Sector Developments & Insights

September 2021

Bank of Ireland

Classification: Green

Contents

Introduction

Welcome to the latest edition of our Sectors Developments and Insights update. As consumer and business optimism levels improve linked to the vaccine roll-out and re-opening of the economy, our sectors team examine market trends emerging and the investment focus within their respective areas. In Bank of Ireland, we continue to proactively engage with our customers and their advisors nationwide and have supported the investment plans of Irish SMEs across a range of sectors to date in 2021.

Acceleration of Technology

The pace at which technology advances is continuously gathering speed. The COVID-19 pandemic has accelerated the assimilation of some technologies into our everyday lives by catapulting nascent trends like working from home and online shopping. Technology continues to unveil new ways of doing business and new economic opportunities, presenting both challenges and opportunities across all business sectors. These trends are set to continue, transforming the economy, jobs and our way of life.

In the second of our 2021 thought-leadership series, we examine the impact and acceleration of technology across key sectors in the Irish economy, and reflect on the impact this trend may have into the future. Please see link below.

https://businessbanking.bankofireland.com/app/uploads/BOI-Sectors-Team-Insights-Acceleration-of-Technology-July21-Final.pdf

Half Year Review & Outlook

We have also published a comprehensive document reviewing sector specific developments in H1 2021 and the outlook for businesses operating in these areas in the months ahead. Please see link below.

https://businessbanking.bankofireland.com/app/uploads/BOI-Insight-Outlook-All-sectors-Aug-2021.pdf

Our Sectors team are recognised leaders within their respective areas and passionate about the development of a vibrant Irish business eco-system. Please feel free to contact any member of the Sectors team in respect of this month's update, the publications above or any specific element within an individual sector - all of our contact details are contained herein. As a team we are looking forward to engaging and supporting Irish business to adapt and develop in a post pandemic environment.

Agriculture Sector Update

Agriculture Sector Update
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CAP reform taking shape

The shape of the new Common Agricultural Policy (CAP) is becoming clearer with the publication of the Department of Agriculture's draft CAP strategic plan recently. It has brought some clarity to the changes that lie ahead for farmers from 1st January 2023 when it officially begins. By now it is well known that it will place a much greater emphasis on the environment to align with many EU commitments such as Green Deal.[1]

Ever since the Treaty of Rome in 1957, which created the European Economic Community, agriculture has always had a special place in Europe's economic and social structure. Arising out of the Treaty of Rome, the CAP was established in 1962 at a time when Europe was still recovering from World War II and food scarcity was a major issue. The CAP was established on the basis that it would provide food at affordable prices while ensuring a fair standard of living for farmers.

Through many reforms, the objectives of the CAP have also evolved. While it still protects family farm incomes, it now also supports the rural economy and ensures the production of high-quality safe food at reasonable prices for consumers. In line with evolving societal needs and demands, successive reforms have seen an increased emphasis on protecting rural landscapes and the environment and these set of reforms will accelerate this - effectively leaving production to the free market.

The new CAP will bring many changes. For example, instead of the familiar compliance-based approach followed previously, a new performance-based approach will be adopted which will see Member States' performance judged on outputs and results. It will see measures included that will help achieve significant improvements in the areas of biodiversity and water quality, as well as contributing to national and EU climate and environmental targets. New voluntary agri-environmental schemes, known as Eco-schemes, will be introduced where at least 25% of direct payments will be devoted.

So while there is no doubt that the CAP has been very successful in supporting the incomes of more than 137,500 Irish farms, (The CAP and Government supports account for around 80% of Family Farm Income in Ireland with an average total direct payment of approx. €18,000), it has also

been very effective in supporting enhanced biodiversity and water quality. It is also interesting to note that the share of the EU Budget accounted for by agricultural spending has steadily declined over the years. In the early 1980s the CAP represented 66% of the EU budget. Over the coming 5 years it will account for 31%, less than half of that early 1980s share.

In an Irish context, the EU will provide funding for the agri sector of €1.2bn per year (direct payments) and €311m per year (rural development) over the next 5 year period 2023-2027.[2] Given that outstanding lending to Irish farmers totals around €3bn and around €700m of new lending is advanced to Irish farmers each year[3], it is fair to draw the conclusion that the sector is lowly geared at around 2 times annual supports.

