

**ANNUAL BUSINESS
SURVEY OF
ECONOMIC IMPACT**

2008

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Summary of Key ABSEI 2008 Results

IRISH-OWNED Companies 2007-2008 & 2000-2008

	Percentage Change 2007-2008			Percentage Change Per Annum 2000-2008		
	All	Manufacturing	Services	All	Manufacturing	Services
Sales	0.7%	-1.0%	7.3%	3.9%	2.9%	8.4%
Exports	3.7%	1.4%	11.3%	4.9%	3.5%	10.4%
Value Added	-0.1%	-3.2%	5.9%	6.6%	4.9%	10.4%
Direct Expenditure in Irish Economy	0.8%	-0.7%	9.4%	2.7%	2.1%	6.0%

- Overall sales by Irish owned firms in 2008 showed a small increase (+0.7%) in a very difficult year for business particularly for domestic sales. In 2008, Irish-owned companies succeed in increasing their exports by +3.7% though this is lower than the trend since 2000 of 4.9%. Value added and Direct Expenditure in the Irish Economy showed little change over 2007.
- There was a significant difference in the performance of the manufacturing sectors as opposed to the Services sectors. Sales in manufacturing fell by -1% and again this reflects a fall in demand in the domestic market as exports rose by 1.4% in 2008. Value added has also declined in 2008 by -3.2% compared with a trend figure of +4.9% while Direct Expenditure is relatively unchanged.
- The services sectors continue to perform well with sales increasing by 7.3% and exports by 11.3% and these figures are consistent with the trend for services since 2000. Services also increased its contribution to the Irish economy by +9.4% in 2008.

FOREIGN-OWNED Companies 2007-2008 & 2000-2008

	Percentage Change 2007-2008			Percentage Change Per Annum 2000-2008		
	All	Manufacturing	Services	All	Manufacturing	Services
Sales	3.6%	2.3%	5.7%	4.8%	3.8%	6.5%
Exports	3.7%	2.4%	6.0%	5.3%	4.5%	6.9%
Value Added	3.0%	6.0%	-1.4%	4.8%	2.5%	9.7%
Direct Expenditure in Irish Economy	4.7%	-1.9%	12.6%	-0.6%	-0.4%	-0.8%

- All firms reported growth in sales (+3.6%) and exports (+3.7) which was an impressive performance given the global economic conditions. The Direct Expenditure by foreign-owned firms in the Irish economy also showed an increase of +4.7%
- As with Irish-owned firms there was a difference in the performance between foreign-owned Manufacturing and Service firms. Manufacturing grew sales (+2.3%) and exports (+2.4%) in 2008 though at a lower level than the previous trend from 2000 (sales +3.8% and exports +4.5%). Direct Expenditure declined by -1.9% in 2008 compared with a trend figure of -0.4% since 2000.
- The services sectors grew sales by +5.7% and exports by +6% showing a steady level of growth since 2000. Direct Expenditure in Services grew by 12.6% in 2008 while the overall trend figure from 2000 is more flat showing a slight decline of -0.8%

Direct Expenditure in the Irish economy as a percentage of GNP¹

IRISH-OWNED FIRMS IN MANUFACTURING & INTERNATIONALLY TRADED SERVICES

Direct Expenditure as a percentage of GNP by Irish-owned companies		
	2000	2008
All	17.1%	12.2%
Manufacturing & Other Industry	15.0%	8.7%
Information, Communications & Other Services	2.1%	1.9%

Value Added as a percentage of GNP by Irish-owned companies		
	2000	2008
All	8.3%	8.0%
Manufacturing & Other Industry	6.0%	5.1%
Information, Communications & Other Services	2.3%	2.9%

- These tables demonstrate the importance of the Agency clients to the Irish economy. In 2008, The direct expenditure of Irish owned firms amounted to over 12 percent of the Gross National Product of the country
- The Value Added of Irish-owned firms continues to be maintained at approximately 8 percent.

FOREIGN-OWNED FIRMS IN MANUFACTURING & INTERNATIONALLY TRADED SERVICES

Direct Expenditure as a percentage of GNP by foreign-owned companies		
	2000	2008
All	24.6%	13.6%
Manufacturing & Other Industry	12.4%	7.0%
Information, Communications & Other Services	12.2%	6.6%

Value Added as a percentage of GNP by foreign-owned companies		
	2000	2008
All	38.3%	32.3%
Manufacturing & Other Industry	28.0%	19.8%
Information, Communications & Other Services	10.3%	12.5%

- The Direct Expenditure (Payroll, Purchases of Irish Materials & Services) by foreign owned firms stands at over 13 percent of the Gross National Product.
- Value Added in all foreign owned firms was over 32 percent in 2008

¹ GNP @ current market prices: 2000 = €89,342 / 2008 = €154,596 Source: CSO 'National Income and Expenditure'

1. Introduction

1.1 Background

This document presents the results of the Annual Business Survey of Economic Impact (ABSEI) for 2008:

- The survey covers the client base of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta.
- The population comprises all manufacturing and internationally traded services firms in Ireland with 10 or more employees – approximately 4,000 client companies.

The document provides aggregated estimates for all Irish-owned and foreign-owned firms across a range of variables and provides an overview of the evolution of manufacturing and internationally-traded services sectors over recent years. All figures in this report are in nominal values – real growth figures for key indicators are given in Appendix A.

1.2 Methodology & Use of Data

An inter-agency group comprising Forfás and a representative from each of the participating agencies manages the implementation of the survey. The group meets on a regular basis to review progress in respect of survey fieldwork, and to consider issues of methodology, coverage and questionnaire content. The survey is used extensively by Forfás and the participating agencies for a number of purposes, some of which are listed below:

- Each of the participating agencies obtains aggregated information relating to its own client base and this information is used to assess the achievement of internal goals and targets.
- The firm-level data compiled in the survey is used by each of the agencies, and by Forfás, to add to its knowledge of individual companies, and also to feed into numerous policy/sectoral studies where information is required on different grouping of companies.
- The information collected in the survey is used in the "Value for Money Indicators" project along with other information from the employment survey and information from the development agencies.
- Survey results are published annually on the Forfás web site www.forfas.ie

1.3 Results

The document provides a commentary on key results in respect of Irish-owned manufacturing and internationally traded services (Section 2) and foreign-owned manufacturing and internationally traded services (Section 3).

To highlight broad trends in the report, sectors have been amalgamated into smaller groups.

Section 2 - Irish-owned client companies have been grouped by:

Manufacturing and Other Industry

- Food/Drink/Tobacco - including agriculture, fishing, forestry and mining
- Traditional Manufacturing - including textiles, printing, wood products, rubber and plastics, non-metallic minerals, basic & fabricated metal products, electrical equipment, machinery & equipment, transport equipment and other miscellaneous manufacturing
- Modern Manufacturing & energy- chemicals, medical devices, computer, electronic & optical products and energy, water, waste & construction

Information, Communication & Other Services

- Information, Communication & Computer - computer programming, computer consultancy, computer facilities and other IT & computer services and publishing, broadcasting & telecommunications
- Business, Financial & Other Services - including education

Section 3 - foreign-owned client companies have been grouped by:

- The same headings are used as with the Irish-owned companies with the exception of Modern manufacturing where each of the sectors are show separately i.e. chemicals, medical devices, computer, electronic & optical products.

