



BDO Optimism Index

Q3 2015

with Behaviour and Attitudes



BDO

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Research Methodology

- For the past five years Behaviour & Attitudes has conducted a Business Confidence survey on a quarterly basis. 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.
- 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 30th October and 12th November, 2015. All interviewing was centrally supervised and quality control verification was conducted on 15% of interviews undertaken.
- A sample size of 350 yields a dataset which can be deemed to be accurate to within plus or minus five percentage points. The geographical locations and company size of those surveyed match those for the profile of the country as a whole.

Foreword

I AM DELIGHTED TO INTRODUCE THE BDO OPTIMISM INDEX FOR THE THIRD QUARTER OF 2015. THE INDEX, A CONTINUOUS SURVEY CARRIED OUT EVERY QUARTER FOR THE LAST FIVE YEARS, TRACKS BUSINESS PERFORMANCE AND THE VIEWS OF BUSINESS LEADERS ACROSS IRELAND.



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We survey Irish businesses on issues that are of significant importance to them; financial results, projected employment levels, profit margins, growth expectations, key business priorities and optimism for the coming year. This survey focuses in on results for quarter 3, and the aspirations and expectation for quarter 4 2015.

Figures show that businesses of all sizes are now benefiting from the upturn. Overall, 52% of businesses were up year-on-year, with 56% of our small to larger companies growing and 48% of our micro businesses improving. More than half of all businesses grew in Q3 and those that stayed the same or declined are now in the minority. That is the first time we have seen this since our survey began five years ago.

Those surveyed believe growth trends are set to continue.

70% of larger companies expect Q4 to be an improvement on the same period last year. It is not just our large enterprises predicting further growth, however, with more than half of all companies surveyed (52%) forecasting greater growth in Q4; up 4 percentage points on last year and again the largest figure in that category since the survey began.

Rising growth figures and increased future optimism may have contributed to the confidence that allowed Irish businesses to increase prices (something we also witnessed in the Q2 survey). Recent trends of price rises continue with 3% more respondents showing year-on-year rises for Q3.

Smaller companies were slowest to respond with price rises in previous surveys, however, it is clear that they are now responding to market changes and adjusting their prices accordingly. 18% of our smallest enterprises increased their prices in the last year.

Turning to profit levels, growth numbers among our respondents remains strong with this quarters figures showing 38% of companies with year-on-year growth. 21% of respondents noted a drop in profit level, the lowest number in for this quarter in five years.

So overall, increased year-on-year growth, increased confidence and increased prices.

In terms of employment, a massive 62% of our larger companies increased their numbers in the last 12 months. We again (like in Q2) saw a significantly greater number of companies increasing their numbers in Dublin (24%) than those outside (14%).

Finally, looking at optimism levels in business activity, the overall optimism figure dropped slightly on the previous quarter. This must be put in context however, and Q2 was a particularly high bar to reach, being the highest level of optimism in Ireland from our survey for 5 years.

In that context, a very slight drop for this quarter isn't too disappointing, but we will continue to monitor it in future surveys. Business optimism remains high, and as a year-on-year comparison, it continues to show growth.

My continued thanks to those who gave their time to participate in this survey and to those at Behaviour and Attitudes that carried out the field work.

I hope you find this survey useful and welcome your feedback and if you would like to contribute to future surveys, please let us know.

