Sector Developments & Insights

April 2021

Bank of Ireland

Classification: Green

Contents

Introduction from June Butler – Head of Sectors – Bank of Ireland

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Welcome to the latest edition of our Sectors Developments and Insights update. As we move towards reduced COVID-19 linked restrictions facilitated by the vaccine roll-out, our Sector specialists examine the trends to emerge from Q1 2021 and the areas of focus for Irish businesses as they look to the remainder of 2021 with renewed optimism.

Achieving net zero by 2050

The Irish Government has committed the economy to becoming net zero by 2050, and a series of carbon budgets that include sectoral targets and a Climate Action Plan have been scheduled. These legally binding budgets will have a profound impact on how businesses operate across all sectors. This month we include an update from Sean McHale (Head of Institutional Strategy, Sustainability and Growth in Bank of Ireland Global Markets) reflecting the growing importance of ESG initiatives and regulations across the wider economy.

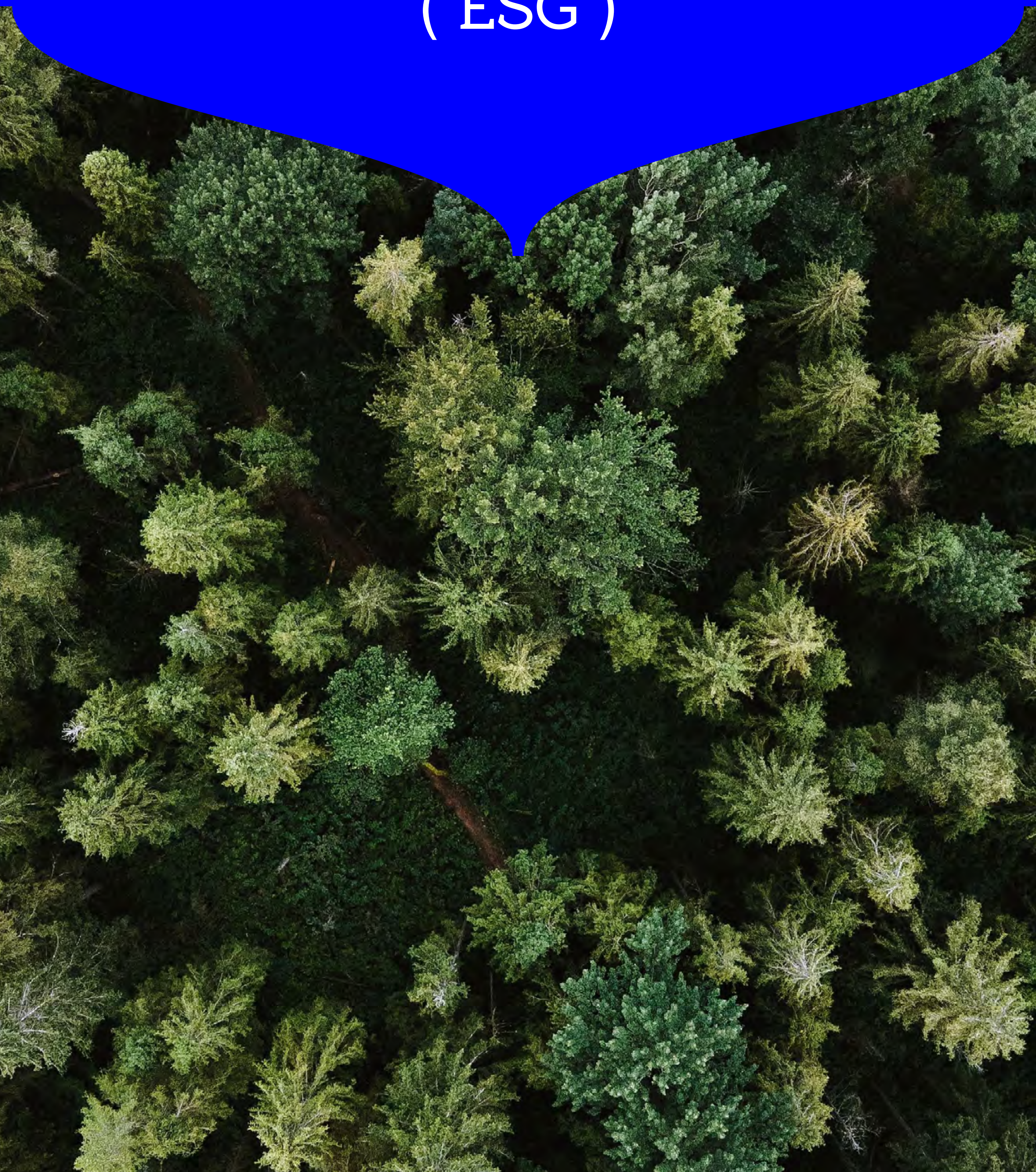
We continue to proactively engage with our customers and their advisors nationwide and have supported investment plans across a range of sectors to date in 2021.

New Head of Manufacturing sector appointed

The Manufacturing sector is a pivotal element of the Irish economy and with that in mind, I am delighted to announce the appointment of our new Head of Manufacturing Sector – Conor Magee. Conor joins Bank of Ireland from Cargotec, a global manufacturer of Industrial Equipment for Cargo handling and transport, where he worked in Ireland, China and Finland. In his new role Conor will focus on supporting existing and potential Bank of Ireland manufacturing customers to scale and grow their businesses. He brings with him a strong track record of business plan delivery, scaling and turnaround and is an expert practitioner in Lean thinking, supply chain best practice and cost management in the manufacturing sector. Bank of Ireland is committed to supporting a wide range of businesses within the Irish manufacturing sector and Conor's appointment demonstrates the Bank's continued commitment to this important sector.

