

Q4'23

ISME Q4 TRENDS REPORT 2023

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Introduction: Q4'2023 Trends Report

This survey was published in the first week of December with 54 SME respondents and covers the fourth quarter of 2023. Of those surveyed the employee breakdown is as follows:

- 1-10 43%
- 11-20 26%
- 21-30 6%
- 31-50 15%
- 100+ 11%
- Other 0%

Geographically, the breakdown is as follows:

- Dublin 33%
- Leinster (Except Dublin) 22%
- Munster 19%
- Connaught 4%
- Ulster 4%
- Multiple sites 15%
- Other 4%

The Sectorial breakdown:

- Manufacturing 15%
- Services 20%
- IT/Online Services 7%
- Wholesale 9%
- Retail 9%
- Construction 7%
- Transport & Logistics 6%
- Hospitality 4%
- Food & Drink Production 2%
- Health Sector 9%
- Agriculture 2%
- Other (Please specify) 9%

Overall Confidence Indicators:

The Q4'23 Business Trends Quarterly survey showed 13 out of 14 confidence indicators yielding declining results.

KEY INDICATORS OVERALL	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Business Confidence	49%	26%	30%	-10%	-30%	-20%	17%	-14%	-13%	4%	-30%
Business Expectations	48%	33%	44%	-26%	-54%	-35%	14%	-18%	-9%	2%	-22%
Business Environment	29%	34%	18%	24%	30%	33%	38%	31%	48%	38%	10%
Profitability Expectations	17%	10%	11%	-15%	14%	25%	43%	25%	28%	28%	22%
Current Employment	8%	9%	7%	8%	17%	13%	12%	19%	14%	25%	14%
Future Employment	35%	35%	32%	20%	-2%	17%	26%	26%	11%	31%	14%
Current Sales	14%	14%	14%	23%	30%	46%	33%	23%	17%	15%	9%
Sales Expectations	54%	41%	37%	21%	-6%	5%	30%	2%	2%	21%	9%
Current Investment	38%	34%	36%	39%	40%	32%	20%	33%	26%	34%	23%
Future Investment	40%	47%	40%	33%	21%	24%	30%	18%	24%	34%	2%
Current Exports	-7%	-8%	22%	9%	2%	30%	15%	-4%	9%	15%	4%
Export Expectations	32%	34%	39%	33%	21%	30%	40%	42%	27%	39%	12%
Economic Uncertainty	44%	43%	40%	60%	60%	50%	42%	36%	42%	40%	45%
Brexit	38%	37%	25%	13%	17%	10%	11%	16%	16%	12%	8%

BREXIT uncertainty decreased to 8%. Business Confidence decreased from 4% to -30%. This comes with the Economic Uncertainty indicator increasing by 5%.

Business Expectations decreased this quarter, falling from 2% to -9%. The Business Environment decreased from 38% to 10%, while Profitability Expectations also decreased from 28% to 22%.

The Current Employment confidence indicator decreased by 11%, while Future Employment also decreased, falling from 31% to 14%.

Current Sales continue to decrease, dropping by a further 6% and marking the sixth quarter in a row that this confidence indicator has decreased. Sales Expectations decreased dramatically from 21% to 9%.

Current Investment fell by 11% this quarter, while Future Investment fell by 32%.

Current Exports decreased by 11%. Export Expectations also decreased by 27%.

Economic uncertainty concerns remain high and have increased this quarter, rising to 45%. Brexit concerns continue to decrease slightly, now at 8%.

Q4'23 Manufacturing:

Our Q4'23 results for the manufacturing sector show a major pivot for many confidence indicators in the manufacturing sector. In this quarter, there were 13 decreasing confidence indicators.

KEY INDICATORS MANUFACTURING	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Business Confidence	50%	17%	41%	-12%	-22%	-22%	60%	-40%	0%	12%	-57%
Business Expectations	31%	31%	27%	-24%	-52%	-28%	40%	-40%	-15%	29%	-43%
Business Environment	38%	36%	27%	36%	37%	44%	60%	40%	46%	53%	-29%
Profitability Expectations	6%	-6%	18%	12%	12%	30%	80%	13%	25%	31%	0%
Current Employment	6%	8%	36%	8%	24%	20%	40%	27%	23%	18%	-29%
Future Employment	25%	14%	36%	36%	4%	20%	60%	13%	0%	59%	-29%
Current Sales	25%	20%	14%	20%	56%	53%	80%	13%	0%	0%	-33%
Sales Expectations	50%	31%	36%	12%	16%	7%	60%	-13%	8%	31%	-50%
Current Investment	56%	51%	73%	44%	52%	50%	0%	27%	46%	38%	-33%
Future Investment	44%	51%	64%	16%	20%	20%	80%	40%	23%	44%	-33%
Current Exports	-18%	-9%	23%	21%	12%	30%	33%	-20%	0%	0%	25%
Export Expectations	0%	35%	41%	37%	41%	21%	67%	40%	29%	25%	0%
Economic Uncertainty	54%	33%	27%	55%	60%	46%	60%	36%	42%	46%	20%
Brexit	36%	45%	27%	14%	16%	14%	0%	29%	17%	15%	0%

Business Confidence decreased from 12% to -57%, while Business Expectations also decreased to -43%, a dramatic decrease of 72%.

Profitability Expectations decreased by 31%.

Future Employment in manufacturing decreased from 59% to -29%.

Current Sales decreased to -33%, while Sales Expectations for the future decreased from 31% to -50%.

Current Investment decreased from 38% to -33%.

Current Exports increased this quarter, rising from 0% to 25%. Future Exports decreased from 25% to 0%.

Current Employment decreased from 18% to -29%.

