



Annual Survey

of Irish Economy

Expenditures

Results for 1997

THE POLICY AND

ADVISORY BOARD

FOR INDUSTRIAL

DEVELOPMENT

IN IRELAND

*Promoting Industry, Science and Technology and
Innovation for Economic and Social Development.*

PREFACE

The annual survey of Irish economy expenditures measures the impact of manufacturing and internationally traded services activities in the Irish economy. The impact is manifest in four key areas: wages and salary costs, Irish raw material purchases, Irish services usage and profits retained in the economy.

This report presents the main features of the survey of 1997 Irish economy expenditures which was carried out during the second half of 1998. The report examines the trends in companies sales and their expenditures on wages and salaries, purchases of Irish manufactured raw materials and components, usage of Irish services and profits achieved over the period 1991 to 1997. The 1997 data is preliminary. Final 1997 results and preliminary 1998 data will be available following completion of the 1998 survey.

The returns have been analysed on the basis of an Irish-Foreign split over three main business activities - manufacturing, food processing and related activities and internationally traded services.

The report focuses on key areas of importance. A separate supporting document which provides more comprehensive data in tabular form, including an agency split, is available from Enterprise and Trade Policy Division, Forfás.

EXECUTIVE SUMMARY

- The estimated Irish economy expenditures (IEEs) of all manufacturing and internationally traded services industry (including estimates for companies employing less than 20) amounted to £23,505m (€29,845.19m) in 1997, representing an increase of £2,474m (€3,141.33m) (11.8%) in real terms between 1996 and 1997 (Table 1, Page 6).
- The estimated Irish economy expenditures (IEEs) of all manufacturing industry (including estimates for companies employing less than 20) amounted to £19,572m (€24,851.31m) in 1997, representing an increase of £1,904m (€2,417.58m) (10.8%) in real terms between 1996 and 1997 (Table 2, Page 8).
- The survey shows that the manufacturing industry base surveyed (companies employing more than 19) increased sales by £4,091m (€5,194.50m) (14.7%) to £31,982m (€40,608.76m), and Irish economy expenditures by £1,713m (€2,175.06m) (12.2%) to £15,791m (€20,050.43m) in 1997. (Chart 1, Page 10).
- The Irish economy expenditures of Irish-owned¹ manufacturing companies increased by £2,271m (38.6%) in real terms, an average of 5.6% p.a. over the period 1990-1996, and by £1,103m (15.6%) in 1996. Over the same period, sales increased by £2,569m (33.4%), an annual average of 4.9% in real terms to £10,261m in 1996 (Charts 3 & 4).
- The Irish economy expenditures of Irish owned manufacturing industry increased by £1,824m (€2,316.00m) (29.8%) in real terms over the period 1991-1997 to £7,941m (€10,082.99m). Growth in sales over the same period amounted to £2,211m (€2,807.39m) (27.9%) to £10,142m (€12,877.68m). The rate of growth of IEEs was faster than the growth in sales which means the domestic impact of every £1 of sales increased (Chart 3, Page 12).
- The Irish economy expenditures of Food, Drink & Tobacco companies (Irish and foreign owned) rose by £807m (€1,024.68m) (14.0%) over the period 1991-1997 to £6,537m (€8,300.28m), compared with a rise in sales of £1,241m (€1,575.74m) (16.0%) to £8,985m (€11,408.60m). In 1997, IEEs increased by £117m (€148.56m) (1.8%) while sales rose by £170m (€215.86m) (1.9%). (Chart 5, Page 14). IEEs as a % of sales have declined over the period, from 74.0% in 1991 to 72.8% in 1997 which means the domestic impact of every £1 of sales has reduced.
- The Irish economy expenditures of all foreign owned manufacturing companies increased by £3,457m (€4,389.48m) or 78.7% (an annual average of 10.2% in real terms) over the period 1991-1997 to £7,850m (€9,967.44m). (Chart 7, Page 16). Sales increased by £10,768m (€13,672.54m) (97.3%) over the period 1991-1997 to £21,840m (€27,731.08m), an annual average rate of 12% in real terms. In 1997, sales increased by 18% while IEEs increased by 17.3%.

- Excluding the Food, Drink & Tobacco sector, the Irish economy expenditures of foreign owned manufacturing companies increased by £3,399m (€4,315.84m) or 117.9% between 1991 and 1997 (an annual average increase of 13.9% in real terms). In 1997, IEEs increased by 22.6% to £6,283m (€7,977.76m) (Chart 9, Page 18). IEEs as a % of sales declined from 34.9% in 1991 to 34.1% in 1997. This is due to lower growth in labour costs (54.5%) compared with the growth in sales (122.8%) over the period 1991-1997. Sales increased by 21.4% in 1997 to £18,421m (€23,389.85m).
- The profitability of Irish owned manufacturing companies employing more than 19 people (including Food, Drink & Tobacco) increased from 4.9% in 1991 to 6.1% in 1997. (Table 13, Page 20).
- The Profitability of Irish owned manufacturing companies employing more than 19 people (excluding Food, Drink & Tobacco) remained constant over the period 1991-1993 at around 5.5% of sales. A significant improvement occurred in 1994 with profit as a % of sales rising to 7.2%. Final results for 1996 show profit as a % of sales rising to 7.5%, which is in line with the preliminary figure reported last year. Preliminary data for 1997 indicates an increase to 9.3% due to improved performances in all sectors, particularly Chemicals, Metals and Engineering (includes Electronics), Clothing, Textiles and Timber and Furniture. The figures demonstrate a considerable improvement in the profitability of Irish owned companies over the 1991-1997 period as a whole (Table 13, Page 20).
- Irish owned manufacturing companies (employing more than 19) exported 49% of their total exports to the United Kingdom in 1997, up slightly on the 48% recorded in 1996. Exports to the UK represented 20.5% of the total sales of these companies in 1997 which is marginally lower than the figure of 20.8% recorded in 1997 but a significant increase on the 17.6% recorded in 1992. All sectors with the exception of Textiles and Non-Metallic Minerals increased their relative dependency on the UK as an export market over the period 1992-1997 (Tables 16a & 16b, Page 23).

