

Trade structures of Ireland and Northern Ireland

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Introduction

- International trade linked to better overall economic performance, particularly in smaller countries with limited domestic market scale.
- Brexit brought a new focus to cross-border trade, which has grown rapidly since January 2021.
- However, less information has been available on the broader structure of trade across international markets, especially for Northern Ireland.
- This research examines new Eurostat data on Northern Ireland's exports and imports on a detailed product and market level, which became available for 2021.
- Similar data also already available for Ireland so the trade structures of both economies overall can now be investigated on a comparable basis.
- Allows us to examine how the structure of cross-border trade looks relative to Ireland and Northern Ireland's trade with other trading partners.

Eurostat Comext

- Since 2021, EU members report NI and GB separately
- Previously data only available for all UK.
- Additional dataset for NI trade with EU and non-EU
- Detail product level, approximately 9000 items
- Important: goods trade only.

Supplemented by:

- Data total level of trade from GB to NI in 2021 (HMRC).
- Data on NI to GB trade from firm-level survey (NISRA)

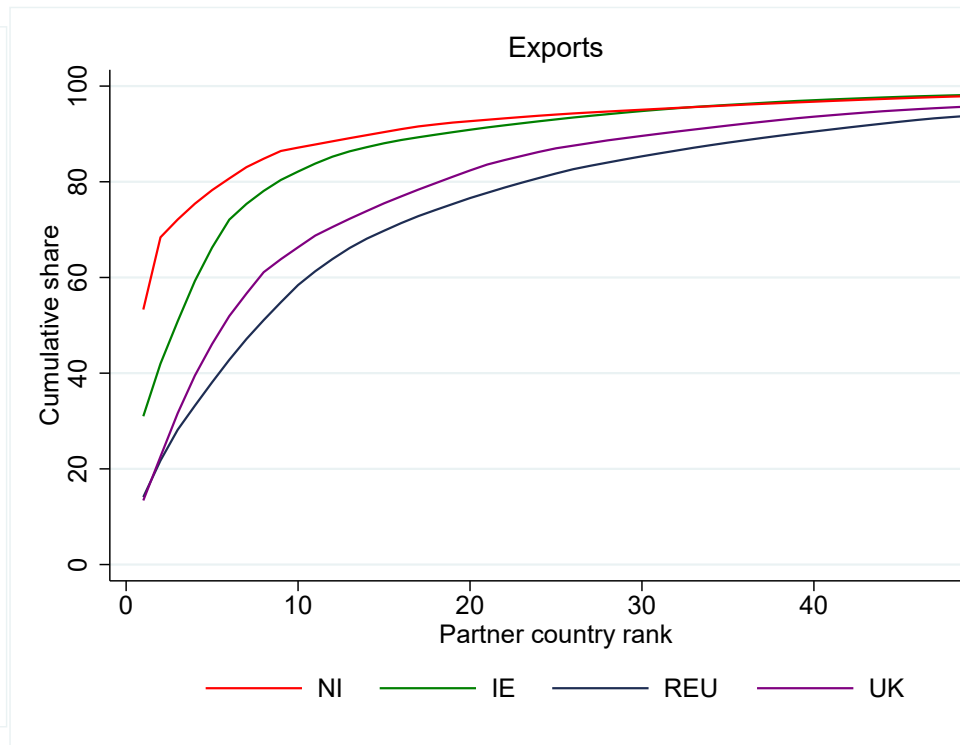
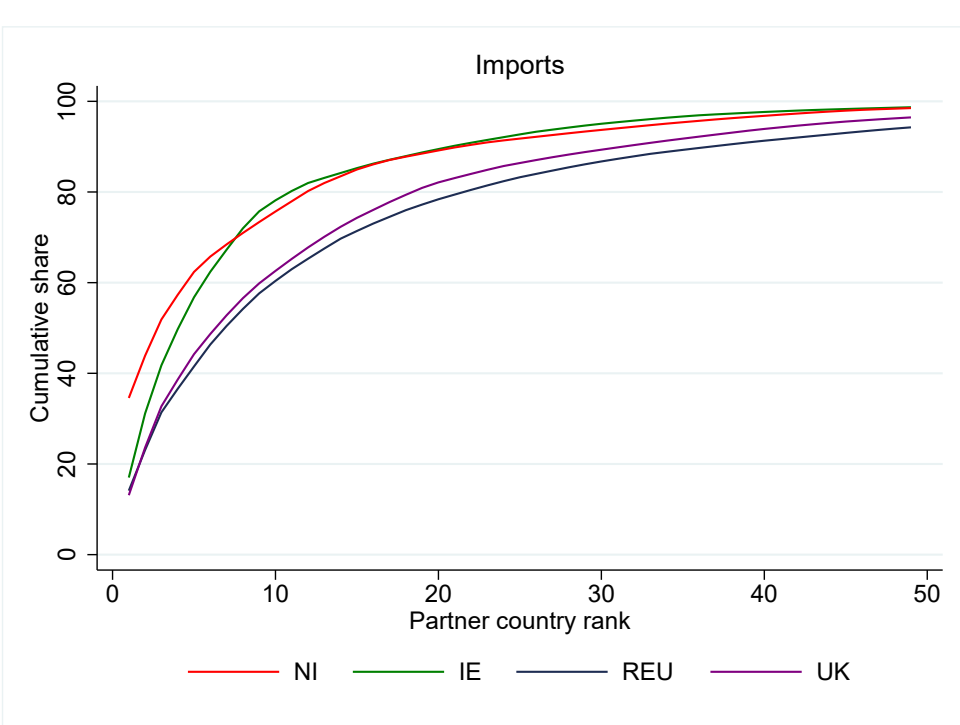
Aggregate trade flows

