



BDO Optimism Index Q2 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 the 21st –31st July, 2015. All interviewing was centrally supervised and quality control verification was conducted on 15% of interviews undertaken.

- The table 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:

No. of employees	Known profile	BDO results
1–3	42%	42%
4–9	28%	28%
10–19	14%	14%
20–50	11%	11%
50–250	6%	6%
250+	1%	1%

A sample size of 350 yields a dataset which can be deemed to be accurate to within plus or minus five percentage points.

Foreword

I AM DELIGHTED TO INTRODUCE THE BDO OPTIMISM INDEX FOR THE SECOND 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.

So what did they tell us in Q2?

The most significant indicator from this survey is that it shows the highest level of optimism in business activity in Ireland for 5 years. There are a number of key factors which contributed.

Figures show our largest companies continue to lead the upturn, with 69%

reporting increased business activity compared to the same period last year. 40% of our smallest Micro companies also reported a comparable increase.

Those surveyed believe the growth trends are set to continue. Over three fifths of larger companies expect Q3 to be an improvement on the same period last year. It is not just our large enterprises predicting further growth, with more than half of all companies surveyed forecasting greater growth in Q3; the largest figure in that category since the survey began in 2010.

Rising growth figures and increased future optimism may have contributed to the confidence that allowed Irish businesses to increase prices. One in five companies pushed through year on year price increases. A further 70% maintained their prices.

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

In terms of employment, almost 50% of our larger companies increased their numbers in the last 12 months. Overall we saw a significantly greater number of companies increasing their numbers in Dublin (30%) than those outside (18%).

We asked our respondents to list their business priorities. The top two priorities given among all our respondents were maintaining business growth and maintaining sales; pointing to a clear focus on driving core growth. We are not yet seeing post-recession priorities move to divergence and non-core expansion and acquisition. BDO will continue to monitor this in the coming quarters.

For smaller companies, the next most important issue is increasing or maintaining profit margins. For larger companies the focus is on keeping costs down and having sufficient working capital.

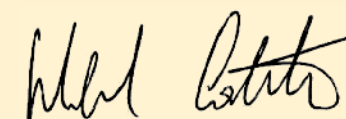
'Softer' business priorities are further down the line in terms of importance with only 3% of companies rating staff happiness and welfare as a priority.

Overall the report shows strong business optimism, a further increase on last quarter's 5 year high.

In numerical terms, the BDO Optimism Index for Q2 2015 is 66.8, up 6% quarter on quarter.

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.

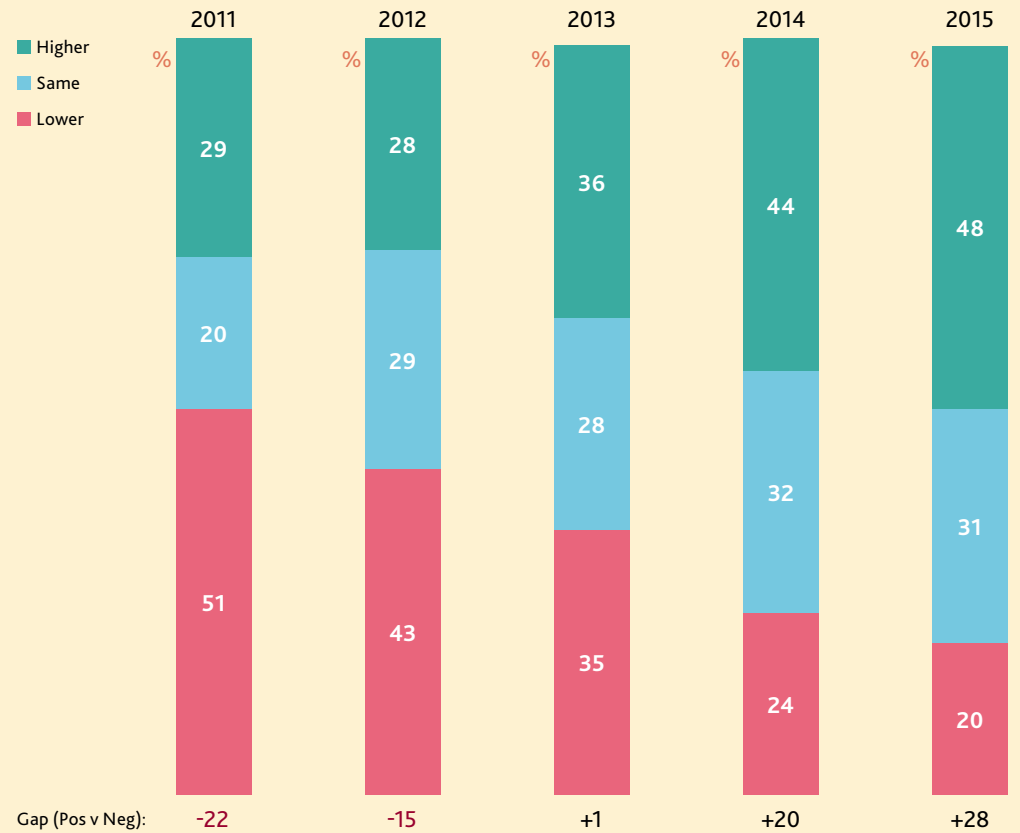


Current business activity



CURRENT BUSINESS ACTIVITY FOR 2ND QTR – TRADING ANALYSIS

QUESTION 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?



