

# IBEC BUSINESS SENTIMENT SURVEY

## NOVEMBER 2009 – Quarter 4: Business Confidence

*This survey is the final quarterly survey of business sentiment for 2009. The following report contains a comparative look at sentiment throughout all four surveys, conducted in February, May, August and November 2009.*

### Summary

- In Q4, 75% of companies said that the overall business environment in Ireland had been either 'poor' or 'very poor' in the previous three months. This is in line with findings in the previous surveys carried out during the year.
- Sentiment in relation to the current business environment, however, improved slightly throughout the year. The share of companies rating the current business environment as 'poor' or 'very poor' fell from 77% in Q1 to 69% in Q4.
- Expectations for the future have also improved somewhat. In Q4, 62% expect the overall business environment to be 'poor' or 'very poor' in three months' time, compared with 74% in Q1.
- The proportion stating that their own business was 'good' or 'very good' in the previous three-month period was 16% in Q4, a slight improvement on 13% in Q2. In relation to current sentiment, 17% of companies rated their business as 'good' or 'very good' in Q4, an increase on 11% in Q2. The share expecting their business in three months' time to be 'poor' or 'very poor' fell from 56% in Q2 to 48% in Q4.
- Expectations around turnover have improved throughout the year. The share expecting turnover to increase in the next three months rose from 22% in Q1 to 30% in Q4. Correspondingly, in Q4 38% expected turnover to decrease, compared with 59% in Q1.
- Responses in relation to profitability tell a similar story. The share expecting profitability to increase in the coming three months rose from 15% in Q1 to 27% in Q4. Correspondingly, the share in Q4 expecting profitability to decrease was 42%, down from 64% in Q1.
- In Q1, 35% of companies expected employee numbers to stay the same in the coming three months; by Q4, this had risen to 52%. The share of companies expecting to increase employee numbers stayed level throughout the year. However, in Q4 fewer companies expect to decrease numbers than in Q1, down to 37% from 52%.

### Respondent profile

In November, 41% of respondents were from the manufacturing sector, with a further 33% from the services sector and 26% from the wholesale and retail distribution sector.

Almost two-thirds of respondents employed fewer than 50 employees, while one in ten had 250 or more employees.

Table 1: Profile of participants – all quarters

|                               | February Q1               | May Q2     | August Q3  | November Q4 |
|-------------------------------|---------------------------|------------|------------|-------------|
|                               | Percentage of respondents |            |            |             |
| <b>Less than 50 employees</b> | 71                        | 59         | 64         | 65          |
| <b>50 – 249 employees</b>     | 18                        | 27         | 24         | 22          |
| <b>Over 250 employees</b>     | 9                         | 12         | 11         | 11          |
| <b>Not stated</b>             | 2                         | 2          | 2          | 1           |
| <b>Manufacturing</b>          | 31                        | 38         | 38         | 41          |
| <b>Distribution</b>           | 20                        | 27         | 25         | 26          |
| <b>Services</b>               | 47                        | 34         | 36         | 33          |
| <b>Not stated</b>             | 2                         | 2          | 2          | 1           |
| <b>Total</b>                  | <b>761</b>                | <b>468</b> | <b>508</b> | <b>501</b>  |

### Overall business environment sentiment

In the current survey, three quarters of respondents (75%) rate the overall business environment in Ireland in the last three months as either 'poor' or 'very poor'. This is in line with findings in the previous surveys carried out in May 2009 and August 2009. Table 2 below sets out the details.

Table 2: How would you rate the **overall business environment in Ireland** in the last three months?

|                   | February 2009             | May 2009   | August 2009 | November 2009 |
|-------------------|---------------------------|------------|-------------|---------------|
|                   | Percentage of respondents |            |             |               |
| <b>Very good</b>  | n/a                       | 1          | -           | -             |
| <b>Good</b>       | n/a                       | 5          | 6           | 6             |
| <b>Average</b>    | n/a                       | 14         | 17          | 18            |
| <b>Poor</b>       | n/a                       | 39         | 47          | 48            |
| <b>Very poor</b>  | n/a                       | 39         | 29          | 27            |
| <b>Not stated</b> | n/a                       | 3          | 2           | 2             |
| <b>Total</b>      |                           | <b>468</b> | <b>508</b>  | <b>501</b>    |

Sentiment in relation to the current business environment in Ireland, has changed little since our previous survey in August 2009. Almost seven out of ten respondents rate the current business environment as 'poor' or 'very poor'. This is similar to findings in Q3 (70%), Q2 (74%) and Q1 (77%). Table 3 following, sets out the details.

