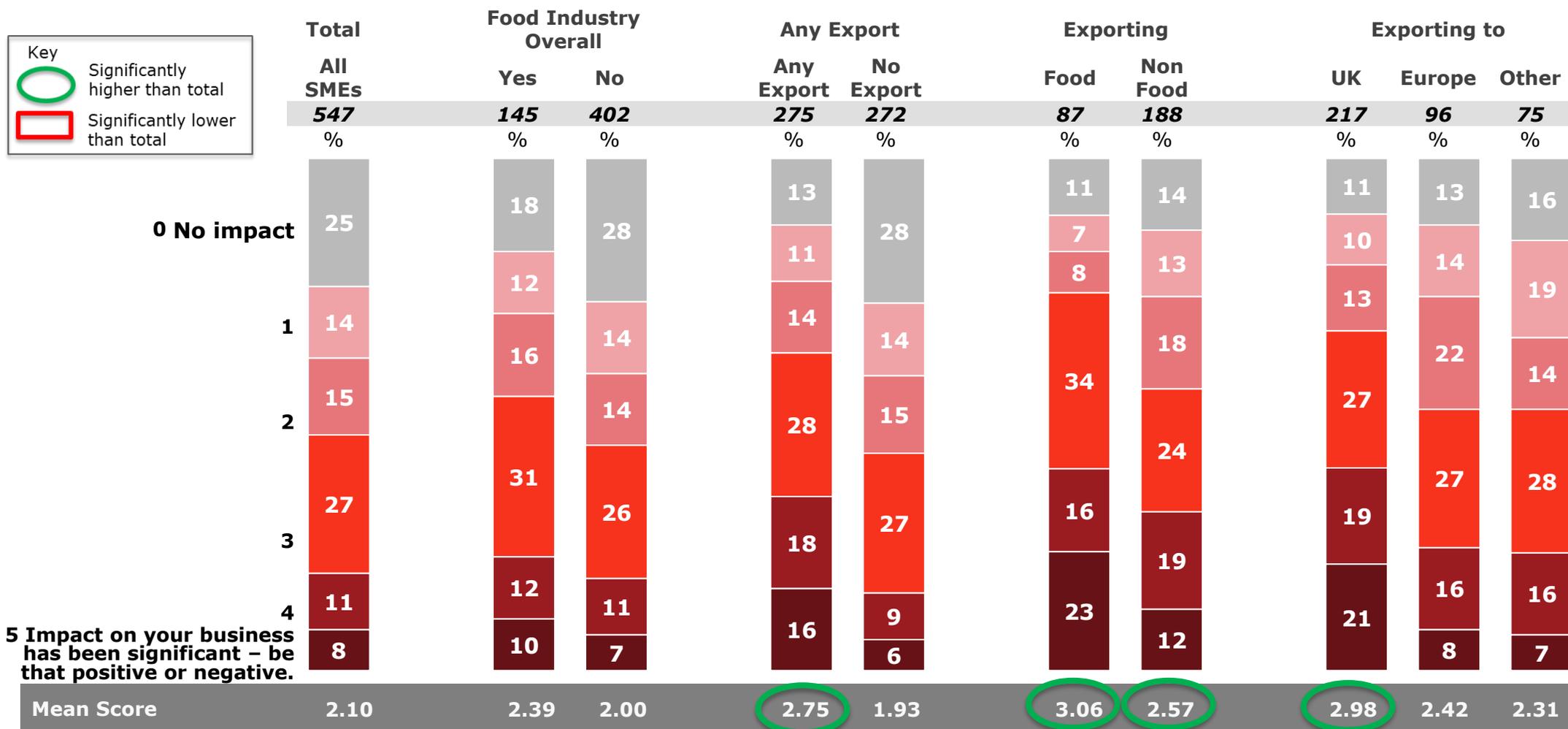


**Q.10** And looking forward over the medium term, say the next 18 months or so, on a scale of 0-5 how much impact, if any, do you expect Brexit will have on your business? 0 means no impact and 5 means you are expecting a significant level of impact. Once again, please remember this can be either a positive or a negative impact and we will evaluate that aspect later.

# Expected impact of Brexit over next 18 months

**Considerably higher for all exporting companies and particularly the exporting food industry, and exporters to the UK**

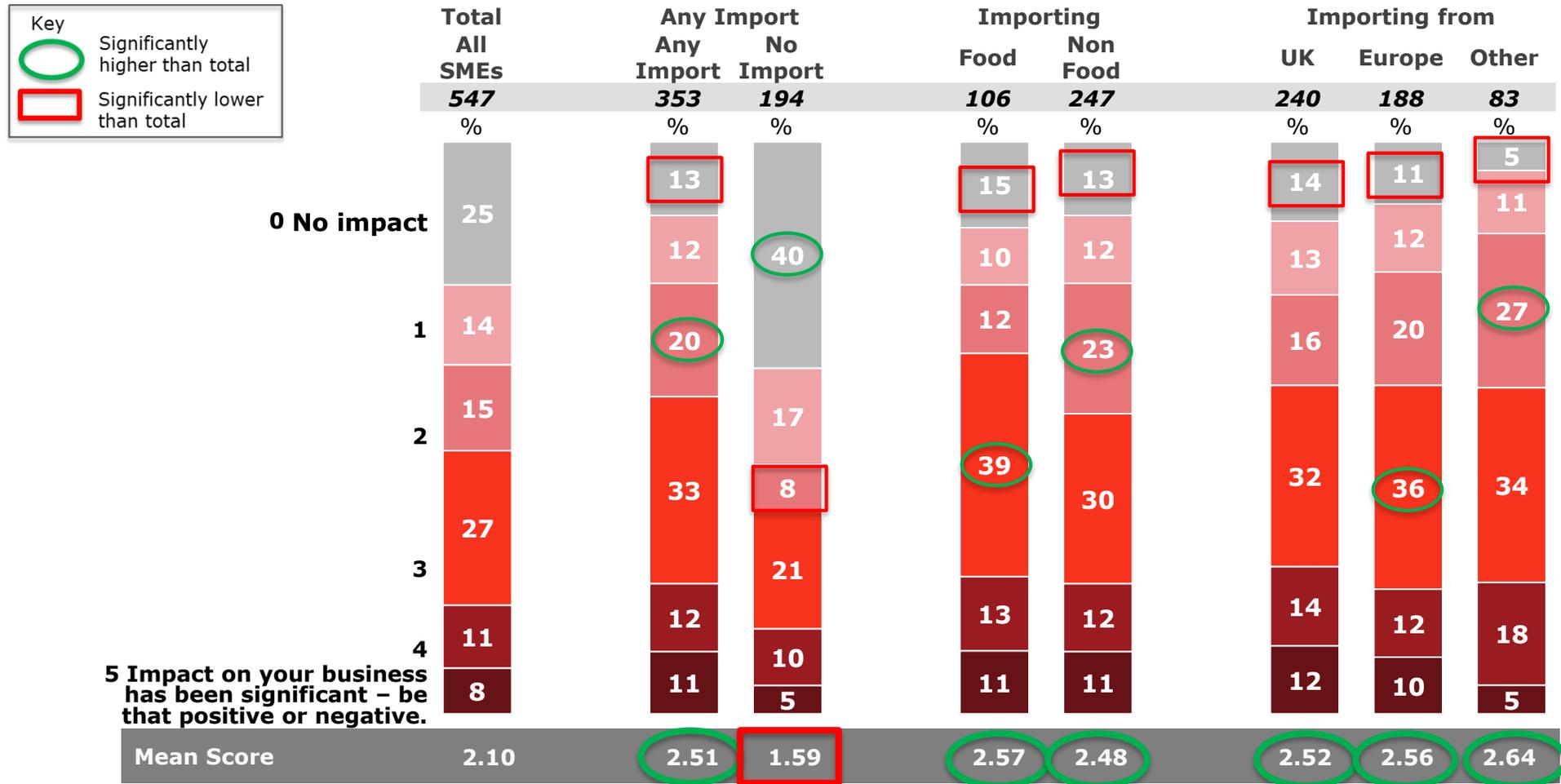
(Base: All SMEs – 547)



# Expected impact of Brexit over next 18 months

**Importers are definitely expecting greater impacts also, right across the board**

(Base: All SMEs – 547)



**Q.10** And looking forward over the medium term, say the next 18 months or so, on a scale of 0-5 how much impact, if any, do you expect Brexit will have on your business? 0 means no impact and 5 means you are expecting a significant level of impact. Once again, please remember this can be either a positive or a negative impact and we will evaluate that aspect later.

# Projections for the next 18 months: **Increases in staffing levels and prices charged expected. Significantly fewer companies are projecting higher profitability levels than was the case in January**

(Base: All SMEs – 1045/547)

**Key**

 Significantly higher than January

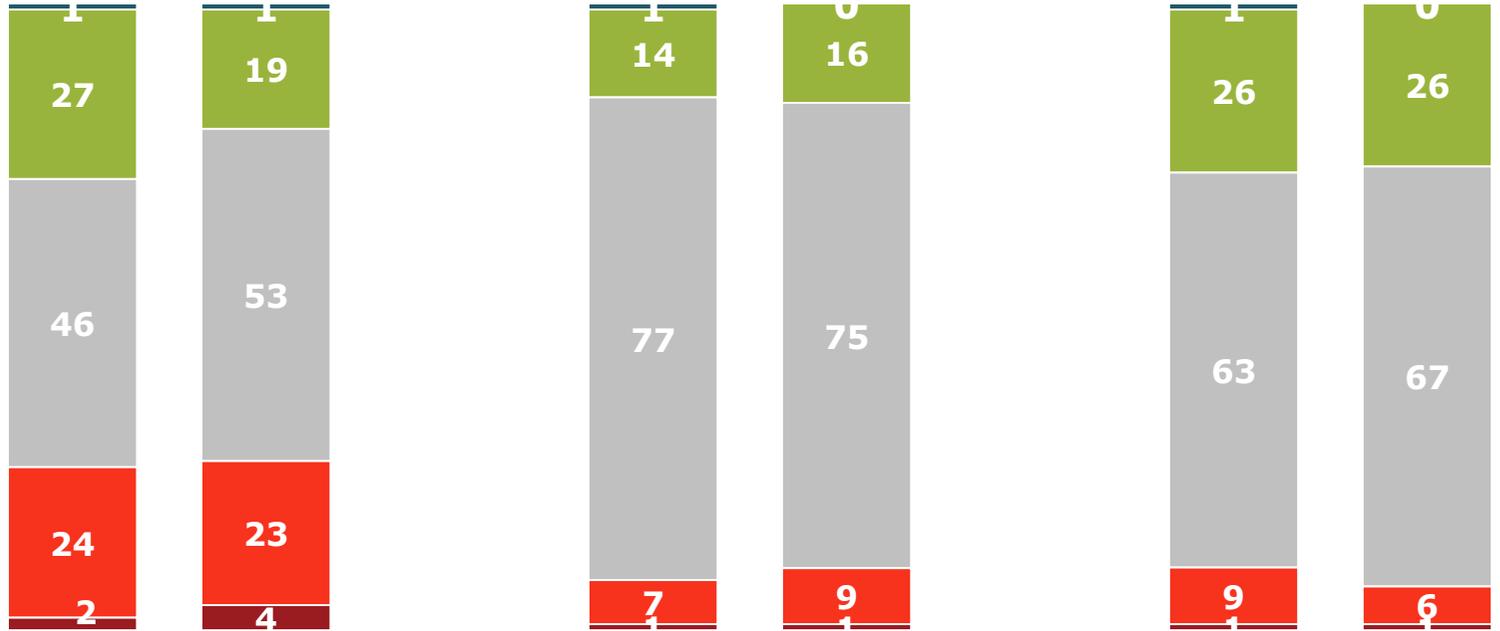
 Significantly lower than January

Profitability levels		Staffing levels		Prices charged	
Jan '17	Sept '17	Jan '17	Sept '17	Jan '17	Sept '17
1045	547	1045	547	1045	547
%	%	%	%	%	%

