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QUARTERLY ECONOMIC COMMENTARY

by

P. BACON, J. DURKAN
J. O'LEARY, S. SCOTT

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P. Bacon is a Research Officer, J. Durkan is a Senior Research Officer, J. O'Leary is a Research Assistant and S. Scott is an Assistant Research Officer 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.

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SUMMARY

In this *Commentary* a forecast for 1982 for GNP and its components is presented. The underlying fiscal assumption is that the broad outline of fiscal policy as implied in the proposed January budget is carried into a new budget in the late spring, but without any adjustment to compensate for the delay in implementing higher taxes.

Domestic demand in 1982 will be very weak. Private Consumption is expected to fall by 4 per cent in volume terms and consumer prices to rise by 18½ per cent. The fall in consumption may be somewhat less than the fall in disposable income. Nominal disposable income is expected to rise by only 12 per cent as income tax receipts, the youth employment levy and social welfare contributions increase very rapidly under the fiscal assumption.

Agricultural incomes are expected to increase by 20 per cent, other private sector employee remuneration by 13 per cent, and public sector pay covered by the current budget to rise by just over 18 per cent.

Investment is expected to show no growth this year. Expenditure on building and construction is expected to fall while expenditure on plant and machinery is expected to increase in volume terms.

The most buoyant element in our forecast is that relating to exports of goods and services which are forecast to grow by 7¼ per cent. The main source of this derives from the expected growth in industrial exports – a response to both the increase in world trade and the increase in supply from new firms.

The volume of imports of goods and services may grow by 1 per cent. There is expected to be a slight improvement this year in the terms of trade so that the balance of payments deficit at £1,200 million falls to 10 per cent of GNP compared with £1,310 million or 13 per cent of GNP in 1981.

The fiscal assumption and the associated borrowing requirement imply external borrowing of roughly the same nominal order of magnitude as in 1981, i.e., about £1,200 – £1,300 million. Domestic Credit Expansion in 1982 is expected to be equivalent to about 30 per cent of end 1981 money supply.

TABLE I: NATIONAL ACCOUNTS 1980-1981

A: Expenditure on Gross National Product

	1980 £m	1981 £m	Change in 1981 £m Total	Change in 1981 £m Volume	Change in 1981 % Total	Change in 1981 % Price	Change in 1981 % Volume
Private Consumer Expenditure ...	5522	6625	1103	−20	20	20½	−½
Public Net Current Expenditure ...	1834	2275	441	0	24	24	0
Gross Domestic Fixed Capital Formation	2552	3130	578	157	22½	15½	6¼
Exports of Goods and Services ...	4669	5485	816	70	17½	15¾	1½
Physical Changes in Stocks:							
Agriculture	−125	15	140	135	—	—	—
Intervention	−5	−25	−20	−17	—	—	—
Other	30	0	−41	−22	—	—	—
Final Demand	14477	17505	3028	303	21	18½	2
Imports of Goods and Services ...	−5800	−7065	1265	−113	21¾	19½	2
GDP at market prices	8677	10440	1763	190	20¼	17¾	2¼
Net Factor payments	−120	−210	−90	−56	—	19½	—
GNP at market prices	8557	10230	1673	134	19½	17¾	1½

B: Gross National Product by Origin

	1980 £m	1981 £m	Change in 1981 £m	Change in 1981 %
Agriculture, Forestry, Fishing ...	779	935	156	20
Non-Agricultural: Wages	5200	6135	935	18
Other	1063	1225	162	15¼
Net Factor Payments	−120	−210	−90	—
National Income	6922	8085	1163	16¾
Depreciation	785	935	150	19
GNP at factor cost	7707	9020	1313	17¼
Taxes less Subsidies	850	1210	360	42
GNP at market prices	8557	10230	1673	19½

C: Balance of Payments on Current Account

	1980 £m	1981 £m	Change £m
X−M+F	−1251	−1790	−539
Net transfers	+526	+480	−46
Balance on Current Account ...	−725	−1310	−585

TABLE II: NATIONAL ACCOUNTS 1981-1982

A: Expenditure on Gross National Product

	1981 £m	1982 £m	Change in 1982				
			£m		%		
			Total	Volume	Total	Price	Volume
Private Consumer Expenditure ...	6625	7535	910	−265	13¾	18½	−4
Public Net Current Expenditure ...	2275	2640	365	0	16	16	0
Gross Domestic Fixed Capital Formation	3130	3535	405	0	13	13	0
Exports of Goods and Services ...	5485	6640	1155	400	21	12¾	7¼
Physical Changes in Stocks:							
Agriculture	15	30	15	10	—	—	—
Intervention	−25	−20	+5	10	—	—	—
Other	0	−10	−10	−5	—	—	—
Final Demand	17505	20350	2845	150	16¼	15¼	¾
Imports of Goods and Services ...	−7065	−7920	855	70	12	11	1
GDP at market prices	10440	12430	1990	80	19	18¼	¾
Net Factor payments	−210	−420	−210	−168	—	11	—
GNP at market prices	10230	12010	1780	−88	17½	18½	−¾

B: Gross National Product by Origin

	1981 £m	1982 £m	Change in 1982	
			£m	%
Agriculture, Forestry, Fishing ...	935	1125	190	20
Non-Agricultural: Wages	6135	7035	900	14½
Other	1225	1420	195	16
Net Factor Payments	−210	−420	−210	—
National Income	8085	9160	1075	13¼
Depreciation	935	1080	145	15½
GNP at factor cost	9020	10240	1220	13½
Taxes less Subsidies	1210	1770	560	46
GNP at market prices	10230	12010	1780	17½

C: Balance of Payments on Current Account

	1981 £m	1982 £m	Change £m
X−M+F	−1790	−1700	+90
Net transfers	+480	+500	+20
Balance on Current Account ...	−1310	−1200	+110

1 THE INTERNATIONAL ECONOMY

In 1981 the industrial world witnessed a flattening out of the recession with a GDP growth rate of 1 per cent. Major influences have been the continued after-effects of the 1979 oil price shock and efforts to control inflation with widespread emphasis on monetary restraint. In addition, many countries have aimed to curb public spending in order to reduce budget deficits.

In Europe the fall of GDP began to taper off at the start of 1981 and recovery started in the United States but strict monetary control in the United States and the ensuing high interest rates hindered the recovery. Europe saw a heavy fall in investment by enterprises, notably in the United Kingdom, Denmark and the Netherlands. A decline of 3 per cent in investment is the likely outcome for 1981. Destocking continued but the bottom of the stock cycle may have been reached. The appreciation of the US dollar resulting from the tightened money supply as well as from the strong export performance in the previous two years, whatever its ultimate effect, confronted most European countries with steeply rising import prices.

For Europe as a whole, GDP growth in 1981 was negative at –¼ per cent as shown in Table 1.

Against the background of static world trade, a continuing heavy fall in OPEC exports and a steep rise in OPEC imports, exports from Europe have experienced some growth, mainly from France and Germany. European imports, on the other hand, may have declined by 4¼ per cent as a result of destocking, high interest levels and the appreciation of the dollar.

