



Behaviour & Attitudes

Business Confidence Monitor

2nd Quarter 2014

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Introduction

- Behaviour & Attitudes conducts a Business Confidence survey on a quarterly basis in tandem with its Consumer Confidence survey.
- A questionnaire has been developed for the business monitor which covers issues such as recent business results, projected employment levels, profit margins and expectations for the forthcoming year.
- The quarterly survey is conducted via telephone amongst a sample of 350 Business owners/Managers countrywide.
- The sample is drawn from a 'deduped' mix of reputable business listings including Bill Moss, Data Ireland, the Irish Times and Business & Finance Top 500 companies in Ireland

Sampling Approach

- The chart below sets out the profile of business company size in Ireland (Source: CSO and Bill Moss) compared with the achieved Behaviour & Attitudes Business Confidence Monitor sample:-

<u>No of employees</u>	Known Profile (Bill Moss)	B & A Business Monitor Sample	B & A Weighted Results
	%	%	%
▪ 1-3	42	43	42
▪ 4-9	28	28	28
▪ 10-19	14	14	14
▪ 20-50	11	11	11
▪ 50-250	6	5	6
▪ 250+	1	1	1

- The survey data is subsequently weighted to reflect the known universe profile.
- A sample size of 350 yields a dataset which can be deemed to be accurate to within plus or minus five percentage points.

Sampling Approach

- Interviewing was conducted through Behaviour & Attitudes Computer Aided Telephone Interviewing Unit (CATI) at Milltown House in Dublin.
- Interviews were conducted with the owner/Chief Executive of each selected company.
- Fieldwork on the project was conducted between the 21st – 29th July, 2014.
- All interviewing was centrally supervised and quality control verification was conducted on 15% of interviews undertaken.

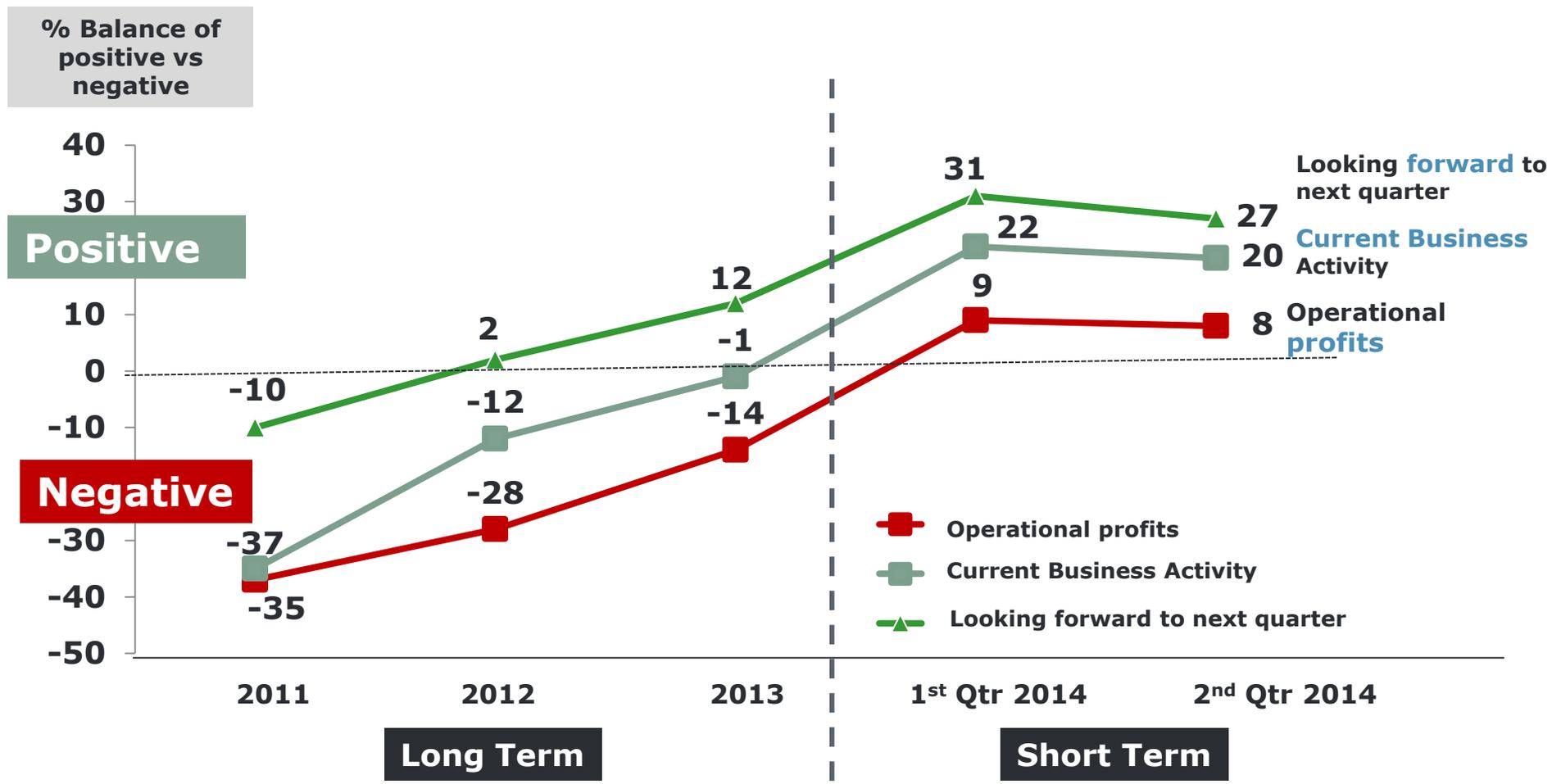
About Behaviour & Attitudes

- Behaviour and Attitudes is Ireland's largest and most experienced independently owned research company.
- We pride ourselves on having the **most experienced director team in Ireland**. All projects have a director involved.
- Established over 25 years ago, Behaviour and Attitudes provides a full range of market research services, ranging from CAPI, CATI, online and of course qualitative.
- Specialist sectors include: Retail & Shopper, Technology & Telecoms, Financial, Political & Social, Polling, Automotive, Healthcare and Public Sector & Utilities.
- For more information please visit our website at: www.banda.ie or contact us on +353 1 2057500.

Summary of Key Findings



Business Activity over the Long term is improving all the time. In the short term it has stabilised



Q.1 Business activity may be measured by gross income, chargeable hours worked or any equivalent measure of volume of activity appropriate in your business. How has your business performed in the first quarter of this year – from Jan to March. Were your results higher, lower or the same compared to the same period last year?



Behaviour & Attitudes Business Monitor

Summary of Main Findings

Current Business Performance:

- The results of the second Behaviour & Attitudes Business Monitor for 2014 confirms that the business environment is in positive territory.
- Just fewer than half of all companies **(44%) have seen an improvement** in their activity **compared with this time last year**, a further 32% indicate that their activity level has remained the same while a quarter continue to struggle.
- Compare this with 51% of companies whose business levels were under pressure in 2011 (and still 35% were under pressure last year). This is a significantly positive shift that puts the balance of business activity in growth (+22% vs +1% last year)
- While larger companies and exporters moved into positive territory last year, smaller and indigenous companies are finally catching up.
- Importantly however, these data compare activity levels with last year for the same period. When compared with the 1st quarter of 2014, the figures are almost identical, suggesting **activity levels have stabilised**.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

Business Confidence:

- Looking ahead to the third quarter, **almost half of Irish businesses** believe that their company performance in Q3 of 2014 will be **higher** than last year. Only 18% are expecting lower levels of activity.
- This means the **confidence index is in positive territory** for two consecutive annual measurements (+19% 2013 and +27% now). Of particular interest is the degree of positivity for all business sizes, not just the larger companies which had been quicker to move forward originally, as well as for indigenous non-exporting companies.
- However, the level of confidence and projected activity is much the same when compared with the 1st quarter of 2014.
- This makes us wonder if growth will continue for the remainder of the year or whether activity is close to its peak level for 2014.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

Employment:

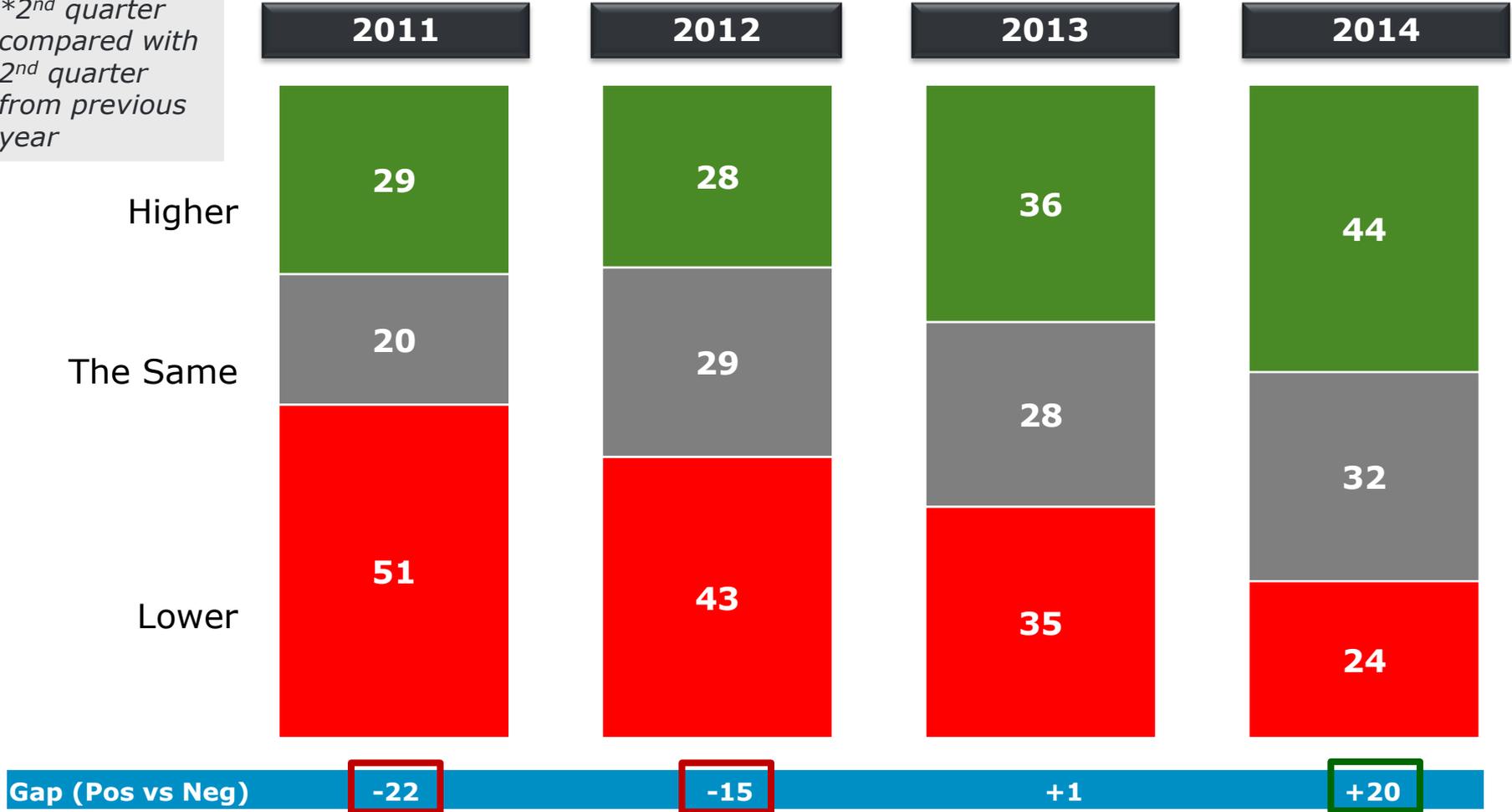
- Employment levels we know are improving and this is evident in our survey data also. Still the needle is slow to move with the large majority of business (74%) claiming employment levels have remained static since this time last year.
- Encouragingly though the index is in positive territory (+12%) which is good news.
- This compares with +6% for the 1st Qtr suggesting there is some momentum here.

Pricing & Profitability:

- Pricing structures are slow to change and this is reducing businesses' ability to improve their profitability.
- Following on from successive years of price reductions (2011 through to 2013) the floor seems to have been reached (the Index is now at -5% but still not in the green).
- What this means is that business profitability, despite increased activity and greater confidence, has yet to catch up with sales growth.

Business Activity – Considerably stronger business activity for the 2nd Qtr compared with last year

*2nd quarter compared with 2nd quarter from previous year

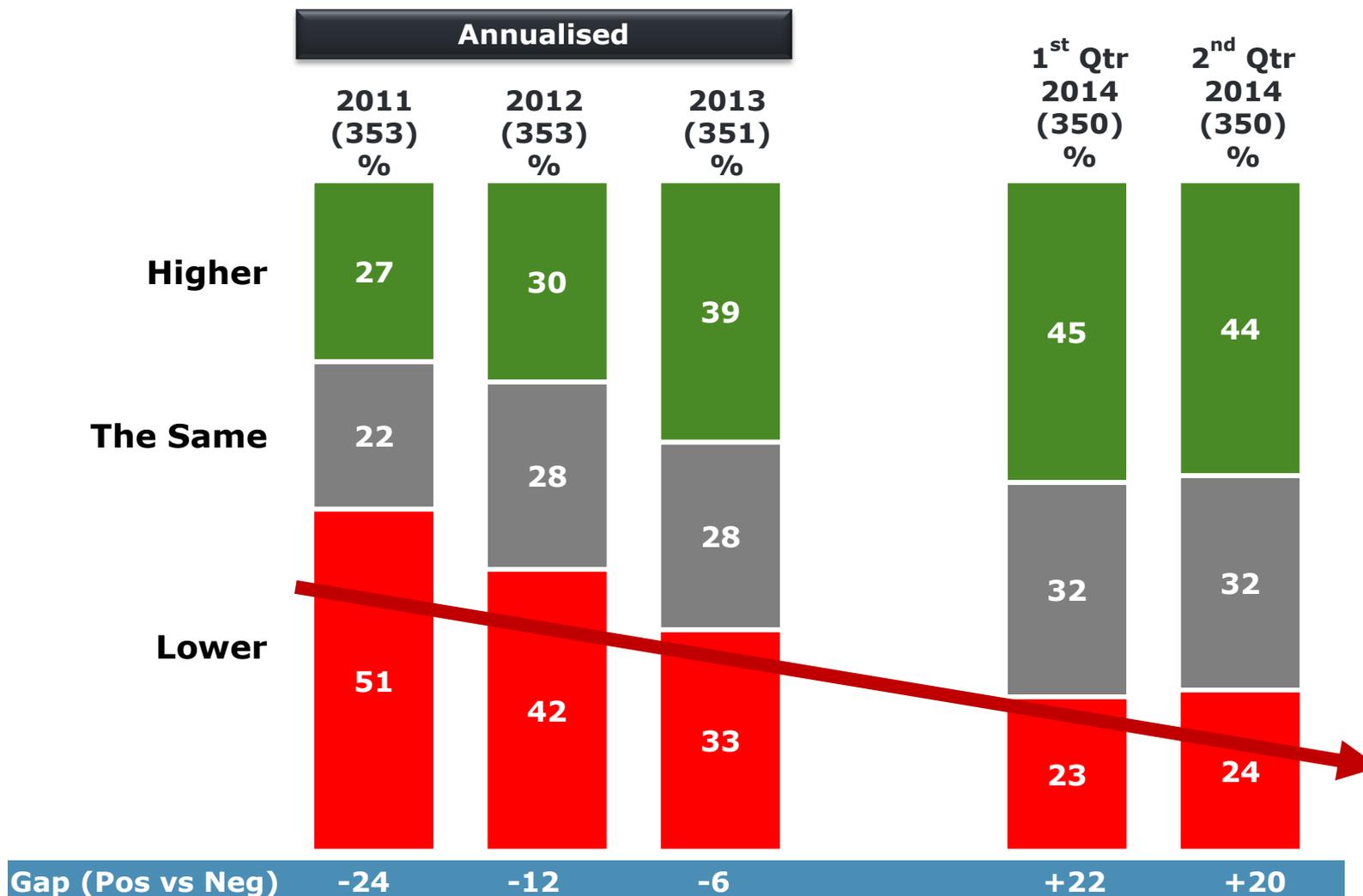


Business activity levels were in negative equity in 2011 and 2012. The floor was reached in 2013 and we have now moved very clearly into positive territory compared with last year.

Q.1 Business activity may be measured by gross income, chargeable hours worked or any equivalent measure of volume of activity appropriate in your business. How has your business performed in the second quarter of this year – from April to June. Were your results higher, lower or the same compared to the same period last year?



Business Activity Longer term Trading analysis

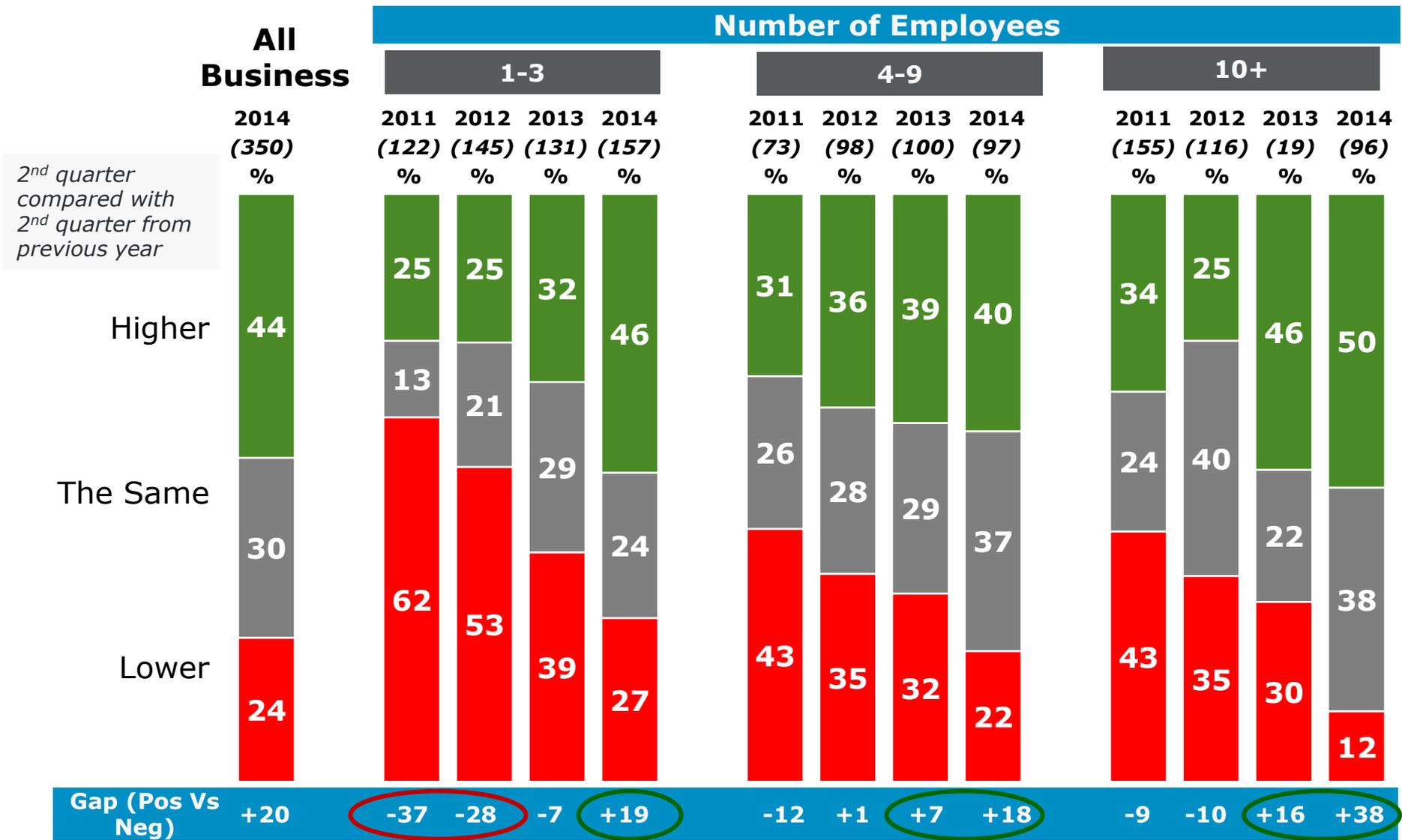


However that growth is compared with last year and the evidence suggests that momentum has stabilised compared with first quarter.