1. **ESTIMATED IRISH ECONOMY EXPENDITURES OF
ALL¹ MANUFACTURING AND INTERNATIONALLY
TRADED SERVICES INDUSTRY 1996-1997**
(Including estimates for companies employing less than 20)

Constant 1997 Prices - £million

TABLE 1							
	Irish Owned		Foreign Owned		Total		% Change
	1996	1997	1996	1997	1996	1997 ²	96/97
Sales	13,778	14,912	28,844	31,373	38,622	46,285	+19.8
IEEs	10,852	11,686	10,179	11,819	21,031	23,505	11.8
-Wage & Salaries	2,090	2,334	2,485	2,830	4,575	5,174	13.1
-Irish Raw Materials	6,205	6,358	2,756	3,421	8,961	9,779	9.1
-Irish Services	1,835	2,066	4,476	5,032	6,311	7,098	12.5
-Profits*	722	918	462	536	1,184	1,454	22.8
IEEs as % of Sales	78.8	78.4	41.0	37.7	54.5	50.8	-6.8

* All Irish industry profits and corporation tax paid by by foreign owned companies

Constant 1997 Prices - €million

TABLE 1							
	Irish Owned		Foreign Owned		Total		% Change
	1996	1997	1996	1997	1996	1997 ²	96/97
Sales	17,494.45	18,934.33	31,545.37	39,835.49	49,039.82	58,769.83	+19.8
IEEs	13,779.20	14,838.16	12,924.66	15,007.03	26,703.86	29,845.19	11.8
-Wage & Salaries	2,653.75	2,976.27	3,155.30	3,593.36	5,809.05	6,562.62	13.1
-Irish Raw Materials	7,878.72	8,072.99	3,499.40	4,343.77	11,378.12	12,416.77	9.1
-Irish Services	2,329.97	2,623.28	5,683.35	6,389.32	8,013.31	9,012.60	12.5
-Profits*	916.75	1,165.62	586.62	680.58	1,503.37	1,846.20	22.8
IEEs as % of Sales	78.8	78.4	41.0	37.7	54.5	50.8	-6.8
* All Irish industry profits and corporation tax paid by foreign owned companies							

1. Includes estimates for Shannon Development and Údarás na Gaeltachta.
2. For the purpose of this report, 1997 data is considered as preliminary. Final 1997 results and preliminary 1998 data will be available following completion of the 1998 survey.

KEY POINTS

- The estimated Irish economy expenditures of manufacturing and internationally traded services industry in 1997 at £23,505m (€29,845.19m) represents an estimated increase of £2,474m (€3,141.33m) (11.8%) in real terms on the 1996 out-turn of £21,031m (€26,703.86m).
- Sales increased by £7,663m (€9,730.00m) (+19.8%) in 1997 to £46,285m (€58,769.83m).
- Overall Irish economy expenditures grew by 11.8% compared to a rise in sales of 19.8%. Preliminary data for 1997 shows IEEs as a % of sales decreasing from 54.5% in 1996 to 50.8% in 1997 (-6.8%). This is due to the fact that purchases of Irish raw materials, usage of Irish services and wage costs grew at a slower rate than sales in 1997.
- Wages, salaries and related costs increased by an estimated £599m (€760.57m) (13.1%) in 1997. Irish owned firms increased their expenditure on wages, salaries and related costs by 12.2%, and foreign owned companies by 13.9%, in 1997.
- Irish-owned firms increased their expenditure on Irish raw materials by 2.5% in 1997 while expenditure on Irish raw materials by foreign-owned companies rose by 24.1%. Expenditure by Irish owned manufacturing firms (employing more than 19) on Irish raw materials rose by 3.9% per annum in real terms over the period 91/97. The increase recorded by foreign owned manufacturing firms over the period 91/97 was 12.2% per annum in real terms.
- IEEs as a percentage of sales are significantly higher in Irish owned firms. In 1997, Irish owned companies accounted for 32.2% of sales but contributed 49.7% of Irish economy expenditures. A significant factor in this is the higher IEEs of the Food industry which makes up a much higher proportion of the output of Irish owned industry compared with foreign industry.
- The percentage increase in expenditures on Irish services in 1997 was almost the same by both foreign owned and Irish owned companies at 12.4% and 12.6% respectively.

**2. ESTIMATED IRISH ECONOMY EXPENDITURES OF
ALL MANUFACTURING³ INDUSTRY 1996-1997**
(Including estimates for companies employing less than 20)

Constant 1997 Prices - £million

TABLE 2							
	Irish Owned		Foreign Owned		Total		% Change
	1996	1997	1996	1997	1996	1997	96/97
Sales	13,370	14,354	19,758	23,186	33,128	37,540	13.3
IEEs	10,524	11,239	7,144	8,333	17,668	19,572	10.8
-Wage & Salaries	1,945	2,178	2,131	2,375	4,076	4,553	11.7
-Irish Raw Materials	6,132	6,243	2,179	2,650	8,311	8,893	7.0
-Irish Services	1,750	1,939	2,437	2,859	4,187	4,798	14.6
-Profits*	697	879	397	449	1,094	1,328	21.4
IEEs as % of Sales	78.7	78.3	36.2	35.9	53.3	52.1	-2.3

* All Irish industry profits and corporation tax paid by foreign-owned companies

Constant 1997 Prices - €million

TABLE 2							
	Irish Owned		Foreign Owned		Total		% Change
	1996	1997	1996	1997	1996	1997	96/97
Sales	16,976.40	18,225.82	25,087.48	29,440.15	42,063.88	47,665.97	13.3
IEEs	13,362.72	14,270.59	9,071.01	10,580.73	22,433.73	24,851.31	10.8
-Wage & Salaries	2,469.64	2,765.49	2,750.81	3,015.63	5,175.45	5,781.12	11.7
-Irish Raw Materials	7,786.03	7,926.97	2,766.76	3,364.81	10,552.79	11,291.78	7.0
-Irish Services	2,224.04	2,462.02	3,094.35	3,630.18	5,316.39	6,092.20	14.6
-Profits*	885.01	1,116.10	504.09	570.11	1,389.09	1,686.21	21.4
IEEs as % of Sales	78.7	78.3	36.2	35.9	53.3	52.1	-2.3
* All Irish industry profits and corporation tax paid by foreign-owned companies							

