

Unstable Economic Conditions: SME confidence and optimism still decreasing

Montréal, October 2, 2012 – Economic instability and uncertainty continue to undermine SME executives' confidence and optimism. That is the main conclusion from the most recent Fonds de solidarité FTQ – SME Confidence Index.

The global index now stands at 63.4 points, a decrease of 2.4 points since the last index in May 2012 (65.8) and a decrease of 4 points since September 2011 (67.4).

The indicator for the future of Québec SMEs overall saw a decrease of 6.7 points since September 2011 and now stands at 61.4 points. Québec SME managers are somewhat more confident about the future of their own enterprise but this indicator has also decreased by 4.9 points during the last year to stand at 70.1 points.

Despite SME executives declining confidence and optimism, a majority of them still expect an increase in their sales over the next 12 months, as well as a net increase in the number of their employees in Québec. However, both these indicators have declined since September 2011.

The cost of operations and labour recruitment represent the two main concerns for 55% of SME managers. The cost of primary materials (14%), access to and cost of credit (13%), the rise of the Canadian dollar (11%) and competition from emerging economies (9%) represent the other main concerns of SME managers.

The majority of SME managers consider that financing conditions will be rather favourable for their companies in the next 12 months. However, one quarter of them is pessimistic about these conditions. The average score is 60.9 for this indicator, down 2 points compared to May 2012 and 2.8 points compared to September 2011.

SME managers who consider investing modernizing the equipment of their companies during the next 12 months are declining compared to the previous wave (-3.1 points) and September 2011 (-3.4 points).

September 2012 Highlights

				100 point scale
Global Index				63,4
	Optimistic	Pessimistic	Neutral	100 point scale
Future of Quebec SMEs in the next 12 months	67 %	26 %	7 %	61,4
	Optimistic	Pessimistic	Neutral	100 point scale
Future of respondent's own SME in the next 12 months	81 %	15 %	5 %	70,1
	Hiring (increase)	Layoffs (decrease)	Status quo	100 point scale
Net increase or decrease in the number of employees in Québec in the next 12 months	62 %	25 %	12 %	61,4
	Investment	Divestiture	Status quo	100 point scale
Investment or divestiture in equipment in the next 12 months	72 %	18 %	11 %	63,1
	Favourable	Unfavourable	Neutral	100 point scale
Financing conditions in the next 12 months	66 %	26 %	8 %	60,9

Main concerns for SMEs (multiple answers possible)	
Labour recruitment	55%
Cost of operations	55%
Cost of materials	14%
Access to and cost of financing	13%
Rise of the Canadian dollar	11%
Competition from emerging markets	9%
Deflation	6%
American protectionism	5%

Methodology – The web survey was of 210 SME managers of Québec companies with at least 10 employees and sales of at least \$5 million. Participants were invited to complete, between September 10 and September 17, 2012, the questionnaire hosted on Léger Marketing's secured website. The following five indicators make up the index:

- Outlook concerning Québec SMEs in general;
- Outlook concerning respondent's business;
- Capital spending intentions;
- Hiring plans for Québec; and
- Perception of credit conditions.

About the Fonds de solidarité FTQ

The Fonds de solidarité FTQ helps drive our economy. With net assets of \$8.5 billion as of May 31, 2012, the Fonds is a development capital investment fund that channels the savings of Quebecers into investments in all sectors of the economy to help further Québec's economic growth. Its investments, in all sectors of the economy, contribute to the creation and maintenance of businesses and development in Quebec. The Fonds is a partner, either directly or through its network members, in 2,239 companies. With its 594,287 owner-shareholders, it has helped, on its own or with other financial partners, to create, maintain and protect 168,577 jobs. For more information, visit www.fondsftq.com.

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