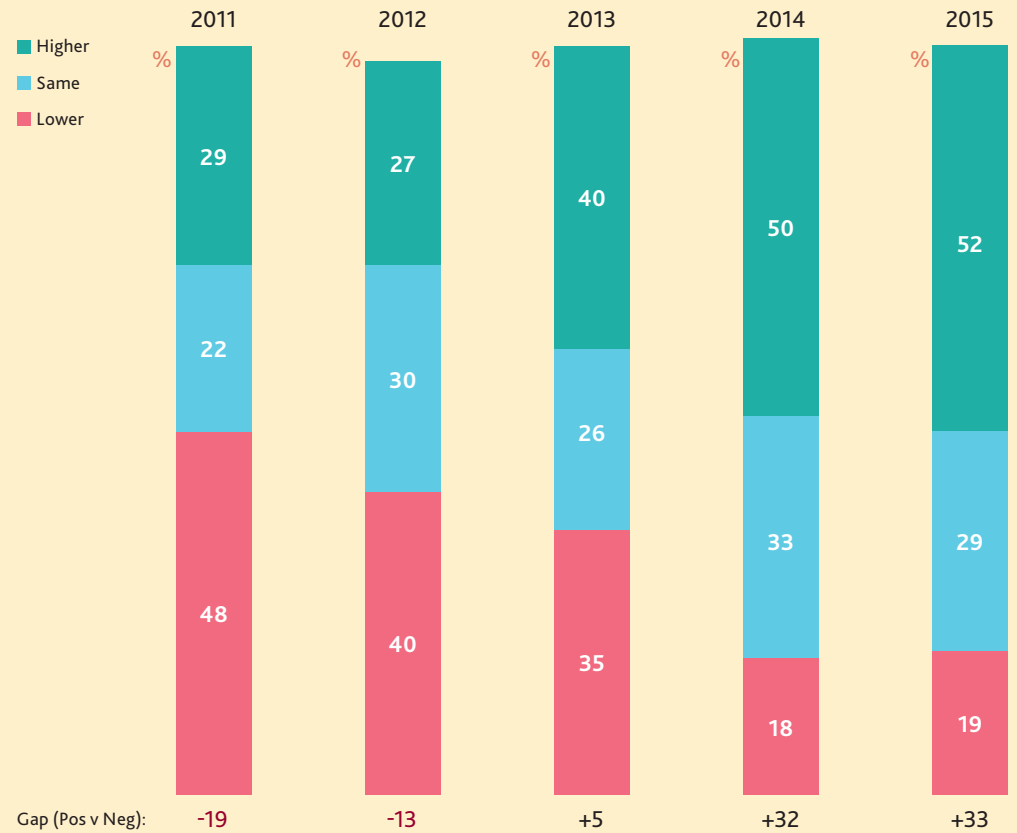


Current business activity



CURRENT BUSINESS ACTIVITY FOR 3RD QTR – TRADING ANALYSIS

QUESTION How has your business performed in the third quarter of this year from July to September. Were your results higher, lower or the same compared to the same period last year?

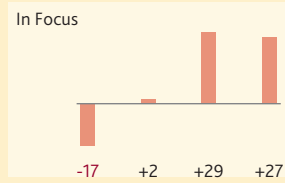


(Third quarter compared with third quarter from previous year)

The BDO View

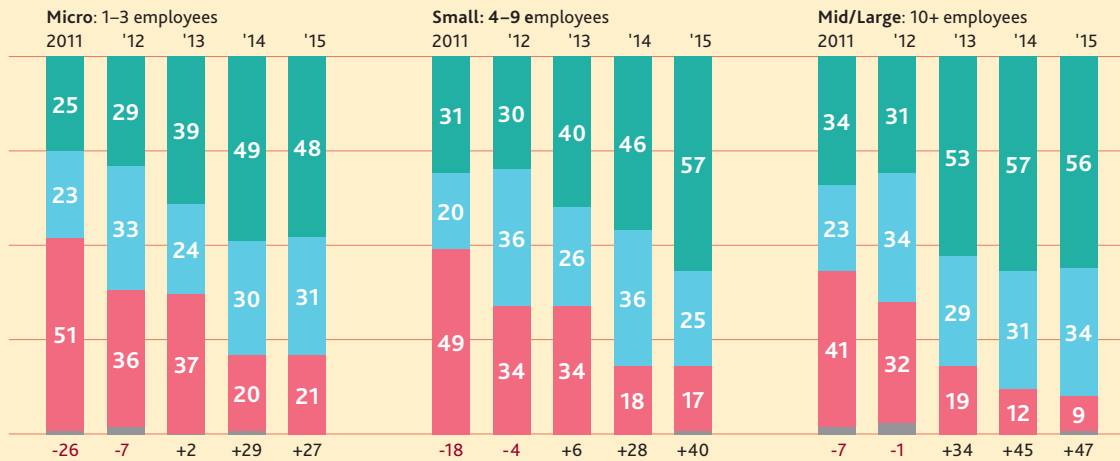
The 50% growth barrier has been broken for the first time. It is hugely significant that half of all businesses grew. Those that stayed the same or declined are now in the minority.

This move has been driven by our large companies and is reflected across both indigenous and exporting businesses.

