

# Ireland

## International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance<sup>1</sup> of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in Ireland are much less optimistic about 2008 (+15 per cent) than they were about 2007 (+82 per cent).

Levels of optimism have fallen amongst European Union (EU)<sup>2</sup> businesses. This year a balance of +34 per cent of EU businesses are positive about their economy compared to a balance of +46 per cent in 2007. However, levels of optimism vary extensively throughout the EU economies with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are most pessimistic about their economy over the next year (-5 per cent).

### The Irish economy

GDP growth continued to slow sharply in the third quarter of 2007, with an annual growth rate of 3.9 per cent being the weakest performance for three years. Consumption growth held up, supported by the pay-out from government-sponsored savings schemes (SSIA's), but residential construction investment moderated sharply. The housing market crash has deepened, with prices declining by 7.3 per cent over the year to December 2007. This has severely undermined consumer confidence, and in January 2008 the European Commission survey reported the weakest sentiment for 15 years. There are signs that this has already filtered through to consumer demand, with official retail sales growth at its slowest for two-and-a-half years in the three months to December 2008.

The Commission's Economic Sentiment Indicator has declined by 13 per cent in the past four months to reach a four-and-a-half year low in February 2008. In addition to deteriorating consumer sentiment there was a notable weakness in industry and construction.



The Grant Thornton IBR contact for Ireland is:

**Grant Thornton**  
Gearoid Costelloe  
T +353 (0) 61 312 744



<sup>1</sup> the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

<sup>2</sup> for the purposes of IBR, the term 'EU' refers to those EU economies covered by our survey – Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

### Business expectations/revenue

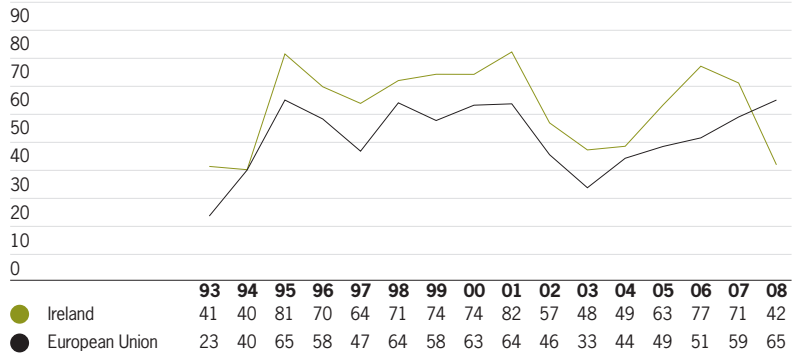
- PHBs in Ireland are much less optimistic about their revenue prospects in 2008 (+42 per cent) compared to 2007 (+71 per cent).
- Their levels of optimism regarding revenue performance are now below both the EU (+65 per cent) and global (+63 per cent) averages.
- Levels of optimism regarding exports in 2008 (+25 per cent) represent a six per cent rise from 2007. This is below the EU average (+28 per cent) but above the global average (+18 per cent).

### Employment

- Expected employment growth in Ireland has fallen marginally from +28 per cent in 2007 to +20 per cent in 2008.
- Businesses in the EU as a whole are now more optimistic with regard to employment growth in 2008 (+27 per cent) than businesses in Ireland.
- Actual reported employment growth (+26 per cent) in Ireland was slightly lower than expected in 2007.

