



Behaviour & Attitudes

Business Confidence Monitor

3rd Quarter 2013

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J.5142



Introduction

- Given the state of the economy, and the uncharted waters businesses find themselves in, Behaviour & Attitudes conduct 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 nationwide.
- 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	10
❖ 50-250	6	5	4
❖ 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 **5th – 19th November** 2013.
- All interviewing was centrally supervised and quality control verification was conducted on 15% of interviews undertaken.

Business Confidence Monitoring

- As noted in the sample outline 93% of all listed companies in Ireland fall within the small company category (1-50 employees)
- The function of the B&A Business Confidence Monitor is to provide an overview of current movement and sentiment within the business community and indicators of future movement at a macro level.
- Prior to 2008 business monitoring would have been conducted under three broad headings related to company size:
 - ❖ 1-10 employees (micro enterprise)
 - ❖ 1-50 employees (small enterprise)
 - ❖ 50-250 employees (medium enterprise)

Business Confidence Monitoring

- Due to the significant impact the recession has created, in terms of reduced employment levels and company size, we have identified new sample structures within the business community, which we believe more accurately depict the current environment.
 - ❖ 1-3 employees (Micro enterprise): The largest single cohort of listed enterprises as defined by the CSO. Results from this cohort are also indicative of the larger unlisted sole trader community.
 - ❖ 4-9 employees (Transition companies): this cohort most accurately reflects the changing Irish business landscape, encompassing companies experiencing retrenchment and companies in a growth phase from sole trader size. This is the formative market for future growth.
 - ❖ 10+ Employees: This cohort encompasses the traditional established small and medium company ethos, where companies have considerably larger operating size , increased levels of employment and are more likely to be established within their market .

Summary of Key Findings



Behaviour & Attitudes Business Monitor

Summary of Main Findings

Current Business Performance:

- The current business confidence monitor reveals that the distinctly tough business environment that has endured since 2008 seems to be abating and confidence is returning.
- 40% of businesses have seen an improvement in their activity compared with this time last year; a further 25% indicate that their activity level has remained the same.
- This leaves 33% of companies which are still struggling. Importantly however, this is now considerably lower than was the case early in 2011 – so this is a real improvement and leaves us with a balance of +6% from those companies who are doing a little better than last year and those who are not performing as well.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

Business Confidence:

- Looking ahead to the final quarter, **just over three quarters of Irish businesses** believe that their company performance in Q4 of 2013 will be better than was the case this time last year. **40% are now static with still a quarter not very positive about the year end.**
- Encouragingly, this moves the confidence index into positive territory – having been at -12% in 2011, -11% in 2012 and now at +12%.
- Of particular interest is the degree of positivity **domestic only** businesses predict for Qtr 4. While companies who were exporting moved into a net positive position more quickly, those with indigenous only sales had remained in a negative position. The tide seems to have turned finally for this hugely important and more significant group.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

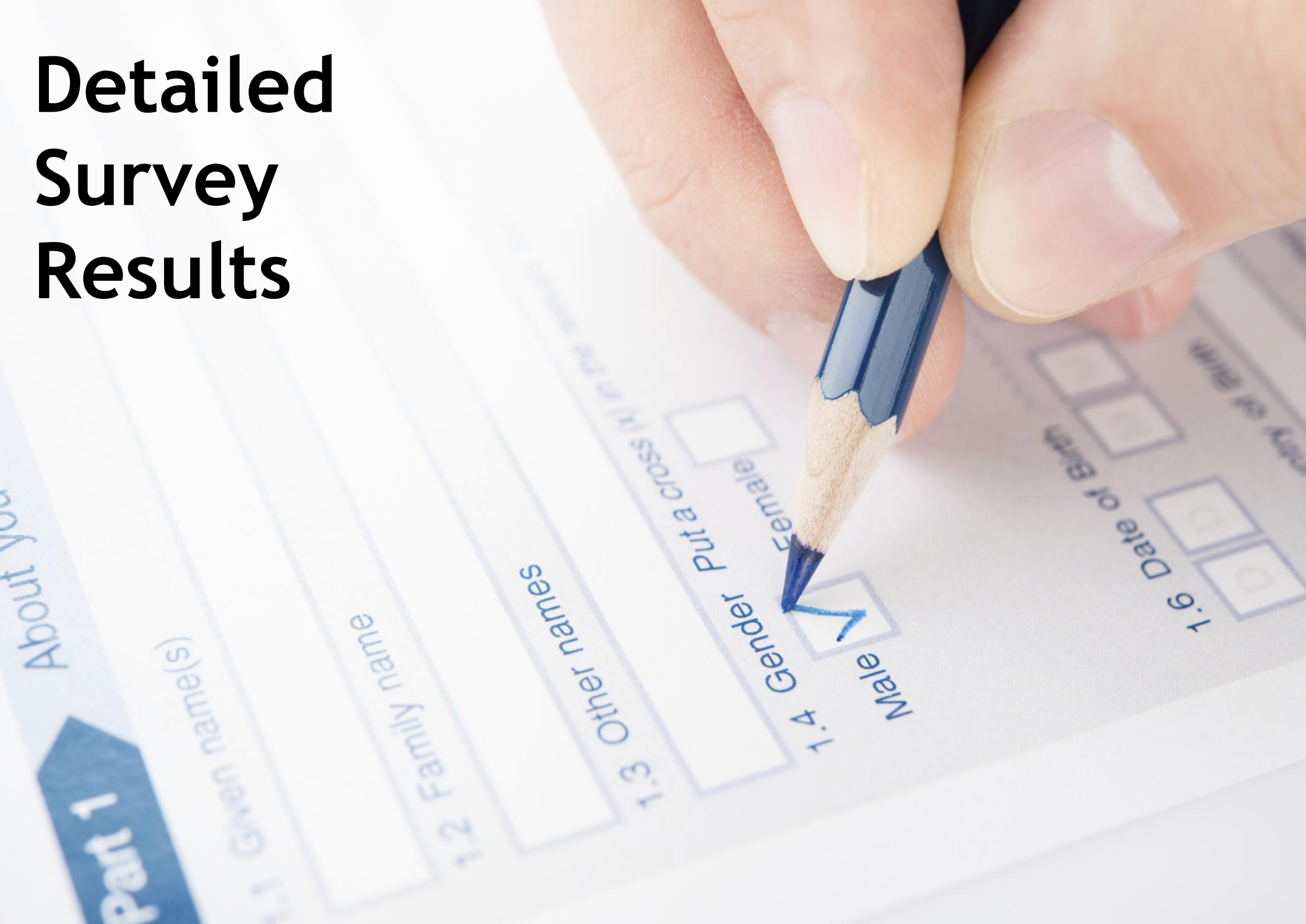
Employment:

- Employment levels are more stable when compare with this time last year and there are some minor signs of growth.
- Any activity seems to be emanating from larger companies while the micro companies do seem to have stabilised more.

Pricing:

- Pricing structures are beginning to show some signs of movement. They are nevertheless only minor, with 12% of businesses claiming they have introduced a price increase while 26% claim they are reducing prices. The balance (which is the majority) of 62% are holding firm. Still last year only 9% were increasing pricing, so even that minor shift is a positive movement.

