

Q2'23

iSME
Irish SME Association

ISME Q2 TRENDS REPORT 2023

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Introduction: Q2'2023 Trends Report

This survey was published in the first week of June 2023 with 58 SME respondents and covers the second quarter of 2023. Of those surveyed the employee breakdown is as follows:

- 1-10 47%
- 11-20 19%
- 21-30 12%
- 31-50 10%
- 100+ 7%
- Other 5%

Geographically, the breakdown is as follows:

- Dublin 28%
- Leinster (Except Dublin) 22%
- Munster 12%
- Connaught 16%
- Ulster 3%
- Multiple sites 14%
- Other 5%

The Sectorial breakdown:

- Manufacturing 22%
- Services 17%
- IT/Online Services 5%
- Wholesale 5%
- Retail 10%
- Construction 12%
- Transport & Logistics 7%
- Hospitality 5%
- Food & Drink Production 2%
- Health Sector 7%
- Agriculture 2%
- Other (Please specify) 5%

Overall Confidence Indicators:

The Q2'23 Business Trends Quarterly survey showed 5 out of 14 confidence indicators yielding declining results.

KEY INDICATORS OVERALL	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Business Confidence	-33%	6%	49%	26%	30%	-10%	-30%	-20%	17%	-14%	-13%
Business Expectations	26%	36%	48%	33%	44%	-26%	-54%	-35%	14%	-18%	-9%
Business Environment	-19%	-38%	29%	34%	18%	24%	30%	33%	38%	31%	48%
Profitability Expectations	-21%	-6%	17%	10%	11%	-15%	14%	25%	43%	25%	28%
Current Employment	-15%	-20%	8%	9%	7%	8%	17%	13%	12%	19%	14%
Future Employment	6%	19%	35%	35%	32%	20%	-2%	17%	26%	26%	11%
Current Sales	-34%	-46%	14%	14%	14%	23%	30%	46%	33%	23%	17%
Sales Expectations	-10%	28%	54%	41%	37%	21%	-6%	5%	30%	2%	2%
Current Investment	19%	21%	38%	34%	36%	39%	40%	32%	20%	33%	26%
Future Investment	16%	28%	40%	47%	40%	33%	21%	24%	30%	18%	24%
Current Exports	-29%	-12%	-7%	-8%	22%	9%	2%	30%	15%	-4%	9%
Export Expectations	8%	15%	32%	34%	39%	33%	21%	30%	40%	42%	27%
Economic Uncertainty	69%	62%	44%	43%	40%	60%	60%	50%	42%	36%	42%
Brexit	46%	42%	38%	37%	25%	13%	17%	10%	11%	16%	16%

BREXIT uncertainty remains at 16%. Business Confidence increased only slightly this quarter, rising from -14% to -13%. This comes with the Economic Uncertainty indicator increasing by 6%.

Business Expectations increased, rising from -18% to -9%. The Business Environment also rose from 31% to 48%, while Profitability Expectations increased by 3%.

The Current Employment confidence indicator decreased by 5%, while Future Employment also decreased, falling from 26% to 11%.

Current Sales continue to decrease, dropping by 6% and marking the fourth quarter in a row that this confidence indicator has decreased. Sales Expectations remain steady at 2%.

Current Investment fell by 7% this quarter, while Future Investment rose by 6%.

Current Exports rose by 13%. Export Expectations decreased, falling by 15%.

Economic uncertainty concerns remain high and have increased this quarter, rising to 42%, returning to the same level as Q4'22. Brexit concerns remain steady at 16%.

Q2'23 Manufacturing:

Our Q2'23 results for the manufacturing sector show massive recovery for many confidence indicators in the manufacturing sector. In this quarter, there were 6 decreasing confidence indicators.

KEY INDICATORS MANUFACTURING	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Business Confidence	-47%	8%	50%	17%	41%	-12%	-22%	-22%	60%	-40%	0%
Business Expectations	5%	31%	31%	31%	27%	-24%	-52%	-28%	40%	-40%	-15%
Business Environment	5%	-28%	38%	36%	27%	36%	37%	44%	60%	40%	46%
Profitability Expectations	-18%	-14%	6%	-6%	18%	12%	12%	30%	80%	13%	25%
Current Employment	0%	-14%	6%	8%	36%	8%	24%	20%	40%	27%	23%
Future Employment	12%	29%	25%	14%	36%	36%	4%	20%	60%	13%	0%
Current Sales	-35%	-51%	25%	20%	14%	20%	56%	53%	80%	13%	0%
Sales Expectations	-6%	43%	50%	31%	36%	12%	16%	7%	60%	-13%	8%
Current Investment	35%	17%	56%	51%	73%	44%	52%	50%	0%	27%	46%
Future Investment	41%	40%	44%	51%	64%	16%	20%	20%	80%	40%	23%
Current Exports	-54%	-17%	-18%	-9%	23%	21%	12%	30%	33%	-20%	0%
Export Expectations	21%	39%	0%	35%	41%	37%	41%	21%	67%	40%	29%
Economic Uncertainty	65%	53%	54%	33%	27%	55%	60%	46%	60%	36%	42%
Brexit	59%	59%	36%	45%	27%	14%	16%	14%	0%	29%	17%

Business Confidence increased from -40% to 0%, while Business Expectations also increased to -15%, an increase of 25%.

Profitability Expectations increased by 12%.

Future Employment in manufacturing decreased from 13% to 0%.

Current Sales decreased from 13% to 0%, a percentage decrease of 13%. Sales Expectations for the future increased from -13% to 8%.

Current Investment showed a significant increase, rising from 27% to 46%.

Current Exports increased, going from -20% to 0%. Future Exports decreased from 40% to 29%.

Current Employment decreased from 27% to 23%.

Q2'23 Retail:

The Retail sector for Q2'23 showed Business Confidence decreasing significantly this quarter, dropping by 13%.

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

Business Expectations also increased significantly, by 73%, going from -80% to -17%.

Profitability Expectations decreased from 25% to 0%. Current Sales saw a massive increase and are now at -20%, compared to -50% in Q1'23.

Current Investment showed a decrease of 45% from Q1'23. Future Investment increased from 0% to 40%.

Business Environment dropped and is now at 0%, a decrease of 40% from last quarter.