**Figure 1: Revenue expectations for Ireland and the European Union average 1993-2008**

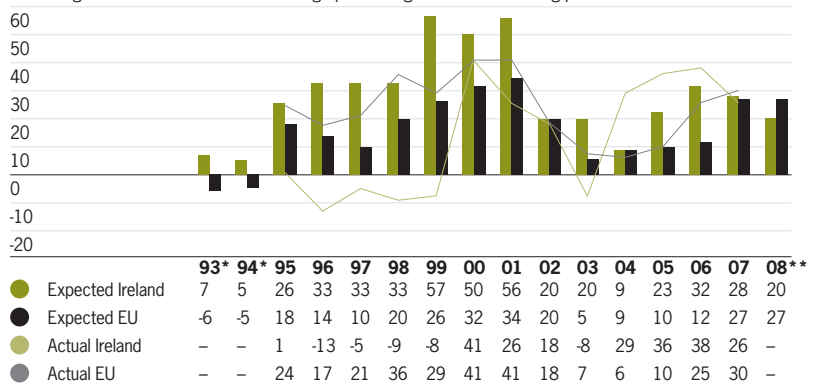
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2008

**Figure 2: Employment history of Ireland and the European Union average 1993-2008**

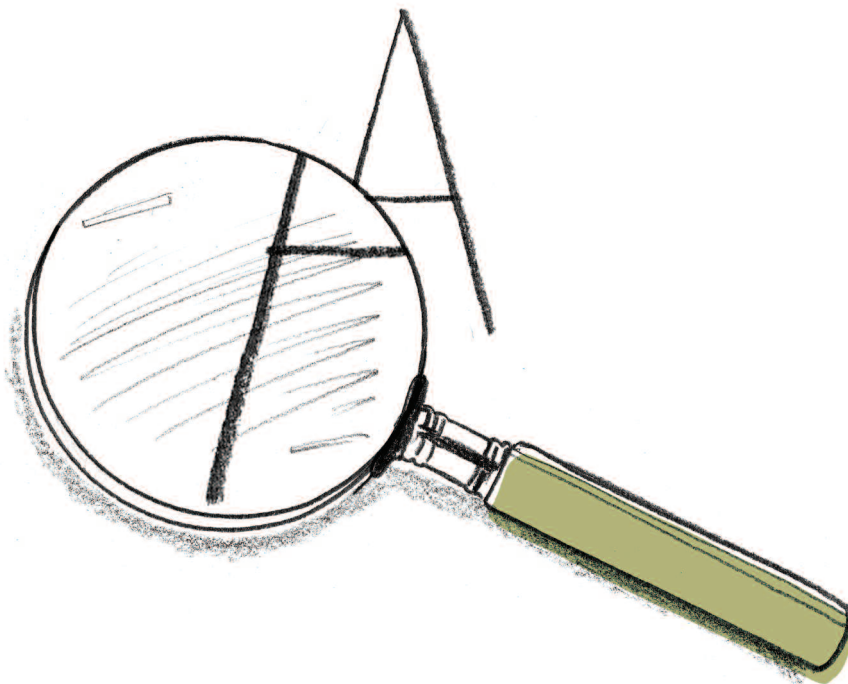
Percentage balance of businesses indicating optimism against those indicating pessimism



\*no data available

\*\*2008 data will be documented in IBR 2009

Source: Grant Thornton IBR 2008



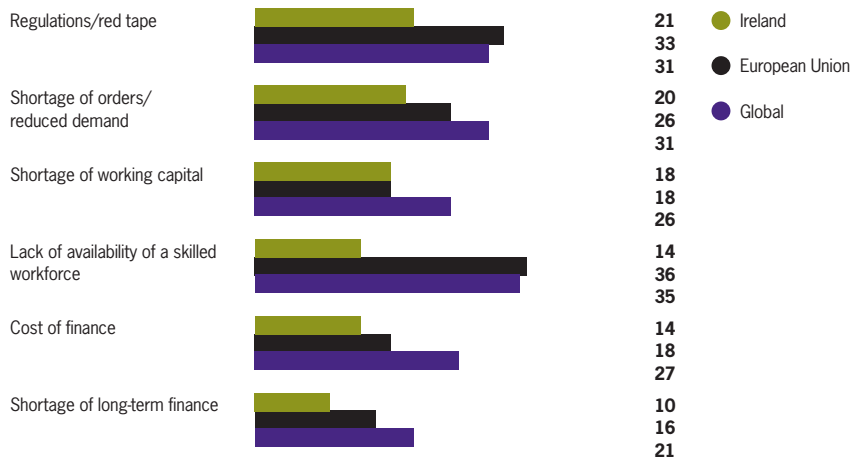
### Constraints

- Regulations/red tape is the constraint restricting expansion cited most by businesses in Ireland (21 per cent).
- Over one third of businesses globally and in the EU cite the availability of a skilled workforce, compared to just 14 per cent of PHBs in Ireland.
- In general PHBs in Ireland cite all factors below the EU and the global average.