It is expected that a final plan will be ready for Government approval by the end of year to begin in January 2023. In the coming month's extensive consultation will take place in order to finalise details of same.

[1] https://www.gov.ie/en/publication/76026-common-agricultural-policy-cap-post-2020/
[2] Department of Agri, Food & Marine stats August 2021
[3] Central Bank of Ireland statistics - 2021

Food & Drink Sector Update

Food & Drink Sector Update
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Brexit

Food exporters will have welcomed the recent announcement by the UK government on a delay in implementation of previously announced border controls[4] that were due to happen on the 1st of October. In a widely anticipated move, the UK government delayed the requirement of export health certificates until July '22. There had been widespread disquiet in the industry as to the level of preparation in place for these new requirements (Marks & Spencer warned of "border chaos"[5]). This coupled with the food supply chain crisis in the UK, meant that it was unlikely that the UK government would risk further disruption. As it stands, food stock levels in the key UK market remain low with industry concern around the impact of the additional pressure of Christmas volumes given current capacity constraints on HGV drivers and food processing labour. This presents an opportunity for the Irish food industry and a number of large UK retailers are looking for alternative suppliers of Christmas goods at short notice, due to the inability of suppliers in the UK to meet previously agreed commitments. Brexit continues to impact on food imports to Ireland with a decline of almost 50% on imports of food and live animals from Britain in the year to June[6]. While this has created difficulty for importation of raw material and ingredients, it has created a number of opportunities for SMEs in the packaged goods sector.

Fishing Industry

The government has been cognisant of the combined impact of Brexit and COVID-19 on the fishing industry. The seafood task force is due to report back shortly with longer term recommendations for developing the industry. However on the back of their interim report, €10m of support for a temporary tie up scheme for the demersal fleet has been announced[7]. This is in addition to any funding that Ireland may secure as part of the overall €5bn Brexit Adjustment Reserve.

Sustainability

With the United Nations climate change conference known as COP26 less than 2 months away, attention has intensified on how the food industry can address the climate challenge. It is very clear that suppliers without a clear sustainability plan are going to be at a disadvantage. A recent Bord Bia report on sustainability in the industry[8] highlighted that 72% of trade buyers agree with the importance of suppliers having strong sustainability credentials. Retailers are now beginning to look at scope 3 supply chain emissions which means that suppliers will have to respond. For example, Lidl has targeted that 70% of its supply base by volume will have to have science based targets in place by 2023.[9]

Commodity Pricing & Inflation

While CSO figures show that consumer food prices have not increased in August[10], it is likely that we will see price increases feed through in the months ahead. The UN Food & Agricultural Organisations food price index is up by 32.9% in August since the same month last year.[11] Other commodity increases – such as oil and transport are also affecting suppliers. While some may have had agreements to hold prices in place, many ingredients suppliers are citing "force majeure" to break out of contracts. As a result, many suppliers have lodged price increases with key retail and foodservice customers and it will now be a matter of negotiation and competition as to when and how much get passed on to consumers.

[4] https://www.independent.co.uk/news/uk/home-news/brexit-imports-eu-border-checks-b1919724.html
[5] https://www.thisismoney.co.uk/money/markets/article-9957527/Retail-giant-Marks-Spencer-warns-suppliers-EU-border-chaos.html
[6] Source CSO
[7] https://afloat.ie/port-news/fishing/item/51802-brexit-tie-up-scheme-for-fishing-fleet-is-announced
[8] https://www.bordbia.ie/global-sustainability-insights/
[9] https://www.abettertomorrow-lidl.ie/environment/
[10] https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexaugust2021/
[11] http://www.fao.org/news/story/en/item/1437401/icode/

Hospitality Sector Update

Hospitality Sector Update
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Encouraging bounce back in demand

Over the past three months, following the easing of some restrictions, Irish hospitality businesses have reported a strong bounce back in domestic demand. On average, profit and cash flow trends have been very positive largely due to prevailing government supports. On October 22nd, the majority of prevailing restrictions will be lifted and replaced by guidance and advice[12]; this last hurdle will be particularly important for hotels, bars and restaurants in Dublin, Cork and Galway which are more reliant on large conferences, sporting and entertainment events.

