Foreign Direct Investment in the North-West – The role of Sligo

John Nugent
Regional Manager, Border
Appendices
Updates and Outlook

- Based on performance for first 3 years of the strategy, IDA expects to exceed Investment and Job creation targets set for *Winning FDI Strategy 2015-2019*, but, significant down-side risks exist …

- **Business Environment** remains very competitive for FDI
- There are **significant International developments**, the precise impacts of which are not yet known
- Maintaining the **competitiveness of the Irish economy** remains key:
  - Residential Housing – Availability & Cost
  - Infrastructure Investment
  - Income Tax levels at higher marginal rate
  - Industrial Relations Activity

- In the short to medium term, **technological developments** likely to have a significant impact on **future of work and employment across all sectors**
Irishman (person) of the 20th century

T K Whitaker
IDA Ireland – Services for the Investment Journey

- Introductions to Peer Companies
- Access to Government System
- Introductions to Industry Associations
- Collaboration With 3rd Level Institutions
- Design and Hosting of tailored Fact-Finding Site Visits
- Information Gathering, Analysis and Evaluation
- RFIs (Requests for Information)
- Funding Programmes & Incentives
- Public Relations & Media Support
- Employment Permits & Visas
- Property Solutions
MNCs make significant contribution to Irish Economy

IDA clients

+ Account for 10.2% of total employment in Ireland.
+ 58% of employment is outside of Dublin.
+ Spent €17.9bn in Irish Economy in 2016 on payroll and Irish sourced materials and services.
+ Invest €5bn in capex annually, half outside of Dublin.
+ Invest €1.6bn in house R&D.
+ Account for over 70% of national exports and 80%* of Irish corporation tax.
Ireland is the Fastest Growing Economy in Eurozone

+ 5%+ GDP growth for 4 straight years

+ Fastest growing economy in Eurozone in 2017 for 4th year in row.

+ National and International forecasts expect strong growth to continue in 2018 and 2019.

+ Broad based sectoral growth, particularly manufacturing where PMI hit record high in Dec 2017; services, retail sales and construction also growing strongly.

+ Consistently strong consumer sentiment and spending – personal debt at its lowest level since 2005.

**GDP Forecasts (%)**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Commission</td>
<td>4.8</td>
<td>3.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Irish Department of Finance</td>
<td>4.3</td>
<td>3.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Central Bank of Ireland</td>
<td>4.9</td>
<td>3.9</td>
<td>n/a</td>
</tr>
<tr>
<td>IMF</td>
<td>4.1</td>
<td>3.4</td>
<td>n/a</td>
</tr>
<tr>
<td>OECD</td>
<td>3.6</td>
<td>2.7</td>
<td>2.2</td>
</tr>
<tr>
<td>ESRI</td>
<td>5.0</td>
<td>4.2</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*CSO Quarterly National Accounts, December 2017.*
Ireland is the Fastest Growing Economy in Eurozone

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*CSO Quarterly National Accounts, December 2017.
### Ireland: “A” grade from all major credit rating agencies

<table>
<thead>
<tr>
<th>Ratings Agency</th>
<th>Long-Term</th>
<th>Short-Term</th>
<th>Outlook/Trend</th>
<th>Date of Last Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standards &amp; Poor's</td>
<td>A+</td>
<td>A-1</td>
<td>Stable</td>
<td>Jun-15</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>A+</td>
<td>F1</td>
<td>Stable</td>
<td>Dec-17</td>
</tr>
<tr>
<td>Moody's</td>
<td>A2</td>
<td>P-1</td>
<td>Stable</td>
<td>Sep-17</td>
</tr>
<tr>
<td>DBRS</td>
<td>A (high)</td>
<td>R-1 (middle)</td>
<td>Stable</td>
<td>Mar-16</td>
</tr>
<tr>
<td>R&amp;I</td>
<td>A</td>
<td>a-1</td>
<td>Stable</td>
<td>Jan-17</td>
</tr>
</tbody>
</table>
Over 2 million people at work in Ireland

