

Q4'20

iSME
Irish SME Association

ISME Q4 TRENDS REPORT 2020

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Introduction: Q4'2020 Trends Report

This survey was conducted in the second week of January 2021 with 225 SME respondents and covers the final quarter of 2020. Of those surveyed the employee breakdown is as follows:

- 1-10 49%
- 11-20 20%
- 21-30 5%
- 31-50 15%
- 100 + 7%
- Other 4%

Geographically, the breakdown is as follows:

- Dublin 37%
- Leinster (Except Dublin) 19%
- Munster 20%
- Connaught 8%
- Ulster 3%
- Multiple sites 7%
- Other 7%

The Sectorial breakdown:

- Manufacturing 25%
- Services 23%
- IT/Online Services 5%
- Wholesale 12%
- Retail 5%
- Construction 12%
- Transport& Logistics 1%
- Hospitality 3%
- Food & Drink Production 0%
- Health Sector 4%
- Agriculture 0%
- Other (Please specify) 11%

Overall Confidence Indicators:

The **Q4'20 Business Trends Quarterly survey** showed 7 out of 14 confidence indicators yielding declining results, dropping by two from the previous quarter.

KEY INDICATORS OVERALL	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Business Confidence	26%	21%	1%	-4%	1%	-26%	13%	-77%	-58%	-48%	-33%
Business Expectations	34%	17%	8%	-4%	-14%	-31%	5%	-21%	-3%	-14%	26%
Business Environment	40%	48%	42%	43%	38%	29%	48%	-61%	-11%	-15%	-19%
Profitability Expectations	25%	14%	13%	8%	15%	-2%	14%	-62%	-10%	-24%	-21%
Current Employment	23%	25%	25%	23%	19%	13%	23%	-26%	-20%	-19%	-15%
Future Employment	25%	26%	18%	16%	17%	1%	26%	-29%	-7%	-4%	6%
Current Sales	16%	19%	17%	23%	17%	20%	15%	-73%	-25%	-18%	-34%
Sales Expectations	38%	36%	27%	8%	29%	-14%	34%	-40%	-13%	-12%	-10%
Current Investment	45%	35%	43%	38%	40%	29%	40%	12%	23%	20%	19%
Future Investment	35%	32%	37%	30%	34%	22%	42%	-9%	9%	4%	16%
Current Exports	7%	18%	19%	16%	-3%	-4%	-9%	-29%	-21%	-25%	-29%
Export Expectations	48%	34%	27%	25%	6%	6%	19%	-15%	3%	0%	8%
Economic Uncertainty	11%	15%	13%	14%	14%	54%	40%	75%	71%	76%	69%
Brexit	24%	25%	33%	37%	17%	60%	55%	29%	43%	50%	46%

BREXIT Uncertainty dropped by 4 percent to 46%. Business Confidence rose by 15%, bringing the Q4 total to -33%, compared to -48% in Q3. This aligns with Economic Uncertainty, which dropped by 7% this quarter.

There was a significant rise in Business Expectations went from -14% in Q3 to 26% this quarter, rising by 40%. Business Environment followed the same pattern in Q4 as in Q3, while Profitability Expectations increased by 3%. It should still be noted that levels have not hit the initial lows experienced in Q1'2020.

The Current Employment confidence indicator improved by 4%. This quarter, Future Employment increasing by a further 10%, from -4% to 6%.

Current Sales have decreased from -18% to -34%, while Sales Expectations remain at similar levels to Q3, increasing from -12% to -10%.

Current Investment fell by another 1% this quarter after a 3% decrease in Q3, while Future Investment grew by 12% after a 5% decrease in Q3.

Current Exports fell by 4% while Export Expectations increased by 8%.

Economic uncertainty concerns remain high, but have dropped slightly from 76% to 69%, going below initial Q1 levels. Brexit concerns remains a significant concern at 46%.

Q4'20 Manufacturing:

Our Q4'20 results for the manufacturing sector show a continued recovery on the Q1 figures in most confidence indicators. In this quarter, there were five negative indicators, a decrease from 9 in the Q3.

KEY INDICATORS MANUFACTURING	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Business Confidence	31%	14%	-6%	8%	4%	-14%	19%	-78%	-9%	-18%	-47%
Business Expectations	42%	14%	5%	8%	0%	-14%	19%	-26%	0%	-15%	5%
Business Environment	47%	54%	39%	62%	46%	50%	30%	-70%	9%	-13%	5%
Profitability Expectations	31%	8%	8%	10%	13%	14%	-11%	-65%	12%	-18%	-18%
Current Employment	29%	35%	31%	27%	13%	14%	19%	-22%	-20%	-23%	0%
Future Employment	36%	27%	14%	23%	20%	-7%	26%	-22%	9%	10%	12%
Current Sales	44%	11%	0%	37%	11%	7%	4%	-87%	-73%	-10%	-35%
Sales Expectations	31%	35%	44%	39%	13%	-36%	22%	-30%	15%	-5%	-6%
Current Investment	58%	35%	47%	44%	57%	43%	48%	17%	32%	28%	35%
Future Investment	49%	49%	31%	54%	38%	50%	44%	0%	24%	10%	41%
Current Exports	15%	5%	6%	36%	8%	-14%	-5%	-7%	-4%	-33%	-54%
Export Expectations	62%	45%	13%	30%	29%	29%	10%	-14%	26%	-3%	21%
Economic Uncertainty	12%	20%	11%	6%	45%	54%	44%	77%	74%	68%	65%
Brexit	17%	29%	36%	53%	45%	77%	56%	46%	71%	65%	59%

Business Confidence fell to -47%, a decrease of 29%, while Business Expectations grew to 5%, an increase of 20%.

Profitability Expectations remained at -18%.

Future Employment in manufacturing increased by 2%.

Current Sales decreased from -10%, to -35%, a percentage decrease of 25%. Sales Expectations for the future fell less drastically from -5% to -6% but have not recovered to its Q2 high of 15%.

Current Investment showed significant increase, growing from 28% to 35%.

Current Exports continued to fall dramatically, going from -33% to -54%, while Future Exports grew from -3% to 21%.

Current Employment increased from -23% to 0%, showing recovery from Q1 levels.

Q4'20 Retail:

The Retail sector for Q4'20 reported Economic Uncertainty as its biggest concern. Business Confidence increased by 87% this quarter, showing further dramatic recovery from Q1, Q2 and Q3 this year.

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

Business Expectations are up 105%, its largest climb this year.

Profitability Expectations also improved from -25% to 67%. Current Sales also saw a drastic improvement and are now at 33% compared to -20% in Q3 and -76% in Q2.

