



THE ECONOMIC IMPACT OF COVID-19 ON THE ECONOMY OF COUNTY KERRY

MAY 2020

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FOREWORD

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Coronavirus (COVID-19) is having an acute impact on every aspect of global activity. In Ireland as we attempt to contain the spread of the pandemic, unprecedented restrictions on social and economic activity have resulted from national medical advice, mirroring the responses in many other countries. These restrictions have resulted in major changes in how we conduct our daily lives, how we socialise, communicate, and conduct business and has resulted in significant closures of economic sectors and resultant job losses. As all sectors of society attempt to come to terms with these exceptional challenges it is important that decisions and actions are based on evidence based data and research.

In this context Kerry County Council has engaged with both public and private sector agencies at national and local level and key business interests in the County in order to have a unified response to the challenges facing Kerry at this time. In order to identify and understand the economic exposure of the County and to develop an economic evidence base to inform appropriate responses for the County, Kerry County Council in collaboration with a number of partners has carried out internal sectoral surveys within Kerry of the impact of COVID 19, researched existing data on the Kerry economy and examined recent national and international impact analysis conducted. The Council engaged the services of Mr James Dorgan, Economist to validate and model this analysis to profile the economic impact on the county. Though there are many unknowns at this time and the available data at County level is limited this study clearly outlines that Kerry is facing major economic challenges due to the exposure of economic sectors within the County. The

Council wishes to acknowledge the support of the Kerry Business Leaders Group, the Institute of Technology Tralee, the Kerry Chamber Network, and the Kerry Tourism Industry Federation in forming this report. Kerry County Council will continue to work with all public and private sector interests in these challenging times.



Cathaoirleach of
Kerry County Council,
Cllr Niall Kelleher



Chief Executive of
Kerry County Council,
Moira Murrell

EXECUTIVE SUMMARY

The economic crisis caused by COVID-19 is having widespread, rapid and profound economic consequences. Prospects for the remainder of 2020 and 2021 are poor and it is anticipated that there may be longer lasting adverse effects.

In particular the Kerry economy is exposed to the negative impact posed by COVID-19. The dominant economic sectors in Kerry are tourism and related services, wholesale and retail, agriculture, manufacturing and local services, which towns, smaller settlements and their hinterlands rely on to generate economic activity. All of these sectors have been impacted by COVID-19 but it is widely accepted that tourism and travel is expected to be the most adversely affected by COVID-19 throughout the global economy and among the last industry sectors to emerge from same. Global tourism and travel is estimated to decline by 60-80% in 2020 (UNWTO May 7) with a slight recovery projected for 2021¹.

The total value of the tourist industry to Kerry in terms of income, including direct and indirect effects, was circa €550 million in 2019. In numeric terms the loss in incomes to Kerry in 2020 in respect of tourism and related industries could be €400 million (approx. 70%) which is the equivalent of nearly 10% of total estimated Kerry household incomes.

In terms of economic structure, employment statistics show that, at the end of 2019, Kerry had 18%² of its workforce employed in tourism and related sectors compared to 8% for the country. A further 14.6%³ were employed in wholesale and retail trade, while industry accounted for 12.7%⁴ of employment.

According to the CSO Labour Force Survey, Q4. 2019, an estimated 10,076 people

Kerry as a county has been challenged in terms of economic growth vis a vis trends and performance nationally, as demonstrated by population growth, age profile and earned incomes:

Since the 2002 CSO Census, Kerry's population has grown significantly though more slowly than the population of Ireland: 17.1% versus 30.1%;

Kerry has a higher age dependency rate than the rest of the country: 27% versus 20%;

Earned incomes ('Primary Incomes') per capita in Kerry are 80% of the national average. The per capita level closed slowly until the financial crisis in 2008-2012 and since then it has widened again.

were employed in the accommodation and food sector. A detailed survey of tourism enterprises undertaken by Kerry County Council with the Kerry Tourism Industry Federation, in late April 2020, shows that, across a range of tourism sub-sectors, job losses are expected to be 56% assuming a partial recovery in Q3 and Q4 2020.

In terms of tourism income, the decline is likely to be at least at 70% in 2020. This has direct and indirect effects on other sectors, equating to a loss of over 10% of the aggregate of household incomes in Kerry in one year. In contrast this loss in household income occurred over a three year period in the last financial crisis.

The impact of the crisis on other exposed segments of the Kerry economy was gleaned from a further survey conducted by Kerry

1. <https://www.unwto.org/news/COVID-19-international-tourist-numbers-could-fall-60-80-in-2020>

2. Estimated from employment in accommodation & food and the majority of employment in arts, entertainment & recreation – CSO Labour Force Survey Q4 2019

3. CSO Labour Force Survey Q4 2019

4. CSO Labour Force Survey Q4 2019

County Council with the business community. This points to an estimated decline of 33% in income in the non-tourism segments of the Kerry economy.

In aggregate, therefore, the estimated initial impact of the COVID-19 crisis this year will be a cost to the economy of Kerry of €1 billion in 2020 equivalent to almost 25% of estimated 2019 household income. Of this, about 40% will be due to the direct and indirect effects of the decline in tourism.

This is reflected by the relatively high number of people signing up for the Government Pandemic Unemployment Payment in Kerry: 21,800 people (May 12th) or 36% of the "at work" residents in Kerry⁵. (See **Table 1**)

When claimants on the other schemes are included, two thirds of the Kerry work force of 69,000 have been affected by the crisis. These schemes, including the Temporary Wage Subsidy Scheme, Jobseekers Allowance and the PUP will offset some of the losses from the crisis.

The projected loss of income for the County, along with the numbers depending on the Government-supported initiatives above, indicate the scale of the economic challenge facing Kerry. Furthermore, although most industry sectors in tourism and non-tourism segments foresee an improvement in 2021, in tourism particularly there is foreseen little chance of recovering 2019 levels next year. Such is the outlook for international travel that 2019 levels may not be regained even in 2022/2023.

This analysis is confirmed by a number of independent national assessments which reference the Kerry economy including the Ernst and Young "Potential Impact of COVID-19 on Irish Tourism"⁶, which highlights Kerry's dependency on the tourism sector and the "COVID-19 Regional Economic Analysis"⁷ undertaken by the three Regional Assemblies which identified Kerry as being the county with the highest COVID-19 Exposure Ratio" with 53.8% of its commercial units operating in the sectors likely to be worst affected.

**TABLE 1:
PANDEMIC UNEMPLOYMENT PAYMENTS (PUP)**

	NATIONALLY	KERRY
7TH APRIL	507000	18500
14TH APRIL	533000	19600
21ST APRIL	584000	21500
28TH APRIL	59000	21900
5TH MAY	598000	22200
12TH MAY	598000	21800

5. CSO 2016 - Kerry residents at work: 61,222

6. https://www.ey.com/en_ie/COVID-19/potential-impact-of-COVID-19-on-irish-tourism

7. <http://www.southernassembly.ie/uploads/general-files/CV19-Regional-Economic-Analysis.pdf>

INTRODUCTION

The SARS-CoV-2 virus or COVID-19 was first recorded in December 2019 in China and spread rapidly to all regions of the world and most countries by March 2020. In the absence of any prevention or treatment authorities were obliged to suppress economic and social activity.

Globally, the economic consequences are:

- A very sharp fall in economic activity – easily surpassing that experienced during the financial crisis of 2008.

- Continuing uncertainty arising from unknown characteristics of the disease and especially its capacity for a resurgence – as occurred in the ‘Spanish’ flu of 1918.
- Unknown but potentially damaging impacts from the disease on countries not yet fully affected, from long term damage to economic productivity (scarring) and interruptions in supply chains.

