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Optimism  
Index  
2020  
**Q4**

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*with  
Behaviour  
& Attitudes*



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## Research Methodology

- For the past eight years Behaviour & Attitudes has conducted a Business Confidence survey on a quarterly basis. A questionnaire has been developed for the business monitor which covers issues such as recent business results, projected employment levels, profit margins and expectations for the forthcoming year.
- The quarterly survey is conducted via telephone amongst a sample of 350 business owners/managers countrywide. The sample is drawn from a 'deduped' mix of reputable business listings including Bill Moss, Data Ireland, the Irish Times and Business & Finance Top 500 companies in Ireland.
- Interviewing was conducted through Behaviour & Attitudes Computer Aided Telephone Interviewing Unit (CATI) at Milltown House in Dublin. Interviews were conducted with the owner/chief executive of each selected company. Fieldwork on the project was conducted between 21st to 29th January 2021. All interviewing was centrally supervised and quality control verification was conducted on 15% of interviews undertaken.
- A sample size of 350 yields a dataset which can be deemed to be accurate to within plus or minus five percentage points. The geographical locations and company size of those surveyed match those for the profile of the country as a whole.

## Foreword

**BDO is pleased to share the findings from our latest quarterly optimism index. This index is a continuous survey carried out for the past eight years, tracking business performance and the views of business leaders across Ireland.**

Almost one year after the outbreak of the COVID-19 pandemic, businesses have continued to be affected by the various lockdowns and closures. 2020 was an exceptionally difficult year and there are few signs of optimism reported for the first quarter of 2021. Similar to previous quarters of 2020, we identified low readings for business activity, employment and profitability.

Looking ahead, the majority of firms believe they will be operating in a less favourable business environment. Our survey highlights that this large reduction in optimism is apparent across businesses of all sizes. Businesses outside of Dublin projected marginally better levels of optimism.

Current business activity was reported at its lowest level since 2012. This was the case for businesses of all sizes, with large businesses coping slightly better. While over half of respondents disclosed that their performance results were higher, 41% of businesses said that their results were either the same or higher than the previous year, showing how the pandemic has had an uneven effect on the business community.

Our participants were also asked to provide their estimated projections for the first quarter of 2021. To give some context around this question, we interviewed firms in late January. At this time, Ireland had been under lockdown with restrictions for various businesses. Given the circumstance, it is evident that the overall projections are in negative territory. Small businesses and indigenous only firms gave the most pessimistic forecasts.

The trend of steady employment is also eroding with just 5% of businesses indicating higher employment levels compared to 17% reporting the same in Q1 of last year. Despite these figures, over half of businesses surveyed are maintaining their employment levels. We also note that firms outside of Dublin are faring slightly better than those in the capital.



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The survey showed that businesses are charging lower prices, in part due to the reduction in the standard rate of VAT from 23% to 21%. Here we also see small businesses making the biggest reductions in pricing, which ties in with their low projections for the first quarter of this year.

In keeping with the lower pricing levels, Q4 2020's operational profits are significantly lower than profits in Q4 2019. Once more, small businesses are reporting lower levels of operational profit, with just 17% telling us that they will have higher profits compared to the year before. Businesses in Dublin are under more pressure than regional businesses in terms of profitability.

Sentiment for the remaining quarter is negative for half of Irish businesses – a drop of 24% in optimism compared to last year's Q4. This depletion in optimism is seen across the board. With mid/large businesses showing healthier stats in all areas of the survey, they are slightly more optimistic than smaller businesses.

