



BPFI SME Market Monitor

Final Report

June 2018

Introduction

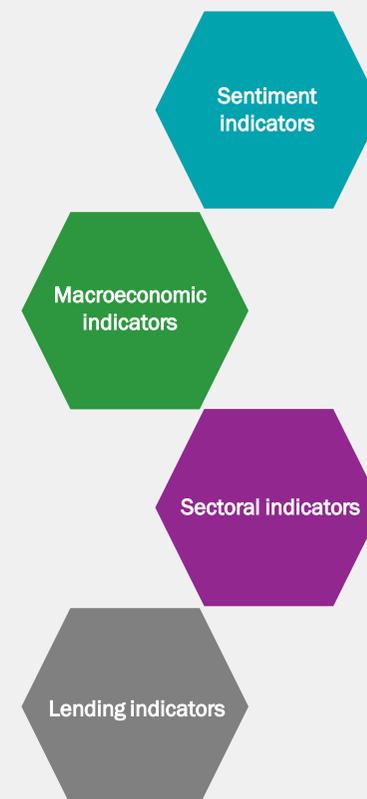
This is the fourteenth publication of the BPF SME Market Monitor, prepared for the Banking & Payments Federation Ireland (BPF) . The purpose of this Market Monitor is to present up to date trends across a range of indicators which are important for the performance of the SME sector. With SMEs (employing less than 250 persons) accounting for the overwhelming majority of enterprises, 69% of persons engaged, 56% of turnover and 50% of Gross Valued Added (GVA), their performance is very closely linked with the overall health of the economy. How consumers feel about the overall state of the economy, their personal financial situation and their ability to make purchases will influence the performance of SMEs. The level of confidence amongst businesses is equally important, as the more confident business owners and managers are, the greater the prospects for their companies, overall employment and incomes. They are also more likely to make investment and purchase decisions.

In a report prepared for the BPF in 2013 , it was noted that the highest concentration of Irish SMEs are in Accommodation and Food services, Construction and Real Estate activities, while Motor and Wholesale Trades as well as Professional, Scientific and Technical services also figure prominently in terms of employment. A number of challenges have existed for SMEs following the unprecedented economic adjustment over the recession years which hit many SMEs especially hard. While the environment is improving, the return to more sustainable growth and trading conditions should ensure that SMEs remain central to Ireland's economic and jobs recovery.

This publication monitors a number of indicators that influence the circumstances under which SMEs conduct their business. A total of 15 indicators, which are published on a quarterly and/or monthly basis, are presented in tabular and graphical form with a brief commentary. This publication also contains a summary commentary which seeks to bring an overall assessment of what these indicators are telling us about the environment for SMEs. The indicators presented are grouped under four headings: sentiment, macroeconomic, sectoral and lending.

The data includes a number of the published sentiment indicators, including those from the ESRI, KBC and Investec. Much of the macroeconomic and sectoral data comes from the Central Statistics Office while the SME lending data is from the Central Bank of Ireland. Where data is known to be affected by seasonal patterns, the CSO presents seasonally adjusted (SA) data which allow month on month (MoM) or quarter on quarter (QoQ) trends to be analysed. The seasonally adjusted data can vary each month/quarter as new observations are added and these changes will be reflected in subsequent issues of the BPF SME Market Monitor. Unadjusted data are analysed on a year-on-year (YoY) basis.

This publication appears in electronic form on BPF's website: <http://www.bpfi.ie> and is available on <http://www.ey.com/ie/en/services/transactions/ey-dkm-economic-advisory> . The analysis is based on data available up to 8 June 2018.



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Solid growth in domestic activity supports SMEs, but international risks persist

The latest review of the SME economic environment provides further evidence of continued improvement in the domestic economy, with the vast majority of macroeconomic indicators trending favourably when compared to corresponding levels in the previous year.

For 2017 as a whole, Modified Domestic Demand experienced solid annual growth, with much of this progress predominantly credited to a double digit increase in Gross Domestic Fixed Capital Formation. In a period of low inflation, Irish Households throughout 2017 saw modest increases in their disposable incomes, while labour market conditions continue to edge closer to full employment levels. Such favourable trends are reflected in the fact that the latest ESRI/KBC Consumer Sentiment Index shows further improvements in terms of consumer confidence, particularly with regard to households' spending plans. That said, consumers were less optimistic with respect to their expectations for the Irish economy and their household finances over the coming year but nevertheless, the mood of the average consumer is one of guarded optimism.

Encouragingly, the growing Irish economy is continuing to filter down to industries where SMEs tend to operate. For example, the Retail sector saw growth in sales when compared to the previous year, with considerably stronger year-on-year increases in the sale of Furniture and Lighting (+11.4%), Motor sales (+9%), and Electrical goods (+7.4%). The latest Investec Manufacturing PMI in April saw a marked acceleration in the rate of growth in new business, while exports also expanded at a significant rate. Despite an above average rise in input costs, business confidence in the sector remains quite strong, with the 12-month outlook for production reaching a 38-month high. There was also an encouraging performance from the Accommodation and Food service sector, with output expanding by 11.5%, while employment in the sector was up 8.8% on the previous year.

Therefore, while it is clear that the Irish SME market has experienced solid growth in the past year, the medium term prospects are unclear given the ever changing global environment, particularly given recent developments in the United States.

By authorising the imposition of a 25% tariff on steel imports and 10% on aluminium imports from Canada, Mexico and the European Union, the US government has undoubtedly raised the prospect of a global trade war. Whether such a trade war comes to fruition remains to be seen, but the imposition of these trade tariffs by one of Ireland's key trading partners raises the possibility of a more protectionist global trading environment in the medium term, an impact which will invariably affect an open economy like Ireland and thus the Irish SME environment.

