

Market Pulse

Analysis of the key trends in the SME sector,
prepared by Fitzgerald Power on a quarterly basis.

Q2 2021



Summary Q2 2021

Economic Update

The ESRI estimates economic growth of just over 11% in 2021, with the strong performance of the Irish export sector driving much of this expansion. Domestic demand is also expected to rebound strongly as the economy reopens, with consumption expected to grow by 7.5% in 2021. Investment is expected to grow significantly throughout the latter half of 2021 as economic activity resumes, growing by 5.8% overall.

The ESRI expects unemployment to fall to 9% by the end of 2021 and to average 7.1% in 2022. They estimate that the cost of lost output in 2020 and 2021 is approximately €24bn, however, by 2022, the economy should recover to where it would have been, had the pandemic never occurred.

Central Bank Financial Stability Report

The Central Bank of Ireland has raised concerns that the income of small and medium sized enterprises whose repayments were paused declined twice as severely as that of their peers who were able to continue paying their debts.

As these businesses were also already more cash strapped heading into the crisis, the findings raise fears over the viability of thousands of SMEs across the country. We expect insolvencies to increase as State supports are withdrawn.

Corporation Tax

Ireland's Corporation Tax rate was once again in the news as the G7 suggested creating a floor on the global corporate tax rate of 15%. As of 30th June, 130 out of 139 countries had signed up to the new plan at the OECD, with Ireland one of the remaining holdouts, although the Irish Finance Minister has signalled that he will accept any policy that has consensus support.

Rising Prices

More than 40% of Irish businesses have cited rising prices in the wake of Brexit as a major concern according to a survey by the CSO, while 20% fear they will experience a decline in their business as a result of the UK's exit from the European Union. Almost two-thirds of respondents in the construction sector expressed concern about rising prices.

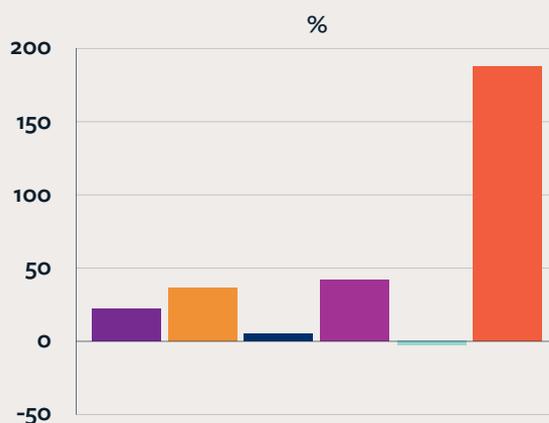
47% of respondents in industry reported that transporting goods to and from the UK is their biggest concern, while 39% said they had taken no steps to mitigate this concern. Among those that did, the most common strategies were; pausing / cancelling investment (13%), implementing a pay freeze (13%), increasing digitisation (12%) and reducing their work force (11%).

Revenue Pulse

The total value of seasonally adjusted annual sales increased in June 2021 versus the same period last year, by 13.9%. However, the combined results don't tell the full story. The sector breakdown shows that the pandemic impact has been unevenly distributed.

Sales Growth

Annual change to June 2021



Sector

- Motor Trades +22.5%
- Department Stores +36.4%
- Food, Beverage & Tobacco +4.9%
- Clothing, Footwear & Textiles 42.3%
- Hardware, Paints & Glass -1.6%
- Bars 190.7%

