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Prospects of the Irish Economy
in 1962

by

ALFRED KUEHN

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Prospects of the Irish Economy in 1962

By ALFRED KUEHN

This paper is divided into four parts: First, there is a discussion of statistical sources used in the analysis. Present trends are then treated in general terms; this, in turn, is followed by quantification within the national accounting framework. The paper concludes with a discussion of some major aspects of short run economic policy. A statistical Appendix A has been added for the convenience of the reader interested in details, while Appendix B consists of the first publication of the new quarterly Industrial Sample Survey dealt with in the text.

I. Sources

(a) Official Statistics

The statistics used in economic analysis are primarily drawn from official sources. In Ireland most official statistics are provided by the Central Statistics Office, Dublin (CSO). The Central Bank and semi-state bodies release information concerning their sphere of activity from time to time. While not all the vast quantity of data collected can be printed most finds its way—if only in a condensed form—into print once a year or once every quarter.¹ A few statistics are issued in printed form monthly.

For an analysis of current economic activity information of this kind is of limited use, and the CSO as well as other sources try to serve the needs of economists and the press by furnishing a great number of monthly, fortnightly and weekly releases of specific data with a limited circulation. A list of those of special relevance to short term macro-economic analysis has been included in the statistical Appendix A.

Apart from statistical information published it is possible—if it can be proved that a valid interest exists, and provided statutory considerations do not

interfere—to obtain data or other information from the Government Departments and the CSO.²

As economic activity in Ireland is influenced to a considerable measure by external trade, an assessment of the economic situation would not be complete without consultation of international statistics. Fortunately, a sufficient number of these are available in great detail, at frequent intervals and more or less up-to-date.

Assessments of international developments are provided, e.g., by the United Nations, the International Monetary Fund and the Organisation for Economic Cooperation and Development. Most national research institutions report on the international scene as well as on their own country. The coverage of economic reporting for particular countries of major interest to Ireland because of trade connections is quite excellent; thus data for the U.K., the U.S. and the majority of continental European countries are available on a monthly and quite often even shorter basis. Publications which can be consulted for an assessment of international trends with reference to the Irish situation are named in Appendix A.

(b) Industrial Sample Survey

It has been found desirable to supplement official quarterly statistics on Irish industry with additional information which is more up-to-date, and which allows a look into the future.

In a number of countries (e.g., U.K., U.S., Germany, France, Italy, Japan) business *tests* have become standard procedure and it was felt that the method could be profitably adopted in Ireland. The tests are usually conducted by research institutes, Chambers of Commerce or other semi-public bodies

¹Yearly publications by the CSO include *Statistical Abstract of Ireland, Economic Statistics, National Income and Expenditure*; quarterly data are provided by *Irish Trade Journal and Statistical Bulletin*.

²The writer has been rendered such services, and he wishes to thank here all officials with whom he has come in contact during his work and who have assisted him in obtaining information which otherwise would not have been available to him.

and are directed at obtaining—among other things—a picture of present thinking and intentions in the business community; the underlying idea is, that these thoughts and intentions will more or less result in similar action. If this is true it can be readily seen that economic forecasting would be much easier, if, in addition to statistical returns relating to some period in the recent, or less recent past, today's opinions of business men could be sampled and made public without much delay. The tests in existence abroad have, in fact, proved their usefulness for forecasting purposes as well as for anticipating changes in statistical series—e.g. indices of production—whose results are generally not available for about one or two months after the period to which they relate.

The method applied in the tests is basically as follows:

Information is supplied by questionnaire by a panel of participating firms which form a representative cross-section of the economy or some of its branches. Although the actual number of questions can be quite large, answers requested are usually not of a quantitative nature. Participants are asked instead to indicate the direction of change +, 0, or -. The ultimate purpose is, of course, to estimate quantitative changes from the information given, but, by not asking for this directly the task is simplified considerably; moreover, useful answers are obtained where quantitative disclosures might be impossible. The questions relate to such factual or anticipated data as turnover, production, prices, manpower, investment and stocks during recent, current or coming periods in relation to a defined earlier period of reference.

The usual size of the panel is about 1,000–2,000 firms. The percentage of the number of participating firms in relation to all firms in the industry may be quite small where the average size of the firm is small in terms of employment or turnover. Conversely, where the industry is dominated by a few large concerns the proportion of participating firms will be large in order to obtain reliable results.

The method selected for Ireland differs from those used abroad in the sense that the panel of participating Correspondents has been restricted to a smaller number than is customary in sampling procedure. This was necessary for reasons of economy. The panel, on the other hand, is not asked to report on individual firms but on branches of industry. Correspondents have been selected because of their intimate acquaintance with an industry either as manufacturer or supplier. In the majority of cases their firms have a substantial share of the market. The Institute intends to keep

the contact with the Correspondents on a more personal basis and it has been found that most of those approached with an invitation to participate in the Survey have been most willing to help.

The Industrial Sample Survey was initiated in the autumn of 1961. Today, 25 Correspondents indicate quarterly the development of sales, prices, production, exports, investment and employment. The questionnaires returned cover over two-thirds of Irish manufacturing industry in terms of net output. Because of the relatively small number of Correspondents the returns are published for Manufacturing Industry and two subdivisions only. Although the Survey is still at an early stage the results obtained so far, which have been checked against other data, indicate that, except perhaps for exports, the degree of reliability achieved by this method is sufficient to allow its application for current analysis and short term predictive purposes. An example of the results of the Survey is reproduced as Appendix B.

II. The General Picture

The prospects for economic activity in Ireland must be considered against the background of economic conditions in the world outside. Exports constitute a major part of total demand in the country. As the demand by foreigners for Irish goods is not independent of economic conditions in their own countries Irish export earnings will be influenced by changes in business activity there. Moreover, exports have a multiplier effect in the economy which causes domestic activities to feel the influence also.

Changes in business activity abroad, however, will have to be rather significant before they are transmitted in a palpable degree to Ireland. In isolated cases exporters may adjust their selling efforts in the affected country or may switch the direction of their promotion. Only if the market is confined largely to one country, and this happens to experience a moderate to strong recession, would it seem inevitable for exports to suffer a setback. The same would apply if a recession, however small, became world wide. In this case it would be difficult to find alternative export outlets.

Ireland, fortunately, is not one of those primary-producing countries whose export earnings are more or less at the mercy of the highly volatile international stock cycle. The country is, however, in competition with overseas and European agricultural exporters. Since demand for the kind of agricultural products which Ireland exports is rather stable in the short run changes in world supply influence her ability to export to some degree.

In 1962 economic conditions abroad can be expected to remain reasonably stable, especially in those countries which are Ireland's major trade partners. For the OECD countries as a whole the current year will be one of moderate expansion. There are differences, however, from one country to another, which are not without significance for the prospects of Irish exports.

In the United States the recovery which began in the Spring of 1961 later developed signs of an expansion. Of total final demand government expenditure was first to rise; by the end of the second quarter consumer expenditure and investment outlay were rising also. Through the year order books began to swell and early in 1962 it appeared that employment during the first half of 1962 would be considerably higher than a year ago.

