

Q3'22

ISME Q3 TRENDS REPORT 2022

iSME
Irish SME Association

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Introduction: Q3'2022 Trends Report

This survey was published in the last week of November 2022 with 118 SME respondents and covers the third quarter of 2022. Of those surveyed the employee breakdown is as follows:

- 1-10 38%
- 11-20 23%
- 21-30 17%
- 31-50 8%
- 100+ 7%
- Other 7%

Geographically, the breakdown is as follows:

- Dublin 26%
- Leinster (Except Dublin) 22%
- Munster 21%
- Connaught 10%
- Ulster 8%
- Multiple sites 8%
- Other 4%

The Sectorial breakdown:

- Manufacturing 24%
- Services 19%
- IT/Online Services 5%
- Wholesale 11%
- Retail 6%
- Construction 4%
- Transport & Logistics 6%
- Hospitality 7%
- Food & Drink Production 4%
- Health Sector 1%
- Agriculture 4%
- Other (Please specify) 8%

Overall Confidence Indicators:

The Q3'22 Business Trends Quarterly survey showed 4 out of 14 confidence indicators yielding declining results.

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

BREXIT uncertainty dropped to 10%, a decrease of 7%. Business Confidence increased this quarter, rising from -30% to -20%. This comes with the Economic Uncertainty indicator decreasing by 10%.

Business Expectations have recovered slightly, increasing from -54% to -35%. The Business Environment rose slightly from 30% to 33%, while Profitability Expectations also increased by 11%.

The Current Employment confidence indicator decreased by 4%, while Future Employment increased by 19%.

Current Sales continue to increase, rising by 16%, while Sales Expectations have begun to increase, going from -6% to 5%.

Current Investment dropped by 8% this quarter, while Future Investment rose by 3%.

Current Exports grew by 28%. Export Expectations also increased, rising by 9%.

Economic uncertainty concerns remain high but have decreased this quarter, falling to 50%. Brexit concerns fell by 7%.

Q3'22 Manufacturing:

Our Q3'22 results for the manufacturing sector show a decline on the previous quarter's figures in half of the confidence indicators. In this quarter, there were 7 decreasing confidence indicators.

KEY INDICATORS MANUFACTURING	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Business Confidence	-78%	-9%	-18%	-47%	8%	50%	17%	41%	-12%	-22%	-22%
Business Expectations	-26%	0%	-15%	5%	31%	31%	31%	27%	-24%	-52%	-28%
Business Environment	-70%	9%	-13%	5%	-28%	38%	36%	27%	36%	37%	44%
Profitability Expectations	-65%	12%	-18%	-18%	-14%	6%	-6%	18%	12%	12%	30%
Current Employment	-22%	-20%	-23%	0%	-14%	6%	8%	36%	8%	24%	20%
Future Employment	-22%	9%	10%	12%	29%	25%	14%	36%	36%	4%	20%
Current Sales	-87%	-73%	-10%	-35%	-51%	25%	20%	14%	20%	56%	53%
Sales Expectations	-30%	15%	-5%	-6%	43%	50%	31%	36%	12%	16%	7%
Current Investment	17%	32%	28%	35%	17%	56%	51%	73%	44%	52%	50%
Future Investment	0%	24%	10%	41%	40%	44%	51%	64%	16%	20%	20%
Current Exports	-7%	-4%	-33%	-54%	-17%	-18%	-9%	23%	21%	12%	30%
Export Expectations	-14%	26%	-3%	21%	39%	0%	35%	41%	37%	41%	21%
Economic Uncertainty	77%	74%	68%	65%	53%	54%	33%	27%	55%	60%	46%
Brexit	46%	71%	65%	59%	59%	36%	45%	27%	14%	16%	14%

Business Confidence remains steady at -22%, while Business Expectations rose to -28%, an increase of 24%.

Profitability Expectations increased by 18%.

Future Employment in manufacturing increased from 4% to 20%.

Current Sales decreased slightly, from 56% to 53%, a percentage decrease of 3%. Sales Expectations for the future also decreased from 16% to 7%.

Current Investment showed a slight decrease, falling from 52% to 50%.

Current Exports increased, going from 12% to 30%. Future Exports decreased from 41% to 21%.

Current Employment decreased slightly from 24% to 20%.

Q3'22 Retail:

The Retail sector for Q3'22 showed Business Confidence increasing significantly this quarter, rising by 46%.

KEY INDICATORS RETAIL	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Business Confidence	-94%	-91%	-20%	67%	39%	57%	13%	-10%	-45%	-46%	0%
Business Expectations	-44%	-13%	-5%	100%	56%	43%	38%	10%	-64%	-46%	-50%
Business Environment	-56%	-30%	10%	67%	-11%	57%	63%	10%	-9%	23%	50%
Profitability Expectations	-80%	-48%	-25%	67%	29%	14%	14%	-30%	-60%	15%	30%
Current Employment	-38%	-52%	-30%	0%	-17%	29%	-13%	-30%	-9%	31%	30%
Future Employment	-50%	-26%	5%	0%	39%	43%	50%	10%	-27%	-23%	30%
Current Sales	-94%	-76%	-20%	33%	-7%	71%	14%	30%	-10%	31%	60%
Sales Expectations	63%	-38%	-10%	67%	64%	71%	43%	0%	-20%	8%	20%
Current Investment	-6%	14%	-5%	33%	36%	71%	29%	10%	40%	69%	40%
Future Investment	-13%	0%	-15%	33%	36%	43%	71%	20%	30%	38%	50%
Current Exports	-60%	-55%	-67%	0%	-33%	-50%	-67%	0%	-25%	0%	0%
Export Expectations	-60%	-18%	-33%	100%	-33%	33%	33%	0%	60%	0%	0%
Economic Uncertainty	86%	71%	100%	50%	45%	18%	33%	20%	38%	77%	50%
Brexit	64%	52%	52%	0%	45%	18%	83%	40%	25%	38%	20%

However, Business Expectations have decreased by 4%, going from -46% to -50%.

