

Trends Report

This survey was conducted in the second week of May, with 270 SME respondents, 60% of whom employ less than 10; 37% employ between 11 and 49; and the remaining 3% employ greater than 50. Geographically, 40% are from Dublin; 48% are spread across the rest of the country; and 12% have multiple sites.

Overall Confidence Indicators

The **Q1'20 Business Trends Quarterly survey** showed 11 out of 14 confidence indicators yielding declining results. There was a decrease in Business Confidence by 90% and a further decrease in Business Expectations by 26%, while Business Environment had a decrease of 109%. The Current Employment confidence indicator had a significant decrease from 23% to -26%. Future Employment followed a similar trend, decreasing by 55% from 26% to -29%. Current Sales have dropped from 15% to -73% while Sales Expectations are down 74%. Current Investment and Future Investment are down 28% and 51% respectively. Current Exports decreased a further 20% while Export Expectations decreased by 34%. Economic uncertainty concerns increased from 40% to 75, while Brexit remains a significant concern at 29%.

KEY INDICATORS OVERALL	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20
Business Confidence	26%	21%	1%	-4%	1%	-26%	13%	-77%
Business Expectations	34%	17%	8%	-4%	-14%	-31%	5%	-21%
Business Environment	40%	48%	42%	43%	38%	29%	48%	-61%
Profitability Expectations	25%	14%	13%	8%	15%	-2%	14%	-62%
Current Employment	23%	25%	25%	23%	19%	13%	23%	-26%
Future Employment	25%	26%	18%	16%	17%	1%	26%	-29%
Current Sales	16%	19%	17%	23%	17%	20%	15%	-73%
Sales Expectations	38%	36%	27%	8%	29%	-14%	34%	-40%
Current Investment	45%	35%	43%	38%	40%	29%	40%	12%
Future Investment	35%	32%	37%	30%	34%	22%	42%	-9%
Current Exports	7%	18%	19%	16%	-3%	-4%	-9%	-29%
Export Expectations	48%	34%	27%	25%	6%	6%	19%	-15%
Economic Uncertainty	11%	15%	13%	14%	14%	54%	40%	75%
Brexit	24%	25%	33%	37%	17%	60%	55%	29%

Q1'20 Manufacturing:

Our Q1'20 results for the manufacturing sector show an intense downward trend compared to last quarter's results. In this quarter, there were several diminished confidence indicators.

Business Confidence and Business Expectations increased by 97% and 45% respectively. Profitability Expectations dropped from -11% to -65%, while Future Employment in manufacturing decreased 48%. Current Sales are down 91% and sales expectations are at -30%. Current Investment is at 17%. Current Exports are at -7% and Future Exports are at -14% (Future exports were at 30% around the same period in 2019).

Business Environment is at -70%. Current Employment is at -22% down 41% from the last quarter. Sales Expectations reported a decrease from 22% to -30%. Brexit remains a significant concern for the manufacturing sector but decreased from 56% to 46%.

KEY INDICATORS MANUFACTURING	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20
Business Confidence	31%	14%	-6%	8%	4%	-14%	19%	-78%
Business Expectations	42%	14%	5%	8%	0%	-14%	19%	-26%
Business Environment	47%	54%	39%	62%	46%	50%	30%	-70%
Profitability Expectations	31%	8%	8%	10%	13%	14%	-11%	-65%
Current Employment	29%	35%	31%	27%	13%	14%	19%	-22%
Future Employment	36%	27%	14%	23%	20%	-7%	26%	-22%
Current Sales	44%	11%	0%	37%	11%	7%	4%	-87%
Sales Expectations	31%	35%	44%	39%	13%	-36%	22%	-30%
Current Investment	58%	35%	47%	44%	57%	43%	48%	17%
Future Investment	49%	49%	31%	54%	38%	50%	44%	0%
Current Exports	15%	5%	6%	36%	8%	-14%	-5%	-7%
Export Expectations	62%	45%	13%	30%	29%	29%	10%	-14%
Economic Uncertainty	12%	20%	11%	6%	45%	54%	44%	77%
Brexit	17%	29%	36%	53%	45%	77%	56%	46%

Q1'20 Retail:

The Retail sector for Q1'20 reported Brexit and Economic Uncertainty and Insurance Costs as its biggest concerns. Business Confidence decreased by 107% this quarter.