Current Investment showed recovery after a decrease of 19% in Q3 – it is now back in the positive figures at 33% and in line with this growth Future Investment also increased to 33%.

Business Environment is at 67% a big improvement on every other quarter this year.

Current Employment in retail is up to 0% an improvement from -30% in Q3. However, on a negative note expectation for Future Employment has decreased slightly from 5% to 0%. Sales Expectations increased to 67%.

Q4'20 Services:

The Services sector for Q4'20 showed 7 out of 14 confidence indicators in decline.

KEY INDICATORS SERVICES	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Business Confidence	22%	31%	15%	9%	10%	-7%	26%	-77%	-57%	-18%	-41%
Business Expectations	15%	15%	2%	5%	-13%	-23%	19%	-37%	-11%	-13%	42%
Business Environment	31%	45%	54%	39%	45%	47%	65%	-61%	-25%	-25%	-53%
Profitability Expectations	22%	20%	12%	19%	12%	17%	23%	-71%	22%	-30%	-35%
Current Employment	16%	22%	25%	27%	19%	13%	23%	-21%	-21%	-18%	-53%
Future Employment	13%	33%	27%	24%	29%	10%	26%	-21%	0%	-15%	0%
Current Sales	36%	-2%	17%	22%	6%	38%	3%	-73%	-68%	-19%	-41%
Sales Expectations	22%	35%	32%	23%	27%	10%	16%	-45%	-10%	-20%	-29%
Current Investment	33%	38%	49%	33%	23%	45%	29%	20%	27%	32%	-6%
Future Investment	31%	33%	44%	38%	23%	18%	42%	-6%	-7%	10%	0%
Current Exports	0%	36%	10%	0%	8%	-17%	8%	-38%	-55%	-23%	-40%
Export Expectations	22%	43%	19%	18%	9%	14%	45%	-11%	-18%	23%	40%
Economic Uncertainty	14%	15%	18%	19%	42%	76%	40%	78%	71%	84%	88%
Brexit	22%	25%	21%	19%	42%	59%	50%	14%	52%	30%	31%

Business Confidence declined from -18% to -41%. This is more in line with figures from Q1 and Q2 of this year.

Business Environment decreased to -53% while Profitability Expectations also decreased from -30% to -35%.

Current Employment dropped by 35% to -53% while Future Employment grew from -15% in Q3 to 0% this quarter, replicating its increase from earlier this year.

Current Sales, like other sectors, recorded a decrease- in this case a percentage decrease of 22% bringing it to -41%. Sales Expectations also fell from -20% to -29% in Q4, continuing a similar trend from the previous quarter.

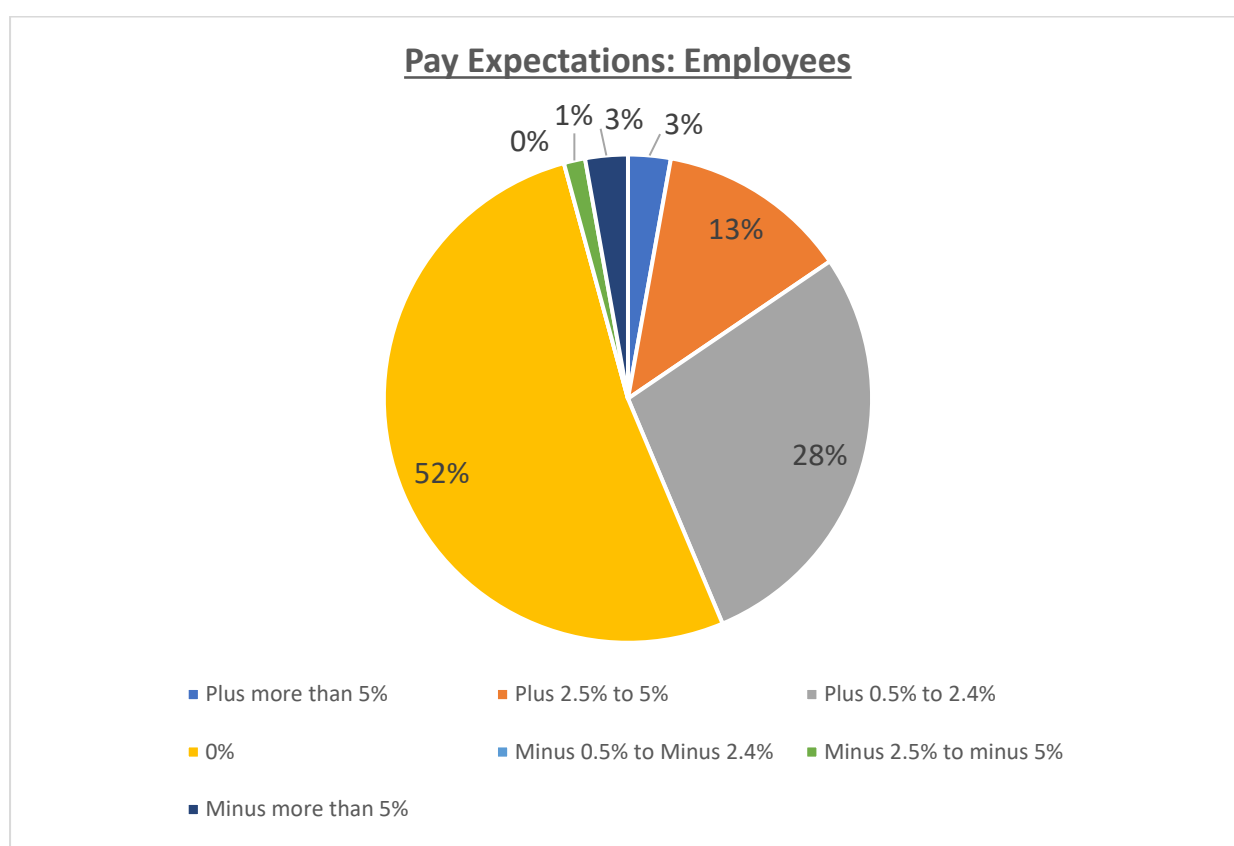
Current Investment saw a decrease for the first time this year, dropping from 32% to -6% while future Investment dropped from 10% to 0%.

Current Exports also decreased this quarter to -40%, while Export Expectations showed continued improvement from 23% to 40%.