Profitability Expectations doubled, increasing from 15% to 30%. Current Sales saw a massive increase and are now at 60%, compared to 31% in Q2'22.

Current Investment showed a decrease of 19% from Q2'22. Future Investment increased from 38% to 50%.

Business Environment is at 50%, a further increase of 27% from the second quarter of 2022.

Current Employment in retail is down from 31% to 30% this quarter. The expectation for Future Employment has increased massively, from -23% to 30%. Sales Expectations increased from 8% to 20%.

Q3'22 Services:

The Services sector for Q3'22 showed 1 of the 14 confidence indicators decreasing from the previous quarter.

KEY INDICATORS SERVICES	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Business Confidence	-77%	-57%	-18%	-41%	5%	42%	37%	45%	8%	-13%	8%
Business Expectations	-37%	-11%	-13%	42%	34%	70%	27%	52%	-4%	-54%	-33%
Business Environment	-61%	-25%	-25%	-53%	-44%	45%	60%	15%	21%	28%	46%
Profitability Expectations	-71%	22%	-30%	-35%	-10%	23%	19%	15%	-24%	18%	42%
Current Employment	-21%	-21%	-18%	-53%	-33%	6%	10%	0%	-17%	13%	0%
Future Employment	-21%	0%	-15%	0%	20%	36%	47%	24%	22%	0%	30%
Current Sales	-73%	-68%	-19%	-41%	-38%	7%	30%	0%	0%	6%	38%
Sales Expectations	-45%	-10%	-20%	-29%	28%	73%	37%	36%	41%	-11%	10%
Current Investment	20%	27%	32%	-6%	23%	53%	30%	39%	50%	37%	38%
Future Investment	-6%	-7%	10%	0%	33%	50%	56%	36%	55%	29%	33%
Current Exports	-38%	-55%	-23%	-40%	13%	17%	55%	12%	0%	17%	29%
Export Expectations	-11%	-18%	23%	40%	27%	56%	50%	18%	60%	29%	38%
Economic Uncertainty	78%	71%	84%	88%	69%	50%	50%	33%	56%	60%	62%
Brexit	14%	52%	30%	31%	26%	18%	23%	9%	17%	7%	10%

Business Confidence rose from -13% to 8%.

Business Environment increased to 46% while Profitability Expectations increased from 18% to 42%.

Current Employment fell from 13% to 0% while Future Employment rose from 0% in Q2 to 30% this quarter.

Current Sales increased by 32%. Sales Expectations showed an increase of 21%, growing from -11% to 10%.

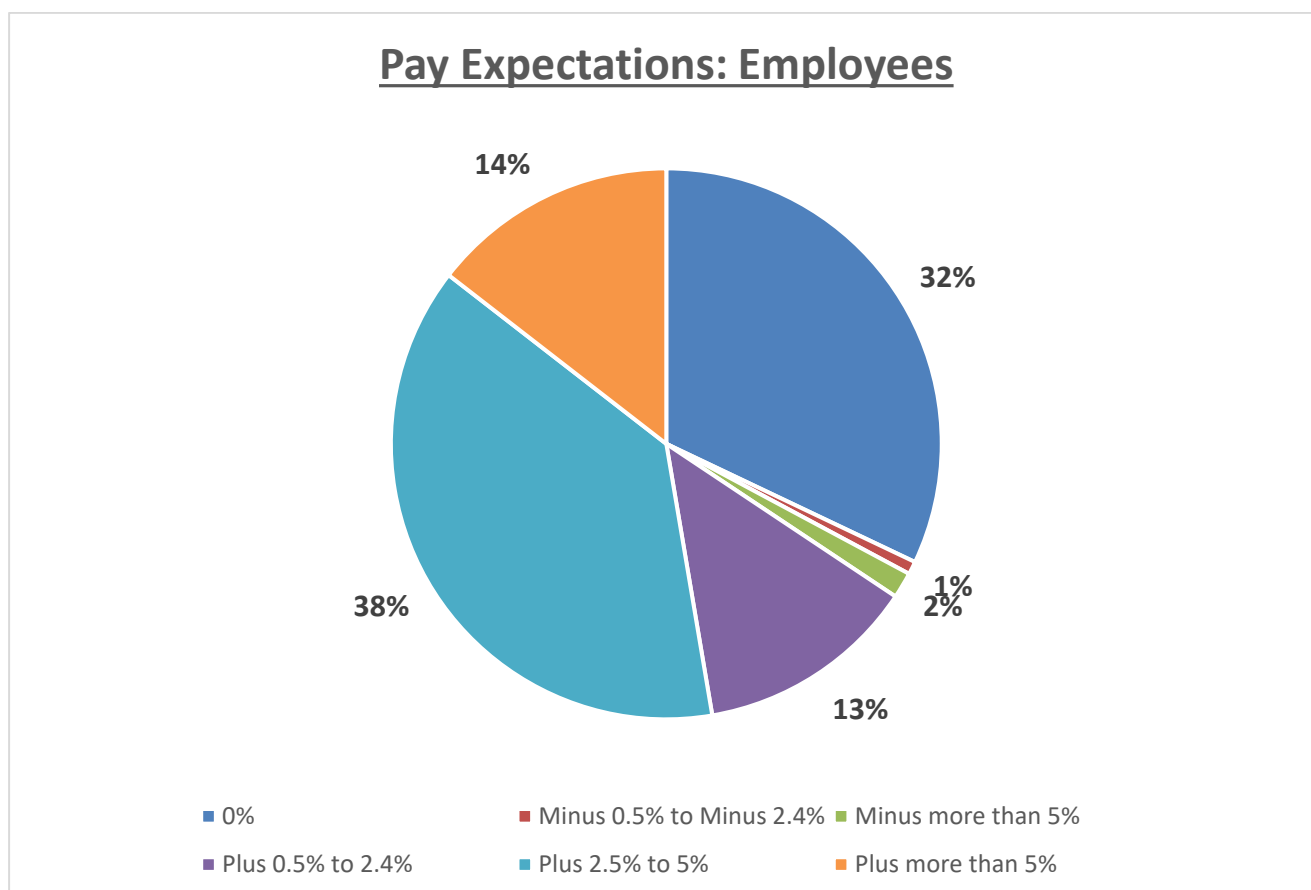
Current Investment saw a slight increase, growing from 37% to 38%. Future Investment rose from 29% to 33%.

