

Q1'21

ISME Q1 TRENDS REPORT 2021

Contents

Introduction: Q1'2021 Trends Report	2
Overall Confidence Indicators:	3
Q1'21 Manufacturing:	4
Q1'21 Retail:	5
Q1'21 Services:	6
Q1'21 Pay Expectations: Employees	7
Q1'21 Pay Expectations: Owner Manager	8
Insurance Costs: Introduction	9
Motor Insurance:	9
Public Liability Insurance:	10
Employer Liability Insurance:	11
Insurance Summary:	11
Biggest concern of SMEs:	12
BREXIT:	13
Broadband Services:	13
Retaining and Recruiting staff:	14
Government Performance:	15

Introduction: Q1'2021 Trends Report

This survey was conducted in the second week of March 2021 with 233 SME respondents and covers the first quarter of 2021. Of those surveyed the employee breakdown is as follows:

- 1-10 54%
- 11-20 23%
- 21-30 8%
- 31-50 8%
- 100 + 5%
- Other 2%

Geographically, the breakdown is as follows:

- Dublin 40%
- Leinster (Except Dublin) 16%
- Munster 19%
- Connaught 9%
- Ulster 6%
- Multiple sites 8%
- Other 2%

The Sectorial breakdown:

- Manufacturing 23%
- Services 26%
- IT/Online Services 5%
- Wholesale 6%
- Retail 12%
- Construction 2%
- Transport& Logistics 3%
- Hospitality 5%
- Food & Drink Production 2%
- Health Sector 4%
- Agriculture 1%
- Other (Please specify) 11%

Overall Confidence Indicators:

The **Q1'21 Business Trends Quarterly survey** showed 5 out of 14 confidence indicators yielding declining results, dropping by two from the previous quarter.

KEY INDICATORS OVERALL	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Business Confidence	21%	1%	-4%	1%	-26%	13%	-77%	-58%	-48%	-33%	6%
Business Expectations	17%	8%	-4%	-14%	-31%	5%	-21%	-3%	-14%	26%	36%
Business Environment	48%	42%	43%	38%	29%	48%	-61%	-11%	-15%	-19%	-38%
Profitability Expectations	14%	13%	8%	15%	-2%	14%	-62%	-10%	-24%	-21%	-6%
Current Employment	25%	25%	23%	19%	13%	23%	-26%	-20%	-19%	-15%	-20%
Future Employment	26%	18%	16%	17%	1%	26%	-29%	-7%	-4%	6%	19%
Current Sales	19%	17%	23%	17%	20%	15%	-73%	-25%	-18%	-34%	-46%
Sales Expectations	36%	27%	8%	29%	-14%	34%	-40%	-13%	-12%	-10%	28%
Current Investment	35%	43%	38%	40%	29%	40%	12%	23%	20%	19%	21%
Future Investment	32%	37%	30%	34%	22%	42%	-9%	9%	4%	16%	28%
Current Exports	18%	19%	16%	-3%	-4%	-9%	-29%	-21%	-25%	-29%	-12%
Export Expectations	34%	27%	25%	6%	6%	19%	-15%	3%	0%	8%	15%
Economic Uncertainty	15%	13%	14%	14%	54%	40%	75%	71%	76%	69%	62%
Brexit	25%	33%	37%	17%	60%	55%	29%	43%	50%	46%	42%

BREXIT Uncertainty dropped by 4 percent to 42%. Business Confidence rose massively by 39%, bringing the Q4 total to 6%, compared to -33% in Q4. This aligns with Economic Uncertainty, which dropped by 7% this quarter.

There was a significant rise in Business Expectations, which rose from 26% in Q4 to 36% this quarter, rising by 10%. Business Environment continues to decline, while Profitability Expectations increased by 15%. It should be re-emphasised that levels have not hit the initial lows experienced in Q1'2020.

The Current Employment confidence indicator decreased by 5%, while Future Employment increased by a further 13%, from 6% to 19%.

Current Sales have decreased from -34% to -46%, while Sales Expectations have shown their greatest recovery since plummeting in Q1'20, increasing from -10% to 28%.

Current Investment rose by 2% this quarter after a 1% increase in Q4, while Future Investment grew by another 12%.

Current Exports rose by 17% while Export Expectations also increased by 7%.

Economic uncertainty concerns remain high, but have dropped slightly from 69% to 62%, remaining below initial Q1 levels. Brexit concerns remains a significant concern at 42%.

Q1'21 Manufacturing:

Our Q1'21 results for the manufacturing sector show a continued recovery on the Q1 figures in most confidence indicators. In this quarter, there were five negative indicators, the same number as Q4'20.

KEY INDICATORS MANUFACTURING	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Business Confidence	14%	-6%	8%	4%	-14%	19%	-78%	-9%	-18%	-47%	8%
Business Expectations	14%	5%	8%	0%	-14%	19%	-26%	0%	-15%	5%	31%
Business Environment	54%	39%	62%	46%	50%	30%	-70%	9%	-13%	5%	-28%
Profitability Expectations	8%	8%	10%	13%	14%	-11%	-65%	12%	-18%	-18%	-14%
Current Employment	35%	31%	27%	13%	14%	19%	-22%	-20%	-23%	0%	-14%
Future Employment	27%	14%	23%	20%	-7%	26%	-22%	9%	10%	12%	29%
Current Sales	11%	0%	37%	11%	7%	4%	-87%	-73%	-10%	-35%	-51%
Sales Expectations	35%	44%	39%	13%	-36%	22%	-30%	15%	-5%	-6%	43%
Current Investment	35%	47%	44%	57%	43%	48%	17%	32%	28%	35%	17%
Future Investment	49%	31%	54%	38%	50%	44%	0%	24%	10%	41%	40%
Current Exports	5%	6%	36%	8%	-14%	-5%	-7%	-4%	-33%	-54%	-17%
Export Expectations	45%	13%	30%	29%	29%	10%	-14%	26%	-3%	21%	39%
Economic Uncertainty	20%	11%	6%	45%	54%	44%	77%	74%	68%	65%	53%
Brexit	29%	36%	53%	45%	77%	56%	46%	71%	65%	59%	59%

Business Confidence rose sharply to 8%, an increase of 55%, while Business Expectations also grew to 31%, an increase of 26%.