NATIONAL ECONOMIC FORECASTS

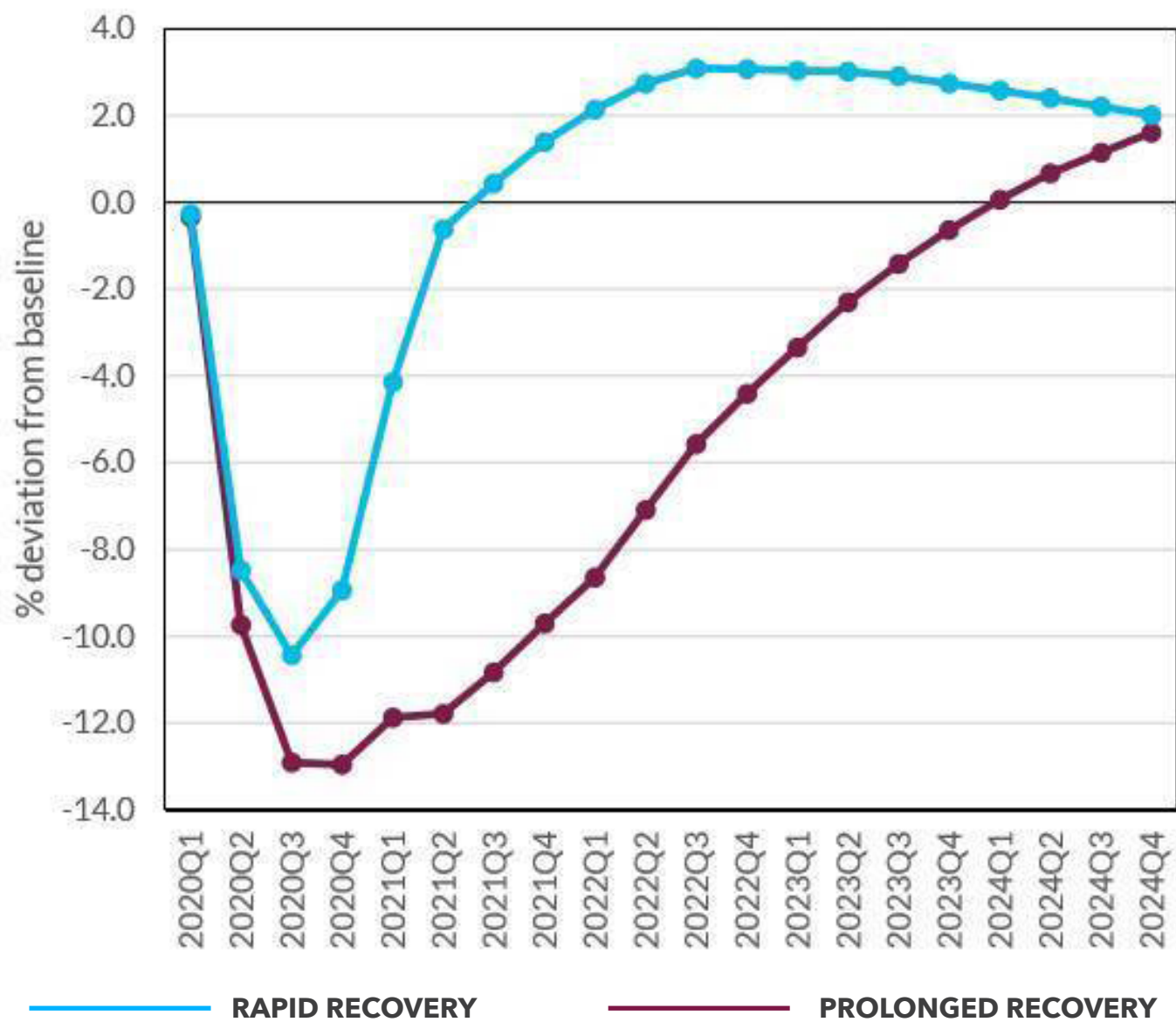
Forecasts of the performance of the Irish economy have been prepared by a number of organisations. Reflecting difficulty of forecasting, these show a variety of possible outcomes varying from a GDP decline of 6.8% by the IMF to 10.5% by the Department of Finance and Public Expenditure and, such is the volatility, several do not forecast for 2021.

All represent very sharp falls in the economy in 2020 followed by a rebound in 2021 which will not, however, make up the ground lost this year (See **Table 2**).

Considering earlier forecasts for 2020 Ireland will experience one of the worst turnarounds in the EU which can be seen in **Figure 1**.

TABLE 2: ECONOMIC FORECAST FOR IRELAND			
	DATE OF LATEST FORECAST	2020	2021
IMF	6TH APRIL 2020	-6.8	6.3
EC	5TH MAY 2020	-7.9	6.1
DOF	29TH APRIL 2020	-10.5	6.0
CB	3RD APRIL 2020	-8.3	N/A
ERSI	19TH MARCH 2020	-7.1	N/A

FIGURE 1: COVID-19 ILLUSTRATIVE SCENARIOS: EFFECT ON IRISH OUTPUT, % DEVIATION FROM BASELINE



Source: Central Bank Quarterly Bulletin April 2020

KERRY ECONOMIC BACKGROUND

It is against this global and national economic background that the assessment of the economic consequences for Kerry are examined.

Kerry is a diverse county, with important regional towns, significant national, international and global leading companies, a tourism industry of both national and international significance and thriving agriculture, fishery and forestry in the primary sector. In industry and manufacturing it has some notable enterprises such as Liebherr Cranes, Kerry Foods, Astellas and Dairymaster. In the services sector Fexco is an international leader in the financial services arena. It also has an active technology and start up sector with over 70 science, technology and engineering companies present throughout the county.

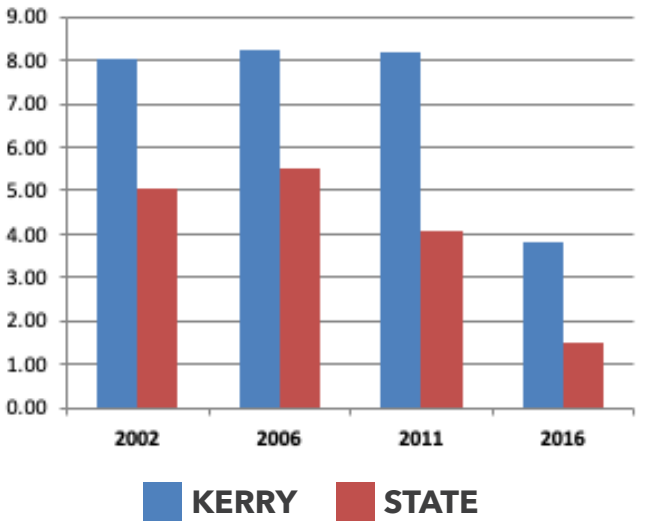
County Kerry is Ireland’s leading regional tourism destination. It attracts 2.3 million overseas and domestic tourists annually who generate revenue of €650m in direct spend for the local economy.

However, as previously outlined Kerry entered the current crisis with a number of structural and economic weaknesses compared to the rest of the country.

DEMOGRAPHY.....

The population of Kerry was 147,707 according to the 2016 Census, an increase of 1.5% on the 2011 Census and 17.1% on the Census of twenty years before. By contrast the figures for the state are 3.8% and 30.1% - very substantial differences.

FIGURE 2: POPULATION - INTERCENSAL GROWTH RATES



This is the consequence of a tendency in recent decades for economic activity to be concentrated in major cities, a tendency which the Project Ireland 2040 programme is intended to correct. In this respect Kerry is in line with the experience in other counties in the west.

The consequence of slow growth in population is a somewhat higher proportion of the elderly than the national average. Currently the over 65s are equal to about 27% of the active age groups (15-65) in Kerry, a percentage that has increased from 21% in 2006 whereas the state the figure in 2016 is 20%.

INCOMES

The CSO publishes incomes by county one year in arrears to the annual National Income Accounts. The latest figures available are therefore for 2017 (See **Table 3** for extract from the CSO County Incomes). In that year total household income in the county was €3,800 million. Assuming that growth in Kerry has matched that of the country, in 2019 incomes in Kerry would have been about €4,200 million.

Figure 4 following shows ‘primary’ income per capita (i.e. income from employment, profits and investment) for Kerry and the state from 2000 to 2017. Also shown is the ratio between the two.

FIGURE 3: POPULATION 65+ AS %
POPULATION 15-64

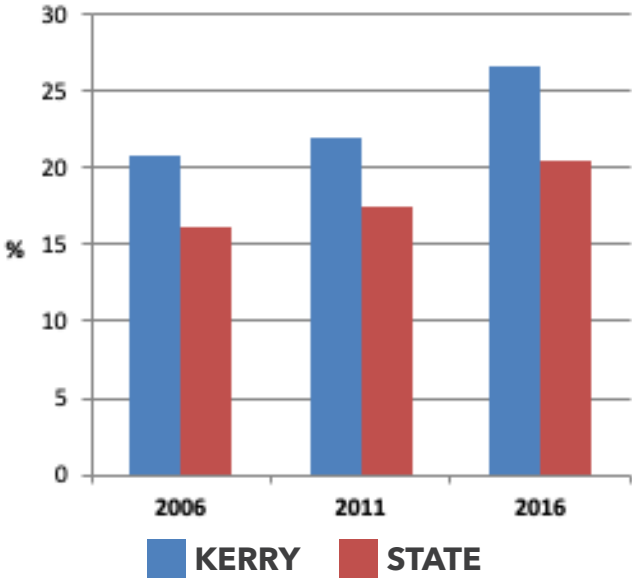


FIGURE 4: PRIMARY INCOME PER CAPITA



In the context of the current difficulties it is worth noting the impact of the financial crash. In terms of personal incomes Kerry and the State both reached their pre financial crash apogees in 2008 and then declined until 2011 before recovering their pre-crash levels sometime in 2016, eight years later. The decline was precipitous as well as protracted: a fall of 12% in three years.

The green line in **Figure 4** shows that Kerry primary incomes are approximately 20% below those of the state. Up to 2012, the ratio improved slightly in Kerry's favour from 78% to 82% but since then has fallen back to the ratio in 2000.

In relative terms, Kerry is one of the lowest income counties in the country. According to the 2016 Census, average Kerry household income was €37,337 compared with €45,256 for the State. Only three counties (Donegal, Leitrim and Longford) were lower. It is important to note that there is geographical inequality in income within County Kerry, with the lowest incomes located in the more peripheral areas of the county (See **Table 3**).