Table 3: How would you rate the **overall business environment in Ireland** currently?

|                   | February 2009             | May 2009   | August 2009 | November 2009 |
|-------------------|---------------------------|------------|-------------|---------------|
|                   | Percentage of respondents |            |             |               |
| <b>Very good</b>  | -                         | -          | 1           | 1             |
| <b>Good</b>       | 7                         | 5          | 7           | 5             |
| <b>Average</b>    | 16                        | 15         | 20          | 22            |
| <b>Poor</b>       | 45                        | 41         | 47          | 44            |
| <b>Very poor</b>  | 32                        | 33         | 23          | 25            |
| <b>Not stated</b> | 1                         | 5          | 3           | 3             |
| <b>Total</b>      | <b>761</b>                | <b>468</b> | <b>508</b>  | <b>501</b>    |

Expectations of the overall business environment in three months time are slightly higher in Q3 and Q4 with 62% of respondents rating the overall business environment in Ireland in three months time as either 'poor' or 'very poor'. The corresponding figure was 63% in August 2009. The first two quarters of the survey were slightly more negative. Table 4 below sets out the details.

Table 4: How would you rate the **overall business environment in Ireland** in three months time?

|                   | February 2009             | May 2009   | August 2009 | November 2009 |
|-------------------|---------------------------|------------|-------------|---------------|
|                   | Percentage of respondents |            |             |               |
| <b>Very good</b>  | -                         | -          | 1           | -             |
| <b>Good</b>       | 6                         | 7          | 9           | 6             |
| <b>Average</b>    | 18                        | 19         | 23          | 27            |
| <b>Poor</b>       | 40                        | 43         | 41          | 40            |
| <b>Very poor</b>  | 34                        | 26         | 22          | 22            |
| <b>Not stated</b> | 3                         | 5          | 4           | 4             |
| <b>Total</b>      | <b>761</b>                | <b>468</b> | <b>508</b>  | <b>501</b>    |

### Confidence in own business

Three month confidence levels remain largely unchanged with similar percentages of respondents indicating that they are more, or less, confident about their business than three months ago.

