

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

24th April 2017

ISME's BUSINESS TRENDS REPORT

- **Increase in 5 out of 12 confidence indicators.**
- **35% of businesses will not increase pay this year.**
- **Current Exports down & Export Expectations drop by 19%.**
 - **Brexit biggest concern among SMEs.**

The results of the ISME Quarterly Business Trends Survey for the first quarter of 2017, released today (24th April) shows a decline in the exports sector, and an overall decline in profitability expectations for the SME sector. However, there are improvements in the overall confidence indicator index with positives in 5 of 12 areas. The Trends report also looks at pay in the SME sector. As expected, economic uncertainty and Brexit are the biggest concerns for SMEs in 2017.

Commenting on the results, ISME CEO, Neil McDonnell said ***"While the improvement in confidence since Q4 2016 is welcome, economic uncertainty and Brexit remain the biggest challenges for SMEs, especially those involved in exports"***.

"Since our last trends survey report, Article 50 has been triggered. We have seen a drop in current and forecast exports, the latter dropping by 19% on Q4. Profitability expectations have also dropped".

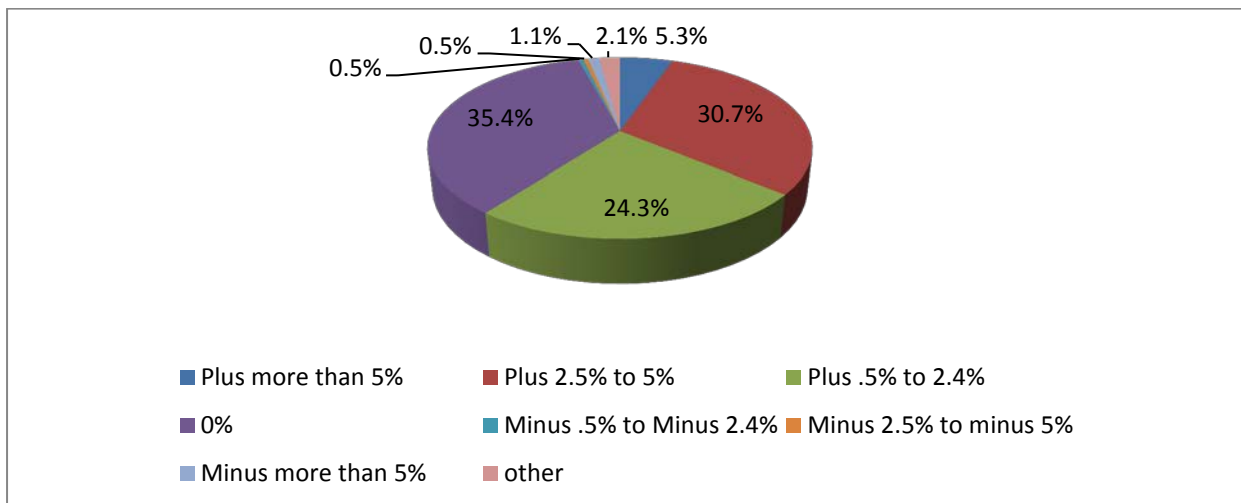
"We have included pay expectations for the SME sector in this trends report. 35% of businesses will not increase pay this year, while 24% will pay an increase of between 0.5% and 2.4%. This contrast with the pay expectations of the public sector unions shows how unrealistic the latter are in their pay demands."

The survey was conducted in the last week of March, with almost 1,000 SME respondents, 43% of whom employ less than 10; 43% employ between 11 and 49; and the remaining 14% employ between 50 and 250. Geographically, 28% are from Dublin; 58% are spread across the rest of the country; and 14% have multiple sites.

There was an improvement in our trends confidence indicators, with 5 (out of 12) indicators showing positive, compared with 8 negatives in Q4'16. Export Expectations experienced the biggest drop, down 19% from 49% in Q4'16 to 30% in Q1'17. Current exports have also declined from 16% to 14%. Profitability expectations dropped from 15% in Q4'16 to 5% in Q1'17.

