

8th July 2025

Press Release: Government's needs to urgently focus attention on Ireland's deteriorating competitiveness

Today (8 July 2025), the Chair of the National Competitiveness and Productivity Council (NCPC), Dr. Frances Ruane, launched *Ireland's Competitiveness Challenge 2025* report. The report for 2025 sets out a range of key challenges facing Ireland's economy, particularly over the medium to long-term. The Council places a clear emphasis on addressing those challenges that come within domestic control (in a sequenced and strategic way). The key challenges identified include addressing the high and rising cost of doing business – particularly those costs where Government has a role to play – in addition to prioritising investment in competitiveness and productivity-enhancing reforms, taking immediate action to address infrastructural deficits, and preparing the workforce of the future by fostering a stronger culture of continuous learning.

This year, the Council has brought forward the publication of the Challenge report, with a view to providing an important input into the Action Plan on Competitiveness and Productivity, which is due to be published over the coming weeks. The high-level details from the Challenge report were presented on 7th July to the Competitiveness Summit of Ministers.

Ireland has continued to score highly on rankings of international competitiveness in recent years, with our strong placing driven by robust economic growth, our highly skilled workforce, and our success in attracting inward investment in high value-added economic sectors. However, as a small, open, export-platform economy, we are deeply exposed to potential changes in the international economic environment and the impact of growing uncertainty on investment decisions. The recently published IMD World Competitiveness Rankings show Ireland at 7th, a fall of five places in just two years. The former, however, has not happened in a vacuum. At the same time, the rate of insolvencies has begun to increase whilst international FDI flows have begun to slow (and Ireland cannot but be expected to be impacted).

Businesses in Ireland continue to face long-standing challenges which need to be addressed urgently. This is at a time when changes at EU-level in relation to State Aid pose new challenges to the level playing field from which Ireland has benefitted enormously (and as Ireland has not kept pace with these changes to the State Aid rules). The evolving EU landscape – combined with continuing infrastructural deficits, high business costs and longstanding public under-investment in R&D – pose clear risks to our competitiveness, and urgent action is needed to secure our position.

On the launch of the report Dr. Ruane said: "*Ireland has continued to perform relatively strongly in terms of its competitiveness throughout 2024 and into 2025. While Ireland's overall competitiveness ranking remains high, we are heading in a negative direction falling from an IMD ranking of 2nd in 2023,*

to 4th in 2024 and now to 7th in 2025. There remain significant longstanding challenges to securing Ireland's competitiveness into the medium to long-term.

The global context is highly uncertain, and it is therefore crucial that we focus on the longstanding domestic challenges under our control. Many of these – in areas such as business costs, infrastructure and planning – have been repeatedly highlighted by the Council in our previous reports over a number of years.

Government needs to do more to address these challenges and in this year's Competitiveness Challenge report, we identify further actions that must be progressed, if Ireland is to achieve sustainable growth. Maintaining competitiveness requires persistent action over numbers of years, with the impacts of this action becoming evident in the medium to long-term.

Dr. Ruane added: *"To this end, the Council has identified a number of key strategic areas where actions are required, and the Council calls for the Government to commit to achieving a competitive and productive economy that delivers sustainable economic growth and benefits all of society in the years ahead. The Council is pleased that the work on the Government's Action Plan on Competitiveness and Productivity is continuing at pace and looks forward to its imminent publication. The Council will be following up on the actions as they are undertaken."*

The **Ireland's Competitiveness Challenge 2025** report makes 19 targeted and actionable recommendations to Government across five broad medium and long-term strategic challenges, that are aimed at enhancing Ireland's competitiveness and productivity performance. These strategic challenges are:

- Exercise restraint in fiscal policy by adhering to the spending rule and prioritising investment in competitiveness and productivity-enhancing reforms
- Continue to utilise the European Union strategies which emphasise competitiveness, resilience and strategic autonomy
- Address issues relating to the cost of doing business, which remains a longstanding challenge to Ireland's business environment
- Take immediate action towards addressing infrastructural deficits
- Prepare the workforce of the future by fostering a stronger culture of continuous learning
- Invest in digitalisation and advanced technologies to improve productivity, particularly within domestic enterprises.

Dr. Frances Ruane added: *"The Council looks forward to receiving the Government's formal response to the Competitiveness Challenge recommendations in the coming months. Recent analysis of the follow-up to these formal responses, published by the Council earlier this year, show that this process contributes significantly to the transparency of policymaking in this area. "*

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Ireland's Competitiveness Challenge 2025

Ireland's Competitiveness Challenge 2025 is based on analysis for the Council which draws on the best available domestic and international research, and the most recent data available at the time of publication. The report makes 19 targeted and actionable recommendations to Government on the best ways to improve the competitiveness and productivity of the economy. Along with immediate issues facing the Irish economy, each of the five medium- to long-term challenge areas are explored in detail in a distinct chapter of the report. The following section provides a high-level overview of the main findings in each chapter.