Please feel free to contact Conor or any member of the Sectors team in respect of this month's update or a 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.

Environmental, Social & Governance ("ESG")



Environmental, Social & Governance ("ESG")
Sean McHale

The rise and rise of ESG

Whilst 2020 was the year of the pandemic, it will also be the year for many in which environmental, social and governance ("ESG") issues came to the fore.

Having committed the Irish economy to becoming net zero by 2050, the Government announced that it plans a series of carbon budgets that include sectoral targets and a Climate Action Plan with annual revisions as required. These legally binding budgets will have a profound impact on how businesses operate across all sectors. The requirement to 'transition' to a lower carbon economy however will come at an accelerated rate with Transport, the Built Environment and Food Agri of particular importance.

With change comes opportunity

Consumer behaviours and shopping habits have fundamentally changed with sustainability and societal issues driving purchase preferences and forward looking businesses have been responding in kind. A recent report by the Capgemini research institute (July 2020) showed a significant majority of consumers (79%) are changing their purchase preferences based on sustainability.

Firms such as Unilever are in the process of carbon labelling all of its 70,000 products coupled with its commitment to net zero emissions by 2039 across its value chain (Bloomberg - June 2020).

Why you might ask? Sustainability is now big business with Unilever's Sustainable Living Brands which include the likes of Dove, Hellmann's and Domestos consistently outperforming the average growth rate of the rest of the Unilever portfolio since the metric was introduced in 2014. Unilever have not only driven higher sales and market share they have also avoided over €1bn in costs over the same period.

It's not only 'traditional' consumer goods that are embracing sustainability with Netflix recently announcing their Net Zero + Nature commitment and Bank of Irelands €2bn sustainable finance fund already allocating €950m of loans to meet clients sustainability needs, clearly demonstrating customer's appetite for 'sustainable products' extends across all products and services.

Heat pumps to replace Hot water bottles

With approximately 40% of Ireland's energy-related carbon emissions coming from buildings alone[1], it will come as no surprise that a massive upgrade of the existing building infrastructure is required in order to meet our climate commitments. The government has a target of upgrading 500,000 homes by 2030 and installing some 400,000 heat pumps. With working from home now firmly established and some employers considering 'home-forever' policies, people on average are spending between 40 and 60 hours a week more in their homes, along with the corresponding increase in heating and utility bills. The average costs of retrofits is estimated at circa €50,000[2] and demand for construction and related services will remain strong over the next decade. Retrofitting also requires re-imagining how we use our homes, as our families grow and working from home becomes the norm. Flexibility will be needed in the future such as multifunctional space, using 'smart' technology to make our homes efficient through to electric vehicle (EV) charging points ensuring properties support sustainable lifestyles.

Conclusion

The direction of travel is clear and the journey has begun. A "whole economy, whole society" approach is required, therefore it would be a mistake to assume that ESG will only impact on large corporates and listed entities. The simple fact is that all firms supply chains, irrespective of size, will be scrutinised by their customers and financiers alike who in turn will determine if their operations are green or brown. 'Transition' and 'pathway' will become the new keys in the access to capital and debt with new models emerging and becoming more influential such as 'Doughnut Economics[3]' and the 'Circular Economy'.

[1] **Gov.ie**
[2] SEAI
[3] Doughnut economics is a visual framework for sustainable development – combining planetary boundaries with complementary societal boundaries. The name derives from the shape of the diagram employed to demonstrate same.

Agriculture

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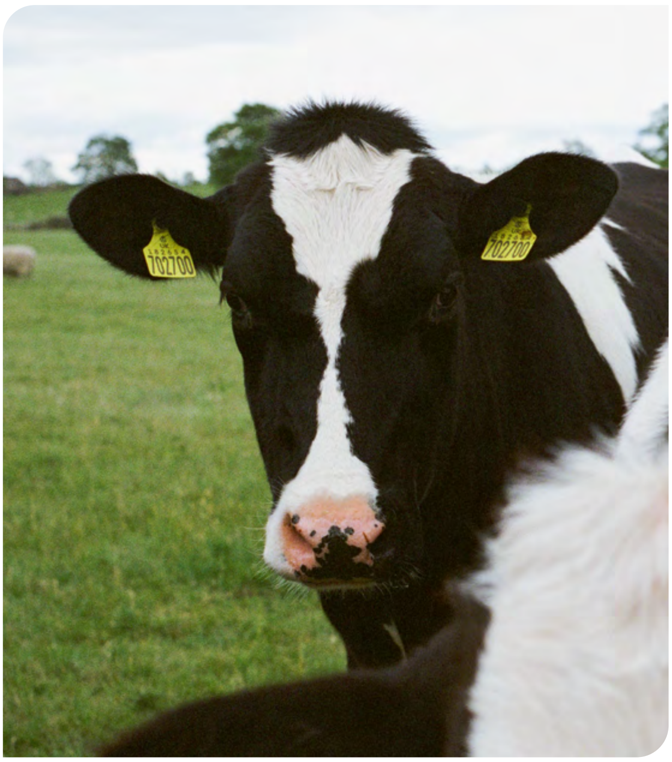
Glanbia introduce milk supply limits

Glanbia, Ireland's largest dairy processor, accounting for a third of the country's milk pool has introduced a temporary policy to limit the rate of growth in peak milk supplies from next year. This is as a direct result of a legal battle between An Taisce and An Bord Pleanala over the building of a cheese plant in Belview, Co. Kilkenny. While An Taisce doesn't have an issue in relation to the factory itself, it argues that the building of this factory will lead to additional cows, causing a greater environmental impact in the form of additional greenhouse gas emissions and poorer water quality. A decision by the High Court is expected to take several months. The temporary policy will apply to milk supplies in April, May and June from 2022 and will allow suppliers grow volumes over peak by a maximum of 5% per year (depending on annual milk supply). There is no restriction on growth in milk supply volumes outside of peak months.

