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SUMMARY

Even at this late stage of the year, economic forecasts for 1993 must remain tentative, because of the hiatus in the provision of trade statistics. With this proviso, it still seems likely that the growth in real GNP will be in the region of 2½ per cent, as we forecast in the Summer *Commentary*. The current account surplus on the balance of payments seems set to rise further from the high level established in 1992, the consumer price index for the year will probably increase by just over 1½ per cent, and the annual average level of non-agricultural employment is expected to remain virtually unchanged.

Growth should be faster in 1994, with the external environment less unfavourable and domestic demand responding to relatively low and stable interest rates. Real GNP growth of 3¼ per cent appears a reasonable, and perhaps cautious, projection. The current account should remain strong, and the annual average rise in the consumer price index is likely to be about 2½ per cent, although this overall figure tends to obscure the probability that, if mortgage interest rates were excluded from the index, the rise would be well over 3 per cent. Further expansion in manufacturing output and a recovery in building and construction activity are forecast to assist in an increase of about 12,000 in the annual average of non- agricultural employment.

Despite the unavoidable uncertainties concerning precise rates of increase, it is clear that Ireland will achieve a positive rate of growth in 1993, and, barring unfore seen catastrophes, a more vigorous expansion in 1994. Against the background of severe European recession this year, with widespread and substantial job losses, and the prospect of only a hesitant recovery in continental Europe in 1994, the maintenance of growth in Ireland represents a very strong relative performance.

Major contributing factors to this relative strength are the flow of structural funds from the EC and the pattern of Irish trade, whereby diverging trends in the UK and continental Europe tend to compensate for each other. Nevertheless, it cannot be denied that domestic policy has also made a significant contribution. Improved competitiveness and the presence of high-technology industry have generated an improvement in the Irish share of both expanding and declining markets, while fiscal responsibility has enabled the long-run trend in Irish interest rates to move close to that in the stronger European economies.

In seeking policy modifications which might improve the rate of net job creation in future years, this relative success of past policies should not be under-valued. The central features of current medium-term strategy, such as fiscal responsibility, low inflation, including strict pay moderation, and a cautious approach to monetary and exchange rate management still remain essential.

Within this framework, the probable increase in government borrowing for capital purposes in 1994 precludes any major net reduction in real tax rates in the coming Budget, as a significant fall in the Current Budget Deficit will be needed to accommodate capital borrowing within the constraint of an unchanged Exchequer Borrowing Requirement. Pay moderation in 1994 seems likely to result from unstructured bargaining, and a new national agreement would be worthwhile only if it could deliver equivalent moderation and flexibility within a consensus structure.

FORECAST NATIONAL ACCOUNTS 1993

A: Expenditure on Gross National Product

	1992	1993	Change in 1993				
	Preliminary £m	Forecast £m	£m Value	£m Volume	% Value	% Price	% Volume
Private Consumer Expenditure ...	17106	17876	770	393	4½	2¼	2¼
Public Net Current Expenditure ...	4773	5107	334	107	7	4¾	2¼
Gross Fixed Capital Formation ...	4676	4901	225	66	4¾	3¼	1½
Exports of Goods and Services (X) ...	18673	20178	1505	814	8	3½	4¼
Physical Changes in Stocks	–60	20	80	65			
Final Demand	45168	48082	2914	1445	6½	3	3¼
less:							
Imports of Goods and Services (M) ...	15721	17013	1292	697	8¼	3½	4½
GDP at Market Prices	29448	31069	1621	748	5½	3	2½
less:							
Net Factor Payments (F)	3158	3432	274	158	8¾	3½	5
GNP at Market Prices	26290	27637	1347	590	5	2¾	2¼

B. Gross National Product by Origin

	1992	1993	Change in 1993	
	Preliminary £m	Forecast £m	£m	%
Agriculture, Forestry, Fishing ...	2140	2418	278	13
Non-Agricultural: Wages, etc. ...	14768	15543	775	5¼
Other: ...	7881	8233	352	4½
less:				
Adjustments	1335	1258	–77	–5¾
Net Factor Payments	3158	3432	274	8¾
National Income	20297	21504	1207	6
Depreciation	2858	3015	157	5½
GNP at Factor Cost	23155	24519	1364	6
Taxes less Subsidies	3134	3118	–16	–½
GNP at Market Prices	26290	27637	1347	5

C. Balance of Payments on Current Account

	1992	1993	Change in 1993
	Preliminary £m	Forecast £m	£m
X–M	2953	3165	212
F	–3158	–3432	–274
Net Transfers	1740	2002	262
Balance on Current Account ...	1535	1735	200
as % of GNP	5¾	6¼	½

FORECAST NATIONAL ACCOUNTS 1994

A: Expenditure on Gross National Product

	1993	1994	Change in 1994				
	Forecast £m	Forecast £m	£m Value	£m Volume	% Value	% Price	% Volume
Private Consumer Expenditure ...	17876	19047	1171	572	6½	3¼	3¼
Public Net Current Expenditure ...	5107	5426	319	102	6¼	4¼	2
Gross Domestic Fixed Capital Formation	4901	5244	343	211	7	2½	4¼
Exports of Goods and Services (X) ...	20178	21852	1674	1231	8¼	2	6
Physical Changes in Stocks	20	30	10	10			
Final Demand	48082	51599	3517	2126	7¼	2¾	4½
less:							
Imports of Goods and Services (M) ...	17013	18540	1527	1099	9	2¼	6½
GDP at Market Prices	31069	33059	1990	1027	6½	3	3¼
less:							
Net Factor Payments (F)	3432	3647	215	145	6¼	2	4¼
GNP at Market Prices	27637	29412	1775	882	6½	3¼	3¼

B. Gross National Product by Origin

	1993	1994	Change in 1994	
	Forecast £m	Forecast £m	£m	%
Agriculture, Forestry, Fishing ...	2418	2515	97	4
Non-Agricultural: Wages, etc. ...	15543	16359	816	5¼
Other: ...	8233	8955	722	8¾
less:				
Adjustments	1258	1310	52	4¼
Net Factor Payments	3432	3647	215	6¼
National Income	21504	22872	1368	6¼
Depreciation	3015	3188	173	5¾
GNP at Factor Cost	24519	26060	1541	6¼
Taxes less Subsidies	3118	3352	234	7½
GNP at Market Prices	27637	29412	1775	6½

C. Balance of Payments on Current Account

	1993	1994	Change in 1994
	Forecast £m	Forecast £m	£m
X–M	3165	3312	147
F	–3432	–3647	–215
Net Transfers	2002	2101	99
Balance on Current Account ...	1735	1766	31
as % of GNP	6¼	6	–¼

COMMENTARY

The International Economy

General

The current state of the international economy and its prospects for 1994 are discussed in detail in the Supplement recently published in association with this *Commentary*. The Supplement is based on the international and individual country forecasts provided by the majority of major forecasting institutions in Europe, and addresses the main issues determining the course of the European economy in the immediate future and the dilemmas currently facing the economic authorities throughout Europe.

Accordingly the International section of this *Commentary* will be shorter than usual, and will attempt to summarise the main points of the Supplement and discuss their implications for Ireland.

The performance of the world economy so far in 1993 has been significantly worse than expected. Growth in the US has been slower and more hesitant than was forecast, while the recession in Europe has been deeper and longer lasting. The newer industrialised countries of Asia have grown very rapidly, but the Japanese economy has been much slower to resume growth than was anticipated earlier in the year. There is general consensus that economic conditions will improve in 1994, but the recovery now seems likely to be quite slow and uneven.

The US Economy

The growth of the US economy in the first half of 1993 was disappointing, with the annualised growth rate less than 1½ per cent. Some commentators feared that the recovery could be petering out into renewed stagnation. These fears have now abated as growth accelerated in the third quarter and most current indicators suggest that the recovery is gathering strength. Private consumption and many forms of investment are finally responding to continued low interest rates, although the trend of net export volumes remains quite weak.

In total, GDP growth is expected to be almost 2¾ per cent in 1993, while the latest data indicate that the growth rate could approach 3 per cent in 1994. Inflation is expected to remain fairly stable at under 3 per cent, while unemployment is forecast to decline slowly in 1994. The substantial rise in import volumes in 1993 has come mainly from the dynamic Asian economies and from Latin America, and this pattern seems likely to continue in 1994. Because of these shifting trade patterns, the increase in US imports seems likely to provide only a modest stimulus to European economies.

The European Economy

The continental European economy has remained in a prolonged recession in 1993, with output falling in nearly all countries. Although most analysts agree that the recession has probably reached its nadir, the prospects for a speedy recovery are poor. Real interest rates are still high by historical standards in most countries and the fiscal stance is likely to become even more restrictive as many countries seek to counter the deterioration in their public finances. Fear of rising unemployment appears to be preventing any spontaneous improvement in consumer confidence.

Apart from the simple operation of normal cyclical timing, the main factors which could lead to European economic recovery in 1994 are the improvement in competitiveness due to currency depreciation against the dollar and, especially, the yen, the delayed impact of the interest rate reductions which have already taken place in 1993, and a positive response from consumers and businesses to a period of relative stability in exchange and interest rates after the fluctuations of 1992 and 1993. Nevertheless, it remains disturbing that so many European countries appear to base their growth forecasts on the hope of increased exports to their neighbours while so few foresee a significant rise in their own domestic demand.

On balance, however, the consensus view that EC economies in total will grow by about 1¼ per cent in 1994 after a fall of ½ per cent in 1993 appears reasonable. The non-EC countries of western Europe seem likely to follow a broadly similar pattern of minimal growth in 1994 after falling output this year. The decline in most eastern European countries could also be drawing to a close, although a return to growth will probably require a sustained recovery in western Europe.

The UK Economy

In contrast to continental Europe, the UK economy has been growing fairly steadily in 1993. The growth has primarily come from domestic demand, especially consumption. So far as can be assessed from incomplete trade data there has been little or no increase in the volume of net exports since early in the year. The European recession, and Britain's high propensity to import, appear to have outweighed the competitive advantage gained by sterling's forced withdrawal from the ERM.

While UK demand is expected to continue its expansion in 1994, there is a real danger that the current account balance of payments deficit will deteriorate quite sharply. If this happens, it will hold back the volume of output growth and could lead to renewed pressure on sterling in the course of 1994. In our opinion, the domestic UK forecasts of GDP growth and of the current account deficit presented in the Supplement to this *Commentary* lie at the optimistic end of the spectrum of possibilities, and we have accordingly adjusted them in Table 1 of this *Commentary*.

The Rest of the World

The stagnation in the Japanese economy has been unexpectedly prolonged, and has undoubtedly been exacerbated by the massive appreciation of the yen in the past twelve months. Despite this loss of competitiveness, an early upturn in Japanese output is expected under the stimulus of expansionary monetary and fiscal policies. Growth of about 2¼ per cent in real GDP is forecast for 1994.