In January and February, however, demand fell short of expectations. In March and April the picture looked somewhat brighter; retail sales were considerably higher compared with the same months of 1961, although the rate of growth of inventory demand was still slowing down. Government demand should continue to expand for some time to come and public policy is directed towards creating economic incentives. Until more evidence is available to the contrary one should expect a moderate expansion of the United States' economy during 1962.

The economic prospects in continental Europe appear to be less favourable than they were until 1960. Growth in Germany, Austria, the Scandinavian Countries and in the Netherlands has lost some of its momentum; in France and Italy alone the expansion continues at its former rate. The slowing down of the continental rate of growth has been in evidence since early in 1961. In some European countries, notably in Germany, incomes are rising faster than productivity, and one would expect imports to retain their present high level.

The prospects for the economy of the United Kingdom—Ireland's major export market—in 1962 are hardly better than those of the rest of Europe. The restrictions imposed on final demand and personal incomes in July 1961, while accompanied by an improvement in the balance of payments, have deprived the economy of growth prospects which it began to show in the first half of 1961.

Although government policy in the U.K. is now more favourably inclined towards expansion than it was during the balance of payments difficulties last year, there is very little evidence—apart from the lowering of Bank rate—of active intervention designed to encourage growth. To begin with, the target set for an increase of productivity is very modest (2½ per cent.), and if income policy is

successful in restricting wage and salary rises to this overall rate, GNP and national productivity will in all likelihood not rise much faster. Productivity is not independent of final demand and has proved to be capable of high rates of growth when demand accelerates. If incomes are held back to an arbitrary level, the chances are that demand will be weaker than it otherwise would have been. Of course, expansion of an economy with a significant volume of foreign trade must be geared to its exchange earnings capacity. As yet, the British economy has not found the solution to the perennial sterling difficulties, which only partially arise from the competitive position of the U.K., the other part being due to international monetary factors.

More important from an Irish point of view than overall activity abroad are the markets for specific export commodities. Only a few major commodities can be considered here. Irish beef exports since 1959 have risen considerably thanks to favourable conditions in the British and United States markets. Beginning in 1958, there has been an upward trend in exports of fresh and frozen beef to Great Britain and the United States, in fact, the latter has become the largest single buyer of Irish frozen beef. For 1962 exporters expect the present trend of expanding sales to the United States to continue. Exports to the U.K. should retain a high level. However, total exports of beef will be limited by the supply of suitable animals for slaughter. During 1961 farmers reduced their stocks considerably, and cattle imports from the Six Counties rose from 45,000 head in 1960 to 159,000 in 1961.

Another major export item, sold largely to the U.K. is bacon. No doubt, better marketing and improved quality have contributed to the rise in exports during recent years. The upward movement continued in the first quarter of 1962 and should be sustained for the rest of the year.

Exports of butter rose considerably in 1961 until a countervailing duty on Irish butter was imposed in the U.K. In 1962 the British market will be regulated by quota. There should be no difficulty in meeting this quota, which in Ireland is considered to be inadequate in view of the supplies expected to be available in 1962.

Exports of sugar and chocolate confectionery and of chocolate crumb declined sharply in 1954 and since then receded gradually. For a time it appeared there might be another setback in 1962. The protection of home produced and Commonwealth sugar in the U.K. has been increased considerably by a rise in the import levy. The new share given to this country in the U.S. market, however, may lead to an increase of sugar exports in 1962.

It is difficult to predict the likely out-turn of total Irish industrial exports in 1962. The Industrial Sample Survey for April indicates an overall decline by as much as 2 per cent. However, as exports of food, drink and tobacco are expected to rise the trend for total exports is by no means clear. If, e.g., the rise of food exports has been under-estimated and the fall of other industrial exports over-estimated total exports may actually go up, and vice versa. Also, there may still exist a weighting problem; so far, the export performance of industry—in contrast to production—appears to have been understated by the Survey. Thus, there is still the possibility of an overall expansion perhaps in the region of 5 per cent.; but one would be equally justified in expecting no increase over the 1961 level. For the purpose of the quantitative analysis which follows a middle position will be taken and an increase of industrial exports of 3 per cent. will be assumed.

Consumer expenditure will be of importance in 1962. Incomes and personal expenditure rose significantly during 1961, and incomes have continued to rise as the eighth "wage round", which began in the autumn, proceeded.

Gross income of workers will therefore be substantially higher in 1962. In many sectors of the economy weekly wage rates have been increased 10–15 per cent. since January and more claims are pending. As employment appears to be still rising although much less than in 1961—the total wage bill of the nation will rise by the largest ever yearly increment. Total farmers' incomes are not likely to increase further in 1962. It is difficult to imagine that the outstanding rise in farmers' profits both in 1960 and in 1961 will be repeated in the current year. Sales of cattle and other livestock and livestock products were rather high and have led to a reduction in the cattle herds. Now, that the tuberculosis eradication scheme, which had resulted in offers of large quantities of cattle, has progressed considerably, one should expect a decline in the supply of fatstock. As farmers derive so large a part of their income from cattle a reduction of those sales will hardly be compensated by increased production of other farm produce.

Profit margins of entrepreneurs will probably be smaller in 1962 than in 1961 because of rising wage costs and a likely decline of the industrial rate of growth. Much, however, depends on the behaviour of prices. An increase in prices would shift part of the increased consumer incomes back to entrepreneurs. The price level is moving upward at present; the consumer price index for February/May was 4 per cent. higher than for the same months of 1961. As import prices are rising

too, there is no offsetting factor at work at present in the combined costs of material and labour for industry. Entrepreneurs, are, however, not entirely free to determine the money value of their income via the price level; for one thing export prices on average are falling and this will check the increase to some degree. Total income from profits and dividends will probably increase in 1962 but not to the same extent as in 1960 and 1961.

The major part of the increase of personal incomes before tax will come from increased earnings of workers; total personal incomes, however, will rise less than in either 1960 or 1961. Before incomes can be allocated by their recipients to various uses the Government will take its share in taxation. Total revenue in 1962 is budgeted to exceed the level of 1961.³ Some of the additional revenue will come from income tax payments as employment has risen and will probably continue to rise somewhat in 1962 and individual earnings will be higher this year. One should expect a rather marked increase for the latter reason: the relatively large pay rises will have lifted many incomes just below the exemption limit into the taxable range for the first time. Tax payments on profits should also increase somewhat as last year's profits rose substantially and there is usually a time lag in assessment for tax.

Another large share of increased revenue will come from indirect taxation, because the excise duties on alcoholic drink and on tobacco have been increased, and the rise in private consumption will inevitably lead to higher revenue from customs duties and other indirect taxes.

