

“We must place a sharp focus on enterprise policy and competitiveness to underpin our economic success.” - Forfás

Launch of the Forfás Annual Report 2003

“The past 10 years have brought an unprecedented rate of change in both the domestic and global economic environments. Our economy is now fundamentally different and the competitive advantages which have brought us to this point will not be sufficient to provide us with sustained development and success”, said Martin Cronin, Chief Executive, Forfás at the launch of the Forfás Annual Report 2003, today (Thursday 29th April 2004).

“Ireland has built strong foundations and now we must act strategically to promote enhanced competitiveness to take advantage of the global upturn. We must plan for an Irish business environment that is more attractive to increasingly complex and skilled activities, which will support better jobs throughout the country and that are less vulnerable to overseas competition.”

“The Enterprise Strategy Group (ESG) is reviewing Ireland’s enterprise strategy in the context of the opportunities and challenges likely to arise over the next decade. The report of the Group will be key in providing Ireland with the direction to enable us to be at the forefront of the world’s leading knowledge-based economies,” he continued.

According to the Forfás Annual Report 2003, Ireland performed strongly during 2003 in the context of a difficult global economy, with employment levels increasing by over 44,000 and unemployment falling to 4.6 per cent in the final quarter. Most of the growth in the economy took place in the public sector, private services and the construction industry rather than in the more export-oriented industrial sectors supported by the enterprise development agencies. This was reflected in the decrease in employment in agency-supported companies of 7,500 on 2002. However, employment in these companies at 297,500 is one third higher than it was a decade ago.

Mr Martin Cronin, Chief Executive, Forfás commented that the decline in employment in Ireland’s agency supported manufacturing sectors during 2003 reflects the following factors:

- Weak demand for goods manufactured in Ireland from our major trading partners, particularly during the first half of the year;
- Increasing competition for investment projects from low-cost Asian and central and eastern European locations; and
- The rising cost of doing business in Ireland relative to our competitors for trade and foreign direct investment (FDI).

Mr Cronin said that Ireland needs to ensure that it can provide a business environment which allows internationally-trading enterprises to prosper and be leaders in the development, production and marketing of innovative products and services.

Key initiatives in which Forfás played a significant role and aimed at achieving these objectives during 2003 included:

- the establishment by the Tánaiste and Minister for Enterprise, Trade and Employment, Ms Mary Harney of an Enterprise Strategy Group to which Forfás is providing secretariat
- the development of long-term strategies for the provision of skills pivotal to our move towards a knowledge economy
- the introduction of an R&D tax credit for enterprise
- identification of priorities for research and innovation
- the establishment of Discover, Science and Engineering, the new national integrated awareness programme
- the development of a Code of Practice for the Management of Intellectual Property in 100% publicly funded research
- advising on policies to lower inflation and improve cost competitiveness
- the reduction of costs and increasing the availability of broadband telecommunications services in regional locations

Results of enterprise and science and technology surveys conducted by Forfás during 2003

Employment:

Full-time employment in companies under the remit of IDA Ireland, Enterprise Ireland, Shannon Development and Udarás na Gaeltachta amounted to 297,500 in 2003, a decrease of 7,500 on the previous year. This is the third consecutive year in which there has been a net decrease in employment in agency-supported companies.

Over 22,500 jobs were created in manufacturing and internationally-traded services in 2003 but these gains were offset by losses of 30,000 during the same period. The manufacturing sector accounted for all of the net decrease in employment in 2003. Within internationally-traded services, job gains and losses balanced each other out with approximately 8,500 gains and the same number of losses. In contrast there were approximately 14,000 jobs created in manufacturing but these were more than outweighed by job losses of 21,500. The computer/ electronics sector accounted for almost half of this net decrease. The textile sector and the paper and printing sector also witnessed significant net decreases in employment with approximately one thousand jobs being lost in both sectors.

Expenditure by Agency-Supported Firms: Agency-supported companies spent €34.2 billion in the Irish economy in 2002. This is made up of €10.8 billion on payroll costs, €14.4 billion on raw materials produced in Ireland and €9.0 billion on Irish-supplied services. The output and expenditure of agency supported companies remained relatively flat between 2001 and 2002. Irish-owned firms accounted for €16.7 billion of the total expenditure of €34.2 billion in 2002 and foreign-owned firms accounting for the other €17.5 billion.

Corporation tax payments: The total corporation tax yield from all sources was €5.2 billion in 2003 an increase of 7.5 per cent on 2002. It is estimated that agency-supported companies paying tax at the 10 per cent rate accounted for €2.7 billion (52 per cent) of this total.

State Expenditure on Science and Technology: Government allocations to scientific and technological activities in 2002 amounted to approximately €1.9 billion an increase of 11.3 per cent over 2001 levels. Research and development is an important component of science and technology investment and represents about a quarter of public science and technology expenditure. The 2002 budget allocation amounts to €348.4 million, an increase of €58.4 million over the 2001 outturn.

Business Expenditure on Research and Development (BERD): The latest figures available for BERD are for 2001. €916.8 million was spent on R&D activity in Ireland in 2001 by the business sector. This represents a growth in real terms of 134 per cent between 1993 and 2001. Five sectors of the economy accounted for as much as 85 per cent of BERD in 2001. These were electrical and electronic equipment (37.5 per cent), software & computer related activities (27.5 per cent); pharmaceuticals (7.7 per cent), instruments (6.5 per cent) and food, drink and tobacco (5.5 per cent).

Research and Development in the Higher Education Sector (HERD): Expenditure on HERD reached €238 million in 2000 up from €204 million in 1998 (*note: the latest available figures are 2000*). The Universities are the dominant performers accounting for 80 per cent of HERD, 90 per cent if the Programmes in Advanced Technologies are included. The Institutes of Technology increased their relative share of HERD to 10 per cent in 2000.

Ends.