

Q3'20

iSME
Irish SME Association

ISME Q3 TRENDS REPORT 2020

Contents

Introduction: Q3'2020 Trends Report.....	2
Overall Confidence Indicators.....	3
Q3'20 Manufacturing:.....	4
Q3'20 Retail:.....	5
Q3'20 Services:.....	6
Q3'20 Pay Expectations: Employees.....	7
Q3'20 Pay Expectations: Owner Manager.....	8
Insurance Costs – Introduction.....	9
Motor Insurance.....	9
Public Liability Insurance.....	10
Employer Liability Insurance.....	11
Insurance Summary.....	11
Biggest concern of SMEs.....	11
BREXIT.....	12
Broadband Services.....	13
Retaining and Recruiting staff.....	13
Government Performace.....	14

Introduction: Q3'2020 Trends Report

This survey was conducted in the first week of September 2020 with 203 SME respondents, of those surveyed the employee breakdown is as follows:

- 1-10 61.58%
- 11-20 17.73%
- 21-30 3.45%
- 31-50 8.87%
- 100 + 4.43%
- Other

Geographically, the breakdown is as follows:

- Dublin 41.38%
- Leinster (Except Dublin) 18.72%
- Munster 15.27%
- Connaught 4.93%
- Ulster 4.93%
- Multiple sites 9.36%
- Other 5.42%

The Sectorial breakdown:

- Manufacturing 19.21%
- Services 27.59%
- IT/Online Services 6.40%
- Wholesale 7.39%
- Retail 9.85%
- Construction 4.93%
- Transport & Logistics 4.43%
- Hospitality 3.45%
- Food & Drink Production 0.49%
- Health Sector 3.94%
- Agriculture 0.49%
- Other (Please specify) 11.82%

Overall Confidence Indicators

The Q3'20 Business Trends Quarterly survey showed 9 out of 14 confidence indicators yielding declining results, a direct replica of the Q2'2020 results.

KEY INDICATORS OVERALL	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2 20	Q3 20
Business Confidence	26%	21%	1%	-4%	1%	1%	-26%	13%	-77%	-58%	-48%
Business Expectations	34%	17%	8%	-4%	-14%	-14%	-31%	5%	-21%	-3%	-14%
Business Environment	40%	48%	42%	43%	38%	38%	29%	48%	-61%	-11%	-15%
Profitability Expectations	25%	14%	13%	8%	15%	15%	-2%	14%	-62%	-10%	-24%
Current Employment	23%	25%	25%	23%	19%	19%	13%	23%	-26%	-20%	-19%
Future Employment	25%	26%	18%	16%	17%	17%	1%	26%	-29%	-7%	-4%
Current Sales	16%	19%	17%	23%	17%	17%	20%	15%	-73%	-25%	-18%
Sales Expectations	38%	36%	27%	8%	29%	29%	-14%	34%	-40%	-13%	-12%
Current Investment	45%	35%	43%	38%	40%	40%	29%	40%	12%	23%	20%
Future Investment	35%	32%	37%	30%	34%	34%	22%	42%	-9%	9%	4%
Current Exports	7%	18%	19%	16%	-3%	-3%	-4%	-9%	-29%	-21%	-25%
Export Expectations	48%	34%	27%	25%	6%	6%	6%	19%	-15%	3%	0%
Economic Uncertainty	11%	15%	13%	14%	14%	14%	54%	40%	75%	71%	76%
Brexit	24%	25%	33%	37%	17%	17%	60%	55%	29%	43%	50%

BREXIT Uncertainty increased by 2 points to 50%. Business Confidence fell again by 17% compared to the last quarter bringing it to -48%.

There was a further decline in Business Expectations to -14%, this comes after an increase in Q2 following the dramatic drop in Q1. Business Environment and Profitability Expectations followed the same pattern in Q3 after an improvement in Q2. It should be noted that levels have not hit the initial lows experienced in Q1'2020.

The Current Employment confidence indicator remained virtually unchanged from Q2 improving by 1%. In Q2 Future Employment increasing by 76% from -29% to -7%, this quarter saw a further improvement by 43%.

Current Sales have increased from -23% to -18% while Sales Expectations remain at similar levels to Q2 increasing from -13% to -12%.

Current Investment fell by 13% after an increase in Q2 and Future Investment also fell by 55% after a 200% increase in Q2.

Current Exports fell by 4 while Export Expectations also decreased

Economic uncertainty concerns remained high, going from 71% to 76%, this is back at Q1 levels while Brexit remains a significant concern at 50%.

Q3'20 Manufacturing:

Our Q3'20 results for the manufacturing sector show a recovery on the Q1 figures. In this quarter, there were nine minus indicators an increase from 4 in the Q2 and 10 in Q1.

KEY INDICATORS MANUFACTURING	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3 20
Business Confidence	31%	14%	-6%	8%	4%	4%	-14%	19%	-78%	-9%	-18%
Business Expectations	42%	14%	5%	8%	0%	0%	-14%	19%	-26%	0%	-15%
Business Environment	47%	54%	39%	62%	46%	46%	50%	30%	-70%	9%	-13%
Profitability Expectations	31%	8%	8%	10%	13%	13%	14%	-11%	-65%	-30%	-18%
Current Employment	29%	35%	31%	27%	13%	13%	14%	19%	-22%	-20%	-23%
Future Employment	36%	27%	14%	23%	20%	20%	-7%	26%	-22%	9%	10%
Current Sales	44%	11%	0%	37%	11%	11%	7%	4%	-87%	-73%	-10%
Sales Expectations	31%	35%	44%	39%	13%	13%	-36%	22%	-30%	15%	-5%
Current Investment	58%	35%	47%	44%	57%	57%	43%	48%	17%	32%	28%
Future Investment	49%	49%	31%	54%	38%	38%	50%	44%	0%	24%	10%
Current Exports	15%	5%	6%	36%	8%	8%	-14%	-5%	-7%	-4%	-33%
Export Expectations	62%	45%	13%	30%	29%	29%	29%	10%	-14%	26%	-3%
Economic Uncertainty	12%	20%	11%	6%	45%	45%	54%	44%	77%	74%	68%
Brexit	17%	29%	36%	53%	45%	45%	77%	56%	46%	71%	65%

Business Confidence and Business Expectations both fell to -18% and -15% respectively.

