



# ECONOMIC REVIEW AND OUTLOOK 2003

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## Preface

This report was prepared in the Department of Finance based on data to end-July. It opens with a tabular summary of the main economic aggregates, including revised forecasts for 2003. A commentary on the economic situation follows in Part I. This identifies the main challenges which will have to be addressed if the economic progress of recent years is to be sustained. Part II deals with the international economic situation. Part III describes developments in the domestic economy in 2002 and also deals with trends and forecasts for 2003. The Appendix presents more detailed budgetary and economic statistics.

## SUMMARY TABLE

### Recent Economic Developments and Prospects

	1996-2001 Average	2002	2003 Budget Forecast	2003 Revised Forecast
	Annual Percentage Volume Changes			
<b>Economic Growth</b>				
Gross Domestic Product (GDP)	9.2	6.9	3.5	1.5
Gross National Product (GNP)	8.0	0.1	2.2	1.5
<b>Expenditure on GNP</b>				
Personal Consumption	7.4	2.7	2.9	2.0
Fixed Investment	11.3	1.7	-0.7	-1.5
Final Domestic Demand	8.3	3.5	1.6	1.4
Exports of Goods and Services	15.7	6.2	5.0	-2.0
Imports of Goods and Services	15.6	2.3	3.6	-3.0
Stock Changes (% GNP)	—	0.0	0.2	0.2
Net Factor Income (% GNP)	—	25.1	22.0	23.0
Level of GNP (€ billion)	—	103.4	110.3	109.3
Employment change (000)	77.0	24.0	11.0	11.0
Unemployment (%)	6.4	4.4	5.3	5.2
Consumer Price Index (%)	2.9	4.6	4.8	3.6
General Government Balance: Surplus/Deficit (-) as % of GDP	1.8	-0.1	-0.7	-1.0

Last year was a difficult one for growth in the Irish economy. Measuring that growth was also difficult. While GDP increased by 6.9 per cent, this was largely attributable to very strong output growth in the mainly foreign-owned, less labour intensive sectors where the returns to production largely accrue to non-residents. The GNP measure, which relates more directly to the domestic sector, recorded an increase of just 0.1 per cent last year, the lowest growth rate of this variable since the mid-1980s.

As the IMF point out, the substantial contribution of multinationals to Irish output, and associated profits, create significant differences between measures of output and income. In 2002, GDP was boosted by unusually strong multinational profits which had limited implications for the rest of the economy. On the other hand, the very low increase recorded in GNP may exaggerate the slowdown in activity because the unusually sharp drop in profits earned by Irish firms abroad was driven in part by some specific factors relating to a limited number of firms.

The poor global economic environment was the main factor weighing on economic trends in Ireland last year, with weak demand growth in all major regions having a detrimental effect on Irish exports. Domestic demand was also relatively sluggish last year, mainly reflecting a slowdown in growth in personal consumption. This, in turn, was due to more moderate growth in disposable incomes and concerns about employment prospects, together with increased uncertainty. The slower growth was associated with further pressure on the public finances. The labour market, however, remained relatively resilient, with only a modest rise in the unemployment rate, though private sector employment did not grow last year.

At Budget time, it was envisaged that demand conditions in Ireland would improve in the second half of this year in line with the projected recovery in the global economy over this period. However, the prospects for 2003 have diminished, despite the relatively rapid resolution of the conflict in Iraq. Moreover, the exchange rate in trade-weighted terms is about 8 per cent higher over the period 1 January to end July 2003 compared to the same period in 2002. As a result, competitiveness constraints may further limit the prospect of an export-led recovery in the second half of this year.

In overall terms, therefore, the outlook for 2003 is less favourable than assumed at Budget time. In summary, while there are difficulties in assessing the picture:

- GDP is forecast to grow by 1.5 per cent, with GNP growth of 1.5 per cent also;
- Employment is projected to rise by 11,000 (0.6 per cent), with the unemployment rate averaging 5.2 per cent for the year as a whole;
- Annual inflation, as measured by the Consumer Price Index, is forecast to average 3.6 per cent this year;

- A General Government Deficit of around 1 per cent of GDP is in prospect;
- The debt/GDP ratio is forecast to remain broadly stable at 34 per cent;
- The current account of the balance of payments is likely to record a deficit of the order of -1.5 per cent of GNP mainly due to a significant drop in the merchandise trade balance.

In assessing our economic prospects going forward there are a number of key facts which we have to acknowledge and respond to positively:

- firstly, we are part of a monetary union where the overriding policy objective is a low-inflation environment of 2 per cent, or less, per annum;
- secondly, international competition is exerting downward pressure on goods prices and is likely to continue to do so for some time to come;
- thirdly, we are one of the most open economies in the world; and
- finally, international competition for jobs and investment is becoming much more intense all the time.

There is little we can do to change these facts. We have to adapt to them.

The current slowdown, therefore, raises a number of key issues. Most importantly, Ireland's position as a small and very open economy means that economic developments here are, to a large degree, determined by our ability to supply goods and services to the global economy. In this regard, it is essential that we regain some of the lost ground in relation to competitiveness in order to protect existing jobs and attract new ones. The recent significant reduction in inflation is welcome in this regard.

The rapid appreciation of the euro exchange rate in 2003 is likely to impact on the profit margins of many firms. Particularly exposed are those firms in the more traditional sectors of the economy, which are relatively labour intensive, and where the euro / sterling bilateral exchange rate has appreciated by 10 per cent in the first seven months of 2003 compared to the same period last year.

Unless we can get our price and cost increases down to EU levels with the least possible delay, we will lose jobs and growth. An important factor in this is keeping the rate of increase in public spending consistent with the growth in available resources.

The lack of competition in certain sectors of the economy remains a cause for concern. While part of our relatively higher inflation is due to external

factors and convergence issues, some of the increase is undoubtedly attributable to inadequate competition in some sectors of the economy. In the traded sector of the economy, international competition will limit the scope for anti-competitive practices. In the sheltered sector of the economy, however, the discipline of international competition is much weaker, and in some cases, competitive forces are further retarded by anti-competitive practices such as barriers to market entry.

Dismantling such barriers can, over the medium term, limit inflationary pressures emanating from the sheltered sector of the economy. Greater market flexibility is also required given the expansion of the EU.

The weaker economic climate also raises important fiscal policy issues. Public spending in Ireland is currently increasing at twice the rate of the euro area. Despite this, there are significant demands to add further to this rate of increase. However, since spending increases must reflect the growth in revenue, lower revenue growth necessitates a greater sense of prioritising public spending. In addition, a renewed emphasis must be placed on achieving greater efficiency and effectiveness in the delivery of public services to ensure maximum value for money is obtained.

In particular, priority must be given to measures which raise the productive capacity of the economy, such as those aimed at tackling our infrastructural deficit. It is essential that we expand the economy's supply potential to facilitate non-inflationary growth, and to enable us to make more progress in delivering on key social priorities.

On the positive side, the Irish economy has the capacity to grow at up to 5 per cent per annum over the medium term. Achieving growth rates of this magnitude, however, is conditional upon, inter alia, improvements in competitiveness and prudent management of the public finances. In this regard, it is imperative that expectations in relation to wages, prices and public spending measures adapt to the newer environment of increasing international competition, weaker global demand and lower economic growth.

Real GDP Growth (per cent change) for Selected Countries				
	2001	2002	2003 (f)	2004 (f)
Germany ... ..	0.6	0.2	0.3	1.7
France ... ..	1.8	1.2	1.2	2.6
Italy ... ..	1.8	0.4	1.0	2.4
Euro Area ... ..	1.5	0.9	1.0	2.4*
UK ... ..	2.1	1.8	2.1	2.6
EU ... ..	1.6	1.0	1.2	2.4
United States ... ..	0.3	2.4	2.5	4.0
Japan ... ..	0.4	0.3	1.0	1.1
OECD ... ..	0.8	1.8	1.9	3.0

(f) Forecast.

Source: OECD Economic Outlook, June 2003.

\*The OECD's forecast for euro area growth was revised downwards to 2 per cent in *Economic Survey of the Euro Area*, 31 July 2003.

### Introduction

Ireland's economy is open and outward looking and its strength is closely linked to global economic conditions which affect domestic confidence levels, our trade performance and our international competitiveness. Accordingly, it is necessary to take stock of the economic situation in the major global economies.

### Overview

The international economy remains weak, with unsteady recovery in the US and stagnation in the euro area in the first half of 2003. While the US economy is benefiting from the easing of geopolitical uncertainties, and has shown signs of responding to monetary and fiscal policies, the outlook is clouded by major concerns over financial imbalances in both the public and private sectors. The major EU Member States are struggling to introduce much-needed structural reforms to their economies in the face of large fiscal deficits. The European Commission now expects growth in the euro area in 2003 to be somewhat less than the 1 per cent it had forecast in its Spring report. However, to the extent that significant structural changes can be made, the medium-term prospects will be improved. It is difficult to foresee a significant improvement in the Japanese economy in the near term, given the deflationary spiral and risks posed by the high level of government debt. However, an improving global trade environment should support the Japanese and broader international recovery.

### Europe and the Euro Area

The EU accounted for over 60 per cent of Irish exports in 2002. The OECD forecasts growth of 1.2 per cent in the EU, and 1 per cent in the euro area, in 2003, with stronger growth in both areas in 2004. In recent months, however, the major EU economies have continued to tread water, with the appreciation of the euro weighing on export performance, and with business confidence remaining low. Demand for business services has been

particularly weak across the EU, owing to company retrenchment in the face of poor profitability and unhealthy balance sheets, and low investment levels have been a drag on growth. EU trade has also suffered, due to the combination of euro appreciation and weak global demand, with exports contracting steadily since the end of 2002. The pick-up of the US economy will be crucial to reversing this trend.

On the other hand, household consumption in the EU has up to now been relatively resilient, and the easing of global tensions should allow overall confidence levels to rise. The easing of inflationary pressures has allowed the ECB to lower euro area interest rates, a development that may support business sentiment, and this, together with lower and more stable oil prices, is expected to set the scene for a modest economic recovery from the latter half of 2003.

### *Germany*

With virtually no growth in the first half of 2003, concerns about the German economy, the largest in the EU, have recently centred on a perceived risk of deflation. While this risk appears to be overstated, protracted below-trend economic growth would heighten concerns in this area. The German government has recently demonstrated a determination to neutralise the risk of deflation, bolstered by the ECB's easing of euro area interest rates. However, the scope for further measures on the fiscal side is limited, with the general government deficit projected to reach around 3.5 per cent of GDP in 2003. The government is also advancing an economic reform agenda, which may help reduce unemployment from its current high level of 10.6 per cent. The OECD forecasts GDP growth of only 0.3 per cent in 2003, rising to 1.7 per cent in 2004.

### *France*

The French economy also suffered a marked downturn from the second half of 2002, as investment activity fell away, and international trade weakened. Unemployment, while high at 9.3 per cent, has stabilised, and progress on key structural reforms may boost confidence levels and support a modest recovery from the second half of 2003. The public finances have been adversely affected by the downturn, with a deficit of 3.7 per cent of GDP in prospect for 2003. The most recent figures indicate that GDP growth will not exceed 1 per cent in 2003, and will increase to around 2 per cent in 2004.

### *United Kingdom*

The UK economy, which accounted for over 20 per cent of Irish exports in 2002, has proven more resilient than many other European economies in the face of the current downturn. GDP growth decelerated to 1.8 per cent in 2002, still significantly above the EU average. As the UK government has devoted more resources to public investment, and with additional expenditures related to the war in Iraq, the public finances have moved into deficit, projected by the European Commission to reach 2.5 per cent of GDP in

both 2003 and 2004. Domestic demand is expected to slow somewhat in the remainder of 2003, but growth should be sustained by external demand, and the exporting sector in particular should benefit from the weaker sterling exchange rate. The OECD forecasts GDP growth of 2.1 per cent in 2003, improving to 2.6 per cent in 2004.

### United States

After the downturn in 2001, the US economy has been recovering at an uneven pace. GDP increased by 2.4 per cent in 2002, somewhat below its potential rate, and the economy now looks set to strengthen with the end of the war in Iraq, as energy prices subside and business sentiment improves. The prospective recovery has been supported by stimulative macro-economic policies: the Federal Reserve Board has recently reduced interest rates to their lowest level in four decades, and large tax cuts and increases in defence expenditure have been approved.

However, over the medium term, there are concerns about the sustainability of financial imbalances. The OECD estimates that the US general government deficit will reach 4.6 per cent of GDP in 2003, compared with a surplus of 1.4 per cent in 2000, and the current account deficit exceeds 5 per cent of GDP. The emergence of a persistent, structural budget deficit would be expected in due course to put upward pressure on US interest rates and bond yields. At the same time, the existence of a large current account deficit creates exchange rate risk. In such circumstances a reversal, or even marked slowdown, of capital flows into the US would put downward pressure on the US dollar. Both of these developments would hamper US growth. Moreover, the US dollar has depreciated against the euro by over 30 per cent since 2001. A further sharp fall in the dollar would be unhelpful for EU exports, and for Ireland. The US accounted for nearly 20 per cent of Irish exports in 2002.

