

Economic Trends

QUARTER 4 2022

Ireland in the EU – 50 years

On 1 January Ireland marked 50 years of membership of the European Union. It is important to reflect on Ireland's EU membership and the many positive impacts it has on business and in shaping Ireland's emergence as a modern, open economy and society.

Structural funds & EU Single Market

From 1973 to 2018 Ireland was a net recipient of over €40 billion in EU funds. Ireland is now a net contributor, which in the 2018-2020 period stood at €377 million. However, Ireland was in line to receive an estimated €915 million in grants from the EU's Covid Recovery and Resilience Facility up to the end of 2022¹.

This year, the EU celebrates the 30th anniversary of its Single Market – one of the major achievements of European integration, and one of its key drivers. The Single Market allows goods, services, people and capital to move around the EU freely. The benefits of being part of the Single Market is estimated to be worth in excess of €30 billion¹.

Irish exporters can sell more easily and cheaply into global markets thanks to international EU trade agreements. The EU accounted for €63,859 million (40%) of total Irish exports in 2020, an increase of €7,211 million (+13%) on 2019¹.

EU Solidarity

EU membership has helped secure key agreements to promote stability, jobs and growth and set the stage for economic recovery after the financial crisis. A rapid common European response to the war on Ukraine and the Covid pandemic has also helped to mitigate the economic and social damage in Ireland and across EU Member States.

Environment

The EU is one of the world's key climate actors and is showing leadership on the green transition. Undoubtedly, Ireland can act better in unison with other Member States to tackle climate change. The European Green Deal represents the union's long-term strategy to protect the environment.

A Europe at the forefront of development of new climate-smart solutions, strengthens Ireland's growth and long-term competitiveness and is also critical to security and resilience.

Impact in Cork

- Cork has benefitted directly from EU funding for recent projects including The Port of Cork redevelopment which is part-funded from the Trans-European Transport Network (TEN-T) fund
- The EU Commission's projects of common interest (PCIs) are improving Ireland's energy connectivity, including the Celtic Interconnector between Northern France and Cork
- €74m in EU funds have been drawn down to upgrade Cork's commuter rail network in 2022
- Cork is to become one of Europe's first climate neutral cities

There is much to celebrate about Ireland's place in Europe - the 50 years of transformative change socially and economically brought about Ireland's membership is clear. Mairead McGuinness, European Commissioner recently said 'never has Ireland been more at the heart of Europe than it is now, with all the responsibilities and benefits that go with EU membership.'

¹ https://ireland.representation.ec.europa.eu/about-us/benefits-eu-membership-ireland_en#economy-and-jobs

SNAPSHOT OF MEMBER INVESTMENTS

500 new jobs at NetApp and new international headquarters in Cork's South Docks

140 new jobs at GE Healthcare in Cork following a €30m investment and opening new manufacturing line at the Carrigtwohill plant

70 new jobs at PE Global as it expands worldwide

“
Rising input costs across
the board are concerning
Brian O'Neill
Technicallywriteit.com

“
We can't be complacent about
our attractiveness as a location.
We must continue to work alongside
the IDA to promote Cork/Ireland as
the number one “European Gateway
Location” for multinationals
Anonymous

“
General rise in inflationary
pressure is impacting
customers' discretionary spend
and that's affecting certain
aspects of our business in
relation to non-food products
Anonymous

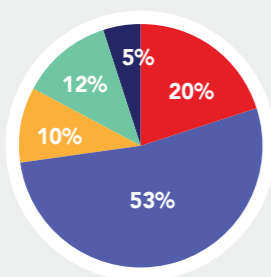
Survey Results

At the close of 2022, Cork Chamber asked members about their experience of the most recent business quarter, Q4 2022 (October, November, December). This Economic Trends Q4 2022 captures a snapshot of business experiences and of the overall operating landscape at the close of 2022 in a period which saw ongoing challenges with the rising cost of energy and inflation and a change of government leadership.

The Q4 survey again asked about the ongoing business impact of rising energy costs and inflation to track business sentiment across quarter Q3 and Q4 2022.

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

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



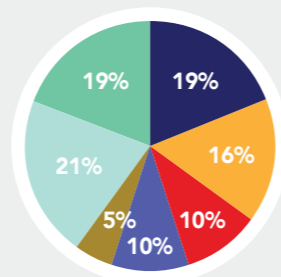
WERE GOVERNMENT SUPPORTS EFFECTIVE IN CUSHIONING AGAINST RISING ENERGY COSTS?