Detailed Survey Results



Business Activity Looking Back

Qtr x Qtr analysis compared with equivalent period last year

2011

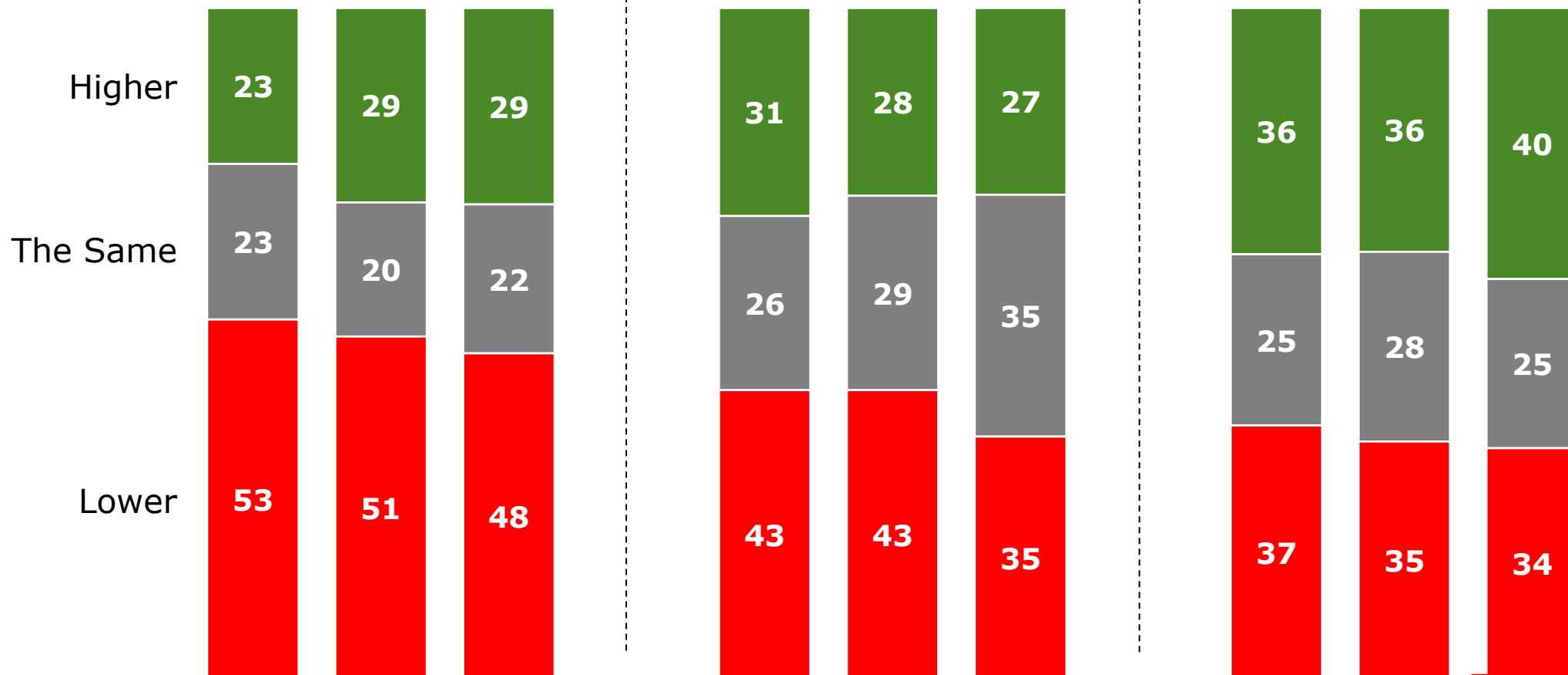
1st Qtr 2011 Vs 1st Qtr 2010 (353) %
 2nd Qtr 2011 Vs 2nd Qtr 2010 (351) %
 3rd Qtr 2011 Vs 3rd Qtr 2010 (353) %

2012

1st Qtr 2012 Vs 1st Qtr 2011 (353) %
 2nd Qtr 2012 Vs 2nd Qtr 2011 (351) %
 3rd Qtr 2012 Vs 3rd Qtr 2011 (353) %

2013

1st Qtr 2013 Vs 1st Qtr 2012 (353) %
 2nd Qtr 2013 Vs 2nd Qtr 2012 (350) %
 3rd Qtr 2013 Vs 3rd Qtr 2012 (350) %



Gap (Pos vs Neg) -30 -22 -19 -12 -15 -8 -1 +1 +6

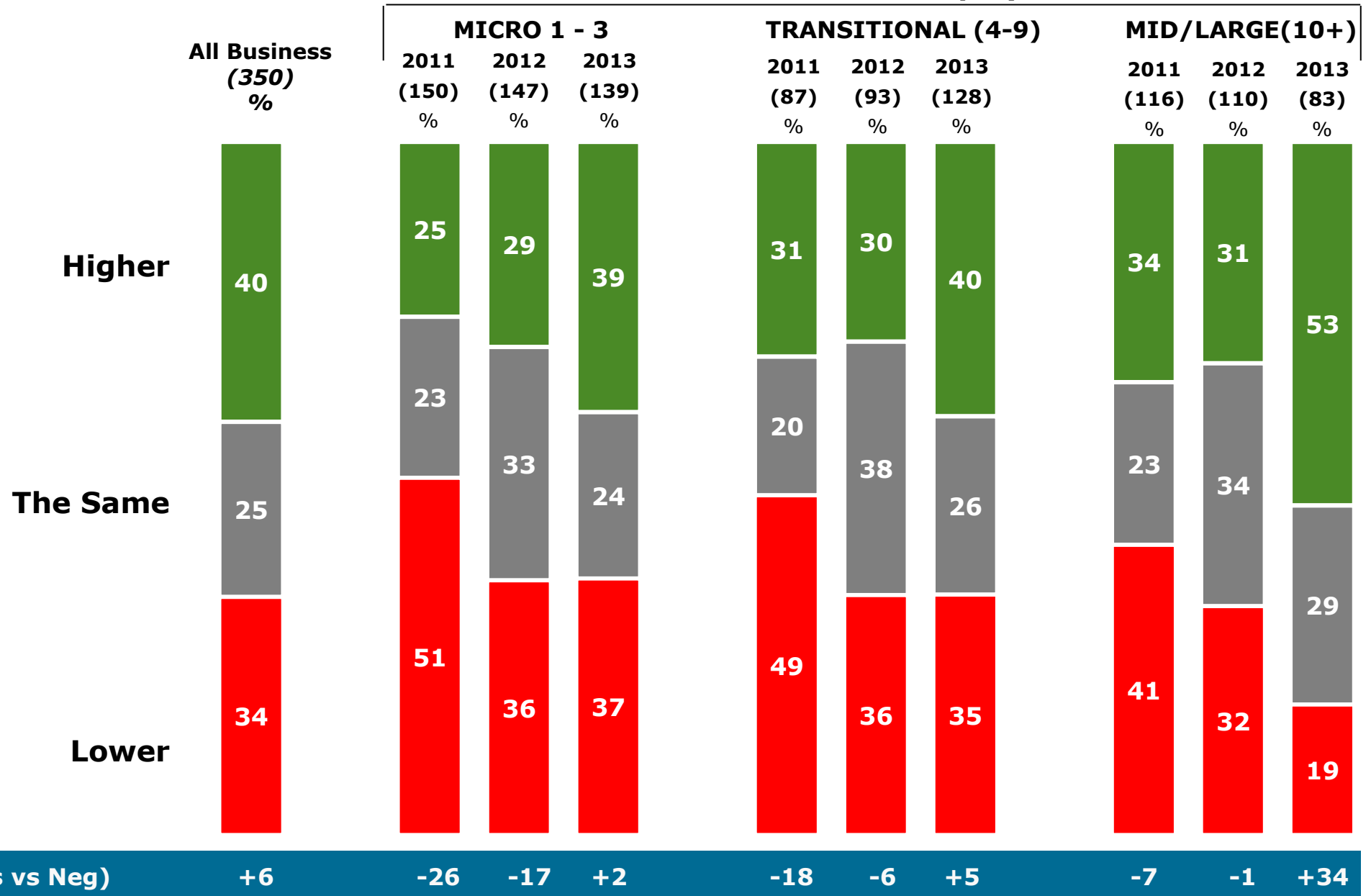
The evidence suggests that business levels are finally moving into positive territory. Third quarter performance the strongest since we started measuring it. The balance of effect was at -30% and we are now just above the line at +6%



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 3rd quarter of this year – from July to September. Were your results higher, lower or the same compared to the same period last year?