The OECD forecasts that the pace of economic growth in the US will quicken in the second half of 2003 giving a full year growth figure of 2.5 per cent. Growth in 2004 should reach 4 per cent, subject to downside risks relating to oil prices, equity valuations, and the uncertain effects of the external imbalances.

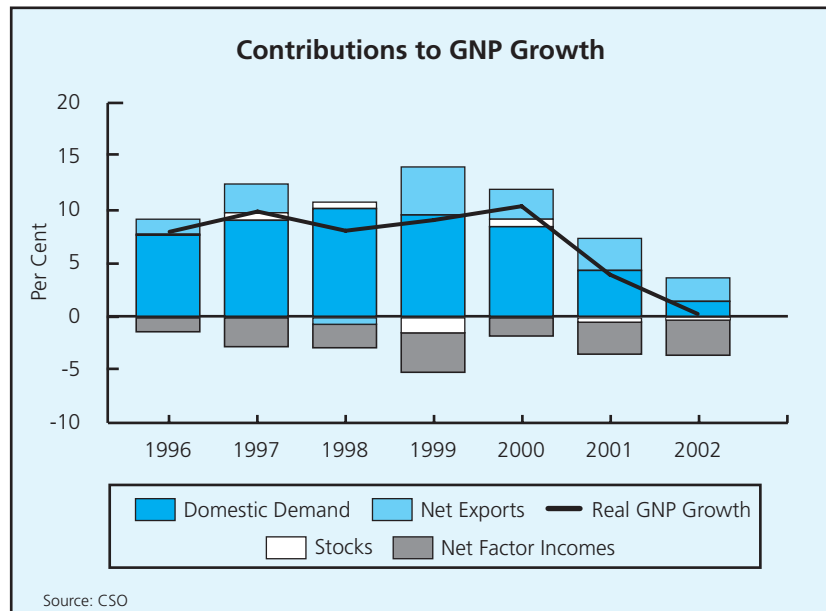
### Japan

The Japanese economy remains in a vulnerable position. The economic upturn of early 2002 has lost momentum due to a slowdown in exports, attributable in part to the appreciation of the yen. The economy is still struggling to shake off ingrained deflationary expectations, with depressed consumer sentiment leading to weakened demand, and further weakening firms' pricing power. Monetary and fiscal policy have thus far failed to address the problem effectively, and the government is concentrating on financial market reforms which may facilitate a recovery. There is also a prospect that an upturn in world trade will support a modest recovery. However, the large government deficit (projected at -7.7 per cent of GDP



OVERVIEW

According to national income and expenditure data produced by the CSO, GNP in Ireland rose by just 0.1 per cent in real terms last year, its lowest growth rate since the mid-1980s. The corresponding increase in GDP was 6.9 per cent. The latter figure, however, paints a somewhat incomplete picture of activity in Ireland – a substantial part of the growth in GDP was driven by very strong output growth in a small number of high-technology sectors, where labour intensity in the production process is relatively low – the broad chemicals sector (NACE 24) for instance, where output growth in real terms was 29.3 per cent last year, accounts for less than 1½ per cent of total employment. The GNP figure, which excludes the profits of the foreign-owned sector, points to a much weaker economic environment last year. This is supported by labour market data, which show that with the exception of the public sector, employment growth was virtually stagnant last year. The main factor weighing on the Irish economy was the poor global economic environment. This, in turn, reflected geopolitical uncertainty and the associated increase in oil prices, concerns about corporate governance and equity market developments.



The outlook for this year is less favourable than envisaged at Budget time, reflecting a further delay in the global economic recovery together with the appreciation of the euro. The preliminary data for first quarter GDP/GNP 2003 are consistent with this view. As a result, GNP is now forecast to rise by 1.5 per cent in real terms this year, with GDP growth of around 1.5 per cent also in prospect. The more moderate evolution of activity is likely to be associated with a further decline in the demand for labour, with employment likely to rise by just 11,000 (0.6 per cent) this year, resulting in an unemployment rate of 5.2 per cent for the year as a whole. The downward revision to economic growth forecasts is reflected in lower tax receipts which for the year may be up to €500 million below expectations on Budget day. Government expenditure for the year is likely to come in on target, so

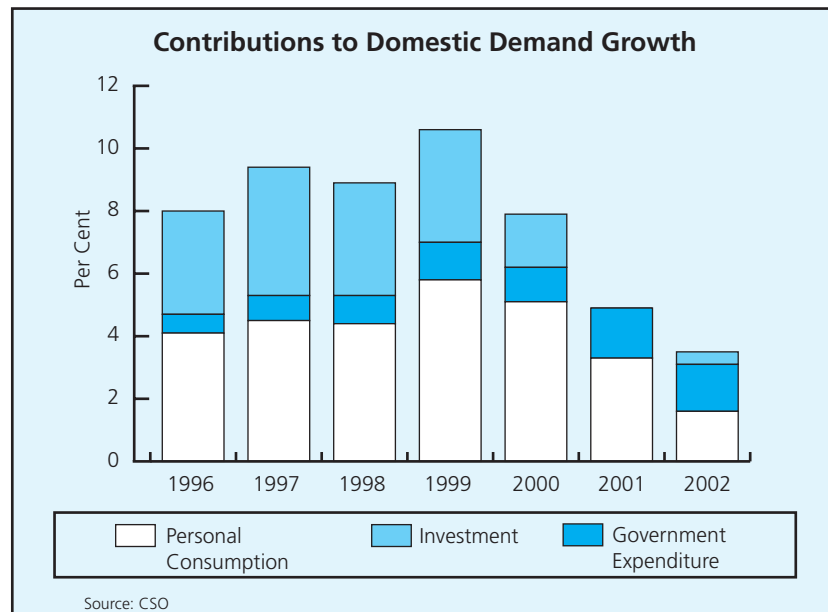
that – all other things being equal – the Exchequer is likely to record a deficit of over €2 billion. On a General Government basis, a deficit of around 1 per cent of GDP is possible.

Reflecting the impact of mortgage interest rate reductions, the appreciation of the euro, easing services sector inflation, and in recent months easing oil prices, the annual rate of increase of the CPI has moderated over the first half of this year. On the technical assumption of unchanged interest and exchange rates, inflation is set to ease further over the second half of the year, so that for the year as a whole, inflation is now forecast to average 3.6 per cent.

## DOMESTIC DEMAND

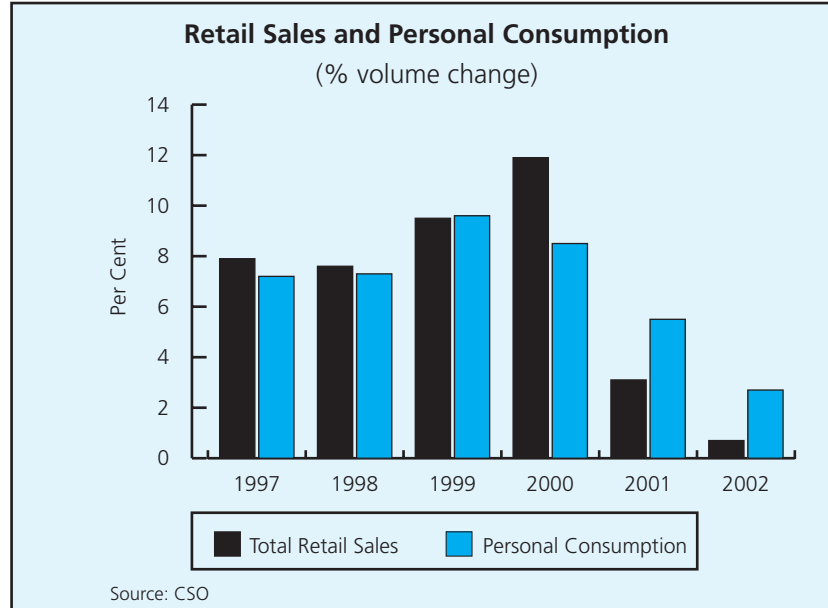
### *Personal Consumption*

Activity by consumers expanded modestly last year following the relatively strong performance in 2001. Continued weak economic growth, as well as the strong base in 2001, meant that total retail sales growth in 2002 was 0.7 per cent, compared with 3.1 per cent in 2001. Retail sales excluding cars grew by 2.2 per cent in 2002, compared to 7.5 per cent in 2001. Growth in new car sales continued to contract, but at a slower pace, from the record level in 2000. However, while consumption of services has weakened from previous years it continues to be the main force behind consumer activity. Growth in personal consumption was 2.7 per cent, compared with growth of 5.5 per cent in 2001. This is a considerably lower rate of increase than has been seen in recent years, and is mainly due to the global economic downturn and the associated fall in consumer confidence.



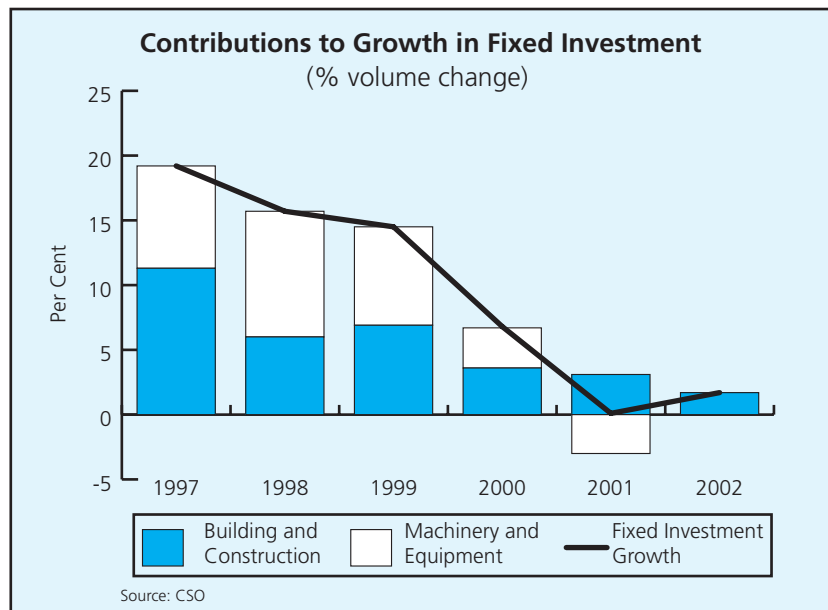
Given an expected moderation in employment and earnings growth for this year personal consumption growth is likely to moderate slightly in 2003, as opposed to the small rise which was forecast at Budget time. Available data

for the first part of this year are consistent with this view. Total retail sales data for the first five months of this year show growth of 1.0 per cent compared with the same period last year, with retail sales excluding cars growing by 1.9 per cent. New car registrations are not expected to add positively to overall consumption growth. Data for the first six months show registrations are down by 6.6 per cent, or 7,870 cars, on the same period in 2002. Personal consumption is now forecast to grow by 2 per cent in 2003.



### Fixed Investment

Investment increased by 1.7 per cent in 2002. Investment in building and construction weakened slightly from 2001, in spite of a record 57,695 house completions last year, which was an increase of 9.7 per cent on 2001. Investment in machinery and equipment fell slightly. The continued international uncertainty, in spite of the swift resolution of the conflict in Iraq, seems to have impacted adversely on investment decisions.



The total number of house completions for the first six months of 2003 was up by 18.5 per cent on the same period last year. Home bond registrations were up significantly last year and this is likely to lead to another strong performance in the housing sector. In spite of resilient housing growth, investment in building and construction overall looks set to decline somewhat in 2003 due to reductions in commercial construction and civil engineering. Imports of capital goods, which is a leading indicator for investment in machinery and equipment, are weak for the first three months of the year. Gross domestic fixed capital formation is forecast to record a decline in growth of the order of 1.5 per cent for this year as a whole.

#### *Public Consumption*

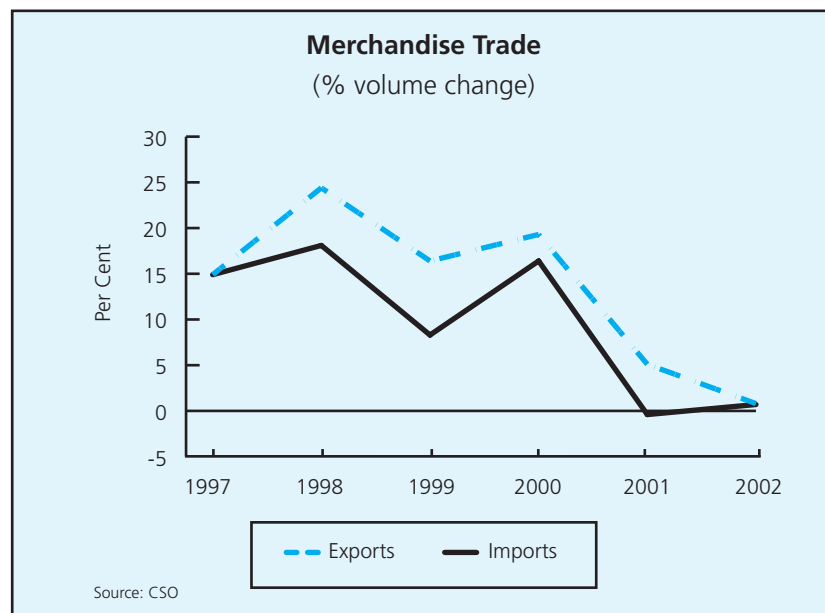
The volume of public consumption rose by 9.4 per cent last year, compared to 11.1 per cent in 2001. Given the Government's commitment to keeping spending consistent with available resources, volume growth in public consumption is expected to slow to 4.7 per cent this year. Public expenditure is expected to come in on target this year.