- Strong employment growth: 2.06 million people now at work in Ireland.
- For every 10 jobs lost in recession, 7 have been replaced.
- IDA clients created 1 in every 4 additional jobs in Ireland since 2012.
- Unemployment rate 6.1% in November 2017; halving in 4 years.
- Long term unemployment rate low at 3.1%.
- Ireland’s unemployment rate below EU (7.4%) and Eurozone (8.8%) average.
Labour Market Outlook

+ Room for labour force increases:
  - Labour force participation
  - Part-time working
  - Net migration

+ Almost 300,000 Irish people emigrated during the recent economic recession

+ 2016 & 2017 saw a return to net inward migration to Ireland for the first time since 2009 as employment opportunities increase.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force participation</td>
<td>64%</td>
<td>60%</td>
</tr>
<tr>
<td>Part-time work</td>
<td>384,200</td>
<td>432,200</td>
</tr>
<tr>
<td>Net migration</td>
<td>+104,800</td>
<td>+19,800</td>
</tr>
</tbody>
</table>
Proportionally Ireland has the 3rd highest international workforce in Europe. Today, 15% of Ireland’s workforce is international.

Ireland’s diverse population contributes to the enhanced language skills availability.

13% of Irish population speak a foreign language at home.

<table>
<thead>
<tr>
<th>Language</th>
<th>Total</th>
<th>Language</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polish</td>
<td>135,895</td>
<td>German</td>
<td>28,331</td>
</tr>
<tr>
<td>French</td>
<td>54,948</td>
<td>Russian</td>
<td>21,707</td>
</tr>
<tr>
<td>Romanian</td>
<td>26,645</td>
<td>Portuguese</td>
<td>16,737</td>
</tr>
<tr>
<td>Lithuanian</td>
<td>30,502</td>
<td>Chinese</td>
<td>17,584</td>
</tr>
<tr>
<td>Spanish</td>
<td>32,405</td>
<td>Arabic</td>
<td>16,072</td>
</tr>
</tbody>
</table>
Wages rising slowly (2% annually), but disparity in some sectors.
Irish hourly labour costs are mid range in Europe; below the Eurozone average but above the EU average.

Irish labour costs are 11th in the EU, below countries like the UK, Germany, Belgium, Luxemburg and the Netherlands.
Growth in Labour Costs Relatively Subdued

Irish labour costs have remained relatively stable since 2012, increasing by just 4% in total, this compares to a 6.6% increase in the EU.

Labour costs like to increase moderately in coming years. Budget 2018 forecasts average annual wage growth of 3% - 5% for the period 2017 – 2021.
Knowledge and Talent

+ Ireland is the only English speaking country in the Eurozone.
+ Education system ranked in the top 10 in the world.
+ 98% participation rate in education amongst 18 year olds – Highest in Europe.
+ 53% aged 30-34 have successfully completed third level studies (EU average 39%).
+ Irish IT specialists best educated in EU; 82% have third level qualification (EU average 62%).
+ Ireland has the fastest-growing tech worker population in Europe for 2017, with the expectation that impacts of the Brexit vote will see that figure grow further.*
+ New International Baccalaureate School being established in Dublin.
+ Youngest Population in the EU: 33% under 25 (EU 28: 26.8%).
+ 7th lowest old-age dependency ratio in OECD (18.6%). Compared to 31.3% in Germany, and 29% in Eurozone as a whole.

The IMD Competitiveness Yearbook 2017 ranks Ireland globally as:
+ 1st for attracting and retaining talent.
+ 5th for availability of skilled labour.
+ 6th for financial skills.
Ireland is Europe's Most Productive Economy

+ Irish labour productivity i.e. the amount of GDP produced by each unit worker in the economy is 78% above the EU28 average.

+ IMD Competitiveness Yearbook 2017 ranks Ireland 1st for labour productivity.

Labour Productivity

Source: Eurostat 2016, Labour productivity measures the amount of GDP produced by one person in one hour.
2017 was a record year for the Dublin office market with total take-up of 331,445 sq. m.

Total of 237 transactions completed over the course of year.

35 office schemes of more than 400,000 sq. m. under construction at the end of Q4 2017.

Interim space being offered by serviced office providers.

