



Only 6% of SMEs in ROI have Brexit plan in place; compared to 2% of SMEs in North

- Current sentiment in the Republic of Ireland has improved by five points, but more SMEs feel Brexit will have a negative impact on their business in the future.
- Manufacturing, Hospitality & Tourism sectors most negative about Brexit in the Republic of Ireland.
- One fifth of export-focused SMEs in ROI looking to reduce their exposure to the UK and expand into Europe or beyond.

[The AIB Brexit Sentiment Index for Q4 2017](#) reveals that despite the proposed withdrawal of Britain from the European Union, the majority of SMEs both north and south of the border have yet to put a formal Brexit plan in place, with only 6% of SMEs in the Republic of Ireland (ROI) and 2% in Northern Ireland (NI) having a plan.

The research shows that certain sectors view Brexit more negatively than others. In the ROI, the Manufacturing (-49) and Hospitality & Tourism (-40) sectors are the most negative about Brexit. In NI, meanwhile, the Retail (-45) and Hospitality & Tourism (-34) sectors continue to be the most downbeat.

The Index also shows that of the export focused SMEs in the ROI, 23% are looking into expanding into new markets with Europe, particularly Germany and France, leading the way.

Of the 36% of SMEs in the ROI which had plans to invest in their businesses prior to the Brexit vote, 10% are currently reviewing them, while 8% have cancelled or postponed them indefinitely. The situation in NI, meanwhile, is somewhat starker. Of the 44% of SMEs who had plans to invest, the survey shows that 23% have cancelled or postponed these plans while 6% are currently reviewing them.

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

The Brexit Sentiment Index baseline is zero, with a potential range from +100 to -100. Overall, for Q4 2017, the Index registered a score of -36 for both the ROI and NI. While this ranks as an improvement on the Index score registered in Q3 2017 of -41 for the ROI and -38 for NI, it is clear that SME business leaders on the island of Ireland are still broadly negative in their outlook when it comes to the impact Brexit may have on their businesses.

Commenting on the findings, Catherine Moroney, Head of Business Banking at AIB said: *“As the reality of Brexit is landing with Irish SMEs, the second wave of AIB Brexit Sentiment Index indicates that many SMEs are not yet prepared for the potential consequences of Brexit. The index also shows that many SMEs are holding off on investment and expansion plans due to the uncertainty caused by Brexit. It is promising to note, however that one in five SME exporters in ROI are now considering new international markets, with France and Germany topping the list of destinations.”*

She continues “AIB is encouraging SMEs to begin preparing now to offset some of the challenges they may face in the coming months and years. We are here to help them with planning. AIB also has a team of Brexit Advisors across the country available to assist SMEs assess their investment and expansion plans.”

AIB’s Brexit Sentiment Index also shows that the weakness of Sterling is continuing to have a considerable impact on the cost of sales for SMEs in NI in particular. Some 62% of SMEs in NI report a higher cost of sales because of Brexit, with the most impacted sectors being Retail and Tourism. AIB chief Economist Oliver Mangan said *“In the Republic, adverse currency movements have been identified as being by far the main negative impact on business to date of Brexit, which is hardly surprising given the reliance on the UK market for those SME firms that do export.”*

In addition to adverse currency fluctuations, SMEs in both the ROI and NI report that a dip in consumer confidence and spending combined with a degree of uncertainty are the main impacts Brexit is having on their businesses now. This is particularly evident amongst SMEs in NI where consumer confidence and uncertainty has overtaken currency fluctuations as the biggest factor, with 15% of SMEs citing this as a major concern.

AIB’s quarterly Brexit Sentiment Index will help inform AIB on the needs and solutions required by customers as plans for Brexit progress.

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Note:

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

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