

Q4'22

ISME Q4 TRENDS REPORT 2022

iSME
Irish SME Association

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Introduction: Q4'2022 Trends Report

This survey was published in the last week of March 2023 with 44 SME respondents and covers the fourth quarter of 2022. Of those surveyed the employee breakdown is as follows:

- 1-10 32%
- 11-20 32%
- 21-30 9%
- 31-50 14%
- 100 + 7%
- Other 7%

Geographically, the breakdown is as follows:

- Dublin 30%
- Leinster (Except Dublin) 20%
- Munster 25%
- Connaught 7%
- Ulster 7%
- Multiple sites 9%
- Other 2%

The Sectorial breakdown:

- Manufacturing 11%
- Services 32%
- IT/Online Services 7%
- Wholesale 7%
- Retail 9%
- Construction 7%
- Transport & Logistics 0%
- Hospitality 9%
- Food & Drink Production 0%
- Health Sector 0%
- Agriculture 5%
- Other (Please specify) 14%

Overall Confidence Indicators:

The Q4'22 Business Trends Quarterly survey showed 5 out of 14 confidence indicators yielding declining results.

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

BREXIT uncertainty rose to 11%, an increase of 1%. Business Confidence increased this quarter, rising from -20% to 17%. This comes with the Economic Uncertainty indicator decreasing by a further 8%.

Business Expectations have recovered dramatically, increasing from -34% to 17%. This marks the first time this confidence indicator has been positive since 2021. The Business Environment rose from 33% to 38%, while Profitability Expectations also increased by 18%.

The Current Employment confidence indicator decreased by 1%, while Future Employment increased by 9%.

Current Sales continue to decrease, dropping by 13%, while Sales Expectations increased, by another 25%.

Current Investment dropped by 12% this quarter, while Future Investment rose by 6%.

Current Exports fell by 15%. Export Expectations increased, rising by 10%.

Economic uncertainty concerns remain high but have continued to decrease this quarter, falling to 42%. Brexit concerns rose slightly by 1%.

Q4'22 Manufacturing:

Our Q4'22 results for the manufacturing sector show a significant recovery for many confidence indicators in the manufacturing sector. In this quarter, there were 2 decreasing confidence indicators.

KEY INDICATORS MANUFACTURING	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22
Business Confidence	-9%	-18%	-47%	8%	50%	17%	41%	-12%	-22%	-22%	60%
Business Expectations	0%	-15%	5%	31%	31%	31%	27%	-24%	-52%	-28%	40%
Business Environment	9%	-13%	5%	-28%	38%	36%	27%	36%	37%	44%	60%
Profitability Expectations	12%	-18%	-18%	-14%	6%	-6%	18%	12%	12%	30%	80%
Current Employment	-20%	-23%	0%	-14%	6%	8%	36%	8%	24%	20%	40%
Future Employment	9%	10%	12%	29%	25%	14%	36%	36%	4%	20%	60%
Current Sales	-73%	-10%	-35%	-51%	25%	20%	14%	20%	56%	53%	80%
Sales Expectations	15%	-5%	-6%	43%	50%	31%	36%	12%	16%	7%	60%
Current Investment	32%	28%	35%	17%	56%	51%	73%	44%	52%	50%	0%
Future Investment	24%	10%	41%	40%	44%	51%	64%	16%	20%	20%	80%
Current Exports	-4%	-33%	-54%	-17%	-18%	-9%	23%	21%	12%	30%	33%
Export Expectations	26%	-3%	21%	39%	0%	35%	41%	37%	41%	21%	67%
Economic Uncertainty	74%	68%	65%	53%	54%	33%	27%	55%	60%	46%	60%
Brexit	71%	65%	59%	59%	36%	45%	27%	14%	16%	14%	0%

Business Confidence increased from -22% to 60%, while Business Expectations rose 40%, an increase of 68%.

Profitability Expectations increased by 50%.

Future Employment in manufacturing increased from 20% to 60%.

Current Sales increased from 53% to 80%, a percentage increase of 27%. Sales Expectations for the future also increased from 7% to 60%.

Current Investment showed a significant decrease, falling from 50% to 0%.

Current Exports increased slightly, going from 30% to 33%. Future Exports increased from 21% to 67%.

Current Employment increased from 20% to 40%.

Q4'22 Retail:

The Retail sector for Q4'22 showed Business Confidence increasing significantly this quarter, rising by 33%. This marks the second quarter in a row that this confidence indicator has increased, returning to similar levels as early 2021.

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

Business Expectations also decreased by 50%, going from -50% to 0%.

Profitability Expectations increased from 30% to 33%. Current Sales saw a massive decrease and are now at 0%, compared to 60% in Q3'22.

Current Investment showed a decrease of 7% from Q3'22. Future Investment increased from 50% to 67%.

Business Environment doubled and is now at 100%, a further increase of 50% from the third quarter of 2022.

Current Employment in retail is down from 30% to 0% this quarter. The expectation for Future Employment has also decreased from 30% to 0%. Sales Expectations increased from 20% to 33%.

Q4'22 Services:

The Services sector for Q4'22 showed 9 of the 14 confidence indicators decreasing from the previous quarter.

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

Business Confidence fell from 8% to -21%.

Business Environment decreased to 7% while Profitability Expectations increased from 42% to 46%.

Current Employment fell from 0% to -7% while Future Employment also fell from 30% in Q3 to 14% this quarter.

