

Leadership Needed in 2019



The business sector needs support and political leadership to grow and develop in 2019.

Businesses have faced a number of significant challenges in 2018 – the continued absence of an Executive, Brexit, productivity, skills gap, recruitment and talent retention to name a few. In the face of these, we have seen relative consistency in growth and confidence in the sector; this is testament to the mentality and resilience of many of our local businesses.

During November's Budget, the Chancellor provided a welcome spending increase for Northern Ireland in some important areas, including health, social care, schools and defence. We also saw the introduction of a digital tax aimed at big companies in the tech sector.

UK growth will remain resilient according to the Chancellor with a forecast of 1.6% in 2019. A period of 'sluggish' growth is expected. Although NI's economy has been robust in 2018, demonstrating both conservative growth and confidence, it is expected the region will also have a period of 'slow' growth in the New Year.

Our businesses need certainty and support from decision makers to legislate on key policy areas. While the private sector has continued to grow and create jobs in the absence of local Ministers and the Assembly, we cannot continue like this indefinitely.

At the time of writing we don't have a finalised EU 'Withdrawal Agreement' and the Irish Border issue remains unsolved. Export and international trade has become a critical element for many businesses and time will



tell how much this affects their operations. Local companies are in a unique position as post Brexit many will have interests and staff in both the EU and UK, bringing possible challenges, but also providing the platform to use this position to grow.

A recent Quarterly Economic Survey (QES) by NI Chamber of Commerce and BDO NI (November 2018) showed signs of growth and optimism for NI businesses. One stand-out statistic was that 59% of businesses expect to grow in 2019.

Similar results were found in the CEF & BDO Half-Year Survey, which gauged the opinions and confidence of 68 of NI's best-known construction firms, representing 50% of Northern Ireland's construction output. There was an increase in firms reporting a rise in domestic sales, exports and employment, particularly within manufacturing. Confidence around turnover also showed 44% of businesses expecting their turnover to rise in the next 12 months.

Productivity in any business is vital to success; it affects both living standards as well as the extent to which firms can remain competitive in global markets. There are many factors that affect the productivity of a business, none more so that the strength of its management structure. It is estimated that for businesses across the UK, ineffective management costs more than £19 billion per year in lost working hours. Good governance, recruitment, investment, skills and wages will also all play their part in defining the levels of productivity for our businesses in 2019.

To help businesses invest for the future and enhance their productivity, the Chancellor announced in the Budget an increase in the Annual Investment Allowance from £200,000 to £1million for the 2 years from January 2019. This will add an incentive for many organisations to invest.

Boosting productivity must be a priority for businesses in 2019. Part of achieving this will be the commitment to embrace new technological advances and adopt new innovative ideas.

The ongoing skills gap was a dominant concern for businesses in 2018 and this is likely to continue into 2019. Recruiting skilled labour has been a challenge across the business sector. Competition of higher wages offered in Ireland as well as other parts of the UK are adding further pressures to available labour resources.

There is a clear desire from business to recruit going into 2019 but the challenge we face is ensuring that talent pool is available. Attracting the right talent will have a knock on effect to other parts of business, improving productivity, increasing profit margins and aiding business growth.

It is vital that in 2019 the necessary support and guidance is in place for ambitious local companies whether they are seeking to expand into new markets, recruit additional staff or invest in improving their infrastructure.

The UK Government has taken measures to address business rates relief in 2019 for England but these changes will not apply in NI. It will be interesting to see whether any such relieving measures are introduced to assist our local smaller retail businesses. UK corporation tax and its proposed cut to 17% in April 2020 was also deferred in the Budget. It is likely we will wait until we see the outcome of Brexit before we get further clarity on this – another vital support mechanism for our businesses and their ability to compete.

Our prospects will depend on whether, as a region, we are able to overcome these challenges in the early part of 2019. We need support from government in making decisions that will play a major role in assisting the future prospects of our businesses.