National Competitiveness and Productivity Council
Bulletin 25-1 Developments in Ireland's National Productivity Statistics

- **This Bulletin sets out five stylised facts relating to Ireland's productivity statistics. It provides an overview of the latest statistics published by the CSO (April 2025) and focuses particularly on domestic sectors.**
- **The latest data show Irish labour productivity in 2023 had fallen for the first time in seven years, dropping marginally below the 2021 level. This was driven by developments in the foreign-dominated sector – which suffered a sharp decline – while domestic-sector productivity remained flat.**
- **The Council welcomes the CSO's continued investment in productivity statistics. In the CSO's previous statistical release – Productivity in Ireland 2021 (April 2023) – productivity data were presented on an enterprise-ownership basis. The data at ownership level provided new insights into the dynamics of foreign versus domestic enterprise productivity.**
- **While analysis of these ownership level data was not included in the latest statistical release – given the increased emphasis on productivity in the EU – the Council looks forward to the inclusion of this important information in future *Productivity in Ireland* releases.**

INTRODUCTION

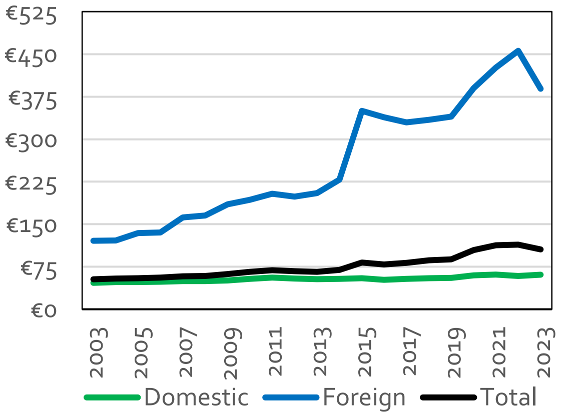
Developments in labour productivity are critical to Ireland's international competitiveness position, and to sustainable growth and improvements in living standards, which are at the centre of the Council's *Productivity and Competitiveness Framework.* For this reason, the Council actively reviews the CSO's *Productivity in Ireland* publication and welcomes the CSO's continued investment in productivity statistics.[1] After a hiatus[2], the recent publication of CSO data covering productivity patterns in 2022 and 2023 provides invaluable insights into recent developments in Ireland's economy.[3]

In this latest statistical release, the CSO refers to foreign and domestic sectors in line with the dominance criterion. This means that, when referring to the productivity of foreign (or domestic) dominated sectors, there will also be activity by some domestic (or foreign) enterprises captured in the underlying data. This also means that, when comparing "foreign-dominated sectors" to "domestic-dominated sectors", great caution is needed. This involves a comparison between enterprises that are engaged in fundamentally very different activities (and, in the case of foreign-dominated sectors, where there is the presence of a significant amount of intangible capital assets). The Council looks forward to further work by the CSO in presenting productivity data on an enterprise-ownership basis. This information – first published as part of the previous *Productivity in Ireland 2021* release – provided a new and valuable insight into the dynamics of labour productivity in foreign-owned versus domestic-owned enterprises. Engagement with the CSO has indicated that this information will be provided as part of the next *Productivity in Ireland* publication.

OVERVIEW

The latest data show that Irish labour productivity in 2023 had fallen for the first time in seven years (dropping marginally below the level for 2021). This was driven by developments in the foreign-dominated sector – which suffered a sharp decline – while productivity in the domestic-dominated sector remained flat.

Figure 1. Labour Productivity (€ per hour), 2003-2023



Source: CSO

[1] In *Ireland's Competitiveness Challenge 2023* the Council welcomed the publication of new productivity data by the CSO that provides a more detailed view of productivity in Ireland using enterprise level micro-data. These data highlight the heterogeneity of productivity between foreign and domestic owned enterprises on a within-sector basis, showcasing the value of enterprise-level microdata in analysing sectoral trends in productivity.

[2] Prior to this, the most recent publication had been in April 2023 (Productivity in Ireland 2021). It is our understanding that this hiatus occurred as the CSO were updating their production system.

[3] See: Productivity in Ireland 2022-2023, 1 April 2025.

Although published as part of a Frontier Series,[4] the CSO's quarterly productivity statistics show that productivity in foreign-dominated sectors continued to fall through Q1 and Q2 of 2024 (by -12% and -20% respectively), before returning to growth in Q3 and Q4 (of 7.2% and 11.4% respectively). In contrast, domestic-dominated sectors recorded negative growth from Q2 through Q4 (of -0.6%, -1.2%, and -4%).[5]

The productivity gap between small, domestic enterprises and large multinational corporations – and the significant contribution that the latter make to developments in Ireland's aggregate productivity statistics – has been examined in detail by the Council previously.

