



# COVID-19: HOW IRISH SMEs ARE RESPONDING

AUGUST 2020

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# SMEs FACE CRITICAL CHALLENGES AS THE IMPACT OF COVID-19 IS REVEALED

The Covid-19 pandemic has challenged society and the global business community in ways that many of us could never have imagined. The pandemic has had a severe impact on people's home and work lives, while the impact on business has been monumental. This study, which is based upon research among 200 of Ireland's small and medium-sized businesses across key sectors, indicates that the picture is mixed, but what is clear is that the pandemic is severely affecting how SMEs operate.

Our research reveals that, despite measures introduced under the recent July Stimulus package and the range of Government supports available, only a quarter (24%) of SMEs believe they will be able to cover their running costs for the next 3-6 months. Findings also highlight the chief concerns the pandemic has presented for business owners across the country, with cash flow difficulties remaining the greatest challenge (34%), followed declining customer numbers (31%) and staff losses (14%). Meanwhile bankruptcy remains a pressing concern for 14 per cent of businesses.

## HOW ARE SMES RESPONDING?

SMEs are responding to the effects of the pandemic in different ways. Perhaps most worryingly, over a third (34%) of SMEs had ceased operations for a time, while 35 per cent say they had to lay off staff. Almost two-fifths (38%) closed parts of their business, either temporarily or permanently.

While many SMEs have returned to work, or reopened parts of their businesses closed during lockdown, the impact of social distancing guidelines and making workplaces and premises safe are undoubtedly impacting new business volumes and business confidence. Over half (54%) say social distancing measures have reduced their capacity to take on new business.

In addition, 42 per cent of businesses have had to turn down new orders because they are unable to fulfil them. Additional obstacles for SMEs attempting to secure new business include being unable to hire or bring back staff (31%), and not having the working capital to buy raw materials (21%).

However, while findings reveal key concerns, there is some optimism among Irish SMEs. Three-fifths (61%) are optimistic that a trade deal between the UK and the EU can be agreed.

For businesses exporting goods and services, currency fluctuations (53%), logistics management (47%) and managing customer payments (39%) are the most cited challenges. While businesses that import also cite customs and VAT payments (42%) as a further issue.

## THE IMPACT OF GOVERNMENT MEASURES

Despite challenges, 72 per cent of SMEs are supportive of the Government's efforts during the crisis and almost two-thirds (65%) are optimistic about the future of the economy. SMEs have responded positively to the measures announced in the July stimulus package, with over a third (36%) citing salary support in the form of the Wage Subsidy Scheme, closely followed by waiving of commercial rates (22%), as the most helpful measures introduced.

While there is some optimism for the future, it is clear that business owners are not expecting an economic rebound anytime soon. One in five SMEs (20%) believe it will more than a year before they return to the productivity levels they enjoyed prior to lockdown. It is evident that for many SMEs, now is a period of survival, while they look to manage costs and understand the measures and supports available that may help them to navigate these uncertain times.

## FINANCIAL PRESSURES

Our findings reflect the significant financial pressure put on businesses as a result of the pandemic – and how they are increasingly considering alternative sources of funding as a result. While over four in five (83%) SMEs were not using external finance prior to the Covid-19 pandemic, 66 per cent now say they would be more likely to consider the use of external finance to improve cash flow in the future.

