

Economic Trends

QUARTER 1 2022

A path to energy independence

This past month, the case for bringing autonomy to Irish energy production has been brought sharply to the fore as one of the knock-on impacts of the Russian invasion and tragic war in Ukraine. Ireland and Europe more broadly are overly reliant on imported fossil fuels, which not only hinders taking the right steps in global politics but is also terminally damaging our environment.

Project Ireland 2040 envisages an additional one million people living in the State – there needs to be sufficient electricity or energy to support that growth. We cannot afford to be reliant on aggressive dictatorships or on a form of energy generation that compounds the likelihood of climate disaster.

Ireland's exposure to price increases is high, because one third of our energy is from gas, and within that, half our electricity is generated using gas.

Although our exposure to a gas supply interruption is low with two thirds of our gas from the UK and one third from Corrib. It is critical that the next steps are taken by the Irish Government to enable Ireland's energy independence.

Investment in the evolution of the gas network as well as the wide scale deployment of renewables, hydrogen and storage technology is critical for Ireland. By gradually replacing natural gas with renewable gases, such as biomethane and hydrogen, a net-zero carbon gas network can be delivered to reduce emissions across a number of key sectors, including those that are traditionally difficult to decarbonise, such as transport, agriculture, industry, heating and power generation.

Ambition and leadership

Ireland became the second country in the world to formally declare a climate emergency in 2019. There is a target to increase the proportion of renewable electricity to up to 80% by 2030 and to meet a 51% reduction in greenhouse gas by 2030 with a legally binding target of net-zero greenhouse gas emissions no later than 2050. If action does not follow that declaration, the damage will not only be environmental but reputational.

5,000MW of offshore wind energy by 2030 should be seen as a minimum threshold target and the overall target must be much more ambitious. The required urgency must be reflected in the funding and resourcing of the Maritime Area Regulatory Authority (MARA) which will play a leading role in facilitating and regulating development in the Maritime Area from early 2023.

Investor confidence and business certainty

Investor confidence is critical to the success of the Irish market and the capital investment, green energy, and jobs associated with the offshore wind sector must be supported. The offshore wind industry must be enabled to deliver a stable and steady supply of green energy which is critical infrastructure to meet the energy demands of manufacturing and foreign direct investment. Investors want to see better price stability and a roadmap to a decarbonised energy future with renewable gas, particularly biomethane from the agri-food sector.

However, building infrastructure and connecting energy resources takes time. Ireland must transition carefully and not create security of supply issues which are a real risk to the Irish economy. Cork Chamber is supportive of work underway in both the public and public sectors, which is crucial to the successful delivery of infrastructure projects.

Renewable hub

Cork and Ireland can be a de facto floating offshore wind and hydrogen hub for the Irish and Celtic Sea. A progressive regime for renewables presents an unparalleled opportunity for Cork and Ireland — to foster ethical energy solutions, a resilient economy and address the climate crisis.

There is scope for leadership across private enterprise, stakeholders, and local authorities to build on Cork's track record as an established energy cluster and focal point for energy production and storage via a green hydrogen hub in Cork's lower harbour area. There is a clear opportunity to support clean technology and develop a ready supply of energy and storage to meet growing demand in the supply chain.

There are risks but also rewards, we should spare no effort in transforming our energy future while at the same time supporting a valuable and productive sector, climate goals and job creation across turbine installation, construction, technical innovation, operations, and maintenance.

The issue of energy is here to stay in a major way. It has implications of the highest order for business, society, the environment, democracy and Europe. The widespread rollout of renewables is not only reputationally critical but an ethical imperative. Clean, cost-effective energy for communities, and businesses must move from ambition to reality. The private sector is ready to work with Government to make this happen.

QUARTER 1
2022

Survey Results

In the first Economic Trends survey of 2022, Cork Chamber asked members about their experience in the most recent business quarter, Q1 2022 (January, February, March) as well as the business outlook for the second quarter of 2022. This Economic Trends captures a snapshot of business experiences and the overall operating landscape, in a period which saw the Russian invasion of Ukraine and the outbreak of war. In addition, Q1 2022 has seen a resurgence and second wave of the Omicron variant of Covid 19 and a subsequent impact on business and society.

This survey also gathered information on the current experiences of Cork Chamber member organisations dealing with the rise in energy costs.

