

National Competitiveness Council

Ireland's Competitiveness Scorecard 2011



National
Competitiveness
Council



NCC Competitiveness Pyramid

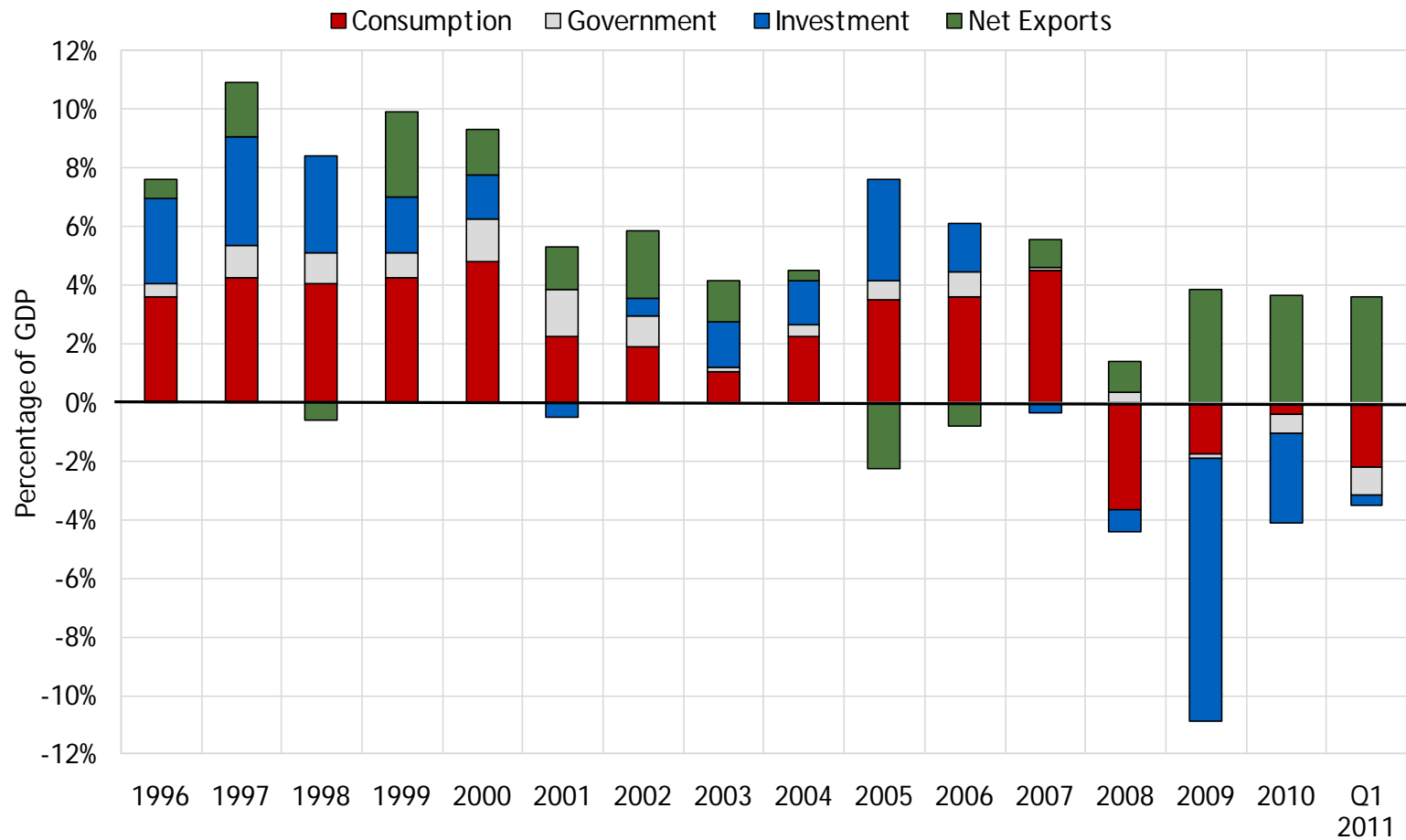


Main Messages from Ireland's Competitiveness Scorecard 2011

Positives

- Economic growth for 2011 & 2012 (likely to continue to be driven by net exports)
- Cost competitiveness continues to improve - but more is required
- Enterprise environment holding its own
 - ✓ Productivity improvements
 - ✓ Ireland continues to attract and be attractive as a location for investment
 - ✓ Trade share increases
- Significant investment in physical infrastructure in past decade

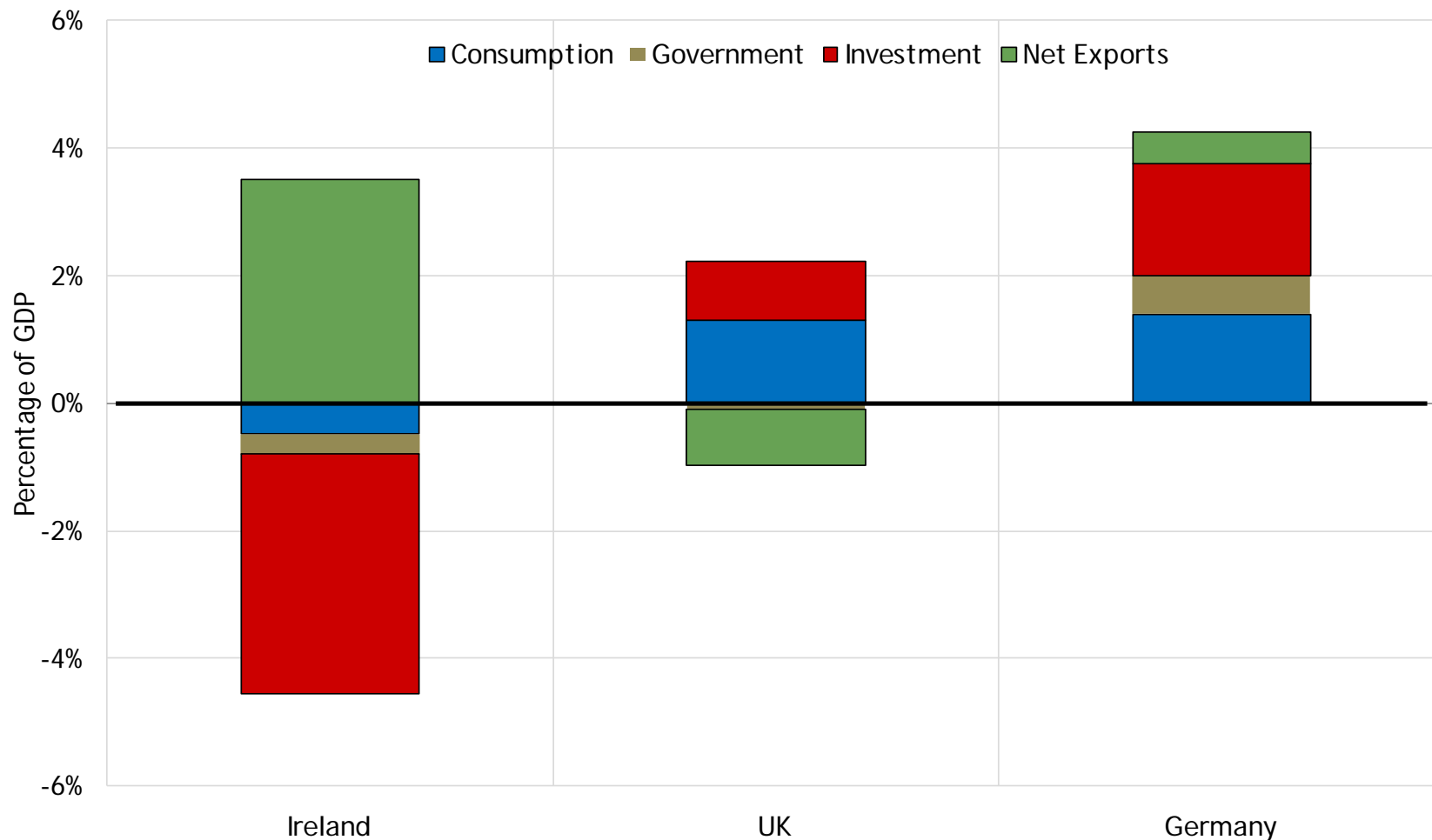
Ireland's net exports continue to drive growth..