ABSEI Appendix:

Detailed tabular data are provided in a separate appendix on the basis of

- All Irish-owned Firms
- All Foreign-owned Firm
- All Firms

1.4 NACE Rev. 2 Classification of Economic Activity

Previously, the classification of economic activity used in the Annual Business Survey of Economic Impact was NACE Rev. 1.1. NACE is the statistical classification of economic activities used An updated classification has now been developed and is implemented in this Survey - NACE Rev. 2.

This publication provides a time-series for the period 2000-2008 based on NACE Rev. 2 classification.

2. Irish-Owned Manufacturing and Internationally Traded Services

Sales & Sales Growth in Irish-Owned Client Companies 2000-2008

	2000	2007	2008	Per Annum Change 2007-2008	Per Annum Change 2000-2008
	€k	€k	€k	%	%
Total - All Sectors	22,834,082	30,796,556	31,003,369	0.7%	3.9%
Manufacturing & Other Industry	19,405,192	24,717,217	24,477,469	-1.0%	2.9%
Food/Drink/Tobacco	10,535,120	12,891,930	12,834,789	-0.4%	2.5%
Traditional Manufacturing	6,730,547	8,432,353	8,080,320	-4.2%	2.3%
Modern Manufacturing & Energy	2,139,525	3,392,933	3,562,359	5.0%	6.6%
Information, Comm. & Other Services	3,428,891	6,079,340	6,525,900	7.3%	8.4%
Information, Communications & Computer	1,444,476	1,927,872	2,044,645	6.1%	4.4%
Business , Financial & Other Services	1,984,414	4,151,468	4,481,256	7.9%	10.7%

The overall sales of Irish-owned manufacturing and service companies amounted to approximately €31bn in 2008 and represent a 0.7 percent increase over last year's figures.

Despite the difficult economic climate, the upward trend in sales by Irish-owned enterprises since 2003 has continued and over the period 2000 to 2008, sales growth of 3.9 percent per annum in nominal terms is reported.

The table also highlights some interesting aspects of the structural change that has been taking place in the Irish-owned enterprise base. Sales growth in the services sector continues to outpace manufacturing performance between 2000 and 2008; with 8.4 percent growth in services and just 2.9 percent growth in manufacturing per annum in nominal terms. However, the level of total sales in manufacturing at €24.4b is still four times the level of sales in internationally-traded services (€6.5bn) among Irish-owned firms.

There was a decline in sales in traditional manufacturing of -4.2 percent between 2007 and 2008 while modern manufacturing & energy performed strongly with a 5 percent increase in the last year.

Composition of Irish-Owned Clients Companies, 2000-2008

	Sales		Employment	
	2000	2008	2000	2008
	%	%	%	%
Total - All Sectors	100.0%	100.0%	100.0%	100.0%
Manufacturing & Other Industry	85.0%	79.0%	81.4%	75.7%
Food/Drink/Tobacco	46.1%	41.4%	30.2%	29.8%
Traditional Manufacturing	29.5%	26.1%	43.4%	34.7%
Modern Manufacturing & Energy	9.4%	11.5%	7.7%	11.2%
Information, Comm. & Other Services	15.0%	21.0%	18.6%	24.3%
Information, Communications & Computer	6.3%	6.6%	9.4%	10.0%
Business , Financial & Other Services	8.7%	14.5%	9.2%	14.3%

Note: Employment shares in this table are calculated on the basis of data from the ABSEI and are not directly comparable with the results of the Forfás Annual Employment Survey

This table provides an overview of sales and employment across a number of broad industry groups to illustrate how the composition of Irish-owned industry has changed between 2000 and 2008. The share of sales accounted for by manufacturing has dropped from 85 percent in 2000 to 79 percent in 2008, with the food and drink sector accounting for most of the decrease over the period.

On the other hand, the share of sales accounted for by internationally traded services has increased from 15 percent in 2000 to 21 percent in 2008, highlighting the increasing importance of these sectors.

Overall employment shares of manufacturing and services show a similar picture over the same period; however, there are significant differences at the individual sector level. While the food and drink sector accounted for around 41.4 percent of the output of Irish-owned industry in 2008, it accounts for less than one-third of the employment (29.8 percent). Traditional manufacturing has witnessed its share of Irish-owned employment drop from 43.4 percent in 2000 to 34.7 percent in 2008, while the Modern manufacturing and Energy sectors have experienced an increase from 7.7 percent to 11.2 percent over the same period.

The internationally traded services sector continues to see its share of Irish-owned employment rise, with an increase over the period, from 18.6 percent in 2000 to 24.3 percent in 2008.

Exports & Exports Growth Irish-Owned Client Companies 2000-2008

	2000	2007	2008	Per Annum Change 2007-2008	Per Annum Change 2000-2008
	€k	€k	€k	%	%
Total - All Sectors	9,127,198	12,943,283	13,426,519	3.7%	4.9%
Manufacturing & Other Industry	7,579,242	9,872,937	10,007,755	1.4%	3.5%
Food/Drink/Tobacco	4,784,444	6,486,158	6,390,044	-1.5%	3.7%
Traditional Manufacturing	2,060,655	2,571,250	2,692,771	4.7%	3.4%
Modern Manufacturing & Energy	734,143	815,529	924,941	13.4%	2.9%
Information, Comm. & Other Services	1,547,956	3,070,346	3,418,764	11.3%	10.4%
Information, Communications & Computer	869,840	1,134,950	1,256,648	10.7%	4.7%
Business , Financial & Other Services	678,116	1,935,396	2,162,116	11.7%	15.6%

This table provides an overview of the export performance of Irish-owned manufacturing and internationally traded services sectors over the 2000-2008 period. Overall, exports of Irish-owned manufacturing and internationally traded services companies amounted to €13.4bn in 2008, up 3.7 percent on last year.

The food and drink sector, which accounts for 48 percent of all exports, witnessed a -1.5 percent decline in export sales in 2008. The fall in the value of sterling was a contributing factor to this result. Exports in traditional manufacturing also saw a decreased of -1.5 percent in 2008 over 2007. In contrast, the relatively small sector of modern manufacturing & energy category reported a strong growth in exports in 2008 with a 13.4 percent increase on the previous year.

Export growth among Irish-owned internationally traded services was 11.3 percent during 2008. Exports of information, communication & computer services among Irish-owned firms were strong, with a 10.7 percent growth between 2007 and 2008 compared with 4.7 percent for the period 2000-2008. While the business, financial and other services sectors also saw strong growth in 2008 with 11.7 percent over 2007 and giving an increase of 15.6 percent for the period from 2000-2008.

Export growth of 4.9 percent per annum over the period 2000-2008 for all sectors compares with the 3.9 percent per annum growth in total sales among indigenous companies (Table 9). Export growth had been much higher in internationally traded services sectors (10.4) compared to the manufacturing industries (3.5) on a per-annum basis between 2000 and 2008. In monetary terms, manufacturing exports at €10bn are almost three times that of exports in internationally traded services sector at €3.4bn.

