



ESTIMATED MONTHLY MODIFIED DOMESTIC DEMAND (MDD)

28 October 2022

Nowcast projection for August 2022 MDD: **4.0%**

MODIFIED DOMESTIC DEMAND (MDD) NOWCAST

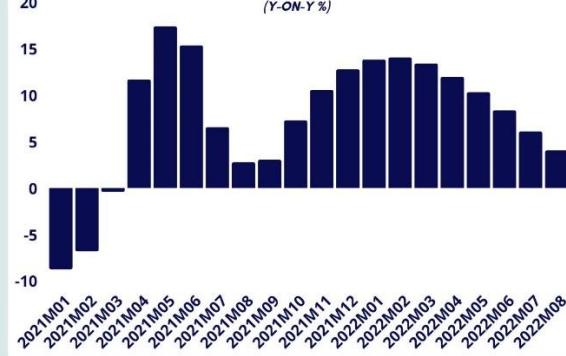


MDD is a measure of domestic economic activity in Ireland including spending by households, investment by enterprises and net spending by the government.

August Key Indicators (Y-on-Y):

↑ Total tax revenue ↓ Monthly Unemployment ↑ Consumer price index ↓ Consumer Sentiment

MONTHLY MDD (Y-ON-Y %)



Monthly MDD has been strong through 2022, although growth has slowed since its Y-on-Y peak of 14% in February 2022. Monthly MDD in August 2022 is estimated to be 4.0% above its level in August 2021. MDD for Q3 2023 is now estimated to be 4.1% on an annual basis.

*Detail on the Nowcasting model employed for these estimates can be found in: Egan P. (2022). 'Nowcasting domestic demand using a dynamic factor model: the case of Ireland'. Applied Economics Letters.



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Using the ESRI Nowcasting model currently employed to support the forecasting exercise in the *Quarterly Economic Commentary*, we will now update our forecast of modified domestic demand (MDD) on a monthly basis.¹

Our nowcast estimates that MDD is expected to grow by 4.1 per cent in Q3 2022² on an annual basis, indicating some moderation from its growth of 10.2 per cent per annum in Q2 2022. On a monthly basis, MDD is estimated to be 4.0 per cent above its level from August 2021. Strong tax receipts, continued strength in the labour market and growth in industrial production are all contributing to growth. However, continued uncertainty in the global economy and elevated inflation rates have contributed to a decline in survey indicators, such as business and consumer sentiment, as well as slowdowns in retail sales. While growth of 4.1 per cent is strong on a historical basis, it is clear that MDD is moderating considerably from its peak of 14 per cent in February 2022.

¹ For further information, please contact: Wendy Disch, Research Assistant, ESRI, email: wendy.disch@esri.ie

² Nowcast figures for Q3 2022 include data available through 14 October 2022.

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