

Q3'21

ISME Q3 TRENDS REPORT 2021

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Introduction: Q3'2021 Trends Report

This survey was conducted in the second week of September 2021 with 143 SME respondents and covers the third quarter of 2021. Of those surveyed the employee breakdown is as follows:

- 1-10 51%
- 11-20 29%
- 21-30 16%
- 31-50 17%
- 100 + 6%
- Other 2%

Geographically, the breakdown is as follows:

- Dublin 40%
- Leinster (Except Dublin) 24%
- Munster 15%
- Connaught 6%
- Ulster 4%
- Multiple sites 8%
- Other 2%

The Sectorial breakdown:

- Manufacturing 25%
- Services 22%
- IT/Online Services 9%
- Wholesale 10%
- Retail 6%
- Construction 6%
- Transport & Logistics 2%
- Hospitality 3%
- Food & Drink Production 1%
- Health Sector 5%
- Agriculture 1%
- Other (Please specify) 10%

Overall Confidence Indicators:

The Q3'21 Business Trends Quarterly survey showed 8 out of 14 confidence indicators yielding declining results, decreasing by five from the previous quarter.

KEY INDICATORS OVERALL	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Business Confidence	-4%	1%	-26%	13%	-77%	-58%	-48%	-33%	6%	49%	26%
Business Expectations	-4%	-14%	-31%	5%	-21%	-3%	-14%	26%	36%	48%	33%
Business Environment	43%	38%	29%	48%	-61%	-11%	-15%	-19%	-38%	29%	34%
Profitability Expectations	8%	15%	-2%	14%	-62%	-10%	-24%	-21%	-6%	17%	10%
Current Employment	23%	19%	13%	23%	-26%	-20%	-19%	-15%	-20%	8%	9%
Future Employment	16%	17%	1%	26%	-29%	-7%	-4%	6%	19%	35%	35%
Current Sales	23%	17%	20%	15%	-73%	-25%	-18%	-34%	-46%	14%	14%
Sales Expectations	8%	29%	-14%	34%	-40%	-13%	-12%	-10%	28%	54%	41%
Current Investment	38%	40%	29%	40%	12%	23%	20%	19%	21%	38%	34%
Future Investment	30%	34%	22%	42%	-9%	9%	4%	16%	28%	40%	47%
Current Exports	16%	-3%	-4%	-9%	-29%	-21%	-25%	-29%	-12%	-7%	-8%
Export Expectations	25%	6%	6%	19%	-15%	3%	0%	8%	15%	32%	34%
Economic Uncertainty	14%	14%	54%	40%	75%	71%	76%	69%	62%	44%	43%
Brexit	37%	17%	60%	55%	29%	43%	50%	46%	42%	38%	37%

BREXIT Uncertainty dropped by a further one percent to 37%, marking the fourth quarter in a row that this indicator has decreased. Business Confidence decreased this quarter, nearly halving and dropping from 49% to 26%. This comes with the Economic Uncertainty indicator levelling off at 43%, the first quarter since Q3'20 where it has not decreased significantly.

Business Expectations dropped from 48% in Q2 to 33% this quarter, decreasing by 15% and returning to similar levels as at the beginning of the year. The Business Environment continued to rise, going from 29% to 34%, while Profitability Expectations decreased by 10%. The continued recovery of these trends since their initial lows in Q1'2020 cannot be overstated.

The Current Employment confidence indicator increased by 1%, while Future Employment remained steady at 35%.

Current Sales have remained fixed at 14%, while Sales Expectations have begun to decrease, dropping from 54% to 41%.

Current Investment fell by 4% this quarter, while Future Investment grew by another 7%.

Current Exports fell by 1% and remains the only negative overall confidence indicator this quarter. Export Expectations also increased by another 2%.

Economic uncertainty concerns remain high, dropping only slightly from 44% to 43%, but remaining below initial Q1 2020 levels. Brexit concerns remains a significant concern at 37% but continues to drop, if only slightly.

Q3'21 Manufacturing:

Our Q3'21 results for the manufacturing sector show a decline on the previous quarter's figures in most confidence indicators. In this quarter, there was two negative indicators, an increase of one from Q2'21. However, eight out of the total fourteen confidence indicators suffered a decrease from Q2'21.

KEY INDICATORS MANUFACTURING	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Business Confidence	8%	4%	-14%	19%	-78%	-9%	-18%	-47%	8%	50%	17%
Business Expectations	8%	0%	-14%	19%	-26%	0%	-15%	5%	31%	31%	31%
Business Environment	62%	46%	50%	30%	-70%	9%	-13%	5%	-28%	38%	36%
Profitability Expectations	10%	13%	14%	-11%	-65%	12%	-18%	-18%	-14%	6%	-6%
Current Employment	27%	13%	14%	19%	-22%	-20%	-23%	0%	-14%	6%	8%
Future Employment	23%	20%	-7%	26%	-22%	9%	10%	12%	29%	25%	14%
Current Sales	37%	11%	7%	4%	-87%	-73%	-10%	-35%	-51%	25%	20%
Sales Expectations	39%	13%	-36%	22%	-30%	15%	-5%	-6%	43%	50%	31%
Current Investment	44%	57%	43%	48%	17%	32%	28%	35%	17%	56%	51%
Future Investment	54%	38%	50%	44%	0%	24%	10%	41%	40%	44%	51%
Current Exports	36%	8%	-14%	-5%	-7%	-4%	-33%	-54%	-17%	-18%	-9%
Export Expectations	30%	29%	29%	10%	-14%	26%	-3%	21%	39%	0%	35%
Economic Uncertainty	6%	45%	54%	44%	77%	74%	68%	65%	53%	54%	33%
Brexit	53%	45%	77%	56%	46%	71%	65%	59%	59%	36%	45%

Business Confidence fell sharply to 17%, a decrease of 33%, while Business Expectations remained steady at 31%.

Profitability Expectations decreased by 12%.

Future Employment in manufacturing decreased by a further 11%.

Current Sales decreased from 25%, to 20%, a percentage decrease of 5%. Sales Expectations for the future also began to decrease, going from 50% to 31%.

Current Investment showed a slight decrease, falling from 56% to 51%.

Current Exports showed an increase, going from -18% to -9% and remaining negative. Future Exports increased more dramatically from 0% to 35%.

Current Employment increased marginally from 6% to 8%.

Q3'21 Retail:

The Retail sector for Q3'21 showed Business Confidence decreasing by 44% this quarter, returning to a similar level of recovery that was seen at the end of 2019.

