

Q1'22

iSME
Irish SME Association

ISME Q1 TRENDS REPORT 2022

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Introduction: Q1'2022 Trends Report

This survey was published in the last week of April 2022 with 144 SME respondents and covers the first quarter of 2022. Of those surveyed the employee breakdown is as follows:

- 1-10 40%
- 11-20 31%
- 21-30 7%
- 31-50 10%
- 100+ 5%
- Other 6%

Geographically, the breakdown is as follows:

- Dublin 31%
- Leinster (Except Dublin) 17%
- Munster 17%
- Connaught 13%
- Ulster 7%
- Multiple sites 10%
- Other 4%

The Sectorial breakdown:

- Manufacturing 18%
- Services 17%
- IT/Online Services 6%
- Wholesale 11%
- Retail 8%
- Construction 8%
- Transport& Logistics 7%
- Hospitality 6%
- Food & Drink Production 2%
- Health Sector 2%
- Agriculture 1%
- Other (Please specify) 14%

Overall Confidence Indicators:

The Q1'22 Business Trends Quarterly survey showed 9 out of 14 confidence indicators yielding declining results.

KEY INDICATORS OVERALL	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Business Confidence	-26%	13%	-77%	-58%	-48%	-33%	6%	49%	26%	30%	-10%
Business Expectations	-31%	5%	-21%	-3%	-14%	26%	36%	48%	33%	44%	-26%
Business Environment	29%	48%	-61%	-11%	-15%	-19%	-38%	29%	34%	18%	24%
Profitability Expectations	-2%	14%	-62%	-10%	-24%	-21%	-6%	17%	10%	11%	-15%
Current Employment	13%	23%	-26%	-20%	-19%	-15%	-20%	8%	9%	7%	8%
Future Employment	1%	26%	-29%	-7%	-4%	6%	19%	35%	35%	32%	20%
Current Sales	20%	15%	-73%	-25%	-18%	-34%	-46%	14%	14%	14%	23%
Sales Expectations	-14%	34%	-40%	-13%	-12%	-10%	28%	54%	41%	37%	21%
Current Investment	29%	40%	12%	23%	20%	19%	21%	38%	34%	36%	39%
Future Investment	22%	42%	-9%	9%	4%	16%	28%	40%	47%	40%	33%
Current Exports	-4%	-9%	-29%	-21%	-25%	-29%	-12%	-7%	-8%	22%	9%
Export Expectations	6%	19%	-15%	3%	0%	8%	15%	32%	34%	39%	33%
Economic Uncertainty	54%	40%	75%	71%	76%	69%	62%	44%	43%	40%	60%
Brexit	60%	55%	29%	43%	50%	46%	42%	38%	37%	25%	13%

BREXIT uncertainty dropped to 13%, a decrease of 12%, marking the sixth quarter in a row that this indicator has decreased. Business Confidence also decreased this quarter, dropping from 30% to -10%. This comes with the Economic Uncertainty indicator increasing by 20%, returning to similar levels as early 2021.

Business Expectations have taken a steep downward turn, decreasing from 44% to -26%. The Business Environment rose from 18% to 24%, while Profitability Expectations decreased by 26%.

The Current Employment confidence indicator increased by 1%, while Future Employment decreased by 12%.

Current Sales have increased by 9%, while Sales Expectations have continued to decrease, dropping from 37% to 21%.

Current Investment rose by 3% this quarter, while Future Investment fell by another 7%.

Current Exports fell by 13%. Export Expectations also decreased by 6%.

Economic uncertainty concerns remain high and have increased this quarter, climbing to 60%. Brexit concerns continue to fall quarter-on-quarter, decreasing to a further 12%.

Q1'22 Manufacturing:

Our Q1'22 results for the manufacturing sector show a decline on the previous quarter's figures in most confidence indicators. In this quarter, there were 10 decreasing confidence indicators.

KEY INDICATORS MANUFACTURING	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Business Confidence	-14%	19%	-78%	-9%	-18%	-47%	8%	50%	17%	41%	-12%
Business Expectations	-14%	19%	-26%	0%	-15%	5%	31%	31%	31%	27%	-24%
Business Environment	50%	30%	-70%	9%	-13%	5%	-28%	38%	36%	27%	36%
Profitability Expectations	14%	-11%	-65%	12%	-18%	-18%	-14%	6%	-6%	18%	12%
Current Employment	14%	19%	-22%	-20%	-23%	0%	-14%	6%	8%	36%	8%
Future Employment	-7%	26%	-22%	9%	10%	12%	29%	25%	14%	36%	36%
Current Sales	7%	4%	-87%	-73%	-10%	-35%	-51%	25%	20%	14%	20%
Sales Expectations	-36%	22%	-30%	15%	-5%	-6%	43%	50%	31%	36%	12%
Current Investment	43%	48%	17%	32%	28%	35%	17%	56%	51%	73%	44%
Future Investment	50%	44%	0%	24%	10%	41%	40%	44%	51%	64%	16%
Current Exports	-14%	-5%	-7%	-4%	-33%	-54%	-17%	-18%	-9%	23%	21%
Export Expectations	29%	10%	-14%	26%	-3%	21%	39%	0%	35%	41%	37%
Economic Uncertainty	54%	44%	77%	74%	68%	65%	53%	54%	33%	27%	55%
Brexit	77%	56%	46%	71%	65%	59%	59%	36%	45%	27%	14%

Business Confidence fell sharply to -12%, a decrease of 53%, while Business Expectations also fell to -24%, a decrease of 51%.

Profitability Expectations decreased by 6%.

Future Employment in manufacturing remained steady at 36%.

Current Sales increased from 14%, to 20%, a percentage increase of 6%. Sales Expectations for the future decreased from 36% to 12%.

Current Investment showed a significant decrease, falling from 73% to 44%.

Current Exports showed a slight decrease, going from 23% to 21%. Future Exports decreased from 41% to 37%.

Current Employment decreased significantly from 36% to 8%.