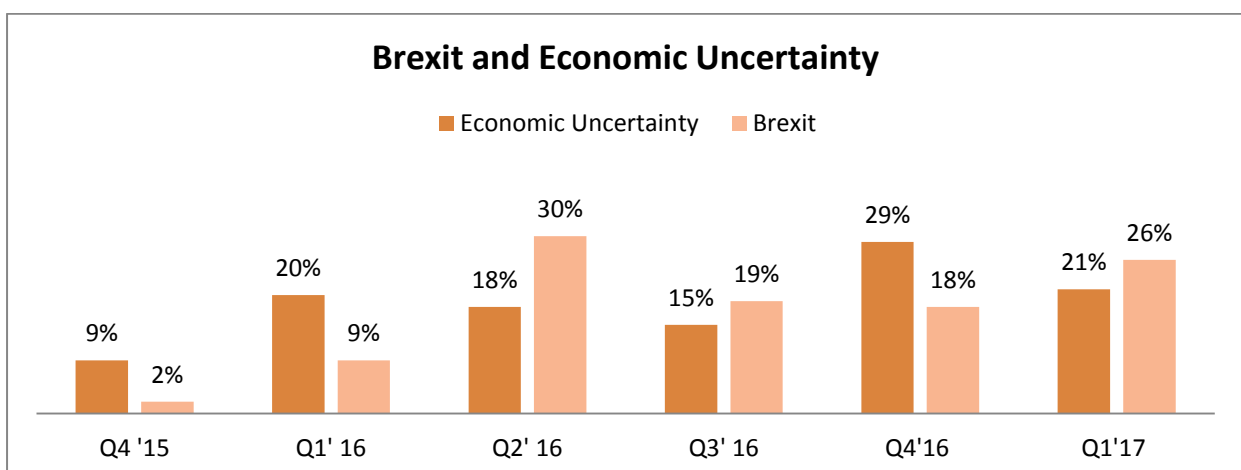
KEY INDICATORS	Q1' 16	Q2' 16	Q3' 16	Q4'16	Q1'17	
Business Confidence	38%	9%	23%	16%	16%	—
Business Expectations	49%	14%	31%	23%	32%	↑
Business Environment	34%	35%	33%	33%	37%	↑
Profitability Expectations	26%	9%	23%	15%	5%	↓
Current Employment	28%	6%	29%	21%	28%	↑
Future employment	27%	18%	28%	23%	26%	↑
Current Sales	28%	36%	27%	27%	24%	↓
Sales Expectations	42%	33%	40%	34%	34%	—
Current Investment	44%	39%	46%	41%	40%	↓
Future Investment	37%	31%	38%	38%	39%	↑
Current Exports	25%	15%	17%	16%	14%	↓
Export Expectations	40%	15%	31%	49%	30%	↓

Pay Expectations:



Our latest pay research shows that 55% of SMEs will increase pay of up to 5%, 35% of businesses will not increase pay this year, while 4% of businesses will reduce pay this year. Only 5% of businesses will increase pay by more than 5%.

The Survey also tracks the current biggest concern of SMEs



Brexit and economic uncertainty remain the biggest concern for SMEs in the first half of this quarter. Brexit in Q1 overtakes economic uncertainty as the biggest challenge for SMEs. This increase was expected due to the triggering of Article 50 in March.

Retail:

The Retail sector for Q1'17 showed signs of improvement with 7 out of 10 confidence indicators improving; this result was anticipated given the continued growth in retail sales as evidence by the February sales numbers released by the CSO. Business Confidence increased from -22% to 22% and Business Expectations increased from 17% to 28%. Current Sales dropped from 26% to 11%, while Sales Expectations increased from 0% to 28%. Profitability Expectations, while remaining in negative territory, improved from -35% to -22%. Current Employment dropped from 17% to 6%, while future employment improved from -13% to 11%.

Manufacturing:

Confidence indicators disimproved for the Manufacturing sector. Having reported 11 positive indicators in Q4'16, this reversed to 7 negative indicators in Q1'17. Business Confidence improved from 14% to 31%, Profitability Expectations declined from 31% to 7%. Business Environment improved from 34% to 50%, while Current Exports and Export Expectations decreased 6% and 15% respectively. Current Investment dropped from 54% to 52%, while Future Investment dropped from 60% to 57%.

Exporting:

Exports are a key area for the Irish economy; external shocks such as Brexit and currency fluctuations have implications for many SMEs. Business Confidence dropped from 18% to 16%, Business Expectations dropped significantly from 23% to 2%. Profitability Expectations also declined to their lowest in 5 years. There was improvement in the area of employment and future employment. Future employment improved from 23% to 26% in Q1, while Current Employment went from 21% to 28% in Q1. Sectorally, Exporters reported Brexit as their biggest concern at 26%; up from 18% in Q4.

Services:

The services sector experienced a reversal in the gains made in Q4'16. Business Confidence decreased from 38% to 8%. Profitability expectations dropped from 25% to 2% in Q1'17. Current Sales decreased from 35% in Q4 to 21% in Q1, while Current Exports dropped from 20% (Q4) to 13% in Q1. Export Expectations dropped 2% from 27% to 25% in Q1. Brexit is the biggest concern for the services sector increasing from 13% to 24% in Q1'17.

