Sector Developments & Insights

October 2021

Bank of Ireland

Classification: Green

Contents

Introduction

Welcome to the latest edition of our Sectors Developments and Insights update. As our sectors team have engaged with the Irish business community in recent weeks, a number of key trends and issues have emerged nationwide – access to personnel, supply-chain constraints, climate change/sustainability and technological innovation. It is interesting to see the different focus from individual sectors across similar themes as outlined herein. 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.

Balancing current challenges with long-term ambitions

As the economy continues to open up linked to the roll-out of the vaccine programme, Irish farmers and businesses are evaluating their long-term strategic plan and ambitions whilst navigating current challenges linked to COVID-19, Brexit and the international supply-chain model. Difficulties in sourcing and retaining appropriate personnel will act as a catalyst for further investment in technology and automation of processes. The increased focus from Government, the investor community and consumers on ESG matters will only accelerate linked to the upcoming COP26 in Glasgow and the publication of the Irish Government's first Carbon budget in the weeks ahead. 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 in our 2021 though-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

Supporting your business

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 issues outlined 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 with confidence in a post pandemic environment.

Agriculture Sector Update

Agriculture Sector Update
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Agriculture could have to reduce emissions by up to 30% by 2030

Even though the Climate Change Advisory Council (CCAS) has not yet announced the national carbon budgets, it looks likely that the target for agriculture will be significantly lower than other sectors. Under the National Climate Action Plan, the country will have to cut its overall emissions by 51% by the end of this decade, across all sectors of the national economy. It is now understood that emissions from agriculture in Ireland will have to be reduced by between 21% and 30% by 2030[1].

The sector has been debating whether a significant reduction in cattle numbers would be required in order to meet any emissions reduction requirement. Research by Teagasc suggests that a reduction of up to 35% is achievable through a combination of technological solutions, such as feed additives and breeding along with new farming methods. The Minister for Agriculture, Charlie McConalogue has stated that a stable national herd rather than cutting stock numbers should be adequate for farming to reduce its carbon footprint[2].

Energy crisis fuelling Fertiliser inflation

Fertiliser prices jumped significantly in recent months and are now more than double this time last year with international prices now hitting levels not seen since the financial crisis in 2008[3]. CAN is currently at over €400/t while Urea is currently over €600/t. The raw materials; potash, phosphate and nitrogen are at levels not seen in almost a decade. Rising natural gas prices (the feedstock for nitrogen) have been largely responsible for driving the price inflation. Even if commodity prices remain high, farm margins look set to reduce in 2022 as fertiliser prices continue to rise. Farmers may reduce application rates in the hopes of lower future prices or may cut other investment to take account of bigger expected spend. As fertiliser (one of the biggest costs on farms) will not be applied until spring, many will hold out before buying in the hope that prices come down.

Agri commodity prices continue firm

Prices across all main commodities remain strong with no signs of abating as the world continues to recover from COVID-19. Dairy prices continue to strengthen with a number of processors increasing base milk prices by a further 1c/l for Sept and range 36-38c/l including VAT. Milk volumes are also up thanks to cow numbers and favourable weather over the summer and autumn. Domestic milk intake is up 6.2% (Jan-Aug 2021)[4] and it looks like milk intake will increase 6% (500m) litres to reach 8.8bn litres in 2021 compared to the full year 2020. Beef prices remain steady, with quotes in the range of €4.15/kg to €4.25/kg in the past week. Grain prices are also strong with global sentiment continuing to rise with dried wheat and dried barley trading at around €265/t and €255/t respectively. It is no surprise that given the near decade highs across all agri commodities, sentiment is up which is driving investment on farms. This is seen in overall lending to the sector, which has increased +20% (c€60m) in the first six months of 2021 compared to the same period last year according to the Irish Central Bank[5].

Budget 2022: Majority of schemes rolled over without any changes

Overall funding valued at €630m for key farm schemes such as TAMS, BDGP, GLAS and ANC has been maintained for 2022 following the announcement of the Budget 2022. The straw incorporation fund is set to continue with similar funding along with the protein aid scheme which remains unchanged for tillage farmers. The TAMS (Targeted Agricultural Modernisation scheme) will see specific supports for solar energy installations in 2022 increase from 40% to 60%. A €7.50/t increase in the carbon tax is expected to cost agricultural contractors almost €30m in additional fuel costs in 2022[6].

