

National Competitiveness Council

Benchmarking Ireland's
Performance, 2008
Selected Charts





Benchmarking Ireland's Performance 2008

- ▶ Objective: To provide an authoritative and comprehensive assessment of Ireland's competitiveness performance.
- ▶ Report highlights that the drivers of Irish growth are changing and that the economy is in a phase of difficult transition.
- ▶ Restoring Competitiveness is Critical to Boosting Export Performance


Benchmarking Summary

► Strengths

- Improving export performance in services
- Inward FDI remains strong
- Improving performance: infrastructure, education and R&D
- Government debt, while low, is increasing rapidly

► Weaknesses

- Falling world market share, driven by manufacturing
- Dependence on property and household borrowing has been exposed
- Rising unemployment
- Slow productivity growth
- Cost competitiveness remains poor – despite recent disinflation

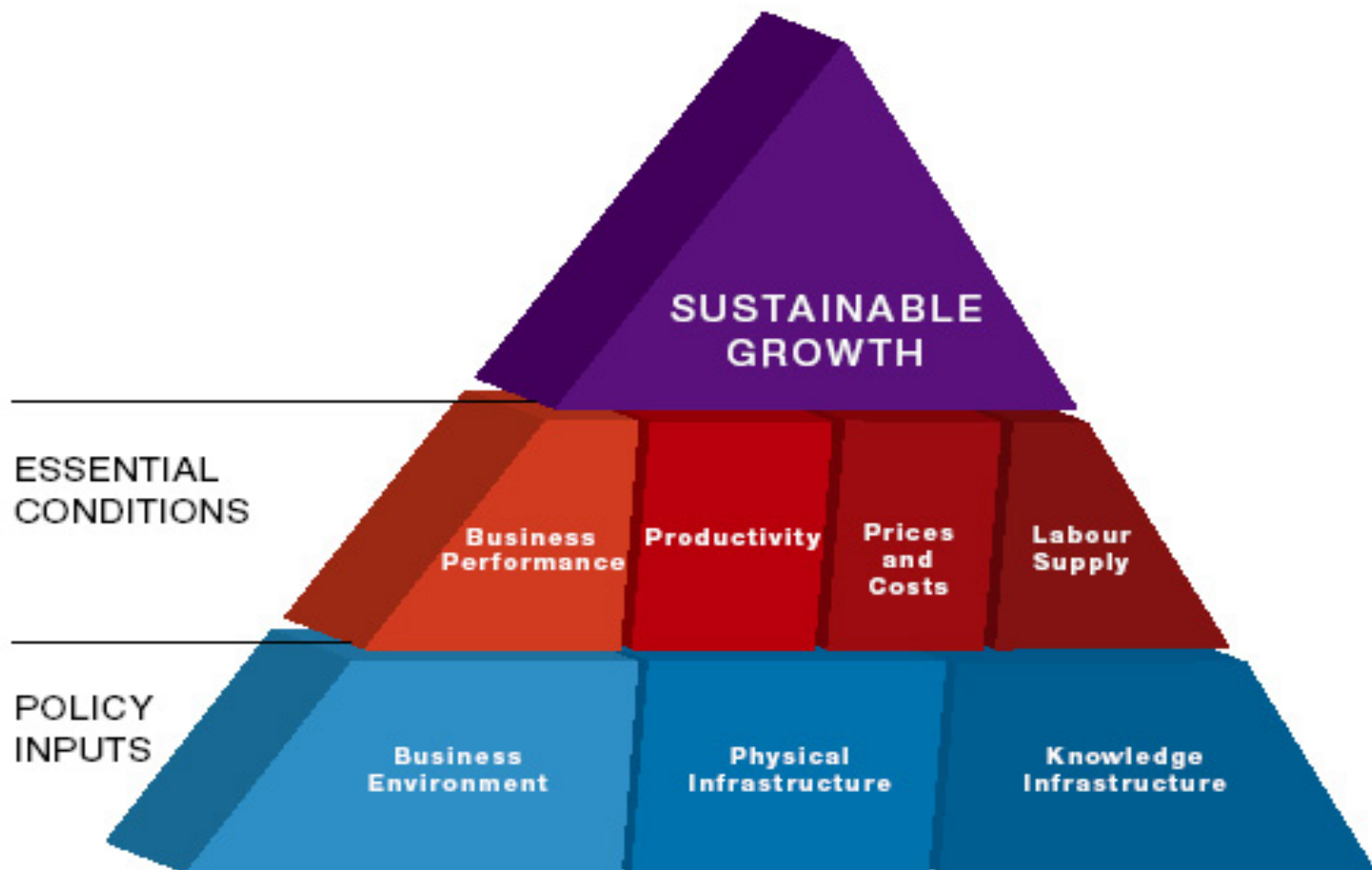


The main areas of concern that arise from this report are as follows:

- Ireland's declining cost competitiveness;
- The challenges of maintaining high employment levels;
- Maintaining infrastructure investment in the face of declining Government revenues; and
- Formidable energy and environmental challenges.