Current Employment in retail fell by 50% this quarter, now at -50%. The expectation for Future Employment increased from 0% to 33%. Sales Expectations also increased from -25% to 0%.

Q2'23 Services:

The Services sector for Q2'23 showed 8 of the 14 confidence indicators decreasing from the previous quarter.

KEY INDICATORS SERVICES	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Business Confidence	-41%	5%	42%	37%	45%	8%	-13%	8%	-21%	21%	13%
Business Expectations	42%	34%	70%	27%	52%	-4%	-54%	-33%	-14%	5%	0%
Business Environment	-53%	-44%	45%	60%	15%	21%	28%	46%	7%	42%	50%
Profitability Expectations	-35%	-10%	23%	19%	15%	-24%	18%	42%	46%	31%	25%
Current Employment	-53%	-33%	6%	10%	0%	-17%	13%	0%	-7%	16%	13%
Future Employment	0%	20%	36%	47%	24%	22%	0%	30%	14%	42%	0%
Current Sales	-41%	-38%	7%	30%	0%	0%	6%	38%	0%	19%	38%
Sales Expectations	-29%	28%	73%	37%	36%	41%	-11%	10%	31%	19%	25%
Current Investment	-6%	23%	53%	30%	39%	50%	37%	38%	15%	31%	38%
Future Investment	0%	33%	50%	56%	36%	55%	29%	33%	15%	0%	25%
Current Exports	-40%	13%	17%	55%	12%	0%	17%	29%	50%	0%	50%
Export Expectations	40%	27%	56%	50%	18%	60%	29%	38%	50%	33%	25%
Economic Uncertainty	88%	69%	50%	50%	33%	56%	60%	62%	42%	46%	43%
Brexit	31%	26%	18%	23%	9%	17%	7%	10%	0%	8%	0%

Business Confidence fell from 21% to 13%.

Business Environment increased, going from 42% to 50% while Profitability Expectations decreased from 31% to 25%.

Current Employment fell from 16% to 13% while Future Employment also decreased from 42% in Q1'23 to 0% this quarter.

Current Sales increased by 19%. Sales Expectations showed also increased, rising from 19% to 25%.

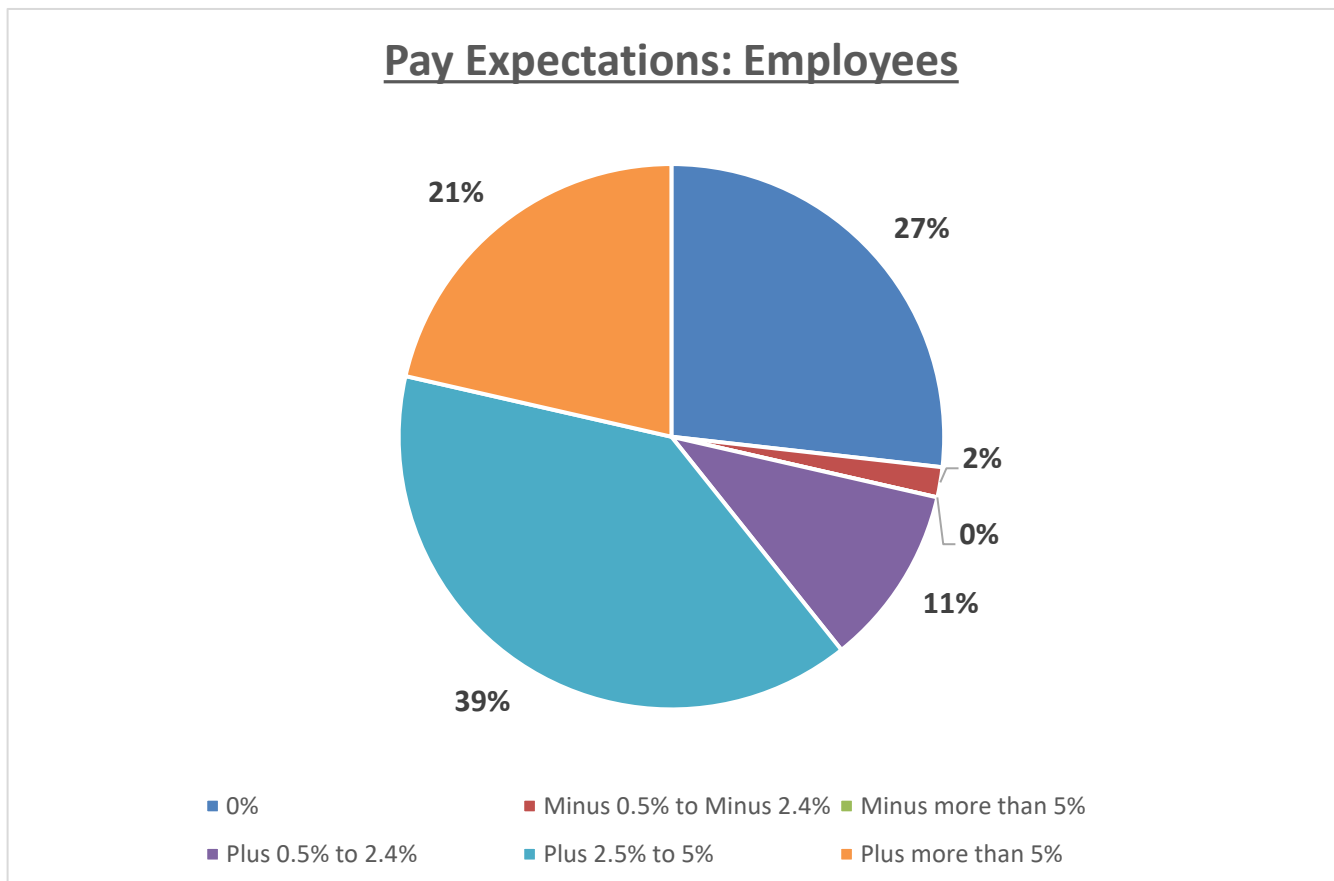
Current Investment saw an increase, rising from 31% to 38%. Future Investment increased from 0% to 25%.

Current Exports increased this quarter from 0% to 50%, while Export Expectations showed a decrease from 33% to 25%.

