

## National Competitiveness Council publishes new report '*Benchmarking Competitiveness: Ireland and the UK, 2017*'

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*The unprecedented challenges posed by Brexit provide urgent impetus to pursue policies that enhance our competitiveness performance.*

12 April 2017

The National Competitiveness Council (NCC) has today published a report *Benchmarking Competitiveness: Ireland and the United Kingdom, 2017*, which considers Ireland's international competitiveness relative to the UK. As an exceptionally open economy, heavily dependent on international trade and investment, Ireland's economic outlook is highly dependent on constantly enhancing our competitiveness performance. The purpose of the report is to provide a statistical snapshot of Ireland's current competitiveness performance across areas which are crucial to improving our international competitiveness position.

While the UK is a key trading partner it is also a crucial competitor in terms of inward investment and export market share. The World Bank's Ease of Doing Business report ranks Ireland 18th and the UK 7th out of 190 economies. The WEF Global Competitiveness Report ranks Ireland 23rd and the UK 7th most competitive out of 138 countries. The IMD measure of competitiveness ranks Ireland 7th and the UK 18th out of 61 countries. Brexit is likely to affect UK competitiveness through increases in the cost of trade, declining growth and investment, loss of market size and reduced ability to attract and retain talent. However, Ireland's strong macroeconomic performance generally improves our competitiveness rankings and may be overstating our underlying position and in particular the foundations of future competitiveness with clear deficits evident in infrastructure and investment in skills and innovation.

**In comparison to the UK, Ireland performs well in international competitiveness rankings with respect to:**

- ease of starting a business;
- productivity;
- the quality of institutions;
- the quality of higher education and training; and
- the efficiency of product markets.

**Relative to Ireland, the UK has higher rankings with respect to:**

- its larger market size;
- infrastructure quality;
- financial market development;
- labour market efficiency;
- technological development;
- innovation; and
- business sophistication.

Speaking at the launch of the report, Prof Peter Clinch, Chairman of the NCC noted that while the economy is in its strongest place since the onset of the recession, we are at a critical juncture. "*Brexit poses a serious and imminent threat to Ireland's economic security. We are on the verge of a structural shift in terms of our global trading relationships. This shift, arguably since independence, is paralleled only by our decision to open up to free*

*trade in the late 1950s and our decision to join the EEC in 1973. But this decision - made by others - constitutes a serious threat to our trading relationships. In the run-up to, and post Brexit, we should expect the UK to intensify its investment in infrastructure, enhance and develop its tax and non-tax offering for enterprise, develop its skills and innovation base and expand its reach into new and existing markets. Ireland cannot afford to stand still. We can also expect other countries to continue to enhance their competitiveness positions. The challenges posed by Brexit provides urgent impetus to pursue policies that enhance our national competitiveness performance”.*

Building on the Council’s previous research, the report highlights the need for policy to focus on Ireland’s macroeconomic environment as well as structural factors such as innovation capacity, the quality of infrastructure, costs of doing business and productivity across all economic sectors. The Council considers this would increase the competitiveness of our indigenous enterprises and enhance our attractiveness as a location for mobile investment in the run-up to, and post, Brexit.

The Council is particularly concerned at this time about the challenges confronting indigenous enterprises arising from Brexit. Specifically, the cost competitiveness implications caused by shifting exchange rates and uncertainty regarding trade pose real threats to continued growth. The challenges created by Brexit provide additional motivation to maintain cost competitiveness, embrace innovation and improve productivity. It brings into sharp focus infrastructure bottlenecks, including broadband deficits, and skills deficits which risk becoming more acute, while issues such innovation capacity and broadening the enterprise and export base are immediate challenges.

