

Annual Report **2015**



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President's Statement

Ireland's exporting sector is one of Ireland's greatest strengths and has been the key driving force behind Irish economic recovery, growth and job creation. Exporters continue to lead the way in driving the Irish economy forward and are the most significant contributors to making Ireland one of the fastest growing economies in the world, helping to reduce unemployment, create new employment, and reduce our national debt.

The Irish Exporters Association's focus remains firmly on supporting our members' efforts to grow their exports to world markets. We drive and support the growth and development of all exporting businesses based in Ireland, leading the export agenda as the voice of Irish exporters, enabling our members with practical assistance and critical support services, connecting our members to markets and to key government and business stakeholders.

In order for Ireland to maintain economic growth and for Irish exports to continue to develop in world markets, the IEA represents its members under the four key policy pillars:

1. Maintaining and improving our National **Cost Competitiveness**;
2. Putting measures in place that will combat the **War for Talent**;
3. Broadening our Export Base and **Diversification of our Export Markets**; and
4. Encouraging and fostering **Entrepreneurship**.

The IEA recently conducted a survey with its members regarding their export activity in Q1 2016. This is the first in a series of quarterly reviews scheduled for 2016. The survey, the *Quarterly Export Eye*¹, aims to identify and evaluate trends that affect the Irish export industry and supports the IEA with hard data in our representation. 62% of IEA members reported an increase in exports in Q1 2016, 8% a decrease and 31% remained unchanged. One third reported between 75% and 99% of their turnover is dependent on exports and one fifth reported 100% of their turnover is dependent on exports. As a small, open economy that depends heavily on our exporting industry we continue to urge the government to put measures in place to support Ireland domestically and internationally. External factors such as the UK's decision to leave the EU and weakening of Sterling are working against us. We need to put measures in place that will protect our indigenous Irish companies, drive our exports forward and enable us to compete on the international stage.

Cost Competitiveness

Maintaining Ireland's national cost competitiveness is imperative to protecting Ireland's economic growth and sustainability. Not only does cost competitiveness affect Irish companies' ability to compete domestically and internationally but the high cost of doing business in Ireland will make the country a less attractive prospect for Foreign Direct Investment. Ireland needs to continue to position



PASCHAL MCCARTHY
PRESIDENT 2016

¹ Quarterly Export Eye, Q1 2016. Available at http://bit.ly/QEE_Q12016

itself as an attractive place to establish businesses. The rampant wage inflation we have been seeing of late must be contained.

War for Talent

The skills shortage in Ireland that has been left in the wake of the most recent recession, and compounded by the demand post recovery, is really being felt by all sectors of the Irish exporting community. IEA members are increasingly reporting difficulty in filling vacant roles with suitably qualified candidates, particularly in Life Sciences, Finance, Engineering, and the IT sector. The skills shortage is exacerbated by the high cost of living in Ireland, the fall of the number of adults in Ireland in their 20's and an extremely competitive tax regime in the UK. In our *Quarterly Export Eye, Q1 2016*, 44% of respondents stated that they had experienced difficulty in finding candidates that met the minimum criteria for vacancies. Difficulties reported in recruiting and retaining staff in Q1 2016 include: lack of available talent in Ireland (24%), competition from other companies (22%), and meeting salary expectations (22%).

Diversification of Export Markets

Despite being a strong, open economy, Irish exports remain heavily dependent on three main export markets. In 2015, the EU, excluding the UK, accounted for 39%, with UK accounting for 14% of exports, and the USA accounting for a further 24%, our reliance on traditional European and US markets thus remains too high. The decision by the UK to leave the EU, and the uncertainty that this brings to Irish exporters, highlights more than ever the need to support Irish exporters in the diversification of their export markets so that an over-reliance on any particular single market does not have the potential to put our economy under a similar threat in the future. More focus needs to be given to high growth markets like China, India, Africa, South America, and on the emerging opportunities in places like Iran.

Entrepreneurship

Innovation in the form of entrepreneurship is the driving force that sustains economic growth. It is key to building a strong indigenous economy to balance and compliment inward investment. The IEA calls on Government to deepen the economic recovery by promoting business friendly measures that would encourage and stimulate investment and entrepreneurial risk-taking. We also seek a harmonisation of taxation between entrepreneurs and PAYE.

Regional focus

A strategic mandate of the IEA going forward is to establish a number of IEA Regional Councils that will be made up of representatives from exporting businesses from their region. In 2016, the IEA will establish a Cork Regional Council which will be Chaired by Alan Fehily of DePuySynthes, and West Regional Council which will be Chaired by John Carr, VP Supply Chain Solutions at Flextronics. The purpose of these Regional Councils is: to increase our presence on the ground, enhance our ability to understand and develop solutions to the local issues that are affecting our members, and to ensure we strengthen the regional input into the main IEA National Council.

I would like to thank you, the members, for your continued support and assure you that I will use my time as President of the IEA to drive progress on these issues and to represent and support your interests to the best of my abilities. I would like to take this opportunity to acknowledge the support and efforts of our CEO, Simon McKeever, and the whole team in the IEA. I would also like to acknowledge the support of my colleagues on the Council, all our sponsors, stakeholders and our partners in both the public and private sector. We will continue to work together to drive our exports to world markets.

