

Survey of Irish Economy Expenditures
Preliminary Results for 1994 and Trends 1988 - 1994

PREFACE

The annual survey of Irish economy expenditures measures the impact of manufacturing and international service industry in the Irish economy. This impact is manifest in four key areas: wage 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 1995 Irish Economy Expenditures, which was carried out during the second half of 1996. The report examines the trends in companies sales and their expenditures on wages and salaries, purchases of Irish manufactured raw materials and components, services and profits over the 1989 to 1995 period. The returns have been analysed on the basis of an Irish-Foreign split over three main business activities - manufacturing, food related and internationally traded services.

The report focusses 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 Policy and Planning Division, Forfás.

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EXECUTIVE SUMMARY

- The estimated Irish economy expenditures (IEEs) of all manufacturing and international services industry (including estimates for companies employing less than 20) show an increase of £1,200 million (+7.9%), in real terms, between 1994 and 1995. (Table 1)
- The estimated Irish economy expenditures (IEEs) of manufacturing industry (including estimates for companies employing less than 20) show an increase of £339 million (+8.8%), in real terms, between 1994 and 1995. (Table 2)
- The survey shows that the manufacturing industry base surveyed (companies employing more than 19 people) has increased sales by £8,712m (51.1%) and Irish economy expenditures by £3,712m (40.2%) in real terms, since 1989. (Charts 1 and 2)
- The Irish economy expenditures of Irish-owned¹ manufacturing companies increased by £1,609m (29.4%), in real terms, an average of 4.4% p.a. over the 1989-95 period and by £409m (6%) in 1995. Over the same period sales increased by £1,771m (24.2%), an annual average of 3.7% in real terms to £9,079m in 1995 (Charts 3 & 4)
- The Irish economy expenditures of food, drink and tobacco companies (Irish and foreign owned) rose by £1,236m, or 25.4% in real terms (3.8% p.a. on average) over the period 1989/95. Sales rose by £2,175m, or 34.9% in real terms (5.1% p.a. on average) over this period. The overall trend is that IEEs as a % of sales have fallen from 78.0% in 1989 to 72.5% in 1995, thus reducing the domestic impact of every £1 of sales. However, sales increased by £463m (5.8%) and IEEs by £242m (4.1%) in 1995. This is welcome as it follows a decline in both sales and IEEs recorded in 1994 (Charts 5 & 6)
- The Irish economy expenditures of all foreign-owned manufacturing companies increased by £2,103m or 55.7% in real terms (an annual average of 7.6% p.a.) over the 1989-1995 period and by £801m (15.8%) between 1994 and 1995 (Charts 7 & 8, Page 10). Sales increased by £6,941m (71.2%) over the period 1989-1995, an annual average rate of 9.4% p.a. in real terms.
- Excluding the food, drink and tobacco sector, the Irish economy expenditures of foreign-owned manufacturing companies increased by £1,964m or 77.2% between 1989 and 1995, (an annual average increase of 10.0% in real terms) with a significant increase of £850m (23.2%) occurring in 1995 (Charts 9 & 10, page 11). Expenditures on Irish raw materials rose by 130.3% and Irish services by 60.9% in the period 1989-1995. Sales rose by £5,870m or 75.3% between 1989 and 1995 (an annual average increase of 9.8%) in real terms.
- After a 3 year period (1991/93) during which the profitability of Irish-owned manufacturing companies (including food, drink and tobacco) remained static at c. 4.3% of sales, final results for 1994 and preliminary results for 1995 show profits increasing to 5.5% of sales in 1994 and to 6.2% of sales in 1995 (Table 3, Page 12). An analysis of the figures show a steady increase in profitability in all sectors of general manufacturing industry.
- Irish-owned manufacturing companies exported 43% of their total exports to the United Kingdom in 1994, a similar level to 1992, this represents 19% of sales. (Tables 5a and 5b)

¹ For ease of reference, the notation Irish and foreign-owned will refer respectively to Irish-owned and foreign-owned industry.

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**1. ESTIMATED IRISH ECONOMY EXPENDITURES OF ALL²
MANUFACTURING AND INTERNATIONALLY TRADED SERVICES
INDUSTRY 1994-1995**

CONSTANT 1995 PRICES £m

TABLE 1							
	Irish Owned		Foreign Owned		Total		% Change
	1994	1995	1994	1995	1994	1995	94/95
Total Sales	12,927	13,709	18,426	21,963	31,353	35,672	13.8
Total Irish economy expenditure	10,134	10,669	7,054	8,670	17,188	19,339	12.5
Of which							
Wage & Salaries	2,058	2,076	2,076	2,259	4,134	4,335	4.9
Irish Raw Materials	5,665	6,090	2,201	2,524	7,866	8,614	9.5
Irish Services	1,691	1,653	2,440	3,515	4,131	5,168	25.1
Profits(all Irish industry profits and corporation tax paid by overseas firms)	720	850	337	372	1,057	1,222	15.6
IEEs as % of Sales	78.4	77.8	38.3	39.5	54.8	54.2	-1.1

² For the purpose of this report, 1995 data is considered as preliminary. Final 1995 results and preliminary 1996 data will be available following completion of the 1996 survey.