The dynamic Asian economies have grown very rapidly in 1993, as in most recent years. Increasing import penetration in most markets, but especially in the US and Japan, underlies the growth, which, in turn, is sustained by heavy inward investment. Continued rapid expansion is expected in 1994. Many

TABLE 1: Short-term International Outlook

	GNP		Consumer Prices		Hourly Earnings		Unemployment Rate		Current Account Balance	
	Percentage Change						%		% of GNP	
Country	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994
UK	1¾	2¾	3½	4	4¼	4¼	10¾	10½	–3¼	–3¾
Germany	–1½	0	4	3	4½	2½	8¾	9½	–1½	–1
France	–1½	½	2	2	2¼	3	11¾	13	¾	½
Italy	–½	1½	4½	4	5	4¾	11¾	11¾	–1	–½
Total EC	–½	1¼	3¾	3¾	4½	4	11½	12	–1¼	–1
USA	2¾	3	2¾	3	2½	2½	7	6¾	–1½	–1½
Japan	0	2¼	1¼	¾	2	2¼	2½	2½	3¼	3½
Total (OECD)	1¼	2½	3	3½	3¾	3¾	8½	8½	–¼	–¼
Ireland	2¼	3¼	1½	2½	4¼	4	16¾	17	6¼	6

Latin American countries have also achieved substantial growth in 1993, and prospects for a continuation in 1994 could have been strengthened by US ratification of the North American Free Trade Agreement.

The very low level of world economic growth in 1993 has kept most commodity prices, including oil, weak, and thus depressed incomes in most OPEC and primary producing countries. Faster world growth in 1994 could improve primary incomes, although this seems more likely to result from a greater volume of exports than through major price increases.

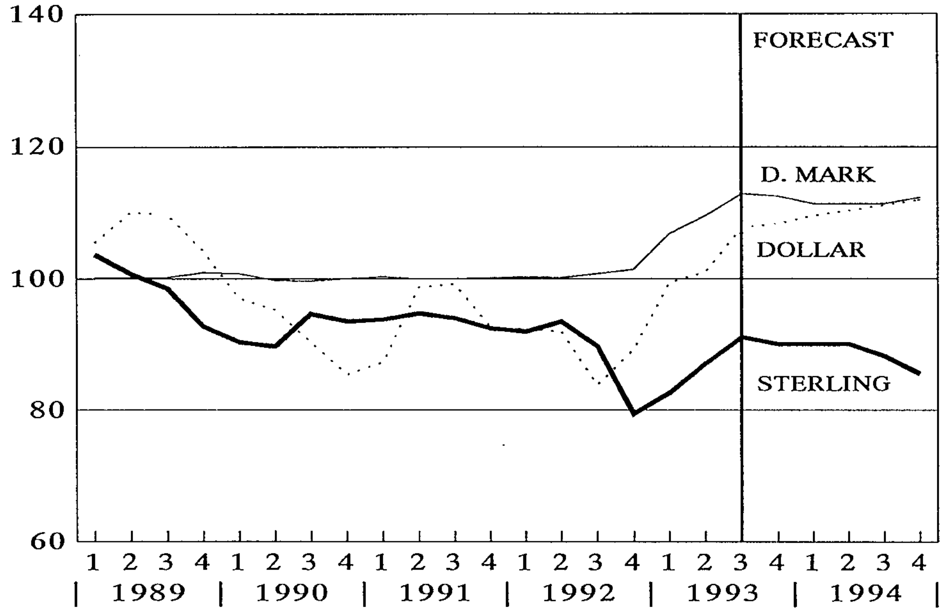
The Context for Ireland

European recession has made trading conditions difficult for some Irish exporters in 1993. However, the composition of Irish exports to continental Europe has offered some protection from the worst effects of the cyclical downturn. Continued growth in the UK market is thought to have allowed a substantial recovery in traditional exports, after the traumatic effects of the severe but temporary loss of competitiveness last winter.

Export markets should be less unfavourable in 1994, although an early return to the buoyancy of the late '80s seems most unlikely. Currency movements since September 1992 have improved Irish competitiveness significantly in major continental markets, the US and Japan, while the loss of competitiveness in relation to the UK and some Mediterranean and Scandinavian countries has proved quite limited at present currency levels.

The sluggish growth of world output, and the uncertainty as to when a substantial improvement in demand might occur, are obviously factors inhibiting productive investment on a world basis. Footloose industrial investment is currently tending to favour the dynamic Asian economies, and to a lesser extent Latin America. It is possible that a successful conclusion to the Uruguay round of GATT negotiations could stimulate investment, but it is far from clear that this would benefit Ireland. One consequence of reduced trade barriers could be for international investment to be concentrated in low-cost areas rather than within the major trading blocs such as the EC. Given this possibility, and the uncertainty as to whether a new GATT agreement is imminent, we have made no allowance for a GATT- induced upturn in potential international investment in Ireland in 1994. However, we have assumed that there will be no intensification of trade barriers if the current talks fail.

FIGURE 1: Exchange Rates
IR£ Price of Unit of Foreign Currency, Quarterly Averages, 1988=100



Ireland's relatively favourable competitiveness, which should permit export volumes to expand and some inward investment to be attracted, is based on current exchange rates. It appears likely that currency markets will be far calmer in 1994 than they were between September 1992 and August 1993. The specific assumptions made in this *Commentary* are that there will be relatively minor movement among the former narrow band EMS currencies, that the dollar and the yen will appreciate a little further against European currencies, and that there will be a moderate, but non-traumatic, depreciation of sterling in the second half of 1994. International interest rates are likely to remain low, with a further decline in European rates bringing them closer to short-term rates in the USA and Japan.

The Domestic Economy

General

Given the economic difficulties of the first quarter of 1993, it was always probable that growth this year would be concentrated in the later months. A significant lag was likely before the restoration of competitiveness was reflected in increased traditional exports to the UK. Similarly, the winter shock to economic confidence was so great that the response of consumption and investment to reduced interest rates was likely to be delayed by several months.

The indications so far available are consistent with this thesis. Production in most traditional industries remained subdued throughout the first half of

1993, while retail sales were more or less stagnant and employment in the building industry continued to fall. The evidence of an upturn since the middle of the year is less conclusive, but does offer grounds for optimism. There was a significant rise in the seasonally-corrected value of retail sales in July and August, building employment appears at least to have stabilised, while recent survey data suggest that both output and exports in traditional industry have tended to rise in recent months.

The forecasts in this *Commentary* are based on the assumption that both consumer and business confidence will improve gradually in the closing months of 1993 and throughout 1994, aided by some further reduction in retail interest rates. Overall budgetary policy is assumed to show little change in 1994, with strict adherence to the Maastricht fiscal guidelines remaining as the core of medium-term fiscal strategy. Whatever form pay bargaining takes in 1994, it is assumed that average settlements will be significantly lower than in the past three years, although because of carry-over effects the actual rise in average pay in 1994 will be only slightly less than in 1993.

Exports

By this time of year it is generally clear how exports are likely to perform for the year as a whole, and what the probable influence of export trends on industrial production, employment and intervention stock levels are likely to be. Because of the hiatus in trade statistics due to the implementation of the Single European Market, this usual clarity is lacking in 1993. Only the broadest indications of export performance are available, and consequently export forecasts for the year are still subject to very large margins of error.

The trade statistics which have been published, dealing with the value of total trade in the first quarter, and non-EC trade for the first four months of 1993, are of limited relevance. Because of the enforced change in collection methods it is not known how comparable current data for intra-EC trade are with figures for previous years. Although the collection basis for non-EC trade has not altered, analysts in other EC countries suggest that the changed system for recording intra-EC trade has resulted in a significant shift in reported origins and destinations in favour of non-EC trade. It seems likely on the basis of the provisional trade statistics that a similar re-classification has occurred in Ireland. Finally, of course, even if the trade statistics were entirely reliable and comparable, trends in the first few months of 1993 are unlikely to be typical of the year as a whole.

A rather more reliable guide to export trends is the industrial production index, which suggests that high-technology manufactured exports were reasonably buoyant in the first half of the year, increasing slightly on the high level of volume they had reached in the second half of 1992. It is more difficult to derive the trend of exports from output levels in the traditional sectors of industry, as the proportion of their output which is exported is much lower than for the high technology sectors. It would appear, however, that the volume of exports from traditional industry as a whole was, at best, stagnant during the first half of 1993.

Survey data tend to confirm these interpretations of the industrial production index. Reported exports in the first half of the year were generally weak, especially in the more traditional sectors. However, the surveys suggest that a recovery has taken place in recent months, with traditional exports to the UK sharing in the moderate overall growth.

TABLE 2: Exports of Goods and Services

	1992 £m	% Change Volume	% Change Value	1993 £m	% Change Volume	% Change Value	1994 £m
Agricultural	2832	-1	5	2974	0	3	3063
Manufactured	11506	6	9½	12599	8	10	13859
Other Industrial	2144	3	6	2273	4	6	2409
Other	147	0	2	150	0	2	153
Total Visible	16629	4¼	8¼	17996	6	8¼	19484
Adjustments	-245			-260			-275
Merchandise	16384	4½	8¼	17736	6¼	8¼	19209
Tourism	1228	3¾	5½	1296	6	8¾	1409
Other Services	1061	4½	8	1146	5	7¾	1234
Exports of Goods and Services	18673	4¼	8	20178	6	8¼	21852

Apart from uncertainty concerning the volume of exports in 1993, there is conflicting evidence in relation to the trend of export prices. The output price index for manufacturing industries shows an average increase of 3¾ per cent in the first 8 months of 1993, export unit values to non-EC countries in the first quarter were 1 per cent higher than in the first quarter of 1992, while the difference between the indices of manufacturing output and turnover imply an increase in output price of about 3 per cent in the first 7 months of the year.

Taking these disparate indicators together with known economic trends in overseas markets, the pattern of exports in 1993 set out in Table 2 is tentatively forecast. The volume of agricultural exports is likely to be marginally lower than in 1992, with increased meat exports just failing to balance the decline in dairy exports from the exceptional level achieved through the running down of intervention stocks last year. Average prices for agricultural exports have risen sharply, due both to composition effects and genuine price increases for most commodities. Manufactured and other industrial exports seem likely to have maintained a moderate volume growth, mainly from the high-technology sector. Deteriorating trading conditions in the continental EC countries are likely to have been offset by gradually improving conditions in most other markets, including the UK. Price trends for manufactured exports are likely to have varied sharply between products and between markets, but on average an annual increase of just over 3 per cent appears a reasonable estimate.

Thus total visible exports are forecast to increase by 4¼ per cent in volume and 8¼ per cent in value in 1993. After some misgivings early in the season, it now appears that tourist earnings are likely to have risen modestly, perhaps by almost 5½ per cent. Deflated by the consumer price index, this implies an increase of about 3¾ per cent in the volume of tourist exports. A fairly rapid increase in other service exports is expected to have continued. Total exports of goods and services are thus forecast to rise by 4¼ per cent in volume and 8 per cent in value. This represents a slight downward revision from our previous forecast in volume terms, largely because of the deeper than expected recession in Europe, but a slight upward revision in value as prices appear to have risen more strongly than we then anticipated.