As the Council has previously emphasised, it is important to take a long-term view when interpreting developments in productivity. In general, Ireland's national productivity statistics can be described using five central stylised facts:

1) Ireland's productivity performance should, where practicable, be assessed in terms of GNI*, and over a medium to long-term time horizon, owing to the distortions inherent in GDP data.

2) Positive contributions to labour productivity in Ireland are largely driven by the activities of enterprises in two sectors, namely, 'Manufacturing' and 'Information and Communication'.

3) These sectors, which contribute most significantly to overall trends in Ireland's labour productivity are dominated by foreign-owned multinational enterprises, and aggregate productivity statistics can mask underlying trends regarding the relatively less productive domestic-facing sectors.

4) These highly-productive, foreign-dominated sectors are also very capital intensive, and this is reflected in Ireland's overall labour share of GVA being well below the EU-27 average.

5) Given the difference between productivity in SMEs and MNEs, it is vital that where data are available, they are analysed separately to give greater clarity to what is driving Irish productivity.

With these facts in mind and informed by the latest statistical release from the CSO, this Bulletin concentrates on examining productivity in Ireland's domestic-facing – or, in terms of the relative contribution to GVA, domestic-dominated – sectors.

DOMESTIC SECTOR PRODUCTIVITY

In previous *Competitiveness Challenge* reports, the Council has highlighted the sizeable productivity gap between foreign and domestic enterprises in Ireland. Those sectors that are dominated by the presence of foreign enterprises tend to be significantly more productive. Even within the same sector, foreign-owned enterprises tend to outperform domestic competitors.[6] This is likely a function of the scale and interconnectedness required for enterprises to be able to operate in international markets. These enterprises are also very capital intensive, with significant holdings of intellectual property (IP) assets.

The implication of this is that the activities of foreign-owned multinational enterprises are critical in shaping the dynamics of Ireland's overall national productivity statistics. There is a very real risk that trends in aggregate statistics can mask the underlying dynamics with respect to domestic enterprises. For this reason, it is worth examining the labour productivity of enterprises in sectors dominated by domestic enterprises, and benchmarking against EU counterparts.

We begin by focusing on Ireland's domestic-facing services sectors, such as retail and hospitality. These are dominated by domestic-owned SMEs (in terms of their relative contribution to sectoral GVA)[7]. Figure 2 Panel A shows that labour productivity far exceeds that for the EU-27. There is, however, some evidence of a convergence in labour productivity levels in the post-pandemic period.

Benchmarking these services sectors against those in other small, advanced European economies is instructive. Ireland performs well relative to Finland, and performs in line with Austria, but is considerably behind Denmark. Panel B focuses on the construction sector – another domestic-facing sector – and shows that Ireland performs marginally better than the EU-27, albeit less so than in the services sectors. It does, however, significantly trail the group of other small, advanced economies.

[4] CSO Frontier Series may use new methods which are under development and / or data sources which may be incomplete. See: [Frontier Series Outputs - CSO - Central Statistics Office](#).

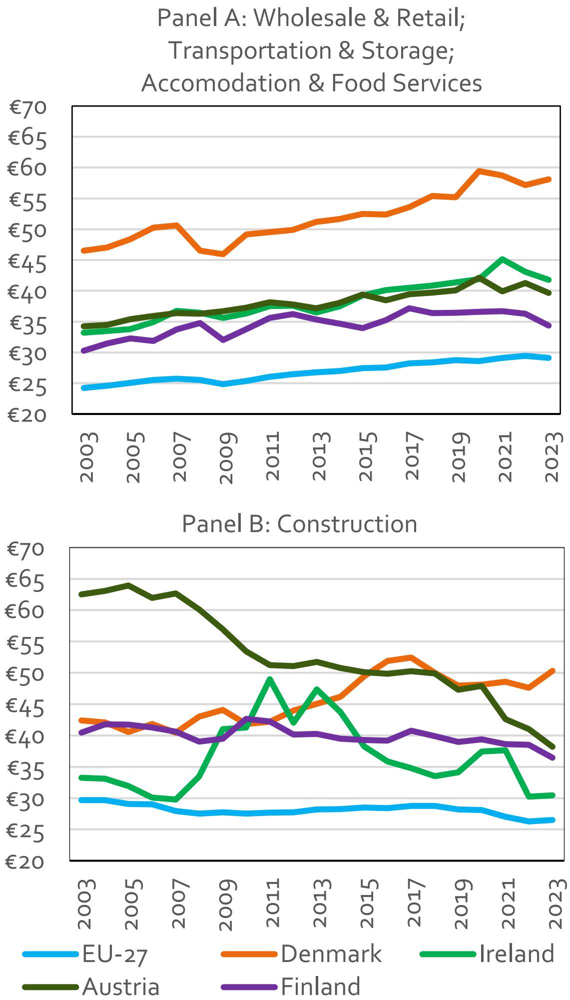
[5] See: [Productivity in Ireland Quarter 4 2024](#), April 2025.