Exports as a Percentage of Total Sales in Irish-Owned Client Companies, 2000-2008



Linking the data on sales and exports allows us to make an assessment in relation to the export intensity of Irish-owned industry (i.e. exports as a percentage of sales). This graph shows that the total export intensity of indigenous industry has hovered around 40 percent throughout the period 2000-2008 and now stands at 43 percent.

The food and drink sector has a big impact on the overall proportions, as illustrated by the relationship between the trend lines. As noted earlier in this report, the traditional manufacturing sectors saw an overall reduction in sales in 2008 however their level of exports did not decline at the same rate resulting in an increase in this sectors export intensity.

The internationally traded services sectors containing information, communication and other services have tended to export the highest share of its output hovering around 45 percent since 2000 and climbing in 2008 to 52 percent.

The modern manufacturing and energy sectors show a high degree of volatility in export intensity. These sectors have been growing over the period of this survey showing a 6.6 percent growth in sales since 2000 however their exports have only grown by 2.9 percent over the same period. For the last three years a trend of export intensity of approximately 25 percent has been reported.

The opposite is the case with Traditional manufacturing category (comprising sectors such as textiles, printing, wood products etc.) here sales declined overall in 2008 by -4.2 percent while exports increased by 4.7 percent reflecting the difficult domestic market in 2008.

Value Added in Irish-Owned Companies, 2000-2008

	Total Value Added			Value Added as % Sales		Value Added per Person Employed		
	2000	2008	Per Annum Change 2000-2008	2000	2008	2000	2008	Per Annum Change 2000-2008
	€k	€k	%	%	%	€k	€k	%
Total - All Sectors	7,402,137	12,356,853	6.6%	32.4%	39.9%	51.4	97.9	8.4%
Manufacturing & Other Industry	5,373,680	7,867,863	4.9%	27.7%	32.1%	45.9	82.3	7.6%
Food/Drink/Tobacco	2,268,959	3,084,937	3.9%	21.5%	24.0%	52.1	82.0	5.8%
Traditional Manufacturing	2,485,119	3,286,200	3.6%	36.9%	40.7%	39.8	75.0	8.2%
Modern Manufacturing & Energy	619,602	1,496,726	11.7%	29.0%	42.0%	55.7	105.9	8.4%
Information, Comm. & Other Services	2,028,457	4,488,990	10.4%	59.2%	68.8%	75.7	146.6	8.6%
Information, Communications & Computer	811,420	1,341,254	6.5%	56.2%	65.6%	60.1	106.5	7.4%
Business, Financial & Other Services	1,217,037	3,147,736	12.6%	61.3%	70.2%	91.6	174.6	8.4%

Value added represents the total output (sales) of firms less the cost of materials and services purchased. It provides a measure of the specific contribution of firms/sectors in terms of economic activity. The total value added of Irish-owned manufacturing and internationally traded services is estimated at €12.3bn in 2008, which equates to 39.9 percent of the total sales figure of €31bn for Irish-owned firms.

Table 13 shows that total value added is estimated to have grown by 6.6 percent per annum in nominal terms over the period 2000-2008. The manufacturing sector continues to account for the majority of value added (€7.8bn) in 2008, with an increase of 4.9 percent per annum in nominal terms between 2000 and 2008. Total value added in the internationally traded services sector increased by 10.4 percent per annum in nominal terms during the same period.

Examined as a share of sales, the value added of the food and drink sector equates to 32.1 percent of sales in this sector. In traditional manufacturing sectors, value added equates to approximately 40.7 percent of total sales while the figure in modern manufacturing is approximately 39.9 percent

Value added in internationally traded services sectors equates to over 68.8 percent of the value of sales. Across all Irish-owned manufacturing and internationally traded services sectors, value added as a percentage of sales has increased from 32.4 percent in 2000 to 39.9 percent in 2008.

Value added per person employed in manufacturing and internationally traded services is estimated at €97,900 in 2008, an increase of 8.4 percent per annum in nominal terms since 2000. Value added per person employed is higher in internationally traded services activities (€146,600) compared to manufacturing activities (€82,300)

Payroll Costs of Irish-owned Companies, 2000-2008

	Total Payroll Costs			Payroll as % of Value Added		Payroll Costs per Employee		
	2000	2008	Per Annum Change 2000-2008	2000	2008	2000	2008	Per Annum Change 2000-2008
	€k	€k	%	%	%	€k	€k	%
Total - All Sectors	4,038,060	5,703,176	4.4%	54.6%	46.2%	28.1	45.2	6.1%
Manufacturing & Other Industry	3,135,986	4,096,458	3.4%	58.4%	52.1%	26.8	42.9	6.1%
Food/Drink/Tobacco	1,225,527	1,535,877	2.9%	54.0%	49.8%	28.2	40.8	4.7%
Traditional Manufacturing	1,536,661	1,901,279	2.7%	61.8%	57.9%	24.6	43.4	7.4%
Modern Manufacturing & Energy	373,799	659,301	7.4%	60.3%	44.0%	33.6	46.6	4.2%
Information, Comm. & Other Services	902,073	1,606,718	7.5%	44.5%	35.8%	33.7	52.5	5.7%
Information, Communications & Computer	552,127	729,957	3.6%	68.0%	54.4%	40.9	57.9	4.5%
Business, Financial & Other Services	349,946	876,761	12.2%	28.8%	27.9%	26.3	48.6	8.0%

The table shows that the total amount paid by Irish-owned manufacturing and internationally traded services on payroll costs (including taxes etc.) was approximately €5.7bn in 2008.

Based on the survey data, total payroll costs have increased at a rate of 4.4 percent per annum in nominal terms over the period 2000-2008. Manufacturing firms account for €4.1bn of total payroll costs and internationally traded services firms account for the remaining €1.6bn.

Value added is defined as total output (sales) of firms less the cost of materials and services purchases. Payroll as a percentage of value added has reduced in the period from 2000 to 2008 for all sectors from 54.6 percent to 46.2 percent. This trend is reflected in both manufacturing and internationally traded services and in each of the categories.

Payroll costs per employee in Irish-owned manufacturing and internationally traded services sectors averaged at €45,200 in 2008, representing an increase of 6.1 percent per annum over the period 2000-2008. The broad manufacturing sectors have an average payroll costs per employee of approximately €43,000, compared to the internationally traded services sector which had an average payroll cost per employee of €52,500 in 2008. Payroll costs in information, communications and computer sectors were highest at €57,900 in 2008. The rates of increases in payroll costs per employee in both the internationally traded services and manufacturing sectors have relatively close, at 6.1 and 5.7 percent respectively between 2000 and 2008.