SOURCE: CSO

Vaccinations

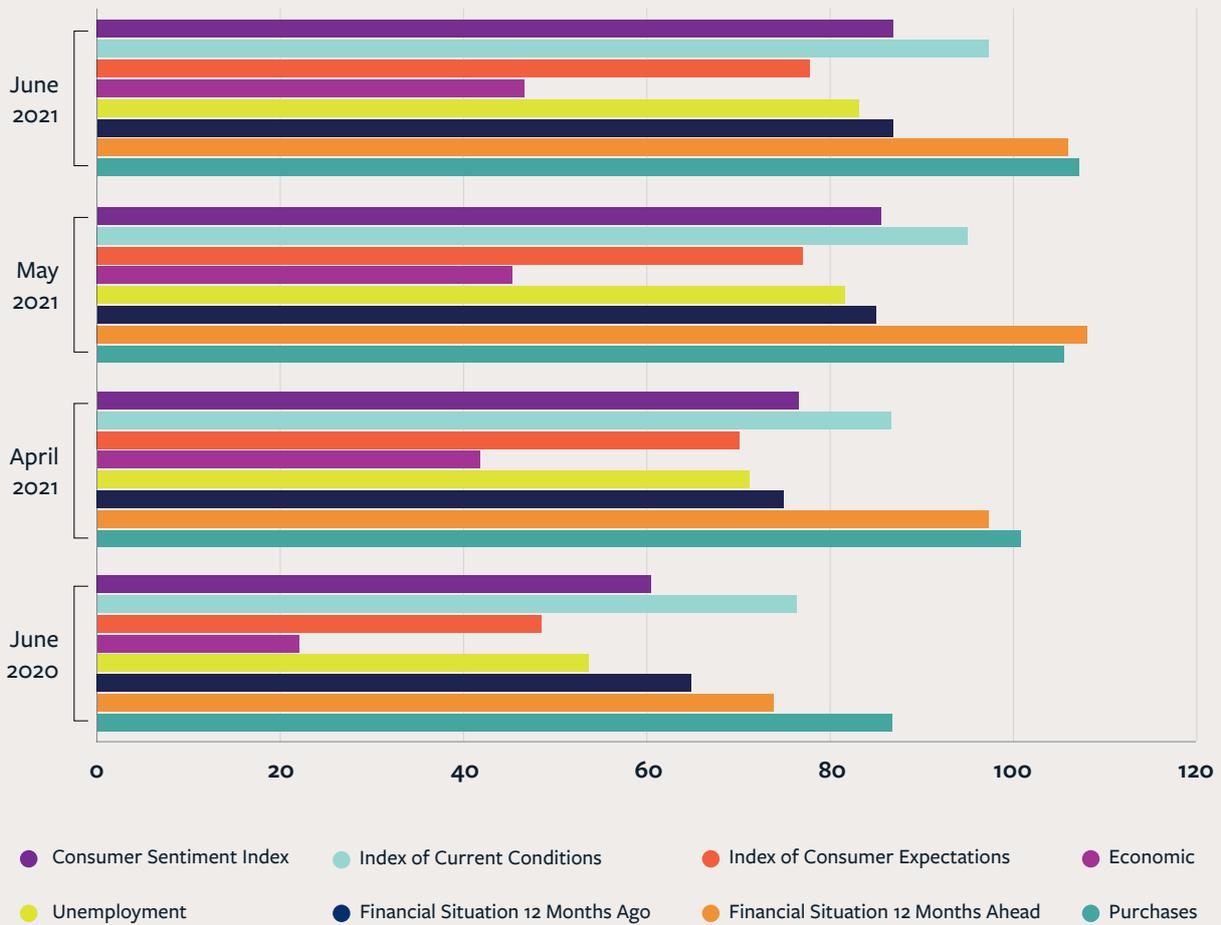
As of Wednesday 30th June, 4.17million vaccine doses had been administered in Ireland, meaning 63.2% of the adult population had received at least a first dose. This equals 3.2million doses administered in Q2, which is a significant increase from the first quarter figure of 932,234.

The government aims to have a vaccine available for everyone who wants one by the end of the summer.

Consumer Pulse

According to KBC Bank, consumer confidence has increased consistently over the second quarter as global economic conditions have improved and vaccines have been rolled out across developed countries.

KBC Bank Ireland Consumer Sentiment Index, June 2021



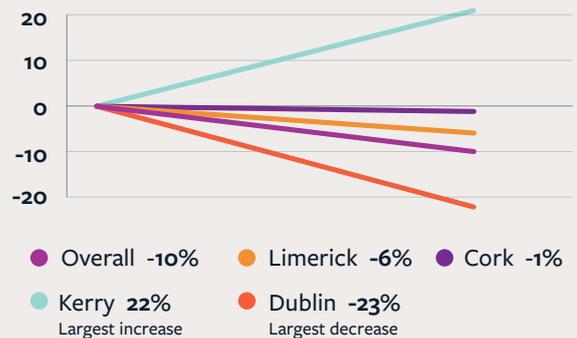
SOURCE: KBC BANK IRELAND

Footfall Pulse

Compared to the same period in 2020, mobility was down 10% in retail and recreation.

The largest decrease was seen in Dublin where mobility declined 23%, whereas the biggest increase was in Kerry at 22%. Mobility declined 1% in Cork and 6% in Limerick over the period.

Changes in footfall

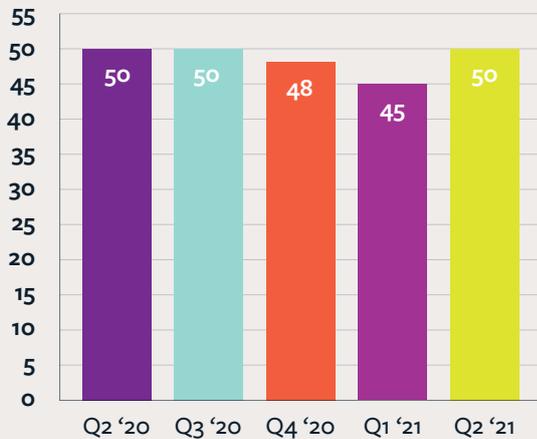


SOURCE: GOOGLE MOBILITY

Payment Pulse

SMEs are waiting longer to be paid than in Q1, reversing a downward trend over the past year. Payment days have increased from 45 days to 50.