In 1962 the increment in savings may not be as large as in previous years for two reasons. First, the increase in total disposable income is expected to be smaller than in 1960 and 1961; unless the propensity to save rises sufficiently the amount of saving out of this increase will be smaller. Secondly, those income groups with presumably a higher propensity to save than other groups, notably entrepreneurs, will in all likelihood have much smaller increases of disposable incomes than others.

Private borrowing may be expected to rise in 1962. Spending habits acquired during recent years of steadily rising personal incomes will be hard to modify, and if, for example, farmers' disposable incomes in 1962 fall short of last year's level, hire-purchase and commercial banks' loans to farmers could rise. Hire-purchase debt may

³See *Estimates of Receipts and Expenditure for the year ending 31 March, 1963*, The Stationery Office, Dublin.

increase also because of higher incomes in some of the poorer sections of the population who formerly have not been able to afford high instalment payments on expensive durable consumer goods.

The rise in disposable income on the one hand and the expected trend in savings on the other point to a further substantial increase of consumer expenditure in 1962. While this will, no doubt, stimulate overall industrial production the increases likely will not necessarily compensate losses due to falling exports for particular industries. Some of the industries whose exports might be falling will hardly be able to sell more in the home market. Entrepreneurs participating in the Industrial Sample Survey in April 1962 expected an increase of total industrial production by 5 per cent. only; in 1961 the rate of increase was 9 per cent. More industries in 1962 anticipate an actual, if small, decline in production than in 1961. Since it is unlikely that the increased spending power of consumers will be absorbed completely by home production, imports of consumer goods should continue to rise in 1962.

Imports will almost certainly be higher in 1962 because of greater capital outlay for plant and machinery.

Imports of machinery have been rising continuously since 1957, and the pace of the increase quickened in 1961. Rising profits in past years, the availability of private and public credit, encouragement of capital expenditure by public authorities and, last but not least, the deadline set for improving technical standards and productivity by the advent of the Common Market all should contribute to a further increase of industrial investment in 1962.

Farmers appear to be mechanising their farms to a somewhat greater extent than previously. As yet, the increase is only marginal and it remains to be seen whether it will develop into a permanent trend. Earnings of farmers in 1962 will hardly exceed earnings in 1961, which can be considered a record year. While this may impede their willingness to spend more on capital equipment the Government has expressed its intention to give additional support to farmers who wish to improve productivity. Capital outlay on construction should also continue to rise in 1962. This will be due largely to more building in connection with industrial expansion, to the need for more and modern office space, and to demand for housing.

Apart from increased investment in the private economy, government expenditure will add to capital formation. The Programme for Economic Expansion initiated in 1958 called for increasing public expenditure for capital purposes, and

public capital outlay in 1962-63 will be considerably larger than in 1961-62, when it was the highest ever.

It is difficult to predict the behaviour of stocks. Continuously expanding economic activity in recent years has resulted in substantial increases in stocks of materials and merchandise. If the industrial expansion slows down in 1962 as expected, the present level of stocks in relation to turnover may be considered too high; although, as yet, the Industrial Sample Survey does not confirm that business entertains this conviction. The best that can be predicted at this stage is that while there should be no decline in the accumulation of these stocks, as in 1956-58, there will probably not be as large an increase as in 1959 and 1960.

In 1960 and 1961 stocks of cattle were reduced while stocks of pigs increased in numbers. The number of sheep was decreased in 1960 and increased in 1961. By past experience one would be led to expect farmers to increase their stocks of cattle this year and since the trend in other livestock is still rising this would mean a rather substantial increase in total stocks of animals on farms. However, if farmers do not behave in the traditional fashion—and high demand by meat exporters may be one reason to make them inclined to postpone increasing their cattle herds for a while—it is more likely that the change in stocks on farms will be insignificant either way.

Government expenditure for current goods and services will be considerably higher in 1962 than in any previous year. The effects of the eighth wage round, which includes substantial salary increases for civil servants, teachers and the Gardai, are estimated to put up expenditure by £5 million alone.

III. Quantitative Prognostic

In the preceding section the outlook for the Irish economy in 1962 has purposely been discussed in general terms and with little reference to figures. One is obviously much more safe stating directions of change than their possible magnitudes. Although, with non-quantitative treatment there is a danger that important interrelationships may be overlooked and, if only for the purpose of consistency of analysis, it is useful to present forecasts in quantitative terms as well as a discussion of trends. Quantification is necessary also if the forecast is intended to be used as an aid to formulation of policy. The latter invariably requires specific action and its likely quantitative effects on the

economy must therefore be capable of approximation.

The reader should not, however, let himself be led to believe by the apparent precision of the forecast model that it therefore must be more accurate. The data presented in the tables are those thought to be the most likely in regard to what is known about the economy at the present time and taking into account anticipations of entrepreneurs and the announced plans of the government. Figures are expressed to the nearest million; when savings and home demand are discussed it has been thought to be expedient to indicate a range of data as ultimate consumer decisions of how to dispose of their income or go into debt are at present the most difficult to foresee. These data affect the balance of payments position directly and as a result the limits involved in the allocation of the available income to consumer spending on the one hand and investment expenditure on the other will be revealed.

(a) Gross National Product and Personal Income

Gross National Product at current prices is expected to rise from £704 million in 1961 to £750 million, or 7 per cent. in 1962. In real terms the increase will hardly exceed approximately 3 per cent. as prices—measured by the consumer price index—will rise 4-5 per cent. Total employment is expected to remain virtually stable—with a small

rise in non-agricultural employment and a small decline in agricultural employment—and national productivity should therefore go up by the same amount as real GNP.

Value added in agriculture has been estimated to be the same as in the previous year when it rose to an unprecedented £140 million. Industrial production is expected to rise by approximately 9 per cent. in value to a total of £180 million. The slowing down of the growth rate of physical production in manufacturing industry from 9 to 5 per cent. as indicated by the Industrial Sample Survey will be offset partly by higher prices and a further substantial expansion in the activity of the building trades. Public funds allocated to construction are larger than last year and the demand for privately financed homes appears to be still rising.

Value added by public administration will rise by £6 million to £56 million due to the salary increases secured by public servants in the course of the eighth wage round. Production in the distributive and other domestic sectors should rise approximately in step with activity in other sectors; it has been assumed here that the rise will be from £191 million in 1961 to £202 million in the current year. Dividends, emigrants remittances etc. from the rest of the world may go up another £2 million to £40 million.

TABLE I. NET NATIONAL PRODUCT AT FACTOR COST AND GROSS NATIONAL PRODUCT AT CURRENT PRICES

	£ million		Percentage Change
	1961	1962	
Agriculture	140	140	0
Industry	165	180	+ 9
Distribution, Other Domestic	191	202	+ 6
Public Administration	50	56	+12
Stock Appreciation	-2	-3	—
Rest of World	38	40	+ 5
National Income	582	615	+ 6
Indirect Taxes less Subsidies	85	97	+14
Depreciation	37	38	+ 3
Gross National Product	704	750	+ 7

Sources : 1961, *Economic Statistics*, The Stationery Office, Dublin, 1962, Table 11 ; 1962 estimate E.R.I.

