

Economic Trends

QUARTER 3 2022

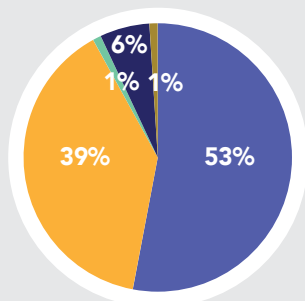
Impact of rising energy costs and inflation

This quarter's Economic Trends survey coincided with the announcement of a €1.2 billion budget package on 27 September recognising the size of the challenge facing businesses. Our survey in the third quarter (July, August, September) of 2022 specifically sought to measure the impact of energy costs and inflation on businesses as these became more apparent in Q3 2022.

Cork Chamber members expressed their views on rising energy prices and measures they are taking to combat these challenges. Emerging from these findings, Economic Trends Q3 2022 also shares a picture of how member companies are adapting to the evolving situation and the implications for employment outlook, turnover and net profit and business growth.

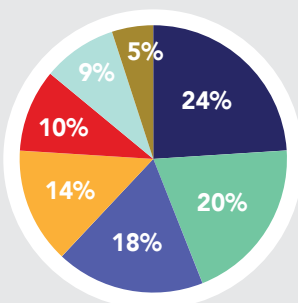
HOW CONCERNED ARE YOU ABOUT THE IMPACT OF RISING ENERGY COSTS?

- Very concerned
- Concerned
- Neutral
- Somewhat concerned
- Not concerned



BUSINESS PRIORITY ACTIONS TO COMBAT RISING PRICES

- Energy efficiency measures
- Reduce overheads
- Improve productivity
- Eliminate work/streamline processes
- Hedge - lock in future pricing
- Automate work
- Reduce headcount



Positively, opportunity in crisis has been identified by member businesses with energy efficiency measures ranking as the highest priority action to take to combat rising prices.

Business priorities when evaluating energy efficiency

Potential cost saving and financial incentives rank as the highest motivating factor when evaluating energy efficiency measures, closely followed by climate/sustainability impact.

1. Potential cost reductions/financial incentives
2. Climate/sustainability impact
3. Value and accessibility of government grant schemes
4. Available support/expertise
5. Guaranteed RoI

Bearing in mind the clear prioritisation of energy efficiency reported by companies, the Economic Trends survey Q3 2022 additionally found that:

8% of companies are planning to reduce production or trading hours to combat rising costs.

9% of companies are planning to reduce staffing/headcount.

26% of companies reported that energy saving is a factor in their business work from home policies.

20% of companies are planning to seek finance/borrow funds in the next quarter.

The above findings seem to be a moderate business response to current conditions.

SNAPSHOT OF MEMBER INVESTMENTS

Stryker announced a 156,000-square-foot Irish 3D printing facility development which creates capacity for 600 high-tech jobs in Carrigtwohill.

AbbVie announced 70 new jobs as part of a €60 million investment in Carrigtwohill.

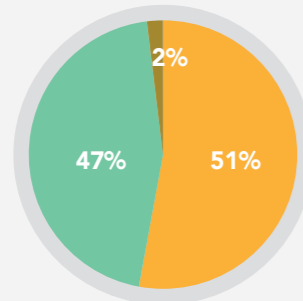
Survey Results

In the third Economic Trends survey of 2022, Cork Chamber asked members about their experience in the most recent business quarter, Q3 2022 (July, August, September), on the business outlook for the fourth quarter of 2022 and on the impact of energy and inflation on business

This Economic Trends Survey captures a snapshot of business experiences and of the overall operating landscape over the summer months in a period which saw the publication of the Government's Budget 2023 and continued challenges with the rising cost of energy and inflation.

CONFIDENCE IN THE IRISH ECONOMY

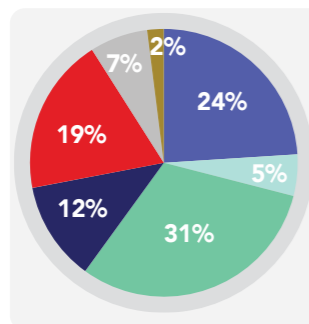
- Not confident
- Confident
- Very Confident



There was a marked fall in confidence in the Irish economy quarter on quarter, with 47% of businesses expressing confidence in the Irish economy heading into Q4, down from 58% in the previous three months and 75% in the same quarter last year (Q3 2021).

IF NOT CONFIDENT, WHAT IS THE NUMBER ONE REASON?

- Energy prices
- Housing supply
- Inflation
- Geo-political - war in Ukraine
- Rising business costs
- Skills shortages
- Other
- Brexit – Northern Ireland Protocol 0%



Of the reasons for diminishing confidence, inflation is the number one reason cited at 31% of survey respondents, followed by energy at 24% and rising business costs at 19%.