### **TRADE AND BALANCE OF PAYMENTS**

#### *Exports*

The volume of merchandise exports grew by a modest 0.8 per cent in 2002, down from a growth rate of 5 per cent in 2001. In six of the twelve months, the volume of exports declined year-on-year while only in four months were any significant increases recorded. The value of merchandise exports in sectors dominated by foreign-owned companies (chemicals, office machinery and data processing and electrical machinery) grew by just over 5 per cent in 2002. However, this increase was due solely to an increase of 75 per cent year-on-year in exports of medical and pharmaceutical products which compensated for a significant decline in the value of exports of office machinery and electrical machinery. Exports from some of the more traditional manufacturing sectors declined last year. Agricultural exports declined by 2.1 per cent. The steady gain in the value of the euro against the dollar and sterling is one factor which would have led to weaker export growth last year.

In the first four months of this year the volume of merchandise exports was over 14 per cent lower than in the same period last year. Weak international demand and the appreciation of the euro are the main reasons underlying the decline. For the year as a whole exports of goods and services are forecast to decline by 2 per cent in real terms.



### Imports

The volume of merchandise imports increased by 0.7 per cent year-on-year in 2002. A slowdown in growth in the volume of imports was evident during most of 2002 and was particularly marked in the last five months of the year. Annual data show that the value of imports of medical and pharmaceutical products increased significantly. However, imports of office machinery, telecommunications equipment and electrical machinery decreased, reflecting the slowdown in the I.T. sector.

In the first four months of this year the volume of merchandise imports was down by 18 per cent on the same period last year. For the year as a whole, imports of goods and services are forecast to decline by 3 per cent in real terms.

### Current Account Balance

The visible trade surplus increased from €30,494 million in 2001 to €37,014 million last year. The deficit on trade in services decreased from €13,259 million in 2001 to €12,871 million in 2002. This reduction is partly due to an increase in exports of computer services. The increased profitability of foreign-owned multi-national corporations resulted in a higher net factor income deficit. The current account recorded a deficit of €954 million, or 0.9 per cent of GNP in 2002 compared to a deficit of €757 million or 0.8 per cent of GNP in 2001.

In the first quarter of 2003, a current account deficit of €1,039 million was recorded. The merchandise trade surplus was nearly €2 billion below that recorded in the same period last year, while the invisibles deficit was €893 million lower. For the year as a whole, a current account deficit of around €1.7 billion, or 1.5 per cent of GNP is in prospect.

## OUTPUT

### *Industry*

In 2002, industrial output (including building) continued to grow strongly with an increase of 11.0 per cent in real terms compared to 6.4 per cent in 2001. The main driver behind this strong output was the chemical and pharmaceutical sector, which grew by 29.3 per cent. Apart from the 'modern' sector, output in all other industries slowed in the face of the continued international economic downturn. In total the 'modern' sector, comprising of a number of high technology and chemical sectors, accounts for about three quarters of industrial output.

Growth in industrial output is likely to moderate this year, with the exception of the chemical sector. Data for the first five months of 2003 show that industrial production grew by 4.1 per cent on average, compared to growth of 5.7 per cent in the same period in 2002. The 'modern' sector showed growth of 5.4 per cent for the first five months of 2003 on average. While some areas within the 'modern' sector are slowing to a relatively moderate rate of growth, production in the pharmaceutical sector is up by over 25 per cent on average for the first four months of the year, on the same period last year. However, the appreciation of the euro against sterling and the dollar means that industries may face unfavourable terms of trade, which will have implications for Irish competitiveness, and consequently output as the year progresses.

### *Services*

The volume output of services rose by 5.4 per cent last year, moderating from the 6.9 per cent growth recorded in 2001. The growth rate for services is expected to slow further this year, in contrast with their relatively strong performance in recent years against other sectors.

### *Agriculture*

2002 was a difficult year for the agriculture sector with output at basic prices down 3.6 per cent to €5,746m. This decline was due to a combination of wet weather, a drop in livestock slaughterings from their high levels in 2001 and lower prices for many commodities. Direct payments increased by 19 per cent to €1,642 million and accounted for 66 per cent of operating surplus (€2,480m).

As usual, the outlook for this year is dependent on the weather, market condition in the latter half the year and euro/sterling/dollar exchange rates. The prospects for the beef sector should improve with better balance between EU production and consumption, however competition from South America will put pressure on markets. The outlook for the milk sector is for some improvement on 2002, which was a particularly bad year, with prices for dairy produce having stabilised on international markets. However, currency values will be a factor given the trade into dollar and

sterling zones. The introduction of a tariff rate quota at the beginning of 2003 should stem the flow of cereals imported from Black Sea countries.

## **EMPLOYMENT AND UNEMPLOYMENT**

Employment increased by around 24,000 (1.4 per cent) on a quarterly average basis in 2002. This compares with an increase of 49,100 (2.9 per cent) on average in 2001. In the 12 months to the first quarter of 2003, employment grew by 26,500 (1.5 per cent). The overall trend is one of slowdown, reflecting an easing in the pace of investment as businesses respond to more muted demand conditions.

Increases in employment in 2002 were seen in services mainly (up 36,000 or 3.2 per cent), with the main increases occurring in education and health (up 17,700 or 7.1 per cent), and public administration and defence (up 6,000 or 7.4 per cent). There was a small increase in construction of just 3,400 (1.9 per cent). Employment in agriculture and other production industries fell by 2,100 (1.7 per cent) and 13,700 (4.3 per cent), respectively.

In the 12 months to the first quarter of 2003, services continued to expand, particularly in education and health (up 20,700 or 8 per cent), public administration and defence sectors (up 6,600 or 8 per cent). Employment increases in other services sectors were slight. Employment in construction increased by 5,300 or 2.9 per cent while employment in other production industries fell by 7,200 or 2.3 per cent. Employment in agriculture, forestry and fishing continued its ongoing negative trend, falling by 7,400 or 6.1 per cent.

The unemployment figure for 2002 stood at 4.4 per cent, compared with the 2001 figure of 3.9 per cent.<sup>1</sup> The unemployment rate for the first quarter of 2003 was 4.6 per cent compared with 4.4 per cent for the same period last year. Unemployment is on a rising trend despite a moderation in labour force growth over the course of 2002. The labour force increased by 31,600 or 1.7 per cent in the 12 months to the first quarter of 2003 compared with a rise of 34,900 (1.9 per cent) in 2002 on average.

The outlook for 2003 is for a small employment increase of 11,000 (0.6 per cent) and an unemployment rate of 5.2 per cent.

## **NON-AGRICULTURAL INCOMES**

Earnings growth remained strong in 2002 at approximately 5 per cent. However, this was an improvement on 2001 when wage inflation was running at around 9 per cent. The slowdown in demand growth and the associated easing in the labour market both contributed to this development, as did the relatively lower 4 per cent final phase increase under the PPF.

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<sup>1</sup>Quarterly average of seasonally adjusted QNHS data.

Nevertheless, average earnings growth in Ireland was still well in excess of the EU level, which was about 3 per cent on average in 2002.

Though most sectors exhibited a slowdown in earnings growth in 2002, according to CSO releases, the extent of the slowdown varied across sectors. Average industrial earnings increased by 6.5 per cent compared to an 8.0 per cent increase in 2001. There were signs of greater flexibility in the distribution and business services sectors where earnings increased by 3.3 per cent, compared with 8 per cent in 2001. This should help ease the rate of increase in input prices for the traded sector of the economy. The financial sector saw growth of 4.4 per cent, down from 10.9 per cent in 2001 although the actual extent of wage moderation may have been somewhat less, due to changes in employment composition. In the public sector, average earnings increased by 4.6 per cent, down from 9.9 per cent. However, in the construction sector earnings increased at a faster pace, to 9.9 per cent up from 8.7 per cent the previous year

Overall, wage inflation in 2003 is likely to be similar to the level in 2002. The pay rises agreed as part of the latest social partnership agreement, Sustaining Progress, provide for a 7 per cent pay rise over 18 months, payable in 3 phases, and reflect the shared understanding by the social partners of the more difficult economic environment now facing Ireland. When account is taken of the payment of the first phase of Benchmarking, including back-pay, in the public service, it is expected that average non-agricultural earnings will rise by about 6 per cent in 2003. It is essential that the wage and cost parameters of Sustaining Progress are adhered to in all sectors to support competitiveness, particularly in the light of the recent strengthening of the euro and the possibility of its further appreciation against sterling and the dollar.

Notwithstanding the evident moderation in earnings growth in 2002, Ireland is likely to remain above the EU average rate in the short-term. It is vital therefore that wage expectations continue to adapt to the evolving economic outlook.

#### *Irish Pay Competitiveness*

The Central Bank's short-term index of competitiveness, the index of Relative Unit Wage Costs in Manufacturing continued to improve last year. However, when the capital intensive chemical and pharmaceutical sectors are excluded the trend in unit labour costs for the remaining more labour intensive sectors was negative last year.

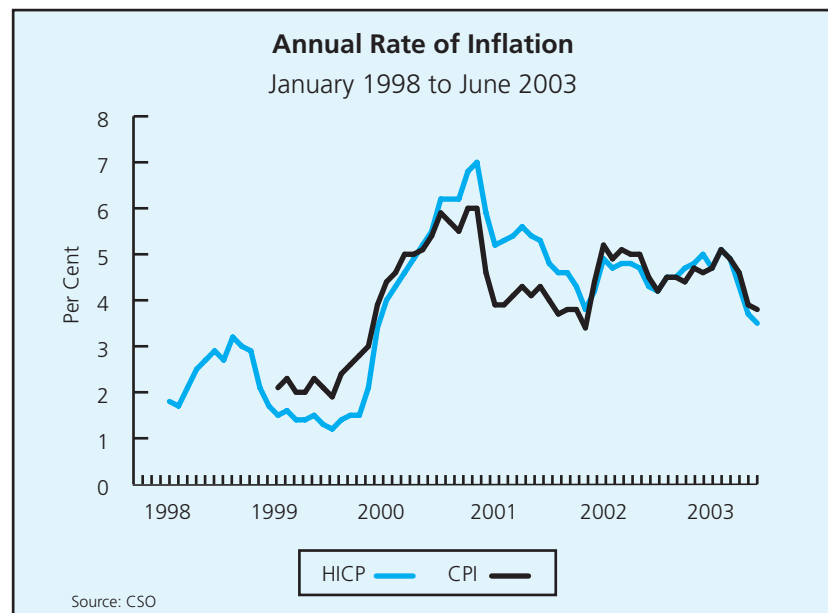
As stated above, in 2002 the rate of wage growth declined in most sectors of the economy. Despite this general decline, earnings growth in Ireland

remained well in excess of the rates prevailing in other trading partners. The disparity between the rate that Ireland experienced and rates of increase elsewhere has an adverse impact on our competitiveness and therefore on jobs.

As strong Irish wage growth has contributed significantly to high inflation, damaged competitiveness and contributed to job losses, it is important that wage increases continue to moderate in order to protect our competitiveness.

## INFLATION

Inflation, as measured by annual changes in the Consumer Price Index (CPI), averaged 4.6 per cent last year, following an increase of 4.9 per cent in 2001. The continued high level of inflation in Ireland relative to that of our main trading partners was largely due to the sustained strength of services sector inflation.



In terms of comparisons with other euro area countries, the appropriate measure is the Harmonised Index of Consumer Prices (HICP), which differs slightly in terms of coverage from the CPI. The main difference between the CPI and the HICP is that the latter does not take account of changes in the cost of mortgage interest repayments. On the HICP basis, consumer price inflation in Ireland averaged 4.7 per cent last year. This compares with a euro area average of 2.2 per cent.

Annual CPI inflation averaged 4.4 per cent in the first half of this year. The easing in the rate of inflation in recent months is due to a number of factors including the fall in oil prices, the appreciation of the euro against the dollar and sterling and mortgage interest rate reductions.

These last two factors will continue to have a benign effect on the rate of CPI inflation over the remainder of the year. In addition, services sector inflation continues to moderate due to reduced domestic demand. Taking these factors into account, an average rate of CPI inflation of around 3.6 per cent is forecast for 2003 as a whole. The HICP average will be slightly higher at around 4 per cent.

## **PUBLIC FINANCES**

### *2002 Outturn*

There was an Exchequer surplus of €95 million in 2002 or 0.1 per cent of GNP. This compares with the Budget Day target for a surplus of €170 million. On a General Government basis there was an estimated deficit of 0.1 per cent of GDP. This compares with a budget day target of a surplus of 0.7 per cent of GDP. The Debt to GDP ratio declined further in 2002, to an estimated 33 per cent by end-year.

