

# IBEC BUSINESS SENTIMENT SURVEY

## NOVEMBER 2009 – Quarter 4: Credit Conditions



*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, 14% of companies had experienced an increase in the cost of working capital in the previous three-month period, down from 21% in Q1. The cost of investment capital had increased in 10% of companies, similar to Q1 and Q2 but substantially lower than the 18% in Q3.
- The availability of working capital is no longer decreasing. In Q4, 19% of companies had experienced a decrease in the previous three months, down from 27% in February. However, the results do not indicate an improvement in access to working capital; for 52% of companies, availability had stayed the same in Q4 in the previous three months, up from 41% in Q1. There was little change to the availability of investment finance throughout 2009.
- On credit terms in Q4, 43% offered up to 30 days of credit to their clients, while 34% offered up to 60 days. On credit taken, 38% took up to 30 days of credit from suppliers, while 41% took up to 60 days credit.
- Over the last three months, 77% of respondents had not changed the credit terms their company offers to customers. However, 41% had seen an extension in the credit terms their customers took from them. While 11% had extended the credit terms they themselves took from suppliers, in 79% credit terms taken remained unchanged.

### 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>	761	468	508	501

## Credit

The cost of working capital had increased in 14% of respondent companies, compared with 22% in August 2009, 15% in May 2009 and 21% in February 2009. The cost of investment capital had increased in 10% of respondent companies, significantly lower than the corresponding figures in Q3 (18%), and returning to the percentage levels recorded in Q1 (12%) and Q2 (10%). A very high proportion of respondents indicated either that this question was not applicable to them or they did not answer. This amounts to almost half the respondents in relation to investment finance. The following tables set out the details for both cost and availability of working capital and investment finance.

Table 1: Change in cost of working capital in the last three months

Cost of working capital	February Q1	May Q2	August Q3	November Q4
	Percentage of respondents			
<b>Increased</b>	21	15	22	14
<b>Stayed the same</b>	40	42	45	51
<b>Decreased</b>	8	12	7	9
<b>Not stated/Not applicable</b>	31	31	27	27
<b>Total</b>	761	468	508	501

Table 2: Change in cost of investment finance in the last three months

Cost of investment finance	February Q1	May Q2	August Q3	November Q4
	Percentage of respondents			
<b>Increased</b>	12	10	18	10
<b>Stayed the same</b>	25	29	31	37
<b>Decreased</b>	7	9	5	4
<b>Not stated/Not applicable</b>	56	52	46	49
<b>Total</b>	761	468	508	501

In terms of the availability of working capital, the findings in this quarter are similar to those of previous quarters. In February 2009, some 27% of respondent companies had experienced decreased availability of working capital compared with 24% in May, 23% in August and 19% in the current survey. The results in relation to decreased availability of investment finance are very similar across all three quarterly surveys, with 19% of respondents in February experiencing decreased availability of investment finance in the preceding three months compared with 20% in May 2009 and 20% in August and 16% in the current survey. Tables 3 and 4 below set out the details.

Table 3: Change in availability of working capital in the last three months

Availability of working capital	February Q1	May Q2	August Q3	November Q4
	Percentage of respondents			
<b>Increased</b>	3	3	3	2
<b>Stayed the same</b>	41	44	49	52
<b>Decreased</b>	27	24	23	19
<b>Not stated/Not applicable</b>	29	30	25	26
<b>Total</b>	761	468	508	501

Table 4: Change in availability of investment finance in the last three months

Availability of investment finance	February Q1	May Q2	August Q3	November Q4
	Percentage of respondents			
<b>Increased</b>	2	2	2	1
<b>Stayed the same</b>	25	26	32	35
<b>Decreased</b>	19	20	20	16
<b>Not stated/Not applicable</b>	54	53	46	48
<b>Total</b>	761	468	508	501

## Credit (cont'd)

Credit terms offered by respondent companies are detailed in table 5 below. Over two out of five respondents (43%) offered up to 30 days credit to their clients. An additional 34% offered credit terms of up to 60 days. In terms of credit taken by respondent companies from their suppliers, over a third of respondents took up to 30 days credit while 41% took up to 60 days credit. These findings vary only slightly from those of the previous quarter.

**Table 5: Credit terms offered by company**

	Credit terms your company offers	Credit terms taken by clients from your company	Credit terms taken by your company from suppliers
	No. (%) of companies		
No credit	59 (12%)	44 (9%)	27 (5%)
Up to 30 days credit	208 (42%)	80 (16%)	189 (38%)
Up to 60 days credit	171 (34%)	135 (27%)	204 (41%)
Up to 90 days credit	47 (9%)	128 (26%)	53 (11%)
91+ days credit	4 (1%)	101 (20%)	14 (3%)
Not stated	12 (2%)	13 (3%)	14 (3%)
Total	501	501	501

An examination of the difference between credit terms offered by the responding company and credit terms taken by their clients yields the following results, set out in table 4, below. In 56% of respondent companies clients take credit terms over and above those offered by the respondent company. However in 36% of respondent companies there was no difference between credit terms offered and credit terms taken by clients.

**Table 4: Differences between credit terms offered and credit terms taken by clients**

	Q1	Q2	Q3	Q4
Client takes over 90 days extra	3 (-)	1 (-)	-	4 (1%)
Client takes between 60 and 90 days extra	48 (6%)	18 (4%)	36 (7%)	34 (7%)
Client takes between 30 and 60 days extra	145 (19%)	69 (15%)	73 (14%)	80 (16%)
Client takes up to 30 days extra	211 (28%)	150 (32%)	177 (35%)	162 (32%)
No difference	301 (40%)	186 (40%)	184 (36%)	197 (39%)
Client takes fewer days than allowed	21 (3%)	9 (2%)	15 (3%)	10 (2%)
Not stated	32 (4%)	35 (8%)	23 (5%)	14 (3%)
Total	761	468	508	501

Over the last three months, the majority of respondents (77%) had not changed the credit terms offered by their company to customers. Over four out of ten (41%) respondents however had seen an extension in the credit terms that their customers took from them. Some 11% of respondents had extended the credit terms they themselves took from suppliers. In almost eight out of ten respondent companies however, credit terms taken remained the same. Full details are set out in table 5 overleaf.

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### Credit (cont'd)

**Table 5: Credit changes in the last three months**

	Extended	Stayed the same	Shortened	Not stated	Total number of cases
	No. (%) of companies				
Credit terms your company offers	45 (9%)	385 (77%)	57 (11%)	14 (3%)	501
Credit terms taken by clients from your company	203 (41%)	253 (50%)	26 (5%)	19 (4%)	501
Credit terms taken by your company from suppliers	56 (11%)	396 (79%)	34 (7%)	15 (3%)	501