[1] Irish Farmers Journal
[2] Irish Farmers Journal
[3] Central Statistics Office
[4] Central Statistics Office
[5] Central Bank – lending data 30 June 2021
[6] The Association of Farm and Forestry Contractors in Ireland ("FCI")

Food & Drink Sector Update

Food & Drink Sector Update
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Brexit – Talks are ongoing between the UK government and the EU regarding the practical operation of the Northern Ireland protocol. The UK issued a command paper in July highlighting key areas of concern – namely trade within the UK, access by Northern Ireland consumers to goods and governance of the protocol with the emblematic example of sausages being used to illustrate the first point. The EU has responded with what has been seen as a generous set of proposals around the movement of goods and particularly food. In the case of food, mixed loads going to supermarkets from the UK would only require one certificate stating that the goods met EU standards[7]. However, if UK food standards were to significantly diverge from EU standards over the medium to long term this would become problematic. Talks continue between the two sides.

Report of the Seafood Task Force was issued last week[8]. The taskforce, comprising a range of industry and state representatives was convened to examine the future of the fishing and seafood industry in Ireland, particularly in the aftermath of Brexit. The taskforce had already made recommendations for a short term tie up of some of the white fish fleet in its interim report. It recommended an overall funding requirement of €423M to be funded between the Brexit Adjustment Reserve and the European Maritime Fisheries & Aquaculture Fund. €75M to be allocated to decommissioning –particularly in the whitefish fleet to ensure stronger viability for remaining fishers; €70M for short term measures including tie ups and liquidity supports to allow for adjustment to post Brexit conditions and the remaining €277M to focus on longer term growth initiatives to the sector. These longer terms initiatives include support for aquaculture, development of added value processing capabilities, improved coastal infrastructure and marine enterprise development.

Commodities price increases and supply chain shortages continue to be a key focus for the sector. Retailers have begun accepting price increases from suppliers and this can be seen coming through in food inflation in September (+.4% year on year for food and non-alcoholic beverages)[9] in Ireland, with these figures likely to increase into the last quarter. Food prices are also rising in the UK (+3% for food and non-alcoholic beverages in August '21 vs a year ago[10]) and Eurozone (+1.9% in August '21 vs 20[11]).

Budget 2022 – Budget 2022 confirmed €4M funding for the establishment of a Food Ombudsman's office, this office had been flagged in the Food 2030 strategy earlier in the year, however details of the scope of the office along with its staffing levels remain to be confirmed[12]. An excise exemption of up to 50% for independent cider and other fermented beverage makers[13] was also announced. This is similar to the craft beer exemption that came into play fifteen years ago and which has resulted in an increase in brewery numbers from 8 to 75.

[7] https://www.thegrocer.co.uk/brexit/eu-offers-to-scrap-most-checks-on-food-and-drink-entering-northern-ireland/660786.article
[8] https://www.gov.ie/en/press-release/2a3d5-minister-mcconalogue-welcomes-report-of-seafood-sector-task-force/
[9] https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexaugust2021/
[10] https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation
[11] https://tradingeconomics.com/euro-area/food-inflation
[12] https://www.agriland.ie/farming-news/food-ombudsman-concern-over-lack-of-detail-on-legislation/
[13] https://www.checkout.ie/drinks/drinks-irelandcider-welcomes-excise-exemption-craft-cider-announced-budget-2022-149659

Hospitality Sector Update

Hospitality Sector Update
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Demand recovery

Whilst domestic leisure demand supported strong trade and rates this summer, hospitality businesses are now dealing with pronounced drops in demand mid-week which would normally be filled by overseas visitors & corporate activity particularly around city centre locations. Overseas visitor figures were encouraging for the month of August but demand for traditional corporate events remains suppressed as many companies are still not 'fully' back to their offices.

ROI reported 822,000 passenger arrivals in August 2021, up 127% on August 2020, but down 64% on August 2019, when 2.3 million passengers arrived in Ireland. Continental routes at 508,000 were up by 122% on August last year – this stands at 45% of the arrivals for August 2019 and is the route showing the strongest recovery compared with 2019.