Chief Executive's Review of 2015

Exporting is the success story of the Irish economy and has helped to restore the country's image abroad and to attract greater Foreign Direct Investment as well as to foster the development of home grown Irish companies by encouraging more and more entrepreneurs to grow their businesses internationally.

The Irish Exporters Association has played a pivotal part in Ireland's Export miracle. We have been representing our members for the last 65 years ensuring the right supports have been put in place, and exclaiming loudly when we see deficiencies, and we continue to do so. We can help businesses to export for the first time and more established exporters to grow. We uniquely provide practical export assistance and essential know-how, along with connectivity into markets, Government and other stakeholders including a range of critical export service providers and also with other members. Membership increased 12% in 2015 and 2016 promises further growth. We are planning a major focus on regional development in 2016 with the establishment of two regional Councils in Munster and Connaught backed by a National Council which will accurately represent IEA membership in terms of size, sector and location across the country.



SIMON MCKEEVER
CHIEF EXECUTIVE

Some key highlights for the IEA in 2015 include:

- Membership increased by 12%;
- Consular services handling quadrupled since 2011;
- The top five countries for visa applications were China, India, Russia, Nigeria and Saudi Arabia;
- Africa was the fastest growing market with visa applications to Ghana, Kenya and Cameroon all increasing and we saw a growing interest in companies looking to do business with Iran;
- Over 1,000 Life Science professionals were trained in Good Distribution Practice and 97% of attendees on our Customs Compliance courses would recommend our training;
- 1,940 people attended our market and industry focused events; and
- 25% of our assists to members were overseas introductions, helping them to grow their business in existing markets or to enter new markets.

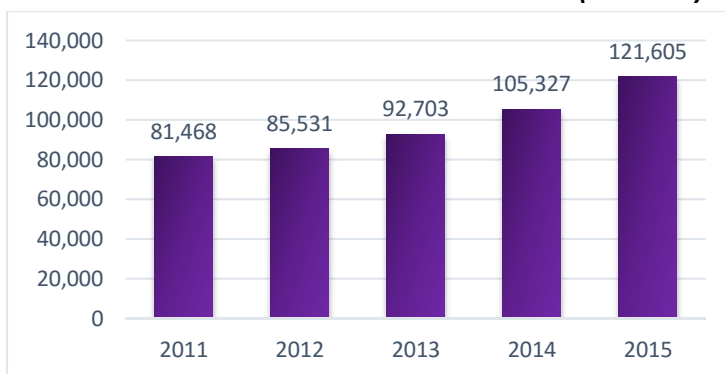
The 2015 figures for exports are very encouraging with exports of goods (Table 1) reaching €112billion, an increase of 21%, and services (Table 2) reaching over €121billion, an increase of 15.5%. And according to World Bank data, exports of goods and services were 121.4% of Irish GDP in 2015 (up from 113.7 in 2014).

TABLE 1. ANNUAL GOODS EXPORTS 2010 – 2015 (€MILLION).



Source: CSO, External Trade

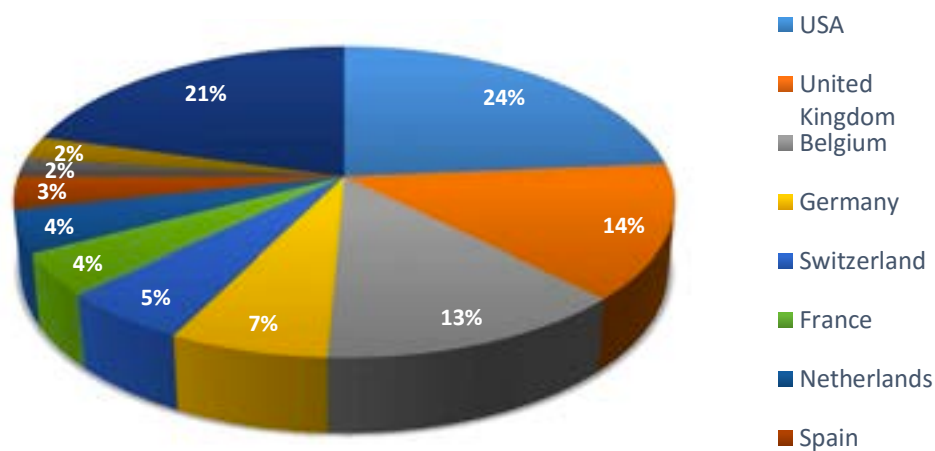
TABLE 2. ANNUAL SERVICES EXPORTS 2010 – 2015 (€MILLION).



Source: CSO, Balance of International Payments

Export growth figures for 2015 were flattered by a weak Euro, low oil prices and near zero interest rates. The dramatic weakening of the Euro in 2015 was certainly good for exports. The value of exports to the USA increased by 26.4% making up 24% of Irelands goods exports (Table 3). Exports of the largely indigenous food and drink sector to the USA totalled €758 million in 2015, an increase of 51% compared with 2014.

Table 3. 2015 Key Export Markets for Goods by Country Share



Source: CSO, External Trade

Ireland is home to 9 of the world's top 10 medical technology companies and 8 of the top pharma/bio companies. Medical and pharmaceutical products were one of the main drivers behind the growth in merchandise exports. They increased by 36% which accounted for 27% of total exports in 2015 (€30billion). The reason for this growth is three-fold: an end of the "patent cliff" of recent years and new products being developed and manufactured in Ireland; much of Ireland's pharmaceutical exports are priced in dollars and the previously stated weakening of the Euro helped to boost this figure; and contract manufacturing where goods are manufactured offshore but registered as Irish manufacturing for accounting purposes.

