

Press Release: Q3'19 Trends Report

21st November 2019

- **Business Confidence drops from 1% to -26%.**
- **48% of businesses expect to increase wage rates of employees**
- **63% of businesses report an increase to their motor insurance**
- **Between 48% and 52% report an increase in their Public and Employer Liability Insurance, respectively.**

The results of the ISME Quarterly Business Trends Survey for Q3'19 are released today with 9 out of 14 confidence indicators showing declines, approximately on par with previous quarter. While employment trends are as expected, Business Confidence took a sharp downward turn, decreasing by 27% in this quarter. The three predominant SME concerns for this quarter were reported as Brexit at 60%, economic uncertainty at 54% and insurance costs at 31%.

The Trends Report also captures data on employee pay, broadband services and business and motor insurance costs in the SME sector. The report notes the continued rise in insurance premiums and the latest pay expectations in the SME sector.

Commenting on the results, ISME CEO, Neil McDonnell said:

“

There are no real surprises in business sentiment this quarter. It has declined markedly. Given the general direction of Brexit (towards a UK outside the customs union), global economic uncertainty, and the complete stall in insurance reform, small businesses are battenning down the hatches.

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Trends Report

This survey was conducted in the last week of September, with 270 SME respondents, 58% of whom employ less than 10; 30% employ between 11 and 49; and the remaining 12% employ greater than 50. Geographically, 33% are from Dublin; 53% are spread across the rest of the country; and 13% have multiple sites.

Overall Confidence Indicators

The **Q3'19 Business Trends Quarterly survey** showed 9 out of 14 confidence indicators yielding declining results, a similar trend to the previous quarter in 2018. There was a decrease in Business Confidence by 27% and a further decrease in Business Expectations by 17%, while Business Environment had a decrease of 9%. The Current Employment confidence indicator had a nominal decrease from 19% to 13%. Future Employment had significant decrease of 16% from 17% to 1%. Current Sales have increased nominally from 17% to 20% while Sales Expectations are down 43%. Current Investment and Future Investment are down 11% and 12% respectively. Current Exports decreased a further 1% while Export Expectations remained the same at 6%. Economic uncertainty increased from 14% to 54%, while Brexit remains the highest concern at 60%.

KEY INDICATORS OVERALL	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19
Business Confidence	22%	34%	26%	21%	1%	-4%	1%	-26%
Business Expectations	25%	42%	34%	17%	8%	-4%	-14%	-31%
Business Environment	47%	53%	40%	48%	42%	43%	38%	29%
Profitability Expectations	22%	24%	25%	14%	13%	8%	15%	-2%
Current Employment	33%	32%	23%	25%	25%	23%	19%	13%
Future Employment	22%	32%	25%	26%	18%	16%	17%	1%
Current Sales	31%	28%	16%	19%	17%	23%	17%	20%
Sales Expectations	29%	39%	38%	36%	27%	8%	29%	-14%
Current Investment	43%	53%	45%	35%	43%	38%	40%	29%
Future Investment	29%	48%	35%	32%	37%	30%	34%	22%
Current Exports	14%	16%	7%	18%	19%	16%	-3%	-4%
Export Expectations	40%	32%	48%	34%	27%	25%	6%	6%
Economic Uncertainty	13%	7%	11%	15%	13%	14%	14%	54%
Brexit	21%	25%	24%	25%	33%	37%	17%	60%

Q3'19 Manufacturing:

Our Q3'19 results for the manufacturing sector show a similar downward trend to last quarter's results. In this quarter, there were a number of improvements in the confidence indicators.

Business Confidence decreased to -14% (by 18%) and Business Expectations decreased by 14% respectively. Profitability Expectations rose from 13% to 14%, while Future Employment in manufacturing decreased 27%. Current Sales are down 4% and sales expectations are at -36%. Current Investment is at 43%. Current Exports are at -14% however Future Exports are at 29% (Future exports were at 13% in the third quarter of 2018).

Business Environment is at 50%. Current Employment is at 14% up 1% from the last quarter. Sales Expectations reported a decrease from 13% to -36%. Brexit remains a significant concern for the manufacturing sector, increasing from 45% to 77%.