Profitability Expectations increased from -30% to -18% an increase of 40%.

Future Employment in manufacturing increased by 11%,

Current Sales increased from -73%, to -10% a percentage increase of 86%. However, Sales Expectations for the future fell from 15% to -5%, this comes after an increase in Q2 from -30%-15%.

Current Investment remained a positive figure however it did fall by 4 to 28%.

Current Exports fell dramatically from -4% to -33% while Future Exports also fell from 26% to -3%.

Current Employment remained low at -23%, bringing it back to Q1 levels.

Q3'20 Retail:

The Retail sector for Q1'20 reported Brexit and Economic Uncertainty and Reduced Orders as its biggest concerns. Business Confidence increased by 78% this quarter, although still a minus figure this is a great improvement on both Q1 and Q2.

KEY INDICATORS RETAIL	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3 20
Business Confidence	15%	-5%	-25%	-5%	0%	0%	-67%	13%	-94%	-91%	-20%
Business Expectations	35%	22%	33%	20%	0%	0%	-33%	13%	-44%	-13%	-5%
Business Environment	15%	17%	0%	12%	29%	29%	-17%	0%	-56%	-30%	10%
Profitability Expectations	20%	11%	25%	20%	31%	31%	-50%	29%	-80%	-48%	-25%
Current Employment	10%	33%	-9%	19%	38%	38%	-50%	13%	-38%	-52%	-30%
Future Employment	15%	17%	9%	7%	0%	0%	-33%	13%	-50%	-26%	5%
Current Sales	30%	-11%	16%	7%	0%	0%	-33%	0%	-94%	-76%	-20%
Sales Expectations	20%	22%	8%	12%	38%	38%	-83%	43%	63%	-38%	-10%
Current Investment	45%	33%	11%	31%	54%	54%	33%	14%	-6%	14%	-5%
Future Investment	30%	22%	50%	12%	54%	54%	0%	0%	-13%	0%	-15%
Current Exports							-67%	-100%	-60%	-55%	-67%
Export Expectations							0%	100%	-60%	-18%	-33%
Economic Uncertainty	15%	31%	40%	27%	20%	20%	75%	40%	86%	71%	100%
Brexit	30%	25%	20%	27%	60%	60%	75%	20%	64%	52%	65%

Business Expectations are up 62% this follows the Q2 increase of 70% from Q1'20.

Profitability Expectations also improved from -48% to -25%. Current Sales also saw a drastic improvement and are now at -20% compared to -76% in the last quarter and -96% the quarter before that.

Current Investment took another hit after an improvement in Q2 – it is now back in the minus figures at -5% and in line with this drop Future Investment also fell to -15%.

Business Environment is at 10% a big improvement on Q1 and Q2.

Current Employment in retail is up to -30% an improvement from -52% in Q2. However, on a positive note Expectations for Future Employment has increased from -26% to 5%. Sales Expectations also increased to -10%.

Q3'20 Services:

The Services sector for Q3'20 showed 3 out of 14 confidence indicators in decline.

KEY INDICATORS SERVICES	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3 20
Business Confidence	22%	31%	15%	9%	10%	10%	-7%	26%	-77%	-57%	-18%
Business Expectations	15%	15%	2%	5%	-13%	-13%	-23%	19%	-37%	-11%	-13%
Business Environment	31%	45%	54%	39%	45%	45%	47%	65%	-61%	-25%	-25%
Profitability Expectations	22%	20%	12%	19%	12%	12%	17%	23%	-71%	-56%	-30%
Current Employment	16%	22%	25%	27%	19%	19%	13%	23%	-21%	-21%	-18%
Future Employment	13%	33%	27%	24%	29%	29%	10%	26%	-21%	0%	-15%
Current Sales	36%	-2%	17%	22%	6%	6%	38%	3%	-73%	-68%	-19%
Sales Expectations	22%	35%	32%	23%	27%	27%	10%	16%	-45%	-10%	-20%
Current Investment	33%	38%	49%	33%	23%	23%	45%	29%	20%	27%	32%
Future Investment	31%	33%	44%	38%	23%	23%	18%	42%	-6%	-7%	10%
Current Exports	0%	36%	10%	0%	8%	8%	-17%	8%	-38%	-55%	-23%
Export Expectations	22%	43%	19%	18%	9%	9%	14%	45%	-11%	-18%	23%
Economic Uncertainty	14%	15%	18%	19%	42%	42%	76%	40%	78%	71%	84%
Brexit	22%	25%	21%	19%	42%	42%	59%	50%	14%	52%	30%

Business Confidence improved from -57% to -18%. A positive pattern from -77% in Q1'2020.

Business Environment is unchanged at -25% while Profitability Expectations are also improving from -56% to -30%.

Current Employment improved by 3 to -18% while Future Employment dropped from -21% in Q1 to 0% in Q2 to now -15% in Q3.

Current Sales, like other sectors, recorded an increase - in this case a percentage increase of 72% bringing it to -19%. However, Sales Expectations fell from -10% to -20%

