



**BREXIT**  
**The view of Irish**  
**SMEs**  
**January 2017**

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7981

# 1. Methodology



# Methodology & Timings

- A Computer Aided Telephone Aided survey was conducted amongst a sample of Managers/Owners of 1,045 SME businesses in the Republic of Ireland.
- The survey data can therefore be deemed to be accurate to within  $\pm 3.2$  percentage points.
- Fieldwork was conducted over the period 9<sup>th</sup> – 25<sup>th</sup> January, 2017.
- All aspects of the study were conducted in accordance with the technical and ethical guidelines set out by the European Society for Opinion and Market Research (ESOMAR), and the Market Research Society (MRS).

# Weighting Procedures

**A sub-sample of 500 exporting SMEs was targeted (491 achieved) so as to allow for robust analysis of exporter versus non-exporter survey responses.**



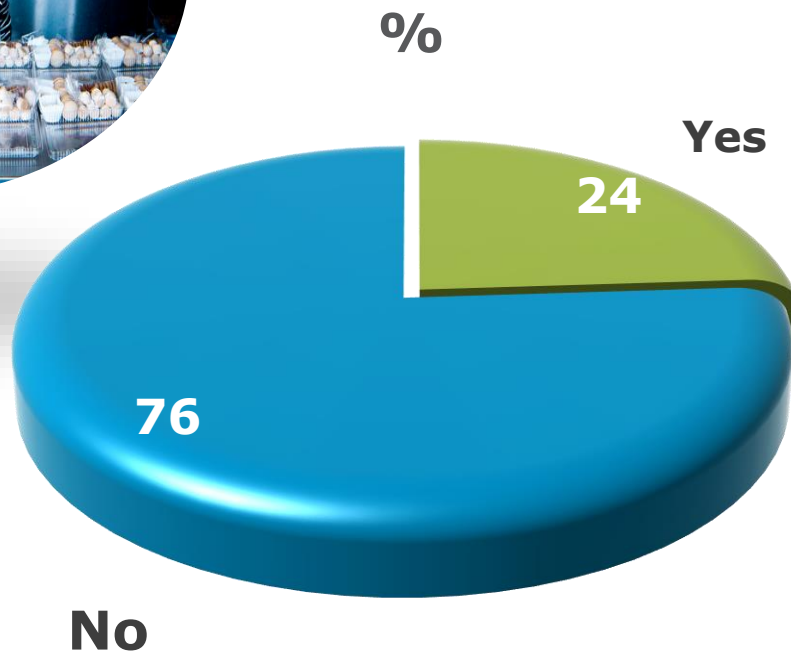
**At analysis stage, the proportion of exporting and non-exporting respondents in the sample was statistically weighted in line with the known profile of all Irish SMEs, based upon the findings of the 2016 Department of Finance SME Credit Demand survey, which was also conducted by Behaviour & Attitudes.**

# 2. Key profile information about the participants



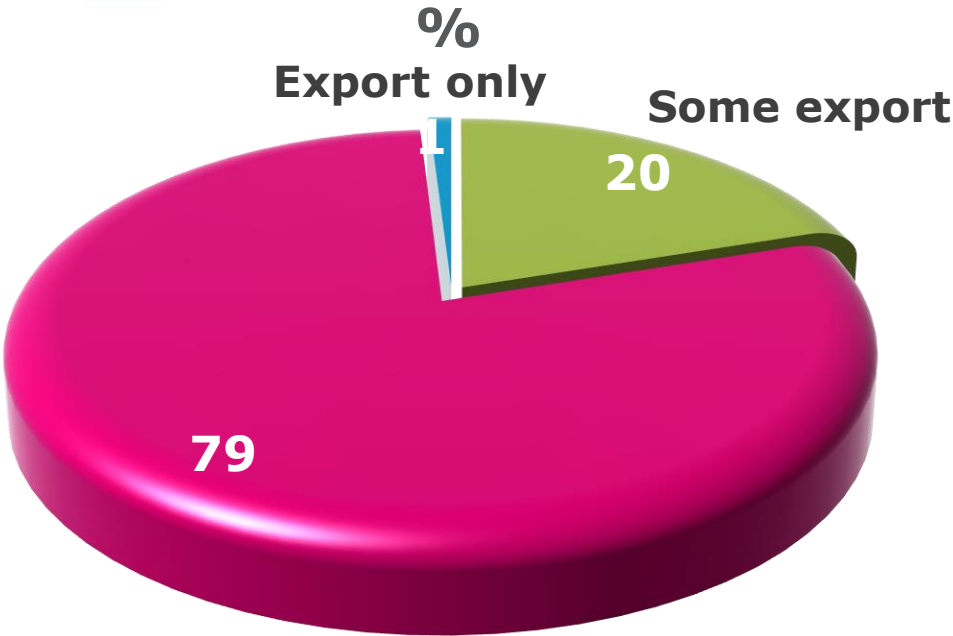
# Involvement in Food Industry:

(Base: All SMEs – 1045)



# Involvement in Exports

(Base: All SMEs – 1045)

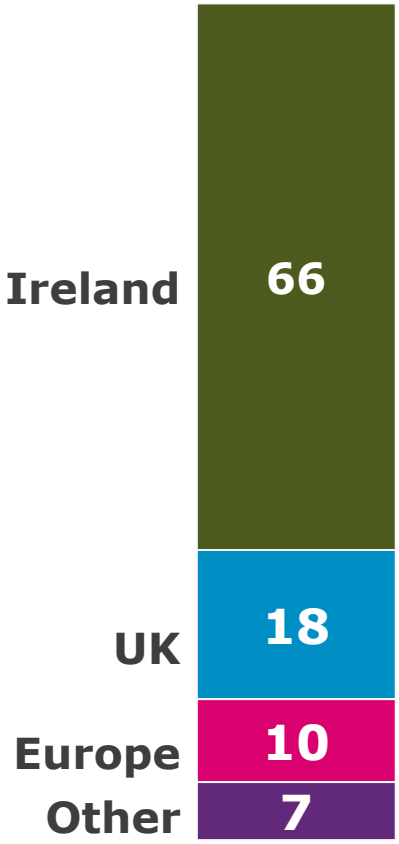


Indigenous only



## Share of all Business Operations

Any Exporting  
(491)  
%



Q.5  
Q.6

In which country or countries do you operate your business activity?  
And approximately what percentage of your business is in .. Ireland, UK, Europe beyond UK, Rest of World?



# 3. The Business Current Climate

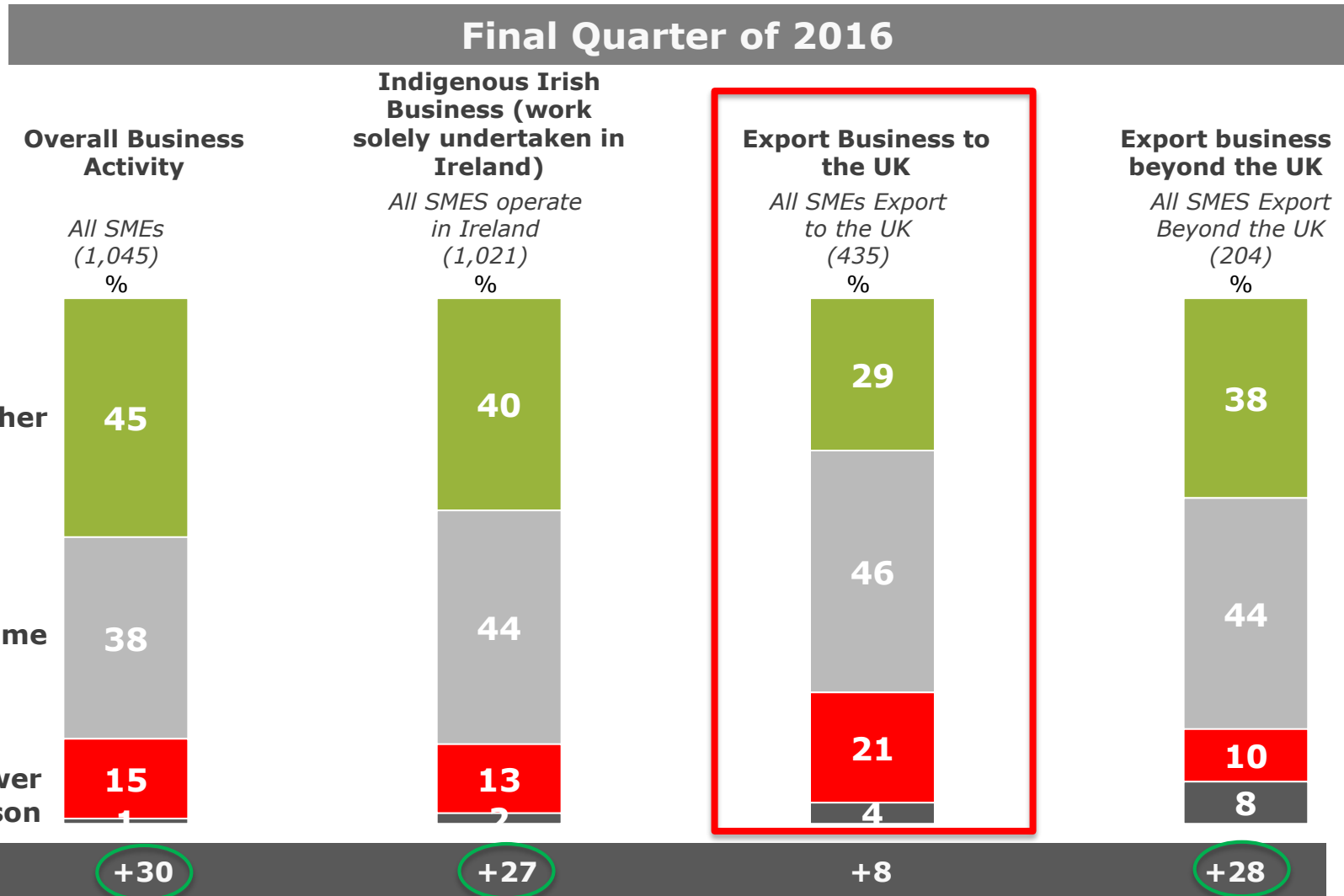




# Overall Business Activity:

Reports for last quarter of 2016 indicate strong growth for SMEs including those involved in exports. Exports to the UK are static.

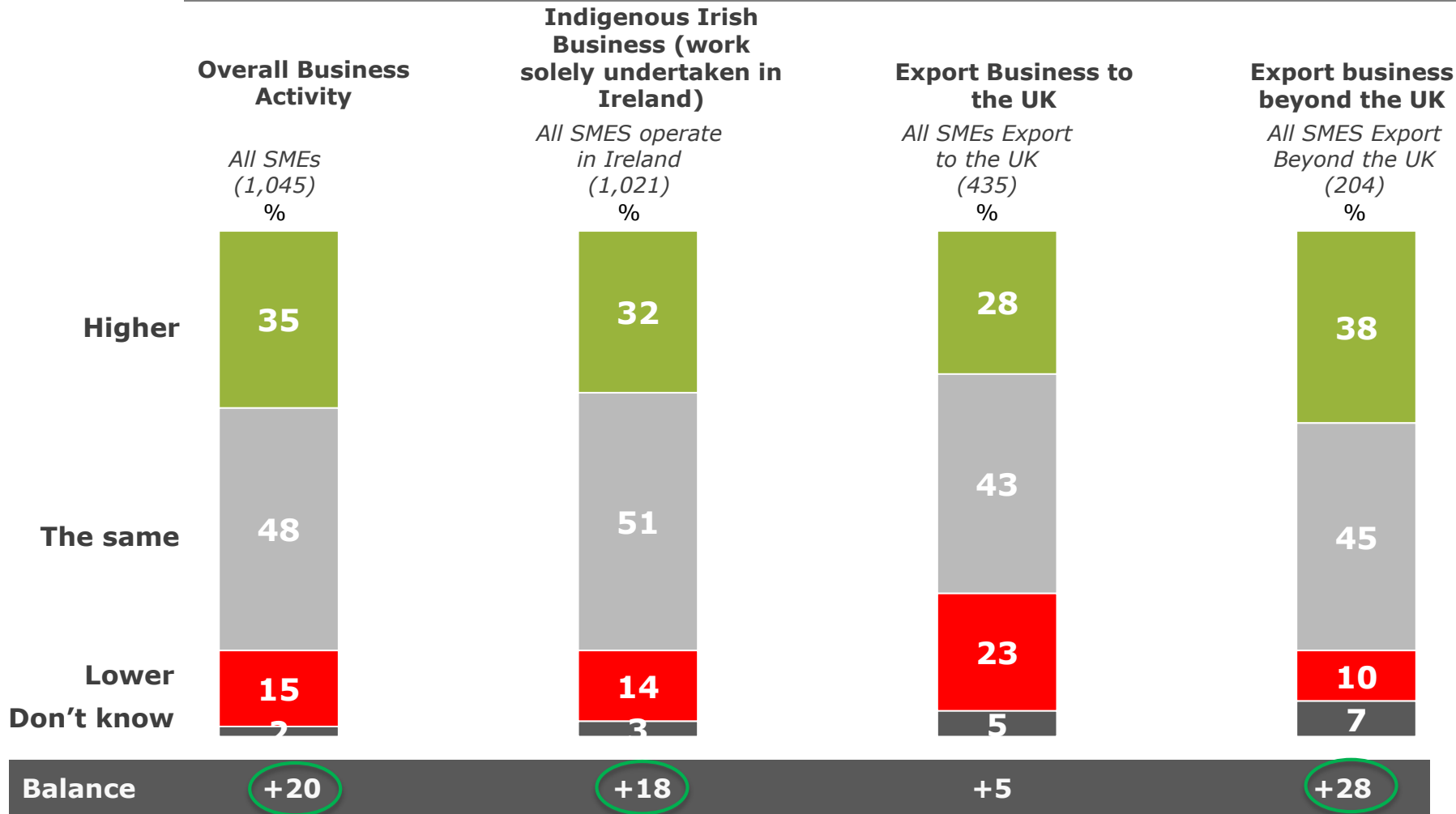
(Base: All SMEs)



Q.9-12I am going to start by asking you some questions about how your business has performed over the final quarter of 2016 - so from October to December 2016. In each case, could you tell me whether your results have been higher, lower or the same compared with the same period in 2015 (so October to December 2015). Is your ....(Q.9).  
**REPEAT FOR Qs.10-12.**

# Projected Overall Business Activity for first quarter 2017: Projections for first quarter are also strong although somewhat tempered relative to final quarter of 2016. UK exports expected to continue with little change but projected exports beyond the UK are bullish





## Looking forward to 1<sup>st</sup> Qtr 2017



**Q.13-16** For the next couple of questions, I'd like to get your views on your expectations for the **first quarter of this year – so from January to March 2017**. As before, in each case I'd like you to consider whether you think performance will be higher, lower or the same as the first quarter of 2016 (so once again, please compare your expectations with your January to March performance of 2016)

# Summary of current and projected business activities

(Base: All SMEs)

		Reported	Anticipated	Significant shift vs anticipated @ 95% level
		Final Qtr 2016	1 <sup>st</sup> Qtr. 2017	
	<b>Overall Business Activity</b> All SMES (1,045)	+30%	+20%	✓
	<b>Indigenous Business</b> All SMES operate in Ireland (1,021)	+27%	+18%	✓
	<b>UK Export</b> All SMES Export to the UK (435)	+8%	+5%	No difference
	<b>Exports beyond UK</b> All SMES Export Beyond the UK (204)	+28%	+28%	No difference

**Business confidence has been strong but is weaker looking forward. Projected UK exports are static but in line with last year while exports beyond the UK remain strong.**



# 4. Impact of Brexit Vote

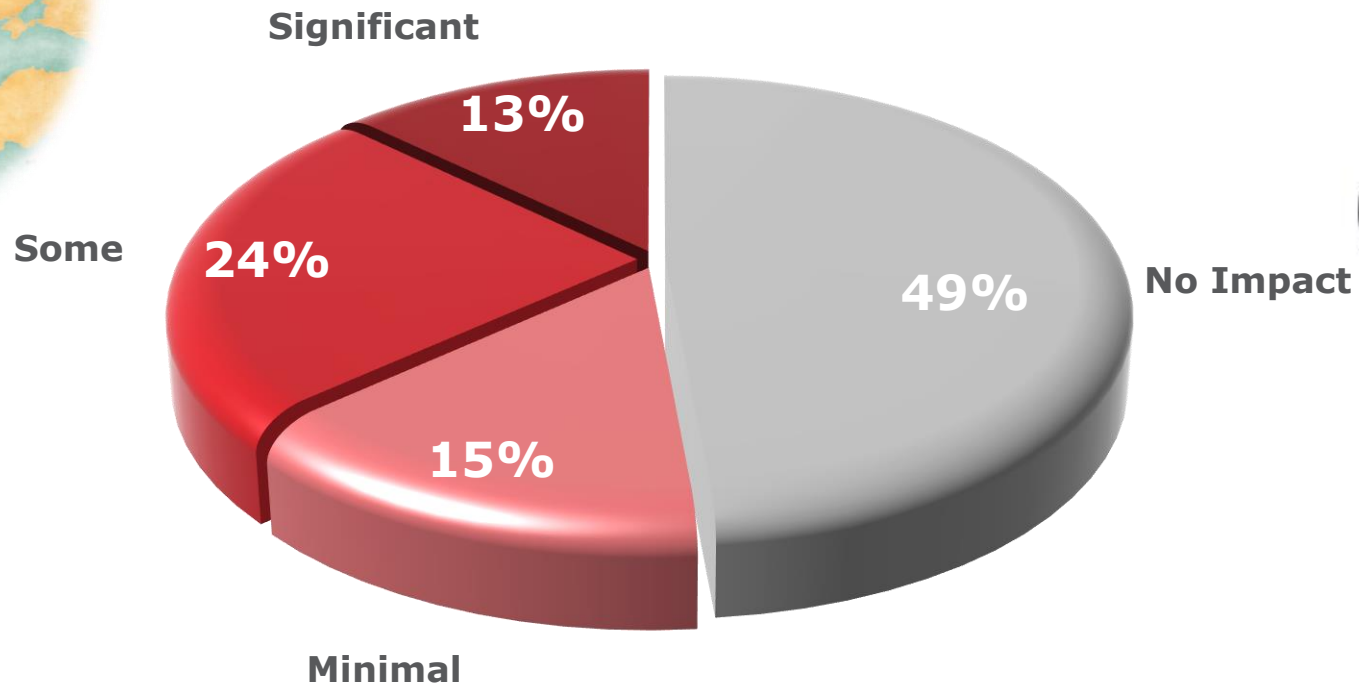


# Summary of Brexit Vote Impact to date

(Base: All SMEs – 1045)



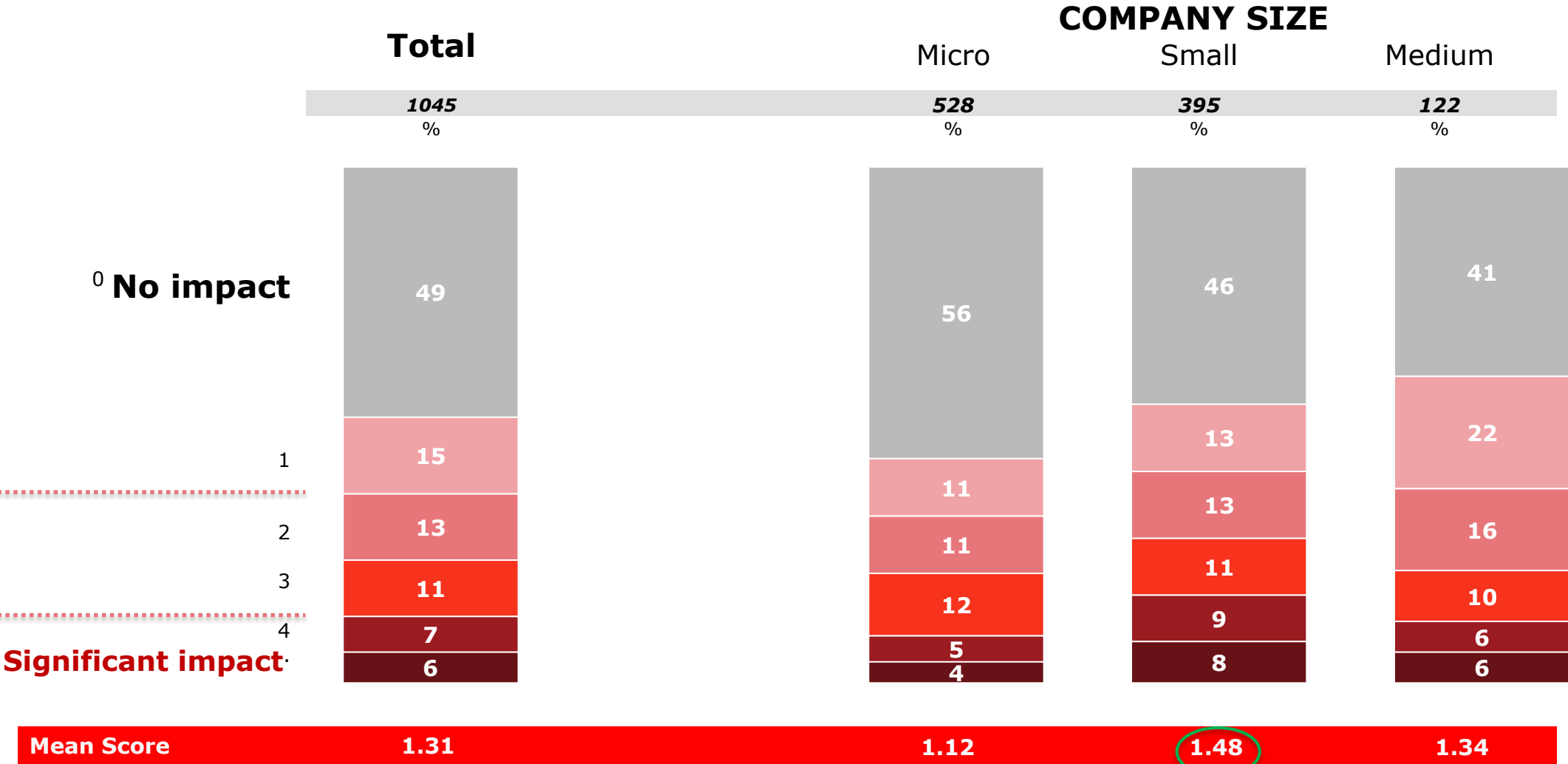
## All SMEs



**Q.17** 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: 13% claim to be strongly impacted. This is highest among 'small' SMEs.