### *Budget 2003*

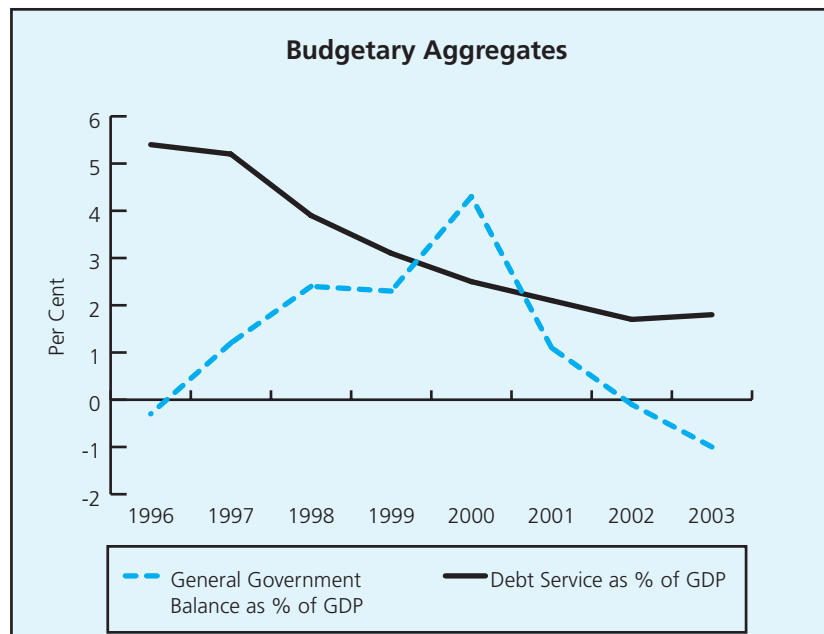
The 2003 Budget projected an Exchequer deficit of €1,869 million, 1.7 per cent of GNP and a current Budget surplus of €3,685 million, equivalent to 3.3 per cent of GNP. At Budget time the projected General Government balance was a deficit of 0.7 per cent of GDP.

### *Mid-2003 Assessment*

The Exchequer returns to end-June showed a deficit of €344 million, compared to a deficit of €1,869 million budgeted for 2003 as a whole. The Exchequer Returns for the first half of the 2003 showed tax receipts were 9.2 per cent higher than the same period in 2002, as compared to a Budget target for an increase of 8 per cent. Revenue was somewhat higher than expected due to timing factors, particularly in the area of corporation tax. Despite these favourable timing factors, the Revenue Commissioners' net receipts for the year to date were €340 million below the profile target published in January.

Tax Receipts are under pressure in a number of areas. VAT was broadly on target to the end of June but the annual rate of increase was much higher earlier in the year. Income tax receipts were 3.9 per cent lower than had been expected at that stage of the year, with two thirds of the shortfall arising in non-PAYE areas. Corporation tax was also below expectations and excise duties have been weak since the beginning of the year and there seem to be no signs of a turn around.

As a result, an emerging shortfall in tax revenue of up to €500 million may arise by year-end.



Net voted current spending in the first half of 2003 increased by 9.6 per cent which compares to an estimated increase of 8.6 per cent for the year as a whole in the Revised Estimates Volume. Net voted capital spending to end-June decreased by 13.6 per cent on the same period last year. This compares with a projected decrease of 1.4 per cent for the year as a whole in the Revised Estimates Volume. However, capital spending is particularly affected by timing factors.

At end-June 2003 total voted spending was €1.1 billion less than the profile published in January last – €738 million current and €372 million capital. This was due to timing factors. In particular, some €480 million for benchmarking payments was profiled to issue by end-June but in the event less than €100 million was paid.

The projection is that end-year expenditure will be broadly on target and there will be continued close monitoring for the rest of the year.

At this stage a General Government Deficit for 2003 of around 1 per cent of GDP is now possible. The Debt to GDP ratio is expected to be approximately 34 per cent, the second lowest in the EU.

### MONETARY AND EXCHANGE RATE DEVELOPMENTS

Since the European Central Bank (ECB) assumed responsibility for monetary policy in the euro area and for conducting foreign exchange operations in relation to the euro, its primary objective has been the maintenance of price stability (over the medium term) and, without prejudice to this objective, to support the general economic policies of the Community.

The ECB Governing Council has recently however carried out a review of its monetary strategy, the results of which were announced in May 2003. Its principal findings can be broken down into three areas.

1. Revisiting its primary objective of price stability, the Governing Council confirmed that it defines price stability as announced in 1998, that is, as a year-on-year increase in HICP (the Harmonised Index of Consumer Prices) for the euro area of below 2 per cent. At the same time, it clarified that in the pursuit of price stability it aims to maintain inflation rates at levels of close to 2 per cent over the medium term. This clarification underlines the ECB's commitment to the provision of a sufficient safety margin to guard against the risks of deflation.

2. In order to underscore the longer-term nature of the reference value for a broad monetary aggregate, the Governing Council decided to end the practice of conducting the review of reference value for M3 annually.

3. In its communication on monetary policy decisions, the Governing Council will stress the way in which it cross-checks information and analysis under the two pillars of its strategy when making an overall assessment of the risks to price stability.<sup>2</sup>

#### 2002 – second six months

Having held its key interest rate (the main refinancing operations minimum bid rate) steady since November 2001, the European Central Bank (ECB) cut the rate on 5 December 2002, reducing it by 0.50 per cent from 3.25 per cent to 2.75 per cent. The ECB announced that the decision to cut was taken in light of growing global economic uncertainty, sluggish growth in the euro zone economy and a decline in inflationary pressure. Inflation had been cited by the ECB as the main reason for not cutting its rates earlier.

Interbank rates and sovereign bond yields also fell during the second half of 2002. Over the period the 3 month Euribor rate fell from 3.44 per cent to 2.87 per cent while the yield on the benchmark 10-year euro area Government bond fell from 4.97 per cent to 4.19 per cent.

The euro had begun to appreciate against the dollar in early Spring 2002 and broke through parity (for the first time since early 2000) in early July before falling back below it before the end of the month. It then stayed almost constantly within a range between US\$0.96 and parity until the beginning of December 2002. At that point the euro entered into another period of steady gains against the U.S. dollar, which saw it reach over US\$1.04 by the end of 2002.

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<sup>2</sup>The two pillars are *economic analysis* to identify short to medium term risks to price stability; and *monetary analysis* to assess medium to long-term trends in inflation, given the close relationship between money and prices over extended horizons.

### *2003 – first six months*

Owing in particular to the subdued pace of economic growth and the appreciation of the euro, the ECB cut its key interest rate on 6 March by 0.25 per cent. This was followed by a further cut of 0.5 per cent on 5 June, which brought rates to a record low for the ECB of 2.0 per cent.

The 3 month Euribor rate fell over the period from 2.87 per cent to 2.15 per cent. The yield on the benchmark 10-year euro area Government bond fell from 4.19 per cent to 3.80 per cent.

The euro reached a series of record highs against the dollar, sterling and the yen during May, having gained approximately 13 per cent in value against the dollar and the yen since the beginning of 2003, and about 10 per cent against sterling. At the end of May the euro was trading above its January 1999 launch level against all three currencies for the first time. During June and July the euro fell back slightly against all three currencies. It closed July at just over US\$1.13.

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TABLE 1

**Gross National Product and Gross Domestic Product at Current and Constant Market Prices and  
Percentage Changes in GNP and GDP at Constant (1995) Prices**

Year	GNP at Current Market Prices	GNP at Constant Market Prices	Percentage Change in GNP at Constant Prices
	€m	€m	%
1995 ... ..	46,693	46,693	
1996 ... ..	51,544	50,336	7.8
1997 ... ..	59,083	55,230	9.7
1998 ... ..	68,161	59,615	7.9
1999 ... ..	76,670	64,925	8.9
2000 ... ..	88,095	71,569	10.2
2001 ... ..	96,448	74,318	3.8
2002 ... ..	103,429	74,369	0.1

Year	GDP at Current Market Prices	GDP at Constant Market Prices	Percentage Change in GDP at Constant Prices
	€m	€m	%
1995 ... ..	52,641	52,641	
1996 ... ..	58,080	56,891	8.1
1997 ... ..	67,123	63,201	11.1
1998 ... ..	77,543	68,663	8.6
1999 ... ..	89,614	76,410	11.3
2000 ... ..	102,845	84,113	10.1
2001 ... ..	114,743	89,320	6.2
2002 ... ..	129,344	95,499	6.9

TABLE 2

**Expenditure on Gross National Income at Current Market Prices (€ million)**

Description	1996	1997	1998	1999	2000	2001	2002*
Personal consumption of goods and services ... ..	32,034	35,280	39,282	44,372	50,158	55,202	60,118
Net expenditure by central and local government on current goods and services ... ..	8,284	9,209	10,086	11,375	12,964	15,413	17,639
Gross domestic fixed capital formation ... ..	11,026	13,898	17,341	21,459	24,926	26,967	28,649
Value of physical changes in stocks	514	889	1,261	391	819	494	11
Exports of goods and services # ...	45,016	53,482	66,549	78,501	100,147	112,938	121,158
/less imports of goods and services #	-38,273	-45,002	-57,858	-66,509	-86,770	-95,702	-97,014
Statistical discrepancy ... ..	-522	-633	881	25	600	-569	-1,217
<b>Gross domestic product at market prices ... ..</b>	<b>58,080</b>	<b>67,123</b>	<b>77,543</b>	<b>89,614</b>	<b>102,845</b>	<b>114,743</b>	<b>129,344</b>
Net factor income from the rest of the world ... ..	-6,535	-8,040	-9,382	-12,944	-14,750	-18,295	-25,915
<b>Gross national product at current market prices ... ..</b>	<b>51,544</b>	<b>59,083</b>	<b>68,161</b>	<b>76,670</b>	<b>88,095</b>	<b>96,448</b>	<b>103,429</b>
EU subsidies ... ..	1,996	1,744	1,729	1,614	1,549	1,664	1,748
EU taxes ... ..	-548	-509	-676	-641	-683	-633	-486
<b>Gross national income at current market prices ... ..</b>	<b>52,992</b>	<b>60,317</b>	<b>69,213</b>	<b>77,643</b>	<b>88,961</b>	<b>97,480</b>	<b>104,691</b>

\*Preliminary.

# Excluding factor income flows.

**TABLE 3**  
**Expenditure on Gross National Income at Constant (1995) Market Prices (€ million)**

Description	1996	1997	1998	1999	2000	2001	2002*
Personal consumption of goods and services ... ..	31,206	33,466	35,896	39,329	42,678	45,042	46,242
Net expenditure by central and local government on current goods and services ... ..	8,121	8,534	8,999	9,692	10,414	11,570	12,654
Gross domestic fixed capital formation ... ..	10,656	12,701	14,697	16,822	17,960	17,974	18,275
Value of physical changes in stocks	571	931	1,242	308	770	417	8
Exports of goods and services # ...	45,147	53,020	64,171	73,933	89,166	96,562	102,536
/less imports of goods and services #	-38,474	-44,921	-56,356	-63,164	-76,644	-81,602	-83,493
Statistical discrepancy ... ..	-336	-530	13	-510	-231	-645	-723
<b>Gross domestic product at constant market prices ...</b>	<b>56,891</b>	<b>63,201</b>	<b>68,663</b>	<b>76,410</b>	<b>84,113</b>	<b>89,320</b>	<b>95,499</b>
Net factor income from the rest of the world ... ..	-6,554	-7,970	-9,047	-11,484	-12,542	-15,000	-21,130
<b>Gross national product at constant market prices ...</b>	<b>50,336</b>	<b>55,230</b>	<b>59,615</b>	<b>64,925</b>	<b>71,569</b>	<b>74,318</b>	<b>74,369</b>
EU subsidies ... ..	1,889	1,609	1,662	1,585	1,573	1,661	1,818
EU taxes ... ..	-551	-494	-626	-573	-574	-621	-373
<b>Gross national income at constant market prices ...</b>	<b>51,674</b>	<b>56,344</b>	<b>60,652</b>	<b>65,936</b>	<b>72,568</b>	<b>75,358</b>	<b>75,814</b>

\*Preliminary.