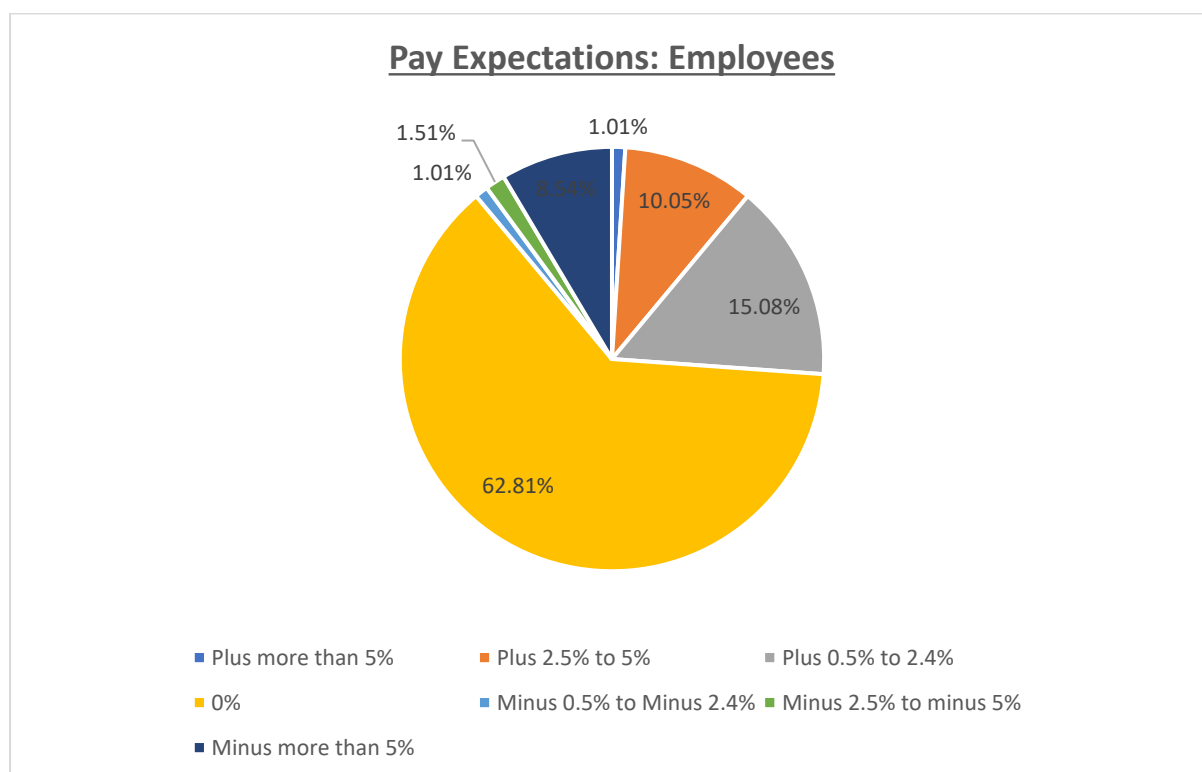
Current Investment saw an increase for the third quarter now at 32% while future Investment improved dramatically from -7% to a positive 10%.

Current Exports increased this quarter to -23%, while Export Expectations improved from -18% to 23%.

Q3'20 Pay Expectations: Employees

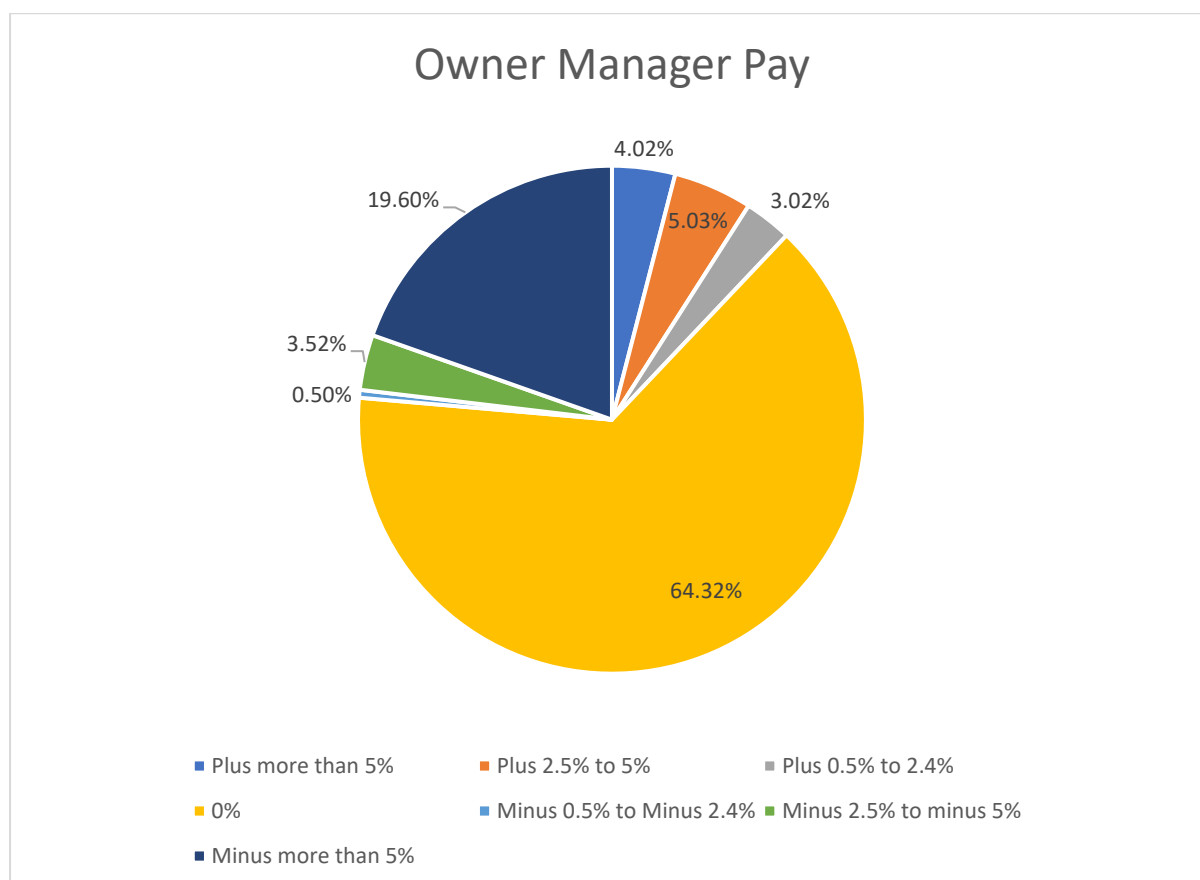
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 63% of SMEs will not be able to increase pay this year for their employees, down from 66% in the previous quarter.
- 15% will increase employees pay by 0.5% to 2.4%, up from 11% in the previous quarter and 3% in Q1.
- Remaining unchanged, 10% will increase pay by 2.5%-5%
- 9% of employers will decrease employees pay by more than 5%. This is similar to Q2 at 8% and an improvement of the 18% who planned to decrease wages by +5% in Q1'20.