**Significantly higher (5)**  
**A little higher (4)**

**The same/no change (3)**

**A little lower (2)**  
**Significantly lower (1)**



- ANY Higher	28	<b>20</b>	15	16	27	26
- ANY Lower	26	27	8	10	10	7
Diff.	+2	-8	+7	+6	+17	+19

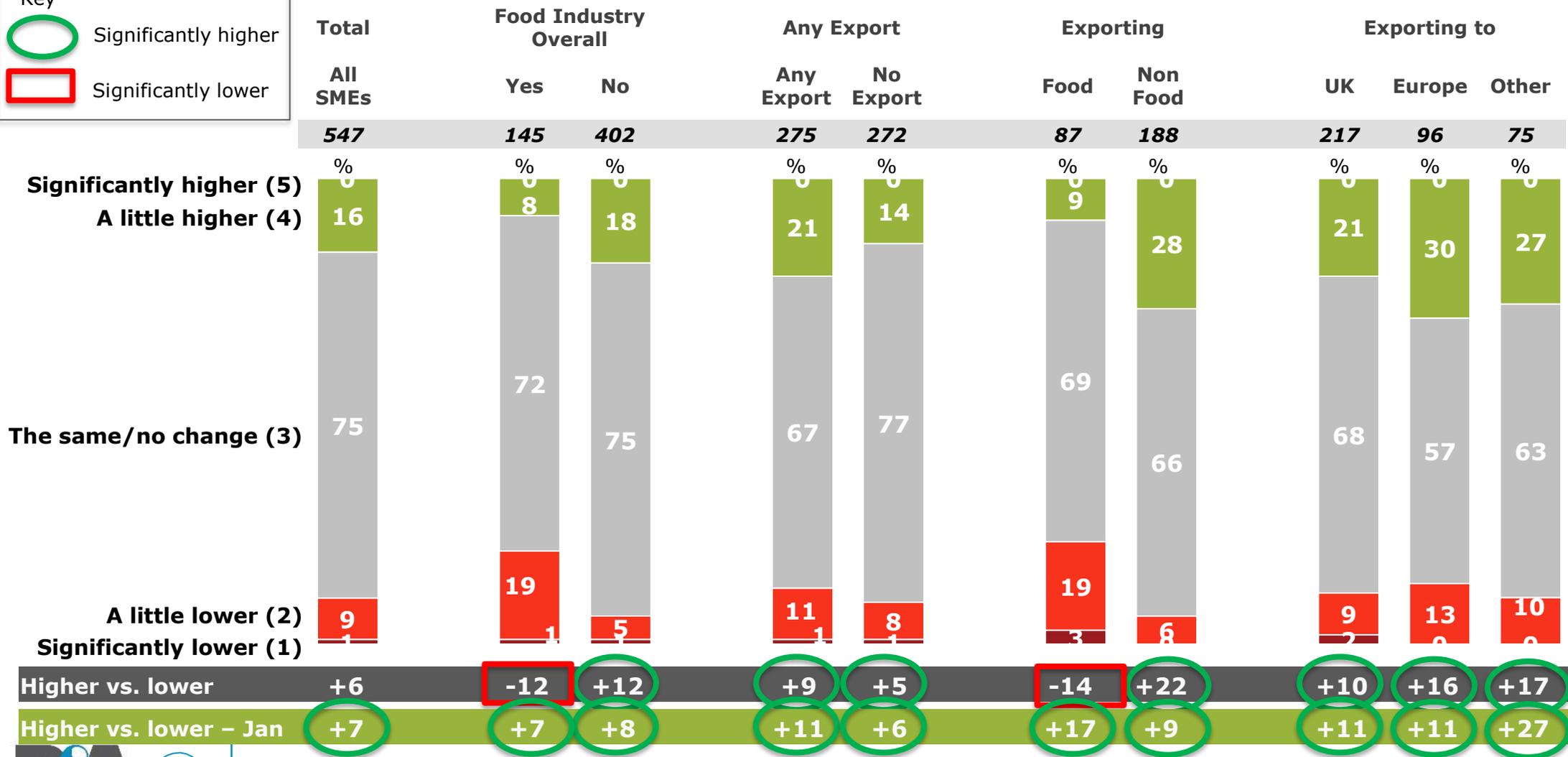
- Q.11 And so now let's look at the individual elements. Looking forward over the next 18 months are you expecting your profitability to be...
- Q.12 And what about staffing levels. Over the next 18 months are you expecting your staffing levels to be ..
- Q.13 And what about prices charged. Over the next 18 months are you expecting your prices to be ..

# Staffing Levels Deep Dive

**There is a definite expectation of staffing declines within the Food Industry and particularly food exporting companies. Growth in other areas though.**

(Base: All SMEs – 547)

One key difference is in Food Industry (particularly Food Exports) where losses are now expected compared with projections of growth in January.



# Staffing Levels Deep Dive

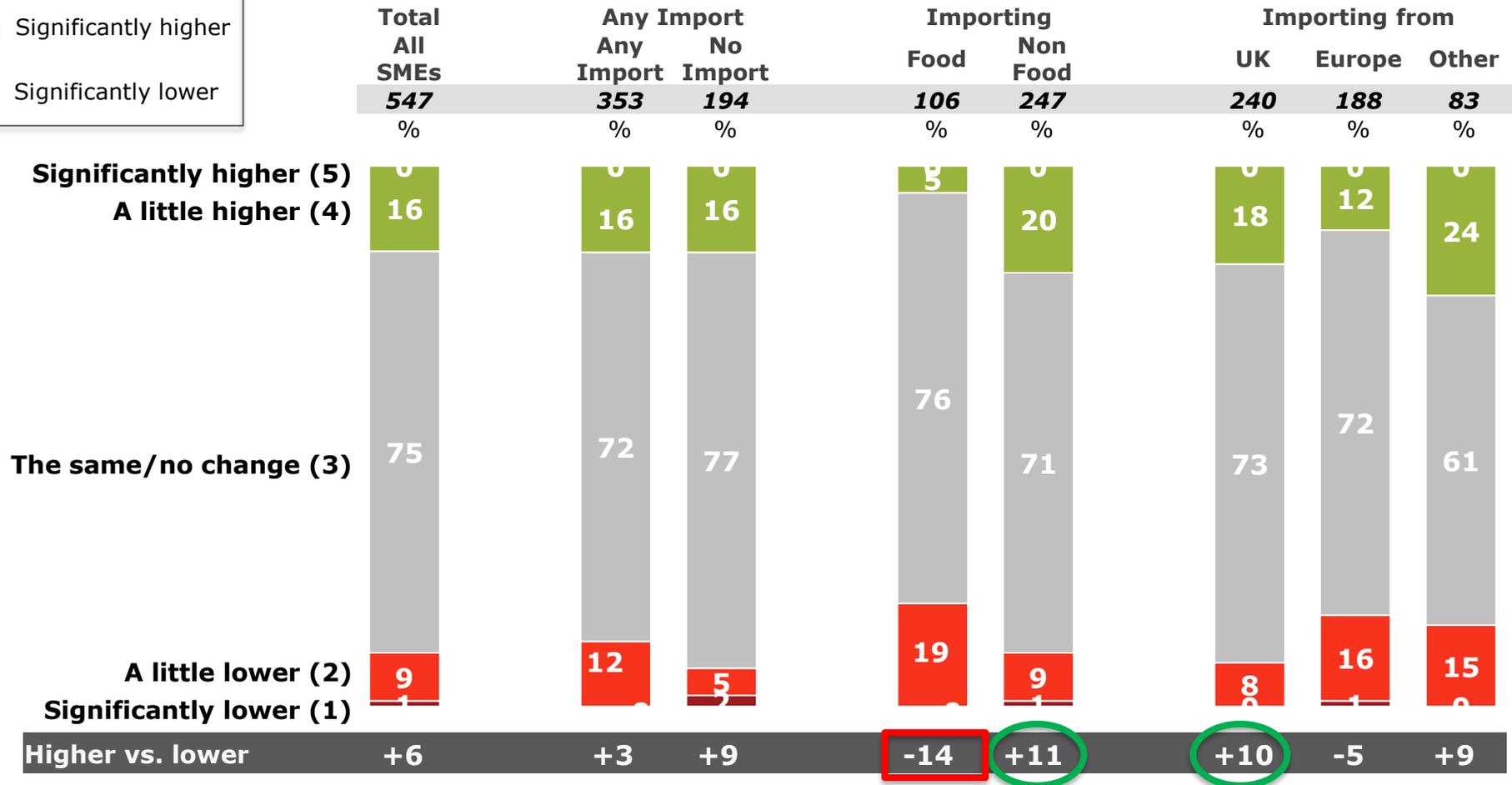
**Key differences is between importers working the food industry versus non food and those importing from the UK.**

(Base: All SMEs – 547)