Materials and Services Purchased by Irish-owned Companies, 2008

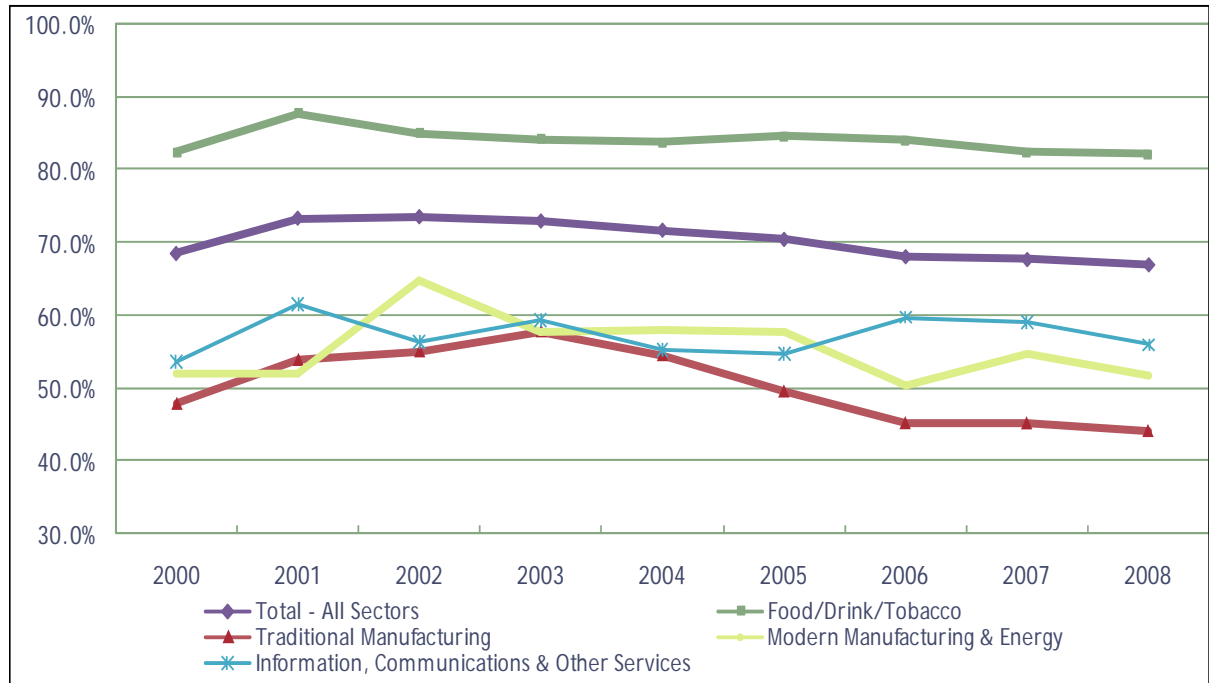
	Materials Purchases 2008			Services Purchases 2008		
	Total Materials	Irish Materials	Irish as % Total	Total Services	Irish Services	Irish as % Total
	€k	€k	%	€k	€k	%
Total - All Sectors	13,933,047	9,335,623	67.0%	4,713,469	3,776,757	80.1%
Manufacturing & Other Industry	13,005,687	8,816,471	67.8%	3,603,918	2,965,789	82.3%
Food/Drink/Tobacco	7,813,763	6,417,150	82.1%	1,936,090	1,563,270	80.7%
Traditional Manufacturing	3,761,350	1,659,604	44.1%	1,032,770	837,095	81.1%
Modern Manufacturing & Energy	1,430,575	739,717	51.7%	635,058	565,424	89.0%
Information, Comm. & Other Services	927,360	519,152	56.0%	1,109,551	810,969	73.1%
Information, Communications & Computer	231,576	126,207	54.5%	471,815	354,283	75.1%
Business , Financial & Other Services	695,784	392,945	56.5%	637,736	456,686	71.6%

The above table provides detailed information on the purchases made by Irish-owned manufacturing and internationally traded services firms.

Total raw materials purchases amounted to approximately €14bn in 2008, of which €9.3bn (67 percent) was sourced in Ireland. Most of the raw materials purchases of Irish-owned firms relate to the food and drink sector, with €6.4bn spending on Irish raw materials in 2008. This represents 82.1 percent of total materials purchases in this sector. Conversely, just 44.1 percent of materials purchases in the traditional manufacturing sectors were Irish materials (amounting to €1.6bn).

In addition to raw materials, Irish-owned manufacturing and internationally traded services firms spent a further €4.7bn on services in 2008 with the vast bulk of these (80.1 percent) sourced in Ireland. There is a high degree of uniformity regarding the proportion of indigenous services purchased by Irish-owned manufacturing and internationally traded firms, ranging from 73.1 percent of Information, Communication & other Services firms to 82.3 percent of Manufacturing firms. Overall, materials purchases in 2008 continue to outweigh services purchases in Ireland by a factor of more than three.

Irish Sourced Materials as a Share of All Materials Purchases by Irish-Owned Manufacturing & Other Industry, 2000-2008



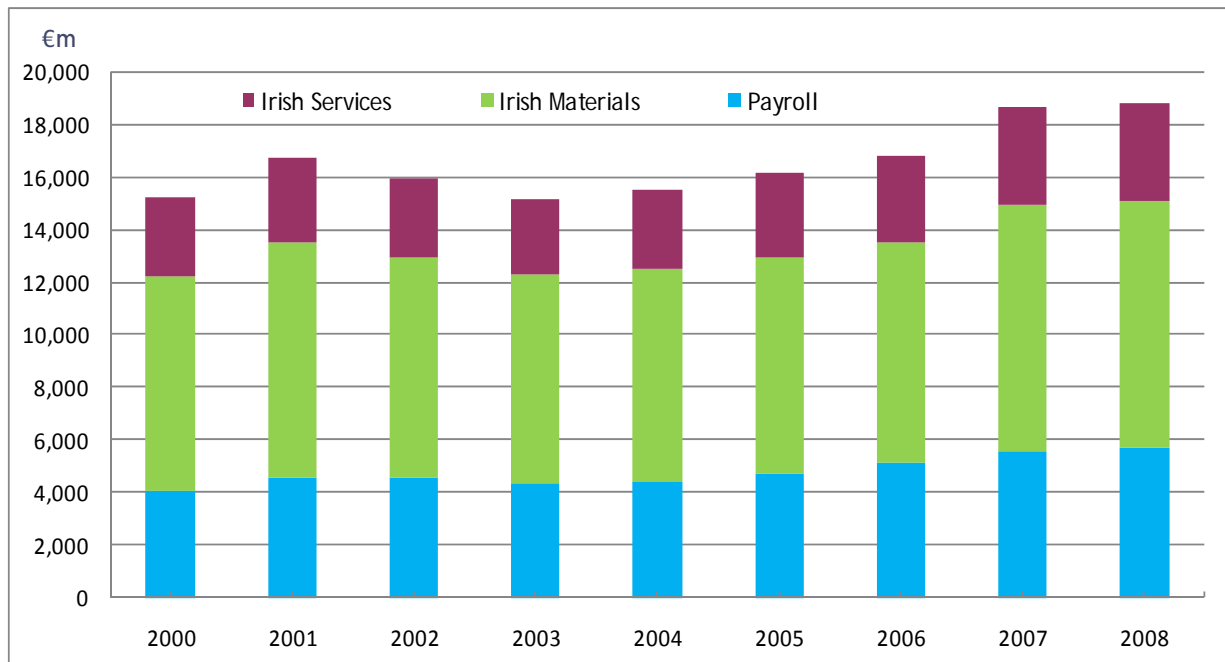
This graph maps out the share of total materials sourced in Ireland by Irish-owned manufacturing firms and shows that, for all manufacturing sectors combined, the proportions have remained fairly static at around 70 percent over the period 2000-2008, though there has been a gradual decline since 2001 and the 2008 data showed a figure of 67 percent.