Government supports

Sector stakeholders are lobbying for the extension of government supports which continue to play a vital role in the recovery/ short term viability of some businesses. Currently the Employment Wage Subsidy Scheme (EWSS) is expected to be phased out by December 31st and the waiver on commercial rates is to cease at the end of September.

Staffing issues

At the International Hospitality Investment Forum (IHIF) held in Berlin earlier this month staffing was top of the agenda; Tony Capuano, CEO of Marriot international stated that because of the pandemic; "North of 20% employees in the travel and tourism globally have left the sector permanently"[13]. The sizeable gap in staffing could delay the recovery path of some businesses.

Sustainability & Decarbonisation

An increasing number of businesses have begun implementing a more decisive approach to decarbonisation. Some of the larger groups in particular are reacting to pressure from corporate customers who demand a well-structured strategy as they look to tackle the carbon footprint associated with the provision of accommodation and food and beverage services.

Some larger companies have added a Sustainability Reserve on top of their FF&E reserve as they are conscious that some of the larger projects will require substantial investment.

Gross profit under pressure

Ireland's annual inflation rate increased 2.8 percent in August 2021, from a 2.2 percent increase in July[14]. The sector works on relatively tight margins so a sustained increase in the cost of sales can have sizeable repercussions on Gross Profits unless businesses are able to pass these on to their customers.

New legislation regarding paid sick leave will introduce mandatory sick pay leave for 3 sick days in 2022 moving to 5 days in 2023, 7 days in 2024 and 10 days in 2025 which could lead to further pressure on margins.

As government supports are phased out in the coming months, it will be critical for businesses to keep an eye on this critical Key Performance Indicator (KPI).

Last-minute hotel bookings are still the norm

Strong average room rates reported by some properties outside Dublin do not represent actual hikes in pricing, they are the by-product of the lack of discounted, so called base business (book early discounts, tours/groups, etc..) which generally dilute summer rates. It is worth noting that the lead in time for bookings has shortened dramatically.

Accommodation KPIs 2019-2021	July									YTD July								
	Occ %			AHR €			RevPAR €			Occ %			AHR €			RevPAR €		
Location	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Dublin All (STR)	87.5	20.5	42.3	152.4	88.9	114.4	133.4	18.2	48.4	82.2	36.9	23.6	139.4	109.2	95.2	114.6	40.3	22.4
Dublin city centre (STR)	89.0	13.2	36.8	180.1	106.7	129.2	160.3	14.1	47.6	83.2	34.8	16.6	164.1	130.4	114.9	136.6	45.4	19.1
Galway (Trending)	92.3	53.0	86.2	140.4	111.1	167.0	129.6	58.8	144.0	73.4	41.4	39.2	111.3	92.3	137.6	81.7	38.2	54.0
Cork (Trending)	85.8	42.7	73.5	114.4	102.5	153.0	98.2	43.7	112.4	77.6	50.5	36.0	105.2	97.1	131.4	81.6	49.0	47.3
Cork (STR)	86.2	42.2	74.4	121.6	109.1	150.6	104.8	46.0	112.0	77.5	38.2	36.0	110.7	98.9	117.0	85.8	37.8	42.2
Limerick (Trending)	81.4	37.6	57.8	92.7	74.3	106.3	75.5	28.0	61.4	71.5	44.0	26.0	86.7	75.6	90.3	62.0	33.2	23.5
Kilkenny (STR)		53.2	77.0		135.7	202.7		72.2	156.0		35.8	30.3		111.5	161.1		39.9	48.8
Regional (Trending)	86.9	48.8	72.1	111.9	93.6	129.6	97.2	45.7	93.4	75.9	48.9	39.2	97.6	81.5	104.8	74.1	39.8	41.0

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[15] **Trending.ie** Hotel benchmark data (Galway, Cork, Limerick, Regional)
[16] STR Hotel benchmark data (Dublin, Cork and Kilkenny)

Manufacturing Sector Update

Manufacturing Sector Update
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Manufacturing boom continues strongly despite some slowdown in expansion

	Jun-21	Jul-21	Aug-21
BOI Industry Pulse	100	102.3	95.5
AIB PMI	64	63.3	62.8
EU PMI	63.4	62.8	61.4

