Sector Developments & Insights

November 2022

Bank of Ireland

Classification: Green

Contents

Introduction– Jillian Clarkin – Head of Customer Journeys & SME Markets

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Welcome to the latest edition of our Sectors Developments and Insights publication. As Irish businesses navigate a trading environment impacted by inflation, rising interest rates and fluctuating consumer sentiment, our Sectors team continue to proactively engage with our customers and their advisors nationwide. In Bank of Ireland we have supported the investment plans of Irish SMEs across a range of sectors and regions in 2022 to date reflecting our strong partnership with this key element of the Irish economy.

Headline Insights

In this overview of the Irish business environment, our sector specialists outline the latest developments, challenges and opportunities across seven key Irish SME Sectors; Agriculture, Hospitality, Health, Motor, Manufacturing, Retail and Technology. A number of central themes stand out across these sectors:

- Energy and commodity costs linked to the Ukrainian war, pandemic related supply issues and increased levels of activity/demand as economies re-open continue to fuel an inflationary cycle and dampen business/consumer sentiment.
- The acceleration of technology and automation is driving ongoing investment projects across all industries. Businesses are particularly keen to invest in automation and solutions that can mitigate the impact of labour shortages and support the retention of key staff as low unemployment levels remain a feature of the Irish economy.
- A proactive focus on the green/sustainability agenda, which is driving investment in environmental improvements and integrating solutions that are focused on energy saving/efficiency is emerging strongly as a business priority.

Open for Business

As two prominent banks exit the Irish market – Bank of Ireland have commenced a consumer awareness campaign to support both personal and business account holders moving banks. The campaign directs account movers to a range of useful supports including step-by-step guides, a dedicated phone line and an online hub to help them with the move.

Our new dedicated online hub **"The Big Move"** includes a step by step guide for customers on how to close their existing current account, open a new account, make changes to regular payments, and apply for credit products such as overdrafts. Templates for letters to SEPA Direct Debit originators, payroll change instruction letters to employers, and credit payment redirection forms have also been developed to help consumers navigate the process. All of this information can be accessed at the following link: **Big Move - Current Account - Bank of Ireland**

If you would like further information or to engage directly with one of our Sectors team, please feel free to contact me at **Jillian.Clarkin@boi.com**. The contact details for all of the sector specialists are also outlined within the individual sector updates contained herein.

Wishing you and your business continued success for the remainder of 2022 and into the future.

Jillian Clarkin

Agriculture Sector Update

Agriculture Sector Update
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Farm debt at lowest level in more than 10 years

Farmers continue to deleverage as record agri commodity prices support strong profits and cashflows on farms. In the 12 month period to the end of June 2022, the outstanding level of debt on Irish farms fell by €235m to €2.8bn - the lowest level in more than 10 years. Farmers are also borrowing less – in the 12 months to end of June 2022, new loans to farmers fell by 25%. This is unsurprising as high farm gate prices coupled with relatively low input costs supported strong cashflows. Interestingly since the onset of Covid (March 2020), agri deposits with BOI have increased 60%. Overdraft utilisation, another key metric to the health of farm financials, are running at 14% over the past year - much lower than long term normal of c.25%. For 2022, the sector looks set to have one of the most profitable years in recent history. This places it in a strong position to absorb inflationary pressures into 2023.

High prices continue for farm output

Global commodity prices across dairy, meat and grain have risen to record highs over the course of 2022 and look set to remain at elevated levels for the remainder of 2022 and into 2023. The war in Ukraine has been a key driver of grain prices which is supporting meat and dairy prices. However we are now in a period of Agflation (where food prices rise more rapidly than the prices of other goods and services) and this may impact demand and hence prices across meat, dairy and grain products in the longer term.

Fertiliser price and supply fears

Fertiliser prices have increased threefold over the past 12 months to record levels, which is impacting demand. It is estimated that Irish farmers will have used 20% less for the full year of 2022. The outlook for fertilisers remains uncertain in the short to medium term. While the international fertiliser market continues to be driven by gas prices, locally it is driven by a combination of supply fears later in the season and the strong cash position on farms.

The record gas prices had shuttered 70% of EU Nitrogen production earlier in the year. However, the evolution of gas markets in recent weeks, is resulting in some fertiliser production coming back on stream in the EU. This will bolster supply and may weaken prices slightly in the short term.

There remains a concern that supplies will not be available later in season (Q1) due to the tightness in EU supply.

On-Farm affordability remains a strong driver of fertiliser demand with higher output prices supporting the higher costs of fertiliser- across most farm systems. Farm financials demonstrate capacity to fund additional working capital to purchase fertiliser. There is also additional working capital along the farm supply chain in place.

The fertiliser market for next year has now started, with farmers, their co-ops and agri input suppliers all ready to begin to fill orders for the supply chain and ensure supplies for next Spring.