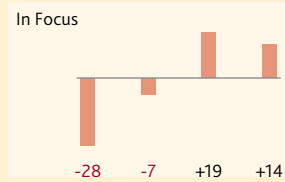
(Second quarter compared with second quarter from previous year)

The BDO View

Overall, the news for Quarter 2 is extremely positive, with the period showing the strongest growth in activity recorded for the past five years (against Q2 in previous years).

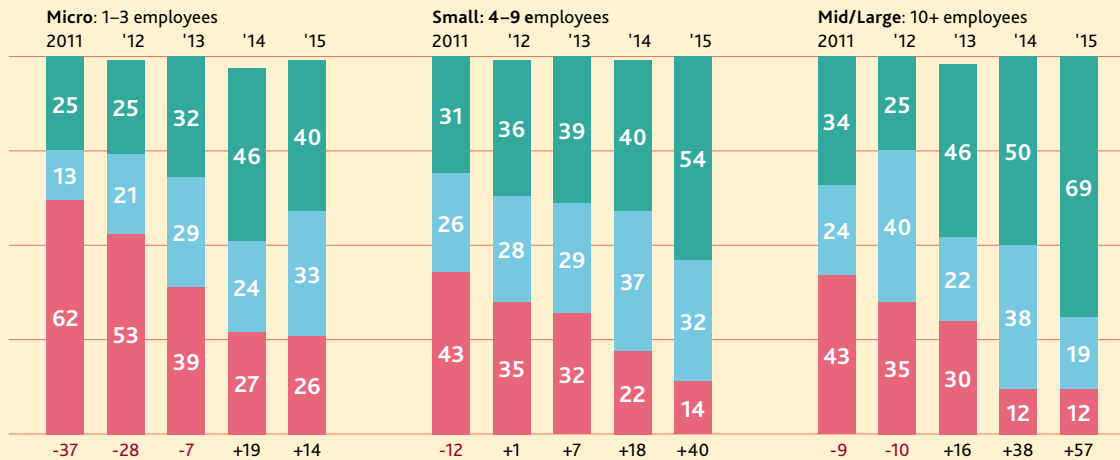
Mid to large companies were the clear winners with almost 7 in every 10 showing growth and less than a third remaining the same or declining in revenue. The situation is not quite as positive for small companies, however more than half of them also showed growth in revenue year on year. Disappointingly, our research indicates a slowdown in the acceleration of growth for Micro businesses, as many of them (one third) start to plateau. Two in every five business surveyed grew, but this is a 13% decline from last year's numbers.

Comparing indigenous and export business, both have a similar number of 48% showing growth in this quarter.

