

Q1'23

# ISME Q1 TRENDS REPORT 2023

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## Introduction: Q1'2023 Trends Report

This survey was published in the third week of March 2023 with 81 SME respondents and covers the first quarter of 2023. Of those surveyed the employee breakdown is as follows:

- 1-10 48%
- 11-20 19%
- 21-30 12%
- 31-50 5%
- 100 + 10%
- Other 5%

Geographically, the breakdown is as follows:

- Dublin 25%
- Leinster (Except Dublin) 26%
- Munster 26%
- Connaught 6%
- Ulster 9%
- Multiple sites 5%
- Other 3%

The Sectorial breakdown:

- Manufacturing 19%
- Services 30%
- IT/Online Services 6%
- Wholesale 4%
- Retail 6%
- Construction 6%
- Transport& Logistics 8%
- Hospitality 3%
- Food & Drink Production 1%
- Health Sector 4%
- Agriculture 0%
- Other (Please specify) 12%

## Overall Confidence Indicators:

The Q1'23 Business Trends Quarterly survey showed 9 out of 14 confidence indicators yielding declining results.

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

BREXIT uncertainty rose to 16%, an increase of 5%. Business Confidence decreased this quarter, falling from 17% to -14%. This comes with the Economic Uncertainty indicator decreasing by a further 6%.

Business Expectations have fallen dramatically, decreasing from 14% to -18%. The Business Environment also fell from 38% to 31%, while Profitability Expectations decreased by 18% and returned to the same level as Q3'22.

The Current Employment confidence indicator increased by 7%, while Future Employment remained steady at 26%.

Current Sales continue to decrease, dropping by 10% and marking the third quarter in a row that this confidence indicator has decreased. Sales Expectations also decreased by 28%.

Current Investment rose by 13% this quarter, while Future Investment dropped by 12%.

Current Exports fell by 19%. Export Expectations increased, rising by 2%.

Economic uncertainty concerns remain high but have continued to decrease this quarter, falling to 36%, which is the lowest this value has been in nearly 4 years. Brexit concerns rose slightly by 5%.

## Q1'23 Manufacturing:

Our Q1'23 results for the manufacturing sector show a massive recovery for many confidence indicators in the manufacturing sector. In this quarter, there were 12 decreasing confidence indicators.

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

Business Confidence decreased from 60% to -40%, while Business Expectations also decreased to -40%, a decrease of 80%.

Profitability Expectations decreased by 67%.

Future Employment in manufacturing decreased from 60% to 13%.

Current Sales decreased from 80% to 13%, a percentage decrease of 67%. Sales Expectations for the future also decreased from 60% to -13%.

Current Investment showed a significant increase, rising from 0% to 27%.

Current Exports decreased, going from 33% to -20%. Future Exports also decreased from 67% to 40%.

Current Employment decreased from 40% to 27%.

## Q1'23 Retail:

The Retail sector for Q1'23 showed Business Confidence significantly decreasing this quarter, dropping by 53%.

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

Business Expectations also decreased by 80%, going from 0% to -80%.

Profitability Expectations decreased from 33% to 25%. Current Sales saw a massive decrease and are now at -50%, compared to 0% in Q4'22.

Current Investment showed a decrease of 8% from Q4'22. Future Investment decreased from 67% to 0%.

Business Environment dropped and is now at 40%, a decrease of 60% from the fourth quarter of 2022.

Current Employment in retail remains steady at 0% this quarter. The expectation for Future Employment also remains the same as last quarter at 0%. Sales Expectations decreased from 33% to -25%.

## Q1'23 Services:

The Services sector for Q1'23 showed 5 of the 14 confidence indicators decreasing from the previous quarter.

KEY INDICATORS SERVICES	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Business Confidence	-18%	-41%	5%	42%	37%	45%	8%	-13%	8%	-21%	21%
Business Expectations	-13%	42%	34%	70%	27%	52%	-4%	-54%	-33%	-14%	5%
Business Environment	-25%	-53%	-44%	45%	60%	15%	21%	28%	46%	7%	42%
Profitability Expectations	-30%	-35%	-10%	23%	19%	15%	-24%	18%	42%	46%	31%
Current Employment	-18%	-53%	-33%	6%	10%	0%	-17%	13%	0%	-7%	16%
Future Employment	-15%	0%	20%	36%	47%	24%	22%	0%	30%	14%	42%
Current Sales	-19%	-41%	-38%	7%	30%	0%	0%	6%	38%	0%	19%
Sales Expectations	-20%	-29%	28%	73%	37%	36%	41%	-11%	10%	31%	19%
Current Investment	32%	-6%	23%	53%	30%	39%	50%	37%	38%	15%	31%
Future Investment	10%	0%	33%	50%	56%	36%	55%	29%	33%	15%	0%
Current Exports	-23%	-40%	13%	17%	55%	12%	0%	17%	29%	50%	0%
Export Expectations	23%	40%	27%	56%	50%	18%	60%	29%	38%	50%	33%
Economic Uncertainty	84%	88%	69%	50%	50%	33%	56%	60%	62%	42%	46%
Brexit	30%	31%	26%	18%	23%	9%	17%	7%	10%	0%	8%

Business Confidence rose from -21% to 21%.

Business Environment also increased, going from 7% to 42% while Profitability Expectations decreased from 46% to 31%.

Current Employment rose from -7% to 16% while Future Employment also rose from 14% in Q4'22 to 42% this quarter.

Current Sales increased by 19%. Sales Expectations showed a decrease of 21%, falling from 31% to 19%.