(Base: All SMEs – 1045)

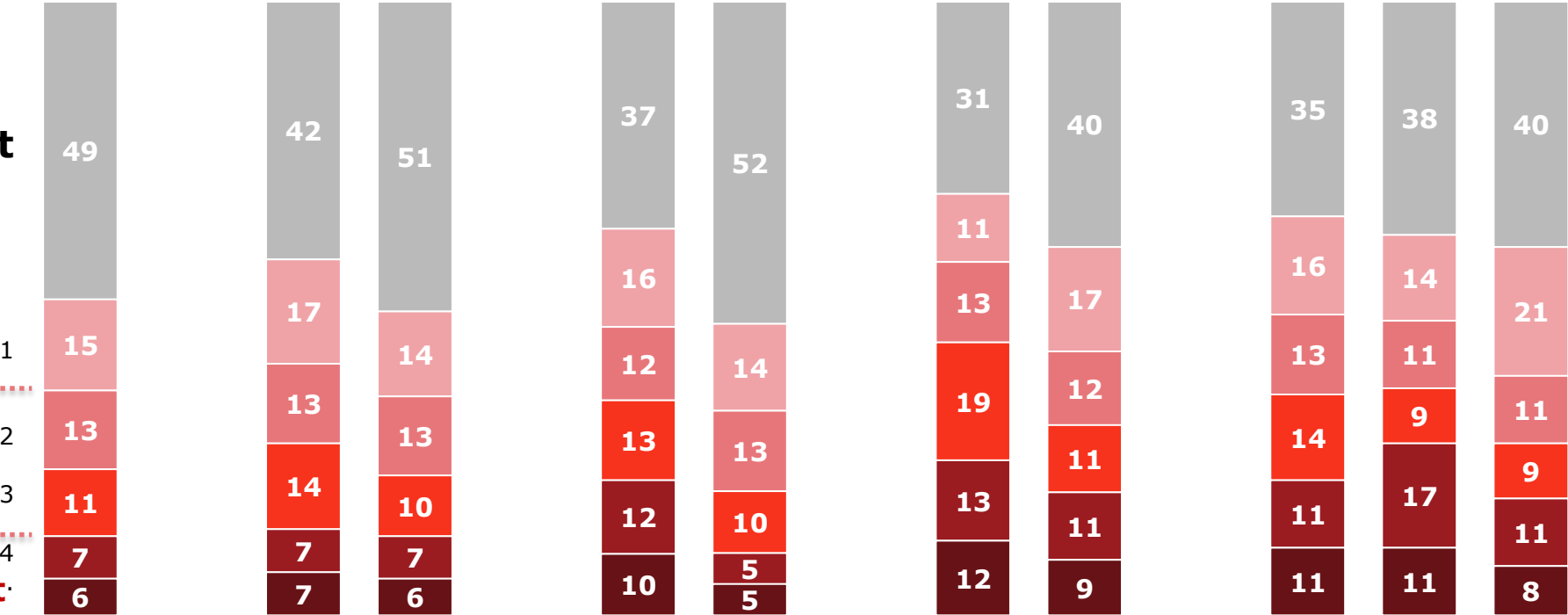


# Impact of Brexit Vote: Brexit is most strongly felt among SMEs who export and within the food sector.

(Base: All SMEs – 1045)

Total	Food Industry Overall		Any Export		Exporting		Exporting to			
	All SMEs	Yes	No	Any Export	No Export	Food	Non Food	UK	Europe	Other
<b>1045</b>	<b>220</b>	<b>825</b>	<b>491</b>	<b>554</b>	<b>113</b>	<b>378</b>	<b>435</b>	<b>155</b>	<b>119</b>	
%	%	%	%	%	%	%	%	%	%	%

0 No impact



Mean Score

1.31

1.48

1.25

1.76

1.19

2.06

1.64

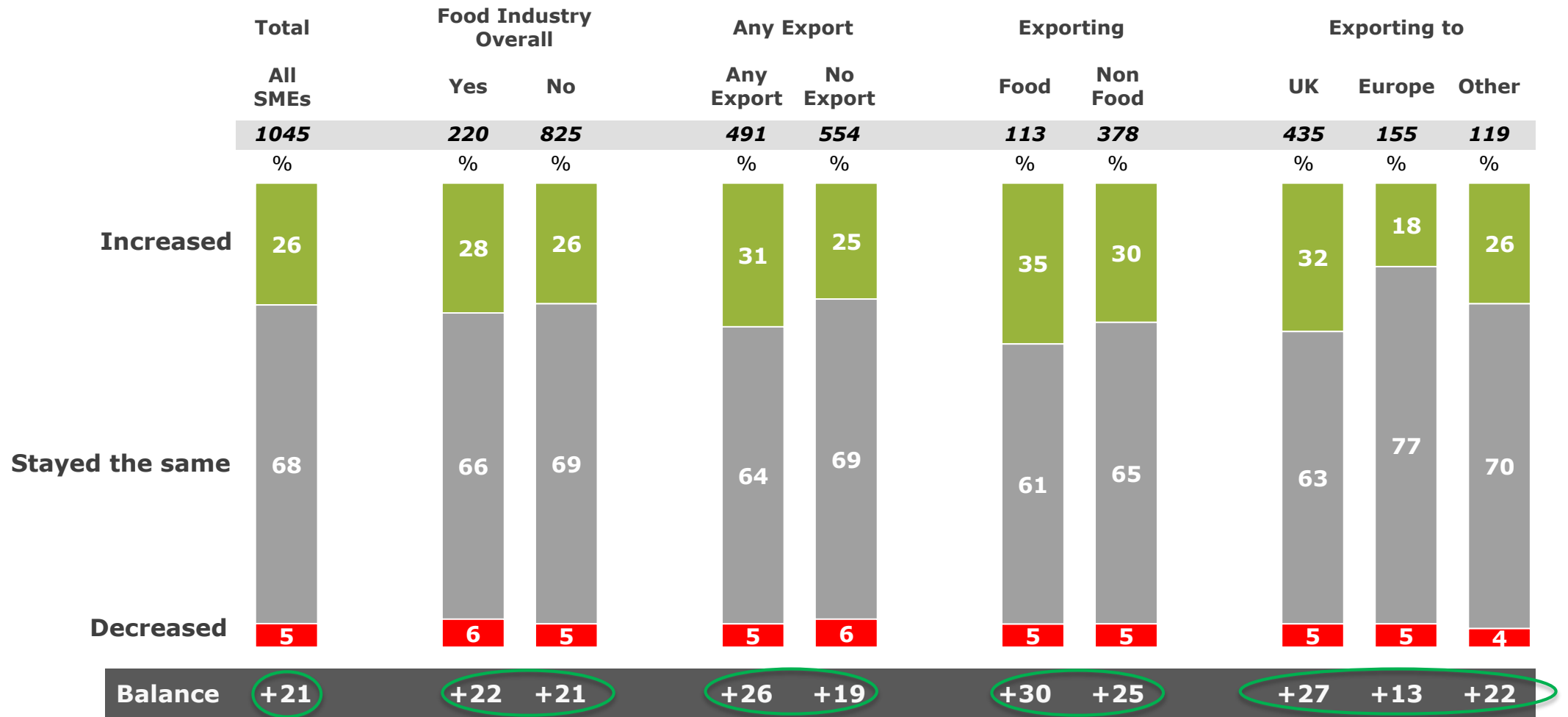
1.83

1.87

1.53

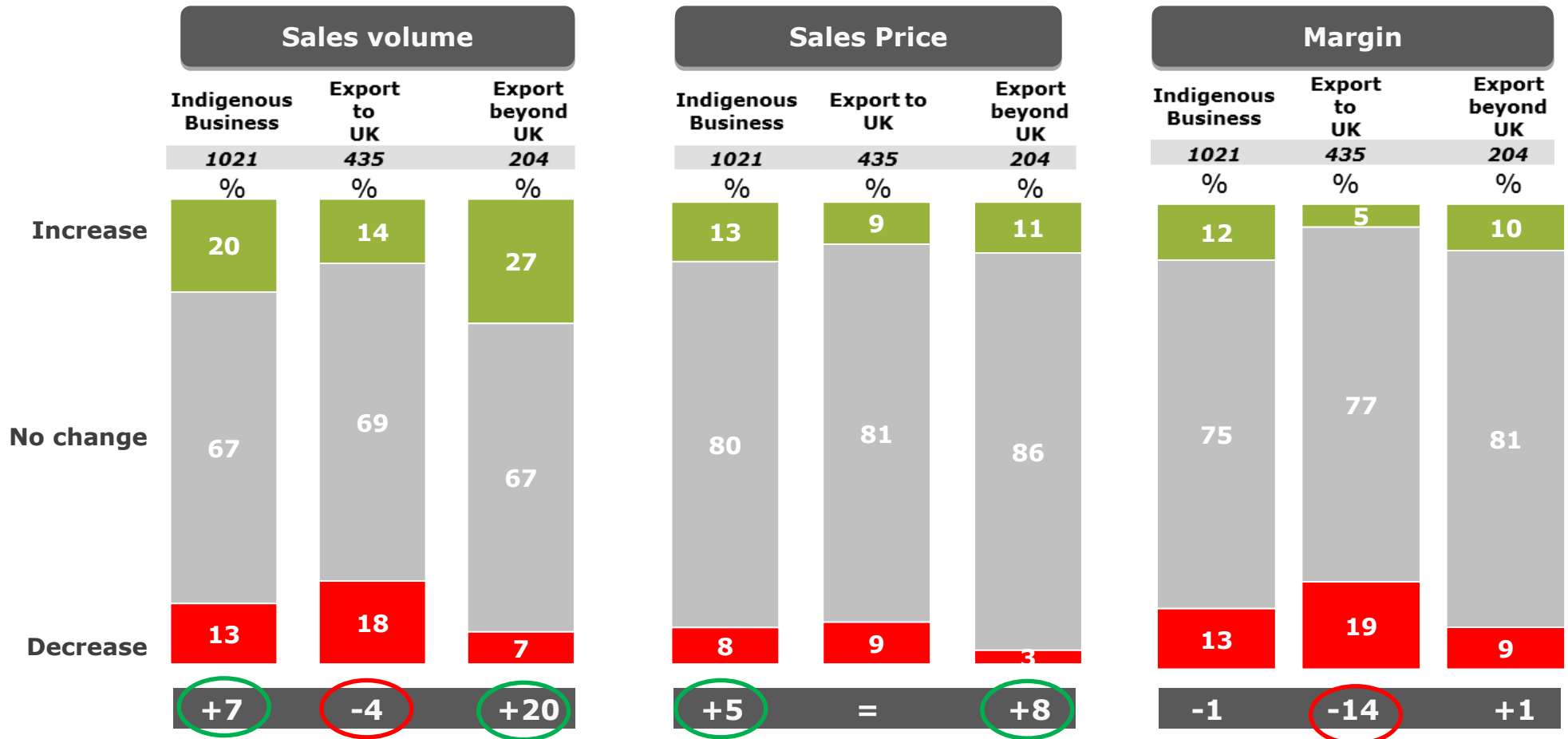
# Price Competition from UK Suppliers on the Irish Market has increased, particularly in food industry

(Base: All SMEs – 1045)





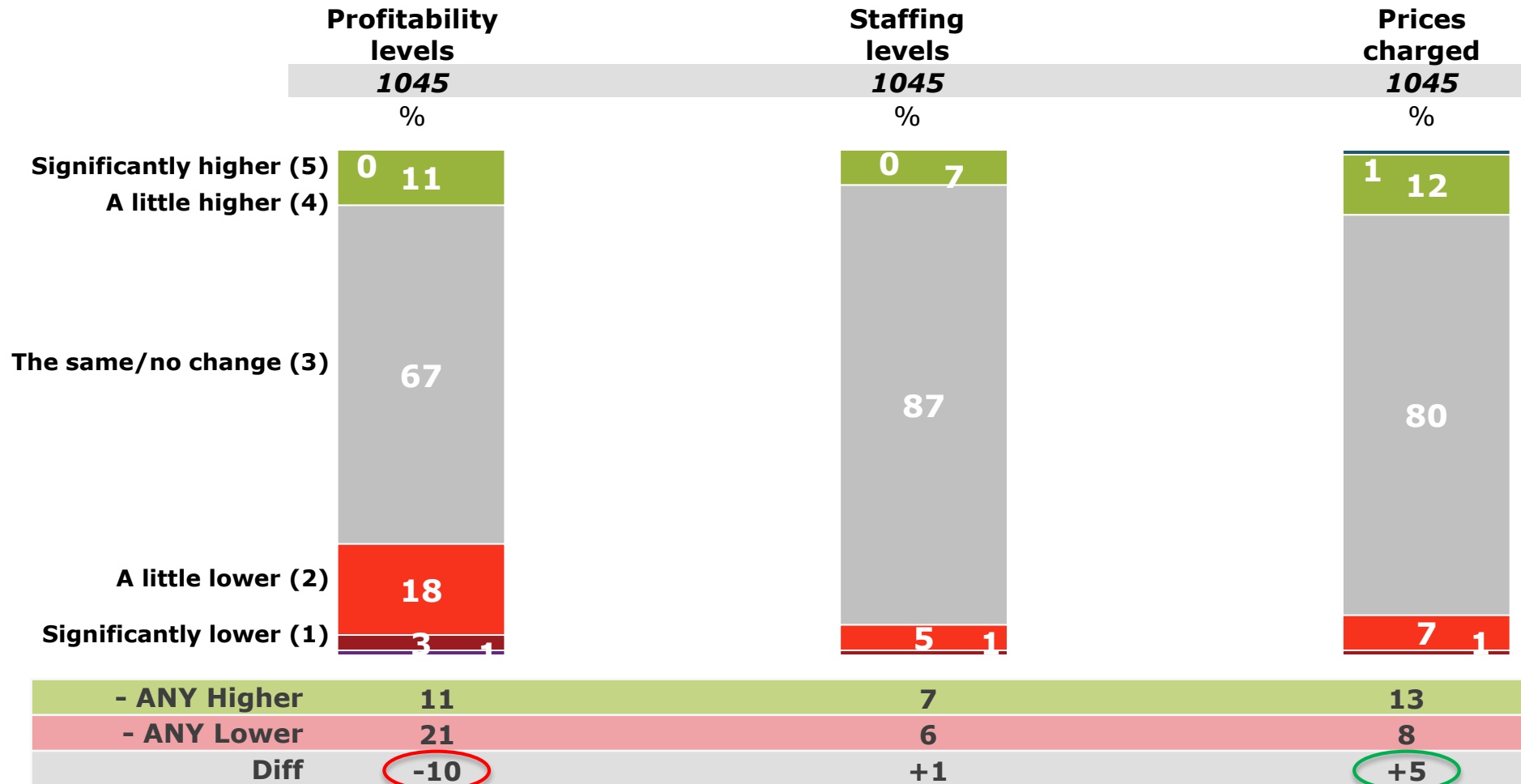
# Brexit Announcement Impact: Post announcement, UK exports are showing a small decline while margins on this business have decreased more rapidly. In contrast domestic market volumes and exports beyond the UK are strong



- Q.31 Now I would like you to consider sales and prices. Since last June when Brexit was announced, which of any of the following have you experienced in relation to your indigenous business?
- Q.32 And which of the following have you experienced for UK export business?
- Q.33 And which of the following have you experienced for exports beyond the UK?

# Impact of Brexit Vote: Since Brexit, some companies have introduced a price increase but it does not seem to have impact staffing levels. Profitability is clearly lower however.