[6] See: Ireland's Competitiveness Challenge 2023.

[7] A significant proportion of the output of these sectors is consumed domestically. Of the products used by sector in 2021, exports made up 36% in Wholesale and Retail, 1.6% in Accommodation and Food, 2.1% in Construction and 35% in Transport and Storage. In contrast, the corresponding figures for Manufacturing and ICT are 63% and 82% respectively. See: https://www.cso.ie/en/releasesandpublications/ep/p-sau/supplyandusetablesforireland2021/use/.

A recent analysis by Lawless (2025)[8] examines productivity through the lens of domestic versus foreign ownership. Lawless finds that domestic-owned enterprises are considerably less productive than foreign-owned enterprises, even in sectors that are not traditionally foreign-dominated. This paper also compares domestic-owned enterprises in Ireland to those in other small European economies and finds a systematically lower level of productivity among Ireland's domestic enterprises. This holds across almost every sector. The multinational enterprise productivity advantage is found to be common across all sectors and countries.[9]

Figure 2. Benchmarking Productivity in Domestic Sectors, € per hour, 2003-2023



Source: Eurostat. Notes: Based on Gross Value Added (chain-linked volumes, €m, 2020).

There are several possible explanations for the relative underperformance of the domestic-dominated sectors in Ireland. Firstly, it is important to note that these statistics do not control for compositional differences at the sub-sector level which could explain differences in productivity. For example, these sectors are compared at a relatively broad level, and the activities that these sectors comprise could vary significantly from one country to the next. Further, as examined by Lawless (2025), scale also appears to be a significant explanatory factor, with the average size of an Irish-owned enterprise being less than 5% of the average size of a foreign-owned enterprise. Even among enterprises within the same sector, Irish-owned enterprises tend to be significantly smaller. As outlined earlier, the productivity advantage associated with multinational enterprises is not unique to Ireland and has been found to be a persistent factor across countries and sectors.

It is also worth considering whether the strong presence of MNEs is contributing to a form of "crowding out" of domestic SMEs.[10] This can occur through upward pressure on local wage levels, which in turn fuels aggregate demand and can contribute to cost inflation in areas such as housing and services. This can result in a difficult operating environment for domestic SMEs, which typically operate on narrower margins and more limited pricing power.

An internationally mobile labour market can act as a buffer against wage and cost pressures by enabling enterprises to attract workers from lower-wage economies. This helps ease domestic wage inflation, particularly in tight labour markets. Ireland has historically benefited from such mobility, with inflows of foreign-born workers helping to meet cross-border skills demand, while emigration has allowed Irish-born workers to pursue opportunities abroad (further balancing the labour supply across economic cycles). However, capacity constraints — particularly in areas such as housing, public infrastructure, and service delivery — can introduce rigidities into the labour market. These constraints may limit inward mobility, dampen labour supply, and ultimately constrain growth in sectors reliant on workforce expansion.

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[8] Lawless, M. (2025). "Hare or tortoise? Productivity and growth of Irish domestic firms", *Economic and Social Review*, Vol. 56 No. 1.

[9] Similar results are found in a recent analysis by NERI using Eurostat's Globalisation in Business Statistics database, see: Smart, C. and Taft, M. (2024) "Productivity in Ireland's Domestically-Owned Market Economy: A Comparative Survey", NERI Report Series, No.35, NERI.