Emphasising the importance of taking immediate action to facilitate and sustain competitiveness in the medium term, Professor Clinch said *“Many of those factors that will influence our competitiveness and prosperity in five, ten and twenty years’ time rely on actions taken now. **Ireland must do more to be adequately prepared and put in place the conditions for future growth and prosperity.”***

The Council restates 5 key areas for Government action:

1. In regard to the public finances, it is important to ensure our fiscal position remains sustainable. While we must compete from a taxation perspective, we should avoid any narrowing of the tax base and we must ensure the tax system supports and rewards employment, enterprise, investment and innovation.
2. Ireland’s capital investment level is deficient relative to our competitors. Our medium-term competitiveness is being affected by restrictions on state spending on capital investment. This will have a negative impact on our competitiveness in the future and damage our potential to secure the benefits of Brexit.
3. A more diverse export base can reduce exposure to external demand shocks. Irish-based exporters, particularly in exposed sectors such as Traditional manufacturing and Agri-food, must continue to be supported to scale and diversify sustainably and strategically. There is a need to evolve into new products, markets and sectors, whilst maintaining competitive advantage in existing ones.
4. Skilled labour is the key to retaining and winning mobile investment and growing a cohort of internationally-trading indigenous companies. Failure to tackle the under-resourcing of higher education will place Ireland at a considerable disadvantage internationally in the future and will have a significant medium-term impact on competitiveness.
5. Innovation and productivity are critical to enterprise and export competitiveness. Irish enterprise must be at the forefront of technology and be able to invest in productivity-enhancing talent and capital. Facilitating start-ups (particularly those with the potential to scale and internationalise), and supporting high-potential growth companies with scaling opportunities, is vital. This must be supported by an administrative and regulatory framework that facilitates enterprise.

Prof Clinch concluded that *“The Council acknowledges that Government has been preparing for, and actively responding to, the UK’s decision to leave the EU. The triggering of Article 50 is a key step in the process, enabling the start of exit negotiations to begin in the coming weeks. We must now place an increased emphasis on enhancing the factors driving our competitiveness performance. If we do not urgently seize the opportunity to put in place more solid foundations for growth, we are undermining Ireland’s future competitiveness and putting at risk our future prosperity”*.

**ENDS**

## NOTES TO EDITORS

The full report is available [here](#).

### About the National Competitiveness Council

The National Competitiveness Council reports to the Taoiseach and the Government on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position.

Each year the NCC publishes three annual reports.

1. The Costs of Doing Business in Ireland report is a requirement under the Action Plan for Jobs benchmarks key business costs and highlights areas where Irish enterprise costs are out of line with key competitors.
2. Ireland's Competitiveness Scorecard provides a comprehensive statistical assessment of Ireland's competitiveness performance.
3. Ireland's Competitiveness Challenge uses this information along with the latest research to outline the main challenges to Ireland's competitiveness and the policy responses required to meet them. The Council's annual Submission to the Action Plan for Jobs is also included as part of this year's *Challenge* report.

The Council also regularly publishes Competitiveness Bulletins on specific competitiveness issues.

The members of the Council are:

- Professor Peter Clinch      Chair, National Competitiveness Council
- Pat Beirne                      Chief Executive Officer, Mergon Group
- Kevin Callinan                Deputy General Secretary, IMPACT Trade Union
- Micheál Collins                Assistant Professor of Social Policy, University College Dublin
- Isolde Goggin                  Chair, Competition and Consumer Protection Commission
- Cathriona Hallahan          CEO/Managing Director (Ireland), Microsoft
- Declan Hughes                Assistant Secretary, Department of Jobs, Enterprise and Innovation
- Jane Magnier                  Joint Managing Director, Abbey Tours
- Danny McCoy                 Chief Executive Officer, Ibec
- Seán O'Driscoll                President, Glen Dimplex Group
- Margot Slattery                Country President, Sodexo Ireland
- Martin Shanahan              Chief Executive, IDA Ireland
- Julie Sinnamon                Chief Executive, Enterprise Ireland
- Ian Talbot                      Chief Executive, Chambers Ireland
- Patrick Walsh                 Managing Director, Dogpatch Labs
- Jim Woulfe                     Chief Executive, Dairygold Co-Operative Society Limited

Representatives from the Departments of the Taoiseach, Agriculture, Food and the Marine, Communications, Energy and Natural Resources, Education and Skills, Environment, Community and Local Government, Finance, Justice and Equality, Public Expenditure and Reform, Transport, Tourism and Sport attend Council meetings in an advisory capacity. The work of the NCC is underpinned by research and analysis undertaken by the Strategic Policy Division of the Department of Jobs, Enterprise and Innovation.