Business Expectations are down 57% from Q4'19. Profitability Expectations are at -80% down from 29% in Q4'19. Current Sales are at -94% compared to 0% in the last quarter. Current Investment is at -6%, while Future Investment is at -13%.

Business Environment is at -56%. Current Employment in retail is down 51% while Future Employment has also dropped from 13% to -50%. However, Sales Expectations are up 20%.

KEY INDICATORS RETAIL	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20
Business Confidence	15%	-5%	-25%	-5%	0%	-67%	13%	-94%
Business Expectations	35%	22%	33%	20%	0%	-33%	13%	-44%
Business Environment	15%	17%	0%	12%	29%	-17%	0%	-56%
Profitability Expectations	20%	11%	25%	20%	31%	-50%	29%	-80%
Current Employment	10%	33%	-9%	19%	38%	-50%	13%	-38%
Future Employment	15%	17%	9%	7%	0%	-33%	13%	-50%
Current Sales	30%	-11%	16%	7%	0%	-33%	0%	-94%
Sales Expectations	20%	22%	8%	12%	38%	-83%	43%	63%
Current Investment	45%	33%	11%	31%	54%	33%	14%	-6%
Future Investment	30%	22%	50%	12%	54%	0%	0%	-13%
Current Exports						-67%	-100%	-60%
Export Expectations						0%	100%	-60%
Economic Uncertainty	15%	31%	40%	27%	20%	75%	40%	86%
Brexit	30%	25%	20%	27%	60%	75%	20%	64%

Q1'20 Services:

The Services sector for Q1'20 showed 11 out of 14 confidence indicators in decline.

Business Confidence fell sharply from 26% to -77%. Business Environment is down from 65% to -61%. Profitability Expectations decreased 94%. Current Employment is down 44% while Future Employment is also down 47% from 26% to -21%.

Current Sales recorded a significant decrease from 3% to -73%. Sales Expectations fell 61%. Current Investment has dropped from 29% to 20% while future Investment is down from 42% to -6%. Current Exports have decreased by 46%, while Export Expectations have declined from 45% to -11%.

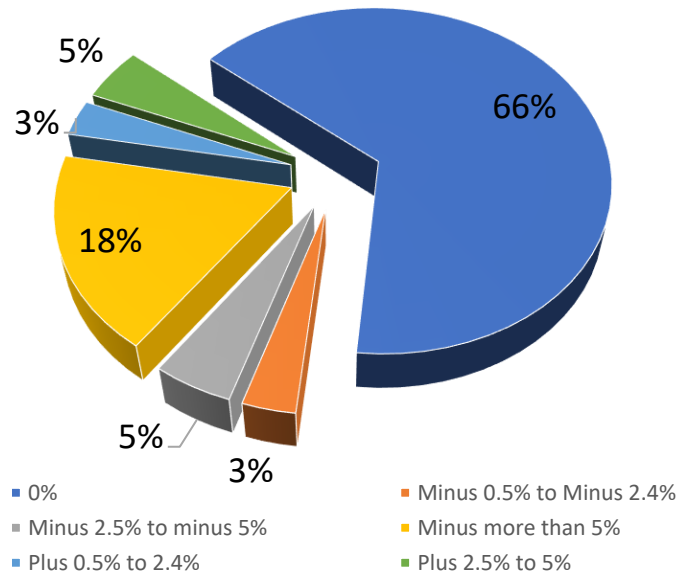
KEY INDICATORS SERVICES	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20
Business Confidence	22%	31%	15%	9%	10%	-7%	26%	-77%
Business Expectations	15%	15%	2%	5%	-13%	-23%	19%	-37%
Business Environment	31%	45%	54%	39%	45%	47%	65%	-61%
Profitability Expectations	22%	20%	12%	19%	12%	17%	23%	-71%
Current Employment	16%	22%	25%	27%	19%	13%	23%	-21%
Future Employment	13%	33%	27%	24%	29%	10%	26%	-21%
Current Sales	36%	-2%	17%	22%	6%	38%	3%	-73%
Sales Expectations	22%	35%	32%	23%	27%	10%	16%	-45%
Current Investment	33%	38%	49%	33%	23%	45%	29%	20%
Future Investment	31%	33%	44%	38%	23%	18%	42%	-6%
Current Exports	0%	36%	10%	0%	8%	-17%	8%	-38%
Export Expectations	22%	43%	19%	18%	9%	14%	45%	-11%
Economic Uncertainty	14%	15%	18%	19%	42%	76%	40%	78%
Brexit	22%	25%	21%	19%	42%	59%	50%	14%