TABLE 1: Growth of Real GDP (Percentage Changes)

	1980	1981	1980	1981	
			II	I	II
Germany FR	1.8	–.5 to –1	–2¼	–½	–1
France	1.2 to 1.5	0 to 0.25	0	–1½	3½
United Kingdom	–1.6 to –2.5	–2 to –3.1	–6	–1	¾
Italy	4.0	–0 to –.5	–4½	2¼	–1¼
Spain	1.2	1.25			
Netherlands	1.0	–1			
Belgium	2.2	0			
Greece	1.7	1			
Portugal	5.5	3			
Ireland	2.1	2.2			
United States	–0.2	1.8 to 2	–½	4½	–½
Japan	4.2	3.5 to 4.0	3½	3¾	3½
OECD	1.3	1.25	–¼	2¼	¾
OECD-Europe	1.4	–.25	–1½	–¼	¾

Sources: National Institute Economic Review Nov. 1981 and European Economic Research Institutes.

Oil prices do not react closely to changes in the value of the dollar. However, the dollar rise and OPEC's consequent terms of trade gain would have facilitated agreement in November to peg the market price of crude oil at $34 per barrel until end 1982. This represents $4 increase on the price in December 1980.

A weighted average price of OECD oil imports from OPEC, at just below $35, is approximately $1.50 higher than in December 1980, though some 50 cents lower than in January 1981. Other factors contributing to the recent lowering dollar price of oil are the recovery of production in Iraq and Iran and the continued reduction in demand. Inventories are being run down but stocks are still claimed to be above economically viable levels. While further downward pressure on prices might be resisted it is assumed that recent experiences of OPEC countries will encourage a more united commitment to an orderly upward trend in the future. OPEC's terms of trade gain in 1981 is estimated at over 14 per cent.

The rise in consumer prices in Europe in 1981 is estimated at 11½ per cent or about one percentage point less than in 1980. The United Kingdom stands out with a drop from 18 per cent to about 11½ per cent in retail prices, though the fall in the consumption deflator is less. Inflation rates started to decelerate in the second half of 1980 aided by non-accommodating monetary policies following the oil price rise. The dollar appreciation set back the deceleration in Europe. Consumer price changes are given in Table 2.

TABLE 2: Consumer prices, percentage changes

	1980	1981	1982
Germany FR	5.4	5¾	4¼
France	13.5	13½	13¾
United Kingdom	16.0	11	10¼
Italy	20.4	19¼	16
Spain	15.5	14¾	12
Netherlands	5.7	7	5¾
Belgium	6.7	7¾	7¼
Austria	6.2	6¾	6
Denmark	11.9	10½	8½
Greece	24.9	25½	23
Portugal	16.6	18½	18½
Ireland	18.2	20½	18½
United States	10.2	8¼	7½
Japan	7.1	4¾	4½
OECD	11.0	9½	8¾
Major four European Countries	12.4	11½	10¾

Source: OECD *Economic Outlook,* No. 30, December 1981 and own estimates.

High inflation differentials between France and Germany brought about the realignment of EMS currencies on October 4. The central rates of the deutchmark and guilder were upvalued by 5½ per cent and those of the lira and French franc were devalued by 3 per cent against the Belgian and Luxembourg francs, the Danish krone and the Irish pound. The realignment and the prior decline in United States interest rates was followed by lowering interest rates in several EMS member countries. The durability of the new parity will depend largely on the convergence of economic policies and narrowing of inflation differentials. Doubts have been expressed on the likelihood, especially in relation to the paths of real wage costs.

Employment growth in the United States reversed after mid-1981 and the fall of employment in Europe continued in 1981 with an overall decline of 1¼ per cent. In the UK the decline was 4¾ per cent. The rising trend of unemployment has remained strong with only Japan in the industrial world having a static level of unemployment.

We turn now to look more closely at the individual countries which feature prominently in Irish economic transactions. In the UK, the low point in the level of real GDP was reached during the year. The decline in industrial production tapered off in the 2nd quarter. The 3rd quarter shows the index edging up by nearly ¾ per cent and that for manufacturing industry by over 1¼ per cent. The September all-industry index is still, however, 11 per cent below its 1979 average. The end of the period of destocking accounts for any recovery forecast and employment continues to fall though at a decreasing rate. While a reduction in inflation has been the main objective of policy, inflation in 1982 is forecast at about 10 per cent owing to the effect on import prices of the relative decline in the pound, hence the target growth of public sector average earnings of 4 per cent and hopes that the recent lowering of US interest rates and subsequent stability of the pound will ease the rate of inflation. There may be some slight reflationary action in the March 9 budget but no major demand stimulus is expected.

Germany witnessed a 1 per cent decline in GNP in 1981. The rise in production at the start of the year is largely attributed to an upward trend in exports. Though experiencing relatively low inflation, the external deficit put downward pressure on the deutchmark enhancing competitiveness. A sharp tightening of monetary policy in February returned the deutchmark to its strong position. The labour market has continued to worsen. The unemployment rate has risen very rapidly — indeed the increase accelerated during 1981. Forecasts for 1982 suggest that the rate of unemployment could be about 7 per cent compared with 5.5 per cent in 1981.

France experienced a production downturn at the start of 1981 associated with weak demand in durable consumer goods. The expansionary price measures of the new government are expected to stimulate personal consumption while the franc devaluation and rising world demand are expected to stimulate exports. The rise in GDP in 1981 is estimated at ¼ to ½ per cent and in 1982 to 2¼ to 3 per cent, the highest expected European growth rate except for Spain. On the negative side, inflation could rise to 14 per cent in 1982 though price controls and persuasion of unions to moderate wage demands are intended to reduce inflation to 10 per cent. The external deficit and budget deficit will also suffer. Employment, however, is expected to stabilise, but unemployment could continue to rise.

In the United States the drop in GDP growth in the second quarter of 1981 is attributed to high real interest rates. These affected investment and declining sales increased stocks. Signs of a continued recession, with September witnessing a 0.8 per cent drop in industrial production and a rise in unemployment, have led to expectation of a further decline in interest rates. The interest rate pictured is subject to considerable short-term fluctuation in the US. At present there seems to be a lack of interface between the fiscal policies pursued by the administration and monetary policy and this is being reflected in instability in interest rates. However, the general trend in interest rates is likely to be down.

Against this background, prospects are nevertheless dependent on recent and forthcoming policy measures. Fiscal measures act with a time lag and recent measures taken in Europe or intentions announced, are restrictive. The main exception, as we saw, is France. Policy in the United States, with its emphasis on curbing public spending and taxation, will be mildly expansionary for 1982, its effects being concentrated on the second half of the year. While US interest rates are likely to continue declining, continued monetary restraint in Europe would impede the decline here. The UK apart, all European countries expect a continuation of positive real short-term interest rates.

Indications for growth and employment in 1982 are given in Table 3 below.

TABLE 3: 1982 Forecast GDP and Unemployment

	Growth of Real GDP %, seasonally adjusted annual rates 1982			Unemployment %
	1982	I	II	1982
Germany	1	1¼	2½	7
France	2¼–3	3	3	8¼
UK	½–¾	½	¾	11½
Italy	1	1	3	8¼
Netherlands	1			9¾
Belgium	2			11½
Denmark	2¾			8¾
Ireland	¾			10
US	1–1½	1½	3½	8
Japan	4–5	3½	5	2½
OECD	1¾–2	2	3¼	7¾
OECD–Europe	1¾	1¾	2½	8¾

Source: As for Table 1.