Q2'23 Pay Expectations: Employees

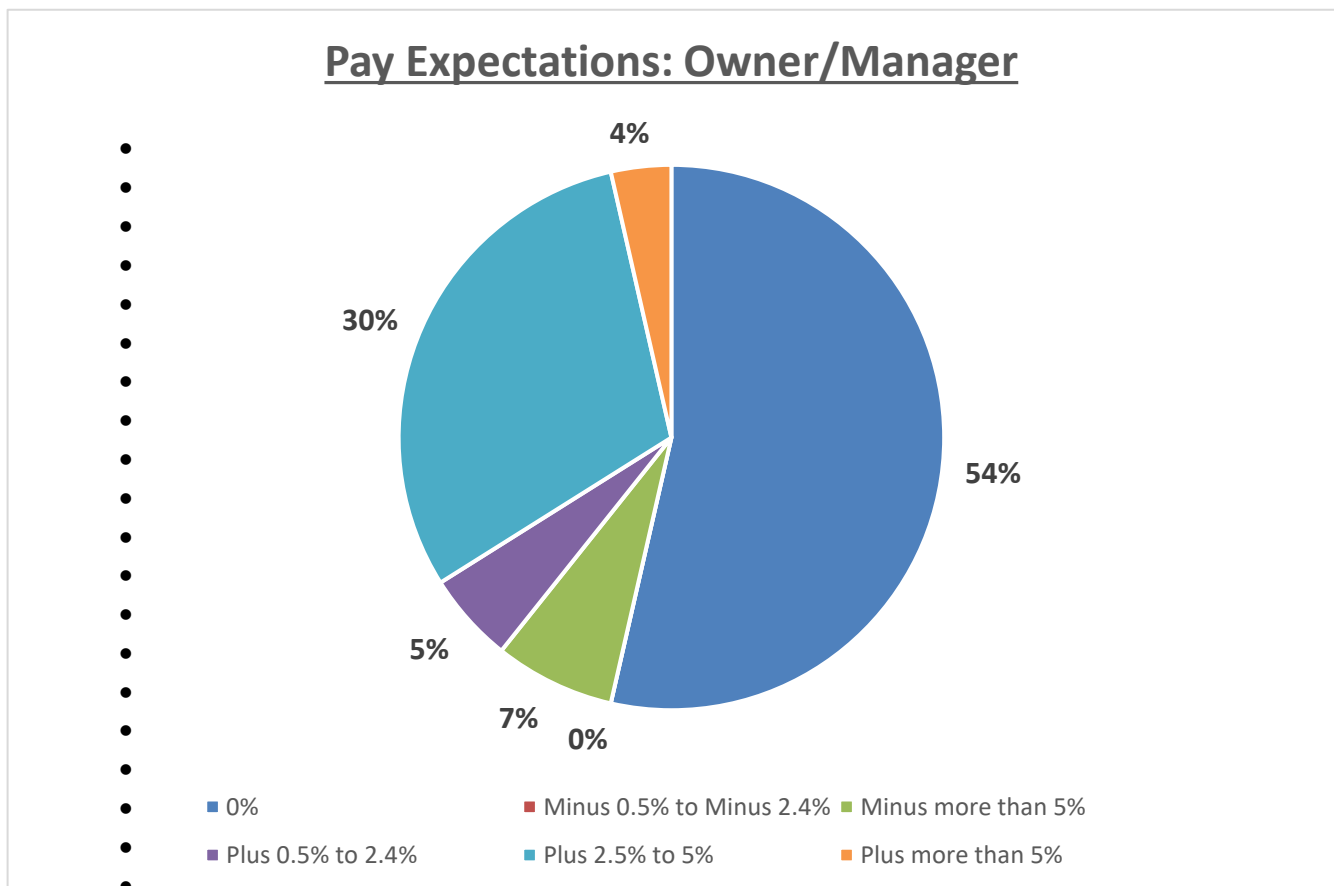
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 27% of SMEs will not be able to increase pay this year for their employees.
- 11% will increase employees pay by 0.5% to 2.4%.
- 39% 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:



- 54% said they would not increase their earnings from the business.
- 4% stated they intend to increase their wages by plus 5%.
- 30% will increase their pay between 2.5%-5%.
- 5% will increase their pay between 0.5%-2.4%.
- 7% stated they were reducing their wages.

