

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

7th February 2017

BUSINESS CONFIDENCE IN THE SME SECTOR IMPROVES

- **9 out of 12 confidence indicators remain positive.**
 - **Business confidence improves by 12%.**
- **38% of businesses will not increase pay for employees this year.**
- **62% of Owner-managers will not increase their own pay this year.**
 - **29% of businesses claimed inadequate broadband.**
 - **53% of companies find it difficult to hire new staff.**

The results of the **ISME Quarterly Business Trends Survey** for Q4 2017, released today (7th February) show confidence in the SME sector continuing to improve. 9 out of 12 confidence indicators remain in positive territory. Business confidence is up 12%, while profitability expectations are up 2%. The Trends report also publishes information on employee and employer pay increases, broadband services, and staff retention in the SME sector.

Commenting on the results, ISME CEO, Neil McDonnell said *“We welcome the continued improvement in our confidence indicators. However, there are still many challenges facing the SME sector across the country. The manufacturing sector in particular experienced a reversal in its confidence indicators, with 6 out of 12 indicators declining in Q4 '17.”*

“Furthermore, we see SMEs, especially in rural Ireland facing challenges such as inadequate access to broadband (29% of respondents). This is an unacceptably high figure for a country that prides itself on the smart economy”

The survey was conducted in the third week of January, with 492 SME respondents, 53% of whom employ less than 10; 39% employ between 11 and 49; and the remaining 8% employ between 50 and 250. Geographically, 35% are from Dublin; 54% are spread across the rest of the country; and 12% have multiple sites.

Confidence indicators

The Q4'17 Business Trends Quarterly survey showed positive gains for the final quarter of 2017. 9 out of 12 confidence indicators continue to show positive results. There was an increase in: Business Confidence (up 12%); Business Expectations (up 17%); Business Environment (up 6%); Profitability Expectations (up 2%); Future Employment (up 10%); Sales Expectations (up 10%); and Current Investment (up 10%).

There was a decline in Current Sales in Q4'17, down from 31% to 28%. Current Employment is also down marginally from 33% to 32%, while Export Expectations are down from 40% to 32%.

It is important to note that Business confidence is at twenty-one month high, its highest since Q1'16.

KEY INDICATORS	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	
Business Confidence	16%	16%	17%	22%	34%	↑
Business Expectations	23%	32%	22%	25%	42%	↑
Business Environment	33%	37%	39%	47%	53%	↑
Profitability Expectations	15%	5%	19%	22%	24%	↑
Current Employment	21%	28%	26%	33%	32%	↓
Future Employment	23%	26%	18%	22%	32%	↑
Current Sales	27%	24%	21%	31%	28%	↓
Sales Expectations	34%	34%	37%	29%	39%	↑
Current Investment	41%	40%	37%	43%	53%	↑
Future Investment	38%	39%	34%	29%	48%	↑
Current Exports	16%	14%	17%	14%	16%	↑
Export Expectations	49%	30%	6%	40%	32%	↓

Manufacturing:

There was a reversal in previous trends on the Manufacturing confidence index. 6 out of 12 confidence indicators show declines. This is a reversal from the 7 out of 12 positive confidence indicators in Q3'17. Business Confidence improved from 23% to 37%, Business Expectations is down from 47% to 40%, and Business Environment is down from 63% to 60%.

Profitability Expectations are down from 33% to 20%, while Current Employment is down from 50% to 31%, Future Employment is nominally down from 27% to 26%. Current Sales are down from 27% to 23%, while Sales Expectations remain unchanged.

Current Investment is up from 50% to 69%, Future Investment is up from 47% to 63%, Current Exports are up from 0% to 11%, while Export Expectations are up from 26% to 33%.

Retail:

The Retail sector for Q4'17 reported Brexit and Economic Uncertainty as the biggest concerns facing the sector at 22% respectively. 9 out of 10 confidence indicators showed improvements. These improvements could be indicative of a good pre-Christmas period for retailers. The only negative indicator in this period of retailers was in Future Employment, which is down on Q3'17.

Exporting:

The Export sector continues to show improvement in Q4'17. 9 out of 12 confidence indicators reported an improvement in this quarter. Business Confidence is up from 22% to 34%. Business Expectations is down from 25% to 13%. Business Environment increased from 47% to 60% in Q4'17. Profitability Expectations are up from 22% to 24%. Current Employment is down from 34% to 32%.