The Climate Bill published last month, which sets legally binding targets to ensure Ireland reaches net zero emissions by 2050, is a further sign of the environmental challenge facing farming in the years ahead. Given that agriculture accounts for one third of Irish emissions, unless new technology or emissions calculations are introduced, a cut to the national herd may be on the cards.



Land prices up 15% in 2020

The Irish Farmers Journal land price report, found that the average price of farmland rose by 15% to €10,316/ac in 2020 as land owners held off selling due to the Covid-19 pandemic. The reduction in supply, saw 29% fewer farms (25% fewer acres) put up for sale in 2020 compared to the previous year. One of the main reasons for landowners holding back was their concern that they would not get the full market price due to Covid-19. Demand for land was as strong as ever with quarter 4 very active. The biggest drop in supply (down 41%) was for larger farms (over 200ac). There were also 33% fewer farms under 40 acres put up for sale last year. More farms were offered by private treaty as strict lockdown rules saw fewer auctions take place last year. It is expected that pent up demand could keep prices strong even if supply increases. However, the real driver of prices for 2021 may prove to be buoyant Agri commodity prices which are currently at 5 year highs.

Land rental prices soar

Land rental prices for both grassland and tillage are at all-time highs as supply falls and demand increases. Prices are up across both long term and short term (conacre) leases. Grassland is freely making up to €300/acre and up to €370/acre in places with tillage land making upwards of €330/acre in some cases. The poorest quality land is ranging €150-250/acre.

Dairy farmers are a key driver of demand as increased environmental regulations that came into effect at the start of the year are impacting stocking rates. Where existing leases are expiring, most are being renewed but at higher prices.

Agri commodity price Bull Run

Despite the global pandemic, global agri commodity markets continue to soar, as demand outweighs supply across key commodities such as grain, dairy and meat. The big driver of demand is Asia's (and particularly China's) insatiable appetite for food. Brexit is having a positive impact on sheep meat and lamb prices driving them to record highs of close to €8/kg. Dairy markets are reflecting the equivalent of almost 40c/l base milk prices (incl. VAT). Dried wheat and barley are trading at €240/t and €229/t respectively, approx. €40/t higher than this time last year. Beef prices have only increased marginally with quotes still below €4/kg despite lower cattle numbers. It is expected that the reopening of food service and the economy in the UK may help drive demand and therefore prices for this sub-sector.

Food & Drink

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Food & drink businesses continue to adapt to the evolving landscape of Brexit and COVID-19, while managing increased freight and commodity prices, as well as ongoing changes in consumer behaviour.

The situation with Brexit continues to evolve for Irish businesses

Exporters to the UK that had been preparing for the first round of UK border checks in April, welcomed the recent announcement that sanitary checks would be moved back to October and that full border checks would not commence until January 2022[4].

From an import perspective, companies are encountering difficulties in particular with rules of origin. This has led to well publicised issues around flour price increases[5]. In the short term, some importers are paying tariffs in order to secure stock, however supply chains are starting to adapt to the post Brexit reality. In some cases this may result in a smaller range of imported goods that come directly into Ireland by-passing the UK[6]. This continues to put pressure on local warehousing space.

Regulation around imports is expected to increase in quarter 2 as new EU regulations come into force for composite goods containing meat and dairy[7]. Chilled composite foods from the UK containing meat and dairy will now need to be accompanied by a vet certificate. This added complexity, may cause some UK producers to withdraw from the market and will create opportunities for Irish suppliers to substitute UK imports in a number of key chilled categories.

UK food and drink producers have highlighted the difficulties with Brexit. Some industries have been decimated. For example, live seafood such as mussels and oysters[8] from England & Wales and Scottish seed potatoes cannot now be sent to the EU[9]. One solution[10] (which would also address many of the issues with regard to the Northern Ireland protocol) would be for the UK to agree to a dynamic alignment with EU sanitary and phytosanitary standards. However, such alignment at present is too politically sensitive for the Conservative party, but as Brexit reality continues to bite in the UK, this may change. In the shorter term, it offers opportunities for Irish producers to displace UK exports to the continent.

Vaccine rollout gives hope for foodservice:

The pace of the vaccine rollout in key export markets such as the UK, is giving hope for foodservice sales from quarter two onwards. However, the accurate prediction of consumer behaviour post rollout is a challenge for companies with long purchasing lead times on packaging and ingredients. The difficulties in such a prediction are well illustrated by the significant increase in Easter egg sales this year compared to 2020, despite the fact that in both cases consumers were operating in a lockdown environment. For example, Lidl Ireland reported an increase in Easter egg sales of 99% and many shops sold out ahead of Easter.[11]

Sustainability continues to remain a first order concern for food & drink businesses. Significant investment has piled into the plant based and cultured meat sectors, with some high profile start-ups driven by tech investment such as Beyond Meat and Impossible Foods. Recently released full year sales in the US suggested that plant based foods had grown by 27% last year[12]. This has led to link ups between some traditional food companies such as PepsiCo and new entrants like Beyond Meat[13]. In the UK[14], supermarkets have committed to increasing the space given over to plant based foods and to reducing the space for meat. This will be a challenge for Irish meat producers. Closer to home, concerns have been raised that some plant based foods lack protein content and can be highly processed[15]. Concerns in this area may have contributed to a drop off in sales of plant based "meats" in Ireland in January[16]. Irish companies are reviewing their plant based strategies as increasingly consumers are demanding that plant based foods deliver on taste and clean label ingredients and as the category matures, not all new entrants will succeed.

