Sector Developments & Insights

June 2022

Bank of Ireland

Classification: Green

Contents

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

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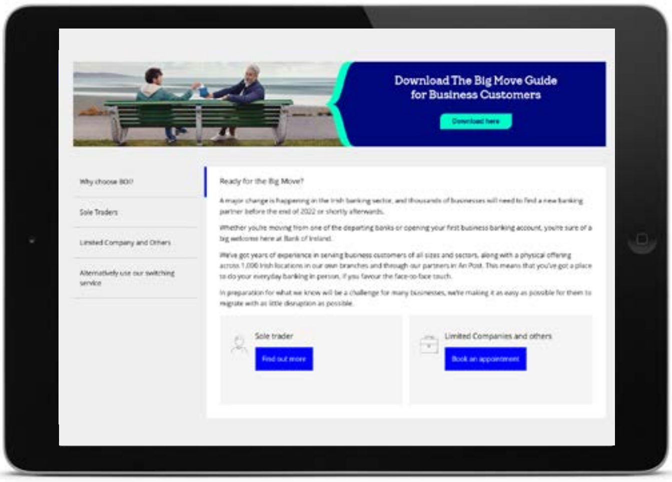
Developments & Insights - Introduction

Welcome to the latest edition of our Sectors Developments and Insights update. As Irish businesses navigate a trading environment impacted by inflation, rising costs 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.

Open for Business

Bank of Ireland have a dedicated support and information structure in place to assist business customers/their advisors seeking a new banking partner linked to banks exiting the Irish market. For further information – please see below link or contact any of our sector specialists. [Big Move - Current Account - Bank of Ireland]



We have also launched a €100m Agri assist fund which recognises the unique challenges being presented to the agricultural sector at present driven by animal feed, energy and fertiliser costs. [Bank of Ireland Launches €100m Agri Assist Loan Fund - Bank of Ireland Group Website]

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 or any specific element within an individual sector - all of our contact details are contained herein.

Wishing you all the best over the summer months and hoping you get an opportunity for a well-deserved break with family and friends. Many thanks for your continued engagement.

Agriculture Sector Update

Agriculture Sector Update
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Grain markets strong but volatile

While grain markets continue at record highs they have shown some weakness in recent weeks given the potential for safe corridors to open up for grain exports from the Ukraine. Prices locally remain unchanged with quotes of €340/t for green wheat and €325/t for green barley at harvest. These prices are €120/t higher than harvest prices this time last year[1]. Given that crop inputs have risen significantly, costs could be up €50-70 per tonne of grain this year. Crops are in excellent condition thanks to dry and mild growing conditions. This is providing potential for high quality and high yields at harvest. Weather conditions will be the key factor in the coming weeks. Straw prices look set to equal last year.

Dairy – supply restrictions lifted

Irish milk production is forecast to decline by 1% or 100m litres in 2022, the first time supply volumes have declined since the removal of milk quotas. According to the CSO, domestic milk intake in April was down by 1% compared to April 2021. The drop in supply is mainly as a result of poorer weather impacting grass quality and hence milk yields per cow. This has seen two dairy processors (Glanbia and Strathroy) lift supply curbs on milk during peak supply months. In the case of Glanbia it is only lifting the restrictions for 2022 and 2023.

Milk prices continue their bull run with prices for May pushing over 50c/l in many processors- a lift of 2c/l on April supplies in many cases. The outlook for milk prices over the remainder of the year looks set to remain strong with limited supply growth but will depend on demand remaining high.

€100/ha fodder support scheme opens to farmers

Given the high cost of feed and fertiliser, The Department of Agriculture has launched a new Fodder Support Scheme which will pay farmers €100/ha (€40/acre) to make hay or silage. The scheme is open until 2nd August 2022. The payment rate can be applied to a maximum of 10ha with the maximum potential payment of up to €1,000. The scheme is not open to dairy farmers.[2]

Farm incomes surge in 2021

There was an overall increase in average farm profitability levels in 2021, according to the Teagasc National Farm Survey 2021. The average family farm income rose by 26% in Ireland in 2021 to just over €34,300. Average dairy farm incomes rose 23% to €97,000. Average tillage farm incomes rose 77% to €59,000. Average Cattle rearing incomes rose 30% to €10,900. In general farms experienced an increase in production costs, as key farm input prices for fuel, feed and fertiliser all rose in 2021. However output prices rose also, with prices for grain up over 30%, milk prices up 13%, cattle prices up 12%.[3]

[1] **Irish Farmers Journal**
[2] **Department of Agriculture – Fodder support scheme**
[3] **Teagasc National Farm survey 2021**

Food & Drink Sector Update

Food & Drink Sector Update
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Overall Performance

Despite ongoing turbulence due to inflation and Brexit, the food and drink industry continues to perform well. Exports were up by 24% in the year to April, with a similar increase in the amount of imports. Despite Brexit, exports to GB continue to flow freely (+26.5%) and there has been a recovery in imports also (+24%). On a sectoral basis, while all sectors are preforming well, the star performer is dairy (+38%). The growth of dairy, was reflected in the strong results recently published for Ornua for 2021, with sales of Kerrygold up by 12%[4].

Foodservice Return

The return to foodservice sales is undoubtedly behind some of the strong trading figures evidenced by the CSO. A recently published Bord Bia White Paper suggested a full year growth of 58% in 2022 for sales into foodservice outlets compared to 2021[5], leaving the industry 5% behind pre pandemic levels in 2019. However given estimated menu inflation of 10-15% much of the growth is inflation driven.