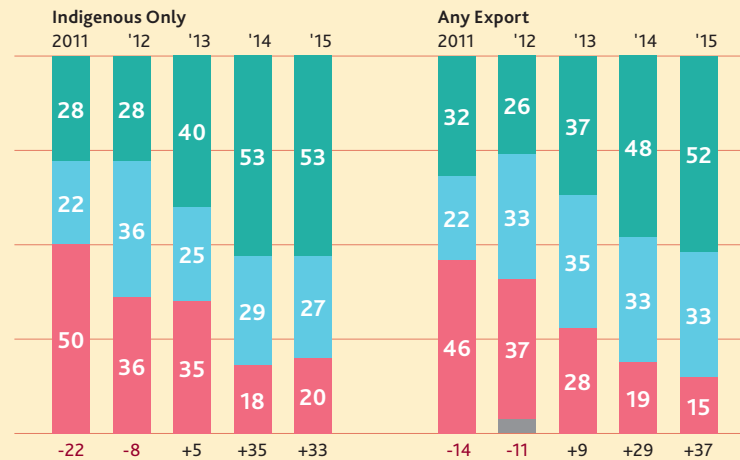


Responses per company size

- Higher
- Same
- Lower



Responses per trading behaviour

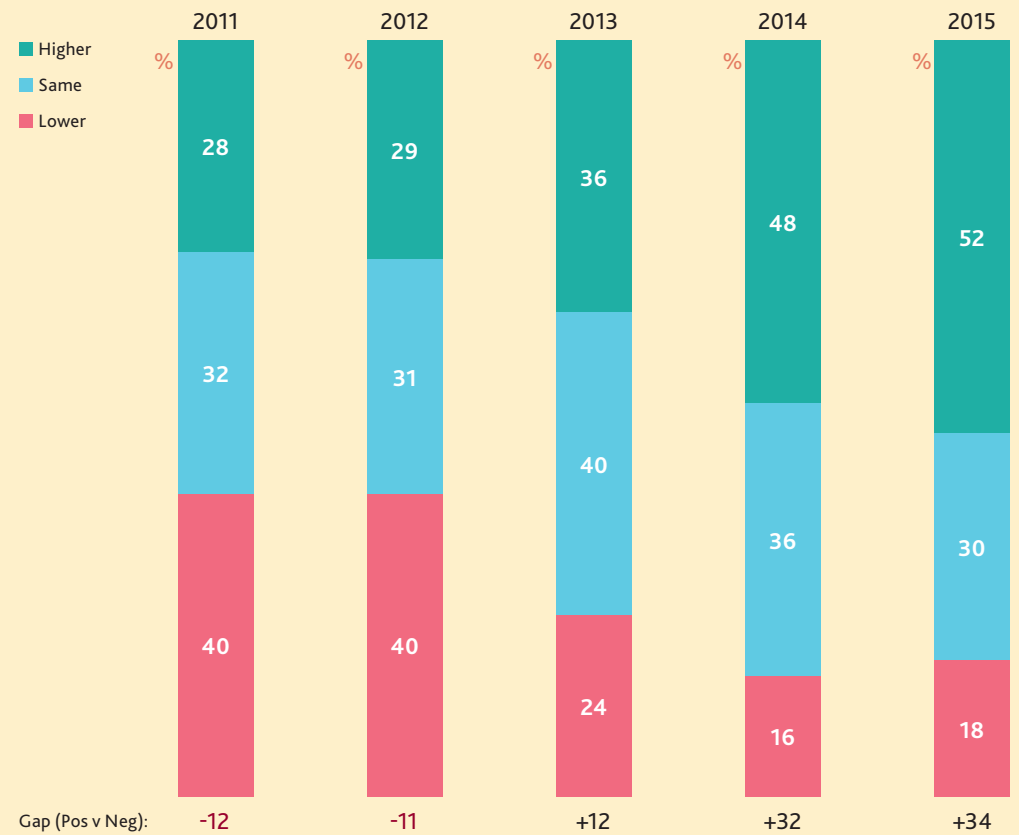


Projections for Q4 2015

2

BUSINESS ACTIVITY LOOKING FORWARD TO 4TH QTR 2015

QUESTION Thinking ahead - could you tell me whether the results for the next quarter (October to December 2015) will be higher, lower or the same compared with the same period last year?



(Third quarter compared with third quarter from previous year)

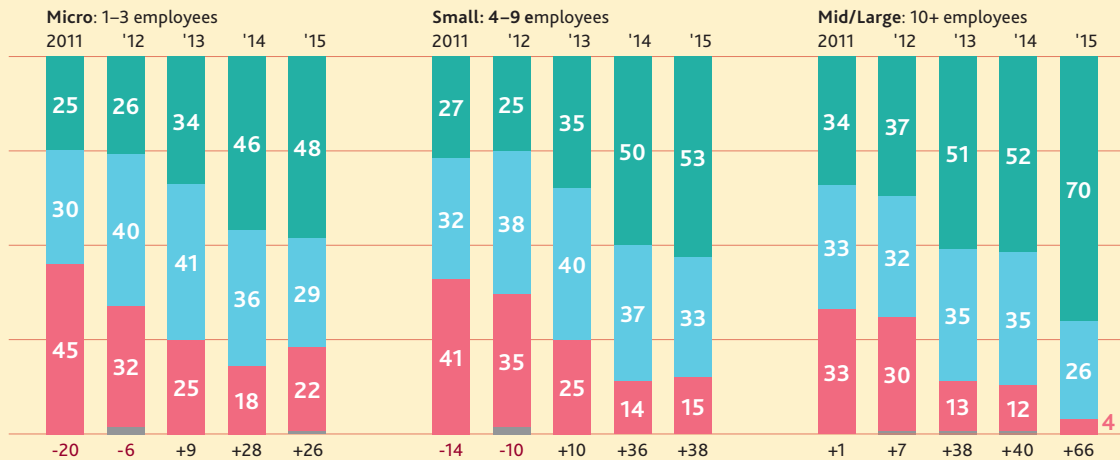
The BDO View

Predominately the numbers of companies overall growth for Q4 matches the growth figures for Q3 (52%). What is hugely significant is the level of projected growth for larger businesses.