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1.1 KEY POINTS:

- The expenditures of manufacturing and internationally traded services industry in 1995 at £19,339m is an estimated increase of £2,151m (+12.5%) in real terms on the 1994 outturn of £17,188m
- Total sales increased by 13.8% (from £31,353 to £35,672).
- Wage and salary and related expenditures increased by an estimated £201m (4.9%) in 1995. The slower increase in wage and salary expenditures reflects a continuing growth in productivity and moderation in wage costs.
- In 1995 Irish owned companies accounted for 38.4% of sales but contributed 55.1% in 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 to foreign industry.

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**2. ESTIMATED IRISH ECONOMY EXPENDITURES OF
MANUFACTURING³ INDUSTRY 1994-1995**
(Including estimates for companies employing less than 20)

CONSTANT 1995 PRICES £m

TABLE 2							
	Irish Owned		Foreign Owned		Total		%
	1994	1995	1994	1995	1994	1995	94/95
Total Sales	12,523	13,268	14,764	17,622	27,287	30,890	13.2
Total Irish economy expenditure	9,817	10,338	5,421	6,239	15,238	16,577	8.8
Of which							
Wage & Salaries	1,096	1,936	1,823	1,939	3,729	3,875	3.9
Irish Raw Materials	5,619	6,030	1,635	1,923	7,254	7,953	9.6
Irish Services	1,609	1,551	1,655	2,037	3,264	3,588	9.9
Profits(all Irish industry profits and corporation tax paid by overseas firms)	683	821	308	340	991	1,161	17.2
IEEs as % of Sales	78.4	77.9	36.7	35.4	55.8	53.7	-3.8

³ Includes estimates for Shannon Development and Údarás na Gaeltachta.

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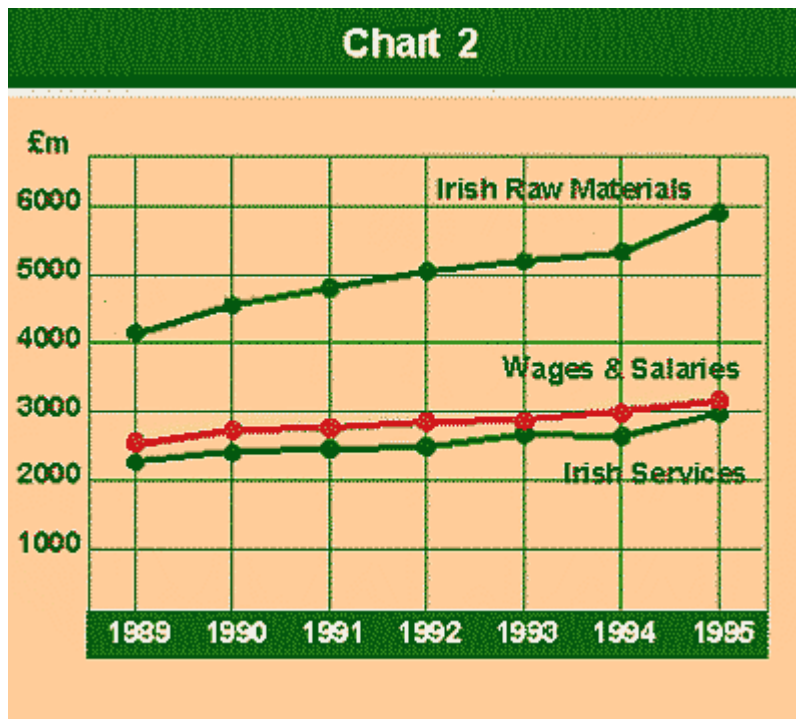
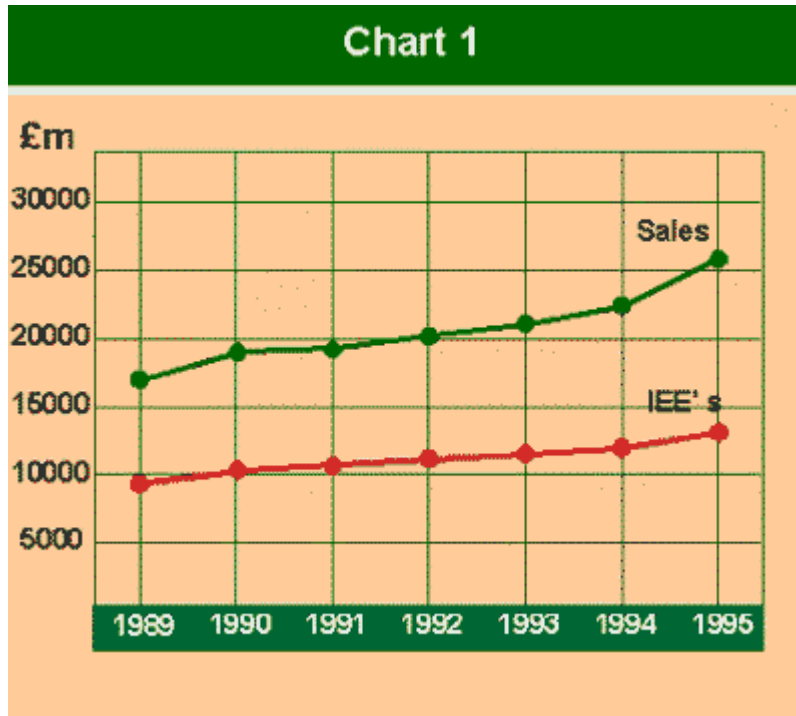
2.1 KEY POINTS:

- The Irish economy expenditures of manufacturing industry in 1995 at £16,577m represents an estimated increase of £1,339m (+8.8%) on the 1994 outturn of £15,238m.
- Irish economy expenditures as a % of sales declined from 55.8% in 1994 to 53.7% in 1995 (-3.8%) and this decline occurred both in Irish owned (-0.6%) and foreign owned companies (-3.5%).
- Profits increased at a faster rate than sales in 1995. The growth in Irish profits of foreign owned companies (10.4%) reflects increases in corporation tax payments. Significantly, Irish owned manufacturing firms recorded an estimated growth in profits of 20.2% (£138m) in 1995.
- Wage and salary expenditures increased by 3.9% in 1995.
- Purchases of Irish raw materials and usage of Irish services grew by 9.6% and 9.9% respectively in 1995. Foreign owned companies increased their spend on Irish services by 23.1% and increased their purchases of Irish raw materials by 17.6% in 1995.

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3. MANUFACTURING INDUSTRY TRENDS 1989-1995
(Survey Base - Companies Employing More than 19)

(Constant 1995 Prices - million)



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TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1989 to 1995 amounted to £8,712m (51.1%), an annual average rate of increase of 7.1% in real terms. In 1995 sales increased by £3,366m (15%) to £25,768m.

- **IRISH ECONOMY EXPENDITURES**

Irish economy expenditures increased by £3,712m (40.2%), an annual average rate of growth of 5.8% in real terms, over the period 1989/95. The growth in purchases of Irish raw materials (+43.5%), usage of Irish services (+31.7%) and wage and salary costs (25.0%) did not keep pace with the growth in sales (+51.1%).

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage and salary expenditures grew by £633m (25.0%) over the period. The increase per employee was 13.5%, an average real increase of 2.1% p.a. The slower rate of growth of wage and salary expenditures compared to the growth in sales (51.1%) over the period indicates a continuing improvement in productivity and a reduction in pay and related costs.

- **IRISH RAW MATERIALS**

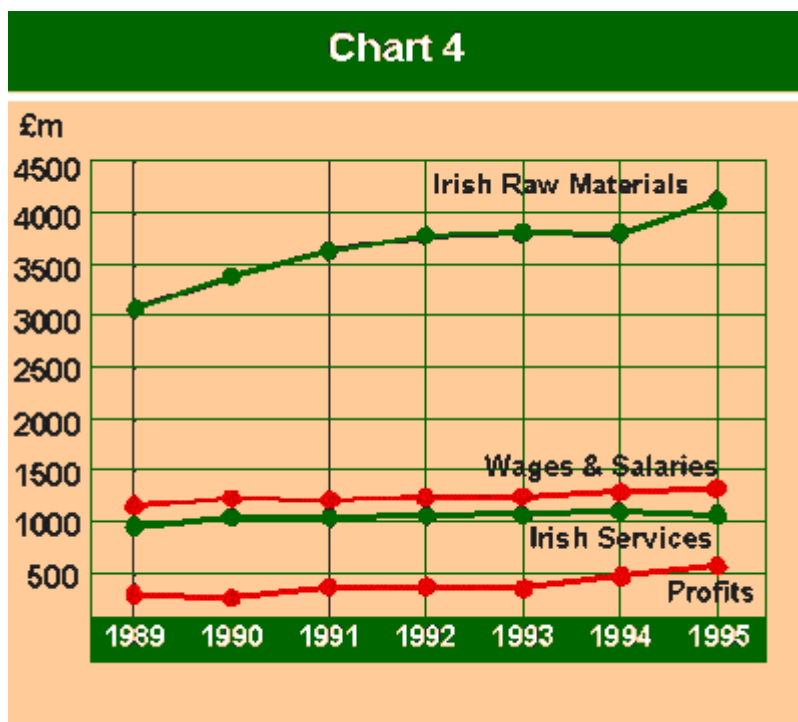
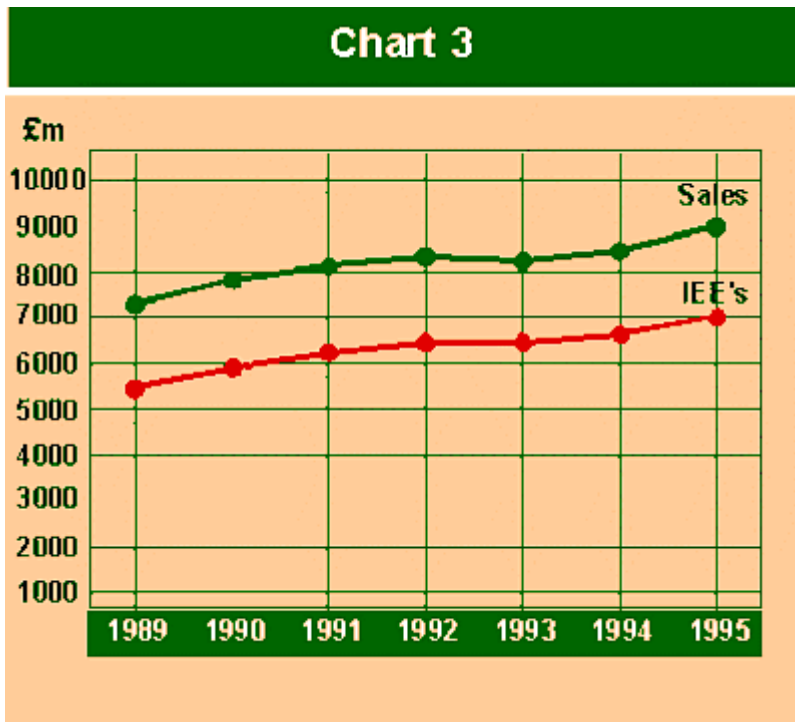
Expenditures on Irish raw materials grew by £1,802m (43.5%) over the period, an annual average increase of 6.2% in real terms. Expenditure in this area grew by £593m (11.1%) in 1995, the highest year on year growth recorded over the 6 year period.