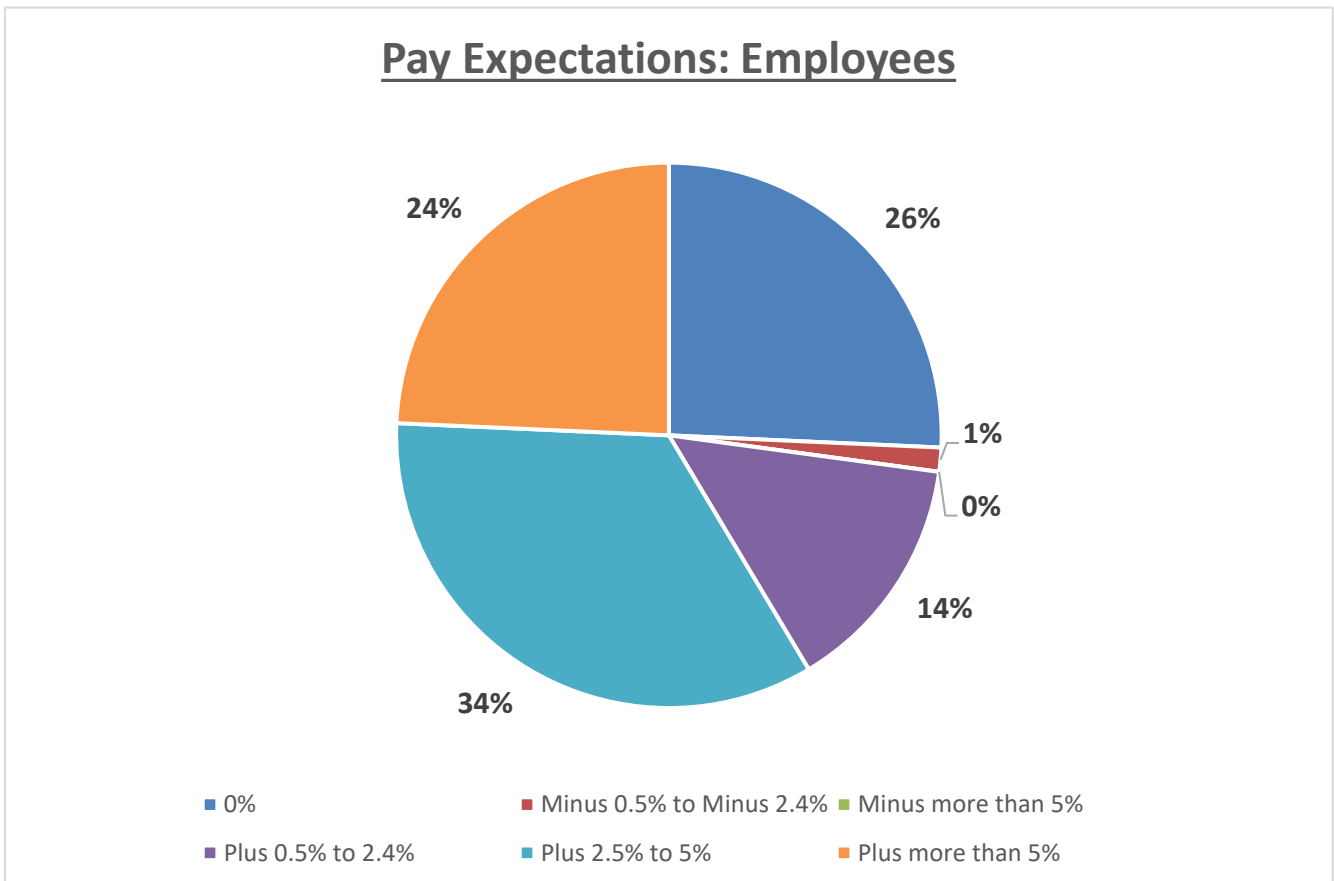
Current Investment saw an increase, rising from 15% to 31%. Future Investment decreased from 15% to 0%.

Current Exports decreased this quarter from 50% to 0%, while Export Expectations also showed a decrease from 50% to 33%.