Q4'20 Pay Expectations: Employees

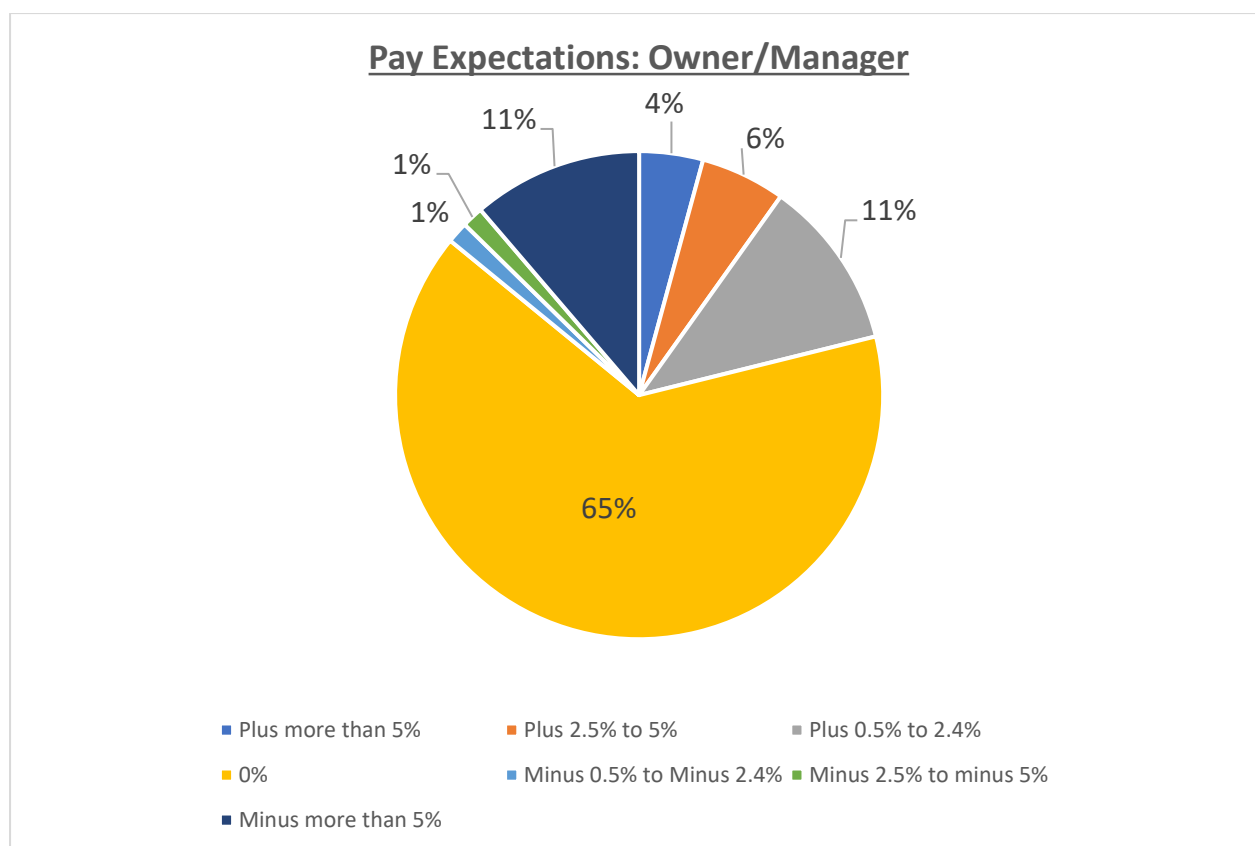
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 52% of SMEs will not be able to increase pay this year for their employees, down from 63% in the previous quarter.
- 28% will increase employees pay by 0.5% to 2.4%, up from 15% in the previous quarter and 11% in Q2.
- 13% will increase pay by 2.5%-5%
- 3% of employers will decrease employees pay by more than 5%. This is an improvement on 9% in Q3.



Q4'20 Pay Expectations: Owner Manager

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



- 65% said they would not increase their earnings from the business, up slightly from 64% in Q3 and 59% in Q2'20.
- 4% stated they intend to increase their wages by plus 5%, remaining the same as Q3'20.
- 6% will increase their pay between 2.5%-5%, up from 5% in Q3'20.
- 11% will increase their pay between 0.5%-2.4%, a drastic increase from 3% in Q3 and 4% in Q2.
- 13% stated they were reducing their wages compared to 24% in Q3'20 and 30% in Q2'20.

Insurance Costs: Introduction

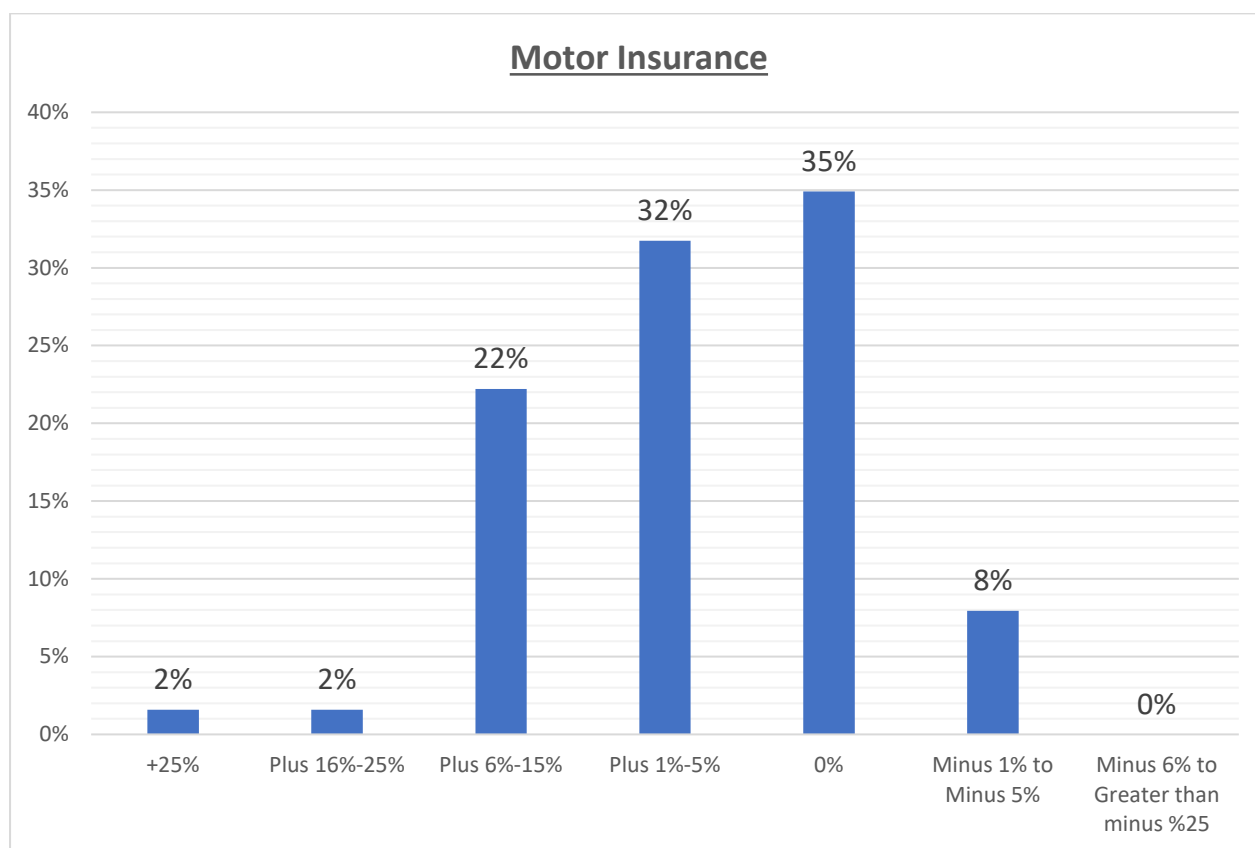
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in some business sectors, this omission needs to be reconsidered.