3. Includes estimates for Shannon Development and Údarás na Gaeltachta.

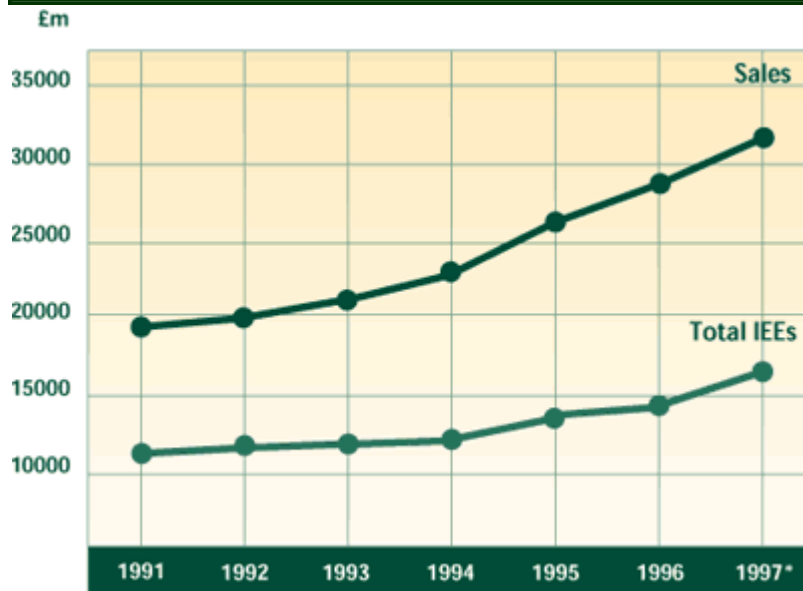
KEY POINTS

- The estimated Irish economy expenditures of manufacturing industry in 1997 at £19,572m (€24,851.31m) represents an estimated increase of £1,904m (€2,417.58m) (10.8%) on 1996. Sales increased by £4,412 m (€5,602.08m) (13.3%) in 1997.
- Irish economy expenditures as a % of sales decreased from 53.3% in 1996 to 52.1% in 1997. IEEs as a % of sales declined in Irish owned industry by 0.5%, while foreign owned industry showed a decline of 0.8% in 1997.
- Profits in Irish owned industry increased by 26.0% while a growth in foreign owned profits of 13.1% reflects increases in corporation tax payments in 1997. Profit levels in Irish owned manufacturing companies (employing more than 19) have risen by 60.9% in the period 1991-1997.
- Wages, salaries and related costs increased by 11.7% overall and by 12.0% and 11.5% in Irish and foreign owned companies respectively in 1997
- Purchases of Irish raw materials and usage of Irish services grew by 7.0% and 14.6% respectively in 1997. Foreign owned companies increased their expenditure on Irish raw materials by 21.6% in 1997, while the increase in Irish owned companies was a marginal 1.8%. Foreign owned companies also recorded a higher increase in spending on Irish services (+17.3%) than Irish owned companies (+10.8%) in 1997.

3. **MANUFACTURING INDUSTRY 1991-1997**
(Survey Base - companies employing greater than 19)

Constant 1997 Prices - £million

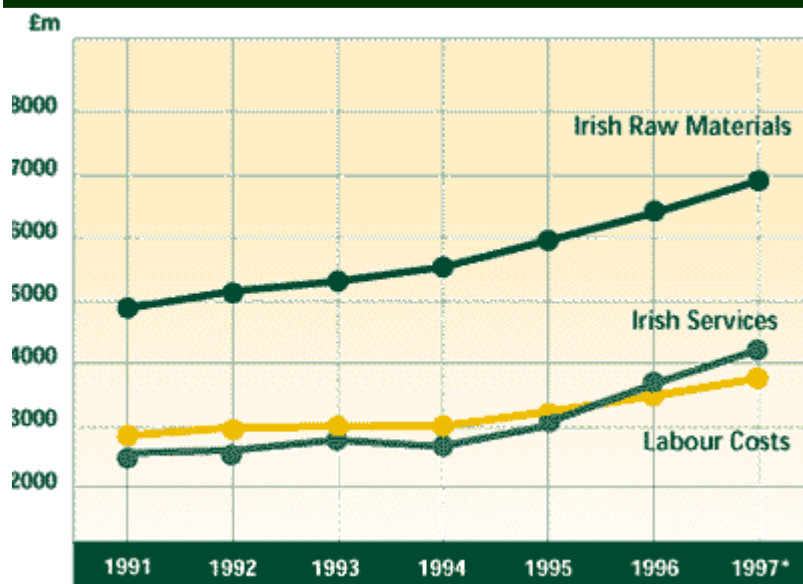
CHART 1



*Preliminary

Constant 1997 Prices - £million

CHART 2



*Preliminary

Charts 1 and 2 relate to Tables 3 and 4 below. This shows values in Irish pounds (£) and euro (€) equivalents. All conversions to euro are made using the irrevocably fixed conversion rate (1 euro = 0.787564 Irish pounds)

TABLE 3							
£M	1991	1992	1993	1994	1995	1996	1997
Sales	19,003	19,964	20,849	22,290	25,747	27,891	31,982
IEES	10,510	10,982	11,401	11,752	13,045	14,078	15,791

€M	1991	1992	1993	1994	1995	1996	1997
Sales	24,128.83	25,349.05	26,472.77	28,302.46	32,691.95	35,414.26	40,608.76
IEEs	13,344.95	13,944.26	14,476.28	14,921.96	16,563.73	17,875.37	20,050.43

TABLE 4							
£M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	2,772	2,856	2,874	3,009	3,157	3,361	3,777
Irish Raw Materials	4,759	5,034	5,219	5,354	5,997	6,345	6,907
Irish Services	2,486	2,513	2,708	2,682	3,073	3,511	4,063

€M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	3,519.71	3,626.37	3,649.23	3,820.62	4,008.56	4,267.58	4,795.80
Irish Raw Materials	6,042.68	6,391.86	6,626.76	6,798.18	7,614.62	8,056.45	8,770.08
Irish Services	3,156.57	3,190.85	3,438.45	3,405.44	3,903.17	4,485.05	5,158.94

TRENDS AND COMMENTARY

- **Sales**

Growth in sales over the period 1991-1997 amounted to £12,979m (€16,479.93m) (68.3%), an annual average rate of 9.1% in real terms. In 1997, sales increased by £4,091m (€5,194.50m) (14.7%) to £31,982m (€40,608.76m).

- **Irish Economy Expenditures**

Growth in IEEs over the period 1991-1997 amounted to £5,281m (€6,705.49m) (50.2%), an average real increase of 7% p.a. IEEs grew by £1,713m (€2,175.06m) (12.2%) in 1997.

IEEs as a % of sales have fallen from 55.3% to 49.4% over the period 1991-1997. This means that the domestic impact of every £1 of sales has reduced over the period. Slower growth in labour costs was a contributory factor. The growth in purchases of Irish raw materials (+45.1%) was also lower than the growth in sales (+68.3%), as was the usage of Irish services (+63.4%), over the 1991-1997 period.

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **Wage & Salary Expenditures**

Wage and salary expenditures grew by £1,005m (€1,276.09m) (36.3%) over the period 1991-1997. The increase per employee was 14.9%, an average real increase of 2.3% p.a. The slower rate of growth of wage and salary expenditures compared to the growth in sales (68.3%) over the period indicates a continuing improvement in productivity.

- **Irish Raw Materials**

Expenditures on Irish raw materials grew by £2,148m (€2,727.40m) (45.1%) over the period 1991-1997, an annual average of 6.4% in real terms. Expenditure in this area grew by 8.8% (£562m) (€713.63m) in 1997 exceeding the growth of 5.8% (£348m) (€441.87m) recorded in 1996. The increase in 1997 is the second highest year on year growth rate recorded over the period (1995 was the highest).

