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HSBC research shows Irish companies positive about overseas trade prospects, but concerns remain

Latest HSBC Navigator report points towards a strong year ahead for Irish trade but Brexit poses a significant challenge.

- 71% of Irish businesses expect to increase trade over the coming months
- 75% of Irish businesses are worried about the negative impact of Brexit on business
- Top three growth markets for Irish businesses will be the UK, Germany and the US
- Over half (52%) concerned governments are becoming more protectionist
- 96% see cyber security as an increasing concern

Irish businesses are optimistic about the outlook for trade over the coming months but are worried about the negative impact of Brexit on their business, according to a new report from HSBC, 'Navigator: Now, next and how for business.' HSBC Navigator combines an economic forecast of medium to long-term bilateral trade and a global survey gauging business sentiment.

Of the Irish businesses surveyed, 71% are expecting an increase in their trade volumes over the next 12 months, largely being driven by a favourable economic environment and increasing demand for individual products.

However, three quarters (75%) say they are worried about the negative impact Brexit may have on their business. The UK bought 14% of Irish exports and supplied around one quarter of imports in 2017, however, the share is much higher in some sectors which are particularly exposed to tariffs and non-tariff barriers – for example, the UK takes almost 40% of Irish animal and animal product exports. So the risk of a 'hard' Brexit to Ireland is more acute in certain sectors of the economy.

Despite those Brexit concerns, the research still identifies the UK as the top growth market for Irish firms followed by the US and Germany.

Speaking about the survey's findings, Alan Duffy, HSBC Ireland CEO commented: *"The latest Navigator report shows that while Irish exporters are unsurprisingly negative about the UK's departure from the EU, they are optimistic about the outlook for trade with the UK.*

Irish businesses are set to continue diversifying their global trading links with emerging economies, with the markets once again identified as being of most importance in driving export growth, with sales to China, India and the UAE all set to rise.

"Ireland's combination of low business taxation, a skilled workforce and its use as a base by a range of multinational companies all contribute to a forecast showing the nature of Irish goods exports being broadly stable over the next decade. Ireland's competitive advantage in the goods and services sectors it exports also ensures that no serious shift in the composition of Irish goods and services exports is expected. Both of these points combined point to a positive trade outlook for Irish businesses over the coming months."

Concerns for companies

The survey also identified possible barriers to trade and concerns for companies trading abroad with protectionism identified as a key issue for companies. Over half (52%) of businesses surveyed say that governments are becoming more protective of their domestic businesses. Almost two-thirds of firms affected perceived a resulting increase in costs and almost two in five (38%) predict reduced opportunities for international business. Changes to the political and regulatory environments in two of Ireland's key trading destinations, the UK and US, will be of huge importance to the trade outlook for Irish companies.

While technology has been identified as a key driver of growth in the services sector, it is also a cause of concern for some companies. Almost all (96%) businesses surveyed see cyber security as an increasing concern and data regulation was identified as a possible barrier to trade by 70% of respondents. However, in terms of utilizing technology to the advantage of growing exports, 84% of businesses agree that easier access to data will create a level playing field for trade.

Top export destinations

The report also predicts that the top destinations for export sales growth for Irish companies will be dominated by emerging economies. Sales to China, India and the UAE are forecast to rise by 6-8% per year from 2021-2030 with the top 10 export destinations for Ireland also including several advanced economies such as Singapore and Canada.

China is forecast to rise a place in terms of its importance as a buyer of Irish goods exports, replacing France in fourth place. Traditional trading partners – the US, the UK and Germany – are forecast to hold on to their positions as the most important markets for goods exports.

Top export sectors

Ireland's competitive advantage in its goods and services exports means there will be no serious shift in the top export sectors for Irish companies in the coming months. Chemicals, pharmaceuticals and industrial machinery should continue to dominate on the goods side, while B2B, ICT and financial services are forecast to remain the most important forms of services exports to 2030.

A combination of factors including a skilled workforce, low business taxation and Ireland's use as a base by a range of multinationals have all contributed to the prediction of stable goods export growth over the next decade.

Trade in services

Since 2000 Ireland has ranked first among countries in terms of growth in the proportion of exports accounted for by services. The latest forecast predicts a continuation of this trend, with services exports predicted to rise to 60% of total overseas sales by 2030. The UK, US and Germany are forecast to remain Ireland's biggest buyers of services exports in 2030.

Despite Brexit, the UK remains by far the single largest market for services exports for Irish companies. However, companies looking to diversify and grow new target markets for services exports should look towards emerging economies. India, Indonesia and China are forecast to take the top three slots, with services sales to these countries forecast to rise by 9-10% per year on average from 2021-2030.

Global trade outlook

The trade outlook globally looks positive, despite concerns by firms about the rising cost of protectionism. The majority of firms surveyed in the global survey are looking to regional partners to develop trade opportunities, with almost three quarters (74%) of overseas trade in Europe and Asia-Pacific being conducted within their 'home' region. Focusing on the impact of government policies, those designed to strengthen regional ties such as China's 'Belt and Road Initiative' (40%) and ASEAN's 2025 strategy (37%) were cited most frequently as having a positive impact on international business.

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Note to editors:***HSBC Navigator: Now, next and how for business***

HSBC Navigator is the most comprehensive report of global trade and business confidence. It combines an economic forecast of medium to long-term bilateral trade for exports/imports of goods and services across 25 markets (by Oxford Economics), and a global survey gauging business sentiment and expectations on trade activity and business growth by Kantar TNS.

HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: www.business.hsbc.com/trade-navigator

We can also supply additional data and insight on the following topics:

1. **Trade in Services:** Emerging markets firms drive optimism for growth. Trade in services outlook 2018 is positive but slightly weaker than that for overall cross-border trade, especially in developed markets. Expanding into new markets is the primary growth strategy for all.
2. **Regional views on the impact of government policies:** Looking at individual government/economic policies, the majority of individual government/economic policies have a positive impact on business, with the exception of the Middle East and Brexit. The two policies which were seen to have the most positive impact are in Asia: China's 'Belt and Road Initiative' and ASEAN 2025.

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