

Navigator

Now, next and how for business

Ireland



Together we thrive

Overview

Backed by a strong economy, businesses take a careful approach

Ireland's economy was hit hard in the 2008 financial crisis but has recovered strongly to outperform the Eurozone with near full employment and strong income gains¹. However, continued uncertainty over Brexit, specifically the prospect of a hard border with the UK, has diminished consumer sentiment and business confidence on exports². Changes in international taxation policies could also affect Ireland's strategy of attracting foreign direct investment through low corporation taxes³.

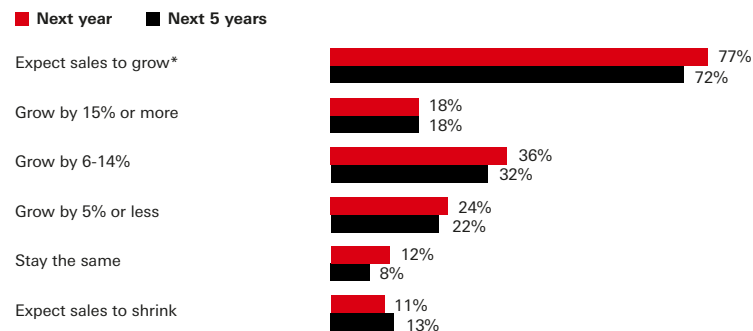
State of play

Targeting new markets to increase confidence

Ireland's businesses agree with the global consensus on growth, with just over three-quarters of companies anticipating increased sales next year. The focus is very much on opening up new markets and introducing new products and services, with Irish companies concentrating more on these areas than their counterparts in Europe and globally.

However, the Irish have a conservative business outlook, both for next year and longer term. Just over a third of Irish businesses are more optimistic than a year ago compared to nearly half of their global peers while almost a quarter are more pessimistic compared to one in seven elsewhere.

Expectations for future business growth



* This is the sum of grow by 5% or less, 6-14%, 15% or more



What you need to know

- 1 77% of Irish businesses expect sales growth next year with almost one in five companies forecasting growth of 15% or more.
- 2 38% of Irish companies are more optimistic than a year ago compared to 47% globally.
- 3 Half of firms expect their businesses to change totally or substantially in the next five years, in line with the global average.

What your business can do



Look at opportunities to enter new markets. 44% of Irish companies view this as a key strategy to drive future growth.



Streamline your supply chain by introducing digital technology and seeking new locations. More than a third of Irish companies are doing so in the expectation of reducing costs and increasing speed to market.

¹ <https://www.weforum.org/agenda/2019/03/everything-you-need-to-know-about-ireland-s-economy/>

² <https://www.focus-economics.com/countries/ireland>

³ <https://www.irishtimes.com/business/economy/ireland-s-economic-outlook-clouded-in-uncertainty-eu-warns-1.3952314>

Trade outlook

New trade partners compensate for unsteady UK relationship

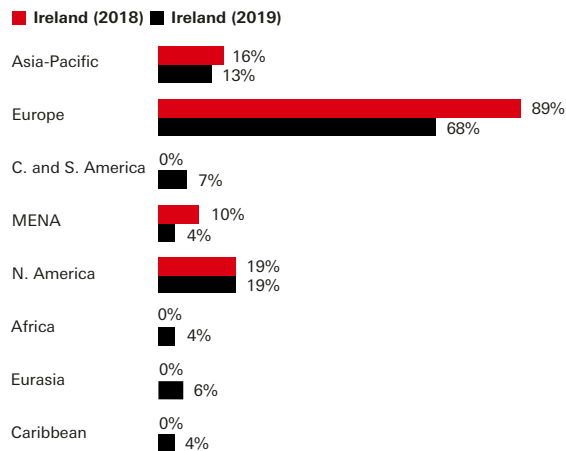
The UK is still most often cited as among the top three current trading partners for Irish firms, but the number of companies who consider the relationship to be important has fallen in the last year from nearly three quarters to just 43%. This reflects uncertainties around Brexit.

However, Ireland's major EU trade partners are rushing to fill the gap. The number of companies citing Germany as a top three current trading partner has risen to nearly a quarter while France more than doubled in importance to 21%. The US is still the main North American market despite a slight easing in the last year.

There is evidence of a structural shift in Irish trade strategy in the next five years with North America surging in popularity: almost a third aim to do business there compared to one in 10 last year. Latin America has come to rival France as a prospective market, and this has largely been at the expense of Europe as a region.

Overall, Irish businesses feel hopeful about trade, agreeing with many of their global counterparts that international trade will be a force of good over the next five years. They believe it will drive innovation, provide new business opportunities and improve efficiency.