- Northern Ireland international trade (excluding GB) in 2021:
 - €7.6 billion in goods imports
 - €10.5 billion in goods exports in 2021.
- Of NI trade, 35 per cent of imports (€2.6 billion) come from Ireland and 53 per cent of exports go to Ireland (€5.6 billion).
- Including HMRC/NISRA sources, GB is largest trading partner for NI.
- Ireland has considerably higher overall total goods imports (€99.8 billion) and exports (€160.3 billion)

Top trading partners

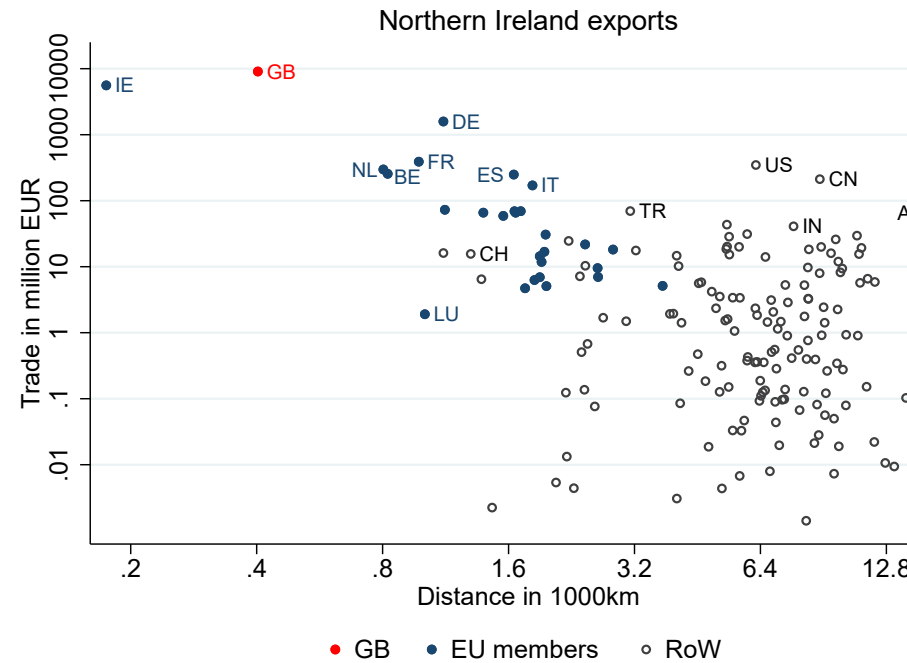
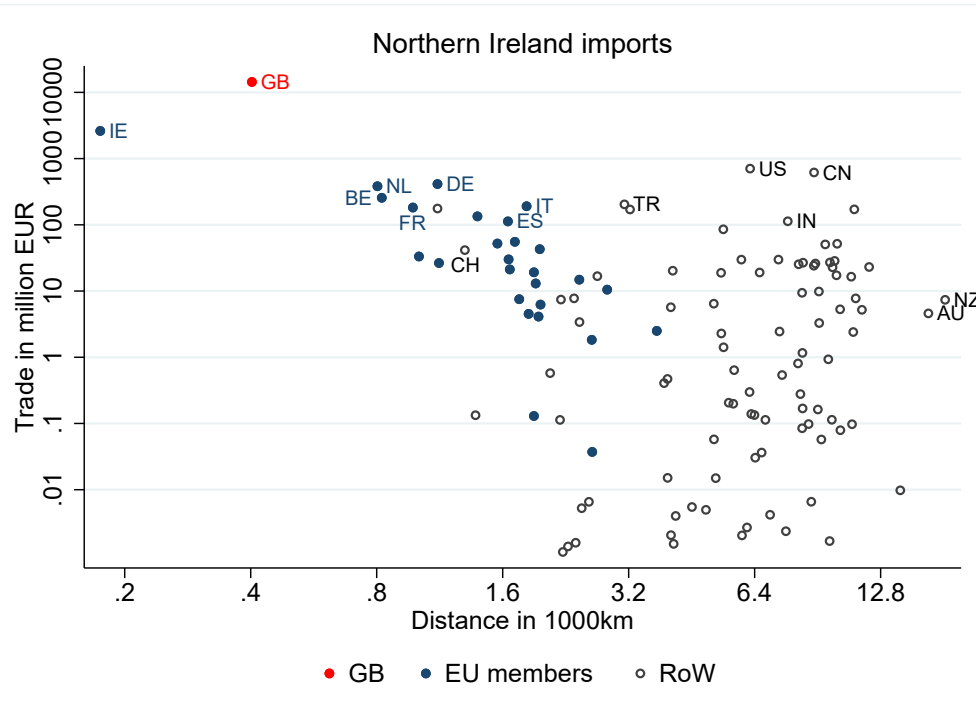
Northern Ireland	Imports	Exports	Ireland	Imports	Exports
*Great Britain	65.49	46.38	US	17.01	31.00
Ireland	11.93	28.58	Great Britain	14.15	8.84
Germany	1.88	8.10	Germany	7.97	11.00
US	3.22	1.78	China	7.12	7.50
China	2.81	1.08	France	10.61	3.29
Netherlands	1.74	1.52	Belgium	3.76	8.44
France	0.83	1.99	Netherlands	5.63	5.83
Belgium	1.17	1.31	Northern Ireland	4.71	2.29
Spain	0.51	1.27	Switzerland	4.87	1.75
Italy	0.87	0.87	Italy	2.07	2.71
*EU27 exc. Ireland	9.52	18.03	*EU27 exc. Ireland	37.35	37.91