Current Exports increased this quarter from 17% to 29%, while Export Expectations showed an increase from 29% to 38%.

Q3'22 Pay Expectations: Employees

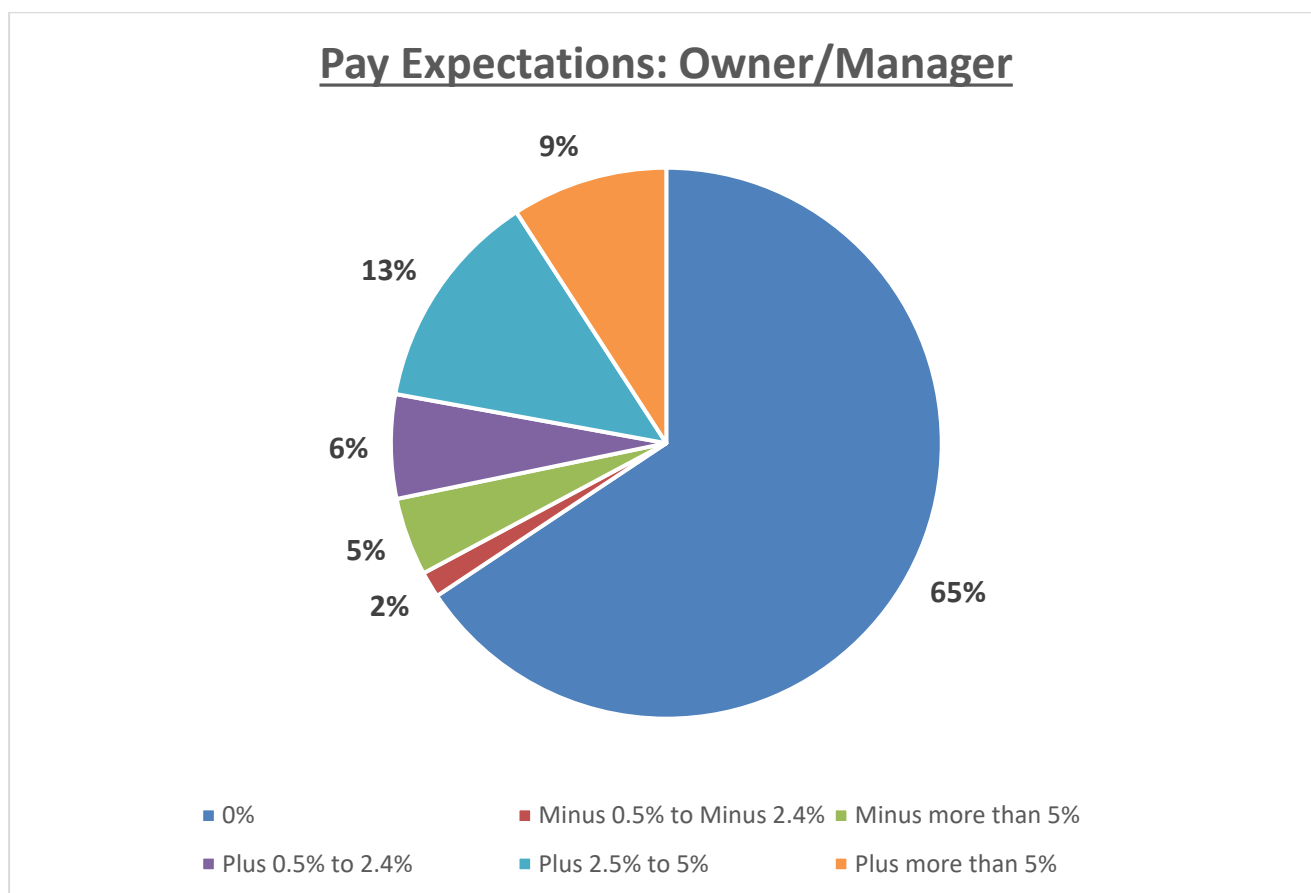
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 32% of SMEs will not be able to increase pay this year for their employees.
- 13% will increase employees' pay by 0.5% to 2.4%.
- 38% will increase pay by 2.5%-5%.
- 2% of employers will decrease employees' pay by more than 5%.



Q3'22 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.
- 9% stated they intend to increase their wages by plus 5%.
- 13% will increase their pay by between 2.5%-5%.
- 6% will increase their pay by between 0.5%-2.4%.
- 7% stated they were reducing their wages.

