National Competitiveness and Productivity Council
Budget 2027: Securing Ireland's Competitive Position

NCPC
National Competitiveness & Productivity Council
An Chomhairle Náisiúnta Iomaíochais agus Táirgiúlachta

- **This Bulletin sets out the NCPC's priorities for Budget 2027, drawing on the findings of Ireland's Competitiveness Challenge 2026 and discussions at the third annual Competitiveness Summit.**
- **Budget 2027 should prioritise fiscal discipline while directing available resources towards productivity-enhancing investments, particularly in energy, water and transport infrastructure, to support long-term competitiveness and economic resilience.**
- **Decisions made in respect of Budget 2027 should address the key structural barriers to competitiveness, by accelerating infrastructure delivery, reducing business costs, improving SME access to finance, advancing public sector digitalisation and AI adoption, and strengthening skills development.**

BACKGROUND

Competitiveness remains a key policy concern. The environment in which economies operate and compete has changed significantly in recent years, with geopolitical fragmentation, heightened trade tensions, technological disruption, energy security and a more interventionist approach to industrial policy, effectively reshaping the global economy. The adverse impact of these trends on Ireland's competitiveness is exacerbated by persistent domestic legacy pressures, including deficits in basic infrastructure and the high cost of doing business. These pressures have brought the issue of economic (and fiscal) resilience to the forefront of policy discussions.

As outlined by the Council in Ireland's Competitiveness Challenge 2026 (ICC 2026), competitiveness and economic resilience must be seen as mutually reinforcing concepts.

In recognition of these issues, Government has taken recent action to improve the competitiveness of the Irish economy, to boost resilience and to help insulate the economy from external shocks. Last year, the Action Plan on Competitiveness and Productivity was published (10 September). It comprises 85 actions designed to foster a robust SME base, and to close the productivity and RD&I gaps that exist between SMEs and MNCs. The Council looks forward to a progress report on the implementation of the Action Plan, which is expected to be published in Q4 2026. In addition, in August this year, the report of the Cost of Business Advisory Forum was published and contains detailed recommendations relating to the regulatory burden facing firms, and operating costs more broadly. A formal response by Government to the recommendations set out in the report is expected before the end of the year.

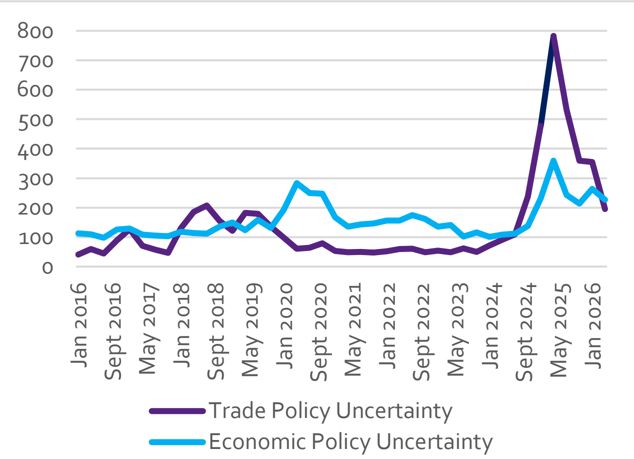
This Bulletin is informed by ICC 2026 which was published by the Council in July of this year, as well as by discussions at the third annual Competitiveness Summit. More specifically, this Bulletin sets out those issues that the Council considers to be of particular relevance to the forthcoming Budget 2027.

BUDGET CONTEXT

Budget 2027 is being prepared during a time of substantial global uncertainty.

Geopolitical tensions remain elevated, while heightened uncertainty around global trade policy, driven in part by recent US policy developments, is contributing to a more fragmented and unpredictable international economic landscape. As a small, highly open economy with significant exposure to international trade and investment, Ireland remains particularly sensitive to these external developments. This uncertain backdrop reinforces the importance of maintaining economic and fiscal resilience while supporting the economy's longer-term competitiveness objectives.

Figure 1. Policy Uncertainty Indices, 2016-2026



Source: OECD Interim Economic Outlook, March 2026

The Summer Economic Statement (SES) for 2026 signals that there will be an overall package of €1.5 billion in tax reductions and €7 billion in spending increases. This will constitute an increase of 5.9% on the revised 2026 Government Expenditure Ceiling.

