



# Business Sentiment Survey

Q4 2013

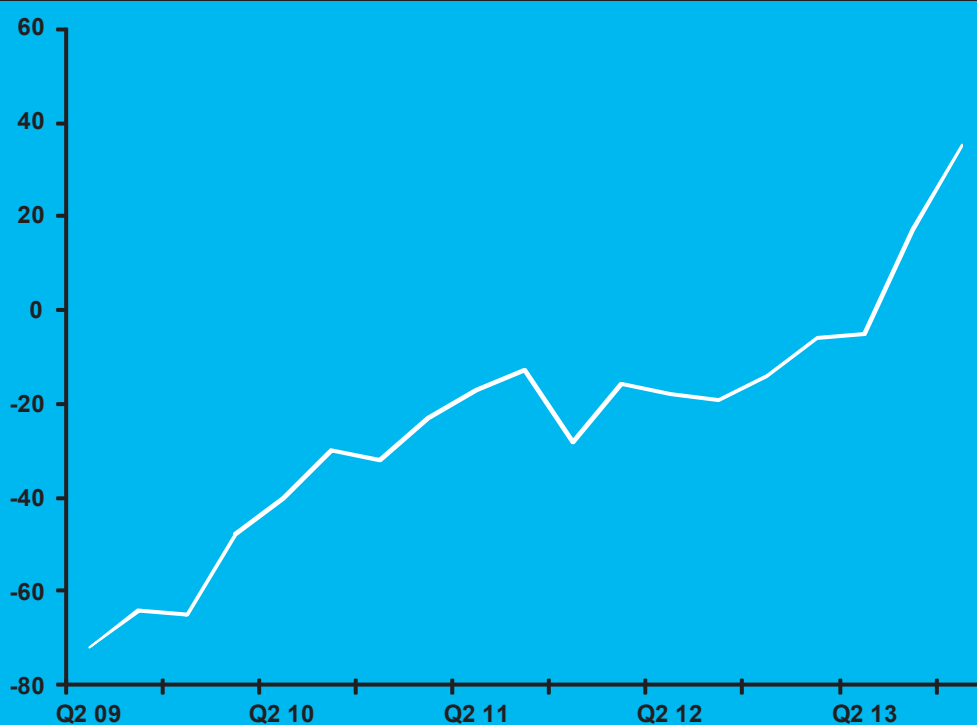
## Big jump in hiring expectations

Managers' confidence in the Irish business environment reached a second successive record high in Q4 2013, with the index recording a reading of +35, up from +17 only three months before. Manager's future outlook was also at record high levels recording a reading of +38 signalling an expectation of improving conditions as we start the new year.

Q4 also saw a strong rise in the hiring intentions index with a jump from +3 to +16 over a three months period boding well for a continuation of spectacular employment growth.

In addition a large increase in export sentiment among the pharmaceutical exporters may signal a recovery in goods exports in 2014.

Business confidence - Overall business environment



## Overview

Following a weak start to 2013 managers' confidence in their own business reached record highs in each of the final two quarters of the year. Managers' confidence in their own business continued to improve strongly throughout 2013 with the pace picking up significantly in the final quarter of the year following on from Ireland's exit from the bailout and improving domestic economic conditions.

Until the second half of last year improvements in business confidence had been concentrated among firms who operated in the traded sectors of the economy. In recent months, however, confidence has returned to firms focused on the domestic economy with the index of non-exporting firms own business confidence recording a reading of +26 in Q4 2013.

Managers' expectations for the first three months of 2014 are higher both for their own business and for the economy as a whole. This suggests continued improvements in performance early in the new year. Particularly important for the domestic economy is firms' improved confidence in their levels of domestic sales and order books which suggest that domestic demand conditions are improving in line with recent positive employment trends.

Hiring intentions showed exceptional improvement in Q4 rising to a series high of +16. This has been driven by a strong increase in employment growth expectations among exporting firms (+21). Employment confidence is highest among managers in the medical devices, telecoms and services sectors with Q4 also seeing a strong turnaround in employment confidence among retail firms. On the other hand business employment sentiment is falling in publishing and the pharmaceutical manufacturing sectors.

Business sentiment continues to improve among all of our indicators with the exception of unit selling price which recorded a measure of -2. There has, however, been a stabilisation in the falls in unit selling price sentiment at a less extreme level after steep falls for most of the last four years.

Despite falling unit price expectations manager's sentiment on profitability (+24) and order books (+46) grew strongly in Q4 2013. This strong performance comes on the back of growing demand from export markets (+47) and crucially domestic demand (+27). Domestic demand sentiment has now seen four consecutive quarters of positive growth following from four years of negative expectations.