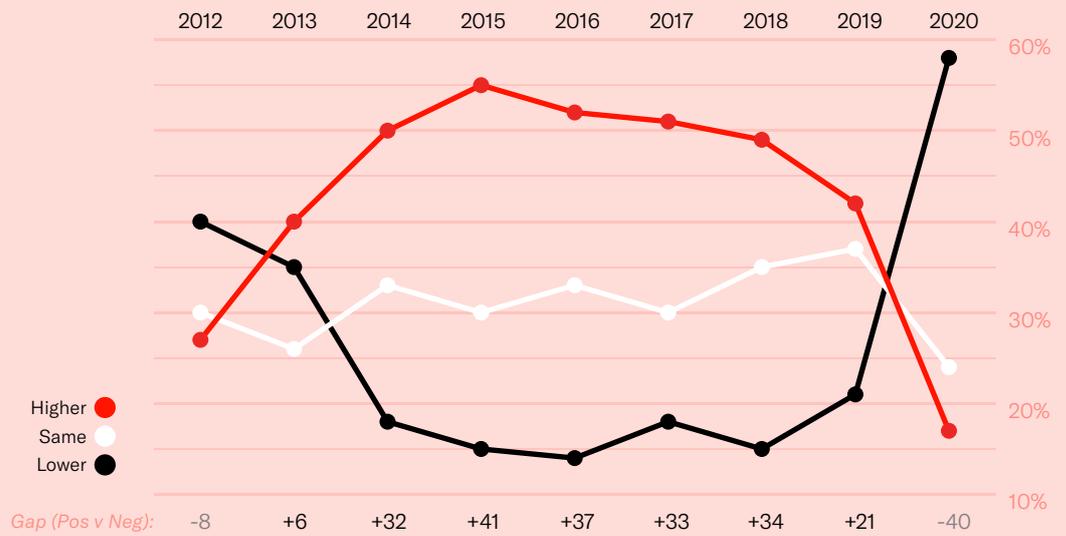
An element of Brexit's negative impact may be due to the new customs rules and the costs associated them. While supports and advice are available, it can still take some time for a lot of businesses to adjust to the reality of Brexit, especially with the ongoing COVID-19 crisis. It is critical that businesses seek professional advice if they are in a position to do so. A small minority of the businesses we surveyed have sought advice. The Government will also play a critical role in supporting businesses and maintaining the viability of some of the most hard-hit sectors.

# 1

## Current business activity

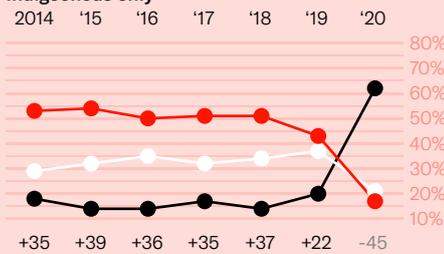
### Current business activity – trading analysis

Looking back, how did your business perform, were your results higher, lower or the same compared to the same period of the previous years?



#### Responses by trading behaviour

##### Indigenous only



##### Any export



#### Responses per company size

##### Micro: 1-3 employees



##### Small: 4-9 employees



##### Mid/Large: 10+ employees



Projections compared with equivalent quarter from previous year

### The BDO View from Katharine Byrne



Katharine Byrne, Corporate Finance Partner

In relation to current business activity, levels have slipped substantially this quarter.

The amount of businesses reporting decreased results compared to previous Q4s is the highest it has been since 2012.