Key

  Significantly higher

  Significantly lower



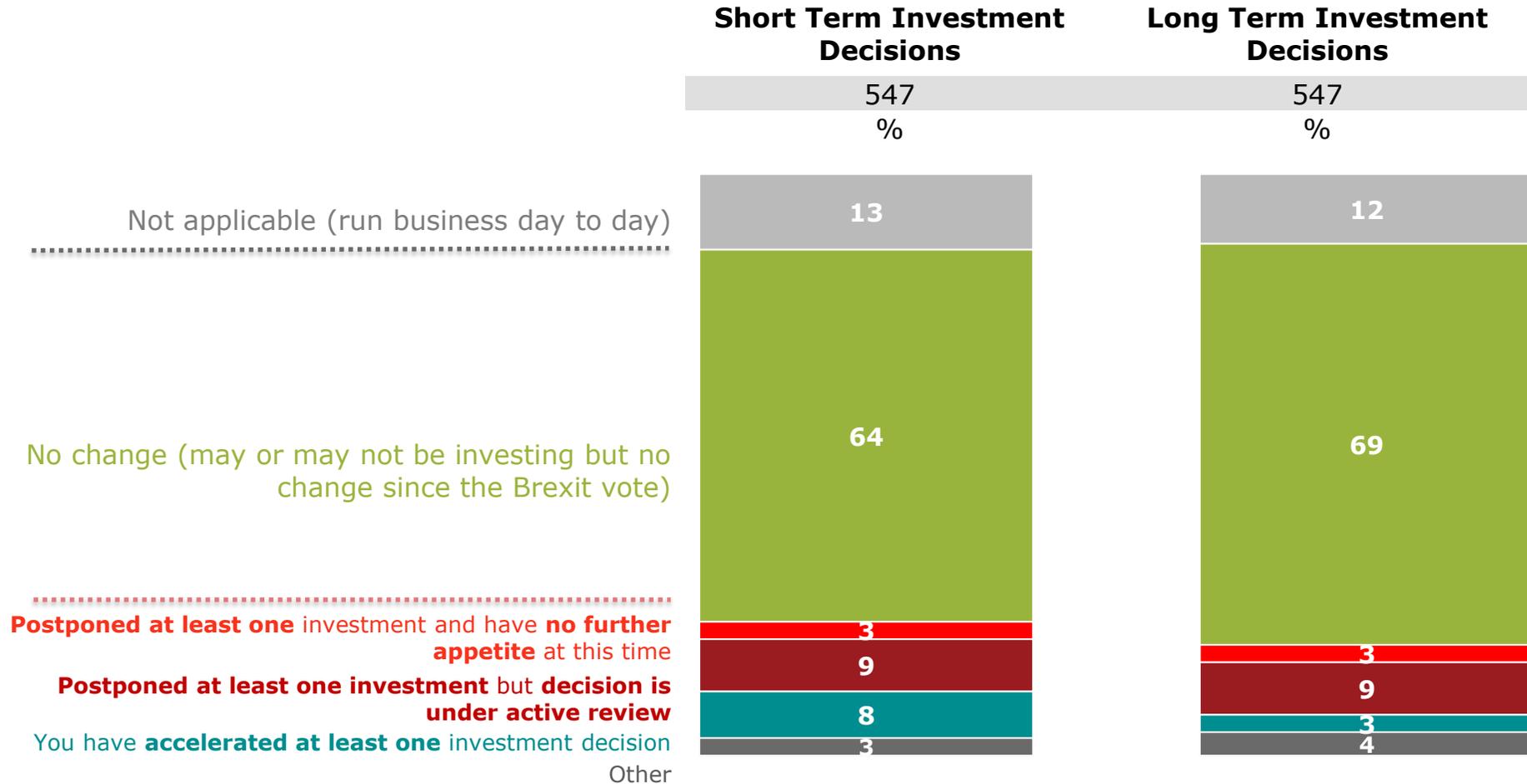
# 3. Impact of Brexit on Financial Decisions



# Investment actions taken: Short and Long Term

**12% have postponed both short and long term investment decisions, with 9% under active review for both short and longer term decisions.**

(Base: All SMEs – 547)



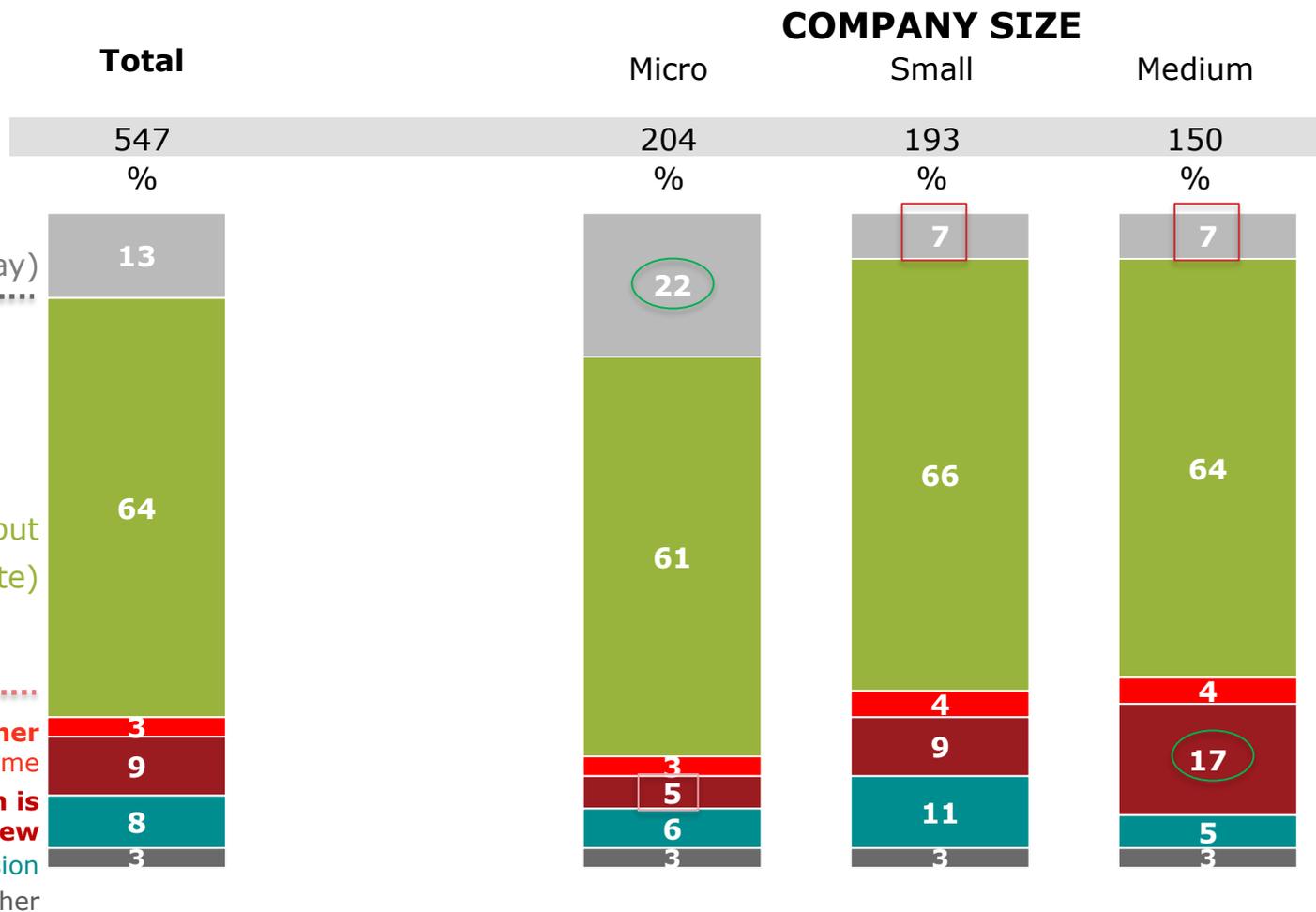
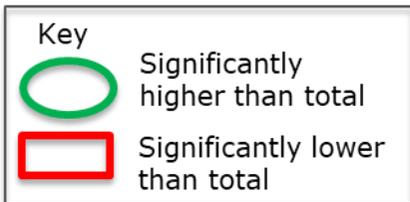
**Q.22** Since the Brexit announcement (June of 2016), which statement best describes what actions you have taken in relation to your short to medium term investment decisions?

**Q.23** And what about your longer term investment decisions – by that we mean 3 years and over. Which statement best describes the actions you have taken?



# Investment actions taken – short term: **Medium sized companies more likely to have postponed short term investments but have them under active review**

(Base: All SMEs – 547)



**No change** (may or may not be investing but no change since the Brexit vote)

**Postponed at least one investment and have no further appetite at this time**

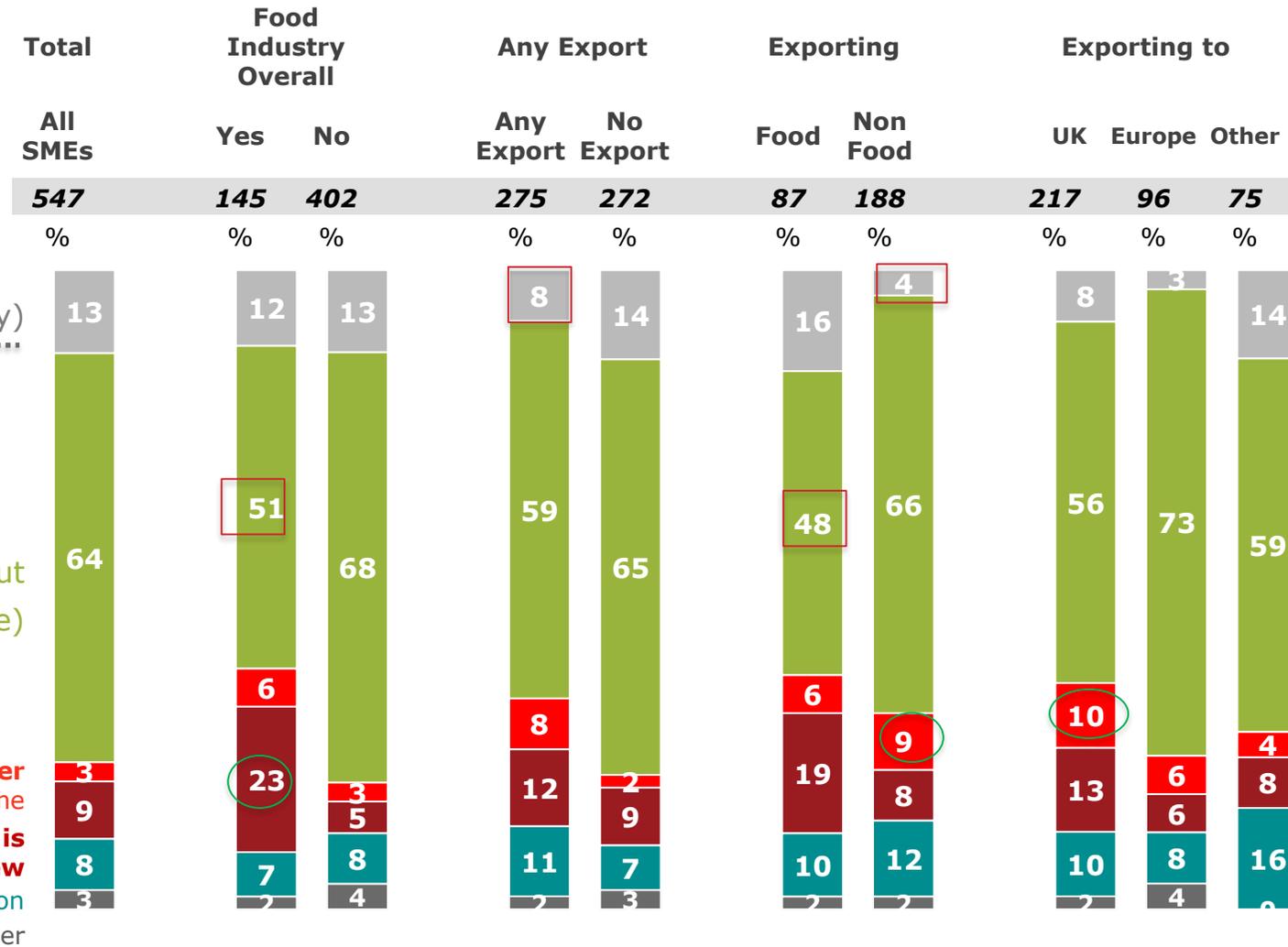
**Postponed at least one investment but decision is under active review**