(Base: All SMEs – 1045)



# Since Brexit –A Deep Dive into Staffing Levels:

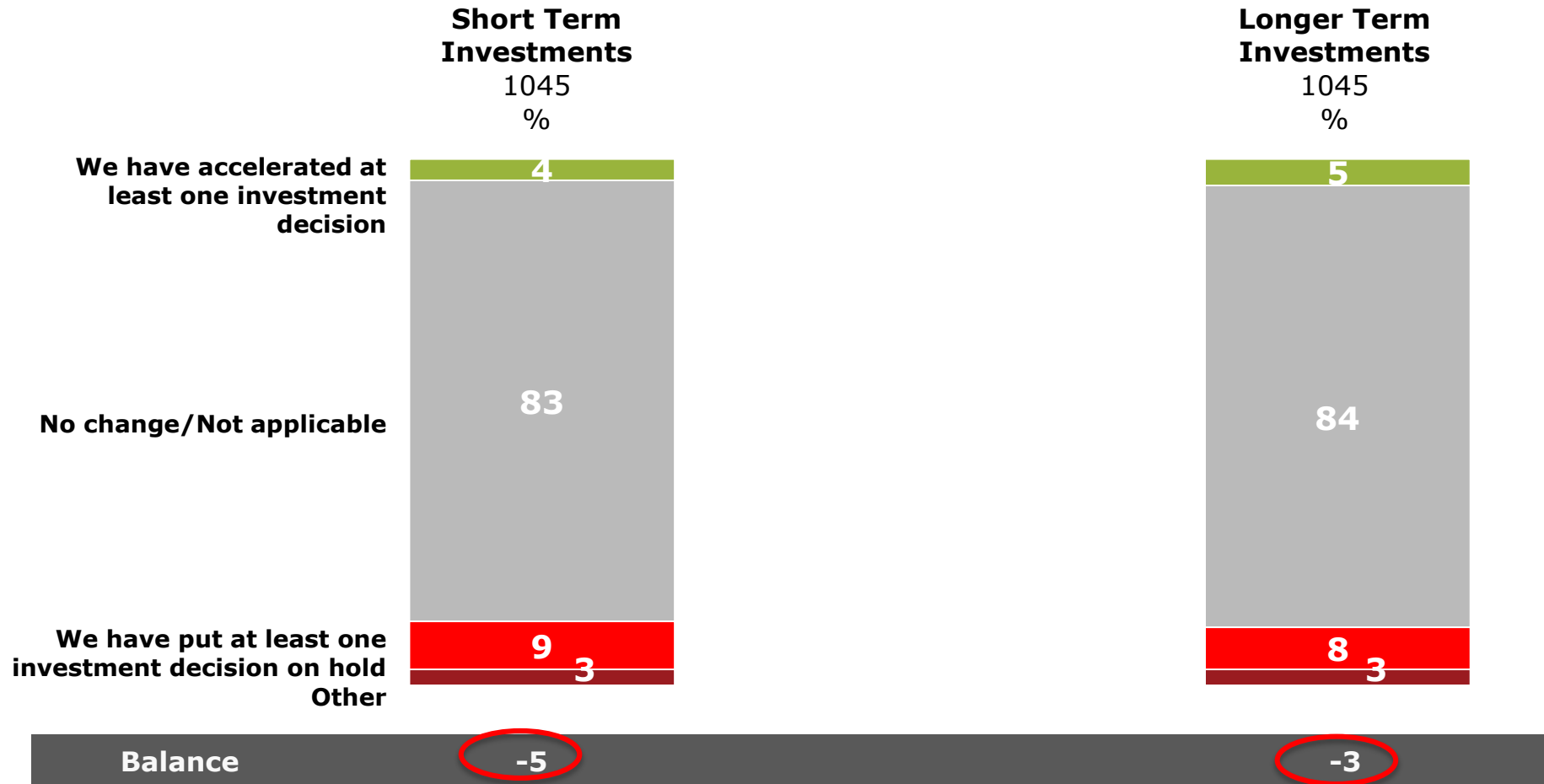
## The data tests indicate stability with no real change to staffing levels

(Base: All SMEs – 1045)



# At a low level, there is evidence of some impact on both short and longer term investments

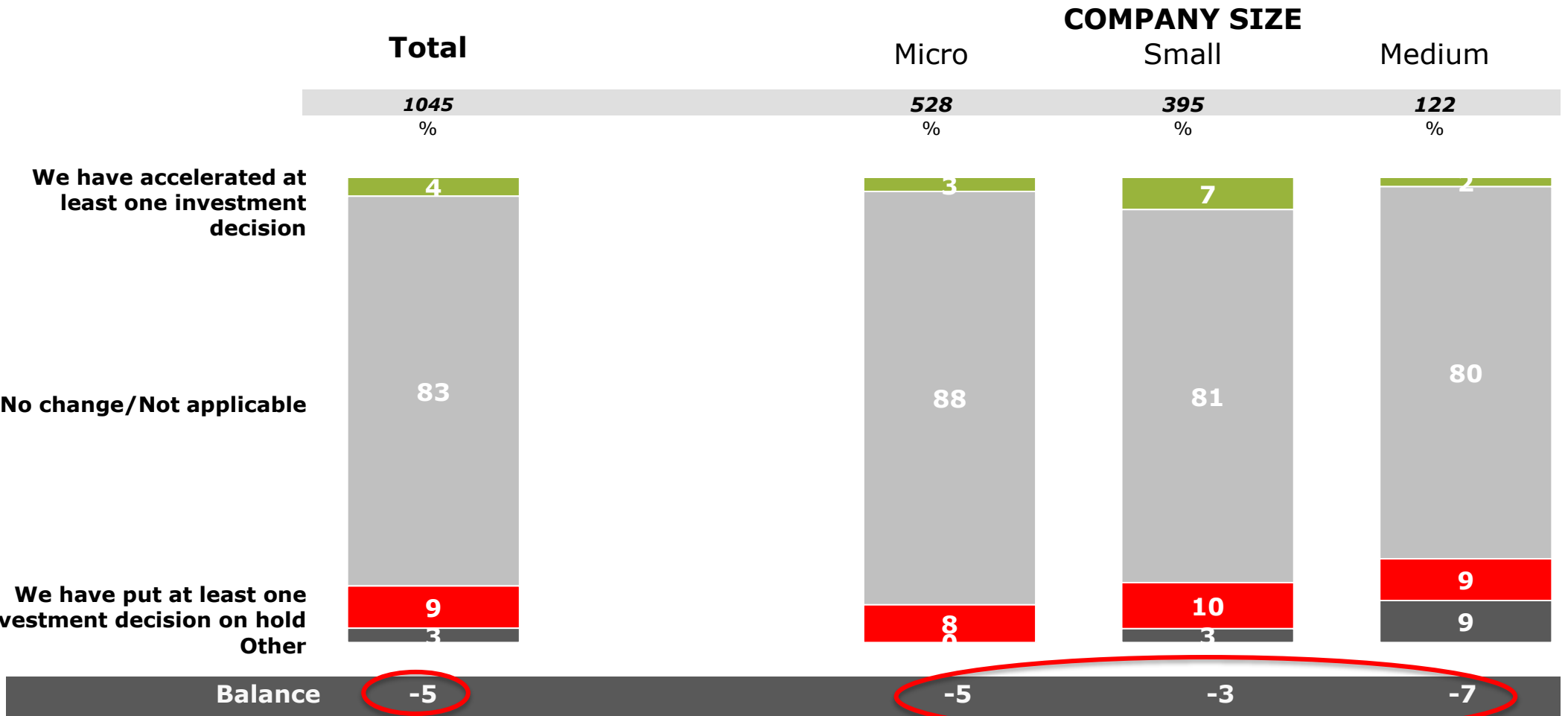
(Base: All SMEs – 1045)



- Q.21 Since June of 2016, which statement best describes what actions you have taken in relation to your **short term** investment decisions?
- Q.22 Since June of 2016, which statement best describes what actions you have taken in relation to your **long term** investment decisions?

# Actions taken re **short term** investment decisions? Investment impact since Brexit announcement falls on the negative side

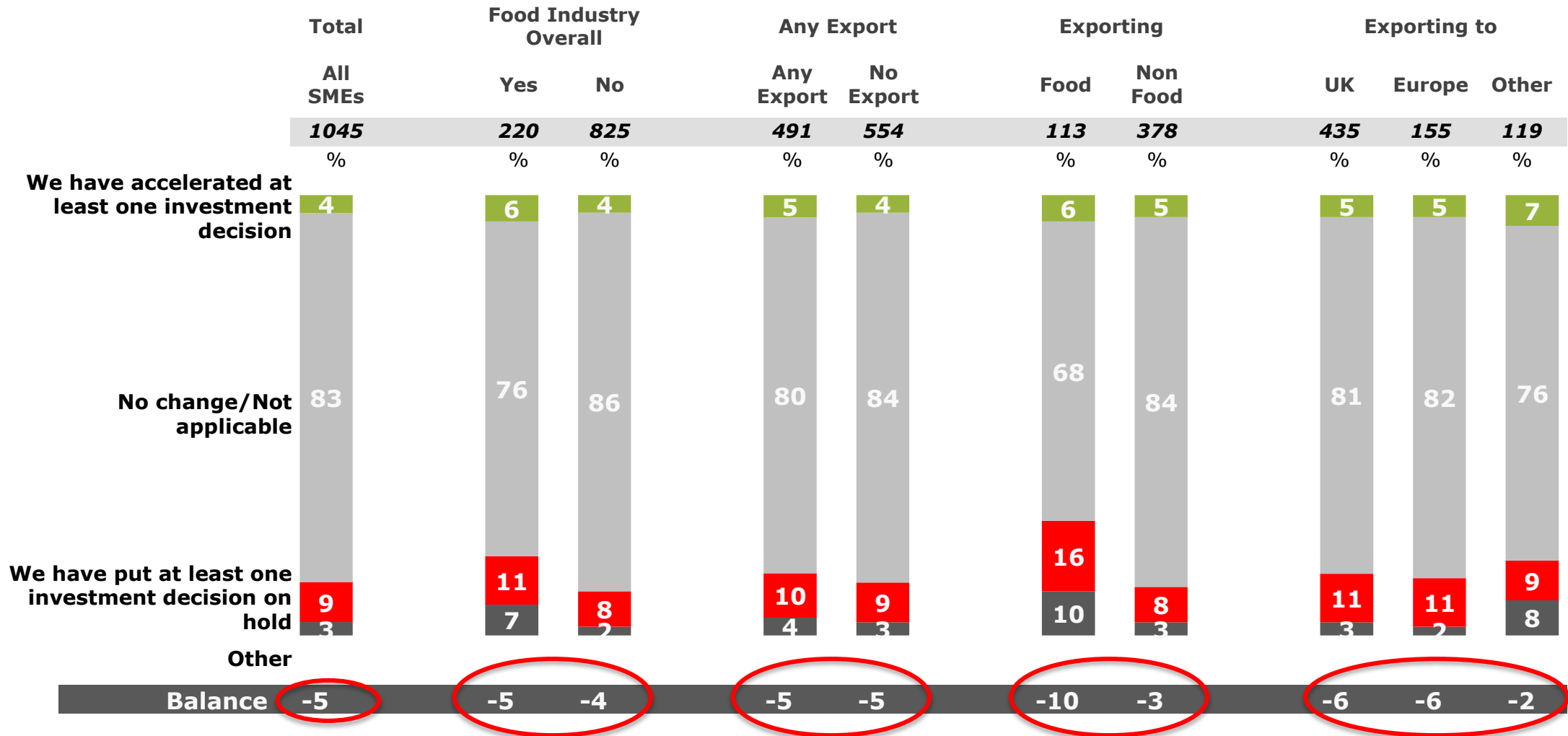
(Base: All SMEs – 1045)



# Actions taken re **short term** investment decisions?

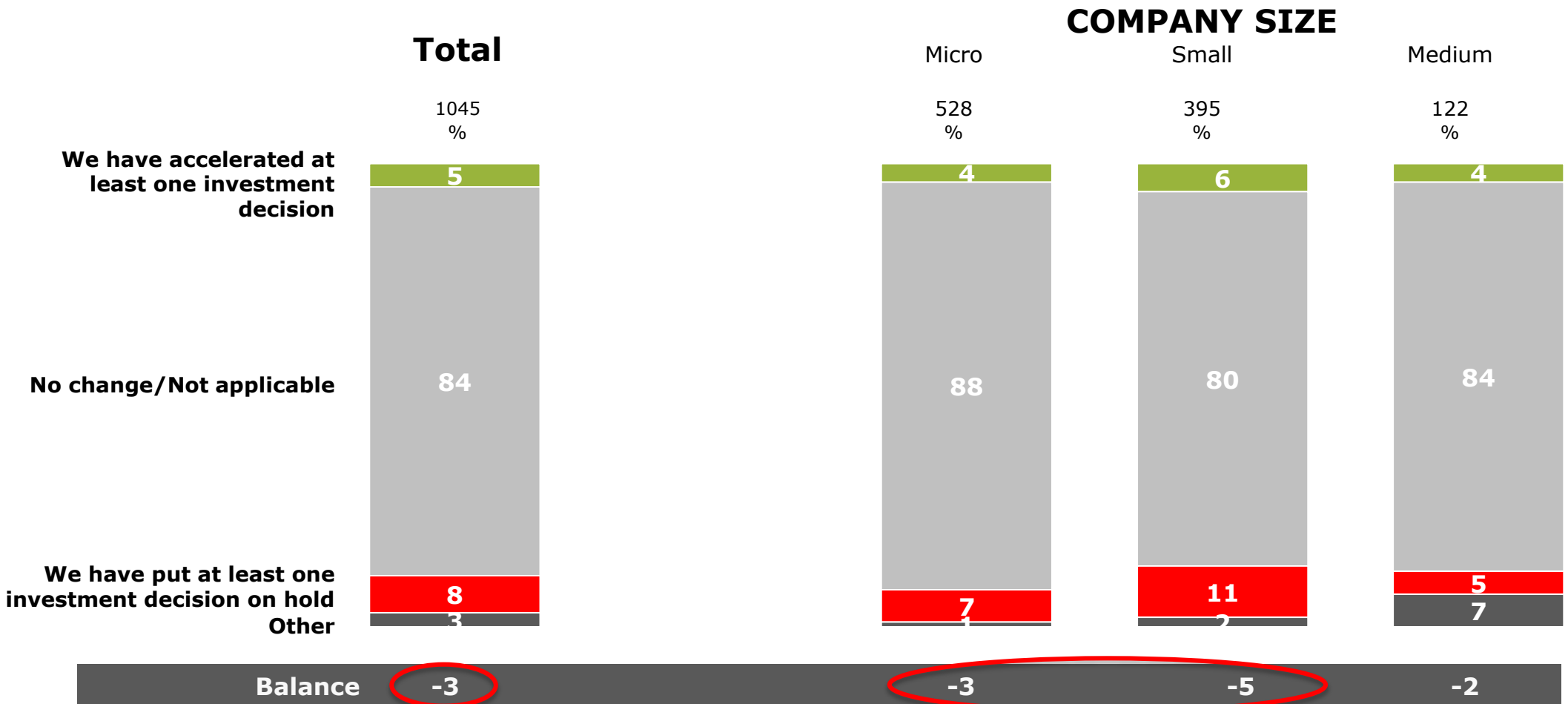
## Impact strongest among those exporting food

(Base: All SMEs – 1045)



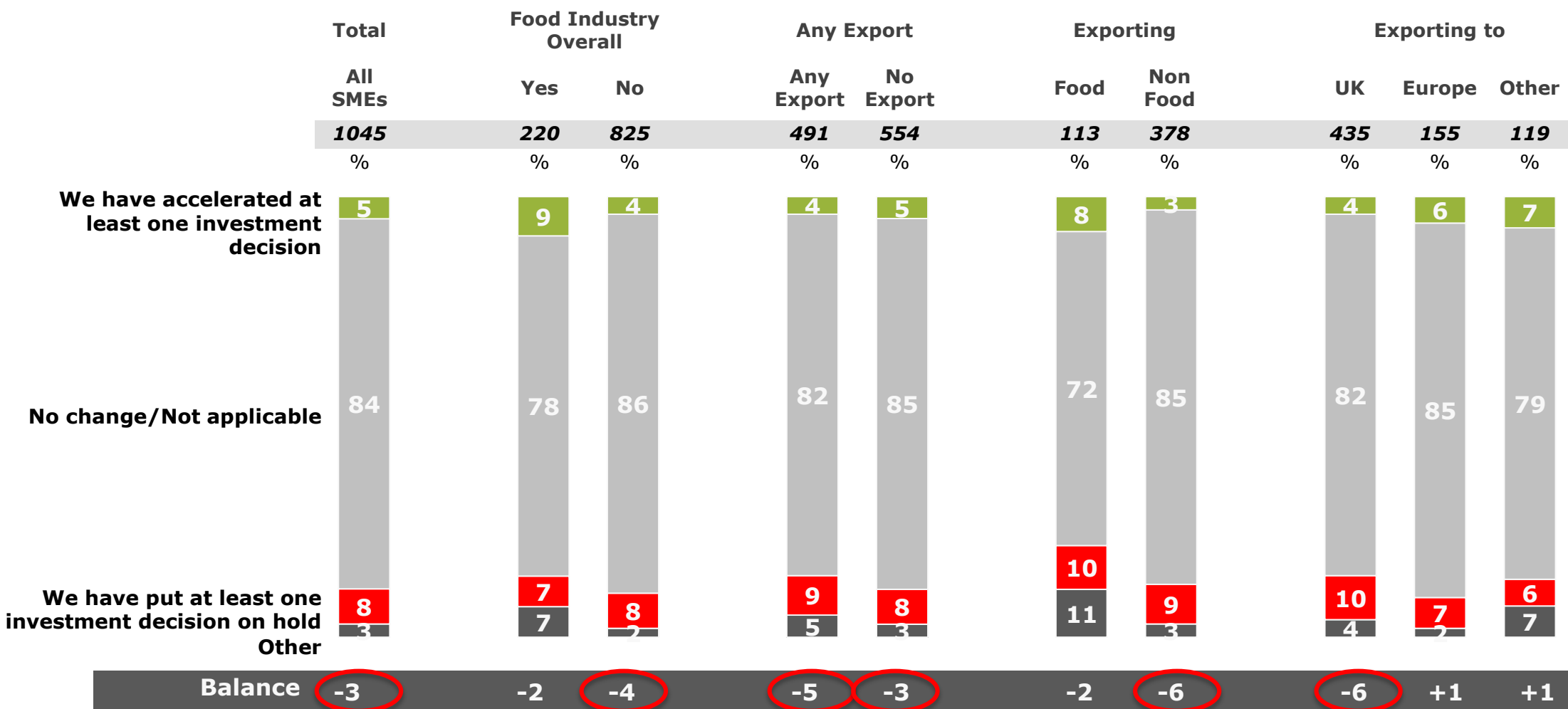
# Actions taken re **long term** investment decisions are evident but are most evident for smaller SMEs

(Base: All SMEs – 1045)



# Actions taken re **long term** investment decisions are most notable amongst those exporting to the UK and Non food exports

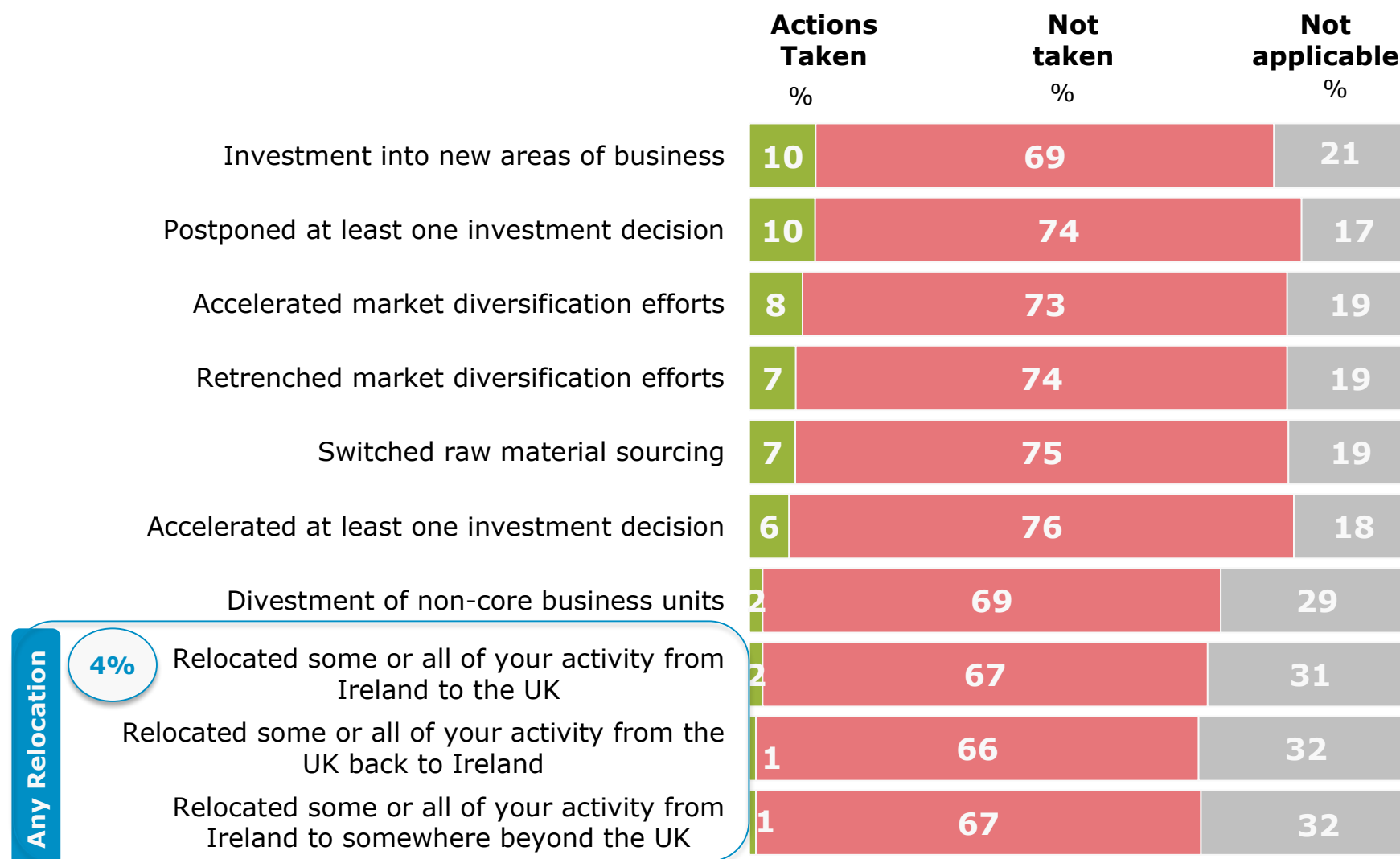
(Base: All SMEs – 1045)