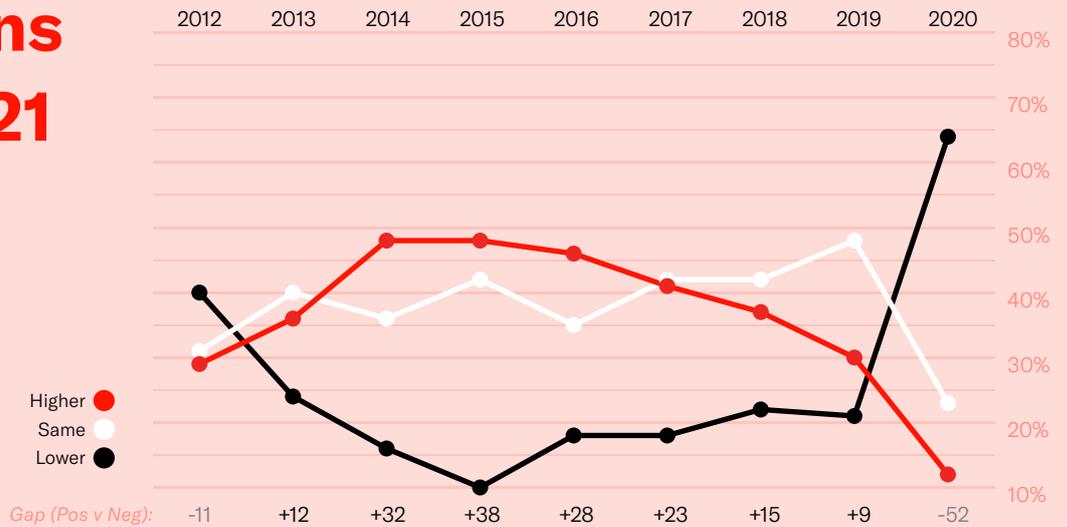
Small businesses are the most under pressure with Dublin based businesses having been hit slightly harder than businesses based outside the capital.

2

# Projections for Q1 2021

## Business activity looking forward

Thinking ahead – could you tell me whether the results for the next quarter—January to March 2021—will be higher, lower or the same compared with the same period last year?



Responses by trading behaviour



Responses per company size



Projections compared with equivalent quarter from previous year

## The BDO View

from Katharine Byrne

Unsurprisingly the Covid surge over Christmas and subsequent lockdown is having a huge negative impact in relation to projections for the next quarter.

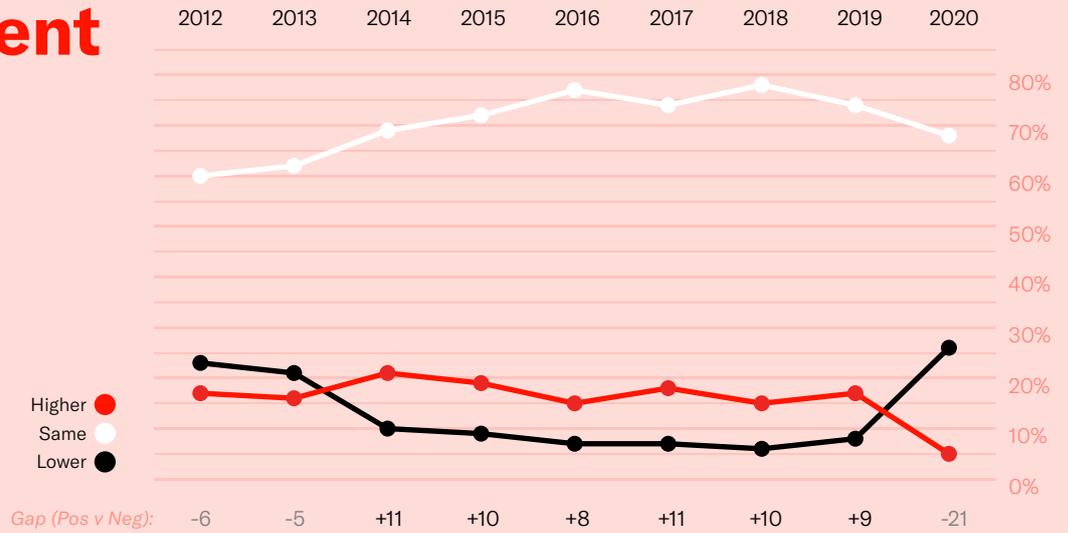
Small and indigenous only businesses are the most negative in terms of looking ahead to the next quarter.

