

Press Release

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South East Business Confidence Study - June 2009

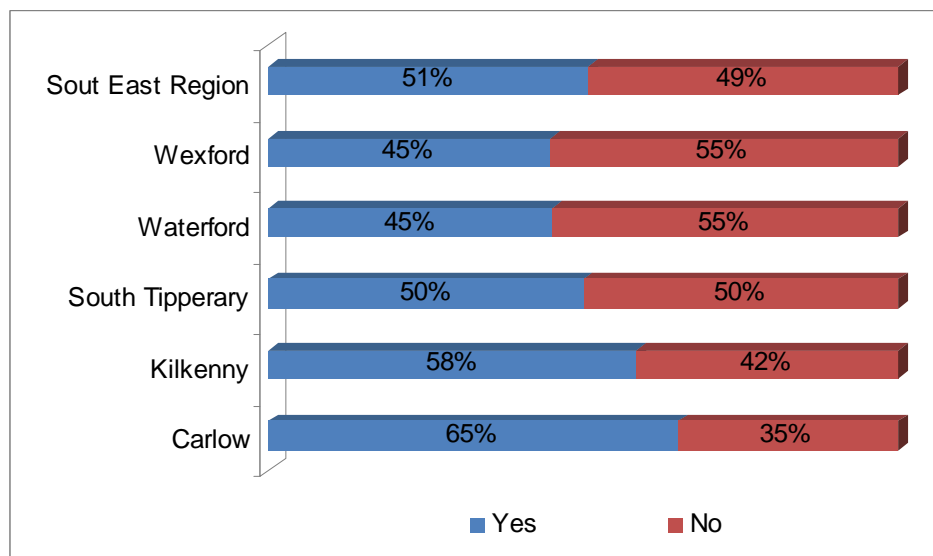
South East Businesses Divided on Timing of Economic Recovery

Businesses in the South East are equally divided on whether an upturn will be seen in the next 12 months or whether it will be the second half of 2010 or later before there is an improvement in the South East Region according to the findings of **Market Dynamics latest South East Business Confidence Study**. This is the third in a series of twice-yearly surveys conducted with businesses in the South East of Ireland by Kilkenny-based market research firm, Market Dynamics. 357 organisations across the region took part in the survey.

The findings provide a comprehensive insight into the impact that the recession is having on businesses. Just 16% of businesses expect to have higher sales this year than last while 73% expect sales to be down. However, there are interesting variations in the findings in different counties with businesses in Carlow and Kilkenny much more positive about the current year than those in South Tipperary and Waterford.

Commenting on the results, John Gilsean, Managing Director of Market Dynamics, stated: "now that we are clearly in the middle of a recession thoughts are turning to when it might end. The findings show that businesses in the South East are equally divided on whether the upturn will come in the next year or whether it is further away. The fall in consumer confidence continues to be the biggest challenge facing businesses throughout the region. A large majority of businesses claim the recession has brought benefits with many taking the opportunity to take a hard look at cost control in their businesses while others are exploring new market opportunities."

"Do you expect your businesses activity levels to increase in the next 12 months?"



Source: Market Dynamics, June 2009

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Comparing expectations for sales / turnover and those for profitability the figures are similar. This suggests that businesses are confident that they are able to find the cuts in costs that will help them survive and prosper. Indeed, businesses across the country have been shown to be very flexible in how they have dealt with the recession and the findings show that this is the case in the South East.

This flexibility has had to come primarily from employees of businesses and the study supplies considerable evidence of the impact of the recession on them. Four out of every ten businesses have introduced reduced working hours while nearly a third have had to resort to pay cuts and redundancies. While the vast majority of pay cuts have been of the order of 10% or less in a few cases cuts of 20% or more have been made. So, while employees have been hit hard, a vivid demonstration of the lengths businesses are going to do right by their employees is illustrated by the finding that, while 73% expect sales to fall, only 56% expect their workforces to be down this year. Businesses appear to be doing all they can to keep their staff off the dole queue.

