QUARTERLY ECONOMIC COMMENTARY

May 1999

The forecasts in this Commentary are based on data available by mid-May 1999

T.J. Baker
David Duffy
and
Diarmaid Smyth

Copies of this paper may be obtained from The Economic and Social Research Institute (Limited Company No. 18269), (Registered Office) 4 Burlington Road, Dublin 4.

Price IR£35.00 (€44.44) per copy or IR£145 (€184.11) per year, (including Medium-Term Review)

T.J. Baker is a Senior Research Officer, David Duffy is an Assistant Research Officer and Diarmaid Smyth is a Research Assistant of The Economic and Social Research Institute. The *Commentary* has been accepted for publication by the Institute, which is not responsible for either the content or the views expressed therein.

Printed by Argus Press, Malpas Street, Dublin 8.

CONTENTS

SUMMARY

With most relevant information now available, it seems probable that 1998 saw real GDP growing by about 9 per cent and real GNP by about 7¾ per cent. Despite some exaggerated fears in the first half of the year, price inflation averaged only 2.4 per cent. Employment rose very rapidly, probably by about 5½ per cent on an annual average basis, while unemployment fell sharply to end the year at 7.1 per cent. As usual, the public finances proved even stronger than expected, with the national debt being reduced in absolute terms.

A sixth successive year of very high economic growth is forecast for 1999. Real GDP is projected to rise by 7½ per cent and real GNP by 6¼ per cent. The slowdown compared with last year is due in part to supply constraints, including a smaller rise in the labour force, and partly to a less dramatic rate of growth of exports. Nevertheless annual average employment is forecast to rise by over 4 per cent, the consumer price index to increase by only 1.6 per cent on an annual average basis, and the general government surplus to approach 2½ per cent of GDP.

The unfamiliar problems arising from prolonged economic success, most notably the emerging labour shortages and the pressures on infrastructure, including housing, suggest strongly that there is a need for a new, heavily modified, consensus on socio-economic policy. The exact shape of this can only emerge through a process of discussion, consultation and negotiation. The realities it must consider include the constraints of monetary union, and a considerably slower growth in the labour force than in the past few years. Thus, although continued net job creation will remain essential, the rate at which new jobs are attracted can be reduced, while the importance of upgrading the average skills of the workforce will increase. The impact on existing infrastructural bottlenecks of a wide variety of policies will need to be borne in mind. However, if a new consensus is to emerge and to prove as effective as its predecessor, the one essential characteristic it must possess is a realistic, long-term perspective.

FORECAST NATIONAL ACCOUNTS 1998

A: Expenditure on Gross National Product

	1997 Preliminary £m	1998 Estimated £m	Change in 1998 £m Value	Change in 1998 £m Volume	Change in 1998 % Value	Change in 1998 % Price	Change in 1998 % Volume
Private Consumer Expenditure	25,191	27,796	2,605	2,066	10¼	2	8¼
Public Net Current Expenditure	6,669	7,190	521	200	7¾	4¾	3
Gross Fixed Capital Formation	9,448	11,334	1,886	1,227	20	6¼	13
Exports of Goods and Services (X)	40,614	50,904	10,290	8,991	25¼	2½	22¼
Physical Changes in Stocks	539	440	- 99	- 85			
Final Demand	82,461	97,664	15,203	12,399	18½	3	15
less:							
Imports of Goods and Services (M)	34,220	43,219	8,999	8,018	26¼	2¼	23½
GDP at Market Prices	48,241	54,445	6,204	4,381	13	3½	9
less:							
Net Factor Payments (F)	6,322	7,676	1,354	1,157	21½	2½	18¼
GNP at Market Prices	41,919	46,769	4,850	3,224	11½	3½	7¾

B: Gross National Product by Origin

		1997 Preliminary £m	1998 Estimated £m	Change in 1998 £m	Change in 1998 %
Agriculture, Forestry, Fishing		2,371	2,252	-119	-5
Non-Agricultural:	Wages, etc	21,806	24,205	2,399	11
	Other:	15,520	17,978	2,458	15¾
less:					
Adjustments		2,017	2,282	265	13¼
Net Factor Payments		6,322	7,676	1,354	21½
National Income		31,358	34,477	3,119	10
Depreciation		5,113	5,778	665	13
GNP at Factor Cost		36,471	40,255	3,784	10½
Taxes less Subsidies		5,448	6,514	1,066	19½
GNP at Market Prices		41,919	46,769	4,850	11½

C: Balance of Payments on Current Account

	1997 Preliminary £m	1998 Estimated £m	Change in 1998 £m
X – M	6,394	7,685	1,291
F	-6,322	-7,676	-1,354
Net Transfers	1,290	1,038	-252
Balance on Current Account	1,362	1,047	-315
as % of GNP	3¼	2¼	-1

FORECAST NATIONAL ACCOUNTS 1999

A: Expenditure on Gross National Product

	1998 Estimated £m	1999 Forecast £m	Change in 1999 £m Value	Volume	% Value	Price	Volume
Private Consumer Expenditure	27,796	30,576	2,780	2,271	10	1¾	8¼
Public Net Current Expenditure	7,190	7,750	560	216	7¾	4¾	3
Gross Fixed Capital Formation	11,334	13,431	2,097	1,303	18½	6¼	11½
Exports of Goods and Services (X)	50,904	58,986	8,082	7,988	16	¼	15¾
Physical Changes in Stocks	440	380	-60	-60			
Final Demand	97,664	111,123	13,459	11,718	13¾	1½	12
less:							
Imports of Goods and Services (M)	43,219	51,255	8,036	7,677	18½	¾	17¾
GDP at Market Prices	54,445	59,868	5,423	4,041	10	2½	7½
less:							
Net Factor Payments (F)	7,676	8,804	1,128	1,110	14¾	¼	14½
GNP at Market Prices	46,769	51,064	4,295	2,931	9¼	2¾	6¼

B: Gross National Product by Origin

		1998 Estimated £m	1999 Forecast £m	Change in 1999 £m	%
Agriculture, Forestry, Fishing		2,252	2,297	45	2
Non-Agricultural:	Wages, etc	24,205	26,480	2,275	9½
	Other:	17,978	19,812	1,834	10¼
less:					
Adjustments		2,282	2,533	251	11
Net Factor Payments		7,676	8,804	1,128	14¾
National Income		34,477	37,252	2,775	8
Depreciation		5,778	6,442	664	11½
GNP at Factor Cost		40,255	43,694	3,439	8½
Taxes less Subsidies		6,514	7,370	856	13¼
GNP at Market Prices		46,769	51,064	4,295	9¼

C: Balance of Payments on Current Account

	1998 Estimated £m	1999 Forecast £m	Change in 1999 £m
X – M	7,685	7,731	46
F	-7,676	-8,804	-1,128
Net Transfers	1,038	1,111	73
Balance on Current Account	1,047	38	-1,009
as % of GNP	2¼	0	-2¼

The International Economy

General

Over the past few months fears of a possible world recession in 1999 have almost disappeared. The US economy has proved to be growing more strongly than expected, there are clear signs of recovery in the crisis-hit Asian economies, and the world financial framework appears sound. However, growth in many euro economies, especially Germany, has slowed, and the relatively sluggish performance of the euro area is reflected in the weakness of the euro. World inflation remains very low, while nominal interest rates in all advanced economies are historically low and appear to be stable rather than volatile.

US Economy

Final figures for 1998 show US real GDP growth at a very strong 3.8 per cent. Preliminary figures for the first quarter of this year show that the economy continued to expand at a strong pace with quarterly growth of 1 per cent due mainly to the consumer sector. It seems unlikely that this pace of growth can continue throughout the year, and annual growth in 1999 is expected to be about 3¼ per cent. The performance of the US has been very important internationally in maintaining growth in the world economy. This is evidenced by the widening of the US trade deficit as consumer demand has increased import levels at a time when weak demand internationally has reduced export volumes.

The strong growth in 1998 brought the unemployment rate to its lowest level since 1970, at 4 per cent. Although employment in manufacturing fell slightly, this was more than offset by the demand for labour in other sectors. The projected economic growth in 1999 should ensure that the unemployment rate will remain low, although some increase is forecast later in the year as growth slows. Despite the tightness of the labour market, there have been few signs of impending wage inflation. Low inflationary pressure in recent years in the US economy also reflects the decline in world commodity prices and the appreciation of the dollar. Continued low unemployment, some upturn in commodity prices and a future weakening of the dollar means that price inflation is likely to increase in 1999 to about 2 per cent.

Growth in the markets for US goods and services is expected to remain slow in 1999, limiting the contribution of exports to growth, while the continued growth of the US economy will result in increasing import volumes. However, currency movements, some slowdown in US income growth and the possibility of a slight pick-up in economic growth abroad suggest that the drop in net exports might be smaller than in 1998.

The dollar rose substantially against the currencies of the major industrial countries over the first eight months of 1998 but subsequently fell sharply reflecting concerns about the possible impact of the crisis in Latin America on the US economy. Signs of continued strength in the economy have lead to a renewed appreciation of the dollar in the early months of 1999. The increasing deficit on the current account and a gradually improving economic performance in Europe are expected to mean that the dollar will weaken towards the end of 1999 in relation to the euro.

The European Economy

Recent Commission estimates show that European Union GDP growth amounted to 2.9 per cent in 1998. This was mainly due to growth in domestic demand, as export growth slowed as a result of the poor international environment. It now appears that the international slowdown has had a greater than expected impact on the European economy, with the increased uncertainty having an adverse impact on business confidence. As a result the EU Commission have revised their GDP growth forecast for 1999 to 2.1 per cent from 2.4 per cent. The pace of growth in 1998 had some impact on the EU unemployment rate which, although remaining high, has started to decline. This decline is forecast to continue during 1999 bringing the annual average to 9½ per cent. EU inflation remains subdued at present due to a combination of moderate wage increases, low import prices and the lagged effect of the depreciation of the dollar during 1998. The positive inflation environment seems set to continue and inflation should average only 1¼ per cent in 1999.

Official figures show that economic activity in Germany shrank in the final quarter of 1998 by nearly a ½ per cent, due mainly to the international environment. For 1998 as a whole, the contribution of net exports to growth declined, so that domestic demand was responsible for all the annual growth. Continued growth in domestic demand is expected to ensure that GDP growth will amount to about 1¾ per cent in 1999. Increases in real disposable income due to low consumer inflation and some increases in wage rates should underpin private consumption growth. Inflation continues to be subdued and is expected to average just ¾ per cent in 1999. Despite some decline in 1998 unemployment remains one of the major problems facing the German economy. The slowdown in economic activity in the first part of this year has meant a pause in the fall in unemployment. While there has been a slight increase in the numbers employed much of the reduction in the unemployment rate in the second half of 1998 was due to increased numbers on labour market schemes. A significant decline in unemployment seems unlikely in 1999, and an annual average rate of 10¾ per cent is forecast.

The French economy performed well in 1998, growing by over 3 per cent, with inflation at historically low levels and a decline of almost one percentage point in the unemployment rate. However, the poor international environment has had a negative impact on business activity since the beginning of 1999. Consumption growth has remained steady, reflecting job creation and an increase in real purchasing power. The slight recovery in Asia, coupled with the growing US economy, a strong dollar and strong personal consumption in Europe should have a positive impact on French exports. A further decline in the unemployment rate to 11 per cent is anticipated, although the decline will not be as large as in 1998. A small increase in the rate of inflation may have a slight negative impact on consumption. Nevertheless GDP growth of 2¼ per cent is expected in 1999.

In contrast to many other European economies, GDP growth is expected to improve in Italy in 1999, albeit very marginally. The Italian economy contracted in the final quarter of 1998, partly as a result of weak domestic demand. Annual growth was also constrained by the poor performance of net exports. Weak levels of economic activity are expected to persist for the first half of 1999. Thereafter the economy should benefit from the stabilisation of the Asian crisis regions, historically low interest rates and the positive impact of low inflation on household incomes. On this basis, an annual GDP growth rate of 1½ per cent is expected in 1999. While economic performance in Italy has been weak in recent years, the Spanish economy has enjoyed a rapid expansion due largely to the fall in interest rates in the lead-up to EMU. GDP growth in 1998 is estimated at 3.8 per cent, with a strong rise in domestic demand. Net exports were negative in 1998 and are expected to remain so in 1999. This, combined with a slight moderation in private consumption means that GDP growth is expected to moderate to 3¼ per cent in 1999.

The UK Economy

The latest estimate of GDP growth for the first quarter of 1999 shows no change from the previous quarter. Once again the service sector expanded while the output of production industries fell. Despite worries of recession towards the end of last year it now seems likely that the UK economy will avoid recession. Continued growth in consumer spending and signs of some recovery in the manufacturing sector means that growth of about 1¼ per cent is now expected in 1999.

