PRESS RELEASE

Talk by Liam Connellan, Director General, Confederation of Irish Industry, at CII Dublin South Regional Meeting, Friday, 27th September 1991 at 1.00p.m. in the Burlington Hotel

ACHIEVEMENT OF NATIONAL DEBT REDUCTION TARGETS VITAL FOR CREATION OF EMPLOYMENT

CONSENSUS APPROACH ESSENTIAL FOR REDUCTION OF NATIONAL DEBT

It is of fundamental importance that the consensus approach to the solution of fiscal and employment difficulties which has existed in recent years should continue. The overriding necessity to reduce the national debt was recognised in the Programme for National Recovery and subsequently in the Programme for Economic & Social Progress. As exchequer borrowing was reduced, about 70,000 net additional jobs were created in the business sectors of the economy over the four year period from 1986 to 1990. Falling inflation and interest rates resulted in Irish goods becoming more competitive and in declining interest rates. It is essential that the process of reducing the national debt, which is still among the highest in the European Community, should continue in order to maintain the confidence of investors in the Irish economy, to ensure the competitiveness of Irish products and to increase employment.

EVIDENCE OF INCIPIENT RECOVERY

Business confidence is also dependent on recognising that the process of recovery from the slow-down of the last twelve months is now under way. Let us look at some of the evidence of this incipient recovery. The trends in manufacturing order books, exports and advertised job vacancies, have turned upwards. Capacity utilisation in Irish industry is now running at 76%, which is higher than this time last year. This means that a recovery in international demand will be reflected more rapidly in increased investment and employment than was the situation during the 1987 recovery. There is now strengthening evidence that business confidence, industrial output, and retail sales in Britain and the U.S. are much healthier than they were three months ago.

NEED TO CONTROL PUBLIC SPENDING

However, an improvement in international demand is not sufficient in itself to ensure that Ireland gains the maximum benefit in terms of output and employment. Confidence must also be restored in the management of the public finances. So far this year Government revenue has increased by about 4% compared with a budget of 6%. The revenue receipts have been improving steadily following a very poor first quarter and the gap can be expected to narrow as year end approaches. Current public spending was up about 10% in the year to mid-September compared with an already high budgeted growth in current expenditure of 7%. This was primarily due to the higher cost of unemployment payments as emigration came to a halt. The most difficult problem facing Government is to bring the growth in expenditure down much closer to the budgeted level despite the increase in unemployment costs. This must be done to maintain international confidence in the Irish economy.

The recent Dutch proposal for a two-tier European monetary system would have excluded Ireland from the top tier because of the high level of our national debt. Fortunately, Ireland and some other countries appear to have successfully resisted this proposal, but nevertheless the high level of national debt remains a constraint on Ireland's economic development and has adversely affected the level of interest rates. It is, therefore, essential that the process of debt reduction continues so that the target of achieving a debt to GNP ratio of 100% by 1993 as set out in the Programme for Economic & Social Progress is achieved.

COST COMPETITIVENESS

We must also be particularly vigilant to ensure that there is no deterioration in the cost competitiveness of Irish products. For the first time in many years there is now little or no differential between earnings increases between Britain and Ireland.

CONCLUSION

International conditions have now swung in favour of an improvement in demand. Already this has been reflected in an improvement in Irish manufacturing exports, order books and job vacancies. The continuation of consensus by political parties and the social partners to make further progress in reducing national debt will enable the process of recovery and job creation to gather momentum as it did five years ago and will lead to improved employment prospects.

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