INVEST

FOREIGN DIRECT INVESTMENT

Ireland is an attractive destination for investment but inflows are highly volatile as they are dependent on the activities of large multinational companies that are present in the country. According to UNCTAD's World Investment Report 2023, FDI inflows to the country stagnated in 2022 (USD 1.49 billion). In the same year, the total stock of FDI stood at USD 1.4 trillion, around 266% of the country's GDP. Due to the different calculation methods, the figures from the CSO are slightly divergent. According to the statistical office, the surge in foreign direct investment in Ireland amounted to EUR 26 billion in 2022, primarily driven by heightened investment from the United States, although it was balanced by reduced investments from other nations. This uptick in investment was predominantly observed in the manufacturing sector, particularly in pharmaceuticals, which expanded by EUR 31 billion. While there was a EUR 21 billion increase in financial intermediation, this was counteracted by declines in investment across other service sectors. Meanwhile, Irish foreign direct investment overseas decreased by EUR 190 billion to EUR 1.12 trillion, with reductions in investment particularly notable in Luxembourg and Asia, decreasing by EUR 109 billion and EUR 43 billion, respectively. The drop in Irish foreign direct investment abroad was primarily concentrated in the services sector. In terms of stock, the USD holds the vast majority (valued at EUR 921.1 billion), ahead of the UK (EUR 43.8 billion) and France (EUR 23.5 billion – data CSO, by ultimate investor). The services sector is the largest sector for inward investment: at the end of 2022, the investment position was EUR 749 billion. Investment in the manufacturing sector reached a stock position of EUR 534 billion in the same period.

The Irish government actively promotes FDI and has had considerable success in attracting investment. One of Ireland's many attractive features as an FDI destination is its favourable 12.5% corporate tax, the second-lowest in the European Union. Other reasons to invest in Ireland include the high quality and flexibility of the English-speaking workforce; the availability of a multilingual labour force; cooperative labor relations; political stability; and pro-business government policies and regulators. Additional positive features include a transparent judicial system; extensive transportation links; and proximity to the United States and Europe. Conversely, Ireland faces challenges in its efforts to attract investment, including relatively high labour and operating costs, particularly in energy. Skilled labour shortages pose another obstacle, along with a slow and burdensome planning permit system and concerns about eurozone risk. Infrastructure deficiencies, such as those in transportation, affordable housing, energy, and broadband internet, also dampen its attractiveness. The Screening of Third Country Transactions Act 2023 (the "STCT Act") was enacted into law on October 31, 2023, ushering in a new investment screening framework in Ireland. Anticipated to become effective in Q2 of 2024, the regime will grant the Minister for Enterprise, Trade and Employment authority to examine, impose conditions on, and potentially block FDI transactions across various scenarios, contingent upon security and public order considerations.
Ireland's good investment environment is confirmed by the fact that it ranks 22nd among the 132 economies on the Global Innovation Index 2023 and 3rd out of 184 countries on the 2023 Index of Economic Freedom.

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow *(million USD)*	76,572	-4,930	1,490
FDI Stock *(million USD)*	1,384,691	1,394,868	1,408,749

Foreign Direct Investment	2020	2021	2022
Number of Greenfield Investments*	248	291	331
Value of Greenfield Investments (million USD)	12,022	9,569	26,533

Source: UNCTAD - Latest available data.

*Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

Country Comparison For the Protection of Investors	Ireland	OECD	United States	Germany
Index of Transaction Transparency*	9.0	6.5	7.0	5.0
Index of Manager's Responsibility**	8.0	5.3	9.0	5.0
Index of Shareholders' Power***	9.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

*Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.*

WHAT TO CONSIDER IF YOU INVEST IN IRELAND

Strong Points

Ireland's strong points include:

- Strong and tightly knit industrial and tertiary fabric
- One of the lowest corporate tax rate in Europe
- Young, skilled and multilingual workforce
- Competitive economy, with pro-business government policies and regulators
- Modern infrastructure
- One of the lowest unemployment rates in Europe
- Strong and stable domestic demand, notably thanks to high wages and living standards.