Future Employment is up from 22% to 32%. Current Sales are down from 32% to 28%, while Sales Expectations are down from 28% to 39%. Current Investment is up from 44% to 53%, while Future Investment is up from 29% to 48%.

Current Exports are down from 12% to 16%, while Exports Expectations down from 42% to 32%.

Services:

The services sector in Q4'17 recorded 10 out of 12 positive confidence indicators. Business Confidence is up from 29% to 31%, Business Expectations is up from 33% to 38%. Business Environment is down from 47% to 44%. Profitability Expectations are down from 27% to 16%.

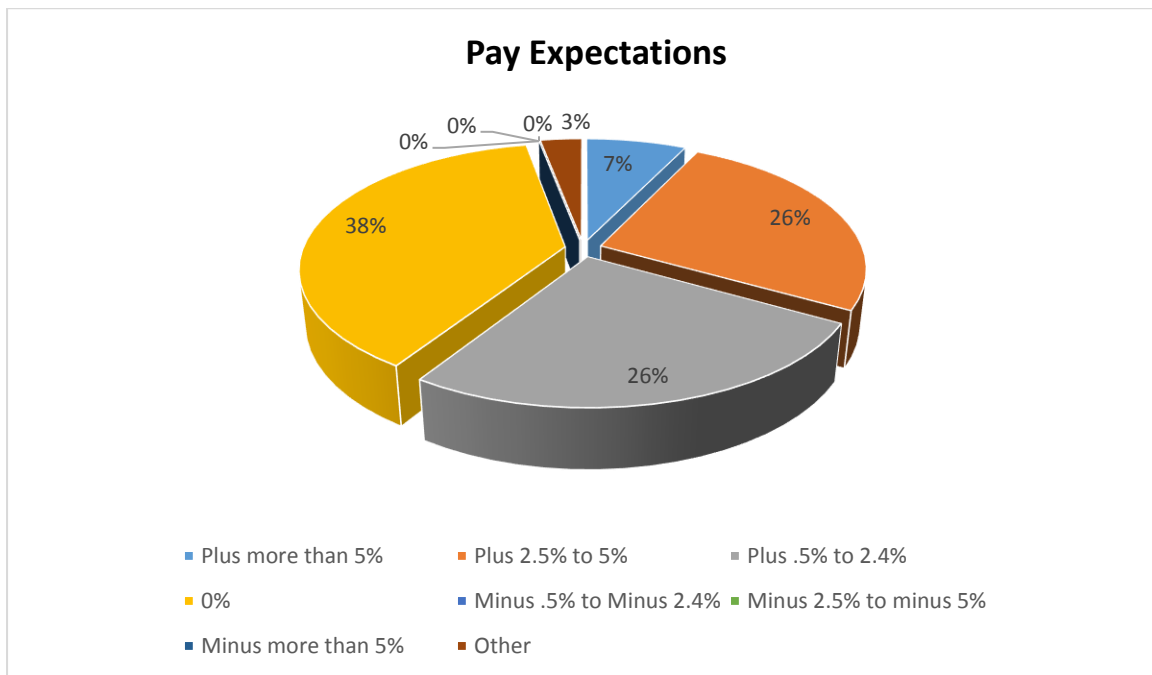
Current Employment is up from 22% to 34%, while Future Employment is up from 16% to 38%. Current Sales are up from 18% to 28%, while Sales expectations are up from 20% to 31%. Current Investment is up from 33% to 38%. Future Investment is down from 18% to 44%. Current Exports are down from -13% to 33%, while Export Expectation are down from 0% to 33%.

Brexit is the biggest concern for the Services sector.