“Today’s results tell us two things. Firstly, Brexit is still the biggest challenge facing the SME sector. Secondly, forecast pay increases in the SME sector are far more modest and

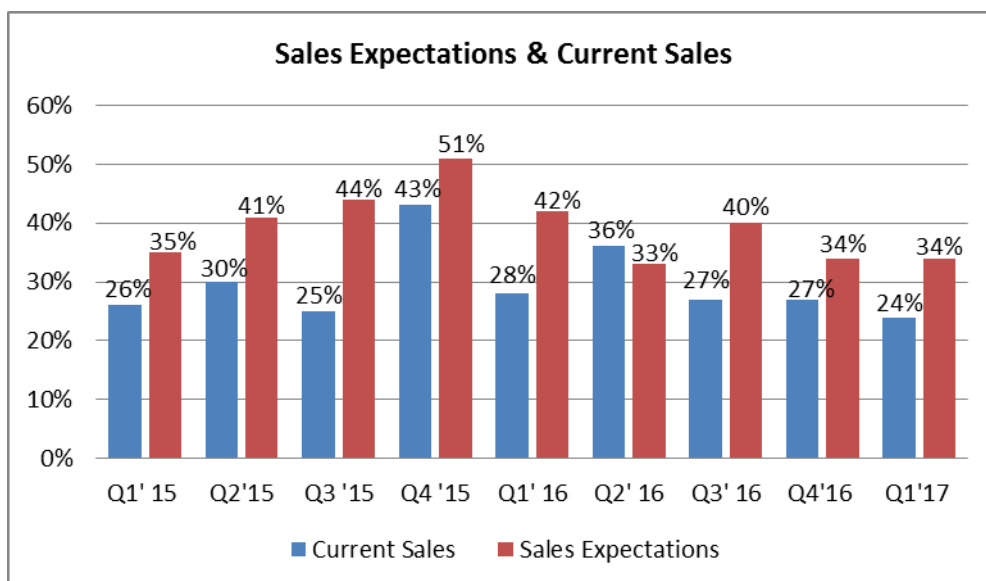
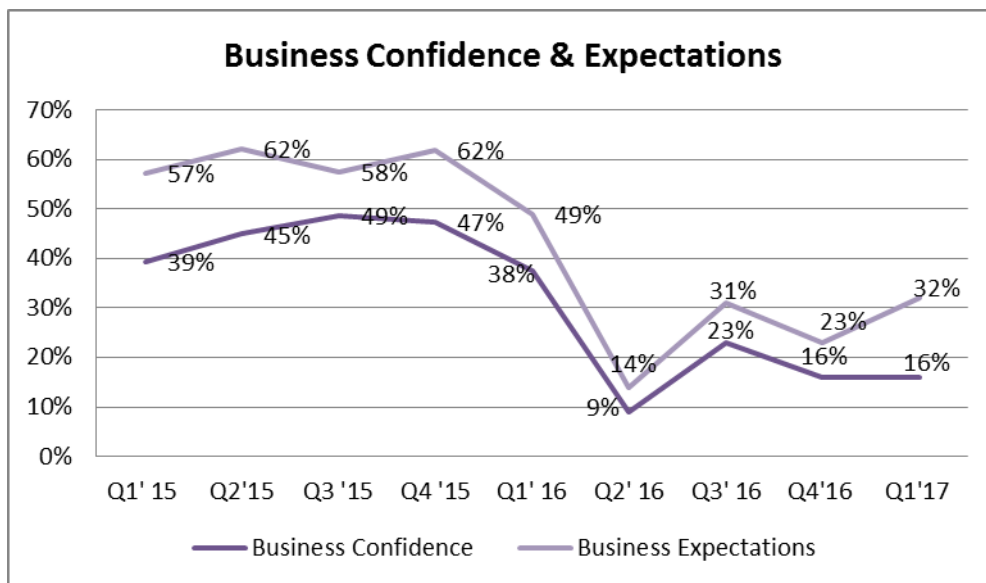
realistic than those being demanded by the Public Service unions at the moment”
Concluded McDonnell.

