

P R E S S R E L E A S E

17th November 2017

CONFIDENCE IN THE SME SECTOR IMPROVES

- **Increase in 9 out of 12 confidence indicators.**
- **34% of businesses will not increase pay this year.**
- **62% of Owner-managers will not increase pay this year.**
- **31% of businesses claimed inadequate broadband.**
- **51% of companies find it difficult to hire new staff.**

The results of the **ISME Quarterly Business Trends Survey** for Q3 2017, released today (17th November) show a welcome improvement in confidence. 9 of 12 confidence indicators; Business Confidence, Business Expectations, Business Environment, Profitability Expectations Current Employment, Future Employment, Current Sales, Current Investment and Export Expectations showed improvements. The Trends report also reports on pay, staff retention and broadband in the SME sector.

Commenting on the results, ISME CEO, Neil McDonnell said *“Today’s results are positive for SMEs. We welcome the improvements in 9 out of 12 confidence indicators. However, we mustn’t ignore the challenges many SMEs are still facing.”*

“Our results show Brexit, economic uncertainty, cost competitiveness and reduced orders are major issues for many of our members. We need Government policy, and State supports and services to address these.”

The survey was conducted in the second week of November, with 556 SME respondents, 47% of whom employ less than 10; 45% employ between 11 and 49; and the remaining 8% employ between 50 and 250. Geographically, 31% are from Dublin; 54% are spread across the rest of the country; and 13% have multiple sites.

Confidence indicators

There was an improvement in our trends confidence index for Q3'17, with 9 (out of 12) indicators showing improvements, compared with 7 negatives in Q2'17. There was an increase in Business Confidence (up from 17% Q2'17 to 22% Q3'17), Business Expectations (up from 22% to 25% in Q3'17), Business Environment (up from 39% to 47% in Q3'17).

Profitability Expectations are marginally (up 3% from 19% in Q2'17 to 22%), Current Employment and Future Employment are (up 33% and 22%) respectively, Current Sales are up from (21% to 31%), while Sales Expectations are down from (37% to 29%), Current Investment is up from (37% to 43%), while Future Investments are down from (34% to 29%).

Current Exports are down from 17% to 14%, while Export Expectations are up from 6% to 40%.

KEY INDICATORS	Q3' 16	Q4'16	Q1'17	Q2'17	Q3'17	
Business Confidence	23%	16%	16%	17%	22%	↑
Business Expectations	31%	23%	32%	22%	25%	↑
Business Environment	33%	33%	37%	39%	47%	↑
Profitability Expectations	23%	15%	5%	19%	22%	↑
Current Employment	29%	21%	28%	26%	33%	↑
Future Employment	28%	23%	26%	18%	22%	↑
Current Sales	27%	27%	24%	21%	31%	↑
Sales Expectations	40%	34%	34%	37%	29%	↓
Current Investment	46%	41%	40%	37%	43%	↑
Future Investment	38%	38%	39%	34%	29%	↓
Current Exports	17%	16%	14%	17%	14%	↓
Export Expectations	31%	49%	30%	6%	40%	↑

Retail:

The Retail sector for Q3'17 reported Brexit and Cost Competitiveness as the biggest concerns facing the sector. 6 out of 10 confidence indicators showed improvements which is welcome. There were improvements in Business Confidence up from -6% to 14%, Profitability Expectations remain unchanged, Current Employment is up from 11% to 14%, while Future Employment also improved from 6% to 14% in Q3'17.

Sales Expectations are down from 44% to 14%, while Current Sales are up from 6% to 14%. There was a slight increase in Current Investment, up from 28% to 29%, while Future Investments is down from 17% to -14%.

Manufacturing:

There was a reversal in previous trends on the manufacturing confidence index. 7 out of 12 confidence indicators show improvements. This is a reversal on the 9 out of 12 disimprovements in Q2'17. Business Confidence improved from 17% to 23%, Business Expectations improved from 38% to 47%, Business Environment increased from 42% to 63%.

Profitability Expectations improved from 29% to 33%, while Current Investments increased from 38% to 50%. Future Investments reported a decrease from 29% to 27%. Current Employment is down from 38% to 50%, Future Employment is down from 29% to 27%, Current Sales are down from 29% to 27%, Current Investment is up from 46% to 50%, Future Investment is down from 54% to 47%, and Export Expectations are up from 10% to 26%. Current Exports are down from 20% to 0%.

Current Sales are down from 29% to 27%, while Sales Expectations are down from 50% to 40%.

Exporting:

Exports are a key area for the Irish economy; external shocks such as Brexit and currency fluctuations have implications for many SMEs. 9 out of 12 confidence indicators reported an improvement. Business Confidence increases from 16% to 22% in Q3'17. Business Environment increased from 39% to 47% in Q3'17. Business Environment increased from 20% to 25% Profitability Expectations are from 19% to 22%.

