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by

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ADDENDUM

Since this Commentary was prepared, the further deterioration in weather conditions has seriously affected the prospects for agricultural output and incomes in 1986. When allowance is made for this, and also for the failure of interest rates to respond favourably to the devaluation, a growth in real GNP in 1986 of somewhat below 2 per cent now seems likely. While the forecasts for inflation and the balance of payments seem unlikely to be significantly affected, the current budget deficit could be greater than forecast due to the cost of emergency relief and some loss of revenue.

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SUMMARY

After a year of stagnation in 1985, a moderate rate of growth of about 2½ per cent is likely to be achieved in both 1986 and 1987. This should be sufficient to stabilise the level of employment over the next 18 months, but very little fall can be expected in the number of unemployed. Equally, little progress seems likely to be made in improving the state of public finances, although here also there should be no significant deterioration. The balance of payments is expected to improve substantially in 1986, but could widen again in 1987.

Despite the recent devaluation, the Irish pound remains considerably stronger than in 1985, and this, combined with low energy prices and moderating pay settlements, should allow the rate of price inflation to be substantially reduced in the remainder of 1986. In the year to November 1986 it is still likely that the Consumer Price Index will have risen by only about 2 per cent, giving an annual average increase of 3¼ per cent. As oil prices might recover somewhat, and as some of the devaluation effects work through the economy, inflation could increase again in the course of 1987, giving a November to November rise of 4 per cent. This would result in a lower annual average rise, at about 2½ per cent, than in 1986.

Whatever the precise course of consumer prices, the rate of price increase seems certain to remain lower than the rate of growth in incomes, implying a rise in living standards and increased consumption in both 1986 and 1987. Further expansion should come from exports, with volume responding to faster European growth, while lower interest rates and better economic prospects should lead to a moderate recovery in investment in 1987.

However, although the general outlook is comparatively favourable in the period to the end of 1987, the position of the economy continues to be unsatisfactory in that unemployment and emigration rates are excessively high and the public finances still in chronic imbalance. With the external environment so volatile, Ireland will remain dangerously exposed to international shocks so long as its overdependence on new borrowing continues. The need to reduce the budget deficit substantially in absolute terms is still the major imperative of economic management.

FORECAST NATIONAL ACCOUNTS 1986

A: Expenditure on Gross National Product

	1985	1986	Change in 1986				
	Provisional £m	Forecast £m	£m Total	£m Volume	% Total	% Price	% Volume
Private Consumer Expenditure ...	9797	10409	612	290	6¼	3¼	3
Public Net Current Expenditure ...	3290	3520	230	40	7	5¾	1¼
Gross Domestic Fixed Capital Formation	3597	3574	– 23	– 72	– ¾	1¼	– 2
Exports of Goods and Services (X) ...	10740	10897	157	436	1½	– 2½	4
Physical Changes in Stocks	177	130	– 47	– 47			
Final Demand	27601	28530	929	657	3¼	1	2½
less:							
Imports of Goods and Services (M) ...	10347	10031	– 316	155	– 3	– 4½	1½
GDP at market prices	17254	18499	1245	502	7¼	4¼	3
less:							
Net Factor Payments (F)	1992	2076	84	134	4¼	– 2½	6¾
GNP at market prices	15262	16423	1161	368	7½	5	2½

B: Gross National Product by Origin

	1985	1986		
	Provisional £m	Forecast £m	Change in 1986 £m	%
Agriculture, Forestry, Fishing ...	1346	1346	0	0
Non-Agricultural: Wages, etc. ...	9323	9906	583	6¼
Other	3189	3538	349	11
less:				
Net Factor Payments	1992	2076	84	4¼
National Income	11866	12714	848	7¼
Depreciation	1600	1712	112	7
GNP at factor cost	13466	14426	960	7¼
Taxes less subsidies	1796	1997	201	11¼
GNP at market prices	15262	16423	1161	7½

C: Balance of Payments on Current Account

	1985	1986	
	Provisional £m	Forecast £m	Change in 1986 £m
X—M	393	866	+ 473
F	– 1992	– 2076	– 84
Net Transfers	1050	1000	– 50
Balance on Current Account ...	– 549	– 210	+ 339
as % of GNP	– 3½	– 1¼	+ 2¼

FORECAST NATIONAL ACCOUNTS 1987
A: Expenditure on Gross National Product

	1986	1987	Change in 1987				
	Forecast £m	Forecast £m	£m Total	£m Volume	% Total	% Price	% Volume
Private Consumer Expenditure ...	10409	10932	523	260	5	2½	2½
Public Net Current Expenditure ...	3520	3678	158	0	4½	4½	0
Gross Domestic Fixed Capital Formation	3574	3834	260	162	7¼	2¾	4½
Exports of Goods and Services (X) ...	10897	11605	708	572	6½	1¼	5¼
Physical Changes in Stocks	130	155	25	25			
Final Demand	28530	30204	1674	1019	5¾	2¼	3½
less:							
Imports of Goods and Services (M) ...	10031	10683	652	460	6½	2	4½
GDP at market prices	18499	19521	1022	559	5½	2½	3
less:							
Net Factor Payments (F)	2076	2232	156	130	7½	1¼	6¼
GNP at market prices	16423	17289	866	429	5¼	2¾	2½

B: Gross National Product by Origin

	1986	1987		
	Forecast £m	Forecast £m	Change in 1987 £m	%
Agriculture, Forestry, Fishing ...	1346	1386	40	3
Non-Agricultural: Wages, etc. ...	9906	10400	494	5
Other	3538	3806	268	7½
less:				
Net Factor Payments	2076	2232	156	7½
National Income	12714	13360	646	5
Depreciation	1712	1832	120	7
GNP at factor cost	14426	15192	766	5¼
Taxes less subsidies	1997	2097	100	5
GNP at market prices	16423	17289	866	5¼

C: Balance of Payments on Current Account

	1986	1987	
	Forecast £m	Forecast £m	Change in 1987 £m
X—M	866	922	+ 56
F	− 2076	− 2252	− 156
Net Transfers	1000	1000	–
Balance on Current Account ...	− 210	− 310	− 100
as % of GNP	− 1¼	− 1¾	− ½

COMMENTARY

The International Economy

General

As 1986 progresses, it is becoming apparent that there was a slowdown in the growth of the world economy in the early part of the year. Indeed, it seems quite possible that, had it not been for the collapse of oil prices, 1986 might have seen an end to the recovery which has been in progress since 1983. As it is, a substantial upturn is still expected in the second half of the year, as the full benefit of lower energy costs is reflected in corporate profits and in the volume of consumer spending in the industrialised nations.

Provided energy costs remain low, 1987 should be another year of moderate growth and low inflation in the developed economies. European growth, at around 3 per cent, seems likely to match that in Japan and the USA. Whether such a growth rate will be fast enough to bring about a fall in European unemployment is doubtful. A significant reduction in the number of jobless would appear to require a faster rate of economic expansion, based on a substantial fall in real interest rates or on a change in the fiscal policies of the major European countries.

The US Economy

The latest revision to the US Quarterly National Accounts indicates that in the first quarter of 1986 GNP rose at an annual rate of 2.9 per cent. This is compatible with the expectation expressed in the April *Commentary* that US demand was losing much of its buoyancy in the early part of the year. Recent indicators have been producing mixed signals, with residential construction and the stock market remaining quite strong, but many other demand measures showing signs of weakness.

Despite evidence of some response in import and export volumes, the US recorded an increased deficit in its balance of trade in the first half of 1986. Provided that there is a further improvement in the volume trade balance in the remainder of the year, US industrial production should start to recover from the relative stagnation it has experienced for the past 12 months. Other factors exerting a positive influence on economic growth in the second half of 1986 are the surprisingly low inflation rate, which implies that foreign suppliers are absorbing most of the exchange rate movement in lower margins, the continuing fall in nominal interest rates, and the apparent diversion of a high proportion of tourist spending to the domestic market. Thus, there should be some acceleration in the rate of GNP growth during the second half of 1986, taking the annual increase to about 3 per cent.

It is reasonable to expect growth to continue at a moderate rate in 1987, as the trade recovery is consolidated, and real disposable incomes increase steadily. If, as seems likely, there is a significant tightening of fiscal policy in 1987, there could be a compensating reduction in real interest rates. Obviously, such factors as OPEC reaching sufficient agreement to bring about a rapid increase in oil prices, a major banking crisis resulting from third world debt problems, or a renewed period of instability in the currency exchanges could endanger this prospect of continuing expansion. On balance, however, the probability is that US economic growth in 1987 will be slightly faster on an annual basis than in 1986.

For the rest of the world this suggests that in neither 1986 nor 1987 will US imports provide the stimulus to economic activity in Europe or the Pacific countries which they did from 1983 to mid-1985. Nevertheless, with the exception of the first half of 1986, there should be some volume growth in imports, so that the deflationary effects on the rest of world should be less severe over the next 18 months than they have been in the past 12 months. Several European countries will be adversely affected in the summer of 1986 by the steep decline in US overseas tourism, which is due to a mixture of political and economic factors, and to Americans' worries concerning their personal safety in foreign travel. Apart from a reduced rate of import growth, the depreciation of the dollar has resulted in improving the competitiveness of US exports. As demand in European economies expands in the second half of 1986 and in 1987, it is reasonable to expect some increase in direct American exports to Europe, especially of capital goods. This could limit the growth of European output, but the effect is likely to be limited.

