

3-Feb-2000

Survey of Research & Development in the Business Sector, 1997

Business Sector Research and Development Continues to Increase Rapidly, Although the Rate of Increase Has Slowed – Forfás Survey

Expenditure on R&D in the business sector amounted to £535m (€678m) in 1997 according to a report published today (Thursday 3 February) by Forfás.

The report which updates a regular series on Business Expenditure on Research and Development (BERD) notes, *inter alia*, that there has been a significant increase in the **overall** level of R&D expenditure by the business sector in Ireland during the 1990s, up towards the average that obtains across EU countries. For example:

- Expenditure in 1997 amounted to 1.1% of GDP. This compares with an average value of 1.15% of GDP for all EU member states. In 1990 the corresponding figure for business sector R&D in Ireland was less than half the EU average.
- The R&D intensity of indigenous manufacturing industry has doubled during the 1990s from 0.5% of gross output in 1991 (£47.8m) to 1.1% (£148.8) in 1997.
- The increase in R&D activity has not been confined to one sector. Growth in R&D activity has been witnessed in each of the main R&D performing sectors – electronics, pharmaceuticals, food and drink, software.

However, the report notes that while these trends are positive and welcome, the overall figures mark some significant areas of concern and constraints to building a strong, knowledge-based enterprise sector in Ireland. Among these are the following:

- Business sector R&D performance continues to be dominated by foreign-owned firms, which accounted for 64% (£343m) of research spending in 1997.
- R&D intensities (R&D expenditure as a percentage of gross output) of the major high technology sectors in which Ireland has significant manufacturing strengths lag well behind those found in other countries. The R&D intensity of the pharmaceutical sector, for example, is less than half of the OECD average level and just over one quarter of that found in the lead country, Sweden. In the electronics sector the R&D intensity in Ireland is one third of the OECD average level and one sixth of the lead country, Sweden again.
- While the rate of growth in business expenditure on R&D was a healthy 15% per year over the 1995 -1997 period this represents a fall-off from the very high annual growth rate of 20% per year that was obtained in the early 1990s.

Commenting on the reports findings, Mr John Travers, Chief Executive Officer, Forfás said that "if the industrial sector in Ireland is to retain sustainable, stable and strong growth rates in output, exports and employment in future years then two things must happen in respect of future business investment in R&D viz:

1. The number of firms which undertake a significant level of R&D relative to the size of their operations must increase radically beyond the small minority of firms which do so at present;
2. The **scale** of R&D undertaken by firms must also increase significantly".

Mr Travers pointed out that the Forfás survey report published today makes clear that R&D activity is concentrated in a relatively small number of companies and the scale of R&D activity in the 'average' R&D performing company is extremely low. The median spend for R&D performers is £67,000 (€85,072) per year. For example, less than half of those enterprises claiming to be R&D performers spent more than £100,000 (€126,974) per year on research and development, which means at most two people involved full-time in the activity. Only 75 firms (50 foreign-owned and 25 Irish) spent over £1m (€1.3m) per year on R&D.

Mr Travers welcomed the significant increase in allocations for R&D activity set out in

the *National Development Plan* and said that it is essential that these scarce resources be used effectively to address the deficiencies revealed by the survey report. By doing so the long-term competitiveness of the industrial sector in Ireland will be enhanced greatly to the benefit of living standards generally in the country.

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