Q1'22 Retail:

The Retail sector for Q1'22 showed Business Confidence decreasing by a further 35% this quarter, continuing the downward trend seen throughout 2021..

KEY INDICATORS RETAIL	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Business Confidence	-67%	13%	-94%	-91%	-20%	67%	39%	57%	13%	-10%	-45%
Business Expectations	-33%	13%	-44%	-13%	-5%	100%	56%	43%	38%	10%	-64%
Business Environment	-17%	0%	-56%	-30%	10%	67%	-11%	57%	63%	10%	-9%
Profitability Expectations	-50%	29%	-80%	-48%	-25%	67%	29%	14%	14%	-30%	-60%
Current Employment	-50%	13%	-38%	-52%	-30%	0%	-17%	29%	-13%	-30%	-9%
Future Employment	-33%	13%	-50%	-26%	5%	0%	39%	43%	50%	10%	-27%
Current Sales	-33%	0%	-94%	-76%	-20%	33%	-7%	71%	14%	30%	-10%
Sales Expectations	-83%	43%	63%	-38%	-10%	67%	64%	71%	43%	0%	-20%
Current Investment	33%	14%	-6%	14%	-5%	33%	36%	71%	29%	10%	40%
Future Investment	0%	0%	-13%	0%	-15%	33%	36%	43%	71%	20%	30%
Current Exports	-67%	-100%	-60%	-55%	-67%	0%	-33%	-50%	-67%	0%	-25%
Export Expectations	0%	100%	-60%	-18%	-33%	100%	-33%	33%	33%	0%	60%
Economic Uncertainty	75%	40%	86%	71%	100%	50%	45%	18%	33%	20%	38%
Brexit	75%	20%	64%	52%	52%	0%	45%	18%	83%	40%	25%

Business Expectations reflect this downward trend, being down a further 54% this quarter.

Profitability Expectations also decreased from -30% to -60%. Current Sales saw a massive decrease and are now at -10% compared to 30% in Q4'21.

Current Investment also showed an increase of 30% from Q4'21. Future Investment also increased from 20% to 30%.

Business Environment is at -9%, a further decrease of 19% from the fourth quarter of 2021.

Current Employment in retail is up from -30% to -9% this quarter. The expectation for Future Employment has decreased from 10% to -27%. Sales Expectations decreased from 0% to -20%.

Q1'22 Services:

The Services sector for Q1'22 showed 6 of the 14 confidence indicators decreasing from the previous quarter.

KEY INDICATORS SERVICES	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Business Confidence	-7%	26%	-77%	-57%	-18%	-41%	5%	42%	37%	45%	8%
Business Expectations	-23%	19%	-37%	-11%	-13%	42%	34%	70%	27%	52%	-4%
Business Environment	47%	65%	-61%	-25%	-25%	-53%	-44%	45%	60%	15%	21%
Profitability Expectations	17%	23%	-71%	22%	-30%	-35%	-10%	23%	19%	15%	-24%
Current Employment	13%	23%	-21%	-21%	-18%	-53%	-33%	6%	10%	0%	-17%
Future Employment	10%	26%	-21%	0%	-15%	0%	20%	36%	47%	24%	22%
Current Sales	38%	3%	-73%	-68%	-19%	-41%	-38%	7%	30%	0%	0%
Sales Expectations	10%	16%	-45%	-10%	-20%	-29%	28%	73%	37%	36%	41%
Current Investment	45%	29%	20%	27%	32%	-6%	23%	53%	30%	39%	50%
Future Investment	18%	42%	-6%	-7%	10%	0%	33%	50%	56%	36%	55%
Current Exports	-17%	8%	-38%	-55%	-23%	-40%	13%	17%	55%	12%	0%
Export Expectations	14%	45%	-11%	-18%	23%	40%	27%	56%	50%	18%	60%
Economic Uncertainty	76%	40%	78%	71%	84%	88%	69%	50%	50%	33%	56%
Brexit	59%	50%	14%	52%	30%	31%	26%	18%	23%	9%	17%

Business Confidence fell from 45% to 8%.

Business Environment increased to 21% while Profitability Expectations decreased from 15% to -24%.

Current Employment fell from 0% to -17% while Future Employment also fell from 24% in Q4 to 22% this quarter.

Current Sales remained steady at 0%. Sales Expectations showed an increase of 5%, growing from 36% to 41%.