Q1'20 Pay Expectations: Employees

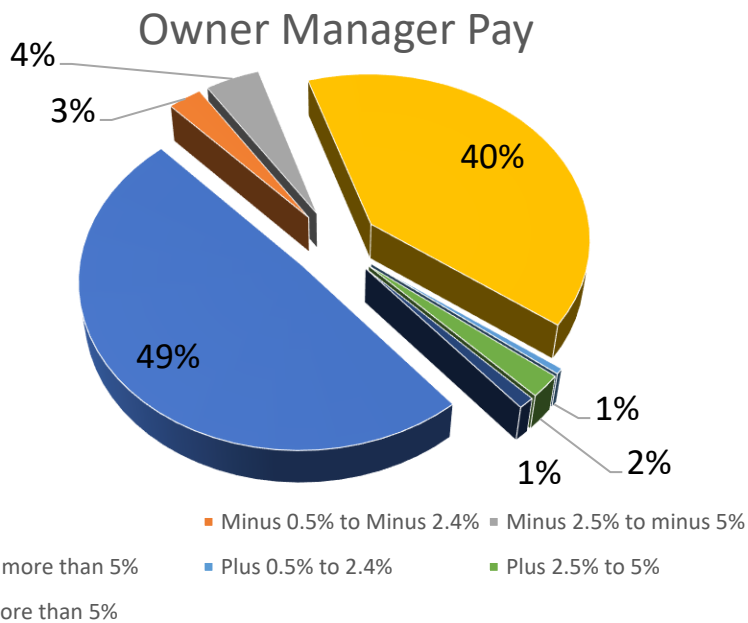
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 66% of SMEs will not be able to increase pay this year for their employees.
- 3% will increase employees pay by 0.5% to 2.4%, down from 23% in the previous quarter.
- 5% will increase pay by 2.5%-5%, down from 35% in Q4'19.
- 18% of businesses will decrease pay for their employees by plus 5%, up 16% on Q4' 19.
- 0% of respondents stated 'Other'.

