



Behaviour & Attitudes

Business Confidence Monitor

1st Quarter 2013

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Introduction

- Given the state of the economy, and the uncharted waters businesses find themselves in, 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 16th – 26th April, 2013.
- All interviewing was centrally supervised and quality control verification was conducted on 15% of interviews undertaken.

About Behaviour & Attitudes

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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 appears to be returning.
- Given that Ireland is arguably in its sixth year of recession, this upward swing for businesses is to be welcomed. While not providing clear indications of recovery, per se, there are strong indications of a market having bottomed out.
- Over a third of companies (36%) 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 compared with Qtr 1 2012.
- This leaves 37% of companies 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 balancing act between companies who are doing a little better than last year and those not performing as well.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

Business Confidence:

- Looking ahead to the second quarter, **almost three quarters of Irish businesses** believe that their company performance in Q2 of 2013 will be **at a similar level (37%) or better (37%)** compared with the same period of 2012.
- Encouragingly, this moves the confidence index into positive territory for the first time in its tracking history (being at -10% in 2011 and now at +12%) as only a quarter are predicting a lower performance than last year.
- Of particular interest is the degree of positivity **domestic only** businesses predict for Qtr 2. While companies who were exporting moved into a net positive position last year, Domestic only companies had remained in a negative position. The tide seems to have turned finally for this hugely important and more significant group.
- Notwithstanding this shift in confidence for Qtr 2, looking towards the end of 2013 as a whole, businesses are considerably more cautious.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

Business Confidence:

- As many as 58% claim to be unsure of how to gauge the business environment that far ahead. 22% are optimistic and only 20% are currently concerned. If we can keep the momentum going, we may move this optimism into positive territory – which would suggest greater stability and predictability in the business market.
- As such, there is evidence of greater positivity in the business environment. However this must be tempered with a degree of realism about future market dynamics.
- The fundamentals of any domestic growth strategy require increased consumer demand, in both the B2B and B2C channels.
- It is highly unlikely, at this stage, that demand will increase at any more than an incremental level over the short term. As such, growth is likely but at a slow pace.

Behaviour & Attitudes Business Monitor

Summary of Main Findings

Employment:

- Employment has increased for companies this quarter in comparison to Q1 2012 and by a moderate degree over Q1 2011. Still the net impact remains marginally negative, with more companies having let people go.
- While the overall impact is continued shrinkage of employees at a macro level, at least it would appear as if the rate of decline has slowed down considerably. The hope is that as confidence and certainty return employment should slowly increase over time.

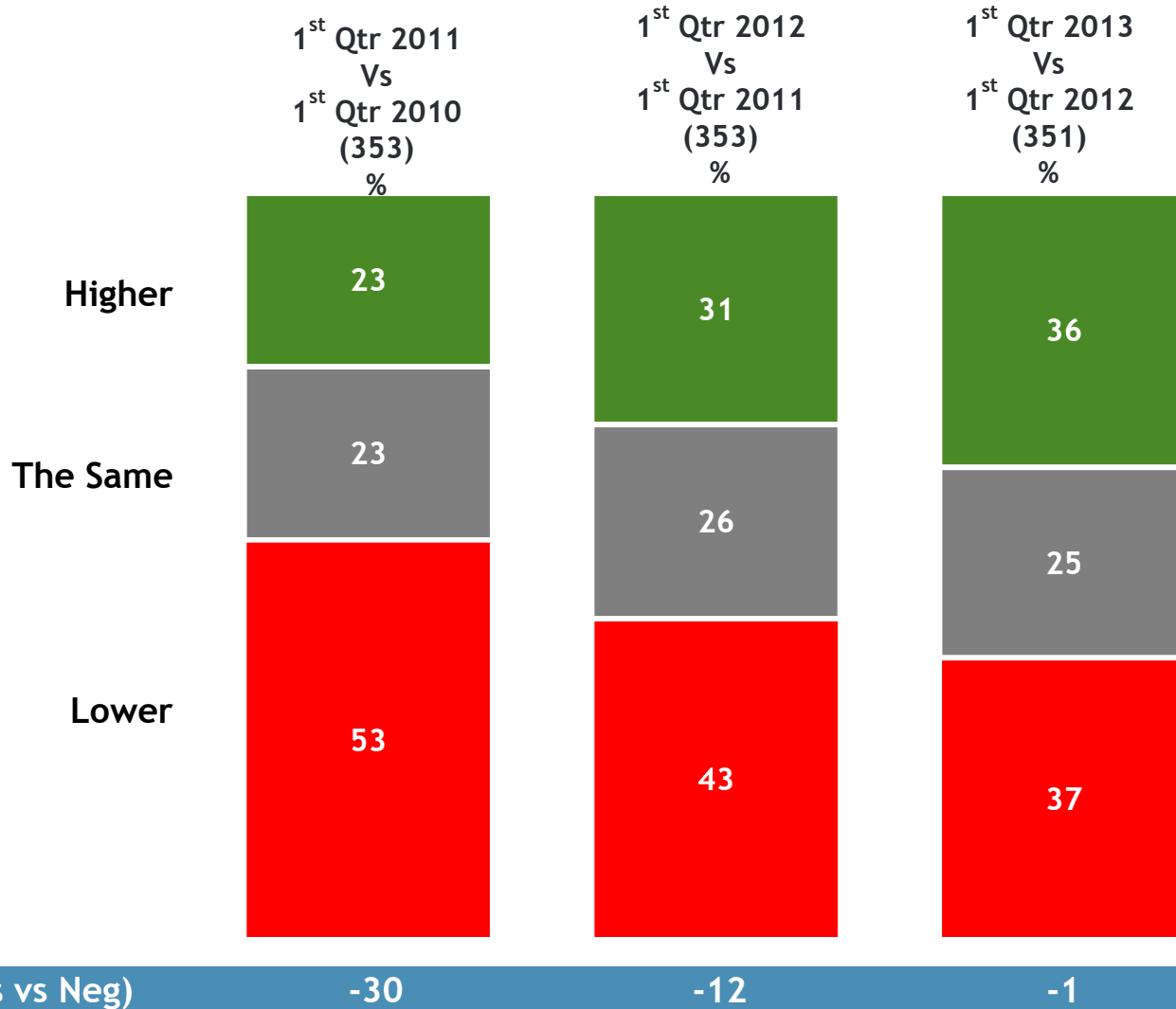
Pricing:

- Pricing structures remain under pressure among Irish companies. However fewer companies are operating with reduced prices now (26%) than in 2012 (37%) or 2011 (45%). Also 1 in 6 companies (16%) have actually increased prices since Q1 2012.