Source: CSO National Accounts

..even more so than other economies

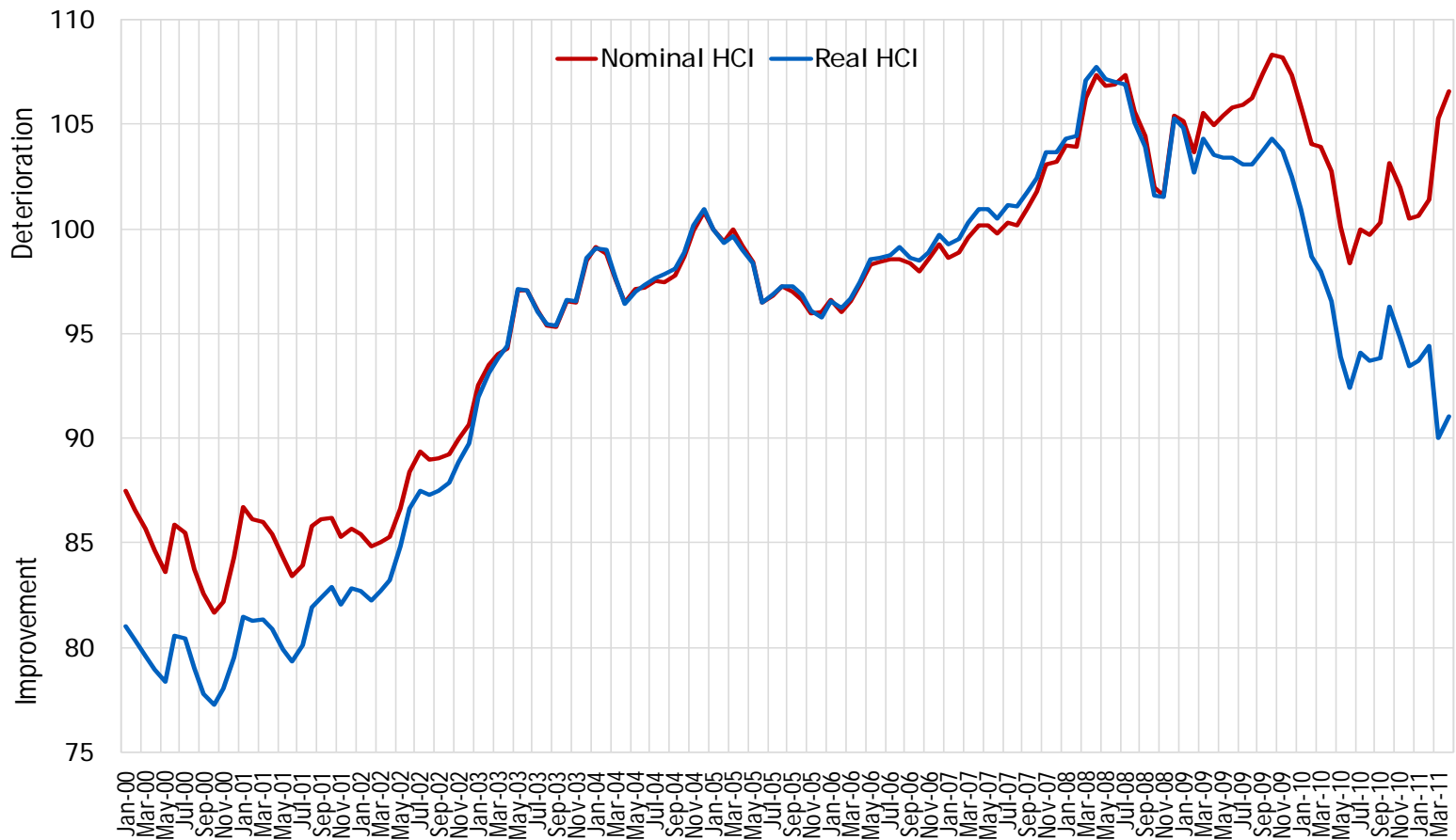
Components of Economic Growth 2010, Ireland, UK and Germany



Source: National Accounts

Cost competitiveness now at 2003 levels

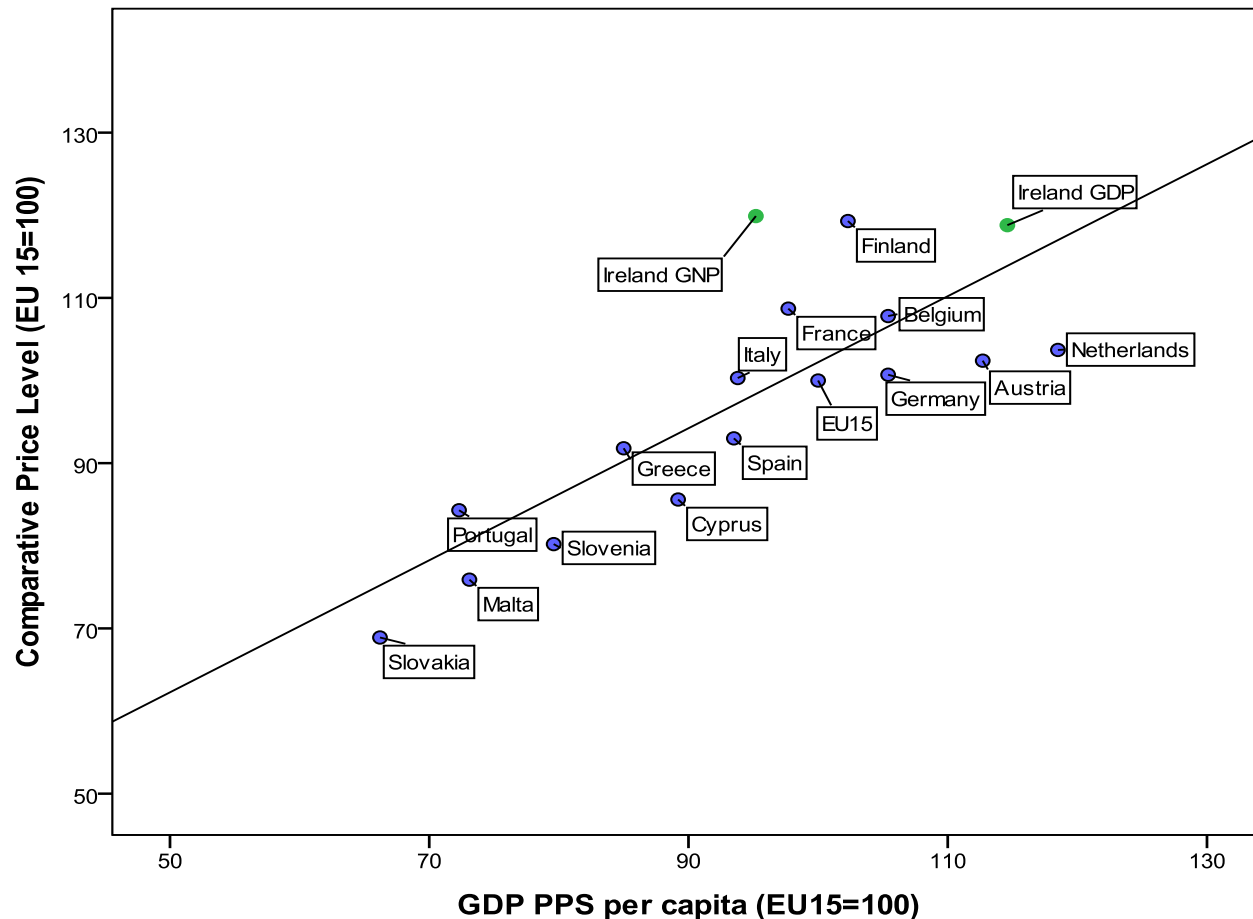
Harmonised Competitiveness Indicators, 2000-2011 (Jan 2005= 100)



