



An Roinn Airgeadais  
Department of Finance

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# Monthly Economic Bulletin

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July 2009



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## ECONOMIC GROWTH (Volume)

### *Economic Growth (Volume)*

The table below summarises the performance of the economy over the 2003-2008 period. Volume growth rates for GDP and GNP are outlined, along with the value, at market prices, of GDP and GNP.

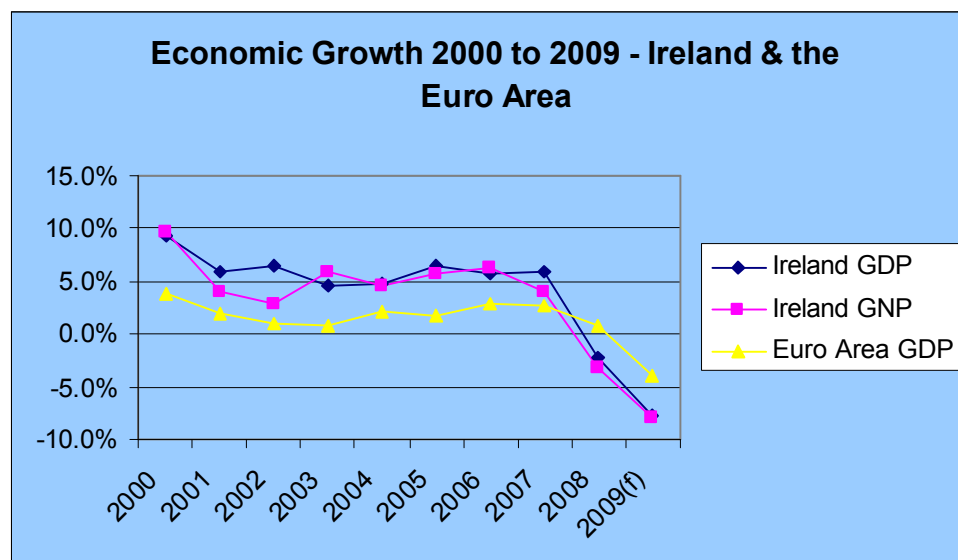
	'03-'08 AVG	'03	'04	'05	'06	'07	'08
<b>Personal Consumption</b>	4.1	3.0	3.6	6.6	6.6	5.9	-1.0
<b>Government</b>	3.7	1.3	1.5	3.8	5.8	6.9	2.6
<b>Investment</b>	3.6	6.3	9.6	14.7	4.0	2.3	-15.5
<b>Exports</b>	4.3	0.6	7.5	5.2	5.1	8.6	-1.0
<b>Imports</b>	4.2	-1.5	8.5	8.4	6.5	5.6	-2.1
<b>GDP</b>	3.9	4.4	4.6	6.2	5.4	6.0	-3.0
<i>Value, million</i>		€139,763	€149,098	€162,091	€176,759	€189,751	€181,816
<b>GNP</b>	3.9	5.7	4.3	5.6	6.3	4.4	-2.8
<i>Value, million</i>		€118,039	€126,219	€137,188	€152,529	€161,244	€154,596

Source Q1 2009 Quarterly National Accounts - CSO

### *CSO Quarter 1 2009*

Quarterly National Accounts data for the first quarter of 2009 shows that GDP declined by 8.5% year-on-year, while the equivalent figure for GNP was an annual decrease of 12.0%.

The graph below compares Ireland's growth rate with the euro area average over the 2000 to 2009 period.