Detailed Survey Results



Business Activity Looking back – trading analysis

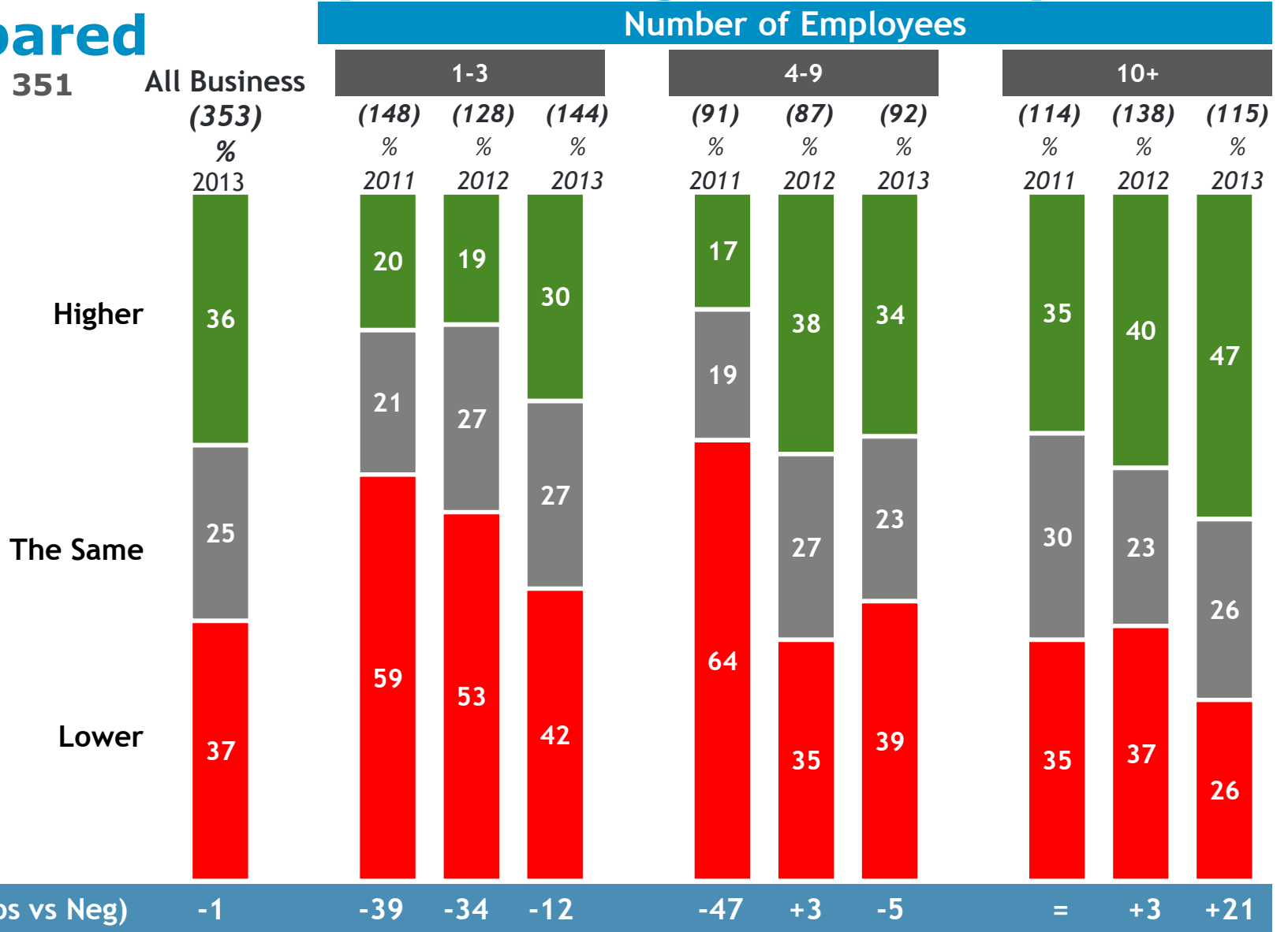


There is clear evidence of a confidence shift in a positive direction. Evidence suggests we may have finally hit the floor (even split between those still suffering and those making progress).

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?

