

Q3'23

# ISME Q3 TRENDS REPORT 2023

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## Introduction: Q3'2023 Trends Report

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

- 1-10 46%
- 11-20 16%
- 21-30 11%
- 31-50 14%
- 100 + 11%
- Other 2%

Geographically, the breakdown is as follows:

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

The Sectorial breakdown:

- Manufacturing 32%
- Services 14%
- IT/Online Services 2%
- Wholesale 5%
- Retail 2%
- Construction 11%
- Transport & Logistics 9%
- Hospitality 11%
- Food & Drink Production 4%
- Health Sector 2%
- Agriculture 2%
- Other (Please specify) 7%

## Overall Confidence Indicators:

The Q3'23 Business Trends Quarterly survey showed 4 out of 14 confidence indicators yielding declining results.

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

BREXIT uncertainty decreased to 12%. Business Confidence increased from -13% to 4%. This comes with the Economic Uncertainty indicator decreasing by 2%.

Business Expectations increased again this quarter, rising from -9% to 2%. The Business Environment decreased from 48% to 38%, while Profitability Expectations remain steady at 28%.

The Current Employment confidence indicator increased by 11%, while Future Employment also increased, rising from 11% to 31%.

Current Sales continue to decrease, dropping by a further 2% and marking the fifth quarter in a row that this confidence indicator has decreased. Sales Expectations increased dramatically from 2% to 21%.

Current Investment rose by 8% this quarter, while Future Investment rose by 10%.

Current Exports rose by 6%. Export Expectations also increased by 12%.

Economic uncertainty concerns remain high but have decreased this quarter, falling to 40%. Brexit concerns decreased slightly, now at 12%.

## Q3'23 Manufacturing:

Our Q3'23 results for the manufacturing sector show continued recovery for many confidence indicators in the manufacturing sector. In this quarter, there were 4 decreasing confidence indicators.

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

Business Confidence increased from 0% to 12%, while Business Expectations also increased to 29%, a dramatic increase of 44%.

Profitability Expectations increased by 6%.

Future Employment in manufacturing increased from 0% to 59%.

Current Sales remain at 0%, while Sales Expectations for the future increased from 8% to 31%.

Current Investment decreased from 46% to 38%.

Current Exports are the same as last quarter, remaining at 0%. Future Exports decreased slightly from 29% to 25%.

Current Employment decreased from 23% to 18%.

## Q3'23 Retail:

The Retail sector for Q3'23 showed Business Confidence increasing significantly this quarter, rising to 100%.

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

Business Expectations also increased significantly, going from -17% to 0%.

Profitability Expectations remain steady at 0%. Current Sales saw a massive increase and are now at 100%, compared to -20% in Q2'23.

Current Investment showed an increase of 20% from Q2'23. Future Investment decreased from 40% to 0%.

Business Environment increased to 100%, rising by 100% from last quarter.

Current Employment in retail rose by 150% this quarter, now at 100%. The expectation for Future Employment increased from 33% to 100%. Sales Expectations also increased from 0% to 100%.

## Q3'23 Services:

The Services sector for Q3'23 showed 2 of the 14 confidence indicators decreasing from the previous quarter.

KEY INDICATORS SERVICES	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Business Confidence	5%	42%	37%	45%	8%	-13%	8%	-21%	21%	13%	25%
Business Expectations	34%	70%	27%	52%	-4%	-54%	-33%	-14%	5%	0%	0%
Business Environment	-44%	45%	60%	15%	21%	28%	46%	7%	42%	50%	50%
Profitability Expectations	-10%	23%	19%	15%	-24%	18%	42%	46%	31%	25%	25%
Current Employment	-33%	6%	10%	0%	-17%	13%	0%	-7%	16%	13%	50%
Future Employment	20%	36%	47%	24%	22%	0%	30%	14%	42%	0%	25%
Current Sales	-38%	7%	30%	0%	0%	6%	38%	0%	19%	38%	38%
Sales Expectations	28%	73%	37%	36%	41%	-11%	10%	31%	19%	25%	63%
Current Investment	23%	53%	30%	39%	50%	37%	38%	15%	31%	38%	38%
Future Investment	33%	50%	56%	36%	55%	29%	33%	15%	0%	25%	50%
Current Exports	13%	17%	55%	12%	0%	17%	29%	50%	0%	50%	0%
Export Expectations	27%	56%	50%	18%	60%	29%	38%	50%	33%	25%	25%
Economic Uncertainty	69%	50%	50%	33%	56%	60%	62%	42%	46%	43%	14%
Brexit	26%	18%	23%	9%	17%	7%	10%	0%	8%	0%	0%

Business Confidence rose from 13% to 25%.

Business Environment remains the same as last quarter at 50% while Profitability Expectations are also steady at 25%.

Current Employment rose from 13% to 50% while Future Employment also increased from 0% in Q2'23 to 25% this quarter.

Current Sales remain the same at 38%. Sales Expectations showed increased, rising from 25% to 63%.

Current Investment remains steady at 38%. Future Investment increased from 25% to 50%.