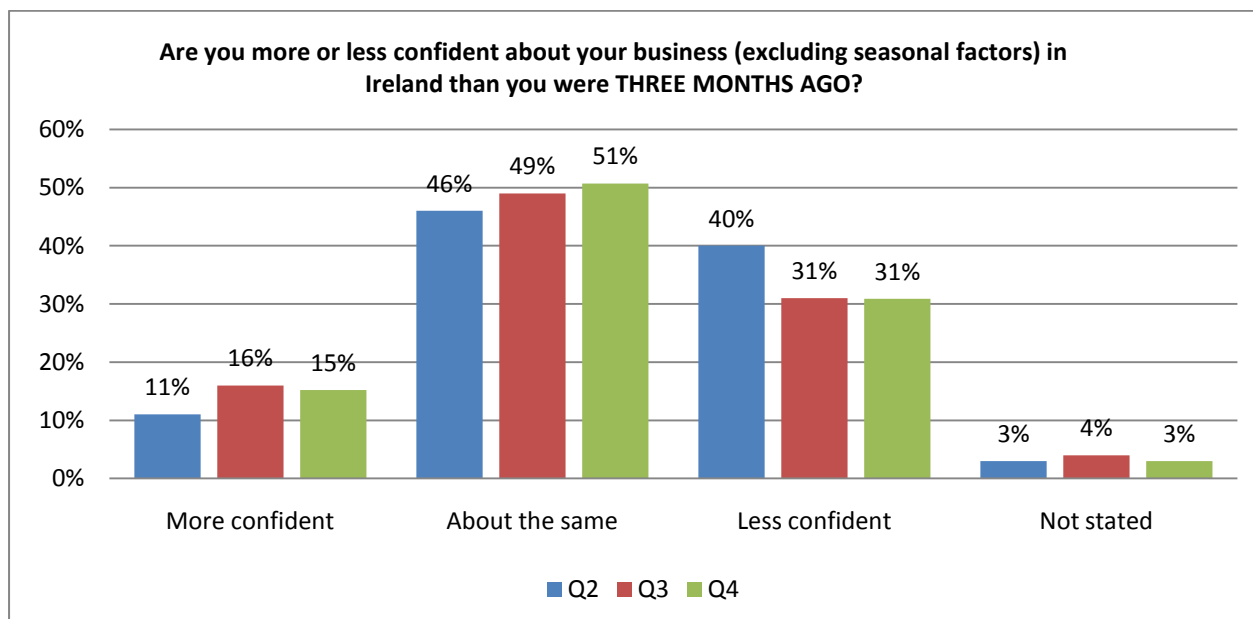


Figure 1: Confidence in own business – Q2-4

### Own business sentiment

The same proportion of respondents rated their business in the last three months as either 'good' or 'very good' in November 2009 (16%), and in August 2009 (16%). The August findings were a slight improvement on Q2 (May 2009) with 13% of respondents rating their own business as either 'good' or 'very good' in the preceding three months. The proportion that rate their own business in Ireland as 'poor' or 'very poor' has been dropping slightly in each quarter since May 2009.

Table 5: How would you rate **your business in Ireland** in the last three months?

|                   | February 2009             | May 2009   | August 2009 | November 2009 |
|-------------------|---------------------------|------------|-------------|---------------|
|                   | Percentage of respondents |            |             |               |
| <b>Very good</b>  | n/a                       | 2          | 3           | 2             |
| <b>Good</b>       | n/a                       | 11         | 13          | 14            |
| <b>Average</b>    | n/a                       | 24         | 26          | 29            |
| <b>Poor</b>       | n/a                       | 35         | 36          | 34            |
| <b>Very poor</b>  | n/a                       | 25         | 21          | 19            |
| <b>Not stated</b> | n/a                       | 3          | 2           | 1             |
| <b>Total</b>      |                           | <b>468</b> | <b>508</b>  | <b>501</b>    |

Findings in Q3 and Q4 in relation to respondents' current rating of their business were similar with 17% in Q4 rating their business as either 'good' or 'very good' compared with 16% in Q3 and 11% in Q2. Table 6 below sets out the details.

Table 6: How would you rate **your business in Ireland** currently?

|                   | February 2009             | May 2009   | August 2009 | November 2009 |
|-------------------|---------------------------|------------|-------------|---------------|
|                   | Percentage of respondents |            |             |               |
| <b>Very good</b>  | n/a                       | 1          | 3           | 3             |
| <b>Good</b>       | n/a                       | 10         | 13          | 14            |
| <b>Average</b>    | n/a                       | 27         | 30          | 30            |
| <b>Poor</b>       | n/a                       | 37         | 35          | 34            |
| <b>Very poor</b>  | n/a                       | 21         | 17          | 18            |
| <b>Not stated</b> | n/a                       | 4          | 2           | 1             |
| <b>Total</b>      |                           | <b>468</b> | <b>508</b>  | <b>501</b>    |

Findings across the rating of business in three months time remain similar across all the time periods examined. The proportion of respondents who expected their business in three months time to be either 'poor' or 'very poor' declined between Q2 (56%) and Q3 (48%). Findings in Q4 are similar to those of Q3 (see table 7 below).

Table 7: How would you rate **your business in Ireland** in three months time?

|                   | February 2009             | May 2009   | August 2009 | November 2009 |
|-------------------|---------------------------|------------|-------------|---------------|
|                   | Percentage of respondents |            |             |               |
| <b>Very good</b>  | n/a                       | 2          | 3           | 3             |
| <b>Good</b>       | n/a                       | 11         | 16          | 14            |
| <b>Average</b>    | n/a                       | 28         | 31          | 32            |
| <b>Poor</b>       | n/a                       | 37         | 33          | 32            |
| <b>Very poor</b>  | n/a                       | 19         | 15          | 16            |
| <b>Not stated</b> | n/a                       | 4          | 3           | 3             |
| <b>Total</b>      |                           | <b>468</b> | <b>508</b>  | <b>501</b>    |

### Change in company business structure IN NEXT THREE MONTHS

Companies were asked to indicate if they expected their company's business structure to change in the next three months. While four out of ten respondents (40%) expected their business structure to remain the same, some 21% expected to decrease in size. In addition, some 26% expect to restructure while 14% expect to diversify. Interestingly, one in ten respondents expect to expand in their present location.

