



Q2'2020 TRENDS REPORT

This survey was conducted in the first week of July 2020 with 237 SME respondents.

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Q2'2020 Trends Report

This survey was conducted in the first week of July 2020 with 237 SME respondents, 57% of whom employ less than 10; 39% employ between 11 and 49; and the remaining 4% employ greater than 50. Geographically, 36% are from Dublin; 56% are spread across the rest of the country; and 8% have multiple sites.

Overall Confidence Indicators

The **Q2'20 Business Trends Quarterly survey** showed 9 out of 14 confidence indicators yielding declining results, an improvement of 2 on Q1'20. All indicators showed an increase on Q1 bar BREXIT Uncertainty which increased by 48%. There was an increase in Business Confidence by 25% and a further increase in Business Expectations by 85%, while Business Environment had an increase of 80%. The Current Employment confidence indicator increased from -26% to -20%. Future Employment increasing by 76% from -29% to -7%. Current Sales have increased from -73% to -23% while Sales Expectations are up 68%. Current Investment is up 92% and Future Investment is up by 200%. Current Exports increased by 28% while Export Expectations also increased, this time by an 130%. Economic uncertainty concerns remained high, going from 75% to 71%, while Brexit remains a significant concern at 43%.

	Q1 18	Q2 18	Q3 18	Q4 18	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Business Confidence	26%	21%	1%	-4%	1%	-26%	13%	-77%	-58%
Business Expectations	34%	17%	8%	-4%	-14%	-31%	5%	-21%	-3%
Business Environment	40%	48%	42%	43%	38%	29%	48%	-61%	-12%
Profitability Expectations	25%	14%	13%	8%	15%	-2%	14%	-62%	-10%
Current Employment	23%	25%	25%	23%	19%	13%	23%	-26%	-20%
Future Employment	25%	26%	18%	16%	17%	1%	26%	-29%	-7%
Current Sales	16%	19%	17%	23%	17%	20%	15%	-73%	-25%
Sales Expectations	38%	36%	27%	8%	29%	-14%	34%	-40%	-13%
Current Investment	45%	35%	43%	38%	40%	29%	40%	12%	23%
Future Investment	35%	32%	37%	30%	34%	22%	42%	-9%	9%
Current Exports	7%	18%	19%	16%	-3%	-4%	-9%	-29%	-21%
Export Expectations	48%	34%	27%	25%	6%	6%	19%	-15%	3%
Economic Uncertainty	11%	15%	13%	14%	14%	54%	40%	75%	71%
Brexit Concerns	24%	25%	33%	37%	17%	60%	55%	29%	43%

Q2'20 Manufacturing:

Our Q2'20 results for the manufacturing sector show a recovery on the Q1 figures. In this quarter, there were four minus indicators an increase from 10 in the last quarter.

Business Confidence and Business Expectations increased by 88% and 100% respectively. Profitability Expectations increased from -65% to 12% an increase of 118%. Future Employment in manufacturing increased by 140%, however, if compared to Q4'19 it is a decrease of 65%. Current Sales remain low at -73%, an increase on Q1 of 16% and sales expectations increased by 150% to 15%. Current Investment increased by 88% from 17% - 32%. Current Exports are at -4% and Future Exports increased from -14% to 26%.

Business Environment improved drastically from -70% to 9% as business began to reopen again. Current Employment remained low at -20%, still an improvement of 9% on Q1. Brexit remains a significant concern for the manufacturing sector and increased from 46% to 71%, an increase of 54%.

KEY INDICATORS MANUFACTURING	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Business Confidence	31%	14%	-6%	8%	4%	-14%	19%	-78%	-9%
Business Expectations	0.42	0.14	0.05	0.08	0	-0.14	0.19	-0.26	0%
Business Environment	47%	54%	39%	62%	46%	50%	30%	-70%	9%
Profitability Expectations	0.31	0.08	0.08	0.1	0.13	0.14	-0.11	-0.65	12%
Current Employment	29%	35%	31%	27%	13%	14%	19%	-22%	-20%
Future Employment	0.36	0.27	0.14	0.23	0.2	-0.07	0.26	-0.22	9%
Current Sales	44%	11%	0%	37%	11%	7%	4%	-87%	-73%
Sales Expectations	0.31	0.35	0.44	0.39	0.13	-0.36	0.22	-0.3	15%
Current Investment	58%	35%	47%	44%	57%	43%	48%	17%	32%
Future Investment	0.49	0.49	0.31	0.54	0.38	0.5	0.44	0	24%
Current Exports	15%	5%	6%	36%	8%	-14%	-5%	-7%	-4%
Export Expectations	0.62	0.45	0.13	0.3	0.29	0.29	0.1	-0.14	26%
Economic Uncertainty	12%	20%	11%	6%	45%	54%	44%	77%	74%
Brexit	0.17	0.29	0.36	0.53	0.45	0.77	0.56	0.46	71%