Q3'20 Pay Expectations: Owner Manager

When we asked business owners about their own pay for this year, we found the following:



- 64% said they would not increase their earnings from the business, up from 59% in Q2 and 49% in Q1'20 and down from 68% in Q4'19.
- 4% stated they intend to increase their wages by plus 5%, up from 2% on Q2'2020.
- 5% will increase their pay between 2.5%-5%, up from 4% in Q2'20
- 3% will increase their pay between 0.5%-2.4%, down from 4% in Q2 and up from 1% on Q1'20.
- 24% stated they were reducing their wages compared to 30% in Q2'20 and 47% in Q1'20.

Insurance Costs – Introduction

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.

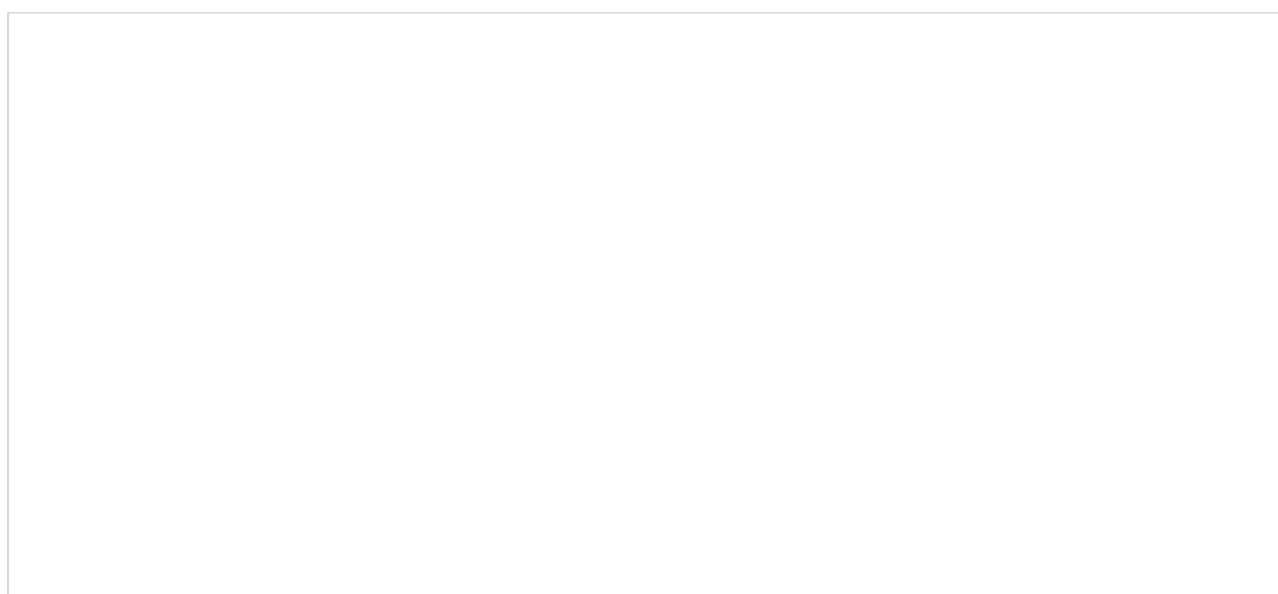
Our latest data shows us that:

25% of SMEs consider Insurance one of their immediate biggest concerns.

67% of respondents reported an increase to their premiums, up from 65% in Q2'20.

Motor Insurance

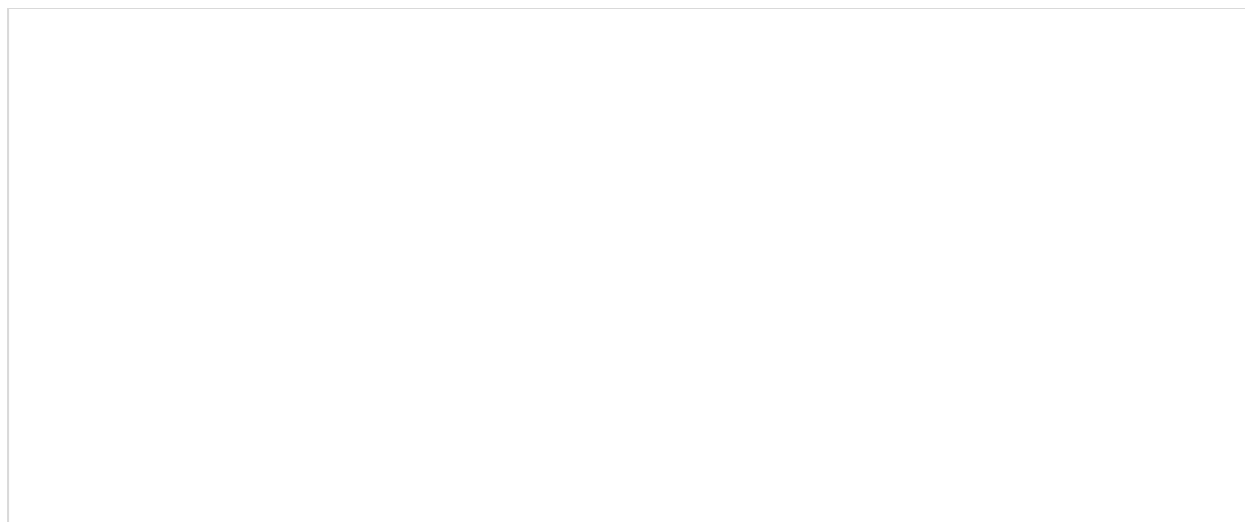
59% of respondents stated their Motor Insurance premiums increased on renewal.