A combination of the strength of sterling over the past few years and the more recent international downturn has had a negative impact on UK exports, the growth of which has slowed substantially. At the same time import volumes have risen. As the factors that have contributed to the worsening trade balance are expected to remain in force during 1999, net exports are expected to reduce growth in 1999.

The performance of sterling is the main issue dominating the economic agenda in the UK at present. In contrast to expectations and the continued assessment that the currency is overvalued, sterling has remained strong. A series of interest rate cuts by the monetary policy committee, the most recent in April of a ¼ per cent to 5¼ per cent, have not weakened the currency. However, recovery in Europe, combined with a slowdown in the UK economy, should lead to some weakening of sterling towards the end of the year.

Official figures show that consumer price inflation is low at present by historical UK standards, although above that in most euro countries, despite the relative strength of sterling. Figures for April show that inflation was 1.6 per cent with the underlying rate (excluding mortgage interest payments) being 2.4 per cent. The Bank of England have indicated that monetary policy will aim to ensure that inflation meets the government target. Inflation is expected to be close to the target value of 2½ per cent in 1999.

With the slowing of economic growth, it appears that the long decline in UK unemployment rates has come to an end. The ILO unemployment rate in the first quarter of 1999 was 6.2 per cent, the same as in the final quarter of 1998. The sluggish growth of the economy should result in a slight increase in the unemployment rate during 1999 and an annual average of about 6½ per cent is expected.

The Rest of the World

There are some signs of recovery in a number of Asian economies. However, recovery in the region is likely to be a slow process as Japan, the major market for the region, continues to face difficulties. The Japanese economy remains in recession. Real GDP contracted by nearly 3 per cent in 1998. While the public sector stimulus has had some positive impact, a further contraction of 1½ per cent is expected in 1999. Domestic demand remains weak and slow growth in the region will ensure that export growth remains subdued. The poor economic performance is reflected in the labour market where the usually low Japanese unemployment rate averaged 4.1 per cent in 1998. Unemployment is expected to remain high in 1999, and an annual average of 4½ per is forecast.

Although the weakness of the Japanese economy will continue to act as a drag on the region in the short-term, there are signs that some of the economies most affected by the crisis have begun to recover. Output increased in South Korea during the second half of 1998 and is expected to show a further increase in 1999. However, it must be recognised that any recovery in the region will be slow, despite the upturn in regional stock markets.

TABLE 1: Short-term International Outlook

	GNP		Consumer Prices		Hourly Earnings		Unemployment Rate		Current Account Balance	
	Percentage Change						%		% of GNP	
Country	**1998**	**1999**	**1998**	**1999**	**1998**	**1999**	**1998**	**1999**	**1998**	**1999**
UK	2	1¼	2½	2½	5	4¾	6½	6½	¼	-¼
Germany	2	1¾	1	¾	2	2¾	11	10¾	-¼	-¼
France	3¼	2¼	¾	1	2	2	11½	11	2¾	2¾
Italy	1½	1½	1¾	1½	3	3	12¼	12	2½	2¾
Total EC	3	2½	1½	1¼	3	3	10	9½	1	1
USA	3¾	3¼	1½	2	4	4	4½	5	-2½	-3
Japan	-3	-1½	½	-½	1	-½	4	4½	3	3
Total (OECD)	2¼	2¼	3½	1½	3	3	7	7¼	0	0
Ireland	7¾	6¼	2½	1½	5¼	5¼	7¾	6¼	2¼	0

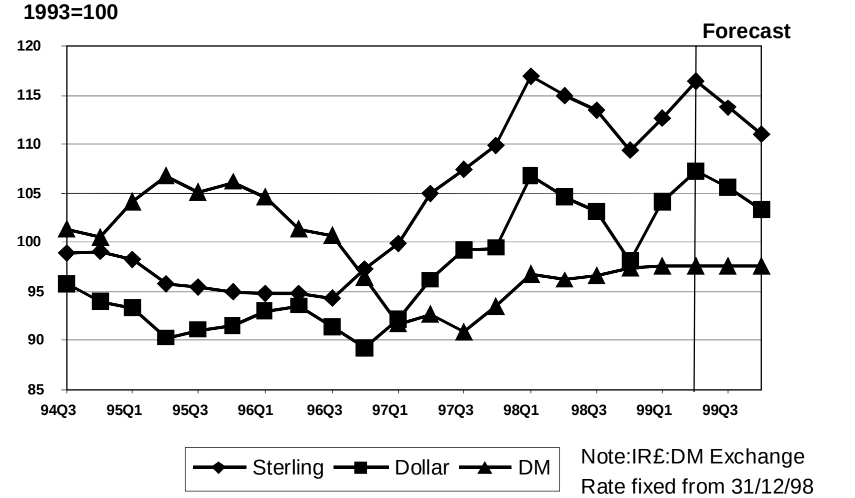
The Context for Ireland

World output and trade growth in 1998 slowed compared to the previous year, with the former increasing by about 2¼ per cent and the latter by about 5 per cent. Some stabilisation of the world economy means that the annual increases in 1999 are likely to be of a similar magnitude. EU growth is likely to be lower on average this year but some recovery is expected during the second half. This slower growth in Ireland's principal markets, together with greater competition from recovering Asian economies, could mean a less favourable trading environment for many Irish exporters in 1999.

European forecasting institutes estimate that the decline in commodity prices stopped towards the end of last year. However, the fact that demand for raw materials will only expand slowly in many areas of the world means that only a small increase in commodity prices is expected in 1999. This should help keep inflation rates low internationally.

The low level of interest rates internationally coupled with the stable world economic growth and the persistent strength of the US economy, should mean that Ireland will continue to enjoy an inflow of foreign direct investment, although this is unlikely to be as strong as in recent years.

Figure 1: Exchange Rates
IR£ Price of Unit of Foreign Currency, Quarterly Averages, 1993=100



Internationally, inflation rates are expected to remain moderate. This positive inflation outlook should offset the need for major increases in international interest rates. However, some small increase in short-term rates in the US is expected towards the end of the year as economic activity picks up, but is unlikely to be reflected in European rates until next year. The small rise since the beginning of the year in long-term rates in most countries seems unlikely to accelerate. Thus the annual average of such rates is expected to be lower than in 1998.

The euro has weakened steadily against both sterling and the dollar since the beginning of the year. Interest rate differentials as well as economic fundamentals suggest that this is unlikely to change dramatically in the immediate future. However, some appreciation of the euro is expected as economic activity accelerates in Europe and slows in the UK, and worries about the size of the US current account deficit impact on the dollar.

The Domestic Economy

General

The publication of official balance of payments estimates for the fourth quarter of 1998 confirm that the growth of the Irish economy in 1998 as a whole was not quite so rapid as many commentators had anticipated. Although the balance of visible trade in the closing months of the year was stronger than expected, this was offset by a very large rise in the deficit on service trade, including revisions to the estimates for the first three-quarters of the year.

While some uncertainties remain, especially with regard to the annual price deflators for consumption and investment, it now seems even more likely than when we published the February *Commentary* that the growth in real GDP in 1998 was under 10 per cent, and the increase in real GNP was less than 8 per cent.

Exports

At almost £44,800 million, the value of visible exports in 1998 was 26.7 per cent higher than in 1997. Most commodity categories showed moderate increases but the very large total increase was mainly accounted for by chemicals, especially organic chemicals and medicinal and pharmaceutical products, and by electrical and electronic goods. Geographically, the increase in the value of exports was broadly spread, with a particularly large rise in exports to the USA. Although there was a reduction in exports to the countries most affected by the Asian economic crisis, the value of exports to Asia as a whole continued to rise. With the increase in average export prices rather smaller than had seemed likely earlier in the year, the volume of visible exports in 1998 is provisionally estimated to have risen by about 23½ per cent.

As explained in the February *Commentary* the balance of payments adjustment, between visible and merchandise exports became much less favourable in the second half of 1998. Thus, as shown in the balance of payments estimates, the value of merchandise exports rose by 25.9 per cent, implying a volume increase of almost 22¾ per cent.

Tourism earnings increased by 9.8 per cent in 1998, while other service exports, after substantial revisions to initial estimates for the first three-quarters of the year, rose by 31.2 per cent. Thus total exports of goods and services in 1998, increased by an unusually large 25.3 per cent in value terms, and by about 22¼ per cent in volume.

As discussed in the International section of this *Commentary* Irish exports are expected to face stronger competition in 1999, especially from the recovering Asian economies. At the same time it seems likely that the timing of new industrial capacity, together with some tightening of other supply constraints will prevent the volume of exports from rising as rapidly as last year. Thus visible exports are forecast to increase by about 16 per cent in volume in 1999. With little or no change expected in average export prices, the value of visible exports is also forecast to rise by 16 per cent, as shown in Table 2.

TABLE 2: Exports of Goods and Services

	1997 £m	% Change Volume	% Change Value	1998 £m	% Change Volume	% Change Value	1999 £m
Agricultural	2,782	7	7	2,978	3	4	3,097
Manufactured	28,432	27½	31¼	37,302	18¼	18	44,016
Other Industrial	3,498	5½	8	3,779	5¾	7	4,044
Other	624	12	15	718	8½	9¼	784
Total Visible	35,336	23½	26¾	44,777	16	16	51,941
Adjustments	1,170			1,189			1,379
Merchandise	36,506	22¾	26	45,966	16	16	53,320
Tourism	2,112	7¼	9¾	2,319	7	8¾	2,523
Other Services	1,996	28¼	31¼	2,619	18	20	3,143
Exports of Goods and Services	40,614	22¼	25¼	50,904	15¾	16	58,986

A relatively low balance of payment adjustment is expected to persist for at least the first half of 1999. Accordingly, merchandise exports are forecast to increase at the same rate as visible exports. Low growth in the continental and British economies could be reflected in a somewhat smaller increase than last year in the value of tourism exports. Other service exports are difficult to monitor, not least because an up-to-date and relevant classification is not published. Allowing for some slowdown, in keeping with the trend in exports of goods, a value increase of 20 per cent is forecast for other service exports in 1999. Assuming that service exports are deflated by the equivalent of the consumer price index, total exports of goods and services in 1999 are thus forecast to increase by about 15¾ per cent in volume and almost 16 per cent in value.

Stocks

With the very rapid growth in the economy and with the long-term decline in the use of intervention for farm products, stock movements have much less impact on the annual rate of growth of the economy than they used to have in the eighties. On the evidence of provisional figures for some categories of stocks, it seems likely that the rate of stockbuilding was rather slower in 1998 than in 1997, thus exerting a very small negative influence on the growth rate as a whole. As shown in Table 3 a rather similar small decline in the rate of stockbuilding is projected for 1999.

TABLE 3: Stock Changes

	1997 £m	Change in Rate £m	1998 £m	Change in Rate £m	1999 £m
Farm Stocks	111	-51	60	-40	20
Irish intervention Stocks	61	-31	30	-30	0
Other Non-agricultural Stocks	367	-17	350	10	360
Total	539	-99	440	-60	380

Investment

In most recent years, the publication of *National Income and Expenditure* has shown the annual changes in the value and volume of gross fixed capital formation to have been significantly different from what might have been expected on the basis of short-term indicators during the year. However, only these short-term indicators are available at present, and they suggest that investment in building and construction in 1998 increased by about 14 per cent in volume and 23 per cent in value, roughly the same order of magnitude as in the previous year. Investment in machinery and equipment is estimated to have risen by 11 per cent in volume and 14 per cent in value, so that, as shown in Table 4, total gross fixed capital formation in 1998 is estimated to have increased by about 13 per cent in volume and 20 per cent in value.

TABLE 4: Gross Fixed Capital Formation

	1997	% Change		1998	% Change		1999
	£m	Volume	Value	£m	Volume	Value	£m
Building and Construction	6,254	14	23	7,692	12	21½	9,352
Machinery and Equipment	3,195	11	14	3,642	10½	12	4,079
Total	9,448	13	20	11,334	11½	18½	13,431

Fixed investment, both in building and construction and in machinery and equipment, is forecast to continue to rise rapidly in 1999. Planning permissions granted suggest that the level of dwellings completed will comfortably exceed last year's record of over 42,000, while commercial construction is also set to grow strongly and the Public Capital Programme indicates a large increase in infrastructure investment. Because the base is higher, it is possible that the percentage growth in the volume of investment in building and construction will be slightly slower than in 1998, although the absolute increase is likely to be larger. As in both 1997 and 1998 the price deflator for investment in building and construction is likely to be high. Wider margins are reflected in tender prices on which the deflator is now largely based.

Investment in machinery and equipment is similarly expected to increase at much the same volume rate as in 1998, so that total gross fixed capital formation is forecast to rise by about 11½ per cent in volume and 18½ per cent in value in 1999.