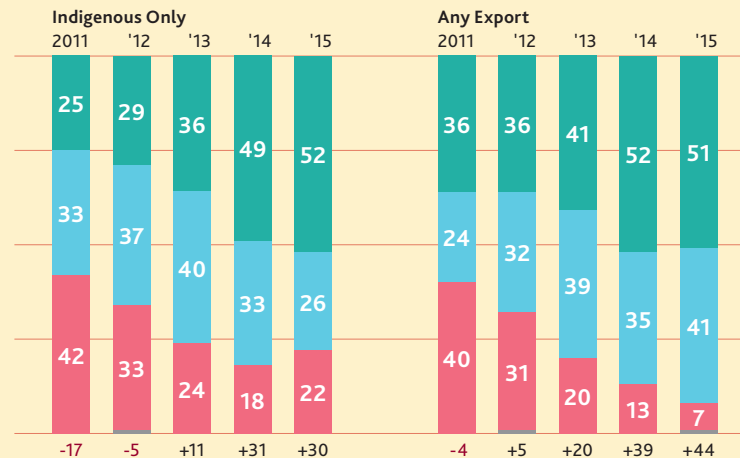
Seven out of every ten businesses predict year-on-year growth for the last quarter of 2015, a massive jump of 18 percentage points from the same quarter last year.

Responses per company size

Higher
Same
Lower



Responses per trading behaviour

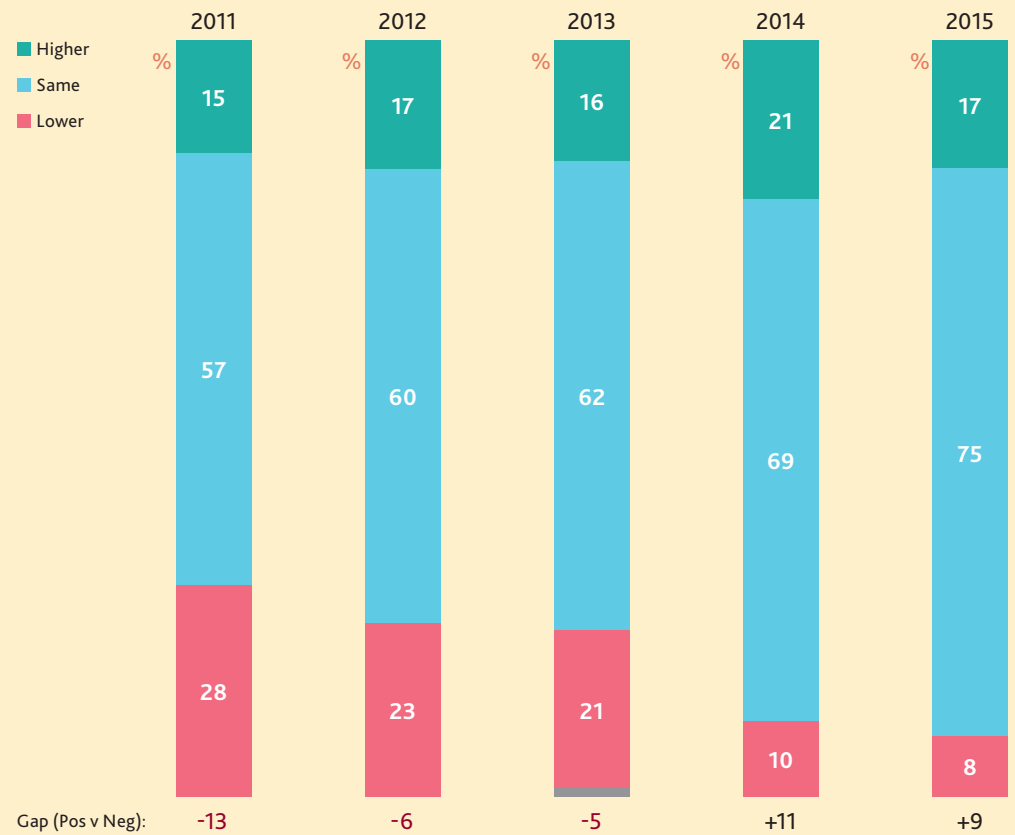


Employment Levels

3

EMPLOYMENT LEVELS COMPARED TO LAST YEAR

QUESTION Could you indicate whether your employment levels are higher, lower or the same compared with the third quarter of last year?

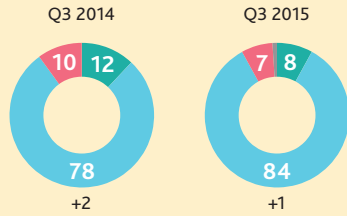


(Third quarter compared with third quarter from previous year)

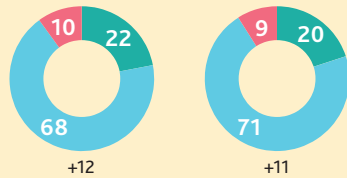
QUESTION Could you indicate whether your employments levels are higher, lower or the same compared with the third quarter of last year?