Trading partner concentration



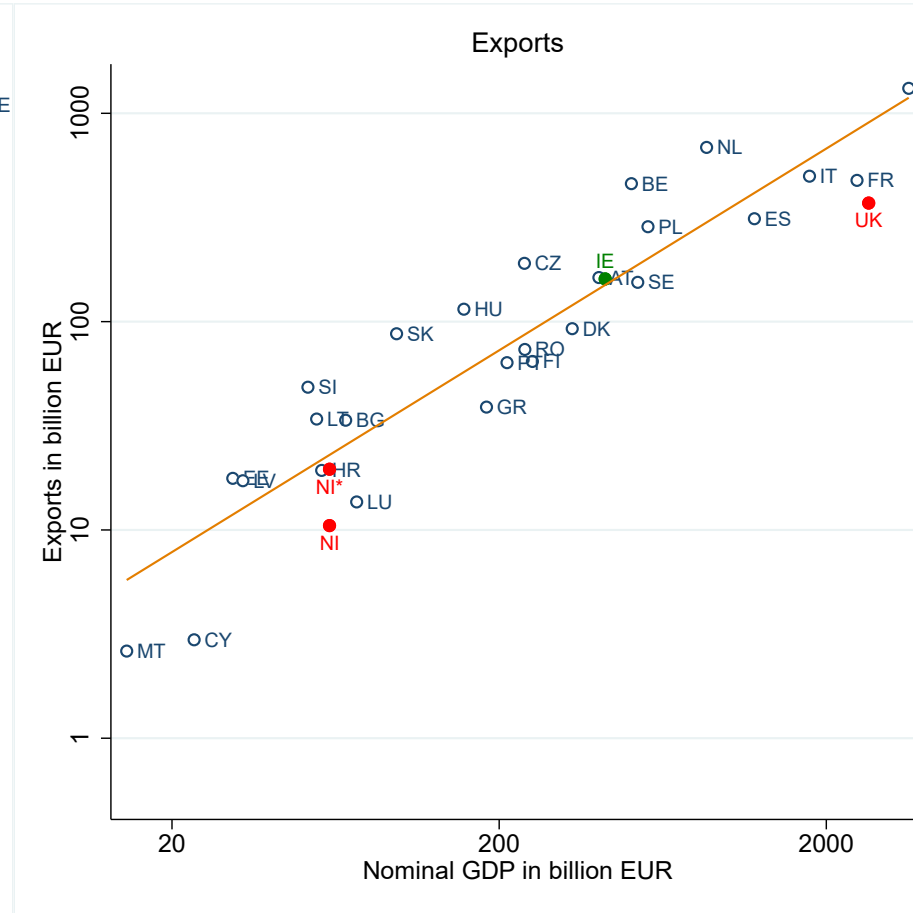
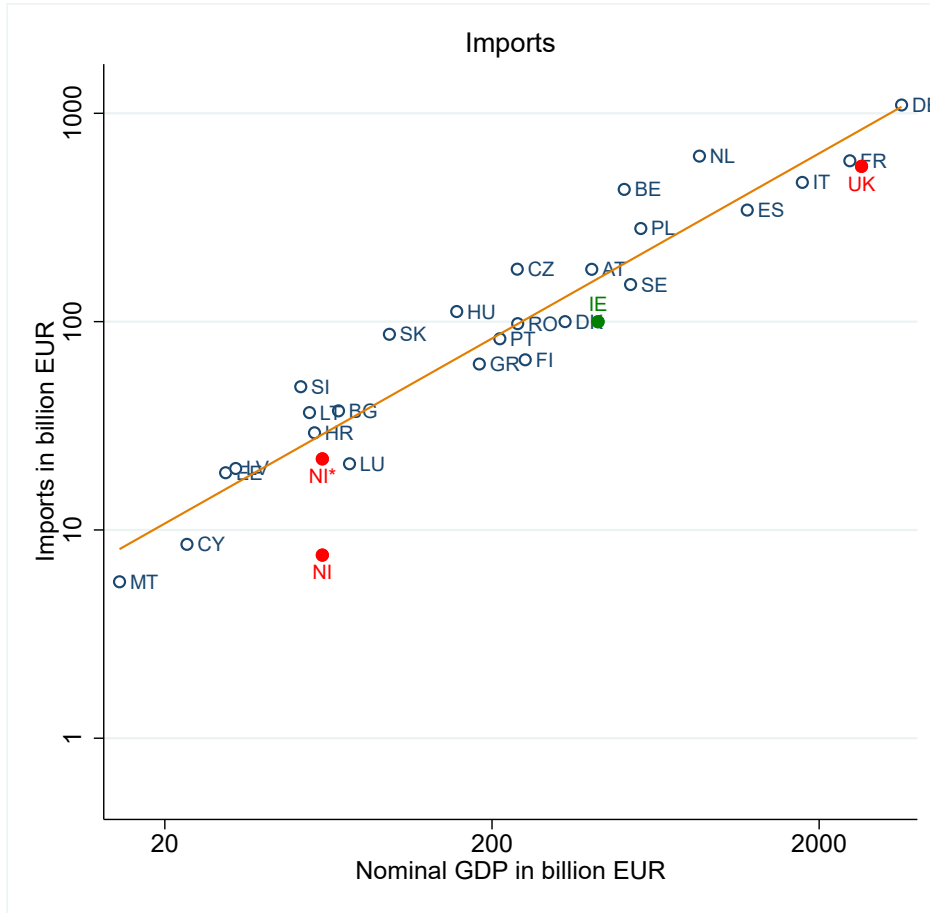
Lines for Northern Ireland exclude trade with Great Britain.

Trade and distance



Source: NISRA for GB trade, Eurostat Comext for others.

Trade and GDP



NI* = Northern Ireland including NI-GB trade based on NISRA survey data.

Gravity of trade - NI baseline

	Imports	Exports
ln(distance)	-1.917*** (0.212)	-1.959*** (0.077)
ln(GDP)	1.436*** (0.196)	1.098*** (0.066)
Constant	23.014*** (0.950)	25.722*** (0.333)
Observations	190	190
Pseudo R-sqd	0.929	0.973