You have **accelerated at least one investment decision**

Other

# Investment actions taken – short term: **Lack of Appetite and postponement most evident in the Food industry, with food exporters also, particularly those exporting to the UK.**

(Base: All SMEs – 547)



Not applicable (run business day to day)

No change (may or may not be investing but no change since the Brexit vote)

Postponed at least one investment and have no further appetite at this time

Postponed at least one investment but decision is under active review

You have accelerated at least one investment decision

Other



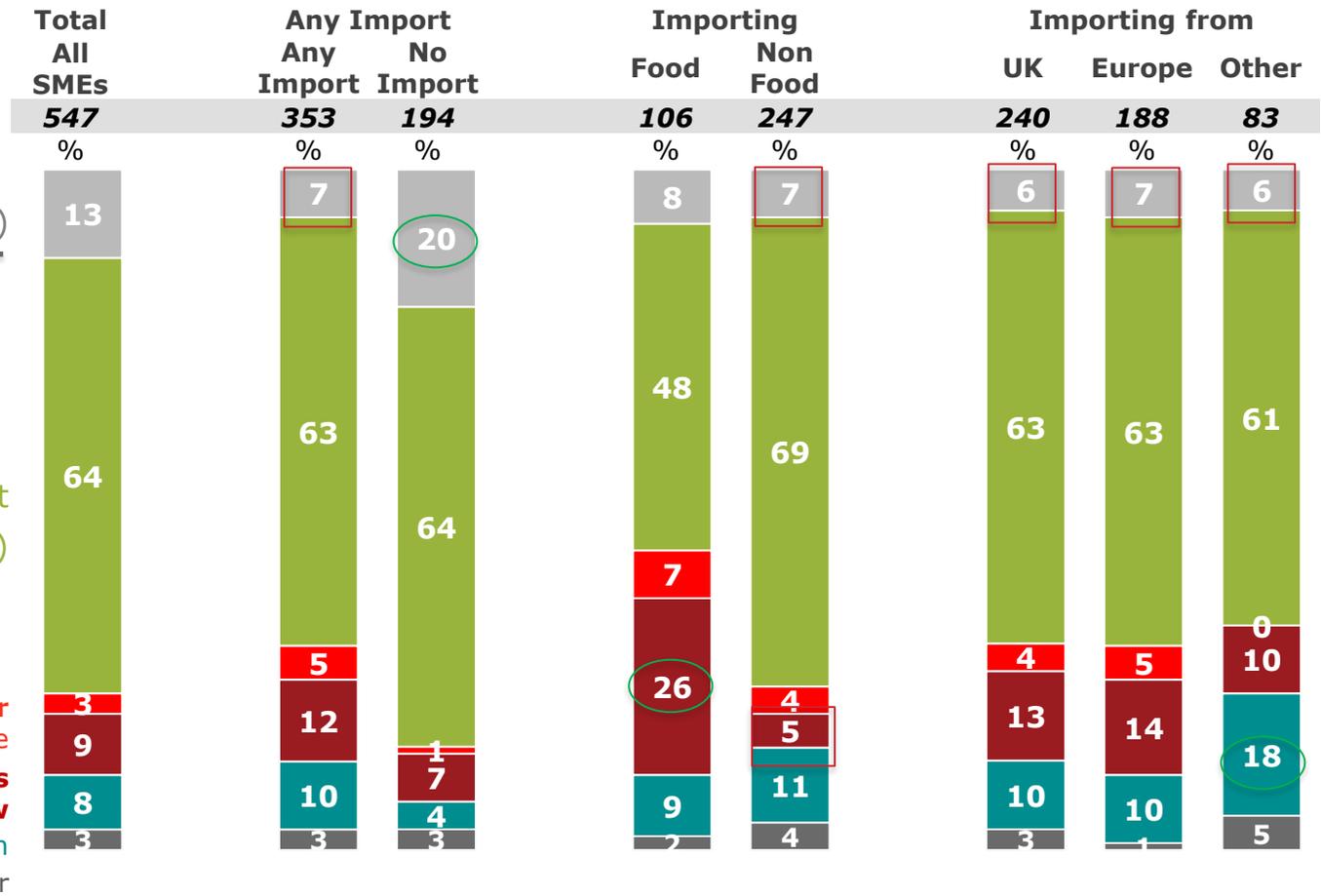
Q.22 Since the Brexit announcement (June of 2016), which statement best describes what actions you have taken in relation to your short to medium term investment decisions?

# Investment actions taken – short term: **Importers who operate in the food industry are most likely to have postponed a short term investment but they do seem to be under active review. Those importing from beyond Europe also more likely than average to have accelerated at least one investment.**

(Base: All SMEs – 547)



Not applicable (run business day to day)



No change (may or may not be investing but no change since the Brexit vote)

Postponed at least one investment and have no further appetite at this time

Postponed at least one investment but decision is under active review

You have accelerated at least one investment decision

Other



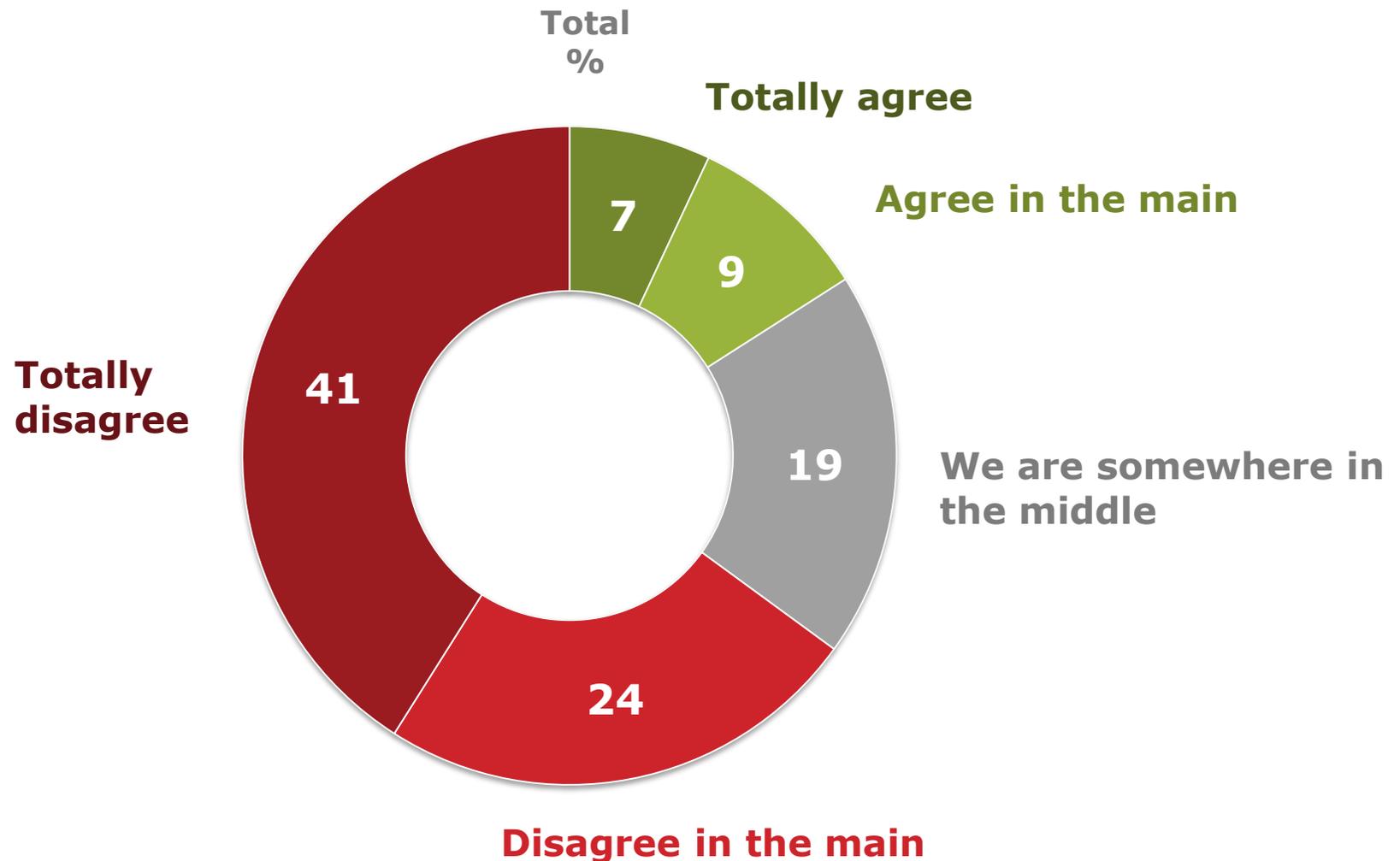
Q.22 Since the Brexit announcement (June of 2016), which statement best describes what actions you have taken in relation to your short to medium term investment decisions?

