CEB Business/Banking Confidence Survey

February 2011

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Conducted by the County & City Enterprise Boards (CEBs) January 2011

Executive Summary:

This online survey was conducted amongst clients and contacts of the County and City Enterprise Boards (CEBs) during January 2011. The main objective of the survey was to ascertain how confident CEB contacts/clients were in the present economic climate and also whether they were experiencing difficulties accessing credit (and whether there had been any significant changes on accessing credit since the previous study conducted six months previously). A good response level of 1,236 responses was achieved from across the CEB network. Many of the questions relating to banking/credit issues had been asked in several previous surveys, with some general business confidence questions also included in most recent and this current survey, thereby enabling some comparisons/trends to be identified.

Business Confidence:

The overall business environment was not found to be positive at present and not to have changed much from the previous survey conducted six months ago. Over half of respondents identified the current business environment to be poor overall ('poor' 34% and 'very poor' 19%) with a further 27% saying it was average. Just 20% of respondents said that the current business environment was good overall, the majority of these being 'good' rather than 'very good'.

The vast majority of respondents considered that there had been an adverse impact on their business to date with regard to the impact of the economic downturn. 49% said there had been a moderate adverse impact and a further 38% said the impact had been severe. Just 5.1% considered that there had been a positive impact from the economic downturn and 8.3% saw no impact at all. This was also similar to findings in the previous survey.

Expectations for business turnover in the months ahead were not particularly positive (or for that matter any worse than previous survey). Over one third of respondents expected business turnover to be better over the coming months (37%) whilst 23% of respondents felt expectations for business turnover were worse for the next six months.

It is not surprising that a correlation exists amongst respondents' attitudes to the overall business environment and their expectation for business turnover over the coming six months. Those who rated the current business environment positively (eg good or very good) had much

greater expectations for their business over the next six months, while those who rated it negatively (eg poor or very poor) expected business turnover to be worse. Respondents who indicated better expectations for their business over the coming six months were more likely to consider the downturn to have had a moderate adverse impact rather than a severe adverse impact on their business to date. Whereas those who had worse expectations for their business over the coming months were twice as likely to consider the downturn to have had a severe rather than moderate impact on their business to date.

There was a decrease in terms of the percentage of respondents to this survey, compared to recent surveys, who indicated that their business was at risk of closure, at 26% (previously 29%). This may indicate a resilience/stabilisation in CEB client businesses or that a number of businesses have already ceased trading in the past six months.

Employment continues to be at risk in respondents' businesses with 39% considering employment to be at risk in their business over the coming six months. This is a smaller proportion than the survey six months earlier, when 43% of respondents considered employment to be at risk. This may indicate some resilience of CEB client businesses when it comes to making people redundant or else suggests that staff may already have been let go in the intervening six month period, or that some businesses have ceased trading altogether. It should be noted that businesses with one person in employment was found to be at greatest risk of losing employment (possibly suggesting that many owner-managers are considering closing down their business) and also higher employment risk over the coming months amongst either those employing two people and ten/more people.

An additional question that was asked in this survey this time was whether any of a number of factors were impacting cash flow in the business at present. The issues identified by respondents on factors impacting cash flow (from a predefined list) were decrease in sales turnover and increase in debtor days/delayed payments, followed by customers going out of business.

Banking/Credit Issues:

Availability of credit continues to be an issue amongst respondents to this survey, with 59% of respondents saying credit availability was about the same as six months ago, 37% saying it had got worse and 4% saying it had improved (whereas 36% felt it was worse in the most recent survey undertaken in July 2010).

A slight deterioration was identified in this research regarding the impact of banking restrictions with 51% saying that their business was not being curtailed at present by banking restrictions, compared to 56% six months ago. It is interesting to note that the respondents who felt their business was being curtailed by banking restrictions at present compared to six months previously is largely similar in proportion to survey results this time last year. In January 2010 50% of respondents indicated that their business was not being curtailed by banking restrictions. In the case of those whose business are being curtailed in this survey, half of respondents identified bank overdraft/bank loan restrictions (at 50%), followed to a lesser extent by no processing of loans and additional charges.

Many respondents (43%) consider the effect of the current banking situation on trading and business operations to be serious (either serious, at 32%, or very serious, at 11%). A further 42% of respondents felt the current banking situation on trading and business operations to be slight. These findings are largely similar to July 2010 when 46% of respondents considered the banking situation to have a serious effect.

Increased levels of debtor days continue to be high at 62%, but are not as high as in the two most recent surveys. This may demonstrate tighter cash flow management and further consolidation of the financial position of some businesses.

While there have been some minor movement in market shares over the last three surveys, AIB and Bank of Ireland retain their dominant position of banking institution used by CEB clients/contacts. Infact their market share according to this survey is evenly divided at 38% each. Ulster Bank appear to have stabilised their share of the market as third most used financial institution, at 15%.

Other sources of funds were predominantly CEBs (38%), followed by credit union (25%) and private investors (31%). The CEBs are the most frequent source of funds in this survey, compared to credit unions in the most recent surveys undertaken. In addition a wide range of other sources of funds from other sources were identified by respondents, primarily personal loans/savings or obtaining loans from family/friends.

This survey identifies a higher level of demand for a small loan scheme operated by the CEBs of up to €20,000 to support viable business and its working capital needs (at 71%). This level of interest is higher than in the previous two surveys. This interest level, as well as the CEB being identified as a source of funds from other sources, highlights the importance of the CEBs in providing funding or assisting with a gap in funding for CEB clients.

Working capital requirements vary significantly amongst respondents who expressed an interest in this small loans scheme, with close to half of respondents requiring a minimum of €15,000 (47.7%). However it is interesting that an increasing percentage of respondents identified a requirement for relatively lower levels of working capital finance. Working capital requirements for levels under €15,000 have reduced slightly compared to six months ago but have increased year on year. Demand for working capital between €1,000-€15,000 is at 52.3% in this survey, compared to 52.6% six months ago and 49% one year ago. This suggests that businesses may require relatively smaller amounts of financing to continue to operate successfully.

When asked about any other credit issues at the close of this survey, there were predominantly three credit issues identified by respondents – lack of credit/support from banks, getting/speed of getting paid and customer/confidence levels.

It is worth noting that customer/consumer confidence was mentioned much more frequently than in previous surveys, possibly suggesting that businesses have made as many adjustments as possible to their businesses as they can at this stage and are now dependent on generating sales via a positive business environment/positive consumer confidence going forward. The emphasis on sales turnover was also identified as the greatest factor impacting cash flow (see Figure 6 in report), suggesting that for businesses to survive and thrive going forward positive consumer/business sentiment will be required to get people/businesses spending again.