[4] https://www.bbc.com/news/uk-politics-56361229
[5] https://www.irishtimes.com/business/agribusiness-and-food/consumers-facing-9-increase-in-cost-of-bread-1.4467145
[6] https://www.thegrocer.co.uk/brexit/john-west-to-bypass-uk-for-irish-imports/654763.article
[7] https://www.gov.uk/guidance/export-or-move-composite-food-products#what-a-composite-food-product-is
[8] https://www.theguardian.com/business/2021/feb/02/eu-rules-on-some-types-of-shellfish-leave-uk-fishermen-devastated
[9] https://www.thescottishfarmer.co.uk/news/19169439.absolute-parity-will-resolve-seed-potato-export-issues/
[10] https://www.irishexaminer.com/news/arid-40251494.html
[11] https://www.irishtimes.com/news/consumer/shoppers-left-hunting-as-easter-egg-stocks-dwindle-due-to-increase-in-sales-1.4527422
[12] https://progressivegrocer.com/plant-based-food-sales-27-7b-2020
[13] https://progressivegrocer.com/pepsico-beyond-meat-create-plant-based-powerhouse
[14] https://www.foodnavigator.com/Article/2021/03/09/Supermarkets-pressured-to-cut-meat-and-dairy-sales
[15] https://www.independent.ie/irish-news/health/quarter-of-meat-substitute-products-lack-protein-report-shows-40233012.html
[16] https://www.farmersjournal.ie/sales-of-vegan-meat-products-slump-more-than-5-in-january-60108

Healthcare

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Strong fund and investor interest in the nursing home sector continues. Increased regulatory activity in the nursing home sector is expected with the appointment of additional inspectors. The ESRI publishes the first of three research reports to inform the development of a home support scheme.

Nursing Homes

COVID-19 and Vaccination Programme: There were two nursing home COVID-19 outbreaks notified in week 12, 2021. From 22/11/2020 to 27/03/2021, 232 outbreaks in nursing homes or community hospital/long-stay units have been notified and 52 (down from 176 in Week 8) of these outbreaks remain open[17]. The latest Report[18] shows that 188,911 vaccines (Up from 159,350 in Week 8) have been administered to residents aged >65 in a long term residential setting (1st dose: 105,538, 2nd dose: 83,373). Data shows that vaccines are protecting residents in nursing homes with the latest cycle of testing, of over 16,100 tests, showing a positivity rate of 0.07% (the lowest rate since serial testing began in nursing homes last year).

Government Scheme: The Department of Health reported[19] that the temporary financial support scheme established had provided (by 26 March 2021) €80.1m in financial support to nursing homes. This Scheme is scheduled to continue until 30 June 2021.

Consolidation: Strong fund and investor interest in the nursing home sector continues with a number of transactions underway. Belgian REIT, Aedifica NV/SA increased its Irish footprint with the acquisition of the Signacare group of four homes with 233 beds across the southeast region for a reported €26.5m. These homes will be operated by Emera backed Virtue Group who will now operate c.800 beds.

Market Activity: It is reported that the Irish Diaspora Loan Fund provided €6.7m under the immigrant investor programme to the owners of Sunhill Nursing Home to refinance their EIIS scheme loan and build an extension. The HSE confirmed that it was taking over the former hotel building on the site of the Blarney hotel and golf resort site on the north-western outskirts of Cork city, and converting it to a 60-bed community nursing unit.

Regulation: The Health Information and Quality Authority (HIQA) appeared before the Oireachtas Health Committee on 23rd March and focused on the recommendations of its report on the 'Need for Regulatory Reform' of the social care sector[20]. HIQA outlined that COVID-19 has shone a spotlight on the need for regulatory reform - an issue that it had previously signaled was in need of reform. The Department of Health signaled its broad support for reform and advised that a review of the regulatory framework is underway and that it had provided additional funding for the recruitment of additional inspectors. HIQA advised an increase in regulatory activity in the nursing home sector with a particular focus on the prevention and control of infections.

Home Care

A key Sláintecare reform proposal is the development of a statutory scheme for the financing and regulation of home support services. The Economic and Social Research Institute (ESRI) published a report "Demand for the Statutory Home Support Scheme"; this is the first of three research projects funded by the Department of Health to inform the development of a home support scheme[21]. The report outlines that:

- An estimated 24.7 million home support hours were provided in 2019 to over 65,000 people aged 65 years and older;
- Approximately 33.4 per cent of total (public and private) home support in 2019 was provided by HSE staff (8.24 million hours), 8.4 per cent was provided by the voluntary sector (2.06 million hours), and 58.3 per cent provided by for-profit organisations (14.4 million hours).

The ESRI models a number of scenarios and concludes that demand is likely to grow considerably due to the introduction of the statutory scheme and the effects of demographic change. The ability to meet demand in a timely way could be the greatest challenge to implementation.