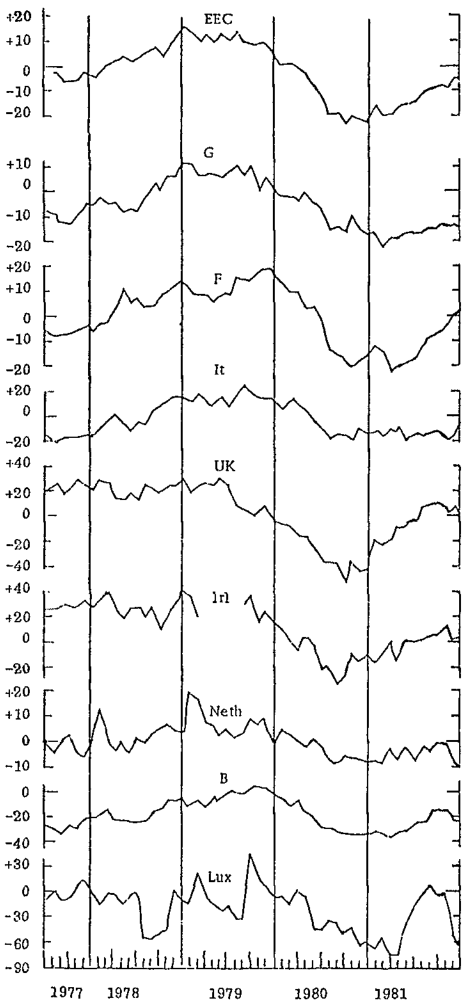
The recovery, supported by the turn in the stock cycle, will be fairly slow. Business Survey results in Diagram 1 show faltering expectations of rising production and an end to the decline in order books. Total GDP growth for Europe is forecast at 1.5 to 2 per cent, with accelerating growth rates through the year. In spite of poor growth, prospects for world trade as shown in Table 4 below are reasonable.

TABLE 4: OECD Trade volumes (percentage change from previous period)

	1980	1981	1982
Total exports	4	3	4
Total imports	–1¼	–2½	3½
Intra-OECD trade: Exports	2¼	–½	2¾
Exports to OPEC	12	24	9
Imports from OPEC	–13	–16½	–5¼

Source: OECD *Economic Outlook,* 30 December 1981.

Production Outlook for Manufacturing Industry
EEC and Member States*



Order books in Manufacturing Industry
EEC and Member States*

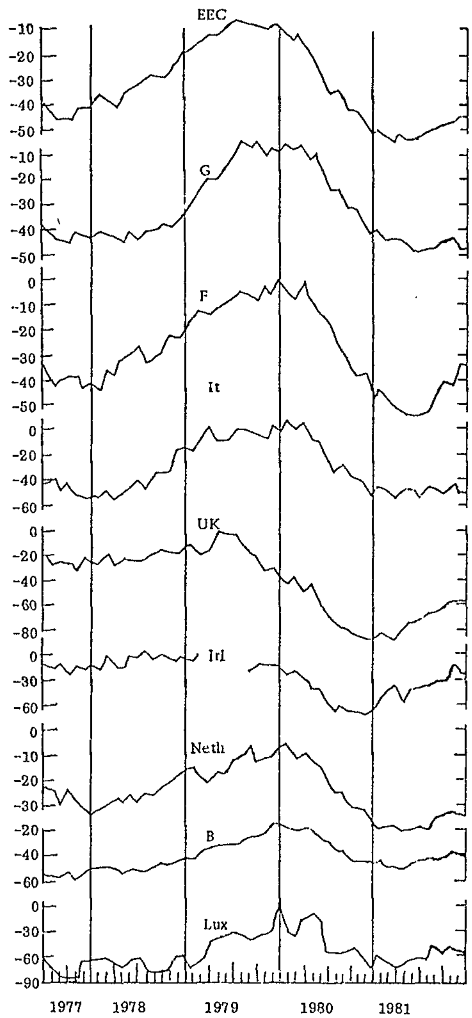


Diagram 1: Leading Indicators for European Economies

*Net balances, i.e., differences between percentages of respondents offering positive and negative replies.
Source: European Community business survey results (monthly) Supplement B.

Exports of Goods and Services

Merchandise exports rose in value terms by 18.2 per cent in 1980 and 17.3 per cent in 1981.

Industrial exports consisted of manufactured exports (SITC 5-8) drink and tobacco exports, exports from the Shannon free trade industrial complex, mining exports plus a variety of other commodities. In 1981 manufactured exports accounted for 80 per cent of total industrial exports. For this reason the behaviour of these exports is of prime importance. Table 5 summarises the position with regard to exports of manufactures from Ireland and OECD trade on a half yearly basis.

TABLE 5: OECD Trade and Exports of Manufactures 1980-1981, Volume (Percentage Change, Annual Rates)

	1980	1981	
	2nd Half	1st Half	2nd Half
OECD Exports	−3	5¾	3¾
OECD Imports	−6¾	−2	½
Intra-OECD trade	−6½	1½	1½
Irish Manufactured Exports	−5	20	10½

The downturn in trade associated with the second oil recession was reflected in the second half of 1980 in a fall in Irish manufactured exports. However, there was a very strong recovery in these exports in the first half of 1981 and further, though less rapid, growth in the second half of the year. Overall there was a volume increase of 10 – 11 per cent in manufactured exports last year.

However, the situation is not quite as favourable as these data for Ireland indicate, as the recovery was concentrated in the first and second quarter of the year. In the third and fourth quarters the level of these exports was not significantly above the second quarter level. This is somewhat similar in fact to the OECD experience as the data for intra OECD trade shows a very small increase in OECD trade in the first and second half of 1981.

The position in the UK is of particular importance. After a decline of 4 per cent in the volume of imports in 1981 it is expected that such imports will increase by 9½ per cent this year. The timing is, however, unclear as there are no data for the period May to August owing to industrial action in the UK civil service. From partial data it appears that there was a very significant fall in imports towards the end of 1980, and a further fall in the first half of 1981. However, there was a marked recovery in the second half of the year so that the expected 9½ per cent increase in import volumes for

1982 does not mean a similar increase in imports from the end of 1981 to the end of 1982.

In addition to the pure demand side, there are also supply factors at work affecting Irish exports — in particular the growth of new firms and the decay of existing ones. The level of new foreign investment remained reasonably strong in recent years — a fall off in this investment lags behind the fall in world demand. This may very well be reflected in a fall off in actual new foreign investment from the middle of this year. The likelihood is that when import demand in the OECD does accelerate there will be a significant pick up in exports from new firms recently established whose current exports reflect the weak trade position of 1980 and 1981. Thus we would expect the volume of manufactured exports to rise — perhaps by as much as 12½ per cent.

Table 6 summarises the trade environment and the forecast.

TABLE 6: Foreign Trade Volumes 1982 (Percent change, annual rate)

	1982 Year	1982 1st Half	2nd Half
OECD Exports	4	3¾	5¼
OECD Imports	3½	3½	6½
Intra-OECD trade	2¾	2	5
UK Imports	9½	6	6
Irish Manufactured Exports	12½	10	15

Other industrial exports may be very much less buoyant. These exports were very seriously affected in 1980 — declining by 3 per cent in volume terms while manufactured exports rose by 8 per cent. In 1981 the rise was 6 per cent compared with 11½ per cent in manufactured exports. There are some favourable factors for 1982, particularly in the drink export sector and in a recovery in mining exports following the end of the dispute in Tara Mines. A rise of 5 per cent in volume terms is forecast but this may prove too low.

Agricultural exports increased marginally in value terms in 1981 but there was a volume fall of some 12½ per cent. This fall reflected the cyclical nature of cattle sales off farm with sales being very high in 1980 and falling off by about one quarter in 1981. This year we expect a rise in net sales of cattle off farms and this will be reflected in a turn-around in cattle and beef exports. The increase, however, will not be large — perhaps returning to the 1979 level of sales but certainly not reaching back to the 1980 peak. We also expect some recovery in milk output and in dairy exports.