Insurance Costs: Introduction

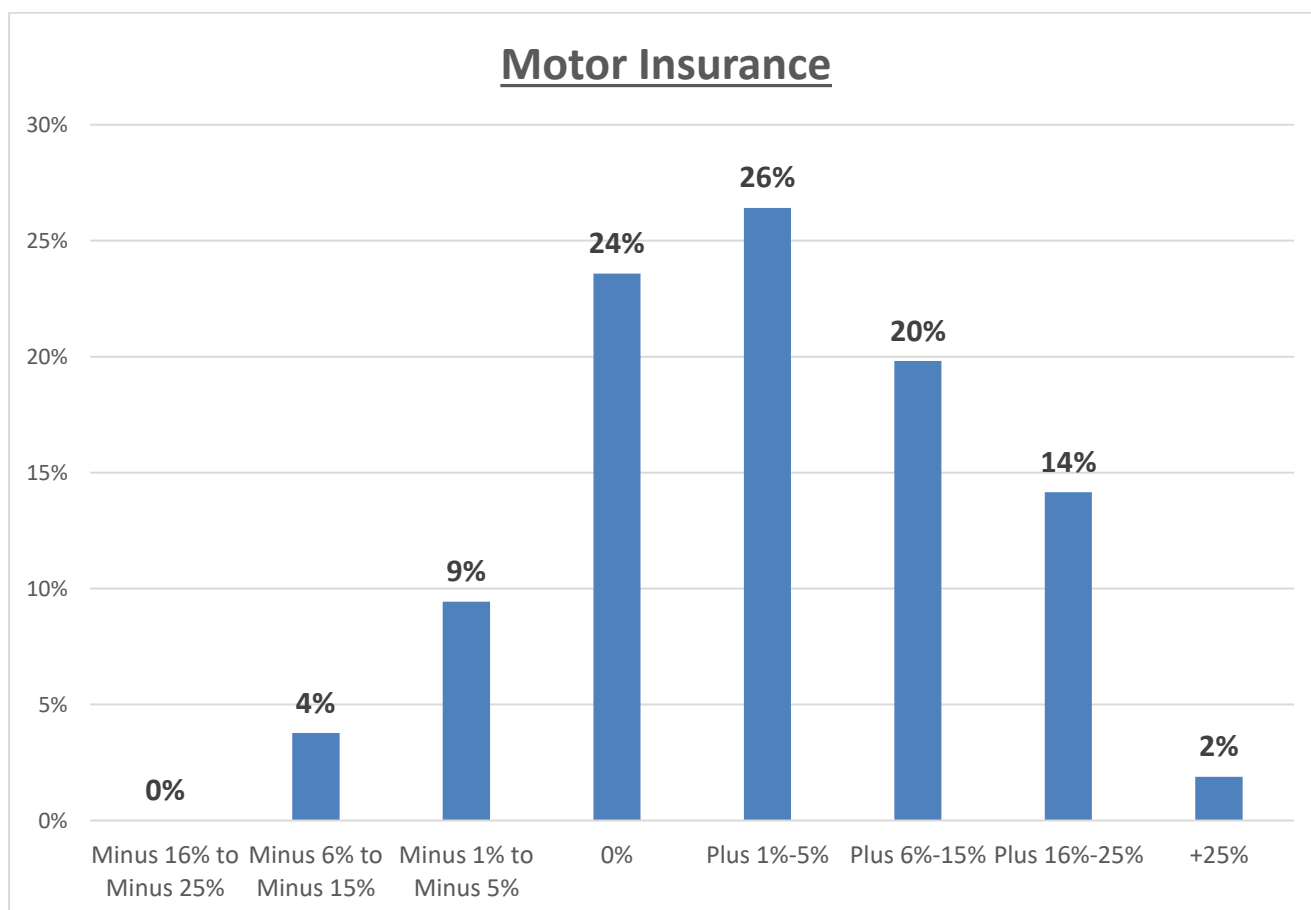
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

32% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

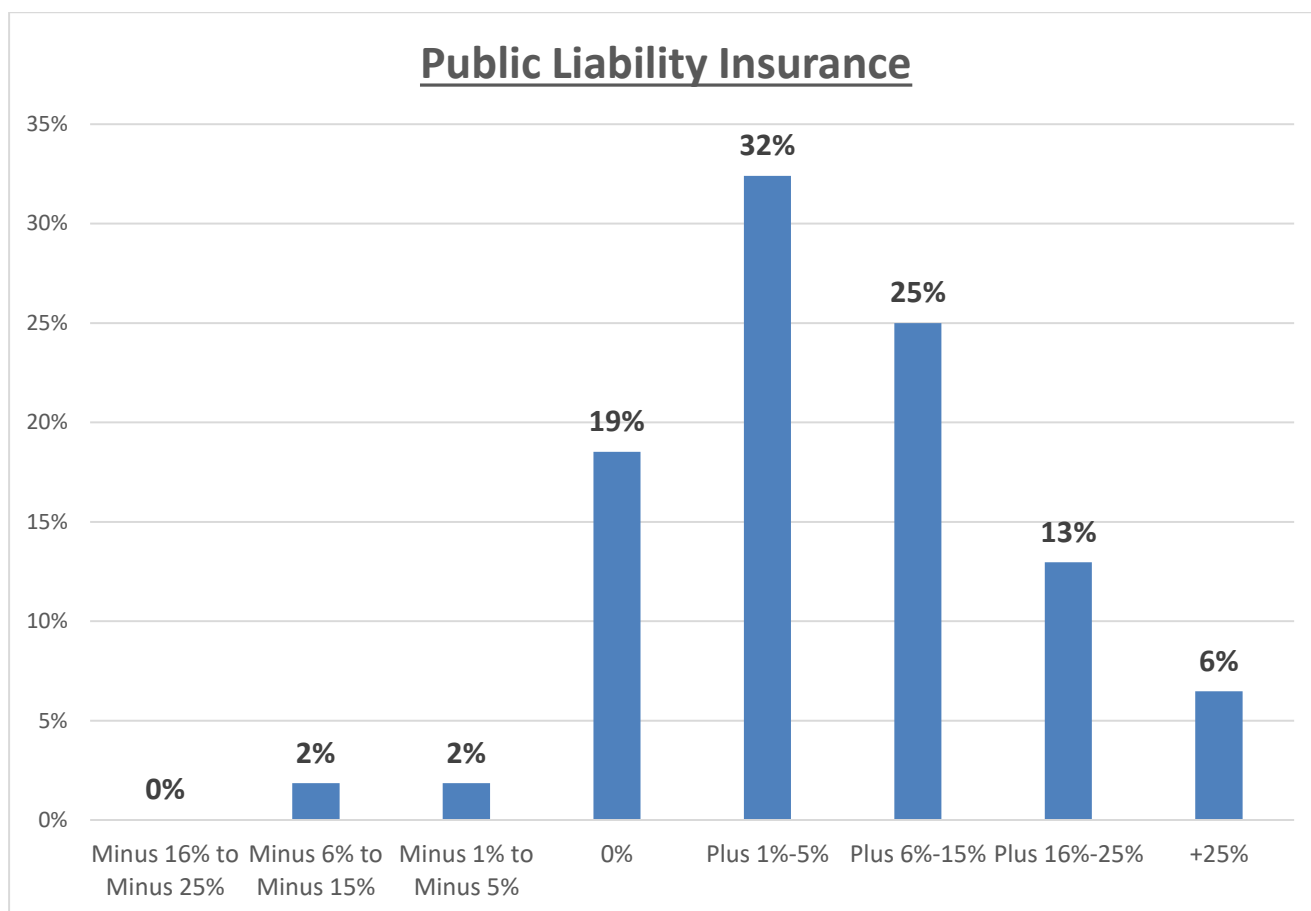
62% of respondents stated their Motor Insurance premiums increased on renewal.



