DUBLIN ECONOMIC MONITOR

ISSUE 22
SEPTEMBER 2020

In this issue

Comhairle Cathrach Bhaile Átha Cliath
Dublin City Council

Comhairle Contae Fhine Gall
Fingal County Council

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Comhairle Contae Átha Cliath Theas
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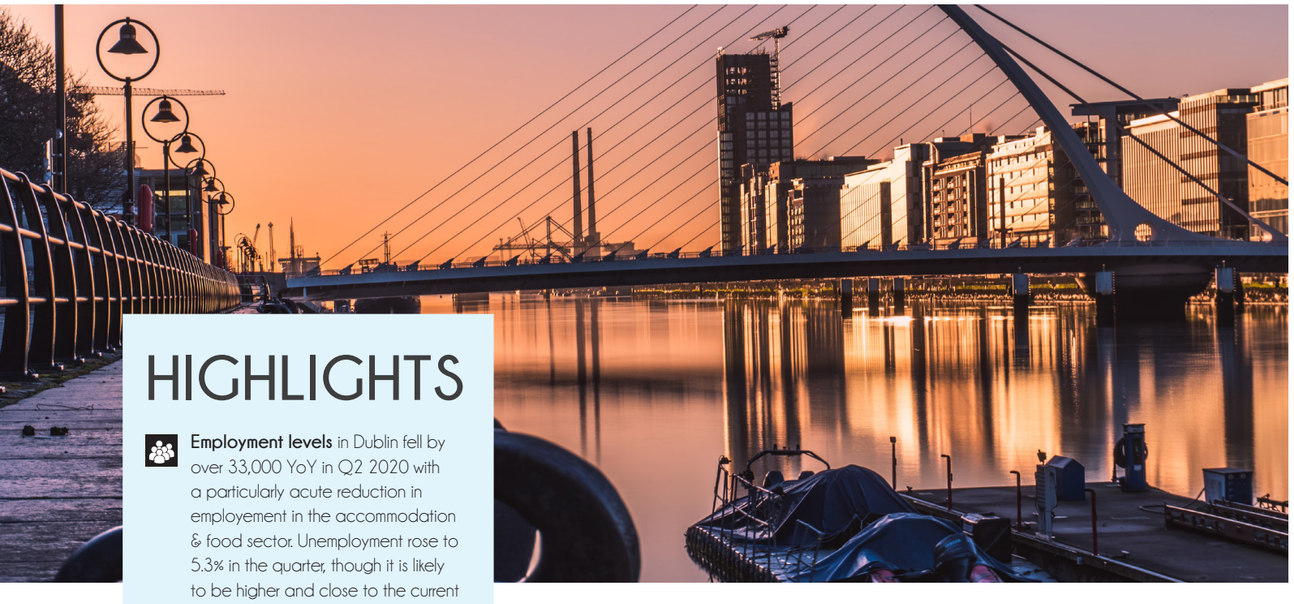

HIGHLIGHTS

Employment levels in Dublin fell by over 33,000 YoY in Q2 2020 with a particularly acute reduction in employement in the accommodation & food sector. Unemployment rose to 5.3% in the quarter, though it is likely to be higher and close to the current national COVID-19 adjusted rate of 15.4%.

Office vacancy rates increased in both Dublin 2/4 and the Capital's suburbs with many proposed transactions delayed or cancelled due to COVID-19.

Public transport usage fell by over 76% YoY to 14 million passenger trips in Q2 2020. All four modes of public transport in Dublin were impacted by domestic travel restrictions and trends towards remote working.

Activity at Dublin Port continued to decline in the second quarter of 2020, falling by over 17% YoY. Imports were most strongly affected and reduced by more than 20% YoY.

Residential property prices in the Capital fell for a second consecutive quarter as transaction levels in the market receded. Construction activity also contracted in Q2 and will be expected to further affect housing supply in the coming quarters.

Passenger throughput at Dublin Airport contracted from 6.7 million in Q1 2020 to just 156,000 in Q2 as international travel restrictions severely

COVER IMAGE: PETER KAVANAGH

WELCOME TO THE SEPTEMBER 2020 ISSUE OF THE DUBLIN ECONOMIC MONITOR

The Dublin Economic Monitor is a joint initiative on behalf of the four Dublin Local Authorities, and is designed to be of interest to those living and doing business in Dublin or considering locating here. This report is produced by Grant Thornton. IHS MARKIT deliver the Dublin Purchasing Managers' Index (PMI).

We also partner with MasterCard to use their SpendingPulse reports to better understand retail and tourism spending patterns in Dublin and nationally (see centrefold supplement).

The data presented in this Monitor is beginning to provide a clearer picture of the severe impact that COVID-19 is having on our economy. As we move tentatively away from restrictions towards re-opening, the prospects for the economy remain highly challenging, and far from clear.

The articles this quarter continue a focus on COVID-19. The first, from Eoghan Hanrahan of Enterprise Ireland, highlights the various Enterprise Ireland supports which are available to help SMEs through this crisis. The second article is by Juliet Passmore, an Economist at Dublin City Council, and centres on the results of the latest "Your Dublin Your Voice" survey which looks at the type of city Dubliners would like to see emerge from the crisis.

The next edition will be published in December 2020.

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Dublin City Council | South Dublin County Council | Fingal County Council | Dún Laoghaire Rathdown County Council

GLOBAL ECONOMY

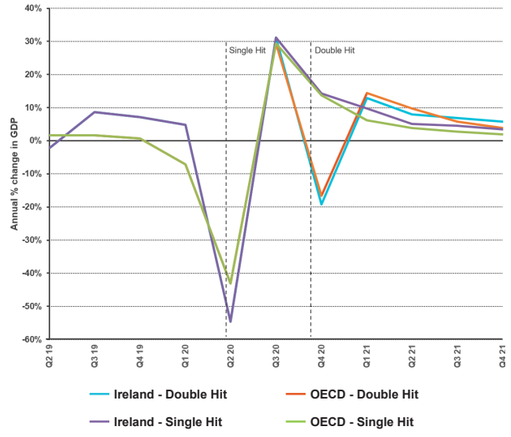
Initial hopes for a 'V' shaped global economic recovery as the COVID-19 restrictions were initially relaxed have faded rapidly, with a growing body of opinion forming around a positon that the economic recovery will take time and significant intervention from governments. The sheer scale of the economic decline, and tentative nature of how economies are emerging (and potentially re-entering) lockdowns makes forecasting exceptionally difficult. The uncertainty has prompted the OECD to prepare an economic outlook based on two possible scenarios: one where the pandemic remains under control (a single hit scenario) and one where a second wave gathers pace later this year (a double hit scenario). In the single hit scenario, global economic activity falls 6% in 2020 and OECD unemployment climbs to 9.2% from 5.4% in 2019. Five years of income growth across the OECD economy is lost in this scenario by 2021.

A double hit scenario would see economic output fall by close to 7.6% this year, before climbing back and growing by 2.8% in 2021. This scenario sees the unemployment rate hit 10% with little recovery in employment in 2021.

The economic impact of strict and relatively lengthy lockdowns in Europe will be particularly harsh. Euro area GDP is expected to plunge by 11.5% this year if a second wave breaks out, and by over 9% even if a second hit is avoided. GDP growth in the United States is forecast to decline by 8.5% in a double hit scenario, and by 7.3% with a single hit. In Japan, growth is expected to fall by 7.3% in a double hit, and by 6% if a second wave of the virus is averted.

In both scenarios, the recovery, after an initial, rapid resumption of activity, will take a long time to bring output back to pre-pandemic levels, and the crisis will leave long-lasting scars - a fall in living standards, high unemployment and weak investment. Job losses in the most affected sectors, such as tourism, hospitality and entertainment, will particularly hit low-skilled, young, and informal workers. Aware of the potential for lasting economic damage from the pandemic, governments are injecting significant sums into job protection and economic stimulus measures in an effort to instil confidence back into consumers and businesses. The success or otherwise of these initiatives will play a crucial role in determining

OECD ECONOMIC FORECAST

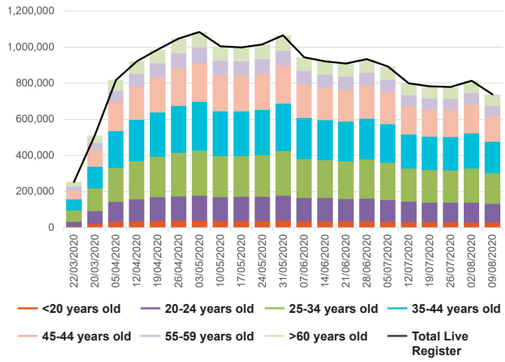


SOURCE: OECD

NATIONAL ECONOMY

Ireland's economy entered 2020 in robust form. Labour market growth had continued in the face of Brexit uncertainty and the pressing economic questions were about whether the economy had reached full employment. The contrast between then and now remains difficult to comprehend. From a low point in January when c.120,000 people were unemployed, the live register and people in receipt of the Pandemic Unemployment Payment or Temporary Wage Subsidy scheme peaked at 1,083,352 people at the beginning of May. The split across age groups has been consistent across the pandemic, with approximately half of claimants aged 25-44. Watching how this evolves over the coming months will help determine if any one age cohort is being particularly impacted more than others.