KEY INDICATORS MANUFACTURING	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19
Business Confidence	23%	37%	31%	14%	-6%	8%	4%	-14%
Business Expectations	47%	40%	42%	14%	5%	8%	0%	-14%
Business Environment	63%	60%	47%	54%	39%	62%	46%	50%
Profitability Expectations	33%	20%	31%	8%	8%	10%	13%	14%
Current Employment	50%	31%	29%	35%	31%	27%	13%	14%
Future Employment	27%	26%	36%	27%	14%	23%	20%	-7%
Current Sales	27%	23%	44%	11%	0%	37%	11%	7%
Sales Expectations	40%	40%	31%	35%	44%	39%	13%	-36%
Current Investment	50%	69%	58%	35%	47%	44%	57%	43%
Future Investment	47%	63%	49%	49%	31%	54%	38%	50%
Current Exports	0%	11%	15%	5%	6%	36%	8%	-14%
Export Expectations	26%	33%	62%	45%	13%	30%	29%	29%
Economic Uncertainty	13%	9%	12%	20%	11%	6%	45%	54%
Brexit	21%	23%	17%	29%	36%	53%	45%	77%

Q3'19 Retail:

The Retail sector for Q3'19 reported Brexit and Economic Uncertainty and Insurance Costs as its biggest concerns. Business Confidence decreased by 67% in Q3'19.

Business Expectations is down 33% from Q2'19. Profitability Expectations are at -50% down from 31% in Q2'19. Current Sales are at -33% compared to 0% in the last quarter. Current Investment is at 33%, while Future Investment is also at 0%.

Business Environment is at -17%. Current Employment in retail is at -50% while Future Employment has dropped from 0% to -33%. Sales Expectations are down 83%. Future Employment indicators in retail show a decrease of 33%.

KEY INDICATORS RETAIL	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19
Business Confidence	14%	40%	15%	-5%	-25%	-5%	0%	-67%
Business Expectations	-14%	50%	35%	22%	33%	20%	0%	-33%
Business Environment	0%	40%	15%	17%	0%	12%	29%	-17%
Profitability Expectations	0%	50%	20%	11%	25%	20%	31%	-50%
Current Employment	14%	40%	10%	33%	-9%	19%	38%	-50%
Future Employment	14%	10%	15%	17%	9%	7%	0%	-33%
Current Sales	14%	30%	30%	-11%	16%	7%	0%	-33%
Sales Expectations	14%	50%	20%	22%	8%	12%	38%	-83%
Current Investment	29%	50%	45%	33%	11%	31%	54%	33%
Future Investment	-14%	70%	30%	22%	50%	12%	54%	0%
Current Exports								-67%
Export Expectations								0%
Economic Uncertainty	0%	22%	15%	31%	40%	27%	20%	75%
Brexit	29%	22%	30%	25%	20%	27%	60%	75%

Q3'19 Services:

The Services sector for Q3'19 showed 7 out of 14 confidence indicators in decline.

Business Confidence fell from 10% to -7%. Business Environment is up from 45% to 47%. Profitability Expectations increased 5%. Current Employment is down 6% while Future Employment is also down 19% from 29% to 10%.

Current Sales recorded an increase from 6% to 38%. Sales Expectations fell 17%. Current Investment has risen from 23% to 45% while future Investment is down from 23% to 18%. Current Exports have decreased by 25%, while Export Expectations have grown 5% to 14%.