- 2% of respondents noted an increase of +25%.
- 14% experienced increases of plus 16%-25%.
- 20% 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 13% reported a decrease.

Public Liability Insurance:

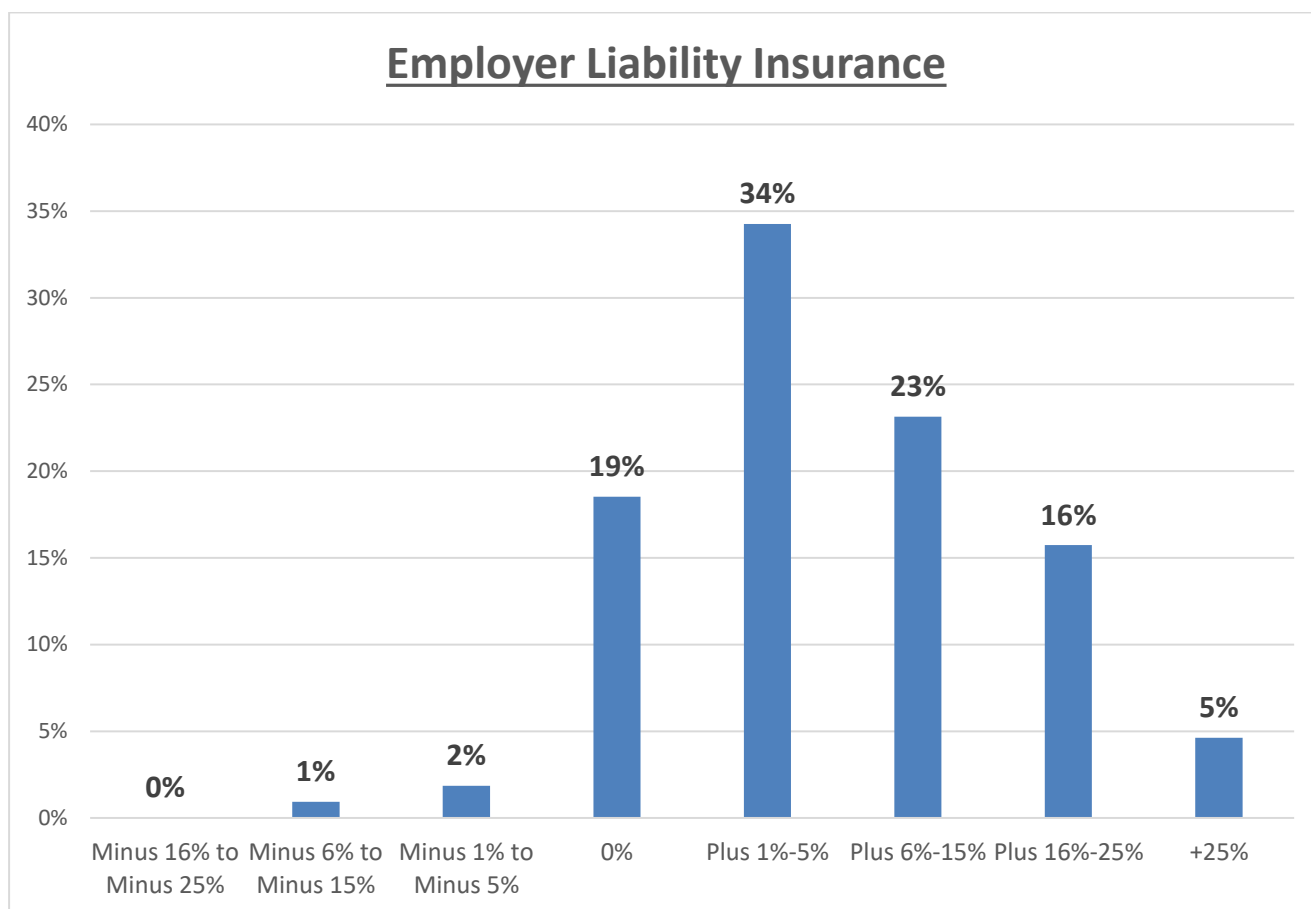
76% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 32% reported increases of between 1% and 5%.
- 25% stated increases of plus 6%-15%.
- 13% reported increases of plus 16%-25%.
- 6% reported increases of +25%
- 19% reported no change.
- While 4% reported a decrease.

Employer Liability Insurance:

78% stated their Employer Liability insurance premiums increased on renewal.



- 34% reported increases of between 1% and 5%.
- 23% stated increases of plus 6%-15%.
- 16% reported increases of plus 16%-25%.
- 5% reported increases of +25%
- 19% reported no change.
- While 3% reported a decrease.