Inflation

Inflation management continues to be a key focus for the sector. Food inflation rose to 10% in the Eurozone in May, while the figure for Ireland was 4.4%[6]. This also compares favourably to the UK figure of 6.7% in April[7]. Inflationary pressures are likely to continue with little progress made in addressing wheat exports from Ukraine[8] and additional climate related pressures on harvest in Europe[9] and India[10]. In the UK, the Institute for Grocery Distribution forecast UK food price inflation of up to 15% before the year ends[11].

The ongoing negotiation on prices between suppliers and retailers continues to be challenging. In the UK, the most recent report by the Groceries Code Adjudicator (GCA) highlighted the strain on supplier-retailer relations[12]. A quarter (26%) of suppliers said they had experienced a refusal by a retailer to consider a request for a cost price increase (CPI) or an unreasonable delay from the retailer in concluding the request. It is the most raised issue in the GCA's surveys over the last five years.

As well as negotiating pricing with customers, suppliers are also looking at ways of reducing cost. Danone[13] recently highlighted that it was looking at consolidating its range of products as a cost cutting response.

Brexit

Irish food producers reacted with dismay to recent moves by the UK Government to amend the Northern Irish protocol. The risk of the loss of access to the single market for Northern Irish producers[14] would seriously affect a number of island of Ireland processors, with complex processing operations that straddle both sides of the border. The UK has proposed a dual regulatory regime, however it is difficult to see how this would work in practice. This is illustrated by the NI Dairy Councils chief executive, Mike Johnston, using the hypothetical example that if wheat produced using pesticides banned by the EU was used as animal feed on Northern Ireland dairy farms, then the milk produced would not be permitted to cross the border.

4 Record year for Ornua with Operating Profit up 1.3% - Ornua
5 https://www.bordbia.ie/globalassets/bordbia2020/news--events/irish-foodservice-whitepaper-2020/2022_irish-foodservice-_white-paper_final.pdf
6 Source Eurostat Annual Inflation May 2022 compared to May 2021
7 Source UK ONS
8 Ag Trade: UN Negotiations on Ukraine Grain Exports Struggling to Make Progress – AgFax
9 Heatwave poses risks for French, Spanish wheat as EU harvest nears | Reuters
10 India's wheat farmers count cost of 40C heat that evokes 'deserts of Rajasthan' | India | The Guardian
11 Food inflation likely to reach 15% this summer (igd.com)
12 Inflationary pressures strain relationships between retailers and suppliers - GOV.UK (www.gov.uk)
13 French food company Danone reduces product range to cut costs (irishexaminer.com)
14 EU warns Northern Ireland's place in single market at risk amid Brexit row – POLITICO

Hospitality Sector Update

Hospitality Sector Update
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Demand

As we approach the end of the first half of 2022, the hospitality sector has so far defied expectations with a sharp bounce back to date. Domestic demand remains strong supported by positive employment trends[15] and further bolstered by savings accumulated during the pandemic (Table 1). Air and Sea travel statistics from the CSO for April 2022 showed an 86% recovery when compared to April 2019 (14% negative variance)[16]; businesses across the various regions are reporting encouraging numbers of visitors and bookings from UK, USA and Continental Europe. There are of course serious concerns about the impact of inflation and the chronic shortage of staff which is impacting service provision in some locations, however the overall balance remains comparatively benign. The recovery and the increase in the spending can become quite evident when we compare the BOI card spending data for the first quarter of this year against the last quarter of 2021 (Table 2).

Table 1 – Irish Household savings as a proportion of disposable income[17]

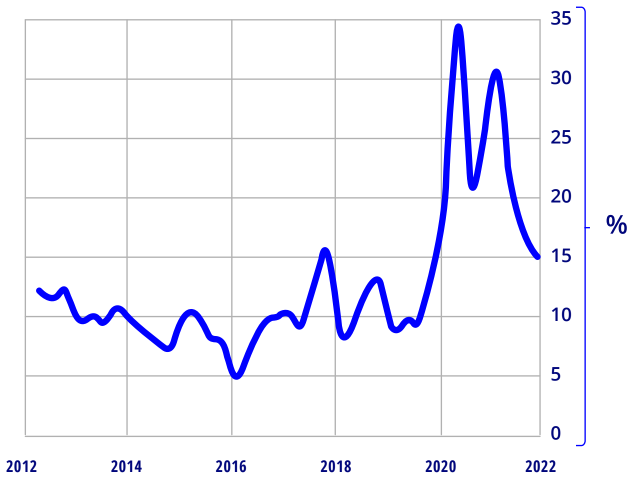

Table 2 – Card spend data Q4 2021 vs Q1 2022[18]

Airline spend alone increased **84%**

while transactions with airlines increased **31%**

Car Rental **10%**

The average transaction amount in the Hospitality* sector increased

14% (€91 to €103)

* Hospitality includes Accommodation, bars, restaurants, travel

[15] CSO.ie , Monthly unemployment data, May 2022
[16] CSO.ie, Air and Sea Travel Statistics, April 2022
[17] Tradingeconomics.com, Household savings as proportion of disposable income - Ireland
[18] BOI Card spend data – BOI Credit and Debit card spend Q4 2021 vs Q1 2022

Foodservice

Hotels, bars and restaurants with a larger 'pre-pandemic' dependency on office and commuter trade are still experiencing soft demand; the return to normal, or the plateauing of its rebound is hard to predict because it is being shaped by the working from home trend. A recent survey in the US showed that "only 4% of respondents are requiring all employees to return to the workplace full time"[19]. This period of readjustment will perhaps trigger changes in some service models and menus and could perhaps impact on the rent premiums for some areas in the short to medium term.