TABLE 3:
KERRY COUNTY INCOME 2012-2017 (€000S)

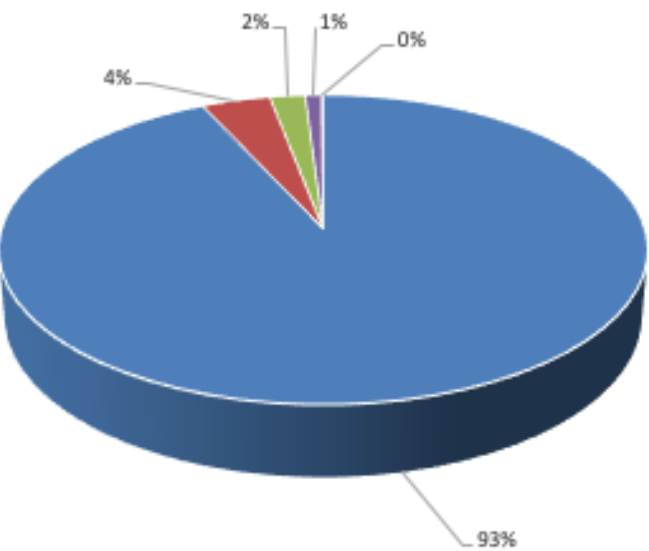
	2013	2014	2015	2016	2017
WAGES AND SALARIES	1570	1657	1782	1882	1961
INCOME OF SELF EMPLOYED	404	460	440	467	511
RENT OF DWELLINGS INCLUDING IMPUTED RENT	189	200	222	218	232
INVESTMENT INCOME	86	102	96	76	105
PRIMARY INCOME	2249	2419	2541	2643	2810
SOCIAL BENEFITS	865	843	826	932	965
TOTAL HOUSEHOLD INCOME	3114	3261	3367	3575	3775
INCOME PER CAPITA (€)	21278	22138	22662	23787	24836

Source: CSO County Incomes 2013-2017

STRUCTURE OF THE ECONOMY

Kerry is a rural county undergoing a transformation into a modern, ambitious, vibrant and outward-looking county. While several well-known large companies are based in Kerry (Fexco, Liebherr, Kerry Group, Astellas), 93% of active enterprises in Kerry are micro-enterprises and employ less than 10 people. Small and medium sized enterprises together account for 84% of the employment in the county (See **Figure 5 - 7**).

FIGURE 5: NUMBERS OF ACTIVE ENTERPRISES BY SIZE - KERRY - CSO 2017



- <10 Active Enterprises (number)
- 10 - 19 Active Enterprises (number)
- 20 - 49 Active Enterprises (number)
- 50 - 249 Active Enterprises (number)
- 250+ Active Enterprises (number)

FIGURE 6: PERCENTAGE OF EMPLOYEES BY COMPANY SIZE - KERRY - CSO 2017

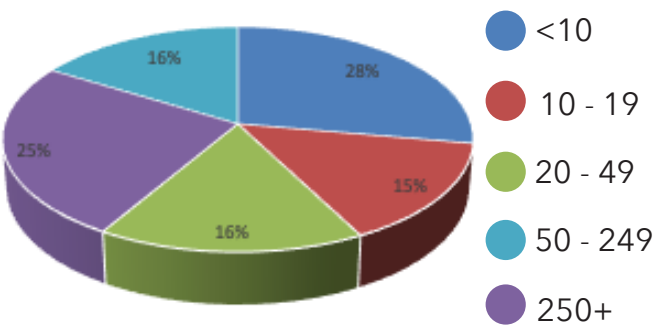
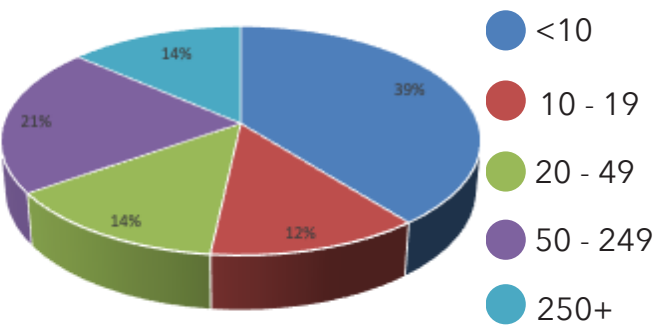


FIGURE 7: PERSONS ENGAGED BY COMPANY SIZE - KERRY - CSO 2017



An indication of the structure of the Kerry economy is shown in **Table 4** below. In the absence of income or value added data per sector, the figures are from the Q4 2019 Labour Force Statistics.

Of the estimated 69,000 people in the labour force in Kerry, the largest employment cohort is in the retail and wholesale trade with hotels and restaurants (accommodation and food services) shortly behind. Accommodation and food services are the core of the tourism sector, but parts of the transportation and 'other' also include tourist dependent activities.

**TABLE 4 :
KERRY EMPLOYMENT BY SECTOR**

SECTOR	EMPLOYMENT	% OF TOTAL
AGRICULTURE, FORESTRY AND FISHING	5729	8.3
INDUSTRY	8783	12.7
CONSTRUCTION	4431	6.4
WHOLESALE AND RETAIL TRADE	10107	14.6
TRANSPORTATION AND STORAGE	1908	2.8
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	10076	14.5
INFORMATION AND COMMUNICATION	1622	2.3
FINANCIAL, INSURANCE AND REAL ESTATE ACTIVITIES	1769	2.6
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2747	4.0
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	3137	4.5
PUBLIC ADMINISTRATION AND DEFENCE	2590	3.7
EDUCATION	4790	6.9
HEALTH AND SOCIAL WORK	8563	12.4
OTHER NACE (ARTS, ENTERTAINMENT, RECREATION)	3076	4.4
ALL NACE ECONOMIC SECTORS	69328	100.0

Source: Extracted from CSO Labour Force Survey, Q4 2019.

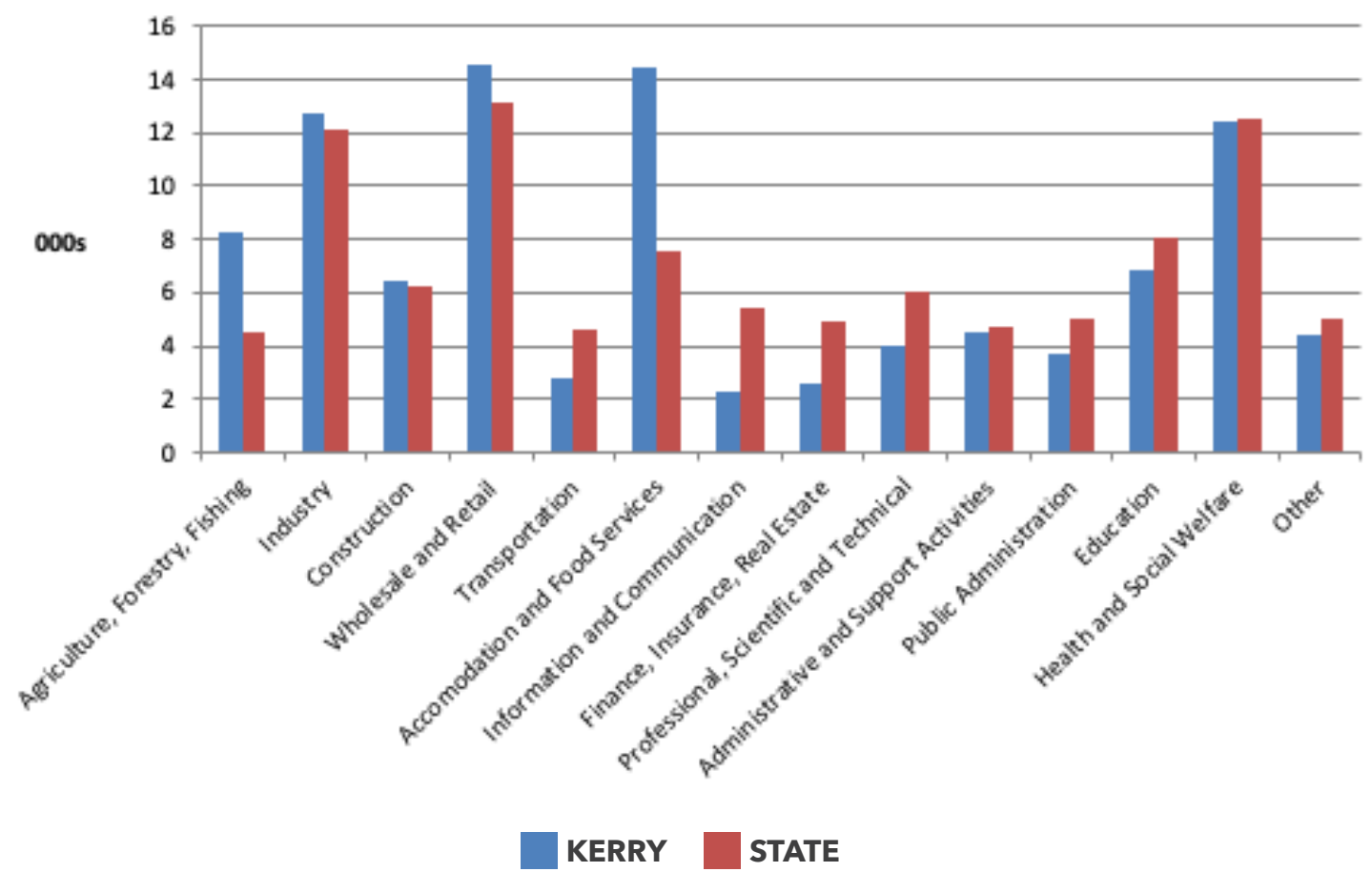
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Figure 8 shows a comparison of employment by sector with the rest of the country. It illustrates the importance of employment in the tourism and hospitality sectors (Accommodation & Food, Art & Entertainment) and Agriculture, Forestry and Fisheries sectors relative to state value in Kerry.

within Kerry including computer technology, life sciences, research and development, high-tech manufacturing, communications, business, finance, insurance and other market services. Companies such as Fexco, Dairymaster, Astellas, JRI America and Aspengrove provide substantial employment within the county.