The increase in services exports in 2015 can largely be attributed to the booming tech industry in Ireland. Computer services grew by 16.8% which accounted for 47.2% of total services exports for the year. Ireland has a world renowned reputation as an innovative Tech Hub and is home to the top 10 "born on the internet" companies.

Lobbying

We continued to work actively and widely with Government in order to grow Irish exports, in particular: the Department of Foreign Affairs and Trade; the Department of Jobs, Enterprise and Innovation; the Department of Finance; the Department of Transport, Tourism and Sport; the Department of Agriculture; Bord Bia; InterTrade Ireland; and Enterprise Ireland.

The IEA remains a very active member on the Export Trade Council (ETC) which is Chaired by the Minister for Foreign Affairs and Trade, with four other Ministers including the Minister for Jobs, Enterprise and Innovation, the Minister for Agriculture, Food and the Marine, the Minister for Transport, Tourism and Sport and the Minister of State for Trade and Development, along with senior officials from the various departments, the heads of Enterprise Ireland, the IDA, Bord Bia, Science Foundation Ireland and Tourism Ireland.

In 2015, the IEA lobbied on a number of key issues for exporters including:

- The Development of a new National Skills Strategy to 2025;
- Export Finance;
- The Public Consultation on the Scheme of a Proposed Consumer Rights Bill;
- Budget 2015;
- Public Sector Wages and the effect on our cost competitiveness;
- Entrepreneurship;
- Female entrepreneurs in Ireland and their participation in the Tech Sector;
- The National Economic Dialogue;
- The Ports policy;
- Broadband access in the West of Ireland;
- Skills shortage;
- The migrant crisis;
- The expansion of our export base and market diversification; and
- Brexit and TTIP.

We must continue to build our footprint in higher growth markets, but not at the expense of resources in developed markets - for as every company knows, it is easier to get more business from existing customers than to develop a whole new client base. We urge a balanced approach in this regard and

called on government to expand and develop the number of support resources available in market through the employment of less expensive local talent and closer connectivity with Irish and local business networks.

The IEA also sits on the Customs Consultative Committee. The Committee provides a forum for key stakeholders to discuss new EU customs legislation and proposed procedures. In addition it gives us the opportunity to promote the advancement of simplification and facilitation of procedures with customs and other matters of mutual interest.

The Regulation of Lobbying Act 2015 came into effect from 1st September 2015 and with it, the requirement for those who lobby designated public officials to register and report on their lobbying activities. The IEA welcome this transparency and all IEA lobbying activity from 1st September 2015 can be viewed at the following website link: <https://www.lobbying.ie/organisation/665/irish-exporters-association>. From 1st September to the 31st December 2015, the IEA made 17 returns to Lobbying.ie on behalf of the Irish export industry.

Budget 2016

The IEA lobbied very particularly in Budget 2016 and our efforts bore considerable success. Outlined below are the measures put in place in relation to the Association's Pre Budget Submission for 2016.

Taxation measures to support exporters

We particularly welcomed the government's plans for a Knowledge Development Box (KDB) incentive for conducting research and development in Ireland. Income that qualifies for the KDB will be subject to a reduced rate of corporation tax of 6.25% supporting Ireland's competitiveness as a centre for research and innovation. This measure is good for developing and attracting innovative companies.

We welcome the simplification of the commercial vehicle tax system which will reduce the maximum rate for large commercial vehicles from €5,195 to €900.

We welcomed changes to Capital Gains Tax, which will see a reduced 20% rate apply to the whole or part disposal of a business up to the a limit of €1m in chargeable gains. Whilst we recognise that this is a huge improvement over the previous 33% rate, it still places us at a competitive disadvantage to the UK where the rate is effectively 10% on the first £10m of taxable relief. It begs the question: is it better to set up, grow and sell a business in the UK or in Ireland?

Levelling the playing field in terms of tax for Entrepreneurs

Whilst we recognised the introduction of an Earned Income Tax Credit to the value of €550 announced for self-employed and small business owners as a first step to further measures, we were disappointed that this is only 1/3 of the PAYE Tax Credit. We would expect this to be levelled out as a matter of urgency.

We welcomed the reductions in USC, as it helps make Ireland a more attractive destination for attracting and retaining talent. We were disappointed that further action was not taken on the penal 11% USC waged (only) on the self-employed on income above €100,000. As a key creator of employment in the country it is surprising that more was not done to support our entrepreneurs.

Cost competitiveness in the Public Sector

We particularly welcome the €500m going to the enterprise agencies and we urge that this money is used on frontline resources.

The Irish Exporters Association lobbied hard around restraint in public sector pay increases.

We were pleased to see some support for exporters in the 2016 budget, but disappointed that the budget did not go far enough. Competitiveness continues to remain a major issue for exporters and this has not been properly addressed in this budget. Decreases in USC combined with increased childcare supports and initiatives to develop the property market, will all make Ireland a better place to attract FDI and talent. However, bar the introduction of the Knowledge Development Box, this budget has done little to support entrepreneurial flare and talent.

Policy Submissions

The Association was actively engaged in other policy areas across a wide front.