Responses per company size

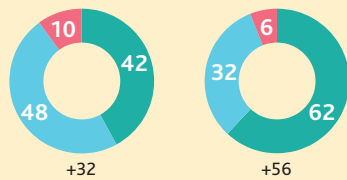
Micro: 1–3 employees



Small: 4–9 employees

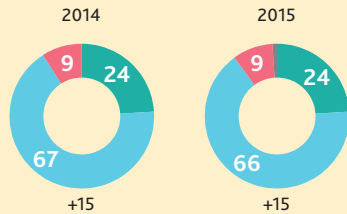


Mid/Large: 10+ employees

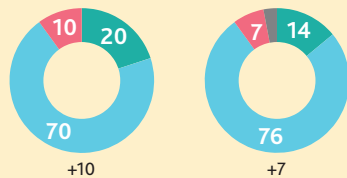


Responses by location

Dublin

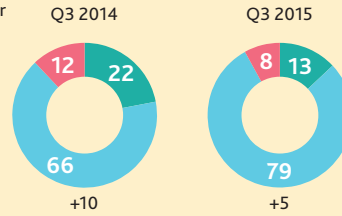


Ex Dublin

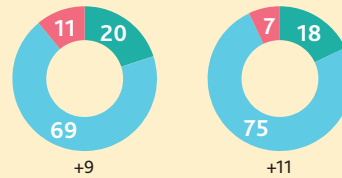


Responses per industry sector

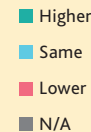
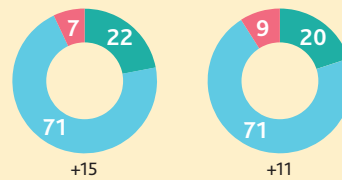
Retail/Wholesale



Services



Other



The BDO View

Overall there has been a slight cooling in the level of employment growth rates, but the overall trend is still towards growth with a 11 percent more companies growing than declining within the year.

Significantly almost two-thirds of large businesses have increased their staff numbers in the last 12 months.

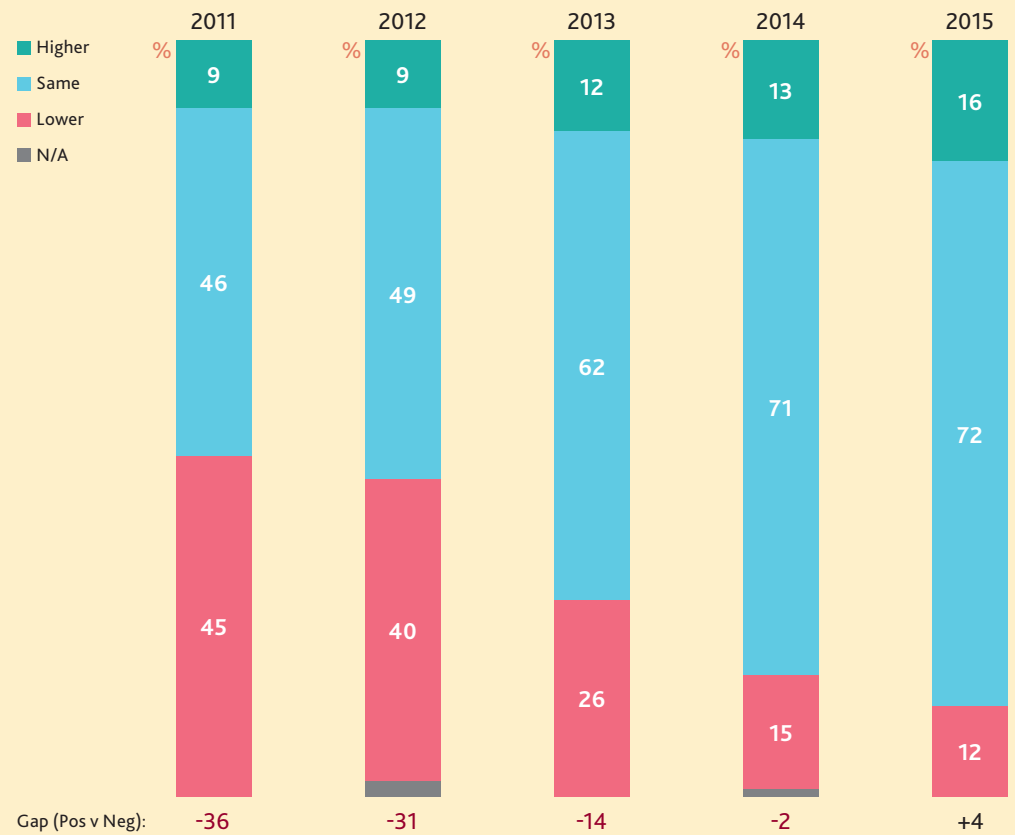


Pricing

4

PRICES CHARGED – ALL BUSINESSES

QUESTION Could you tell us whether prices charged are higher, lower or the same compared with the third quarter of last year?