Additional Working capital available to farmers

Bank of Ireland's €100m Agri Assist Fund remains open to farmers. Launched in June in response to the war in Ukraine and in recognition of the challenging environment facing farmers, the fund provides additional working capital at competitive rates to support farmers dealing with the rapidly increasing cost of farm inputs. More information can be found at: **www.Bankofireland.com/agriassist**

Healthcare Sector Update

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Health Service – Acute Hospitals

The HSE faces its third consecutive challenging winter with COVID-19 and the seasonal influenza. Furthermore, preliminary CSO Census 2022 data shows population growth exceeding projections not including approximately 55,000 displaced persons from Ukraine[1], with further arrivals expected. Additionally, the energy crisis threatens the health service, with those most vulnerable to fuel poverty at increased risk of adverse health consequences.
The HSE Winter Plan documents many initiatives aimed to mitigate emerging risks and seeks to deflect unnecessary presentation to acute hospitals[2]. The private sector has potential to ease pressure on acute hospitals by providing services such as transitional and specialist dementia care through agreements with the HSE.

Nursing Homes

Whilst COVID-19 is no longer a main concern for many businesses, their focus instead on the turbulent external environment, it remains one of several challenges facing nursing home operators. Whilst case fatality and disease severity have decreased significantly thanks to the vaccination program, disruptive outbreaks continue to impact service delivery, staffing and occupancy levels, putting huge cost demands on the sector.

Government financial supports include the repurposed Temporary Assistance Payment Scheme, the Temporary Business Energy Support Scheme (TBESS) and the newly launched Temporary Inflation Payment Scheme (€10m scheme launched on 7th November with the aim of alleviating the pressures put on nursing homes by the increase in energy prices). Despite these, in 2022, an unprecedented number of small nursing homes (< 40 beds, avg. 29 beds[4]) closed or pivoted their business to accommodate displaced persons from Ukraine. This, alongside the proliferation of larger nursing homes (> 100 beds), is changing the Irish nursing home landscape.

In continuing consolidation, German investor IMMAC Healthcare Group increased their nursing home portfolio to eight by buying Bethany House (90 beds) in Meath. Bartra sold four care establishments to Belgian real estate investment company Aedifica on a sale and lease back agreement in an €161 million deal that included Loughshinny (125 beds) in Skerries and Northwood (121 beds) in Santry. Bartra has also secured planning permission in Blackrock, south Dublin, for an age friendly designed 38 unit 'later living' facility and restricted to occupancy by those aged over sixty.

1 CSO 'Arrivals from Ukraine in Ireland' 3rd October 2022
2 HSE 'Winter Plan 2022-2023' October 11th, 2022
3 Revenue.ie Temporary Business Energy Support Scheme (TBESS)
4 HIQA 'Update on the Regulation of Nursing Homes' Issue 51 October 2022
5 HSE 'Nursing Home support Scheme legislation updated' November 2022

Nursing Home Support Scheme (NHSS)

The NHSS or 'Fair Deal' provides financial support for those in long-term nursing home care whereby, following financial assessment of income and assets, the resident pays a portion, and the balance is paid by the state. In a bid to remove a disincentive for residents in nursing homes to rent out their vacant property, an update to the NHSS has now reduced the rate at which the rental income is assessed from 80% to 40%[5]. This will allow residents to keep more of their income and will alleviate pressure in the rental market.

Home Care

Sláintecare reform proposed expansion of social care to include universal access to Home Care with the ESRI projecting an increase of between 26%-30% in demand[6]. As there is currently no Irish legislation or statutory regulations for the sector there is work now underway with the Department of Health and HIQA to introduce measures to provide a legal entitlement to home care as well as regulation, licensing, and minimum standards for providers, plus a new funding mechanism for service users.

Plans will include a Statutory Home Support Scheme, akin to Fair Deal for Nursing Homes, enabling people to live in their homes with necessary supports if they choose to do.

Community Pharmacists

Community Pharmacists are well positioned to promote and deliver flu and COVID-19 vaccinations, with 87% of patients stating they would be happy to access this service from their local Pharmacist[7]. Whilst the combination of reduced medicine reimbursements and cuts to pharmacy fees have put strain on the sector, Community Pharmacists continue to show resilience and provide an ever-expanding range of basic primary healthcare service including direct access to contraception. Of concern to the sector is the shortage of pharmacists, with reports that it can take up to five months on average to fill a vacant position[8]. This necessitates a reliance on expensive locum cover. The Irish Pharmaceutical Union (IPU) workforce planning group, amongst other solutions, proposes fast tracking registration tor non-EU pharmacists. Some pharmacists are now offering innovative solutions such as profit share or equity share options to upcoming pharmacists.