Chapter 1 – Immediate Issues facing the Irish Economy

While the Council's primary focus is on structural issues, it is equally important to consider the immediate economic landscape in which these goals are pursued. The current global economic environment is marred by uncertainty, with Ireland being particularly vulnerable to external sectoral shocks, volatility in financial markets, and geopolitical disruptions. As these short-term developments can have lasting effects, the Council recommends that the government exercise restraint in fiscal policy by adhering to the spending rule and prioritising investment in competitiveness and productivity-enhancing reforms (**Recommendation 1.1**).

Chapter 2 – Ireland in a Changing Global Economy

Recent trends towards deglobalisation and defensive trade patterns pose significant challenges to Ireland's competitiveness and emphasise the importance of strategic positioning within the evolving European Union economic agenda which emphasises competitiveness, resilience, and strategic autonomy.

- To achieve this end, the Council recommends that Ireland ensures that indigenous Irish enterprises are well placed to avail of increases in EU innovation and competitiveness funding and that encourages greater engagement with the Important Projects of Common and European Interest (IPCEI) framework (**Recommendation 2.1**).
- Although Ireland has leaned towards "horizontal supports" which are not sector focused, the Council also recommends that potential growth opportunities arising from EU industrial strategy be examined (**Recommendation 2.2**).
- The innovation gap between the EU and other regional blocs has been flagged as a concern in the Draghi report. As investment also plays a key role in promoting innovation, Ireland should continue to advocate for the implementation of the Savings and Investment Union initiative. (**Recommendation 2.3**).
- Recent turmoil in international markets has emphasised the need to diversify the income streams of Irish exporters. To this end, the Council recommends that the government should actively support Irish enterprise in diversifying export markets and supply chains (**Recommendation 2.4**). Similar concerns relating to deglobalisation and economic security have highlighted the need for a European payment platform, which the Council also advocates (**Recommendation 2.5**).

Chapter 3 – The Cost of Doing Business in Ireland

Ireland's cost base continues to present challenges for enterprise, particularly in the context of rising labour costs, regulatory burden, elevated energy prices, recent changes in non-domestic water usage, and persistent inefficiencies in the legal and insurance systems.

- As personal injury claims have emerged as a significant cost for SMEs in particular, the Council recommends that reappraisal of the methodology used to benchmark personal injury awards (**Recommendation 3.1**).
- The implementation of enhanced reporting requirements by the Revenue Commission has increased compliance costs by requiring firms to provide detailed reports on non-tax-deductible benefits paid to employees. For this reason, the Council recommends that the proportionality of these reporting requirements should be reviewed and that amendments should be considered to mitigate the reporting requirements of particularly small SME's (**Recommendation 3.2**).
- The report also considers measures that could be implemented at an EU level to ameliorate the costs of doing business in Ireland. Electricity prices in Ireland are shaped by the Single Electricity Market (SEM). All European producers must pool resources into this market and all suppliers must draw from it, with private contracts outside the market being forbidden. Given the impact that this mechanism can have on energy costs, Ireland should examine actions that can be taken to ensure that the pricing mechanism for the Single Electricity Market (SEM) does not lock-in unnecessarily high prices for European consumers (**Recommendation 3.3**).

Chapter 4 – Infrastructural Deficits and Ireland's Competitiveness Offering

The delivery of key infrastructure, including housing, energy, water and transport continues to place constraints on economic growth and the delivery of public services. Robust population growth has also placed additional pressure on Ireland's existing infrastructure.

- To effectively deliver on infrastructure, the government should provide clear guidance on the prioritisation of projects. Population projections should also be regularly updated and used to inform housing and regional employment targets (**Recommendation 4.1**).
- The granting of licenses from the Environmental Protection Agency has also contributed to uncertainty in infrastructure investment in a wide range of areas. The need to construct supporting water and energy infrastructure can also hold up infrastructure projects. To remedy this, the Council advocates introduction of mandatory timelines in relation to licensing and steps to facilitate parallel decision making between bodies (**Recommendation 4.2**).
- A key obstacle to infrastructure delivery is a lack of capacity in the Irish construction sector. To compensate for labour shortages in the sector, investment in the uptake of Modern Methods of Construction (MMC) has been proposed to boost productivity. As such, the Council advocates an independent review of productivity levels in the Irish construction sector and a reporting framework on the profile of Local Authority housing delivered through MMC (**Recommendation 4.3**).