Profitability Expectations increased slightly by 4%.

Future Employment in manufacturing increased by 17%.

Current Sales decreased from -35%, to -51%, a percentage decrease of 16%. Sales Expectations for the future showed a different trend from Q4'20, increasing rapidly from -6% to 43%, surpassing its Q2 high of 15%.

Current Investment showed significant decrease, shrinking from 35% to 17%.

Current Exports showed significant recovery, going from -54% to -17%, while Future Exports grew from 21% to 39%.

Current Employment decreased from 0% to -14% but are still higher than its low level from early 2020.

Q1'21 Retail:

The Retail sector for Q1'21 showed Business Confidence decreasing by 35% this quarter, following the dramatic recovery that was seen throughout 2020.

KEY INDICATORS RETAIL	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Business Confidence	-5%	-25%	-5%	0%	-67%	13%	-94%	-91%	-20%	67%	39%
Business Expectations	22%	33%	20%	0%	-33%	13%	-44%	-13%	-5%	100%	56%
Business Environment	17%	0%	12%	29%	-17%	0%	-56%	-30%	10%	67%	-11%
Profitability Expectations	11%	25%	20%	31%	-50%	29%	-80%	-48%	-25%	67%	29%
Current Employment	33%	-9%	19%	38%	-50%	13%	-38%	-52%	-30%	0%	-17%
Future Employment	17%	9%	7%	0%	-33%	13%	-50%	-26%	5%	0%	39%
Current Sales	-11%	16%	7%	0%	-33%	0%	-94%	-76%	-20%	33%	-7%
Sales Expectations	22%	8%	12%	38%	-83%	43%	63%	-38%	-10%	67%	64%
Current Investment	33%	11%	31%	54%	33%	14%	-6%	14%	-5%	33%	36%
Future Investment	22%	50%	12%	54%	0%	0%	-13%	0%	-15%	33%	36%
Current Exports	N/A	N/A	N/A	N/A	-67%	-100%	-60%	-55%	-67%	0%	-33%
Export Expectations	N/A	N/A	N/A	N/A	0%	100%	-60%	-18%	-33%	100%	-33%
Economic Uncertainty	31%	40%	27%	20%	75%	40%	86%	71%	100%	50%	45%
Brexit	25%	20%	27%	60%	75%	20%	64%	52%	52%	0%	45%

Business Expectations are down 44%, another massive hit following dramatic recovery in the previous year.

Profitability Expectations also declined from 67% to 29%. Current Sales also saw a drastic drop and are now at -7% compared to 33% in Q4. That said, it is still above the -22% we saw in Q3 of 2020.

Current Investment showed continued recovery of 3% from Q4 of 2020 – it remains in the positive figures at 36% and in line with this growth Future Investment also increased to 36%.

Business Environment is at -11%, a big decline 78% from the final quarter of 2020.

Current Employment in retail is down from 0% to -17% this quarter. However, on a positive note expectation for Future Employment has increased from 0% to 39%. Sales Expectations decreased slightly from 67% to 64%.

Q1'21 Services:

The Services sector for Q1'21 showed 4 out of 14 confidence indicators in decline.

KEY INDICATORS SERVICES	Q2'18	Q3'18	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21
Business Confidence	31%	15%	9%	10%	-7%	26%	-77%	-57%	-18%	-41%	5%
Business Expectations	15%	2%	5%	-13%	-23%	19%	-37%	-11%	-13%	42%	34%
Business Environment	45%	54%	39%	45%	47%	65%	-61%	-25%	-25%	-53%	-44%
Profitability Expectations	20%	12%	19%	12%	17%	23%	-71%	22%	-30%	-35%	-10%
Current Employment	22%	25%	27%	19%	13%	23%	-21%	-21%	-18%	-53%	-33%
Future Employment	33%	27%	24%	29%	10%	26%	-21%	0%	-15%	0%	20%
Current Sales	-2%	17%	22%	6%	38%	3%	-73%	-68%	-19%	-41%	-38%
Sales Expectations	35%	32%	23%	27%	10%	16%	-45%	-10%	-20%	-29%	28%
Current Investment	38%	49%	33%	23%	45%	29%	20%	27%	32%	-6%	23%
Future Investment	33%	44%	38%	23%	18%	42%	-6%	-7%	10%	0%	33%
Current Exports	36%	10%	0%	8%	-17%	8%	-38%	-55%	-23%	-40%	13%
Export Expectations	43%	19%	18%	9%	14%	45%	-11%	-18%	23%	40%	27%
Economic Uncertainty	15%	18%	19%	42%	76%	40%	78%	71%	84%	88%	69%
Brexit	25%	21%	19%	42%	59%	50%	14%	52%	30%	31%	26%

Business Confidence rose from -41% to -5%.

Business Environment increased to -44% while Profitability Expectations also increased from -35% to -10%.

Current Employment grew by 20% to -33% while Future Employment also grew from 0% in Q4 to 20% this quarter, a similar increase from earlier in 2020.

Current Sales, unlike other sectors, recorded an increase- in this case a percentage increase of 3% bringing it to -38%. Sales Expectations showed a greater increase from -29% to 28% in Q1, bucking the declining trend from last year.

