Paper Presented by Liam Connellan, Director General, Confederation of Irish Industry at CDEIF Conference, Dublin, July 7th 1988

THE IRISH ECONOMY, AND THE CII ROLE

The Irish Economy

Ireland has a population of 3.5 million people and a diaspora throughout the world of some 60 million people. It has a GDP per capita of 7,180ECUs or 68% of the Community average. In world rankings Ireland has the 28th highest income per capita.

The population of the Republic has increased by over half a million people since 1970. Half the population is under 28 years of age. Ireland has a dependency ratio 35% greater than the Community average. GDP per employee is 85% of the Community average and in 1986 average hourly earnings in industry were slightly higher than in the United Kingdom or Spain.

Ireland has still a relatively high proportion of its workforce engaged in agriculture i.e. 15% compared to a Community average of 7%. Industry accounts for 28% of the workforce but contributes about the same proportion of GDP as it does throughout the Community as a whole.

During recent decades it has been the prime aim of Government policy to promote the expansion of industry so as to offset the structural decline in agriculture, and to create the basis for higher employment directly in industry and also in the services sector. Since 1960 manufacturing output has expanded an average of 5% per annum. In 1987 growth rate in manufacturing industry accelerated to 10%. The primary influence on the more rapid growth of manufacturing industry in Ireland compared with the

European Community generally, has been the inflow of foreign investment. Each year 50 to 100 new overseas industries set up in Ireland, and there are now about 900 overseas firms in Ireland. Almost half of these are from other Community countries and a further 40% come from the United States.

New technology industries such as electronics, electrical, chemical and pharmaceutical, have expanded by an average of 15% per annum since 1973; agricultural-based industries have expanded by 3% per annum and the traditional sectors have had a fall in output of 2% per annum. Resulting from these differential growth rates, new technology industries now account for almost half of total manufacturing output; the food, drink and tobacco sector for about a quarter, and the traditional sectors for one quarter.

Despite the strong growth of foreign-owned industries, some Irish-owned firms such as Jefferson Smurfit (paper packaging); Waterford Glass (handmade lead crystal glass); and Guinness Peat Aviation (aircraft leasing), are world leaders in their particular sectors. In addition, five Irish-owned firms are among the top 500 quoted companies in Europe i.e. in approximate proportion to our population.

National Finances

Successive Irish Governments in the 1970s and early 80s engaged in major recourse to deficit financing, and the national debt as a proportion of GNP rapidly escalated from about 65% in 1970 to about 150% in 1986. About 40% of this escalating debt was borrowed abroad.

By 1986 there was widespread recognition of the seriousness of the problem. The National Economic & Social Council, representing industry, farmers and trade unions, recommended to Government that the highest priority be given to stabilisation of the national debt.

The new Government elected in early 1987 set about this task with determination. In 1987 the Exchequer borrowing requirement was reduced from 13% of GNP to 10% and this year will be reduced to about 7.5%. The national debt has almost stabilised and a continuation of present policies should ensure a balanced budget within three years.

During the 1970s GNP expanded by almost 4% per annum. Despite the continued expansion of industry from 1980 to 1986, there was no growth in the economy due to the impact of interest payments on foreign debt and profit repatriations by overseas-owned companies. However, 1987 saw a major reduction in Exchequer borrowing, a fall in public spending and a sharp decline of inflation to 1.8% and of the short-term interest rate to 7.8%. Business confidence was boosted and there was a strong export-led recovery leading to a GNP increase of 5%. This is expected to be followed by a growth of 3% in 1988. Furthermore, in the first half of 1988 there was a net inflow of foreign investment to the Irish gilt market equal to 3.3% of GNP.

The period of no economic growth from 1980 to 1986 resulted in a sharp increase in unemployment from 6% to 18% of the workforce. Following the resumption of economic growth in 1987, the unemployment rate has declined steadily over the last year. It is expected that this trend will continue.

Exports

In 1987 exports amounted to 67% of GNP and the balance of payments was in surplus by 1.25% of GNP. In the manufacturing sector, 80% of total output was exported.

Since Ireland joined the European Community there has been a marked diversification of exports towards Continental EC countries which now account for 40% of total Irish exports while the United Kingdom accounts for 34%.

Irish industry is strongly in favour of the completion of the Internal Market by 1992. Studies conducted as part of the Cecchini Report indicated that a balance of 57% of Irish firms believe that the opportunities offered by the completion of the Internal Market exceed the risks. Furthermore, Irish firms believe that sales will be 7% higher and costs 2% lower as a result of the elimination of barriers.

CII Role

The objective of the Confederation is to create conditions for profitable industrial expansion. This is done by gathering information, preparing, presenting and publicising the viewpoint of industry.

The CII represents manufacturing industry and the services sector, including banking and major retailers. The Confederation has a budget in 1988 of 3.3 million ECUs and has 52 permanent staff, 40% of whom are representation executives.

Each CII representation executive on average participates in two meetings with members or Government agencies every day; has group meetings involving 1,000 participants throughout the year; issues of 25 media statements annually; makes twelve public speeches; and recruits, on average, new members paying subscriptions of 10,000 ECUs per year.