### Emerging markets

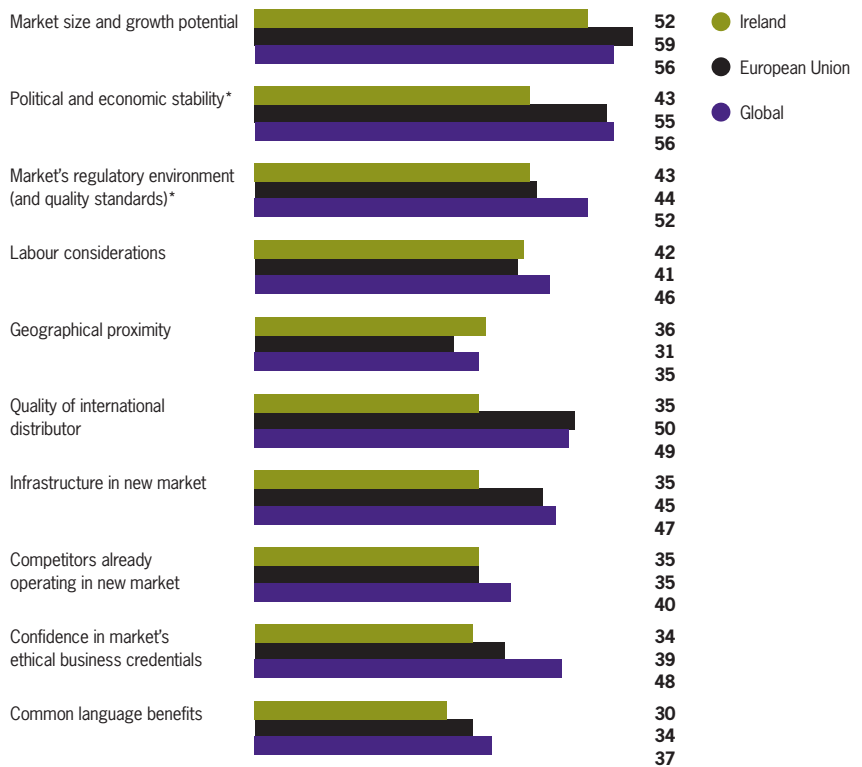
- The most important factor for PHBs in Ireland, when determining whether to invest internationally, as is the case for businesses globally, is market size and growth potential (52 per cent).
- The number of Irish businesses which export (41 per cent) is below the EU average (53 per cent) but slightly higher than the global business average (39 per cent).
- Similarly to EU businesses as a whole 56 per cent of PHBs in Ireland import.
- Similarly to businesses globally, 39 per cent of PHBs in Ireland see their primary competition coming from local sources.

**Figure 3: Largest constraints on growth for Irish businesses compared to the European Union and the global average**  
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



Source: Grant Thornton IBR 2008

**Figure 4: Importance of factors determining foreign investment**  
Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