In conjunction with this, slow progress in terms of Brexit talks continues to create uncertainty about the future relationship of Ireland's biggest trading partner, with continued exchange rate volatility being the likely factor in declining food production levels. That said, the likelihood of a "No Deal" scenario occurring, coupled with a potentially more protectionist trading environment globally, although very unclear at this moment, remains a possibility.

Despite these global concerns, the current state of the Irish SME environment is quite positive. Interestingly, following consistent years of decline, total outstanding debt provided to SMEs in key sectors has expanded in December 2017, with annual growth in Retail (+7.6%), Hotels and Restaurants (+1.6%), and Business and Administrative services (+1%). Other SME sectors such as Agriculture have also seen total outstanding debt expand in three of the four quarters in 2017.

In summary, while the Irish economy continues to experience notable improvements in domestic activity, employment and investment, the risks of global factors will inevitably remain on the horizon in the medium term. The extent to which these factors will affect the Irish economy remains unclear.

Indicator	Latest Trends	Highlight	Level	MoM % Change	QoQ % Change	YoY % Change	Date
Consumer Sentiment		Consumer confidence edges higher in May	106.7				May-18
Manufacturing PMI		Exports up strongly in the month	55.4				May-18
Modified Domestic Demand		Modified GDFCF fell by 5.4% YoY	€43,293m	-	-2.4%	+0.1%	Q4'17
Unemployment rate		Monthly unemployment at 5.9% in April	6.4%	-	- 0.3pp	-1.2pp	Q4'17
Disposable Income		Savings ratio up 2pp relative to 2016	€25,817m	-	- 0.1%	+3%	Q4'17
Employment		66,800 new jobs created since last year	2.23m	-	+1.1%	+3.1%	Q4'17
Retail Sales		Index up 2% in the year to date	110.9	+1.5%	-	+4.8%	Apr-18
Retail Sales excl. Motor Trades		Motor sales up 1.2% MoM	109.5	+1.0%	-	+3.8%	Apr-18
Overseas Trips to Ireland		Total of 9.94 million visitors in 2017	2.58m	-	+5.0%	+6.2%	Q4'17
Industrial Production		Modern sector records exceptional monthly growth of 31.8%	96.7	+9.2%	-	-4.5%	Apr-18
Services		Service Index rebounds strongly in April	114.7	+5.3%	-	+6.5%	Apr-18
Construction Production		Output remains 55% below Q4 2006 peak	167.0	-	+7.4%	+20.6%	Q1'18
Food Production		In the year to date output is down 17.1%	88.5	-0.8%	-	-8.6%	Apr-18



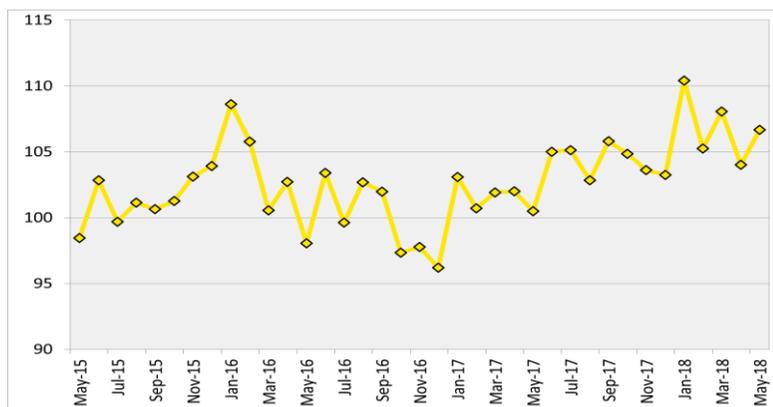
Section 1

Sentiment indicators

Sentiment indicators

Consumer Sentiment Index

Figure 1: Consumer Sentiment Index



Source: KBC/ESRI

Households were more willing to make large purchases in May

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Monthly Index	103.2	110.4	105.2	108.1	104.0	106.7
Annual change in the level	7.1	7.3	4.5	6.2	2.0	6.1
Monthly change in the level	-0.4	7.2	-5.2	2.8	-4.0	2.6
3 month moving average	103.9	105.8	106.3	107.9	105.8	106.3

Source: KBC/ESRI

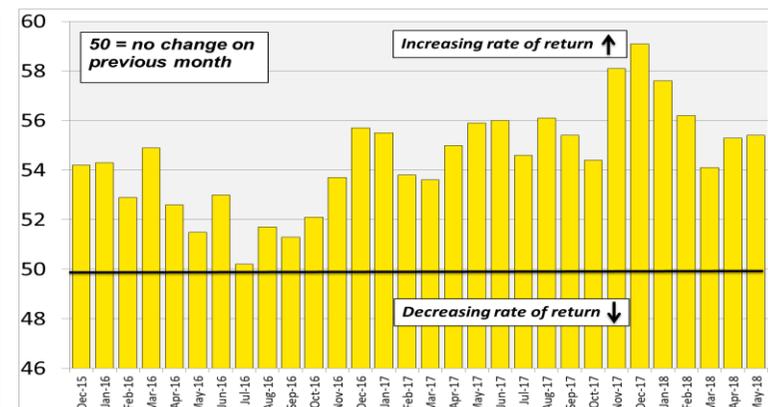
The Consumer Sentiment Index increased to 106.7 in May from 104 in April, reversing about two thirds of the decline recorded between March and April.