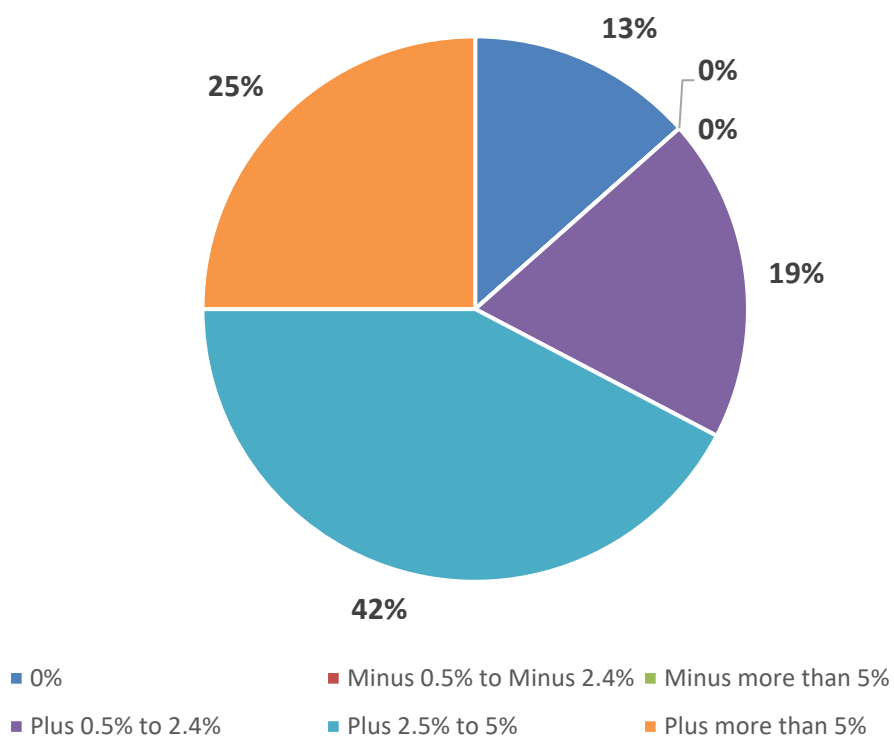
Current Exports decreased this quarter from 50% to 0%, while Export Expectations remain the same at 25%.

## Q3'23 Pay Expectations: Employees

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

- 13% of SMEs will not be able to increase pay this year for their employees.
- 19% will increase employees pay by 0.5% to 2.4%.
- 42% will increase pay by 2.5%-5%.
- 0% of employers will decrease employees pay.

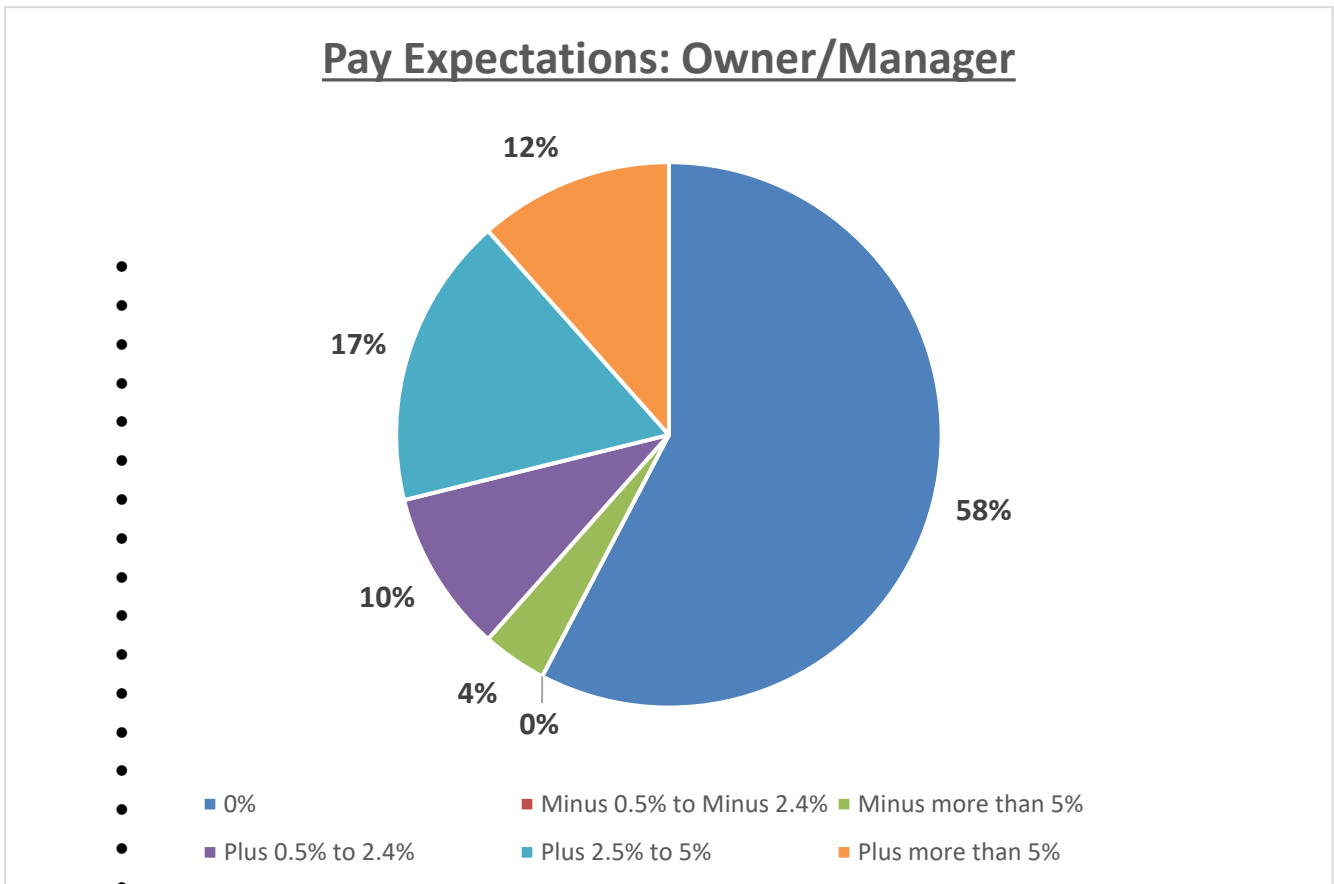
### Pay Expectations: Employees





## Q3'23 Pay Expectations: Owner Manager

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



- 58% said they would not increase their earnings from the business.
- 12% stated they intend to increase their wages by plus 5%.
- 17% will increase their pay between 2.5%-5%.
- 10% will increase their pay between 0.5%-2.4%.
- 4% stated they were reducing their wages.