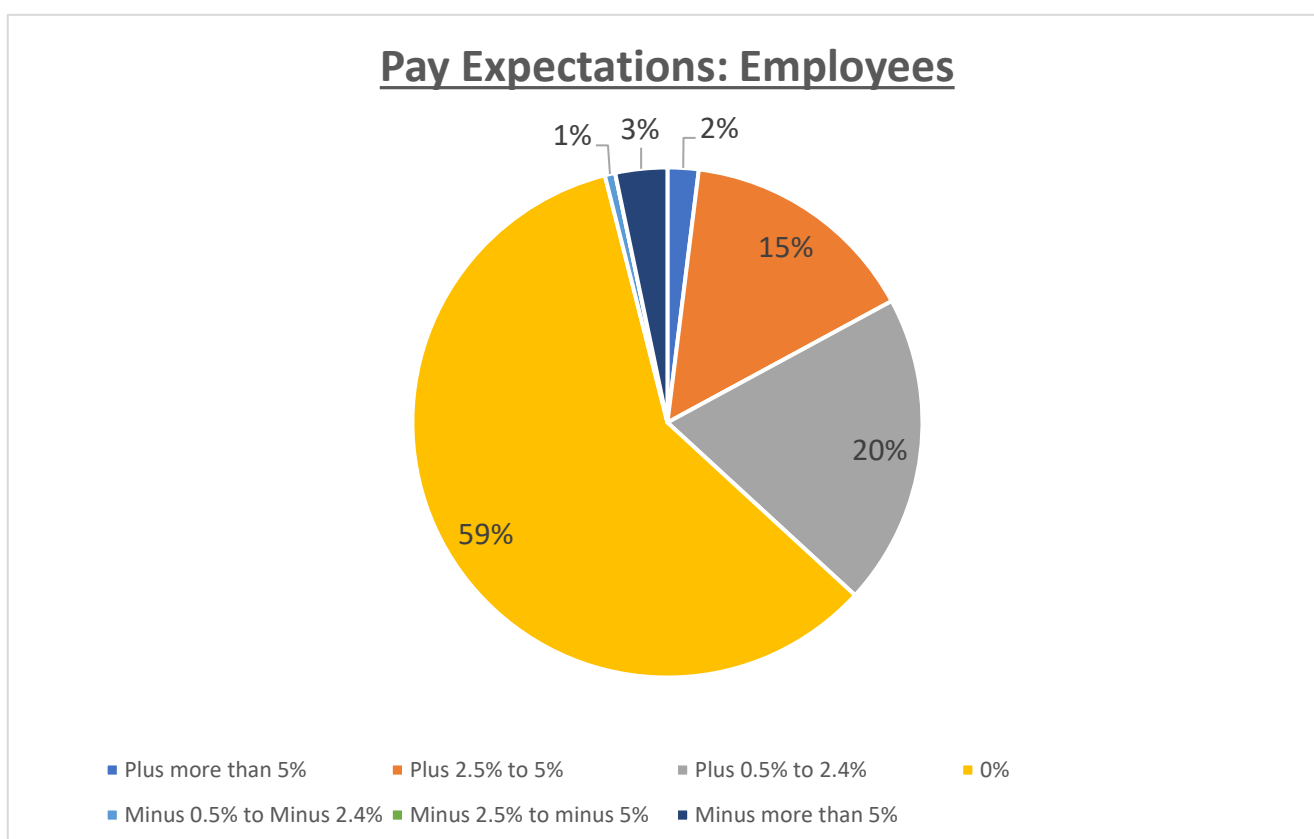
Current Investment saw an increase, rising from -6% to 23%, returning to similar figures as in early 2020. Future Investment grew from 0% to 33%.

Current Exports also increased this quarter to 13%, while Export Expectations showed a decline from 40% to 27%.

Q1'21 Pay Expectations: Employees

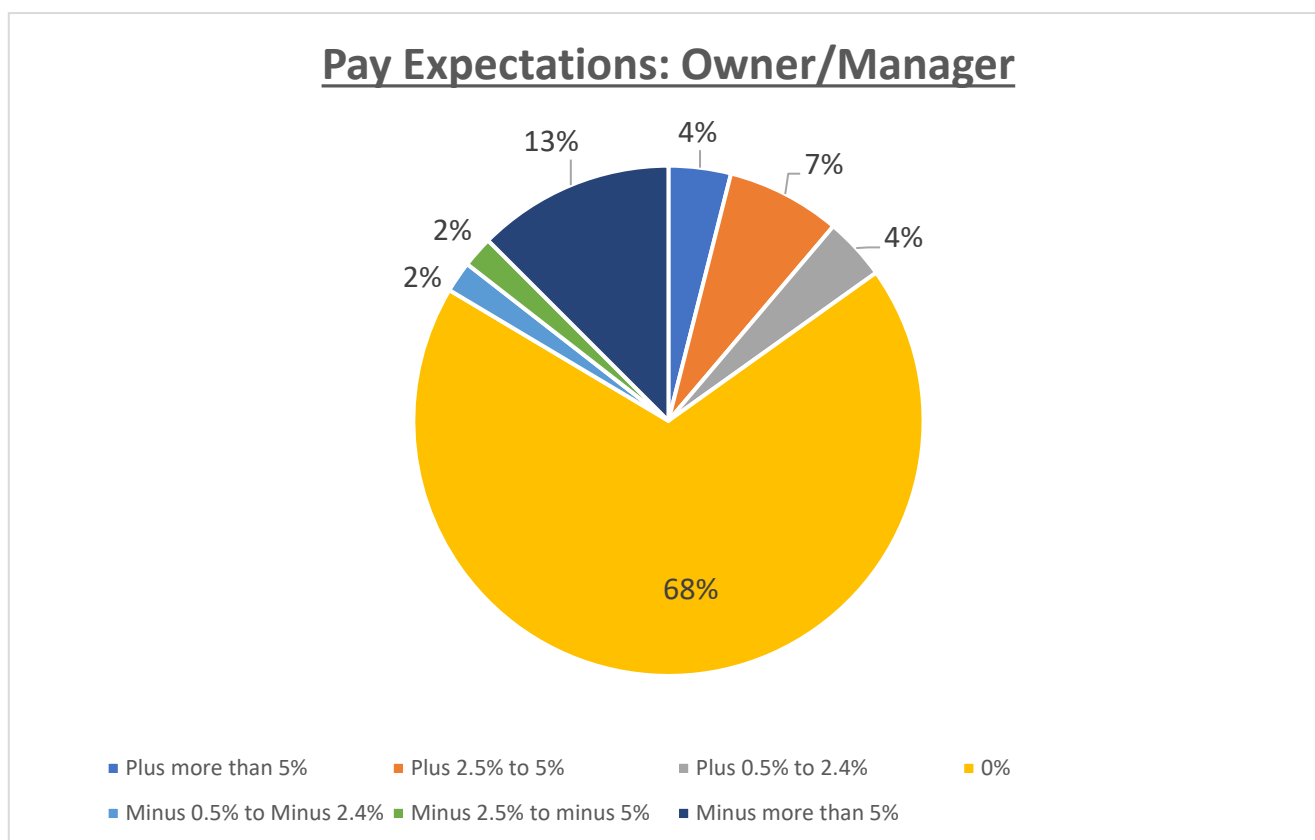
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 59% of SMEs will not be able to increase pay this year for their employees, up from 52% in the previous quarter.
- 20% will increase employees pay by 0.5% to 2.4%, down from 28% in the previous quarter and 15% in Q2.
- 15% will increase pay by 2.5%-5%
- 3% of employers will decrease employees pay by more than 5%. This remains the same as Q4'20.