Tourism accommodation supply

The number of Fáilte Ireland registered and approved beds in Dublin city currently stands at 24,006 (March 2022)[20], however a sizeable portion of these is currently committed to a number of alternative uses including direct provision, staff housing and HSE contracts. The IHF recently told an Oireachtas Committee that its research suggested a total of 3,960 rooms in the capital are currently not available for sale to the public. Despite a number of new and planned hotel openings (3,352 new rooms were scheduled for delivery in 2022), Dublin city is currently experiencing an undersupply of short term accommodation.

Accommodation sales KPIs[21]

Accommodation KPIs 2019-2021	May 2022												YTD March 2022												YTD RevPAR	
	Occupancy %				Average Rate €				RevPAR €				Occupancy %				Average Rate €				RevPAR €				2022 vs	
Location	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020
Dublin All (STR)	89	17	22	88	154	84	82	176	138	14	18	155	79	45	17	68	131	113	78	148	104	51	13	100	-3%	97%
Dublin city centre (STR)	90	11	14	86	182	96	92	204	163	11	13	176	80	45	9	64	154	134	93	170	123	60	8	108	-12%	80%
Galway (Trending)	85	0	23	81	113	0	72	129	96	0	17	104	68	37	23	64	98	86	52	117	67	32	12	75	12%	134%
Cork (Trending)	85	0	25	82	109	0	91	142	93	0	23	116	73	59	24	63	99	97	87	133	72	57	21	83	14%	46%
Cork (STR)	84	14	25	79	117	82	89	147	69	19	11	93	72	40	23	61	104	98	83	137	75	39	19	84	12%	114%
Limerick (Trending)	80	29	16	87	86	64	70	108	69	19	11	93	66	46	16	68	82	76	66	100	54	35	10	68	26%	92%
Kilkenny (STR)		0	13	76		0	60	153		0	8	116		36	10	59		105	59	152		37	6	89		139%
Regional (Trending)	84	49	28	84	101	60	76	123	85	29	21	103	70	50	26	66	91	79	69	114	64	39	18	75	18%	90%

Strong demand and a somewhat compromised supply have led to a material rebound in Hotel bedroom occupancy and rate for Dublin city where a €17.30 increase in RevPAR (13%) was recorded for May 2022 vs May 2019 (May 2022 YTD RevPAR is still 3% behind 2019 for the capital). Outside Dublin, strong average room rates continue to be reported by all regions driving double digit RevPAR growth against 2019 (5 months to May 2022 vs same period 2019).

[19] Forbes.com
[19] Failte Ireland, Accommodation Supply Dashboard
[19] CoStar STR and Trending.ie/BPO stats for May 2022

Manufacturing Sector Update

Manufacturing Sector Update
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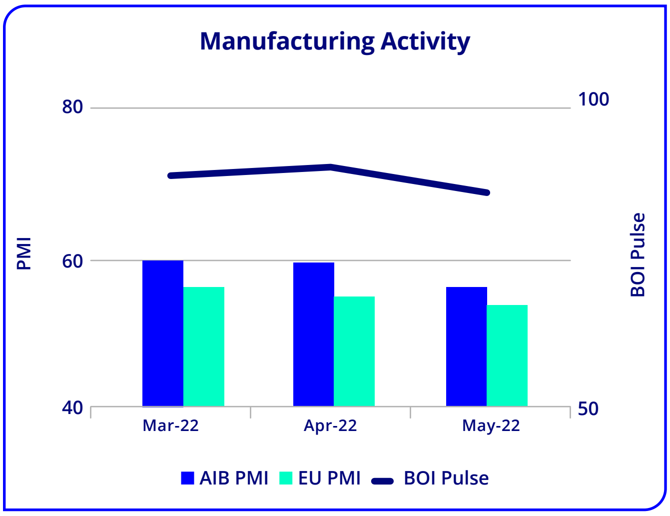
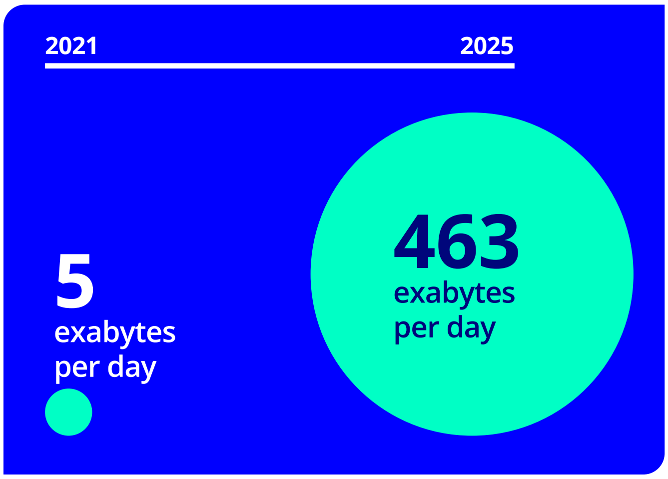
Irish Manufacturing hits an inflection point as May indicators ease back