## Insurance Costs: Introduction

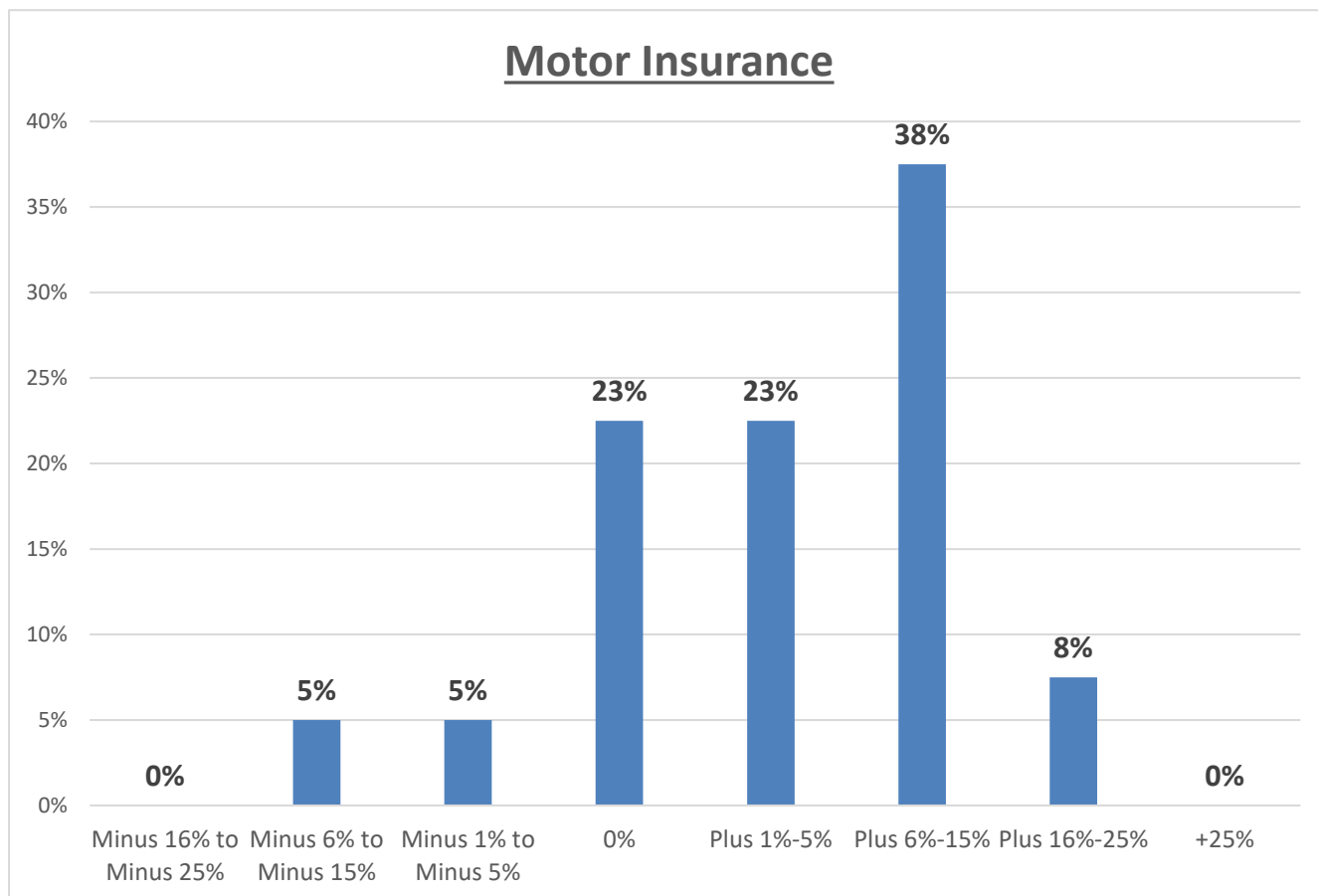
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

38% of SMEs consider Insurance one of their immediate biggest concerns.

