

Press Release: Q4'19 Trends Report

31st March 2020

- **Business Confidence rises from -26% to 13%.**
- **64% of businesses expect to increase wage rates of employees**
- **83% of businesses report an increase to their motor insurance**
- **79% and 75% report an increase in their Public Liability and Employer Liability Insurance, respectively.**

The results of the ISME Quarterly Business Trends Survey for Q4'19 are released today with 4 out of 14 confidence indicators showing declines. Business Confidence took a sharp upward turn, increasing by 39% in this quarter, something which is mirrored by increases in employment trends. The three predominant SME concerns for this quarter were reported as Brexit at 55%, economic uncertainty at 40% and insurance costs at 37%.

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.

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Trends Report

This survey was conducted in the second week of December, with 270 SME respondents, 45% of whom employ less than 10; 46% employ between 11 and 49; and the remaining 9% employ greater than 50. Geographically, 39% are from Dublin; 55% are spread across the rest of the country; and 6% have multiple sites.

Overall Confidence Indicators

The **Q4'19 Business Trends Quarterly survey** showed 4 out of 14 confidence indicators yielding declining results. There was an increase in Business Confidence by 39% and a further increase in Business Expectations by 36%, while Business Environment had an increase of 19%. The Current Employment confidence indicator had a nominal increase from 13% to 23%. Future Employment had significant increase of 25% from 1% to 26%. Current Sales have decreased nominally from 20% to 15% while Sales Expectations are up 48%. Current Investment and Future Investment are up 11% and 20% respectively. Current Exports decreased a further 5% while Export Expectations increased by 13%. Economic uncertainty decreased from 54% to 40%, while Brexit remains the highest concern at 55%.

KEY INDICATORS OVERALL	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19
Business Confidence	34%	26%	21%	1%	-4%	1%	-26%	13%
Business Expectations	42%	34%	17%	8%	-4%	-14%	-31%	5%
Business Environment	53%	40%	48%	42%	43%	38%	29%	48%
Profitability Expectations	24%	25%	14%	13%	8%	15%	-2%	14%
Current Employment	32%	23%	25%	25%	23%	19%	13%	23%
Future Employment	32%	25%	26%	18%	16%	17%	1%	26%
Current Sales	28%	16%	19%	17%	23%	17%	20%	15%
Sales Expectations	39%	38%	36%	27%	8%	29%	-14%	34%
Current Investment	53%	45%	35%	43%	38%	40%	29%	40%
Future Investment	48%	35%	32%	37%	30%	34%	22%	42%
Current Exports	16%	7%	18%	19%	16%	-3%	-4%	-9%
Export Expectations	32%	48%	34%	27%	25%	6%	6%	19%
Economic Uncertainty	7%	11%	15%	13%	14%	14%	54%	40%
Brexit	25%	24%	25%	33%	37%	17%	60%	55%

Q4'19 Manufacturing:

Our Q4'19 results for the manufacturing sector show a similar downward trend to last quarter's results. In this quarter, there were several improvements in the confidence indicators.

Business Confidence and Business Expectations increased by 33%. Profitability Expectations dropped from 14% to -11%, while Future Employment in manufacturing increased 33%. Current Sales are down 3% and sales expectations are at 22%. Current Investment is at 48%. Current Exports are at -5% and Future Exports are at 10% (Future exports were at 30% in the fourth quarter of 2018).

Business Environment is at 30%. Current Employment is at 19% up 5% from the last quarter. Sales Expectations reported an increase from -36% to -22%. Brexit remains a significant concern for the manufacturing sector, but decreased from 77% to 56%.