Although probably less dominant now than over the past three years, US markets retain a major influence in determining the level of international interest rates. With inflationary pressures relatively modest, and with an improvement expected in both the Federal budget deficit and the current balance of payments in 1987, it seems probable that this influence will operate towards a mild reduction in nominal interest rates over the next 18 months.

The European Economy

Initial estimates of GNP and other indicators show that there was some check to the rate of growth of most European economies in the first quarter of 1986. To a large extent this can be attributed to the effect on exports of the dollar depreciation in 1985, possibly intensified by some adjustment of stock levels in response to lower export prospects. It is also probable that the initial impact of the collapse in oil prices was deflationary, with the decline in export orders from the oil producing countries preceding the benefits of lower oil prices in the consuming countries.

Despite the first quarter slowdown, it is still confidently expected that the remainder of 1986 will see renewed expansion. In most countries the effect of lower oil prices and of currency appreciation appear to have fed through quite rapidly to the level of retail prices. With nominal pay levels increasing at little less than last year's rates, this should lead to a substantial increase in real disposable income, and to a considerable rise in the volume of personal consumption in the second half of the year. At the same time the reduction in fuel and material costs has generally led to some widening of profit margins, except in those firms predominantly exporting to the USA or OPEC countries. Allied to rising consumption, greater corporate profits can be expected to result in an upturn in private investment towards the end of 1986.

Government finances are not expected to benefit significantly in 1986 from the reduction in oil prices, so that in several countries the size of the general budget deficit will continue to be perceived as a constraint on fiscal policy. However, with inflation at historically low levels there seems a fair likelihood that monetary policy will continue to be eased, if only by the maintenance of nominal monetary targets in the face of slower price increases. Thus, European interest rates can be expected to fall, at least in line with any reduction in American or Japanese interest rates. Moreover, the prospect of a period of currency stability within the EMS following the April realignment could lead to a further general narrowing of interest rate differentials between the EMS partners.

Providing that oil prices remain low, 1987 should see a continuation of the trends established in the second half of 1986. Personal consumption should remain strong, private investment should grow substantially, and there is a possibility at least of some recovery in public sector investment in some countries. Exports to the rest of the world are likely to remain relatively weak, but trade within Europe can be expected to expand. Given the strong position in 1985 and the benefit of improved terms of trade in 1986 and 1987, the balance of payments will not constitute a constraint for Europe as a whole, while intra-European trade should prevent any serious balance of payments problems arising for individual countries.

In total, therefore, 1987 should see a general economic expansion in Europe, with an EEC growth in GNP of well over 3 per cent. This is likely to be sustained primarily by domestic demand, which could involve lower productivity increases than the export-led growth of recent years. Thus, it is reasonable to expect that within the EEC as a whole the growth of employment in 1987 will be sufficient to match the growth in the labour force, and prevent any further rise in unemployment.

The UK Economy

As was pointed out in the April *Commentary*, the UK not only remains Ireland's major trading partner, but also is in a somewhat different position from other EEC countries. The fact that it is a major oil producer, combined with the depreciation of sterling *vis à vis* the EMS currencies, has precluded the UK from sharing in the terms of trade gain enjoyed by the rest of Europe. Thus, although the Retail Price Index is currently showing an annual increase of less than 3 per cent, it seems probable that the underlying rate of inflation in the UK remains above that in most of the countries which are members of the EMS.

With average incomes rising at a rate of 7 to 8 per cent, personal consumption should rise fairly strongly in the remainder of 1986, giving an annual increase of about 4 per cent. However, both public and industrial investment seem likely to be weak, and despite the depreciation of sterling there is little sign of a major improvement in the volume of exports. Total GNP growth in 1986 is therefore expected to be about 2¾ per cent, rather lower than that achieved in 1985.

Prospects for the UK economy in 1987 rest upon several imponderables. The level of oil prices could have an important influence through acting on the constraining features of economic policy, namely the budget deficit and the balance of payments. Whether or not influenced by the course of oil prices, the exchange rate could change substantially, with the more likely movement being a renewed depreciation, perhaps triggered by the prospect of a general election. With an election pending, economic policy could itself become rather more expansionary, either covertly before the poll or openly after it if there were a change of government. On balance, it seems reasonable to predict a growth rate of between 2½ and 3 per cent in 1987, with the volume of imports increasing by 5 or 6 per cent, and nominal interest rates remaining significantly above those in Germany or the US.

The Rest of the World

Despite bearing the brunt of the reduction in US manufactured imports, Japan has continued to achieve record trade surpluses in the first six months of 1986. This can be attributed largely to the fall in the value of imports as a result of reduced oil and commodity prices, although some adjustment in the stock levels may also have been a contributing factor. However, despite the trade surplus, negligible inflation and a low level of unemployment, the prospects for the Japanese economy are regarded as the poorest for several years. Domestic demand is not expected to grow sufficiently rapidly to offset the comparative stagnation in export demand, and the authorities appear to have rejected any policy of unilateral internal expansion. Thus, GNP in 1986 is forecast to grow by little over 3 per cent, compared with 4½ per cent in 1985, while industrial production is likely to see a more dramatic decline from 4½ per cent to only ½ per cent. Although the rise of GNP is expected to be about 3 per cent again in 1987, industrial production should recover to an increase of about 3 per cent, as export growth resumes and stock adjustment is completed.

TABLE 1: Short-term International Outlook

	GNP % Change		Consumer Prices % Change		Hourly Earnings % Change		Unemployment Rate %		Budget Deficit as % of GNP		Current Account Balance as % of GNP	
Country	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986	1987
United States	3	3¼	3	2¾	3¼	3¼	7	7	3¾	3¼	—3½	—3
Canada	3¼	3¼	5¼	4	3½	3¼	10	9¾	5½	5	—1¼	—½
Japan	3	3	½	½	3½	3	3	3	1	½	4¼	4
West Germany	3¼	3½	0	¼	3¾	3¼	7¾	7¼	¾	½	3¼	2½
France	2¾	3¼	2½	2	4¼	3¼	10½	10½	2½	2½	1	½
UK	2¾	2¾	3½	4	8½	8	12	12	3½	3¾	½	0
Italy	2½	2¾	5¾	4½	7½	6	10¾	10¾	13	12½	1	½
Belgium	2	2½	2¾	2½	3	3	13¼	13	9½	9	3	3
Denmark	3¼	3½	2	2	4¼	5	8¾	8½	—2	—1½	—4	—2½
Netherlands	1½	2	½	1	2¾	2¼	14	13¾	6¾	6½	4¾	4½
Sweden	2½	2½	4	4	6	5	3	3	1½	1½	½	1
Total (OECD)	2¾	3¼	2½	3	4¼	4	8¼	8	3½	3¼	—¼	—½
Ireland	2½	2½	3¼	2½	6½	5	18	17¾	8*	7½*	—1¼	—1¾

*Not directly comparable.

Like Japan, the other major industrialised and industrialising countries outside Europe seem likely to grow more slowly in 1986 and 1987 than in the two preceding years. Again the main cause is the contraction in the US market for imports.

Oil producers, in or out of OPEC, are obviously the countries standing to lose most in the short and medium term if oil prices remain low. While some of the Middle Eastern producers, with small populations and accumulated financial assets, may be able to adjust relatively easily to low price levels through reducing the level of domestic and external investment, the poorer and more populous oil producing countries face a prolonged and very difficult period of adjustment. Unless there is a sustained recovery in oil prices, the industrial world must expect a very low level of imports by all major oil exporting nations in 1986 and 1987, while the world financial centres are likely to face almost continuous uncertainty as to the prospects of servicing existing debt by the weaker oil exporting nations.

The non-oil-producing developing countries are likely to benefit in both 1986 and 1987 from the low oil prices, the weaker dollar and the decline in international interest rates. However, many of them face difficulties caused by weak commodity prices and by a continuing stringent approach to third-world debt on the part of most lending agencies. These factors seem likely to keep import levels low in such countries for the foreseeable future.

The Context for Ireland

Having declined sharply from 8¾ per cent in 1984 to 3 per cent in 1985, the volume growth of world trade is expected to recover modestly to 3½ per cent in 1986 and 4 per cent in 1987. However, imports of manufactured goods by the industrialised countries, and particularly by the EEC member states, are likely to grow considerably faster than total world trade. Thus, the market background for Irish manufactured exports should be reasonably favourable in both years, although less buoyant than in the major recovery year of 1984. On the other hand, the international environment for agricultural exports is likely to remain very difficult, with EEC budgetary constraints exacerbated by the weaker dollar and by a lack of purchasing power in some potential markets.

How far the underlying growth in the markets for manufactured exports can in fact be translated into actual exports depends in part on the competitiveness of Irish industry. In the short to medium term this is heavily influenced by movements in exchange rates. Changes which took place from mid-1985 to mid-1986 tended to weaken the competitive position of Irish industry, with substantial appreciations of the Irish pound against the dollar, sterling, and, to a lesser extent, the French franc and the Italian lira. The only major currency against which the Irish pound depreciated substantially in the period was the Japanese yen, which is of little direct significance to Irish trade. The recent devaluation has served to reduce, but by no means eliminate, the appreciation against the dollar and sterling compared with the 1985 average. It has, however, resulted in a moderate depreciation compared with 1985 against all the EMS currencies, including the Deutschmark. In all, it would seem that the effective competitiveness of Irish industry is now only a little weaker than in 1985.