KEY INDICATORS RETAIL	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Business Confidence	-5%	0%	-67%	13%	-94%	-91%	-20%	67%	39%	57%	13%
Business Expectations	20%	0%	-33%	13%	-44%	-13%	-5%	100%	56%	43%	38%
Business Environment	12%	29%	-17%	0%	-56%	-30%	10%	67%	-11%	57%	63%
Profitability Expectations	20%	31%	-50%	29%	-80%	-48%	-25%	67%	29%	14%	14%
Current Employment	19%	38%	-50%	13%	-38%	-52%	-30%	0%	-17%	29%	-13%
Future Employment	7%	0%	-33%	13%	-50%	-26%	5%	0%	39%	43%	50%
Current Sales	7%	0%	-33%	0%	-94%	-76%	-20%	33%	-7%	71%	14%
Sales Expectations	12%	38%	-83%	43%	63%	-38%	-10%	67%	64%	71%	43%
Current Investment	31%	54%	33%	14%	-6%	14%	-5%	33%	36%	71%	29%
Future Investment	12%	54%	0%	0%	-13%	0%	-15%	33%	36%	43%	71%
Current Exports	N/A	N/A	-67%	-100%	-60%	-55%	-67%	0%	-33%	-50%	-67%
Export Expectations	N/A	N/A	0%	100%	-60%	-18%	-33%	100%	-33%	33%	33%
Economic Uncertainty	27%	20%	75%	40%	86%	71%	100%	50%	45%	18%	33%
Brexit	27%	60%	75%	20%	64%	52%	52%	0%	45%	18%	83%

Business Expectations are down a further 5%, a continued decline following dramatic recovery in the previous year.

Profitability Expectations remain steady at 14%. Current Sales saw a massive decrease and are now at 14% compared to 71% in Q2'21.

Current Investment also showed a rapid decline of 42% from Q2'21. Future Investment increased from 43% to 71%.

Business Environment is at 63%, a further increase of 6% from the second quarter of 2021.

Current Employment in retail is down from 29% to -13% this quarter. The expectation for Future Employment has increased a further 7%, going from 43% to 50%. Sales Expectations decreased from 71% to 43%.

Q3'21 Services:

The Services sector for Q3'21 showed none of the 14 confidence indicators in the negative, although six out of the total fourteen showed a decline from the previous quarter.

KEY INDICATORS SERVICES	Q4'18	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Business Confidence	9%	10%	-7%	26%	-77%	-57%	-18%	-41%	5%	42%	37%
Business Expectations	5%	-13%	-23%	19%	-37%	-11%	-13%	42%	34%	70%	27%
Business Environment	39%	45%	47%	65%	-61%	-25%	-25%	-53%	-44%	45%	60%
Profitability Expectations	19%	12%	17%	23%	-71%	22%	-30%	-35%	-10%	23%	19%
Current Employment	27%	19%	13%	23%	-21%	-21%	-18%	-53%	-33%	6%	10%
Future Employment	24%	29%	10%	26%	-21%	0%	-15%	0%	20%	36%	47%
Current Sales	22%	6%	38%	3%	-73%	-68%	-19%	-41%	-38%	7%	30%
Sales Expectations	23%	27%	10%	16%	-45%	-10%	-20%	-29%	28%	73%	37%
Current Investment	33%	23%	45%	29%	20%	27%	32%	-6%	23%	53%	30%
Future Investment	38%	23%	18%	42%	-6%	-7%	10%	0%	33%	50%	56%
Current Exports	0%	8%	-17%	8%	-38%	-55%	-23%	-40%	13%	17%	55%
Export Expectations	18%	9%	14%	45%	-11%	-18%	23%	40%	27%	56%	50%
Economic Uncertainty	19%	42%	76%	40%	78%	71%	84%	88%	69%	50%	50%
Brexit	19%	42%	59%	50%	14%	52%	30%	31%	26%	18%	23%

Business Confidence fell from 42% to 37%.

Business Environment increased to 60% while Profitability Expectations decreased from 23% to 19%.

Current Employment grew by 4% to 10% while Future Employment also grew from 36% in Q2 to 47% this quarter.

Current Sales recorded an increase- in this case a percentage increase of 23% bringing it to 30%. Sales Expectations showed a significant percentage decrease of 46%, falling from 73% to 37% in Q3.

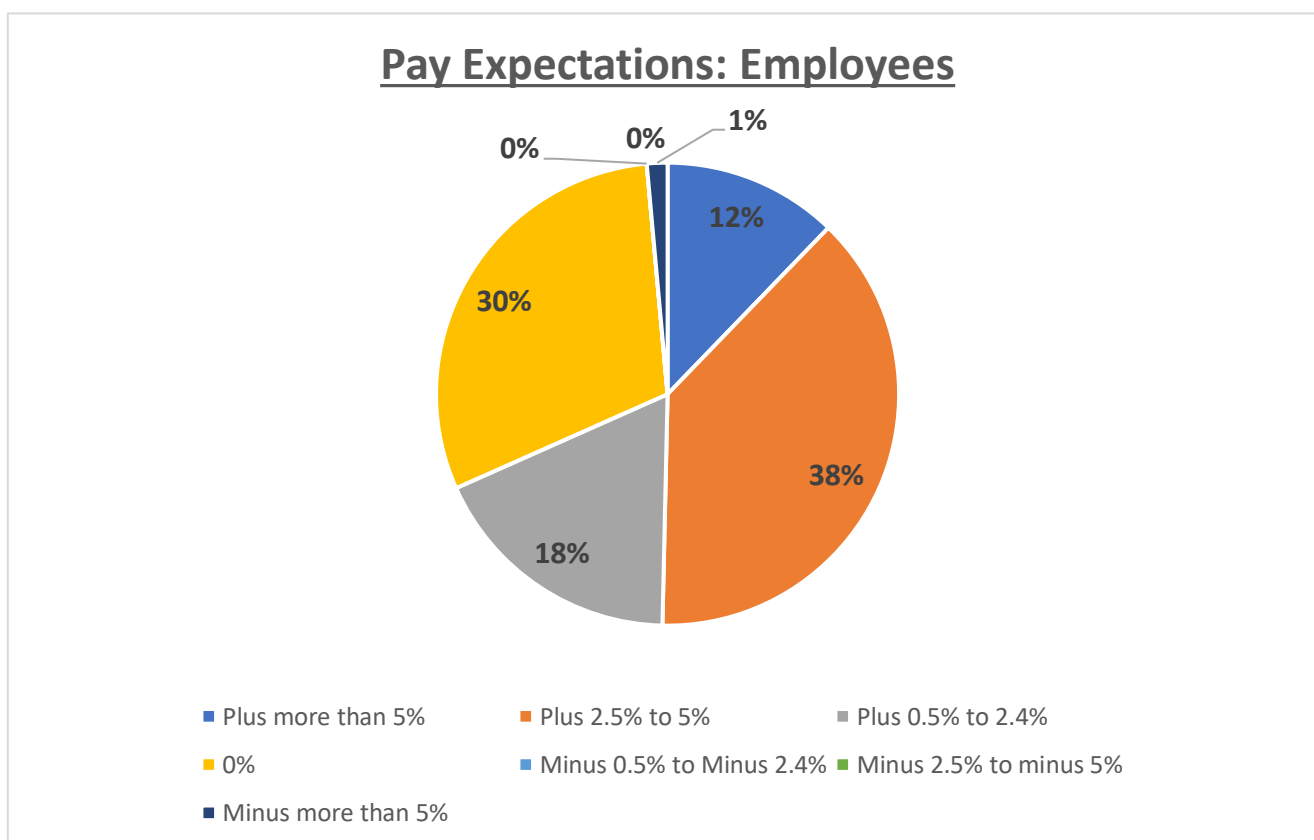
Current Investment saw a decrease, falling from 53% to 30%, returning to similar figures as seen throughout 2020. Future Investment grew from 50% to 56%.

