

TRADE IN VALUE ADDED: IRELAND

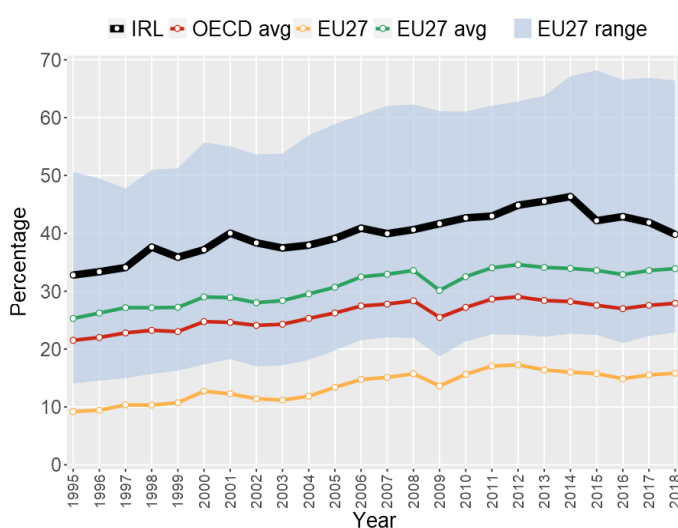
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Trade in Value Added (TiVA) indicators offer new insights into the commercial relations among economies and provide a broad view of where value is created along each stage of global value chains (GVCs). Painting a more complete picture than gross trade measures alone, the TiVA approach better reflects the significantly higher contribution made by services in GVCs, the role of imports in export performance, and the true nature of economic interdependencies. The 2021 version of the TiVA database covers 66 economies and 45 industrial sectors, for the years 1995 to 2018, and brings together indicators based on the value-added origins (both country and industry) of exports, imports and final demand. This note highlights the trade patterns in value-added terms for Ireland, with a view to informing policy making for a range of areas including trade, innovation and investment.

Key findings

- ▶ The foreign content of Ireland's exports increased steadily from 32.8% in 1995 to reach a peak of 46.3% in 2014. After which its foreign content of exports declined, reaching 39.8% in 2018. However, this decline may be partly due to a significant revision of Ireland's National Accounts for the year 2015 that recorded the relocation of preexisting mainly intangible assets (R&D, patents, but also aircraft) owned by foreign multinational enterprises to Irish domestic units. This led to over 20% growth in exports (due to contract manufacturing) and real GDP between 2014 and 2015, and elevated levels thereafter, and thus a reduction in the foreign content in exports (Figure 1).
- ▶ The most important exporting industries are manufacturing of *Chemicals* (which includes R&D intensive manufacturing of *Pharmaceuticals*) and *Information and communication services*, together accounting for 44.2% of value added in exports, of which 51.5% is domestic (Figure 3b).
- ▶ Services account for a large share of Irish value-added content of gross exports, 62.9% in 2018, although down by 5 percentage points from a decade earlier. Services, mostly foreign, are also essential to Irish manufacturing, contributing to 36.7% of gross manufactures exports in 2018, of which 82.4% are foreign (Figure 7).

Figure 1. Foreign value-added content of gross exports
As a percent of total gross exports, 1995 to 2018



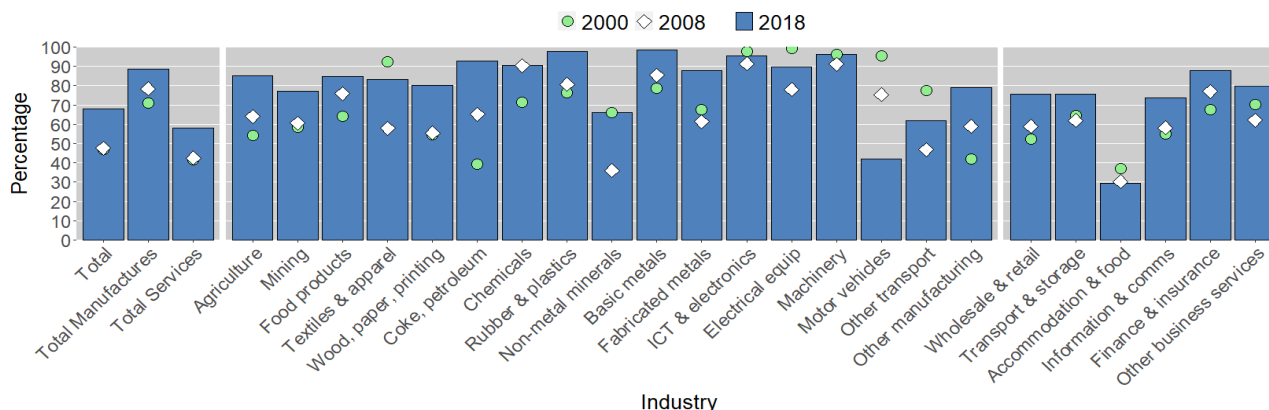
At the global level, the new TiVA indicators confirm that there has been a slowdown in GVC integration since the Financial Crisis in 2008-2009 (Figure 1). However, in general, foreign value added in trade increased between 2016 and 2018.

