

QUARTERLY BUSINESS MONITOR

JULY TO SEPTEMBER 2010

Detailed Findings

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1. Executive summary

InterTradelreland has commissioned Perceptive Insight and Oxford Economics to conduct their quarterly business monitor. The objectives for this project are:

- For the business monitor to act as a topical indicator of business confidence, cross-border trade and business activity across the island of Ireland; and
- For the survey results to act as an evidence base on a variety of themes of interest to business and policy makers, themes on which InterTradelreland can build future initiatives.

Approach

Over 1,000 telephone interviews were conducted with business managers on the island of Ireland. The sample was stratified by number of employees, sector and region (Ireland/Northern Ireland) and the data weighted at the overall reporting level to reflect the profile of businesses.

Interviewing took place during October 2010.

Business performance

Demand

While 30% of businesses have seen growth in demand for their products and services over the past quarter, 24% say there has been no change and 45% have witnessed a decline.

It is smaller businesses with 10 or fewer employees who appear to be having the hardest time with 48% saying there has been a decline in demand compared with 31% of mid-size and 26% of large-size businesses.

The sectors with the highest percentages experiencing a decline are leisure, hotels and catering (60%), construction (56%) and retail and distribution (5%). Demand for products and services for those in manufacturing appears to have improved on last quarter; 29% said there was a decline while 46% reported growth (compared with 54% decline and 27% growth in Q2).

Analysis by region shows that Southern based businesses have fared worst with 47% seeing a reduction in demand compared with 42% in Northern Ireland (NI).

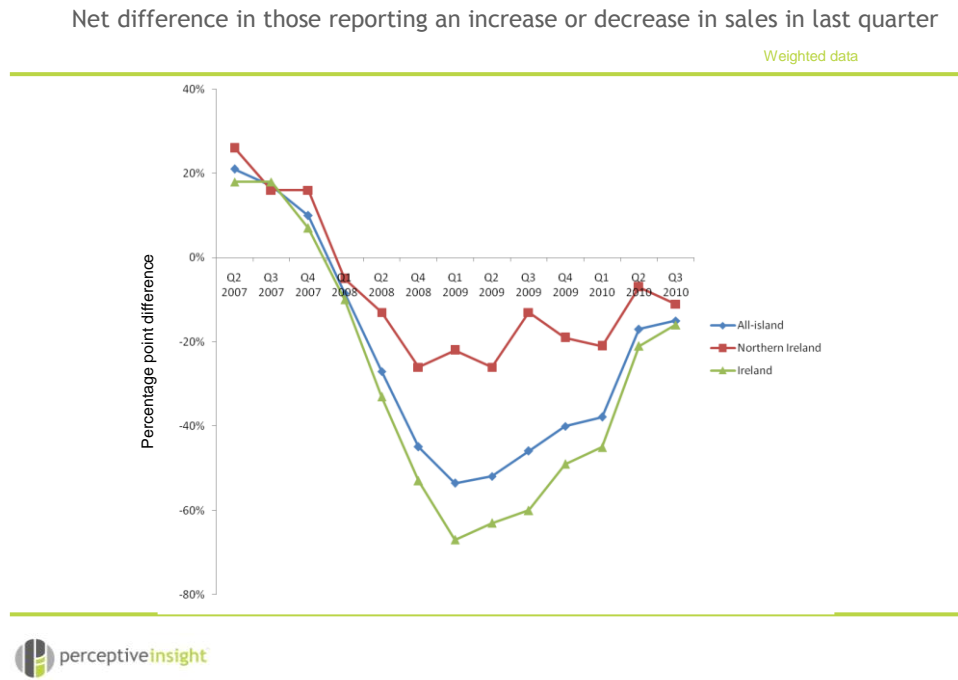
Sales levels

When sales over the past quarter are analysed, it can be seen that they reflect a similar pattern to demand with 42% saying that they have decreased. Again it is the smallest businesses (45%), those who do not export (48%), leisure, hotels and catering (58%), construction (57%) and retail and distribution (45%) and those in Ireland (43%) most likely to be affected by reduced sales.

Quarterly trends show that the percentage of businesses saying that sales have increased has remained fairly steady since last quarter (26% in Q1 and 27% in Q2) as have the percentages of those who report a decrease (43% in Q1 and 42% in Q2).

Figure 1.1 shows that percentage point difference between those reporting an increase in sales and those saying there has been a decrease.

Figure 1.1: Changes in quarterly sales



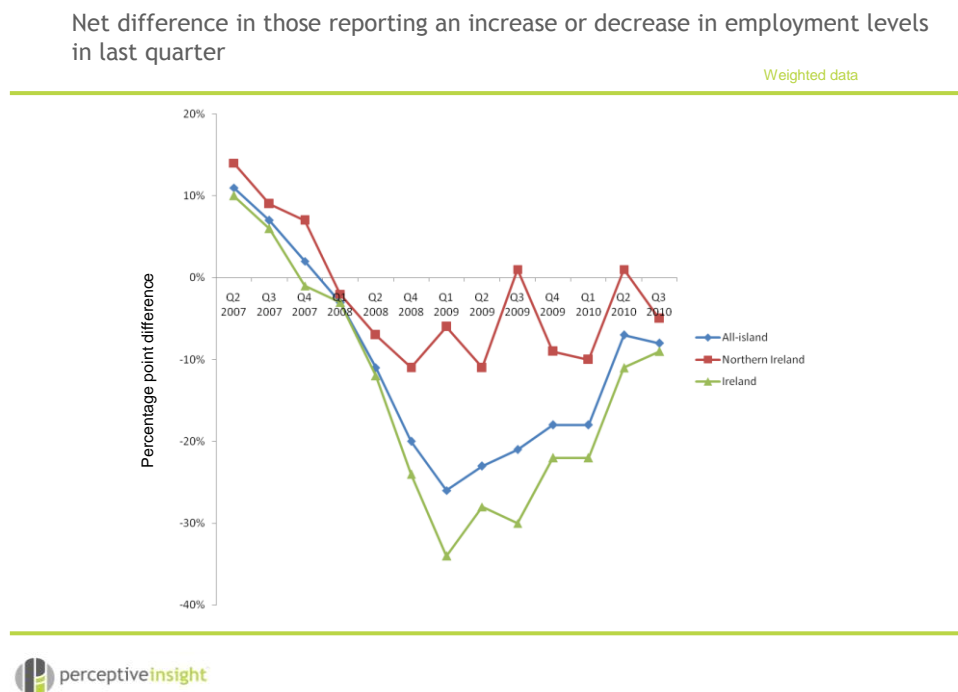
Employment levels

While 8% report that they have taken on new employees in the last quarter, 16% say they have made a reduction in staffing levels. Those who export (13%) are more likely than those who do not (5%) to have increased employment levels. The construction sector appears to be hardest hit with 21% saying they have reduced numbers and 7% making an increase. Regional analysis shows that those based in Ireland are more likely to have reduced their levels of employment (18%) compared with NI based companies (12%).

Quarterly trends in employment levels show little movement since last quarter with the numbers hiring remaining at 8%, while those reducing numbers has changed from 15% to 16% between Q2 and Q3.

Figure 1.2 shows the percentage point net difference in those reporting an increase and those saying there has been a decrease in employment levels for their business.

Figure 1.2: Changes in quarterly employment levels



Pricing

At an all-island level 42% say that they have decreased their prices in the past 3 to 6 months, while just 12% have felt able to increase them.

While 21% of NI businesses have increased prices 22% have decreased them, with the balance maintaining prices at their current levels. The corresponding figures for Ireland are 8% who have made an increase and 51% who have reduced them.

Business outlook

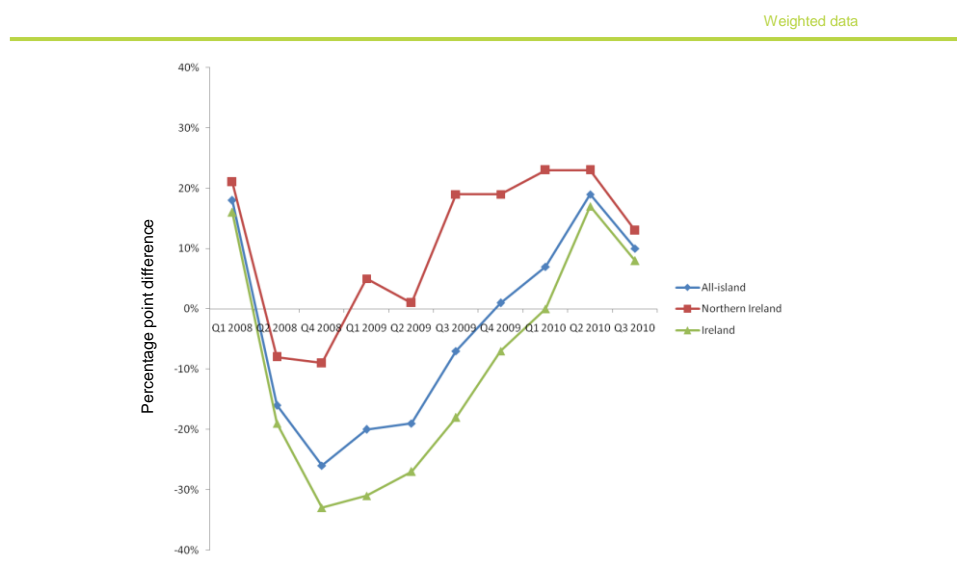
Sales levels

Looking forward to the next 12 months 32% of businesses are optimistic that their level of sales will increase, with 22% expecting a decrease. Large and mid-size businesses are more positive than smaller enterprises, as are those who export and those who operate in business services and manufacturing. Those based in NI are slightly more positive than Southern companies with 35% expecting an increase compared with 30% in Ireland.

Analysis of the quarterly trends shows a decline in the percentages expecting their sales to increase, from 38% in Q2 to 32% in Q3. Those expecting sales to decrease is up slightly from 19% in Q2 to 22% in Q3. Figure 1.3 shows the percentage point net difference between those expecting sales to increase and those predicting a decrease. The decline in optimism, which has been growing since Q4 2008, is evident from Q2 to Q3.

Figure 1.3: Outlook for quarterly sales levels

Net difference in those predicting an increase or decrease in sales in next quarter

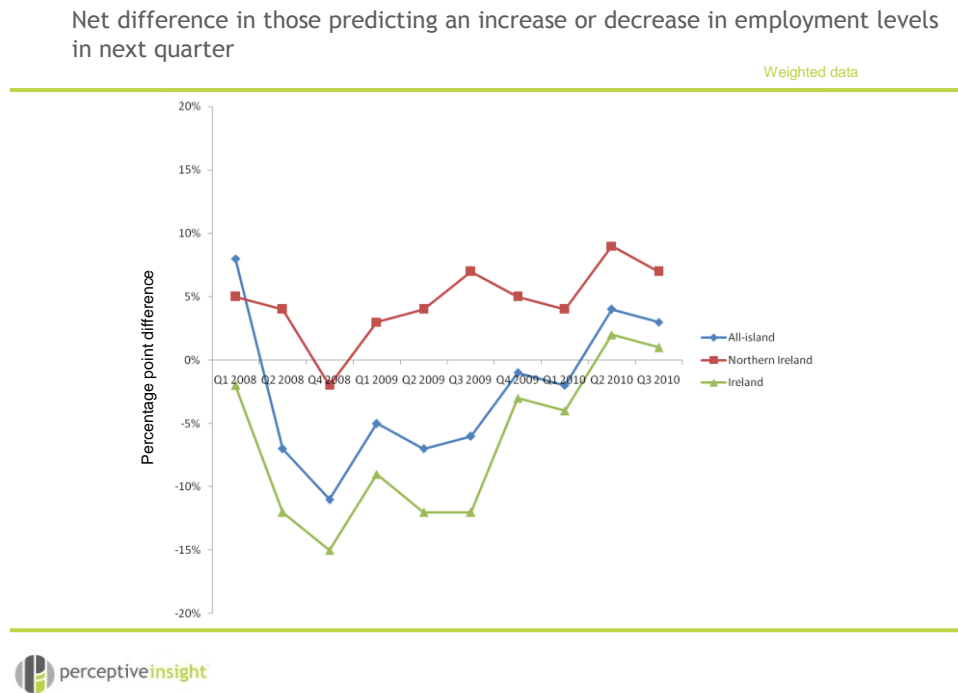


Employment levels

In terms of employment levels slightly more businesses expect to take on new staff (13%) rather than let them go (10%). While large and mid-size companies are more likely to be hiring than small companies they are also more likely to be planning to reduce numbers. It is those who export and those in the manufacturing sector that are most likely to be planning for growth. NI based companies are slightly more positive than Southern businesses about future employment levels.

Quarterly trends show a net gain for the second quarter in a row in the percentages planning to recruit versus the percentages planning to reduce numbers (+3 percentage points) (Figure 1.4).

Figure 1.4: Outlook for quarterly employment levels



Pricing

Analysis by region shows that NI companies are more confident that the market can sustain a price increase with 24% saying they expect to put prices up in the next year compared with 10% in Ireland.

The business environment

Cross-border and export activity

Thirty seven percent of those surveyed say that they export outside their jurisdiction of either NI or Ireland and 26% engage in cross-border trade.

A similar percentage of NI and Southern based companies say they export (37% and 38% respectively). In terms of cross-border trade 32% of NI companies sell to Ireland while 24% of southern based companies trade northwards.

Business costs

It is interesting to note the percentage of businesses that do not have a budget for key activities including training (28%), IT (17%), research and development (43%), and recruitment (36%). However, this should be set in the context that 61% do not have a formal written business plan. Of those that do have budgets a higher percentage is planning to increase their spending rather than reduce it, in all areas apart from recruitment. While 8% plan to increase their recruitment budget, 11% expect this cost to decrease.

Key business issues

A number of interlinked issues are competing for the top spot in terms of their impact on business. They include rising costs of overheads (74%), a reduction in demand (71%), business and consumer confidence (70%), cashflow (64%) and rising energy costs (65%). As might be expected in the current climate and given the low percentage who are recruiting, difficulty recruiting and lack of appropriate skills in the workforce are much less of an issue than they would have been previously.

Impact of the economic downturn

Just 4% of businesses say that the economic downturn has had a positive impact on their business while 6% believe it has had no impact at all. However 36% report it has had a moderate adverse impact and 53% have been severely affected. The percentage saying that the downturn has had a severe impact has increased from 37% in Q1 to 51% in Q2 and to 53% in Q3. Those based in Ireland are much more likely to have been severely affected (61%) compared with NI businesses (36%).

In terms of profitability 30% of businesses report that they have not been able to remain profitable in the past 12 months, up from 28% in Q2. This issue has affected 18% of NI business and 35% of Irish businesses.

As a consequence of the economic downturn, 35% report that customers have requested longer payment terms, 67% lower prices and 64% discounts. These requests are much more likely to have been made to those based in Ireland compared to NI companies.

Banking relationships and access to finance

While 70% of businesses claim to have a banking relationship manager, just 56% have a relationship manager that they can name.

Approximately one in six businesses (16%) believes that their relationship with their bank has deteriorated over the past year. Indeed 6% have either changed bank or are in the process of doing so, while a further 20% have considered this option. This indicates that approximately one quarter of businesses are not settled with their current banking arrangements.

Few businesses consider the terms of loans or overdrafts to be attractive (7% and 14% respectively). In addition approximately half believe that they would be successful if they applied for either a loan or an overdraft for their business. Even among those businesses that showed a profit in the last year 54% thought they would be successful if they applied for a loan and 59% if they applied for an overdraft.