### *Forecasts from Various Sources for 2009*

2009	DEPT. FINANCE APR 2009	ESRI APR 2009	CENTRAL BANK APR 2009	EU MAY 2009	IMF JUNE 2009	OECD JUNE 2008
<b>GDP</b>	-7.7%	-8.3%	-6.9%	-9.0 %	-8.5%	-9.8%
<b>GNP</b>	-8.0%	-9.2%	-7.1%	n/a	-7.4%	n/a

## EMPLOYMENT

	Employment			Labour Force		ILO Unemployment Rate		ILO Participation Rate
	Actual	Year on Year	%	Year on Year	%	Overall	Long Term	
<b>Q2 2008</b>	2,112,800	-1,100	-0.1%	+22,600	+1.0%	5.7%	1.5%	63.7%
<b>Q3 2008</b>	2,107,100	-42,700	-2.0%	+13,500	+0.6%	7.0%	1.7%	64.2%
<b>Q4 2008</b>	2,054,600	-84,200	-3.9%	-15,500	-0.7%	7.6%	1.7%	62.9%
<b>Q1 2009</b>	1,965,600	-158,500	-7.5%	-45,100	-2.0%	10.2%	2.2%	62.0%

Source: QNHS

### ***Lisbon Strategy – Employment Targets***

The Lisbon European Council of 2000 set as a new strategic goal for the EU over the 2000-2010 decade “to become the most competitive and dynamic knowledge based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.” The employment targets set by the European Commission and outlined in the Lisbon Strategy are as follows:

	2010 Targets	Ireland		EU27	Euro Area
		2008	Q1 2009	2008	2008
Overall Employment Rate	70%	67.5%	63.2%	65.9%	66.1%
Employment Rate for women	60%	60.2%	58.0%	59.1%	58.8%
Employment Rate for older workers (aged 55-64)	50%	53.6%	52.2%	45.6 %	44.4%

Source: CSO; Eurostat

### ***Building and Construction Employment***

- The latest QNHS<sup>1</sup> indicates that employment in Construction declined by 72,200 (-28.6%) in the 12 months to Q1 2009 (Jan-Mar).
- The CSO’s *Index of Employment in Construction* release of 18<sup>th</sup> February 2009 indicates that Construction employment decreased by 21.9 % year-on-year to December 2008.(last release of series)

### ***Other Production***

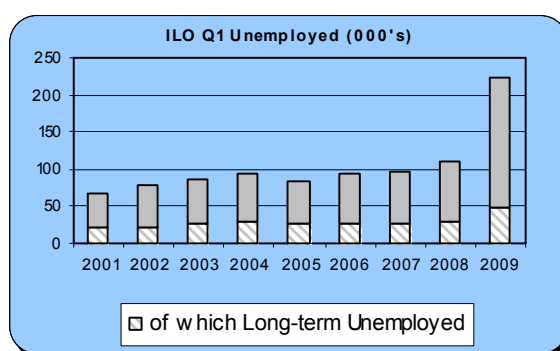
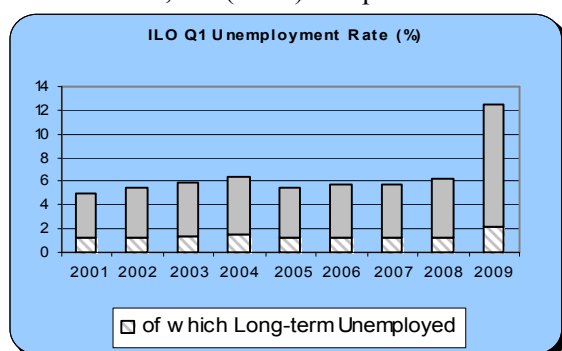
- QNHS<sup>1</sup> employment in Industry decreased by 19,600 (-6.9%) in Q1 2009 year-on-year.
- The CSO release of 9<sup>th</sup> June 2009 on *Earnings and Labour Costs* indicates that Industrial employment fell by 17,800 (-7.5%) in the twelve months to Q4 2008.

### ***Banking, Insurance and Building Societies***

- QNHS<sup>1</sup> employment in Financial, Insurance and Real Estates activities increased by 200 (+0.2%) in the 12 months to Q1 2009.
- The CSO release of 9<sup>th</sup> June 2009, *Earnings and Labour Costs* indicates that employment in Financial Intermediation rose by 2,700 (3.3%) in the twelve months to Q4 2008.