Manufacturing indicators for August continue at record levels notwithstanding a drop from peak values seen in June/July. The Bank of Ireland Industry Pulse[17] for August was a strong 95.5 down from 102.3 in July while in AIB's Irish Manufacturing Purchasing Manager's Index (PMI)[18] the manufacturing sector came in at 62.8 down from 63.3 in July. Both indicators reflect continued strong expansion in orders intake and production output. This is mirrored in EU PMI data which registered 61.4 in August, down from 62.8 in July but the fourteenth month in a row of a positive index.[19]

This buoyancy is mirrored in many Q2 reports from industrial operations such as Kingspan (+41% H1 sales), Smurfit (+11% H1 sales), Caterpillar (+29% sales Q2), Sandvik (+22% sales Q2), all reporting strong performance.

Manufacturers continue to be heavily constrained by supply chain shortages and more recently by labour shortages as manufacturing seeks to add capacity. Backlogs on incomplete orders for Irish manufacturers rose again in August pushing delivery lead times out to all-time highs. This demand/supply mismatch is likely to continue in the short term as manufacturing output versus demands continues to catch up and find a new equilibrium.

Brexit Update – Many Positives for Irish Manufacturing

Brexit has resulted in a dramatic shift in trading patterns for Ireland with imports from UK down YOY for H1 2021 by 35% and up from EU by 27% according to the most recent CSO data.[20] There is no doubt that supplier substitution has played a part in this shift although part of it is as a result of UK suppliers moving their base to EU countries to avoid the Brexit red tape. Similarly logistics and transportation patterns have to a large extent irreversibly changed with land bridge traffic significantly down and manufacturers opting for direct routes from EU.

Manufacturers have de risked their Brexit exposure through a mixture of higher stock levels, direct transport routes, supplier substitution and in house technology transfer. The latter is a positive consequence for Irish manufacturing with a number of enterprises investing in new technologies and equipment to bring processes in house and avoid Brexit related costs and hassle. Similarly new EU customers have called upon Irish manufacturers to substitute for UK suppliers to bypass the Brexit impact.

H1 Exports from Ireland to the UK are up 32% YOY.[21] In some cases Brexit has been a positive development for Irish businesses exporting to UK. They have increased their trade volumes with UK as a result of incumbent EU suppliers turning away from the UK market. Irish manufacturers have taken advantage of their better knowledge of the paperwork requirements in comparison to EU peers who perhaps do not want to invest the additional time, effort and costs to continue supplying into the UK.

Inflation – When will the bubble burst?

The short answer is nobody knows for sure. It will likely be the middle of 2022 before supply and demand of key manufacturing inputs start to match. Inflation rose to 2.8% in August[22], its highest in ten years. Manufacturing input prices across the board have been rising at their highest rate in more than a decade. A combination of high demand, lots of bottlenecks and supply constraints across semiconductors, steel, plastic and transport are all driving prices upwards. Headline numbers for US rolled steel currently at $1,825 is headed for $2,000 up from pre pandemic levels of c$800. Similarly Shanghai steel is trading at 5,600 CNY/ton up from 3,500 CNY/ton.[23] Inflation forecasts are further complicated by the interrelationships of different components. The well documented semiconductor shortage is constraining car production. As Intel shifts existing capacity to their automotive customers, this may drive higher steel demand and in turn prices. Intel have announced an €80BN investment in additional capacity in Europe and welcome news is that Ireland is a strong contender for a significant portion of this.[24] Polymer prices remain elevated at +70% compared to pre COVID-19 with some reductions seen in July across certain plastics including polypropylene.[25] Manufacturers are passing on these increases and end consumers are already feeling the impact.