## Motor Insurance:

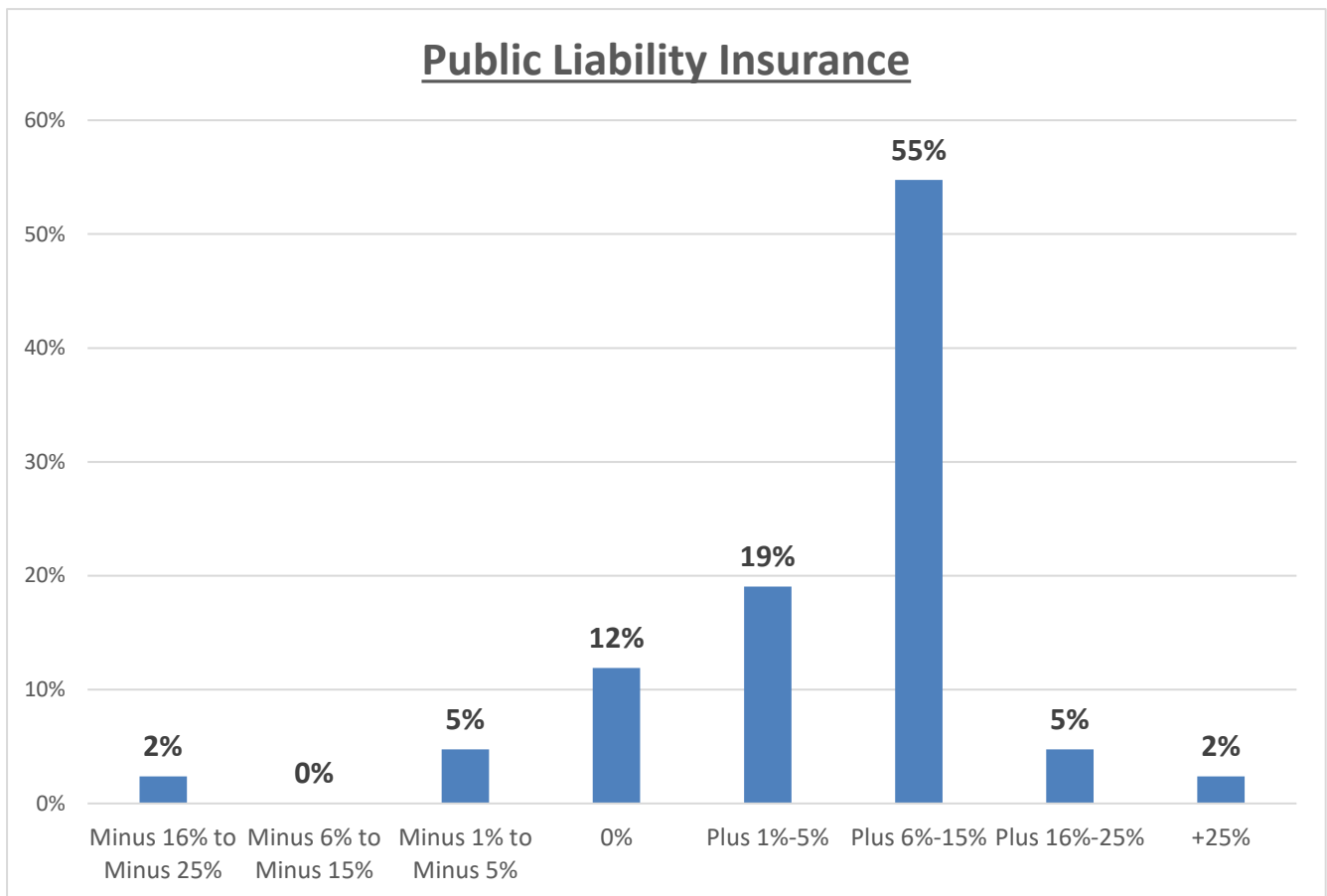
69% of respondents stated their Motor Insurance premiums increased on renewal.



- 0% of respondents noted an increase of +25%.
- 8% experienced increases of plus 16%-25%.
- 38% of respondents' premiums increased between plus 6% to 15%.
- 23% of those who responded recorded increases of plus 1%-5%.
- 23% reported no increase to premiums.
- While 10% reported a decrease.

Public Liability Insurance:

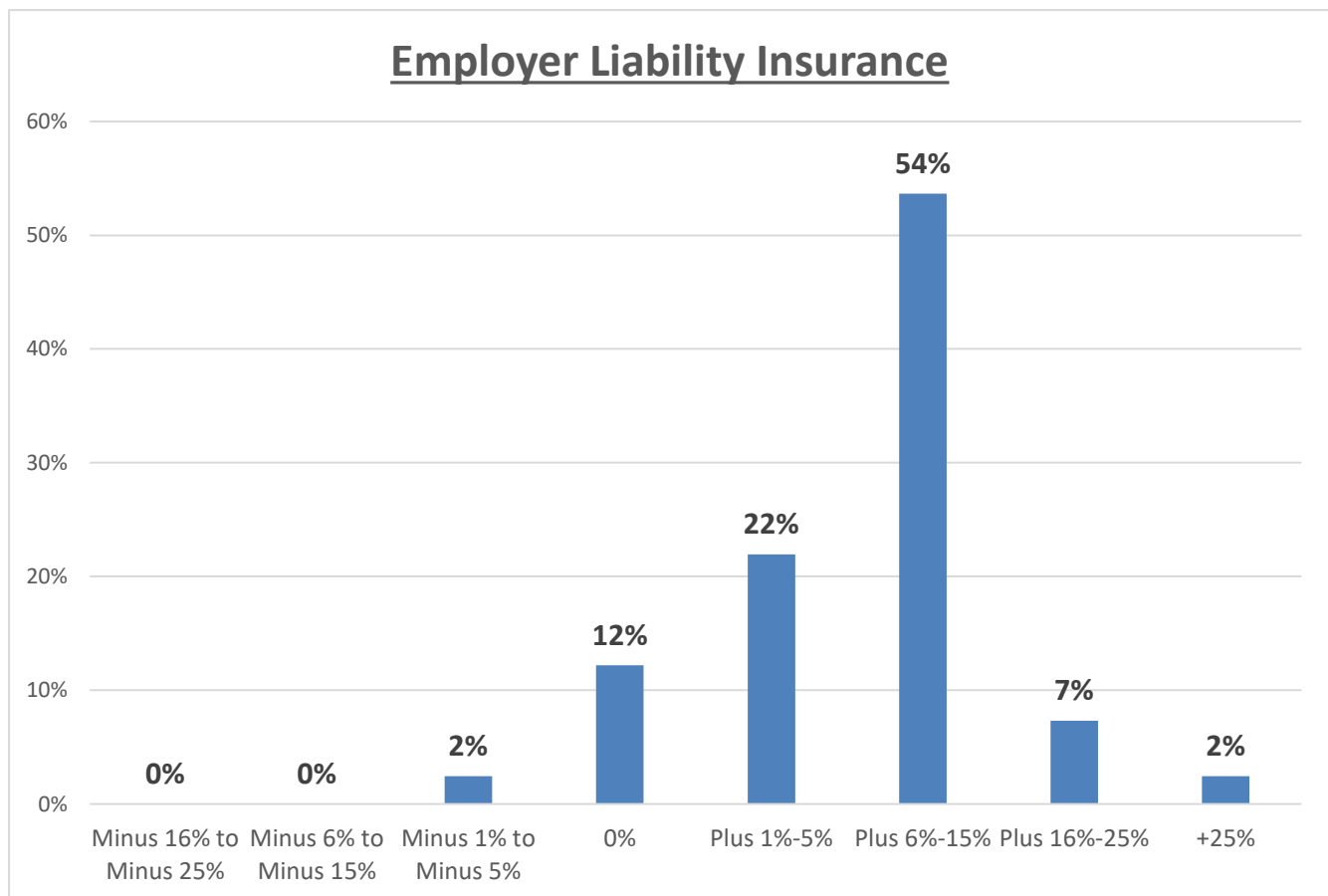
81% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 19% reported increases of between 1% and 5%.
- 55% stated increases of plus 6%-15%.
- 5% reported increases of plus 16%-25%.
- 2% reported increases of +25%
- 12% reported no change.
- While 7% reported a decrease.