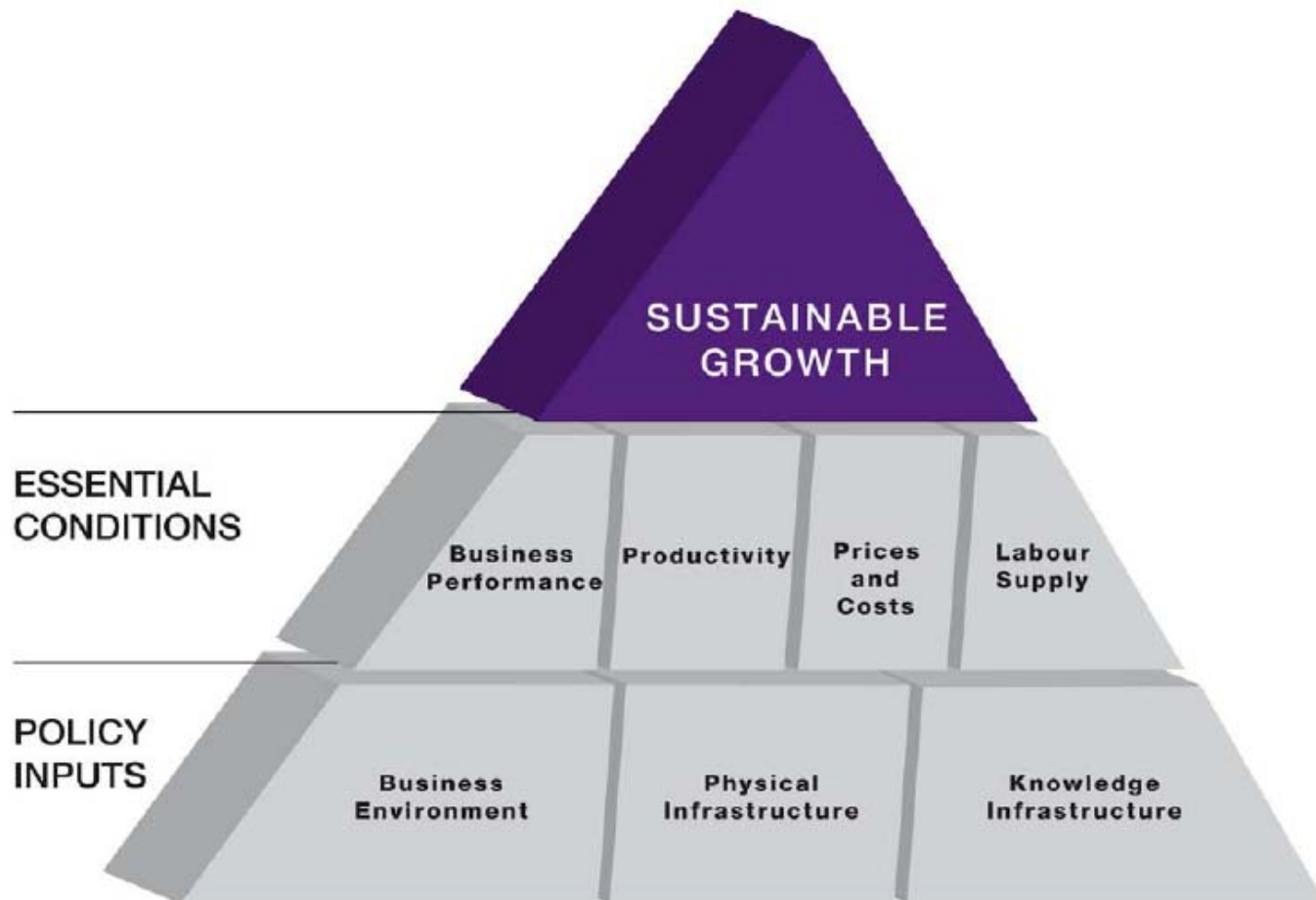
Benchmarking Ireland's Performance

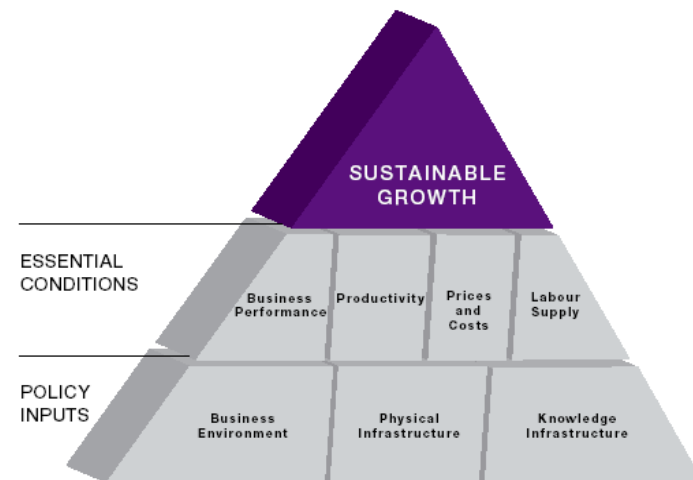
The NCC Competitiveness Pyramid



Benchmarking Ireland's Performance

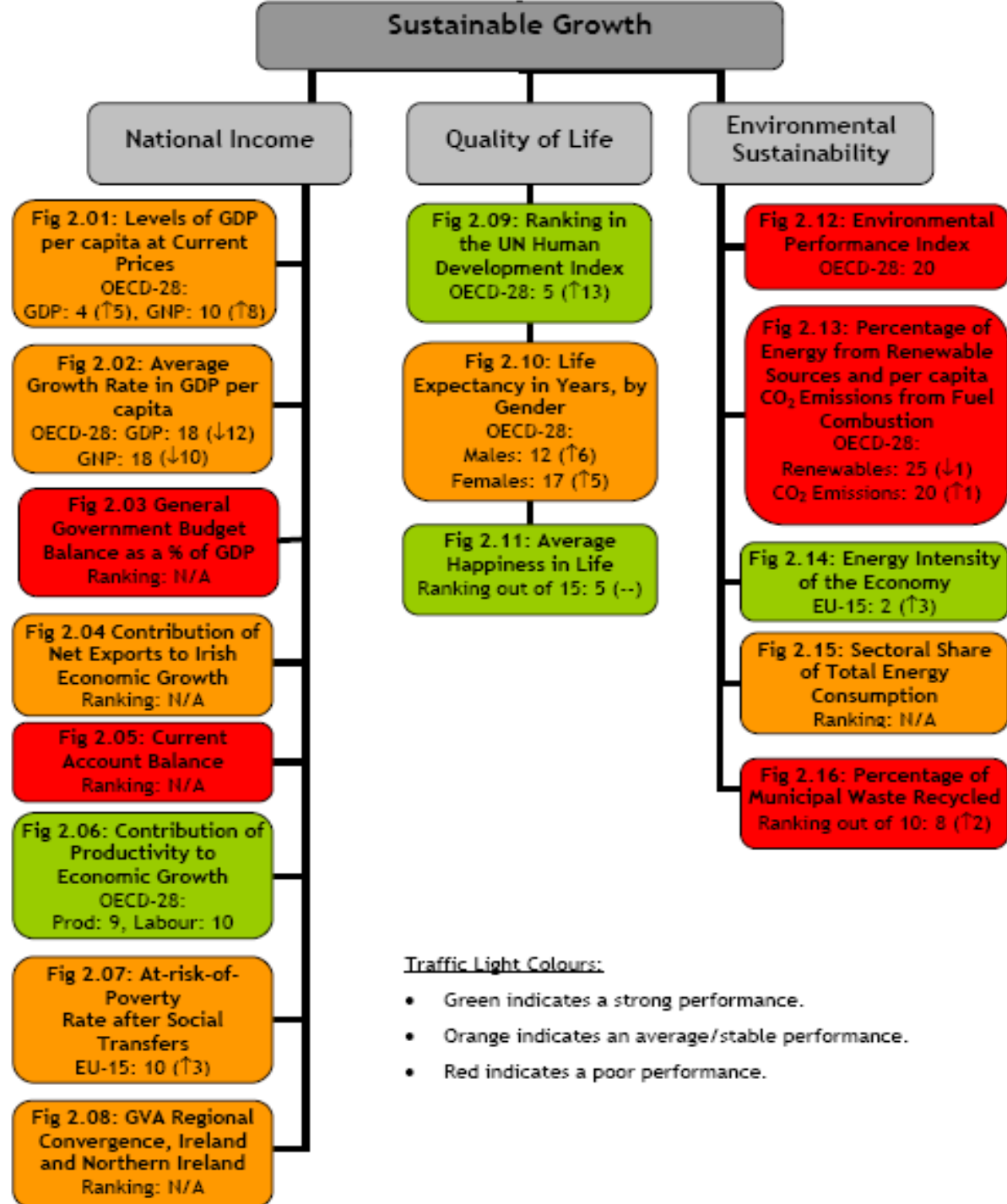
Sustainable Growth



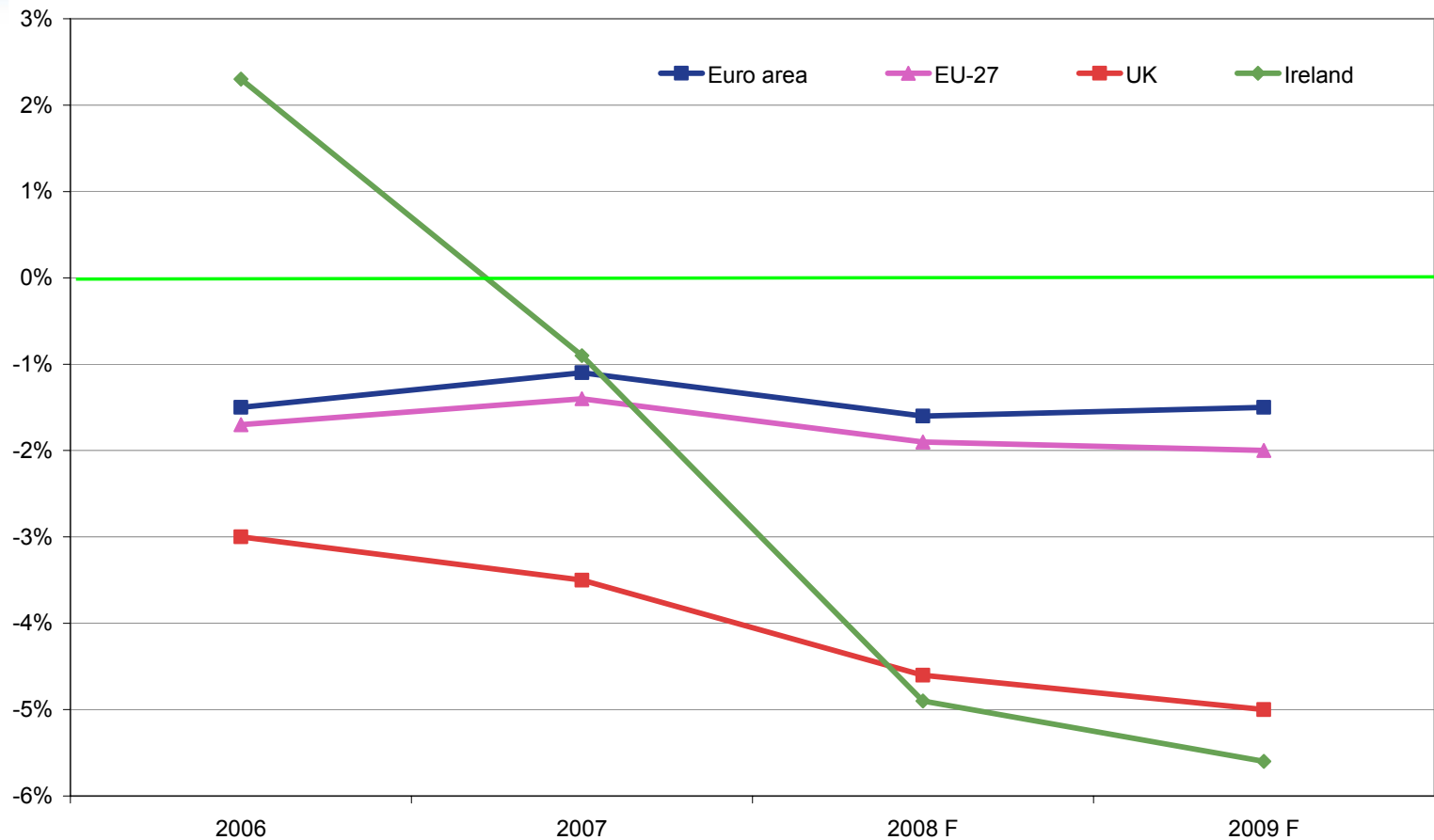


Sustainable Growth

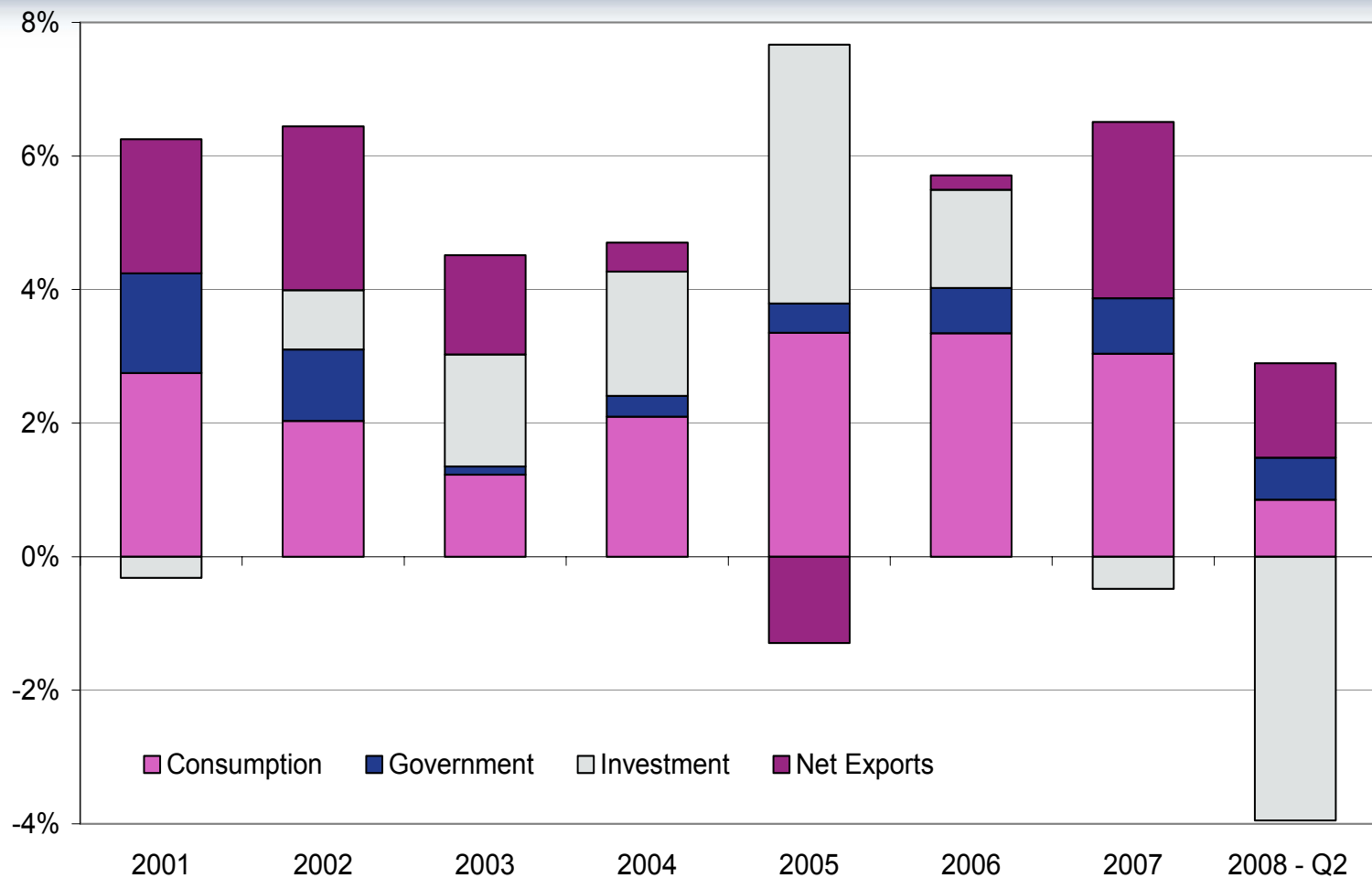
- National Income
- Quality of Life
- Environmental Sustainability



General Government Budget Balance as a % of GDP is forecast to deteriorate

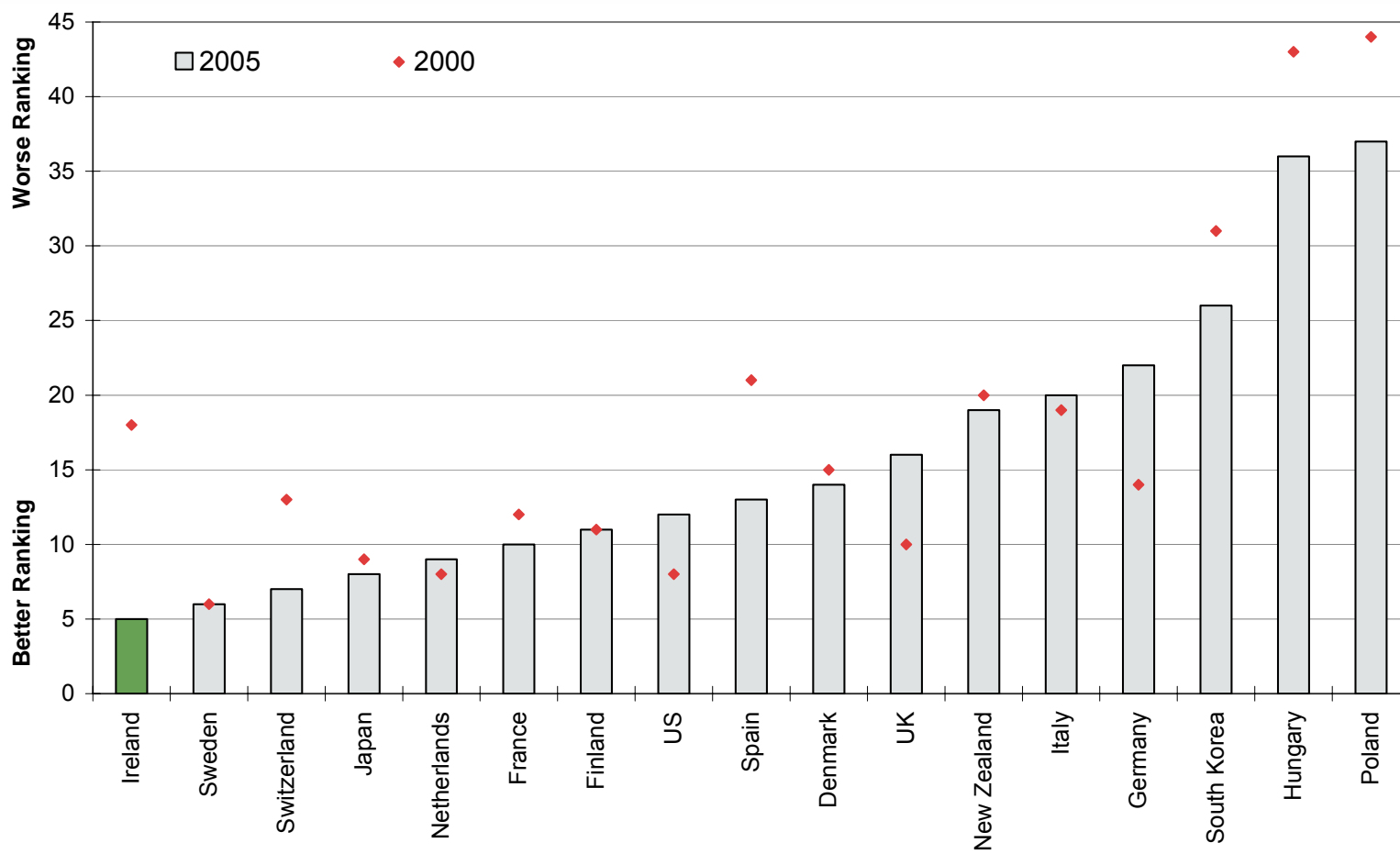


The Contribution of Net Exports to Irish Economic Growth on a year-on-year basis was small or negative during the 2004-2006 period. Net exports have however increased in 2007 and the first half of 2008, driven mainly by growth in services.



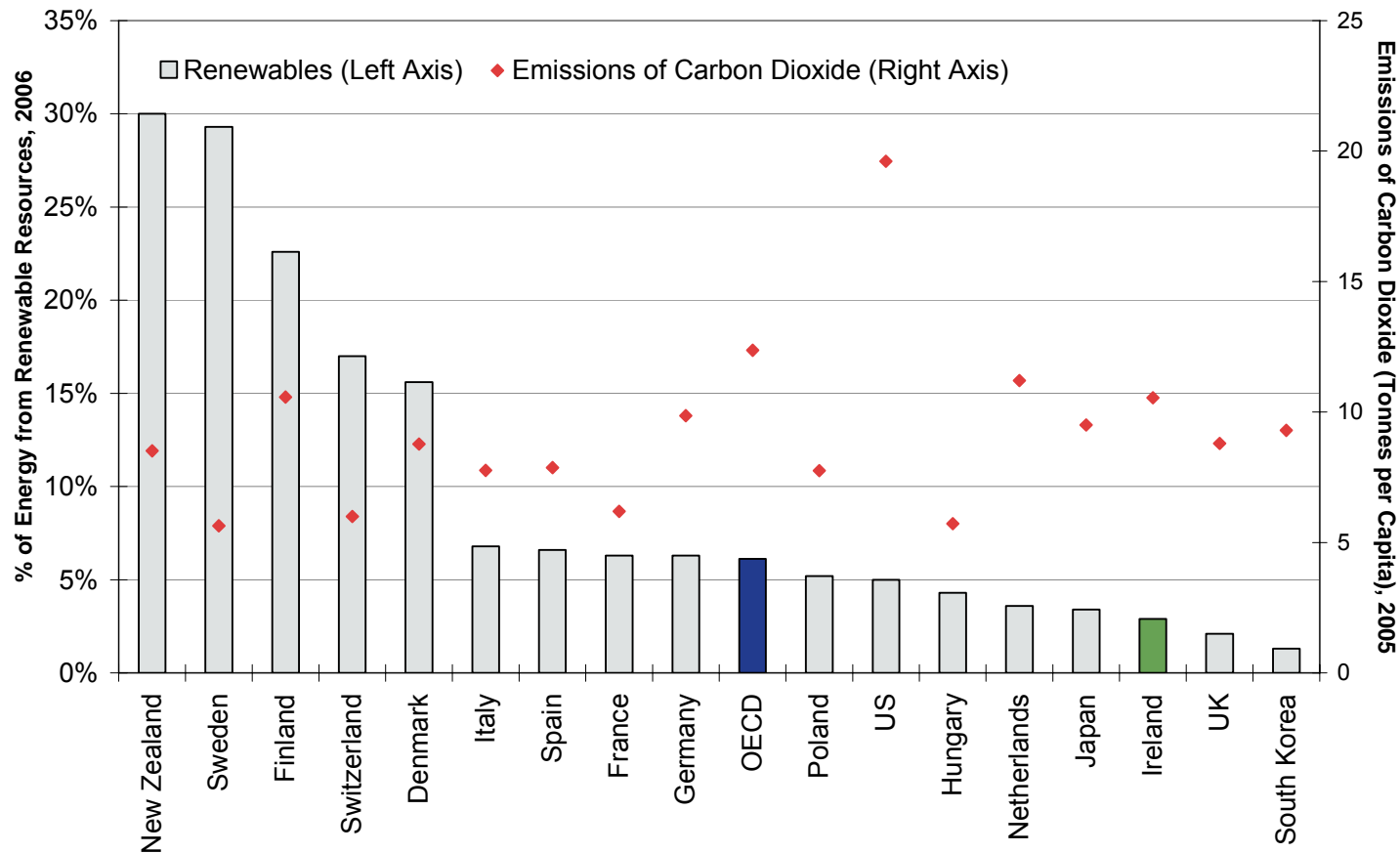
Ireland's ranking in the United Nation's Human Development Index has improved significantly.

Ranking in the United Nation's Human Development Index, 2000-2005



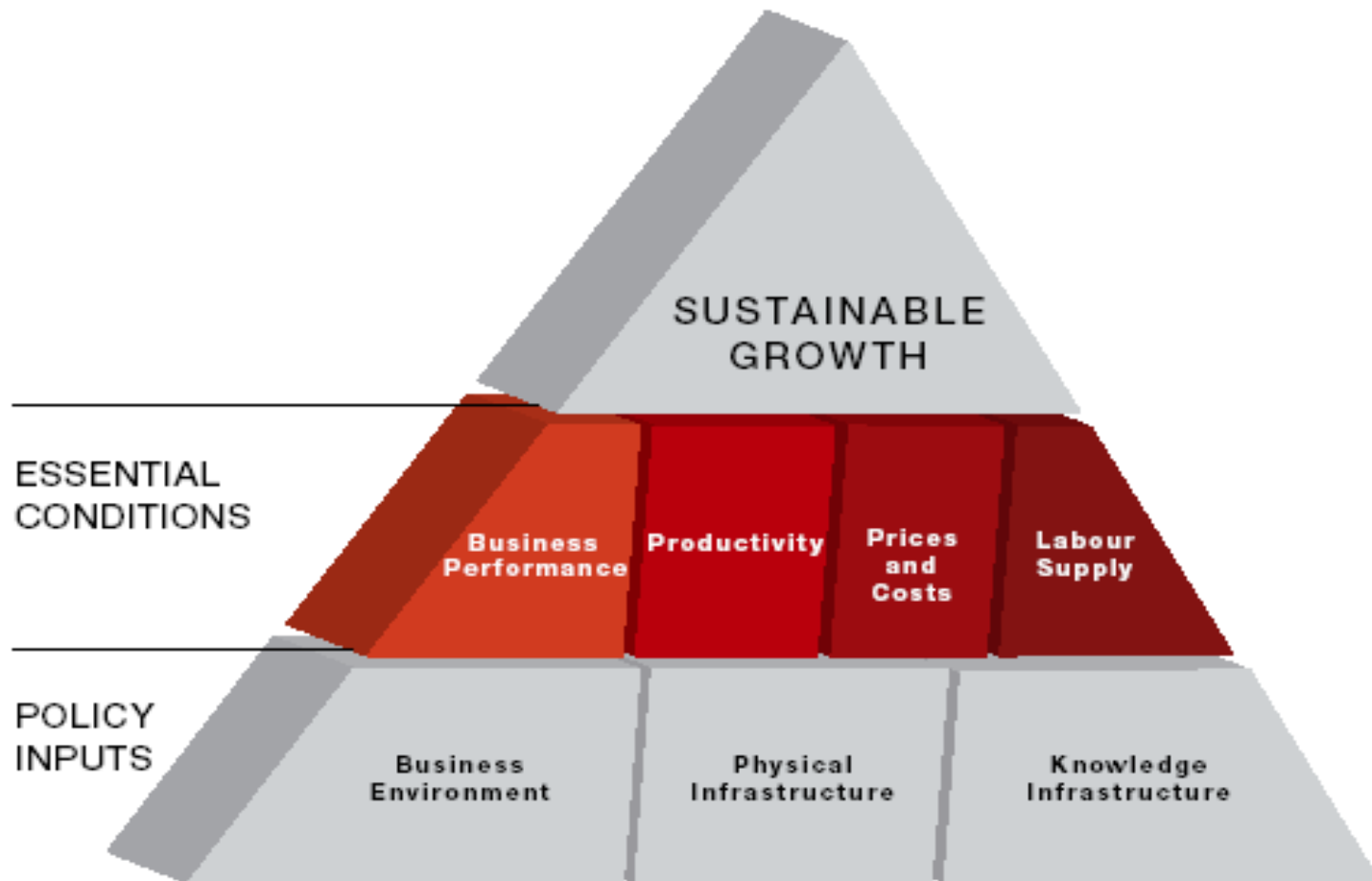
Environmental performance remains relatively weak.

