

Preparing Irish Business for Brexit

A Foreign Direct Investment (FDI) Perspective.



*Presentation to the Joint Committee
on Business, Enterprise & Innovation.*

February 27th 2018.



Overview

- Summary of 2017 Performance
- Our Perspective on Brexit
- Views of our Clients
- IDA's Response to Date
- Brexit: Opportunities and Risks / Challenges
- Some Investments Won to Date
- Conclusions

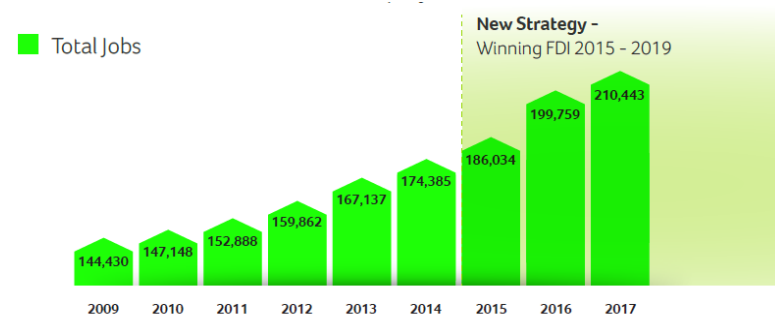
Key Targets of *Winning: FDI 2015 - 2019*

- **900** new investments (41% uplift)
- **80,000** gross jobs (29% uplift)
- **35,000** net jobs (40% uplift)
- **1,350** in portfolio of companies (13% uplift)
- Cumulative R&D spend of **€3bn** (20% uplift)
- A **minimum** increase in investments of **30% to 40% in each region** outside Dublin



Summary of 2017 Performance

- Number of people employed in IDA client companies at **210,443*** (the highest in IDA history). Up 5% on 2016.
- **19,851*** new jobs created
- Net jobs increase of **10,684***
- **111** companies investing in Ireland for the first time (an increase of 12% over 2016)
- There were **99** regional investments. **45%** of all jobs created were outside of Dublin



Brexit

- Unwelcome development
- Not in Ireland's national interest
- Fragments EU market
- Very challenging but not insurmountable for our clients
- Many multinationals preparing for the worst (a hard Brexit) while hoping for the best
 - ✓ A transition arrangement and good EU -UK Free Trade Agreement (FTA).
- **Brexit presents both Risks and Opportunities to FDI.**

Views of our Clients

- Brexit a very negative development
 - ✓ Creates uncertainty and instability
- **Threatens cross-border business activity and supply chains**
- Poses additional costs and potential barriers to trade and investment
- Multinationals are generally large and sophisticated investors so **have the ability to respond to Brexit**
- Have options to preserve market access through network of pre-existing EU subsidiaries and branches including the UK
- Brexit a reason to review and reconfigure structure of EU business.
 - ✓ Guiding principles: least disruption, lowest cost.
- Brexit viewed as low risk but impact varies across sectors & companies

IDA's Response to Date

- Brexit a standing agenda item at IDA Executive Committee and Board
- **Parent Department (DBEI)** has provided extra resources to us to address Brexit
- Established an **IDA Brexit Group**
 - ✓ Participate in all relevant Departmental, cross-agency and other Brexit fora.
- Completed **Brexit sensitivity analysis** of our client portfolio
 - ✓ Have identified clients at risk from Brexit plus those presenting opportunities
- Have **restructured European Operations** to treat UK as a separate market
 - ✓ Have undertaken customised Brexit related marketing campaign.
- Full range of advisory, financial and informational supports available to clients.
- **Ongoing engagement and monitoring** of relevant companies through Operations, Overseas network & our Client Development Programme (CDP).

Brexit: Opportunities & Risks

Opportunities

- ✓ Incremental FDI caused by need for MNEs to retain EU market access post Brexit
- ✓ Relocations / restructurings by Groups with a UK presence
- ✓ Compete for new name investments from companies seeking to secure EU market access for the first time.
- ✓ Expansions by existing companies in Ireland as they restructure operations post Brexit
- ✓ Relocations by UK research and scientific community and EU citizens that previously worked in the UK.
- ✓ Skills, regulatory and data sensitive sectors

Risks / Challenges

- ✓ MNEs retaining UK market access from Ireland
- ✓ 10% approx. of IDA client portfolio views UK as a significant market.
- ✓ Firms with high UK export dependency may switch capacity from Ireland to the UK or relocate altogether.
- ✓ Currency exposure (£ Sterling)
- ✓ Dependency on UK for energy supplies and land-bridge to mainland European market
- ✓ Perception of Ireland as “peripheral” to core EU market and customers.
- ✓ Ireland’s competitiveness is key when competing with other EU locations to win investments

Some Investments Won to Date



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J.P.Morgan



Conclusions

- Ongoing and active engagement with clients around Brexit
- Impact of Brexit varies by sector and company
- Some sectors (e.g. financial services) already executing their response to Brexit
- Majority of IDA portfolio not heavily exposed to Brexit
- Clients have options via network of branches and subsidiaries
- Terms of continued access to the UK market from Ireland is the key issue
- Detail of final EU-UK agreement & transition arrangements critical
- IDA Ireland has successfully won 20 Brexit related projects and are competing to win further investments

THANK YOU

