PRESS RELEASE

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry, at Athlone Show Press Reception in the Royal Hoey Hotel, Athlone, on Wednesday, 2nd August 1989, at 18.30 hrs.

MORE JOBS NOW BUT FURTHER CUTS IN EXCHEQUER BORROWING REQUIRED TO SLOW DOWN GROWTH OF CONSUMER IMPORTS, AND TO KEEP INFLATION UNDER CONTROL.

There has been a marked recovery in economic output over the last three years and this is now having a favourable impact on employment. The initial recovery phase, which commenced in the Autumn of 1986, had a slow initial impact on jobs as many businesses were operating well below their capacity limits and could take on additional work without adding to the number of jobs. However, employment has now been increasing steadily for three years.

Initially, the recovery in industrial output was export led and the domestic economy remained depressed. However, retail sales which remained stagnant in 1987, grew by 2% in 1988 and so far this year are 7% higher in volume than the first half of last year. The construction industry, after many years of decline, is expected to expand by about 7% this year.

The multiplier from each manufacturing and food processing job is increasing. Greater reliance on sub-contracting and changes in technology have resulted in each industrial job being associated with five jobs elsewhere in the economy compared with four jobs in 1980. There has been a continuous reallocation of jobs between manufacturing and services, but the task of the productive goods producing sectors of industry and agriculture remains that of creating the added value or wealth on which most other jobs in the economy are dependent.

Reduced Exchequer Borrowing Has Paid Dividends in More Jobs

There is now strong evidence that this recovery in output is making a significant impact on employment. The following are some of the indicators:

1. Total employment in the economy increased by 11,000 the year to April 1988 and seems likely to increase by about 15,000 this year. The ESRI forecasts that employment could increase by up to 20,000 jobs in 1990.

2. In the month of May there were 16,000 advertisements for jobs in the national newspapers for occupations ranging from office staff to machine operators.

3. The unemployment rate among new graduates fell significantly in 1988 and in some colleges was as low as 2%. While one-third of graduates are still emigrating, the rise in emigration has halted, and more are obtaining jobs in Ireland.

4. Advertised vacancies for executives in the year to the end of June this year at 6,000, were the highest recorded since 1980, and were up 30% on last year. Manufacturing industry is reporting strong demand for engineers, computer, marketing and financial staff.

5. The rate of unemployment in June was the lowest for four years, but with 234,000 people unemployed there is still a long way to go.

There is clear evidence that the reduction in Exchequer borrowing in recent years, which led to lower inflation and interest rates, has paid dividends. It is essential that our inflation rate and interest rates are contained in line with those of our partners in the European Monetary System, such as Germany, Belgium, Netherlands, Luxembourg, France and Denmark, as our currency is firmly linked to theirs.

Sharp Rise in Consumer Imports

The recovery of confidence has led to a strong surge in consumer spending. It is vital that this should not be allowed to get out of control. When consumer spending exceeds the growth of the economy, the difference has got to be made up by higher imports. In the first five months of the year the volume of retail sales was 7% higher than last year while the economy is growing by 4% to 4.5%. As a result, there has been a sharp increase in imports of a wide range of consumer products in the first half of the year. These products include meat, dairy products, clothing, footwear, road vehicles, furniture, vegetables and fruit, and beverages. The total imports of these eight product groups, up 33% in value on last year to £1,000 m, are increasing at about four times the rate of growth in the value of economic output.

There has been a consequential drop in the ratio of exports to imports. Continuation of this trend for a full year could reduce significantly the balance of payment surplus, and could put pressure on interest rates.

Urge Further Substantial Reduction in Exchequer Borrowing Requirement

I would therefore urge that serious consideration be given by Government to making a further substantial reduction in the Exchequer borrowing requirement next year in order to slow down the growth of the consumer spending and imports to sustainable rates. This would help to keep Irish inflation and interest rates in line with our partners in the European Monetary System, maintain the competitiveness of industry, and would create the conditions for the further expansion of employment. It would also reduce the very high level of public debt which, at 130% of GNP, leaves the economy vulnerable to a slow down on the international economy.

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