Business Activity – Looking back - 1st quarters compared

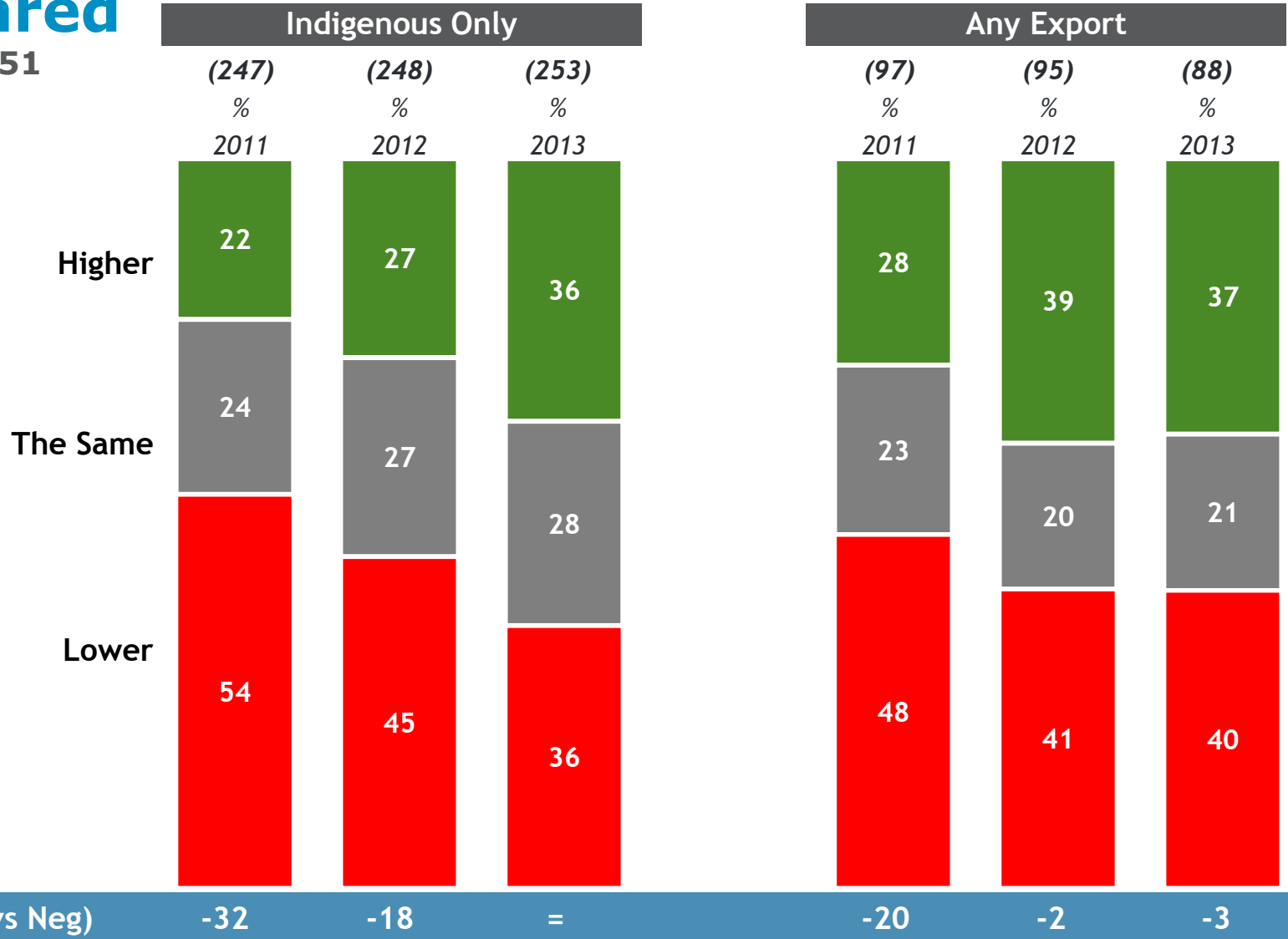
Base: n = 351



The data suggests that smaller companies continue to operate in a tougher business environment which is probably what is slowing down recovery. However, definite improvements in confidence noted. Larger companies appear to have improved considerably while medium sized have strengthened.