Source: Central Bank, Forfás calculations

But costs remain high relative to purchasing power

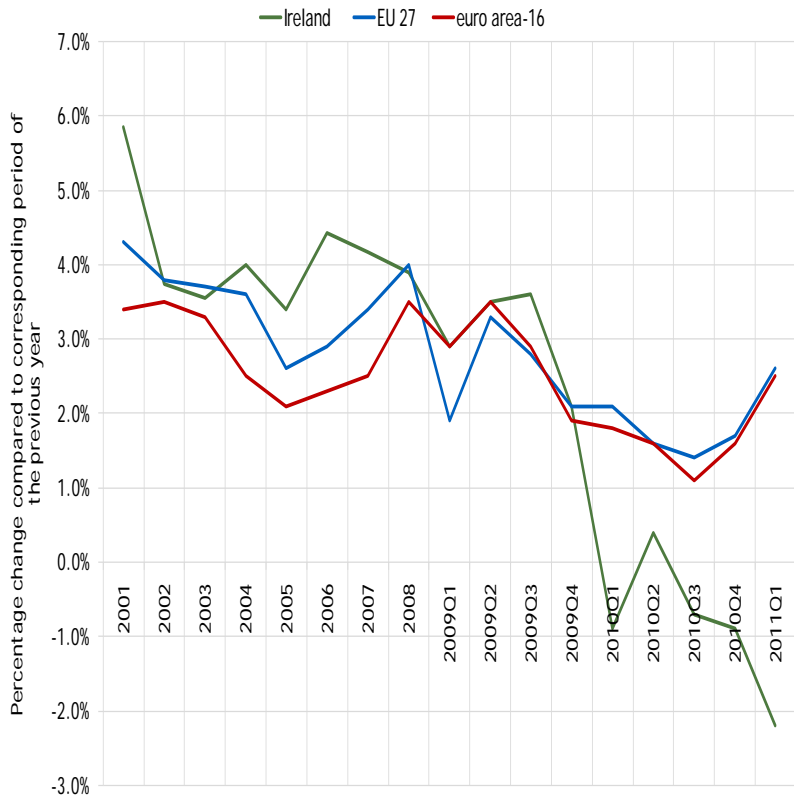
Price levels and GDP per capita 2009



Source: Eurostat

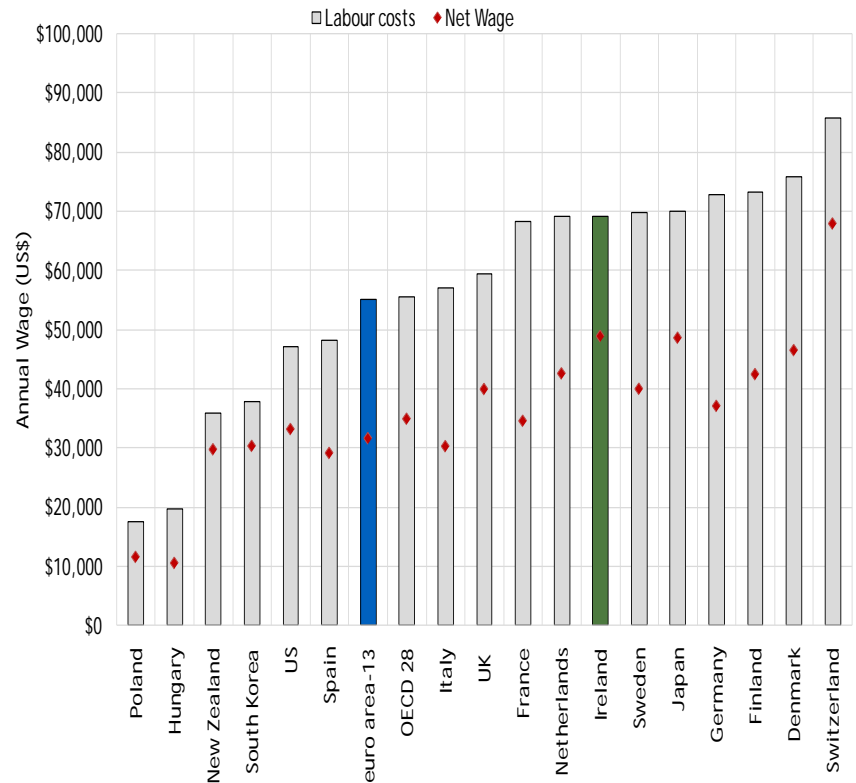
Labour costs continue to fall in 2011, but cost gap with competitors remain