Consumption

Personal consumption increased very strongly in 1998. The precise rate of growth still remains to be established, although on the basis of the retail sales index it seems probable that the increase was of the order of 10¼ per cent in value and 8¼ per cent in volume, as shown in Table 5. Such a rise in the value of personal consumption implies that there was a substantial fall in the personal savings ratio in 1998, from about 9.8 per cent of personal disposable income to about 8.2 per cent.

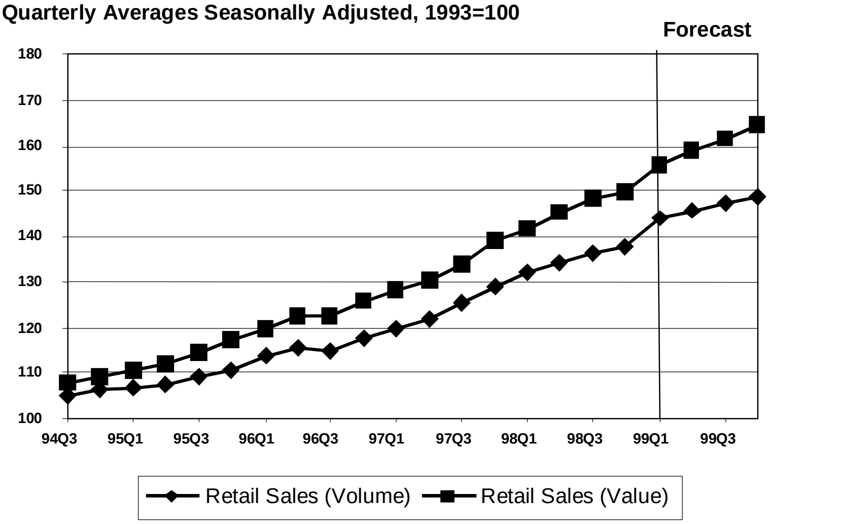
With interest rates at historically very low levels, which seem unlikely to rise in the near future, and with job security also appearing to be the greatest for decades, it will be no surprise if the personal savings ratio declines in 1999 to about 7.2 per cent of disposable income. The trends of retail sales and car registrations in the early months of the year, together with very buoyant indirect tax receipts, suggest that this is happening, and that the rise in personal consumption in 1999 will be of a similar order of magnitude as last year.

TABLE 5: Consumption Indicators

	Annual Percentage Change						
	1995	1996	1997	1998	1999 To Date	1998 Forecast	1999 Forecast
Consumption Value							
NIE 1997, Personal Consumption	6.3	7.5	7.3			10.3	10.0
Retail Sales Index, Value	4.8	8.3	8.5	10.0	10.3	10.0	9.7
Divergence	1.5	-0.8	-1.2			0.3	0.3
Consumption Volume							
NIE 1997, Personal Consumption	4.1	6.1	6.3			8.2	8.2
Retail Sales Index, Volume	2.8	6.2	7.9	8.8	9.5	8.8	8.4
Divergence	1.3	-0.1	-1.6			-0.6	-0.2
Consumer Prices							
NIE 1997, Personal Consumption Deflator	2.1	1.3	0.9			2.0	1.7
Retail Sales Index Deflator	1.9	2.0	0.6	1.1	0.7	1.1	1.1
Consumer Price Index	2.5	1.6	1.5	2.4	1.5	2.4	1.6

Public consumption, or "net expenditure by central and local government on current goods and services" appears to have been the slowest growing major category of expenditure in 1998, as it has been in volume terms since 1993. A similar rate of increase, of 3 per cent in volume and 7¾ per cent in value, is projected for 1999.

Figure 2: Consumption
Quarterly Averages Seasonally Adjusted, 1993=100



Final Demand

Final demand is estimated to have increased by 15 per cent in volume and almost 18½ per cent in value in 1998. The composition of this exceptionally strong growth in demand appears to have been sustainable, in that the volume growth of domestic demand (excluding stocks) is estimated to have been 8½ per cent, while the volume rise in exports of goods and services was 22¼ per cent. By its nature such a very high growth of demand is liable to be import-intensive.

Final demand in 1999 is forecast to increase by 12 per cent in volume and 13¾ per cent in value. Domestic demand growth is expected to decline only marginally to 8¼ per cent in volume terms, but a more pronounced deceleration to 15¾ per cent is forecast for the volume of exports. However, the forecast rise in final demand remains very high by historical standards, and is again likely to be import-intensive.

Imports

The trade statistics show that visible imports rose by almost 17½ per cent in volume and over 20 per cent in value in 1998. Capital, consumer and intermediate goods all increased strongly, as would be expected given the size and pattern of the rise in final demand. Tourism imports increased by a relatively modest 12¾ per cent in value, but other service imports, which now include royalty payments, increased in value by a massive 50 per cent, following final quarter revisions to the early part of the year. Thus the value of imports of goods and services in 1998 increased by 26.3 per cent, with the probable increase in volume being almost 23½ per cent, as shown in Table 6.

TABLE 6: Imports of Goods and Services

	1997 £m	% Change Volume	% Change Value	1998 £m	% Change Volume	% Change Value	1999 £m
Capital Goods	3,014	27¾	31	3,948	18	18½	4,678
Consumer Goods	5,543	16	19	6,596	15	15¾	7,632
Intermediate Goods:							
Agriculture	502	-2	-2	492	2	2	502
Other	15,551	17¼	20	18,661	15½	15¾	21,600
Other Goods	1,272	7¼	10	1,400	9½	10	1,540
Total Visible	25,882	17½	20¼	31,097	15¼	15½	35,952
Adjustments	-460			-527			-550
Merchandise Imports	25,422	17½	20¼	30,570	15½	15¾	35,402
Tourism	1,467	10	12¾	1,654	11½	13½	1,877
Other Services	7,331	46½	50	10,995	25	27	13,975
Imports of Goods and Services	34,220	23½	26¼	43,219	17¾	18½	51,255

With the slower predicted growth in export volumes in 1999, the rise in the volume of intermediate imports should also be slower than last year, although still, of course, very substantial. With volume increases in capital and consumer goods likely to remain high, the volume of visible imports is forecast to increase by about 15¼ per cent. The rise in average import prices is likely to be marginal, so the value of visible imports is forecast to increase by just over 15½ per cent.

Tourism imports are projected to increase by slightly more in volume and value than in 1998. Because of the scale of recent revisions, the paucity of published information on their breakdown, and their past history of volatility, it is difficult to predict the course of other service imports with confidence. On the assumptions that they are closely related to high technology exports, but that 1998 contained some exceptional items, other service imports, including royalty payments, are tentatively forecast to increase by 25 per cent in volume and just over 27 per cent in value in 1999. If this projection proves accurate, total imports of goods and services this year could increase by about 17¾ per cent in volume and just over 18½ per cent in value.

Balance of Payments

On the basis of the preliminary *Balance of Payments Estimates*, the merchandise trade surplus increased by almost 39 per cent to £15,396 million in 1998. Despite a massive rise of 64 per cent in the service trade deficit, the surplus on trade in goods and services rose by over 20 per cent to £7,685 million, or roughly 16½ per cent of GNP.

Given the pattern of exports, it is not surprising that the profits of foreign owned companies, either distributed abroad or re-invested in Ireland, increased by an aggregate 29 per cent. However, with national debt interest paid abroad continuing to fall, and with other factor income flows proving mildly favourable, net factor outflows in 1998 rose by 21.4 per cent, roughly in line with our previous forecast. Net current transfers fell rather further than anticipated and in total, the current account surplus on the balance of payments fell by 23 per cent to £1,047, as shown in Table 7.

TABLE 7: Balance of Payments

	1997 £m	Change %	1998 £m	Change %	1999 £m
Visible Trade Balance	9,454	44¾	13,680	17	15,989
Adjustments	1,630		1,716		1,929
Merchandise Trade Balance	11,084	39	15,396	16½	17,918
Service Trade Balance	-4,690	64½	-7,711	32	-10,187
Trade Balance in Goods and Services	6,394	20¼	7,685	½	7,731
Factor Flows:					
Debit Flows:					
Remuneration of Employees	-51	0	-51	0	-51
Distributed Profits, etc.	-6,005	24¾	-7,494	19	-8,918
Reinvested Earnings	-1,377	47	-2,025	19	-2,409
National Debt Interest	-765	-13¼	-663	-15	-564
Other Debit Flows	-3,053	47	-4,489	23½	-5,544
Total Debit Flows	-11,251	30¾	-14,722	18¾	-17,488
Credit Flows:					
Remuneration of Employees	224	-3½	216	0	216
Direct Investment Income	674	19½	806	18	951
Other Credit Flows	4,032	49½	6,023	24¾	7,517
Total Credit Flows	4,930	43	7,045	23¼	8,684
Net Factor Flows	-6,322	21½	-7,676	14¾	-8,804
Net Current Transfers	1,290	-19½	1,038	7	1,111
Balance on Current Account	1,362	-23	1,047	-96½	38
Capital Transfers	578	14¼	661	9	720
Effective Current Balance	1,940	-12	1,708	-55½	758

Our trade forecasts for 1999 indicate that the merchandise trade surplus could increase by about 16½ per cent and the service trade deficit could rise by about 32 per cent. This would leave only a marginal increase of ½ per cent in the surplus on trade in goods and services. If our prediction of a slower rate of growth in high-technology exports is correct, then the rise in the profits of foreign multi-national companies should also be slower. Taking this into account, along with a further decline, to a level of only minor macro-economic significance, in overseas national debt interest, an increase of about 14¾ per cent in the value of net factor outflows is forecast for 1999.

Taken in conjunction with the virtually unchanged level of the forecast trade surplus and with a small recovery predicted in the level of net current transfers, this projected increase in net factor flows would be sufficient to virtually eliminate the current account surplus in 1999. Of course, when net capital transfers, which by definition impose no future obligations, are included, the effective current balance is likely to remain in surplus, perhaps to the extent of 1½ per cent of GNP. In any case, within the context of a currency union, the disappearance of a current account surplus from a particular region is not of great significance.

Gross National Product

Subject to surprise features when the official estimates are published in the *National Income and Expenditure 1998*, it seems likely that real GDP increased by a little over 9 per cent last year, and that real GNP grew by about 7¾ per cent. These estimates are about ½ per cent higher than our estimates in the February *Commentary*. Because the upward revision to our GNP estimates are offset by rather less favourable terms of trade and a larger fall in net transfers than had been expected, the estimated increase in real gross national disposable income (GNDI) remains unchanged at about 5½ per cent.

Our forecast rate of growth of real GDP in 1999 has been revised upwards by almost 1 per cent to just under 7½ per cent. Real GNP is now forecast to increase by just over 6¼ per cent this year, an upward revision of almost ½ per cent. Taking into account the movements now expected in the terms of trade and in net current transfer receipts, the growth in real GNDI is forecast at just over 5 per cent, little changed from our previous projection.

Agriculture

The estimated decline of about 5 per cent in the volume of gross domestic product in the broad agriculture sector in 1998 contrasted with the buoyancy of the rest of the economy. On the assumption that weather conditions will be less unfavourable this year no change is forecast in the volume of GDP in the broad agriculture sector for 1999.

Industry

With the volume of production indices showing a 16.7 per cent growth for manufacturing and a 15.7 per cent rise for "all industries", it is clear that there was a very substantial increase in industrial output last year. Taking into account the strong expansion of the building industry and a high rate of depreciation in the sector, it is estimated that gross domestic product in the broad industry sector grew by about 15¼ per cent in volume terms in 1998.

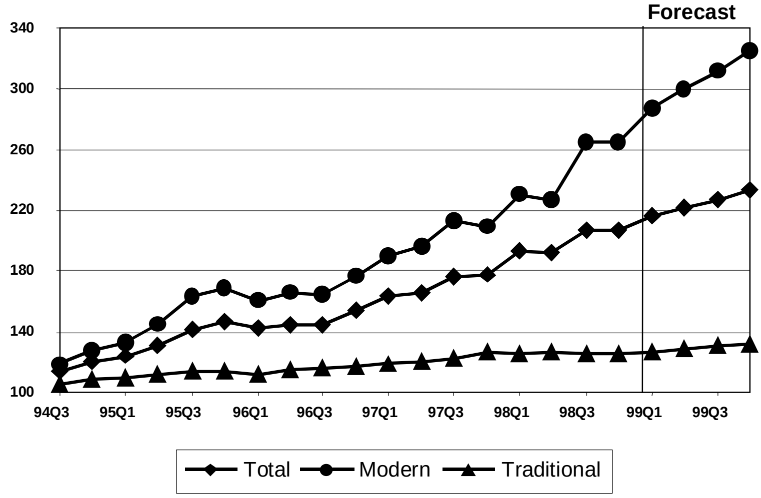
A somewhat slower rate of growth is expected this year, with less new capacity becoming available and with the possibility of labour shortages restricting output in some industries. Nevertheless with the volume of production index for manufacturing industry projected to increase by an annual average of about 12½ per cent, industrial expansion will remain very rapid by international standards. The volume of gross domestic product in the broad industry sector is forecast to rise by about 11 per cent.