Q.1 Business activity may be measured by gross income, chargeable hours worked or any equivalent measure of volume of activity appropriate in your business. How has your business performed in the second quarter of this year – from April to June. Were your results higher, lower or the same compared to the same period last year?



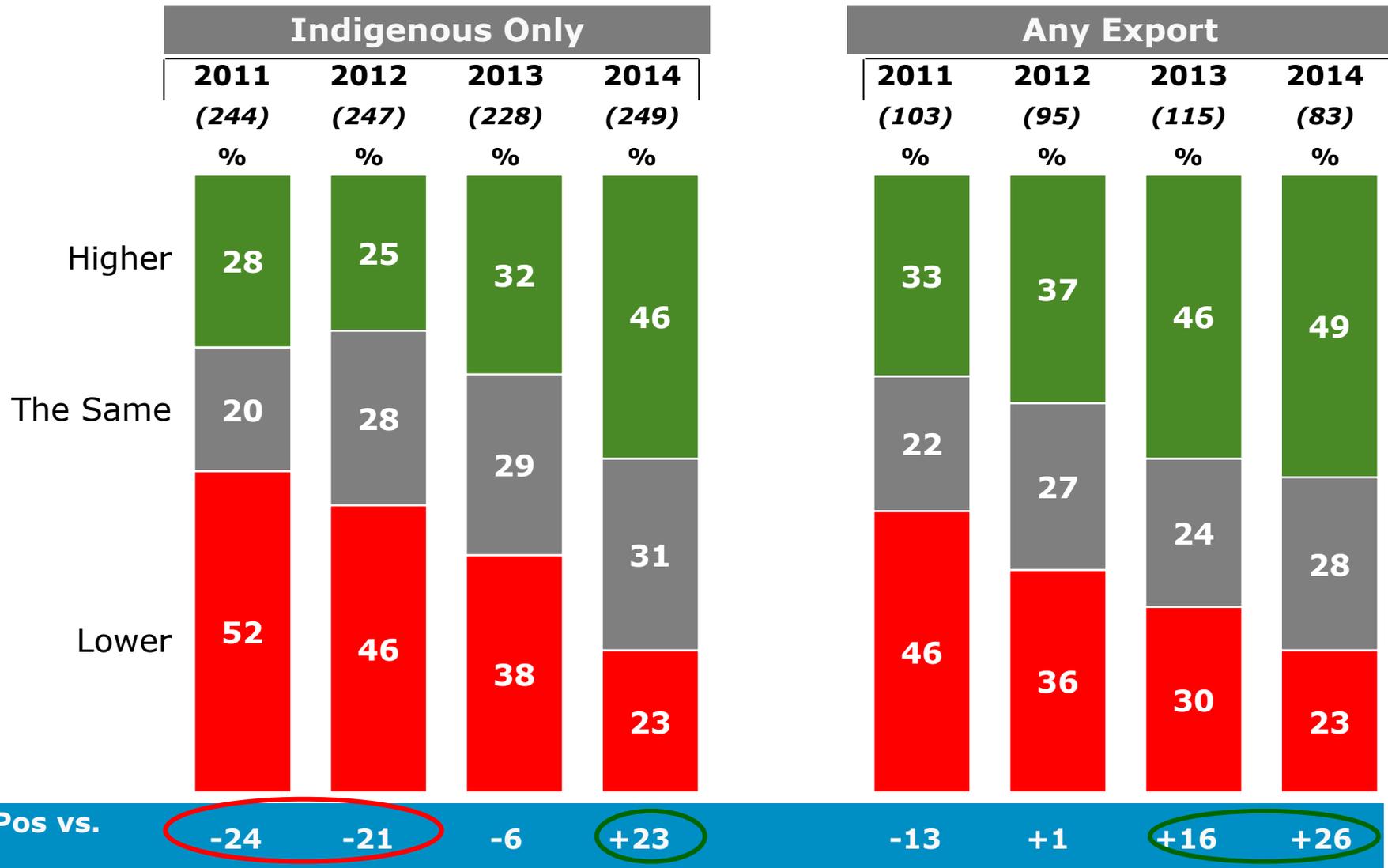
Business Activity – Looking back - 2nd Quarters compared



Growth has finally arrived for the micro companies. Larger companies made the shift earlier and have had a steadier re-entry to positive growth. Smaller companies have only made significant progress in the past 12 months to now match medium and larger companies.



Business Activity – Looking back – 2nd Quarters compared



Exporters made progress much more quickly than those only operating domestically. At this point, the indigenous companies have also caught up. This is all good news.