EXERCISING FISCAL RESTRAINT TO SAFEGUARD OUR RESILIENCE

Despite repeated warnings from the Irish Fiscal Advisory Council, Government spending has grown faster than the sustainable rate of growth of the economy in recent years, with repeated spending overruns and previous breaches of expenditure limits. The Council has warned that continued rapid expenditure growth risks exacerbating inflationary pressures and adding to costs for firms and households, particularly while inflation remains elevated and the economy is operating close to capacity.

Ireland's Competitiveness Challenge (ICC) for 2026 reiterates a core recommendation from last year's report, that the Government exercises fiscal restraint while allocating funds for productivity-enhancing investment, for example, in the areas of energy, water and transport (Recommendation 1.1).

This challenge is particularly acute in the current environment, given political and public pressures for short-term interventions to support firms and households facing renewed increases in energy costs following the outbreak of war in Iran – in April of this year, the Government signed off on fuel support payments totalling approximately €500 million. Such pressures risk adding to expenditure at a time when maintaining fiscal discipline and protecting space for productivity-enhancing investment remain especially important.

DELIVERING ENERGY INFRASTRUCTURE

Ireland's energy import dependency stood at approximately 80% in 2024 (fourth highest in the EU), representing significant exposure to global energy market volatility and supply disruptions. While temporary fiscal measures can cushion firms and households from sudden energy price shocks, they do not address the underlying drivers of Ireland's comparatively high energy costs.

Given the structure of energy prices in Ireland, there is limited scope to deliver sustained reductions through tax measures alone. International comparisons show that Irish energy costs remain substantially above the EU average (Figure 2a), with underlying supply costs accounting for a significant share of the cost (Figure 2b). Taxes make a more substantial contribution to the retail price of diesel and unleaded petrol (Figures 2c and 2d), but reducing these would not resolve the wider structural pressures affecting energy costs.

Figure 2a. Business consumers electricity prices, selected EU countries for H1-2025, (€ per kWh)

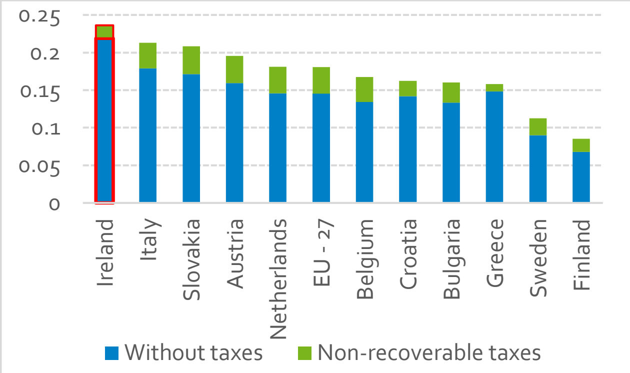


Figure 2b. Components of Irish electricity prices for business consumers (contribution %), H2 2025

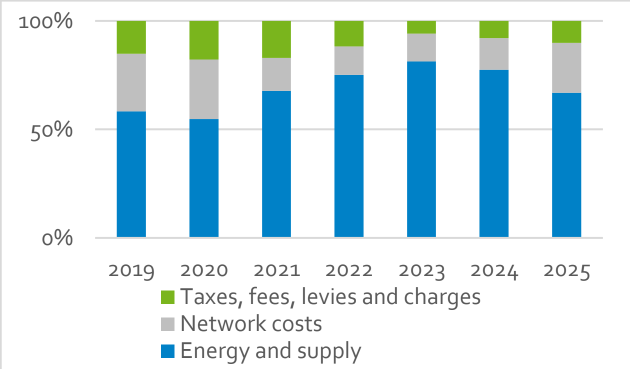


Figure 2c. Components of Diesel per 1000 litre, 2019-2025

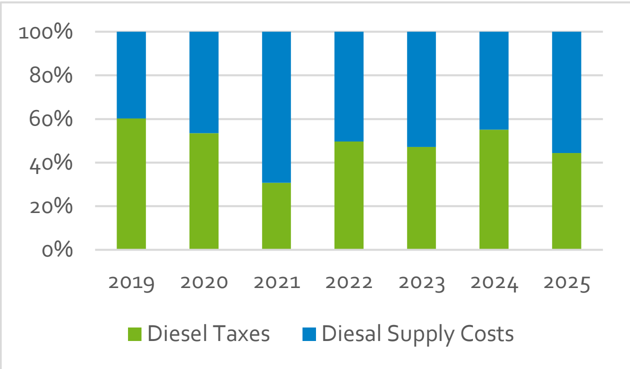
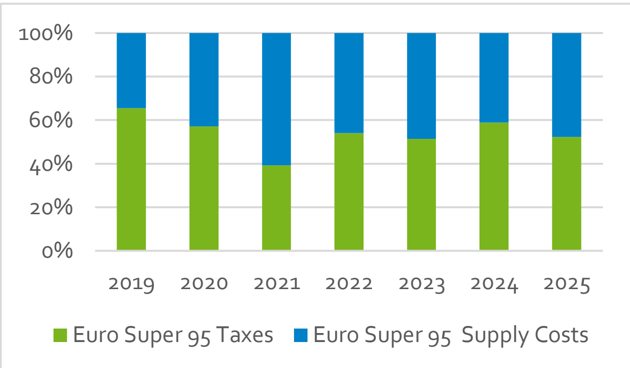