17 https://www.bankofirelandeconomicpulse.com/
18 https://aib.ie/content/dam/aib/fxcentre/docs/resource-centre/aib-ireland-manufacturing-pmi/aug-2021-report.pdf
19 https://www.markiteconomics.com/Public/Home/PressRelease/d4e4668ed5014144920b3637320a826e
20 https://www.cso.ie/en/releasesandpublications/er/gei/goodsexportsandimportsjune2021/
21 https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexaugust2021/
22 https://fortune.com/2021/07/08/steel-prices-2021-going-up-bubble/
23 https://tradingeconomics.com/commodity/steel
24 https://www.rte.ie/news/business/2021/0909/1245658-intel-ceo-on-irish-operations/
25 https://www.bpf.co.uk/plastipedia/polymer_prices/price-reports-july-2021.aspx

Retail Sector Update

Retail Sector Update
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Strong performance in Grocery continues

Grocery retailers continue to deliver a strong performance with the latest Kantar data outlining a sales increase of 13.5% when compared with the equivalent period in 2019. The data also highlighted a return to more normalised shopping patterns with consumers transitioning from the "big weekly shop" to an increased frequency of store visits.[26]

Brisk market activity

As the ever more discerning Irish consumer seeks excellence in store standards, Irish grocery and convenience retailers recognise that investment is required to retain and attract footfall to their business. In Bank of Ireland, we have received a strong volume of funding requests in recent weeks linked to store revamp and refurbishment projects.[27] Circle K have announced their first foray into non-forecourt convenience stores with the purchase of ten Dublin based stores from the Griffin Group. This type of activity is expected to continue as fuel brands seek to diversify their income stream in the years ahead.[28]

Focus on sustainability

Lidl has installed a reverse vending machine in its Glenageary store that will pay customers 10c in the form of a voucher for every plastic bottle or aluminium can recycled. The vouchers can be redeemed in Lidl stores and forms part of its Deposit Return scheme trial ahead of the Government's compulsory national scheme which is expected to be in operation by 2023.[29]

Sales data highlights diversity of Retail Sector

The latest Retail Index from the Central Statistics office (CSO) highlights the diversity and current fluctuations being experienced by the wider Irish retail sector. Whilst, overall sales volumes in July 2021 (excluding motor sales) increased by 1.6% when compared with the same period pre-pandemic in 2019, there were significant reductions in the Clothing/Footwear and department store sub-categories. Retailers in the Electrical goods, Hardware and Food sub-categories continue to deliver a very strong sales performance.[30]

The impact of COVID-19 related restrictions being eased further during September/October (coupled with a greater proportion of the population being vaccinated), on sales volumes will be monitored with interest in the weeks ahead.

Brexit and wider supply-chain issues

Brexit undoubtedly resulted in additional costs to Irish retailers in Q1 2021 (over 70% of retailers surveyed as part of Bank of Irelands Economic pulse in March 2021 confirming same). Feedback from retailers is that this additional cost burden has reduced as they have become more familiar with new requirements and, more tellingly, as they shift their reliance from UK based suppliers to alternative EU locations. Owen Clifford – Head of Retail outlined his thoughts on the Irish retail landscape post Brexit in a recent Irish Times article.

https://www.irishtimes.com/special-reports/future-of-retail/brexit-s-impact-on-irish-retail-is-far-reaching-but-there-are-positives-1.4644752?mode=amp

A number of international retailers including IKEA, Halfords and Woodies have flagged supply-chain issues primarily linked to production disruption/post lock-down demand on Chinese/Asian suppliers/manufacturers as opposed to a Brexit knock on effect.[31] These product accessibility issues are driving cost inflation and the impact on consumer cost/retailer margins will be monitored closely in the months ahead.

[26] Kantar – Irish grocery market share – 25/08/21
[27] Bank of Ireland business banking data – 15/09/21
[28] Shelflife magazine – 10/09/21
[29] **www.rte.ie** – 03/09/21
[30] CSO Retail Index – 27/08/21
[31] Irish Times – 06/09/21

Technology, Media and Telecoms (TMT) Sector Update

Technology, Media and Telecoms (TMT) Sector Update
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Recent survey, nearly 70% of participants worried about being targeted by fraudsters

Bank of Ireland recently partnered with leading international cyber-psychologist, Professor Mary Aiken to better understand why customers click on links in text messages that they believe are from their bank and also conducted wider research regarding the threat of fraud. The results of this research are alarming and, in many ways, demonstrate how these threats have contributed to heightened stress levels among members of the public:

- Over 68% of those surveyed worried about being targeted by online fraudsters.
- The number of people receiving a fraudulent email, text or call increased from 55% to 61%, year on year, from 2020 to 2021.
- 61% have received a fraudulent email/SMS/call claiming to be from their bank.
- 74% regularly consider the threat of fraud when they are online.
- 'Smishing' or fake texts are the most common form of targeting.