Key Indicators MANUFACTURING	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19
Business Confidence	37%	31%	14%	-6%	8%	4%	-14%	19%
Business Expectations	40%	42%	14%	5%	8%	0%	-14%	19%
Business Environment	60%	47%	54%	39%	62%	46%	50%	30%
Profitability Expectations	20%	31%	8%	8%	10%	13%	14%	-11%
Current Employment	31%	29%	35%	31%	27%	13%	14%	19%
Future employment	26%	36%	27%	14%	23%	20%	-7%	26%
Current Sales	23%	44%	11%	0%	37%	11%	7%	4%
Sales Expectations	40%	31%	35%	44%	39%	13%	-36%	22%
Current Investment	69%	58%	35%	47%	44%	57%	43%	48%
Future Investment	63%	49%	49%	31%	54%	38%	50%	44%
Current Exports	11%	15%	5%	6%	36%	8%	-14%	-5%
Export Expectations	33%	62%	45%	13%	30%	29%	29%	10%
Economic Uncertainty	9%	12%	20%	11%	6%	45%	54%	44%
Brexit	23%	17%	29%	36%	53%	45%	77%	56%

Q3'19 Retail:

The Retail sector for Q4'19 reported Brexit and Economic Uncertainty and Insurance Costs as its biggest concerns. However, Business Confidence increased by 80% in Q4'19.

Business Expectations is up 46% from Q3'19. Profitability Expectations are at 29% up from -50% in Q3'19. Current Sales are at 0% compared to -33% in the last quarter. Current Investment is at 14%, while Future Investment is at 0%.

Business Environment is at 0%. Current Employment in retail is at 13% while Future Employment has risen from -33% to 13%. Sales Expectations are up 126%. Future Employment indicators in retail show an increase of 46%.

Key Indicators RETAIL	Q4'17	Q1'18	Q2'18	Q3'18	Q4 '18	Q2'19	Q3'19	Q4'19
Business Confidence	40%	15%	-5%	-25%	-5%	0%	-67%	13%
Business Expectations	50%	35%	22%	33%	20%	0%	-33%	13%
Business Environment	40%	15%	17%	0%	12%	29%	-17%	0%
Profitability Expectations	50%	20%	11%	25%	20%	31%	-50%	29%
Current Employment	40%	10%	33%	-9%	19%	38%	-50%	13%
Future employment	10%	15%	17%	9%	7%	0%	-33%	13%
Current Sales	30%	30%	-11%	16%	7%	0%	-33%	0%
Sales Expectations	50%	20%	22%	8%	12%	38%	-83%	43%
Current Investment	50%	45%	33%	11%	31%	54%	33%	14%
Future Investment	70%	30%	22%	50%	12%	54%	0%	0%
Current Exports							-67%	-100%
Export Expectations							0%	100%
Economic Uncertainty	22%	15%	31%	40%	27%	20%	75%	40%
Brexit	22%	30%	25%	20%	27%	60%	75%	20%

Q4'19 Services:

The Services sector for Q4'19 showed 4 out of 14 confidence indicators in decline.

Business Confidence rose from -7% to 26%. Business Environment is up from 47% to 65%. Profitability Expectations increased 6%. Current Employment is up 10% while Future Employment is also up 16% from 10% to 26%.