# Excluding factor income flows.

TABLE 4

**Gross Value Added at Factor Cost by Sector of Origin and Gross National Income at Current Market Prices  
(€ million)**

Description	1996	1997	1998	1999	2000	2001	2002*
Agriculture, forestry and fishing ...	3,860	3,691	3,773	3,525	3,781	4,001	3,820
Industry (including building) ...	19,143	23,016	28,279	33,217	38,206	41,936	47,251
Distribution, transport and communication ...	8,677	9,720	11,297	12,504	14,197	15,833	17,151
Public administration and defence ...	2,439	2,613	2,816	2,952	3,225	3,566	3,841
Other services (including rent) ...	19,619	22,372	26,301	30,530	35,595	40,826	47,030
Adjustment for financial services ...	-2,093	-2,059	-2,500	-3,117	-3,571	-3,863	-4,226
Statistical discrepancy ...	522	633	-881	-25	-600	569	1,217
<b>Gross value added at factor cost</b>	<b>52,167</b>	<b>59,987</b>	<b>69,085</b>	<b>79,585</b>	<b>90,831</b>	<b>102,869</b>	<b>116,084</b>
Non product taxes ...	726	727	770	855	878	962	1,059
Non product subsidies ...	-429	-489	-532	-586	-556	-586	-475
<b>Gross value added at basic prices</b>	<b>52,464</b>	<b>60,225</b>	<b>69,323</b>	<b>79,855</b>	<b>91,153</b>	<b>103,245</b>	<b>116,668</b>
Product taxes ...	7,755	8,829	10,067	11,526	13,443	13,610	15,038
Product subsidies ...	-2,139	-1,932	-1,847	-1,767	-1,751	-2,111	-2,362
<b>Gross domestic product at market prices</b> ...	<b>58,080</b>	<b>67,123</b>	<b>77,543</b>	<b>89,614</b>	<b>102,845</b>	<b>114,743</b>	<b>129,344</b>
Net factor income from the rest of the world ...	-6,535	-8,040	-9,382	-12,944	-14,750	-18,295	-25,915
<b>Gross national product at current market prices</b> ...	<b>51,544</b>	<b>59,083</b>	<b>68,161</b>	<b>76,670</b>	<b>88,095</b>	<b>96,448</b>	<b>103,429</b>
EU subsidies ...	1,996	1,744	1,729	1,614	1,549	1,664	1,748
EU taxes ...	-548	-509	-676	-641	-683	-633	-486
<b>Gross national income at current market prices</b> ...	<b>52,992</b>	<b>60,317</b>	<b>69,213</b>	<b>77,643</b>	<b>88,961</b>	<b>97,480</b>	<b>104,691</b>

\*Preliminary.

**TABLE 5**  
**Gross Value Added at Constant (1995) Factor Cost by Sector of Origin and Gross National Income at**  
**Constant (1995) Market Prices (€ million)**

Description	1996	1997	1998	1999	2000	2001	2002*
Agriculture, forestry and fishing ...	4,031	4,024	4,068	3,927	4,008	4,052	3,955
Industry (including building) ...	19,294	22,478	25,939	29,920	33,912	36,075	40,054
of which#							
<i>Reproduction of recorded media</i> ... ..	724	799	1,111	1,269	1,104	792	1,415
<i>Chemicals (incl. man-made fibres)</i> ... ..	4,131	5,956	7,750	10,338	11,258	13,550	17,514
<i>Computers and Instrument engineering...</i> ... ..	3,020	3,434	3,790	4,429	6,087	6,525	6,196
<i>Electrical machinery and equipment</i> ... ..	923	1,155	1,503	1,547	2,053	1,686	1,553
Distribution, transport and communication ... ..	8,456	9,244	10,203	11,103	12,481	13,762	14,299
Public administration and defence ... ..	2,363	2,375	2,424	2,469	2,522	2,564	2,614
Other services (including rent) ... ..	18,672	19,610	20,852	22,636	24,294	25,964	27,355
Adjustment for financial services ... ..	-2,062	-1,944	-2,202	-2,659	-2,913	-3,019	-3,167
Statistical discrepancy ... ..	336	530	-13	510	231	645	723
<b>Gross value added at constant factor cost</b> ... ..	<b>51,089</b>	<b>56,319</b>	<b>61,271</b>	<b>67,906</b>	<b>74,535</b>	<b>80,043</b>	<b>85,834</b>
Non product taxes ... ..	718	719	734	765	766	817	827
Non product subsidies ... ..	-436	-449	-500	-488	-518	-642	-368
<b>Gross value added at constant basic prices</b> ... ..	<b>51,372</b>	<b>56,589</b>	<b>61,506</b>	<b>68,183</b>	<b>74,783</b>	<b>80,218</b>	<b>86,293</b>
Product taxes ... ..	7,563	8,395	9,015	9,976	11,042	11,033	11,339
Product subsidies ... ..	-2,045	-1,783	-1,858	-1,749	-1,713	-1,931	-2,133
<b>Gross domestic product at constant market prices</b> ...	<b>56,891</b>	<b>63,201</b>	<b>68,663</b>	<b>76,410</b>	<b>84,113</b>	<b>89,320</b>	<b>95,499</b>
Net factor income from the rest of the world ... ..	-6,554	-7,970	-9,047	-11,484	-12,542	-15,000	-21,130
<b>Gross national product at constant market prices</b> ...	<b>50,336</b>	<b>55,230</b>	<b>59,615</b>	<b>64,925</b>	<b>71,569</b>	<b>74,318</b>	<b>74,369</b>
EU subsidies ... ..	1,889	1,609	1,662	1,585	1,573	1,661	1,818
EU taxes ... ..	-551	-494	-626	-573	-574	-621	-373
<b>Gross national income at constant market prices</b> ...	<b>51,674</b>	<b>56,344</b>	<b>60,652</b>	<b>65,936</b>	<b>72,568</b>	<b>75,358</b>	<b>75,814</b>

\*Preliminary.

# The four sectors distinguished correspond to NACE REV1 classes 223; 24; 30 & 33; 31 & 32.

**TABLE 6**  
**Net Value Added at Factor Cost by Sector of Origin and Gross National Income at Current Market Prices**  
**(€ million)**

Description	1996	1997	1998	1999	2000	2001	2002*
Agriculture, forestry and fishing							
Net value added ... ..	3,304	3,124	3,195	2,931	3,162	3,350	3,158
Remuneration of employees ... ..	327	336	358	390	384	375	413
Other ... ..	2,977	2,788	2,837	2,541	2,778	2,976	2,744
Industry (including building)							
Net value added ... ..	17,527	21,243	26,224	30,702	35,126	38,501	43,459
Remuneration of employees ... ..	8,427	9,330	10,665	11,936	13,774	15,103	n/a
Other ... ..	9,073	11,994	15,468	19,273	21,898	23,068	n/a
Adjustment for stock appreciation	27	-82	91	-508	-546	331	20
Distribution, transport and communication							
Net value added ... ..	7,785	8,678	10,252	11,196	12,488	14,047	15,201
Remuneration of employees ... ..	4,646	5,263	6,335	7,270	8,261	9,299	n/a
Other ... ..	3,029	3,410	3,944	4,257	4,498	4,860	n/a
Adjustment for stock appreciation	111	5	-28	-331	-272	-112	-156
Public administration and defence							
Remuneration of employees ... ..	2,439	2,613	2,816	2,952	3,225	3,566	3,841
Other services (including rent)							
Net value added ... ..	16,884	19,126	22,612	26,161	30,364	35,080	40,175
Remuneration of employees ... ..	9,944	10,985	12,310	14,119	16,108	18,748	n/a
Other ... ..	6,941	8,141	10,302	12,042	14,255	16,332	n/a
Adjustment for financial services ... ..	-2,093	-2,059	-2,500	-3,117	-3,571	-3,863	-4,226
Statistical discrepancy ... ..	522	633	-881	-25	-600	569	1,217
<b>Net value added at factor cost</b>	<b>46,369</b>	<b>53,358</b>	<b>61,717</b>	<b>70,799</b>	<b>80,192</b>	<b>91,250</b>	<b>102,824</b>
<i>plus</i> Provision for depreciation ... ..	5,798	6,629	7,368	8,786	10,639	11,619	13,260
Agriculture, forestry and fishing ... ..	555	567	578	593	619	651	662
Industry ... ..	1,616	1,774	2,055	2,515	3,080	3,435	3,792
Distribution, transport and communication ... ..	892	1,042	1,045	1,308	1,709	1,787	1,950
Other services ... ..	2,735	3,246	3,690	4,369	5,231	5,746	6,855
<b>Gross value added at factor cost</b>	<b>52,167</b>	<b>59,987</b>	<b>69,085</b>	<b>79,585</b>	<b>90,831</b>	<b>102,869</b>	<b>116,084</b>
Non product taxes ... ..	726	727	770	855	878	962	1,059
Non product subsidies ... ..	-429	-489	-532	-586	-556	-586	-475
<b>Gross value added at basic prices</b>	<b>52,464</b>	<b>60,225</b>	<b>69,323</b>	<b>79,855</b>	<b>91,153</b>	<b>103,245</b>	<b>116,668</b>
Product taxes ... ..	7,755	8,829	10,067	11,526	13,443	13,610	15,038
Product subsidies ... ..	-2,139	-1,932	-1,847	-1,767	-1,751	-2,111	-2,362
<b>Gross domestic product at market prices</b>	<b>58,080</b>	<b>67,123</b>	<b>77,543</b>	<b>89,614</b>	<b>102,845</b>	<b>114,743</b>	<b>129,344</b>
Net factor income from the rest of the world ... ..	-6,535	-8,040	-9,382	-12,944	-14,750	-18,295	-25,915
<b>Gross national product at market prices</b>	<b>51,544</b>	<b>59,083</b>	<b>68,161</b>	<b>76,670</b>	<b>88,095</b>	<b>96,448</b>	<b>103,429</b>
EU subsidies ... ..	1,996	1,744	1,729	1,614	1,549	1,664	1,748
EU taxes ... ..	-548	-509	-676	-641	-683	-633	-486
<b>Gross national income at current market prices</b>	<b>52,992</b>	<b>60,317</b>	<b>69,213</b>	<b>77,643</b>	<b>88,961</b>	<b>97,480</b>	<b>104,691</b>

\*Preliminary.

Breakdown between Remuneration of Employees and Other (Net Operating Surplus) not available for all sectors in latest year.

**TABLE 7**  
**Net Value Added at Factor Cost and Net National Income at Market Prices (€ million)**

Description	1996	1997	1998	1999	2000	2001	2002*
<b>Value added from agriculture, forestry and fishing ...</b>	<b>3,302</b>	<b>3,122</b>	<b>3,193</b>	<b>2,925</b>	<b>3,159</b>	<b>3,346</b>	<b>3,155</b>
Income from self-employment ...	2,975	2,786	2,835	2,535	2,775	2,971	2,741
Remuneration of employees:							
— Wages and salaries ...	305	313	334	364	358	349	385
— Employers' contribution to social insurance ...	22	23	24	27	26	26	28
<b>Non-agricultural value added</b>	<b>44,638</b>	<b>51,661</b>	<b>61,905</b>	<b>71,016</b>	<b>81,205</b>	<b>91,199</b>	<b>102,679</b>
Profits and self-employed earnings							
Domestic trading profits of companies (including corporate bodies) before tax ...	13,101	16,287	20,842	25,603	28,581	30,153	45,431
Self-employed earnings ...	3,722	4,366	5,306	5,787	6,925	7,932	
Adjustment for stock appreciation	138	-77	64	-839	-818	218	-135
Rent of dwellings (actual and imputed) ...	2,220	2,892	3,566	4,182	5,146	6,176	7,466
of which imputed rent ...	1,817	2,403	3,001	3,538	4,369	5,260	6,379
Rent element in land annuities ...	3	2	1	6	3	5	3
Remuneration of employees:							
— Wages, salaries, pensions	23,930	26,475	30,142	33,979	38,608	43,507	46,421
— Employers' contribution to social insurance ...	1,525	1,717	1,983	2,299	2,760	3,208	3,493
Adjustments:							
Adjustment for financial services...	-2,093	-2,059	-2,500	-3,117	-3,571	-3,863	-4,226
Statistical discrepancy ...	522	633	-881	-25	-600	569	1,217
<b>Net value added at factor cost ...</b>	<b>46,369</b>	<b>53,358</b>	<b>61,717</b>	<b>70,799</b>	<b>80,192</b>	<b>91,250</b>	<b>102,824</b>
Net factor income from the rest of the world ...	-6,535	-8,040	-9,382	-12,944	-14,750	-18,295	-25,915
<b>Net national product at factor cost ...</b>	<b>39,834</b>	<b>45,318</b>	<b>52,335</b>	<b>57,855</b>	<b>65,442</b>	<b>72,955</b>	<b>76,909</b>
National (i.e. non EU) taxes ...	7,933	9,047	10,161	11,741	13,638	13,938	15,611
National (i.e. non EU) subsidies ...	-572	-677	-651	-739	-758	-1,032	-1,089
<b>Net national income at market prices ...</b>	<b>47,194</b>	<b>53,688</b>	<b>61,845</b>	<b>68,857</b>	<b>78,322</b>	<b>85,861</b>	<b>91,431</b>

\*Preliminary.