In the May survey, three of the five key elements of the index registered higher readings relative to April, with the remaining two being slightly weaker than in the previous month. Encouragingly for SMEs, the strongest element of the May survey was in relation to household spending plans, with the rise in sentiment due to a greater willingness by households to make large purchases.

That said, the two elements of the May survey that were weaker than the previous month, were consumers expectations for the Irish economy and their household finances over the next twelve months. Regardless, this month's reading suggests the mood of Irish consumers remains one of guarded optimism.

Manufacturing PMI

Figure 2: Manufacturing PMI (SA)



Source: Markit/Investec

May saw manufacturers increase production levels at a notable rate

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
PMI (SA)	59.1	57.6	56.2	54.1	55.3	55.4
Monthly Change	1.0	-1.5	1.4	-2.1	1.2	0.1

Source: Markit/Investec

The Investec Manufacturing PMI rose to 55.4 in May from 55.3 in April, with the latest reading suggesting that the industry continues to grow at a reasonable rate.

May saw a marked acceleration in the rate of growth in new business, with new orders growing at their fastest rate since January. Panellists highlighted the impact of new export orders on new business, as growth in exports rebounded strongly in the month. As a result of this, manufacturers increased production at a marked rate, implying that output has now risen in each of the last 22 months.

There was notable input cost inflation in May, with the latest increase sharper than the series average. Such cost inflation was credited to higher oil prices, while increases in plastics and metals were also noted. Nevertheless, business confidence remains quite strong, with the 12-month outlook for production reaching a 38-month high.



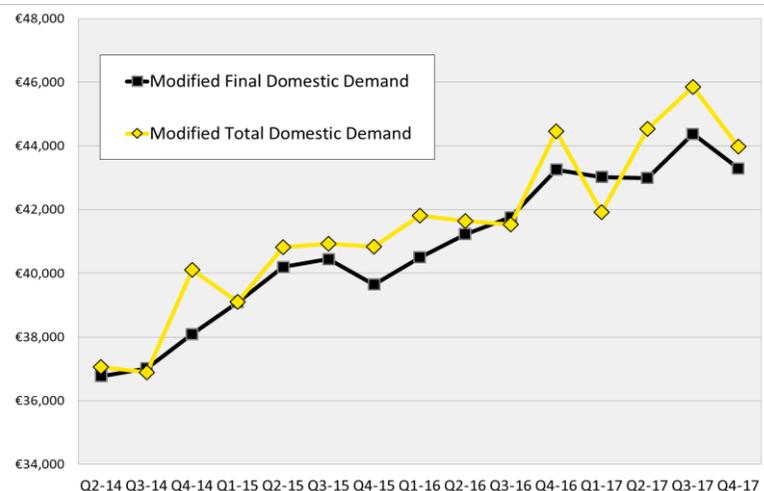
Section 2

Macroeconomic indicators

Macroeconomic indicators

Modified Domestic Demand

Figure 3: Domestic Demand SA (€m, constant 2015 prices)



Source: CSO, National Accounts

For 2017, growth in Modified Domestic Demand primarily due to uplift in Investment

	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17
Total Domestic Demand	41,539	44,464	41,925	44,534	45,844	43,980
QoQ % Change	-0.3%	7.0%	-5.7%	6.2%	2.9%	-4.1%
Final Domestic Demand	41,763	43,253	43,023	42,993	44,380	43,293
QoQ % Change	1.3%	3.6%	-0.5%	-0.1%	3.2%	-2.4%

Source: CSO, (SA): Difference between Total and Final Modified Domestic Demand is the change in the value of physical stock. This item measures the actual value change in stocks between the start and end of Quarter

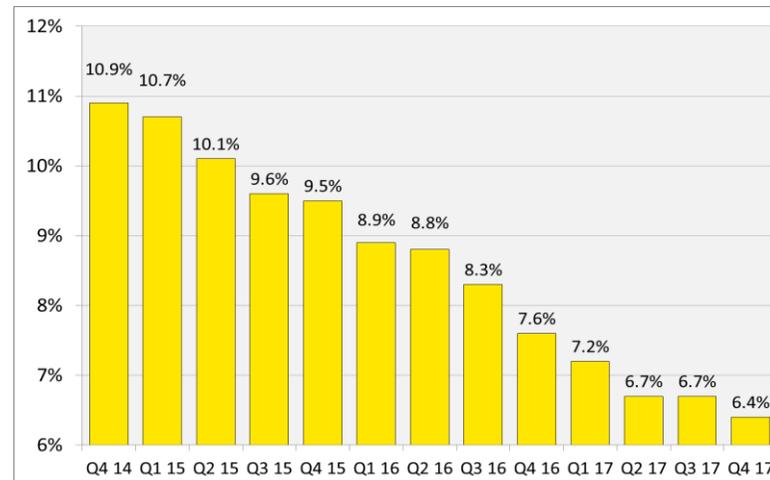
In the final quarter of 2017, Modified Final Domestic Demand experienced a quarterly decline of 2.4%. That said, the corresponding figure for the year as a whole, grew at a rate of 4.2% when compared to the previous year.

Growth in 2017 was predominantly driven by Gross Domestic Fixed Capital Formation, with annual growth up by 10.4%. Specifically, investments in Intangible assets (excluding IP imports) and Building and Construction were up by 28.8% and 17.6% respectively. That said, investment in Machinery and Equipment recorded a significant decline of 11.9% when compared to 2016.

Relative to 2016, the remaining categories of Modified Domestic Demand recorded relatively modest growth, with Government Expenditure and Personal Consumption up by 1.8% and 2.1% YoY respectively.