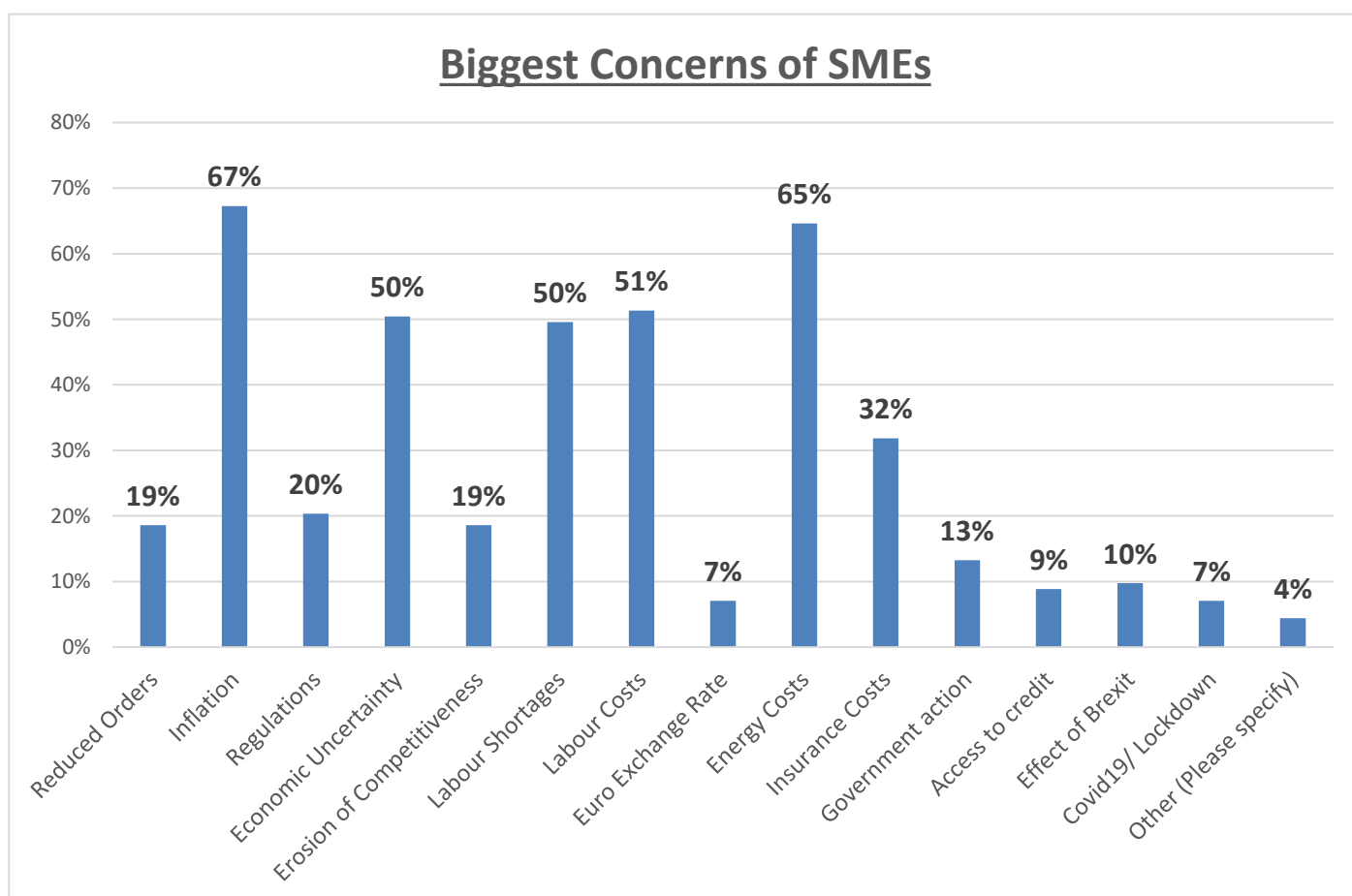
Insurance Summary:

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:

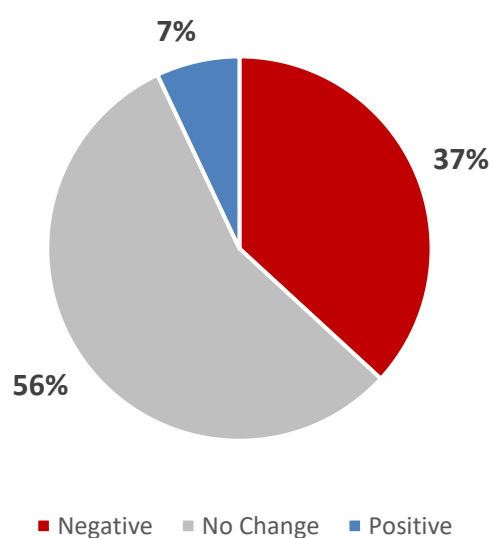
- Inflation at 67%.
- Energy Costs at 65%.
- Economic Uncertainty at 50%.
- Labour Shortages at 50%.
- Labour Costs at 51%



BREXIT:

While Brexit has become a less significant concern this quarter, 37% of respondents state that it would have a negative impact on their bottom line. 7% of respondents said Brexit will have a positive impact on their business, while 56% responded with no change.

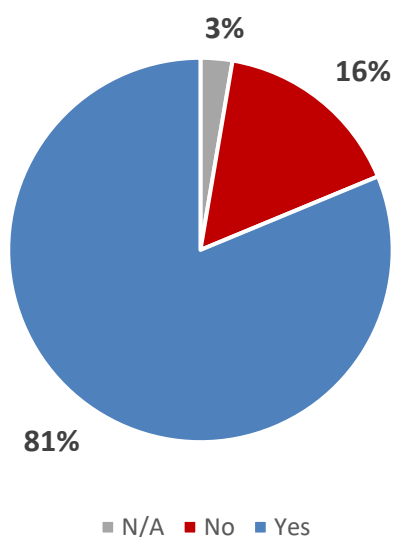
What effect will BREXIT have on your bottom line?



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 16% of businesses are impacted by inadequate broadband.

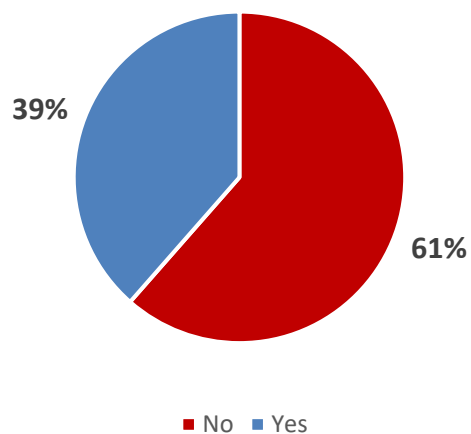
Is your broadband service adequate?