Q4'23 Retail:

The Retail sector for Q4'23 showed Business Confidence decreasing significantly this quarter, falling to -80%.

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

Business Expectations also decreased significantly, going from 0% to -60%.

Profitability Expectations increased from 0% to 20%. Current Sales saw a massive decrease and are now at -40%, compared to 100% in Q3'23.

Current Investment remains steady at 0%. Future Investment decreased from 0% to -20%.

Business Environment decreased to -40%, falling by 140% from last quarter.

Current Employment in retail fell by 100% this quarter, now at 0%. The expectation for Future Employment decreased from 100% to -40%. Sales Expectations also decreased from 100% to 0%.

Q4'23 Services:

The Services sector for Q4'23 showed 6 of the 14 confidence indicators decreasing from the previous quarter.

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

Business Confidence fell from 25% to 20%.

Business Environment decreased from last quarter and is now at 20% while Profitability Expectations increased from 25% to 43%.

Current Employment fell from 50% to 20% while Future Employment also decreased from 25% in Q3'23 to 20% this quarter.

Current Sales decreased from 38% to 0%. Sales Expectations also decreased, falling from 63% to 38%.

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

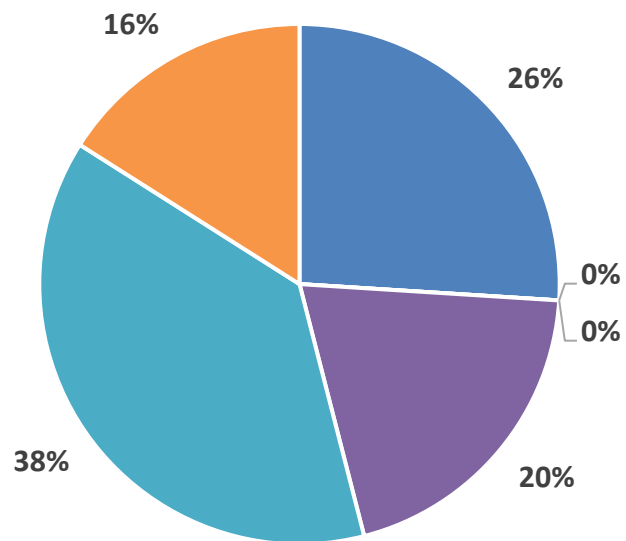
Current Exports remain the same as last quarter at 0%, while Export Expectations increased from 25% to 33%.

Q4'23 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.
- 20% will increase employees pay by 0.5% to 2.4%.
- 38% will increase pay by 2.5%-5%.
- 0% of employers will decrease employees pay.

