



GLOBAL BUSINESS MONITOR 2017

IRELAND

WE BELIEVE IN **YOUR BUSINESS**
INVOICE FINANCE • FX • EXPORT FINANCE • BAD DEBT PROTECTION

BIBBY
FINANCIAL SERVICES



MARKET ANALYSIS: IRELAND

POPULATION:
 **4.7M**

NUMBER OF BUSINESSES:
 **238,000**

MARKET OVERVIEW

2016 marked the fourth calendar year of positive growth in both Irish GDP and employment, with Central Statistics Office (CSO) figures for the period placing real GDP growth at 5.1%.¹ While 2017 to date has witnessed a buoyant mood, there are undertones of caution due to an increasingly uncertain external environment.

The International Monetary Fund (IMF) bailout and recession now seem a distant memory as the Irish economy continues on its course to become the fastest growing Eurozone economy for the fourth year in a row. As the recovery matures and maintains momentum, economic forecasts continue to be upbeat, with further growth in GDP expected, albeit at a more moderate pace. Growth of 4% is forecast for 2017 compared to an estimated Eurozone growth of 1.7%; growth of 3.6% is forecast for 2018 against anticipated Eurozone expansion of 1.8%.²

The Irish labour market continues to exhibit strong growth in 2017, with unemployment at 6.3% in June of this year, down from a peak of 15% in 2012.³ These improvements appear broad, across both region and sector, with almost all industries registering employment growth. The tightening of the labour market and positive projections for inflation should support moderate wage increases over the period. Moreover, the Economic and Social Research Institute (ESRI) forecasts the unemployment rate to show continued improvement, reducing to 6.1% in 2017 and 5.4% in 2018.⁴

Trade developments remain highly exposed to the activities of multinationals. Import activity increased sharply in 2016, particularly in Q4, while export growth slowed overall for the year, partly due to the fall in the value of GBP and the decline in 'contract manufacturing' by multinationals. Consequently, net exports had a negative impact on GDP growth in 2016. They are expected to contribute marginally to GDP growth in 2017 and 2018, as exports are expected to increase in line with global trade.

Another key performance indicator for the domestic economy is consumer spending. After increasing by 3.3% in 2016, consumer spending grew by 1.2% on a quarterly basis and by 1.8% in year-on-year terms in the first quarter of 2017. Consumer confidence levels remain at a 15-year high, while retail sales are also buoyant.

In terms of the economic outlook, primary risks to the Irish recovery are external. In particular, Brexit will have an, as yet, unknown long-term impact. For the moment, the main impact is via the value of Sterling. At the same time, there are positive developments externally, with the global economy, including the Eurozone, picking up momentum, which in turn is likely to boost Irish exports. The volume of exports is expected to rise by 5.2% in 2017.⁵

Although the process of Brexit will not actually occur until at least 2019, considerable uncertainty surrounding the final outcome of negotiations between the UK and the EU as well as potential changes to U.S. tax and trade policies, leave Ireland highly exposed.

The threat of a hard Brexit has somewhat reduced following the UK General Election, combined with the continued strength of recent Irish economic indicators. As the only EU country that shares a land border with the UK, and €1.2 billion of trade between Ireland and Britain each week,⁶ the potential implications for jobs, economic growth and government finances, could be significant.

All economic indicators point to a strong market and one that is primed for additional growth throughout the remainder of 2017 and 2018, whatever challenges are encountered. In the face of global economic and political uncertainty, Ireland remains a stable, competitive and pro-business economy.



MARK O'ROURKE
 MANAGING DIRECTOR - IRELAND

ANALYSIS OF RESEARCH FINDINGS

Findings of the research echo wider economic indicators: Irish small and medium sized enterprises (SMEs) appear more confident in the strength of the domestic than the global economy. Over two-thirds (67%) described the Irish economy as performing well, compared to just 22% in relation to the global economy.

Brexit (69%), U.S. political uncertainty (55%) and global conflict or terrorism (21%) are seen as the top three threats to global economic growth amongst Irish SMEs in 2017.

Despite considerable uncertainty surrounding the final outcome of negotiations between the UK and the EU, as well as potential changes to U.S. tax and trade policies, nearly half (47%) of respondents are confident that the Irish economy will stay the same over next 12 months. Furthermore, over a third (38%) expect the local economy to improve in the year ahead.