[6] **ERSI 'Demand for the Statutory Support Scheme' March 2021**
[7] **IPU/B&A 'Pharmacy Usage and Attitude Survey' 2022**
[8] **IPU/B&A 'Workforce Survey' June 2022**

Hospitality Sector Update

Hospitality Sector Update
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A changed landscape

Tourism and hospitality businesses reported a stronger than anticipated recovery in the demand for products and services so far this year. The encouraging trade has been associated with pent up demand, strong levels of savings and consumer optimism in the aftermath of the pandemic. Low unemployment levels (Table 1) prevail across the globe giving some confidence as to discretionary spending patterns, and the recovery of air capacity (Table 2) has been welcomed by all; stats to the end of September[9] show arrivals to Ireland are just 17% down on 2019 levels. Despite the strong demand many businesses are concerned about their future viability due to a combination of an exponential increase in the cost of utilities, food cost inflation, staff recruitment difficulties and declining consumer sentiment associated with inflation driven caution and geopolitical issues.

Table 1. Adjusted Unemployment % Data, September[10]

	2018	2019	2020	2021	2022
Ireland	5.4	4.8	5.4	5.3	4.2
UK	4	3.8	4.1	3.8	3.6
USA	3.7	3.7	7.9	4.7	3.5

Table 2. Peak Summer Access Performance[11]

	Scheduled Seat Capacity of 2019 levels			
Origin	Jun '22	Jul '22	Aug '22	Peak Summer '22
GB	93%	86%	85%	88%
Mainland Europe	94%	91%	91%	92%
North America	85%	90%	90%	88%
Rest of World	76%	72%	75%	74%
Total	**92%**	**89%**	**88%**	**90%**

Hotel Performance

Year to date benchmarking data available at the end of Q3 2022 for the hotel sector is encouraging, with all sampled locations reporting a stronger RevPAR than they did before the pandemic. Although cumulative data for 2022 (Jan to Sep) shows a gap in occupancy when compared to 2019 this has been closing month on month, and for September 2022 all sampled locations showed occupancy figures very much in line with 2019. It is worth mentioning that some of these figures are distorted by hotel accommodation currently in use for direct provision services. A significant proportion of the displaced Ukrainian citizens arriving to Ireland continue to be housed in hotels and this is disrupting hotel bedroom supply; as of the week ending 25 September 2022[12] there have been 54,771 Personal Public Service Numbers (PPSNs) issued to individuals from Ukraine under the Temporary Protection Directive.

[9] Central Statistics Office Ireland, September 2022 data
[10] Central Statistics Office Ireland, Monthly unemployment data, (various); Bureau of Labor Statistics, US Department of Labor, Unemployment data (various); Office For National Statistics UK, Unemployment data, (various)
[11] Fáilte Ireland, Air Access September '22 Update
[12] Central Statistics Office, Statistical Publication, 25/09/22

Table 3. Accommodation sales KPIs[13]

Accommodation KPIs 2019-2021	YTD Sep 2022												YTD RevPAR 2022 vs	
	Occupancy %				Average Rate €				RevPAR €					
Location	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020
Dublin All (STR)	84	34	31	78	143	105	105	171	121	36	33	133	10%	304%
Dublin city centre (STR)	85	31	25	75	169	126	126	199	144	39	32	148	3%	364%
Galway (Trending)	77	56	57	77	114	102	137	141	88	57	77	108	23%	40%
Cork (Trending)	81	54	49	74	108	102	131	144	87	55	64	107	23%	68%
Cork (STR)	79	44	45	73	112	104	126	152	89	46	57	110	23%	94%
Limerick (Trending)	75	46	35	78	88	75	89	109	66	34	31	85	29%	177%
Kilkenny (STR)		44	41	70		121	164	166		54	68	115		70%
Regional (Trending)	79	53	49	77	101	89	112	126	79	47	55	97	22%	75%

Occupancy recovery for Dublin still has some way to go due to corporate demand which remains relatively soft, as well as a slight increase in bedroom supply derived from a number of new hotel openings that have taken place this year. In Cork, the additional rooms from The Rezz and the Dean (not trading in 2019) represented an 8% increase in the bedroom stock for the city.

Government supports

Due to the sizeable increase in energy expenses the government launched the Temporary Business Energy Support Scheme (TBESS)[14] – Qualifying businesses are entitled to claim support amounting to 40% of eligible cost (subject to a cap of €10k per each monthly claim period). Also with an aim of preserving business cash-flows, the government decided to extend the moratorium on the repayment of warehoused tax obligations which will now end in 2024.

Alcohol consumption

Estimated alcohol consumption per adult in Ireland had been on a sustained decline path since 2001; data for year ending 2021 shows a 34% decline over the 20 year period. However a sharp drop reported last year was short lived as consumption in the first six months of this year has returned to pre-pandemic levels.