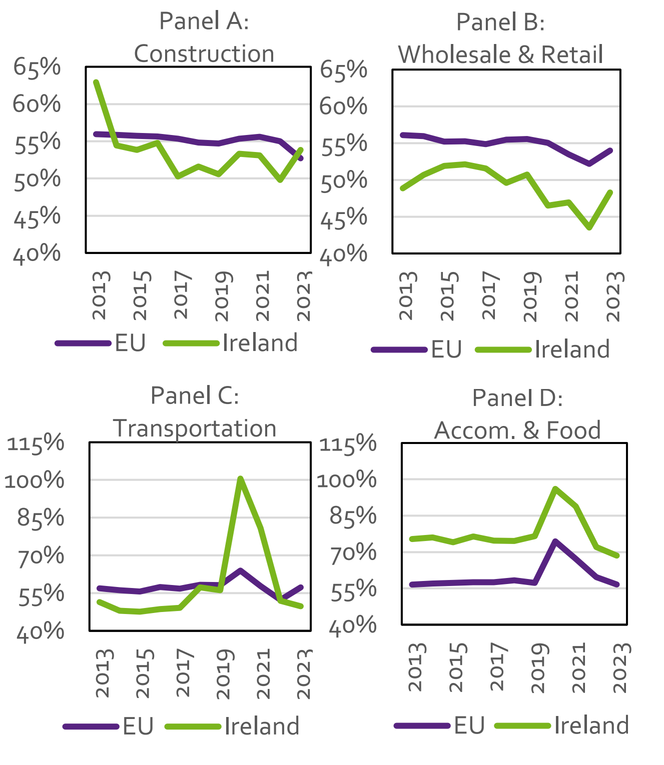
[10] Put differently, the dual structure of Ireland's economy could be exhibiting signs of what is referred to as the "Dutch Disease". The term "Dutch Disease" originated to describe the decline of the manufacturing sector in the Netherlands after the discovery of the Groningen natural gas field. It is an economic term that refers to the phenomenon where the rapid development of one sector of the economy precipitates a decline in other sectors, often characterised by a substantial appreciation of the domestic currency. This phenomenon is more typically observed in respect of countries with economies that rely more heavily on activities generated by the export of natural resources (e.g. oil). Recent analysis by the IMF (2023) has argued against the existence of this phenomenon in the case of Ireland.

THE LABOUR SHARE OF GVA

This Bulletin began by setting out certain stylised facts about Ireland's productivity statistics. Among these, is that highly productive foreign enterprises are also very capital intensive. A corollary of this, is that the relatively less capital-intensive domestic sectors, tend to have a higher labour share of GVA.

For context, Figure 3 benchmarks the labour share in domestic sectors in Ireland against the EU average. In general, a higher labour share would imply that wage levels relative to output are higher than that observed in other EU economies. This would also imply that these sectors are relatively less capital intensive than their EU counterparts, perhaps reflecting lower levels of investment. Figure 3 shows the dynamics of the labour share in Ireland's domestic-dominated sectors and compares this to the EU average. Notwithstanding the volatility throughout the pandemic period, the labour share in Ireland for Wholesale and Retail, Transportation and Storage, and Construction, has been in line with (or slightly below) the EU average. For Accommodation and Food Services, however, Ireland's labour share has been consistently (and significantly) higher.

Figure 3. Labour Share of GVA, Domestic Sectors



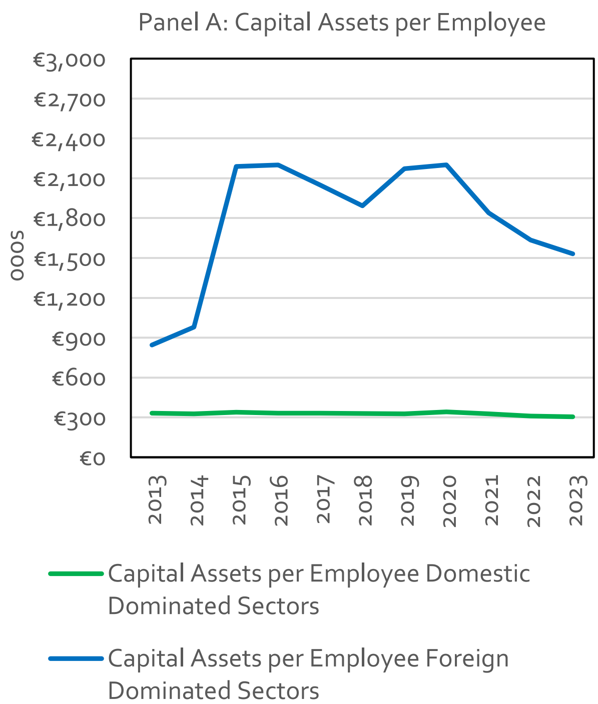
Source: Eurostat. Notes: Derived using data on Compensation of Employees and Gross Value Added.