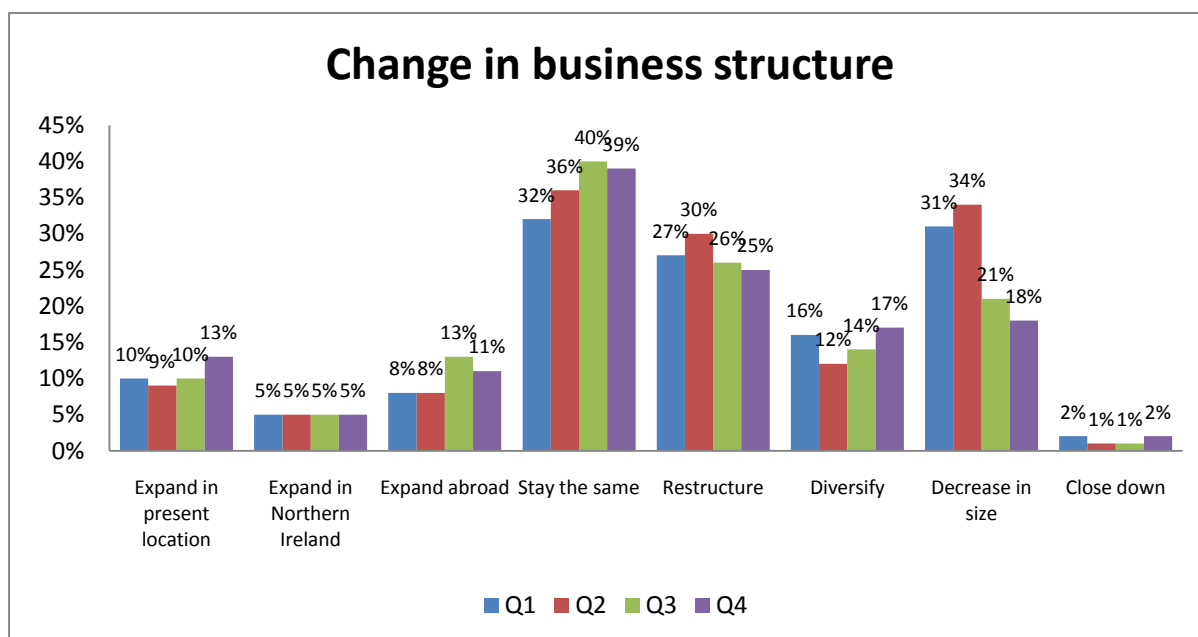


Figure 3: Change in company business structure over the next three months – All Quarters

**Please note:** Respondent companies may have provided more than one answer above.

## BUSINESS ACTIVITY INDICATORS

### Turnover

Some 59% of respondents indicated a decrease in turnover in the last three months with almost one in five (19%) respondents experiencing an increase in turnover in the same period. Some 38% of respondents expect a decrease in turnover in the next three months, with almost one-third (30%) expecting an increase in the same period.

Figure 4 below sets out the details of respondent expectations in relation to turnover over all four quarters. The proportion of respondents expecting turnover to decrease in the three months following each survey has declined in each quarter, however, the proportion of respondents expecting turnover to increase in the next three months has not changed over the past two quarterly surveys.