Current top trading partners



What you need to know

- 1 Irish companies are moving away from their biggest trade partner. Just 43% see the UK as important.
- 2 The Americas are seen as offering the biggest future trading opportunities at Europe's expense.
- 3 France and Germany have surged in importance while the Netherlands and Sweden have plummeted – the latter to zero.

What your business can do



Look at exploiting proven customer demand and superior product quality. More than half of Irish companies believe these factors give them an advantage in exporting to Europe.



Capitalise on Ireland's reputation for favourable partnership opportunities and culture of innovation. Around a third of companies find Ireland attractive for these reasons.

Protectionism and geopolitics

The silver lining in growing protectionism

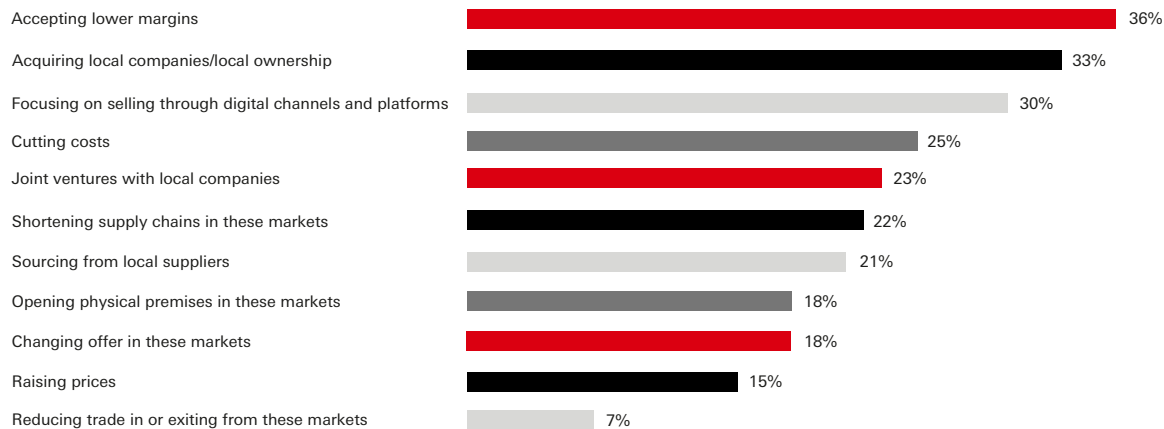
Close to six in 10 Irish businesses think protectionism is increasing in their major trading markets, which is slightly below the global average.

Overall, however, the verdict is that the rising trade restrictions are having a beneficial impact. Almost half of Irish companies who think that protectionism is rising feel that they stand to gain more than they lose; more than a third cite increased competitiveness as the main advantage. Conversely, around a quarter have been adversely affected by higher tariffs, restrictions on foreign ownership and reduced competitiveness.

Companies are responding to the tougher market conditions with a range of strategies including reducing their margins, acquiring local companies and selling through digital channels.

Geopolitical pressures are having more of an impact in Ireland than globally or Europe-wide, with nearly three-quarters of businesses experiencing major effects. This is largely attributed to the tensions around Brexit and businesses are reacting by setting up more local relationships and partnerships and by taking more business online.

Ways in which businesses are coping with protectionism



What you need to know



59% of Irish companies think that protectionism is increasing against 65% globally.



47% of companies that believe protectionism is increasing feel that they are net gainers compared to 16% who feel negatively affected.



71% of firms report a substantial impact on business from geopolitical factors against 60% of their counterparts in Europe.

What your business can do



Reduce the negative effects of protectionism by decreasing margins and acquiring local companies. More than a third of Irish businesses have adopted these strategies.



Exploit the advantages of digital and online strategies to counter geopolitical risks. Three in 10 companies see this as an effective way to address this uncertainty.