Insurance Costs: Introduction

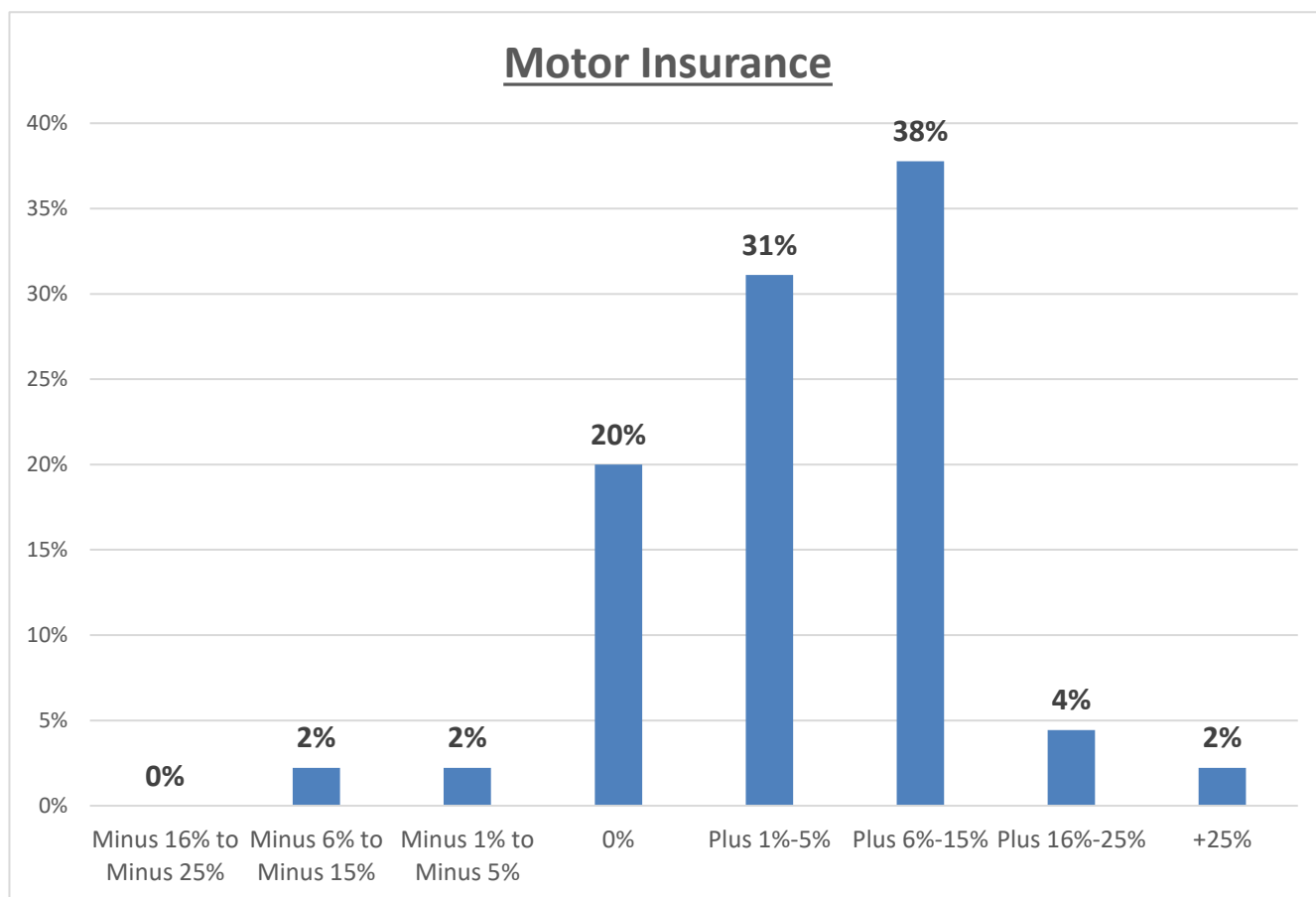
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

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

Motor Insurance:

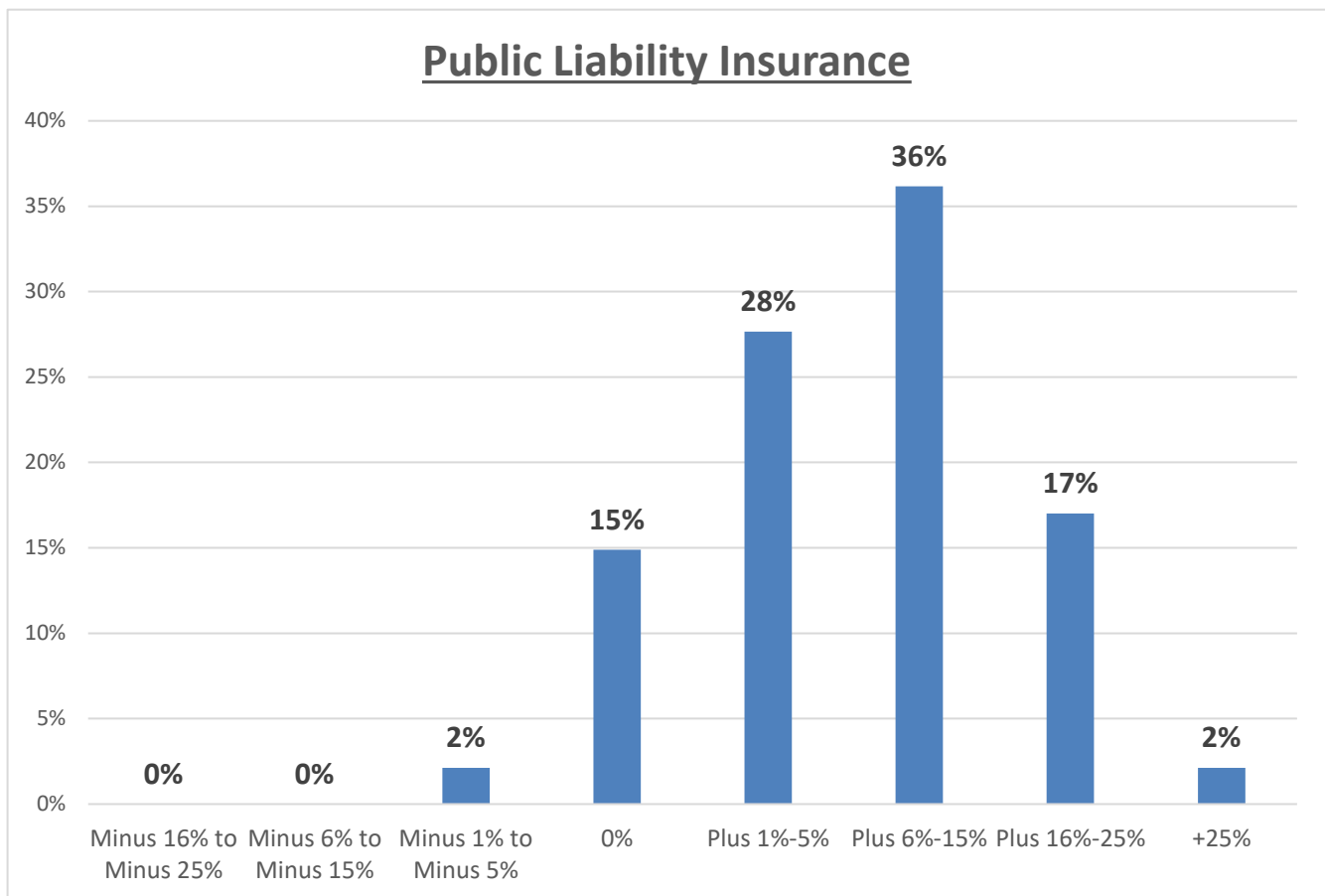
75% of respondents stated their Motor Insurance premiums increased on renewal.



- 2% of respondents noted an increase of +25%.
- 4% experienced increases of plus 16%-25%.
- 38% of respondents' premiums increased between plus 6% to 15%.
- 31% of those who responded recorded increases of plus 1%-5%.
- 20% reported no increase to premiums.
- While 4% reported a decrease.