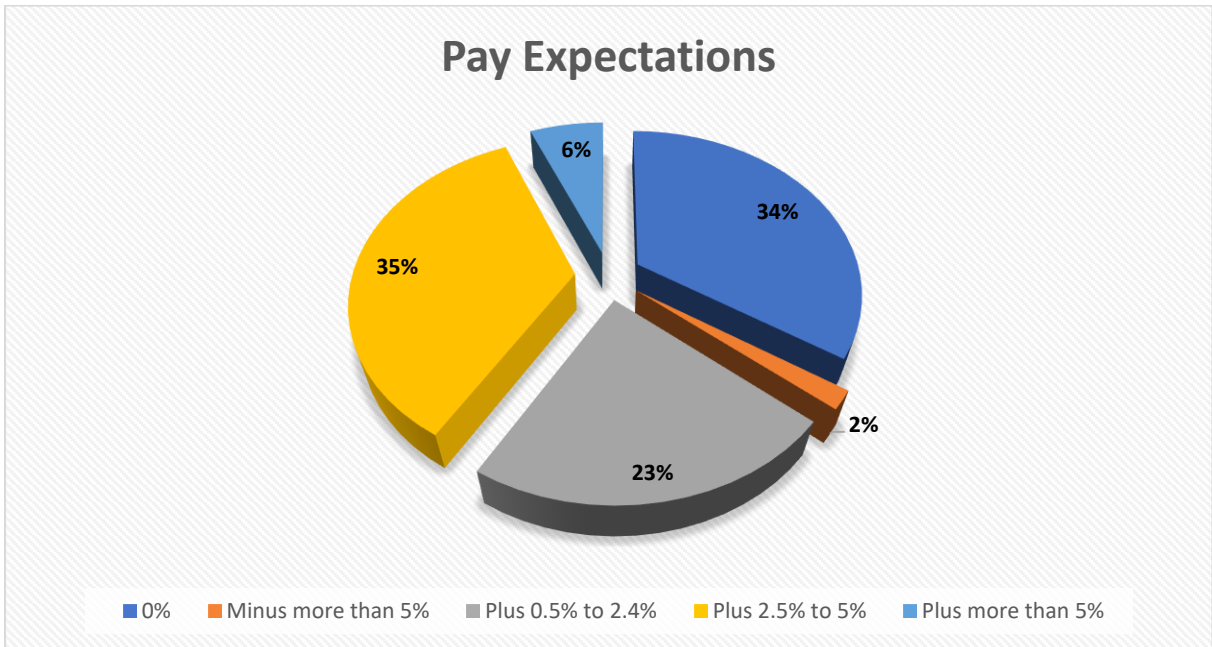
Current Sales recorded a significant decrease from 38% to 3%. Sales Expectations rose 6%. Current Investment has dropped from 45% to 29% while future Investment is up from 18% to 42%. Current Exports have increased by 25%, while Export Expectations have grown 31% to 45%.

Key Indicators SERVICES	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19
Business Confidence	31%	22%	31%	15%	9%	10%	-7%	26%
Business Expectations	38%	15%	15%	2%	5%	-13%	-23%	19%
Business Environment	44%	31%	45%	54%	39%	45%	47%	65%
Profitability Expectations	16%	22%	20%	12%	19%	12%	17%	23%
Current Employment	34%	16%	22%	25%	27%	19%	13%	23%
Future employment	38%	13%	33%	27%	24%	29%	10%	26%
Current Sales	28%	36%	-2%	17%	22%	6%	38%	3%
Sales Expectations	31%	22%	35%	32%	23%	27%	10%	16%
Current Investment	38%	33%	38%	49%	33%	23%	45%	29%
Future Investment	44%	31%	33%	44%	38%	23%	18%	42%
Current Exports	33%	0%	36%	10%	0%	8%	-17%	8%
Export Expectations	33%	22%	43%	19%	18%	9%	14%	45%
Economic Uncertainty	0%	14%	15%	18%	19%	42%	76%	40%
Brexit	30%	22%	25%	21%	19%	42%	59%	50%

