Driving Innovation, Increasing Productivity and Improving Costs Will Have Positive Economic Impact

Forfás publishes Enterprise Statistics at a Glance 2010

(Wednesday 17 November 2010) “It may be difficult for some to believe that Ireland has the potential to deliver sustainable economic growth and jobs when we are in the midst of such economic turmoil, but this potential for growth does exist. Ireland has a strong enterprise economy - exports of goods and services have proven resilient through the recession - and will provide the bedrock for future economic growth and recovery. The most recent data from the CSO indicates strong growth in industrial production and new orders for the first nine months of 2010, with similar strong rates of growth in exports of goods and services for the period. Ireland’s improving trading performance is expected to result in the current account moving into surplus in 2011. It is from this base that we now need to grow investment and exports to drive sustainable enterprise growth and economic recovery. This can be achieved through driving innovation, increasing productivity and improving cost competitiveness so as to grow our exports. Export-led growth alone is not the answer, but in its absence, it would be impossible to see how we could extricate ourselves from our current economic challenges” commented Martin Shanahan, Chief Executive, Forfás, speaking today on the publication of its new report Enterprise Statistics at a Glance 2010.

“The data in today’s report paints a picture of an open economy with strong exports and significant potential for growth but this can only be realised if the rights steps are taken. Another recent Forfás policy report, Making It Happen - Growing Enterprise for Ireland, focuses on ensuring that the right environment is in place to enable enterprise to start-up, locate and thrive in Ireland. In order to do that, we need to improve cost competitiveness, stimulate innovation, enhance productivity and strengthen Ireland’s sectoral mix. This requires coordinated action in areas of critical importance to enterprise such as education and skills; R&D and innovation; management development; public procurement; access to finance; international marketing; infrastructure priorities including Next Generation Access; the regulatory environment and competition policies.” Martin Shanahan concluded.

The report Enterprise Statistics at a Glance 2010 is a summary of statistics on the performance of the Irish enterprise sector, including the broad economic context; economy expenditure and output; Ireland’s international trade in goods and services; and inward and outward foreign direct investment flows. The statistics highlight some of the key trends in the activities of the enterprise base in Ireland and how it has developed and restructured over recent years.

Among the key messages emerging from the data include:

- the increasing contribution of net exports to economic growth continued in 2009. The contributions from personal consumption and investment to economic growth in Ireland have, as expected, decreased since 2008.
In terms of exports, Ireland is forecast to experience strong increases in exports in 2010 and 2011, based on a recovery in global trade and Ireland’s improving competitiveness. Economic growth rates and imports of our key trading partners are forecast to continue to increase in 2011, creating export opportunities for Irish based firms.

The total direct expenditure in the Irish economy by firms supported by the enterprise agencies amounted to €38bn in 2009, with equal contributions from foreign and Irish owned companies.

The growth in business sector R&D investment in 2008 to €1.69bn was driven by Irish owned companies.

Exports of goods and services from Ireland increased at an average annual rate of 3.8 per cent between 2004 and 2009, with services contributing most to growth. Ireland’s merchandise export volume continues to grow, but lags the world export volume growth. Chemicals contributed 31 per cent to total goods and services exports in 2009, an increase in share of almost 3 per cent from 2008. The share of machinery and transport equipment to total goods exports has decreased rapidly since 2002.

Computer services stands out as one of the main service export growth sectors, contributing over 30 per cent to total services exports and experiencing one of the highest annual growth rates between 2003 and 2009.

In terms of Ireland’s export markets, the UK continues to be the main export destination for services, but the US is the main destination for goods exports.

The annual growth rate in goods exports to China is 30 per cent and, if this continues, it will result in China becoming one of Ireland’s main trading partners for goods exports in the near future.

Business services and royalties/licences are the main goods and services import sectors in Ireland. There were decreases in imports across many goods categories in value terms in 2009 - the decrease in machinery and transport equipment was highest. In contrast to exports, the UK is Ireland’s main source of goods imports and the US is the main origin of services imports.

The change in the level of Irish outward direct investment (ODI) stock has greatly outperformed both the change in world ODI stock and EU ODI stock since 2000. Services contribute almost 85 per cent to total Irish ODI stock abroad. In contrast to ODI, the growth in the level of FDI stock in Ireland has lagged that of world and EU FDI growth.

*Enterprise Statistics at a Glance 2010*, published today, and *Making It Happen - Growing Enterprise for Ireland* are available on the Forfás website [www.forfas.ie](http://www.forfas.ie)

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