CEB Business/Banking Confidence Survey Table of Contents

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Conducted by the County & City Enterprise Boards
January 2011

Introduction:

An online survey was circulated to County and City Enterprise Board (CEB) contacts/clients during January 2011. The main objective of the survey was to ascertain whether CEB contacts/clients were experiencing difficulties accessing credit, to determine if there had been any significant changes on accessing credit since the previous study conducted six months previously and to establish how confident CEB contacts/clients were in the present economic climate.

This survey covers a range of issues from banking/credit crunch issues to general business confidence amongst CEB contacts/clients. The questionnaire used in this survey is in Appendix One. Relevant findings are outlined in the following sections. General background information on the CEBs is in Appendix Two.

This survey was distributed and analysed by the CEB Central Coordination Unit (CCU), Enterprise Ireland. Individual CEBs were responsible for distribution of this survey hyperlink to their email contacts and clients. Online surveys were completed over a three week period during January 2011. A good response level of 1,236 valid responses was achieved from across the CEB network with most CEBs represented in the survey findings. A profile of survey respondents is in Appendix Three.

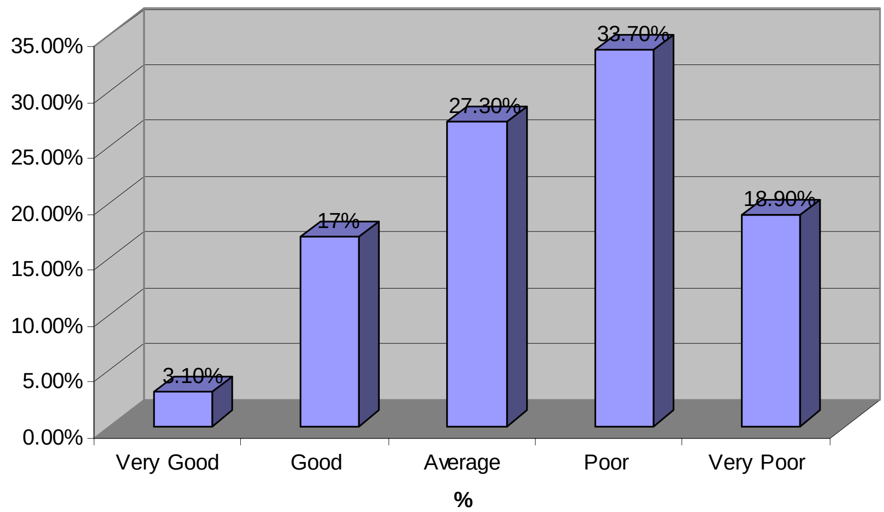
Main Findings:

The questionnaire was divided into two themes – Business Confidence and Banking/Credit issues. Many of the questions, particularly relating to Banking/Credit themes, are similar to those used in previous survey/s, thereby enabling comparisons to be made with the most recent surveys conducted in January and July 2010.

1. BUSINESS CONFIDENCE

Respondents were asked how they would rate the current overall business environment.

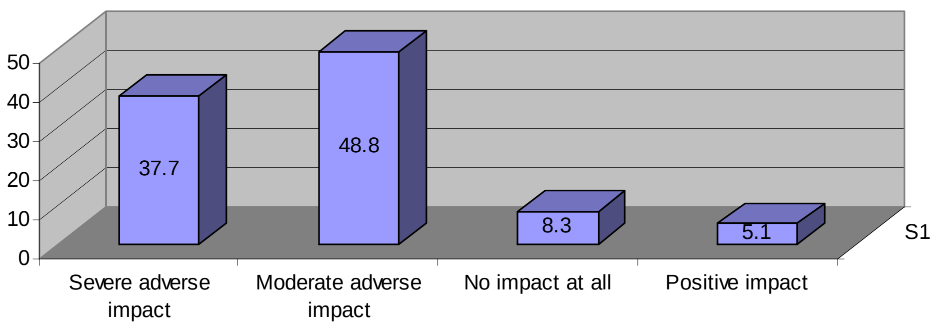
Fig 1: Current Overall Business Environment (n=1,236)



The overall business environment is not considered good at present. Over half of respondents said that it was poor (34%) or very poor (19%), with a cumulative overall poor rating of 53%, and a further 27% stating that the overall business environment is average. Just 20% of respondents said that the current overall business environment was good overall, the majority of these saying 'good' rather than 'very good'. These findings were broadly similar to findings in the survey conducted during July 2010.

With regard to the impact, if any, of the economic downturn on business to date, the majority of respondents considered that there had been an adverse impact on their business to date, with 49% saying there had been a moderate adverse impact and a further 38% a severe adverse impact. Just 5% of respondents considered that there had been a positive impact from the economic downturn and 8% saw no impact at all.

Fig 2: Impact of Economic Downturn on Business to Date? (n=1224)

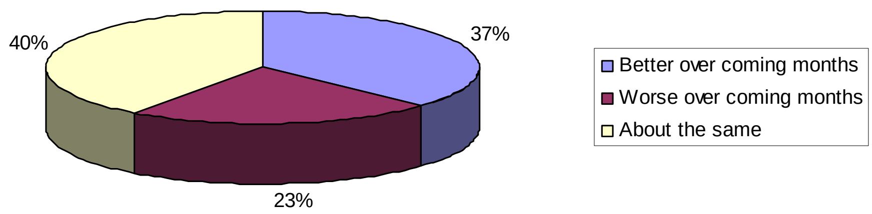


Again these findings were broadly similar to the previous survey when 88% would have identified an adverse impact on business from the economic downturn in July 2010 and 86.5% identified an adverse impact in this January 2011 survey.

Not surprisingly when business confidence levels were analysed with the impact of the downturn to date, those who had experienced a moderate adverse or severe adverse impact on their business to date were most likely to consider the current overall business environment 'poor' or 'very poor'. Those who had a positive rating for the overall business environment were most likely to consider the downturn to have had a positive impact on their business to date.

Respondents were asked whether their expectations for business turnover were better or worse for the next six months (when compared to the previous six months).

Fig 3: Expectations for Business Turnover (n=1,236)

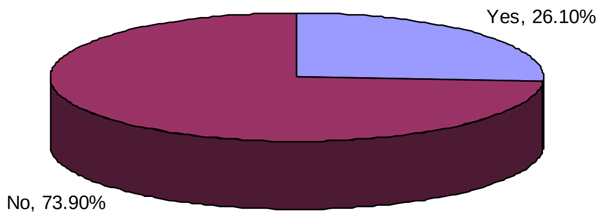


Two fifths of respondents to this Business/Banking Confidence Survey considered their expectations for business turnover for the next six months to be about the same as the previous six months, at 40%. This was followed by more positive expectations with 37% expecting business turnover to be better over coming months, and a further 23% expecting business turnover to be worse over coming months. This findings are largely similar to the previous survey findings.

A correlation exists amongst respondents' attitudes to the overall business environment and their expectation for business turnover over the coming six months. Those who rated the current business environment positively (eg good or very good) had much greater expectations for their business over the next six months, while those who rated it negatively (eg poor or very poor) expected business turnover to be worse.