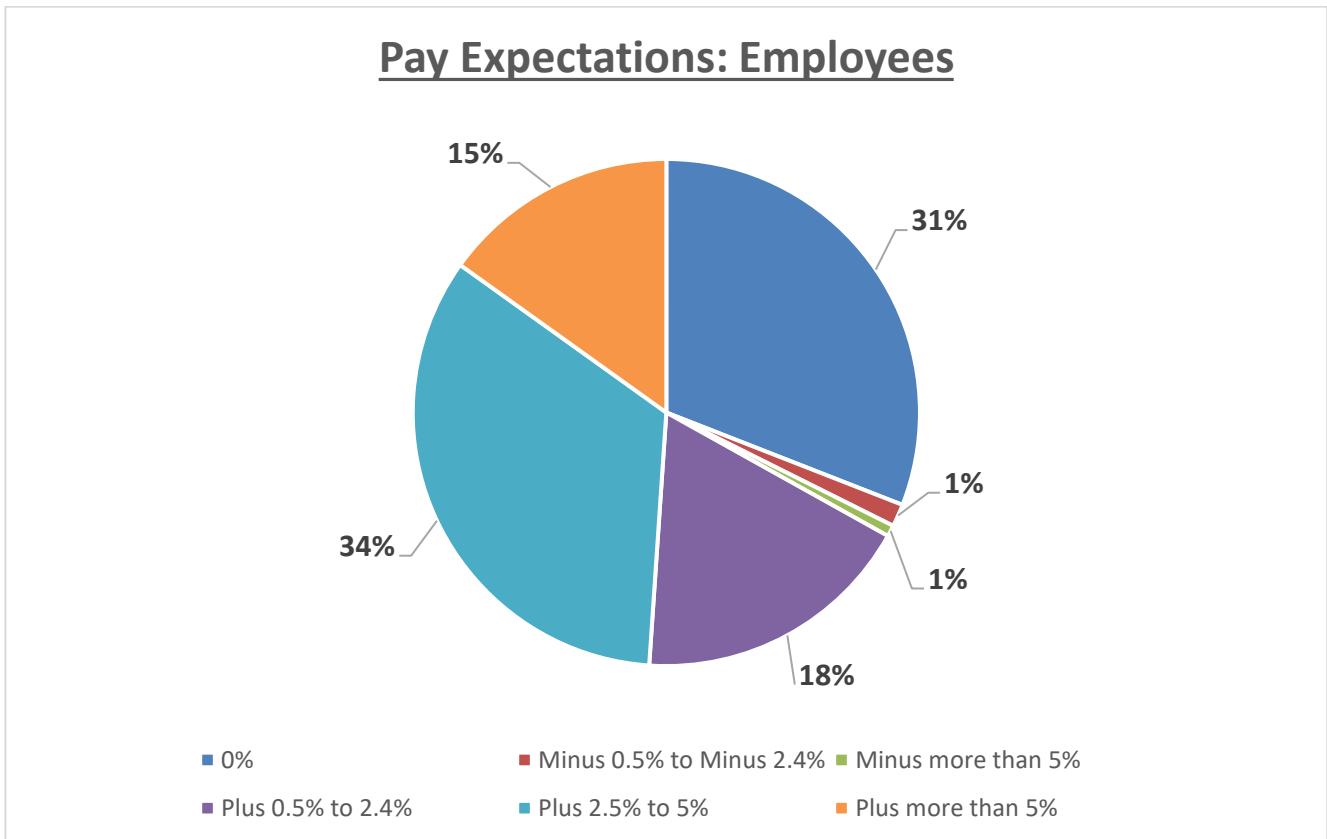
Current Investment saw an increase, growing from 39% to 50%, a new high. Future Investment fell slightly from 24% to 22%.

Current Exports decreased this quarter from 12% to 0%, while Export Expectations showed an increase from 18% to 60%.

Q1'22 Pay Expectations: Employees

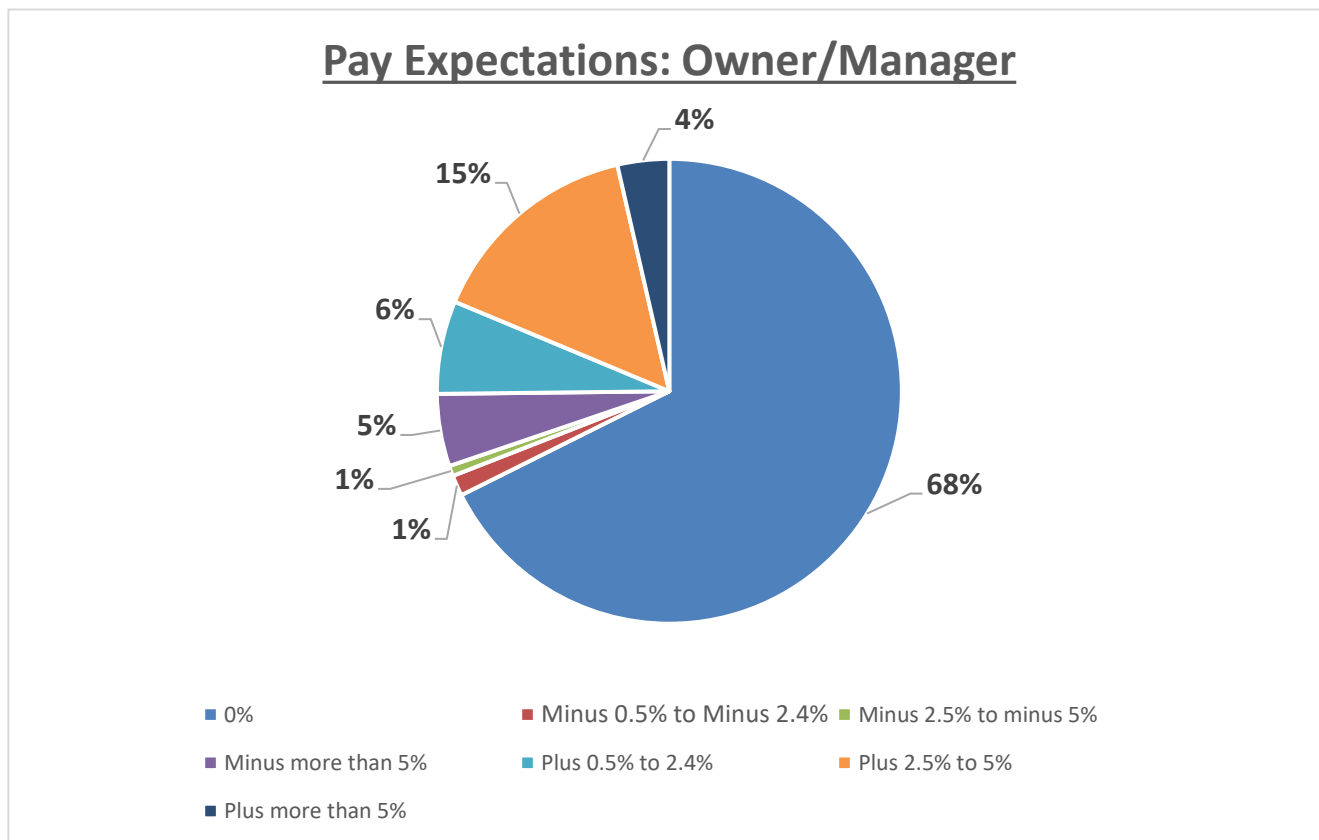
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 31% of SMEs will not be able to increase pay this year for their employees.
- 18% will increase employees pay by 0.5% to 2.4%.
- 34% will increase pay by 2.5%-5%.
- 1% of employers will decrease employees pay by more than 5%.