Business Activity – Looking back - 1st quarters compared

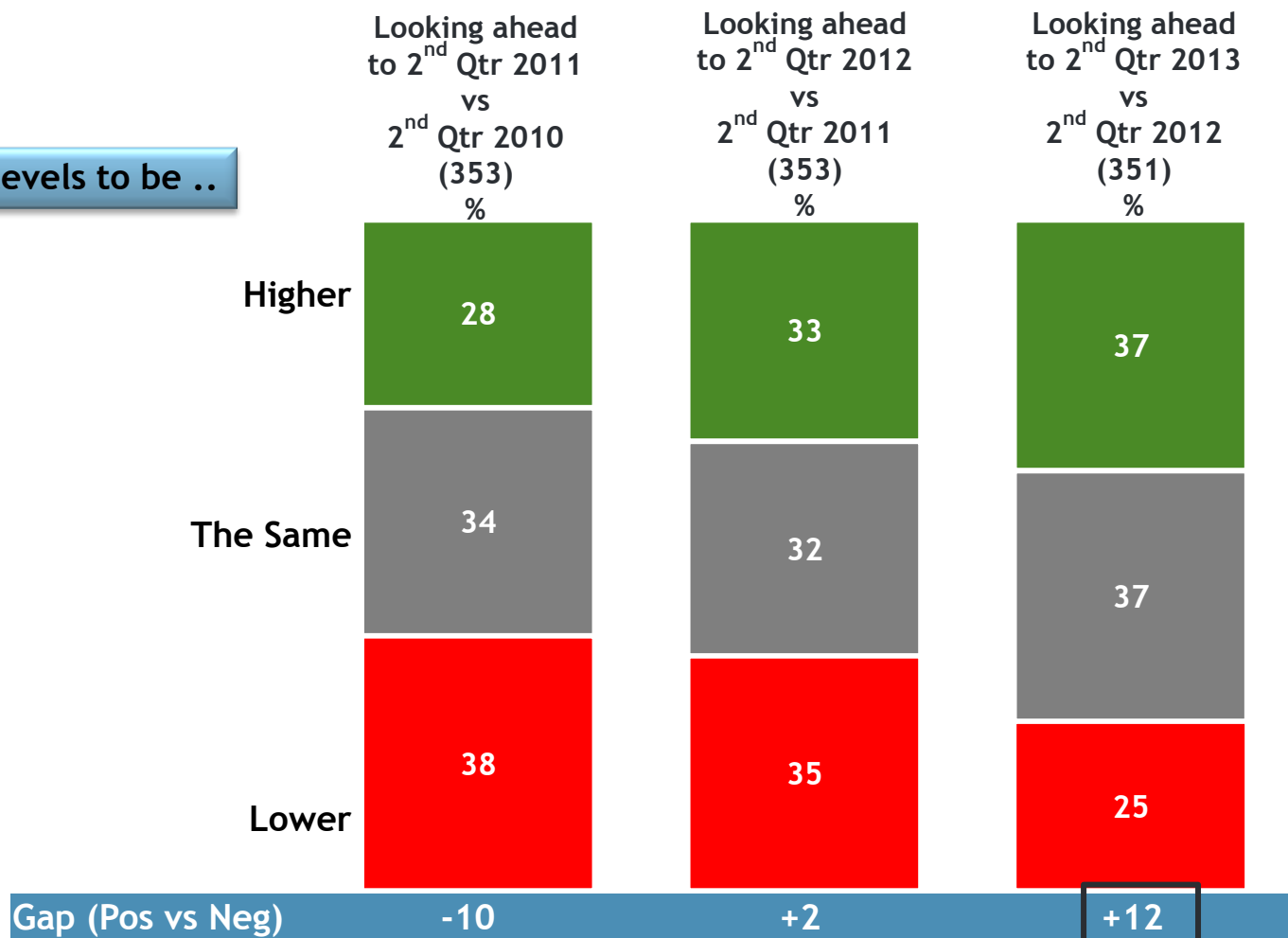
Base: n = 351



Interestingly, companies trading solely in the domestic market have sprinted ahead. Results from export companies remain stable but do not appear to have ‘pushed on’ over the past 12 months.

Business Activity Looking Forward to 2nd qtr

Expect business levels to be ..



Real progress expected by Irish companies in Qtr 2. Given the fall off in the business environment since 2008 this indicates that business owners perceive that the recession may have bottomed out.

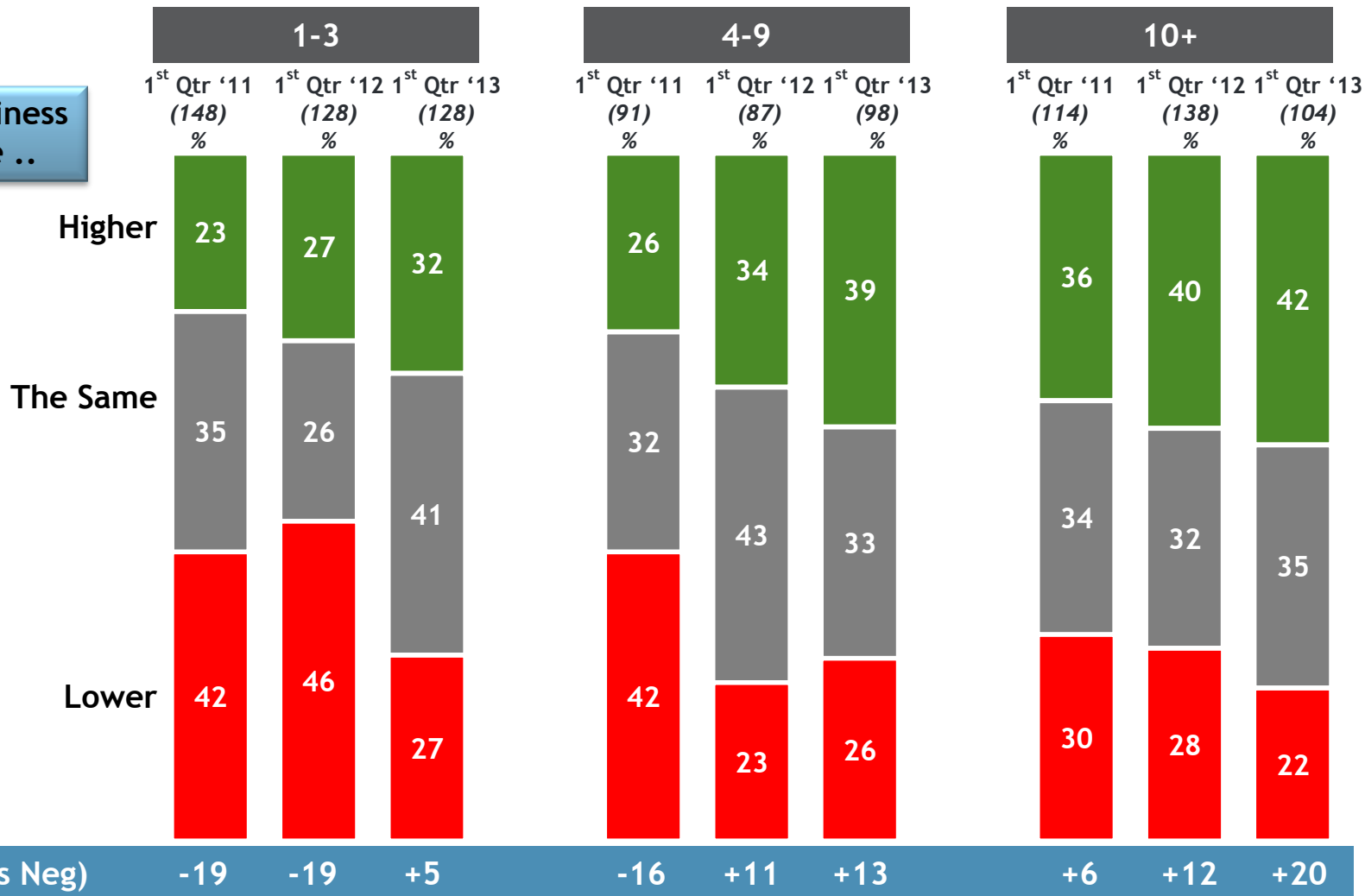
Finally! The tide seems to be turning. More companies are confident they will progress in this second quarter.