## Q1'23 Pay Expectations: Employees

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

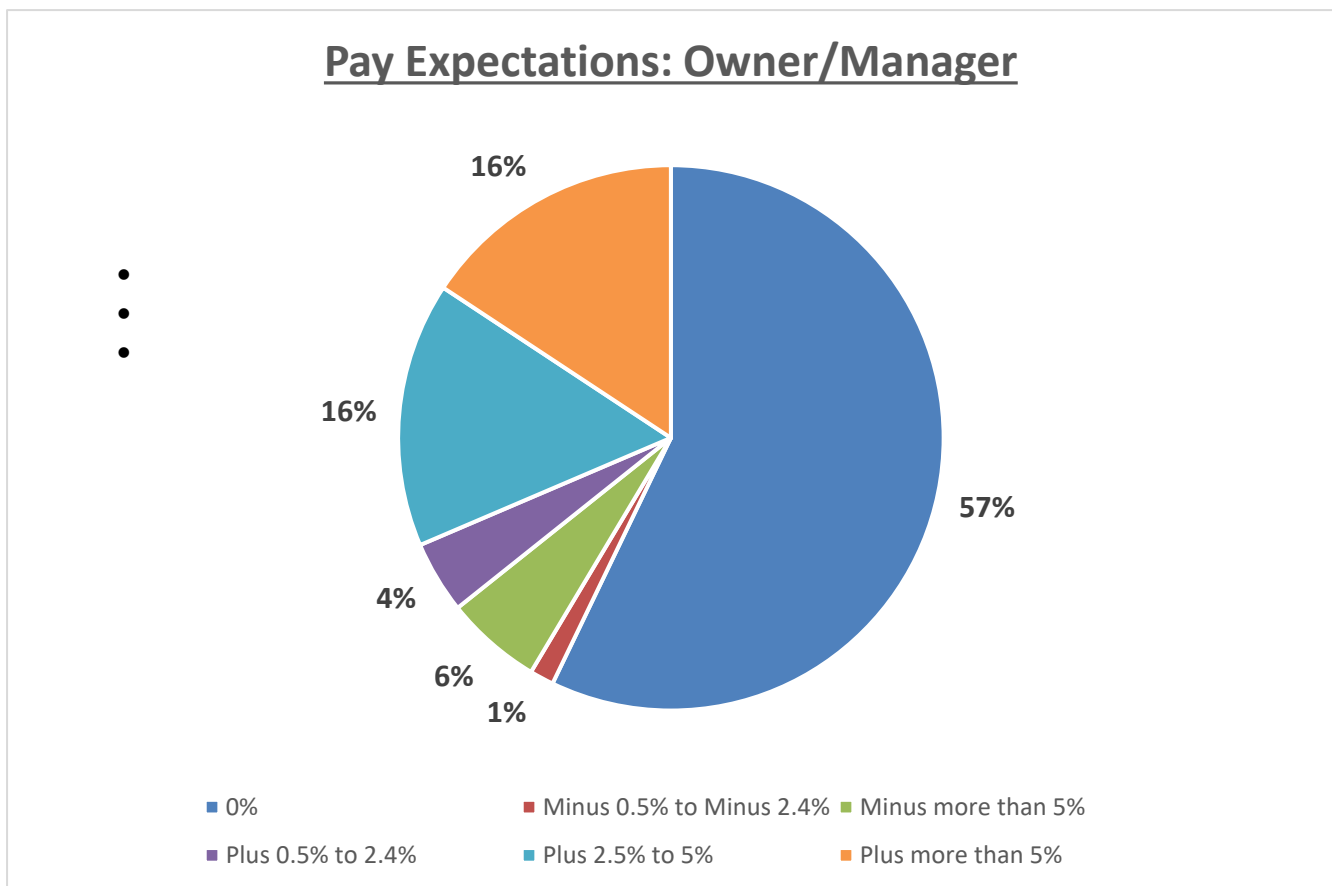
- 26% of SMEs will not be able to increase pay this year for their employees.
- 14% will increase employees' pay by 0.5% to 2.4%.
- 34% will increase pay by 2.5%-5%.
- 0% of employers will decrease employees' pay by more than 5%.





## Q1'23 Pay Expectations: Owner Manager

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



- 57% said they would not increase their earnings from the business.
- 16% stated they intend to increase their wages by plus 5%.
- 16% will increase their pay by between 2.5%-5%.
- 4% will increase their pay by between 0.5%-2.4%.
- 7% stated they were reducing their wages.

## Insurance Costs: Introduction

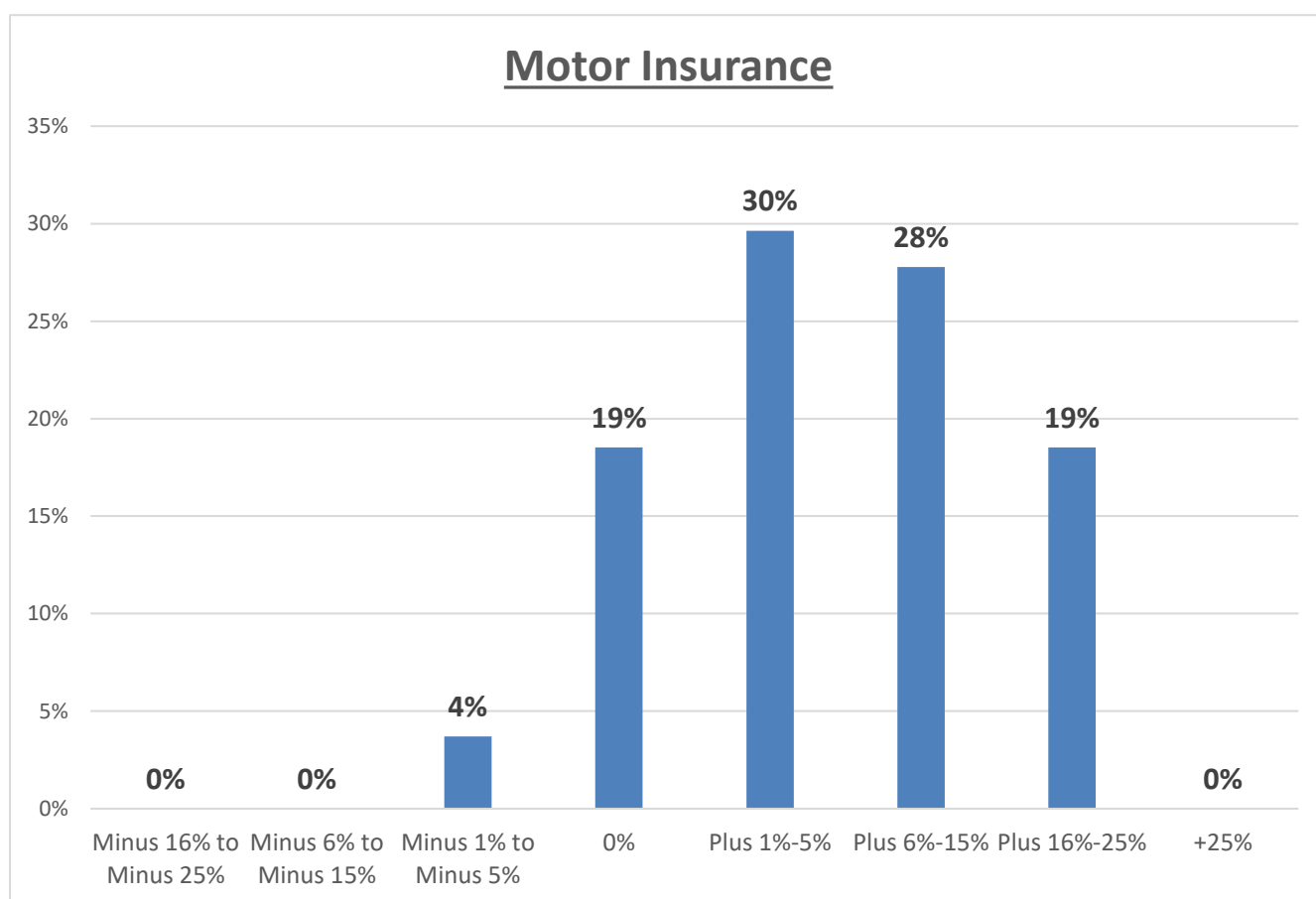
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