Supply constraints would seem to rule out any major change in the volume of agricultural exports in 1994, but some further rise in average prices is likely.

On our assumptions concerning the international economy, the volume of manufactured and other industrial exports should grow rather more rapidly in 1994 than this year. The slow pace of world recovery, however, is likely to keep price increases very modest. Total visible exports are thus projected to increase by 6 per cent in volume and 8¼ per cent in value, although it must again be stressed that the uncertainty concerning export trends this year inevitably renders projections for next year more than usually tentative.

As the US recovery continues, it is reasonable to expect a belated increase in the number of American tourists travelling overseas. With a continuing increase in the number of visitors from the UK and continental Europe, it is possible that 1994 could see a return to rapid growth in total tourist earnings. However, at present it is prudent to assume only a moderate increase in the rate of growth, to a volume increase of about 6 per cent. Other service exports are assumed to increase by about 5 per cent in volume.

On this basis, exports of goods and services in 1994 are projected to increase by 6 per cent in volume and 8¼ per cent in value. Although below the rate of growth in several recent years, such increases would represent a reasonable performance in the face of an assumed climate of very gradual European recovery.

Stocks

After increasing substantially in each of the past six years, farm stocks are likely to see a decline in 1993. A further decrease is projected for 1994 as part of a general agricultural adjustment to the changing CAP regime.

Intervention and related stocks of agricultural produce fell massively in 1992. Some further fall is expected in stocks of dairy produce in 1993, although these are already at a very low level. A modest fall in stocks of meat is also expected, with the increase in the volume of meat exports coming largely at the expense of farm stocks. A similar trend, although slightly less pronounced, is projected to continue in 1994.

Other stocks rose surprisingly rapidly in 1992, with much of the increase probably involuntary due to difficult market conditions at the end of the year. Survey data suggest that stocks have remained high so far in 1993. For the year as a whole, an increase of 80 million is forecast, roughly one-third the 1992 rate of stockbuilding. A similar figure is projected for 1994, with an increase in planned stockbuilding replacing the remaining elements of involuntary accumulation of unsold goods.

Investment

Several indicators confirm that, as expected, private sector investment in building and construction was very weak in the first half of 1993. Private

TABLE 3: Stock Changes

	1992 £m	Change in Rate £m	1993 £m	Change in Rate £m	1994 £m
Livestock on Farms	83	–113	–30	0	–30
Irish Intervention Stocks[1]	–377	347	–30	10	–20
Other Stocks	234	–154	80	0	–80
Total	–60	80	20	10	30

[1]Including subsidised private storage.

TABLE 4: Gross Fixed Capital Formation

	1992 £m	% Change Volume	% Change Value	1993 £m	% Change Volume	% Change Value	1994 £m
Building and Construction	2752	1	4	2862	4½	7	3062
Machinery and Equipment	1924	2	6	2039	4	7	2182
Total	4676	1½	4¾	4901	4¼	7	5244

housebuilding and planning permissions for new projects both declined sharply, while the Quantity Surveyors' Survey shows a substantial fall in expenditure on private non-residential building. However, the decline in total building and construction in the first half of the year is likely to have been only minor, due to the planned expansion in the volume of public construction, largely financed by EC Structural Funds.

Although statistical confirmation is not yet available, it still seems likely that private sector building, including housing, has started to recover in the second half of the year, mainly in response to the steep decline in interest rates. Allied to a continuing high level of public construction, this should result in the volume of total building and construction increasing significantly during the second half of 1993. Some confirmation that such a recovery could be under way is the reversal of the previous steady decline in the index of employment in the building industry between June and September, the latest month available. For 1993 as a whole, a slight rise of 1 per cent is forecast for the volume of total investment in building and construction, as shown in Table 4.

Although new registrations of goods vehicles are sharply lower than in 1992, the partial trade statistics for the first quarter suggest that imports of many other forms of capital goods may be rather higher than had been expected. In the absence of full and up-to-date import figures, projections for investment in machinery and equipment for 1993 as a whole must remain tentative. Increases of 2 per cent in volume and 6 per cent in price, a slight upwards revision on our previous forecast, currently appear reasonable expectations.

Until the Public Capital Programme is published the planned level of public sector investment in building and construction in 1994 will not be known in detail. However, on the basis of the medium-term National Plan, it is clear that such investment will remain high, perhaps slightly above the 1993 volume. Private housebuilding is expected to recover sharply from the set-back induced by the high interest rates and general uncertainty of last winter. Other private sector building and construction also seems likely to increase in volume, although growth will remain constrained by the current over-supply of office accommodation. The forecast increase of 4½ per cent in the total volume of building and construction in 1994 could prove too cautious, given the past volatility of building output, but until clear evidence is available that a major recovery in private building is actually under way, it would be imprudent to project a larger increase.

The entry to a period of relatively low and stable interest rates should similarly signal an upturn in investment in machinery and equipment. Again, a fairly modest rate of growth is projected, which could prove over-cautious if perceptions of an imminent recovery in the European economy strengthen in the first half of 1994.

Consumption

The retail sales index shows that the volume of retail sales remained virtually stagnant in the first half of 1993. However, the returns for July, and the provisional value index for August suggest that the expected upturn in the second half of the year may be under way.

Given that disposable incomes were rising and that price increases were very low, the stagnation in retail sales volume implies that there must have been a large increase in the personal savings ratio in the first half of 1993. Indeed, banking statistics confirm that there was an exceptional increase in deposits by personal savers during this period. However, with no large household debt overhang, such as retarded the recovery in personal consumption in both the US and the UK, a reasonably rapid consumer response to falling interest rates could be expected in Ireland. As shown in Table 5, a moderate upturn in the second half of the year could bring the increase in the volume of retail sales to about 1.4 per cent in 1993 as a whole. The price deflator for retail sales which, of course, differs from the consumer price index by referring solely to prices in retail outlets, seems likely to increase quite significantly in the later months of the year. Thus the annual rise in the value of retail sales is forecast at 3.4 per cent.

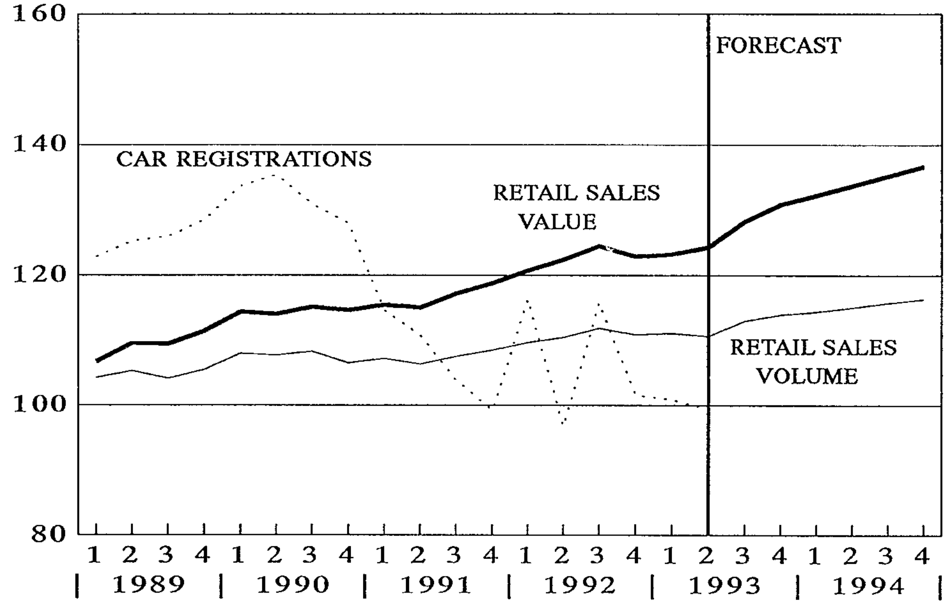
Non-retail consumer expenditure, including tourist spending overseas, has almost certainly been rising faster than retail sales, so that total personal consumption is forecast to increase by 4.5 per cent in value and 2.3 per cent in volume. This represents a small downward revision compared with our previous *Commentary*, as the recovery in consumption appears to have commenced slightly later than we then assumed.

Despite the projected recovery in consumption in the second half of 1993, the personal savings ratio seems certain to have risen for the year as a whole, following a substantial increase in the second half of 1992. If our assumptions that non-agricultural employment will show a small increase in 1994 and that retail interest rates will remain relatively low are correct, then a gradual return towards a more normal savngs ratio can be expected next year. Given our forecast of an increase of about 5 per cent in personal disposable income, a moderate fall in the savings ratio would permit an increase of about 6½ per

TABLE 5: Consumption Indicators

	Annual Percentage Change						
	1989	1990	1991	1992	1993 To Date	1993 Forecast	1994 Forecast
Consumption Value							
NIE 1992, Personal Consumption	10.1	3.7	3.9	5.7	—	4.5	6.6
Retail Sales Index, Value	9.2	4.8	1.8	5.0	2.1	3.4	6.2
Divergence	0.9	-1.1	2.1	0.7	—	1.1	0.4
Consumption Volume							
NIE 1992, Personal Consumption	6.4	2.0	1.6	3.0	—	2.3	3.2
Retail Sales Index, Volume	4.7	2.7	-0.2	3.0	0.6	1.4	2.8
Divergence	1.7	-0.7	1.8	0.0	—	0.9	0.4
Consumer Prices							
NIE 1992, Personal Consumption Deflator	3.5	1.7	2.3	2.6	—	2.2	3.3
Retail Sales Index Deflator	4.3	2.0	2.0	2.0	0.9	1.9	3.3
Consumer Price Index	4.0	3.4	3.2	3.0	1.4	1.6	2.4

FIGURE 2: Consumption
Quarterly Averages Seasonally Adjusted, 1988=100



cent in the value of personal consumption. The consumption deflator, as distinct from the consumer price index, can be expected to increase by over 3 per cent in 1994, so that the projected rise in the volume of personal consumption is about 3¼ per cent. Although marginally below the annual average rise since 1984, such an increase in consumption would probably be among the highest in Europe in 1994.

Government consumption of goods and services in 1993 is thought to have risen by about 7 per cent in value and 2¼ per cent in volume. The level of government consumption in 1994 depends primarily on expenditure decisions which have yet to be finalised. For forecasting purposes it is assumed that the volume growth of government consumption will be only marginally curtailed in 1994. It is, however, assumed that there will be a slightly larger reduction in the price deflator for government consumption, so that a volume growth of about 2 per cent will translate to a value increase of 6¼ per cent in 1994.

Final Demand

The forecasts for the individual categories of demand already discussed imply that final demand in 1993 will rise by 3¾ per cent in volume and 6 per cent in value. The forecast pattern of demand is more balanced than in several recent years. Although exports are expected to be the largest contributor to the increase in both the volume and the value of final demand, they are not totally dominant, accounting for little over half the total growth in demand. This relatively balanced forecast growth is likely to be rather more import-intensive than was the 1992 pattern.