Services

Measurement of the output of the distribution sector, and thus of services as a whole, has been complicated by the treatment of intervention stocks. As a result, the reported output of the service sector tends to be relatively volatile and thus difficult to predict. However, with changes in the level of intervention stocks unlikely to have had a major impact last year, a volume increase of about 5¼ per cent in the gross domestic product of the broad service sector still appears a reasonable estimate for 1998.

While growth in public services is likely to remain restrained, as it has been for several years, the buoyancy of domestic demand is likely to induce a further substantial rise in the volume of private services. An increase of about 5 per cent in the volume of gross domestic product in the total service sector is forecast for 1999.

Figure 3: Manufacturing Output
Quarterly Averages Seasonally Adjusted, 1993=100



Employment

As discussed in previous *Commentaries* the change-over from the annual *Labour Force Survey* to the *Quarterly National Household Survey* has made it harder to monitor recent trends in employment and unemployment. In due course, the more frequent and consistent figures, analysed on the basis of ILO definitions, will provide an improved understanding of labour force development. In the meantime, however, estimates must remain somewhat tentative, and for the sake of continuity it is still necessary to present Table 8 in terms of principal economic status, rather than ILO, definitions.

Despite these problems of consistency, it is absolutely clear that there have been massive increases in employment in recent years and a dramatic fall in unemployment, however measured. The best estimate is that the annual average level of employment in 1998, on a principal economic status basis, was about 1,455,000, an increase of about 77,000 or 5.6 per cent on the previous year. When a probable minor increase, on an annual average basis, in the proportion of jobs which were part time is taken into account, the increase in full-time equivalent employment was probably just under 5½ per cent.

With employment in both industry and services continuing to rise, an annual average level of employment of 1,518,000 is forecast for 1999. This represents an increase of about 4¼ per cent in total employment and a rise of almost 4 per cent in full-time equivalent employment. One notable feature of employment trends in recent years has been the virtual absence of growth in public sector employment. Since the start of the current boom, which can be placed approximately at April 1993, public sector employment by the Autumn of 1998 had risen by only 12,000 or 4 per cent, while over the same period private non-agricultural employment, on an ILO basis, had risen by 340,000 or about 47 per cent.

TABLE 8: Employment and Unemployment

A: Mid–April Estimates '000	1996	1997	1998	1999	2000
Agriculture	138	134	129	127	125
Industry	355	386	425	456	483
Services	804	818	873	913	943
Total at Work	1,297	1,338	1,427	1,496	1,551
Unemployed	191	179	155	128	108
Labour Force	1,488	1,517	1,581	1,624	1,659
Unemployment Rate %[1]	11.9	10.3	7.8	6.5	5.6
Live Register	281	256	231	197	178

B: Annual Averages '000	1996	1997	1998	1999
Agriculture	136	132	129	127
Industry	374	407	434	463
Services	808	839	892	928
Total at Work	1,318	1,378	1,455	1,518
Unemployed	186	172	149	122
Labour Force	1,504	1,550	1,604	1,640
Unemployment Rate %[1]	11.5	10.2	7.7	6.2
Live Register	279	254	227	194

[1] Official Standardised Unemployment Rate, based on ILO definitions. This cannot be derived directly from the figures in Table 8, which are based on principal economic status.

The annual average fall in unemployment in 1998, on a principal economic status basis, fell by about 23,000, compared with an annual reduction of 27,000 in the administrative measure of the Live Register. With the fall in the Live Register continuing apace in 1999, a further fall of about 32,000 in the annual average of the Live Register and 27,000 in the principal economic status definition of unemployment is forecast for 1999. If these projections of jobs and unemployment levels are correct, they imply a rather slower annual growth in the labour force than in the last two years, as female participation rates level off and net immigration declines from its recent exceptional peak.

Incomes

When price movements and changes in subsidy levels are taken into account, it is estimated that incomes in the broad agriculture sector fell about 5 per cent in 1998, roughly the same as the fall in the volume of gross domestic product in the sector. With the volume of gross domestic product projected to remain level in 1999, a small rise of 2 per cent is forecast in sectoral income.

Although average earnings in industry and building appear to have increased by about 6 per cent in 1998, average earnings economy-wide were probably slightly less buoyant, rising by under 5½ per cent. Thus, given the large rise in employment, aggregate non-agricultural wages, salaries and pensions are estimated to have increased by about 11 per cent in 1998. Despite a few sectors obtaining substantially higher pay rises in 1999, average economy-wide earnings are forecast to again increase by between 5 and 5½ per cent. With average full-time equivalent employment expected to increase by almost 4 per cent, aggregate non-agricultural earnings are forecast to grow by about 9½ per cent, an upward revision of 1 per cent since our previous *Commentary*.

Earnings from non-agricultural self-employment and property are estimated to have increased by about 6 per cent in 1998. Such other non-agricultural incomes are forecast to rise by about 5 per cent in 1999. Thus total income received from economic activity is estimated to have risen by over 8¾ per cent in 1998 and is forecast to increase by about 8½ per cent in 1999, as shown in Table 9.

TABLE 9: Personal Disposable Income

	1997 £m	Change %	£m	1998 £m	Change %	£m	1999 £m
Agriculture, etc.	2,371	-5	-119	2,252	2	45	2,297
Non-Agricultural Wages, etc.	21,806	11	2,399	24,205	9½	2,275	26,480
Other Non-Agricultural Income	4,646	6	279	4,925	5	246	5,171
Total Income Received	28,823	8¾	2,559	31,382	8¼	2,566	33,948
Current Transfers	6,837	8	543	7,380	7¼	540	7,920
Gross Personal Income	35,660	8¾	3,102	38,762	8	3,106	41,868
Direct Personal Taxes	7,728	9¾	749	8,477	5	425	8,902
Personal Disposable Income	27,932	8½	2,353	30,285	8¾	2,681	32,966
Consumption	25,191	10¼	2,605	27,796	10	2,780	30,576
Personal Savings	2,741	-9¼	-252	2,489	-4	-99	2,390
Savings Ratio	9.8			8.2			7.2

Current transfers to households are estimated to have increased by 8 per cent in 1998 and are projected to rise at the slightly slower rate of 7¼ per cent this year. Direct personal taxation which increased by an unexpectedly rapid 9¾ per cent in 1998 is forecast to increase by a more modest 5 per cent in 1999, following significant tax-cuts in the past two Budgets.

Thus personal disposable income is estimated to have risen by almost 8½ per cent in 1998. With personal consumption estimated to have increased by 10¼ per cent in volume terms, the personal savings ratio is estimated to have fallen from about 9.8 per cent in 1997 to 8.2 per cent in 1998. Personal disposable income is forecast to increase by about 8¾ per cent this year. With interest rates expected to remain very low, rather than to fall dramatically in the course of the year as they did in 1998, the reduction in the personal savings ratio is forecast to be less acute than last year. If, in fact, the savings ratio falls by about 1 per cent to 7.2 per cent, then an increase of 10 per cent in the value of personal consumption would be compatible with our income forecasts for 1999.

Consumer Prices

The consumer price index rose by an annual average of 2.4 per cent in 1998, after reaching a twelve-monthly peak of 3.2 per cent in August. As shown in Table 10, the housing index rose by an annual average of 1.3 per cent and the remainder of the index by 2.6 per cent.

TABLE 10: Consumer Price Index – Recent Trend and Forecast

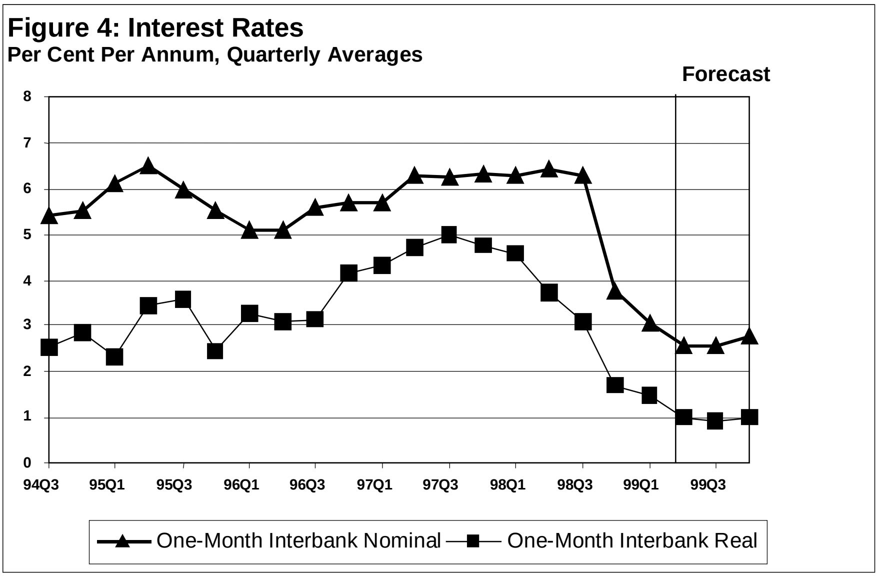
	Quarterly Trend								Annual		
		1997			1998			1999	1997	1998	1999
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
Index Nov. 1989=100											
Housing	123.0	121.1	122.2	122.6	123.9	125.2	120.8	112.6	121.6	123.2	115.2
Other	118.3	118.8	119.7	119.9	121.6	122.3	122.7	122.8	118.6	121.6	124.4
Total CPI	118.6	118.9	119.8	120.1	121.8	122.4	122.5	121.9	118.8	121.7	123.6
Annual % Change											
Housing	5.0	2.9	2.0	2.3	0.8	3.7	-1.2	-9.2	3.2	1.3	-6.5
Other	1.3	1.2	1.5	1.9	2.8	2.9	2.5	2.4	1.3	2.6	2.3
Total CPI	1.5	1.3	1.5	1.9	2.7	2.9	2.3	1.5	1.5	2.4	1.6
Quarterly % Change											
Housing	2.7	-1.5	0.9	0.3	1.1	1.0	-3.5	-6.8			
Other	0.2	0.4	0.8	0.2	1.4	0.6	0.3	0.1			
Total CPI	0.2	0.2	0.8	0.2	1.4	0.6	0.1	-0.5			

Of course, by the end of 1998 the housing index was already falling sharply as interest rates tumbled in the approach to EMU. This process intensified in early 1999, so that the housing index in the first quarter was some 9.2 per cent lower than in the first quarter of 1998. Even allowing for a steady rise in non-mortgage housing costs in the remainder of the year, it seems likely that the housing element of the consumer price index will be about 6½ per cent lower on average in 1999.

The reduction in non-housing prices since last Summer has been far less dramatic, but even here the twelve monthly rate has declined to 2.2 per cent by April 1999, mainly reflecting the very subdued rate of international inflation. With the euro relatively weak and with crude oil prices tending to recover, at least temporarily, it seems likely that non-housing prices will continue to rise gently for the rest of the year. Thus an annual average increase of 2.3 per cent is projected for non-housing prices for 1999, with the total consumer price index rising by 1.6 per cent.

Public Finances

As has become a commonplace in observing the Irish economy in recent years, tax revenues in early 1999 are running well above expectations. It already seems certain the record fiscal returns of 1998 will be comfortably exceeded in 1999. Even allowing for the impact of reductions in direct tax rates from April, it now seems probable that total tax revenue will increase by about 9¼ per cent, some £300 million more than target.



Greater than expected reductions in interest rate payments will probably be offset by accelerated measures of debt reduction, treated as current outlays as in all recent years. There is no evidence that expenditure on current supply services is running significantly over budgeted levels, but it seems prudent to allow for a slight over-run. On this basis total net current expenditure in 1999 could increase by almost 7½ per cent, allowing a rise of almost £500 million in the current budget surplus, more than £200 million over the Budget estimate. Thus, even before making any allowance for privatisation receipts, the Exchequer Financing Surplus, the counterpart of the familiar Exchequer Borrowing Requirement, is forecast to increase to about £1,150 million, and the General Government Surplus, the relevant measure under the Stability and Growth Pact, is forecast to approach 2½ per cent of GDP.

Interest Rates

After the dramatic falls in both long-term and short-term interest rates in the course of 1998, there is likely to be relatively little further movement in either in the course of 1999. While the next significant movement will probably be upwards, it is certainly not imminent, and is unlikely to take place this year.