Current Exports also increased this quarter to 55%, while Export Expectations showed a decrease from 56% to 50% after rising the previous quarter.

Q3'21 Pay Expectations: Employees

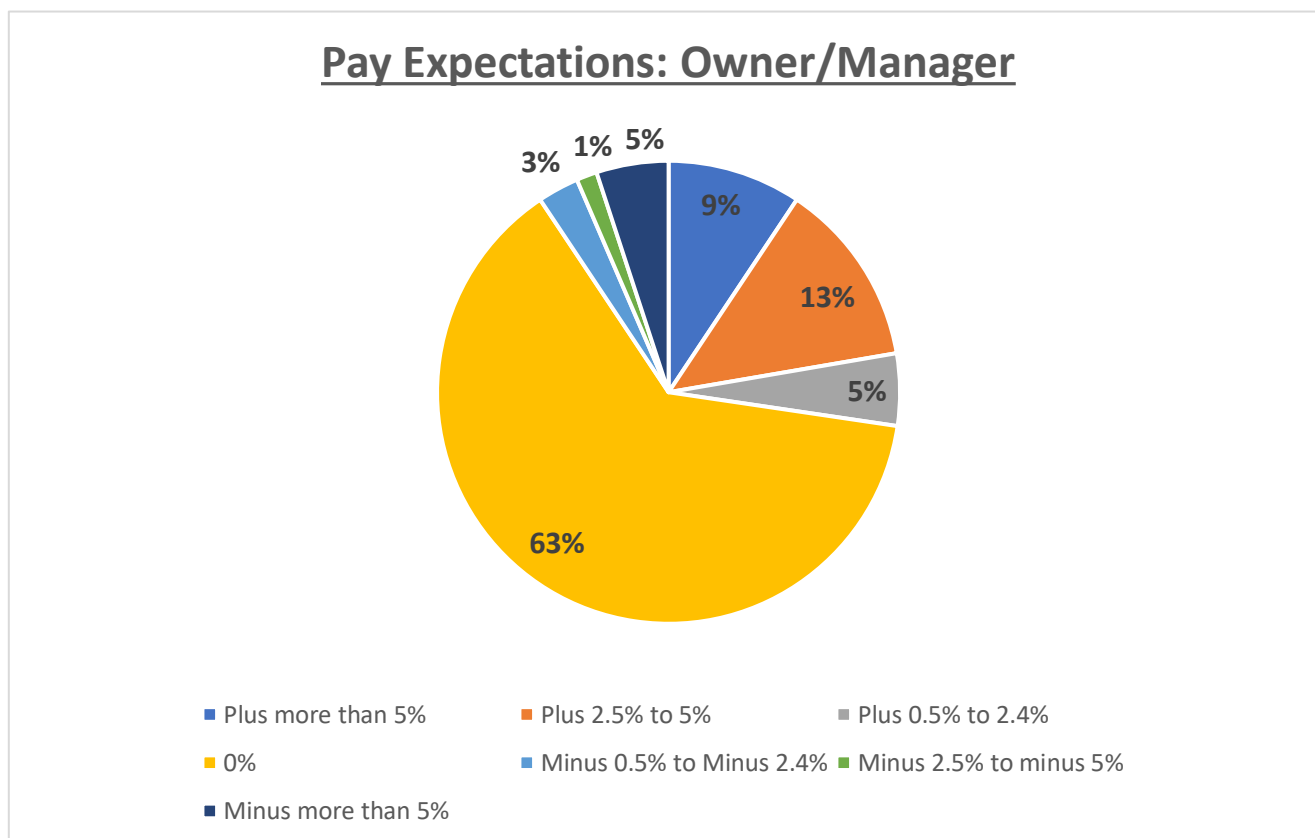
The range of pay expectations in the SME sector is very diverse. Our latest research shows that:

- 30% of SMEs will not be able to increase pay this year for their employees, down 17% from the previous quarter.
- 18% will increase employees pay by 0.5% to 2.4%, up from 13% in the previous quarter.
- 38% will increase pay by 2.5%-5%.
- 1% of employers will decrease employees pay by more than 5%. This is up 1% from Q2'21.



Q3'21 Pay Expectations: Owner Manager

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



- 63% said they would not increase their earnings from the business, which remains the same as Q2'21.
- 9% stated they intend to increase their wages by plus 5%, a decrease of 6% from Q2'21.
- 13% will increase their pay between 2.5%-5%, increasing by 6% from last quarter.
- 5% will increase their pay between 0.5%-2.4%, remaining the same as Q2'21.
- 9% stated they were reducing their wages compared to 10% in Q2'21 and 15% in Q1'21.