Current Sales decreased by 38%. Sales Expectations showed an increase of 21%, growing from 10% to 31%.

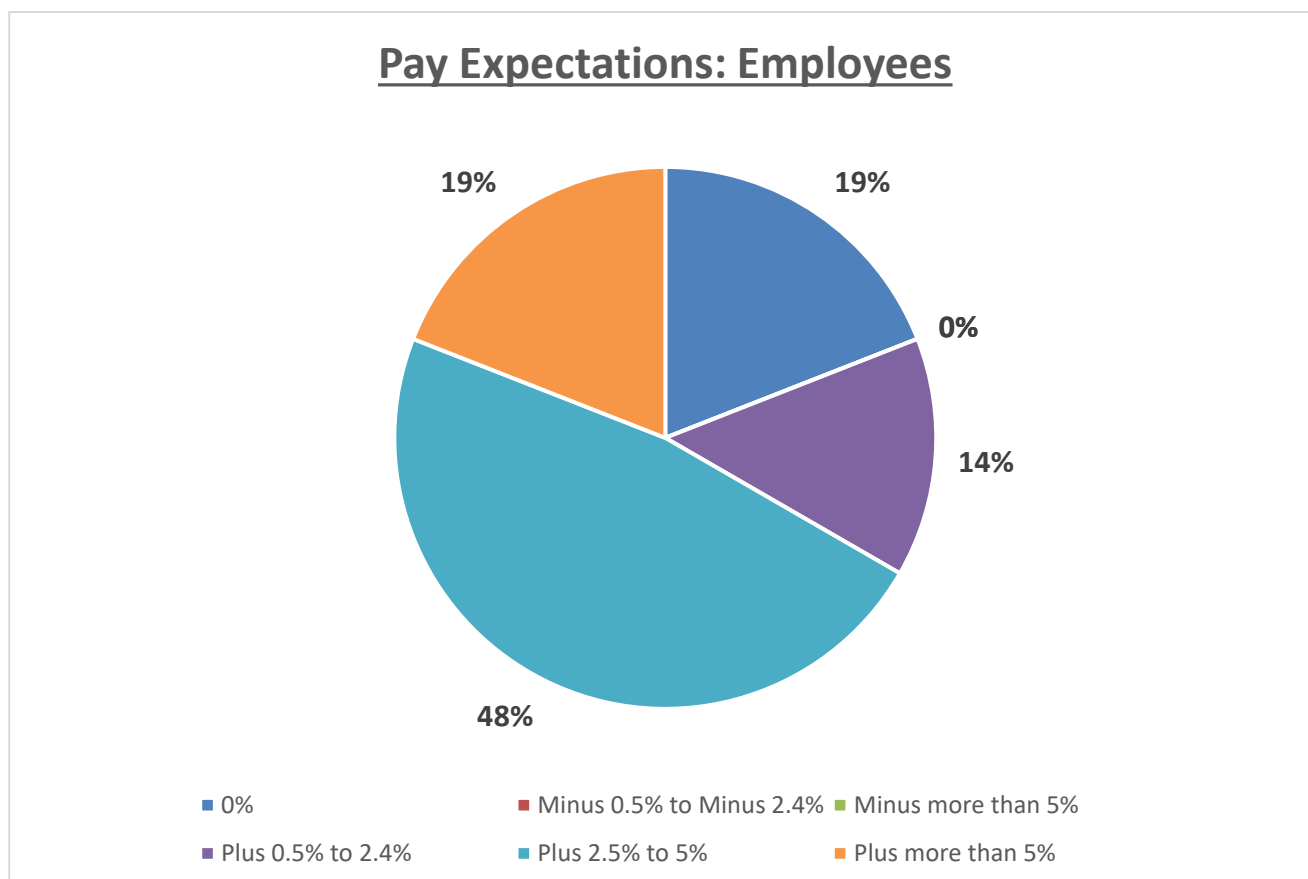
Current Investment saw a decrease, falling from 38% to 15%. Future Investment also decreased from 33% to 15%.

Current Exports increased this quarter from 29% to 50%, while Export Expectations also showed an increase from 38% to 50%.