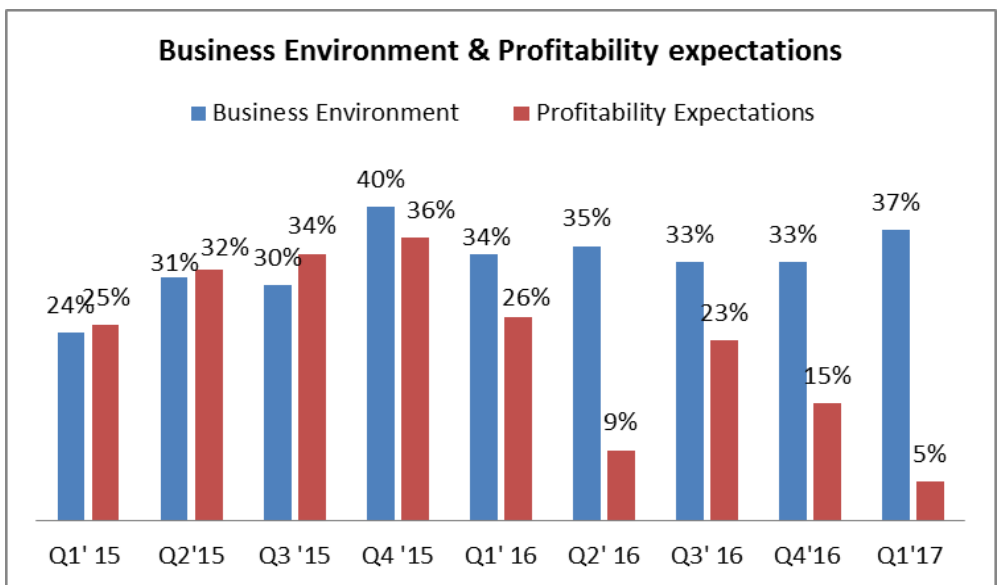
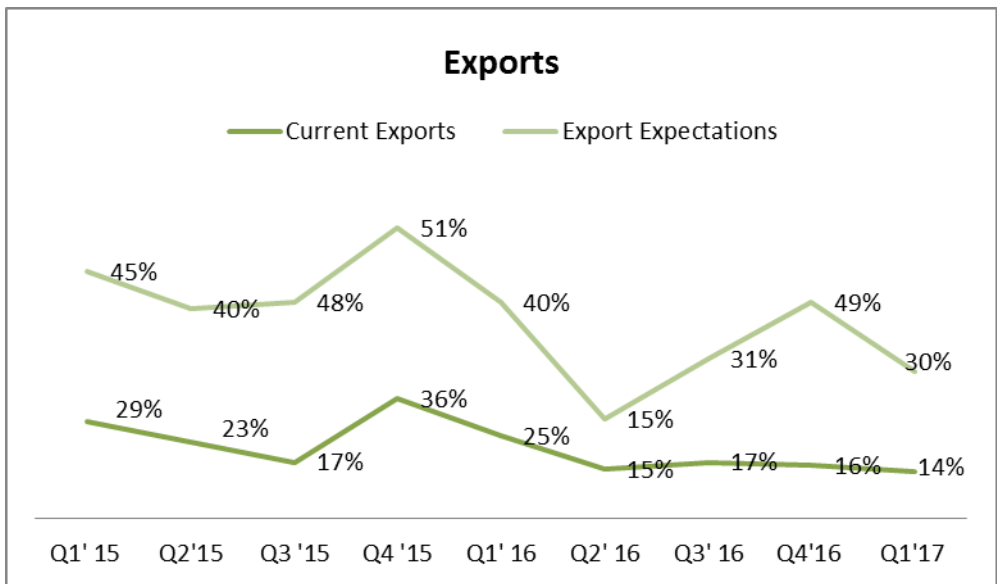
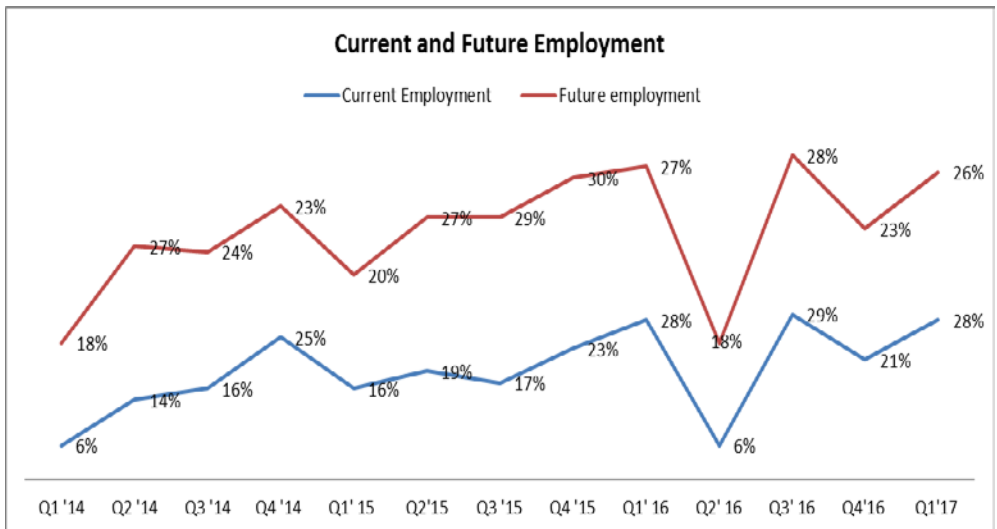
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Note to Editors:

ISME is the only independent voice of Small & Medium business in Ireland, representing in excess of 10,200 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.ie





Investment

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