

CORK CHAMBER Economic Bulletin

sponsored by



A Changing Cork Skyline

The Cork region has performed strongly in economic terms over the past decades, growing our contribution to the overall national output within this period and being one of the regions to fare best and above the state average in terms of Gross Value Added per person. There is an ambitious, skilled population and a diversity to the growth that promotes economic resilience and lays the path for future investment. Still, Cork is nowhere near the peak in terms of reaching its potential. It is widely recognised that based on natural advantages such as scale, availability of natural resources and critical mass, Cork has the strongest and most immediate possibilities as a location

with significant growth potential in the coming years. The region has evolved the necessary credentials, including global economic clusters, international connectivity (port, airport and digital infrastructure), road infrastructure, health infrastructure, water infrastructure, energy infrastructure, a growing population base, world leading higher education institutions, skills, culture and quality of life.

The recently published draft National Planning Framework, Ireland 2040, describes Cork City as an emerging medium-sized European Centre of growth and innovation. To build on the successes

to date and grow Ireland's metropolitan profile, the draft report highlights the importance of growing a competitive and sustainable urban environment. As part of this, the emphasis looks at the provision of better housing options, new employment locations, improved public spaces and enhanced public transport. Recently, Cork City Council commissioned the below graphic which depicts the evolving landscape planned for the City, showing new and upcoming development's and public realm improvement. It is safe to say that as a City region, we have the ambition to develop our urban environment to meet current and future potential.



NEW AND UPCOMING DEVELOPMENTS

- | | | |
|---|---|--|
| 01 > Navigation Square /under construction | 12 > 83-85 Patrick Street / refurbishment completed | 25 > Anderson's Quay / permission for office development |
| 02 > One Albert Quay /completed | 13 > City Centre / flood defences | 26 > No. 85-86 South Mall / permission for office development |
| 03 > New Courthouse Service / under construction | 14 > Harley Street Bridge / planned new bridge | 27 > Metropole Hotel /application for development |
| 04 > Trinity Quarter / permission for office development | 15 > TSB Bank, No.1 Lapps Quay & 16 Parnell Place / UCC development | 28 > Former Muskerry Service Station / student accommodation under construction |
| 05 > Nano Nagle Place /completed | 16 > Marina Park /under construction | 29 > Beasley Street / hotel development |
| 06 > Sullivan's Quay / application for offices and hotel development | 17 > Camden Quay /permission for office development | 30 > Pair Uí Chaoimh /completed |
| 07 > The Event Centre /permission for event centre offices and student accommodation | 18 > CIT School of Art & Design / under construction | 31 > St. Patricks Bridge / refurbishment planned |
| 08 > Grand Parade /site acquisition | 19 > Horgans Quay /development site | |
| 09 > The Capitol /retail and office development completed | 20 > Kent Station /redevelopment under construction | |
| 10 > Boole House /phase one of restoration completed | 21 > Origin /development site | |
| 11 > No. 7 - 9 Parnell Place / sold for hotel and hostel | 22 > Former Square Deal Property / application for student accommodation | |
| | 23 > Merchants Quay /shopping centre refurbishment | |
| | 24 > Kyrl's Quay / development site | |

FIND OUT MORE

www.corkcity.ie/invest



Economic Trends Survey Results

Executive Summary

The third economic trends survey of 2017 reflects the business experiences of Cork Chamber members over the course of July, August and September. Once again, the survey has reflected high optimism amongst the business community, with the business confidence level reported at 96% and mirroring the sentiment reported for Q2. This is helped by the strong national emphasis on trade diversification, and the increase in resilience of trade links in response to a future Brexit. Moreover, we see an overall increase to 39% in confidence levels in the Irish economy compared with 3 months ago, an increase from 33% in Q2 and 27% in Q1, reflecting a steady rise in overall business sentiment towards the future outlook.

Unsurprisingly, Brexit has been reinstated as the number one threat to business growth. This is most likely linked to the heightened political uncertainties in the UK parliament with mounting pressure for a change of parliamentary leadership. With this, we have the associated unknowns of what a change in leadership in the UK could mean for Brexit, or if this call were to trigger a snap election in the UK. Added to this, we have the growing dissatisfaction within EU parliamentary circles at the lack of meaningful progress from the UK on negotiations.

In completing the quarterly surveys, members are asked to include commentary on areas of note to their business activity. This feedback is valuable to guiding the future advocacy of the Cork Chamber policy team and providing insight into member concerns. A number of comments shared within the Q3 survey follow:

“Continue to promote infrastructure development including a good public transport system”

“Wage constraint – particularly with significant construction bubble and Brexit looming”

“Extension of Cork Airport runway is critical, as direct international flights for large long-haul aircrafts is the biggest issue for Cork’s future.”

“Transport infrastructure, domestic rental property market, high-level IT skills and market statistics for the region.”