UNEMPLOYMENT RATE, IRELAND, AUGUST 2020



While the number of people on various labour market supports is declining, the labour market is a long way from recovery, further removing hopes of a 'V' shape recovery. The precise path for the economy is uncertain. Much will depend on consumer confidence and how willing we are to re-engage in spending. The extent to which the July stimulus initiatives prevent lasting or permanent scarring on the economy have a significant role to play also. As such, providing an economic forecast is exceptionally difficult. The Central Bank's current estimate is that the Irish economy is set to experience a substantial decline in both economic output (-9.0%) and employment (-11.9%) in 2020. The unemployment rate is expected to reach 14.5% and Investment is predicted to decline by -34.7%. The Irish economy has now entered into a recession, but a bounce back of 5.7% growth in GDP is expected in 2021 with the unemployment rate falling to 9.2%.

IRISH MACROECONOMIC GROWTH FORECASTS

	2020 % F	2021 % F
GDP	-9.0%	5.7%
UNDERLYING DOMESTIC DEMAND	-9.5%	4.6%
PRIVATE CONSUMPTION	-10.1%	3.9%
GOVERNMENT CONSUMPTION	8.0%	-0.3%
INVESTMENT	-34.7%	9.0%
EXPORTS	-4.2%	5.0%
IMPORTS	-12.3%	4.7%
UNEMPLOYMENT RATE	14.5%	9.2%
EMPLOYMENT	-11.9%	7.6%

SOURCE: CENTRAL BANK OF IRELAND

IN SEARCH OF THE GREEN SHOOTS OF RECOVERY

Q2 indicators show the depth of the economic decline but there are glimpses of reignition

"Few could have predicted the severity of the shutdown on the Dublin economy but there are tentative signs of a recovery starting."

The COVID-19 pandemic has wreaked havoc on society and has thrown the economy into a deep and damaging decline. The early evidence of the impact of the shutdown on the economy, which was coming through in the last Dublin Economic Monitor, is further evident in this issue.

- The Q2 Purchasing Manager's Index (PMI) for Dublin, which covers the deepest phase of lockdown, was 25.2 (where a figure below 50 represents a contraction). This, unsurprisingly, is the sharpest contraction on record. As the economy went into deep freeze, new orders also collapsed, falling to 24.3.
- Take up of office space in Q2 was the lowest ever recorded, with proposed transactions delayed or cancelled due to COVID-19.
- Key sectors for the Dublin economy suffered dramatic declines in Q2, as feared, leaving employment in Q2 2020 35,000 lower than in Q1. Almost 4 in 10 of the Q2 losses came in the accommodation and restaurant sector which lost 13,700 jobs.
- Total retail sales were significantly lower in Dublin during Q2, especially on entertainment (-80% YoY) and discretionary goods (-65% YoY).

The economy is now at a point of inflection. Key indicators have recorded downturns that surpass or are broadly equivalent to the worst of the Global Financial Crash a decade ago and as the economy begins re-opening, there is uncertainty around the type of recovery and its likely duration. In Dublin, the live register plus pandemic supports peaked at 310,000 at the end of May. For context, that is about 10 times the number of people who were unemployed in Dublin in 2019 and two and a half times more than unemployment in the whole State at the end of 2019. Since that May peak, and the gradual reopening of the economy, 112,000 people have been removed from the live register/pandemic payments across Dublin. There are now just below 200,000 people claiming income support in Dublin as the economy edges back towards full re-opening. The CSO's Business Impact of COVID-19 survey shows that more than 96% of enterprises were trading in some capacity at the end of July. Almost a fifth of trading businesses had reopened in the preceding four weeks. There were obviously variances across different sectors, with 20% of accommodation and food service businesses still closed.

Continued progress will depend on how successful we are at containing COVID-19, and whether we avoid the 'double hit' scenario that the OECD has modelled as a potential path for the economy. Much will also depend on consumer and business confidence.

PATCHY CONFIDENCE

Following three consecutive monthly increases in confidence, the Bank of Ireland Economic Pulse index posted a lower reading of 59.3 in August at the State level. The index, which combines the results of the Consumer and Business Pulses was 2.5 points lower than July and 19.8 points lower than a year ago. Households are more subdued about their current financial situation this month and less minded to consider it a good time to purchase big-ticket items. 21% considered it a good time to purchase furniture or electrical goods compared to 26% in July. In Dublin, the sentiment index is calculated on a 3 month moving average basis, and showed that sentiment increased markedly in the June to August period (+7.4 points to 60.7) compared with the May to July period.

The Dublin MasterCard SpendingPulse data bears out a picture of a nervy consumer. Total retail sales in Dublin are 12% lower in Q2 than the same quarter one year ago. Spending on necessities did increase by 16.7% in Q2 compared to declines in entertainment (-79%), discretionary spend (-57%) and household goods (-21%). As is well documented, the shift to online retail gathered momentum during the lockdown. MasterCard's data records a 43% YoY increase in ecommerce by Dubliners.

A CHANGING CITY?

The shift to online retail and the extent to which a trend towards home working had to accelerate due to the lockdown is prompting questions about the future of city centres and commercial spaces. While it is too early to predict how commercial property demand will evolve, there has been an increase in vacancy levels in Dublin during Q2. There are reports of activity that was delayed in Q1 and Q2 coming back in Q3 but in the medium to long term, there could be a downward shift in demand as people continue with a blend of home and office working. Google's recent decision to

withdraw from a proposed lease of 18,000m² of office space in the Docklands is a prime example of this.

Revitalising the city and bringing people back is a key challenge for Dublin. Initiatives such as the pedestrianisation of some of the Capital's streets has been successful in providing safe spaces for social distancing and increased footfall. There is a long climb back to pre-COVID-19 levels of city centre activity. Public transport usage statistics show 45 million fewer trips were taken in Q2 than one year previously. Hotels, used to operating at occupancy levels in excess of 80% in recent years, filled 16% of their rooms in July.

A MUCH NEEDED STIMULUS PACKAGE

The downturn in our economic fortunes has prompted a series of stimulus support packages from the Government, aimed at protecting jobs and businesses through a recovery. The July Stimulus contains a package of initiatives such as the employment wage support scheme, increased funding for restart grants and extensions to commercial rates waivers. Active travel initiatives will be supported and, on the demand side, a tax credit for spending on 'staycationing' is on offer. Quarter 3 and beyond will determine how effective these various stimulus measures are at rebooting the Dublin economy.

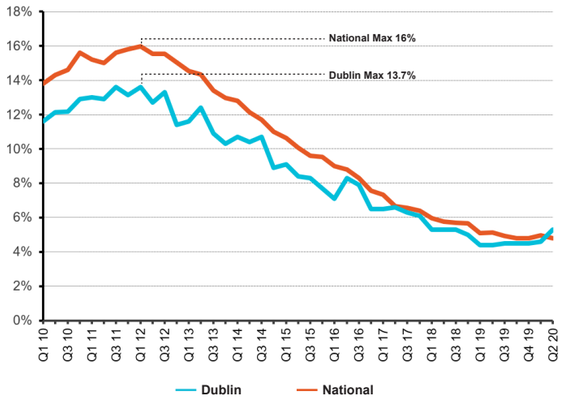
EMPLOYMENT SLOWDOWN IN Q1 TURNS TO JOB SLUMP IN Q2

	Q2 '20
DUBLIN UNEMPLOYMENT (SA)	5.3%
YEAR ON YEAR CHANGE % POINTS	+0.9
DUBLIN EMPLOYMENT '000s (SA)	683.1
YEAR ON YEAR CHANGE '000s (SA)	-33.6

SOURCE: CSO LABOUR FORCE SURVEY (LFS). DUBLIN SEASONALLY ADJUSTED BY GRANT THORNTON

Employment levels in the Dublin economy fell by over 33,000 YoY in Q2 2020 as the full impact of COVID-19 related job losses began to emerge. The Capital's unemployment rate rose above the national rate to 5.3% in Q2, erasing two years of labour market growth. This rate is not a full reflection of the labour market situation however, as it excludes those on income supports. It is likely to be closer to the monthly, inclusive national rate of 15.4% recorded in August 2020.