# 4. Brexit Contingency Planning



# Brexit contingency planning: **Only 16% have a formal contingency plan to cope with potential outcome of Brexit** (Base: All SMEs – 547)

***"We have written a formal contingency plan to cope with the various potential outcomes of Brexit on our business".***



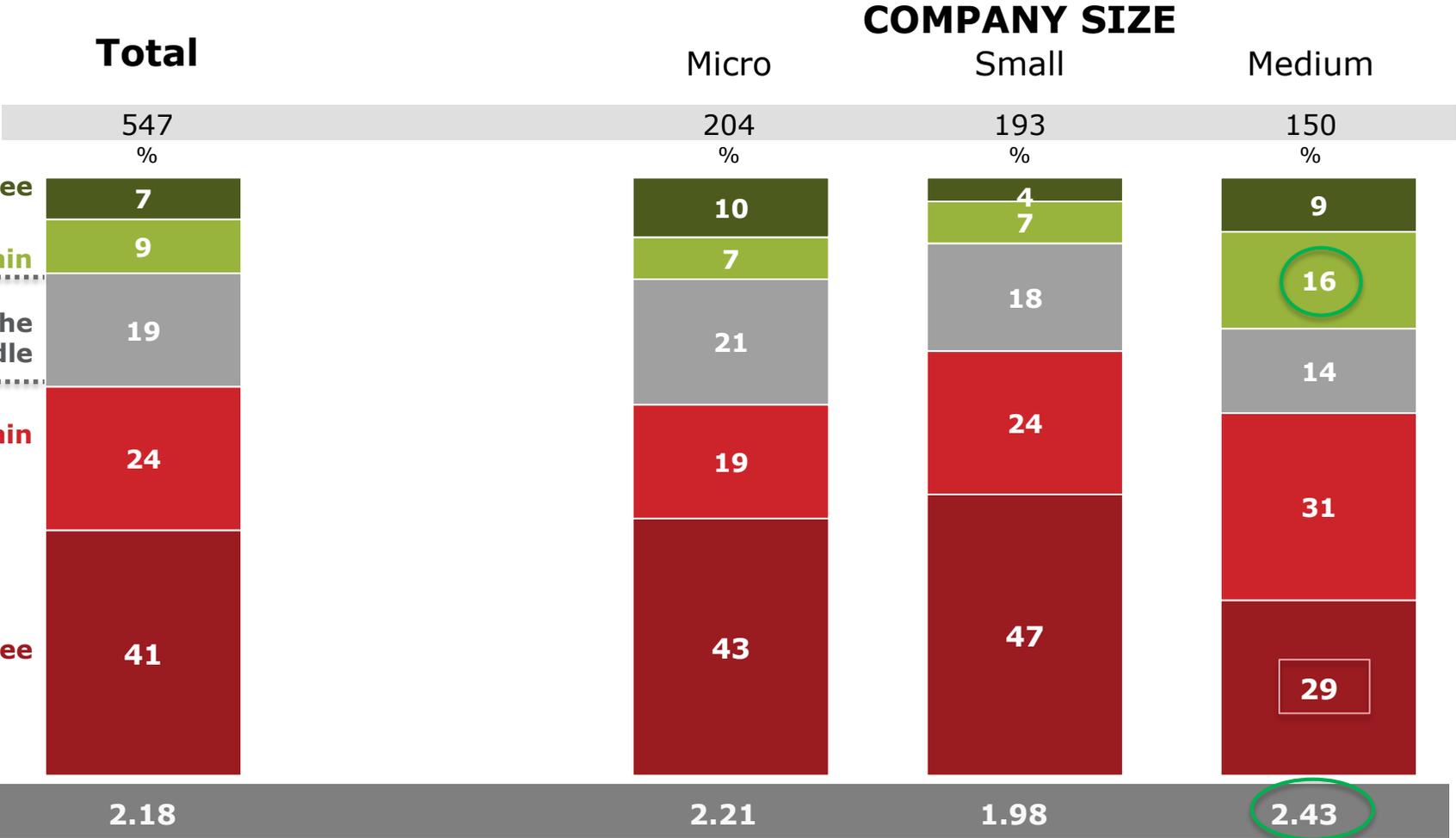
# Brexit contingency planning: **Medium sized companies are better prepared but still it is a minority practice**

(Base: All SMEs – 547)

***"We have written a formal contingency plan to cope with the various potential outcomes of Brexit on our business".***

Key

- Significantly higher than total
- Significantly lower than total



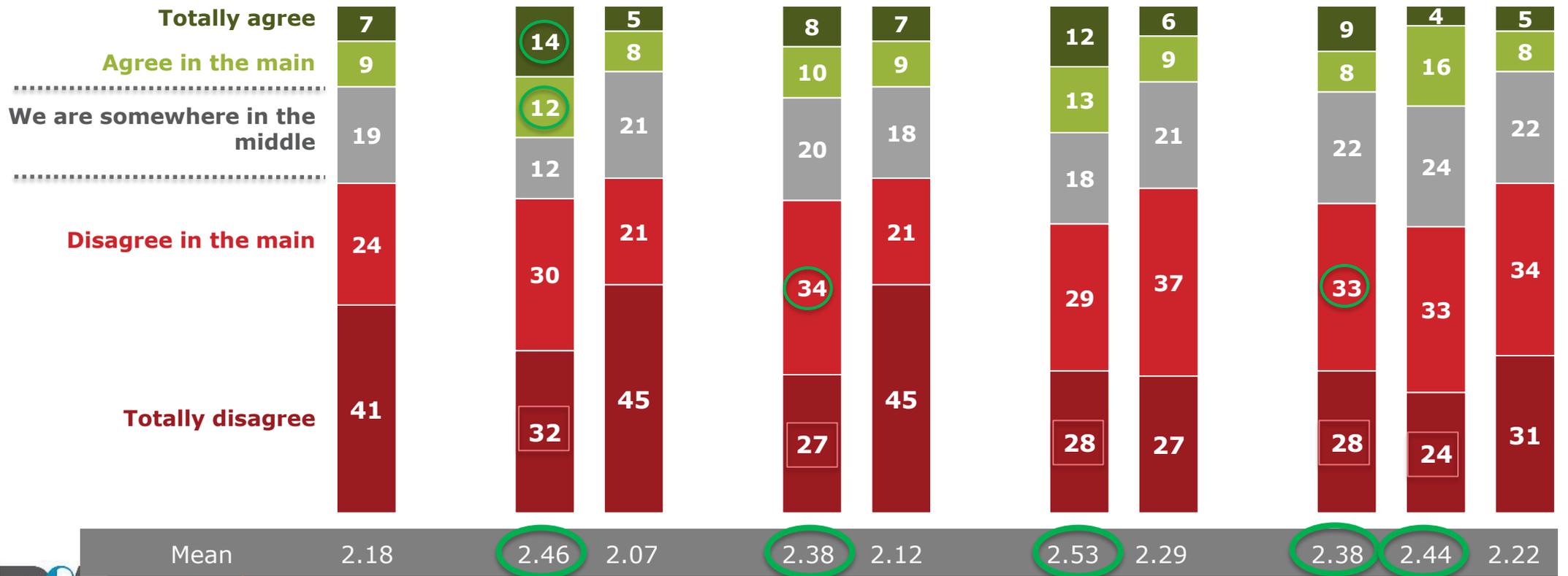
# Brexit contingency planning: Those in the Food industry, Exporters to UK and Europe and Food Exporters are also better prepared for Brexit

(Base: All SMEs – 547)

***"We have written a formal contingency plan to cope with the various potential outcomes of Brexit on our business".***



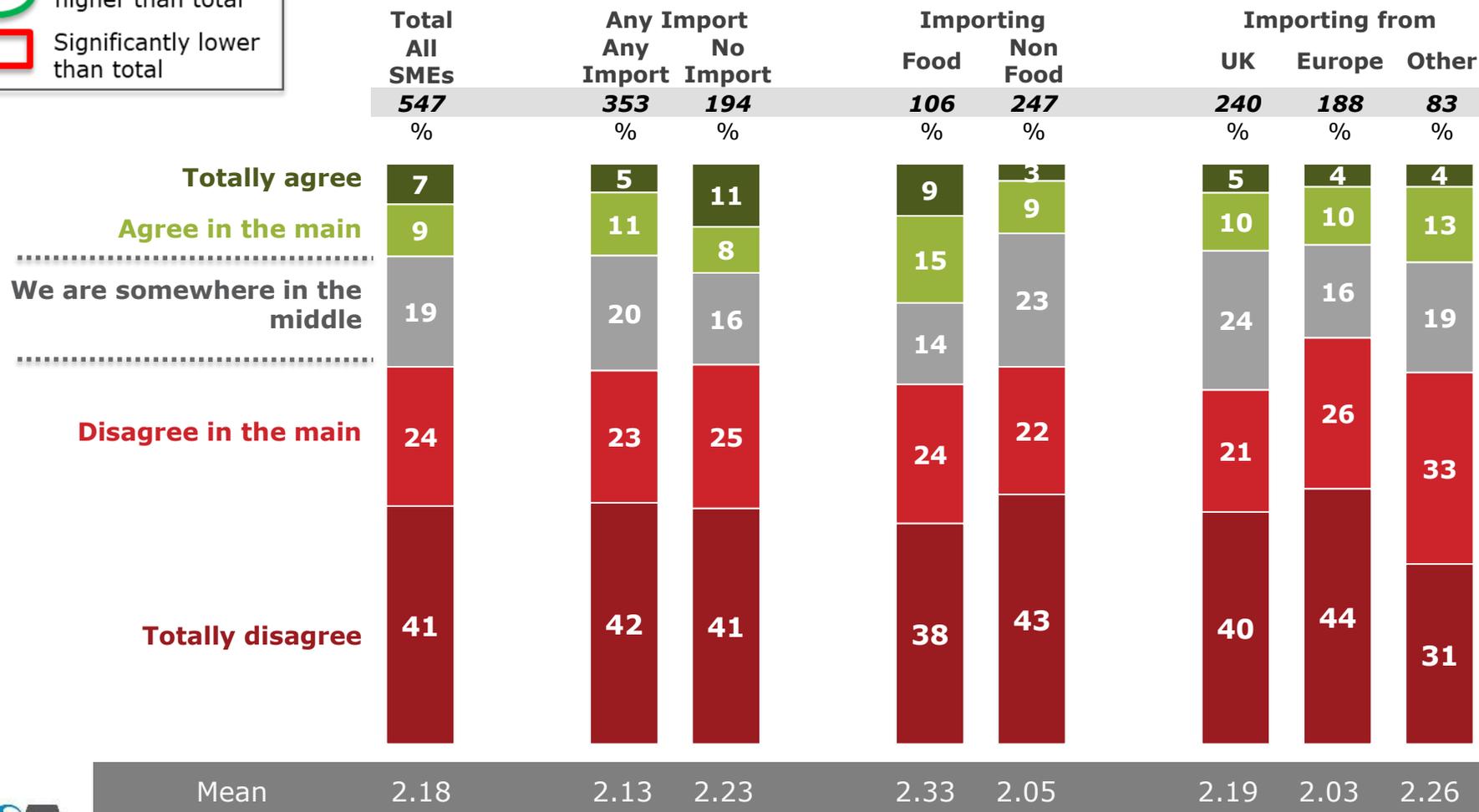
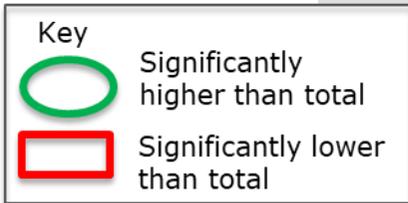
All SMEs	Food Industry Overall		Any Export		Exporting		Exporting to		
	Yes	No	Any Export	No Export	Food	Non Food	UK	Europe	Other
<b>547</b>	<b>145</b>	<b>402</b>	<b>275</b>	<b>272</b>	<b>87</b>	<b>188</b>	<b>217</b>	<b>96</b>	<b>75</b>
%	%	%	%	%	%	%	%	%	%



# Brexit contingency planning: **No evidence of any significant difference among those who import goods**

(Base: All SMEs – 547)

