

IRELAND

Business Conditions Snapshot

- Ireland's economy is well placed to recover in 2021. Its strategy of attracting foreign direct investment in pharmaceuticals, high-tech and services sectors enabled multinationals to cushion the fall in real GDP in 2020.
- A low corporate tax rate (12.5 per cent) and a young, highly educated workforce are key factors in the success of this strategy.
- As the only English-speaking, Common Law economy in the EU, it is an attractive base for Australian companies looking to do business in the European Union. Ireland has a well-developed innovation sector and opportunities to collaborate with Australia.
- The government's deliberate strategy to support construction and manufacturing through COVID—particularly businesses in supply chains—has provided a solid base for economic recovery.
- Significant household savings provided a surge in economic activity in the third quarter of 2020, and enabled GDP growth of over 11 per cent. The Irish Business and Employers Confederation is predicting a K-shaped recovery driven by exports, with growth of 5.3 per cent expected in 2021.
- Brexit will challenge businesses trading with—and through—the United Kingdom as new processes are worked out. In the short term Brexit poses a major risk to SMEs and agri-business, particularly in the Irish economy. It threatens preferential access to the UK market, as well as supply chains providing inputs to the Irish manufacturing and services sectors.
- Agriculture and manufacturing face particular downside risks; there could be some upside in services as EU focused businesses relocate out of the UK. Such moves are already pressuring Ireland's infrastructure and housing—particularly in and around Dublin—although these may be off-set by COVID work practice changes.

Key facts and figures

- Population: 4.98 million (2020)
- GDP growth: 4.3 per cent (2019)
- GDP per capita: US\$77,771 (2019)
- Political system: Parliamentary democracy
- Two-way trade/key goods and services traded: Merchandise (2018–19): exports A\$108 million, of which 45 per cent is medicaments, 7 per cent alcoholic beverages; imports AU A\$1,895 million, of which 28 per cent is medicaments and 23 per cent pharmaceutical products. Services: exports A\$871 million; imports, A\$1,646 million, of which 45 per cent is charges for the use of IP
- Two-way investment/major investments(2018): total investment A\$37.3 billion (AU investment in IE A\$15.5 billion; IE investment in A\$21.8 billion)



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- Larger Global tech businesses will be less influenced by these forces due to their scale.
- Brexit is forcing Ireland to diversify its approach to international commerce. The 2018 Global Ireland initiative intended to double the country's engagement with the world through diplomacy, trade and investment.
- It is taking an increased interest in Asia and the Pacific, and exports to the Asia Pacific region have been increasing annually. The Northern Ireland Protocols of the EU Withdrawal Agreement mean trade between Northern Ireland and the Republic of Ireland will remain the same, with some regulatory checks between Northern Ireland and mainland UK.
- A high concentration of economic activity in and around Dublin is raising some concerns, and the government is seeking to promote alternative centres in Cork and Galway.
- Ireland's population (4.98 million in 2020) is young (33 per cent of the population is under 25) and growing at a rate of 1.1 per cent—13 times the EU average.
- Educational standards are high, feeding foreign investment interest and attracting talented professionals from across Europe.
- Ireland has plans to significantly upgrade its infrastructure. A total of €10 billion in infrastructure projects were announced in the most recent budget. This will ensure strong growth is maintained and that the economy continues to attract further FDI and talent.
- Opportunities in infrastructure provision in all areas (architecture, construction and consulting) create scope for collaboration with Australian firms.
- An Australia–EU FTA is being negotiated.

Trade Investment Opportunities

- Commercial relations between Australia and Ireland continue to grow.
 - Two-way goods and services trade were worth A\$4.5 billion in 2018–19.
 - Australian businesses with a significant presence in Ireland include:
 - Macquarie Group (aircraft leasing and infrastructure investment).
 - Harvey Norman Ireland.
 - Link Assets Group.
 - Pepper Money.
 - NIB Insurance.
- An increasing number of small to medium-sized Australian companies are using Ireland to expand their operations into Europe, the Middle East and Africa.



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- Australian businesses in Ireland are represented by the Irish–Australian Chamber of Commerce, which helps develop two-way trade and investment opportunities.
- Ireland’s well-developed innovation sector—and concentration of US market leaders—has scope for greater collaboration, including in areas such as agri-tech, fintech and ICT.
 - Inflazome, a start-up company developing treatments for inflammatory diseases based on a research partnership between the University of Queensland and Trinity College Dublin, was acquired in September 2020 by Roche for an upfront cash payment of €380 million (\$A617 million), plus additional payments based on achieving certain milestones.
- There is potential to grow Australia’s presence in Dublin due to Brexit.
- Using the ASX as an option for IPOs of Irish companies in recent years also holds opportunities.
 - In 2019 Fineos was the ASX’s largest ever overseas tech listing.
- Given the relatively small absolute size of its economy—and its distance from Australia—Ireland is a significant source of foreign direct investment, with a number of well-established large companies.
 - Major Irish companies represented in Australia include Kingspan, Paddy Power (bookmaking), Glen Dimplex and thoroughbred horses through Coolmore Stud and Godolphin.
- The similar legal and cultural situations of the two countries—and the trust engendered by strong migration and kinship links—make Ireland an ideal location for small and medium-sized enterprises venturing into international markets for the first time, with the potential to expand operations into neighbouring markets.
- Joint strategic planning has been undertaken on Australia and Ireland’s commercial relationship.
 - This has involved the Australian and Irish Embassies, Austrade, Irish trade, investment and tourism promotion agencies, Enterprise Ireland (for Irish exporters), IDA Ireland (for Australian exporters) and Tourism Ireland.
- The annual Australia Day lunch—hosted by the Irish–Australian Chamber of Commerce in Dublin—was not held in 2021 due to COVID restrictions.
- Irish Ministers travel globally for St Patrick’s day (17 March), engaging with Irish foreign direct investment agencies including IDA, Invest Ireland, the Ireland Funds and Enterprise Ireland.
 - The size of the Irish diaspora in Australia means these visits receive strong attention.



Australian Government

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- In recent years several ministers have been accompanied on visits to Australia by business delegations.

Trade Policy Focus and Negotiations

- The Australia–EU FTA has completed nine rounds of negotiations (December 2020).
- Multilateral elements of relevance: WTO (1995), EU (1973), GATT (1967), OECD (1961), UN (1955).

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Insight current as at December 2020.

ⁱ <https://www.enterprise-ireland.com/en/Publications/Reports-Published-Strategies/Annual-Business-Review-2019.pdf>