Retaining and Recruiting staff:

When asked 'Is your company finding it difficult to retain staff members?', 39% stated yes they were, while 61% stated this was not a problem.

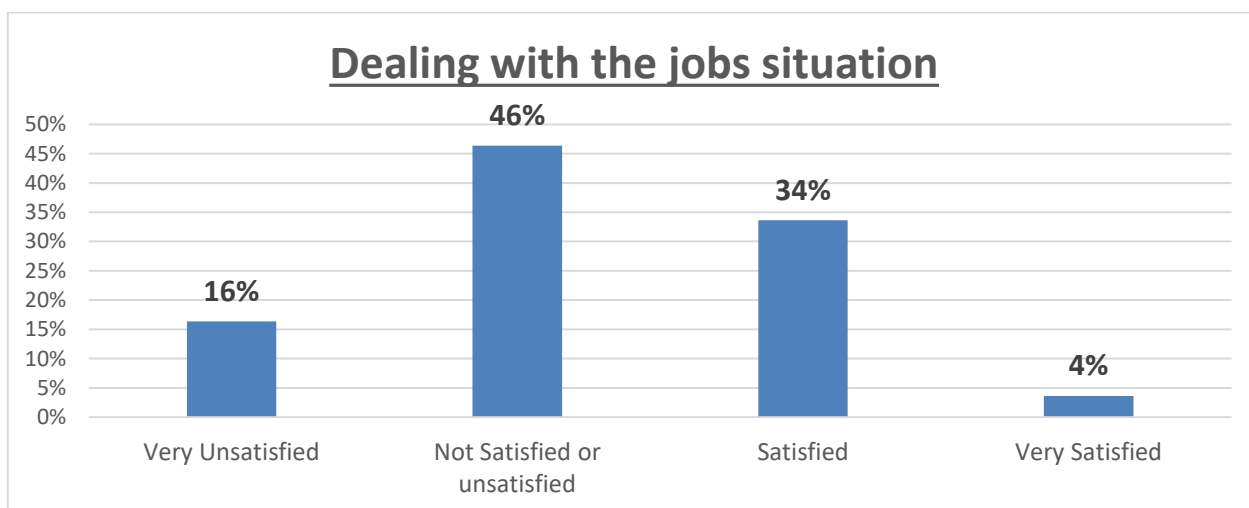
Is your company finding it difficult to retain staff members?



Government Performance:

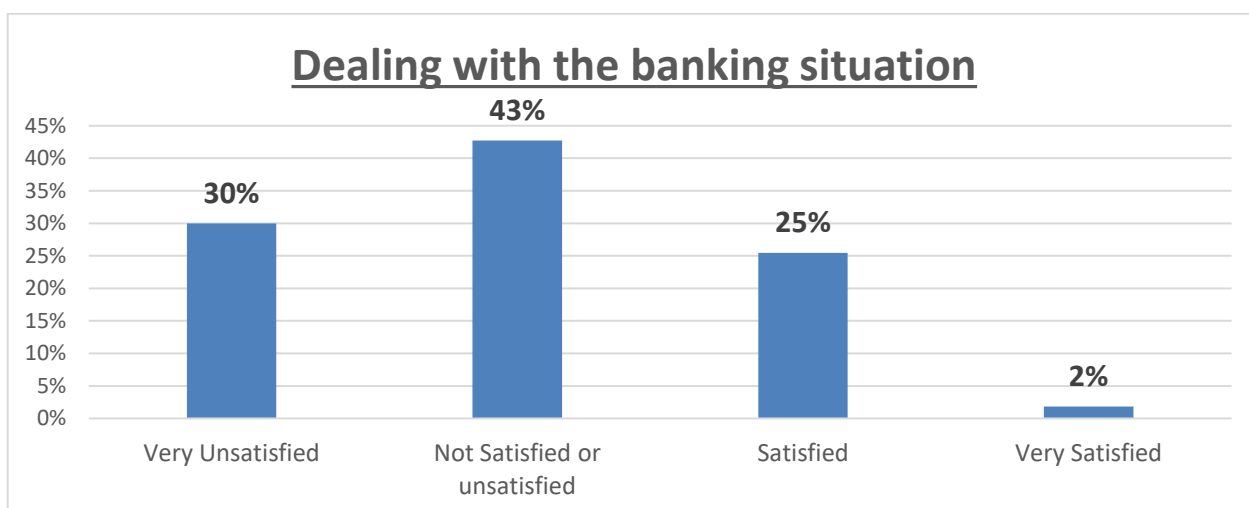
Dealing with the job situation

- Very Satisfied: 4%
- Satisfied: 34%
- Not Satisfied or dissatisfied: 46%
- Very Dissatisfied: 16%