Q4'22 Pay Expectations: Employees

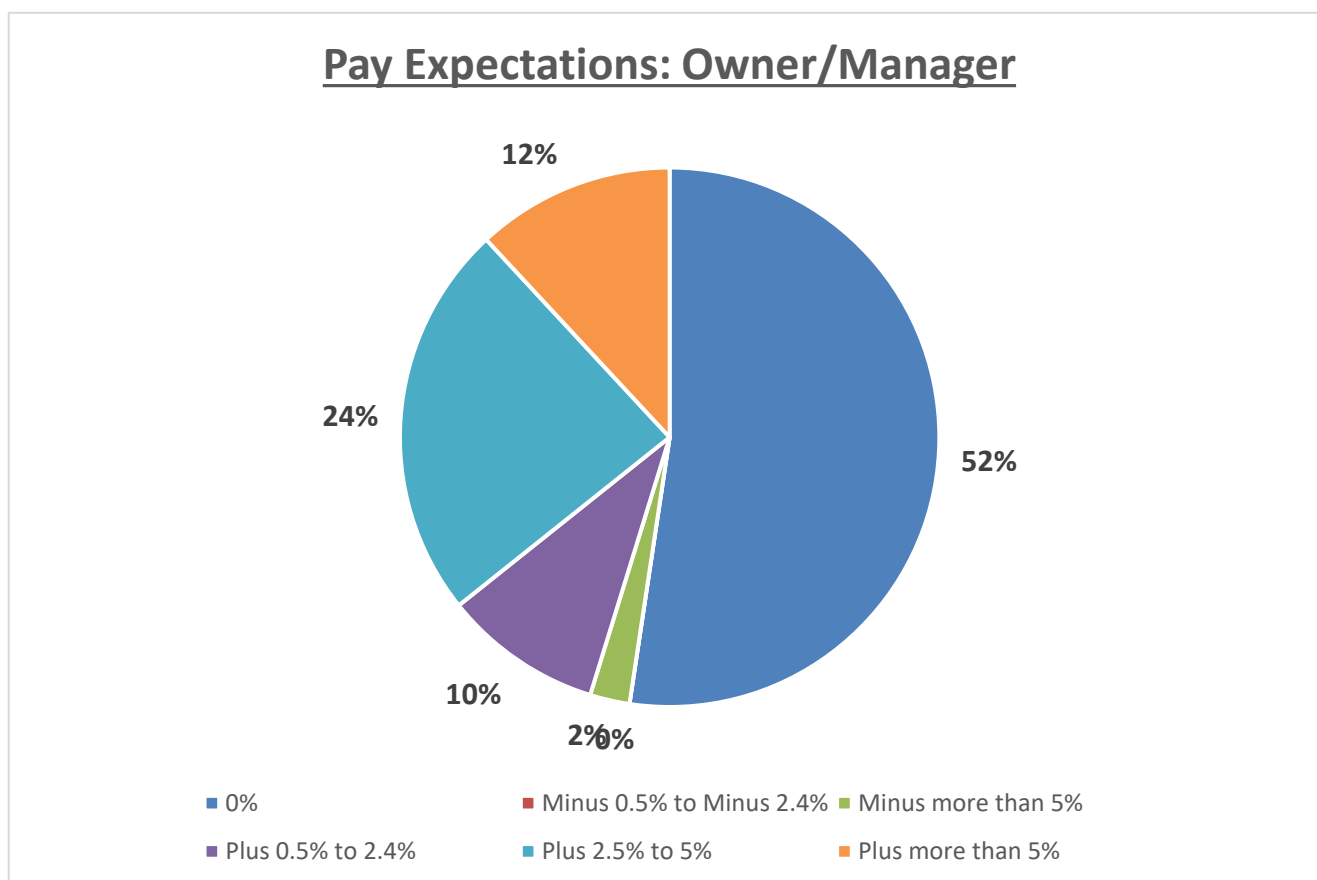
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 19% of SMEs will not be able to increase pay this year for their employees.
- 14% will increase employees' pay by 0.5% to 2.4%.
- 48% will increase pay by 2.5%-5%.
- 0% of employers will decrease employees' pay by more than 5%.



Q4'22 Pay Expectations: Owner Manager

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



- 52% said they would not increase their earnings from the business.
- 12% stated they intend to increase their wages by plus 5%.
- 24% will increase their pay between 2.5%-5%.
- 10% will increase their pay between 0.5%-2.4%.
- 2% stated they were reducing their wages.

Insurance Costs: Introduction

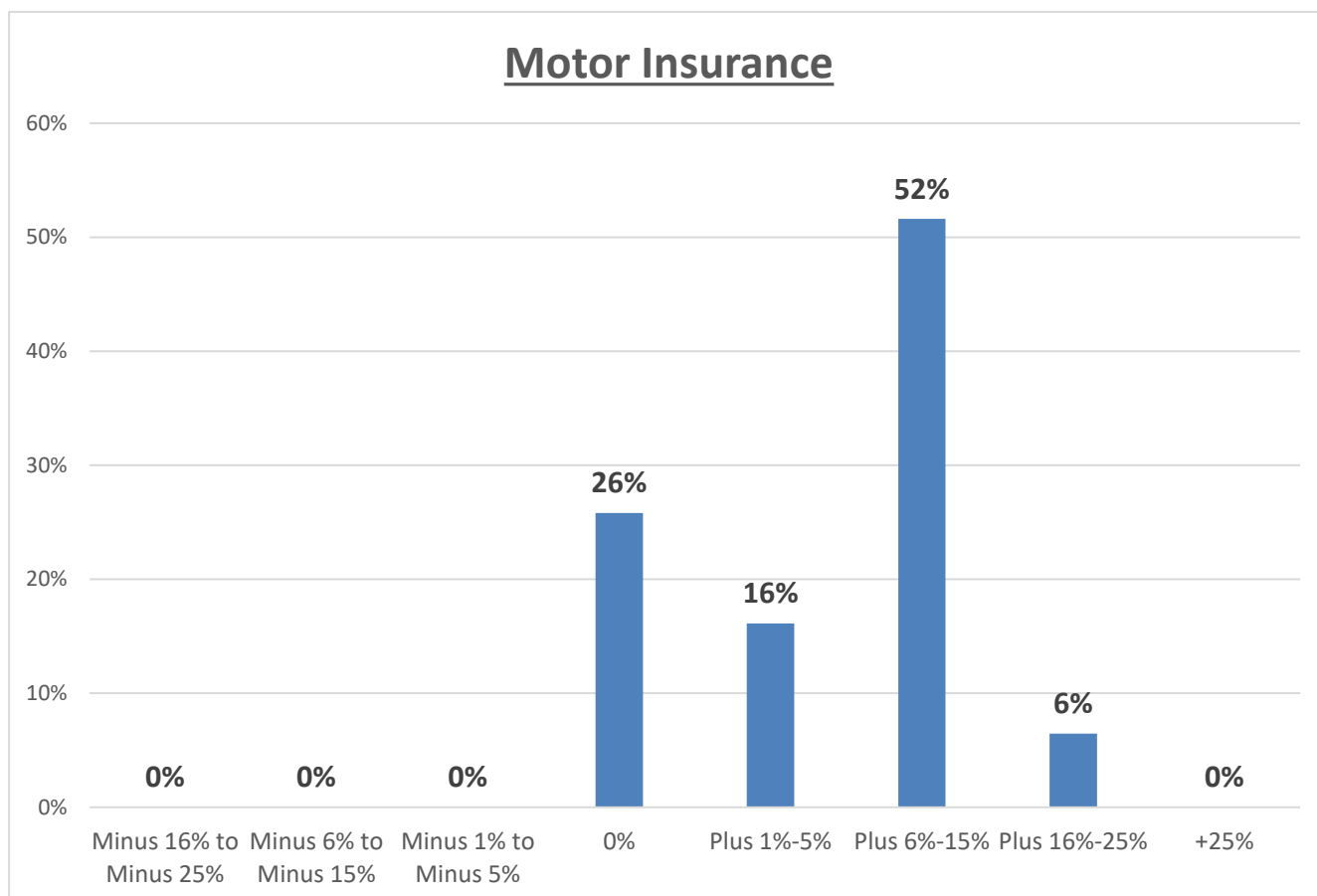
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

28% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

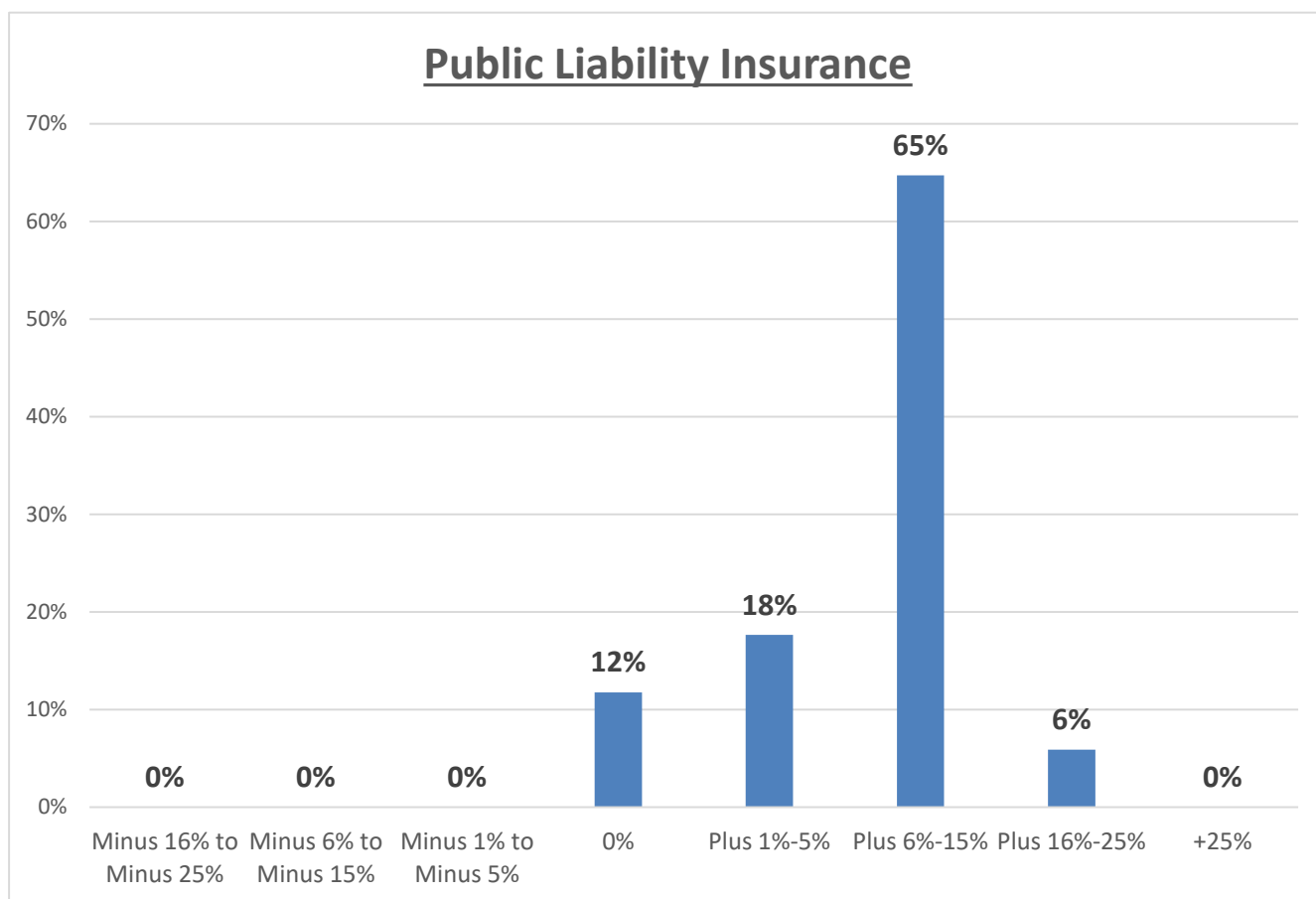
74% of respondents stated their Motor Insurance premiums increased on renewal.