- **IRISH SERVICES**

Purchases of Irish services increased substantially over the period 1989-1995, rising by £720m (31.7%) in real terms. Expenditure increased by £340m (12.8%) in 1995, the highest year on year growth recorded over the period.

4. IRISH-OWNED MANUFACTURING INDUSTRY 1989-1995
(Companies Employing More than 19)

(Constant 1995 Prices - million)



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Preliminary Results for 1994 and Trends 1988 - 1994

TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1989 to 1995 amounted to £1,771m (24.2%), an annual average rate of 3.7% in real terms. In 1995 sales increased by £577m (6.8%) to £9,079m.

- **IRISH ECONOMY EXPENDITURES**

IEEs rose faster than sales increasing by £1,609m (29.4%) over the period 1989-1995, an average annual growth of 4.4%. IEEs as a % of sales in Irish owned manufacturing companies rose from 74.8% in 1989 to 77.9% in 1995, which means that the domestic impact of sales increased over the period.

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage & salary expenditures grew by £172m (14.9%) over the period. The increase per employee was 7.2%, an average real increase of 1.2% p.a. The slower rate of growth of wage and salary expenditures compared to sales (24.2%) reflects a continuing improvement in productivity and wage moderation.

The wage & salary expenditures attributable to Irish owned general manufacturing industry (excluding food, drink and tobacco) increased by £145m (19.1%). Wage and salary expenditures of the Irish food, drink and tobacco sector increased by £27m (6.9%).

- **IRISH RAW MATERIALS**

Expenditures on Irish raw materials grew by £1,047m (34.0%) over the period, an annual average of 5.0% in real terms. The increase of £311m (8.2%) in 1995 is the highest recorded since 1990.

- **IRISH SERVICES**

Expenditure on Irish services grew by £111m over the period, an increase of 11.7% in real terms. Excluding the Food, Drink and Tobacco sectors, the increase was 15.5% in real terms over the period 1989/95.

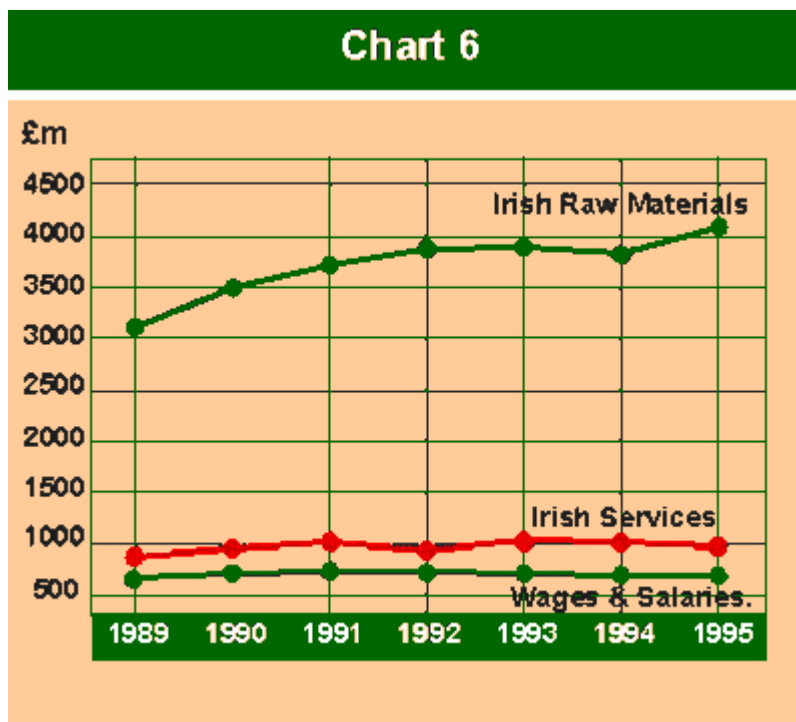
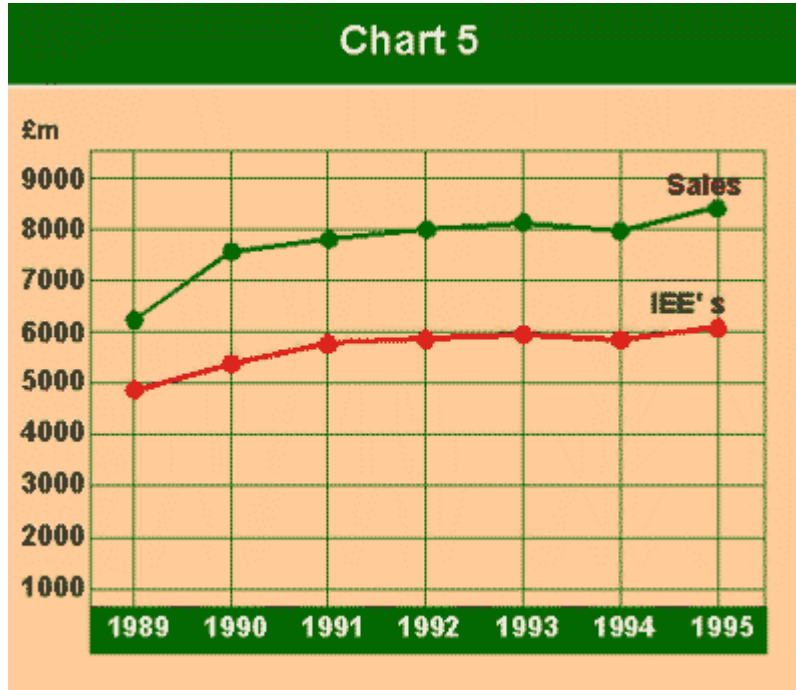
- **PROFITS**

