NCC Competitiveness Pyramid
Main Messages from Ireland’s Competitiveness Scorecard 2011

Positives

- Economic growth for 2011 & 2012 (likely to continue to be driven by net exports)
- Cost competitiveness continues to improve - but more is required
- Enterprise environment holding its own

✓ Productivity improvements
✓ Ireland continues to attract and be attractive as a location for investment
✓ Trade share increases

- Significant investment in physical infrastructure in past decade
Ireland’s net exports continue to drive growth..

Source: CSO National Accounts
..even more so than other economies

Components of Economic Growth 2010, Ireland, UK and Germany

Source: National Accounts
Cost competitiveness now at 2003 levels

Harmonised Competitiveness Indicators, 2000-2011 (Jan 2005= 100)

Source: Central Bank, Forfás calculations
But costs remain high relative to purchasing power

Price levels and GDP per capita 2009

Source: Eurostat
Labour costs continue to fall in 2011, but cost gap with competitors remain -3.0% -2.0% -1.0% 0.0% 1.0% 2.0% 3.0% 4.0% 5.0% 6.0% 7.0% 2001 2002 2003 2004 2005 2006 2007 2008 2009Q1 2009Q2 2009Q3 2009Q4 2010Q1 2010Q2 2010Q3 2010Q4 2011Q1 Percentage change compared to corresponding period of the previous year

Labour cost index, annual and quarterly indicators

Source: Eurostat

Labour costs and net wage 2010

Source: OECD, Taxing Wages
Unit labour costs continue to decline, securing a competitive gain for Ireland.
Declines in ULCs has been driven by compositional effects

Source: OECD, Unit Labour Costs, Annual Indicators
Productivity growth rebounds after a decline in 2008-2009 (GNP terms)

Annual Average Growth in Output per Hour Worked, 2005-2010

Source: The Conference Board, Total Economy Database
Ireland has one of the highest stock of FDI relative to income in the OECD (but scores are declining)

FDI inward stock as a % of GDP, 2009

Source: UNCTAD World Investment Report 2010
Ireland’s share of world trade continues to grow

Ireland’s Share of World Trade

Ireland’s Share of Total World Trade

Ireland’s Share of Merchandise

Ireland’s share of Services

Source: WTO Online
Ireland has invested significantly in infrastructure over the past decade.

Source: CSO, Estimates of the Capital Stock of Fixed Assets
However the perception of Ireland’s infrastructure quality remains poor.
Main Messages from Ireland’s Competitiveness Scorecard 2011

Negatives

- Public debt remains a serious risk
- Unemployment remains a huge economic and social problem
- Access to credit remains an issue
- Consumption remains subdued as deleveraging process of private debt underway
- Investment significantly down (but public investment above EA 16 average).
- Productive investment down also, but not as much
- Number of concerning trends have emerged in the area of Ireland’s human capital (PISA results)
Growth in Public Debt remains serious risk

General Government Consolidated Debt as % of GDP, 2000-2011F

Source: European Commission DG EcoFin, European Economic Forecast Spring 2011
The stock of credit to enterprise has been negative since March 2009

Source: ECB
Components of economic growth

Source: CSO National Accounts
Significant fall in investment in Ireland since 2005

Gross Fixed Capital Formation as a % of GDP

Source: Ameco Database
Productive investment does not fall as much as overall private investment

![Graph showing productive investment as a % of GDP for EU 27, euro area 12, Ireland GDP, UK, US, and Ireland GNP from 1995 to 2010. The graph indicates that Ireland's productive investment as a % of GDP remained relatively stable compared to other regions.]

Source: Ameco Database
Significant decline in PISA performance compared with 2006 results

Source: OECD PISA 2009 database
Policy Challenges

- Rebuilding Ireland’s reputation and brand
- Improving living standards through innovating and increasing productivity
- Ensuring viable enterprises have the credit they require to grow and expand
- Maintaining a taxation regime that incentivises enterprise and employment
- Addressing areas of underperformance in educational and maximising attainment
- Continued focus on infrastructure