With both export and domestic demand projected to grow more rapidly in

TABLE 6: Imports of Goods and Services

	1992 £m	% Change Volume	% Change Value	1993 £m	% Change Volume	% Change Value	1994 £m
Capital Goods	1726	2	6	1830	4	7	1958
Consumer Goods	3717	4	7½	3996	5½	8	4315
Intermediate Goods:							
Agriculture	461	0	2½	473	0	0	473
Other	7217	4¾	9	7866	7½	10	8652
Other Goods	74	0	4	77	0	2½	79
Total Visible	13195	4	8	14242	6¼	8¾	15477
Adjustments	-172			-180			-190
Merchandise Imports	13023	4	8	14062	6¼	8¾	15287
Tourism	797	7¼	9	869	6¼	9	947
Other Services	1901	6	9½	2082	8	10¾	2306
Imports of Goods and Services	15721	4½	8¼	17013	6½	9	18540

1994, the increase in final demand could be about 4½ per cent in volume and 7½ per cent in value. Again, the growth is expected to be reasonably balanced, and moderately import-intensive.

Imports

As in the case of exports, the paucity of reliable trade statistics for 1993 makes it impossible to monitor the course of imports this year. As fewer inferences can be drawn from industrial output data or surveys, the uncertainty about current trends is even more acute for imports than for exports.

Forecasts of import volumes must therefore be based on the assumptions that past relationships with different categories of demand hold good in 1993, and that there is a minor decline in the level of stockbuilding. On the basis of our final demand forecasts, an increase of about 4 per cent in the volume of visible imports would seem likely, with the pattern roughly as set out in Table 6. The very large increase in unit values for non-EC imports in March 1993 is probably not indicative of total import prices for the year as a whole. In general, the consequence of currency changes could be that import prices from each individual country will rise by more than export prices to that country, due to the relative market weakness of most Irish companies as either buyers or sellers. On the other hand, the trade pattern of imports is less conducive than that of exports to price rises as a result of the currency changes of the past twelve months or so, mainly because the UK accounts for a significantly greater share of imports than of exports. Thus, on balance, it seems reasonable to expect that overall import prices will rise at much the same rate as export prices in 1993.

The one category of import for which useful data exist for much of 1993 is tourist spending overseas. Figures for the first half of the year suggest that there is likely to be a large annual increase in such spending. With other service imports assumed to continue their rapid growth of recent years, total imports of goods and services are forecast to increase by 4½ per cent in volume and 8½ per cent in value in 1993.

With the faster growth in final demand projected for 1994, the increase in the volume of visible imports could rise to about 6¼ per cent. Assuming no major currency fluctuations, the annual increase in import prices is likely to be quite small, so that the value of visible imports is projected to rise only

TABLE 7: Balance of Payments

	1992 £m	Change %	1993 £m	Change %	1994 £m
Visible Trade Balance	3434	9¼	3754	6¾	4007
Adjustments	–73		–80		–85
Merchanise Trade Balance	3361	9¼	3674	6¾	3922
Service Trade Balance	–408	24¾	–509	19¾	–610
Trade Balance in Goods and Services	2953	7¼	3165	4¾	3312
Factor Flows:					
Profits etc.	–2735	10½	–3022	9½	–3309
National Debt Interest	940	3	–968	–2	948
Other Debit Flows	–1126	3	–1160	3	–1195
Total Debit Flows	–4801	7¼	–5150	5¾	5452
Credit Flows	1644	4½	1718	5	1805
Net Factor Flows	–3158	8¾	–3432	6¼	–3647
Net Transfers	1740	15	2002	5	2101
Balance on Current Account	1535	14	1735	1¾	1766

from 8 per cent in 1993 to 8¾ per cent in 1994. A continuation of rapid expansion in service imports is projected to leave total imports of goods and services in 1994 rising by 6½ per cent in volume and 9 per cent in value.

Balance of Payments

Although both the export and import forecasts for 1993 and 1994 are inescapably more tentative than usual, any errors in them are likely to be in the same direction. Thus rather more confidence can be placed in the prediction that the surplus on visible trade will increase moderately in each year, following its very large rise in 1992. The deficit in service trade also seems likely to increase in both years. Total trade in goods and services should, however, show an increasing surplus, as shown in Table 7.

Because we have increased our forecast of the value of manufactured exports in 1993, we have also made a slight upward revision to our forecast of profit outflows.In the absence of additional information we have left our forecasts of the other categories of factor flows in 1993 unchanged. However, we have revised our projections for 1994 to show a slight fall in overseas national debt interest, because of lower international interest rates, and a marginally faster rate of gross factor inflows. Thus net factor outflows are now projected to increase by 8¾ per cent in 1993 and 6¼ per cent in 1994.

Net transfers, mainly from the EC, fell sharply in 1992, but are expected to recover in 1993. A moderate further increase is likely in 1994. It is the rise in net transfers which is responsible for the increase in the overall current account surplus in each year, as the projected rise in net factor outflows exceeds the projected increase in the trade balance.

Agriculture

Despite a reduction of about 7 per cent in cereal acreage planted, mainly due to the introduction of the set-aside programme, and a weather-affected fall in crop yields, it seems likely that there will be little change in the total volume of gross agricultural output in 1993. Livestock output is expected to increase, offsetting the fall in crop production. No major change in input volumes is anticipated, so that gross agricultural product is also forecast to remain at roughly its 1992 level. Net output in the broad agricultural sector is forecast to rise by about ½ per cent, due to moderate increases in forestry and fishing.

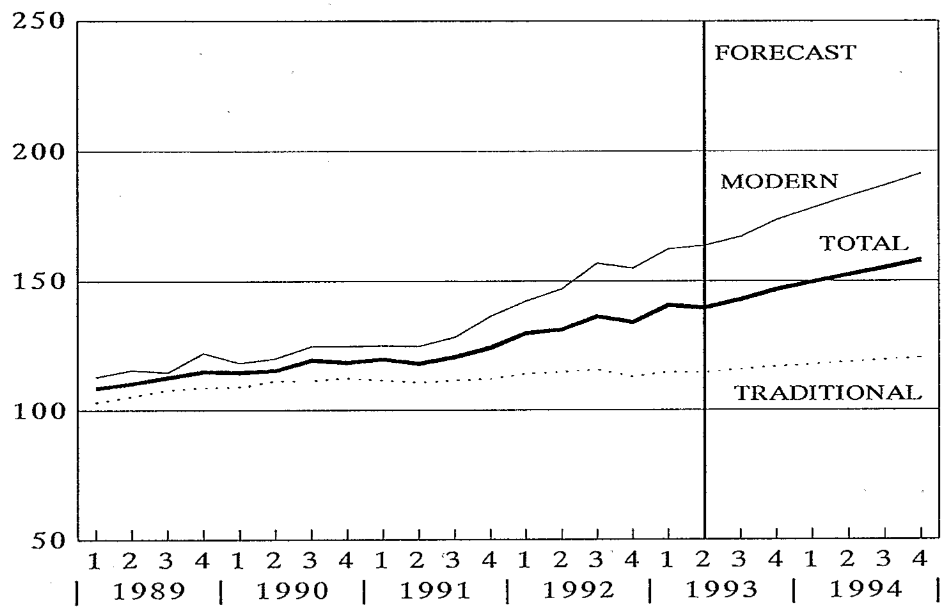
A broadly similar result is projected for 1994, with the changing nature of the Common Agricultural Policy causing shifts in the composition of agricultural output rather than affecting the overall volume of production. A further marginal rise in the net output of the broad agricultural sector thus seems likely.

Industry

After a very strong performance in the first four months of 1993, the seasonally- corrected volume of production index for manufacturing industry weakened somewhat in the next three months. Nevertheless it remained well ahead of its level in the corresponding period of 1992, and for the entire seven-month period the index was 6½ per cent higher than in the same months last year and 5¼ per cent above the annual average for 1992.

Although below its earlier peak, the index showed signs of recovery in July. The IBEC/ESRI Survey suggests that there has since been a further strengthening, including a recovery in some of the more traditional sectors of industry. This is in keeping with the expectation that manufactured exports to the UK are recovering from the currency-induced difficulties of last winter. For 1993 as a whole, an increase of about 7¼ per cent in the volume of production in manufacturing industry is forecast, a marginal reduction on our previous projection. Output in the broad industry sector, including an almost stagnant building industry, is still forecast to rise by about 4½ per cent.

FIGURE 3: Manufacturing Output
Quarterly Averages Seasonally Adjusted, 1988=100



Because the carryover from 1993 will be considerably lower than that from 1992, manufacturing output is forecast to grow only marginally faster in 1994, with an annual increase of about 8 per cent. However, this annual average conceals the likelihood that the pace of growth during 1994 will accelerate significantly in line with the general rise in economic activity. Industrial expansion in 1994 is expected to be broadly based, provided, of course, that Irish industry retains its competitiveness. With building output expected to return to growth in 1994, the volume of net output in the broad industrial sector is projected to increase by about 6½ per cent.

It is worth noting that Ireland's industrial performance in 1993 is in marked contrast to the falls in industrial output which have been recorded in most continental EC countries. Similarly, Irish industrial expansion in 1994 is likely to far outstrip the tentative recovery hoped for in those countries.

Services

Given the subdued state of domestic demand in the first half of 1993, service output is likely to have shown little growth. As consumption recovers and building investment is resumed, an upturn in service output is expected in the second half of the year. The volume of public services is thought to have increased moderately, so for 1993 as a whole it seems likely that the volume of total service output will increase by about 2 per cent.

With the general pace of economic activity likely to quicken in 1994, the volume growth of private services should be correspondingly higher. On the policy assumption that the volume increase in public services will be held to about 2 per cent, net output growth in the total service sector in 1994 is projected at almost 2½ per cent.

Employment

At the time of writing, the Labour Force Survey for 1993 has not been published. Employment trends can thus be derived only from short-term data, most of which are available only to March 1993. Industrial employment held virtually steady until March, although the temporary check to industrial output growth in the second quarter suggests that there could have been some loss of net industrial employment between March and June. However, over the second half of the year it is expected that output growth will be sufficient to at least maintain overall employment in manufacturing with new jobs balancing significant redundancies in a few firms. The index of employment in the building industry shows a mild revival in the third quarter of 1993 after a year of decline.

On the output forecasts contained in this *Commentary*, both manufacturing and building employment should increase moderately in the course of 1993. Thus, as shown in Table 8, employment in the broad industrial sector is forecast to be about 2,000 higher in April 1994 than in April 1993, with a further rise of about 7,000 in the year to the following April. On an annual average basis employment in the broad industrial sector is forecast to decline by 4,000 in 1993 to 310,000, and to increase by about 4,000 in 1994.