CAPITAL INTENSITY

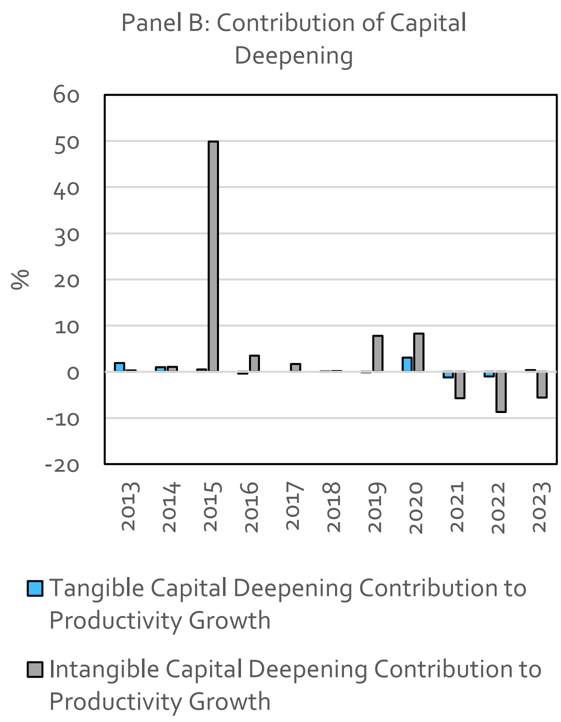
As shown in Figure 4, foreign-dominated sectors are associated with a significantly greater level of capital assets per employee (when compared to domestic dominated sectors). This divergence began in 2012 and was exacerbated in 2015 with the onshoring of intellectual property assets during that time. However, from 2020 to 023 the amount of capital assets per employee in foreign-dominated sectors fell by more than 30%. For domestic-dominated sectors, the amount of capital assets per employee has been relatively flat.

Figure 4 also shows the contribution of capital deepening to growth in labour productivity, broken-down by tangible and intangible capital.[11] As shown, in 2015, intangible capital assets had a significant impact on productivity growth, far exceeding the impact of tangible capital. This reflects a significant onshoring of IP assets (intangible capital) which added considerably to the capital stock. Over 2021-2023, imports of IP assets failed to outpace the depreciation of the capital stock, causing a fall in the amount of capital assets per employee in foreign-dominated sectors, and a significant negative impact on productivity growth.

Figure 4. Capital Contribution, 2013-2023



[11] The foreign-domestic breakdown of the contribution of intangible and tangible capital deepening to productivity, is unavailable post-2014.