Between 2008 and 2018, the foreign content of Ireland's exports is estimated to have decreased from 40.6% to 39.8% - significantly above the OECD average of 27.9%. Compared to 2008, the foreign content of exports in 2018 was 0.8 percentage points lower.

The role of foreign final demand in domestic production

Overall, in 2018, 68% of Ireland's domestic value added was driven by foreign final demand, up from 47.6% in 2008. By industry, the shares ranged from *Basic metals* (98.3%) and *Rubber and plastics products* (97.7%) at the higher end to *Accommodation and food services* (29.5%) at the lower end.

Figure 2. Ireland - domestic value added in foreign final demand
As a percent of value added, by industry, 2000, 2008 and 2018



The importance of imports for exports

The industries with the most foreign value-added contents in their exports (Figure 3a) were *Other transport equipment* (81.7%), *Motor vehicles* (52.8%) and *Information and communication* (52.4%). *Chemicals and pharmaceuticals* generated the greatest source of domestic value-added content of exports in 2018, accounting for 13.8% of gross exports (Figure 3b), followed by *Information and communication* (9%) and *Financial and insurance* (6.4%). The most foreign content in total exports came from *Chemicals and pharmaceuticals* (11.5%).

Figure 3a. Ireland - foreign value-added content of gross exports
As a percent of gross exports, by industry, 2000, 2008 and 2018

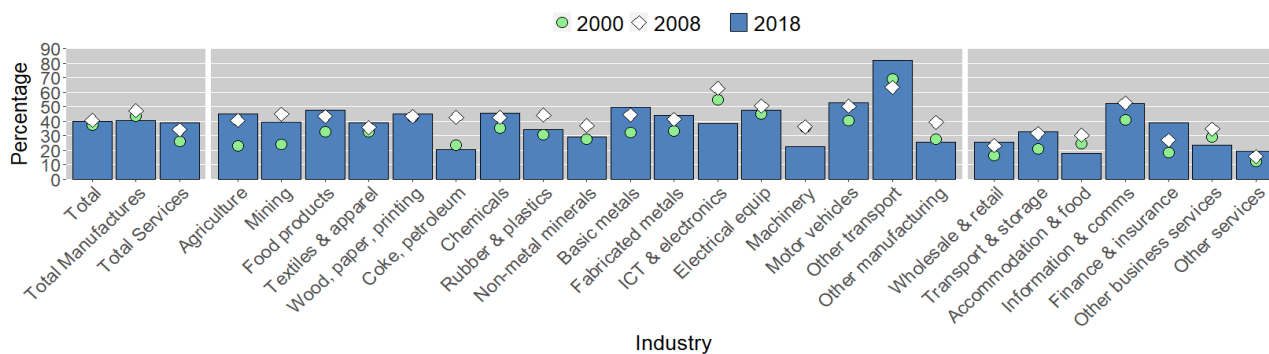
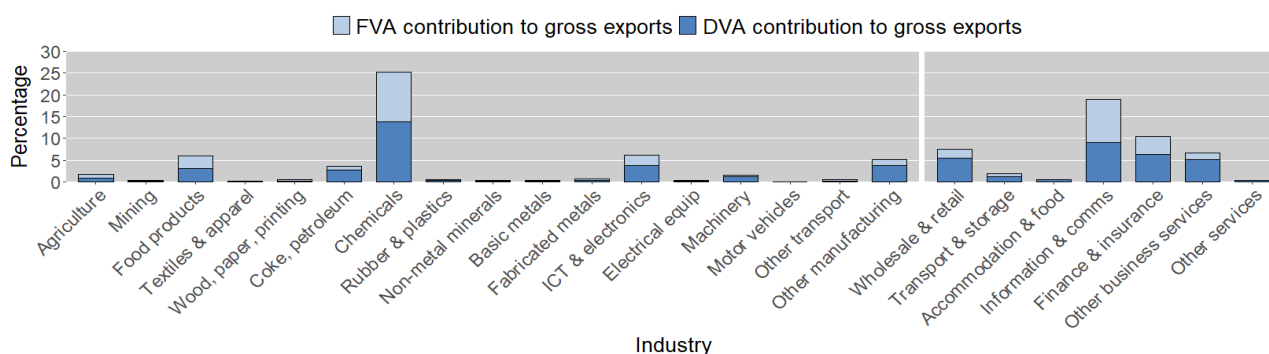
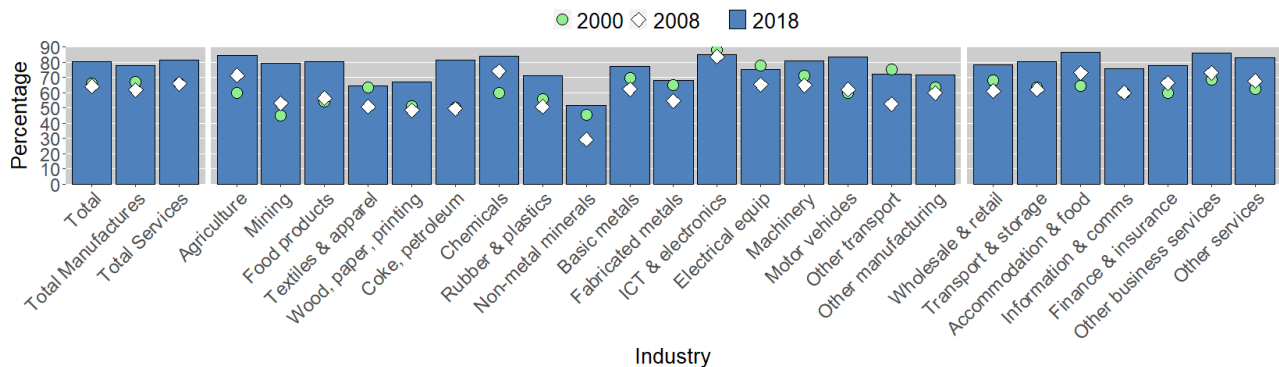