Labour cost index, annual and quarterly indicators



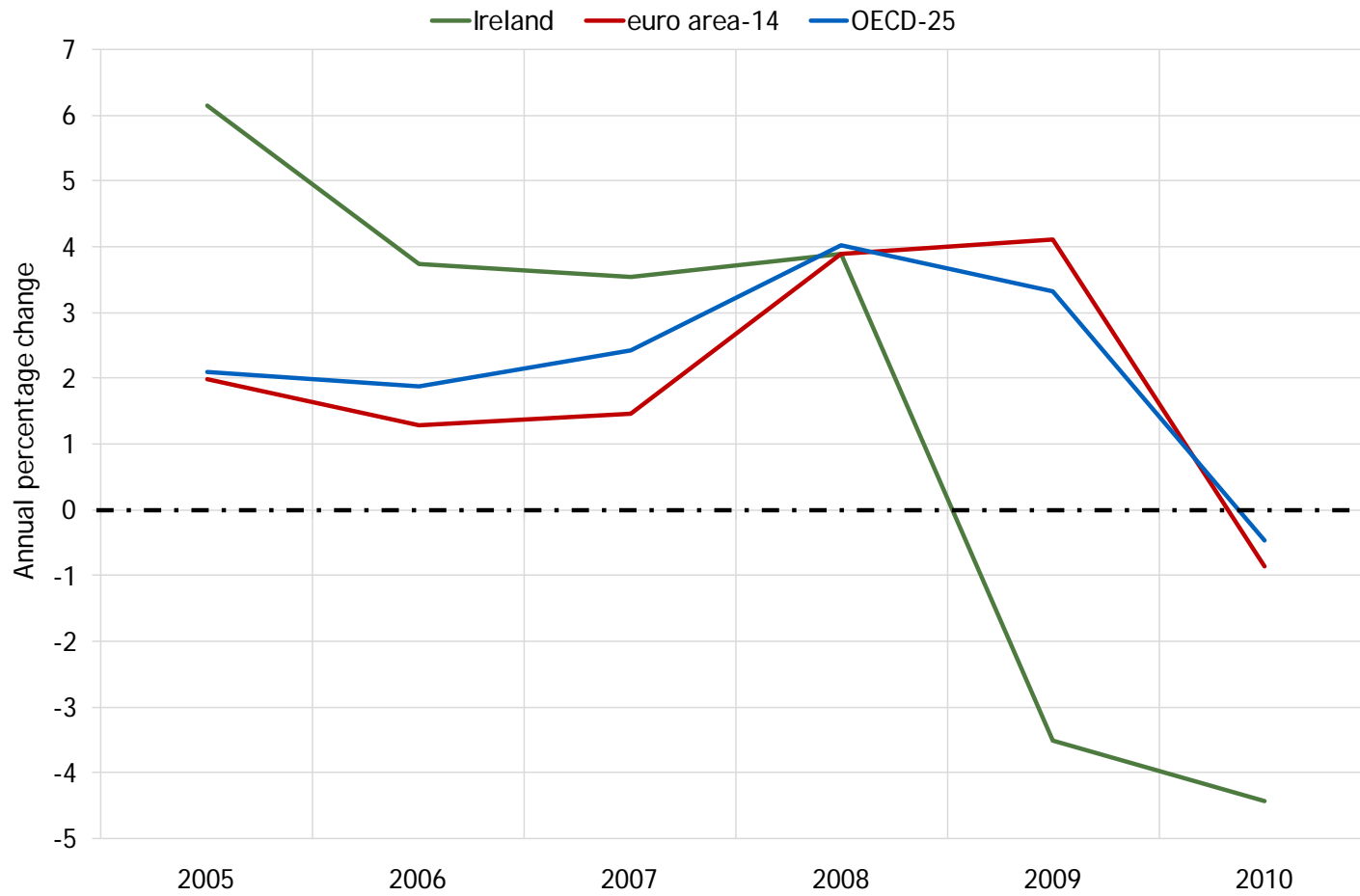
Source: Eurostat

Labour costs and net wage 2010



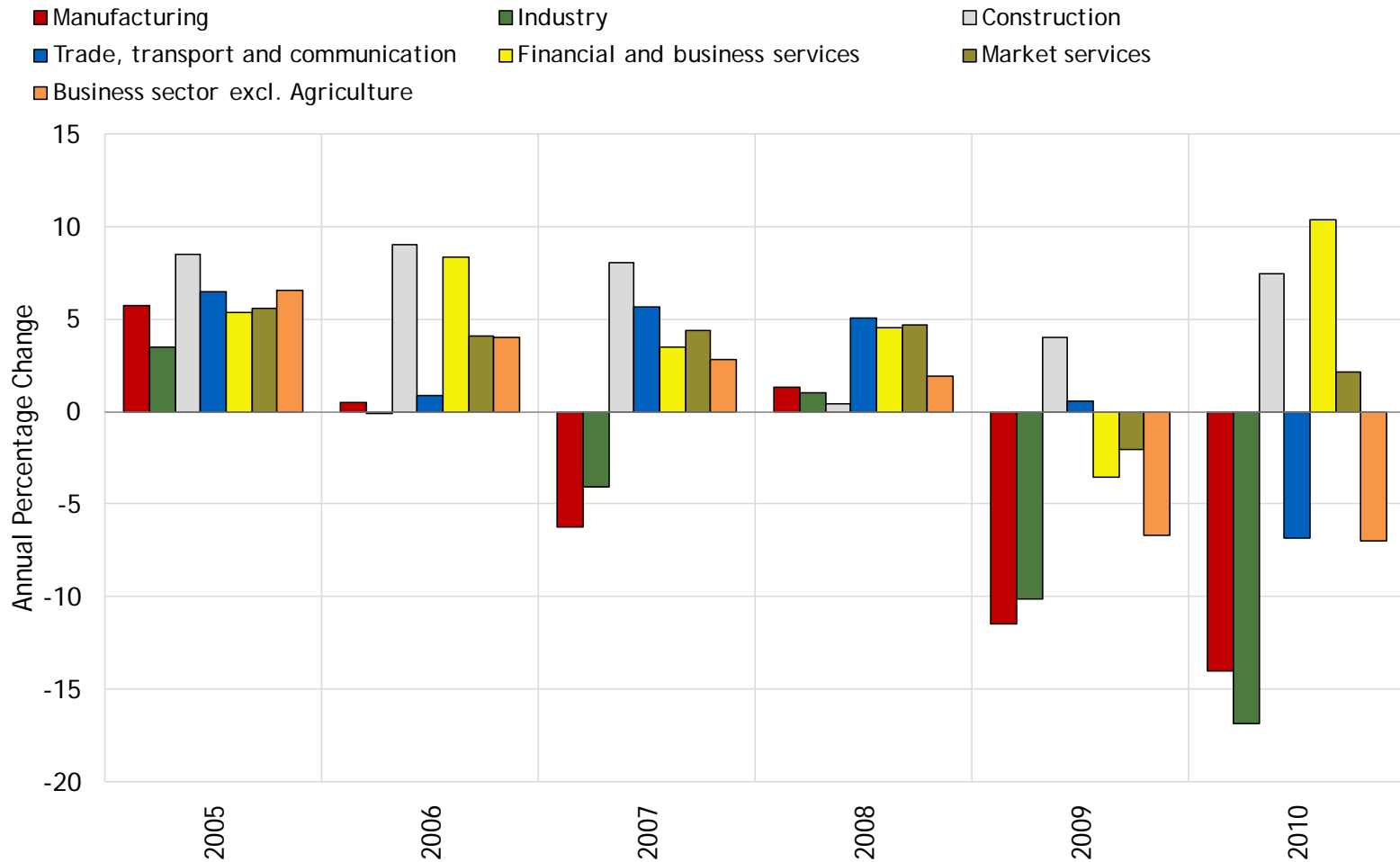
Source: OECD, Taxing Wages

Unit labour costs continue to decline, securing a competitive gain for Ireland



Source: OECD, Unit Labour Costs, Annual Indicators

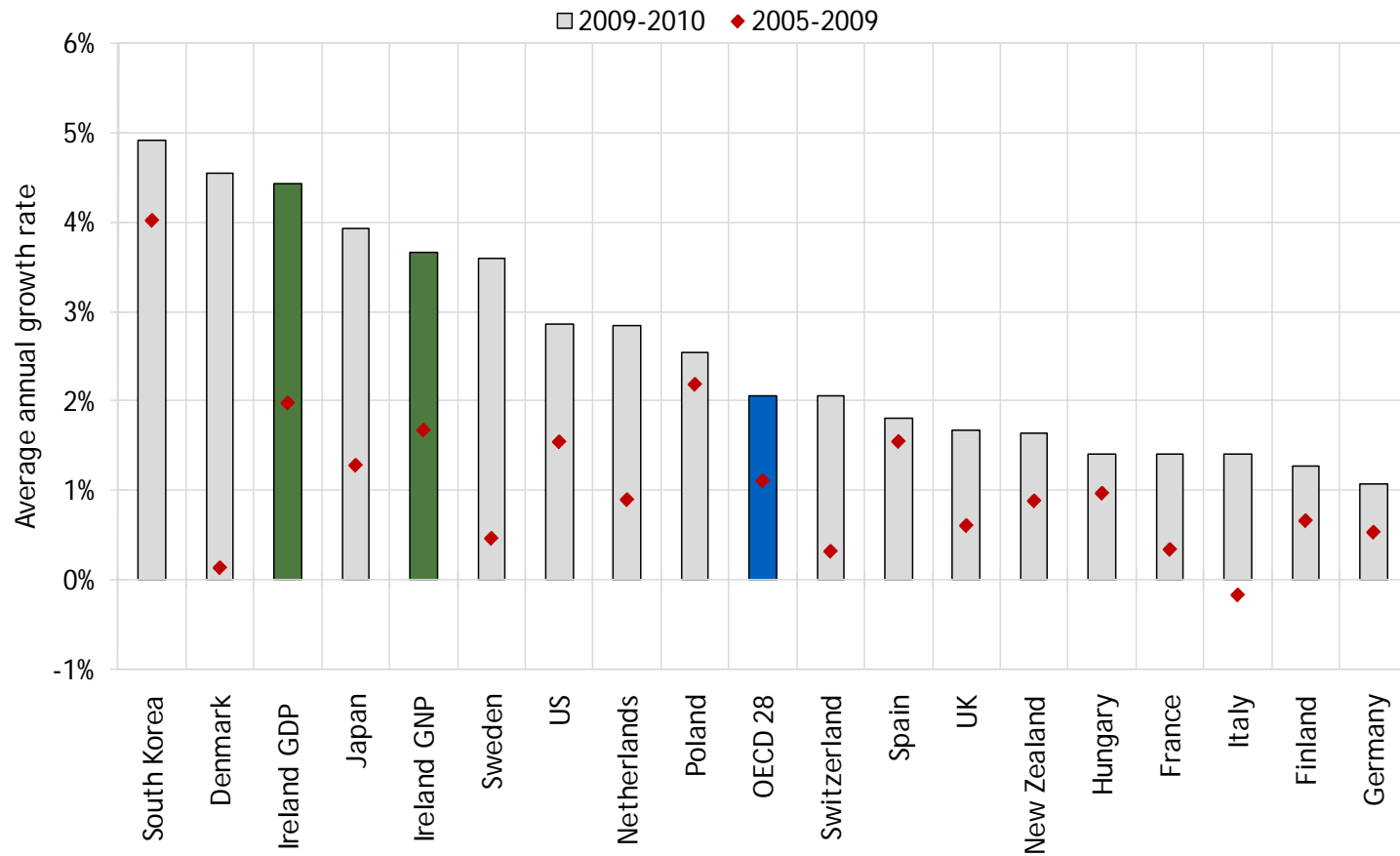
Declines in ULCs has been driven by compositional effects



Source: OECD, Unit Labour Costs, Annual Indicators

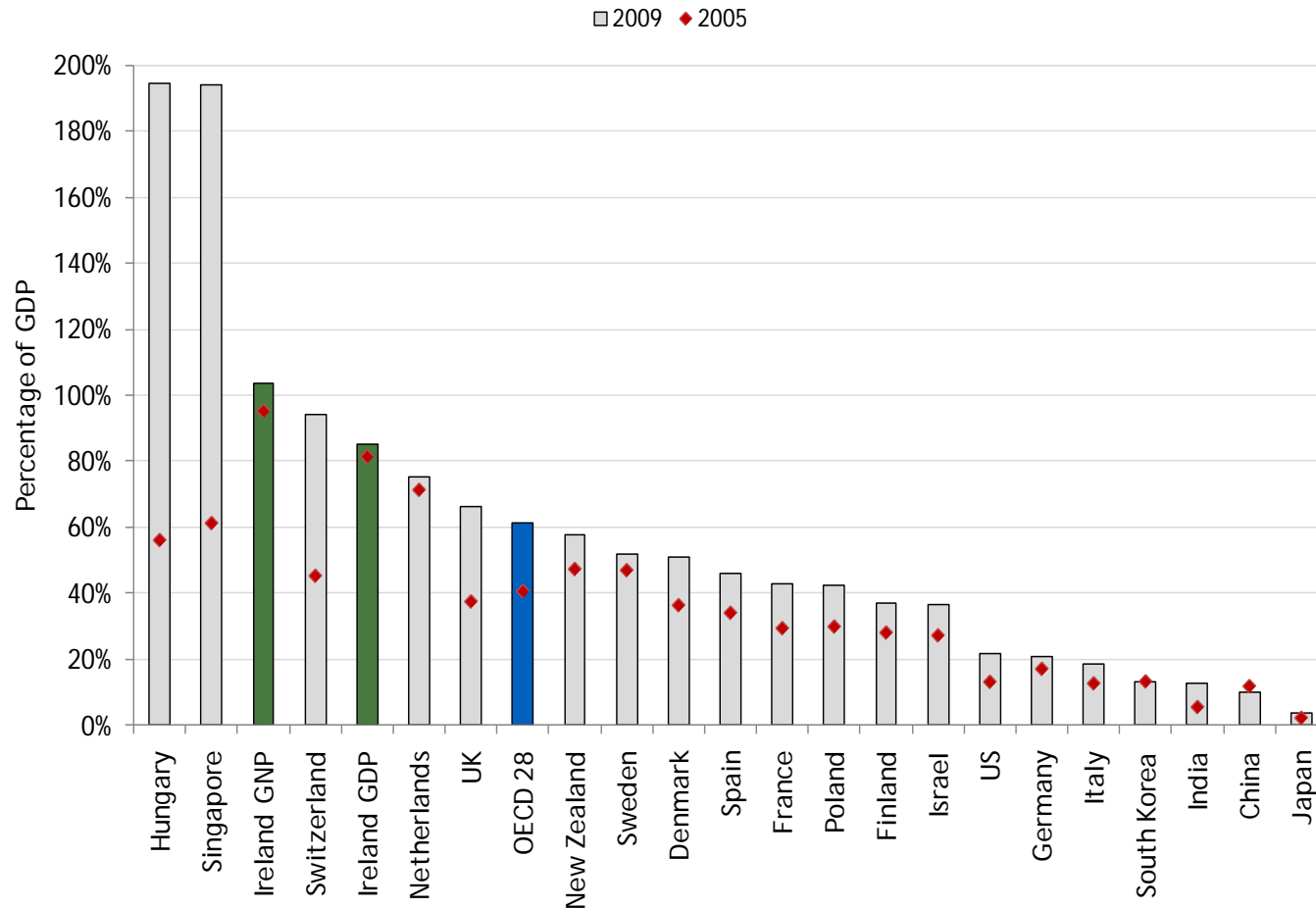
Productivity growth rebounds after a decline in 2008-2009 (GNP terms)