### Employer Liability Insurance:

85% stated their Employer Liability insurance premiums increased on renewal.



- 22% reported increases of between 1% and 5%.
- 54% stated increases of plus 6%-15%.
- 7% reported increases of plus 16%-25%.
- 2% reported increases of +25%
- 12% reported no change.
- While 2% reported a decrease.

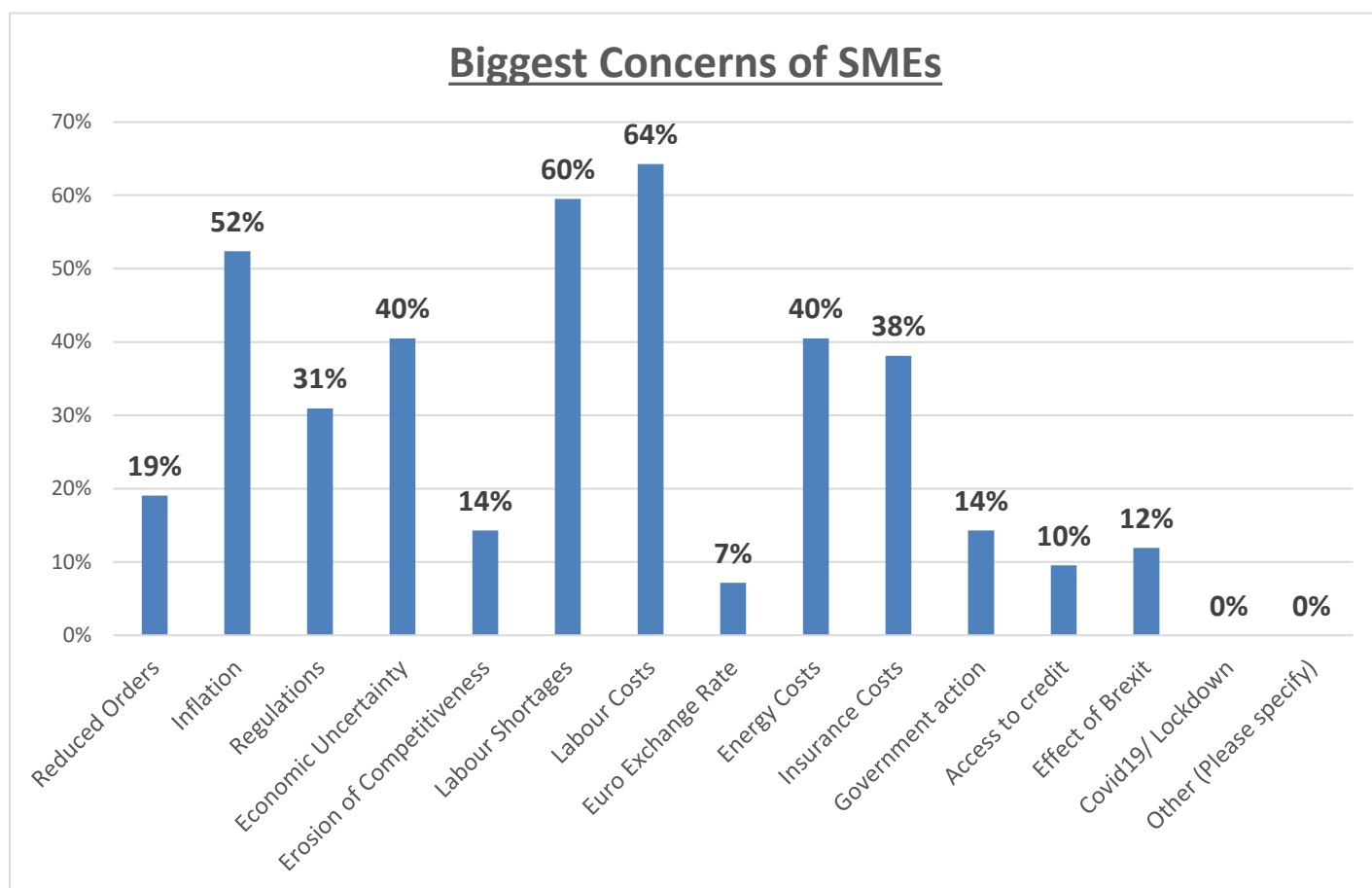
### Insurance Summary:

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:

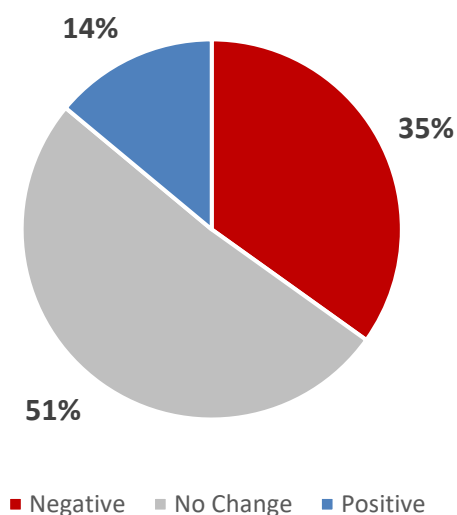
- Energy Costs at 40%.
- Labour Costs at 64%.
- Inflation at 52%.
- Economic Uncertainty at 40%.
- Labour Shortages at 60%



## BREXIT:

Brexit has become a slightly more significant concern this quarter, with 35% of respondents stating that it would have a negative impact on their bottom line. 14% of respondents said Brexit will have a positive impact on their business, while 51% responded with no change.

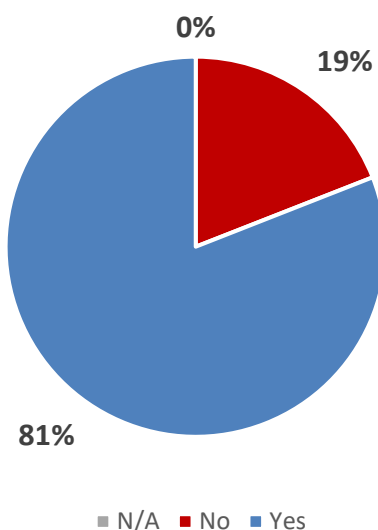
### What effect will BREXIT have on your bottom line?



## Broadband Services:

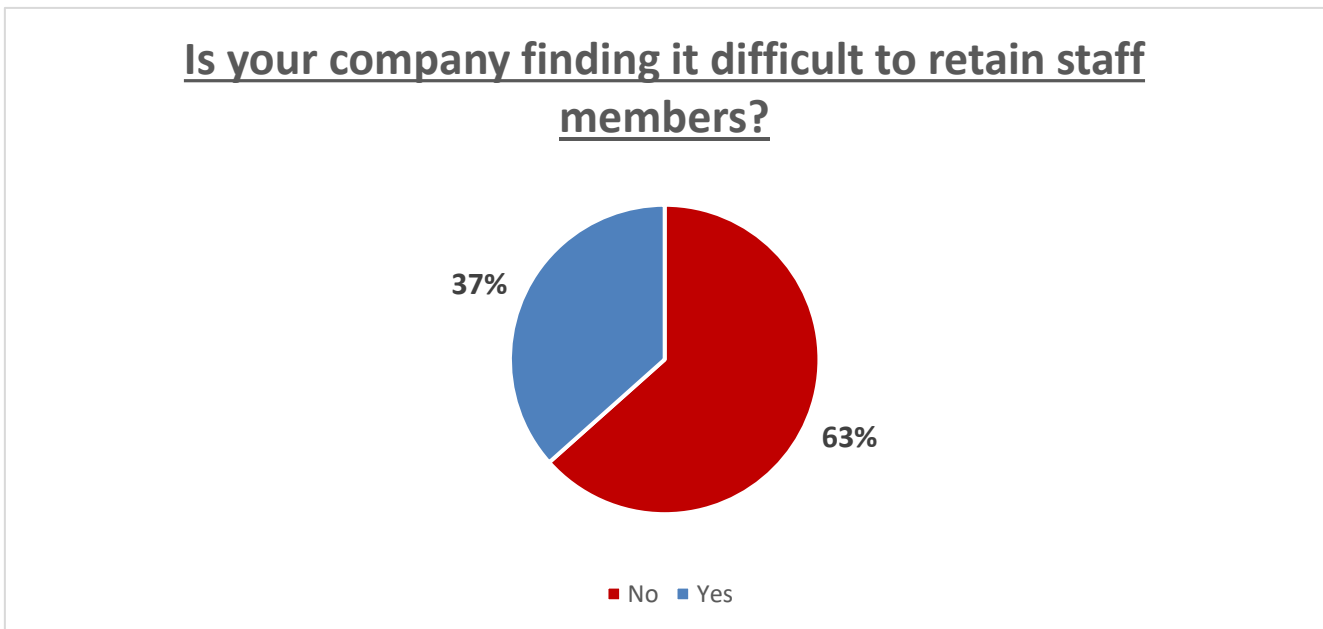
Access to proper and adequate broadband services is a key issue for many SMEs particularly those in rural Ireland. Inadequate or poor broadband service has a negative impact on business productivity. Our latest information shows that 19% of businesses are impacted by inadequate broadband.