Irish Manufacturing indicators for May 2022, while remaining resilient and in expansion territory, showed the first signs of slowdown. Bank of Ireland Industry Pulse[22] for May was 87.3 down from 90.1 in April. AIB Irish Manufacturing Purchasing Manager's index (PMI)[23] for the manufacturing sector moved downwards to a 15 month low of 56.4 from 59.1 in April. Rates of increase of orders and output slowed sharply in the month, as a combination of higher prices and a shift in spend to services such as hospitality and travel all served to dampen demand. Additionally business confidence hit a 19 month low on the back of the ongoing Ukraine conflict and persistent high inflation, both of which show no obvious short term signs of improvement. While many businesses will no doubt adopt a more cautious approach to growth, given the ongoing volatility, the fundamentals and opportunities for many remain strong and Irish GDP is forecasted to grow by 6%.[24]

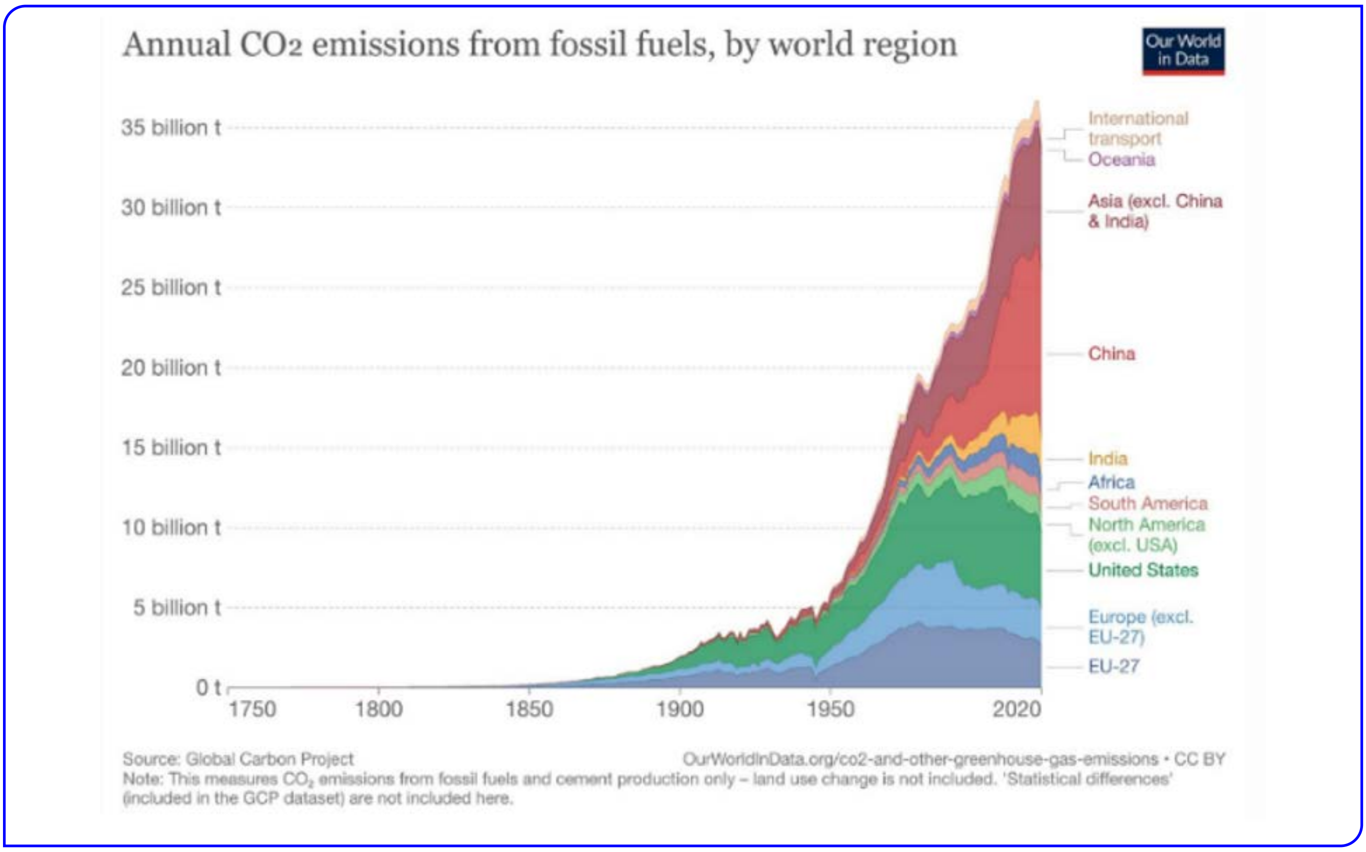
EU PMI data for May at 54.6 down from 55.5 or an 18 month low, paints a more fragile picture.[25] Orders fell for the first time since June 2020. An increasingly toxic mix of surging inflation, unprecedented fuel costs, never ending supply chain disruptions and interest rate hikes, are all eroding consumer spending power and dampening consumer demand. This is further exacerbated by a shift to spending in services, particularly travel as people revisit family members and reactivate postponed travel plans. In summary, there is no escaping the reality that current negative trends without improvement all point to higher downside risks in the global economic outlook.

