



QUARTERLY BUSINESS MONITOR
OCTOBER TO DECEMBER 2010
Detailed Findings

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1. Executive summary

InterTradelreland has commissioned Perceptive Insight and Oxford Economics to conduct its 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

Each quarter telephone interviews were conducted with over 1,000 business managers on the island of Ireland. The sample is 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.

The interviewing for Q4 2010 took place during January 2011.

Business performance

Sales levels

While 19% have seen an increase in sales over the past quarter (Q4), 28% report no change and 52% say that sales have decreased giving a net difference of -33% points. This compares with a net difference of -15% in Q3. The trend data shows that after six months of 'less harsh trading', businesses are now facing sales conditions similar to Q1 2010 (Figure 1.1).

Similar to previous quarters, those most likely to be affected by a decrease in sales are smaller businesses (54%). The leisure, hotel and catering sector appears to have been hit quite hard in the past quarter with 71% saying sales have declined.

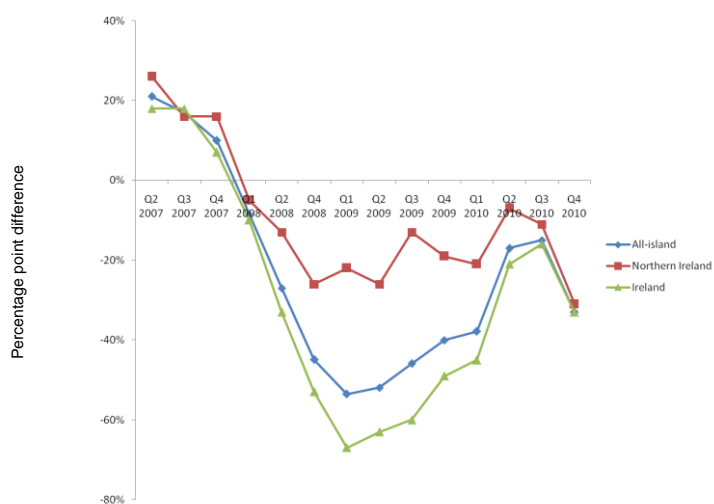
The sector which, on balance, is fairing better than others at the moment is manufacturing, possibly because of its export activity. While 27% have reported an increase in sales, 46% have reported a decline giving a net difference of -19% points. Indeed the net difference among export companies is -18% points compared with -41% points for those that do not export.

The findings North and South are similar with a net difference of -32% points for NI business and -34% points for those in Ireland.

Figure 1.1: Changes in quarterly sales

Net difference in those reporting an increase or decrease in sales in last quarter

Weighted data

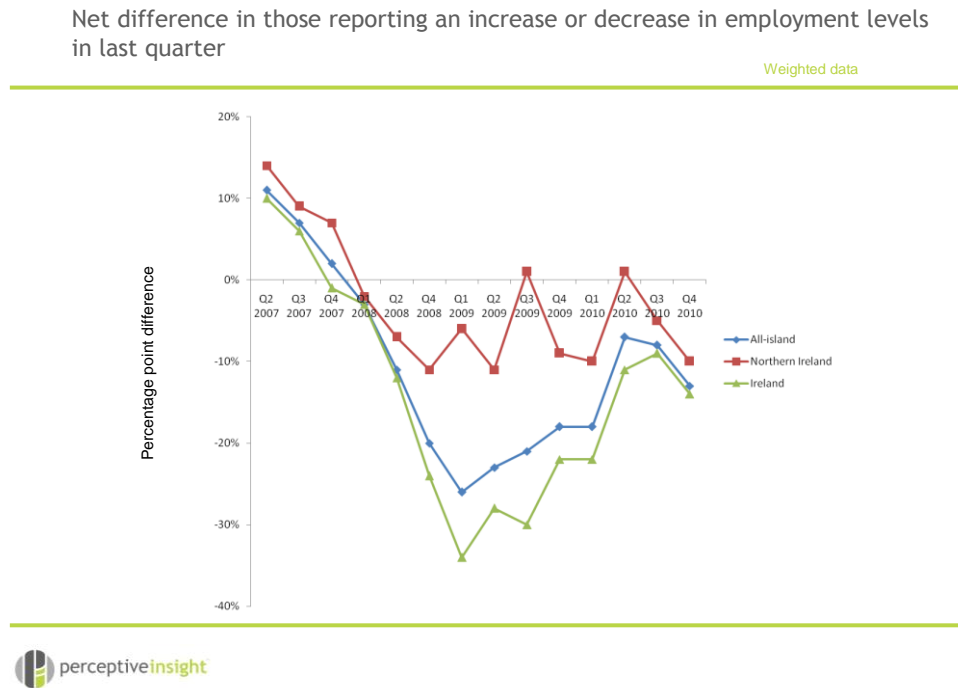


Employment levels

While 5% report that they have taken on new employees in the last quarter, 18% say they have made a reduction in staffing levels, giving a net balance of -13% points. Quarterly trends in employment levels show a little negative movement since last quarter, with the percentage hiring decreasing from 8% to 5%. The percentage reducing staff numbers has changed from 16% to 18% (Figure 1.2).

Analysis by sector shows that it is those in construction (-18% point net difference) and leisure, hotels and catering (-25% point net difference) who are most likely to have reduced employee levels. Also those who do not export (-16% point net difference) are more likely to have reduced numbers than those who export (-6% point net difference).

Figure 1.2: Changes in quarterly employment levels



Business outlook

Sales levels

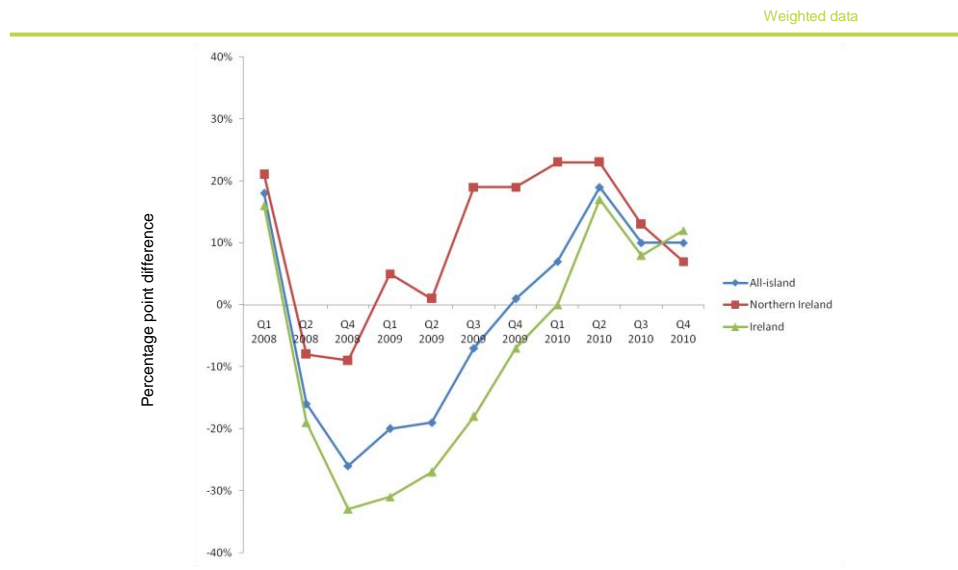
Looking forward to the next 12 months, 32% of businesses are optimistic that their level of sales will increase, with 22% expecting a decrease. Large and mid-size businesses are more positive than smaller enterprises, as are those who export and those who operate in business services.

Those based in NI are slightly more likely to be positive than Southern companies, with 33% expecting an increase compared with 31% in Ireland. However, it should be noted that when looking at the net percentage point difference, sales optimism among NI businesses has been decreasing over the past two quarters.

Analysis of the quarterly trends shows the percentages expecting their sales to increase or decrease remain at similar levels to Q3 2010. Figure 1.3 shows the percentage point net difference between those expecting sales to increase and those predicting a decrease.

Figure 1.3: Outlook for quarterly sales levels

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



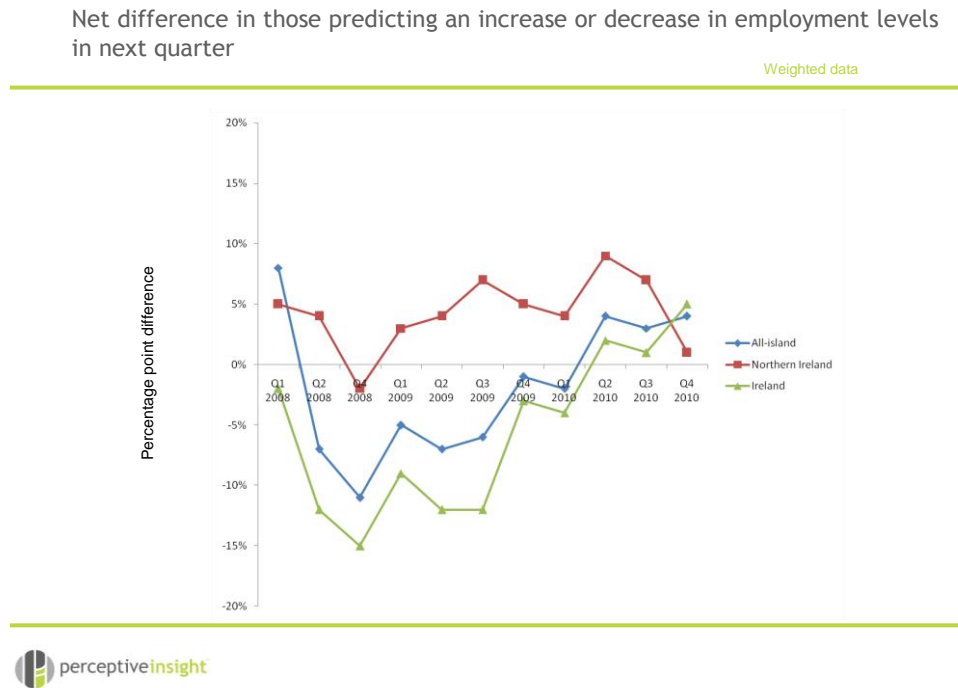
Employment levels

In terms of employment levels, slightly more businesses expect to take on new staff (14%) rather than let them go (10%). Those most likely to be hiring are mid-size companies (23%), and those in business services (17%) and manufacturing (16%). The sectors most likely to be reducing numbers are construction (17%) and leisure, hotels and catering (17%).

There is a marked difference in the percentage of export companies planning to increase number (23%) compared with those who do not export (9%).

Quarterly trends show a net gain overall, for the third quarter in a row, in the percentages planning to recruit, versus the percentages planning to reduce numbers (+4 percentage points) (Figure 1.4). However analysis by region shows a downward trend for NI businesses over the past two quarters, with a slight increase for companies based in Ireland.