The food and drink sector, which purchased around 82.1 percent of its materials requirements in Ireland in 2008, dominates this picture.

The broadly defined traditional manufacturing sector purchases the lowest share of its materials requirements in Ireland. Despite increasing their share of Irish-sourced materials to 57 percent in 2003, the traditional sectors have started to purchase more foreign-sourced materials since 2003 and the 2008 level is around 44.1 percent.

The Modern Manufacturing & Energy sectors reported 51.7 percent in 2008 approximately the same share as in 2000. This is also the case with the Internationally Traded Services sectors which was 53.6 percent in 2000 and now stands at 56 percent in 2008.

Total Direct Expenditure in the Irish Economy by Irish-Owned companies, 2000-2008



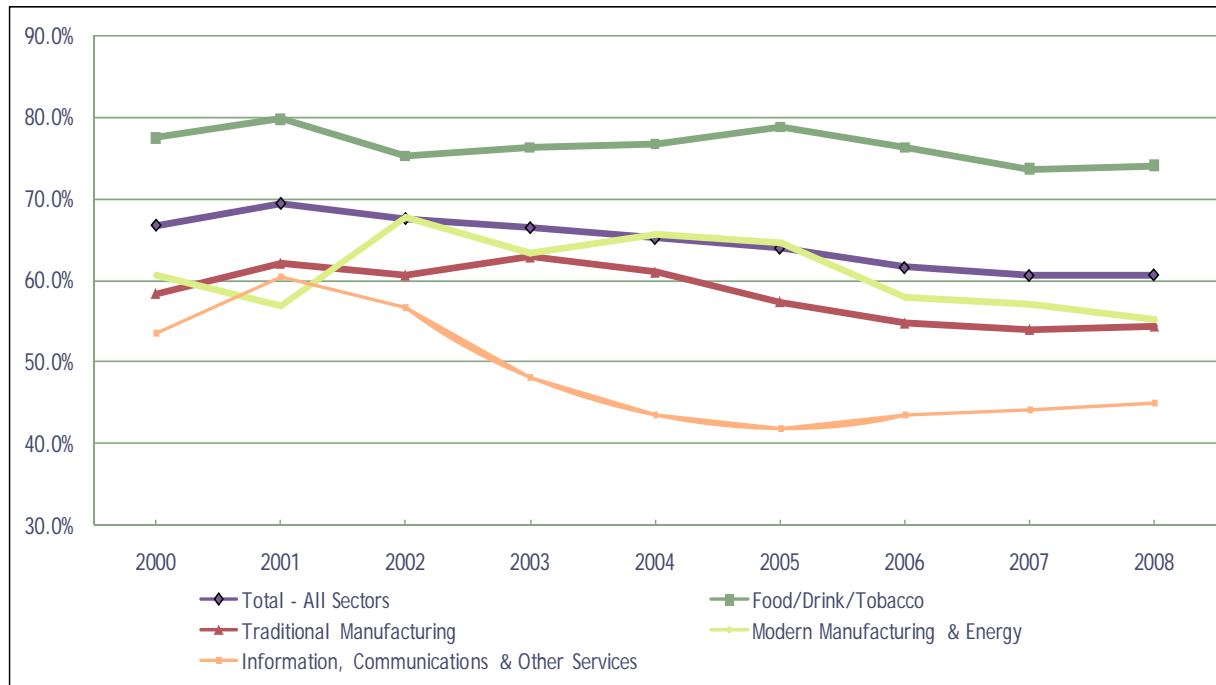
This chart summarises the total expenditure in the domestic economy by Irish-owned manufacturing and internationally trading services firms throughout the period 2000-2008.

In total, Irish-owned firms spent €18.8bn in the domestic economy in 2008, comprising €5.7bn on payroll costs, €9.3bn on Irish raw materials, and €3.8bn on Irish services.

This represents an annual increase in 2008 of 0.8 percent over 2008 returns. Direct expenditure has increased from €15.2bn in 2000 and shows an overall nominal increase of 6 percent per annum for the 2000-2008 period.

The composition of direct expenditure has changed over this series. In 2000 payroll made up 26 percent while Irish materials was 54 percent and Irish services 20 percent of total expenditure. In 2008, these shares have changed with payroll making up 30 percent, Irish services remains at 20 percent but the share accounted for by Irish materials purchases has decreased to 50 percent.

Total Direct Expenditure in the Irish Economy as a percentage of Sales in Irish-Owned Companies, 2000-2008



This chart shows the trend in direct expenditure in the economy as a percentage of sales for all Irish-owned firms and for the broad aggregated sectors. Total direct expenditure as a percentage of sales has demonstrated a gradual downward trajectory, from its highest point at 69.4 percent in 2001 to 60.7 percent in 2008.

The food and drink sector has the highest share of direct expenditure as a percentage of sales and stands at 74.1 percent in 2008

While this decrease in direct expenditure is evident in all sectors, it is marked in the Services sectors where expenditure stood at 60 percent of sales in 2001 and came in at 45 percent in 2008. Direct Expenditure in these sectors has risen over the period of the survey by 6 percent and stands at €2.9bn in 2008 compared with €1.8bn in 2000. However, sales in the services sectors rose at an even greater rate of 8.4 percent and explain the above trend line.

A detailed breakdown of this data is available by sector and year for Sales (B1), Payroll Costs (B5), Purchases of Irish Materials (B8) and Purchases of Irish Services (B10) in the appendix to this report 'ABSEI 2008 Results - appendix'.

3. Foreign-Owned Manufacturing & Internationally Traded Services

Sales - Sales Growth in Foreign-Owned Client Companies 2000-2008

	2000	2007	2008	Per Annum Change 2007-2008	Per Annum Change 2000-2008
	€k	€k	€k	%	%
Total - All Sectors	79,419,459	111,330,097	115,307,613	3.6%	4.8%
Manufacturing & Other Industry	52,701,715	69,477,728	71,061,811	2.3%	3.8%
Food/Drink/Tobacco	3,369,030	5,034,289	6,142,609	22.0%	7.8%
Chemicals	19,008,319	31,075,800	32,012,626	3.0%	6.7%
Computer, Electronic & Optical Products	20,779,028	22,804,423	22,113,286	-3.0%	0.8%
Medical Devices	3,002,530	4,654,602	5,160,706	10.9%	7.0%
Traditional Manufacturing	6,542,809	5,908,615	5,632,584	-4.7%	-1.9%
Information, Comm. & Other Services	26,717,744	41,852,370	44,245,802	5.7%	6.5%
Information, Communications & Computer	24,991,888	38,621,622	41,270,799	6.9%	6.5%
Business, Financial & Other Services	1,725,856	3,230,748	2,975,003	-7.9%	7.0%

Total sales of agency assisted foreign-owned manufacturing and internationally trading services companies grew by 3.6 percent in nominal terms and amounted to €115.3bn in 2008. Manufacturing & Other Industry sectors accounted for €71bn of this total, which equates to almost 62 percent of all sales in foreign-owned companies.

Chemicals are the largest sector on the Manufacturing side and reported a 3 percent increase in sales from 2007 now at €32bn in 2008. The second largest sector is Computer and Electronics and here there was a decrease in sales of -3 percent to €22.1bn reflecting the difficult market conditions during the year.