Exabytes and Gigacorns – the imperatives of Digital and Green Agendas



Putting aside the clouds of uncertainty for a moment, let's talk about **Exabytes** and **Gigacorns**. One relates to Industry 4 and digital transformation, and the other to the green agenda. We are familiar with a Gigabyte (GB) of data which equals approx. 1,000 Megabytes or 1 Billion bytes of data. An **Exabyte** equals one billion GBs, or one Quintillion bytes of data - who cares and why is this important? Well according to Accenture[26], the world will produce 463 Exabytes of data per day by 2025, an exponential increase from just 5 Exabytes per day in 2021. This report brings into sharp illustration the economic value of data to all enterprises. The good news is that many Irish Manufacturing SME's recognise this growth lever and are taking advantage of SIRI (SMART Industry Readiness Index) surveys. These are available from Irish Manufacturing Research[27], and enable businesses to map their journeys to smart factories, real time data and enhanced connectivity with suppliers and customers. Furthermore the Irish Government has just announced a new €85 million digital transition fund that will provide grant aid for businesses[28].

[22] https://www.bankofirelandeconomicpulse.com/
[23] https://aib.ie/fxcentre/resource-centre/aib-ireland-pmis
[24] https://corporate-economy.bankofireland.com/ireland-outlook-april-2022/
[25] https://www.pmi.spglobal.com/Public/Release/PressReleases?language=en
[26] https://www.accenture.com/nl-en/blogs/insights/data-driven-enterprise
[27] https://imr.ie/what-we-do/services/smart-industry-readiness-index/
[28] New €85m digital transition fund for businesses (rte.ie)



Gigacorns? We are familiar with a **Unicorn** - "A privately held startup company with a valuation of $1 billion". The term was first popularised by VC Aileen Lee.[29] A **Gigacorn** also known as a Climate Unicorn is "a company whose technology can impact global CO2 emissions by 1 gigaton (GT) of CO2 per year while being commercially viable." The term has been coined by Christian Hernandez.[30] Considering the EU alone emits around 3 GT per year (see chart), this is a hugely aspirational target. But that's exactly the point! It underlines the ambition needed to seriously address the climate crisis. While no Gigacorns exist as yet, the hunt is on. Many VC companies are using the term in their pitches to attract gigacorn potentials.[31]

[29] https://www.investopedia.com/terms/u/unicorn.asp
[30] https://christianhern.medium.com/on-gigacorns-and-sustainability-tech-8b24efd04d00
[31] https://www.ericaeller.com/blog/2022/2/25/what-is-a-gigacorn-climate-tech-investors-explain

Retail Sector Update

Retail Sector Update
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Grocery inflation continues

Irish retailers are reporting a normalisation of grocery spend patterns with sales levels c7% behind the same period in 2021 when COVID-19 restrictions were in place. Grocery inflation has hit 6.5% reflecting the supply-chain issues and uncertain geo-political landscape – this represents the highest level of inflation since February 2013. 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.[32] Given the prevailing inflation position across Europe, it is expected that we have not reached peak inflation and further increases are being forecast across the sector in the immediate future. As consumers seek cheaper alternatives across some product lines, all leading operators recognise that a strong own-brand offering will be critical to maintain customer engagement.

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 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. Natasha Adams, the recently appointed Tesco Ireland CEO, has confirmed that competition authority clearance has been granted for the purchase of the Joyce group in Galway - nine stores will be re-branded to Tesco over the coming months. Tesco have also opened a new store in Spencer Dock in Dublin in recent weeks demonstrating their continued commitment to the Irish market.[33]

Changing retail landscape

The wider retail sector has delivered a promising start to 2022 with sales volumes (excluding motor sales) c9% better than the equivalent pre-pandemic period. There were strong performances in the electrical, fashion and furniture/home improvements sub-sectors in particular.[34] Retailers are now assessing the impact that current inflationary trends may have on discretionary spend in upcoming months and tailoring their business plans accordingly.