Respondents who indicated better expectations for their business over the coming six months were more likely to consider the downturn to have had a moderate adverse impact rather than a severe adverse impact on their business to date. Whereas those who had worse expectations for their business over the coming months were twice as likely to consider the downturn to have had a severe rather than moderate impact on their business to date.

Fig 4: Business at Risk of Closure (n=1,236)

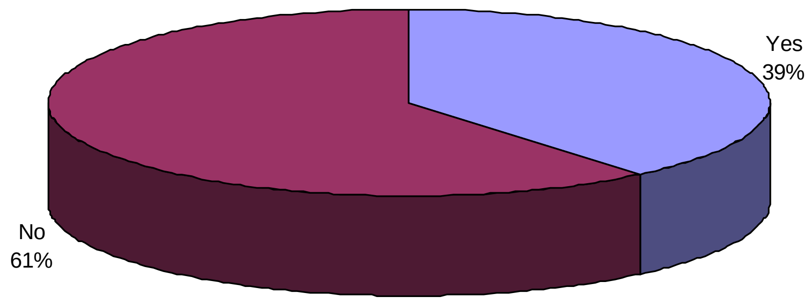


26% of respondents to this survey indicated that their business was at risk of closure.
It is interesting that this is a somewhat smaller proportion who said their business was at risk of closure in the survey conducted six months previously (28.5%). This may indicate a stabilisation/resilience of CEB client businesses or that a number of businesses have already ceased trading.

Respondents who viewed the overall business environment more positively (good/very good Figure 1) were less likely to indicate that their business was at risk of closure, compared to those who rated the current business environment to be poor/very poor. Not surprisingly most of those who indicated that the economic downturn had an adverse impact on their business said that their business was at risk of closure (mostly those who indicated that the downturn was having a severe adverse impact).

Employment continues to be at risk in respondents' businesses (see figure 5) with 39% considering employment to be at risk in their business over the coming six months.

Fig 5: Employment at Risk in your Business? (n=1,236)



This compares to 43% of respondents who considered employment to be at risk in the survey six months previous. This may indicate some resilience of CEB client businesses when it comes to making people redundant or else suggests that staff may already have been let go in the intervening six month period, or that some businesses have ceased trading altogether.

As would be expected respondents who considered the overall business environment to be at least good were less likely to indicate that employment was at risk in their business; whereas respondents who saw the overall business environment to be poor/very poor were much more likely to indicate that employment was at risk in their business. It should be noted that many who said employment was not presently at risk had identified their business confidence to be poor.

Similarly most of those who indicated that the economic downturn had an adverse impact on their business said that employment was at risk – with employment twice more likely to be at risk amongst those respondents who have experienced a severe adverse impact from the economic downturn rather than a moderate adverse impact.

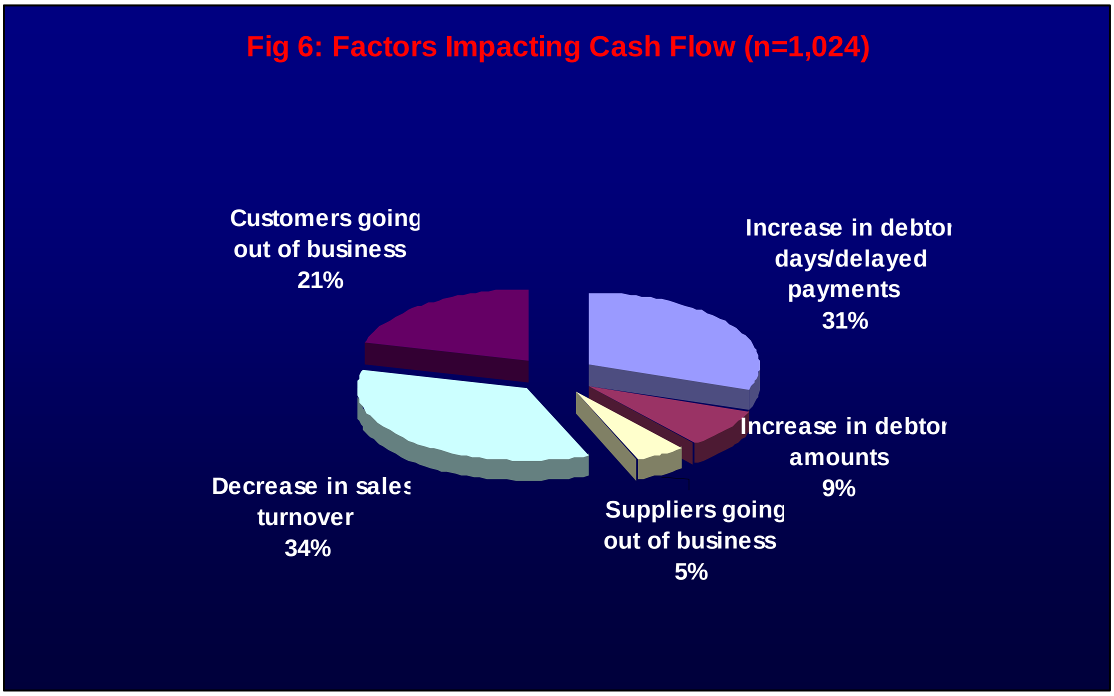
Whilst some of the sectors identified were relatively small, the business sectors that identified a higher likelihood of employment being at risk were Business Services, Software/IT, Engineering, Consumer Services, Manufacturing Other and Communications, Media and Entertainment Services.

Table 1: No. of People Employed by risk of losing employment

No. of People Employed	Employment at Risk
1	35.2%
2	20.4%
3	8.8%
4	7.9%
5	4.4%
6	3.1%
7	1.9%
8	3.3%
9	1.5%
10+	13.5%

Further analysis of this question indicates that businesses with one person in employment is at greatest risk of losing employment, possibly suggesting that many owner-managers are considering closing down their business. There is also more employment at risk amongst either those employing two and ten/more people over the coming six months rather than any employer size in between (see Table 1). This finding is similar to the findings in the previous survey, July 2010.

An additional question that was asked in this survey this time was whether any of a number of factors were impacting cash flow in the business at present.



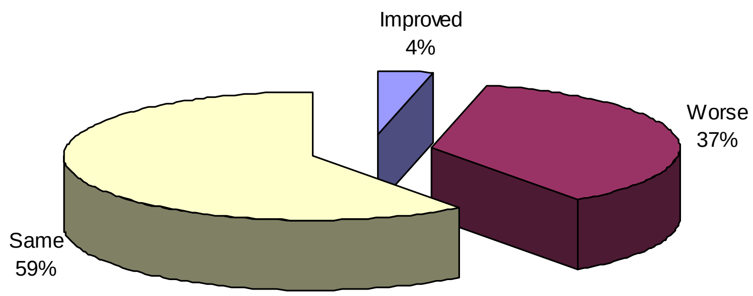
The issues identified by respondents on factors impacting cash flow were decrease in sales turnover and increase in debtor days/delayed payments, followed by customers going out of business.

