



## Confederation of Irish Industry

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### PRESS RELEASE

Speech by Liam Connellan, Director General, Confederation of Irish Industry, at meeting of CII Cork Region Council at Cork and County Club, Monday, 25th January 1988

#### LAST WEEK'S SURVEY OF THE IRISH ECONOMY IN 'THE ECONOMIST' UNDULY PESSIMISTIC

##### There are Grounds for Optimism

The general analysis contained in the extensive survey of the Irish economy published by 'The Economist' magazine was broadly correct. However, the conclusions drawn lacked balance and gave undue emphasis to the least favourable aspects of the economy.

It is vitally important that there is a clear recognition that the process of correcting the imbalance in the public finances along the lines recommended by the National Economic and Social Council in the autumn of 1986 is now well under way and that it has the general support of political parties representing over 80% of the electorate.

There has been a substantial structural change in the Irish economy since the early seventies. The proportion of national output accounted for by industry is

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broadly similar to the European average. The following features of the economy currently give grounds for optimism:

1. The average rate of industrial growth since the early sixties has been 5% per annum, more than twice the European average. The volume of manufacturing output increased by about 10% in 1987.
2. In 1987 the country had a balance of payments surplus - after profit repatriations, royalties and interest payments on foreign debt - and is expected to be in surplus again this year.
3. In 1987 significant strides were made to reduce the budget deficit and the borrowing requirement was cut by 2.8% of national output; at the same time Ireland's GNP grew by some 3%.
4. Despite massive shedding of labour in agriculture, total employment in the Irish economy was higher in 1987 than in 1973 when Ireland joined the European Community. This performance compares favourably with the Community as a whole.
5. Irish inflation is now 3.1%, compared with 3.7% in the Britain, and is expected to fall to below 2% in

the year to February 1988.

6. The three month inter bank interest rate in Dublin at 8.6% is almost a half per cent below the equivalent rate in London.
7. At the start of 1988 order books remained strong and I am confident that this year will also show a growth in manufacturing industry significantly better than the European average.

As in many other countries, much more remains to be done but these points demonstrate that the corner has been turned.

It is vitally important that the Irish Government continues to promote strongly investment which will lead to higher output and greater employment. An increasing number of our factories are operating close to full capacity. It is likely that they will need a major increase in investment funds this year. I would strongly urge that every encouragement is given to industrial firms, at this critical stage, to ensure that much needed investment can take place. It is vital that Government maintains existing incentives for investment in order to ensure that the greatest possible investment will now be made in industry, and to lay the foundation for future

growth of output and employment.

Irish industry has expanded twice as rapidly as industry in the rest of Europe annually for more than twenty years. Our industrial base is now a much bigger and important part of our economy than ever before. There is every reason to have confidence that Ireland's industrial growth rate can continue to be much more rapid than in the rest of the Community in the years ahead, and that real progress can be made in reducing unemployment as a result of this growth.

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