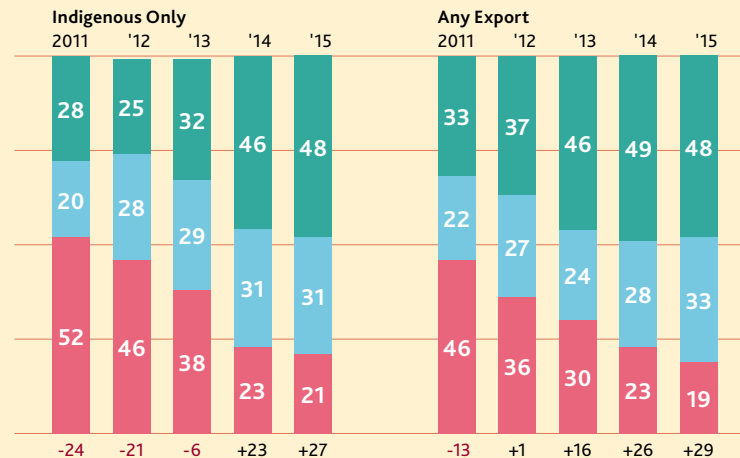


Responses per company size

- Higher
- Same
- Lower



Responses per trading behaviour

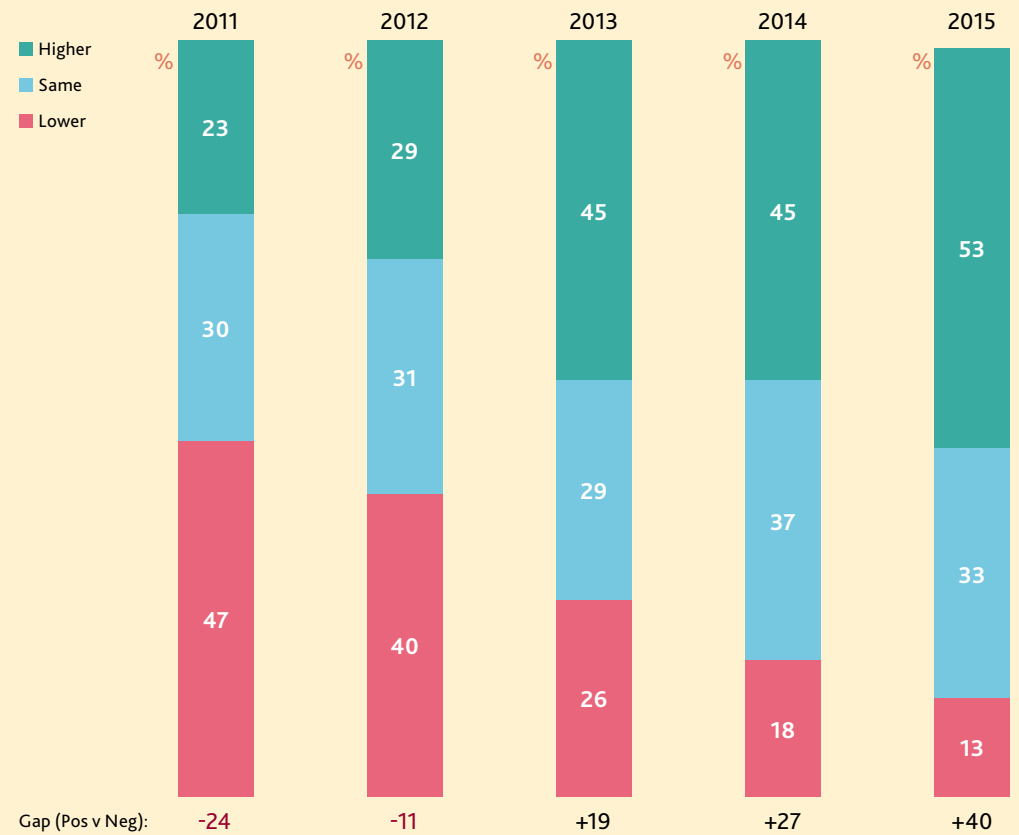


Projections for Q2 2015

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BUSINESS ACTIVITY LOOKING FORWARD TO 3RD QTR 2015

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



(Second quarter compared with second quarter from previous year)

The BDO View

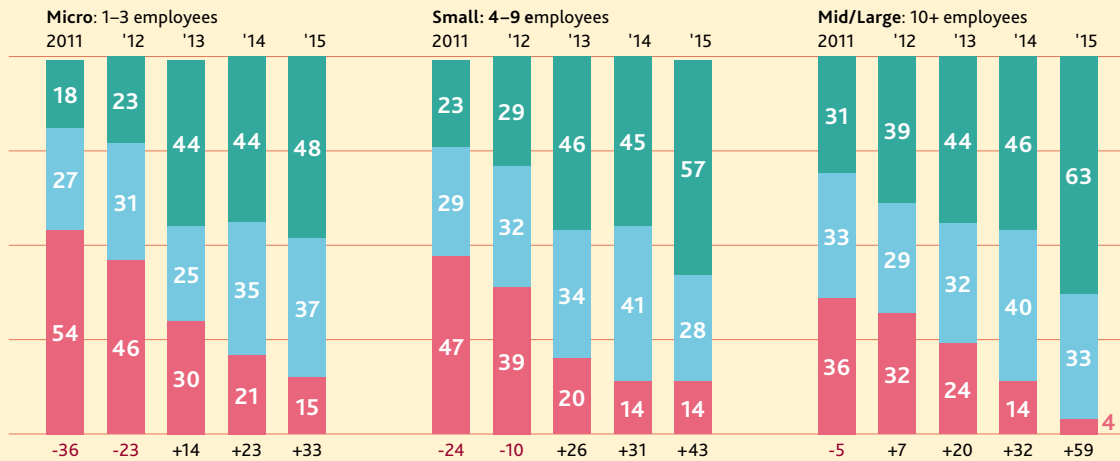
Positive results for Q2 appear to have helped drive further optimism around results for Q3, with more than half of companies interviewed foresee higher growth in Quarter 3 for the first time in five years.

Again, following the pattern of Q2 results, the optimism is greater among our larger enterprises, however each of our indices show increased level of optimism on the same period last year and the highest for five years.

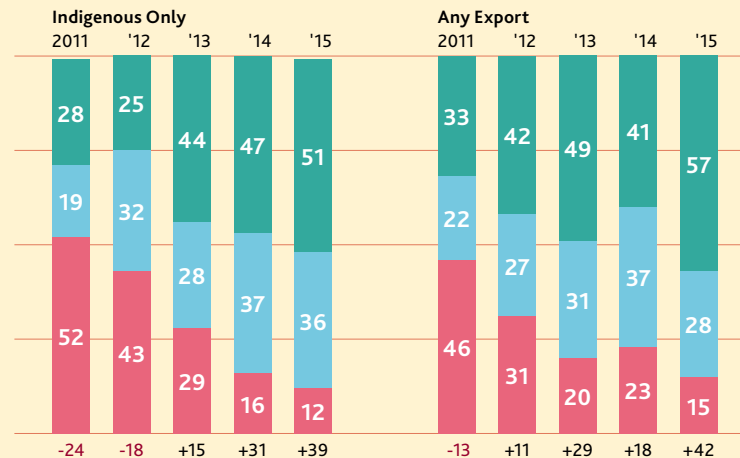
We also see a positive trend for both our indigenous and our export companies.

