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SUMMARY

Official national accounts estimates confirm that in 1992, as in other recent years, the Irish economy outperformed the EC average by a wide margin, in terms of growth, trade surplus, low inflation and jobs. Although monitoring current trends is made difficult by the absence of trade statistics, there can be little doubt that the Irish economy will again grow well above the EC average in 1993. However, as that Community average will be characterised by negative growth and heavy job losses, even a relatively strong Irish performance will produce a mediocre result in absolute terms.

The most likely outcome for 1993 is that real GNP growth will be in the region of 2¼ per cent, the current account balance of payments surplus will increase slightly to over 6 per cent of GNP, consumer price inflation will be about 1¾ per cent, and the annual average employment level will decline marginally. The annual rise in unemployment, however, will be much lower than originally expected, because significant net emigration seems to have resumed.

The European economy, of which Ireland is an integral part, is expected to recover in 1994, but the initial rate of growth is likely to be quite slow and hesitant, as it has been so far in the US and UK recoveries. On this basis, and in the absence of further major currency shocks, the Irish growth rate should increase in 1994. Our cautious projection is for a rise of about 3¼ per cent in real GNP, an increase of about 11,000 in total employment, and an annual rise of about 2½ per cent in the consumer price index. Unemployment and the current account surplus are likely to stabilise and interest rates are expected to be below present levels.

The effective suspension of the Exchange Rate Mechanism has removed an essential prop from Irish economic management. A major task for the Irish authorities is to use what influence they possess in multilateral discussions in order to keep open the possibility of Economic and Monetary Union and to find an alternative mechanism for the transition to it.

Meanwhile, a new strategy must be evolved to deal with the present situation of uncertainty. The basic requirements of such a strategy are coherence and flexibility. Monetary policy will rightly continue to be cautious. Flexibility, however, could become necessary due to external developments, and can probably best be achieved by allowing some fluctuations in both interest and exchange rates, rather than by anchoring either and forcing the other to absorb all the pressure. Coherence demands that fiscal policy should continue to meet the relevant Maastricht criteria, both because these represent the only existing measures of international convergence and because they conform with Ireland's own long-term needs.

Perhaps the most vital aspect of economic strategy concerns the size and nature of pay increases. At present exchange rates, Ireland's pay competitiveness is quite strong, especially *vis-a-vis* continental countries. However, there is a probability that sterling will again depreciate significantly within the next two years. Forthcoming pay settlements in the exposed sector of the economy must take this risk into account if jobs are to be preserved, let alone created. Thus new settlements need to be moderate, but also flexible, so that uncontrollable currency fluctuations can be countered quickly. At the same time, wider definitions of competitiveness, fiscal strategy and simple fairness dictate that pay in the sheltered sectors, including the public service, should not rise faster than that in the exposed sector. If a new national agreement can meet these criteria it should obviously be welcomed. If it cannot, the job prospects would be better under an unstructured pay bargaining system.

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	17961	855	428	5	2½	2½
Public Net Current Expenditure ...	4773	5083	310	72	6½	5	1½
Gross Fixed Capital Formation ...	4676	4863	187	57	4	2¾	1¼
Exports of Goods and Services (X) ...	18673	19977	1304	877	7	2¼	4¾
Physical Changes in Stocks	–60	60	120	70			
Final Demand	45168	47944	2776	1504	6¼	2¾	3¼
less:							
Imports of Goods and Services (M) ...	15721	16817	1096	723	7	2½	4½
GDP at Market Prices	29448	31127	1679	781	5¾	3	2¾
less:							
Net Factor Payments (F)	3158	3418	260	186	8¼	2¼	6
GNP at Market Prices	26290	27709	1419	595	5½	3	2¼

B. Gross National Product by Origin

	1992	1993	Change in 1993	
	Preliminary £m	Forecast £m	£m	%
Agriculture, Forestry, Fishing ...	2140	2333	193	9
Non-Agricultural: Wages, etc. ...	14768	15580	812	5½
Other: ...	7881	8267	386	5
less:				
Adjustments	1335	1248	–87	–6½
Net Factor Payments	3158	3418	260	8¼
National Income	20297	21514	1217	6
Depreciation	2858	3015	157	5½
GNP at Factor Cost	23155	24529	1374	6
Taxes less Subsidies	3134	3180	46	1½
GNP at Market Prices	26290	27709	1419	5½

C. Balance of Payments on Current Account

	1992	1993	Change in 1993
	Preliminary £m	Forecast £m	£m
X–M	2953	3160	207
F	–3158	–3418	–260
Net Transfers	1740	1979	239
Balance on Current Account ...	1535	1721	186
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	Volume	Value	Price	Volume
Private Consumer Expenditure ...	17961	19093	1132	629	6¼	2¾	3½
Public Net Current Expenditure ...	5083	5401	318	89	6¼	4½	1¾
Gross Domestic Fixed Capital Formation	4863	5203	340	209	7	2½	4¼
Exports of Goods and Services (X) ...	19977	21647	1670	1264	8½	2	6¼
Physical Changes in Stocks	60	60	0	0			
Final Demand	47944	51404	3460	2191	7¼	2½	4½
less:							
Imports of Goods and Services (M) ...	16817	18347	1530	1125	9	2¼	6¾
GDP at Market Prices	31127	33057	1930	1066	6¼	2¾	3½
less:							
Net Factor Payments (F)	3418	3647	229	160	6¾	2	4¾
GNP at Market Prices	27709	29410	1701	906	6¼	2¾	3¼

B. Gross National Product by Origin

	1993	1994	Change in 1994	
	Forecast £m	Forecast £m	£m	%
Agriculture, Forestry, Fishing ...	2333	2427	94	4
Non-Agricultural: Wages, etc. ...	15580	16437	857	5½
Other: ...	8267	8893	626	7½
less:				
Adjustments	1248	1310	62	5
Net Factor Payments	3418	3647	229	6¾
National Income	21514	22800	1286	6
Depreciation	3015	3188	173	5¾
GNP at Factor Cost	24529	25988	1459	6
Taxes less Subsidies	3180	3422	242	7½
GNP at Market Prices	27709	29410	1701	6¼

C. Balance of Payments on Current Account

	1993	1994	Change in 1994
	Forecast £m	Forecast £m	£m
X–M	3160	3300	140
F	–3418	–3647	–229
Net Transfers	1979	2080	101
Balance on Current Account ...	1721	1733	12
as % of GNP	6¼	6	–¼

COMMENTARY

The International Economy

General

Despite continuing uncertainty, intensified by the suspension of the narrow-band ERM, it seems possible that the world recession has reached its nadir. Evidence is accumulating that both the US and UK recoveries are still proceeding, contrary to earlier fears, and that rapid growth continues in the newly industrialised Asian countries and some Latin American states. In continental Europe there are signs that the steep decline of the past twelve months is being replaced by stagnation, although the absence of intra-EC trade statistics makes the monitoring of economic trends in individual countries very difficult. However, while the recovery in the world economy should become general in 1994, the pace of recovery in continental Europe is likely to be slow, as it has been in the US and UK this year. Once all major economies are moving in the same direction, albeit at different rates, the process of expansion could become self re-enforcing, so that a substantial acceleration in world growth can be expected in 1995.

The US Economy

Economic indicators in the USA remain mixed, and it is clear that there has been no significant acceleration in the pace of recovery. On the other hand, expansion is continuing, quarterly GDP estimates tend to reveal stronger growth in the first half of 1993 than initial indicators had suggested, and fears that the recovery might be petering out have receded.

Growth is expected to continue in the remainder of 1993, but the European recession and political uncertainty, which has not been resolved by the narrow passing of the US Budget, are likely to preclude any sharp upturn in the growth rate. Most estimates of real GNP suggest an increase of about $2\frac{3}{4}$ per cent in 1993. With the European economy likely to commence its gradual recovery next year, the US growth rate is expected to rise to about $3\frac{1}{4}$ per cent.

One beneficial aspect of the modest rate of US expansion is that it has not induced inflationary pressures, either within the US economy or on international commodity prices. With price increases at under 3 per cent, and the labour market showing only a very gradual improvement, US interest rates are likely to be kept at their present low levels until well into 1994.

The European Economy

The rate of decline in economic activity in continental Europe during the first half of 1993 was sharper than had been expected. Even if the decline has recently been transposed into stagnation, the major continental economies remain in recession, and there are no clear signs that recovery is imminent. The rather facile hopes of some market commentators, mainly in the UK, that the suspension of the narrow-band ERM would give an early stimulus to growth in the major countries other than Germany are most unlikely to be fulfilled. In the first place the authorities in those countries, mindful of long-term goals, have refrained from immediate cuts in interest rates to below German levels. In the second place it is an article of faith, rather than an expectation based on evidence, that relatively minor reductions in short-term interest rates during the trough of a recession will create an immediate response in terms of improved confidence and expanding activity.

Thus the most likely course for most European economies is one of approximate stagnation for the remainder of 1993. A gradual recovery does seem probable in the course of 1994, given the normal timing of economic cycles, the likelihood of continued growth in the US, UK and some other significant markets, and the encouragement of cautious, German-led, interest rate reductions in the later months of 1993 and early 1994.

