

Economic Trends

QUARTER 2 2023

SUSTAINABILITY AT THE HEART OF THE FOOD AND BEVERAGE INDUSTRY

In the context of a growing global population and the impacts of climate change being felt locally and nationally, the need to produce and distribute more food under a new sustainable model that contributes to a more resilient and sustainable food system is ever more important, and was highlighted at University Colleges Cork's annual Food and Beverage Finance Summit this past May.

The food and beverage industry is a crucial part of Ireland's economy and the conference heard from leading representatives in the industry, investors and advisors all of whom strongly delivered a similar message - those who move fast and incorporate ESG into their business operations and investment model, not just by simply ticking a box but by driving real change, will come out on top. This is in the context of investor demands and with the transposition of the Corporate Sustainability Reporting Directive into Irish law.

Those who don't take this shift seriously, the conference heard, will be starved of capital. This statement applies not only to those operating in the food and beverage industry, but to all sectors of the economy.

Key trends, challenges & opportunities

While urgent, this is no simple task and there are many challenges businesses will face along this transition. Access to people will be key for the industry, including both sourcing skilled labour and ensuring that workforce conditions are fair and equitable across the supply chain. An increased uptake in automation is expected as production capacity ramps up, offering significant cost savings and increased efficiency in production but also posing potential risks to employees. Sustainable automation solutions must consider social, financial and environmental elements to mitigate any unintended negative consequences.

Consumer preferences are playing a crucial role in driving the sustainability agenda forward. Consumers are increasingly demanding more transparency and accountability in the production of their food. From developing alternative products that appeal to consumers that deliver on taste, texture and price to ensuring ethical sourcing practices, reduced environmental impact and healthier and safer food products.

Meeting these expectations and achieving this sustainable vision requires research, development and innovation, collaboration across the supply chain and financing in an equitable manner. Already we can see R&D taking place in Irish agriculture to increase shelf-life without the use of chemicals, reducing methane from cattle through feed additives and breeding initiatives, and better use of bioproducts, to name a few.

This journey needs to be interconnected across the value chain, including everything from farm families to transportation and storage and food waste. The Food Vision 2030 Strategy seeks to enable this integrated food systems approach, placing Ireland on the global stage as an international leader. Fortunately, as the speakers highlighted, Ireland has a distinct competitive advantage due to our grass-based system and our use of the cooperative model which is grounded in principles of sustainability.

While we are starting from a good place, we still have a challenging journey ahead of us. The food and beverage industry is essential to our very lives, providing sustenance and playing a key role in our economy. Just as essential is that we tackle climate change, strive towards repairing the planet and creating a more inclusive society, while embracing and supporting those in the industry along their sustainability journey.

Q2 2023 JOBS AND GROWTH

Eirgrid opens new Cork office
 Biomarin new site launch
 ProPhotonix €500,000 production expansion
 Qbdvision opens Cork office creating 15 new jobs
 Movano Health announces 20 new jobs
 Bourns opens Cork office creating 35 jobs
 Everseen raises €65m capital investment
 Support Ninja announces 50 jobs
 Zeus Packaging acquires James Hamilton Group
 PM Group acquires Milestone
 Granite Digital expands in the US with majority stake NY company
 Irish International Trading Corporation acquires Curust Industires
 Deloitte announces new Cork hub & 300 new jobs
 AMD announces \$135m investment and 290 new jobs in Cork and Dublin
 Doterra opens expanded Cork facility
 Pepsico opens €127m expansion at little island

QUARTER 2
2023

Survey Results

In the second Economic Trends survey of 2023, Cork Chamber asked members about their experience of the most recent business quarter, Q2 2023 (April, May, June) and on the business outlook for the third quarter of 2023. This Economic Trends Survey captures a snapshot of business experiences and of the overall operating landscape.

This survey also gathered business priorities for the upcoming Budget 2024 including, how to utilise the budget surplus, and housing and climate action measures.

BUDGET 2024

PRIORITY AREAS

1. Cost of living measures
2. Supply side housing stimulus
3. Infrastructural investment
4. Business competitiveness measures/Tax reform
5. Climate action investment

As Budget 2024 steadily approaches after a year which saw a continued rise in inflation, cost of living measures is the number one business concern, with nearly 55% of companies reporting that it should be Government's top priority.

The supply of housing was identified as the second budget priority for businesses, followed by infrastructural investment, business competitiveness, tax reform and climate action investment.

When asked, 34% of respondents called for the budget surplus to be used to stimulate housing construction, 25% for sustainable public transport, 19% for investment in climate action, and 16% towards a rainy-day fund. Other comments to utilise the budget surplus included income tax band adjustments, recruiting specialist skills, and minimising the impact of inflation.