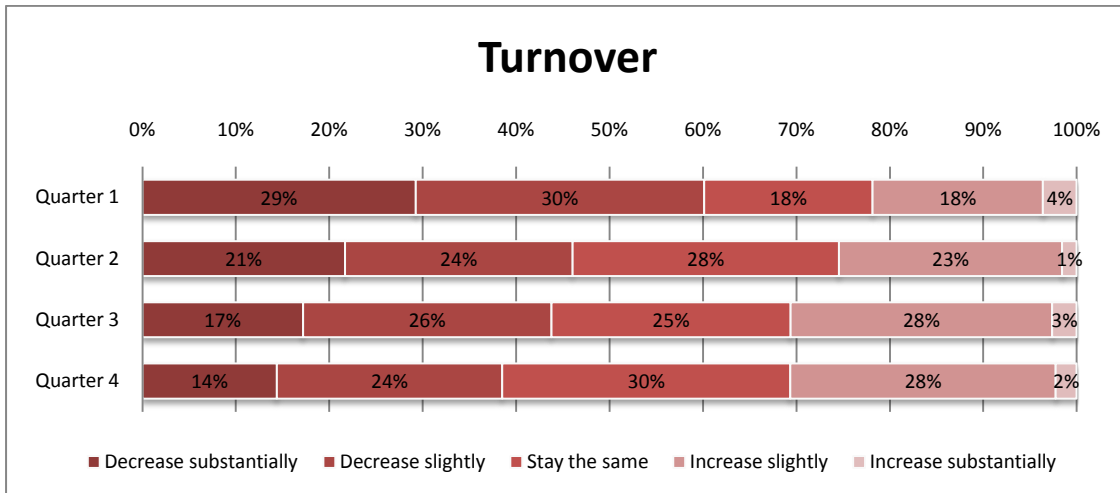


Figure 4: Turnover in next three months – all quarters

### Profitability

Almost three out of five respondents (59%) indicated a decrease in profitability in the last three months, with 17% experiencing an increase in the same period. Some 42% expected a decrease over the next three months, with over a quarter (26%) expecting an increase in the next three months.

In the Q3 survey, conducted in August 2009, there was an increase in the proportion of respondents expecting profitability to increase in the subsequent three months. Findings in Q4 are similar to those of Q3 (see fig. 5 below)

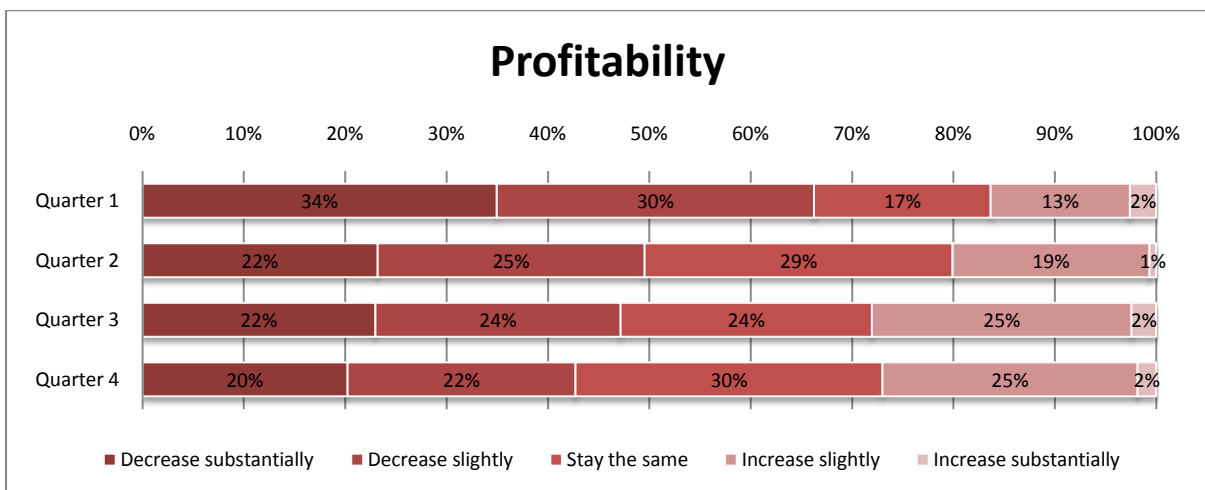


Figure 5: Profitability in next three months – all quarters

**Domestic sales**

Over half the respondents (52%) experienced a decrease in domestic sales over the last three months, with 33% expecting a decrease in the next three months. Over the last three months, domestic sales increased in 11% of respondent companies, and over one in five (21%) expect to experience an increase in domestic sales over the next three months.

The proportions of respondents expecting a decrease in domestic sales has improved significantly since the first quarterly survey in February 2009. However, the proportion of respondents who expect their domestic sales to stay the same has increased. Between Q2 and Q3, there was an increase in those who expected their domestic sales to increase. This proportion has remained similar in Q4.