- 0% of respondents noted an increase of +25%.
- 6% experienced increases of plus 16%-25%.
- 52% of respondents' premiums increased between plus 6% to 15%.
- 16% of those who responded recorded increases of plus 1%-5%.
- 26% reported no increase to premiums.
- While 0% reported a decrease.

Public Liability Insurance:

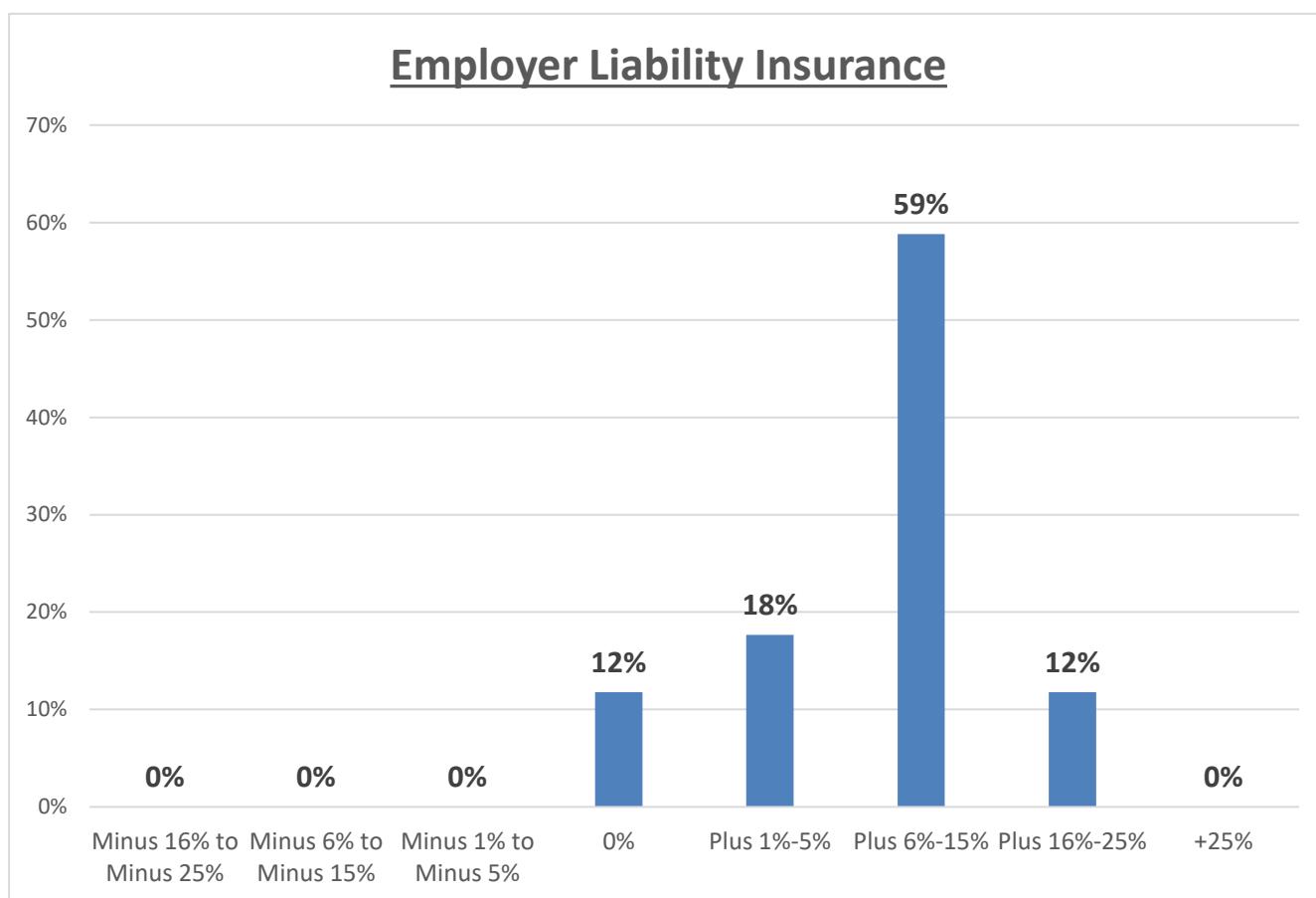
89% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 18% reported increases of between 1% and 5%.
- 65% stated increases of plus 6%-15%.
- 6% reported increases of plus 16%-25%.
- 0% reported increases of +25%
- 12% reported no change.
- While 0% reported a decrease.

Employer Liability Insurance:

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



- 18% reported increases of between 1% and 5%.
- 59% stated increases of plus 6%-15%.
- 12% reported increases of plus 16%-25%.
- 0% reported increases of +25%
- 12% reported no change.
- While 0% reported a decrease.