More and more flight routes continue to be restored by different airlines such as the Dublin to San Francisco route set to be restored next month by Aer Lingus. The increased air capacity will not only provide opportunity for overseas visitors but also to Irish residents to travel abroad, leading to a drop in demand unless international travel follows similar trends.

The short lead in time for bookings means a lot of businesses are still unsure about demand for the Christmas season with many businesses still reporting plenty of availability only two months out.

Overseas arrivals by Route ('000') August 2021

	2019	2020	2021	21/20	21/19
Cross Channel	804	113	248	120%	-69%
Continental	1119	229	508	122%	-55%
Transatlantic	254	12	43	272%	-83%
Other Routes	79	10	23	133%	-71%
Total	2257	363	822	127%	-64%

Government supports

Budget 2022 included a number of measures that were welcomed by the hospitality sector including the extension of EWSS supports to April 2022 and the moratorium on council rates to December 2021. However the hospitality VAT rate is expected to return to 13.5% by August 2022 with industry bodies expressing disappointment at this measure.

New EWSS subsidy rates will kick in from December 2021 and stay in place to the end of February 2022 (two rate structure €151.50 and €203). For March and April 2022 a flat rate subsidy of €100 will be in place and the reduced employers PRSI will no longer apply.

The Budget included some additional measures to support the wider tourism industry:

- €50m for further Tourism Business Continuity Schemes
- €36.5m in Capital Funding for tourism product development
- €35m increase in Tourism marketing Fund
- €90m for an aviation package

Staffing

A number of business in the hospitality sector continue to curtail their services due to the lack of staff which has become a very serious issue particularly for full time kitchen staff; part time staff to support weekend trade is not really a problem for the majority of businesses.

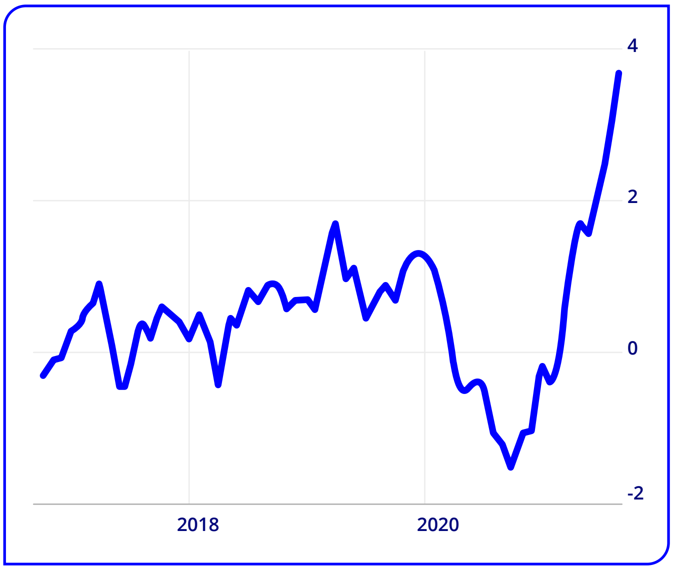
Solutions implemented by many businesses to address staffing issues include overseas recruitment (a number recruiting from Eastern Europe and Italy) and the upwards revision of pay scales; some of these measures could impact profit margins in the coming year.

Recovery at a 'Net Profit' level

Ireland's consumer price inflation rate increased to 3.7 percent in September 2021, from a 2.8 percent increase in August[14] which presents many challenges for a sector that operates under tight margins. The sector is already facing pressure from the rising cost of wages and the introduction of mandatory paid sick leave starting next year, so businesses are now having to review their prices to compensate for an increased cost base.

A large number of hotels, bars and restaurants are positive about a bounce back in trade which may bring turnover back to 2019 levels by the end of 2023, however the increased cost base may a take a little longer to settle and delay the bottom line recovery by another 12 months or so.

Ireland inflation rate



Source: Tradingeconomics.com | Central Statistics Office Ireland

Warehoused revenue liabilities

Businesses across the sector continue to take advantage of the warehousing of liabilities offered by Revenue which is set to expire at the end of this year. The accumulated (qualifying) debt will incur no penalties or surcharges during 2022, however it does need to be repaid starting 2023 with an interest rate of 3% being currently advised[15]. Businesses can already make arrangements with Revenue to organise their repayment schedule although many are waiting to see how Q1 2022 pans out before making commitments.