Between 2007 and 2008, strong sales growth of 22 percent was recorded in the foreign-owned Food & Drink sector with sales totalling €6.1bn. It should be noted that this after a difficult year in 2007 when sales were €5bn whereas the 2006 sales figure was €5.5bn (see ABSEI 2008 appendix - C1). Medical Devices have shown steady growth over the course of this survey and 2008 was another good year for that sector showing an increase of 10.9 percent.

The international services base reported an increase of 5.7 percent in 2008. Services have grown 6.5 percent between 2000-2008 and now represent 38 percent of total sales by foreign-owned client firms.

The Information, Communication and Computer sector had sales of €41.2bn - an increase of 6.9 percent over 2007.

Composition of Foreign-Owned Clients Companies, 2000-2008

	Sales		Employment	
	2000	2008	2000	2008
	%	%	%	%
Total - All Sectors	100.0%	100.0%	100.0%	100.0%
Manufacturing & Other Industry	66.4%	61.6%	72.4%	66.7%
Food/Drink/Tobacco	4.2%	5.3%	6.0%	4.6%
Chemicals	23.9%	27.8%	13.4%	16.0%
Computer, Electronic & Optical Products	26.2%	19.2%	19.8%	15.7%
Medical Devices	3.8%	4.5%	8.9%	15.1%
Traditional Manufacturing	8.2%	4.9%	24.2%	15.3%
Information, Comm. & Other Services	33.6%	38.4%	27.6%	33.3%
Information, Communications & Computer	31.5%	35.8%	26.3%	29.7%
Business , Financial & Other Services	2.2%	2.6%	1.4%	3.7%

This table traces the evolution of the foreign-owned manufacturing and internationally traded services base over the period 2000-2008. In terms of sales, the relative importance of manufacturing activity has decreased, accounting for 66.4 percent of all sales in 2000 to 61.6 percent in 2008. The balance is contributed by the international services sector which now accounts for 38.4 percent of sales, up from 33.6 percent in 2000.

The share of sales accounted for by foreign-owned Computer & Electronic Products has declined since 2000 from 26.2 percent to 19.2 percent in 2008. The strength of the Chemicals sector can be seen from their share of total sales which stands at 27.8 percent. At the same time, the share of Traditional Manufacturing is in decline and now represents just 4.9 percent of all sales compared with 8.2 percent in 2000.

The increasing contribution of the internationally traded services sectors is demonstrated by this table showing an overall increase in its share of sales from 33.6 percent in 2000 to 38.4 percent in 2008. The Information, Communications and Computer sector make up the majority of these sales and now account of 35.8 percent of all sales by foreign-owned client firms.

In terms of employment, the same general picture emerges although it is interesting to note that there are some areas where sales and employment levels are disproportionate. As stated, the chemicals sector accounts for 27.8 percent of the reported sales, but it comprises only 16 percent of the employment in foreign-owned companies in Ireland. In Traditional Manufacturing and Medical Devices sales represent just under 5 percent of total sales but both sectors account for 15 percent of employment.

There is a strong correlation in the Services sectors between share of sales and numbers employed. Overall Services accounted for 38.4 percent of sales and 33.3 percent of employment in 2008.

Exports & Exports Growth in Foreign-Owned Client Companies 2000-2008

	2000	2007	2008	Per Annum Change 2007-2008	Per Annum Change 2000-2008
	€k	€k	€k	%	%
Total - All Sectors	72,538,828	105,912,767	109,871,012	3.7%	5.3%
Manufacturing & Other Industry	47,977,611	66,433,594	68,011,392	2.4%	4.5%
Food/Drink/Tobacco	2,519,708	4,498,204	5,705,363	26.8%	10.8%
Chemicals	18,197,968	30,344,745	30,803,826	1.5%	6.8%
Computer, Electronic & Optical Products	19,268,678	22,176,109	21,654,357	-2.4%	1.5%
Medical Devices	2,703,190	4,459,874	5,007,799	12.3%	8.0%
Traditional Manufacturing	5,288,067	4,954,663	4,840,046	-2.3%	-1.1%
Information, Comm. & Other Services	24,561,217	39,479,174	41,859,620	6.0%	6.9%
Information, Communications & Computer	23,110,388	36,523,643	39,276,570	7.5%	6.9%
Business , Financial & Other Services	1,450,829	2,955,531	2,583,051	-12.6%	7.5%

The above table provides information relating to exports by foreign-owned companies in Ireland. The exports of foreign-owned companies in Ireland at €109.8bn equate to 95 percent of the reported sales by these firms.

Manufacturing sectors accounted for 62 percent of all exports in foreign-owned companies in Ireland in 2008. The growth in manufacturing exports by foreign companies has been driven by the food/drink, chemicals and medical devices industries during the period 2000-2008 and shows an overall increase in exports of 4.5 percent during this period.

Exports were down in 2008 for the Computer & Electronic sector by -2.4 percent in what has been an exceptionally difficult year of business. Traditional Manufacturing also saw a decline in exports in 2008 of -2.3 percent and is the only sector to show an overall decline from 2000-2008 of -1.1 percent.

In the Internationally Traded Services sector exports account for the majority of sales and have increased from 92 percent in 2000 to 95 percent in 2008. Overall exports increased by 6 percent in 2008 over 2007 and now stand at €41.8bn.

Value Added in Foreign-Owned Companies, 2000-2008

	Total Value Added			Value Added as % Sales		Value Added per Person Employed		
	2000	2008	Per Annum Change 2000-2008	2000	2008	2000	2008	Per Annum Change 2000-2008
	€k	€k	%	%	%	€k	€k	%
Total - All Sectors	34,260,443	49,965,628	4.8%	43.1%	43.3%	207.6	360.1	7.1%
Manufacturing & Other Industry	25,019,883	30,594,801	2.5%	47.5%	43.1%	209.5	330.8	5.9%
Food/Drink/Tobacco	1,253,431	2,542,501	9.2%	37.2%	41.4%	126.3	401.3	15.5%
Chemicals	11,593,163	15,271,137	3.5%	61.0%	47.7%	524.6	689.8	3.5%
Computer, Electronic & Optical Products	8,022,052	7,529,545	-0.8%	38.6%	34.0%	245.1	345.8	4.4%
Medical Devices	1,744,052	2,865,041	6.4%	58.1%	55.5%	118.8	136.4	1.7%
Traditional Manufacturing	2,407,185	2,386,577	-0.1%	36.8%	42.4%	60.2	112.4	8.1%
Information, Comm. & Other Services	9,240,560	19,370,827	9.7%	34.6%	43.8%	202.5	418.8	9.5%
Information, Communications & Computer	7,945,619	16,940,719	9.9%	31.8%	41.0%	183.2	411.5	10.6%
Business, Financial & Other Services	1,294,941	2,430,108	8.2%	75.0%	81.7%	572.9	477.3	-2.3%

As stated in Section 2 of the report, value added is total sales less the cost of bought-in materials and services. In the case of foreign-owned multinationals, this measure may not reflect the “real” contribution of the Irish-owned operation, as much of the bought-in materials and services are bought from other parts of the same enterprise group and can be distorted by transfer pricing arrangements.