**TABLE 8**  
**National Disposable Income Savings and Capital Formation (€ million)**

Description	1996	1997	1998	1999	2000	2001	2002
Gross national product at current market prices ... ..	51,544	59,083	68,161	76,670	88,095	96,448	103,429
EU subsidies ... ..	1,996	1,744	1,729	1,614	1,549	1,664	1,748
EU taxes ... ..	-548	-509	-676	-641	-683	-633	-486
Gross national income at current market prices ... ..	52,992	60,317	69,213	77,643	88,961	97,480	104,691
Current transfers from the rest of the world less current transfers to the rest of the world ... ..	272	403	266	204	128	-726	-447
Gross national disposable income ...	53,264	60,720	69,479	77,847	89,089	96,753	104,244
Total consumption expenditure ...	40,318	44,489	49,369	55,746	63,122	70,615	77,757
Gross national savings ... ..	12,946	16,232	20,111	22,101	25,967	26,138	26,487
Provision for depreciation ... ..	5,798	6,629	7,368	8,786	10,639	11,619	13,260
Net national savings ... ..	7,148	9,603	12,743	13,315	15,327	14,520	13,227
Capital transfers ... ..	621	734	840	560	1,182	703	576
Net foreign disinvestment ... ..	-2,549	-2,812	-1,467	-785	-803	51	380
Statistical discrepancy ... ..	522	633	-881	-25	-600	569	1,217
Gross total available for investment	11,540	14,787	18,602	21,850	25,746	27,461	28,660
Gross domestic fixed capital formation	11,026	13,898	17,341	21,459	24,926	26,967	28,649
Value of physical changes in stocks on farms ... ..	134	119	43	-179	-151	-13	-40
Increase in value of non-agricultural stocks and work in progress (including EU intervention stocks)	242	846	1,155	1,409	1,788	288	187
Adjustment for stock appreciation ...	138	-77	64	-839	-818	218	-135
Gross Domestic Physical Capital Formation at current prices ...	11,540	14,787	18,602	21,850	25,746	27,461	28,660

**TABLE 9**  
**General Government Balance (€ million)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Current Budget</b>										
<b>Expenditure</b> ... ..	13,356	14,206	15,273	16,078	17,795	18,301	19,750	20,634	24,009	26,123
– Central Fund Services ... ..	3,643	3,582	3,787	4,013	4,686	4,361	4,379	3,924	3,605	2,809
– Voted Current Expenditure ... ..	9,714	10,623	11,486	12,065	13,109	13,940	15,371	16,710	20,404	23,314
<b>Revenue</b> ... ..	12,875	14,225	14,814	16,449	18,563	20,950	24,117	27,606	28,738	31,525
– Tax ... ..	12,322	13,758	14,392	15,897	18,124	20,480	23,565	27,072	27,925	29,294
– Non-Tax ... ..	553	467	422	551	439	470	551	534	812	2,231
<b>Surplus/Deficit(-) on Current Account</b>	-481	19	-459	371	767	2,649	4,367	6,971	4,729	5,402
as % of GNP ... ..	-1.2	–	-1.0	0.7	1.3	3.9	5.7	7.9	4.9	5.2
<b>Capital Budget</b>										
Expenditure ... ..	1,577	1,736	1,581	1,828	2,025	2,934	8,591	6,527	6,020	6,869
Resources ... ..	1,178	863	1,244	903	960	1,233	5,736	2,733	1,944	1,561
Exchequer Borrowing										
<b>Surplus/Deficit(-) on Capital Account</b>	-399	-873	-337	-925	-1,065	-1,701	-2,855	-3,794	-4,076	-5,307
as % of GNP ... ..	-1.0	-2.1	-0.7	-1.8	-1.8	-2.5	-3.7	-4.3	-4.2	-5.1
<b>Exchequer Surplus/Deficit(-)</b>	-880	-854	-796	-554	-298	948	1,512	3,177	653	95
as % of GNP ... ..	-2.3	-2.0	-1.7	-1.1	-0.5	1.4	2.0	3.6	0.7	0.1
<b>General Government Balance</b>										
Surplus/Deficit(-) ... ..	-979	-773	-1,141	-148	781	1,838	2,106	4,415	1,258	-113
as % of GDP* ... ..	-2.3	-1.7	-2.2	-0.3	1.2	2.4	2.3	4.3	1.1	-0.1

\* In accordance with the requirements of the Maastricht Treaty, General Government Balance is calculated as a percentage of GDP estimated on the basis of the European System of National and Regional Accounts, 1995. The other indicators in this table are calculated as a percentage of GNP estimated on the basis of the European System of Accounts, 1995.

**TABLE 10**  
**Volume of Production in Major Industrial Sectors (1995 = 100)**

Industrial Sector	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Food products... ..	77.5	81.7	88.2	100.0	100.5	101.2	108.1	114.6	116.7	125.7	133.0
Beverages ... ..	88.5	89.8	96.1	100.0	105.6	113.9	116.1	114.9	130.7	127.0	124.0
Tobacco products ... ..	111.4	101.7	102.2	100.0	104.1	103.8	95.8	104.7	121.3	127.5	136.5
Textiles ... ..	121.8	122.6	122.8	100.0	98.9	101.7	103.8	90.2	83.3	96.9	78.6
Wearing apparel; dressing and dyeing of fur ... ..	131.1	125.9	122.7	100.0	103.5	99.3	101.0	91.0	60.9	51.7	23.6
Leather and leather products ... ..	87.6	81.7	86.4	100.0	93.7	96.0	96.7	83.2	79.0	63.7	58.3
Wood and wood products ... ..	100.3	101.4	111.9	100.0	112.3	142.6	154.6	170.8	165.4	150.8	167.4
Pulp, paper and paper products; publishing, printing and reproduction of recorded media ... ..	70.9	77.0	90.1	100.0	108.4	131.6	165.2	180.4	171.4	169.7	188.1
Chemicals, chemical products and man-made fibres ... ..	59.8	65.8	78.6	100.0	117.7	163.4	231.1	290.5	331.2	403.4	500.1
Rubber and plastic products ... ..	75.7	75.3	80.5	100.0	98.0	95.0	95.1	96.2	98.8	99.5	92.1
Other non-metallic mineral products... ..	72.0	69.8	77.0	100.0	105.3	119.0	120.6	123.7	135.7	136.0	121.9
Basic metals and fabricated metal products ... ..	94.5	94.8	99.7	100.0	102.0	105.4	110.0	114.6	123.5	110.4	104.0
Machinery and equipment, not elsewhere classified ... ..	62.0	60.9	70.0	100.0	99.9	99.1	107.7	100.9	104.7	95.8	90.9
Electrical and optical equipment	60.8	64.9	73.5	100.0	110.0	131.4	151.2	175.0	238.9	250.1	226.5
Office machinery and computers	55.6	58.8	65.3	100.0	106.3	122.9	134.7	160.8	219.7	201.9	164.9
Electrical machinery and apparatus, not elsewhere classified	68.0	74.1	92.4	100.0	112.2	142.3	188.6	200.7	284.8	335.3	353.4
Radio, television and communication equipment and apparatus... ..	50.1	55.4	70.2	100.0	106.1	123.6	154.9	162.1	199.6	153.9	98.1
Medical, precision and optical instruments, watches and clocks ... ..	74.9	79.6	85.0	100.0	121.8	151.7	172.0	202.9	279.4	376.2	374.6
Transport equipment ... ..	101.3	98.3	103.5	100.0	116.9	134.0	151.3	160.4	199.6	209.9	187.8
Manufacturing not elsewhere classified; recycling; refined petroleum products ... ..	76.6	73.5	80.7	100.0	99.4	108.8	105.8	104.2	124.2	115.9	106.0
<b>Total Manufacturing Industries</b>	<b>69.5</b>	<b>73.2</b>	<b>82.5</b>	<b>100.0</b>	<b>108.4</b>	<b>129.4</b>	<b>157.0</b>	<b>180.6</b>	<b>209.0</b>	<b>230.4</b>	<b>249.7</b>
Mining, and quarrying... ..	58.5	66.0	67.8	100.0	98.2	84.0	77.4	92.7	114.0	108.1	94.3
Transportable goods industries	69.0	72.9	82.0	100.0	108.1	128.1	154.8	178.2	206.4	227.1	245.5
Electricity, gas and water supply	88.8	93.8	98.4	100.0	105.7	110.2	113.3	122.9	129.3	137.7	142.4
<b>All Industries ... ..</b>	<b>70.2</b>	<b>74.2</b>	<b>83.0</b>	<b>100.0</b>	<b>108.0</b>	<b>126.9</b>	<b>152.2</b>	<b>174.6</b>	<b>201.5</b>	<b>221.4</b>	<b>238.9</b>

**TABLE 11**  
**Agricultural Output, Input and Income**

	Estimated Value (€ million)					Volume Index Numbers (1995 = 100)				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Goods output at producer prices	4,662.0	4,602.5	4,764.0	4,963.0	4,581.7	102.7	103.5	101.6	104.0	98.9
of which: Cattle	1,385.0	1,330.7	1,378.0	1,257.9	1,168.1	108.6	106.6	100.2	99.3	91.7
Milk	1,431.2	1,408.7	1,447.0	1,567.7	1,415.1	96.2	96.7	97.3	100.6	97.7
Intermediate consumption (total input)	2,806.6	2,880.6	2,963.4	3,109.3	3,114.4	101.6	103.7	102.2	104.3	103.0
Gross value added at basic prices	2,966.1	2,710.5	2,932.8	2,851.5	2,631.2	106.7	101.6	103.8	99.7	95.3
Factor income	2,830.8	2,578.2	2,807.8	2,951.5	2,755.8					
Operating surplus	2,563.3	2,303.4	2,535.3	2,697.2	2,479.6					

**TABLE 12**  
**Estimated Labour Force (ILO) and Numbers at Work by NACE Economic Sector**  
(Thousands)

Economic Sector (NACE Rev. 1)	Quarterly National Household Survey									
	Mar-May 1998	Jun-Aug 1998	Sep-Nov 1998	Dec '98- Feb '99	Mar-May 1999	Jun-Aug 1999	Sep-Nov 1999	Dec '99- Feb '00	Mar-May 2000	Jun-Aug 2000
A-B <b>Agriculture, Forestry and Fishing</b> ... ..	136.0	136.5	136.6	137.9	135.9	142.3	140.0	133.8	130.9	130.7
<b>Industry</b>										
C-E Other production industries	301.3	311.0	302.2	300.4	308.9	321.3	314.0	313.5	309.9	326.4
F Construction ... ..	136.3	143.9	147.3	148.9	142.1	150.9	154.8	159.7	166.3	175.5
<b>Services</b>										
G Wholesale and retail trade	207.6	219.8	211.9	217.4	223.3	236.4	229.3	233.5	235.8	253.4
H Hotels and restaurants ...	93.1	103.1	94.9	92.2	102.6	116.7	105.1	105.4	109.0	118.3
I Transport, storage and communication ... ..	80.2	85.0	88.3	91.2	96.0	99.9	99.9	101.2	100.8	105.9
J-K Financial and other business services ... ..	165.5	175.1	176.7	179.0	195.8	208.0	205.3	206.8	212.1	218.8
L Public administration and defence ... ..	72.5	75.3	74.2	75.9	74.4	77.8	78.3	76.8	77.8	78.8
M-N Education and health ...	212.8	212.3	214.0	215.0	220.4	219.0	225.8	226.7	234.7	232.5
O Other services ... ..	89.3	97.6	98.5	97.0	91.8	97.0	95.1	93.2	93.4	97.6
<b>TOTAL AT WORK</b> ... ..	<b>1,494.5</b>	<b>1,559.7</b>	<b>1,544.7</b>	<b>1,555.0</b>	<b>1,591.1</b>	<b>1,669.2</b>	<b>1,647.4</b>	<b>1,650.6</b>	<b>1,670.7</b>	<b>1,737.9</b>
<b>Unemployed</b> ... ..	126.6	128.9	106.0	95.1	96.9	101.1	88.7	81.5	74.9	77.7
Seeking full-time work ... ..	105.4	109.5	89.4	80.7	80.1	83.4	73.0	66.8	61.3	63.3
Seeking part-time work ... ..	21.2	19.4	16.6	14.4	16.8	17.7	15.7	14.8	13.6	14.4
<b>In Labour Force</b> ... ..	1,621.1	1,688.6	1,650.7	1,650.1	1,688.1	1,770.3	1,736.1	1,732.1	1,745.6	1,815.6
<b>Unemployment Rate %</b> ... ..	7.8	7.6	6.4	5.8	5.7	5.7	5.1	4.7	4.3	4.3