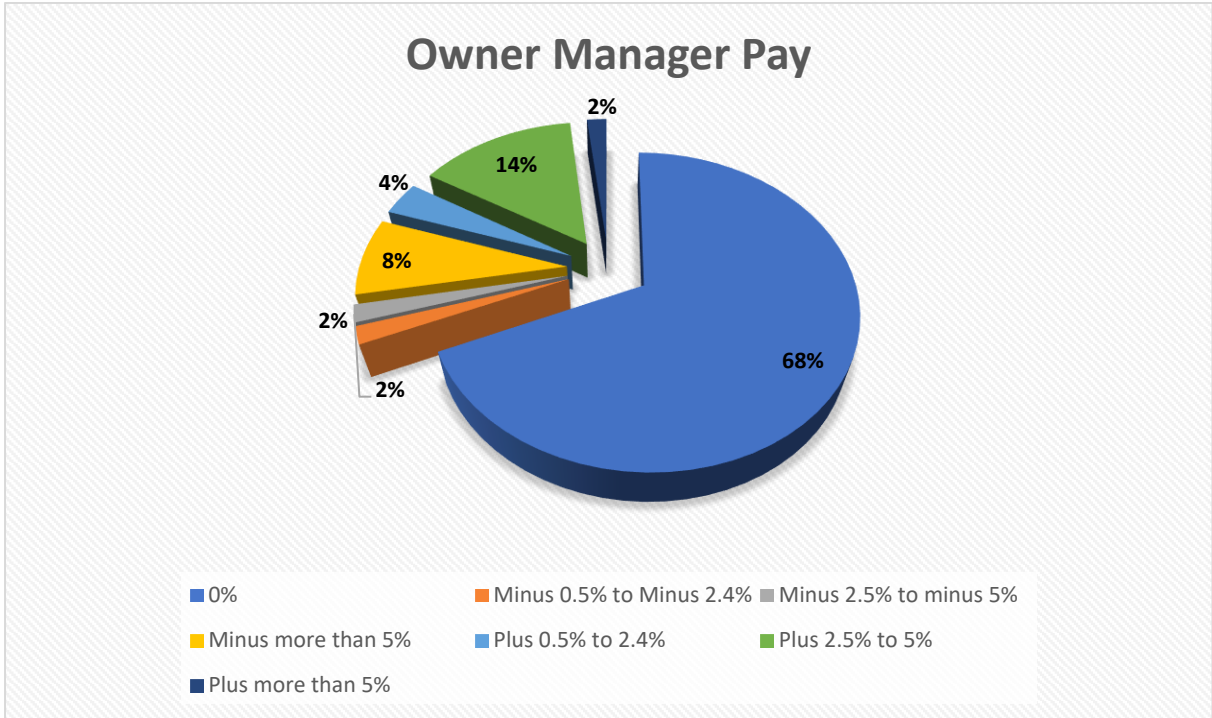
Q4'19 Pay Expectations: Employees

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

- 34% of SMEs will not be able to increase pay this year for their employees.
- 23% will increase employees pay by 0.5% to 2.4%, up from 22% in the previous Quarter.
- 35% will increase pay by 2.5%-5%, up from 23% in Q3'19.
- 6% of businesses will increase pay for their employees by plus 5%, up 1% on Q3' 19.
- 0% of respondents stated 'Other'.



