

## Business still struggling but some new confidence emerging

- Irish Business continues to struggle with as many as half claiming their level of activity is lower than it was in the first quarter of 2011.
- Prices and operational profits are under significant pressure. Only 1 in 10 have managed to introduce a price increase since last year and 6 in 10 report a decrease in operational profit compared with the same period last year.
- Encouragingly, Irish Business leaders are more optimistic about the 2<sup>nd</sup> quarter of 2011. Here almost equal proportions expect business activity to be higher, the same or lower when compared with the equivalent period last year. This is the first sign that business activity declines may have bottomed out (still the profit issue means that companies will continue their uphill battle).
- The demand for both long and short term credit seems low (14% and 20% respectively) with availability of long term credit under more pressure than short term funding. By their accounts, 70% of short term loan applications were successful compared with only 39% of long term applications.

*26<sup>th</sup> May 2011*

The results of the latest Behaviour & Attitudes' Business Confidence Survey (May 2011) indicate poor results for the 1<sup>st</sup> quarter of 2011, when compared with an equivalent period last year.

Businesses struggle to maintain profitability at a time when prices are being squeezed (only 9% managed to impose a price increase while 45% are charging lower prices now compared with a year ago) and so almost 6 in 10 are reporting lower operational profit compared with the 1<sup>st</sup> quarter of 2010.

With regard to credit, only 14% of business report that they made a long term loan application (over 5 years) while 20% report they made an application for short term funding (under 5 years) within the past year. Of these applications, only 39% of long term loans were approved while a high of 70% of short terms loans were cleared.



These figures seem low and may indicate that business is not making applications for funding. It seems unlikely given their current levels of business activity and profitability that they have the confidence to extend themselves or consider anything new. They need to survive first.

The current survey was carried out as part of the ongoing Behaviour & Attitudes Business Confidence Barometer, which was introduced this year. The survey was conducted between the 26<sup>th</sup> of April and 10<sup>th</sup> May of 2011, among 353 Business Owners/Directors. The survey is quota controlled in terms of size of company and region to reflect the profile of companies in the Republic of Ireland.

Commenting on the findings of the latest survey, **Elaine Sloan, Director at Behaviour & Attitudes** said *“The key priority for Business owners at the moment is to survive. There is a considerable focus on costs with some businesses reporting concerns about their level of working capital. Given that this is the case, it is interesting to find that only a minority of Business Owners have made an application for funding. The evidence from those companies that have applied suggests that the financial institutions are open for business at least for short term funding”*

Discussing this point further, Ms. Sloan commented,

*“Given what Business Owners have had to endure over the last 3 years, it is not all that surprising that their focus is simply on keeping ‘the ships afloat’ rather than considering any further developments or expansion.”*

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Established 25 years ago, Behaviour and Attitudes provides a full range of market research services, ranging from CAPI (Computer Aided Personal Interviewing), through to standard face-to-face interviewing surveys, CATI (Computer Aided Telephone Interviewing), central location interviewing, as well as an in-house CAWI (Computer



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As the second largest market research company in Ireland, Behaviour & Attitudes has a very well defined and tight company structure, which is built around excellent client service delivery principles.

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