(Third quarter compared with third quarter from previous year)

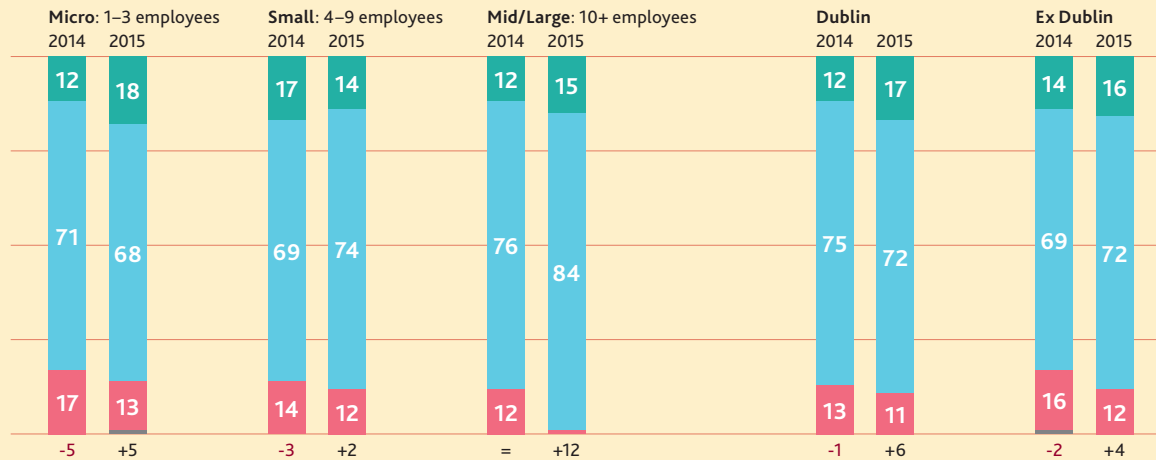
The BDO View

The recent trend of price rises following growth continues with 3% more respondents showing year-on-year rises for Q3.

Smaller companies were slowest to respond with price rises in recent surveys, however, it is clear that they are now responding to market changes and adjusting their prices accordingly.

Responses per company size

- Higher
- Same
- Lower
- N/A

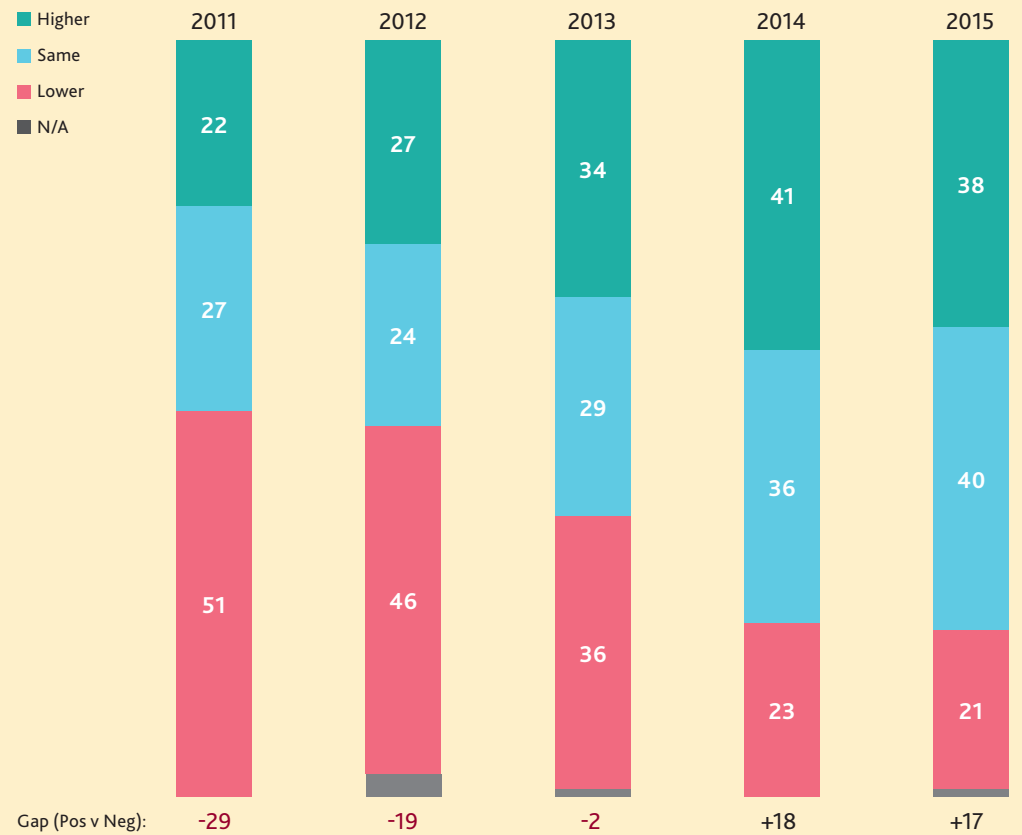


Profits

5

OPERATIONAL PROFIT – YEAR ON YEAR

QUESTION Could you tell us whether operational profit is higher, lower or the same compared with the third quarter of last year?