Preserving loyalty during an inflationary cycle

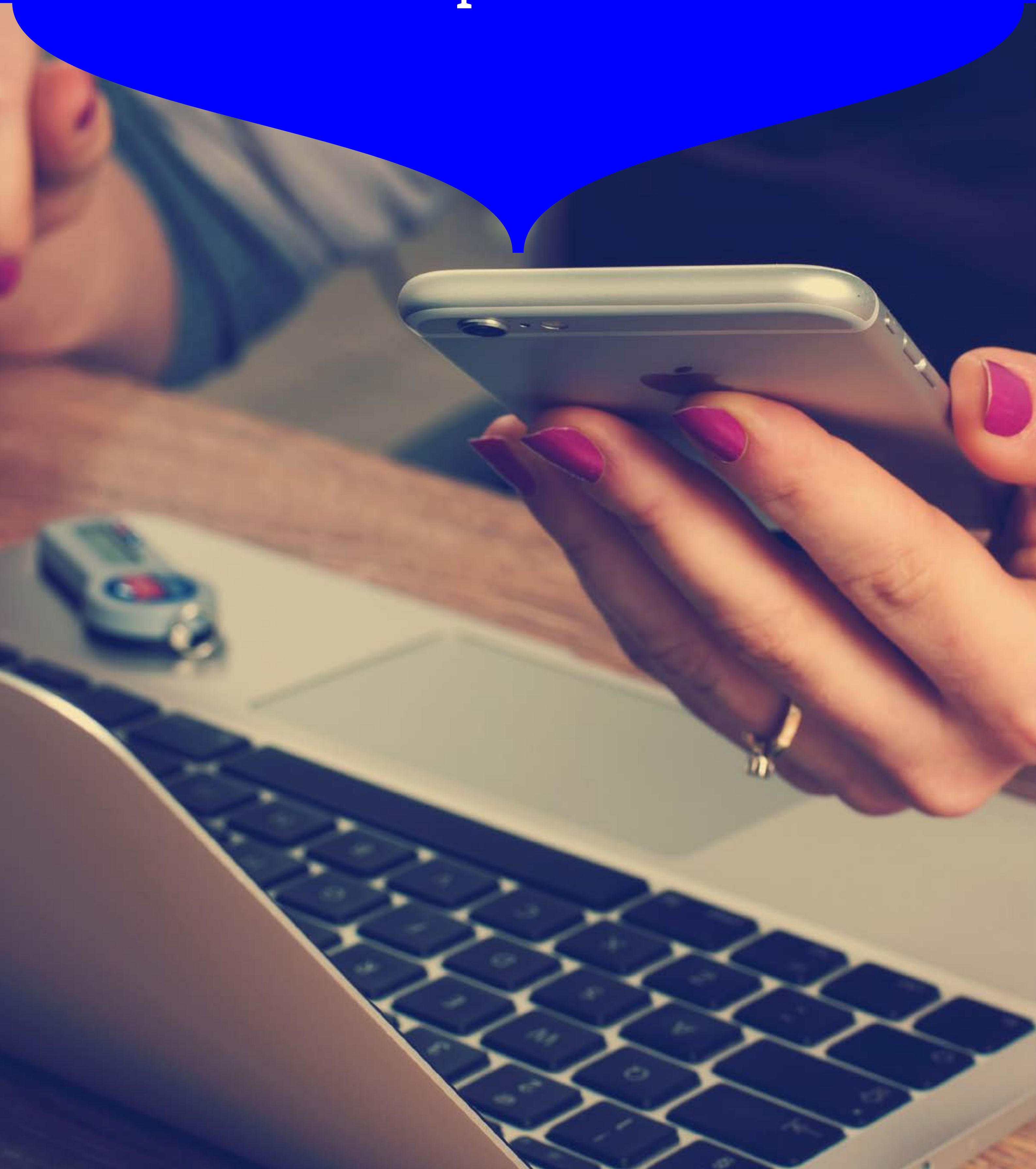
Leading retailers recognise that the best way to maintain loyalty is to consistently deliver an excellent service to their customers. This can only be achieved by taking time to meet, listen and proactively act upon feedback from their customers – this is how true "personalisation" takes place. The strongest customer relationships are where two-way communication is embedded within the relationship – the retailer is available to give advice/share their knowledge of the product/service and the customer is comfortable providing feedback as they know it will be acted upon. The Irish retailers that went "above and beyond" to listen to their customers and meet their requirements during COVID-19 have been successful to date in retaining this business. Loyalty built upon a price led proposition sits on an unsteady foundation as price can fluctuate linked to demand, supply-chain issues, inflation etc. Loyalty built upon service is much more resilient to economic shocks.

Some further practical tips to preserve and generate loyalty during an inflationary cycle are contained within an article I contributed to in recent weeks (see link below).[35]

https://www.independent.ie/business/irish/retailers-need-to-keep-loyalty-schemes-simple-to-hold-on-to-cost-conscious-customers-41734597.html

[32] Kantar monthly Grocery update – 27/06/2022
[33] Shelflife magazine – June 2022
[34] CSO Retail index 30/05/2022
[35] Irish Independent 09/06/2022

Technology, Media and Telecoms (TMT) Sector Update



Technology, Media and Telecoms (TMT) Sector Update
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VisionR receive investment from early-stage fund

In May, Delta Partners announced the launch of its latest fund (DeltaIV) to invest in seed and early-stage technology businesses in Ireland. Following the launch, VisionR (formerly known as Glimpse) were announced as one of the first recipients of investment from this new fund.

VisionR specialise in providing valuable, actionable insights to traditional 'bricks and mortar' and omnichannel retailers capturing customer behaviour. Their platform tracks customers who enter the store, how they shop and how they react to purchasing cues. The platform also provides insights to retailers on how they can maximise revenue generation in relation to sales promotions and store layout. The technology is relatively straightforward to implement and immediately starts to analyse shoppers using facial recognition and behavioural tracking technology, without impacting on privacy as the data that is harvested, is anonymised. VisionR have already secured a partnership to deploy their technology with Spar International which will see their retail analytics platform rolled out across the company's 13,500 stores in 48 countries. This early-stage investment from Delta Partners is earmarked to support further growth, expansion and recruitment of new staff. Bank of Ireland is a cornerstone investor in this new fund along with Enterprise Ireland and also includes Fexco and several family offices.

Ireland confirms its support for the Digital Services Act (the DSA)

Following on from political agreement being reached by the European Council and the European Parliament on the DSA text on 23 April 2022 last, EU Ambassadors have in recent days given their support to the Council's approval. The European Parliament is also expected to ratify its approval soon. This now paves the way for the DSA to become EU law in the coming months, to combat and mitigate against illegal and harmful content that is disseminated online. Those operators of search engines or online platforms that fail to comply with the new Digital Services Act face fines of up to 6% of their global revenue. The provisions of this law will in the first place, target very large online platforms and very large online marketplaces in 2023 and later to all of the other service providers in scope from early 2024. For context, those designated as very large online platforms and search engines are platforms with more that 45 million users throughout the European Union. The Government will now need to ensure that adequate resources are provided to the relevant authorities to ensure they have the necessary capabilities to enforce the implementation of these new laws as they come into force.

