

Exports on the increase. Businesses looking to diversify: IEA Brexit Survey



The Irish Exporters Association (IEA), the representative body supporting the Irish export industry, has released its latest figures from its member survey. The 'IEA Export Eye,' conducted with members in January 2018 regarding Irish exporters' sentiments on critical issues that have both direct and indirect impacts on business, specifically focused on Brexit and the skills shortage in Ireland. The analysis of the survey results contains a comparison to a similar survey that the IEA performed with members directly following the UK Referendum to leave the EU in June 2016.

Commenting on the survey results, Simon McKeever, Chief Executive of the Irish Exporters Association said: "In the days following the UK Referendum in June 2016, the Irish Exporters Association surveyed our members on Brexit's impact on their business and their biggest

concerns. In January this year we performed the same survey and compared the two snapshots to see changes and trends over the last year and a half. What our analysis shows is the resilience of the Irish export industry. Exports to the UK have actually increased. In June 2016, 32% of our members surveyed exported more than a quarter to the UK, this has increased to 44%. And 41% are planning to increase their level of trade with the UK in the next 6 months, this has increased from 31% in 2016.

Our members are also increasingly looking to new markets and to diversify their exports which shows an adaptability and an emerging preparedness to rebalance the over-reliance on the UK market. 66% are planning to diversify their export markets in the next 6 months, up from 54% directly after the referendum.

The release of these figures complements the latest figures from the CSO on external trade for 2017 and both tell the story that the Irish export industry is performing very well. Despite global uncertainty and in the face of our biggest trading partner heading towards the exit sign of the EU, we are driving forward! Irish export figures for 2017 were the highest on record, up 2% on last year. Exports to the EU and USA both increased by 4% and exports to the UK were up 9%.

The IEA is seeing an increasing interest in Germany with 29% of members looking to diversify here as an export market in the next 6 months, this translates to the CSO data with exports to Germany increasing 25% in 2017. Germany was the top destination for diversification with other EU markets featuring prominently, France being third with 23%, Spain fourth at 19% and the Netherlands, Belgium, Italy and Sweden all appearing in the top 10. There is also a growing interest in English speaking further flung markets with the USA (27%), Australia (17%) and Canada (16%) all gaining popularity. IEA members are looking more towards high growth markets like China (10%), Japan (8%) and ASEAN nations (8%) which is vital to become less dependent on trade relationships with the EU, US and UK.

The results show a very positive picture but it also shows that exporters are proceeding with caution. Irish exporters need more clarity around what a post-Brexit trading environment will look like as concerns over possible customs procedures and tariff implications have increased for our members since the referendum. They are however much less concerned in other areas, such as the impact on the Irish economy or jobs and the free movement of people, services or capital.

An area of major concern for our members is still the current skills shortage in Ireland. 62% have experienced difficulty in recruitment in the last 6 months, the most prominent being in sales and marketing (31%), transport logistics (23%), operations (20%) and supply chain (19%). The skills shortage in the logistics sector has been a major concern for some time and approximately a third of members in this space are experiencing difficulty finding HGV drivers, managers and directors in storage and warehousing, customs expertise and fork-lift truck drivers.

The IEA is continuing to lobby Government on these issues and we are also refining our training offering to support the industry. We currently offer an extensive range of training on Brexit for your Supply Chain, Good Distribution Practice, Incoterms, Dual Use Export Control, Warehousing

and Customs, as well as regular webinars on regulatory updates in Supply Chain. We will launch an Introduction to AEO course later this month.

97% of our members surveyed think that the UK should remain a member of the EU, but regardless, the Irish export community are paving the way to succeed with or without their biggest trading partner. The job of the Irish Exporters Association is to help them on this journey and we are committed to helping companies meet the challenges associated with trading in a post-Brexit environment.”