\*excluding mainland China  
Source: Grant Thornton IBR 2008

## Competitiveness

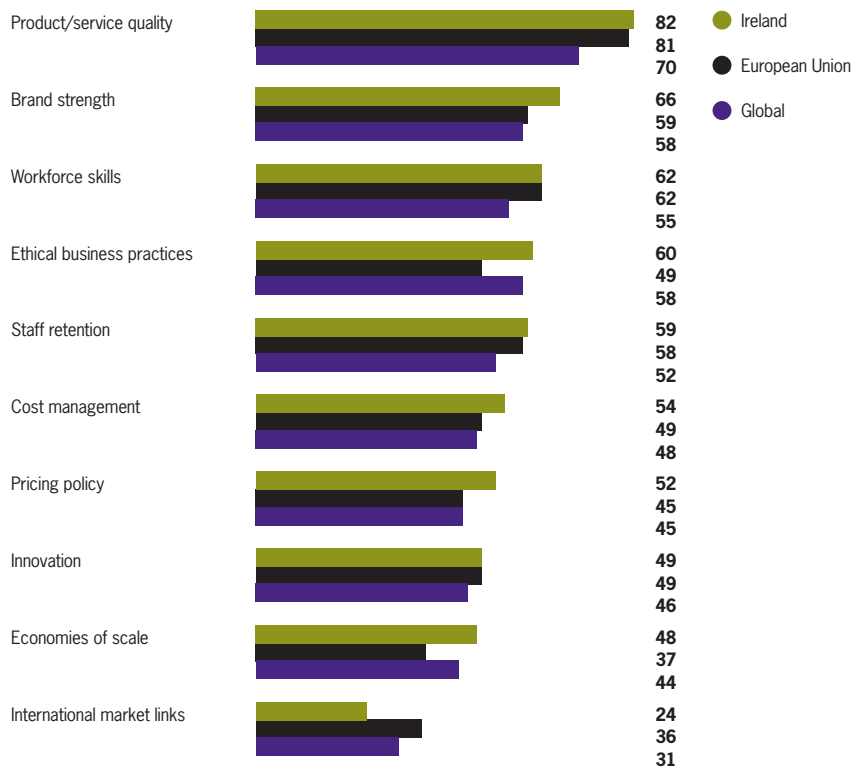
- PHBs in Ireland see their greatest source of competitive advantage as product service quality (82 per cent), as is true of businesses globally and in the EU as a whole.
- 66 per cent of Irish businesses see brand strength as a source of competitive advantage. This is above the global business average of 58 per cent.
- International market links are cited by 36 per cent of businesses in the EU as a source of competitive advantage, but by just 24 per cent of PHBs in Ireland.

## Corporate social responsibility (CSR)

- Public attitudes/building brand is viewed as the biggest driver towards more ethical practices by PHBs in Ireland (64 per cent). This is higher than the the European Union average (48 per cent) and the global average (56 per cent).
- 91 per cent of PHBs in Ireland improved waste management in the past year, compared to just 59 per cent of all businesses.
- 54 per cent of Irish businesses have incorporated their policies in to a written CSR document. This is above the EU average of 45 per cent.

**Figure 5: Main sources of competitive advantage for Irish businesses compared to the European Union and the global average**

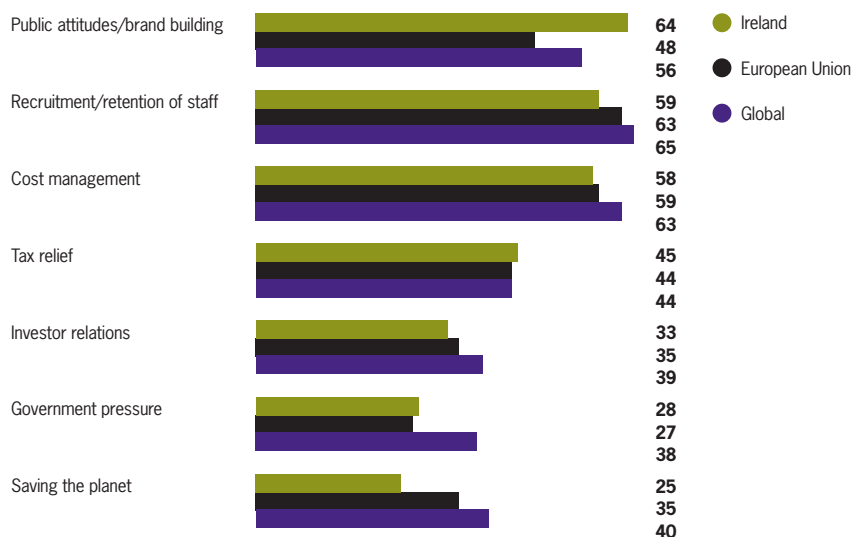
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