With regard to the next 18 months, the most likely currency movements are a further slight weakening of the dollar and sterling. However, in modern conditions the only certain features of currency fluctuations are their unpredictability and volatility, and the danger of a sharp decline in sterling in the course of 1987 cannot be ruled out. For the purpose of this forecast, only minor falls in the value of sterling and the dollar are assumed in the period to the end of 1987, with no further re-alignment of EMS currencies.

If such a period of relative exchange rate stability does transpire, it would be reasonable to expect some further narrowing of interest rate differentials between countries, especially as there has already been a notable convergence in inflation rates. Apart from this, a gradual decline in international interest rates seems likely to continue, with average rates in 1987 being lower than in 1986 in both nominal and real terms, although real interest rates would remain relatively high by historical standards.

A modest decline in interest rates combined with steady if unspectacular growth in world consumption and trade could lead to a recovery in the level of productive investment carried out by multi-national manufacturing companies. With Europe probably becoming the focus of growth in the next few years, as fiscal policy in some EEC countries is relaxed slightly while that in the US is tightened, Ireland could be well placed to compete for a share of such investment.

Some recovery in oil prices from the extremely depressed levels of July 1986 seems probable, although it remains doubtful that OPEC can reimpose sufficient discipline to bring about a large and sustained rise. An average price of about $16 per barrel is assumed for 1987 compared with an average of about $14 in the remainder of 1986.

In summary, therefore, the remainder of 1986 and 1987 should be helpful to the Irish economy in terms of a further reduction in the interest burden, and also in providing a modestly buoyant market for manufactured exports. On the other hand, prospects for agricultural exports remain poor, and potential currency movements could again pose problems of competitiveness. If these can be forestalled by adjusting the remaining elements of domestic inflation to the extremely low level of international inflation, then the international environment, despite its uncertainties, could be conducive to steady growth in the Irish economy over the next 18 months.

THE DOMESTIC ECONOMY

General

Provisional National Accounts estimates show that, as expected, there was virtually no growth in the Irish economy in 1985. Perhaps more seriously, downward revisions to the estimates for 1983 and 1984 indicate that the economy remains in even deeper recession than had previously been recognised. This, of course, is consistent with the finding that emigration has been running at considerably higher rates than realised in the past 3 years.

This revised picture of the state of the economy entering 1986 accentuates the need for a lasting recovery to commence while illustrating the difficulties involved in bringing it about. Nevertheless there remain grounds for cautious optimism concerning the course of the economy in the next 18 months, and the delay in obtaining visible benefits from lower oil prices and the weaker dollar does not mean that those benefits will prove illusory.

Exports

Trade statistics for the first half of 1986 show a decline of £300 million in the value of visible exports compared with the first six months in 1985. This suggests that a substantial downward revision is necessary in forecasts for exports in 1986 as a whole. To a considerable extent the shortfall has been due to export prices having fallen more sharply than expected. However, export volumes have also been somewhat weaker and more erratic than expected, although there has been some recovery from the depressed levels of the second half of 1985.

It is not clear whether the relatively sluggish performance in the volume of manufactured exports has been due to a slower than anticipated pick-up in world trade, or to a loss of competitiveness in traditional markets due to currency movements. If the former, the setback should prove temporary, as the logic of the international forecast is that market conditions should improve substantially in the second half of the year. If the latter cause is significant, the devaluation should help to restore exporters' margins and encourage some recovery in export levels. In either case it is reasonable to expect the volume of manufactured exports to be about 5 per cent higher than in 1985, with the value increase about 2½ per cent.

The volume of other industrial exports should be greater than in 1985, but lower prices will lead to an annual decline in their value. Allowing for some new major contracts, a reduction in the rate of intervention stock increases, and a partial green pound devaluation, a small volume and value rise is projected for agricultural exports in 1986 as a whole.

In total, therefore, visible exports are forecast to increase by about 4½ per cent in volume, and by about 1¼ per cent in value, in 1986. Assuming a lower adjustment factor due to a decline in shipments for intervention storage abroad, merchandise exports, on a balance of payments basis, would show a slightly higher increase.

TABLE 2: Exports of Goods and Services

	1985 £m	% Change Volume	% Change Value	1986 £m	% Change Volume	% Change Value	1987 £m
Agricultural	1781	4	1½	1808	3	4½	1889
Manufactured	6280	5	2½	6437	6	7¼	6902
Other Industrial	1556	3	—4½	1486	4	4	1545
Other	126			133			140
Total Visible	9743	4½	1¼	9864	5	6¼	10476
Adjustments	—216			—186			—175
Merchandise Exports	9527	4¾	1½	9678	5¼	6½	10301
Tourism	691	—8	-4¾	658	4	6½	701
Other Current Receipts	522	4	7½	561	5	7½	603
Exports of Goods and Services	10740	4	1½	10897	5¼	6½	11605

The extent of the decline in tourist earnings is not yet clear. Increases in off-season business seem likely to go some way to offsetting the shortfall in summer traffic. On balance, a volume decline for the year as a whole of about 8 per cent seems a reasonable expectation, with a small increase in Continental and British trade compensating in part for a steeper decrease in the number of American visitors. Other service exports grew quite sharply in 1985, and in the absence of any evidence to the contrary, it is assumed that this growth is continuing in 1986.

Turning to 1987, the prospects for a further steady but unspectacular increase in manufactured exports appear quite good, so long as production costs are contained and there is not a major shift in exchange rates. Export prices are likely to remain low, but slightly above 1986 levels, so that the value increase should be greater than the volume. Only a modest increase can be anticipated in the value of agricultural exports, as intervention stock increases are further reduced against a difficult international background. On the assumption that a partial devaluation of the green pound will be allowed in the autumn of 1986, but that full devaluation will be delayed until early 1987, the price of agricultural exports should show some increase.

Although the low value of the dollar is likely to persist in 1987, militating against the sort of American tourist boom experienced in 1985, the special factor of security worries which has depressed American travel abroad in 1986 can be assumed to have receded by 1987. Thus, it seems reasonable to predict some recovery from this year's depressed level of transatlantic tourist numbers, as well as a further increase in tourist revenue from Europe. Exports of other services should continue to increase against the background of an expanding European economy. In total, exports of goods and services in 1987 are projected to rise by over 5 per cent in volume and some 6½ per cent in value, representing an expectation of steady rather than spectacular progress.

Stocks

Current estimates indicate that there was a fall of some £31 million in the value of agricultural stocks in 1985, accounted for mainly by a decline in cattle numbers. Expectations are that this decline will continue in 1986 but at a slower rate. Stability in the level of agricultural stocks is assumed for 1987, with increasing sheep numbers compensating for a continuing small reduction in cattle numbers.

Intervention stocks, including produce held in EEC-aided private storage, increased by £112 million in 1985. The increase is expected to be much lower in 1986, due in part to slightly lower milk production, but mainly to stricter

TABLE 3: Stock Changes

	1985 £m	Change in Rate £m	1986 £m	Change in Rate £m	1987 £m
Livestock on Farms	–31	+11	—20	+20	0
Irish Intervention Stocks[1]	112	—78	34	—30	4
Other Non-ag. Stocks	96	+20	116	+35	151
Total	177	—47	130	+25	155

[1]Including subsidised private storage.

limitations on the quantity of beef taken into intervention and intensified efforts to dispose of intervention butter stocks. At this stage it is difficult to predict conditions in 1987, but given the critical financial situation likely to be faced within the Community it seems prudent to assume that the increase in intervention stocks will fall almost to zero.

The annual survey of industrial and distribution stocks and work in progress indicates that there was a rise of £96 million in 1985. With no running indicators available of actual stock levels, tentative estimates of trends can only be made on the basis of comparing import volumes with volumes of production, exports and retail sales. Such comparisons would suggest that there was some fall in the rate of industrial stock-building in the first half of 1986, which could be interpreted as a reasonable response to a period of high real interest rates, falling inflation, and uncertainty about sales prospects. Provided that the expected upturn in domestic and export sales does take place in the second half of the year, a faster build-up of stocks seems likely, taking the annual position of non-agricultural, non-intervention stocks, to an increase of, perhaps, £116 million. In keeping with the general economic forecast of moderate expansion, such stock levels could be expected to increase further in 1987.

Fixed Investment

Judging by cement sales and imports of capital goods, fixed investment in the first half of 1986 has been running at its lowest level for a decade. However, these indicators probably give an exaggerated picture of the decline in investment compared with 1985.

With regard to building and construction, the composition of activity is almost certainly less cement-intensive than usual this year, with minor home improvements, which use little cement, increasing while large scale construction projects have declined. It had been expected that there would be some upturn in housebuilding and commercial construction from about the middle of the year as interest rates declined. The slower than expected reduction in interest rates may well delay the recovery until very late in the year or into 1987. For 1986 as a whole, a volume decline in building and construction of about 3 per cent now seems a reasonable forecast.

Given the state of the public finances it would be unrealistic to anticipate any major increase in the allocation of funds to building and construction in the 1987 Public Capital Programme. However, with inflation likely to be at a low level, it seems quite possible that a volume fall in publicly financed construction can be avoided. Any significant upturn in building will depend on a recovery in private investment, especially in housing. Despite the lower than expected population growth revealed by the preliminary Census returns, it seems safe to assume that there is at least some back-log of latent housing demand, which would be released by a combination of lower interest rates, rising real disposable income and an improvement in perceived job security. These are precisely the conditions which are likely to be seen in 1987, so that a recovery in private housebuilding does seem probable. At this stage, a fairly cautious estimate would suggest a volume increase of about 5 per cent. With some recovery likely also in commercial and industrial building, a volume increase in total building and construction of about 4 per cent is forecast for 1987.