Employment in the services has been growing fairly steadily since 1989, and this increase is expected to continue, albeit at a slower pace in 1993. Fiscal constraints are likely to preclude a significant rise in public service employment in 1994, but the faster growth in domestic demand should lead to some

TABLE 8: Employment and Unemployment

A: Mid-April Estimates '000

	1991	1992	1993	1994	1995
Agriculture	154	150	147	144	141
Industry	322	316	310	312	319
Services	649	659	664	669	679
Total at Work	1125	1125	1121	1125	1139
Unemployed	208	225	241	247	244
Labour Force	1334	1350	1362	1372	1383
Unemployed Rate %	14.7	15.7	16.8	17.0	16.8
Live Register	248	281	295	300	296

B: Annual Averages '000

	1991	1992	1993	1994
Agriculture	152	149	146	143
Industry	319	314	310	314
Services	655	662	666	674
Total at Work	1126	1125	1122	1131
Unemployed	216	236	246	246
Labour Force	1342	1361	1368	1377
Unemployed Rate %	14.9	16.1	16.9	16.9
Live Register	254	283	295	295

acceleration in private sector service employment. Thus, on an annual average basis, total non-agricultural employment is expected to remain roughly constant in 1993 and to increase by about 12,000 to 988,000 in 1994. Allowing for a continuation of the secular decline in the number engaged in agriculture, the total at work is forecast to decline by 3,000 in 1993 and to rise by 9,000 in 1994.

Despite monthly fluctuations, the number of unemployed on the Live Register has shown a virtually level trend since the beginning of 1993. Given that the potential labour force is still growing by about 25,000 per year and that total non-agricultural employment appears to have remained roughly constant, this stability in unemployment levels is surprising. Training and employment schemes could have absorbed some of the potential increase in the labour force, but the main explanation is undoubtedly renewed net emigration. Although the recovery in the UK labour market has been far from robust, it appears to have been sufficient to have encouraged a moderate net flow of Irish workers to Britain. It seems likely that the UK economy will continue its modest expansion in 1994, so that it is reasonable to assume that net emigration from Ireland will remain at a moderate level next year. If this is correct, and if our employment projections are accurate, the Live Register could peak at a seasonally- corrected level of about 300,000 in the early months of 1994, before declining slightly as net job creation accelerates in the second half of the year.

Incomes

Despite the likelihood of an almost unchanged volume of gross agricultural product, agricultural incomes are expected to rise sharply in 1993. A substantial post-devaluation increase in the prices of most agricultural products, combined with a significant rise in net subsidies, seems likely to result in an increase of about 13 per cent in incomes in the broad agricultural sector. Price movements are unlikely to be so favourable in 1994, and an income increase of 4 per cent is projected.

Considerable variation is likely in private sector wage and salary increases in 1993, reflecting the different trading conditions of employers. On average, it still appears likely that weekly earnings in the private sector will increase by about 4¼ per cent. With average public service earnings due to rise by 6¼ per cent, and virtually no change likely in total non- agricultural employment, aggregate wages, salaries and pensions are forecast to increase by 5¼ per cent in 1993.

It remains unclear whether or not pay bargaining for 1994 will be under the framework of a new national agreement. Whether structured or unstructured, it seems probable that pay settlements in 1994 will be below the average for recent years, as indeed is necessary if competitiveness is to be maintained. However, when carry-over effects are taken into account, the actual annual increase in private sector earnings is likely to be only marginally lower than in 1993, at about 4 per cent. A significant reduction in the rate of growth of average public service pay seems probable, but it is still likely to increase at least as fast as private sector earnings. Unlike 1993, 1994 should see an increase in total employment, perhaps by more than 1 per cent. Thus aggregate earnings are projected to increase by 5¼ per cent, the same as in 1993.

Other non-agricultural incomes are difficult to monitor, as there are no short-term indicators available. The general forecasts in this *Commentary* suggest that there will be little change in the level of such incomes in 1993. Slack domestic demand for much of the year will tend to restrict income from non-agricultural self employment, while lower interest rates will probably result in a small reduction in income from interest dividends and rent. With the expected acceleration in economic activity in 1994, increased income from self employment and dividends should offset continuing low interest rates, and an increase of 4 per cent is thus projected for other non-agricultural income.

Current transfers to households are forecast to increase by about 6 per cent in 1993, reflecting both increased benefit rates and a higher annual level of

TABLE 9: Personal Disposable Income

	1992	% Change		1993	% Change		1994
	£m	%	£m	£m	%	£m	£m
Agriculture etc.	2140	13	278	2418	4	97	2515
Non-Agricultural Wages, etc.	14768	5¼	775	15543	5¼	816	16359
Other Non-Agricultural Income	3250	0	-2	3248	4	130	3378
Total Income Received	20158	5¼	1051	21209	5	1043	22252
Current Transfers	4661	6	278	4939	5¾	280	5219
Gross Personal Income	24819	5¼	1329	26148	5	1323	27471
Direct Personal Taxes	5332	6¾	360	5692	5	291	5983
Personal Disposable Income	19487	5	969	20456	5	1032	21488
Consumption	17106	4½	770	17876	6½	1171	19047
Personal Savings	2381	8¼	199	2580	-5½	-139	2441
Savings Ratio	12.2			12.6			11.4

unemployment. A slightly smaller annual increase of 5¼ per cent is projected for 1994.

The increase in gross personal income is thus forecast at 5¼ per cent in 1993 and is projected at 5 per cent in 1994. Direct personal taxes seem likely to rise by about 6¾ per cent in 1993, rather higher than was originally budgeted. Obviously, the yield of direct personal taxation in 1994 will depend largely on budget decisions which have yet to be taken. These will be discussed in a later section of this *Commentary*. For forecasting purposes, it is assumed that direct personal taxation will increase by 5 per cent, a considerably slower rate of growth than in the past few years.

On this basis it seems likely that personal disposable income will increase by about 5 per cent in both 1993 and 1994. As already noted, the sluggish rate of personal consumption in the first half of 1993 implies an unexpectedly large increase in the personal savings ratio. Even if this trend is reversed, as expected, in the second half of the year, the annual savings ratio is likely to increase to 12.6 per cent from the already high ratio of 12.2 per cent in 1992. With retail interest rates remaining low and probably declining a little further, and with rising economic activity gradually reducing fears of unemployment, it is reasonable to anticipate a significant fall in the personal savings ratio in 1994. The projected ratio of 11.4 per cent, although below the exceptional levels of 1992 and 1993 is still well above the ratios in the recovery years of the previous economic cycle, when it fell to under 10 per cent from 1988 to 1990. These projections suggest that the value of personal consumption should rise by about 4½ per cent in 1993 and 6½ per cent in 1994.

Consumer Prices

With the increase in the consumer price index over the corresponding months of 1992 averaging 1.4 per cent in the first three quarters of 1993, it is clear that the annual increase in the index will be the lowest since 1960. Even if the twelve-month rise in November increases to about 2.2 per cent, as seems likely, the annual average increase would be only 1.6 per cent.

However, this very low rate of increase in the consumer price index is somewhat misleading, as it is heavily influenced by the fall in mortgage interest rates. Published data do not allow the simple abstraction of mortgage interest from the index. However, it is possible to separate total housing expenditure from the remainder of the index, and thus to obtain a clearer picture of the underlying rate of inflation. The results are shown in Table 10.

For the first three quarters of 1992 the price index for housing was at a considerably higher level than the index for other items, but with its weighting of just over 7 per cent it had little impact on the quarterly or annual percentage changes in the total index. This changed in November 1992 when the 10½ per cent quarterly rise in the housing index, resulting, of course, from the rise in mortgage interest rates, more than offset the ¾ per cent post-sterling-devaluation fall in other items. In May and August 1993 the situation was reversed, with large quarterly reductions in the housing index masking a significant post-Irish- pound-devaluation acceleration of other price increases.

This effect is likely to continue in November 1993 and for the first half of 1994. Assuming little change in the level of the housing price index between August and November, the percentage decline in the year to November will be about 17 per cent. Conversely, if the index for other items continues to rise by

TABLE 10: Consumer Price Index – Recent Trend and Forecast

	Quarterly Trend							Annual		
	1992				1993			1992	1993	1994
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.		Forecast	Forecast
Index Nov. 1989 = 100										
Housing	118.2	120.3	119.5	132.0	133.3	115.8	109.7	122.5	117.2	106.7
Other	106.5	107.2	107.9	107.1	107.4	108.6	110.2	107.2	109.4	113.2
Total CPI	107.3	108.1	108.7	108.9	109.3	109.1	110.2	108.2	110.0	112.6
Annual % Change										
Housing	5.0	6.2	4.4	15.1	12.8	–3.7	–8.2	7.6	–4.3	–9.0
Other	3.6	3.5	2.8	1.2	0.8	1.3	2.1	2.9	2.1	3.3
Total CPI	3.7	3.6	2.8	2.3	1.9	0.9	1.4	3.0	1.6	2.4
Quarterly % Change										
Housing	3.1	1.8	–0.7	10.5	1.0	–13.1	–5.3			
Other	0.7	0.7	0.7	–0.7	0.3	1.1	1.5			
Total CPI	0.8	0.7	0.6	0.2	0.4	–0.2	1.0			

about 1 per cent in the quarter, the rise in the year to November will be about 4 per cent. The consumer price index as a whole would then show a rise in the year to November 1993 of about 2¼ per cent. In both February and May 1994 the housing price index will remain substantially below is corresponding levels in 1993, while the increase in the non-housing index seems likely to peak at an annual rate of around 4¼ per cent in February 1994. The twelve-month increase in the consumer price index as a whole thus seems likely to rise to just over 3 per cent in May 1994, before falling back to an annual rate of a little over 2 per cent by November.

On an annual average basis, as shown in Table 10, the consumer price index as a whole is forecast to increase by just over 1½ per cent in 1993 and almost 2½ per cent in 1994. However, the annual increases in the index excluding housing are significantly greater, and we have used these as the basis for deriving the personal consumption deflator in both years, as expenditure on mortgage interest is not classified as personal consumption in the National Accounts.

Public Finances

With the delay in expected VAT receipts as a result of the European Court of Justice ruling, the current budget deficit is now unlikely to be much below target. Revenue will probably just exceed target, with increases in the yield of direct taxes, especially corporation tax, exceeding the shortfall on indirect taxation. With regard to current expenditure, a significant saving on interest payments is likely to be offset by greater than budgeted expenditure under other heads, so that total current spending will be close to target.

The out-turn with regard to the capital budget is harder to predict, even at this late stage of the year. The timing of EC payments around the end of the year are always subject to variability, while at the time of writing it remains unclear whether payment of the first stage of new equity funding for Aer Lingus will take place within 1993. On the assumption that some such equity will be provided before the end of the year, borrowing for capital purposes will probably exceed budget by a little more than the amount of the saving on the current budget deficit. If, in fact, the Exchequer Borrowing Requirement is held close to its target of £766 million, or 2.5 per cent of GDP, this will represent a considerable achievement at a time when the public finances are deteriorating significantly in most EC countries.