The situation with regard to tourism receipts is somewhat less clear than with regard to merchandise trade. There are essentially two factors working in opposite directions. On the one hand, special factors reduced tourism receipts in 1981. Thus for a given level of disposable income the volume of tourism receipts might be expected to grow this year. On the other hand, there is likely to be very little growth in OECD GNP. Indeed disposable income may show no change. Furthermore, in the UK household disposable income is expected to fall again this year. The forecast, taking account of these two factors, is for no change in the volume of tourism receipts.

TABLE 7: Exports of Goods and Services (£ million)

	1981	1982	Per cent change Price	Volume
Manufactured Exports	2821.4	3570	12½	12½
Other Industrial Exports	689.9	815	12½	5
Agricultural Exports	1291.8	1495	12½	3
Other Exports	43.0	48	12½	0
Merchandise Exports	4846.1	5930	12½	8¾
Adjustment for Balance of Payments Purposes	—96	—110	—	—
Adjustment for Intervention transaction	+25	—	—	—
Merchandise Exports for Balance of Payments Purposes	4775	5820	12½	8½
Tourism	440	515	17½	0
Other Services	270	305	12½	0
Exports of Goods and Services	5485	6640	12¾	7¼

Private Consumption Expenditure

In 1981 private consumption expenditure is estimated to have declined in volume terms by ½ per cent. In looking at 1982 the factors affecting private consumption are changes in the elements of disposable income. Disposable income is determined by movements in average earnings, total employment and net taxes and transfers.

Average earnings in the public sector are likely to develop along the lines set out in the proposals as ratified in the public service pay agreement. These proposals cover almost one third of total pay and involve a three stage increase in pay in the public service. The first stage is an increase of 2 per cent (or £4 per week, whichever is greater) for a period of three months. The second provides an increase of 6 per cent over a period of 7 months and the final stage lasting for 5 months is for an increase of 5 per cent. These increases taken in conjunction with the carryover from 1981 will lead to an increase in total pay of 18.3 per cent in the public service. The carryover into 1982 from 1981 is 8.2 per cent, of which about 2 per cent is due to the effect of special pay awards.

There can be little doubt that these increases are very large with reference to the size of the budget deficit — though there is a reduction in the rate of increase in pay compared with previous years. However, some part of this reduction is due to the moratorium on public sector special pay awards and this will affect the carryover into 1983 on public sector pay. Thus, the agreement, while it leads to a reduction in the rate of growth in pay, is merely postponing until 1983 the possibility of a large further increase in pay.

In the private sector a somewhat similar set of figures is emerging from proposals. However, the carryover in the private sector is considerably less and average earnings may rise by about 14 per cent. There will be some fall in employment so that total earnings may rise by 13 per cent.

Agricultural incomes are expected to increase by about 20 per cent this year. The proposed farm price review increase is 9 per cent. In addition, while some increase in cattle sales off farms is expected there will not be a significant increase in supplies to factories. Thus the upward pressure on cattle prices should continue. Milk output is also expected to recover. Gross output prices are expected to grow by about 15 per cent and gross output itself to grow by 2½ per cent.

The position with regard to net taxes and transfers depends upon the assumption made about the timing of tax changes and increases in social welfare payments and contributions. In all cases it has been assumed that the changes to the income tax system and to social welfare contributions and payments will apply from April. While the increases in transfer payments to households this year is very large there is a much larger increase in direct taxes under income tax, the youth employment levy and the effect of the increase in the social insurance contribution and the increase in the income ceiling on which contributions are levied from £8,500 to £9,500 per annum. The net position is a significant increase in net taxes and transfers to the exchequer. Allowing for this, disposable income may increase by 12 per cent in nominal terms.

The position with regard to consumer prices is a good deal more difficult to see. There is first the question of the precise mix of taxes that will be imposed in a future budget. A second difficulty relates to the "underlying" rate of increase in prices. The increase in consumer prices in the second half of last year, even when allowance is made for increases in indirect taxes was very large. In part this may have reflected the final phase of the National Understanding and lags in the effect on prices of the deterioration in the effective exchange rate to mid-1981. When one looks at the factors affecting prices in 1982, excluding indirect tax changes, the expectation is that average earnings will rise by less this year than in 1981, that export prices will rise by about 3 percentage points less than in 1981, and that import price increases could be as much as 7½ – 8 per cent less than last year. For these reasons we would expect the underlying rate of increase in prices (i.e., excluding indirect taxes) to be less this year than in 1981. In particular, we expect some easing in the first half of the year. The indirect taxes that became effective last year, and those likely to be introduced this year, will tend to keep the rate of increase in consumer prices at a very high level, however. The carryover into 1982 from 1981 on consumer prices is 8.1 per cent. The carryover on the constant tax index (which increased by 16 per cent last year compared with an increase of 20.4 per cent in the Consumer Price Index) is less, at 6.2 per cent. Increased indirect taxes in the forthcoming budget are expected to add 3½ per cent on average to prices this year – the effect on the index will be greater but the delay in the imposition of the taxes affects the year average figure – making it lower this year but higher next year. The forecast for the year is for an increase of 18½ per cent.

Thus real disposable income may fall by 5½ per cent. However, we do not expect real private consumption in total to fall by as much, though there is expected to be a decline of about 4 per cent with the savings ratio declining further to 19.1 per cent compared with 19.4 in 1981.

A decline in private consumption of this order of magnitude would not be unique. In 1975 consumption fell in volume terms by 4.6 per cent, though in that year the savings rate increased.

While demand in general is likely to be very weak some sectors may experience fairly large falls in demand – in particular the weakest elements in consumption are likely to be expenditure on drink, tobacco, transport equipment and durable household goods.

Government Consumption Expenditure

It is assumed that no change in the volume of public consumption expenditure takes place this year. This assumption is based in very broad terms on accepting the level of expenditure implied in the book of estimates for 1982.

The forecast current budget position is shown in Table 8. It is assumed that some revenue is lost as a result of the delay in implementing a budget, with the current budget deficit emerging at £800 million for the year.

TABLE 8: Current Budget 1981-1982 (£ million)

	1981	1982	% change
Current Expenditure:			
Pay Expenditure	1925	2280	18.4
Contribution to EC Budget	118	140	18.6
Debt Service	885	1215	37.3
Other Expenditure	1847	2210	19.7
Total Expenditure	4775	5845	22.4
Current Revenue:			
Tax	3315	4190	26.4
Non Tax Revenue	658	855	29.9
Total	3973	5045	27.0
Current Deficit	802	800	–

Investment

In looking at investment it is useful to distinguish between public and private investment. Public Capital Expenditure as outlined in "Public Capital Programme 1982" is budgeted at £2000 million for 1982. In concept and measurement this total is not comparable with that of 1981 as there has been a certain amount of reclassification where items in the Posts and Telegraphs vote and in the Transport vote are now classified as capital whereas formerly they were treated as current. It is possible to adjust the 1981 total, so that valid comparisons can be made between these two years. Table 9 summarises the relevant data in aggregate form.