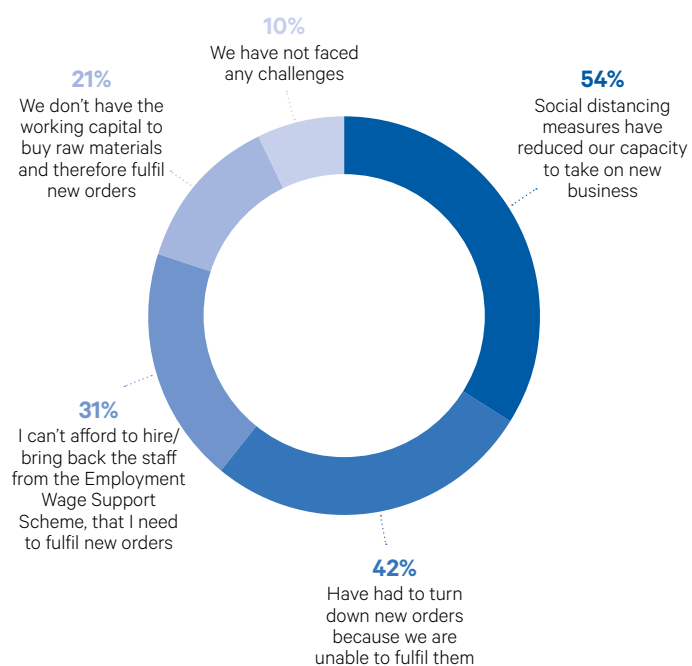
Since the outbreak in Ireland, half of the SMEs have experienced bad debt, writing off an average of €15,200. Bad debt notwithstanding, SMEs are facing mounting cashflow pressures with almost half (48%) of SMEs being forced to renegotiate contracts with customers and suppliers.

Such issues are exacerbated by the ever-present threat of late payment, causing a ripple through SME supply chains. Over half (55%) of SMEs report that customers are taking longer to pay than usual. Almost a third (30%) say they have withheld payment to some suppliers, while a quarter (24%) of SMEs have experienced customers refusing to pay.

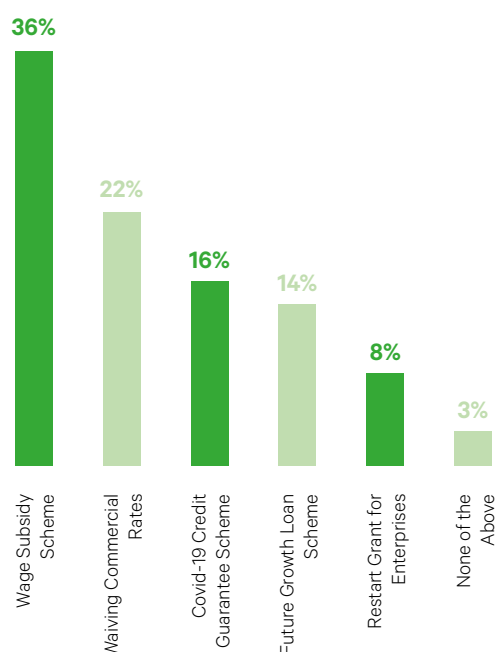
## MEASURES TAKEN SINCE MARCH



## NEW BUSINESS CHALLENGES SINCE OUTBREAK



## MOST HELPFUL GOVERNMENT MEASURES

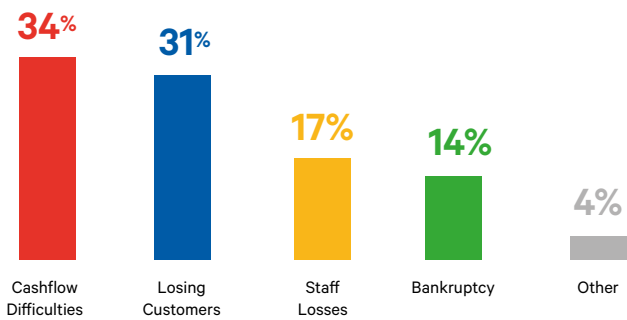


"Our research reveals the stark situation currently facing Ireland's SME sector. While most commend the Government's handling of the Covid-19 crisis, the measures needed to deal with it are having a lasting and profound impact on SMEs' ability to do business. For SMEs and the wider economy to recover, we must ensure that businesses are aware of the range of funding supports available to help weather the storm."