DUBLIN & NATIONAL UNEMPLOYMENT RATE % (SA)



SOURCE: CSO LFS. DUBLIN SEASONALLY ADJUSTED BY GRANT THORNTON

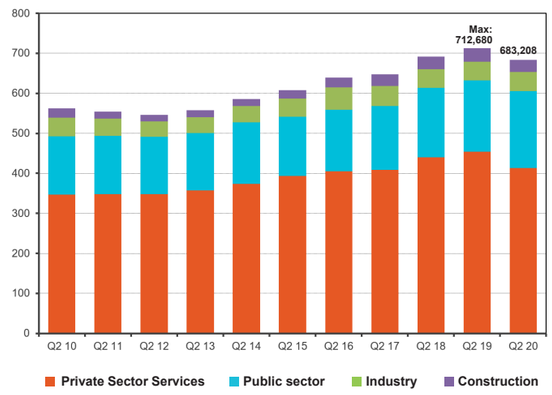
EMPLOYMENT TAKES SOME HEAVY HITS BUT SOME BRIGHT SPOTS

	Q2 '20
SERVICES EMPLOYMENT '000s	605.2
YEAR ON YEAR CHANGE '000s	-27.6
INDUSTRY & CONSTR. EMPLOYMENT '000s	78.0
YEAR ON YEAR CHANGE '000s	-1.9

SOURCE: CSO LFS. SEASONALLY ADJUSTED BY GRANT THORNTON
NOTE: THIS SERIES HAS BEEN RE-CALIBRATED SINCE THE LAST ISSUE

Key sectors for the Dublin economy suffered dramatic declines in Q2, as feared, leaving employment in Q2 2020 35,000 lower than in Q1. Almost 4 in 10 of the Q2 losses came in the accommodation and restaurant sector which lost 13,700 jobs. Transport and storage (-9,900) and Administrative jobs (-9,800) declines made up the top three most affected sectors. Some sectors (e.g ICT, health and education) did post increases in employment. The largest YoY increase was in ICT which increased by 9,000.

EMPLOYMENT BY BROAD SECTOR '000s (SA)



SOURCE: CSO LFS. SEASONALLY ADJUSTED BY GRANT THORNTON
NOTE: INDIVIDUAL SECTOR VALUES MAY NOT SUM TO TOTAL DUE TO ROUNDING

DUBLIN ECONOMIC INDICATORS

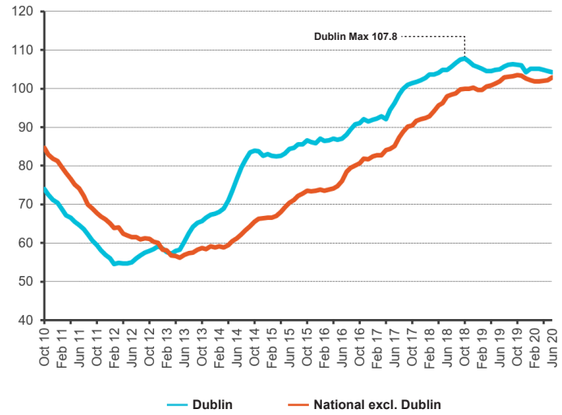
TRANSACTIONS RETURNING WITH SOME DECLINE IN PRICES EVIDENT

	JUN '20
PROPERTY PRICE INDEX DUBLIN	104.3
YEAR ON YEAR % CHANGE	-0.7
PROPERTY PRICE INDEX NATIONAL EXCL DUBLIN	102.9
YEAR ON YEAR % CHANGE	+1.0

SOURCE: CSO.

Property transactions bounced back well since the lockdown lifted but are down 33% YoY to June across Ireland. In Dublin, property prices recorded a quickening decline of -0.7% YoY compared to -0.3% in May. The Dublin property price index, at 104.3, has returned to the December 2019 level. It is also diverging from the rest of the country with the national index excluding Dublin posting YoY growth of 1% in June, continuing a run of growth stretching back to the start of 2014.

RESIDENTIAL PROPERTY PRICE INDEX (2005 = 100)



SOURCE: CSO.

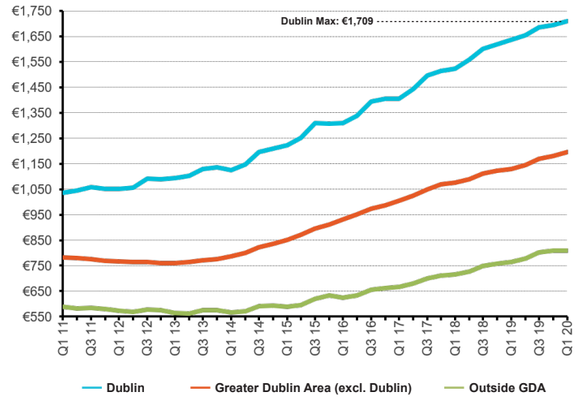
DOWNWARD PRESSURE ON RENTS

	Q1 '20
DUBLIN AVG RESIDENTIAL RENT € PER MONTH	1,709
YEAR ON YEAR CHANGE €	+73

SOURCE: RTB.

Residential rent inflation in Dublin slowed to 4.5% YoY in Q1 2020. This was the weakest rate of growth since Q2 2014. Further declines may be expected in Q2 as COVID-19 has seen holiday units move into the private rented sector, and has prompted the introduction of a rent increase moratorium. Rent growth accelerated in the GDA excl. Dublin to 6% YoY in Q1 2020, but slowed considerably to 5.8% YoY outside the GDA.

RESIDENTIAL RENTS € PER MONTH



SOURCE: RTB. NOTE: GDA (EX DUBLIN) IS KILDARE, MEATH AND WICKLOW.

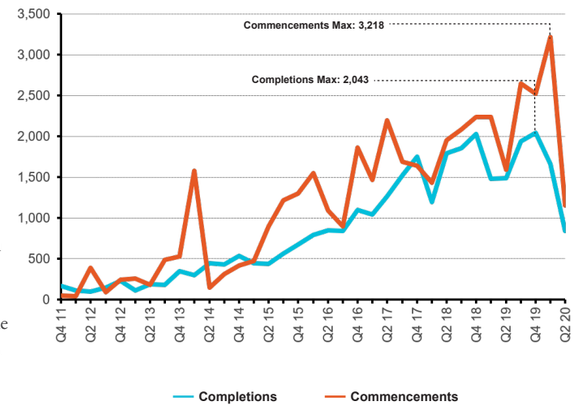
RESTRICTIONS WILL ECLIPSE STRONG START TO THE YEAR

	Q2 '20
TOTAL HOUSE COMMENCEMENTS	1,154
YEAR ON YEAR CHANGE	-435
TOTAL HOUSE COMPLETIONS	840
YEAR ON YEAR CHANGE	-648

SOURCE: DHPLG, CSO
NOTE: HOUSE COMMENCEMENT DATA IS NOT SEASONALLY ADJUSTED

Across Dublin, 840 homes were completed in Q2, 43% lower than in Q2 2019. A rapid increase in commencements at the start of the year (in Q1 3,218 commencements was over 40% more than a year previous) fell away to 1,154, a decline of over 2,000 QoQ. The outlook remains highly uncertain for the rest of the year. To match 2019's figures, 4,447 completions would be needed in the second half of 2020. Achieving this rate of completions is unlikely given the average per quarter of the past five years is 1,254 and the sector is adjusting to socially distanced working practices.

DUBLIN HOUSING COMMENCEMENTS & COMPLETIONS



SOURCE: CSO, DHPLG

September 2020

DUBLIN

Mastercard SpendingPulse™

Dublin Mastercard SpendingPulse Delivering Unique Insights for Consumer and Tourism Spend.

DUBLIN ECONOMIC MONITOR

KEY HIGHLIGHTS YEAR-ON-YEAR Q2 2020*

-12.0% OVERALL SALES

-80.0% OVERSEAS TOURISM SPEND

+16.7% NECESSITIES

-56.7% DISCRETIONARY

-21.0% HOUSEHOLD GOODS

-79.1% ENTERTAINMENT

+43.0% ECOMMERCE

*RETAIL SALES VALUE (SA)

mastercard

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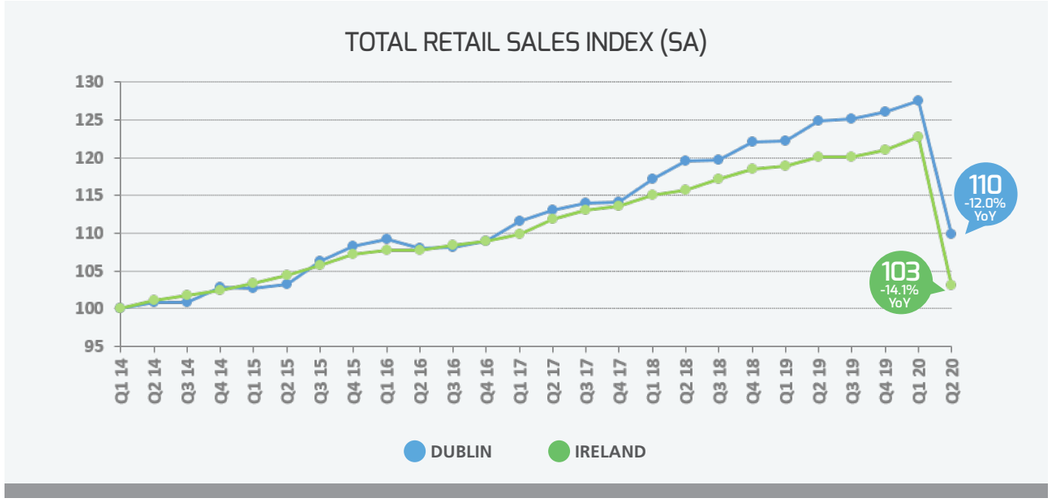
Grant Thornton

PANDEMIC DRIVES SEVERE REDUCTIONS IN DUBLIN RETAIL SPENDING



Retail spending in the Capital's economy contracted dramatically in Q2 2020 as restrictions related to the COVID-19 pandemic truly took hold. Sales fell by 12.0% YoY (SA*), the first contraction in retail spending since the SpendingPulse series began in Q2 2014. The pandemic impacted most bricks-and-mortar retail expenditure, with significant YoY declines recorded in the discretionary and household good categories in particular. The contractions in retail spending patterns in Dublin were less severe than those at the national level, where consumer expenditure reduced by over 14% YoY. This was a common theme in countries across the world in the quarter.