“Brexit and Tourism.”

“Adding to the increasing voices to allow Cork airport compete for a greater share of the air traffic to and from Ireland. This will help attract greater numbers of Brexit type businesses to Cork.”

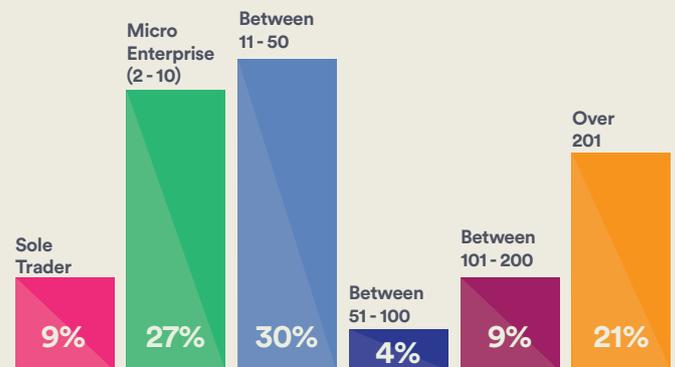
“Request retail rates reduction for new companies as the City Centre is not attractive to foreign workers or companies in its present state.”

This quarter’s survey also sought feedback from members on the area of Corporate Social Responsibility. CSR as set out by the European Commission emphasises the adoption of processes that integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy with the aim being to maximise the creation of shared value for owners/ shareholders, other stakeholders and society at large.

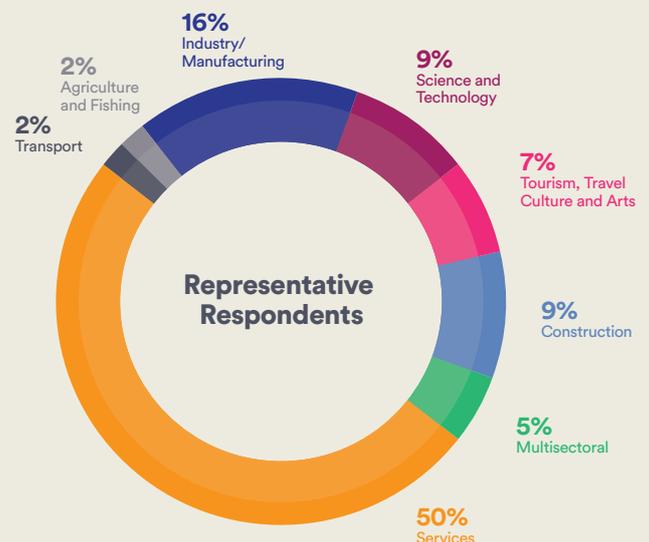
The survey findings show a strong level of engagement in CSR activities across the Cork business community with 50% of members stating that a CSR plan is active, with the main focus areas being on Community/ Social activities, and Health and Wellbeing in the workplace. This is a hugely positive insight into business operations in Cork and Cork Chamber will aim to support initiatives in this area into the future.

Responding Businesses

The responding businesses are representative of a broad cross-section of business sizes.



Respondents are also representative of a broad range of sectors



TOP 5 Threats to Business Growth

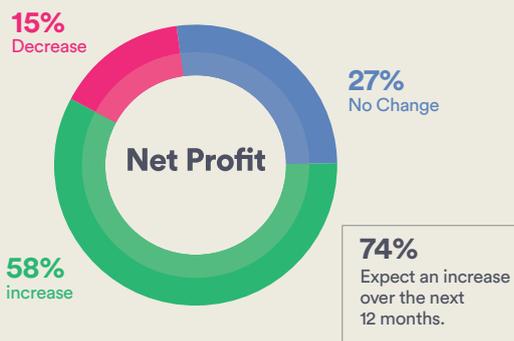
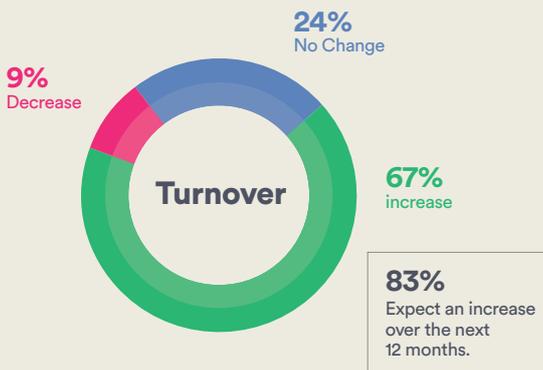
- 1 Brexit
- 2 Cost Competitiveness
- 3 Changing Consumer Spending/ Reduced Orders
- 4 Skills Availability
- 5 Access to Credit

The above are closely followed by the Cost of Energy and Raw Materials, Managing Cashflow and the Stability of Capital Markets. Commentary also highlighted future international tax policy across the US and EU, and future strategies affecting corporation tax.