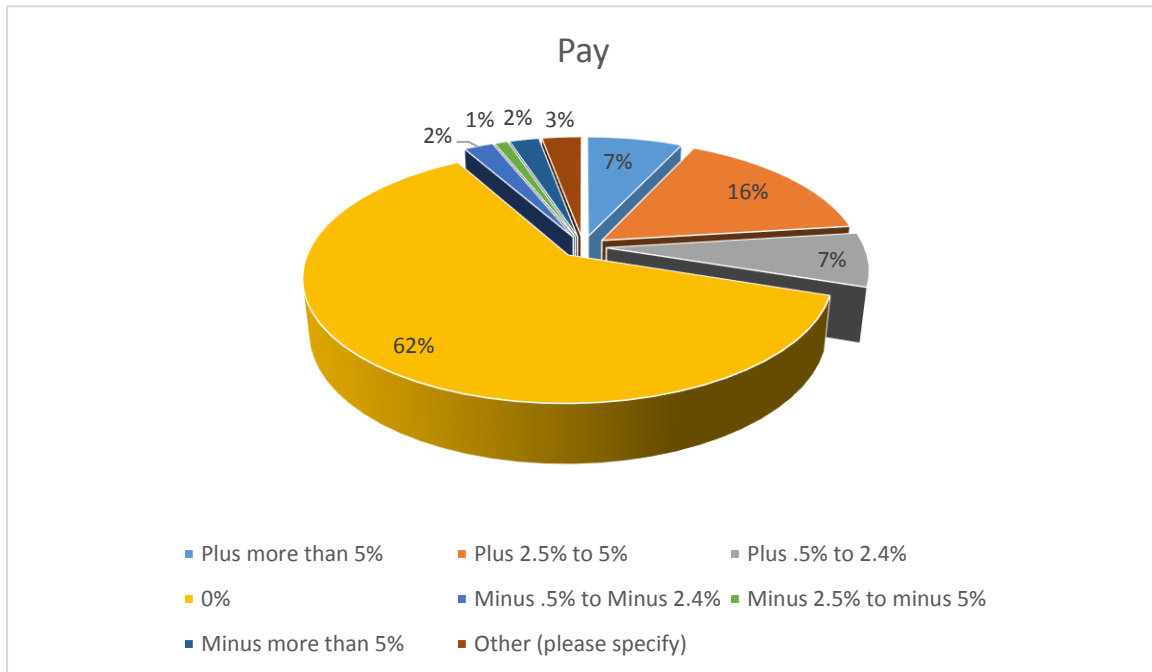
Pay Expectations: Employees

Pay bands in the SME sector are very diverse. Our latest research shows that:

- 38% of SMEs will not be in a position to increase pay this year for their employees,
- 26% will increase employees pay by between 0.5% and 2.4%.
- 26% will increase pay by between 2.5% and 5%.
- 7% of businesses will increase by for their employees by more than 5%.
- 3% of respondents stated 'other'.