Current Exports are up from 26% to 34%, Future Employment is up from 18% to 22%. Current Sales are up from 20% to 32%, while Sales Expectations are down from 36% to 28%. Current Investment is up from 38% to 44%, while Future Investment is down from 35% to 29%.

Current Exports are down from 17% to 12%, while Future Exports are up from 6% to 42%. Brexit and Labour shortages are the biggest concern for the exports sector.

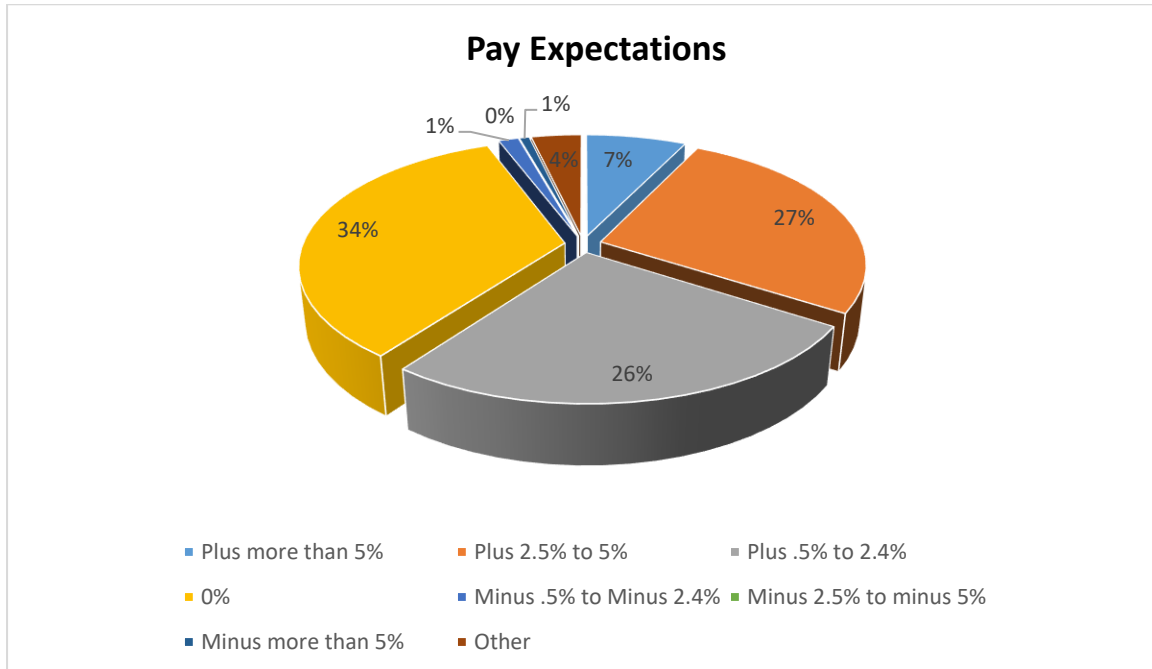
Services:

The services sector in Q3'17 recorded 7 out of 12 positive confidence indicators. Business Confidence is up from 18% to 29%, Business Environment is up from 42% to 47%. Business Expectations are up from 6% to 33%. Profitability Expectations is up from 15% to 27%.

Current Employment is up from 21% to 22%, while Future Employment is up marginally from 15% to 16%. Current Sales are down from 42% to 18%, while Sales expectations are up from 12% to 20%. Current Investment for Q3 is unchanged at 33%. Future Investment is down from 33% to 18%. Current Exports are down from 50% to -13%, while Export Expectation are down from 50% to 0%.

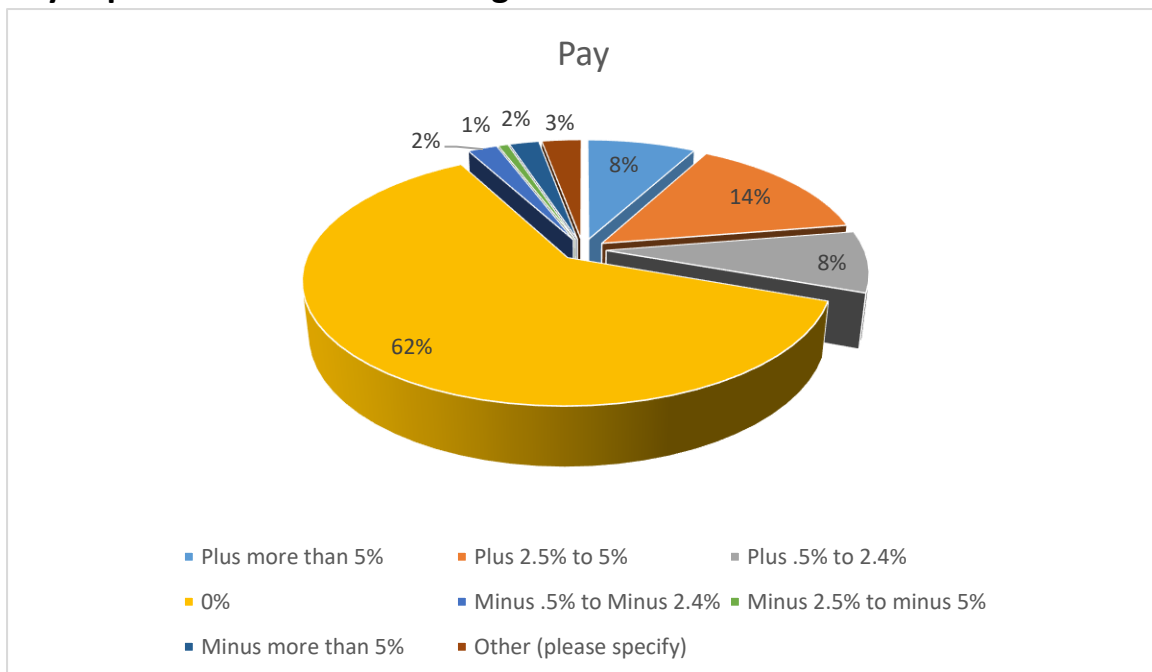
Economic uncertainty and Brexit are the biggest concern for the Services sector.