Figure 3b. Ireland - industry share of domestic and foreign value-added content of gross exports
As a percent of total gross exports, 2018



Of the total value of Ireland's imports of intermediate goods and services in 2018, 80.4% was subsequently embodied in exports, significantly above the OECD average of 47.9%, and significantly above the share in 2008 (64.2%). The originating industries with the highest shares of intermediate imports used in Ireland's exports were Accommodation and food services (86.6%), Other business services (86.2%) and ICT and electronics (84.8%).

Figure 4. Ireland - imported intermediate inputs used for exports, by industry-origin of imports
As a percent of intermediate imports, 2000, 2008 and 2018



Ireland: international flows of goods and services, main players

In gross terms, the United States (21.2%), the United Kingdom (11.8%) and Germany (8.8%) were the three most important Irish export market destinations in 2018. The top three final destinations for Ireland's value added were the United States (22.9%), the United Kingdom (11.4%) and Germany (7.3%).

For imports in gross terms, Ireland's top three partners in 2018 were the United States (26.7%), the United Kingdom (15.7%) and France (8.9%), while in value-added terms, the top three were the United States (26.3%), the United Kingdom (15.4%) and France (8.6%).

Figure 5 Ireland - exports and imports: main partners
As a percent of total gross and value-added exports and imports, 2018

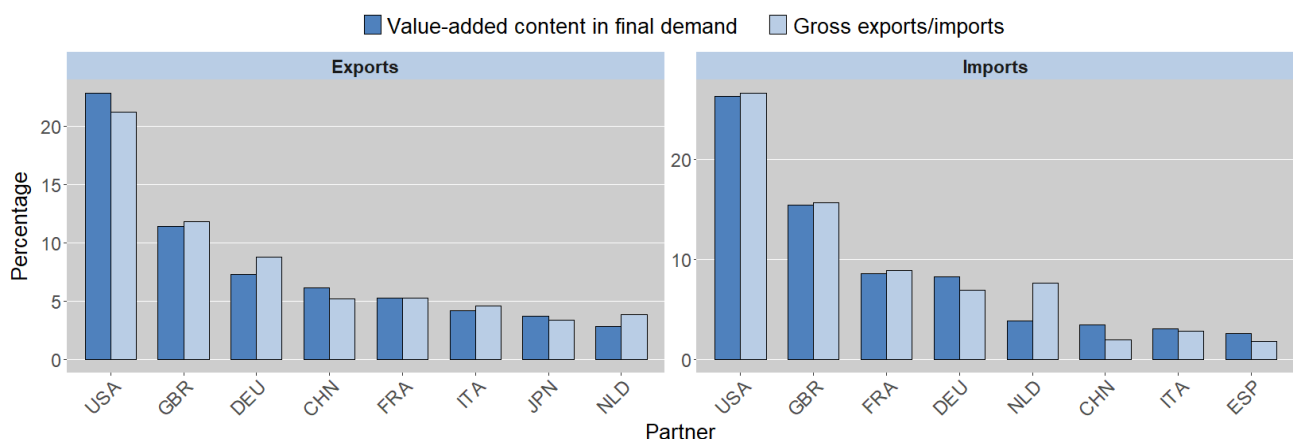
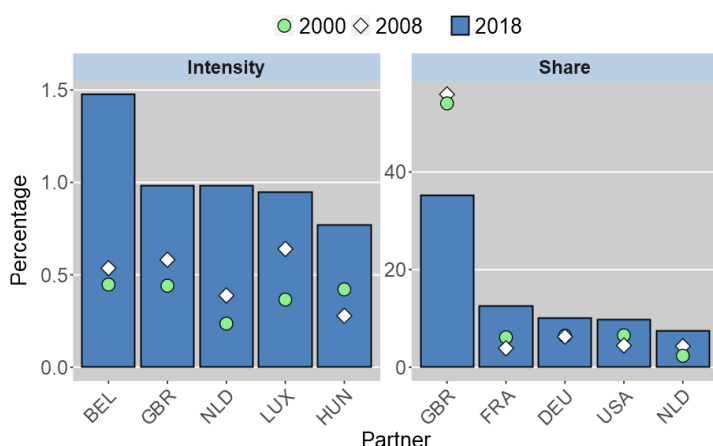