(Projections compared with equivalent quarter from previous year)

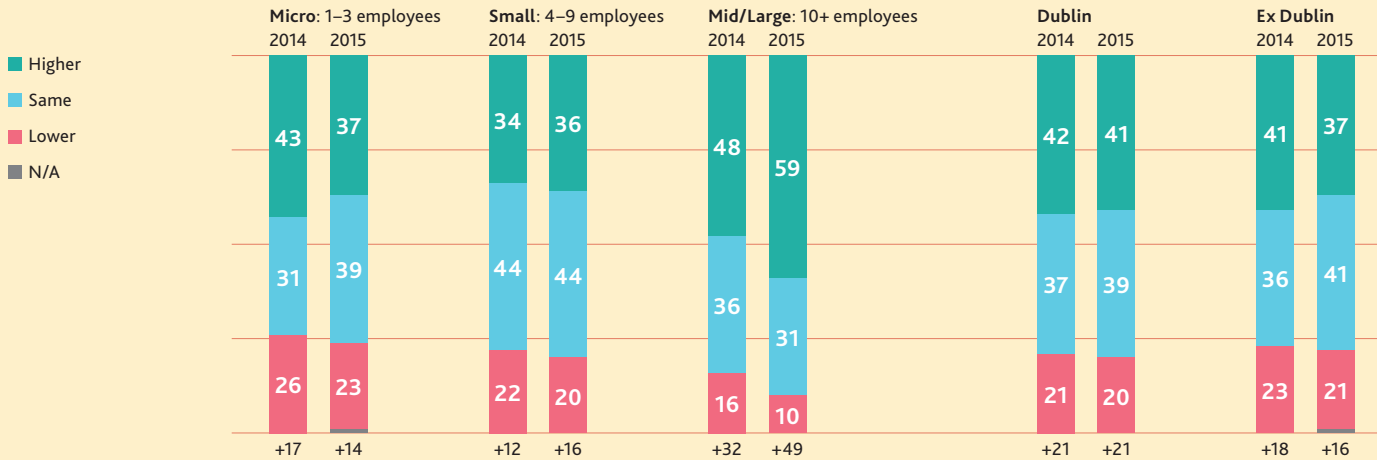
The BDO View

Profit growth among our respondents remains strong with 17% more seeing year-on-year growth compared to those that declined.

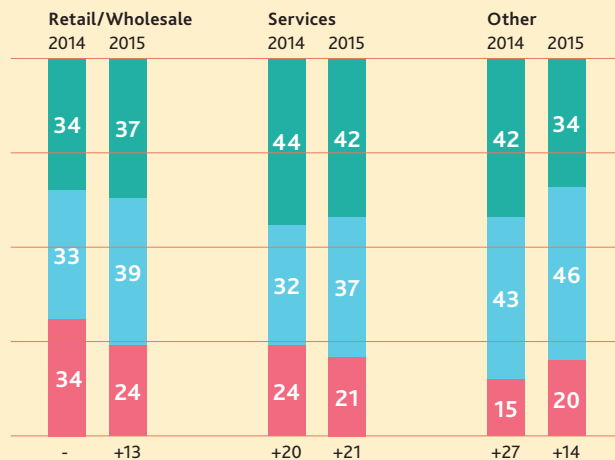
The level of increase appears to have peaked however with 3% less seeing an increase.

Conversely the level of those declining continues to drop with the lowest percentage (21%) sowing a year-on-year drop for this quarter since the survey began.