Similar patterns were evident on a QoQ basis, with retail spending declining by 13.8% QoQ in Dublin, and 16% nationally. Discretionary and entertainment expenditure fell substantially, but eCommerce and spending on necessities rose to new peaks in the quarter. When coupled with the fact that the Irish population has been saving considerable amounts since the pandemic began, deep reductions in overall consumer spending of this nature will be expected to have had significant deflationary effects on domestic economic activity.

Restrictions on bricks and mortar retail activity contributed to declines in retail sales growth rates in Q2 2020 across both Dublin and Ireland. Sectoral divergences were stark with discretionary spending under extreme pressure while expenditure on necessities surged.

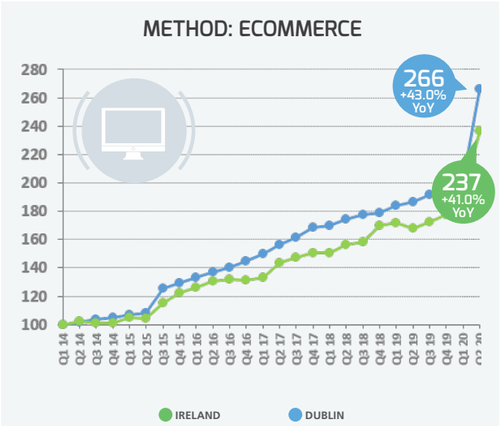
Michael McNamara
GLOBAL HEAD OF SPENDING PULSE, MASTERCARD

DUBLIN RETAIL SALES VALUE INDEX (SA)

YoY CHANGE IN DUBLIN SALES INDEX | DUBLIN SALES INDEX VALUE | QoQ CHANGE IN DUBLIN SALES INDEX

METHODOLOGY
A macro-economic indicator, SpendingPulse™ reports on national and Dublin retail sales and is based on aggregate sales activity in the MasterCard payments network, coupled with estimates for all other payment forms, including cash and cheque. This information has been grossed up to present an estimate of the total retail sales of retail businesses in Ireland and Dublin to both residents and tourists. Data is seasonally adjusted but is not adjusted for inflation. MasterCard SpendingPulse™ does not represent MasterCard financial performance. SpendingPulse™ is provided by MasterCard Advisors, the professional services arm of MasterCard International Incorporated. See www.dublineconomy.ie for more info on methodology.

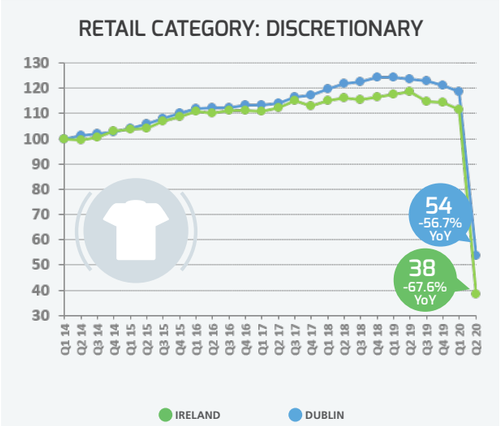
*All values are Seasonally Adjusted by Grant Thornton



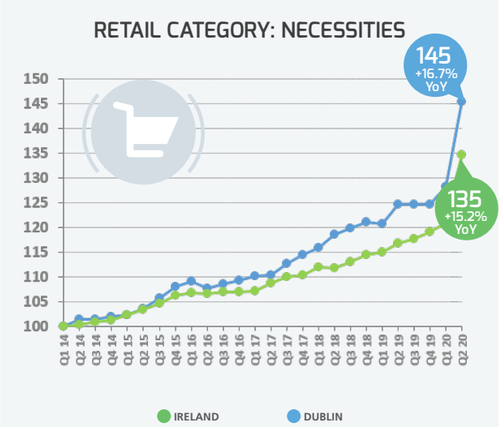
Non store Retailers including Electronic Shopping and Mail-Order Houses, Direct Selling Establishments.

COVID-19 RESTRICTIONS ACCELERATE SHIFT TO ECOMMERCE

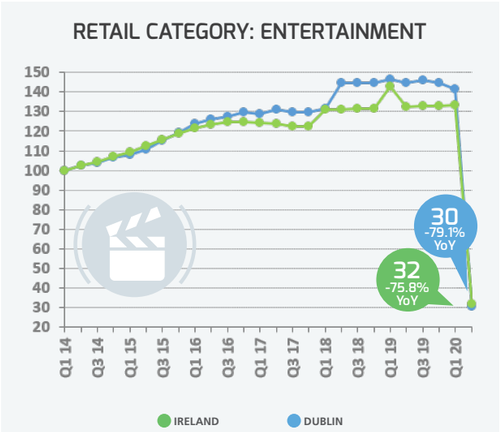
COVID-19 restrictions have decimated retail spending across many sectors of the Dublin economy, while accelerating the pre-existing trend towards eCommerce. Consumers in the Capital have switched from spending in hotels, bars and restaurants (Entertainment, -79.1% YoY), in favour of grocery outlets (Necessities, +16.7% YoY) in response to restrictions on travel, hospitality and retail. Worryingly, spending on big-ticket household goods has also drastically reduced, and this suggests that Dublin consumers expect the crisis to last beyond the short-to- medium terms. Expenditure in department and clothing stores also declined (Discretionary, - 56.7% YoY), and may be linked to a shift to eCommerce, where sales grew by 43% YoY. Dublin mirrors the national picture, where expenditure on necessities and online shopping also grew exponentially, and bricks-and-mortar sales generally dropped significantly in Q2 2020.



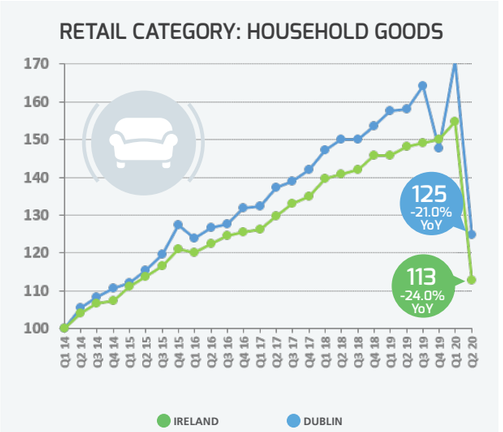
Discretionary Retail: Department Stores and Clothing Stores.



Grocery: all food and beverage stores.



Hotels, restaurants and bars.



Household furniture, electronics and hardware.

*All values are Seasonally Adjusted by Grant Thornton

OVERSEAS TOURISM SPENDING FALLS TO NEGLIGIBLE LEVELS

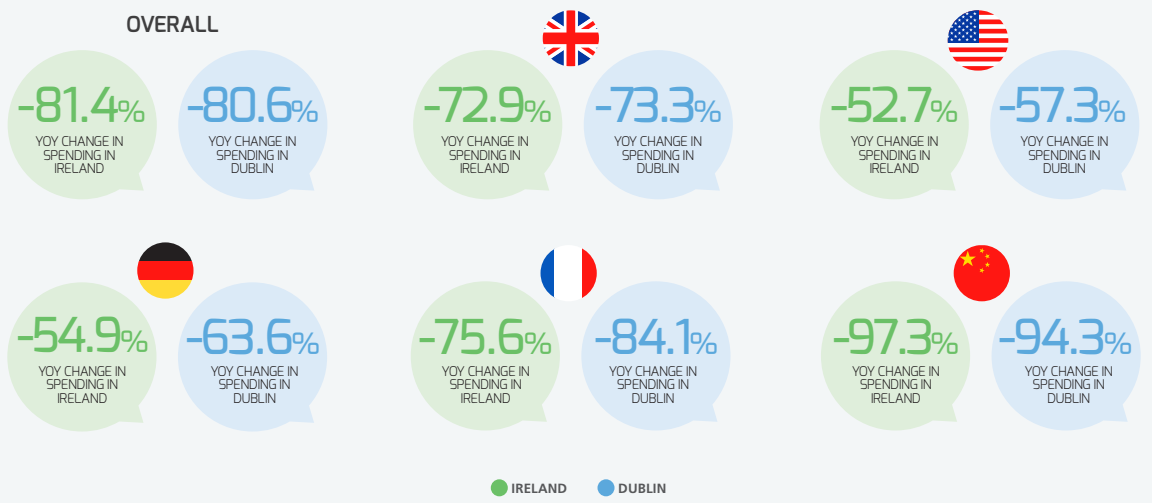
Overseas tourism spending in the Dublin economy collapsed in Q2 2020 as international travel restrictions and quarantine requirements impacted overseas visitor numbers. Just 156,000 passengers passed through Dublin Airport in Q2 2020, while Dublin Port also recorded significant YoY declines in passenger numbers. As a result, the seasonally adjusted index for tourism spending fell to just 34.8 in the Capital in Q2 2020. This represented a steep reduction compared to the index readings for both Q1 2020 (202.0) and the same quarter in 2019 (179.5). The national index also descended rapidly, falling from 166.8 in Q1 2020 to 31.7 in Q2. It is worth noting that tourism spending did not fall closer to zero as citizens of overseas countries residing in Ireland are categorised as 'tourists' by MasterCard.