# 3

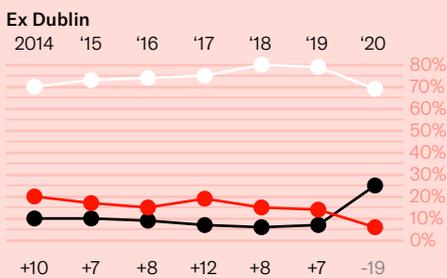
## Employment levels

### Employment levels compared to last year

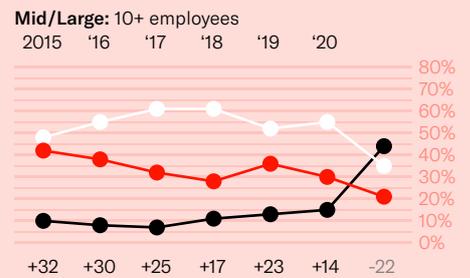
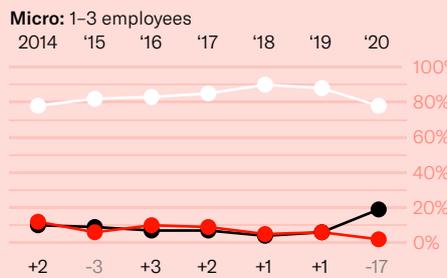
Could you indicate whether your employment levels are higher, lower or the same compared with the same quarter of last year?



Responses by location



Responses per company size



Projections compared with equivalent quarter from previous year

### The BDO View

from Katharine Byrne

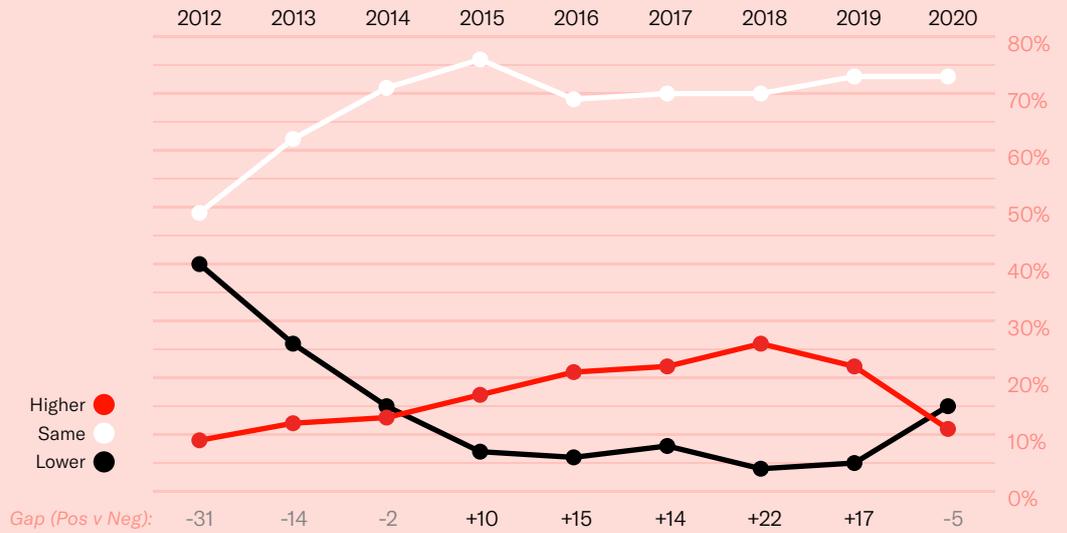
While the employment situation is challenging the majority of business are looking to maintain employment levels.

The proportion of businesses saying they are looking to maintain their headcount are broadly in line with levels last seen around 2012-2014.

