

NI hasn't yet replaced Celtic Tiger with PIGS, CIVETS or BRICs

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The UK has been pinning its hopes on an export-led recovery to reverse its economic fortunes. The exchange rate and the level of demand are two key factors that strongly influence export performance. Both of these have been in sharp focus in recent weeks with sterling on the slide and the eurozone in recession.

Last month also highlighted an interesting development, with UK exports to non-EU countries (*for December 2012*) overtaking exports to the EU for the first time. This is just one example of shifting trade patterns within a UK context.

In 2002, around 62% of the UK's exports went to the other 26 countries that make up the EU27. By 2012 this figure had fallen to just over half (51%). The increased importance of the BRIC economies (*Brazil, Russia, India & China*) is one key driver behind this shift, with UK exports to China increasing seven-fold (*in cash terms*) between 2002 and 2012. Invariably, the fastest growing economies give rise to the fastest growing export markets. Another changing trade pattern concerns the type of exports. For example, over the last decade, UK exports of cars have more than doubled. A growing middle-class within Asia, notably China, with an appetite for luxury brands, such as Jaguar and Land Rover, has contributed to this.

Outside of the BRICs, the other non-EU countries that UK firms posted a significant increase in exports to last year included: South Korea (+83%), Switzerland (+24%) & Norway (+7%).

Within the EU, some markets have fallen more than others. Not surprisingly, those economies within the eurozone experiencing the most severe fiscal austerity and steepest rises in unemployment are the export markets suffering the most. For example, the value of UK exports to Italy last year was lower than the level back in 2002. It is noted that the Spanish, Italian, Greek and Portuguese economies are now all smaller than they were in the depths of the global recession in 2009. All of these economies are expected to contract further in 2013. Clearly, the ongoing eurozone recession will act as a significant drag on UK export performance in these markets irrespective of the sterling / euro exchange rate.

Whilst the BRICs have been actively targeted over the last decade, lovers of acronyms will be pleased to learn that the new investment theme for emerging markets is the so called CIVETS. This group encompasses Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. These economies all have large, young populations, which should translate into rapid growth in domestic consumption. This contrasts with the ageing-populations of many advanced economies, notably Japan.

So what about Northern Ireland's export performance and prospects? An analysis of Northern Ireland's historical manufacturing sales and export performance, using the Department of Finance & Personnel's Northern Ireland Manufacturing Sales & Export survey (*MSES*), reveals some interesting shifts in local trade patterns. Furthermore, the trade exposure of Northern Ireland firms is quite different from the UK as a whole.

According to the MSES for the latest financial year (2011/12), Northern Ireland manufacturers posted their first rise in exports for 4 years. All of Northern Ireland's main export markets: the Republic of Ireland (RoI); the Rest of the EU (*excludes UK & RoI*); and the Rest of the World (*includes Asia, North & South America, Africa etc*) posted annual growth.

While the UK exports more to the US, Germany, France and the Netherlands than it does to the RoI; the same is not true for Northern Ireland. Northern Ireland's exposure to the RoI economy and export market cannot be understated. Despite the RoI export market posting its first annual rise in 4 years in 2011/12, exports to the RoI remain around one third below, or £0.6bn, their pre-recession peak. Nevertheless, the RoI remains NI's single most important export market, accounting for 24% of all exports and half of SME exports.

We export more to the RoI than we do to North America. Within the EU, local firms export more to the RoI than to Germany, France, Italy, Spain, Belgium, the Netherlands, Portugal, Greece, Austria, Denmark and Sweden combined. Furthermore, whilst significant emphasis is placed upon the BRICs and CIVETS, the RoI market still accounts for almost 50% more than our combined exports to Asia, the Middle-East, Africa, Russia, Turkey and Central & South America. Moreover the decline in exports to the RoI since 2007/08 currently exceeds our exports to the BRICs.

Some sales & export markets have performed better than others. Whilst overall NI manufacturing exports are still 15% below the 2007/08 peak, sales to Great Britain (*external sales as opposed to exports*) were 16% higher in 2011/12. This was largely due to the strong performance of NI's Food & Drink sector. Indeed, Food, Drink & Tobacco (FDT) sales & exports have increased in all markets outside of the Rest of the World category since 2007/08. Ironically, the RoI market posted the strongest post recession growth (+40%). This was strongly influenced by a favourable exchange rate (*weakness of sterling*). However, NI exports to the RoI excluding food & drink sales are down almost 60% since 2007/08. This highlights NI's over-exposure to the Celtic Tiger and its property downturn. The challenge for local firms is not just to find new markets but to exploit old, neglected ones closer to home – namely Great Britain. If you cannot sell to GB you arguably cannot sell to the BRICs, CIVETS, PIIGS or any acronym for that matter.

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