Business Activity – Looking back – 3rd Quarters compared

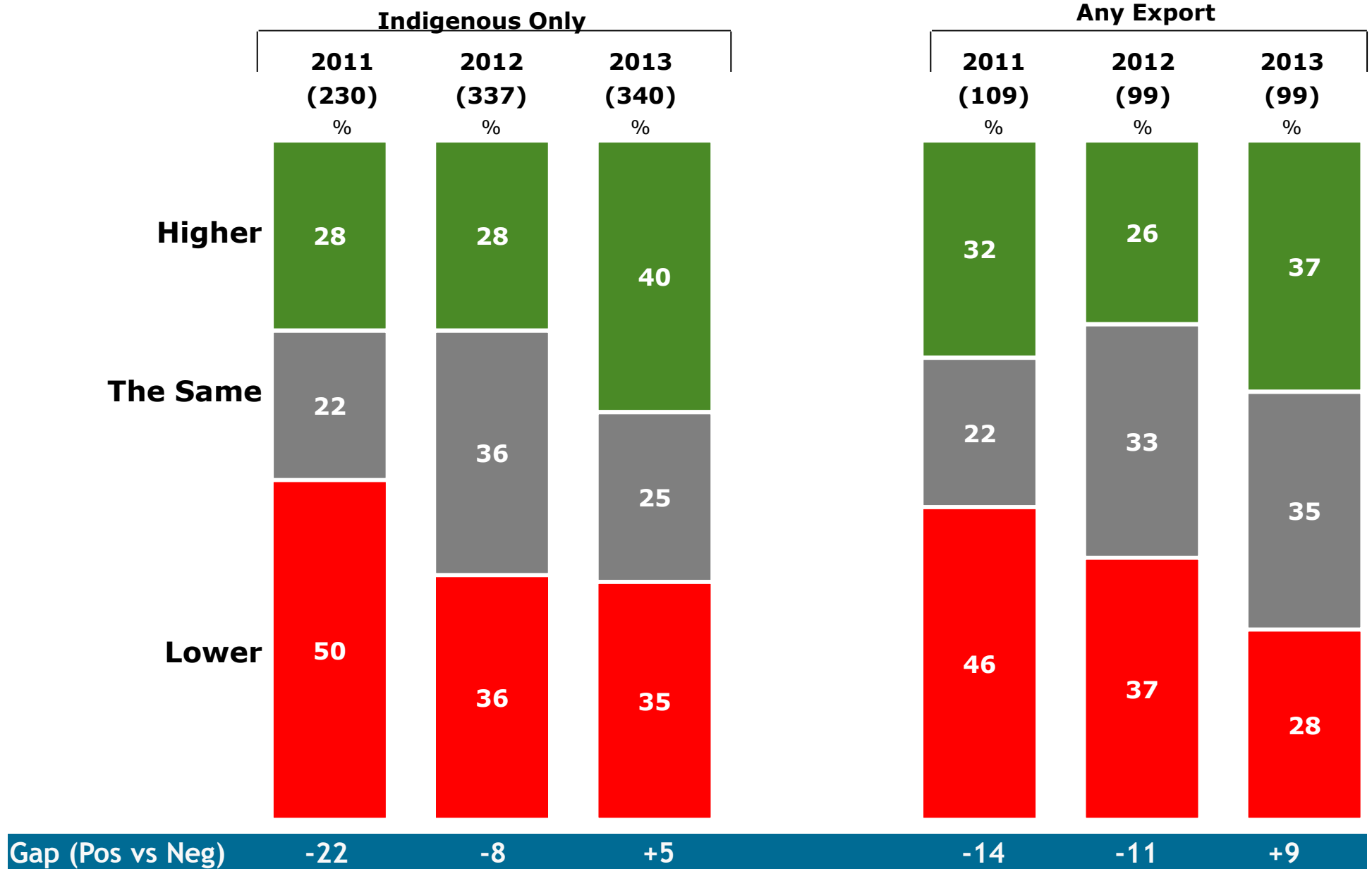
Number of Employees



Improvement in activity is being experienced right across the board (admittedly strongest in larger companies)



Business Activity – Looking back – 3rd Quarters compared

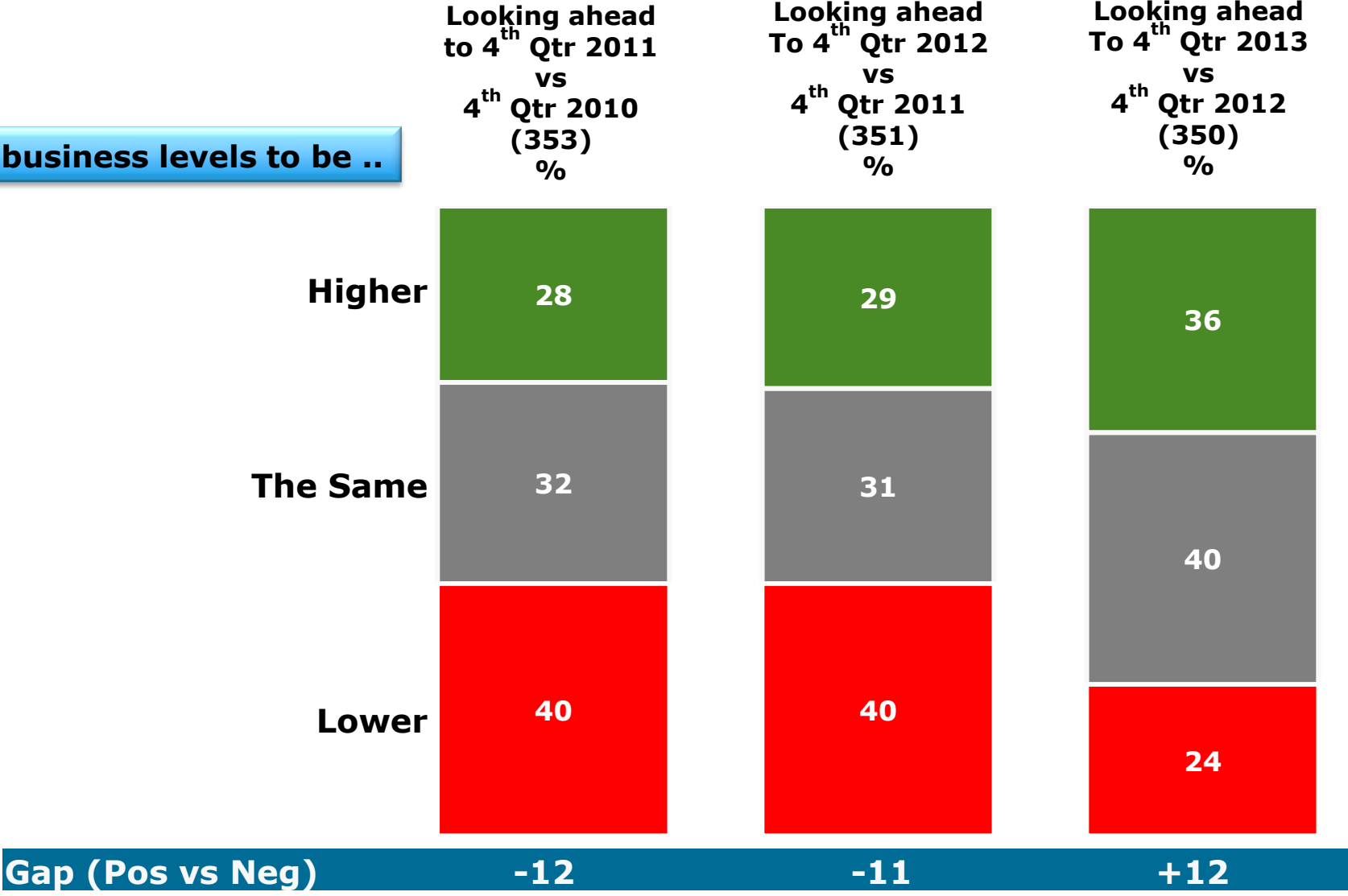


At this point, both indigenous and exporting companies are both experiencing similar improved levels of activity (still a little more positive for exporting companies).

Business Activity Looking Forward to 4th Quarter

Base: All companies 350

Expect business levels to be ..



While companies were experiencing some minor growth in the third quarter compared with last year, some more growth is being forecast for the end of the year.



