

CH 2.5

The Competitive Performance Of Industry In The Republic Of Ireland And Northern Ireland By Eoin O'Malley#

1. Introduction

This article reviews the competitive performance of industry in the Republic of Ireland (RoI) and Northern Ireland (NI) by focusing on trends in industrial output, employment and exports compared to trends in the European Union (EU). The work has been undertaken as part of a larger project for InterTradeIreland that seeks to model the underlying causes of business competitiveness within an all-island context.

2. Output Trends

Total manufacturing output grew much faster in the RoI than in the EU so that the RoI's share of EU output increased from 0.88% in 1991 to 2.12% in 2000. Some of the largest increases in share of EU production occurred in the "modern" or "high-tech" sectors such as electronics and pharmaceuticals, which in the RoI are quite largely composed of foreign-owned multinational companies. However, apart from those sectors, the RoI's share of EU production also increased in nearly all other sectors between 1991 and 2000. The RoI's share of EU production was already rising in most sectors in the early 1990s, before what is often identified as the "Celtic Tiger" period.

The RoI's industrial output by 2000 was worth \$51.8bn more than it would have been if each sector had simply maintained the share of EU production that it held in 1991.

Focusing on RoI indigenous or RoI-owned industry, most sectors of indigenous industry increased their share of EU production in 1991-2000. Some of the largest gains in RoI indigenous industry's share of EU production occurred in the "modern" or "high-tech" sectors. The output of RoI indigenous industry by 2000 was worth \$3.6bn more than it would have been if each of its sectors had simply maintained the share of EU production that they held in 1991.

Total manufacturing output also grew faster in NI than in the EU so that NI's share of EU output increased from 0.3% in 1991 to 0.4% in 2000. Most individual sectors in NI also increased their share of EU production. The most striking gain in share of EU production was in Electrical & optical equipment (which includes electronics), but a number of other sectors also increased their share very substantially. The 2 exceptional sectors, which had lower shares of EU production in 2000 than in 1991, were Chemicals and Transport equipment.

The output of industry in NI by 2000 was worth \$4.6bn more than it would have been if each sector had just maintained the share of EU production that it held in 1991.¹

3. Employment Trends

The RoI's share of EU total manufacturing employment increased from 0.58% in 1991 to 0.85% in 2000. The RoI's share of EU employment increased in 1991-2000, not only in the "high-tech" sectors, but also in nearly all other industrial sectors.

Total manufacturing employment in the RoI by 2000 was 81,800 higher than it would have been if all sectors had just maintained the share of EU employment that they held in 1991.

In RoI indigenous industry, most sectors increased their share of EU employment in 1991-2000 and some of the largest gains in EU employment share occurred in the "high-tech" sectors. The total employment gains arising from increases in the RoI indigenous industry's share of EU industrial employment since 1991 amounted to 34,000 by 2000.

In NI all sectors of industry increased their share of EU employment between 1991 and 2000 with the exception of textiles, clothing & leather. The most important gain in share of EU employment occurred in electrical & optical equipment. Total manufacturing employment in NI by 2000 was 14,600 higher than it would have been if all sectors had simply maintained the share of EU employment that they held in 1991.

4. Export Trends

The RoI's total manufacturing exports increased from 1.56% to 3.38% of the EU total between 1991 and 2000.

The RoI's major gains in share of EU exports occurred in the "modern" or "high-tech" sectors. But a number of other sectors had some decline in their share of EU exports between 1991 and 2000, although their share of EU production increased over the same period. This occurred in a context in which exports and imports were generally growing much faster than production in EU countries after 1993 in the "Single European Market".

In RoI indigenous industry, total exports grew more slowly than total EU manufacturing exports between 1991 and 2000. However, there are doubts about the validity and interpretation of the findings on the food industry, and when that sector is left out the results for RoI indigenous "non-food" exports are fairly positive overall.

In NI, manufacturing exports by 2000 were worth 7% more than they would have been if each sector had simply maintained the share of EU exports that it held in 1991. NI had increasing shares of both EU production and EU exports in most sectors over the period 1991-2000. The main exceptions to the generally increasing trends were chemicals and transport equipment, which had declining shares of both EU production and EU exports over the period, while in textiles, clothing & leather the share of EU exports was down.

5. Conclusions

This brief review of competitive performance includes findings that are encouraging for both NI and the RoI.

In the case of the RoI, it has been obvious for some time that there has been unusually rapid industrial growth led by foreign-owned multinational companies in a few high-tech sectors. However, the findings here indicate that, when compared to the international context of the EU, there have also been broader areas of successful competitive performance, both extending into other sectors and including RoI indigenous firms in the high-tech sectors.

The economic performance of NI may have looked less dramatic in some respects than that of the RoI. But again, when compared with the international context of the EU, the competitive performance of industry in NI has been impressive. NI was very consistent in having an increasing share of EU production, EU employment and EU exports across a majority of sectors.

#Eoin O'Malley is Senior Research Officer, Economic and Social Research Institute, Dublin

1 Findings on indigenous or locally-owned industry in Northern Ireland are not included because suitable data are not readily available for Northern Ireland.