2. BANKING/CREDIT ISSUES

2.1 BANKING RESTRICTIONS

Respondents were asked whether the credit availability situation was the same as the previous survey six months previous.

Fig 7: Credit Availability Same as Six Months Ago? (n=1,236)

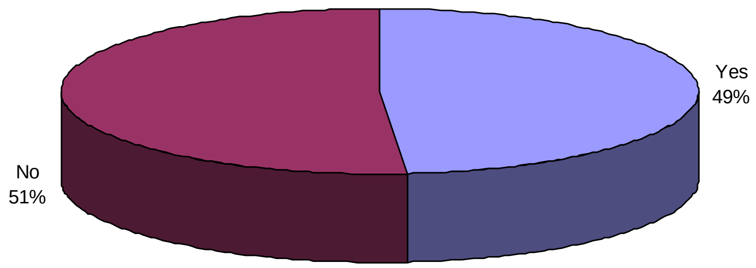


As can be seen in Fig 6, the majority of respondents at 59% felt that credit availability was about the same as six months ago, with 37% saying that it had got worse. Just 4% of respondents to this question felt it had improved.

When this survey was completed in July 2010 there were similar results – a similar proportion of respondents felt credit availability was the same as the six month period before that, at 61%, with 3% responding that credit availability was improved from the previous six months and 36% saying it was worse.

Respondents were asked whether they felt their business was being curtailed by banking restrictions. Results were almost evenly divided.

Fig 8: Business Curtailed by Banking Restrictions ? (n=1,236)

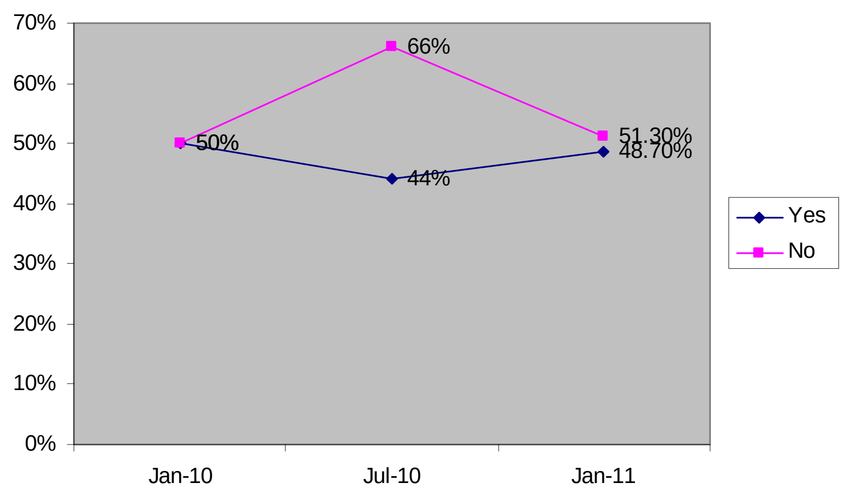


This latest survey indicates a slight deterioration regarding the impact of banking restrictions compared to banking restrictions in the previous survey. 56% of respondents to the July 2010 survey felt that their business was not being curtailed by banking restrictions while 44% of respondents felt that their business was being curtailed.

Amongst those who felt that their business was being curtailed due to banking restrictions, 57% indicated that the credit availability situation was worse than six months ago, whilst most of the others said that credit availability was the same as six months ago (41%, with 2% saying credit availability had improved). Respondents who felt that their business was not curtailed due to banking restrictions were most likely to consider credit availability about the same (78% of those who said they were not curtailed due to banking restrictions) whereas 17% said the credit availability situation was worse and 5% identified that the credit availability situation had improved.

The historical comparison overleaf highlights the findings over the most recent three six monthly surveys in July and January 2010 and January 2011. It is interesting to note that the respondents who felt their business was being curtailed by banking restrictions at present compared to six months previous is largely similar proportion to the findings this time last year (50% saying they are curtailed January 2010, 44% saying they are curtailed in July 2010 and 49% in this current survey).

Fig 9: Comparison of Business Curtailed by Banking Restrictions



It was of interest to this survey to identify what way banking restrictions were affecting the businesses of those who indicated that they were being curtailed by banking restrictions.

Table 2 How Business is being Curtailed

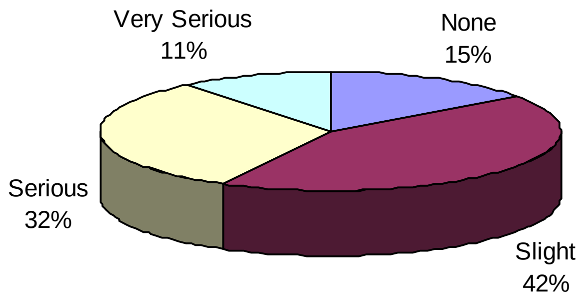
	January 2011	
	%	**Frequency**
Bank overdraft / bank loan restrictions	49.8%	318
No processing of loans	22.2%	142
Additional charges	21.1%	135
Higher levels of security	6.9%	44
Total	**100%**	**639**

In the case of those whose business are being curtailed, half of respondents identified bank overdraft/bank loan restrictions, at 50%, followed to a lesser extent by no processing of loans and additional charges. This is similar to the findings in the previous survey in July 2010 when bank overdraft/bank loan restrictions affected a higher proportion, at 60%, followed by no processing of loans (18%) and additional charges (14%). Both additional charges and no processing of loans are greater curtailments in this current survey than they were in previous surveys.

2.2 TRADING & BUSINESS OPERATION

Many respondents considered the effect of the current Banking situation on trading and business operation to be serious.