TABLE 9: Public Capital Programme 1978-1982

	1978	1979	1980	1981	Adj 1981	1982
			£ million			
Public Capital Programme	815.8	1022.4	1305.5	1765.9	1785.4	2000.1
Expenditure affecting Building and Construction	486.0	632.5	855.3	1118.0	1122.8	1281.7
Other Expenditure	329.8	389.9	450.2	647.9	663.6	718.4
			% change			
Public Capital Programme	–	25.3	27.7	35.3	–	12.0
Expenditure affecting Building and Construction	–	30.1	35.2	30.7	–	14.2
Other Expenditure	–	18.2	15.5	43.9	–	8.3

Compared with recent years there is a marked reduction in the rate of increase in nominal expenditure in the Public Capital Programme — the percentage increase being 12 per cent this year (using adjusted data) compared with 35 per cent in 1981 and increases of more than a quarter in each of 1979 and 1980. Both expenditure affecting Building and Construction and Other Capital expenditure have been affected — the decline in the rate of growth in the latter is most marked from 43.9 per cent in 1981 to 8.3 per cent this year.

These of course are global figures. It is necessary to get behind the grand total to see what is happening in terms of projects.

A significant feature of the Public Capital Programme is the inclusion of the Housing Finance Agency. This agency is empowered to borrow up to £200 million by means of index linked state guaranteed securities carrying a real rate of return. The government hopes that this body will raise £50 million this year and that its expenditure will also be £50 million. There is little doubt that £50 million can be raised under those conditions but the question of the expenditure is not quite so clearcut. The objective of the agency is to provide finance for house purchase for those whose incomes are relatively low who would find difficulty in raising the necessary finance from existing institutions (including the existing local authority loans scheme). The details of the proposed method of repayment under the scheme have had unfavourable publicity, given that real interest rates to existing mortgage holders are negative. It is difficult to know whether the funds raised will be disbursed in the first year. At a different level the impact on the building industry is unclear. This depends critically on whether those who take up the new source of finance actually represent an increase in demand for housing rather than a transfer from an existing source of finance. There may be a tendency for those on the waiting list for local authority housing, to utilise this body to finance buying their own house in which case there will be an increase in demand for housing. A priori, it is difficult to know which way the building and construction sector will be affected in the short run. If builders correctly anticipate the type of demand then there will be an increased supply of appropriate housing. Otherwise there might be simply price increases in the relevant housing range. As the Housing Finance Agency is a state agency it may wish to vary the granting of loans to reflect the supply situation. However, the long term impact on home ownership and local authority provision of housing might be more important than the short run income generation effects arising from increased demand due to the scheme.

While the Housing Finance Agency involves a fairly large increase in finance to the household sector through a state body it is expected that net new loans through the Agricultural Credit Corporation to the agricultural sector will fall from £104 million in 1981 to £100 million in 1982. The allocation to the Industrial Credit Company is increased by 10.5 per cent. Between these lending agencies total expenditure is budgeted to increase from £217 million to £275 million. There is, of course, no direct investment undertaken by the state corresponding to this expenditure.

Similarly with regard to the allocation for grants to industry through the IDA, these represent capital transfers rather than direct investment by the state. Of course, corresponding to these transfers there is investment. The allocation for this purpose at £148 million has increased by only 9 per cent – reflecting "a degree of reluctance on the part of some promoters to proceed with investment projects in the current difficult economic circumstances". Direct investment expenditure by the IDA on its building programme is budgeted to fall from £60.1 million to £46.5 million.

The allocation for telecommunications capital expenditure at £238.5 million is marginally less than expenditure of £240 million in 1981. The greater part of this expenditure arises from the present five-year telephone programme – 1983 being the final year of the programme. Actual expenditure in 1981 was roughly as budgeted. In 1982 there will be a shift in expenditure towards expenditure on equipment rather than building.

Capital expenditure by CIE is budgeted at £55 million, an increase of 15 per cent on actual expenditure in 1981. The electrification of the Howth/Bray line is responsible for more than half of proposed expenditure, though £20 million has been allocated for the bus replacement programme.

Finally, capital expenditure on energy is expected to rise by 40 per cent. Bord Gais Eireann is responsible for one half of the increase – its expenditure being primarily on the Cork/Dublin gas pipeline which is due to start in the first half of this year. Capital expenditure by the ESB is expected to increase by 17 per cent, with 55 per cent of expenditure directed at the expansion of existing capacity.

Public capital expenditure is budgeted to increase by 12 per cent in nominal terms. However, as we noted, some part of public capital expenditure represents loans and grants. When allowance is made for this, direct public investment in 1982 is expected to increase by marginally less than 12 per cent.

The question of the appropriate deflator for public investment then arises. For building and construction the assumption implicit in the Public Capital Programme is for a price rise of about 15 per cent. This seems to be about the right order of magnitude, if somewhat high. In 1981 the capital goods price index relevant to the Building and Construction Industry (an index which includes the prices of materials and also wages) rose by about 14 per cent. The final part of the year was affected by the general weakness in demand and by the timing of pay increases for workers in the building and construction sector. For other capital expenditure the price rise in 1981 was 12½ – 13½ per cent and some slight easing in the rate of increase may be expected – perhaps to 11 – 12 per cent. The price increase for all public direct investment may be 13 per cent implying a fall of just about 1½ per cent in the volume of such expenditure.

The latest CII/ESRI Investment Survey, undertaken in the period November/December indicates that investment in manufacturing in existing firms fell in volume terms by 27½ per cent. The fall in investment proved, in fact, to be less than expected at the time of the previous survey – undertaken in February and March. More importantly, this year the volume of investment expenditure by existing firms is forecast by firms themselves to increase by 17½ per cent. The greater part of this investment is concentrated on expenditure on machinery and equipment – and this will be reflected in imports.

It is one thing to note the results of a survey. It is quite another thing to see the reasons why particular actions are proposed, or to go a stage further, to predict the actual outcome.

If we look at proposed investment expenditure by existing manufacturing firms in 1982 it might seem somewhat paradoxical that investment intentions would be so favourable in the face of the economic situation, even as seen in November/December of last year. In fact, what was going on and the decisions being made are understandable and explicable.

First, investment is a discontinuous activity. Once an investment programme is completed, firms do not necessarily have to continue investment expenditure in the following period. The previous peak in investment expenditure was in 1979. For some sectors replacement investment is already required.

Second, while, conventionally, investment has been seen as capacity expanding, the justification for investment for existing firms is generally the reduction in costs and the increase in profits or the maintenance of existing profits. In an earlier investment survey it emerged that investment in manufacturing was predominantly of this nature. In the situation that confronts the manufacturing sector now, with a fixed exchange rate against competitors with low inflation and a prospective relative worsening of domestic labour costs, it is not surprising that investment would tend to pick up.

Investment in new manufacturing by new foreign enterprise is likely to be reduced because of the world-wide recession. Indeed the allocation to the IDA reflects an expected reduction. Nor is it likely that industrial estates provided by the private sector can replace the fall in the IDA advance factory programme.

For investment as a whole the forecast is for no change in volume with investment in building and construction activity falling by about 5 per cent and other expenditure on plant and machinery rising by just under 6 per cent.

