

Q2'21

iSME
Irish SME Association

ISME Q2 TRENDS REPORT 2021

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Introduction: Q2'2021 Trends Report

This survey was conducted in the second week of June 2021 with 102 SME respondents and covers the second quarter of 2021. Of those surveyed the employee breakdown is as follows:

- 1-10 45%
- 11-20 25%
- 21-30 10%
- 31-50 10%
- 100 + 6%
- Other 4%

Geographically, the breakdown is as follows:

- Dublin 39%
- Leinster (Except Dublin) 19%
- Munster 22%
- Connaught 8%
- Ulster 0%
- Multiple sites 10%
- Other 3%

The Sectorial breakdown:

- Manufacturing 16%
- Services 32%
- IT/Online Services 6%
- Wholesale 8%
- Retail 7%
- Construction 4%
- Transport& Logistics 4%
- Hospitality 5%
- Food & Drink Production 3%
- Health Sector 2%
- Agriculture 4%
- Other (Please specify) 10%

Overall Confidence Indicators:

The **Q2'21 Business Trends Quarterly survey** showed 13 out of 14 confidence indicators yielding declining results, increasing by eight from the previous quarter.

| KEY INDICATORS OVERALL | Q3'18 | Q4'18 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | Q3'20 | Q4'20 | Q1'21 | Q2'21 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Business Confidence | 1% | -4% | 1% | -26% | 13% | -77% | -58% | -48% | -33% | 6% | 49% |
| Business Expectations | 8% | -4% | -14% | -31% | 5% | -21% | -3% | -14% | 26% | 36% | 48% |
| Business Environment | 42% | 43% | 38% | 29% | 48% | -61% | -11% | -15% | -19% | -38% | 29% |
| Profitability Expectations | 13% | 8% | 15% | -2% | 14% | -62% | -10% | -24% | -21% | -6% | 17% |
| Current Employment | 25% | 23% | 19% | 13% | 23% | -26% | -20% | -19% | -15% | -20% | 8% |
| Future Employment | 18% | 16% | 17% | 1% | 26% | -29% | -7% | -4% | 6% | 19% | 35% |
| Current Sales | 17% | 23% | 17% | 20% | 15% | -73% | -25% | -18% | -34% | -46% | 14% |
| Sales Expectations | 27% | 8% | 29% | -14% | 34% | -40% | -13% | -12% | -10% | 28% | 54% |
| Current Investment | 43% | 38% | 40% | 29% | 40% | 12% | 23% | 20% | 19% | 21% | 38% |
| Future Investment | 37% | 30% | 34% | 22% | 42% | -9% | 9% | 4% | 16% | 28% | 40% |
| Current Exports | 19% | 16% | -3% | -4% | -9% | -29% | -21% | -25% | -29% | -12% | -7% |
| Export Expectations | 27% | 25% | 6% | 6% | 19% | -15% | 3% | 0% | 8% | 15% | 32% |
| Economic Uncertainty | 13% | 14% | 14% | 54% | 40% | 75% | 71% | 76% | 69% | 62% | 44% |
| Brexit | 33% | 37% | 17% | 60% | 55% | 29% | 43% | 50% | 46% | 42% | 38% |

BREXIT Uncertainty dropped by a further 4 percent to 38%. Business Confidence rose massively again this quarter, increasing by 43%, bringing the Q2 total to 49%, compared to -6% in Q1. This continues to align with Economic Uncertainty, which dropped by a further 18% this quarter.

There was another significant rise in Business Expectations, which rose from 36% in Q1 to 48% this quarter, rising by 12%. The Business Environment confidence indicator changed completely, going from -38% to 29%, while Profitability Expectations increased by 23%. The continued recovery of these trends since their initial lows in Q1'2020 cannot be overstated.

The Current Employment confidence indicator increased by 28%, while Future Employment increased by a further 16%, from 19% to 35%.

Current Sales have increased from -46% to 14%, while Sales Expectations have shown further recovery, increasing from 28% to 54%.

Current Investment rose by 17% this quarter, while Future Investment grew by another 12%.

Current Exports rose by 5% and remains the only negative overall confidence indicator this quarter. Export Expectations also increased by 17%.

Economic uncertainty concerns remain high, but have dropped significantly from 62% to 44%, remaining below initial Q1 2020 levels. Brexit concerns remains a significant concern at 38% but continues to drop steadily.

Q2'21 Manufacturing:

Our Q2'21 results for the manufacturing sector show a continued recovery on previous quarter's figures in most confidence indicators. In this quarter, there was one negative indicator, a decrease of four from Q1'21.

| KEY INDICATORS MANUFACTURING | Q3'18 | Q4'18 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | Q3'20 | Q4'20 | Q1'21 | Q2'21 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Business Confidence | -6% | 8% | 4% | -14% | 19% | -78% | -9% | -18% | -47% | 8% | 50% |
| Business Expectations | 5% | 8% | 0% | -14% | 19% | -26% | 0% | -15% | 5% | 31% | 31% |
| Business Environment | 39% | 62% | 46% | 50% | 30% | -70% | 9% | -13% | 5% | -28% | 38% |
| Profitability Expectations | 8% | 10% | 13% | 14% | -11% | -65% | 12% | -18% | -18% | -14% | 6% |
| Current Employment | 31% | 27% | 13% | 14% | 19% | -22% | -20% | -23% | 0% | -14% | 6% |
| Future Employment | 14% | 23% | 20% | -7% | 26% | -22% | 9% | 10% | 12% | 29% | 25% |
| Current Sales | 0% | 37% | 11% | 7% | 4% | -87% | -73% | -10% | -35% | -51% | 25% |
| Sales Expectations | 44% | 39% | 13% | -36% | 22% | -30% | 15% | -5% | -6% | 43% | 50% |
| Current Investment | 47% | 44% | 57% | 43% | 48% | 17% | 32% | 28% | 35% | 17% | 56% |
| Future Investment | 31% | 54% | 38% | 50% | 44% | 0% | 24% | 10% | 41% | 40% | 44% |
| Current Exports | 6% | 36% | 8% | -14% | -5% | -7% | -4% | -33% | -54% | -17% | -18% |
| Export Expectations | 13% | 30% | 29% | 29% | 10% | -14% | 26% | -3% | 21% | 39% | 0% |
| Economic Uncertainty | 11% | 6% | 45% | 54% | 44% | 77% | 74% | 68% | 65% | 53% | 54% |
| Brexit | 36% | 53% | 45% | 77% | 56% | 46% | 71% | 65% | 59% | 59% | 36% |

Business Confidence rose sharply to 50%, an increase of 42%, while Business Expectations remained steady at 31%.

Profitability Expectations increased by 20%.

Future Employment in manufacturing decreased by 4%.

Current Sales increased from -51%, to 25%, a percentage decrease of 76%. Sales Expectations for the future continued to increase, going from 43% to 50%.

Current Investment showed significant increase, rising from 17% to 56%.