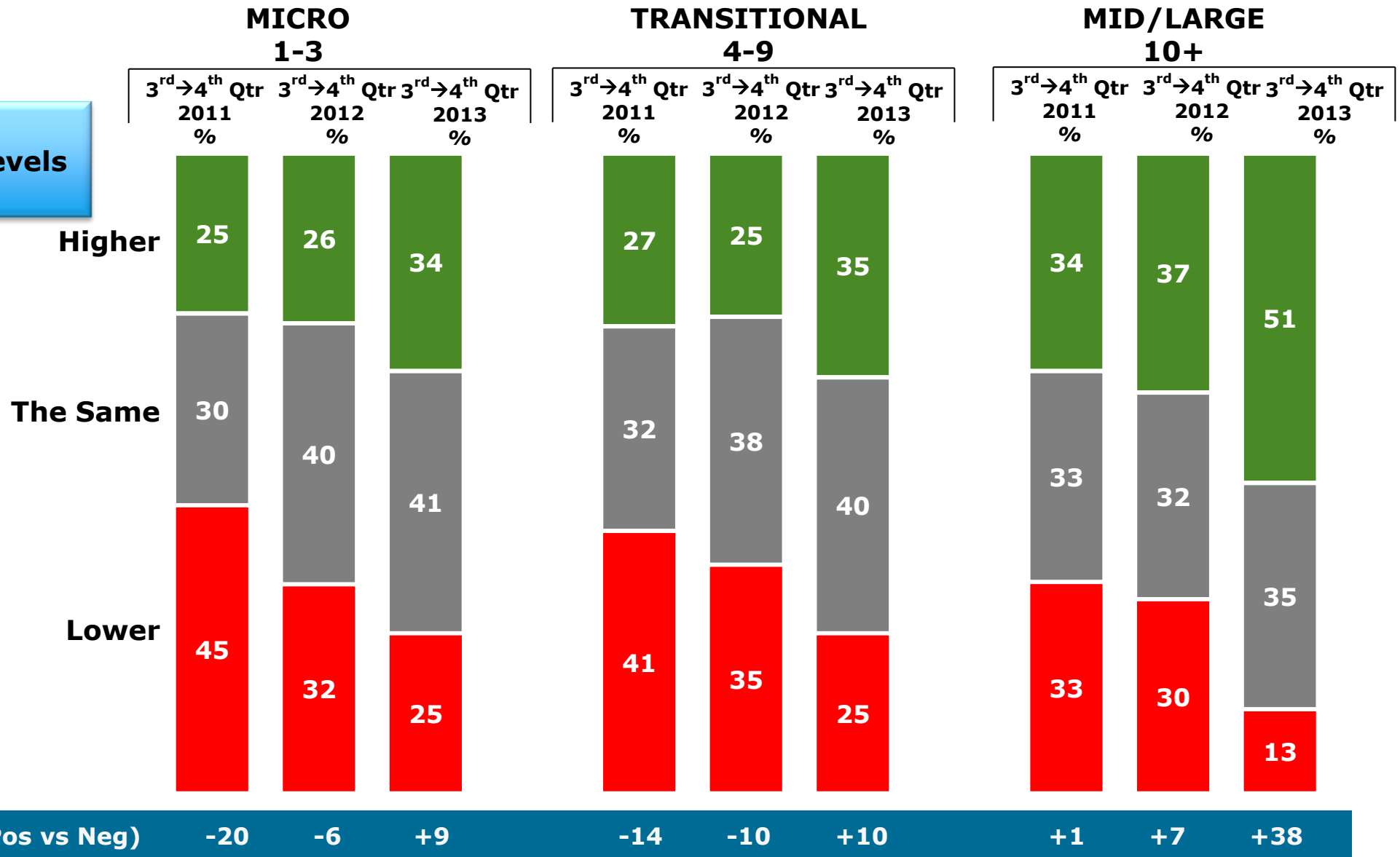
Q.4 And thinking ahead to the final quarter – October to December– do you think your performance will be higher, lower or the same as the final quarter of 2013?

Business Activity Looking Forward to 4th Qtr 2012

Base: All companies 350

Number of Employees

Expect business levels to be ..



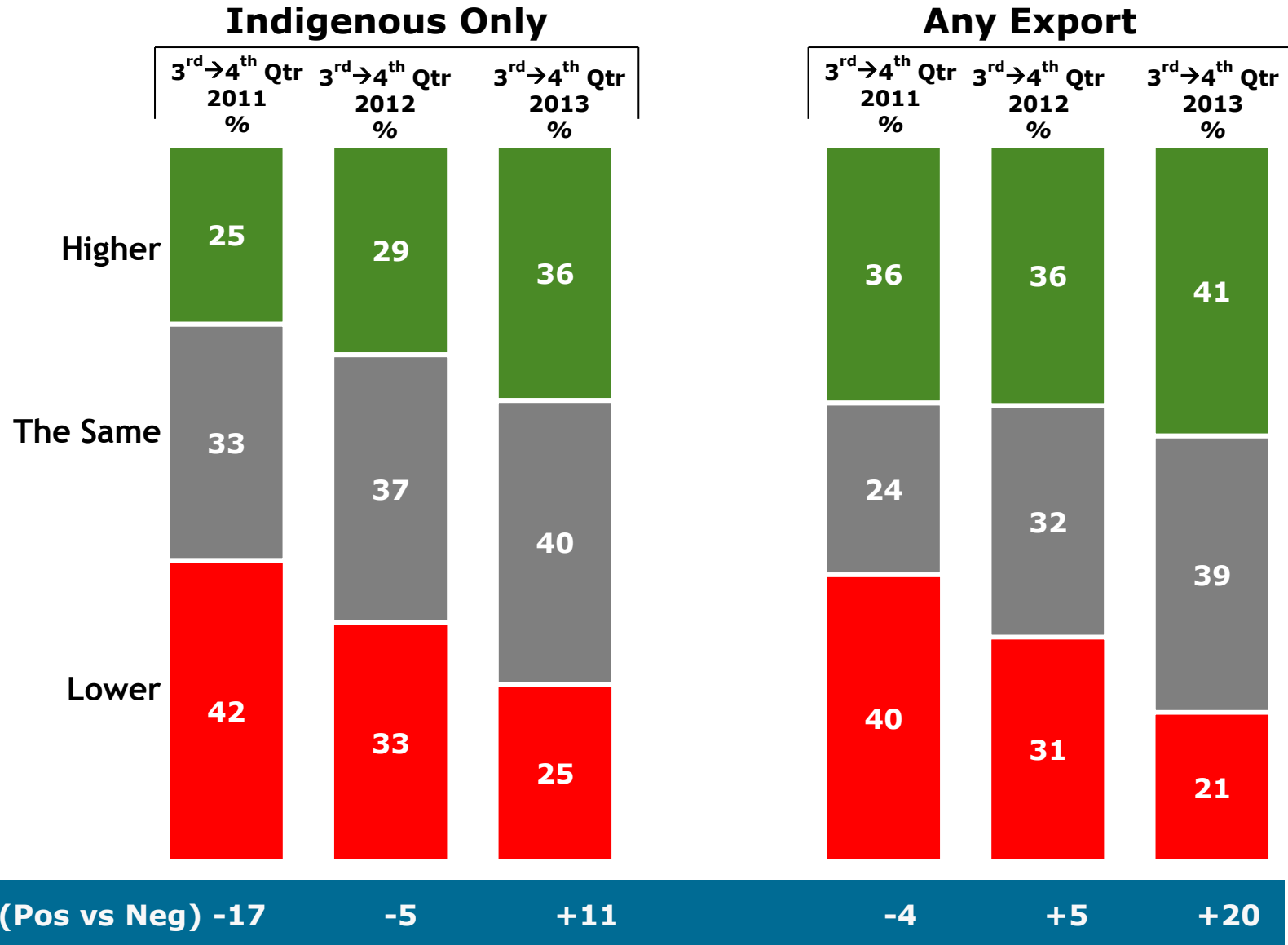
Larger companies are the most positive. However, both smaller and medium are now beginning to see the light at the end of the tunnel.



Business Activity Looking Forward to 4th Qtr 2012

Base: All companies 350

Expect business levels to be ..

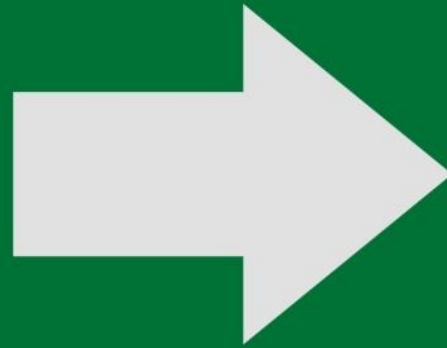
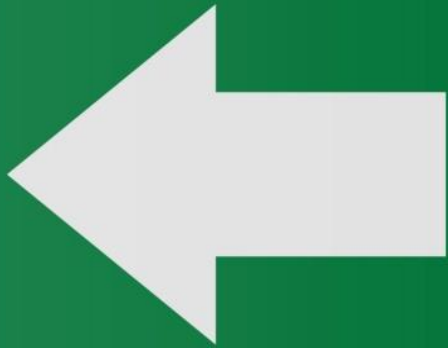


Those with exports as part of their armoury are also the most optimistic about their prospects for year end. Still for the first time in 3 years (when we started measuring), indigenous companies are on the positive side of the balance sheet.

