

Ireland

Brexit-exposed sectors suffer in months following referendum vote

- **Irish sectors most exposed to Brexit see output and new orders fall in October**
- **Companies in these sectors perform worse than other Irish firms following UK's vote to leave the EU**

Irish firms operating in sectors deemed to be most at risk from the UK's decision to leave the EU have already suffered in the months following the referendum, according to PMI data from IHS Markit.

With the UK yet to even invoke Article 50 of the Lisbon Treaty to start the negotiations to leave the EU, it appears that some areas of the Irish economy face a long and challenging road ahead.

Most Exposed Sectors

Alongside the announcement of the 2017 budget in October, the Irish government outlined an analysis of which sectors of the economy are most exposed to the departure of the UK from the EU¹.

Using the 'Exposure Index' devised by the Irish Department of Finance, the five most exposed sectors are listed below in order of exposure:

Detailed Sector	Broad Sector
Transport	Services
Commodities n.e.s.	Goods
Food and Live Animals	Goods
Manufactured Goods	Goods
Minerals	Goods

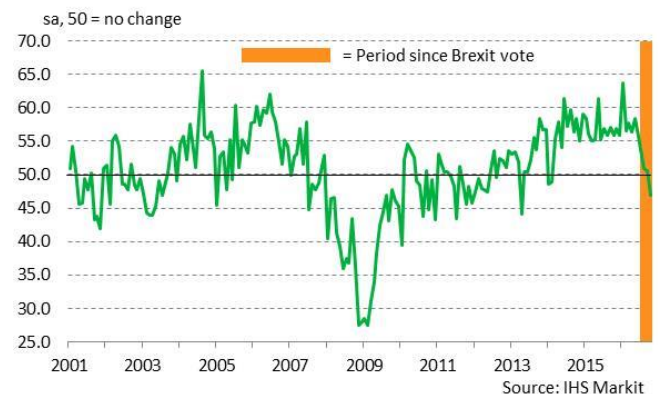
One of the features of PMI surveys is that they provide the opportunity to drill down to see the responses for specific types of companies, such as firms in particular sectors or of particular sizes. We can therefore aim to isolate the PMI responses for those sectors outlined in the Irish government's analysis. For the purpose of this note we group together the five sectors with greatest exposure to Brexit and label them as the 'Most

Exposed', with the remaining sectors grouped together as the 'Less Exposed'. The detailed sectors we include in the 'Most Exposed' group can be found in the Appendix to this note.

'Most Exposed' sectors see output decline

Prior to the UK's referendum at the end of June, output in the 'Most Exposed' sectors had been growing strongly on a monthly basis. However, in the months following the 'leave' vote the rate of expansion eased in three successive months before giving way to an outright decline in business activity during October. This was the first monthly fall in output in more than two-and-a-half years and the strongest downturn since April 2013. This suggests that the Brexit impact on the 'Most Exposed' sectors has already been both immediate and significant.

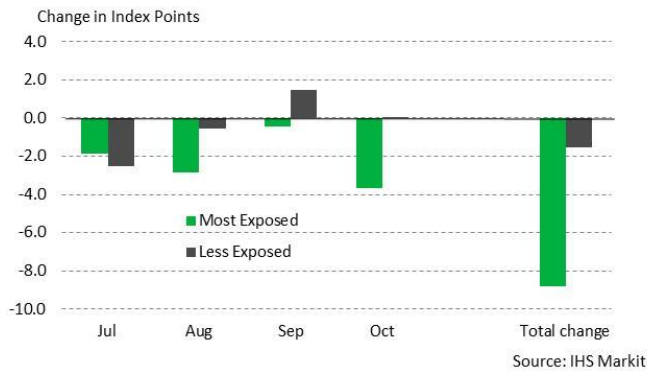
'Most Exposed' PMI Output Index



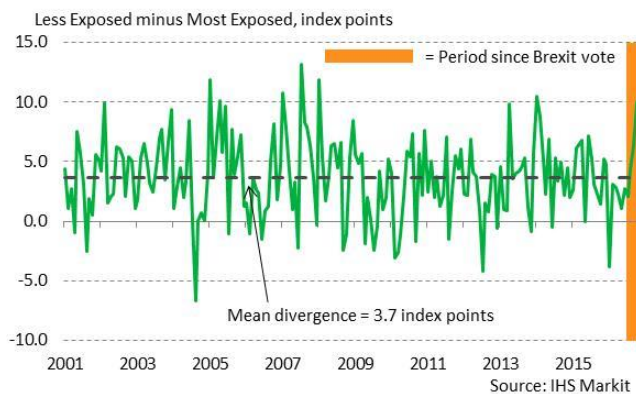
While the Output Index for the 'Most Exposed' sectors has seen a fall of 8.8 index points since June, the equivalent drop in the 'Less Exposed' index has been much smaller (1.5 index points), with September and October actually seeing growth accelerate slightly in these less exposed parts of the economy.

Moreover, the divergence between the two groups in October was 10.0 index points, the largest since January 2014 and one of the biggest since January 2001.