Closures of small businesses have the potential to drive services into the black economy

Anonymous

Continue to advocate for more housing measures to drive affordable rental availability - this is impeding inward migration to Cork

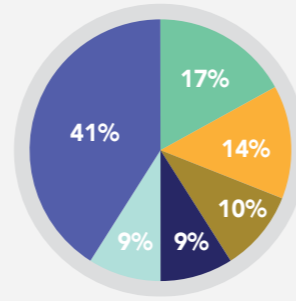
Ken Murphy
Careerwise Recruitment

There is a need for an increasing debate on the use of office and home and hybrid working. It would be great if businesses could share experiences

John Mullins
Amarenc Group

TOP THREATS TO BUSINESS GROWTH

1. Changing Consumer Spending/ Reduced Orders
2. Cost of Energy and Raw Materials
3. Competitiveness
4. Skills Availability
5. Availability of Housing/ Rental Accommodation for Employees
- Others



Changing Consumer Spending/ Reduced Orders has moved from third place in Q2 to the top threat to business growth in Q3 2022. The Cost of Energy and Raw Materials holds steady in second place from quarter to quarter. Skills availability has slipped from the number one threat in Q2 to fourth in Q3 2022. 'Other' threats include Geopolitical - war in Ukraine (8%), Cyber Attacks (5%), Stability of Capital Markets (5%), Levels of Taxation (4%), Over-Regulation (4%) and Managing Cashflow (4%).

BUSINESS CONFIDENCE

CONFIDENT 85%

NOT CONFIDENT 15%

Despite threats to business growth, it is positive to note a high level of personal business confidence from an overall financial perspective among the Cork business community reported at 85%, although down from 90% in the last quarter Q2 2022 and a high of 91% in the same quarter last year.

EMPLOYMENT OUTLOOK

A tight but a possibly more stable labour market is evident in Q3 2022 with 38% of respondents reporting company employee numbers increased in Q3 2022, 53% stayed the same and 9% reported a decrease.

DID YOUR EMPLOYEE NUMBERS CHANGE OVER Q3 2022?

DECREASE 9%

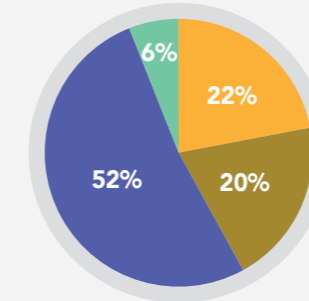
STAY THE SAME 53%

INCREASE 38%

The number of businesses with advertised vacancies dropped in the quarter, from 60% at the end of Q2 2022, to 51% in Q3 2022.

TOP BARRIERS TO FILLING VACANCIES

- Housing
- Wage demands
- Specialist skills shortage
- Other



Specialist skills shortages remain the main factor affecting companies' recruitment efforts, although down from 66% in Q2, 43% of companies were having difficulty hiring for unfilled roles in Q3 2022. Housing and wage demands being a barrier to recruitment have risen from jointly 12% in Q2 2022 to 22% and 20% respectively in Q3 2022.

EXPECTED CHANGE TO EMPLOYEE NUMBERS OVER THE NEXT 12 MONTHS

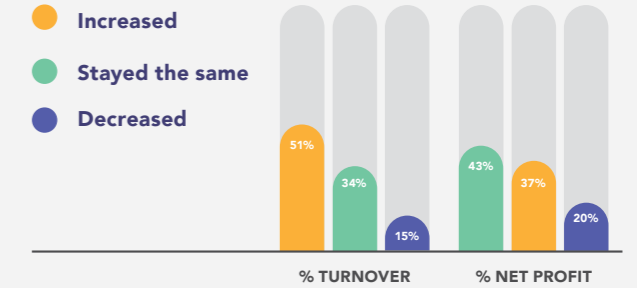
DECREASE 11%

STAY THE SAME 48%

INCREASE 41%

The expectation for an increase in employee numbers over the next 12 months at a 41%, is slightly down from an expected increase of 52% in the previous quarter.

TURNOVER AND NET PROFIT Q3 2022

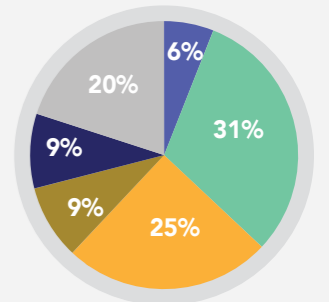


The latest Q3 survey shows that 51% of respondents experienced a turnover increase in Q3 2022, this is the same as the percentage reported by companies in the last two quarters. 49% of respondents anticipate an increase in turnover, 32% anticipate it will stay the same and 19% forecast a decrease in turnover in Q4 2022.

On profitability, 37% of respondents reported a net profit increase in Q3 2022, this is down from 42% reporting a net profit increase in the previous quarter. 42% expect their company's net profit to increase in Q4 2022 while 33% anticipate profits will stay the same, and 25% predict a decrease in profits.

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 (8%), ICT & Digital Economy (4%), Agriculture, Food & Drinks (6%), Tourism, Hospitality, Retail & Leisure (12%), Culture, Arts, Community & Media (5%), Built Environment (12%) Education & Training (8%), Services (including Financial) (33%), Transport, Energy & Maritime (9%) and Health (3%).

We thank 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.



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