

Navigator

Now, next and how
for business

Ireland

Ireland

Confidence high, but Brexit is a concern

All in all, the latest HSBC Navigator survey points to a reasonable degree of positivity and confidence among Irish firms, buoyed by a strong domestic economy. But the UK's upcoming departure from the European Union may force a reappraisal from Irish firms of the UK's future importance as an export market.

What is happening now

Broad-based optimism as the economy booms

Headline GDP data indicates that the Irish economy put in a strong performance in the first half of 2018. The rapidity of the expansion has been driven largely by net trade, with exports of goods and services surging, but imports dropping. However, the role of multinationals in driving activity and Ireland's position as a low-tax jurisdiction means that the headline data needs to be treated with caution. Looking ahead, growing global trade protectionism and the risk of a 'no-deal' Brexit represent important threats to this highly open economy.

Irish firms are broadly upbeat about future trade prospects, with around three quarters of respondents (74%) positive about the outlook for international trade, which is just below the global average of 78%. When questioned on their ability to succeed in the current international trading environment, 90% of respondents expressed confidence, which was higher than the global average of 81%. Given the strength of the Irish economy's recovery, it is unsurprising that those firms positive about their outlook most commonly cite a strong domestic economy as the main reason for their optimism. In terms of key markets where businesses are looking to expand, the UK was most frequently identified despite concerns around the implications of Brexit (Fig. 1).

How your business can respond

- ◆ Prepare contingency plans to mitigate the possibility of post-Brexit delay in goods bought from or sold to the UK.
- ◆ Ensure current business contracts are 'Brexit-ready' and cover potential customs and duty requirements.

Fig. 1: Which are the top 3 markets where your business will look to expand in the next 3-5 years? (Share of respondents identifying each market)



Source: TNS Kantar

Policy Developments

Surprisingly sanguine about protectionism, but regulation irks

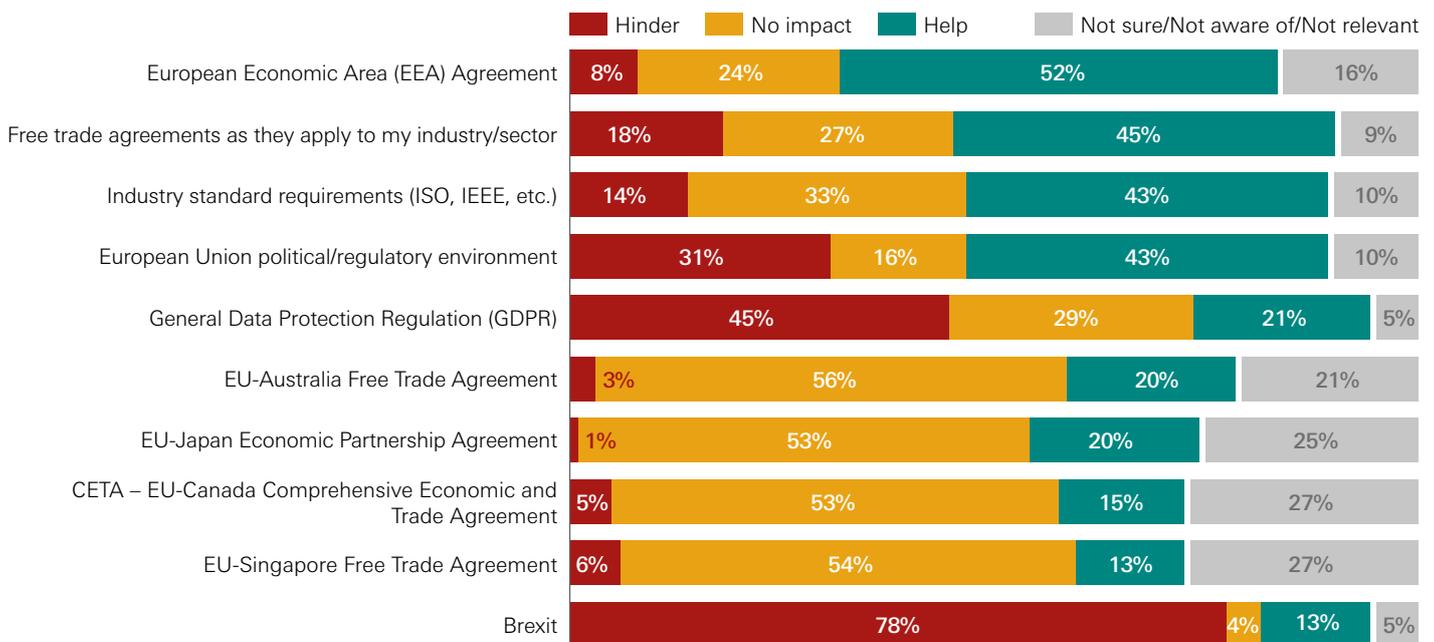
In light of the threat of a 'no-deal' Brexit and a burgeoning US-China trade war, it was perhaps surprising that only half of Irish respondents believe that foreign governments are becoming more protectionist, well below the global average of 63% and slightly down on the share of firms holding this view in the last HSBC Navigator survey (conducted in December 2017/ January 2018). But Irish businesses have a different view in the case of regulation – 61% of firms see this as increasing the cost of business, compared with 34% globally.