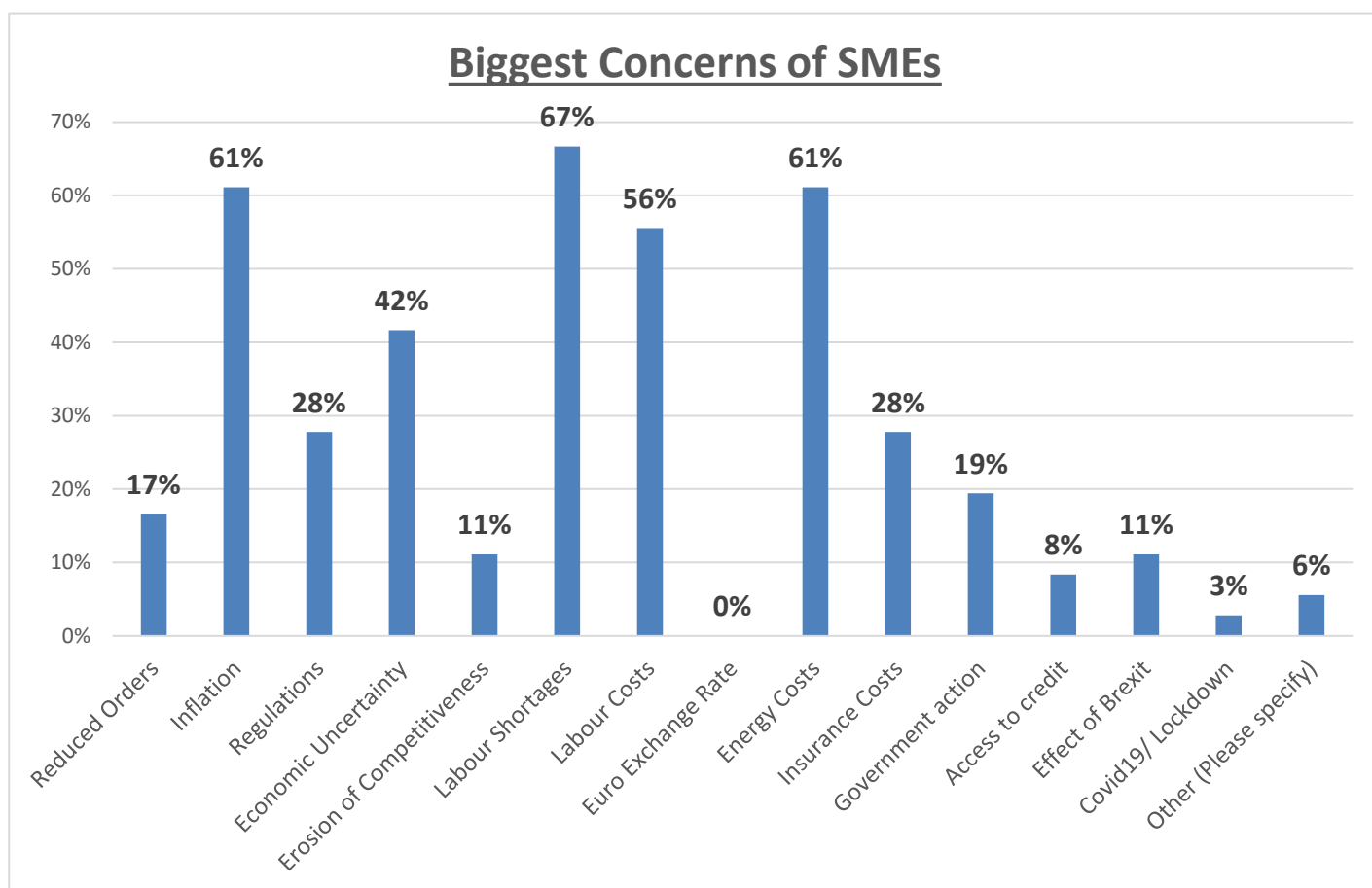
Insurance Summary:

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:

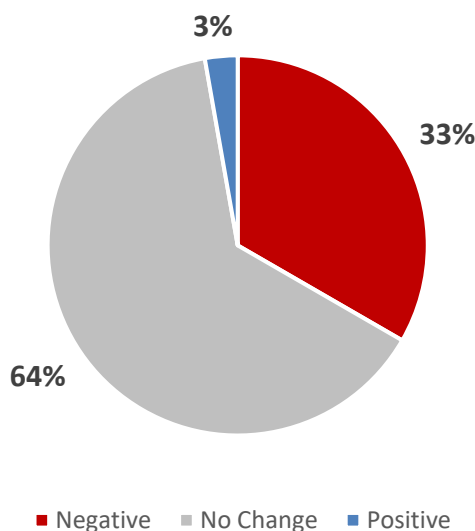
- Inflation at 61%.
- Energy Costs at 61%.
- Economic Uncertainty at 42%.
- Labour Shortages at 67%.
- Labour Costs at 56%



BREXIT:

While Brexit has become a less significant concern this quarter, 33% of respondents state that it would have a negative impact on their bottom line. 3% of respondents said Brexit will have a positive impact on their business, while 64% responded with no change.

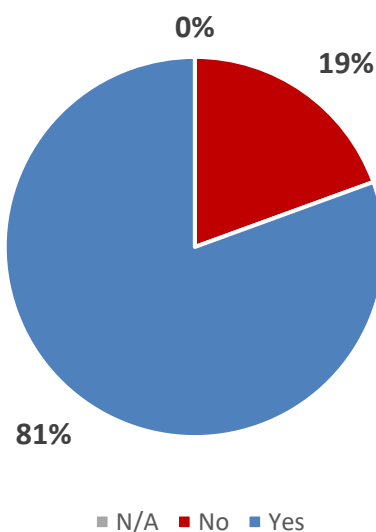
What effect will BREXIT have on your bottom line?



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 19% of businesses are impacted by inadequate broadband.