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

Business Activity Looking Forward to 2nd qtr

Number of Employees

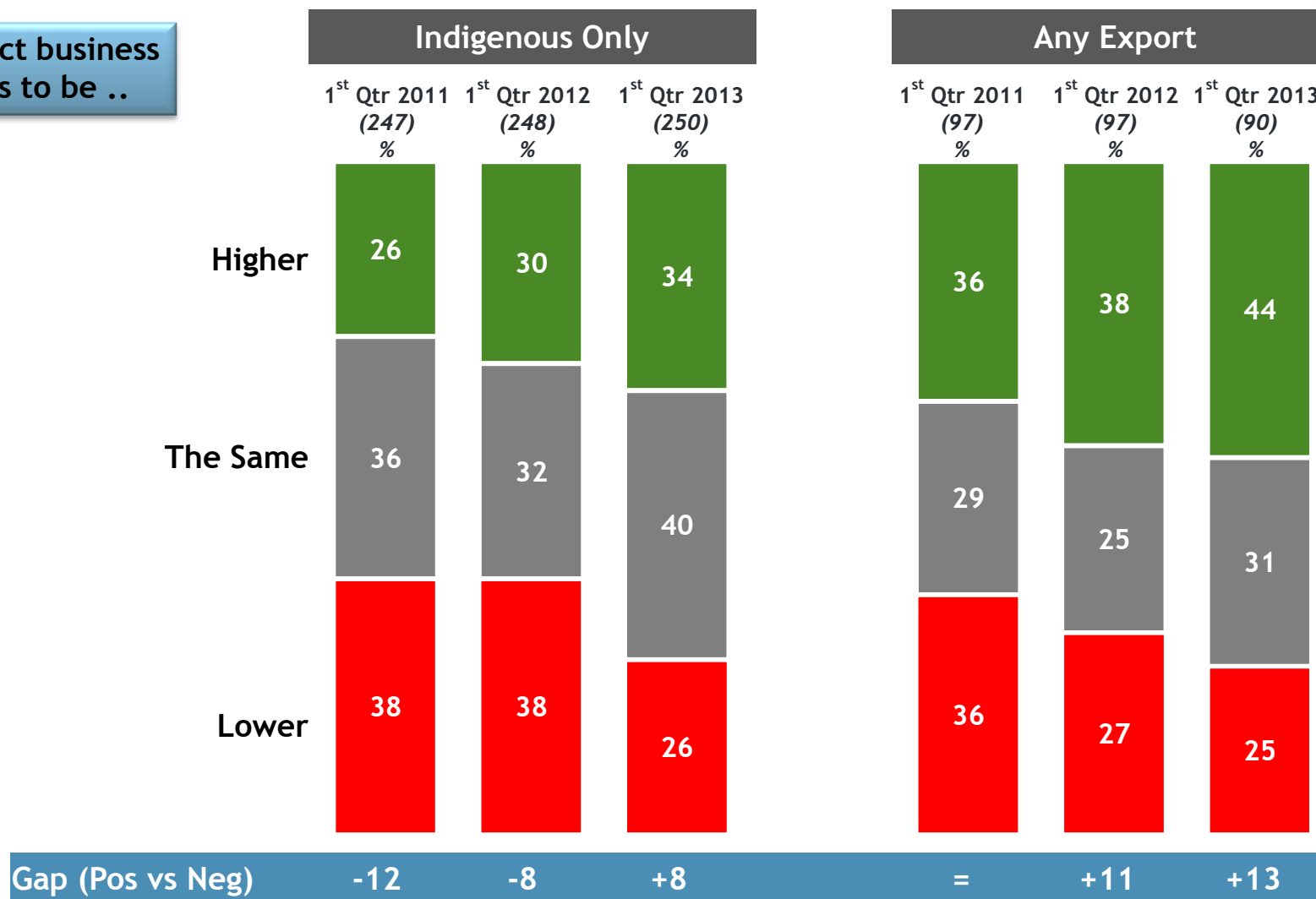
Expect business levels to be ..



Net confidence in future activity increases in line with business size. A first net positive result for smallest companies has been recorded since we started measuring. Expectations are that business will improve.

Business Activity Looking Forward to 2nd qtr

Expect business levels to be ..