The rise in GNP will transmit itself to incomes. Private incomes in 1962 are expected to increase by £39 million to £678 million (see Table A 2 in the Statistical Appendix.) Gross personal incomes (Table II) are anticipated to increase by £31 million, while disposable incomes after payment of income tax and rates—or net incomes—should increase by £26 million. Farmers' disposable incomes—so defined—most likely will be down by £3 million and will total £106 million, incomes of entrepreneurs may increase slightly by £2 million for a grand total of £71 million. Transfer incomes (including emigrants' remittances) are expected to rise by £4 million and disposable incomes of workers are likely to increase by £23 million.

DISTRIBUTION OF DISPOSABLE INCOMES

	1961	1962
	%	%
Farmers	19.7	18.3
Workers	52.4	54.0
Transfer Payments	15.4	15.4
Entrepreneurs	12.5	12.3
All Groups	100.0	100.0

The distribution of total income in 1962 after payment of income tax and rates leaves farmers and entrepreneurs—the latter only slightly—worse off relatively than workers. The share in total income taken by workers will rise from 52 per cent. to 54

TABLE II. PERSONAL INCOMES

	£ million		Percentage change
	1961	1962	
<i>Farmers</i>			
Profits	119	116	- 3
Taxes	10	10	0
Net Income	109	106	- 3
<i>Workers</i>			
Wages, Salaries, Pensions	310	335	+ 8
Taxes	21	23	+10
Net Income	289	312	+ 8
<i>Transfer Payments</i>	85	89	+ 5
<i>Entrepreneurs</i>			
Profits, Dividends, etc.	97	102	+ 5
Taxes	28	31	+11
Net Income	69	71	+ 3
<i>All Income Groups</i>			
Gross Income	611	642	+ 5
Taxes	59	64	+ 8
Net Income	552	578	+ 5

NOTE TO TABLE II

The data have been estimated from the National Income tables produced by the Central Statistics Office, Dublin, the *Annual Reports of the Revenue Commissioners* and other related official statistics.

Profits of farmers include farm produce consumed on farms, exclude changes of livestock; taxes are almost entirely composed of rates.

Workers' wages, salaries and pensions include net inflows from the rest of the world. Taxes contain social insurance contributions by workers as well as income tax and rates.

Transfer payments are equal to current transfer payments by public authorities and net inflow of emigrants' remittances from the rest of the world.

Profits, dividends, etc., of entrepreneurs have been estimated from non-agricultural income in the national income tables, adjusted for imputed incomes and undistributed profits of companies.

per cent. while the share of farmers will be down from 20 per cent. to 18 per cent.

The redistribution of incomes among social groups, most likely, will affect the pattern of expenditure for current consumption and personal savings. It is estimated that private savings (including undistributed profits) will be between £75-80 million and personal savings between £57-62 million (see Table A 2). Compared with 1961 the rise of personal savings may appear small. In view of increasing investment demand the expected increment in personal savings might be insufficient: however, in the recent past—except in 1961—current income of government has always been considerably higher than current expenditure, leaving additional resources for capital purposes. In 1961, for the first time in some years, the amounts spent on subsidies, transfer payments, wages, salaries and pensions, and sundry current needs were only £1 million less than income from taxation and other current receipts (see Table VI, and Table A 6 in the Statistical Appendix). It appears that an unforeseen rise in subsidies for agriculture was the main cause for this development. In 1962 these subsidies are expected to be reduced to almost the 1960 level and with increased taxation taking care of higher expenditure for social services and wages and salaries of civil servants there should emerge government savings of £6 million.

(b) Final Demand

The income produced will be allocated between

capital formation on the one hand and current consumption on the other. Final demand, however, may differ from GNP to the extent to which foreign credit or capital can be obtained or assets abroad may be retired. The excess or deficiency will reveal itself in a deficit or surplus in the current account of the balance of international payments. Deficits are sometimes brought on deliberately in the course of development plans. In the short run, these fluctuations do not give rise to alarm if they tend to be self-correcting. However, this cannot be relied on and governments usually try to keep imports in line with export earnings. Of course, the instruments of economic policy—short of quota regulations—are not sharp enough to regulate the flow of goods and services into and out of the country at any particular time to an accurate balance, nor would this be really necessary. Trade surpluses or deficits in any one year, therefore, contain a certain element of chance which makes prediction rather difficult. Rather than forecasting a single value for the balance of payments—as well as for personal expenditure and savings which are functionally related—a range with a spread of £5 million is considered to be more appropriate in the present Irish context.

Fixed capital formation, which has been rising considerably in the past two years, is expected to increase in 1962 by a further £17 million (see Table A 4). Apart from the Public Capital Programme which is scheduled to expend £10 million more in 1962 than in the preceding year, business men are expected to continue modernising

TABLE III. EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES

	£ million			Percentage Change	
	1961	1962		(a)	(b)
		(a)	(b)		
Personal Expenditure	526	550	555	+ 5	+ 6
Public Authorities Current Expenditure	73	79	79	+ 8	+ 8
Fixed Capital Formation	102	119	119	+17	+17
Changes in Livestock	- 3	± 0	± 0	—	—
Changes in Other Stocks	+ 5	+ 5	+ 5	—	—
Exports	290	307	307	+ 6	+ 6
Imports	-289	-310	-315	+ 7	+ 9
Gross National Product	704	750		+7	

Sources : see Table I.

NOTE : (a) and (b) are alternative forecasts.

their plant and extending their premises. Residential building which was booming in 1961, will probably continue at a high level in the current year.

Stocks of materials and merchandise will continue to increase with rising economic activity, their increase in 1962 has been estimated at £5 million. Although the overall rate of industrial expansion has slowed down, traders are still facing rising consumer demand. However, stocks are usually quick to respond to changing economic conditions and the expected continuation of the decline in the rate of industrial expansion makes a large speculative build-up of stocks during 1962 appear unlikely.

Export demand is anticipated to rise less in 1962 than it did in 1961. Taking into account the high level of agricultural exports last year and an expected slowing down of the increase of industrial exports by manufacturers even a likely substantial increase in earnings from tourism will probably not lift total exports in 1962 any higher than £307 million. Compared with 1961 this would mean an increase of £17 million or 6 per cent.

The sizeable increase of civil service pay and somewhat higher prices for goods and services purchased by the government will make for a large increase of current expenditure by public authorities in 1962. The additional outlay necessitated by these factors might be in the region of £6 million and would bring total government consumption to £79 million.

By Irish statistical practices personal expenditure as shown in the national accounts is a residual item. All errors of estimation will be reflected in it; but any errors in this item are probably systematic and they may tend to be in the same direction and more or less of the same magnitude year by year and can therefore be ignored.