Public Liability Insurance:

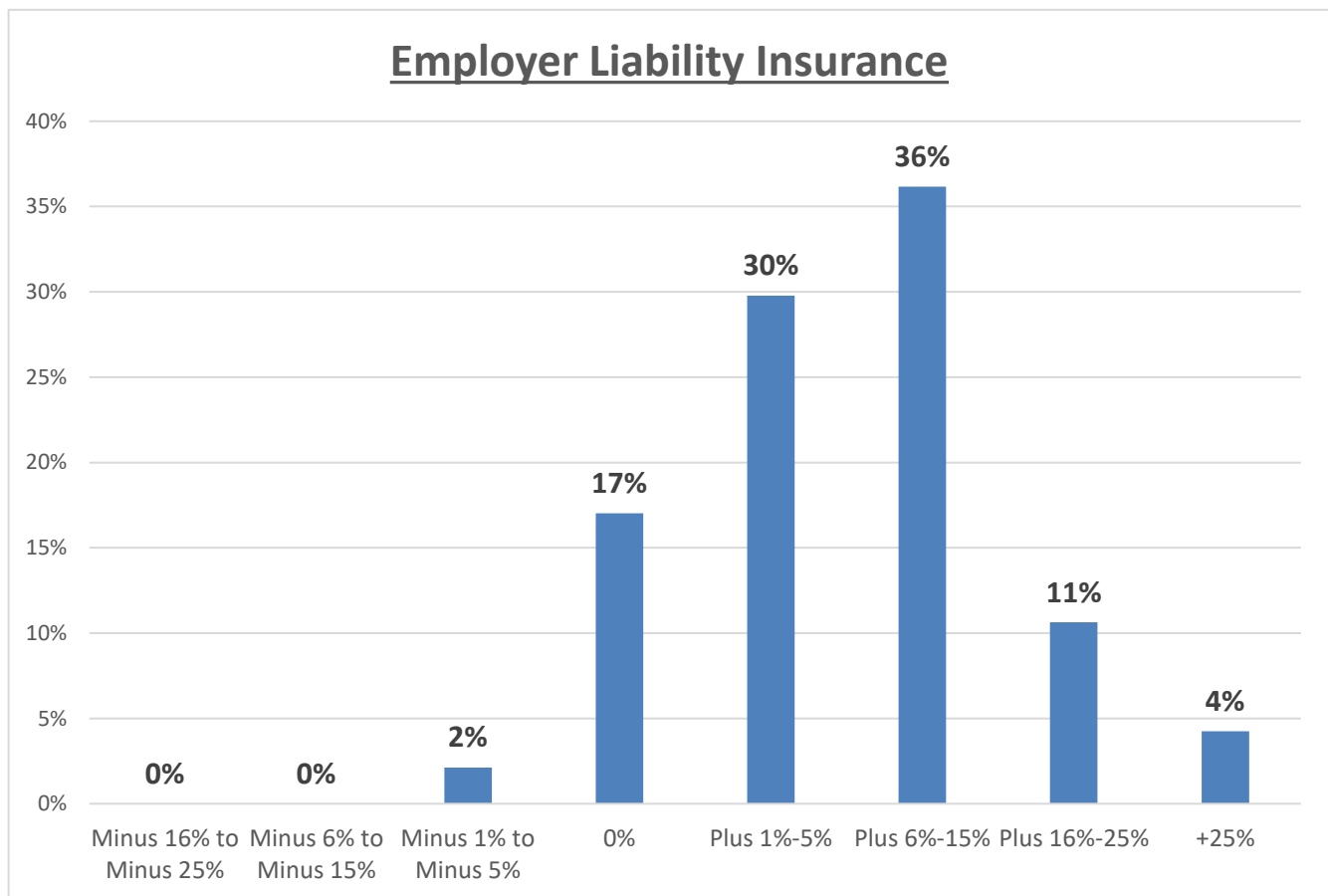
83% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 28% reported increases of between 1% and 5%.
- 36% stated increases of plus 6%-15%.
- 17% reported increases of plus 16%-25%.
- 2% reported increases of +25%
- 15% reported no change.
- While 2% reported a decrease.

Employer Liability Insurance:

81% stated their Employer Liability insurance premiums increased on renewal.



- 30% 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%
- 17% reported no change.
- While 2% reported a decrease.