2. Projections for third quarter

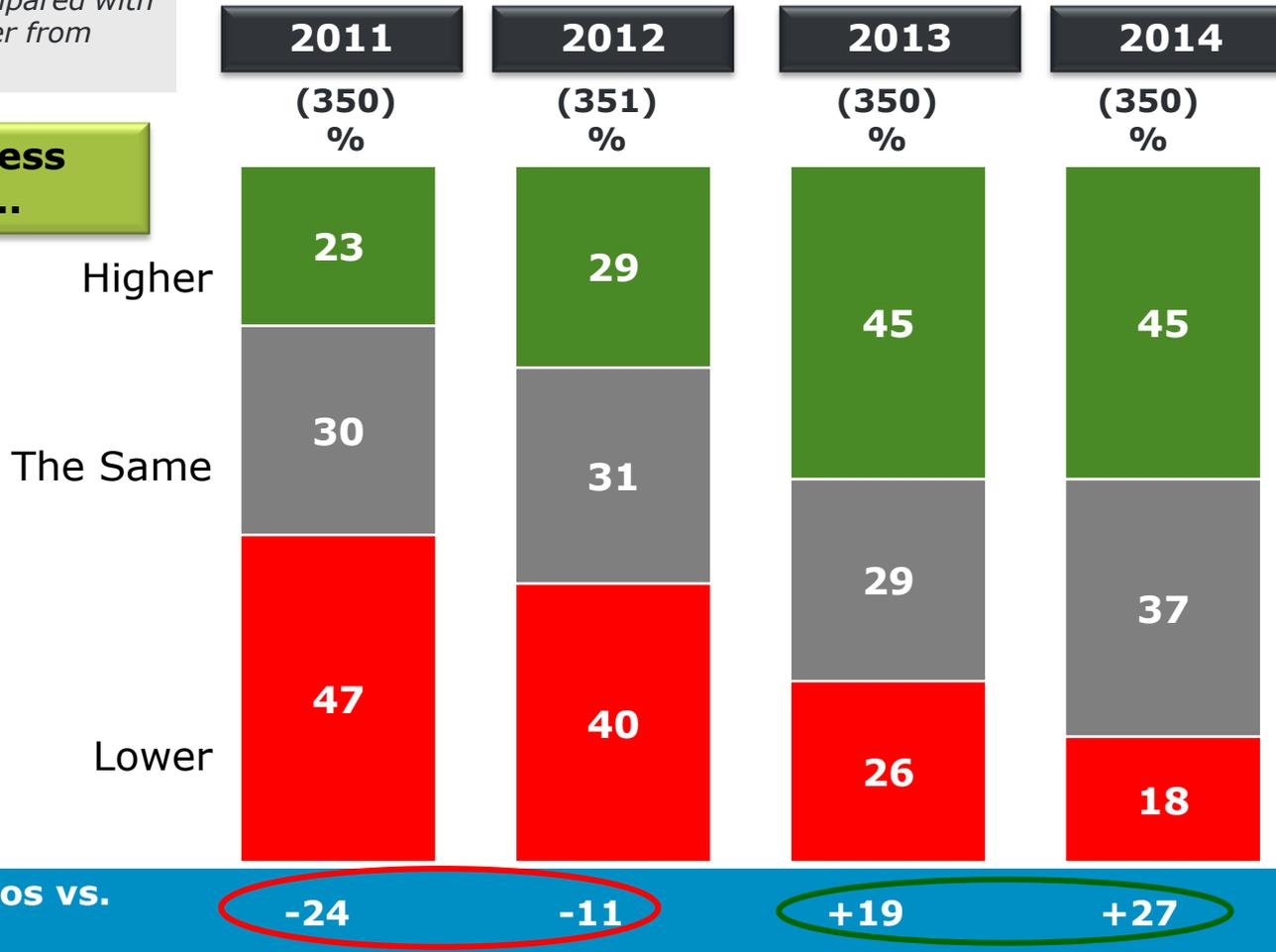


Business Activity Looking Forward

3rd Qtrs compared

Each quarter compared with equivalent quarter from previous year

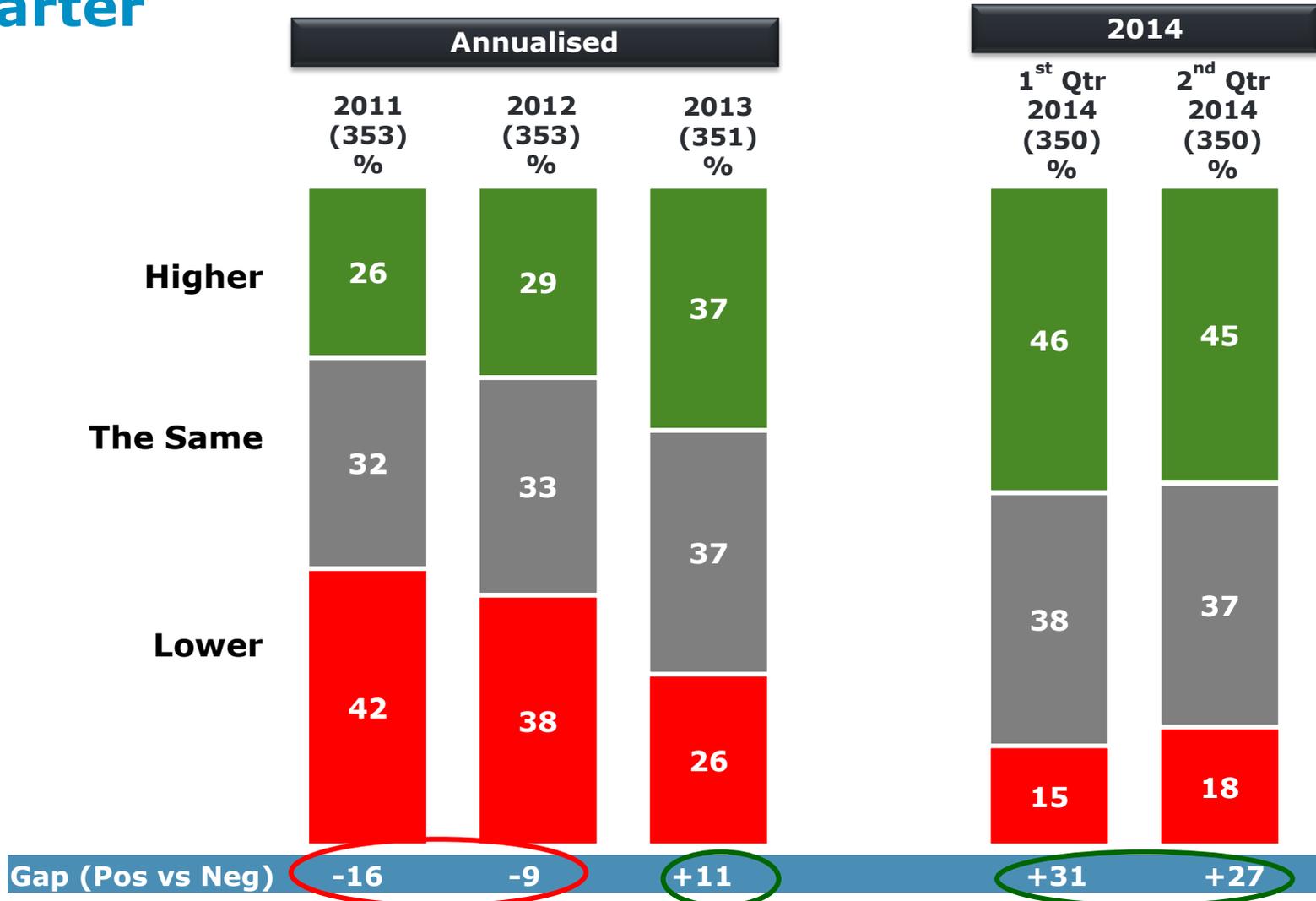
Expect business levels to be ...



The business community are now looking forward to Quarter 3 with considerable confidence. The evidence suggests that projections are very much in line with their expectations last year. This is positive in that this they are projecting similar growth levels from a higher starting base.

Q.4 And thinking ahead to the third quarter – July to September – do you think your performance will be higher, lower or the same as the third quarter of 2011?

Business Activity – Looking Forward to third Quarter



Compared with last year as a whole, expected growth is significant. However 1st versus 2nd quarter suggest a stabilisation at this higher level.



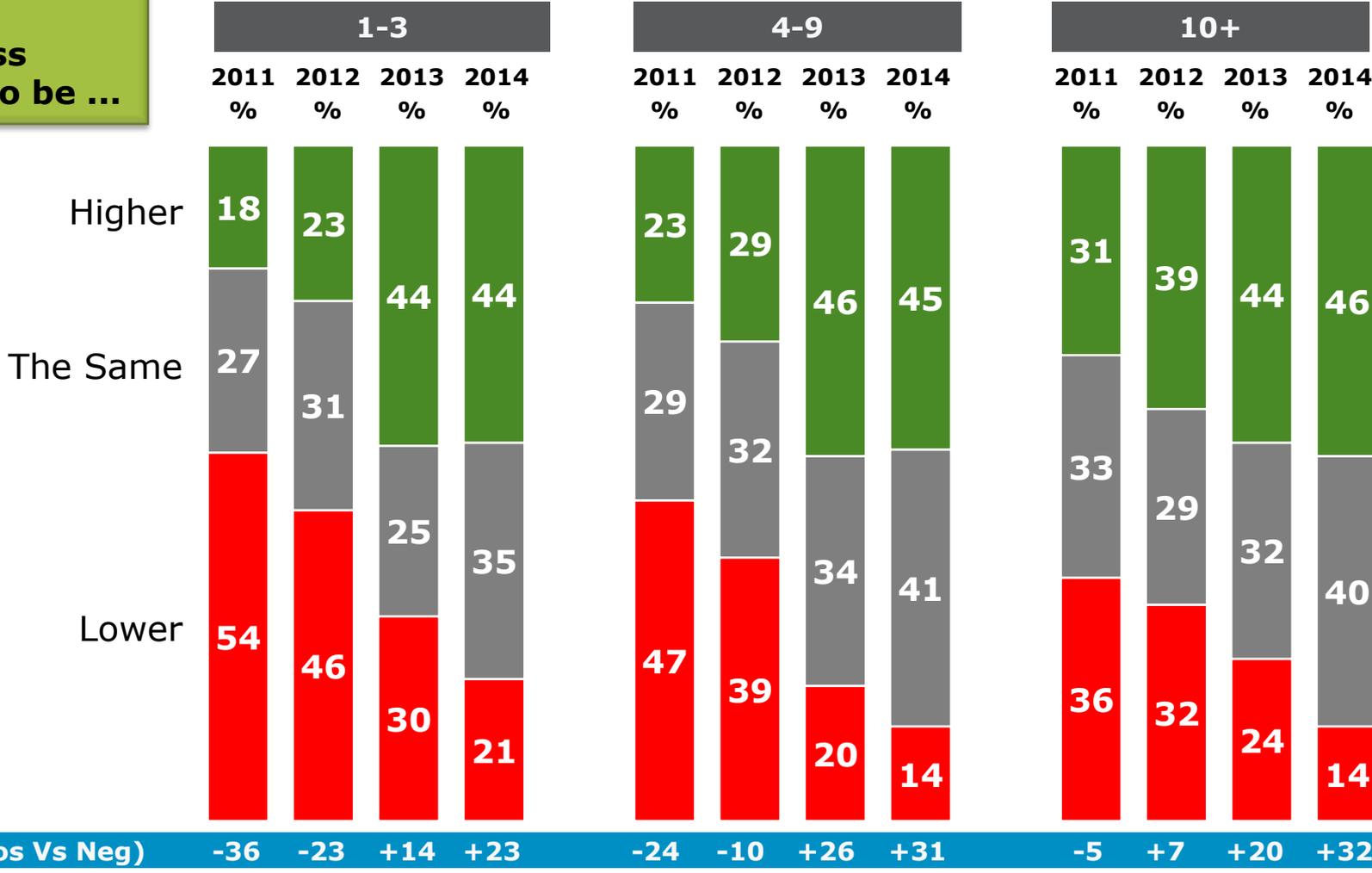
Q.4 And thinking ahead to the third quarter – July to September – do you think your performance will be higher, lower or the same as the third quarter of 2013?

Business Activity Looking Forward - 3rd Qtrs compared

Each quarter compared with equivalent quarter from previous year

Expect business levels to be ...

Number of Employees



Business outlook is similarly positive among all company sizes where initially the positivity was being driven by larger companies.