Insurance Costs: Introduction

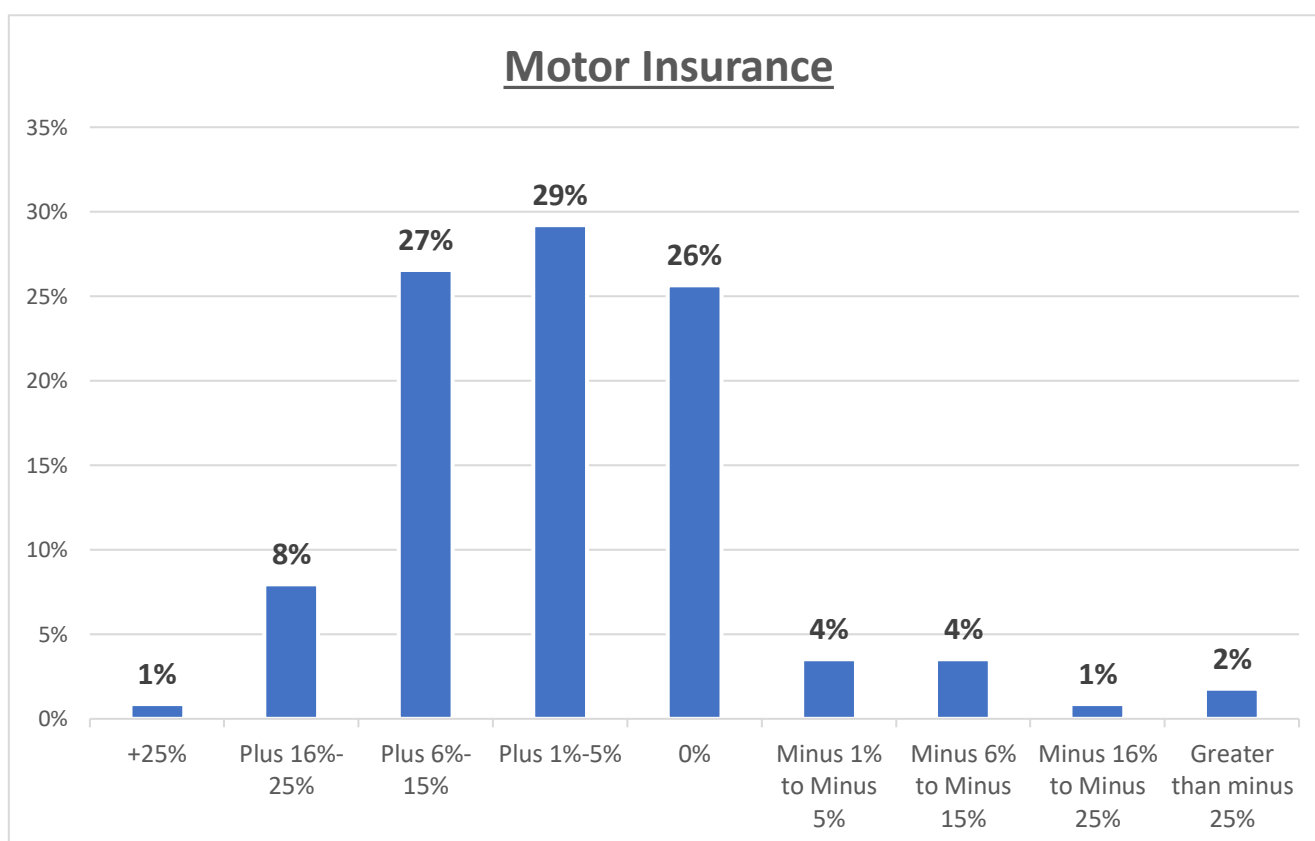
While we see continued decreases in the CSO CPI figures for personal motor insurance costs, our data shows us that businesses are still facing significant increases. The CSO does not survey commercial insurances costs in its Services Producer Price Index. In view of the very high costs of insurance in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

Our latest data shows us that:

24% of SMEs consider Insurance one of their immediate biggest concerns.

Motor Insurance:

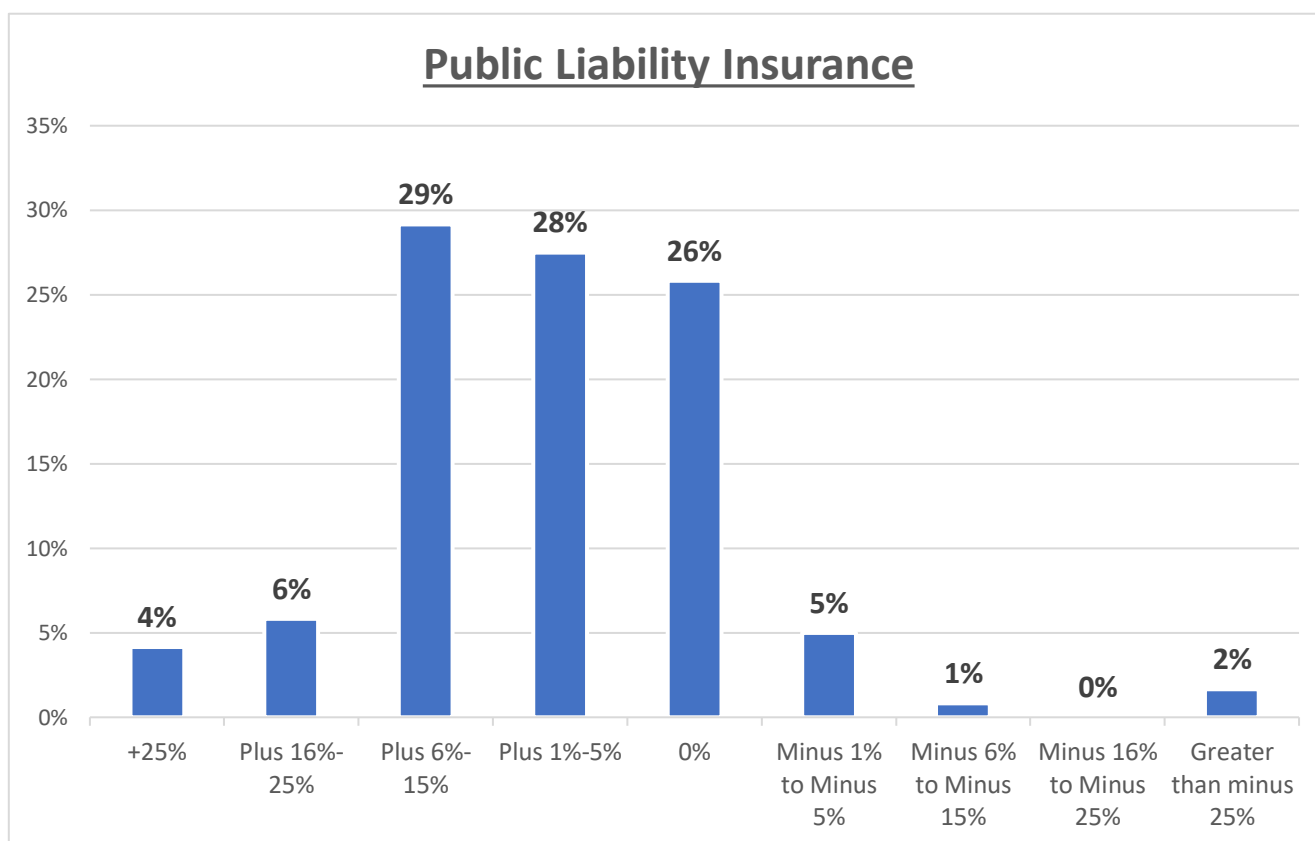
65% of respondents stated their Motor Insurance premiums increased on renewal.



