



Half of Irish SMEs with investment plans have cancelled or postponed them due to Brexit

- Brexit is already negatively impacting business according to 45% of SMEs in ROI
- 59% of businesses in the ROI now expect a hard border compared to 32% in NI
- 14% of ROI SMEs postponed bank borrowing for working capital investment (+4)

The AIB Brexit Sentiment Index for Q3 2019 reveals that half of SMEs in the Republic of Ireland (ROI) (50%, +10%) and 66% in Northern Ireland (NI) (+28%) that had planned to expand or invest in their business have either cancelled or postponed planned investment due to Brexit. The impact is being felt both north and south of the border with 45% of businesses in ROI and 47% in NI feeling the effects of Brexit already.

In line with this and given the continued uncertainty, businesses in the ROI continue to have negative outlook with 71% concerned about their business' future and 86% foresee a negative impact for the wider economy. In NI they echo this sentiment where two in three (67%) now have a negative outlook on the future of their business.

The Brexit Sentiment Index baseline is zero, with a potential range from +100 to -100. For Q3 2019, the Index registered a score of -51 in the ROI, a slight deterioration on -50 in Q2 2019. In comparison, NI has fallen to its lowest level ever recorded (-41), a fall of five points from Q2 2019.

Many sectors in ROI are at their most pessimistic since the index began with SMEs operating in manufacturing (-59) and transport (- 57) the most negative according to the research. In NI, SMEs operating in manufacturing (-48) registered as the most pessimistic since tracking began.

The research also shows that 14% of ROI SMEs are postponing bank borrowing for capital investment while in NI there is reduced working capital demand (35%) due to Brexit.

Catherine Moroney, Head of Business Banking - Market, AIB said: "Of the businesses who had planned to invest we are seeing half of these cancelling or postponing their investment plans due to Brexit and this is translating into businesses also postponing bank borrowing for capital investment.

"A quarter of businesses now anticipate an increase in working capital requirements as a result of Brexit, a slight increase on the previous wave but still lower than expected. Whatever the outcome of Brexit, it is highly likely that there will be increased costs relating to customs compliance and delays in the supply chain, and in a hard Brexit scenario there will also be customs duties. While some of these costs will be recoverable, they will result in an increased working capital requirement and businesses should ensure that they have appropriate working capital facilities in place so that the cash flow of the business has an additional safety buffer to assist the business trade through Brexit, irrespective of its ultimate form."

Oliver Mangan, Chief Economist, AIB said: "One of the most notable features of the surveys this year is the number of firms that say Brexit is having a negative impact on their business now. During Q3 this stood at 45% of SMEs in ROI and 47% in NI, much higher than in the surveys carried out in 2017 and 2018. Consistent with this, the number of SMEs reporting that Brexit is having a negative impact

on sales jumped to 28% in the latest two surveys in both ROI and NI. Despite the deep concerns over Brexit, 41% of SMEs in ROI and 53% in NI have still not done any planning for Brexit. Indeed, only 7% of ROI and 6% of NI firms have a formal Brexit plan in place. Nonetheless, it is encouraging to see that 45% of ROI importers say they have found non-UK suppliers to replace UK ones, while 39% of ROI exporters to the UK are diversifying into other markets. However, the figures for diversification are much lower for firms in NI.”

AIB’s Brexit Sentiment Index conducted by Ipsos MRBI is a quarterly survey of more than 700 SMEs in the Republic of Ireland and Northern Ireland that assesses the attitudes of SME business leaders on Brexit and the impact on their businesses.

ENDS

The AIB Brexit Sentiment Index is based on detailed telephone interviews conducted by IPSOS MRBI from its call centres in Dublin and Belfast among 500 SMEs in the Republic of Ireland and 200 in Northern Ireland, operating in a number of key defined sectors.