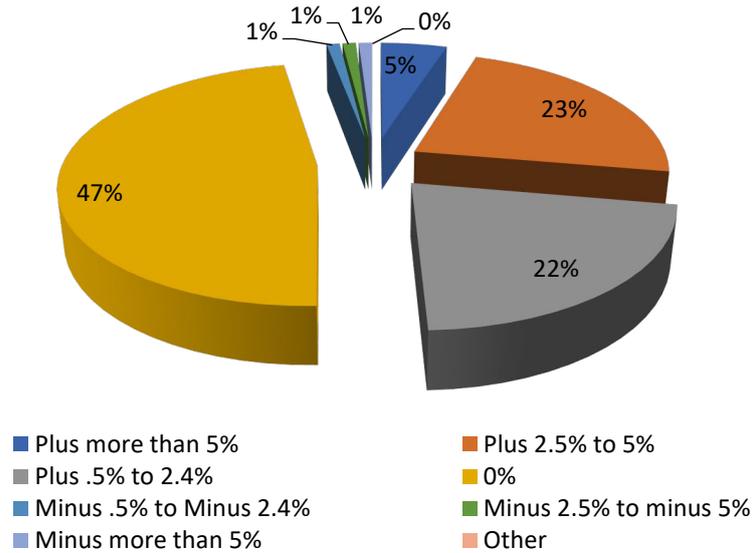
KEY INDICATORS SERVICES	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19
Business Confidence	29%	31%	22%	31%	15%	9%	10%	-7%
Business Expectations	33%	38%	15%	15%	2%	5%	-13%	-23%
Business Environment	47%	44%	31%	45%	54%	39%	45%	47%
Profitability Expectations	27%	16%	22%	20%	12%	19%	12%	17%
Current Employment	22%	34%	16%	22%	25%	27%	19%	13%
Future Employment	16%	38%	13%	33%	27%	24%	29%	10%
Current Sales	18%	28%	36%	-2%	17%	22%	6%	38%
Sales Expectations	20%	31%	22%	35%	32%	23%	27%	10%
Current Investment	33%	38%	33%	38%	49%	33%	23%	45%
Future Investment	18%	44%	31%	33%	44%	38%	23%	18%
Current Exports	-13%	33%	0%	36%	10%	0%	8%	-17%
Export Expectations	0%	33%	22%	43%	19%	18%	9%	14%
Economic Uncertainty	16%	0%	14%	15%	18%	19%	42%	76%
Brexit	11%	30%	22%	25%	21%	19%	42%	59%

Q3'19 Pay Expectations: Employees

The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

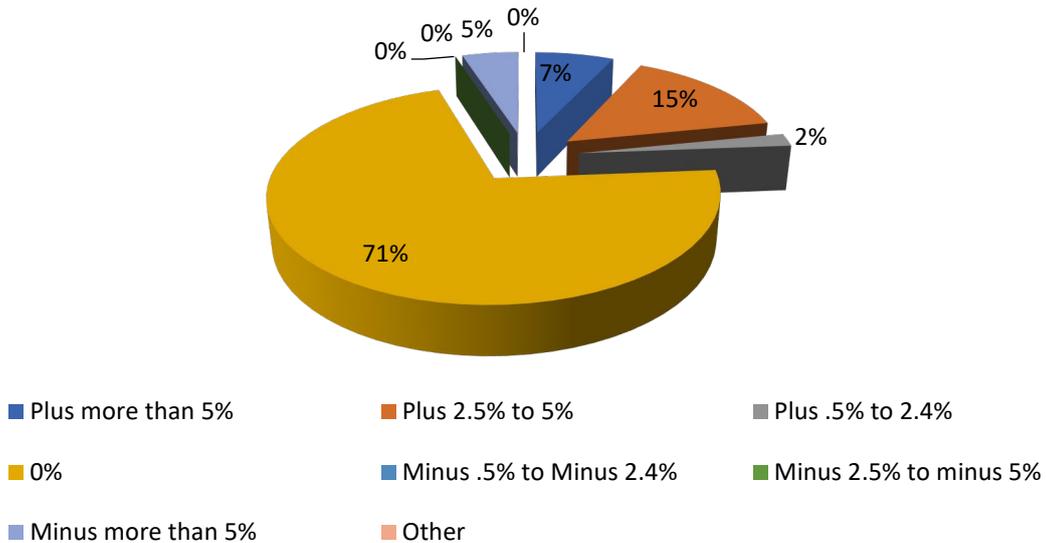
- 47% of SMEs will not be in a position to increase pay this year for their employees.
- 22% will increase employees pay by 0.5% to 2.4%, down from 26% in the previous Quarter.
- 23% will increase pay by 2.5%-5%, down from 31% in Q2'19.
- 5% of businesses will increase pay for their employees by plus 5%, down 3% on Q2'19.
- 0% of respondents stated 'Other'.