Preliminary results for 1995 show the profit levels of Irish manufacturing industry rising by 21.1%.

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5. FOOD, DRINK AND TOBACCO SECTOR 1988-1994
(Companies Employing More than 19)

Constant 1995 Prices - million



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TRENDS AND COMMENTARY

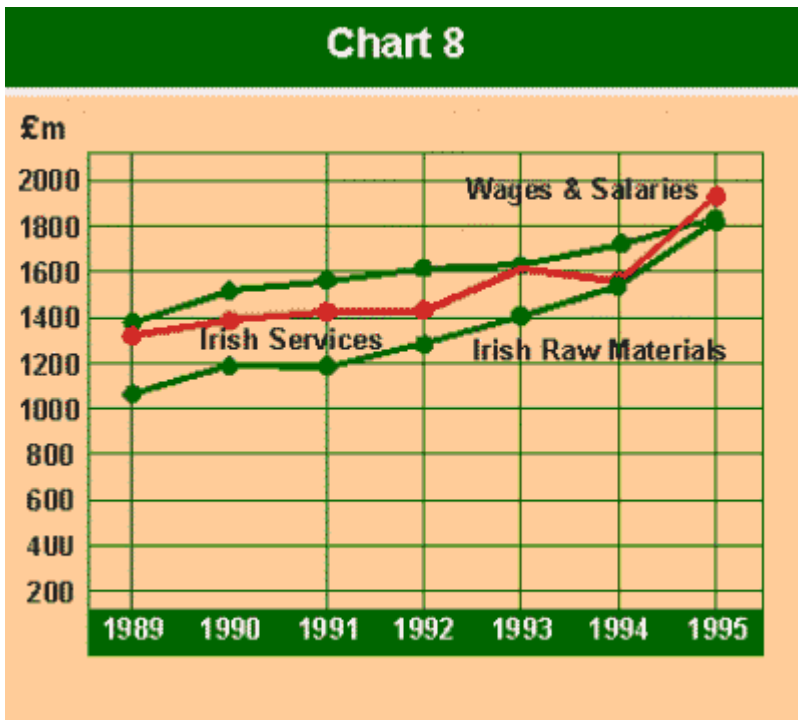
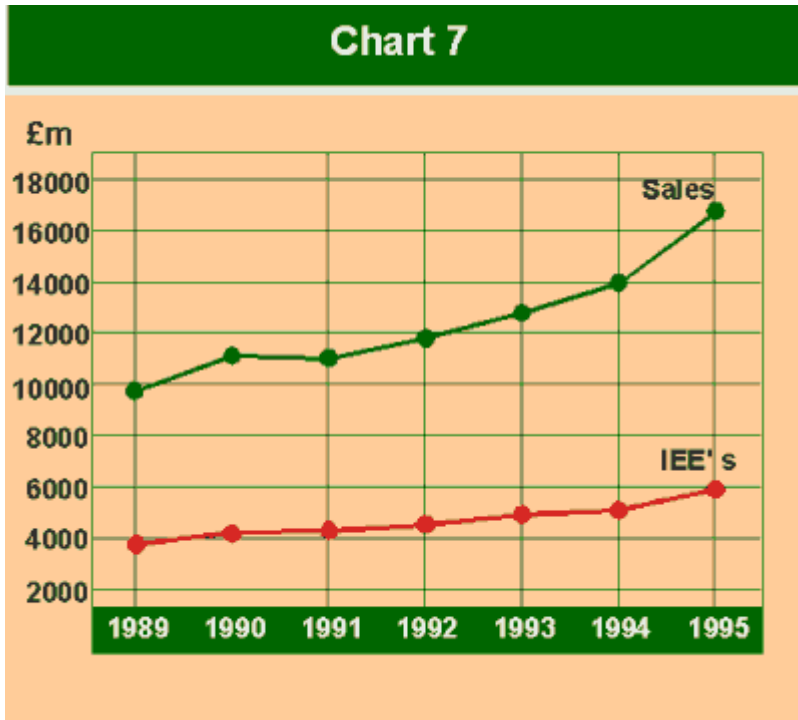
- **SALES (see footnote 3 at end of document)**
Growth in sales over the period 1988 to 1994 has been £1,778m (28.8%), an annual average rate of 4.3% in real terms. However, in recent years sales growth has been slow. In 1994 sales increased by £54m (0.7%) to £7,950m.
- **IRISH ECONOMY EXPENDITURES**
Irish economy expenditures have increased by £943m (19.2%) to £5,849m. In 1994 IEEs increased by £61m (1%). The overall trend for the Food, Drink and Tobacco Sector is that IEE as a % of sales has fallen from 79.5% to 73.6% over the period 1988-1994, remaining relatively stable for the past four years.