- 1% of respondents noted an increase of +25%.
- 8% experienced increases of plus 16%-25%.
- 27% of respondents' premiums increased between plus 6% to 15%.
- 29% of those who responded recorded increases of plus 1%-5%.
- 26% reported no increase to premiums.
- While 11% reported a decrease, up from 8% in Q2'21.

Public Liability Insurance:

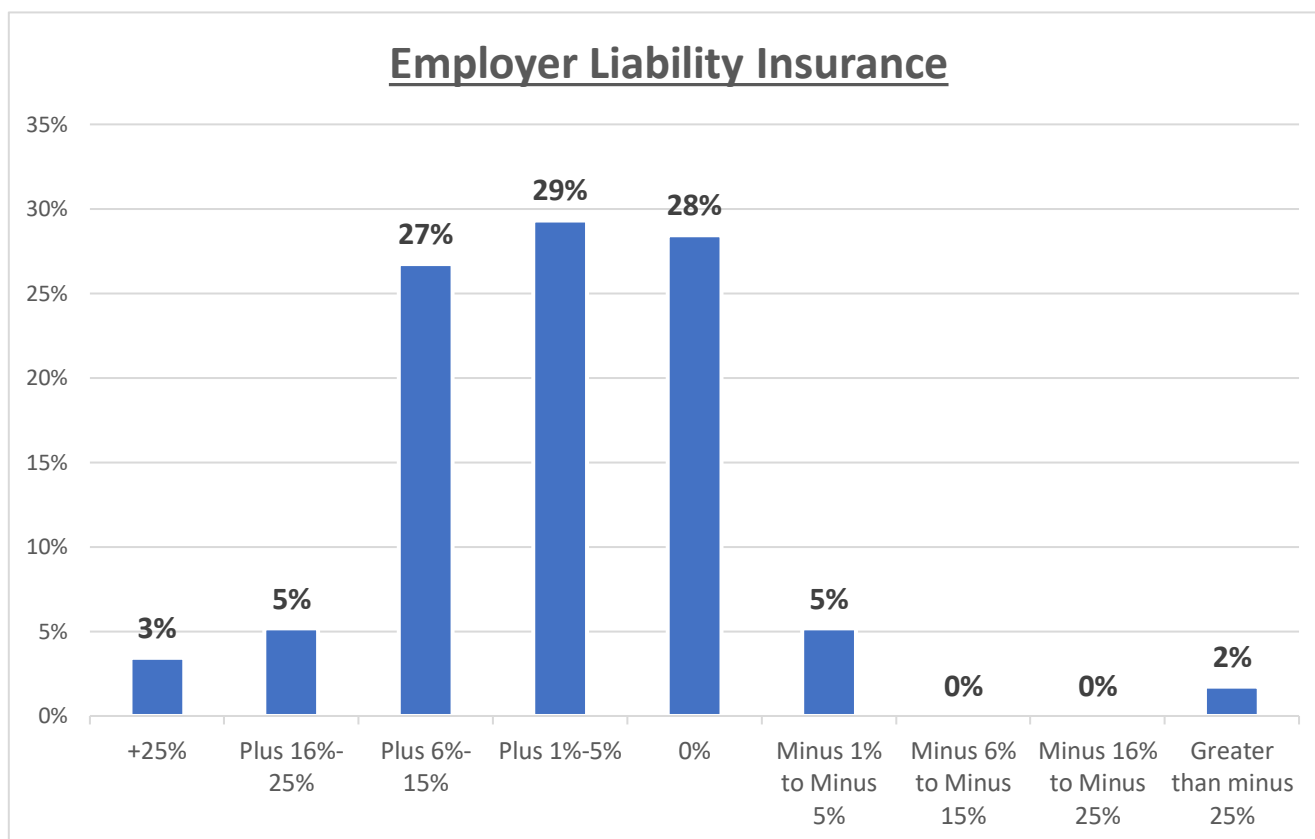
67% of respondents stated their Public Liability Insurance premiums increased on renewal, this is down from Q2'21 (77%) but up from Q1'21 (59%).



- 28% reported increases of between 1% and 5%.
- 29% stated increases of plus 6%-15%.
- 6% reported increases of plus 16%-25%.
- 4% reported increases of +25%
- 26% reported no change.
- While 8% reported a decrease.

Employer Liability Insurance:

65% stated their Employer Liability insurance premiums increased on renewal. This is down from 71% in the previous quarter.



- 29% reported increases of between 1% and 5%.
- 27% stated increases of plus 6%-15%.
- 5% reported increases of plus 16%-25%.
- 3% reported increases of +25%
- 28% reported no change.
- While 7% reported a decrease, up from 3% in Q2'21.

Insurance Summary:

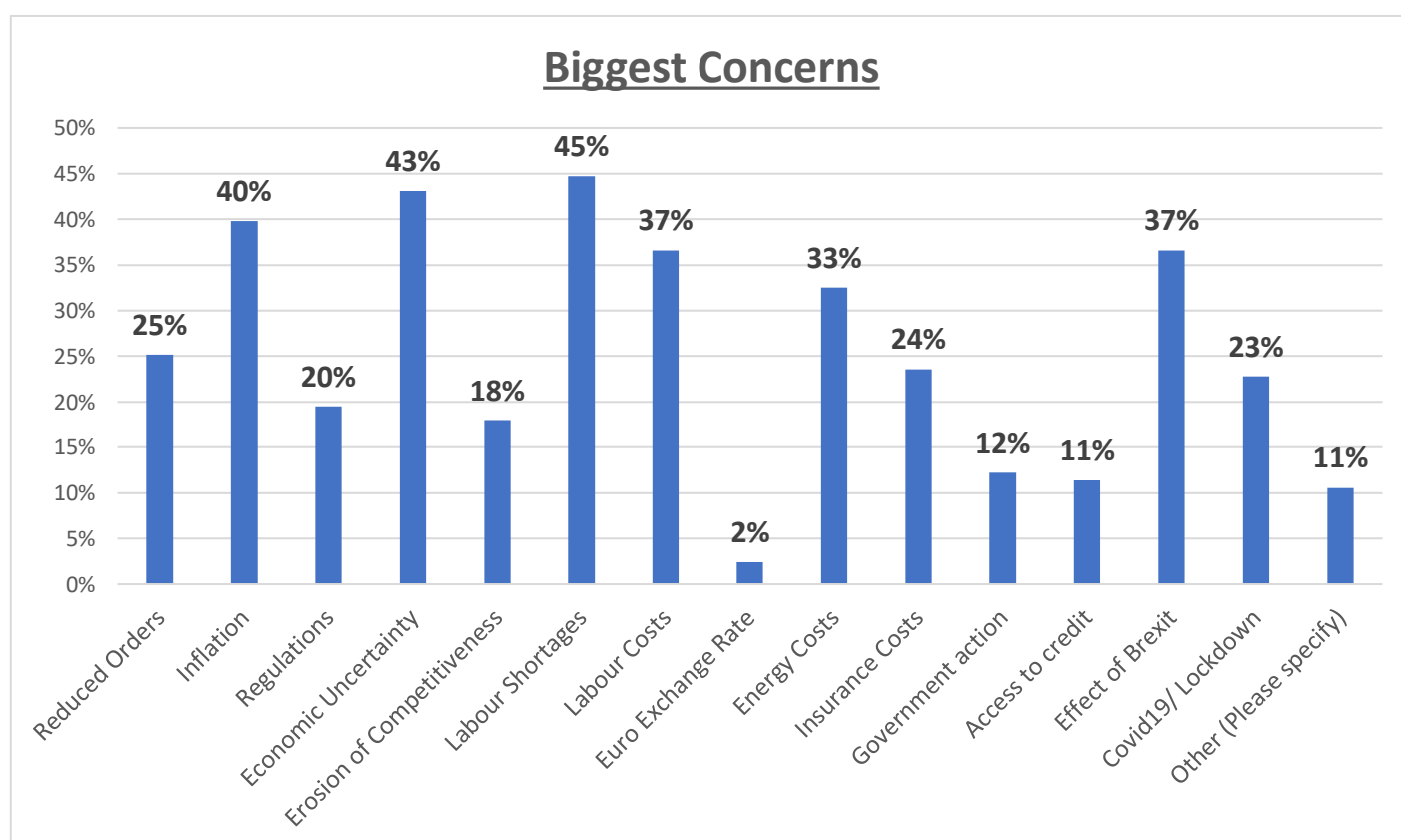
On the issue of insurance ISME has made several submissions to various government ministers and departments outlining the practical steps need to reduce the high costs of motor insurance. If these steps were taken on board, SMEs and the general public would see significant decreases in their premiums. 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 43%, down from 44% in Q2'21,
- Brexit is 37% down from 38% in Q2'21,
- Labour shortages is now the top concern for SMEs at 45% this quarter.
- Energy Costs more than doubled as a concern for SMEs this quarter, increasing from 15% to 33%,
- The top five concerns in the third quarter of 2021 are, from highest to lowest, labour shortages, economic uncertainty, inflation, labour costs and the effect of brexit.

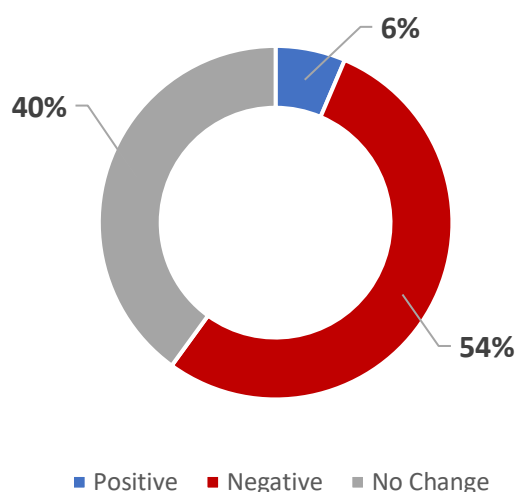
While Brexit remains one of the top five concerns through this half of 2021, we see economic uncertainty, labour shortages and inflation take the top spots. COVID19 and lockdown has dropped significantly as a concern, falling from 40% in Q2'21 to 23% this quarter.



BREXIT:

Brexit remains a significant concern with 54% of respondents stating that it would have a negative impact on their bottom line. 6% of respondents said Brexit will have a positive impact on their business.

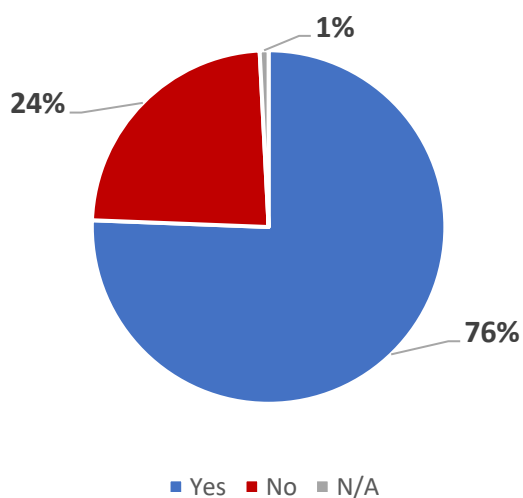
What effect will BREXIT have on your bottom line?