**TABLE 12 (continued)**  
**Estimated Labour Force (ILO) and Numbers at Work by NACE Economic Sector**  
(Thousands)

Economic Sector (NACE Rev. 1)	Quarterly National Household Survey									
	Sep-Nov 2000	Dec-Feb 2001	Mar-May 2001	Jun-Aug 2001	Sep-Nov 2001	Dec-Feb 2002	Mar-May 2002	Jun-Aug 2002	Sep-Nov 2002	Dec-Feb 2003
A-B <b>Agriculture, Forestry and Fishing</b> ... ..	122.7	121.7	120.1	127.3	124.4	121.7	120.7	122.7	119.8	114.3
<b>Industry</b>										
C-E Other production industries	321.0	318.3	317.1	330.8	318.0	310.4	302.9	314.0	302.2	303.2
F Construction ... ..	178.1	179.9	180.2	186.4	184.8	183.2	181.1	190.0	190.8	188.5
<b>Services</b>										
G Wholesale and retail trade	242.6	246.5	247.8	253.4	245.6	249.1	245.9	257.1	250.3	252.3
H Hotels and restaurants ...	110.0	106.6	104.8	116.3	109.1	108.7	104.8	116.6	112.4	110.5
I Transport, storage and communication ... ..	105.2	107.2	110.4	112.6	110.9	108.9	110.2	114.2	112.3	110.9
J-K Financial and other business services ... ..	216.3	218.1	218.3	230.7	228.2	226.4	229.1	229.1	225.3	226.6
L Public administration and defence ... ..	78.5	78.4	80.4	84.2	81.4	82.0	89.2	90.0	87.1	88.6
M-N Education and health ...	241.8	242.6	245.2	248.1	255.7	260.0	267.0	262.6	272.7	280.7
O Other services ... ..	94.1	90.7	92.3	96.9	94.9	94.9	99.0	98.6	97.7	96.3
<b>TOTAL AT WORK</b> ... ..	<b>1,710.3</b>	<b>1,709.9</b>	<b>1,716.5</b>	<b>1,786.6</b>	<b>1,752.9</b>	<b>1,745.5</b>	<b>1,749.9</b>	<b>1,794.8</b>	<b>1,770.7</b>	<b>1,772.0</b>
<b>Unemployed</b> ... ..	68.8	65.6	65.4	79.5	72.6	80.0	77.2	86.7	84.1	84.9
Seeking full-time work ... ..	55.3	52.4	53.7	65.0	59.7	67.5	65.5	73.7	69.1	71.4
Seeking part-time work ... ..	13.5	13.2	11.7	14.5	12.9	12.4	11.7	12.9	15.0	13.5
<b>In Labour Force</b> ... ..	1,779.1	1,775.5	1,781.9	1,866.1	1,825.5	1,825.4	1,827.0	1,881.5	1,854.7	1,857.0
<b>Unemployment Rate %</b> ... ..	3.9	3.7	3.7	4.3	4.0	4.4	4.2	4.6	4.5	4.6

**TABLE 13**  
**Population, Natural Increase and Net Migration\***

Year	Population at mid-April	Total Increase	Natural Increase	Net Migration**
		Since mid-April of previous year		
(000's)				
1983	3,504.0	24	38	-14
1984	3,529.0	25	34	-9
1985	3,540.0	11	31	-20
1986	3,541.0	1	29	-28
1987	3,546.5	6	29	-23
1988	3,531.0	-16	26	-42
1989	3,510.0	-21	23	-44
1990	3,506.0	-4	19	-23
1991	3,526.0	20	22	-2
1992	3,554.5	29	22	7
1993	3,574.0	20	20	0
1994	3,586.0	12	17	-5
1995	3,601.0	15	17	-2
1996	3,626.0	25	17	8
1997	3,661.0	35	20	15
1998	3,705.0	44	21	23
1999	3,745.0	40	21	19
2000	3,787.0	42	22	20
2001	3,839.0	52	26	26
2002	3,897.0	58	29	29

\*Figures rounded to nearest thousand.

\*\*A minus sign denotes net outward migration.

**TABLE 14**  
**Price Index Numbers and Percentage Changes**  
(1990 = 100)

Period	Consumer Prices (All Items)	Wholesale Prices (General Index)	Agricultural Output Prices	Agricultural Input Prices	Export Unit Value	Import Unit Value	Terms of Trade
1986 ... ..	88.3	93.1	93.4	96.7	96.7	92.9	104.0
1987 ... ..	91.0	93.6	97.2	92.2	96.6	92.8	104.1
1988 ... ..	93.0	97.4	107.5	94.7	103.6	98.9	104.7
1989 ... ..	96.8	102.9	112.9	99.8	110.5	105.3	104.9
1990 ... ..	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991 ... ..	103.2	101.2	96.2	100.4	99.3	102.3	97.0
1992 ... ..	106.4	102.1	97.8	100.3	96.6	100.2	96.4
1993 ... ..	107.9	106.9	104.2	100.3	103.9	105.4	98.6
1994 ... ..	110.4	108.0	105.8	101.1	103.8	108.1	96.0
1995 ... ..	113.2	110.3	108.2	102.8	105.7	112.7	93.7
1996 ... ..	115.1	110.8	103.4	107.0	105.1	111.4	94.3
1997 ... ..	116.8	110.3	97.0	104.8	106.3	112.0	94.9
1998 ... ..	119.6	112.0	96.2	102.4	109.1	114.6	95.2
1999 ... ..	121.6	113.1	92.3	103.5	109.5	118.0	92.8
2000 ... ..	128.4	120.0	98.2	110.0	115.0	128.0	89.9
2001 ... ..	134.6	123.2	102.6	115.7	120.9	131.8	91.7
2002 ... ..	140.9	123.3	98.2	117.2	121.6	126.7	96.0
2003 ... ..							
Jan ... ..	143.4	—	99.6	118.8	117.6	121.5	96.8
Feb ... ..	144.8	—	98.5	120.5	116.3	124.0	93.8
Mar ... ..	145.8	—	97.8	121.4	116.6	123.8	94.2
Apr ... ..	146.3	—	98.1	119.7	113.9	121.6	93.7
May ... ..	146.1	—	97.9	119.6	—	—	—
June ... ..	146.1	—	—	—	—	—	—
Percentage changes							
1986 ... ..	3.9	-2.1	-0.6	-3.8	-7.3	-11.1	4.3
1987 ... ..	3.2	0.5	4.1	-4.7	-0.1	-0.1	0.1
1988 ... ..	2.1	4.1	10.6	2.7	7.2	6.6	0.6
1989 ... ..	4.0	5.6	5.0	5.4	6.7	6.5	0.2
1990 ... ..	3.4	-2.8	-11.4	0.2	-9.5	-5.0	-4.7
1991 ... ..	3.2	1.2	-3.8	0.4	-0.7	2.3	-3.0
1992 ... ..	3.0	0.8	1.7	-0.1	-2.7	-2.1	-0.6
1993 ... ..	1.5	4.8	6.5	0.0	7.6	5.2	2.3
1994 ... ..	2.4	1.0	1.6	0.8	-0.1	2.6	-2.6
1995 ... ..	2.5	2.1	2.2	1.6	1.8	4.3	-2.4
1996 ... ..	1.6	0.5	-4.5	4.1	-0.6	-1.2	0.6
1997 ... ..	1.5	-0.5	-6.2	-2.0	1.1	0.5	0.6
1998 ... ..	2.4	1.5	-0.8	-2.4	2.6	2.3	0.3
1999 ... ..	1.6	1.0	-4.0	1.1	0.4	3.0	-2.5
2000 ... ..	5.6	6.1	6.3	6.3	5.0	8.5	-3.1
2001 ... ..	4.9	2.7	4.5	5.2	5.1	3.0	2.0
2002 ... ..	4.6	0.1	-4.3	1.2	0.6	-3.9	4.7

**TABLE 15**  
**Compensation per employee Indices\* in National and Common Currency Terms**  
(1987 = 100)

Indices in National Currency

Year	UK	USA	Germany	France	Italy	Nether-lands	Belgium	Spain	Japan	Main Trading Partners	Ireland
1987	100	100	100	100	100	100	100	100	100	100	100
1988	108	105	103	105	108	101	102	108	104	105	107
1989	118	108	105	109	118	102	109	115	109	112	114
1990	130	114	110	113	130	105	116	127	115	120	119
1991	142	119	117	118	141	110	125	140	120	128	124
1992	151	125	129	123	149	116	132	156	122	136	133
1993	156	129	134	126	156	120	139	167	123	141	141
1994	161	132	138	128	161	123	145	173	124	143	145
1995	167	134	143	132	168	125	142	180	127	148	148
1996	173	138	145	135	178	127	144	188	127	151	153
1997	181	142	146	138	185	129	148	192	129	155	160
1998	190	148	148	141	182	134	150	198	129	160	167
1999	198	154	150	144	187	139	155	203	128	163	176
2000	208	163	153	148	193	145	158	210	128	170	191
2001	219	167	155	152	199	153	163	219	127	174	209
2002	227	172	158	156	203	160	169	228	125	181	223

Indices in Common Currency (IEP)

Year	UK	USA	Germany	France	Italy	Nether-lands	Belgium	Spain	Japan	Main Trading Partners	Ireland
1987	100	100	100	100	100	100	100	100	100	100	100
1988	115	102	103	103	105	101	102	108	114	107	107
1989	124	114	106	107	116	102	108	123	120	115	114
1990	127	102	110	113	126	105	117	135	103	116	119
1991	142	110	117	116	136	110	126	149	119	126	124
1992	141	109	130	122	137	116	134	160	121	130	133
1993	145	131	148	136	131	132	152	160	162	142	141
1994	149	131	152	138	129	136	161	155	175	145	145
1995	149	125	167	147	124	146	167	161	180	148	148
1996	153	128	161	148	139	141	161	166	157	150	153
1997	177	139	149	140	138	132	152	155	151	152	160
1998	201	155	158	150	142	143	161	166	149	165	167
1999	215	170	161	155	147	149	168	171	178	174	176
2000	244	206	164	159	151	156	171	178	217	191	191
2001	253	219	167	163	156	164	177	185	198	197	209
2002	259	213	170	168	159	172	184	192	179	201	223

\*Compensation per employee for individual countries from Eurostat Cronos database.

**TABLE 16**  
**Retail Sales and New Private Car Licensing**

Period	Index of Total Retail Sales (Seasonally Adjusted) 1995 = 100				New Private Car Licensing	
	Value Index	Year-on-Year % Change	Volume Index	Year-on-Year % Change	Total	Year-on-Year % Change
1995 ... ..	100.0	0	100.0	0	82,730	6.4
1996 ... ..	107.9	7.9	105.8	5.8	109,333	32.2
1997 ... ..	116.8	8.2	113.5	7.3	125,818	15.1
1998 ... ..	128.2	9.8	122.7	8.1	138,538	10.1
1999 ... ..	142.8	11.4	134.3	9.5	170,322	22.9
2000 ... ..	166.1	16.3	150.3	11.9	225,269	32.3
2001 ... ..	175.9	5.9	155.0	3.1	160,908	28.6
2002 ... ..	182.8	3.9	156.1	0.7	150,485	-6.5
1997 Q1 ... ..	111.5	6.5	108.6	5.1	41,211	6.2
Q2 ... ..	113.7	6.3	110.9	5.3	38,704	3.8
Q3 ... ..	118.3	9.2	115.1	8.6	25,622	12.9
Q4 ... ..	123.1	11.0	119.1	10.2	20,281	92.6
1998 Q1 ... ..	122.9	10.2	118.6	9.2	47,374	15.0
Q2 ... ..	126.2	11.0	121.0	9.1	46,205	19.4
Q3 ... ..	130.7	10.5	124.7	8.3	29,582	15.5
Q4 ... ..	132.3	7.5	126.0	5.8	15,377	-24.2
1999 Q1 ... ..	137.1	11.6	130.4	9.9	56,459	19.2
Q2 ... ..	138.9	10.1	131.3	8.5	54,465	17.9
Q3 ... ..	145.5	11.3	136.8	9.7	39,554	33.7
Q4 ... ..	148.7	12.4	138.4	9.8	19,844	29.0
2000 Q1 ... ..	161.4	17.7	148.2	13.7	79,644	41.1
Q2 ... ..	166.9	20.2	152.0	15.8	78,853	44.8
Q3 ... ..	167.3	15.0	150.7	10.2	47,052	19.0
Q4 ... ..	168.3	13.2	150.1	8.5	19,720	-0.6
2001 Q1 ... ..	170.8	5.8	152.4	2.8	60,932	-23.5
Q2 ... ..	174.6	4.6	154.3	1.5	54,151	-31.3
Q3 ... ..	175.9	5.1	154.1	2.3	31,966	-32.1
Q4 ... ..	181.0	7.5	157.9	5.2	13,859	-29.7
2002 Q1 ... ..	178.4	4.4	154.1	1.1	55,539	-8.9
Q2 ... ..	180.0	3.1	154.3	0	49,007	-9.5
Q3 ... ..	185.1	5.2	157.5	2.2	32,078	0.4
Q4 ... ..	186.5	3.0	157.4	-0.1	13,861	0
2003 Q1 ... ..	187.9	5.3	156.4	1.5	55,821	0.5

**TABLE 17**  
**Value and Volume of Exports and Imports\***

Year	Value at Current Prices			Volume Index 1990 = 100			
	Imports €m	Exports €m	Trade Surplus €m	Imports		Exports	
				Volume	% Change	Volume	% Change
1986	10,946.8	11,902.9	956.1	74.4	2.9	67.6	3.7
1987	11,624.7	13,616.0	1,991.3	79.1	6.3	77.4	14.5
1988	12,970.1	15,623.9	2,653.9	82.8	4.7	82.9	7.1
1989	15,597.8	18,534.4	2,936.6	93.6	13.0	92.2	11.2
1990	15,832.1	18,203.9	2,371.7	100.0	6.8	100.0	8.5
1991	16,317.2	19,070.1	2,752.9	100.8	0.8	105.6	5.6
1992	16,753.9	21,260.2	4,506.4	105.6	4.8	121.1	14.7
1993	18,899.7	25,178.5	6,278.9	113.0	7.0	133.4	10.2
1994	21,945.4	28,890.9	6,945.6	127.9	13.2	153.2	14.8
1995	26,180.9	35,330.1	9,149.2	146.3	14.4	184.0	20.1
1996	28,479.5	38,608.9	10,129.4	160.9	10.0	202.2	9.9
1997	32,863.5	44,868.0	12,004.5	184.8	14.9	232.4	14.9
1998	39,715.0	57,321.8	17,606.7	218.3	18.1	289.2	24.4
1999	44,327.1	66,956.2	22,629.1	236.5	8.3	336.5	16.4
2000	55,908.8	83,888.9	27,980.1	275.2	16.4	401.4	19.3
2001	57,384.2	92,689.9	35,305.7	274.2	-0.4	422.0	5.1
2002	55,542.2	93,966.1	38,423.9	276.1	0.7	425.3	0.8

\* On a trade statistics basis. The trade balance on a balance of payments basis is shown in Table 21.