- 2% of respondents noted an increase of +25%.
- 8% experienced increases of plus 16%-25%.
- 23% of respondents' premiums increased between plus 6% to 15%.
- 25% of those who responded recorded increases of plus 1%-5%.
- 28% reported no increase to premiums.
- While 13% reported a decrease, up from 11% in Q2

Public Liability Insurance

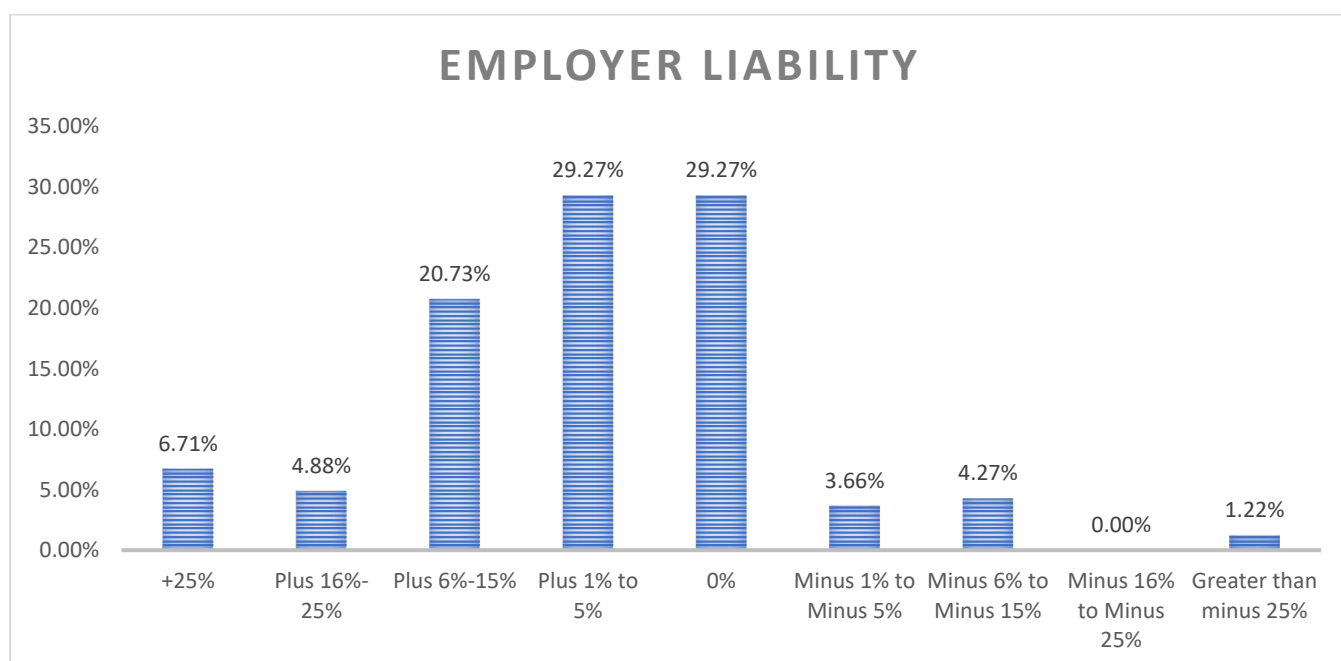
60% of respondents stated their Public Liability Insurance premiums increased on renewal, this is down on Q1(71%) & Q2 (63%).



- 29% reported increases of between 1% and 5%.
- 18% stated increases of plus 6%-15%.
- 7% reported increases of plus 16%-25%.
- 6% reported increases of +25%
- 31% reported no change.
- While 9% reported a decrease.

Employer Liability Insurance

62% stated their Employer Liability insurance premiums increased on renewal, this is down up from 56% in the previous quarter



- 29% reported increases of between 1% and 5%.
- 21% stated increases of plus 6%-15%.
- 5% reported increases of plus 16%-25%.
- 7% reported increases of +25%
- 29% reported no change.
- While 9% reported a decrease, up from 7% in Q2.

Insurance Summary

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.

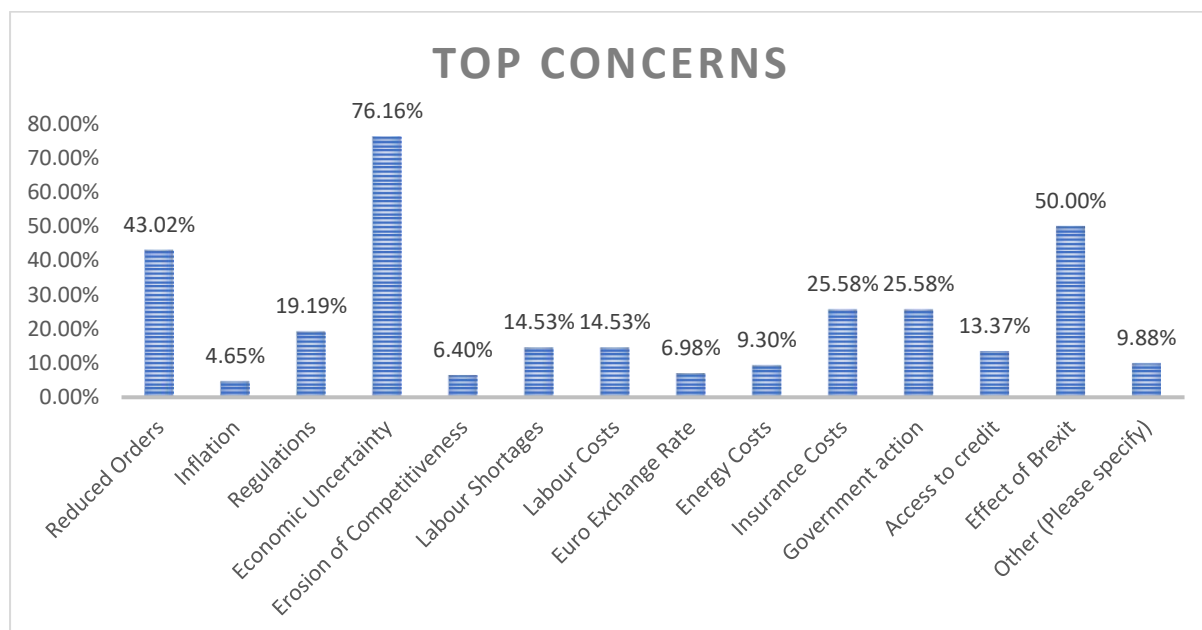
Biggest concern of SMEs

The top concerns for SMEs in this quarter are

- Economic Uncertainty now 76%, down from 83% in Q'20
- Brexit is 50% up from 43% in Q2'20 and up even further from 29% in Q1'20
- Reduced Orders which jumped to 47% in Q2, it is now at 43% in Q3'20
- Insurance Costs remains unchanged at 26%