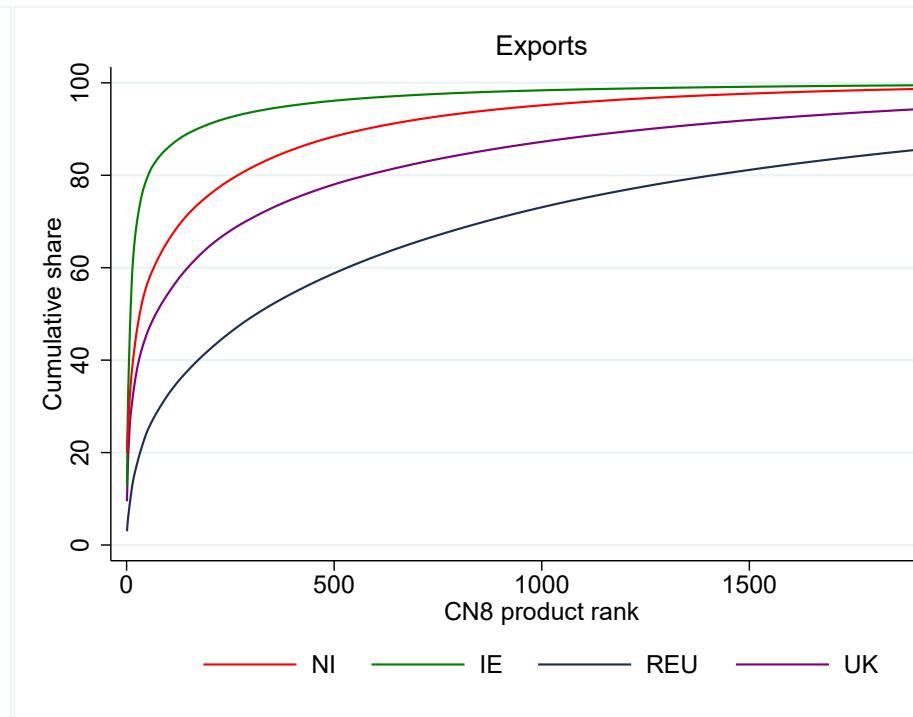
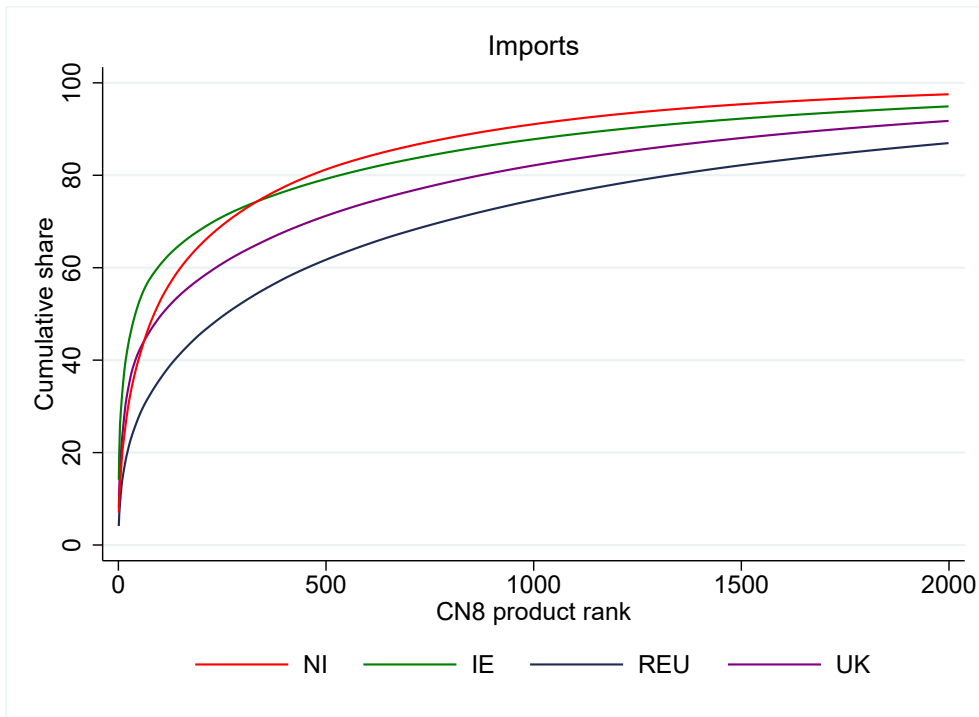
Gravity of trade – NI extended

	Imports	Imports	Exports	Exports
ln(distance)	-1.917*** (0.212)	-0.692*** (0.144)	-1.959*** (0.077)	-1.312*** (0.191)
ln(GDP)	1.436*** (0.196)	0.896*** (0.049)	1.098*** (0.066)	0.949*** (0.094)
IE/NI dummy		2.242*** (0.432)		1.458*** (0.501)
GB Dummy		2.882*** (0.339)		1.297*** (0.491)
Constant	23.014*** (0.950)	17.451*** (1.107)	25.722*** (0.333)	21.864*** (1.042)
Observations	190	190	190	190
Pseudo R-sqd	0.929	0.982	0.973	0.984