Broadband Services:

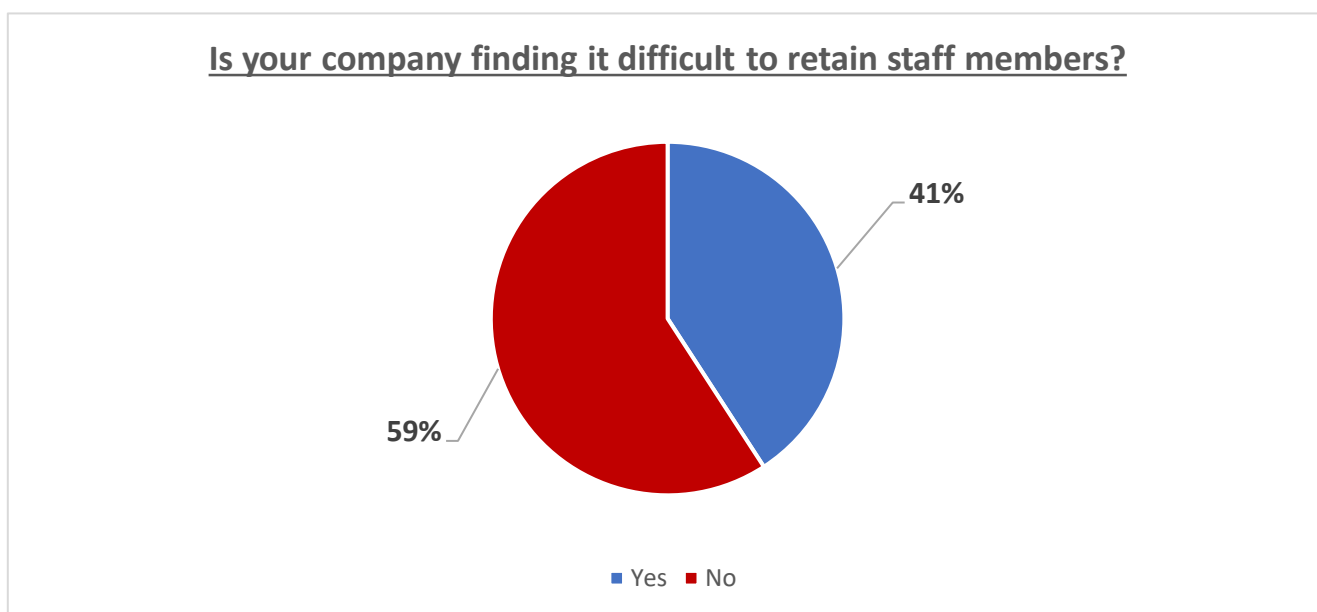
Access to proper and adequate broadband services is a key issue for many SMEs particularly those in rural Ireland. Inadequate or poor broadband service has a negative impact on business productivity. Our latest information shows that 24% of businesses are impacted by inadequate broadband, the same as Q2'21.

Is your broadband service adequate?



Retaining and Recruiting staff:

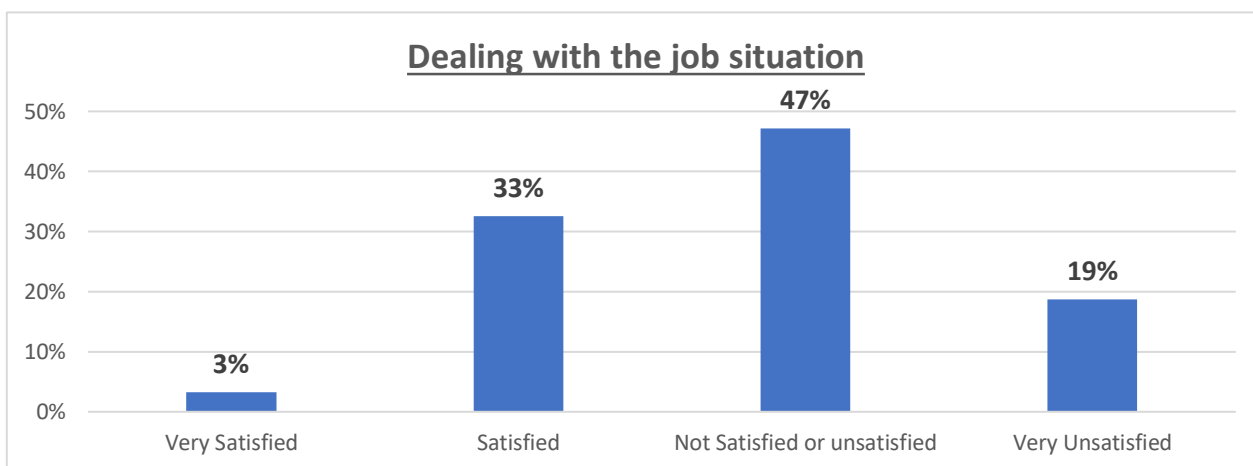
When asked 'Is your company finding it difficult to retain staff members?', 41% stated yes they were (up from 33% in Q2'21), while 59% stated this was not a problem. When asked about difficulties hiring new staff 69% noted this as a problem, up from 59%, while 31% said it was not.



Government Performance:

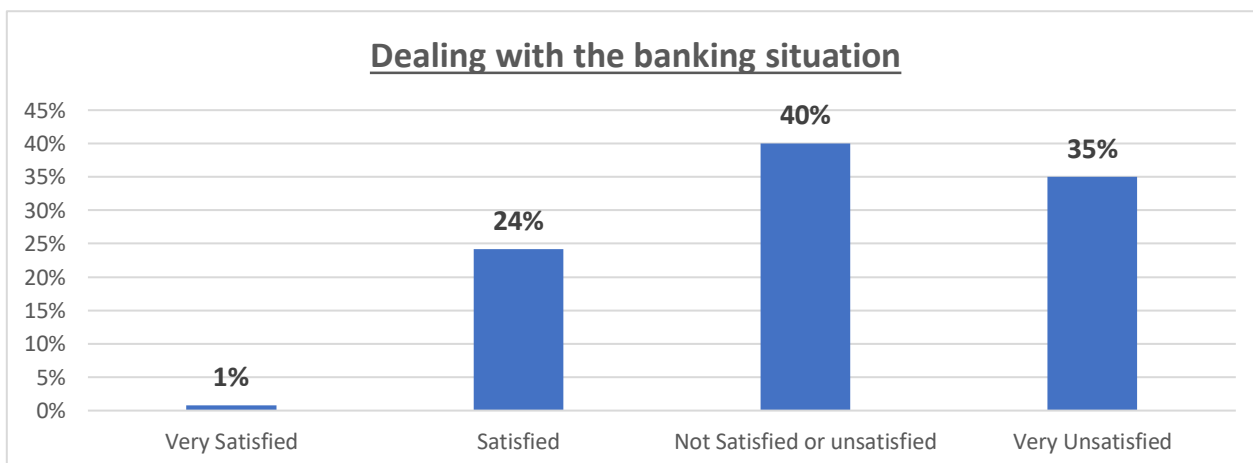
Dealing with the job situation

- Very Satisfied: 3%
- Satisfied: 33%
- Not Satisfied or dissatisfied: 47%
- Very Dissatisfied: 19%