Of the 16% of businesses that had applied for either an overdraft or loan approximately three quarters were successful. This suggests perhaps that businesses are more pessimistic about their chances of obtaining finance than the actual incidence of bank lending.

One in five businesses has approached their bank to restructure credit arrangements and a further 10% have been approached by their bank to do so. Ten percent have been asked by their bank to convert their overdraft to a loan and 7% have had their overdraft limit reduced, the majority of those that have had to convert their overdraft or reduce its limit were dissatisfied with the outcome of the approach that was made from the bank.

Conclusions

In terms of demand for goods and services over the last quarter, over two thirds of businesses have reported either no change or negative growth, with smaller businesses in particular showing the worst results. Sales in Q3 also reflect this trend.

In contrast, the manufacturing industry has experienced positive growth since Q2. This sector, along with those companies which export (37%), is also the most likely to be planning on increasing employee figures in the next quarter.

In relation to region, Southern based companies have witnessed a greater loss in demand compared to those in Northern Ireland, with sales figures also echoing this pattern. Equally, companies in Ireland are more likely to reduce the prices of their goods and services than those in NI.

Employment levels have been hardest hit within the construction industry. Similarly, companies which do not export are significantly less likely to have increased employment in the last 3 months than exporters. However, as a whole, employment figures show little change from the previous quarter.

The future outlook for the next 12 months shows most are feeling more pessimistic than the previous quarter with regard to sales levels, this signifies a continuation of the trend beginning in Q4 2008. However, Northern Irish businesses hold a slightly more positive viewpoint than companies based in the South in their sales and employment predictions.

Although the overall sales and employment figures show little change from Q2 to Q3, analysis by sector, size and export activity suggests some businesses are starting to perform better than others. This suggests that there may be a two-tier approach to recovery with those are reliant solely on the domestic market for sales having a much tougher time than those who export.

Negativity towards banks is an issue, with over one quarter of all businesses having changed or considered changing their business bank in the last 3 months. Similarly, optimism for loan and overdraft applications is low, even amongst companies reporting a profit in the past year. However, this negative outlook may not reflect reality as 75% of those who applied for them were granted either a loan or overdraft.

2. Business performance and outlook

In this section we detail how businesses have performed in the third quarter of 2010 (July to September) and their future performance expectations. We assess the demand for products and services; compare the change in sales and employment levels during the quarter and provide an indication of how businesses expect both to change in the next twelve months.

Business performance

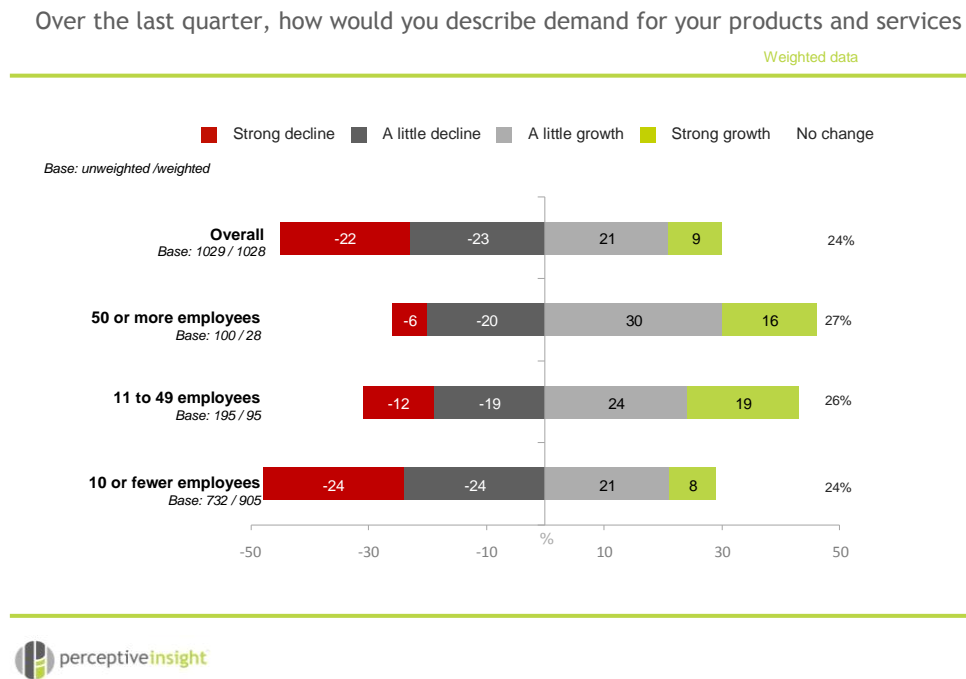
Demand for products and services

Businesses were asked to say how demand for their products and services had changed over the last quarter (Figure 2.1)

While 24% reported that there had been no change in demand, 30% had experienced growth and 45% had seen decline. Indeed 22% reported a strong decline in demand. These results are very similar to the findings from Q2, where 28% had experienced growth and 45% had seen decline.

Large size businesses are fairing slightly better this quarter compared to Q2; 46% said there was growth in demand compared with 36% in Q2. There is little change in the results for mid-size enterprises with 43% saying there has been growth and 31% decline. Similar to Q2 it is the smaller companies who are more likely to say there had been a decline in demand (48%), with 29% reporting growth.

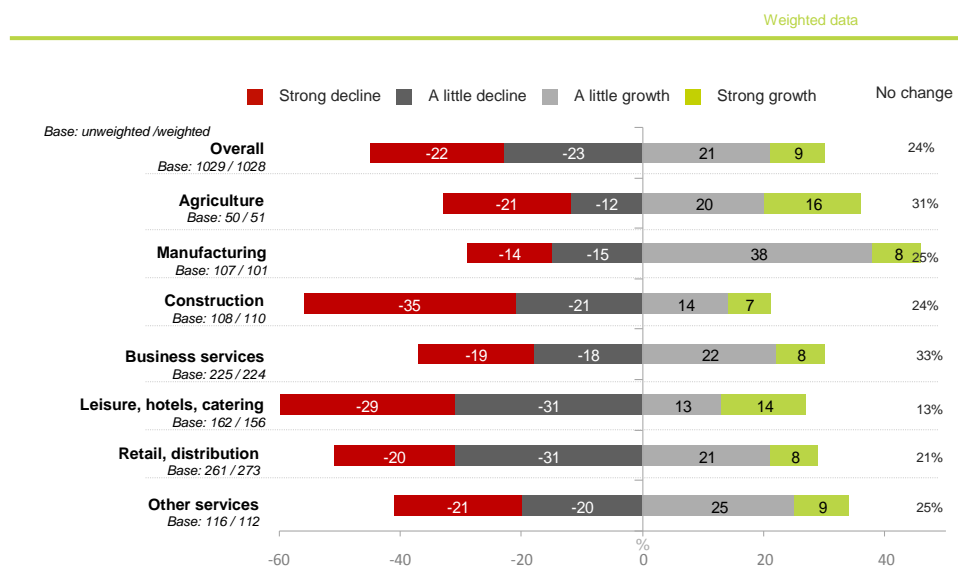
Figure 2.1: Changes in quarterly demand for products and services by size



Analysis by sector shows that the leisure, hotels and catering, construction and retail and distributions sectors continues to be hardest hit by decline in demand (60%, 56% and 51% respectively). Demand for products and services for those in manufacturing appears to have improved on last quarter; 29% said there was a decline and 46% reported growth compared with 54% decline and 27% growth in Q2

Figure 2.2: Changes in quarterly demand for products and services by sector

Over the last quarter, how would you describe demand for your products and services



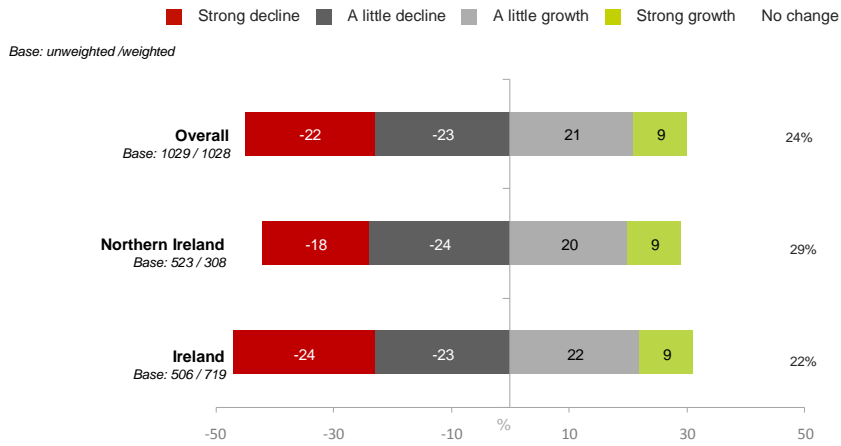
There is little difference in the percentage of businesses reporting growth North and South; 29% in Northern Ireland and 31% in Ireland. However it is worth noting that there has been a decrease in NI companies saying there has been growth compared with Q2 (down from 35%) and an increase in the percentage of Southern companies reporting growth compared to Q2 (up from 25%).

In relation to those saying there has been a decline in demand, 42% of NI businesses have experienced this in Q3 compared with 47% of companies in the South. These figures are similar to the levels reported for Q2.

Figure 2.3: Changes in quarterly demand for products and services by region

Over the last quarter, how would you describe demand for your products and services

Weighted data

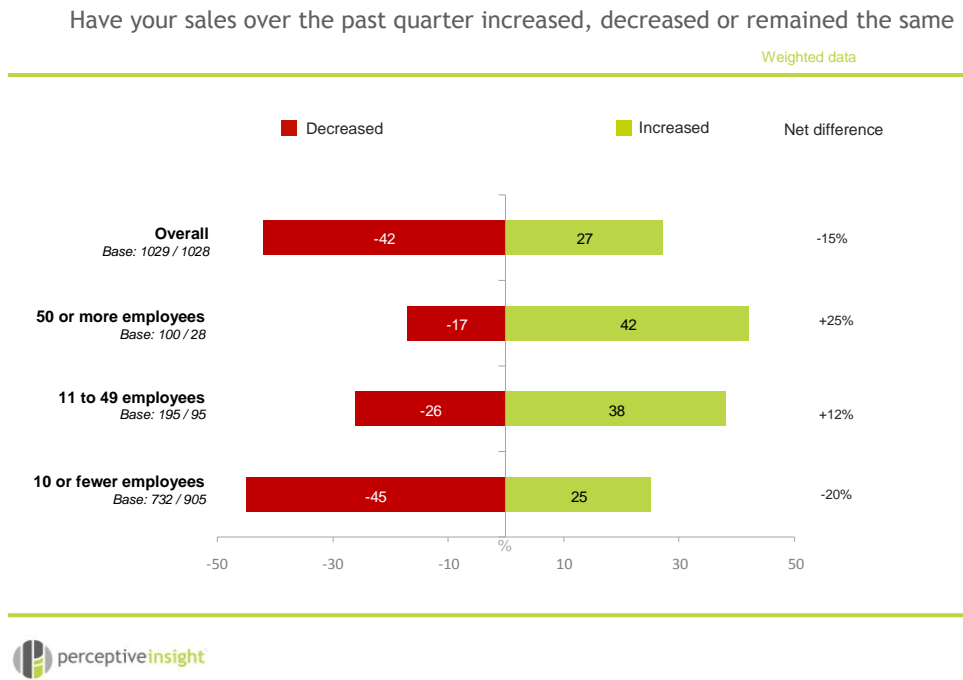


Changes in sales

Businesses were more likely to report a decrease in sales (42%) than an increase (27%) in the past quarter (Net difference -15% points). This is +2% difference from Q2.

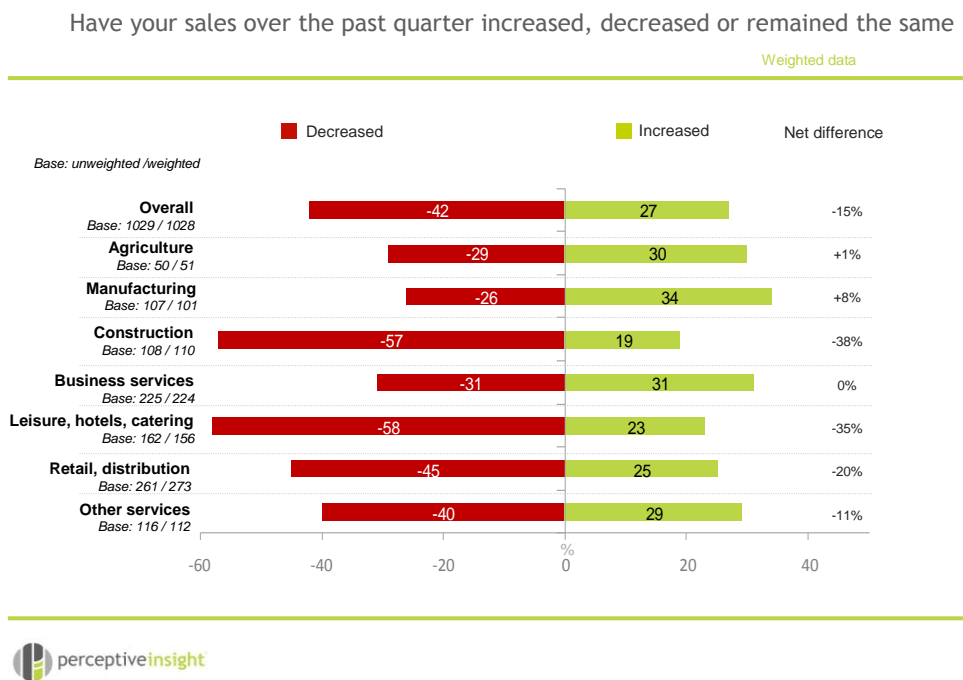
Analysis by size of businesses shows that it is the larger businesses who have performed best. Forty two percent of those who employ 50 or more experienced an increase in sales compared with 38% of mid-sized businesses and 25% of small businesses. Indeed 45% of small businesses said sales had decreased. These findings are very similar to Q2.

Figure 2.4: Changes in quarterly sales by size



The sectors most likely to be hit by a decrease in sales are leisure, hotels and catering (58%), and construction (57%) and retail and distribution (45%). The sectors hit least are business services (31%), agriculture (29%) and manufacturing (26%). Indeed it is the manufacturing sector that has experienced the greatest positive net change since Q2 (+8% compared with -15% in Q2)

Figure 2.5: Changes in quarterly sales by sector



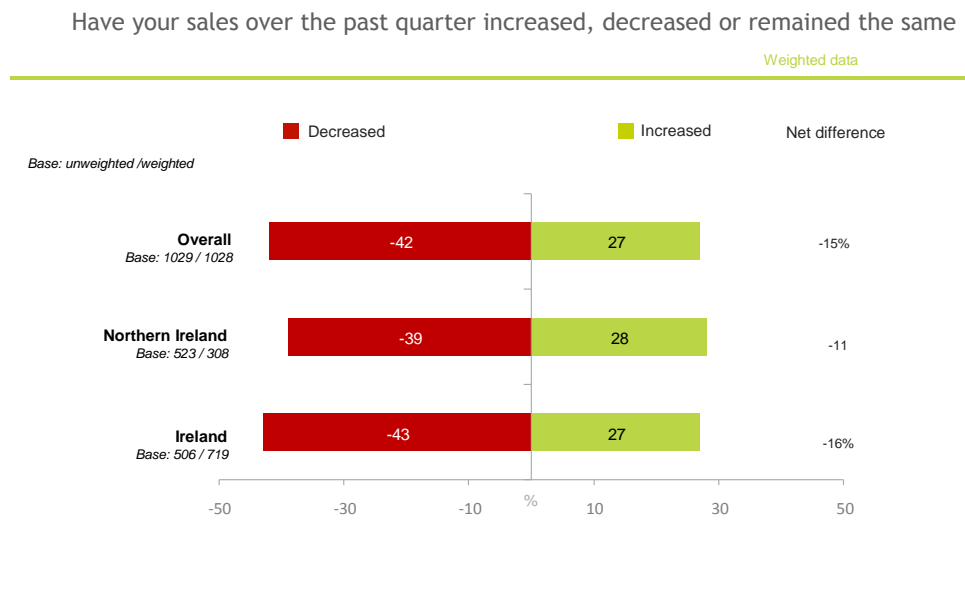
Those who export or who have cross-border sales are more likely than those who rely solely on the domestic market to report increased sales, and are less likely to have experienced a decrease.

