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PRESS RELEASE

‘Tackling Long Standing Competitiveness Weaknesses is Vital to Covid-19 Recovery’ – NCC Chair

The Chair of the National Competitiveness Council (NCC), Dr Frances Ruane, today (27 May) published *Ireland’s Competitiveness Scorecard 2020* – one of the Council’s key annual publications.

The report provides the Council’s overall assessment of the competitiveness of the Irish economy, flags a number of areas that are negatively impacting Ireland’s competitiveness and identifies areas of concern.

Dr Ruane said: “Over many years the National Competitiveness Council has pointed to weaknesses in the business environment, but the pace of dealing with these weaknesses has been slow, as is evident in our relatively poor performance in certain areas in the *Scorecard*. Now is an opportune time to change this as we grapple to become more sustainable in economic and social terms”.

The Council has identified five broad challenges that can support economic recovery if addressed. These five challenges are:

- Supporting Ireland’s workers and seizing opportunities for upskilling;
- Ensuring the economic recovery is a sustainable green recovery;
- Investing strategically in Ireland’s future;
- Addressing long standing issues;
- Supporting an open international economy.

The NCC will use the *Competitiveness Scorecard*, together with other research and taking into account policy and other developments as this year continues, to prepare its flagship annual publication, *Ireland’s Competitiveness Challenge* (due to be released in September). This comprehensive report will make recommendations to Government on the best ways to improve the competitiveness and sustainability of the economy as the recovery process linked to COVID-19 gets underway.

Dr. Ruane added, “The data in the *Scorecard* show our relative strengths and weaknesses just as the pandemic took hold and point to areas where these weaknesses may impair the speed of a sustainable economic recovery. Dealing with these competitiveness weaknesses will be paramount to achieving a sustainable and balanced recovery in a period of heightened global uncertainty”.

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Notes to Editors

National Competitiveness Council

The National Competitiveness Council (NCC) reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position.

In accordance with the European Council recommendation of September 2016 on the establishment of National Productivity Boards by euro area countries, in March 2018, the Government mandated the National Competitiveness Council as the body responsible for analysing developments and policies in the field of productivity and competitiveness in Ireland.

The main findings of the report are:

- This year's Scorecard assesses Ireland's competitiveness performance immediately prior to the Covid-19 pandemic. The evidence suggests that at the start of 2020, the Irish economy was performing well and within the top 20% of the countries in the major international competitiveness rankings – Ireland was placed 7th in the IMD 2019 Competitiveness Rankings, 24th in the 2019 WEF Global Competitiveness Rankings, and 24th in the 2020 World Bank Ease of Doing Business Rankings.
- Ireland continues to fall far behind in its environmental commitments, and significant efforts are needed to ensure that future growth does not come at the expense of environmental degradation. Ireland's greenhouse gas emissions per capita are the highest in the EU and have increased since 2013, at a time when most other countries secured a decline. Renewable energy accounts for 9.9% of inland energy consumption in Ireland, which compares unfavourably with the EU average (14.6%), and Ireland's own target (20%).
- The rapid shift to remote working by a significant proportion of the labour force has highlighted the need for quality, high speed broadband across the country. In 2019, 22% of enterprises in Ireland with fixed internet access had access to high speed internet, and 90% had speeds of at least 2 megabytes per second, significantly below the top EU performers. Ireland also had one of the lowest proportions of fibre broadband connections in the OECD in 2019.
- Large sectoral variation exists in relation to productivity, with strong performance in Ireland's ICT and manufacturing sectors, while productivity stagnates or declines in other sectors. CSO data show a clear divergence between the productivity of sectors dominated by multinationals, where productivity growth of 6.1% was recorded in 2017, compared to just 0.6% in the rest of the economy. SMEs should be supported in order to improve their

productivity and greater access to disaggregated data on productivity by size class and at enterprise level would be useful for informing the Council, and policymakers more generally, on how to address low productivity in the domestic economy.

- As a small open economy, Ireland is very exposed to global economic conditions. Ireland's trade-to-GDP ratio (230%) significantly exceeds the EU average (82%); this could leave Ireland disproportionately affected by COVID-19 related disruptions worldwide.
- Ireland enters this unprecedented economic period as a highly indebted country, in both the public and private sector, and Ireland's fiscal deficit and debt position are likely to deteriorate significantly following the surge in spending and collapse in tax revenues due to the COVID-19 pandemic. Government debt as a percentage of GNI* was 99.2% in 2019. At €41,600, Ireland's government debt per capita was the highest in the EU, notably higher than the euro area average (€29,300).
- Ireland remains a high cost economy, with Irish prices approximately 14% higher than the EU average. However, inflation in Ireland has increased more slowly than elsewhere in recent times (in 2019 running at 0.9% compared to the EU average of 1.5%).

'Ireland's Competitiveness Scorecard 2020' is available at <http://www.competitiveness.ie/>