Q1'22 Pay Expectations: Owner Manager

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



- 68% said they would not increase their earnings from the business.
- 4% stated they intend to increase their wages by plus 5%.
- 15% will increase their pay between 2.5%-5%.
- 6% will increase their pay between 0.5%-2.4%.
- 7% stated they were reducing their wages.

Insurance Costs: Introduction

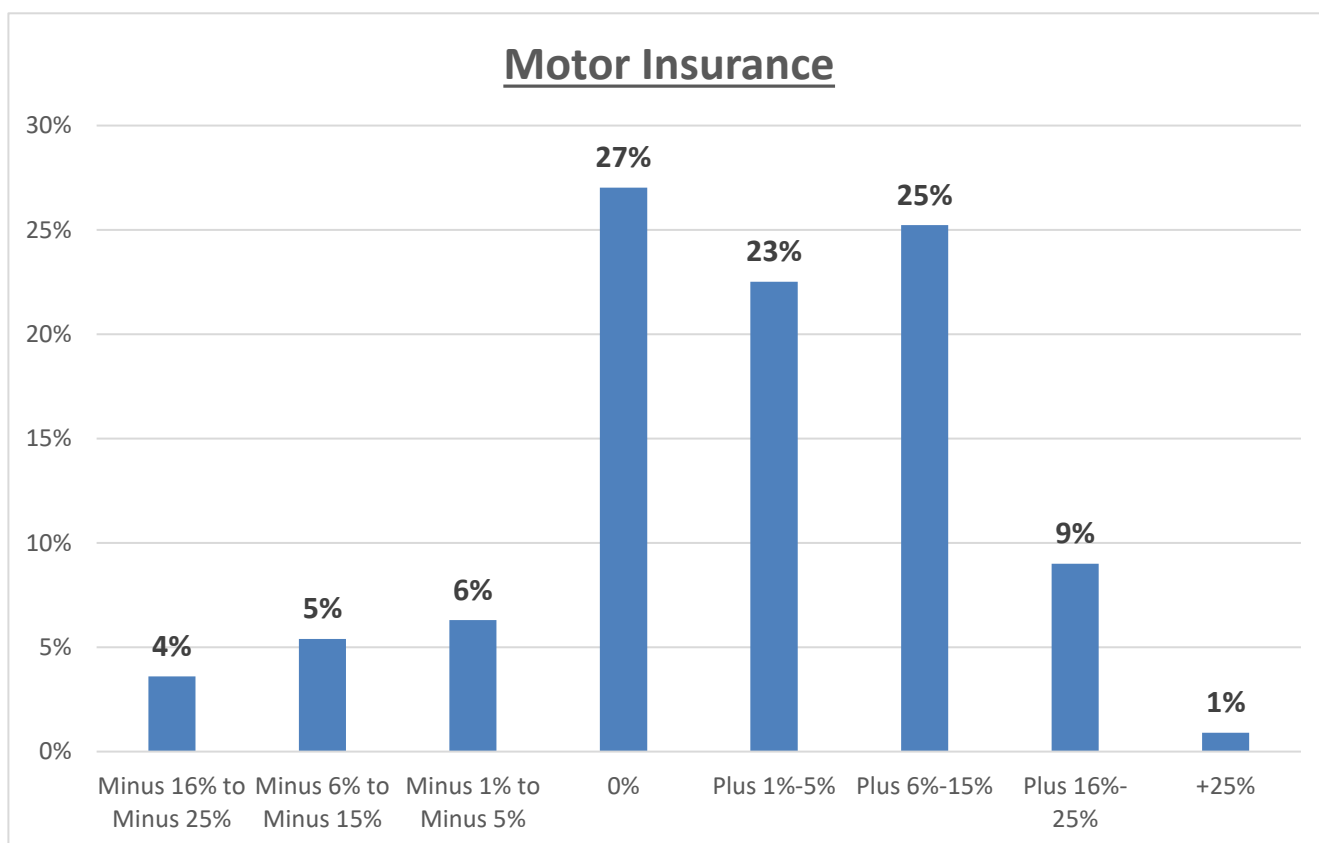
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

31% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

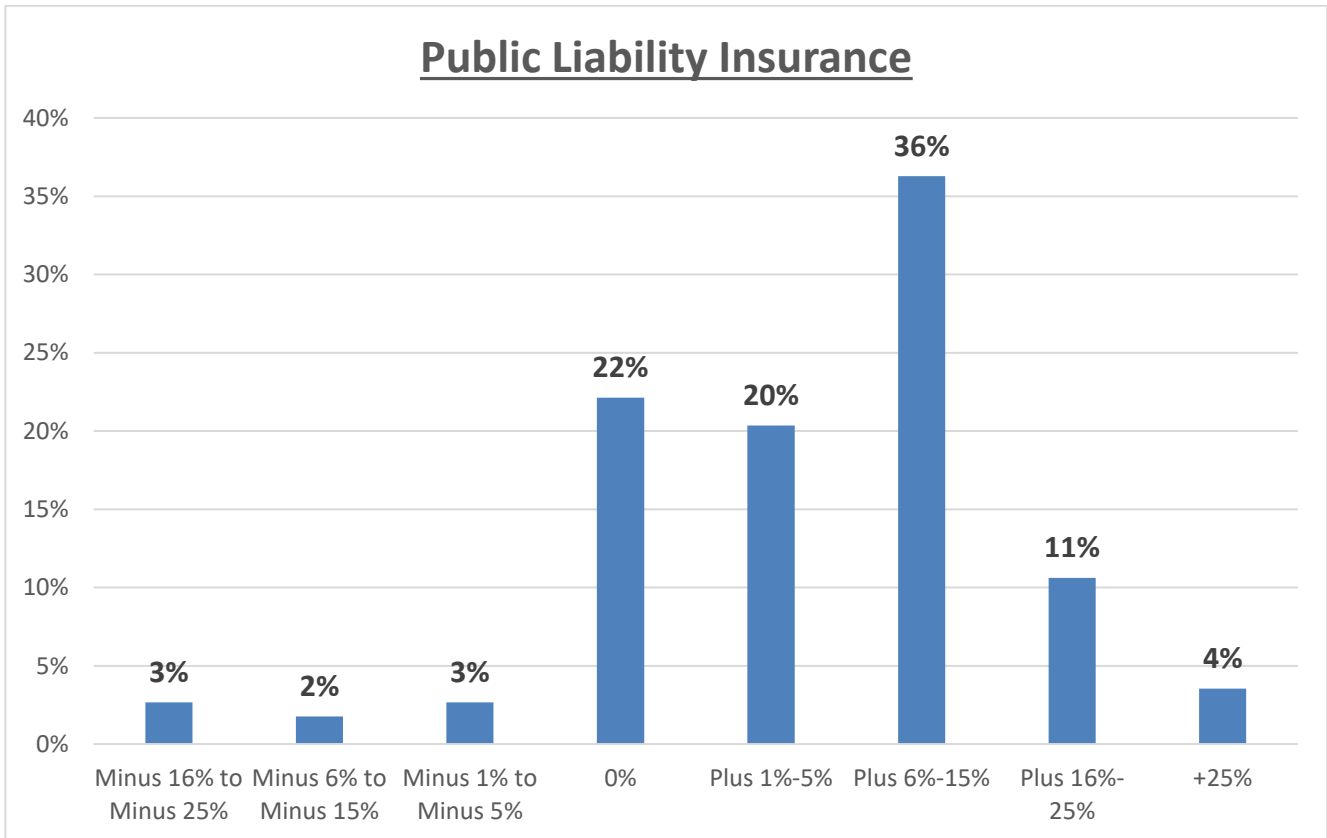
58% of respondents stated their Motor Insurance premiums increased on renewal.