Table 4
ROI – Alcohol consumption trend

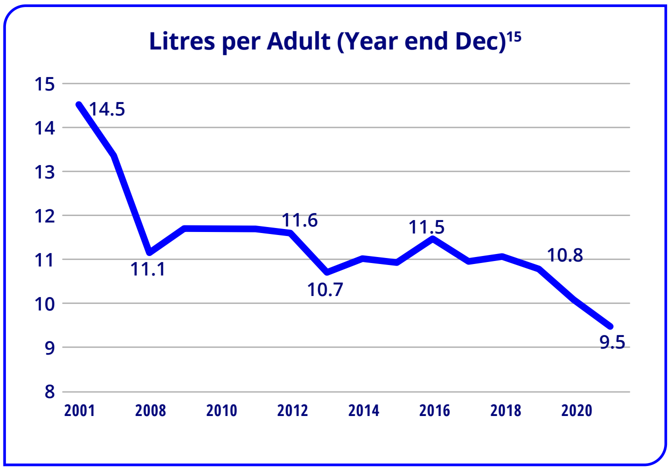
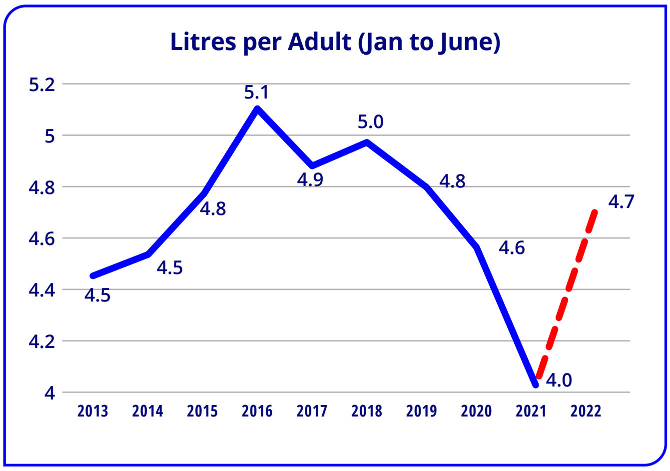


Table 5
ROI – Alcohol consumption trend



[13] CoStar STR and Trending.ie/BPO stats for September 2022.
[14] Revenue.ie Temporary Business Energy Support Scheme (TBESS)
[15] Revenue.ie Quarterly Alcohol receipts various, CSO population estimates

Manufacturing Sector Update

Manufacturing Sector Update
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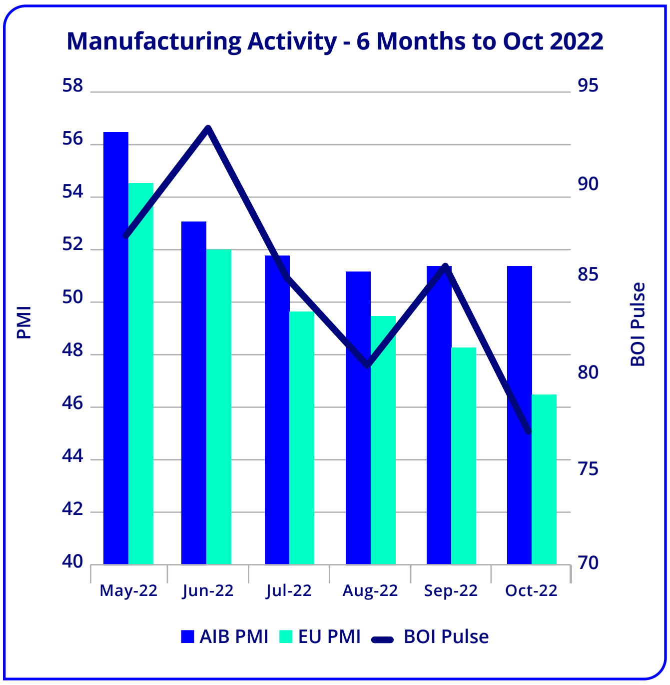
Irish Manufacturing outperforms against backdrop of contraction in EU



Irish Manufacturing indicators for October 2022, while remaining in expansion territory, continue to reflect the ongoing reality of falling demand, stubborn high inflation and weaker economic forecasts. Bank of Ireland Industry Pulse[16] for October was 77.7 down from 86 in September and down from 94.5 a year ago. AIB Irish Manufacturing Purchasing Manager's index (PMI)[17] for the manufacturing sector remained flat at 51.4 bucking the continued downward trend of EU PMI data[18] which came in at a 46.6 (Flash October), a 29 month low. Irish Manufacturing saw a fifth consecutive month of declining orders, driven by falling demand due to persistent high inflation. This drop in demand has triggered both a reduction in order backlogs and volume of raw materials purchases.

EU PMI data, considerably weaker than Ireland, continued its decline in October. Recession signals grow stronger as manufacturing are increasingly concerned about higher inventories and lower than forecasted demand.

In summary, while Irish manufacturing continues in good health, there is no escaping the reality that weaker performance within the EU and the wider Global economy will impact in the form of weaker demand and lower rates of growth for 2023.