Table 2.1: Quarterly sales by export and cross border activity

Have your sales over the past quarter increased, decreased or remained the same compared to the previous quarter?	Overall	Export sales	No export sales	Cross border sales	No cross border sales	
	<i>Base</i>					
	<i>unweighted</i>	1,028	436	585	321	708
	<i>weighted</i>	1,029	387	636	272	756
Increased	27%	36%	21%	38%	23%	
Remained the same	30%	32%	28%	32%	29%	
Decreased	42%	31%	48%	29%	47%	
Not sure	1%	0%	2%	0%	2%	
Net change	-15%	5%	-27%	9%	-24%	

Those based in NI (39%) were slightly less likely to have been affected by a decrease in sales than those in Ireland (43%). NI companies were also slightly more likely to have seen growth in the last quarter (28% versus 27% in the Ireland).

Figure 2.6: Changes in quarterly sales by region



The quarterly trends in sales remain similar to Q2 with 27% saying sales had increased compared with 26% in Q2. Also the percentage saying sales had decreased is 42% in Q3 and 43% in Q2.

Table 2.2: Trends in quarterly sales (weighted)

Have your sales over the past quarter increased, decreased or remained the same? ¹												
	2008				2009				2010			
	Base	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1,029
Increased		25%	18%	-	11%	10%	12%	14%	15%	15%	26%	27%
Remained steady		37%	33%	-	30%	26%	24%	25%	29%	29%	29%	30%
Decreased		34%	45%	-	56%	63%	64%	60%	55%	53%	43%	42%
Not sure		5%	2%	-	3%	2%	0%	2%	1%	2%	1%	1%
Net difference		-9%	-27%	-	-45%	-54%	-52%	-46%	-40%	-38%	-17%	-15%

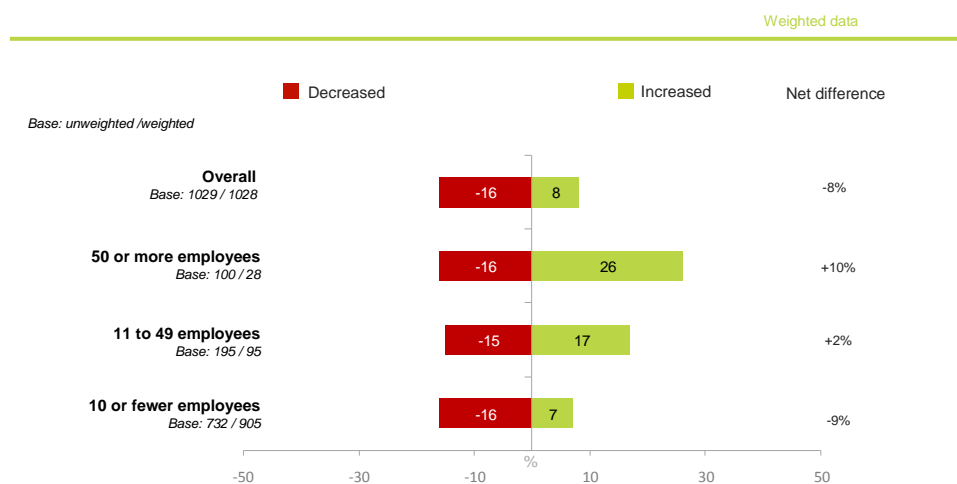
Changes in employment

Just 8% of companies said they had increased their employee numbers in the last quarter, with 16% reporting having to decrease numbers (net -8% points).

While 26% of larger companies had increased employment levels, 16% had found the need to decrease them (net change Q3 +10% points compared with -6% in Q2). Mid-sized companies also showed a positive net change (+2% points difference) with 17% increasing numbers and 15% decreasing them. This quarter it is the smallest businesses that appear most likely to be consolidating with 7% experiencing an increase in numbers and 16% taking steps to decrease employee's numbers (net change -9% points).

Figure 2.7: Changes in quarterly employment levels by size

Over the past quarter has your number of employees...

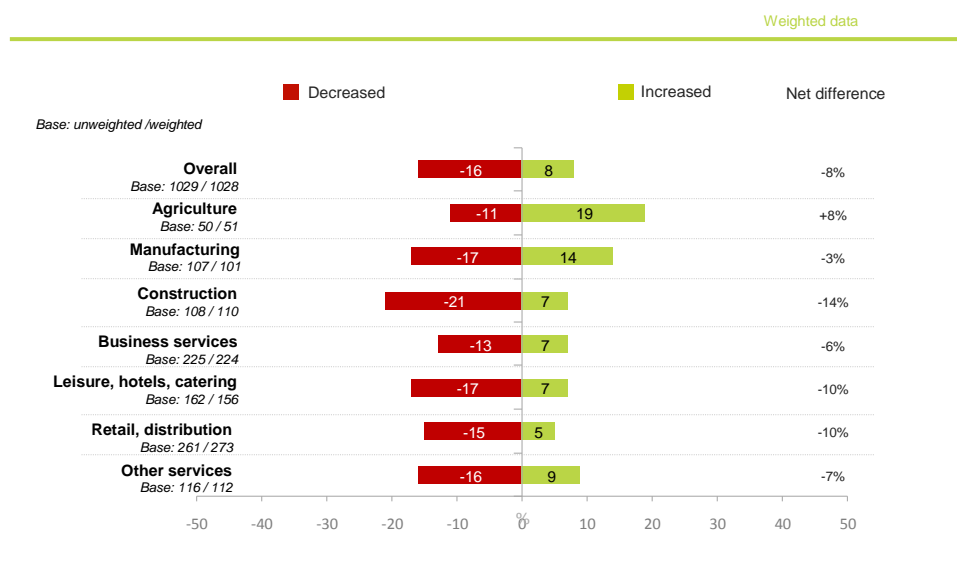


¹ Up to Quarter 1 2010 the question wording referred to turnover rather than sales

The sector most likely to be affected by decreasing employee numbers is construction (21%), followed by leisure, hotel and catering (17%) and manufacturing (17%). Agriculture is the only sectors that has seen a net gain in terms of the percentage changing their levels of employment (+8%).

Figure 2.8: Changes in quarterly employment levels by sector

Over the past quarter has your number of employees...



Those who export or have cross border sales are more likely than those who do not to have increased their number of employees in the last quarter.

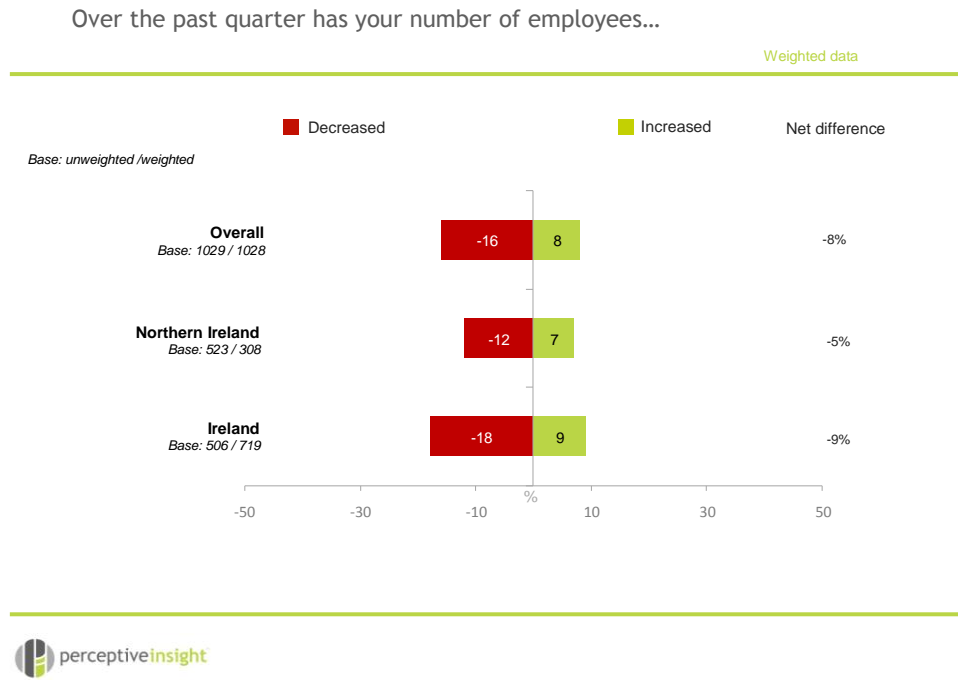
Table 2.3: Changes in quarterly employment levels by export and cross-border activity

Over the past quarter has your number of employees...	Overall	Export sales	No export sales	Cross border sales	No cross border sales
<i>Base unweighted</i>	1,028	436	585	321	708
<i>weighted</i>	1,029	387	636	272	756
Increased	8%	13%	5%	13%	7%
Remained the same	76%	70%	79%	71%	77%
Decreased	16%	17%	16%	17%	16%
Not sure	0%	0%	0%	-	0%
Net change	-8%	-4%	-11%	-4%	-9%

Regional analysis shows those companies based in Northern Ireland have moved from a positive to a negative net change in employment (+1% in Q2 to -5% in Q3). The net

changes in employment in Southern businesses remains negative (-11% in Q2 to -9% in Q3).

Figure 2.9: Changes in quarterly employment levels by region



Similar to sales, quarterly trends show little movement with the net difference moving from -7% points in Q2 to -8% points in Q3.

Table 2.4: Quarterly trends in employment levels (weighted)

Over the past quarter has your number of employees increased, decreased or remained the same?											
Base	2008				2009				2010		
	Q1 1,000	Q2 1,000	Q3	Q4 1,000	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1,029
Increased	11%	9%	-	7%	5%	6%	6%	6%	6%	8%	8%
Remained steady	74%	70%	-	66%	62%	64%	65%	65%	70%	76%	76%
Decreased	13%	19%	-	27%	31%	29%	27%	24%	24%	15%	16%
Not sure	2%	1%	-	2%	2%	1%	1%	2%	1%	0%	0%
Net difference	-3%	-11%	-	-20%	-26%	-23%	-21%	-18%	-18%	-7%	-8%

Outlook over the next twelve months

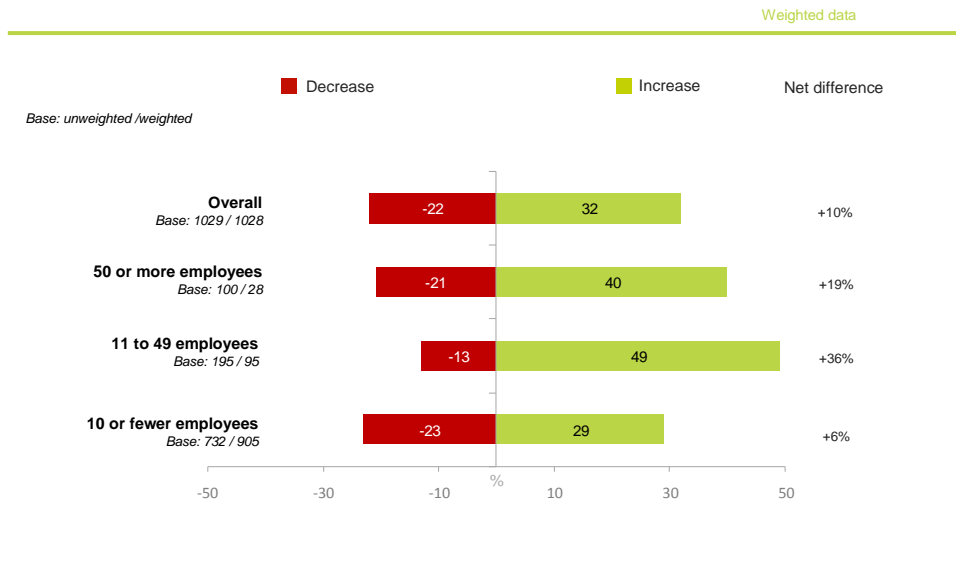
Overall businesses appear, on balance, to be positive about their level of sales over the next 12 months. While 32% expect them to increase 22% predict that they will decrease (+10% points net difference). However these figures are less optimistic compared with Q2 (when the net change was +18%).

It is the mid-sized companies that are most likely to be optimistic with the net results showing +36% points for those with 11 to 49 employees (up from +28% in Q2). The net changes for

larger businesses are +19% (down from +28% in Q2) and +6% for those employing 10 or fewer (down from +18% in Q2).

Figure 2.10: Outlook for quarterly sales by size

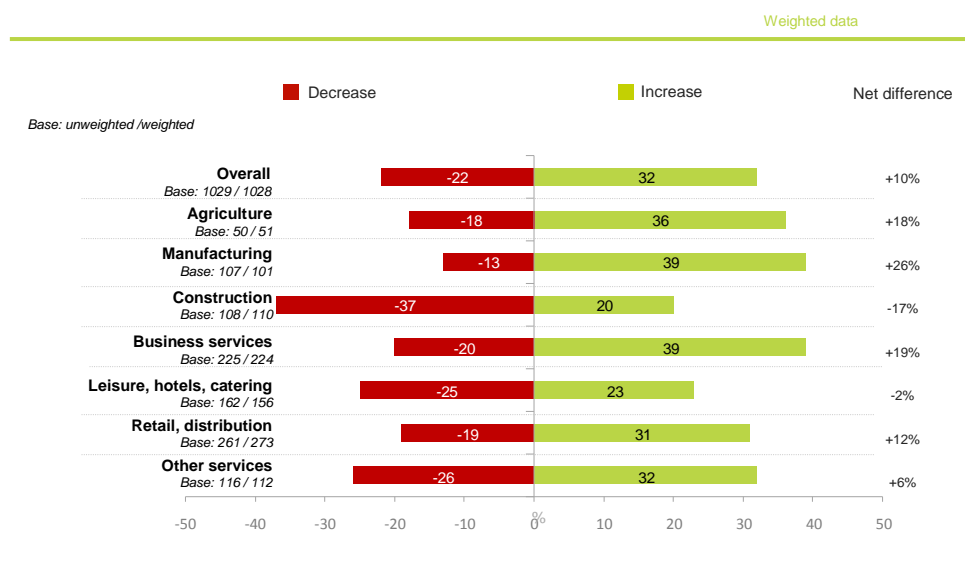
Looking ahead to the next 12 months, do you expect level of sales to ...



The net changes in those predicting an increase or decrease in sales shows that the manufacturing, business services and agriculture sectors are the most positive sectors (with net gains of +26% points, +19% and +18% points respectively). The construction sector is least positive with -17% point net difference between those predicting a decrease or increase in sales.

Figure 2.11: Outlook for quarterly sales by sector

Looking ahead to the next 12 months, do you expect level of sales to ...