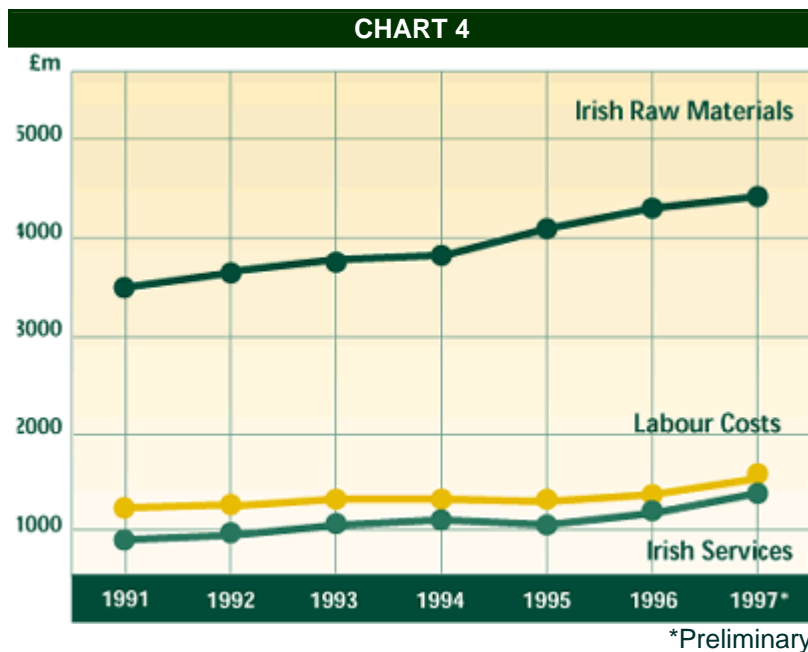
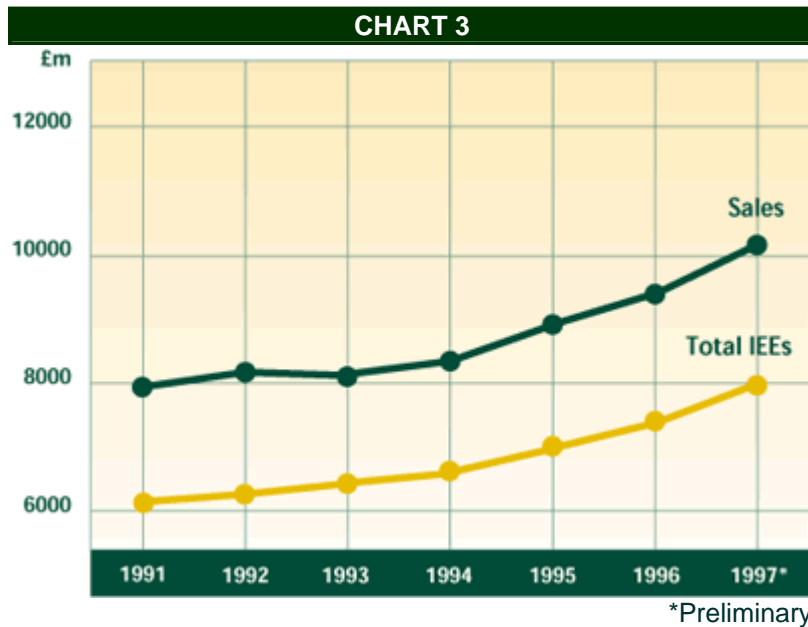
- **Irish Services**

Purchases of Irish services increased substantially over the period 1991-1997, rising by 63.4% (£1,577m) (€2,002.38m), an average annual increase of 8.5% in real terms. Expenditure increased by 15.7% in 1997, the highest year on year growth recorded over the period.

4. IRISH-OWNED MANUFACTURING INDUSTRY 1991-1997

Survey base - companies employing greater than 19)

Constant 1997 Prices - £million



Charts 3 and 4 relate to Tables 5 and 6 below. This shows values in Irish pounds (£) and euro (€) equivalents. All conversions to euro are made using the irrevocably fixed conversion rate (1 euro = 0.787564 Irish pounds)

TABLE 5							
£M	1991	1992	1993	1994	1995	1996	1997
Sales	7,931	8,165	8,095	8,334	8,901	9,385	10,142
IEES	6,117	6,356	6,415	6,596	6,994	7,386	7,941

€M	1991	1992	1993	1994	1995	1996	1997
Sales	10,070.29	10,367.41	10,278.52	10,581.99	11,301.94	11,916.49	12,877.68
IEEs	7,766.99	8,070.46	8,145.37	8,375.19	8,880.55	9,378.29	10,082.99

TABLE 6							
£M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	1,193	1,222	1,226	1,276	1,299	1,365	1,539
Irish Raw Materials	3,506	3,688	3,752	3,777	4,080	4,304	4,411
Irish Services	1,032	1,058	1,070	1,099	1,083	1,228	1,370

€M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	1,514.80	1,551.62	1,556.70	1,620.19	1,649.39	1,733.19	1,954.13
Irish Raw Materials	4,451.70	4,682.79	4,764.06	4,795.80	5,180.53	5,464.95	5,600.81
Irish Services	1,310.37	1,343.38	1,358.62	1,395.44	1,375.13	1,559.24	1,739.54

TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1991-1997 amounted to £2,211m (€2,807.39m) (27.9%), an annual average rate of 4.2% in real terms. In 1997, sales increased by £757m (€961.19m) (8.1%) to £10,142m (€12,877.68m).

- **IRISH ECONOMY EXPENDITURES**

Growth in IEEs amounted to £1,824m (€2,316.00m) (29.8%) over the period 1991-1997, an annual average rate of 4.4% in real terms. In 1997, IEEs increased by £555m (€704.70m) (7.5%). IEEs (+29.8%) rose faster than sales (27.9%) over the period.

IEEs as a % of sales in Irish owned manufacturing companies rose from 77.1% in 1991 to 78.3% in 1997, which means the domestic impact of every £1 of sales increased over the period. This is due to higher growth in expenditure on wages and salaries (29%) Irish services (32.8%) and growth in profits (60.9%), compared with the growth in sales (27.9%).

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage and salary expenditures grew by £346m (€439.33m) (29%) over the period 1991-1997. The increase per employee was 14.8%, an average real increase of 2.3% p.a.

Wage and salary expenditures of Irish owned manufacturing industry (excluding Food, Drink and Tobacco) increased by 37.9% (£293m) (€372.03m) over the period 1991-1997. Wage and salary costs attributable to the Irish Food, Drink and Tobacco sector increased by 12.6% (£53m) (€67.30m).

- **IRISH RAW MATERIALS**

Expenditures on Irish raw materials grew by £905m (€1,149.11m) (25.8%) over the period 1991-1997, an annual average of 3.9% in real terms. The highest year on year rate of growth (8%) was recorded in 1995. This was followed by a 5.5% increase in 1996. The growth recorded in 1997 was 2.5%.

- **IRISH SERVICES**

Expenditure on Irish services rose by 32.8% (£338m) (€429.17m) over the period 1991-1997, an average real increase of 4.8% p.a. An increase of £142m (€180.30m) (11.6%) was recorded in 1997, which represents 42% of the growth recorded in total over the period 1991-1997. The highest rate of growth achieved over the period was in 1996 (13.4%). Growth of 11.6% achieved in 1997 is the second highest year on year growth rate recorded over the period.