Figure 1.4: Outlook for quarterly employment levels



Pricing

At an all-island level 37% say that they have decreased their prices in the past 3 to 6 months, while just 14% have felt able to increase them.

While 26% of NI businesses have increased prices 17% have decreased them, with the balance maintaining prices at their current levels. The corresponding figures for Ireland are 10% who have made an increase and 45% who have reduced them.

The business environment

Cross-border and export activity

Thirty four percent of those surveyed say that they export outside their jurisdiction of either NI or Ireland and 25% engage in cross-border trade.

A similar percentage of NI and Southern based companies say they export (37% and 34% respectively). In terms of cross-border trade 32% of NI companies sell to Ireland while 22% of southern based companies trade northwards.

Key business issues

The rising costs of overheads (75%) continues to be the issue that businesses are most likely to say is causing them concern at the moment. This is followed by a reduction in demand (71%), and rising energy costs (71%). Business and consumer confidence is an issue for 69%, as is cash flow for 66% of respondents. 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.

The costs of doing business

In relation to the costs of overheads, businesses are most likely to have witnessed an increase in energy costs (69%) and transport costs (59%). (This is most likely linked to the rising price of oil. Also December has been one of the coldest months on record for quite a number of businesses on the island of Ireland). Half of businesses have also witnessed an increase in supplier costs compared with 12 months ago, while 49% have seen an increase in the cost of insurance and professional fees. Few businesses report that they have reduced costs across the range of business areas. The areas where cost reductions are most common are staff (16%) and rent and building costs (13%). It should be noted that businesses in Northern Ireland were more likely than those in the South to say that costs have increased significantly in each of the areas.

Looking ahead to the next 12 months approximately one third of businesses are expecting a significant increase in their energy and transport costs; 38% expect no significant increase in any area. In terms of cost reductions, the majority (82%) predict no significant decreases although 7% are expecting to significantly reduce staff costs.

Interestingly, businesses in the South are more likely than those in NI to have switched supplier for electricity (37% vs 18%), telecoms (30% vs 16%) and insurance (20% vs 17%), even though those in NI are more likely to have reported a significant increase in costs for each of these products.

Cross border postal services

Cross border postal services are used by 12% of businesses, with 16% of NI businesses using them compared with 10% in the South. The majority of those that use cross-border postal services are satisfied with the service overall (75%), the reliability (78%), the time of day mail is delivered (77%), with approximately one in ten dissatisfied with each of these aspects. However 27% report that they are dissatisfied with pricing. Businesses based in NI are much more likely to be dissatisfied with all aspects, apart from pricing, where dissatisfaction levels are similar in each region.

The economy

The impact of the economy on business

Nine out of ten businesses report that the economic downturn has had either a severe or moderate adverse impact on their business. Just 3% 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. Over half say they have been severely affected (54%). Those based in Ireland are much more likely to have been severely affected (61%) compared with NI businesses (38%).

Profitability

In terms of profitability 28% of businesses report that they have not been able to remain profitable in the past 12 months, down from 30% in Q2. This issue has affected 21% of NI business and 30% of Irish businesses.

Payment terms

As a consequence of the economic downturn, 37% report that customers have requested longer payment terms, 62% lower prices and 62% discounts. These requests are much more likely to have been made to those based in Ireland compared to NI companies.

Impact of the 'bail out' in the South

Businesses were asked what impact they thought the bail out would have on both the economy in their jurisdiction and on their own business. While 65% predicted an adverse impact on the economy just 46% thought it would have an adverse impact on their business.

As might be expected those in the South were more likely to say there would be an adverse impact on the *economy* there (69%) compared with 52% who thought it would adversely impact the *NI economy*. While 54% of businesses in the South predicted an adverse impact from the bail out on their *business*, 30% of NI businesses thought the same.

Business support initiatives

While one third of businesses (34%) are aware of InterTradelreland as an organisation fewer are aware that they provide business support (27%). Awareness levels for support are lower among those based in the South (25%) compared with NI businesses (32%).

As a benchmark, 84% of NI businesses are aware that Invest NI provides business support and 90% of Southern businesses are aware of this role by Enterprise Ireland.

Use of the various agencies for business support was low. In NI 9% of businesses had used Invest NI, 5% their local enterprise agency and 1% InterTradelreland. In the South 8% had used Enterprise Ireland, 3% FAS and 1% InterTradelreland.

The areas that businesses are most likely to be interested in for support are sales development and, strategy development and business planning. Larger businesses are more likely to want support for innovation. Those who currently export are much more likely than those who do not to want support on importing and exporting.

The main difficulty that businesses have encountered when seeking business support from government agencies is the volume of bureaucracy.

Conclusions

<to be discussed>

2. Business performance and outlook

In this section we detail how businesses have performed in the fourth quarter of 2010 (October to December) and their future performance expectations. We 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

Changes in sales

Sales data for Q4 2010 are much less positive than for the previous two quarters. While 19% of businesses report an increase in sales, 52% have seen a decline giving a net percentage point balance of -33%. This compares with a net balance of -15% for Q3 and -17% for Q2 (Table 2.1)

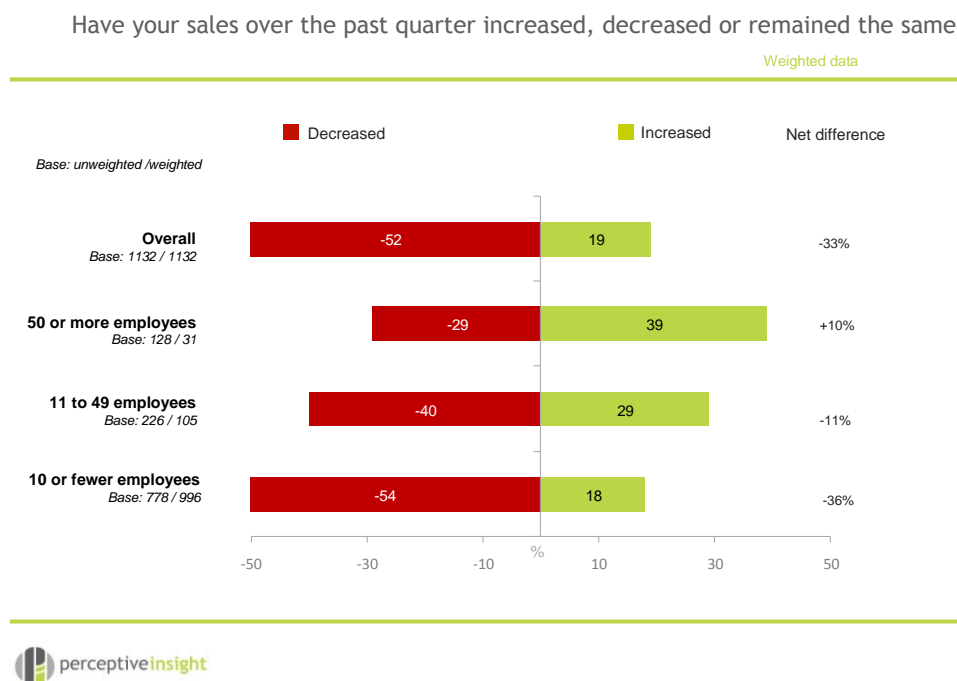
Table 2.1: Trends in quarterly sales (weighted)

Have your sales over the past quarter increased, decreased or remained the same? ¹												
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	Q4 1,132
Increased	25%	18%	-	11%	10%	12%	14%	15%	15%	26%	27%	19%
Remained steady	37%	33%	-	30%	26%	24%	25%	29%	29%	29%	30%	28%
Decreased	34%	45%	-	56%	63%	64%	60%	55%	53%	43%	42%	52%
Not sure	5%	2%	-	3%	2%	0%	2%	1%	2%	1%	1%	1%
Net difference	-9%	-27%	-	-45%	-54%	-52%	-46%	-40%	-38%	-17%	-15%	-33%

Analysis by size of businesses shows that the larger businesses continue to perform better than mid-size or smaller businesses (Figure 2.1). Thirty nine percent of those who employ 50 or more experienced an increase in sales compared with 29% of mid-sized businesses and 18% of small businesses. Indeed 54% of small businesses said sales had decreased.

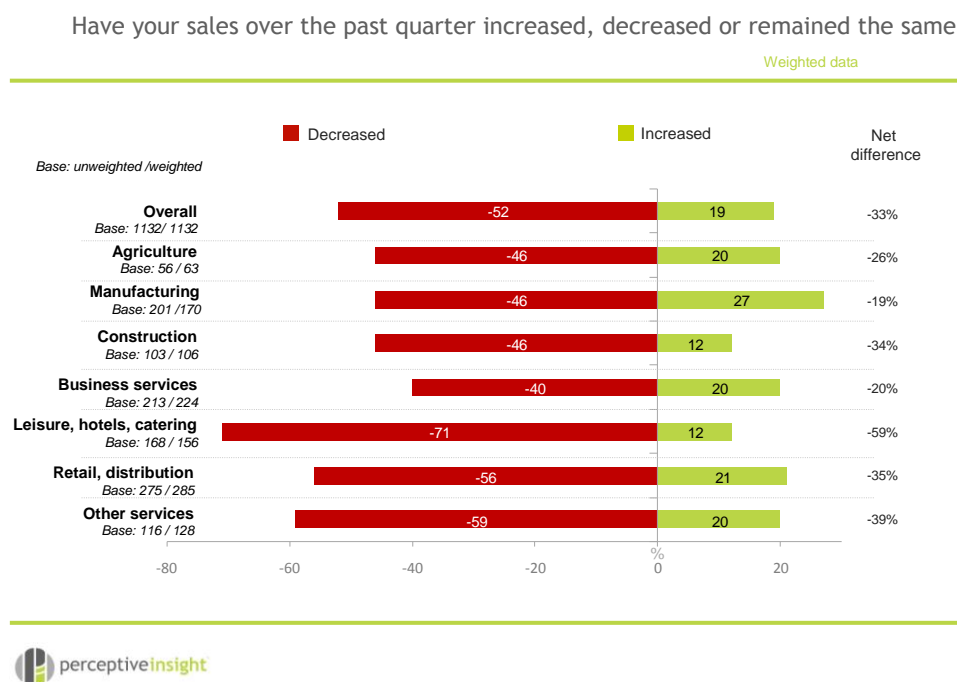
¹ Up to Quarter 1 2010 the question wording referred to turnover rather than sales

Figure 2.1: Changes in quarterly sales by size



The sectors most likely to be experiencing a decrease in sales are leisure, hotels and catering (71%), and other services (59%), and retail and distribution (56%). The sector hit least is business services (40%). No sector experienced positive net change in sales. However it is the manufacturing sector that is reporting the smallest net percentage point difference (-19%).