Unemployment Rate

Figure 4: Unemployment Rate (SA)



Source: CSO, Labour Force Survey (LFS)

Monthly unemployment falls below 6% in April 2017

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Rate (SA)	8.3%	7.6%	7.2%	6.7%	6.7%	6.4%
Number (000s SA)	192.9	176.4	167.8	155.0	156.6	151.5

Source: CSO, Labour Force Survey (LFS) (SA)

The seasonally adjusted unemployment rate fell to 6.4% in Q4 2017, with the total number of people unemployed falling to 151,500. This implies that over the course of the year, unemployment fell by 24,900, while relative to the previous quarter, unemployment was down by 5,100.

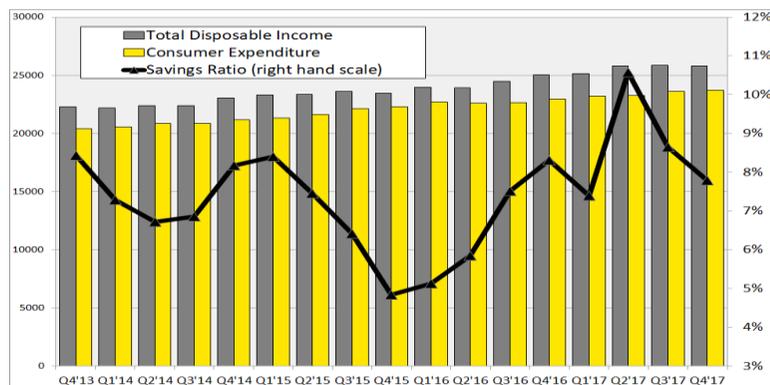
In April the seasonally adjusted unemployment rate was 5.9%, down 0.1 percentage points from the revised rate in March and down from 6.8% in April 2017. This implies that the number of persons unemployed was 140,300 in April, representing a decline of 16,700 relative to the previous year. However, the unemployment rate amongst 15-24 year olds was 12% in April.

An ever improving labour market can only be positive for the SME sector, as increased employment should enhance consumer confidence and consumers' respective spending plans, subsequently inducing companies to expand production levels accordingly.

Macroeconomic indicators

Disposable Income and Savings

Figure 5:
Household
Disposable
Income and
Savings Ratio
(€ millions,
current prices)
SA



Source: CSO. *Consumption Expenditure (CE) here excludes Government social transfers which are included in the CE definition for National Accounts purposes

Total disposable income was 5.4% higher when compared to 2016

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Total Disp. Income	24,488	25,058	25,142	25,806	25,853	25,817
QoQ % Change	2.5%	2.3%	0.3%	2.6%	0.2%	-0.1%
Consumption Exp.	22,614	22,939	23,197	23,258	23,592	23,723
QoQ % Change	0.0%	1.4%	1.1%	0.3%	1.4%	0.6%
Gross Saving	1,839	2,082	1,860	2,727	2,234	2,011
QoQ % Change	31.7%	13.2%	-10.7%	46.6%	-18.1%	-10.0%
Savings Ratio	7.5%	8.3%	7.4%	10.6%	8.6%	7.8%

Source: CSO (SA)

Following three successive quarters of growth in 2017, total disposable income fell marginally by 0.1% to €25.8 billion in Q4 2017. Nevertheless, annual growth was up by 3%. For 2017 as a whole, total disposable income totalled €102.6 billion, which was €5.2 billion or 5.4% higher than the previous year. Likewise, consumer expenditure in the year was up €2.9 billion or 3.2% relative to 2016.

Total gross savings amounted to €8.8 billion in the year, representing substantial double digit growth of 34.9% or €2.3 billion compared to the previous year. Such growth implies that over the course of the year, the savings ratio rose by just under 2 percentage points to 8.6% in 2017.

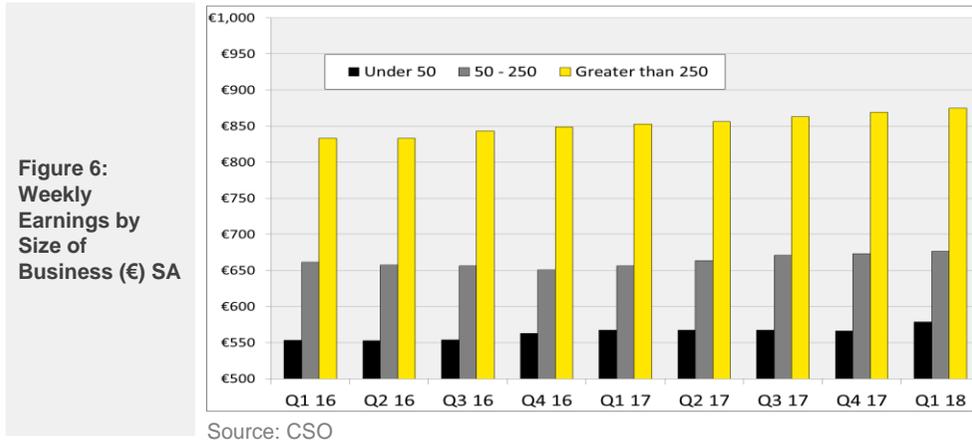


Section 3

Sectoral Indicators

Sectoral indicators

Weekly Earnings by size of Business



Average weekly earnings amounted to €738 in Q1'18, up 2.6% on previous year

	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Under 50	562.8	567.3	567.3	567.3	566.5	578.7
YoY% Change	1.5%	2.5%	2.7%	2.4%	0.7%	2.0%
50 - 250	650.7	656.2	663.9	670.7	673.0	676.8
YoY% Change	-1.5%	-0.8%	1.0%	2.2%	3.4%	3.1%
250 +	849.0	852.8	856.3	863.0	869.2	874.5
YoY% Change	2.3%	2.4%	2.8%	2.3%	2.4%	2.5%

Source: CSO

Following annual growth of 2.6%, average weekly earnings across the economy increased to €738 or €38,383 per annum in Q1 2018. Relative to its low point of Q3 2011, when weekly earnings stood at €688, this represents an improvement of 7.2%.