Annual Average Growth in Output per Hour Worked, 2005-2010



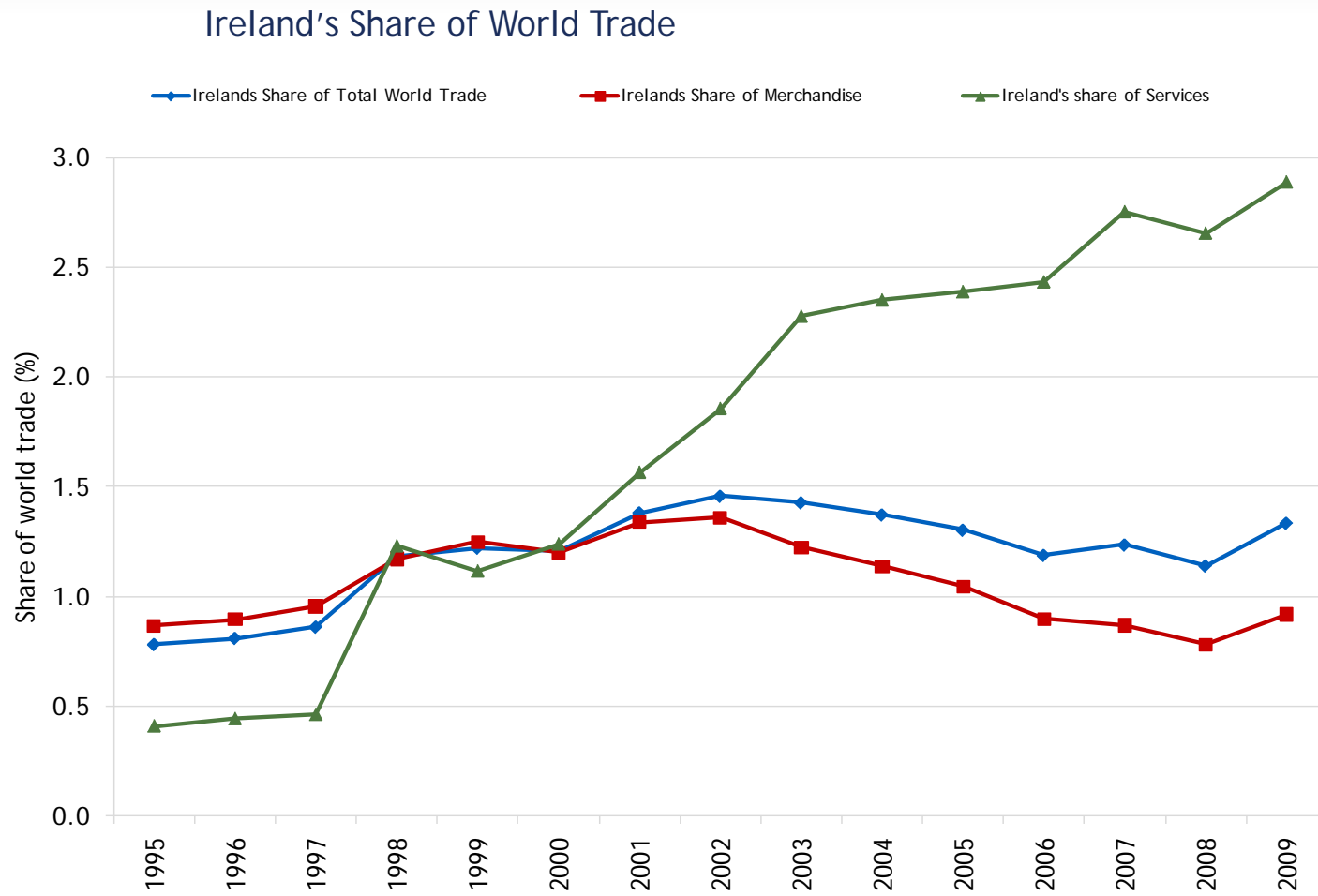
Ireland has one of the highest stock of FDI relative to income in the OECD (but scores are declining)

FDI inward stock as a % of GDP, 2009



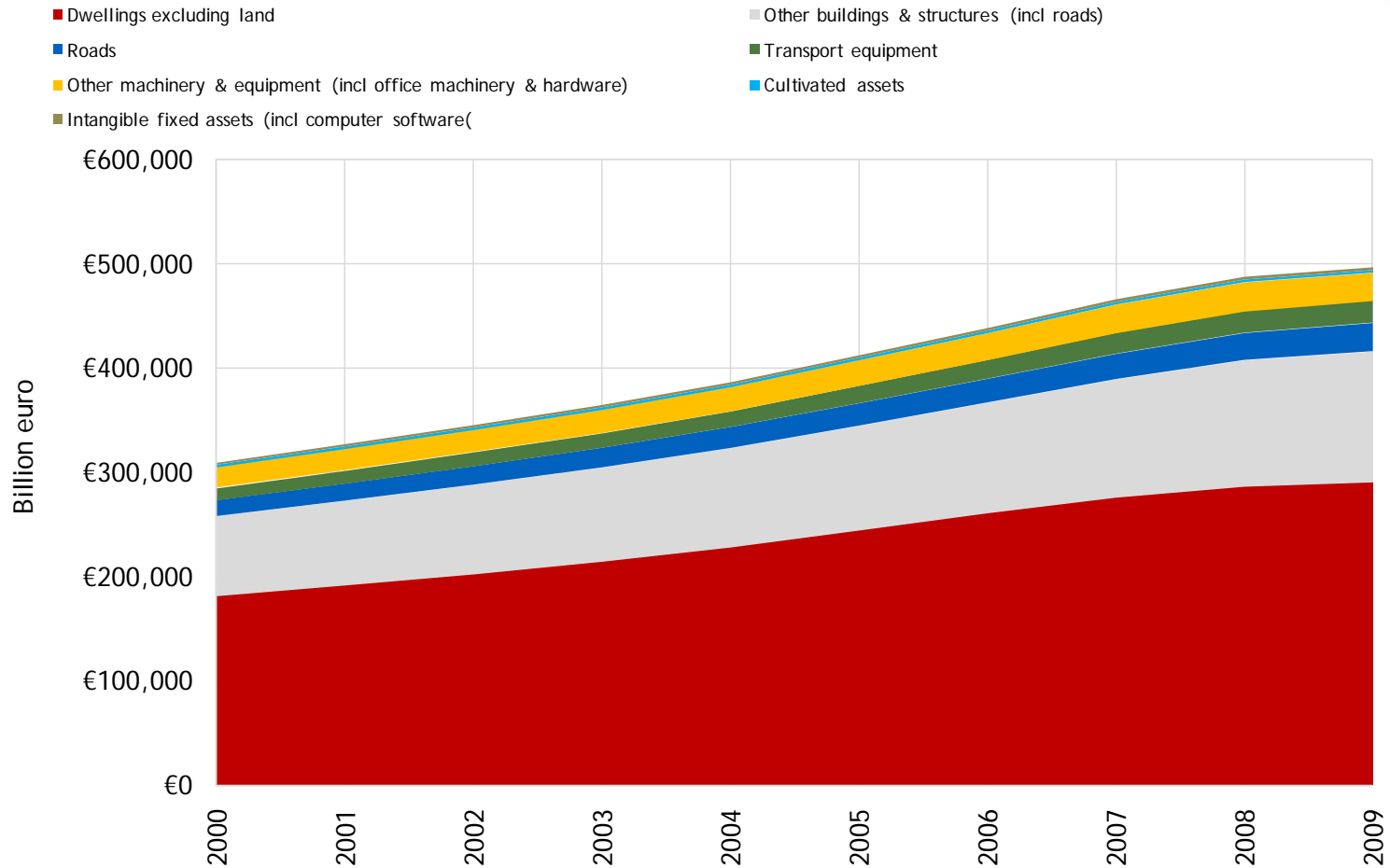
Source: UNCTAD World Investment Report 2010

Ireland's share of world trade continues to grow



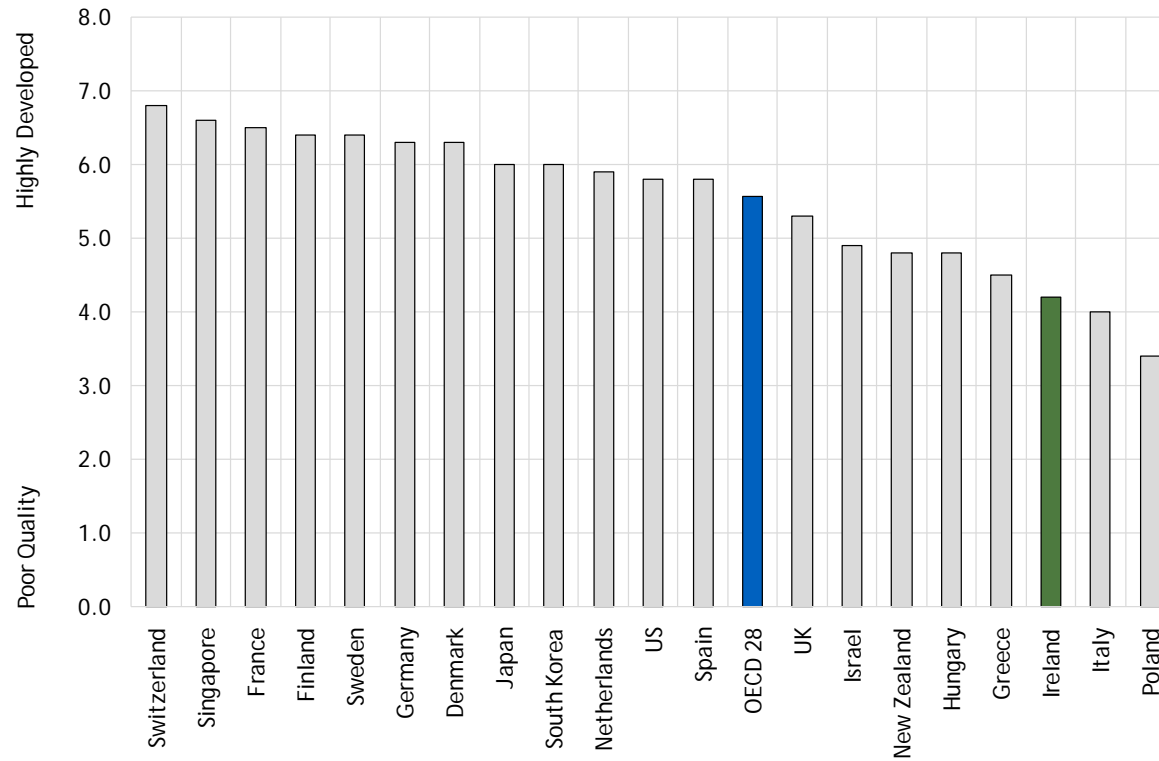
Source: WTO Online

Ireland has invested significantly in infrastructure over the past decade..