TABLE 10: Investment 1981-82 (£ million)

			% Change	
	1981	1982	Price	Volume
Building and Construction	1675	1820	14½	−5
Machinery and Equipment	1455	1715	11½	5¾
	3130	3535	13	0

Imports of Goods and Services and the Balance of Payments

Total final demand is expected to grow by about ¾ per cent this year. This is entirely due to the expected growth in exports as domestic demand (excluding stock changes) is likely to decline by 2¼ per cent. In terms of imports the pattern of changes in final demand is difficult to predict. On the one hand, the expected growth in industrial exports will necessitate a significant increase in the volume of imports of materials for further production. The expected increase in capital expenditure on plant and machinery will also lead to an increase in the volume of capital goods imports. Against this the fall in private consumption will lead directly to reduced imports of final products and materials for further production for the domestic market. With the fall in domestic demand the likelihood is that non-agricultural stock levels currently prevailing would be seen to be excessive, and as firms reduce stock levels this would be reflected in a fall in imports. On balance, as total final demand is expected to increase, there may be a small increase of about 1 per cent in imports. However, it is not inconceivable that import volumes could fall.

Import prices are expected to rise by about 11 per cent this year. There was a fall off in import prices in the final quarter of 1981 on the third quarter level. We expect a terms of trade gain in 1982 of about 1 – 1½ per cent.

The balance of payments position on current account is given in Table 11.

TABLE 11: Balance of Payments on Current Account (£ million)

	1981	1982
Exports of Goods and Services	+5485	+6640
Imports of Goods and Services	−7065	−7920
Net factor payments	−210	−420
Net transfers from abroad	+480	+500
Balance on Current account	−1310	−1200

There is an improvement in the balance of payments deficit on current account this year from 13 per cent of GNP in 1981 to 10 per cent in 1982. This is somewhat less than might have been expected given the improvement in the terms of trade and the growth of exports relative to imports. The principal factor militating against a major improvement is the growth in net factor payments, due to the rise in interest payments on new external debt incurred in 1981 and the rescheduling of older debt at higher interest rates. A reduction in world interest rates this year would have some effect on net factor payments this year, but would have its principal effect next year.

GNP and GDP

A summary of the position with regard to GDP and GNP as covered in the previous sections is shown in Table 12.

TABLE 12: GDP and GNP % change 1982

Consumption	−4
Government	0
Investment	0
Stocks*	0
Exports	7¼
Imports	1
GDP	¾
Net Factor Payments*	−1½
GNP	− ¾

*Contribution to GNP growth.

The forecast thus shows a small rise in the volume of GDP, GNP growth is negative due to the effect on GDP of interest payments made abroad.

Employment and Unemployment

The reduction in the budget and the external payments deficit is a result of deliberate deflationary action rather than a result of rapid growth. There are real effects going on in the economy reflecting these deflationary forces. These are partly captured in our GNP forecast. At a different level they are reflected in employment and unemployment. Table 13 below summarises recent data and our forecasts.

TABLE 13: Employment and Unemployment 1979-1983 (mid April) 000's

	1979	1980	1981	1982	1983
Agriculture	223	220	215	211	208
Industry	365	372	362	358	360
Services	557	571	564	564	564
Total Employment	1145	1163	1141	1133	1132
Unemployment	74	74	108	127	147
Labour Force	1219	1237	1249	1260	1279
Unemployment Rate %	6.1	6.0	8.6	10.1	11.5
Live Register	93	92	126	145	165

As can be seen the increase in unemployment has been very large in the recent past. Our estimates and forecasts suggest that this will continue in 1982 and 1983. The rise in unemployment is a corollary of deflationary action. This rise and the absolute level represents a waste of resources. The circumstances that prevail in the economy with a balance of payments deficit amounting to 10 per cent of GNP and a level of unemployment of 11½ per cent indicate an economy that is cost constrained rather than demand constrained. Ideally in such a situation policies would be directed to reduce relative costs with a view to increasing profitability, exports, output, employment, and reducing the external payments deficit. It is the failure to get such policies that has necessitated reductions in demand to reduce the external deficit.

Financial Forecasts

In 1981 monetary financing accounted for 83 per cent of the exchequer borrowing requirement, compared with about 70 per cent in 1980. The bulk of this comprised external financing of £1,255 million, more than twice the £583 million raised abroad in 1980. The domestic demand for gilts was sluggish for much of the year. Expectations of rising interest rates and associated capital losses were the dominant factors behind this pattern. By November, however, rates had moved up sufficiently to induce considerable purchasing by both the bank and non-bank public. However, there were sales from the former in December leaving uptake by the commercial banks for the year at £110 million, a little below that of 1980. Uptake of securities by the domestic non-bank sector for the year, at £120 million was significantly below sales of £139 million in 1980.

Notwithstanding the extensive recourse to foreign borrowing the magnitude of the current balance of payments deficit and other international capital transactions was such that the level of external reserves remained virtually unchanged in the twelve months to December last. The higher end year 1981 figure was due almost entirely to revaluations of the reserves in the course of 1981. During the year there were periods when the demand for foreign exchange arising from the deteriorating external trading position resulted in tightening of banks' liquidity and upward pressure on interest rates. Forward purchases of currency in September, in anticipation of currency realignments exacerbated the shortage, contributing further upward pressure to interest rates, and forcing commercial banks to have significant recourse to the Central Bank for liquidity. While some easing took place after the realignment of the exchange rate within the EMS in October there was renewed upward pressure on rates in December despite declining international rates, as liquidity again became short. Considerable Central Bank assistance to the interbank market was required to hold rates.

TABLE 14: Exchequer Financing (£ million)

	1980	1981	1982
Net Exchequer Borrowing	1217	1722	1750
less:— Sales of securities to the domestic non-bank private sector	319	204	310
Small savings	52	76	82
= Monetary Financing of the Exchequer	846	1442	1358
of which			
—Net External Financing	583	1255	1208
—Commercial Bank lending to Exchequer	127	120	150
—Other financing[1]	136	67	—

[1]In 1980 the bulk of this item was represented by an uptake of government securities by the Central Bank. For 1981 £55 million is accounted for by over-issues to Departments at end year.

Looking to this year it appears there may be some improvement in the Gilt Market, at least in the first half of this year. An important factor behind the reluctance to purchase gilts for much of 1981 was the belief that Irish interest rates were out of line with those of other countries and the requirements of our own domestic circumstances. The upward adjustment over last Autumn quelled expectations of further capital losses from gilt purchases. Movements in interest rates internationally this year will depend to a considerable extent on events in the US. There, economic activity continued declining in the final quarter of 1981 and is expected to fall further in the first half of 1982. This weakening profile has already led to the narrow money supply rising at less than the lower end of the target range, leaving considerable leeway in permitting market forces to reduce interest rates further. And while inflation in the US, as measured by the GNP and private consumption deflators, accelerated in the third quarter the trend of wage and producer price inflation is favourable. These circumstances, we believe, will lead to a further easing in US and other international short-term interest rates, during the first half of 1982. US interest rates could rise in the second half of the year as a result of serious over-runs in the federal deficit. Compared with the original target for fiscal 1982 of a deficit of $42.5 billion, it is officially conceded that the out-turn could now be in excess of $60 billion. In these circumstances it is rather difficult to see how any short term easing in monetary policy could be sustained. On average, however, we expect interest rates to be less this year than last.

In light of the foregoing it appears likely that the domestic non-bank sectors demand for gilts will be substantially stronger in the first half of this year compared with the same period of last year but there may be a slowing down as expectations of further increases in interest rates emerge in the second half of 1982. Moreover, the funding of the new Housing Finance Agency from index-linked securities carrying a real rate of return could divert funds which might otherwise have gone into gilts. The expected tight liquidity position of building societies may also mean a continuing reduction in their gilt portfolio in 1982. For the year as a whole net sales to the domestic non-bank public of around £310 million are expected.