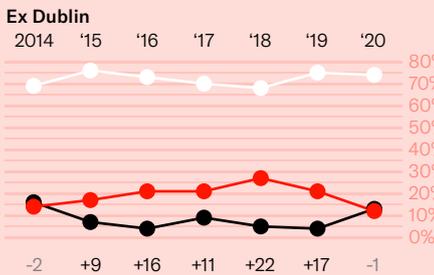
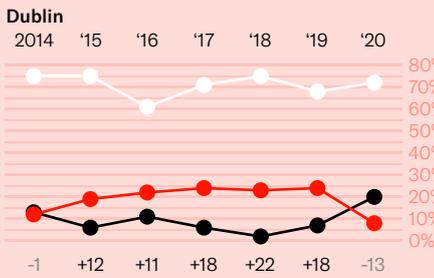
# 4 Pricing

## Prices charged – all businesses

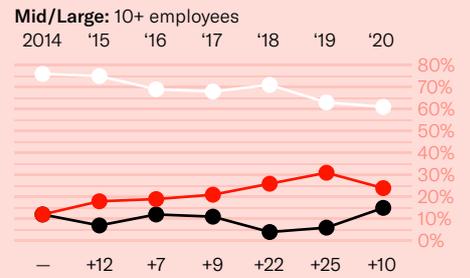
Could you tell us whether prices charged are higher, lower or the same compared with the same quarter of last year?



Responses by location



Responses per company size



Projections compared with equivalent quarter from previous year

## The BDO View from Katharine Byrne

In terms of prices charged we have now moved into a phase of lower prices for the first time since 2014.

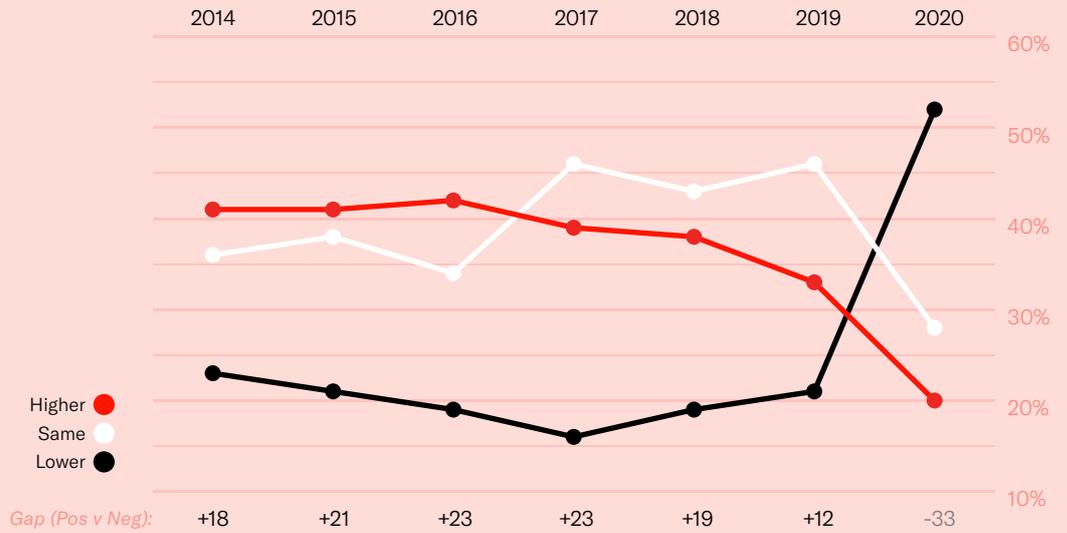
Small companies more likely to be charging less.

Dublin based businesses more likely to be charging less compared to outside who are in a neutral position.

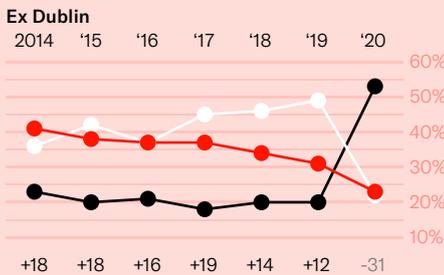
# 5 Profits

## Operational profit – year on year

Could you tell us whether operational profit is higher, lower or the same compared with the same quarter of last year?



### Responses by location



### Responses per company size



Projections compared with equivalent quarter from previous year

## The BDO View from Katharine Byrne

In keeping with lower business activity and prices, profitability levels have taken a large hit.