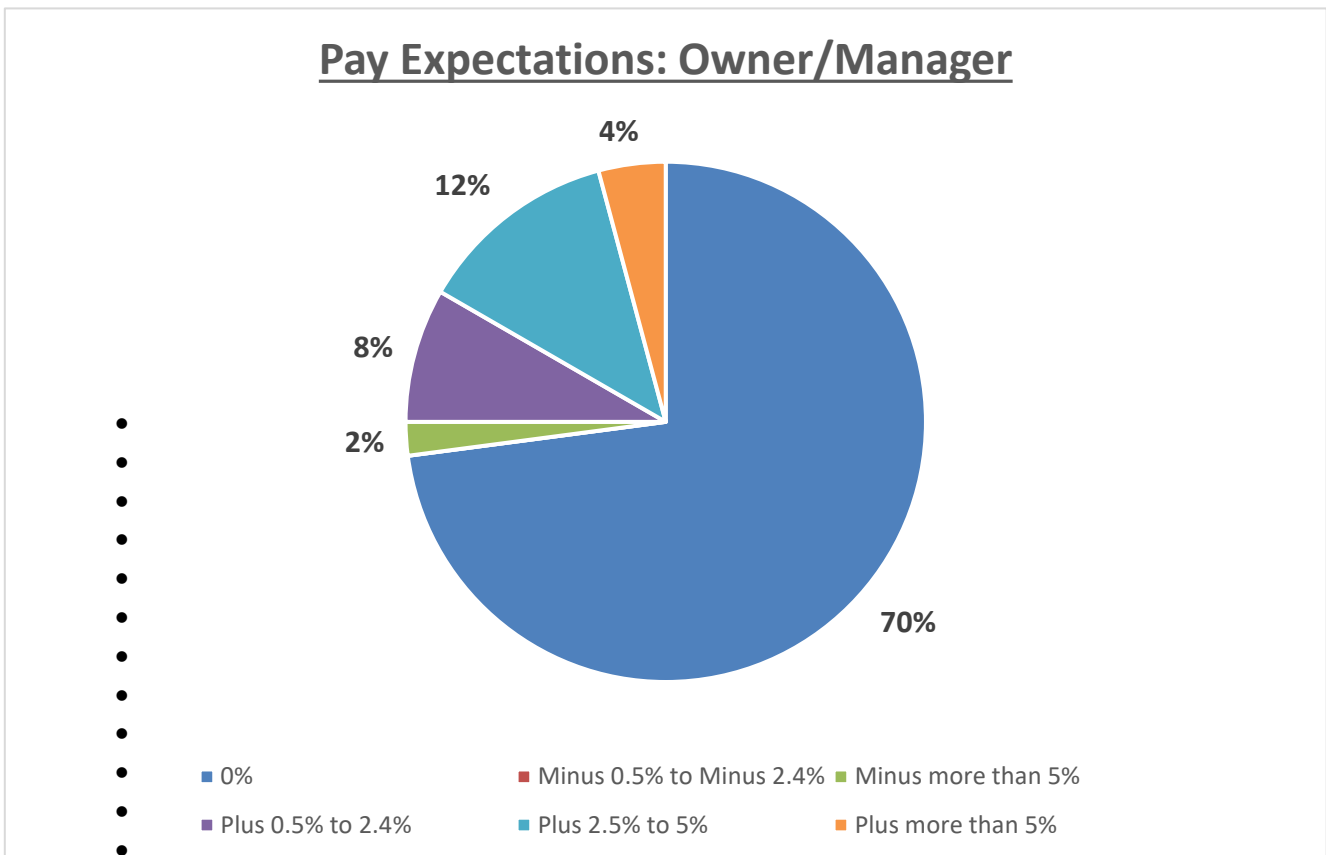
Pay Expectations: Employees



- 0%
- Minus 0.5% to Minus 2.4%
- Minus more than 5%
- Plus 0.5% to 2.4%
- Plus 2.5% to 5%
- Plus more than 5%

Q4'23 Pay Expectations: Owner Manager

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



- 70% said they would not increase their earnings from the business.
- 4% stated they intend to increase their wages by plus 5%.
- 12% will increase their pay between 2.5%-5%.
- 8% will increase their pay between 0.5%-2.4%.
- 2% stated they were reducing their wages.

Insurance Costs: Introduction

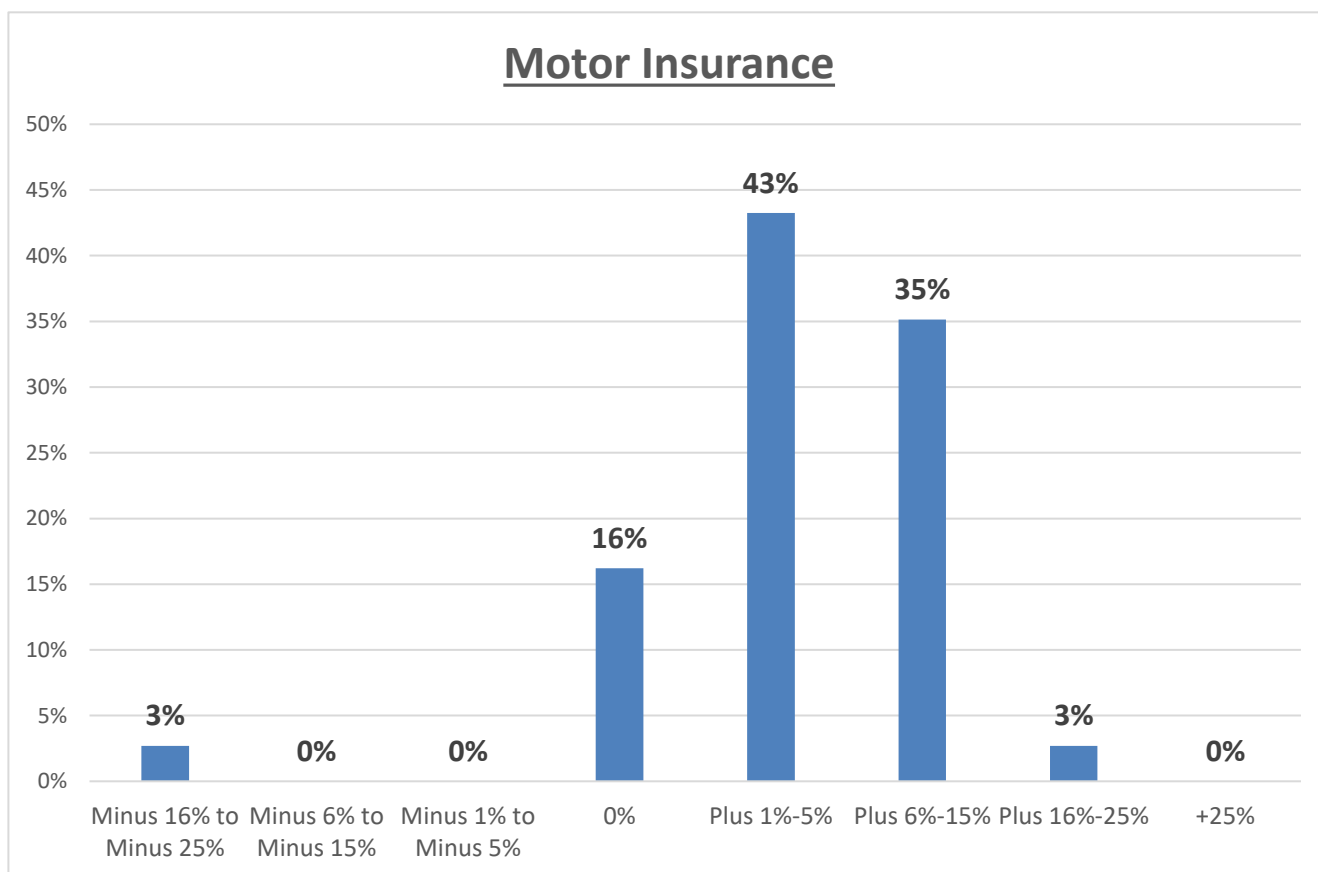
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

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

Motor Insurance:

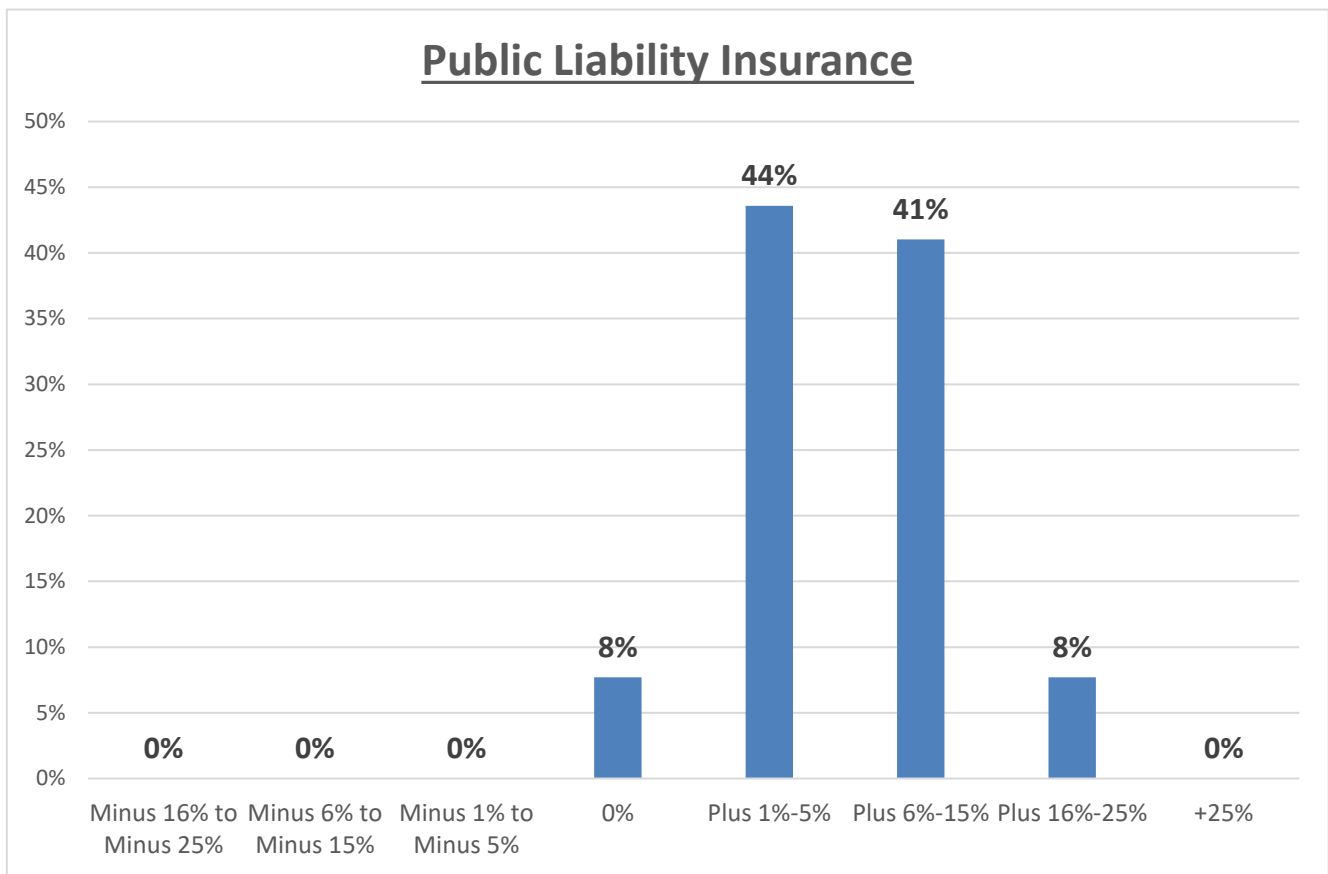
81% of respondents stated their Motor Insurance premiums increased on renewal.



- 0% of respondents noted an increase of +25%.
- 3% experienced increases of plus 16%-25%.
- 35% of respondents' premiums increased between plus 6% to 15%.
- 43% of those who responded recorded increases of plus 1%-5%.
- 16% reported no increase to premiums.
- While 3% reported a decrease.

Public Liability Insurance:

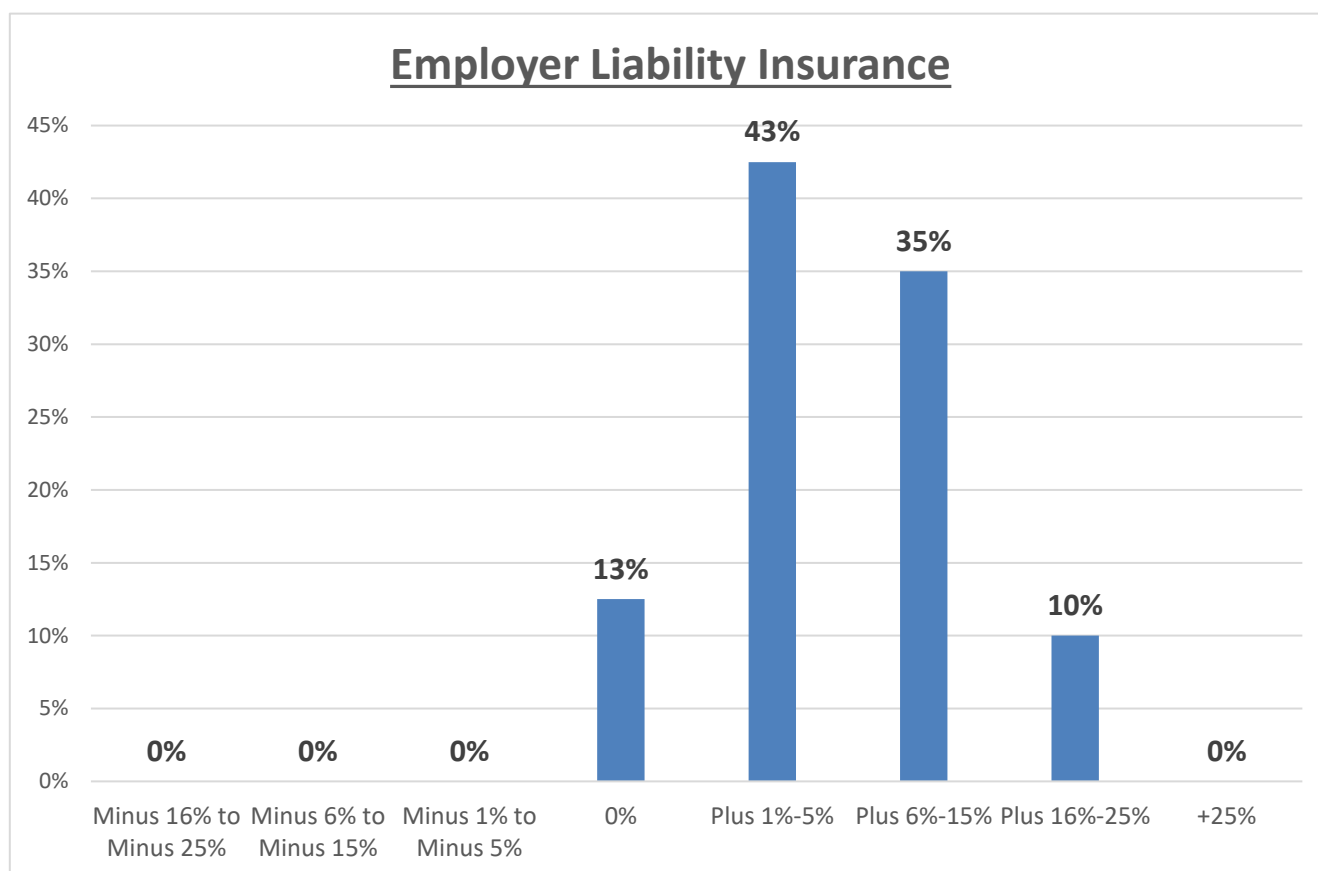
93% of respondents stated their Public Liability Insurance premiums increased on renewal.



- 44% reported increases of between 1% and 5%.
- 41% stated increases of plus 6%-15%.
- 8% reported increases of plus 16%-25%.
- 0% reported increases of +25%
- 8% reported no change.
- While 0% reported a decrease.

Employer Liability Insurance:

88% stated their Employer Liability insurance premiums increased on renewal.



- 43% reported increases of between 1% and 5%.
- 35% stated increases of plus 6%-15%.
- 10% reported increases of plus 16%-25%.
- 0% reported increases of +25%
- 13% reported no change.
- While 0% reported a decrease.

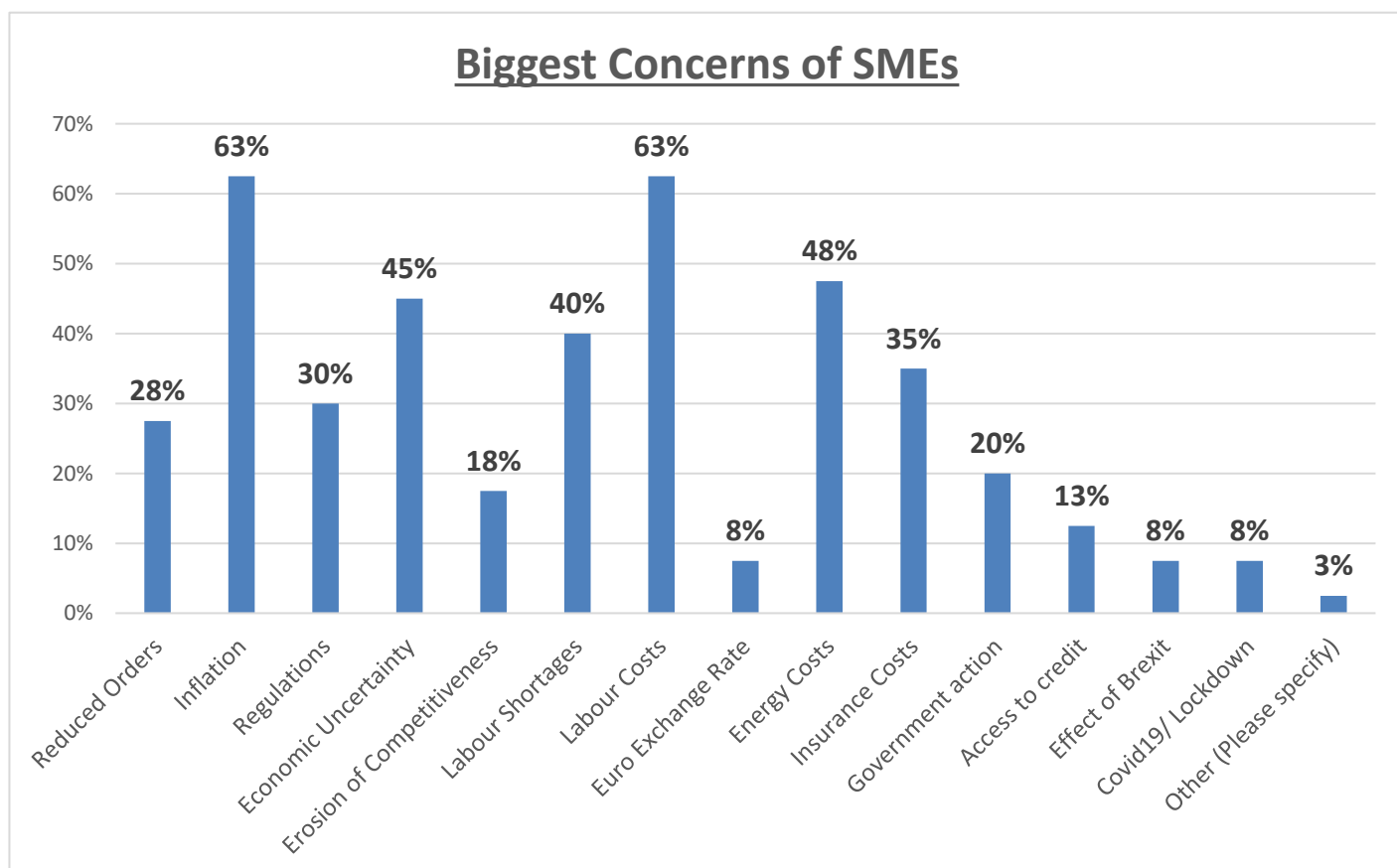
Insurance Summary:

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:

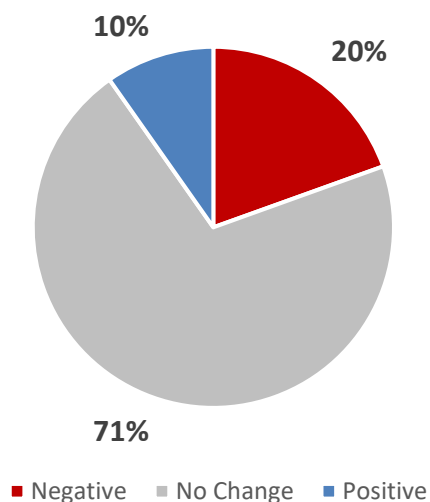
- Energy Costs at 48%.
- Labour Costs at 63%.
- Inflation at 63%.
- Economic Uncertainty at 45%.
- Labour Shortages at 40%



BREXIT:

Brexit has become a slightly more significant concern this quarter, with 20% of respondents stating that it would have a negative impact on their bottom line. 10% of respondents said Brexit will have a positive impact on their business, while 71% responded with no change.

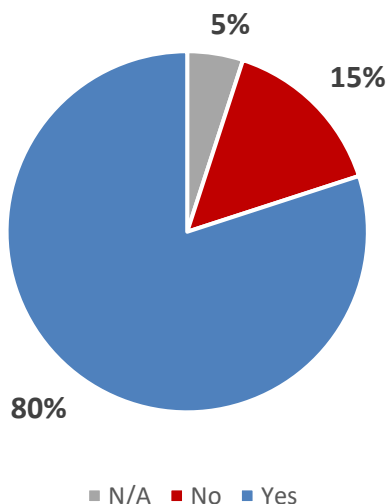
What effect will BREXIT have on your bottom line?



Broadband Services:

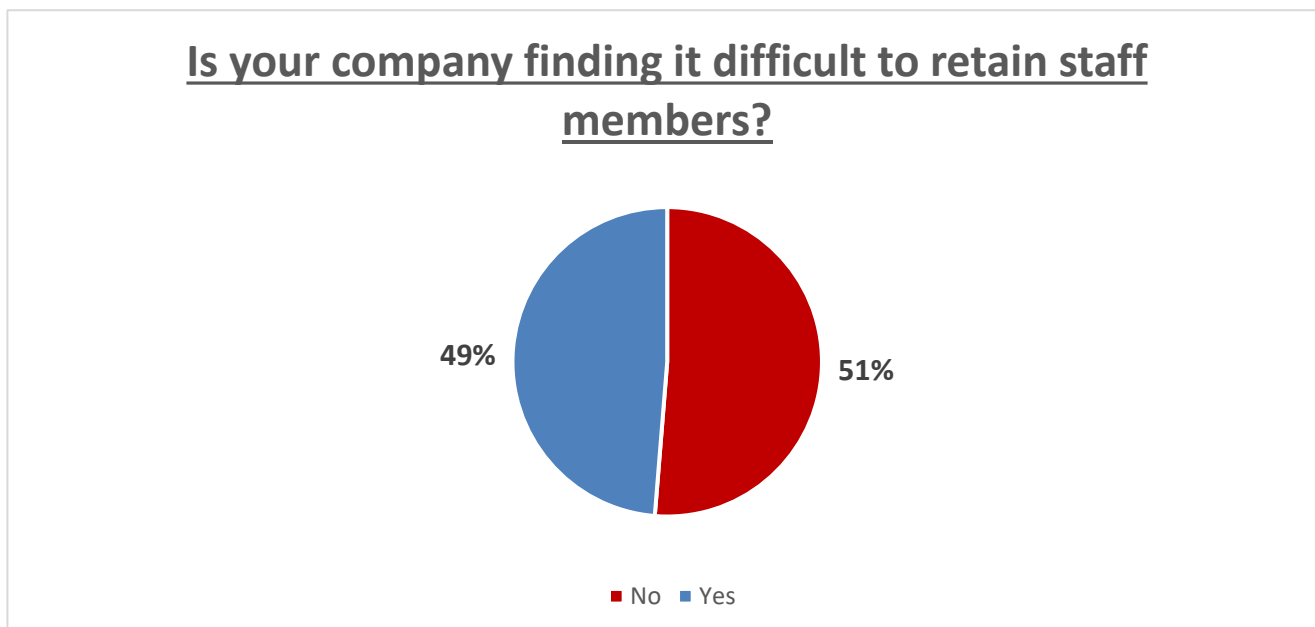
Access to proper and adequate broadband services is a key issue for many SMEs particularly those in rural Ireland. Inadequate or poor broadband service has a negative impact on business productivity. Our latest information shows that 15% of businesses are impacted by inadequate broadband.

Is your broadband service adequate?