Our latest data shows us that:

21% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

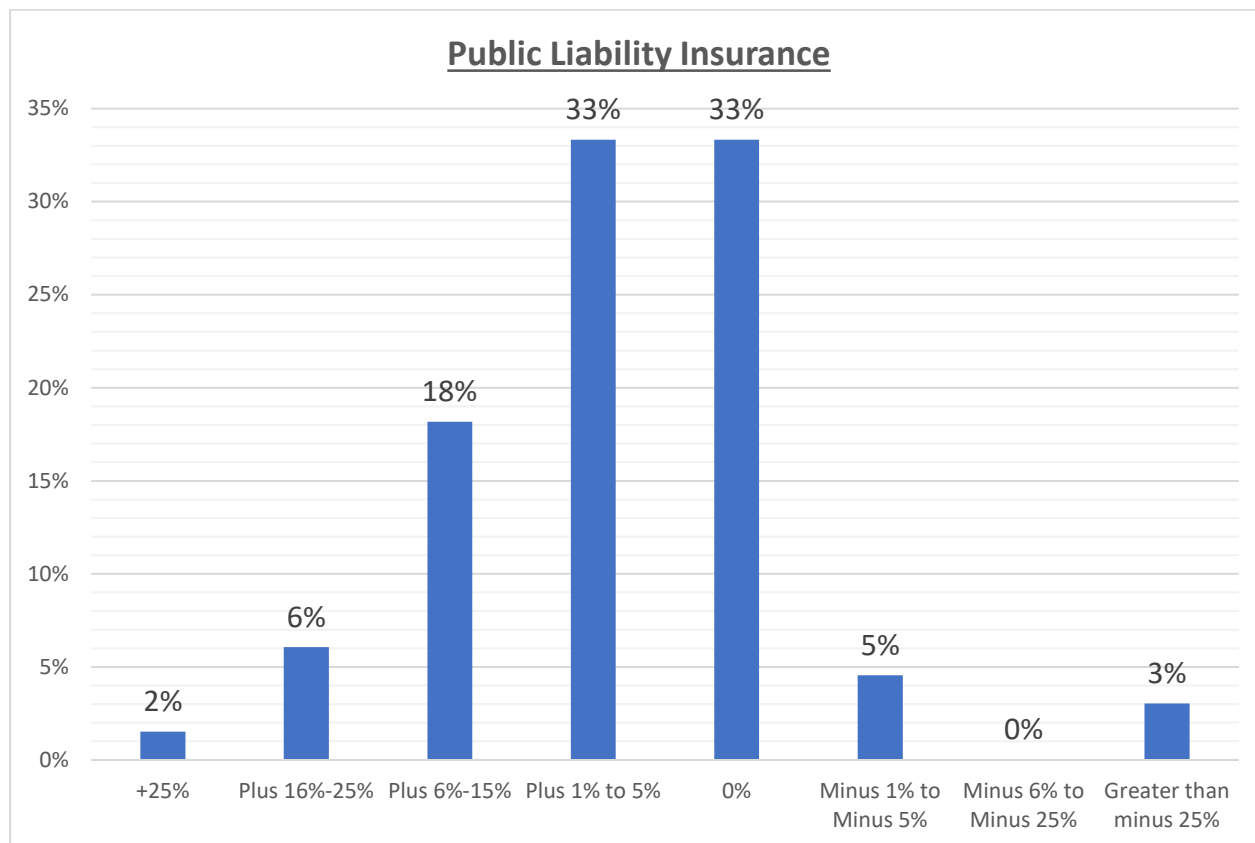
58% of respondents stated their Motor Insurance premiums increased on renewal.



- 2% of respondents noted an increase of +25%.
- 2% experienced increases of plus 16%-25%.
- 22% of respondents' premiums increased between plus 6% to 15%.
- 32% of those who responded recorded increases of plus 1%-5%.
- 35% reported no increase to premiums.
- While 8% reported a decrease, down from 13% in Q3.

Public Liability Insurance:

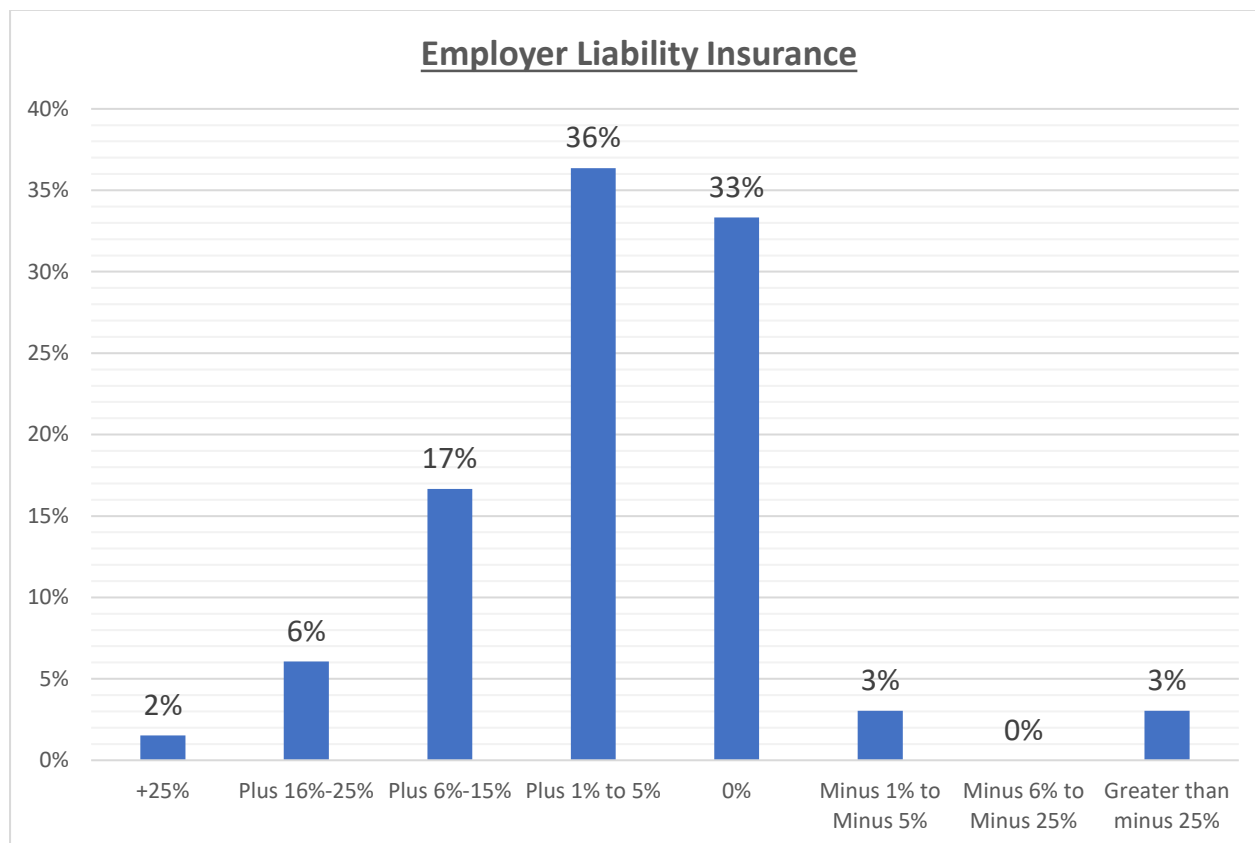
59% of respondents stated their Public Liability Insurance premiums increased on renewal, this is down on Q3(60%) & Q2 (63%).



- 33% reported increases of between 1% and 5%.
- 18% stated increases of plus 6%-15%.
- 6% reported increases of plus 16%-25%.
- 2% reported increases of +25%
- 33% reported no change.
- While 8% reported a decrease.

Employer Liability Insurance:

61% stated their Employer Liability insurance premiums increased on renewal, this is down from 62% in the previous quarter.



- 36% reported increases of between 1% and 5%.
- 17% stated increases of plus 6%-15%.
- 6% reported increases of plus 16%-25%.
- 2% reported increases of +25%
- 33% reported no change.
- While 6% reported a decrease, down from 9% in Q3.

Insurance Summary:

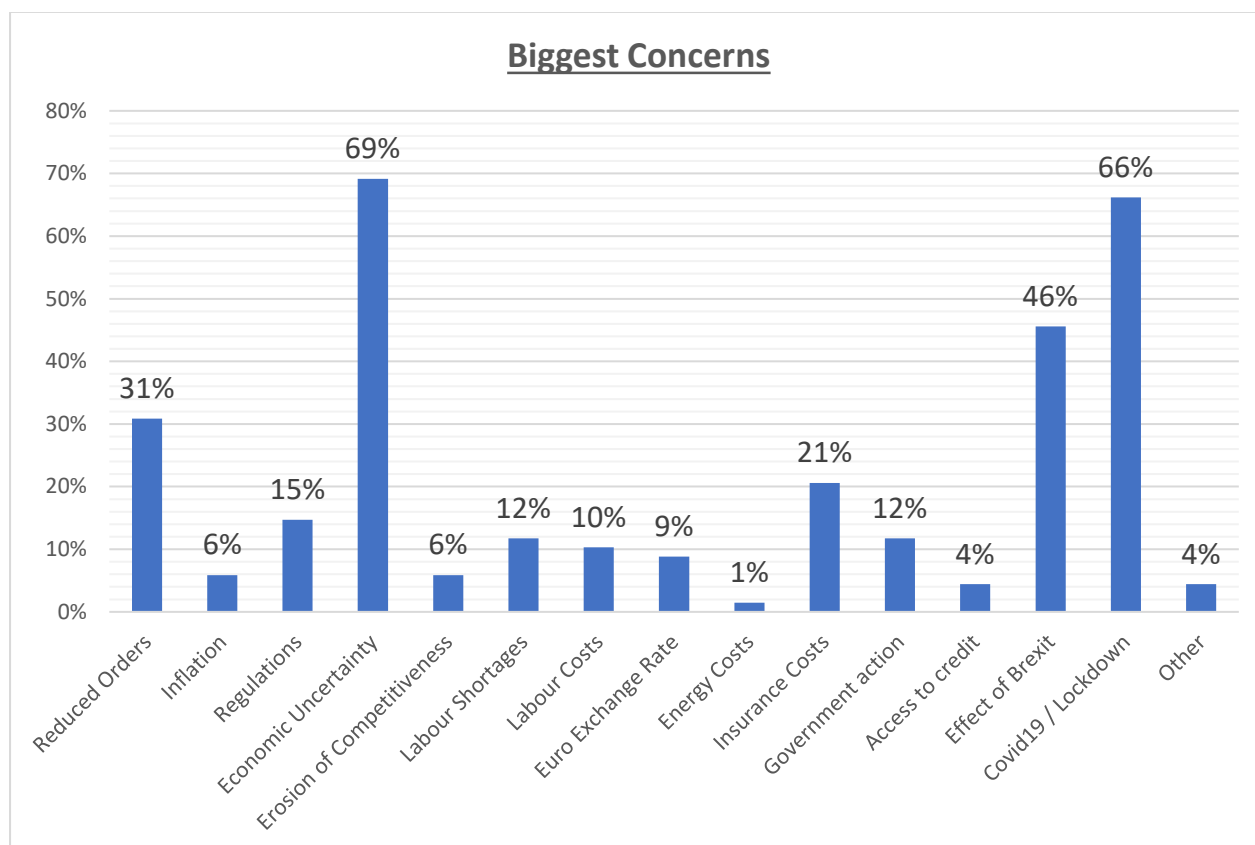
On the issue of insurance ISME has made several submissions to various government ministers and departments outlining the practical steps need to reduce the high costs of motor insurance. If these steps were taken on board, SMEs and the general public would see significant decreases in their premiums. The cost of insurance is an issue which ISME will continue to lobby on throughout 2021.

