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PRESS RELEASE: NCPC Bulletin on Inflation and the Competitiveness of Irish Enterprises

Today (19th May), Dr. Frances Ruane, the Chair of the National Competitiveness and Productivity Council (NCPC), issued the Council's bulletin on Inflation and the Competitiveness of Irish Enterprises ([here](#)).

A significant competitiveness challenge facing businesses today is the high inflation environment and rising input prices. This is damaging to the enterprise sector if the sudden rise in the costs of doing business cannot be absorbed by some firms, resulting in the closure of otherwise viable enterprises. Many businesses, including SMEs, around the country are seeing their margins squeezed by the rising costs of doing business, and in particular the significant increase in energy costs.

The recent surge in prices has seen annual inflation reach rates last observed during the height of the Celtic Tiger. The Consumer Price Index (CPI) increased by 7.0% in April 2022 compared to April 2021, the highest year-on-year change in 22 years. Soaring energy prices accounted for almost half of the increase in the Consumer Price Index in April 2022.

In relation to energy, the NCPC Bulletin advocates an urgent focus on projects that help diversify energy supply sources and that upgrade Ireland's electricity infrastructure in order to meet the growing energy demand and to address increased supply uncertainty. These actions will not only improve Ireland's energy security and help achieve our climate action targets but will also help to insulate Irish enterprises and households from future volatility in the international prices of fossil fuels.

While international price developments (including in energy) are outside Ireland's control, the latest NCPC Bulletin points to the importance of implementing domestic reforms to boost productivity and reduce costs. This includes delivery across a range of recommendations set out in the Council's last annual report, *Ireland's Competitiveness Challenge 2021*¹. These include options to reduce the burden of legal costs, improve competition in the provision of SME credit, make childcare costs more affordable, and make sustained progress under the Climate Action Plan.

Dr Ruane said: *"It is vital that Ireland protects the competitiveness gains made in recent years, and that we continue to act to address inappropriately high domestic costs which are not matched by corresponding increases in productivity."*

The NCPC Bulletin also advises taking a holistic view of the enterprise ecosystem and ensuring that areas such as adequate labour supply, appropriate skills base, sufficient access

¹ [Ireland's Competitiveness Challenge 2021](#)

to finance and historically non-competitive domestic markets are not overlooked when an acute issue, such as the current surge in inflation, arises.

Dr. Ruane also said *"We must not lose sight of the need for investment in skills, critical infrastructure, as well as research, development and innovation, which are all vital to bolster Ireland's productivity growth in the medium to long term."*