Fig 10: Effect on Trading and Business Operation of Current Banking Situation (n=1,177)

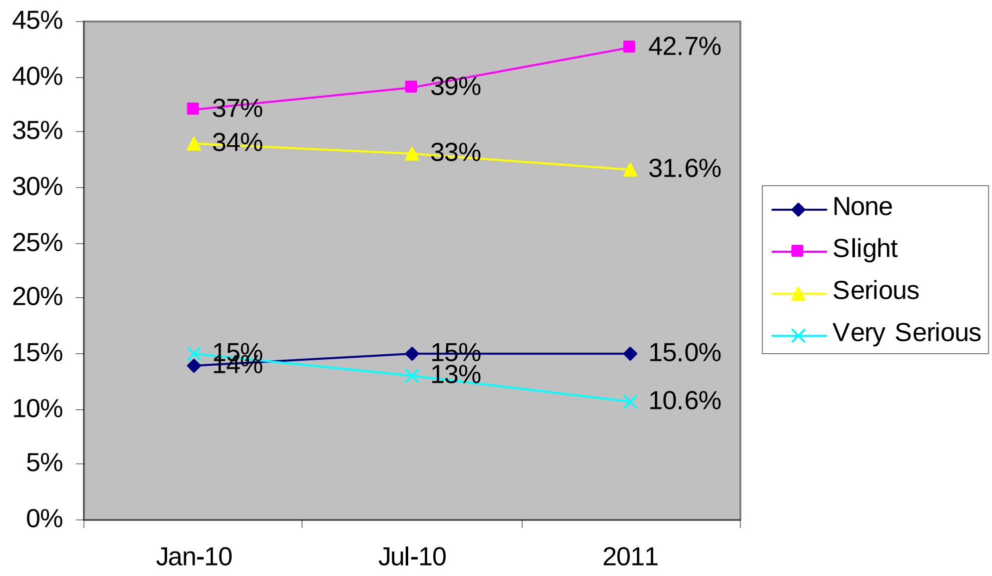


Clearly the current banking situation is having a serious effect on CEB contacts/clients' trading and business operations with 43% indicating that it was either serious or very serious (32% serious, 11% very serious). 15% of respondents said that it was not having an effect with a further 42% of respondents considering it to impact slightly on the business.

These findings are largely similar to the survey conducted in July 2010 when 46% considered banking situation to have an overall serious effect on trading and business operations with a further 39% considering it to impact slightly on the business (and 15% none).

The following historical comparison highlights the findings over the most recent three six monthly surveys in July and January 2010 and June 2009.

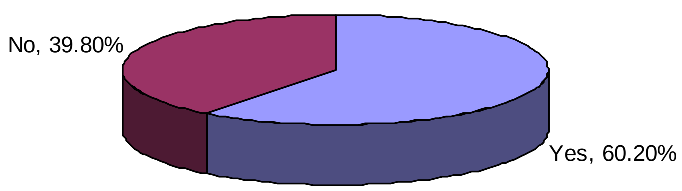
Fig 11: Comparisons of Effect of Current Banking Situation on Business



The situation at the time of this survey has slightly improved however on the situation at the time of the previous two surveys as can be seen from Fig 11 above. However this may be down to the more vulnerable businesses having already ceased trading.

It was also of interest whether respondents had experienced increased levels of debtor days over the previous six months.

Fig 12: Increased Levels of Debtor Days? (n=1,163)



60% of respondents said they had experienced increased levels of debtor days. This percentage had decreased just slightly from 62% in the survey conducted six months previously, which in turn was a lower percentage than the previous survey. This may demonstrate tighter cash flow management and/or further consolidation of the financial position in some businesses.

2.3 FINANCIAL INSTITUTIONS

Table 3: Banking Institution Used (n=1,236)

Banking Institution	%	N
AIB	37.9%	469
Bank of Ireland	37.9%	468
Ulster Bank	14.5%	179
Permanent TSB	6.6%	81
National Irish Bank	2.3%	28
Bank of Scotland Ireland	0.3%	4
Anglo Irish Bank	0.3%	4
ACC Bank	0.2%	3
Other		11
Total	100%	1236

AIB and Bank of Ireland continue to hold the largest banking market share amongst CEB contacts/clients according to the findings of this survey. Market share is presently evenly divided between them, followed by Ulster Bank.

Table 4: Banking Institution Used January 2010 Vs July 2010 Vs January 2011

	January 2010 %	July 2010 %	January 2011 %
Bank of Ireland	42.4%	39%	37.9%
AIB	32.9%	36.5%	37.9%
Ulster Bank	14.6%	15.4%	14.5%
PTSB	4.2%	5.1%	6.6%
NIB	4.4%	2.4%	2.3%

While there have been some minor movement in market shares over the last three surveys, Bank of Ireland and AIB retain their dominant position. Bank of Ireland has just overtaken AIB (by one customer!), whilst Ulster Bank's share of the market appears to be stablising at 15%.

It is interesting to note that similar proportions of respondents experienced problems with banking restrictions regardless of which banking institution they were with. Proportions were also similar across banking institution with regards to whether the current banking situation had any effect on trading/business operations and also regardless of credit availability situation having improved/worse/same.

2.4 OTHER CREDIT SOURCES

Table 5: Secured Funds from Other Sources (n=351)

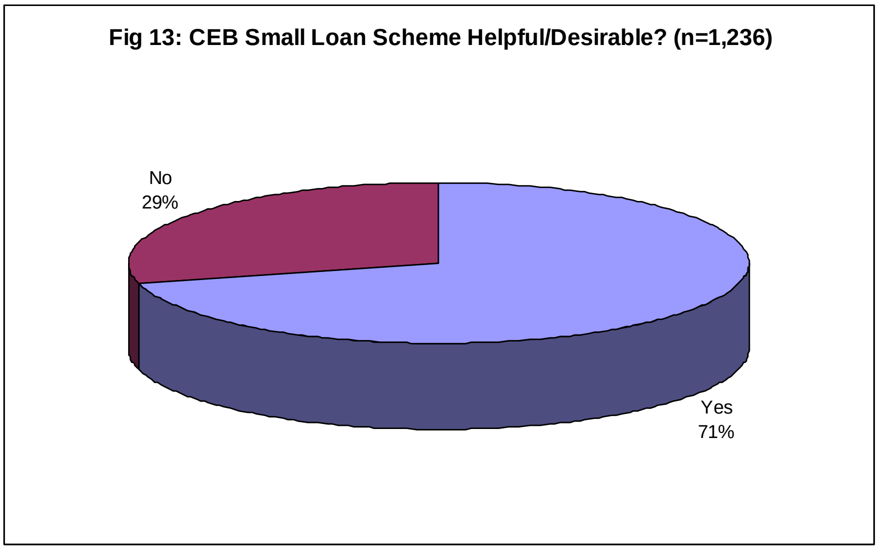
	%	Frequency
County Enterprise Board	38.2%	134
Credit Union	24.8%	87
Private Investors	31.1%	109
Leader	3.1%	11
First Step Microfinance	2.8%	10
Total	**100**	**385**

As can be seen in Table 5 the County Enterprise Board is the main source of funds secured, followed by Credit Union and Private Investors. The CEBs are the most frequent source of funds in this survey (38.2% Vs 23.1% in July 2010), compared with Credit Union at 24.8% in table above which was at 41% in July 2010 survey. It should be noted that a minor change of wording was made to this question in this survey, asking whether respondents had secured funds from other sources, whereas previously respondents were asked whether they had secured credit from other sources.