Further examination of the data shows that earnings in medium-sized companies with between 50 and 250 employees recorded the largest annual increase in Q1 2018, up 3.1%. Encouragingly, earnings in small companies have now surpassed their previous peak level in Q3 2008, while earnings in small firms are now 9.6% higher than the low point of Q4 2011.

Earnings growth in large sized companies continued to grow in 2018, with the opening quarter of the year recording annual growth of 2.5%.

Employment by Sector



A total of 66,800 jobs were created in 2017

YoY% Change	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
All sectors	3.8%	3.8%	3.7%	2.5%	2.2%	3.1%
Construction	8.4%	10.3%	9.3%	6.8%	6.9%	9.9%
Wholesale and retail trade	3.0%	1.7%	2.0%	2.2%	1.5%	1.8%
Accommodation and food	8.1%	1.5%	5.6%	2.7%	1.3%	8.8%
Real estate	-0.9%	21.2%	-3.3%	-11.2%	-7.8%	-9.5%

Source: CSO, LFS, (NSA)

Total employment increased by 3.1% or 66,800 in the year to Q4 2017, bringing total employment to 2.23 million. This implies that total employment has now grown on an annual basis in each of the last 22 quarters, and is now at its highest level in a decade. Of the 66,800 new jobs created in 2017, 45% were in the four sectors with the greatest concentration of SMEs.

Of these four sectors, the Construction sector continued to record the largest rate of growth, with employment up by 9.9% relative to the previous year. There was also significant growth in the Accommodation and Food Service sector, where employment was up 8.8%. The Wholesale and Retail Trade sector registered relatively modest annual growth of 1.8%, while employment in Real Estate activities was down by 9.5%.

Sectoral indicators

Retail Sales Volume Index



In the year to date, Retail Sales, with and without motor sales, posted solid growth

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Retail Sales Index	112.3	111.6	111.1	111.4	109.3	110.9
MoM % Change	2.2%	-0.7%	-0.4%	0.2%	-1.9%	1.5%
Index ex. Motor	110.1	108.8	109.7	109.8	108.4	109.5
MoM % Change	2.2%	-1.1%	0.8%	0.1%	-1.3%	1.0%

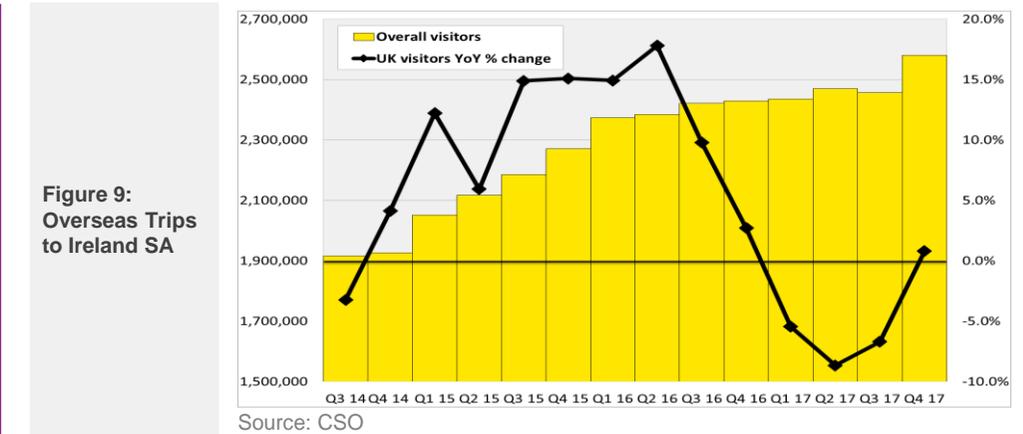
Source: CSO. (SA)

Following a monthly decline of 1.9% in March, the Retail Sales Index registered modest monthly growth of 1.5% in April. When car sales are excluded, monthly growth eases to 1%.

On an annual basis, retail sales were up by 4.8%, while the Index in the year to date is 2% higher than the same period last year. When car sales are excluded, the corresponding growth rates are 3.8% and 4.3%.

A further examination of the data showed that the vast majority of retail sectors recorded monthly increases in April, most notably for sales in furniture and lighting (+13.2%), Automotive Fuels (+5.6%), Clothing and Footwear (+3.6%), Specialised Stores (+3.6%) and Hardware, Paints and Glass (+3.1%). The only Retail Sectors to record monthly declines in sales were Electrical goods (-3%), Department Stores (-1%) and Non-Specialised Stores (-0.2%).

Overseas Trips to Ireland



A total of 9.94 million tourists visited Ireland in 2017, up 3.5% on 2016

	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Overseas Visitors (SA)	2.42	2.43	2.44	2.47	2.46	2.58
QoQ % Change	1.6%	0.3%	0.3%	1.4%	-0.5%	5.0%

Source: CSO. (SA)

A total of 2.58 million visits were made to Ireland in Q4 2017, representing a notable increase of 5% on the previous quarter, while annual growth was up by 6.2%. For the year as a whole, 9.94 million tourists visited Ireland, which was an increase of 3.5% on 2016. The latest data from Fáilte Ireland, showing that revenue from overseas visitors amounted to €5.1 billion per annum, will be welcome news for SMEs operating in the sector.