Retaining and Recruiting staff:

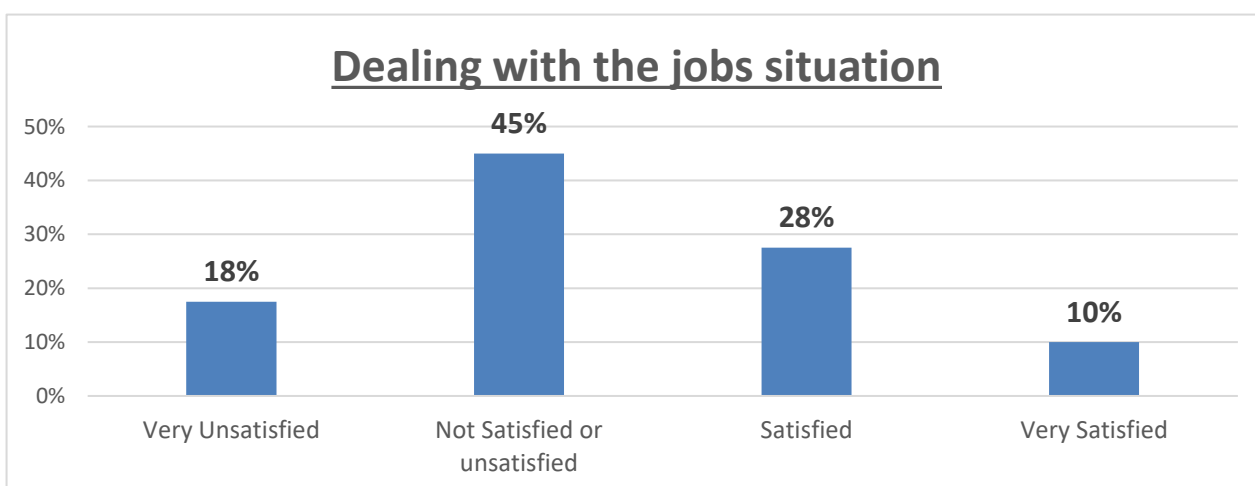
When asked 'Is your company finding it difficult to retain staff members?', 49% stated yes, they were, while 51% stated this was not a problem.



Government Performance:

Dealing with the job situation

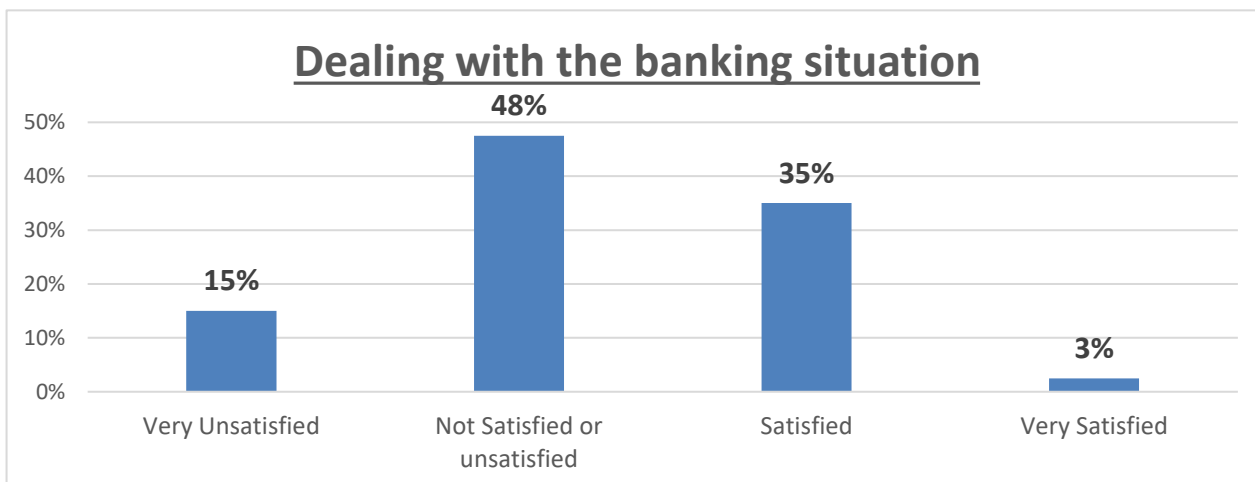
- Very Satisfied: 10%
- Satisfied: 28%
- Not Satisfied or dissatisfied: 45%
- Very Dissatisfied: 18%