Personal expenditure in 1962 has been estimated

to rise to between £550-555 million, an increase of £24-29 million or 5-6 per cent. The lower figure in the range assumes virtually no change in the average propensity to consume, the higher a marginal increase. The latter seems more likely as the distribution of incomes will shift somewhat in favour of lower income groups in the current year. On the other hand, it does not seem probable that the propensity to consume which has steadily declined from 1958 will suddenly reverse its course. If, however, it reverted, say, to the level of 1960 consumption in 1962 would rise to £559 million.

That part of effective demand which cannot be satisfied from domestic production is met by imports. In Ireland imports consist not only of raw materials for industry but also of a substantial part of capital equipment and goods bought for final consumption. Industrial expansion is generally accompanied by an increase of imports because of the larger quantities of inputs required, the need for expanding or modernising productive capacity and because of the higher income generated.

An expansion of economic activity in Ireland by 7 per cent (GNP at current prices) as envisaged for 1962 is likely to lead to an increase of total imports of between 7-9 per cent. The exact magnitude is difficult to predict as much depends on the propensity to consume.

In the breakdown presented in Table IV, in which no attempt has been made to give alternative data for each category of imports, the increase amounts to 8 per cent. The value given in the table to unclassified imports for 1962 is, of course, no more than a guess and it should be pointed out that the import of services, which is omitted from the table but which forms part of total imports, has a range of variation of its own.

It is anticipated that capital formation in Ireland in 1962 will be in the region of £124 million.

TABLE IV. DISTRIBUTION OF IMPORTS ACCORDING TO MAIN USES

	£ million		Change
	1961	1962	
Producers Capital Goods	33	40	+ 7
Consumption Goods	53	58	+ 5
Materials	163	173	+10
Unclassified	12	12	0
TOTAL ...	261	283	+22

Sources : 1961, *Economic Statistics*, Dublin, 1962; 1962, estimate E.R.I.

TABLE V. SAVINGS AND CAPITAL FORMATION

	£ million				
	1961	1962		Change	
		(a)	(b)	(a)	(b)
Private Savings	69	80	75	+11	+6
Government Savings	1	6	6	+5	+5
Stock Appreciation	-2	-3	-3	-1	-1
Total Savings	68	83	78	+15	+10
Depreciation	37	38	38	+1	+1
Net Foreign Disinvestment	-1	+3	+8	+4	+9
Domestic Physical Capital Formation	104	124		+20	

Source : *Economic Statistics*, Dublin, 1962, and estimate E.R.I.
NOTE : (a) and (b) are alternative forecasts.

Approximately a third of this sum will constitute replacement of plant and machinery used up in the process of production during the current year. Although the major burden of financing net investment will fall on private savings the contribution of government will be substantial in 1962. Government investment will be responsible for approximately one half of the increase in gross

capital formation, and its share of the additional savings required can be anticipated to be around 40 per cent. The latter depends on the assumption that the forecasts of revenue and expenditure will be accurate (Table VI). This has hardly ever been so in the past; on the one hand, contingencies during the run of the financial year often necessitate higher expenditures than are foreseen, on the other

TABLE VI. NET CURRENT INCOME AND EXPENDITURE OF PUBLIC AUTHORITIES

	£ million		Change in per cent.
	1961	1962	
Taxes on Income	44	48	+9
Taxes on Capital	3	3	0
Taxes on Expenditure	114	120	+5
Net Trading Income	15	15	0
Total Income	176	186	+6
Subsidies	29	23	-21
Transfer Payments	70	75	+7
Net Current Expenditure	73	79	+8
Total Expenditure	172	177	+3
Surplus	4	9	—
Less Taxes on Capital	-3	-3	—
Public Authorities Savings	1	6	—

Source : estimate E.R.I.

hand, revenue is—except in times of recession—usually more buoyant than it is budgeted. Since these deviations, however, are in the same direction the overall balance may be more or less preserved.

IV. Economic Policy

It is beyond the scope of this paper to evaluate the full extent of public policy. It may be useful, however, to discuss in conclusion the impact of the Budget and of the eighth wage round on the economy. The question which comes to mind is whether both are consistent—in broad terms—with the requirements of the national economy.

What are those requirements? In the long run, it is agreed, national productivity must be improved in order that Irish products may compete successfully in all markets, especially since the heavy protection which had been built up around the home market in the past will have to be removed if Ireland is to join the Common Market. Without an improvement in productivity, which among other things entails substantial capital investment for a prolonged period, the present level of employment might not be maintained.

In the short run it is essential that savings and consumption are held to such levels which ensure progress without a constant threat of inflation and balance of payment difficulties. It is with the short run requirements of balanced growth that this section is primarily concerned.

In 1961 it appeared that final demand might exceed production and that there might be an external deficit. An improvement in the invisible balance, however, prevented the increased deficit of the trade balance from having an adverse effect on the balance of international payments; as it happened, a small overall surplus has been reported. In 1962, the threat of a possible balance of payments deficit—far from having disappeared—has become stronger. On the one hand, the rate of growth of exports is slowing down.⁴ On the other hand, the eighth wage round still continues to add to the wage bill and to consumer incomes which will lead to rising imports. Investment demand also will be substantially higher in 1962 and will cause imports to rise. The combined effect of a slower increase in export earnings and further growth of imports may pose a problem.

The Budget 1962/63, in its overall impact,

has taken some steps to preserve the macro-economic balance. On the revenue side, it introduced heavier indirect taxation (added excise duties on beer, spirits and tobacco), and income tax rates remained at last year's level. The shift of the relative tax burden on its own, from direct to indirect taxation, tends to have an anti-inflationary effect because it restrains consumption and encourages savings and capital formation. Total revenue, because of increased taxation and the usual buoyancy of revenue during periods of economic growth, is expected to increase by at least £10 million. At the same time, revenue policy would not succeed in checking demand if rising government expenditure led to additional demand for current consumption. Of course, on the expenditure side the budget usually has to cater for purposes other than economic policy. It could not be otherwise in a democracy, where many interests have voices and votes. The largest single increase of expenditure in the Budget was the rise in net current expenditure, mainly due to wage and salary increases. Transfer payments have also been increased. Both items of expenditure will put more purchasing power into the pockets of consumers during 1962; this is bound to counteract the desired deflationary effect of indirect taxation. Subsidies, on the other hand, have been budgeted at a substantially lower level than last year and most of the increase in transfer payments and pay for civil servants should be neutralised by this reduction. It can be argued that the spending habits of farmers, who receive most of the subsidies, are much the same as those of pensioners and government employees, and that therefore a shift from one group to the other will not have any marked effect on the propensity to consume. Total government expenditure has been budgeted, at any rate, less than revenue receipts and the resulting surplus, or government saving, no doubt, will be beneficial to the economy. Whether the deflationary measures contained in the Budget will be large enough to prevent an adverse development in the balance of payments is a different matter.

It appears from the forecast model presented above that the possibility still remains of an external deficit in 1962 by £8 million or possibly more. This need not be alarming if the external reserves—as in the Irish case—are large, and the deficit appears to be temporary.

But there is always the possibility that external deficits caused by excessive consumer demand might become more or less permanent if wages rise faster than productivity and make the competitive position of the economy in export markets more difficult.