As in the case of the US and UK recoveries already under way, the initial stages of continental recovery might well prove slower than was normal at the corresponding phase of previous cycles. This slow growth should have the advantage of avoiding the early re-emergence of inflationary pressures, and thus enabling interest rates to remain relatively low throughout 1994. Conversely, the growth in most continental countries in 1994 seems unlikely to be sufficient to induce any significant growth in employment, although the current decline in job-numbers could come to an end during the year.

The UK Economy

In contrast to continental Europe, the UK economy is undoubtedly growing, and some acceleration in the rate of expansion over the next twelve months seems quite likely. Unfortunately, the absence of full trade statistics makes it impossible to analyse current trends in the UK adequately, and thus to reach an informed assessment of how sustainable the recovery is likely to be.

It has become clear that domestic demand is increasing, and with consumer confidence once more on an upward trend it seems probable that the value of consumption will accelerate over the coming twelve months. This is likely to induce a higher volume of business investment, especially as interest rates are set to remain relatively low.

However, what is uncertain is the extent to which rising domestic demand is being met by imports, and how export volumes in the important European markets are performing. It is possible that reasonably balanced growth has been, and will be, achieved, so that the recovery will be accompanied by only a modest deterioration in the current account of the balance of payments. On the other hand it could be that weakness in export markets and a high propensity to import will result in another serious rise in the current account deficit, restricting the growth in GNP and forcing a tightening of monetary policy in the course of 1994.

Despite the current low level of pay settlements, the effective appreciation of sterling since early 1993 suggests that the competitiveness of UK industry could be insufficient to overcome the poor external trading environment and that a serious balance of payments constraint is more likely than not to reappear in the course of 1994.

The reaction of the UK authorities to such an eventuality is difficult to predict, as is the extent to which financial markets will force a choice between

TABLE 1: Short-term International Outlook

Country	GNP		Consumer Prices		Hourly Earnings		Unemployment Rate		Current Account Balance	
	Percentage Change						%		% of GNP	
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994
UK	1¾	2¾	3¼	3¾	4¼	4¼	10¾	10½	–2½	–3
Germany*	–2	1¼	4	2½	4½	2½	10	11¼	–1½	–1¾
France	–1	1¼	2¼	2½	2¾	3	11¼	12	¼	–¼
Italy	–½	1¼	4½	4¾	5	5	11	11¼	–1¾	–2
Total EC	–¾	1½	3½	3½	4¼	4	11½	12	–1	–1½
USA	2¾	3¼	2¾	3	2¼	2½	7	6½	–1¼	–1½
Japan	½	3	2	2¼	2	2¼	2½	2½	3¼	3½
Total (OECD)	1	2½	3	3¼	3¾	3¾	8½	8½	–¼	–¼
Ireland	2¼	3¼	1¾	2½	4¼	4	17	17	6¼	6

*All Germany

raising interest rates or allowing the UK currency to depreciate. On balance, it seems most likely that this dilemma will not be faced until the second half of 1994, and that in the meantime growth will accelerate slightly, while both the currency and interest rates will move roughly in line with the rest of Europe. The projected rate of growth, at about 2¾ per cent in 1994, should be sufficient to induce a modest further improvement in the UK labour market. However, a rapid increase in employment, such as occurred in the late '80s, appears most improbable.

The Rest of the World

Despite very low interest rates and an expansionary fiscal policy, there is no sign yet that the Japanese economy is moving from its prolonged stagnation into even the early stages of a recovery. Uncertainty at home, exacerbated by political change, weakness in many important export markets and the strength of the yen, which has appreciated by more than 20 per cent over the past year, are all factors prolonging the stagnation. However, with unemployment at under 3 per cent the public finances in a sound condition and a massive and growing current account surplus, the Japanese recession cannot be characterised as deep. The general expectation is that the recovery will commence before the end of 1993, and will gather pace in 1994, with GNP growth next year approaching 3 per cent.

The other industrial Asian countries are continuing to grow rapidly, with a strong flow of inward productive investment, especially from Japan, ensuring that growth will remain strong in 1994. Many Latin American countries are also exhibiting strong growth, while other industrial countries such as Canada and Australia are tending to share the American experience of moderate recovery.

The Context for Ireland

The slow overall pace of growth in World output and trade in 1993 has tended to keep commodity prices, including that for crude oil, weak. The upturn predicted for 1994, with World output growth expected to rise from about 1 per cent this year to over 2½ per cent, could relieve some of the downward pressure on commodity prices. However, unless World economic growth is much faster than currently anticipated, there should be no rapid increase in crude oil or other commodity prices.

The recession in continental Europe has obviously provided an unfavourable environment for Irish exports in 1993, although most Irish exports are not of products particularly vulnerable to general cyclical fluctuations. The weakness of continental markets has been offset by growth in the important UK market, and the more specialised US market. By 1994, there should be some growth in all major markets, although the rate of economic recovery in the EC is expected to be quite modest.

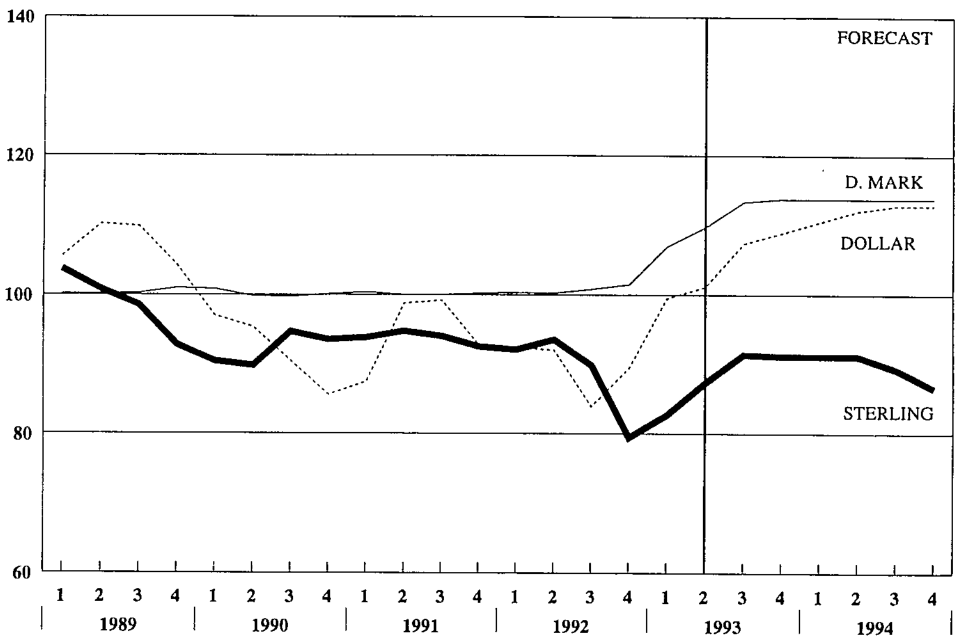
As the European recovery becomes established in the course of 1994, it is probable that the flow of productive international investment, which has been weak since 1991, will once more begin to increase. Ireland's ability to attract a significant share of such investment will, as always, depend on the perceived competitiveness of Ireland as a location for serving the European market.

The currency uncertainties and severe fluctuations in exchange rates over the past twelve months have obviously had damaging effects both on confidence and on economic activity in many European countries including Ireland. The present pattern of exchange rates, since the suspension of the ERM narrow band, probably leaves Ireland in its strongest competitive position for over a decade with regard to a weighted average of its markets. However, uncertainty over future currency movements, and in particular the future value of sterling, reduces the impact of this current competitive strength, both among domestic agents and potential external investors.

Under present conditions there can be no certainty about the evolution of exchange rates in the coming months. Probably the most likely course is for

FIGURE 1: Exchange Rates

IR£ Price of Unit of Foreign Currency, Quarterly Averages, 1988=100



the previous narrow-band currencies to appreciate a little from present levels in relation to the Deutschmark, as the Bundesbank continues its expected interest rate reductions. Thus by the end of 1993 the Irish pound could be trading at between 2.35 and 2.40 DM, and it is assumed that it will remain within that range during 1994. Sterling is expected to maintain roughly its current value in relation to the Irish pound for the remainder of 1993 and the first half of 1994. Thereafter some sterling depreciation seems possible, although it is assumed, perhaps rashly, that UK policy will be adapted to prevent a rapid decline. Some appreciation of the US dollar is assumed for the closing months of 1993 as German interest rates are reduced.

While uncertainty surrounds any predictions of exchange rate movements between now and the end of 1994, it does seem very probable that the trend of European short-term interest rates will be downwards. The main decline seems likely to be in the final quarter of 1993 and the first quarter of 1994, after which a period of relative stability could ensue. Long-term international interest rates might also fall in the next six months, although the scale of any reductions would be quite modest. From the middle of 1994 there could be some upward pressure on long-term interest rates, if, as seems likely, the recovery of the world economy is evident by then.