[17] **https://www.hpsc.ie/a-z/respiratory/coronavirus/novelcoronavirus/surveillance/covid-19outbreaksclustersinireland/COVID-19%20Weekly%20Outbreak%20Report_Week122021_WebVersion_final.pdf** (Accessed 07/04/2020)
[18] **https://covid19ireland-geohive.hub.arcgis.com/pages/vaccinations** (Accessed 07/04/2020)
[19] **https://www.oireachtas.ie/en/debates/question/2021-03-31/1205/**(Accessed 07/04/2020)
[20] **https://www.hiqa.ie/sites/default/files/2021-02/The-Need-for-Regulatory-Reform.pdf** (Accessed 07/04/2020)
[21] **https://www.esri.ie/system/files/publications/RS122.pdfhe** (Accessed 07/04/2020)

Hospitality

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Taoiseach Micheal Martin announced at the end of March that travel limits would be extended to county-wide by April 12th although a future lessening of travel restrictions would depend on the efficiency of the vaccine rollout. For the hospitality sector there is a chance that limited outdoor dining could resume in May as well as the potential reopening of B&Bs and guesthouses. Trade for hotels, bars and restaurants is not anticipated to resume before June or July.

As businesses plan for their summer reopening, Minister for Tourism Catherine Martin announced details of a €17m scheme for developing outdoor dining capacity nationwide. The scheme is made up of two parts to be delivered in partnership between Fáilte Ireland and local authorities. The first part provides funding for individual tourism and hospitality businesses to develop, increase or improve their outdoor seating capacity. The second part will allow local authorities to develop permanent outdoor public dining spaces in towns and urban centres. Galway City Council has already announced it will waive charges for cafés, pubs and restaurants with on-street seating, as part of an initiative to assist them through the pandemic.

Although measures were welcomed, Industry bodies have made the point that additional/increased government supports might be needed including the retention of the 9% hospitality VAT rate, continued employment subsidies and rates waivers.

Mandatory hotel quarantine (12 nights) for all passengers arriving into Ireland from a number of countries (currently 58 deemed high risk as at 10th April) is now in place. The list of countries could be revised up or down depending on infection rates across the globe. The contract was awarded to Tifco Hotel Group who provide the service for a charge of €1,875 per person.

Passengers arriving without a negative PCR test also need to quarantine. Crucially, the key overseas visitor markets of the UK, is not included in the current list.[22]

Hotels

The uncertainty that prevails about the easing of travel restrictions continues to impact on hotel bookings which remain low around most of the country. Fáilte Ireland recently reported uncertainty was the primary barrier for people booking holidays.[23]

"Intentions to travel within the Republic of Ireland have eased slightly from January (although short trip consideration remains

56% (from 59% Jan.21)	43% (from 45% Jan.21)	21% (from 24% Jan.21)
Intend to take a short break in Ireland in the next 12 months	Intend to take a short break in Ireland in the next 6 months	Intend to take a short break in Ireland in the next 3 months

Despite the prolonged period of restrictions impacting the hotel trade, a total of five hotel properties have reportedly transacted this year to date for a reported total of €13.5m including Blarney Hotel and Liss Ard Estate in Cork, Killaloe Hotel in Clare, Lansdowne Arms in Kerry and Iona Hotel in Wexford.[24]

Bars and restaurants

Minimum unit pricing for alcohol is finally set to be introduced by Christmas 2021. The law approved back in 2008 sets a basement price on alcohol with the aim of discouraging excess drinking.[25]

Headwinds

Aged trade creditors balances are a concern for some businesses; a sizeable amount of businesses are also taking advantage of the warehousing of taxes at 0% offered by Revenue.

Hotels, bars and restaurants have expressed concerns about their ability to secure staff for the reopening of their premises as many well trained and capable people have left the sector over the past year.

[22] **www.dfa.ie**
[23] Fáilte Ireland "CP&I – Consumer Update - March 2021
[24] **www.businessworld.ie**
[25] **www.irishtimes.com**

Manufacturing

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Manufacturing recovers in March and outlook continues positive for 2021

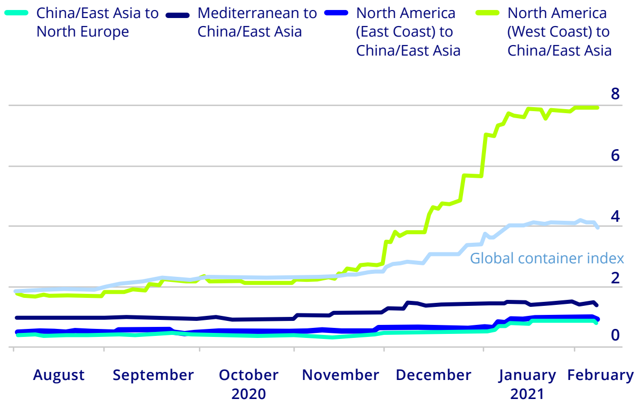
PMI	57.1	↑
PMI Drivers		**Trend**
New Orders		↑
Output		↑
Employment		↑
Suppliers Delivery Times		↓
Stocks of Purchases		→
SME Growth Outlook		↑

As per AIB Irish Manufacturing Purchasing Manager's Index (PMI)[26] the manufacturing sector has been in positive, expansion territory since October 2020 with a strong recovery of 57.1 in March, coming on the back of sluggish performance of 52 and 51.8 for February and January respectively. The challenge impeding higher output growth continues to be long supplier delivery times caused by a combination of Brexit, COVID-19 restrictions, and container availability (see below). These all add up to increased costs for Manufacturing, driving price inflation and longer end to end cash conversion cycles. Notwithstanding these challenges, employment remains stable in the manufacturing sector as businesses forecast higher activity levels to meet pent up demand. The positive growth outlook is mirrored in a recent PWC CEO survey[27] with 49% of Irish respondents and 76% Global respondents positive compared to just 16% and 22% respectively this time last year. As vaccine rollout gains critical mass and rapid antigen testing is more widely adopted, employee safety management within manufacturing takes a big step forward.