Optimism?

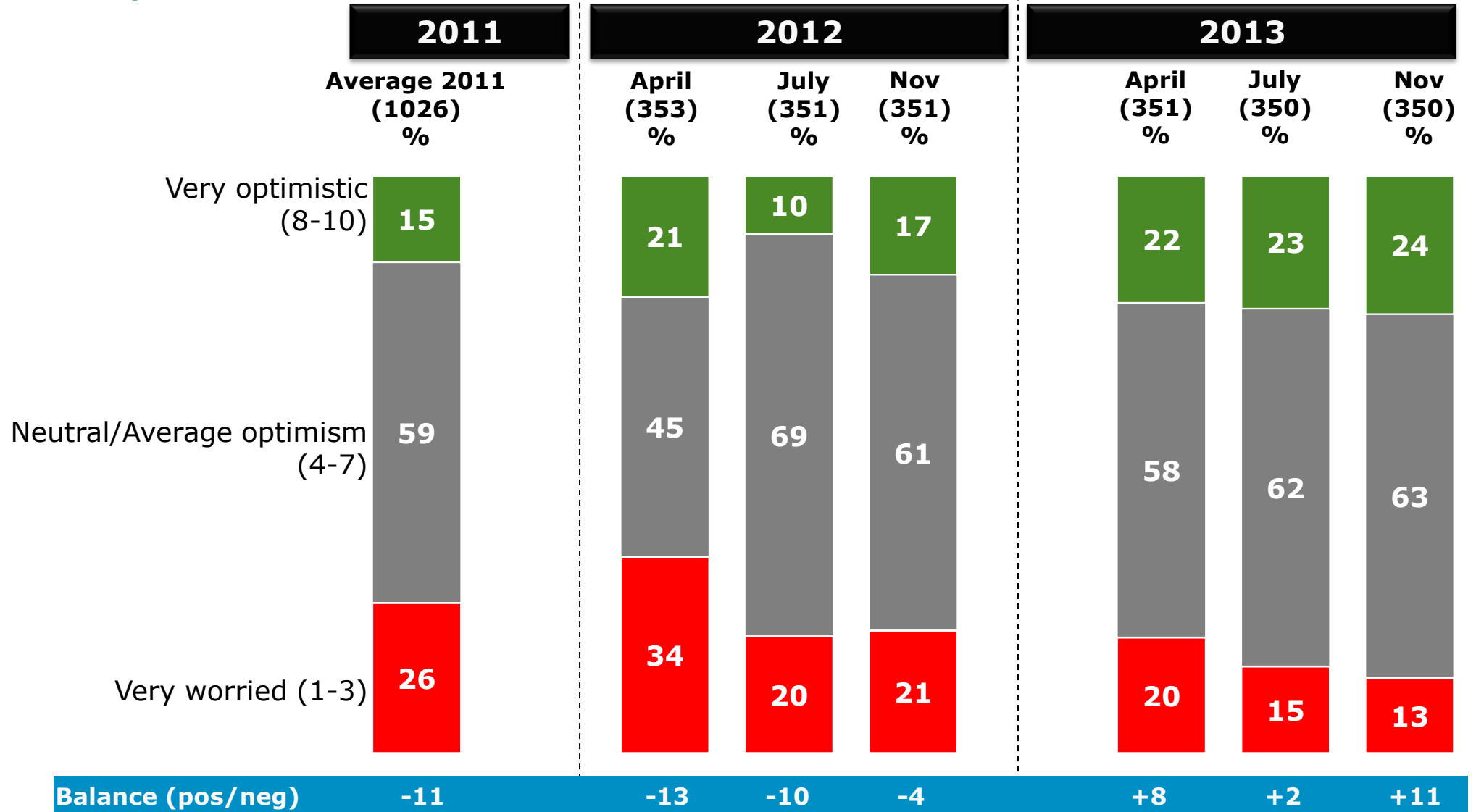
DOOM

GLOOM



Optimism looking forward to end of year as a whole?

Base: All companies 350



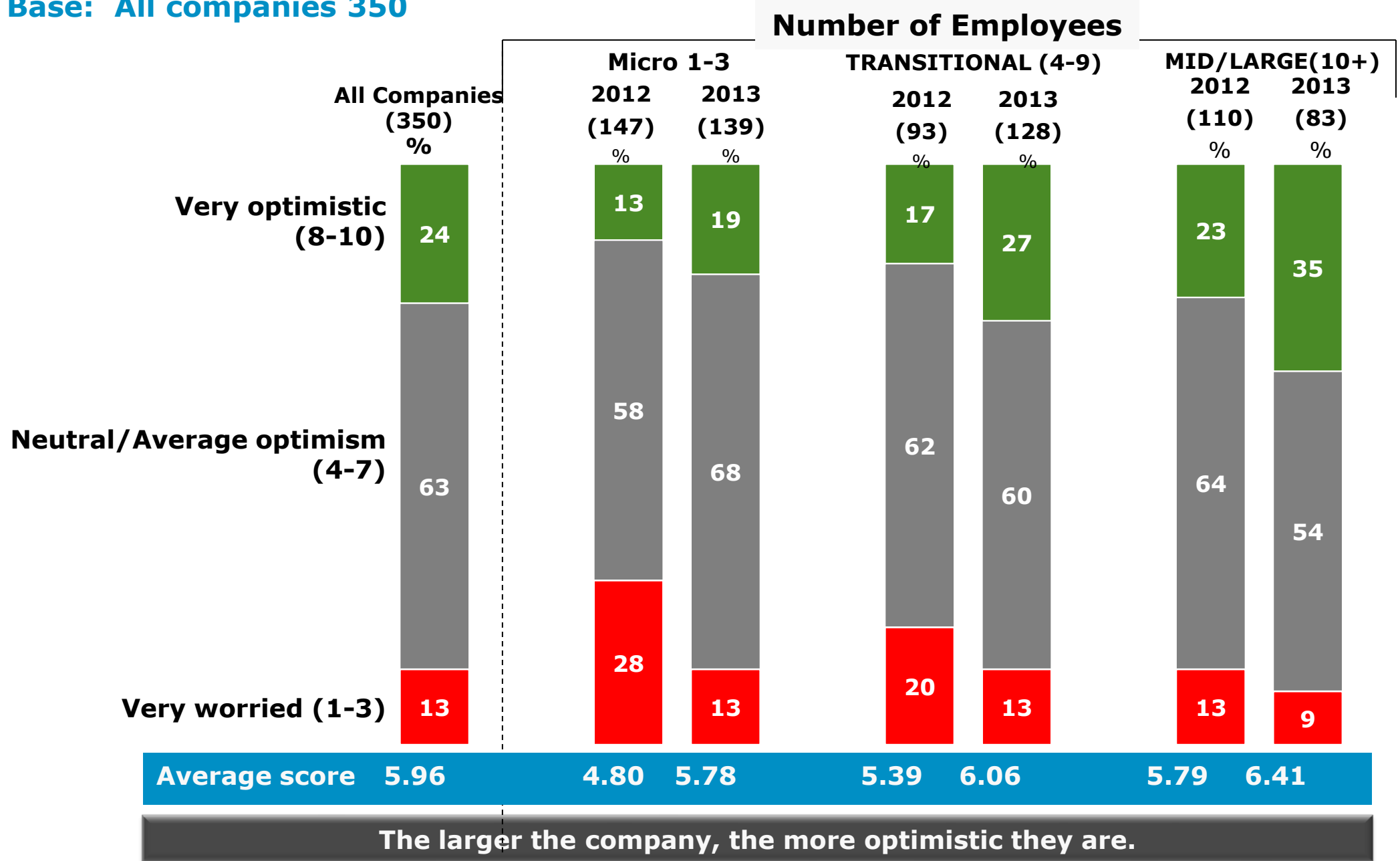
Improvement in optimism is finally evident. It has been a long time coming!