Small businesses are under the most pressure in terms of profitability levels.

Dublin businesses under marginally more pressure when it comes to profitability.

# 6 Trends in optimism

## Business Environment – Optimism for the remainder 2020

Looking forward, how optimistic are firms for a favourable business environment?

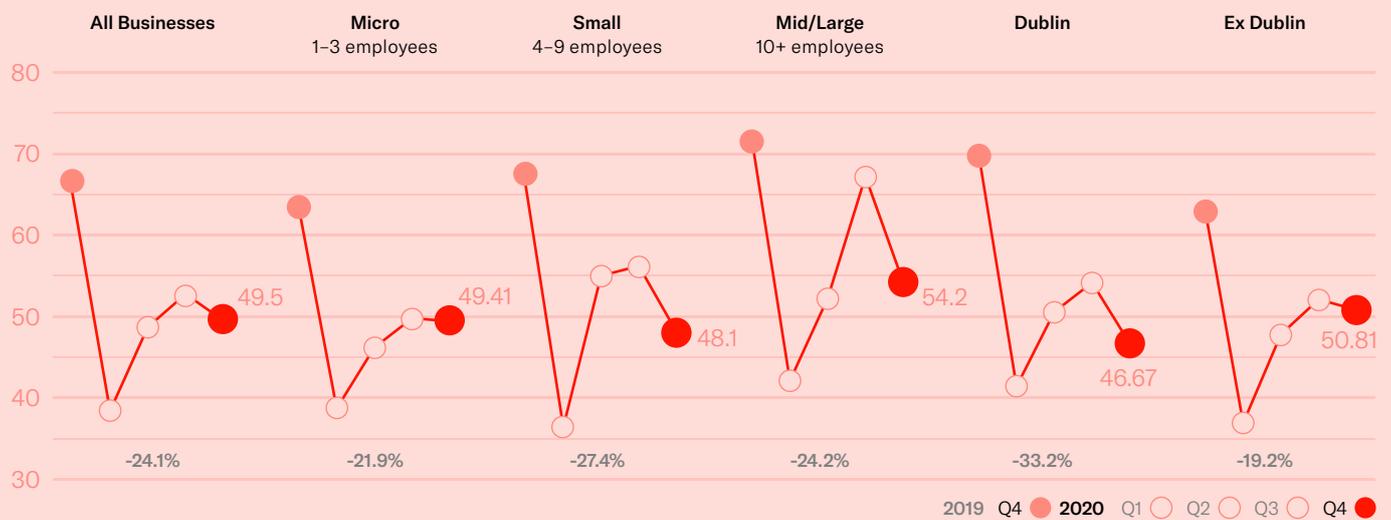


Overall change in optimism +5.6% -0.4% +1.8% -3.6% -0.4% -24.1%

Projections compared with equivalent quarter from previous year

### The BDO View from Katharine Byrne

The overall optimism index (looking forward) has seen a steep decline from this time last year (49.5 out of 100 compared to 65.2).

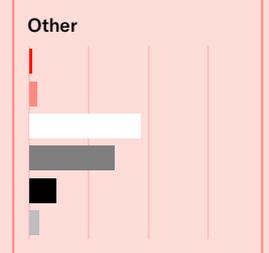
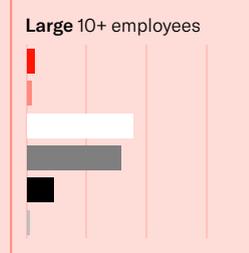
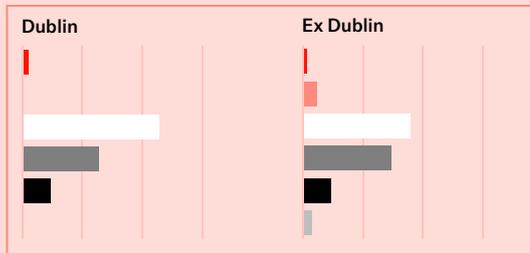
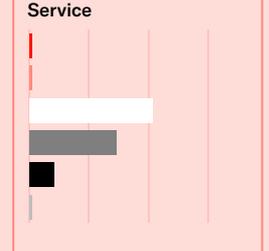
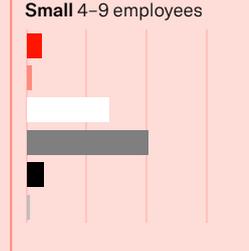
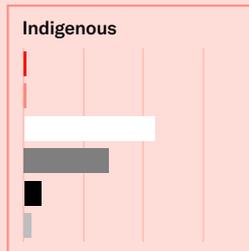