Figure 2.2: Changes in quarterly sales by sector



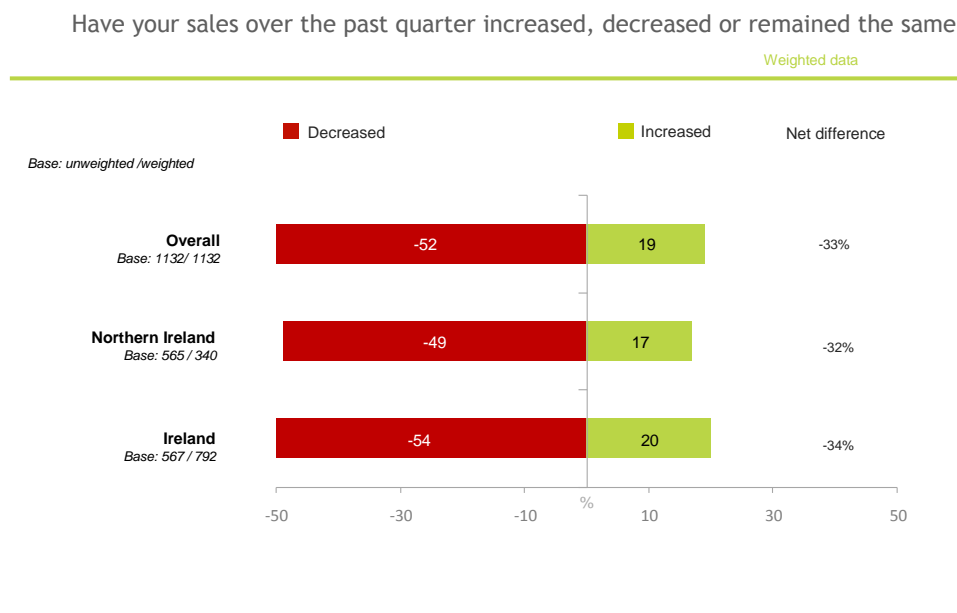
Those who export or who have cross-border sales are more likely than those who rely solely on the domestic market to report increased sales, and are less likely to have experienced a decrease.

Table 2.2: 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 unweighted</i>	1,132	456	668	349	783
<i>weighted</i>	1,132	392	773	286	846
Increased	19%	28%	14%	26%	17%
Remained the same	28%	25%	29%	23%	29%
Decreased	52%	46%	55%	50%	53%
Not sure	1%	1%	1%	1%	1%
Net change	-33%	-18%	-41%	-24%	-36%

Those based in NI (49%) were slightly less likely to have been affected by a decrease in sales than those in Ireland (54%); however NI businesses (17%) were less likely to have seen an increase in sales than those in Ireland (20%).

Figure 2.3: Changes in quarterly sales by region



Changes in employment

Just one in twenty businesses (5%) said they had increased their staffing levels in the past quarter; 18% reported having to reduce employee numbers (net -13% points).

Quarterly trends show a little negative movement with the net difference changing from -8% points in Q3 to -13% points in Q4.

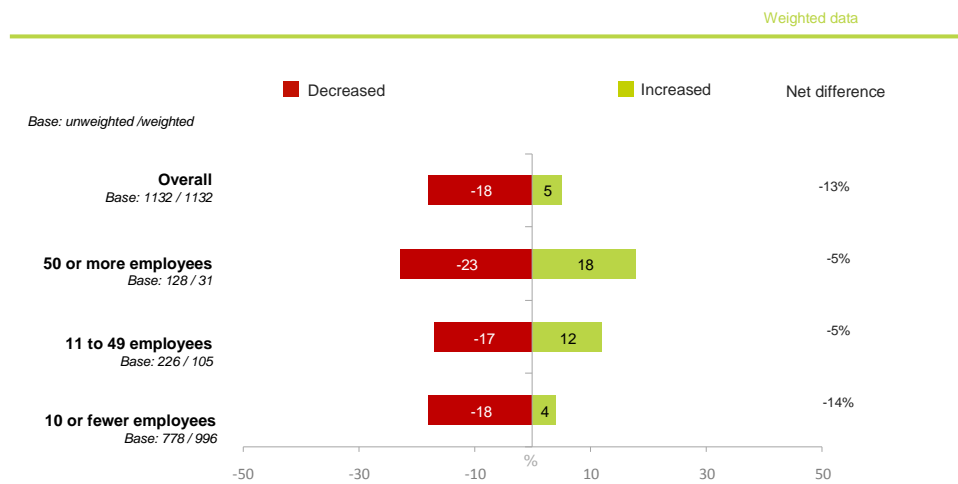
Table 2.3: Quarterly trends in employment levels (weighted)

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	Q4 1,132
Increased	11%	9%	-	7%	5%	6%	6%	6%	6%	8%	8%	5%
Remained steady	74%	70%	-	66%	62%	64%	65%	65%	70%	76%	76%	76%
Decreased	13%	19%	-	27%	31%	29%	27%	24%	24%	15%	16%	18%
Not sure	2%	1%	-	2%	2%	1%	1%	2%	1%	0%	0%	1%
Net difference	-3%	-11%	-	-20%	-26%	-23%	-21%	-18%	-18%	-7%	-8%	-13%

While 18% of larger companies had increased employment levels, 23% had found the need to decrease them (net difference -5% points for Q4 compared with +10% in Q3). Mid-sized companies showed a negative net difference (-5% points) with 12% increasing numbers and 17% decreasing them. Small businesses also appear to be consolidating with 4% experiencing an increase in numbers and 18% taking steps to decrease employee's numbers (net difference -14% points).

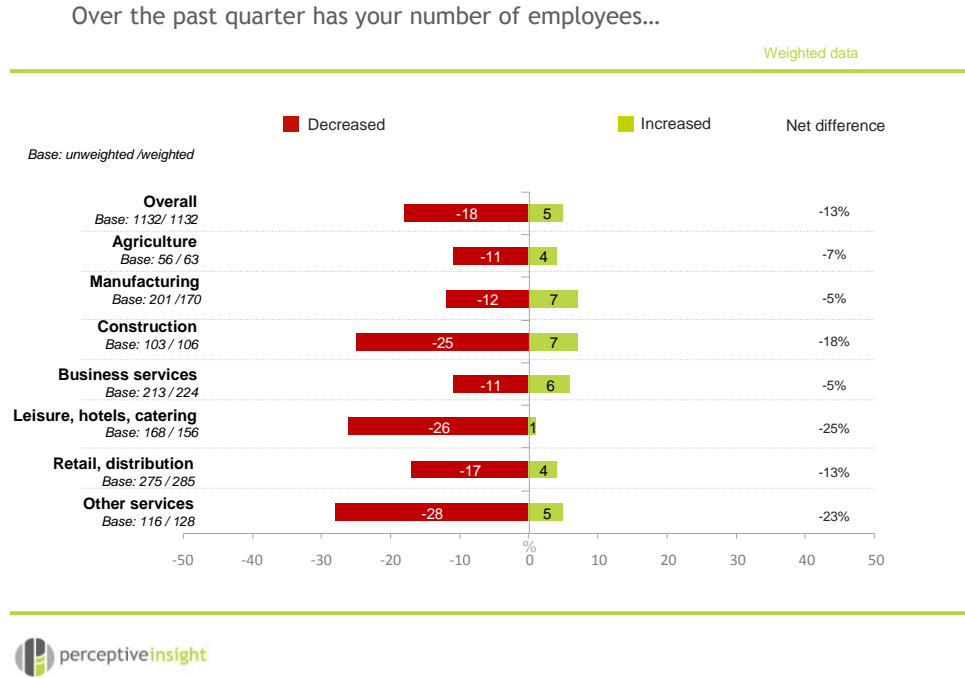
Figure 2.4: Changes in quarterly employment levels by size

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



The sector most likely to be affected by decreasing employee numbers is 'other services' (28%), followed by leisure, hotel and catering (26%) and construction (25%). No sectors saw a net gain in employment levels.

Figure 2.5: Changes in quarterly employment levels by sector



Those who export or have cross border sales are slightly more likely than those who do not to have increased their number of employees in the last quarter. They are also less likely to have decreased staffing numbers. However, on balance, each of these types of businesses are showing a negative net difference

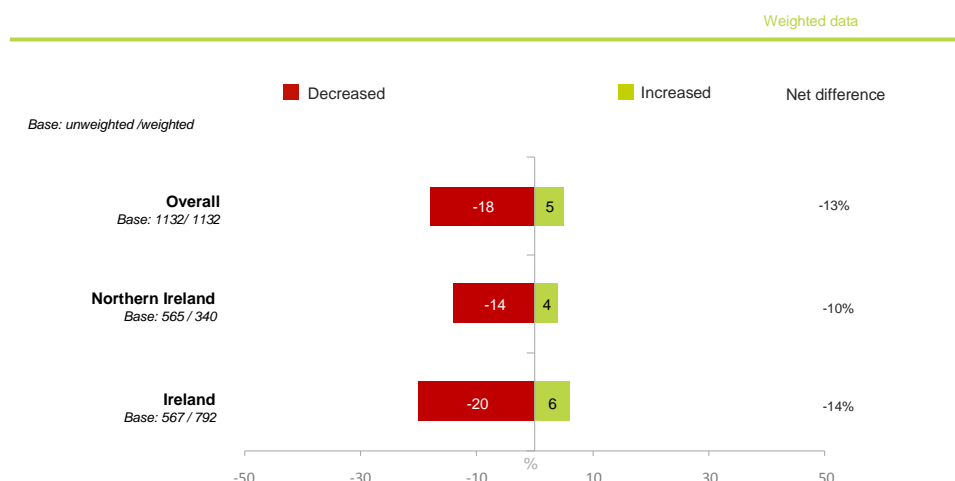
Table 2.4: Changes in quarterly employment levels by export and cross-border activity

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>	1,132	456	668	349	783
<i>weighted</i>	1,132	392	773	286	846
Increased	5%	7%	4%	5%	5%
Remained the same	76%	79%	75%	81%	75%
Decreased	18%	13%	20%	13%	19%
Not sure	0%	0%	1%	-	1%
Net difference	-13%	-6%	-16%	-8%	-14%

Regional analysis shows those both Northern Ireland businesses and those in the South continue to show a negative net difference in employee levels (NI: Q3 -5%, Q4 -10%; ROI: Q3 -9% , Q4 -14%).

Figure 2.6: Changes in quarterly employment levels by region

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



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). These figures are the same as the previous quarter.