Responses per company size

- Higher
- Same
- Lower



Responses per trading behaviour

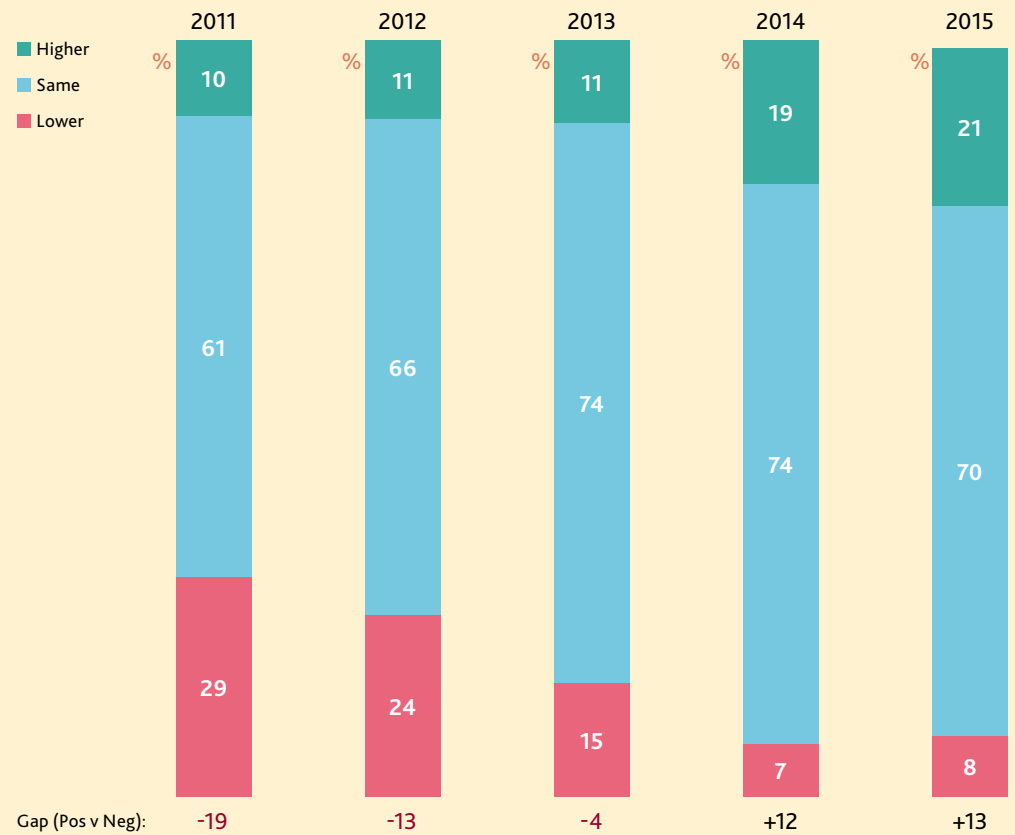


Employment Levels

3

EMPLOYMENT LEVELS COMPARED TO LAST YEAR

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

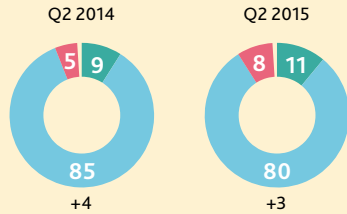


(Second quarter compared with second quarter from previous year)

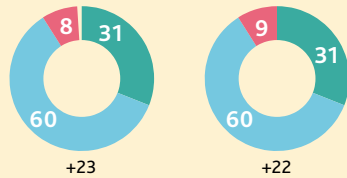
QUESTION Could you indicate whether your employments levels are higher, lower or the same compared with the second quarter of last year?

Responses per company size

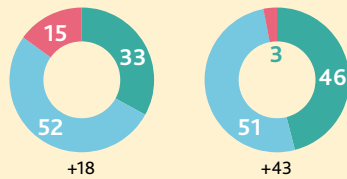
Micro: 1-3 employees



Small: 4-9 employees

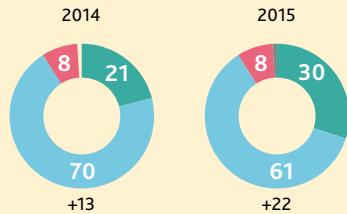


Mid/Large: 10+ employees

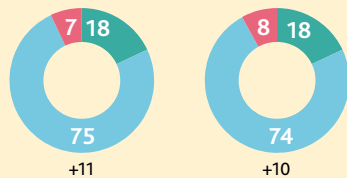


Responses by location

Dublin

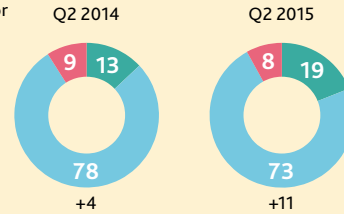


Ex Dublin

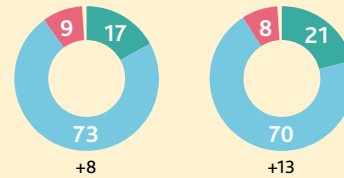


Responses per industry sector

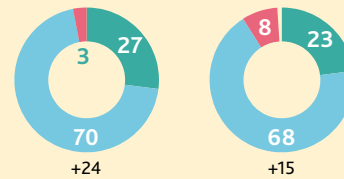
Retail/Wholesale



Services



Other



Higher
Same
Lower

The BDO View

Overall more than one in five companies increased their employee numbers in the past 12 months, the highest level of growth for the five years of our survey.