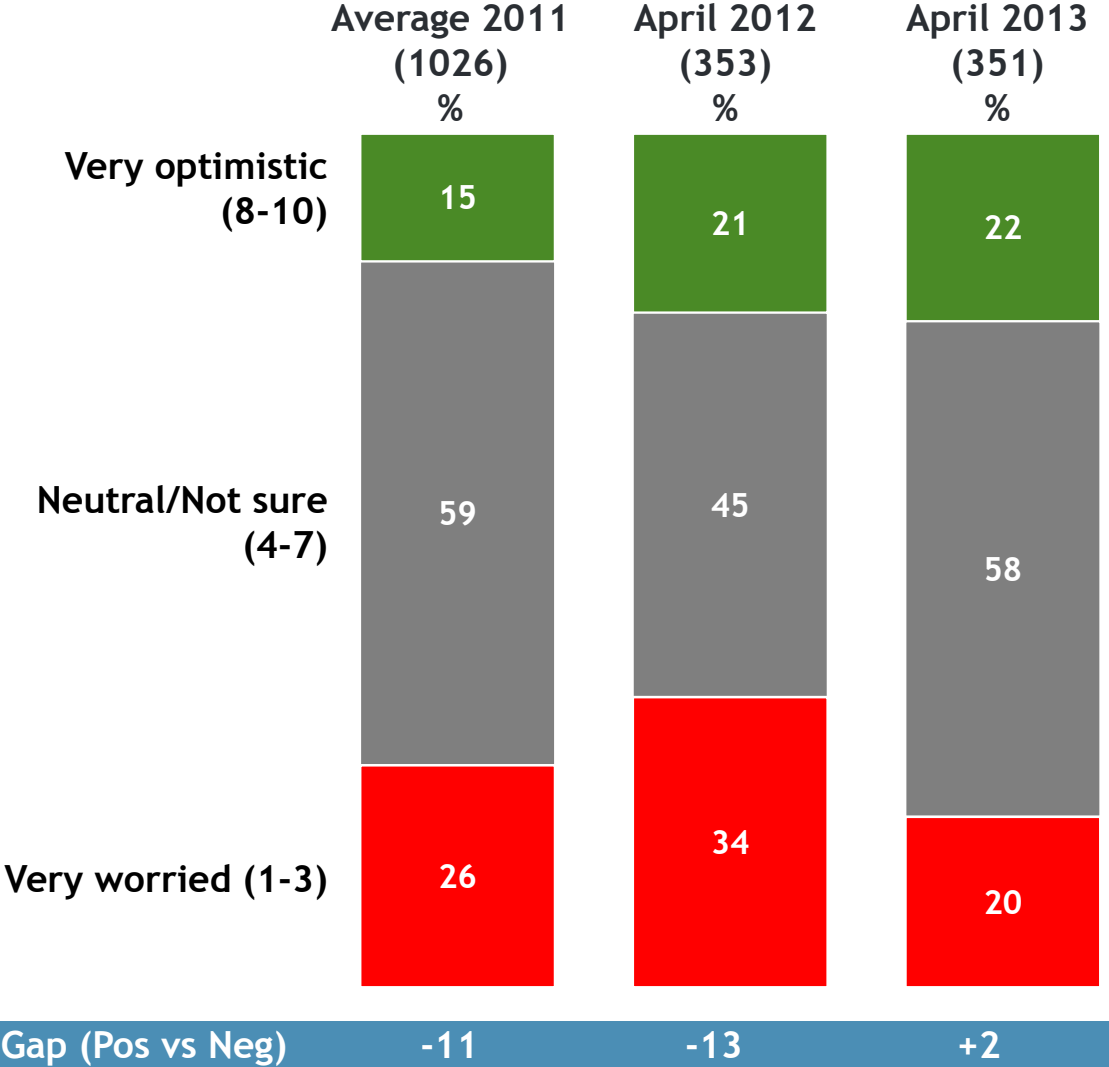


Companies trading solely in the domestic market feeling more positive for the first time. Export companies now more or less in a 'holding' position.

Optimism?



Business Environment – Optimism for year end



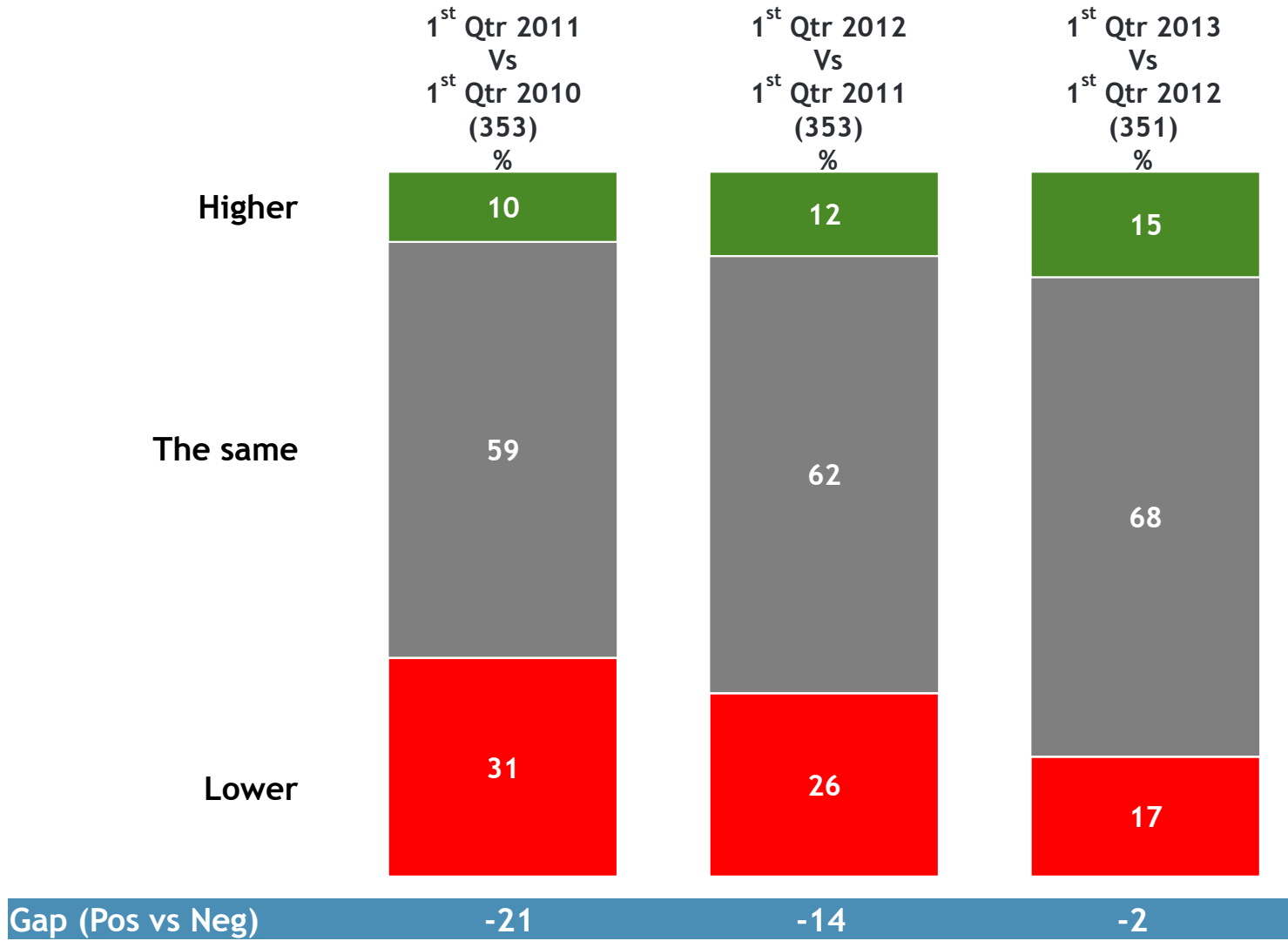
We are not yet out of the woods but we are in a positive position for the first time since the recession began. Majority are not over-optimistic but at least we are seeing some improvement.