Q4'19 Pay Expectations: Owner Manager

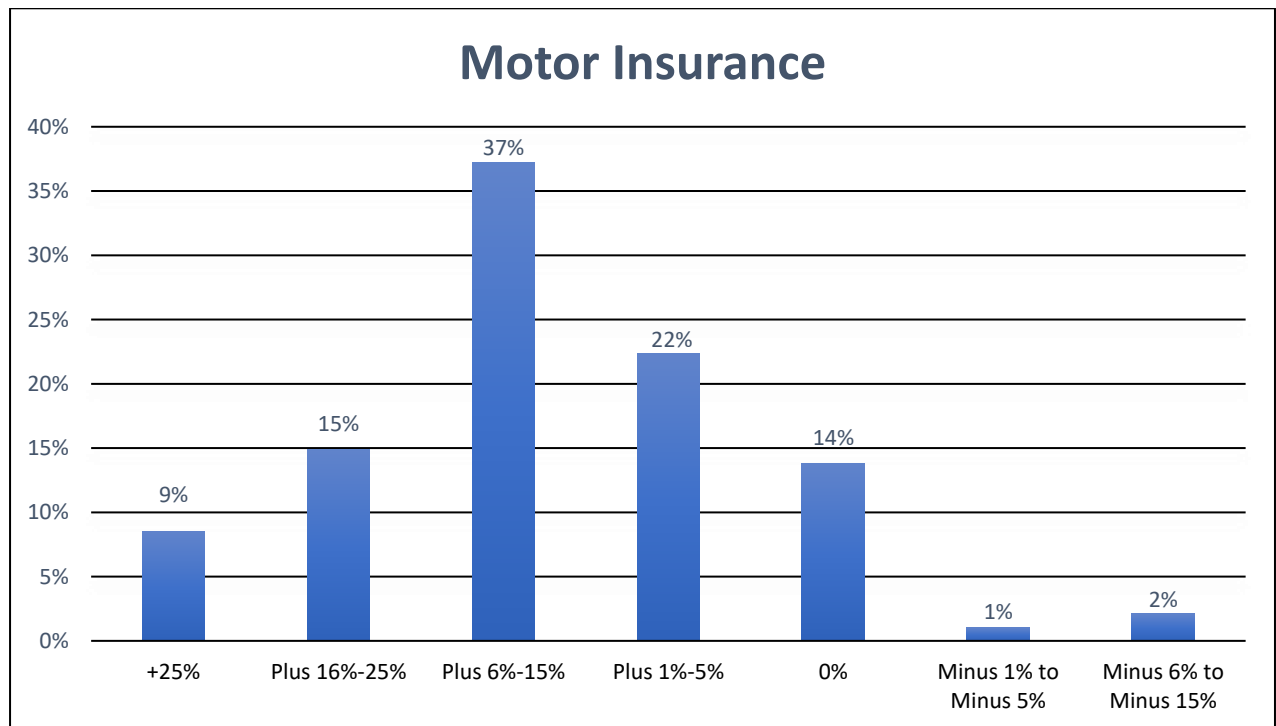


When we asked business owners about their own pay for this year;

- 68% said they would not increase their earnings from the business, down from 71% in Q3'19.
- 2% intend to increase their wages by plus 5%, down 5% on Q3'19.
- 14% will increase their pay between 2.5%-5%, down 1% on Q3'19.
- 4% will increase their pay between 0.5%-2.4%, up 2% on Q3'19.
- 12% stated they were reducing their wages compared to 5% in Q'3.
- 0% stated 'other'.