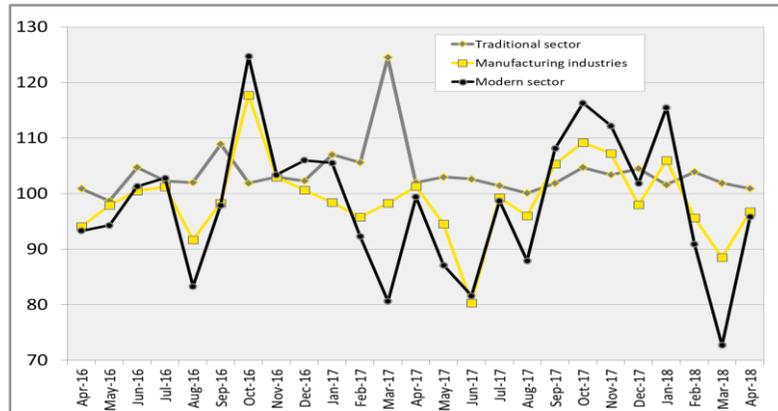
For the first time since the Brexit referendum result, there was an increase in the number of visitors coming from Great Britain (GB), with strong quarterly growth of 5.4% in the final quarter. The corresponding annual growth was a very modest 0.8% in 2017.

Visitor numbers coming from North America and Mainland Europe, experienced exceptional annual growth, increasing by 9.1% and 12% respectively YoY in Q4 2017. For the fourth quarter in a row, visitors from other areas (outside of GB, US and Europe) fell, with numbers down 0.2% on an annual basis.

Sectoral indicators

Industrial Production Index

Figure 10: Industrial Production Index SA (Vol. 2015 = 100)



Source: CSO

Though volatile, output in the Modern sector registered strong growth of 31.8%

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Manuf. Industries	107.2	98	106	95.6	88.5	96.7
MoM % Change	-1.8%	-8.6%	8.2%	-9.8%	-7.4%	9.2%
Traditional sector	103.4	104.5	101.6	103.9	101.9	100.9
MoM % Change	-1.3%	1.1%	-2.8%	2.3%	-2.0%	-1.0%
Modern sector	112.2	101.8	115.5	90.9	72.7	95.8
MoM % Change	-3.5%	-9.3%	13.5%	-21.3%	-20.0%	31.8%

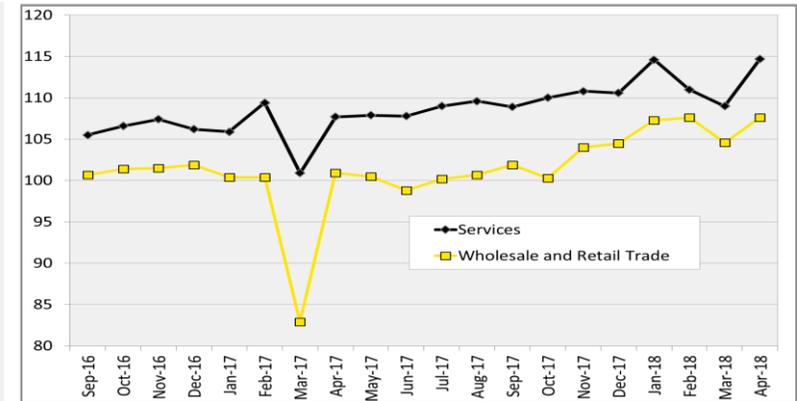
Source: CSO. (SA): Manufacturing excludes Electricity & Gas, Mining & Quarrying, which are included in Traditional

The opening four months of 2018 has seen mixed news for the Irish manufacturing sector. Following a significant monthly growth of 8.2% in January, the Industrial Production Index recorded sizeable declines of 9.8% and 7.4% in the subsequent two months, before rebounding by 9.2% in April. That said, relative to the same period in 2016, manufacturing output was down by 4.5% in April.

The Modern sector followed a similar pattern of growth to the overall manufacturing sector, with monthly growth up a staggering 31.8% in April. Yet, on an annual basis, output in the sector was down by 3.6%. The Traditional sector has generally been downward trending in 2018 so far, with three of the last four months recording monthly falls in output.

Service Index

Figure 11: Services Index (Value 2015 = 100, SA)



Source: CSO. This is an output value Index with 2015 as the base year.

Following two successive months of declines, the Service Index rebounds in April

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Services	110.8	110.6	114.6	111.0	109.0	114.7
MoM % Change	0.8%	-0.2%	3.6%	-3.1%	-1.8%	5.3%
W&R & Motor Trade	104.0	104.5	107.3	107.6	104.6	107.6
MoM % Change	3.7%	0.4%	2.7%	0.2%	-2.7%	2.8%

Source: CSO. (SA): Index covers non-financial traded services. This index covers all enterprises with a turnover of over €20m and more than 100 persons engaged

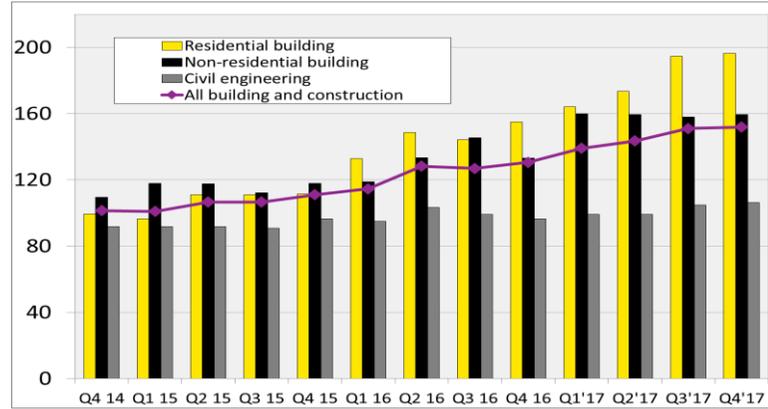
Following two consecutive months of declines, the Service Index registered a significant monthly increase of 5.3% in April. Compared to the same period last year, the Index was up by 6.5%.