# Business actions taken since Brexit Announcement are varied

(Base: All SMEs – 1045)



# Deep Dive into actions taken since Brexit Announcement: Actions indicate that exporting businesses are very aggressive in looking for new areas for business

(Base: All SMEs – 1045)

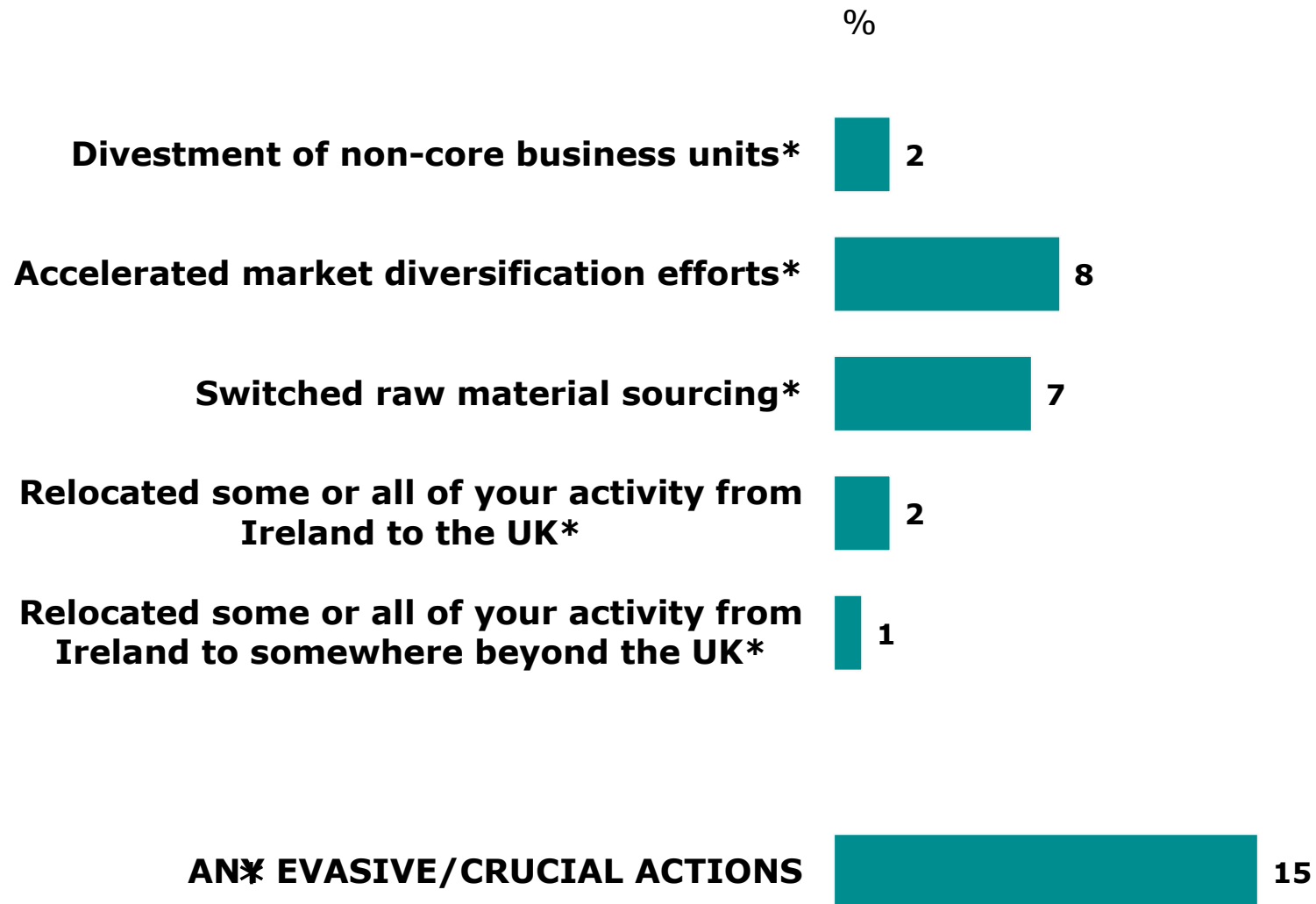
	Total	Food Industry Overall		Any Export		Exporting		Exporting to		
	All SMEs	Yes	No	Any Export	No Export	Food	Non Food	UK	Europe	Other
<b>Base:</b>	<b>1045</b>	<b>220</b>	<b>825</b>	<b>491</b>	<b>554</b>	<b>113</b>	<b>378</b>	<b>435</b>	<b>155</b>	<b>119</b>
	%	%	%	%	%	%	%	%	%	%
Investment into new areas of business	10	17	8	19	7	23	18	18	23	34
Postponed at least one investment decision	10	12	9	13	9	16	12	13	14	15
Accelerated market diversification efforts	8	10	7	13	6	15	13	14	17	22
Retrenched market diversification efforts	7	9	6	8	7	11	7	8	11	10
Switched raw material sourcing	7	11	5	8	6	8	8	9	8	5
Accelerated at least one investment decision	6	8	5	8	5	8	8	9	10	9
Divestment of non-core business units	2	3	2	3	2	4	2	3	2	2
Relocated some or all of your activity from Ireland to the UK	2	3	2	3	2	5	2	3	3	1
Relocated some or all of your activity from the UK back to Ireland	1	2	1	3	1	2	3	3	3	2
Relocated some or all of your activity from Ireland to somewhere beyond the UK	1	2	1	2	1	3	2	3	5	5



**Q.23** Which of any of the following have you activated since the Brexit announcement in June 2016?

# Summary of crucial actions taken by SMEs

(Base: All SMEs – 1045)



# 5. Expected Future Impact

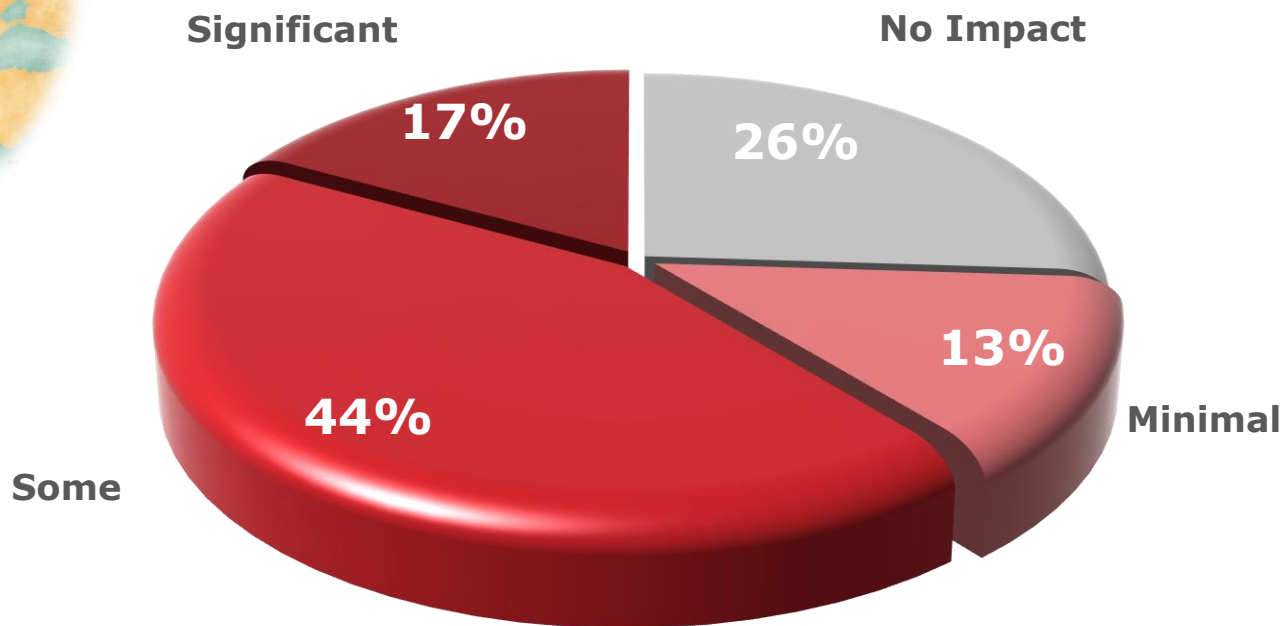


# Summary of Brexit Vote Impact Looking ahead (Base: All SMEs – 1045)



Looking ahead,  
expected impact  
of Brexit on  
business ...

## All SMEs



**Q.24**  
much  
are

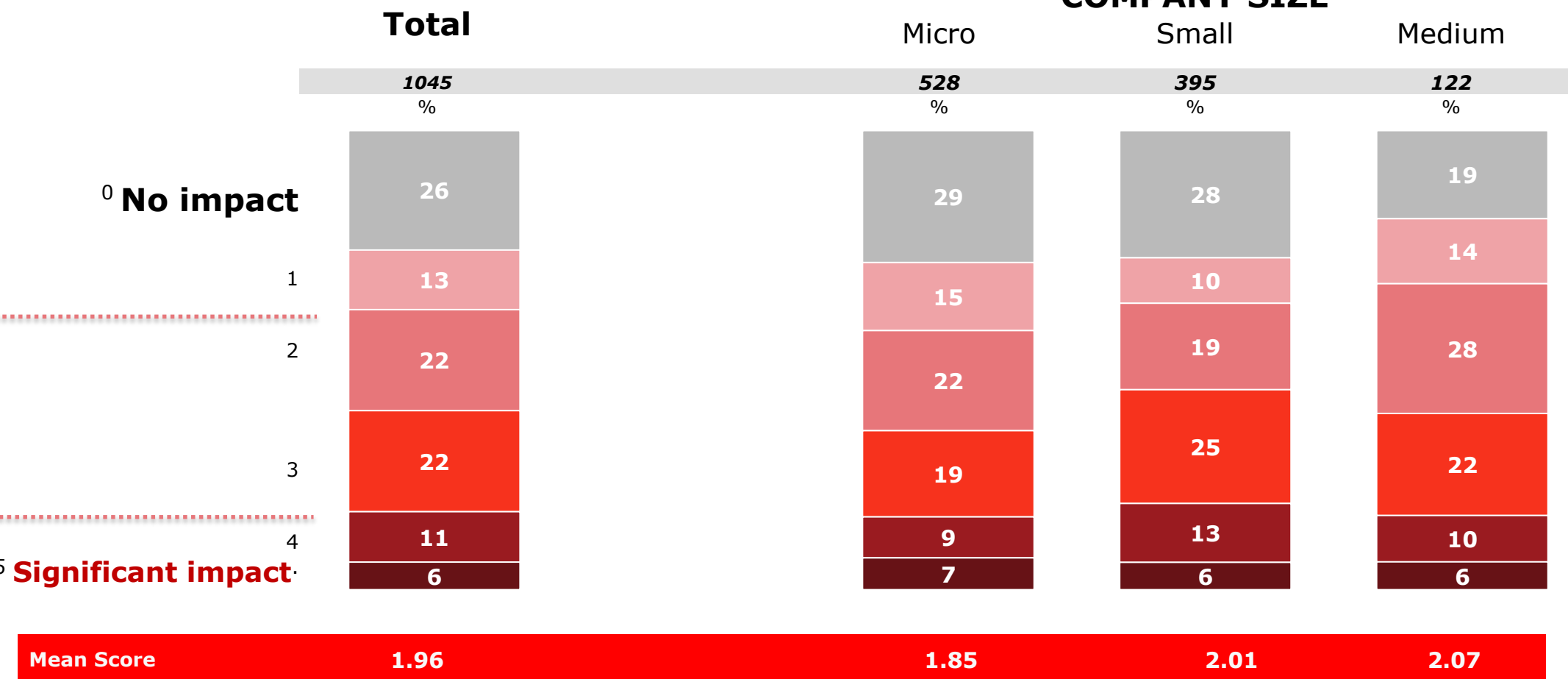
And looking forward over the medium term, say the next 18 months or so, on a scale of 0-5 how impact, if any, do you expect Brexit will have on your business? 0 means no impact and 5 means you expecting a significant level of impact. Once again, please remember this can be either a positive or a negative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

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# Expected impact of Brexit over next 18 months is higher than impact experienced to date (17% with a significant expected impact) and importantly considerably fewer expect no impact at all.

(Base: All SMEs – 1045)

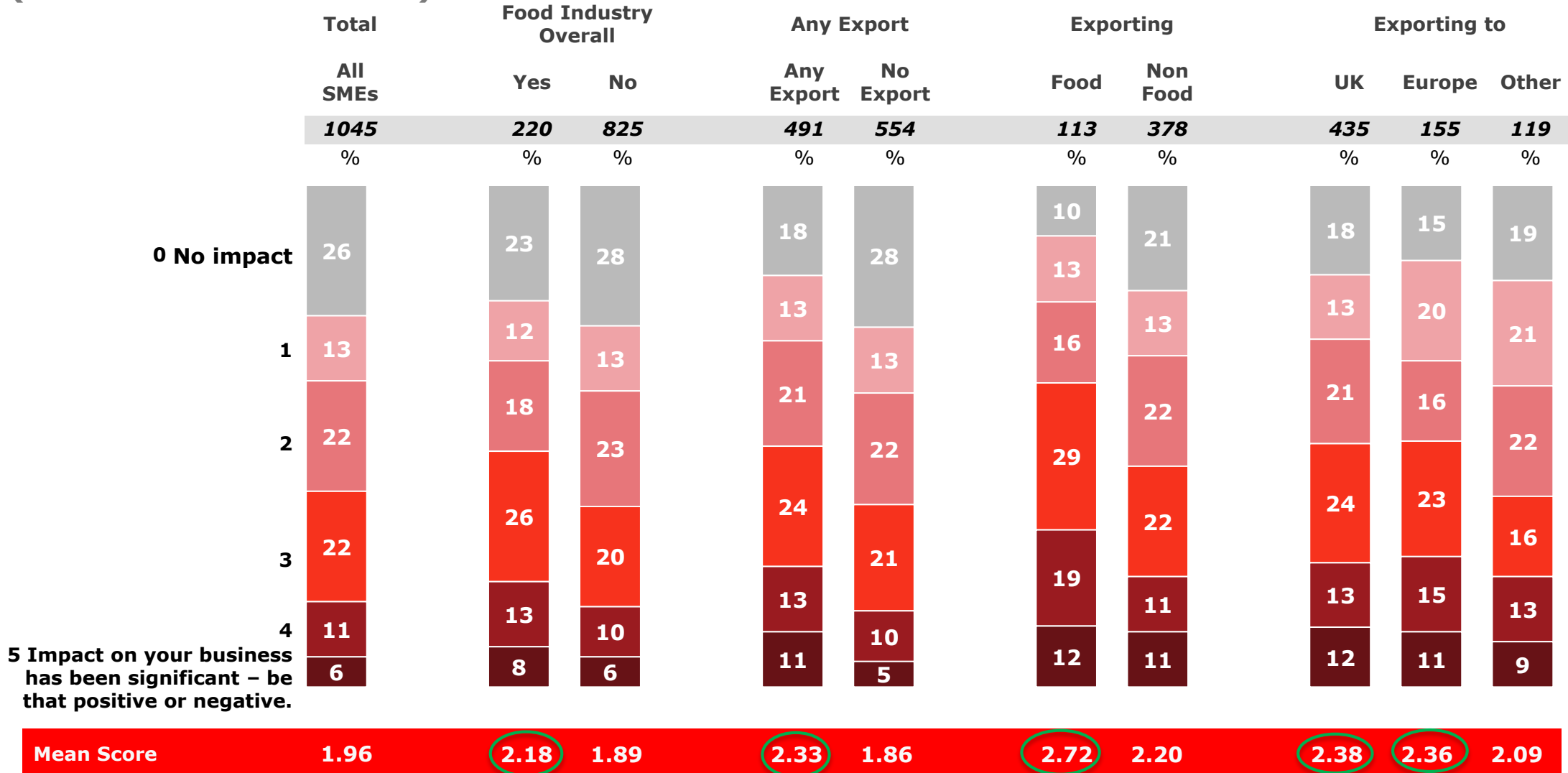
## COMPANY SIZE



# Expected impact of Brexit over next 18 months

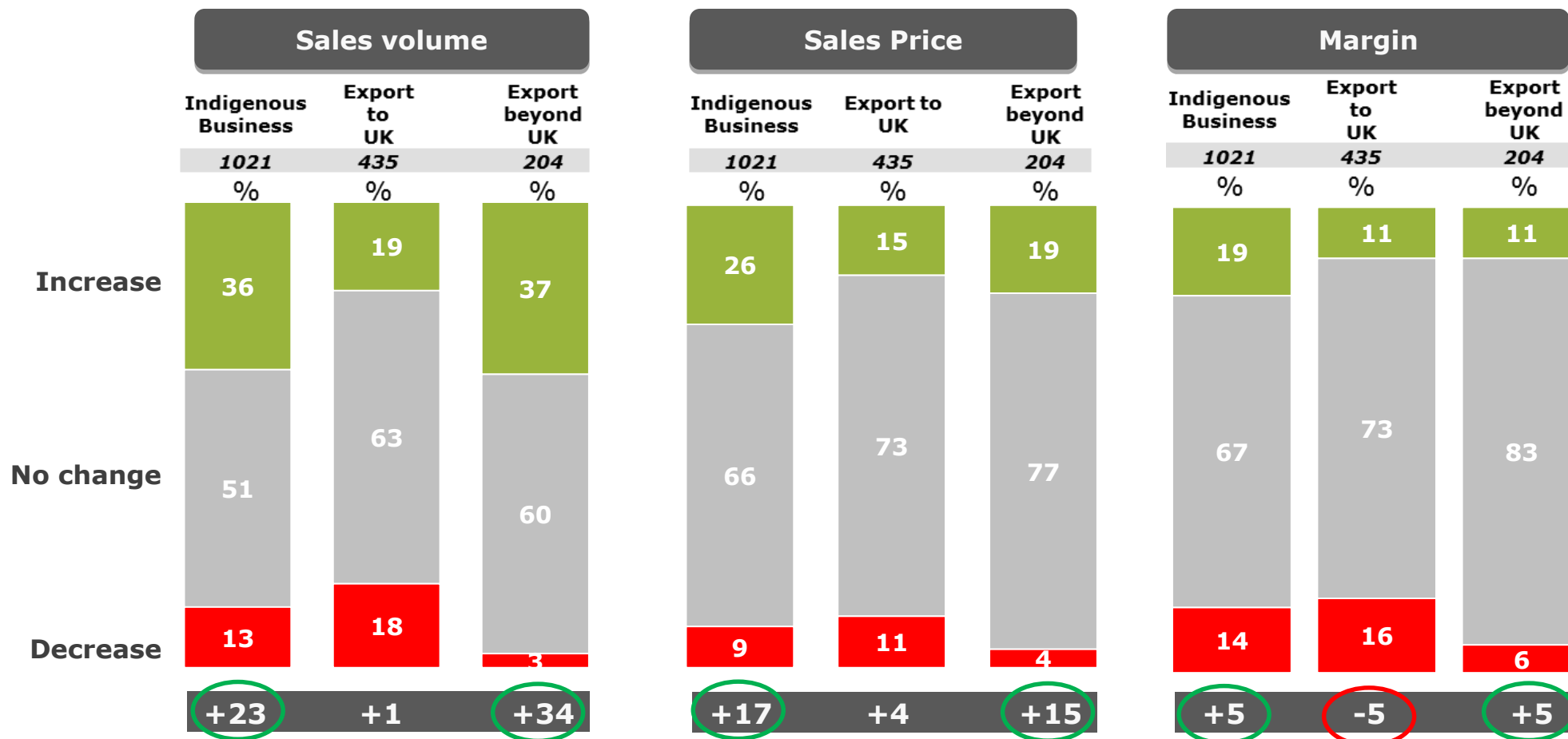
## Considerably higher for those in the food industry, all exporting companies and particularly the exporting food industry

(Base: All SMEs – 1045)