### Is your broadband service adequate?



### Retaining and Recruiting staff:

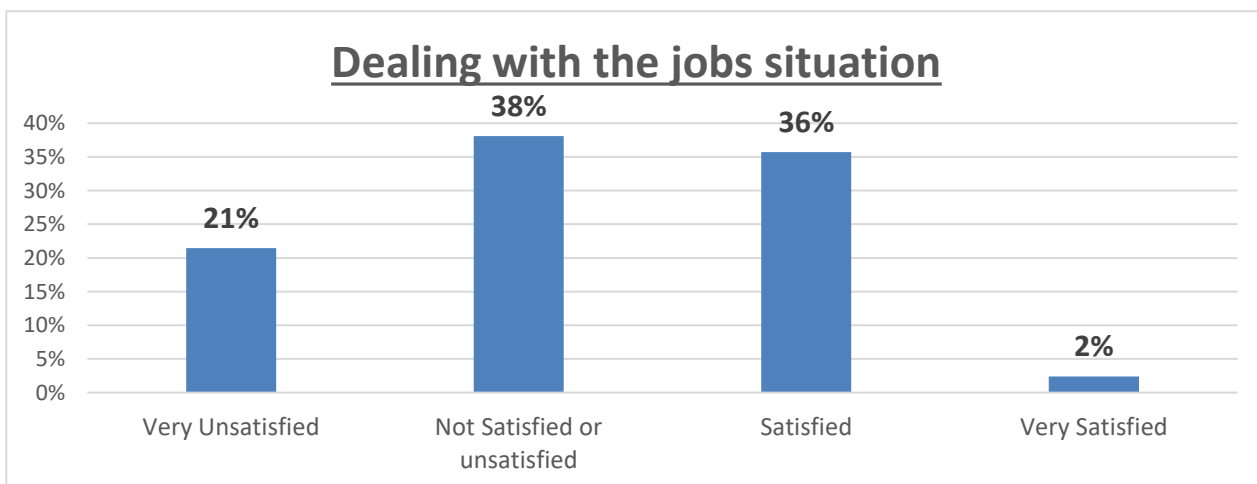
When asked 'Is your company finding it difficult to retain staff members?', 37% stated yes they were, while 59% stated this was not a problem.



### Government Performance:

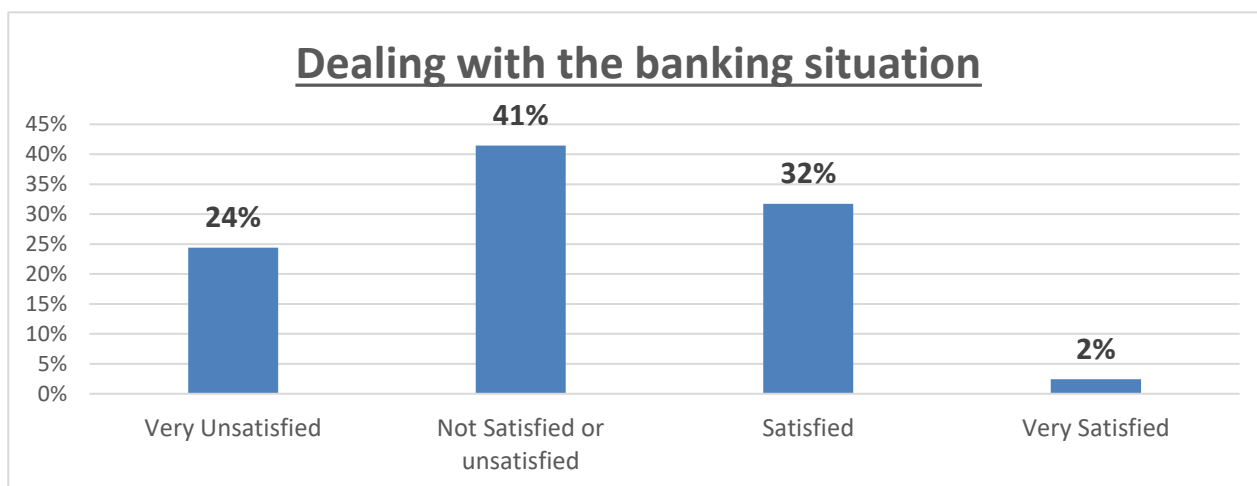
#### Dealing with the job situation

- Very Satisfied: 2%
- Satisfied: 36%
- Not Satisfied or dissatisfied: 38%
- Very Dissatisfied: 21%