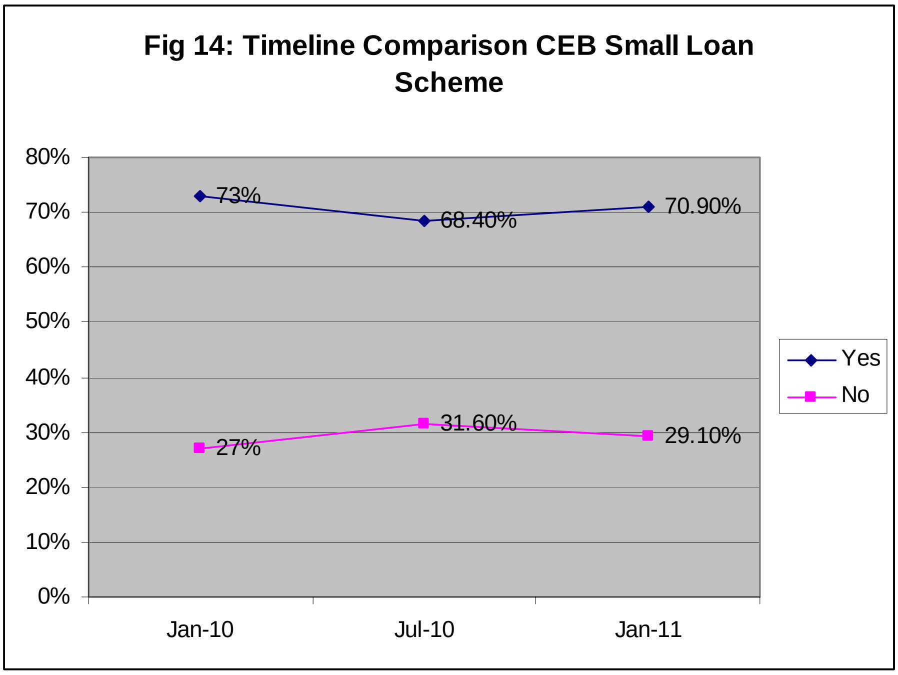
In addition a wide range of other sources were also identified, primarily having personal loans/savings or obtaining loans from family/friends. To a much lesser extent, director loans and Enterprise Ireland were identified, as were credit card, private investors, Crafts Council of Ireland and First Step.

2.5. FINANCING REQUIREMENTS

Respondents were asked if a small loan scheme operated by the CEBs up to €20,000 to support viable business and its working capital needs would be helpful and desirable. Figure 13 highlights the findings.



This survey identifies a higher level of demand for a CEB loan scheme than the previous survey. Over two thirds of respondents indicated that this proposed scheme would be of interest, at 71%. This was higher than those in the previous survey when 68% indicated an interest six months ago (see Fig 14).



Respondents to this survey who indicated that a CEB small loan scheme would be helpful and desirable identified the level of working capital finance required (see Table 7).

Table 6: Level of Working Capital Finance Required (n=857)

	%	N
1-5k	13.9%	119
5-10k	22.3%	191
10-15k	16.1%	138
15-20k	22.5%	193
20k+	25.2%	216

Close to half of survey respondents (47.7%) had a working capital requirement for a minimum of €15,000 (Table 7) whereas 36.2% of respondents had a requirement for less than €10,000.

Table 8: Level of Working Capital Finance Required January 2010 Vs July 2010 Vs January 2011

	January 2010 %	July 2010 %	January 2011 %
1-5k	10	12.9	13.9
5-10k	22	23.7	22.3
10-15k	17	16	16.1
15-20k	25	20.9	22.5
20k+	26	26.5	25.2

Required levels of working capital have not changed much from the previous survey in July 2010. However both of these most recent surveys, when compared to January 2010, identified a greater requirement amongst respondents for relatively lower levels of working capital finance – demand for €1-15K at 52.3% compared to 49% a year ago. This suggests that businesses may require relatively small amounts of financing to continue to operate successfully.

2.6 Sample of Credit Issues Comment

There were predominantly three credit issues almost equally identified by respondents – lack of credit/support from banks, getting/speed of getting paid and customer/confidence levels.

Sample direct comments on the **lack of credit/support from banks** included:

- Our bank have recently changed the goalposts and now insist on clearing every cheque we lodge before we can draw on them…..
- Working capital would allow our clients develop their skills and recruit the right people for their businesses
- Banks are pretty much closed for business, extremely difficult to do business with
- They reduced my overdraft overnight without any consultation.
- Access to overdraft facilities to overcome longer debtor days and also fund Working Capital for R&D projects.
- We tried to get a loan for a van but were refused
- If I can't get credit from the banks it will stop me from putting my business in a better position, better profits, cheaper to the customer…..
- They just don't want to know unless you are 100% risk free
- Loan applications being processed very slowly. Huge amount of backup documentation/figures being requested etc
- Many banks are forcing small business customers to switch from o/d or working capital facilities to term loan products, thus allowing them misrepresent the level of approvals for loans. This is not "new" credit.
- …acquisitions growth is closed until the banks reopen. Pity cause I would create at least one job straight away, and probably two over the next two year.
- The banks are looking for any excuse not to pass loans…..
- Bank is putting us under pressure to convert current overdraft into long term loan
- We have development finance requirements and there is no bank financing out in market for this
- My bank is difficult to work with….
- Found it a difficult and a long process to try and borrow from bank….
- At the moment all the banks say they are lending but this is clearly not the case

Sample direct comments from **getting/speed of getting paid** included:

- ...we have seriously modified our attitude to credit …. Now demand and receive COD or at worst 40% on delivery and the balance 15 days after invoicing

- Apart from slow payment in general we also find that professional services companies such as accountants, solicitors, advisors, training etc are all insisting on immediate payment
- There is a serious issue with debtors delaying payment for several months at a time.
- Mainly getting the money owed to me in time to pay my suppliers, maintaining a cash flow
- We have to wait 60 to 90 days to get paid
- It is obvious many debtors take a little longer to settle their accounts now compared to during the "boom times" cash flow is a major difficulty with many small companies.
- We are trying to improve / expand our business to increase revenue but finding it difficult to get credit.

Sample direct comments on **customers/confidence** included:

- We are unwilling to give credit to new customers for fear of not receiving payment
- The main thing in my business is that consumer spending has stopped
- The margins we make on the work are too low. If we price the job with the correct margin we don't get it because someone else is doing it for less
- Low level of retail consumer confidence as a result of the restriction in funding availability in the home purchase market
- The disposable income that people have is much less…
- Our problem is the fall off in customer numbers

Also mentioned were cash flow, price increases in raw materials (that cannot be passed on to the customer at the present), that suppliers are not offering credit anymore, lack of finance if not exporter/tech sector, interest rate hikes, lease agreement requiring 20% upfront and lack of liquidity in the economy in danger of closing even good businesses.

Summary

This biannual survey does not find the overall business environment to be considered positive at present by clients/contacts of CEBs or indeed to have changed much from the previous survey six months ago. Over half of respondents identified the current business environment to be poor overall (53%) with a further 27% saying it was average (and 20% saying that the current business environment was good overall). While expectations for business turnover going forward were not especially positive, 40% of respondents considered their expectations for business turnover to be about the same as the previous six months. This was followed by more positive expectations with 37% expecting business turnover to be better over coming months and 23% of respondents felt expectations for business turnover were worse for the next six months, largely similar to July 2010 survey findings.