Supply Chain and Jump in Freight Costs

Sea Change

Container freight costs, $'000 per 40-foot container
By route



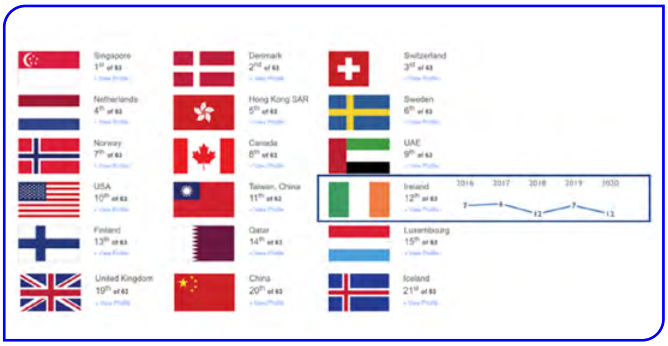
Sources: Freightos Baltic Index; Refinitiv Datastream

High container demand together with empty container shortages as a result of containers stranded in wrong geographies following lockdown exit in Q3/2020, have triggered a spike in container costs by an average of 80% from $2200 to $4000.[28] This will, in the short term at least, drive component price inflation for enterprises dependent on global supply chains.

The recent delays in the Suez Canal brought into sharp focus our dependence on, and the fragility of global supply chains. The Ever Given Mega Container ship with 20,000 containers on board and on route to Rotterdam blocked the Suez Canal for nearly a week. The Suez Canal carries 12% of global trade and losses have been estimated at more than $6bn. With a number of following ships having to reroute around the Cape of Good Hope, adding 2 weeks to transit times, lead times for some components will increase in the range of 2-6 weeks.[29]

[26] www.aib.ie/fxcentre/resource-centre/aib-ireland-pmis
[27] www.pwc.com/gx/en/ceo-agenda/ceosurvey/2021.html
[28] www.economist.com/graphic-detail/2021/02/11/container-shipping-costs-have-surged-in-recent-months
[29] www.bbc.com/news/business-56559073

IMD 2020 World Competitiveness Report[30]



Ireland came in a strong 12th out of 63 countries surveyed for the IMD 2020 World Competitiveness report.

Two key areas of opportunity and improvement are:

1 **Talent ranking rank: 18**

2 **Digital Competiveness rank: 20**

COVID-19 has accelerated improvement in both of these as the talent ecosystem now changes forever with homeworking and, businesses have embraced a greater online and digital footprint to navigate the crisis.

In practice this allows companies to recruit from a bigger talent pool and businesses with a customer centric inline presence have generally fared better during COVID-19.

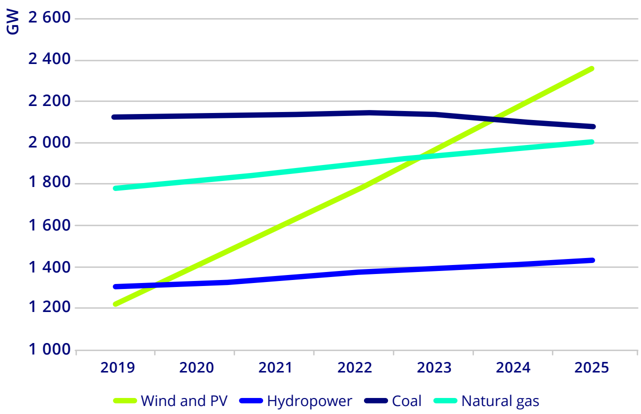
Going Green – The Time for Action is NOW

Global Manufacturing is taking action in respect of environmental issues and Original Equipment Manufacturers (OEMs) like VW and Nissan are committed to decarbonisation programs including 100% electric vehicle production by 2030. In the context of suppliers and Irish Manufacturers, end to end supply chains must halve their carbon footprint by 2030. Linked to this are clean renewable energy sources. Offshore wind energy and solar sources are set to grow exponentially and will overtake fossil fuel sources by 2024. (See chart) [31]

Ireland's share of renewable energy sources as a percentage of total electricity needs stands at 36.5% in 2019 with 86% of that coming from wind.[32]

The major opportunity for businesses is the enormous technology challenges including decarbonisation to reach climate targets. Indeed many commentators estimate that less than half of needed technology is currently commercially available. The time for innovation and collaboration across all stakeholders is now.

Figure 2.4 Total installed power capacity by fuel and technology 2019-25, main case



Source: IEA (2020), World Energy Outlook 2020

[30] www.imd.org/wcc/world-competitiveness-reflections/the-global-competitiveness-report/
[31] www.iea.org/search?q=renewables
[32] www.seai.ie/data-and-insights/seai-statistics/key-publications/energy-in-ireland/

Retail

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Strong performance in Grocery continues

Grocery retailers continue to deliver a strong performance with the latest Kantar data outlining that Irish shoppers have spent an additional €2 billion in take-home grocery in the past year. Some notable category highlights include €19.5 million spent on instant coffee and €7.6 million on tea, reflecting the shift for many to home-working arrangements. Supervalu retained the largest market share in the twelve weeks to 21st March 2021 reflecting their community focused footprint nationwide and online sales capability[33].