Current Exports showed a slight decrease, going from -17% to -18% and remaining negative. Future Exports decreased more dramatically from 39% to 0%.

Current Employment increased from -14% to 6%.

Q2'21 Retail:

The Retail sector for Q2'21 showed Business Confidence increasing by 18% this quarter, returning to a similar level of recovery that was seen at the end of 2020.

| KEY INDICATORS RETAIL | Q3'18 | Q4'18 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | Q3'20 | Q4'20 | Q1'21 | Q2'21 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Business Confidence | -25% | -5% | 0% | -67% | 13% | -94% | -91% | -20% | 67% | 39% | 57% |
| Business Expectations | 33% | 20% | 0% | -33% | 13% | -44% | -13% | -5% | 100% | 56% | 43% |
| Business Environment | 0% | 12% | 29% | -17% | 0% | -56% | -30% | 10% | 67% | -11% | 57% |
| Profitability Expectations | 25% | 20% | 31% | -50% | 29% | -80% | -48% | -25% | 67% | 29% | 14% |
| Current Employment | -9% | 19% | 38% | -50% | 13% | -38% | -52% | -30% | 0% | -17% | 29% |
| Future Employment | 9% | 7% | 0% | -33% | 13% | -50% | -26% | 5% | 0% | 39% | 43% |
| Current Sales | 16% | 7% | 0% | -33% | 0% | -94% | -76% | -20% | 33% | -7% | 71% |
| Sales Expectations | 8% | 12% | 38% | -83% | 43% | 63% | -38% | -10% | 67% | 64% | 71% |
| Current Investment | 11% | 31% | 54% | 33% | 14% | -6% | 14% | -5% | 33% | 36% | 71% |
| Future Investment | 50% | 12% | 54% | 0% | 0% | -13% | 0% | -15% | 33% | 36% | 43% |
| Current Exports | N/A | N/A | N/A | -67% | -100% | -60% | -55% | -67% | 0% | -33% | -50% |
| Export Expectations | N/A | N/A | N/A | 0% | 100% | -60% | -18% | -33% | 100% | -33% | 33% |
| Economic Uncertainty | 40% | 27% | 20% | 75% | 40% | 86% | 71% | 100% | 50% | 45% | 18% |
| Brexit | 20% | 27% | 60% | 75% | 20% | 64% | 52% | 52% | 0% | 45% | 18% |

Business Expectations are down a further 13%, a continued decline following dramatic recovery in the previous year.

Profitability Expectations also declined from 29% to 14%. Current Sales saw a massive increase and are now at 71% compared to -7% in Q1.

Current Investment showed another rapid recovery of 35% from Q1 of 2021. Future Investment also increased from 36% to 43%.

Business Environment is at 57%, a big increase of 68% from the first quarter of 2021.

Current Employment in retail is up from -17% to 29% this quarter. The expectation for Future Employment has increased a further 14%, going from 39% to 43%. Sales Expectations also increased slightly from 64% to 71%.

Q2'21 Services:

The Services sector for Q2'21 showed none of the 14 confidence indicators in the negative.

| KEY INDICATORS SERVICES | Q3'18 | Q4'18 | Q2'19 | Q3'19 | Q4'19 | Q1'20 | Q2'20 | Q3'20 | Q4'20 | Q1'21 | Q2'21 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Business Confidence | 15% | 9% | 10% | -7% | 26% | -77% | -57% | -18% | -41% | 5% | 42% |
| Business Expectations | 2% | 5% | -13% | -23% | 19% | -37% | -11% | -13% | 42% | 34% | 70% |
| Business Environment | 54% | 39% | 45% | 47% | 65% | -61% | -25% | -25% | -53% | -44% | 45% |
| Profitability Expectations | 12% | 19% | 12% | 17% | 23% | -71% | 22% | -30% | -35% | -10% | 23% |
| Current Employment | 25% | 27% | 19% | 13% | 23% | -21% | -21% | -18% | -53% | -33% | 6% |
| Future Employment | 27% | 24% | 29% | 10% | 26% | -21% | 0% | -15% | 0% | 20% | 36% |
| Current Sales | 17% | 22% | 6% | 38% | 3% | -73% | -68% | -19% | -41% | -38% | 7% |
| Sales Expectations | 32% | 23% | 27% | 10% | 16% | -45% | -10% | -20% | -29% | 28% | 73% |
| Current Investment | 49% | 33% | 23% | 45% | 29% | 20% | 27% | 32% | -6% | 23% | 53% |
| Future Investment | 44% | 38% | 23% | 18% | 42% | -6% | -7% | 10% | 0% | 33% | 50% |
| Current Exports | 10% | 0% | 8% | -17% | 8% | -38% | -55% | -23% | -40% | 13% | 17% |
| Export Expectations | 19% | 18% | 9% | 14% | 45% | -11% | -18% | 23% | 40% | 27% | 56% |
| Economic Uncertainty | 18% | 19% | 42% | 76% | 40% | 78% | 71% | 84% | 88% | 69% | 50% |
| Brexit | 21% | 19% | 42% | 59% | 50% | 14% | 52% | 30% | 31% | 26% | 18% |

Business Confidence rose from 5% to 42%.

Business Environment increased to 45% while Profitability Expectations also increased from -10% to -23%.

Current Employment grew by 39% to 6% while Future Employment also grew from 20% in Q1 to 36% this quarter, a similar increase from the previous quarter.

Current Sales recorded an increase- in this case a percentage increase of 45% bringing it to 7%. Sales Expectations showed the exact same percentage increase of 45%, climbing from 28% to 73% in Q2.