Businesses in the South East have not been helped by the lack of availability of credit which emerges as a key issue in the study. The government comes in for some scathing criticism too with a majority (56%) believing it has lost all credibility and a change is needed. A question asking respondents to say what they would do "if they were Taoiseach" yielded a range of initiatives including; reducing the VAT rate, putting pressure on the banks to lend to small businesses and the introduction of a job creation strategy.

It is clear that businesses in the South East are doing their best to get through the worst recession in decades with the minimum impact on their staff while looking to the banks and government to provide more help than they have done to date

County by County Analysis

Carlow Analysis

- Businesses in Carlow are the most positive with 27% expecting sales to be higher this year than in 2008.
- Carlow businesses are also most positive about their workforces with 17% expecting to be employing more people at the end of 2009, twice the regional average
- Fewer businesses in Carlow than any other county have had to introduce redundancies, reduced working hours and hiring freezes.
- Nearly 1 in 5 businesses in the county have already seen signs of an upturn.

Kilkenny Analysis

- Kilkenny businesses are much more positive than the regional average about their sales / turnover in 2009 with a quarter believing this will be a better year than last.
- With regard to employment, Kilkenny is close to the regional average but with a higher than average figure (39%) expecting to maintain their workforce at 2008 levels.

- The proportion of businesses that have reduced working hours is, at 31%, lower than the regional average but the proportion that have had to make staff redundant is the joint highest in the region at 35%.
- A third of Kilkenny businesses don't expect to see an upturn for their businesses until after the first half of 2009, lower than the regional average.

South Tipperary Analysis

- South Tipperary businesses are among the most negative about 2009 with 85% expecting sales to be lower this year than last.
- Businesses in the county are close to the regional average with regard to employment with 12% expecting to be employing more people at the end of 2009 while 58% will employ fewer.
- A total of 44% of businesses in South Tipperary have reduced working hours while nearly one in three has had to make redundancies. The county also has the highest proportion of businesses introducing pay cuts at 39%.
- South Tipperary businesses are the most negative about the upturn with 82% expecting it won't be before 2010.

Waterford Analysis

- While the picture is gloomy across the region there is no doubt over which county the blackest cloud has descended. Waterford has the biggest representation of businesses in the survey and their outlook is the most negative of any county.
- Just 6% of businesses in Waterford surveyed expect their 2009 sales to be higher than last year's, less than half the regional average.
- Over two-thirds (68%) of businesses in Waterford expect to have fewer workers at the end 2009 than a year earlier.
- On a slightly more positive note, just 25% of businesses have introduced pay cuts though the county is higher than the regional average for reduced working hours (45%) and redundancies (35%).
- Despite the negative outlook for 2009, nonetheless, Waterford businesses are right on the regional average with respect to when they expect the upturn to come. While 27% expect to, or have already seen, an improvement 73% think it will be 2010 or later before things get better.

Wexford Analysis

- Businesses in Wexford are close to the regional average in terms of their outlook for 2009 with 18% expecting sales to be higher this year than in 2008.
 - Wexford businesses are also most positive about their ability to maintain staffing levels with 44% expecting to have the same number of employees at the end of 2009 as a year earlier.
 - More businesses in Wexford (46%) have had to reduce working hours while 26% have made redundancies and 31% have introduced pay cuts.
 - Wexford businesses are more negative than the regional average in their expectations of an upturn with 45% thinking it will be the second half of 2010 or later.
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Note to editor

More detailed findings and further county by county analysis is available please contact John Gilsonan (details below) for further information.

Market Dynamics is an independent market research company based in Inistioge, Co. Kilkenny. The South East Business Confidence Study Series is funded by Market Dynamics and is not sponsored. For further information on the South East Business Confidence Study and its findings please contact John Gilsonan or Fiona Macrae on 056 775 8888/086 384 0062 or email survey@marketdynamics.ie.

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