Those who export or who have cross border sales are much more likely to be optimistic about increasing sales in the next quarter.

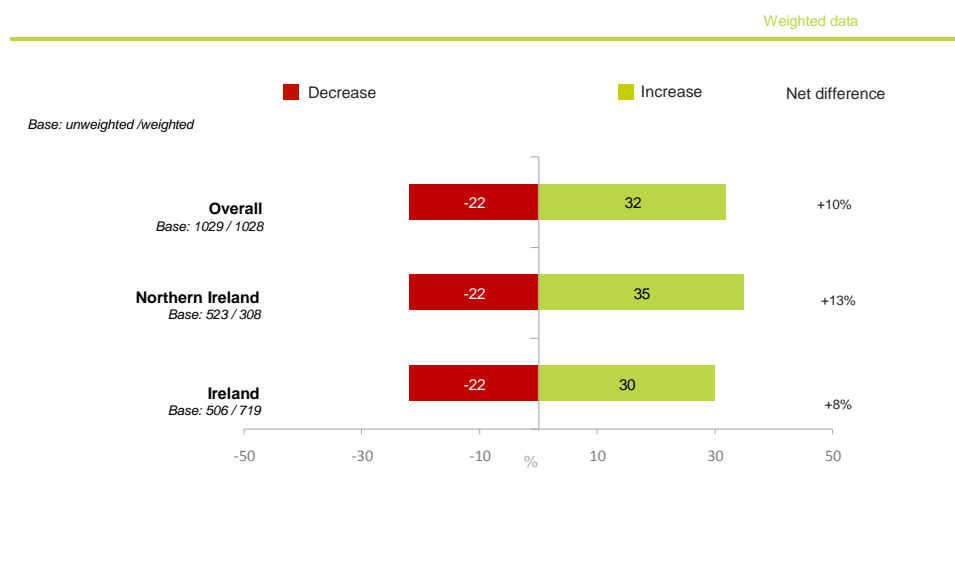
Table 2.5: Outlook for quarterly sales by export and cross border activity

Do you expect your level of sales to increase, decrease or remain the same compared to the past year?	Overall	Export sales	No export sales	Cross border sales	No cross border sales
<i>Base unweighted</i>	1,028	436	585	321	708
<i>weighted</i>	1,029	387	636	272	756
Increased	32%	44%	24%	41%	28%
Remained the same	40%	33%	43%	35%	41%
Decreased	22%	16%	26%	15%	24%
Not sure	7%	7%	7%	9%	6%
Net change	10%	28%	-2%	26%	4%

Those based in NI are slightly more positive in their outlook, with 35% expecting growth compared to 30% in Ireland. Although it should be noted that the percentages predicting increased sales is down in both regions compared to the Q2 figures (41% and 37% respectively predicted growth in Q2).

Figure 2.12: Outlook for quarterly sales by region

Looking ahead to the next 12 months, do you expect level of sales to ...



Quarterly trend analysis shows that confidence in increasing sales peaked in Q2 and is returning to the levels associated with Q1.

Table 2.6: Trends for quarterly sales outlook (weighted)

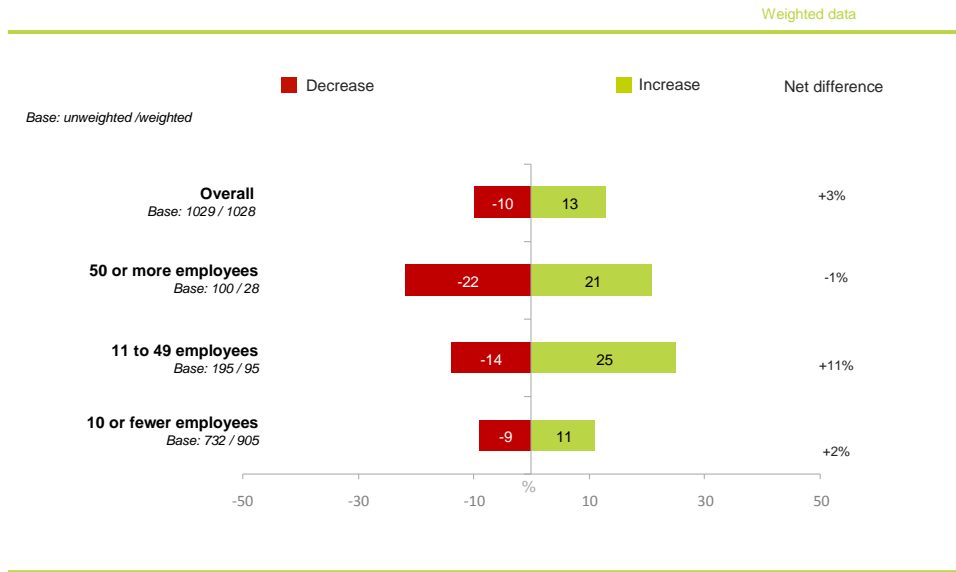
Looking ahead to the next 12 months, do you expect level of sales to...?												
Base	2008				2009				2010			
	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1029	
Increased	36%	19%	-	16%	17%	18%	25%	27%	30%	38%	32%	
Remained steady	40%	40%	-	35%	42%	43%	38%	44%	43%	35%	40%	
Decreased	18%	35%	-	42%	37%	36%	32%	26%	23%	19%	22%	
Not sure	6%	6%	-	7%	5%	4%	4%	4%	4%	8%	7%	
Net difference	18%	-16%	-	-26%	-20%	-19%	-7%	1%	7%	19%	10%	

Looking ahead to the next 12 months, on balance companies are slightly more positive in terms of employee numbers. While 10% expect their numbers to decrease 13% are planning an increase (+3% points net difference). These figures are very similar to Q2.

While one fifth of large companies (21%) expect employee numbers to increase a similar percentage predict that they will decrease (22%). In relation to mid-size companies 25% are expecting an increase and 14% a decrease. The results for the smallest companies show 11% planning to increase employee numbers and 9% expecting to reduce them.

Figure 2.13: Outlook for employment levels by size

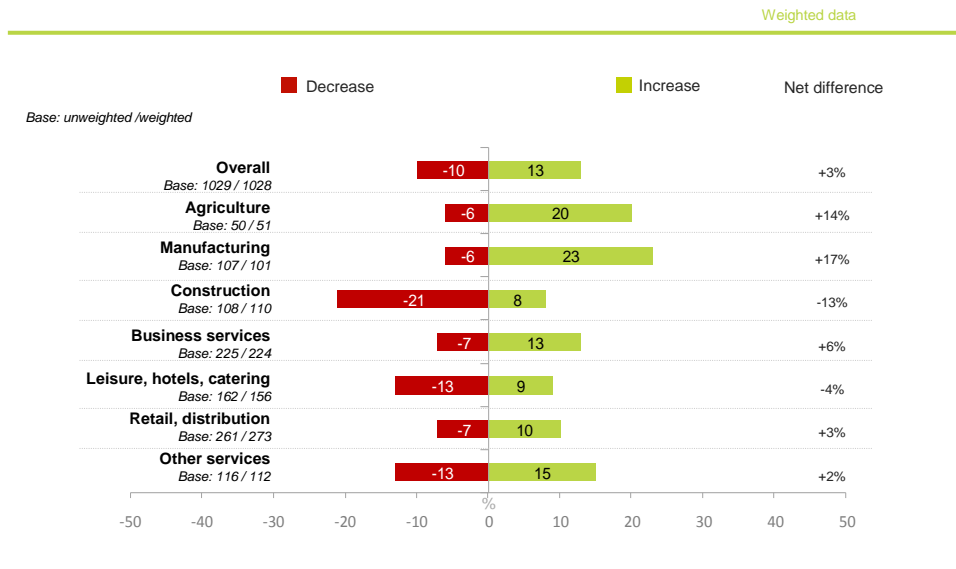
Looking ahead to the next 12 months, do you expect number of employees to ...



Analysis by sector shows that, on balance, the manufacturing sector (+17% points) and agriculture (+14% points) are most optimistic in increasing employment levels. Construction (-13% points) is the least positive sector.

Figure 2.14: Outlook for employment levels by sector

Looking ahead to the next 12 months, do you expect number of employees to ...



Exporters and those with cross border sales are more likely than those who rely solely on the domestic market to say that they expect to increase employee numbers in the next quarter.

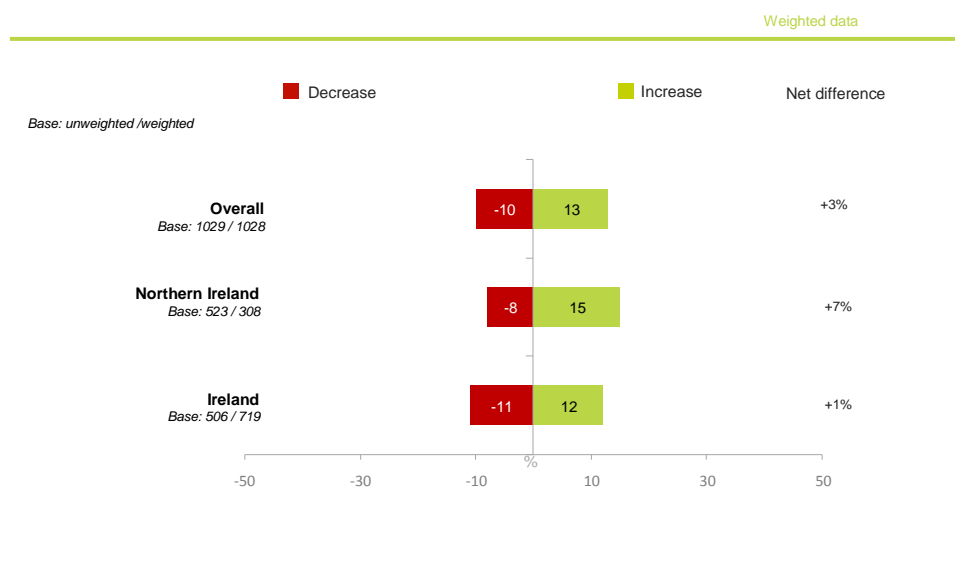
Table 2.7: Outlook for employment levels by export and cross border activity

And do you expect the number of people you employ to increase, decrease or remain the same compared to the past year?	Overall	Export sales	No export sales	Cross border sales	No cross border sales
<i>Base unweighted</i>	1,028	436	585	321	708
<i>weighted</i>	1,029	387	636	272	756
Increased	13%	19%	9%	18%	11%
Remained the same	74%	68%	78%	69%	76%
Decreased	10%	9%	10%	9%	10%
Not sure	3%	4%	3%	4%	3%
Net change	3%	10%	-1%	9%	1%

Again NI based companies are more positive, with a net difference in those changing employment levels of +7% points compared with +1% point in Ireland.

Figure 2.15: Outlook for employment levels by region

Looking ahead to the next 12 month, do you expect number of employees to ...



Quarterly trends show that the percentage planning to increase employee numbers has remained quite constant from 14% in Q2 to 13% in Q3. These are the highest percentages in the past two years. The percentages planning a decrease in numbers is remaining consistent at 10%

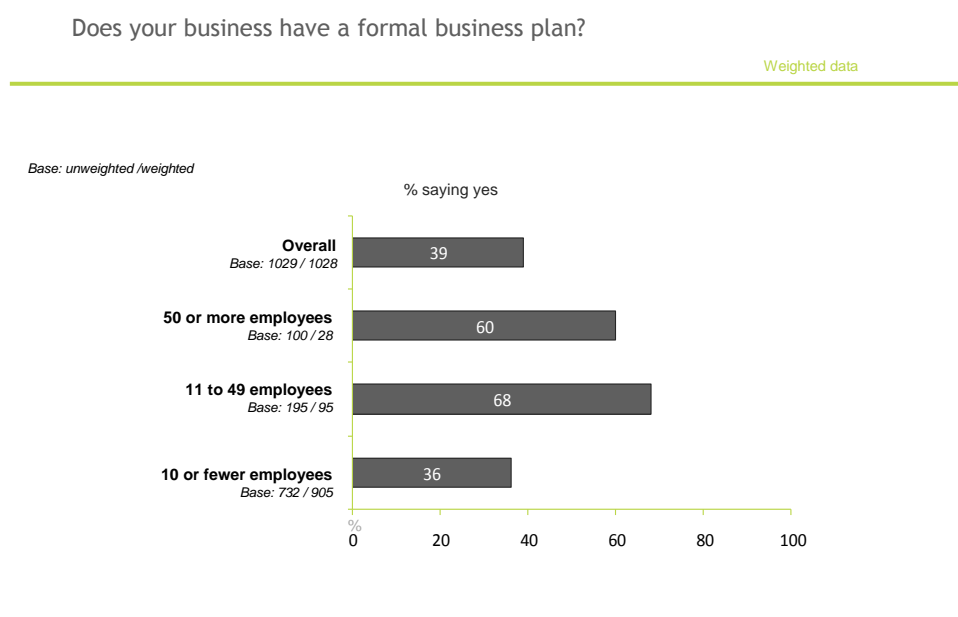
Table 2.8: Trends in quarterly employment levels outlook (weighted)

Looking ahead to the next 12 months, do you expect number of employees to...												
	2008				2009				2010			
	Base	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1,029
Increased		14%	7%	-	5%	7%	6%	8%	9%	8%	14%	13%
Remained steady		79%	76%	-	77%	76%	77%	74%	78%	80%	73%	74%
Decreased		6%	14%	-	16%	13%	13%	15%	10%	10%	10%	10%
Not sure		2%	3%	-	4%	4%	3%	3%	3%	2%	4%	3%
Net difference		8%	-7%	-	-11%	-5%	-7%	-6%	-1%	-2%	4%	3%

Business planning

Businesses were asked if they had a formal written business plan. Overall 39% reported that they had one, with the incidence being higher among mid-size companies.

Figure 2.16: Incidence of having a formal business plan by size

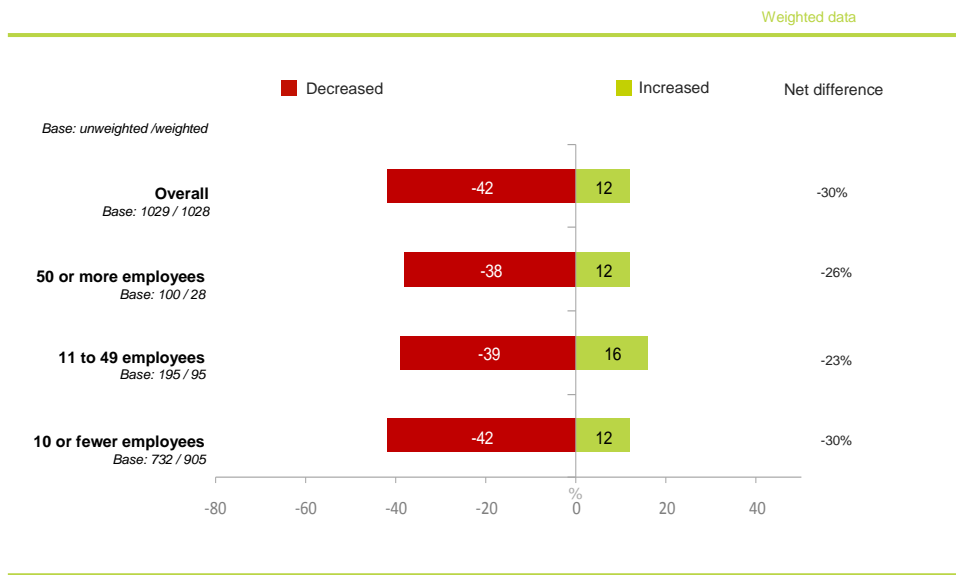


Pricing

In terms of pricing, just 12% say they have increased their prices in the previous 3 to 6 months, while 42% report that these have decreased. In terms of size of business, it is the mid-size businesses who are more likely to say their prices have increased compared to either large or small businesses.