**TABLE 18**  
**Sectoral Origin of Exports**

Origin of Produce	1997		1998		1999		2000		2001		2002	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
Agricultural	3,218.3	7.2	3,342.7	5.8	3,696.8	5.5	4,046.6	4.8	3,655.7	3.9	3,625.4	3.9
Forestry and Fishing	336.1	0.7	347.5	0.6	351.7	0.5	384.9	0.5	488.9	0.5	489.2	0.5
Industrial	40,632.6	90.6	52,555.6	91.7	61,748.8	92.2	77,648.5	92.6	86,627.8	93.5	88,005.9	93.7
Unclassified Exports*	681.0	1.5	1,076.0	1.9	1,158.8	1.7	1,808.9	2.2	1,917.5	2.1	1,845.6	2.0
Total	44,868.0	100.0	57,321.8	100.0	66,956.2	100.0	83,888.9	100.0	92,689.9	100.0	93,966.1	100.0

\*Includes estimates which are not classified by industrial origin.

**TABLE 19**  
**Distribution of Imports according to Main Use**

Main Use Category	1997		1998		1999		2000		2001		2002	
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
Producer's capital goods	3,834.5	11.7	5,175.5	13.0	6,511.9	14.7	8,069.5	14.4	7,534.6	13.1	7,020.2	12.6
Consumption goods	7,044.0	21.4	8,278.6	20.8	9,387.4	21.2	11,486.1	20.5	12,446.8	21.7	12,707.5	22.9
of which												
– Food, drink, tobacco	1,783.3	5.4	2,022.1	5.1	2,292.9	5.2	2,481.5	4.4	2,881.7	5.0	2,988.8	5.4
– Other ... ..	5,260.7	16.0	6,256.5	15.8	7,094.5	16.0	9,004.5	16.1	9,565.0	16.7	9,718.6	17.5
Materials for further processing ... ..	20,360.4	62.0	24,273.1	61.1	26,258.0	59.2	34,056.7	60.9	35,289.3	61.5	33,621.1	60.5
of which												
– Agriculture ... ..	637.3	1.9	631.6	1.6	730.4	1.6	886.9	1.6	941.7	1.6	940.6	1.7
– Other ... ..	19,723.2	60.0	23,641.5	59.5	25,527.6	57.6	33,169.7	59.3	34,347.7	59.9	32,680.5	58.8
Unclassified Imports ... ..	1,624.6	4.9	1,988.5	5.0	2,170.0	4.9	2,296.6	4.1	2,113.8	3.7	2,193.4	3.9
Total ... ..	32,863.5	100.0	39,715.0	100.0	44,327.1	100.0	55,908.8	100.0	57,384.2	100.0	55,542.2	100.0

**TABLE 20**  
**Percentage Distribution of Trade by Area**

Areas	Exports		Imports	
	2001	2002	2001	2002
<b>European Union</b> ... ..	62.1	63.7	59.3	59.4
of which:				
Great Britain ... ..	22.4	22.2	33.5	34.2
Northern Ireland ... ..	2.0	1.8	2.1	1.9
Germany ... ..	12.6	7.2	6.1	6.4
France ... ..	6.0	5.0	4.8	5.0
Netherlands ... ..	4.6	3.6	3.2	3.3
Belgium and Luxembourg ... ..	4.9	14.5	1.5	1.5
Italy ... ..	3.6	3.8	2.1	2.0
Other EU ... ..	6.1	5.6	5.9	5.4
<b>Other European Countries</b> ... ..	4.8	4.9	4.1	3.4
<b>Other Countries</b> ... ..	31.8	29.9	34.1	34.8
of which:				
USA ... ..	16.9	17.5	15.2	15.4
Japan ... ..	3.5	2.8	3.5	3.6
Other ... ..	11.4	9.6	15.4	15.8
<b>Trade Not Classified by Country</b> ... ..	1.3	1.4	2.5	2.5
<b>Total</b> ... ..	100.0	100.0	100.0	100.0
of which:				
OECD ... ..	90.3	91.5	85.0	84.9

**TABLE 21**  
**Balance of International Payments (€ million)**

Current Account	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Trade at Current Prices</b>										
Merchandise ... ..	7,020	7,889	10,705	12,457	15,442	17,510	22,170	27,266	30,494	37,014
Services ... ..	-2,430	-3,290	-4,683	-5,714	-6,962	-8,820	-10,176	-13,889	-13,259	-12,871
Income ... ..	-4,661	-4,718	-5,948	-6,535	-8,040	-9,382	-12,945	-14,750	-18,295	-25,914
Current Transfers ... ..	1,662	1,467	1,409	1,720	1,638	1,319	1,177	994	305	815
<b>Balance on Current Account</b>	<b>1,589</b>	<b>1,349</b>	<b>1,483</b>	<b>1,928</b>	<b>2,078</b>	<b>627</b>	<b>226</b>	<b>-379</b>	<b>-757</b>	<b>-954</b>
As % of GNP ... ..	4.1	3.2	3.2	3.7	3.5	0.9	0.3	-0.4	-0.8	-0.9

**TABLE 21 (continued)**  
**Balance of International Payments (€ million) – Detailed Breakdown**

	2000	2001	2002
<b>Current Account</b>			
Merchandise <sup>1</sup> ... ..	27,266	30,494	37,014
Services ... ..	-13,889	-13,259	-12,871
– Tourism <sup>2</sup> ... ..	101	-75	-690
– Other Services ... ..	-13,990	-13,184	-12,181
Income ... ..	-14,750	-18,295	-25,914
Current Transfers ... ..	994	305	815
<b>Balance on Current Account</b> ... ..	<b>-379</b>	<b>-757</b>	<b>-954</b>
<b>as % of GNP</b> ... ..	<b>-0.430%</b>	<b>-0.785%</b>	<b>-0.922%</b>
<b>Balance on Capital Account</b>	<b>1,182</b>	<b>703</b>	<b>576</b>
<b>Financial Account</b>			
Direct Investment ... ..	23,682	6,241	22,617
Portfolio Investment ... ..	-5,358	-25,158	-42,334
Other Investment <sup>3</sup> ... ..	-9,037	19,039	19,287
Reserve Assets ... ..	-142	-441	343
<b>Balance on Financial Account</b> ... ..	<b>9,145</b>	<b>-319</b>	<b>-87</b>
<i>Net errors and omissions</i> ... ..	<i>-9,948</i>	<i>372</i>	<i>464</i>

<sup>1</sup> Adjusted for balance of payments purposes.

<sup>2</sup> Excluding passenger fare receipts.

<sup>3</sup> Including financial derivatives and trade credits.

The series has been adjusted retrospectively to 1993 to take account of the financial services sector and achieve comparability in the series from 1993 to 2002. The figures from 1993 to 1997 are therefore different from the official balance of payments statistics published by the CSO for this period.

**TABLE 22**  
**Interest Rates: End Period**  
Source: Central Bank of Ireland

End of Year/Period	One Month Interbank Rate (%)	Associated Banks Prime Rate* (%)	Mortgage Rate** (%)
1983	12.2	12.8	11.75
1984	15.0	14.8	11.75
1985	10.4	10.5	9.75
1986	13.7	13.5-14.0	12.50
1987	8.2	9.0	9.75
1988	7.9	8.0	8.25
1989	12.4	11.0	11.25-11.95
1990	11.1	10.5	11.00-11.70
1991	10.7	11.3	10.75-11.45
1992	18.0	19.0	13.75-14.45
1993	6.6	7.0-7.4	7.75-8.45
1994	5.75	6.21-6.25	6.85-7.25
1995	5.45	6.00-6.13	6.85-7.79
1996 Q1	5.1	5.52-5.65	6.85-7.29
1996 Q2	5.2	5.73-5.75	6.50-6.75
1996 Q3	5.6	6.13-6.20	6.60-7.00
1996 Q4	5.74	6.25-6.29	6.60-7.00
1997 Q1	5.65	6.25-6.29	6.60-7.00
1997 Q2	6.25	6.75-6.81	7.10-7.50
1997 Q3	6.23	6.75-6.81	7.10-7.85
1997 Q4	6.43	6.81-7.00	7.10-7.85
1998 Q1	6.2	6.62-6.74	7.10-7.85
1998 Q2	6.29	6.75-6.88	7.10-7.85
1998 Q3	6.08	6.62-6.75	7.10-7.85
1998 Q4	3.23	3.88-4.06	5.50-6.35
1999 Q1	2.99***	3.50-3.62	5.10-5.75
1999 Q2	2.64	3.11-3.25	4.85-5.35
1999 Q3	2.58	3.11-3.12	3.85-5.35
1999 Q4	3.54	4.00-4.12	3.69-4.39
2000 Q1	3.69	4.13-4.21	3.75-4.89
2000 Q2	4.42	4.88-5.00	4.93-5.65
2000 Q3	4.79	5.24-5.31	4.93-5.90
2000 Q4	4.86	5.49-5.63	5.59-6.15
2001 Q1	4.7	5.36-5.38	5.59-6.15
2001 Q2	4.5	5.00-5.15	5.30-5.89
2001 Q3	3.7	4.38-4.63	5.10-5.89
2001 Q4	3.31	3.93-4.00	4.25-4.75
2002 Q1	3.35	3.88-3.93	4.25-4.75
2002 Q2	3.38	3.88-4.00	4.25-4.75
2002 Q3	3.30	3.86-3.93	4.25-4.75
2002 Q4	2.88	3.50-3.58	3.85-4.70
2003 Q1	2.55	3.12-3.21	3.68-4.23
2003 Q2	2.14	2.63-2.77	3.30-3.75

\*Rates shown for period prior to December 1991, are AAA category overdraft rates.

From December 1991 the rates shown are representative of those charged to large commercial customers for short-term borrowings.

\*\*The representative mortgage rate above refers to annuity mortgage rates.

The Central Bank quotes a range of representative mortgage rates – prior to 1989 it quoted a single rate.

\*\*\*EURIBOR interest rates are shown from Q1 1999 onwards (end of quarter).

**TABLE 23****Exchange Rates: Units per Irish Pound (Period Averages)**

Source: Central Bank of Ireland.

	US Dollar	Sterling	DM	ECU	Effective Index
1980 ... ..	2.06	0.89	3.73	1.48	74.0
1981 ... ..	1.62	0.80	3.64	1.45	67.8
1982 ... ..	1.42	0.81	3.45	1.45	67.4
1983 ... ..	1.25	0.82	3.18	1.40	65.1
1984 ... ..	1.09	0.81	3.08	1.38	62.3
1985 ... ..	1.07	0.82	3.11	1.40	62.4
1986 ... ..	1.34	0.91	2.91	1.37	66.7
1987 ... ..	1.49	0.91	2.67	1.29	66.2
1988 ... ..	1.52	0.86	2.67	1.29	65.1
1989 ... ..	1.42	0.87	2.67	1.29	64.4
1990 ... ..	1.66	0.93	2.67	1.30	68.3
1991 ... ..	1.61	0.91	2.67	1.30	67.3
1992 ... ..	1.71	0.97	2.66	1.31	69.5
1993 ... ..	1.47	0.98	2.42	1.25	66.0
1994 ... ..	1.50	0.98	2.43	1.26	66.2
1995 ... ..	1.60	1.02	2.30	1.23	67.1
1996 ... ..	1.60	1.03	2.41	1.26	68.5
1997 ... ..	1.52	0.93	2.63	1.34	67.4
1998 Q1 ... ..	1.38	0.84	2.50	1.27	62.63
Q2 ... ..	1.41	0.85	2.52	1.28	63.66
Q3 ... ..	1.43	0.86	2.51	1.27	64.18
Q4 ... ..	1.50	0.89	2.49	1.27	65.05

**Exchange Rates: Units per euro (Period Averages)**

Source: European Central Bank.

	US Dollar	Sterling	Effective Index
1999 Q1	1.122	0.687	100.0
Q2	1,057	0.658	96.1
Q3	1,049	0.655	94.6
Q4	1,038	0.636	92.2
2000 Q1	0.986	0.614	89.0
Q2	0.933	0.610	86.0
Q3	0.905	0.612	84.7
Q4	0.868	0.600	83.0
2001 Q1	0.923	0.633	88.6
Q2	0.873	0.614	86.0
Q3	0.890	0.619	87.0
Q4	0.896	0.621	87.5
2002 Q1	0.876	0.615	87.1
Q2	0.919	0.629	88.8
Q3	0.984	0.635	91.3
Q4	0.999	0.636	92.5
2003 Q1	1.073	0.670	96.9
Q2	1.137	0.702	101.3