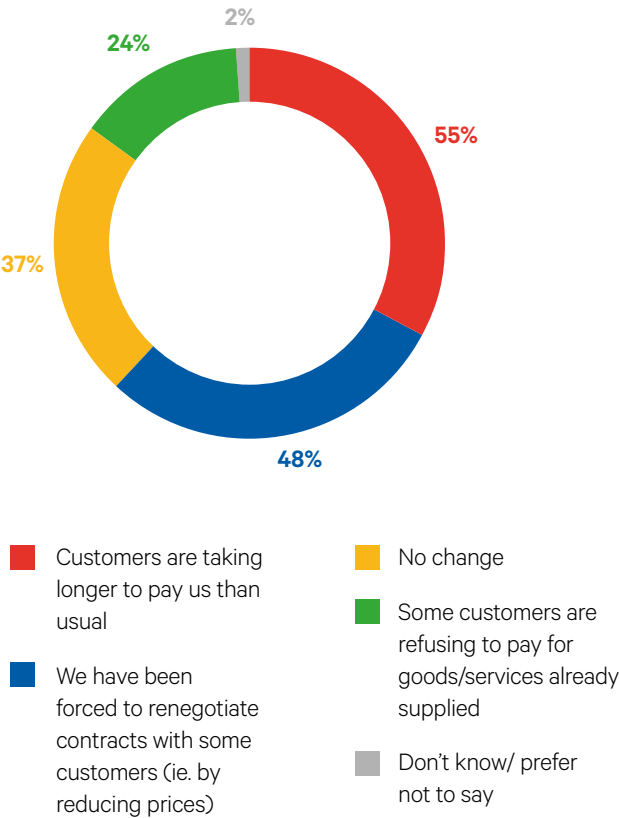
**MARK O'ROURKE** Managing Director, Bibby Financial Services Ireland



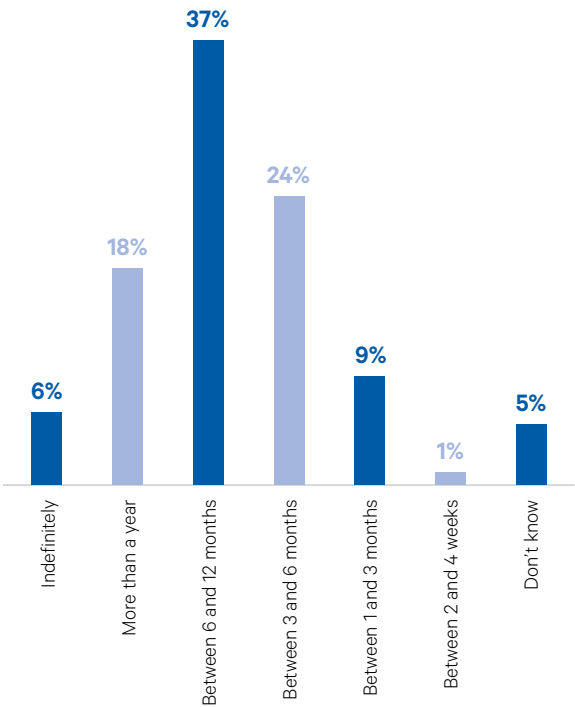
### MAIN CONCERNS OF SME OWNERS



### IMPACT ON PAYMENT PRACTICES



### CONTINUING TO MEET COSTS



## ABOUT THE RESEARCH

The study is based on Bibby Financial Services' Covid-19 Pulse Survey - a poll of 200 Irish SME owners and decision makers across the manufacturing, construction, wholesale, transport, retail and services sectors. Fieldwork for the survey ran from 31st July – 10th August 2020 and respondent businesses had an average annual turnover of €6m. Research is conducted by Critical Research.

## ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services Ireland is a leading provider of financial support and funding solutions to Irish SMEs. The company helps businesses to thrive and grow in domestic and international markets by providing tailored and flexible funding solutions for a range of scenarios including cashflow funding, new equipment purchase, growth and expansion, management buy-ins and buy-outs, refinancing, corporate restructuring and mergers and acquisitions.

Bibby Financial Services Ireland's funding portfolio includes confidential invoice, trade and export finance, foreign exchange services, bad debt protection and specialist funding for a range of sectors. With a 95% client satisfaction rating, our clients have confidence that we support their business.

Bibby Financial Services Ireland is part of Bibby Financial Services Group, a leading global financial services partner operating in 40 locations across 14 countries. With 40 years' experience, the business has a funding capability that exceeds £1 billion and an annual collective client turnover of £10.1 billion.

**To find out more about Bibby Financial Services, visit:**

**[www.bibbyfinancialservices.ie](http://www.bibbyfinancialservices.ie)**

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