Q2'20 Retail:

The Retail sector for Q1'20 reported Brexit and Economic Uncertainty and Reduced Orders as its biggest concerns. Business Confidence increased by 3% this quarter, although still exceptionally low at -94%.

Business Expectations are up 70% from Q1'20. Profitability Expectations are at -48% up from -80% in Q1'20. Current Sales are at -76% compared to -94% in the last quarter and 0% the quatre before that. Current Investment is back at pre COVID levels of 14%, while Future Investment is also back to Q4'19 levels of 0%.

Business Environment is at -30%. Current Employment in retail is down 37% a further drop on the decrease of 392% last quatre. Expectations for Future Employment has increased from -50% to -26% while Sales Expectations are down to -38%.

KEY INDICATORS RETAIL	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Business Confidence	15%	-5%	-25%	-5%	0%	-67%	13%	-94%	-91%
Business Expectations	35%	22%	33%	20%	0%	-33%	13%	-44%	-13%
Business Environment	15%	17%	0%	12%	29%	-17%	0%	-56%	-30%
Profitability Expectations	20%	11%	25%	20%	31%	-50%	29%	-80%	-48%
Current Employment	10%	33%	-9%	19%	38%	-50%	13%	-38%	-52%
Future Employment	15%	17%	9%	7%	0%	-33%	13%	-50%	-26%
Current Sales	30%	-11%	16%	7%	0%	-33%	0%	-94%	-76%
Sales Expectations	20%	22%	8%	12%	38%	-83%	43%	63%	-38%
Current Investment	45%	33%	11%	31%	54%	33%	14%	-6%	14%
Future Investment	30%	22%	50%	12%	54%	0%	0%	-13%	0%
Current Exports						-67%	100%	-60%	-55%
Export Expectations						0%	100%	-60%	-18%
Economic Uncertainty	15%	31%	40%	27%	20%	75%	40%	86%	71%
Brexit	30%	25%	20%	27%	60%	75%	20%	64%	52%

Q2'20 Services:

The Services sector for Q2'20 showed 3 out of 14 confidence indicators in decline, all others have improved on q1 2020.

Business Confidence remain low at -57% an improvement of 26% on Q1. Business Environment is up from -61% to -25%. Profitability Expectations are back at q4'2020 levels 22%. Current Employment remained unchanged at -21% while Future Employment is up from -21% to 0% an increase of 100%.