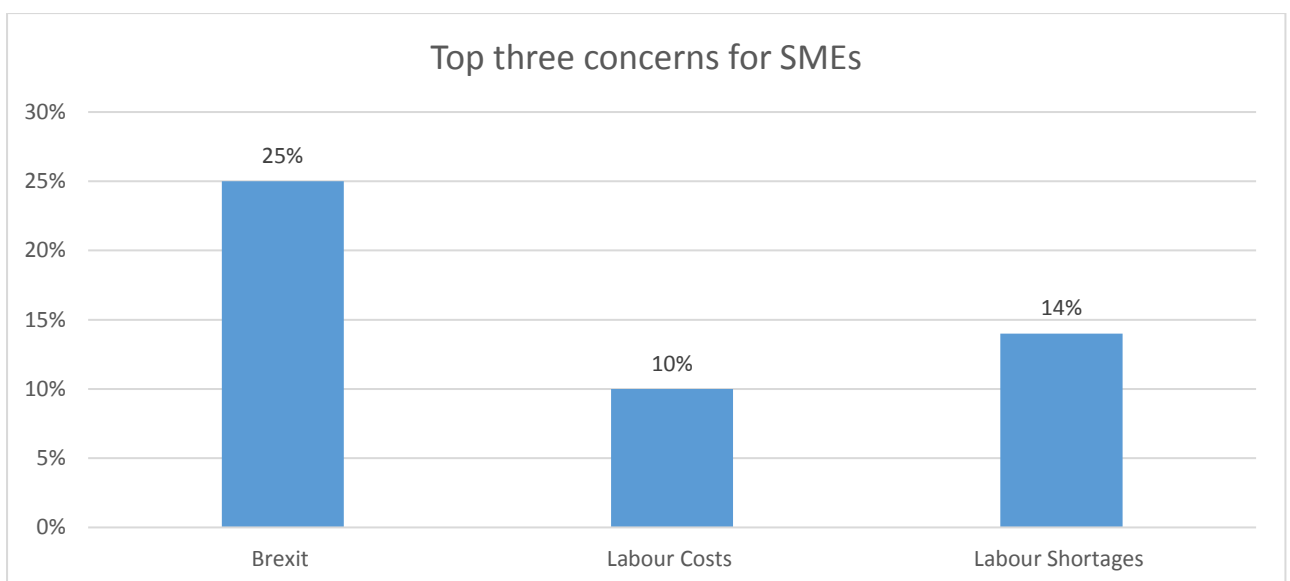
Pay Expectations: Owner Manager



When we asked business owners about **their own pay for this year**;

- 62% said they would not increase their earnings from the business.
- 7% intend to increase their wages by more than 5%.
- 16% will increase their pay between 2.5% and 5%.
- 7% will increase their pay between 0.5% and 2.4%.
- 3% stated 'other'.

The Survey also tracks the current biggest concern of SMEs



The top three concerns for SMEs in this quarter are Brexit, Labour Costs and Labour Shortages. Brexit at 25% still remains the biggest concern for small and medium enterprises, followed by Labour Shortages at 14%, while Labour Costs are at 10%.

He added,

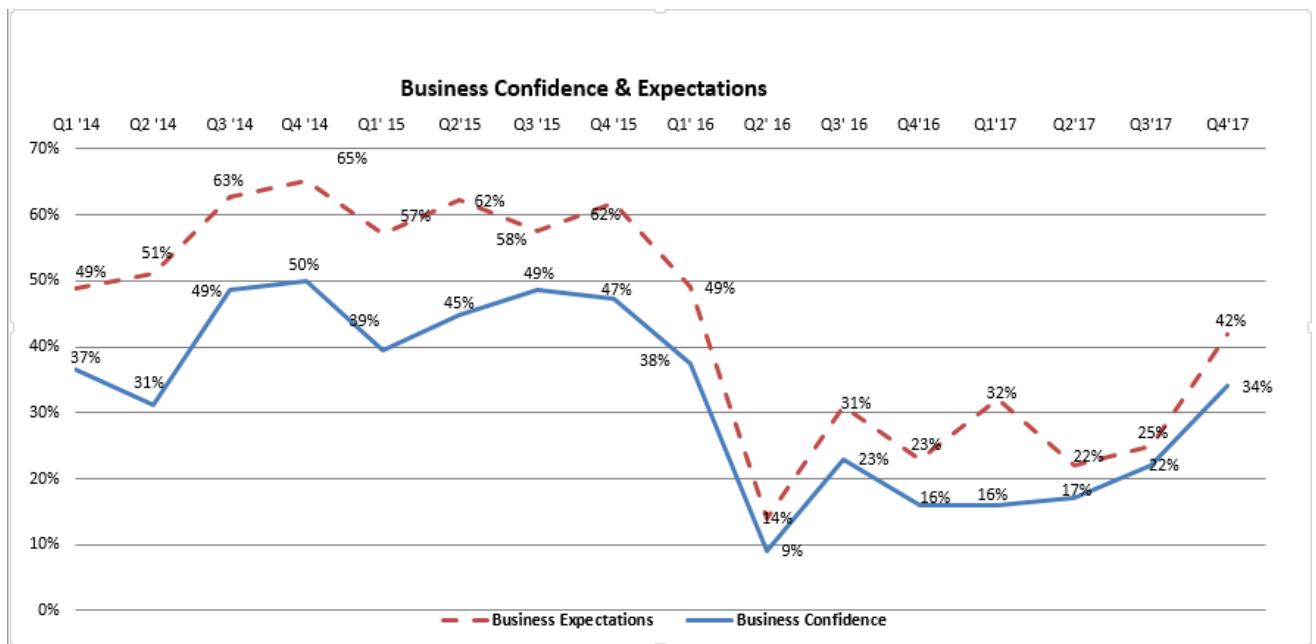
“While we are moving in the right direction, with business confidence at a twenty-one month high, more needs to be done by government. We have made recommendations to government in light of the challenges facing the SME sector, from pay, high cost of insurance, access to broadband and the high cost of living; the SME sector would be a healthier place for employers and employees if the government took our views on board”