Biggest concern of SMEs:

The top concerns for SMEs in this quarter are:

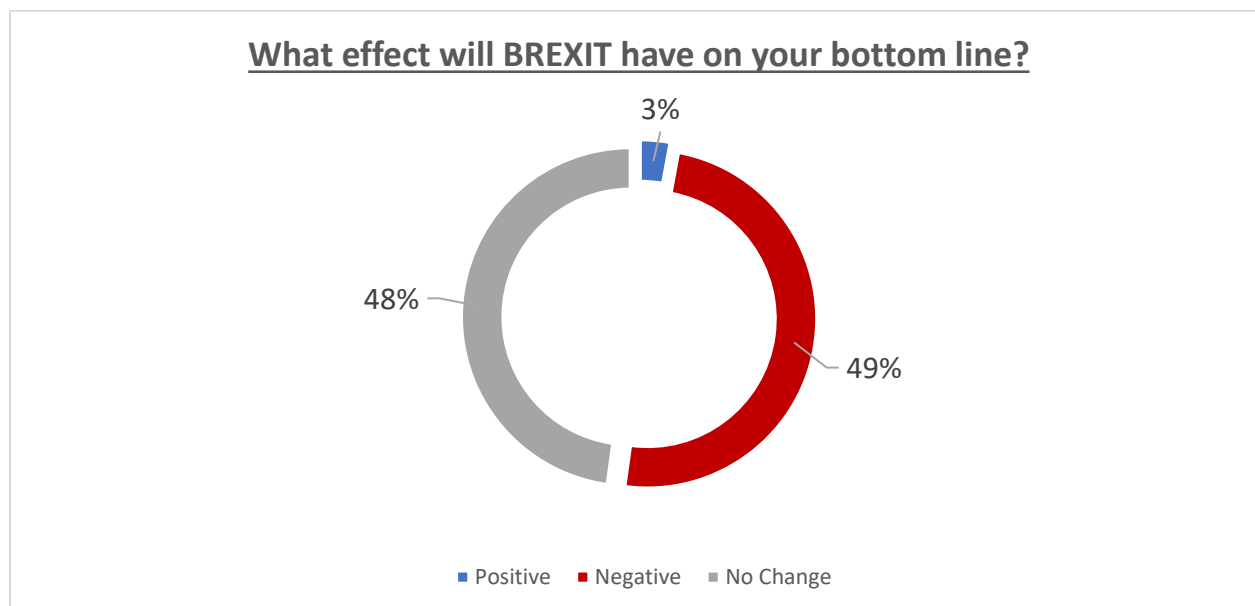
- Economic Uncertainty now 69%, down from 76% in Q3'20,
- Brexit is 46% down from 50% in Q3'20 but still up from 43% in Q2'20,
- Reduced Orders, which was at 43% in Q3, is now at 31% in Q4'20,
- Insurance Costs decreased slightly from 26% to 21%,
- The top five concerns at the end of 2020 are, from highest to lowest, economic uncertainty, Covid19/lockdown, Brexit, reduced orders and insurance costs.

While Brexit remains one of the top three concerns through the end of 2020, we see economic uncertainty and Covid19/lockdown in the top spots.



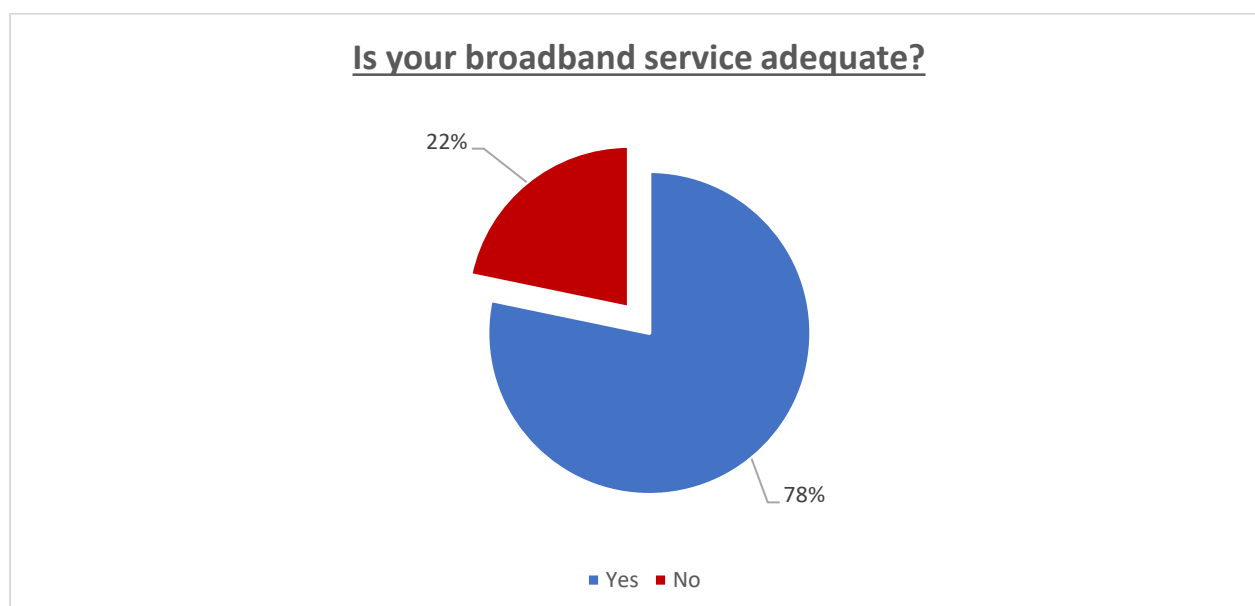
BREXIT:

Brexit remains a significant concern with 49% 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.