⁴Provisional figures of domestic exports (excluding services) published after completion of this study show a decline of £2.6 million for the first five months of 1962 compared with the same period of last year; if exports of services are included the rate of growth is still positive.

In the Fifties Ireland experienced some serious balance of payments difficulties and therefore may be still wary on this issue. It might be useful, therefore, to discuss in a speculative way what would be required of budgetary policy to make it more likely that there would not be another substantial external deficit in 1962.

Reducing final demand by increased taxation would be one measure that could be envisaged. If the net produce for each penny of the standard rate of tax is assumed to be £300,000 (in 1959/60 it was £276,000) to bring in another £5 million by way of income tax would have meant a rise of the standard rate which is 6/4d. by approximately 1/4½d. or 22 per cent. This, however, cannot be called feasible, especially as its effects on the desire to produce and earn more would certainly be detrimental. Widening the tax base by including more tax payers or reducing the amount of allowances would appear to be the only practical way of getting a substantially higher yield from income tax. The scope given for such action—on the surface—appears to be rather large: In 1959 total taxable income was £82 million at the same time, total gross incomes are estimated to have been £525 million. Of course, a change in the tax basis is always a complicated question and perhaps particularly in Ireland.

Before the Budget was introduced there was some public speculation on the initiation of a purchase tax, especially as such a tax is common practice in the United Kingdom as well as in most Common Market countries. If in Ireland a one-stage purchase tax of 1½ per cent. were levied on final purchases of consumer goods (excluding customs and excise duties) its yield in 1962 would be approximately £5 million.⁵ The adoption of such a measure, of course, has also wider ramifications than those posed by short-run economic policy requirements alone.

Another measure the Government could choose which would reduce consumer spending power is to use persuasion rather than taxation and encourage private savings. This is more or less what is expected to happen in 1962. The increase of depreciation allowances for tax purposes which has been announced should encourage investment to some—if small—extent and, more important still, the public will most likely be asked to subscribe to another bond issue, probably larger than last year.

The need for a deflationary Budget this year is due to a considerable extent to the general round of

wage increases which was initiated last autumn. Generally speaking, wages policy is one of the most difficult subjects in economic policy. Many of to-day's arguments still rest on theorisation without a solid basis of facts. Moreover, the social aspects of the problem are inseparable from the general economic ones. Unionism is a direct result of labour exploitation in the past and its prime function in the economy is still that of representing a special interest. Like other pressure groups, only in recent years has labour come to realise that possessing power over the economy also carries an obligation. But from being aware of the general problems of wage increases for the economy to giving them prime consideration is a long step which would involve not only the co-operation of organised labour but the co-operation of other important groups in the economy as well.

Whether an increase of wages leads to excessive demand and inflation depends on a large number of factors. Although it is an observable fact in modern economies that prices usually go up when wages go up the causal relationship between the two is by no means entirely clear.⁶ Prices rise for other reasons than wage increases alone and wage claims are not infrequently made because of a rising price level. To assume that an increase in wages automatically puts up prices is forgetting the rôle productivity changes play in unit labour cost.

Institutional factors in modern economies seem to cause wage rates to rise at a more or less steady annual rate even if no outside reasons are apparent.⁷ A slowing down in the growth of production, or even an actual decline, does not usually lead to a corresponding movement in employment. In the case of economies with a shortage of manpower it may simply be prudent not to dismiss skilled men during a slack period who would be difficult to recruit in an expansion; but social considerations are doubtless of importance also.

These external factors being given, the problem likely to arise from the eighth wage round in 1962 appears to be as follows. Industrial output will probably not rise as fast as in previous years. Labour productivity—even if it is assumed that the rise in employment will be much smaller than in previous years—will therefore increase at a lower rate. For manufacturing industry it is estimated to rise by 3-4 per cent. as against 4½ per cent. in 1961.

⁵Personal expenditure in 1962 will amount to approximately £550 million, of which merchandise would account for £430 million, including duties of £81 million.

⁶A recent study suggests that for the U.K. a change of wages is reflected in a change of prices by about one-third its magnitude. See L. A. Dicks-Mireaux, "The Inter-relationship Between Cost and Price Changes", *Oxford Economic Papers*, The Clarendon Press, Oxford, October, 1961.

⁷*ibid.*

Productivity gains in other sectors of the economy are usually much lower than in industry, and it appears that the rise in wages during 1962 will outstep productivity in most sectors of the economy. If savings do not increase in step with higher incomes final demand might be excessive.

There is not much that can be done now by way of *wage policy* to prevent the eighth wage round to have this effect on final demand in 1962; most claims have already been granted. But, in future, it is important that the potential of the economy to absorb wage increases without inflation and balance of payments difficulties should be explored. The latter should not be confined to wage policy alone. Productivity is not a matter involving only labour and since productivity plays so large a part in determining real income, it would seem that policy should be designed to ensure its maximum progress.

APPENDIX A

Statistical Sources and Tables

I. IRISH OFFICIAL ECONOMIC SERIES WITH LIMITED CIRCULATION

1. *Economic Series*, C.S.O., monthly, 64 time series.
2. *Dublin Market*, C.S.O., weekly, data on sales of livestock in the Dublin Market.
3. *Animals Exported by Sea and Air*, C.S.O., monthly.
4. *Quarterly Industrial Inquiry*, C.S.O., quarterly, main results of Inquiry.

5. *Hotels and Guest Houses*, C.S.O., quarterly, returns of receipts and guest registrations.
6. *Statistics of Omnibus Road Services*, C.S.O., monthly, vehicle miles run, passengers carried, gross receipts.
7. *Agricultural Price Index*, C.S.O., monthly.
8. *Consumer Price Index*, C.S.O., quarterly.
9. *Strikes and Lockouts Reported*, C.S.O., monthly.
10. *Number on the Registers at Employment Exchanges and Branch Offices of the Department of Social Welfare*, C.S.O., weekly.
11. *Occupational Classification of the Live Register*, C.S.O., quarterly.
12. *Industrial Analysis of the Live Register*, C.S.O., monthly.
13. *Particulars of Vehicles Registered and Licenced for the First Time*, C.S.O., monthly, by region, type of car and horsepower.
14. *Average Weekly Numbers Employed in the Building, Engineering and Painting Trades*, Department of Social Welfare, quarterly, estimates from sales of Wet-Time stamps.
15. *Farm Bulletin*, Department of Agriculture, monthly.

II. FOREIGN SOURCES

1. *Intelligence Bulletin*, The Commonwealth Economic Committee, London, monthly, agricultural products.
2. *Monthly Digest of Statistics*, C.S.O., London, monthly.
3. *Quarterly Economic Review*, National Institute of Economic and Social Research, London, quarterly.
4. *Survey of Current Business*, U.S. Department of Commerce, Washington, monthly.
5. *Business Statistics*, U.S. Department of Commerce, Washington, weekly.
6. *Wochenbericht*, Deutsches Institut fuer Wirtschaftsforschung, Berlin, weekly.
7. *International Financial News Survey*, International Monetary Fund, Washington, weekly.
8. *General Statistics*, OECD, Paris, bi-monthly.
9. *Main Economic Indicators*, OECD, Paris, monthly.
10. *Monthly Bulletin of Statistics*, United Nations, New York, monthly.