Over half (58%) expect sales to increase over the same period, a modest increase of 1% on 2016. Those with higher turnovers (€1.2m+) signified the greatest optimism with regard to forecasted sales growth.

While the pace of growth is modest, the first half of 2017 has been notably less difficult than SMEs had envisaged. The rise they are seeing in their own business volumes, allied to better than expected news on the broader Irish economy, are translating into improving confidence with 97% planning to invest in their businesses over the year ahead. SMEs signalled that such investment in 2017 will focus on up-skilling existing staff, sales and marketing, IT and digital technology, and recruitment.

SMEs in the transport (56%), and hospitality and leisure (73%) sectors are most positive while larger businesses (50+ employees) (61%) also perceive the economy more favourably. Industries citing a decline in business performance over the past 12 months are mainly business services and manufacturing (21% and 22% respectively).

Brexit has no doubt influenced business confidence across all sectors, but adopting a 'wait and see approach' is not an option. SMEs in the wholesale and distribution industry are most pessimistic about the future, with 24% saying it will worsen over the next 12 months. Those businesses that manage their Brexit exposure in detail at a product, customer or supply chain level will be well placed to create the most competitive solutions which are fit for the post-Brexit world.

More than a third (37%) of Irish SMEs use external sources of finance for their businesses, but findings reinforce the difficulty many Irish SMEs encounter in accessing funding. Second only to France, 29% of Irish SMEs cite the availability of finance as poor. Conversely, however, less than one in ten (9%) have been rejected for finance in the past 12 months, below the study average of 12%.

Smaller Irish businesses (those turning over up to €300,000) are more likely to have been rejected for finance (13%).

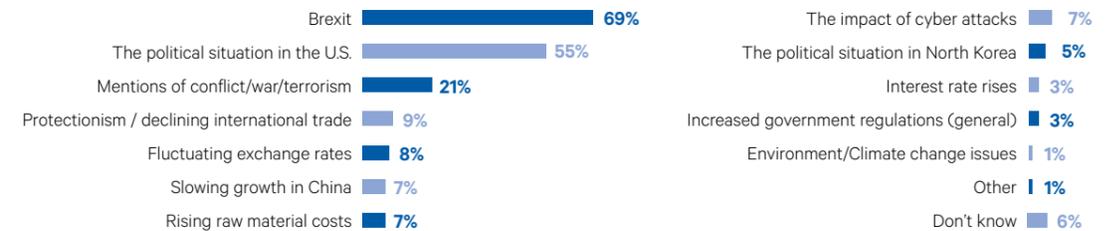
SMEs are anticipating challenges on the horizon: over half (57%) cited timely collection of customer payments as a real issue. Rising costs and a belief that interest rates will increase were also cited.

Almost a third of SMEs (32%) suffered from bad debt over the past 12 months, down from 41% in 2016 and slightly lower than the study average of 33%. The average amount written off by each business due to customer non-payment or insolvency stands at €13,780.

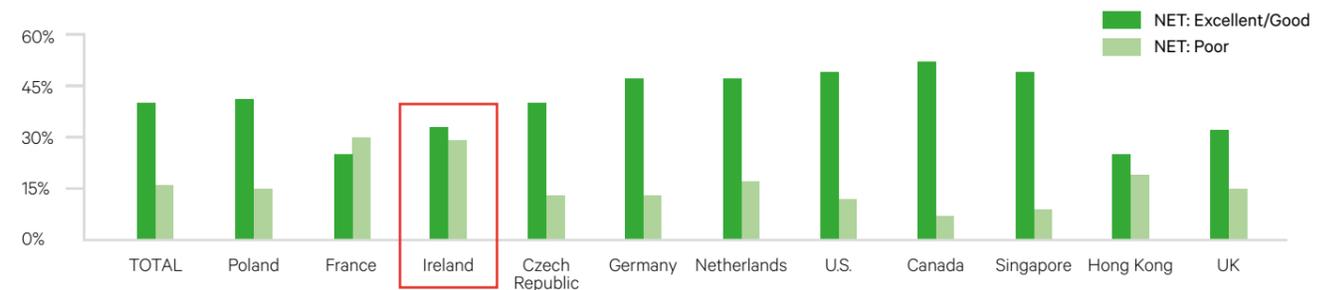
Of those Irish SMEs trading internationally, the UK, Germany and the U.S. represent the most value by way of exports. The UK also represents the greatest value in relation to imports and it's for these combined reasons that the drop in value of Sterling has had a differing impact across Irish businesses.