[16] https://www.bankofirelandeconomicpulse.com/
[17] https://aib.ie/fxcentre/resource-centre/aib-ireland-pmis
[18] https://www.pmi.spglobal.com/Public/Release/PressReleases?language=en

From 60 to 0 in 900 million seconds – Same Target Different Scales

Not a car spec. gone wrong but our mission critical net zero carbon targets! As COP27 takes place in November, it is worthwhile reflecting on our Carbon targets both for Ireland and Global (see charts and note below). Curiously the number is the same but different by a factor of 1000. Ireland emissions should reduce from **60 Million Tons CO_2** equivalent[19] and Global emissions must reduce from **60 Billion Tons CO_2 (also known as Gigatons)**, both to net 0 by 2050.[20] So easy to remember. While scale of challenge is enormous, much has already been done.

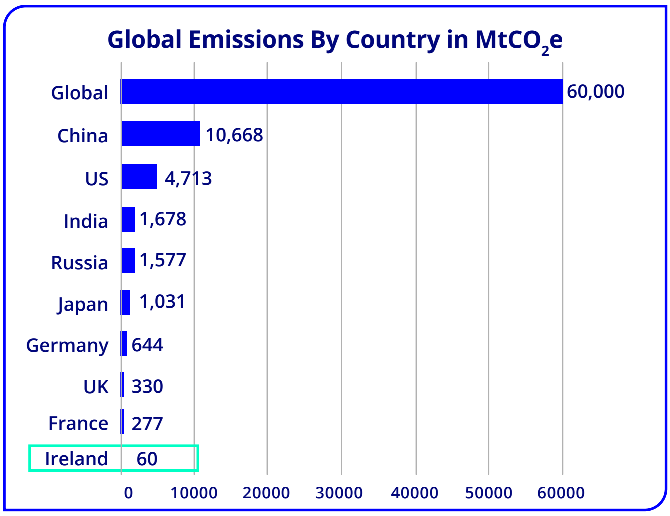
Looking at the Target through a lens of optimism and opportunity, the most recent positive developments include:

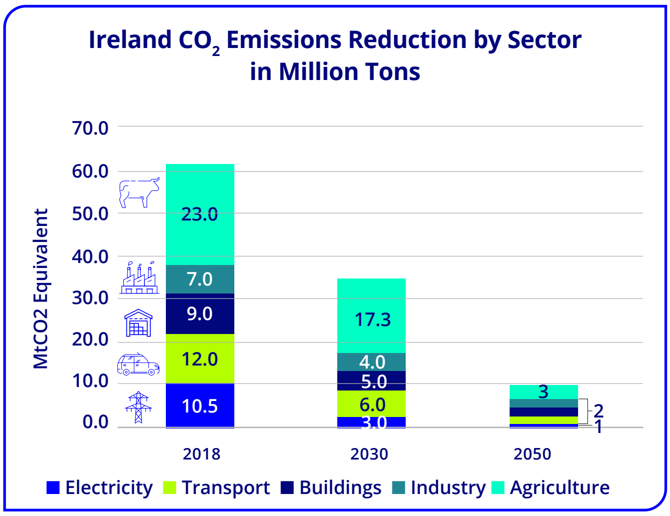
- There are now over 2250 Companies signed up to Science Based Targets (SBTs) – 1/3 of Global Market Cap.[21]
- Companies with SBTs have collectively reduced carbon by 29% since 2015.[22]
- 450 financial institutions from 45 countries have committed $130TN to back Climate Action.[23]
- The economics of renewable energy vs fossils fuels continues to improve. 163 gigawatts added in 2021.[24]

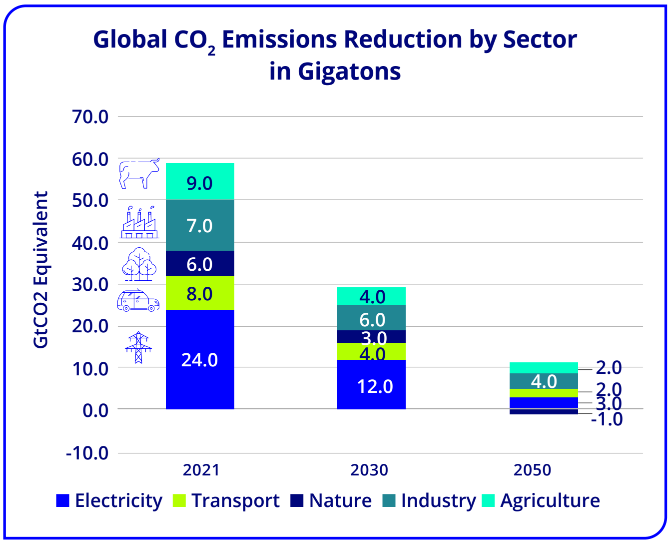
In summary while the targets remain daunting and challenging, and pace is still too slow, a lot is happening to move the needle. The more we can do in this decade, the higher the down payment will be toward net zero by 2050.

The same lens of optimism and opportunity is no less true for Irish Manufacturing SMEs. There is a noticeable uptick in embracing of the ESG agenda triggered in part by energy inflation, energy security and a growing desire for strong green credentials in the eyes of their customers. As always Manufacturing shows great resilience dealing with current energy inflation shocks and price volatility. A combination of capex (renewable energy), behavioural changes, price increases and welcome Government supports all serve to offset the cost impacts and protect and grow their businesses.

