

# CORK CHAMBER Economic Bulletin

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## Cork and Limerick Unite in Gearing Up for the M20

A socio-economic study on the impact of the most important piece of road infrastructure yet to be developed in the regions, the M20 from Cork to Limerick, is currently under way.

Cork and Limerick Chambers have jointly commissioned Indecon Economic Consultants and RedC Research to undertake a study into the benefits of the proposed 80km M20 Motorway. The joint approach signals a cohesive approach to regional development at a time when the National Planning Framework is under review. By coming together, cities such as Cork, Limerick and Galway, are creating a dynamic Atlantic Corridor that will complement Dublin, help to balance the national economy and act as an economic channel that will turn heads on an international stage.

The M20 is one of the key economic enablers identified in Cork Chamber's submission to the National Planning Framework (NPF) to 2040. The NPF submission emphasises the existing assets and capacity which enable Cork to take on a greater role in Ireland such as digital infrastructure, international connectivity, marine infrastructure, public transport, critical mass, education and research, and quality of life yet also clearly identifies the M20 as a much needed improvement for the connectivity of the region.

The Chambers are optimistic that the forthcoming mid-term review of the Infrastructure and Capital Investment Plan in autumn 2017 will allow the Government to consider the inclusion of the M20 again in the updated Capital Plan.

The original need to upgrade the N20 was identified as far back as 1998 and the road is now at capacity and posing safety concerns. Transport Infrastructure Ireland, (formerly the National Roads Authority) had previously submitted the scheme to An Bord Pleanála in 2010, although it was subsequently withdrawn due to financial constraints. However, the Minister for Transport has since put the project back on the agenda and informed Transport Infrastructure Ireland that they may proceed with early activities at a cost of approximately €1million.



Dr James Ring, CEO Limerick Chamber; Sarah Foley, Cork Chamber; Caroline Kelleher, Limerick Chamber, Conor Healy, CEO Cork Chamber. Picture: Shauna Kennedy

The report from this study is due to be finalised in May and will be jointly presented to Government by the two Chambers with a view to see additional funding allocated towards the M20 in the Capital Plan.

It is in the national interest that our regional economies expand for Ireland to remain competitive and to complement growth in the Capital Region, which can only be achieved through investment in infrastructure.

Once completed, the M20 will create a seamless Atlantic motorway corridor from Cork through Limerick and on to Galway, helping to create an economic complement to the east coast.

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# Economic Trends Survey Results

## Executive Summary

The first economic trends survey of 2017 gathered information on business experiences of Cork Chamber members during Q1 (January, February and March). In addition to the standard questions, the Q1 survey also sought your opinion as an employer in the Cork region in ranking the characteristics of the region and the importance of these unique selling points in attracting further and future inward investment.

In brief, we are enthused to once again report an exceptional level of business confidence at 91% during this quarter. With a decrease of 7.7% on the Q4 2016 survey, it may indicate increased uncertainty relating to geopolitical factors such as Brexit. That said it is consistent with previous levels going back to 2014 and is indicative of the overall strength and resilience of the business community and outlook across the region.

The Q1 2017 survey findings also report a strong 64% of respondents indicating a rise in turnover during the quarter, with 82% indicating an expected increase over the next 12 months. There is a slight rise in those reporting a decrease in turnover from 7.6% in Q4 2016, to 11% during Q1 2017, however this could be reflective of time of year and seasonality with Q4 encompassing the busiest trading period for most businesses.

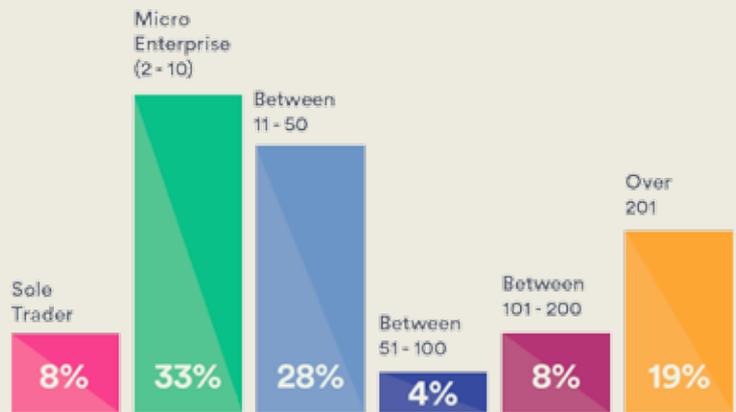
Positively we also note an increase to 25% in those reporting that their business turnover has remained unchanged during this quarter, which is an increase of 4.7% from the preceding quarter. Respondents to questions relating to net profit estimations are also reporting an expected increase of 77% over the next 12 months, with a current 55% of respondents reporting an increase over the first quarter of 2017. We also note a positive 29% of respondents indicating that there was no change to their net profits, an increase of 5% from the Q4 2016 survey findings.