Source: CSO, Estimates of the Capital Stock of Fixed Assets

However the perception of Ireland's infrastructure quality remains poor



Source: WEF, Global Competitiveness Report 2010/2011

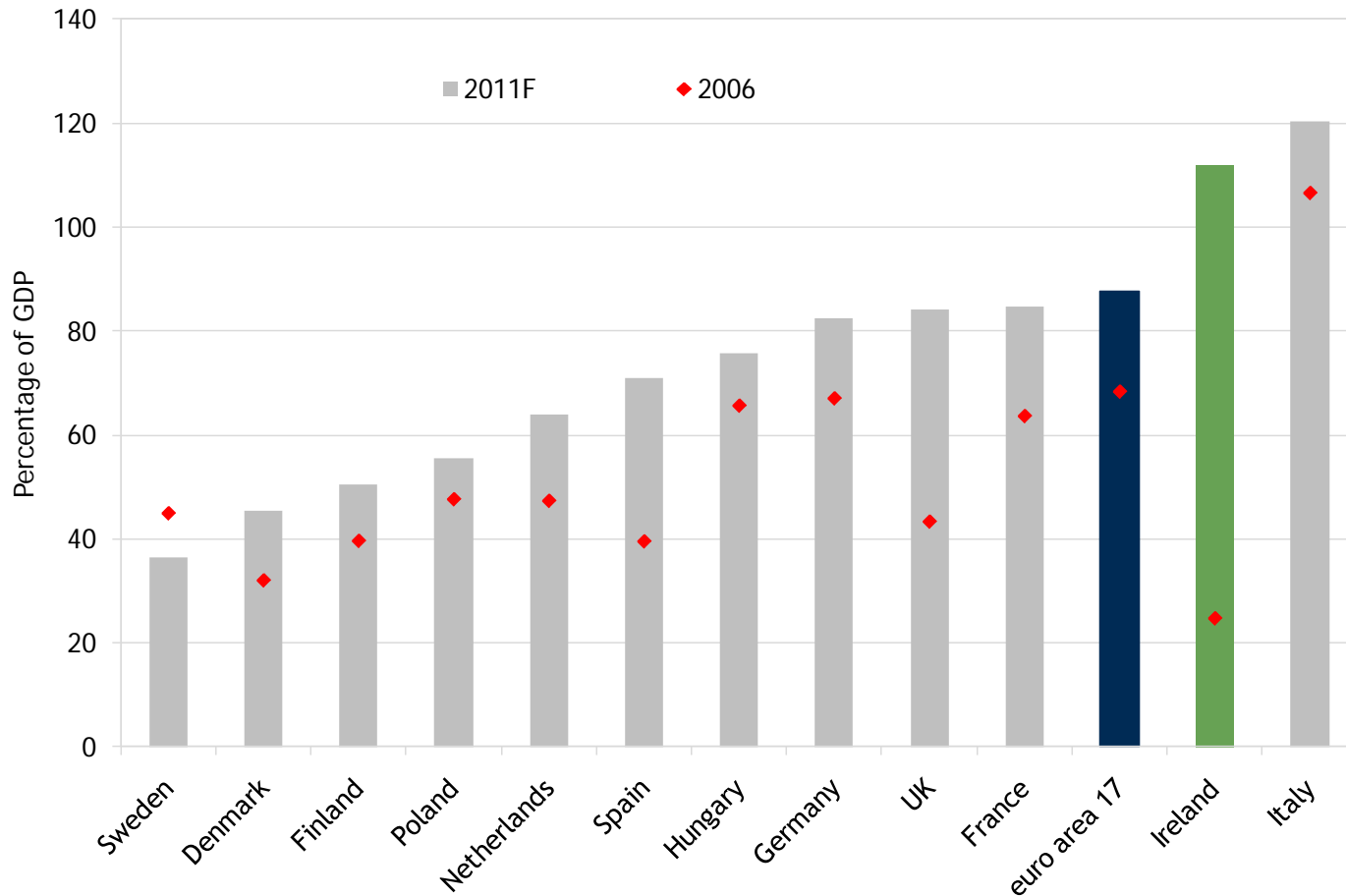
Main Messages from Ireland's Competitiveness Scorecard 2011

Negatives

- Public debt remains a serious risk
- Unemployment remains a huge economic and social problem
- Access to credit remains an issue
- Consumption remains subdued as deleveraging process of private debt underway
- Investment significantly down (but public investment above EA 16 average).
- Productive investment down also, but not as much
- Number of concerning trends have emerged in the area of Ireland's human capital (PISA results)

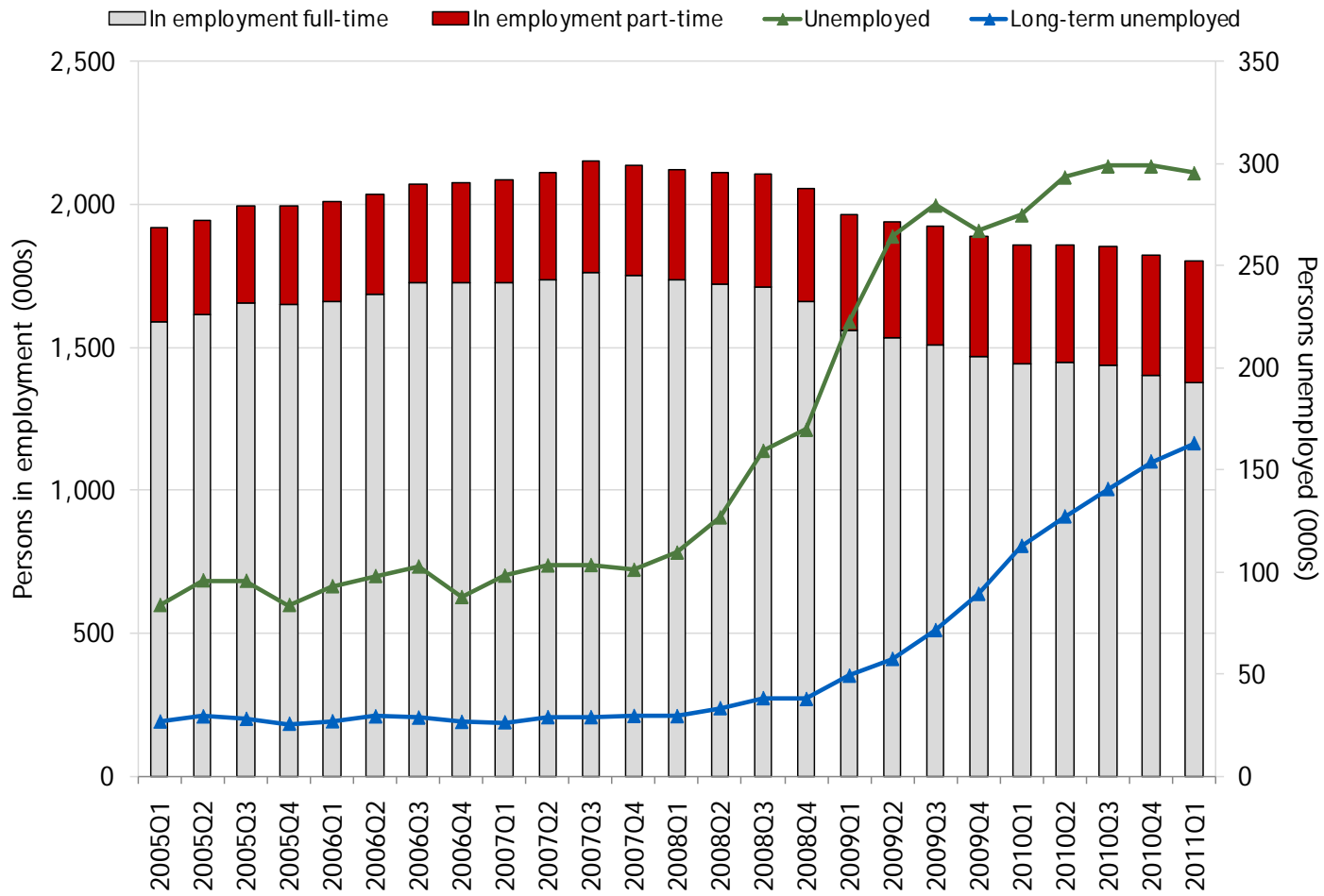
Growth in Public Debt remains serious risk