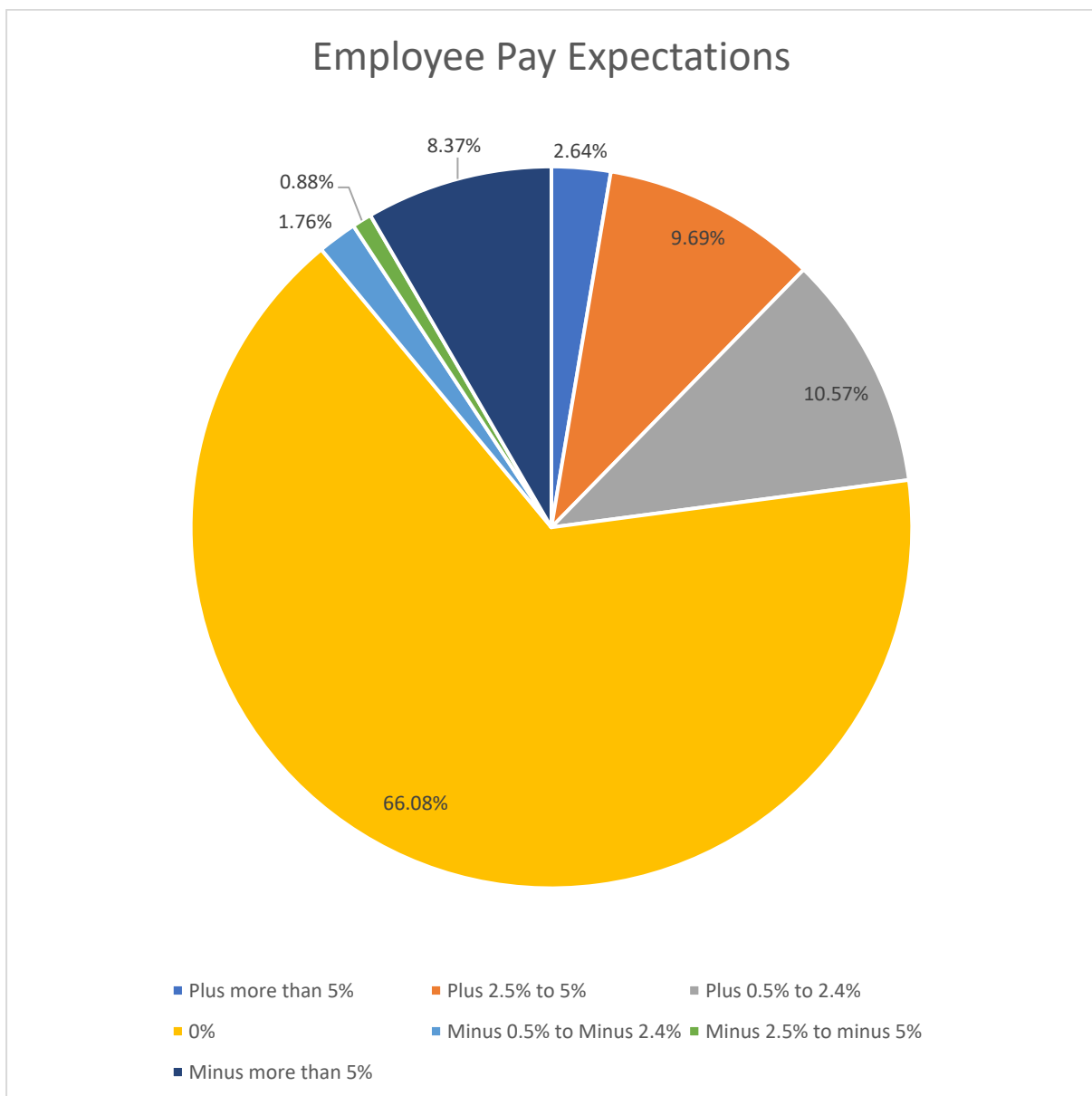
Current Sales recorded another low of 68% a significant decrease on 2019 figures. Sales Expectations increased by 78% to -10%. Current Investment saw an increase of 20% to 27% while future Investment remained within 1% of the Q1 figure of -6%. Current Exports dropped this quarter to -55% a decrease of 44%, while Export Expectations also declined from -11% to -18%.

KEY INDICATORS SERVICES	Q1'18	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Business Confidence	22%	31%	15%	9%	10%	-7%	26%	-77%	-57%
Business Expectations	15%	15%	2%	5%	-13%	-23%	19%	-37%	-11%
Business Environment	31%	45%	54%	39%	45%	47%	65%	-61%	-25%
Profitability Expectations	22%	20%	12%	19%	12%	17%	23%	-71%	22%
Current Employment	16%	22%	25%	27%	19%	13%	23%	-21%	-21%
Future Employment	13%	33%	27%	24%	29%	10%	26%	-21%	0%
Current Sales	36%	-2%	17%	22%	6%	38%	3%	-73%	-68%
Sales Expectations	22%	35%	32%	23%	27%	10%	16%	-45%	-10%
Current Investment	33%	38%	49%	33%	23%	45%	29%	20%	27%
Future Investment	31%	33%	44%	38%	23%	18%	42%	-6%	-7%
Current Exports	0%	36%	10%	0%	8%	-17%	8%	-38%	-55%
Export Expectations	22%	43%	19%	18%	9%	14%	45%	-11%	-18%
Economic Uncertainty	14%	15%	18%	19%	42%	76%	40%	78%	71%
Brexit	22%	25%	21%	19%	42%	59%	50%	14%	52%