Similar to previous CEB clients/contacts surveys, the vast majority of respondents to this survey considered that there had been an adverse impact on their business to date with regard to the impact of the economic downturn. 49% said there had been a moderate adverse impact and a further 38% said the impact had been severe. Just 5% considered that there had been a positive impact.

A slightly smaller proportion of respondents to this survey, compared to the survey six months previously, indicated that their business was at risk of closure, at 26%. This may indicate a resilience/stabilisation in CEB client businesses or that a number of businesses have already ceased trading in the past six months.

Employment continues to be at risk in respondents' businesses but interestingly a smaller proportion than the survey findings six months earlier. 39% of respondents in this survey consider employment to be at risk in their business over the coming six months, compared to 57% of respondents this time last year (and 43% six months ago). This may indicate some resilience of CEB client businesses when it comes to making people redundant or else suggests that staff may already have been let go in the intervening periods, or that some businesses have ceased trading altogether. It should be noted that businesses with one person in employment was found to be at greatest risk of losing employment (possibly suggesting that many owner-managers are considering closing down their business) and also higher employment risk over the coming months amongst either those employing two and ten/more people (compared to those employing more than two and less than ten people).

A new question to this CEB Business/Banking Confidence Survey concerned the factors impacting cash flow. These were decrease in sales turnover, increase in debtor days/delayed payments and customers going out of business.

Availability of credit continues to be an issue amongst respondents to this survey, with 59% of respondents saying credit availability was about the same as six months ago, 37% saying it had got worse and 4% saying it had improved (whereas 36% felt it was worse in the most recent survey undertaken in July 2010).

A slight deterioration was identified in this research regarding the impact of banking restrictions with 51% saying that their business was not being curtailed at present by banking restrictions (compared to 56% six months ago and 50% in January 2010). It is interesting to note that the respondents who felt their business was being curtailed by banking restrictions at present compared to six months previously is largely similar in proportion to survey results this time last year. In the case of those whose business are being curtailed, half of respondents identified bank overdraft/bank loan restrictions (at 50%), followed to a lesser extent by no processing of loans and additional charges.

Many respondents (43%) consider the effect of the current banking situation on trading and business operations to be serious (either very serious or serious) with a further 42% of respondents identifying this effect to be slight. These findings (82% of respondents to this survey considering the effects to be serious at some level) are largely similar to July 2010 when 85% of respondents considered the banking situation to have some level of serious effect (very serious 13%, serious 33% and slightly serious 39%).

Increased levels of debtor days continue to be high at 60%, but are not as high as in the two most recent biannual surveys in July and January 2010. This may demonstrate tighter cash flow management and/or further consolidation of the financial position of some businesses.

Bank of Ireland and AIB continue to hold the largest banking market share amongst CEB contacts/clients, currently evenly divided at 38% each, whilst Ulster Bank's share of the market appears to be stabilising at 15%.

The County Enterprise Boards are the main source of funds secured from other sources, followed by Credit Union and private investors. CEB funds are higher than credit unions in this survey, unlike previous surveys.

There continues to be high levels of interest in a small loan scheme operated by the CEBs of up to €20,000 to support viable business and its working capital needs (at 71%). Working capital requirements vary significantly amongst respondents who expressed an interest in this small loans scheme, with close to half of respondents requiring a minimum of €15,000 (47.7%). However many businesses may require relatively smaller amounts of financing to continue to operate successfully with demand for working capital between €1,000-€15,000 at 52.3% in this survey. This suggests that some businesses may require relatively small amounts of financing to continue to operate successfully.

When asked about any other credit issues at the close of this survey, there were predominantly three credit issues identified by respondents – lack of credit/support from banks, getting/speed of getting paid and customer/confidence levels. Infact customer/consumer confidence was mentioned much more frequently than in previous surveys, possibly suggesting that businesses have made as many adjustments as possible to their businesses as they can at this stage and are now dependent on generating sales via a positive business environment/positive consumer confidence going forward.

Appendix One – Questionnaire Used

Questions marked with an asterisk* are mandatory.

***1. Please select your County or City Enterprise Board**

***2. How many people are employed full time in your business?**

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10+

***3. What is the principle sector in which your business is located?**

- Business Services
- Clothing & Fashion
- Communications, Media & Entertainment Services
- Consumer Services
- Craft
- Electronics
- Engineering
- Environment/Green Technologies
- Food Primary Sectors
- Food Manufacturing & Processing
- Furniture/light Consumer Goods Manufacture
- Manufacturing Other
- Medical Devices Manufacture
- Packaging Manufacturing
- Software/IT
- Tourism
- Other

4. Please tick which gender you are

- Male
- Female

Business Confidence Questions.

***5. How would you rate the current overall business environment?**

- Very good
- Poor
- Good
- Very poor
- Average

6. What has been the impact (if any) of the economic downturn on your business to date?

- Severe advere impact
- Moderate adverse impact
- No impact at all
- Positive impact

***7. Are your expectations for business turnover better or worse for the next six months, compared to the previous six months?**

- Better over coming months
- Worse over coming months
- About the same

***8. Is your Business at risk of closure?**

- [ ] Yes
- [ ] No

***9. Is employment at risk in your business over the coming six months?**

- [ ] Yes
- [ ] No

10. Are any of the following factors impacting cash flow in your business at present?

□ Increase in debtor days/delayed payment

□ Increase in debtor amounts

□ Suppliers going out of business

□ Decrease in sales turnover

□ Customers going out of business

Other (please specify)…………………………..

Some Banking / Credit Questions.

***11. What is the name of your primary/main Bank?**

- [ ] ACC Bank
- [ ] Bank of Scotland Ireland
- [ ] Ulster Bank
- [ ] AIB
- [ ] National Irish Bank
- [ ] Anglo Irish Bank
- [ ] Permanent TSB
- [ ] Bank of Ireland

Other (please specify)

***12. Would you say that the credit availability situation is the same as six months ago?**

- [ ] Improved
- [ ] Worse
- [ ] Same

***13. Do you feel your business is being curtailed at present by banking restrictions compared to six months ago?**

- [ ] Yes
- [ ] No

14. If you answered YES to Question 13 above, please answer the following question: -

In what way are banking restrictions affecting your business?