Indicator (balance of respondents)	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Business confidence currently – overall	-6	-5	17	35
Business confidence 3 months time – overall	-4	2	25	38
Business confidence currently – own business	19	23	30	44
Business confidence 3 months time – own business	23	26	36	45
Domestic sales	7	10	18	27
Export sales	35	31	37	47
Order books	21	20	32	46
Unit selling price	-1	-12	-2	-2
Profitability	6	10	12	24
Customer base	31	30	34	41
Employee numbers	4	5	3	16

## Business confidence – own business

Own business confidence recorded a fourth consecutive series high in Q4 2013. The current conditions index was +44, up from +30 in Q3, and the forward-looking index was +45, up from +36.

On a sectoral basis the telecoms sector saw the highest levels of business sentiment at +77 followed by the health and social services sector (+75). The hotels, catering and leisure sector continued to see high levels of current own business sentiment with current conditions of +74. Remarkably own business sentiment was positive across all 15 sectors although sentiment was slightly higher among firms in the internationally traded sectors of the economy.

Business confidence - Own business

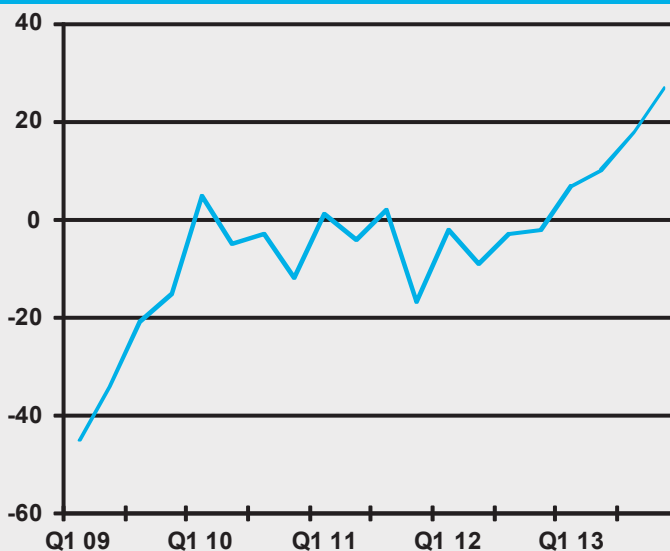


## Domestic sales

The Ibec business sentiment index of domestic sales expectations for the next three months rose for the fourth consecutive quarter to a measure of +27 up from +18 in Q3 2013. The Q4 figure is a record high for the series and is a driving force behind overall increases in business confidence.

The improvement in sentiment continues to be broad based with positive readings in 13 out of 15 industry categories. Sentiment in the wholesale (+39) and retail (+57) sectors in particular have shown a marked improvement after a poor start to last year.

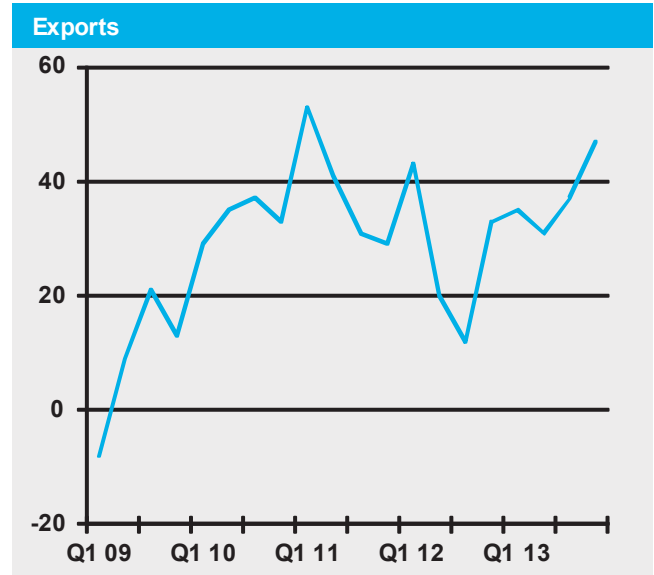
Domestic sales



## Export sales

Expectations for export sales over the next three months increased to a measure of +47, up from +37 in Q3 2013. Following two years of declining sentiment the series improved significantly during 2013 and is now nearing series highs last seen in early 2011.