Q1'21 Pay Expectations: Owner Manager

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



- 68% said they would not increase their earnings from the business, up slightly from 65% in Q4 and 63% in Q3'20.
- 4% stated they intend to increase their wages by plus 5%, remaining the same as Q4'20.
- 7% will increase their pay between 2.5%-5%, up from 6% in Q4'20.
- 4% will increase their pay between 0.5%-2.4%, a decrease from 11% in Q4.
- 15% stated they were reducing their wages compared to 13% in Q4'20 and 24% in Q3'20.

Insurance Costs: Introduction

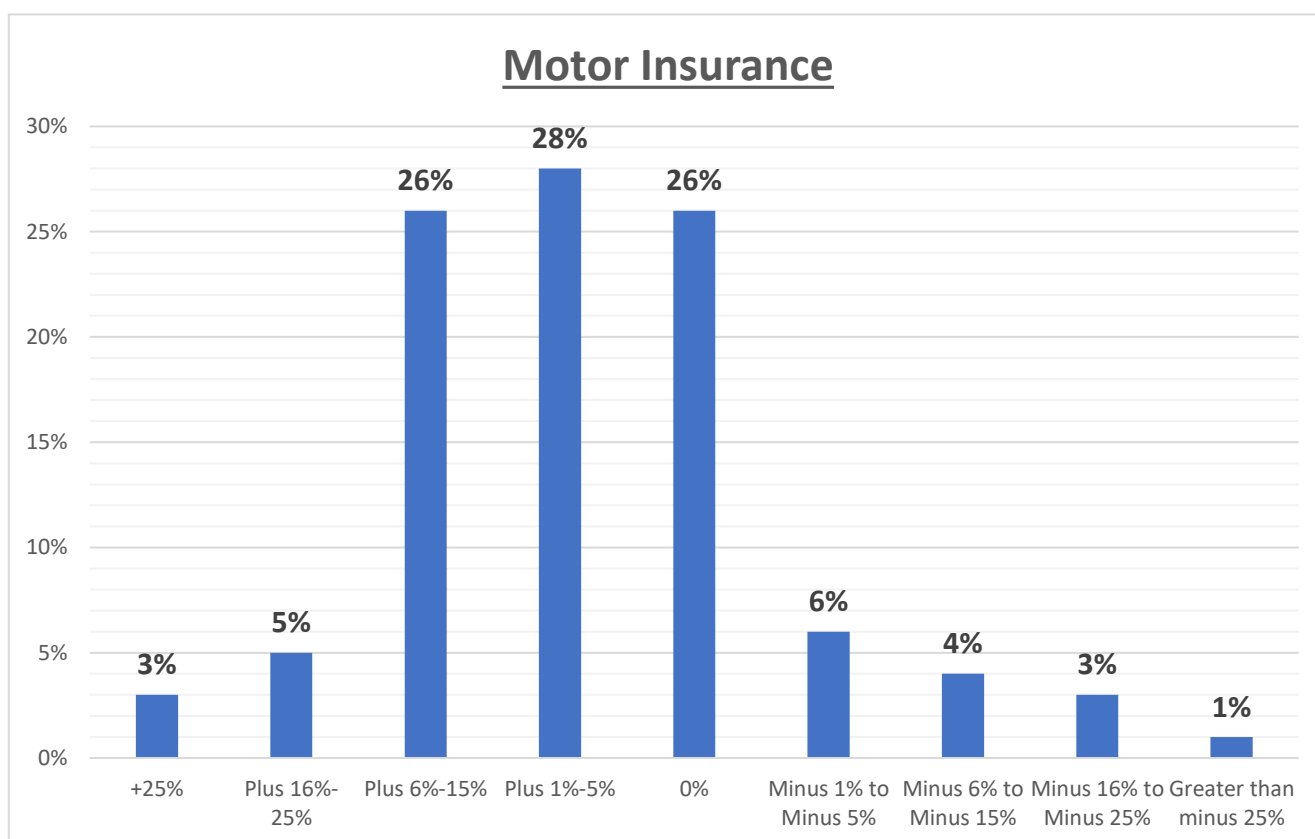
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

29% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

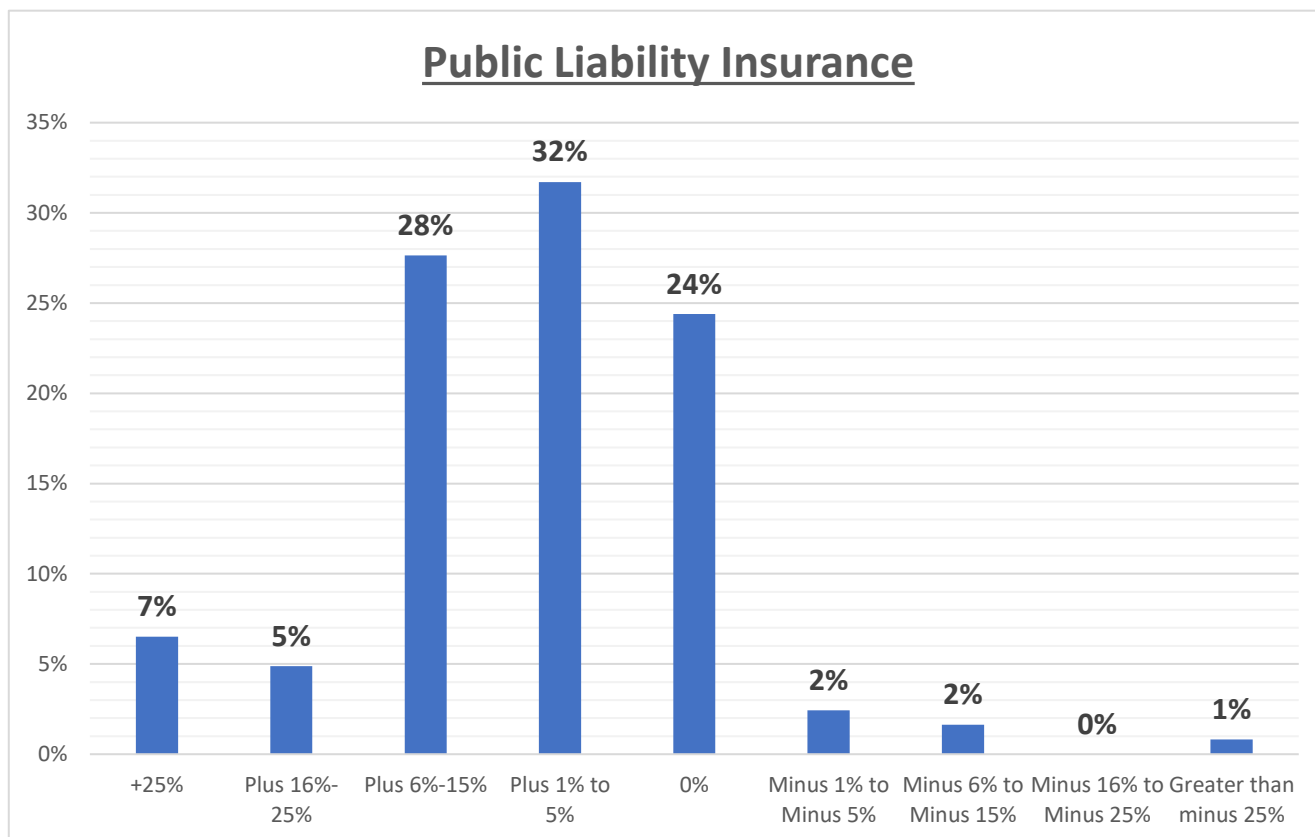
62% of respondents stated their Motor Insurance premiums increased on renewal.



- 3% of respondents noted an increase of +25%.
- 5% experienced increases of plus 16%-25%.
- 26% of respondents' premiums increased between plus 6% to 15%.
- 28% of those who responded recorded increases of plus 1%-5%.
- 26% reported no increase to premiums.
- While 14% reported a decrease, up from 8% in Q4.

Public Liability Insurance:

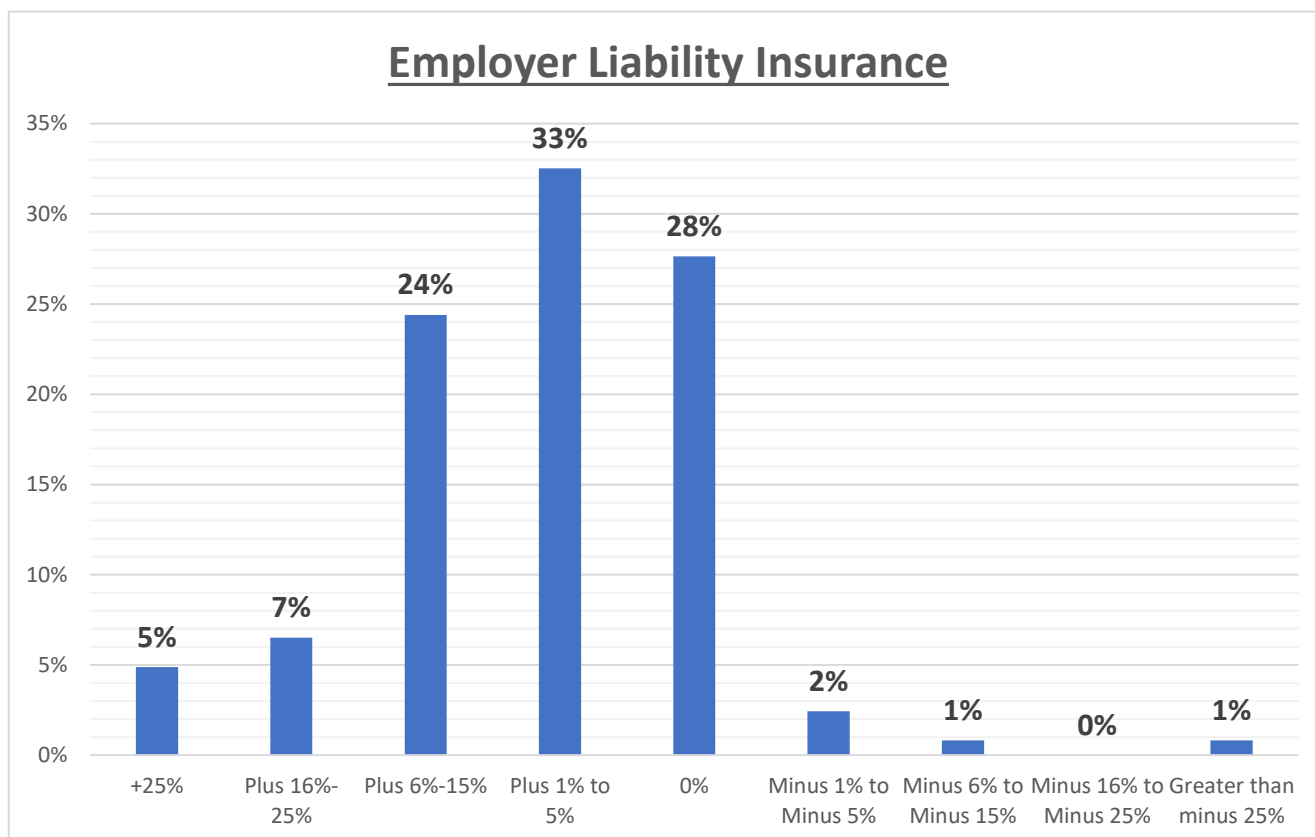
59.72% of respondents stated their Public Liability Insurance premiums increased on renewal, this is up on Q4(59%) and Q3(60%).



- 32% reported increases of between 1% and 5%.
- 28% stated increases of plus 6%-15%.
- 5% reported increases of plus 16%-25%.
- 7% reported increases of +25%
- 24% reported no change.
- While 5% reported a decrease.

Employer Liability Insurance:

69% stated their Employer Liability insurance premiums increased on renewal, this is up from 61% in the previous quarter.