- As Ireland's energy infrastructure also needs to develop in order to meet the needs of existing consumers and households in addition to the expanding energy demands of the digital economy (particularly AI infrastructure), the government should prioritise the publication of a Private Wires policy framework, as well as the final CRU decision in relation to large energy users (**Recommendation 4.4**).

Chapter 5 – Preparing the Workforce of the Future

In an increasingly technology-driven economy, education and skills developments are particularly crucial drivers of competitiveness and productivity. By fostering a stronger culture of continuous learning, Ireland can maintain a competitive advantage, further enhance productivity and economic growth, as well as build a thriving workforce of the future.

- To support participation in the labour force, and in particular women's participation, it is suggested that an Action Plan to improve childcare is implemented without a delay (**Recommendation 5.1**).
- To further embed a culture of continuous learning, it is recommended that the National Training Fund (NTF) should be strategically targeted among underrepresented groups (such as older male workers) and among workers in sectors of rapid change to increase lifelong learning participation. It is also suggested that consideration should be given to setting an upper limit on the surplus of the NTF and a new Action Plan on Lifelong Learning should be developed (**Recommendation 5.2**).
- It is also important to consider any administrative challenges that may arise for workers and employers due to the interdependence between visa and work permits system. A more coordinated, transparent process is urgently needed to mitigate risks to both employers and prospective employees. Government's decision to improve employment permits and visa systems are welcomed, and it is recommended to implement a single application system as soon as is practicable (**Recommendation 5.3**).

Chapter 6 - Productivity, Technology and Innovation

Advanced technologies offer a key opportunity to deliver productivity improvements across the public sector and within Ireland's domestic enterprise base. Ireland's productivity landscape continues to be characterised by a persistent gap between SME's and large multinationals. Addressing this divide will require investment in digitalisation and advanced technologies to improve productivity within domestic enterprises.

- To support these objectives, the publication of national productivity statistics disaggregated by domestic and foreign-owned enterprises would provide clearer insights into the performance of domestic enterprises and facilitate more effective international benchmarking (**Recommendation 6.1**).
- Significant opportunities also exist to enhance public service efficiency through the prioritised adoption of AI technologies, supported by a clear national strategy and implementation plan, helping to unlock capacity and drive productivity gains (**Recommendation 6.2**).
- The disparity in RD&I investment among SMEs remains an ongoing challenge, underscoring the need for targeted incentives to drive new-to-firm innovation and support the adoption of advanced technologies, strengthening the productive capacity of domestic enterprises (**Recommendation 6.3**). A cohesive, system-wide approach to RD&I will also be necessary to align national strategies and ensure effective execution of national priorities.

The full report and the list of recommendations are available [here](#).

The National Competitiveness and Productivity Council

The National Competitiveness and Productivity Council (NCPC) reports to the Taoiseach and the Government, through the Minister for Enterprise, Trade and Employment, on key competitiveness and productivity challenges facing the Irish economy and offers recommendations on policy actions required to address these challenges. Following the European Council recommendation in September 2016 and subsequent Government decision, the NCPC was designated as Ireland's National Productivity Board, tasked with analysing developments and policies in the areas of productivity and competitiveness.

Since 1997, in accordance with the NCPC's Terms of Reference, the Council has published its flagship policy report *Ireland's Competitiveness Challenge*.

The work of the National Competitiveness and Productivity Council is underpinned by research and analysis undertaken by the Enterprise Strategy, Competitiveness and Evaluation Division of the Department of Enterprise, Trade and Employment.

The members of the Council are:

Dr. Frances Ruane	Chair, National Competitiveness and Productivity Council
Dr. Laura Bambrick	Head of Social Policy & Employment Affairs, ICTU
Edel Clancy	Group Director of Corporate Affairs, Musgrave Group
Kevin Sherry	Interim Chief Executive, Enterprise Ireland
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Luiz de Mello	Director of Policy Studies, Economics Department, OECD
Maeve Dineen	Chair of Ireland's Financial Services and Pensions Ombudsman
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Michael Lohan	Chief Executive, IDA Ireland
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Representatives from the Departments of An Taoiseach; Agriculture, Food and the Marine; Environment, Climate and Communications; Further and Higher Education, Research, Innovation and Science; Social Protection; Finance; Housing, Local Government and Heritage; Justice; Public Expenditure and Reform; Tourism, Culture, Arts, Gaeltacht, Sport and Media, Children, Equality, Disability, Integration and Youth, and Transport attend Council meetings in an advisory capacity.