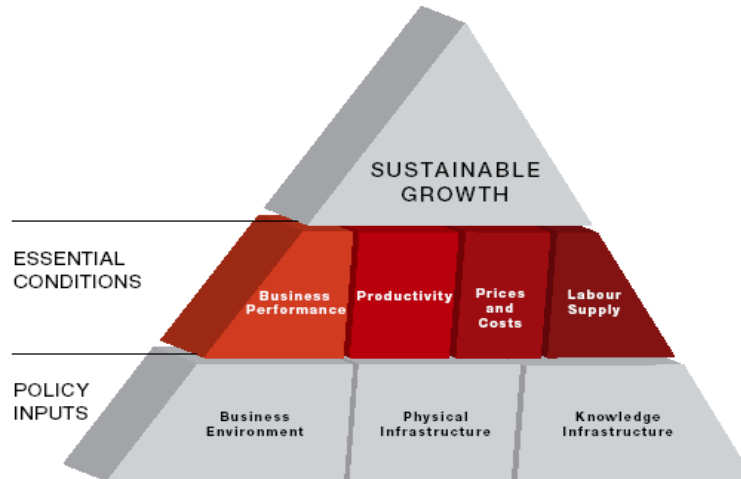
Percentage of Energy from Renewable Sources (2006) and per capita Emissions of Carbon Dioxide (2005)



Benchmarking Ireland's Performance

Essential Conditions





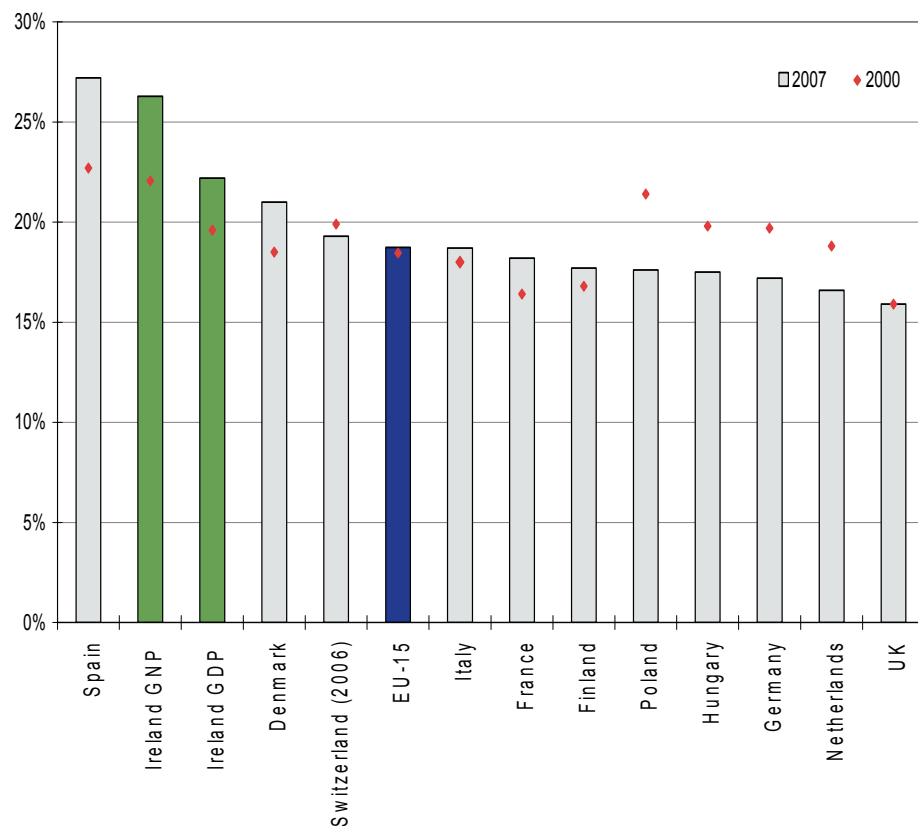
Essential Conditions

- Business Performance
 - Investment
 - Trade
- Productivity and Innovation
- Prices and Costs
- Labour Supply

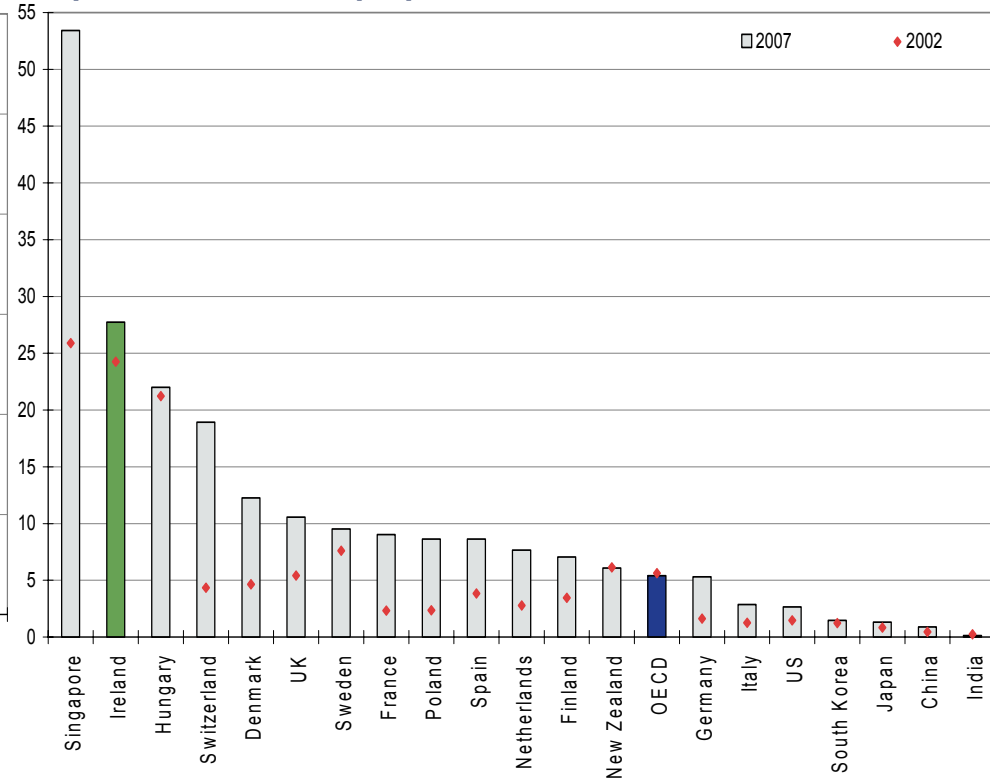


Gross Fixed Capital Formation and Foreign Direct Investment Remain Strong

Gross Fixed Capital Formation by the Private Sector (as a % of GDP), 2007



Number of Greenfield Projects by Destination (per million of population), 2007

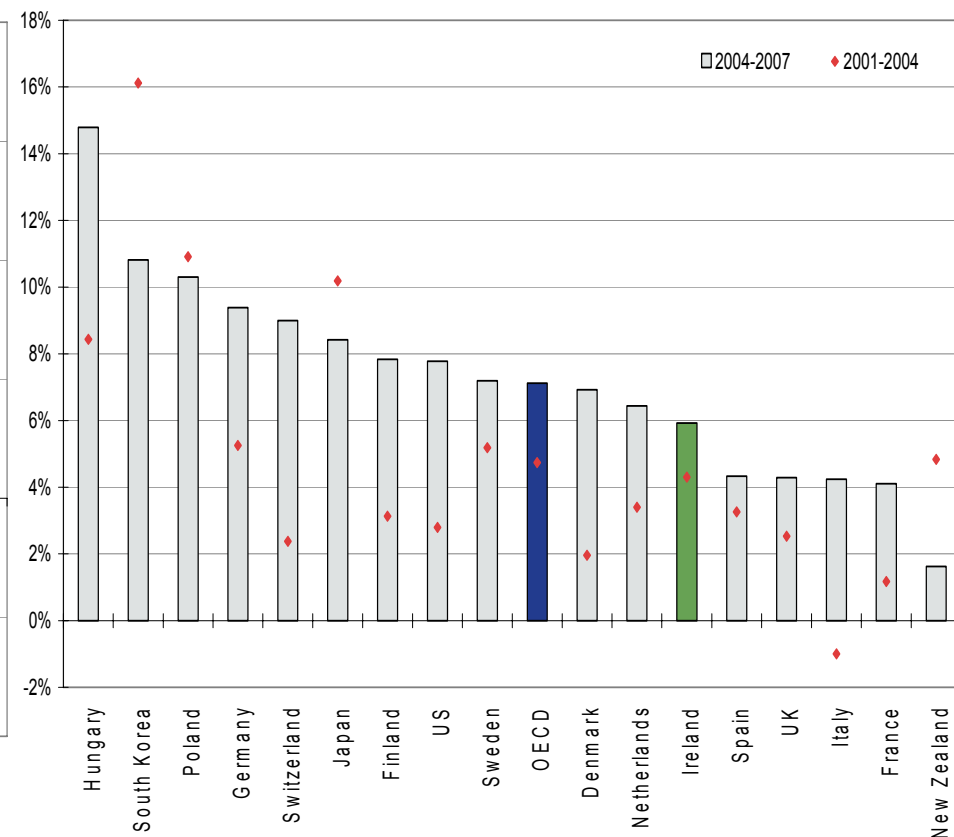


Net Exports are contributing to economic growth, but export growth remains below that in other countries.

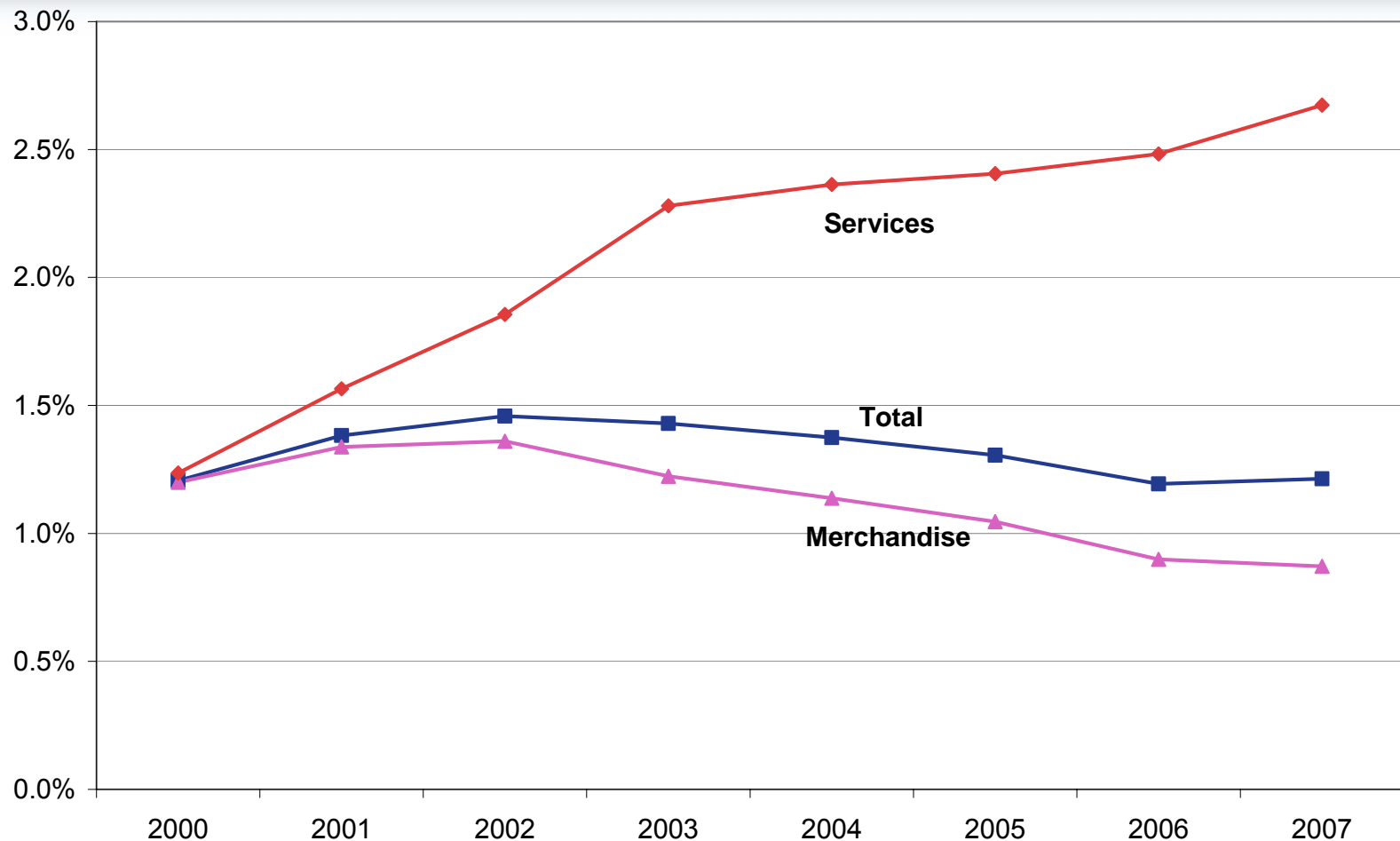
Contribution of Net Exports to Irish Economic Growth, 2001-2008 First 6 Months



Annual Average Growth in Exports of Goods and Services (%), 2001-2007

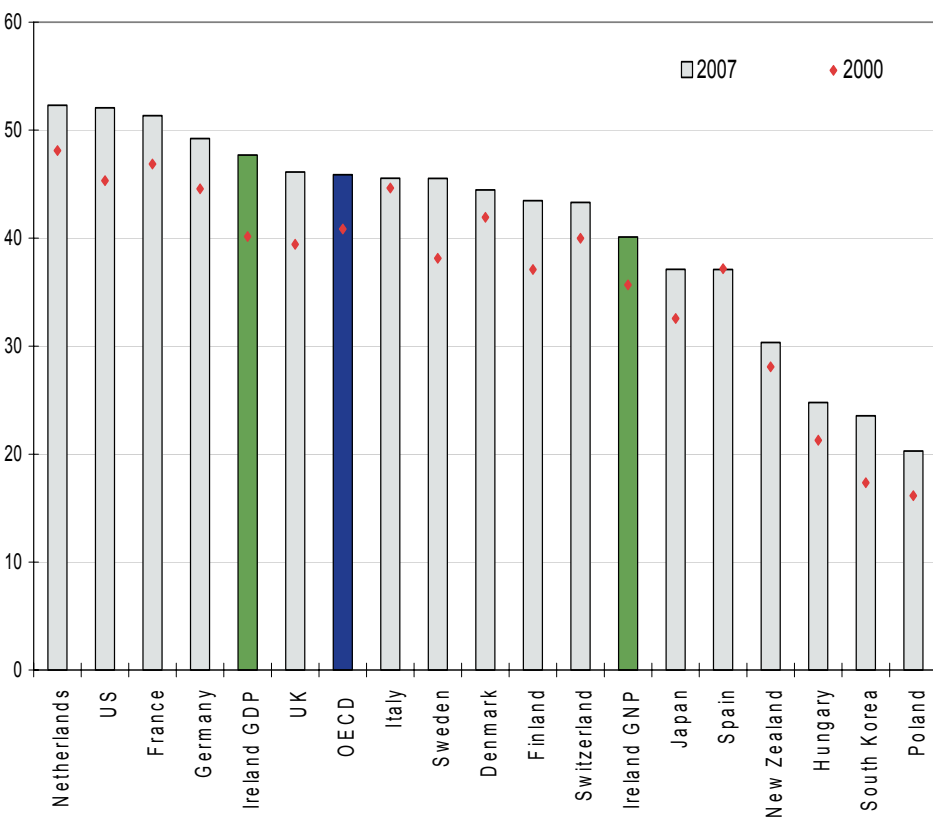


Ireland's Share of Overall World Trade is falling, despite strong growth in Services Trade

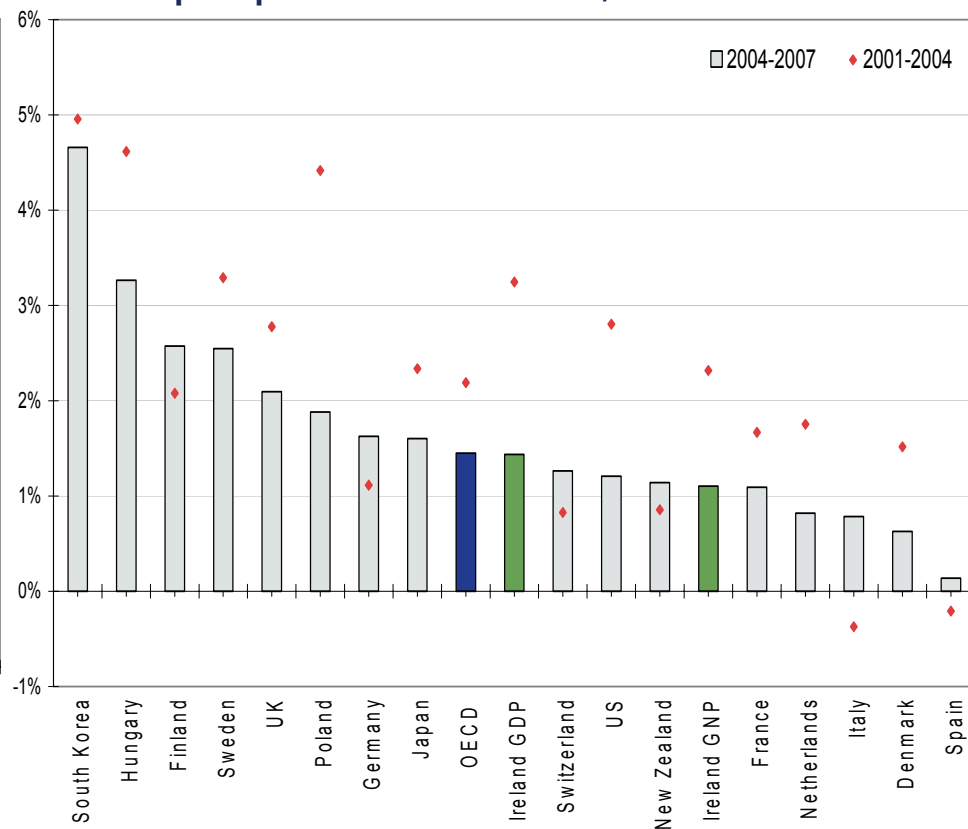


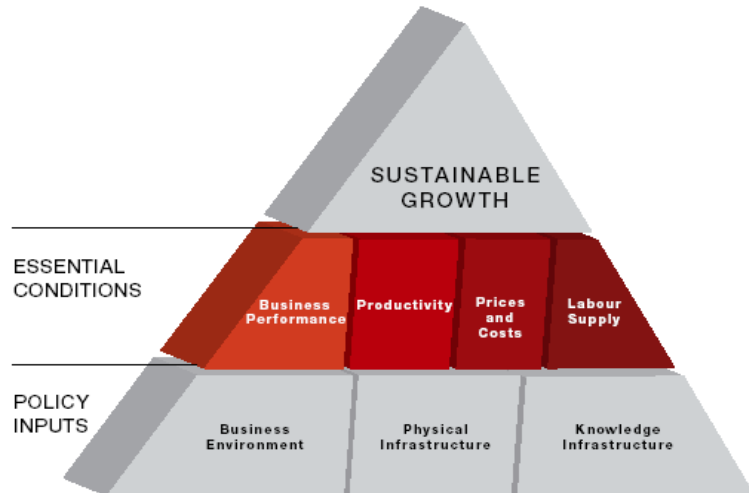
While productivity has improved, Irish productivity levels remain below the OECD average – as do recent growth rates.