The real income per person employed at the Confederation has increased by 7% per annum since 1980, and revenue per employee in 1988 is 62,000 ECUs exactly in line with the European average.

In the context of 1992 it is now the aim of the Confederation, working with each of our sister Confederations, to establish a network of industrialists throughout every region of Europe, who share an interest in developing economic relationships between their own region, and Ireland.

END

Income/Capita Ranking 1987

1. United Arab Emirates
2. United States
8. Japan
18. United Kingdom
28. Ireland
41. Portugal
53. Turkey
68. Egypt
109. Ethiopia

GDP/Capita

Ireland 68% EC

Dependancy Ratio

Ireland

35% > EC

GDP/Employee

Ireland

85% EC

1986 Average Hourly Earnings 30 Countries

1. Sweden
   Norway
3. Germany
4. United States
16. Ireland
17. United Kingdom
18. Spain
21. Greece

Workforce

	Ireland	EC
Agriculture	15	7
Industry	28	35
Service	57	58
	—	—
	100	100

% GDP

	Ireland	EC
Agriculture	10	3
Industry	37	38
Services	53	58

Manufacturing Output 1973/85

	% Annual Change
New Technology	15
Food, Drink & Tobacco	3
Traditional	- 2

Manufacturing Industry % Annual Charge

	Output	Pro.	Employ.
1973-80	5	4	1
1980-87	5	8	- 3

Changing Structure % Output

	1979	1986
New Technology	27	45
Food, Drink & Tobacco	30	26
Traditional	43	29

World Leaders

Jefferson Smurfit
Waterford Glass
G.P.A.

Top 500 Companies in Europe

Denmark	6
Ireland	5
Finland	4
Norway	3

National Debt
% GNP

1981	94
1986	151
1987	152

NESC 1986-1990

Stabilise Debt

Tax Reform

Sectoral Dev. policies

Social Equity

Programme for Recovery

Pay: +2.5% for 3 years

Annual Change GNP

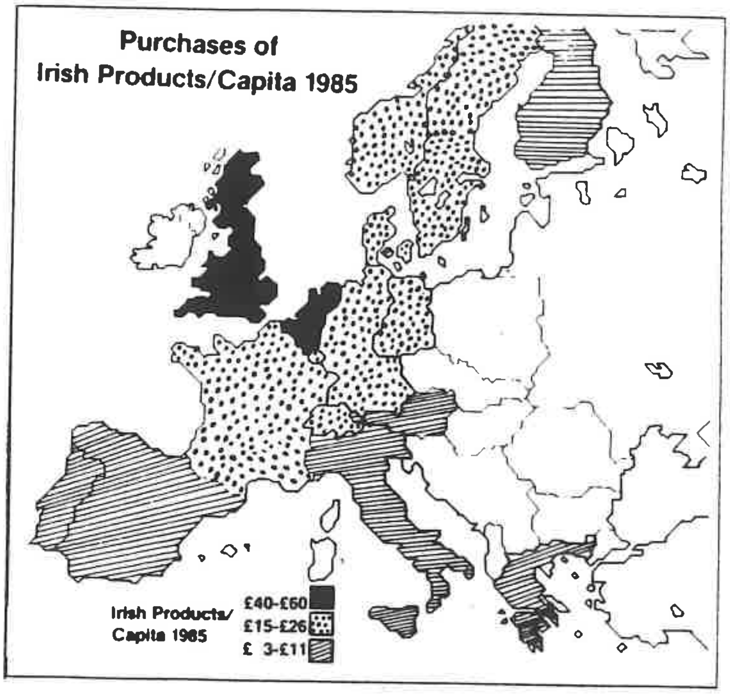
	%
1975-80	+3.7
1980-86	0
1987	+5
1988	+3 (est.)

Unemployment

	%
1973	6
1980	6
1988	18

Export Market Diversification

	1973	1987
UK	55	34
Cont. EC	21	40
Other	24	26
	—	—
	100	100



	Irish Exports 1987	Purchasing Power
UK	46	18
Benelux	16	9
Germany	15	26
France	13	21
Other	10	26
Total EC	100	100

Opportunities/Risk Balance

All Industry

Ireland	EC
57	41

All Industry

	Ireland %	EC %
Costs	-2	-2
Sales	+7	+5

CII Objective

Conditions for Profitable Expansion

CII Staff

(52)

	%
Repres. Execs.	40
Admin. Execs.	20
Non Exec.	40
	100

How?

Gather Information
Prepare Case
Present
Publicise

CII

Per Representation Executive

Meetings	2/Day
Participation	1000/Yr
Media Statements	25/Yr.
Speeches	12/Yr.
New Members	10,000 ECU/Yr.

Productivity
Real Income/Capita

1980 - 1987	7%

CII

Fax News	Daily
Newsletter	Weekly
Economic Trends	Monthly
Business forecast	Monthly

Revenue/Person
1988

CII	62,000 ECU
EC Average	62,000 ECU