Note to Charts: The charts above show residual or "difficult to abate" emissions for 2050. This will need to be addressed with carbon capture technologies whereby carbon can be captured from the atmosphere and converted to other materials.







[19] gov.ie - Government announces sectoral emissions ceilings, setting Ireland on a pathway to turn the tide on climate change (www.gov.ie)
[20] CO2 emissions worldwide by key country 2020 | Statista
[21] Science Based Targets Initiative Annual Progress Review Update June 2022
[22] Home - We Mean Business Coalition
[23] COP26: 450 financial institutions in 45 countries pledge $130tn to back climate action - Business & Human Rights Resource Centre (business-humanrights.org)
[24] Two-thirds of new renewables were cheaper than coal in 2021 | Electrek

Retail Sector Update

Retail Sector Update
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Grocery inflation continues

Irish grocery inflation has hit 12.4% reflecting the supply-chain issues and uncertain geo-political landscape – this represents the highest level of inflation since Kantar have been recording in the country. The large supermarket operators have been proactive in addressing cost of living concerns with targeted ad campaigns and voucher offers being strongly promoted in recent weeks. As consumers seek cheaper alternatives across some product lines, all leading operators recognise that a strong own-brand offering is now critical to maintain customer engagement – the value of own-label product sales increased by 7% in the 12 weeks to October 3rd representing an annual equivalent increase of c€90m.[25]

Investment continues within the market

As the ever more discerning Irish consumer seeks excellence in store standards, Irish grocery and convenience retailers/brands recognise that investment/differentiation is required to retain and attract footfall to their business. This investment includes the delivery of new and revamped best in class stores that showcase new initiatives and offerings from individual brands. Aldi have announced a €63m investment programme focused on the Connacht/Ulster regions, Musgrave have added McCambridges – Galway and Wicklow based Italicatessen to its wider portfolio and Applegreen have partnered with Marks & Spencers to trial the sale of M&S products in a number of locations nationwide.[26]

Changing retail landscape

The wider retail sector has delivered a robust performance to date in 2022 with sales volumes (excluding motor & bar sales) c8% better than the equivalent pre-pandemic period in 2020. There has been strong performances in the electrical, food and furniture/home improvements sub-sectors in particular.[27] Retailers are now assessing the impact that current inflationary trends may have on discretionary spend in upcoming months and tailoring their business plans accordingly. Ireland remains an attractive location for international retail brands with Lego, Pret a Manger, Lush and Flannels all opening new flagship outlets in recent weeks.[28]

Outlook Q4 2022

The retail community recognise that wider economic conditions and consumer sentiment will impact on discretionary spend patterns in the pivotal quarter ahead – traditionally the busiest period in the retail calendar. The following developments support progressive retailers in facing the period with pragmatic optimism:

- Level of recent investment in robust omnichannel systems that integrate all elements of the retail operation – this facilitates engagement with a wider customer base, more efficient processes and increased customer satisfaction.
- Cost of Living initiatives announced in Budget 2023 – double Social welfare payments, double Child Benefit payments, increased tax-free small gift exemption from €500 to €1,000 and Energy credits. These will all support improved consumer sentiment and spending power in the weeks pre-Christmas. The Temporary business energy support scheme will also reduce the overhead burden on retailers during an energy-intensive period.[29]
- A reduction in shipping/container costs from Asia from a peak of c €15,000-€20,000 per container in 2021/early 2022 to more normalised levels of €2,000-€3,000 in Q4 2022. This supports a more competitive marketplace where Irish retailers have the option to source from a wider supply-base facilitating a renewed cost review of their supply-chain network.

I discussed a number of these topics in a recent, wide-ranging interview/podcast on the outlook for the Irish retail sector with Melissa Moore – The Retail Advisor – link attached below.[30]

https://m.youtube.com/watch?v=8VevPXQkh7o

[25] Kantar Irish Grocery index 17/10/22
[26] Shelflife Magazine/Musgrave press release – September/October 2022
[27] CSO Retail index 28/09/22
[28] Various press releases – September/October 2022
[29] Budget 2023 – Irish Department of Finance/Public Expenditure
[30] Retail Tea Break – Episode 26 – Owen Clifford: September 2022

Technology, Media and Telecoms (TMT) Sector Update

Technology, Media and Telecoms (TMT) Sector Update
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Sector performance to date:

We have seen strong activity across each of the subsectors so far this year, significantly up on the same period last year, largely driven by the following:

- Continued digitisation and digitalisation of every sector.
- Customer feedback is upbeat, with a positive outlook for 2023, despite the wider challenges presented by the crisis in Ukraine and spiralling energy costs.
- Increased cyber threats and the pandemic have resulted in many businesses choosing to outsource their entire information technology (IT) function.
- Continued consolidation in the market as providers seek to either acquire new technology capability, new customers, broaden their geographic footprint or a combination of all of the above.