Responses per company size



Responses by industry sector

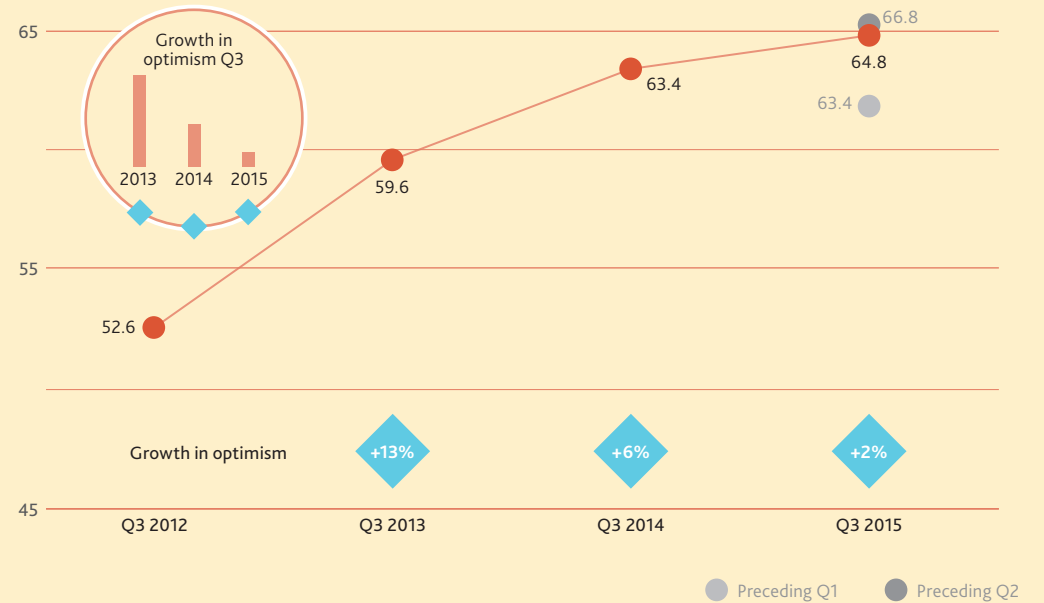


Overall Optimism

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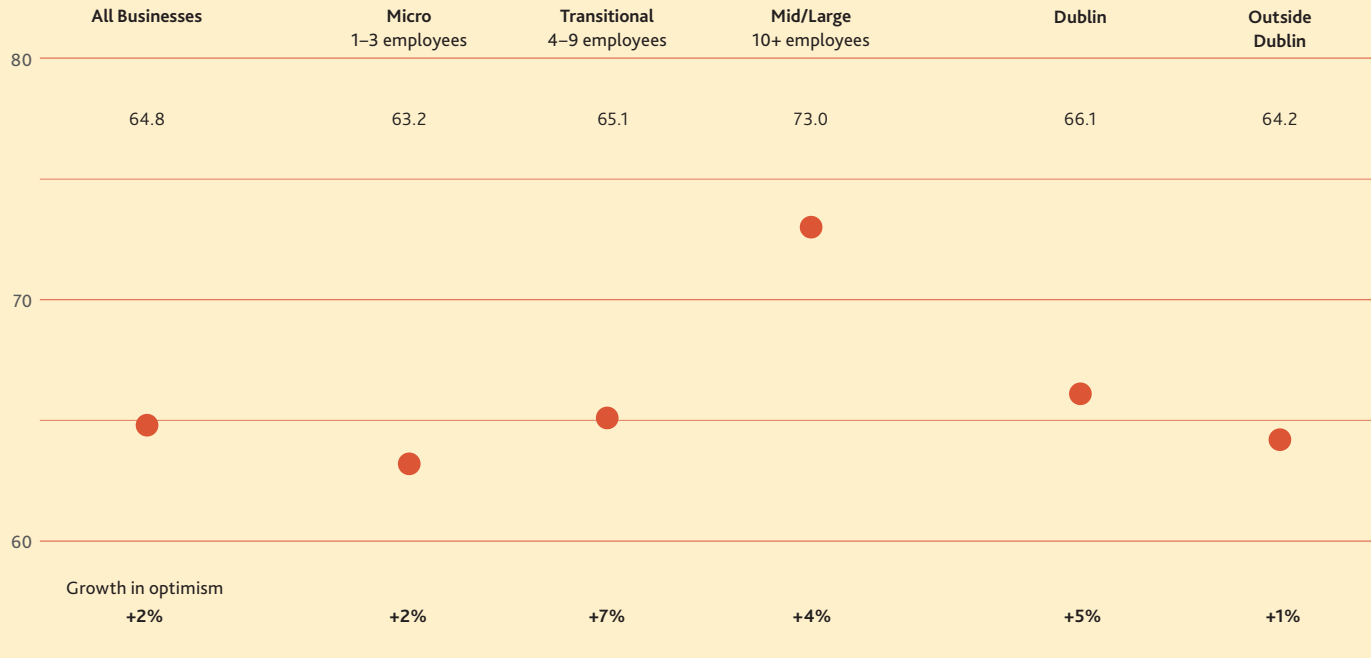
BUSINESS ENVIRONMENT – OPTIMISM FOR YEAR END

QUESTION Looking forward, how optimistic are firms for a favourable business environment?



Projections compared with equivalent quarter from previous year.
 Absolute optimism would equal 100 points. Currently it stands at 64.8 points.

LARGER COMPANIES MOST OPTIMISTIC.



The BDO View

The Optimism Index value is the rating all respondents gave when asked 'on a scale of 1 to 10 how optimistic are you for the future'.

64.8% is the optimism figure for Q3. That's a 2% increase year-on-year and a slight drop from the figure of Q2.

Our larger companies are far more optimistic than our micro enterprises, something reflected right throughout our survey.

About BDO

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Through our own professional expertise and by working directly with businesses, we have developed a unique insight into what makes a business successful. It is this insight that makes us true business advisers, rather than mere financial consultants.

We operate a partner-led approach in all our client dealings which ensures our partners and directors are highly accessible to clients. Each client is appointed a client liaison partner to oversee operations and communicate with you directly.

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For more information please contact:
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They pride themselves on having the most experienced director team in Ireland. All projects have a Director involved.

Established over 30 years ago, Behaviour and Attitudes provides a full range of market research services, ranging from CAPI, CATI, online and of course qualitative.

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