30% of SMEs consider Insurance one of their immediate biggest concerns.

## Motor Insurance:

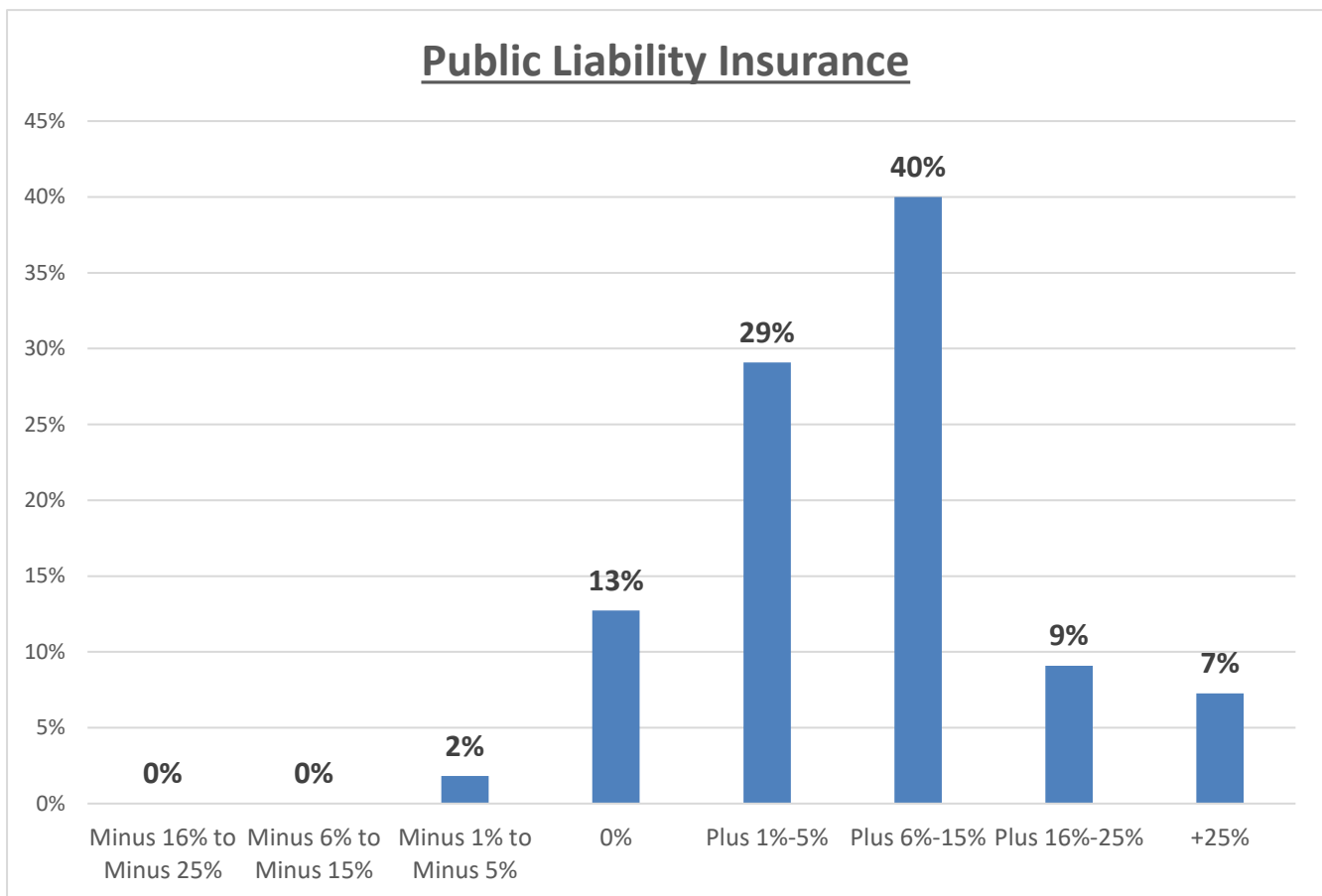
77% of respondents stated their Motor Insurance premiums increased on renewal.



- 0% of respondents noted an increase of +25%.
- 19% experienced increases of plus 16%-25%.
- 28% of respondents' premiums increased between 6% to 15%.
- 30% of those who responded recorded increases of plus 1%-5%.
- 19% reported no increase to premiums.
- While 4% reported a decrease.