The Association presented in front of two Joint Oireachtas Committees:

- Joint Committee on Jobs, Enterprise and Innovation: Women Entrepreneurs, Women in the Tech Industry, Skill Needs and Balanced Regional Development
- Joint Committee on Foreign Affairs and Trade

The IEA also made submissions on:

- The Development of the National Skills Strategy to 2025 (as part of the Action Plan for Jobs 2015), the Department of Education and Skills

Key Publications

The Association published the following three core industry publications:

1. **Latin America Trade Forum Policy Publication: Ireland and Latin America, looking to the Future, Strategy and Proposals for Trade Growth** contains strategy recommendations and proposals for trade growth between Ireland and Latin America by the Latin America Trade Forum, an initiative of the Irish Exporters Association set up in 2014 and supported by the Department of Foreign Affairs and Trade and Enterprise Ireland with founding sponsors: Arthur Cox, Digicel, Fyffes, FEXCO Commercial FX Services, KPMG and World Courier.
2. **Top 250 Exporters in Ireland and Northern Ireland 2015** which identifies and reviews the leading exporters from Ireland, both North and South, including overviews of the Life Sciences, Pharmaceutical, IFSC and Food & Drink sectors.
3. **Digital Marketing Research, Insights & Trends Publication** in partnership with VooDoo identifies and reviews a sample of 150 members of the IEA. VooDoo established how effectively this segment is marketing their businesses online and highlighted key strategies available to improve their online presence and emphasize the importance of key digital marketing strategies for ambitious Irish exporters.

Gold Medal Award



L-R: Simon McKeever, CEO, Irish Exporters Association; Paddy Cosgrave with his Gold Medal Award; Hugh Kelly, President, Irish Exporters Association; and Sasha Wiggins, CEO, Barclays Bank Ireland.

The IEA's Gold Medal Award 2015 was presented to Mr. Paddy Cosgrave at the IEA's President's Lunch in The Shelbourne Hotel on Thursday the 11th of June 2015. The award recognises the exceptional impact that he has made to the indigenous technology sector here in Ireland through Web Summit and his great achievements worldwide with Ci events such as Collision and RISE, based in Las Vegas and Hong Kong respectively. The event, in association with Barclays Bank Ireland, is a mainstay event of

the IEA member's calendar and was attended by 300 guests from across a range of sectors including representatives from over 35 Embassies in Ireland.

Export Industry Awards

The Export Industry Awards 2015, the premier event recognising the remarkable achievements of companies working in the export industry in Ireland, took place in the Convention Centre Dublin in November 2015 with Minister of State for the Department of Agriculture, Food and the Marine, Tom Hayes T.D. as guest of honour.



L-R: Michael Treanor, John O'Hora, Martin McVicar - MD, Noel O'Dowd, Anthony Rooney from Combilift, Exporter of the Year Award 2015.

Monaghan-based forklift manufacturer, Combilift won the overall Exporter of the Year Award with twelve companies winning individual category awards across a range of sectors:

- High Growth Markets Exporter of the Year sponsored by Enterprise Ireland: *Celtic Sea Minerals T/A Marigot*;
- High Potential Exporter Award sponsored by Enterprise Ireland: *Arralis*;
- Multinational Exporter of the Year sponsored by HSBC: *Combilift*;
- Medium Size Exporter of the Year sponsored by Guaranteed Irish: *Trend Technologies Mullingar*;
- Emerging Small Exporter of the Year sponsored by Local Enterprise Office: *The Little Milk Company*;
- Food & Drink Exporter of the Year sponsored by Bord Bia: *Aran Ard Teo T/A Gallaghers Bakery*;
- Life Sciences Exporter of the Year sponsored by KUEHNE + NAGEL: *Megazyme International Ireland*;
- Services Exporter of the Year sponsored by Enterprise Ireland: *LotusWorks*;
- Maritime Services Company of the Year sponsored by Irish Maritime Development Office: *Irish Continental Group, Container & Terminal Division*;
- Logistics Company of the Year sponsored by Rosslare Europort: *GEODIS Ireland*;
- ICT Exporter of The Year sponsored by Cloud90: *S3 Group*; and
- Best Export Employer sponsored by Irish Exporters Association: *Athlone Extrusions*.

New public / private initiative

The National Export Campaign and the National Export Hub



Charlie Flanagan TD, Minister for Foreign Affairs and Trade launching National Export Campaign (NEC) and National Export Hub (NEH)

In March 2015, the IEA launched a new initiative for exporters in partnership with ABP, AIB, DHL, Euler Hermes, PWC, and in collaboration with the Department of Foreign Affairs & Trade, Enterprise Ireland and Bord Bia. The aim of the National Export Campaign (NEC) and National Export Hub (NEH) is to increase the number of Irish businesses exporting for the first time, assist Irish businesses to enter new export markets and support Irish exporters to grow their exports in existing markets.

The National Export Campaign (NEC) ran 8 regional showcase events around the country, including breakfast seminars, in 2015 that were

attended by over 2,100 delegates in total. The seminars provided practical knowledge from experienced exporters and an opportunity for attending SMEs to meet individually with experts from the attending Partners. The NEC aims to:

- Build SME export competence nationally;
- Increase awareness amongst SMEs around the benefits and challenges of exporting; and
- Bring a range of key private and public sector supports together under one campaign.

The National Export Hub (NEH) is a public-private partnership designed to increase the number of Irish businesses exporting for the first time, assist Irish businesses to enter new export markets and support Irish exporters to grow their exports in existing markets. The National Export Hub works with exporting businesses to help them identify export opportunities and assist them on their export journey.