Figure 2.17: Pricing changes by size

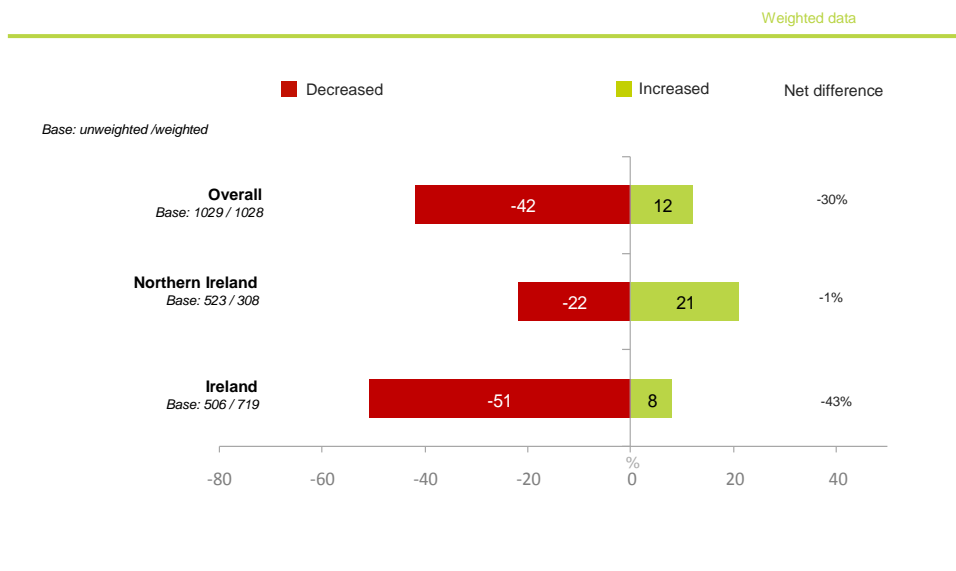
Over the past 3 to 6 months have the prices you charge...?



There is a considerable difference in the approach to pricing when the results are analysed by jurisdiction. There is a net difference of -1% points for NI based companies. In Ireland the corresponding figure is -43% points. Indeed over half of businesses in Ireland reported that they had reduced their prices in the previous 3 to 6 months.

Figure 2.18: Pricing changes by region

Over the past 3 to 6 months have the prices you charge...?



Quarterly analysis shows little change in the percentage who have increased prices in the previous quarter (13% in Q2 and 13% in Q3). The percentage reducing prices has decreased from 49% in Q2 to 42% in Q3.

Table 2.9: Trends in quarterly prices charged for products and services (weighted)

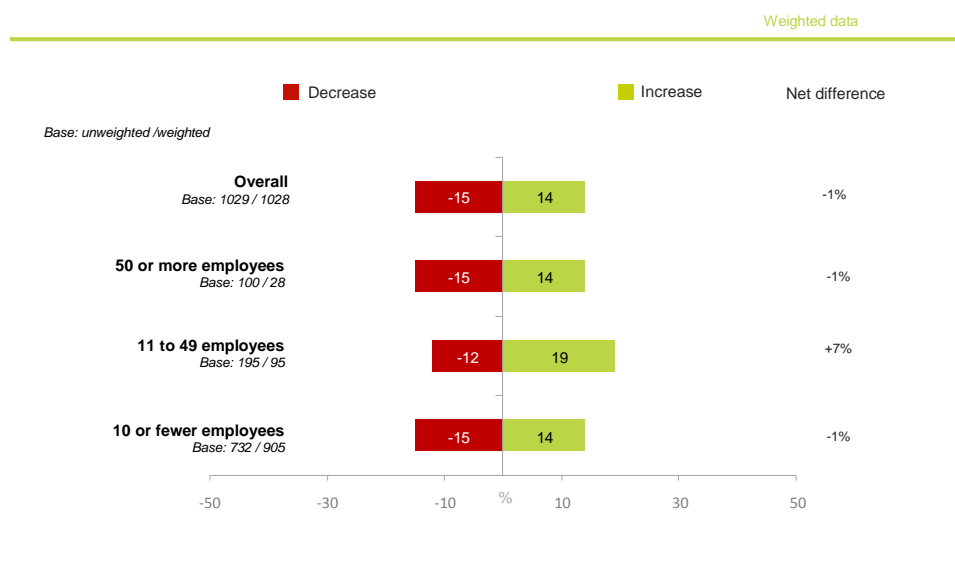
Over the past 3 – 6 months, have the prices you charge for your products and services...?							
	2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	1,000	1,000	1,000	1,000	1,000	1,009	1,029
Increased	8%	6%	9%	10%	8%	13%	12%
Remained steady	39%	39%	32%	32%	32%	38%	46%
Decreased	53%	55%	58%	56%	60%	49%	42%
Not sure	0%	1%	1%	2%	1%	0%	0%
Net difference	-45%	-48%	-49%	-47%	-52%	-36%	-30%

Looking forward to the next 3 to 6 months, on balance, businesses appear to be planning to maintain prices at their current levels with just 14% saying they are planning an increase and 15% a decrease.

In terms of size of business, it is the mid-size businesses that are most confident that prices can be maintained or increased.

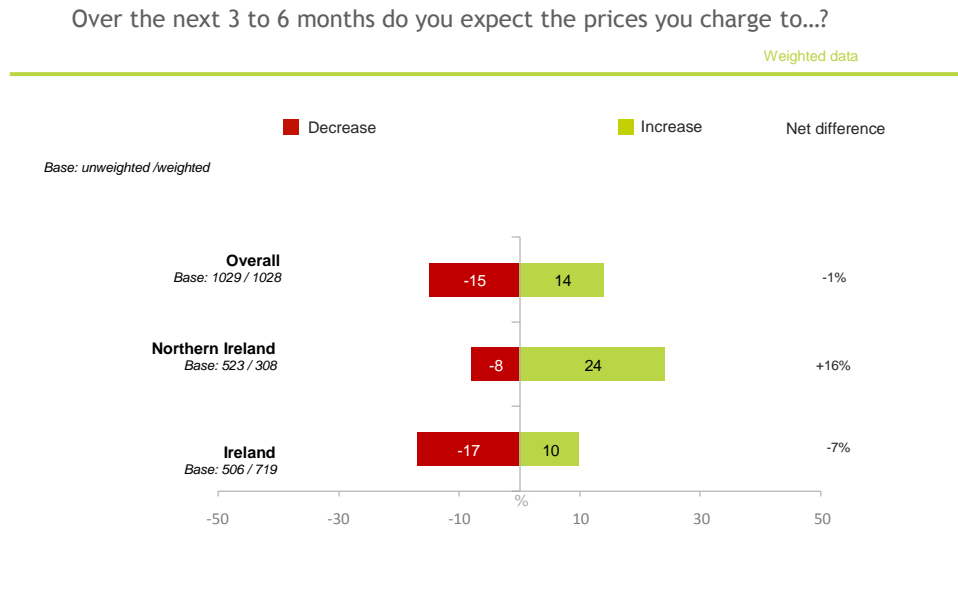
Figure 2.19: Outlook on pricing changes by size

Over the next 3 to 6 months do you expect the prices you charge to...?



While approximately one quarter (24%) of NI based companies plan to increase prices, 8% see a need to reduce them over the next 3 to 6 months (net difference +16% points). Southern based companies are less confident that their market can sustain an increase with just 10% planning to put prices up and 17% aiming to reduce them (-7% points).

Figure 2.20: Outlook on pricing changes by region



Over the past quarter there has been a little movement in terms of the outlook for increasing prices or decreasing prices.

Table 2.10: Trends in quarterly prices charged for products and services outlook (weighted)

Over the next 3 – 6 months, do you expect the prices you charge for your products and services to...?							
Base	2009				2010		
	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1,029
Increase	6%	5%	6%	6%	8%	14%	14%
Remain steady	72%	73%	74%	74%	78%	70%	70%
Decrease	20%	18%	17%	18%	11%	13%	15%
Not sure	3%	4%	4%	2%	2%	4%	1%
Net difference	-15%	-13%	-11%	-11%	-3%	1%	-1%

3. The business environment

In this section we assess the performance of businesses in terms of cross-border and export sales. We look at changes in the cost base and the main issues affecting businesses in the current climate.

Cross-border and export sales

Tables 3.1 and 3.2 show the percentage of businesses that are exporting to a range of regions. Just less than two thirds of businesses (63%) report that they do not export.

It can be seen from Table 3.2 that NI based companies are more likely to engage in cross-border sales with 32% reporting that they sell into Ireland. The corresponding figure for Irish based companies selling into NI is 24%. The overall figure for cross-border sales is 26%.

Outside the island of Ireland the most popular 'export' destination is Great Britain with 18% reporting sales in this region. Approximately one in eight export to the rest of the EU (12%), while 8% sell into North America and 6% into the rest of the world.

Analysis by sector shows that those most likely to engage in export activities are those operating in the leisure, hotels and catering (51%), manufacturing (45%) and business services arena (44%). Not surprisingly, larger companies are more likely than smaller ones to have export sales.

Table 3.1: Percentage exporting by sector

	Overall	Agriculture	Manufacturing	Construction	Business services	Leisure, hotels and catering	Retail, distribution	Other services
<i>Base unweighted</i>	1,029	50	107	108	225	162	261	110
<i>Base weighted</i>	1,028	57	101	110	224	156	271	105
Cross border	26%	30%	31%	20%	23%	40%	21%	25%
GB	18%	5%	24%	7%	22%	41%	8%	12%
Rest of EU	12%	5%	12%	2%	11%	40%	5%	7%
North America	8%	0%	8%	0%	7%	27%	3%	6%
Rest of world	6%	3%	13%	1	6%	15%	2%	3%
Do not export	63%	65%	55%	79%	56%	49%	72%	65%

Table 3.2: Percentage exporting by size and region

	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI
<i>Base unweighted</i>	1,028	100	195	732	506	523
<i>Base weighted</i>	1,029	28	95	905	719	308
Cross border	26%	45%	40%	24%	24%	32%
GB	18%	52%	29%	16%	19%	16%
Rest of EU	12%	37%	18%	11%	16%	5%
North America	8%	16%	11%	7%	10%	4%
Rest of world	6%	15%	11%	5%	7%	3%
Do not export	63%	26%	43%	66%	62%	63%

Business costs

Businesses were asked if they were planning to make any changes to their budgets for core business areas including marketing and advertising, IT, research and development and training.

It is interesting to note the percentage of businesses that do not have a budget for a number of these activities. For example 43% do not have a specific budget for research and development and 28% do not have one for training. Seventeen percent have no budget for IT and 12% do not have one for marketing and advertising.

Not surprisingly, given the predicted changes in employment levels, just 8% of businesses are planning to increase their recruitment budget while 11% expect it to decrease. The figures for marketing and advertising, IT and research and development remain similar to Q2. However the percentages planning to increase their training budget has increased from 5% in Q2 to 17% in Q3.

Figure 3.1: Budget planning changes

Percentage planning to increase or decrease budgets for core activities next year?

Base 1,028 All respondents Weighted data

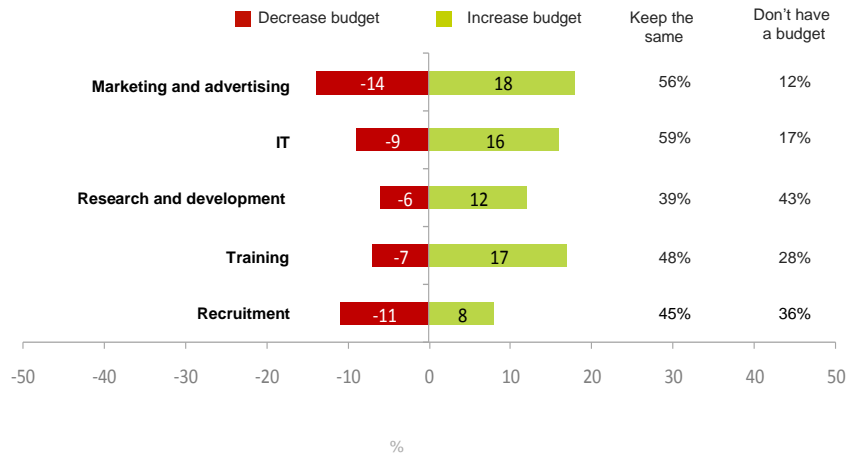


Table 3.3 shows that over half of businesses (51%) with 3 or more employees introduced a wage freeze, 21% have made a wage cut and 29% have introduced reduced working hours or unpaid leave in the last year in an attempt to cut costs. Other measures taken include reduced or stopped overtime (30%), redundancies (16%), a cut in bonuses (23%) and a reduction in sub-contracting (22%).

Table 3.3: Other cost reduction methods

Base respondents with 3 plus employees Unweighted 642 Weighted 578	Has introduced	Plans to introduce	Thinking about it	No plans	Not applicable	Don't know
Wage freeze	51%	4%	2%	37%	4%	1%
Wage cuts	21%	3%	4%	68%	4%	0%
Reduced working hours or unpaid leave	29%	3%	5%	58%	5%	0%
Reduced or stopped overtime	30%	2%	1%	43%	24%	0%
Redundancies	16%	2%	5%	70%	7%	1%
Cut bonuses	23%	1%	1%	42%	32%	1%
Reduced sub-contracting	22%	1%	1%	33%	43%	1%

Key business issues

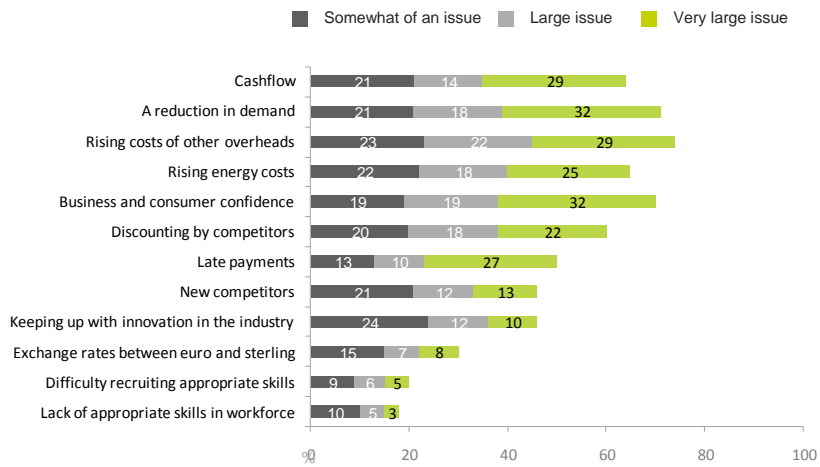
Respondents were given a range of issues and asked to rate them from 1 to 5 in terms of the impact they are having on their business.

Rising cost of overheads, a reduction in demand and business and consumer confidence were rated highest in terms of impact. This is followed by cashflow and rising energy costs. Less likely to be issues were difficulty recruiting skills and lack of appropriate skills in the workforce.

Figure 3.2: Current business issues by sector

To what extent are each of the following an issue for your business currently?

Base 1,028 All respondents Weighted data



Analysis by export and cross border sales activity shows some variation in the issues that are affecting businesses. For example, as Table 3.4 shows those who do not export or have cross border sales are more likely than those who do to say that a reduction in demand is a huge issue for them.