Public Liability Insurance:

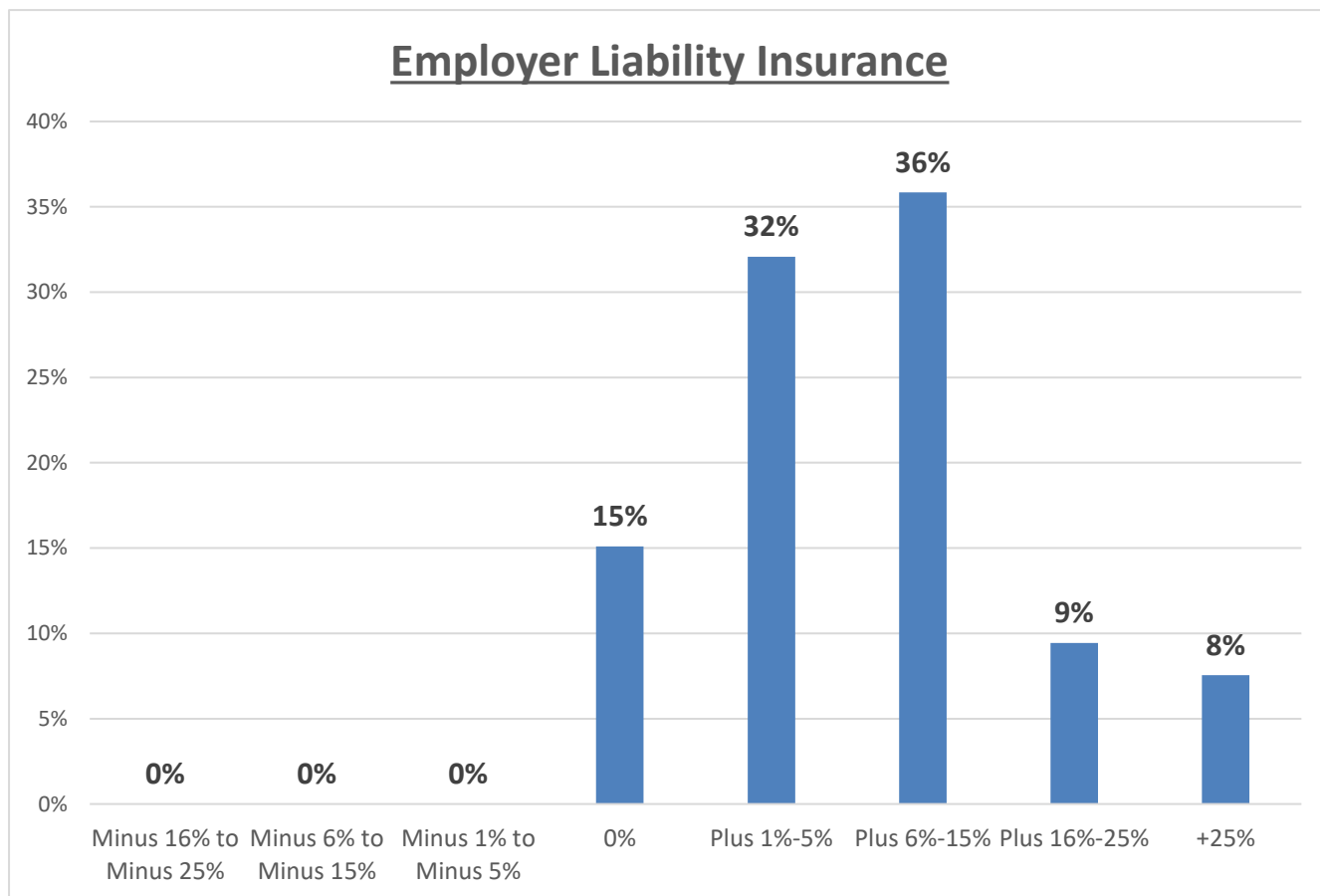
85% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 29% reported increases of between 1% and 5%.
- 40% stated increases of plus 6%-15%.
- 9% reported increases of plus 16%-25%.
- 7% reported increases of +25%
- 13% reported no change.
- While 2% reported a decrease.

### Employer Liability Insurance:

89% stated their Employer Liability insurance premiums increased on renewal.



- 32% reported increases of between 1% and 5%.
- 36% stated increases of plus 6%-15%.
- 9% reported increases of plus 16%-25%.
- 8% reported increases of +25%
- 15% reported no change.
- While 0% reported a decrease.