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES (see footnote 4 at end of document)**
Wage and salary expenditures declined by £39m (-5.3%) over the period. However, the wage and salary expenditures per employee displayed a small increase (3.5%) over the period an average real increase of 0.6% p.a. These trends when taken in conjunction with high sales growth confirm some improvement in productivity.
- **IRISH RAW MATERIALS**
Expenditures on Irish raw materials grew by £741m (23.6%) over the period, an annual average of 3.6% in real terms. In 1994 the sector achieved growth of £73m (1.9%).
- **IRISH SERVICES**
Irish services grew by £159m (18.3%) to £1,026m over the period, an annual average of 2.8% in real terms. In 1994 the sector increased purchases of Irish services by £8m (0.8%).

6. FOREIGN OWNED MANUFACTURING INDUSTRY 1989 – 1995
(Including Food, Drink and Tobacco)
Companies Employing More than 19

(Constant 1995 Prices - million)



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TRENDS AND COMMENTARY

- **SALES**

Growth in sales over the period 1989 to 1995 amounted to £6,941m (71.2%), an annual average rate of 9.4% in real terms. In 1995, sales increased by £2,789m (20.1%) to £16,689m.

- **IRISH ECONOMY EXPENDITURES**

Irish economy expenditures increased by £2,103m (55.7%) to £5,880m over the period 1989 to 1995, an average annual increase of 7.6%. In 1995 IEEs increased by £801m (15.8%).

IEEs as a % of sales in foreign owned manufacturing companies declined from 38.7% in 1989 to 35.2% in 1995. The domestic impact of sales reduced slightly over the period. This is due to lower growth in labour costs (33.5%) and spend on Irish services (46.1%) compared with the growth in sales (71.2%).

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**

Wage and salary expenditures grew by £461m (33.5%) over the period. The increase per employee was 18%, an average real increase of 2.8% p.a.

- **IRISH RAW MATERIALS**

Expenditures on Irish raw materials grew by £755m (70.8%) over the period, an annual average increase of 9.3% in real terms. In 1995 expenditure grew by £282m (18.3%).

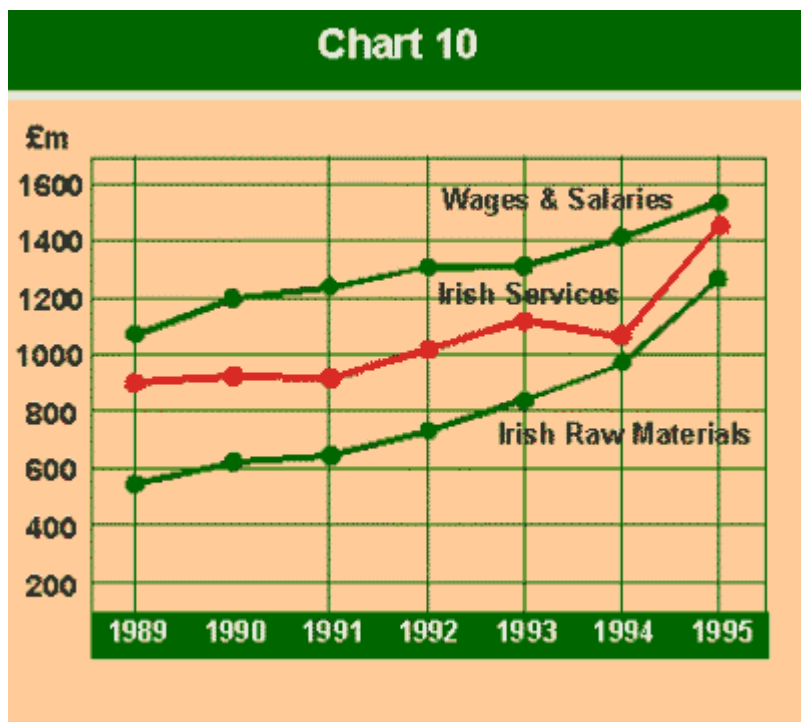
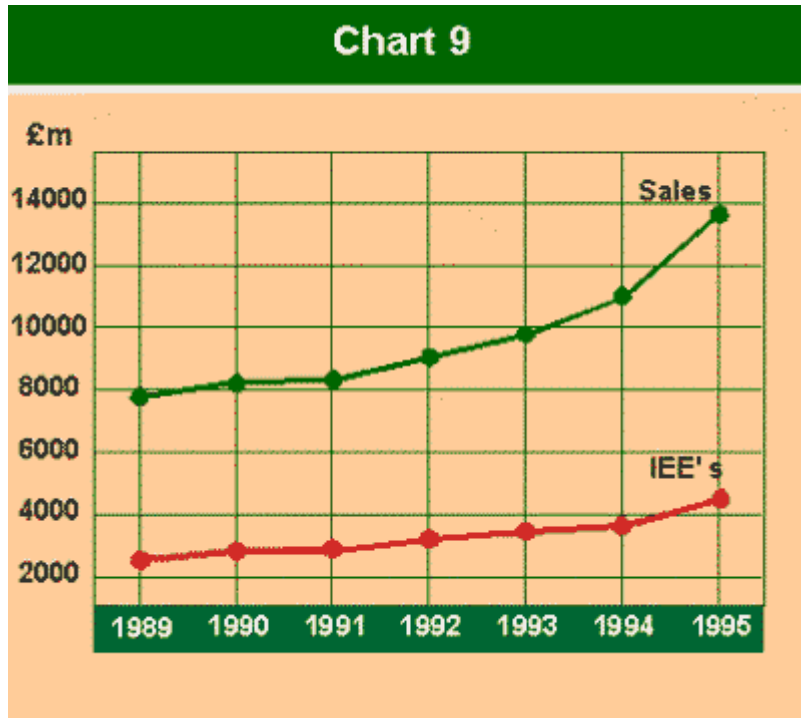
- **IRISH SERVICES**