Figure 6. Ireland's domestic value-added content of manufactured imports, top 5 partners

As a share of total Ireland's value added embodied in Ireland's imports (right) and as a percent of total imports by partner (left)



In 2018, the highest shares of Ireland's domestic value added embodied in Ireland's manufactured imports (Figure 6, right) came from the UK (35.3%), France (12.5%) and Germany (10.1%).

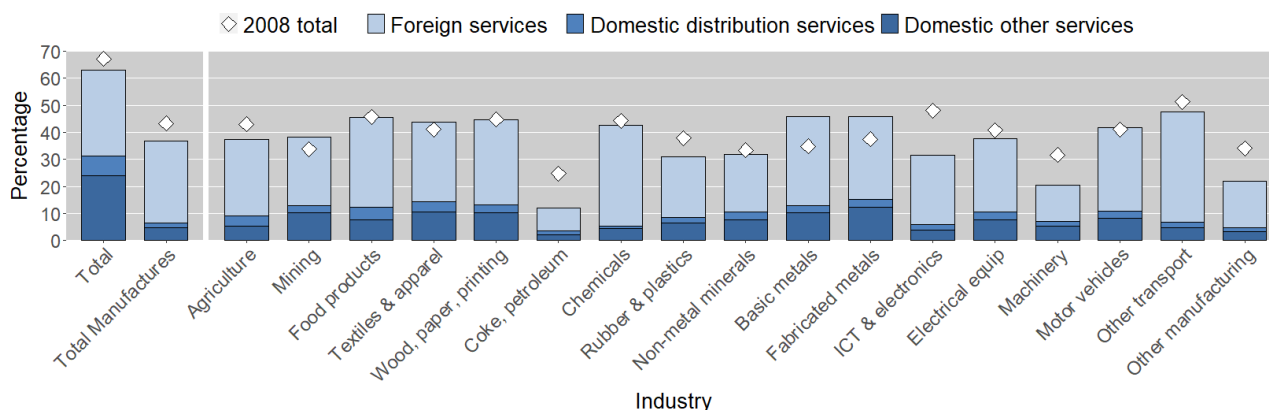
The trading partners with the highest shares of Ireland's value added in their exports of manufactures to Ireland (Figure 6, left) in 2018 were Belgium (1.5%), the UK (1%) and the Netherlands (1%).

The importance of services in international trade

Services are a major contributor to Ireland's economy, accounting for 62.9% of Ireland's gross exports in 2018 (Figure 7) - above the OECD average of 55.7%. Foreign services contributed 31.7% to the value of total gross exports. For manufactures, services value-added content was 36.7% of gross exports, with the highest shares in *Other transport equipment* (47.6%), *Basic metals* (45.9%) and *Fabricated metal products* (45.7%).

Figure 7. Ireland - services content of gross exports

As a percent of gross exports by industry, 2018



Further information is available to supplement this country note:

- ▶ Access the data at: <http://oe.cd/tiva>
- ▶ Guide to TiVA 2021 Country Notes: www.oecd.org/sti/ind/tiva-2021-guide-to-country-notes.pdf
- ▶ TiVA indicators are based on the 2021 version of ICIO tables: <http://oe.cd/icio>
- ▶ Related indicators of Trade in Employment <http://oe.cd/io-emp> and Trade in Embodied CO2 <http://oe.cd/io-co2>
- ▶ Trade policy implications of global value chains: <http://www.oecd.org/trade/topics/global-value-chains-and-trade/documents/trade-in-value-added-2021.pdf>

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