On a country basis, the index for China fell by the largest proportion, reducing by 94.3% YoY in the Capital and by 97.3% YoY nationally. The Chinese market is smaller than the other markets listed, and so negligible expenditure levels by tourists from this market will have materialised in Q2.

Of greater significance are the drastic reductions in expenditure amongst tourists from Europe and the US. Spending in Dublin by tourists from our closest neighbour in the UK fell by 73.3% YoY, while the French and German indices fell by 84.1% and 63.6% respectively. A similar scenario emerged for the US market, with spending falling by over 57% YoY. In all instances Dublin fared worse than Ireland as a whole.

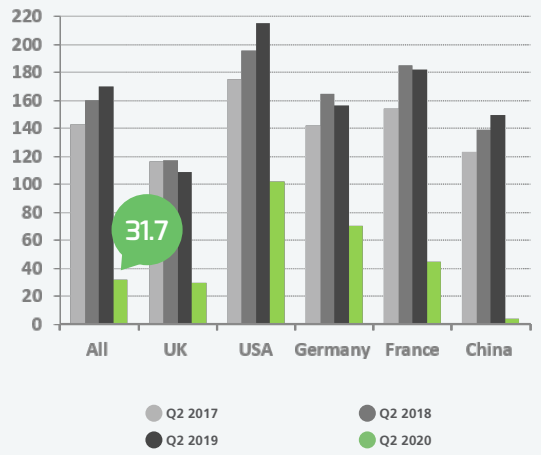
Such weak index readings will be expected to extend in to Q3 as travel restrictions have remained in place through the major tourism months of summer, though 'staycationing' by Irish residents may provide some respite for the sector.

DUBLIN AND IRELAND TOURIST SPEND BY ORIGIN - Q2 2020 (SA)



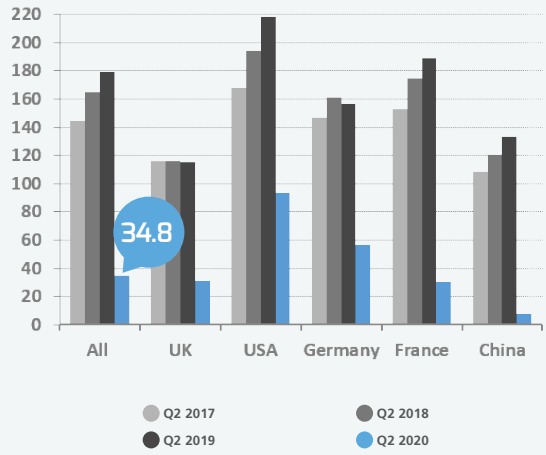
IRELAND TOURISM SPEND SALES INDEX (SA)

Q1 2014 = 100



DUBLIN TOURISM SPEND SALES INDEX (SA)

Q1 2014 = 100



*All values seasonally adjusted by Grant Thornton.

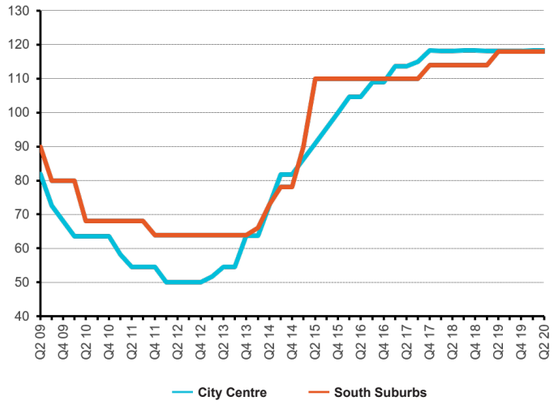
STAGNATION IN DUBLIN OFFICE RENT GROWTH CONTINUES INTO 2020

	Q2 '20
CITY CENTRE OFFICE RENT INDEX	118.2
YEAR ON YEAR % CHANGE	+0.0
SOUTH SUBURBS OFFICE RENT INDEX	118.0
YEAR ON YEAR % CHANGE	+0.0

SOURCE: CBRE

For the tenth consequtive quarter, office rents in Dublin's city centre remained unchanged in Q2 2020, marking the longest spell of stagnation in the history of the series. Rents also remained unchanged in the South Dublin Suburbs in the quarter, marking a year of unchanged prices. COVID-19 restrictions mean that demand will be softer for the rest of the year, but the pause in construction activity should guard against oversupply and price declines in the short-term. However, the outlook could weaken with a prolonged downturn in the economy.

DUBLIN OFFICE RENTS INDEX (2006 = 100)



SOURCE: CBRE.

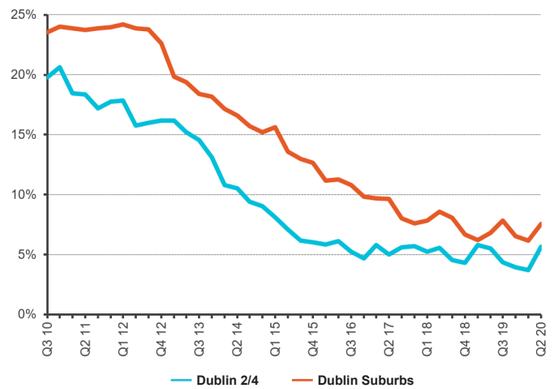
DUBLIN OFFICE VACANCY RATES RISE SUBSTANTIALLY

	Q2 '20
VACANCY RATE % DUBLIN 2/4	5.7
YEAR ON YEAR CHANGE % POINTS	+0.2
VACANCY RATE % DUBLIN SUBURBS	7.6
YEAR ON YEAR CHANGE % POINTS	+0.7

SOURCE: CBRE.

Office vacancy rates in Dublin 2/4 rose to 5.7% in Q2 2020, back to levels last seen in Q1 2019. Vacancy rates in the Dublin suburbs followed a similar trajectory to stand at 7.6%. Take-up of office space in Q2 was the lowest ever recorded, with the city centre accounting for over two-thirds of activity, and many proposed transactions delayed or cancelled due to COVID-19. There are reports that activity has picked up in Q3, with a number of proposed deals re-emerging.

DUBLIN OFFICE SPACE VACANCY RATES %



SOURCE: CBRE.

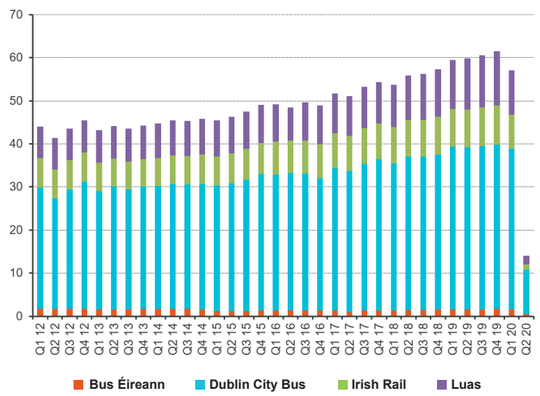
TRAVEL RESTRICTIONS LIMIT PUBLIC TRANSPORT USAGE

	Q2' 20
PUBLIC TRANSPORT MILLION TRIPS (SA)	14.0
YEAR ON YEAR % CHANGE	-76.5%

SOURCE: NTA. SEASONALLY ADJUSTED BY GRANT THORNTON.

14 million passenger trips (SA) were undertaken in Dublin in Q2 2020. This was 45.7 million fewer trips (-76.5%) on the same period in 2019 and reflects a fuller impact of COVID-19 prevention measures on the Irish economy. Passenger trips on all four modes of public transport fell in Q2 as people respected the lockdown and requirement for essential travel only. Irish Rail recorded the largest decrease in trips (-84%), followed by Luas (-80.5%), while trips on Dublin Bus and Bus Eireann fell by -72.3% and -71.6% respectively.