TABLE 15: Balance of Payments Financing (£ million)

	1980	1981	1982
Balance on current account	−750	−1310	−1200
Net external financing of the exchequer	583	1255	1208
Change in net external position of semi-state bodies	320	150	250
Change in net external position of banks	400	80	100
Other flows	−182	−48	−150
Change in official external reserves (+ = increase)	+371	+127	+208
Of which: Revaluations	+25	+122	—
Level of reserves at end-year	1346	1473	1681
Number of months merchandise imports covered by reserves	3.0	2.7	2.7

Small savings may show some small increase compared with 1981. The differential between Post Office investment accounts and building society share accounts and small bank deposits remain favourable, though it has narrowed from what it was in the first half of last year when these savings grew fastest.

After allowance for these likely sources of domestic finance the fiscal stance implies only some small reduction in monetary and external financing of the borrowing requirement compared with 1981 (Table 14). The amount of financing will about match the projected balance of payments deficit. In addition, there is expected to be a significant growth in the net external liabilities of semi-state bodies, compared with 1981. This arises from their requirement to raise an additional £200 million this year compared with last, as shown in the Public Capital Programme. Movements in the net external position of banks are also likely to involve further capital inflows in 1982. Net external liabilities are thought to have risen in the twelve months to December 1981, even though there was substantial reduction in foreign currency lending during the year. Data are not available which would indicate the precise factors which enabled the overall net external liability to rise in the face of this reduction in foreign currency lending. The most likely explanation, it is felt, is a rise in non-residents' holdings of Irish pounds. The figure for 1982 reflects the expectation of a continuation in the long run trend of increasing net external liabilities of licensed banks and the fact that in the early part of the year at least interest rate differentials may be sufficiently attractive to renew demand for foreign currency borrowing. Other capital flows, on which there is no information or no indicators available, are assumed rather arbitrarily to remain at about the same level as 1981. In the absence of any revaluations, these movements would imply an increase in the external reserves, to about £1,680 million at end year, equivalent to around 2.7 months cover of forecast merchandise imports.

TABLE 16: Monetary Formation (£ million)

	1980	1981	1982
Domestic Factors:			
1 Monetary financing of the Exchequer	846	1442	1358
2 Change in Government deposits with the Central Bank (+ = decrease)	41.7	7	—
3 Commercial banks lending to non-government	700.2	980	900
4 Domestic Credit Expansion (1 + 2 + 3)	1587.9	2429	2258
5 *Less* change in net non deposit liabilities	212.0	365	300
External Factors:			
6 Current balance of payments	−750	−1310	−1200
7 Non Exchequer capital flows (excluding banks)[a]	221	100	100
8 Statistical discrepancy[b]	−4.6	−50	—
9 Increase in M3 (4 − 5 + 6 + 7 + 8)	842.3	804	858
Percentage increase in M3 (Twelve months to December)	16.9	13½	13
DCE as a percentage of M3 at end previous year	31	42	34

[a] on a location of branch basis.

[b] arises mainly from differences in valuation of government securities sold to banks as shown in budget compared with bank balance sheets.

The expected evolution of monetary aggregates in 1982 is shown in Table 16. In addition to material discussed above the additional elements in this table comprise commercial banks' lending to non-government and changes in net non-deposit liabilities of the banking system. The projection for the former, of an increase of £900 million in calendar 1982, about 14¾, is based on the assumption that the private sector credit guideline for the twelve months to February 1983 will be 14 per cent. The factors underlying changes in net non-deposit liabilities are not well understood. The figure for 1982 was arrived at by projecting about the same rate of increase as 1981 excluding the effects of revaluation of reserves that year, in respect of which a technical assumption of no change in 1982 is imposed. Given these conditions Domestic Credit Expansion is projected at £2,258 million in 1982 compared with £2,430 million in 1981. Growth of the broad money supply M3 in the twelve months to December next would be expected to be around 13 per cent, about the same rate of increase as last year.

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
	1973 = 100	1973 = 100	G.W.H.	000 Metric Tons	000's	000's	1973 = 100	1973 = 100
1976	108.2	107.3	8443	1500.4	196.7	206.7	113.8	112.5
1977	115.9	115.4	9127	1516.5	202.9	213.9	118.1	117.0
1978	125.6	125.1	9815	1751.7	208.8	219.9	124.4	123.3
1979	133.3	132.9	10853	2067.8	217.4	229.1	126.8	125.8
1980	131.9	131.6	10733	1814.9	215.1	227.1	126.8	125.6
1981			10767					
Quarterly Averages or Totals								
1979 I	125.8	124.3	3051	375.5	213.2	224.0	122.0	120.3
II	141.3	140.3	2582	574.1	216.6	229.2	134.9	132.7
III	129.1	130.9	2365	616.1	218.6	230.5	122.1	123.1
IV	137.1	135.9	2855	502.1	221.1	232.5	128.2	126.7
1980 I	132.4	130.8	3022	424.8	217.9	229.3	125.7	123.7
II	142.4	143.1	2502	495.0	216.2	229.1	136.2	135.4
III	124.0	124.8	2358	476.9	214.1	226.2	119.8	119.6
IV	128.8	127.5	2851	418.2	212.1	223.6	125.6	123.6
1981 I	128.6	126.9	2885	410.2	208.2	219.8	127.7	125.2
II	144.2	142.2	2546	516.6	207.0	219.5	144.1	140.3
III	131.8	132.3	2408	488.8	207.5	219.9	131.4	130.4
IV			2928					
Quarterly Averages or Totals Seasonally Corrected								
1979 I	130.6	130.1	2707	440.2	214.1	225.6	126.2	125.0
II	132.9	131.8	2844	525.3	216.9	228.6	126.7	125.0
III	134.8	134.5	2753	591.8	218.3	230.0	127.7	126.8
IV	134.7	134.8	2584	495.2	220.1	232.0	126.6	126.0
1980 I	137.5	137.0	2681	498.0	218.9	231.0	129.9	128.6
II	133.8	134.3	2755	452.9	216.5	228.4	127.8	127.5
III	129.1	127.9	2745	458.1	213.8	225.7	124.9	122.9
IV	127.3	127.1	2580	412.4	211.1	223.1	124.7	123.5
1981 I	133.1	132.5	2560	480.9	209.2	221.4	131.6	129.7
II	135.4	133.4	2738	461.7	207.2	218.8	135.1	132.2
III	137.1	135.6			207.1	219.5	136.9	133.9
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. 1975 = 100	1975 = 100	1975 = 100	1975 = 100	1975 = 100	1953 = 100	
107.8	114.4	125.7	119.0	123.5	103.8	456.2	1976
106.4	130.0	153.9	139.3	142.3	102.1	572.9	1977
99.2	139.9	174.0	146.2	151.6	103.7	867.3	1978
89.6	158.5	184.2	165.9	165.5	99.8	928.0	1979
101.5	187.3	179.3	195.6	180.8	92.4	912.5	1980
127.9							1981
Quarterly Averages or Totals							
97.7	150.2	189.8	151.8	158.0	104.1	971.6	1979 I
89.8	155.0	196.0	159.2	162.4	102.0	994.3	II
85.6	161.4	183.5	170.9	165.3	96.7	889.5	III
85.4	167.2	172.0	172.7	166.9	96.6	856.6	IV
92.0	173.5	180.4	183.6	174.9	95.3	888.3	1980 I
94.0	186.3	186.3	192.6	181.0	94.0	887.3	II
103.9	191.8	176.2	194.8	183.4	94.1	909.5	III
116.0	197.7	179.0	205.3	185.9	90.6	964.9	IV
125.8	209.9	202.9	221.4	194.1	87.7	942.3	1981 I
124.3	218.1	213.2	231.3	206.2	89.1	1012.8	II
126.8	230.4	213.9	236.8	213.7	90.3	960.5	III
134.5	243.8						IV
Quarterly Averages or Totals Seasonally Corrected							
93.1	149.6	188.1	No Seasonal Pattern				1979 I
90.9	152.6	189.9					II
88.6	162.7	186.9					III
86.0	169.2	176.0					IV
87.5	172.8	178.8					1980 I
95.1	183.4	180.5					II
106.8	193.3	179.4					III
116.6	200.1	183.2					IV
121.7	209.1	201.2					1981 I
125.5	214.7	205.0					II
129.5	230.9						III
134.7							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	1977 = 100	1977 = 100	Total	1975 = 100	1975 = 100
1976		176.8	176.7	97.4	97.3	69514	119.6	102.2
1977		206.3	206.1	100	100	82310	143.0	106.9
1978		236.2	235.7	106.4	106.3	105582	170.2	116.3
1979		271.3	271.1	107.9	107.9	95938	197.7	120.3
1980		321.2	321.0	108.1	108.1	91032	226.8	119.3
1981								
Quarterly Averages or Totals								
1979	I	250.9	250.6	105.2	105.1	31544	186.1	119.0
	II	261.8	262.9	106.4	106.9	28387	195.5	121.6
	III	283.6	282.0	110.7	110.1	23658	200.4	120.2
	IV	288.9	288.9	108.9	108.9	12349	208.2	120.4
1980	I	302.3	301.5	109.8	109.5	34241	218.7	122.8
	II	318.3	318.6	107.6	107.7	23589	222.0	118.5
	III	318.8	318.2	104.7	104.5	20517	224.5	115.7
	IV	345.2	345.6	110.0	110.3	12592	242.0	120.5
1981	I	346.2	344.6	103.9	103.6	35496	254.5	120.6
	II					29153	261.5	119.1
	III					32000		
	IV							
Quarterly Averages or Totals Seasonally Corrected								
1979	I	255.2	255.4	107.6	107.8	26463	186.3	119.1
	II	261.0	261.1	107.7	107.9	23935	195.6	121.5
	III	281.6	280.6	109.2	109.0	24541	200.5	120.1
	IV	287.2	286.9	106.3	106.3	18711	208.5	120.4
1980	I	307.5	307.3	112.3	112.3	28801	218.7	122.7
	II	317.3	316.4	108.9	108.7	19890	221.9	118.3
	III	316.6	316.6	103.3	103.5	21283	223.7	115.7
	IV	343.1	343.2	107.4	107.7	19083	243.0	120.7
1981	I					29518	255.1	120.7
	II						261.7	119.0
	III						275.9	119.6
	IV							