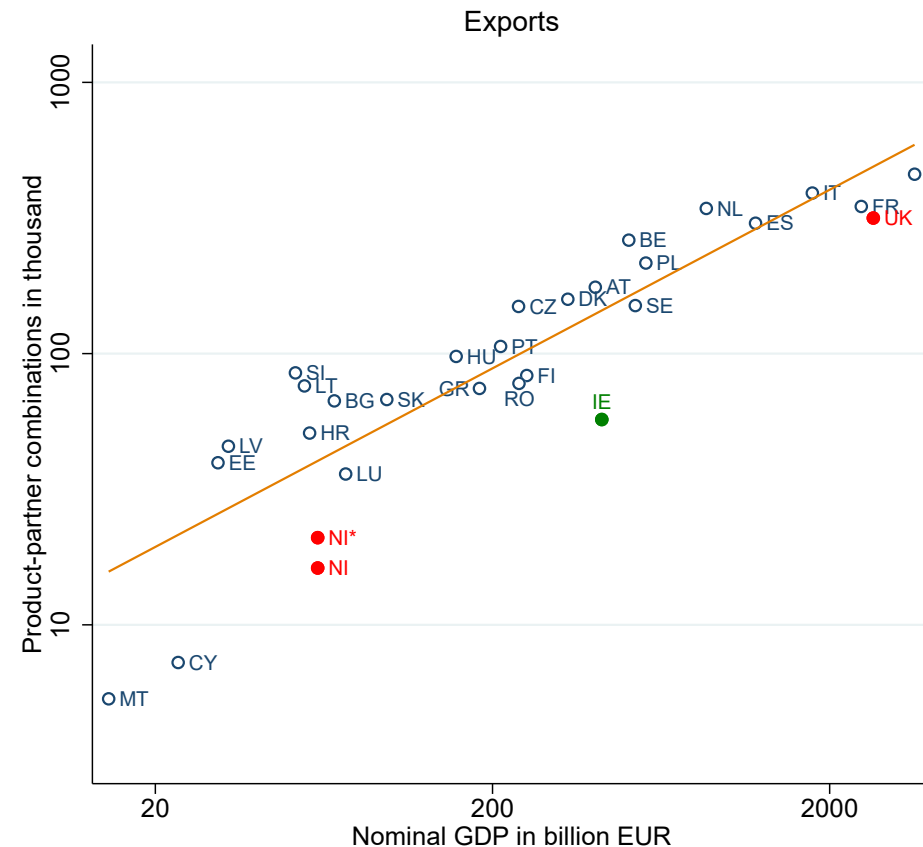
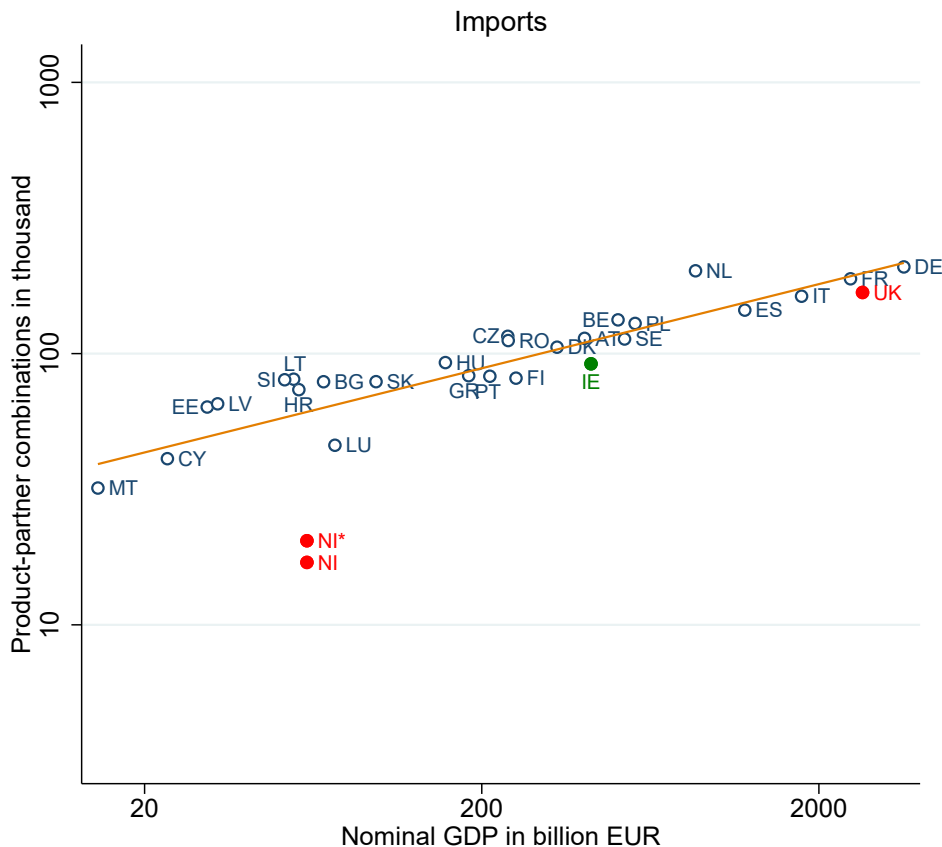
Gravity of trade – Ireland extended