The total value added of foreign-owned manufacturing and international services is estimated at €49.9bn in 2008, which equates to 43.3 percent of the gross output/sales.

Although total value added grew at a rate of 4.8 percent per annum in nominal terms over the period 2000-2008, the aggregate figures mask important sectoral patterns. There has been strong growth in Value Added in the Internationally Traded Services sector, Food & Drink, Medical Devices and Chemicals but a decline in Computer & Electronics and Traditional Manufacturing.

Based on this survey, value added per person employed was €360,100 in 2008, which represents a nominal increase of 7.1 percent per annum since 2000. Value added per person employed on 2008 is lower in manufacturing (€330,800) compared to internationally traded services (€418,800). It is important to note that aggregate value added per person employed figures for broad categories of manufacturing and internationally traded services are significantly affected by one or two individual sectors, such as chemicals in manufacturing and Information, Communication & Computer in internationally traded services, so longer term trends are more important to analyse than year-to-year movements.

Payroll Costs of Foreign-owned Companies, 2000-2008

	Total Payroll Costs			Payroll as % of Value Added		Payroll Costs per Employee		
	2000	2008	Per Annum Change 2000-2008	2000	2008	2000	2008	Per Annum Change 2000-2008
	€k	€k	%	%	%	€k	€k	%
Total - All Sectors	5,899,111	7,812,971	3.6%	17.2%	15.6%	35.7	56.3	5.8%
Manufacturing & Other Industry	4,120,393	5,074,442	2.6%	16.5%	16.6%	34.5	54.9	6.0%
Food/Drink/Tobacco	339,628	371,565	1.1%	27.1%	14.6%	34.2	58.6	7.0%
Chemicals	935,374	1,534,818	6.4%	8.1%	10.1%	42.3	69.3	6.4%
Computer, Electronic & Optical Products	1,231,268	1,128,395	-1.1%	15.3%	15.0%	37.6	51.8	4.1%
Medical Devices	417,040	958,997	11.0%	23.9%	33.5%	28.4	45.7	6.1%
Traditional Manufacturing	1,197,083	1,080,667	-1.3%	49.7%	45.3%	29.9	50.9	6.9%
Information, Comm. & Other Services	1,778,718	2,738,529	5.5%	19.2%	14.1%	39.0	59.2	5.4%
Information, Communications & Computer	1,699,052	2,422,779	4.5%	21.4%	14.3%	39.2	58.9	5.2%
Business, Financial & Other Services	79,666	315,750	18.8%	6.2%	13.0%	35.2	62.0	7.3%

This table presents payroll details of all foreign-owned manufacturing and internationally traded services companies in Ireland. The total payroll bill of foreign-owned firms amounted to almost €7.8bn in 2008 with manufacturing accounting for €5.0bn (65 percent) and services contributing the remaining balance of €2.7bn (35 percent).

While payroll costs account for around 39.9 percent of value added in Irish-owned industry, they account for around 15.6 percent of the reported value added of foreign manufacturing and internationally traded services. Payroll costs comprise almost half of all value added in the Traditional Manufacturing sector, but just 10.1 percent of the chemicals sector.

Total payroll costs per person employed averaged €56,300 in 2008, representing an increase of 5.8 percent per annum in nominal terms over the period 2000-2008. Payroll costs per employee are roughly on a par in both the international services sector and the manufacturing sector; averaging €54,900 and €59,200 respectively in 2008.

The chemicals sector has significantly higher average payroll costs per capita than other manufacturing sectors (€69,300); however, it has the lowest ratio of payroll cost as a percentage of value added (10.1 percent).

Materials & Services Purchased by Foreign-Owned Companies, 2008

	Materials Purchases 2008			Services Purchases 2008		
	Total Materials	Irish Materials	Irish as % Total	Total Services	Irish Services	Irish as % Total
	€k	€k	%	€k	€k	%
Total - All Sectors	29,383,958	2,954,565	10.1%	35,958,027	10,238,007	28.5%
Manufacturing & Other Industry	24,131,861	2,542,114	10.5%	16,335,149	3,171,147	19.4%
Food/Drink/Tobacco	1,224,259	572,032	46.7%	2,375,849	344,184	14.5%
Chemicals	6,873,104	550,943	8.0%	9,868,385	1,151,847	11.7%
Computer, Electronic & Optical Products	12,334,994	634,151	5.1%	2,248,747	647,789	28.8%
Medical Devices	1,133,825	333,970	29.5%	1,161,841	560,668	48.3%
Traditional Manufacturing	2,565,680	451,018	17.6%	680,328	466,660	68.6%
Information, Comm. & Other Services	5,252,097	412,450	7.9%	19,622,878	7,066,860	36.0%
Information, Communications & Computer	4,933,846	383,000	7.8%	19,396,233	6,969,821	35.9%
Business, Financial & Other Services	318,251	29,450	9.3%	226,645	97,039	42.8%

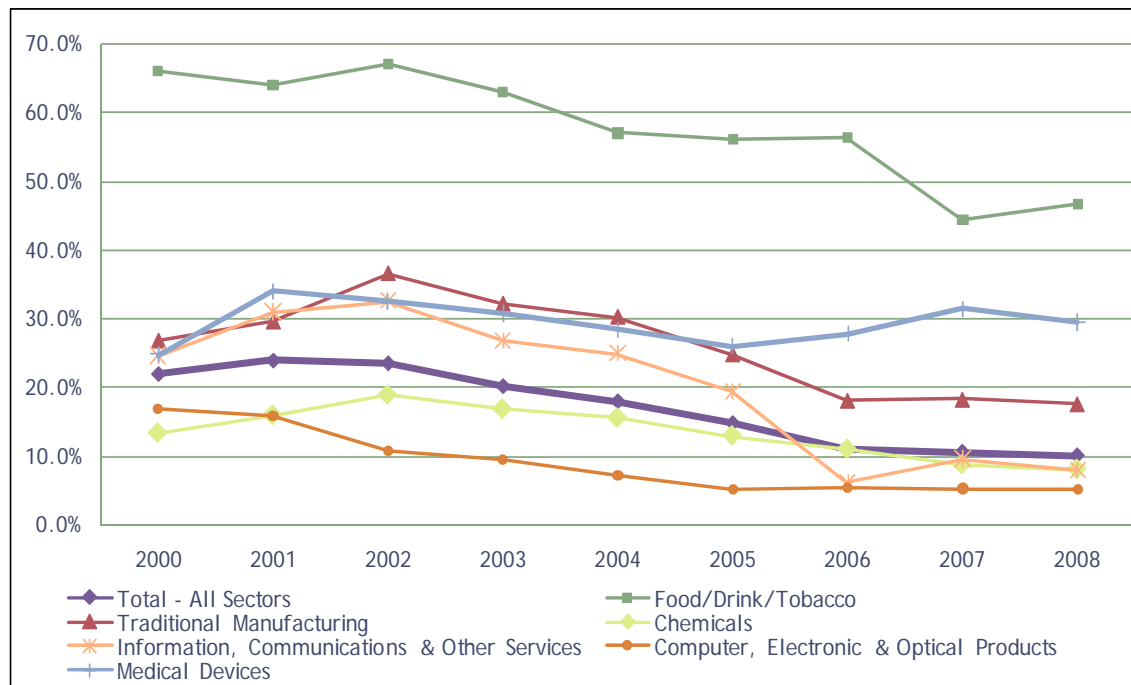
The table provides an overview of the value of purchases made by foreign-owned manufacturing and services companies in 2008 in addition to the share of these purchases made in Ireland. In overall terms, foreign-owned industry spent €29.3bn on raw materials, of which €2.9bn or 10.1 percent relates to materials produced in Ireland (either by indigenous suppliers or other foreign-owned multinationals in the country).