Government			Monetary Developments				
23	24	25	26	27	28	29	
Current Revenue	Current Expenditure	Current Deficit	Money Supply M3	All Banks Domestic Credit Government	All Banks Domestic Credit Non-Gov.	External Reserves	
£m	£m	£m	£m End Period	£m End Period	£m End Period	£m End Period	
1470	1672	201	2799.6	682.0	2088.0	955.5	1976
1757	1966	209	3257.3	836.0	2639.5	1200.7	1977
2023	2421	398	4117.2	902.6	3475.2	1251.9	1978
2384	2905	521	4986.3	1005.9	4350.5	974.7	1979
3155	3708	553	5828.6	1132.6	5050.7	1346.0	1980
3973	4796	823					1981
Quarterly Totals			Monthly Totals				
515	656	141	4364.6	908.4	3793.9	1138.0	1979 I
435	711	276	4673.3	928.0	4058.2	993.9	II
689	724	35	4684.5	977.1	4256.0	933.6	III
745	814	69	4986.3	1005.9	4350.5	974.7	IV
751	777	26	5003.1	875.8	4607.8	960.7	1980 I
783	1013	230	5103.7	952.5	4585.8	979.7	II
726	870	144	5447.8	1123.1	4773.0	1164.4	III
895	1047	152	5828.6	1132.6	5050.7	1346.0	IV
871	1076	205	5950.5	1124.1	5381.7	1322.7	1981 I
936	1188	252	6020.4	1201.5	5511.6	1191.7	II
970	1245	275	6395.1	1217.8	5785.0	1071.8	III
1196	1287	91					IV
Quarterly Totals (S.C.)			Monthly Totals (S.C.)				
474	655	181	4341.6	913.7	3738.1	1093.2	1979 I
463	707	244	4677.0	946.5	4007.0	1086.2	II
718	754	36	4685.9	964.1	4179.0	945.0	III
732	787	55	4847.8	971.8	4336.0	924.0	IV
692	775	83	4985.7	882.5	4538.3	923.0	1980 I
833	1008	175	5109.9	968.5	4533.1	1070.7	II
757	906	149	5459.8	1100.9	4688.1	1178.5	III
880	1013	133	5669.4	1095.0	5034.6	1275.8	IV
802	1073	201	5922.8	1134.6	5299.4	1270.6	1981 I
			6030.3	1222.4	5452.0	1302.4	II
			6414.2	1201.0	5680.1		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£
1976	2334.9	1858.7	476.2	115.3	104.0	78.90	1.0000
1977	3090.9	2518.2	572.7	129.9	122.2	77.01	1.0000
1978	3713.1	2963.2	749.9	148.8	134.8	77.57	1.0000
1979	4817.5	3501.1	1316.4	170.3	146.1	77.08	0.9646
1980	5419.6	4130.9	1288.7	162.6	157.9	74.01	0.8862
1981	6572.8	4845.7	1727.1			67.75	0.8002
	Monthly Averages						
1979 I	368.9	248.3	120.6	170.9	130.2	77.86	0.9999
II	423.0	276.4	146.6	185.4	141.5	76.92	0.9624
III	405.7	308.8	96.9	167.2	154.8	75.85	0.9239
IV	411.5	333.5	78.0	167.7	165.3	77.73	0.9728
1980 I	476.6	319.6	157.0	182.8	150.5	75.85	0.9276
II	440.0	334.4	105.6	160.9	153.2	74.71	0.9026
III	433.2	356.6	76.6	156.6	161.3	74.65	0.8905
IV	458.1	363.1	95.0	157.2	162.0	70.75	0.8231
1981 I	511.7	339.6	172.1	162.7	145.0	67.24	0.7686
II	557.2	405.5	151.7	169.6	162.9	66.57	0.7730
III	572.6	419.4	153.2	170.4	162.7	67.85	0.8177
IV	549.4	450.7	98.7			69.32	0.8407
	Monthly Averages. Seasonally Corrected.						
1979 I	361.1	264.5	96.6	163.6	140.9		
II	403.7	276.5	127.2	179.6	143.8		
III	425.0	302.5	122.5	179.5	150.3		
IV	415.0	318.8	96.2	168.1	154.4		
1980 I	466.5	346.0	120.5	178.7	165.2		
II	423.8	334.8	89.0	154.8	155.6		
III	453.3	349.0	104.3	165.2	158.0		
IV	464.4	349.2	115.2	158.8	152.2		
1981 I	504.1	361.0	143.1	158.7	155.0		
II	537.6	406.9	130.7	164.0	165.9		
III	597.7	414.2	183.5	179.1	159.7		
IV	555.4	434.0	121.4				

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