ENDS

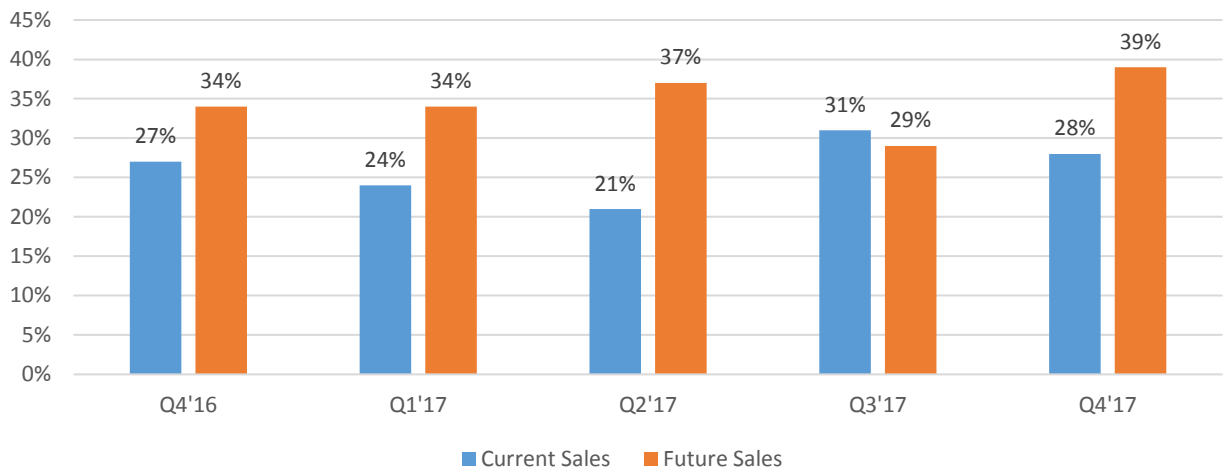
For further information, please contact
 Neil McDonnell, Chief Executive
 T: 01 6622755, M: 087 2995658
 E: neil@isme.ie

Note to Editors:

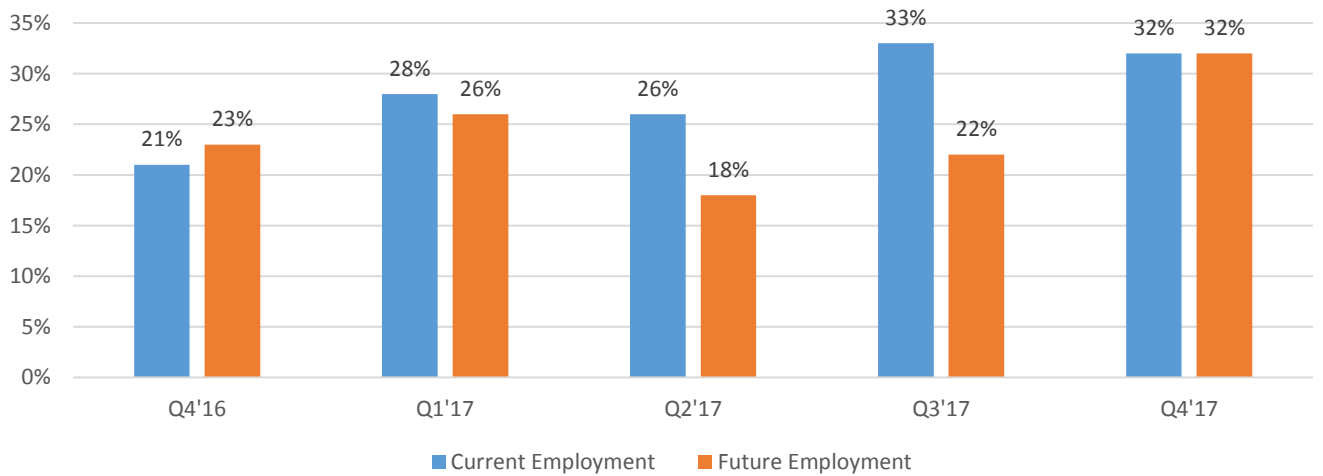
ISME is the only independent voice of Small & Medium business in Ireland, representing in excess of 10,500 members across all sectors. The Association is owned and run by owner managers and is independent of big business, government and unions; the TRUE voice of the Irish SME. www.isme.ie