Employee Pay Expectations



Q1'20 Pay Expectations: Owner Manager

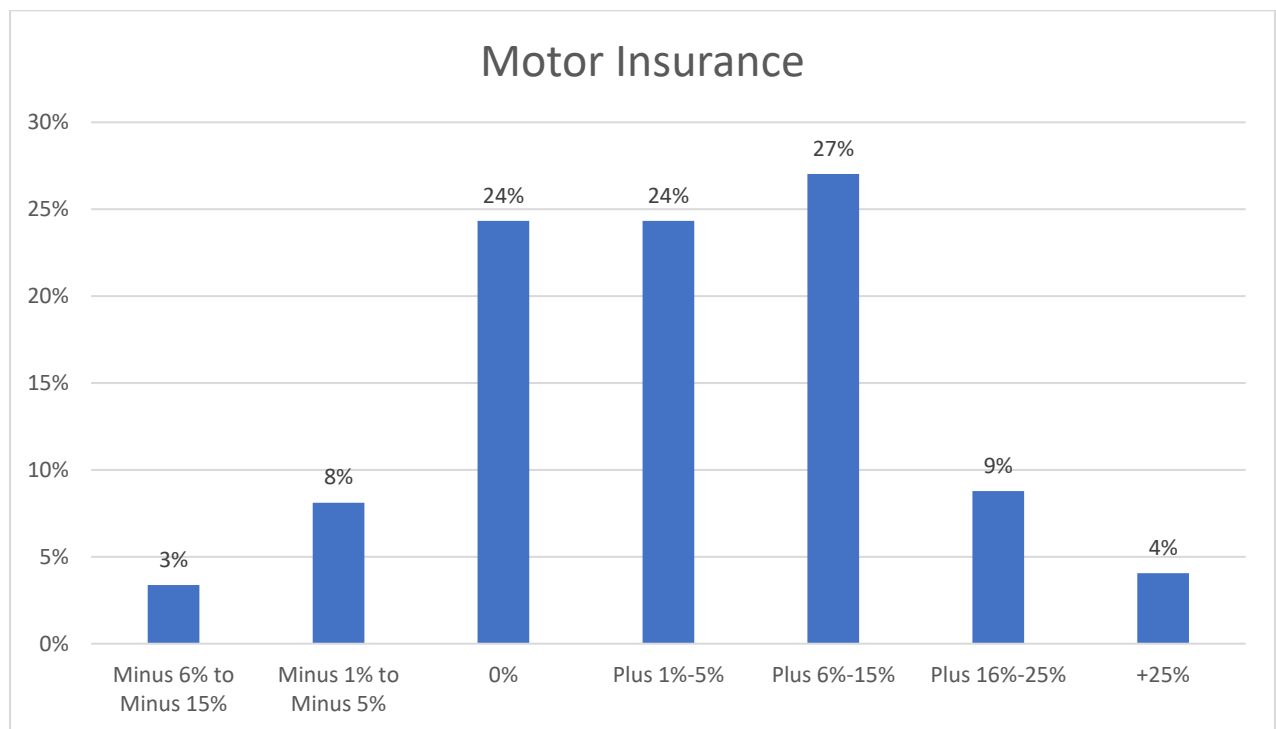


When we asked business owners about their own pay for this year:

- 49% said they would not increase their earnings from the business, down from 68% in Q4'19.
- 1% intend to increase their wages by plus 5%, down 1% on Q4'19.
- 2% will increase their pay between 2.5%-5%, down 12% on Q4'19.
- 1% will increase their pay between 0.5%-2.4%, down 3% on Q4'19.
- 47% stated they were reducing their wages compared to 12% in Q'4.
- 0% stated 'other'.