TABLE 4: Gross Fixed Capital Formation

	1985 £m	% Change Volume	% Change Value	1986 £m	% Change Volume	% Change Value	1987 £m
Building and Construction	1521	—3	1	1538	4	7	1646
Machinery and Equipment	2076	—1	—2	2036	5	7½	2188
Total	3597	—2	— ¾	3574	4½	7¼	3834

The fall in the value of imports of capital goods in the early months of 1986 compared with the same period of 1985 is influenced both by the fall in import prices and by the fact that such imports were unusually high in the early part of 1985 as the final stages of various major investment projects reached completion. For 1986 as a whole the decline is likely to be much smaller, perhaps of the order of 1 per cent in volume and 3 per cent in value.

Provided that trends in exports and domestic sales, and thus in industrial production, develop as expected, some increase in investment in machinery and equipment will be necessary in 1987, as replies to the CII-ESRI Survey suggest that the margin of unused capacity has been narrowing slightly over the past year. Lower interest rates might also serve to encourage such investment. A volume increase of 5 per cent is thus projected for 1987.

Consumption

With a minor downward adjustment to the existing forecast, it now seems likely that the value of personal consumption will rise by about 6¼ per cent in 1986. However, mainly because prices in the first half of the year were higher than had been expected, the annual average level of consumer prices will also be above the previous projection, at about 3¼ per cent. Thus, the volume of personal consumption now seems likely to rise by only 3 per cent rather than the 4 per cent previously forecast. It should be noted that most of this shortfall has already taken place in the first half of the year, and it is still probable that there will be a substantial rise in the volume of consumer spending in the second half of the year as price levels finally decline.

On the assumption that pay increases are held to moderate levels over the next 18 months, and that the 1987 Budget will be broadly neutral as it affects the personal consumer, personal disposable incomes could rise by a little over 5 per cent in 1987. If consumer prices increase by about 2½ per cent, this would permit a volume rise in personal consumption of around 2½ per cent in 1987, assuming no change in the personal saving ratio.

The increase in public authorities expenditure on current goods and services in 1986 seems likely to be almost 7 per cent at current prices, and about 1 per cent in constant price terms. The normal technical assumption of an unchanged volume of public consumption in 1987 seems also to be a reasonable forecast in present circumstances, and could translate into a current price increase of about 4½ per cent when allowance is made for the later phases of the current pay agreement, including special payments, for a limited pay pause in the late months of 1987, and for a much lower price increase in the non-pay elements of public current expenditure.

Final Demand

On the basis of the expenditure forecasts already discussed, final demand in 1986 would rise by 3¼ per cent in value and 2½ per cent in volume. The pattern of growth seems likely to be quite different from most recent years, with exports accounting for a much smaller proportion than usual, and consumption for a much higher. Because of the divergent trends in internal and external prices this shift in pattern is particularly noticeable in the value composition of final demand, where exports of goods and services seem likely to account for less than one-fifth of the total increase, although they could account for almost two-thirds of the volume growth.

The projections for 1987 suggest a rather higher rate of growth in the volume of final demand at about 3½ per cent. Although domestic prices should be rising more slowly, it is expected that the steep fall in export prices will have been completed, so that the overall price deflator will be slightly higher, giving an increase in the value of final demand of about 5¾ per cent. With both the volume of fixed investment and of industrial stocks forecast to rise in 1987, the composition of final demand can be expected to be more import-intensive than in 1986.

Imports

As in the case of exports, a combination of sharply reduced prices and relatively stagnant volume movements have led to a substantial fall in the value of merchandise imports in the first half of 1986. For the period January to June 1986 the trade statistics show the value of imports as 10½ per cent lower than in the same period of 1985. The value of consumer goods imports has been running at roughly the 1985 level, but imports of both capital and intermediate goods are well below 1985 levels.

Some pick-up can be expected in import volume in the second half of the year, as industrial production grows and stock levels are re-built. At the same time, imports of consumer goods can be expected to expand further in response to a faster growth in the volume of consumption, and import prices as a whole could be slightly higher as a result of devaluation and some recovery in oil prices. In total, the value of merchandise imports for the year seems likely to be about 5 per cent below 1985.

TABLE 5: Imports of Goods and Services

	1985 £m	% Change Volume	% Change Value	1986 £m	% Change Volume	% Change Value	1987 £m
Capital Goods	1253	—2	—4½	1197	5	7	1281
Consumer Goods	2318	8	4	2410	5	7	2579
Intermediate Goods:							
Agriculture	455	5½	—1	450	0	2	459
Other	5376	—1	—7½	4970	4½	6½	5296
Other Goods	30			30			32
Total Visible	9430	1¼	—4	9057	4½	6½	9647
Adjustments	—58			—55			—58
Merchandise Imports	9372	1¼	—4	9002	4½	6½	9589
Tourism	399	4½	7¾	430	4	6	456
Other Services	576	4	4	599	4½	6½	638
Imports of Goods and Services	10347	1½	—3	10031	4½	6½	10683

It seems reasonable to forecast a substantial rise in the volume of service imports in 1986 as a whole, both as a continuation of past trends and as a result of increased tourist travel abroad.

If the remainder of the forecast is correct, imports of goods and services seem likely to rise in both value and volume terms in 1987. Assuming that competitive conditions remain much the same in 1987 as in the second half of 1986, implying a small further rise in import prices, there could be a volume increase of about 4½ per cent and a value increase of 6½ per cent in both merchandise imports and imports of goods and services.

Balance of Payments

On the basis of the export and import forecasts, the balance of trade in goods and services should continue the improvement seen in recent years, and could reach a surplus of some £866 million in 1986, just over double that achieved in 1985. This improvement is due both to the improved terms of trade lowering the price of imports more than that of exports, and to the very sluggish increase expected in the volume of imports. Over the last few years much of the gain in the balance of trade has been offset by very large increases in the adverse balance of factor flows. In 1986 the rise of net factor payments abroad is likely to be the lowest since 1980 in absolute terms at under £100 million, while in percentage terms the increase should be the smallest since the balance of factor payments turned negative in 1976. The main reasons for this respite are that currency movements and lower international interest rates will reduce interest payments on the overseas national debt, in terms of Irish pounds, while profit expatriation will grow less rapidly than in recent years because of currency changes and the check in the rate of growth of relevant exports. However, the improvement in the total balance of payments on current account in 1986 will be limited by a reduction in the flow of net transfers from the EEC, the rise in which has been a major contributor to the improvement in the balance of payments since 1982. In total, a balance of payments deficit on current account of about £210 million appears a reasonable estimate for 1986. At only 1¼ per cent of GNP, this would be the lowest deficit, in proportional terms, for well over a decade, but it must be recognised that it will have been achieved at a time of favourable short term currency movements and when the economy remains in a state of considerable recession.

This becomes immediately relevant when the prospects for 1987 are examined. Allowing for even a modest start to recovery in fixed investment and stockbuilding it seems probable that volume growth in imports will be little slower than that in exports. With further currency movements assumed to be minor, and anticipating a modest recovery in crude oil prices from the very depressed levels they have reached in the middle of 1986, the terms of trade seem more likely to deteriorate slightly than to improve further. In these circumstances it seems probable that the balance of trade in goods and services in 1987 will be only about £50 million better than in 1986.

On the currency assumptions made, but allowing for some further fall in international interest rates, the outflow of net factor payments seems likely to grow more rapidly in 1987 than in 1986. At this stage of the year it is difficult to predict movements in transfer payments in the following year, but given the financial constraints facing the European Community it would be unwise to expect any significant increase in transfer payments in 1987.

It thus seems quite probable that the total balance of payments will deteriorate slightly in 1987, after 5 years steady improvement, although the level predicted, at £310 million or 1¾ per cent of GNP, remains low by historical standards.

Output

After its virtual stagnation in 1985, when falls in agriculture, construction and the extractive industries offset modest increases in manufacturing, utilities and services, the volume of output is expected to resume a moderate rate of growth in 1986 and 1987. While output growth will continue to remain heavily dependent on industry in 1986, it is expected that a more balanced composition will be seen in 1987.

Agriculture

Previous forecasts of a small growth in agricultural output in 1986 rested on an assumption of a return to normal weather conditions. While it is still too early to assess the final outcome, it already appears that 1986 will be another year of below average conditions, although perhaps not as bad as 1985. At this stage, it seems reasonable to assume that there will be a small decline in the volume of gross agricultural output, with a minor recovery in crop levels being offset by falls in milk and cattle production The volume of inputs is likely to rise, due mainly to the need for greater use of imported feedstuffs as a result of the fodder shortage arising in 1985. Thus the volume of gross agricultural product, the value added in the farming sector, seems likely to decline by about 2½ per cent.

For 1987, recourse must once again be had to the concept of normal weather conditions and on this assumption both gross output and gross product could rise by perhaps 2 per cent. Whatever the weather, a really strong recovery in output would seem to be precluded by difficulties in disposing of the produce, given the current problems of the Common Agricultural Policy.

Industry

The volume of production in manufacturing industry in the first four months of 1986 was 1½ per cent higher than in the corresponding period of 1985. Perhaps more significantly, on a seasonally corrected basis it was 3¼ per cent higher than in the last 4 months of 1985, and if the level of the first four months were merely maintained for the rest of the year the annual rise in output would be 3 per cent. Although the responses to the CII-ESRI Survey suggest that output was fairly sluggish in the second quarter, an upturn can be expected in the second half of the year as domestic consumption increases and as the European economy expands more rapidly. An annual increase in the volume of manufacturing of about 4½ per cent seems likely for 1986 as a whole.