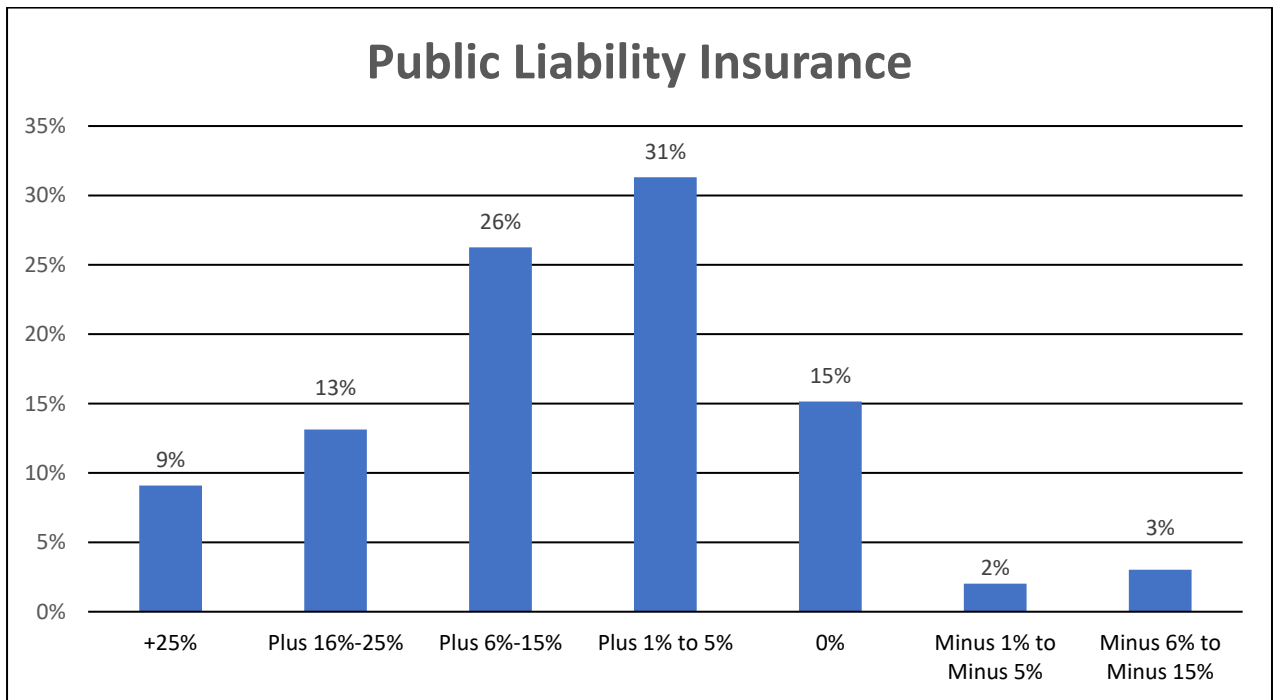
Insurance Costs

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 83% of respondents reported an increase to their premiums. When broken down the figures show:

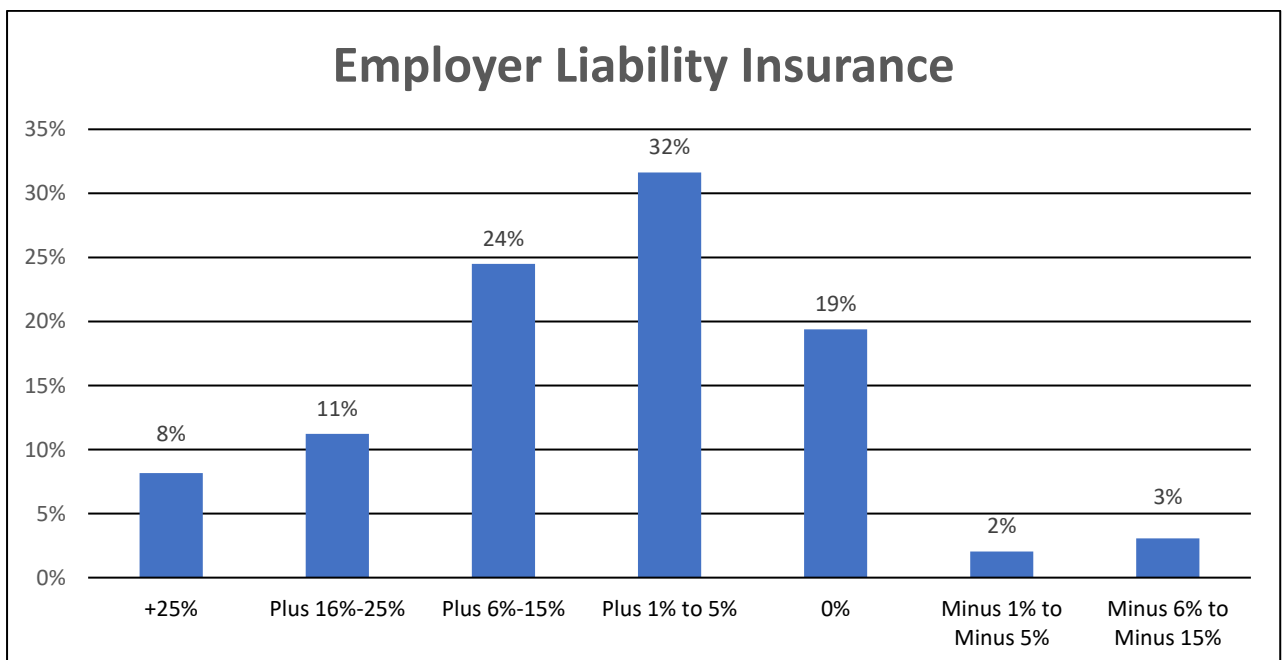


- 9% of respondents noted an increase of +25%.
- 15% experienced increases of plus 16%-25%.
- 37% of respondents' premiums increased between plus 6% to 15%.
- 22% of those who responded recorded increases of plus 1%-5%.
- 14% reported no increase to premiums.
- While 3% reported a decrease.