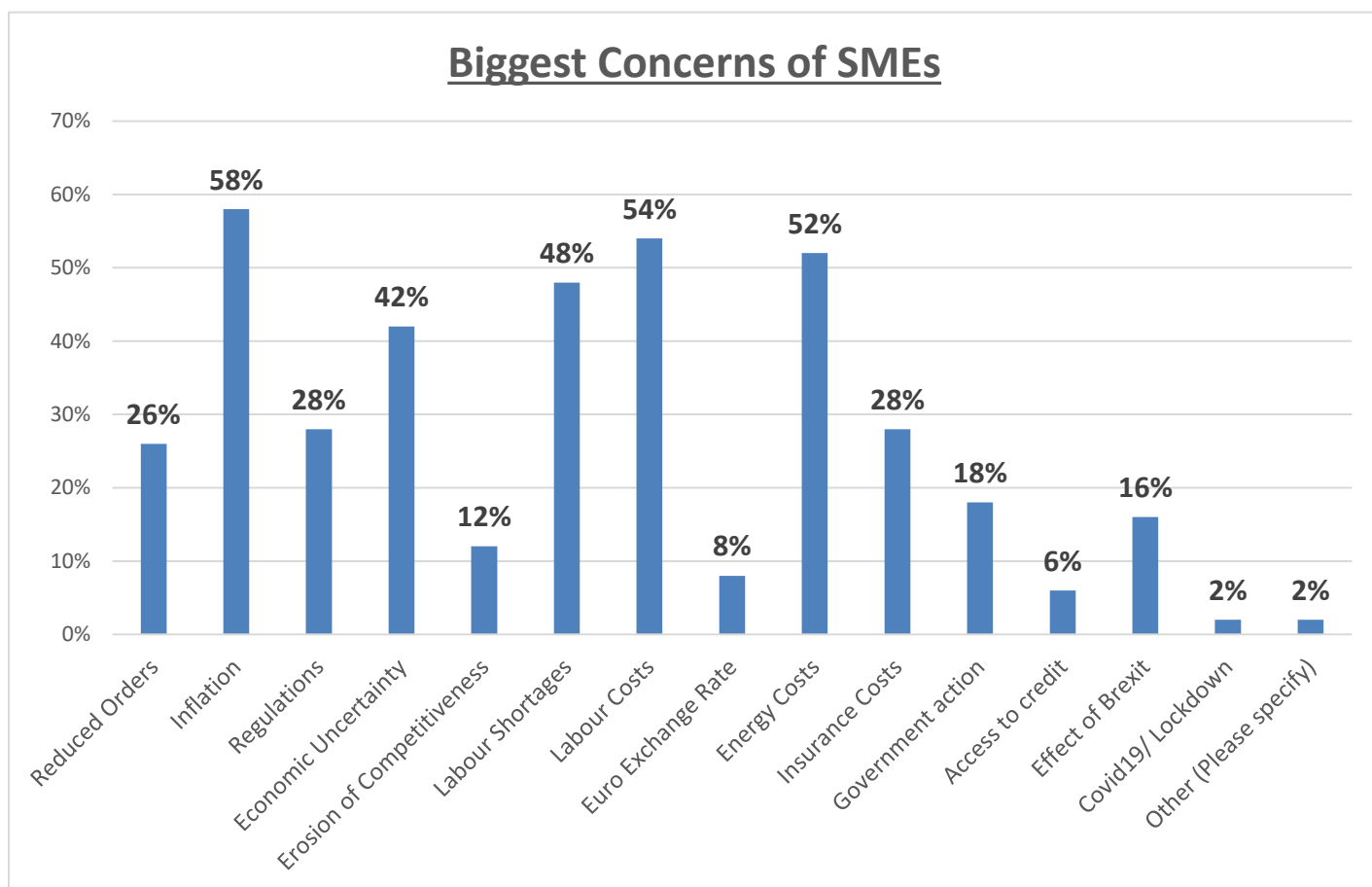
Insurance Summary:

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:

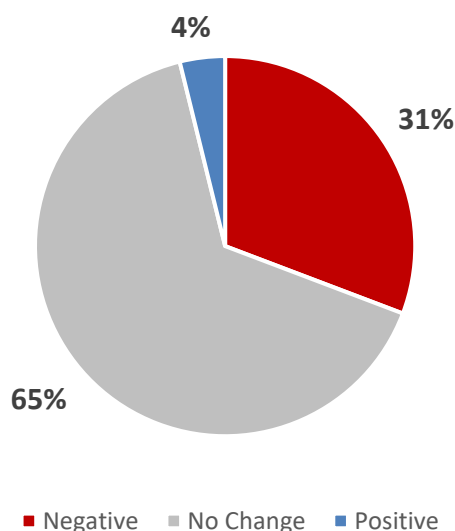
- Energy Costs at 52%.
- Labour Costs at 54%.
- Inflation at 58%.
- Economic Uncertainty at 42%.
- Labour Shortages at 48%



BREXIT:

Brexit has become a slightly more significant concern this quarter, with 31% 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 65% responded with no change.

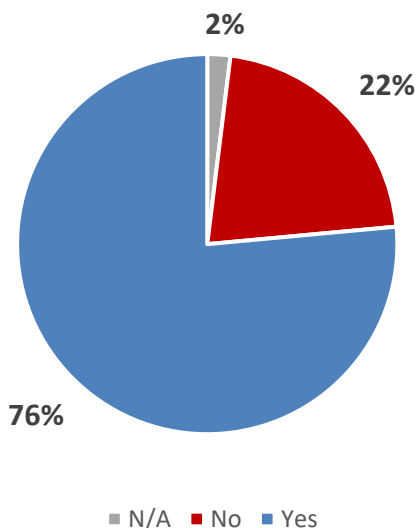
What effect will BREXIT have on your bottom line?



Broadband Services:

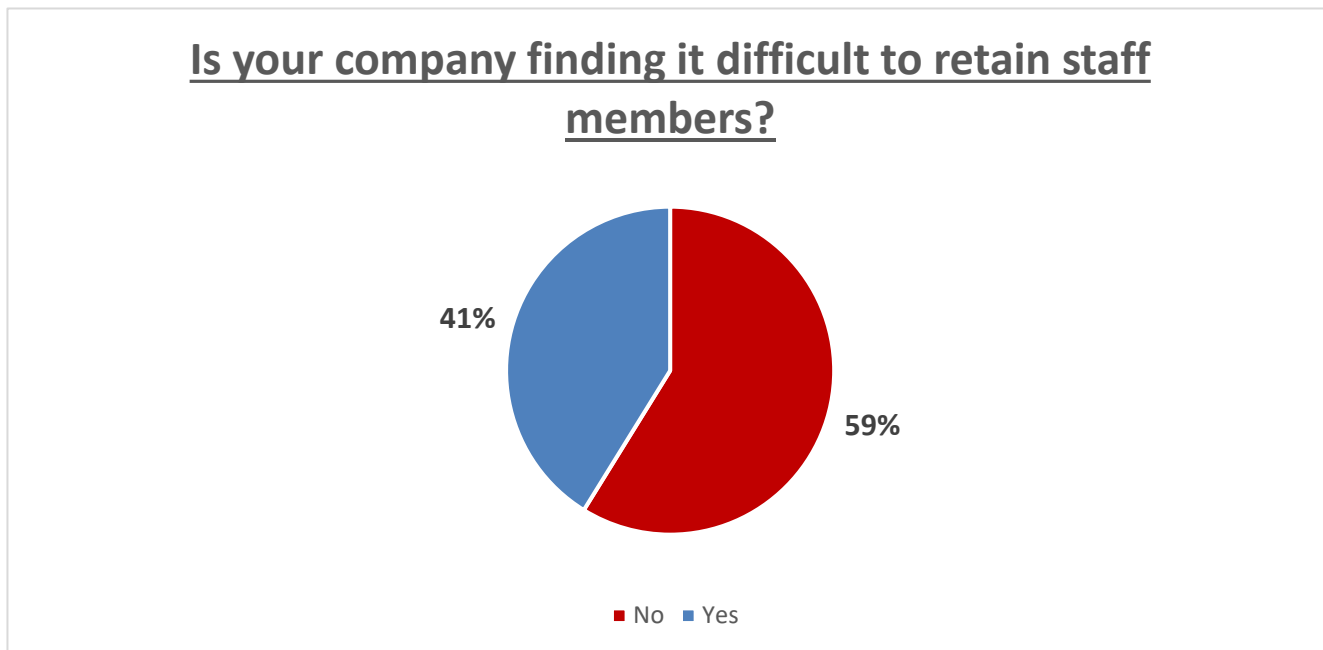
Access to proper and adequate broadband services is a key issue for many SMEs particularly those in rural Ireland. Inadequate or poor broadband service has a negative impact on business productivity. Our latest information shows that 14% of businesses are impacted by inadequate broadband.

