

Brexit fears rise as 40pc of firms only export to UK

Around 40pc of Irish goods exporters traded exclusively with the UK in 2016.

That's according to a major new survey of the British-Irish trading relationship by the CSO.

The figures lay bare the potential for a hard Brexit to wreak havoc on Irish business, with SMEs set to be hit hard. SMEs made up the large majority of the number of enterprises exporting goods to the UK, at 93pc of the total number of UK exporters. Micro enterprises (businesses with fewer than 10 employees) alone made up over half the number of firms exporting to the UK.

The agri-food sector stands to be the most affected in value terms, with €3.4bn of goods exported to the UK in 2016 - 24pc of the total.

Representative group the Irish Exporters Association (IEA) said more and more of its members have been looking to diversify their markets since 2016 - a way of reducing exposure to the UK.

Recent figures for visas sought by exporters show increases in the number of trips to China, Russia and India. But the IEA warned that in many cases Irish SMEs "do not have the financial security to invest into R&D needed for diversifying into new markets or hedge sterling to counteract the impact of the exchange rate fluctuation".

If Britain leaves without a deal maintaining the current trading relationship with the EU, World Trade Organisation (WTO) tariffs will apply to goods exported between Ireland and the UK.

Research carried out last year by the ESRI on behalf of cross-border trade body Intertrade Ireland said Irish dairy goods going to the UK under WTO rules would face tariffs of 46.6pc. Meat and fish would face a tariff of almost 60pc. Conor Mulvihill, director of representative group Dairy Industry Ireland (part of employers' group Ibec), said the CSO figures showed how a "looming no deal Brexit is a clear and present danger to our companies and their suppliers".

"From a dairy perspective - our cheddar trade is particular is exposed in almost every type of Brexit, and many of our members have initiated investment plans to reflect that exposure and mitigate the risk presented to companies and farmer suppliers."

In 2016 alone Irish companies exported cheddar with a value of almost €260m into the UK, Mr Mulvihill said.

Enterprise Ireland, the State body which helps Irish firms export, said a recent survey of its clients showed 85pc have taken action for Brexit, up from 38pc a year ago. It said the UK's share of client exports has been trending downwards since 2007 - with exports to the rest of the world outpacing the UK. However, the UK still accounted for 34pc of Enterprise Ireland exports in 2017. It has introduced a fund to help businesses research market-entry strategies.

Gerard Brady, head of tax and fiscal policy at Ibec, said the data was also noteworthy for the scale of imports to Ireland from the UK. "Over €12bn of goods was imported by our wholesalers and retailers alone in 2016, with most of that being undertaken by SMEs. If businesses cannot diversify their sourcing Irish consumers will remain very vulnerable to a Brexit shock," Mr Brady said.

"It is crucial we have strong measures in next week's Budget to help Irish business prepare for Brexit."