Coupled with motor insurance cost increases, public and employer liability insurance costs are increasing for many SMEs. 79% and 75% of respondents respectively stated their premiums increased on renewal. When these figures are broken down:



- 31% reported increases of between 1% and 5%.
- 26% stated increases of plus 6%-15%.
- 13% reported increases of plus 16%-25%.
- 9% reported increases of +25%
- 15% reported no change.
- While 5% reported a decrease.

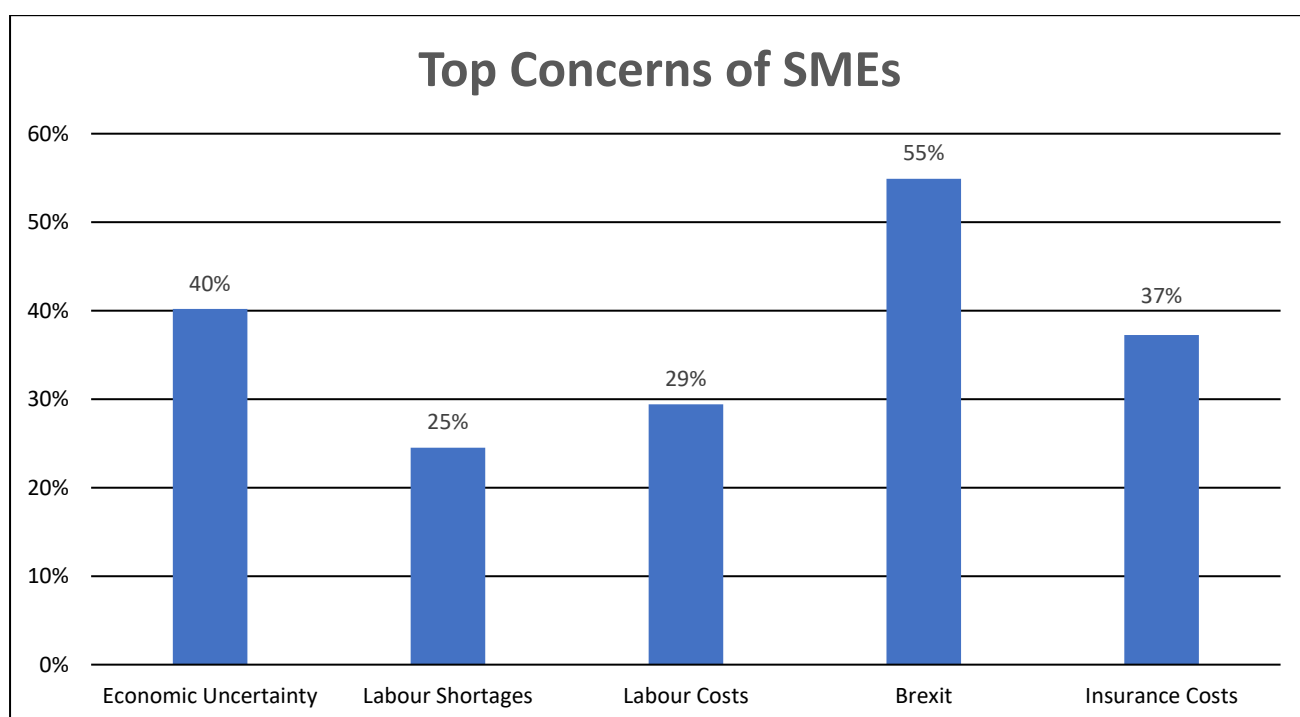


- 32% reported increases of between 1% and 5%.
- 24% stated increases of plus 6%-15%.
- 11% reported increases of plus 16%-25%.
- 8% reported increases of +25%
- 19% reported no change.
- While 5% reported a decrease.

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 2020.

The Survey also tracks the current biggest concern of SMEs

The top concerns for SMEs in this quarter are Brexit (55%), Labour Costs (29%), Labour Shortages (25%), Economic Uncertainty (40%), and Insurance Costs (37%). Unsurprisingly, Brexit remained the biggest concern for SMEs throughout 2019.



The effect of Brexit on our members is evident above with 55% 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 30% of businesses are impacted by inadequate broadband.

Ends

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