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

Table 2.5: Trends for quarterly sales outlook (weighted)

Looking ahead to the next 12 months, do you expect level of sales to...?												
	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	1,000	1,000		1,000	1,000	1,000	1,000	1,000	1,000	1,009	1,029	1,132
Increased	36%	19%	-	16%	17%	18%	25%	27%	30%	38%	32%	32%
Remained steady	40%	40%	-	35%	42%	43%	38%	44%	43%	35%	40%	40%
Decreased	18%	35%	-	42%	37%	36%	32%	26%	23%	19%	22%	22%
Not sure	6%	6%	-	7%	5%	4%	4%	4%	4%	8%	7%	6%
Net difference	18%	-16%	-	-26%	-20%	-19%	-7%	1%	7%	19%	10%	10%

The large and mid-sized companies are more likely to be optimistic about future sales with the net results showing +30% points for those with 50+ employees (up from +19% in Q3). The net differences for mid-sized businesses are +29% (down from +36% in Q3) and +8% for those employing 10 or fewer (up slightly from +6% in Q3).

Figure 2.7: Outlook for quarterly sales by size



The net difference in those predicting an increase or decrease in sales shows that the business services and agriculture sectors are the most positive sectors (with net gains of +26% points, and +16% points respectively). The construction sector is least positive with -4% point net difference between those predicting a decrease or increase in sales.

Figure 2.8: Outlook for quarterly sales by sector



Those who export or who have cross border sales are much more likely to be optimistic about increasing sales in the next quarter than those who do not.

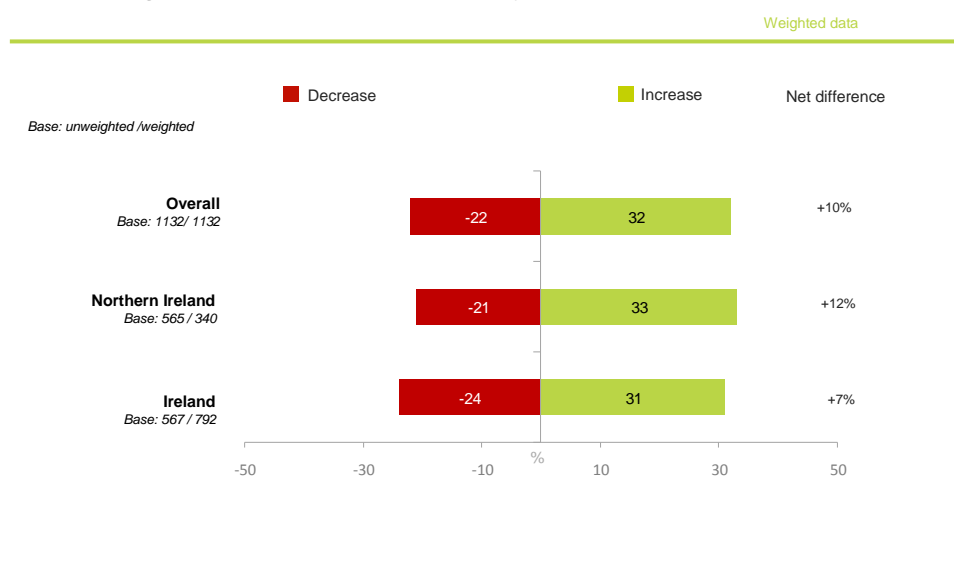
Table 2.6: Outlook for quarterly sales by export and cross border activity

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>	1,132	456	668	349	783
<i>weighted</i>	1,132	392	773	286	846
Increased	32%	44%	26%	41%	29%
Remained the same	40%	35%	42%	37%	41%
Decreased	22%	18%	24%	20%	23%
Not sure	6%	3%	7%	3%	7%
Net change	10%	26%	2%	21%	6%

NI based businesses are almost equally positive in their outlook as those in Ireland, with 33% expecting growth compared to 31% in Ireland. The percentages predicting increased sales are similar in both regions when compared to the Q3 figures (35% and 30% respectively predicted growth in Q3).

Figure 2.9: Outlook for quarterly sales by region

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



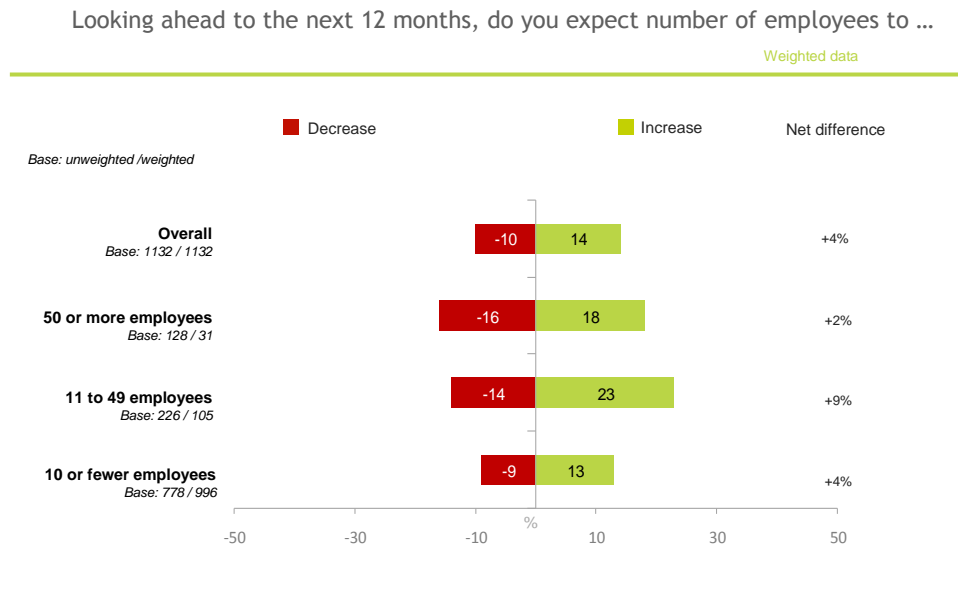
Looking ahead to the next 12 months, on balance companies are slightly more positive in terms of employee numbers. While 10% expect their numbers to decrease 14% are planning an increase (+4% points net difference). These figures are very similar to Q2 and Q3.

Table 2.7: Trends in quarterly employment levels outlook (weighted)

Looking ahead to the next 12 months, do you expect number of employees to...												
	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,009	1,029	1,132
Increased	14%	7%	-	5%	7%	6%	8%	9%	8%	14%	13%	14%
Remained steady	79%	76%	-	77%	76%	77%	74%	78%	80%	73%	74%	71%
Decreased	6%	14%	-	16%	13%	13%	15%	10%	10%	10%	10%	10%
Not sure	2%	3%	-	4%	4%	3%	3%	3%	2%	4%	3%	5%
Net difference	8%	-7%	-	-11%	-5%	-7%	-6%	-1%	-2%	4%	3%	4%

Looking at larger companies 18% expect employee numbers to increase, with a similar percentage predicting that they will decrease (16%). In relation to mid-size companies 23% are expecting an increase and 14% a decrease. The results for the smallest companies show 13% planning to increase employee numbers and 9% expecting to reduce them.

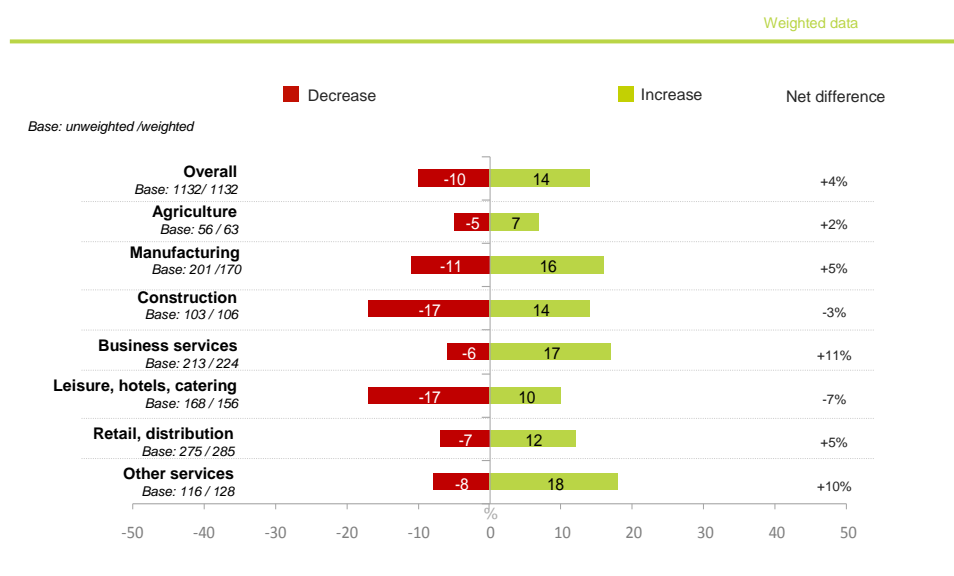
Figure 2.10: Outlook for employment levels by size



Analysis by sector shows that, on balance, the business services (+11% points) and other services (+10% points) sectors are most optimistic about increasing employment levels. Construction (-3% points) is the least positive sector.

Figure 2.11: 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 2.8: Outlook for employment levels by export and cross border activity

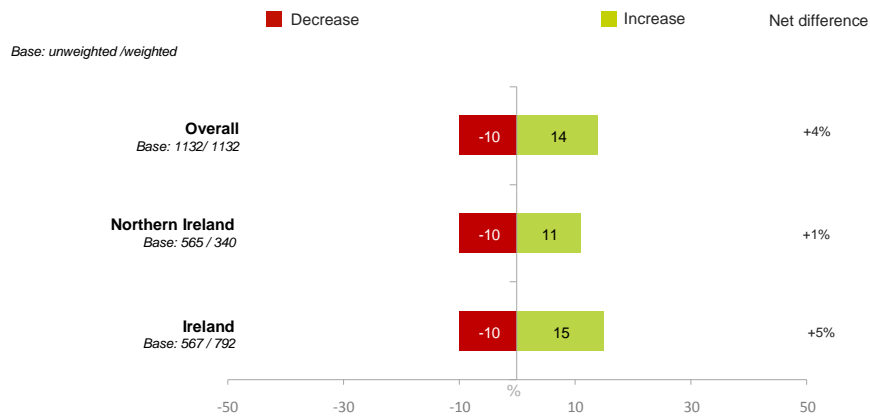
And do you expect the number of people you employ to increase, decrease or remain the same compared to the past year?	Overall	Export sales	No export sales	Cross border sales	No cross border sales
<i>Base</i>					
<i>unweighted</i>	1,132	456	668	349	783
<i>weighted</i>	1,132	392	773	286	846
Increased	14%	23%	9%	22%	11%
Remained the same	71%	67%	73%	68%	72%
Decreased	10%	7%	11%	8%	11%
Not sure	5%	3%	6%	3%	6%
Net change	4%	16%	-2%	14%	0%

In contrast to Q3, Northern Ireland companies are less positive, with a net difference in those changing employment levels of +1% points compared with +5% point in Ireland. In Q3 these figures were +7% and +1% respectively.