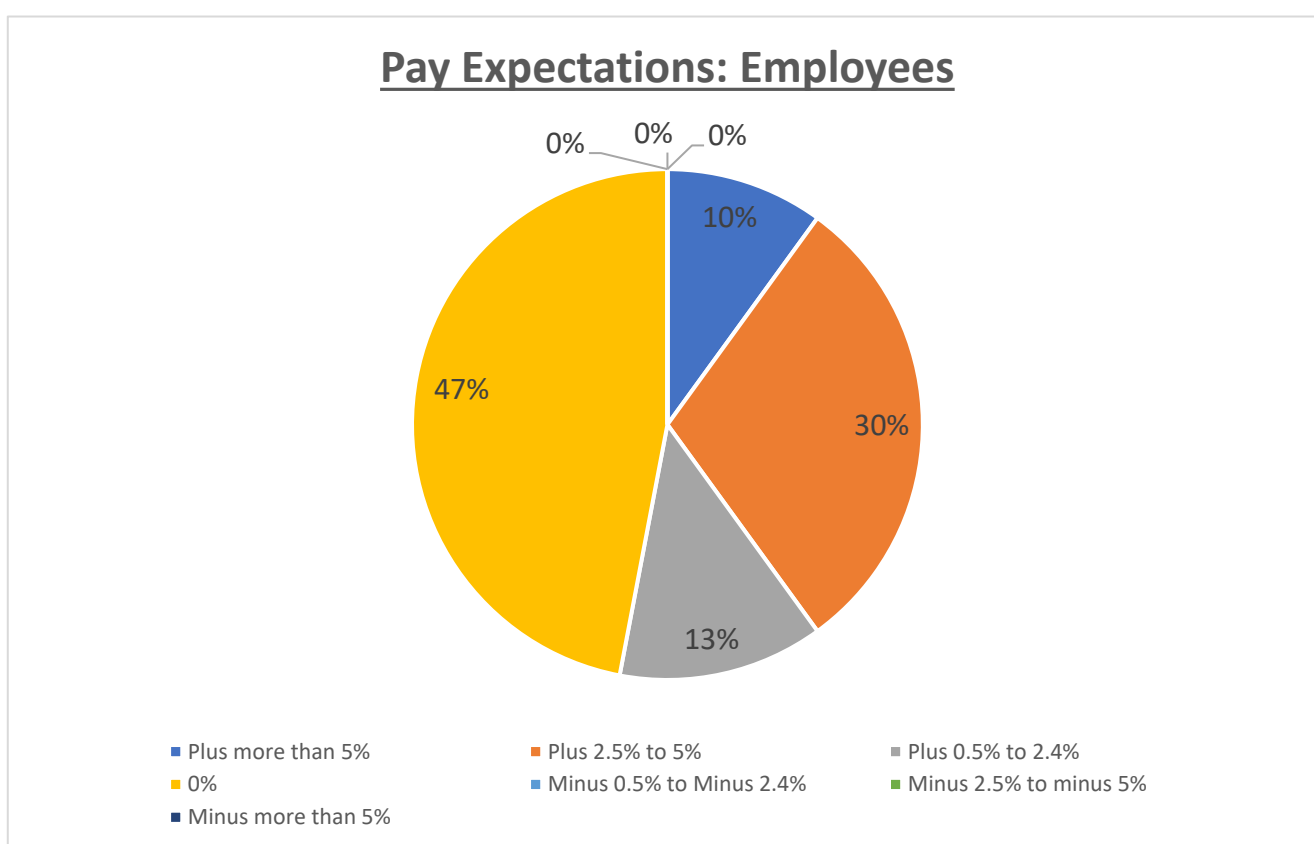
Current Investment saw an increase, rising from 23% to 53%, returning to similar high figures as in mid to late 2019. Future Investment grew from 33% to 50%.

Current Exports also increased this quarter to 17%, while Export Expectations showed an increase from 27% to 56% after declining the previous quarter.

Q2'21 Pay Expectations: Employees

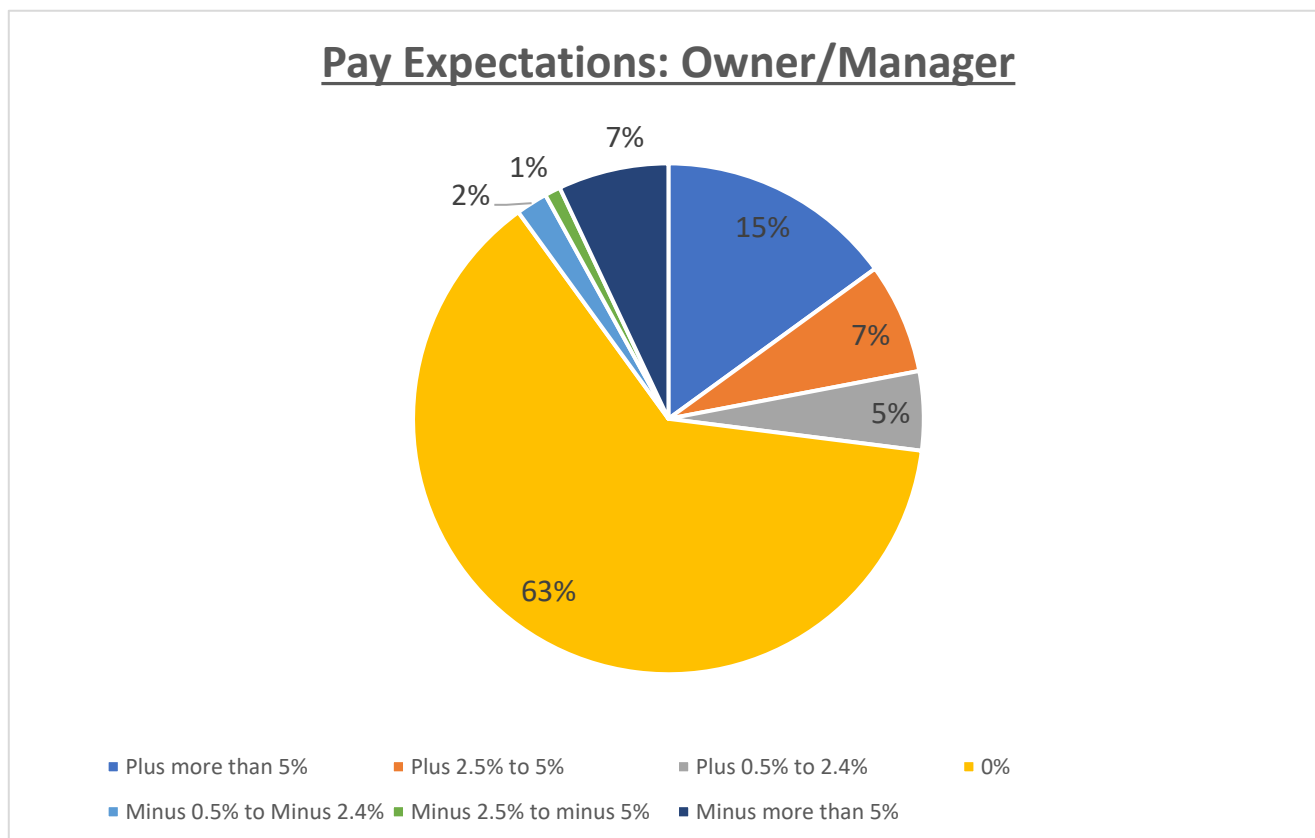
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 47% of SMEs will not be able to increase pay this year for their employees, down 12% from the previous quarter.
- 13% will increase employees pay by 0.5% to 2.4%, down from 20% in the previous quarter.
- 30% will increase pay by 2.5%-5%.
- 0% of employers will decrease employees pay by more than 5%. This is down 3% from Q4'20.



Q1'21 Pay Expectations: Owner Manager

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



- 63% said they would not increase their earnings from the business, down from 68% in Q1'21 and 65% in Q4'20.
- 15% stated they intend to increase their wages by plus 5%, an increase of 11% from Q1'21.
- 7% will increase their pay between 2.5%-5%, remaining the same as last quarter.
- 5% will increase their pay between 0.5%-2.4%, an increase from 4% in Q1'21.
- 10% stated they were reducing their wages compared to 15% in Q1'21 and 13% in Q4'20.