Key Findings on Brexit (Red font is statistics from IEA member survey directly following UK Referendum in June '16)

93% do business with, or export to, the UK (up from 89%)

Percentage of exports exported to the UK:

57% export less than 25% to the UK (down from 68%)

37% export between 25% and 75% to the UK (up from 24%)

7% export more than 75% to the UK (down from 8%)

Projected level of trade with the UK, in the next 6 months:

- o Increase 41% (up from 31%)
- o Decrease 3% (down from 9%)
- o Maintain 57% (down from 60%)

66% are planning to diversify their export markets in the next 6 months (up from 54%). Top 10 destinations:

1. Germany	29%	(up from 19%)
2. USA	27%	(up from 21%)
3. France	23%	(up from 14%)
4. Spain	19%	(up from 8%)
5. Australia	17%	(up from 13%)
6. Netherlands	17%	(up from 8%)
7. Canada	16%	(up from 11%)
8. Belgium	13%	(up from 9%)
9. Italy	13%	(up from 6%)
10. Sweden	13%	(up from 10%)

Members are concerned about the following factors for their business:

- o The reintroduction of Customs procedures 81% (up from 76%)
- o The reintroduction of tariffs 74% (up from 70%)
- o The reintroduction of Border controls 71% (down from 80%)
- o Dual regulation 69% (down from 76%)
- o Impact on Irish economic growth 57% (down from 79%)
- o Impact on free movement of services 37% (down from 54%)
- o Impact on free movement of people 31% (down from 66%)
- o Impact on jobs 26% (down from 44%)
- o Increased competition in the UK market 23% (down from 34%)
- o Impact on free movement of capital 20% (down from 41%)

4% had none of the above concerns

Members surveyed think that the UK leaving the EU will have a harmful effect, no effect or a positive effect on each of the following:

	Harmful effect	Harmful June '16	No effect	No effect June '16	Positive effect	Positive June '16	Don't know
Irish exporters?	93%	92%	1%	3%	3%	5%	3%
Irish economy?	90%	80%	3%	3%	3%	17%	4%
UK economy?	88%	89%	1%	8%	3%	3%	8%
Northern Ireland's economy?	77%	87%	6%	8%	4%	5%	13%
Your region?	61%	69%	13%	21%	5%	10%	21%
Northern Ireland, the Peace Process & British-Irish Relations?	58%	55%	23%	36%	2%	9%	17%

Your company?	55%	57%	23%	29%	10%	14%	12%
FDI into Ireland?	30%	24%	11%	19%	35%	57%	23%

- **The level of Euro-Sterling exchange rate impacts the profitability of those surveyed at:**

- o 0.70 – 0.75 14% (down from 18%)
- o 0.75 – 0.80 13% (down from 17%)
- o 0.80 – 0.85 20% (down from 25%)
- o 0.85 – 0.90 25% (up from 20%)
- o Other 28% (down from 20%)

- 63% feel that they understand the potential implications of the UK leaving the EU
- Weakened Sterling has had an impact on 55% of businesses
- 42% import raw materials from the UK
- 68% export finished products to the UK
- 67% transit products through the UK on their export journey
- 97% think that the UK should remain a member of the EU
- 99% think that Ireland should remain a member of the EU
- 69% are aware of the imposition of 23% VAT on imports from the UK in the event of a hard Brexit

Key Findings on Skills Shortage

- 62% of members surveyed had vacancies in the last 6 months for which they experienced difficulty finding candidates that met the minimum criteria for the positions. Of those that experienced difficulty, the most difficult positions to fill included:

- o Sales & marketing 31%
- o Transport logistics 23%
- o Operations 20%
- o Supply chain 19%
- o Engineering 17%
- o General labourers 17%
- Of those that operate in the logistics sector, there was most difficulty filling the following roles (in the last 6 months)
 - o HGV drivers 35%
 - o Managers and directors in storage and warehousing 30%
 - o Customs expertise 30%
 - o Fork-lift truck drivers 30%
 - o Transport and distribution clerks and assistants 27%
 - The difficulties experienced in recruiting or retaining staff included:
 - o Meeting salary expectations 62%
 - o Lack of available talent in Ireland 55%
 - o Competition in Ireland from other companies 55%
 - o Cost of living in Ireland 26%
 - o Availability of affordable housing 22%