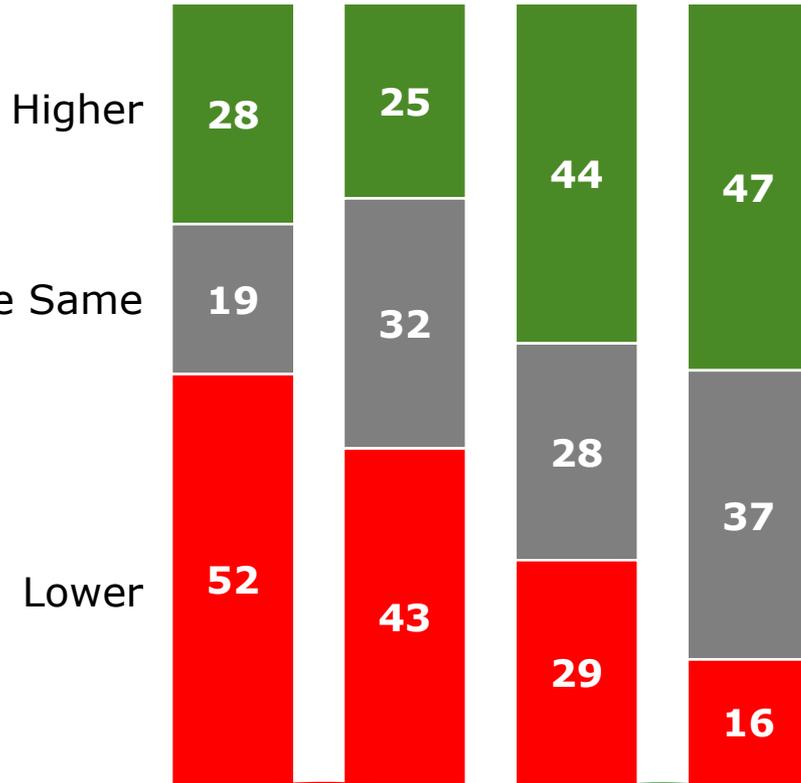
Business Activity Looking Forward

3rd Qtrs compared

Each quarter compared with equivalent quarter from previous year

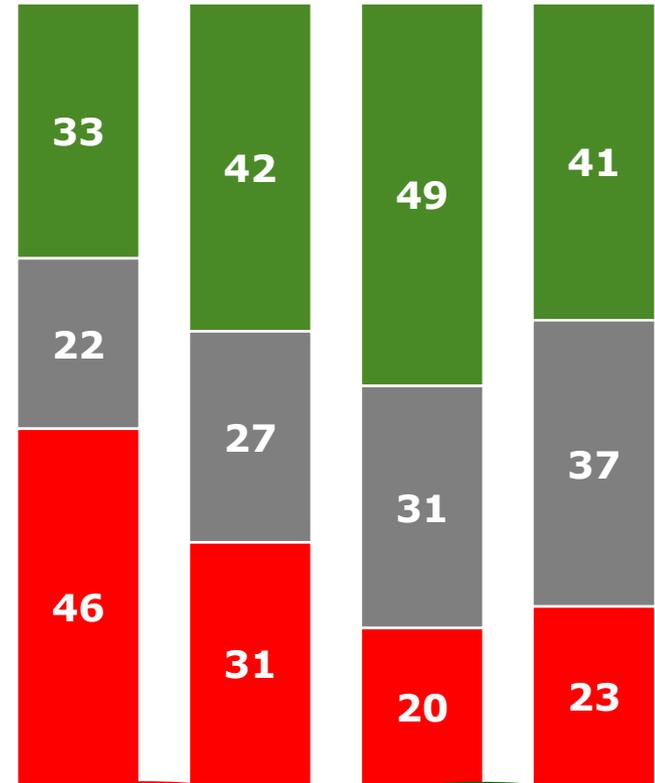
Indigenous Only

2011	2012	2013	2014
(244)	(247)	(228)	(249)
%	%	%	%



Any Export

2011	2012	2013	2014
(103)	(95)	(115)	(83)
%	%	%	%



Gap (Pos vs. Neg)	2011	2012	2013	2014
	-24	-18	+15	+31
	-13	+11	+29	+18



Interestingly, the tide has turned with growth most expected from indigenous only companies. The momentum in exports while still evident has receded a little.

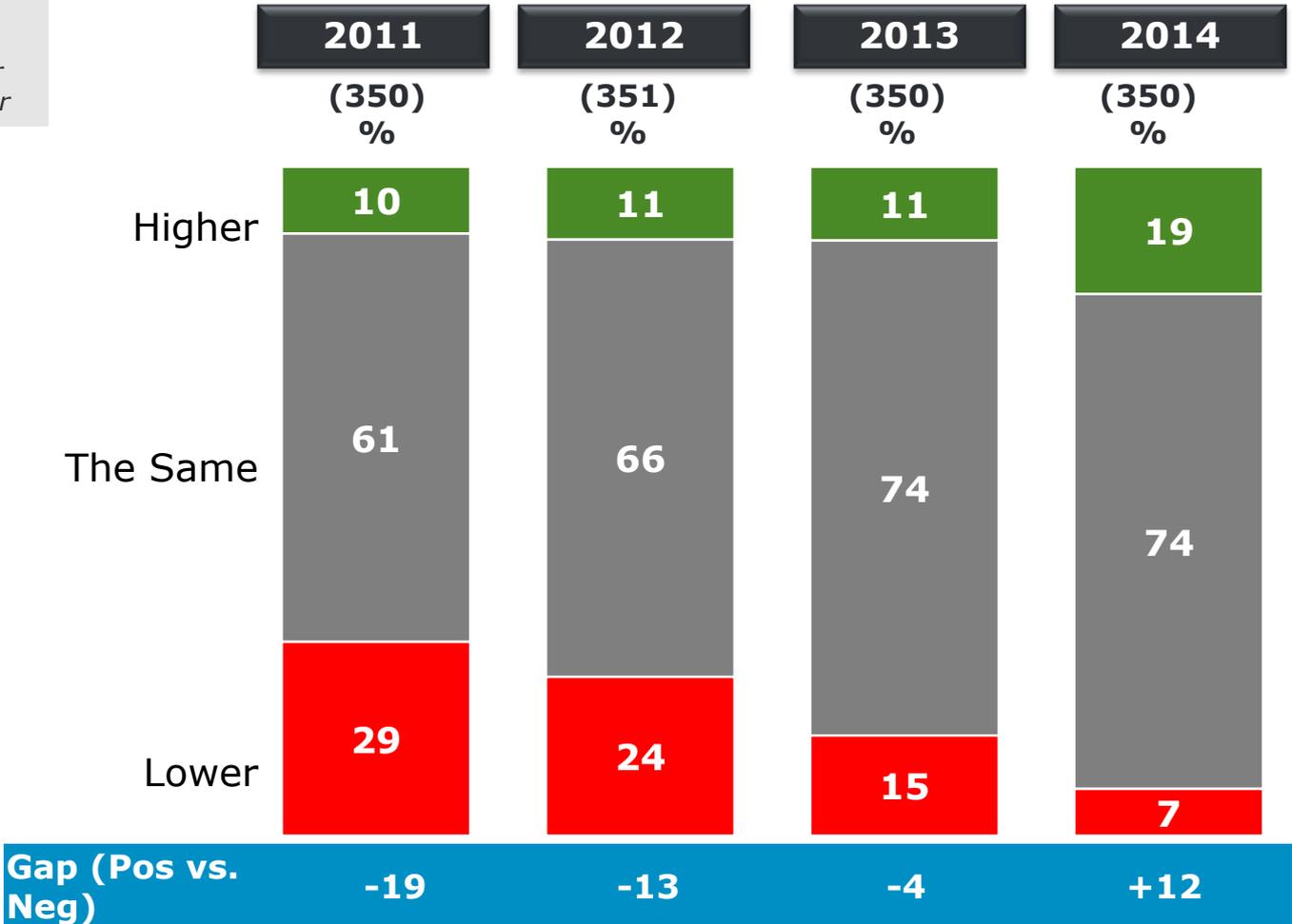
3. Employment levels



Employment Levels – 3rd Qtrs compared

Base: All companies 350

Each quarter compared with equivalent quarter from previous year



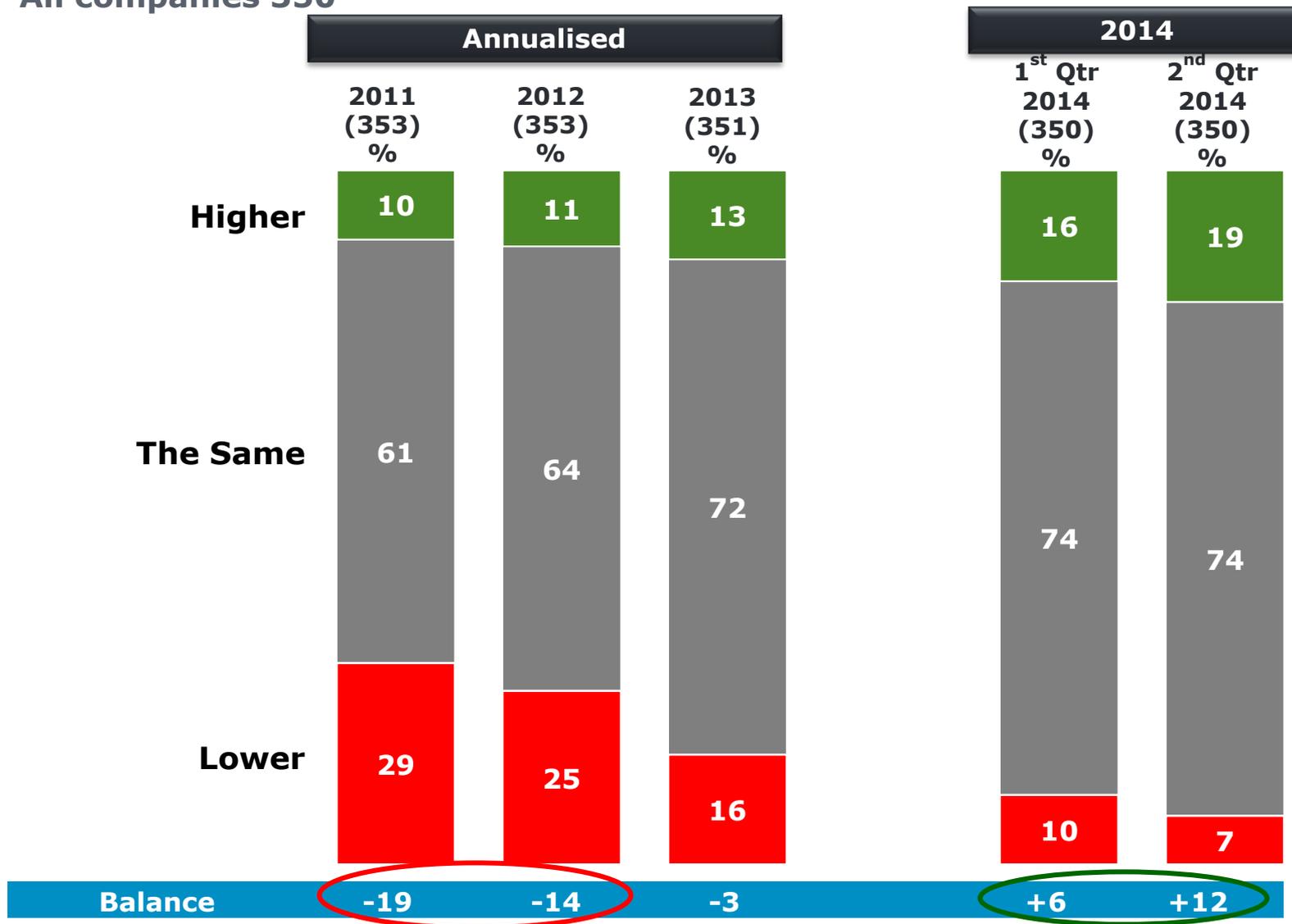
Recovery in terms of employment levels now evident. It has been a slow but sustained improvement over time.