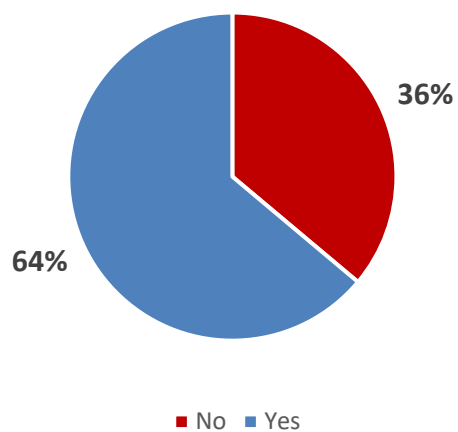
Is your broadband service adequate?



Retaining and Recruiting staff:

When asked 'Is your company finding it difficult to retain staff members?', 36% stated yes, they were, while 64% stated this was not a problem.

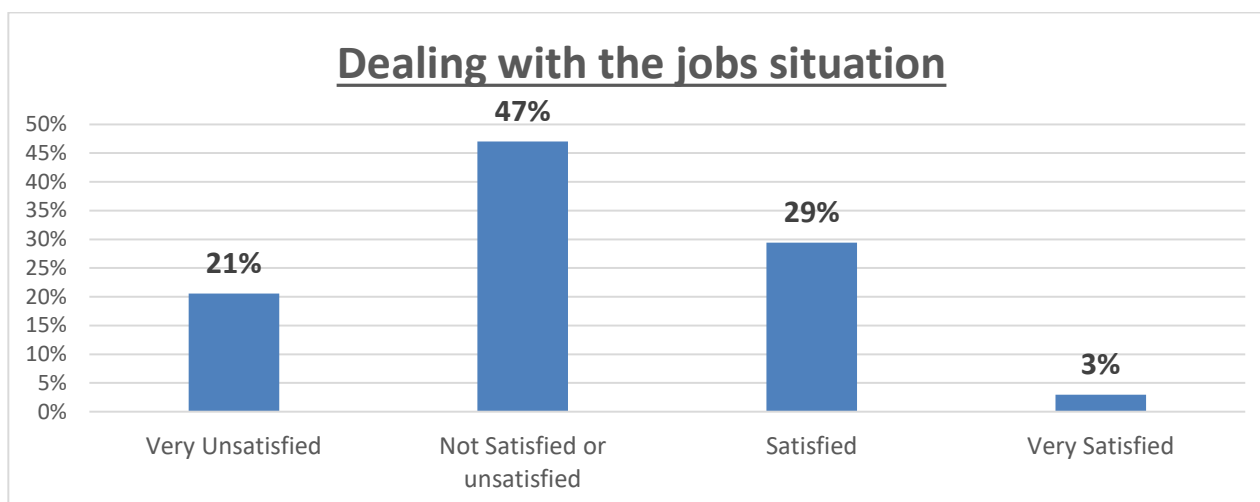
Is your company finding it difficult to retain staff members?



Government Performance:

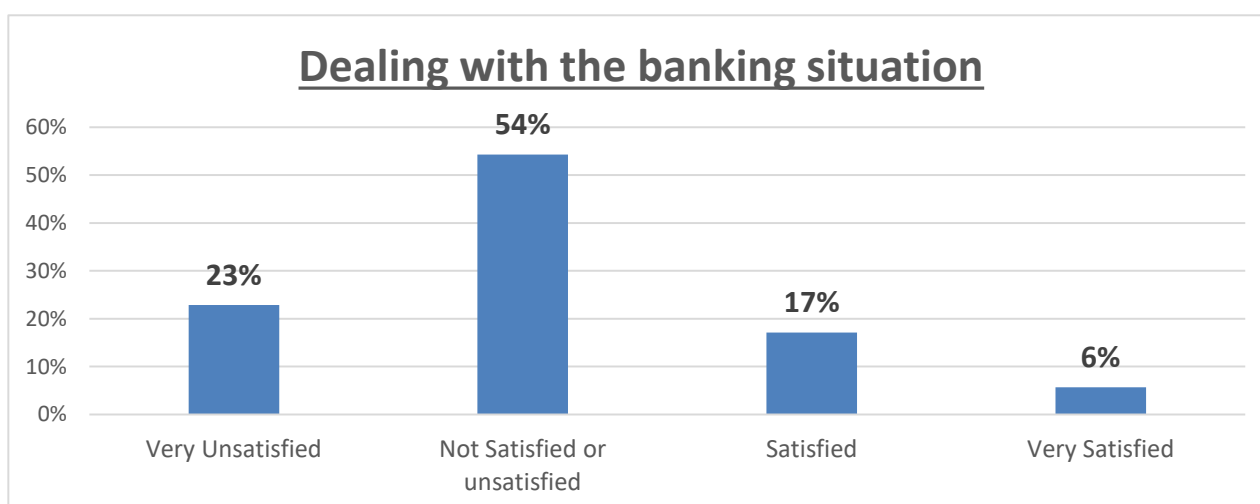
Dealing with the job situation

- Very Satisfied: 3%
- Satisfied: 29%
- Not Satisfied or dissatisfied: 47%
- Very Dissatisfied: 21%