The knowledge economy is also a vital contributor to the Kerry economy. There are many knowledge-based industries located

FIGURE 8: EMPLOYMENT BY SECTOR



9. <https://www.unwto.org/news/COVID-19-international-tourist-numbers-could-fall-60-80-in-2020>

FIGURE 9: RELATIVE DEPENDENCE ON TOURISM
INCOME PER CAPITA BY COUNTY

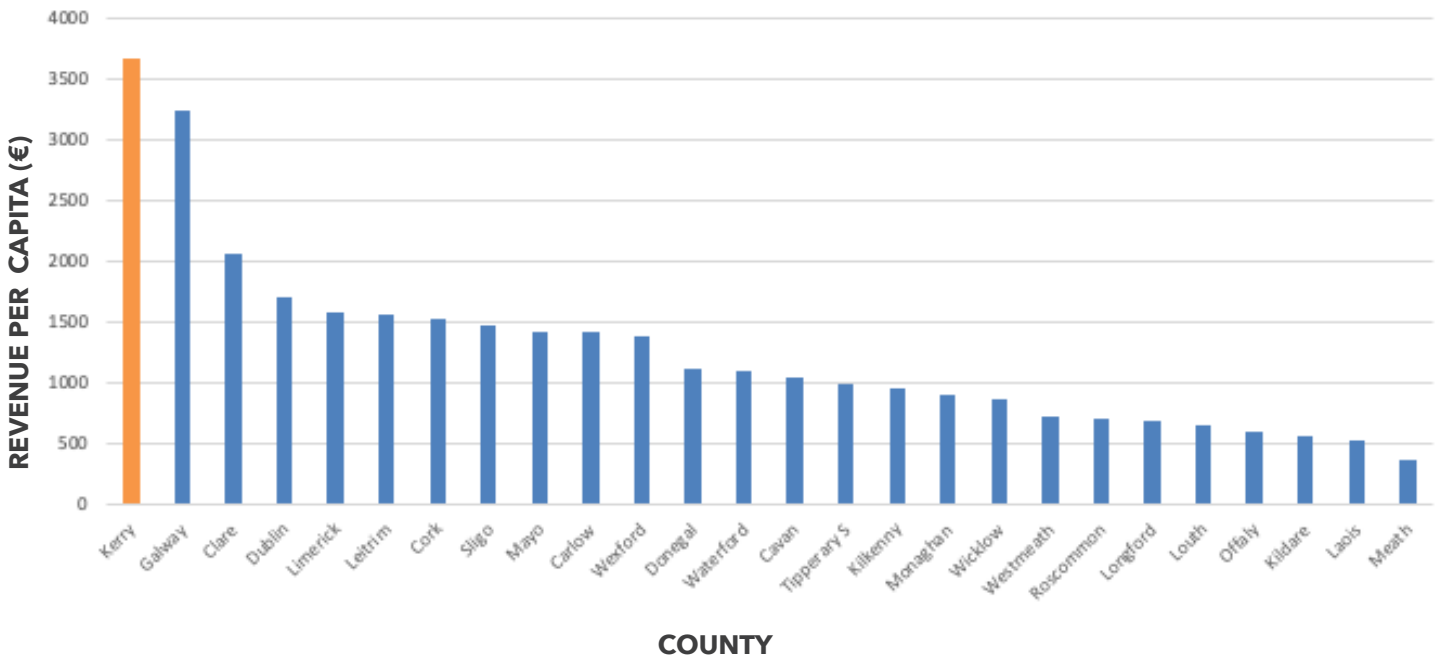
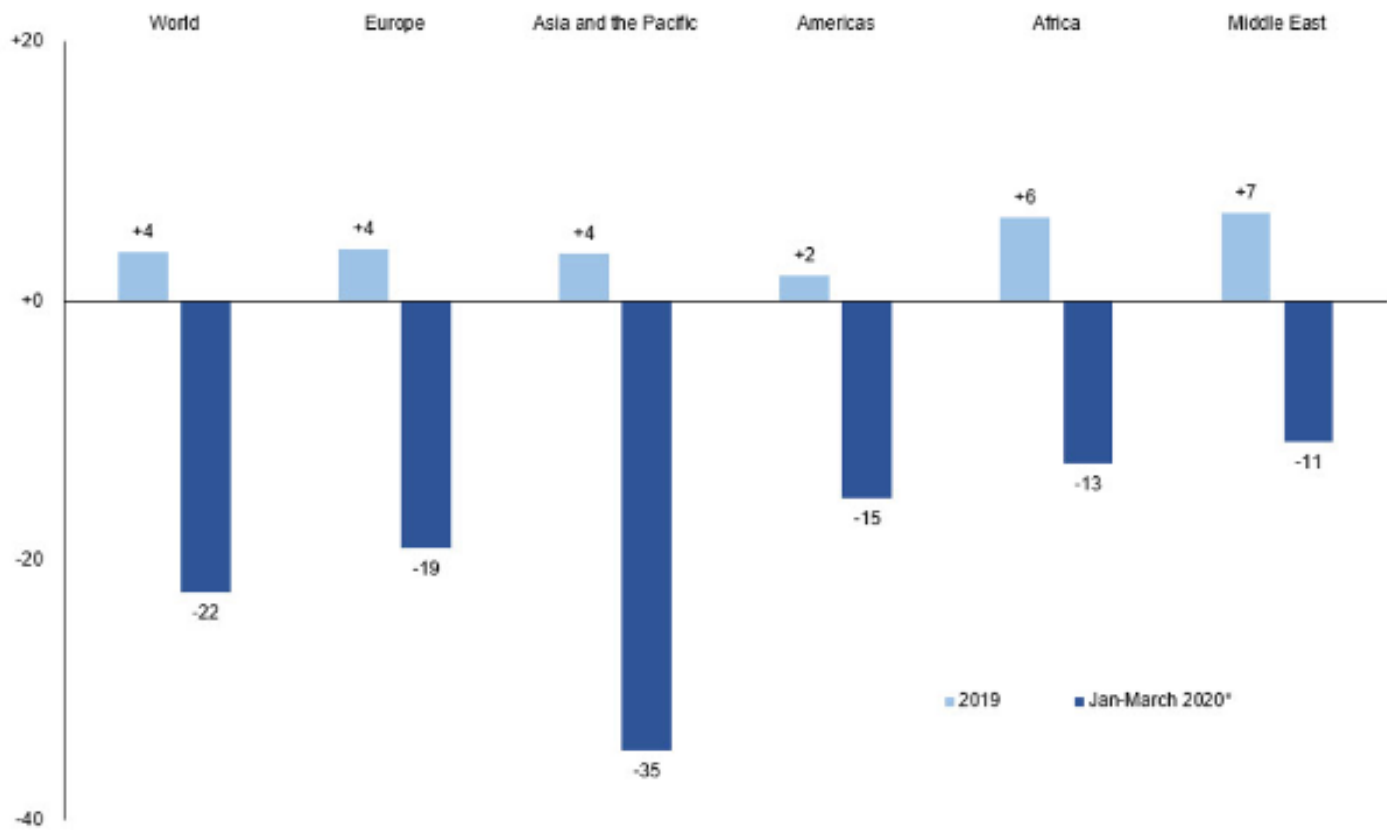
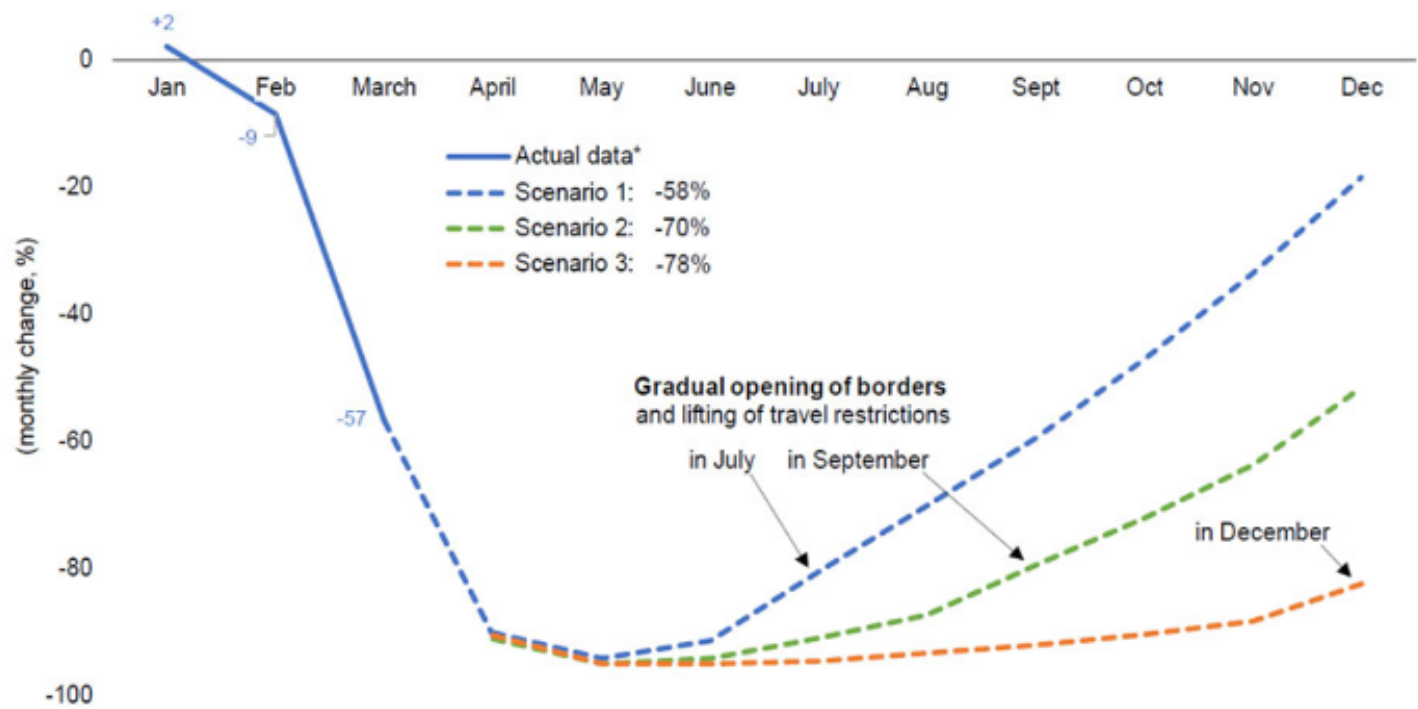