Health and Safety and a Healthier lifestyle a key focus for consumers

The grocery shopping experience during the COVID-19 pandemic is illustrated effectively from statistics released by Tesco Ireland whereby 22,000 square metres of Plexiglass were installed (enough to cover the Aviva stadium pitch three times over) and 130,000 litres of hand sanitiser have been used in-store to date.[34]

Irish consumers have embraced a healthier diet in 2021 to date with sales data from BWG foods outlining a significant increase in the sale of vegetables (+18%) and fruit (+6%) when compared with Quarter 1 2020.[35]

Evolution of the grocery sector continues

A comprehensive feature on the evolution of the Irish grocery sector was recently published by the Irish Examiner with contributions from Owen Clifford (Head of Retail Sector)

https://www.irishexaminer.com/opinion/commentanalysis/arid-40258610.html.

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 February 2021 (excluding motor sales) decreased by 3.9% when compared with the same period in 2020, this was driven by significant reductions in the Bars (-91%), Clothing/Footwear (-64%) and department store (-45%) sub-categories. Retailers in the Electrical goods (+33%), Hardware (+26%) and Food/Beverage (+24%) sub-categories continue to deliver a very strong sales performance.[36]

Given that non-essential retail stores are not scheduled to re-open until May at the earliest, representative groups have sought an accelerated approach to click & collect services being implemented.[37]

Keeping the customer engaged

"As COVID-19 restrictions are eased, shoppers will seek the experience and social interaction involved in traditional in-store shopping. However, physical distancing and health and safety will continue to have conscious resonance in how we shop, how we move around stores and how we are served. The customer preference to use card and contactless will endure. Click-and-collect will form an essential element of a retailer's sales and fulfilment channel given the prohibitive costs associated with a pure online and delivery method. The use of social media led events/sales, virtual appointments/consultations, and a strong after-sales service will distinguish progressive retailers from the crowd." The above paragraph is an extract from an op-ed by Owen Clifford which featured in the Irish Independent during March. This outlined some key areas for retailers to focus upon in a post COVI-19 environment.

https://www.independent.ie/business/irish/monday-insight-retailers-will-need-to-adapt-to-new-shopping-norms-afterpandemic-recedes-40222925.html

[33] Kantar Ireland press release – 07/04/21
[34] Tesco Ireland press release – 16/03/21
[35] **www.shelflife.ie** – 31/03/21
[36] CSO Retail Index – 29/03/21
[37] Irish Examiner – 05/04/21

Technology, Media and Telecoms (TMT)

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Irish tech funding for the first time exceeded €1 billion in one year

TechIreland has just published its annual funding review for 2020. The report details tech funding raised across all 32 counties of Ireland and includes venture capital, grants, venture debt, crowdfunding and other sources of funds. The report shows that despite the COVID-19 pandemic, the Irish tech sector 'punched above its weight' in 2020. A record 264 companies raised investment, much of which was for follow-on investments. While it was a record-breaking year, the report also confirms similar commentary by the Irish Venture Capital Association from earlier in the year of a narrowing pipeline for seed-funding, with investment going into early stage rounds (€1-3 million) dropping for the fourth consecutive year.

It is hoped that the recent announcement by Enterprise Ireland calling for expressions of interest from venture fund managers seeking to secure investment under the €175m Seed and Venture Capital Scheme (2019-24) will provide a significant boost to the funding available for early-stage Irish companies. This call will make up to €82million available to commercially managed funds to support High Potential Start-ups (HPSUs) and scaling companies.

EU countries commit to leading the green digital transformation

The EU's Digital Day 2021 took place recently to discuss current and future challenges of digital technologies and commitments to address them. 24 Member States and Norway and Iceland signed a declaration to accelerate the use of green digital technologies for the benefit of the environment. This commitment will see deployment and more investment in green digital technologies to accelerate digital transitions in priority sectors in Europe, with the overall aim of achieving climate neutrality. This will likely create opportunity for companies across the sector as investment increases in new and emerging technologies and will need to be underpinned by digital sustainability.

Right to disconnect comes into force

In recent days all employees officially have the Right to Disconnect from work, to support a better work-life balance. There are three rights enshrined in the Code of Practice:

- The right of an employee to not have to routinely perform work outside their normal working hours.
- The right not to be penalised for refusing to attend to work matters outside of normal working hours.
- The duty to respect another person's right to disconnect (e.g., by not routinely emailing or calling outside normal working hours).

The Code was developed by the Workplace Relations Commission, following a request by the Tánaiste in November 2020, underpinning the commitment made in the Programme for Government to facilitate and support remote working.

Recent sector activity

eShopworld, the Dublin based retail technology firm has been acquired by Asendia, a joint venture between units of France's La Poste and La Poste Suisse. Asendia has been a shareholder since 2013 and had raised its stake in the business to 50.1pc in 2017. The deal is said to have valued the business at c€1bn.

Sources: European Commission, TechIreland, Technology Ireland, Data Protection Commissioner, Department of Enterprise Trade and Employment.