Looking at precisely who is growing, our figures reveal a significant employee number growth in the Mid to Large company range with almost 50% showing increased employment year on year.

With regard to geographical split, Dublin is clearly leading this employment growth (30% grew) with a significantly reduced rate of growth (18% grew) outside.

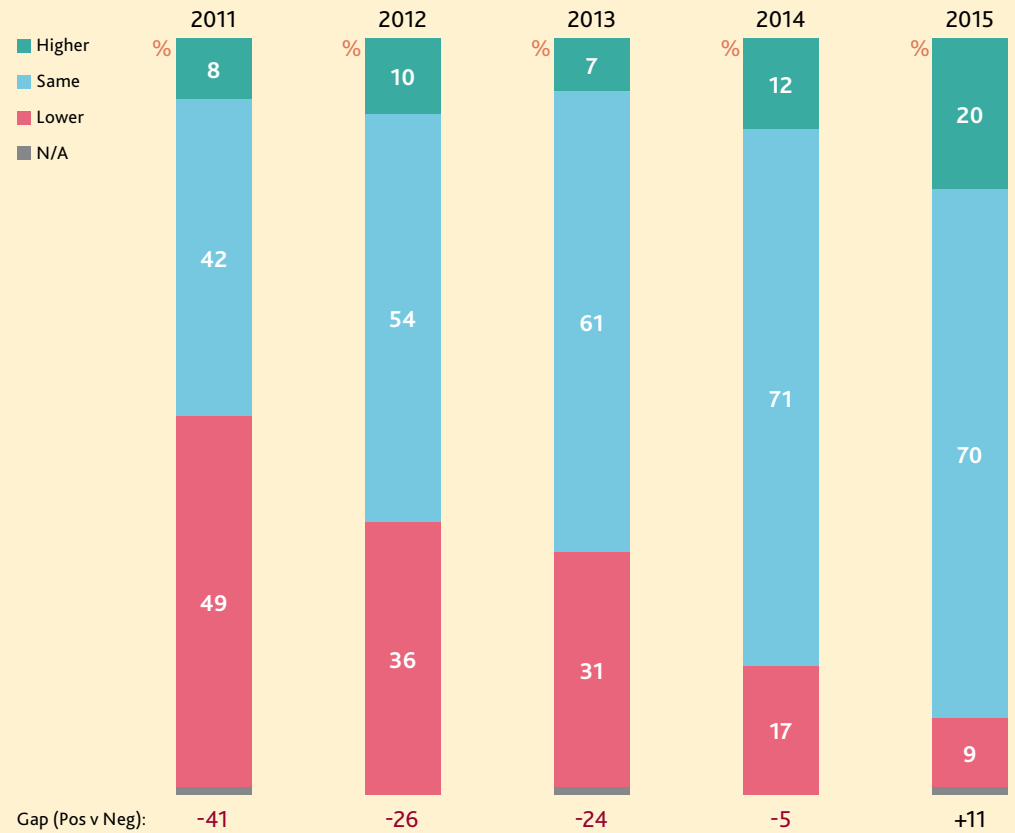
Stripped out by sector, retail, wholesale and services areas showed the greatest level of employment increase.

Pricing and Profits

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PRICES CHARGED – ALL BUSINESSES

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



(Second quarter compared with second quarter from previous year)

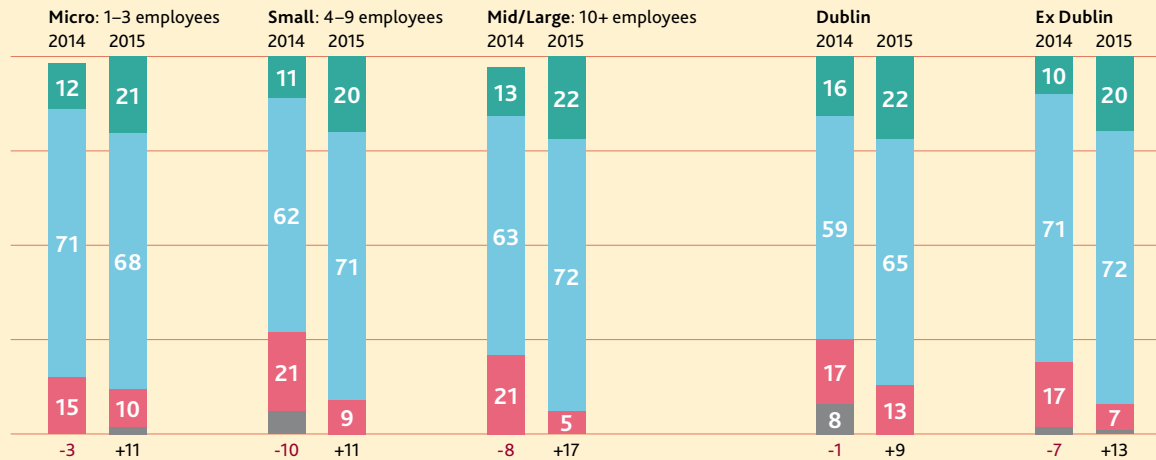
The BDO View

One in five surveyed are now charging higher prices compared to the equivalent quarter last year.