PUBLIC TRANSPORT MILLION TRIPS (SA)



SOURCE: NTA. SEASONALLY ADJUSTED BY GRANT THORNTON.
NOTE: PROVISIONAL DATA VERIFIED BY ALL OPERATORS

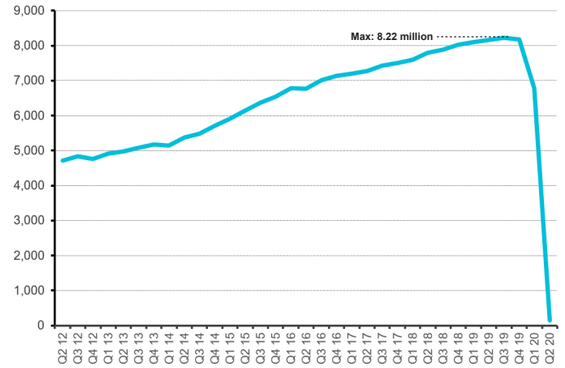
SIGNS OF RENEWED PASSENGER MOVEMENT IN JULY

	Q2 '20
TOTAL PASSENGERS '000s (SA)	156
YEAR ON YEAR CHANGE '000s (SA)	-8,009

SOURCE: CSO.

In normal times, more than 8 million passengers travel through Dublin airport each quarter. Data for Q1 and Q2 2020 shows a profound impact of COVID-19 on this typical figure. Q1 2020 figures were 6.7m, a decline of close to 20% on Q4 2019, and CSO data for Q2 2020 points towards a mere 156,500 passengers travelling through the airport. Data from Dublin Airport suggests that July traffic is improving on the Q2 position as 381,000 passengers moved through the airport. While this is an improvement on Q2, it was still 89% lower than the previous July.

DUBLIN AIRPORT PASSANGERS '000s (SA)



SOURCE: CSO.

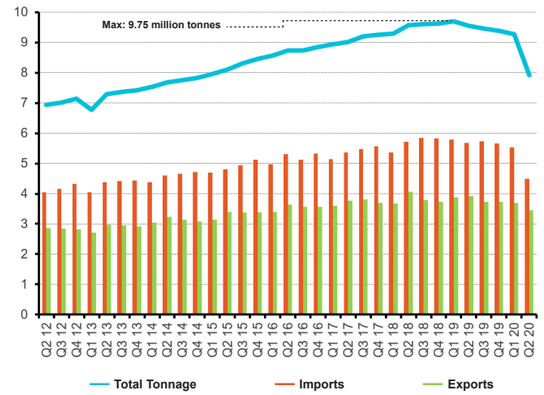
CONTINUED DECLINE IN THROUGHPUT AT DUBLIN PORT

	Q2 '20
DUBLIN PORT EXPORTS MILLION TONNES (SA)	3.46
YOY CHANGE MILLION TONNES (SA)	-0.46
DUBLIN PORT IMPORTS MILLION TONNES (SA)	4.50
YOY CHANGE MILLION TONNES (SA)	-1.18

SOURCE: DUBLIN PORT. SEASONALLY ADJUSTED BY GRANT THORNTON.
NOTE: IMPORTS AND EXPORTS MAY NOT ADD TO TOTAL THROUGHPUT DUE TO SEASONAL ADJUSTMENT AND ROUNDING.

Volume declines at Dublin Port continued into a 5th successive quarter, surpassing the 4 quarter decline of 2008/09. A YoY decline of -17.1% was recorded in Q2 2020 as COVID-19 shutdowns across import and export markets gripped. Import activity declined by over 1m tonnes, or 21% QoQ while exports posted a 12% decline. Monthly data suggests some bounce back in activity. A 26% decline in tonnage in April was followed by a smaller decline in May of 20.5% and 5.5% in June.

DUBLIN PORT TONNAGE MILLION TONNES (SA)



SOURCE: DUBLIN PORT. SEASONALLY ADJUSTED BY GRANT THORNTON.

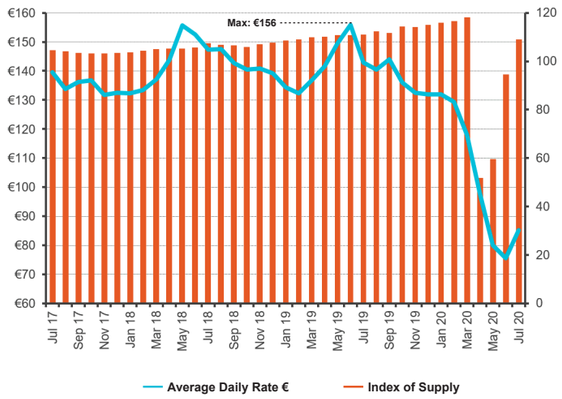
HOTELS MAKE TENTATIVE STEPS TO WELCOMING BACK GUESTS

	JUL '20
HOTEL OCCUPANCY RATE % (SA)	16.1%
YEAR ON YEAR CHANGE %AGE POINT	-66%
INDEX OF HOTEL ROOM SUPPLY (SA, JULY 2013=100)	108.8
YEAR ON YEAR CHANGE %	-1.9%

SOURCE: STR GLOBAL. SEASONALLY ADJUSTED BY GRANT THORNTON.

The vast majority of Dublin's hotels are receiving guests again after their closures. Having peaked in March 2020 at 118, the supply index fell to 52 in April before climbing back to 108.8 in July. On the demand side, the tentative steps back to welcoming guests saw occupancy come back up to 16% in July, a massive distance from the occupancy levels of over 80% the city's hotels have consistently enjoyed for at least the past five years. The demand and supply factors this year have seen Average Daily Rates for hotel rooms fall as low as €76 but have now started to climb back, reaching €90 in July, -40% YoY.

DUBLIN HOTEL AVERAGE DAILY RATES (SA)



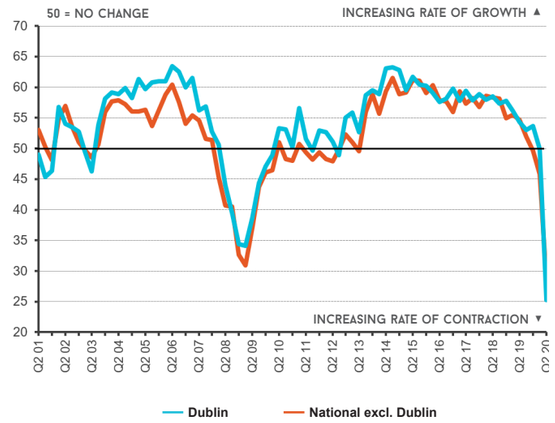
SOURCE: STR GLOBAL SEASONALLY ADJUSTED BY GRANT THORNTON.

DECLINE IN BUSINESS ACTIVITY MOST SEVERE ON RECORD

OVERALL IHS MARKIT PMI	DUBLIN	REST OF IRELAND
Q2 2020	25.2	28.4
YEAR ON YEAR CHANGE	-29.1	-26.2
QUARTER ON QUARTER CHANGE	-24.7	-17.4

The contraction in Dublin's PMI in Q2 2020, which covers the deepest phase of lockdown, is unsurprisingly the most severe on record and mirrors the contractions in many other markets. Manufacturing, which had only returned to positive sentiment in Q4 2019 after three quarters in contraction, declined in both Q1 and Q2. Services and construction remained positive in Q1 before plummeting in Q2. The decline in the PMI was steeper for Dublin compared to the rest of Ireland, but will be expected to rebound in Q3 as the Capital's economy reopens.

OVERALL IHS MARKIT PMI (SA)

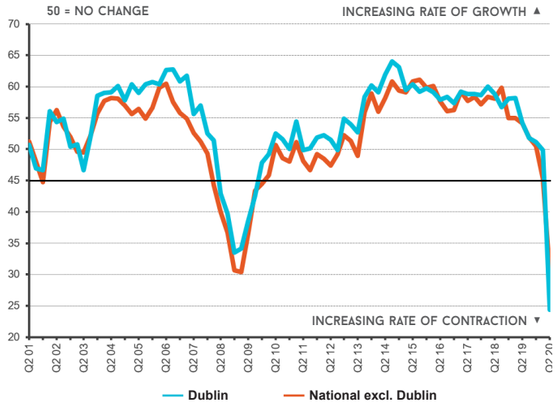


NEW ORDERS FALL FOR FIRST TIME IN A DECADE

NEW ORDERS	DUBLIN	REST OF IRELAND
Q2 2020	24.3	30.3
YEAR ON YEAR CHANGE	-30.0	-23.9
QUARTER ON QUARTER CHANGE	-25.5	-15.0

As the economy went into a deep freeze, it follows that new orders in Dublin decreased dramatically in H1 2020. The decline reflects a shuddering halt to a decade of expansion of new orders. Dublin fared worse than the Rest of Ireland, though encouragingly the lifting of the lockdown resulted in a stabilisation of new orders in June. Q3 data will provide a strong indication of how sustained this rebound is, or whether it represents a one-off release of pent up demand.

OVERALL PMI NEW ORDERS (SA)

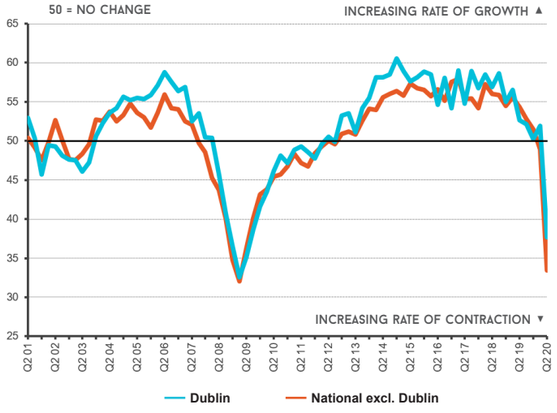


FIRMS SIGNIFICANTLY REDUCE STAFFING LEVELS

EMPLOYMENT GROWTH	DUBLIN	REST OF IRELAND
Q2 2020	37.7	33.4
YEAR ON YEAR CHANGE	-15.0	-21.0
QUARTER ON QUARTER CHANGE	-14.2	-15.