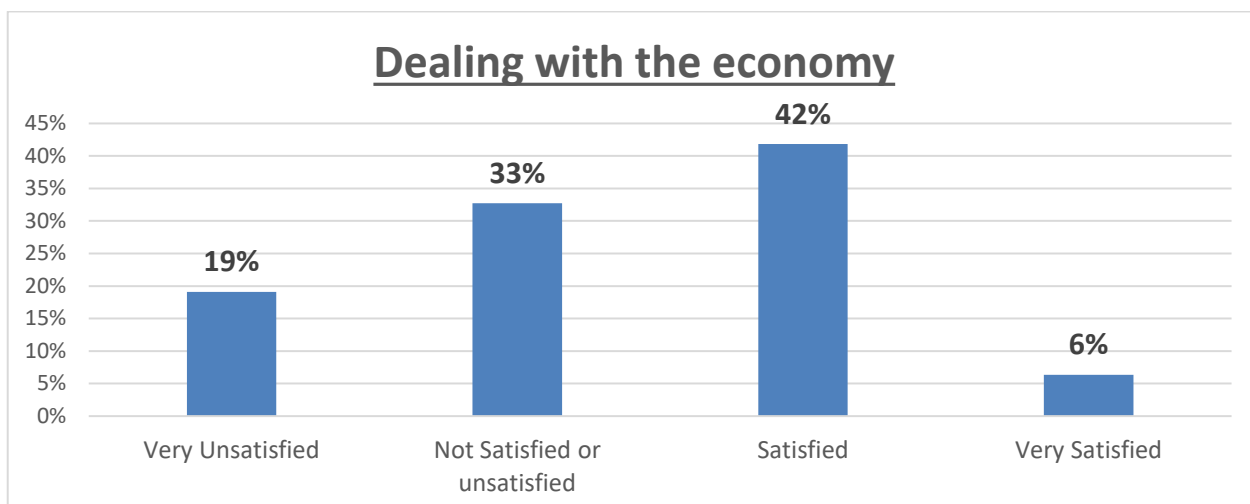
Dealing with the banking situation

- Very Satisfied: 2%
- Satisfied: 25%
- Not Satisfied or dissatisfied: 43%
- Very Dissatisfied: 30%



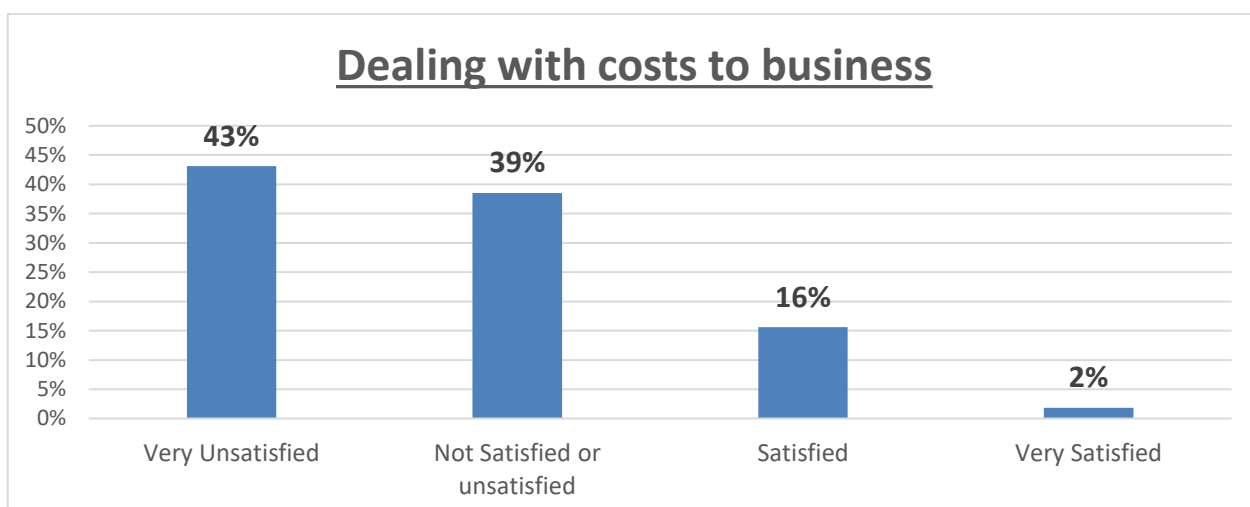
Dealing with the economy

- Very Satisfied: 6%
- Satisfied: 42%
- Not Satisfied or dissatisfied: 33%
- Very Dissatisfied: 19%



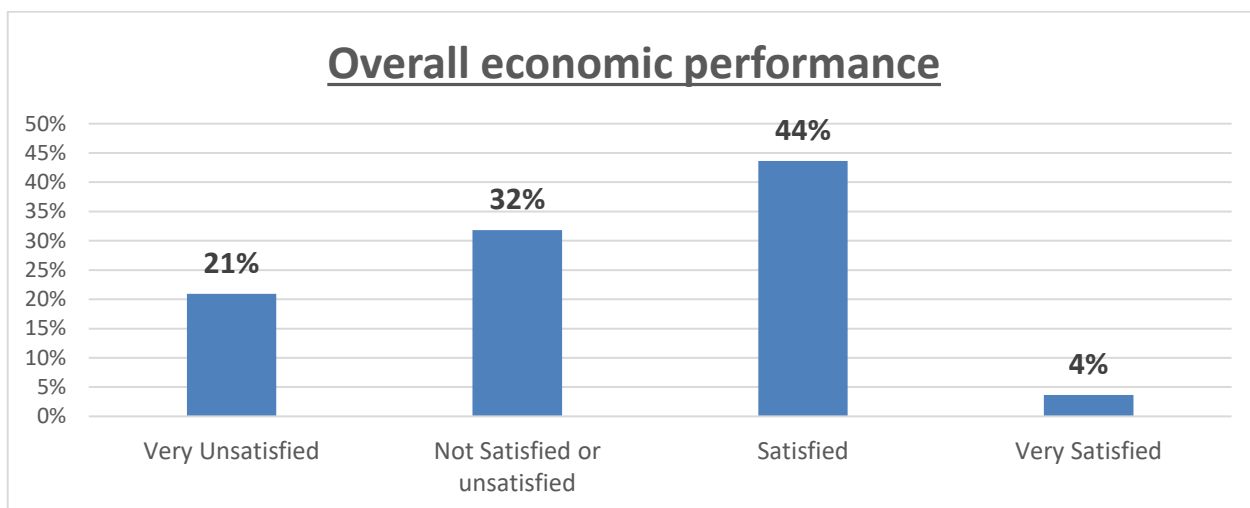
Dealing with costs to business

- Very Satisfied: 2%
- Satisfied: 16%
- Not Satisfied or dissatisfied: 39%
- Very Dissatisfied: 43%



Overall economic performance

- Very Satisfied: 4%
- Satisfied: 44%
- Not Satisfied or dissatisfied: 32%
- Very Dissatisfied: 21%



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Methodology:

This survey was published in the last week of November 2022, covering the first quarter of 2022. There were 118 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.