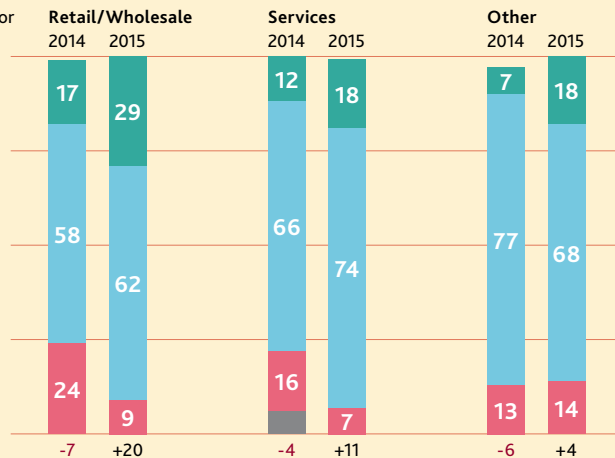
There were price increases last year; however they were offset with other businesses reducing their prices. This year those reductions have stopped and each category of business, small through to large, Dublin and outside, and in each of the business sector groupings all show an increase in the numbers raising their prices.

Responses per company size

- Higher
- Same
- Lower
- N/A

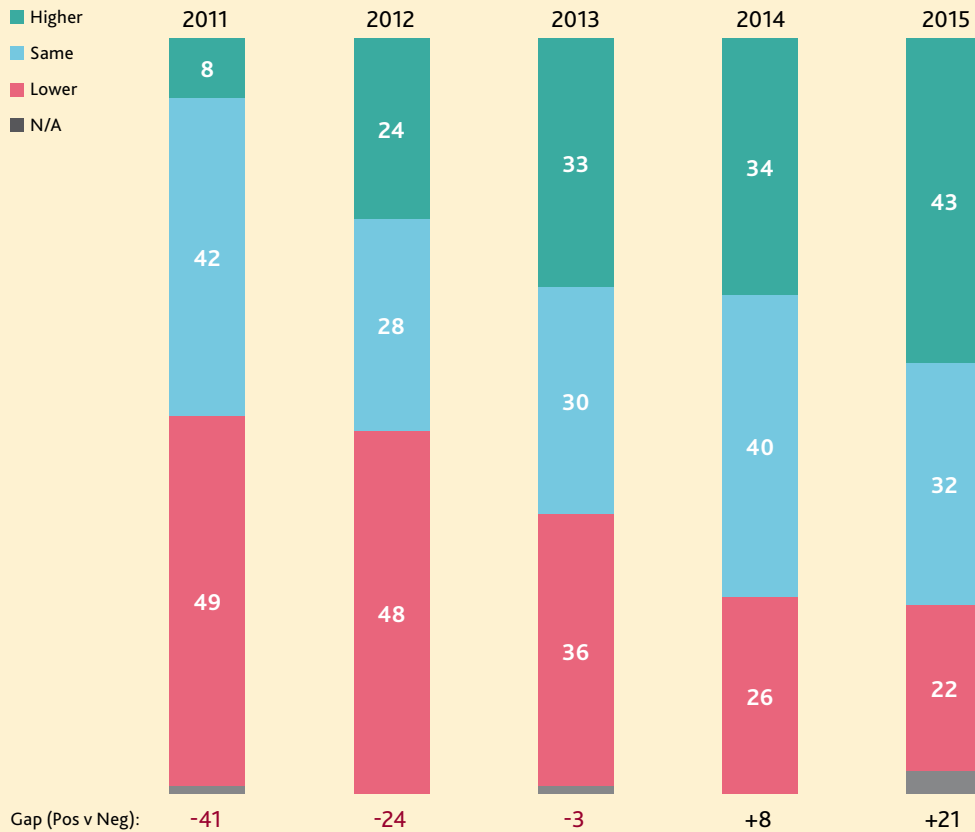


Responses by industry sector



OPERATIONAL PROFIT – YEAR ON YEAR

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



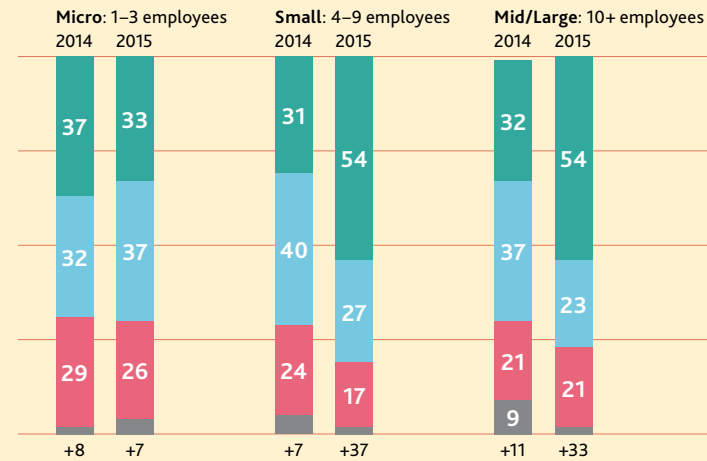
(Projections compared with equivalent quarter from previous year)