Productivity Levels: Per Hour Output, 2007



Productivity Growth: Annual Average Growth in Output per Hour Worked, 2001-2007





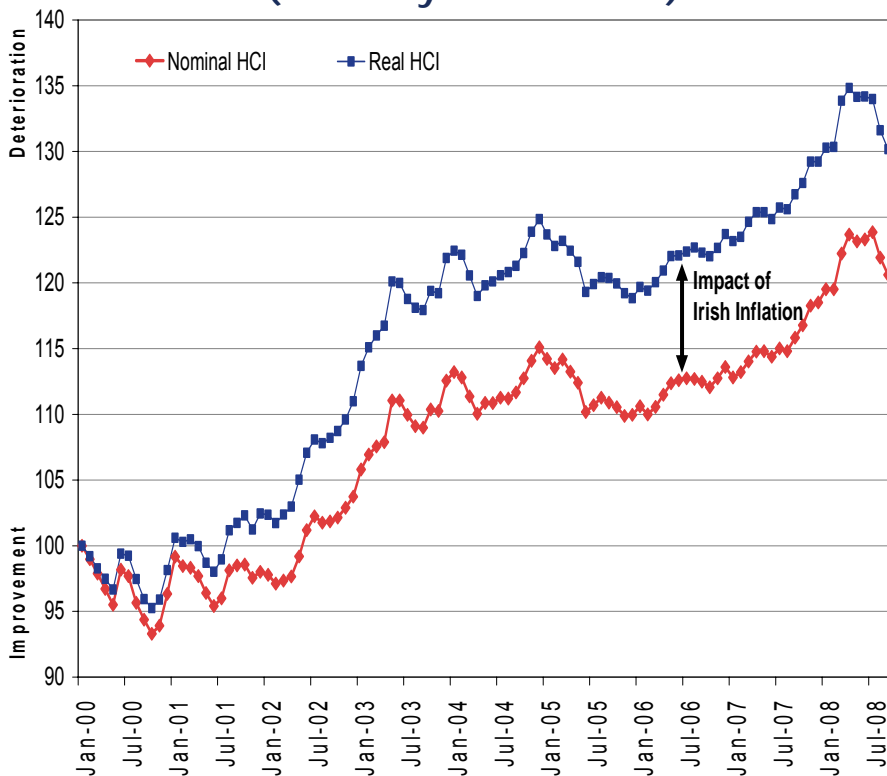
Prices and Costs

- Prices
- Pay Costs
- Non-Pay Costs

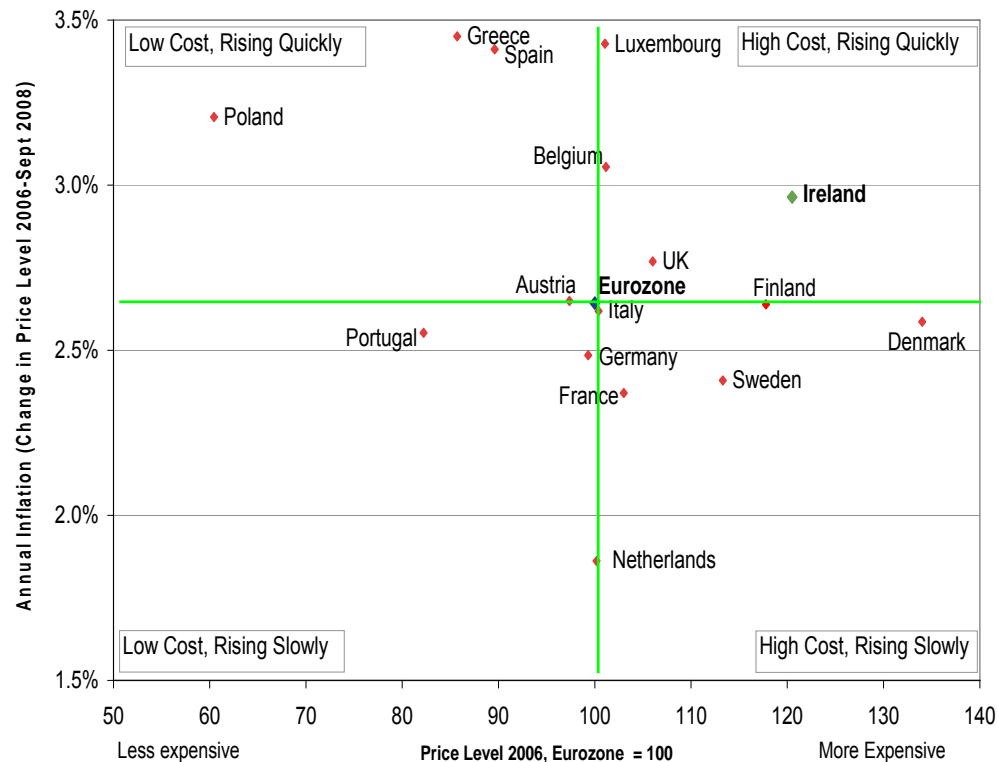


Price Competitiveness has weakened

International Price Competitiveness
(Harmonised Competitiveness Indicator)
(January 2000 = 100)

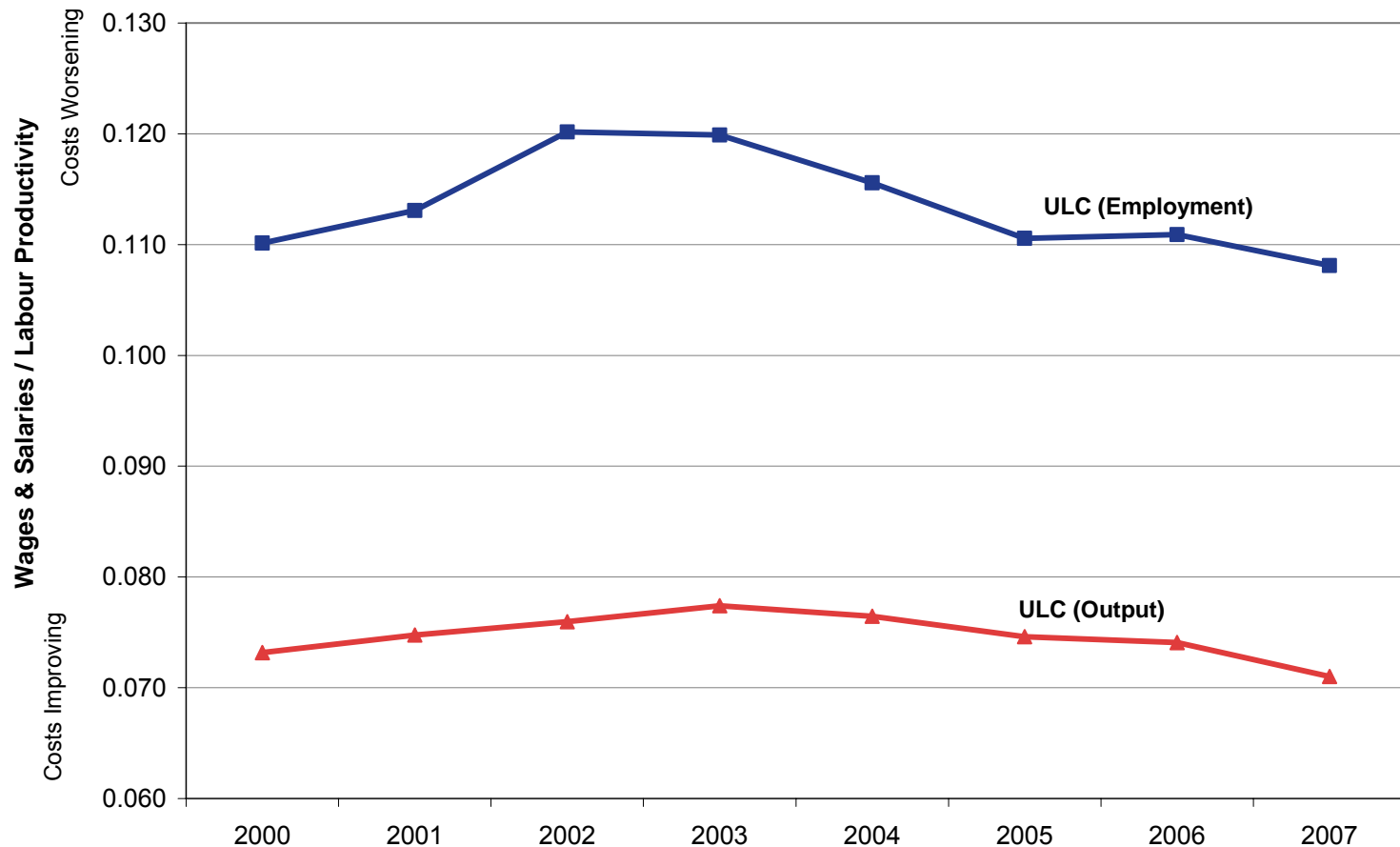


HICP Price Level (2006) and Inflation (2006-Sept 2008), EU Member States



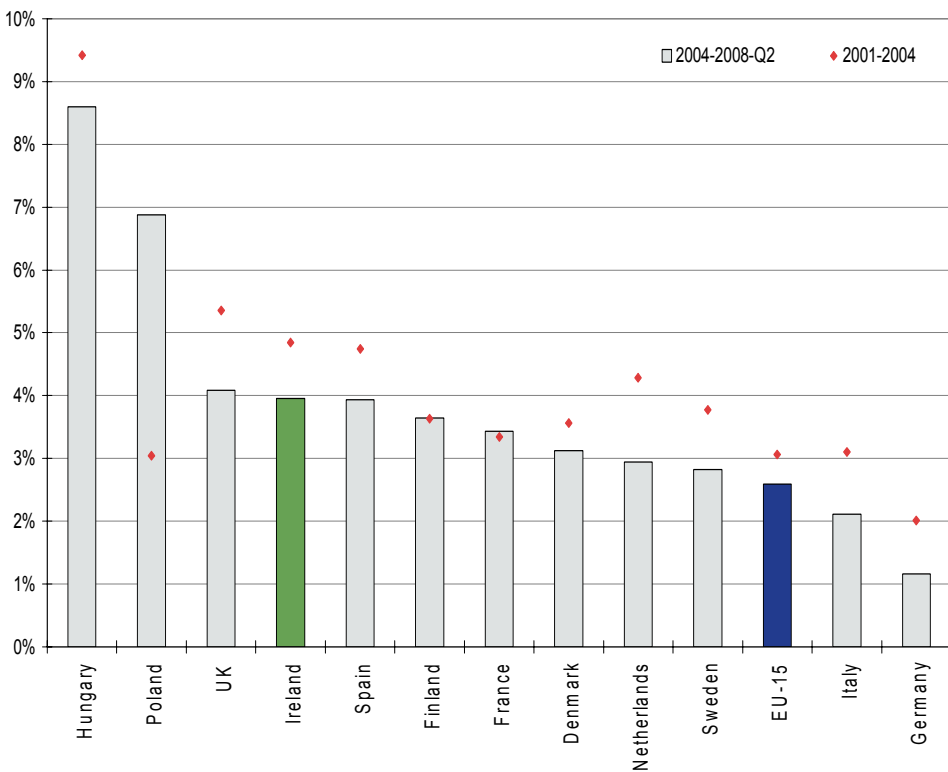
While ULCs have remained stable in manufacturing.....

Changes in Unit Labour Costs in Manufacturing, 2000-2007 (Q2, 2000=100)

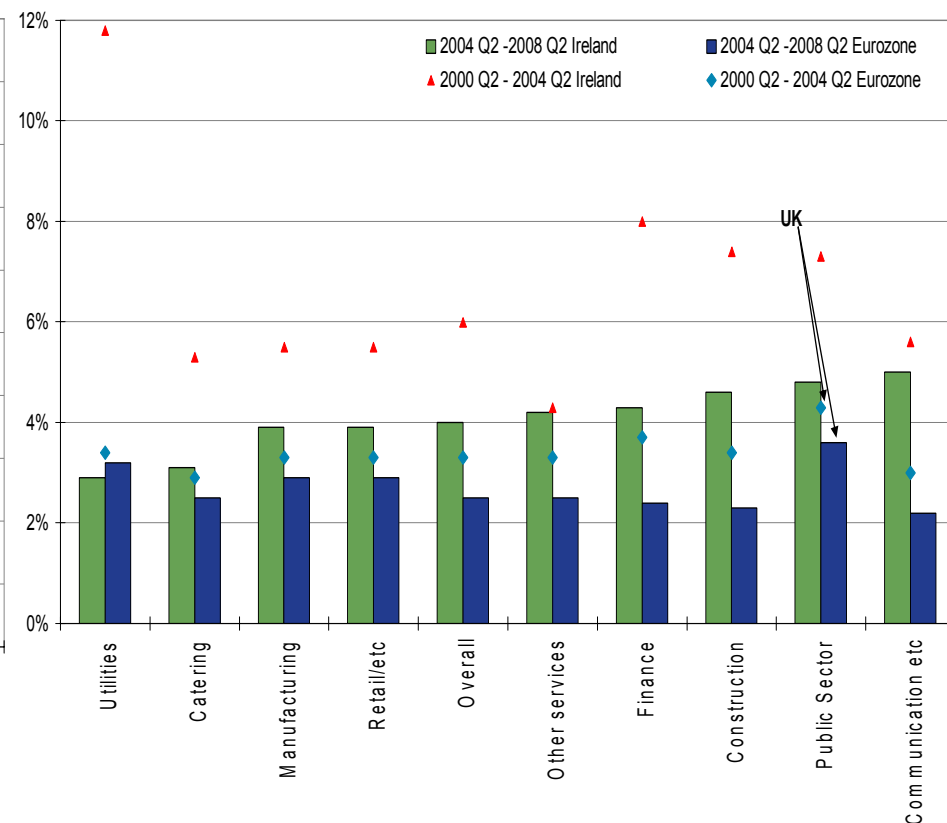


....wage increases have been above Eurozone averages across a wide range of other sectors.