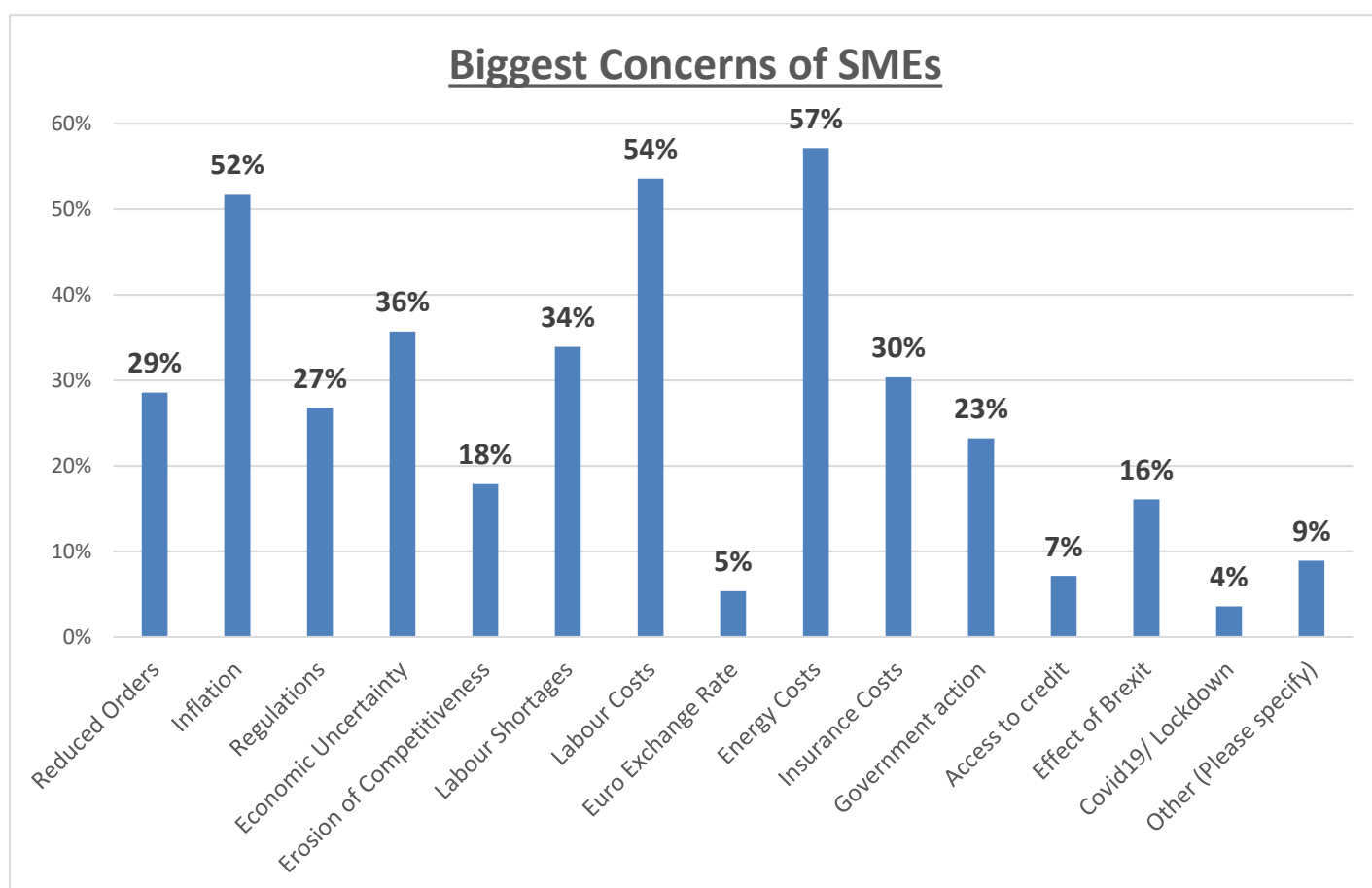
### Insurance Summary:

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 2023.

## Biggest concern of SMEs:

The top five concerns for SMEs in this quarter are:

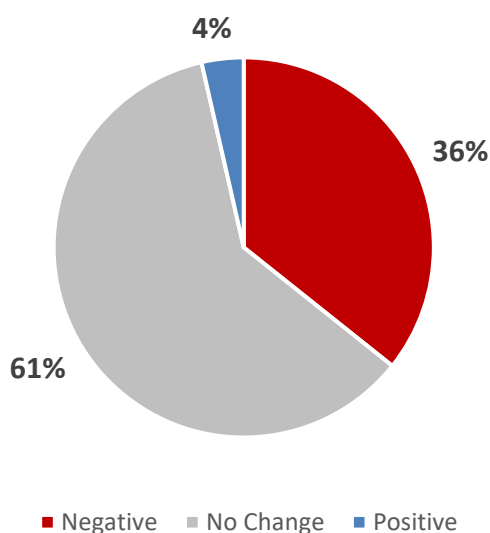
- Energy Costs at 57%.
- Labour Costs at 54%.
- Inflation at 52%.
- Economic Uncertainty at 36%.
- Labour Shortages at 34%



## BREXIT:

Brexit has become a slightly more significant concern this quarter, with 36% of respondents stating that it would have a negative impact on their bottom line. 4% of respondents said Brexit will have a positive impact on their business, while 61% responded with no change.

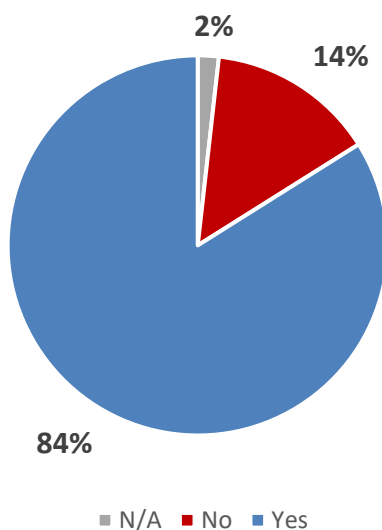
### What effect will BREXIT have on your bottom line?



## 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 14% of businesses are impacted by inadequate broadband.

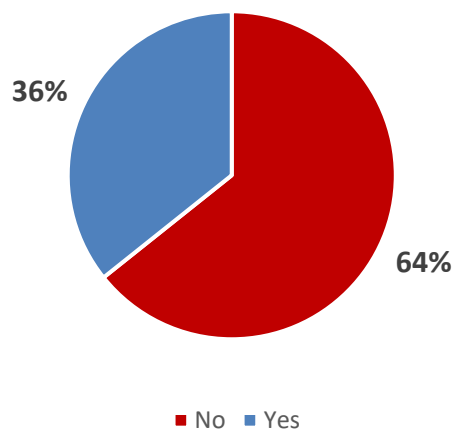
### Is your broadband service adequate?