“Support local manufacturing in the Circular Economy especially those that help save energy.”

John Egan
Ecocel

“The Chamber should continue to raise concerns about increased costs the need to prepare and mitigate against a potential downturn in the economy in the short-term.”

Jim McGrath
Abbvie

“More Sustainable Energy Authority grants and supports for business would be welcome.”

Frank Mulcahy
OCon Chemicals Ltd.

ENERGY

Energy has emerged as a key issue for businesses to grapple with in 2022. 29% of respondents reported that energy price increases are currently affecting business profitability and growth. To overcome the rising cost of energy companies face a significant challenge to invest in energy efficiency and sustainable energy measures.

It is of interest to note that 66% of companies surveyed have actively managed energy in a bid to make savings in Q1 2022 and 82% of respondents agree that government should implement measures to help protect businesses from extreme cost pressures in the short term.

Amongst those companies reporting that no steps have been taken to manage energy and make savings, the main factors include being a professional service orientated business rather than a manufacturing business with heavy energy usage, staff still working from home, as well as the centralisation of business energy costs. A number of businesses reported existing environmental policies which already minimise usage.

Improving the energy performance of business can make a significant contribution to fighting climate change. Sustainable energy use will also help to avoid pollution and thus improve air quality, and protect the environment, and in the long-term, efficiency measures also contribute to energy security and boost competitiveness.

ENERGY PRICE INCREASES ARE CURRENTLY AFFECTING BUSINESS PROFITABILITY AND GROWTH

YES 29%

SOMEWHAT 48%

NO 23%

ACTIVE BUSINESS MANAGEMENT OF ENERGY TO MAKE SAVINGS IN Q1 2022

YES 66%

NO 34%

GOVERNMENT SHOULD IMPLEMENT MEASURES TO HELP PROTECT BUSINESSES FROM EXTREME COST PRESSURES IN THE SHORT TERM.

YES 82%

NO 18%

EMPLOYMENT OUTLOOK

EXPECTED CHANGES TO EMPLOYEE NUMBERS OVER THE NEXT 12 MONTHS

DECREASE 3%

STAY THE SAME 47%

INCREASE 50%

NUMBER OF BUSINESSES WITH VACANCIES ADVERTISED CURRENTLY

YES 47%

NO 53%

The number of businesses with advertised vacancies stands at 47% at the end of Q1 2022. 43% are reporting difficulty filling the open roles (i.e., remaining unfilled for greater than 3 months since initial advertisement). These vacancies are present across multiple sectors and vary widely, companies are specifically seeking experienced technical talent, manufacturing skills, Operators, Technicians and Engineers and Life Science Engineers. Despite recruitment challenges, 50% of respondents expect employee numbers to increase over the next 12 months.

BUSINESS CONFIDENCE

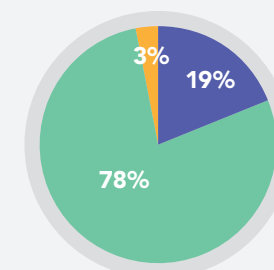
CONFIDENT 86%

NOT CONFIDENT 14%

From an overall financial perspective, 86% of respondents report business confidence, this is a 6% decrease on the previous quarter (Q4 2021).

CONFIDENCE IN THE IRISH ECONOMY

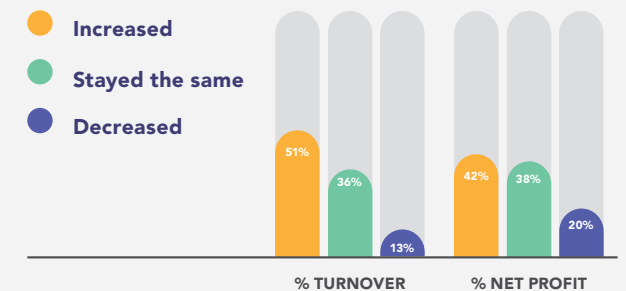
Very Confident
Confident
Not Confident



The Q1 2022 survey shows confidence levels in the Irish economy are steady at 78%, with 3% of respondents reporting as very confident. This outlook is a marginal increase with Q4 2021 reporting 76% confidence. This is a marked increase from 52% in Q1 2021.