Insurance Costs: Introduction

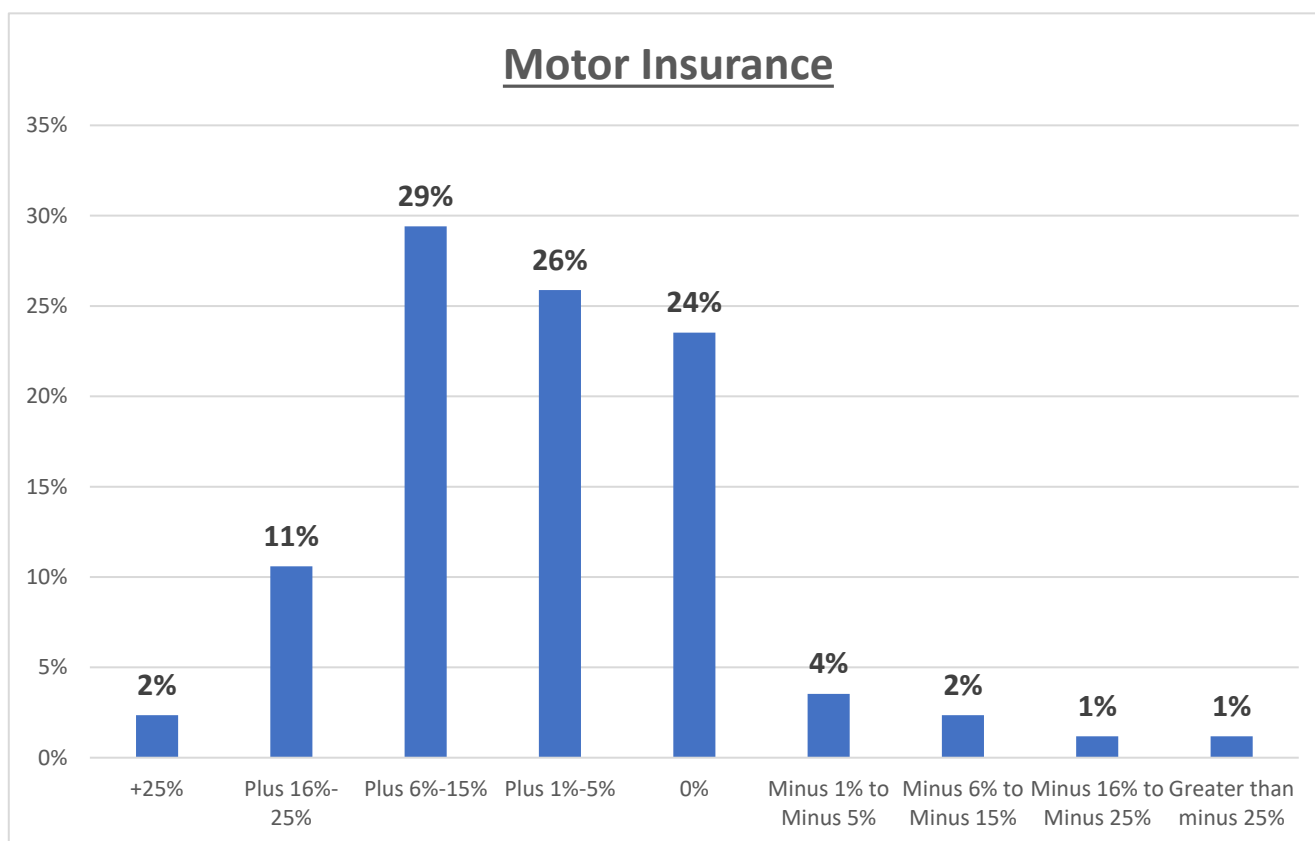
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

29% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

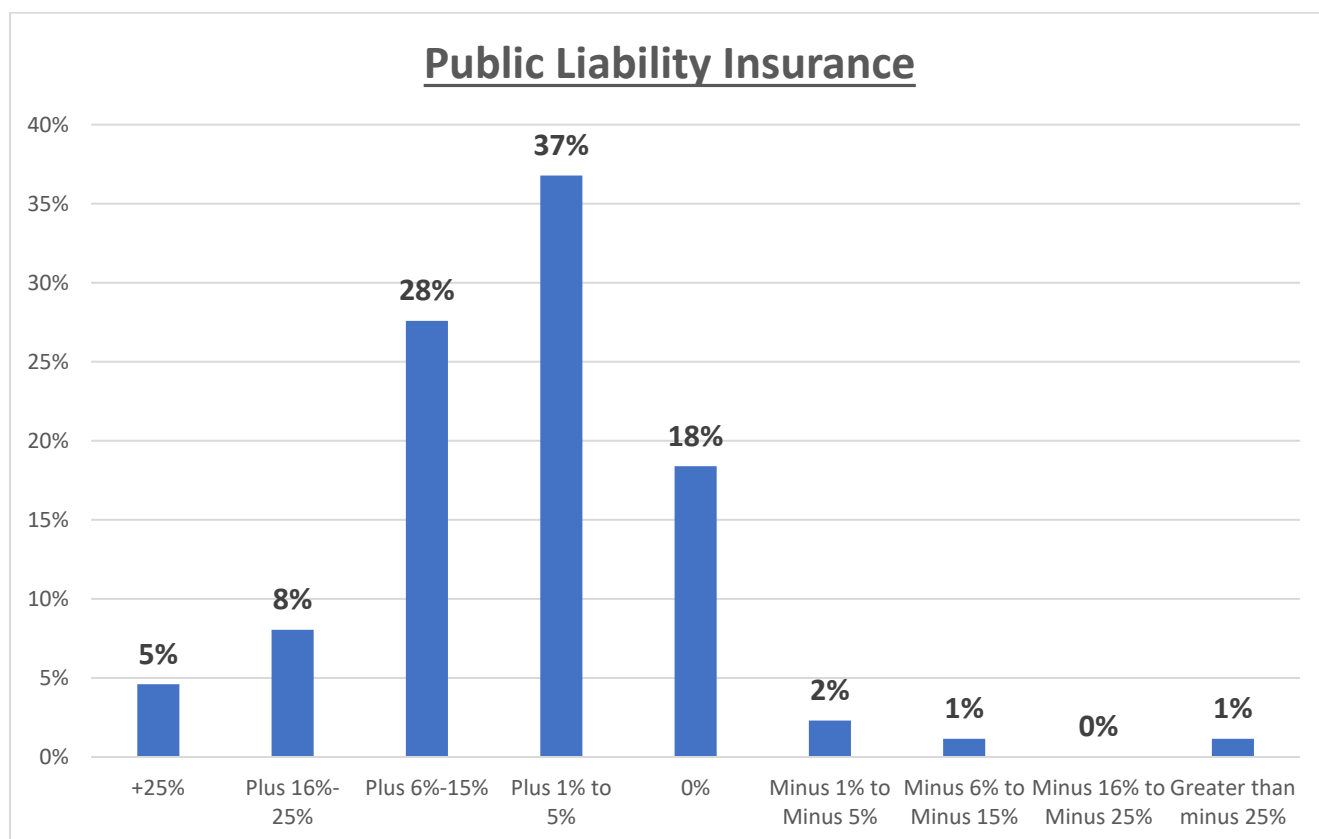
68% of respondents stated their Motor Insurance premiums increased on renewal.