***"We have written a formal contingency plan to cope with the various potential outcomes of Brexit on our business".***

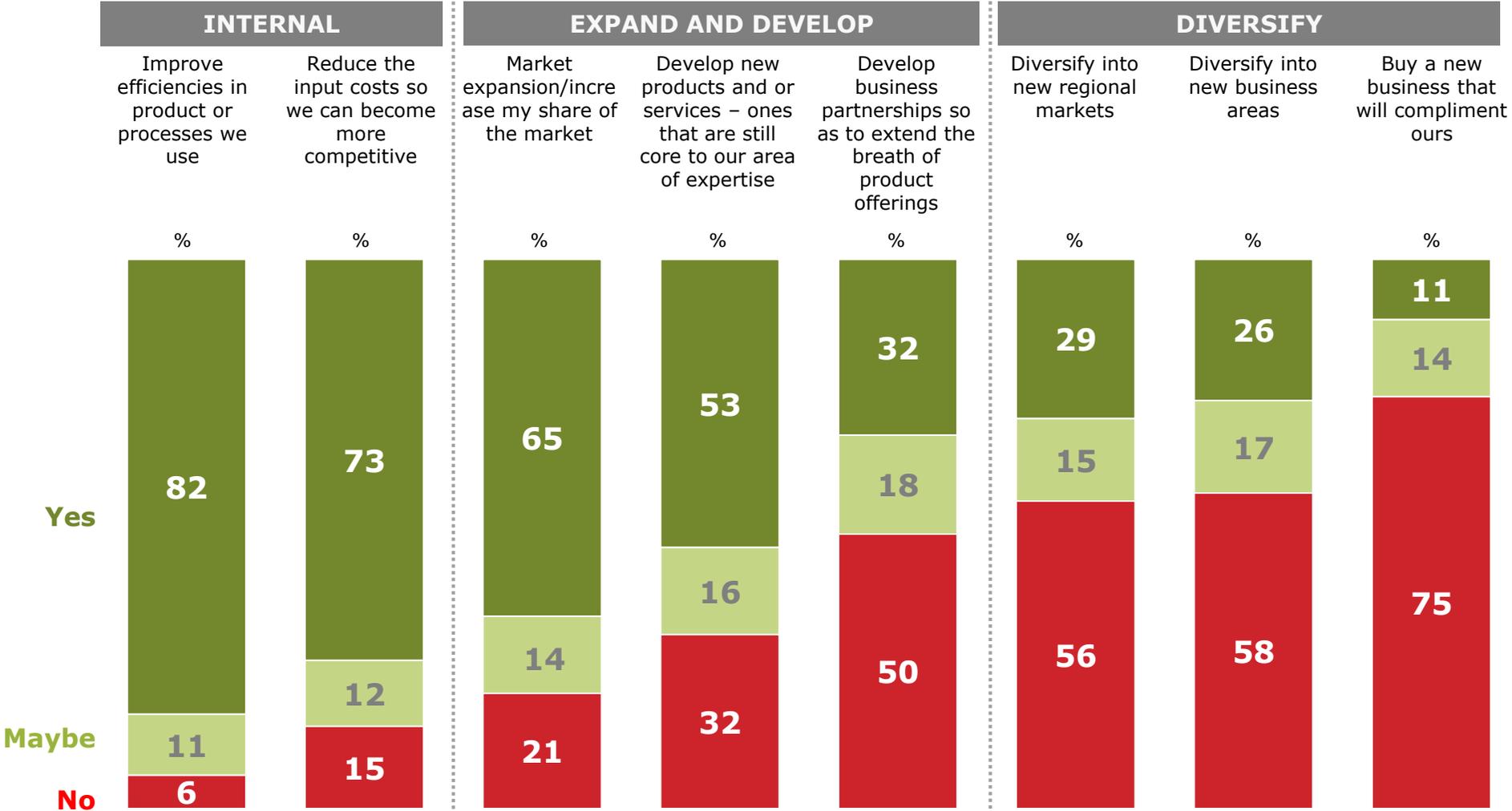


# 5. Business Strategies and levers for Growth



# Key growth strategies: improved efficiencies, reduced input costs, market expansion and new product development are key SME Business objectives

(Base: All SMEs – 547)



**Focus on core business and efficacy rather than venturing into new territories.**



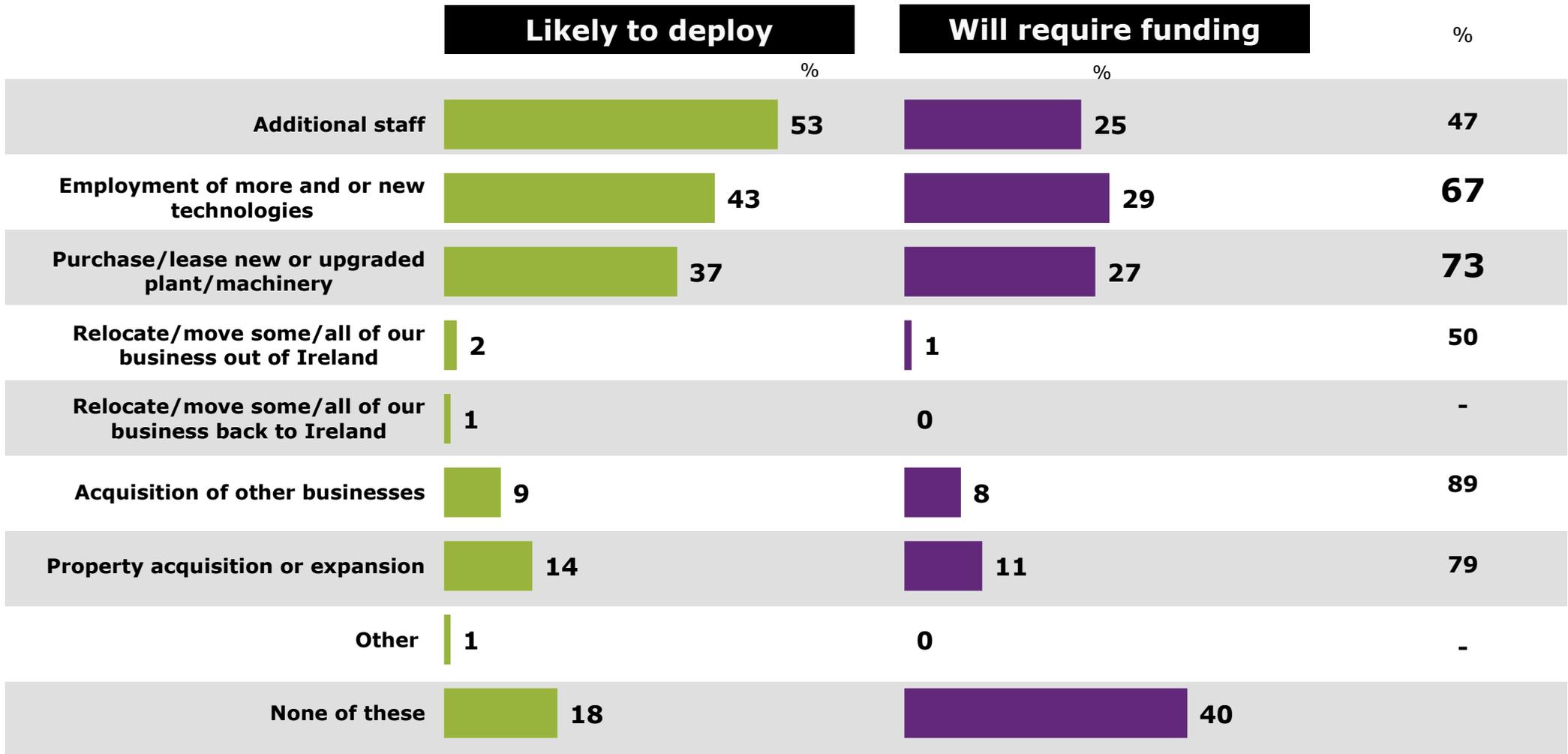
**Q.25** In order to achieve your business objectives for the future, which if any of the following approaches are you likely to adopt?

# Business activities and funding:

## The most significant future funding requirement will be for increasing staffing levels, new technologies and plant and machinery

(Base: All SMEs – 547)

**% of deployment that requires funding**



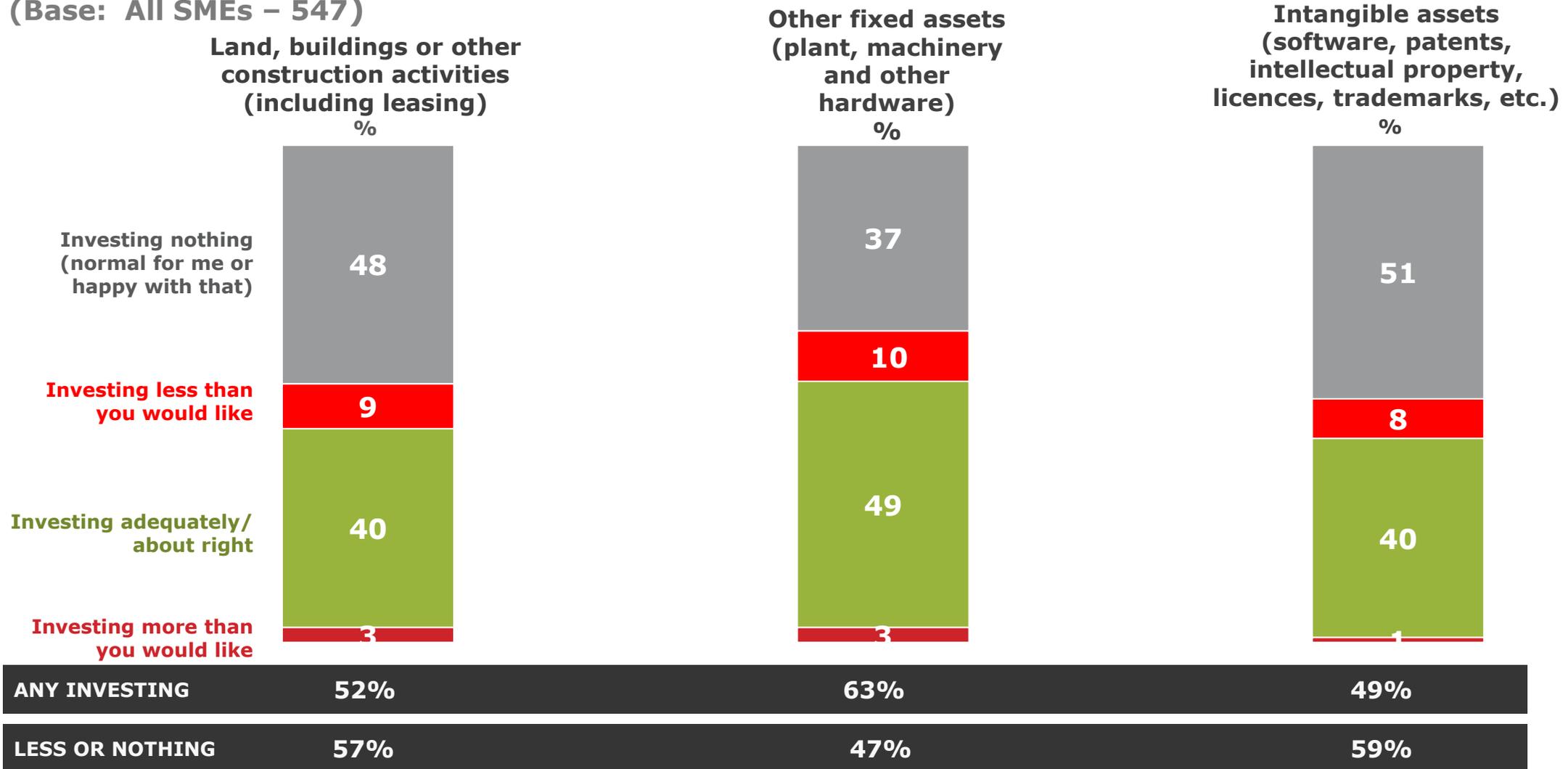
**Q.26** And while trying to achieve these future objectives, which if any of the following activities are you likely to deploy?