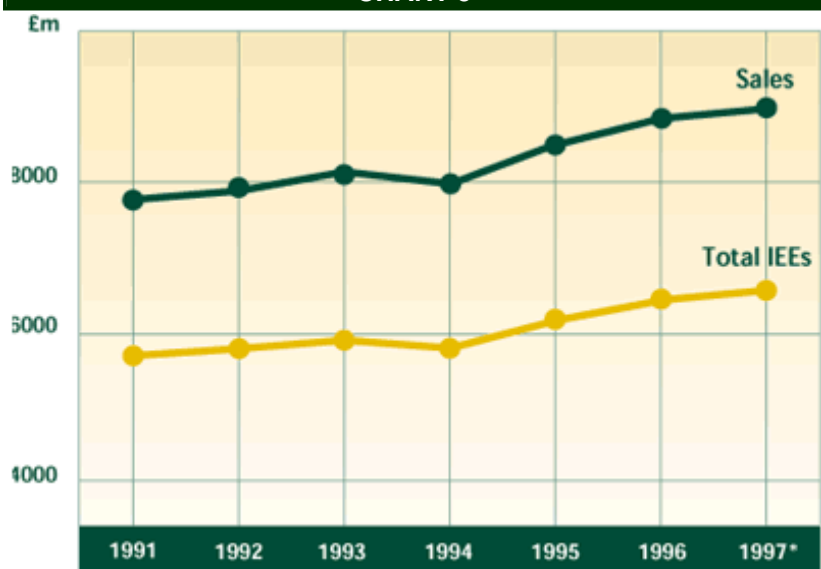
- **PROFITS**

Preliminary results for 1997 show the profit levels of Irish owned manufacturing industry rising by a significant 27% (£132m) (€167.61m), the highest year on year growth achieved over the period 1991-1997.

5. FOOD, DRINK AND TOBACCO SECTOR 1991-1997 (Irish & foreign-owned companies)

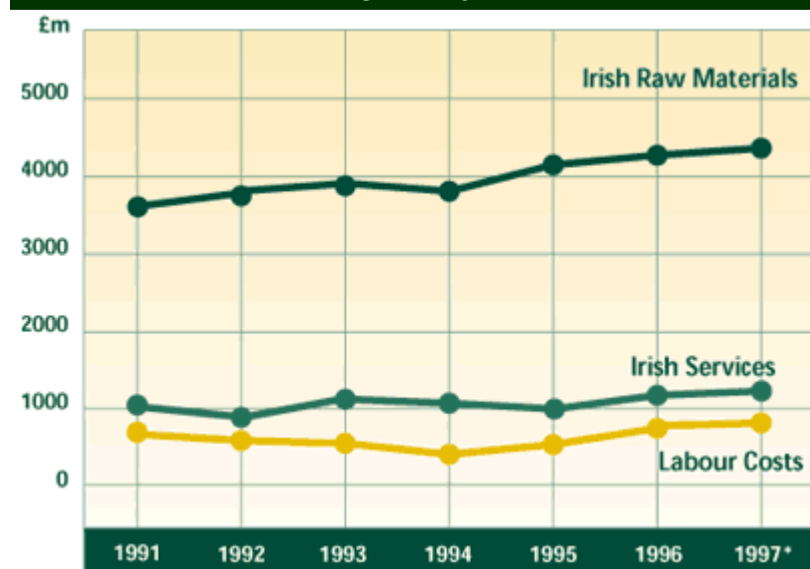
Constant 1997 Prices - £million

CHART 5



*Preliminary

CHART 6



*Preliminary

Charts 5 and 6 relate to Tables 7 and 8 below. This shows values in Irish pounds (£) and euro (€) equivalents. All conversions to euro are made using the irrevocably fixed conversion rate (1 euro = 0.787564 Irish pounds)

TABLE 7

£M	1991	1992	1993	1994	1995	1996	1997
Sales	7,744	7,933	8,093	7,929	8,450	8,815	8,985
IEES	5,730	5,825	5,940	5,832	6,150	6,420	6,537

€M	1991	1992	1993	1994	1995	1996	1997
Sales	9,832.8 5	10,072.8 3	10,275.9 9	10,067.7 5	10,729.2 9	11,192.7 4	11,408.6 0
IEEs	7,275.6 0	7,396.22	7,542.24	7,405.11	7,808.89	8,151.72	8,300.28

TABLE 8

£M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	762	754	739	723	738	770	800
Irish Raw Materials	3,670	3,841	3,897	3,812	4,111	4,313	3,354
Irish Services	1,044	964	1,055	1,049	1,036	1,100	1,139

€M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	967.54	957.38	938.34	918.02	937.07	977.70	1,015.79
Irish Raw Materials	4,659.94	4,877.06	4,948.17	4,804.24	5,219.89	5,476.38	5,528.44
Irish Services	1,325.61	1,224.03	1,339.57	1,331.95	1,315.45	1,396.71	1,446.23

TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1991-1997 amounted to £1,241m (€1,575.74m) (16.0%), an annual average rate of 2.5% in real terms. Sales, having declined marginally in 1994 (-2.0%) rose by 6.6% in 1995 and by a further 4.3% in 1996. Preliminary data shows sales rising by 1.9% (£170m) (€215.86m) in 1997.

- **IRISH ECONOMY EXPENDITURES**

Irish economy expenditures have increased by £807m (€1,024.68m) (14.0%) over the period 1991-1997, an average real increase of 2.2% p.a. In 1997, IEEs increased by £117m (€148.56m) (1.8%) which is almost in line with the rate of increase recorded in 1992 (1.7%). The highest rate of increase (5.5%) occurred in 1995 and this was followed by a growth of 4.4% in 1996. IEEs as a % of sales have declined over the period, from 74.0% in 1991 to 72.8% in 1997 which means the domestic impact of every £1 of sales has reduced.

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage and salary expenditures increased by £38m (€48.25m) (5.0%) over the period 1991-1997. Wage and salary expenditures per employee increased by 2.5% over the period, an average real increase of 0.4% p.a.

- **IRISH RAW MATERIALS**

Expenditures on Irish raw materials grew by £684m (€868.50m) (18.6%) over the period 1991-1997, an annual average of 2.9% in real terms. The increase recorded in 1997 was 0.95%, the lowest year on year rate of growth recorded over the period, excluding 1994 when a decline of -2.2% was recorded.

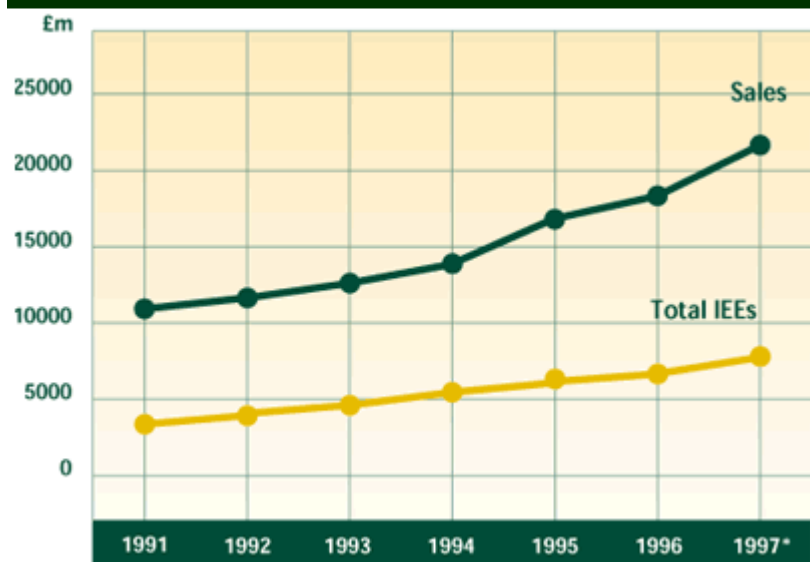
- **IRISH SERVICES**

Expenditure on Irish services grew by £95m (€120.63m) (9.1%) over the period 1991-1997, an annual average of 1.4% in real terms. The increase in 1997 was £39m (€49.52m) (3.5%). This follows an increase of £64m (€81.26m) (6.2%) in 1996.