Irish services grew by £609m (46.1%) to £1,929m over the period, an annual average of 6.5% in real terms. In 1995 foreign owned manufacturing industry increased purchases of Irish services by £371m (23.8%).

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7. FOREIGN GENERAL MANUFACTURING INDUSTRY
(Excluding Food, Drink and Tobacco)
Companies Employing More than 19

(Constant 1995 Prices - million)



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TRENDS AND COMMENTARY

- **SALES**
Growth in sales over the period 1989-1995 amounted to £5,870m (75.3%), an annual average rate of 9.8% in real terms. In 1995 sales increased by £2,668m (24.3%) to £13,665m.
- **IRISH ECONOMY EXPENDITURES**
Irish economy expenditures increased at a slightly faster rate than sales, by £1,964m (77.2%) to £4,509m over the period 1989-1995, an average annual increase of 10.0%. In 1995 IEEs increased by £850m (23.2%) broadly in line with the growth in sales of 24.3%.(7.9%).

COMPONENTS OF IRISH ECONOMY EXPENDITURE

- **WAGE AND SALARY EXPENDITURES**
Wage and salary expenditures grew by £461m (43.0%) over the period. The increase per employee was 20.4%, an average real increase of 3.1% p.a.
- **IRISH RAW MATERIALS**
Expenditures on Irish raw materials grew by £718m (130.3%) over the period, an annual average of 14.9% in real terms. Growth in expenditure on Irish raw materials in 1995 amounted to £299m (30.8%).
- **IRISH SERVICES**
Expenditure on Irish services grew by £551m (60.9%) to £1,456m over the period, an annual average of 8.2% in real terms. In 1995 the sector increased its purchases of Irish services by £394m (37.1%).

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8. ANALYSIS OF THE PROFITABILITY OF IRISH OWNED MANUFACTURING INDUSTRY

TABLE 3 - Irish Owned Companies - Profit as % of Sales (1989 - 1995)

	1989	1990	1991	1992	1993	1994	1995*
Total	3.9	3.3	4.4	4.4	4.2	5.5	6.2
Food, Drink & Tobacco	3.5	2.5	4.4	4.3	4.0	4.3	4.3
General Manufacturing	4.5	4.4	4.6	4.4	4.5	7.1	8.9

* Preliminary

KEY POINTS:

- The profitability of Irish-owned companies increased from 3.9% of sales in 1989 to 4.4% in 1991 and remained relatively constant until 1994 when an increase to 5.5% of sales was recorded. Preliminary 1995 data shows profitability increasing further to 6.2% of sales. As the table shows, this is due to increased profitability in the general manufacturing sector.
- Profitability of Irish-owned general manufacturing remained constant over the period 1989-1993 at around 4.5% of sales. Final results for 1994 show profits as % of sales rising to 7.1%. Preliminary 1995 data shows this improvement continuing with profit as a % of sales increasing to 8.9%.
- An analysis of the figures shows a steady increase in profitability over the past two years in all sectors of general manufacturing. This is likely to result from favourable economic conditions both in Ireland and internationally, and to an improvement in the competitiveness of Irish-owned enterprises.
- Since 1991, profits in Irish-owned food, drink and tobacco companies have remained constant at just over 4% of sales.

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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 period 1986-1995.

TABLE 4 - Foreign Non-Food Manufacturing										
Irish Raw Material Purchases Relative to Total Raw Material Purchases 1986 - 1995										
£million - Constant 1995 Prices										
	1986	1987	1988	1989	1990	1991	1992*	1993	1994	1995*
Total Purchases	2,637	3,580	3,063	3,199	3,262	3,367	3,786	4,242	5,002	6,483
Irish Purchases	373	415	505	551	630	653	732	842	970	1,269
Irish % of Total	14.1	11.6	16.5	17.2	19.3	19.4	19.3	19.8	19.4	19.6
Electronics Total Purchases	1,221	1,424	1,724	1,820	1,805	1,840	2,225	2,715	3,061	4,353
Irish Purchases	129	173	214	236	293	351	429	542	597	860
Irish % of Total	10.6	12.1	12.4	13.0	16.2	19.1	19.3	20.0	19.5	19.8
<i>* Preliminary</i>										

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KEY POINTS:

Foreign - General Manufacturing

- Total raw material purchases in real terms by foreign non-food manufacturing companies rose by £3,846 (145.8%) over the period 1986-1995. Their purchases of Irish raw materials rose by £896m (240%) over the same period.
- Irish raw materials as a % of total raw material purchases increased from 14.1% in 1986 to 19.3% in 1990 and has remained relatively constant since then.
- The rise in the share of purchases of Irish raw materials represents a substantial gain in Ireland's market share of the sub-supply opportunities provided by overseas companies located here.