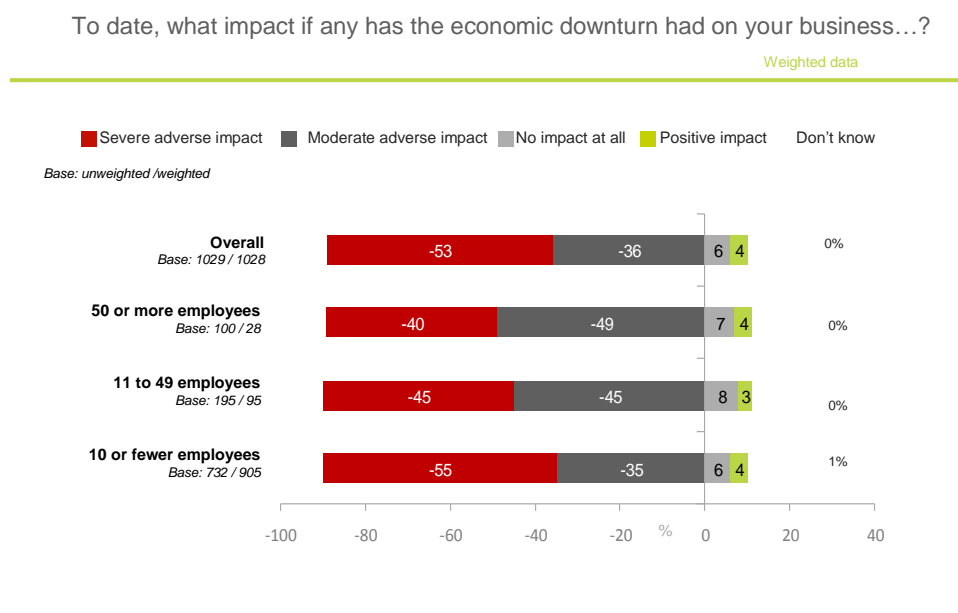
4. The economy

In this section we explore what impact the economy has been having on business, assess changes in payment times that potentially create cash flow issues for business and detail the steps that businesses believe government should be taking to assist them during the downturn.

Impact of the economy on business

The vast majority (89%) say that the economic downturn has had either a severe or moderate impact on their business. Just 6% report that there has been no impact and 4% have benefited from it. The pattern of those impacted is similar when analysed by size of business, although smaller businesses are slightly more likely to say there has been a severe impact.

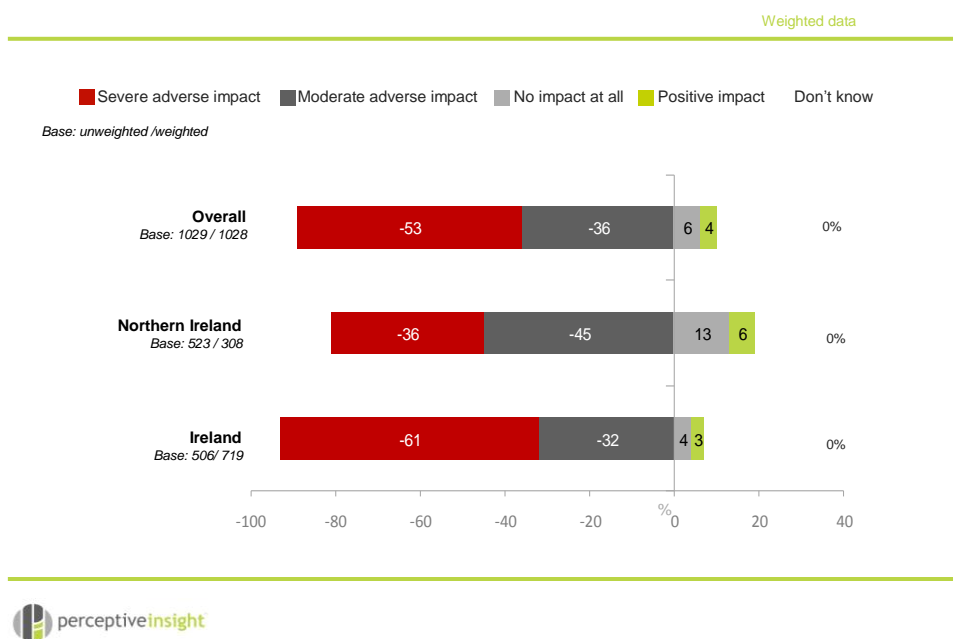
Figure 4.1: Impact of economic downturn by size



Businesses in Ireland are much more likely than those in NI to say that they have been severely impacted by the economic downturn (61% compared with 36%). Just 6% of NI companies report that the downturn has had a positive impact compared with 3% of those in Ireland.

Figure 4.2: Impact of economic downturn by region

To date, what impact if any has the economic downturn had on your business...?



The quarterly analysis shows a similar trend to Q2 in those who say they have experienced a severe adverse impact as a result of the downturn.

Table 4.1: Trends in quarterly impact of the economic downturn (weighted)

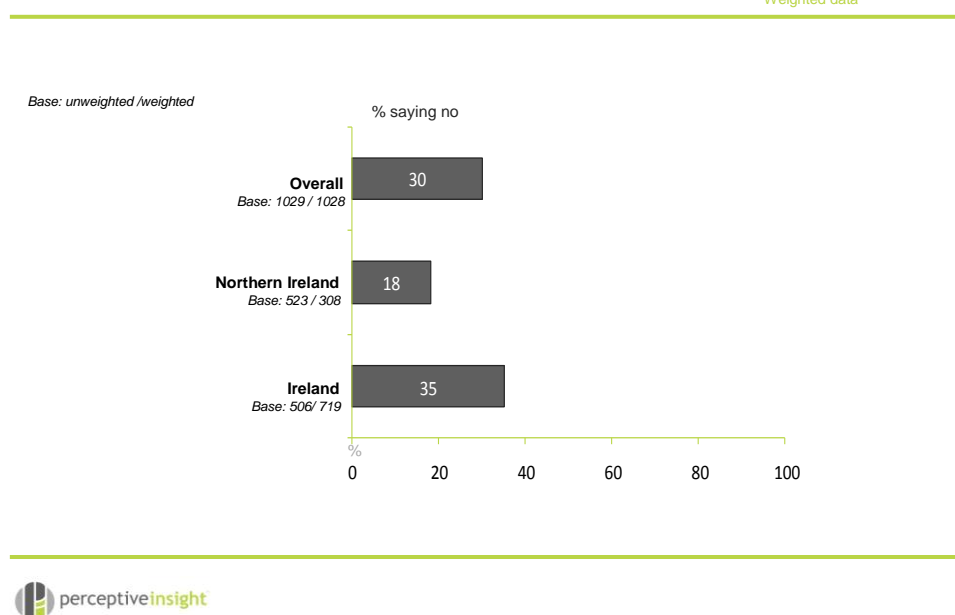
To date, what impact if any, has the economic downturn had on your business...?							
	2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	1,000	1,000	1,000	1,000	1,000	1,009	1,029
Severe adverse impact	33%	29%	35%	35%	37%	51%	53%
Moderate adverse impact	52%	57%	51%	53%	50%	38%	36%
Positive impact	3%	3%	4%	4%	3%	4%	4%
No impact at all	11%	10%	10%	7%	8%	6%	6%
Don't know	0%	1%	0%	1%	2%	1%	0%

Overall 30% report that their business was not profitable in the previous year, a slight increase from 28% in Q2. Over one third of businesses in Ireland (35%) did not show a profit in the previous 12 months compared with 18% in NI.

Figure 4.3: Incidence of businesses not remaining profitable by region

During the past 12 months, has your business managed to remain profitable?

Weighted data



Businesses in the construction sector (43%) were least likely to state their business had remained profitable in the past 12 months. There is much more of a sectoral difference when the results are analysed by location. The impact on profitability has hit most sectors in Ireland and has had particular impact on construction. However, in NI the biggest impact has been on both leisure, hotels and catering and construction.

Table 4.2: Incidence of businesses not remaining profitable by sector

	Overall	Agriculture	Manufacturing	Construction	Business services	Leisure, hotels and catering	Retail, distribution	Other services
<i>Base unweighted</i>	1,029	50	107	108	225	162	261	116
<i>Base weighted</i>	1,028	51	101	110	224	156	273	112
All-island <i>Base 1,029/1,028</i>	30%	16%	27%	43%	30%	33%	26%	33%
Northern Ireland <i>Base 523/308</i>	18%	16%	16%	21%	16%	26%	13%	21%
Ireland <i>Base 506/719</i>	35%	17%	29%	54%	36%	35%	32%	38%

Payment terms

As a consequence of the economic downturn, 35% report that customers have requested longer payment terms, 67% lower prices and 64% discounts. These requests are much more likely to have been made to those based in Ireland compared to NI companies

Table 4.3: Incidence of customers requesting financial concessions by size and region

	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI
	<i>Base unweighted</i>	1,029	100	195	732	506
	<i>weighted</i>	1,028	28	95	905	719
Longer payment terms	35%	46%	45%	34%	37%	31%
Lower prices	67%	78%	75%	66%	73%	53%
Discounts	64%	77%	69%	63%	67%	55%
None of these	20%	8%	16%	21%	16%	32%

Comparing this quarter with Q1 and Q2 shows that there have been some increases in the percentages requesting lower prices and discounts.

Table 4.4: Trends in quarterly customers requesting financial concessions

During the past 12 months, have your customers requested any of the following?				
		2010		
		Q1	Q2	Q3
	<i>Base unweighted</i>	1,000	1,009	1,029
	<i>weighted</i>	1,000	1,009	1,029
Longer payment terms		37%	38%	35%
Lower prices		53%	59%	67%
Discounts		56%	58%	64%
None of these		23%	24%	20%

Steps to recovery

Businesses were asked to suggest the steps that could be taken by Government to help businesses during the current economic downturn. Table 4.5 shows the range of advice that was provided. This advice tended to be structured around a range of themes including banking initiatives, boosting confidence, encouraging entrepreneurs, improving cashflow, improving skills, putting money into the economy and reducing costs.

Table 4.5: Suggestions of what the Government could do to help business during the current economic downturn by region

		Overall	Ireland	NI
		Base unweighted	506	523
Banking	Put pressure on banks to lend	12%	22%	9%
	Put pressure on banks to reduce fees and charges	1%	1%	2%
	Provide government loans	1%	1%	1%
	Other aimed at banking	8%	9%	7%
Boost confidence	Less negative chat, doom and gloom	8%	12%	5%
Encourage entrepreneurship	Provide grants for start ups	1%	1%	1%
	Other aimed at entrepreneurship	1%	1%	1%
Improve cashflow	Allow more time to pay taxes to help cash flow	2%	2%	2%
	Other cashflow initiative	2%	2%	2%
Improve skills	Provide grants for training and skills	2%	1%	2%
Put money into economy	Cut the public sector	1%	1%	1%
	Keep public spending at current level	1%	0%	2%
	Provide grants	2%	1%	2%
	Other initiative to put money into economy	3%	3%	3%
Reduce costs	Reduce red tape and bureacracy	6%	4%	8%
	Keep VAT down/Decrease VAT	10%	7%	12%
	Reduce interest rates	1%	0%	2%
	Lessen income tax	14%	12%	16%
	Reduce rates	9%	10%	9%
	Reduce national insurance	3%	5%	1%
	Lower minimum wage	2%	3%	1%
	Reduce energy costs	3%	3%	3%
	Reduce fuel costs	3%	3%	3%
Other initiative to reduce costs	7%	8%	6%	
Target benefits	Reduce benefits for those not working	1%	1%	0%
	Other initiative aimed at those on benefits	4%	5%	2%
Target support for sector	Assist small businesses	7%	6%	8%
	Target other sector	7%	6%	7%
Other	Nothing	5%	7%	4%
	Not sure	8%	5%	10%
	Install new government	3%	6%	1%
	Incentives to take on new staff	0%	1%	0%

5. Banking relationships and access to finance

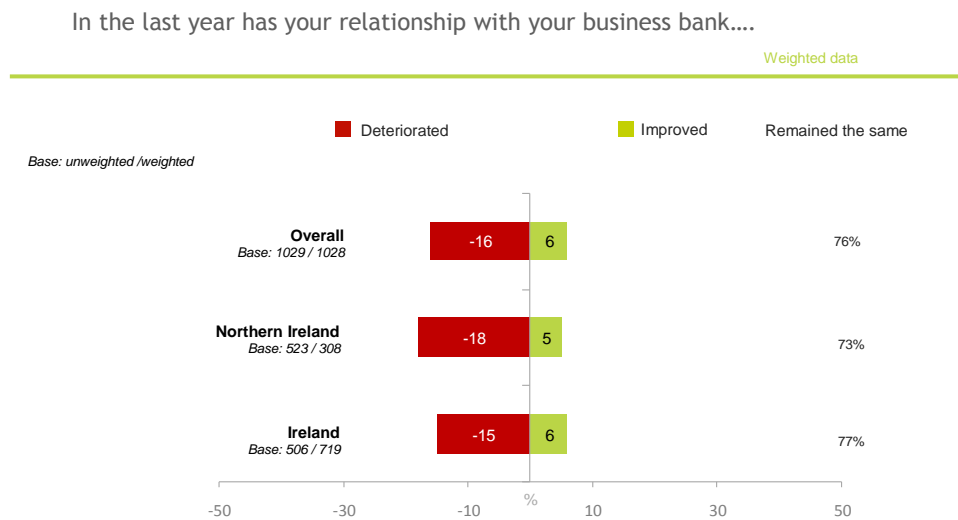
One of the documented issues affecting businesses during the economic downturn has been their ability to access finance. In this section we explore the relationships that businesses have with banks and the incidence of seeking finance from various sources and their experiences of this process.

Relationship with banks

Respondents were asked a number of questions about the status of their relationship with their business bank, including whether or not they had an account manager that they knew by name. The aim of this set of questions was to explore the stability of the banking relationship and assess the knowledge that banks have of their business customers.

While 6% of businesses reported that their relationship with their bank had improved in the past year, 76% said it had remained the same and 16% considered it had deteriorated (that is approximately one in six business customers). Those based on NI were slightly more likely to report that their relationship had deteriorated (18%) compared with those in the South (15%).

Figure 5.1: Incidence of relationship with bank changing in the last year by region

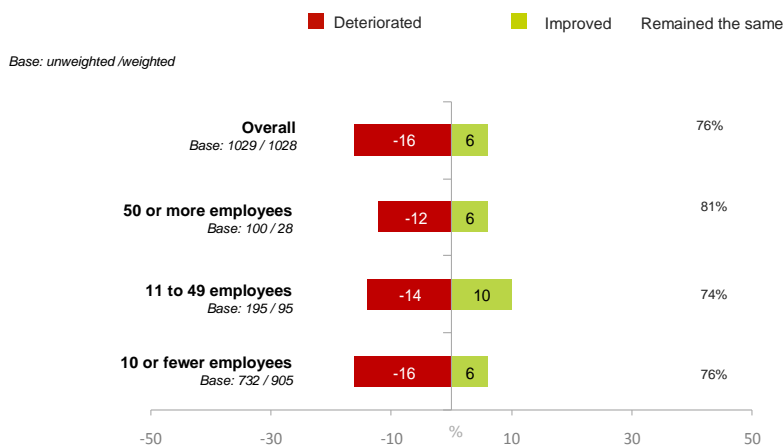


Analysis by size of business shows that smaller businesses are slightly more likely to have seen their relationship with the bank deteriorate compared to both mid and large size businesses.