Business Confidence



Turnover and Net Profit estimations and 12-month predictions



Employment Outlook

Change to employee numbers over Q3 2017



Expected changes to employee numbers over the next 12 months



Number of businesses with vacancies advertised currently



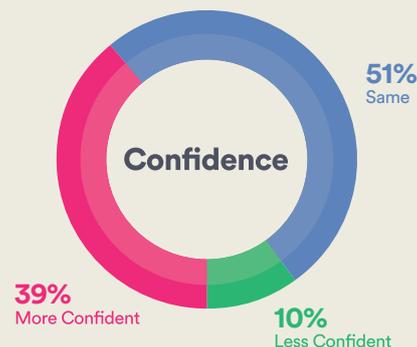
When asked in relation to difficult to fill vacancies, 29% of respondents reported difficulties in recruiting the right candidate(s) for a range of vacancy types. This question relates to a time period of greater than 3 months since the initial advertisement. The top 3 ranked vacancy types are as follows:

Top Ranked Difficult to Fill Vacancies

- 1 Engineering (across a range of disciplines)
- 2 Chefs / Hospitality Personnel
- 3 IT Professionals

Within this, commentary highlighted the issue with regard to recruiting individuals with the right level of experience.

Confidence in the Irish Economy



CSR

Overall, 50% of businesses surveyed have an active CSR strategy. 9% of these are interested to increase activity in this area. A further 20% of businesses indicated that a process is ongoing with a strategy being planned, with the remaining 30% indicating that currently this is not an area of focus for the business.

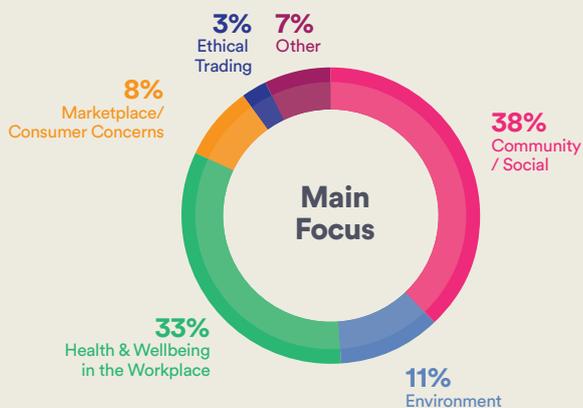
Active Strategy



Interested to increase activity



Of those currently engaged in a CSR strategy, the majority of activities are focused on community and social (38%), closely followed by health and wellbeing in the workplace (33%) which is hugely positive. Third in this ranking at 11% is environmental, a figure that may indicate difficulties in identifying environmental projects for businesses to engage with as can be said of the remaining focus areas and as can be seen from the graph below. In conclusion, when asked in relation to Cork Chamber facilitating CSR knowledge sharing events, over 60% indicated an interest in hearing more. As such, Cork Chamber is committed to increasing our activity in this area and to share this knowledge with our business members.



KPMG launch annual Innovation Monitor to track insights into innovation and R&D

Companies in Ireland have become more innovative over the past 12 months, with almost 9 in 10 businesses now considering themselves to be innovators. This is among the key findings of KPMG's latest Innovation Monitor. The report, which is based on research carried out on behalf of KPMG by Red C, shows an increase in innovation activity with 88 percent of companies saying they are engaged in it either in Ireland or overseas, an increase of eight percentage points on 2016.

It also found that while the majority of companies (62 per cent) consider Ireland to be "innovation friendly", this sentiment is down by 8 per cent year on year.

The availability of qualified in-house personnel (68 percent) and R&D funding (63 percent) were the factors most frequently cited by businesses when asked what influences their ability to innovate. Several respondents also called for greater emphasis on innovation at second and third-level.

The Innovation Monitor also examined attitudes towards R&D incentives and the impact of potential changes. The research found that limiting the amount of cash refunds a company can claim, or reducing the rate of the incentive for non-taxpaying firms that avail of the refundable mechanism, would negatively impact the attractiveness of the R&D tax credit for seven in 10 companies. It also found that just over half (52 per cent) of companies are unaware of the Knowledge Development Box (KDB).

Michael Lynch, who is a Tax Partner in KPMG's Cork office, commented on the findings:

"Brexit has meant that businesses have to continue to innovate to maintain competitive advantage and while we see very positive indications that Ireland is innovation friendly, barriers such as access to funding and a skilled workforce in certain sectors do remain. Greater awareness of the type of supports available is also key to encouraging further innovation and R&D and SMEs in particular would benefit from becoming more aware of the incentives."

For more information see kpmg.ie



Innovation Monitor

Insights into innovation and R&D in Ireland

Learn more at kpmg.ie #InnovationMonitor