Encouragingly, the majority of sub-sectors recorded considerable monthly growth rates, with double digit increases seen in Accommodation (+19.9%), Administrative and Support Services activities (+16.5%), and Information and Communication (+13.8%). There was also monthly growth in Transportation and Storage (+8.6%) and Wholesale and Retail Trade (+2.8%). However, there was a significant decline in Professional, Scientific and Technical activities, with output down by 12.2%.

Sectoral indicators

Construction Production Index

Figure 12: Construction Production Index SA (Volume 2010 = 100)



Source: CSO

Residential building was by far the fastest growing sub sector of B&C Index

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
All building and construction SA	126.9	130.6	139.1	143.5	151	151.9
QoQ % Change	-1.1%	2.9%	6.5%	3.2%	5.2%	0.6%
YoY% Change	19.0%	17.6%	21.3%	11.8%	19.0%	16.3%

Source: CSO. (SA)

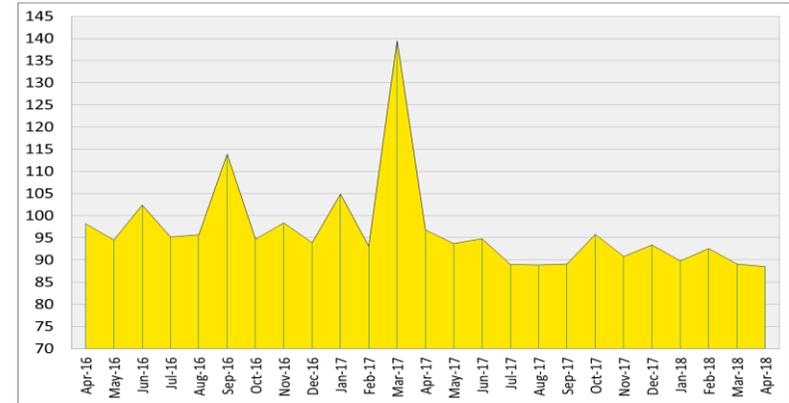
The B&C Production Index expanded by double digit figures for eighth quarter in a row, with Q4 2017 recording significant annual growth of 16.3%. For the year as a whole, output in the sector was up 17% relative to the previous year. That said, output is 60% lower when compared to the unsustainable levels of 2006.

Of the three sub-sectors that make up the Index, Residential building remains the fastest growing, with annual growth up by 26.7% in Q4 2017. Likewise, Non-Residential building experienced strong year-on-year growth of 19.7%, while activity in Civil Engineering was also up by 10.1% relative to the previous year.

The April reading from the Ulster Bank Construction PMI signalled a sharp expansion across the Irish construction sector, the second-fastest since May 2017. The report notes that activity was driven by an increase in new projects following poor weather in the first few months of the year.

Food Production Index

Figure 13: Food Production Index SA (Vol. 2015 = 100)



Source: CSO

Food production was down by 17.1% in year to date

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Food products	90.8	93.4	89.8	92.6	89.1	88.5
MoM % Change	-5.2%	2.9%	-3.9%	3.1%	-3.8%	-0.8%

Source: CSO. (SA)

The downward trend in the Food Production Index continued into 2018, with monthly declines recorded in three of the last four months. In the year to date, food production was down by 17.1% compared to the corresponding figure last year. The continuous exchange rate volatility as a result of Brexit is likely to be the cause of such declines.

The monthly fall in April is mainly due to poor performances across all of the sub-sectors, with declines recorded in Meat and Meat Products (-0.1%), Bakery and farinaceous products (-0.3%), Grain Mill and Starch Products (-1.1%), and Other Foods (-1.2%), (which include the Processing and Preserving of Fish and Fruit and Vegetables, the Manufacture of Vegetable and Animal Oils and Fats, Sugar, Chocolate and Sugar Confectionary, Condiments and Seasonings and Prepared Meals and dishes and the Processing of Tea and Coffee). The sub-sector to record the largest monthly decline in April was Dairy Products, with output down by 2.9%.