Assuming no significant change from present levels, the annual average one-month interbank rate in 1999 will be in the region of 2.7 per cent, less than half the average rate of 5.7 per cent in 1998. The reduction in average long-term rates, from 4.8 per cent in 1998 to about 4 per cent this year, is less dramatic, but nevertheless significant in the context of refinancing debt.

General Assessment

Subject to surprises when the official estimates of national income and expenditure are made, which have been far from unknown in the past, it appears that the rate of economic growth in 1998 was close to the average for the previous four years. Our estimates are that real GDP increased by about 9 per cent while real GNP rose by 7¾ per cent. This continued high rate of economic growth was accompanied by an increase of about 5½ per cent in total employment, and a reduction from 10.2 per cent to 7.7 per cent in the annual average standardised rate of unemployment. After peaking at 3.2 per cent in August, the rate of inflation as measured by the consumer price index declined in the later months of the year, and the annual average was 2.4 per cent, despite unfavourable currency movements in the preceding period. The public finances strengthened further in 1998, with the general government surplus approaching 2 per cent of GDP and the national debt falling in absolute terms.

All indications confirm that domestic demand will remain exceptionally strong in 1999. Despite a probable slowing in the rate of growth of export volumes, the volume of total final demand is forecast to increase by about 12 per cent, quite close to the annual average rise since 1993. As in 1998, the principal question in determining the growth rate of real GNP is how far this very buoyant demand will be met by imports of goods and services rather than by domestic output. To a considerable extent this question is resolved by the availability of resources to meet the demand domestically. Over the past five years, with a margin of unused resources, both labour and productive capacity, available to be absorbed, a relatively high proportion of demand has been met domestically. With this margin now virtually exhausted, the growth in domestic supply is likely to become slower, and the reliance on imports of goods and services greater.

Thus for 1999 the growth in real GNP is forecast to decline to a still very rapid 6¼ per cent, while the current account surplus on the balance of payments is forecast to virtually disappear. Employment will continue to rise, although probably less rapidly than in 1998, with the unemployment rate falling to under 6 per cent in the course of the year. Deterred by high rents and house prices, the rate of immigration might well slow, while the scope for increased labour force participation appears to be shrinking. Pressures on the labour market therefore seem likely to intensify in 1999 and subsequent years, although membership of the euro zone should ensure that price inflation remains moderate. The buoyancy of domestic demand should result in another large increase in tax revenue, despite reductions in some direct tax rates, while low interest rates and falling registered unemployment should help to limit the rise in government current spending. The general government surplus is forecast to rise to about 2½ per cent of GDP, while the national debt is likely to fall to below 50 per cent of GDP.

If our forecast for 1999 is broadly correct, the Irish economy will have enjoyed six successive years in which real GNP growth has been at least 6 per cent, annual price inflation has not exceeded 2½ per cent, the unemployment rate has tumbled from 15½ per cent to about 6¼ per cent and the general government debt has fallen from 95 per cent of GDP to under 50 per cent. Such a prolonged period of economic success is unprecedented in Ireland and very rare in world history. Moreover, because it has been built on sound foundations, there is no reason why it should end in a serious set-back.

In our February *Commentary* we discussed the fact that growing capacity constraints and labour shortages are likely to restrict the sustainable growth rate of the Irish economy in the coming few years to about 4½ or 5 per cent per year. We suggested that there were good reasons to hope that the transition to this lower rate would be reasonably smooth and would come quite quickly, through a moderate diminution of Irish competitiveness, or, in technical terms, an appreciation of the real exchange rate. Among the dangers to this smooth transition we highlighted the risk of overshooting the desired reduction in competitiveness through pay settlements which are excessive in the sense of being much higher, rather than moderately higher, than those being received in other euro countries.

The need to avert this particular danger, as well as the need to address some of the unfamiliar problems emerging in the wake of prolonged economic success, suggests that a serious search should already be under way to discover a new consensus on socio-economic policy. The existing consensus, which, with some modifications, has endured since 1987 was established in circumstances vastly different from today's, and is, not surprisingly, becoming dated.

The initial thrust from 1987, of stabilising and then improving the public finances, has long since been met, and replaced by the much less onerous requirement of preventing a relapse into fiscal irresponsibility. The second major thrust of the existing consensus was to maximise net job creation. With unemployment now well under 7 per cent and many signs of emerging labour shortages, this aim has also been broadly met, with remaining pockets of high unemployment representing areas requiring complex social policies rather than the simple provision of jobs. Because there is no clear-cut criterion, it is difficult to assess how far the third major thrust of the present consensus, the reduction of effective rates of personal direct taxation has progressed, but it is clear that there has been considerable movement and that by broad international standards Irish personal taxation cannot be regarded as unusually high.

While the details of any new consensus must emerge through debate and negotiation, the broad framework will depend on current economic realities. Thus a continued commitment to fiscal responsibility is required, but fiscal masochism could well be eschewed. Education and training to equip potential employees with requisite skills will continue to be necessary, but the spending of state resources on attracting additional employment could be scaled back to a level which matches the natural increase in the labour force. Additional public and private funds will need to be invested in easing housing and other infrastructural bottlenecks. At the same time the existence of these bottlenecks must be acknowledged in formulating policy in general. For example, when increased congestion costs are taken into account, it appears difficult to make the case that the involvement of state agencies in overseas recruitment on behalf of private sector employers is an appropriate use of public funds.

The direct trade-off between fiscal policy and pay rates, if it continues at all, could well switch from concern with tax rates to commitments on certain forms of social expenditure, although within a context where the scope for overall fiscal largesse will be constrained by the need to fund improvements in infrastructure. On the central issue of pay determination, any new consensus should recognise the success of the existing one in achieving steady increases in the standard of living of the great majority of employees in recent years. Greater income flexibility, in good times as well as bad, would be desirable, through profit sharing schemes, share ownership and other methods. In the short term, the situation is complicated by the introduction of the minimum wage. In conjunction with the tightness of the labour market, this already appears to be contributing to a significant rise in pay rates at the lower end of the scale in several sectors of the economy. So long as this effect is one-off, and provided that the implied narrowing of pay differentials is generally accepted, this rise can probably be accommodated in the present fortunate circumstances.

What cannot be accommodated is a general reversion to the pay-bargaining attitudes of the seventies, where short-term sectoral advantage was the driving force. The adoption of a longer time-horizon by most union leaders and a majority of their members was a key development in the eighties which permitted the recovery and then the take-off of the Irish economy in the nineties. The shape of any new consensus will emerge through discussion. Its one indispensable element is a long-term perspective on the part of all the social partners.

List of Tables *Page*

Table A1: National Accounts

	GNP by Source of Income at Current Market Prices								
	1	2	3	4	5	6	7	8	9
	Agri. Income	Non-Agri. Wages	Non-Agri. Other	Adjust-ments	Net Factor Income	National Income	Deprec-iation	Taxes less Subs.	GNP (market prices)
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
	Annual Series								
1991	1,852	13,643	8,107	-1,095	-2,796	19,711	2,850	2,866	25,427
1992	2,138	14,648	8,274	-1,235	-3,210	20,615	2,998	3,303	26,916
1993	2,182	15,853	9,369	-1,419	-3,521	22,464	3,239	3,219	28,921
1994	2,281	16,870	10,001	-1,493	-3,575	24,084	3,612	3,960	31,655
1995	2,441	18,196	12,031	-1,770	-4,508	26,390	4,041	4,376	34,807
1996	2,470	19,778	13,365	-1,673	-5,151	28,788	4,463	4,540	37,790
1997	2,371	21,806	15,433	-1,930	-6,322	31,357	5,113	5,448	41,919
1998									

	GDP by Sector of Origin and GNP at Current Market Prices								
	10	11	12	13	14	15	16	17	18
	Agri-culture	Industry	Distri-bution	Public Admin-istration	Other Domesti c	Adjust-ments	Taxes less Subs.	GDP (output)	GNP (output)
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
	Annual Series								
1991	2,236	9,090	4,988	1,463	8,675	-1,095	2,866	28,224	25,427
1992	2,524	9,802	4,563	1,563	9,606	-1,235	3,303	30,125	26,916
1993	2,569	10,417	5,225	1,686	10,746	-1,419	3,219	32,442	28,921
1994	2,668	11,537	5,239	1,725	11,594	-1,493	3,960	35,231	31,655
1995	2,852	13,370	5,924	1,762	12,801	-1,770	4,376	39,315	34,807
1996	2,904	14,302	6,971	1,855	14,044	-1,673	4,540	42,942	37,790
1997	2,816	16,624	7,546	2,011	15,725	-1,930	5,448	48,241	41,919
1998									

	Expenditure on GNP at Current Market Prices								
	19	20	21	22	23	24	25	26	27
	Private Consu-mption	Public Consu-mption	Invest-ment	Stock changes	Exports	Imports	GDP (exp.)	Net Factor Income	GNP (exp.)
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
	Annual Series								
1991	16,814	4,480	4,910	623	16,984	-15,587	28,224	-2,796	25,427
1992	18,047	4,843	5,046	-95	18,881	-16,597	30,125	-3,210	26,916
1993	18,819	5,211	5,087	-136	22,033	-18,573	32,442	-3,521	28,921
1994	20,554	5,570	5,848	-159	25,308	-21,891	35,231	-3,575	31,655
1995	21,841	5,871	6,735	401	30,837	-26,369	39,315	-4,508	34,807
1996	23,487	6,125	7,951	404	34,341	-29,367	42,942	-5,151	37,790
1997	25,191	6,669	9,448	539	40,614	-34,220	48,241	-6,322	41,919
1998									

Table A1 (cont'd): National Accounts

	GDP by Sector of Origin and GNP at Constant (1990) Market Prices								
	28	29	30	31	32	33	34	35	36
	Agri-culture (1990=100)	Industry (1990=100)	Distri-bution (1990=100)	Public Admin-istration (1990=100)	Other Domestic (1990=100)	Adjust-ments (1990=100)	Taxes less Subs. (1990=100)	GDP (output) (1990=100)	GNP (output) (1990=100)
	Annual Series								
1991	98.3	102.5	101.0	99.4	103.6	107.7	95.2	101.1	101.7
1992	98.3	109.0	92.7	102.0	108.4	118.6	104.4	104.5	103.6
1993	98.4	111.7	100.3	102.6	111.5	128.2	108.3	107.1	106.0
1994	96.6	122.5	101.8	101.5	116.2	132.4	124.7	113.6	113.1
1995	97.7	142.5	110.0	102.4	123.0	153.5	141.6	124.6	122.1
1996	100.0	154.3	127.2	104.1	125.9	142.6	142.0	133.0	129.0
1997	101.4	177.8	138.4	106.9	132.3	161.5	152.8	145.2	138.3
1998									

	Expenditure on GNP at Constant (1990) Market Prices								
	37	38	39	40	41	42	43	44	45
	Private Consu-mption (1990=100)	Public Consu-mption (1990=100)	Invest-ment (1990=100)	Stock changes (1990=100)	Exports (1990=100)	Imports (1990=100)	GDP (exp.) (1990=100)	Net Factor Income (1990=100)	GNP (exp.) (1990=100)
	Annual Series								
1991	102.1	102.9	93.4	89.2	105.3	102.3	102.0	96.0	102.8
1992	106.9	105.4	91.6	-10.9	119.5	110.4	106.3	112.5	105.5
1993	109.4	105.8	88.4	-18.0	131.1	118.3	109.6	116.0	108.8
1994	116.3	111.2	99.2	-31.7	149.8	135.8	117.6	117.2	117.6
1995	121.0	114.1	110.0	48.3	179.1	157.2	130.7	145.0	128.9
1996	128.3	115.7	125.0	57.6	200.1	176.3	140.3	166.2	137.2
1997	136.4	121.2	138.6	77.2	234.0	203.8	154.1	201.7	148.4
1998									

	Memorandum Items (Current Prices)								
	46	47	48	49	50	51	52	53	54
	GNDI (£m)	GNP Deflator (1990=100)	GNP per capita (£)	Relative GNP (EU15=100)	Gross Govt. Deficit (%)	Debt-GDP ratio (%)	Gov. Exp./GNP (%)	Pers. Savings Ratio (%)	Invest-ment/GNP (%)
	Annual Series								
1991	27,036	102.5	7,212	68.6	2.3	95.3	47.7	13.3	19.3
1992	28,161	106.1	7,572	71.2	2.4	91.9	48.4	12.4	18.7
1993	30,230	111.0	8,092	72.9	2.7	94.1	49.0	13.9	17.6
1994	32,811	113.0	8,828	76.9	1.6	86.9	47.2	10.3	18.5
1995	35,917	114.2	9,665	80.1	2.2	80.0	45.7	10.8	19.3
1996	39,144	117.0	10,422	84.4	0.4	71.1	44.7	9.6	21.0
1997	43,208	120.5	11,451	88.1	-0.9	64.1	43.8	9.8	22.5
1998									