# Projections for next 18 months

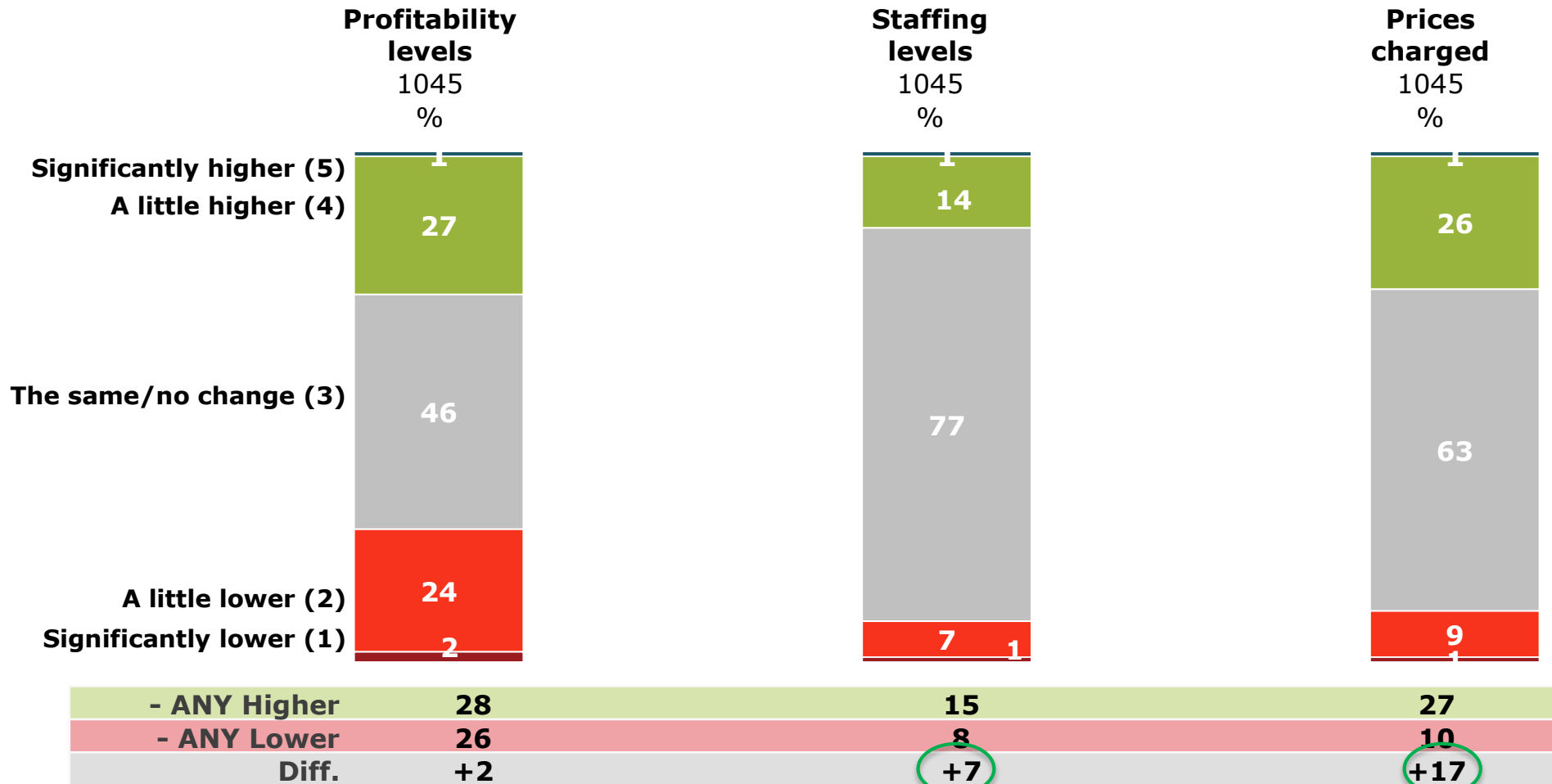
**Projected Activity levels are bullish for domestic market and exports beyond the UK. Lower price increases are expected in the UK and this is likely to negatively impact on their margin**





# Projections for the next 18 months: **Increases in staffing levels and prices charged expected**

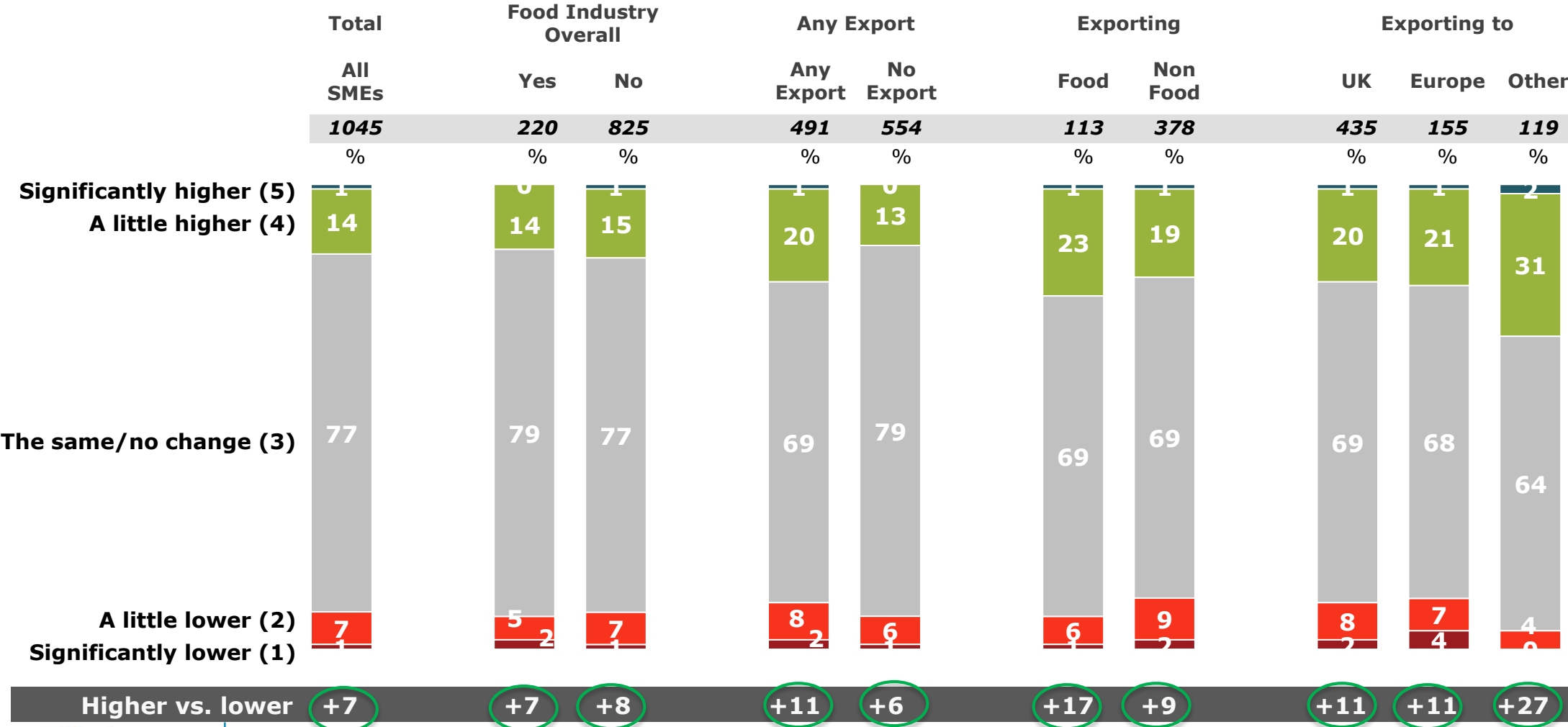
(Base: All SMEs – 1045)



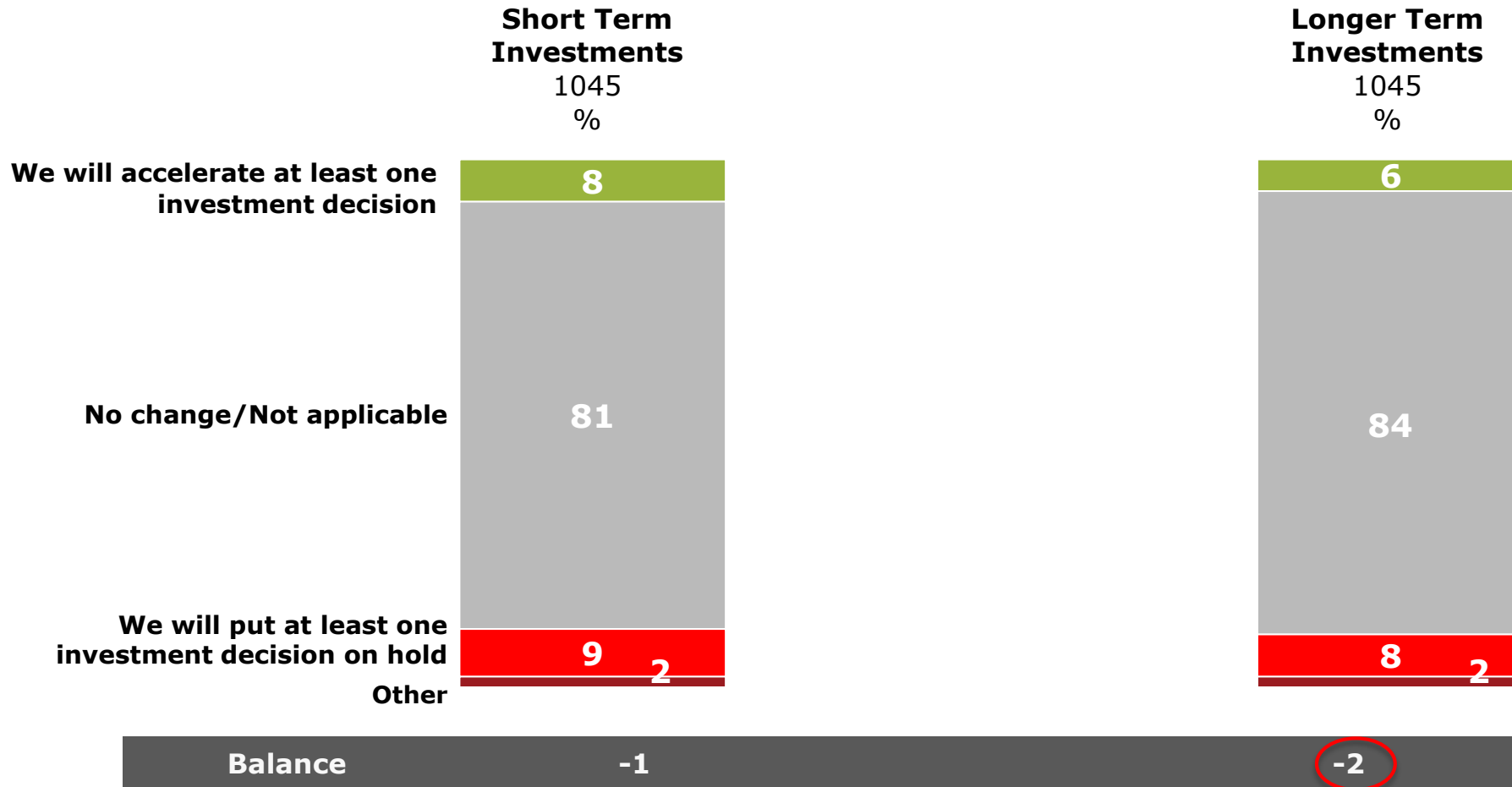
# Staffing Levels Deep Dive

Growth in employment seems likely to emerge across the board but more so from exporting companies (particularly those exporting beyond the UK and Europe), and those involved in food exports

(Base: All SMEs – 1045)



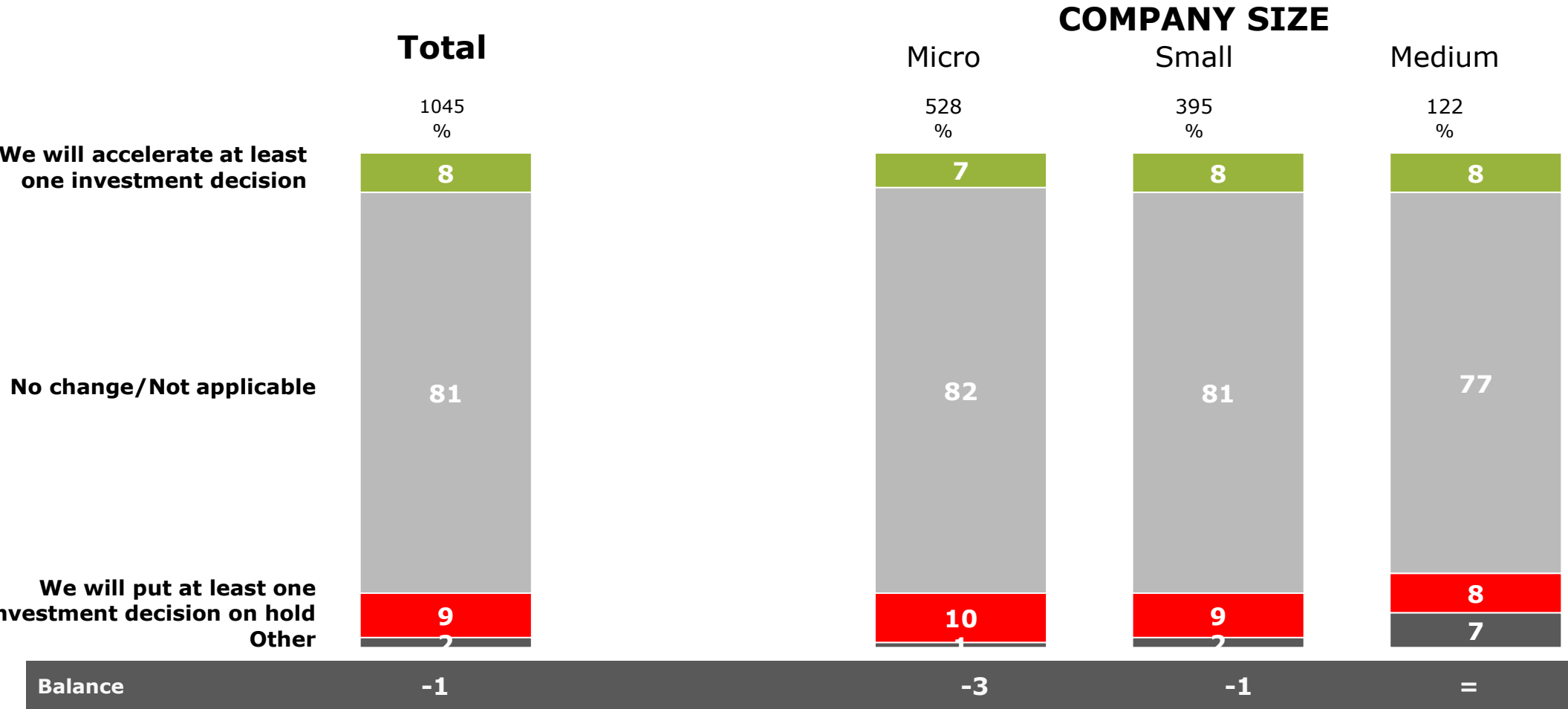
There would appear to be limited projected impact on **short term** investment decisions, with some evidence that any possible further impact will be longer term  
 (Base: All SMEs – 1045)



- Q.28 Looking forward over the next 18 months, which statement best describes what action you expect to be taking on your short term investment decisions?
- Q.29 Looking forward over the next 18 months, which statement best describes what action you expect to be taking with regard to your longer term investment decisions – so anything regarding investments for 3 or more years away?

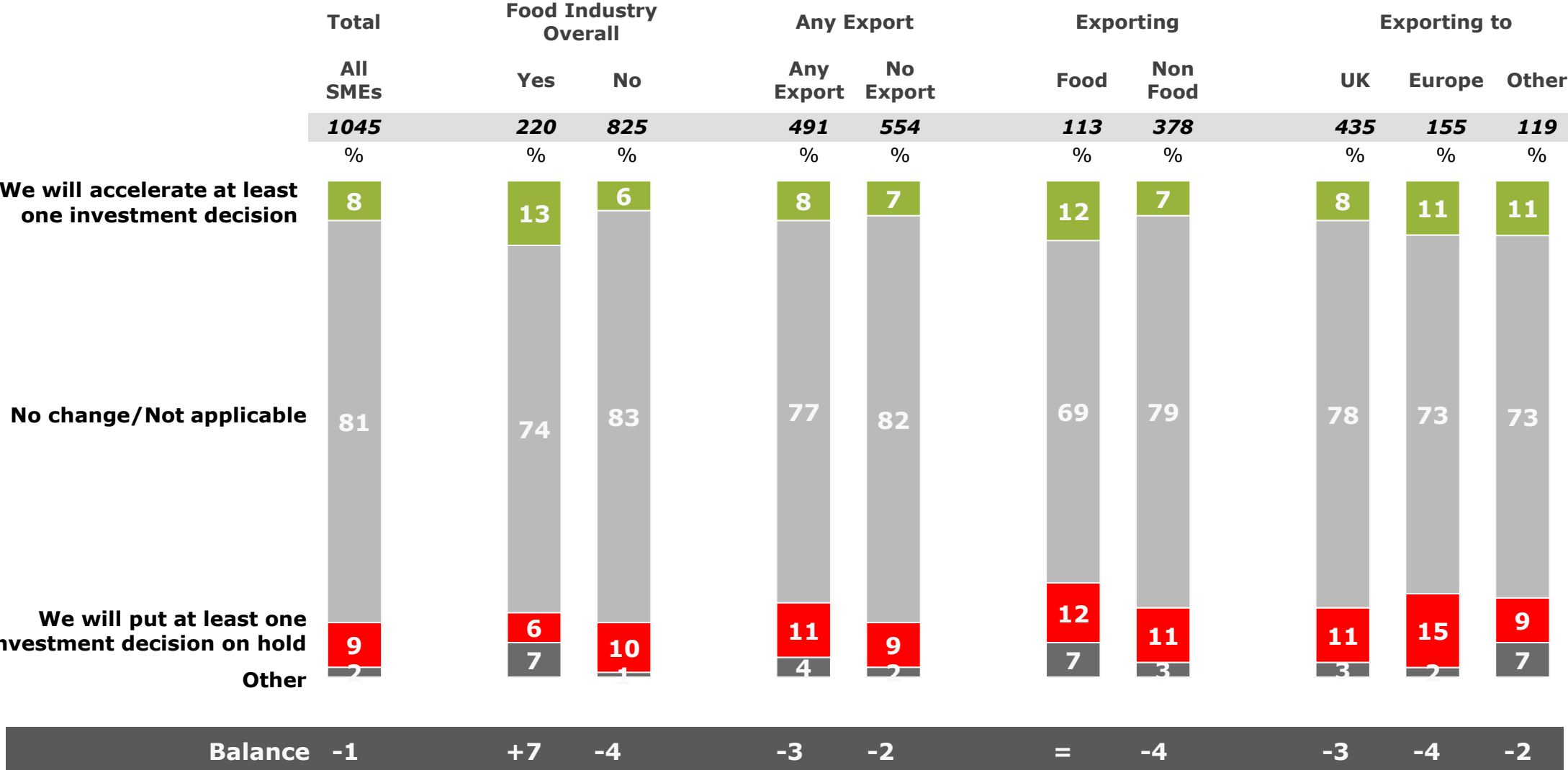
# Short term investment decisions: There is little evidence of any significant impact on short term investment decisions being made over the next 18 months

(Base: All SMEs – 1045)