The BDO View

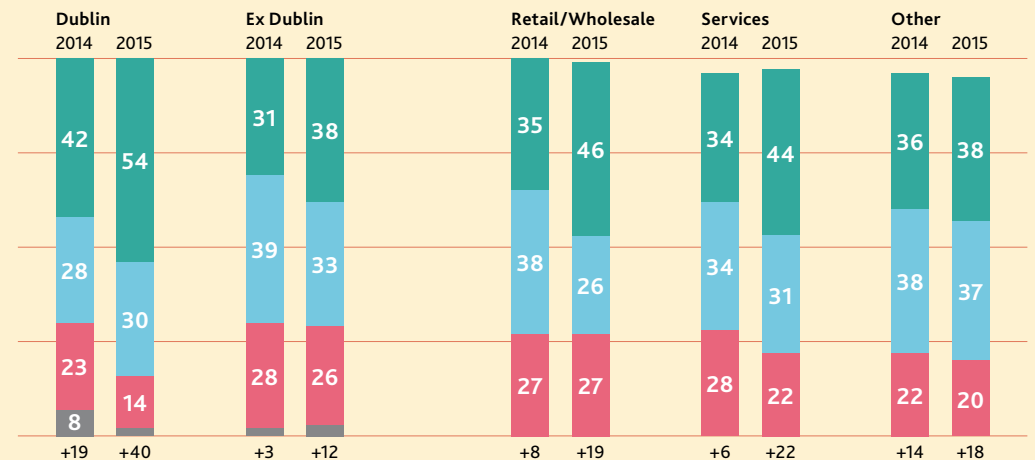
Further good news is delivered under Operating profit. Overall, more are increasing, less are decreasing and the numbers (again) are the most positive over the five years of our survey.

The growth is shared quite evenly, with 20% or more in each of our size groupings showing profit growth. The same is true in Dublin and outside.

Responses per company size



Responses by location

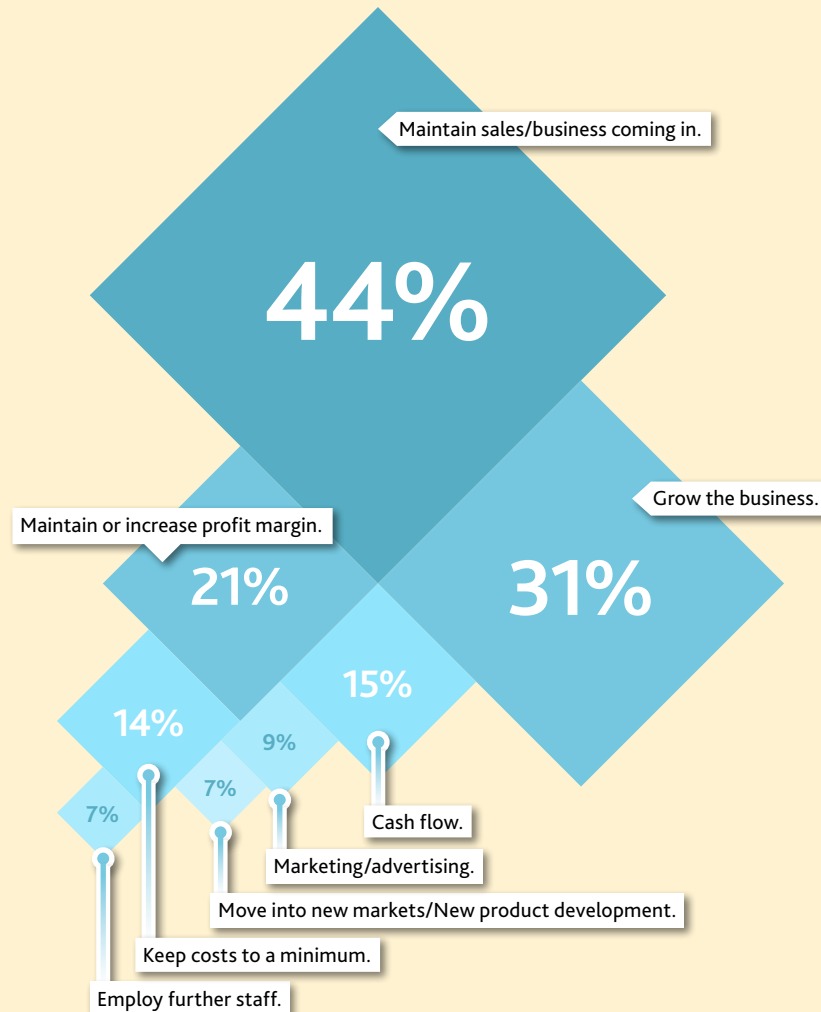


Key priorities

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KEY PRIORITIES FOR YOUR BUSINESS

QUESTION As you face the remainder of 2015, what are the three key priorities for your business?



The BDO View

The top priorities identified for firms is a clear and continued focus on sustaining sales, business growth and profit margins. It appears that looking beyond this, at opportunities and investments will play second fiddle in the short term to building on the core fundamentals.