The labour market entered 2020 in growth mode amidst concerns over skills shortages hindering expansion in key sectors. The contrast by the end of Q2 is hence more striking, with the Dublin employment index falling to just below 38. While the index has not quite reached the lows of 2009, the Q2 figure is in the same region. The re-opening of the economy and initiatives in the July Stimulus package will determine much of how the series develops over the coming quarters.

OVERALL PMI EMPLOYMENT GROWTH (SA)



ABOUT
The Dublin Purchasing Managers' Index® (PMI) series is produced by IHS Markit Economics, an independent research company that produces highly-regarded surveys of business conditions in nations around the world www.markit.com

IHS Markit

INTERNATIONAL REPUTATION OF THE DUBLIN REGION REMAINS STRONG

Internationally published benchmarks are a useful means of measuring a city's performance relative to its peers, and recent indicators for Dublin confirm the city's strong showing across a range of dimensions (see table below).

Dublin's reputation as a startup hub was recognised in the 2020 Global Startup Ecosystem Report where the city was ranked in a tie for 36th globally. This represented a decline compared to 2019, but the city did rank in relatively high positions in a number of categories including local connectedness and talent. The Capital had poor scores compared to other locations for research, ecosystem value, and market reach; which may be linked to a reported dearth of globally leading, high value scaleup/unicorn companies.

The Mercer Cost of Living Survey for 2020 found Dublin to be the most expensive city for expatriates in the Eurozone. Rental accommodation costs were the most significant drawback cited, though as demonstrated on page 7 of this issue, it is reported that such costs have declined in Dublin recently. Dublin is still considered to be an attractive proposition for re-location by Mercer, and any reduction in rental costs would be expected to further improve the city region's attractiveness.

The 2021 QS World University Rankings placed Trinity College Dublin (TCD) in the highest position of universities in Ireland (101st globally). The university climbed 8 places when compared to the 2019 rankings, and a significant improvement in the academic reputation of TCD was cited as a core driver. This improvement followed two years in which TCD's ranking declined, with the university falling outside the top 100 for the first time in 2019. UCD rose 8 places to rank at 177th in the world in the most recent publication. The rankings for DCU (439th) and TU Dublin (801st-1000th bracket) both fell in the 2021 rankings. Overall, Irish universities' rankings improved but underperformance for research impact was highlighted. Concerns also surround the maintenance of the universities' strong focus on internationalisation, as travel and mobility restrictions imposed to curb the spread of COVID-19 are likely to impact upon the ability of the universities to attract staff and students from overseas.

In relation to the ongoing COVID-19 pandemic, innovation is a key factor in addressing the challenges posed. According to a recently-developed Coronavirus Innovation Map, Dublin has outperformed many of its peers in generating innovative medical solutions and structures to support businesses through the crisis. The city was initially ranked at 13th out of 80 cities worldwide in Q2 due to its swift response to the crisis. It has fallen back in Q3, likely due to increasing rates of innovation in other cities across the world, but remains in the top 40 globally.

DUBLIN'S LATEST INTERNATIONAL RANKINGS

SOURCE	BENCHMARK CRITERIA	YEAR	RANKING	CHANGE‡
fDi Market Top Headquarter Locations	Weighting of fDi Markets data (since 2015) against locations' population size	2020	1	▲
Coronavirus Innovation Map	Innovative responses and solutions to COVID-19 pandemic	2020	26	▼
fDi European Cities & Regions of the Future	fDi performance, connectivity, cost effectiveness, economic potential, innovation & attractiveness	2020	3	▲
fDi Fintech Locations of the Future	FDI performance, connectivity, cost effectiveness, economic potential, innovation & attractiveness	2020	3	▲
ECA International Accommodation Survey	Average rental prices for a three-bedroom apartment in the mid-range of the expatriate market	2020	26	▲
Resonance World's Best Cities	Place, people, product, prosperity, programming and promotion	2020	42	–
Global Financial Centres Index	Includes economic, legal, sustainability and competitiveness indicators	2020	30	▲
Global Talent Competitiveness Index	Regulatory, market and business/labour landscape, external and international openness, education and access to growth opportunities and sustainability and lifestyle	2020	13	▲
Mercer Cost of Living City Rankings	Cost of consumer goods and services	2020	46	▼
Mercer Quality of Living City Rankings	Environmental/ socio-economic	2019	33	▲
ECA International Cost of Living Survey	Most liveable locations for European expatriates	2020	9	▲
Startup Genome Global Startup Ecosystem Report	Performance, funding, market reach, connectedness, talent, experience	2020	36	▼
TomTom Traffic Index	Congestion levels	2019	17	▼
QS World University Rankings	University quality	2021	101*	▲
IMD World Talent Rankings	Developing, attracting and retain high skilled workers	2019	18	▲
IMD World Competitiveness Ranking	332 competitiveness criteria related to competitiveness, digital competitiveness and talent	2020	12	▼

‡CHANGE ON PREVIOUS PUBLICATION OF THE RELEVANT BENCHMARK. AN UPWARD-POINTING ARROW DENOTES AN IMPROVEMENT. *TCD.

STABILISE, RESET, RECOVER

EOGHAN HANRAHAN
REGIONAL DIRECTOR FOR DUBLIN, ENTERPRISE IRELAND.

Support for companies to resume business efficiently is key

The Dublin region has been severely impacted by COVID-19 and saw a significant decline in activity. With the process of 'stabilise, reset and recover' underway, companies are looking to the future and assessing the steps they need to take.

Enterprise Ireland assists companies to develop and improve their products and processes to become more competitive in international markets. As a consequence of COVID-19 there are a number of new initiatives to support companies in navigating this challenging environment. These initiatives help companies assess their current positions before they embark on their next stage.

The Business Financial Planning Grant is a very effective resource that allows companies to access consultants to provide an insight into their financial situation and deliver a strong business plan.

The Lean Business Continuity voucher assists companies to get back to reviewing the efficiency and effectiveness of operations in a COVID-19 working environment.

The Sustaining Enterprise Fund (SEF) is a significant fund designed to support companies deal with the impact of COVID-19 and plan for a better future. Up to €800,000 per undertaking is available to support companies, with 50% up to a maximum of €200,000 in the form of non-repayable support. So, for example, if you are approved for funding of €300,000, then €150,000 is available as a non-repayable grant.

The SEF is available to eligible companies which:

- Employ 10 or more full-time employees
- Are operating in the manufacturing and internationally traded service sectors
- Have seen (or expect to see) a 15% or greater reduction in actual or projected turnover or profit, or a significant increase in costs, as a result of COVID-19.

The SEF will be used to support the implementation of a Sustaining Enterprise Project Plan which should be provided by the company outlining the stabilisation of the business and a return to viability. The COVID-19 Business Financial Planning Grant can help companies to develop their plan.

This is a time-limited scheme so it is important that companies look at this option now.

Enterprise Ireland's existing suite of supports will also be of interest to companies looking to stabilise and recover. The most effective innovation can be accomplished from within a company, and the popular Lean business supports, which comprise of three levels, provide guidance on this journey. Lean provides the ideal framework for companies to digitalise, something that COVID-19 has highlighted as essential.

Getting a product or service from idea and concept to commercialisation is challenging for companies, particularly when facing additional costs such as staffing levels and resources. Enterprise Ireland's Research and Innovation Supports are there to assist getting ideas, concepts or processes to a marketable, profit making, globally competitive product. Also, with 40 offices worldwide Enterprise Ireland, with its Market Discovery Fund, will help companies find a route to market anywhere in the world.

POWERING THE REGIONS AND BUILDING ENTREPRENEURSHIP IN DUBLIN

Enterprise Ireland is fortunate to be involved with several structural entrepreneurship programmes in Dublin and has provided funding of €11.5m to seven Regional Enterprise Development Fund (REDF) projects. In June Enterprise Ireland announced a REDF (3rd call) contribution of €2m for the Collaboratory with TU Dublin - Blanchardstown, which is an Industry Solutions Hub, focusing on the areas of Cyber Security, Internet of Things, and Artificial Intelligence.

The extension project on the Guinness Enterprise Centre (GEC), supported under the REDF (1st call) continues apace, after re-commencing in line with Government COVID-19 Guidelines, and is due for completion towards the end of this year. This expansion will increase capacity for its function as an incubator, co-working and innovation space, and support businesses post the COVID-19 restrictions.

Fostering entrepreneurship is critical to the success of the Irish economy. Projects such as those mentioned above, together with a wide group of Community Enterprise Centres (CEC), provide opportunities for the commercialisation of new ideas, products and services. The recently announced CEC fund of €12m nationally provides an opportunity for private and public centres in Dublin to seek support for sustainability and growth, while recognising the importance of the centres.