The Domestic Economy

General

Since our previous *Commentary* the CSO have published *National Income and Expenditure 1992,* the official estimate of the national accounts. This contains several surprises. In the first place, the absolute value of GNP has been revised upwards for all years since 1986. These revisions are not trivial, adding between 2 and 3½ per cent to the previous estimates of the value of GNP in the years concerned. However, the volume growth rates for the period have not been significantly revised.

With regard to 1992 itself, the preliminary estimates in *National Income and Expenditure 1992* indicate a GNP growth rate of 3½ per cent. This is far above the rate projected by most forecasters, including ourselves. The principal differences between our estimates in the Spring *Commentary* and the official figures relate to the export price deflator, which means that the volume increase in exports of goods and services was significantly greater than we had assumed on the basis of the available value figures, and to the volume decline in stocks, which was much lower than we had predicted. In part this was due to a faster than expected build-up in industrial and distribution stocks, much of it no doubt involuntary, in the difficult trading conditions of December 1992. However, much of the divergence occurred in relation to intervention stocks, where even when the value of stock changes is known, the derivation of volume changes and of adjustments for stock appreciation remain subject to great uncertainty. It is unfortunate that the operation of international directives in this arcane corner of national accounting can give rise to such significant problems in the Irish case, where changes in the value of intervention stocks are so large that the choice of price deflator can affect the growth rate by more than ½ per cent in most years.

Accepting the official figures as accurate, the comparative performance of the Irish economy in recent years has been extraordinary. Since 1986 the average real growth of GNP has been 4.6 per cent, while in 1991 and 1992 growth of 3½ per cent per year has been maintained in the face of severe recession in the UK and other important markets. The key to this achievement has been the growing market share of Irish exports, particularly in the UK and the continental EC countries, due both to the impact of high-technology industry and to the improved competitiveness of more traditional industries.

In assessing the prospects for 1993 and 1994 the central question is whether the Irish economy can cope as successfully with the recession in the major continental countries as it did with the earlier recession in the English-speaking and Scandinavian countries.

Exports

In the absence of Irish trade statistics for 1993, it is necessary to rely on the inferences which can be drawn from other sources to monitor recent trends. Industrial production and turnover figures for the first five months of the year suggest that both the volume and value of manufactured exports were running well above their levels in the corresponding period of 1992, and were still tending to increase slowly. Much of the growth appears to have taken place in the high-technology sectors, with many traditional sectors falling below 1992 levels. The IBEC-ESRI Survey has shown rather erratic reports of export volumes in 1993, but is broadly compatible with a continuation of the patterns of output shown in the index of industrial production for the early months of the year.

Another indirect source of possible trends in Irish exports is the limited information available on UK import levels. While statistics on intra-EC trade are lacking in the UK, as in Ireland, published figures show that there has been a substantial increase in the volume of UK imports from non-EC countries. It would be strange if this were not matched by at least a moderate increase in imports from EC countries, including Ireland. Indeed, the implied value for EC imports incorporated in the first-quarter UK balance of payments estimates does indicate a significant rise in the value of imports from EC countries.

These disparate indications, imprecise though they are, suggest that the volume of Irish exports in the early months of 1993 was rather higher than we had expected. Taken in conjunction with the stronger 1992 trend in export volumes revealed in *National Income and Expenditure 1992* and the improved prospects for exports to the UK in the second half of the year since the appreciation of sterling during the second quarter, they have persuaded us to revise upwards our forecasts for visible exports in 1993.

As set out in Table 2, visible exports are forecast to rise by 4¾ per cent in volume and 7 per cent in value. In volume terms, agricultural exports are expected to decline marginally, as the likely rise in meat exports will be offset by a fall in dairy exports from the unsustainable level reached in 1992 when intervention stocks of dairy produce were drastically reduced. The forecast increase in the volume of manufactured exports is roughly 60 per cent of the increase achieved in 1992, and is likely to be heavily concentrated on high-technology exports. Price changes are likely to vary widely between products, possibly averaging an increase of just over 2 per cent for total visible exports.

TABLE 2: Exports of Goods and Services

	1992 £m	% Change Volume	% Change Value	1993 £m	% Change Volume	% Change Value	1994 £m
Agricultural	2832	–1	3	2917	0	2	2975
Manufactured	11506	6½	8½	12484	8½	10½	13795
Other Industrial	2144	4	5	2251	4	5½	2375
Other	147	0	2	150	0	2	153
Total Visible	16629	4¾	7	17802	6½	8½	19298
Adjustments	–245			–260			–275
Merchandise	16384	4¾	7	17542	6½	8½	19023
Tourism	1228	2½	5	1289	5	7¾	1389
Other Services	1061	4½	8	1146	5	7¾	1235
Exports of Goods and Services	18673	4¾	7	19977	6¼	8¼	21647

For 1994 it seems likely that there will again be little change in the volume of agricultural exports due to supply and quota constraints. With the continental European economy beginning to recover and the UK and US economies continuing to expand, the volume of manufactured exports should grow more rapidly than in 1993, although probably remaining below the growth rate achieved in 1992. Total visible exports are thus projected to increase by 6½ per cent in volume and 8½ per cent in value in 1994.

As usual, there are conflicting reports about the progress of the tourist industry in 1993. An unexpected fall in the number of American visitors appears to have been counterbalanced by a rise in visitors from the UK and continental Europe. On the evidence so far available it seems likely that the value of tourism exports will rise by about 5 per cent in 1993, implying a volume increase of about 2½ per cent. A somewhat faster growth in tourism exports is projected for 1994, although the lingering continental recession seems likely to prevent a return to the very high rates of growth of the late '80s.

It is not clear whether currency instability will prove to have had a significant impact on either the volume or the implicit price of other service exports. In the absence of any official estimates for 1993, it is assumed that the moderately rapid expansion seen in recent years will continue.

Thus the volume of exports of goods and services is forecast to increase by about 4¾ per cent in 1993, a marked reduction from the 12.9 per cent volume growth recorded in 1992. For 1994 a volume growth of 6¼ per cent is projected, with the value increase at 8¼ per cent compared with 7 per cent in 1993. It must again be stressed, however, that in the absence of current trade statistics, forecasts of export levels are subject to much greater margins of error than normally.

Stocks

The total fall in the value of stock changes in 1992 was much smaller than had been anticipated. To some extent this was due to the increase in farm stocks being greater than initial estimates, but mainly it was due to a very large rise in industrial and distribution stocks, including work in progress. With no short-term indicators available to monitor trends in such stocks, they are always difficult to predict.

After substantial increases in the past six years, farm stocks are expected to

TABLE 3: Stock Changes

	1992 £m	Change in Rate £m	1993 £m	Change in Rate £m	1994 £m
Livestock on Farms	83	–93	–10	–20	–30
Irish Intervention Stocks[1]	–377	297	–80	20	–60
Other Stocks	234	–84	150	0	150
Total	–60	120	60	175	60

[1]Including subsidised private storage.

level off, or even decline marginally in 1993 and 1994. This is largely due to the effective removal of the incentive to increase herd size as a base for future subsidy flows.

Intervention and related stocks fell sharply in 1992, although in the national accounts more than half of the decline was treated as a negative stock appreciation rather than a volume reduction. With stocks of skim powder virtually eliminated and butter stocks drastically reduced in 1992, no further reduction in dairy stocks is expected in 1993 and 1994. However, meat stocks are expected to be run down in both years, partly in response to stricter limitations on intervention intake. Thus total intervention and related stock levels are forecast to decline significantly in both years, although not at the extraordinary rate seen in 1992.

As can be seen from Table 3, the CSO's annual survey revealed a very large rise in other stock-building in 1992. Much of this was probably involuntary, due to the downturn in sales in the closing weeks of the year. The IBEC/ESRI Survey suggests that industrial stocks have remained at a high level so far in 1993. For the year as a whole an increase in such stocks is projected, although smaller than that in 1992. A similar rise is also projected for 1994, as stock levels are deliberately raised in line with the expected acceleration in economic growth. In total, stockbuilding is forecast to have a much smaller impact on GNP growth in both 1993 and 1994 than in most recent years.

Investment

Investment in building and construction in 1992 grew by ¼ per cent in volume and 3¼ per cent in value. This was very close to the estimates in the previous *Commentary*. However the fall in investment in plant and machinery, at 4½ per cent in volume terms, was significantly sharper than we had estimated, and resulted in a decline of almost 2 per cent in the volume of total fixed investment.

Partly because of this outturn in 1992, we have revised downward our forecasts for growth in fixed investment in 1993. The volume of building and construction investment still seem likely to increase, but by very little. This small increase will be due to public sector construction financed by EC structural funds, while the volume of private construction is expected to fall. In 1994, the private sector is likely to respond to economic expansion and relatively low interest rates, with new housebuilding, in particular, expanding significantly. With public construction remaining at a high level, the volume of total investment in building and construction is projected to rise by 4½ per cent, as shown in Table 4.