Pay Expectations



Q3'19 Pay Expectations: Owner Manager

Owner Manager Pay

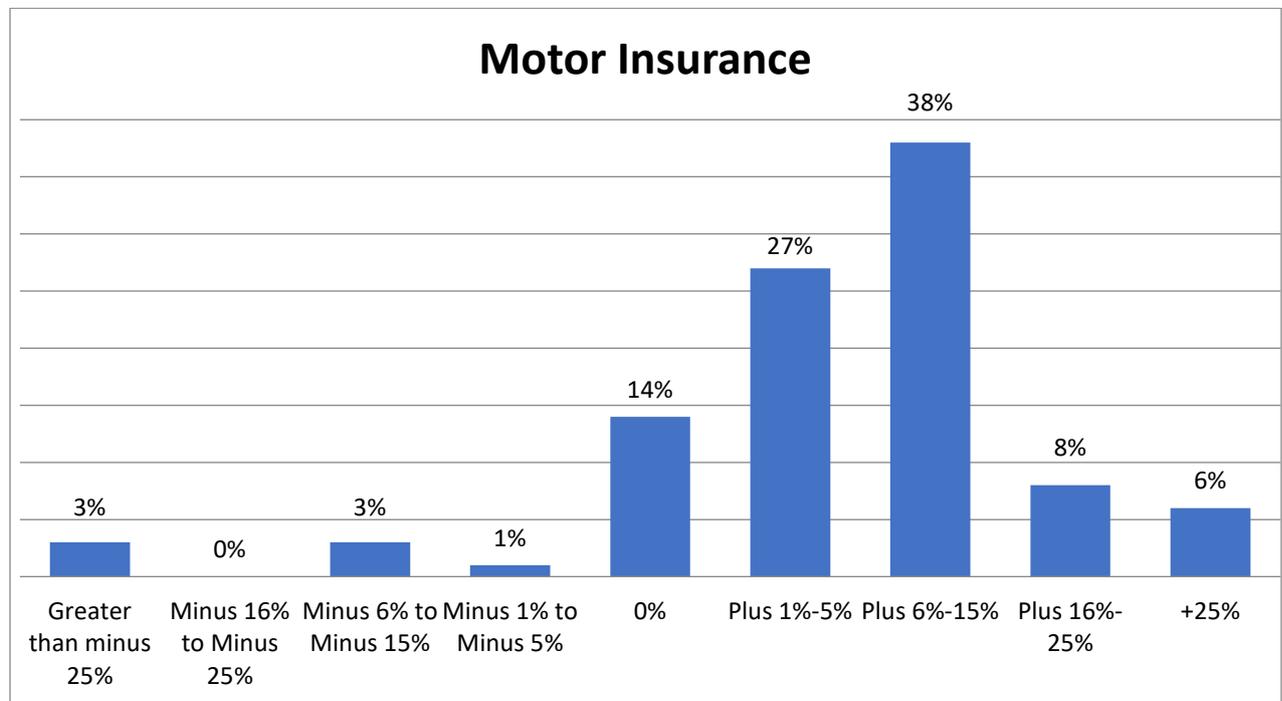


When we asked business owners about their own pay for this year;

- 71% said they would not increase their earnings from the business, up from 62% in Q2'19.
- 7% intend to increase their wages by plus 5%, up 2% on Q2'19.
- 15% will increase their pay between 2.5%-5%, down 2% on Q2'19.
- 2% will increase their pay between 0.5%-2.4%, down 6% on Q2'19.
- 5% stated they were reducing their wages compared to 8% in Q'2.
- 0% stated 'other'.

Insurance Costs

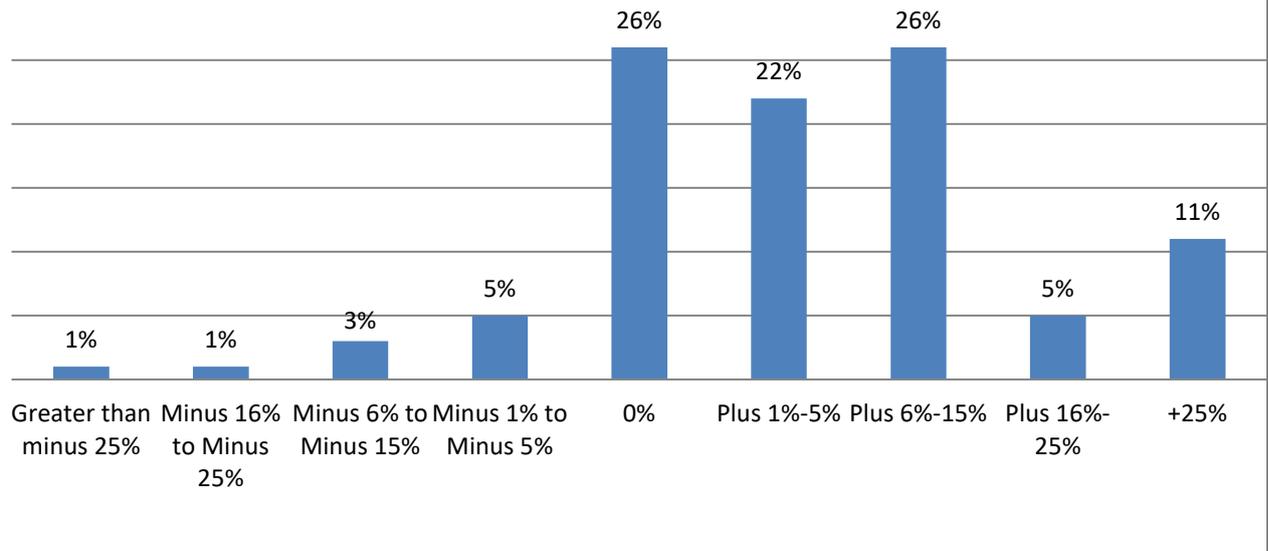
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in some business sectors, this omission needs to be reconsidered. Our latest data shows us that 81% of respondents reported an increase to their premiums. When broken down the figures show:



- 6% of respondents noted an increase of +25%.
- 8% experienced increases of plus 16%-25%.
- 38% of respondents premiums increased between plus 6% to 15%.
- 27% of those who responded recorded increases of plus 1%-5%.
- 14% reported no increase to premiums.
- While 7% reported a decrease.

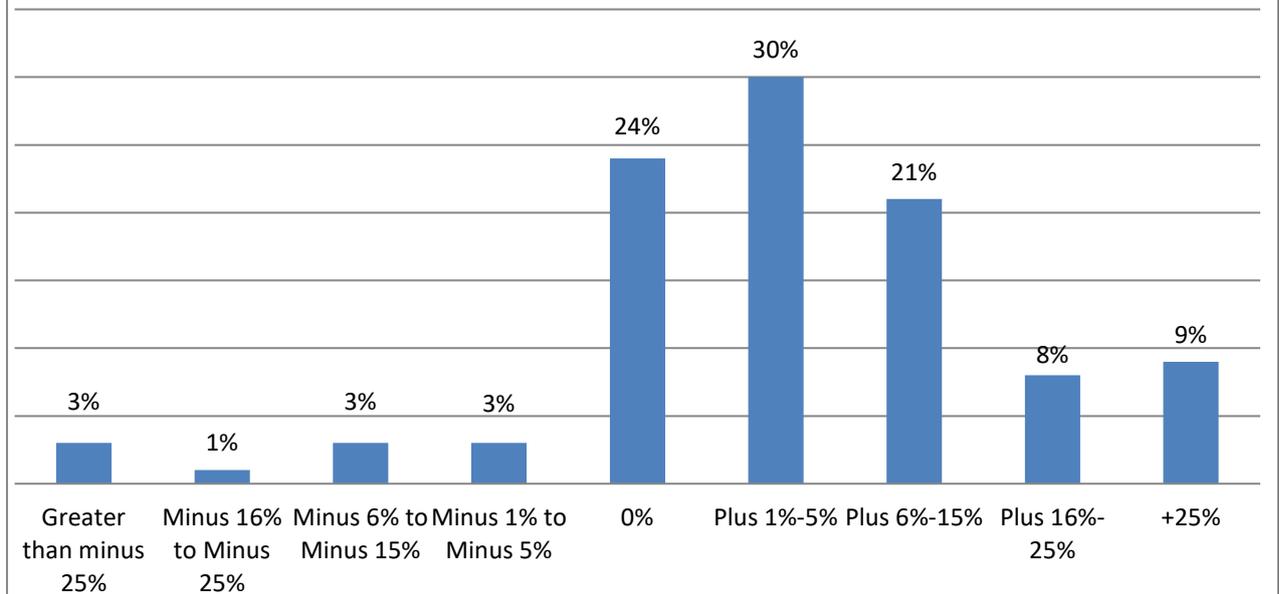
Coupled with motor insurance cost increases, public and employer liability insurance costs are increasing for many SMEs. 83% of respondents stated their premiums increased on renewal. When these figures are broken down:

Public Liability Insurance



- 22% reported increases of between 1% and 5%.
- 26% stated increases of plus 6%-15%.
- 5% reported increases of plus 16%-25%.
- 11% reported increases of +25%
- 26% reported no change.
- While 10% reported a decrease.