- [ ] Bank overdraft / bank loan restrictions
- [ ] Additional charges
- [ ] No processing of loans
- [ ] Higher levels of security

15. Do you feel the current Banking situation will have any effect on your trading and business operation?

- [ ] None
- [ ] Serious

☐ Slight ☐ Very Serious

16. Have you experienced increased levels of debtor days over the previous six months?

☐ Yes ☐ No

17. Have you secured funds from any other sources?

☐ County Enterprise Board
☐ First Step Microfinance
☐ Credit union
☐ Leader
☐ Private investors
Other (please specify)

***18. Would a small loan scheme operated by the CEBs up to €20,000 to support viable business and it's working capital needs be helpful and desirable?**

☐ Yes ☐ No

19. If you answered YES to Question 18 above, please answer the following question: -
What level of working capital finance is required?

☐ 1-5K
☐ 15-20K
☐ 5-10K
☐ 20K+
☐ 10-15K

20. Are there any other credit issues that you have experienced?

21. What is your company name?

Appendix Two – Background on the CEBs

The County and City Enterprise Boards (CEBs) play a pivotal role in stimulating economic development, in developing, sustaining and growing new and existing micro enterprises and in assisting employment creation. The 35 CEBs were established in Ireland in 1993 to provide support for micro-enterprises (10 employees or less) at local level.

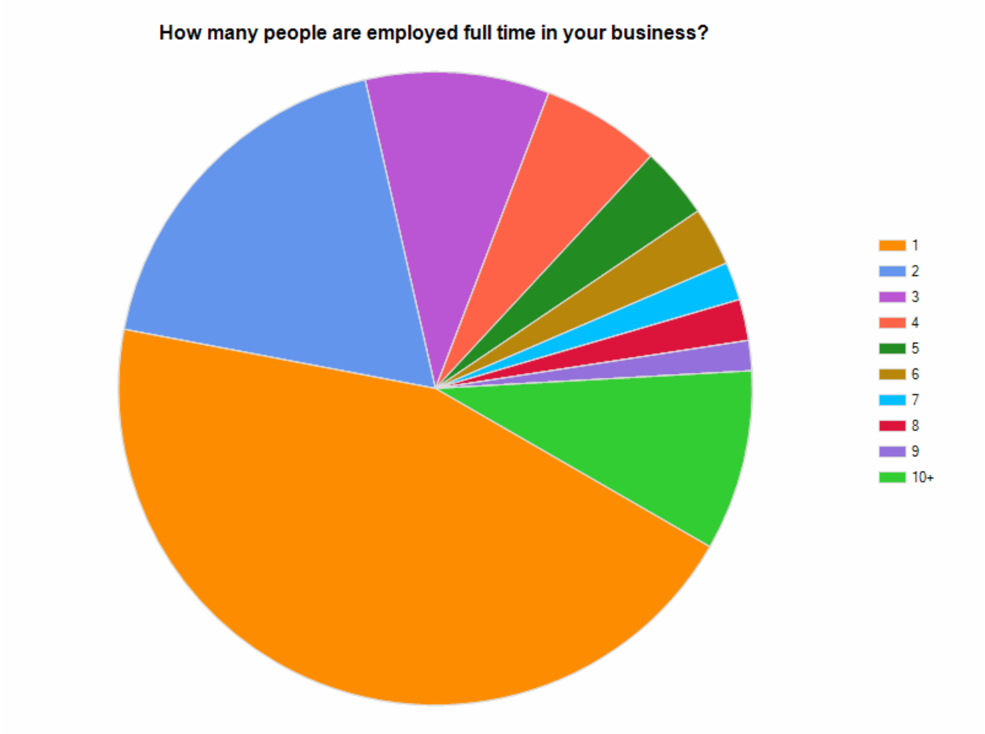
Total net jobs created in CEB-supported companies between 1993 and 2009 was 30,726. In addition, significant numbers of people were supported in various management training and capability development programmes.

The current aims of the CEBs are as follows:

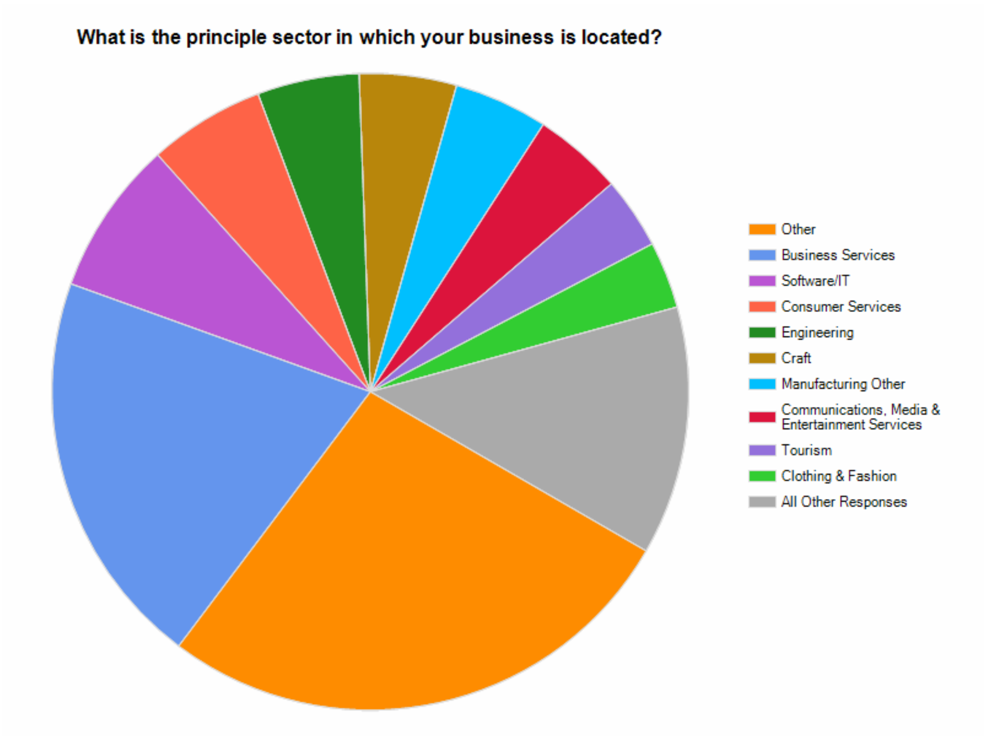
- To create employment opportunities throughout the country by assisting in the establishment of new businesses and the development and sustainability of existing businesses.
- To increase the culture and level of entrepreneurship in Ireland so that the culture is supportive of entrepreneurship through maximising the number of new start-up businesses.
- To support small business in increasing its competitiveness, innovativeness, export-orientation, management capabilities and sustainability.
- To provide a locally and nationally recognised comprehensive information and advice service throughout the country for anyone wishing or proposing to establish or expand a new or existing business.
- To increase the pool of indigenous business at local level, in particular the number of growth-oriented businesses and where appropriate assist in the development and transfer of high potential clients to Enterprise Ireland.

Appendix Three – Profile of Respondents (n=1,236)

Numbers Employed Full Time in Business of Respondent (n=1236)



Principle business sector of survey respondents (n=1236)



Gender of survey respondents