TURNOVER AND NET PROFIT Q4 2021

Increased
Stayed the same
Decreased



The latest Q1 survey shows that 51% of survey respondents experienced a turnover increase in Q1 2022, this compares to a 63% turnover increase in Q4 2021. 62% of respondents anticipate an increase in turnover, 21% anticipate it to stay the same and 3% decrease in the second quarter of 2022.

In respect of net profits, 42% of respondents reported a net profit increase in Q1 2022, this compares to 50% of survey respondents reporting a net profit increase in Q4 2021.

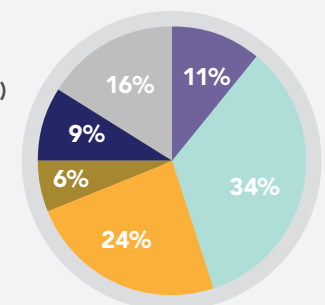
TOP 3 THREATS TO BUSINESS GROWTH

1. Cost Competitiveness
2. Skills Availability
3. Geopolitical - war in Ukraine

These top three threats reported in Q1 2022 are closely followed by Cost of Energy and Raw Materials in fourth place, Changing Consumer Spending/ Reduced Orders in fifth place and availability of Housing/ Rental Accommodation for Employees in sixth place. The threat of Covid-19 to business growth has dissipated and now ranks seventh as the top threat to business growth.

RESPONDING BUSINESSES

Sole Trader
Micro Enterprise (2-10)
11-50
51-100
101-200
201 +



The responding businesses represent a broad range of sectors: Life Sciences & Manufacturing (9%), Agriculture, Food & Drinks (3%); ICT & Digital Economy (8%), Tourism, Hospitality, Retail & Leisure (13%), Culture, Arts, Community & Media (3%), Built Environment (6%), Education & Training (6%), Services (including Financial) (44%), Health (2%), Transport, Energy & Maritime (6%)

We thank you our members for your valued insights and engagement with this survey. Your participation is vital. All previous quarterly economic surveys can be found on www.corkchamber.ie.

Dedicated to building relationships



permanent tsb understand that many businesses are now having to adapt to the next stage of the 'new normal' with companies and employees facing ongoing challenges. Building on new and existing relationships so we can understand those needs, remains at the core of what we believe in. Business Banking is about supporting our customers on an individual basis. Our dedicated business banking team know the importance of understanding your needs and that means talking one on one, even if virtually, with every one of our business customers.

Having those meaningful conversations is what matters most to Eilis Mannion, Head of Growth and Performance at permanent tsb for the South and East Region.

Eilis has over 20 years' experience, joining the world of banking as a graduate and building on her work experience in several roles in Dublin, Limerick, Cork City and County. In 2021, she took on a new and exciting challenge; she joined permanent tsb.

"I am privileged to join this organisation and honoured to lead the team of twenty five branches in the South and East Region into the future. I am delighted to be in a position where my experience and knowledge can help grow the business and in particular am so excited about the opportunity that the acquisition of the Ulster Bank SME business in the Republic of Ireland presents to permanent tsb."

In December 2021, permanent tsb announced entering into legally binding agreements with NatWest Group Plc and Ulster Bank Ireland DAC to acquire elements of Ulster Bank's Retail, SME and Asset Finance business in the Republic of Ireland. Subject to

receiving all necessary approvals, the transaction will see permanent tsb's SME business triple in size relative to today.

With a team of 170 staff across 25 branches in 7 counties, Eilis is confident that the right mix of experience and expertise exists within the organisation to be able to meet individual business



needs. "Within my own direct team, we have achieved 50% gender diversity, something I am delighted about. We have been successful in recent months in attracting key talent, bringing diversity of thought from different industries and sectors. Solving a problem with diversity of thought, background and knowledge usually ensures a much better outcome. My personal ambition for 2022 is to make a positive difference to the team that I lead, the customers and the communities in which we engage in and to support permanent tsb in its ambition to be Ireland's Best Personal and Small Business Bank."

Whether you're a sole trader, small business or working in the farming and agricultural community, permanent tsb can provide a range of business banking solutions for daily banking and lending needs, all delivered with personal support.

Get in touch with Eilis or her team today by contacting +353 86 6792188 or email Eilis.Mannion@permanenttsb.ie

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