III. NATIONAL ACCOUNTS TABLES

TABLE A 1. NET NATIONAL PRODUCT AT FACTOR COST BY SECTOR OF ORIGIN AND GROSS NATIONAL PRODUCT AT CURRENT PRICES

	£ million					
	1957	1958	1959	1960	1961	1962
Agriculture	132.0	120.3	129.9	132	140	140
Industry	123.6	128.4	138.1	149	165	180
Distribution, Transport	66.7	68.7	73.7	77	82	87
Other Domestic	83.9	88.8	94.7	101	109	115
Public Administration	42.2	43.6	44.6	48	50	56
Stock Appreciation	-7.3	+0.7	+1.0	-1	-2	-3
Rest of World	31.9	32.4	31.6	34	38	40
National Income	473.0	482.9	513.6	540	582	615
Plus Taxes on Expenditure	95.0	97.9	103.0	106	114	120
Less Subsidies	-15.8	-14.7	-15.8	-20	-29	-22
Net National Product at Market Prices	552.2	566.1	600.8	626	667	712
Depreciation	31.0	32.5	34.1	36	37	38
Gross National Product	583.2	598.6	634.9	662	704	750

Sources: 1957-1961, *National Income and Expenditure*, 1960, The Stationery Office, Dublin, and *Economic Statistics* issued prior to the Budget, 1962, The Stationery Office, Dublin; 1962 forecast, E.R.I.

TABLE A 2.—DISPOSABLE PRIVATE INCOME AND SAVINGS

	£ million						
	1957	1958	1959	1960	1961	1962	
						(a)	(b)
National Income ¹	480.3	482.2	512.6	541	584	618	
Government Trading Income ...	-13.6	-14.5	-14.4	-15	-15	-15	
National Debt Interest	15.5	15.9	16.8	19	20	23	
Other Transfer Income	43.9	43.9	44.7	47	50	52	
Private Income	526.1	527.6	559.6	592	639	678	
Less Taxes on Income	33.9	33.7	32.8	38	44	48	
Disposable Private Income	492.2	493.9	526.8	554	595	630	
Personal Expenditure	441.4	465.3	472.7	496	526	550	555
Private Savings	50.8	28.6	54.1	58	69	80	75
Undistributed Profits of Companies							
after Tax (Net)	10.4	12.2	15.0	16	17	18	18
Personal Savings	40.4	16.4	39.1	42	52	62	57

¹Before adjustment for stock appreciation

Sources: See Table A 1. NOTE: 1961, all data except national income and personal expenditure estimated by E.R.I.; (a) and (b) are alternative forecasts.

TABLE A 3: EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES

	£ million						
	1957	1958	1959	1960	1961	1962	
						(a)	(b)
Personal Expenditure	441.4	465.3	472.7	496	526	550	555
Public Authorities Current Expenditure	61.2	64.0	67.4	71	73	79	79
Fixed Capital Formation	78.0	78.0	80.9	87	102	119	119
Changes in Stocks	-6.6	-7.7	+22.6	+9	+2	+5	+5
Exports	217.4	221.1	229.4	255	290	307	307
Imports	-208.2	-222.1	-238.1	-256	-289	-310	-315
Gross National Product	583.2	598.6	634.9	662	704	750	

Sources: See Table A 1. NOTE: (a) and (b) are alternative forecasts.

TABLE A 4: GROSS DOMESTIC PHYSICAL CAPITAL FORMATION AT CURRENT PRICES

	£ million					
	1957	1958	1959	1960	1961	1962
<i>Fixed Capital:</i>						
Building and Construction	46.9	41.5	43.6	47	52	60
Dwellings	11.7	9.8	10.3	12	—	—
Roads	4.1	4.4	4.5	5	—	—
Other Construction	31.1	27.3	28.8	30	—	—
Equipment	31.1	36.5	37.3	40	50	59
Transport Equipment	11.7	14.1	13.9	13	17	19
Agricultural Machinery	4.4	4.5	4.4	4	5	5
Other Equipment	15.0	17.9	19.0	23	28	35
Total Fixed Capital Formation ...	78.0	78.0	80.9	87	102	119
<i>Changes in Stocks:</i>						
Livestock	-0.1	+3.2	+11.0	-1	-3	0
Other Stocks	-6.5	-10.9	+11.6	+10	+5	+5
Total Value of Changes in Stocks ...	-6.6	-7.7	+22.6	+9	+2	+5
Total Gross Domestic Capital Formation	71.4	70.3	103.5	96	104	124

Sources: See Table A 1. NOTE: Changes in Other Stocks include adjustment for stock appreciation, 1961 breakdown of fixed capital formation estimated by E.R.I.

TABLE A 5: SAVINGS AND CAPITAL FORMATION

	£ million						
	1957	1958	1959	1960	1961	1962	
						(a)	(b)
Private Savings	50.8	28.6	54.1	58	69	80	75
Government Savings	6.1	7.5	5.6	2	1	6	6
Total Savings (before adjustment for stock appreciation)	56.9	36.1	59.7	60	70	86	81
Adjustment for Stock Appreciation ...	- 7.3	+ 0.7	+ 1.0	- 1	- 2	- 3	- 3
Total Savings	49.6	36.8	60.7	59	68	83	78
Depreciation	31.0	32.5	34.1	36	37	38	38
Net Foreign Disinvestment	- 9.2	+ 1.0	+ 8.7	+ 1	- 1	+ 3	+ 8
Domestic Physical Capital Formation	71.4	70.3	103.5	96	104	124	

Sources: see Table A 1. NOTE: 1961 private and government savings estimated by E.R.I., (a) and (b) are alternative forecasts.

TABLE A 6: NET CURRENT INCOME AND EXPENDITURE OF PUBLIC AUTHORITIES

	£ million					
	1957	1958	1959	1960	1961	1962
Taxes on Income	33.9	33.7	32.8	38	44	48
Taxes on Capital	2.7	2.9	3.0	3	3	3
Taxes on Expenditure	95.0	97.9	103.0	106	114	120
Net Trading and Investment Income	13.6	14.4	14.5	15	15	15
Total Income	145.2	148.9	153.3	162	176	186
Subsidies	15.8	14.7	15.8	20	29	23
Transfer Payments	59.4	59.8	61.5	66	70	75
Net Current Expenditure on Goods and Services	61.2	64.0	67.4	71	73	79
Total Expenditure	136.4	138.5	144.7	157	172	177
Public Authorities' Surplus	8.8	10.4	8.6	5	4	9
Less Taxes on Capital	- 2.7	- 2.9	- 3.0	- 3	- 3	- 3
Public Authorities' Savings	6.1	7.5	5.6	2	1	6

Sources: 1957-1960 *National Income and Expenditure*, 1960, The Stationery Office, Dublin, 1961-1962 estimate E.R.I.

