

## Exporters to feel the pain if sterling weakens further



Simon McKeever, CEO of the Irish Exporters' Association, tells Brian Finn that exporters are looking to new markets in Germany, the US and France

The Central Bank - in its latest outlook - has carried out an analysis of the effect of a notional further 10% reduction in the value of sterling on the exporting sector and the wider economy. It forecasts an overall hit to economic growth of 0.2%, but exporters would get the hit badly.

Simon McKeever, chief executive of the Irish Exporters' Association, said that despite a 12% devaluation since the Brexit vote, exports to the UK had held up remarkably well with growth of 8% in 2017. "Our members are planning to increase exports even further, despite the currency hit," Mr McKeever said.

The IEA CEO said that the average rate between 2001 and 2016 was 76 pence. It is now at over 87 pence. "That's a considerable difference to manage. Exporters are getting used to this rate, but they're talking about higher rates causing more pain," he said.

Mr McKeever said the notional 10% hit to sterling in the Central Bank study would bring the euro-sterling exchange rate close to parity. "From a competitiveness point of view, that would make our goods more expensive in the UK. The only plus is that it might make imports slightly cheaper, but import duty of 23% would come onto Irish goods at the point of import. Unless the Government does something to delay that, it would hit consumers," he explained.

He said most of the queries the IEA was getting at the moment was in relation to customs and the drive to expand into other markets. "After the Brexit vote, it was all about the currency. Then customs. Now, members are still looking at customs but they're also looking at expanding into other markets. Number one is Germany, followed by the US and France. The focus is on helping companies to understand what to do to get into those markets", he explained.

Another warning contained in the Central Bank outlook is the potential for further dollar devaluation. The US is our biggest goods market for export. "The dollar is down 18%. It will impact if it weakens further and companies will ask questions about whether it makes more sense to export out of the US. One of the effects in the US/China trade dispute is that it's impacting on the likes of Mercedes and BMW. Most of the Mercs and BMWs that go to China come out of the US. The biggest impact to motor industry is not to domestic suppliers," Mr McKeever said

He also said the trade dispute between the US and China could have impacts down the road here in supply chains. "Who are we supplying into and who is supplying into China and the knock-on effect that might have. But it's still very early days for us on this," he concluded.