

# GLOBAL BUSINESS MONITOR

2019





# IRELAND

POPULATION: **4.9M** NUMBER OF BUSINESSES: **255,475**<sup>1</sup>

## SME MARKET OVERVIEW

Despite the continuing threat of Brexit, the business environment for Irish small and medium enterprises remains largely positive, acting as the main source of jobs for the Irish economy. The Irish economy is performing strongly, with GDP growing 8.2 per cent in 2018 according to the Central Statistics Office.<sup>2</sup> Excluding multinationals, the economy grew at the slightly lower rate of 6.5 per cent.

In particular, it has benefitted from the strong performance of the macro Irish economy and a 13 per cent rise in exports for the first five months of 2019 compared to the same time last year according to the Central Statistics Office. There has also been increasing diversification in the destination of Irish exports ahead of Brexit, with a 35 per cent increase in exports to Germany, a 19.6 per cent increase to the Netherlands and a 13.8 per cent increase to Italy. According to a recent report from the Banking and Payments Federation Ireland, SMEs in the retail, food and accommodations sectors are concerned about recent falls in consumer spending and sentiment, in addition to a drop in the number of tourists visiting from the UK.

Despite considerable uncertainty surrounding trade relations once the UK leaves the EU, only two fifths (39%) of Irish SMEs say they are considering export markets beyond the UK due to Brexit. More worryingly, two-thirds (66%) say they haven't spent any money preparing for Brexit. Irish businesses need to continually plan ahead and be ready to face the challenges that will accompany this changed business environment. Businesses that manage their exposure to Brexit disruption at a customer, currency and supply chain level will be well placed to create the most competitive solutions post-Brexit.

However, it's clear that Brexit will have a disproportionate impact on the SME market, and several regulatory changes could lead to better protection for businesses. A Seanad Public Consultation

Committee recently recommended bringing capital gains tax rates and reliefs in line with international norms and increasing collaboration and cohesion between bodies and initiatives supporting SMEs. Additional challenges facing the SME market include delays in the roll-out of the National Broadband Plan, the high cost of rent, insurance and rates, and difficulties in accessing competitive rates.



**MARK O'ROURKE, MANAGING DIRECTOR, BIBBY FINANCIAL SERVICES, IRELAND**

## ECONOMIC PERSPECTIVE

The Irish economy is performing strongly, with GDP growing 8.2 per cent in 2018 according to the Central Statistics Office. Excluding multinationals, the economy grew at the slightly lower rate of 6.5 per cent.

We expect economic performance to remain strong in 2019 (above 4% growth). Consumer spending has accelerated (+3% year on year) on the back of strong wage growth which reached its highest level since 2009. Saving rate remains high, above 12 per cent of gross disposable income compared to 8.6 per cent historical average. In addition, the unemployment rate reached its lowest level at 4.6 per cent given the dynamic economic environment. Company investment accelerated too (+8% year on year) while external performance has been strong (+4.4pp of contribution to real GDP growth in 2018), notably thanks to the strong performance of the ITC sector. Non-financial corporations' margins stand at very high levels compared to European peers (73% of the value added in Q1 2019). The high profit margins provides an important buffer against the high indebtedness of the Irish companies (192% of GDP for the stock of debt in 2018, second highest in the Eurozone after Luxembourg).

Ireland's high exposure to the UK makes it very vulnerable to a possible no deal scenario. Euler Hermes estimates an annual negative impact on real GDP growth of -1.5pp from its current 3.0 per cent forecast in 2019 and 2.5 per cent in 2020 with -EUR1.3bn of export losses and -EUR2.2bn in investment losses.

**ANA BOATA, SENIOR ECONOMIST FOR EUROPE, EULER HERMES**

## RESEARCH FINDINGS

The research findings echo wider economic indicators: Irish SMEs are more confident in the strength of the domestic economy rather than global. Over half (57%) described the Irish economy as performing well, while two-thirds (64%) remain concerned about the global economy, above the global average of 56 per cent.

The significance Irish SMEs place on Brexit as a threat to the global economy is unsurprising, with 72 per cent citing it as the major concern. After Brexit, the U.S. political situation and declining international trade were cited as the most pressing global threats, by 42 per cent and 19 per cent, respectively.

More encouragingly, over half (53%) of Irish SMEs have reported sales increases over the past 12 months, with nearly half (49%) expecting sales to increase over the next 12 months. Of those expecting growth, the majority (72%) expect it to come from an increase in new customers.

Sales strength, plus positive sentiment regarding the broader Irish economy, is translating into increased confidence. 89 per cent are set to invest in their businesses over the year ahead, prioritising sales & marketing (50%), IT and digital technology (49%) and training existing staff (43%).