- 2% of respondents noted an increase of +25%.
- 11% experienced increases of plus 16%-25%.
- 29% of respondents' premiums increased between plus 6% to 15%.
- 26% of those who responded recorded increases of plus 1%-5%.
- 24% reported no increase to premiums.
- While 8% reported a decrease, down from 14% in Q1'21.

Public Liability Insurance:

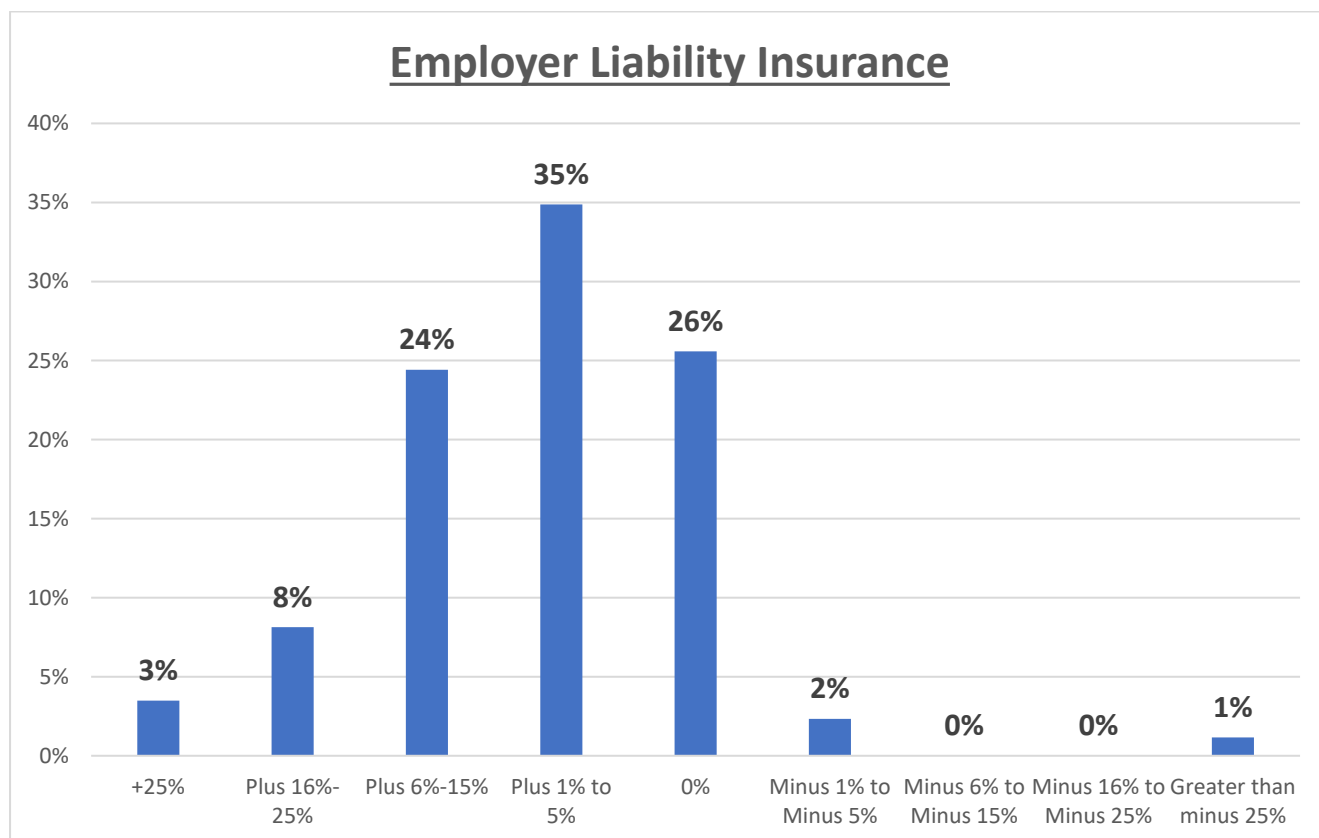
77% of respondents stated their Public Liability Insurance premiums increased on renewal, this is up on Q1'21 (59%) and Q4'20 (59%).



- 37% reported increases of between 1% and 5%.
- 28% stated increases of plus 6%-15%.
- 8% reported increases of plus 16%-25%.
- 5% reported increases of +25%
- 18% reported no change.
- While 4% reported a decrease.

Employer Liability Insurance:

71% stated their Employer Liability insurance premiums increased on renewal, this is up from 69% in the previous quarter.



- 35% reported increases of between 1% and 5%.
- 24% stated increases of plus 6%-15%.
- 8% reported increases of plus 16%-25%.
- 3% reported increases of +25%
- 26% reported no change.
- While 3% reported a decrease, down from 4% in Q1'21.

Insurance Summary:

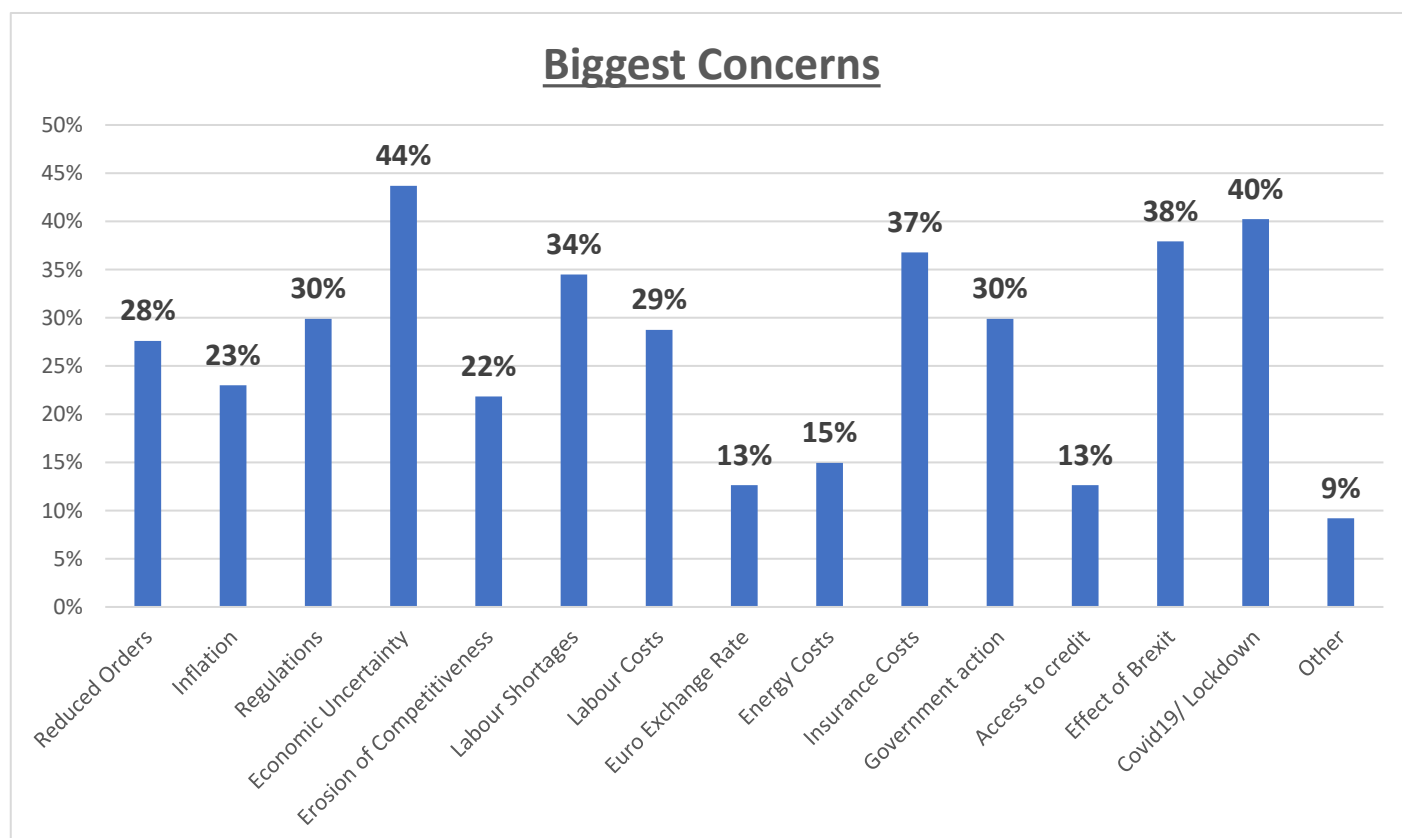
On the issue of insurance ISME has made several submissions to various government ministers and departments outlining the practical steps need to reduce the high costs of motor insurance. If these steps were taken on board, SMEs and the general public would see significant decreases in their premiums. 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:

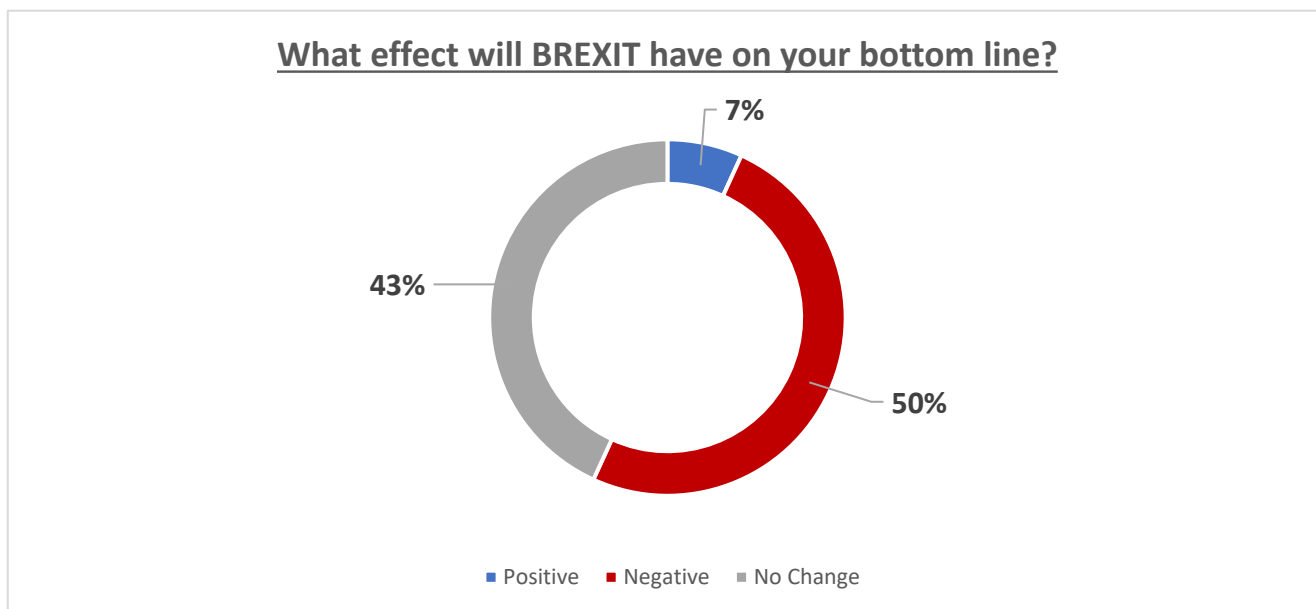
- Economic Uncertainty now 44%, down from 62% in Q1'21,
- Brexit is 38% down from 42% in Q1'21,
- Labour shortages is now one of the top five concerns for SMEs at 34% this quarter.
- Insurance Costs increased from 29% to 37%,
- The top five concerns at the end of 2020 are, from highest to lowest, economic uncertainty, Covid19/lockdown, Brexit, insurance costs and labour shortages.

While Brexit remains one of the top three concerns through the start of 2021, we see economic uncertainty and Covid19/lockdown remain in the top spots.



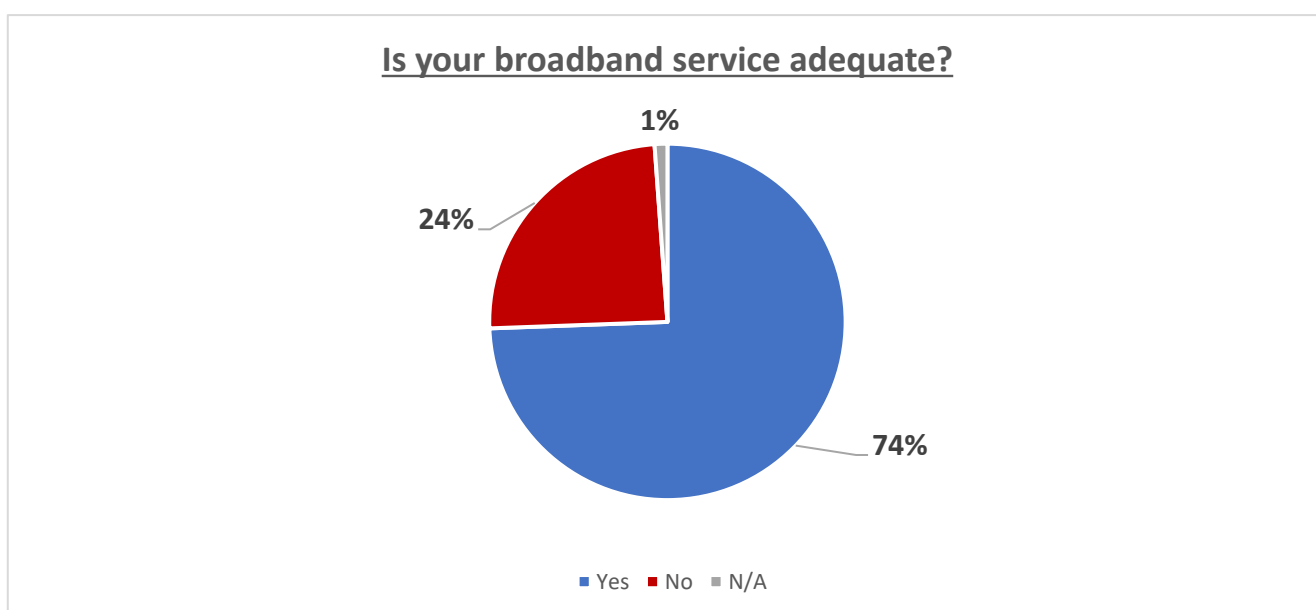
BREXIT:

Brexit remains a significant concern with 43% of respondents stating that it would have a negative impact on their bottom line. 7% of respondents said Brexit will have a positive impact on their business.



Broadband Services:

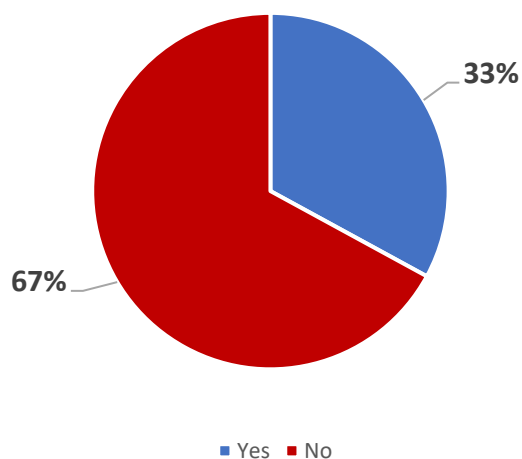
Access to proper and adequate broadband services is a key issue for many SMEs particularly those in rural Ireland. Inadequate or poor broadband service has a negative impact on business productivity. Our latest information shows that 24% of businesses are impacted by inadequate broadband, the same as Q1'21.



Retaining and Recruiting staff:

When asked 'Is your company finding it difficult to retain staff members?', 33% stated yes they were (up from 18% in Q1'21), while 67% stated this was not a problem. When asked about difficulties hiring new staff 59% noted this as a problem, up from 18%, while 41% said it was not.

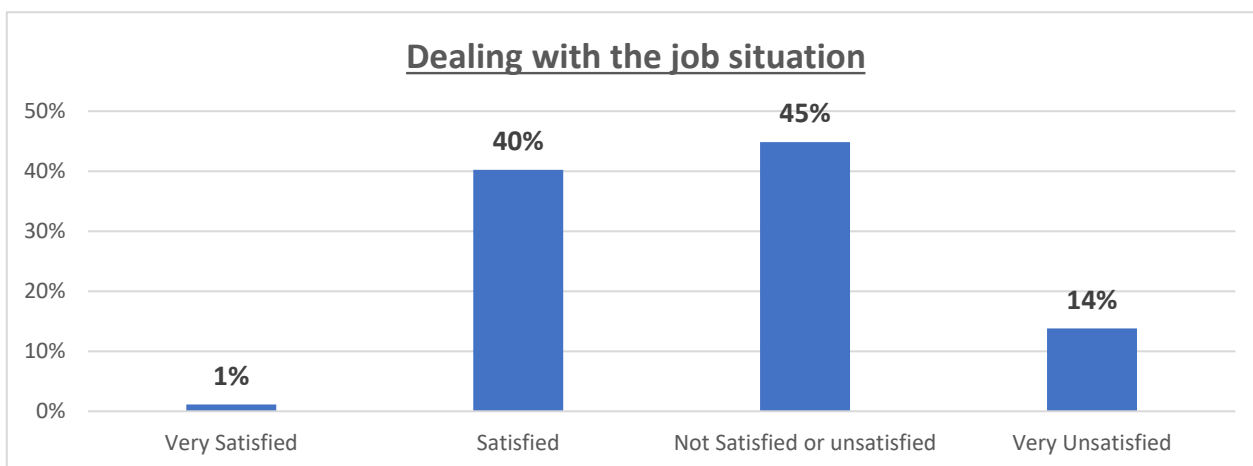
Is your company finding it difficult to retain staff?



Government Performance:

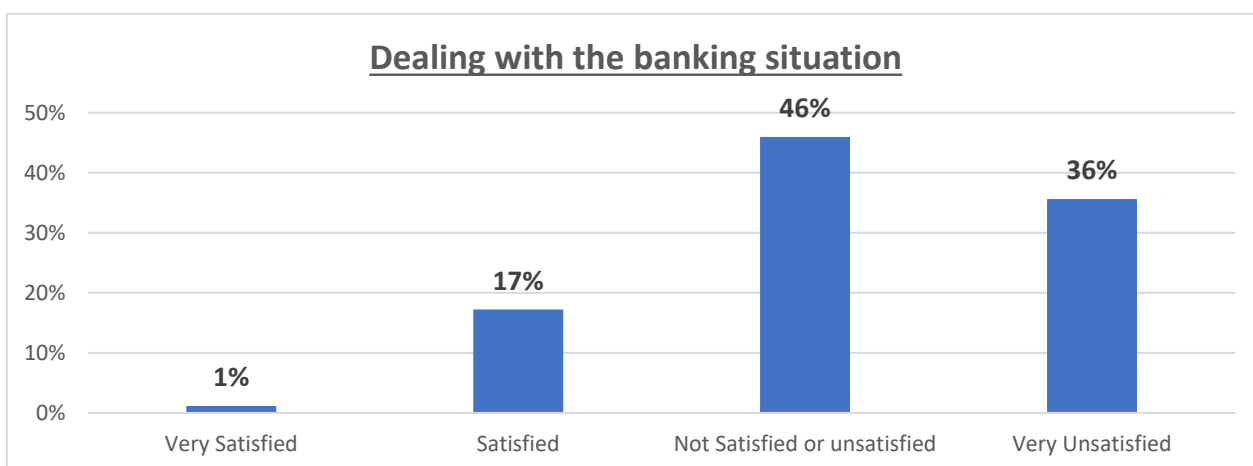
Dealing with the job situation

- Very Satisfied: 1%
- Satisfied: 40%
- Not Satisfied or dissatisfied: 45%
- Very Dissatisfied: 14%