Q.5 And looking forward to the remainder of 2013, how optimistic are you for a favourable business environment by end December 2013. Lets use a scale of 1-10 where 10 means you are very positive about prospects and 1 means that you are very concerned or worried. On this scale, how optimistic are you?



Optimism looking forward to end of year as a whole?

Base: All companies 350



Q.5 And looking forward to the remainder of 2013, How optimistic are you for a favourable business environment by end December 2013. Lets use a scale of 1-10 where 10 means you are very positive about prospects and 1 means that you are very concerned or worried. On this scale, how optimistic are you?

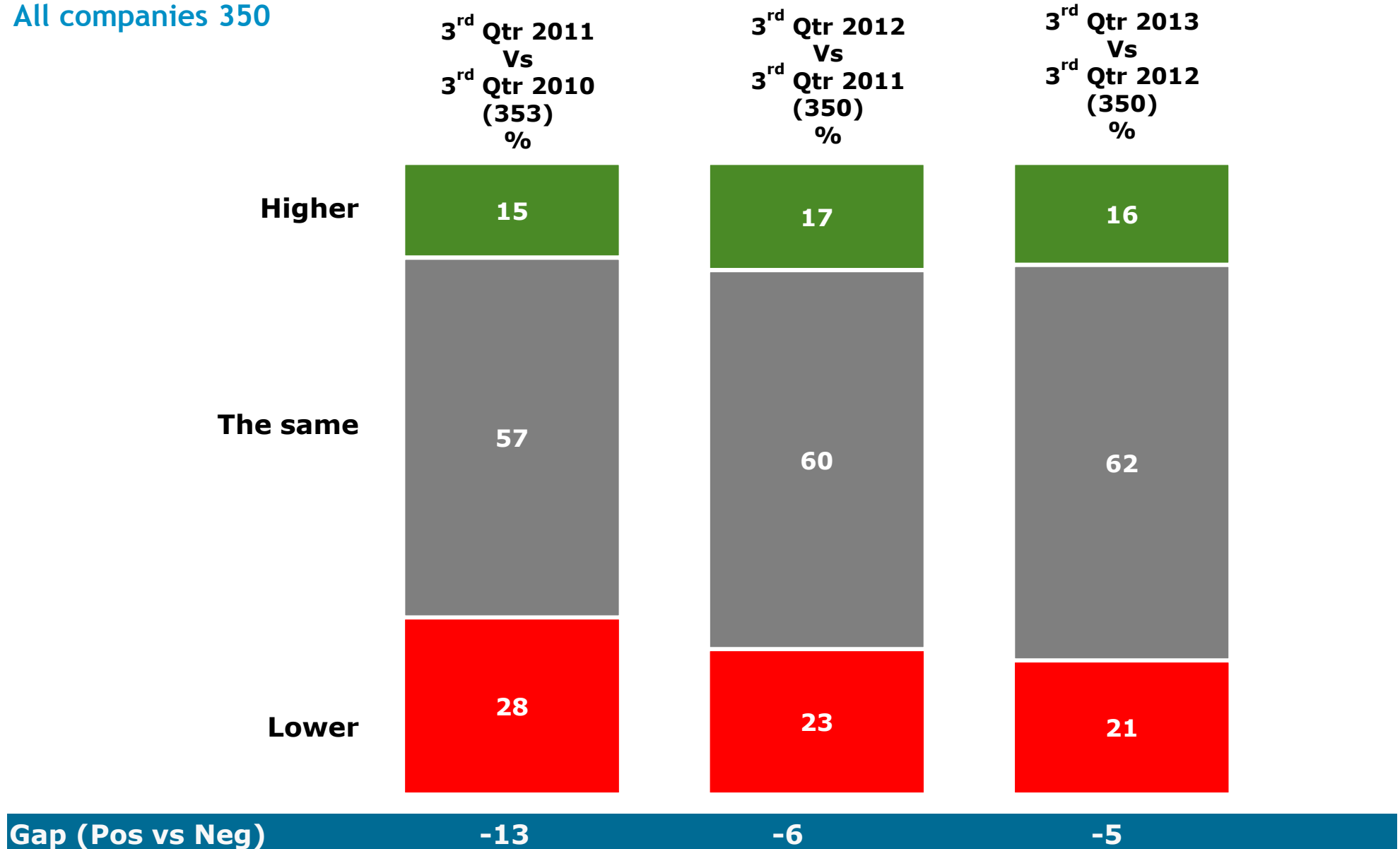


Employment levels



Employment Levels Compared to Last Year

Base: All companies 350



Net employment is slow to shift.

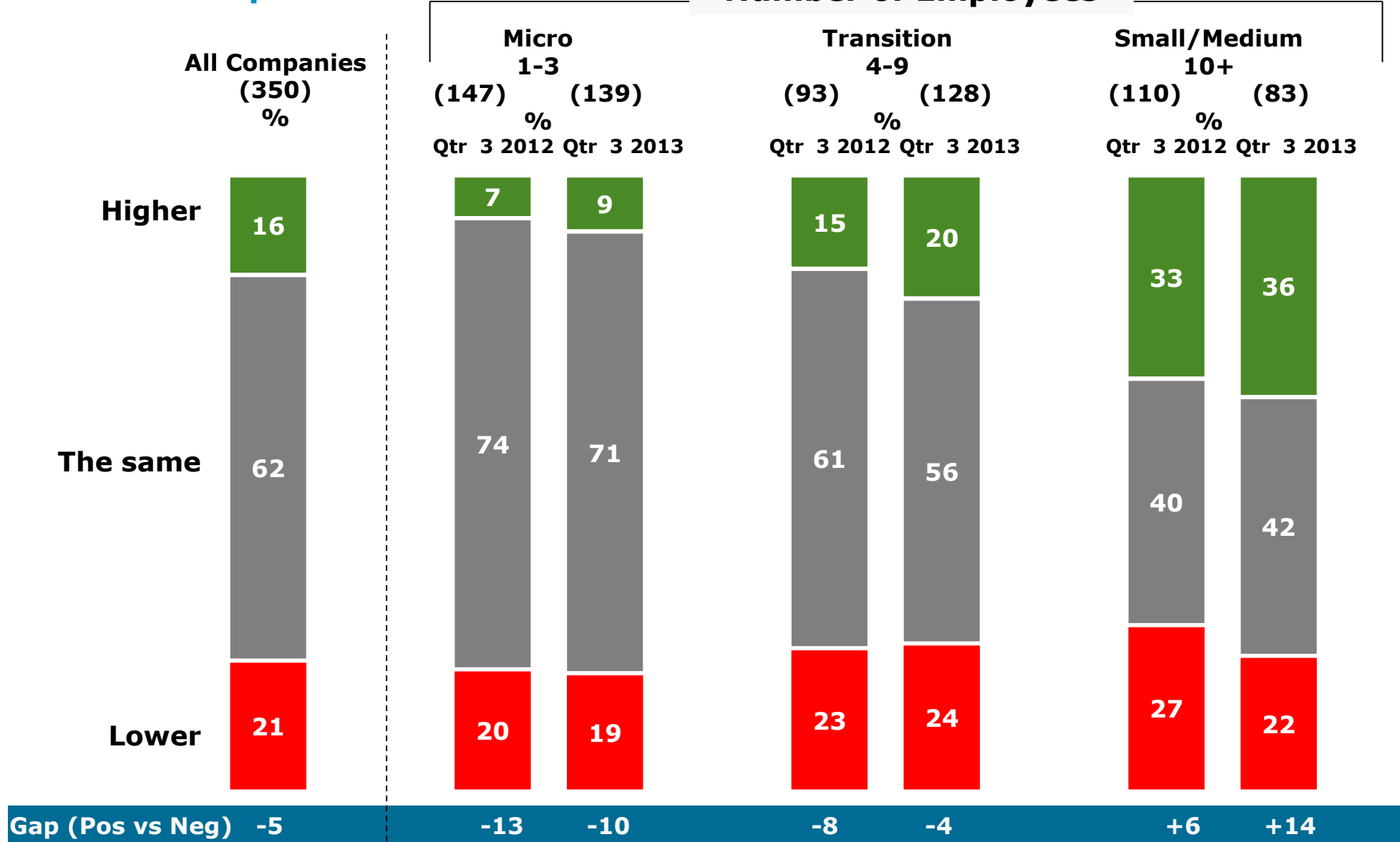


Q. 7 Could you indicate whether your employment levels are higher, lower or the same compared with the third quarter of last year?

