

Press Release

3 November 2007

Outward Direct Investment generates positive results for the Irish economy

Outward investment from Ireland now exceeds inward investment by overseas firms into Ireland. The effects of this process of internationalisation by Irish companies, through investment and expansion into overseas markets, has had a largely beneficial effect on the economy, according to The Forfás Statement on Outward Direct Investment, published today (3 November 2007). The Statement provides an update on current trends in outward direct investment (ODI) and examines the economic impact of ODI by Irish firms.

According to Martin Cronin, Chief Executive, Forfás, "We have seen a rapid rise in ODI from Irish companies over the last number of years and as companies expand and mature this is likely to continue. ODI is a logical and inevitable stage in the international expansion of companies, driven by competitive forces and customer demands. The experience of internationalisation to date has been largely positive for Ireland, with a positive impact on the productivity, skills profile and employment levels within investing firms."

"However the research also found that the movement of employment opportunities to other locations through ODI can have a negative impact on those in low skilled employment, particularly in regional locations. Investment in retraining and upskilling and implementation of the National Skills Strategy will be key to ensuring that the positive effects of ODI are not counterbalanced by the negative", he added.

Key findings:

- Companies invest overseas for one or more of the following reasons:
 - To pursue opportunities in new markets;
 - To access new factors of production including skilled labour and low cost raw materials; and
 - To maintain international competitiveness and the long term position of the company.
- The level of outward direct investment by Irish companies increased by 325% between 2000 and 2005. In 2004 Ireland became a net international investor for the first time with investment outflows exceeding inflows. Irish ODI was valued at \$117.9 billion in 2005.
- 58% of Irish ODI is directed to Western Europe and the UK in particular. Eastern Europe is next highest location, receiving 15% of Irish ODI. Relatively little ODI is directed at the developed and developing Asian economies with 9% of investment.
- Manufacturing is the most common activity by subsidiaries of Irish companies overseas. 26% of Irish subsidiaries are involved in manufacturing following by business services (21%) and construction (12%).
- On average ODI has a positive effect on the Irish employment levels of companies investing overseas. It has also had a positive effect on the productivity levels of investing firms and changes within the skills profile.



A copy of the **Forfás Statement on Outward Direct Investment** is available for download at www.forfas.ie. The statement is an update of the Statement on Outward Direct Investment published by Forfás in 2001.

For further information please contact: Aideen Fitzgerald Communications, Forfás 01 607 3020, Mobile: 087 2432140

Forfás

Forfás is Ireland's national board responsible for providing policy advice to Government on enterprise, trade, science, technology and innovation in Ireland.