[14] https://tradingeconomics.com/ireland/core-inflation-rate
[15] https://www.revenue.ie/en/starting-a-business/paying-your-tax/debt-warehousing/warehouse-periods.aspx

Manufacturing Sector Update

Manufacturing Sector Update
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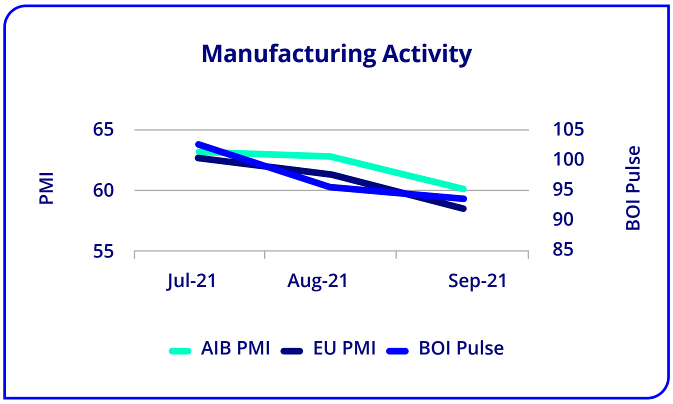
Manufacturing expansion slows as Supply Chain Pain and Cargo Gridlock Persist



Manufacturing indicators for September 2021 while still in positive expansion territory continue to drop as supply chain and cargo chaos continue to disrupt manufacturing output. Bank of Ireland Industry Pulse[16] for September was 93.5 down from 95.5 in August while AIB Irish Manufacturing Purchasing Manager's index (PMI)[17] for the manufacturing sector came in at 60.3 down from 62.8 in August. Both indicators reflect continued robust expansion in orders intake and production output. This is mirrored in EU PMI data which registered 58.6 in September, down from 61.4 in August.[18]

The supply chain tsunami of disruption continues to wreak havoc across manufacturing with delays and shortages at unprecedented levels. Shortages and bottlenecks are cropping up across a seemingly endless kaleidoscope of critical manufacturing inputs. Semiconductors, CO2 gas, HGV drivers, container gridlock at sea outside major ports, skilled labour shortages, and energy supply difficulties are all increasing lead times and component inflation. Apple recently joined the growing list of manufacturers including Toyota, GM, OPEL, and Samsung who are now being forced to close down output capacity because of supply chain shortages.[19]

Aside from manufacturing output constraints, getting the components to point of consumption continues to be hampered by cargo gridlock at major ports due in part to HGV shortages. Maritime parking lots outside US and China ports recently totalled as many as 100 ships waiting to dock.[20]

Looking forward it is likely to be well into 2022 before the crisis eases and a new equilibrium between supply and demand is reached. Factors that will help include acceleration of digitalisation to support real time supply chain data and also the global rollout of COVID-19 vaccines. Vaccine doses globally continue to be very uneven whereby doses per 100 people in developing countries who are often crucial to supply chain security are less than half those of richer nations.[21]

In short the so called **shortage economy** will prevail in the medium term and with it the threat that GDP growth and prosperity will be undermined. Inflation continues with September 2021 hitting a 13 year high of 3.7% driven by energy, transport, and housing costs.[22] The ECB has revised upwards its HICP forecast for Q4 from 2.6% to 3.1% and 2022 from 1.5% to 1.7%.[23] Given all the turbulence described above, this writer feels this outlook to be somewhat understated.

Out and About – Great Optimism across Irish Manufacturing

I have had the pleasure and privilege to visit and meet a number of manufacturing SMEs over past weeks as the economy reopens. While the common themes of supply chain, labour shortages and costs inflation dominate, all share a common optimism about future growth and navigating in a creative way the current headwinds. Indeed the recent survey by Enterprise Ireland of 700 companies showed that 56% have higher YOY exports in 2021, with just 11% signalling a decrease, and a massive 91% indicating a further increase in 2022.[24]

Manufacturing is all about problem solving and Irish players have shown their resilience and creativity in stepping up to the challenges coming from every direction during 2021. Manufacturers have de risked their supply chain exposures through a mixture of higher stock levels, direct transport routes, supplier substitution, and acceleration of technology. Long supply routes from Asia are been replaced with regional ones. Talent shortages are in part being addressed by overseas remote workers. The learning dividends are huge and will only serve players well going forward as they make their businesses more resilient to future shocks which will continue to be a part of everyday business.