FIGURE 10: INTERNATIONAL TOURIST ARRIVALS,
2019 AND Q1 2020 (%CHANGE)



Source: United Nations World Tourism Organisation (UNWTO)

FIGURE 11: INTERNATIONAL TOURIST ARRIVALS IN 2020:
THREE SCENARIOS (YOY MONTHLY CHANGE %)



**Actual data through marcg includes estimates for countries which have not yet reported data*
Source: United Nations World Tourism Organisation (UNWTO)

Irish tourism statistics are collected by the CSO and Fáilte Ireland annually for the regions and the county figures extracted. Kerry together with Cork City and Cork County form the South-West Region. The latest tourism revenue figure for Kerry is €660 million in 2018 (8.7% of national total). There was a decline in tourist revenue nationally of 1.5% in 2019 so, assuming that Kerry was equally affected, the figure for the county in that that year is estimated at €650 million.

In late April, Kerry County Council in conjunction with the Kerry Tourism Industry Federation organised a survey of tourist enterprises to assess the actual and prospective levels of activity in terms of employment. It was returned by 353 enterprises in 8 sub-sectors of the tourism industry, the key findings of which are shown in the tables below. Table 5 shows the actual level of employment in the industry during 2019. **Table 6** shows actual

and projected levels of unemployment by employment status. There were 82% of the total unemployed at the end of April and businesses estimate their total job losses to be 56% at the end of the year. Table 6 shows actual and projected whole year estimates of unemployment for 2020.

Of the 8,014 employed approximately 82% of the total were unemployed at the end of April 2020 and businesses estimate their total job losses to be 56% assuming a partial recovery in Q3 and Q4 2020. The pub trade is expected to be particularly badly hit. While the respondents therefore expect things to improve by the end of the year, the overall level for the year will be 70% to 85% down compared to 2019.

The data clearly illustrates the importance of the hotel sector to Kerry in terms of employment.

KERRY TOURISM SURVEY, APRIL 2020**TABLE 5: KERRY TOURISM SURVEY: SUB SECTOR ANALYSIS OF PARTICIPANTS**

SECTOR	TOTAL NOS. EMPLOYED 2019	% OF TOTAL EMPLOYED
HOTELS	4465	55.7
OTHER ACCOMMODATION	323	4
RESTAURANT/FOOD	769	9.6
VISITOR ATTRACTIONS	561	7
TRANSPORT OPERATOR	224	2.8
PUBS	709	8.8
RETAIL	464	5.8
OTHER	498	6.2
TOTALS:	8013	100

**TABLE 6: KERRY TOURISM SURVEY:
EMPLOYMENT STATUS OF EMPLOYEES**

ALL SECTORS	NO. EMPLOYED 2019	ACTUAL % UNEMPLOYED APRIL 2020	PROJECTED % UNEMPLOYED Q4 2020
FULL TIME	3711	81.7	47.5
PART TIME	2396	80.6	57.1
SEASONAL	1907	84.5	71.4
TOTALS:	8014	82.0	56.0

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TABLE 7: SURVEY OF TOURIST INDUSTRY IN KERRY

	% EMPLOYEES CURRENTLY UNEMPLOYED			EXPECTED % DROP IN EMPLOYMENT IN 2020		
	FULL TIME	PART TIME	SEASONAL	FULL TIME	PART TIME	SEASONAL
GUEST HOUSE/ B&B	90	92.8	94.7	80	95	91.1
HOTEL	84.3	90.7	93	46.8	63.7	79.3
PUB	97.6	97.6	99.4	83.6	85.7	89.7
RESTAURANT/ FOOD	95.9	96.9	89.5	70.5	76.1	74.9
TRANSPORT	79.5	82	100	60.4	70	100
TOTAL OF ALL SECTORS	89.5	92.3	96	71.8	76.6	86.5

Source: KCC / KTIF Survey, April 25, 2020.

The decline in employment is likely to be a fair measure of the decline in employee incomes. The decline in employer incomes especially profits and earnings of sole traders, is likely to be greater. However, in the absence of data this analysis conservatively judges that the fall in incomes in the tourism sector in 2020 will be about 70%. This decline

in tourism would represent a loss of income equal to about 10% of Kerry's household incomes including multiplier effects on non-tourist sectors (see below). It compares with a loss of about 12% following the financial crash but that took three years and covered all sectors of the county economy.

MULTIPLIER EFFECTS OF TOURISM EXPENDITURE

This €650 million figure is direct spend and represents the turnover of the industry in the county. Two-thirds of this originates with overseas visitors. For evaluating the importance of the industry it is essential to make estimates of its indirect effects on the local and national economy. Hotels and restaurants buy goods and services from other sectors so that a change in tourist expenditures will have widespread impact.

Tourism is a labour-intensive industry so at least 60% of outlays on hotels and restaurants represents income to employees and

owners. The remaining 40% goes to other sectors where it is assumed that perhaps half of it ultimately takes the form of incomes. On that basis approximately 80% of tourist outlays generate incomes in the tourism sector or elsewhere directly and indirectly. In 2019, this is estimated to be €520 million.

To this figure should be added what is referred to as the 'induced' effect of the direct and indirect incomes. This is the income that comes from the spending from the direct and indirect incomes resulting from tourism and is about 50% of the combined direct

and indirect effects. Altogether, therefore, the direct, indirect and induced incomes from tourism in Kerry are worth about €780 million. This is shown in the table below:

TABLE 8: MULTIPLIER EFFECT OF KERRY TOURISM EXPENDITURE		
	% REVENUE	€ MILLION
2019 ESTIMATED TOURISM REVENUE		650
OF WHICH INCOME:		
DIRECT	60%	390
INDIRECT	20%	130
DIRECT + INDIRECT	80%	520
INDUCED	50%	260
TOTAL ESTIMATED INCOME (DIRECT + INDIRECT + INDUCED)		780

Unfortunately, there is no precise method of determining exactly how much of this €780m accrues in Kerry as opposed to the rest of the Irish economy (such data are available only at national level). Obviously, not everything consumed by tourists in Kerry is supplied from Kerry. Some of the food, drink, gifts purchased are manufactured elsewhere and generate incomes in other counties and indeed other countries. Even some of the services provided to tourists in Kerry are supplied by residents of other counties (transport, for example). However, almost all of the direct income from tourism is earned by Kerry residents and most of the indirect, so one could reliably conclude that the economic benefit to Kerry is about €550 million, approximately 70% of the 2019 total income for tourism. In 2019 that represented 13% of total household incomes in Kerry.

The majority of international and national economic forecasts cited above anticipate

Arrangements for international travel are not elaborated in the regulations and are in any case dependent on other countries whose position is also unclear.

Even when open, operation of tourist assets (especially tour buses, pubs, restaurants) will be subject to social distancing and hygiene protocols which will be expensive for operators and to some degree unattractive to customers.

It is possible that for precautionary reasons the public will not fully avail of all the possibilities created by deregulation.

that the tourism industry will be the sector most affected by the COVID 19 restrictions mainly because of its impact on travel and the nature of tourist activity. Irish tourism is heavily seasonalised with over 70% of tourists visiting Ireland for 'holiday' or 'leisure' purposes during the second and third quarters. Without a major urban area the tourist business is more seasonalised in Kerry than the average suggesting that at least 80% of the business occurs in the second and third quarters. The lockdown was imposed in March 2020 and under the recently announced programme restrictions will apply until early August at least. There will be limited scope for the tourism industry in Kerry to recover in 2020 due to the seasonal nature of the industry in the County.

It is against this background that forecasts of the outcome for tourism in Kerry in 2020 must be framed.