Figure 2d. Components of Euro Super 95 (unleaded automotive petrol) per 1000 litre, 2019-2025



Source: Eurostat

The challenge is to shift from short-term cost mitigation towards structural measures that enhance the affordability, resilience and security of Ireland's energy system, through improved energy infrastructure provision.

Increasing the share of domestically produced renewable energy could reduce Ireland's dependence on imported fuels, strengthening long-term energy security and helping to reduce exposure to volatility in international energy markets. To ensure a secure and reliable electricity supply, however, continued investment in grid infrastructure, energy storage, interconnection and flexible generation capacity will also be required (Recommendation 2.1; Recommendation 2.2; Recommendation 2.3).

ADDRESSING THE COST OF DOING BUSINESS

The cost of doing business in Ireland continues to pose a significant competitiveness challenge, particularly for indigenous SMEs. The creation of the Cost of Business Advisory Forum represents a positive step, providing a structured mechanism to identify key cost pressures and inform policy actions to enhance competitiveness. Some of their specific areas of analysis include:

- Energy costs are recognised as the most significant cost challenge facing Irish businesses and require targeted measures to improve affordability and competitiveness;
- Regulatory complexity, planning delays and administrative burdens are increasing the cost of doing business, particularly for SMEs, warranting a stronger focus on simplification and regulatory reform; and,
- Geater competition and transparency in banking, insurance and utility markets are essential to reducing costs, supporting investment and enhancing Ireland's overall competitiveness.

The Government should engage meaningfully with the recommendations of the Cost of Business Advisory Forum and should consider timely and effective implementation of Forum recommendations (Recommendation 3.1).

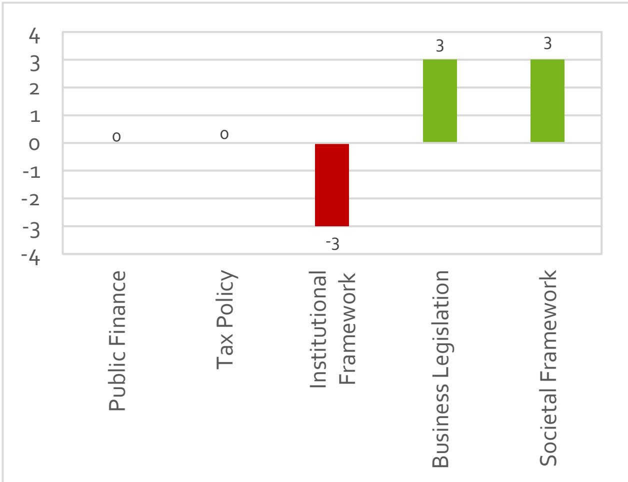
The cost and availability of finance also remain important competitiveness challenges for Irish SMEs. While access to credit has improved substantially since the Global Financial Crisis, Irish SMEs continue to face relatively high borrowing costs, a concentrated banking market, and greater financing difficulties among younger and smaller firms.

Given the importance of financing conditions for business growth, there is a need increase the availability of funding to promote SME growth and scaling (Recommendation 3.2).

FACILITATING PUBLIC SERVICE REFORM

Competitiveness depends not only on the conditions facing individual firms, but also on the effectiveness and efficiency of the public institutions that support economic activity. The IMD's World Competitiveness Rankings for 2026 provide some insight as to how public policy in Ireland supports competitiveness. Although Ireland is ranked 7th overall and 5th in relation to Government Efficiency, reflecting no change from the previous year, developments in this sub-pillar have been mixed. As demands on public services continue to grow, ongoing reform will be essential to improve productivity, strengthen organisational capability and make greater use of digital technologies.