RANKING OF HOUSING SUPPLY MEASURES



1. Targeted and timebound VAT reduction on construction activity



2. Accelerate capital allowances for apartment development



3. Increase the income threshold for cost rental (currently €53K net)

RANKING OF CLIMATE ACTION MEASURES



1. Large scale public transport investment e.g., Luas, Rail



2. Supporting infrastructure for renewable energy



3. Retrofitting incentives



4. Agri-food sustainability incentives



5. Port investment

Investment in large scale public transport projects and investment in the supporting infrastructure for renewable energy were identified as the most desired measures for government to undertake to combat climate action in Budget 2024. Retrofitting measures were reported as the third top budgetary climate action measure that respondents want to see in the upcoming budget.

“We have an opportunity now to invest in infrastructure (housing, roads, public transport) and commence the journey of real progress.”
Anonymous

“Government needs to actually have a realistic climate action plan and actually get behind, support and drive it. Key to success is a just and fair transition.”
Anonymous

CONFIDENCE IN THE IRISH ECONOMY

CONFIDENT 71%

NOT CONFIDENT 16%

VERY CONFIDENT 13%

Confidence in the Irish economy remains on par with Q1 2023. Housing supply (19%) and Energy prices (18%) were noted as the top reasons for a lack of confidence. Respondents confidence in their own business remains high at 97%.

BUSINESS CONFIDENCE

CONFIDENT 97%

NOT CONFIDENT 3%

TOP THREATS TO BUSINESS GROWTH

1. Changing Consumer Spending/ Reduced Orders
2. Cost of Energy and Raw Materials
3. Access to Credit Cost

The top three threats to business growth reported in Q2 2023 are followed closely by Housing Availability/Rental accommodation for employees in fourth place. Skills availability has moved from the number one threat to fifth place this quarter.

EMPLOYMENT OUTLOOK

EXPECTED CHANGES TO EMPLOYEE NUMBERS OVER NEXT 12 MONTHS

INCREASE 55%

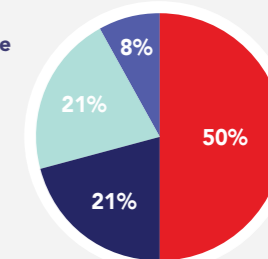
STAY THE SAME 40%

DECREASE 5%

Despite 55% of businesses finding difficulty in filling vacancies (i.e., remaining unfilled for more than 3 months since initial advertisement), businesses continue to sustain strong hiring numbers with 41% reporting an increase to employee numbers, 52% reporting no change and only 7% experiencing a decrease in staff in Q2 2023 (10% in Q1 2023).

TOP BARRIERS TO FILLING VACANCIES

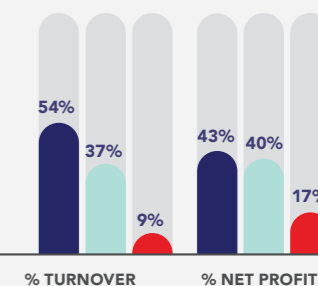
- Specialist skills shortage
- Housing
- Wage demands
- Other



The ranking of the top barriers to filling vacancies remain unchanged from last quarter, with specialist skills shortages persistently presenting the greatest challenge to businesses since Q2 2022, with housing and wage demands both posing barriers to 21% of respondents. The 20-hour work limit for non-EU workers was also raised as a key barrier.

TURNOVER AND NET PROFIT Q2 2023

- Increased
- Stayed the same
- Decreased

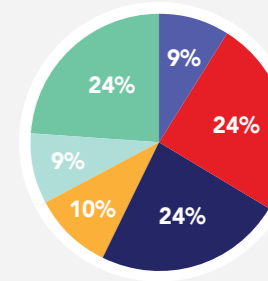


The latest Q2 survey shows that 54% of respondents experienced an increase in turnover, up 5% from Q1. 61% of businesses anticipate an increase in turnover over Q3 2023 (up from 56% last quarter) and 33% expect their turnover will remain the same (36% in Q1).

In regard to profits, 43% of respondents reported an increase in net profits (up an additional 11% from Q1), 40% stated their profits remained the same and only 17% reported a decrease compared to 25% in Q1.

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 (15%), Agriculture, Food & Drinks (5%), ICT & Digital Economy (5%), Tourism, Hospitality, Retail & Leisure (12%), Culture, Arts, Community & Media (6%), Built Environment (8%) Education & Training (5%), Services (including Financial) (36%), Transport, Energy & Maritime 5%), 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.



permanent tsb



We know that support always matters

Whether it's managing your accounts or cash flow support, our **dedicated Business Banking Team** is here to help with your specific business needs.

Talk to us in-branch | Call us on 0818 200 100 | Visit [permanenttsb.ie](https://www.permanenttsb.ie)