6. FOREIGN OWNED MANUFACTURING INDUSTRY 1991 - 1997 (Companies employing more than 19)

Constant 1997 Prices - £million

CHART 7



*Preliminary

CHART 8



*Preliminary

Charts 7 and 8 relate to Tables 9 and 10 below. This shows values in Irish pounds (£) and euro (€) equivalents. All conversions to euro are made using the irrevocably fixed conversion rate (1 euro = 0.787564 Irish pounds)

TABLE 9							
£M	1991	1992	1993	1994	1995	1996	1997
Sales	11,072	11,799	12,754	13,956	16,846	18,506	21,840
IEES	4,393	4,626	4,986	5,156	6,051	6,692	7,850

€M	1991	1992	1993	1994	1995	1996	1997
Sales	14,058.54	14,981.64	16,194.24	17,720.46	21,390.00	23,497.77	27,731.08
IEEs	5,577.96	5,873.81	6,330.91	6,546.77	7,683.19	8,497.09	9,967.44

TABLE 10							
£M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	1,579	1,634	1,648	1,733	1,858	1,996	2,238
Irish Raw Materials	1,253	1,346	1,467	1,577	1,917	2,041	2,496
Irish Services	1454	1,455	1,638	1,583	1,990	2,283	2,693

€M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	2,004.92	2,074.75	2,092.53	2,200.46	2,359.17	2,534.40	2,841.67
Irish Raw Materials	1,590.98	1,709.07	1,862.71	2,002.38	2,434.09	2,591.53	3,169.27
Irish Services	1,846.20	1,847.47	2,079.83	2,009.99	2,526.78	2,898.81	3,419.40

TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1991-1997 amounted to £10,768m (€13,672.54m) (97.3%), an annual average rate of 12% in real terms. The increase recorded in 1997 was £3,334m (€4,233.31m) (18%) which is the second highest year on year rate of growth recorded over the period. The highest growth rate occurred in 1995 when a 20.7% (£2,890m) (€3,669.54m) increase was recorded.

- **IRISH ECONOMY EXPENDITURES**

Irish economy expenditures increased by £3,457m (€4,389.48m) (78.7%) to £7,850m (€9,967.44m) over the period 1991-1997, an annual average rate of growth of 10.2% in real terms. In 1997, IEEs increased by £1,158m (€1,470.36m) (17.3%), in line with the highest year on year rate of growth previously recorded in 1995 (17.4%).

IEEs as a % of sales in foreign owned manufacturing companies declined from 39.7% in 1991 to 35.9% in 1997. Thus, the domestic impact of every £1 of sales reduced over the period.

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage and salary expenditures grew by £659m (€836.76m) (41.7%) over the period 1991-1997. The increase per employee was 14.1%, an average real increase of 2.2% p.a.

- **IRISH RAW MATERIALS**

Expenditures on Irish raw materials grew by £1,243m (€1,578.28m) (99.2%) over the period 1991-1997, an annual average of 12.2% in real terms. In 1997, expenditure grew by £455m (€577.73m) (22.3%).

- **IRISH SERVICES**

Expenditure on Irish services grew by £1,239m (€1,573.21m) (85.2%) over the period 1991-1997, an annual average of 10.8% in real terms. In 1997, foreign owned manufacturing establishments increased their purchases of Irish services by £410m (€520.59m) (18.0%), compared with an increase of 15.7% recorded for all manufacturing industry (Irish and foreign owned).

7. FOREIGN-OWNED GENERAL MANUFACTURING INDUSTRY (Excluding Food, Drink and Tobacco) Companies employing greater than 19

Constant 1997 Prices - £million

CHART 9

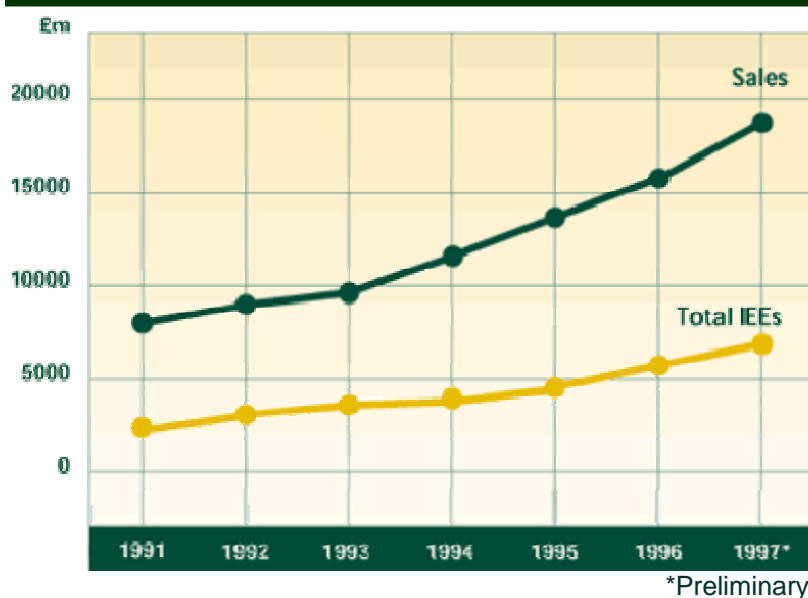


CHART 10



Charts 9 and 10 relate to Tables 11 and 12 below. This shows values in Irish pounds (£) and euro (€) equivalents. All conversions to euro are made using the irrevocably fixed conversion rate (1 euro = 0.787564 Irish pounds)

TABLE 11							
£M	1991	1992	1993	1994	1995	1996	1997
Sales	8,267	8,977	9,694	10,966	13,665	15,172	18,421
IEES	2,884	3,196	3,458	3,764	4,538	5,125	6,283

€M	1991	1992	1993	1994	1995	1996	1997
Sales	10,496.92	11,398.44	12,308.84	13,923.94	17,350.97	19,264.47	23,389.85
IEEs	3,661.92	4,058.08	4,390.75	4,665.02	5,762.07	6,507.41	7,977.76

TABLE 12							
£M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	1,237	1,305	1,311	1,412	1,519	1,658	1,911
Irish Raw Materials	648	725	837	979	1,312	1,383	1,831
Irish Services	927	1,023	1,128	1,070	1,465	1,753	2,168

€M	1991	1992	1993	1994	1995	1996	1997
Labour Costs	1,570.67	1,657.01	1,664.63	1,792.87	1,928.73	2,150.23	2,462.47
Irish Raw Materials	822.79	920.56	1,062.77	1,243.07	1,665.90	1,756.05	2,324.89
Irish Services	1,117.05	1,298.94	1,432.26	1,358.62	1,860.17	2,225.85	2,752.79

TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1991-1997 amounted to £10,154m (€12,892.92m) (122.8%), an annual average rate of 14.3% in real terms. In 1997, sales increased by £3,249m (€4,125.38m) (21.4%) to £18,421m (€23,389.85m).