# Short term investment decisions

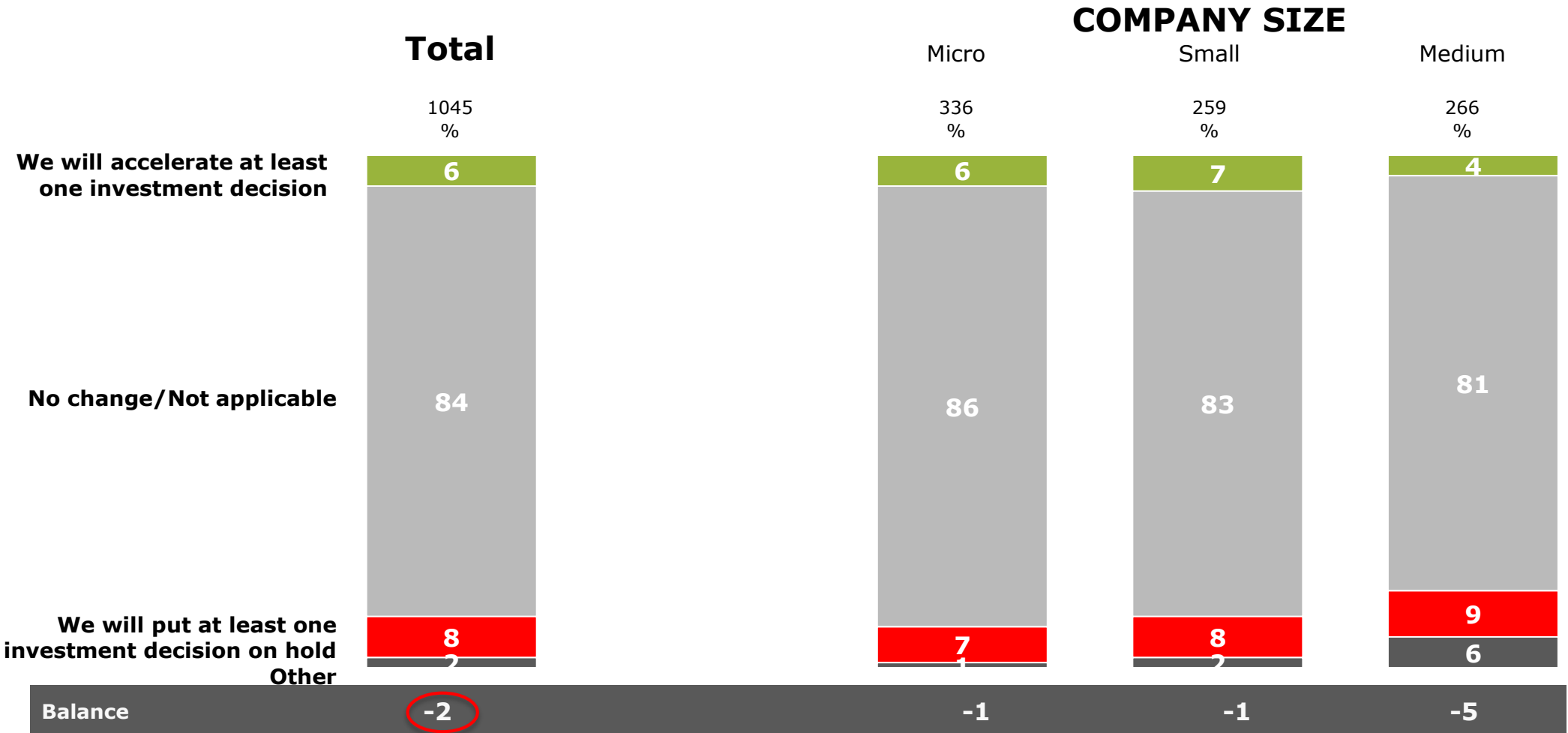
Base: All SMEs – 1045)



# Long term investment decisions:

## Some low level impact is projected, particularly those exporting to the UK and non food SMEs

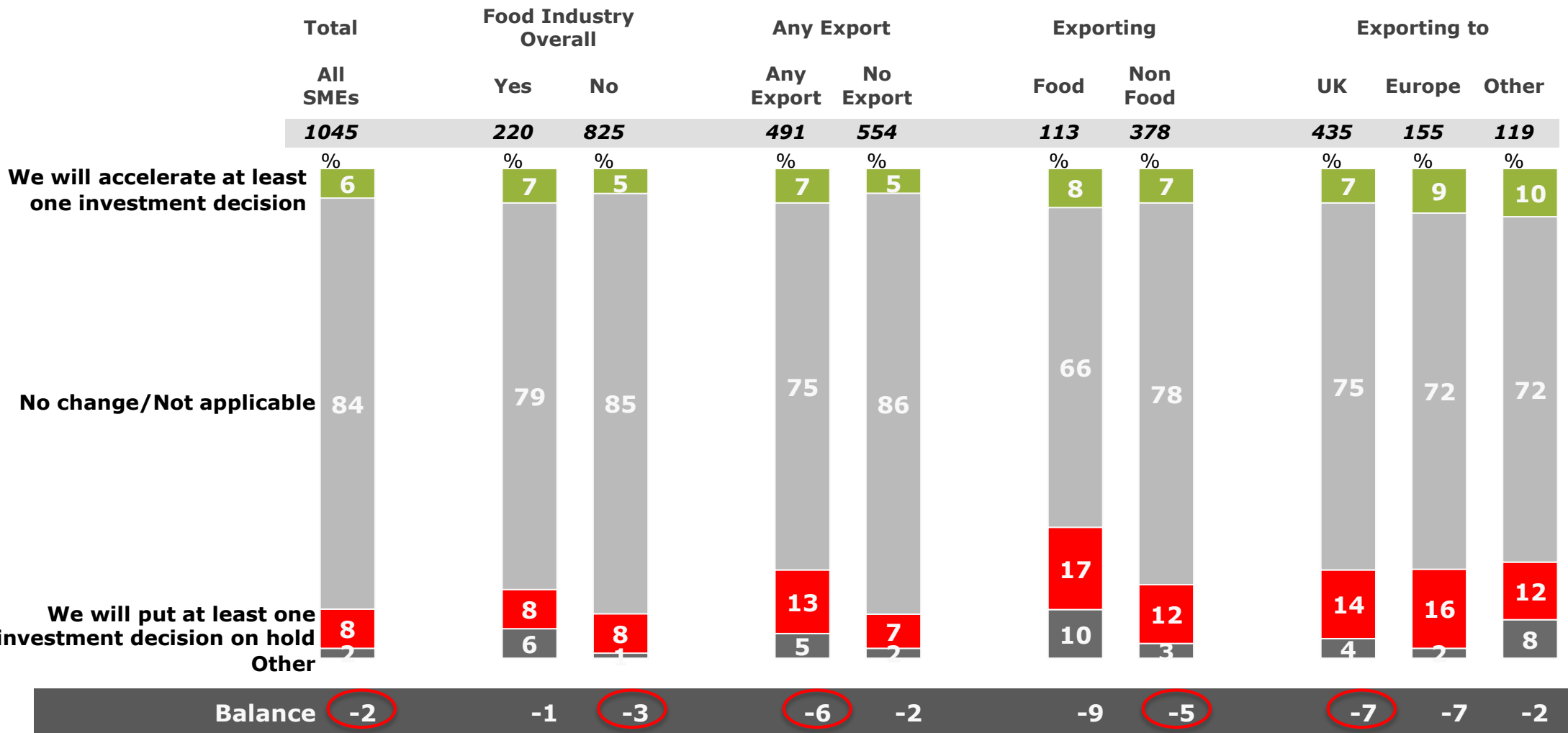
(Base: All SMEs – 1045)



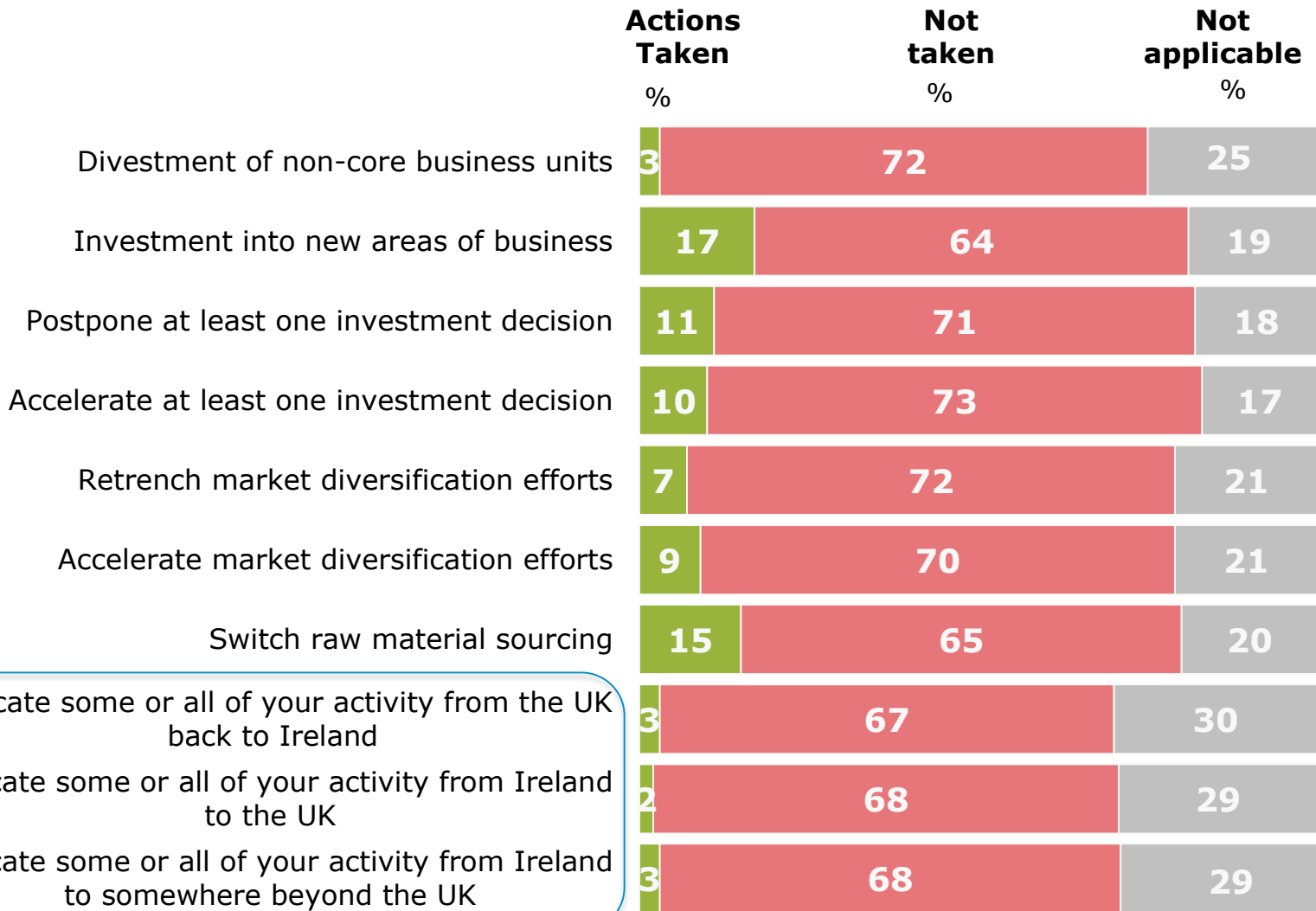
# Long term investment decisions:

## Some low level impacted projected, particularly for those exporting, particularly those exporting to the UK and non food SMEs

(Base: All SMEs – 1045)



# Looking forward there are a range of actions expected to be activated over the next 18 months



**Any Relocation** 7%

- Relocate some or all of your activity from the UK back to Ireland
- Relocate some or all of your activity from Ireland to the UK
- Relocate some or all of your activity from Ireland to somewhere beyond the UK

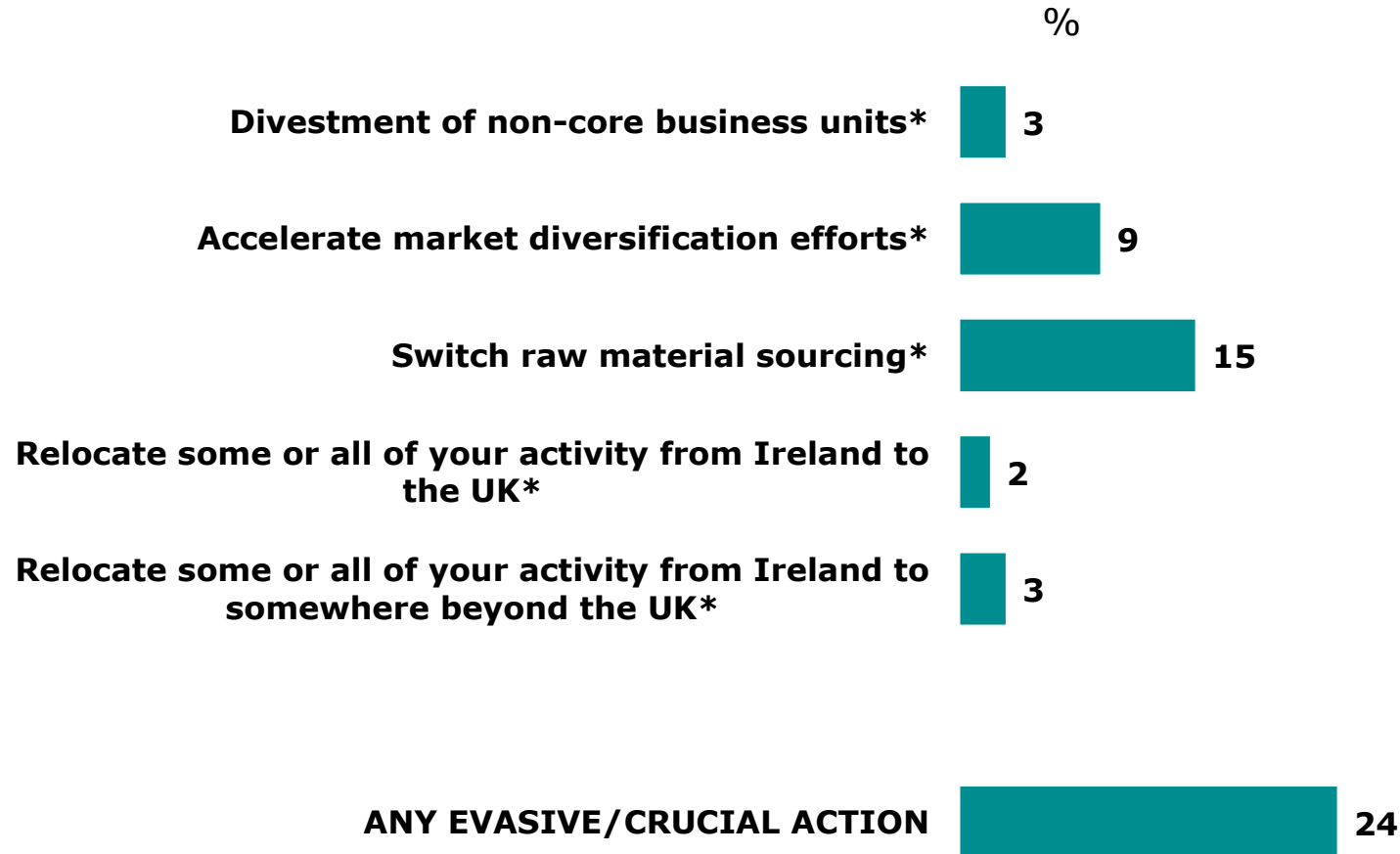


# Looking forward – The actions of the food industry, exporting companies and those exporting beyond the UK seem likely to be aggressive over the next 18 months

	Total	Food Industry Overall		Any Export		Exporting		Exporting to		
	Any Action	Yes	No	Any Export	No Export	Food	Non Food	UK	Europe	Other
<b>Base:</b>	<b>1045</b>	<b>220</b>	<b>825</b>	<b>491</b>	<b>554</b>	<b>113</b>	<b>378</b>	<b>435</b>	<b>155</b>	<b>119</b>
	%	%	%	%	%	%	%	%	%	%
Divestment of non-core business units	3	5	2	4	2	4	5	4	6	8
Investment into new areas of business	17	28	13	25	15	39	20	24	32	44
Postpone at least one investment decision	11	11	10	12	10	15	11	13	14	13
Accelerate at least one investment decision	10	16	8	12	9	15	10	12	15	13
Retrench market diversification efforts	7	11	6	10	6	15	9	10	14	15
Accelerate market diversification efforts	9	15	7	15	7	22	13	15	24	29
Switch raw material sourcing	15	16	15	14	15	10	15	15	10	9
Relocate some or all of your activity from the UK back to Ireland	3	4	3	7	3	7	6	7	8	7
Relocate some or all of your activity from Ireland to the UK	2	3	2	3	2	2	3	3	4	2
Relocate some or all of your activity from Ireland to somewhere beyond the UK	3	3	5	2	4	6	4	5	9	11

# Looking forward – A quarter will take some crucial action over the next 18 months

(Base: All SMEs – 1045)



# Summary: Overall Impact of Brexit

(Base: All SMEs – 1045)

	Since Brexit Announcement	Expected over next 18 months	Significant shift versus expected @ 95% level
	%	%	
Brexit has/will have significant impact	<b>13</b>	<b>17</b>	✓
Brexit has/will have no impact	<b>49</b>	<b>26</b>	✓
Prices overall	<b>5</b>	<b>17</b>	✓
Profitability overall	<b>-10</b>	<b>2</b>	✓
Staffing overall	<b>1</b>	<b>7</b>	✓
Short term investments	<b>-5</b>	<b>-1</b>	✓
Long term investments	<b>-3</b>	<b>-2</b>	<b>No difference</b>
Any evasive /crucial action	<b>15</b>	<b>24</b>	✓
Any relocate	<b>4</b>	<b>7</b>	✓





= Statistical significance: Moving Higher



= Statistical significance : Moving Lower

# Summary: Overall Impact of Brexit for UK exports

(Base: All SMEs – 1045)

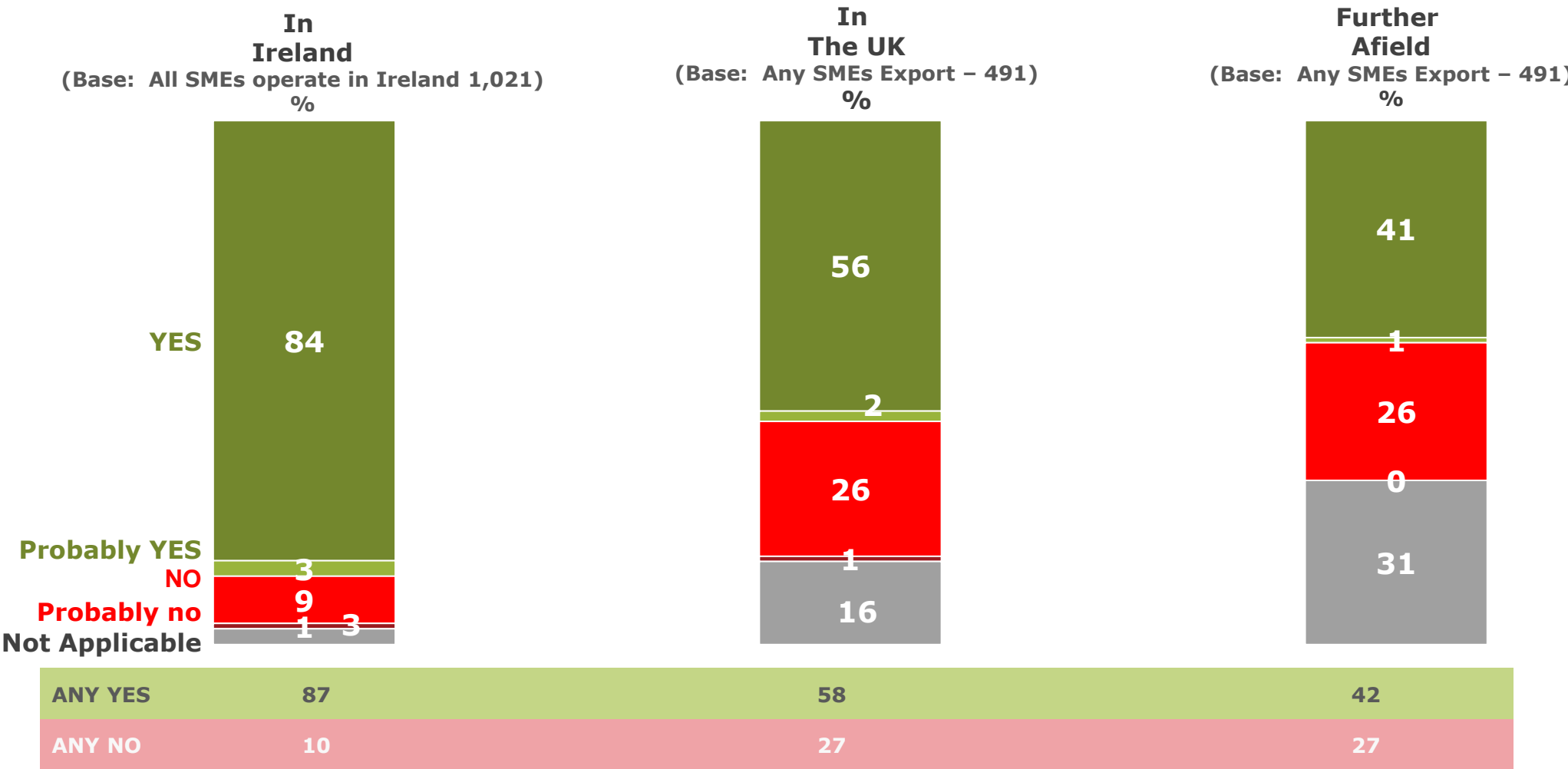
	Since Brexit Announcement	Expected over next 18 months	Significant shift @ 95% level
 = Statistical significance: Moving Higher  = Statistical significance : Moving Lower	%	%	
Sales volume UK exports (435)	<b>-4</b>	<b>+1</b>	✓
Sales prices to UK (435)	=	<b>+4</b>	✓
Margin on export business to UK (435)	<b>-14</b>	<b>-5</b>	✓



# 6. Funding



# There is a considerable proportion of SMEs who require funding for their day to day business. This is most evident for those operating in the UK and further afield.