	Imports	Imports	Exports	Exports
ln(distance)	-0.917*** (0.104)	-0.979*** (0.099)	-0.747*** (0.130)	-0.910*** (0.174)
ln(GDP)	0.986*** (0.082)	1.075*** (0.058)	1.138*** (0.114)	1.217*** (0.101)
IE/NI dummy		1.616*** (0.315)		1.534** (0.704)
GB Dummy		-0.483** (0.227)		-0.909** (0.439)
Constant	21.312*** (1.166)	21.117*** (0.777)	19.280*** (1.526)	19.991*** (1.729)
Observations	190	190	190	190
Pseudo R-sqd	0.914	0.936	0.898	0.916

Product concentration



Number of products and partners



Excluding combinations below €1,000. NI* = Northern Ireland where number of products traded with Ireland are counted twice to compensate for lack of product-level data for Northern Ireland–Great Britain trade.

Broad sectoral structure of total trade

	Northern Ireland		Ireland	
	Imports	Exports	Imports	Exports
Food and beverages	19.0	23.1	7.3	8.3
Industrial supplies	42.2	23.7	30.8	52.7
Fuels and lubricants	6.2	4.2	6.1	0.6
Capital goods	11.3	14.2	19.6	16.7
Transport	5.8	6.0	20.6	3.2
Consumer goods	15.5	28.8	15.5	18.6
Total	100	100	100	100

Sector and destination for NI trade

	Northern Ireland imports from							Northern Ireland exports to						
	IE	GB	REU	US	CN	RoW	Total	IE	GB	REU	US	CN	RoW	Total
Food and beverages	35	.	21	1	1	4	19	27	.	15	22	55	26	23
Industrial supplies	35	.	47	33	36	55	42	29	.	16	10	17	28	24
Fuels and lubricants	3	.	3	0	0	20	6	7	.	0	0	0	7	4
Capital goods	6	.	11	23	25	9	11	7	.	21	27	11	29	14
Transport	2	.	10	6	11	4	6	4	.	7	29	15	5	6
Consumer goods	18	.	7	37	27	8	15	26	.	42	13	1	5	29
Total	100	.	100	100	100	100	100	100	.	100	100	100	100	100

Comparing trade concentration

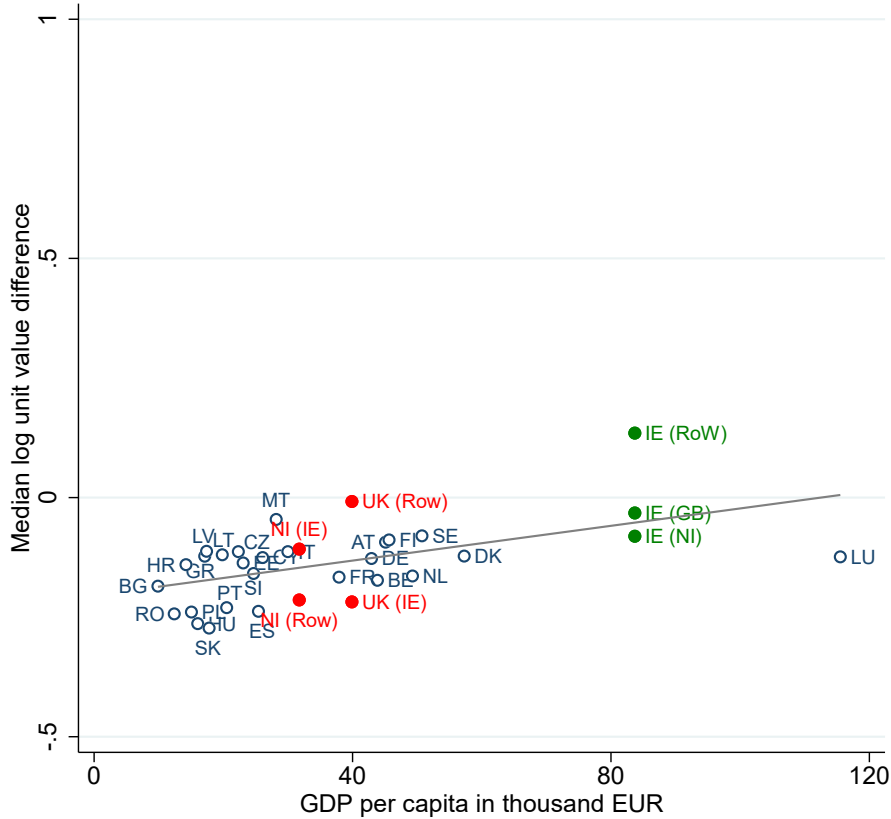
	Product		Product-partner	
	Imports	Exports	Imports	Exports
Northern Ireland	88	441	42	179
Ireland	274	411	106	143
UK	115	150	31	65
Rest of the EU	40	25	5	2