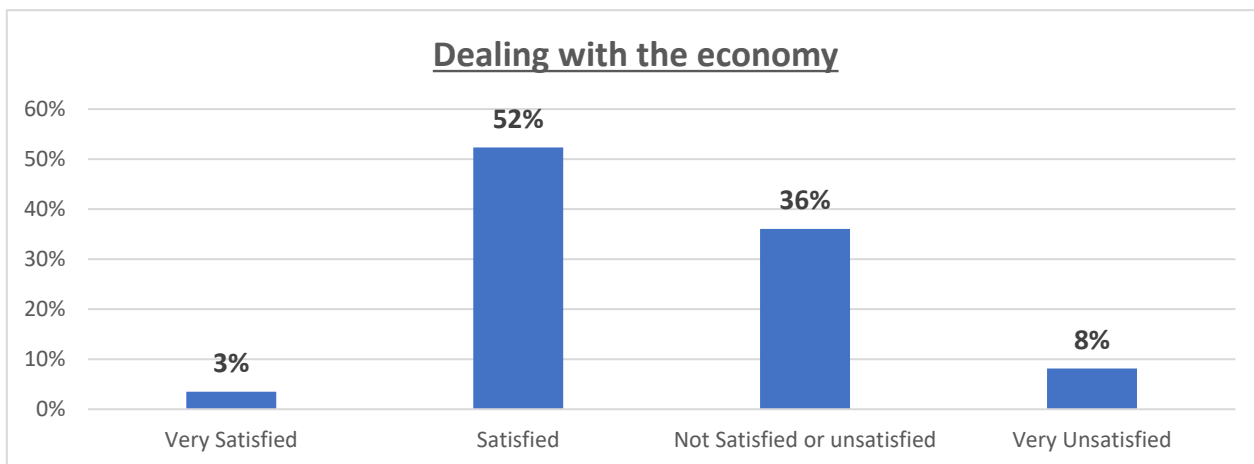
Dealing with the job situation

- Very Satisfied: 0%
- Satisfied: 17%
- Not Satisfied or dissatisfied: 46%
- Very Dissatisfied: 36%



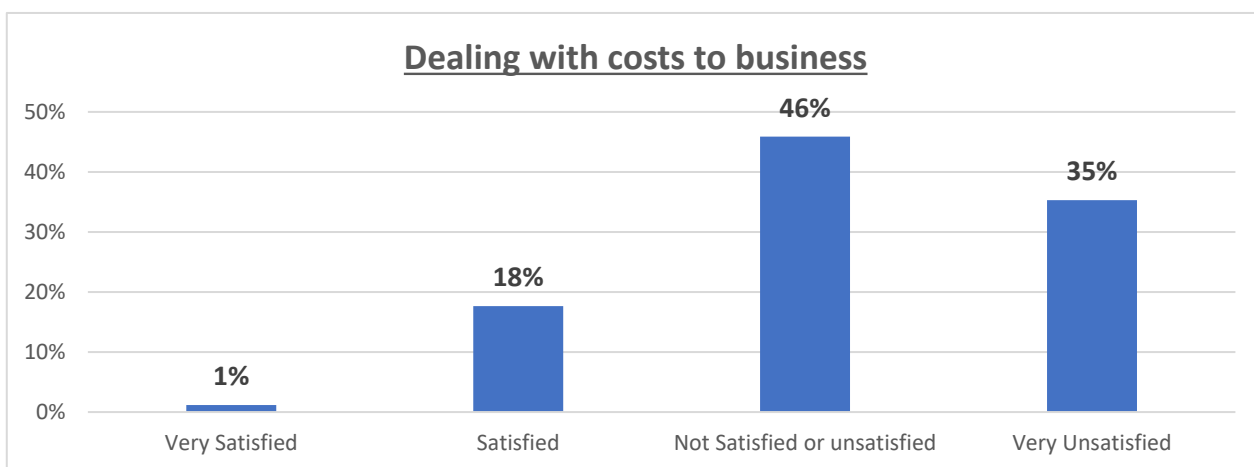
Dealing with the economy

- Very Satisfied: 3%
- Satisfied: 52%
- Not Satisfied or dissatisfied: 36%
- Very Dissatisfied: 8%



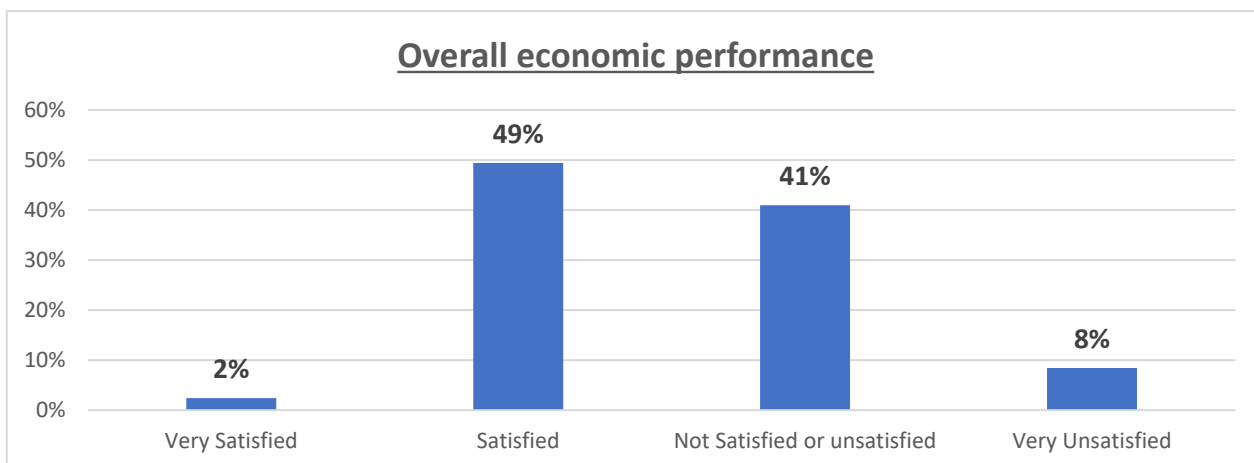
Dealing with costs to business

- Very Satisfied: 1%
- Satisfied: 18%
- Not Satisfied or dissatisfied: 46%
- Very Dissatisfied: 35%



Overall economic performance

- Very Satisfied: 2%
- Satisfied: 49%
- Not Satisfied or dissatisfied: 41%
- Very Dissatisfied: 8%



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Methodology:

This survey was conducted in the second week of June, covering the second quarter of 2021. There were 102 SME owner manager respondents. The results presented in this report are calculated as the aggregate response to a survey question, i.e., the sum of all positive and negative responses. For example, a survey question may ask: "Have you increased or reduced investment in your company in the last 12 months?". The breakdown of responses is as follows: 51% "Increased", 39% "Remain Same" and 13% "Decreased". The aggregate response to this question is calculated as the sum of the positive and negative sentiment expressed in the question: $51\% - 13\% = 38\%$. The neutral response, "Remain Same" is not considered.