Weak Points

Ireland's weak points in term of FDI attractiveness include:

- The economy is voluntarily very open internationally and therefore highly dependent on the European economy (especially on the UK) as well as the strategies of multinationals that are currently attracted by favourable taxation
- The economy is highly dependent on the activities of multinationals: their offshore business, mainly in the form of contract to manufacture abroad, accounts for a quarter of GDP and has a great deal of weight in the labour market
- Exposure to the consequences of Brexit
- High labor and operating costs
- Internal market is relatively small and is under increasing pressure on labour costs

- Banking sector remains vulnerable to shocks and the level of public and private debt remains high.

Government Measures to Motivate or Restrict FDI

For years, the Irish Government has actively promoted foreign direct investment (FDI). Ireland provides an attractive taxation framework for foreign investors and has one of the lowest taxation rates in the European Union. This strategy has fuelled robust economic growth since the late 1990s.

More recently, the Government has focused on Ireland’s international competitiveness by encouraging companies with foreign investments to increase their research and development (R&D) activities and to provide goods and services with higher added value. The United Kingdom’s departure from the EU (Brexit) leaves Ireland as the only remaining English-speaking country in the EU, an asset for the country.

Several state organisations promote investment inflows:

- The Industrial Development Authority of Ireland (IDA)
- Enterprise Ireland
- Udaras na Gaeltachta

The Irish government provides aid grants through its investment organizations, which will only pay grant aid after the foreign investors have achieved externally audited performance targets.

The government has invested heavily in ambitious programs to attract the best researchers specialised in business. Science Foundation Ireland (SFI) is the state science agency that has been responsible for administering Ireland’s R&D funding.
In the same vein, by investing in the entrepreneurial ecosystem, the state seeks to attract entrepreneurs to Ireland who wish to create start-ups with a strong international orientation.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Household and consumer goods; drugs and pharmaceuticals; electrical power systems; building products, franchising, medical equipment, computer software, information and communication technologies, agricultural sector.

High Potential Sectors

Advanced manufacturing projects in information and communication technologies (ICTs), pharmaceuticals and biopharmaceuticals, medical technologies, engineering and consumer products.
High value-added international services, software, video games, shared services and customer support activities.

Privatization Programmes

Ireland does not have a formal privatisation program at the moment. However, the government is reducing its participation in the banking sector, and measures were taken to open the employment services, bus transport and water sectors. The Irish government previously declared it may sell the electricity generating arm of Electric Ireland as well as some non-strategic elements of the gas supply company Ervia, but no plan has been implemented yet.

Tenders, Projects and Public Procurement

Etenders, Irish Public Tenders
Tenders Info, Tenders in Ireland
Ted - Tenders Electronic daily, Business opportunities in EU 27

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Several state-owned enterprises operate in the energy, broadcasting, and transportation sectors. However, all of them are open to competition for market share.

Sectors in Decline

Net export contribution has declined due to some sector-specific issues (chemicals, ICT), the general deterioration in cost competitiveness in recent years and the strong Irish domestic demand. Since the Irish economy is not as diversified as large economies it is therefore particularly exposed to external risks.
The aviation sector has been heavily affected from the COVID-19 pandemic, same as for tourism and hospitality.

Finding Assistance For Further Information

Investment Aid Agency

IDA (Ireland's inward investment promotion agency)
Enterprise Ireland
Udaras na Gaeltachta

Other Useful Resources

Why Invest in Ireland - Industrial Development Agency of Ireland
Department of Business, Enterprise and Innovation
Investing in Ireland - Irish Chamber of Commerce Singapour

Doing Business Guides

Investing in Ireland (Deloitte)
Ireland Country Commercial Guide - trade.gov