While these stats are quite stark, the important thing to remember is that we can all play our part in addressing these risks. All of us need to be wary of texts/emails/calls requesting urgent action/disclosure of personal information from anyone purporting to be from somewhere such as a financial services provider, delivery company or government agency. Professor Aiken advises to adopt the 'zero trust' principle, never trust, always verify. If there is any doubt about a suspect telephone call/text or email, contact the company directly, to check, before ever disclosing personal information.

As cyber events are becoming more sophisticated, so too is the need for customers to ensure they are robustly secure. As a first line of defence some companies are choosing to appoint Cyber Security Officers as a go-to person(s) in their organisation, and this role is expected to become ubiquitous in the time ahead.

AgTech continues upward growth

According to Pitchbook, the pandemic led investors to ramp up investment in AgTech businesses addressing weaknesses in agricultural supply chains. Events around extreme weather are amplifying new challenges and accelerating investment in soil sensors, predictive weather analytics, and drone aerial imagery that helps growers deal with the effects of climate change. They also suggest that technology to support the development of insect farming to help corporate food companies find innovative approaches to reach sustainability goals, is also set to expand; the market for which is projected to reach $4.6 billion by 2027.

Data Protection Commissioner (DPC) investigating TikTok

Ireland's DPC has announced an investigation in how TikTok handles children's data and whether it complies with GDPR. This is the latest 'Big Tech' investigation and comes on the back of a recent report published by Irish Council for Civil Liberties entitled ***Europe's Enforcement Paralysis***. The report claims that Data Protection Authorities (DPA) are unable to act against 'Big Tech' companies in major GDPR cases. The report also states that while COVID-19 forced many companies to adapt to a digital model, DPAs from across the EU have not scaled accordingly, with many lacking the necessary technology specialists to adequately police or investigate how 'Big Tech' handles people's data. The report also contends that the EU has become somewhat distracted in its enforcement of GDPR legislation. It is likely that following this report there will be heightened interest to see how long it will take for a decision to be made regarding potential sanctions as to TIKTok's compliance. It is reported that a large backlog of cases are already being investigated with other 'Big Tech' firms, with the recent $267m fine of WhatsApp by the DPC coming years after the first complaint was made.

Record venture capital raised by Irish tech firms in Q2

The Irish Venture Capital Association has recently published its latest VenturePulse survey with investment in Irish tech firms hitting a record €392m for the second quarter of 2021, up 7.6% on the same period last year. But it's not all good news as there was an alarming reduction in investment into early stage and start-up deals (€1m - €5m), where the value of deals fell by 47% and the overall number of deals fell by 42% during the period. On a half-yearly basis, the overall performance for start-up/early stage sector, in terms of value of deals was up 15% and volume of deals was also up 19%. It's difficult to call whether this is a temporary contraction in activity or a reflection of wider market dynamics. It will be interesting to see how activity for the segment plays out, over the remainder of the year.

Sources: IVCA, Pitchbook, Bank of Ireland, ICCL.

Motor Sector Update

Motor Sector Update
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In the month of August, new passenger car (PC) sales increased 25.1% year-on-year (y-o-y) to 6,013 units, Light Commercial Vehicle (LCV) sales increased 76.0% y-o-y (to 2,792 units) and used imports declined 37.5% y-o-y (to 5,088 units).

PC Registrations YTD

In the first 8 months, new passenger car registrations increased 22.1% year on year (to 96,309 units). Toyota holds the #1 position with 12.6% market share, followed by Volkswagen with 12.2% in #2, Hyundai with 10.5% in #3, Skoda with 8.7% in #4 and Ford with 7.1% in #5.

LCV Registrations YTD

In the first 8 months, new light commercial vehicle registrations increased 48.4% year on year (to 24,783 units). Ford holds the #1 position with 25.1% market share, followed by Renault with 12.5% in #2, Volkswagen with 11.8% in #3, Peugeot with 11.1% in #4 and Toyota with 8.2% in #5.