Q. 7 Could you indicate whether your employments levels are higher, lower or the same compared with the second quarter of last year?



Employment Levels – Long term trends

Base: All companies 350

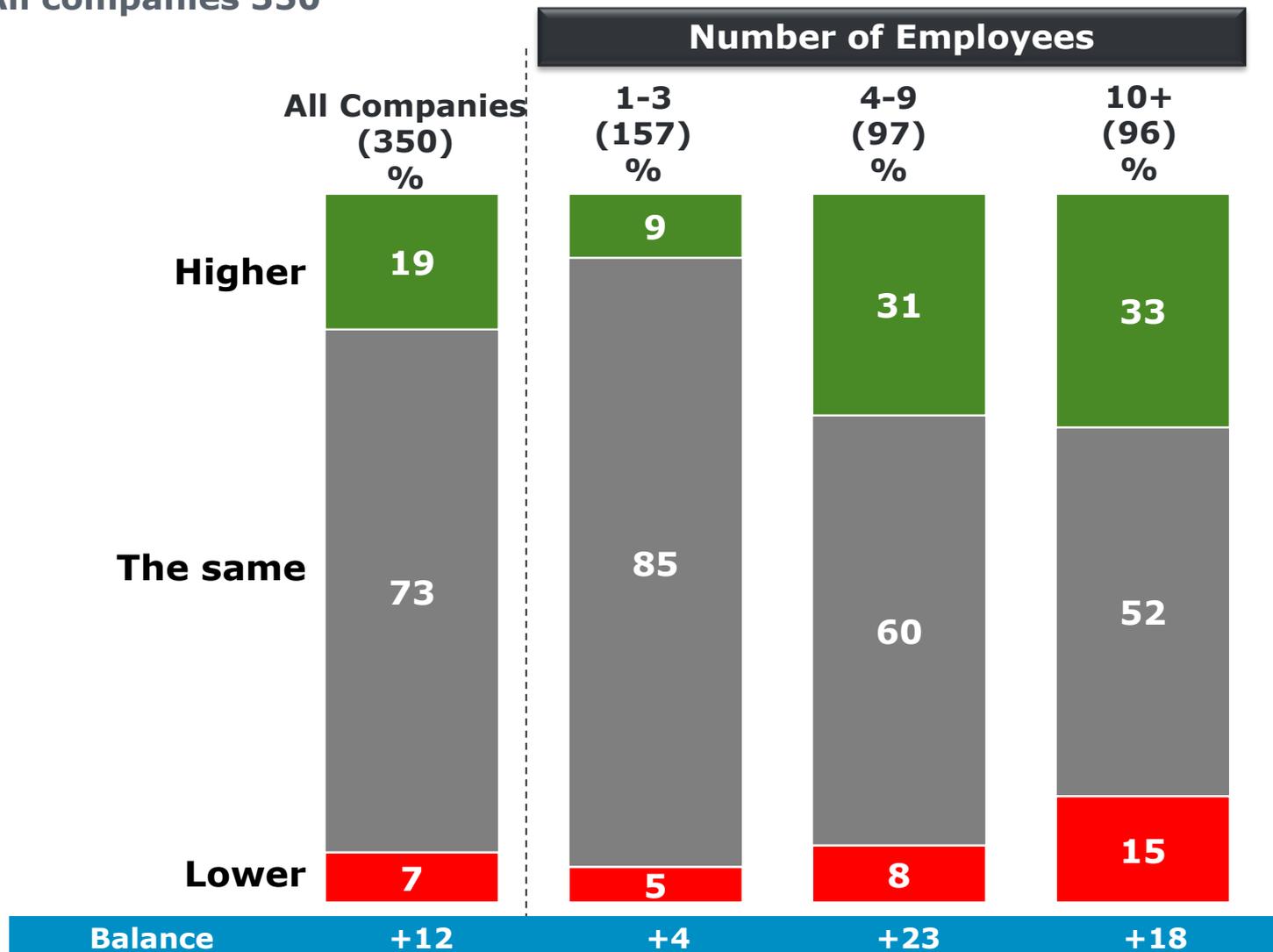


While we might expect annualised employment levels to have improved, we can now also see a shift quarter by quarter.

Q. 7 Could you indicate whether your employments levels are higher, lower or the same compared with the second quarter of last year?

Employment Levels Compared to Last Year

Base: All companies 350



The greatest momentum for increased employment is among middle size companies.

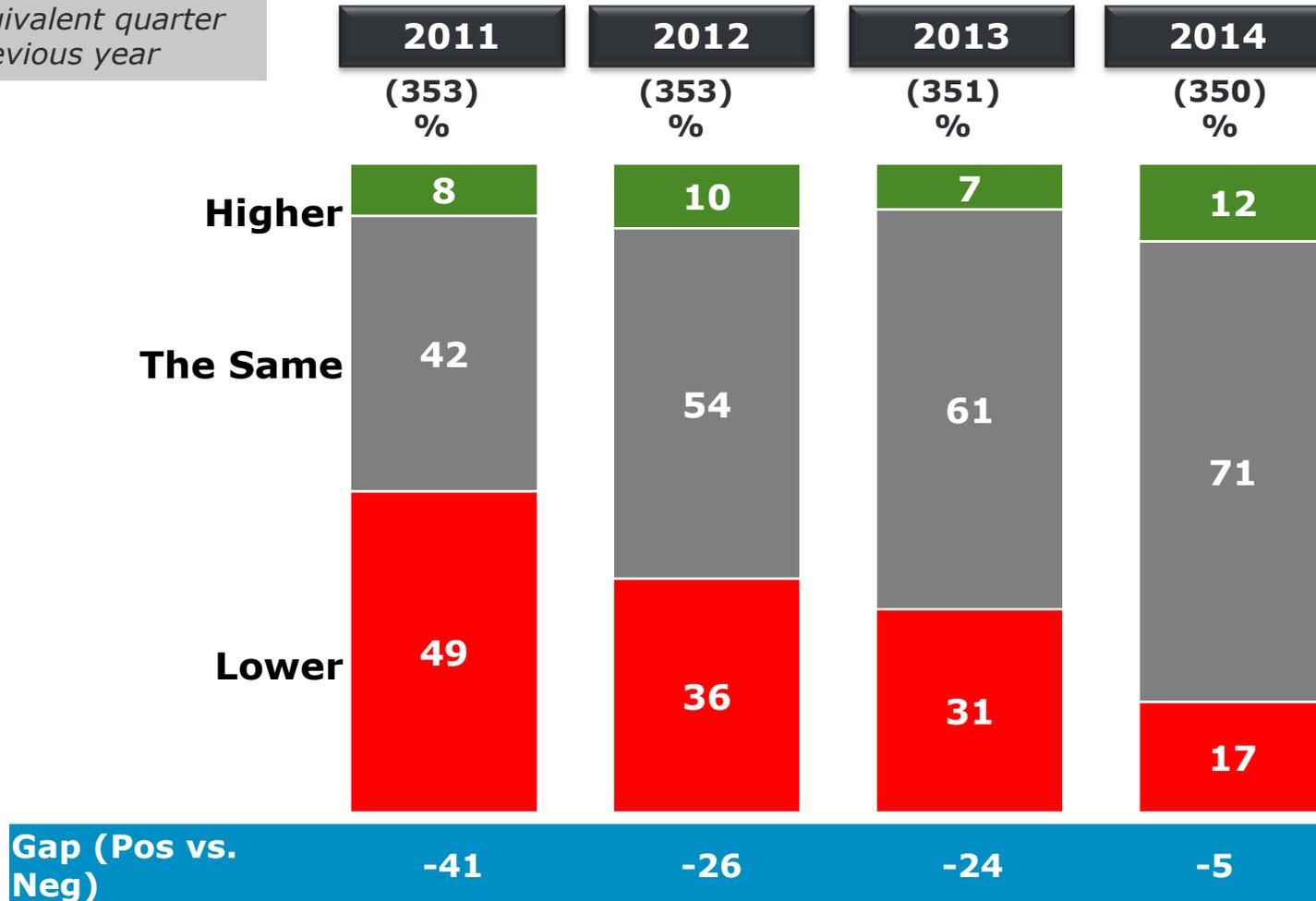
Q. 7 Could you indicate whether your employment levels are higher, lower or the same compared with the second quarter of last year?