Changes in Output Indices since June



Divergence between 'Most Exposed' and 'Less Exposed' sectors



The trend in output in the 'Most Exposed' sectors reflected a similar picture regarding new business. In fact, new orders have now decreased for two successive months, with the reduction in October the sharpest since August 2012. New export orders also fell into contraction territory in the latest survey period for these most vulnerable companies. By way of comparison, the 'Less Exposed' sectors saw a sharp rise in total new orders in October, the fastest since June. They also posted an increase in new export orders, although the rate of expansion was only modest.

Job creation has also taken a hit following the UK's decision to leave the EU. Although employment in the 'Most Exposed' sectors rose during October, this followed a fall in the previous month. Also, the rate of jobs growth was weaker than seen in the months leading up to the vote. Meanwhile, 'Less Exposed' sectors raised employment at a marked and accelerated pace during the month.

Less of a divergence between the two groups has been evident with regards to the two PMI price indices. Input costs rose sharply during October, while firms increased their output prices at a solid pace.

Slower growth across Ireland as a whole

Looking at the combined manufacturing and services PMI data for Ireland as a whole, a slowdown in the rate of growth has also been evident. October saw the slowest increase in business activity since June 2013, with rates of expansion in new orders and employment also below those seen pre-referendum, continuing the trends [highlighted last month](#).

Andrew Harker

Senior Economist, IHS Markit

Tel: +44 149 1461 016

Email: andrew.harker@ihsmarkit.com

[Click here](#) for more PMI and economic commentary. For further information, please visit www.ihsmarkit.com