Supply Chain Ireland

In March the IEA launched a new initiative, Supply Chain Ireland, to support manufacturing exporters from SME's to multinational companies, with multimodal supply chain, logistics and customs issues. In 2015, Supply Chain Ireland strived to strengthen Ireland's position as a leading location for conducting global supply chain activities. This forum provided a network for exporters across all sectors to interact and exchange information on best practice through supply chain and logistics activities through a series of targeted information seminars, events and roundtable meetings country wide. Supply Chain Ireland held events in Shannon in May and Claremorris in September.

Brexit Briefing

On 23rd June 2015 the Irish Exporters Association, in association with Euler Hermes and William Fry organised a 'Brexit briefing' to educate and inform IEA members and stakeholders of the potential implications for Ireland of a potential 'Brexit'. The well attended event was held in the offices of William Fry and keynote speakers included: H.E Dominick Chilcott, British Ambassador to Ireland (in 2015); Ana Boata, European Economist at Euler Hermes; Dermot Curran, Assistant Secretary General with responsibility for the British-Irish and Northern Ireland Affairs Division at the Department of Taoiseach; Paul Finnerty, Group Chief Executive, ABP Food Group; and Stephen Keogh, Partner and head of William Fry's London Office. The IEA saw the severity of the impending referendum and initiated the event to call on the Irish government to prepare for the potential of the UK voting to exit Europe.



L-R: Ana Boata, European Economist at Euler Hermes, Simon McKeever, Chief Executive, Irish Exporters Association and Dermot Curran, Assistant Secretary General, Department of Taoiseach

IEA National Council

A number of subcommittees reporting to the National Council were created in 2015 in order to give guidance on matters of key importance to the Association. These include:

1. The Executive Committee
2. The Finance & Risk Committee
3. The Membership Development Committee
4. The Policy Subcommittee
5. The Training Committee

The value of the guidance and support of the members of these committees cannot be underestimated.

Acknowledgements

I would like to acknowledge the support and commitment of the National Council, their continued guidance and support to the Association has been invaluable. I am particularly grateful for the support, guidance and time commitment that members of the subcommittees give to the organisation.

I would like to thank the Executive Council of 2015 for their support and ongoing contribution in their tenure: President Hugh Kelly; Vice President's Paschal McCarthy and Daniel Hickey; and Honorary Treasurer Kevin Sheehan.

In particular I would like to thank Paschal McCarthy, the current President of the Association, for his support to me and the time he has given to the Association. I would also like to recognise the support of our Vice-Presidents Daniel Hickey and Nicola Byrne, and Honorary Treasurer Marie Armstrong for their support and feedback to me as Chief Executive.

I would also like to thank the team in the IEA for their dedication to the Association and for all the hard work and time they devote to delivering support to our members and helping us in our mission to assist our members to grow their exports to world markets.

I am very grateful to the many partners we have in business who sponsor our various initiatives and also to our partners in Government and the Agencies who support us in our endeavours to serve our members.

Finally, and most importantly, it would be impossible to do all that we do without the support of you, our members, and without the generosity of our varied sponsors of which there are many. I would especially like to express to you my gratitude for your continued support.

Review of Irish Export Performance in 2015 and Outlook for 2016

2015 Summary

Analysis of figures from the Central Statistics Office (CSO) show that the value of goods and services exports increased by 18.1% to €233,783million year on year in 2015 (Table 4). This represents more than double the increase on the previous year.

CSO External Trade figures show that the value of goods exports amounted to €112,196 million in 2015, an increase of €19.5billion on 2014. This represents an increase of 21.1% year on year. According to CSO Balance of International Payments figures, exports of services is up 15.5% on 2014 figures to €121,605 million.

Table 4. Summary of Irish export performance 2011 - 2014

	2011 €million	% change	2012 €million	% change	2013 €million	% change	2014 €million	% change	2015 €million
Total Exports of Goods (Source: CSO, External Trade)	93,191	0.3	93,507	-4.6	89,182	3.9	92,616	21.1	112,196
Total Exports of Services (Source: CSO, Balance of International Payments)	81,468	5.0	85,531	8.4	92,703	13.6	105,327	15.5	121,605
Total Exports of Goods and Services	174,659	2.5	179,038	1.6	181,885	8.8	197,943	18.1	233,801

Goods Exports

The large increase in goods exports can be viewed more clearly when broken down by commodity (Table 5). *Chemicals and related products* increased by 24.4% year on year and within this *Medical and pharmaceutical products* increased by 36%, which accounted for 27% of total exports in 2015 (€30billion). This figure is flattered by the exchange rate fluctuations in that year. Ireland's trade performance greatly benefited in 2015 by the weakening of the Euro, particularly against Sterling and the Dollar and the strength of the US and UK economies were clearly a factor. Much of Ireland's pharmaceutical exports are priced in dollars and the underlying growth in volume is more muted.

Another reason for the increase in *Medical and pharmaceutical products* exports could be as a result of "contract manufacturing." According to the CSO:

"Contract manufacturing occurs where a company in Ireland engages a company abroad to manufacture products on its behalf (and vice versa). These products could be either new products or products formerly produced by the Irish entity. Crucially the inputs used in this production process remain in the ownership of the Irish entity and a change of economic ownership is not deemed to occur during this subcontracting process. Instead the foreign

contract manufacturer supplies a manufacturing service to the Irish entity and never takes ownership of the product being produced.”²

This essentially is where goods are manufactured offshore and never land in Ireland but are registered as Irish manufacturing for accounting purposes which does not benefit Ireland in terms of employment.