Used Imports

Registrations of used imports increased 16.4% year on year (to 46,185 units) in the first 8 months of 2021.

Passenger Car Sales	Light Commercial Vehicles	Used Imported Cars
August 2021 YTD **+22.1%**	August 2021 YTD **+48.4%**	August 2021 YTD **+16.4%**

Provincial Developments

August 2021 YTD

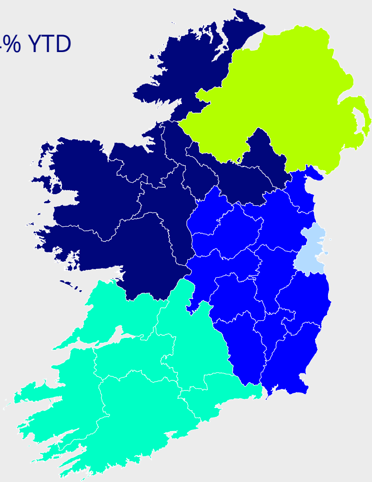
National Position
New (N) +22.1% YTD
Used Imports (UI) +16.4% YTD

Dublin
N +34.8% YTD
UI +23.4% YTD

Rest of Leinster
N +15.2% YTD
UI +13.4% YTD

Connacht/Ulster*
N +14.9% YTD
UI +15.0% YTD

Munster
N +13.7% YTD
UI +9.9% YTD



*Ulster Border counties

Data Source: Society of Irish Motor Industry (SIMI). Data as at 31/08/2021

Market News

August was another strong month for new vehicle registrations, despite semi-conductor shortages delaying some vehicles. Pent up demand continues to support the motor recovery. The months of July and August combined represents c. 26% of annualised sales and Q4 represents c. 5% historically. Manufacturers will soon be planning volumes and production for the 2022 market and although the chip shortage is expected to continue in the short term, further recovery in new car sales is expected in 2022.

Looking at July and August new registrations combined, it is encouraging to see a strong recovery in new vehicle registrations.

Table: July/August Registrations 2021 v 2019

	2019	2021	Diff. Units	Diff. %
	2 months	2 months		
PC[1]	29769	32496	2727	9.2%
LCV	6587	7766	1179	17.9%
Combined	36356	40262	3906	10.7%
[1]thereof, Hire Drive	3624	4152	528	14.6%
Used Imports	19088	10433	-8655	-45.3%

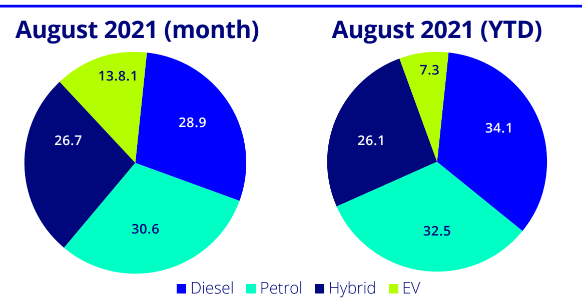
PC = Passenger Cars; LCV = Light Commercial Vehicles; HD = Hire Drive

Also positive to note is an uptick in hire drive registrations. International travel resumed in July and car rental companies are replacing fleets that were sold during the health crisis. The HD sales channel usually accounts for c. 15% of annual car sales. Due to the pandemic and a sharp fall in tourism, HD registrations accounted for just 3% of car sales in 2020. In the first 8 months this year, new HD registrations account for c. 8% of new car sales.

As reported in our July Newsletter, dealers are reporting shortages of used cars. The new car market is in recovery however lower volumes of trade-ins were generated in 2020 and 2021. Due to Brexit, less used imported cars are being imported and registrations of used imports are down 45% in July/August when compared to pre-pandemic levels in 2019. The government made changes to the Vehicle Registration Tax system in January this year with the impact of higher new car retail prices. This slows the recovery of new car sales and compounds a growing shortage of used cars. Additionally, lower volumes of car rentals are in circulation for a second year in a row,meaning that overall used supply will remain tight in Q4 this year.

Fuel Type Developments

New Passenger Cars



Supporting our Customers

Bank of Ireland Finance (BIF) supports 14 motor franchises representing c. 43% of annual new car sales and we remain committed to our customers.

Classification: Green

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