Appendix 1: List of ‘Most Exposed’ Sectors

SIC 2003 Sector - 'Most Exposed'	
1500	MANUFACTURE OF FOOD PRODUCTS AND BEVERAGES
1510	Production, processing and preserving of meat and meat products
1511	Production and preserving of meat
1512	Production and preserving of poultry meat
1513	Production of meat and poultry meat products
1520	Processing and preserving of fish and fish products
1530	Processing and preserving of fruit and vegetables
1531	Processing and preserving of potatoes
1532	Manufacture of fruit and vegetable juice
1533	Processing and preserving of fruit and vegetables not elsewhere classified
1540	Manufacture of vegetable and animal oils and fats
1541	Manufacture of crude oils and fats
1542	Manufacture of refined oils and fats
1543	Manufacture of margarine and similar edible fats
1550	Manufacture of dairy products
1551	Operation of dairies and cheese making
1552	Manufacture of ice cream
1560	Manufacture of grain mill products, starches and starch products
1561	Manufacture of grain mill products
1562	Manufacture of starches and starch products
1570	Manufacture of prepared animal feeds
1571	Manufacture of prepared feeds for farm animals
1572	Manufacture of prepared pet foods
1580	Manufacture of other food products
1581	Manufacture of bread; manufacture of fresh pastry goods and cakes
1582	Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes
1583	Manufacture of sugar
1584	Manufacture of cocoa, chocolate and sugar confectionery
1585	Manufacture of macaroni, noodles, couscous and similar farinaceous products
1586	Processing of tea and coffee
1587	Manufacture of condiments and seasonings
1588	Manufacture of homogenised food preparations and dietetic food
1589	Manufacture of other food products not elsewhere classified
1700	MANUFACTURE OF TEXTILES
1710	Preparation and spinning of textile fibres
1711	Preparation and spinning of cotton-type fibres
1712	Preparation and spinning of woollen-type fibres
1713	Preparation and spinning of worsted-type fibres
1714	Preparation and spinning of flax-type fibres
1715	Throwing and preparation of silk including from noils and throwing and texturing of synthetic or artificial filament yarns
1716	Manufacture of sewing threads
1717	Preparation and spinning of other textile fibres
1720	Textile weaving
1721	Cotton-type weaving
1722	Woollen-type weaving
1723	Worsted-type weaving
1724	Silk-type weaving
1725	Other textile weaving
1730	Finishing of textiles
1740	Manufacture of made-up textile articles, except apparel
1750	Manufacture of other textiles
1751	Manufacture of carpets and rugs
1752	Manufacture of cordage, rope, twine and netting
1753	Manufacture of non-wovens and articles made from non-wovens, except apparel
1754	Manufacture of other textiles not elsewhere classified
1760	Manufacture of knitted and crocheted fabrics
1770	Manufacture of knitted and crocheted articles
1771	Manufacture of knitted and crocheted hosiery
1772	Manufacture of knitted and crocheted pullovers, cardigans and similar articles
1810	Manufacture of leather clothes
2000	MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK, EXCEPT FURNITURE; MANUFACTURE OF ARTICLES OF STRAW AND PLAITING MATERIALS
2010	Saw milling and planing of wood; impregnation of wood
2020	Manufacture of veneer sheets; manufacture of plywood, laminboard, particle board, fibre board and other panels and boards
2030	Manufacture of builders' carpentry and joinery
2040	Manufacture of wooden containers
2050	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials
2051	Manufacture of other products of wood
2052	Manufacture of articles of cork, straw and plaiting materials
2112	Manufacture of paper and paperboard
2120	Manufacture of articles of paper and paperboard
2300	MANUFACTURE OF COKE, REFINED PETROLEUM PRODUCTS AND NUCLEAR FUEL
2310	Manufacture of coke oven products
2320	Manufacture of refined petroleum products
2411	Manufacture of industrial gases
2513	Manufacture of other rubber products
2610	Manufacture of glass and glass products
2611	Manufacture of flat glass
2612	Shaping and processing of flat glass
2613	Manufacture of hollow glass
2614	Manufacture of glass fibres
2615	Manufacture and processing of other glass including technical glassware
2620	Manufacture of non-refractory ceramic goods other than for construction purposes; manufacture of refractory ceramic products
2621	Manufacture of ceramic household and ornamental articles
2622	Manufacture of ceramic sanitary fixtures
2623	Manufacture of ceramic insulators and insulating fittings
2624	Manufacture of other technical ceramic products
2625	Manufacture of other ceramic products
2626	Manufacture of refractory ceramic products
2630	Manufacture of ceramic tiles and flags
2640	Manufacture of bricks, tiles and construction products, in baked clay
2650	Manufacture of cement, lime and plaster
2651	Manufacture of cement
2652	Manufacture of lime
2653	Manufacture of plaster
2660	Manufacture of articles of concrete, plaster and cement
2661	Manufacture of concrete products for construction purposes
2662	Manufacture of plaster products for construction purposes
2663	Manufacture of ready-mixed concrete
2664	Manufacture of mortars
2665	Manufacture of fibre cement
2666	Manufacture of other articles of concrete, plaster and cement
2670	Cutting, shaping and finishing of stone
2680	Manufacture of other non-metallic mineral products
2681	Production of abrasive products
2682	Manufacture of other non-metallic mineral products not elsewhere classified
2700	MANUFACTURE OF BASIC METALS
2710	Manufacture of basic iron and steel and of ferro-alloys (ECSC)
2720	Manufacture of tubes
2721	Manufacture of cast iron tubes
2722	Manufacture of steel tubes
2730	Other first processing of iron and steel and production of non-ECSC ferro-alloys
2731	Cold drawing
2732	Cold rolling of narrow strip
2733	Cold forming or folding
2734	Wire drawing
2735	Other first processing of iron and steel not elsewhere classified; production of non-ECSC ferro-alloys
2740	Manufacture of basic precious and other non-ferrous metals
2741	Precious metals production
2742	Aluminium production
2743	Lead, zinc and tin production
2744	Copper production
2745	Other non-ferrous metal production
2750	Casting of metals
2751	Casting of iron
2752	Casting of steel
2753	Casting of light metals
2754	Casting of other non-ferrous metals
2800	MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT
2810	Manufacture of structural metal products
2811	Manufacture of metal structures and parts of structures
2812	Manufacture of builders' carpentry and joinery of metal
2820	Manufacture of tanks, reservoirs and containers of metal; manufacture of central heating radiators and boilers
2821	Manufacture of tanks, reservoirs and containers of metal
2822	Manufacture of central heating radiators and boilers
2830	Manufacture of steam generators, except central heating hot water boilers
2840	Forging, pressing, stamping and roll forming of metal; powder metallurgy
2850	Treatment and coating of metals; general mechanical engineering
2851	Treatment and coating of metals
2852	General mechanical engineering
2860	Manufacture of cutlery, tools and general hardware
2861	Manufacture of cutlery
2862	Manufacture of tools
2863	Manufacture of locks and hinges
2870	Manufacture of other fabricated metal products
2871	Manufacture of steel drums and similar containers
2872	Manufacture of light metal packaging
2873	Manufacture of wire products
2874	Manufacture of fasteners, screw machine products, chains and springs
2875	Manufacture of other fabricated metal products not elsewhere classified
3621	Striking of coins and medals
3660	Miscellaneous manufacturing not elsewhere classified
3663	Other manufacturing not elsewhere classified
6000	LAND TRANSPORT; TRANSPORT VIA PIPELINES
6010	Transport via railways
6020	Other land transport
6021	Other scheduled passenger land transport
6022	Taxi operation
6023	Other passenger land transport
6024	Freight transport by road
6030	Transport via pipelines
6100	WATER TRANSPORT
6110	Sea and coastal water transport
6120	Inland water transport
6200	AIR TRANSPORT
6210	Scheduled air transport
6220	Non-scheduled air transport
6230	Space transport
6300	SUPPORTING AND AUXILIARY TRANSPORT ACTIVITIES; ACTIVITIES OF TRAVEL AGENCIES
6310	Cargo handling and storage
6311	Cargo handling
6312	Storage and warehousing
6320	Other supporting transport activities
6321	Other supporting land transport activities
6322	Other supporting water transport activities
6323	Other supporting air transport activities
6330	Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified
6340	Activities of other transport agencies