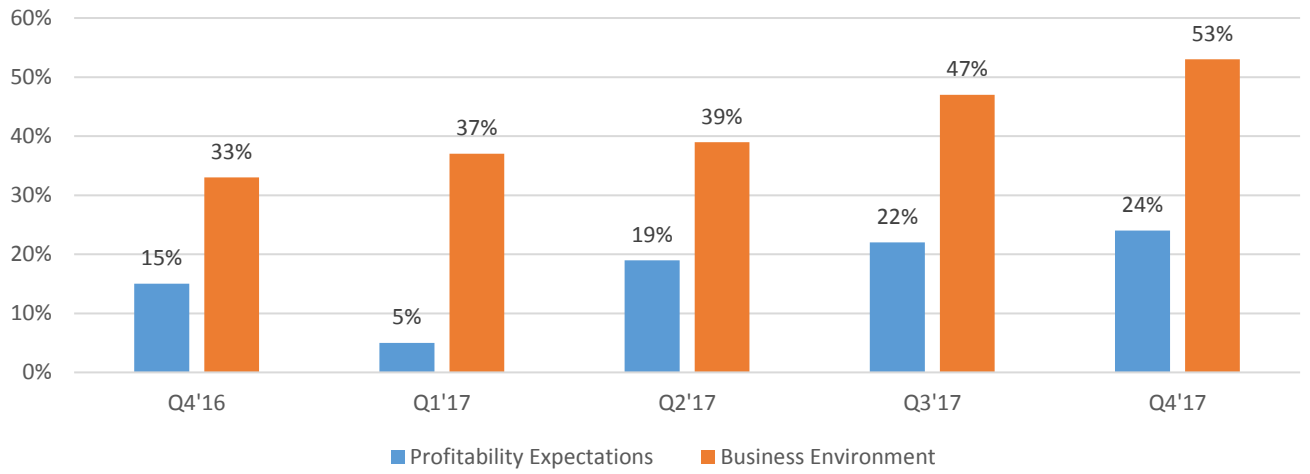
Current & Future Sales



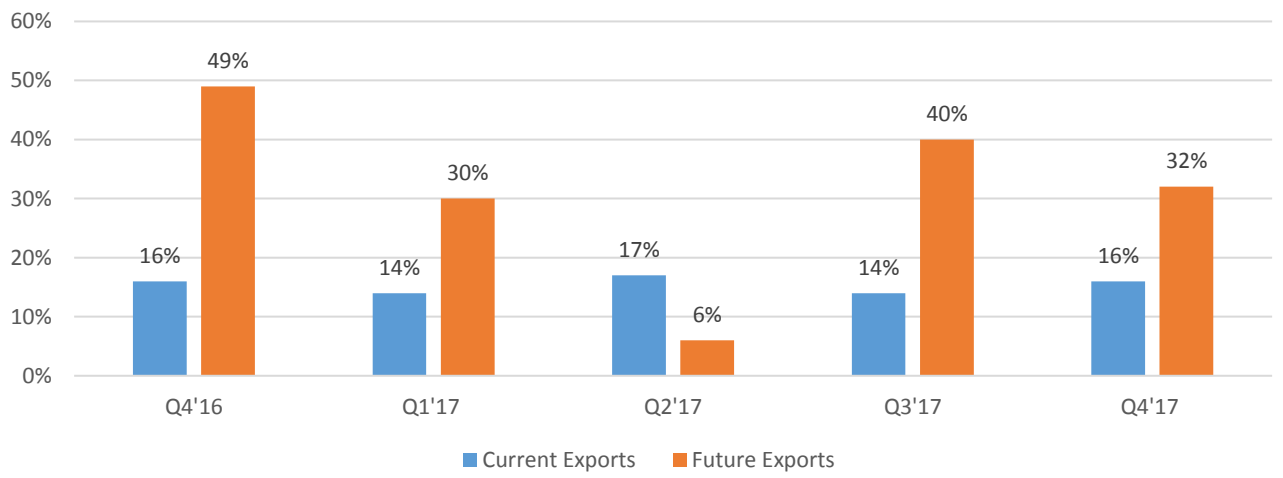
Current & Future Employment



Profitability Expectations & Business Environment



Exports



Investment