With quarrying activity remaining depressed, and weather conditions preventing the expected recovery in turf production, no growth seems likely in the extractive industries, but output of the utilities should continue to increase quite rapidly. Thus, the volume of production of industry as a whole could rise by almost 5 per cent in 1986. As discussed under investment, output in the building and construction industry seems likely to decline, even if there is some pick-up in the autumn. The annual fall of about 3 per cent can be attributed to real interest rates remaining high, and to the slowness of business and consumer confidence to respond to the more expansionary prospects engendered by falling price inflation.

On the assumption that this improvement in confidence will become established over the coming months, and that there will be a gradual if erratic fall in interest rates in the next year, building output, both commercial and housing, should show some upturn in 1987. In fact the recovery could be quite sharp, but at present it seems prudent to project a rise of about 4 per cent in the volume of construction activity in 1987 from its very depressed 1986 level.

Industrial output could rise at about the same rate, 5 per cent, as in 1986, provided that exports do follow the expected upward trend. As in most recent years, the "modern" industries would account for most of the growth in manufacturing production although some of the more traditional industries serving consumer markets could also show some expansion. If investment in construction increases as expected, there should be some recovery in the output of the extractive industries, while utilities, aided by lower relative prices, seem likely to continue to grow.

Services

The latest revisions to the National Accounts, and the employment figures derived from the 1985 Labour Force Survey suggest that the service sector was less buoyant in 1983 and 1984 than had been thought. Aided by the boom in tourism, the volume of services increased moderately in 1985, but the reversal in the fortunes of the tourist industry suggests that any rise in the volume of services activity will be only marginal in 1986.

Provided that the general forecast of economic growth in 1987 is correct, and on the assumption that there will be some recovery in the tourist industry, next year should see a resumption of expansion in the private service sector of the economy. However, with public services assumed to show no real growth, the overall increase in the volume of services is likely to remain quite modest.

Employment

The preliminary results from the Census of Population 1986 and the Labour Force Survey 1985 indicate that, due to a steep rise in net emigration, the size of the total labour force fell by 9,000 between April 1984 and April 1985, and by a larger amount in the year to April 1986. This knowledge obviously affects the interpretation of employment trends in 1984 and 1985. It is now apparent that the smaller increases in unemployment in each of those years reflected mainly an increasing rate of emigration rather than a stabilising of employment levels. While the trend of industrial employment was only slightly worse than previously estimated, it is now clear that there was no compensating increase in service employment and that there was an unexpected acceleration in the rate of decline in the numbers engaged in agriculture.

Against this background, it is necessary to revise downward previous forecasts of the likely trends in employment in 1986. Although the fall in

TABLE 6: Employment and Unemployment

A: Mid-April Estimates '000

	1984	1985	1986	1987	1988
Agriculture	181	169	161	155	150
Industry	319	305	296	295	301
Services	604	600	600	602	605
Total at work	1104	1074	1057	1052	1056
Unemployed	204	225	230	230	228
Labour Force	1308	1299	1287	1282	1294
Unemployment Rate %	15.6	17.3	17.9	17.9	17.8
Live Register	214	228	232	232	230

B: Annual Averages '000

	1984	1985	1986	1987
Agriculture	175	167	158	152
Industry	311	301	295	299
Services	602	600	601	604
Total at work	1088	1068	1054	1055
Unemployed	217	227	230	229
Labour Force	1305	1295	1284	1284
Unemployment Rate %	16.6	17.5	17.9	17.8
Live Register	214	231	233	231

agricultural employment in the year to April 1985 might have been abnormal, it seems that the earlier forecasts of a steady decline of 3,000 per year were much too optimistic and a considerably steeper fall must now be assumed for both 1986 and 1987. It remains reasonable to expect that the decline in industrial employment will be checked in the course of 1986, and that with a recovery in building activity in 1987 total industrial employment will rise in that year. Perhaps the most important revision is with regard to service employment, where the expectation of a vigorous increase in both years has to be replaced with a forecast of virtual stagnation in 1986 followed by only a small increase in 1987.

On an annual average basis, it now seems likely that the total number at work in 1986 will be some 14,000 less than in 1985, with the largest fall being in agricultural employment. The labour force itself, however, could well decline by some 11,000, leaving an increase of unemployment, on a labour force definition, of about 3,000. For 1987 the picture is a little less gloomy, with both the number at work and the labour force stabilising, leading to approximate stability also in the number unemployed. This is on the assumption that substantial emigration will continue, but that the rate of net emigration will decline as job prospects stabilise.

Incomes

Given the forecast of a 2½ per cent fall in the volume of gross agricultural product in 1986, it seems probable that there will be virtually no change in the value of income arising in agriculture, forestry and fishing. Although many agricultural products face significant price falls in 1986, the increased milk price should keep total farm output prices roughly constant. Input prices, however, are falling so that the net price effect, together with some increase in the value of forestry and fishing output, should be sufficient to offset the volume decrease in agricultural output. For 1987, it must be assumed that the EEC determined price regime will remain very restrictive but that a full devaluation of the green pound will be allowed. Assuming, therefore, a very slight positive net price effect, some increase in expenses, but a rise in forestry and fishing incomes, the 2 per cent rise forecast in the volume of agricultural product could be expected to translate into an increase of 3 per cent in income arising in agriculture, forestry and fishing.

Since private sector pay bargaining evolved into an almost continuous process of individual negotiations, and since most settlements are now in phased instalments of differing lengths, there is no longer any point in retaining concept of "pay rounds" so far as the private sector is concerned. Moreover, the actual level of average pay increase received in any year is as much the function of the later stages of earlier agreements as of the size of new settlements. This is a major reason why the adaptation of average pay increases to changes in the rate of price inflation tends to be very slow.

So far as 1986 is concerned, the combination of carryover from 1985, later phases of earlier agreements and new bargains reached during the year seem likely to take the increase in average pay rates in the private sector to about 6 per cent. Wage drift should more or less counteract the small decline expected in the number of private sector employees, leaving the rise in private sector earnings at just over 6 per cent. Despite the intention in *Building on Reality* that public sector pay should rise more slowly than private, the imposition of special increases on top of the basic agreement has ensured that the total public service pay bill in 1986 will rise slightly faster than that in the private sector. In all, it seems probable that the increase in aggregate non-agricultural wages, salaries and pensions in 1986 will be about 6¼ per cent.

The size of new settlements has been falling during 1986, and as lower price inflation becomes a reality rather than an expectation, this process should continue for the rest of the year and into 1987. Moreover, the squeeze placed on the margins of many companies by the depreciation of sterling will certainly predispose them to resist claims for new pay increases, even if the devaluation of the Irish pound has slightly eased the pressure they are under. The public service pay-bill in 1987 will tend to be swollen by the application of special pay awards and could thus, once more, increase at least as fast as private sector pay. In total, however, it seems probable that pay will rise more slowly in 1987 than in 1986, and allowing for the stabilisation expected in the number of employees, aggregate earnings in 1987 are likely to increase by around 5 per cent. As in 1986, this will be well above the rate of price inflation, leading to a significant two-year improvement in the real average earnings of employees.

The failure of interest rates to fall as rapidly as expected, together with the continuing high level of personal saving, should ensure a substantial rise in 1986 for personal incomes from interest dividends and rent. Similarly, the fact that retail prices have been so slow to reflect the fall in import prices suggests a significant widening in distributive margins. While some of this will have served to increase corporate profits, and thus possibly dividends, much of it is likely to have accrued to the income of the self employed in the distributive trades. Taking these factors into account, along with the general growth in the economy, it is reasonable to predict an increase of about 11 per cent in the total of "other" non-agricultural personal income in 1986. Such an opportunity for widening margins seems unlikely to recur in 1987, while nominal interest rates should decline. Nevertheless, economic growth should continue, with the volume of consumption again making a major contribution. In these circumstances an increase of 7 per cent in such incomes in 1987 is projected.

Transfer incomes rose sharply in 1985, partly because of an increase in the numbers receiving state benefits or assistance, and partly because of a high level of transfers from abroad. With a fall in transfers from overseas expected in 1986, and a smaller rise in the number of social welfare recipients, a lower increase of about 6½ per cent in total transfer income is forecast for this year. Assuming a small increase in the level of personal transfer payments from abroad, a minor reduction in the number on the Live Register, a rise in the number of other social welfare recipients and a marginal increase in the real level of average benefit and assistance receipts, total transfer incomes in 1987 could rise by almost 5 per cent, roughly in line with the total of earned incomes.

TABLE 7: Personal Disposable Income

	1985	Change		1986	Change		1987
	£m	%	£m	£m	%	£m	£m
Agriculture, etc.	1346	—	—	1346	3	40	1386
Non-Agricultural Wages, etc.	9337	6¼	584	9921	5	495	10416
Other Non-Agricultural Income	1680	11	193	1865	7	137	1996
Total Income Received	12363	6¼	777	13132	5	672	13798
Current Transfers	3133	6½	203	3336	5	163	3499
Gross Personal Income	15496	6½	976	16468	5	835	17297
Direct Personal Taxes	3325	9	300	3625	5	181	3806
Personal Disposable Income	12171	5¾	696	12843	5	654	13491
Consumption	9797	6¼	612	10409	5	523	10932
Personal Savings	2374	2¾	68	2434	5	131	2559
Savings Ratio	19.5%			19.0%			19.0%

On these projections, gross personal incomes would rise by 6½ per cent in 1986 and by 5 per cent in 1987. Due largely to the introduction of the deposit interest rentention tax, direct taxation on personal income and wealth is budgeted to increase by about 9 per cent in 1986, leaving the rise in personal disposable income at 5¾ per cent. On the technical assumption that all direct taxes are indexed in 1987, direct personal taxes would rise by slightly more than incomes, as allowances, thresholds and bands would increase only by the rate of price inflation rather than the higher rate of pay inflation. However, when allowance is made for the carryover effect of the abolition of the income levy and for the lower impact of the deposit interest retention tax in its second year of operation, it seems that indexation would, in practice, be compatible with direct personal taxes in 1987 rising at about the same rate as gross personal income. On this assumption, personal disposable income in 1987 would also increase by about 5 per cent.