- 1% of respondents noted an increase of +25%.
- 9% experienced increases of plus 16%-25%.
- 25% of respondents' premiums increased between plus 6% to 15%.
- 23% of those who responded recorded increases of plus 1%-5%.
- 27% reported no increase to premiums.
- While 15% reported a decrease.

Public Liability Insurance:

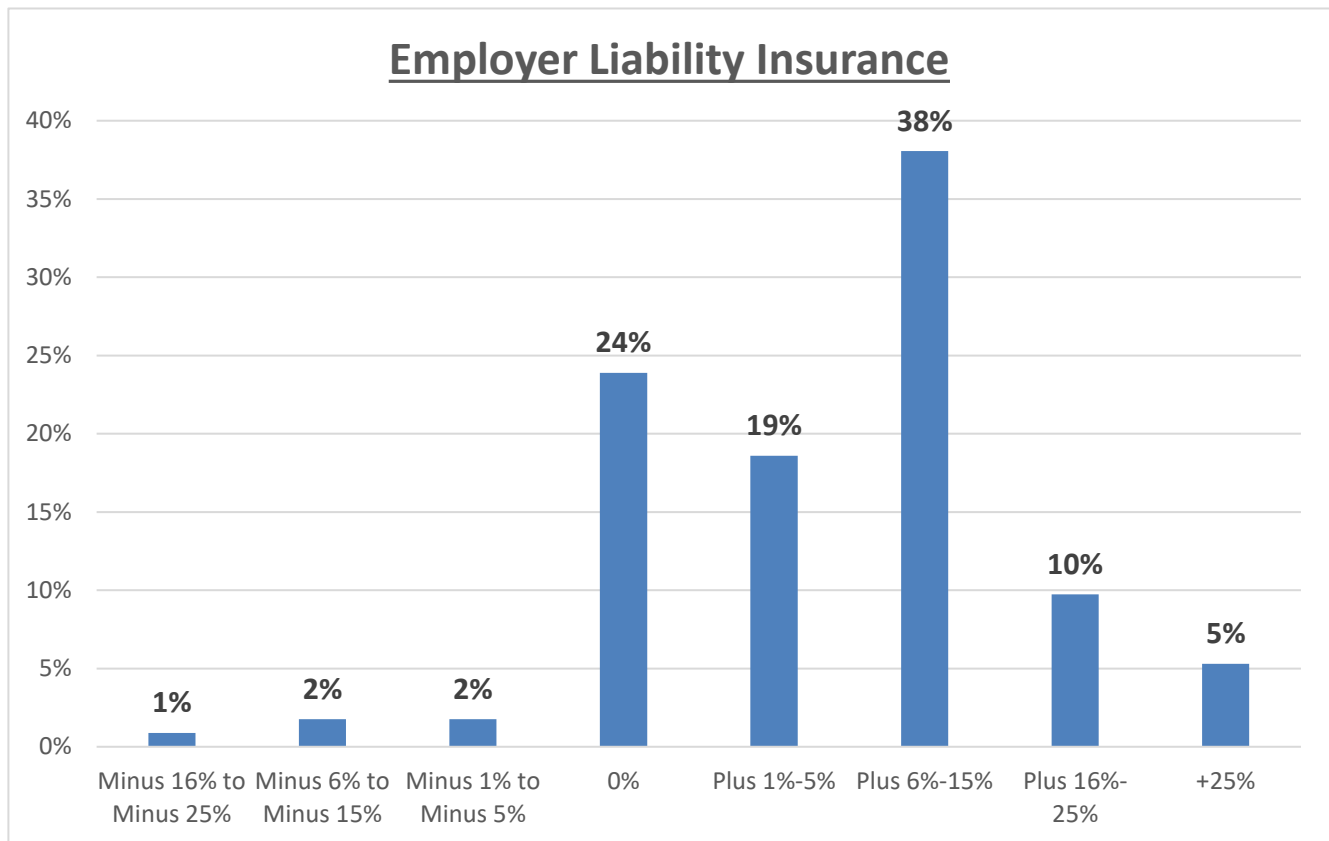
71% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 20% reported increases of between 1% and 5%.
- 36% stated increases of plus 6%-15%.
- 11% reported increases of plus 16%-25%.
- 4% reported increases of +25%
- 22% reported no change.
- While 8% reported a decrease.