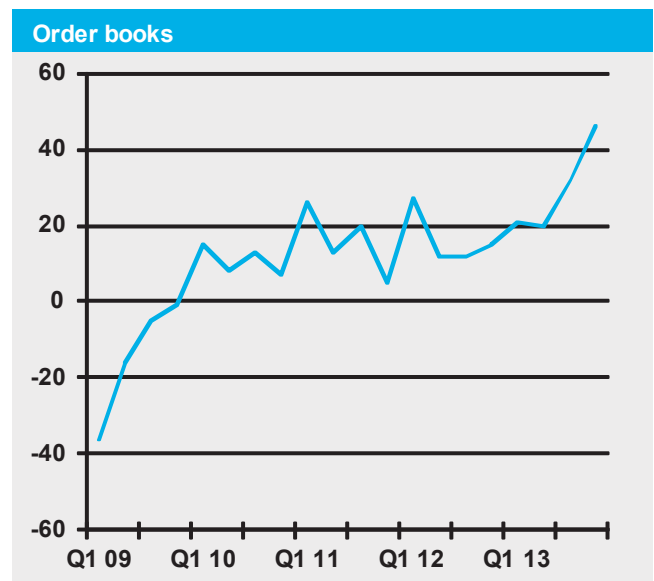
There is a broad spread across sectors with positive figures across all but one of the internationally traded sectors (metals and engineering manufacturing). Managers' expectations for export growth were particularly high in sectors such as telecoms and IT services, rubber and plastic manufacture, electronics manufacturing and medical devices. Sentiment in the pharmaceuticals sector, which has been negatively effected by the patent cliff, increased dramatically to a measure of +59 up from only +6 in Q3 2013.



## Order books

Managers' expectations for order books rose sharply in Q4 2013 with an index reading of +46, compared with +15 in the same period in 2012. Expectations among exporters (+51) and non-exporters (+36) have both risen. The rise, however, has been much more dramatic among exporting companies reflecting increased export expectations among companies in the internationally traded sectors of the economy.

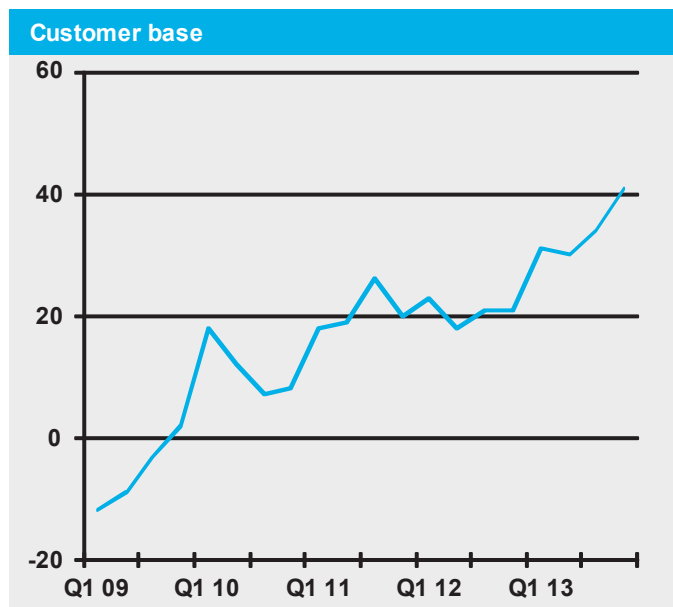
Sectors reporting the most positive expectations include telecoms, electronic manufacturing, rubber and plastics manufacturing and medical devices. Figures for retail have also continued to improve rising to +50 in Q4. Overall order book sentiment is in positive territory in 14 out of 15 surveyed sectors.



## Customer base

After fairly stable and positive results throughout 2013 (indicating steady expansion) the index of managers' expectations of their customer base saw a sharp upturn in Q4 2013 rising to +41, up from +34 in the previous quarter.

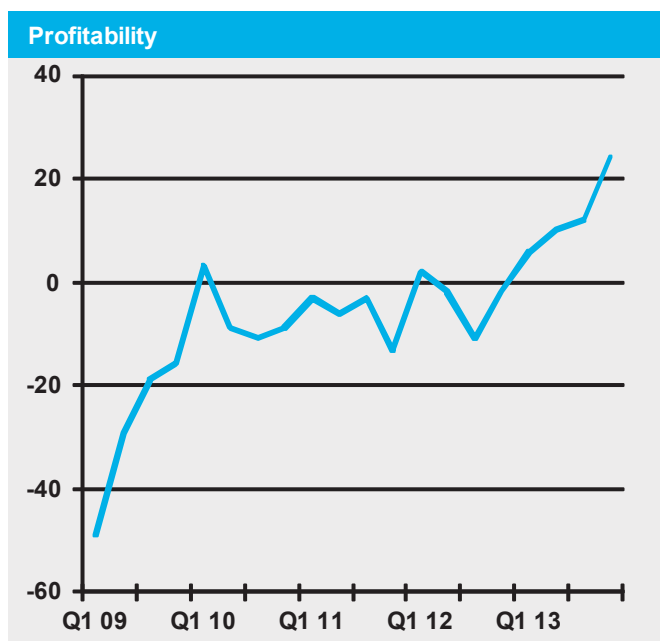
In previous quarters there had been a large divergence in the levels of confidence between managers in the traded and non-traded sectors with Q3 showing much more positive sentiment for exporting firms (+44) than non-exporting firms (+16). These expectations have now started to converge thanks to a large increase in positive sentiment among managers in non-exporting companies (+33) and static sentiment among those in companies trading internationally (+46).