### ***Public Sector Employment***

- QNHS<sup>1</sup> employment in Public Administration and Defence; compulsory social security increased by 3,000 (2.9%) in Q1 2009 year-on-year.
- The CSO Statistical Release of 29<sup>th</sup> June 2009 on *Public Sector Employment and Earnings* indicates that in March 2009 259,500 were employed in the Public Sector (excluding Health), an annual increase of 1,500 (0.6%) compared to March 2008.



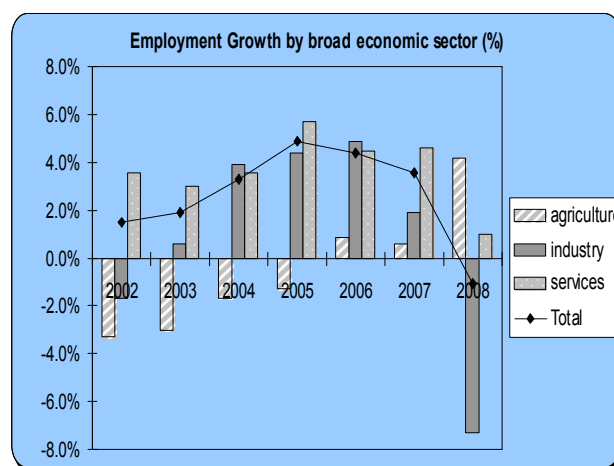
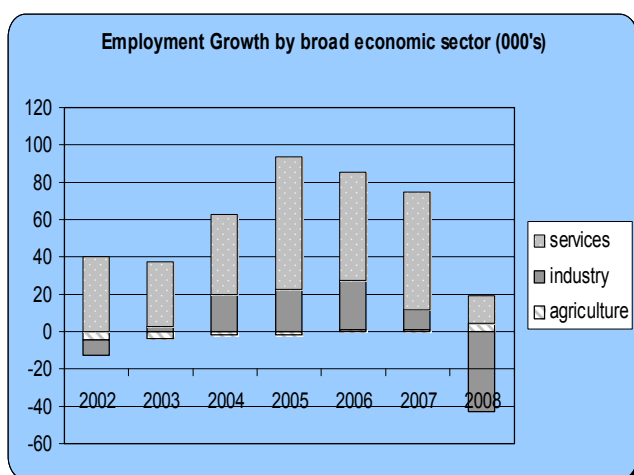
<sup>1</sup> Released by the CSO on 25<sup>th</sup> June 2009

### Annual Employment Growth by broad economic sector 2002 – 2008 ('000's)

	2002	2003	2004	2005	2006	2007	2008
Services	39.8	34.2	43.0	71.0	58.3	63.2	14.3
Industry	-8.6	3.1	19.7	22.8	26.8	10.7	-42.3
Agriculture	-4.1	-3.7	-2.0	-1.6	1.0	0.7	4.9
<b>Total</b>	<b>27.1</b>	<b>33.6</b>	<b>60.6</b>	<b>92.2</b>	<b>85.6</b>	<b>74.5</b>	<b>-23.1</b>

### Employment Growth by broad economic sector 2001 - 2007 (%)

	2002	2003	2004	2005	2006	2007	2008
Services	3.6%	3.0%	3.6%	5.7%	4.5%	4.6%	1.0%
Industry	-1.7%	0.6%	3.9%	4.4%	4.9%	1.9%	-7.3%
Agriculture	-3.3%	-3.0%	-1.7%	-1.3%	0.8%	0.6%	4.2%
<b>Total</b>	<b>1.5%</b>	<b>1.9%</b>	<b>3.3%</b>	<b>4.9%</b>	<b>4.4%</b>	<b>3.6%</b>	<b>-1.1%</b>



#### **Live Register**

The Live Register figure for June 2009 was 418,592. This is an increase of 21,721 on the figure for May 2009 and an increase of 197,781 on the figure for June 2008. The underlying seasonally adjusted figure in June 2009 was 413,500, which represents an increase of 11,400 on the figure for May 2009.

#### **Redundancies**

The latest figures from the Department of Enterprise, Trade and Employment show that the total number of redundancies from June 2008 to June 2009 was 66,928, an increase of 130% on the previous twelve month period.