The composition of personal taxation in 1986 should be conducive to some fall in the personal savings ratio, as the deposit interest retention tax should operate directly on interest accruals which tend in many cases to be automatically saved. Conversely PAYE tax rates and the income levy, which impinge on basic discretionary income, have been reduced, which can be expected to encourage spending rather than saving. Making a modest allowance for this effect, which will operate primarily in the second half of 1986, it seems probable that personal consumption in the year will grow by about ½ per cent more than disposable incomes. Thus, an increase of some 6¼ per cent in the value of personal consumption is forecast for 1986, with the personal savings ratio falling by half a point to 19 per cent of disposable income.

With no obvious factors other than consumer sentiment being yet apparent to influence the savings ratio in 1987, it is assumed that it will remain unchanged at its 1986 level. On this basis, the value of personal consumer expenditure is projected to increase by 5 per cent, keeping it in line with the increase in personal disposable income.

Consumer Prices

The level of the consumer price index in both February and May of 1986 was higher than most commentators had expected. While it was known that tax charges and retail interest rates would both exert an upward influence on the index, it was believed that by May at least the effect of lower import prices would have gone far to offset these. The fall in import prices as measured by the unit value trade indices would appear to have reflected exchange rate changes quite rapidly. However, only a portion of these changes had worked through to the retail price level by mid-May.

In the absence of any similar period of steeply falling import prices in the past 30 years, there is no direct comparison available to aid analysis of the transmission process for price reductions. It is thus too early to tell whether the slow reaction to falling import prices is merely a matter of the lags involved being longer than anticipated, or whether it is evidence that competitive forces in Ireland are too weak to ensure the passing on of general cost reductions. Probably there is an element of both these explanations present, but the balance between them cannot yet be established. In the short-run it is clear that there must have been a considerable widening of margins in the production and distribution chains serving the domestic market, but in the case of some manufacturers a part of this benefit may have had to be used to offset narrowing margins on their export trade.

With regard to the remainder of 1986, it seems reasonable to assume that there is a sufficient degree of competition to force some eventual reduction in retail prices where the cost fall of imported products or materials has been significant. Provided this happens, then combined with lower VAT rates on many services, falling energy prices and a reduction in "retail" interest rates since mid-May, it should lead to a significant fall in the consumer price index between May and August. Assuming a partial devaluation in the green pound, and some increase in crude oil prices, the index could rise a little between August and November. Paradoxically, a considerable part of any increase due to the direct price effects of the devaluation could be offset by a more favourable course of interest rate developments, as there seems to be little doubt that interest rates would have been forced up considerably if there had not been such a move, affecting the index both directly and through their impact on production and trading costs.

On balance, therefore, it seems likely that the rise in the consumer price index in the year to mid-November 1986 could be in the neighbourhood of 2 per cent, giving an annual average increase in the index of about 3¼ per cent.

On the assumptions made that there will be little further net movement in exchange rates and that there will be a modest recovery in oil prices, it is likely that price inflation will resume in 1987, largely under the influence of a continuing rise in domestic costs and of a full devaluation of the green pound. Making the technical assumptions of no change in real indirect tax rates, an increase in the consumer price index of about 1 per cent each quarter in 1987 seems a reasonable expectation. This would lead to a rise of 2½ per cent in the annual average of the index for 1987 as a whole, and for an increase of 4 per cent in the year to November 1987.

Public Finances

Exchequer returns for the first half of 1986 suggest that the current budget deficit might be slightly higher than its target of £1,270. Provided that the new taxes on deposit interest and the insurance companies bring in the expected amounts, tax revenue for the year could be very close to the targetted level. An upturn in the value of imports in the second half of the year should go a considerable way towards reducing the shortfall in VAT receipts, while more buoyant consumer spending should increase other indirect tax revenue. With direct taxes already running in line with or above budgetted levels in the first half of the year, the shortfall, if any, in total tax revenue seems likely to be minor.

Non-tax revenue, however, does seem set to fall well below original expectations. Mainly this is due to the impact of falling energy prices on the profits of An Bord Gais, exacerbated by the problems of Dublin Gas. Thus, total current revenue could be some £30 million or so below the budget estimate as revised after the Finance Act.

Provided that the devaluation has the desired effect of enabling the downward trend in domestic interest rates to be resumed, Central Fund expenditure should be a little below the budgeted level. The April realignment of EMS currencies, together with the unilateral August devaluation of the Irish pound will make the servicing of debt denominated in Deutschmarks or other hard European currencies more expensive than expected in the second half of 1986. However, even after the devaluation, the dollar is likely to remain weaker in terms of the Irish pound than was allowed for at budget time, while international interest rates have declined rather further than was then assumed. Domestic interest rates, in the periods when substantial new borrowing has been undertaken, have been close to the levels assumed in framing the budget, and there is now a reasonable possibility that they will be lower in the remainder of the year.

Supply service expenditure was running close to target in the first half of the year, although it showed no sign of benefitting from the lower than expected inflation rate. Given the probable shortfall in total revenue, and pay commitments to teachers and others which were not included in the budget calculations, it is important that some savings are made in non-pay costs in the remainder of the year. Assuming that some such savings are achieved, but that a considerable proportion of the price savings on fuel are diverted into other forms of expenditure, total supply service spending in 1986 seems likely to be marginally above target. In this case, there could be a small over-run on the current budget deficit, leaving it rather above the 1985 level in absolute terms, and about ¼ per cent lower as a percentage of GNP at 8 per cent.

On present trends and policies there does not appear to be much likelihood of a significant reduction in the current budget deficit in 1987. Even if further special pay awards are minimised and any further general pay increase in the public service beyond the later phases of the present round is postponed until 1988, if there is no further increase in average levels of unemployment, and if little more than indexation is offered to social welfare recipients, it is difficult to see supply service expenditure rising by less than 4½ per cent in 1987. If the assumptions made in this *Commentary* about exchange rate movements are correct, any appreciation in the Irish pound against the dollar in 1987 compared with 1986 will be more than counterbalanced by the average depreciation against the Deutschmark and other strong currencies. Allowing for a slightly lower average level of interest rates, both internationally and domestically, Central Fund Expenditure seems set to reflect the continuation of substantial borrowing in 1986 and 1987 by rising at about 3 per cent. Thus, total current expenditure seems likely to rise by some 4 per cent in 1987.

The increase in tax revenues, on the assumption of approximate indexation of both indirect tax rates and direct tax allowances and bands, can be expected to be close to the estimated rise in incomes and expenditure of 5 per cent, although the predicted rise in the value of imports could lead to a slightly higher tax take. A similar rise in non-tax revenue appears a reasonable assumption if there is a slight recovery in energy prices, so that total revenue at 5 per cent could be expected to rise only marginally faster than total expenditure. This would serve to keep the current budget deficit at roughly the same absolute level as in 1986, implying a small further reduction to 7½ per cent as a proportion of GNP.

Such an outcome would necessitate a further year of high borrowing both at home and abroad, keeping sufficient pressure on the domestic capital markets to retard the process of reducing domestic interest rates.

General Assessment

The mood of optimism about the course of the economy which was fairly widespread in the early months of 1986 has now largely evaporated. There are many reasons for this. The predicted fall in inflation has been slower and gentler than originally expected, delaying the up-turn in the volume of consumption. There is no evidence of any substantial improvement in the public finances, in spite of the reduction in overseas interest payments. The weakness of sterling has narrowed profit margins over a wide range of Irish industries, casting doubt on the security of large numbers of jobs. The collapse of American tourist travel has affected not only the hotel industry but also various ancillary trades and suppliers. The poor weather has prevented any recovery in agricultural output, while farm prices have remained depressed. The Census has revealed that population growth in the last few years has been significantly lower, and job losses higher, than had previously been believed. Finally, because of currency uncertainties, the fall in nominal interest rates has been more erratic and considerably slower than had been expected, with the result that average real interest rates in the first half of the year were only marginally lower than in the first half of 1985.

Although it is reasonable that all these factors have generated some fears about the future of the economy, it still appears, on a dispassionate appraisal of the economic prospects, that the reaction to them has been too strong. In spite of delays and difficulties, Ireland is in the process of gaining substantially from the massive improvement in the terms of trade inherent in the fall of oil prices and the appreciation of the currency in the past twelve months. Over the remainder of 1986 price inflation will fall to the lowest levels in a generation, and real incomes for most sections of the community will improve substantially. The transformation in the performance of the economy in the second half of 1986 and in 1987 may be less dramatic than was hoped for in the early part of this year, but nevertheless there remains a genuine prospect of steady, if unspectacular, progress in improving average living standards and in stabilising employment levels during the next eighteen months.

As current economic indicators begin to record this progress, it is reasonable to expect that the recent mood of pessimism will in turn be replaced with a more balanced outlook, which recognises that difficulties and dangers persist but that they are balanced by opportunities and benefits.