Foreign - Electronics Sector

- Total raw material purchases in real terms by foreign electronics companies located in Ireland rose by £3,132m (256.5%) over the period 1986-1995. Purchases of Irish raw materials rose by £731m (566.6%) over the same period.
- Irish raw materials as a % of total purchases for this sector rose from 10.6% in 1986 to 20.0% in 1993 and has remained relatively constant since then.
- Irish raw materials account for almost one-fifth (19.8%) of the total raw material purchases of the foreign-owned electronics industry in Ireland.

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

This year for the fourth time, the IEE survey collected exports data by broad destination. The objective is to facilitate analysis of trends in exports of manufacturing industry and, in particular, to provide data to help analyse the sensitivity of indigenous industry to exchange rate movements.

The tables below outline the exports of Irish-owned manufacturing companies on a sectoral basis by destination, relative to total exports and as a percent of sales.

TABLE 5a - EXPORTS AS % OF SALES - SECTORAL ANALYSIS 1992 - 1995 Irish Owned Manufacturing Companies Employing Greater than 19								
Sector	Exports as % of Sales				Exports to UK as % of Sales			
	1992	1993	1994	1995	1992	1993	1994*	1995
Non Metallic Minerals	9.9	10.8	11.6	14.1	7.4	8.2	9.5	10.7
Chemicals	53.4	55.8	58.6	58.1	26.5	26.5	26.6	25.7
Metals & Engineering	48.0	52.1	51.9	56.8	24.8	27.4	25.8	28.1
Food	42.2	46.0	45.5	52.9	13.6	17.6	16.8	20.4
Drink & Tobacco	8.1	14.8	20.9	23.0	6.7	11.2	18.2	19.3
Textiles	68.0	69.0	69.4	66.9	24.1	26.7	22.3	20.8
Clothing, Footwear/Leather	49.8	50.7	49.0	49.5	29.6	32.5	28.6	36.1
Timber & Furniture	34.6	40.5	39.2	34.8	29.6	35.3	34.3	31.3
Paper & Printing	16.9	18.3	19.3	17.9	13.9	16.1	17.0	15.7
Miscellaneous Industry	31.3	32.8	34.2	37.8	21.5	22.1	25.3	26.3
Total	38.5	39.0	42.2	47.3	16.2	19.7	19.4	21.9

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**TABLE 5b - DESTINATION OF EXPORTS AS PERCENT OF TOTAL EXPORTS⁴ -
 SECTORAL ANALYSIS 1992 - 1995**
 Irish Owned Manufacturing Companies Employing Greater than 19

Sector	UK				Rest of EU				Rest of World			
	92	93	94	95	92	93	94	95	92	93	94	95
Non Metallic Minerals	799	76	83	74	12	13	9	12	9	11	9	14
Chemicals	50	47	46	49	34	33	36	39	16	19	19	17
Metals & Engineering	53	53	50	49	21	22	23	24	26	26	27	27
Food	34	38	37	39	44	43	44	41	21	18	19	20
Drink & Tobacco	82	76	85	83	18	24	7	11			7	7
Textiles	37	39	32	31	47	42	49	51	16	19	18	18
Clothing, Footwear/Leather	63	65	60	73	22	19	19	16	15	16	21	10
Timber & Furniture	87	88	88	90	11	9	10	6	2	3	2	4
Paper & Printing	85	88	88	88	8	8	7	8	7	5	5	5
Miscellaneous Industry	76	67	74	70	21	27	22	28	3	6	4	2
Total	44	47	46	46	36	36	36	35	19	18	18	19

KEY POINTS:

- Exports as a % of sales in Irish-owned companies with 20 or more employees averaged 38.5% in 1992 and 47.3% in 1995. The highest export propensity is in the Textiles sector at 69.4% in 1994 and 66.9% in 1995 (Table 5a).
- On average 46% of Irish-owned industry exports went to the UK in 1995 which is similar to 1994. On a sectoral basis this ranged from 90% in timber and furniture to 31% in the textiles sector (Table 5b).
- Expressing exports to the UK as a percentage of total sales gives some indication of the relative dependence of sectors of Irish industry on the UK market. It is not a full measure of sensitivity to the changes in the Punt/Sterling exchange rate since it does not take account of competition from UK companies on the domestic market or on markets other than the UK. Also it does not take account of profit margins in different sectors or compensating gains in imported inputs when Sterling weakens. Nevertheless, it represents a significant step forward in our information on this issue.
- In 1995, Irish-owned companies exported 21.9% of their sales to the UK which was the highest achieved since 1992, when the figure stood at 16.2% (Table 5a).
- The increase in exports as a % of sales and of exports to the UK are noticeable trends.

⁴ Table 5a includes all companies whether exporting or not. Table 5b reports only exporting companies.