Table A2: Output Indicators

	Volume Indices			Output per Head			Price Indices		
	55 Total Manuf-acturing (1985=100)	56 Modern Manuf-acturing (1985=100)	57 Trad. Manuf-acturing (1985=100)	58 Total Manuf-acturing (1985=100)	59 Modern Manuf-acturing (1985=100)	60 Trad. Manuf-acturing (1985=100)	61 Manuf-acturing Output (1985=100)	62 Whole-sale Prices (1985=100)	63 Agricul-tural Output (1985=100)
	Annual Averages								
1991	153.9	210.0	119.1	147.5	163.2	121.7	108.7	106.4	96.4
1992	169.6	245.2	122.7	160.1	185.4	124.1	110.5	107.3	97.8
1993	178.8	267.5	123.4	167.9	193.2	125.9	115.6	112.4	104.2
1994	201.6	313.8	129.8	186.2	212.5	132.8	116.9	113.5	105.8
1995	242.1	407.4	138.1	211.5	241.2	138.2	119.8	115.9	108.2
1996	261.9	447.1	142.4	219.7	236.0	141.7	120.6	116.4	102.9
1997	305.5	539.3	150.4	241.8	255.6	144.9	119.9	115.9	96.2
1998	356.6	653.7	154.7				120.9		95.6
	Quarterly Averages								
1996I	257.4	451.6	133.4	220.7	245.6	135.1	121.3	117.5	109.5
II	268.8	453.0	147.6	226.3	244.3	146.2	121.2	116.9	107.0
III	239.9	396.9	137.0	199.6	211.2	134.1	120.3	116.1	100.4
IV	282.3	488.6	151.8	232.9	255.1	148.2	119.6	115.0	98.9
1997I	295.9	535.6	140.3	242.2	267.6	138.4	118.8	114.9	97.0
II	305.5	532.5	154.1	242.9	257.3	148.0	119.6	115.7	98.9
III	294.0	515.5	145.1	229.7	239.6	138.6	120.1	116.2	96.6
IV	326.7	574.5	162.0	252.2	259.1	154.4	121.1	116.9	95.6
1998I	349.9	650.5	148.4	273.4	298.5	142.8	121.9	118.4	96.2
II	354.6	636.3	161.2	271.3	285.0	152.0	121.6	118.4	98.8
III	342.6	626.2	147.7				120.9	117.9	95.9
IV	379.7	702.2	161.7				119.4		92.0
1999I							120.0		
II									
III									
IV									
	Quarterly Averages (Seasonally Adjusted)								
1996I	254.9	428.3	138.8	216.6	231.3	139.2	121.3	117.3	108.9
II	259.3	444.9	141.9	218.6	238.6	141.2	120.9	116.5	104.5
III	260.2	440.2	142.9	217.2	234.3	140.6	120.3	116.2	101.6
IV	274.8	473.4	144.5	227.7	249.7	141.2	119.7	115.5	100.5
1997I	293.1	506.0	145.9	237.7	251.1	142.5	118.8	114.7	96.6
II	294.8	524.5	148.5	234.7	252.2	143.3	119.4	115.3	96.7
III	316.3	570.1	151.1	248.0	265.0	145.1	120.2	116.3	97.7
IV	318.1	559.7	155.7	246.7	254.8	148.6	121.2	117.4	97.0
1998I	345.1	617.0	154.2	267.2	281.4	146.8	121.9	118.2	95.8
II	343.7	628.7	155.4	263.3	280.3	147.3	121.4	118.0	96.8
III	368.7	692.0	154.3				121.0	118.0	96.9
IV	369.9	685.6	155.2				119.5		93.3
1999I							120.0		
II									
III									
IV									

Table A3: Employment, Earnings and Unemployment Indicators

	Employment			Hourly Earnings		Live Register			
	64 Total Manuf-acturing (‘000s)	65 Modern Manuf-acturing (‘000s)	66 Trad. Manuf-acturing (‘000s)	67 Real Terms Manuf. (1985=100)	68 Money Terms Manuf. (1985=100)	69 Male (‘000s)	70 Female (‘000s)	71 Total (‘000s)	72 Unemp-loyment Rate (%)
	Annual Averages								
1991	195.1	50.7	144.4	105.4	111.8	170,456	83,491	253,947	14.7
1992	198.0	52.1	145.9	105.7	116.0	187,168	95,974	283,142	15.2
1993	199.1	54.5	144.6	109.0	121.3	193,750	100,529	294,279	15.5
1994	202.4	58.2	144.3	109.4	124.6	184,393	98,020	282,413	14.1
1995	214.0	66.5	147.5	110.5	129.0	178,494	99,273	277,767	12.1
1996	222.8	74.6	148.3	112.8	133.8	175,642	103,593	279,235	11.5
1997	236.2	83.1	153.1	114.8	138.6	155,839	98,540	254,379	9.8
1998						135,692	91,404	227,096	7.7
	Quarterly Averages								
1996I	218.0	72.4	145.6	111.7	132.0	182,002	103,340	285,342	
II	222.0	73.0	149.0	112.9	133.9	176,857	102,819	279,677	
III	224.7	74.0	150.7	111.7	133.2	177,022	107,882	284,905	
IV	226.6	75.4	151.2	113.7	136.2	166,687	100,328	267,016	
1997I	228.4	78.8	149.6	113.6	136.2	164,688	100,516	265,205	
II	235.1	81.5	153.6	113.9	137.2	155,693	97,120	252,813	
III	239.2	84.7	154.5	115.4	139.0	154,256	101,358	255,614	
IV	242.1	87.3	154.8	116.5	141.8	148,720	95,164	243,884	
1998I	239.2	85.8	153.4	117.1	142.9	147,202	93,825	241,027	
II	244.3	87.9	156.4			136,916	91,152	228,068	
III						133,513	93,981	227,494	
IV						125,138	86,657	211,795	
1999I						122,658	84,962	207,620	
II									
III									
IV									
	Quarterly Averages (Seasonally Adjusted)								
1996I	219.9	72.9	147.1	124.2	146.7	178,900	103,400	282,300	11.9
II	221.8	73.4	148.4	124.8	148.0	178,733	104,567	283,333	11.8
III	223.9	73.9	150.0	126.2	150.6	176,633	104,833	281,467	11.4
IV	225.6	74.6	151.0	126.0	151.0	168,133	101,500	269,667	11.0
1997I	230.5	79.3	151.2	125.8	151.0	161,867	100,667	262,533	10.6
II	234.8	81.9	152.9	126.9	152.6	157,633	98,867	256,500	10.1
III	238.4	84.7	153.7	127.9	154.2	153,600	98,167	251,733	9.5
IV	241.0	86.4	154.6	126.9	154.5	150,200	96,433	246,667	8.9
1998I	241.4	86.3	155.1	126.9	155.0	144,500	94,033	238,567	8.2
II	244.0	88.3	155.7			138,867	92,933	231,733	7.8
III						132,767	90,667	223,433	7.5
IV						126,667	88,000	214,633	7.2
1999I						120,033	85,200	205,233	6.8
II									
III									
IV									

Table A4: IBEC-ESRI Monthly Industrial Survey

	73 Expect-ations for Production (balance of %)	74 Expect-ations for Employ-ment (balance of %)	75 Adequacy of Present Capacity (balance of %)	76 Trend in Selling Prices (balance of %)	77 Expect-ations for Home Sales (balance of %)	78 Expect-ations for Exports (balance of %)	79 Capacity Utilisation (%)	80 Months of Production Ensured
				Annual Averages				
1991	4.6	-17.7	15.3	-0.3	-1.8	5.1	75.6	2.0
1992	-1.8	-12.8	15.7	-8.4	-4.4	5.3	76.0	2.1
1993	-0.3	-23.1	22.0	-2.3	-0.3	-0.8	74.0	2.1
1994	16.0	-3.9	16.8	-0.5	6.5	18.7	75.0	2.2
1995	16.1	-3.1	6.6	2.3	5.5	22.8	77.4	2.3
1996	6.7	-7.4	7.5	-6.6	4.4	1.6	74.4	2.3
1997	13.3	-1.1	2.7	-3.8	4.7	15.3	74.4	2.5
1998	9.7	0.6	8.7	-9.9	5.9	3.1	74.0	2.4
				Quarterly Averages				
1996I	12.7	-5.0	11.3	-0.3	8.0	4.0	73.0	2.1
II	-1.7	-7.0	7.3	-11.7	-0.3	0.0	73.4	2.3
III	14.0	-5.0	6.0	-9.0	3.3	7.0	73.8	2.4
IV	1.7	-12.7	5.3	-5.3	6.7	-4.7	77.2	2.3
1997I	12.0	-3.7	5.0	-5.0	7.3	22.3	77.0	2.6
II	11.7	-1.7	0.7	-0.7	1.7	18.7	74.9	2.5
III	15.0	1.0	2.0	-6.0	4.0	8.0	72.7	2.4
IV	14.7	0.0	3.0	-3.3	5.7	12.0	73.0	2.5
1998I	16.7	0.7	2.7	-2.3	7.7	13.0	74.6	2.4
II	10.0	9.3	7.7	-13.3	8.3	10.0	74.0	2.5
III	14.3	2.7	9.7	-13.0	2.3	4.3	73.7	2.3
IV	-2.3	-10.3	14.7	-11.0	5.3	-15.0	73.6	2.5
1999I	15.7	-16.3	7.7	-10.7	11.0	17.3	74.1	2.3
II								
III								
IV								
				Quarterly Averages (Seasonally Adjusted)				
1996I	No Seasonal Pattern		No Seasonal Pattern		No Seasonal Pattern		No Seasonal Pattern	
II								
III								
IV								
1997I								
II								
III								
IV								
1998I								
II								
III								
IV								
1999I								
II								
III								
IV								

Table A5: Demand Indicators

	Consumption							Government	
	81 CPI (Nov. 1989 =100)	82 Cars Regist-ered N&S/H (Total)	83 Retail Sales Value (1990= 100)	84 Retail Sales Volume (1990= 100)	85 Elect-ricity Output (GWh)	86 New Houses Comp-leted (Total)	87 Current Revenue (£m)	88 Current Expend-iture (£m)	89 Current Deficit (£m)
					Annual Series				
1991	104.5	89,589	101.5	99.5	14,990	19,364	8,776	9,827	-300
1992	108.0	85,492	105.9	102.0	15,682	22,051	9,360	10,584	-446
1993	109.5	87,352	109.0	103.4	16,161	20,707	10,140	11,493	-379
1994	112.1	116,636	117.7	109.0	16,844	24,952	11,203	12,229	15
1995	115.0	124,595	123.5	112.2	17,598	29,619	11,667	13,190	-362
1996	116.8	153,833	133.7	119.1	18,935	32,989	12,954	14,018	292
1997	118.8	167,404	145.0	128.4	19,551	38,842	14,619	15,488	604
1998	121.7		159.6	139.8	20,485	42,349	16,503	16,343	2,091
					Quarterly Series				
1996I	116.3	50,295	126.1	113.3	5,084	7,216	2,678	3,389	-440
II	116.8	48,571	132.6	118.2	4,455	7,931	3,298	3,322	235
III	117.4	33,460	132.2	117.7	4,316	8,403	3,607	3,178	715
IV	118.0	21,507	143.9	127.4	5,080	10,175	3,372	4,130	-218
1997I	118.1	51,641	134.8	120.0	5,116	8,081	3,101	3,381	-99
II	118.6	49,546	141.2	125.0	4,627	9,600	4,151	3,406	1,068
III	118.6	36,008	144.3	128.1	4,584	9,964	3,523	3,934	-40
IV	119.9	30,209	159.6	140.5	5,224	11,197	3,845	4,767	-325
1998I	120.1	56,807	149.4	132.2	5,306	8,572	3,517	3,499	275
II	121.8	55,879	157.6	137.6	4,915	10,359	4,666	3,743	1,295
III	122.4		159.6	139.6	4,796	10,784	3,934	3,997	363
IV	122.4		171.8	149.8	5,468	12,634	4,386	5,104	158
1999I	122.0								
II									
III									
IV									
					Quarterly Series (Seasonally Adjusted)				
1996I	116.3	37,640	130.6	117.2	4,747	8,514	3,000	3,491	491
II	116.7	39,257	133.4	119.2	4,681	8,178	3,004	3,508	505
III	117.5	37,387	133.6	118.8	4,690	8,205	3,685	3,363	-322
IV	118.0	40,430	137.0	121.3	4,805	8,820	3,282	3,579	298
1997I	118.2	38,584	139.6	124.0	4,783	9,448	3,491	3,555	64
II	118.4	40,132	142.1	126.0	4,857	9,858	3,730	3,601	-129
III	118.7	40,288	146.1	129.6	4,976	9,832	3,621	4,168	547
IV	119.9	56,476	151.6	133.5	4,942	9,704	3,751	4,079	328
1998I	120.3	42,519	154.5	136.6	4,966	9,969	3,970	3,718	-252
II	121.6	45,245	158.5	138.6	5,157	10,598	4,172	3,966	-207
III	122.4		161.8	141.3	5,204	10,711	4,050	4,231	181
IV	122.4		163.3	142.5	5,172	10,935	4,285	4,345	59
1999I	122.2								
II									
III									
IV									