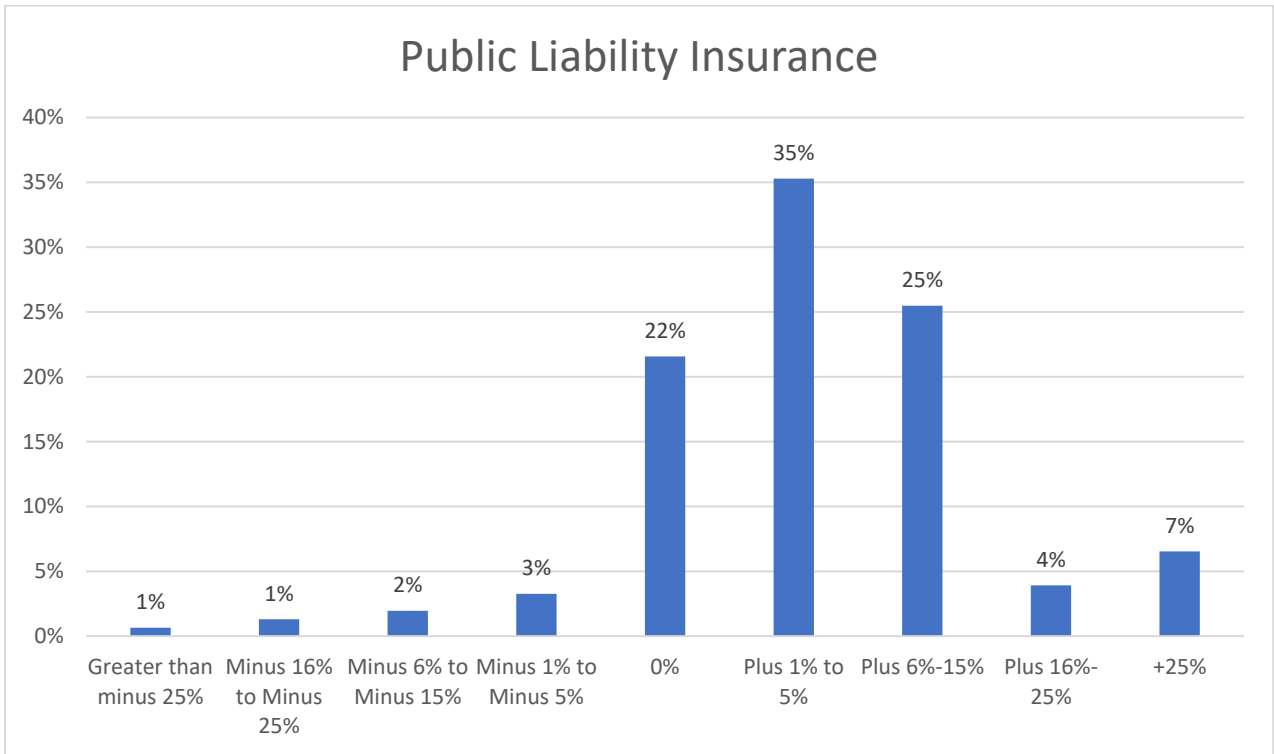
Insurance Costs

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 64% of respondents reported an increase to their premiums. When broken down the figures show:

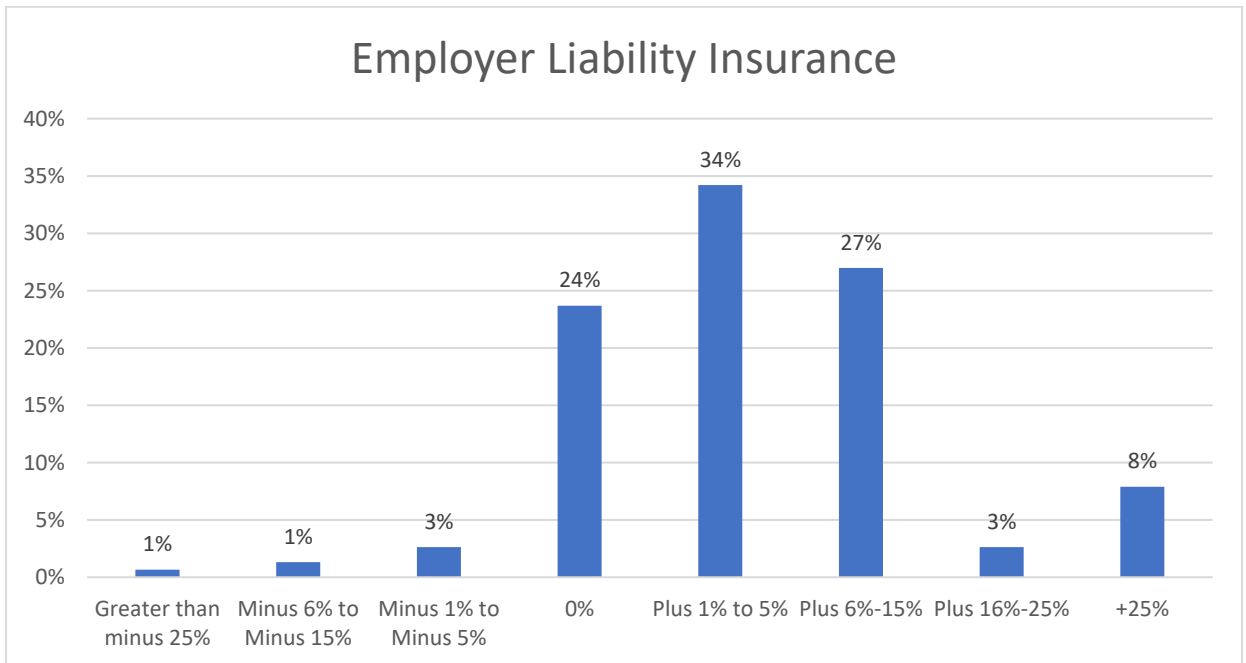


- 4% of respondents noted an increase of +25%.
- 9% experienced increases of plus 16%-25%.
- 27% of respondents' premiums increased between plus 6% to 15%.
- 24% of those who responded recorded increases of plus 1%-5%.
- 24% reported no increase to premiums.
- While 11% reported a decrease.

Coupled with motor insurance cost increases, public and employer liability insurance costs are increasing for many SMEs. 71% and 72% of respondents respectively stated their premiums increased on renewal. When these figures are broken down:



- 35% reported increases of between 1% and 5%.
- 25% stated increases of plus 6%-15%.
- 4% reported increases of plus 16%-25%.
- 7% reported increases of +25%
- 22% reported no change.
- While 7% reported a decrease.