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	1½	4	2001	4	7	2141
Total	4676	1¼	4	4863	4¼	7	5203

The course of investment in machinery and equipment is difficult to monitor in the absence of import statistics. On the basis of registrations of goods vehicles, such investment has remained very weak in the first half of 1993. Allowing for some upturn in the second half of the year, and for comparison with the depressed final quarter of 1992, the annual increase in the volume of investment in machinery and equipment in 1993 could be about 1½ per cent. General economic recovery in 1994 should induce a more rapid rise in such investment and a 4 per cent volume increase is projected. Thus total gross fixed capital formation is forecast to increase by only 1¼ per cent in volume and 4 per cent in value in 1993, and by 4¼ per cent in volume and 7 per cent in value in 1994. The role of the structural funds in permitting a small increase in total investment this year, when there would otherwise have been a substantial fall, is worthy of note.

Consumption

Retail sales remained weak in the first half of 1993 with the value index 1.9 per cent and the volume index about 0.8 per cent higher than in the corresponding period of 1992. Moreover, the monthly performance has been erratic, with no convincing evidence of the trend rising as interest rates fall.

TABLE 5: Consumption Indicators

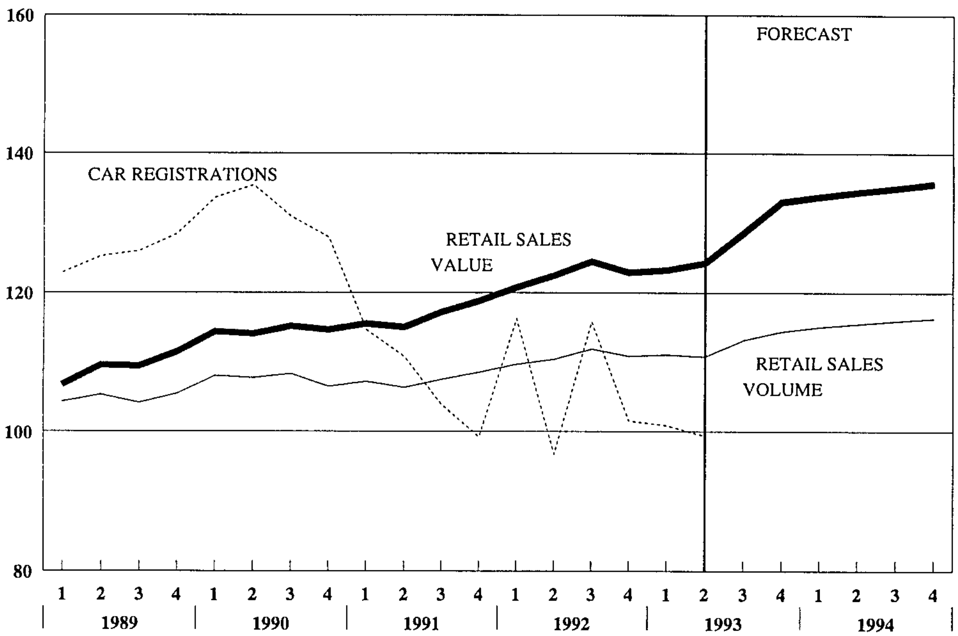
	Annual Percentage Change 1989	1990	1991	1992	1993 To Date	1993 Forecast	1994 Forecast
Consumption Value							
NIE 1992, Personal Consumption	10.1	3.7	3.9	5.7	—	5.0	6.3
Retail Sales Index, Value	9.2	4.8	1.8	5.0	1.9	3.9	5.8
Divergence	0.9	-1.1	2.1	0.7	—	1.1	0.5
Consumption Volume							
NIE 1992, Personal Consumption	6.4	2.0	1.6	3.0	—	2.5	3.5
Retail Sales Index, Volume	4.7	2.7	-0.2	3.0	0.8	1.5	3.0
Divergence	1.7	-0.7	1.8	0.0	—	1.0	0.5
Consumer Prices							
NIE 1992, Personal Consumption Deflator	3.5	1.7	2.3	2.6	—	2.4	2.7
Retail Sales Index Deflator	4.3	2.0	2.0	2.0	1.1	2.4	2.7
Consumer Price Index	4.0	3.4	3.2	3.0	1.4	1.7	2.5

However, it still seems likely that, as disposable household income rises, retail sales will increase in the second half of the year. Taking into account the low level of retail sales in the final quarter of 1992, it seems reasonable to predict that the annual retail sales index for 1993 will increase by 1½ per cent in volume and almost 4 per cent in value. Non-retail consumer spending, including tourist spending abroad, is likely to increase considerably faster than retail sales. Thus total personal consumption, as shown in Table 5, is forecast to grow by 2¼ per cent in volume and 5 per cent in value.

The recovery in consumer spending expected in the second half of 1993 should continue in 1994. However, at this stage it seems probable that its growth will follow the recent US and UK patterns of cautious expansion. A repetition of the very rapid growth of 1988, and especially 1989, seems improbable. The projected increases for 1994 of 3½ per cent in volume and 6¼ per cent in value are close to the average of the past six years.

FIGURE 2: Consumption

Quarterly Averages Seasonally Adjusted, 1988=100



The growth in public net current expenditure in 1992 was rather smaller than we had estimated, in both volume and value terms. On the basis of Budget projections, the 1993 increases are likely to be slightly smaller than in 1992, at about 1½ per cent in volume and 6½ per cent in value. Obviously, public consumption in 1994 will depend largely on policy decisions yet to be made. For forecasting purposes we have assumed that the rate of growth in public consumption will be held close to that 1993. Given that the 1993 Estimates were minimised by the bringing forward into 1992 of some elements of spending planned for this year, this assumption of an unchanged rate of growth implies considerable strictness in framing the 1994 Estimates.

Final Demand

On the basis of the forecasts already discussed, final demand in 1993 could increase by about 3¼ per cent in volume and 6¼ per cent in value. This represents a slight upward revision to our previous forecast, mainly due to stronger export growth. The import-intensity of final demand is expected to remain rather below average, as relatively slow growth is predicted in industrial exports and investment in machinery and equipment.

With the gradual acceleration in economic activity projected for 1994, the increase in final demand could be about 4½ per cent in volume and 7¼ per cent in value. Because the projected increase in the growth rate is quite moderate, with no sudden surge in investment or industrial stock building, the pattern of final demand is likely to be only slightly more import-intensive than in 1993.

Imports

Whereas some idea of the possible trend of exports in 1993 can be derived from alternative indicators, the absence of trade statistics has resulted in total ignorance concerning the trend of imports. Import forecasts must therefore be based entirely on the assumption that past relationships between categories of final demand and import volume will remain in force in 1993. In the face of unusually rapid currency changes, this assumption may not prove strictly valid. At the same time the trend of import prices remain unknown, although the behaviour of the consumer price index suggests that there has not been a rapid general increase in import prices since the devaluation of the Irish pound.

TABLE 6: Imports of Goods and Services

	1992	% Change		1993	% Change		1994
	£m	Volume	Value	£m	Volume	Value	£m
Capital Goods	1726	1½	4	1795	4	7	1921
Consumer Goods	3717	4½	6¾	3968	5½	8	4285
Intermediate Goods:							
Agriculture	461	0	2	470	0	0	470
Other	7217	5	7¼	7737	8	10¼	8530
Other Goods	74	0	2½	76	0	2½	78
Total Visible	13195	4¼	6½	14046	6½	8¾	15284
Adjustments	–172			–180			–190
Merchandise Imports	13023	4¼	6½	13866	6½	8¾	15094
Tourism	797	7	9	869	6¼	9	947
Other Services	1901	6	9½	2082	8	10¾	2306
Imports of Goods and Services	15721	4½	7	16817	6¾	9	18347

Table 6 sets out the possible pattern of imports in 1993 and 1994. This year, our demand forecasts suggest that there should be a very small volume increase in imports of capital goods, and only a moderate rise in imports of consumer goods and materials for use in industry. Total visible imports are forecast to rise by 4¼ per cent in volume and by about 6½ per cent in value. On the basis of past trends and current indicators of travel abroad, the volume of service imports seems likely to rise more rapidly than imports of goods, so that total imports of goods and services are forecast to rise by 4½ per cent in volume and 7 per cent in value. This represents a marginal increase on our previous forecast for 1993.

If our central prediction that final demand will grow more rapidly in 1994 is correct, then import volumes will also rise faster. This increase is likely to be shared among all the major categories of import. In total visible imports are projected to rise by about 6½ per cent in volume. As in 1993, average import price increases seem likely to be quite moderate, given the relatively slow rate of recovery expected in the world economy. Thus the value of visible imports in 1994 is projected to rise by a little under 9 per cent. If rapid growth in service imports continues, total imports of goods and services in 1994 could rise by 6¾ per cent in volume and 9 per cent in value.

Balance of Payments

After its exceptionally large increase in 1992, we had previously forecast that the visible trade surplus would remain virtually unchanged in 1993. However, since we have revised our export forecast upwards it now appears likely that there will be a moderate increase in the visible trade surplus. Similarly, on the basis of our import and export projections there should be another small increase in the visible trade surplus in 1994. As a proportion of GNP, the visible trade surplus is projected at 13.6 per cent in both 1993 and 1994, compared with 13.1 per cent in 1992.

A continuing deterioration in the service trade balance will probably mean that the growth in the surplus on trade in goods and services will be somewhat slower, although this should remain at over 11 per cent of GNP in both years.