Q2'20 Pay Expectations: Employees

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

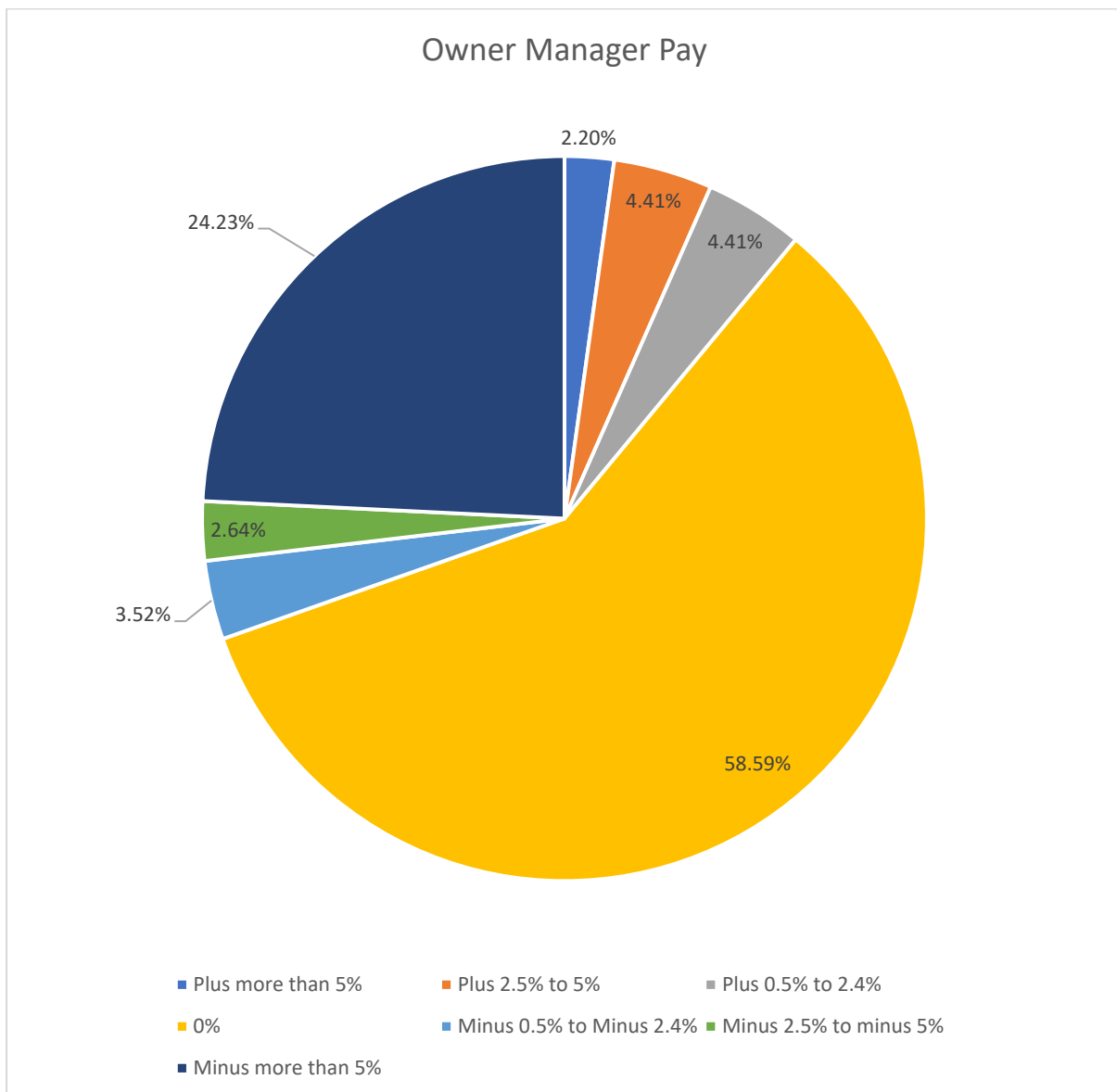
- 66% of SMEs will not be able to increase pay this year for their employees.
- 11% will increase employees pay by 0.5% to 2.4%, up from 3% in the previous quarter and down from 23% in the Q4 2019.
- 10% will increase pay by 2.5%-5%, up from 5% in Q1'20 and down from 35% in Q4'19.
- 8% of employers will decrease employees pay by more than 5%. This is an improvement of the 18% who planned to decrease wages by +5% in Q1'20.