- 33% reported increases of between 1% and 5%.
- 24% stated increases of plus 6%-15%.
- 7% reported increases of plus 16%-25%.
- 5% reported increases of +25%
- 28% reported no change.
- While 4% reported a decrease, down from 6% in Q4.

Insurance Summary:

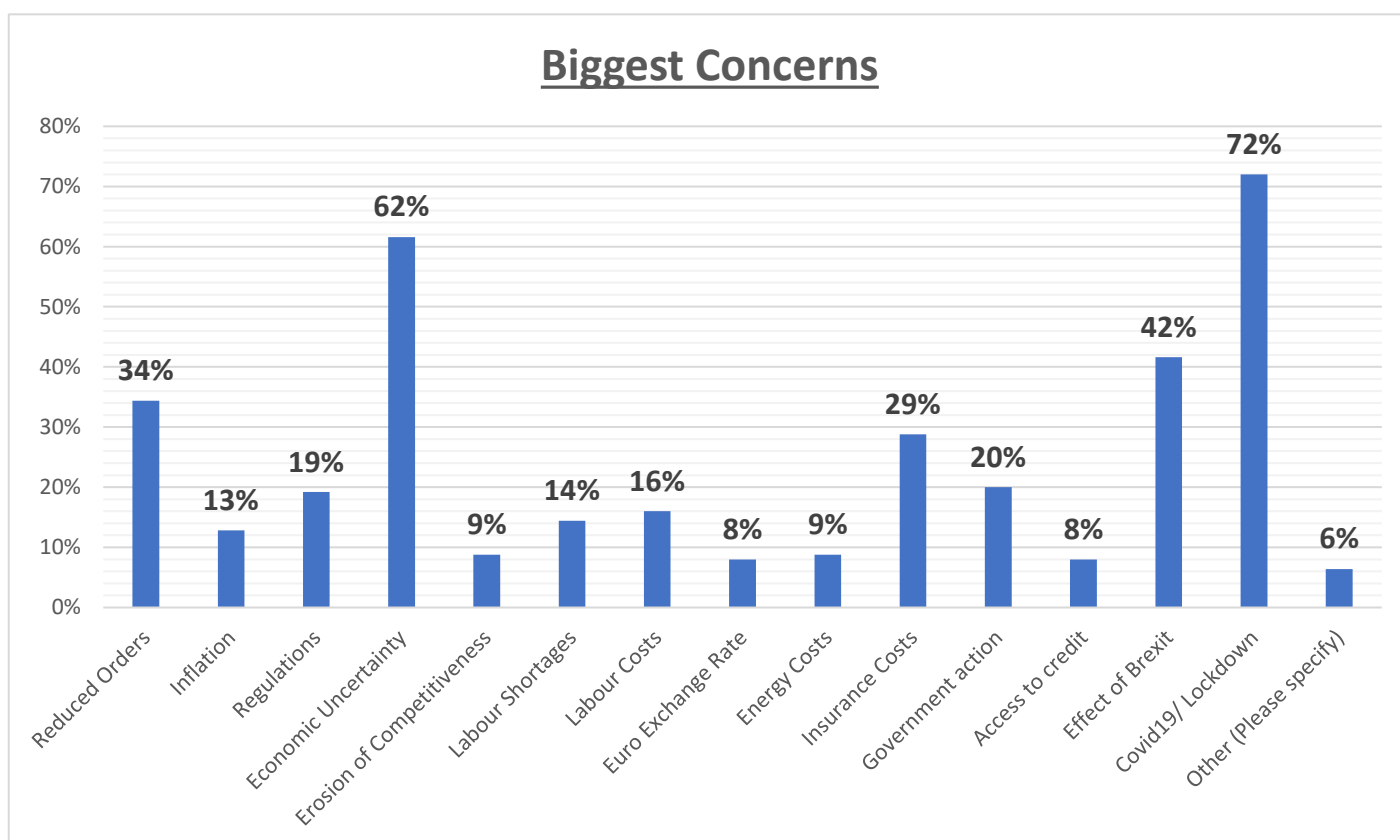
On the issue of insurance ISME has made several submissions to various government ministers and departments outlining the practical steps need to reduce the high costs of motor insurance. If these steps were taken on board, SMEs and the general public would see significant decreases in their premiums. The cost of insurance is an issue which ISME will continue to lobby on throughout 2021.

Biggest concern of SMEs:

The top concerns for SMEs in this quarter are:

- Economic Uncertainty now 62%, down from 69% in Q4'20,
- Brexit is 42% down from 46% in Q4'20,
- Reduced Orders, which was at 31% in Q4'20, is now at 34% in Q1'21,
- Insurance Costs increased from 21% to 29%,
- The top five concerns at the end of 2020 are, from highest to lowest, Covid19/lockdown, economic uncertainty, Brexit, reduced orders and insurance costs.

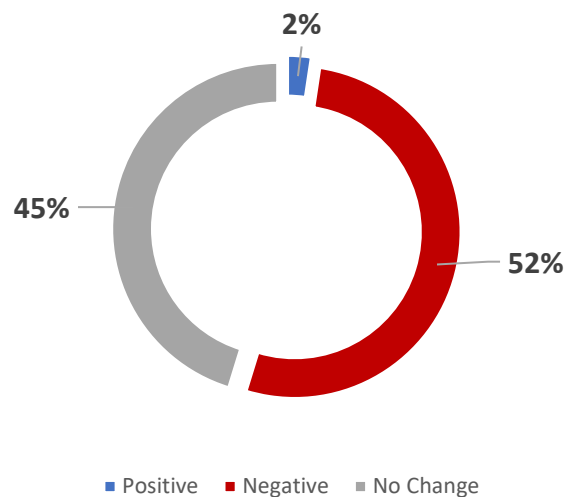
While Brexit remains one of the top three concerns through the end of 2020, we see economic uncertainty and Covid19/lockdown in the top spots.



BREXIT:

Brexit remains a significant concern with 45% 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.