**Q.27** And while trying to achieve these future objectives, which if any of the following do you expect your business will require funding for?

# Summary – Current investment levels

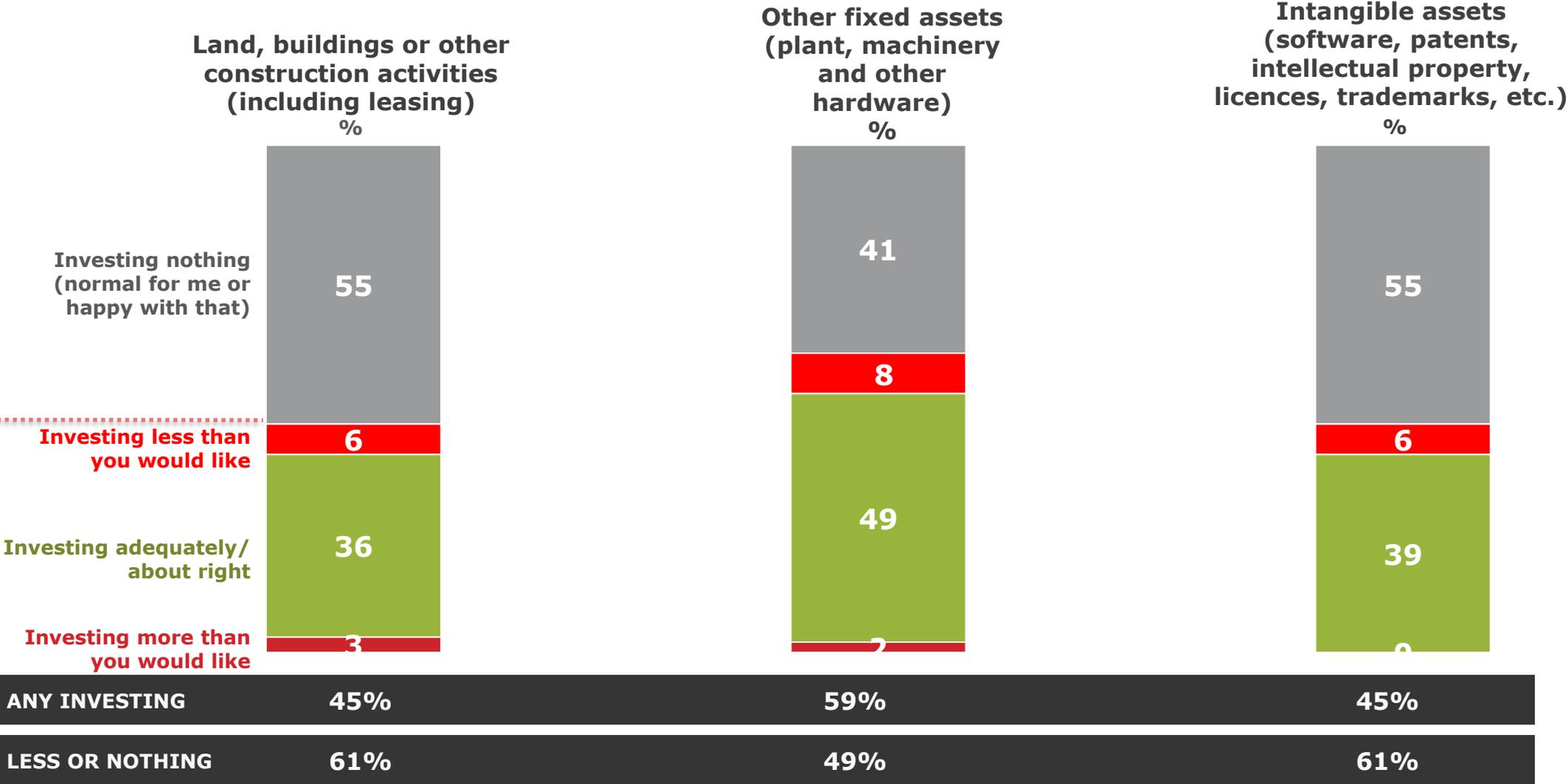
**On average about 48% of business do not invest at all and are satisfied with that position. Investment in fixed assets is highest and is lowest for intangible assets.**

(Base: All SMEs – 547)



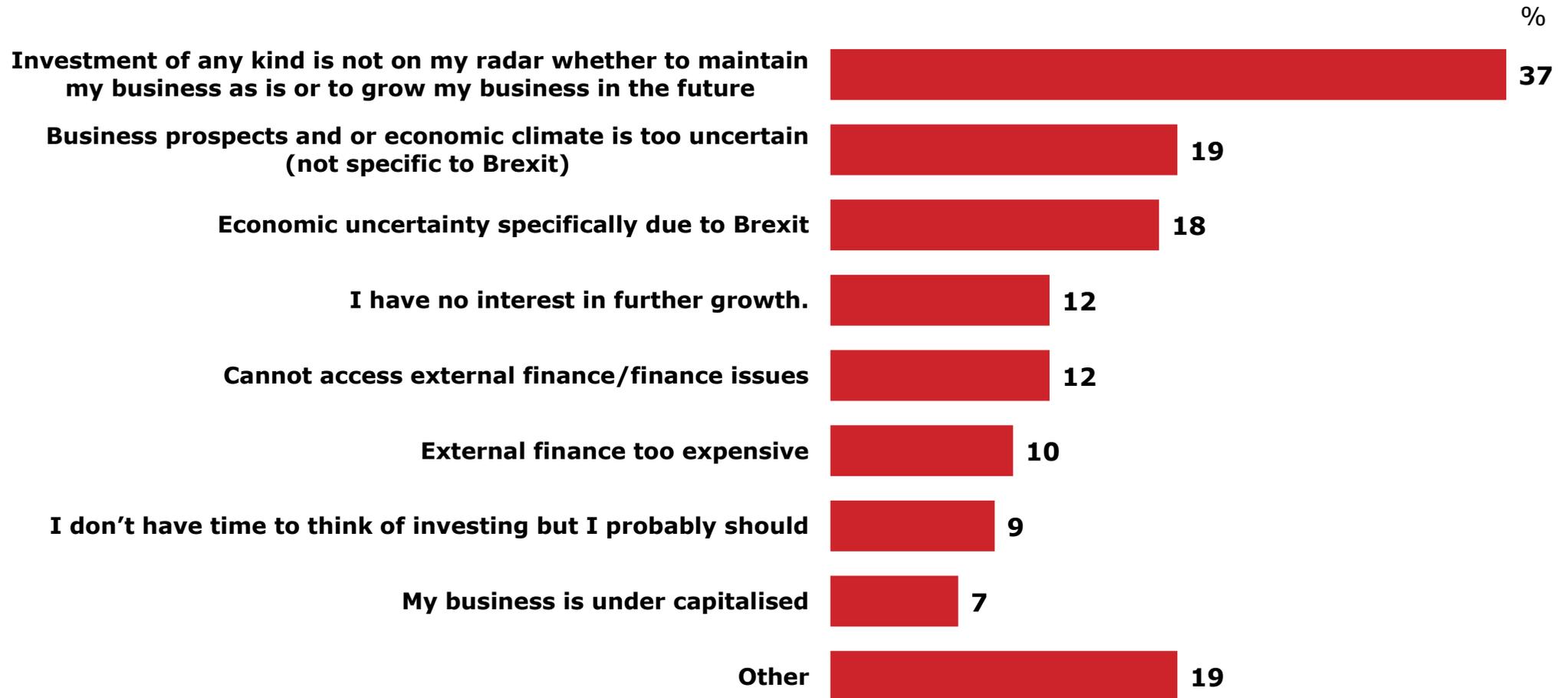
# Summary: Investment appetite for next 12 months follows a similar pattern to current investments

(Base: All SMEs – 547)