### 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.

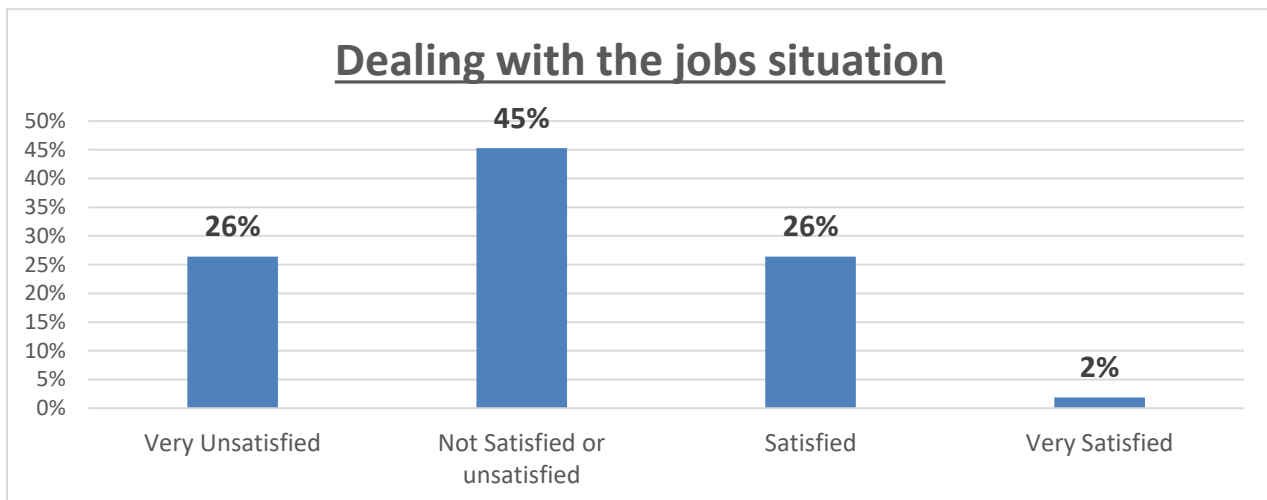
#### Is your company finding it difficult to retain staff members?



## Government Performance:

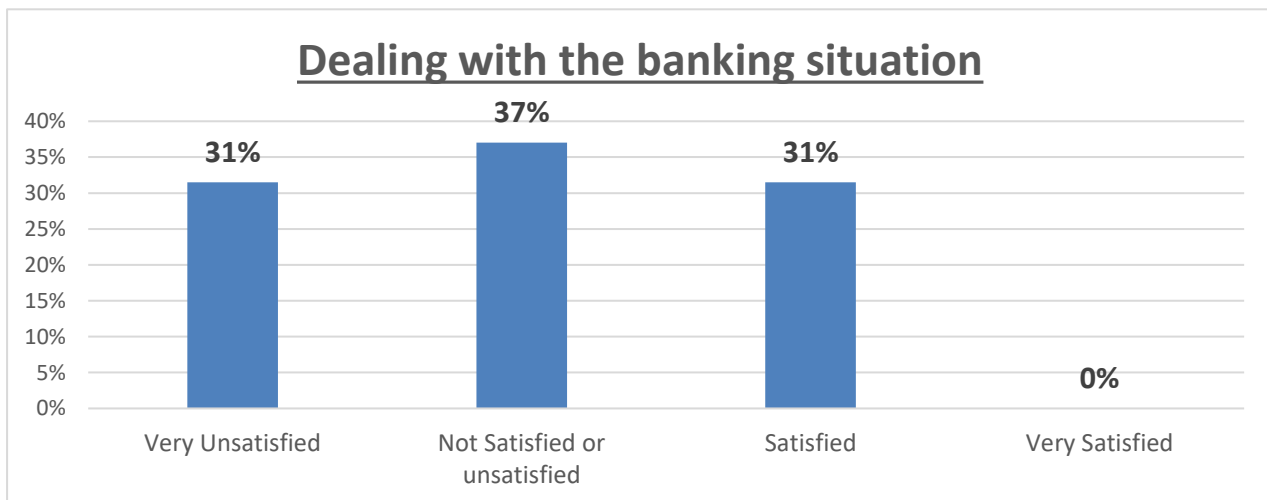
### Dealing with the job situation

- Very Satisfied: 2%
- Satisfied: 26%
- Not Satisfied or dissatisfied: 45%
- Very Dissatisfied: 26%



### Dealing with the banking situation

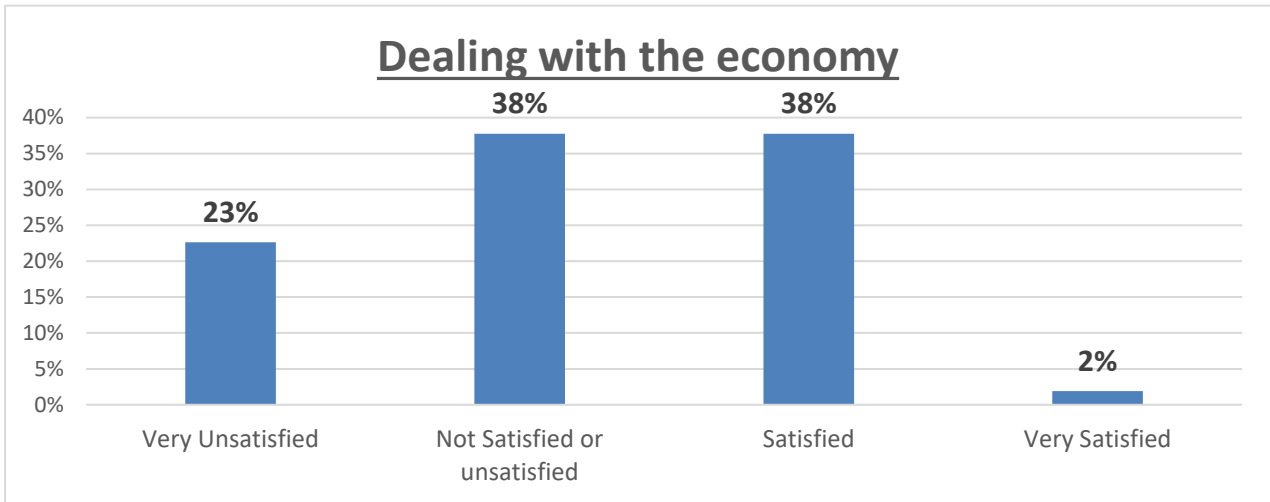
- Very Satisfied: 0%
- Satisfied: 31%
- Not Satisfied or dissatisfied: 37%
- Very Dissatisfied: 31%



