

## **Robust performance in Business R&D investment in Ireland**

### **Forfás launches report on Business Expenditure on R&D (BERD)**

Investment in Research and Development (R&D) performed by the business sector in Ireland increased to €1,076m in 2003 and up from €901m in 2001, according to new data published by Forfás today (**25<sup>th</sup>** May 2005).

The report entitled, **Business Expenditure on R&D 2003 (BERD)** forms part of a regular set of R&D and innovation surveys conducted by Forfás. The report notes that business spending on R&D performed in Ireland increased annually by 9.2 per cent between 2001 and 2003 in nominal terms, accelerating from 7.0 per cent annual expansion between 1999 and 2001. When adjusted for inflation, annual growth between 2001 and 2003 amounted to 5.2 per cent.

Commenting on the survey results, Mr Martin Cronin, Chief Executive, Forfás said "The acceleration in R&D spending performed in Ireland by businesses between 2001 and 2003, represents a solid performance, particularly given the global economic slowdown, heightened economic risks and the ICT sector specific shock which occurred in that period". He continued "In a period when other countries saw stagnation or slowdown in their efforts to increase investment in R&D, Ireland's strong business sector performance is an important step towards meeting the goals set out in Ireland's National R&D Action Plan".

The report notes that the ratio of BERD to economic activity rose to 0.97 per cent of GNP<sup>1</sup>, compared to the 0.93 per cent ratio posted in 2001. The increase represents a narrowing of the BERD/GNP gap with the EU average, which is estimated at 1.13 per cent in 2003. Irish BERD performance remains significantly below the OECD average BERD/GDP ratio of 1.45 per cent, and even further away from the 1.7 per cent BERD/GNP target set out in Ireland's R&D vision. The announcement of several high-profile business R&D projects in recent months will show further progress being made in reaching these ambitious though necessary targets.

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<sup>1</sup> The GNP measure of economic activity is used to benchmark Irish international performance in R&D as it removes the distortion to output measurement caused by the large financial flows through the economy by multi-national firms. The GDP measure is used to compile EU and OECD averages.

Concluding Mr Cronin added "Further strong increases in business R&D investment will be necessary in the period 2005-2010 if Ireland is to fully narrow the R&D competitiveness gap with other nations and if we are to put in place the strong foundations necessary for the development of a modern, knowledge driven and successful business economy".

**The other key findings of the report included:**

- BERD rose strongly in the pharmaceutical and instruments sectors, steadied in the electronics and computer-related sectors, and fell in the food and drink sector.
- Foreign-owned (share holding >50 per cent) companies accounted for a growing 72 per cent of total BERD performed in Ireland in 2003.
- Despite the 9.2 per cent growth in BERD, the number of R&D active companies performing R&D in Ireland fell by an annual 5.5 per cent.
- Numbers of people employed in R&D activities by businesses in Ireland (full-time equivalents) increased by 1.7 per cent between 2001 and 2003.
- The share of total expenditure invested in Basic Research R&D by businesses rose to 8.9 per cent in 2003, increasing from the 4.4% share recorded in 2001.
- BERD is estimated to have increased to €1145 million in 2004.

**Ends.**

For further information please contact:

Cathy Foley ([cathy.foley@forfas.ie](mailto:cathy.foley@forfas.ie)), Forfás ☎ 01 607 3046

Aideen Fitzgerald ([aideen.fitzgerald@forfas.ie](mailto:aideen.fitzgerald@forfas.ie)), Forfás ☎ 01 607 3020 / 087 2432140

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