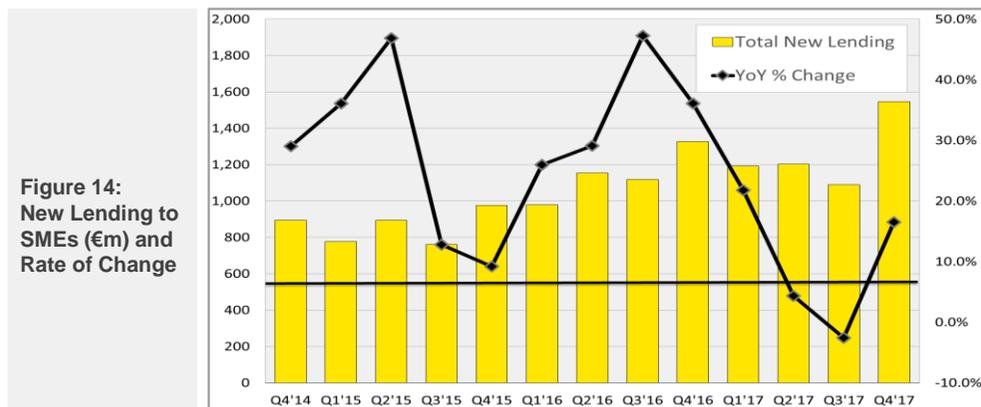


Section 4

Lending indicators

Lending indicators

New Lending to SME's



Source: Central Bank

New lending to SMEs expands by double digit figures in Q4'17

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Total New Lending (€m)	1,119	1,327	1,192	1,203	1,090	1,546
YoY % Change	47.2%	36.1%	21.8%	4.3%	-2.6%	16.5%

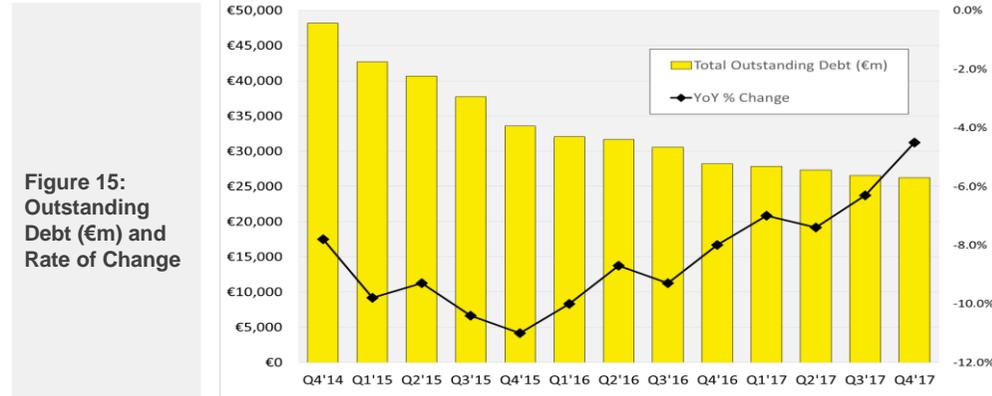
Source: Central Bank *Total lending ex Financial Intermediation

New lending recorded annual growth of 16.5% in Q4 2017, which was equivalent to €1.55 billion, the highest level registered since records began in 2010.

Real Estate Activities was the largest recipient of total new lending in the quarter, accounting for 25.7% or €397 million. Compared to Q4 2016, Real Estate's share of total new lending increased by 6.7 percentage points. Other sectors to record notable shares in Q4 2017 included:

- ▶ Wholesale and Retail Trade (15.8% of total new lending)
- ▶ Primary Industries (14.3%)
- ▶ Human Health and Social Work (8.6%)
- ▶ Business and Administrative Services (8%)
- ▶ Hotels and Restaurants (7.6%)

Outstanding Debt of SME's



Source: Central Bank: *Total outstanding debt ex Financial Intermediation

Total outstanding debt amounted to €26.2 billion in Q4'17

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Total Outstanding Debt (€m)	30,543	28,207	27,829	27,359	26,534	26,222
Annual change (€m)*	-1,064	-684	-351	-222	-588	-86
Growth rates (%)*	-9.3	-8.0	-7.0	-7.4	-6.3	-4.5

Source: Central Bank *Data relates to Transactions and the growth rates of outstanding debt amounts that take account of adjustments in debt reclassifications, foreign exchange revaluations and other revaluations

Total outstanding debt accrued by Irish SMEs amounted to €26.2 billion in Q4 2017, representing a decline of 4.5% or €86 million on the previous year, when adjustments by the Central Bank are taken into account*.

Of the fourteen sectors covered, six registered declines in debt levels in Q4 2017, with Real Estate Activities recording the largest absolute fall (-€413 million). Other sectors to record notable declines in debt levels at the end of 2017 included:

- ▶ Manufacturing (-€117 million)
- ▶ Primary Industries (-€50 million)
- ▶ Construction (-€31 million)

Of the sectors to record an increase in outstanding debt, Wholesale and Retail Trade registered the highest, with debt levels increasing by €250 million.



Indicators – Data sources

Indicators – Data sources

Indicator	Source	Frequency	Seas adj.	
Sentiment Indicators				
1	Consumer Sentiment Index	ESRI/KBC	Monthly	No
2	Purchasing Managers' Index	Investec	Monthly	Yes
Macroeconomic Indicators				
3	Domestic Demand	CSO National Accounts	Quarterly	Yes
4	Unemployment	CSO	Quarterly	Yes
5	Disposable Income	CSO	Quarterly	Yes
Sectoral Indicators				
6	Earnings by Business Size	CSO	Quarterly	Yes
7	Employment by sector (QNHS)	CSO	Quarterly	No
8	Retail Sales Volume Index	CSO	Monthly	Yes
9	Overseas Trips to Ireland	CSO	Quarterly	Yes
10	Industrial Production Index	CSO	Monthly	Yes
11	Services Index	CSO	Monthly	Yes
12	Building and Construction Production Index	CSO	Quarterly	Yes
13	Food Production Volume Index	CSO	Monthly	Yes
Lending Indicators				
14	Outstanding SME debt by sector	Central Bank	Quarterly	No
15	New Lending to SMEs by sector	Central Bank	Quarterly	No

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Ernst & Young, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

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