Rising costs were the top concern at 49 per cent, followed by cashflow management and government regulations (both at 38%). Regarding government policy, over half (54%) believe more could

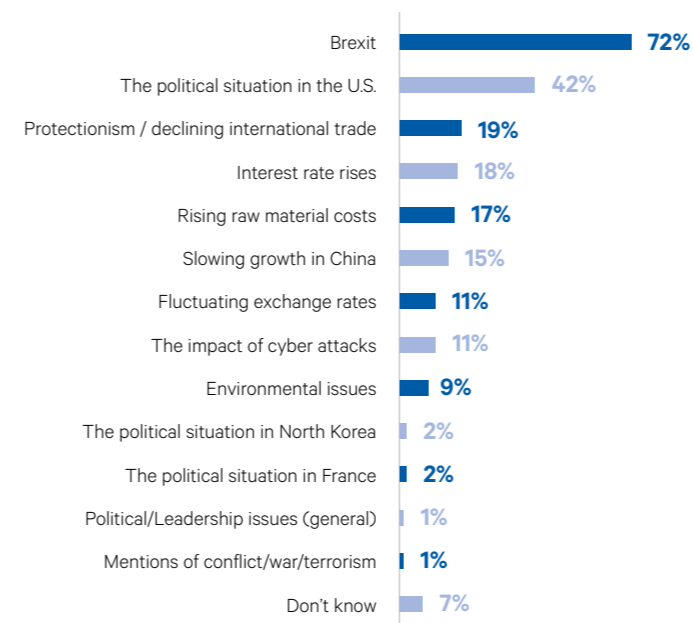
be done to support Irish SMEs. 42 per cent of respondents cited collecting payment from customers on time as the biggest challenge to cashflow.

Whilst a fifth (22%) of Irish SMEs use external finance for their businesses, reinvestment of company profits (36%) continues to be their main source of funding. Over a third (33%) of Irish SMEs cite the availability of finance as poor, with 1 in 5 (19%) experiencing rejection for finance in the past 12 months. Overall, 36 per cent of SMEs cited a poor credit rating as the main reason for rejection.

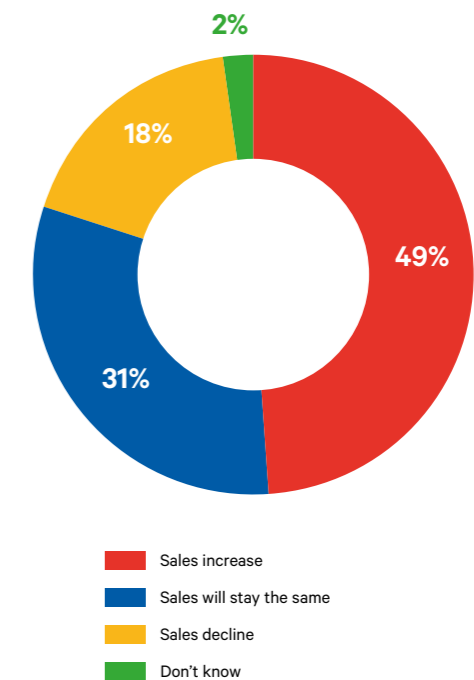
Almost a third of SMEs (30%) suffered from bad debt over the past 12 months, with an average of €26,603 written-off by each business, and the majority (80%) stating it has had an impact on their business, affecting profits and in some cases leading them to cease trading.

Of those Irish SMEs trading internationally, almost a third (32%) of businesses are exporting and the same proportion are importing. 82 per cent of SMEs that trade internationally face challenges with the greatest being foreign exchange fluctuations (21%). The UK, Germany and the U.S. represent the most value by way of exports. For Irish SMEs, the UK is the predominant import market, and the fall in the value of Sterling will have significant implications for businesses across Ireland.

### TOP THREE THREATS TO GLOBAL ECONOMIC GROWTH IN 2019



### BUSINESS PERFORMANCE EXPECTATIONS FOR THE NEXT 12 MONTHS



<sup>1</sup> European Commission, 2018  
<sup>2</sup> <https://www.rte.ie/news/business/2019/07/11/1061482-cso-gdp-figures/>

## ABOUT BIBBY FINANCIAL SERVICES

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With over 40 operations in 14 countries spanning Asia, Europe and North America, BFS provides specialist and adaptable FX services, trade, asset and working capital finance, helping businesses to grow in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 200 years.

In 2011, 2012, 2014, 2015, 2016, 2017, 2018 and 2019 the business was awarded a place in The Sunday Times 100 Best Companies to Work For, ranking 42nd in the most recent poll.

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