Irish Government beefing up cyber protection

Ireland's Government has recently signed up to a partnership with Microsoft's Government Security Program (GSP) joining over 40 countries and international organisations, represented by more than 70 agencies. Following the cyber-attack on Ireland's Health Service Executive (HSE) in May of last year, a subsequent review undertaken by PwC highlighted weak IT infrastructure and lack of investment in provision of cyber-security expertise. Joining the GSP will now assist the Government in defending against cyber-attacks and protecting Ireland's critical national infrastructure. Harnessing Digital – The Digital Ireland Framework published earlier this year sets out strong ambitions by Government to ensure widespread access and use of inclusive digital public services, with a target of 90% of services to be consumed online by 2030. In order to meet this ambitious target, it is critical that the State's digital infrastructure must be protected from cyber threats. This new partnership with Microsoft GSP aims to provide enhanced protection across four key pillars: Online Source Code, Transparency Centre, Information Sharing and Exchange and Technical Data.

- **Online Source Code:** the ability to access and inspect source code for a variety of Microsoft products that enables program members to evaluate individual systems and functionality and check their reliability in relation to quality assurance and understand how certain features work. In simple terms Government representatives get to 'look under the bonnet' and ensure the coding of the technology has nothing hidden inside that shouldn't be there, which provides comfort and de-risks the use of Microsoft suite of products.
- **Transparency Centre:** provides access to GSP program members/Microsoft customers with unprecedented transparency to provide confidence in the integrity and assurance of the Microsoft products and services they rely upon. GSP members can visit any one of five transparency centres around the world and conduct deep inspections of source code and the visit can be tailored to the unique goals of what a GSP member is trying to achieve. In this instance, the Irish Government are seeking to protect critical infrastructure and the inspection will likely focus on that objective.
- **Information Sharing:** crucially being part of the GSP will provide the government/its various agencies with exchange materials concerning threats/vulnerabilities, malware information, and potential security issues relating to Microsoft products and services. In short, the strength of Microsoft groups and resources are being made available to help governments, such as Ireland, to protect critical infrastructure, their agencies and their citizens. The type of information that will now be shared includes IP addresses of infected devices, malicious URL directory (links created to promote scams or fraudulent activity), clean file metadata (identifies files that are actually from Microsoft using cryptography signatures of all Microsoft files and access to Forums that discuss cybersecurity threats and vulnerabilities.
- **Technical Data:** GSP members can access information and ask questions and get tailored information based on their priorities and needs, so they can have trust in Microsoft products and services and their use. This access also includes written material, engagement with Microsoft engineers to discuss practical use cases and potential engineering of specific applications.

Given that Microsoft365, SharePoint, Exchange Server and SQL Server are so widely used by Government agencies, industry and citizens alike, this program will go some way to bringing about trust in the use of their products and services while also leveraging the scale and technological advances being made by Microsoft to enhance the safety and security of Ireland's critical infrastructure in guarding against cyber threats.

Metaverse

The terminology associated with the technology sector may be off-putting for some people as they struggle to keep pace and understand how emerging technologies will impact on their lives. There is always the latest 'buzzword' being referred to in the press or online regarding the latest or must-have technology which can be daunting for some. Yet, in reality, much of the time the terminology becomes clichéd well before the technology itself is widely adopted and becomes ubiquitous. In recent weeks references to the "Metaverse" have grown significantly and probably requires a little explaining or at least a view on what it looks like as of today. The first thing to say here is that, because the concept is still in the early stages, there isn't one accepted definition of the Metaverse, largely because it doesn't exist yet. Rather, instead various commentators are proposing different views of what it could and may look like. There is consensus however that it is seen as the next iteration of the internet. What will it mean for people? Is it expected that it will be a shared virtual environment where augmented reality and virtual reality technologies become ubiquitous, to further blur the lines between the virtual and the real-world experiences, bringing them to life in 3D. In short, the Metaverse is seen as an immersive world where you can engage with family, friends or work colleagues. An example could be two clinicians in disparate parts of the world, virtually examining a patient and collectively diagnosing health conditions and will enable patients to access care from healthcare professionals without being hindered by their geographic location. The potential examples are endless and potential use cases are infinite, but as referred to earlier, the Metaverse will likely have become an overused term, perhaps decades before we see its manifestation.

Sources: VisionR, Department of Enterprise, Trade and Employment, Gov.ie, PwC.ie, Microsoft, Investopedia, World Economic Forum, Gov.ie

Motor Sector Update

Motor Sector Update
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May lookback

In the month of May, new passenger car (PC) sales declined 10.3% year-on-year (y-o-y) to 5,303 units, Light Commercial Vehicle (LCV) sales declined 37.4% y-o-y to 1,449 units and used imports declined 35.2% y-o-y to 3,905 units.

PC Registrations

In the first five months, new passenger car registrations increased 3.2% year on year to 63,045 units. Toyota holds the #1 position with 17.5% market share, followed by Hyundai with 13.6% in #2, Volkswagen with 8.2% in #3, Kia with 7.8% in #4 and Skoda with 7.1% in #5.

LCV Registrations

In the first five months, new light commercial vehicle registrations declined 22.5% year on year to 12,431 units. Ford holds the #1 position with 27.4% market share, followed by Volkswagen with 14.2% in #2, Toyota with 11.6% in #3, Opel with 10.3% in #4 and Peugeot with 8.2% in #5.

Used Imports YTD

Registrations of used imports declined 34.4% year on year to 19,769 units in the first five months.