Table A6: Monetary and Financial Indicators

	Interest Rates		Monetary Developments					Asset Prices	
	90 One Month Inter-Bank (% p.a.)	91 Long-Term Gilt Rate (% p.a.)	92 M3E Money Supply (£m)	93 Dom. Credit (Gov.) (£m)	94 Dom. Credit (Non-Gov.) (£m)	95 New Mort-gages (No.)	95 External Reserves (£m)	97 ISEQ Share Prices (1/1988= 1000)	98 Second Hand Houses (£)
					Annual Series				
1991	10.4	9.3	18,577	2,715	13,553	37,058	3,256	1,382.4	50,500
1992	15.2	9.1	20,749	3,180	14,411	44,433	2,113	1,311.1	51,452
1993	10.6	7.8	24,130	3,168	14,911	45,390	4,278	1,576.0	52,559
1994	5.7	8.2	26,596	3,518	16,655	50,204	4,041	1,853.4	55,033
1995	6.1	8.3	29,903	3,559	19,917	49,288	5,473	1,992.9	58,526
1996	5.8	8.1	34,648	2,976	23,548	61,006	4,960	2,494.3	67,438
1997	6.2	6.4	42,290	2,576	19,205	64,652	4,636	3,335.9	80,276
1998	5.7	4.8		2,880	24,424	68,925	6,448	4,744.2	105,452
					Quarterly Series				
1996I	5.1	7.8	30,502	4,031	20,585	14,084	5,213	2,304.7	61,248
II	5.1	7.7	31,221	3,801	21,595	16,142	5,048	2,496.1	67,292
III	5.6	7.5	32,447	3,241	22,218	16,363	5,722	2,511.0	69,599
IV	5.7	6.9	34,648	2,976	23,548	14,417	4,960	2,665.6	70,858
1997I	5.7	6.8	35,959	3,149	25,647	14,773	5,876	2,891.3	72,197
II	6.3	6.8	37,931	3,401	19,156	18,199	5,092	3,127.4	77,324
III	6.3	6.1	40,503	2,312	18,085	16,345	5,984	3,543.3	80,774
IV	6.4	5.8	42,290	2,576	19,205	15,335	4,636	3,781.7	90,061
1998I	6.3	5.2	43,129	2,468	20,528	16,311	4,950	4,524.1	91,883
II	6.4	5.1	44,923	2,570	22,296	18,307	5,618	5,267.1	101,985
III	6.3	4.6		2,842	22,878	17,423	5,699	4,795.9	110,321
IV	3.8	4.2		2,880	24,424	16,884	6,448	4,389.7	116,403
1999I	3.0	4.0							
II									
III									
IV									
					Quarterly Series (Seasonally Adjusted)				
1996I		No		No		14,678	No		62,368
II		Seasonal		Seasonal		14,928	Seasonal		66,610
III		Pattern		Pattern		16,035	Pattern		69,636
IV						15,400			70,148
1997I						15,359			73,708
II						16,782			76,524
III						16,070			80,821
IV						16,381			89,005
1998I						16,973			93,950
II						16,848			100,942
III						17,127			110,369
IV						18,077			114,932
1999I									
II									
III									
IV									

Table A7: Trade Prices, Exchange Rates and Competitiveness

	Trade Prices			Exchange Rates				
	99 Import Unit Value (1990=100)	100 Export Unit Value (1990=100)	101 Terms of Trade (1990=100)	102 Effective Index (12/1971=100)	103 Sterling (per IR£)	104 Dollar (per IR£)	105 Deutsch-mark (per IR£)	106 Real Effective Index (1990=100)
	Annual Averages							
1991	102.3	99.3	97.0	67.3	0.9133	1.6162	2.6708	96.6
1992	100.2	96.6	96.4	69.5	0.9695	1.7062	2.6561	99.6
1993	105.4	103.9	98.6	66.0	0.9771	1.4682	2.4241	92.1
1994	108.1	103.8	96.0	66.2	0.9777	1.4984	2.4263	92.1
1995	112.7	105.6	93.7	67.1	1.0168	1.6038	2.2971	93.2
1996	111.4	105.1	94.3	68.5	1.0255	1.6008	2.4092	94.4
1997	112.0	106.2	94.9	67.4	0.9271	1.5182	2.6286	93.0
1998				63.9	0.8601	1.4258	2.5049	90.5
	Quarterly Averages							
1996I	113.4	108.1	95.3	67.6	1.0317	1.5797	2.3193	93.3
II	112.1	106.6	95.1	68.1	1.0307	1.5703	2.3913	93.3
III	111.1	103.8	93.5	68.8	1.0347	1.6090	2.4090	94.7
IV	109.1	101.9	93.4	69.5	1.0050	1.6443	2.5170	96.1
1997I	110.8	104.6	94.5	69.7	0.9780	1.5943	2.6433	96.2
II	111.8	106.4	95.2	67.4	0.9317	1.5250	2.6127	92.8
III	113.1	106.8	94.5	66.8	0.9097	1.4780	2.6680	91.6
IV	112.2	107.0	95.3	65.7	0.8890	1.4753	2.5903	91.9
1998I	114.6	110.5	96.4	62.6	0.8357	1.3760	2.5023	88.1
II	115.4	111.0	96.2	63.6	0.8500	1.4057	2.5193	90.0
III	116.1	111.4	95.9	64.2	0.8617	1.4250	2.5097	91.5
IV				65.0	0.8930	1.4963	2.4883	92.4
1999I								
II								
III								
IV								
	Quarterly Averages (Seasonally Adjusted)							
1996I	No Seasonal Pattern		No Seasonal Pattern		No Seasonal Pattern		No Seasonal Pattern	
II								
III								
IV								
1997I								
II								
III								
IV								
1998I								
II								
III								
IV								
1999I								
II								
III								
IV								

Table A8: External Trade and Balance of Payments Indicators

	Visible Trade Indicators						Balance of Payments		
	107 Imports (Value) (£m)	108 Exports (Value) (£m)	109 Trade Balance (£m)	110 Imports (Volume) (1990=100)	111 Exports (Volume) (1990=100)	112 Merch-andise Balance (£m)	113 Services Balance (£m)	114 Net Factor Flows (£m)	115 Current Account (£m)
	Annual Series								
1991	12,851	15,019	2,168	100.8	105.4	2,066	-668	-2,796	209
1992	13,195	16,744	3,549	105.7	121.2	3,501	-1,217	-3,209	320
1993	14,885	19,830	4,945	112.9	133.3	4,826	-1,366	-3,521	1,248
1994	17,251	22,754	5,503	127.6	153.2	5,396	-1,978	-3,575	998
1995	20,619	27,825	7,206	146.3	184.1	7,459	-2,991	-4,508	1,070
1996	22,429	30,407	7,978	161.0	202.3	8,756	-3,782	-5,151	1,176
1997	25,886	35,290	9,404	184.8	232.1	11,084	-4,690	-6,322	1,362
1998	30,994	45,035	14,040			15,396	-7,711	-7,676	1,047
	Quarterly Series								
1996I	5,867	7,792	1,925	165.5	201.7	2,003	-922	-1,451	-175
II	5,624	7,656	2,032	160.4	200.7	2,111	-790	-1,261	171
III	5,103	7,112	2,010	147.0	191.4	2,299	-917	-1,188	680
IV	5,836	7,847	2,011	171.0	215.2	2,344	-1,153	-1,252	501
1997I	5,941	7,915	1,974	171.4	211.5	2,315	-1,184	-1,725	-267
II	6,504	8,780	2,276	186.1	230.6	2,662	-1,075	-1,755	138
III	6,200	8,805	2,604	175.5	230.3	3,072	-1,111	-1,327	868
IV	7,241	9,790	2,549	206.3	255.9	3,035	-1,320	-1,515	623
1998I	7,750	10,383	2,634	216.2	262.4	3,186	-1,826	-1,668	-104
II	7,824	11,207	3,384	216.9	282.2	3,484	-1,675	-1,986	141
III	7,249	11,332	4,083	199.7	284.4	4,328	-1,792	-1,964	757
IV	8,173	12,112	3,940			4,399	-2,418	-2,059	254
1999I									
II									
III									
IV									
	Quarterly Series (Seasonally Adjusted)								
1996I	5,643	7,772	2,129	160.1	201.7	No Seasonal Pattern		No Seasonal Pattern	
II	5,589	7,536	1,947	160.7	200.1				
III	5,531	7,458	1,927	159.1	200.8				
IV	5,659	7,643	1,984	163.7	206.1				
1997I	5,712	7,881	2,169	166.0	211.7				
II	6,457	8,652	2,195	186.2	229.9				
III	6,734	9,213	2,479	190.4	241.0				
IV	7,018	9,559	2,540	197.3	245.4				
1998I	7,452	10,331	2,879	209.5	263.1				
II	7,761	11,044	3,283	216.8	281.2				
III	7,874	11,846	3,972	216.8	297.3				
IV	7,927	11,843	3,915						
1999I									
II									
III									
IV									

Table A9 : International Indicators

	GDP (Volume)								
	116 UK (1990= 100)	117 Germany (1990= 100)	118 France (1990= 100)	119 Italy (1990= 100)	120 EU15 (1990= 100)	121 USA (1990= 100)	122 Japan (1990= 100)	123 OECD (1990= 100)	124 Ireland (1990= 100)
	Annual Averages								
1991	98.0	112.5	100.8	101.1	103.0	99.1	103.8	101.4	101.6
1992	97.5	114.5	102.0	101.7	103.9	101.8	104.9	103.2	105.4
1993	99.5	113.1	100.6	100.5	103.4	104.1	105.2	104.3	108.3
1994	103.8	116.3	103.4	102.7	106.5	107.7	105.9	107.2	115.6
1995	108.2	117.7	105.6	105.7	109.2	110.2	107.4	109.4	127.6
1996	111.0	119.3	107.2	106.4	111.1	114.0	112.8	112.7	136.7
1997	114.9	122.0	109.7	108.0	114.1	118.5	114.5	116.2	149.6
1998	117.3		113.2			123.1	111.2		
	Quarterly Averages								
1996I									
II									
III									
IV									
1997I									
II									
III									
IV									
1998I									
II									
III									
IV									
1999I									
II									
III									
IV									
	Quarterly Averages (Seasonally Adjusted)								
1996I	108.0	117.8	106.8	107.1	110.4	112.2	111.6	111.5	
II	108.4	119.3	106.7	106.0	110.7	113.8	111.7	112.4	
III	111.2	119.8	107.5	106.4	111.4	114.4	112.7	112.9	
IV	111.9	120.2	107.9	106.1	111.9	115.6	114.5	113.8	
1997I	113.4	120.7	108.0	106.2	112.4	116.8	116.4	114.9	
II	114.5	121.9	109.3	108.2	113.8	117.9	113.5	115.7	
III	115.4	122.6	110.3	108.7	114.7	119.1	114.6	116.8	
IV	116.3	123.0	111.2	109.0	115.4	120.0	113.6	117.4	
1998I	116.8	124.8	112.0	108.9	116.1	121.6	112.2	118.2	
II	117.2	124.9	113.0	109.5		122.2	111.4		
III	117.5		113.5	110.0		123.3	111.0		
IV	117.6		114.3			125.1	110.2		
1999I									
II									
III									
IV									