Of key importance in setting the mood, as well as having an objective influence on corporate and personal decision making, is the course of interest rates. For the first half of 1986 the level of domestic interest rates has been pushed upwards by recurring speculation concerning exchange rate values. Only for a brief period following the EMS realignment in April was there a general reduction in interest rates, and even that was more limited than had been expected, as doubts persisted about the sustainability of the exchange rate against sterling.

The 8 per cent devaluation of the mid-rate of the Irish pound against its EMS partner currencies should greatly reduce this uncertainty, at least in the short run. At the time of writing the full impact of the devaluation on interest rates has not had time to become apparent, but it appears reasonable to expect that for the rest of the year domestic interest rates will be substantially lower than they were in the first half, or than they would have been in the absence of a devaluation.

In the longer run the effect on interest rates is uncertain. A major part of the logic of the exchange rate policy followed since 1983 was that the markets would come to recognise that the Irish pound always followed the mid-course in EMS realignments, and that therefore any speculative gains to be made in relation to the Irish currency would be infrequent and strictly limited in extent. As this recognition grew, the expectation was that the differential between Irish and Continental interest rates would narrow, leaving Irish interest rates in the long term well below the levels they would be with a more active exchange rate policy.

Obviously the introduction of a unilateral devaluation has destroyed this policy, and proved the markets correct in assuming that the importance of sterling could, in the last resort, determine the EMS parity of the Irish pound. Whether long term damage has been sustained by this policy reversal must remain a moot point. How long it would have taken the market to accept the reality of the non-devaluation policy cannot now be known, but it is clear that it had signally failed to respond to it in the years to date. Thus, a continuation of the policy may merely have meant recurring periods, such as early 1986, when interest rates were forced abnormally high simply to maintain the exchange rate, with the desired narrowing of interest differentials indefinitely postponed. Since the unilateral devaluation, pressure will become even more intense each time the market perceives what it believes to be an imbalance in currency rates, but such occasions may be rarer starting from the new lower parity. It thus cannot be stated with any certainty that long-term interest rates will be higher than they otherwise would have been.

What is certain is that if the short-term benefits in terms of interest rates and of trading patterns are to be maximised and extended as far as possible into the future, then policy measures must be directed towards minimising the inflationary impact of the devaluation. The immediate direct effect through import prices is likely to be quite limited, given that much of the effect of the preceding appreciation of the currency had not yet been felt at retail level, and that even after the devaluation the trade weighted value of the Irish pound in the remainder of 1986 will be significantly higher than in the corresponding period of 1985. More important could be the impact on food prices of a parallel devaluation of the green pound. In this, the probable wishes of the other EEC member countries for a phased devaluation could well fit with Ireland's best interests. A partial green pound devaluation as soon as possible, with the remainder deferred until early in 1987, would give some protection to farmers' net incomes, while the rise in food prices would be spread out in time. The third possible impact on inflation would be if pay levels responded rapidly to a general expectation that prices are about to rise sharply. Given that a sharp increase in prices is, in fact, unlikely, so that the existing rate of pay increases will still result in rising living standards, and that the labour market remains relatively depressed, it certainly cannot be taken for granted that there will be significant pressure for a higher level of pay settlements. However, even if such pressure is applied, it is in the interest of both government and employers to resist it as firmly as possible. Although the devaluation will have eased the most acute threat to the viability of many companies trading in the exposed sector, they remain vulnerable to possible future fluctuations in the value of the dollar and sterling, and can ill afford an accelerated increase in domestic costs.

Provided that pay, pricing and taxation policies are geared to the continuation of a low rate of inflation, the net effect of the devaluation in both 1986 and 1987 should be to protect the volume growth in the economy arising from the underlying improvement in the terms of trade. In this case employment prospects should improve, and, crucially, the conditions created for an increase in productive investment. Only if this occurs, funded by private capital from both domestic and international sources, can the economy be set on a lasting growth path.

Even a general, but fairly modest, upturn in the economy over the next eighteen months, as forecast in this *Commentary*, seems likely to leave the public finances in a state of severe and damaging imbalance. While a continuation of the *status quo* would appear, technically, to be tenable in the medium term, it would be far from satisfactory. Not only would it impede general economic recovery, by keeping interest rates higher than they need be and by preempting a considerable proportion of each year's growth to meet the interest charges on new foreign borrowing, but it would leave the nation desperately exposed to any unfavourable movements in exchange rates or international interest rates in the future.

At the risk of inducing terminal tedium in the reader, it is necessary to state yet again that it remains imperative for the long-term health of the economy that substantial progress should be made as soon as possible towards reducing the current budget deficit in absolute, as well as proportionate, terms. However unpalatable, extreme parsimony needs to be exercised in drawing up estimates for public current expenditure in 1987, and indeed in controlling public spending in the remainder of 1986. Hopes that real cuts in tax rates could be afforded in 1987 appear quite unrealistic.

STATISTICAL APPENDIX

	Output Indicators				Employment		Output per Head	
	1	2	3	4	5	6	7	8
	Manufacturing	Transportable Goods	Electricity Output	Cement Sales	Manufacturing	Transportable Goods	Manufacturing	Transportable Goods
	1980 = 100	1980 = 100	G.W.H.	000 Metric Tons	000's	000's	1980 = 100	1980 = 100
1980	100.0	100.0	10733	1814.9	227.4	239.0	100.0	100.0
1981	102.7	101.6	10767	1812.5	222.5	234.2	105.0	103.7
1982	102.4	101.7	10792	1486.1	215.3	226.0	108.2	107.6
1983	110.0	108.6	11039	1382.4	202.5	212.6	123.5	122.1
1984	124.6	122.9	11424	1298.4	196.3	205.9	144.3	142.7
1985	128.0	124.7	11919	1233.2	189.0	197.6	154.0	150.8
1986								

Quarterly Averages or Totals

1983 I	107.9	105.7	2990	298.1	204.5	214.2	120.0	117.9
II	113.1	110.9	2650	367.1	202.2	213.2	127.2	124.3
III	103.9	105.4	2470	371.5	202.9	213.3	116.2	118.1
IV	115.3	112.7	2929	345.7	200.3	209.7	130.9	128.4
1984 I	117.4	114.6	3136	271.5	197.4	206.7	135.2	132.5
II	132.6	132.4	2672	366.3	196.8	207.5	153.2	152.5
III	116.1	116.4	2562	350.0	196.9	206.4	134.1	134.8
IV	132.6	128.5	3054	310.6	194.2	202.8	155.3	151.4
1985 I	129.3	125.4	3259	241.3	189.3	197.9	155.3	151.4
II	136.0	132.6	2818	350.4	188.9	198.6	163.7	159.6
III	117.7	115.5	2705	333.1	189.2	197.5	141.5	139.8
IV	129.5	125.8	3137	308.3	188.4	196.5	156.5	153.0
1986 I	129.8	125.4	3356	205.0	184.6	192.6	159.9	155.6
II				319.1				
III								
IV								

Quarterly Averages or Totals Seasonally Corrected

1983 I	109.1	108.2	2712	356.5	205.7	216.0	120.6	119.7
II	106.5	104.5	2802	330.7	203.0	213.0	119.3	117.3
III	110.2	109.4	2764	343.2	201.8	212.1	124.2	123.3
IV	114.5	112.8	2771	357.7	199.4	209.3	130.6	128.8
1984 I	118.3	117.1	2841	326.6	198.7	208.6	135.4	134.2
II	125.0	124.8	2824	327.9	197.5	207.2	143.9	144.0
III	123.3	120.7	2865	323.0	195.8	205.1	142.9	140.6
IV	131.4	128.3	2900	306.5	193.3	202.5	154.6	151.4
1985 I	130.7	128.4	2945	294.2	190.6	199.8	155.9	153.6
II	128.5	125.5	2976	313.2	189.6	198.3	154.1	151.3
III	125.0	119.7	3024	304.8	188.1	196.3	151.1	145.7
IV	128.4	125.5	2983	309.8	187.7	196.2	155.6	152.9
1986 I	131.3	128.6	3034	257.2	185.9	194.3	160.6	158.2
II				287.0				
III								
IV								

Unemployment	Prices						
9	10	11	12	13	14	15	
Live Register Av. Monthly	Consumer Price Index	Agricultural Price Index	Import Unit Value	Export Unit Value	Terms of Trade	Price of Stocks + Shares	
000's	Nov. 1982 = 100	1980 = 100	1975 = 100	1975 = 100	1975 = 100	1975 = 100	
101.5	68.4	100.0	195.6	179.5	91.8	212.0	1980
127.9	82.4	117.7	232.4	208.4	89.7	219.9	1981
148.2	96.5	127.5	249.4	231.5	92.8	179.9	1982
192.7	106.6	135.4	261.1	251.9	96.5	223.7	1983
214.2	115.8	139.4	286.5	273.0	95.3	296.1	1984
230.6	122.0	135.6	293.2	280.6	95.7	316.8	1985
							1986
Quarterly Averages or Totals							
188.3	102.5	132.0	247.0	237.3	96.1	172.0	1983 I
188.1	105.3	133.7	254.5	247.7	97.3	206.1	II
193.0	108.3	138.8	268.8	257.0	96.7	249.7	III
201.3	110.3	138.5	275.3	263.3	95.6	267.2	IV
215.2	112.9	146.6	281.5	266.0	94.5	309.6	1984 I
210.8	115.5	150.0	283.7	269.8	95.1	314.9	II
212.6	116.9	135.6	294.3	276.6	94.0	280.7	III
218.1	117.7	134.4	297.9	283.3	95.1	279.1	IV
232.8	119.9	140.7	297.3	280.3	94.3	284.7	1985 I
226.5	121.5	140.2	300.6	288.0	95.8	289 4	II
231.8	123.3	133.1	298.0	289.9	97.3	333.3	III
231.2	123.5	134.3	289.7	282.7	97.6	359.8	IV
238.7	125.4	140.9	279.0	270.0	96.8	426.8	1986 I
231.8	126.9					508.5	II
							III
							IV
Quarterly Averages or Totals Seasonally Corrected							
182.4	102.7	129.2	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	1983 I
190.0	105.0	131.1					II
196.0	108.1	140.9					III
202.6	110.7	142.1					IV
208.9	113.0	143.8					1984 I
212.8	115.2	146.1					II
215.6	116.6	138.0					III
219.6	118.2	138.2					IV
226.3	120.1	138.1					1985 I
228.6	121.2	136.5					II
234.8	123.0	135.6					III
232.7	124.1	138.1					IV
232.1	125.5	138.2					1986 I
233.8	126.6						II
							III
							IV