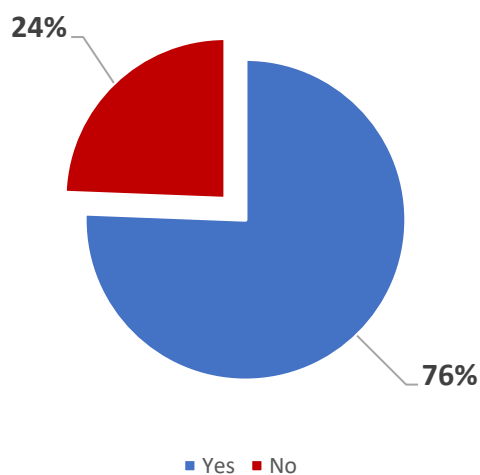
What effect will BREXIT have on your bottom line?



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 24% of businesses are impacted by inadequate broadband, up from 22% in Q4.

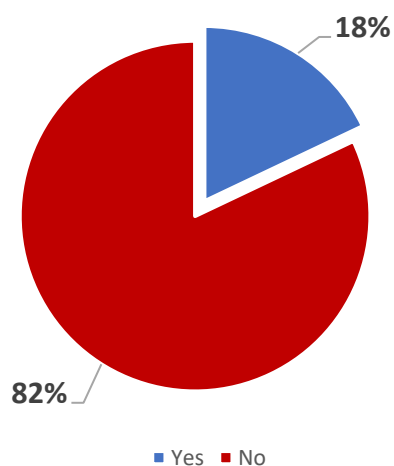
Is your broadband service adequate?



Retaining and Recruiting staff:

When asked 'Is your company finding it difficult to retain staff members?', 18% stated yes they were (down from 24% in Q4), while 76% stated this was not a problem. When asked about difficulties hiring new staff 18% noted this as a problem, down from 41% while 82% said it was not.

Is your company finding it difficult to retain staff?

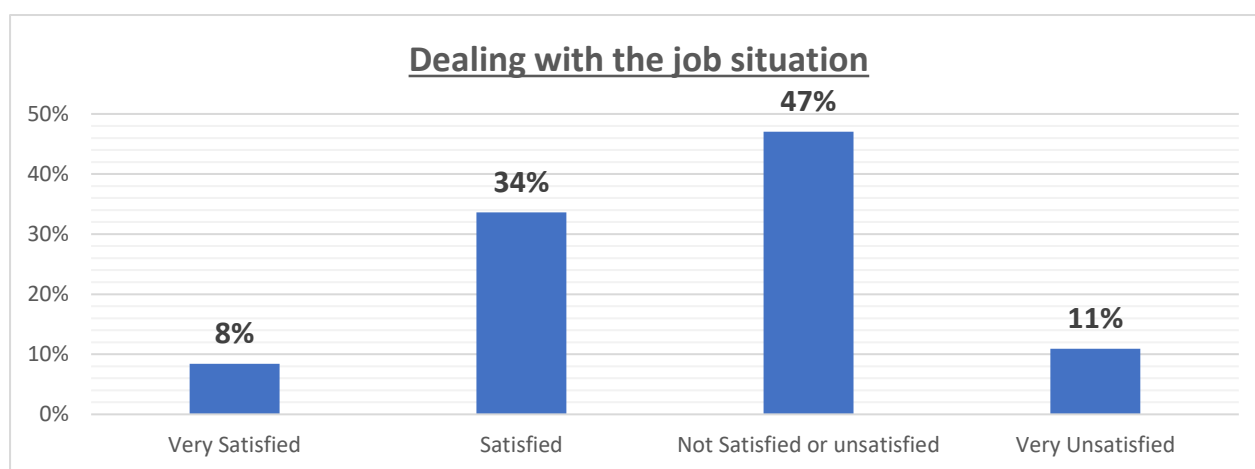


Government Performance:

From analysing the below data, we can surmise that 2% of those surveyed are very satisfied with the government's performance, 29% are satisfied, 43% are not satisfied or dissatisfied and 26% are very dissatisfied. Full breakdown below:

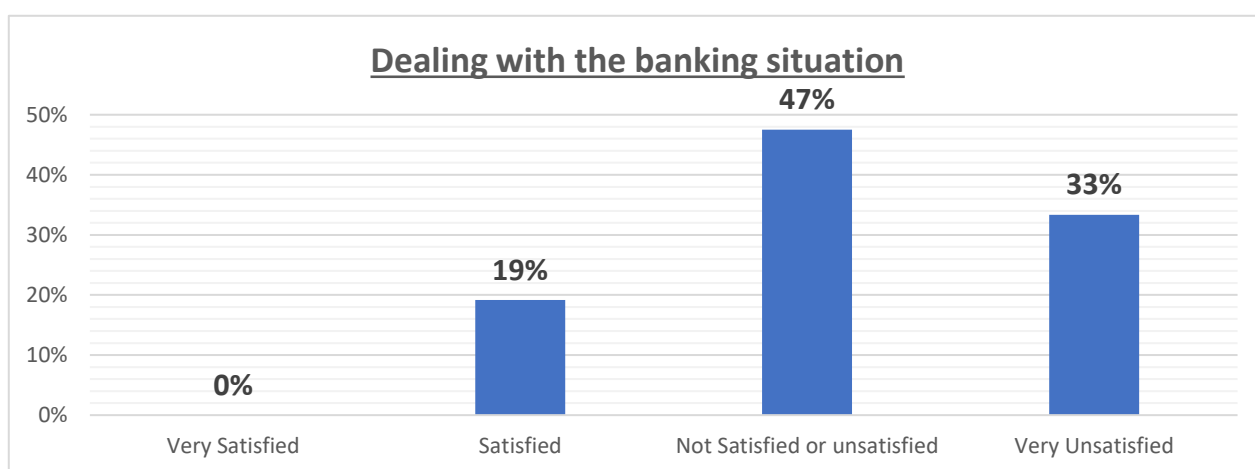
Dealing with the job situation

- Very Satisfied: 8%
- Satisfied: 34%
- Not Satisfied or dissatisfied: 47%
- Very Dissatisfied: 11%