Q2'20 Pay Expectations: Owner Manager

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

- 59% said they would not increase their earnings from the business, up from 49% in Q1'10 and down from 68% in Q4'19.
- 2% stated they intend to increase their wages by plus 5%, up from 1% on Q1'1920.
- 4% will increase their pay between 2.5%-5%, up 2% on Q1'20 and down 12% on Q4'19.
- 4% will increase their pay between 0.5%-2.4%, up from 1% on Q1'20.
- 30% stated they were reducing their wages compared to 47% in Q1'20.

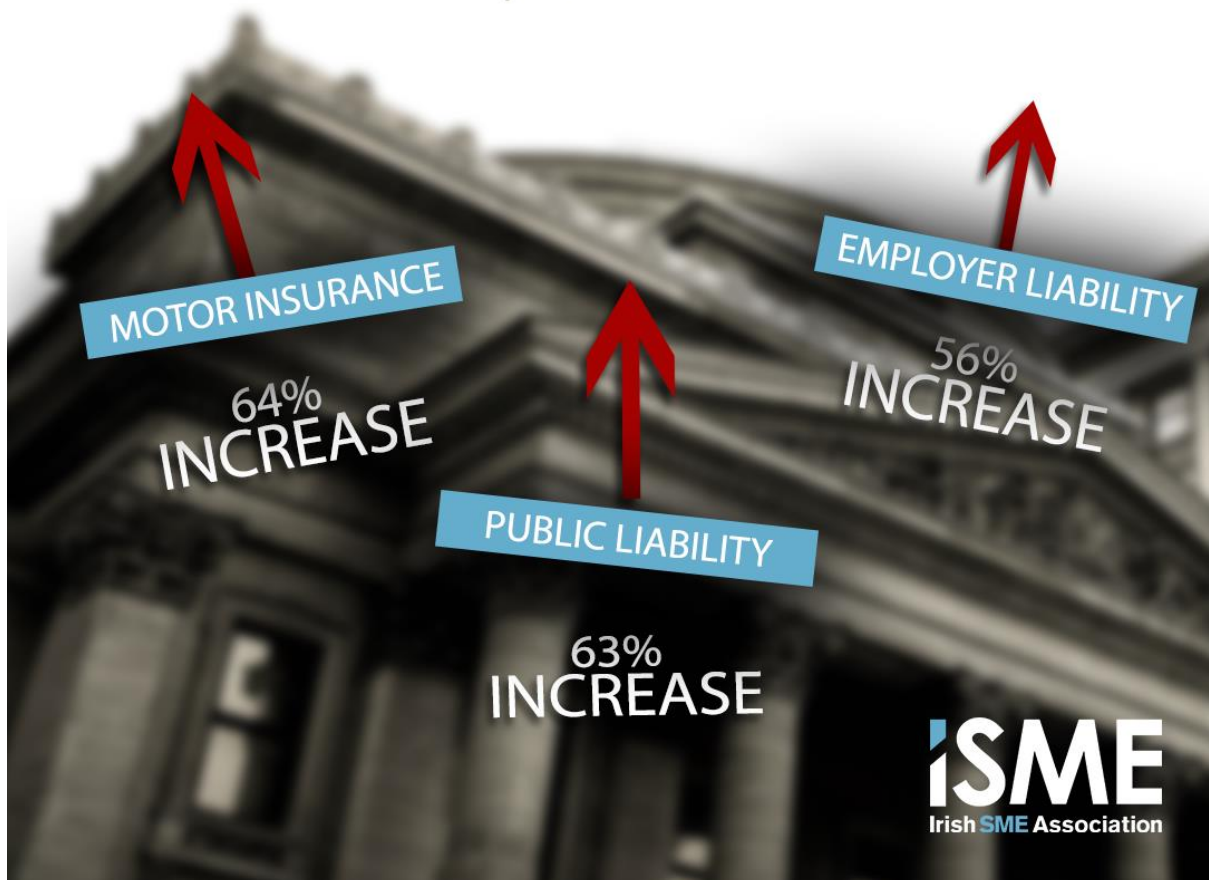


Q2'20 Insurance Costs

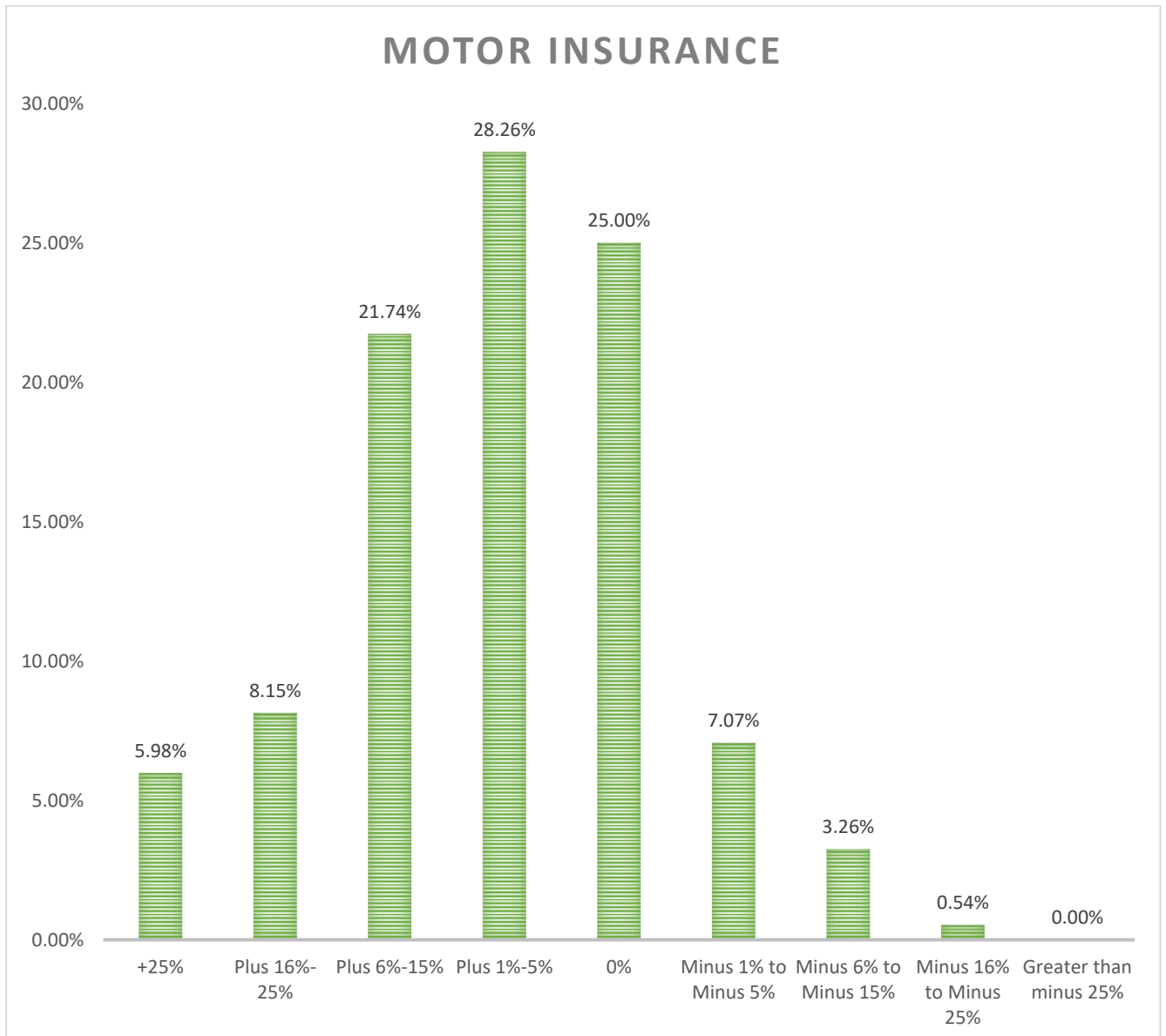
ISME's Business Trends Survey

Q2 2020

Have you seen an increase / decrease in your insurance premiums?