Employer Liability Insurance:

72% stated their Employer Liability insurance premiums increased on renewal.



- 19% reported increases of between 1% and 5%.
- 38% stated increases of plus 6%-15%.
- 10% reported increases of plus 16%-25%.
- 5% reported increases of +25%
- 24% reported no change.
- While 5% reported a decrease.

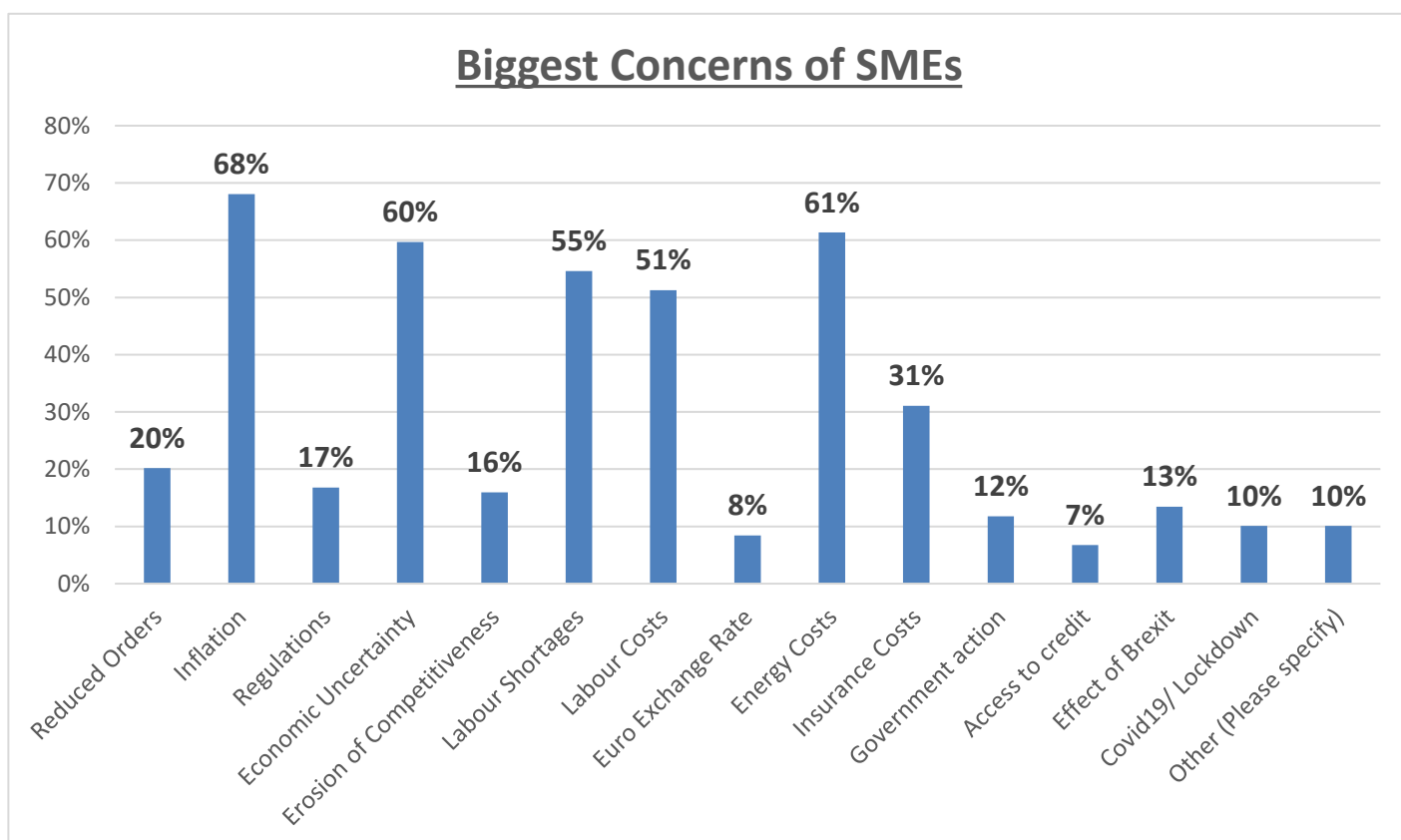
Insurance Summary:

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 2022.

Biggest concern of SMEs:

The top five concerns for SMEs in this quarter are:

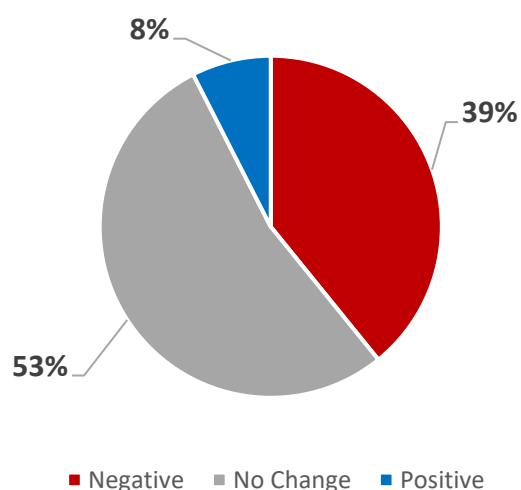
- Inflation at 68%.
- Energy Costs at 61%.
- Economic Uncertainty at 60%.
- Labour Shortages at 55%.
- Labour Costs at 51%



BREXIT:

While Brexit has become a less significant concern this quarter, 34% of respondents state that it would have a negative impact on their bottom line. 8% of respondents said Brexit will have a positive impact on their business, while 53% responded with no change.

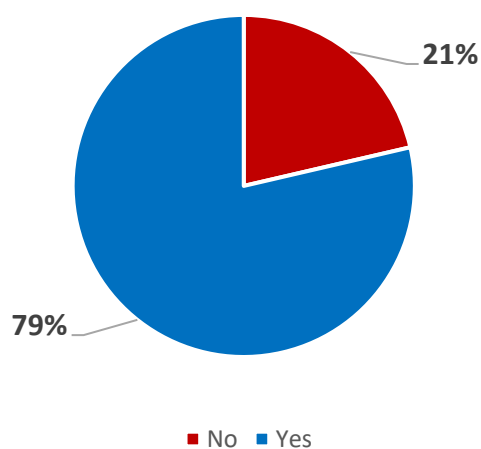
What effect will BREXIT have on your bottom line?