In addition to its raw materials requirements, foreign-owned companies spent a further €35.9bn on services purchases with €10.2bn or 28.5 percent of these being sourced in Ireland.

The largest proportion of Irish-sourced materials is found in the food and drink sector, where almost half (46.7 percent) of all materials are indigenous. The Medical Devices sector also purchased a high level of Irish materials at 29.5 percent of total expenditure on materials. The sector with the lowest level of spend is the Computer & Electronic Products with just 5.1 percent of materials purchased in Ireland.

Turning to the Internationally Traded Services sectors, the proportion of Services purchased in Ireland is greater than materials and was 36 percent in 2008.

Irish Sourced Materials as a Share of All Materials Purchases by Foreign-Owned Manufacturing & Other Industry, 2000-2008



This graph depicts trends in the share of materials purchases sourced in Ireland. The average for all foreign-owned manufacturing materials sourced in Ireland has decreased from around 22 percent in 2000 to around 10 percent in 2008.

Food and drink sector has continued to source the majority of its materials requirements in Ireland and in absolute terms this amounted to €572m in 2008. However, the percentage of materials sourced in Ireland in this sector is in a decline, having decreased from 66 percent in 2000 to approximately 47 percent in 2008.

In terms of Irish-sourced materials, the Computer & Electronics and Chemicals sectors are large sectors in absolute terms with purchases of over €634m and €551m respectively in 2008.

- However, as a proportion of all materials, Irish-sourced materials in the Computer & Electronics sector is on a downward trend since 2000 where it was at 16.8 percent to 5.1 percent in 2008.
- Similarly the share of Irish materials purchased by the Chemicals sector has declined over the same period from 13.3 percent to 8 percent in 2008.

Total Direct Expenditure in the Irish Economy by Foreign-Owned companies, 2000-2008

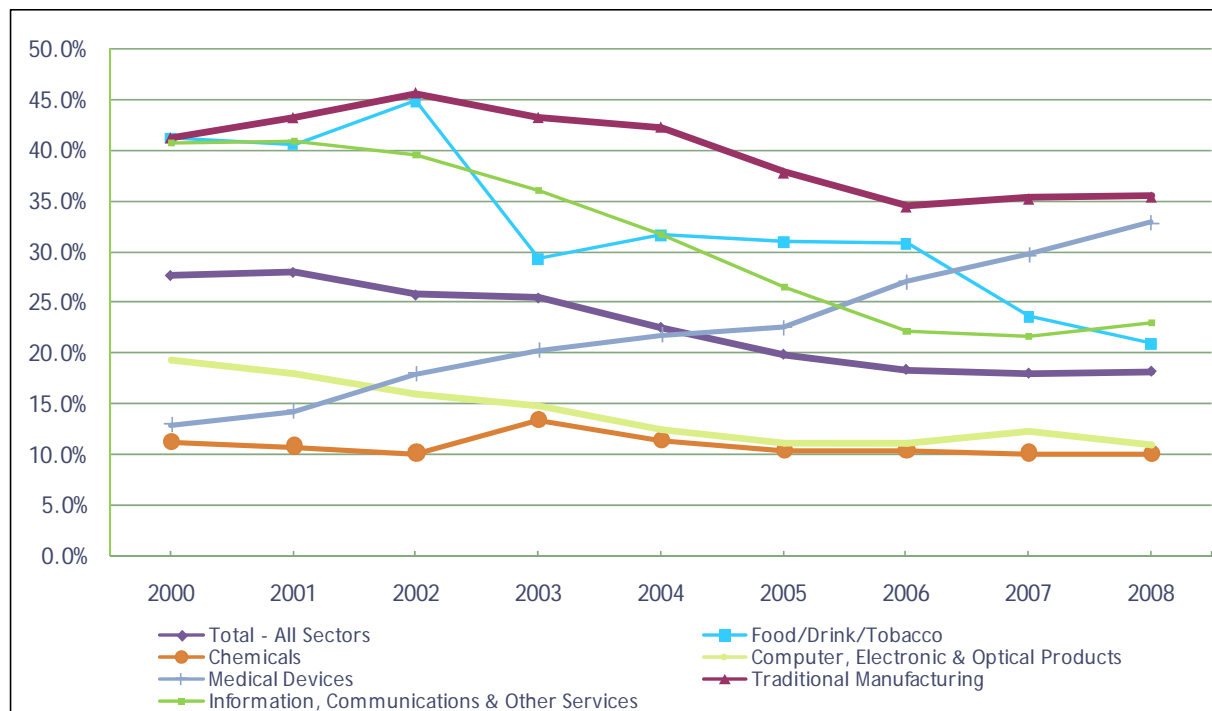


This chart provides trend information on the three components that make up total direct expenditure by foreign-owned companies in the Irish economy. This expenditure amounted to €21bn in 2008, comprising €7.8bn on payroll costs, €3bn on materials produced in Ireland and €10.2bn on services purchased in Ireland.

Direct Expenditure by foreign-owned firms is up 4.7 percent on 2007 and continues the trend of increased expenditure in the Irish economy since 2005.

- The ratio of services expenditure among foreign companies in manufacturing and internationally traded sectors has increased from 47.8 percent in 2000 to 48.7 percent in 2008 making it the largest element of direct expenditure currently.
- Over the same period, the share of raw materials decreased from 25.4 percent in 2000 to 14.1 percent in 2008.
- The proportion of expenditure spent on payroll, has increased to 37.2 percent in 2008 from 26.8 percent in 2000.

Total Direct Expenditure in the Irish Economy as a Percentage of Sales in Foreign-owned Companies, 2000-2008



This graph provides trend information on direct expenditure (Payroll, Irish Materials, and Irish Services) by foreign-owned firms in the Irish economy as a percentage of sales over the period 2000-2008.

For all sectors combined, the results show that direct expenditure in the Irish economy as a percentage of sales has been decreasing steadily over the period covered by the survey. Direct expenditure by foreign companies in Ireland as a percentage of sales stands at 18.2 percent in 2008 down from around 27.7 percent in 2000.

In absolute terms the sectors with the greatest direct expenditure in the Irish economy are in the Internationally Traded Services sectors. Information, Communications and Other Services direct expenditure amounted to €5.5bn in 2008 or 23.1 percent of total sales, however, in 2000 this percentage of total sales was 40.7 percent.

The next highest contributor is the Chemicals sector with a total expenditure of €3.2bn in 2008. This represents 10.1 percent of sales in that sector and is only marginally lower than 2000 when expenditure stood at 11.2 percent.

A detailed breakdown of this data is available by sector and year for Sales (C1), Payroll Costs (C5), Purchases of Irish Materials (C8) and Purchases of Irish Services (C10) in the appendix to this report 'ABSEI 2008 Results - appendix'