Obviously the fiscal out-turn in 1994 will be heavily influenced by spending and taxation decisions which have yet to be finalised. On our usual assumption of unchanged real tax rates, the general economic forecasts in this *Commentary* would probably result in tax revenue increasing by almost 6½ per cent in 1994. Even if the additional returns in recent years from improved tax collection are beginning to peter out, and lower interest rates reduce the yield on DIRT tax, our income forecasts suggest that direct tax receipts should increase by over 6 per cent, while the acceleration expected in the value of personal consumption could see indirect tax revenue rising by 6½ per cent.

In practice, of course, constant real tax rates will not be maintained, and the actual increase in tax revenue is likely to be closer to 6 per cent. The exact extent to which real tax concessions can be made depends in large part on the outlook for expenditure. On current trends there could be a significant reduction in national debt interest payments, but most other forms of spending will continue to increase. Assuming that any new pay settlement beyond the already committed completion of PESP payments will be moderate, and that tight control will be kept on the volume of current services, it seems likely that the increase in current spending, including a larger contribution to the EC Budget, could be less than 5 per cent.

Thus a significant reduction in the current budget deficit, to under 400 million, seems quite feasible in 1994, even within the context of some easing in real rates of taxation. However, the picture with regard to the capital budget is very different. Capital receipts in 1993 were boosted by the sale of State assets. No repeat of this source of roughly 180 million appears to be planned for 1994. Conversely, there could be a commitment to inject a substantial equity sum into Aer Lingus in the course of the year. Even allowing for the likelihood that capital transfers from the EC will increase by almost 100 million, a large rise in borrowing for capital purposes seems inescapable in 1994.

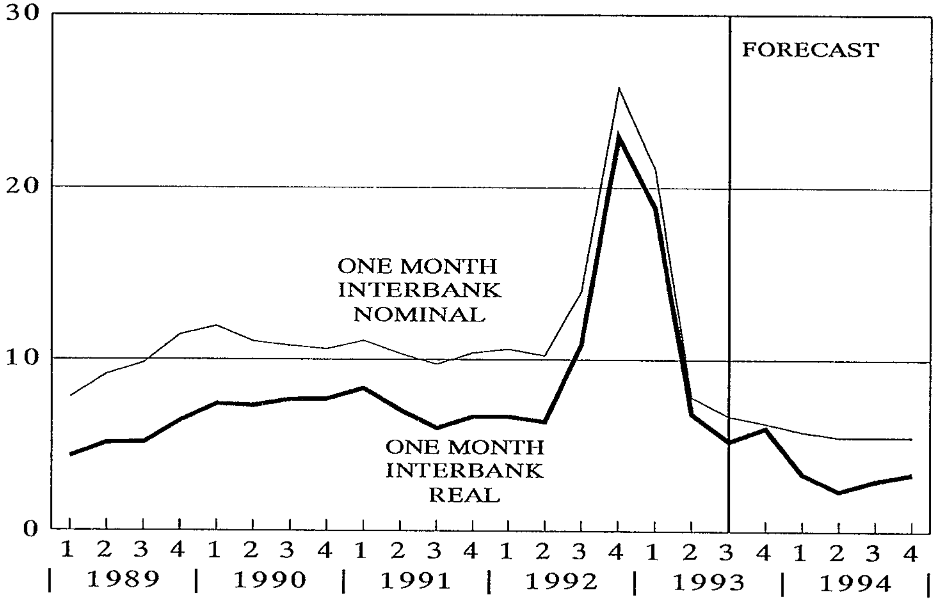
The probable rise in capital borrowing is likely to balance the reduction in the current budget deficit, leaving the Exchequer Borrowing Requirement roughly unchanged at about 760 million or 2.6 per cent of GNP. Such an out-turn would be compatible with medium-term fiscal policy of reducing the debt/GNP ratio, but it must be stressed that it can only be achieved by tightening control on expenditure and offering only very limited reductions in real taxation levels.

Interest Rates

After the gyrations and uncertainties of the past fourteen months, it now appears that the outlook for interest rates is relatively stable and reasonably benign. An increase over present levels of either long- or short-term interest rates before the end of 1994 would be surprising.

The question rather is how much further short-term interest rates, and the associated retail rates, are likely to fall. As inflationary pressures in Germany ease, and as German money supply statistics become less affected by speculative currency inflows, there seems little doubt that the Bundesbank will continue its policy of gradually reducing short-term interest rates. However, expectations in some quarters that German rates could be cut by a further 1«

FIGURE 4: Interest Rates
Per cent per annum, Quarterly Averages



per cent before the end of 1994 could prove exaggerated. Most domestic analysts are forecasting that German inflation will average at least 3 per cent in 1994, and it would not therefore be surprising if further interest rate cuts are restricted to about 1 per cent.

It does seem likely that, at least in the short run, Irish wholesale interest rates will follow German rates downwards. However, if sterling shows signs of weakness from about the middle of the year, it is likely that the differential between German and Irish interest rates might widen, as the response to a sterling depreciation is spread between exchange rate and interest rate movements. In such a case, Irish rates could be expected to remain roughly stable as the final phase of monetary relaxation in Germany causes German rates to complete their fall.

Allowing for this possibility, the forecasts in this *Commentary* are based on the assumption that the Irish one-month inter-bank rate will fall to about 5½ per cent during the first quarter of 1994 and thereafter remain unchanged. This would permit a reduction of about Z per cent in most retail interest rates from their mid-November levels. It is assumed that long-term interest rates will decline by almost ½ per cent.

General Assessment

It has been noted several times over the past year that the fairly even balance between Irish trade with the UK and with the continental EC countries has rendered the management of the Irish pound exceptionally difficult during periods of currency turbulence. However, this balance has its positive features. It is one of the principal reasons why the Irish economy has been able to maintain positive growth, first through the deep UK recession of 1990 to 1992, and currently through the continental European recession. In each case the fact that one major export market has been contracting has been offset by growth in the other.

Of course, other factors have contributed to Ireland's relatively good performance in recent years, most notably the increasing flow of EC structural funds, which have enabled investment levels to be maintained despite a fall in private capital spending, and the improvement in competitiveness, which has allowed Ireland's share of both expanding and declining markets to be steadily increased. It is an interesting accident that Ireland's competitiveness against the UK reached its zenith as the latter suffered the worst of its recession and, due to currency movements, competitiveness against such countries as Germany, France and the Netherlands has also improved substantially during their recessions.

While it is clear that the Irish economy is continuing to grow in the face of European recession in 1993, the actual rate of growth is difficult to estimate with confidence even at this late stage in the year. The absence of normal trade statistics does not only mean that the trend of exports and imports cannot be monitored. It also removes a major source of information concerning capital investment and non-agricultural stocks, and makes it difficult to interpret actual and potential price changes.

Thus the forecast of a 2¼ per cent increase in real GNP in 1993 must be regarded as indicative rather than authoritative, and such subsidiary aspects of the forecast as the increase in the current account surplus are subject to a substantial margin of error. Much more certainty attaches to those predictions which are based on up-to-date information, so that it can be confidently asserted that consumer price inflation will be very low, at little over 1½ per cent and that unemployment, as recorded in the Live Register, will be only some 12,000 higher than in 1992 on an annual average basis, despite apparent stagnation in the number at work.

These unavoidable uncertainties concerning the outcome for 1993 obviously render it a somewhat insecure foundation for projecting likely developments in 1994. However, it is extremely probable that the Irish economy will grow faster next year than this, and the forecast growth rate of 3¼ per cent is a reasonable, if perhaps cautious, projection. The external environment, especially in continental Europe, should be less inimical to export growth. Interest rates, both nominal and real, should be at their lowest for many years, while the traumatic uncertainty of last winter, concerning both exchange rates and interest rates, should be receding in the collective memory.

Whatever the actual growth rate of the economy in 1994, it seems unlikely that it will be sufficient to generate net jobs in excess of the annual increase in the potential labour force. Our forecast implies an increase of about 12,000 in average non-agricultural employment, roughly half the rise needed to absorb the number of net new entrants to the job-market. On current trends it seems possible that much of the potential surplus will be accommodated by emigration, and that registered unemployment will rise only marginally, if at all. However, emigration cannot be regarded as an acceptable means of countering unemployment. Apart from the long-term social damage caused by involuntary emigration, the variability of labour market conditions in the UK and other recipient countries renders emigration unreliable, even as a safety valve. The only secure method of reducing unemployment remains an increased rate of net job creation, possibly augmented by essentially peripheral measures such as well-focused re-training schemes and formal job-sharing.

Given that total employment has, at best, stagnated since 1990, and that the prospects for 1994 are for only a minor improvement, it is not surprising that the thrust of economic strategy is being increasingly questioned. Not merely industrial policy, but exchange rate management and many aspects of fiscal policy have become the subject of considerable debate. Much of the criticism of present strategic aims, however, appears to be set within an excessively insular framework, measuring performance against pressing domestic requirements, but ignoring the international environment within which the policies have to operate.

In assessing whether major policy shifts are either feasible or desirable, the international context has to be taken into account. There may be little comfort to be gained from observing that Ireland's relative economic performance has been very strong, when it has clearly remained inadequate in absolute terms. However, dismissing the relevance of comparative strength could lead to the abandonment of policies which in fact are proving their worth in defending Ireland from the worst consequences of the European recession. Thus the virtually unchanged level of manufacturing employment in Ireland since early 1990 is often cited as evidence of policy failure. Viewed in the context of substantial falls in manufacturing employment in almost every other European country over that period, with industrial job losses in Sweden and Finland exceeding 20 per cent, it is clear that there must be some very effective elements in Irish policy.

With high and rising unemployment having become a general European problem, on a scale not matched by other industrialised regions, it is obvious that policies in Europe as a whole, and particularly in the major countries, have been at fault. Some past errors, such as over-rapid deregulation of the financial sector in the UK and Scandinavia and the failure to fund German unification adequately, cannot now be reversed. However, many current aspects of economic strategy in Europe are continuing to contribute to the employment crisis, and are still capable of being altered. The combination of exchange rates which are more uncompetitive than necessary in relation to North America, real interest rates significantly higher than those in the US and Japan, and a strongly pro-cyclical fiscal stance, even in countries with a low debt/GNP ratio, is undoubtedly exacerbating the crisis. It is difficult to foresee the return of consumer and business confidence required for a sustained recovery in European domestic demand without at least some modification in the thrust of European policy.

However, it is vital to recognise that the general economic strategy of Europe, even if mistaken, is part of the reality facing Irish policy makers. If European authorities continue to insist that inflation is a greater danger than unemployment, a country the size of Ireland, especially when it is dependent on foreign capital investment for much of its industrial growth and when it possesses a significant overseas debt, has little option but to minimise its own inflation rate. For Ireland, a moderate increase in the general European inflation rate would be a worthwhile price for faster European growth, but a unilateral increase in Irish inflation to above the European norm could be disastrous.