Is your broadband service adequate?



Retaining and Recruiting staff:

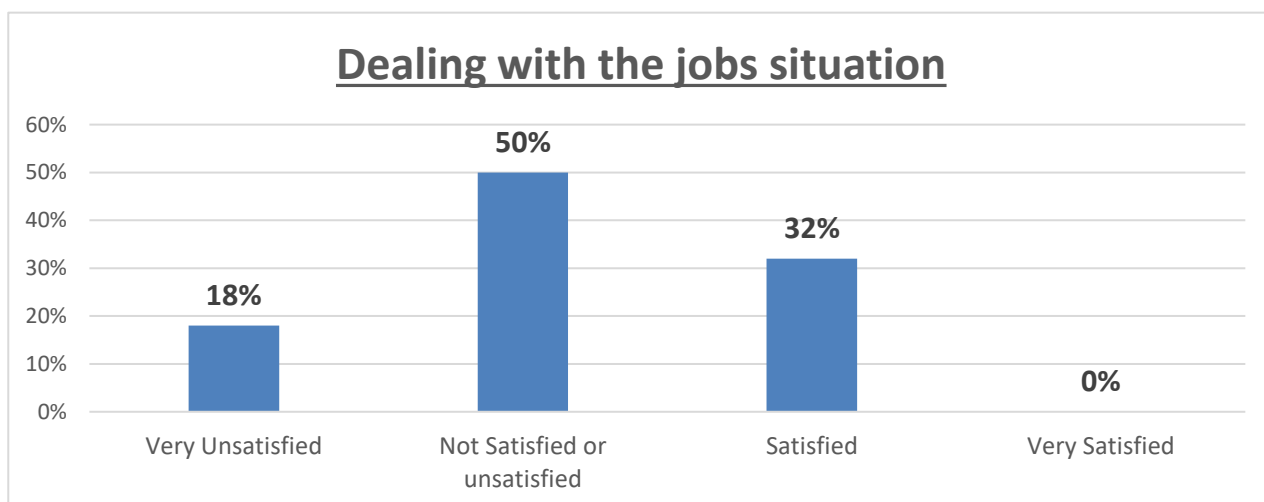
When asked 'Is your company finding it difficult to retain staff members?', 41% stated yes they were, while 59% stated this was not a problem.



Government Performance:

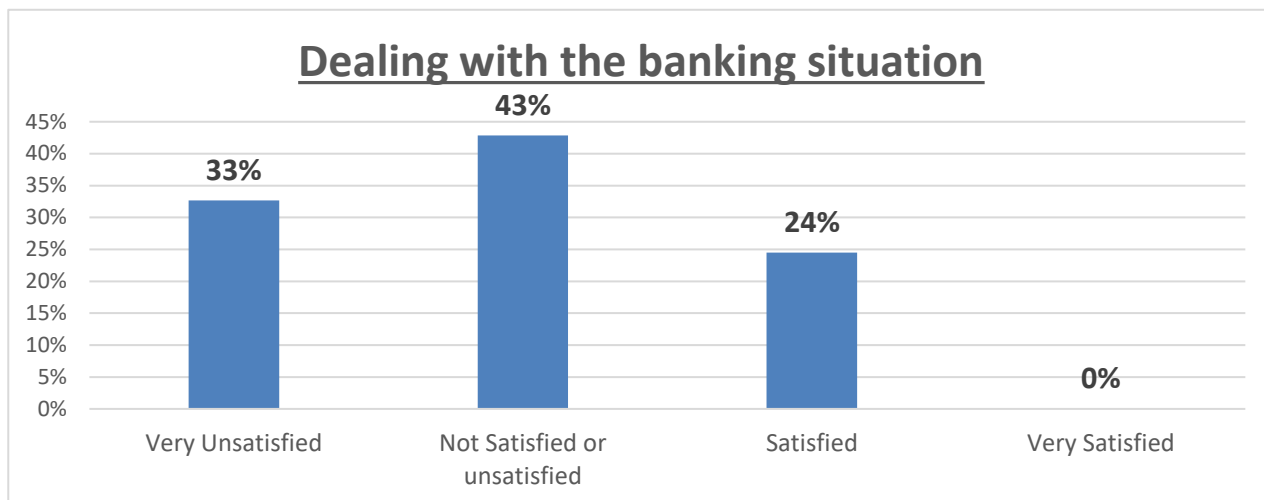
Dealing with the job situation

- Very Satisfied: 0%
- Satisfied: 32%
- Not Satisfied or dissatisfied: 50%
- Very Dissatisfied: 18%