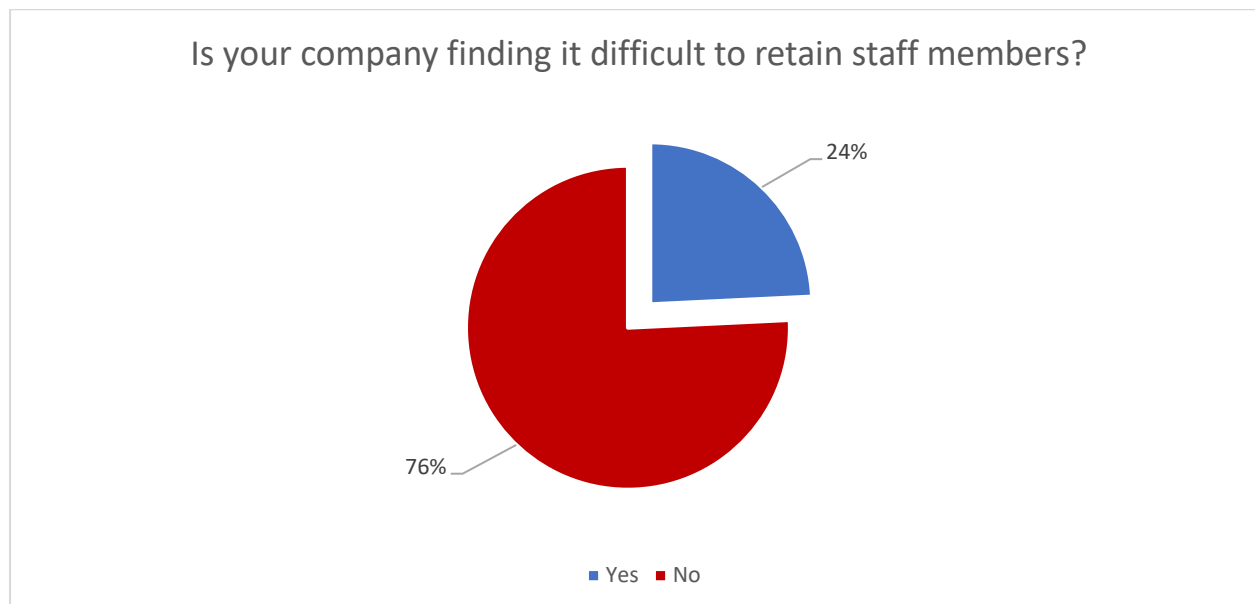
Broadband Services:

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 22% of businesses are impacted by inadequate broadband, up from 21% in Q3.



Retaining and Recruiting staff:

When asked 'Is your company finding it difficult to retain staff members?', 24 % stated yes they were (up from 21% in Q3), while 76% stated this was not a problem. When asked about difficulties hiring new staff 41% noted this as a problem, down from 42% while 59% said it was not.

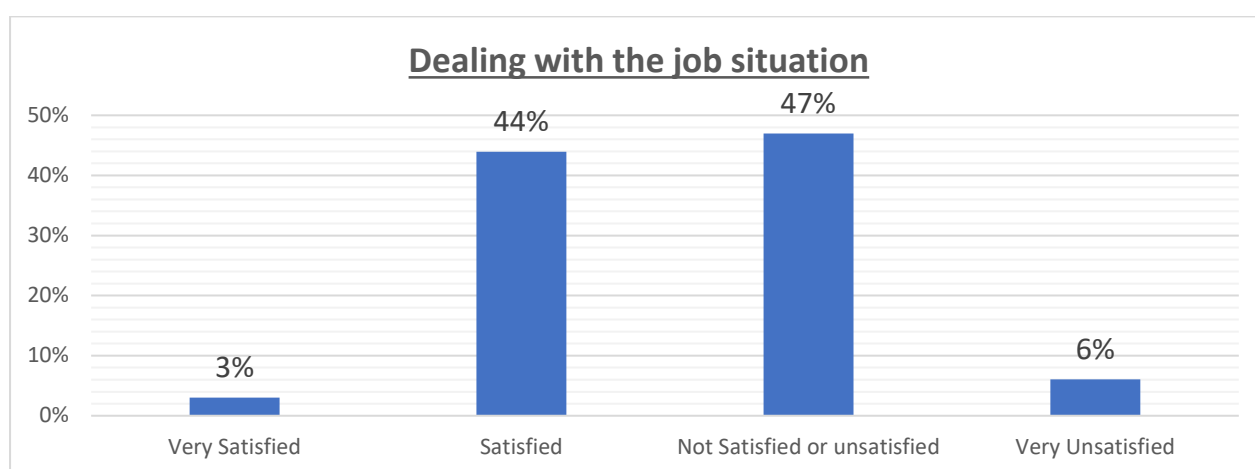


Government Performance:

From analysing the below data, we can surmise that 2% of those surveyed are very satisfied with the government's performance, 43% are satisfied, 49% are not satisfied or dissatisfied and 6% are very dissatisfied. Full breakdown below:

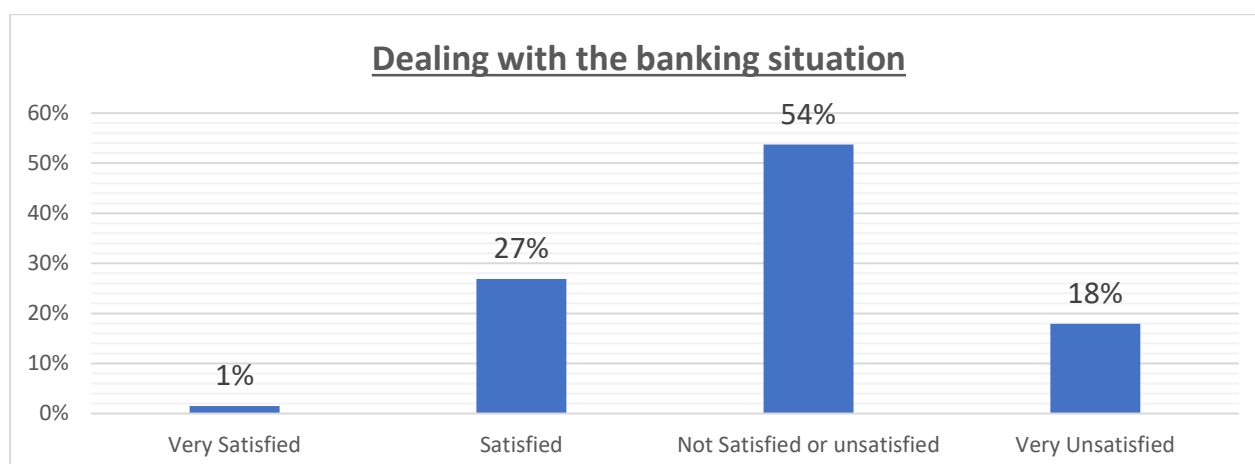
Dealing with the job situation

- Very Satisfied: 3%
- Satisfied: 44%
- Not Satisfied or dissatisfied: 47%
- Very Dissatisfied: 6%



