



## Business confidence is at an all time low

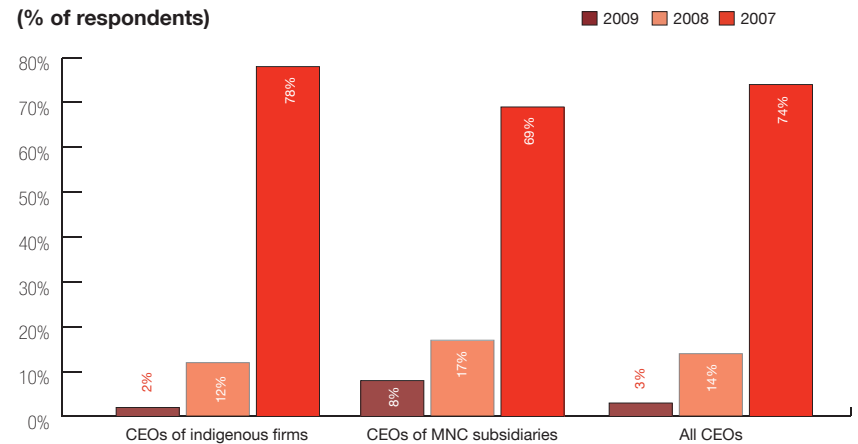
This section of our report aims to obtain a snapshot of business confidence levels amongst Irish CEOs. The CEO Pulse Survey reveals that confidence about the prospects for the Irish economy is at an all time low. Over three quarters of respondents expect net profits to either decline or remain unchanged.

Business leaders have a major focus on cost control as they deal with the economic slowdown in order to build the future sustainability of their operations.

## Outlook for the Irish economy

Overall, only 3% of Irish CEOs rate the outlook for the economy as being favourable, down from 14% last year and 74% in 2007. When looking at MNCs versus their Irish indigenous counterparts, Figure 2.0 shows that, similar to last year, CEOs of MNC companies were slightly (6%) more optimistic about the outlook for the Irish economy.

**Figure 2.0 Favourable outlook for the Irish economy 2007-2009**



## Greater focus on cost control

Table 2.0 overleaf indicates that falling confidence has had a very real effect on the business plans of Irish CEOs with over half (55%) expecting both revenues and net profits to decline in 2009. This is significantly higher compared to 2008 and 2007. The results also indicate that Irish businesses are placing a greater focus on cost reduction with three quarters expecting cost levels in the next 12 months to either decline or remain unchanged.



Indicator	Growth			Decline			No Change		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenues	29%	71%	86%	55%	21%	8%	16%	8%	6%
Costs	25%	83%	89%	50%	9%	4%	25%	8%	7%
Net profit	23%	60%	72%	55%	27%	14%	22%	13%	14%
Employment	19%	36%	47%	29%	28%	24%	52%	36%	29%
Capital investment	18%	54%	61%	46%	14%	8%	36%	32%	31%

Capital investment is also expected to stagnate with an overwhelming majority (82%) of respondents saying this investment will either decline or remain unchanged. This is a considerable turnaround compared to last year when more than half were planning to increase this investment.

In relation to employment growth, Table 2.0 above shows that the majority (52%) of respondents will be freezing recruitment activity. Nearly a third (29%) indicated that they would be reducing their headcount. Section 6 of our report looks further at how companies are managing and developing their people in these uncertain economic times.

## More work to be done on labour costs

As the competitiveness of our economy continues to suffer it is not surprising that an overwhelming majority (84%) of Irish business leaders are not happy with the overall cost of doing business in Ireland. As in previous years, CEOs of MNCs are more satisfied with the cost of doing business in Ireland (22%) when compared with their Irish counterparts (14%). See Figure 2.1 below.

Figure 2.1 Satisfaction with the overall cost of doing business in Ireland (% of respondents satisfied)



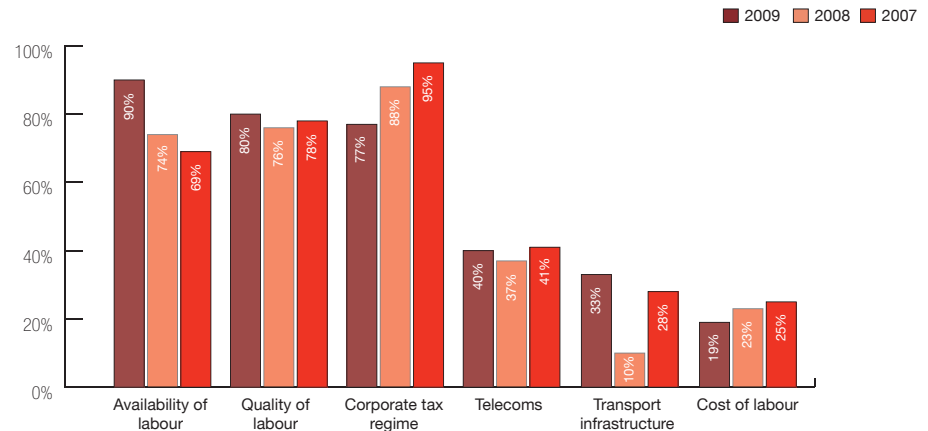


An overwhelming majority (90%) of survey respondents are satisfied with the availability of labour, up from 74% last year. The majority (80%) are also satisfied with the quality of labour. However, the cost of this labour continues to be an issue with over three quarters (81%) of respondents saying they are not obtaining value-for-money in this area. See Figure 2.2.

### **Coporate tax regime is jewel in the crown**

Over three quarters (77%) of Irish CEOs are satisfied with the current corporate tax regime, albeit a decline from 88% last year. Additionally, Ireland's favourable tax regime was cited as the most influential factor in the decision to operate in Ireland. Our 12.5% corporate tax rate continues to be crucial in attracting and retaining foreign direct investment.

**Figure 2.2 Satisfaction with the business environment (% of respondents)**



According to survey respondents, the overall level of satisfaction with the telecoms and transport infrastructure has improved in the year. Our survey reveals that CEOs are suffering a confidence crisis at this time which has impacted expectations for growth in revenue, net profit and capital investment. However, they are also taking decisive action to control their cost base in order to protect their short term survival and position their businesses for long term sustainable growth.