## Profitability

Managers' expectations about profitability improved again in Q4 2013 to a new series high of +24, with the series now in its fourth consecutive quarter of positive sentiment. The quarterly increase in Q4, up from +12 in Q3, has been the largest in the history of the series.

Although there have been positive developments for both exporting and non-exporting firms sentiment remains much higher among firms' selling into international markets (+33) than those selling solely in domestic ones (+10). Medical devices (+53), Rubber and plastics manufacturing (+56) and pharmaceutical manufacturing (+48) remain the sectors with the highest levels of positive sentiment. While food and drink manufacturing (-14) and other manufacturing (-22) continue to have negative profitability expectations.

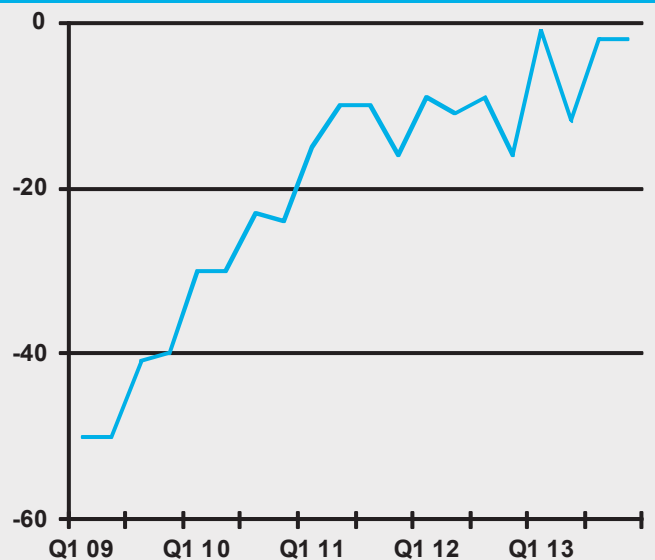


## Unit selling price

The index of unit selling price expectations for the next three months was at unchanged -2 in Q4 2013. The series has now been in negative territory every quarter since its inception in Q1 2009.

Exporting firms' unit selling price expectations, however, recorded a measure of 0 a turnaround on previous quarters. The index continues to be negative (-5) for firms selling into the domestic economy. The positive sentiment in customer base and order books allied to these numbers underline the levels of price competition that is happening among firms in the domestic economy. There is some divergence in unit selling price expectations, however, with expectations rising in five of the 15 industry categories.

Unit selling price

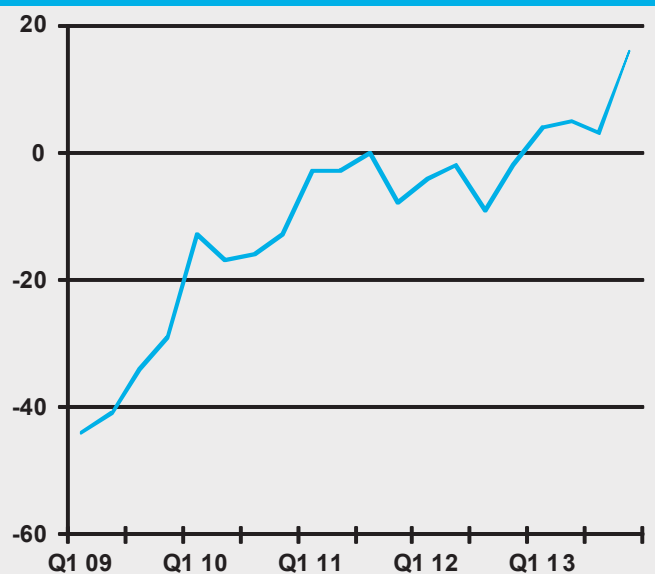


## Employee numbers

After falling to +3 in Q3 2013 the index for employee numbers expectations rose strongly in Q4 to a series high of +16. The index is now in its fourth consecutive positive quarter and this is being reflected in spectacular employment growth in the private sector.