General Government Consolidated Debt as % of GDP, 2000-2011F



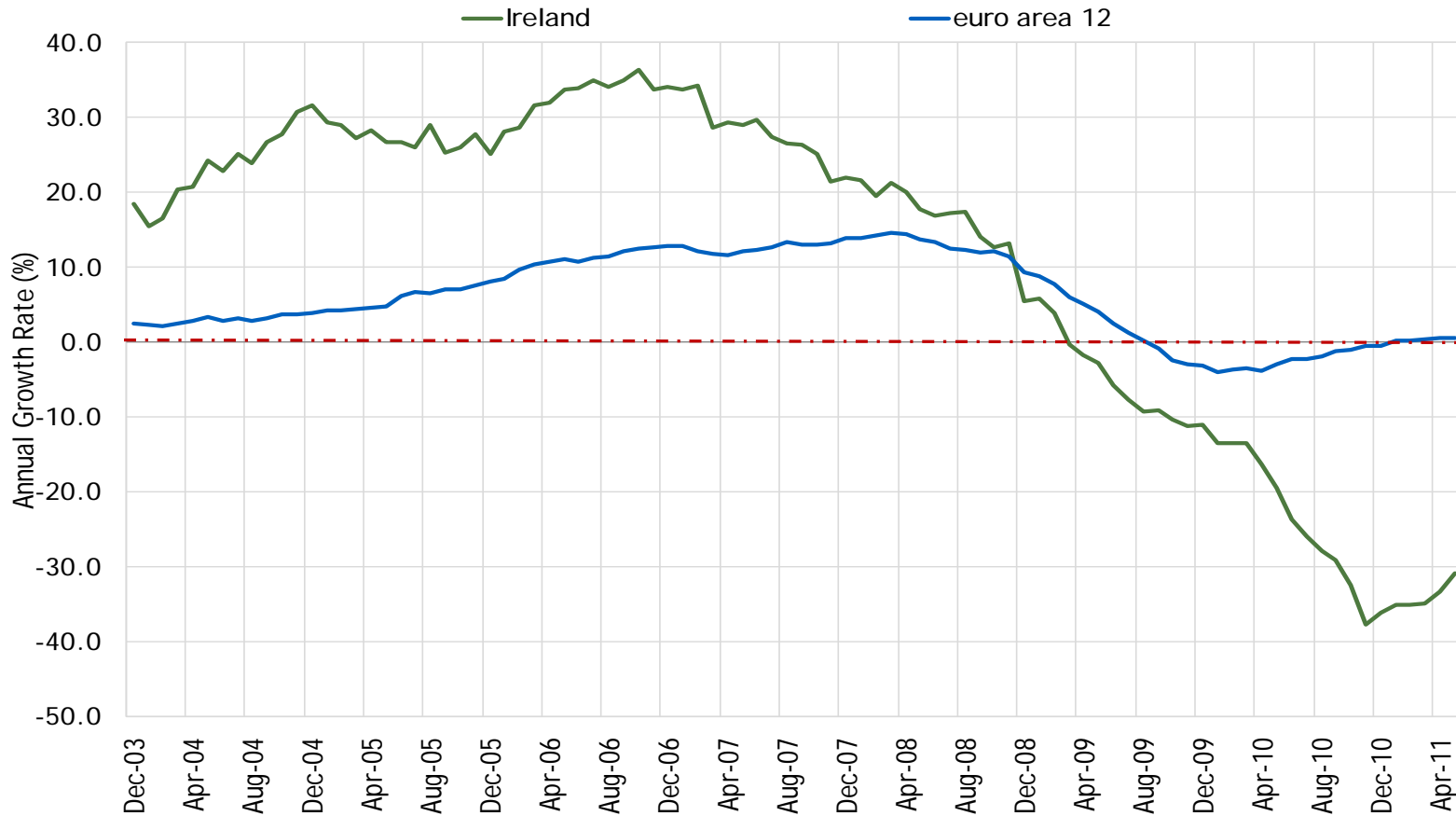
Source: European Commission DG EcoFin, European Economic Forecast Spring 2011