Employment Levels Compared to Last Year

Base: All companies 350

Number of Employees



While net employment remains negative for small and medium firms, larger companies have made real progress.

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

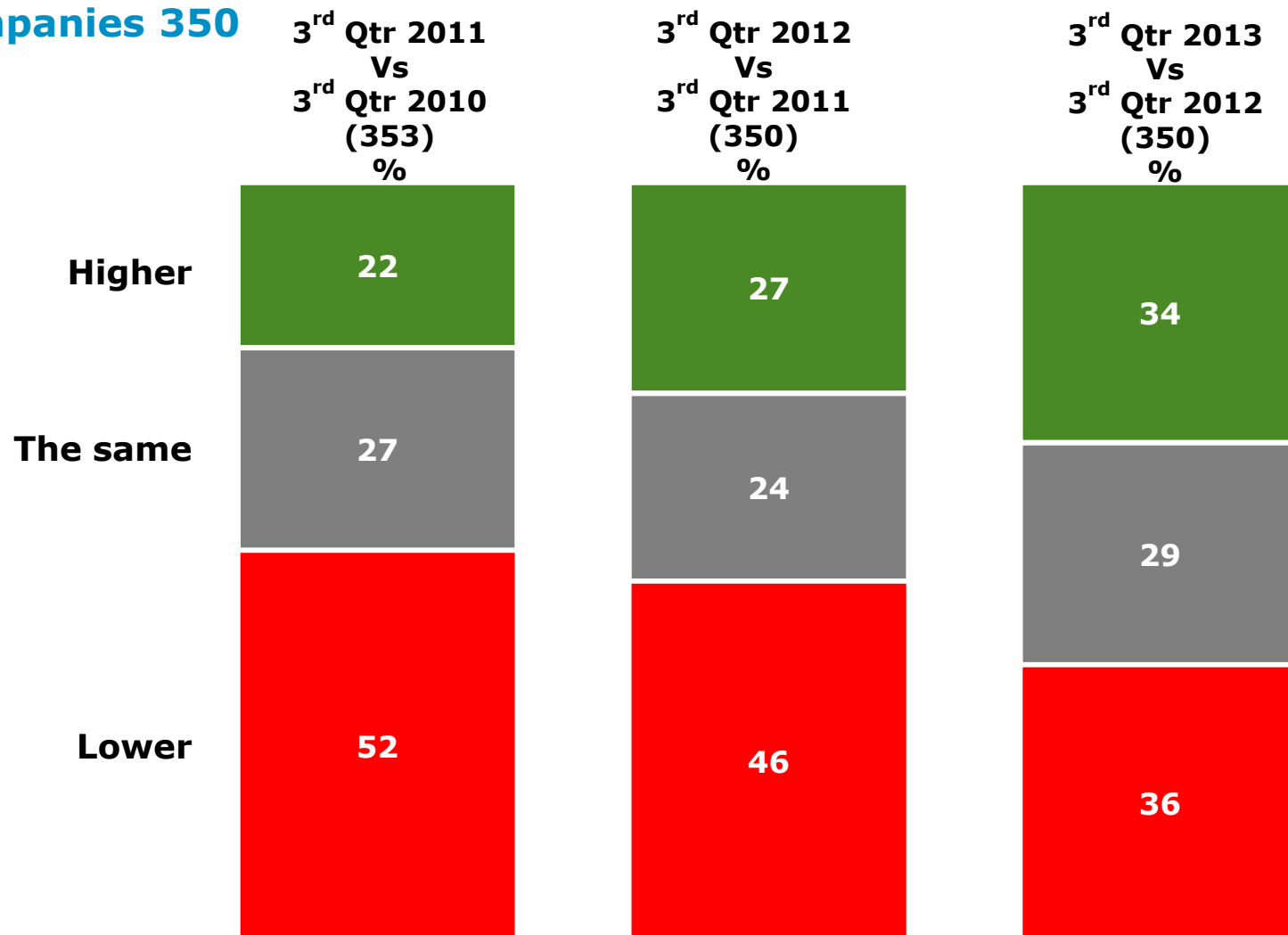


Prices and profits



Operational Profit – Year on Year

Base: All companies 350



Gap (Pos vs Neg)	-30	-19	-2
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The big news is that Irish business is on the cusp of moving back into a positive profitable position, compared with last year. 2014 will have to be a big year for everyone!

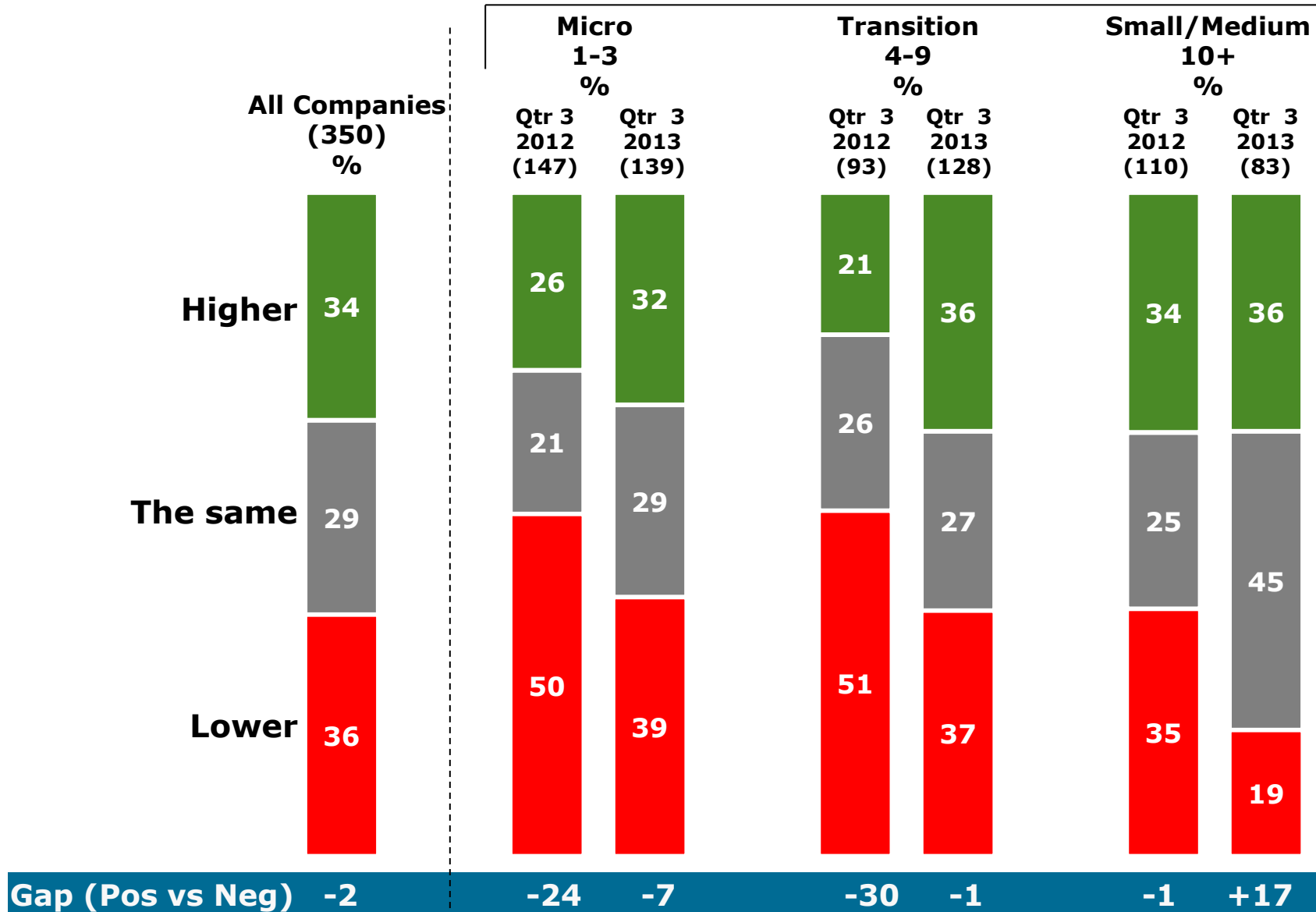


Q.8 Could you tell us whether operational profit is higher, lower or the same compared with the first quarter of last year?

