

Irish Trade Figures (December Preliminary) Wednesday, 24 February 2010

Preliminary data released by the CSO this morning show that seasonally-adjusted exports decreased by 1.7% in December relative to November while imports fell by 5.1%. The net result was another healthy trade surplus, of €2,715m, up from a positive balance of €2,635m in November, but still the second lowest surplus over the twelve months of 2009.

On an unadjusted basis, the value of exports in December 2009 was down 11.2% on the same month in 2008 while the value of imports was 13.8% below that in December of the previous year, but the annual rate of decline was lower than in both October and November. The unadjusted trade surplus amounted to €2,419m, €182m lower than the positive balance of €2,601m posted in December 2008. It was also the lowest trade surplus since August 2008, suggesting that the external side of the economy may be running into new roadblocks. But, we think this is just temporary, and expect renewed upward momentum in the coming months. For 2009 as a whole, the cumulative trade surplus totalled €38,838m, €10,028m or almost 35% higher than the overall surplus of €28,810m recorded in 2008. Furthermore, it was the highest annual trade surplus on record.

Comparison of the December 2009 data to the December 2008 figures shows a decrease in Chemical exports to the United States. Machinery imports fell from all destinations except the US. Meanwhile, merchandise exports fell by just under 6% in volume terms year-on-year in the first eleven months of 2009. Irish merchandise export volumes have been declining in recent months, but their relative performance has still been quite impressive amid the collapse in global trade flows last year.

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 external demand is projected to expand this year, modest rates of increase are anticipated by historical standards. As a result, the recovery in Irish merchandise exports seems likely to be muted, with an average volume increase of between 0.5% and 1.0% projected.

A lot too will depend on the performance of sterling, particularly for indigenous exporters. We are positive on the prospects for the pound this year, with the combination of an improving UK economy and ongoing concerns within the Eurozone regarding the government debt of 'peripheral' countries like Greece, leading to appreciation of sterling versus the euro. We continue to look for the pound to be trading at 0.80 against the single currency come year-end.

While the trade outlook remains clouded in uncertainty, it was encouraging that the Dublin Port Company last month reported better than expected second half trade figures in 2009. It said that trade levels have stabilised since May and were up slightly year-on-year in December. Consequently, total throughput was only 14% lower than the record highs of 2007 and Dublin Port is still handling four to five times the level of trade than 15 years ago.

Taking all the factors into account, we continue to look to exports to be the key driver of the Irish economic recovery, and are forecasting another record trade surplus in 2010.

	Exports (€m Unadj.)	Imports (€m Unadj.)	Balance (€m Unadj.)	Exports (€m s.a.)	Imports (€m s.a.)	Balance (€m s.a.)
2008 December	6,758	4,157	2,601	6,774	3,889	2,885
2009 October	6,506	3,497	3,008	6,259	3,364	2,895
2009 November	6,556	3,754	2,801	6,257	3,622	2,635
2009 December	6,001	3,582	2,419	6,153	3,438	2,715

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