5. Prices and profits



Prices Charged – 3rd Qtrs compared

Each quarter compared with equivalent quarter from previous year

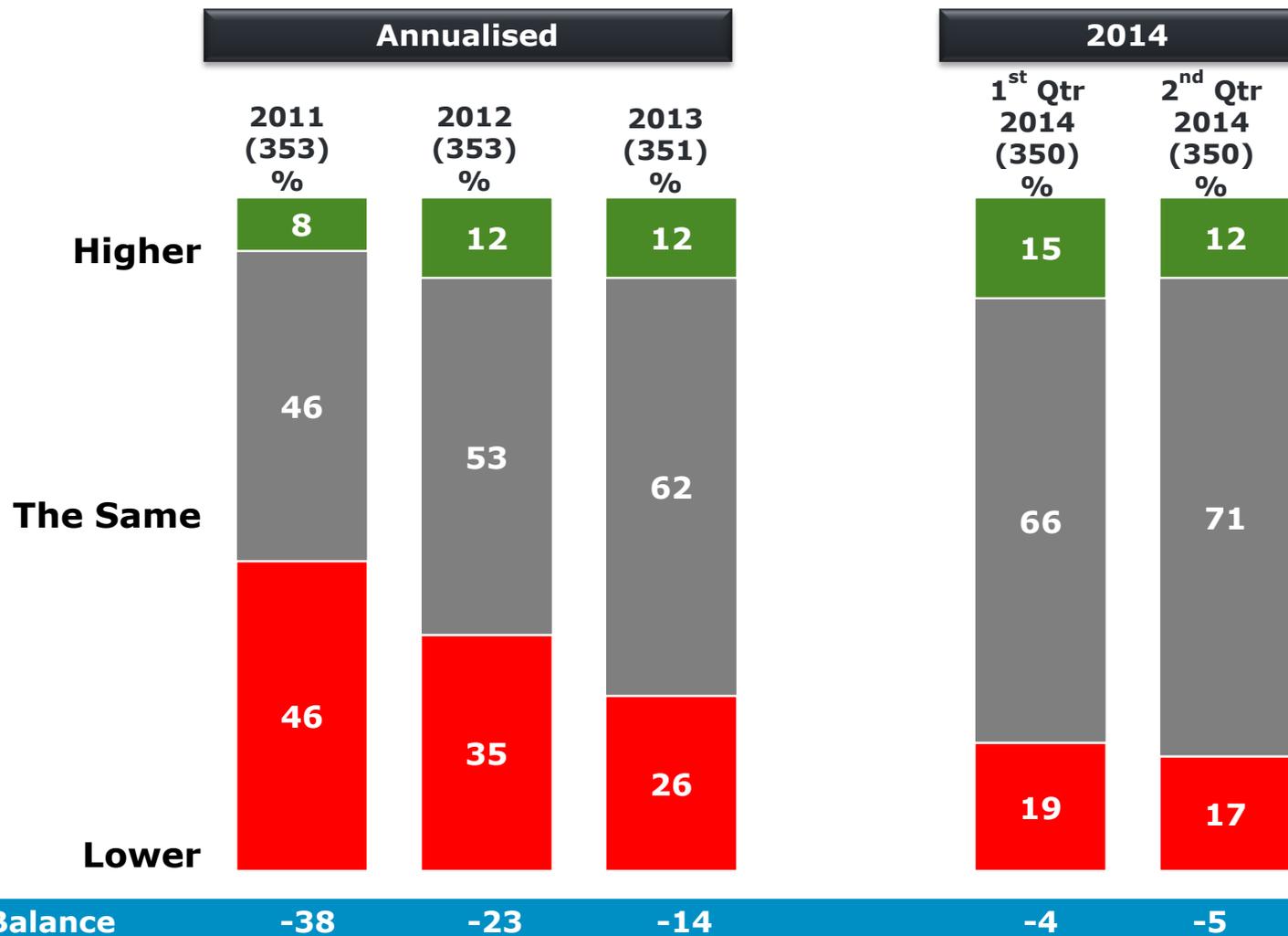


Prices have stabilised although very few companies have managed to impose a price increase since last year (12% Vs 7%).

Q.9 Could you tell us whether prices charged are higher, lower or the same compared with the second quarter of last year?

Prices Charged – Longer term trends

Base: All companies 350

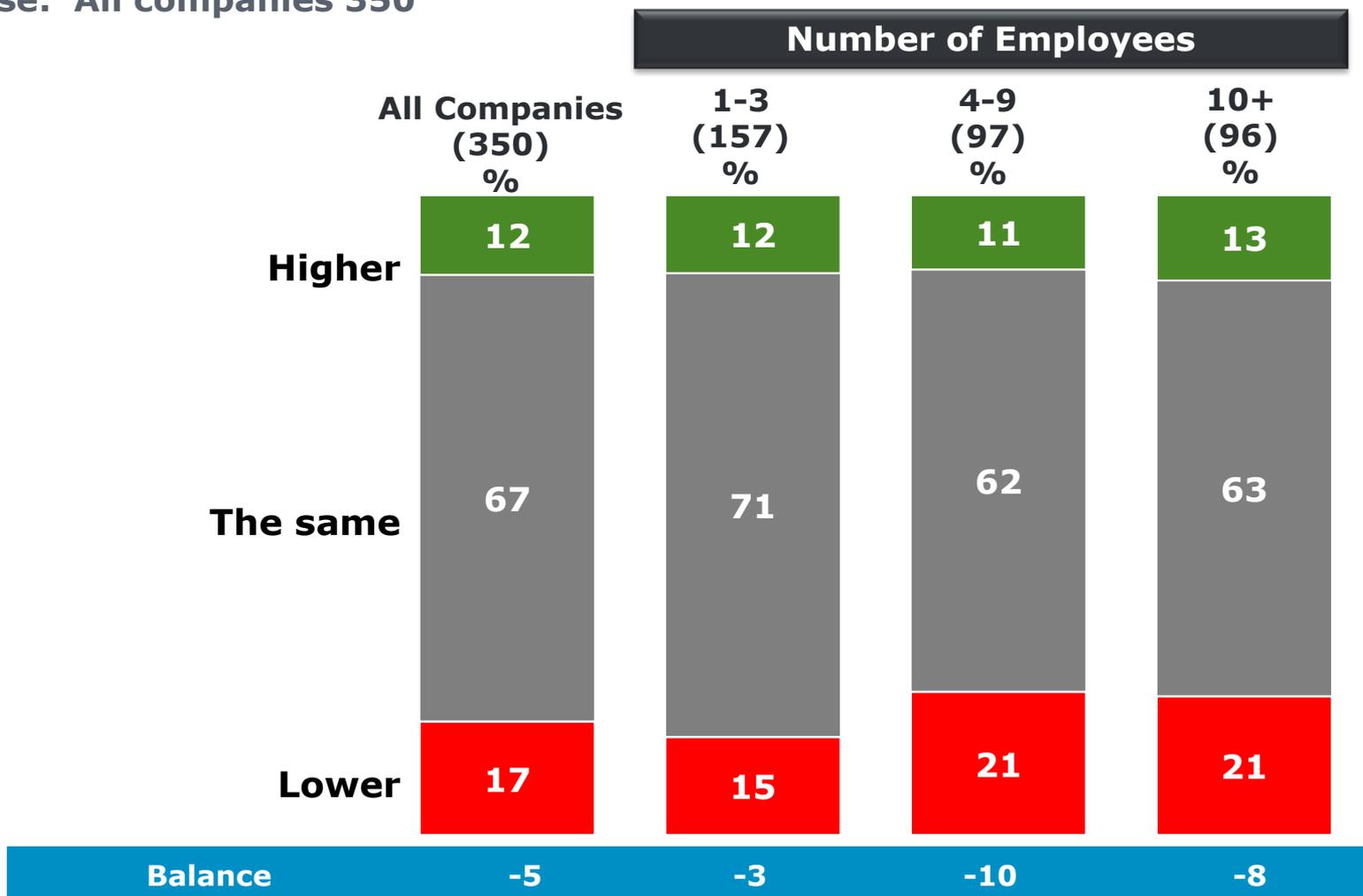


Businesses continue to be fearful that any price increase will have a negative impact on this growth agenda. This clearly impacts operational profit.

Q.9 Could you tell us whether prices charged are higher, lower or the same compared with the first quarter of last year?

Prices Charged – 2nd Qtr 2014

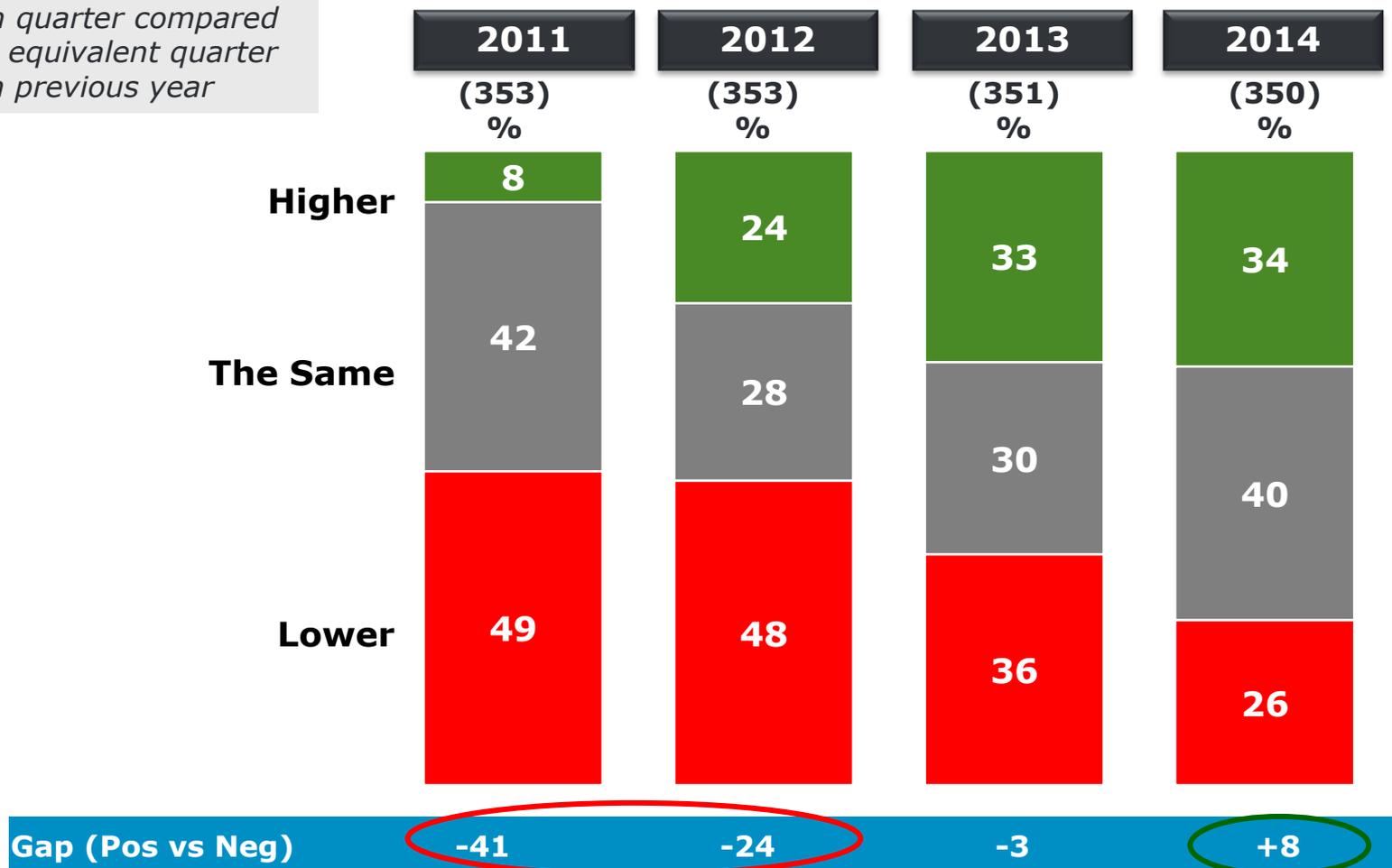
Base: All companies 350



There is no evidence to suggest any difference in pricing policies across company size.