[16] https://www.bankofirelandeconomicpulse.com/
[17] https://aib.ie/content/dam/aib/fxcentre/docs/resource-centre/aib-ireland-manufacturing-pmi/sep-2021-report.pdf
[18] https://www.markiteconomics.com/Public/Home/PressRelease/b92d662196d841c1b7446ee98b9abff3
[19] https://www.irishtimes.com/business/technology/apple-likely-to-slash-iphone-13-production-targets-over-chip-shortage-1.4699212
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[21] The Economist 9 October 2021
[22] https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexseptember2021/
[23] https://www.ecb.europa.eu/pub/projections/html/index.en.html
[24] https://www.enterprise-ireland.com/en/News/PressReleases/2021-Press-Releases/Business-optimism-as-90-of-exporters-surveyed-expect-to-increase-exports-in-2022-Enterprise-Ireland.html

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 9% 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. This has been driven by increasing numbers returning to workplaces and universities. There has also been some price inflation with prices 0.6% higher than in the same twelve week period in 2020 with healthcare (+8%), hot beverages (+5%) and frozen food (+4%) being the most affected categories.[25]

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.[26] Corrib Oil announced the acquisition of the H2 Group adding thirteen high-profile retail sites to its nationwide portfolio. This type of activity is expected to continue as fuel brands seek to diversify their income stream in the years ahead.[27] Tesco have been unveiled as the anchor tenant of a new retail development in Adamstown, Co Dublin. The US private equity firm CD&R has agreed terms with Morrisons (the UK's fourth largest supermarket) in a deal worth £7bn. The CD&R bid was led by former Tesco CEO, Terry Leahy.[28]

Focus on sustainability

The focus on environmental sustainability continues across the sector with Tesco announcing a group-wide net zero carbon emissions target by 2035. They have also written to all of their suppliers to ask for their support in the transition to a lower carbon economy.[29] Applegreen and Marks & Spencers also announced carbon reduction targets in recent days reflecting the increased awareness amongst both the shopping and investor communities on climate protection.

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 August 2021 (excluding motor sales) increased by 3.5% when compared with the same period pre-pandemic in 2019, there were understandably 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]

Based on the CSO data and information received from customers nationwide, it is evident that we are witnessing a multi-layered recovery and performance within the Irish retail sector. As the hospitality sector re-opens, retailers recognise that discretionary spend is being spread across a wider base and that they need to differentiate themselves in the marketplace to capture their share of same.

Staff Retention

Retailers, particularly those based in Dublin, are struggling to secure appropriate personnel and are concerned that this may stifle business recovery in the months ahead. The staffing issue has re-emphasised the importance of a structured employee development plan which supports the retention of key people within a retail business. The skillset required for a sustainable retail business is constantly evolving – personnel adept in online, social media marketing, supply-chain efficiencies and data analytics will be vital in the years ahead.[31]

[25] Kantar – Irish grocery market share – 18/10/21
[26] Bank of Ireland business banking data – 18/10/21
[27] Shelflife magazine – 20/09/21
[28] Guardian newspaper – 02/10/21
[29] Tesco Group press release – 24/09/21
[30] CSO Retail Index – 28/09/21
[31] Ireland's retail recovery is multi-layered | ThinkBusiness

Technology, Media and Telecoms (TMT) Sector Update

Technology, Media and Telecoms (TMT) Sector Update
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Budget 2022 and the TMT sector:

A key focus of the recent budget was planning for post-pandemic recovery and embracing innovation-led opportunities that will support a stronger and more resilient economy. Digital transformation is at the core of this innovation-led recovery with the Government committing to a €10 million Digital Transition Fund to help SMEs with their transformation journeys. A further allocation of €3 million is also committed to support the establishment of several European Digital Innovation hubs (https://digital-strategy.ec.europa.eu/en/activities/edihs) that will play a vital role in facilitating the digitalisation of Irish SMEs across sectors and regions. These hubs are essentially a one-stop-shop that help companies respond to the challenges and opportunities presented by all things digital and adopt best practices in areas such as artificial intelligence and cyber-security and emerging technologies.

