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Irish Trade Figures (June Preliminary)

Friday, 27 August 2010

The latest merchandise trade figures released by the Central Statistics Offices this morning were again fairly positive in overall terms, but still somewhat disappointing nonetheless. There was a sharp fall in the seasonally-adjusted trade surplus in June to €3,221m following the record surplus of €4,019m posted in May. Seasonally-adjusted exports fell by 4.9% in June relative to May while imports increased by 11.8%, reflecting the recent improvement in domestic demand.

On an unadjusted basis, the value of exports in June was up 1.1% on the same month in 2009 while the value of imports was 8.9% above that in June of the previous year. The unadjusted trade surplus amounted to €3,654m, €249m lower than the positive balance of €3,903m posted in June 2009. Following yet more revisions to last year, the overall trade surplus for 2009 is now put at €39,084m, €10,274m or almost 36% 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 six months of 2010, the cumulative trade surplus amounted to €20,934m, or €600m higher than the cumulative surplus of €20,334m posted in the same period last year.

Looking at the export picture for January-May, the latest period for a detailed breakdown: computer equipment decreased by 41% in the year in value terms in the first five months, while organic chemicals fell by 11%. On the positive side, exports of medical and pharmaceutical products increased by 14%. As regards the destination of Irish goods, exports to Belgium (goods passing through the port of Antwerp: €6,051m), Great Britain (€4,834m) and the United States (€8,107m) accounted for 53% of the total value of exports in the January-May period.

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. The worrying sign now is that the US economy appears to be slowing down sharply, and while we still think it will avoid a double-dip recession, the fall in demand and activity is likely to have negative implications for Irish exports in the coming months.

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.

However, the most recent PMI surveys show that export orders, which boosted the Irish economy in the first quarter have begun to slow in both the services and manufacturing sectors over the last number of months, but domestic activity is picking up the slack. But it is hard to see domestic demand holding up if fears about the weakening health of the US economy intensify.

The bottom line is that the export sector will be the key driver of the Irish economic recovery going forward. 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. However, recent international developments are a cause for concern.

	Exports (€m Unadj.)	Imports (€m Unadj.)	Balance (€m Unadj.)	Exports (€m s.a.)	Imports (€m s.a.)	Balance (€m s.a.)
2009 June	7,612	3,709	3,903	7,511	3,716	3,796
2010 April	7,326	4,115	3,212	7,167	4,203	2,964
2010 May	7,429	3,528	3,901	7,642	3,623	4,019
2010 June	**7,694**	**4,040**	**3,654**	**7,270**	**4,049**	**3,221**

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