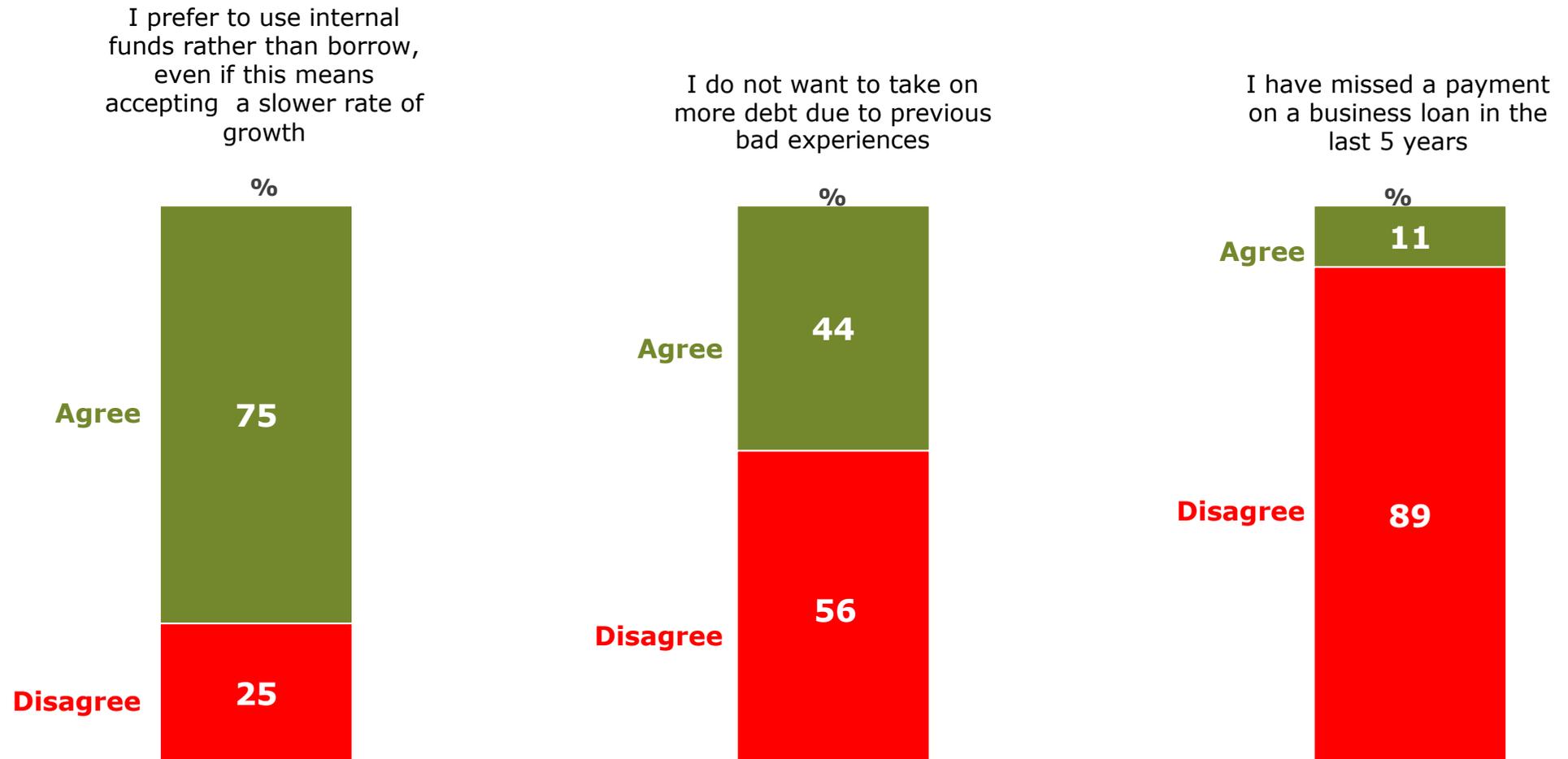
# Reasons for not planning to invest or to invest less than the business would like in the future are **driven by general market uncertainty and Brexit**

(Base: All SMEs who are not planning to invest/invest less– 314)



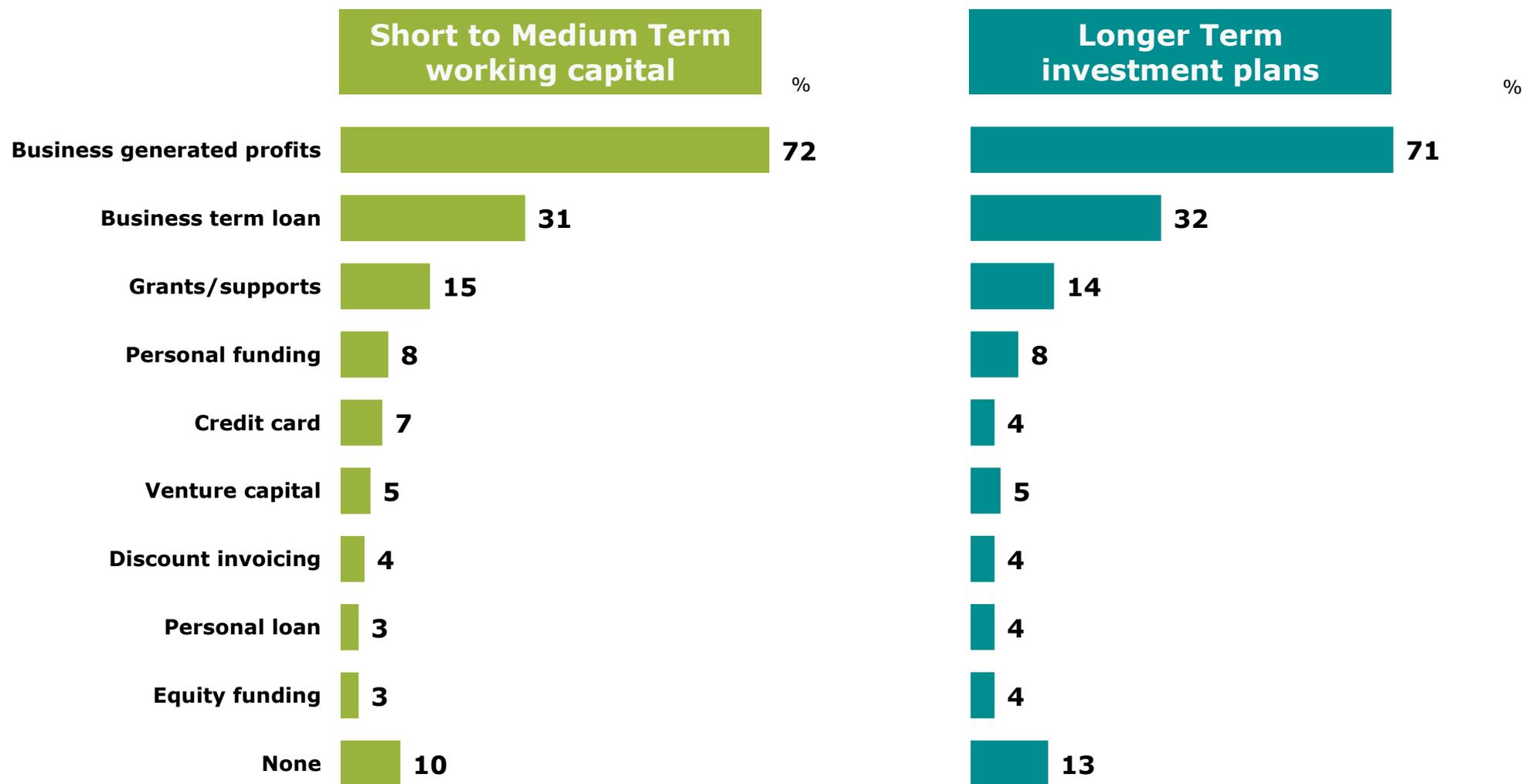
# Attitudes to Business Funding – Summary: **Most companies prefer to use internal funds rather than borrow while about 4 in 10 have had previous financial experiences they do not want to experience again.**

(Base: All SMEs – 547)



# Financial approaches for working capital and investment funding: **Company profits and business term loans are the most likely sources of both working capital and investment funding**

(Base: All SMEs – 547)

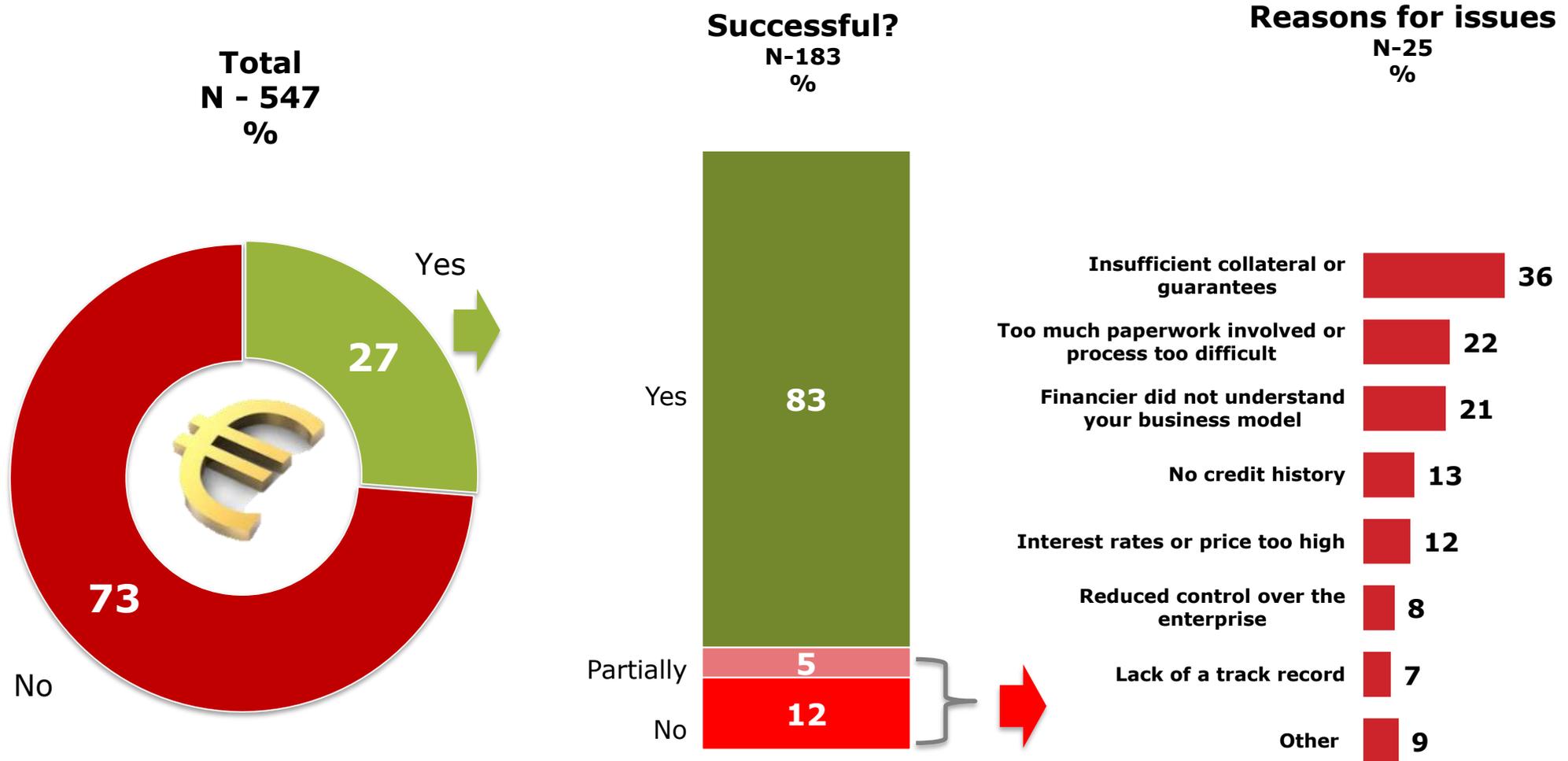


- Q.28** Which if any of the following are you intending or likely to use for short to medium term working capital (up to 3 years)?
- Q.29** And what about with regard to funding your longer-term ( i.e. over 3 years) investment plans?

# Recent funding experiences:

**An estimated 22% successfully sought external finance, compared to just 5% who were either partially successful, or unsuccessful in their application**

(Base: All SMEs – 547)



**Q.30** Over the past 12 months, did you seek external finance for your business investments?

**IF YES**

**Q.31** Were you successful in accessing this external investment finance over the past 12 months?

**Q.32** Were any of the following issues a problem for your business in terms of accessing this external financing

# Looking forward - suggested product features: **The greatest potential triggers to future finance applications are lower interest rates, followed by lower collateral requirements**

(Base: All SMEs – 547)