- **IRISH ECONOMY EXPENDITURES**

IEEs grew by £3,399m (€4,315.84m) (117.9%) over the period 1991-1997, an annual average rate of 13.9% in real terms. In 1997, IEEs increased by £1,158m (€1,470.36m) (22.6%).

Irish economy expenditures increased at a slower rate (117.9%) than sales (122.8%) over the period 1991-1997. IEEs as a % of sales declined from 34.9% in 1991 to 34.1% in 1997. Thus, the domestic impact of every £1 of sales reduced marginally over the period. This is due to lower growth in labour costs (54.5%) compared with the growth in sales of 122.8% over the period 1991-1997.

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage and salary expenditures grew by £674m (€855.80m) (54.5%) over the period 1991-1997. The increase per employee was 18.4%, an average real increase of 2.9% p.a.

- **IRISH RAW MATERIALS**

Expenditures on Irish raw materials grew by £1,183m (€1,502.10m) (182.6%) over the period 1991-1997, an annual average of 18.9% in real terms. Growth in expenditure on Irish raw materials in 1997 amounted to £448m (€568.84m) (32.4%).

- **IRISH SERVICES**

Expenditure on Irish services grew by £1,241m (€1,575.74m) (133.9%) to £2,168m (€2,752.79m) over the period 1991-1997, an annual average of 15.2% in real terms. In 1997, purchases of Irish services increased by £415m (€526.94m) (23.7%).

8. ANALYSIS OF THE PROFITABILITY OF IRISH OWNED MANUFACTURING INDUSTRY

(Companies employing more than 19)

TABLE 13 - Irish Owned Companies - Profit as % of Sales 1991 - 1997							
	1991	1992	1993	1994	1995	1996	1997 *
Total	4.9	4.8	4.5	5.3	6.0	5.2	6.1
Food, Drink & Tobacco	4.4	4.3	3.9	4.0	4.2	3.6	3.5
General Manufacturing	5.6	5.6	5.5	7.2	8.6	7.5	9.3
<i>* Preliminary</i>							

KEY POINTS

- The profitability of Irish owned manufacturing companies increased from 4.9% of sales in 1991 to 6.0% in 1995. A decline occurred in 1996 to 5.2% of sales. Preliminary 1997 data shows profitability increasing again to 6.1% of sales.
- Profitability of Irish-owned general manufacturing remained constant over the period 1991-1993 at around 5.5% of sales. A significant improvement occurred in 1994 when profit as a % of sales rose to 7.2%. This trend continued in 1995 with profit as a % of sales rising to 8.6%. Final 1996 data shows profit as % of sales at 7.5%, which is exactly in line with the preliminary figure reported last year. Preliminary 1997 data indicates a significant increase to 9.3% of sales. The figures for the period 1994-1997 demonstrate a considerable improvement in the profitability of Irish owned companies.
- All sectors in Irish owned general manufacturing showed increased levels of profitability in 1997
 - Profit as a % of sales in the Chemicals sector rose by 83.7% to 9% in 1997.
 - Profit as a % of sales in Timber and Furniture rose by 77.4% to 5.5% in 1997. In the Metals and Engineering sector (which includes electronics) profit as a % of sales rose to 7.7% in 1997, representing an increase of 60.4% on 1996.
 - The Clothing, Footwear and Leather sector recorded profit as % of sales of 8.8% in 1997, which is an increase of 23.9% on 1996.
 - Profit as % of sales in Textiles remained low in 1997 at 2.8%. However, this figure represents an increase of 27.3% on 1996.

9. RAW MATERIAL LINKAGE OF IDA IRELAND COMPANIES

The Linkage Programme commenced operation in 1985 and the table below outlines the trends in raw material linkages over the 10 year period 1987-1997.

TABLE 14 - Foreign Non-Food Manufacturing
Irish Raw Material Purchases Relative to Total Raw Material Purchases 1987 - 1997

€million - Constant 1997 Prices

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997*
Total Purchases	2,588	3,015	3,338	3,328	3,397	3,795	4,236	5,043	6,642	7,520	8,938
Irish Purchases	406	481	553	624	648	725	837	979	1,312	1,383	1,831
Irish % of Total	15.7	16.0	16.6	18.8	19.1	19.1	19.8	19.4	19.8	18.4	20.5
Electronics Total Purchases	1,498	1,768	1,861	1,805	2,607	2,254	2,745	3,151	4,487	5,072	6,132
Irish Purchases	177	214	236	286	479	424	537	603	867	874	1,238
Irish % of Total	11.8	12.1	12.7	15.8	18.4	18.8	19.6	19.1	19.3	17.2	20.2
* Preliminary											

TABLE 15 - Foreign Non-Food Manufacturing
Irish Raw Material Purchases Relative to Total Raw Material Purchases 1987 - 1997

€million - Constant 1997 Prices

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997*
Total Purchases	3,286.08	3,828.26	4,238.39	4,225.67	4,313.30	4,818.66	5,378.61	6,403.29	8,433.60	9,548.43	11,348.91
Irish Purchases	515.51	610.74	702.17	792.32	822.79	920.56	1,062.77	1,243.07	1,665.90	1,756.05	2,324.89
Irish % of Total	15.7	16.0	16.6	18.8	19.1	19.1	19.8	19.4	19.8	18.4	20.5
Electronics Total Purchases	1,902.07	2,224.90	2,362.98	2,291.88	3,310.21	2,861.99	3,485.43	4,000.94	5,697.31	6,440.11	7,786.03
Irish Purchases	224.74	271.72	299.66	363.15	608.20	538.37	681.85	765.65	1,100.86	1,109.75	1,571.94
Irish % of Total	11.8	12.1	12.7	15.8	18.4	18.8	19.6	19.1	19.3	17.2	20.2
* Preliminary											

KEY POINTS

Total Purchases

- Total raw material purchases in value terms by foreign non-food manufacturing companies rose by £6,350m (€8,062.84m) (245.4%) in real terms over the period 1987-1997. Their purchases of Irish raw materials rose by £1,425m (€1,809.38m) (351.0%) over the same period.
- Irish raw materials as a % of total raw material purchases increased from 15.7% in 1987 to 20.5% in 1997.