Dealing with the banking situation

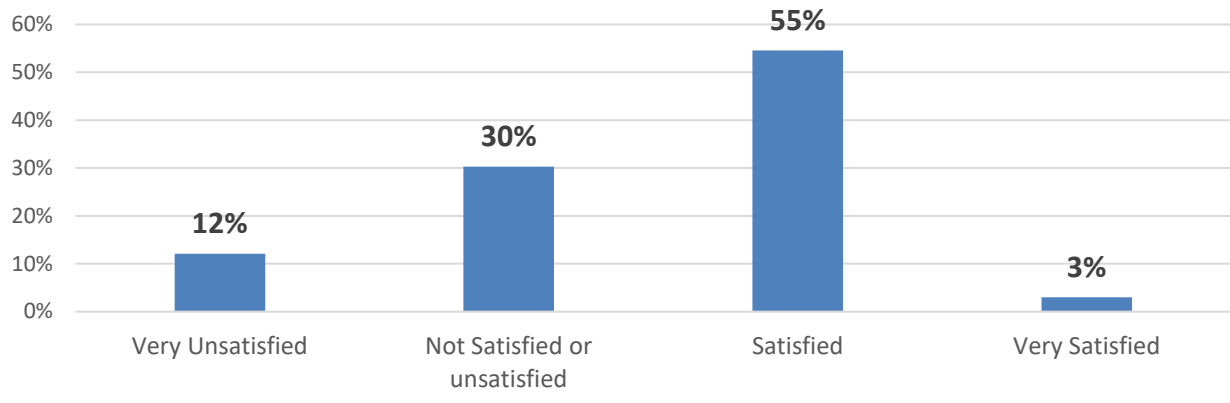
- Very Satisfied: 6%
- Satisfied: 17%
- Not Satisfied or dissatisfied: 54%
- Very Dissatisfied: 23%



Dealing with the economy

- Very Satisfied: 3%
- Satisfied: 55%
- Not Satisfied or dissatisfied: 30%
- Very Dissatisfied: 12%

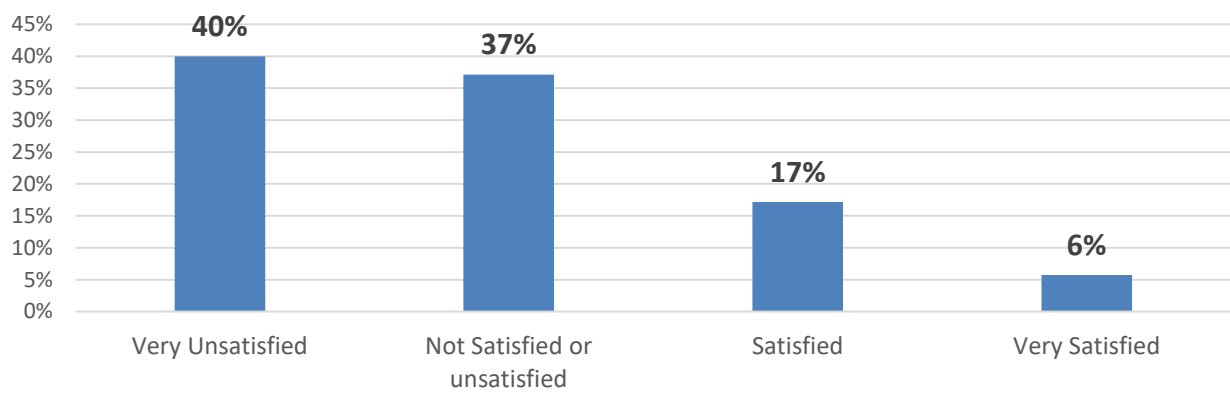
Dealing with the economy



Dealing with costs to business

- Very Satisfied: 6%
- Satisfied: 17%
- Not Satisfied or dissatisfied: 37%
- Very Dissatisfied: 40%

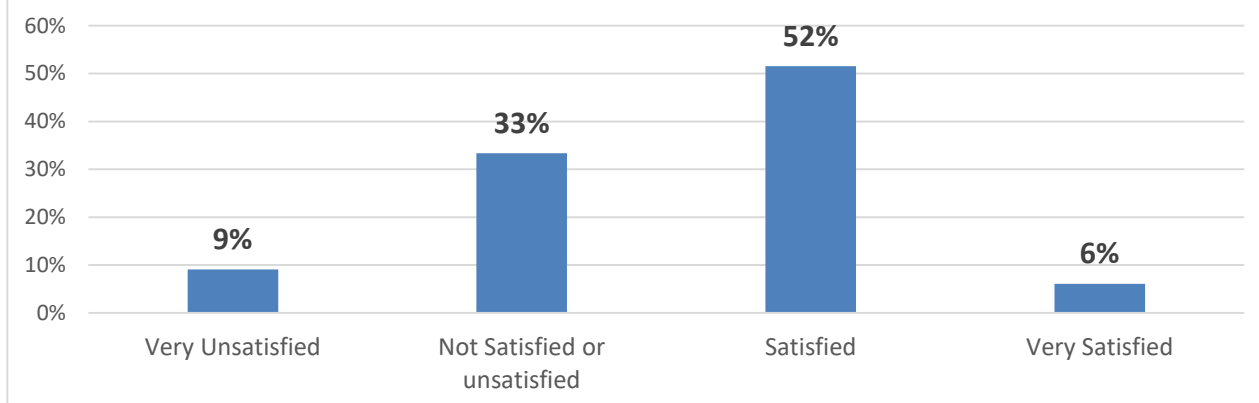
Dealing with costs to business



Overall economic performance

- Very Satisfied: 6%
- Satisfied: 52%
- Not Satisfied or dissatisfied: 33%
- Very Dissatisfied: 9%

Overall economic performance



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Methodology:

This survey was published in the last week of March 2023, covering the fourth quarter of 2022. There were 44 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.