In relation to employment outlook, the Q1 2017 survey findings show an increase to 49% of business respondents reporting growth in employee numbers, a rise of 4.7% from Q4 2017. Such investment in personnel is, as always a positive indication of business sentiment and correlates well to the future growth estimations surveyed.

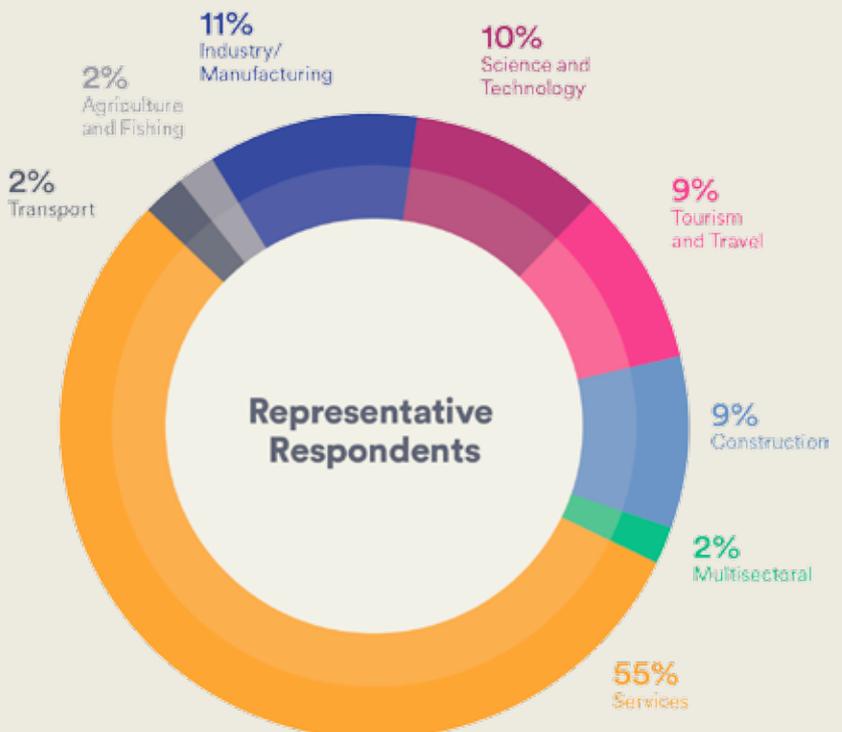
In conclusion, the findings of the Q1 2017 Economic Trends survey present a positive snapshot of the Cork business community and is consistent with previous Cork Chamber trend surveys, reporting a strong and resilient economic landscape across the region.

## Responding Businesses

The responding businesses are representative of a board cross-spectrum of business sizes.



Respondents are also representative of a broad range of sectors



# TOP 5 Threats to Business Growth

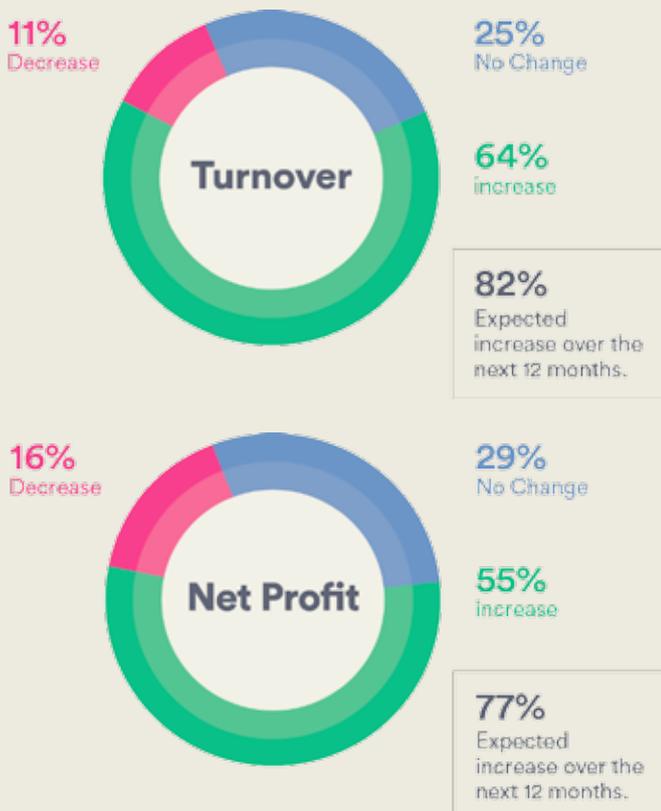
1. Brexit
2. Managing Cashflow
3. Cost Competitiveness
4. Skills Availability
5. Changing Consumer Spending / Reduced Orders

The above are followed closely by levels of taxation, availability of housing/ rental accommodation and levels of physical connectivity. As with the Q4 2016 survey findings, commentary also reflected concerns in relation to trade and U.S. government policy.