As shown in Table 7, profit outflows are likely to increase quite rapidly in 1993 and 1994, as the relevant export values continue to rise. However, other factor outflows, including national debt interest, are projected to grow quite slowly, at slightly below the likely increase in gross factor inflows. Thus net factor outflows are forecast to increase by 8¼ per cent in 1993 and 6¾ per cent in 1994.

TABLE 7: Balance of Payments

	1992 £m	Change %	1993 £m	Change %	1994 £m
Visible Trade Balance	3434	9½	3756	6¾	4014
Adjustments	−73		−80		−85
Merchanise Trade Balance	3361	9¼	3676	7	3929
Service Trade Balance	−408	26½	−516	22	−629
Trade Balance in Goods and Services	2953	7	3160	4½	3300
Factor Flows:					
Profits etc.	2735	10	3008	9	3279
National Debt Interest	940	3	968	0	968
Other Debit Flows	1126	3	1160	3	1195
Total Debit Flows	4801	7	5136	6	5442
Credit Flows	1644	4½	1718	4½	1795
Net Factor Flows	3158	8¼	3418	6¾	3647
Net Transfers	1740	13¾	1979	5	2080
Balance on Current Account	1535	12	1721	¾	1733

Net transfers fell quite sharply in 1992, due to a reduction in EC subsidies. Increased structural funds and a recovery in subsidies should restore net transfers in 1993 to at least their 1991 level. A more modest increase of about 5 per cent is assumed for 1994.

As has been made clear throughout the discussion so far, forecasts of trade for 1993 are much more tentative than normal at this stage of the year. It is, however, quite certain that the current account of the balance of payments will remain in substantial surplus. If our forecasts are correct, the current account surplus will increase from 5¾ per cent of GNP in 1992 to about 6¼ in 1993. A marginal rise projected for the absolute size of the surplus in 1994 represents a small decline, to just under 6 per cent, as a share of GNP.

Agriculture

Although it is too early to assess fully the impact of weather conditions on agricultural output in 1993, the most likely outcome for the year as a whole is that there will be little change in the volume of gross output. Livestock production now seems likely to increase sufficiently to offset the fall in arable output resulting from the set-aside programme. A similar offset seems possible with regard to inputs, with set-aside reducing fertilizer usage but increasing the volume of imported feed. On balance, it thus seems possible that the volume of gross agricultural product will also see little change in 1993. Moderate increases in the output of forestry and fishing could lead to the net output of the broad agricultural sector rising by about 1 per cent.

The changing nature of the Common Agricultural Policy will obviously have a substantial impact on both the structure of agriculture and the level of agricultural output over the next few years. However, so far as 1994 is concerned the impact is unlikely to be dramatic, and a broad continuation of present trends seems probable. Subject to weather variability another small increase of about 1 per cent in the net output volume of the broad agricultural sector is projected.

Industry

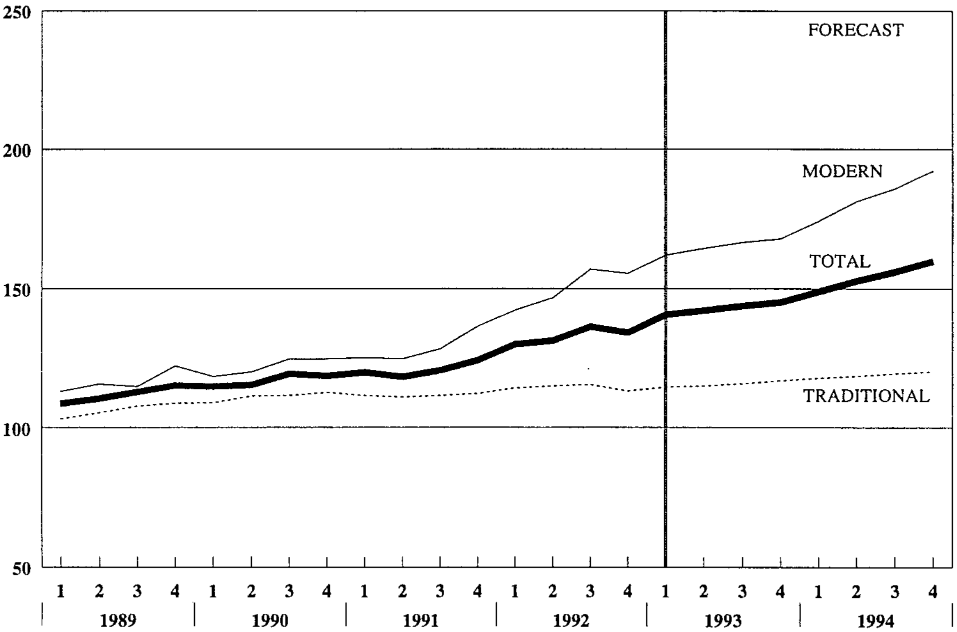
The volume of production index for manufacturing industry in the first five months of 1993 was 7.3 per cent higher than in the corresponding period of 1992. If the average seasonally corrected level of the index in the first five months of 1993 were maintained for the year as a whole, the annual increase over 1992 would be 6½ per cent. Some further rise in the seasonally corrected index seems probable in the second half of the year, so that an annual increase in the volume of production in manufacturing industry of about 7½ per cent is forecast. On the evidence to date, most of this increase can be attributed to the high-technology sectors of manufacturing, with many of the traditional sectors tending to decline slightly.

Annual increases in the volume of production of mining quarrying and turf and of the utilities are likely to be rather smaller than in manufacturing. Output of the building industry is likely to increase only marginally. Thus net output in the broad industrial sector is forecast to increase by about 4½ per cent in 1993.

Despite the faster growth in economic activity expected in 1994, the annual rise in the volume of production index for manufacturing industry is likely to be only marginally higher than in 1993, at about 8 per cent. This is primarily because the carryover from 1993 is likely to be significantly smaller than that from 1992, when industrial production rose quite rapidly in the first half of the year. In contrast to 1993, the increase in manufacturing output in 1994 is expected to be broadly based among industrial sectors. The traditional industries, in particular, are likely to benefit from stronger home demand and

FIGURE 3: Manufacturing Output

Quarterly Averages Seasonally Adjusted, 1988=100



from a recovery in sales to the UK following the hiatus imposed in early 1993 by the currency crisis.

Output in mining, quarrying and turf and the utilities is likely to increase more rapidly than this year, in response to the general economic upturn. As already discussed, the building and construction industry should respond in 1994 to the rise in economic activity and to relatively low interest rates. Thus the volume of net output in the broad industrial sector is projected to rise by over 6½ per cent in 1994, providing the main impetus to the growth in real GDP.

Services

Net output in the service sector is difficult to monitor, largely because of the great diversity of activities involved. Nevertheless the total increase in the volume of service output is usually related fairly closely to the rate of GDP growth.

Thus the increase in service output in 1993 is likely to be quite modest, at under 2 per cent. Public services are constrained by the tight budgetary situation, while most private sector services are likely to reflect the subdued level of domestic demand. The policy assumption of continued tight control on public expenditure implies that the volume growth in public service output will remain low in 1994, at about 1½ per cent. Private sector services can be expected to respond to the moderate acceleration projected for the growth of domestic demand. In total, therefore, a volume growth of some 2¼ per cent is forecast for the net output of the total service sector in 1994.

Employment

At the time of writing this *Commentary*, the *Labour Force Estimates* for April 1993 are not available. Thus forecasts for employment trends must be based on the available quarterly data for particular sectors of the economy, which do not always tally well with the annual figures provided by the *Labour Force Estimates.*

Quarterly series up to March 1993 indicate that employment in manufacturing industry had been less affected than had been feared by the currency crisis last winter. Indeed, employment in manufacturing industry has been remarkably stable since the middle of 1990, with gains in some industries almost exactly offsetting losses in others, so that there has been no significant change in the seasonally corrected quarterly level of employment throughout the period. Employment in the extractive industries and the utilities was virtually constant in the year to March 1993, although in both sectors there has been a slight downward trend since 1990. The available statistics for employment in the private building sector indicate a substantial fall in employment in the year to March 1993, although this could overstate the rate of decline in the building and construction industry as a whole.

Quarterly series on employment in some service sectors indicate a very small increase in the course of 1992, but past experience suggests that the rise in service employment as a whole, including the public service, was probably rather stronger.

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	314	322
Services	649	659	664	669	679
Total at Work	1125	1125	1121	1127	1142
Unemployed	208	225	241	248	248
Labour Force	1334	1350	1362	1375	1390
Unemployed Rate %	14.7	15.7	16.8	17.1	17.0
Live Register	248	281	295	302	302

B: Annual Averages '000

	1991	1992	1993	1994
Agriculture	152	149	146	143
Industry	319	314	311	317
Services	655	662	666	674
Total at Work	1126	1125	1123	1134
Unemployed	216	236	246	248
Labour Force	1342	1361	1369	1382
Unemployed Rate %	14.9	16.1	16.9	17.1
Live Register	254	283	297	302

The forecasts of economic activity in this *Commentary* suggests that there should be a gradual improvement in employment in manufacturing and building from mid-1993, while the slow growth in service employment is likely to continue. If this is correct, then April 1993 should mark the nadir in the total number at work, as shown in Table 8, with a steady but not spectacular improvement over the next two years. On an annual basis, the total at work in 1993 could be marginally below the 1992 average, with a significant rise of about 11,000 in 1994.