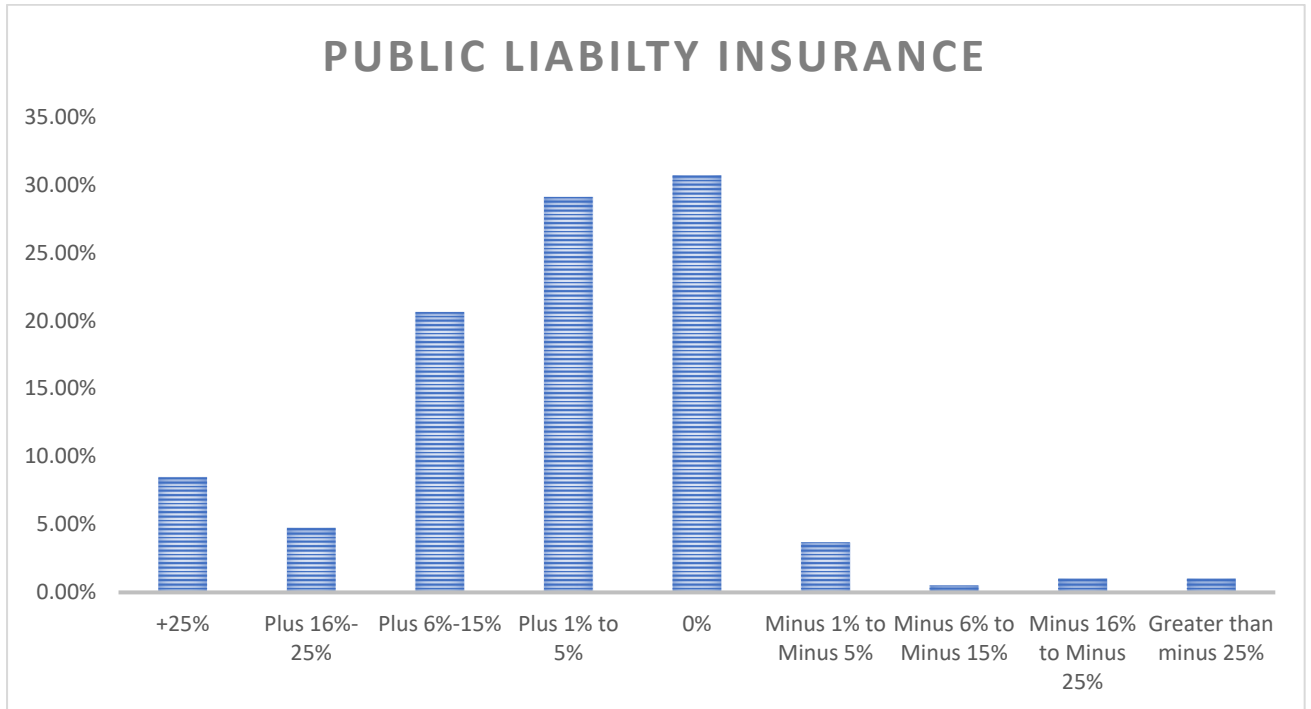


While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in some business sectors, this omission needs to be reconsidered. Our latest data shows us that 64% of respondents reported an increase to their premiums, an unchanged figure from Q1'20. When broken down the figures show:

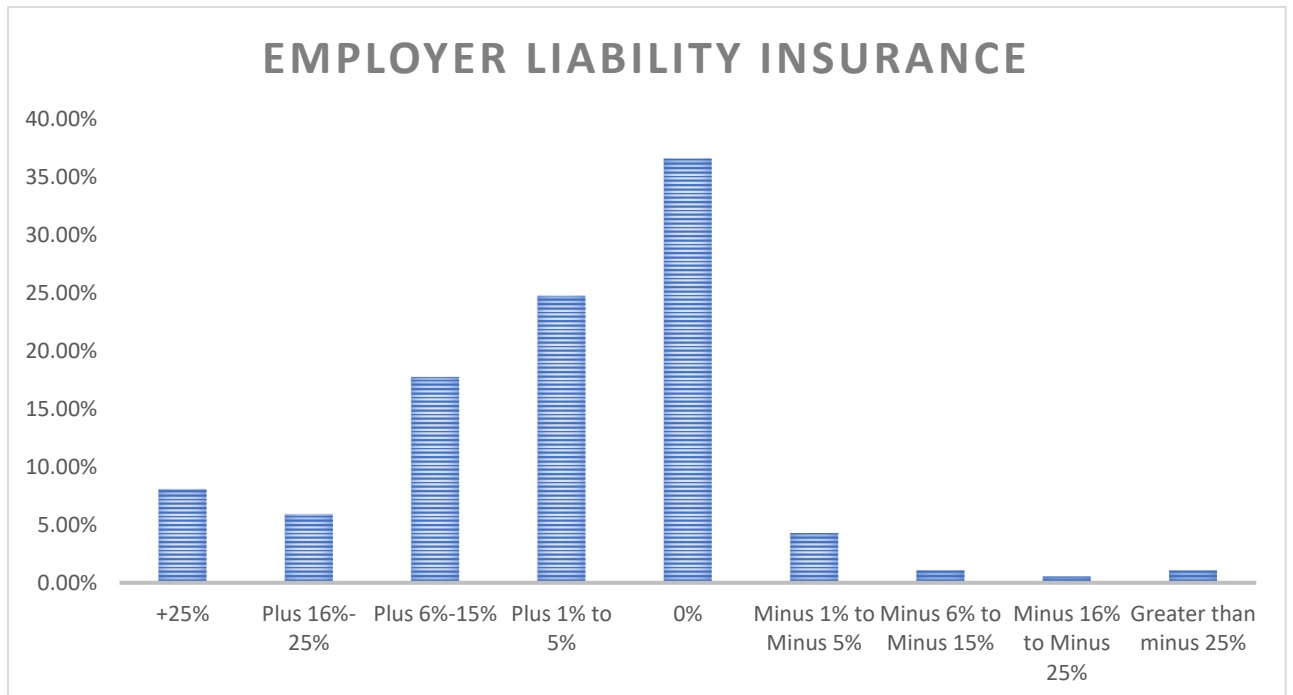


- 6% of respondents noted an increase of +25%.
- 8% experienced increases of plus 16%-25%.
- 22% of respondents' premiums increased between plus 6% to 15%.
- 28% of those who responded recorded increases of plus 1%-5%.
- 25% reported no increase to premiums.
- While 11% reported a decrease.

This quarter showed a decrease in public and employer liability insurance costs. Public Liability Insurance was down from 71% to 63% of respondents who stated their premiums increased on renewal. 56% stated their Employer Liability insurance premiums increased on renewal, this is down from 72% in the previous quarter.



- 29% reported increases of between 1% and 5%.
- 21% stated increases of plus 6%-15%.
- 5% reported increases of plus 16%-25%.
- 8% reported increases of +25%
- 31% reported no change.
- While 6% reported a decrease.



- 25% reported increases of between 1% and 5%.
- 18% stated increases of plus 6%-15%.

- 6% reported increases of plus 16%-25%.
- 8% reported increases of +25%
- 37% reported no change.
- While 7% reported a decrease, up from 5% in Q2.

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 83% up from 75% in Q1'20, Brexit 43% up from 29% % in Q1'20, Insurance Costs 26% down from 28% % in Q1'20, and Reduced Orders which jumped to 47%. While Brexit remained the primary concern through the end of 2019, it seems economic uncertainty and reduced orders due to COVID-19 will remain the primary concern for SMEs in 2020.



Brexit remains a significant concern with 55% of respondents stating that it would have a negative impact on their bottom line. Just 3% 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 25% of businesses are impacted by inadequate broadband.

Retaining and Recruiting staff

When asked 'Is your company finding it difficult to retain staff members?' 18% stated yes they were while 82% stated this was not a problem. When asked about difficulties hiring new staff 39% noted this as a problem while 61% said it was not.

ISME's Business Trends Survey Q2 2020

Do current conditions threaten the viability of your business over the next 12 months?

