



Estimated Monthly Modified Domestic Demand (MDD)

21 September 2023

July 2023 Key Indicators (versus July 2022)



Prices
Production

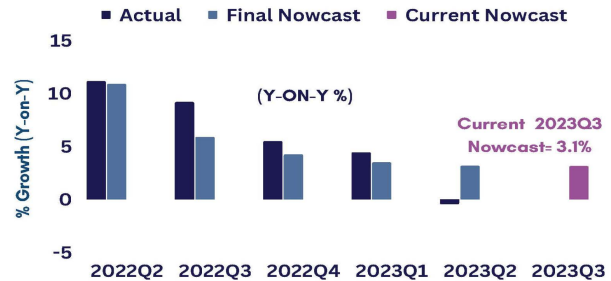


Financial Conditions
Sentiment

Estimated July 2023 MDD = 1.9%



2023Q3 MDD Nowcast = 3.1% (based on all July and partial August data)



Summary

- Using data available through 20th September 2023, we provide an update to our monthly estimate of modified domestic demand (MDD)¹ using the ESRI's Nowcasting model currently employed to support the forecasting exercise in the *Quarterly Economic Commentary*².
- We estimate that MDD grew 1.9% year-on-year in July 2023. While July saw a further tightening of financial conditions and more negative business sentiment indicators than 12 months ago, there were increases in the price of both goods and services as well as an improvement across a number of production sectors from 12 months ago. Based on data from July and partial data from August only, our nowcast estimates MDD for 2023Q3 to be 3.1% above its level in 2022Q3.
- The forecasting error in 2023Q2 (model fit value of 3.1% versus actual outturn of -0.4%) was likely due to a large increase in investment in actual infrastructure such as buildings and other fixed assets on the part of multinational enterprises (MNEs) in 2022Q2, which is included in MDD, and subsequent fall in 2023Q2. As there is no monthly indicator available that would pick up these transactions, it is outside the scope of the model to predict the fall in overall MDD from this source.

¹ MDD is a measure of domestic economic activity in Ireland including spending by households, investment by enterprises and net spending by the government.

² Based on Egan, P. (2023) Nowcasting domestic demand using a dynamic factor model: the case of Ireland, *Applied Economics Letters*, 30(19), 2711-2716. For further information, please contact Paul Egan, Research Officer. Email: paul.egan@esri.ie

<https://doi.org/10.26504/ir11>

© 2023 The Economic and Social Research Institute, Whitaker Square, Sir John Rogerson's Quay, Dublin 2



This Open Access work is licensed under a Creative Commons Attribution 4.0 International License (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly credited.