Figure 2.12: Outlook for employment levels by region

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

Weighted data



Pricing

In terms of pricing, just 14% say they have increased their prices in the previous 3 to 6 months, while 37% report that these have decreased.

Quarterly analysis shows little change in the percentages that have increased prices in the previous quarter (12% in Q3 and 14% in Q4). The percentage reducing prices has decreased from 42% in Q3 to 37% in Q4.

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

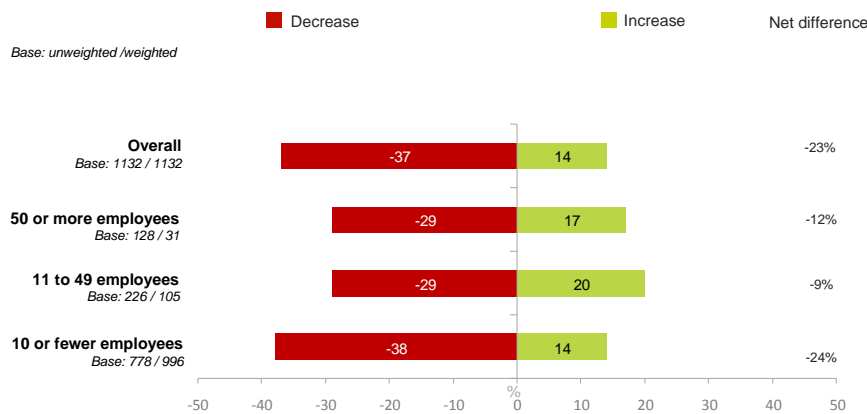
Over the past 3 – 6 months, have the prices you charge for your products and services...?								
Base	2009				2010			
	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1,029	Q4 1,132
Increased	8%	6%	9%	10%	8%	13%	12%	14%
Remained steady	39%	39%	32%	32%	32%	38%	46%	48%
Decreased	53%	55%	58%	56%	60%	49%	42%	37%
Not sure	0%	1%	1%	2%	1%	0%	0%	1%
Net difference	-45%	-48%	-49%	-47%	-52%	-36%	-30%	-23%

In terms of size of business, it is the mid-size businesses that are more likely to say their prices have increased compared to either large or small businesses.

Figure 2.13: Pricing changes by size

Over the past 3 to 6 months have the prices you charge for your products and services...

Weighted data



There is a considerable difference in the approach to pricing when the results are analysed by jurisdiction. There is a net difference of +9% points for NI based companies. In Ireland the corresponding figure is -35% points. Indeed almost half of businesses in Ireland reported that they had reduced their prices in the previous 3 to 6 months.

Figure 2.14: Pricing changes by region



Looking forward to the next 3 to 6 months, on balance, businesses appear to be moving towards price increases with 19% saying they are planning an increase and 12% a decrease.

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

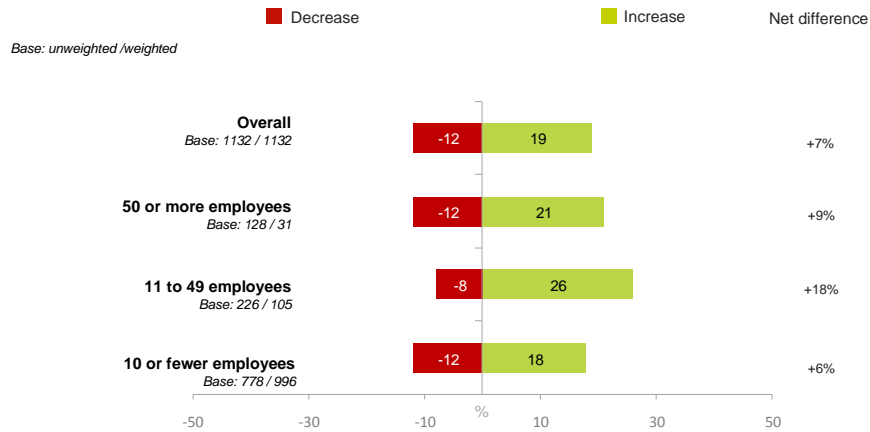
Over the next 3 – 6 months, do you expect the prices you charge for your products and services to...?								
	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	1,000	1,000	1,000	1,000	1,000	1,009	1,029	1,132
Increase	6%	5%	6%	6%	8%	14%	14%	19%
Remain steady	72%	73%	74%	74%	78%	70%	70%	65%
Decrease	20%	18%	17%	18%	11%	13%	15%	12%
Not sure	3%	4%	4%	2%	2%	4%	1%	4%
Net difference	-15%	-13%	-11%	-11%	-3%	1%	-1%	7%

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

Figure 2.15: Outlook on pricing changes by size

Over the next 3 to 6 months do you expect the prices you charge for your products and services...

Weighted data

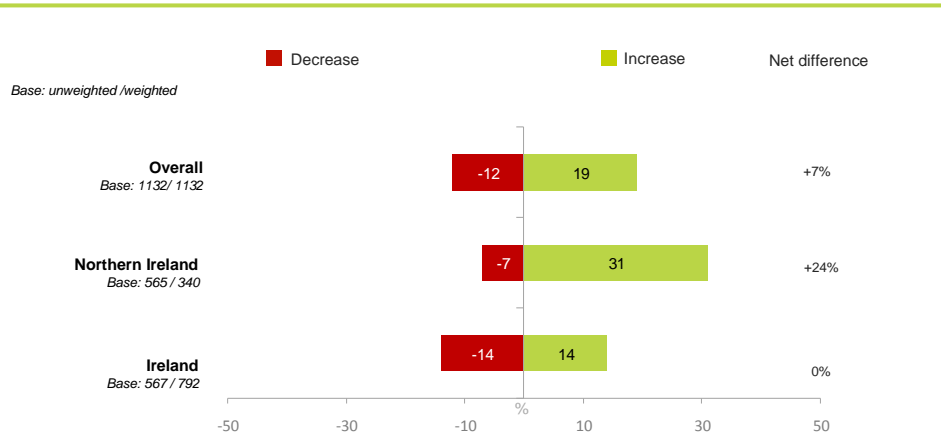


While just less than one third (31%) of NI based companies plan to increase prices, 7% see a need to reduce them over the next 3 to 6 months (net difference +24% points). Southern based companies are less confident that their market can sustain an increase with just 14% planning to put prices up and 14% aiming to reduce them.

Figure 2.16: Outlook on pricing changes by region

Over the next 3 to 6 months do you expect the prices you charge for your products and services...

Weighted data



3. The business environment

In this section we outline the types of businesses that engage in cross-border and export sales and assess 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. Two thirds of businesses (66%) 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 22%. The overall figure for cross-border sales is 25%.

Outside the island of Ireland the most popular 'export' destination is Great Britain with 15% reporting sales in this region. Approximately one in ten export to the rest of the EU (9%), while 5% sell into North America and 5% into the rest of the world.

Analysis by sector shows that those most likely to engage in export activities are those operating in manufacturing (52%), business services (41%), and other services (35%). 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>	1,132	56	201	103	213	168	275	116
<i>Base weighted</i>	1,132	63	170	106	224	156	285	128
Cross border	25%	23%	38%	21%	24%	19%	23%	27%
GB	15%	9%	23%	5%	21%	12%	12%	11%
Rest of EU	9%	10%	10%	1%	8%	16%	7%	8%
North America	5%	4%	8%	0%	6%	12%	2%	5%
Rest of world	5%	1%	10%	1%	4%	5%	4%	4%
Do not export	66%	74%	48%	75%	59%	73%	71%	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>	1,132	128	226	778	567	565
<i>weighted</i>	1,132	31	105	996	792	340
Cross border	25%	46%	37%	23%	22%	32%
GB	15%	31%	26%	13%	14%	15%
Rest of EU	9%	21%	16%	7%	10%	5%
North America	5%	7%	7%	5%	7%	3%
Rest of world	5%	12%	9%	4%	6%	2%
Do not export	66%	41%	44%	68%	66%	63%

Key business issues

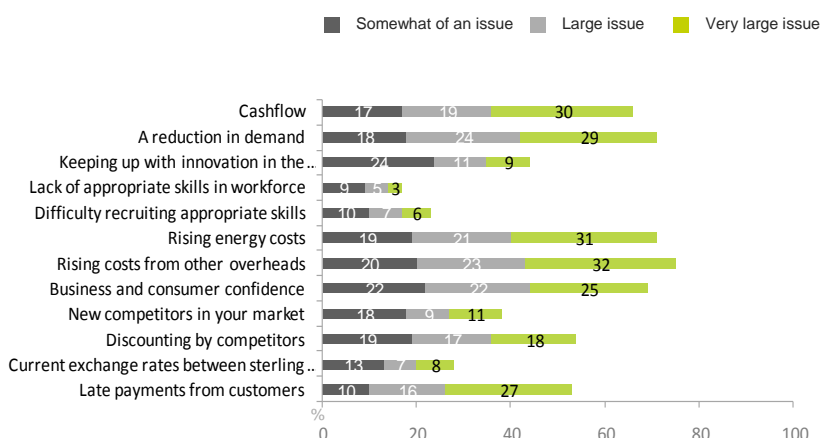
Respondents were given a range of issues and asked to rate them from 1 to 5 in terms of the impact they are having on their business currently.

Rising cost of overheads, rising energy costs and a reduction in demand were rated highest in terms of impact. This is followed by business and consumer confidence and cash flow issues. Over one quarter (27%) said that late payment by customers was a very large issue for them. Less likely to be issues were difficulty recruiting skills and lack of appropriate skills in the workforce.

Figure 3.1: Current business issues by sector

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

Base 1132: All respondents Weighted data



However, those who export or who have cross border sales are more likely to say that exchange rates are an issue for their business.

Table 3.5: Extent to which exchange rates is an issue by export and cross border sales activity

To what extent are exchange rates an issue for your business currently?	Overall	Export sales	No export sales	Cross border sales	No cross border sales
<i>Base unweighted</i>	1,132	456	668	349	783
<i>weighted</i>	1,132	392	773	286	846
Not at all (1)	62%	39%	75%	34%	71%
(2)	10%	16%	7%	18%	8%
(3)	13%	20%	9%	22%	10%
(4)	7%	13%	4%	14%	4%
A huge issue (5)	8%	12%	6%	12%	7%

They are also slightly more likely to be affected by late payments.

