



12th November 2018

22% of SMEs with investment plans postponed/cancelled, 63% of SMEs believe Brexit will have a negative impact on business in the future

- 22% of businesses who had plans to invest in or expand their business have postponed/cancelled those plans, with 20% reviewing their plans (ROI)
- 7% of ROI SMEs have postponed bank borrowing for capital investment, while 18% say their working capital requirement will increase in the next three years
- Tourism, manufacturing and retail sectors most pessimistic about Brexit

The [AIB Brexit Sentiment Index for Q3 2018](#) reveals 63% of Republic of Ireland (ROI) SMEs believed Brexit would have a negative impact on their business, up from 58% in Q2 2018. 74% of SMEs in ROI believed it would have a wider negative economic impact. Meanwhile 44% of ROI SMEs say Brexit is resulting in a negative outlook for their sector. And only 5% of ROI SMEs have a formal plan in place, with 3% in Northern Ireland having a plan.

The Brexit Sentiment Index baseline is zero, with a potential range from +100 to -100. For Q3 2018, the Index registered a score of -41 in the ROI, from -37 in Q2, and -35 in Northern Ireland for Q3 2018 from -37 in Q2 2018. This means ROI has become slightly more negative in outlook when it comes to the impact Brexit may have on their business than in Q2 2018. The Index shows SMEs operating in retail (-40), manufacturing (-43) and tourism (-49) are the most pessimistic in terms of sentiment.

Catherine Moroney, Head of Business Banking AIB said “It is clear from the research that many SMEs are increasingly pessimistic about the impact of Brexit on their business now and in the future, as well as the impact it will have on the wider economy due to the lack of visibility. A small proportion (4%) of businesses are increasing their investment and we are seeing evidence of this among our customer base, particularly manufacturers and exporters investing in efficiencies. Conversely, a proportion of businesses have postponed bank borrowing and this is highest amongst the retail and transport sectors. 22% of SMEs in ROI who had plans to invest in or expand their business have either cancelled or postponed those plans, while a further 20% are reviewing their plans. Few businesses appreciate the impact that Brexit will have on working capital requirements in the medium term.”

Catherine outlined the supports AIB has made available to customers “This month we will launch the AIB Brexit Ready Check, a simple online tool for SMEs to check on their mobile in less than 5 minutes how Brexit might impact their business. AIB has also launched a free export credit check in collaboration with Euler Hermes. We have put a €122m SBCI Brexit loan fund in place to support shorter term investment and working capital. Our local Brexit advisors are in place to support and assist businesses to navigate through Brexit and I encourage businesses to contact their local AIB to discuss how we can support their Brexit readiness.”

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.

AIB Chief Economist Oliver Mangan said ““AIB’s Brexit Sentiment Index remained deep in negative territory in Q3 of 2018 and the Index readings have been confined to a narrow range over recent waves of research and this reflects the lack of any major developments in the Brexit negotiations, with much uncertainty about the final outcome and whether the UK will leave the EU with an exit deal or not. “The slight weakening of the Index reading in ROI in Q3 is probably reflective of the renewed downward pressure on Sterling in the quarter, with the Euro rising to 91p at one stage. There was also much speculation over the period about an increasing probability of a no-deal hard Brexit given the lack of progress in the negotiations and the deep political divisions in the UK, which will make it difficult for an exit deal to get through Parliament

AIB’s quarterly Brexit Index helps inform AIB about the needs and solutions required by customers as plans for Brexit progress.

ENDS

Note:

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.

*The Euler Hermes credit check is a free risk assessment on five potential or existing overseas clients to provide greater peace of mind to gauge the likeliness of getting paid by them.

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