APPENDIX B

Industrial Sample Survey

BULLETIN, APRIL 1962

The Sample Survey of Irish Industry, which was first started in the autumn of 1961, shows the following main results in April 1962.

During the first three months of 1962, total industrial activity was higher than in the corresponding period in 1961. Sales were considerably greater; part of the increase, however, was due to higher prices. For Food, Drink and Tobacco the

expansion was more marked than for Other Manufacturing. Since the beginning of the second quarter the position seems to be reversed. Motor Assembly and Electrical Machinery, in particular, are faced with a large rise of demand.

On average, home sales are expected to increase during the first six months of 1962 while exports may decline somewhat.

Stocks of materials, which were regarded as slightly excessive at the beginning of the year, are now reported to be sufficient or inadequate. Capacity appears to be utilised above average. As

yet there is no indication of a marked investment boom; plant and equipment are generally considered to be adequate or more than adequate, although total investment outlay is expected to be above last year's level.

Numbers employed in industry in 1962 appear to be adequate but the situation varies between branches. While for part of Food, Drink and Tobacco the present level of employment may be somewhat excessive, for part of Other Manufacturing manpower may be inadequate. The majority of industries report difficulty in obtaining skilled labour.

While the Survey indicates that the expansion in industry will continue for the whole year 1962, the rate of increase may not be as high as in previous years.

Some industries are expected to be doing as well or better than during 1961, but for others a reduction in the rate of expansion or a decline is probable. Industries in this latter category include some of those associated with traditional Irish products.

Total industrial production in 1962 is forecast to rise by 5 per cent.; Food, Drink and Tobacco is expected to increase by 3 per cent. while Other Manufacturing should be up 6 per cent.

Total industrial exports may be lower than last year by 2 per cent. Exports of Food, Drink and Tobacco are expected to rise by 3 per cent. while exports of Other Manufacturing may fall by as much as 6 per cent.

INDUSTRIAL SAMPLE SURVEY

APRIL 1962

	Manufacturing Industry	Food, Drink and Tobacco	Other Manufacturing
I. Business during 1st quarter 1962 compared with 1st quarter 1961.			
1. Sales			
higher	52%	55%	50%
approx. the same	24%	37%	16%
lower	24%	8%	34%
2. Production was			
higher	42%	48%	38%
approx. the same	41%	44%	38%
lower	17%	8%	24%
3. Prices were			
higher	53%	64%	46%
approx. the same	29%	17%	37%
lower	18%	19%	17%
II. Business at beginning of 2nd quarter 1962 compared with beginning of 2nd quarter 1961.			
1. Sales are			
higher	40%	13%	58%
approx. the same	33%	68%	10%
lower	27%	19%	32%
2. Exports are			
higher	37%	23%	45%
approx. the same	19%	15%	21%
lower	44%	62%	34%
3. Prices are			
higher	61%	64%	60%
approx. the same	20%	17%	22%
lower	19%	19%	18%
4. Employment is			
higher	38%	8%	58%
approx. the same	34%	52%	22%
lower	28%	40%	20%
5. Orders are			
higher	31%	13%	42%
approx. the same	46%	79%	26%
lower	23%	8%	32%
6. Stocks of materials are			
higher	34%	32%	35%
approx. the same	46%	60%	38%
lower	20%	8%	27%

	Manufacturing Industry	Food, Drink and Tobacco	Other Manufacturing
II. Business at beginning of 2nd quarter 1962 compared with beginning of 2nd quarter 1961.			
7. Stocks of finished products are			
higher	18%	10%	24%
approx. the same	55%	68%	44%
lower	27%	22%	32%
III. Opinions relating to stocks, plant and labour force.			
1. Stocks of materials are considered to be			
excessive	6%	0%	9%
sufficient	83%	88%	81%
insufficient	11%	12%	10%
2. Stocks of finished products are considered to be			
excessive	9%	0%	13%
sufficient	61%	68%	58%
insufficient	30%	32%	29%
3. Capacity is being utilised when seasonal influences are eliminated			
above average	30%	8%	43%
average	55%	84%	37%
below average	15%	8%	20%
4. Plant and Equipment are considered to be			
more than adequate	25%	35%	21%
adequate	71%	65%	74%
inadequate	4%	0%	5%
5. Numbers employed are considered to be			
excessive	22%	32%	16%
adequate	61%	68%	56%
inadequate	17%	0%	28%
6. Skilled labour can be obtained			
easily	6%	0%	10%
sufficiently	54%	75%	41%
with difficulty	40%	25%	49%

	Manufacturing Industry	Food, Drink and Tobacco	Other Manufacturing
IV. Business during 1 half 1962 compared with 1 half 1961.			
1. Total Sales will be			
higher	64%	49%	74%
approx. the same	22%	43%	8%
lower	14%	8%	18%
2. Exports will be			
higher	26%	12%	34%
approx. the same	27%	26%	28%
lower	47%	62%	38%
3. Home sales will be			
higher	75%	80%	71%
approx. the same	20%	20%	20%
lower	5%	0%	9%
4. Sales Prices will be			
higher	63%	66%	62%
approx. the same	22%	26%	20%
lower	15%	8%	18%
5. Investment expenditure on plant and equipment will be			
higher	25%	17%	31%
approx. the same	54%	61%	49%
lower	21%	22%	20%
6. Numbers employed will be			
higher	38%	8%	57%
approx. the same	49%	84%	26%
lower	13%	8%	17%
7. Stocks of materials will be			
higher	39%	35%	41%
approx. the same	46%	53%	43%
lower	15%	12%	16%
V. Quantitative prognostic. For the whole of the calendar year 1962 compared with 1961			
Production will change by	+ 5%	+ 3%	+ 6%
Exports will change by	- 2%	+ 3%	- 6%

NOTE

The data on the Survey should be read as follows:

The percentages given in parts I-IV represent the weighted number of cases which reported either an increase, no change, or a decline in regard to a particular question.

Part V gives the weighted average of percentage changes of production and exports anticipated by Correspondents for the whole year 1962.

The Survey accounts for 70% of Manufacturing Industry, 69% of Food, Drink and Tobacco and 71% of Other Manufacturing in terms of net-output.

Actual coverage due to non-response was only slightly below these figures.

Publications of The Economic Research Institute

1. *The Ownership of Personal Property in Ireland*
Edward Nevin.
2. *Short Term Economic Forecasting and its Application in Ireland*
Alfred Kuehn
3. *The Irish Tariff and The E.E.C.: A Factual Survey*
Edward Nevin
4. *Demand Relationships for Ireland*
C. E. V. Leser
5. *Local Government Finance in Ireland: A Preliminary Survey*
David Walker
6. *Prospects of the Irish Economy in 1962*
Alfred Kuehn