In summary all indicators suggest we will see further growth and momentum through the end of this year and well into the New Year.

Technology Ireland launches its new strategy:

"Making Ireland a Global Technology Powerhouse" is a new four-year strategy (2022 – 2026) for the technology sector. It outlines key recommendations for Government, while highlighting priority areas that need to be addressed by industry, public sector institutions and policymakers. Not surprisingly, a constant and frictionless supply of talent is the number one pillar of this strategy. Talent and access to same has been a critical ingredient to Ireland's recent success. A range of initiatives are planned to maintain a sustainable pipeline. Other pillars include advocating for an evidence-based approach to regulation; championing of the sector in terms of raising its profile and its value to the economy; facilitating ESG leadership, advocating for the sector regarding climate action and supporting entrepreneurial SME's. Each of these pillars will be backed up by a range of initiatives to achieve its vision of becoming a technology powerhouse in the years ahead.

Seed/early-stage fund investments:

Over recent months we have seen further investments announced by Delta Partners, in which Bank of Ireland is a cornerstone investor. These include:

- LegitFit, a Cork-based provider of management software for gym providers and fitness studios, who closed a €1 million seed round, led by Delta Partners. LegitFit are on a mission to empower fitness entrepreneurs.
- NoFrixion, a Dublin-based Fintech that is revolutionising business payments, who closed a €3.6 million funding round led by Delta Partners and Middlegame Ventures and were joined by Furthr VC. Their mission is to enable money to move instantly – to make it easy to pay and get paid using a proven process called "Experiential Payments".
- Dimply, a Dublin-based Fintech that closed a €2 million seed round led by Delta Partners that have created a platform empowers financial services enterprise customers to deliver rich, personalised experiences, based on actionable data insights.
- ProMotion, a Dublin-based consumer rewards company closed a €725,000 pre-seed round led by Laidlaw Scholars Venture with participation from Delta Partners. ProMotion Rewards allows consumers to photograph their receipts, complete surveys and enter competitions via a dedicated app, earning points when they participate.

Upsurge in fraudulent text and phone scams:

Bank of Ireland has in recent days had to issue a warning to customers that were being targeted by fraudsters trying to pressure them into handing over their bank details. There was a notable increase of around 40% detected by the bank's fraud prevention team in the previous two weeks when compared to the previous month. The tactic being used has seen those targeted first receiving a fraudulent, bank-branded text message asking customers to expect a call, which is then backed up by a phone call to try and convince customers of their bona fides and to obtain their bank details. The advice for customers is to be extremely vigilant if they receive a call claiming to be from the bank or other financial institution. Irrespective of what they are being told, be safe and do not disclose personal or bank account details. Similarly, do not click on links in the text message.

Sources: Technology Ireland, Delta Partners.

Motor Sector Update

Motor Sector Update
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October lookback

In the month of October, new passenger car (PC) sales declined 2.1% year-on-year (y-o-y) to 2,624 units, Light Commercial Vehicle (LCV) sales increased 14.0% y-o-y to 1,448 units and used imports declined 24.2% y-o-y to 3,336 units.

PC Registrations

In the first 10 months of 2022, new passenger car registrations increased 0.6% year on year to 104,056 units. Toyota holds the #1 position with 15.1% market share, followed by Hyundai with 12.1% in #2, Volkswagen with 11.1% in #3, Kia with 7.6% in #4 and Skoda with 7.3% in #5.

LCV Registrations

In the first 10 months of 2022, new light commercial vehicle registrations declined 18.8% year on year to 22,452 units. Ford holds the #1 position with 24.5% market share, followed by Toyota with 12.7% in #2, Volkswagen with 12.7% in #3, Opel with 9.6% in #4 and Renault with 9.3% in #5.

Used Imports YTD

Registrations of used imports declined 26.6% year on year to 40,753 units in the first 10 months this year.

Passenger Car Sales YTD	Light Commercial Vehicles YTD	Used Imported Cars YTD
Oct 2022 +0.6%	Oct 2022 -18.8%	Oct 2022 -26.6%

Provincial Developments

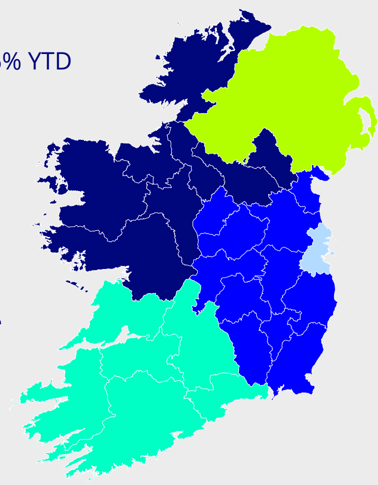
National Position
New (N) +0.6% YTD
Used Imports (UI) -26.6% YTD

Dublin
N -4.5 YTD
UI -0.9% YTD

Rest of Leinster
N +5.3% YTD
UI -39.4% YTD

Connacht/Ulster*
N +4.5% YTD
UI -41.8% YTD

Munster
N +3.2% YTD
UI -45.4% YTD



*Ulster Border counties
SIMI Stats Oct 2022 YTD

Market News

It's almost hard to believe we are in November and already planning volumes for 2023, but here we are. Although new car sales dipped slightly in the month of October, volumes are very low at this time of the year as Q4 typically accounts for just 2% of annual sales.