Average Growth Rate in Labour Costs, by Sector, Ireland & the Eurozone, 2001-2008Q2

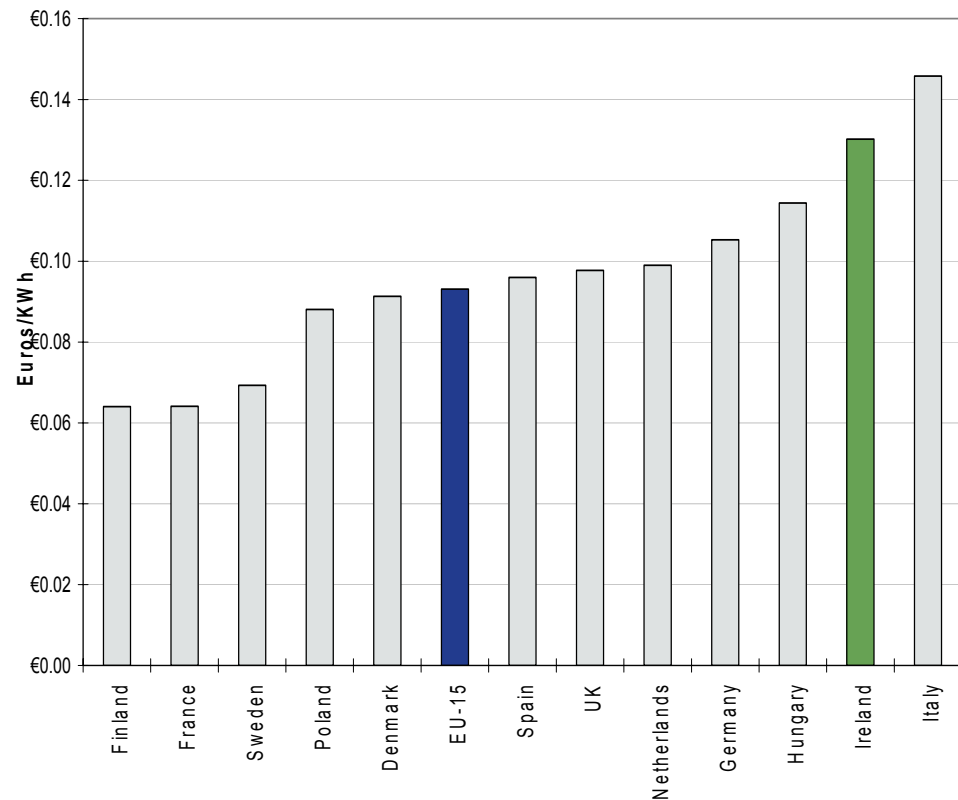


Average Growth Rate in Labour Costs, by Sector, Ireland and the Eurozone, 2000 Q2-2008 Q2

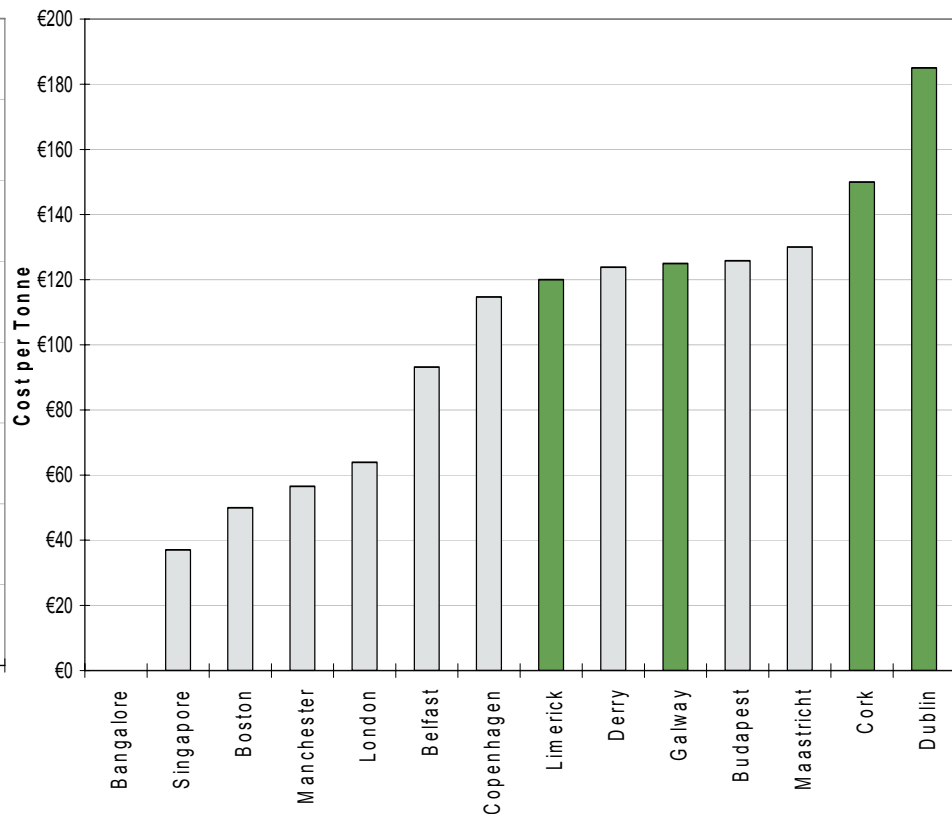


A range of other costs remain high in Ireland including...

Industrial Electricity Prices (excluding VAT but including all other taxes), 2008

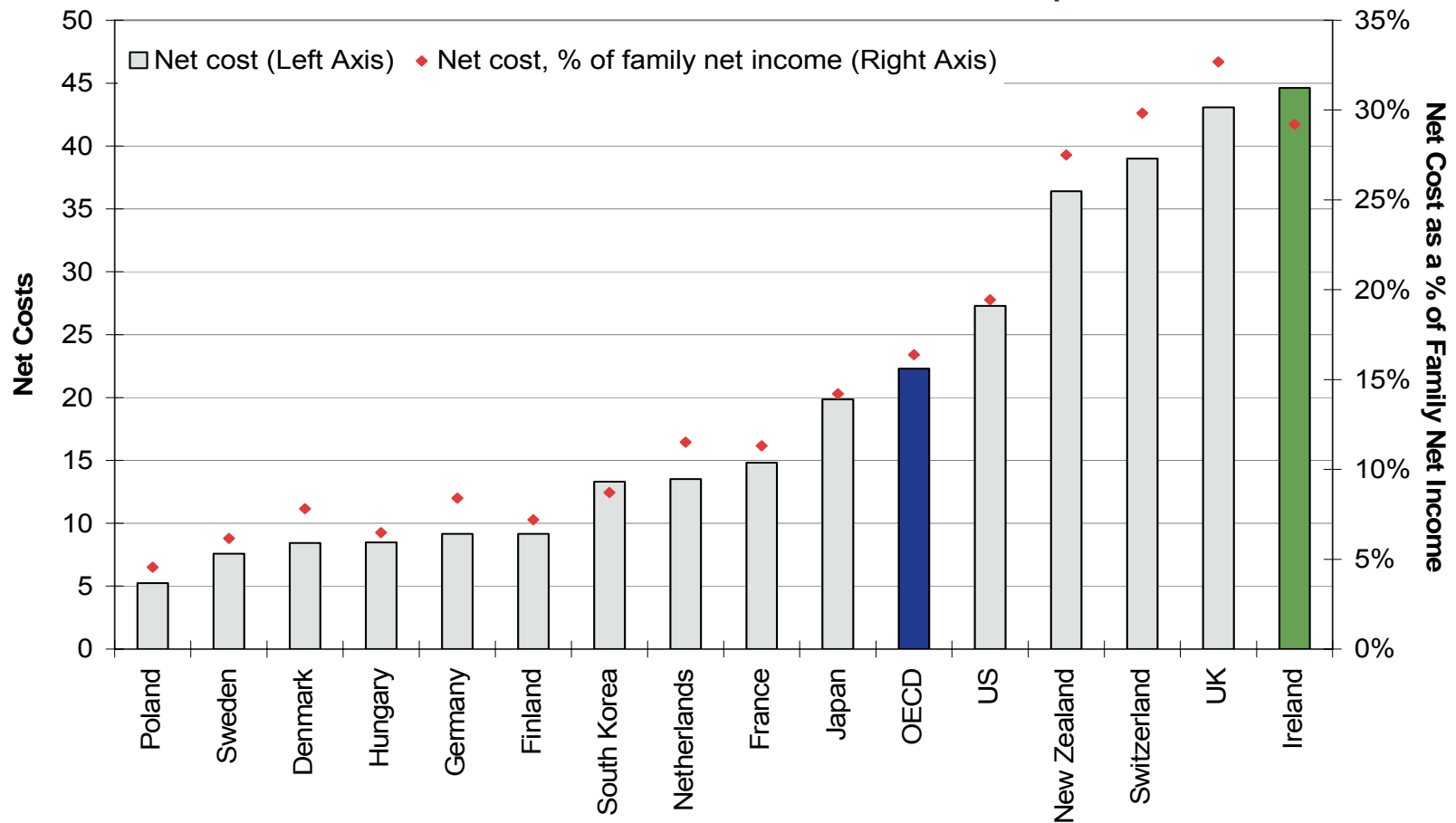


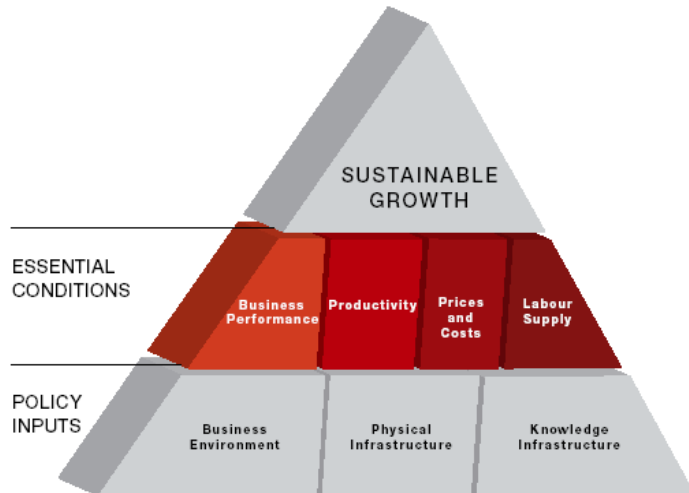
Waste Disposal Costs (per tonne), 2008



Childcare costs in Ireland are amongst the highest in the OECD

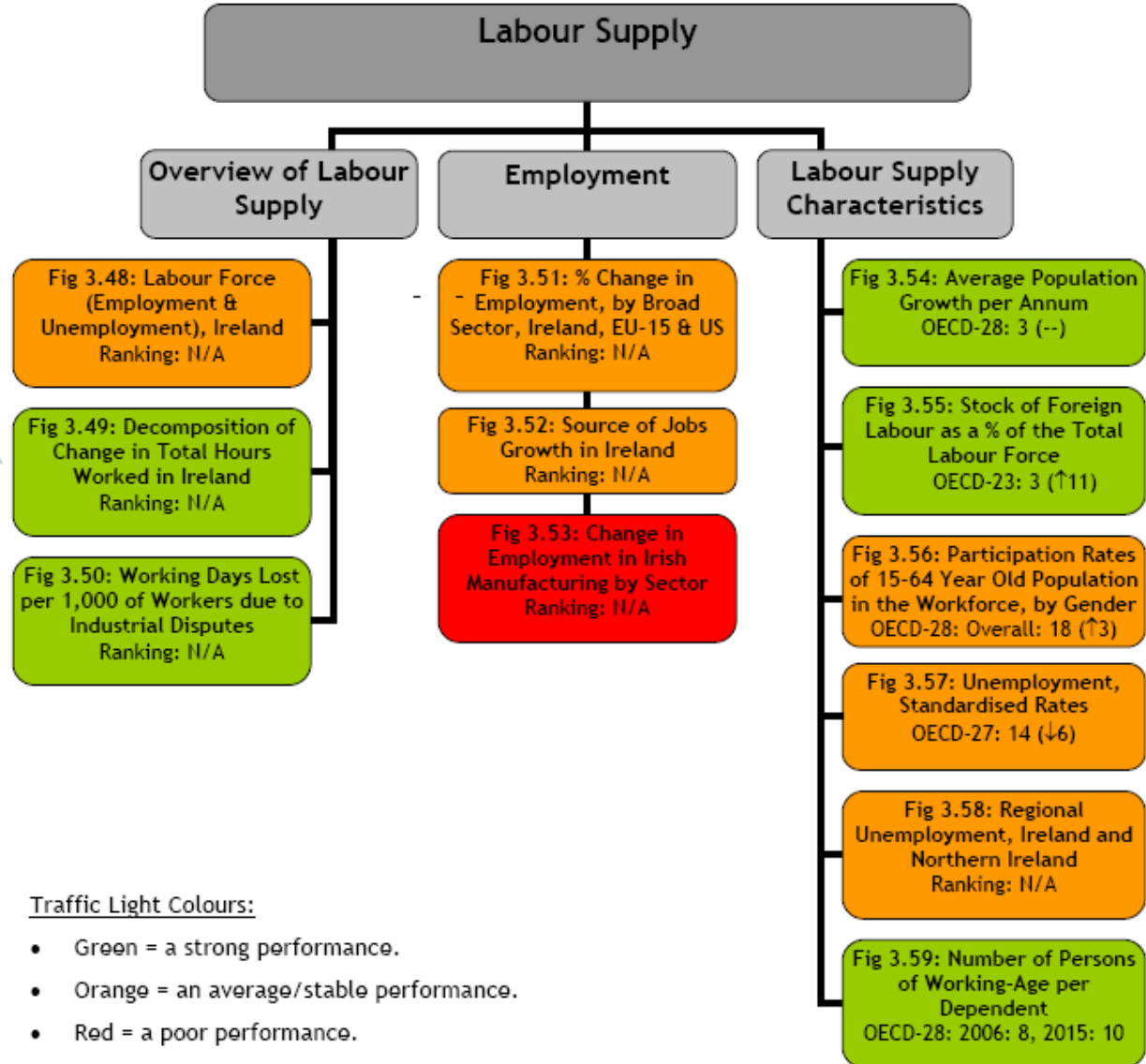
Net Childcare Costs for a Two-earner Couple, 2004





