



Gabriel Makhlouf
Governor
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By email: strategy@centralbank.ie

11 May 2021

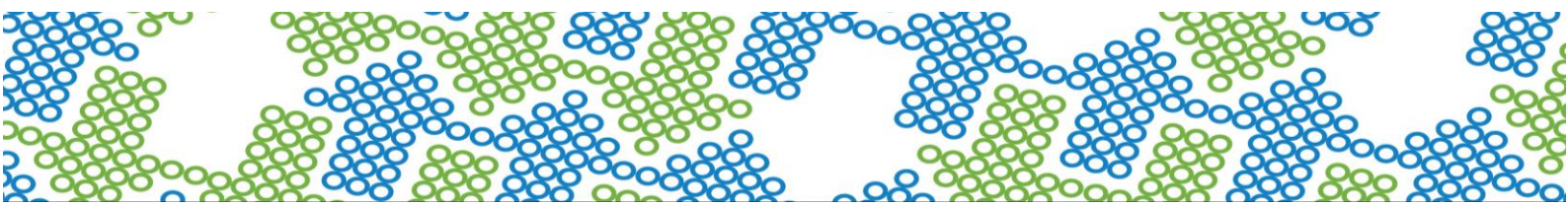
Dear Governor,

Re: Central Bank of Ireland Strategic Plan 2022- 2024

As you know, the National Competitiveness and Productivity Council is responsible for identifying potential productivity and competitiveness issues within the Irish economy and making recommendations on how to address these issues to enhance Ireland's competitiveness and productivity performance. In carrying out these functions, the Council has identified two main areas where there is a potential overlap between our two organisations. These two areas are: (i) the analysis of productivity developments in Ireland; and (ii) the business cost of the provision of certain financial services (such as credit and insurance).

Productivity Analysis

As Ireland's National Productivity Board, the Council has an important role in promoting policy-relevant productivity research in Ireland. Given the centrality of productivity to long-term economic growth, the Council believes that it is particularly relevant to the work of the Central Bank of Ireland ('Central Bank'), and there is potential for further cooperation on productivity research in the future which I have previously discussed with you and with Deputy Governor Sharon Donnery. Developing the productivity agenda has been delayed by COVID-19 constraints, but the NCPC Secretariat is now fully engaged with the Council in exploring the priorities for research on productivity in Ireland. We would welcome an emphasis in your forthcoming strategy on productivity research and an interest in cooperation in relation to exploring and contributing to the research agenda.



Business Cost of Financial Services

The second area of overlap between our two organisations is related to the provision of financial services in Ireland. As mentioned, the Council has a role in identifying factors that can have an impact on the ability of Irish enterprise to compete internationally. In carrying out this responsibility, the Council examines a range of costs that enterprises face, including the cost of certain financial services (including the cost of credit, and the cost of insurance).

In these areas, the Council depends on high quality data in two ways. First, to identify whether there are competitiveness and productivity issues within these markets and to make policy recommendations on how to address any issues identified. Second, to assess whether the policy actions taken have had the desired impact in addressing any potential competitiveness and productivity issues.

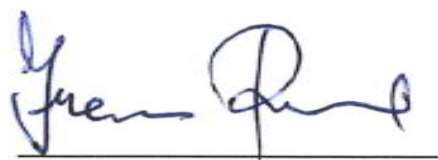
As the financial regulator, the Central Bank plays a central role in Ireland's financial system. In this capacity, the Central Bank collects data on financial institutions that can be used to inform the Council's analysis of how financial markets in Ireland are operating and the impact their operations have on the competitiveness of Irish enterprise.

For both insurance and credit markets, the Council has drawn on work by the Central Bank to inform our analysis and policy recommendations to the Government.

The Council has also used Central Bank data to set out SME default rates and has referenced Central Bank publications that have explored the reasons underpinning cross-border differences in SME borrowing costs. More recently, we have referenced the National Claims Information Database (NCID) when making recommendations to the Government on actions needed to address the high cost of insurance in Ireland. The Council particularly welcomes the forthcoming expansion of the NCID to cover employers' liability and public liability insurance and intends to use NCID data as part of its assessment of whether the Government's insurance reforms are successful in addressing insurance costs.

Looking forward, the Council would welcome and support the Central Bank continuing to explore opportunities to share financial market data in a way that would assist in informing, and evaluating, policy decisions. In particular, the Central Bank is well placed to provide a holistic view of the patterns of SME borrowing that incorporates the whole spectrum of financial institutions (including banks and market-based finance entities).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Frances Ruane', is written over a horizontal line.

Dr. Frances Ruane

Chair of the National Competitiveness and Productivity Council