Employer Liability Insurance

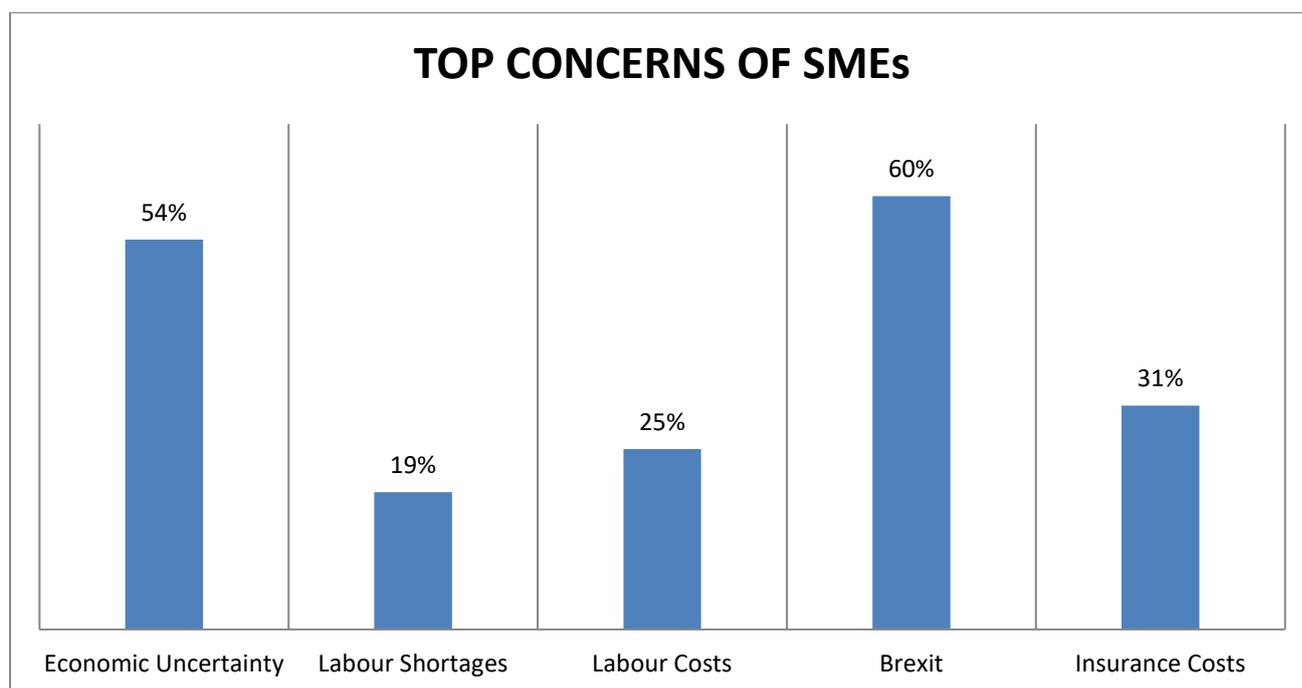


- 30% reported increases of between 1% and 5%.
- 21% stated increases of plus 6%-15%.
- 8% reported increases of plus 16%-25%.
- 9% reported increases of +25%
- 24% reported no change.
- While 10% reported a decrease.

On the issue of insurance ISME has made several submissions to various government ministers and departments outlining the practical steps need to reduce the high costs of motor insurance. If these steps were taken on board, SMEs and the general public would see significant decreases in their premiums. The cost of insurance is an issue which ISME will continue to lobby on throughout 2019.

The Survey also tracks the current biggest concern of SMEs

The top concerns for SMEs in this quarter are Brexit (60%), Labour Costs (25%), Labour Shortages (19%), Economic Uncertainty (54%), and Insurance Costs (31%). Unsurprisingly, Brexit remained the biggest concern for SMEs in 2019 so far.



The effect of Brexit on our members is evident above with 60% of respondents stating that Brexit would have a negative impact on their bottom line. Just 2% of respondents said Brexit will have a positive impact on their business in Q3'19.

Broadband Services

Access to proper and adequate broadband services is a key issue for many SMEs particularly those in rural Ireland. Inadequate or poor broadband service has a negative impact on business productivity. Our latest information shows that 21% of businesses are impacted by inadequate broadband.

Ends

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