## Business Confidence

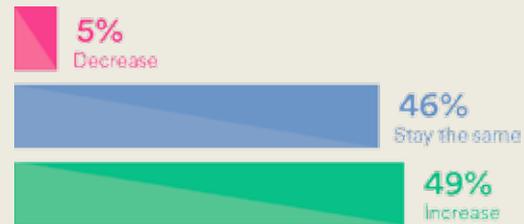


## Turnover and Net Profit estimations and 12 month predictions



## Employment Outlook

Change to employee numbers over Q1 2017



Expected changes to employee numbers over the next 12 months



Number of businesses with vacancies advertised currently



When asked in relation to difficult to fill vacancies, 27% of business respondents reported no success in recruiting the right candidate(s) for a range of vacancy types. This question related to a time period of greater than 3 months since the initial advertisement. The top 3 ranked vacancy types reported are as follows:

- 1<sup>st</sup> – IT/Engineering/Sales and Marketing personnel
- 2<sup>nd</sup> – Hospitality Personnel (all roles)
- 3<sup>rd</sup> – Finance Personnel (bookkeeper, audit manager level)

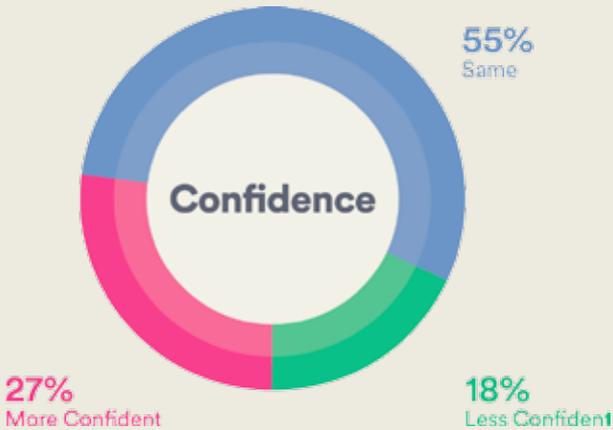
## Attracting Investment

As part of the Q1 2017 survey questions, respondents were asked to rank the characteristics of the region and the importance of a number of regional Unique Selling Points (USP's) in attracting further and future inward investment. The below listing is not exhaustive and is specifically reflective of the options provided within the survey and the dominance of that option being chosen as the number one USP from business respondents to the Q1 2017 survey. The Top 5 USP's (from a list of 10) are as follows:

1. Skills and talent availability
2. Residential property availability (for rent / purchase)
3. Accessibility and connectivity
4. Quality of life
5. Residential property costs

## Confidence in the Irish economy

Respondents were asked about their overall confidence in the Irish economy when compared with 3 months ago.



The survey data gathered facilitates the assessment of the economic landscape across the Cork region and is instrumental in guiding Chamber policy priorities and strategy in its work to progress the agenda for the sustainable economic development of the region presently and into the future.

Finally, we at Cork Chamber take this opportunity to thank members for participating in completing the Q1 2017 survey.

## Article 50: Business needs to plan for Brexit

The UK government has invoked Article 50 of the Lisbon treaty, commencing the process of its exit from the EU. If a deal is reached, the negotiations will involve compromises that will affect existing trading and political arrangements. No deal, which is possible, will create a cliff edge impact for all parties. Either way, there will be significant consequences for business.

Michael Lynch, Partner and head of KPMG's tax practice in Cork says: "In talking with Irish businesses, many companies have begun to put a plan in place so they are ready to respond to the challenges and opportunities Brexit will create. We are working with them to assess the implications across a range of matters including the tax impact on their business, supply chain issues, regulatory and legal issues, data protection matters and employee mobility and immigration.

"We encourage those Irish businesses who have adopted a 'wait and see' approach to act now and put a plan in place using these areas as a framework for their plans," he says.

In particular, the potential impact on supply chains is of concern. Unless there is a tariff free EU/UK trade agreement, Irish goods will be subject to tariffs and the EU's external border will run through Ireland with a customs regime between the two jurisdictions. Businesses should consider identifying the impacted supply chains now and quantifying the financial consequences of potential additional customs duties, VAT and trade compliance costs.

In this context, KPMG has developed a tool to model the impact of various scenarios on business. The tool helps businesses to identify the supply chains impacted by Brexit, quantify the amount of increased duty post-Brexit, determine key areas of risk and where businesses should focus efforts to minimise risk and understand what the impact looks like under the different 'exit options'.

Notwithstanding the uncertainty, having a plan in place will help you manage the challenges, and hopefully the opportunities, that Brexit will bring. If you would like to discuss these or indeed other related business issues, please do get in touch. For further information, see KPMG's publication 'Brexit in the Boardroom'.



## Get planning for Brexit

Our Indirect Tax Tool helps to identify the tax cost and supply chain impact on your business.

[kpmg.ie/brexit](http://kpmg.ie/brexit)

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