Outside of these three key areas, some other highlights ensuring sufficient working capital, keeping costs to a minimum, marketing/advertising, new product development as priorities for businesses for the remainder of 2015.

CONCERN REGARDING BRITISH EXIT FROM THE EUROPEAN UNION

QUESTION Are companies concerned about a British exit from the European Union following the UK referendum in 2016.



The BDO View

Overall over one third of all firms surveyed are concerned about the possible impact of a British exit from the EU.

More surprisingly, the level of concern doesn't change and is similar across each size grouping and geographically.

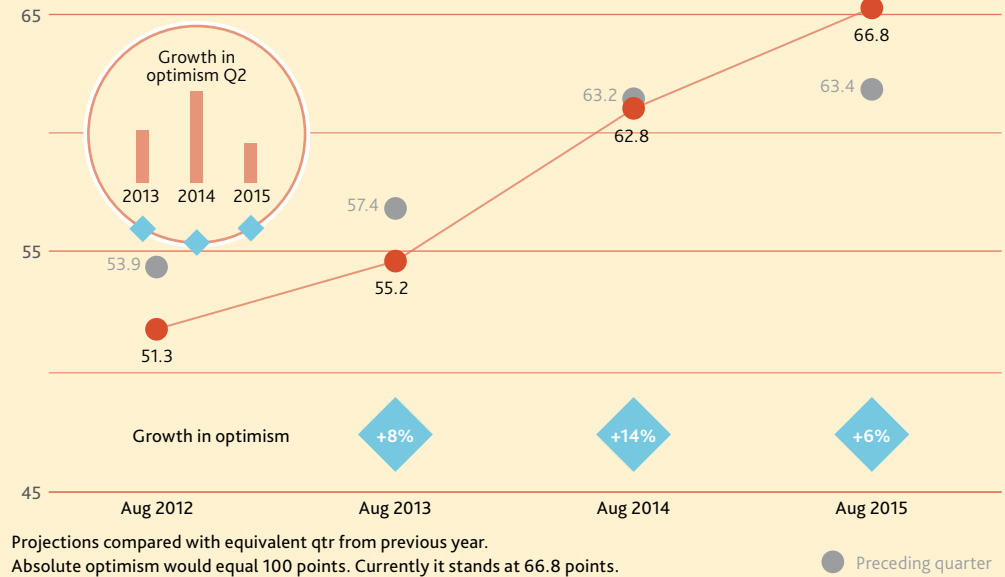
Interestingly, and unexpectedly, we are not seeing any increase in concern with regard to exports as we possibly would have expected with the level of concern remaining at 39%.

Overall Optimism

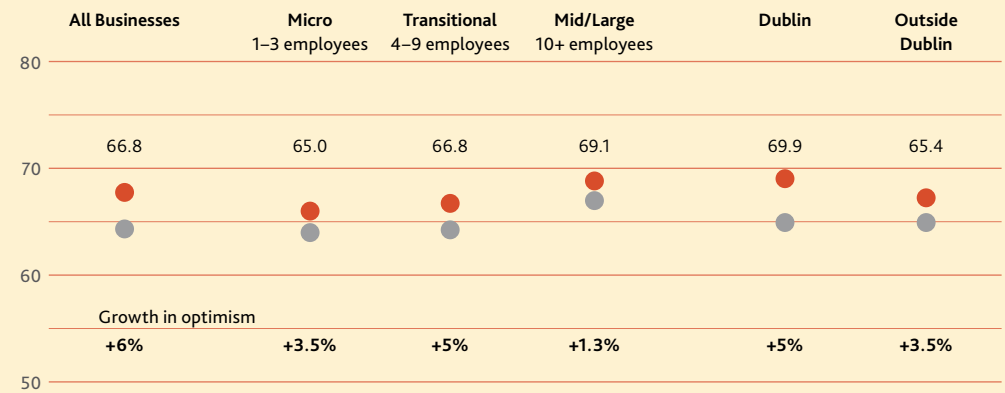
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BUSINESS ENVIRONMENT – OPTIMISM FOR YEAR END

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



LARGER COMPANIES MOST OPTIMISTIC.



The BDO View

With regard to optimism for this quarter, our report shows the highest level of optimism among firms surveyed for the past five years. The value we have given this out of 100 is 66.8

All firms are more optimistic than quarter 1 and considerably more than for the same quarter last year. As is evident from other results within the survey, larger companies are the most optimistic and firms based in Dublin show the largest optimism level at 69.9.

About BDO

BDO is one of Ireland's leading Audit, Tax and Advisory firms, specialising in advising businesses across all sectors, ranging from the development stage through to successful international growth. What unites all our clients is their ambition, and our drive to help deliver it.

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.

Dealing with BDO is different. Our approach is pragmatic and hands-on which ensures timely, straightforward advice. Our assignments are led by senior personnel with an in-depth understanding and knowledge of the market. This delivers high value for all our clients and practical solutions that are based on unrivalled sectoral experience and expertise.

For more information please contact:
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About Behaviour & Attitudes

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They pride themselves on having the most experienced director team in Ireland. All projects have a Director involved.

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Specialist sectors include: Media, Retail & Shopper, Technology & Telecoms, Financial, Political & Social, Polling, Automotive, Healthcare and Public Sector & Utilities.

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