> "The highly popular Lean Business offer can provide the ideal framework for a digitisation journey for companies to map out and measure processes that can enable the automation of repetitive tasks, freeing up and equipping staff to work on value-adding activities."

The services within these centres and hubs are invaluable. They not only help entrepreneurs develop their ideas; they provide employment nationwide and co-working space. The National Association of Community Enterprise Centres (NACEC) members alone employ over 5,500 people across 120 centres and hubs nationally.

These projects are a great example of collaboration between regional stakeholders, Technological Universities and Irish entrepreneurship. Another is that of New Frontiers which, in conjunction with TU Dublin, put 58 participants through its program in 2019, and 27 so far in 2020.

Enterprise Ireland launched its Women in Business strategic plan in January with the overall aim of increasing participation of women in starting, scaling and leading Irish enterprise.

The demands of the last few months have been substantial for companies, adapting and diversifying to new ways of doing business. Support in charting a new course for the future of your company is available from your Local Enterprise Office or Enterprise Ireland. https://enterprise-ireland.com, https://localenterprise.ie/response

RECOVERY OFFERS OPPORTUNITIES FOR MORE SUSTAINABLE PRACTICES

JULIET PASSMORE
ECONOMIST
DUBLIN CITY COUNCIL

As COVID-19 restrictions are eased there is an opportunity for greener practices to be adopted across the city.

COVID-19 has caused huge disruption to everyday life. Government restrictions to contain the virus have seen many businesses re-configure to a remote working model or cease operations altogether on a temporary or even permanent basis. As is often the case disruption illuminates new, and often better, ways of doing things and as restrictions are eased the opportunities to build back in a more sustainable way are being progressed.

In our most recent Your Dublin Your Voice Survey, we asked Dubliners what they see as the future for the city as it emerges from the pandemic.

One of the most obvious effects of the restrictions was the reduction in traffic on the city's roads. With 41% of those surveyed expecting to be mainly working from home in the medium to long term (currently 56% but was 6% before the restrictions), a reduction in both the numbers and a change in the methods of commuting is inevitable.

What the survey results show is that the shift in commuting intentions is concentrated in those who use public transport. The proportion intending to choose this method of commuting falls to 20% in a post COVID-19 world from 32% pre the pandemic. This reduction is explained by both a shift to remote working and an increase in those who intend to cycle. Indeed, the proportion of those that say they will cycle has risen to 24%, from 19%, making it the most popular post-pandemic commuting choice. There is, however, no change in the commuting intentions of motorists with the overall proportion of those intending to drive remaining at the 20% pre-pandemic level.

> *"The survey finds that motorists are the least likely to change their method of commuting while a proportion of those who previously used public transport are planning to cycle in the future."*

Clearly more needs to be done to convince motorists to use more sustainable methods of transport. To this end improving the cycle network in the city was by far the most cited means of encouragement in the survey at 59%. This was followed by less traffic on the roads at 46%. While public policy has been aimed at the former, the survey findings suggest that there is going to be little change to the number of car commuters in the medium term.

The survey also highlighted the fact that the positive environmental impact of less movement of people is offset to some degree by increased use of energy in the home. 61% of those surveyed indicated that their energy use had increased since the onset of the restrictions although this dropped to 32% for those over 65 years. Charging of devices, of every type, and increased food preparation were the main reasons cited for the increase. If remote working is to be part of the new norm then households may need to be incentivised to make their homes more energy efficient, something that 46% of survey respondents indicated they would like to see.

There is a clear positive bias towards businesses that operate pro environmental practices. 64% of those surveyed indicated that such companies were the most important for the government to support in the recovery, making them the top pick (rises to 74% for under 35 years olds). This was closely followed by support for sectors most badly affected by the restrictions (62%).

COVID-19 has had a profound effect across all sectors of society and has seen a change in the way we travel and use our homes. As the city reopens there is an opportunity and support for cleaner practices to be encouraged across households and businesses alike.

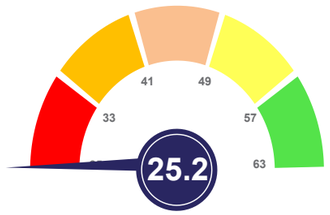
Sign up to the Your Dublin Your Voice opinion panel at http://bit.ly/ydyvreg

DUBLIN: ECONOMIC SCORECARD SEPTEMBER 2020

Note: These "petrol gauge" charts present the performance of the particular indicator relative to a range of performances from most positive (green) to least positive (red). Each gauge presents the latest value compared to the peak value and the trough value over the last decade (except for public transport trips & MasterCard SpendingPulse which cover the past 5 years, and housing completions which cover the past 6 years). The Commercial Property gauges are red at the high and low extremes, in recognition of the undesirability of rents that are either too high or too low as well as vacancy rates.

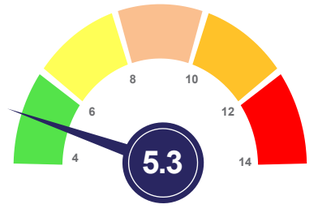
ECONOMY

IHS MARKIT BUSINESS PMI Q2 2020



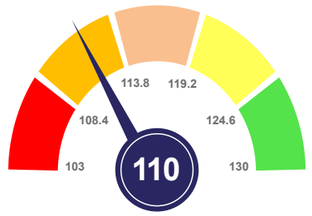
3 MONTH MOVING AVERAGE (SA)

UNEMPLOYMENT RATE Q2 2020



% (SA)

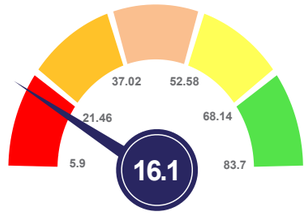
MASTERCARD SPENDINGPULSE SALES INDEX Q2 2020



INDEX (2014 = 100) (SA)

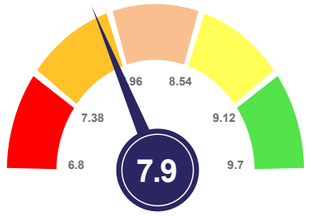
TRAVEL

HOTEL OCCUPANCY RATE JUL 2020



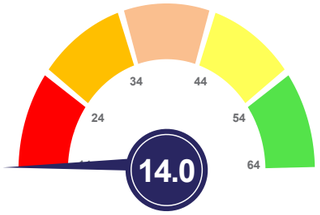
% OF TOTAL ROOMS

SEAPORT CARGO Q2 2020



MILLION TONNES/QUARTER (SA)

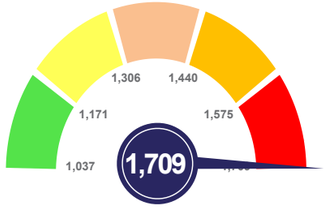
PUBLIC TRANSPORT TRIPS Q2 2020



MILLION TRIPS/QUARTER (SA)

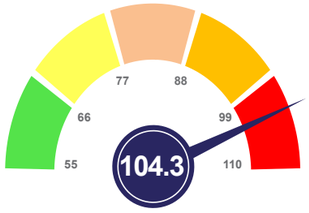
RESIDENTIAL PROPERTY

AVERAGE RESIDENTIAL RENTS Q1 2020



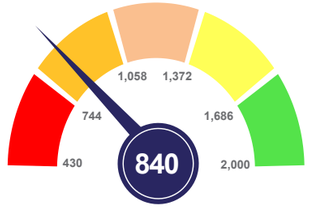
€/MONTH

RESIDENTIAL PROPERTY PRICE INDEX JUN 2020



INDEX (2005 = 100)

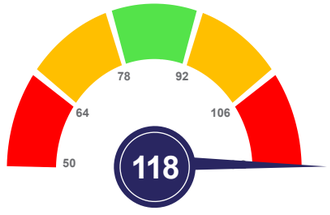
HOUSING COMPLETIONS Q2 2020



UNITS/QUARTER

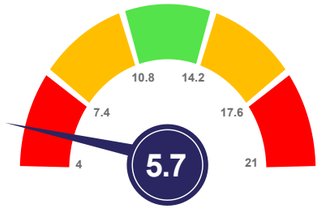
COMMERCIAL PROPERTY

DUBLIN CITY CENTRE OFFICE RENT Q2 2020



INDEX (2006 = 100)

DUBLIN 2/4 OFFICE VACANCY RATE Q2 2020



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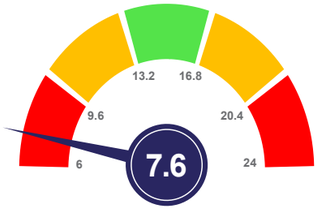
DUBLIN SUBURBS OFFICE VACANCY RATE Q2 2020



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SOURCES: CSO, PMI IHS MARKIT; SEAPORT CARGO DUBLIN PORT; PUBLIC TRANSPORT NTA; RESIDENTIAL RENTS RTB; COMMERCIAL PROPERTY CBRE RESEARCH, HOTEL OCCUPANCY STR.


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