Prime City Centre Rents: €65 per sq. ft. (€700 per sq. m.)
Prime Office Rents in Dublin – Global Comparison

Prime Office Rents per sq. ft per annum (US$)

- Hong Kong (Central)
- New York (Midtown)
- London (West End)
- Beijing (Finance St)
- Silicon Valley
- Shenzhen
- Tokyo (Marunouchi)
- Shanghai (Pudong)
- San Francisco
- Boston
- Mumbai
- New York (FiDi)
- Dubai (DIFC)
- Stockholm
- Seoul
- Paris (City)
- Singapore
- Zurich
- LA (Westside)
- Geneva
- Sydney
- Chicago
- Dublin
- Toronto
- Istanbul
- Milan
- Madrid

Ireland. Right place Right time
Suburban Dublin Rents

Prime Suburban Rents – within 30 minutes of Dublin City: €17.50 -€28.50 sq. ft. (€188.30-€306.66 per sq. m.)

Suburbs accounted for 25% of leasing activity in Dublin in Q4 2017.

<table>
<thead>
<tr>
<th>Prime headline office rents in Dublin (Q4 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre</td>
</tr>
<tr>
<td>South Suburbs</td>
</tr>
<tr>
<td>North Suburbs</td>
</tr>
<tr>
<td>West Suburbs</td>
</tr>
</tbody>
</table>
Significant Value in Regional Locations

Excellent rental value in locations outside Dublin: €5-€32 per sq. ft. (€54-€345 per sq. m.).

<table>
<thead>
<tr>
<th>Location</th>
<th>Office Rents per sq ft per annum</th>
<th>Industrial Rents per sq ft per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cork City</td>
<td>€28 - €32</td>
<td>€5 - €8</td>
</tr>
<tr>
<td>Cork Suburbs</td>
<td>€14 - €18</td>
<td>€5 - €8</td>
</tr>
<tr>
<td>Galway City</td>
<td>€20 - €28</td>
<td>€5 - €8</td>
</tr>
<tr>
<td>Galway Suburbs</td>
<td>€15 - €18</td>
<td>€5 - €8</td>
</tr>
<tr>
<td>Limerick City</td>
<td>€28 - €32</td>
<td>€3 - €7</td>
</tr>
<tr>
<td>Limerick Suburbs</td>
<td>€18 - €20</td>
<td>€3 - €7</td>
</tr>
<tr>
<td>Waterford*</td>
<td>€12 - €15</td>
<td>€4 - €8</td>
</tr>
<tr>
<td>Sligo*</td>
<td>€5 - €10</td>
<td>€3 - €7</td>
</tr>
<tr>
<td>Athlone*</td>
<td>€10 - €18</td>
<td>€4 - €8</td>
</tr>
<tr>
<td>Dundalk*</td>
<td>€15 - €17</td>
<td>€3 - €7</td>
</tr>
</tbody>
</table>

On a case by case basis commercials on each option are subject to negotiation, strength of covenant and length of lease.
Increasing housing supply is a key priority area for the Irish Government.

Under investment in housing during the recession – and the rapid recovery – has led to rental price increases and an undersupply of homes for purchase.

The Government’s Rebuilding Ireland action plan is targeting a doubling of output to deliver 25,000 units per annum on average by 2020.

Budget 2018 allocated €1.9 billion to the housing programme for 2018 – a 46% increase on 2017.

Newly established Home Building Finance Ireland agency to provide €750m in financing to eligible residential property developers.

Actions to date include:

- Annual rent increases capped at 4% in 21 areas classified as Rent Pressure Zones
- Fast track planning for large housing developments (100 units or more)
- Updated draft guidelines for planning authorities on apartment development
- €200m+ Local Infrastructure Housing Activation Fund (LIHAF)
Indicators show strong growth in house building activity.

Completions were higher in every month of 2017 compared to the same month in the previous two years.

The pipeline of new houses is strong with starts on new residential builds up 33% in 2017.

Planning permissions for additional new house builds up 15% in 2017 (Q1 - Q3)

Source: Department of Housing, January 2018; CSO, December 2017
Housing challenges not unique to Ireland.

Rent prices in regional locations in Ireland are very competitive.