As discussed in the Spring *Commentary*, the essential stability of the seasonally-corrected Live Register of unemployment since January, in the face of apparently stagnant employment levels, almost certainly indicates the resumption of significant net emigration in 1993. A further factor preventing a rise in recorded unemployment during the summer months has been the limitation on students applying for dole payments during their vacation. It is significant that in the first seven months of 1993 the seasonally-corrected number of over 25 year olds on the Register has continued its relentless rise, from 205,000 in January to 211,900 in July, while the corresponding number of under 25s has fallen by 7,200.

Although the increase in net emigration reflects the improvement in the UK labour market, where registered unemployment fell steadily, if slightly, throughout the first half of 1993, there must be some doubt as to whether this trend will persist. The UK economic recovery is neither vigourous nor fully secure. Consequently the improvement in the UK labour market might well falter in the late months of 1993 or in 1994. On balance it seems likely that net emigration from Ireland will continue, but at a slightly slower pace. Consequently, a moderate increase in Irish unemployment is forecast for the coming months, taking the seasonally-corrected Live Register to over 300,000 in the coming winter. A combination of continued slow emigration and improved job prospects domestically could hold the Live Register at just over 300,000 in 1994.

Incomes

On the basis of agricultural prices in the first half of 1993, many forecasts of agricultural incomes foresee an annual rise of well over 10 per cent. However with the main slaughtering season yet to come and with significant changes in intervention criteria in operation this year, it is perhaps premature to predict so large an income rise. Accordingly, as shown in Table 9, we have forecast a more cautious 9 per cent increase in income for the broad agricultural sector. On the assumption that favourable price movements will continue, but on a smaller scale than this year, a 4 per cent rise in agricultural incomes is projected for 1994.

Increases in private sector wages and salaries are likely to show divergent trends in 1993, reflecting the very different trading conditions facing different sectors of the economy. On average, private sector earnings are expected to rise by about 4¼ per cent. Average public service pay is due to rise by about 6¼ per cent. When a marginal increase in total non-agricultural employment is taken into account, aggregate non-agricultural pay is forecast to increase by 5½ per cent. At present the form of pay bargaining for 1994 is unknown, let alone the details of possible settlements. However, regardless of the nature of negotiation, and allowing for some decline in the size of new settlements, it seems probable that average private sector pay increases will be only slightly lower than in 1993. It is to be hoped that public service pay will rise less rapidly than in the past few years, but that total non-agricultural employment

TABLE 9: Personal Disposable Income

	1992	% Change		1993	% Change		1994
	£m	%	£m	£m	%	£m	£m
Agriculture etc.	2140	9	193	2333	4	94	2427
Non-Agricultural Wages, etc.	14768	5½	812	15580	5½	857	16437
Other Non-Agricultural Income	3250	0	–2	3248	4	130	3378
Total Income Received	20158	5	1003	21161	5	1081	22242
Current Transfers	4661	6	278	4939	6	301	5240
Gross Personal Income	24819	5¼	1281	26100	5¼	1382	27482
Direct Personal Taxes	5332	6½	347	5679	5	290	5969
Personal Disposable Income	19487	4¾	934	20421	5¼	1092	21513
Consumption	17106	5	855	17961	6¼	1132	19093
Personal Savings	2381	3¼	79	2460	–1½	–40	2420
Savings Ratio	12.2			12.0			11.2

will increase by over 1 per cent. Thus aggregate earnings are projected to increase by 5½ per cent, the same as in 1993.

Little change is expected in other non-agricultural incomes in 1993, as lower interest rates will tend to offset small increases in other forms of income. With the acceleration of economic activity expected in 1994, a 4 per cent rise in miscellaneous non-agricultural income is projected.

Current transfers to households rose very rapidly in 1992, due partly to the massive rise in unemployment. With a smaller rise in unemployment expected in 1993 and with the nominal increases in benefits slightly lower, it seems probable that transfer income will rise by about 6 per cent in 1993. A similar rise is projected for 1994. Thus gross personal income is forecast to increase by about 5¼ per cent in both 1993 and 1994.

On the basis of Budget projections and the trend of tax receipts to date, it seems likely that direct personal taxation will increase by about 6½ per cent in 1993. Obviously the level of direct personal taxation in 1994 will depend largely on budgetary decisions which are yet to be taken. The assumption is made here that such taxes will rise by 5 per cent in aggregate.

On this basis, personal disposable income is forecast to increase by about 4¾ per cent in 1993 and is projected to rise by about 5¼ per cent in 1994. The personal savings ratio, according to the latest National Accounts data, has risen steadily from 7½ per cent in 1989 to about 12¼ per cent in 1992. Both the pattern of income increases in 1993 and the impact of lower interest rates suggest that there could be a reversal of this rise in the savings ratio this year. However, until there is firm evidence that this is taking place, it would be unwise to anticipate a major change in the trend. Accordingly, only a minor fall of less than ¼ per cent is forecast for 1993. A more substantial fall of ¾ per cent does seem likely in 1994, as employment resumes its growth and interest rates remain relatively low. It is worth noting that the ratio of 11¼ per cent projected for 1994 remains above the average level of 10½ per cent for the period from 1986 to 1992.

Consumer Prices

There is some irony in the fact that a few months after the devaluation of the Irish pound within the ERM, the May consumer price index showed a quarterly decline and the lowest twelve-month rise for several decades.

Neither the absolute quarterly decline nor the twelve-month increase of only 0.9 per cent seems likely to be repeated in the second half of 1993. Rising food and import prices can be expected to outweigh further reductions in mortgage interest rates. Nevertheless it seems probable that the twelve-month inflation rate will remain just under 2 per cent, so that the annual average rise in the consumer price index in 1993 is likely to be about 1¾ per cent.

Other measures of consumer prices, such as the retail sales deflator and the personal consumption deflator in the National Accounts will not show such a very low rate of inflation, because they are not affected by the fall in mortgage interest rates, which have a heavy weight in the consumer price index. Even so, it seems likely that these measures will indicate that consumer prices have risen by less than 2½ per cent in 1993 as a whole.

The influence of mortgage interest rates will keep the twelve-month rise in the consumer price index low in February 1994, when comparison will be with the very high interest rates obtaining early this year. Thereafter this factor will become much less important. For 1994, an annual average increase of about 2½ per cent is projected for the consumer price index, with the other consumption deflators rising by 2¾ per cent. By the end of 1994 the twelve-month rise in the consumer price index is likely to be approaching 3 per cent.

Public Finances

Because of changes in tax collection procedures, especially in the case of VAT, monthly revenue returns are more difficult than usual to interpret in 1993. However, it does seem probable that both tax and total revenue will be close to Budget targets. Although some forms of current expenditure are likely to exceed their Estimates, the saving on interest payments should mean that total current spending will be below Estimate. Thus the Current Budget Deficit seems likely to be well under £500 million, and could be £40 million under the targeted level.

Capital expenditure and receipts are more difficult to monitor, particularly as it is not yet clear what, if any, equity commitment will be made to Aer Lingus during 1993. Assuming that some such payment will be made, borrowing for capital purposes could exceed the budgeted level, leaving the Exchequer Borrowing Requirement close to the planned amount of £760 million. This would represent approximately 2¾ per cent of the revised forecast of GNP.

Clearly the fiscal situation in 1994 will depend on expenditure and revenue decisions yet to be taken. For forecasting purposes, we adopt our usual assumption of unchanged real tax rates and thresholds, with the exception that it is assumed that the temporary incomes levy will be removed in the course of 1994. On this basis, it seems that the level of economic activity forecast in this *Commentary* would result in an increase of about 5¾ per cent in tax revenue.

On the expenditure side, it is assumed that the volume of discretionary expenditure will continue to be kept under tight control, increasing by under 2 per cent as in 1993. It is assumed that the price of discretionary expenditure, largely pay rates, will increase less rapidly than in 1993. The main item of non-discretionary current spending, interest payments on the national debt, could fall marginally, if our predictions concerning the course of interest rates are correct, although this could be partly offset by an increase in EC Budget requirements. These assumptions result in a projected increase of about $4\frac{3}{4}$ per cent in total current expenditure. Thus the Current Budget Deficit in 1994 on these technical assumptions could be in the region of £425 million, or just under $1\frac{1}{2}$ per cent of projected GDP. If borrowing for capital purposes is of the same order of magnitude as that forecast for 1993, the Exchequer Borrowing Requirement would be in the region of £700 million, or almost $2\frac{1}{2}$ per cent of GNP.

No allowance has been made in these calculations for any significant change in the tax structure, or for major receipts from tax amnesties. The projected outcome in terms of the Current Budget Deficit and the Exchequer Borrowing Requirement appears to be close to what is necessary if medium term fixed targets are to be met. It would thus appear that any significant cuts in real tax rates would need to be matched either by increases in other taxes, or by an even stricter control over spending than has been assumed.