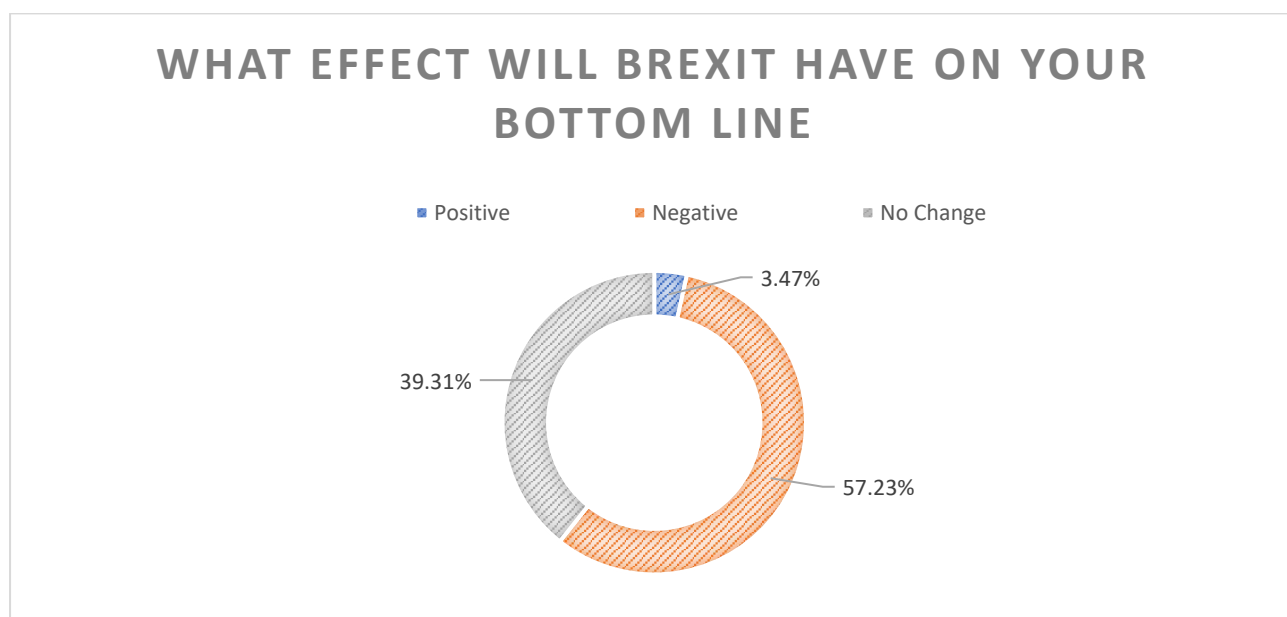
- Government Action now enters the top 5 concerns for the first time all year coming in at 26%

While Brexit remained the primary concern through the end of 2019, we now see economic uncertainty, reduced orders and government action featuring in the top spots due to COVID-19.



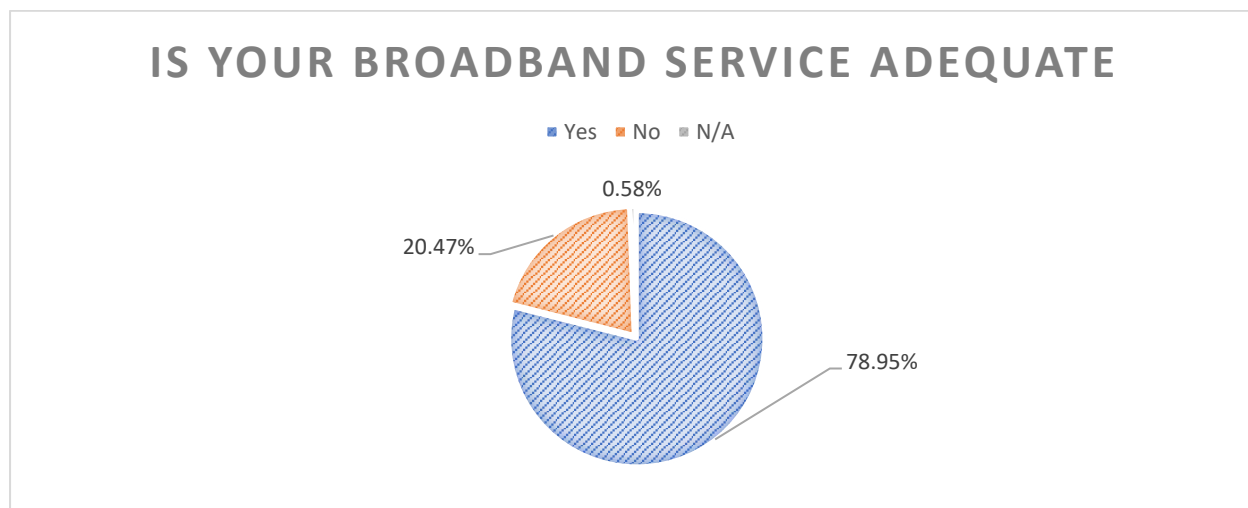
BREXIT

Brexit remains a significant concern with 57% of respondents stating that it would have a negative impact on their bottom line. Just 3% of respondents said Brexit will have a positive impact on their business.