Source: CSO

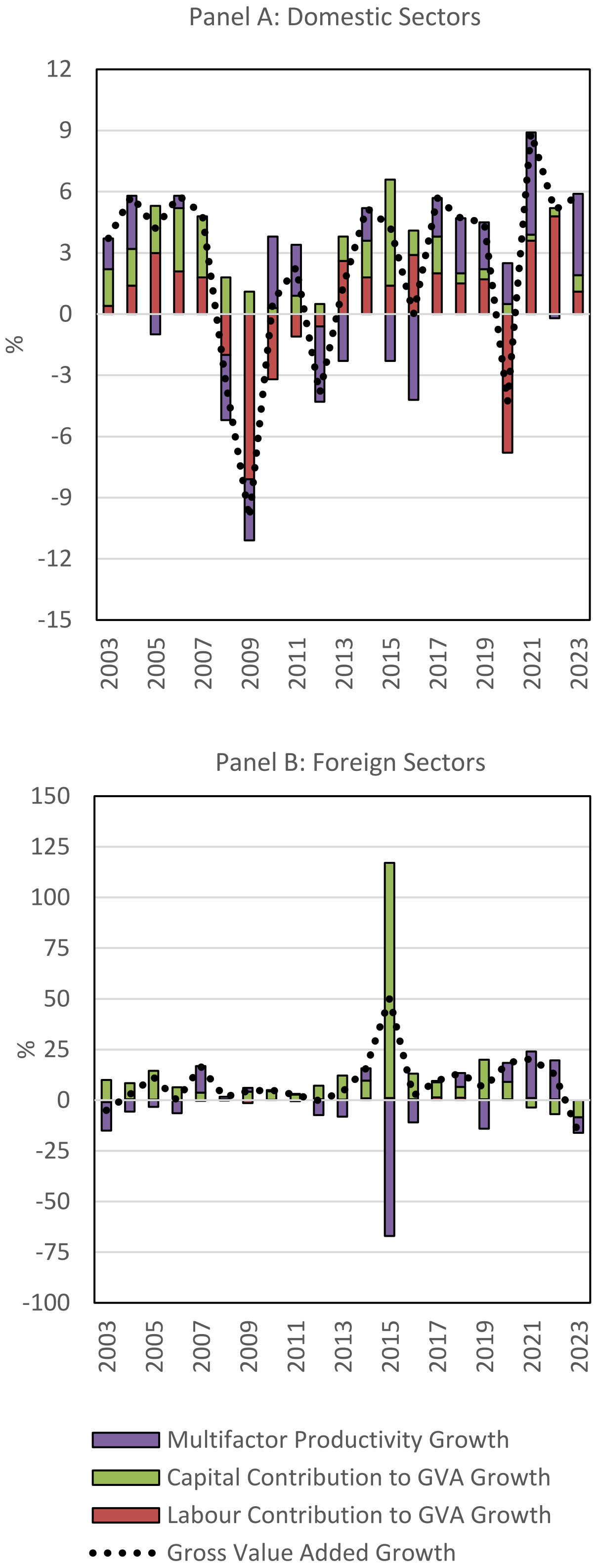
MULTIFACTOR PRODUCTIVITY

Multifactor productivity refers to the efficiency with which capital and labour are combined in production. Figure 5 Panel A shows the contributions of labour, capital, and multifactor productivity (MFP) to the dynamics of GVA growth in Ireland's domestic sectors. As shown, labour and MFP have been the primary drivers of developments in GVA growth in sectors dominated by domestic enterprises in recent years. The capital contribution has been insignificant since 2018.

It is difficult to be definitive about what is driving this, at this level of data aggregation. However, this could reflect compositional changes over time, with the structure of the domestic economy shifting towards less capital-intensive sectors (i.e., retail, hospitality, personal services). It could also reflect that capital investment is only marginally outpacing the depreciation of the capital stock. This would suggest that there is significant scope for capital investment to sustain growth in GVA.

For comparison, Figure 5 Panel B focuses on foreign sectors. As shown, over the same period, labour has made a comparatively insignificant contribution to GVA growth in foreign sectors. As might be expected, given the significant holdings of intangible assets by foreign enterprises, capital and MFP have been the primary drivers of GVA growth in these sectors.

Figure 5. Multifactor Productivity



Source: CSO

CONCLUSION

This Bulletin provides a brief overview of recent developments in Ireland's national productivity statistics, focusing in particular on domestic sectors, and informed by the latest statistical release by the CSO. The latest data show Irish labour productivity in 2023 had fallen for the first time in seven years (dropping marginally below the 2021 level). This was driven by developments in the foreign-dominated sector – which suffered a sharp decline – whilst domestic-sector productivity remained flat.

Although published as part of a *Frontier Series*, the CSO's quarterly productivity statistics show that productivity in foreign-dominated sectors continued to fall through Q1 and Q2 of 2024 (by -12% and -20%, respectively), before returning to growth in Q3 and Q4 (of 7.2% and 11.4% respectively). In contrast, domestic-dominated sectors recorded negative growth from Q2 through Q4 (of -0.6%, -1.2%, and -4%).[12]

Recent analysis by Lawless (2025) finds a systematically lower level of productivity among domestic enterprises in Ireland compared to domestic enterprises in other small European economies. Scale appears to be a significant explanatory factor. It raises the issue of whether the dual structure of Ireland's economy is drawing resources away from the sectors dominated by domestic-facing SMEs. The latest data on the capital contribution to growth in GVA in domestic sectors, suggests that there is scope for greater capital investment.

The Council welcomes the CSO's continued investment in productivity statistics. In the CSO's previous statistical release,[13] productivity data were presented on an enterprise-ownership basis. This approach provided new insight into the dynamics of foreign versus domestic enterprise productivity. While this level of analysis was not included in the latest statistical release, given the increased emphasis on productivity in the EU, the Council looks forward to the publication of this important information at a future date.

The NCPC reports to An Taoiseach and the Government, through the Minister for Enterprise, Trade 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, Dr Frances Ruane, and was prepared by Dr. Keith Fitzgerald and Dr. Dermot P. Coates in the NCPC Secretariat.

[12] See: Productivity in Ireland Quarter 4 2024, April 2025.

[13] See: Productivity in Ireland 2021, CSO.