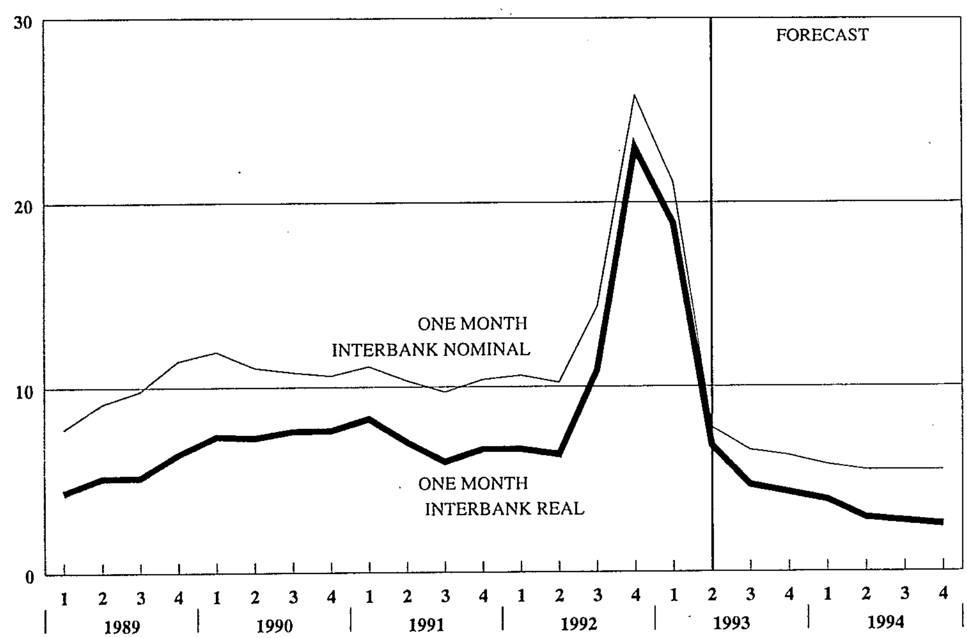
Interest Rates

The unforeseen suspension of the narrow-band ERM since our previous *Commentary* has brought a halt to the reduction in Irish interest rates. While renewed turmoil in the currency market, with its inevitable impact on capital markets, has obviously increased uncertainty, it remains probable that the current hardening of interest rates will prove temporary, and that short-term Irish interest rates will resume their downward trend in the later months of the year.

There are strong grounds for expecting the growth in German money supply to abate as the impact of ERM monetary support has ceased to be a

FIGURE 4: Interest Rates

Per cent per annum, Quarterly Averages



factor. With consumer price inflation in Germany also likely to slacken, the Bundesbank is expected to feel able to relax its obdurate monetary stance. Reductions in German interest rates are likely to be cautious, but even the start of the process could significantly ease tensions in European currency markets. While the Irish authorities will continue their prudent policy of preventing Irish rates falling significantly below German rates, it does seem likely that Irish interest rates will follow European rates downwards in the coming months.

After the experience of the past twelve months, it would be foolhardy to make confident predictions concerning the exact level of interest rates over the coming year. However, provided that there is not a significant depreciation of sterling, a possible course for Irish one-month interbank rates would be a decline to under 6 per cent by the end of 1993, and a further fall to about 5½ per cent in the first half of 1994.

General Assessment

The official National Accounts Estimates confirm that in 1992, as in other recent years, economic growth in Ireland was among the fastest in the EC, and well above the Community average. This good relative performance seems set to continue in 1993, but as economic growth in the EC as a whole will be negative, even a very strong relative performance will leave Ireland with an absolute growth rate which is low by historic standards.

Given the multiple uncertainties in the international environment, and the difficulty of monitoring recent Irish trade in the absence of trade statistics, any forecast of the 1993 growth rate is bound to be tentative. However, it is already clear that it will at least be positive, in contrast to most continental EC countries, and the forecast of a 2¼ per cent growth in real GNP presented in this *Commentary* seems realistic.

The uncertainty concerning current trends obviously attaches also to projections for 1994. There is no reason to suppose that the Irish economy will cease to outperform the EC norm, but the extent of the margin is subject to variability. More crucially, the likely rate of growth of the EC economy in 1994 is difficult to predict with confidence. The assumption made in this *Commentary* is that there will be a general recovery in the EC in 1994, but that this will be slow and tentative for most of the year. On this basis, it seems possible that the Irish growth rate could accelerate to about 3¼ per cent.

Such a growth rate, combined with continuing EC transfers, would consolidate the strengths of the Irish economy, namely the large current account balance of payment surplus, low price inflation and relatively low Exchequer borrowing. On the other hand, it would have only a marginal effect in ameliorating the overriding weakness of the Irish economy, the inadequate pace of net job creation. The rise of 11,000 jobs tentatively projected for 1994 would clearly be insufficient to absorb the annual increase in the potential labour force. The approximate stabilisation of unemployment projected in this *Commentary* rests on the assumption that there will be moderate net emigration.

It is, of course, possible that we have been unduly cautious in our forecasts, both of European recovery and of the Irish growth margin. A period of strong economic expansion is due, as all major World economies enter the growth phase of the next cycle. Our expectation is that this is likely to occur in 1995, with 1994 seeing only the hesitant beginnings of a European recovery. However, the timing of cycles is always difficult to predict, and, in contrast to most recent economic trends, the next major upturn could come sooner than expected. Nevertheless, it would obviously be foolhardy to base plans on the assumption of an early European boom or on the hope of a dramatic further improvement in Ireland's relative performance.

What the past twelve months have illustrated with startling clarity is the extent to which Ireland is subject to wider European developments, over which we have little influence and no control, and the speed with which central policy assumptions can be rendered irrelevant. For at least five years the central feature of Irish economic policy has been to tether the currency firmly to the post of the narrow-band ERM, and to encourage the economy as a whole to adjust to this constraint. Due to factors entirely extraneous to Ireland, the hitching post, after being vigorously shaken, has now been removed altogether. Because it was so unexpected, little thought had been given to this possibility, and the evolution of a policy to handle the possession of an unattached tether is now an urgent priority.

The effective floating of the ERM currencies, and the circumstances by which it came about, impose serious problems, both at a European level and within Ireland. The chosen method of progress towards Economic and Monetary Union via the narrow-band ERM has proved unworkable, because of insufficient economic convergence, undue rigidity in the application of the ERM, and because of a shift in the relative power of Central Banks and the currency markets following financial liberalisation and the removal of exchange controls.

From an Irish point of view, and probably from that of the EC countries as a whole, Economic and Monetary Union remains a desirable goal. The difficulty lies in finding an alternative path towards it. Over the past twelve months speculative market pressures have forced the monetary authorities to acknowledge first the obvious and fundamental economic divergences affecting the British, Italian and Iberian currencies, and latterly the market perceptions of far more tenuous strains among the remaining narrow-band economies. The success of this summer's speculation against the currencies of countries which had achieved a high degree of economic convergence makes it inevitable that irresistible speculative pressures would recur in an unreformed narrow-band ERM. If the route towards Economic and Monetary Union is to be through a gradual narrowing of exchange rate fluctuations, then it is clear that the new mechanism will have to be significantly different from its predecessor.

Although Ireland's influence in the construction of an amended European monetary system is limited, it is not insignificant. Their contribution to the European currency debate should be as important a concern for the Irish authorities as their management of the Irish adjustment to whatever system emerges. The technical details of re-establishing a workable system are complex, and beyond the scope of a general economic commentary. However, Ireland's long-term interests would seem to require that the guiding principles should include keeping the goal of eventual Economic and Monetary Union and retaining the possibility of Ireland's accession to any early grouping of core countries in such a Union.

Despite the difficulties, it is possible that a reformed ERM would be introduced as an interim phase. If so, Ireland's circumstances require that the system should be flexible enough to permit non-traumatic adjustments to such foreseeable shocks as future fluctuations in sterling, but robust enough to provide underlying currency stability. The former requirement suggests decisions on appropriate parity changes should be timely and internationally agreed, perhaps with an input from the secretariat of the proposed European Monetary Institute. The second requirement suggests a significant strengthening of the relative power of the monetary authorities, possibly through some general curtailment of the excessive financial leverage currently enjoyed by market participants.

While participating in multilateral discussions as to how the process of European exchange rate determination should evolve, the Irish authorities must also establish a policy as to how the Irish currency and economy should be managed in conditions of great uncertainty.

In terms of currency management, the short-term response since the effective floating of the Irish pound has probably been the only one immediately available. This basically consists of keeping Irish interest rates in line with the norm in the other former narrow-band countries, and allowing the currency to fluctuate freely. Given the degree of convergence already achieved among these countries, the scale of fluctuation has, predictably, been fairly small. However, this essentially passive policy option may not remain open indefinitely. If any of the major narrow-band countries were eventually to do what the market initially expected, and cut their interest rates substantially below German levels, the Irish authorities would be forced to choose the interest rate regime to follow. The exchange rate implications of such a development are not entirely clear-cut, given that in the weeks since the floating of ERM currencies the response of exchange rates to movements in official national interest rates has tended to be unpredictable. Similarly, if sterling were to depreciate sharply, a choice would need to be made as to the appropriate Irish exchange rate, especially as the markets appear to have an exaggerated view of the strength of the present economic links between the UK and Ireland. Fortunately, renewed depreciation of sterling seems likely to be delayed until well into 1994, and by that time a more structured European currency system could be in place, which would modify the resulting tensions.