Machinery and transport equipment also saw a large increase of 28%. This jump is due to a 70% increase in *other transport equipment (including aircraft)* which may be as a result of the global aircraft sector, large purchases by aircraft-leasing firms based here, which again inflates the figures.

Food and live animals saw a modest increase of 5.4% and *Beverages and tobacco* increased by 12.4%. Overall the largely indigenous agri-food and drink sector saw a big increase to the USA. Exports of *Food and live animals* and *Beverages and tobacco* to the USA totalled €758 million in 2015, an increase of 51% compared with 2014.

Table 5. Goods Exports by Commodity at Current Prices

	2013 €million	% change	2014 €million	% change	2015 €million
0 Food and live animals	8,734	7.1%	9,350	5.4%	9,853
1 Beverages and tobacco	1,174	-2.3%	1,147	12.4%	1,289
2 Crude materials, inedible, except fuels	1,732	3.6%	1,795	-1.0%	1,776
3 Mineral fuels, lubricants and related materials	823	2.9%	847	-6.1%	795
4 Animal and vegetable oils, fats and waxes	52	19.4%	62	-8.1%	57
5 Chemicals and related products	50,394	2.3%	51,569	24.4%	64,157
6 Manufactured goods classified chiefly by material	1,711	9.3%	1,871	11.8%	2,091
7 Machinery and transport equipment	10,494	15.3%	12,100	28.0%	15,489
8 Miscellaneous manufactured articles	10,712	17.9%	12,628	12.9%	14,254
9 Commodities and transactions not classified elsewhere	1173	6.4%	1,248	2.4%	1,278
Total	86,999	6.5%	92,616	19.9%*	111,038*

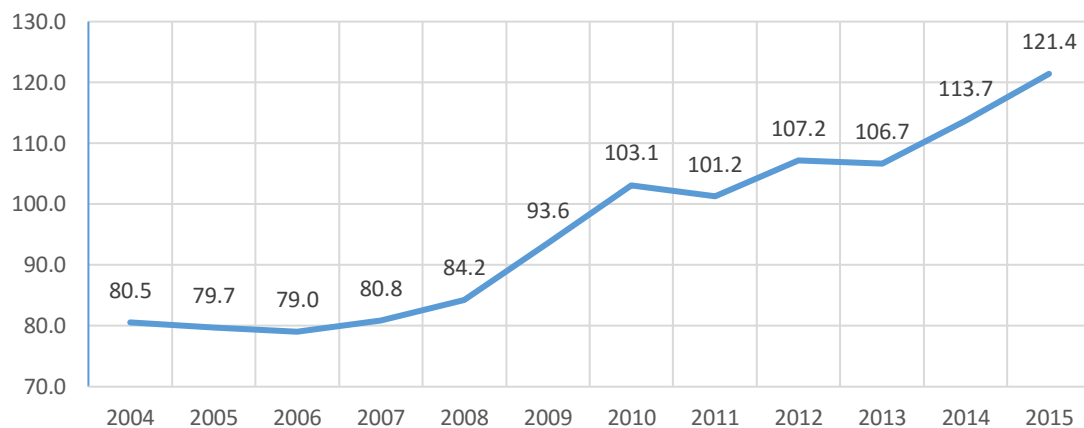
Source: CSO, External Trade

*Difference in values with Table 4 as these are unadjusted figures as of December 2015

CSO National Income and Expenditure Annual Results show that Gross Domestic Product (GDP) increased by 26.3% between 2014 and 2015. On the expenditure side of the accounts exports grew by 34.4% between 2014 and 2015 (at constant prices). And according to World Bank data, exports of goods and services were 121.4% of Irish GDP in 2015 (up from 113.7 in 2014).

² Central Statistics Office, Information Notice: Contract Manufacturing

Table 6. Exports of goods and services (% of GDP)



Source: The World Bank

Services Exports

Total services exports grew by 15.5% in 2015, compared with a rise of 13.6% in 2014 (Table 7). The largest component, *computer services*, grew by 16.8% and accounted for 47.2% of total services exports for the year. The second largest component, *business services*, grew by a nominal 6.1% compared with an increase of 19.2% in 2014. Elsewhere within services, *financial services* continued to expand, up 23.1% on 2014 figures. This represents more than double the growth felt in this sector in 2014. The predominantly indigenous *tourism and travel* sector grew by 18.2% in comparison with a growth of 8.5% in 2014.