Crucially positive sentiment for employment growth now exists among both exporting and non-exporting companies. Employment sentiment among managers in exporting firms recorded a measure of +21 up from +7 in the previous quarter. Among firms operating in the domestic economy, employment expectations for the next three months have risen considerably to +10 following a measure of -6 in Q3 2013. Expectations of employment growth were widespread in 13 of 15 categories and were particularly high in the med-tech and telecoms sectors.

Employee numbers



## Methodological note

The Business Sentiment Report is based on a survey of manufacturing and services firms and presents the balance of respondents' sentiment for a series of indicators. Each quarterly sample consists of about 400 Ibec member companies.

The report findings are presented as simple balances of the difference between the positive and negative responses. A positive balance indicates that more firms responded positively than negatively to a particular question; for instance, a positive balance for order books means that a greater percentage of firms expect order books in the coming months to be higher rather than lower.

Four confidence questions ask firms to rate the overall business environment and their own business, currently and in the next three months. Possible answer options for each question are very good, good, average, poor and very poor.

Activity-based indicators ask companies to rate their expectations in three months' time on a range of indicators such as order books, profitability and employment levels. Possible answer options for each indicator are decrease substantially, decrease slightly, stay the same, increase slightly and increase substantially.

## Ibec

Ibec is the national umbrella organisation representing over 7,000 businesses and employers in Ireland. Members benefit from information and advice on people and business management as well as industry-specific representation through Ibec's 60 business sector associations. Visit [www.ibec.ie](http://www.ibec.ie) for more information.

## Further information

### Fergal O'Brien

Head of Policy and Chief Economist

Tel: + 353 1 605 1544

Email: [fergal.obrien@ibec.ie](mailto:fergal.obrien@ibec.ie)

### Gerard Brady

Economic Analyst

Tel: + 353 1 605 1515

Email: [gerard.brady@ibec.ie](mailto:gerard.brady@ibec.ie)

Web: [www.ibec.ie/economics](http://www.ibec.ie/economics)

[www.ibec.ie/recovery](http://www.ibec.ie/recovery)

Twitter: [@ibec\\_irl](https://twitter.com/ibec_irl)

---

### Ibec (Head Office)

84/86 Lower Baggot Street  
Dublin 2

Tel: + 353 1 605 1500

Fax: + 353 1 638 1500

Email: [membership@ibec.ie](mailto:membership@ibec.ie)

Web: [www.ibec.ie/membership](http://www.ibec.ie/membership)

### Galway

Ross House  
Victoria Place  
Galway

Tel: + 353 91 561 109

Fax: +353 91 561 005

Email: [west@ibec.ie](mailto:west@ibec.ie)

Web: [www.ibec.ie/west](http://www.ibec.ie/west)

### Cork

Knockrea House  
Douglas Road  
Cork

Tel: + 353 21 429 5511

Fax: + 353 21 429 5534

Email: [cork@ibec.ie](mailto:cork@ibec.ie)

Web: [www.ibec.ie/cork](http://www.ibec.ie/cork)

### Ibec Europe

Avenue de Cortenbergh 89,  
Box 2

B-1000 Brussels

Belgium

Tel: + 32 (0) 2 512 3333

Fax: + 32 (0) 2 512 1353

Email: [ibec.europe@ibec.ie](mailto:ibec.europe@ibec.ie)

Web: [www.ibec.ie/europe](http://www.ibec.ie/europe)

### Limerick

Gardner House Bank Place  
Charlotte Quay  
Limerick

Tel: + 353 61 410411

Email: [midwest@ibec.ie](mailto:midwest@ibec.ie)

Web: [www.ibec.ie/midwest](http://www.ibec.ie/midwest)

### Donegal

3rd Floor, Pier One Quay Street  
Donegal Town  
Donegal

Tel: + 353 74 972 2474

Fax: + 353 74 972 2476

Email: [northwest@ibec.ie](mailto:northwest@ibec.ie)

Web: [www.ibec.ie/northwest](http://www.ibec.ie/northwest)

### Waterford

Waterford Business Park  
Cork Road  
Waterford

T: + 353 51 331 260

Fax: + 353 51 331 261

Email: [southeast@ibec.ie](mailto:southeast@ibec.ie)

Web: [www.ibec.ie/southeast](http://www.ibec.ie/southeast)