Figure 3a: IMD World Competitiveness Ranking Government Efficiency Theme, Ireland, 2026 v 2025



Source: IMD, authors calculations

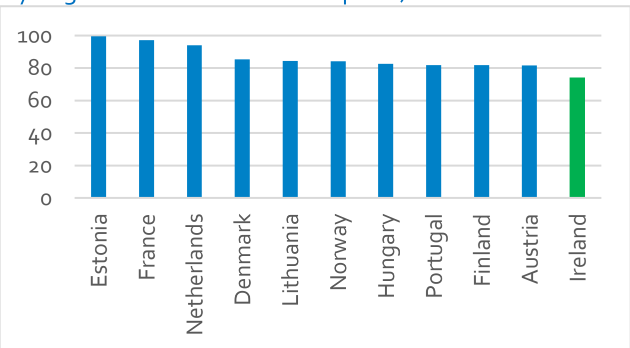
The forthcoming public service agreement provides an opportunity to embed a renewed focus on reform, innovation and continuous improvement across the public service, while supporting the delivery of better outcomes for citizens and businesses (Recommendation 3.4 and Recommendation 4.1).

Ireland performs strongly in the Oxford Insights Government AI Readiness Index 2025, ranking 17th out of 195 countries worldwide. Its strongest performance is in AI governance and policy capacity, reflecting a robust institutional framework and a supportive policy environment for the development and deployment of AI. Ireland also performs well in the area of public sector adoption, demonstrating progress in the integration of AI across government services. However, the results indicate scope for further improvement in AI infrastructure, the diffusion of AI across businesses and society, and broader resilience factors that support the effective adoption of emerging technologies and the realisation of their productivity benefits.

Taken together, Figures 3b and 3c highlight both Ireland's strengths and the opportunities to further enhance its digital public sector capabilities. While Ireland performs relatively well on measures of AI readiness and open government data, it continues to lag behind some comparable European economies, including Estonia, France and the Netherlands. The OECD OURdata Index shows that Ireland is performing above the OECD average but remains some distance from the highest-performing countries in terms of making public sector data open, accessible and reusable. Given the importance of high-quality, interoperable data for the effective deployment of AI, further progress in data governance, data sharing and digital infrastructure could strengthen Ireland's AI readiness and support more efficient, innovative and citizen-centred public services.

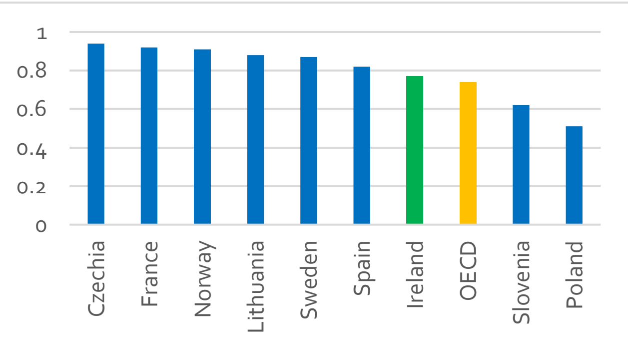
Continued investment in digital infrastructure, data governance and AI capabilities will be important to support more innovative, efficient and citizen-focused public services (Recommendation 4.2).

Figure 4b. Government AI Readiness Index 2025 (ranked by degree of Public Sector Adoption)



Source: OECD

Figure 4.c. OECD Open, Useful and Re-usable Data (OURdata) Data Driven Public Sector Index scores, 2025



Source: Oxford Insights

These issues are also highlighted in the Index of Public Administration produced by the Blavatnik School of Government at the University of Oxford. Overall, Ireland performs relatively well, ranking 24th out of 120 countries, reflecting the overall strength of its public administration system. In the Digital Services sub-domain, which assesses government support for digital public services through strategy, enabling technologies and user-centred design, Ireland ranks 83rd. Similarly, Ireland ranks 108th in the Technology and Workplace sub-domain, which examines the digital tools and technological environment available to public sector employees. Addressing these areas presents an opportunity to improve service delivery, enhance public sector efficiency, and build on the strong institutional foundations that have contributed to Ireland's overall strong performance in the index.

STRENGTHENING THE EVIDENCE BASE FOR SKILLS INVESTMENT

Realising the benefits of digital transformation and emerging technologies will also depend on ensuring that the workforce has the skills required to adapt to changing labour market demands. Given the significant resources available through the National Training Fund (NTF) and other skills initiatives, it is important to ensure that investment in workforce development is targeted effectively and delivers measurable improvements in employability, workforce capability and firm competitiveness.