Figure 5.2: Incidence of relationship with bank changing in the last year by size of business

In the last year has your relationship with your business bank....

Weighted data



Seven in ten businesses reported that they had a relationship manager with their bank. However less than 6 in ten had a relationship manager that they could name. Analysis by size of business shows that the vast majority of larger businesses have a relationship manager (97%), compared with 86% of mid-size and 68% of small businesses. Those based in Northern Ireland were less likely to have a relationship manager (61%) compared to those in the South (74%).

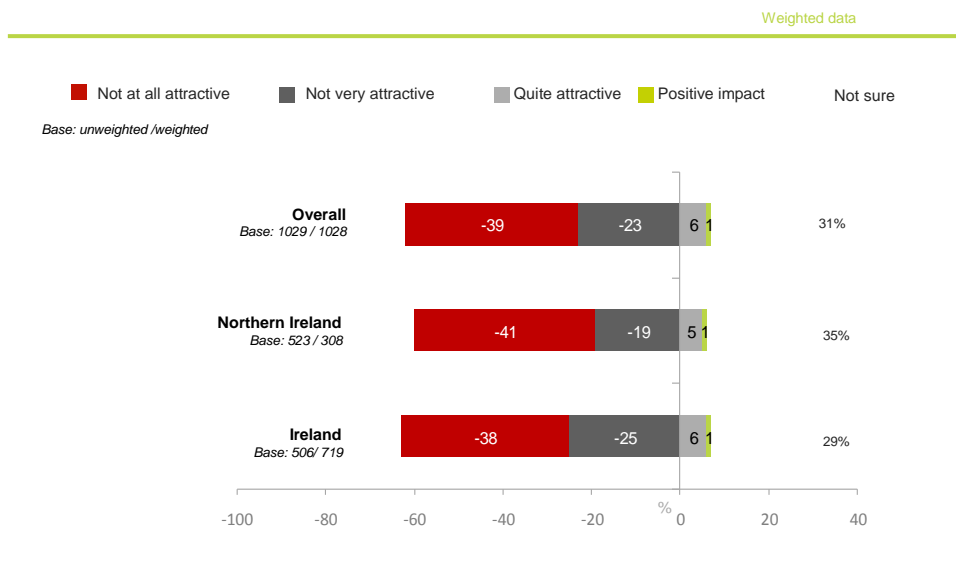
Views on the loans and overdrafts offered by banks

Views on loans

Respondents were asked their views of the terms of loans of loans currently offered by banks. While 7% considered them to be either quite or very attractive, 62% rated them as either not very or not at all attractive. The remaining 31% were not sure about the attractiveness of the products on offer. Analysis by region shows that those based in NI were less likely to know about the attractiveness of loans compared with those in the South. Those in the South were slightly more negative about attractiveness of the loans on offer.

Figure 5.3: Views on the attractiveness of loans by region

To what extent do you think the terms of *loans* currently offered by banks are attractive?



Less than half (47%) believed that they would be successful if they were to approach their bank for a loan. Those in Northern Ireland were slightly more optimistic than those in the South (52% compared with 46%). Smaller businesses were much less likely to think that they would be successful (45%) compared with either mid-size (68%) or large businesses (63%). Also those who had shown a profit in the last year were more likely to be positive about the outcome (54%) than those who were not profitable (35%).

Table 5.3: Views on the potential outcome of approaching the bank for a loan

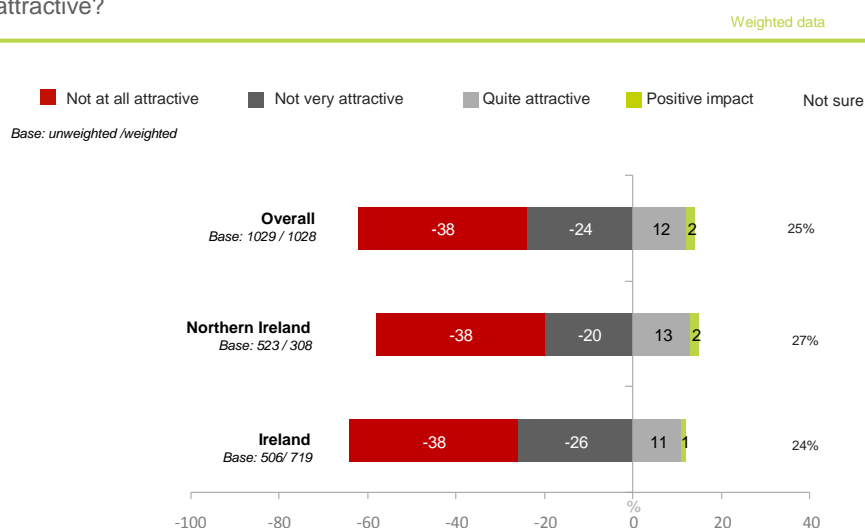
If you were to approach your business bank for a loan do you think you would be successful?	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI	Profitable	Not profitable
	<i>Base unweighted</i>	1,029	100	195	732	506	523	725
<i>weighted</i>	1,028	28	95	905	719	308	674	308
Yes	47%	63%	68%	45%	46%	52%	54%	35%
No	53%	37%	32%	55%	54%	48%	46%	65%

Views on overdrafts

Respondents were also asked their views on the attractiveness of overdrafts on offer to businesses. While one quarter (25%) were not sure, 14% believed them to be either very or quite attractive and 62% rated them either not very or not at all attractive. Those in the South were slightly more negative in their views compared to companies based in NI.

Figure 5.4: Views on the attractiveness of overdrafts by region

To what extent do you think the terms of overdrafts currently offered by banks are attractive?



In the main businesses were more optimistic about their chances of successfully applying for an overdraft (or an extension to an existing overdraft) (53%) compared with a loan (47%). The least positive groups in this regard were smaller businesses (51%), those based in the South (50%) and those who were not profitable last year (42%).

Table 5.4: Views on the potential outcome of approaching the bank for an overdraft

If you were to approach your business bank for an overdraft or an extension to an overdraft do you think you would be successful?	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI	Profitable	Not profitable	
	<i>Base unweighted</i>	1,029	100	195	732	506	523	725	261
	<i>weighted</i>	1,028	28	95	905	719	308	674	308
Yes		53%	71%	69%	51%	50%	60%	59%	42%
No		47%	29%	31%	47%	50%	40%	41%	58%

Awareness and views of Government Finance Guarantees

In Northern Ireland businesses have access to The Enterprise Finance Guarantee, which is a loan guarantee scheme aimed at facilitating additional bank lending to viable SMEs with no or insufficient security to secure a normal commercial loan. It was launched in January 2009. While a similar scheme does not yet exist in Ireland it is something which the Government is considering.

Awareness of the scheme in Northern Ireland is relatively low (17% of businesses said that they had heard of it) and just 3 of the 523 businesses that we spoke to had applied to it. However, 6% indicated that they were very likely to apply in the next six months and 14% said they were quite likely to do so.

Among those interviewed in the South, 18% said that if such a scheme became operational they would be very likely to apply, and a further 16% reported that they would be quite likely to submit an application.

Sourcing finance from banks

Businesses were asked which types of finance they have had in place over the past year. Six in ten reported that they operated with an overdraft (60%), while three in ten (30%) had a loan in place. It is interesting to note that 38% were using their own savings and 16% had finance from their family. Just 3% had venture capital finance and 4% funding from a public sector grant.

Larger businesses were much more likely to have a loan in place than smaller businesses. They were also more likely to have received public sector funding and funding from venture

capitalists. Smaller businesses were much more likely to be using their own savings within the business.

Businesses in Ireland were more likely than those in Northern Ireland to have each of the various financial arrangements in place, apart from public sector grants where equal percentages had this type of finance.

Table 5.5: Sources of finance

Over the past year has your business had any of the following financial arrangements in place? Percentage saying 'yes'	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI
	<i>Base unweighted</i> 1,029	100	195	732	506	523
	<i>weighted</i> 1,028	28	95	905	719	308
Overdraft facility	60%	62%	63%	59%	64%	50%
Loan	30%	54%	44%	28%	34%	22%
Venture capital	3%	6%	5%	2%	3%	2%
Public sector grant	4%	27%	12%	2%	4%	4%
Family finance	16%	9%	18%	16%	18%	12%
Own savings	38%	15%	27%	40%	39%	34%

Eleven percent of businesses reported that they had applied for an overdraft or an extension to an overdraft in the last 3 to 6 months, while 9% had applied for a loan. A total of 16% had applied for either of these types of finance.

Analysis by size of business shows that smaller businesses and those in Northern Ireland are less likely to have sought either an overdraft or loan.

Table 5.6: Incidence of seeking finance

Have you applied for any of the following in the past 3 to six months? Percentage saying 'yes'	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI
	<i>Base unweighted</i> 1,029	100	195	732	506	523
	<i>weighted</i> 1,028	28	95	905	719	308
Overdraft facility	11%	13%	13%	11%	13%	8%
Loan	9%	7%	13%	8%	10%	5%
Either overdraft or loan	16%	18%	19%	16%	18%	12%

The quarterly trends show that the percentages applying for finance is decreasing slightly.

Table 5.7: Quarterly trends in sourcing finance from banks

Over the last 3 to 6 months, has your business sought loans or credit from a bank or finance house?				
		2010		
		Q1	Q2	Q3
	Base			
	unweighted	1,000	1,009	1,029
	weighted	1,000	1,009	1,028
Yes		19%	18%	16%
No		81%	77%	84%
Don't know		-	3%	-
Refused		-	1%	-

Those who applied for either an overdraft or loan were asked if they were successful in their application. Twenty seven percent of those who applied for an overdraft said that they had been unsuccessful, while 28% reported being unsuccessful in their loan application. Although the base numbers are low it can be seen that mid-size companies were more likely to be successful in their overdraft applications than either large or small businesses. Small business were more likely to be turned down for a loan than their larger counterparts. Levels of rejection for overdrafts and loans were similar North and South.

Table 5.8: Incidence of NOT being successful in the application (weighted)

Were you successful in your application? Percentage saying 'no'	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI
Overdraft facility	27%	25%	0%	30%	26%	29%
Base:	109	11	23	75	65	44
Loan	28%	0%	5%	32%	28%	27%
Base:	87	11	23	53	51	36

Analysis by those who export outside their jurisdiction and those who don't shows that exporters are slightly more likely to have been rejected for an overdraft but more likely to have been accepted for a loan. Also businesses reporting a profit last year were less likely to have been rejected for finance.

Table 5.9: Incidence of NOT being successful in the application (weighted)

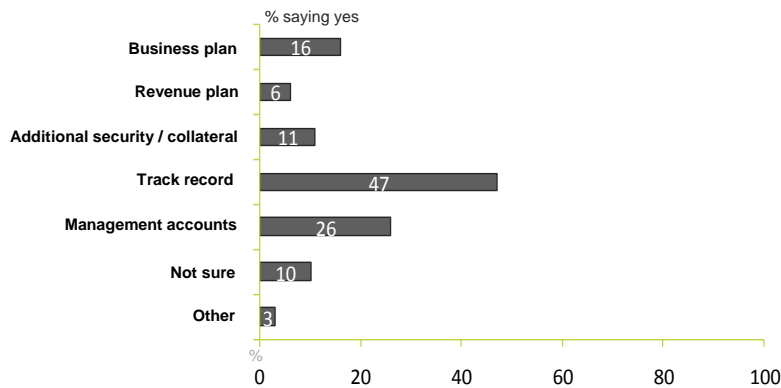
Were you successful in your application? Percentage saying 'no'	Overall	Exporters	Non exporters	Profitable in last year	Not profitable in last year
Overdraft facility	27%	34%	21%	23%	36%
Base 109	109	55	54	73	34
Loan	28%	16%	34%	20%	44%
Base 87	87	36	51	62	20

Those applying for an overdraft, or an extension to their overdraft, were asked what was used to assess their application. The most common approach to assessment was to use the company's track record (47%), followed by management accounts (26%) and the business plan (16%). Eleven percent looked for additional security or collateral.

Figure 5.5: Methods used to assess applications for an overdraft or an extension to overdraft

What, if anything, was used to assess your application for an overdraft / extension to your overdraft?

Base 116 All respondents who have applied for an overdraft (extension to existing overdraft), weighted data

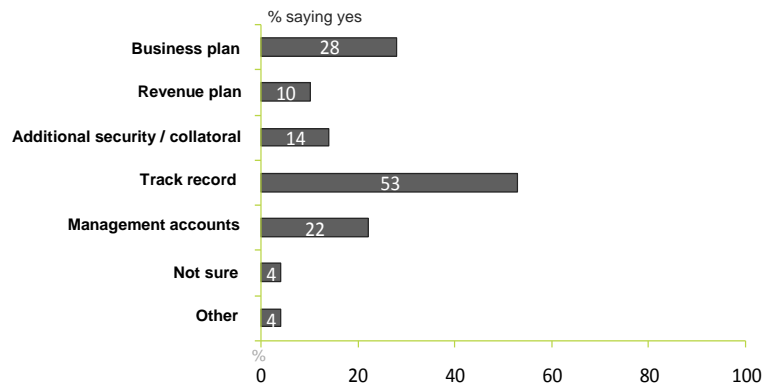


Those applying for loans were also asked what was used to assess their application. In this instance the most common approach to assessment was to use the company's track record (53%), followed by the business plan (28%) and management accounts (22%). Fourteen percent looked for additional security or collateral.

Figure 5.6: Methods used to assess applications for a loan

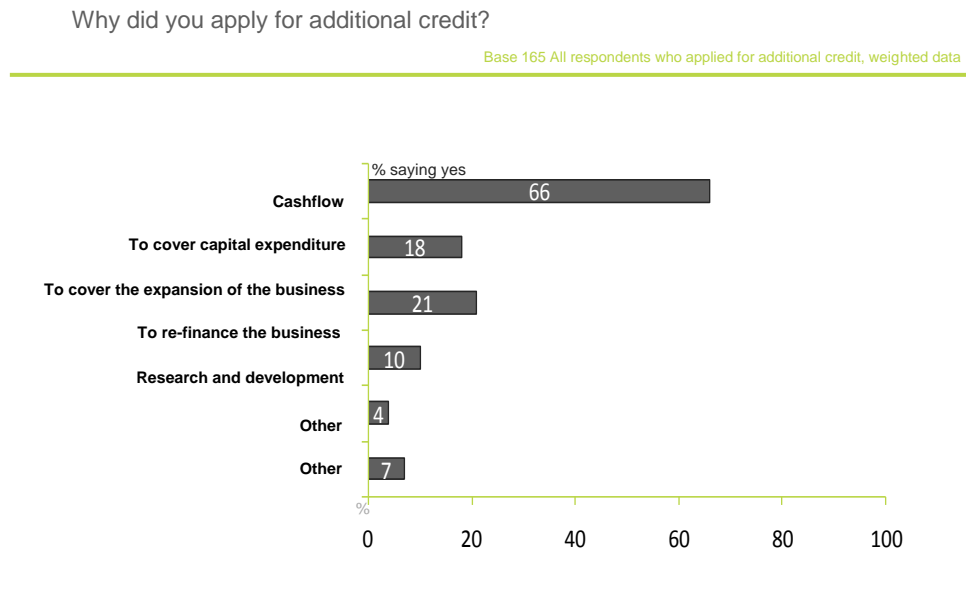
What, if anything was used to assess your application for a loan?