Operational Profit – 2nd quarters compared

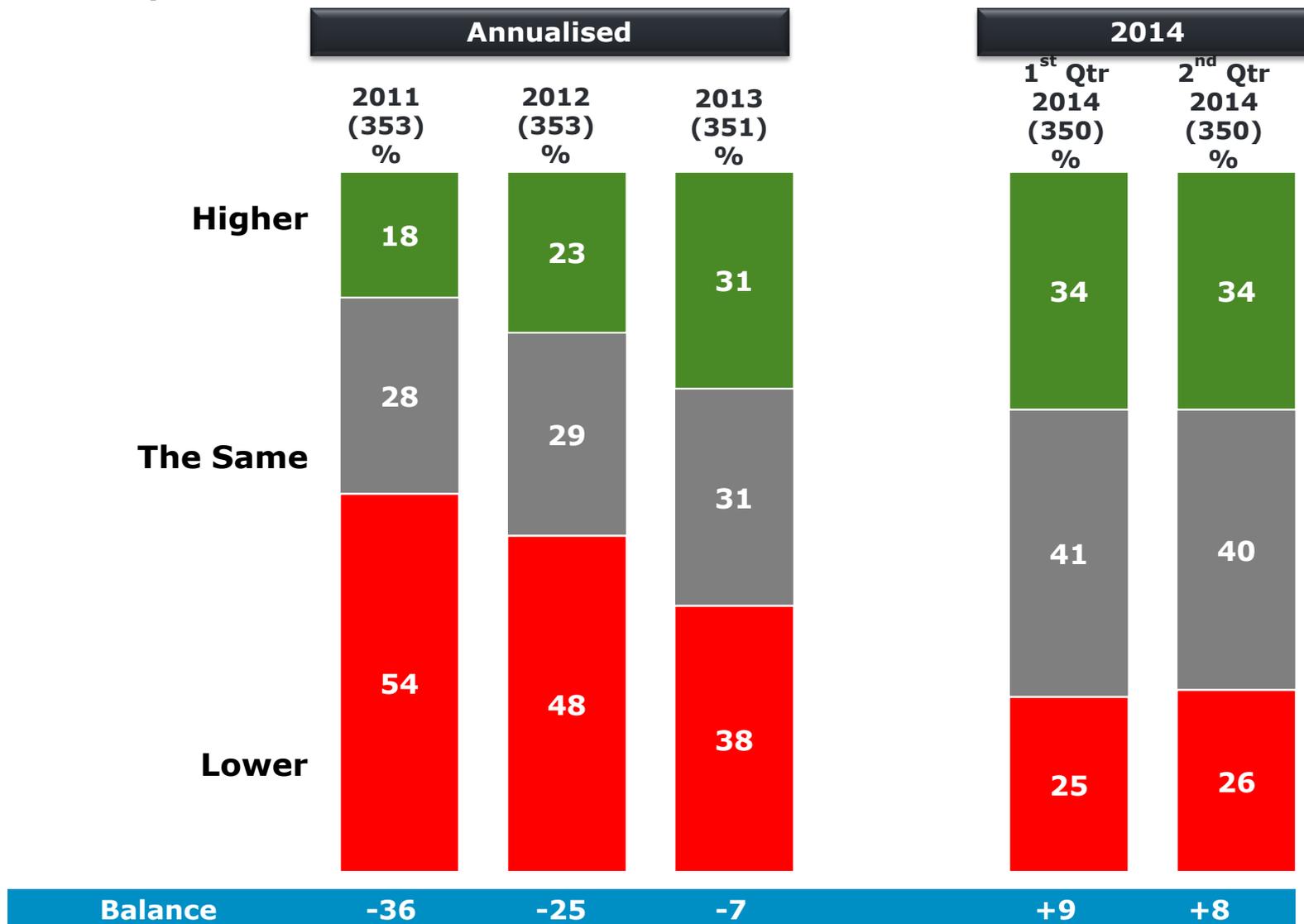
Each quarter compared with equivalent quarter from previous year



Operating profits have been slow to shift. The net figure has finally moved into positive territory but it is a long way behind business growth expectations. As such, business activity is increasing but profits are not in line with this activity.

Operational Profit- Longer term trend

Base: All companies 350

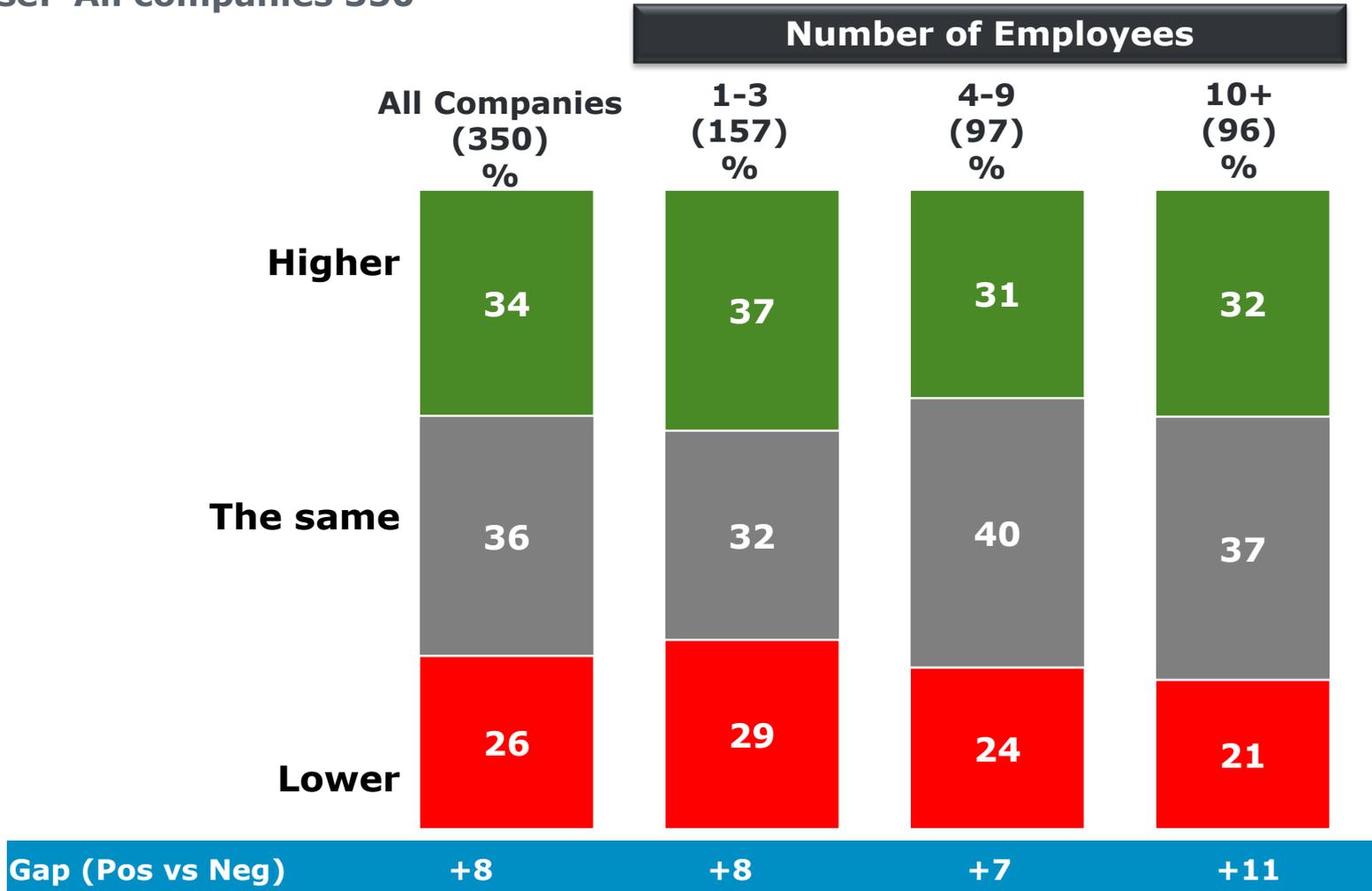


In profit terms, we turned a corner this year. It now seems to have stabilized.

Q.8 Could you tell us whether operational profit is higher, lower or the same compared with the second quarter of last year?

Operational Profit – 2nd Qtr 2014

Base: All companies 350



Profit levels seem similar across companies of all sizes.



Q.8 Could you tell us whether operational profit is higher, lower or the same compared with the first quarter of last year?

Key Findings – Business Confidence

- The second quarter of 2014 is almost identical to the first quarter on all confidence and growth KPIs.
- There is, however, an increase in current activity levels (+20%) compared with the second quarter of 2013.
- There is also strong positivity looking forward to the next quarter (+27%)
- However, these KPIs have stabilised when compared with the first quarter of 2014 (and are very buoyant when compared with last year).
- Operational profits continue to lag behind reported increased activity levels.
- This is due to the fact that businesses are not managing to increase prices yet. While the situation is improving, nationally we are still operating in negative territory (the balance of companies who increased prices over those who decreased prices is now -5% versus -14% for 2013)
- Encouragingly, taking current and projected activity levels into account, first and second quarters of 2014 are significantly more buoyant when compared with the average for 2013.
- Employment levels are also up a little. The index was +6% for the first quarter and it now stands at +12%. This compares with -4% for the same period in 2013.

Thank You



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