In numeric terms the loss in incomes to Kerry in 2020 in respect of tourism and related industries could be €400 million (approx. 70%) which is the equivalent of nearly 10% of total estimated Kerry household incomes.

THE WIDER ECONOMIC IMPACT

Whilst the tourism sector is a major industry in the county and has been severely impacted, the economic impact of COVID-19 will impact on all sectors of the economy to varying degrees. Forecasts of what might happen to different sectors of the economy have been ventured by the Central Bank (Quarterly Bulletin Second Quarter¹⁰). These suggest very tentatively losses of 33% (retail and wholesale distribution and tourism) to gains of 2% (health).

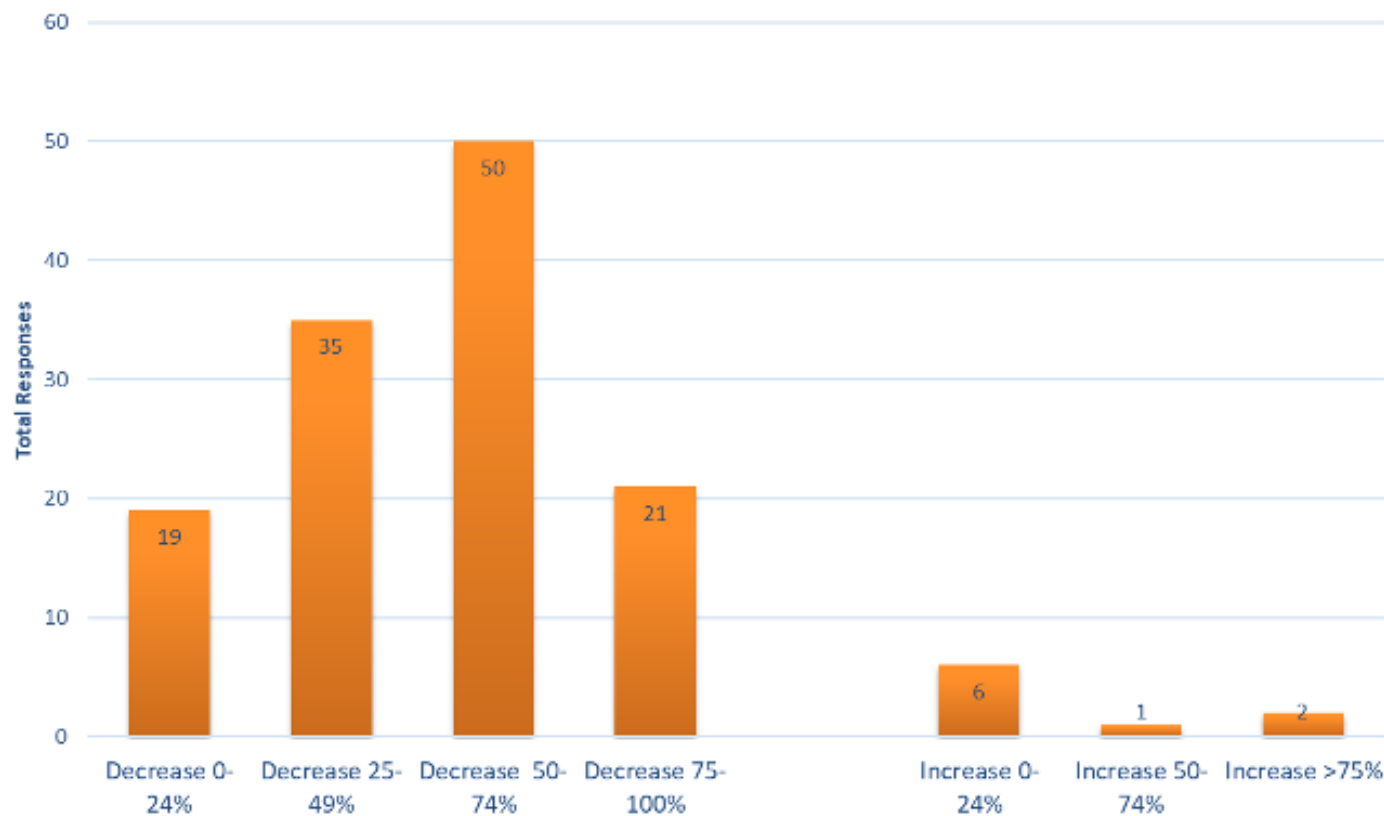
In April 2020, Kerry County Council undertook a survey of the business community. The responses covered a range of sectors in the economy. A number of questions were asked but the key question for the purposes of this exercise is Question 7. The results are shown in **Table 9** for eight of the eleven sectors.

TABLE 9: Q7 WHAT IS YOUR ANTICIPATED PERCENTAGE CHANGE IN REVENUE IN THE NEXT 12 MONTHS AS A RESULT OF COVID-19?

	% DECLINE IN REVENUE				% INCREASE IN REVENUE				TOTAL
	0-24	25-49	50-74	75-100	0-24	24-49	49-74	75+	
AGRICULTURE	2	1	2	0	0				5
CONSTRUCTION	1	2	4		0				7
INDUSTRY	7	4	3						14
RETAIL/WHOLESALE	1	11	15	3	1			1	32
PROFESSIONAL	4	3	5	3	0				15
ICT	3	1							4
FINANCE	5	3							8
OTHER NES	0	7	12	5	0				24

10. <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q2-2020>

FIGURE 12: WHAT IS YOUR ANTICIPATED PERCENTAGE CHANGE IN REVENUE IN THE NEXT 12 MONTHS AS A RESULT OF COVID-19?



In **Table 10** aggregate rates of decline have been calculated by assigning replies to the mid-point of each range. For example, 11 enterprises reporting a decline of between 25%-49% in Retail/Wholesale in Table 9 are assumed to be an average decline of 37%. These are then weighted by sector and a decline calculated (less some gains in Retail/Wholesale) and for the whole of the non-

tourist segment. These are then averaged across all columns and weighted by the importance of the sector in the Labour Force Survey. The weighted decline is - 32.8%. As in the case of tourism discussed above, the decline incomes of employees and owners is likely to be more than the decline in turnover. **But conservatively it is considered that the decline in incomes will also be about 33%.**

**TABLE 10: ESTIMATE OF DECLINE IN TURNOVER OF NON TOURIST SECTORS
AND THE NON TOURIST SEGMENT OF THE KERRY ECONOMY**

	% WEIGHT	MID-POINT IN SURVEY	WEIGHTED % CHANGE
AGRICULTURE, FORESTRY AND FISHING	11	-37	-4.00
INDUSTRY	17	-30	-4.97
CONSTRUCTION	8	-48	-4.01
WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES	19	-48	-9.15
INFORMATION AND COMMUNICATION	3	-41	-1.25
FINANCIAL, INSURANCE AND REAL ESTATE SERVICES	3	-21	-0.70
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	5	-49	-2.54
ADMINISTRATIVE AND SUPPORT SERVICES	6	-49	-2.90
PUBLIC ADMINISTRATION AND DEFENCE	5	0	0.00
EDUCATION	1	0	0.00
HUMAN HEALTH AND SOCIAL WORK	16	0	0.00
OTHER NACE ACTIVITIES	6	-60	-3.48
ALL NON TOURIST	100		-32.78

AGRICULTURE AND FISHING

In Kerry farming and fishing is worth €391m to the economy. The value of agricultural output to Kerry is €385m and in addition the value of aquaculture output is €5.6m.

There are over 2,000 dairy farmers in the county producing 450 million litres of milk which represents approximately 9% of all milk production in Ireland.

Companies such as Kerry Group and Dairymaster are major players within their respective sectors in the global Agri-Food and Tech Industries.

Agriculture, Forestry and Fishing in Kerry supports an estimated 5,729 jobs in the rural economy. In addition, the food & drink processing industry supports 2,711 jobs and there is additional employment in the wider agri-industry, including input suppliers, agricultural contractors, jobs in auctioneering, transport and engineering and in accountancy, legal, veterinary and other advisory services.

The Value of Agricultural Exports arising from the agricultural output in Kerry is estimated at €564m. With a relatively small domestic market, the sector’s focus is on export of ingredients and commodities, many high - value, but uniquely affected by the impact on global food markets of the COVID - 19 Pandemic.

The agricultural sector has been adversely affected by the decline in international prices for products in the meat and dairy sectors. According to a study (Bord Bia April 2020) focusing on the impact on the dairy and meat sectors, it forecasted a decline of between 7% to 8% in EU consumption of beef¹¹. This will result in reduced incomes for producers and value added in the primary sector.

MEAT SECTOR

Ireland is Europe’s biggest beef exporter, selling 90 per cent of its beef to the UK, France, Italy, Germany and elsewhere.

Outbreaks in meat processing plants, closures, sharp drop in prices in key markets is putting significant pressure on the sector. Meat Industry Ireland as reported recent beef throughput in factories was down about 20 per cent on the same period last year and down 30 per cent from early March, with prices reduced by 8%. Exports are now also

reported to be affected from a regulatory / health and safety perspective which will deliver further negative impacts.

The COVID 19 impact on beef sector has not had a material effect on production as yet, however it has led to issues in terms of order levels and meeting specifications.