Table A9 (cont'd): International Indicators

	Consumer Prices								
	125 UK (1990=100)	126 Germany (1990=100)	127 France (1990=100)	128 Italy (1990=100)	129 EU15 (1990=100)	130 USA (1990=100)	131 Japan (1990=100)	132 OECD (1990=100)	133 Ireland (1990=100)
	Annual Averages								
1991	105.9	103.6	103.2	106.5	105.2	104.2	103.3	106.1	103.2
1992	109.8	108.9	105.7	112.1	109.9	107.4	105.0	111.4	106.4
1993	111.5	113.7	107.9	116.8	113.8	110.6	106.3	116.1	107.9
1994	114.3	116.8	109.7	121.4	117.3	113.4	107.1	121.2	110.5
1995	118.2	119.0	111.6	127.9	120.9	116.6	107.0	127.9	113.2
1996	121.1	121.0	113.9	132.8	123.9	120.0	107.1	134.4	115.1
1997	124.9	123.3	115.2	135.2	126.4	122.9	109.0	140.1	116.8
1998	129.1	124.5	116.1	137.5	128.6	124.8	109.7	145.3	119.6
	Quarterly Averages								
1996I	119.6	120.1	113.2	131.3	122.8	118.6	106.6	132.1	114.4
II	121.2	120.7	114.1	132.9	124.0	119.8	107.3	134.0	114.8
III	121.4	121.2	113.8	133.2	124.2	120.4	107.2	134.9	115.4
IV	122.1	121.1	114.3	133.9	124.7	121.3	107.5	136.5	116.0
1997I	122.8	122.2	114.9	134.5	125.4	122.1	107.2	138.0	116.0
II	124.4	122.6	115.1	135.0	126.1	122.6	109.5	139.5	116.6
III	125.6	123.5	115.3	135.2	126.7	123.1	109.5	140.7	116.9
IV	126.6	123.3	115.6	136.0	127.2	123.6	109.7	142.3	117.8
1998I	127.0	123.6	115.6	136.8	127.7	123.9	109.3	143.5	118.1
II	129.4	124.5	116.4	137.4	128.7	124.6	109.8	144.8	119.7
III	129.8	124.8	116.1	137.7	128.9	125.1	109.2	145.7	120.3
IV	130.4	124.4	116.1	138.1	129.1	125.5	110.3	147.1	120.4
1999I									
II									
III									
IV									
	Quarterly Averages (Seasonally Adjusted)								
1996I	120.1	120.0	113.2	131.2	122.9	118.6	106.9	132.1	114.5
II	120.6	120.5	113.9	132.7	123.7	119.7	107.0	133.7	114.7
III	121.3	121.0	113.9	133.4	124.2	120.5	107.2	135.0	115.3
IV	122.3	121.5	114.4	133.9	124.9	121.3	107.4	136.6	116.0
1997I	123.3	122.2	114.9	134.5	125.5	122.1	107.5	138.0	116.2
II	123.8	122.4	114.9	134.8	125.8	122.5	109.2	139.3	116.5
III	125.5	123.3	115.5	135.4	126.7	123.2	109.5	140.9	116.8
IV	126.7	123.7	115.7	136.0	127.4	123.6	109.6	142.3	117.8
1998I	127.5	123.6	115.6	136.8	127.8	123.9	109.7	143.5	118.3
II	128.8	124.3	116.2	137.2	128.4	124.5	109.5	144.6	119.6
III	129.7	124.6	116.3	137.9	128.9	125.2	109.2	145.9	120.3
IV	130.5	124.8	116.2	138.1	129.3	125.5	110.2	147.1	120.4
1999I									
II									
III									
IV									

Table A9 (cont'd): International Indicators

	Hourly Earnings (Manufacturing)								
	134 UK (1990=100)	135 Germany (1990=100)	136 France (1990=100)	137 Italy (1990=100)	138 EU15 (1990=100)	139 USA (1990=100)	140 Japan (1990=100)	141 OECD (1990=100)	142 Ireland (1990=100)
	Annual Averages								
1991	108.0	106.0	104.0	109.8	107.0	103.0	103.0	105.0	105.2
1992	115.0	112.0	108.0	115.7	113.0	106.0	105.0	109.0	110.3
1993	121.0	118.0	111.0	120.0	118.0	108.0	106.0	113.0	116.7
1994	126.0	122.0	113.4	124.0	123.0	111.0	109.0	116.0	118.4
1995	132.0	126.0	116.1	127.8	127.0	114.0	112.0	120.0	123.1
1996	138.0	131.0	118.0	131.7	132.0	118.0	115.0	124.0	126.4
1997	143.0	132.0	122.0	136.5	137.0	122.0	118.0	127.0	131.6
1998	150.0	134.0	124.0			125.0	118.0		
	Quarterly Averages								
1996I	137.0	129.0	117.0	128.8	130.0	116.0	113.0	122.0	122.5
II	137.0	131.0	118.0	129.3	131.0	118.0	115.0	123.0	124.3
III	137.0	131.0	119.0	130.9	133.0	118.0	116.0	124.0	123.6
IV	140.0	131.0	119.8	133.2	135.0	120.0	117.0	126.0	126.4
1997I	143.0	132.0	120.6	135.5	135.0	120.0	116.0	126.0	126.4
II	143.0	131.0	121.3	135.8	135.0	121.0	119.0	127.0	127.3
III	143.0	132.0	122.6	137.0	137.0	122.0	118.0	128.0	129.0
IV	147.0	132.0	123.2	136.0	139.0	123.0	119.0	129.0	131.6
1998I	150.0	133.0	123.0	138.3	138.0	124.0	117.0	129.0	132.6
II	149.0	135.0	124.0	140.0	140.0	124.0	118.0	130.0	
III	149.0	135.0	125.0		141.0	124.0	118.0	130.0	
IV	152.0	136.0	125.0			126.0	119.0		
1999I									
II									
III									
IV									
	Quarterly Averages (Seasonally Adjusted)								
1996I	135.7	129.4	117.1	128.4	130.4	116.1	114.3	122.4	122.5
II	137.1	130.6	117.9	129.5	131.6	117.9	114.4	123.1	124.5
III	138.5	130.8	118.8	130.8	132.9	118.3	115.8	124.1	124.2
IV	139.8	131.2	119.9	133.5	134.1	119.7	116.5	125.4	125.6
1997I	141.5	132.4	120.7	135.1	135.4	120.1	117.3	126.3	126.3
II	143.2	130.6	121.3	136.0	135.6	120.9	118.5	127.1	127.6
III	144.6	131.9	122.4	136.8	136.9	122.4	117.8	128.1	129.7
IV	146.8	132.2	123.3	136.3	138.1	122.7	118.4	128.4	130.7
1998I	148.4	133.3	123.1	137.9	138.4	124.1	118.3	129.3	132.5
II	149.2	134.6	124.1	140.2	140.7	123.9	117.5	130.2	
III	150.7	134.9	124.7		140.9	124.4	117.8	130.1	
IV	151.7	136.2	125.0			125.7	118.4		
1999I									
II									
III									
IV									

Table A9 (cont'd): International Indicators

	Unemployment Rate								
	143 UK (%)	144 Germany (%)	145 France (%)	146 Italy (%)	147 EU15 (%)	148 USA (%)	149 Japan (%)	150 OECD (%)	151 Ireland (%)
	Annual Averages								
1991	8.8	4.4	9.5	8.8	8.4	6.8	2.1	6.8	14.7
1992	10.1	4.6	10.4	9.0	9.1	7.5	2.2	7.4	15.2
1993	10.5	7.9	11.7	10.3	10.8	6.9	2.5	8.0	15.5
1994	9.6	8.4	12.3	11.4	11.1	6.1	2.9	7.9	14.1
1995	8.7	8.2	11.7	11.9	10.7	5.6	3.1	7.5	12.1
1996	8.2	8.9	12.4	12.0	10.8	5.4	3.4	7.6	11.5
1997	7.0	9.9	12.4	12.1	10.6	4.9	3.4	7.3	9.8
1998		9.4	11.9		10.0	4.5	4.1	6.9	7.7
	Quarterly Averages								
1996I									
II									
III									
IV									
1997I									
II									
III									
IV									
1998I									
II									
III									
IV									
1999I									
II									
III									
IV									
	Quarterly Averages (Seasonally Adjusted)								
1996I	8.4	8.7	12.3	12.0	10.9	5.6	3.3	7.6	12.0
II	8.3	8.8	12.3	12.0	10.9	5.4	3.5	7.6	11.9
III	8.1	8.9	12.4	12.0	10.8	5.3	3.3	7.5	11.6
IV	7.9	9.2	12.4	12.0	10.8	5.3	3.3	7.5	11.0
1997I	7.4	9.7	12.4	12.2	10.8	5.3	3.3	7.5	10.6
II	7.3	9.9	12.4	12.1	10.7	4.9	3.4	7.3	10.2
III	6.8	10.1	12.4	12.1	10.6	4.9	3.4	7.3	10.0
IV	6.6	10.3	12.3	12.1	10.5	4.7	3.5	7.1	9.8
1998I	6.5	9.8	12.1	12.1	10.2	4.6	3.7	7.0	8.4
II	6.3	9.5	11.9	12.3	10.0	4.4	4.1	6.9	7.9
III	6.3	9.3	11.9	12.3	9.9	4.5	4.2	6.9	7.6
IV		9.1	11.8		9.7	4.4	4.4	6.8	7.3
1999I									
II									
III									
IV									

Table A9 (cont'd): International Indicators

	Short-Term Interest Rate							
	152 UK (% p. a.)	153 Germany (% p. a.)	154 France (% p. a.)	155 Italy (% p. a.)	156 EU15 (% p. a.)	157 USA (% p. a.)	158 Japan (% p. a.)	159 Ireland (% p. a.)
	Annual Averages							
1991	11.5	9.3	9.6	12.2	5.9	5.8	7.4	10.4
1992	9.6	9.5	10.3	14.0	3.8	3.7	4.5	14.3
1993	5.9	7.3	8.6	10.2	3.3	3.2	3.0	9.1
1994	5.5	5.4	5.9	8.5	4.7	4.6	2.2	5.9
1995	6.7	4.5	6.6	10.5	6.0	5.9	1.2	6.3
1996	6.0	3.3	3.9	8.8	5.4	5.4	0.6	5.4
1997	6.8	3.3	3.5	6.9	5.7	5.6	0.6	6.1
1998	7.3	3.5	3.6	5.0	5.5	5.5	0.7	5.4
	Quarterly Averages							
1996I	6.2	3.4	4.5	10.0	5.3	5.3	0.6	5.1
II	6.0	3.3	4.0	9.1	5.4	5.4	0.6	5.1
III	5.8	3.3	3.9	8.7	5.5	5.5	0.6	5.7
IV	6.2	3.2	3.5	7.6	5.5	5.4	0.5	5.8
1997I	6.2	3.2	3.4	7.3	5.5	5.4	0.6	5.8
II	6.5	3.2	3.4	7.0	5.7	5.7	0.6	6.2
III	7.1	3.2	3.4	6.8	5.6	5.6	0.6	6.2
IV	7.5	3.7	3.7	6.4	5.8	5.7	0.7	6.1
1998I	7.5	3.5	3.6	6.0	5.6	5.6	1.0	5.9
II	7.5	3.6	3.6	5.2	5.6	5.6	0.6	6.3
III	7.6	3.5	3.6	4.9	5.5	5.5	0.7	5.9
IV	6.8	3.5	3.5	4.0	5.2	5.2	0.6	3.6
1999I						4.9	0.5	
II								
III								
IV								
	Quarterly Averages (Seasonally Adjusted)							
1996I	No Seasonal Pattern		No Seasonal Pattern		No Seasonal Pattern		No Seasonal Pattern	
II								
III								
IV								
1997I								
II								
III								
IV								
1998I								
II								
III								
IV								
1999I								
II								
III								
IV								

Notes

1-48.	Calculated on an ESA95 basis. *Source:* CSO.
49	GNP at current market prices per head of population calculated at PPS on an ESA79 basis. *Source:* Based on European Commission data.
50-51.	General government deficit and debt calculated on an ESA79 basis. *Source:* Department of Finance.
52.	*Source:* Department of Finance.
53.	Calculated as a percentage of personal disposable income. *Source:* Based on CSO Data.
54-55.	*Source:* Based on CSO Data.
56-60.	*Source:* ESRI.
61-71.	*Source:* CSO.
72.	Official standardised unemployment rate, based on ILO definitions. *Source:* CSO.
73-78.	Percentage reporting improvement or increase minus percentage reporting deterioration or decrease. *Source:* IBEC-ESRI Monthly Industrial Survey.
79-80.	*Source:* IBEC-ESRI Monthly Industrial Survey.
81-88.	*Source:* CSO.
89	Not calculable from columns 87 and 88. *Source:* CSO.
90-91.	*Source:* Central Bank of Ireland.
92.	*Source:* OECD from Central Bank of Ireland.
93-94.	*Source:* Central Bank of Ireland.
95-97.	*Source:* CSO.
98.	*Source:* Department of the Environment and Local Government.
99-105.	*Source:* CSO.
106.	*Source:* OECD.
107-115.	Calculated on an ESA95 basis. *Source:* CSO.
116-123.	*Source:* OECD.
124.	Average of output and expenditure methods. *Source:* CSO.
125-155.	*Source:* OECD.
156.	Eurodollar market rate. *Source:* OECD.
157-159.	*Source:* OECD.