Thus, the Irish employment crisis has become part of a general European problem, and the medium-term economic strategy is conditioned by economic policies in the rest of Europe, as well as by its inherited domestic constraint of an excessive debt/GNP ratio. The main strands of economic strategy appear to remain necessary. These include low inflation in both prices and incomes, firm currency management with the aim of maintaining the value of the Irish pound against the weighted average of our EC partners' currencies, a monetary policy which supports the currency goal, and continued fiscal responsibility with a view to gradually reducing the debt/GNP ratio. Whether or not the opportunity will arise to subsume some of these strands into a formal European Union within the foreseeable future, the need to maintain them on a unilateral basis will not quickly disappear.

It is probable that some policy modifications, in relation to such matters as the patterns of taxation and public expenditure or the structure of government services, could slightly improve the future ratio of jobs to economic growth. However, such changes can be regarded as tactical, and they must fit within the parameters of the medium-term economic strategy. This applies with especial urgency to the economic management decisions which need to be taken within the next few months.

So far as fiscal policy is concerned, it seems likely that there will be a significant easing of the current budget deficit in 1994. Unfortunately this will coincide with a substantial increase in borrowing for capital purposes. If the Exchequer Borrowing Requirement is to be kept to about 2½ per cent of GNP, in line with the medium-term imperative of reducing the debt ratio, there will thus be very little room for reductions in real tax rates. Any major reduction in one tax will require compensating increases in others, or a corresponding reduction in the level of government expenditure.

With regard to incomes policy, the overriding need is for moderation in all sectors, with considerable scope for flexibility in the face of possible external shocks. If such an outcome can be achieved by consensus, in the form of a renewed national agreement, this would be desirable. However, the potential benefits of an agreement are not sufficiently great to be worth compromising on the requirements for moderation and flexibility in pay or continued fiscal responsibility. An unstructured evolution in pay in the conditions likely to obtain in 1994 would undoubtedly result in at least short-term pay moderation, and, on a company-by-company basis, would probably also deliver flexibility. If there is to be unstructured bargaining, it is, of course, incumbent on the government to ensure that public service pay increases no longer outstrip settlements in the exposed private sector.

At present, there is little controversy concerning the linked currency and monetary policies, as in recent months exchange rate stability has proved compatible with a gradual lowering of interest rates. It is quite possible that conditions will permit a continuation of this benign combination in 1994. However, there is an ever-present risk that European currency instability will return, most probably in the form of renewed sterling depreciation. If this occurs, rigidity in defence of either the exchange rate or interest rates should be avoided, so that extreme movements in either can be averted by allowing both to move. In the absence of external instability, the temptation to engineer a unilateral depreciation has rightly been resisted, in Ireland as in other European countries. The opposite temptation, of allowing the Irish pound to drift upwards in relation to the average of European currencies, should equally be rejected. There is no obvious benefit in deliberately reducing competitiveness at a time when unused resources already provide adequate protection against the emergence of inflationary pressures.

In summary, neither 1993 nor 1994 seems likely to show much headway in improving employment provision. However, to have held station against a strong recessionary ebb-tide is a greater achievement than has generally been recognised. When the European tide turns, as it probably will by 1995, the policies which have prevented a backward drift could provide very rapid forward progress. This appears to be a time for modifying, but not radically changing, the basic economic strategy.

STATISTICAL APPENDIX

	Output Indicators					Employment		
	1	2	3	4	5	6	7	8
	Total Manufacturing	Modern Manufacturing	Traditional Manufacturing	Electricity Output	Houses Completed	Total Manufacturing	Modern Manufacturing	Traditional Manufacturing
	1985 = 100	1985 = 100	1985 = 100	G.W.H.	Total Number	'000s	'000s	'000s
1985	100.0	100.0	100.0	11919	23948	186.9	39.4	147.5
1986	102.9	107.1	99.9	12466	22680	184.2	40.2	143.8
1987	113.6	132.7	101.4	12866	18450	182.4	41.1	141.2
1988	127.6	161.9	105.8	13068	15654	182.9	43.2	139.7
1989	142.5	188.9	112.3	13640	18068	187.0	45.4	141.7
1990	149.2	197.9	117.6	14325	19539	191.8	48.4	143.4
1991	153.9	208.6	118.0	14990	19652	192.7	50.4	142.3
1992	169.6	243.6	121.0	15682	22464	192.1	51.9	140.2
Quarterly Averages or Totals								
1990 I	147.6	202.8	108.0	3782	4372	188.6	45.9	142.7
II	153.3	202.6	119.0	3368	4667	190.8	47.3	143.6
III	139.8	180.8	109.5	3272	5313	194.2	49.9	144.2
IV	156.3	200.0	121.8	3903	5187	193.6	50.5	142.9
1991 I	154.2	215.3	110.5	4018	4785	190.3	49.1	141.3
II	156.1	209.3	118.4	3484	4164	191.9	49.5	142.4
III	141.9	186.0	109.8	3455	5228	193.8	50.7	143.2
IV	163.8	218.7	121.2	4033	5475	194.8	52.3	142.3
1992 I	167.6	245.9	113.2	4187	4372	190.3	51.2	139.1
II	173.4	245.6	122.5	3644	5920	191.4	50.9	140.5
III	161.0	227.5	113.9	3602	6284	193.7	51.9	141.7
IV	176.8	248.9	122.2	4249	5888	193.0	53.5	139.6
1993 I	182.0	280.2	113.7	4239	4004	190.1	53.8	136.4
II	184.1	272.6	122.2	3810				
III								
IV								
Quarterly Averages or Totals (Seasonally Corrected)								
1990 I	146.4	191.0	112.4	3489	No Seasonal Pattern	190.5	46.5	144.1
II	147.3	193.8	115.0	3585		191.6	48.0	143.9
III	152.3	201.2	114.9	3579		192.5	49.3	142.9
IV	151.3	201.0	116.0	3670		192.5	49.8	142.5
1991 I	152.9	201.9	115.0	3711		192.4	49.8	142.8
II	150.8	201.6	144.3	3708		192.6	50.2	142.6
III	154.0	207.0	115.2	3781		192.2	50.1	141.9
IV	158.6	220.2	115.5	3789		193.6	51.5	141.9
1992 I	165.9	229.9	117.8	3868		192.5	51.9	140.6
II	167.6	237.3	118.4	3880		192.0	51.6	140.7
III	174.1	253.0	119.3	3944		192.1	51.3	140.5
IV	171.2	249.9	116.5	3990		191.8	52.7	139.2
1993 I	179.6	261.7	118.3	3915		192.2	54.5	137.9
II	178.2	263.9	118.1	4059				
III								
IV								

Output per Head			Money Earnings	Real Earnings	Unemployment			
9	10	11	12	13	14	15	16	
Total Manufacturing	Modern Manufacturing	Traditional Manufacturing	Manufacturing	Manufacturing	Live Register Male	Live Register Female	Live Register Total	
1985 = 100	1985 = 100	1985 = 100	1989 = 100 Av. Weekly	1989 = 100 Av. Weekly	'000s Av. Monthly	'000s Av. Monthly	'000s Av. Monthly	
100.0	100.0	100.0	81.3	92.5	170.2	60.4	230.6	1985
104.4	104.8	102.5	87.3	95.7	172.0	64.4	236.4	1986
116.4	127.2	106.0	91.8	97.6	176.2	71.1	247.3	1987
130.4	147.6	111.7	96.1	100.0	169.7	71.7	241.4	1988
142.5	164.0	116.9	100.0	100.0	160.0	71.6	231.6	1989
145.4	161.0	121.1	103.9	100.5	152.1	72.6	224.7	1990
149.3	163.0	122.4	108.4	101.7	170.5	83.5	253.9	1991
165.0	184.9	127.3	112.8	102.6	187.2	96.0	283.1	1992
Quarterly Averages								
146.3	174.0	111.6	100.9	98.5	158.3	71.7	230.0	1990 I
150.2	168.6	122.3	103.1	100.3	148.2	71.2	219.4	II
134.6	142.6	112.1	105.1	101.3	149.7	75.0	224.7	III
150.9	156.0	125.8	106.3	101.9	152.1	72.6	224.7	IV
151.5	172.6	115.4	105.5	100.3	165.8	77.9	243.7	1991 I
152.1	166.5	122.6	108.7	102.6	167.2	81.1	248.3	II
136.9	144.4	113.2	108.6	101.1	173.1	88.7	261.8	III
157.2	164.7	125.7	110.9	102.6	175.7	86.3	262.0	IV
164.6	189.1	120.0	109.6	100.6	186.7	91.4	278.1	1992 I
169.3	190.0	128.7	112.5	102.5	183.9	93.1	277.0	II
155.4	172.6	118.6	113.2	102.5	188.5	101.8	290.2	III
171.2	183.2	129.1	115.7	104.6	189.5	97.6	287.2	IV
179.0	205.1	122.9	114.9	103.5	197.9	101.7	299.6	1993 I
					193.7	98.9	292.6	II
					192.9	102.1	294.9	III
								IV
Quarterly Averages (Seasonally Corrected)								
143.0	162.2	115.0	102.0	99.5	153.0	71.5	224.6	1990 I
144.2	159.3	117.8	103.0	100.2	150.0	72.1	222.1	II
147.1	160.3	118.6	104.9	101.2	151.3	72.7	224.0	III
147.9	159.5	120.2	105.6	101.1	154.0	74.3	228.2	IV
147.6	160.1	118.8	106.6	101.4	160.6	77.7	238.3	1991 I
146.5	158.3	118.3	108.5	102.3	169.0	82.0	251.0	II
149.6	162.0	119.6	108.4	101.1	174.5	86.2	260.6	III
154.0	168.5	120.3	110.1	101.8	177.8	88.0	265.8	IV
160.1	174.9	123.4	110.9	101.7	181.7	91.3	273.0	1992 I
163.5	181.1	124.2	112.3	102.2	185.6	94.0	279.6	II
169.8	193.5	125.1	113.1	102.5	189.7	99.1	288.8	III
167.8	187.5	123.7	114.8	103.8	191.6	99.5	291.2	IV
173.9	189.4	126.3	116.2	104.7	192.9	101.7	294.5	1993 I
					195.3	99.7	295.1	II
					194.1	99.4	293.4	III
								IV