Some other Budget 2022 highlights

- There was good news for Ireland's start-up community with the announcement of a new €90 million Innovation Equity Fund, which will focus on investment into predominantly seed-stage Irish SMEs that are high growth and potential to scale-up. This fund is expected to be launched in early 2022 and will be warmly received by start-ups.
- Changes to the Employment Investment Incentive Scheme (EIIS) was also announced with the scheme being extended for a further three years, with some changes included to make the scheme more attractive to investors. It is now planned to open the scheme up to a broader set of investment funds. It will also allow greater capacity for investors to redeem their capital without penalty and remove the rule that 30% of an investment in an employment investment scheme company must be spent before relief can be claimed.
- Ireland is gaining a global reputation for gaming and to support further growth, a new tax credit for the digital gaming industry, up to 32% of eligible expenditure, of up to a limit of €25 million per project was announced. This incentive is welcomed and will help Ireland access a bigger portion of the global gaming industry by giving companies a refundable corporation tax credit for spending on the design, production and testing of a game. It will also help to attract world-class talent from the industry to Ireland, expand the skills base/talent pool while also providing synergistic opportunities with Ireland's film and animation sectors.
- Screen Ireland (Ireland's state development agency for the film, television, and animation industry) saw its funding increase by €6.65m from its initial 2021 allocation to over €36.7m. This increase in funding is in response to the success of Ireland's audio-visual, industry over the last 18 months. Training and skills development will continue to be a strong focus in the sector in 2022. Other key initiatives for Screen Ireland include the expansion of more regional production in the Irish language, supporting Irish production companies and a funding stream to support production of documentary series. Screen Ireland are also seeking to expand market activity to further enhance Ireland's profile as a filming destination.
- Catherine Martin, TD, Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media announced €5.5m funding for the establishment of a new Media Commission, this new regulator will support the provision of quality public service broadcasting, while also tasked with overseeing effective regulation of online safety. The establishment of the Media Commission is currently at pre-legislative scrutiny. The funding announced in the budget is aimed at building regulatory capacity and expertise in Online Safety and other matters that will fall under the Commission's remit, once enacted.

Sources: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media, Department of Enterprise, Trade and Employment, European Commission, gov.ie, Technology Ireland.

Motor Sector Update

Motor Sector Update
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In the month of September, new passenger car (PC) sales declined 21.7% year-on-year (y-o-y) to 4,426 units, Light Commercial Vehicle (LCV) sales declined 24.4% y-o-y to 1,701units and used imports declined 48.0% y-o-y to 4,952 units.

PC Registrations YTD

In the first 9 months, new passenger car registrations increased 19.1% year on year (to 100,646 units). Toyota holds the #1 position with 12.5% market share, followed by Volkswagen with 12.1% in #2, Hyundai with 10.5% in #3, Skoda with 8.6% in #4 and Ford with 7.2% in #5.

LCV Registrations YTD

In the first 9 months, new light commercial vehicle registrations increased 40.0% year on year (to 26,533 units). Ford holds the #1 position with 24.6% market share, followed by Renault with 12.6% in #2, Volkswagen with 11.6% in #3, Peugeot with 10.9% in #4 and Toyota with 7.9% in #5.

Used Imports

Registrations of used imports increased 4.0% year on year (to 51,136 units) in the first 9 months of 2021.

Passenger Car Sales	Light Commercial Vehicles	Used Imported Cars
Sept 2021 YTD +19.1%	Sept 2021 YTD +40.0%	Sept 2021 YTD +4.0%

Provincial Developments

September 2021 YTD

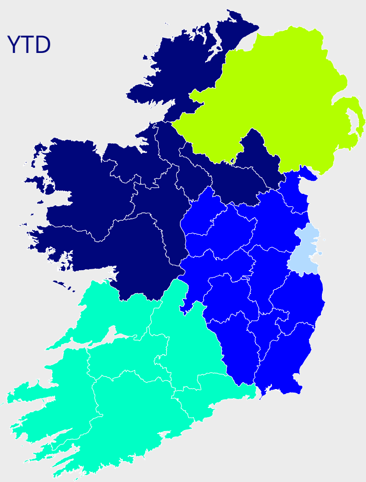
National Position
New (N) +19.1% YTD
Used Imports (UI) +4.0% YTD