In responding to such possible shocks, the guiding principles of Irish currency and monetary policy should be to keep open the possibility of joining a future Economic and Monetary Union, and to minimise as far as possible short-term fluctuations in either the exchange rate or interest rates. In general, allowing minor variations in both would be preferable to maintaining absolute stability in either at the expense of major movements in the other.

The ending of the currency stability which obtained from 1987 to mid-1992 has been a significant loss to the Irish economy, as it has removed predictability and increased perceived risk in both trading and investment decisions. Whatever currency system emerges in Europe, other than a full Economic and Monetary Union, it will take a considerable time for confidence in currency stability to be restored. However, if exchange rates settle to near their present values over the coming year or so, Ireland at least has the compensation that, after the travails of the past twelve months, it has emerged with a currency which is significantly more competitive in relation to most continental countries, and has lost very little competitiveness with regard to the UK, compared with the first half of 1992.

This gain in overall competitiveness provides a promising, if not altogether secure, base for the development of general economic policy. At present exchange rates, Irish export industry should be well placed to respond to the expected upturn in overseas, and particularly continental, demand. At the same time Ireland's attractiveness for international productive investment should remain strong. However, to preserve this gain in competitiveness, and to protect growth prospects against possible future shocks, careful economic management will be necessary.

With regard to fiscal policy, adherence to the Maastricht guidelines remains necessary, despite their apparent loss of immediate relevance in terms of progress towards Monetary Union. In the first place any alternative path towards Union will still require convergence, and until new criteria are formulated the existing Maastricht guidelines provide the only available basis for convergence. In the second place, and more fundamentally, the fiscal aspects of the Maastricht criteria are closely in line with Ireland's individual need to reduce the debt/GDP ratio at a steady pace.

Our calculations suggest that, at the expected rate of economic growth, a moderate reduction in the Current Budget Deficit and Exchequer Borrowing Requirement is feasible in 1994, provided that tight control is maintained over discretionary spending. There could be room for a minor reduction in net real tax rates, such as the removal in the course of the year of the income levy. However, more radical reductions in any particular tax rates would need to be balanced by increases elsewhere, or by cuts in the anticipated level of expenditure. Amnesty receipts, even if substantial, should not be used to balance tax reductions, as they represent non-recurring income while tax cuts, by their nature, result in a continuing loss of revenue. The correct use of non-recurring income, given the condition of the Irish public finances, is to reduce the level of the national debt.

A major component of the Budget equation, both in 1994 and in future years will be the evolution of public service pay. On the broader economic front, incomes policy is also of key significance for the prospects of growth and job creation in the next few years. It is not yet clear whether pay determination in 1994 and beyond will be through the mechanism of a new national agreement or through unstructured bargaining.

The background to decisions on pay is quite complex, and needs to be kept fully in mind in discussions on the possibility of a new agreement, and in any subsequent negotiations on national or local pay increases. Following all the currency movements of the past twelve months, Irish pay rates in the exposed sector as a whole are reasonably competitive at present. However, it is possible, and indeed probable, that sterling will again depreciate significantly within the next two years, thus reducing the competitiveness of a large segment of Irish industry. Pay settlements in competing European countries have declined rapidly in the past year, and, in the UK in particular, many recent settlements have been below the current rate of Irish pay increases. This degree of restraint in UK pay bargaining is unusual, and may prove temporary, but it would be foolhardy to anticipate a rapid return to inflationary pay increases in the UK.

A feature of Irish pay development in recent years is that average public service pay has increased substantially faster than private sector earnings, causing budgetary difficulties and restricting the volume growth of public services and employment. This differential in public service earnings has largely come about through the operation of the public services arbitration scheme, and through the phasing of delayed arbitration awards.

Given this background, it is clear that employment prospects in 1994 and future years will be best served if pay developments in the exposed sector combine low basic pay increases with a considerable degree of flexibility in response to external shocks. Conceivably, a system of minimal basic pay increases, with *post facto* bonuses in the absence of currency shocks could be the most appropriate approach in conditions of uncertainty. So far as the public service is concerned, employment prospects would best be served by not exceeding the low general increases applicable to the exposed sector and by seriously modifying the criteria on which arbitration decisions are made.

If a new national agreement can encompass these desiderata, then the benefits of maintaining a consensus approach dictate that it should be adopted. However, if a national agreement cannot deliver moderation, flexibility and fairness between sectors, then an unstructured approach to pay determination in the next few years would be preferable. In these circumstances, it would be absolutely incumbent on the government, as employer, to ensure the rigorous application of pay moderation in the public service.

In summary, the principal task of economic policy in conditions of external uncertainty is to maintain Ireland's recent record of outperforming the EC norm in terms of economic growth and employment. To this end, policy needs to be flexible, so that timely response can be made to external shocks, yet sufficiently coherent to restore and sustain confidence. Continued fiscal responsibility, and severe pay moderation in both public and private sectors are inescapable elements of the necessary policy. If, in addition, structural changes can improve the relationship between economic growth and employment this would obviously be helpful. However, the furore which has greeted a relatively minor attempt at job-inducing restructuring in relation to telephone charges suggests that the scope for major restructuring in relation to taxation or income determination may be more limited than many would hope.

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				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	194.0	114.8	3585		191.6	48.0	143.9
III	152.3	201.3	114.9	3579		192.5	49.3	142.9
IV	151.3	201.3	116.0	3670		192.5	49.8	142.5
1991 I	152.9	201.8	115.0	3711		192.4	49.8	142.8
II	150.8	201.3	144.4	3708		192.6	50.2	142.6
III	154.0	207.0	115.0	3781		192.2	50.1	141.9
IV	158.6	220.2	115.6	3789		193.6	51.5	141.9
1992 I	165.9	229.7	117.7	3868		192.5	51.9	140.6
II	167.6	236.8	118.4	3880		192.0	51.6	140.7
III	174.1	253.2	119.1	3944		192.1	51.3	140.5
IV	171.2	250.6	116.7	3990		191.8	52.7	139.2
1993 I	179.6	261.4	118.2	3915		192.2	54.5	137.9
II				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	112.6	102.4	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	115.2	104.1	189.5	97.6	287.2	IV
179.0	205.1	122.9			197.9	101.7	299.6	1993 I
					193.7	98.9	292.6	II
								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	105.5	101.1	154.0	74.3	228.2	IV
147.6	160.1	118.8	106.7	101.5	160.6	77.7	238.3	1991 I
146.5	158.3	118.3	108.5	102.4	169.0	82.0	251.0	II
149.6	162.0	119.6	108.4	101.0	174.5	86.2	260.6	III
154.0	168.5	120.3	110.0	101.8	177.8	88.0	265.8	IV
160.1	174.9	123.4	110.9	101.8	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	113.0	102.5	189.7	99.1	288.8	III
167.8	187.5	123.7	114.2	103.2	191.6	99.5	291.2	IV
173.9	189.4	126.3			192.9	101.7	294.5	1993 I
					195.3	99.7	295.1	II
								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		115.0				1532.2
III								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	107.0	104.8	103.1				
1991 I	103.5	107.5	105.3	103.6				
II	104.4	108.5	106.4	104.1				
III	105.6	109.0	106.7	103.1				
IV	106.4	109.8	107.4	105.5				
1992 I	107.3	110.4	108.1	106.0				
II	108.2	110.9	108.2	107.5				
III	108.6	110.4	106.9	108.4				
IV	109.0	110.2	106.2	106.5				
1993 I	109.3	113.1		107.8				
II	109.2	114.8		112.7				
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
20839	204.8	99.4	2170	2763	593	21.1	9.0	1993 I
20796	206.5		2363	2408	45	7.8	8.1	II
								III
								IV
Quarterly Averages or Totals (Seasonally Corrected)								
20979	192.6	98.1	2077	2109	35	No Seasonal Pattern	No Seasonal Pattern	1990 I
21259	191.8	97.7	2069	2047	−22			II
20548	194.5	98.5	2082	2104	15			III
20092	193.3	96.9	2051	2168	120			IV
17987	194.4	97.3	2083	2171	91			1991 I
17387	193.3	96.4	2155	2405	250			II
16305	198.1	97.9	2245	2216	−37			III
15571	200.3	98.7	2275	2289	19			IV
18246	203.4	99.6	2268	2370	102			1992 I
15191	206.3	100.3	2391	2392	1			II
18170	209.8	101.6	2404	2476	72			III
15945	207.1	100.7	2298	2575	277			IV
15832	207.7	100.9	2395	2578	183			1993 I
15598	209.4		2457	2425	−32			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								
IV								
	End-Period Totals (S.C.)				Quarterly Averages (S.C.)			
1990 I	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern
II								
III								
IV								
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