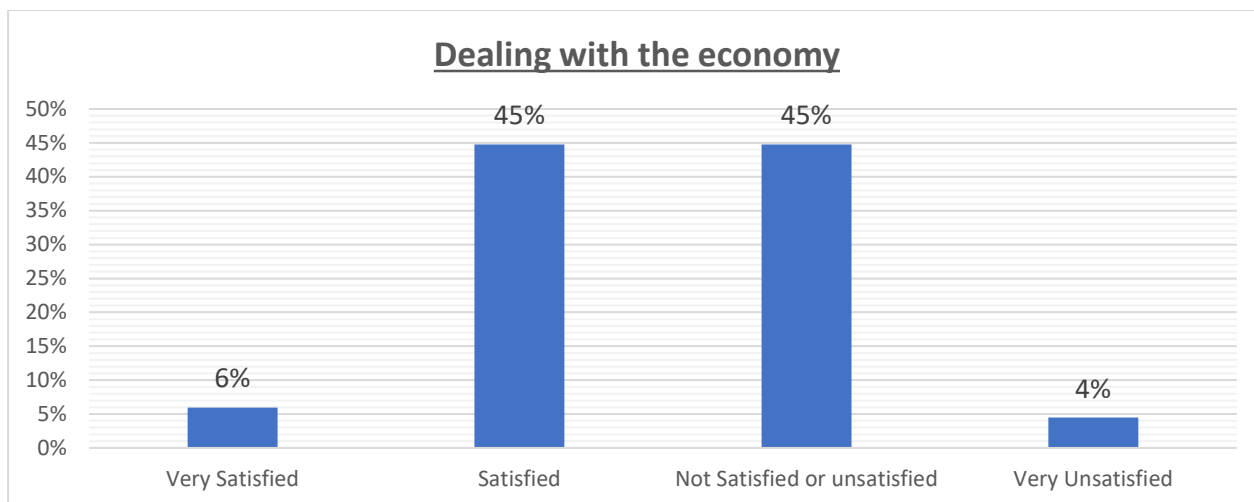
Dealing with the banking situation

- Very Satisfied: 1%
- Satisfied: 27%
- Not Satisfied or dissatisfied: 54%
- Very Dissatisfied: 18%



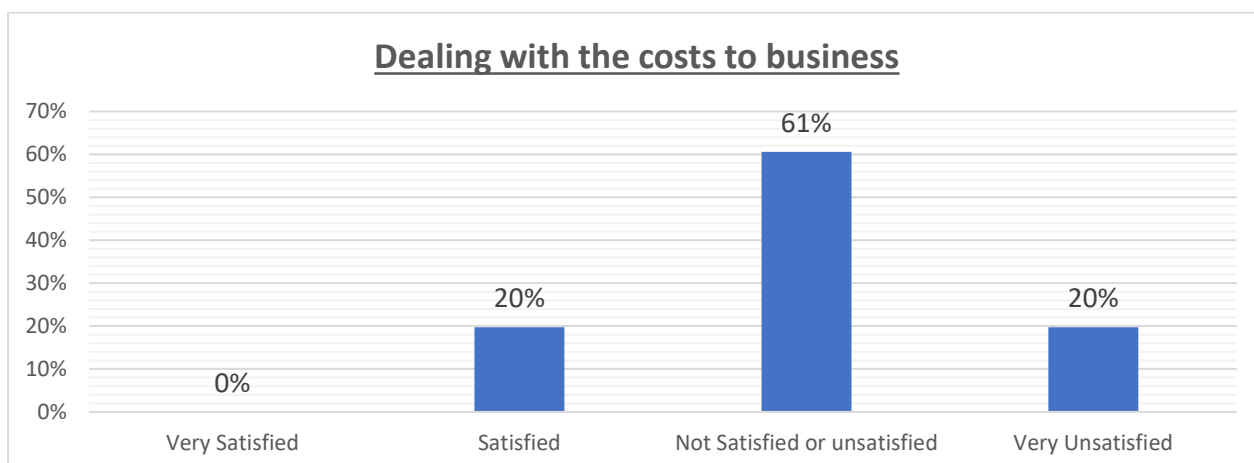
Dealing with the economy

- Very Satisfied: 6%
- Satisfied: 45%
- Not Satisfied or dissatisfied: 45%
- Very Dissatisfied: 4%



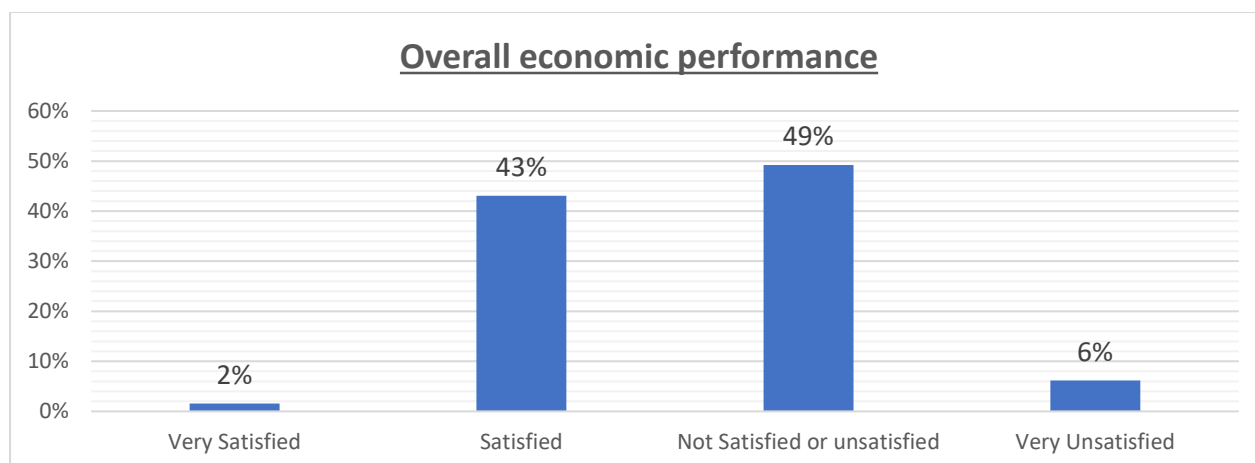
Dealing with costs to business

- Very Satisfied: 0%
- Satisfied: 20%
- Not Satisfied or dissatisfied: 61%
- Very Dissatisfied: 20%



Overall economic performance

- Very Satisfied: 2%
- Satisfied: 43%
- Not Satisfied or dissatisfied: 49%
- Very Dissatisfied: 6%



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Note to Editors:

This survey was conducted in the second week of January, covering the fourth quarter of 2020. There were 225 SME owner manager respondents.