Herfindahl–Hirschman index:

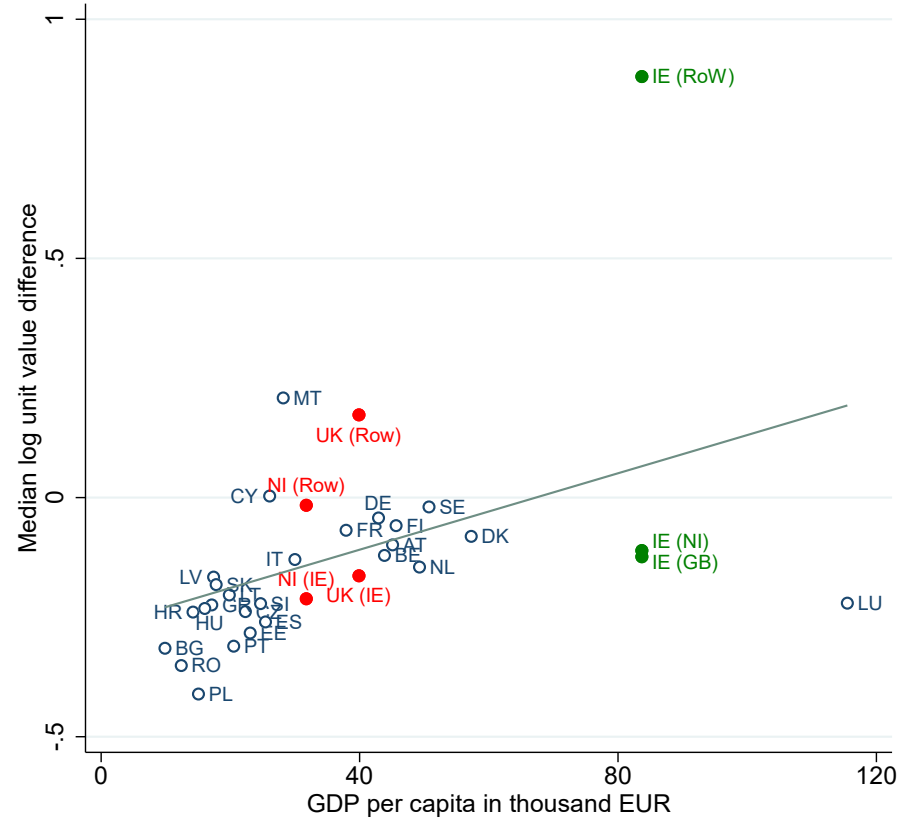
Scale 0 (all imports or exports evenly spread across products) to 10,000 (if a single product accounted for all trade)

Unit values of trade

Import unit values



Export unit values



Conclusions 1

- Research examines newly available data on Northern Ireland's goods trade and equivalent data for Ireland on a detailed product and market level.
 - Consistent basis for comparison of trade structures.
 - One important limitation: this trade data does not include NI-GB trade.
- From other sources, sales and purchases with Great Britain account for the largest proportion of Northern Ireland's external sales.
- Northern Ireland's goods imports and exports are reasonably heavily concentrated in cross-border trade with Ireland.
- Top 10 partner countries for both Ireland and Northern Ireland are dominated by the UK and EU Member States along with the United States (US), China and Switzerland.
- We find that trade concentration in a small number of partner countries is particularly high for Northern Ireland.
- Ireland's trade is the most heavily specialised in terms of products

Conclusions 2

- The pattern of trade across partner countries is strongly impacted by distance and the size of the partner economy.
- We find that the 2021 levels of cross-border trade were higher than would be expected using the simple framework of distance and economic size, suggesting relatively high levels of trade integration on the island.
- High concentrations of trade in the chemicals and pharmaceuticals for both economies.
- Cross-border trade looks quite different from aggregate trade with much greater variety of goods being traded.
- The food and beverages sector accounts for a considerably larger share of cross-border trade than it does in the overall trade structure of either country.
- In terms of the policy implications, this new source of information is likely to be helpful over time in monitoring and targeting supports for international trade.