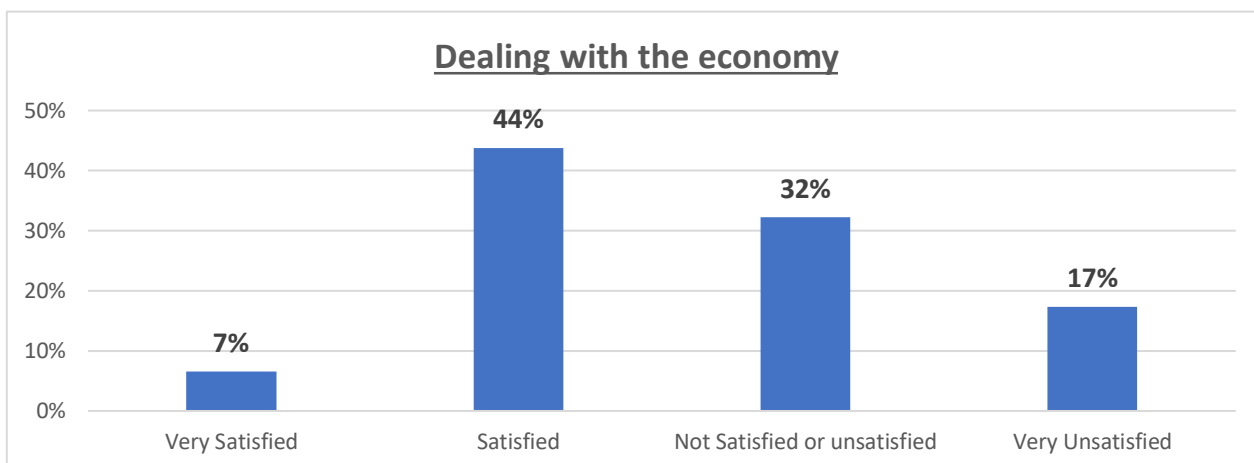
Dealing with the banking situation

- Very Satisfied: 1%
- Satisfied: 24%
- Not Satisfied or dissatisfied: 40%
- Very Dissatisfied: 35%



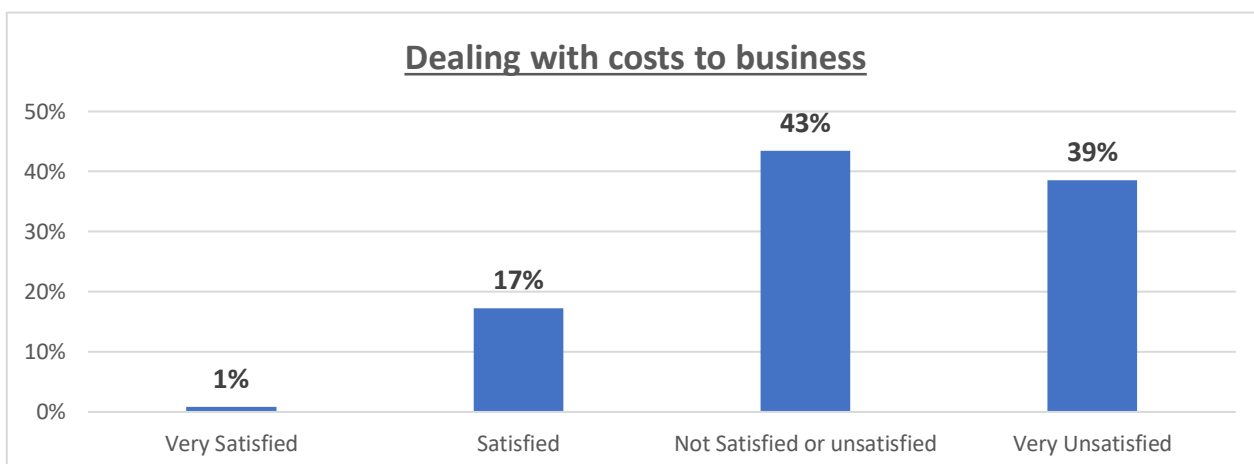
Dealing with the economy

- Very Satisfied: 7%
- Satisfied: 44%
- Not Satisfied or dissatisfied: 32%
- Very Dissatisfied: 17%



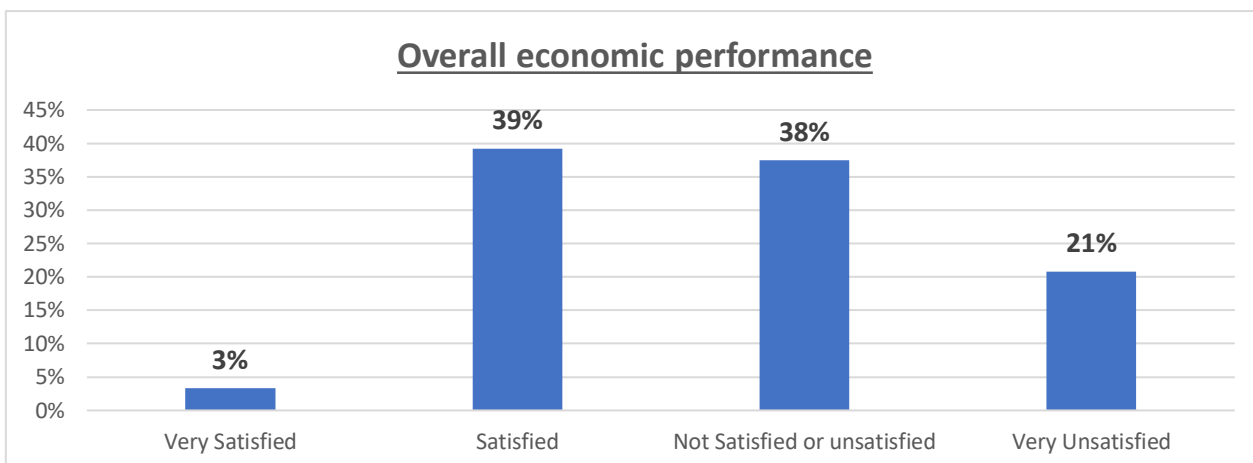
Dealing with costs to business

- Very Satisfied: 1%
- Satisfied: 17%
- Not Satisfied or dissatisfied: 43%
- Very Dissatisfied: 39%



Overall economic performance

- Very Satisfied: 3%
- Satisfied: 39%
- Not Satisfied or dissatisfied: 38%
- Very Dissatisfied: 21%



For further information, please contact:

Sheema Lughmani

Press, Policy and Research Officer

T: 01 6622755

E: sheema@isme.ie

Methodology:

This survey was conducted in the first 2 weeks of October, covering the third quarter of 2021. There were 143 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.