

Press Release

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South East Business Confidence Study - October 2008

South East businesses facing up to challenges ahead

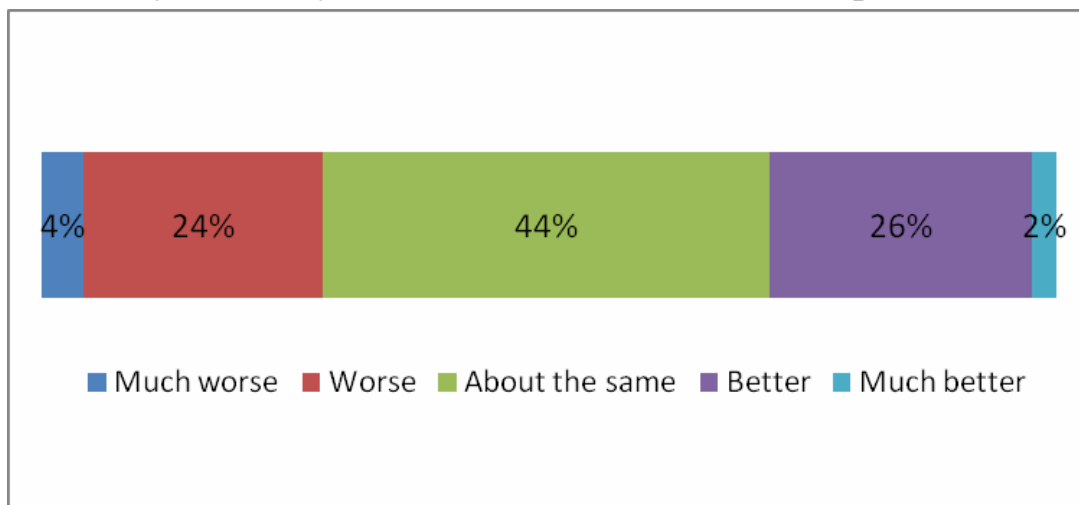
The business outlook in the South East has deteriorated further in the past six months according to the findings of the latest South East Business Confidence Study. This is the second in a series of twice-yearly surveys conducted on-line with businesses in the South East of Ireland by Kilkenny-based market research firm, Market Dynamics. 400 organisations across the region took part.

The findings show that the expectations of businesses for 2008 in terms of turnover, profit and employment are much lower than in the first survey conducted in May 2008. In the region as a whole, more businesses expect their turnover, profits and workforce to be lower at the end of 2008 than they were at the end of 2007, a sure sign that a recession is underway.

Commenting on the results, John Gilson, Managing Director of Market Dynamics, stated: "there has been a very noticeable lowering of expectations in the last six months and businesses are now facing up to more difficult trading conditions. The biggest change in this period has been the fall in consumer confidence and this is now cited as the biggest challenge facing businesses throughout the region. However, there are positive signs as just 20% of businesses expect to have to implement redundancies during 2008 though opinions are evenly divided on whether things will get better or worse next year."

Expectations for 2009

"How do you think your business will do in 2009 compared to 2008?"



Source: Market Dynamics, October 2008

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Major survey findings include the following:

Sales / Turnover / Profitability

- More businesses (42%) expect their turnover to fall in 2008 than expect it to rise (37%).
- 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%).
- Businesses in construction, financial services and retail/wholesale sectors appear to be finding the environment toughest. However, organisations in transport / distribution / communications and business services believe they will buck the trend with 56% and 47% respectively expecting increased turnover this year.
- Just a quarter of firms (26%) expect their profitability to be better than last year.

Employment Levels

- A total of 41% of businesses expect to be employing fewer people at the end of 2008 though 45% believe numbers will be maintained.
- Over 60% of businesses with between 25 and 99 employees surveyed expect to employ less people by the end of 2008.
- Just 20% of businesses expect to make workers redundant this year while 49% don't expect to reduce capacity at all during this year.

Business Challenges

- The decline in consumer confidence, cited by 56% of respondents, is the biggest challenge facing businesses across the South East followed by labour costs and energy costs.
- Just 31% claimed that the availability of credit was a challenge and 20% still have difficulty in finding suitable staff, despite the economic downturn.

Expectations for 2009

- When asked to say whether they expected business in 2009 to be better or worse than this year we found a divergence of opinions. While 44% expect business conditions to be the same as this year the proportion who expect business to be worse in 2009 is exactly the same, at 28%, as the proportion who expect things to be worse. It is clear that most businesses are expecting two tough years.

Positive Impact of Downturn

- Around one in five businesses stated that the downturn has had some positive effects on their businesses. Some expect competitors to come under pressure while others will take the opportunity to examine their internal structures.

Training

- Given the amount of emphasis by Govt agencies on training it is perhaps surprising to see that just over one in four businesses consider it to be very important while a exactly half the businesses surveyed think it is moderately important. One in four organizations don't use any external training and of those who do 79% consider they get value for money.

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Carlow summary: Continuing the trend from the May survey businesses in Carlow expect to weather the storm of the downturn better than most with more expecting turnover to be up this year than down. Carlow also has the most positive outlook for profitability of any county. The proportion (19%) who expect to employ more staff at the end of 2008 than at the end of 2007 is also higher than most other counties. Carlow-based organisations are also most positive about prospects for 2009 with 41% expecting business to pick up next year compared to the regional average of 28%.

Kilkenny summary: Kilkenny businesses are most polarised in their expectations for this year with just 45% expecting lower turnover and 41% expecting higher. The outlook for profitability has deteriorated rapidly with just 31% expecting to increase profits this year compared to 48% in the May survey. In relation to employment prospects Kilkenny is slightly better than the regional average with 21% of businesses expecting their workforce to be higher at the end of 2008. Kilkenny businesses are the most negative about 2009 with over a third expecting business to be worse than in 2008 compared to just a quarter who expect an improvement.

South Tipperary summary: South Tipperary based businesses are the most positive about 2008 as they were in the previous survey. Just 31% of businesses expect turnover to be down. They are also the most positive about their ability to maintain or improve profits this year. As a consequence, the outlook for employment in the area is also good with just 29% expecting to reduce their workforce in 2008 compared to the regional average of 41%. In addition, 24% of businesses will increase their workforce this year.

Waterford summary: Businesses in Waterford are most negative about turnover in 2008 and just behind those in Wexford on the outlook for profitability. Just 9% expect their workforce to increase during 2008. In addition, just 21% of Waterford businesses expect things to improve in 2009 while a third expect a worse trading environment.

Wexford summary: Businesses in Wexford are close to the regional average in their expectations for turnover in 2008 but have the most negative outlook on profitability with 55% expecting lower profits this year. The county has gone from having the lowest proportion expecting to reduce staff numbers this year, to having the highest in the region at 45% and the lowest proportion who expect to increase at 9%. However, businesses in Wexford are the next most positive after Carlow about prospects for 2009. A total of 33% expect an improvement next year with just 21% expecting things to get worse.

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.

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