Table 7. Exports of Services at Current Prices including top ranking

	2013 €million	% change	2014 €million	% change	2015 €million	% of total exports 2015	2015 ranking
Total Services	92,703	13.6	105,327	15.5	121,605		
Of which:							
Computer services	42,056	16.9	49,166	16.8	57,409	47.2%	1
Business services	17,370	19.2	20,705	6.1	21,958	18.1%	2
Financial services	8,069	11.2	8,970	23.1	11,042	9.1%	3
Insurance	8,964	-2.7	8,723	18.1	10,300	8.5%	4
Royalties/Licences	4,388	19.5	5,242	28.3	6,723	5.5%	5
Transport	4,827	7.6	5,193	14.3	5,936	4.9%	6
Tourism and Travel	3,370	8.5	3,656	18.2	4,320	3.6%	7
Other services	1,697	10.9	1,882	13.7	2,139	1.8%	8
Repairs and Processing	1,440	-15.1	1,223	-9.2	1,110	0.9%	9
Communications	522	9.0	569	17.4	668	0.5%	10

Source: CSO, Balance of International Payments (Table 2a Current and Capital Accounts)

Merchandise Exports by Country

Looking at Table 8, in 2015 the European Union accounted for 53.3% of goods exported; this was an increase of 16.3% on 2014. The Euro-Zone accounted for 35.8% of total goods exports (increasing 18.8%) and the Euro-Zone (excluding the UK) accounted for nearly 22% of total exports. Exports to the USA rose strongly at 26.4% which is reflected in both the increase in pharmaceutical exports and the indigenous food and drink sector.

Nearly 77% of Irish goods were exported to the EU and the USA in 2015. The proportion of Irish exports going outside these two main markets remains quite small. Exports to Japan saw a big increase of 119.6%, this was mainly down to a large increase in medical and pharmaceutical products. The biggest decrease can be seen in exports to Russia down 48.9%. This is a direct result of an import ban that Russia introduced in 2014 on certain agricultural products originating from the EU.

Table 8. Goods Exports classified by country

Country	2014 €million	2015 €million	% change	% share of total goods exports
UK	13,743	15,485	12.7%	13.9%
Euro-Zone (including UK)	33,480	39,786	18.8%	35.8%
Euro-Zone (excluding UK)	19,737	24,301	23.1%	21.9%
Total EU	50,936	59,221	16.3%	53.3%
USA	20,762	26,233	26.4%	23.6%
Switzerland	5,255	6,095	16.0%	5.5%
Japan	1,771	3,888	119.6%	3.5%
China	2,231	2,282	2.3%	2.1%
Mexico	1,216	1,394	14.7%	1.3%
Saudi Arabia	748	999	33.5%	0.9%
Australia	712	925	29.9%	0.8%
Canada	722	891	23.5%	0.8%
Singapore	561	607	8.2%	0.5%
Turkey	628	576	-8.2%	0.5%
India	399	541	35.8%	0.5%
South Korea	466	518	11.2%	0.5%
Russia	722	369	-48.9%	0.3%
Norway	320	300	-6.3%	0.3%
South Africa	278	270	-2.9%	0.2%
Brazil	256	241	-6.0%	0.2%
Malaysia	217	241	10.8%	0.2%
Thailand	168	219	30.2%	0.2%
Taiwan	146	197	34.8%	0.2%
Total	92,616	111,038	19.9%	100%

Source: CSO, External Trade

Preliminary Outlook for 2016

Detailed GDP and balance of payments figures (which will include information on services exports) on the second quarter of 2016 have not yet been released by the CSO but goods trade data in value terms is available for the January to June period. The value of goods exports for the first half of 2016 was €55,401 million, an increase of €654 million (+1.2%) when compared with the first six months of 2015. Food and drink exports grew slowly and decreases were felt in *crude materials, inedible, except fuels* and *mineral fuels, lubricants and related materials*.

Table 9. Irish Merchandise Exports First Half 2016 at Current Prices

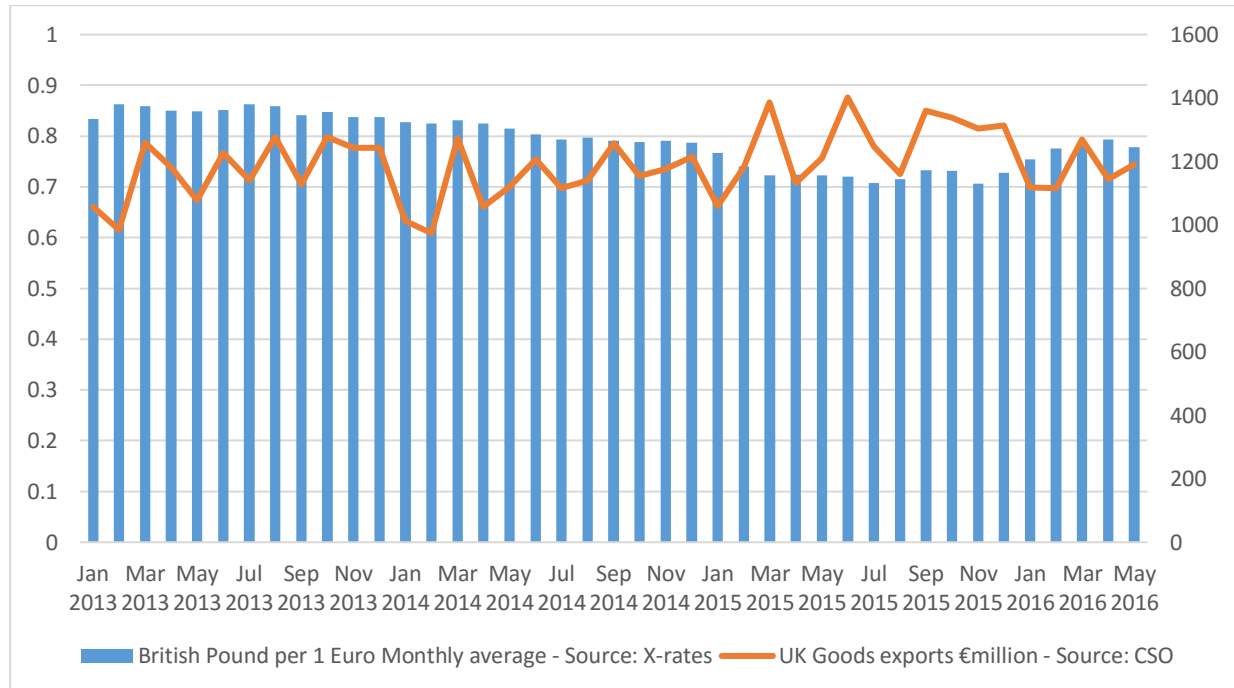
	H1 2015 €million	H1 2016 €million	% change
(0) Food and live animals	4,755	4,859	2.2%
(1) Beverages and tobacco	551	571	3.6%
(2) Crude materials, inedible, except fuels	954	738	-22.7%
(3) Mineral fuels, lubricants and related materials	467	330	-29.3%
(4) Animal and vegetable oils, fats and waxes	26	39	48.3%
(5) Chemicals and related products	31,980	32,202	0.7%
(6) Manufactured goods classified chiefly by material	1,051	1,076	2.4%
(7) Machinery and transport equipment	7,382	7,803	5.7%
(8) Miscellaneous manufactured articles	7,026	7,313	4.1%
(9 & unclassified) Other exports	555	468	-15.7%
Total Exports	54,747	55,401	1.2%