### Dealing with the economy

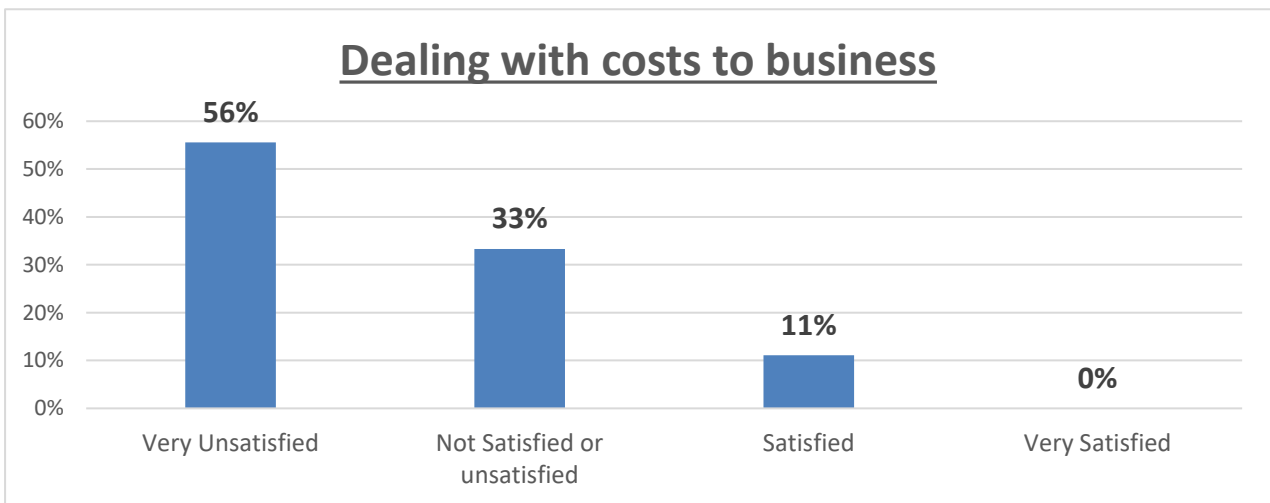
- Very Satisfied: 2%
- Satisfied: 38%
- Not Satisfied or dissatisfied: 38%
- Very Dissatisfied: 23%





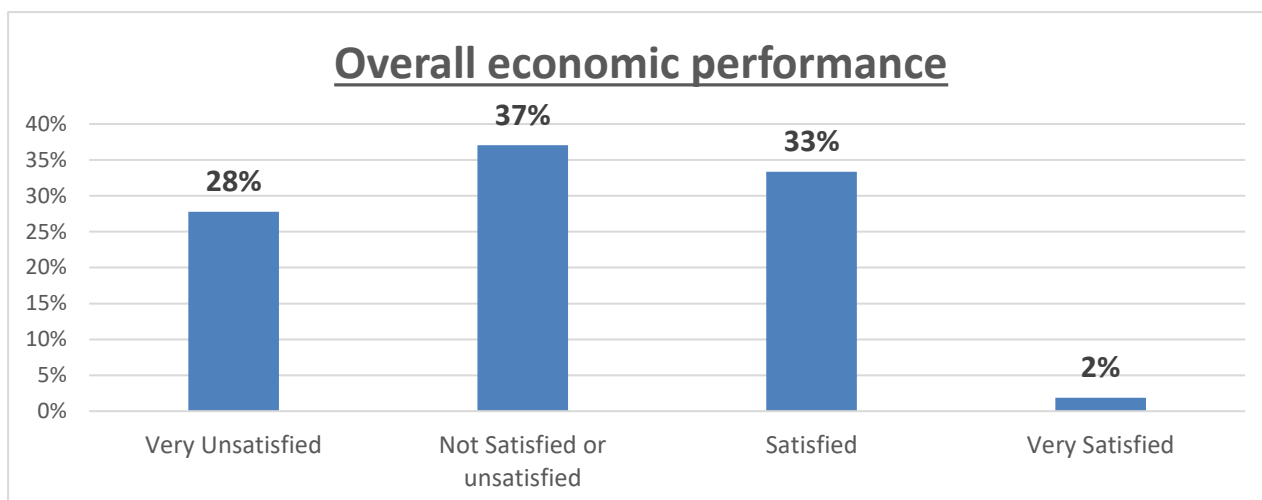
#### Dealing with costs to business

- Very Satisfied: 0%
- Satisfied: 11%
- Not Satisfied or dissatisfied: 33%
- Very Dissatisfied: 56%



#### Overall economic performance

- Very Satisfied: 2%
- Satisfied: 33%
- Not Satisfied or dissatisfied: 37%
- Very Dissatisfied: 28%



For further information, please contact:

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**Methodology:**

This survey was published in the third week of March 2023, covering the first quarter of 2023. There were 81 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.