The rise in purchases of Irish raw materials, as a percentage of total purchases, over the period 1987-1991 represented a substantial gain in Ireland's market share of the sub-supply opportunities provided by overseas companies located here. After this initial build up, the percentage of Irish purchases remained relatively static, with small ups and downs occurring up to 1996 indicating that market share maturity may have been reached. Preliminary 1996 data presented last year indicated a share of 19.1%. However, the final out-turn was 18.4%. Preliminary data for 1997 shows that Irish raw materials as a % of total raw material purchases increased to 20.5% which, if sustained, would indicate a reversal of the relatively static trend for the previous 6 years.

Foreign - Electronics Sector

Total raw material purchases in value terms by foreign electronic companies located in Ireland rose by £4,634m (€5,883.97m) (309.3%) in real terms over the period 1987-1997. Their purchases of Irish raw materials rose by £1,061m (€1,347.19m) (599.4%) over the same period.

Irish raw materials as a % of total purchases rose from 11.8% in 1987 to 19.3% in 1995. Final data for 1996 shows a drop to 17.2% as against a preliminary figure of 18.4% for that year. Preliminary 1997 data indicates a rise to 20.2%, which is the highest percentage achieved over the past 11 years.

10. SECTORAL ANALYSIS OF EXPORT DATA FOR IRISH-OWNED MANUFACTURING COMPANIES

The IEE Survey has for the past five years collected exports data by broad destination. The objective is to facilitate analysis of the destination trends of manufacturing exports and to measure the level of sensitivity of Irish-owned companies to exchange rate movements.

The **tables below** outline exports of Irish-owned manufacturing companies on a sectoral basis by destination relative to total exports (16a) and as a percent of sales (16b).

TABLE 16a - DESTINATION OF EXPORTS AS PERCENT OF TOTAL EXPORTS - SECTORAL ANALYSIS 1992 - 1997

(Irish Owned Manufacturing Companies Employing Greater than 19)

Sector	UK						Rest of EU						Rest of World					
	'92	'93	'94	'95	'96	'97	'92	'93	'94	'95	'96	'97	'92	'93	'94	'95	'96	'97
Non Metallic Minerals	76	76	82	69	74	76	14	15	8	14	15	16	10	9	10	17	11	8
Chemicals	52	50	46	46	54	51	34	33	38	37	31	32	14	17	16	17	15	17
Metals & Engineering	60	60	57	58	57	61	24	24	25	25	26	26	16	16	18	17	17	13
Food	35	38	36	37	39	37	44	43	45	42	40	38	21	19	19	21	21	25
Drink & Tobacco	82	76	87	85	77	74	18	24	7	10	12	16	0	0	6	6	11	10
Textiles	30	34	29	28	26	22	53	45	53	54	52	53	17	21	18	18	22	25
Clothing,	63	64	63	73	61	61	22	19	17	16	26	25	15	17	20	11	13	14
Timber & Furniture	89	89	89	90	94	95	10	9	10	9	5	5	1	2	1	1	1	0
Paper & Printing	82	85	85	83	81	81	10	8	8	10	11	11	8	7	7	7	8	8
Miscellaneous Industry	76	66	73	67	68	74	19	29	24	29	25	20	5	5	3	4	7	6
Total	45	47	46	46	48	49	37	36	36	35	34	31	18	17	18	19	18	20

TABLE 16b - EXPORTS AS % OF SALES - SECTORAL ANALYSIS 1992 - 1997
(Irish Owned Manufacturing Companies Employing Greater Than 19)

Sector	Exports as % of Sales						Exports to UK as % of Sales					
	'92	'93	'94	'95	'96	'97	'92	'93	'94	'95	'96	'97
Non Metallic Minerals	10.1	11.0	11.7	13.3	9.7	8.9	7.7	8.3	9.6	9.0	7.1	6.8
Chemicals	62.9	67.0	63.8	63.3	61.2	59.0	28.4	28.8	26.1	26.4	29.3	30.0
Metals & Engineering	44.1	49.7	52.0	55.2	57.4	53.4	27.4	29.4	29.6	31.3	31.3	32.6

Food	39.9	46.9	46.0	52.2	55.1	44.6	15.0	17.9	16.6	19.3	18.5	16.6
Drink & Tobacco	16.4	28.1	25.1	27.1	30.5	32.5	13.5	21.7	22.2	23.3	23.9	24.2
Textiles	52.9	57.4	61.7	59.2	64.1	74.0	16.3	18.9	17.3	15.5	16.3	14.4
Clothing, Footwear/Leather	43.3	46.5	46.6	45.8	55.9	55.8	31.6	31.9	31.8	34.6	34.0	32.6
Timber & Furniture	33.0	39.7	38.1	39.1	38.5	36.8	31.0	36.3	34.8	36.7	33.1	35.0
Paper & Printing	17.2	19.1	20.2	19.4	19.4	18.5	14.5	16.1	17.0	15.4	15.1	15.1
Miscellaneous Industry	29.7	34.6	36.0	39.0	38.4	38.3	24.5	22.5	25.6	25.1	25.2	28.2
Total	38.8	42.7	42.3	46.2	42.9	41.9	17.6	20.1	19.6	21.4	20.8	20.5

KEY POINTS

- Exports as a % of sales in Irish owned manufacturing companies with 20 or more employees averaged 38.8% in 1992 and 41.9% in 1997. The highest export propensity was in the Textiles sector at 74.0% in 1997, followed by Chemicals (59.0%) and Clothing (55.8%) (Table 16b). Exports in the Drink & Tobacco sector have exhibited the highest rate of growth (as a % of sales) since 1992 (Table 16b).
- Some 49% of the exports of Irish owned manufacturing companies went to the UK in 1997. On a sectoral basis this ranged from 95% in Timber/Furniture to 22% in Textiles (Table 16a).
- Expressing exports to the UK as a % of total sales (Table 16b) gives some indication of the relative dependence of some sectors of Irish industry on the UK market

-All sectors with the exception of Textiles and Non-Metallic Minerals increased their relative dependency on the UK as an export market over the period 1992-1997 (Table 16b). Sectors such as Non-Metallic Minerals, Drink & Tobacco, Timber/Furniture, Paper & Printing and Miscellaneous Manufacturing continue to have a very high dependence on the UK as a market for their exports (Table 16a).

- In 1997, Irish owned manufacturing companies exported 20.5% of their sales to the UK. This is slightly lower than that exported in 1996 but 16.5% higher than the 17.6% recorded in 1992.

- The Timber/Furniture sector exported 35.0% of their sales to the UK in 1997, followed by Metals & Engineering (32.6%), Clothing (32.6%) and Chemicals (30.0%). The remaining sectors ranged from 28.2% in Miscellaneous Manufacturing to 6.8% in non-Metallic Minerals.

- Exports to the UK as a % of sales in Drink & Tobacco have grown quite significantly over the period 1992-1997, from 13.5% to 24.2%. Exports to the UK as a % of sales in Metals & Engineering have also shown strong growth from 27.1% in 1992 to 32.6% in 1997 (Table 16b).