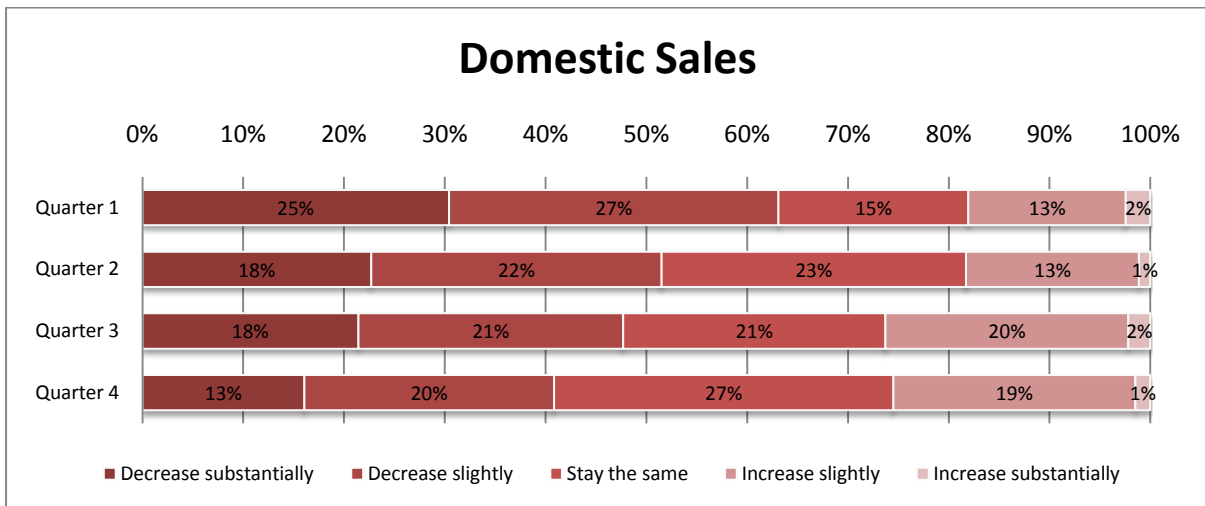


Figure 6: Domestic sales in next three months – all quarters

**Customer base**

Almost four out of ten (38%) respondents indicated no change to their customer base in the last three months. In almost one fifth of respondents (19%) the customer base had increased in the same period, and in 38% it had decreased. Over the next three months, over a quarter of respondents (27%) expect to experience an increase in their customer base, with 26% expecting a decrease.

Results were similar across all four quarterly surveys (see fig. 7 below).

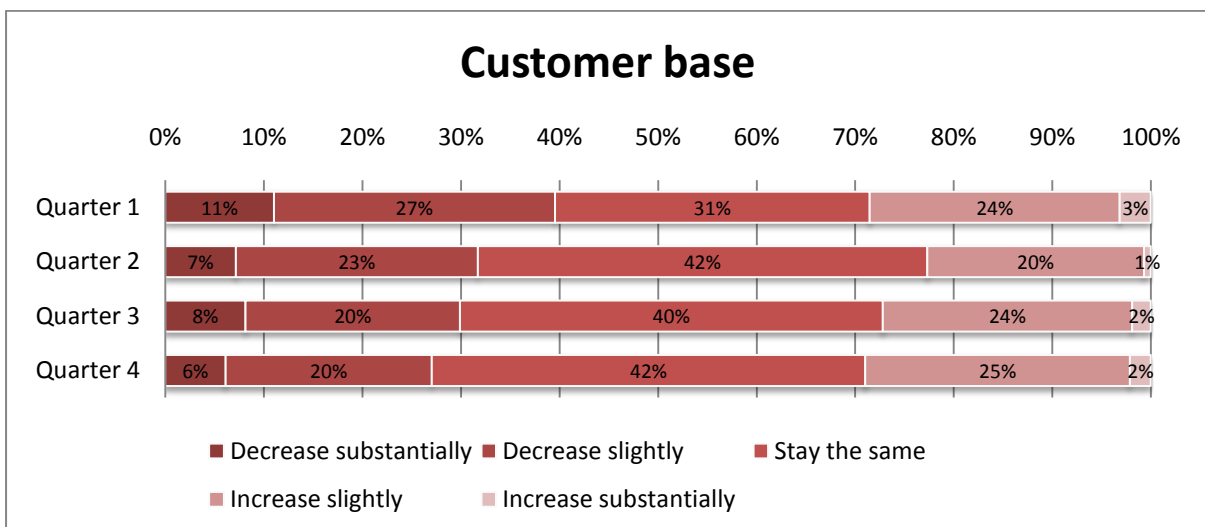


Figure 7: Customer base in next three months – all quarters

### Order books

There has been a slight improvement in the position regarding order books since the last quarter. Some 44% of respondents experienced a decrease in order books over the last three months down from 53% in August 2009. One fifth of respondents (19%) experienced no change to their order books in the last three months, compared with 15% in Q3.