Employment and Unemployment 2005-Q1 2011



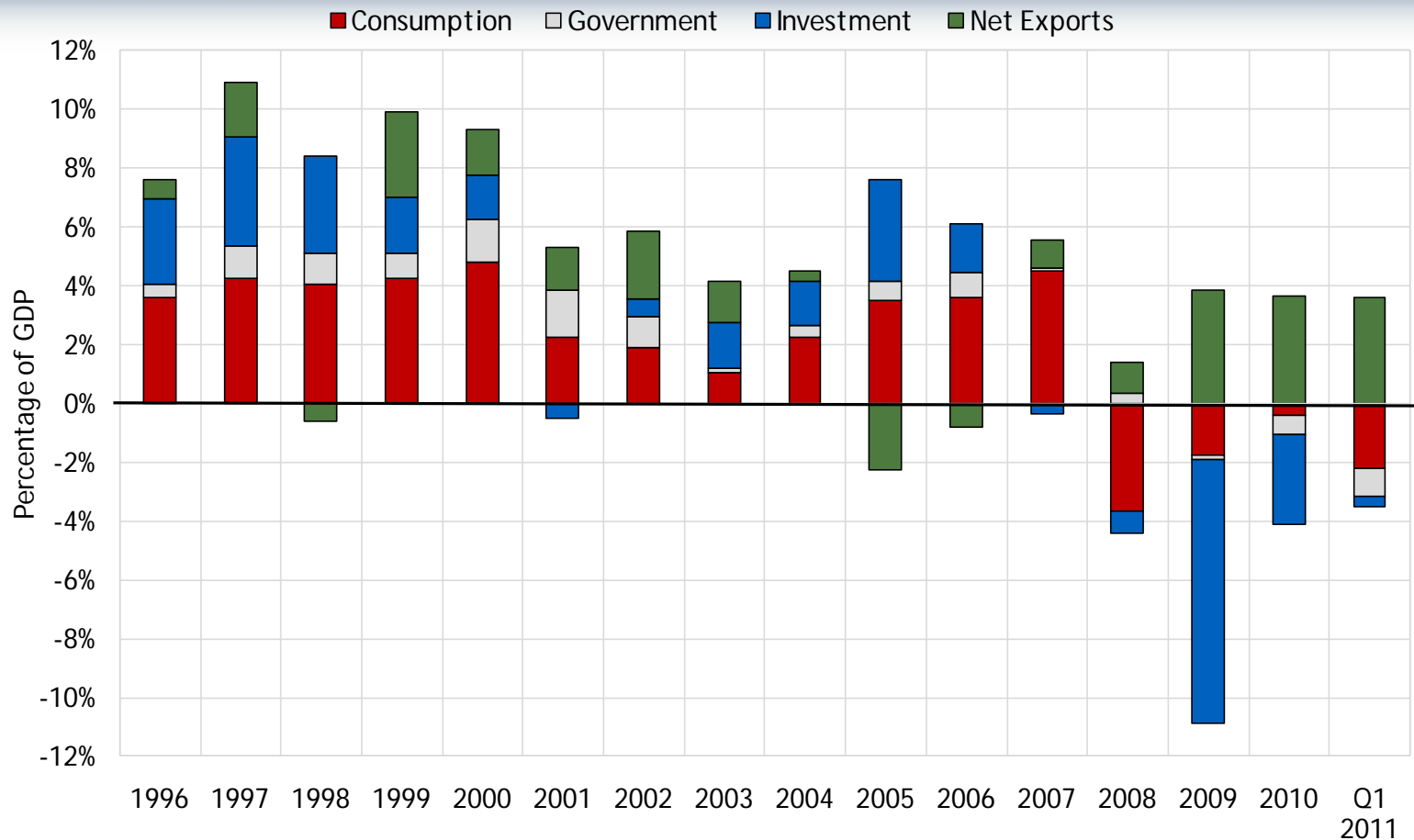
Source: CSO QNHS

The stock of credit to enterprise has been negative since March 2009



Source: ECB

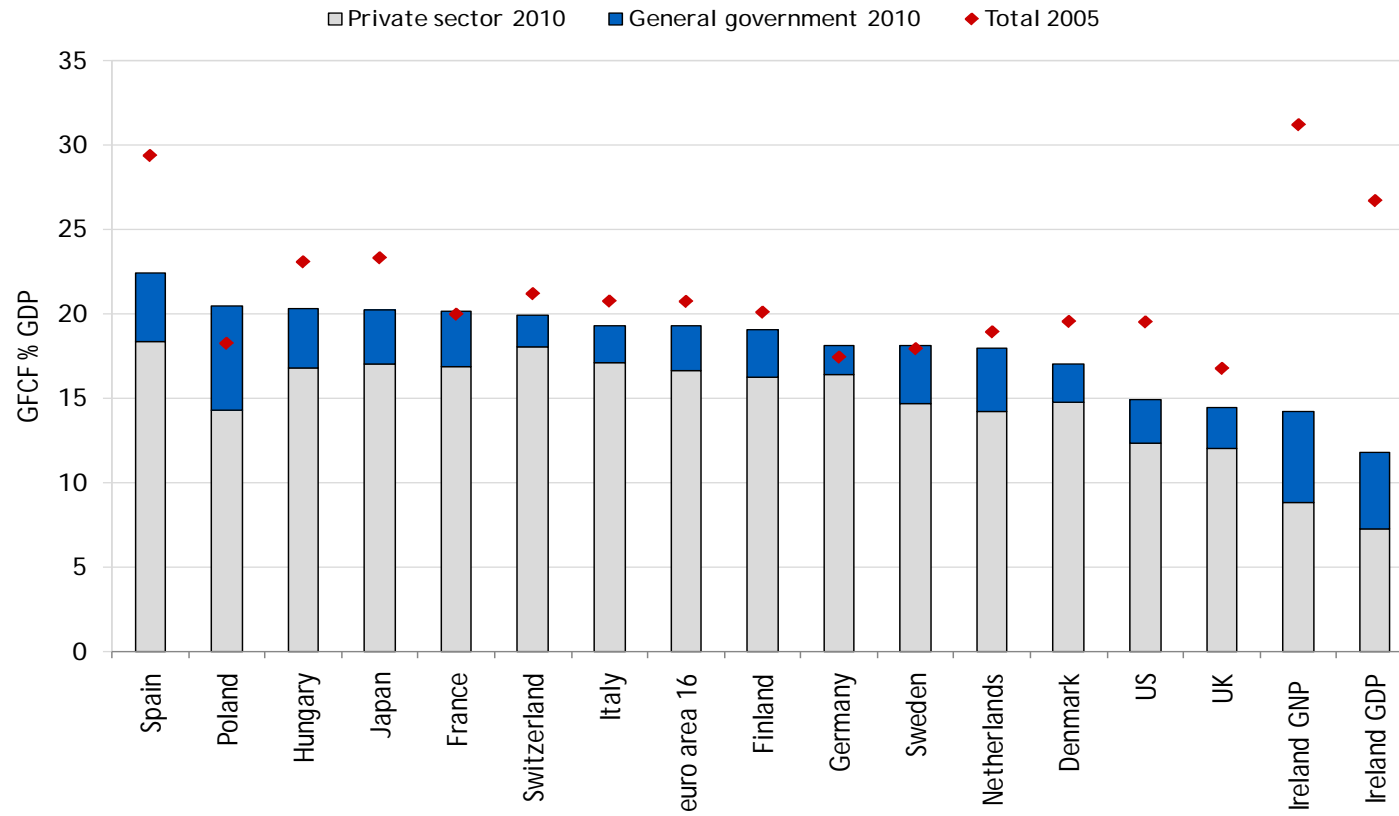
Components of economic growth



Source: CSO National Accounts

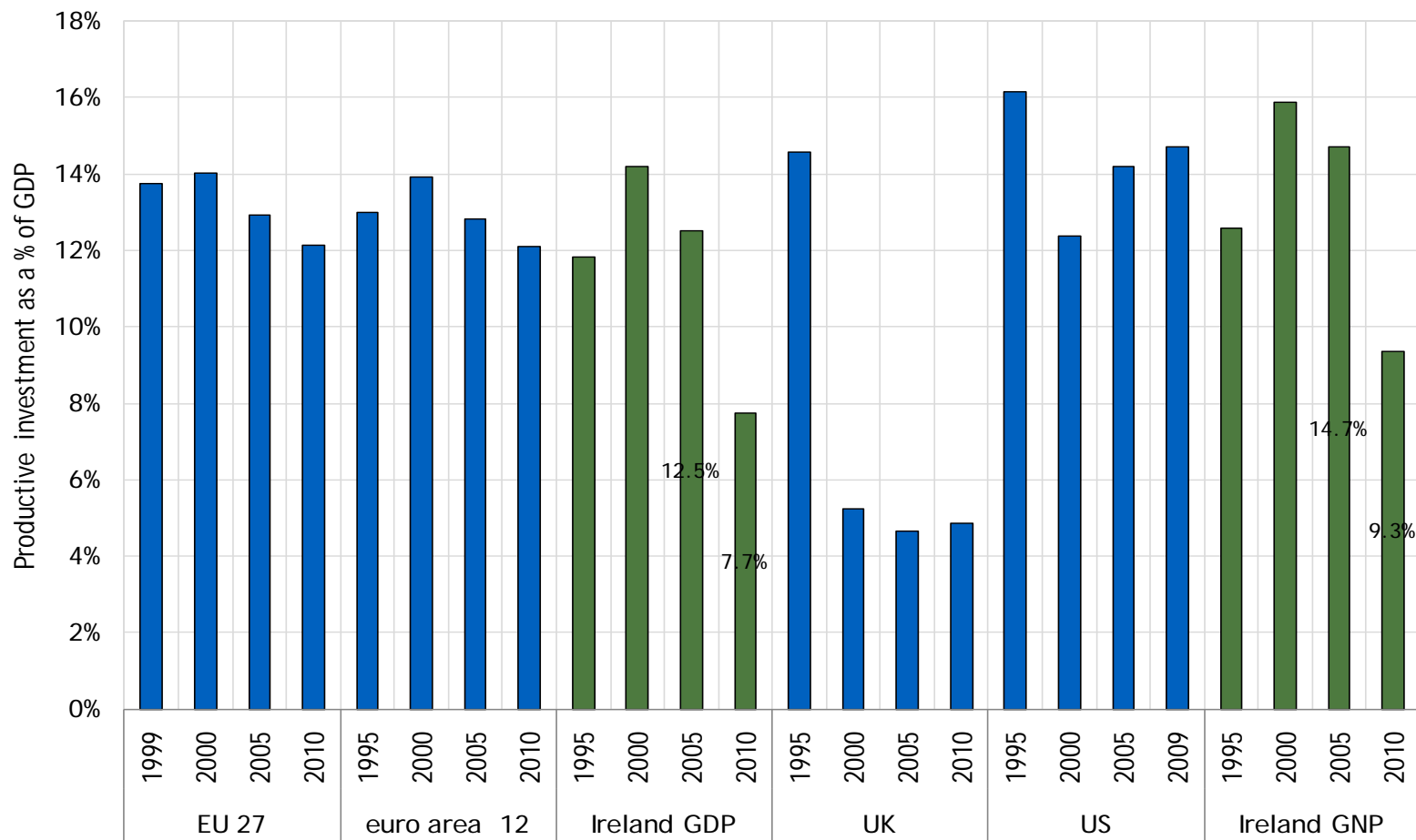
Significant fall in investment in Ireland since 2005

Gross Fixed Capital Formation as a % of GDP



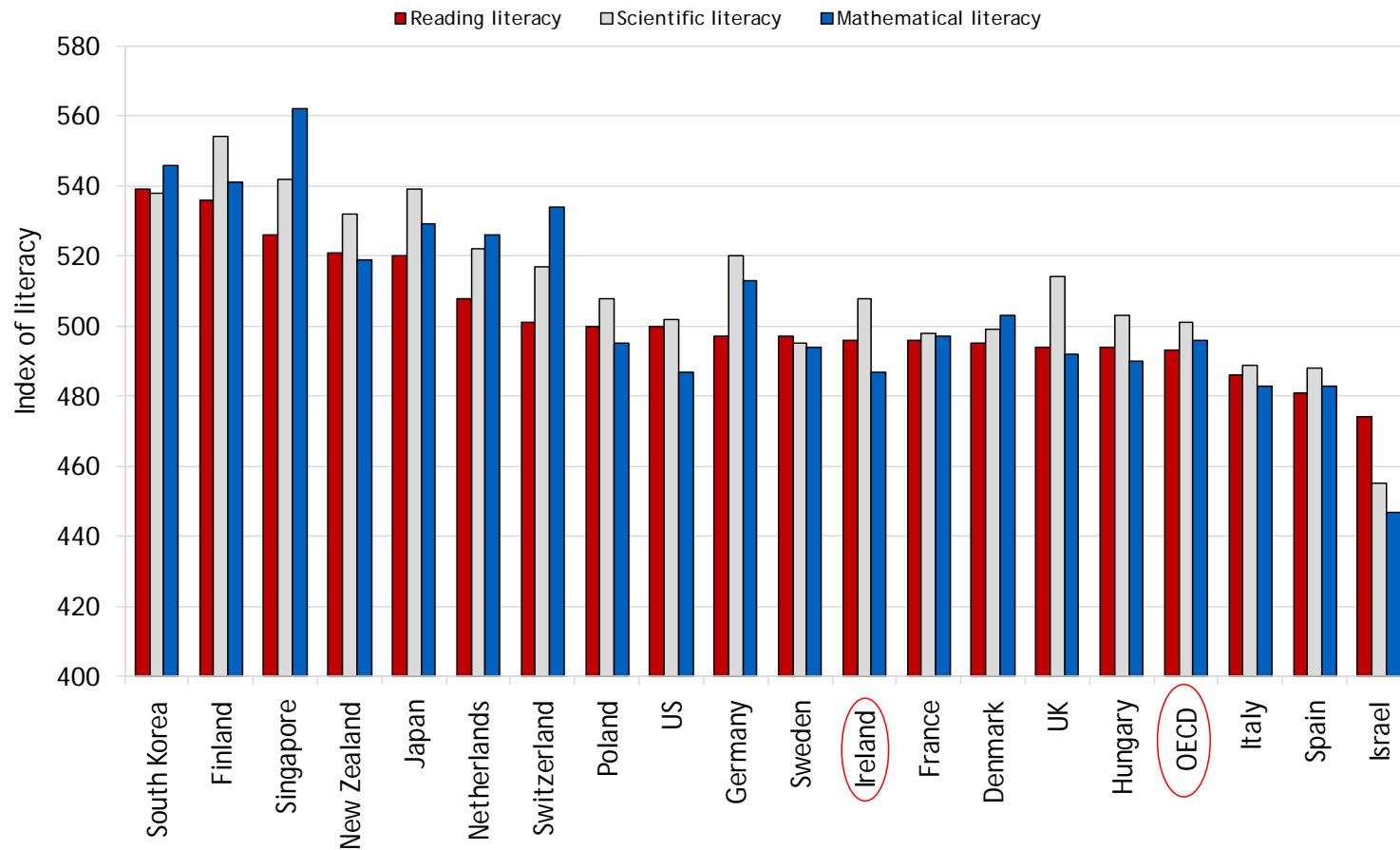
Source: Ameco Database

Productive investment does not fall as much as overall private investment



Source: Ameco Database

Significant decline in PISA performance compared with 2006 results



Source: OECD PISA 2009 database

Policy Challenges

- ▶ Rebuilding Ireland's reputation and brand
- ▶ Improving living standards through innovating and increasing productivity
- ▶ Ensuring viable enterprises have the credit they require to grow and expand
- ▶ Maintaining a taxation regime that incentivises enterprise and employment
- ▶ Addressing areas of underperformance in educational and maximising attainment
- ▶ Continued focus on infrastructure