Source: CSO, External Trade

The nominal increase is a sharp contrast to the inflation in exports that was felt this time last year, an increase of 18.9% year on year to June 2015, but this was largely due to a very large increase in exports of *medical and pharmaceutical products* and *machinery and transport equipment*, discussed earlier. The nominal increase in exports is consistent with Manufacturing PMI surveys which indicate that new orders have stagnated, ending a three-year sequence of expansion, and output dropped for the first time since May 2013. This suggests that the weakening of Sterling pre- and post- the UK referendum on June 23rd 2016 and the uncertainty surrounding 'Brexit', as well as weaker global manufacturing, may weigh on exports in the latter part of 2016.

The immediate impact of 'Brexit' has been the sudden and sustained weakening of Sterling, which as of July 2016 has reached a three-year low. Looking at Table 10, we can see a direct correlation between the Euro/Sterling exchange rate and the value of goods exported to the UK. Irish exports to the UK peak during times of euro weakness.

Table 10. Goods exports to the UK and rates of Sterling



In the medium term, a slowdown in the UK economy could mean less demand for Irish goods and services. The severity of the impact that the UK leaving the EU will have on the Irish economy is difficult to gauge currently. The UK is yet to invoke Article 50 and the outcome for Irish economic growth will be dependent on the trade agreement that is negotiated between the EU and the UK. The potential impact to exporters could be changes in customs, tariffs, administrative costs, VAT, visa requirements and EU regulations & legislation. The impact of Brexit and the subsequent weakness in Sterling is likely to affect the export figures for the second half of the 2016.

Audited Accounts for year-end 31st Dec 2015

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 December 2015

	2015	2014
	€	€
Income	1,637,780	1,763,950
Expenditure	(1,657,317)	(1,752,640)
	-----	-----
Surplus / (deficit) on ordinary activities before interest	(19,537)	11,310
Interest payable and similar charges	(9,951)	(10,467)
	-----	-----
Surplus / (deficit) on ordinary activities before tax	(29,488)	843
Tax on surplus / (deficit) on ordinary activities	(752)	753
	-----	-----
Surplus / (deficit) on ordinary activities after taxation	(30,240)	1,596
	-----	-----
Surplus / (deficit) for the year	<u><u>(30,240)</u></u>	<u><u>1,596</u></u>

BALANCE SHEET

as at 31 December 2015

	2015	2014
	€	€
Fixed Assets		
Tangible assets	11,313	9,739
	<hr/>	<hr/>
Current Assets		
Stocks	-	6,496
Debtors	543,418	753,150
Cash at bank and in hand	59,119	166,001
	<hr/>	<hr/>
	602,537	925,647
Creditors: Amounts falling due within one year	(426,693)	(717,989)
	<hr/>	<hr/>
Net Current Assets	175,844	207,658
	<hr/>	<hr/>
Total Assets less Current Liabilities	187,157	217,397
	<hr/> <hr/>	<hr/> <hr/>
Reserves		
Income and expenditure account	187,157	217,397
	<hr/>	<hr/>
Members' Funds	187,157	217,397

National Council of IEA of 2015

IEA President

Hugh Kelly, Associated Marketing Ltd.

IEA Senior Vice President

Paschal McCarthy, GE Healthcare Ireland

IEA Junior Vice President

Daniel Hickey, AllinAll Ingredients Limited

IEA Honorary Treasurer

Kevin Sheehan, Deloitte

John Beggs, Honorary Economist

Nicola Byrne, Cloud 90

Dermot Carberry, Internal Solutions

David Carthy, William Fry

Patrick Daly, Alba Consulting

Colin Dunne, IWT

Patrick Joy, Suretank

Colin Lawlor, ResMed Sensor Technologies

James McGee, Athlone Extrusions

John Nevin, JJN Consulting

James O'Riordan, S3 Group

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