Pay Expectations: Employees



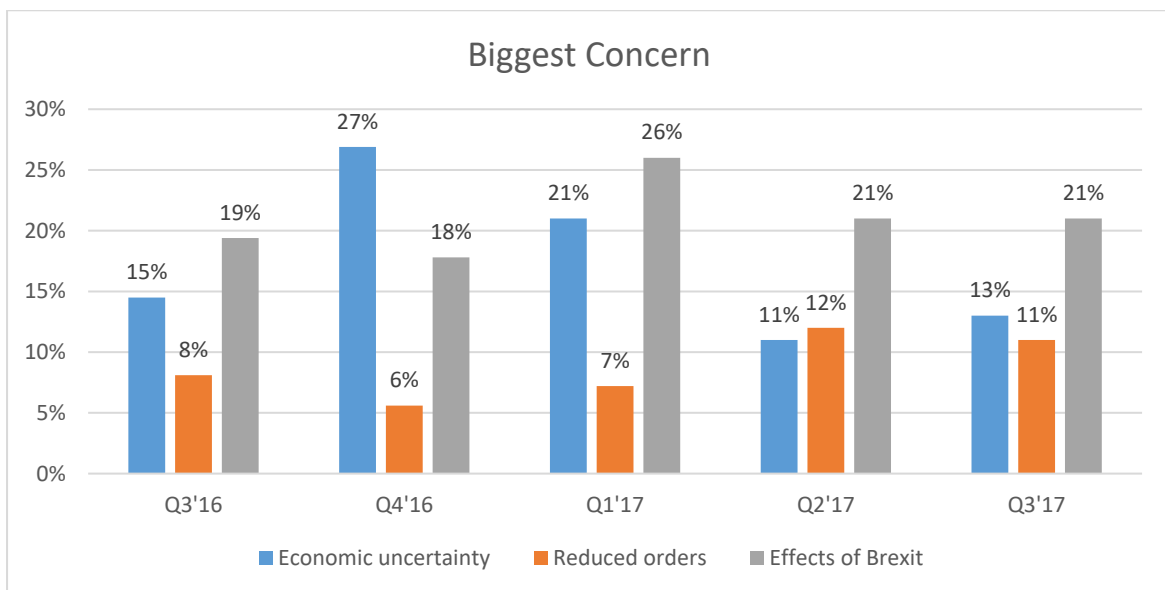
Our latest pay research shows 34% of SMEs will not increase pay this year, 26% of businesses will increase pay between 0.5% to 2.4%, 27% will increase pay between 2.5% to 5%, while 7% will increase pay of more than 5%.

Pay Expectations: Owner Manager



When we asked business owners about their own pay this year, 62% said they would not increase their earnings from the business. 8% intend to increase their wages of plus 5%, 14% will increase their pay between 2.5%-5%, while 8% will increase their pay between 0.5%-2.4%.

The Survey also tracks the current biggest concern of SMEs



The top three concerns for SMEs in this quarter are Brexit, Reduced Orders and Economic Uncertainty; Brexit at 21% still remains the biggest concern for small and medium enterprises, followed by economic uncertainty 13%; and reduced orders at 11%,.

He added,

“31% of business say they experience inadequate broadband service. This is a basic issue, but has far reaching consequences for small businesses in terms of growth, productivity, and cash flow. Reliable access to broadband is essential for business to function properly; unreliable or inadequate service hinders growth within business, and this must be addressed”

ENDS

For further information, please contact
 Neil McDonnell, Chief Executive
 T: 01 6622755, M: 087 2995658
 E: neil@isme.ie

Note to Editors:

ISME is the only independent voice of Small & Medium business in Ireland, representing in excess of 10,500 members across all sectors. The Association is owned and run by owner managers and is independent of big business, government and unions; the TRUE voice of the Irish SME. www.isme.i