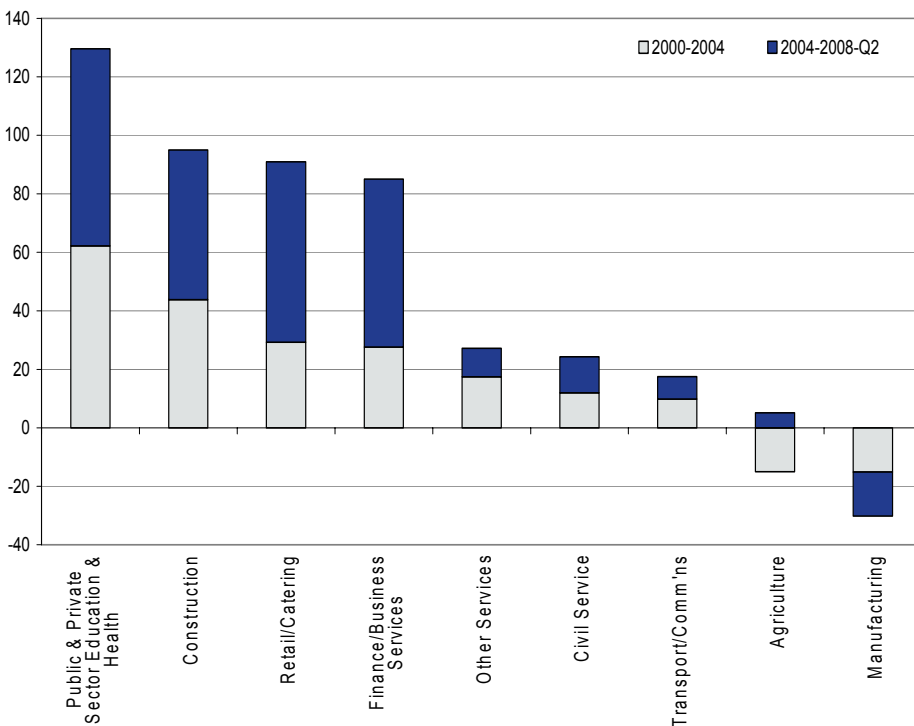
Labour Supply

- Overview
- Employment
- Labour Supply Characteristics

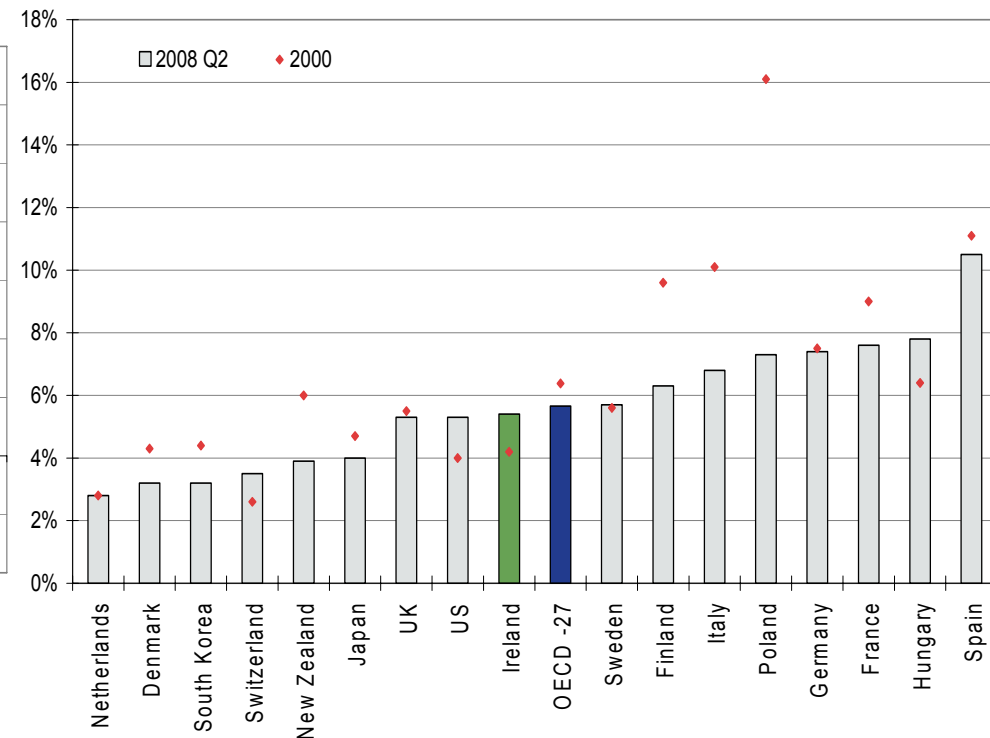


Sources of Jobs Growth and Unemployment

Source of Jobs Growth in Ireland, (000s)
2001-2008 Q2

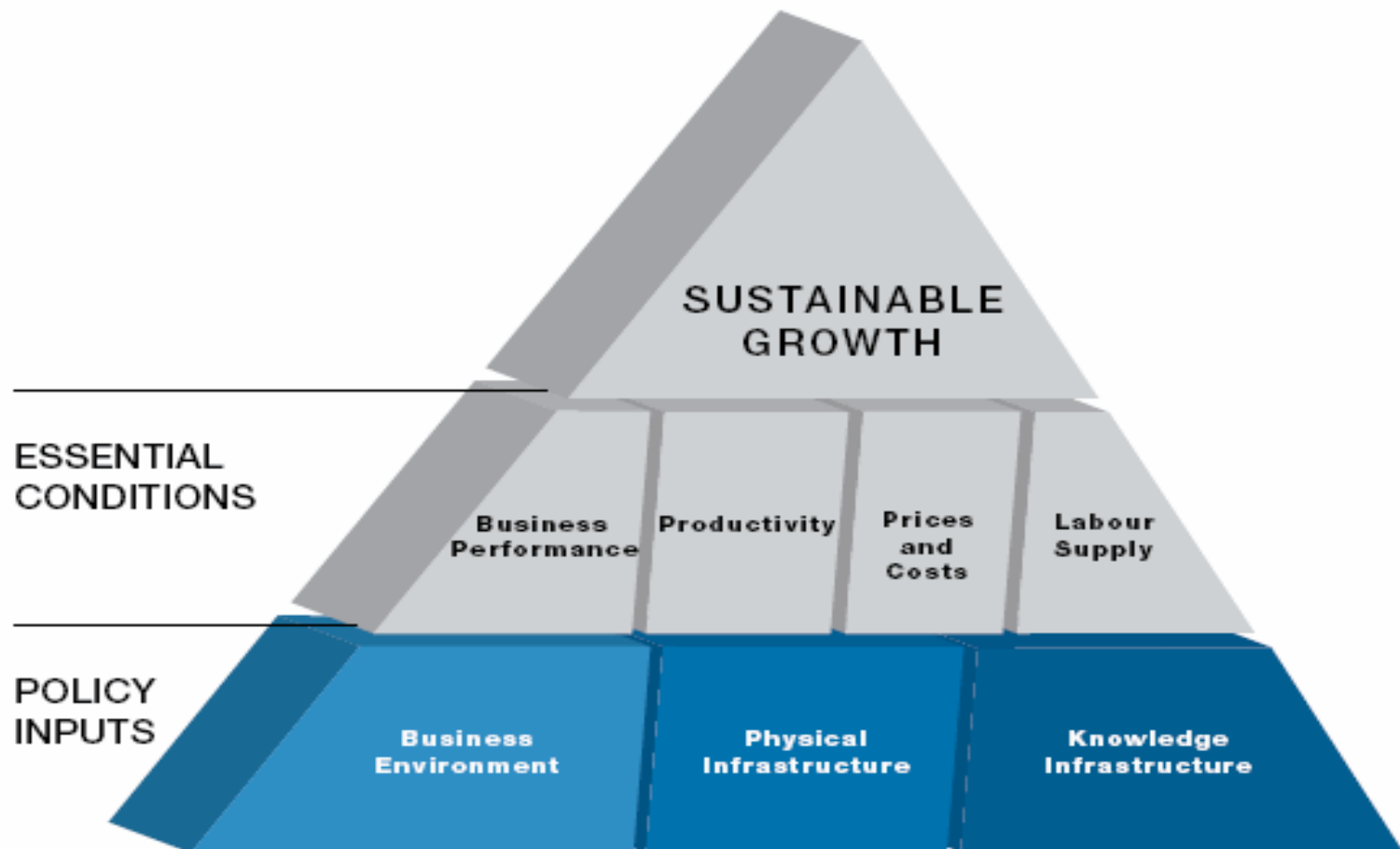


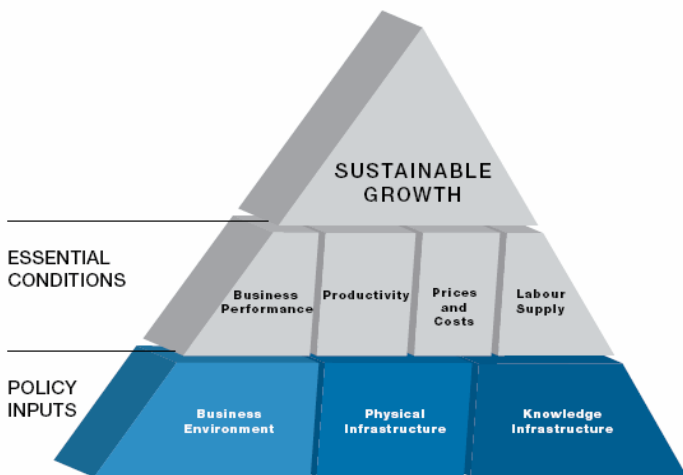
Unemployment, Standardised Rates, 2000 and 2008 Q2



Benchmarking Ireland's Performance

Policy Inputs

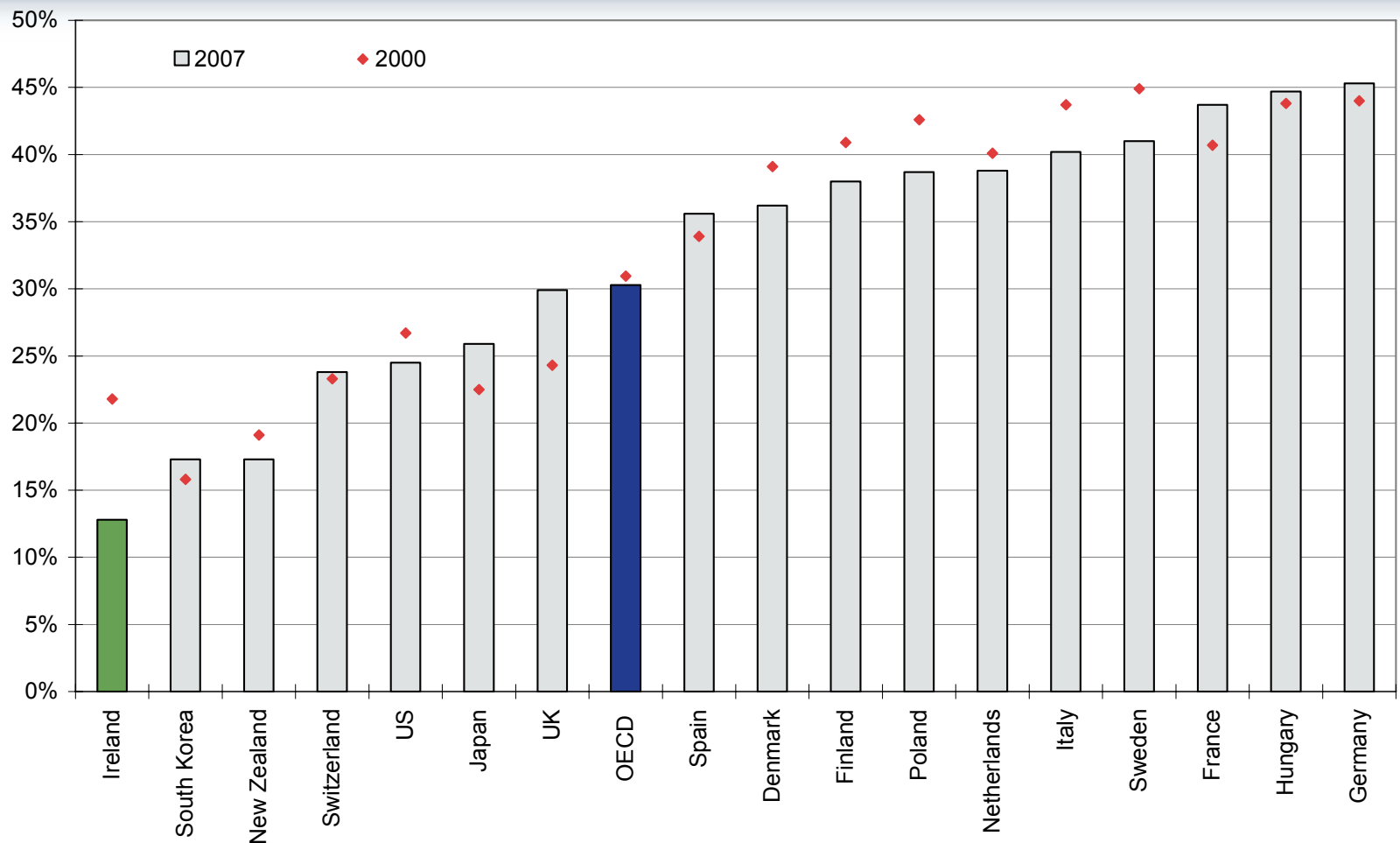




Business Environment

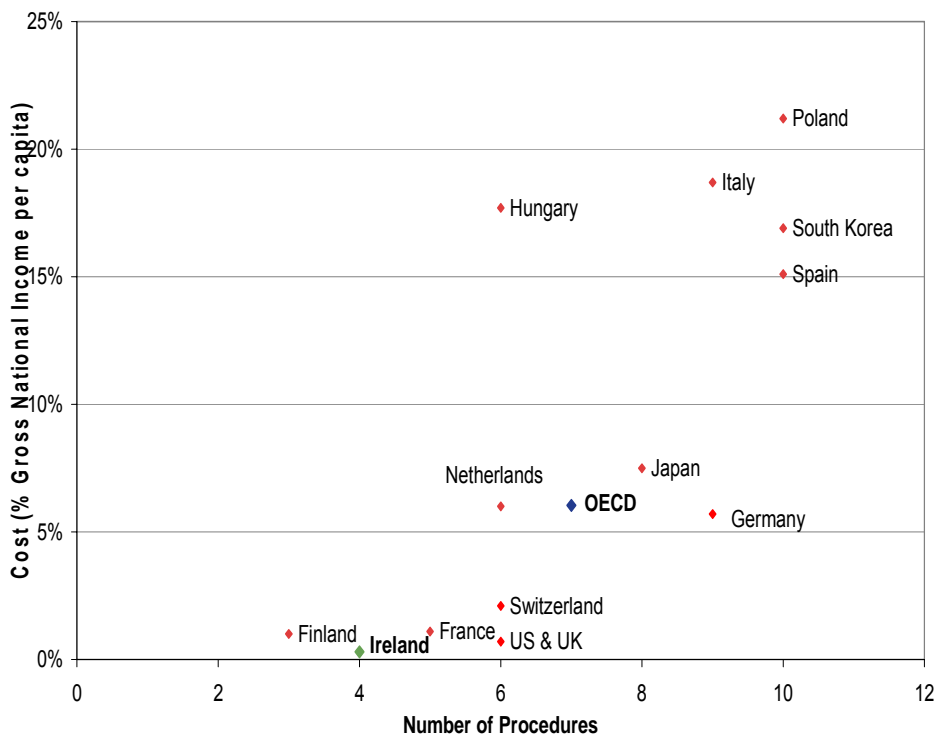
- Taxation
- Regulation & Competition
- Labour Market Regulation
- Finance
- Social Capital

The Total Tax Wedge on Labour (as a % of Average Earnings) remains low.

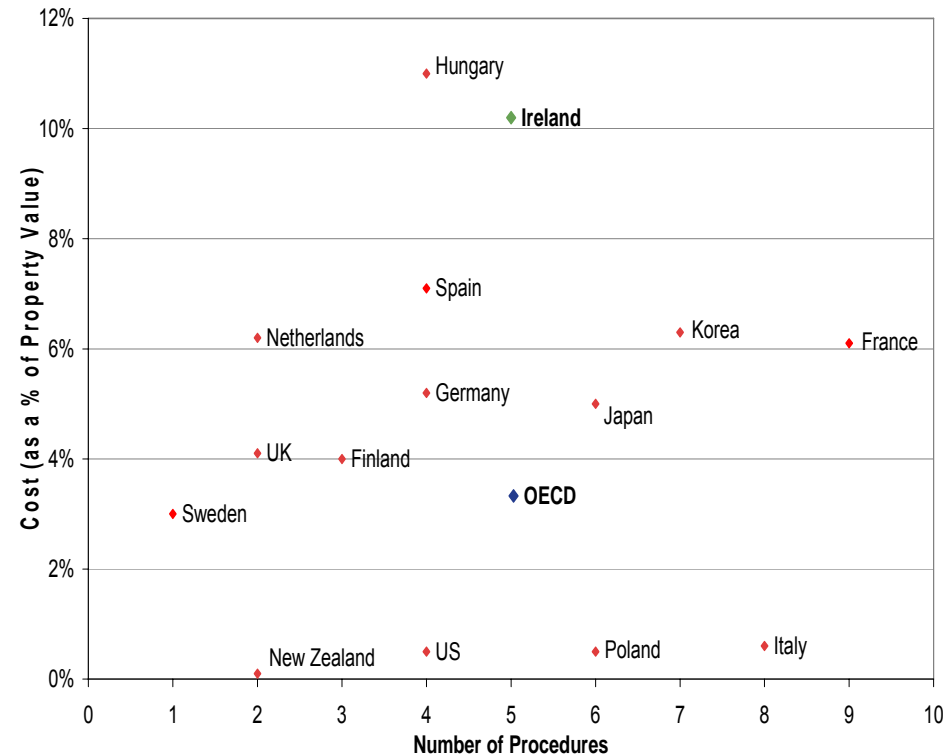


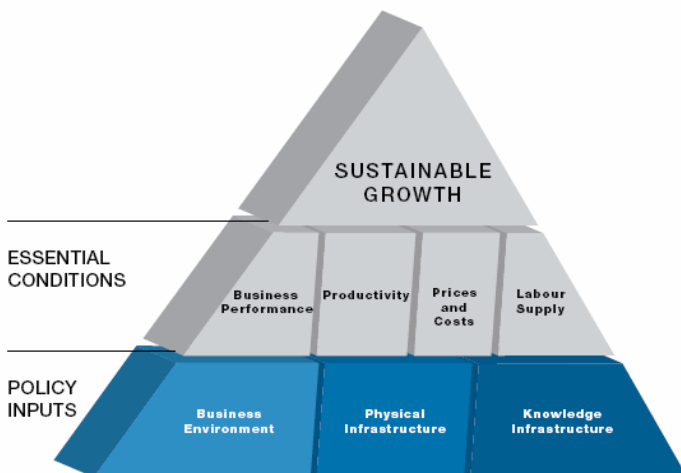
The cost and number of procedures to establish a business are low in Ireland, however, the costs of registering a property are high.