Q.5 And looking forward to the remainder of 2012, how optimistic are you for a favourable business environment by end December 2012. 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



Net unemployment while still minorly negative has eased considerably.

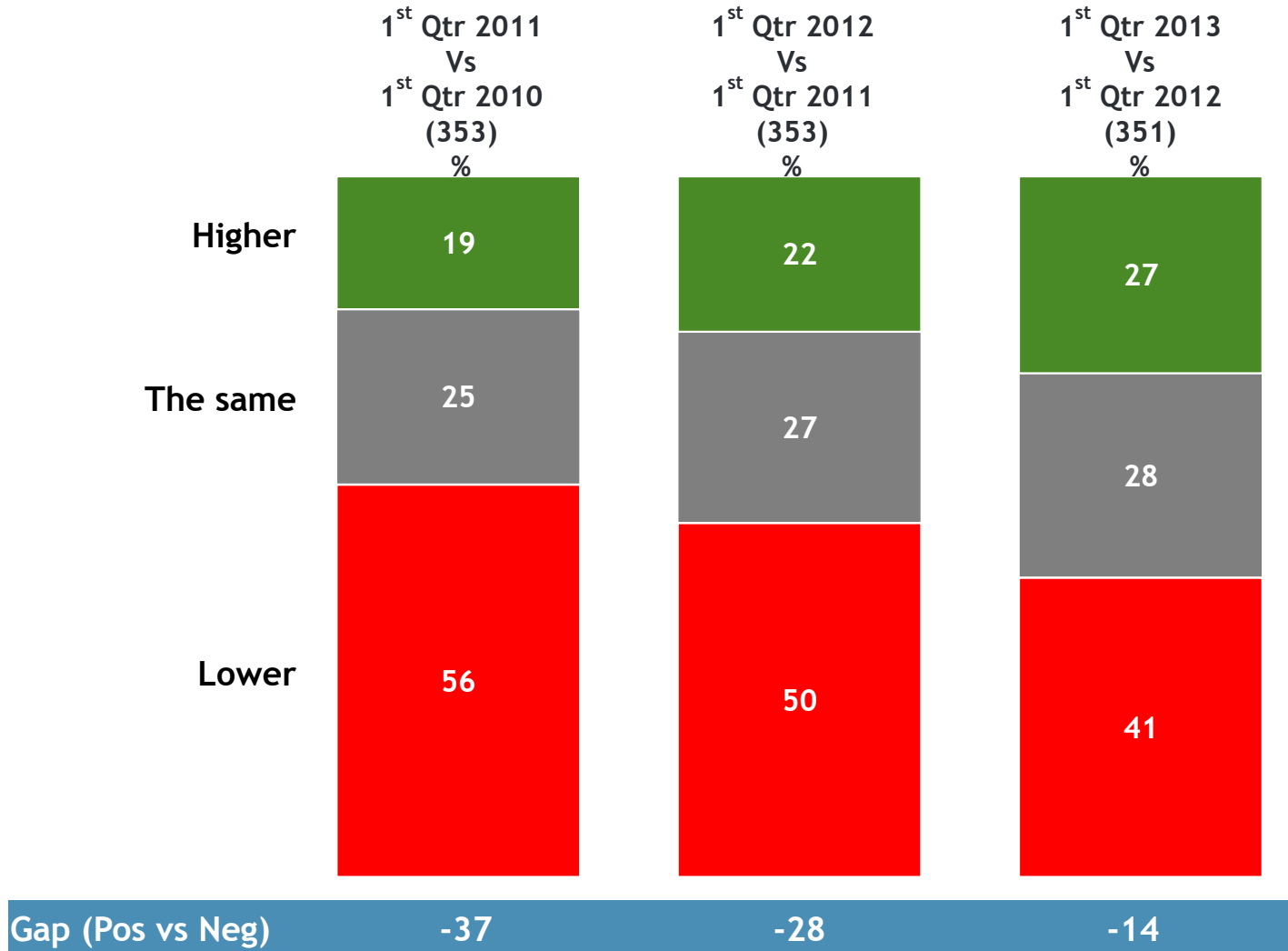
Q. 7 Could you indicate whether your employments levels are higher, lower or the same compared with the first quarter of last year?