Perhaps unsurprisingly, therefore, in relation to international trade, the greatest challenge to Irish SMEs is currency fluctuations, cited by one in five as a key issue.

TOP THREATS TO GLOBAL ECONOMIC GROWTH IN 2017



AVAILABILITY OF FINANCE



1 CSO static.rasset.ie/documents/news/gdp.pdf

2 European Commission Spring Forecast 2017 ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2017-economic-forecast_en

3 CSO Unemployment Figures www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentjune2017/

4 ESRI Unemployment Rate Forecast www.esri.ie/news/economic-growth-set-to-remain-solid-in-2017-and-2018/

5 Central Bank of Ireland Q3 Bulletin www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q3-2017

6 merriestreet.ie/en/News-Room/Releases/_Minister_Flanagan_convenes_meeting_of_the_Export_Trade_Council_ETC_to_discuss_the_UK_Referendum.html

ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services is a leading independent financial services partner to over 10,000 businesses worldwide.

Formed in 1982, Bibby Financial Services is part of Bibby Line Group (BLG), a diverse and forward-looking family business with over 200 years' experience of providing personal, responsive and flexible customer solutions.

With over 40 operations in 13 countries spanning Europe, North America and Asia, we provide specialist and adaptable trade, asset and working capital funding, helping businesses to grow in domestic and international markets.

To find out more about Bibby Financial Services, visit:
www.bibbyfinancialservices.ie

ABOUT BIBBY LINE GROUP

BLG is a £1.4 billion business, operating in more than 20 countries, employing 4,500 people in industries including retail, offshore, distribution, shipping, marine based businesses, plant hire and woodland burials.

To find out more about Bibby Line Group, visit:
www.bibbylinegroup.co.uk

CONTACT

MARK O'ROURKE

Managing Director - Ireland

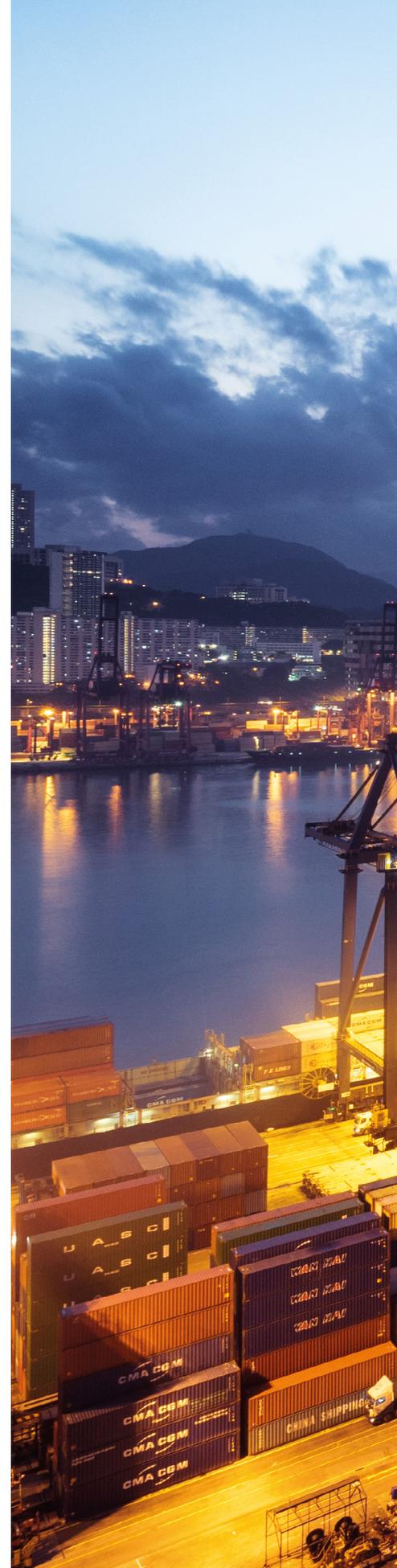
MORourke@bibbyfinancialservices.com

 **CALL** 01 297 4911

 **VISIT** bibbyfinancialservices.ie

WE BELIEVE IN YOUR BUSINESS

INVOICE FINANCE • FX • EXPORT FINANCE • BAD DEBT PROTECTION



BIBBY
FINANCIAL SERVICES