Livestock has been significantly impacted due to the restrictions on cattle marts in Ireland, and in Kerry. The sector has also experienced reduced demand for livestock exports with a substantial reduction in loads, especially calves destined for the Netherlands (Bord Bia Market insights April 28th)¹².

11. GIRA Consultancy and Research: the Impact of COVID-19 on the meat and Dairy sectors April 2020- Bord Bia 2020
12. IFA SUPPORTING IRISH FARMERS & THE AGRI-FOOD SECTOR THROUGH THE COVID-19 EMERGENCY IFA SUBMISSION TO THE EUROPEAN COMMISSION March 30th 2020

This sector has seen significant prices reduction since COVID 19 restrictions and lockdowns. Exporters are concerned by the lack of carcass balance due to the demand coming from retailers which is mostly focusing on lower value cuts such as mince and / dice /stew product, to the demand for steak, this in part is due to restaurant closures. Availability of very low priced South American steak being sold in Europe, is having a big impact on sales of Irish beef in Europe with prices falling as

much as 66% depending on cut and market in question. COVID-19 Emergency has had a very negative impact on the sheep meat markets with the closure of the restaurants and food service sectors across Europe and in the UK. Domestic market contracts have been cancelled and exporters have lost contracts in every export market¹³.

A decline in the volume of output will also feed through to activity in food processing.

DAIRY SECTOR

A new report commissioned by Dairy Industry Ireland (DII)¹⁴ has revealed that Irish dairy farmers may face significant milk price reductions in the future. DII report that the impact of COVID-19 on the international dairy markets has been dramatic, as an oversupply of milk has been created due to closures in the foodservice industry and other possible destinations. Supply chains have also been fundamentally disrupted with a critical shortage of shipping and logistical routes to markets currently paralysed across the globe. The EY report found that Irish dairy is extremely vulnerable to the global markets worst affected by COVID-19 with 92% of dairy products exported.

Key findings include:

- The dairy sector is one of the largest indigenous contributors to the Irish economy, and was anticipated, pre-COVID-19, to be worth €11.3bn in 2020.
- Output from the industry could fall by as much as €2.3bn in value as a result of falling demand and potential losses in processing capacity due to COVID-19.
- A 10% to 20% fall in milk price due to a fall in demand and market pressures would

result in a reduction in annual payments to farmers of up to €840m.

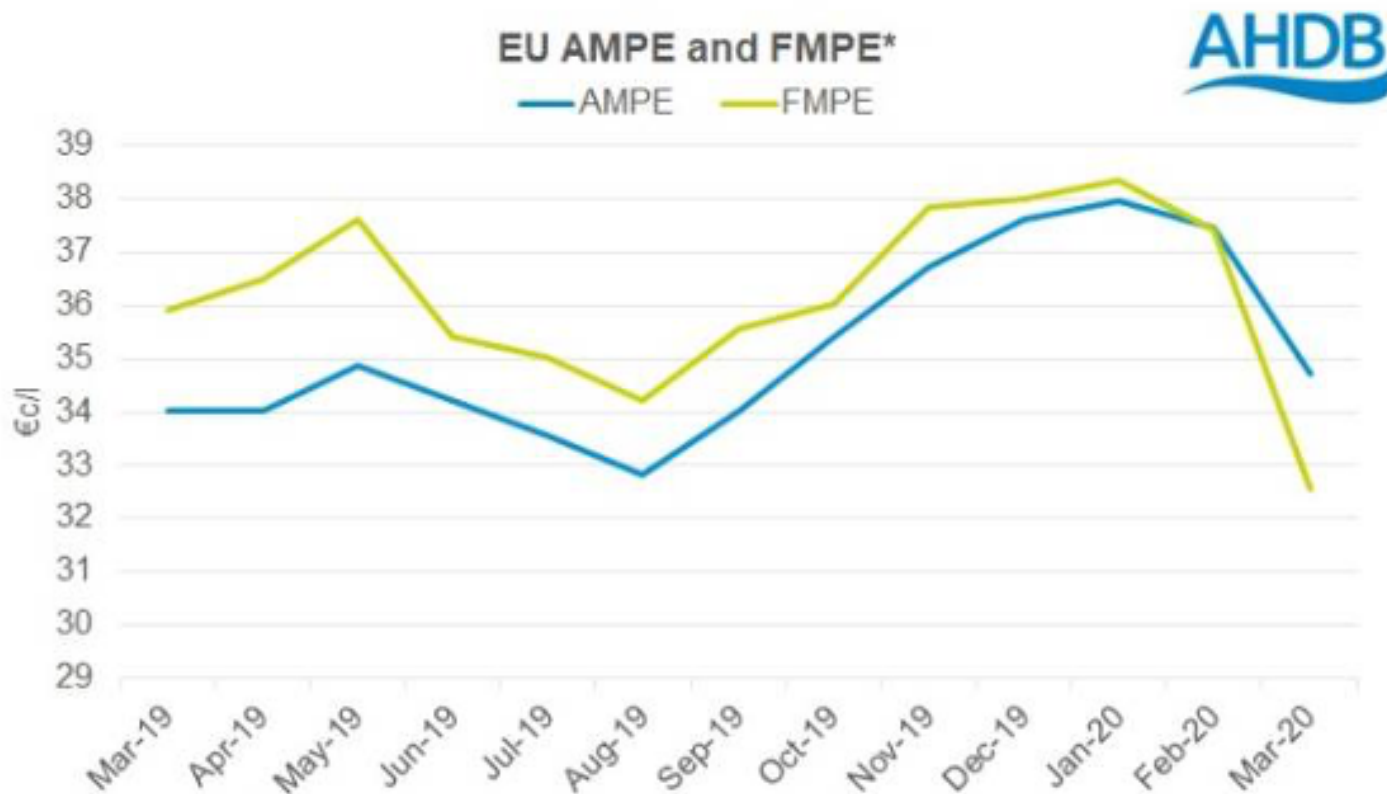
- Additional working capital of up to €550m could be required by the industry to cater for increased stockholding and other requirements.
- The overall economic impact of a 20% fall in revenue would be a €2.3bn output reduction and a loss of more than 10,700 full-time equivalent jobs.

These national impacts will have a very significant impact on the Kerry economy given its reliance on Agriculture, with approx. 8% of Kerry employment based in the Agriculture, Forestry and Fishing sectors.

13. (SOURCE IFA SUPPORTING IRISH FARMERS & THE AGRI-FOOD SECTOR THROUGH THE COVID-19 EMERGENCY IFA SUBMISSION TO THE EUROPEAN COMMISSION March 30th 2020)
14. The Potential Impact of COVID-19 on the Irish Dairy Industry', Commissioned by DII and conducted by Ernst and Young (EY).

TABLE 11: FUTURE MARKET INDICATORS FOR THE DAIRY SECTOR**EU prices (€/l)**

AMPE date	AMPE	FMP		FMPE	FMPE date
Mar-19	34.04	1.87	6%	35.91	Jul-19
Apr-19	34.02	2.49	7%	36.51	Aug-19
May-19	34.86	2.74	8%	37.60	Sep-19
Jun-19	34.20	1.20	4%	35.40	Oct-19
Jul-19	33.55	1.46	4%	35.01	Nov-19
Aug-19	32.84	1.36	4%	34.20	Dec-19
Sep-19	34.03	1.55	5%	35.57	Jan-20
Oct-19	35.41	0.62	2%	36.03	Feb-20
Nov-19	36.74	1.10	3%	37.84	Mar-20
Dec-19	37.62	0.38	1%	38.01	Apr-20
Jan-20	37.98	0.38	1%	38.36	May-20
Feb-20	37.45	-0.03	0%	37.43	Jun-20
Mar-20	34.70	-2.13	-6%	32.57	Jul-20



Source: AHDB, EEX

Note: from Jan-20 onwards the EU AMPE value is for the EU (ex UK). Prior to this an EU-28 AMPE is used

RETAIL AND WHOLESALE

The Retail and Wholesale sector employs 14.6% in Kerry and is key to the vitality of towns and villages in the county. The sector has faced significant challenges in recent years due to changing nature of consumer behaviour and the move to online retail. This has resulted in reduced footfall and significant vacancy rates in town and village cores.

Food and grocery stores have continued in business and some have experienced increased levels of sales. Groceries it is assumed represents circa 20% of retailing. The other 80% have closed because of the lockdown and will experience capacity

restrictions and incur significant costs in restructuring their businesses to take account of the new Government enforced regulations. 23.7% of the respondents to the Kerry County Council Business Survey were from the Retail and Wholesale Trade sector, and wage subsidies, working capital finance and a review of commercial rates were highlighted as supports that would enable business to operate within the next 12 months.

Many retail enterprises in Kerry are dependent on the tourism trade and will remain impacted until the tourism sector recovers.

MANUFACTURING INDUSTRY

The manufacturing sector is a major part of the economy as it accounts for nearly 16% of the global GDP in 2019. In Ireland in 2019 the manufacturing industry accounted for 34.7% of economic output, encompasses automotive, food & beverage, chemical, machinery, electrical and electronics, metal, aviation, pharmaceutical and medical devices and equipment.

In other sectors, a number of manufacturing enterprises, especially in the pharmaceuticals and health care sector have managed to keep in production. But the rest of industry has been affected by interrupted communications, the decline in international trade and the drying up of local demand from, e.g. the building industry.