Cost of Starting a Business and the Number of Procedures Involved, 2008



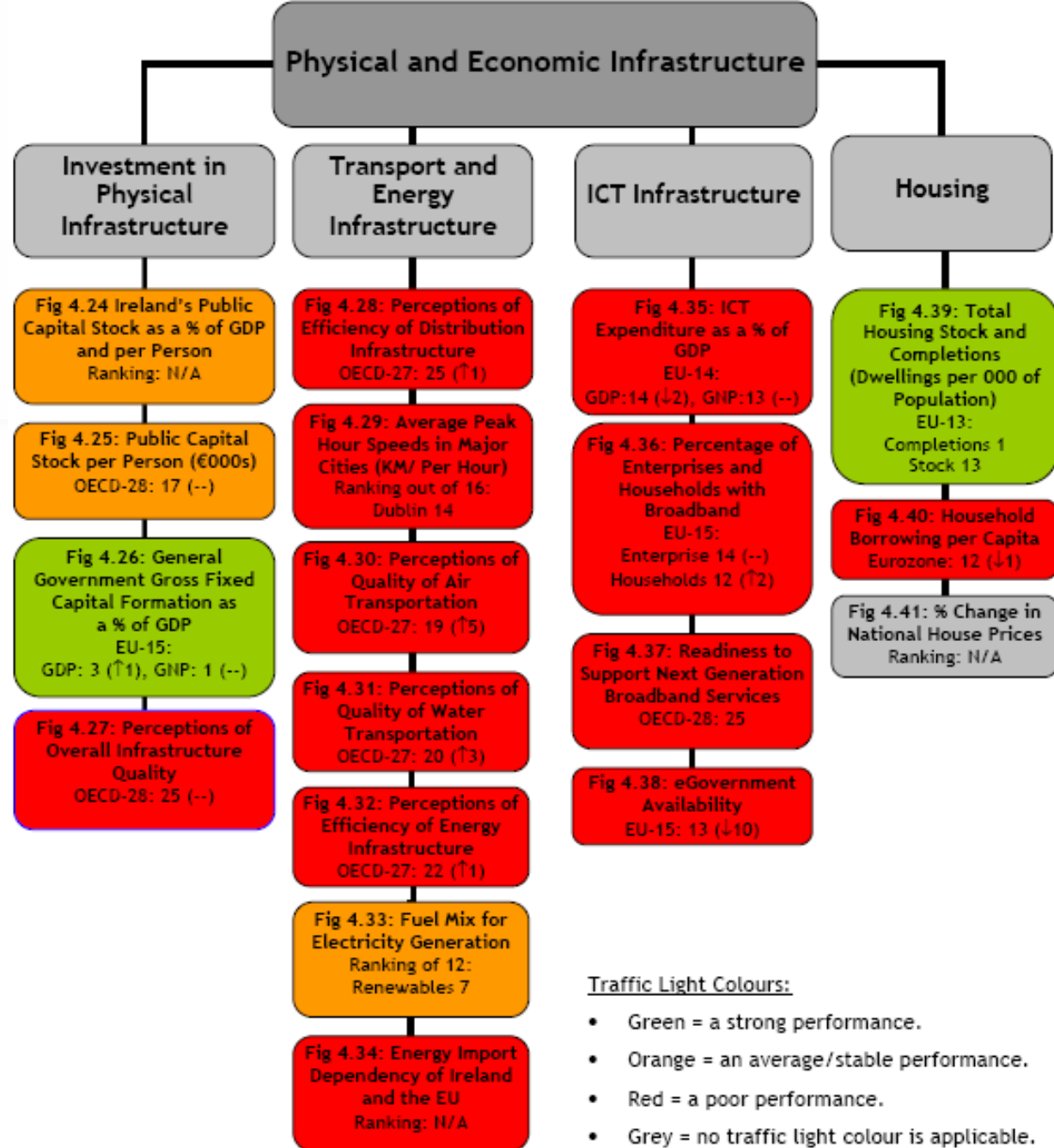
Cost of Registering a Property and the Number of Procedures Involved, 2008





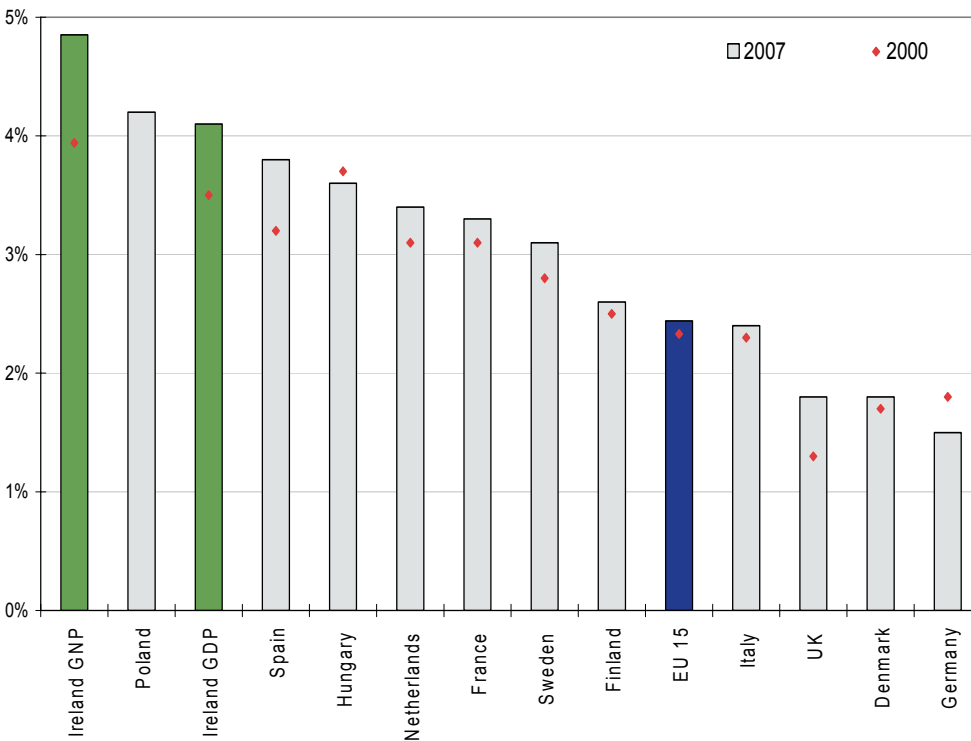
Physical and Economic Infrastructure

- Investment
- Regulation & Competition
- Transport and Energy
- ICT
- Housing

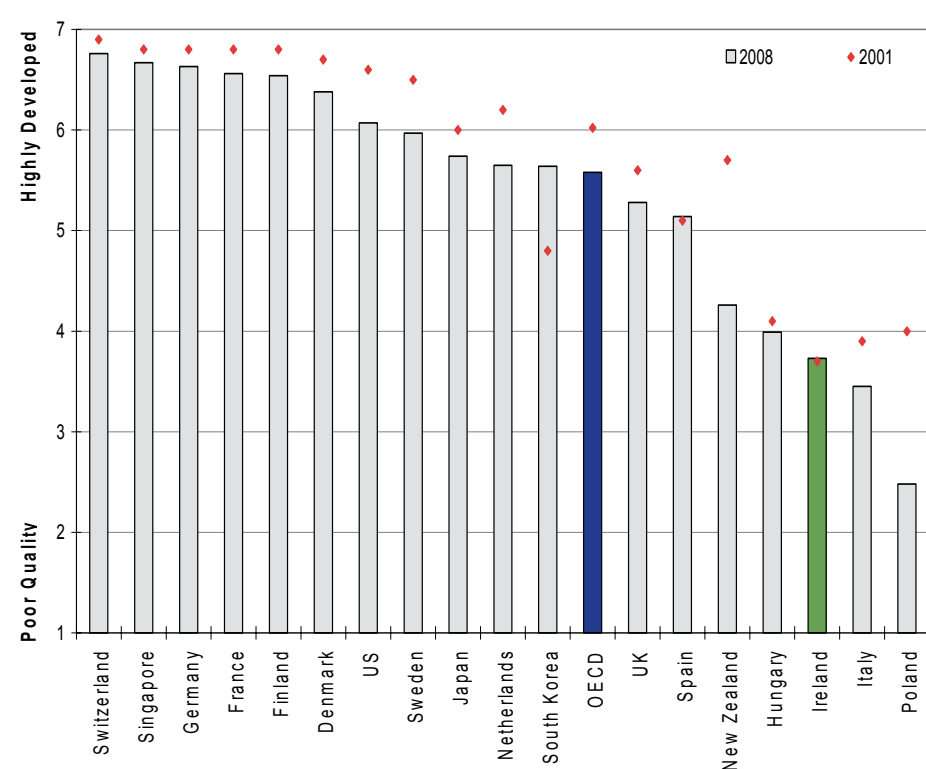


Despite high rates of investment in infrastructure, perceptions of the quality of overall infrastructure remain weak. However some scores have improved (e.g. distribution and air transport).

General Government Gross Fixed Capital Formation (% GDP), 2007

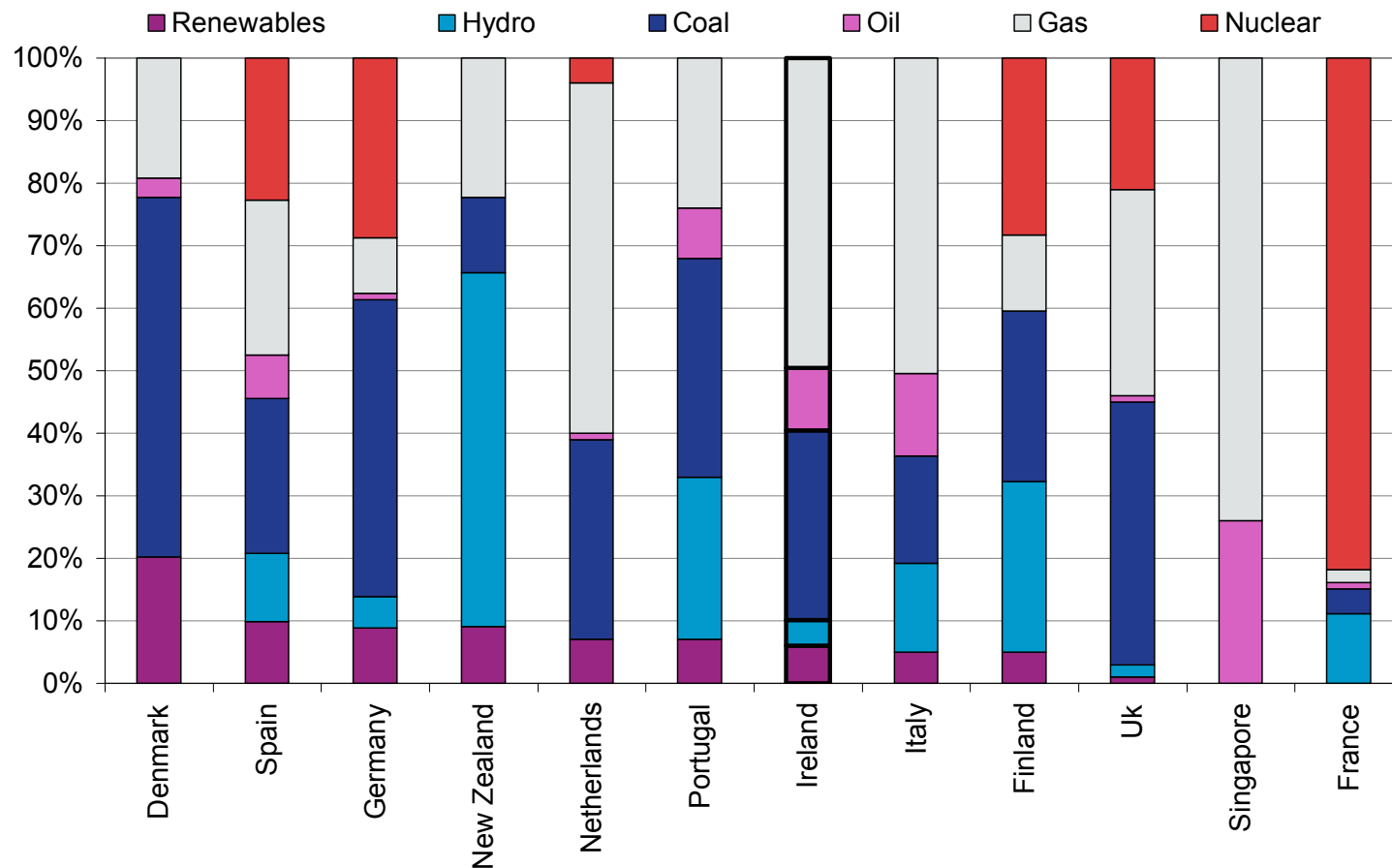


Perceptions of Overall Infrastructure Quality, 2008 (Scale 1-7)

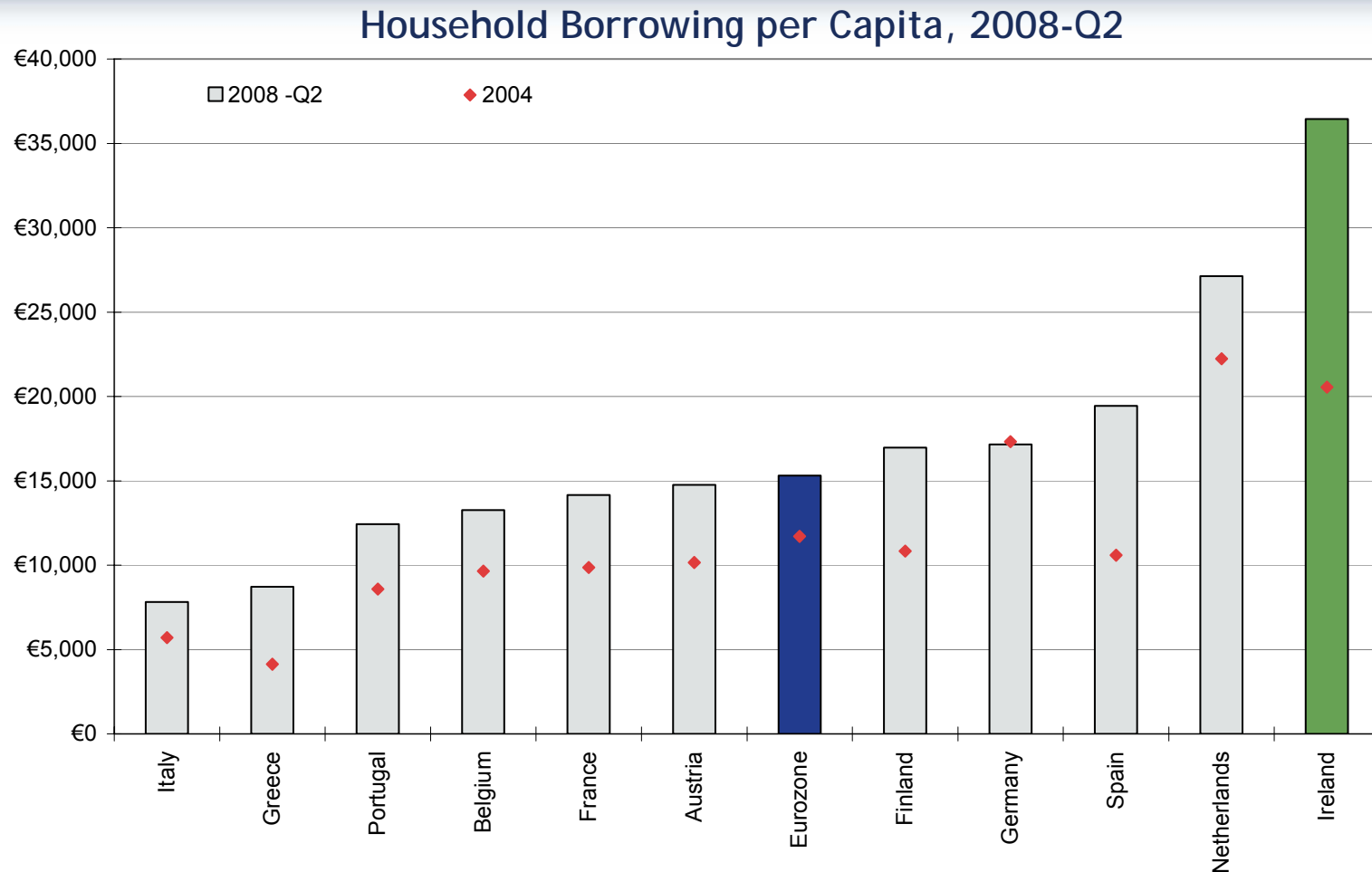


Ireland's energy comes predominantly from imported non-renewable resources, in particular coal and gas. This presents us with cost, security of supply and environmental challenges.