Over the next three months, some 27% expect their order books to decrease, compared with almost one-third (32%) in Q3. Some 17% of companies experienced an increase in order books in the last three months, compared with 26% of respondents who expect an increase in the next three months.

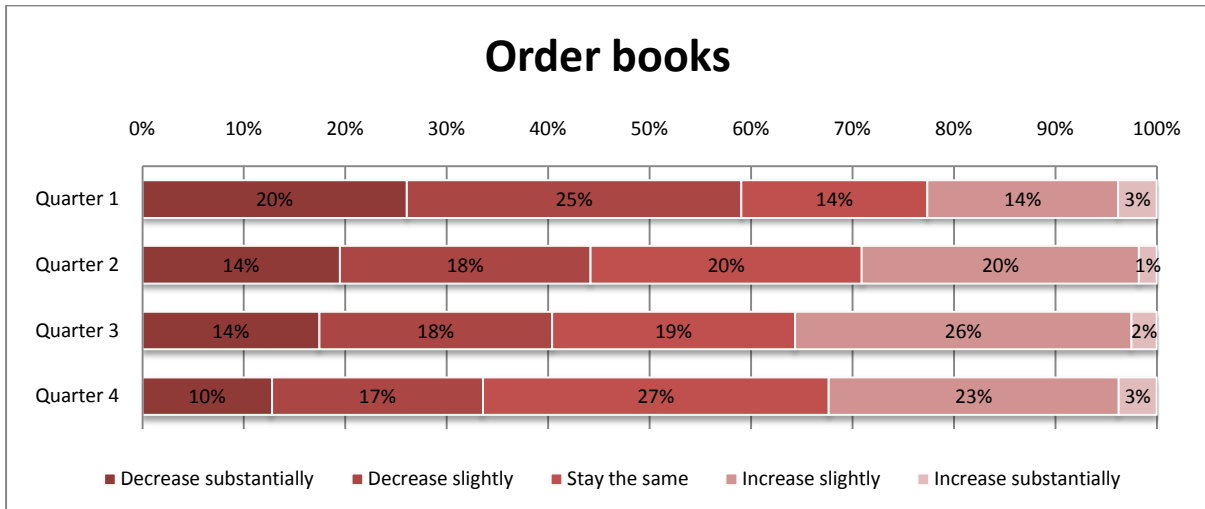


Figure 8: Order books in next three months – all quarters

Over the past four quarterly surveys there has been an increase in the proportion of respondents who expect their order books to stay the same, with a smaller percentage of companies in each subsequent quarter expecting their order books to decrease. An elevated level of sentiment in Q3 seems to have fallen back slightly in Q4.

### Output/Selling price per unit

Some 60% experienced a decrease in the selling price per unit of output over the last three months. Fewer respondents (42%) expect a decrease in selling price per unit in the next three months. In the past three months, some 26% of respondents indicated that their selling price remained the same, compared with 43% who expect it to remain the same over the next three months.

A significant percentage of respondents expect output selling price per unit to decline over the next three months in Q4. Fewer respondents in Q4 expect output/selling price per unit to increase, compared with Q3. Fig. 9 below sets out the full details.