In terms of policy initiatives (Fig. 2), Brexit stands out as a source of angst among Irish firms. Almost 80% of respondents think that Brexit will hinder their business in the next three years, with the most frequently cited impact being an increase in the cost of doing business, followed by disruption to supplier/buyer relationships. Among initiatives looked on more favourably, just over half of businesses see the European Economic Area agreement as being helpful, while 45% see industry-specific free-trade agreements and industry standard requirements as also falling into this category.

How your business can respond

- ◆ Invest in customs and trade expertise to support cross-border movements in the event of new trade barriers.
- ◆ Map and establish supply chains to identify exposure to potential new tariffs and customs checks.

Fig. 2: Relevance and impact of policy developments in the next 3 years



Source: TNS Kantar

*May not total 100% due to rounding

What is happening next for business strategy

The long-term predominates in terms of company direction

In terms of future company direction (Fig. 3), Irish respondents most frequently cited an increased emphasis on long-term performance and growth as a key priority (83% of respondents), followed by growing market share (79%) and investing in upskilling of workforces (75%).

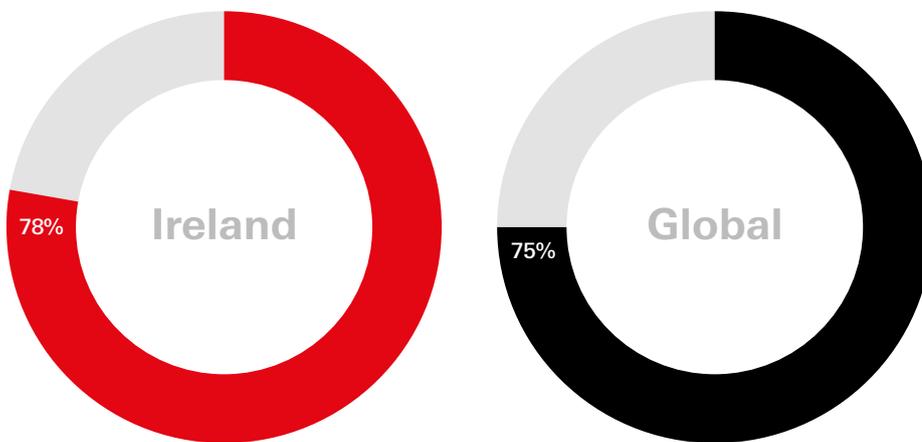
Among Irish firms, 78% are currently using data to optimise performance (Fig. 4), in line with the global average of 75%. Use among corporates relates largely to operational and transactional data. In terms of data innovations, the 'Internet of Things' was most commonly viewed favourably, while increased regulation around data compliance was most frequently identified as a challenge (on that note, just over a quarter of Irish firms are not yet compliant with data protection requirements).