The manufacturing sector is exposed to pandemic impacts via three avenues. Firstly, many manufacturing jobs are on-site and cannot be carried out remotely; secondly, supply chains are disrupted which impacts production capability, and thirdly, slowed economic activity has reduced demand for industrial products globally. In Ireland 78.3% of manufacturers expect that the pandemic will have a significant financial impact, 53% expect operational changes and 35.5% expect continued supply chain disruptions, according to the National Association of Manufacturers (NAM)¹⁵.

In Kerry, industry employs approximately 12.7% of employees. Major employers include Liebherr, Borg Warner, and Tricel.

15. <https://www.pwc.com/us/en/library/covid-19/coronavirus-impacts-industrial-manufacturing.html>

CONSTRUCTION

COVID-19 and its effect on markets and commercial activity has presented a range of challenges to the Irish construction sector. A significant number of projects are delayed or have been cancelled as a result of the impacts of COVID-19 on the companies that commissioned them. According to Construction Information Services (CIS), €17.9bn in project work has been halted in Ireland due to current COVID-19 industry shutdown. Supply chain bottlenecks affecting equipment, materials and people are highly likely to cause delays in currently funded projects, or reduced spending on future ones.

A Construction Industry Federation (CIF) survey¹⁶ shows most construction firms are certain this pandemic will have an impact and only 98% expecting significant operational and economic impacts, with members projecting at least 12 months before for full business recovery from the coronavirus pandemic. The estimated employment for Construction in Kerry is 6.4%.

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16. <https://cif.ie/2020/05/11/industry-expected-to-take-12-months-to-recover/>

OVERALL IMPACT OF COVID 19

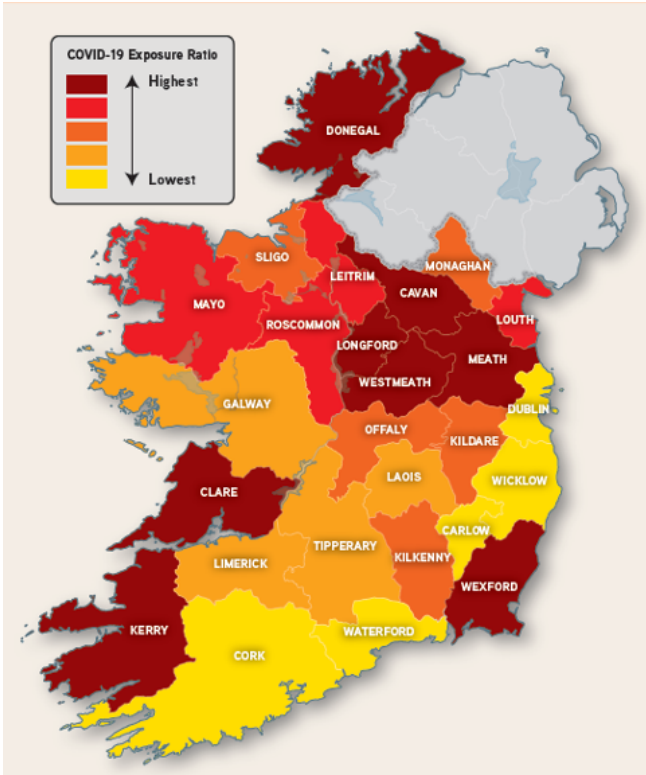
The difficulties involved in making an estimate of the overall impact of COVID 19 on the economy of Kerry will be evident from the foregoing. The uncertainties created by the disease means that progression deregulation through the year is far from assured. At the same time the available statistical material has its limitations.

The Pandemic Unemployment Payment, the Temporary Wage Subsidy Scheme and the Jobseekers Allowance will help offset this in terms of its effects on disposable household incomes. Nonetheless, the €1 billion loss is a measure of the economic challenge facing the county.

The overall conclusion of this analysis that Kerry is likely to be very adversely affected by the crisis is confirmed by a number of other independent national assessments which reference the Kerry economy including the Ernst and Young “Potential Impact of Covid-19 on Irish Tourism”¹⁸ cited above, which highlights Kerry’s dependency on the tourism sector. Another document is the “Covid-19 Regional Economic Analysis”¹⁹ undertaken by the three Regional Assemblies which identified Kerry as being the county with the highest COVID-19 Exposure Ratio” with 53.8% of its commercial units operating in the sectors likely to be worst affected. (See **Figure 13** opposite).

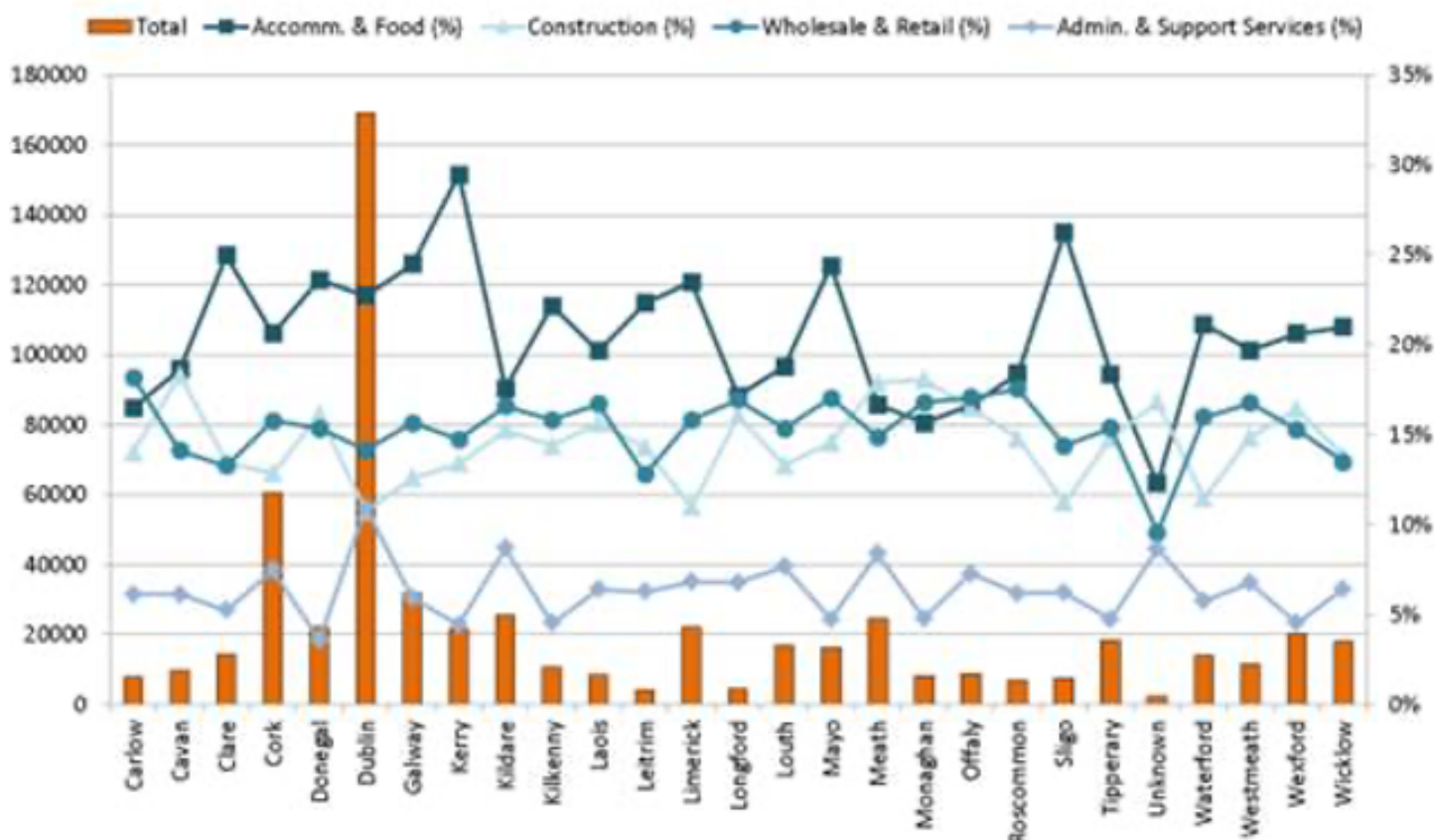
Subject to these qualifications the estimated decline in income in the tourist sector is approximately 70% while the decline in turnover in the non-tourist segment is indicated to be in the region of 33%. Combining the two together suggests a loss of about €1 billion to the Kerry economy in 2020 which equates to approximately 25% of household income¹⁷.

**FIGURE 13:
COVID-19 REGIONAL ECONOMIC
ANALYSIS COUNTY EXPOSURE**



17. That is primary income plus rent and investment income.
18. https://www.ey.com/en_ie/covid-19/potential-impact-of-covid-19-on-irish-tourism
19. <http://www.southernassembly.ie/uploads/general-files/CV19-Regional-Economic-Analysis.pdf>

FIGURE 14: PANDEMIC UNEMPLOYMENT PAYMENT BY COUNTY - PROPORTIONS (W/E APRIL 17TH)



Source: Department of Employment Affairs and Social Protection.

Note: All figures are provisional only and are subject to revision.

Accommodation, Food Services, Construction, and Retail Trade represent the three largest sectors overall for the Pandemic Unemployment Payment.

Reference Week: Week 16 w/e April 17th 2020