2019 Q4 ● 2020 Q1 ○ Q2 ○ Q3 ○ Q4 ●

# 7a Brexit impact

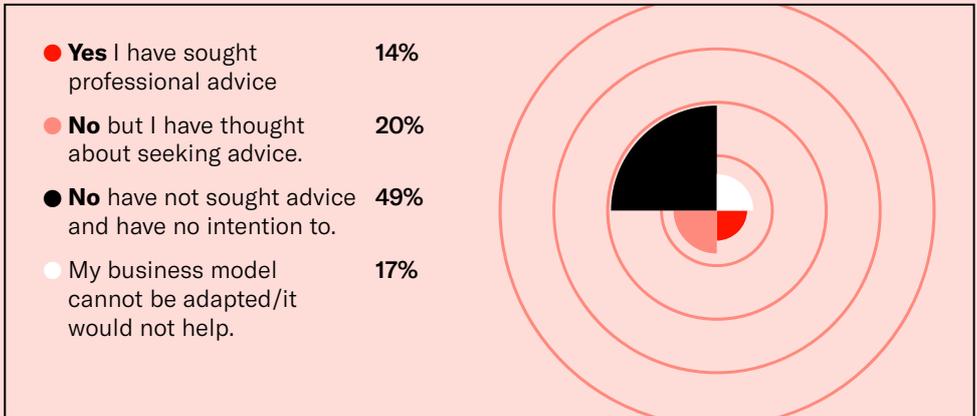
What level of impact is Brexit currently having on your business?

All businesses	2017	2018 Q4	2019 Q2	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Positive Impact	2	1	1	3	0	0	2
Somewhat Positive	8	4	7	2	4	1	3
No Impact	43	30	25	35	44	50	48
Somewhat Negative	36	47	47	43	39	34	34
Very Negative	6	12	16	13	9	8	11
Don't know	5	6	4	4	4	7	2



# 7b COVID adaptation

Have you sought professional advice on how to adapt your business model since the pandemic began?



## The BDO View from Michael Costello

The deal struck on Christmas Eve has clearly mitigated the negative impact, but close to half of businesses are still saying it is impacting them negatively. Note: we are talking about actual impact of Brexit now.

Brexit's negative impact peaks amongst mid sized and larger businesses and Exporters.

Overall, a third of businesses have sought or have contemplated seeking professional advice on how to adapt their business since the pandemic began.



Michael Costello, Managing Partner

## About **BDO**

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Through our own professional expertise and by working directly with businesses, we have developed a unique insight into what makes a business successful. It is this insight that makes us true business advisers, rather than mere financial consultants.

We operate a partner-led approach in all our client dealings which ensures our partners and directors are highly accessible to clients. Each client is appointed a client liaison partner to oversee operations and communicate with you directly.

Dealing with BDO is different. Our approach is pragmatic and hands-on which ensures timely, straightforward advice. Our assignments are led by senior personnel with an in-depth understanding and knowledge of the market. This delivers high value for all our clients and practical solutions that are based on unrivalled sectoral experience and expertise.

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They pride themselves on having the most experienced director team in Ireland. All projects have a Director involved.

Established over 25 years ago, Behaviour and Attitudes provides a full range of market research services, ranging from CAPI, CATI, online and of course qualitative.

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