Prices and profits

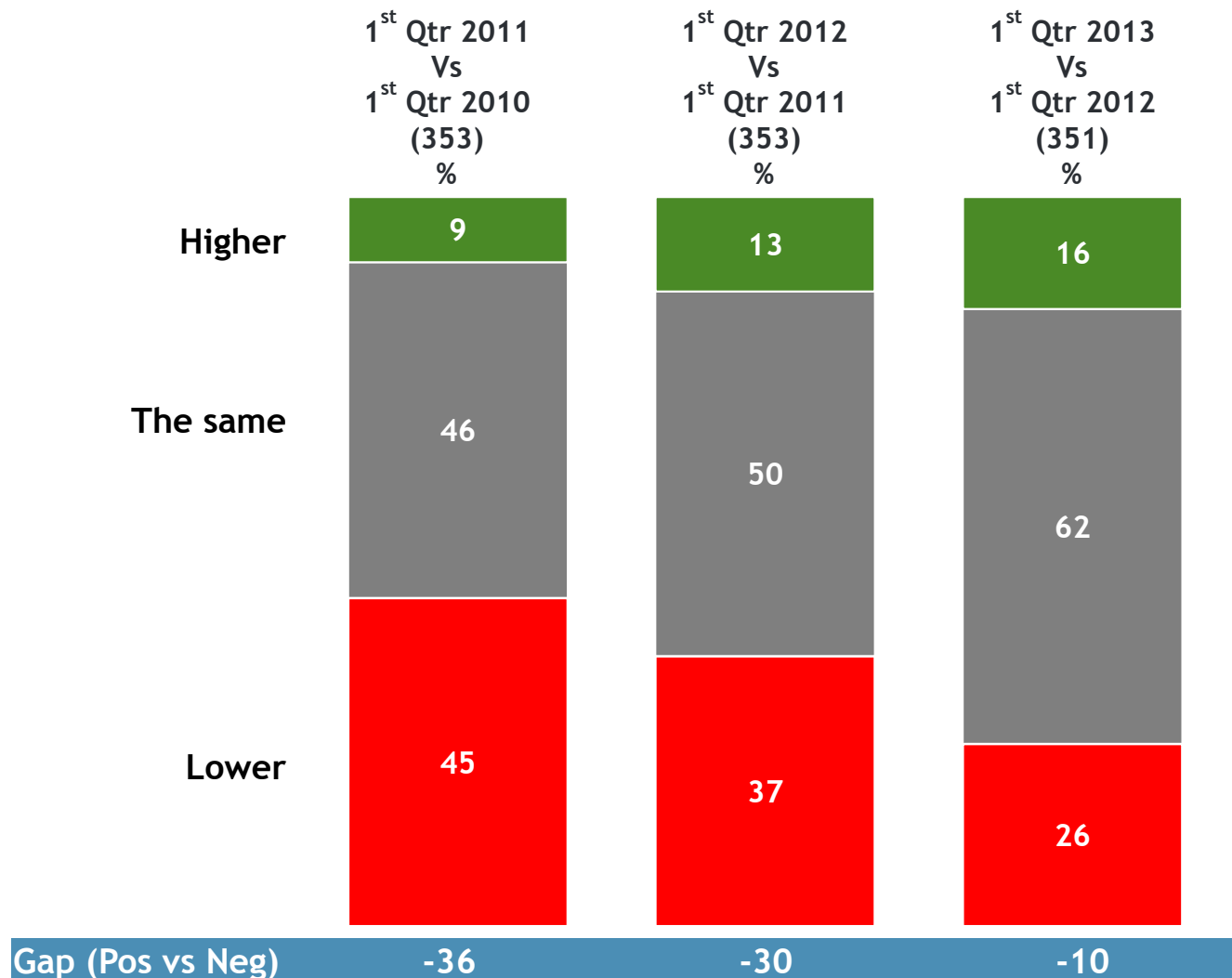


Operational Profit – Year on Year



Operating profits continue to trend negatively. However, the gap has narrowed. Importantly however, compared with early 2011, slightly more companies have managed to improve this situation.

Prices Charged – All Businesses

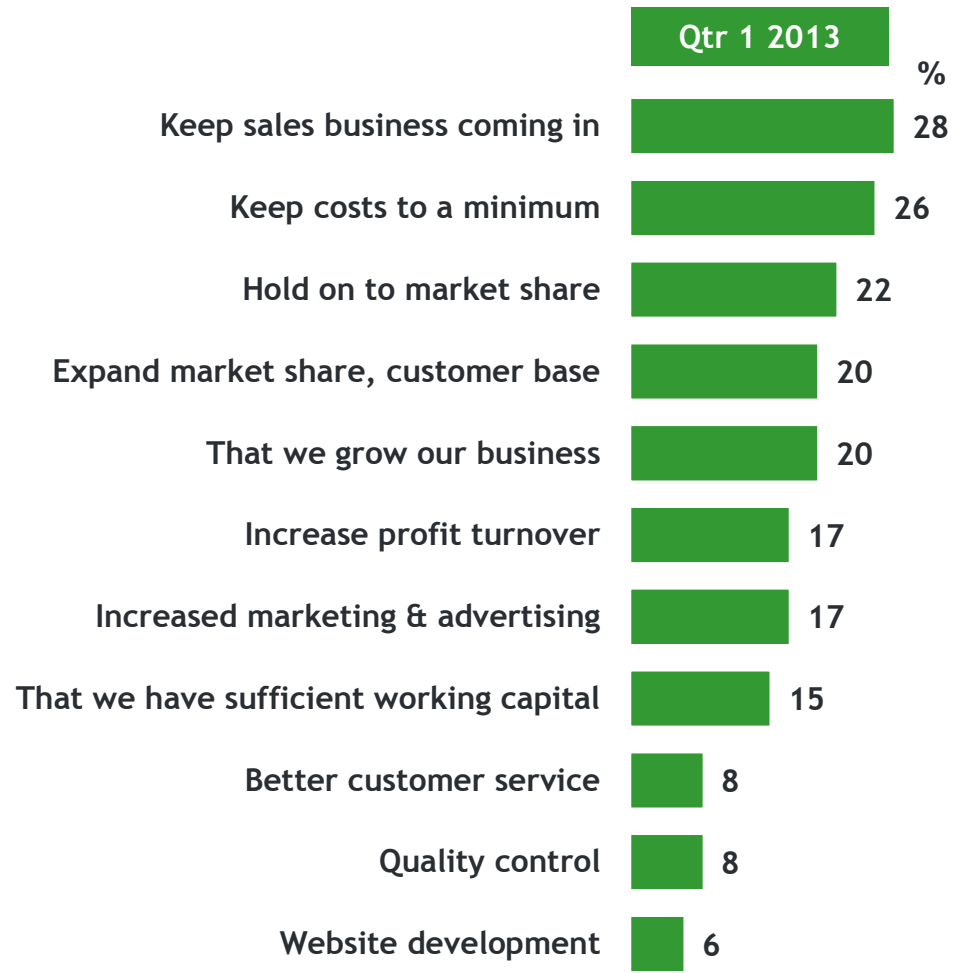


Pricing measures appear to be consolidating, with just a quarter of firms charging less this quarter than in the same period last year and one in six now able to charge a higher price. Again this vital function of market recalibration should level out as confidence improves.

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

Business Priorities for 2013 - 1st quarter - Spontaneous Responses

Base: n = 351



(All other answers less than 5%)

Business focus is now strongly on forward motion and growth. Emphasis now on growing market share and turnover and less on survival. Irish companies now have a more offensive rather than defensive strategic agenda.

Q. As you face the remainder of 2013, what are your key priorities? DO NOT PROMPT



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Thank You



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