The sustainable future

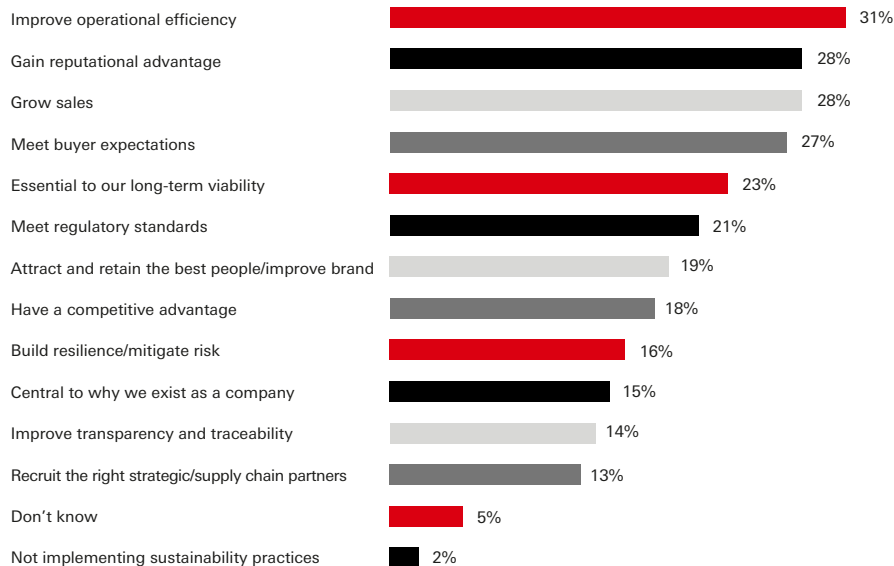
Climate change is a priority

Pressure from competitors, regulators and customers is driving the Irish business community to raise its game with sustainable practices over the next five years. A third of companies have been influenced by each of these stakeholders to do so.

The rewards for implementing more sustainable practices are tangible, with three in 10 businesses identifying improving operational efficiency, reputational advantage, and sales growth as the main motivations.

More than half of Irish businesses think they have a role to play in delivering the UN's Sustainable Development Goals (SDG) and close to a quarter think that it is a significant role, in line with the global average. Climate action, gender equality and wellbeing are the most relevant SDGs for businesses.

Motivations for implementing sustainable practices



What you need to know



53% of Irish businesses feel they have a role to play in delivering the UN's SDGs with 23% saying their role is significant.



36% of companies feel pressure from competitors to introduce sustainable practices.



28% of firms see executive compensation and workplace safety as relevant ESG factors, making these the most important overall.

What your business can do



Assess how you can mobilise employee engagement with sustainable practices. 34% of Irish companies see this as a major challenge compared to the European average of 20%.



Investigate the benefits of technological monitoring to improve supply chain visibility. This is an investment priority for 34% of businesses in the next five years.

About HSBC Navigator Ireland

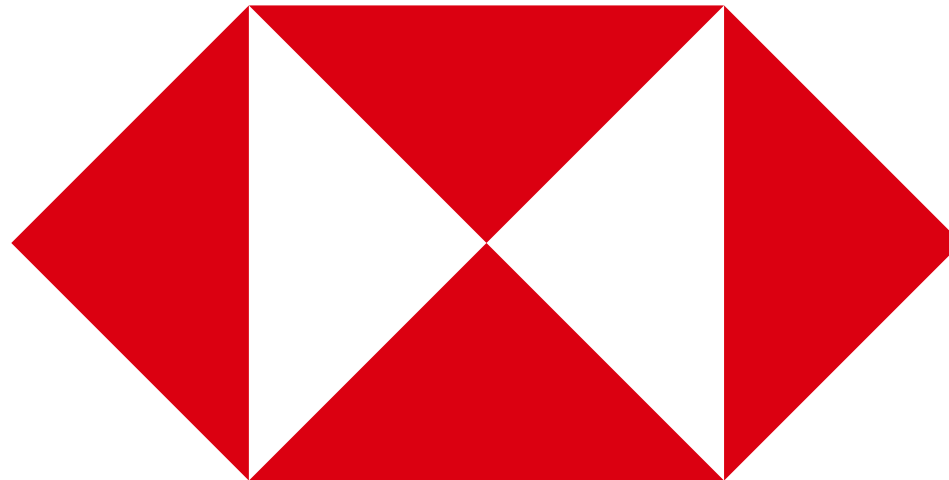
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellness. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 75 businesses surveyed in Ireland. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. 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.

Data visualisations based on the following:

Page 2 & 5: all companies. n=75

Page 3: international operators (trend). n=63/53

Page 4: companies who think governments are becoming more protective. n=44



For enquiries please contact:

Kate Woodyatt

HSBC Global Communications

katewoodyatt@hsbc.com

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

All images copyright © HSBC Holdings plc. All reasonable efforts have been made to obtain copyright permissions where required. Any omissions and errors of attribution are unintentional and will, if notified in writing to the publisher, be corrected in future printings.

Photo Credits: Getty Images

Note: Whilst every effort has been made in the preparation of this report to ensure accuracy of the statistical and other content, the publishers and data suppliers cannot accept liability in respect of errors or omissions or for any losses or consequential losses arising from such errors or omissions. The information provided in this report is not intended as investment advice and investors should seek professional advice before making any investment decisions.

Issued by HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom www.hsbc.com