**Figure 6: Importance of drivers to more ethical practices for Irish businesses compared to the European Union and the global average**

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



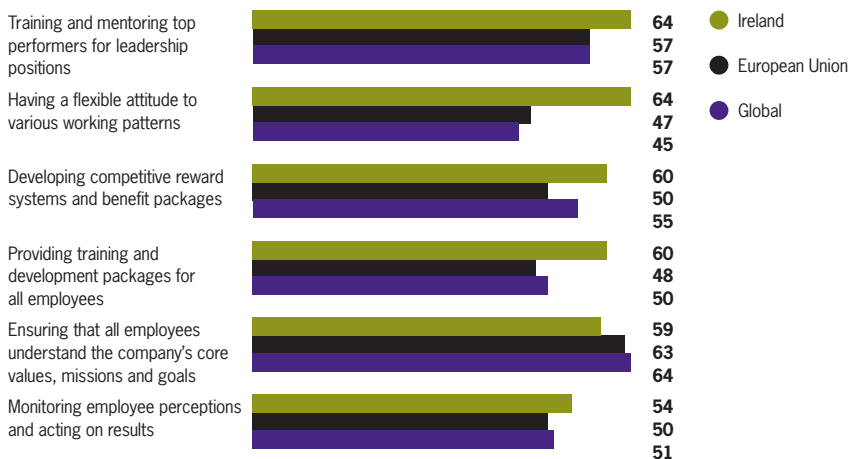
Source: Grant Thornton IBR 2008

## Recruitment and retention

- The balance of PHBs in Ireland more focused on retention than one year ago is +57 per cent, up from +51 per cent in 2005. This is above the EU average (52 per cent) but below the global average (59 per cent).
- 64 per cent of PHBs in Ireland train and mentor top performers for leadership positions, and have a flexible attitude to various working patterns to aid recruitment/retention.
- Cited by 51 per cent of PHBs in Ireland, an increase in the workload of remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 65 per cent of Irish businesses significantly more to pay their staff than it was 12 months ago, above both the EU (58 per cent) and global (63 per cent) averages.

**Figure 7: Usage of recruitment and retention tools for Irish businesses compared to the European Union and the global average**

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

# Outlook for the Irish economy

The economic slowdown is expected to intensify in the latter half of 2008. GDP is estimated to have expanded by 4.8 per cent in 2007, down from 5.7 per cent in 2006, but growth is forecast to slow to just 3.3 per cent in 2008 which, if achieved, would be the weakest performance for 15 years. Domestic demand remains an important driver for growth, but its contribution is set to diminish. Export demand is also under threat from the global slowdown and is vulnerable to further euro appreciation.

The contribution of consumer spending to growth is expected to decrease significantly this year. In 2007, a growth of 5.5 per cent had been boosted by the pay-out from government-sponsored savings schemes (SSIAs). However, this stimulus will fade, and with the housing market and consumer confidence spiralling downwards, spending growth is expected to cool to 3.4 per cent in 2008.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit [www.internationalbusinessreport.com](http://www.internationalbusinessreport.com).

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

**Participating economies**

Argentina	Hong Kong	Singapore
Armenia	India	South Africa
Australia	Ireland	Spain
Belgium	Italy	Sweden
Botswana	Japan	Taiwan
Brazil	Malaysia	Thailand
Canada	Mexico	Turkey
Mainland China	Netherlands	United Kingdom
Denmark	New Zealand	United States
France	Philippines	Vietnam
Germany	Poland	
Greece	Russia	



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