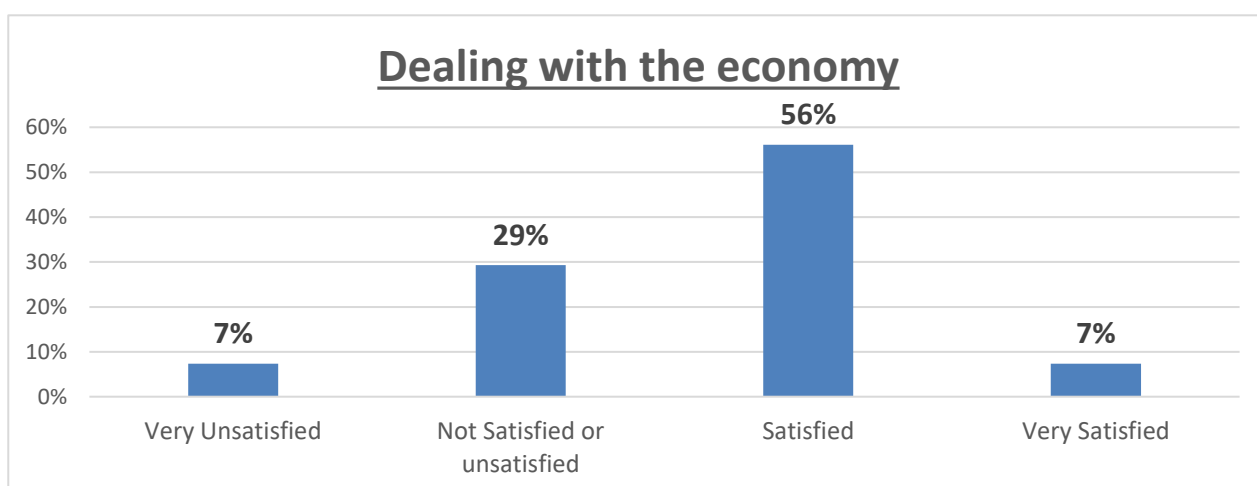
### Dealing with the banking situation

- Very Satisfied: 2%
- Satisfied: 32%
- Not Satisfied or dissatisfied: 41%
- Very Dissatisfied: 24%



### Dealing with the economy

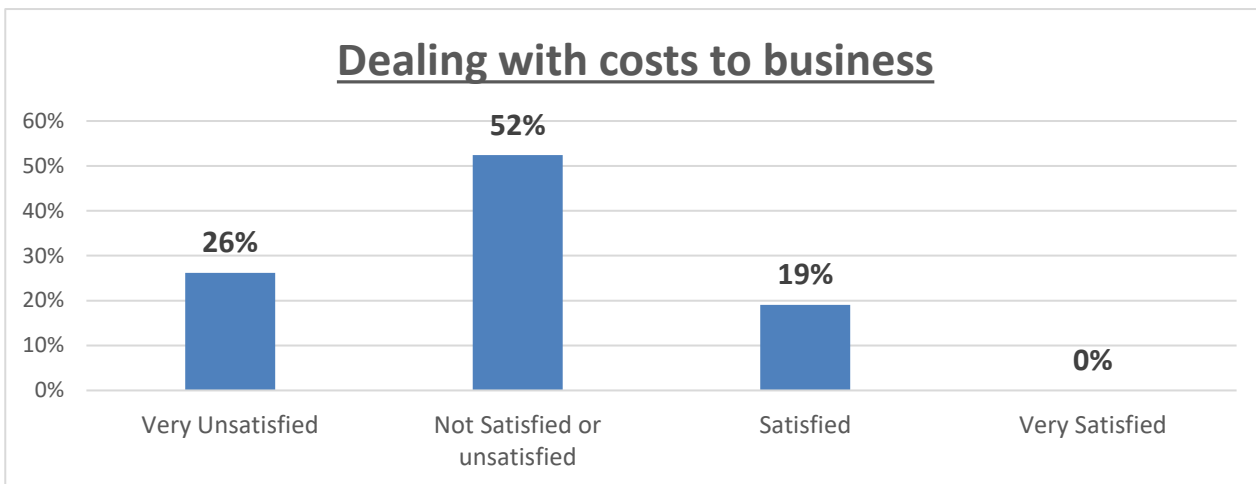
- Very Satisfied: 7%
- Satisfied: 56%
- Not Satisfied or dissatisfied: 29%
- Very Dissatisfied: 7%



### Dealing with costs to business

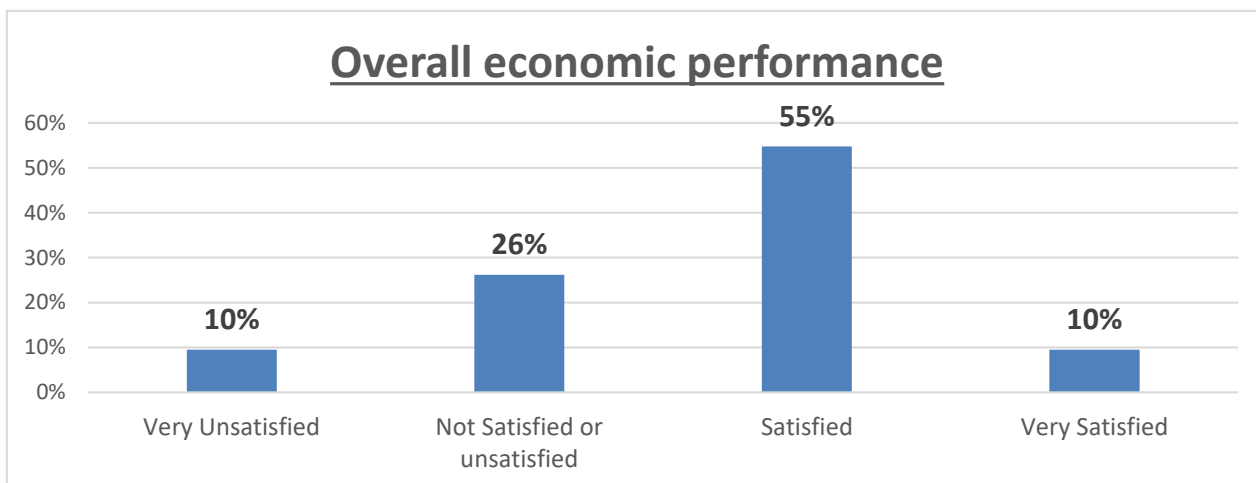
- Very Satisfied: 0%
- Satisfied: 19%
- Not Satisfied or dissatisfied: 52%
- Very Dissatisfied: 26%





#### Overall economic performance

- Very Satisfied: 10%
- Satisfied: 55%
- Not Satisfied or dissatisfied: 26%
- Very Dissatisfied: 10%



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#### Methodology:

This survey was published in the fourth week of September 2023, covering the third quarter of 2023. There were 56 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.