Motor Sector

Motor Sector
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In the month of March, new passenger car (PC) sales increased 54.4% year-on-year (y-o-y) to 9,270 units, Light Commercial Vehicle (LCV) sales increased 110.2% y-o-y (to 3,008 units) and used imports increased 25.6% y-o-y (to 5,842 units).

PC Registrations YTD

In the first quarter, the market declined 3.2% y-o-y (to 48,188 units). Toyota holds the #1 position with 13.1% market share, followed by Volkswagen with 10.9% in #2, Hyundai with 10.4% in #3, Skoda with 8.8% in #4 and Ford with 8.3% in #5.

LCV Registrations YTD

In the first quarter, the market increased 22.4% y-o-y (to 11,346 units). Ford holds the #1 position with 24.3% market share, followed by Volkswagen with 12.0% in #2, Peugeot with 11.6% in #3, Renault with 10.2% in #4 and Toyota with 8.8% in #5.

Used Imports

Registrations of used imports increased 5.5% y-o-y (to 18,420 units) in the first quarter of 2021.

Passenger Car Sales	Light Commercial Vehicles	Used Imported Cars
March 2021 YTD -3.2%	March 2021 YTD +22.4%	March 2021 YTD +5.5%

Provincial Developments

March 2021 YTD

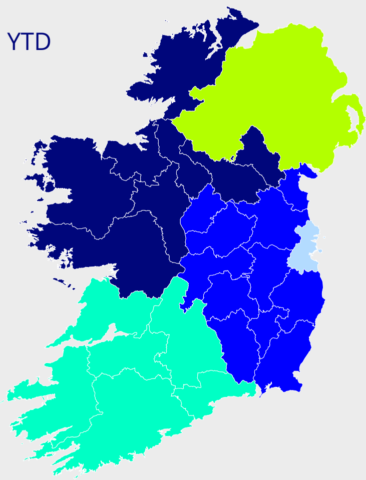
National Position
New (N) -3.2% YTD
Used Imports (UI) +5.5% YTD

Dublin
N -4.0% YTD
UI +9.0% YTD

Rest of Leinster
N -3.2% YTD
UI +3.8% YTD

Connacht/Ulster*
N -2.7% YTD
UI +5.6% YTD

Munster
N -2.5% YTD
UI +1.6% YTD



*Ulster Border counties

Data Source: Society of Irish Motor Industry (SIMI). Data as at 31/03/2021

Market News

Looking back at quarter one 2020, the motor sector experienced the first effects of an economic lockdown. As the sector shut down all but essential operations, the usual sales push in the last days of the quarter did not happen and new car sales declined circa (c.) 63% year on year (y-o-y) in March 2020. The hire car market, usually accounting for c. 15% of new car sales collapsed 72% in Q1 2020 due to a sharp drop in tourism. At the end of February 2020, new car sales were down c. 5% y-o-y but had declined c.21% by the end of the quarter as the economy went into the first lockdown.

We would not have then predicted, as we pass the first anniversary of the first lockdown that 12 months later we would still be struggling to get ahead of this virus. In the midst of this pandemic, the government made extensive changes to motor vehicle taxation which took effect in January 2021 leading to price increases for Irish consumers and coincided with the impact of Brexit. Despite these significant challenges, the sector continues to prove resilient.

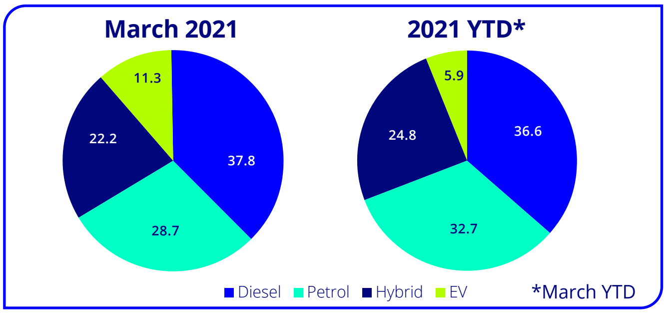
In Q1 2021, the motor sector has operated under level 5 restrictions for the entire period. Under these restrictions, motor dealers can open for vehicle servicing and repairs and consumers can visit dealers to have regular maintenance carried out. For new and used vehicle sales, dealers engage with customers remotely/digitally and operate a "click and deliver" service. In the first quarter, c. 59,500 new cars and vans were delivered to customers under these measures.

A temporary reduction in VAT to 21% ended at the end of February 2021. VAT has since reverted back to 23% and consumers purchasing new vehicles from March onward incur the higher rate of VAT. Nonetheless, recent motor finance approval activity coupled with higher levels of personal savings suggest that demand for new vehicles will improve once restrictions are eased and consumers can visit retailers again.

Electric Vehicles

Sales of electric vehicles ticked up in March to 11.3% of new car sales. In March, c.68% of EV sales are attributed to three models – the Nissan Leaf, the Tesla Model 3, and the new Volkswagen I.D.4 which just launched in Ireland. In fact, the Volkswagen I.D.4 was the overall bestselling car in the market in March.

In quarter one, the top 5 selling EV's were 1) Nissan Leaf (445 units) 2) Volkswagen I.D.4 (411 units) 3) Volkswagen I.D.3 (377 units) 4) Tesla Model 3 (325 units) and 5) Kia Niro (268 units). Year to date, volumes of EV's have increased 71.5% y-o-y and account for c. 5.9% of total new car sales.



Supporting our Customers

Bank of Ireland Finance (BIF) supports 13 motor franchises representing c. 41% of annual new car sales and we remain committed to our customers.

Bank of Ireland and the Irish motor sector is open for business.