Table 3.6: Extent to which late payments is an issue by export and cross border sales activity

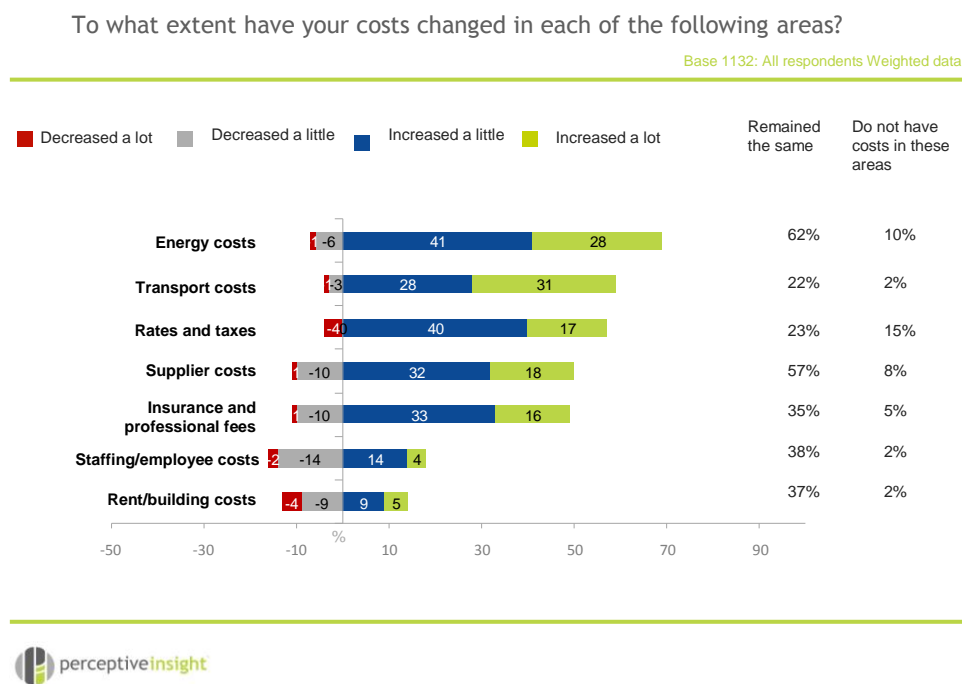
To what extent are late payments an issue for your business currently?	Overall	Export sales	No export sales	Cross border sales	No cross border sales
<i>Base unweighted</i>	1,132	456	668	349	783
<i>weighted</i>	1,132	392	773	286	846
Not at all (1)	36%	23%	44%	20%	42%
(2)	11%	16%	8%	15%	10%
(3)	10%	13%	9%	13%	9%
(4)	16%	21%	13%	23%	13%
A huge issue (5)	27%	28%	26%	30%	26%

4. The cost of doing business

In the Q3 2010 business monitor we found that businesses were becoming increasingly concerned about the costs of doing business and this continues to be a issue in Q4 (see Figure 4.2). This quarter we explored this area in more depth to provide an understanding of the areas of concern for businesses.

Respondents were given a list of areas, and asked to what extent their costs had changed in these areas compared with 12 months ago. The areas which businesses were most likely to have reported as having increased were energy costs (69%), transport costs (59%) and rates and taxes (57%). The areas where businesses were most likely to have experienced cost savings were staffing and employee costs (16%) and rent or building costs (13%).

Figure 4.1: Extent that costs had changed in certain areas

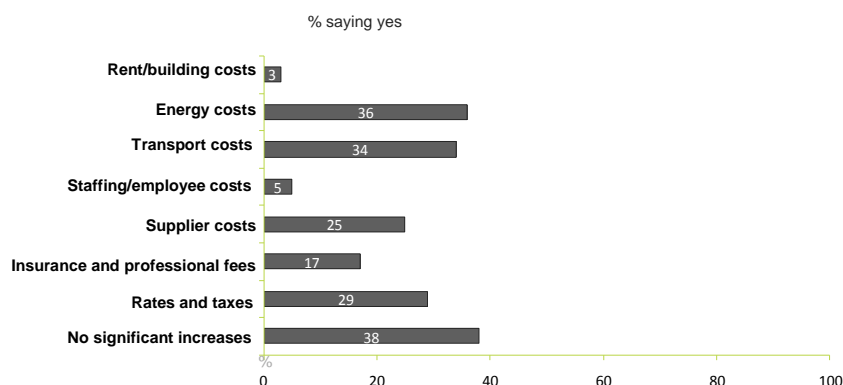


Thinking ahead to 2011, respondents were asked if they were expecting any significant increases in costs (ie greater than 10%) in the same areas. Thirty-eight per cent were not expecting any significant increases. However energy (36%), transport (34%), rates and taxes (29%) and supplier costs (25%) were the areas in which respondents were most likely to expect a rise in costs.

Figure 4.2: Increases in costs in 2011

Thinking ahead to 2011 are you expecting any significant increases in costs in any of the following areas?

Base 1132: All respondents Weighted data

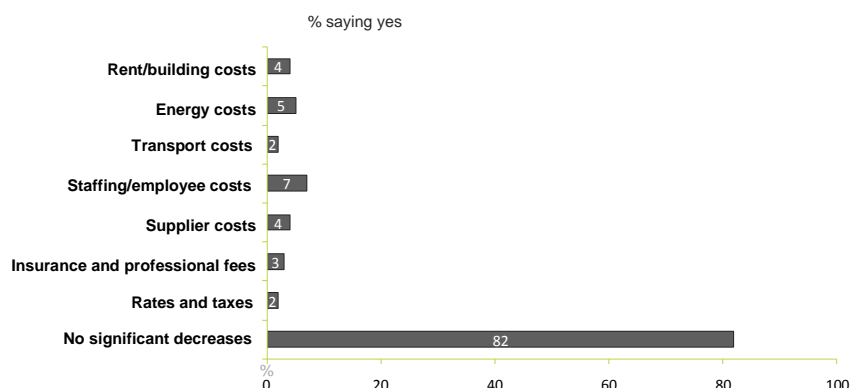


82% expected not to be able to reduce costs in any of the area in the year ahead. The areas where savings were most likely to be made was staffing/employee costs (7%) and energy costs (5%).

Figure 4.3: Decreases in costs in 2011

Thinking ahead to 2011 are you expecting to be able to reduce costs in any of the following areas?

Base 1132: All respondents Weighted data

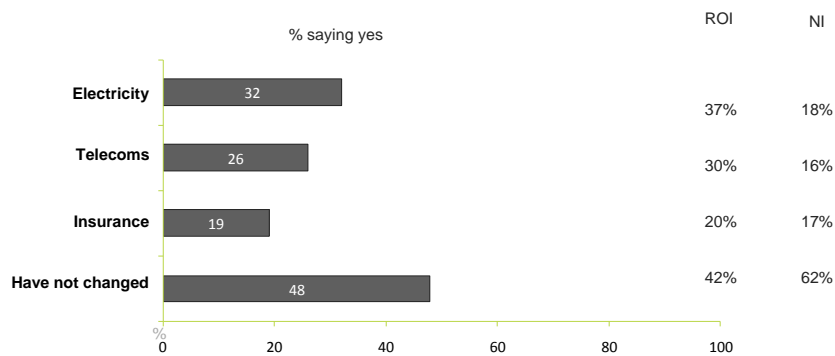


Respondents were asked whether they had changed supplier for electricity, telecoms or insurance in the past 12 months. Almost half (48%) had not changed, however 32% had changed their electricity supplier, 26% had changed their telecoms supplier, and 19% their insurance supplier. Analysis by region shows that businesses based in the South are more likely to have switched supplier for each of these products compared to those based in NI.

Figure 4.4: Changing supplier

Over the past 12 months have you changed supplier for any of the following?

Base 1132: All respondents Weighted data

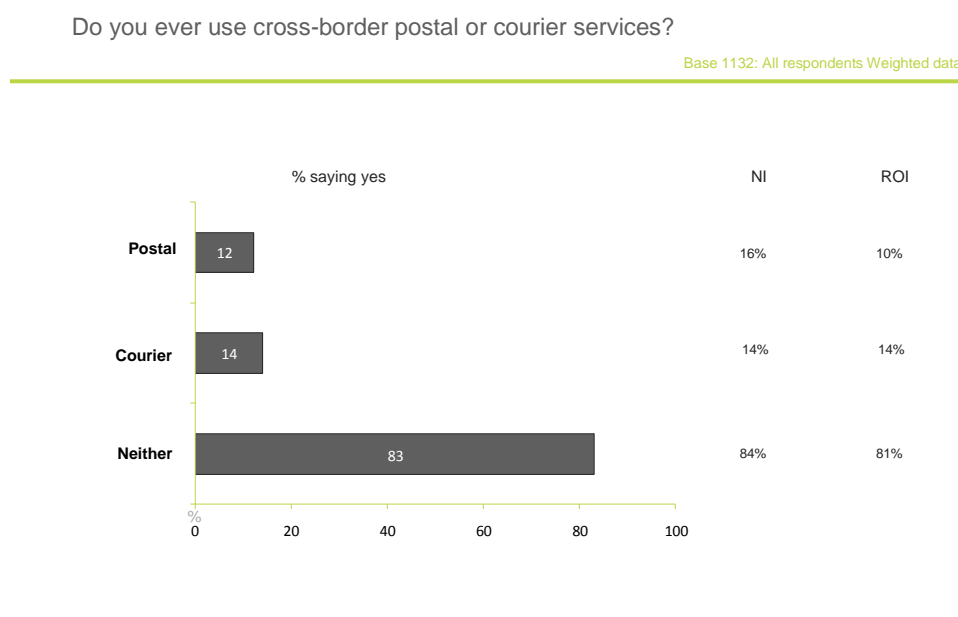


5. Cross border postal services

In this section we provide an overview of the use of cross-border postal services and the satisfaction levels with these services.

Respondents were asked if they ever used cross-border postal or courier services. Overall, 12% had used postal, and 14% had used courier services, with 83% responding that they used neither. Respondents in NI were more likely to use Postal services (16%) compared to those in Ireland (10%).