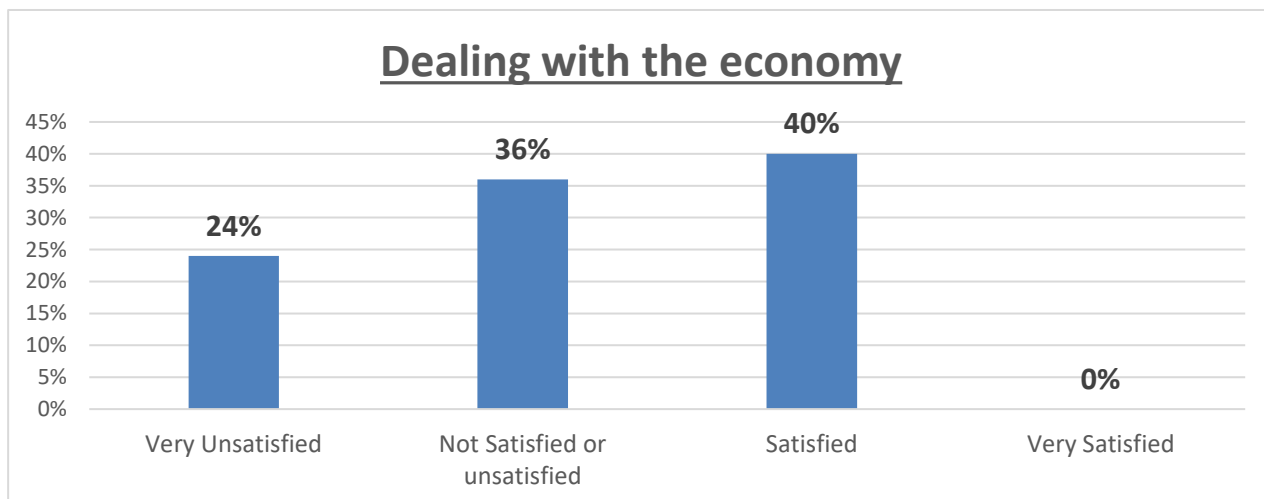
Dealing with the banking situation

- Very Satisfied: 0%
- Satisfied: 24%
- Not Satisfied or dissatisfied: 43%
- Very Dissatisfied: 33%



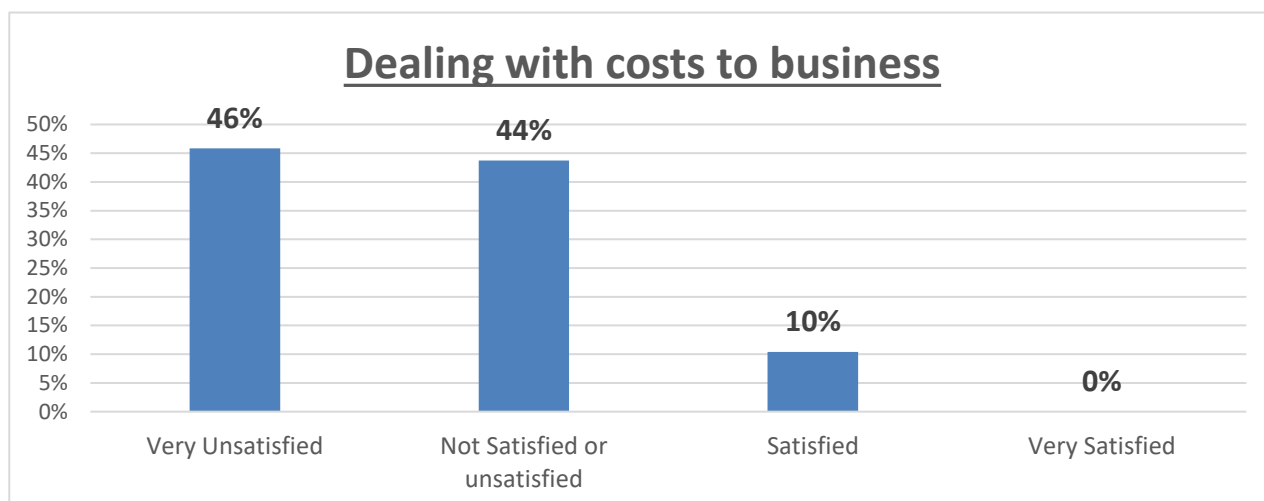
Dealing with the economy

- Very Satisfied: 0%
- Satisfied: 40%
- Not Satisfied or dissatisfied: 36%
- Very Dissatisfied: 24%



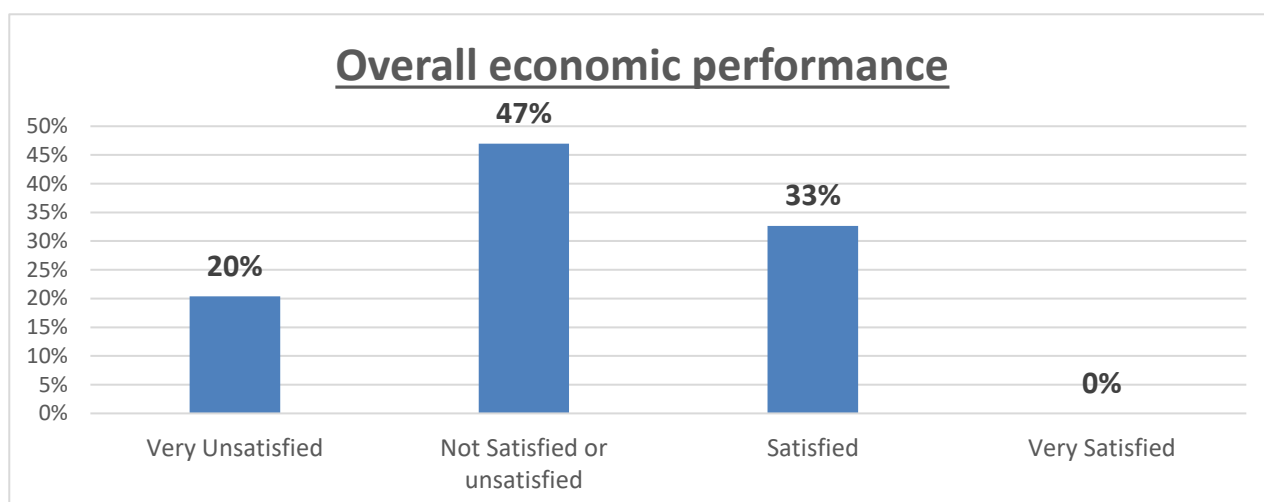
Dealing with costs to business

- Very Satisfied: 0%
- Satisfied: 10%
- Not Satisfied or dissatisfied: 44%
- Very Dissatisfied: 46%



Overall economic performance

- Very Satisfied: 0%
- Satisfied: 33%
- Not Satisfied or dissatisfied: 47%
- Very Dissatisfied: 20%



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Methodology:

This survey was published in the fourth week of August 2023, covering the second quarter of 2023. There were 58 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.