Passenger Car Sales YTD	Light Commercial Vehicles YTD	Used Imported Cars YTD
May 2022 +3.2%	May 2022 -22.5%	May 2022 -34.4%

Provincial Developments

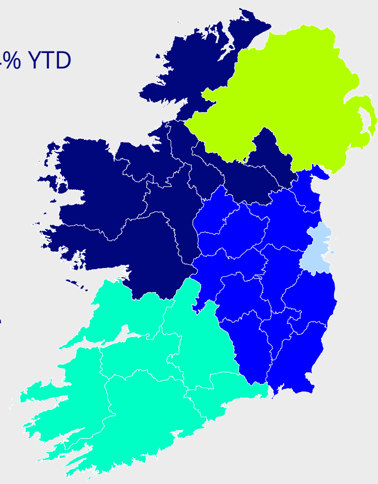
National Position
New (N) +3.2% YTD
Used Imports (UI) -34.4% YTD

Dublin
N -0.3% YTD
UI -7.7% YTD

Rest of Leinster
N +8.4% YTD
UI -48.6% YTD

Connacht/Ulster*
N +5.3% YTD
UI -48.7% YTD

Munster
N +3.1% YTD
UI -50.1% YTD



*Ulster Border counties
SIMI Stats May 2022 YTD

Market News

Microchip shortages and global supply chain issues continue to hamper recovery from the pandemic in the automotive sector.

In the first four months this year, sales of new cars in Europe are down 14.4% according to the European Automobile Manufacturers' Association (ACEA). Comparatively, sales in Ireland were ahead almost 5% in the same period.

The ACEA also reported that sales in the month of April this year were the weakest on record, with the exception of 2020 when the arrival of COVID closed down motor dealer sales operations across Europe.

New vehicle sales slipped back here in the month of May and we are likely to see monthly sales variances ebb and flow this year as inventories wane and supply gets replenished.

As previously reported, the sector expects above average sales in H2 this year when the second sales peak commences in July with the "222" plate. Indeed, the new number plate may attract some consumers to change their car this summer.

The ACEA recently released statistics for sales of new cars by engine type in Q1 2022. Battery electric vehicle (BEV) demand continues to rise across Europe. Circa 13% of Irish consumers bought fully electric cars in the period. This puts Ireland ahead of the EU average of 10% however, we lag our nearest neighbour in the UK at 15%.

Norway continues to lead the transition to BEV's. In quarter one this year, almost 83% of consumers who purchased a new car there opted for a fully electric vehicle. Sweden is the next largest with a BEV share of c. 28%, followed by Denmark at c. 17%.

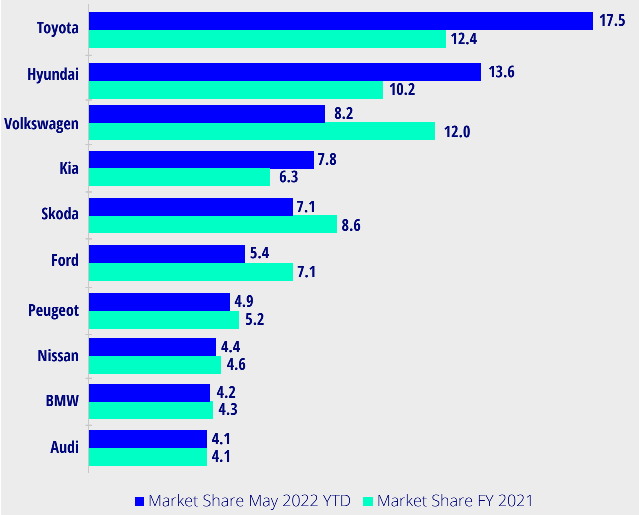
In terms of volume, Germany recorded the most BEV sales in Q1 with c. 84,000 sold (13% share) followed by France with c. 43,500 (12% share) and Sweden with c. 20,000 (28% share). In the same period in Ireland, almost 6,250 new BEV's were sold – more than double compared with Q1 2021.

Despite higher retail prices,demand for BEV's is increasing. Higher prices at the pumps is likely to fuel even greater BEV demand with inflated fuel prices expected to continue for the foreseeable.

Government BEV supports are therefore vital to help bridge the price gap for Irish consumers. Supply shortages, however, will constrain growth potential for BEV sales this year.

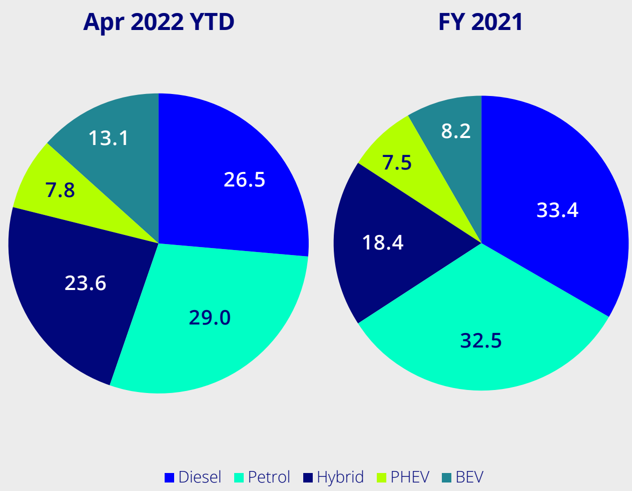
Top Selling Brands

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: European Automobile Manufacturers' Association (ACEA), Society of Irish Motor Industry (SIMI). Data as at 31/05/2022.

Bank of Ireland