Despite recent downward pressures to GDP growth expectations in the EU, we can take some comfort from a recent uptick in European car sales in August (+4.4%) and September (+9.6%) which was also mirrored in Ireland.

The new car market in Ireland will be more or less flat in 2022 and Ireland has outperformed it's European peers.

Per stats released by the European Automobile Manufacturers' Association (ACEA) for the first 10 months, new car sales fell c. 10% in the EU.

This was driven by supply constraints and, as improved supply came on stream in August and September, new car deliveries have improved.

Pulse Surveys

Bank of Ireland's Consumer and Business Pulse survey in October noted an improvement in consumer sentiment but a contraction in business sentiment with inflationary concerns continuing to weigh on results. (click the hyperlink for more detail)

Nonetheless, new car sales have held up. Motor dealers report consumers continue to collect new vehicles on back order due to delays. This is evidenced in sales in August and September across the EU. The trend is encouraging as we look toward 2023.

Outlook

So, what can we expect in 2023?

Constrained, but improved, new vehicle supply will continue in H1 next year. New and used vehicle supply shortages have led to increased vehicle margins, and this trend will likely continue which provides comfort to dealers where volumes are curtailed.

Car rental companies may benefit from improved supply next year and use the opportunity to replace aging fleets.

Used vehicle residual values are expected to plateau at higher than average levels as there just isn't enough supply due to the continued shortage of new vehicles.

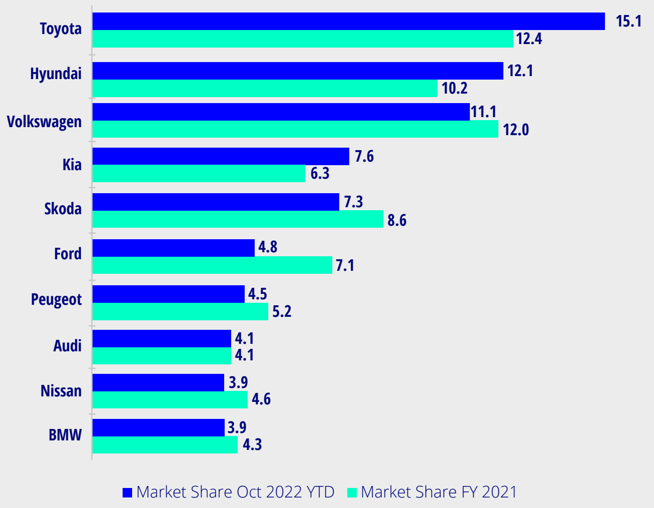
Growth in sales of battery electric vehicles (BEV's) will continue as more consumers make the switch.

Come December, we will gain more insights as we compare year on year finance approvals and we can share further insights in the early new year.

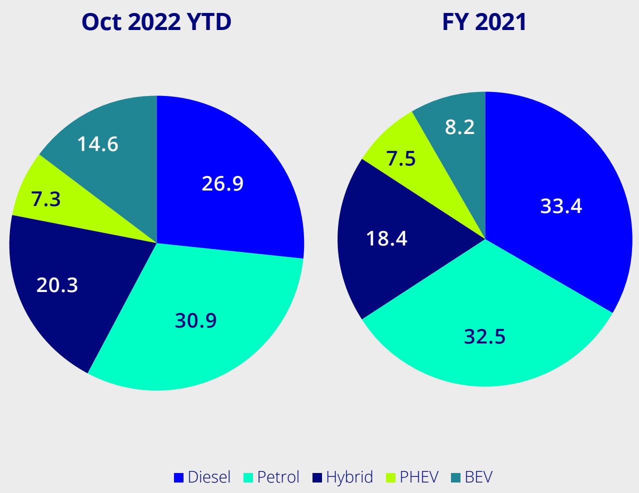
In the meantime, we remain cautiously optimistic with respect to our outlook.

Classification: Green

Top Selling Brands
New Passenger Cars



Fuel Type Developments
New Passenger Cars



YTD = Year to Date; FY = Full Year

BEV: Battery Electric Vehicle. PHEV: Plug-in Hybrid Electric. Petrol includes LPG

Supporting our Customers

Bank of Ireland Finance (BIF) supports 15 motor franchises representing c.45% of annual new car sales and we remain committed to our customers. Bank of Ireland and the Irish motor sector is open for business.

Data Source: Automotive News, Bank of Ireland Economic Pulse, European Automobile Manufacturers' Association (ACEA), Society of Irish Motor Industry (SIMI). Data as at 31/10/2022