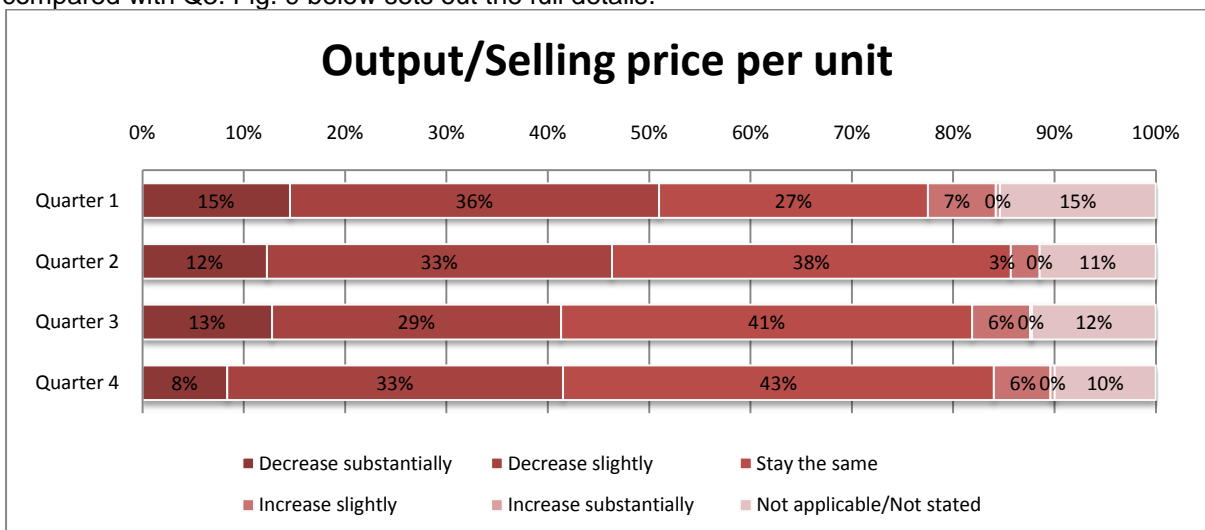


Figure 9: Output/selling price per unit in next three months – all quarters

### Employee numbers

Four out of ten (40%) respondent companies decreased employee numbers over the last three months. Over the next three months, slightly fewer companies (37%) expect to decrease numbers of employees. In the next three months, over half (52%) expect their employee numbers to stay the same, compared with 47% in the last three months.

The proportion of respondents expecting to decrease employee numbers still remains at over a third of respondents (37% in Q4) although it has fallen steadily since Q1. In Q4 the percentage of respondents who expect employee numbers to stay the same has increased proportionally. Less than one in ten respondents across all quarters expect employee numbers to increase.

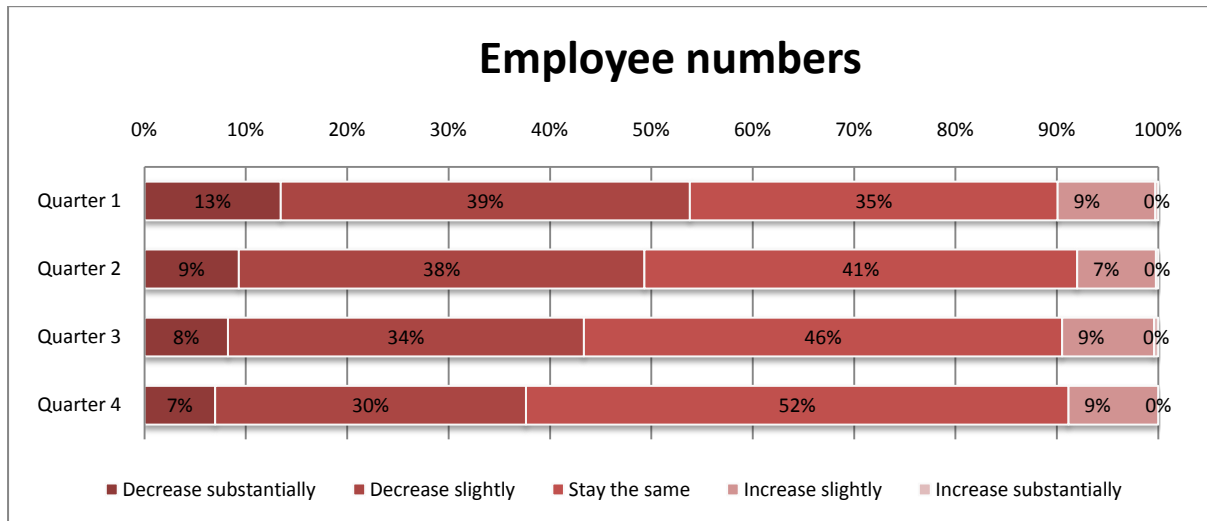


Figure 10: Employee numbers in next three months – all quarters