	Prices							
	17	18	19	20	21	22	23	24
	Consumer Price Index	Output Price Index Manufacturing	General Wholesale Price Index	Agricultural Output Price Index	Import Unit Value	Export Unit Value	Terms of Trade	Price of Stocks + Shares (ISEQ)
	Nov. 1989 = 100	1985 = 100	1985 = 100	1985 = 100	1985 = 100	1985 = 100	1985 = 100	Jan. 1988 = 1000
1985	86.5	100.0	100.0	100.0	100.0	100.0	100.0	580.4
1986	89.8	98.8	97.8	99.5	88.8	92.7	104.3	907.7
1987	92.6	100.4	98.4	103.5	88.8	92.7	104.4	1326.2
1988	94.6	104.5	102.4	114.4	94.6	99.3	105.0	1294.6
1989	98.5	109.5	108.1	120.1	100.7	105.9	105.1	1633.6
1990	101.7	107.8	105.1	106.5	95.7	95.9	100.2	1562.2
1991	105.0	108.7	106.4	103.1	97.9	95.2	97.2	1382.4
1992	108.2	110.5	107.3	106.1	95.9	92.6	96.6	1311.1
Quarterly Averages								
1990 I	100.9	108.4	105.8	115.6	95.4	100.0	104.8	1813.2
II	101.2	107.9	104.6	111.4	92.3	97.9	106.1	1673.2
III	102.1	108.0	105.4	103.4	96.5	95.8	99.3	1523.7
IV	102.7	106.7	104.7	101.2	97.8	92.5	94.6	1238.8
1991 I	103.5	107.3	105.1	104.9	96.7	93.0	96.1	1241.3
II	104.3	108.8	106.4	106.1	97.2	93.8	96.5	1466.9
III	105.7	109.2	106.9	101.6	98.4	95.6	97.1	1413.3
IV	106.4	109.5	107.3	103.6	98.5	96.1	97.6	1408.3
1992 I	107.3	110.2	107.8	107.4	97.7	95.2	97.4	1426.9
II	108.1	111.3	108.3	109.7	97.0	97.9	101.0	1398.8
III	108.7	110.6	107.2	106.7	94.8	93.5	98.7	1263.1
IV	108.9	109.8	106.0	104.5	92.4	89.9	97.3	1164.5
1993 I	109.3	112.9		109.2				1313.5
II	109.1	115.2		115.4				1532.2
III	110.2	117.2						1685.6
IV								
Quarterly Averages (Seasonally Corrected)								
1990 I	100.8	108.6	106.0	114.0	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern
II	101.3	107.6	104.6	109.2				
III	102.0	107.7	105.1	104.9				
IV	102.8	107.1	104.8	103.1				
1991 I	103.5	107.5	105.3	103.6				
II	104.4	108.4	106.4	104.1				
III	105.6	109.0	106.7	103.1				
IV	106.5	109.9	107.4	105.5				
1992 I	107.3	110.5	108.1	106.0				
II	108.2	110.7	108.2	107.5				
III	108.5	110.4	106.9	108.4				
IV	108.9	110.3	106.2	106.5				
1993 I	109.3	113.1		107.8				
II	109.3	114.6		113.1				
III								
IV								

Consumption Indicators			Government			Interest Rates		
25	26	27	28	29	30	31	32	
New Cars Registered	Retail Sales Value	Retail Sales Volume	Current Revenue	Current Expenditure	Current Deficit	1 month inter bank Rate	Long term Gilt Rate	
Total	1980 = 100	1980 = 100	£m	£m	£m	Per cent per annum	Per cent per annum	
59592	155.9	91.0	6331	7615	1284	11.9	12.6	1985
58760	158.8	90.5	6709	8104	1395	12.4	11.1	1986
54341	161.3	89.3	7152	8332	1180	10.8	11.3	1987
61888	169.1	91.1	7690	8006	317	7.8	9.5	1988
78383	184.5	95.4	7756	8019	263	9.6	8.9	1989
83407	193.5	98.0	8269	8421	152	11.1	10.1	1990
68533	197.0	97.8	8776	9076	300	10.4	9.3	1991
67861	206.8	100.7	9360	9806	446	15.2	9.1	1992

Quarterly Averages or Totals

27830	189.9	96.6	1872	2236	364	11.9	10.2	1990 I
27883	189.8	96.8	2004	2036	32	11.0	10.0	II
18928	190.9	96.9	2101	1970	–131	10.8	10.2	III
8766	201.6	100.8	2293	2180	–113	10.6	10.0	IV
23797	191.8	95.9	1886	2313	427	11.1	9.3	1991 I
22979	191.2	95.5	2074	2390	316	10.3	9.1	II
15051	194.4	96.3	2295	2071	–224	9.7	9.6	III
6706	208.7	102.6	2521	2302	–219	10.4	9.0	IV
24058	200.6	98.2	2055	2538	483	10.6	8.7	1992 I
20193	203.4	99.0	2299	2374	75	10.2	8.8	II
16772	206.7	100.3	2473	2307	–166	14.0	9.3	III
6838	215.6	104.7	2533	2587	54	25.8	9.6	IV
20838	204.8	99.4	2170	2763	593	21.1	9.0	1993 I
20796	206.6	99.2	2363	2408	45	7.8	8.1	II
						6.7	7.4	III
								IV

Quarterly Averages or Totals (Seasonally Corrected)

20979	192.6	98.1	2079	2098	19	No Seasonal Pattern	No Seasonal Pattern	1990 I
21259	191.8	97.7	2064	2055	–9			II
20548	194.5	98.5	2083	2108	25			III
20092	193.3	96.9	2054	2170	116			IV
17987	194.4	97.3	2086	2154	68			1991 I
17387	193.3	96.4	2147	2421	274			II
16305	198.1	97.9	2246	2220	–26			III
15571	200.3	98.7	2280	2293	13			IV
18246	203.4	99.6	2273	2353	80			1992 I
15191	206.3	100.3	2378	2410	32			II
18170	209.8	101.6	2406	2478	72			III
15945	207.1	100.8	2303	2575	272			IV
15832	207.7	100.9	2401	2558	157			1993 I
15598	209.5	100.5	2438	2447	9			II
								III
								IV

	Monetary Developments				Exchange Rates			
	33	34	35	36	37	38	39	40
	Money Supply M3	Licensed Banks Domestic Credit Gov.	Licensed Banks Domestic Credit Non-Gov.	External Reserves	Effective Index	Sterling	Dollar	Deutsch-mark
	£m End Period	£m End Period	£m End Period	£m End Period	Dec. 1971 = 100	Per IR£	Per IR£	PerIR£
1985	8924.8	2514.1	8441.1	2271.9	62.41	0.8234	1.0659	3.1134
1986	8836.9	2725.7	9065.5	2205.3	66.65	0.9147	1.3424	2.9080
1987	9799.5	2754.9	9494.5	2821.4	66.15	0.9089	1.4879	2.6717
1988	10421.0	2636.4	10853.4	3161.0	65.08	0.8568	1.5249	2.6743
1989	10945.0	2417.7	12538.3	2521.0	64.39	0.8665	1.4175	2.6650
1990	12540.7	2506.0	13855.9	2891.7	68.31	0.9302	1.6585	2.6729
1991	13024.6	2502.2	13553.2	3256.0	67.33	0.9131	1.6144	2.6710
1992	14203.3	2946.7	14410.7	2112.8	69.48	0.9692	1.7073	2.6562

	End-Period Totals				Quarterly Averages			
1990 I	11289.9	2526.0	12681.5	2457.8	68.07	0.9475	1.5703	2.6539
II	11381.6	2506.6	13082.8	3097.3	68.73	0.9542	1.5981	2.6809
III	12421.6	2454.7	13230.6	3705.6	67.85	0.9046	1.6850	2.6828
IV	12540.7	2506.0	13855.9	2891.7	68.65	0.9154	1.7817	2.6735
1991 I	12187.3	2382.0	13776.7	3200.9	68.28	0.9126	1.7429	2.6646
II	12306.1	2288.9	13928.7	3422.0	66.55	0.9038	1.5430	2.6753
III	12650.2	2380.5	13973.3	3471.2	66.68	0.9108	1.5355	2.6740
IV	13024.6	2505.2	13553.2	3256.0	67.87	0.9257	1.6433	2.6693
1992 I	12555.4	2399.4	13614.2	3495.8	67.97	0.9303	1.6479	2.6663
II	12960.9	2449.1	13685.4	3223.6	67.63	0.9156	1.6555	2.6691
III	12998.8	2792.2	14010.9	2130.2	69.81	0.9538	1.8160	2.6528
IV	14203.3	2946.7	14410.7	2112.8	72.50	1.0784	1.7048	2.6363
1993 I	15741.2	2463.4	14509.0	3571.0	68.91	1.0361	1.5320	2.5018
II	16177.9	2601.0	14643.3	4255.9	66.41	0.9818	1.5073	2.4386
III		2683.0	14574.9		63.99	0.9390	1.4129	2.3674
IV								

	End-Period Totals (S.C.)				Quarterly Averages (S.C.)			
1990 I II III IV	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern
1991 I II III IV								
1992 I II III IV								
1993 I II III IV								

Visible Trade Indicators					Balance of Payments		
41	42	43	44	45	46	47	
Imports (Value)	Exports (Value)	Trade Surplus (Value)	Imports (Volume)	Exports (Volume)	Net Factor Flows	Current Account	
£m	£m	£m	1985 = 100	1985 = 100	£m	£m	
9428.2	9743.0	314.8	100.0	100.0	–1967	–650	1985
8621.3	9374.3	753.0	103.0	104.0	–2017	–611	1986
9155.2	10723.5	1568.3	109.4	118.8	–2113	–60*	1987
10214.8	12304.8	2090.1	114.5	127.1	–2663	62	1988
12284.3	14597.0	2312.8	129.3	141.4	–3233	–348	1989
12479.5	14343.0	1863.5	138.3	153.5	–3131	37	1990
12853.4	15024.6	2171.3	139.2	162.0	–2865	925	1991
13199.3	16624.5	3425.2	145.9	184.3	–3158	1535	1992

Av. Monthly Totals — Quarterly Averages or Totals

1043.7	1218.1	174.4	138.7	149.9	–773	61	1990	I
1048.0	1257.2	209.2	144.4	158.1	–818	–56		II
995.8	1110.4	114.7	131.3	142.7	–630	190		III
1071.1	1195.2	124.1	139.4	159.2	–910	–158		IV
1073.4	1173.5	100.1	141.4	155.4	–655	–16	1991	I
1072.2	1258.6	186.4	140.5	165.2	–845	–90		II
1036.1	1228.0	191.8	134.0	158.2	–550	751		III
1104.0	1347.8	243.8	142.6	172.6	–814	279		IV
1109.1	1347.2	238.1	144.4	174.3	–713	418	1992	I
1106.9	1453.5	346.7	145.2	182.7	–832	333		II
1060.5	1338.6	278.1	142.3	176.3	–788	496		III
1122.2	1404.4	282.2	154.5	192.3	–824	289		IV
							1993	I
								II
								III
								IV

Av. Monthly Totals (S.C.) — Quarterly Averages or Totals (S.C.)

1021.7	1244.5	222.8	136.1	153.6	No Seasonal Pattern	No Seasonal Pattern	1990	I
1049.2	1219.7	170.5	143.8	153.1				II
1058.8	1149.3	90.5	140.4	148.9				III
1028.5	1176.6	148.2	133.8	155.3				IV
1068.2	1201.4	134.9	140.6	159.4			1991	I
1072.3	1215.7	143.8	139.6	159.4				II
1085.5	1277.7	192.2	141.7	166.4				III
1062.7	1317.0	254.3	136.3	166.9				IV
1086.5	1362.2	275.8	141.5	175.2			1992	I
1106.7	1409.4	308.8	143.2	177.9				II
1107.0	1379.4	272.4	149.6	183.4				III
1097.9	1380.4	282.6	151.5	188.1				IV
							1993	I
								II
								III
								IV

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