YES 50%

NO 50%

PRIORITY ACTIONS TO COMBAT RISING PRICES

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

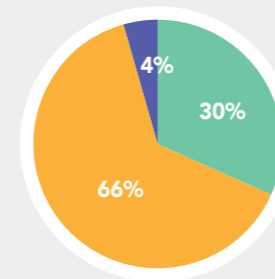


To tackle rising energy costs, businesses, positively, are seeing the opportunity in the crisis to look first to deploy energy efficiency measures as a priority response. Energy efficiency measures again ranked as the highest priority action to combat rising prices over both Q3 (24%) and Q4 (21%) 2023. Crisis has given the impetus needed to invest in energy efficiency and ultimately make the switch to renewable energy to lower costs and reduce greenhouse gas (GHG) emissions. Reducing overheads and improving productivity remained the second and third most prioritised response, consistent with Q3 2022. Again headcount reductions were only a priority for a very small number of businesses (5%).

Over half of businesses said that government supports had not been effective in cushioning the rising cost of energy, but businesses were evenly split on their effectiveness with the other 50% indicating they were effective. It is a concern that half of businesses did not believe the supports had been sufficient and with high energy costs likely to continue to affect businesses into 2023, business supports will need to be revisited and reinforced by government.

CONFIDENCE IN THE IRISH ECONOMY

- Not confident
- Confident
- Very Confident



BUSINESS CONFIDENCE

CONFIDENT 94%

NOT CONFIDENT 6%

Although the impact of rising costs and skills shortages are likely to have a lagging impact on profitability and operations, a high level of personal business confidence from an overall financial perspective was reported at an all year high of 94%.

EMPLOYMENT OUTLOOK

CHANGE TO EMPLOYEE NUMBERS Q4 2022

DECREASE 12%

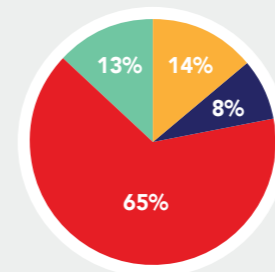
STAY THE SAME 48%

INCREASE 40%

Businesses continued to hire strongly in Q4 with 40% of companies increasing their headcount. In Q4 57% of companies reported advertisement of current open vacancies.

TOP BARRIERS TO FILLING VACANCIES

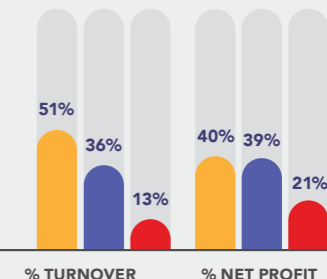
- Housing
- Wage demands
- Specialist skills shortage
- Other



The proportion of companies having difficulty hiring for unfilled roles jumped to 64% in Q4 from 43% of companies in Q3 2022. The number of companies who expect to increase employee numbers over the next 12 months remains strong at 53%, 40% expect employee numbers to stay the same and 7% expect a decrease.

TURNOVER AND NET PROFIT Q4 2022

- Increased
- Stayed the same
- Decreased



Despite expected reduced profitability due to energy costs, 40% of respondents reported a net profit increase in Q4 2022, this is up from 37% reporting a net profit increase in Q3 2022. The net profit decrease reported in Q4 2022 was 21%, similar to the 20% reported in Q3 2022. The Christmas holiday period may be a supporting factor in some companies' resilience, but this is a very strong positive signal heading into 2023. 37% expect their company's net profit to increase in Q1 2023 while 48% anticipate profits will stay the same, and 15% predict a decrease in profits.

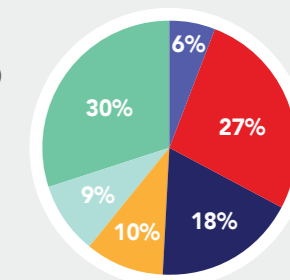
Over half, 51%, of survey respondents experienced a turnover increase in Q4 2022, this is the same percentage reported by companies in the last three successive quarters Q1, Q2 and Q3 2022. 52% of respondents anticipate an increase in turnover in Q1 2023, 42% anticipate it will stay the same and 6% forecast a decrease in turnover in the first quarter of 2023.

TOP 5 THREATS TO BUSINESS GROWTH

1. Changing Consumer Spending/Reduced Orders and Skills Availability (joint first)
2. Cost of Energy and Raw Materials
3. Availability of housing/rental accommodation for employees and Competitiveness (joint third)
4. Geopolitical - war in Ukraine
5. Cyber Attacks

RESPONDING BUSINESSES

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



The responding businesses represent a broad range of sectors: Services (including Financial) (35%), Life Sciences & Manufacturing (12%), Transport, Energy & Maritime (11%), Tourism, Hospitality, Retail & Leisure (11%), ICT & Digital Economy (8%), Built Environment (9%) Culture, Arts, Community & Media (5%), Education & Training (4%), Agriculture, Food & Drinks (3%), and Health (2%).



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