Fig. 3: Top 3 actions for future company direction



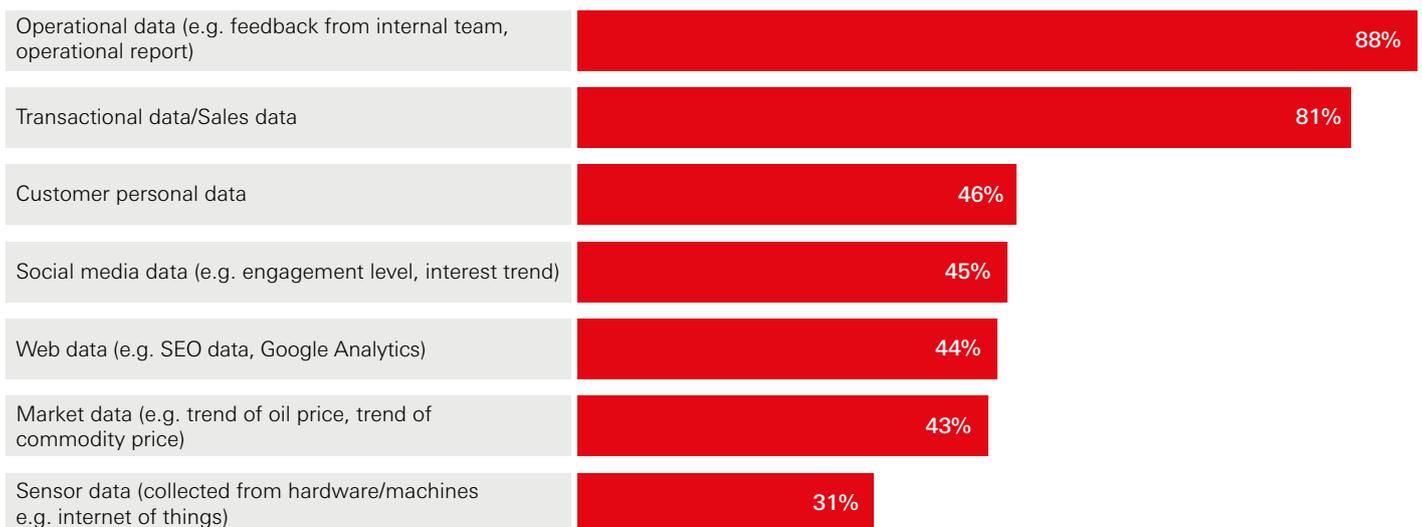
Fig. 4: Using data in business

Share of respondent firms using data to optimise performance



Source: TNS Kantar

Data sets currently being used



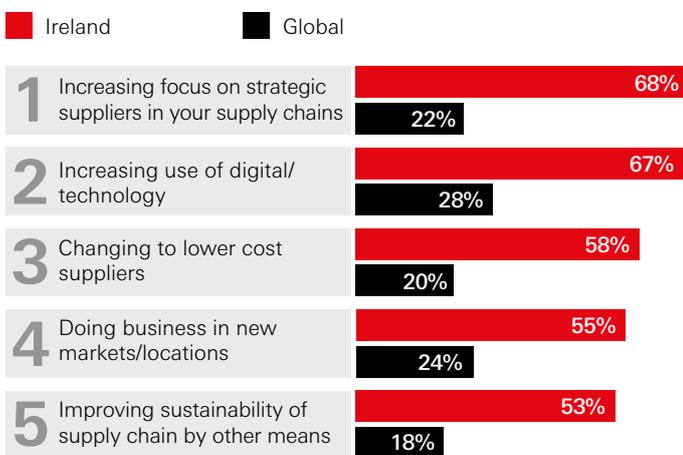
Source: TNS Kantar

Irish firms are intending to take a more strategic approach to supply chains

As a major hub for multinational enterprises, supply chains for goods are particularly important for the Irish economy. Among planned changes in supply chains (Fig. 5), almost 70% of firms are intending to increase focus on strategic suppliers (perhaps reflecting fears of disruption from Brexit), well above the global average of 22%. Increased use of technology and changing to lower cost suppliers are the next most cited changes. Increasing profits and revenues are viewed as the main objective of changes to supply chains by almost all companies surveyed, with reducing costs and easier management ranked second and third. Being environmental and ethically sustainable figures highly among Irish goods firms, with 65% of goods businesses claiming that this cause is important to them and that they are either on par or ahead of their peers in their focus on sustainability.