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, the same as Q1'22.

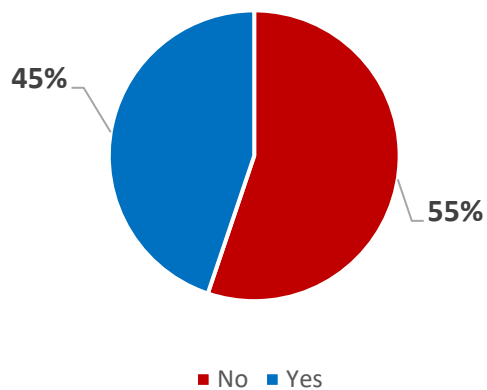
Is your broadband service adequate?



Retaining and Recruiting staff:

When asked 'Is your company finding it difficult to retain staff members?', 45% stated yes they were, while 55% stated this was not a problem.

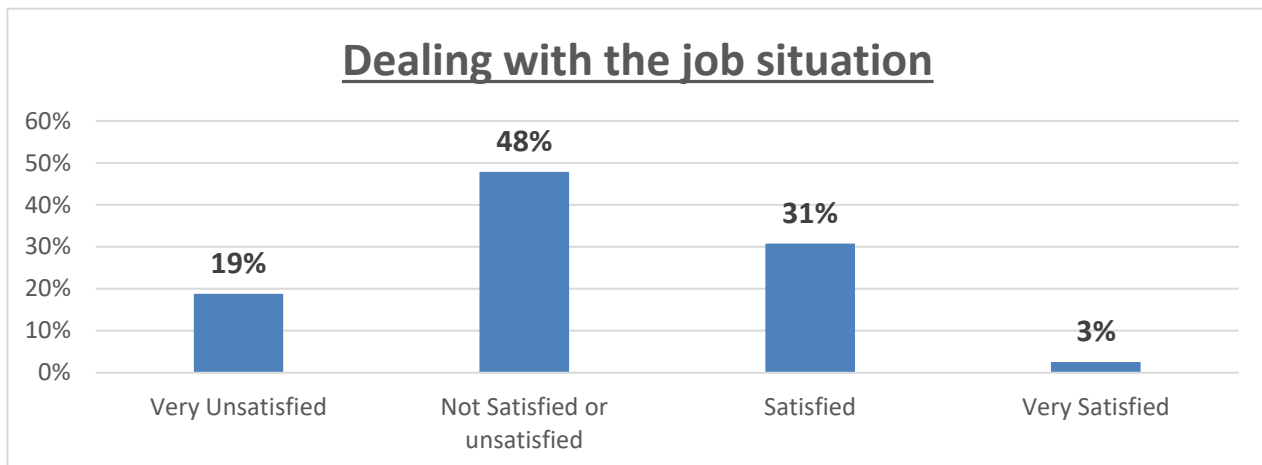
Is your company finding it difficult to retain staff members?



Government Performance:

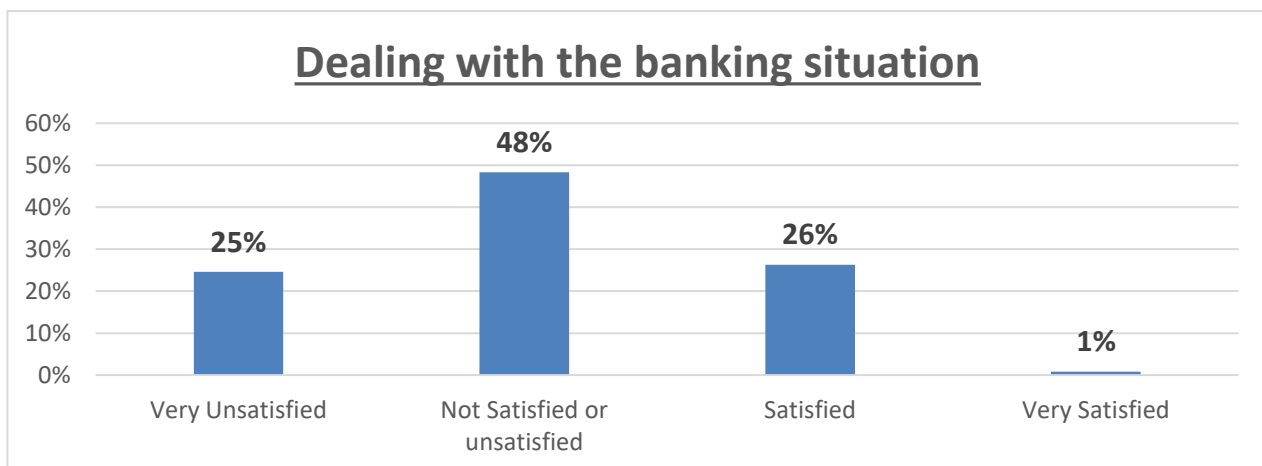
Dealing with the job situation

- Very Satisfied: 3%
- Satisfied: 31%
- Not Satisfied or dissatisfied: 48%
- Very Dissatisfied: 19%