Operational Profit - Year on Year

Base: All companies 350

Number of Employees



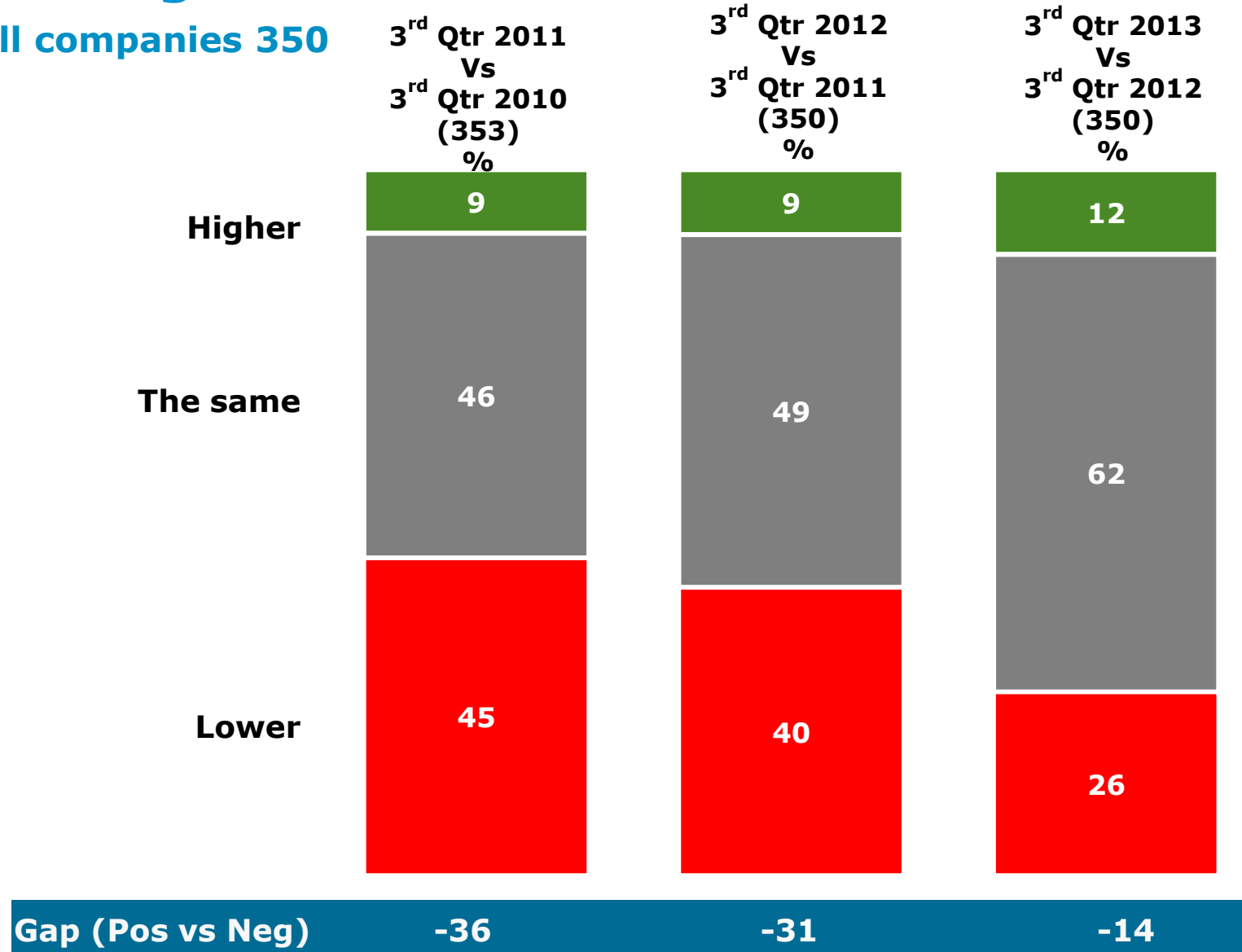
Operational profit is still an issue for micro companies but in slightly larger companies, the year and year improvement is significant.



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

Prices Charged – All Businesses

Base: All companies 350



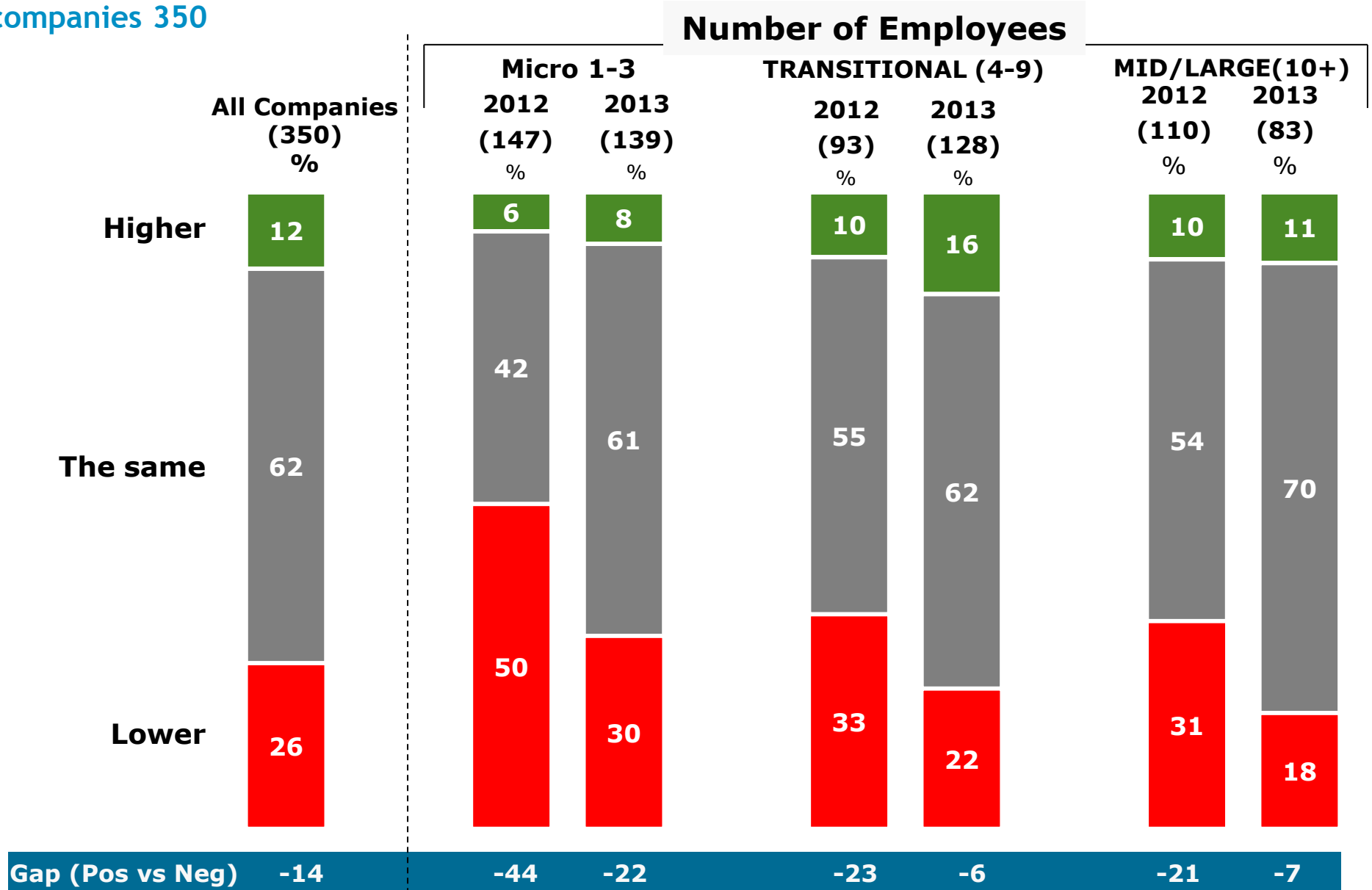
Prices are being held with considerably fewer now claiming they are charging less than they had been 12 months previously. 1 in 8 companies have managed to impose a price increase.



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 – All Businesses

Base: All companies 350



The micro companies are still under severe pressure regarding pricing.



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.
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