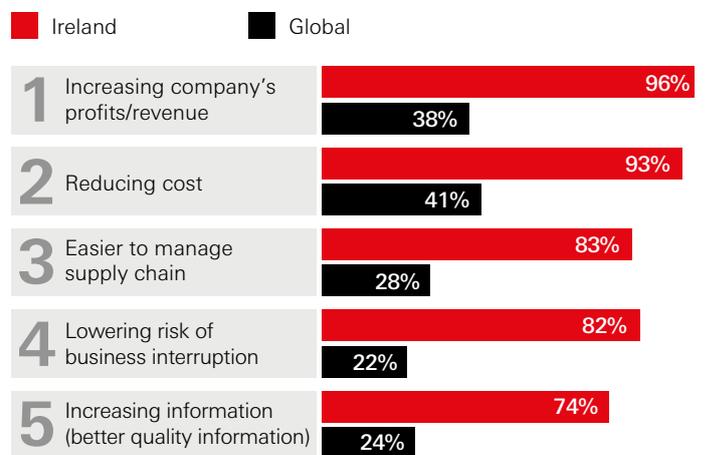
Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

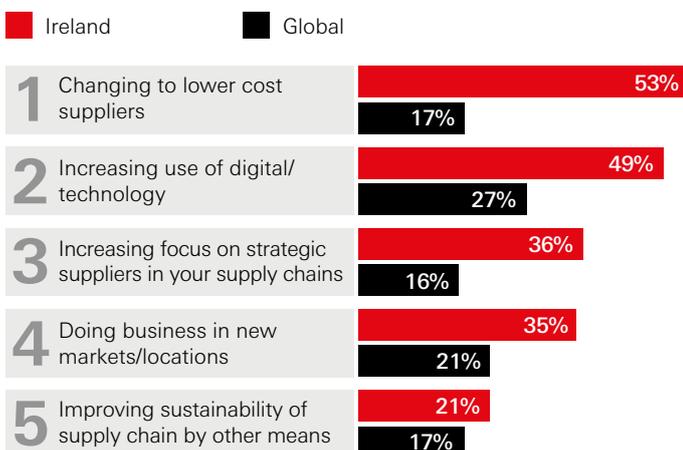
Top 5 objectives behind the changes



Among services firms, the prioritisation of supply chain changes differs, with cost savings being the objective cited by the largest share (53%) of companies (Fig. 6). Increased use of technology and a greater focus on strategic suppliers were other frequently mentioned strategies. On the issue of ethical and environmental sustainability, three quarters of services respondents consider this cause important and that their commitment matches or exceeds that of other firms.

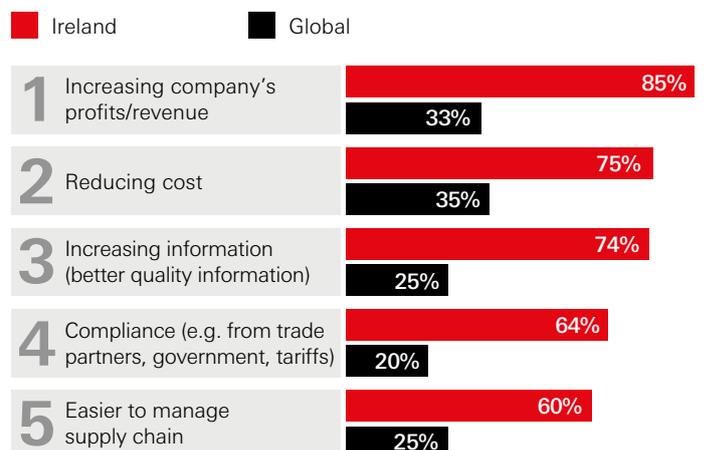
Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes



About HSBC Navigator Ireland

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 8,650 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 34 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 100 businesses surveyed in Ireland. Global results are based on an average of the 34 markets (using weights based on each market's share of world trade). The survey was conducted over a six-week period from July to September 2018.

Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

For media enquires please contact:
Natasha Plowman
HSBC Global Communications
Natasha.Plowman@hsbc.com

Or go to www.business.hsbc.com/trade-navigator

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