



Half Year Review 2007

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Introduction

Irish exports continued their robust growth in the second quarter of 2007, despite the strong euro impact, bringing the first half year export figures to:

- **Merchandise exports of €45.5 Billion**
An increase of €2.5 Billion or 6% on the first half of 2006
- **Services exports of €28.9 Billion**
An increase of €2.4 Billion or 9% increase on the first half of 2006

In total, exports for the first six months of the year were up by €4.9 Billion or 7% over the same period last year. This is a welcome return to strong growth in merchandise exports, but there are worrying signs of economic slowdown in Europe and in our main Asian market, Japan. The IEA is concerned that the combined effect of sluggish growth in our main trading partners and the continued rise in the cost base in Ireland, will impact on merchandise exports in the second half of 2007. Hence, our forecast for the full year 2007 continues to be an overall growth of 6%, driven mainly by services growth but with merchandise exports performing better than originally expected at the beginning of the year.

Table A – Exports First Half 2007

€ Million	2006 Jan – June	2007 Jan – June	Difference	% Change
Merchandise	43,068	45,545	2,477	+6
Services	26,446	28,874	2,428	+9
Total	69,514	74,419	4,905	+7

Table B – Exports Second Half 2007 - Forecast

€ Million	2006 June – Dec Actual	2007 July – Dec Forecast	% Change
Merchandise	43,803	44,000	+0.5
Services	28,605	31,500	+10
Total	72,408	75,500	+4

Regional Export Analysis

Export growth mainly came from outside the Eurozone. Merchandise exports grew by 23% outside the Eurozone, but fell by 12% within the Eurozone.

Sixty-six per cent of services exports are to non-EU zone destinations, and these increased by 10% in the first half of 2007.

The primary growth markets for both goods and services were in the UK, Switzerland and Asia, where China/Hong Kong and the Philippines showed strong growth.

Table C – Regional Analysis – European Union first half 2007

€ Million	2006	2007	% change	2006	2007	% change
Merchandise	28,453	28,088	-1	14,615	17,457	+19
Services	16,614	20,394	+23	11,303	14,472	+28
Total	45,067	48,482	+8	25,918	31,929	+23

Table D – Regional Analysis - Eurozone – first half 2007

€ Million	2006	2007	% change	2006	2007	% change
Merchandise	21,059	18,454	-12	22,009	27,091	+23
Services	9,082	9,846	+8	17,364	19,028	+10
Total	30,141	28,300	-6	39,373	46,119	+19

Trading with the Eurozone was hit by a significant downturn in the larger European economies. Germany, the largest economy in the region and Ireland's fourth largest trading partner, saw GDP growth slow in the second quarter of 2007 to an annualised rate of 2.5% as the German construction sector realized a sharp slowdown and the VAT increase affected the consumer spend. This hit exports from Ireland, which fell by 5%.

France, the worst-performing large economy in Europe this year, continued to show low growth rates and could be heading for a slump that may last through 2008. Irish exports to France fell by 1% in the first half of 2007, this came on the back of a 13% fall in 2006.

Meanwhile, Italian GDP growth slowed to 1.8% on an annualised basis in the second quarter of the year, raising fears that the Italian economic recovery was coming to an abrupt end. Irish exports to Italy fell by 14% in the first six months of the year.

Japan has been Ireland's largest export market in Asia for many decades. The economic downturn in Japan in the second quarter of 2007 was very pronounced with GDP growth of just 0.5% on an annualised basis. Much of the downturn was attributed to a sharp decline in export growth in the second quarter, despite the fact that its key UK and China markets continued good economic growth in the period.

Table E – Merchandise Export Sales by Country, Top Ten Analysis

County	Ranking	Jan – June 2006 € Million	Jan – June 2007 € Million	% change
USA	1	8,803	8,624	-2
Great Britain	2	6,597	7,081	+7
Belgium	3	6,964	6,520	-6
Germany	4	3,471	3,291	-5
France	5	2,577	2,553	-1
Switzerland	6	1,057	1,787	+69
Netherlands	7	2,012	1,757	-13
Spain	8	1,565	1,598	+2
Italy	9	1,863	1,589	-14
Northern Ireland	10	797	866	+9

Trade with Northern Ireland (NI) has accelerated in the first six months of 2007, with exports into NI up by 9% to €866 million and imports from NI up by 16% to €719 million.

Table F – Merchandise Export to Asia

€ Million	Jan – June 2006	Jan – June 2007	% change
Japan	1,091	931	-15
China	427	482	+13
Hong Kong	263	393	+49
India	80	71	-11
Malaysia	407	246	-40
Philippines	188	494	+163
Singapore	355	259	-27
South Korea	251	242	-4
Taiwan	152	130	-14
Thailand	54	70	+30
Total	3,268	3,318	+2

Merchandise Product Analysis

Food and agri-product exports increased by 2% in the first half of 2007. The second half of 2007 is expected to yield stronger growth due to higher worldwide prices coming on the back of the diversion of agri-product output to bio-fuel production.

Beverages continued to power ahead, with exports increasing by 22% in the first half of the year. However, the Bulmers/Magner product which accounts for a high proportion of the growth, shipped ahead of demand and with the poor summer consumer sales, second half exports of beverages are expected to fall.

Table G - Merchandise Product Analysis

€ Million	Jan – June 2006	Jan – June 2007	% change
Food & agri-products	3,393	3,462	+2
Beverages	473	577	+22
Pharma/chemicals	21,057	22,442	+7
Computer equipment	9,505	8,636	-9
Telecom equipment	613	624	+2
Professional & scientific equipment	1,955	1,107	-43
Misc. manufactured articles	3,983	4,005	+1

Pharmaceutical and chemical product exports increased by 7% and further consolidated the position of these businesses as the main driver of merchandise export growth. In the first half of 2007, the pharma/chem. Sector accounted for 49% of total merchandise exports.

Computer equipment exports from Ireland continued their long-term decline, falling by 9% in the first six months of the year. This trend reflects geographical shifts to lower cost manufacturing centres internationally. A similar trend is evident right across the EC.

Exports of professional and scientific equipment form the majority of the medical devices sector activity. The fall of 43% in the sector is due to an issue relating to seasonal recording of statistics, rather than a real drop off in major proportions of exports from this sector.

Service export analysis by product

Service exports increased by 9% in the first half of the year. In the process, services moved up to 38% of total exports.

This is well above the EC average where services exports accounts for 25% of total.

The largest category of service exports is computer services, which increased by 11% in the first half of 2007 to €9.3 Billion.

Business services category is the next largest category and increased by 21% to €8.5 Billion. Business services include merchant or trade-related services, operational lease for aircraft, etc., and miscellaneous business services such as accountancy, advertising, R & D and management consultancy. The R & D services are understood to be the main contributor to the growth in business services.

Table H – Services Export analysis by product

€ Million	Jan – June 2006	Jan – June 2007	% change
Computer services	8,375	9,262	+11
Business services	7,049	8,532	+21
Insurance	4,339	4,296	-1
Financial services	2,968	3,394	+14
Tourism	1,766	1,482	-16
Transport	1,049	1,000	-5
Total	26,446	28,874	+9

Financial Services

Financial Services also grew strongly in the first half, with an increase of 14% to €3.4 Billion.

Irish services exports go mainly to the EU. In the first six months of the year, 71% of total services exports were sold to the EU. The EU is the largest services market globally and accounts for 77% of the EU GDP. The moves to create a generic internal market for trade in services by 2010 will have enormous benefits for Irish exporters.



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