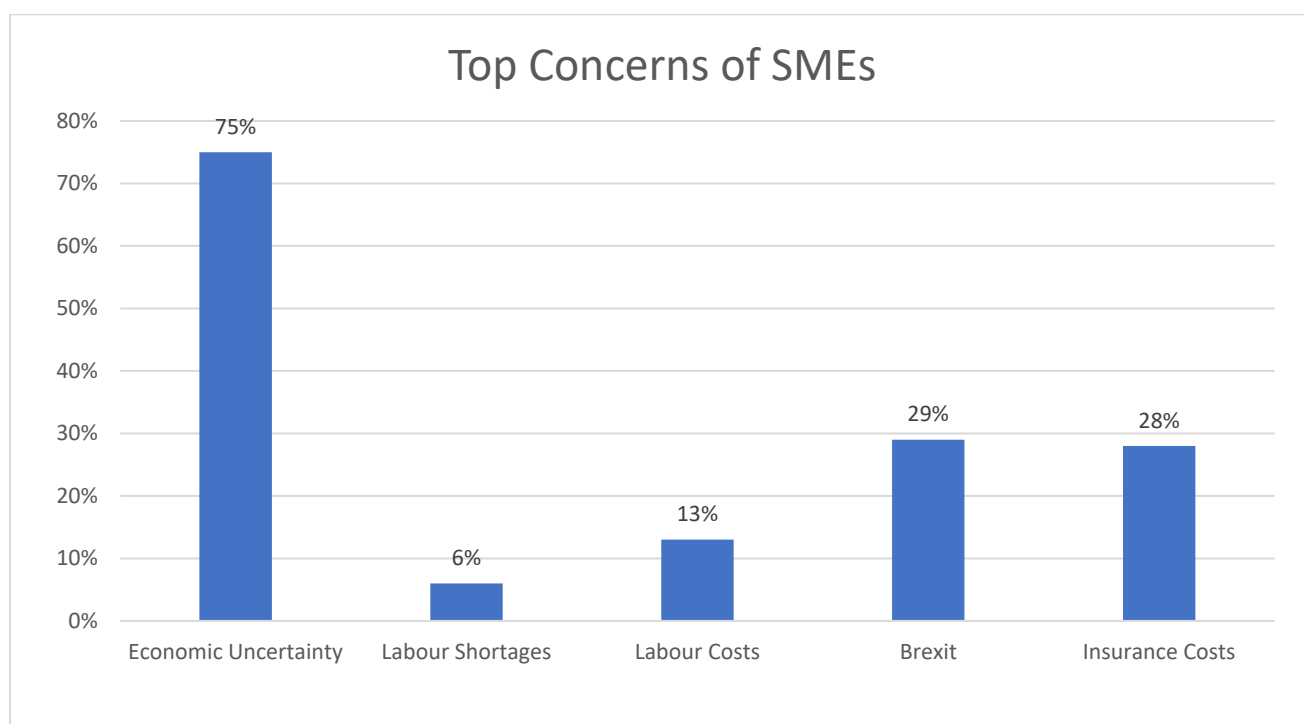


- 34% reported increases of between 1% and 5%.
- 27% stated increases of plus 6%-15%.
- 3% reported increases of plus 16%-25%.
- 8% reported increases of +25%
- 24% reported no change.
- While 5% reported a decrease.

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 2020.

The Survey also tracks the current biggest concern of SMEs

The top concerns for SMEs in this quarter are Economic Uncertainty (75%), Brexit (29%), Insurance Costs (28%), Labour Costs (13%) and Labour Shortages (6%). While Brexit remained the primary concern through the end of 2019, it seems economic uncertainty due to Covid-19 will remain the primary concern for SMEs in 2020.



In response to the recent COVID-19 epidemic, Economic Uncertainty has become the primary concern for SMEs rising to 75%. Brexit remains a significant concern at 29%, with 54% of respondents stating that it would have a negative impact on their bottom line. Just 2% of respondents said Brexit will have a positive impact on their business in Q1'20.

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 26% of businesses are impacted by inadequate broadband.

Ends

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