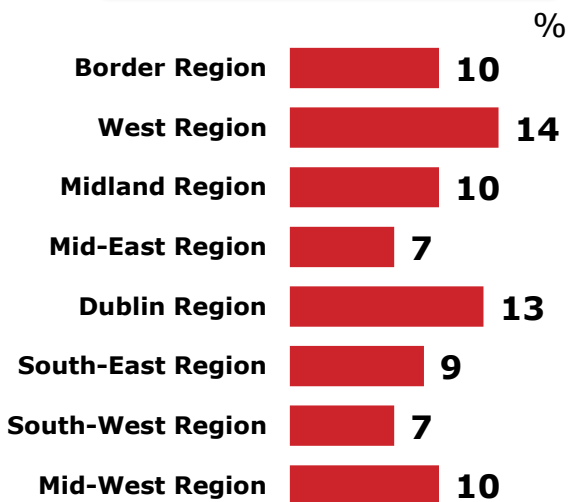
# Proportion who do not have adequate funding for indigenous business

(Base: All SMEs operate in Ireland 1,021)

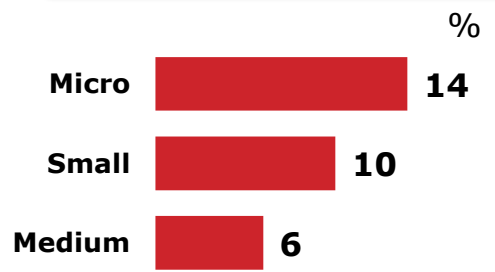
**Any do Not 10%**



## Region



## Company Size



## Exporting to



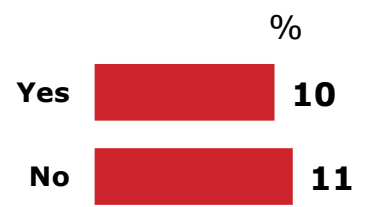
## Food Industry



## Any Export



## Food Exporter



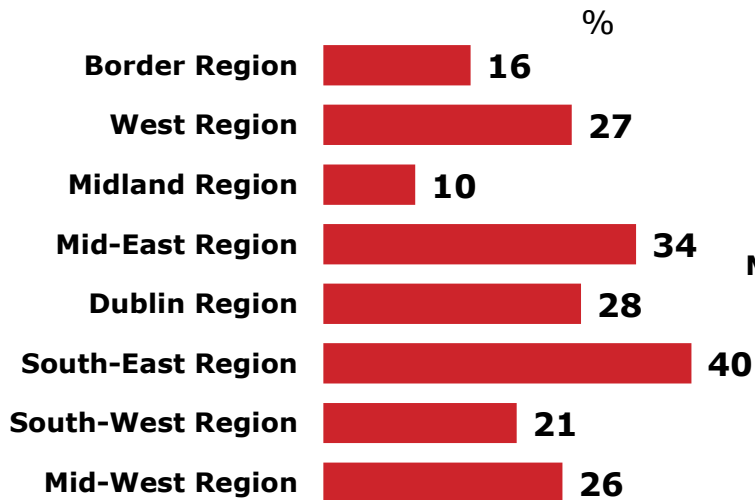
# Proportion who do not have adequate funding for business in the UK

(Base: Any SMEs Export – 491)

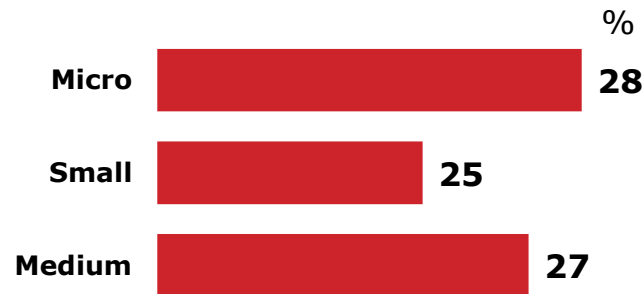


**Any do Not 27%**

## Region



## Company Size



## Exporting to



## Food Industry



## Any Export



## Food Exporter





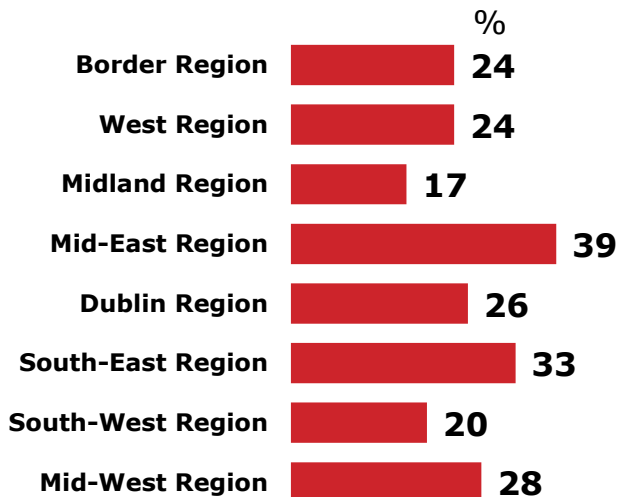
# Proportion who do not have adequate funding for business further afield

(Base: Any SMEs Export – 491)

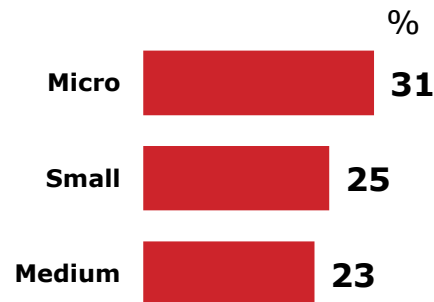


**Any do Not 27%**

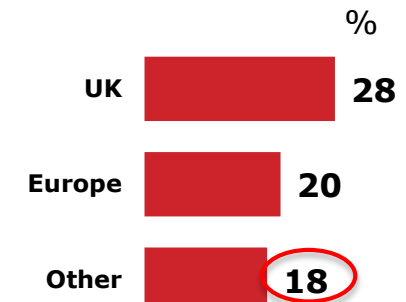
## Region



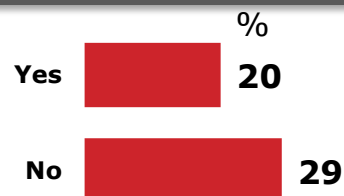
## Company Size



## Exporting to



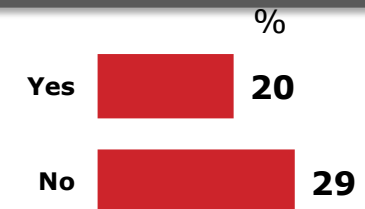
## Food Industry



## Any Export

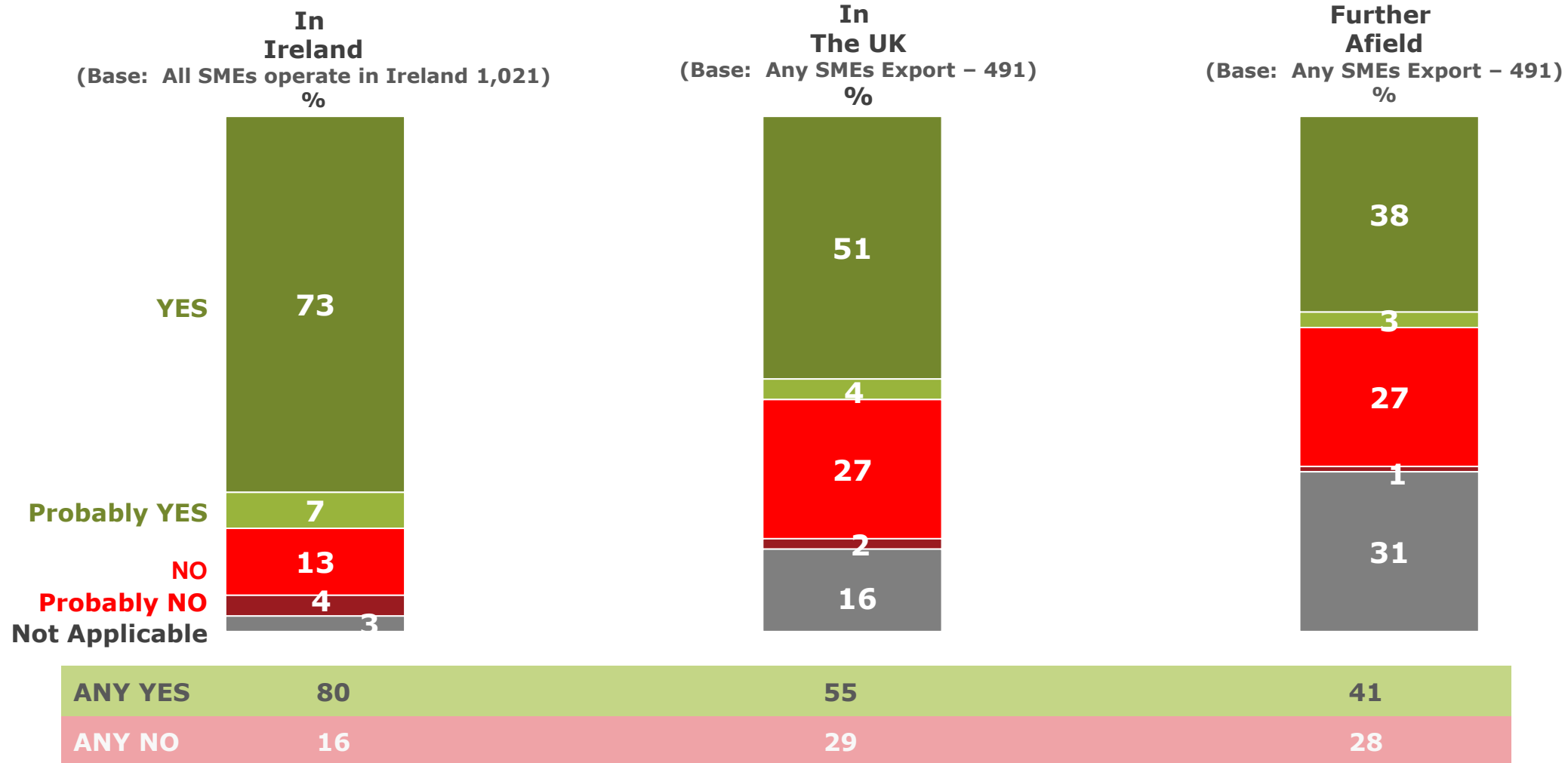


## Food Exporter



# Looking Forward 18 months: Have SMEs access to adequate funding – Summary

(Base: All SMEs – 1045)



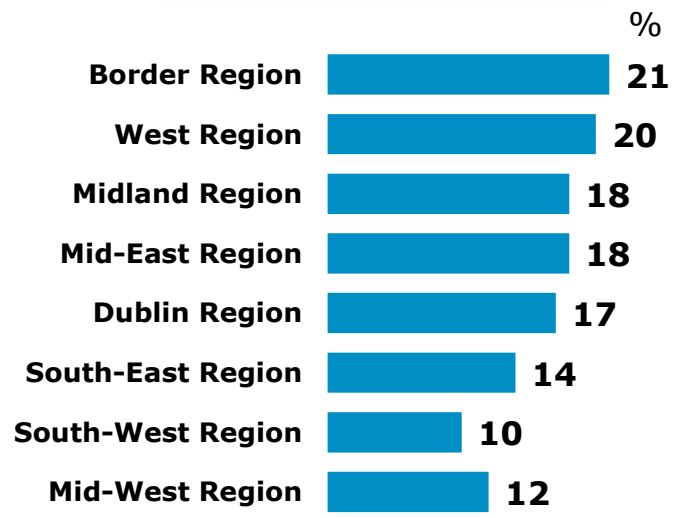
# Proportion who do not have adequate funding for indigenous business over next 18 months

(Base: All SMEs operate in Ireland 1,021)

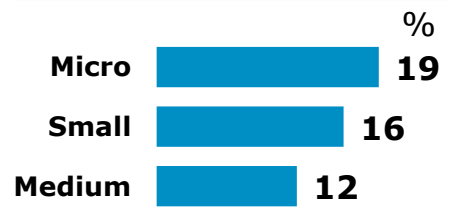


Any do not have funding in place 16%

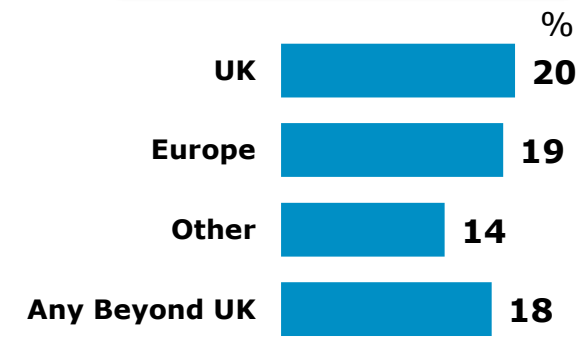
## Region



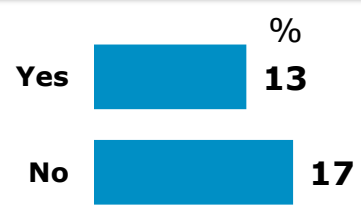
## Company Size



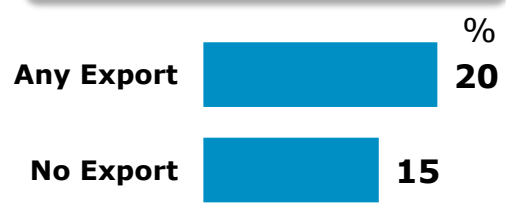
## Exporting to



## Food Industry



## Any Export



## Food Exporter



**Q.39** And looking forward over the next 18 months or so, does your firm have access to adequate business funding for business development and growth in Ireland?

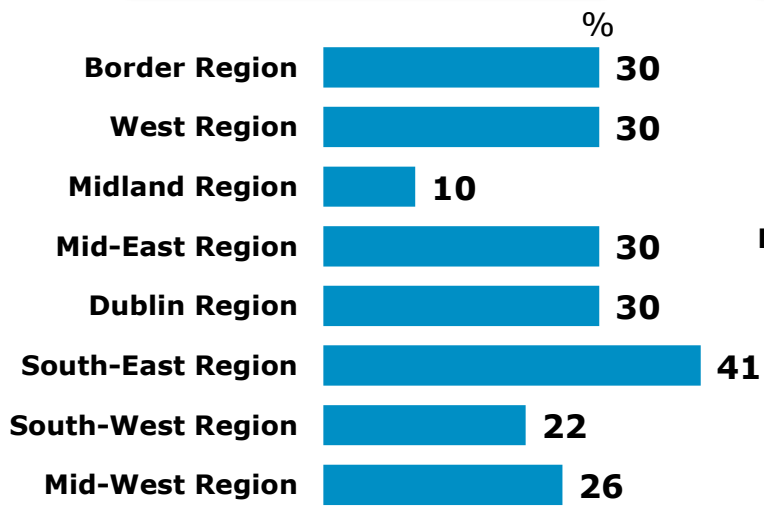
# Proportion who do not have adequate funding for business over next 18 months in the UK?

(Base: Any SMEs Export – 491)



**Any Do have funding in place 29%**

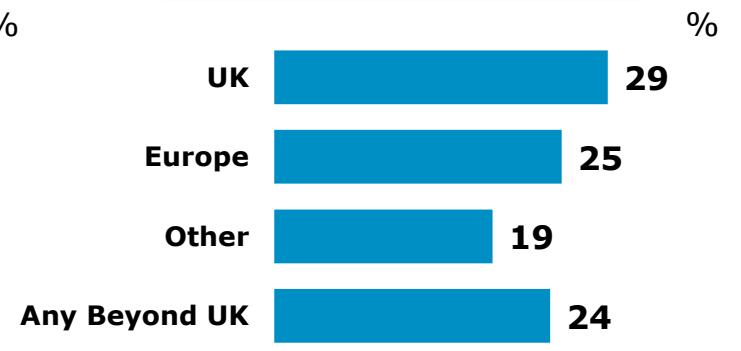
## Region



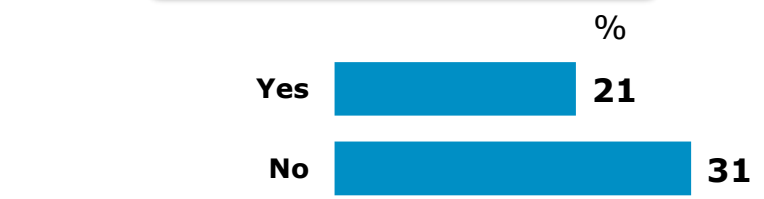
## Company Size



## Exporting to



## Food Industry



## Any Export



## Food Exporter



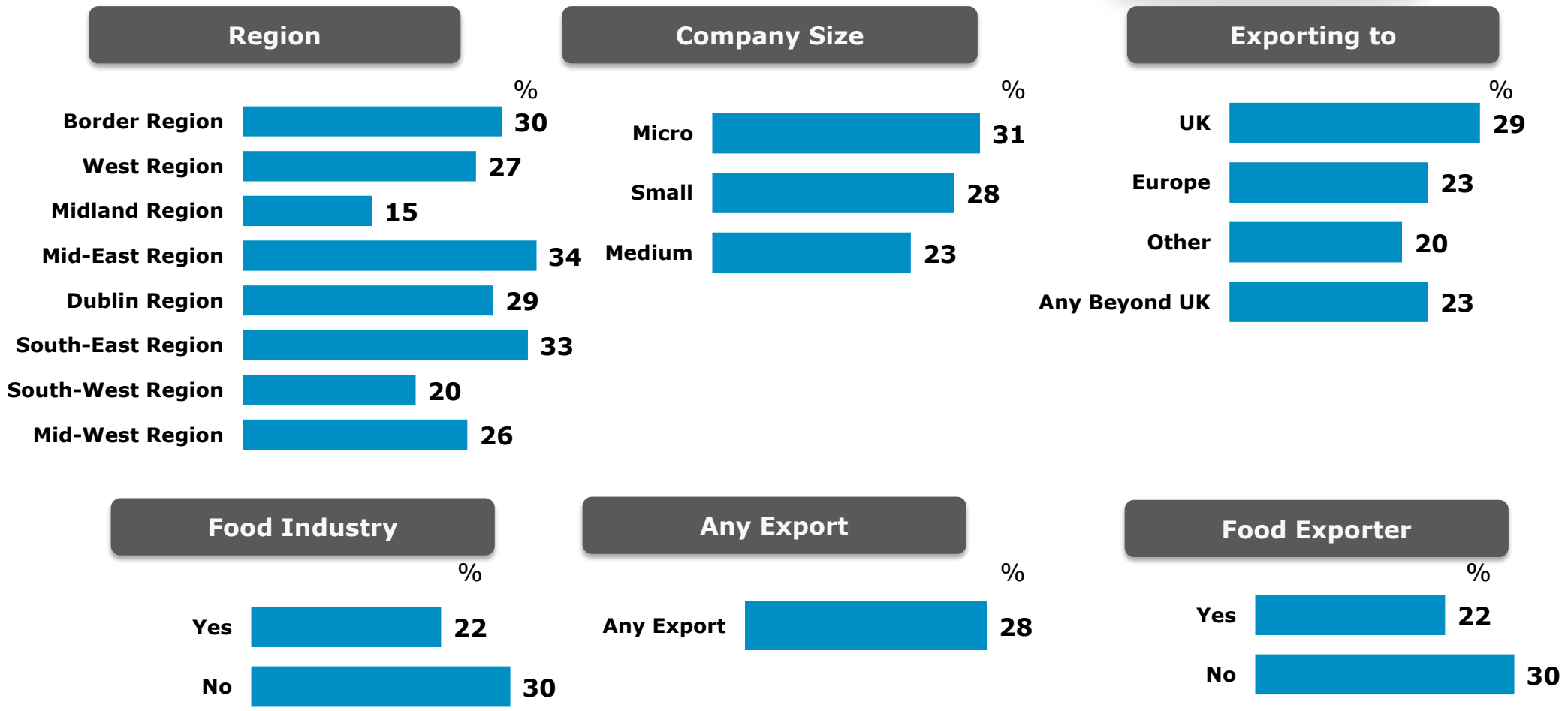
**Q.39** And looking forward over the next 18 months or so, does your firm have access to adequate business funding for business development and growth in the UK?