Strengthening the evidence base on NTF programme effectiveness will help ensure that public resources are directed towards interventions that respond to evolving skills needs and deliver the greatest economic impact (Recommendation 5.3).

CONCLUSION

Ireland enters Budget 2027 from a position of economic strength, but in an increasingly uncertain global environment. Maintaining competitiveness will require balancing short-term support for firms and households with a continued focus on fiscal sustainability and long-term investment. The analysis in this Bulletin highlights persistent structural challenges, including high business costs, infrastructure deficits and SME financing constraints, while also pointing to opportunities through digital transformation, public sector reform and investment in skills. Addressing these challenges and opportunities in a coordinated way will be critical to enhancing productivity, strengthening resilience and supporting sustainable growth in the years ahead.

APPENDIX: RELEVANT RECOMMENDATIONS FROM IRELAND'S COMPETITIVENESS CHALLENGE 2026

Recommendation 1.1: The Council recommends that Government strengthen Ireland's economic resilience by exercising restraint in the net fiscal position (in both expenditure and tax policy), through adherence to a domestic fiscal rule, as recommended by the Irish Fiscal Advisory Council while targeting increased investment towards competitiveness and productivity enhancing reforms, such as energy, water and public transport.

Responsibility: Department of Finance; Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation

Recommendation 2.1: The Council recommends accelerating the delivery of Ireland's electricity infrastructure by: (i) Accelerating investment in the renewal and expansion of the electricity grid and ensuring that EirGrid is appropriately resourced and incentivised to deliver this investment, while ensuring that the chosen funding model does not undermine firm competitiveness through unreasonable pass through costs. (ii) Undertaking rapid reform of planning and permitting processes to meet the timelines required under the EU Renewable Energy Directive III, and prepare for the forthcoming Grids Package, including the timely delivery of Phase 1 offshore wind projects and the North-South Interconnector.

Responsibility: Department of Climate, Energy and Environment

Recommendation 3.1: The Council recommends that Government engage with the concerns identified by the Cost of Business Advisory Forum and give consideration to rapidly progressing its recommendations, particularly those measures that would support competitiveness, productivity and the operating environment for firms.

Responsibility: Department of Enterprise, Tourism and Employment

Recommendation 3.2: The Council recommends that Government examine the ways in which it can facilitate increased banking sector competition, reductions in the cost of financing, and increases in the availability of funding to promote SME growth and scaling.

Responsibility: Department of Finance; Department of Enterprise, Tourism and Employment

Recommendation 3.4: Recognising the importance of a stable and harmonious industrial relations environment, Government and the Social Partners are encouraged to continue investing in the maintenance of constructive industrial relations. In this context, the Council welcomes the publication of the Action Plan on Collective Bargaining and recommends that priority actions be progressed, particularly those relating to research and analysis of the indigenous sector and of collective bargaining and its broader economic and societal impacts.

Responsibility: Department of Enterprise, Tourism and Employment

Recommendation 4.1: The Council recommends that Government consider how the new public service agreement can support and enable ongoing reform, increased digitalisation and productivity improvements across the public services.

Responsibility: Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation

Recommendation 4.2: The Council recommends that Government establish measurable service-level targets and regularly report on progress in relation to digitalisation, data sharing, process automation, service quality and user outcomes across major public services. Government should also identify priority areas for the deployment of emerging technologies, including artificial intelligence, where these technologies can improve productivity, enhance service delivery and streamline access to public services.

Responsibility: Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation

Recommendation 5.3: The Council recommends progressing the recommendations set out in the ESRI's Roadmap for an Evaluation of the National Training Fund to strengthen the evaluation of NTF-supported programmes. This should help to ensure that NTF expenditure remains aligned with the statutory purpose of the Fund, in supporting skills development and employability. This will also support a more robust assessment of programme effectiveness and provide a stronger evidence base to inform future funding and policy decisions relating to skills development and employability.

Responsibility: Department of Further and Higher Education, Research, Innovation and Science

Further Reading:

The NCPC reports to An Taoiseach and the Government, through the Minister for Enterprise, Tourism and Employment, on the key competitiveness and productivity issues facing the Irish economy and makes recommendations to Government on how best to address these issues. The latest NCPC publications can be found at: www.competitiveness.ie.

This Bulletin has been issued by the Chair, Prof Alan Barrett, and was prepared by Patrick Connolly and Yvonne Hayden in the NCPC Secretariat.