Figure 5.1: Cross-border postal services

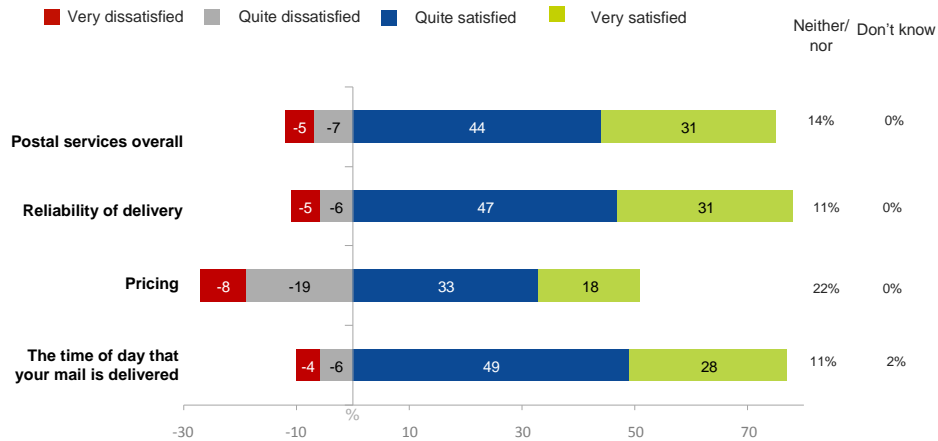


Those respondents that had used cross-border postal services were asked how satisfied they were with this service. While the majority of businesses were satisfied with postal services overall (75%), the reliability of delivery (78%) and the time of day that the mail is delivered (77%), approximately one in ten were dissatisfied with each of these aspects. However, the area most likely to cause dissatisfaction was pricing, with 27% reporting that they were either very or quite dissatisfied.

Figure 5.2: Satisfaction with cross-border postal services

To what extent are you satisfied or dissatisfied with each of the following cross-border postal services

Base 226: Respondents who have used cross-border postal services
Weighted data



Satisfaction levels differ most clearly between locations. Overall, those businesses in NI are approximately five times (24%) as likely to report that they were either quite dissatisfied or very dissatisfied than those in Ireland (5%). This extends to all areas of postal services with the exception of pricing, where those in Ireland were more likely to be dissatisfied (32%) than those in NI (27%).

Table 5.1: Dissatisfaction with cross-border postal services

To what extent are you dissatisfied with each of the following cross border postal services?	Overall	Ireland	NI
	% dissatisfied		
	Base unweighted	Base unweighted	Base unweighted
	weighted	weighted	weighted
	1,132	567	565
	1,132	792	340
Postal services overall	12%	5%	24%
Reliability of delivery	11%	8%	19%
Pricing	27%	22%	27%
The time that your mail is delivered	10%	2%	25%

6. 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 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 (90%) 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 3% have benefited from it.

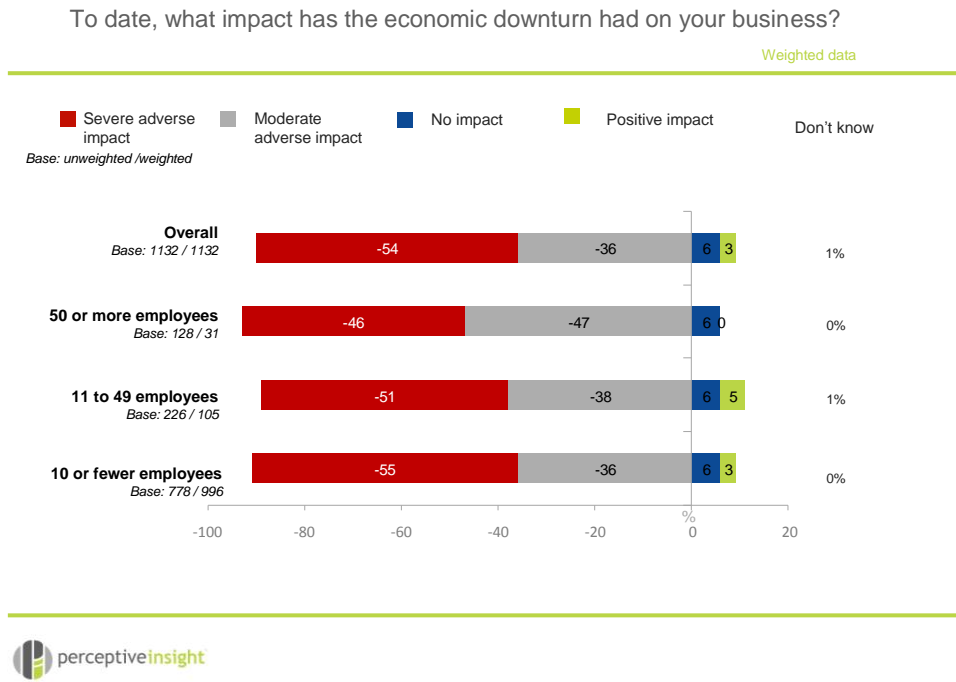
The quarterly analysis shows a similar trend to Q2 and Q3 in those who say they have experienced a severe adverse impact as a result of the downturn.

Table 6.1: 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				
	Base	Q1 1,000	Q2 1,000	Q3 1,000	Q4 1,000	Q1 1,000	Q2 1,009	Q3 1,029	Q4 1,132
Severe adverse impact		33%	29%	35%	35%	37%	51%	53%	54%
Moderate adverse impact		52%	57%	51%	53%	50%	38%	36%	36%
Positive impact		3%	3%	4%	4%	3%	4%	4%	3%
No impact at all		11%	10%	10%	7%	8%	6%	6%	6%
Don't know		0%	1%	0%	1%	2%	1%	0%	1%

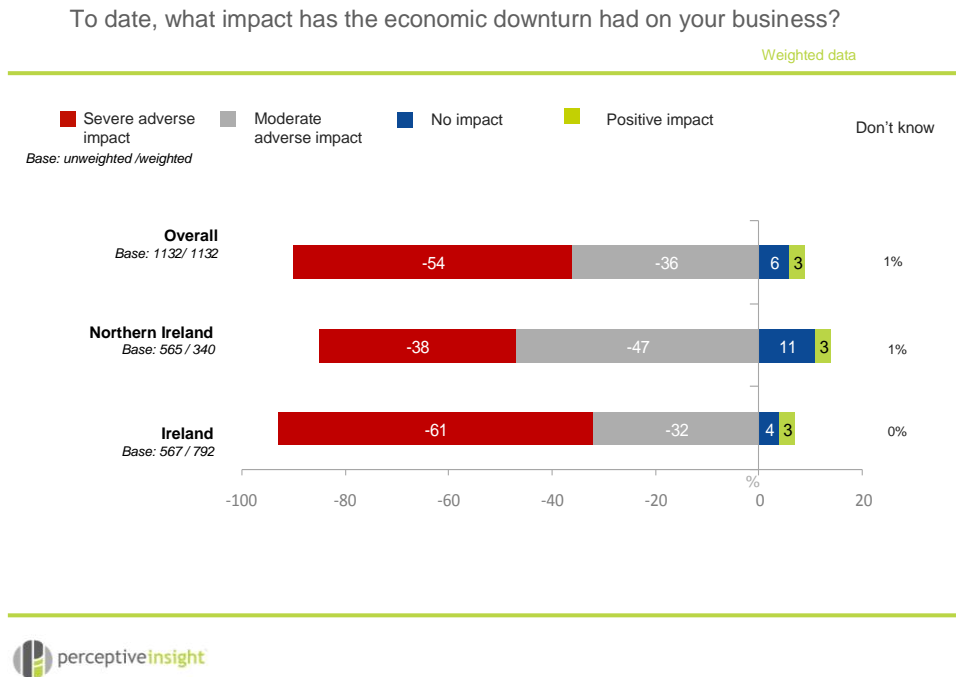
The pattern of those impacted is similar when analysed by size of business, although smaller businesses are slightly more likely to say there has been a severe impact.

Figure 6.1: 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 38%). Just 3% of both NI and Ireland companies report that the downturn has had a positive impact.

Figure 6.2: Impact of economic downturn by region



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

		Overall (%)	Ireland (%)	NI (%)
		Base unweighted	567	565
Banking	Put pressure on banks to lend	12	11	13
	Put pressure on banks to reduce fees and charges	2	1	3
	Provide government loans	0	0	0
	Other aimed at banking	7	7	7
Boost confidence	Less negative chat, doom and gloom	7	9	5
Encourage entrepreneur-ship	Provide grants for start ups	1	1	1
	Other aimed at entrepreneurship	0	0	0
Improve cashflow	Allow more time to pay taxes to help cash flow	1	1	2
	Other cashflow initiative	3	4	1
Improve skills	Provide grants for training and skills	1	1	1
Put money into economy	Cut the public sector	1	1	1
	Keep public spending at current level	0	0	0
	Provide grants	3	2	4
	Other initiative to put money into economy	4	4	4
	Encourage local spending	1	1	1
Reduce costs	Release more funds into public work schemes	1	1	1
	Reduce red tape and bureaucracy	3	2	4
	Keep VAT down/Decrease VAT	2	0	3
	Reduce interest rates	1	0	3
	Lessen income tax	15	13	17
	Lessen corporation tax	4	1	7
	Reduce rates	24	24	27
	Reduce national insurance	3	5	2
	Lower minimum wage	2	2	1
	Reduce energy costs	5	5	4
Target benefits	Reduce fuel costs	10	4	16
	Other initiative to reduce costs	8	9	8
	Reduce benefits for those not working	0	1	0
	Other initiative aimed at those on benefits	1	1	0
Target support for sector	Assist small businesses	8	7	8
	Target other sector	5	4	5
Other	Nothing	5	5	5
	Not sure	5	6	5
	Install new government	2	4	0
	Incentives to take on new staff	7	11	3
	Other	14	15	12

Impact of the 'bail out' in the South

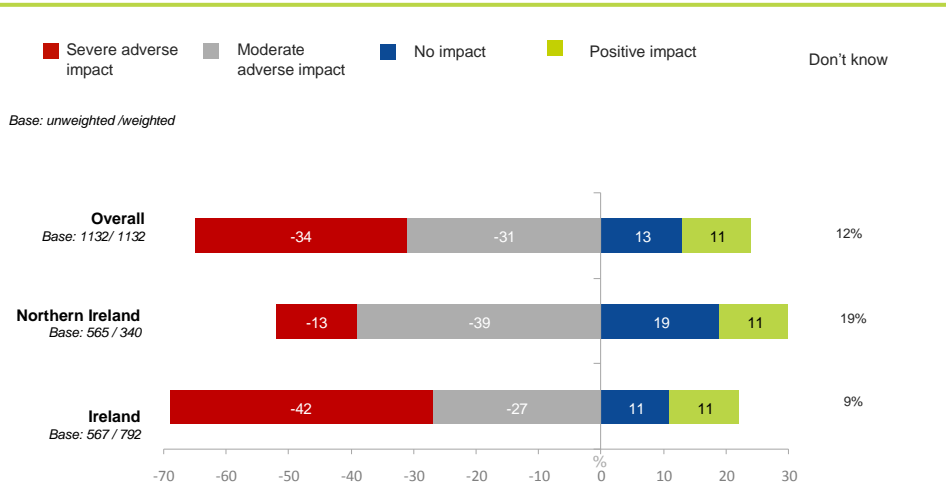
Businesses were asked what they thought the impact that the bail out in Ireland would have on the economy in which they are located. Almost two thirds of respondents thought it would have an adverse impact (65%) with 34% predicting the impact would be severe.