### Stanardised Average Rent Q3 2017 (€)

- **Dublin City**
- **Galway City**
- **Cork City**
- **Limerick City**
- **Tralee**
- **Athlone**
- **Sligo**
- **Letterkenny**
- **Waterford City**

### Monthly Rent (€) - 1 person apartment

- **San Francisco**
- **New York**
- **Hong Kong**
- **London**
- **Geneva**
- **Los Angeles**
- **Singapore**
- **Zurich**
- **Dubai**
- **Paris**
- **Amsterdam**
- **Dublin**
- **Oslo**
- **Munich**
- **Vienna**
- **Stockholm**
- **Frankfurt**
- **Milan**
- **Copenhagen**
- **Barcelona**
- **Helsinki**
- **Vancouver**
- **Edinburgh**
- **Rome**
- **Rotterdam**
- **Madrid**
- **Berlin**
- **Toronto**

Source: ESRI, November 2017; Residential Tenancies Board Rent Index Q3 2017; Nestpick 2017 Furnished Apartment Index - listings for one-bedroom furnished apartments with an area between 39m² and 45m²
International Environment
Brexit Overview

**Irish Focus**
- Minimising impact on trade and the economy
- Protecting the Northern Ireland Peace Process
- Maintaining the Common Travel Area
- Influencing the future of the European Union.

**EU Focus**
- Protecting the Single Market and the 4 freedoms
- Continuing unity of the EU 27
- Parallel discussions on the future of the EU post-Brexit

**UK Focus**
- Reaching early agreement on transition arrangements
- Pursuing an unprecedentedly comprehensive FTA with the EU
- Mindful of domestic political considerations

**Phase 1: “Sufficient Progress” achieved on:**
- UK financial settlement
- Rights of EU nationals in Britain and vice versa
- Northern Ireland border issue

Timeline:
- **January 2018** Transition talks
- **March 2018** Future relations talks
- **October 2018** Ratification process
- **March 2019** UK withdrawal date
- **December 2020** Possible end of transition period
Substantial Brexit-related Investments

Brexit further underlines the advantages of Ireland as a destination for FDI, including English language, commitment to the EU and common law system.

Ireland won a substantial number of Brexit-related investments in 2017 from leading companies including:

- Bank of America
- Barclays
- JP Morgan
- S&P Global
- Legal & General
- Pinsent Masons
- Northern Trust
- Citadel
- Tobam
- alterDomus
- Fundrock
- Chaucer
- Kabbage
- Willis Towers Watson
- Bank of China
- Beazley Re
- Wasdell Group
International Tax Environment

01 12.5% Corporate Tax
Budget 2018 reaffirmed that the 12.5 per cent tax rate is, and will remain, a core part of our offering.

02 U.S Tax Reform
U.S. Business will always need to have operations in the EU, even after completion of the Tax Cuts and Jobs Act 2017.
Our 12.5% tax rate continues to be competitive and provides certainty to international business.

03 Digital Taxes
Digital taxation is a global issue that should be progressed on an international basis through the OECD, not through Europe.

04 CCCTB
Under the EU Treaties, for the European Council to move a policy area such as taxation from unanimity to qualified majority voting would require a unanimous decision.
Ireland would not support this.

05 OECD / BEPS
Ireland has committed to adopt OECD minimum standard measures to counteract Base Erosion and Profit Shifting as well as those set out under EU ATADs.
The OECD has given Ireland its highest possible overall rating on transparency and exchange of information.

06 Apple State Aid
Ireland profoundly disagrees with the European Commission assessment and has lodged an appeal with the European courts.
Ireland’s key assets are our people:
+ 1st in the World for flexibility & adaptability of workforce
+ 1st in the World for a national culture that is open to foreign ideas
+ 1st in the World for availability of finance skills
+ 2nd in the World for attitudes toward globalization
+ 3rd most productive workforce in the world

We consistently rank amongst the best countries in the World to invest and do business in
+ Best Country in Western Europe to invest in 2016
+ 1st in EU for ease in starting a business
+ 4th best country in the world to do business in 2016
+ 1st in the World for inward investment by quality and value
+ 1st in the EU and 6th in the world for the ease with which business can pay its taxes