

Weak sterling cause of concern for Irish exporters

After numerous volatile swings in the value of sterling in the aftermath of 2016's Brexit vote, the pound had stabilised in recent months - much to the relief of Irish exporters to the UK, who had been bearing the brunt of the currency fluctuations. But yesterday's upheaval in the British cabinet saw sterling slide again against the euro, while the prospect of a hard Brexit is as real as ever.

The pound lost more than 1% against the euro, which rose from 88 pence to almost 89 pence on Monday afternoon. Sterling has seen some wild swings since Brexit. Immediately prior to the vote one euro was worth around 77 pence, it then jumped to 86 pence within a couple of weeks.

The chief executive of the Irish Exporters Association, Simon McKeever, said a weaker pound causes a number of issues for Irish companies selling into the British market. "It basically means that the stuff we sell in the UK is a little bit more expensive because you get paid in sterling and you have to bring it back and convert it".

Mr McKeever said yesterday's one penny movement was significant because it marked 5% of the total move since just before the vote, but it is pretty much back this morning to where it was last Friday. "I think the danger on that is probably volatility over the next two weeks before the British parliament breaks up, in case there might be a heave against Prime Minister May before then, but it should settle down again over the summer," he said.

On how Irish exporters are prepared for Brexit, Mr McKeever said there is an "increased take-up in hedging but not so much as would fill me with a lot of hope. I think as a country a lot of our companies - particularly our indigenous companies - are very much under-hedged. Though I understand for a lot of companies it's very difficult at this stage - they're kind of damned if they do and damned if they don't.

He said it is very difficult for smaller firms in particular to get their heads around the idea of hedging. "What people need to understand is that managing your currency risk is just another business risk that you need to build into the kind of strategic management of your business - it needs to be more long-term in your planning process," he added.

With regard to the most vulnerable sectors importing into the UK, Mr McKeever said "the food and drink industry in particular, the agri-food sector is particularly prone to this. Anybody who is manufacturing and looking to sell or that is already selling into the supply chain in the UK is also vulnerable. Any company that might be selling into the motor industry in the UK is probably going to be particularly vulnerable over the next while when you look at potential sanctions that the United States might put on that industry," he stated.

It is not just currency that is a challenge for Irish exporters, according to the Exporters Association head, with issues such as potential customs and finding new markets also important. "We run a lot of training courses around customs and they're out the door at the moment. Companies are beginning to consider trusted-trader status as well and then since the start of the year companies are really beginning to look further afield, Germany and the US being the most attractive markets to companies that are beginning to look to expand overseas," Mr McKeever said.

"With what may or may not happen between the US and the EU, the one that really is on the top of everyone's list at the moment is the US - so watch that space," he added.