Not surprisingly those in Ireland were more likely to predict an adverse impact (69%) than those in Northern Ireland (52%). Thirty per cent of NI businesses predicted that it would have either no impact or a positive impact, compared to 22% in Ireland.

Figure 6.4: Predicted impact of bail out (in Ireland) on economy where you are by location

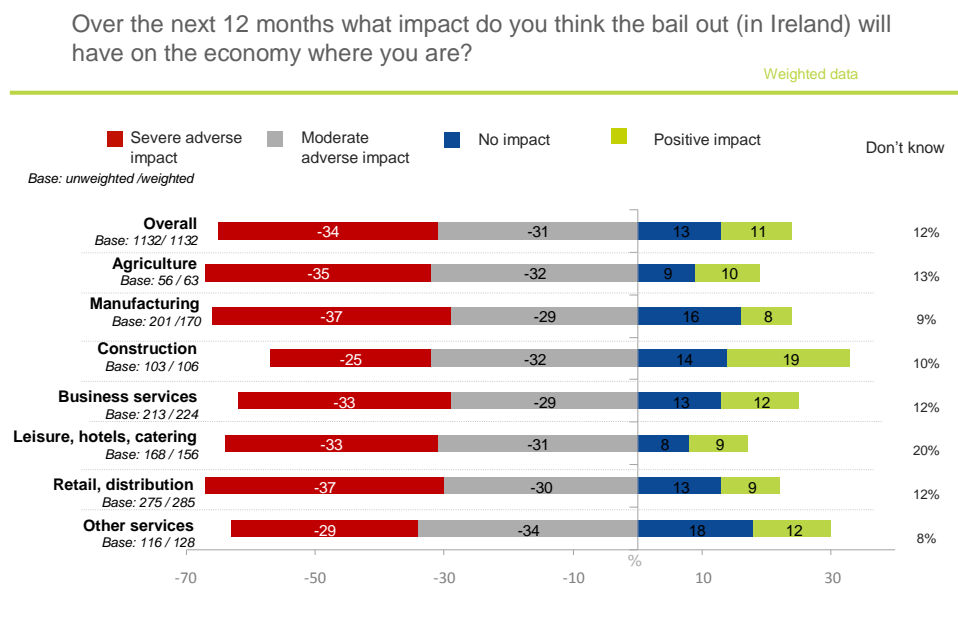
Over the next 12 months what impact do you think the bail out (in Ireland) will have on the economy where you are?

Weighted data



The sector most likely to predict no impact or a positive impact was the construction sector (33%), followed by other services (30%). Those most likely to predict an adverse impact were agriculture (67%), manufacturing (66%) and retail and distribution (67%).

Figure 6.5: Predicted impact of bail out (in Ireland) on economy where you are by location



Businesses were then asked what impact they thought the Irish bail out would have on their business. In comparison to the 65% who were predicting an adverse impact on the *economy*, just 46% predicted that it would have an adverse impact on their *business*. Indeed 34% predicted no impact at all, and 8% thought that it would have a positive impact over the next 12 months.

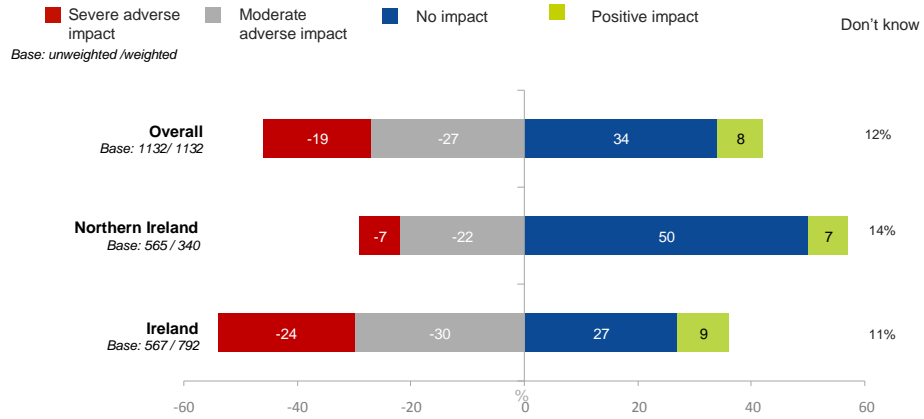
Businesses were then asked what impact they thought the Irish bail out would have on their business. In comparison to the 65% who were predicting an adverse impact on the *economy*, just 46% predicted that it would have an adverse impact on their *business*. Indeed 34% predicted no impact at all, and 8% thought that it would have a positive impact over the next 12 months.

While 54% of businesses in the south predicted an adverse impact from the bail out on their business, 30% of NI businesses thought the same.

Figure 6.6: Predicted impact of bail out (in Ireland) on your business

Over the next 12 months what impact do you think the bail out (in Ireland) will have on your business?

Weighted data



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 1,132 businesses, which was undertaken during January 2011;
- 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 Q4 2010 (unweighted data)

		NI	Ireland	Total
Sector	Agriculture	28	28	63
	Manufacturing	96	105	170
	Construction	51	52	106
	Professional services	108	105	224
	Leisure, hotel and catering	90	78	156
	Retail/distribution services	140	135	285
	Other services	52	64	128
Size	1 to 10	384	394	996
	11-49	113	113	105
	50 or more	68	60	31
Total		565	567	1132

An additional 100 interviews were conducted with companies in the manufacturing sector in Q4 2010 compared with previous quarters to allow further exploration of the impact of the economy on this sector.

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	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	500	500			500	500	500	500	500	500	506	523	565
Increased	28%	23%	-	18%	20%	18%	26%	23%	21%	31%	28%	18%	
Remained steady	34%	36%	-	36%	37%	37%	31%	30%	30%	30%	31%	33%	
Decreased	33%	36%	-	44%	42%	44%	39%	42%	42%	38%	39%	49%	
Not sure	6%	3%	-	2%	2%	1%	3%	4%	4%	1%	1%	1%	
Net difference	-5%	-13%	-	-26%	-22%	-26%	-13%	-19%	-21%	-7%	-11%	-31%	

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

Looking ahead to the next 12 months, do you expect level of sales to...? ³													
NI	2008				2009				2010				
	Base	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	500	500			500	500	500	500	500	500	506	523	565
Increased	37%	23%	-	22%	27%	26%	38%	37%	37%	41%	35%	31%	
Remained steady	41%	38%	-	39%	43%	46%	38%	38%	43%	32%	38%	40%	
Decreased	16%	31%	-	31%	22%	25%	19%	18%	14%	18%	22%	24%	
Not sure	7%	7%	-	8%	8%	3%	5%	7%	6%	9%	5%	6%	
Net difference	21%	-8%	-	-9%	5%	1%	19%	19%	23%	23%	13%	7%	

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

³ 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				
	Base	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	500	500			500	500	500	500	500	500	506	523	565
Increased		12%	8%	-	8%	8%	8%	14%	8%	8%	12%	7%	4%
Remained steady		73%	75%	-	72%	76%	72%	71%	71%	73%	76%	81%	81%
Decreased		14%	15%	-	19%	14%	19%	13%	17%	18%	11%	12%	14%
Not sure		2%	2%	-	1%	1%	2%	2%	4%	1%	1%	0%	1%
Net difference		-2%	-7%	-	-11%	-6%	-11%	1%	-9%	-10%	1%	-5%	-10%

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				
	Base	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	500	500			500	500	500	500	500	500	506	523	565
Increased		11%	11%	-	8%	8%	9%	14%	11%	11%	18%	15%	11%
Remained steady		82%	79%	-	80%	83%	85%	77%	79%	80%	69%	75%	75%
Decreased		6%	7%	-	10%	5%	5%	7%	6%	7%	9%	8%	10%
Not sure		1%	2%	-	3%	4%	2%	2%	3%	2%	3%	3%	3%
Net difference		5%	4%	-	-2%	3%	4%	7%	5%	4%	9%	7%	1%

Ireland trends

Table B.5: Trends in quarterly sales in Ireland

Have your sales over the past quarter increased, decreased or remained the same?⁴

Ireland	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Base</i>	500	500		500	500	500	500	500	500	503	506	567
Increased	24%	16%	-	8%	5%	9%	9%	11%	13%	25%	27%	20%
Remained steady	38%	32%	-	28%	21%	18%	22%	29%	28%	28%	29%	25%
Decreased	34%	49%	-	61%	72%	72%	69%	60%	58%	46%	43%	53%
Not sure	4%	2%	-	3%	2%	0%	2%	0%	1%	1%	1%	1%
Net difference	-10%	-33%	-	-53%	-67%	-63%	-60%	-49%	-45%	-21%	-16%	-33%

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

Looking ahead to the next 12 months, do you expect level of sales to...?⁵

Ireland	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Base</i>	500	500		500	500	500	500	500	500	503	506	567
Increased	35%	17%	-	14%	12%	14%	20%	22%	27%	37%	30%	33%
Remained steady	40%	41%	-	33%	41%	41%	38%	46%	43%	36%	40%	40%
Decreased	19%	36%	-	47%	43%	41%	38%	29%	27%	20%	22%	21%
Not sure	6%	6%	-	6%	4%	4%	4%	3%	3%	8%	7%	6%
Net difference	16%	-19%	-	-33%	-31%	-27%	-18%	-7%	0%	17%	8%	12%

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

⁵ Up to Quarter 1 2010 the question wording referred to turnover rather than sales

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	Q3	Q4
<i>Base</i>	500	500		500	500	500	500	500	500	503	506	567
Increased	10%	9%	-	6%	4%	5%	3%	5%	5%	6%	9%	6%
Remained steady	75%	68%	-	63%	56%	61%	63%	63%	68%	77%	73%	74%
Decreased	13%	21%	-	30%	38%	33%	33%	27%	27%	17%	18%	20%
Not sure	2%	1%	-	2%	2%	1%	1%	1%	1%	0%	0%	0%
Net difference	-3%	-12%	-	-24%	-34%	-28%	-30%	-22%	-22%	-11%	-9%	-14%

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	Q4
<i>Base</i>	500	500		500	500	500	500	500	500	503	506	567
Increased	15%	5%	-	3%	7%	5%	6%	8%	7%	12%	12%	15%
Remained steady	78%	74%	-	75%	73%	74%	73%	77%	80%	74%	74%	69%
Decreased	6%	17%	-	18%	16%	17%	18%	11%	11%	10%	11%	10%
Not sure	2%	4%	-	4%	4%	4%	3%	3%	2%	4%	3%	6%
Net difference	-2%	-12%	-	-15%	-9%	-12%	-12%	-3%	-4%	2%	1%	5%