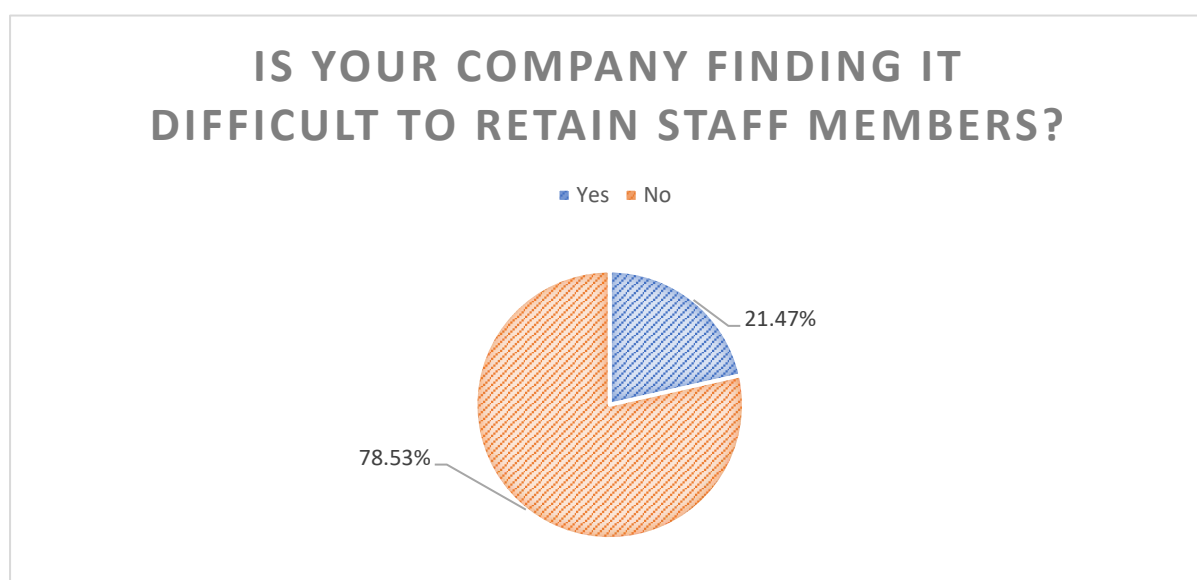
Broadband Services

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, down from 25% in Q2.



Retaining and Recruiting staff

When asked 'Is your company finding it difficult to retain staff members?' 21% stated yes they were up from 18% in Q2) while 79% stated this was not a problem. When asked about difficulties hiring new staff 42% noted this as a problem, up from 39% while 58% said it was not.

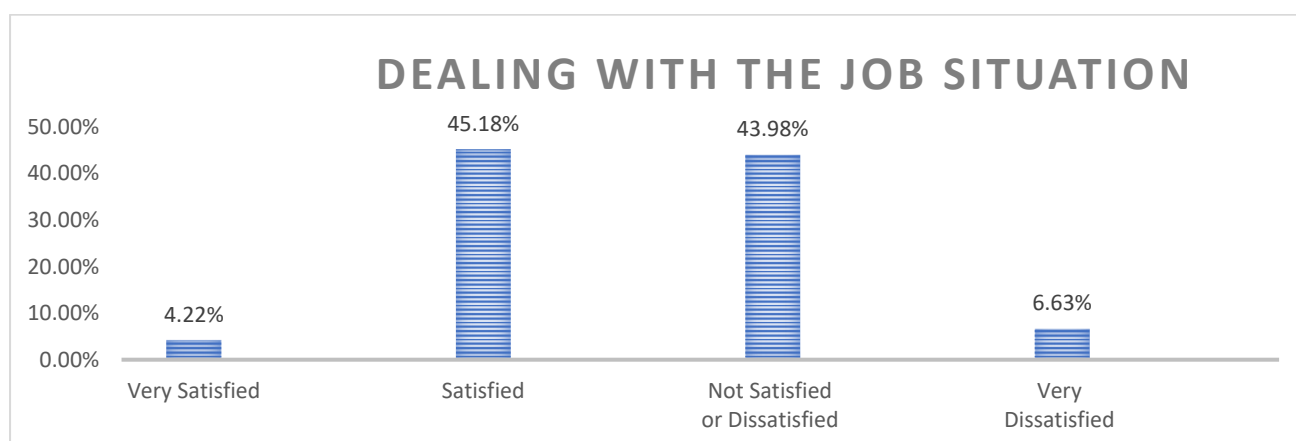


Government Performance

From analysing the below data, we can surmise that 3% of those surveyed are very satisfied with the government’s performance, 42% are satisfied, 39% are not satisfied or dissatisfied and 16% are very dissatisfied. Full breakdown below:

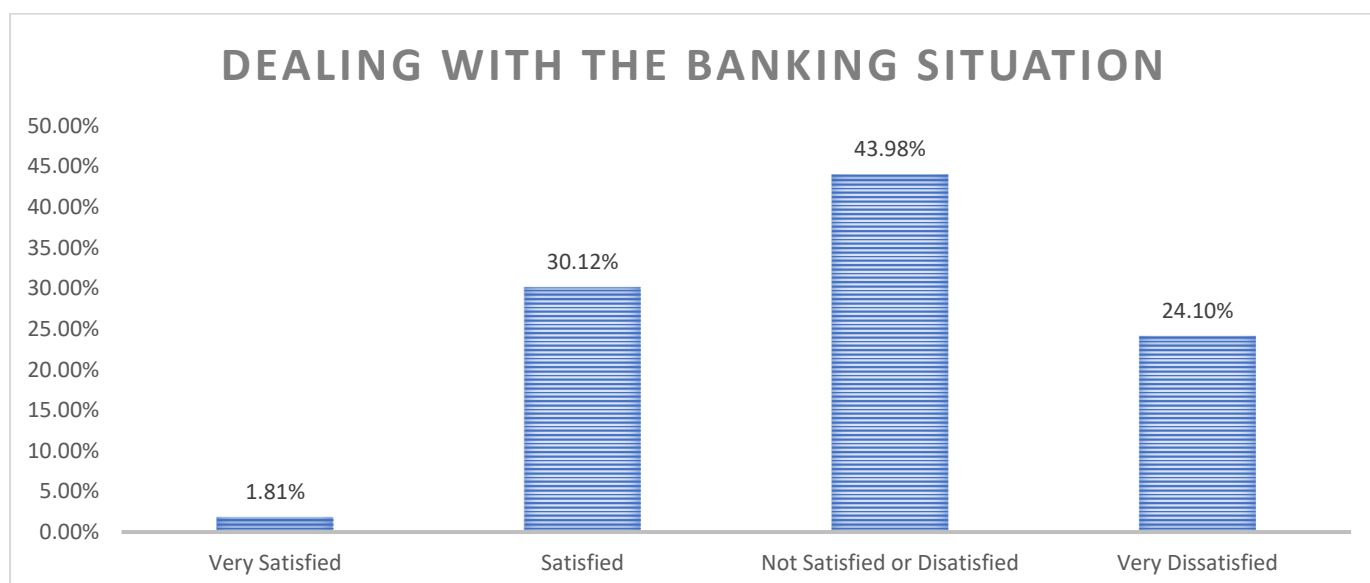
Dealing with the job situation

- Very Satisfied: 4%
- Satisfied: 45%
- Not Satisfied or Dissatisfied: 44%
- Very Dissatisfied: 7%