Fuel Mix for Electricity Generation, 2006

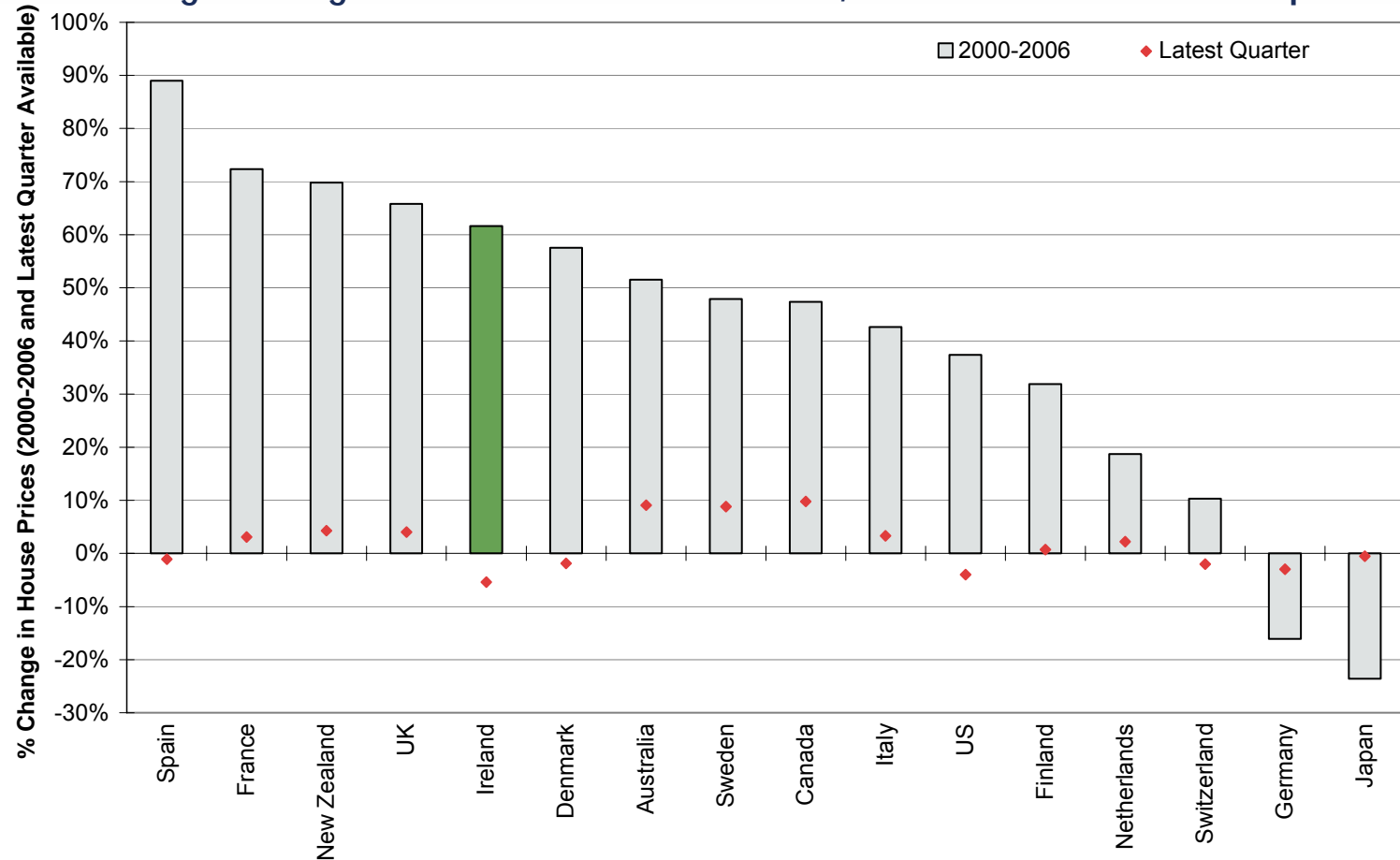


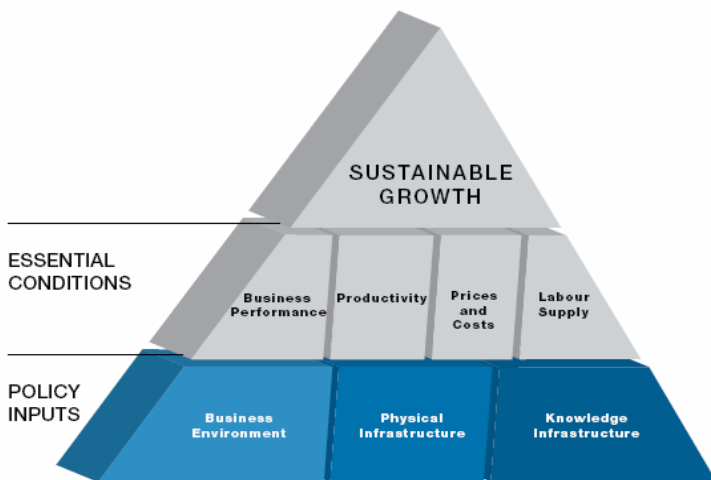
Levels of privately indebtedness in Ireland are higher than benchmarked countries.



Having experienced significant house price increases, Ireland is now experiencing the sharpest falls.

Percentage Change in National House Prices, 2000-2006 and latest quarter





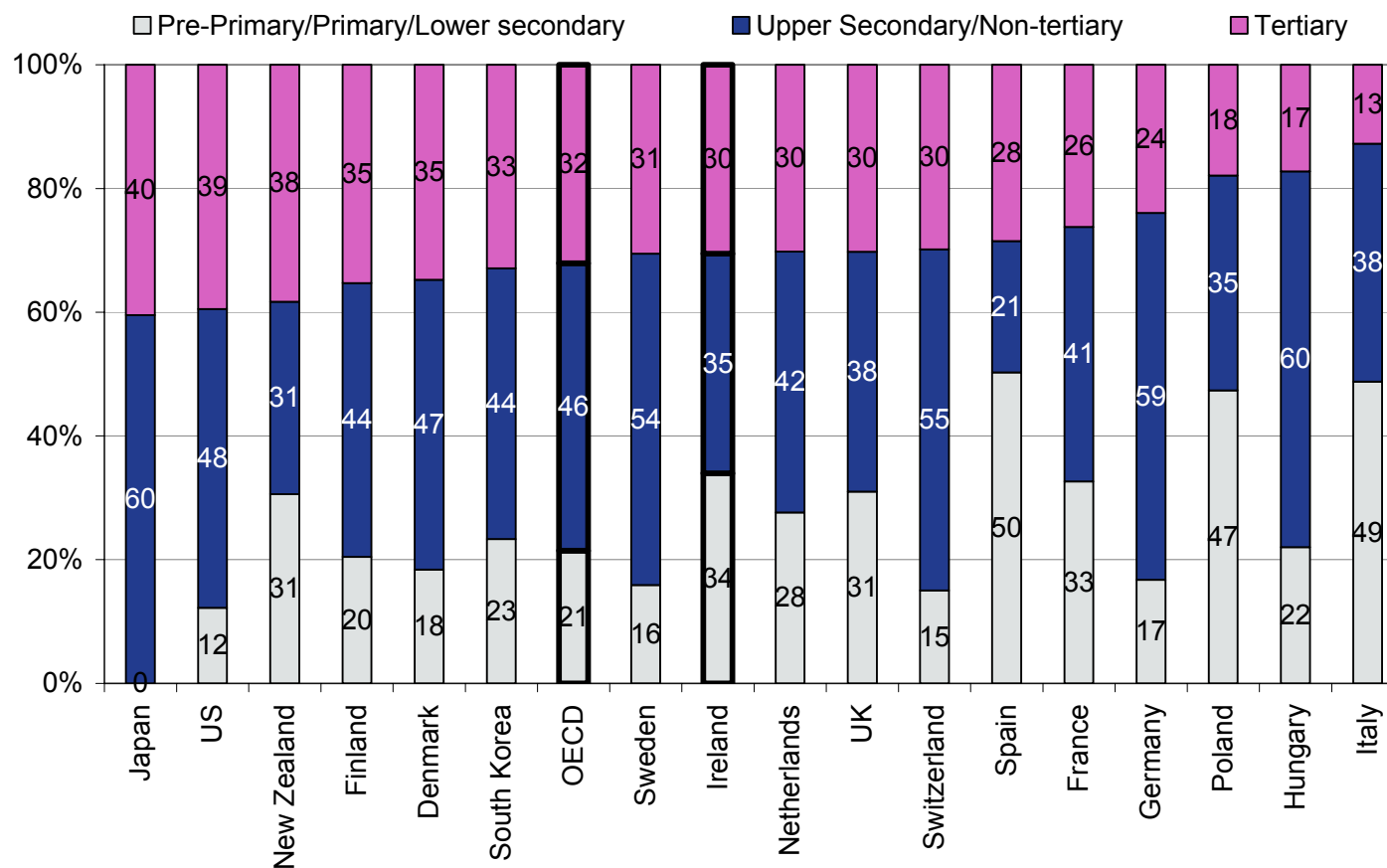
Knowledge Infrastructure

- Education Overview
- Pre-Primary and Primary Education
- Secondary Education
- Tertiary Education and Life-Long Learning
- Investment in R&D

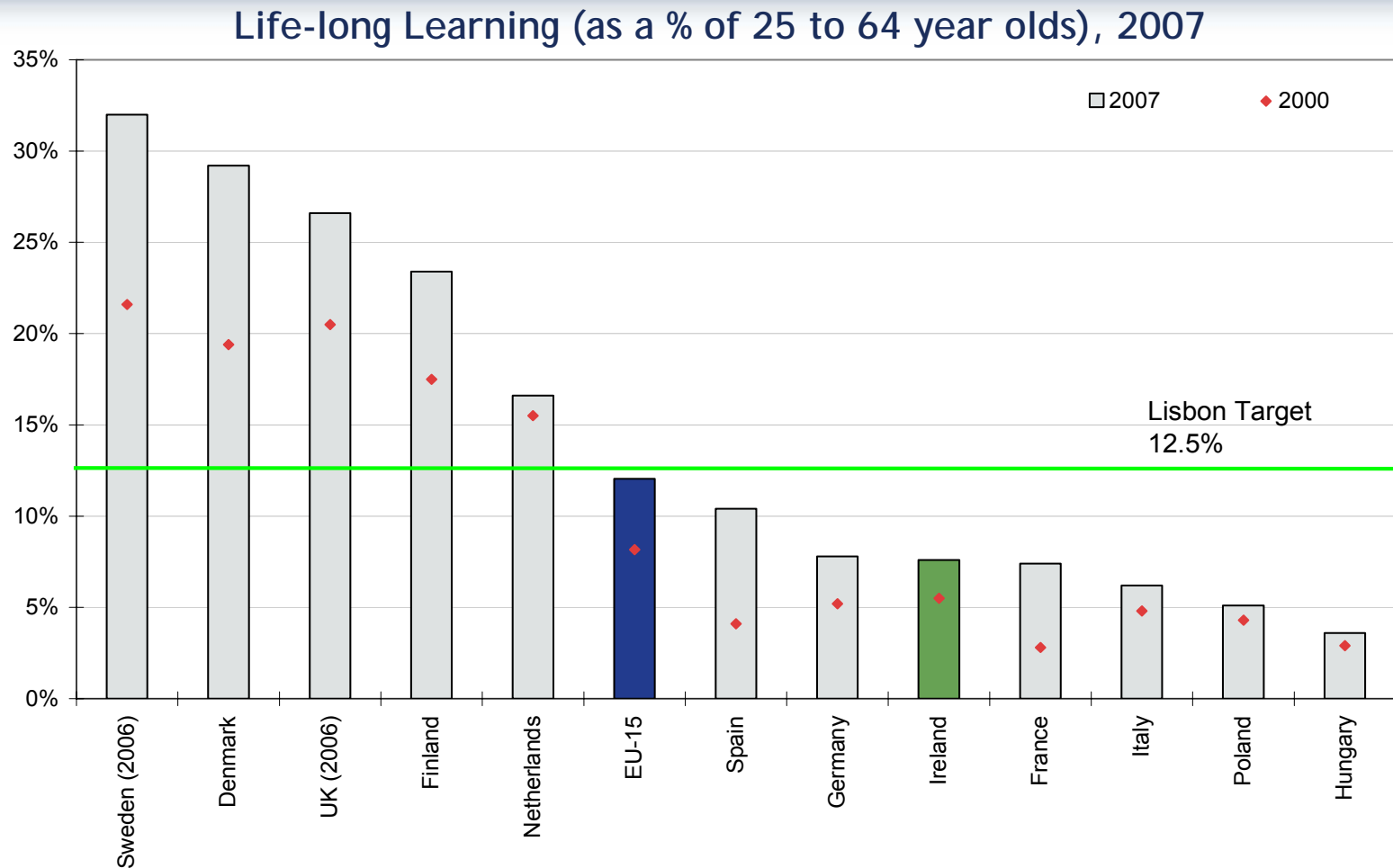


Knowledge Infrastructure - Education, Training and Skills Remain the Key Driver of Long Term Competitiveness

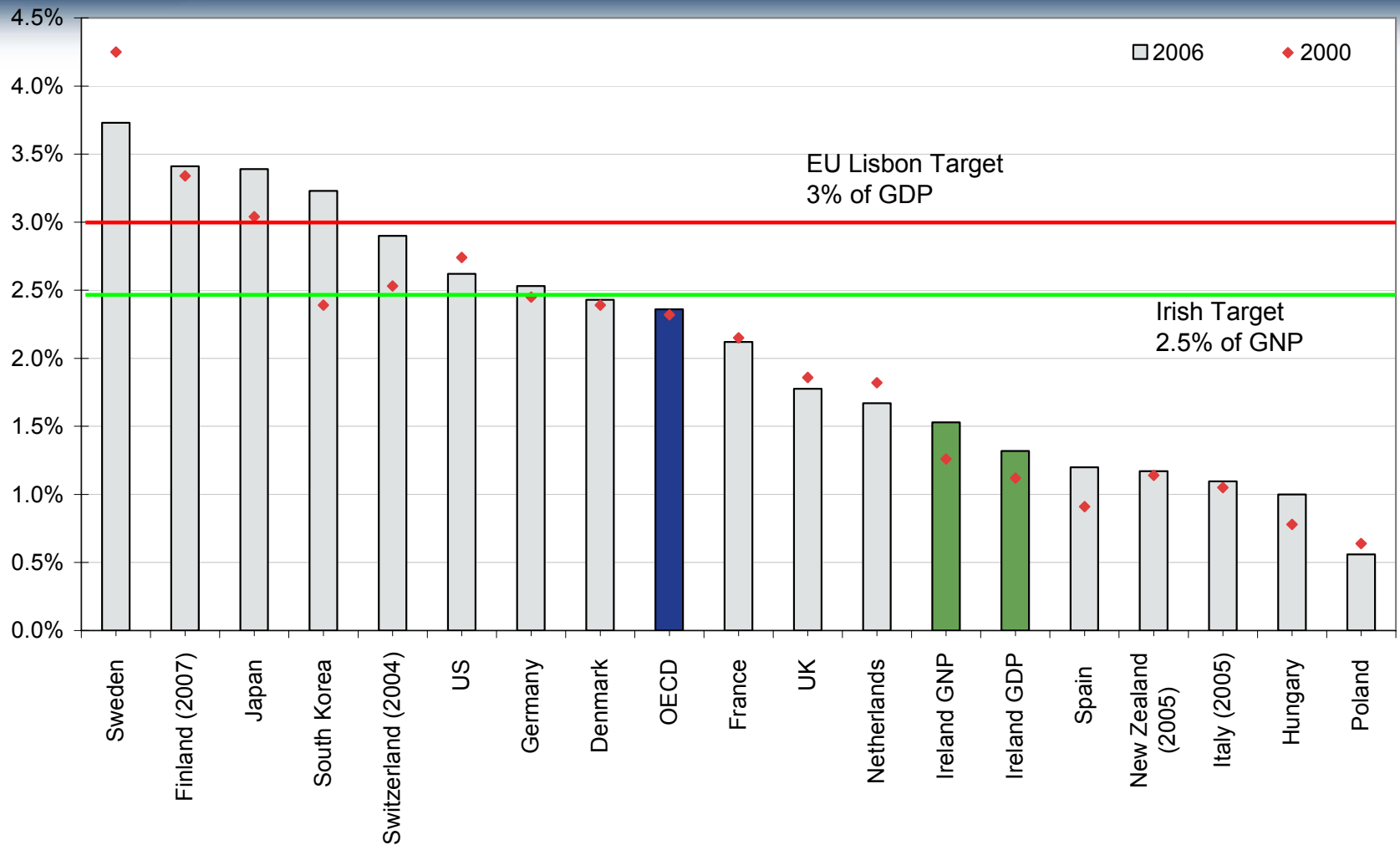
Educational Attainment of Population Aged 25-64 by Highest Level of Education (%), 2006



Adult participation in life-long learning in Ireland remains below both the EU average and Lisbon target.



Gross Domestic Expenditure on R&D (GERD), as a % of GDP in Ireland remains below target levels.



Contacting the NCC

- ▶ Website: www.competitiveness.ie
- ▶ Full report (*Volume 1: Benchmarking Ireland's Performance 2008*) with 140 indicators of competitiveness is available in PDF Format.
- ▶ *Volume 2: Ireland's Competitiveness Challenge 2008* which examines the challenges facing Ireland and highlights policy directions to sustain our competitiveness is also available on this website.
- ▶ By email: ncc@forfas.ie
- ▶ By phone: +353 1 607 3000