# Proportion who do not have adequate funding over next 18 months for business further afield

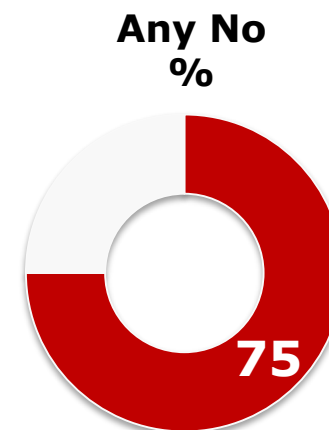
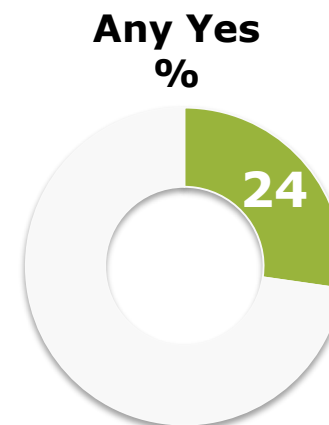
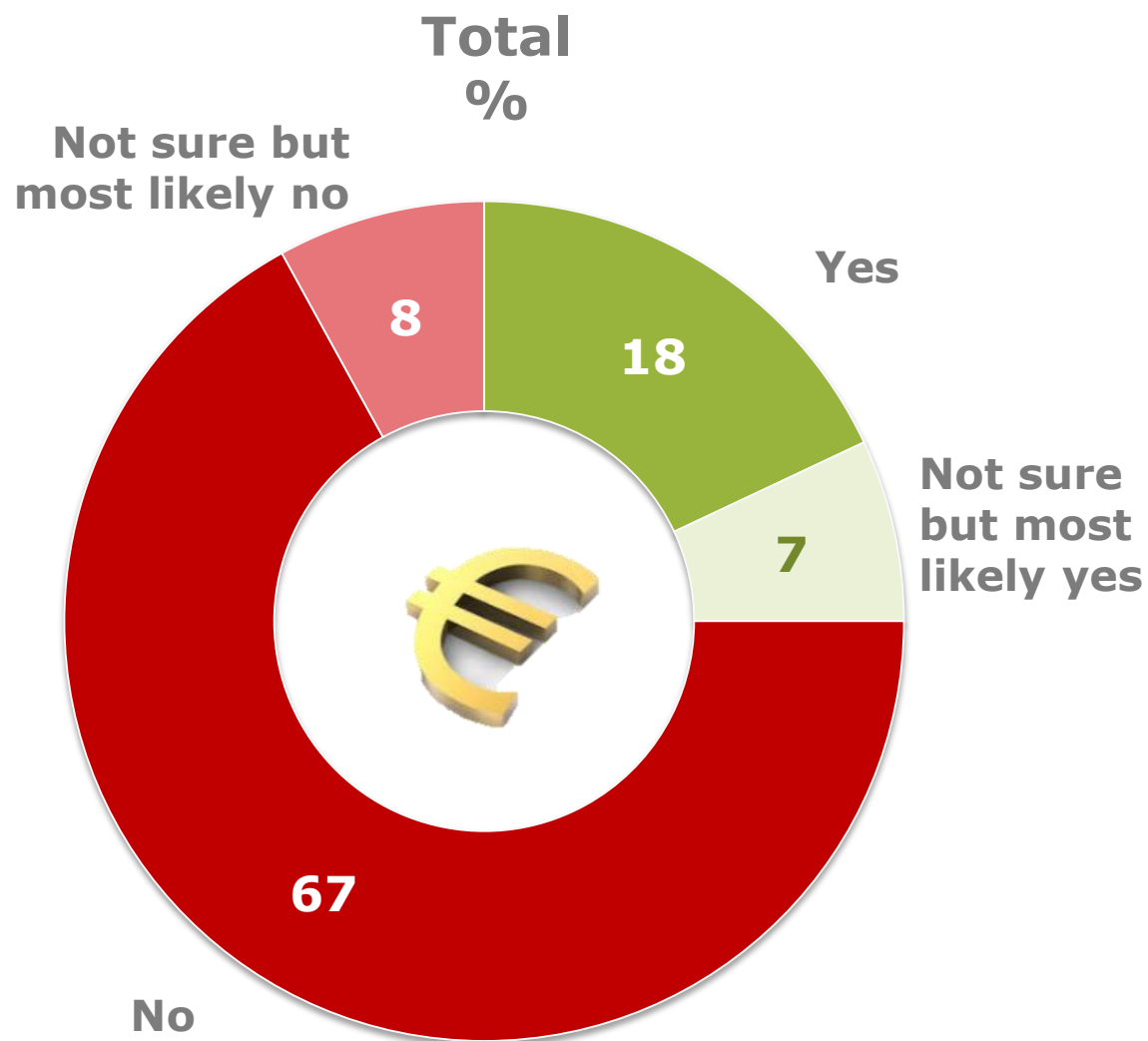
(Base: Any SMEs Export – 491)

**Any Do not have funding in place 28%**



# Future Additional Working Capital Funding Requirement

(Base: All SMEs – 1045)

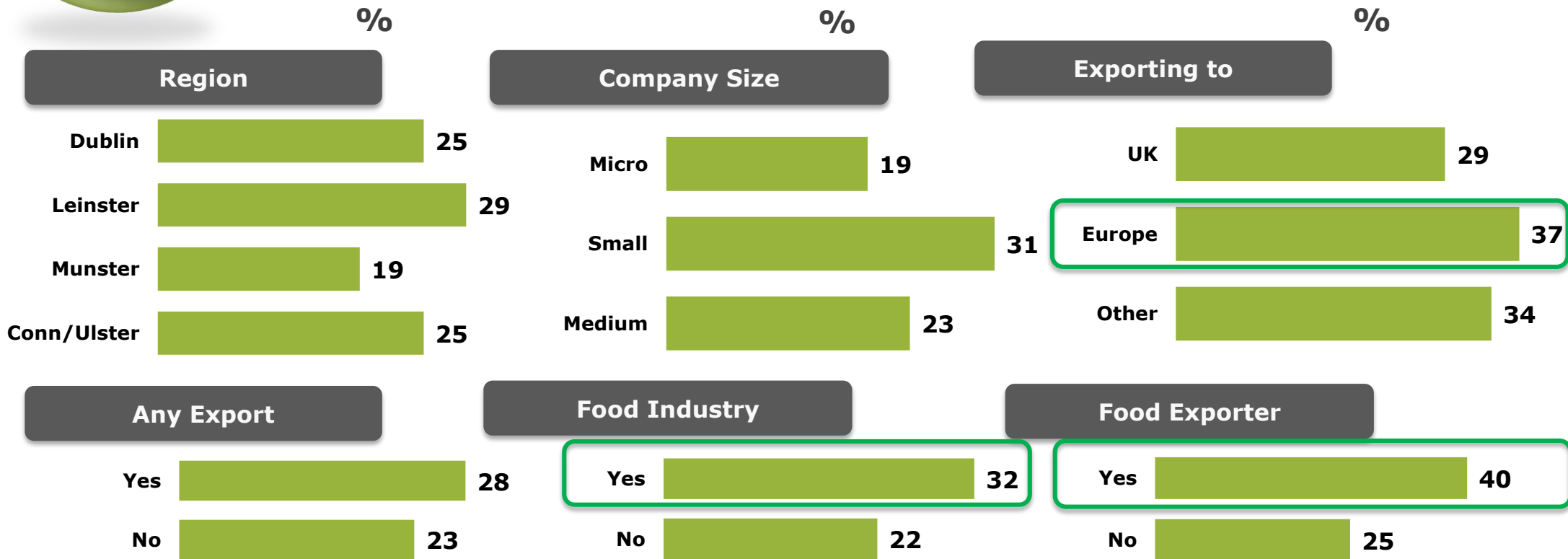


# Who definitely needs Working Capital?

This follows the pattern seen in the study. Exporting companies and particularly food exporting companies

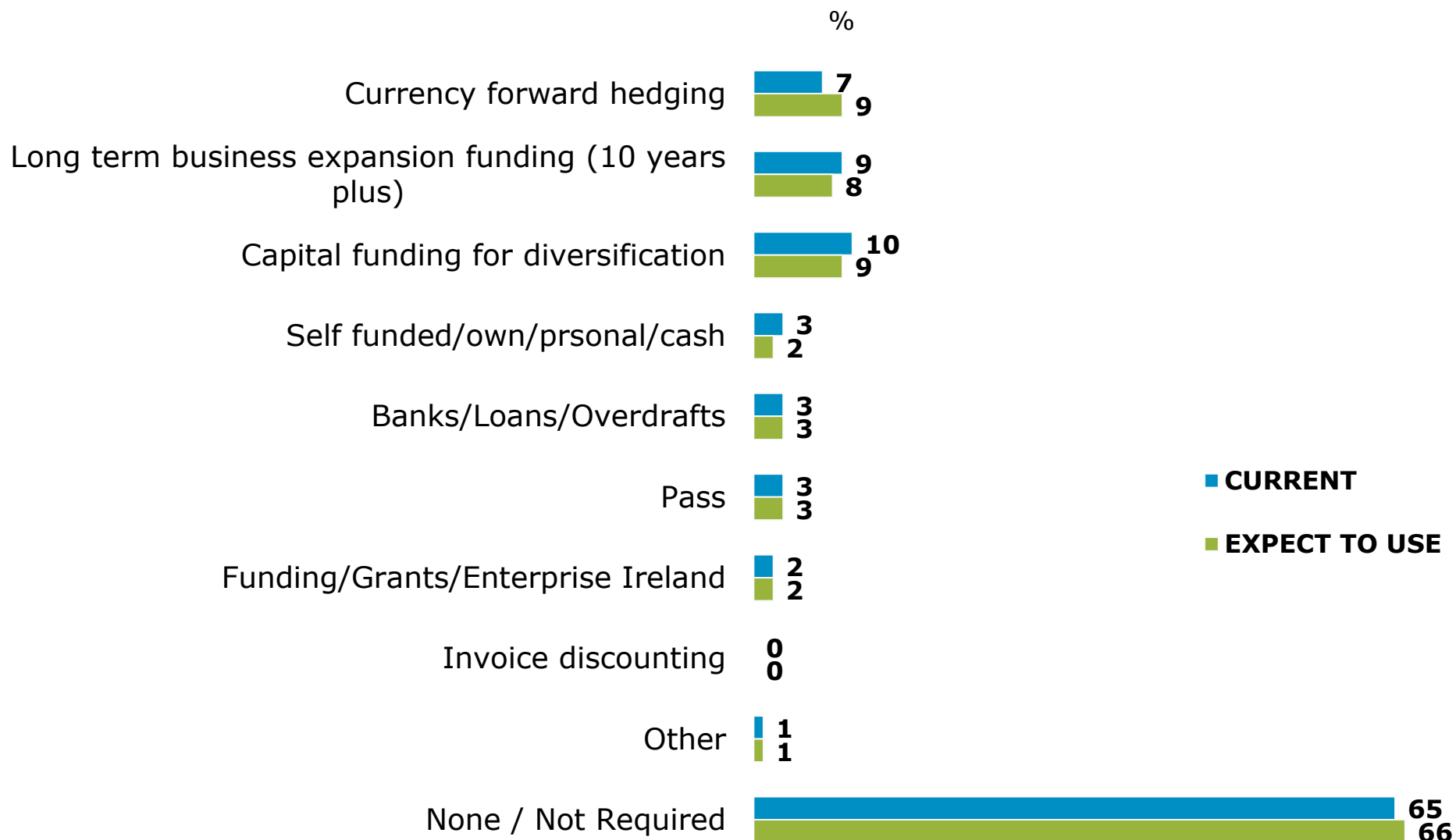
(Base: All SMEs – 1045)

Any Yes 24%



# Funding Measures used and required

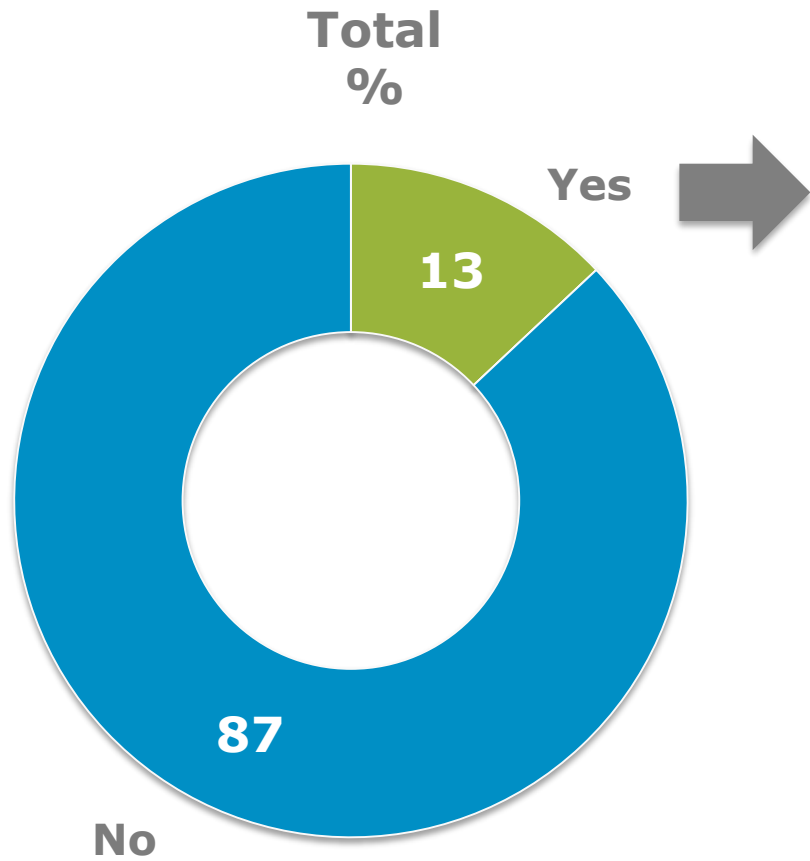
(Base: All SMEs – 1045)





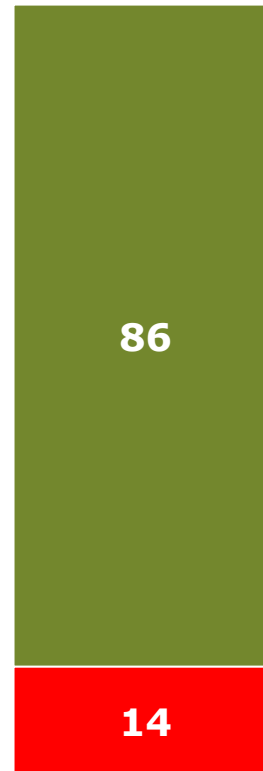
# Funding Requests

(Base: All SMEs – 1045)



## Successful Funding Request

(Base: all requested funding 149)  
%



	All who applied				
	Company Size			Any Export	
	Micro	Small	Medium	Yes	No
Base:	64	66	19	75	74
	%	%	%	%	%
Yes	81	85	99	92	85
No	19	15	1	8	15

# 7. Summary of Findings



# Impact of the Brexit vote

- 49% of all SMEs report no impact since the Brexit vote was announced. 15% reported minimal impact; 24% reported seeing some impact while 13% report that this impact has been significant. The types of companies that have been impacted most are small companies, those in the border region, those involved in food, exports and in particular food exports both to the UK and indeed beyond into Europe.
- Specifically it would seem that volume of export and sales prices to the UK have remained stable while margin has been declining.
- As against this exports beyond the UK seem to be on a growth path with sales prices and margins holding.
- There is no impact on staffing evident.
- We see evidence of some negative impact on short term investments across the board but particularly on medium sized companies and those in Dublin and South West regions. This impact on short term investment decisions is felt across both the food and non food sectors, and for both exporting and non exporting companies.

# Impact of the Brexit vote

- With regard to longer term investments some impacts are also evident particularly for micro and small companies (Dublin and South West region). Non food companies who are exporting, and in particular exporting to the UK, are also notably effected in this regard.
- A range of business actions have been taken since the Brexit announcement: 10% of SMEs have invested in new business areas; 8% have accelerated market diversification efforts and 6% have accelerated at least one investment decision. As against this 10% have postponed at least one investment; 7% have retrenched market diversification efforts and 7% have switched raw material sourcing. 4% have relocated some part of their activity (2%) from Ireland to the UK, 1% from the UK back to Ireland, and 1% from Ireland to elsewhere beyond the UK.
- In summarising the proportion impacted by divestments of non core business, accelerating diversification, switching raw material sourcing, or relocation of activity we find that 15% of SMEs have taken some form of evasive or crucial action.

# Expected future impact of the Brexit vote

- 17% of all SMEs project a significant impact of Brexit on their business. This is higher than the impact that has been experienced to date. The proportion of businesses who believe that Brexit will have no impact on their business stands at 26%.
- Businesses that expect a greater Brexit impact include those in the border regions, the food industry, exporting businesses, food exporting businesses and particularly those exporting to the UK and Europe.
- As a general rule projected business in the domestic market and exports beyond the UK are bullish. Sales to the UK export market are expected to be static over the next 18 months with some reduction in margin.
- Looking forward over the next 18 months profitability levels are expected to remain stable, prices are expected to increase and there is an projected increase in staffing levels. These staffing increases are expected right across the board regardless of which industry people are involved in. It is more buoyant for exporters, those involved in food exporting and those exporting beyond the UK.
- With regard to future short term investment decisions, this looks likely to be stable with minor negative impact.
- Longer term negative investment decisions are most likely to be felt by those who are not involved in the food industry, those involved in exports, in particular non food exports, and those exporting to the UK.

# Expected future impact of the Brexit vote

- As people look forward there is quite a range of actions expected to be activated over the next 18 months. 17% project investment into new areas; 10% are likely to accelerate at least one investment decision, and 9% expect to accelerate market diversification efforts.
- As against this 3% are claiming they will divest non core business units; 11% will postpone an investment; 7% will retrench market diversification and as many as 15% believe that they will switch raw material sourcing. Overall 7% say they will relocate some of their business activity.
- In looking at these projected actions going forward, accelerated efforts seem most likely to be actioned by those involved in the food industry and those involved in exports – with exporters to Europe and beyond Europe showing quite considerable differences.
- Overall about a quarter will take some crucial action, the most significant of which will involve switching raw material sourcing.

# Funding

- Price competition from UK suppliers in the Irish market is reported to have increased significantly across the board, particularly so for exporting companies.
- One in ten of all SMEs in Ireland feel they do not have adequate business funding in place for the running of their day to day business in Ireland, a proportion which rises to 27% of exporters with regard to day to day business in the UK or further afield.
- Just over one in six of all SMEs operating in Ireland feel they do not have access to adequate business funding for business development and growth in Ireland over the next 18 months.
- Again, the perceived lack of access to adequate funding is more pronounced amongst exporters considering business development and growth in the UK and further afield.
- A quarter of all Irish SMEs believe they will have a requirement for additional working capital funding over the next 18 months, a need which appears particularly acute amongst exporting companies, and particularly food exporting companies.
- Of the sub-group of companies who expect to require additional working capital funding over the next 18 months, half believe they will require €50,000 or more to meet their requirements.

# Funding

- 13% of all SMEs claim to have made a request for funding from any bank or financial institution since June 2016, with the vast majority of these having been successful in that request.
- Finally, Irish SMEs report that they will be monitoring a range of factors with regard to Brexit over the coming months. The most prevalent of these factors which will be monitored include exchange rates (80%), the performance of the UK economy versus the rest of Europe (42%); the cost of other business inputs – not labour (37%), and the cost of labour (33%).





**THANK YOU**

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