

## Press Release

Friday 13<sup>th</sup> June 2008

*South East Business Confidence Study - May 2008*

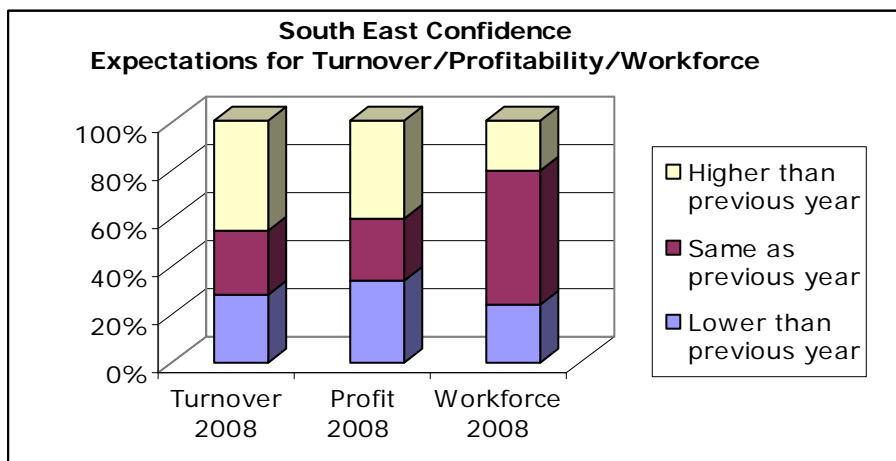
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### ***South East Employment Outlook Gloomy as Economic Confidence Deteriorates***

Very real evidence of deterioration in economic confidence is to be seen in the findings of a major survey of businesses in the South East of Ireland. The on-line survey, the first in a series, was conducted by Kilkenny-based market research firm, Market Dynamics and 400 organisations across the region took part.

The study shows that overall expectations for 2008 in terms of turnover, profit and employment are poor with more than half of organisations believing that they will not meet the fundamental business goal of improving turnover on 2007. Differences in confidence levels between the 5 counties surveyed were particularly apparent in the area of employment with expectations of both staff increase and decrease varying considerably. Companies in the services sector have the most positive outlook while those in manufacturing are more positive than might have been expected given recent closures with companies moving offshore

Commenting on the results, John Gilsenan, Managing Director of Market Dynamics, stated: "in the current climate of rising oil prices and almost daily reports of problems in the housing market it is not surprising to see that so few businesses expect to do better this year than last. However, the findings are not entirely negative. While about a quarter of firms expect a drop in employment levels, about one in five plans to increase hiring. Indeed, finding suitable staff was noted among the biggest challenges by many businesses."



Source: Market Dynamics, June 2008

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## **Major survey findings included the following:**

### ***Sales / Turnover / Profitability***

- While 73% experienced an improvement in sales/turnover in 2007, less than half (46%) of all firms expect turnover in 2008 to be higher than last year while 28% expect it to be lower.
- Medium sized companies (those with 25-49 employees) seem to be feeling the pressure most with more expecting a drop in turnover (39%) than an increase (38%).
- The gloom is not shared equally by all industry sectors. The most negative on turnover are construction, financial services, hotels/restaurants and retail/wholesale. However, organisations in manufacturing and business services are more positive about this year.
- Expectations on profitability are even lower with just 41% of organisations expecting better profits in 2008 than last year. Organisations in manufacturing and business services are also most positive about profits this year.

### ***Employment Levels***

- One in four companies expects to be employing less people at the end of 2008 than at the end of last year though a further 21% expect to be employing more thus reducing the negative impact on the region's economy.
- Larger organisations, those with between 50-99 employees have the most positive employment outlook with nearly one in three expecting to increase employment levels this year.
- The most negative sectors for employment are construction where 46% of companies expect to shed workers this year, hotels/restaurants (38%) and retail/wholesale (36%). The business services sector has the most positive outlook for employment with 27% of organisations expecting to be employing more people by the end of 2008.
- Kilkenny shows the most negative outlook for employment with 36% of organisations surveyed expecting to employ less people by the end of 2007.

### ***Business Challenges***

- Labour costs (59%) and increased competition (52%) were the challenges mentioned by most organisations in the survey.
- A very significant number of organisations (39%) cited the difficulty in hiring suitable staff as a major challenge which demonstrates that even in a downturn, businesses can be constrained by supply-side factors.

### ***University of the South East***

- Four out of five organisations believes that a regional university would be either important or very important to the economy of the South East region. Organisations in counties Waterford, Wexford and South Tipperary were most positive with those in Carlow and Kilkenny less so.
- When asked to what extent they felt a regional university would benefit the county they are based in, a total of 68%, or two-thirds, considered that it would be of great benefit while about one in four (26%) felt that it would be of moderate benefit.

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### ***Broadband***

- Almost 90% of respondents believe that broadband access is important to the South East economy. However, 29% of those who have broadband say it is inadequate to meet their requirements.

### ***Regional Lobbying***

- Nearly four times as many organisations (45%) believe that a regional approach to lobbying government would benefit their business than an approach based on individual counties (12%) while a further 43% believe that mixed county/regional approach would achieve best results.
- However, a total of 82% of businesses believe that the South East has a weaker voice than other regions when lobbying government.

**Carlow summary:** Businesses in Carlow expect to weather the storm of the downturn better than most with just 18% expecting turnover to be lower this year. Carlow also has the highest proportion (28%) who expect to employ more staff at the end of 2008 than at the end of 2007. Carlow based businesses are the least positive about a South East University. One third of Carlow respondent consider that their broadband is insufficient to meet their requirements.

**Kilkenny summary:** Kilkenny businesses are reasonably positive about their prospects in 2008 with 48% expecting to increase profits on last year. However, there will be a price to pay in terms of employment. A massive 36% (12% above the regional average) of Kilkenny businesses expect to employ less people at the end of this year than they did at the end of 2007. Kilkenny businesses are most negative about the possibility of a South East University than any other county in the region with one in four businesses saying it would not make an important contribution to the South East regional economy.

**South Tipperary summary:** South Tipperary based businesses are most positive about 2008 with 56% of businesses expecting turnover to be higher than last year and 53% expecting an increase in profits, again the highest proportion in the region. The downside will be in employment with 28% expecting to reduce staffing levels this year. Businesses in South Tipp are also most positive about a range of infrastructural initiatives such as improvements in rail links, the importance of broadband access, the motorway to Dublin as well as international transports links such as those from Waterford airport.

**Waterford summary:** One third of businesses in Waterford expect turnover to be lower this year while 37% expect profits to be down. One in four will employ less people at the end of 2008 than they did at the end of 2007. Perhaps surprisingly, Waterford is behind Carlow and South Tipperary in its assessment of the importance of the motorway to Dublin. Waterford businesses also ascribe least importance to improved rail links.

**Wexford summary:** Just 20% of businesses in Wexford expect to reduce staff numbers this year, the lowest in the region. It is also the county that is most supportive of the importance of a regional university after Waterford. Two thirds of Wexford businesses think that government decentralisation will be important to the region's economy. It also has the highest level of dissatisfaction with broadband access in the region. One in three businesses claim that their broadband access is insufficient to meet their requirements.

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Market Dynamics is an independent market research company based in Inistioge, Co. Kilkenny. The South East Business Confidence Study is independently funded Market Dynamics and is not sponsored. For more information please contact Fiona Macrae on 056 775 8844 or e-mail [fiona@marketdynamics.ie](mailto:fiona@marketdynamics.ie).

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