Dealing with the banking situation

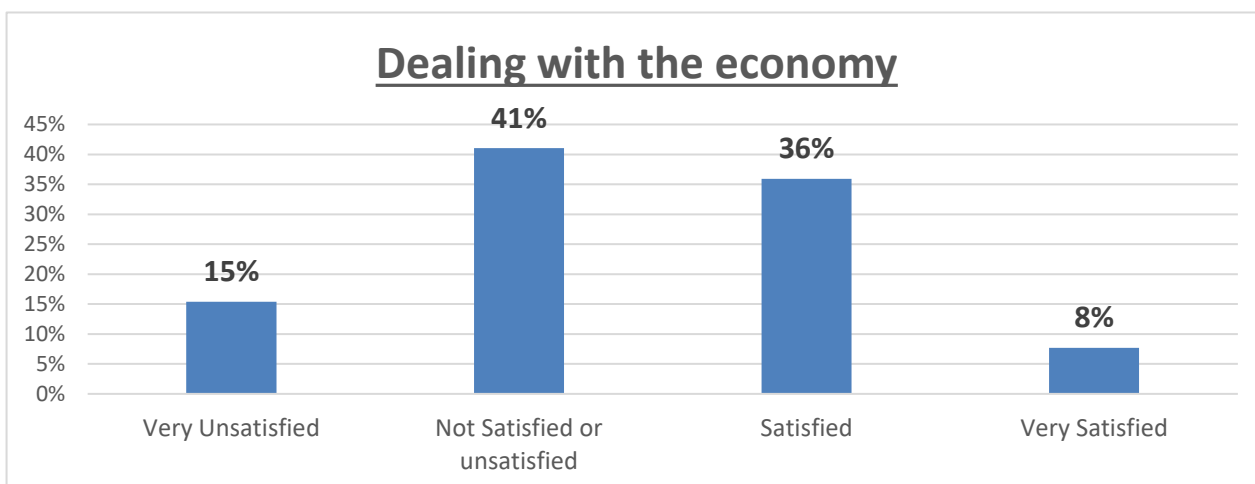
- Very Satisfied: 3%

- Satisfied: 35%
- Not Satisfied or dissatisfied: 48%
- Very Dissatisfied: 15%



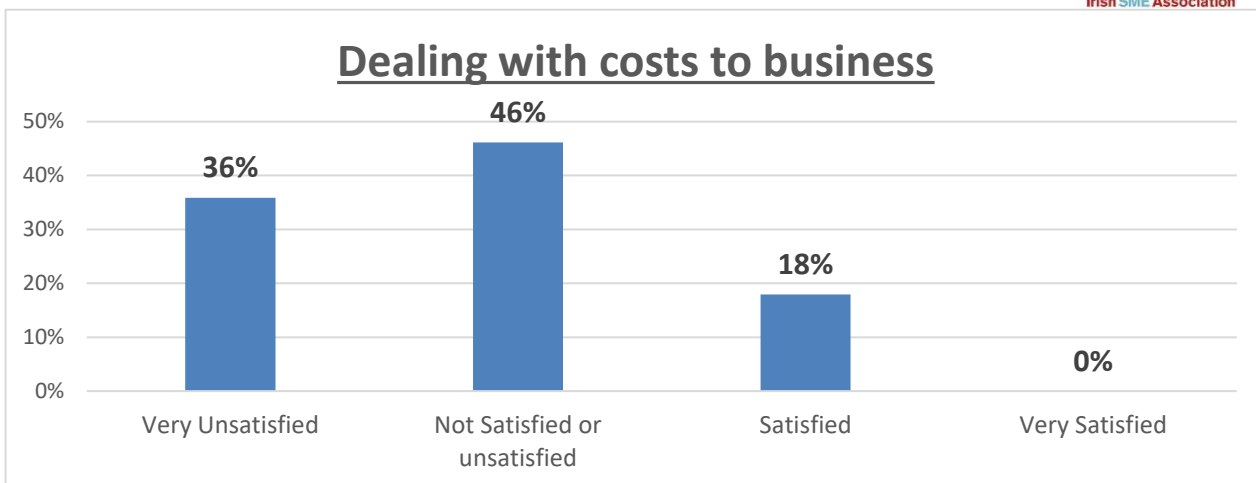
Dealing with the economy

- Very Satisfied: 8%
- Satisfied: 36%
- Not Satisfied or dissatisfied: 41%
- Very Dissatisfied: 15%



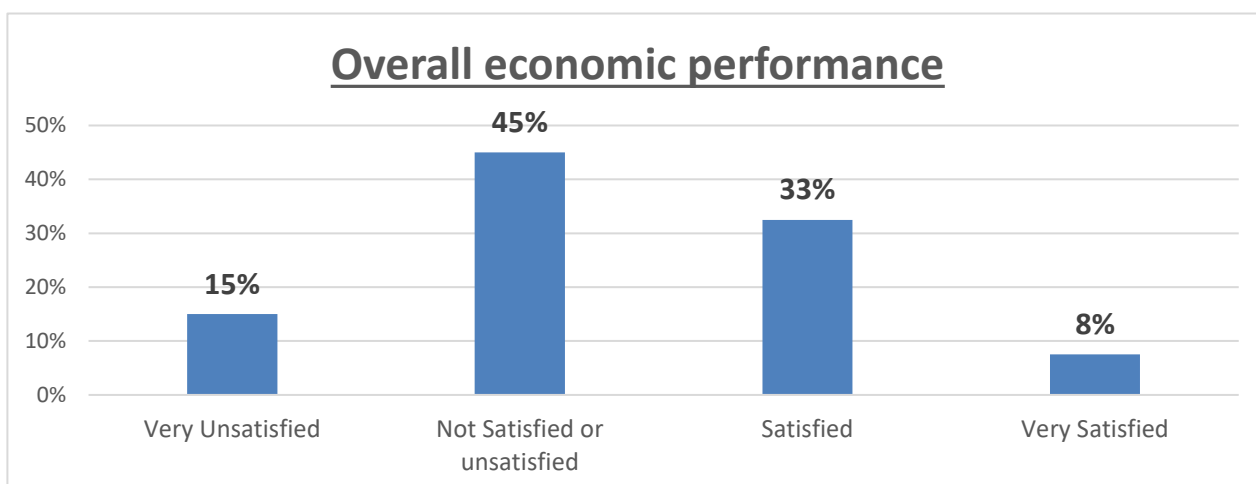
Dealing with costs to business

- Very Satisfied: 0%
- Satisfied: 18%
- Not Satisfied or dissatisfied: 46%
- Very Dissatisfied: 36%



Overall economic performance

- Very Satisfied: 8%
- Satisfied: 33%
- Not Satisfied or dissatisfied: 45%
- Very Dissatisfied: 15%



For further information, please contact:

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Methodology:

This survey was published in the first week of December 2023, covering the fourth quarter of 2023. There were 54 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.