Dublin
N +29.9% YTD
UI +12.1% YTD

Rest of Leinster
N +13.5% YTD
UI +0.1% YTD

Connacht/Ulster*
N +12.6% YTD
UI +0.7% YTD

Munster
N +11.5% YTD
UI -1.6% YTD



*Ulster Border counties

Budget 2022

In last year's Budget, the government overhauled the vehicle registration tax (VRT) system and changes became effective from 1st January 2021. The net effect of which increased retail prices for many new low emission cars. A new proposal has been submitted to government in advance of this year's Budget which suggests lowering electric vehicle tax reliefs, thus increasing prices for Irish consumers.

Most readers will be acutely aware of the global climate crisis, however, increasing the cost of electric cars is counter-intuitive, particularly given the aging fleet of cars on our roads and government ambitions to electrify the fleet

Simply put, higher new car prices will likely slow the growth of the new car market back to normalised levels of c. 150,000 new cars per annum. This is compounded, at least in the short term, by a global semiconductor shortage that has led to less supply of new vehicles coupled with a shortage of used cars in the market.

This proposal has been made by the Tax Strategy Group (TSG). The TSG is an interdepartmental committee chaired by the Department of Finance, with membership comprising senior government officials. It calls for reductions in incentives for electric cars by adjusting downward current VRT reliefs, thus increasing retail prices.

Cars account for about 10% of Greenhouse Gas Emissions in Ireland (Transport total is c.20%). There are c. 2.2m cars on the road in Ireland and electric vehicles currently represent about 1% of these. In the First 8 months this year, EV's account for c.8% of new car sales. So, momentum and demand is rising.

In order to maintain the current momentum of the electrification of the Irish fleet it would seem logical that financial incentives should be at least maintained at current levels. Incentives could be further enhanced if government are to reach ambitious targets set for 2030.

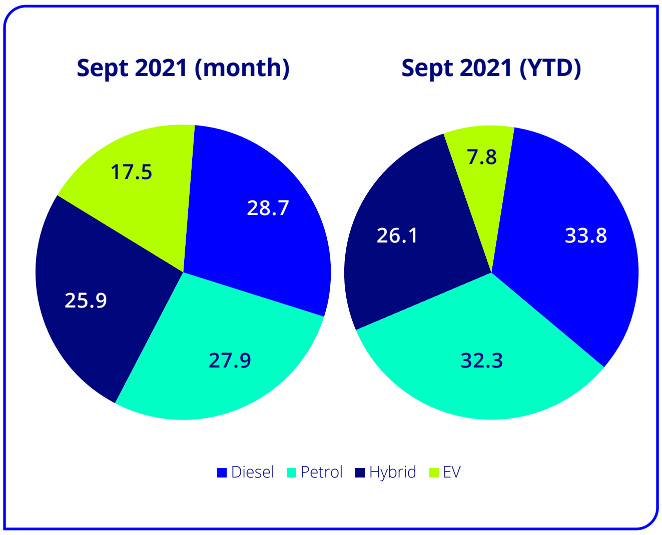
The 2019 Climate Action Plan targets 840,000 passenger electrically chargeable cars on the road by 2030. Increasing taxation or reducing incentives for new low emission cars will impact the speed of recovery to pre-Brexit levels of new car sales, thus taking longer to remove older and higher polluting cars from circulation.

We are only at the beginning of the electrification journey, a process that will be a marathon and not a sprint. On this journey, consumers should be encouraged and incentivised to buy electrically chargeable vehicles in order to meet targets set out in the Climate Action Plan.

Stakeholders in the sector, including the Society of the Irish Motor Industry (SIMI) and the Irish Car Carbon Reduction Alliance (ICCRA), a group of motor dealers with ties to SIMI, have made submissions and recommendations to government in advance of the Budget.

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.

Data Source: Society of Irish Motor Industry (SIMI). Data as at 30/09/2021

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