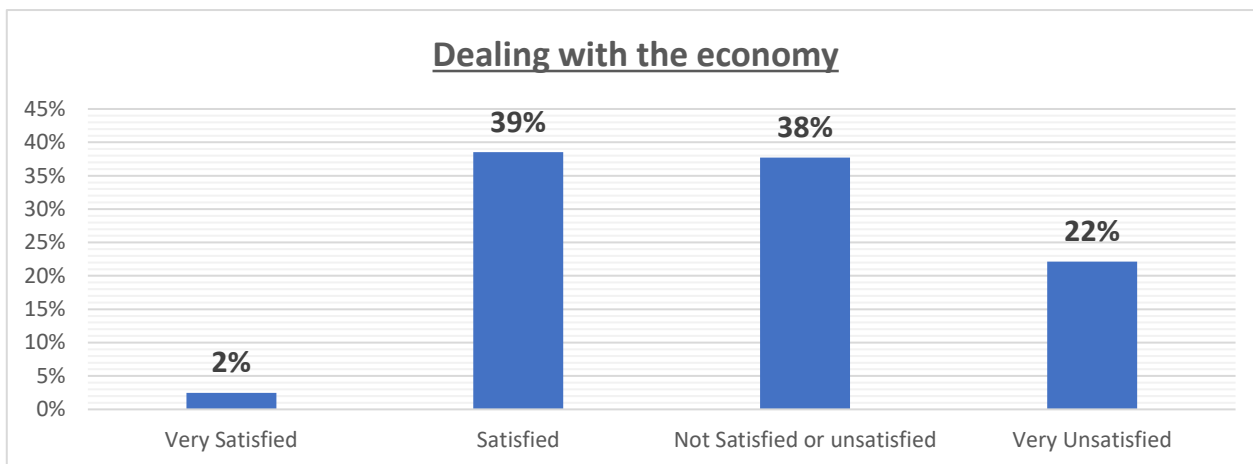
Dealing with the job situation

- Very Satisfied: 0%
- Satisfied: 19%
- Not Satisfied or dissatisfied: 47%
- Very Dissatisfied: 33%



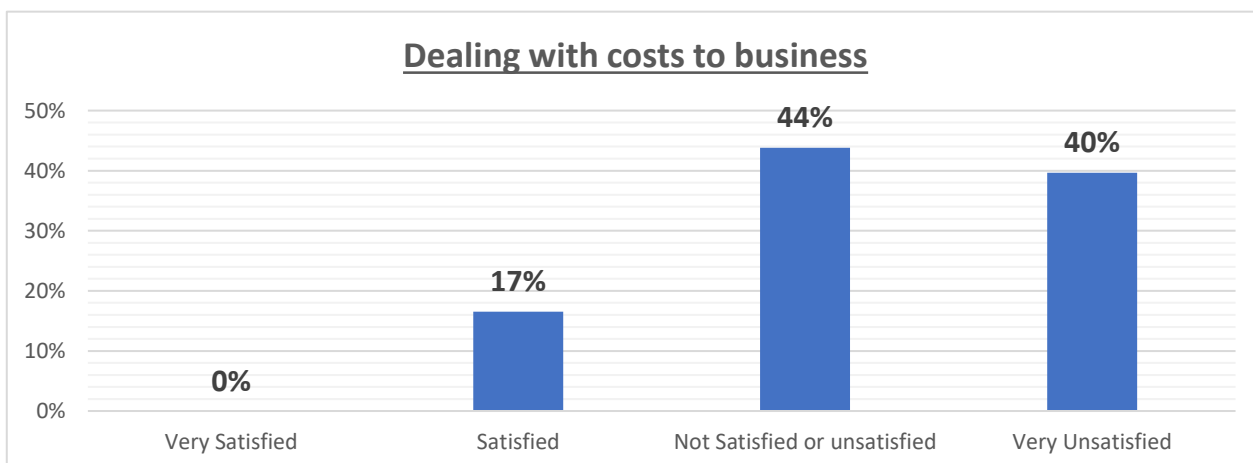
Dealing with the economy

- Very Satisfied: 2%
- Satisfied: 39%
- Not Satisfied or dissatisfied: 38%
- Very Dissatisfied: 22%



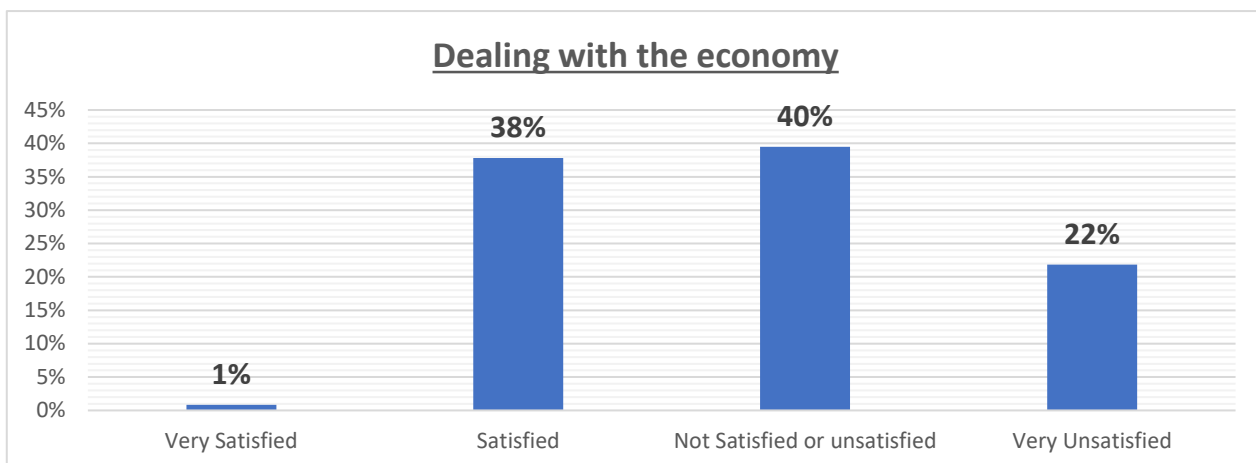
Dealing with costs to business

- Very Satisfied: 0%
- Satisfied: 17%
- Not Satisfied or dissatisfied: 44%
- Very Dissatisfied: 40%



Overall economic performance

- Very Satisfied: 1%
- Satisfied: 38%
- Not Satisfied or dissatisfied: 40%
- Very Dissatisfied: 22%



For further information, please contact:

Sheema Lughmani

Press, Policy and Research Officer

T: 01 6622755

E: sheema@isme.ie

Note to Editors:

This survey was conducted in the second week of March, covering the first quarter of 2021. There were 233 SME owner manager respondents.