Base 90 All respondents who have applied for a loan, weighted data



Those applying for credit were asked their reasons for doing so. For two thirds the reason was cashflow (66%), 21% wanted finance to cover the cost of expanding their business and 18% to cover capital expenditure.

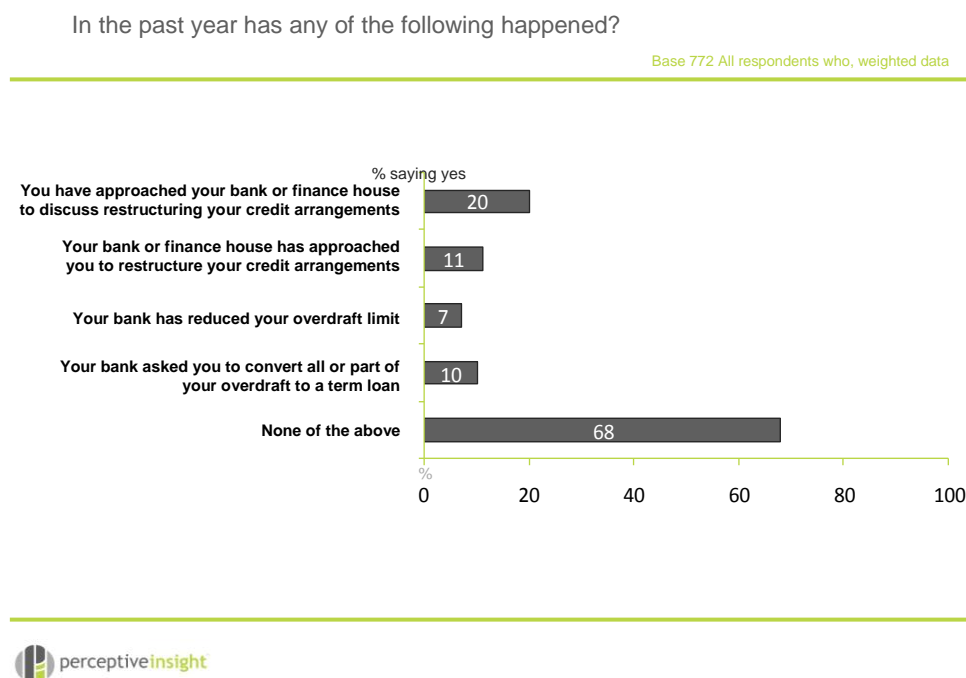
Figure 5.7: Reasons for applying for credit



Restructuring of credit facilities

Two thirds (68%) of businesses said that they had not made an approach nor been approached by their bank to restructure their finance. However, one in five (20%) had approached their bank to discuss restructuring credit arrangements and 11% had been approached by their bank to do so. Seven percent reported having their overdraft limit reduced and 10% had been asked to convert all or part of their overdraft to a loan.

Figure 5.8: Incidence of restructuring finance



Analysis by size shows that larger businesses are more likely both to have approached and to have been approached by their bank to restructure credit arrangements. The incidence of banks reducing overdraft limits is slightly higher among mid-size businesses, while the incidence of being asked to convert all or part of an overdraft to a term loan is higher among small businesses. Businesses in the South were more likely than those in the North to say that each of various types of approaches had taken place.

Table 5.10: Incidence of restructuring finance by size and region

In the past year has any of the following happened?	Overall	50 or more employees	11 to 49 employees	10 or less employees	Ireland	NI
	<i>Base unweighted</i>	<i>1,029</i>	<i>100</i>	<i>195</i>	<i>732</i>	<i>506</i>
	<i>weighted</i>	<i>1,028</i>	<i>28</i>	<i>95</i>	<i>905</i>	<i>308</i>
You approached bank to restructure credit arrangements	20%	31%	25%	20%	22%	17%
Bank approached you to restructure credit arrangements	11%	18%	9%	11%	11%	10%
Bank has reduced overdraft limit	7%	5%	9%	7%	7%	5%
Bank asked to convert all or part of overdraft to a term loan	10%	6%	4%	10%	11%	5%
None of above	68%	55%	65%	68%	66%	72%

We asked those businesses who had their overdraft limits reduced by their bank the reason why this had happened. The following quotes are illustrative of the range of comments made:

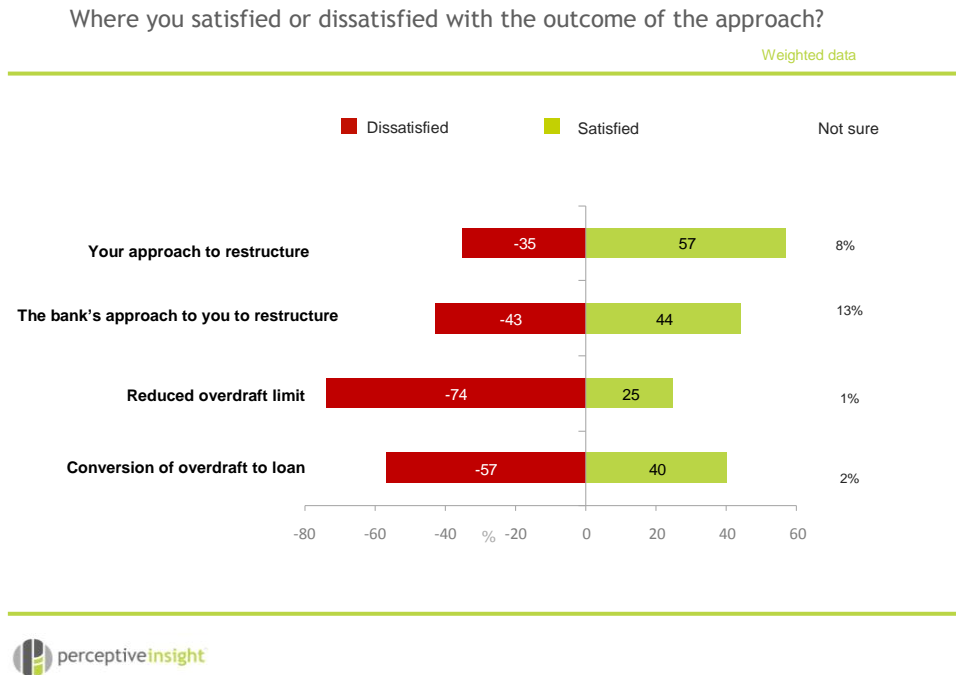
*Because we no longer matched the bank's criteria
Seems to be an approach banks are taking with all businesses
They're just tightening up
They just said I wasn't making use of the current limit
Refused to renew overdraft
Didn't want such a risk*

Those who had been asked to convert all or part of an overdraft into a loan were also asked why this had happened. Among the responses were the following:

*They didn't ask. It was general practice in the bank to do that.
Overdraft too expensive – the loan is cheaper
Because they would be making more money
So they could renegotiate the rate
It was an unsecured overdraft. They lost confidence in my viability.*

The majority of those who have had their overdraft reduced (74%) or had it converted to a term loan (57%) were dissatisfied with the outcome. Also 43% were dissatisfied with the outcome of the approach by their bank to restructure their credit arrangements and 35% were dissatisfied with the outcome when they had instigated the approach.

Figure 5.9: Satisfaction with the outcome of the approach



Those who said they were dissatisfied were asked their reasons for this. The following are illustrative of the responses given:

Those who approached the bank for restructuring

Couldn't come up with any decent alternatives
They did not entertain the approach. They said no bank would agree to an overdraft facility
Bullying
Very bossy attitude from bank
The business manager has no power whatsoever

Those who were approached by the bank for restructuring

It's just making more problems for the business instead of helping
I felt they were squeezing the small business for money
Felt completely shafted by the bank's approach and attitude towards me
Because we had no choice or say in the matter

Those who had overdraft limit reduced

They're looking after their own problems first
Terms unsuitable
Upsets cashflow
Felt it was unwarranted as I have never had any problem paying it back
One day you have it, the next you don't – no options given
It's had an adverse affect on the company
It was done without being informed by the bank
Bullied into it
It's causing the business a nightmare

Those who had overdraft converted to a loan

We were left with no choice in the matter
Bullying
I didn't want to commit to a long-term loan – they slip in extra conditions
Less flexibility with financial arrangements
No longer have cashflow
No say in the matter

Appendix A - Methodology

Background

InterTradelreland has commissioned Perceptive Insight Market Research to undertake its business monitor research. The InterTradelreland study is unique in scope, scale and regularity and has helped to fill a void in All-Island economic intelligence, especially during the recent turbulent economic times. The objectives for this project are:

- For the Business Monitor to act as a topical indicator of business confidence, cross-border trade and business activity across the island of Ireland; and
- For the survey results to act as an evidence base on a variety of themes of interest to business and policy makers, themes on which InterTradelreland can build future initiatives.

Approach

The core features of the approach are:

- A telephone survey of 1,029 businesses, which was undertaken during October 2010;
- The sample is structured to allow sub-groups analysis by region, sector and size of business, with the data weighted to reflect the overall population of businesses on the island when reporting at the overall level.
- The questionnaire contains both a set of consistent or 'core' questions, to allow the monitoring of trends, as well as additional themes and topical questions that vary by quarter.

Sampling

The following tables detail the number of interviews that were conducted by sector, size and region.

Table A.1: Number of interviews conducted in 3 2010 (unweighted data)

		NI	Ireland	Total
Sector	Agriculture	25	25	50
	Manufacturing	45	62	107
	Construction	58	50	108
	Professional services	120	105	225
	Leisure, hotel and catering	80	82	162
	Retail/distribution services	135	126	261
	Other services	60	56	116
Size	1 to 10	365	367	732
	11-49	106	89	106
	50 or more	52	48	52
Total		523	506	1029

Appendix B - Business confidence and economic trends

NI trends

Table B.1: Trends in quarterly sales in NI

Have your sales over the past quarter increased, decreased or remained the same? ²												
NI	2008				2009				2010			
	Base	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 ³ 506	Q3
Increased		28%	23%	-	18%	20%	18%	26%	23%	21%	31%	28
Remained steady		34%	36%	-	36%	37%	37%	31%	30%	30%	30%	31
Decreased		33%	36%	-	44%	42%	44%	39%	42%	42%	38%	39
Not sure		6%	3%	-	2%	2%	1%	3%	4%	4%	1%	1
Net difference		-5%	-13%	-	-26%	-22%	-26%	-13%	-19%	-21%	-7%	-11

Table B.2: Trends for quarterly sales outlook in NI

Looking ahead to the next 12 months, do you expect level of sales to...? ⁴												
NI	2008				2009				2010			
	Base	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 ⁴ 506	Q3
Increased		37%	23%	-	22%	27%	26%	38%	37%	37%	41%	35
Remained steady		41%	38%	-	39%	43%	46%	38%	38%	43%	32%	38
Decreased		16%	31%	-	31%	22%	25%	19%	18%	14%	18%	22
Not sure		7%	7%	-	8%	8%	3%	5%	7%	6%	9%	5
Net difference		21%	-8%	-	-9%	5%	1%	19%	19%	23%	23%	13

² Up to Quarter 1 2010 the question wording referred to turnover rather than sales

³ Weighted data

⁴ Up to Quarter 1 2010 the question wording referred to turnover rather than sales

Table B.3: Quarterly trends in employment levels in NI

Over the past quarter has your number of employees increased, decreased or remained the same?

NI	2008				2009				2010			Q3
	Base	Q1 500	Q2 500	Q3	Q4 500	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 ⁵ 506	
Increased		12%	8%	-	8%	8%	8%	14%	8%	8%	12%	7
Remained steady		73%	75%	-	72%	76%	72%	71%	71%	73%	76%	81
Decreased		14%	15%	-	19%	14%	19%	13%	17%	18%	11%	12
Not sure		2%	2%	-	1%	1%	2%	2%	4%	1%	1%	0
Net difference		-2%	-7%	-	-11%	-6%	-11%	1%	-9%	-10%	1%	-5

Table B.4: Trends in quarterly employment levels outlook in NI

Looking ahead to the next 12 months, do you expect number of employees to...

NI	2008				2009				2010			Q3
	Base	Q1 500	Q2 500	Q3	Q4 500	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 ⁶ 506	
Increased		11%	11%	-	8%	8%	9%	14%	11%	11%	18%	15
Remained steady		82%	79%	-	80%	83%	85%	77%	79%	80%	69%	75
Decreased		6%	7%	-	10%	5%	5%	7%	6%	7%	9%	8
Not sure		1%	2%	-	3%	4%	2%	2%	3%	2%	3%	3
Net difference		5%	4%	-	-2%	3%	4%	7%	5%	4%	9%	7

Ireland trends

Table B.5: Trends in quarterly sales in Ireland

Have your sales over the past quarter increased, decreased or remained the same?⁶

Ireland	2008				2009				2010			Q3
	Base	Q1 500	Q2 500	Q3	Q4 500	Q1 500	Q2 500	Q3 500	Q4 500	Q1 500	Q2 ⁶ 503	
Increased		24%	16%	-	8%	5%	9%	9%	11%	13%	25%	27
Remained steady		38%	32%	-	28%	21%	18%	22%	29%	28%	28%	29
Decreased		34%	49%	-	61%	72%	72%	69%	60%	58%	46%	43
Not sure		4%	2%	-	3%	2%	0%	2%	0%	1%	1%	1
Net difference		-10%	-33%	-	-53%	-67%	-63%	-60%	-49%	-45%	-21%	-16

⁵ Weighted data

⁶ Up to Quarter 1 2010 the question wording referred to turnover rather than sales

Table B.6: Trends for quarterly sales outlook in Ireland

Looking ahead to the next 12 months, do you expect level of sales to...?⁷

Ireland	2008				2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ⁸	Q3
Base	500	500		500	500	500	500	500	500	503	
Increased	35%	17%	-	14%	12%	14%	20%	22%	27%	37%	30
Remained steady	40%	41%	-	33%	41%	41%	38%	46%	43%	36%	40
Decreased	19%	36%	-	47%	43%	41%	38%	29%	27%	20%	22
Not sure	6%	6%	-	6%	4%	4%	4%	3%	3%	8%	7
Net difference	16%	-19%	-	-33%	-31%	-27%	-18%	-7%	0%	17%	8

Table B.7: Quarterly trends in employment levels in Ireland

Over the past quarter has your number of employees increased, decreased or remained the same?

Ireland	2008				2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ⁹	Q3
Base	500	500		500	500	500	500	500	500	503	
Increased	10%	9%	-	6%	4%	5%	3%	5%	5%	6%	9
Remained steady	75%	68%	-	63%	56%	61%	63%	63%	68%	77%	73
Decreased	13%	21%	-	30%	38%	33%	33%	27%	27%	17%	18
Not sure	2%	1%	-	2%	2%	1%	1%	1%	1%	0%	0
Net difference	-3%	-12%	-	-24%	-34%	-28%	-30%	-22%	-22%	-11%	-9

Table B.8: Trends in quarterly employment levels outlook in Ireland

Looking ahead to the next 12 months, do you expect number of employees to...

Ireland	2008				2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ⁹	Q3
Base	500	500		500	500	500	500	500	500	503	
Increased	15%	5%	-	3%	7%	5%	6%	8%	7%	12%	12
Remained steady	78%	74%	-	75%	73%	74%	73%	77%	80%	74%	74
Decreased	6%	17%	-	18%	16%	17%	18%	11%	11%	10%	11
Not sure	2%	4%	-	4%	4%	4%	3%	3%	2%	4%	3
Net difference	-2%	-12%	-	-15%	-9%	-12%	-12%	-3%	-4%	2%	1

⁷ Up to Quarter 1 2010 the question wording referred to turnover rather than sales

⁸ Weighted data