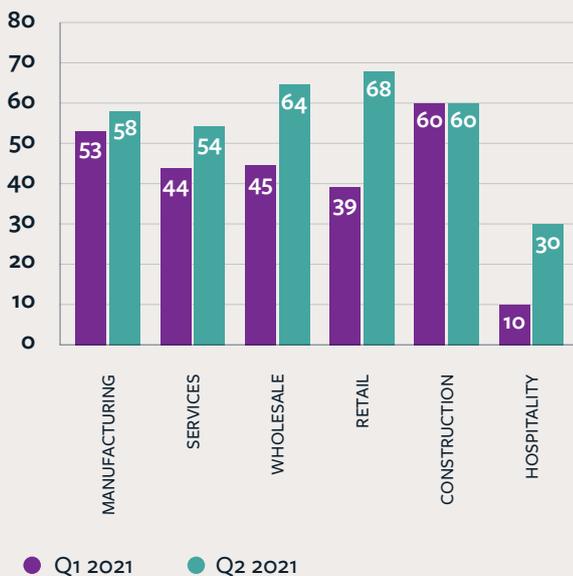
Days waiting to be paid



SOURCE: ISME

The graph below shows the change in payment delays for customer credit for Q2 vs Q1 by sector. Retail and wholesale continue to see the longest delays in payment, while hospitality has seen the largest increase.

Customer Credit Period (Sector breakdown)

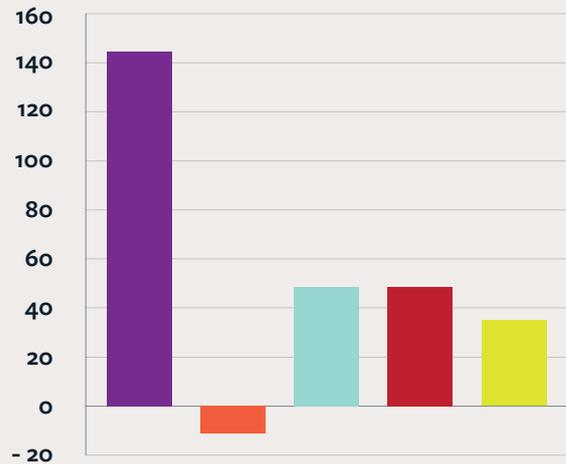


SOURCE: ISME

New Business Pulse

Figures to June 2021 reveal a 144% year on year increase in retail and wholesale start-ups (2,233 new companies), with a total of 13,955 new company start-ups registered in Q1 and Q2 2021, a 42% increase compared to the same period last year.

New business registrations (Change from H1 2020)



Industry

- Retail & Wholesale 144%
- Community, Social & Personal Services -13%
- Finance 47%
- Hospitality 47%
- Construction 37%

SOURCE: VISION-NET

Employment Pulse

Official unemployment in Ireland in June 2021 was 7.6%. However, this doesn't account for people on the Pandemic Unemployment Payment (PUP). When this is adjusted for actual unemployment was 18.3%. The unemployment rate has increased since the same period last year, however the Covid adjusted rate has declined significantly.

Unemployment



SOURCE: CSO

Insolvency Pulse

58 corporate insolvencies were recorded in Ireland in the second quarter of 2021, a decrease from 111 for the same quarter in 2020. The low level of insolvencies is due to ongoing government supports, which are keeping companies viable. This position might change once supports are withdrawn.

All industries showed large decreases in insolvencies compared to Q2 2020 with retail and hospitality showing the most significant drop.

Insolvencies by sector



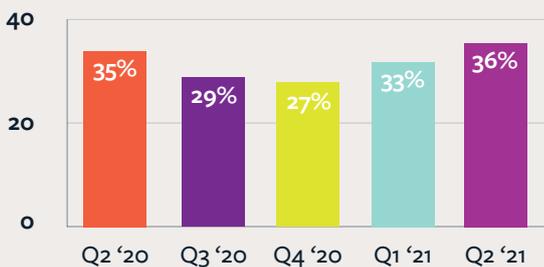
SOURCE: DELOITTE

Credit Pulse

In the second quarter of 2021 the number of businesses that required a change in their banking facilities over the previous three months had risen 1 percentage point from 35% to 36%, when compared to the same period last year.

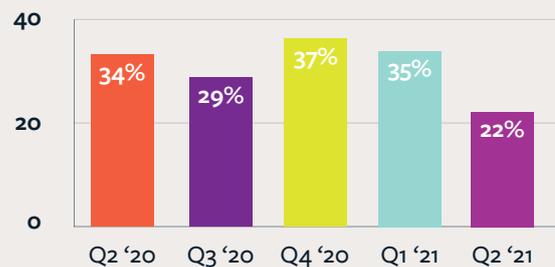
The graph below shows the change in unsuccessful requests for a change in banking facilities in the previous 3 months, which decreased from 34% in Q2 2020 to 22% in Q2 2021.

Required change in bank facilities in last 3 months



SOURCE: ISME

Unsuccessful requests for a change in bank facilities in the previous 3 months



SOURCE: ISME

Fitzgerald Power is a leading financial advisor to the Irish SME sector.

We provide accountancy, corporate finance and taxation advice to businesses across the country.

We'd love to hear from you so please get in touch if you think we can help.



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