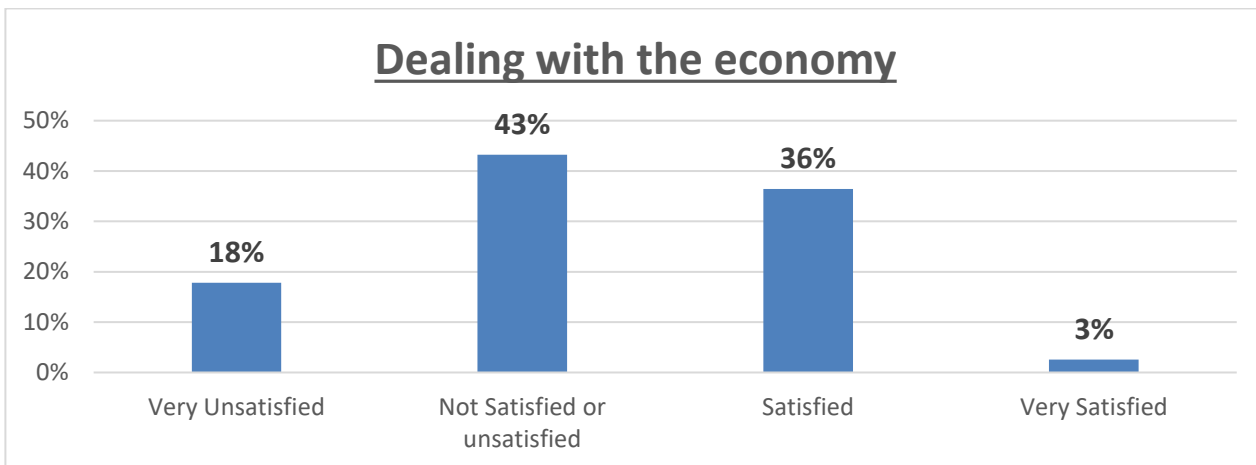
Dealing with the banking situation

- Very Satisfied: 1%
- Satisfied: 26%
- Not Satisfied or dissatisfied: 48%
- Very Dissatisfied: 25%



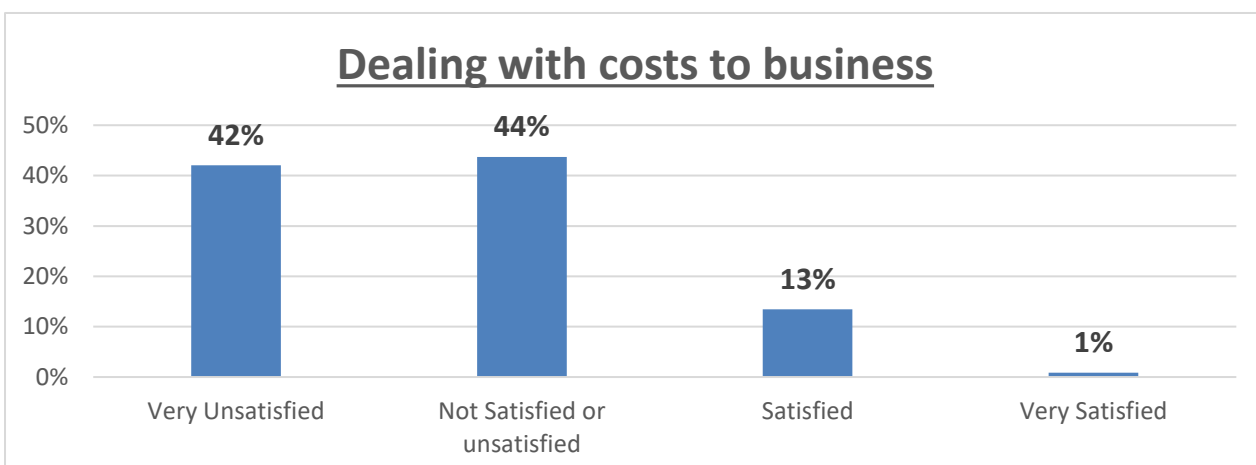
Dealing with the economy

- Very Satisfied: 3%
- Satisfied: 36%
- Not Satisfied or dissatisfied: 43%
- Very Dissatisfied: 18%



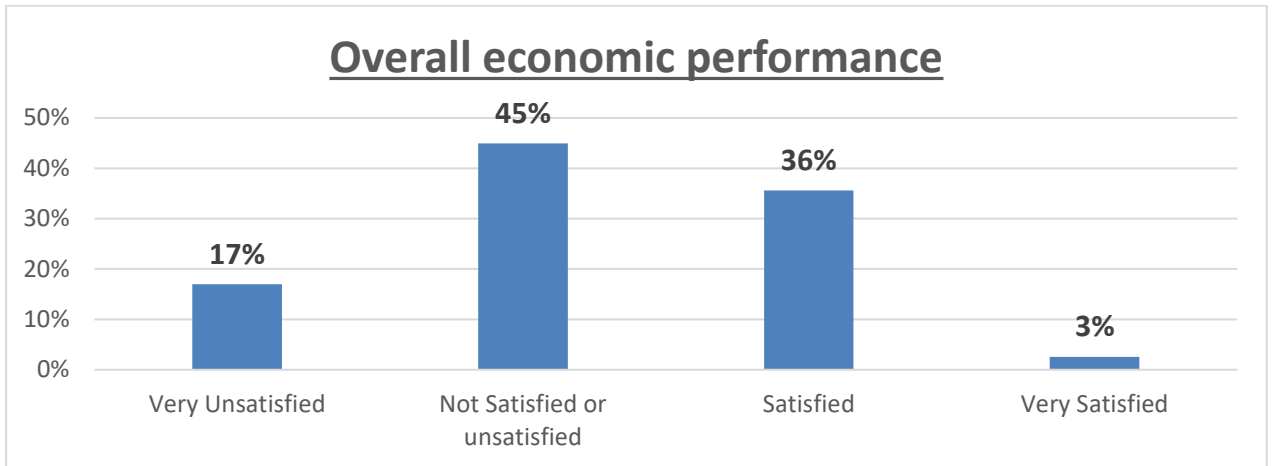
Dealing with costs to business

- Very Satisfied: 1%
- Satisfied: 13%
- Not Satisfied or dissatisfied: 44%
- Very Dissatisfied: 42%



Overall economic performance

- Very Satisfied: 3%
- Satisfied: 36%
- Not Satisfied or dissatisfied: 45%
- Very Dissatisfied: 17%



For further information, please contact:

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Methodology:

This survey was published in the last week of April 2022, covering the first quarter of 2022. There were 144 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.