

## Irish Trade Figures (May Preliminary)

Friday, 23 July 2010

The latest merchandise trade figures released by the Central Statistics Offices this morning were very positive with the seasonally-adjusted trade surplus in May hitting its highest level ever, breaking through €4bn for the first time. Seasonally-adjusted exports rose by 8.3% in May relative to April while imports fell by 13.9%, reflecting still subdued domestic demand.

On an unadjusted basis, the value of exports in May was up 6.3% on the same month in 2009 while the value of imports was 9.1% below that in May of the previous year. The unadjusted trade surplus amounted to €3,943m, €796m higher than the positive balance of €3,147m posted in May 2009, and the highest surplus since last September. Following yet more revisions to last year, the overall trade surplus for 2009 is now put at €38,483m, €9,673m or just under 34% higher than the overall surplus of €28,810m recorded in 2008. Furthermore, it was the highest annual trade surplus on record, though a lot of that can again be put down to the weakness in imports rather than the strength of exports. In the first five months of 2010, the cumulative trade surplus amounted to €16,827m, or €146m higher than the cumulative surplus of €16,681m posted in the same period last year.

Looking at the export picture for January-April, the latest period for a detailed breakdown: computer equipment decreased by 42% in the year in value terms, while organic chemicals fell by 20% and other transport equipment (including aircraft) by a whopping 83%. On the positive side, exports of pharmaceutical products increased by 9%. As regards the destination of Irish goods, exports to Belgium (goods passing through the port of Antwerp) fell 10% in the year and Great Britain by 11%. However, exports to Australia were up 34% and to Saudi Arabia by 58%. These latter figures are encouraging as it shows that Irish trade is moving away from being wholly dependent on the US, UK and Eurozone for support.

The 2010 outlook for merchandise exports depends heavily upon the strength of the recovery in external demand as well as the external market share that Irish exporters are able to capture. While US economic indicators have been mixed of late, we still think overall activity in the world's largest economy will be stronger this year than in 2009, and this should in our view augur well for Irish exports.

According to the first quarter Irish National Accounts, exports of goods and services were up 5.5% in volume terms year-on-year, with goods up 2.4% and services a very impressive 9.5%. The services sector will become increasingly more important from a global perspective as time goes by, and encouragingly for Ireland, we have a higher percentage of our exports in services (45%) than any other western economy.

One of the positive developments from the Eurozone debt crisis has been the sharp fall in the euro, and a weak single currency benefits Ireland more than most. Ireland's economy is one of the most open in the world. We are still looking for the euro to weaken to 0.80 versus sterling by year-end and to the \$1.10 to \$1.20 range against the dollar, which would be positive for exports.

***It is clear at this stage that the export sector will be the key player in the Irish recovery story over the next few years. The trade performance (goods & services) last year was quite impressive by international standards, and we expect another solid performance in 2010 all things considered, with a merchandise trade surplus of over €40bn.***

	Exports (€m Unadj.)	Imports (€m Unadj.)	Balance (€m Unadj.)	Exports (€m s.a.)	Imports (€m s.a.)	Balance (€m s.a.)
2009 May	7,025	3,877	3,147	7,127	4,085	3,041
2010 March	7,544	4,164	3,380	6,774	3,862	2,911
2010 April	7,246	4,115	3,132	7,089	4,203	2,886
<b>2010 May</b>	<b>7,466</b>	<b>3,523</b>	<b>3,943</b>	<b>7,680</b>	<b>3,618</b>	<b>4,062</b>