	Money Earnings Weekly Averages		Real Earnings		Consumption Indicators		
	16	17	18	19	20	21	22
	Manufacturing	Transportable Goods	Manufacturing	Transportable Goods	New Cars Registered	Retail Sales Value	Retail Sales Volume
	1973 = 100	1973 = 100	1982 = 100	1982 = 100	Total	1980 = 100	1980 = 100
1980	321.2	321.0	112.0	111.8	91032	100.0	100.0
1981	373.8	372.6	108.2	107.7	104645	118.3	99.4
1982	419.1	419.8	103.6	103.6	72603	129.4	94.0
1983	468.3	469.2	104.8	104.8	61094	137.0	90.5
1984	523.8	525.1	107.9	108.0	55893	145.4	89.2
1985	563.0	563.5	110.0	109.9	59592	155.6	90.8
1986							

Quarterly Averages or Totals

1983 I	440.6	440.8	102.6	102.4	29851	135.5	92.0
II	458.4	463.1	103.9	104.8	12255	130.2	86.1
III	476.3	475.9	104.9	104.7	12110	135.4	87.6
IV	497.9	497.1	107.7	107.4	6878	148.5	94.8
1984 I	502.3	503.0	106.2	106.1	19263	139.8	87.9
II	518.5	523.8	107.1	108.0	18443	143.9	88.6
III	528.2	528.1	107.9	107.5	11708	143.5	87.3
IV	546.0	545.6	110.7	110.4	6479	155.8	93.7
1985 I	541.8	542.0	107.8	107.7	19914	147.6	87.5
II	561.6	565.4	110.3	110.4	19200	153.2	89.8
III	566.8	566.3	109.7	109.2	13287	155.2	90.1
IV	581.6	580.3	113.4	113.3	7191	167.6	96.6
1986 I	581.6		109.4		17923	155.2	88.8
II					17668		
III							
IV							

Quarterly Averages or Totals Seasonally Corrected

1983 I	446.9	448.6	104.0	104.3	20689	136.8	93.1
II	456.2	457.9	103.4	103.6	10587	132.0	88.1
III	477.0	477.1	105.1	104.9	13591	137.4	89.8
IV	492.7	492.8	106.6	106.4	14726	141.8	90.8
1984 I	509.0	511.5	107.5	107.9	13284	141.5	88.9
II	516.8	518.4	106.8	106.9	15331	145.7	90.0
III	528.7	529.6	107.9	107.9	13392	145.9	88.8
IV	540.5	540.8	109.6	109.4	13215	148.4	89.1
1985 I	548.7	550.6	109.2	109.4	14152	149.6	88.7
II	560.3	559.9	110.0	109.8	15628	155.2	91.2
III	567.5	568.3	109.8	109.8	15335	157.9	91.8
IV	575.5	574.8	109.5	109.2	14210	159.5	91.7
1986 I	588.3		110.6		12591	157.4	89.9
II					14121		
III							
IV							

Government			Monetary Developments				
23	24	25	26	27	28	29	
Current Revenue	Current Expenditure	Current Deficit	Money Supply M3	Licensed Banks Domestic Credit Government	Licensed Banks Domestic Credit Non-Gov.	External Reserves	
£m	£m	£m	£m End Period	£m End Period	£m End Period	£m End Period	
3155	3708	553	n.a.	1132.6	n.a.	1346.0	1980
3973	4796	823	n.a.	1277.4	n.a.	1473.1	1981
4908	5896	988	7291.9	1564.7	6655.1	1594.0	1982
5711	6671	960	7697.4	1775.6	7493.8	2014.8	1983
5952	6991	1039	8473.9	2247.9	8127.6	2101.2	1984
6331	7615	1284	8924.8	2514.1	8441.1	2271.9	1985
							1986
Quarterly Totals			Monthly Totals				
1220	1646	426	7229.1	1499.9	6888.3	1235.1	1983 I
1405	1654	249	7345.5	1638.4	6904.8	1343.2	II
1440	1560	120	7439.7	1749.7	7302.1	1914.4	III
1646	1811	165	7697.4	1775.6	7493.8	2014.8	IV
1290	1719	429	7697.4	1831.2	7512.5	2117.7	1984 I
1516	1684	169	7934.1	2142.4	7724.4	1952.0	II
1457	1715	258	8161.6	2223.0	7938.4	1875.0	III
1688	1873	185	8473.9	2247.9	8127.6	2101.1	IV
1325	1981	656	8438.9	2166.3	8151.0	2632.5	1985 I
1635	1792	157	8545.0	2319.1	8291.7	3124.8	II
1562	1838	277	8639.4	2421.6	8206.8	3009.6	III
1809	2004	195	8924.8	2514.1	8441.1	2271.9	IV
1416	2056	640	8567.5	2510.1	8730.6	2232.8	1986 I
1735	2052	317				2296.5	II
							III
							IV
Quarterly Totals (S.C.)			Monthly Totals (S.C.)				
1339	1604	265	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	No Seasonal Pattern	1983 I
1396	1658	253					II
1494	1621	127					III
1458	1788	330					IV
1448	1666	219					1984 I
1492	1700	208					II
1505	1785	280					III
1494	1852	347					IV
1509	1915	406					1985 I
1597	1816	219					II
1609	1919	310					III
1601	1960	359					IV
1620	1988	368					1986 I
1689	2086	397					II
							III
							IV

	Visible Trade Indicators					Exchange Rates	
	30	31	32	33	34	35	36
	Imports (Value)	Exports (Value)	Import Excess (Value)	Imports (Volume)	Exports (Volume)	Effective Index	Sterling
	£m	£m	£m	1975 = 100	1975 = 100	Dec. 1971 = 100	Per IR£
1980	5419.6	4130.9	1288.7	162.6	158.9	74.01	0.8862
1981	6578.4	4777.6	1800.8	166.0	158.3	67.75	0.8002
1982	6812.3	5687.9	1124.4	160.3	169.8	67.35	0.8125
1983	7358.2	6938.2	420.0	165.3	190.2	65.13	0.8222
1984	8913.5	8898.0	15.5	182.6	225.2	62.26	0.8134
1985	9434.5	9742.1	- 307.6	188.7	239.9	62.41	0.8234
1986							

Monthly Averages

1983 I	585.8	471.5	114.8	167.1	164.8	69.46	0.8943
II	592.1	575.8	16.4	163.8	192.6	65.14	0.8171
III	603.0	606.2	—3.2	157.8	195.6	63.28	0.7894
IV	671.8	658.7	12.1	172.7	207.6	62.74	0.7896
1984 I	744.5	654.4	90.1	186.3	203.8	62.58	0.7951
II	714.9	769.8	—54.9	177.4	236.5	62.56	0.8097
III	710.5	722.7	—12.2	170.0	216.6	61.86	0.8143
IV	801.1	819.0	—17.7	189.3	239.7	62.04	0.8352
1985 I	820.0	800.4	19.6	194.4	236.6	61.95	0.8590
II	808.2	855.8	- 47.6	189.3	246.2	61.44	0.8075
III	740.7	795.3	- 54.6	175.0	227.5	62.15	0.7959
IV	775.9	795,9	- 20.0	188.6	233.3	64.11	0.8324
1986 I	732.8	762.5	- 29.7	185.0	234.6	66.60	0.8966
II	723.2	787.9	- 64.7			67.34	0.8976
III							
IV							

Monthly Averages. Seasonally Corrected.

1983 I	560.7	506.3	54.4	167.1	164.8	No Seasonal Pattern	No Seasonal Pattern
II	583.1	553.7	29.4	163.8	192.6		
III	624.5	605.4	19.1	157.8	195.6		
IV	689.4	642.6	46.8	172.7	207.6		
1984 I	716.1	695.8	20.3	177.7	214.9		
II	705.1	737.7	—32.6	174.7	227.5		
III	745.2	725.9	19.3	179.9	218.1		
IV	804.8	798.7	6.1	190.9	234.2		
1985 I	792.4	862.1	—69.7	185.6	249.6		
II	795.6	817.8	—22.2	185.5	239.2		
III	774.5	792.4	—17.9	183.8	227.4		
IV	796.4	770.5	25.9	194.2	227.1		
1986 I	702.4	809.3	- 106.9	176.1	246.2		
II	717.8	760.6	- 42.8				
III							
IV							

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