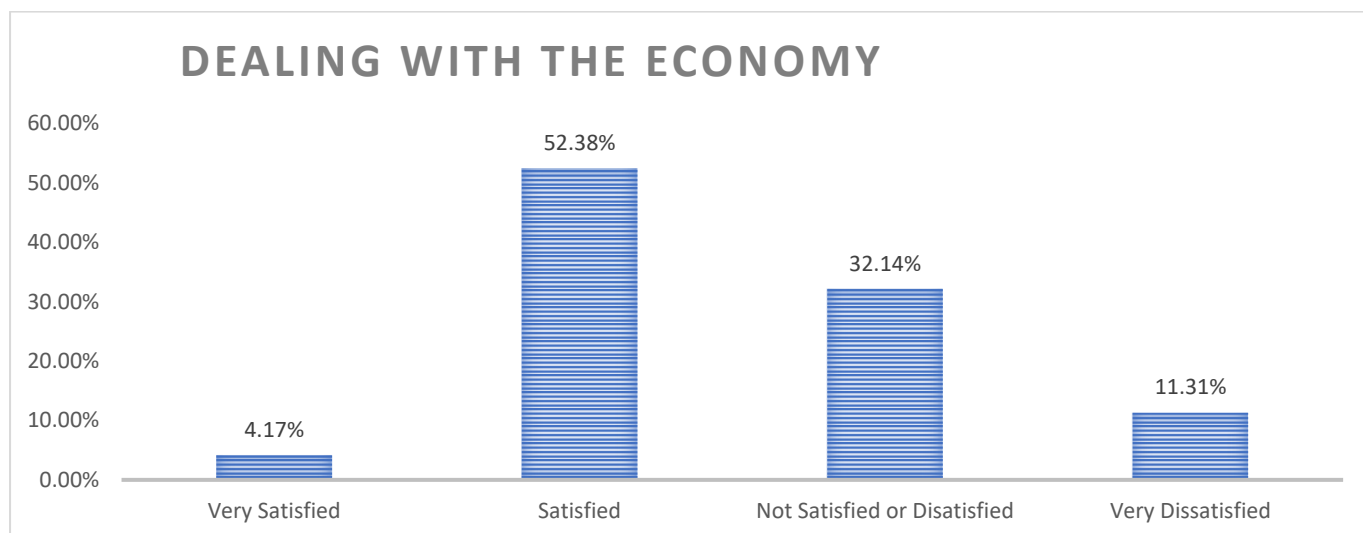
Dealing with the banking situation

- Very Satisfied: 2%
- Satisfied: 30%
- Not Satisfied or Dissatisfied: 44%
- Very Dissatisfied: 24%



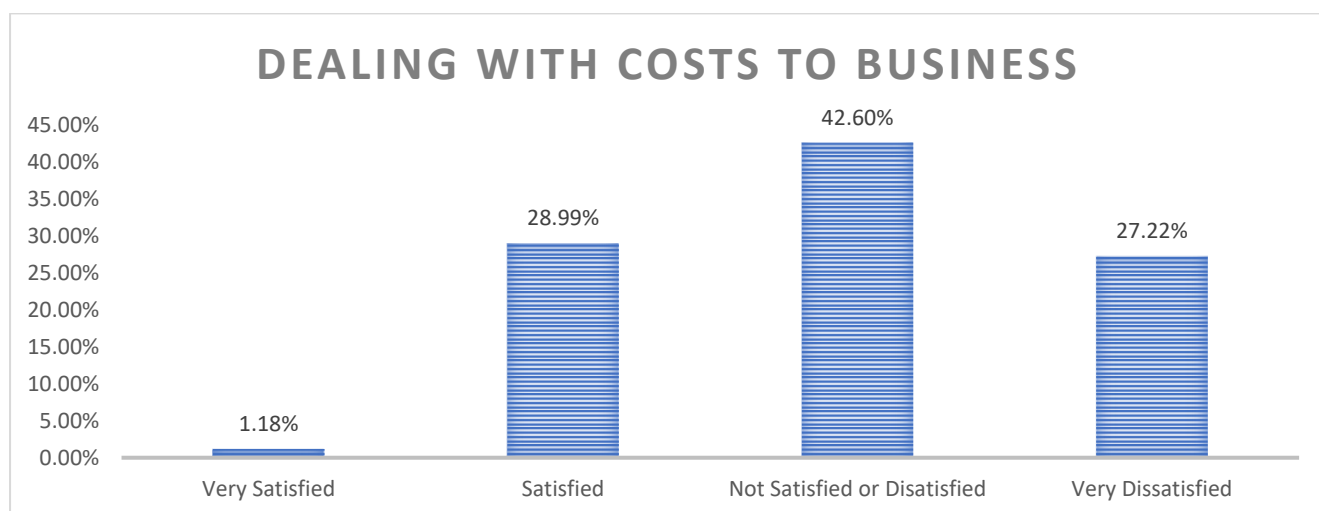
Dealing with the economy

- Very Satisfied: 4%
- Satisfied: 52%
- Not Satisfied or dissatisfied: 32%
- Very Dissatisfied: 11%



Dealing with costs to business

- Very Satisfied: 1%
- Satisfied: 29%
- Not Satisfied or dissatisfied: 43%
- Very Dissatisfied: 27%



Overall economic performance

- Very Satisfied: 4%
- Satisfied: 53%

- Not Satisfied or dissatisfied: 31%
- Very Dissatisfied: 12%