#### **FÁS Training and Employment Programmes**

FÁS TRAINING & EMPLOYMENT SCHEMES	May 2009	May 2008
Community Employment	22,422	22,526
(Number of CE places for people with disabilities) <sup>2</sup>	(5,829)	(5,646)
Job Initiative	1,444	1,516
Other Employment programmes for people with disabilities <sup>3</sup>	3,209	3,032
Training programmes/schemes for the unemployed and jobseekers	13,210	13,074
<b>Total</b>	<b>40,285</b>	<b>40,148</b>

<sup>2</sup> The figure for the number of CE places for people with disabilities comprises Persons with Disability 5,514 and Drugs Task Force with Disability 315.

<sup>3</sup> The figures for other employment programmes for the disabled represent a split between those engaged on the Wage Subsidy Scheme and those involved on the Supported Employment Programme (SEP).

## EARNINGS

The latest sectoral earnings data relate to Q4 2008, the Public Sector where Q1 2009 data is available.

### Public Sector (Ex Health)

In Q1 2009 average weekly earnings increased by 3.4%, relative to Q1 2008.

### Construction

In December 2008 average weekly earnings decreased by -2.4%, relative to December 2007. Hourly earnings rose by 2.3% over the same period.

### Industry

In Q4 2008 average weekly earnings for the average industrial worker increased by 2.3%, relative to Q4 2007. Hourly earnings rose by 3.5% over the same period.

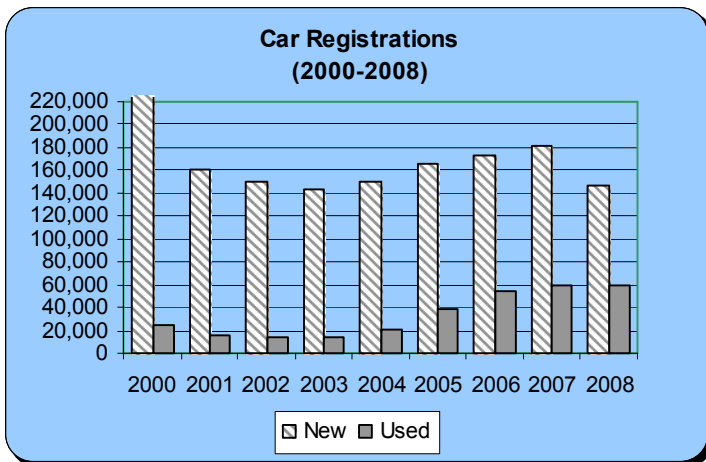
The table below sets out the growth rate of earnings, as detailed in the CSO's earnings releases, in the main sectors of the economy.

	2004	2005	2006	2007	2008	Annual Change in Average Weekly Earnings		Average Weekly Earnings(€)
						Q4 '08	Q4 '08	
<b>Industry</b>	4.7%	3.6%	3.5%	3.2%	2.5%	Q4 '08	2.3%	666
<b>Distribution and Business</b>	5.1%	4.1%	5.8%	4.0%	2.7%	Q4 '08	1.1%	714
<b>Construction</b>	4.8%	7.2%	1.7%	5.8%	1.2%	Q4 '08	-2.4%	822
<b>Financial and Insurance activities</b>	5.7%	4.3%	6.9%	4.5%	4.5%	Q4 '08	3.0%	1017
<b>Public Sector (ex Health)</b>	8.5%	5.9%	4.9%	4.6%	2.9%	Q1 '09	3.4%	973

## PERSONAL CONSUMPTION

### *Retail Sales<sup>4</sup>*

- Retail sales volumes declined by 17.0% year-on-year in April 2009. Excluding the motor trade, retail sales declined by 7.1% year-on-year in April.
- The annual decrease in Retail Sales volume in 2008 as a whole was 4.6%, while the corresponding decrease excluding Motor Trades was 3.6%.



### *Car Registrations<sup>5</sup>*

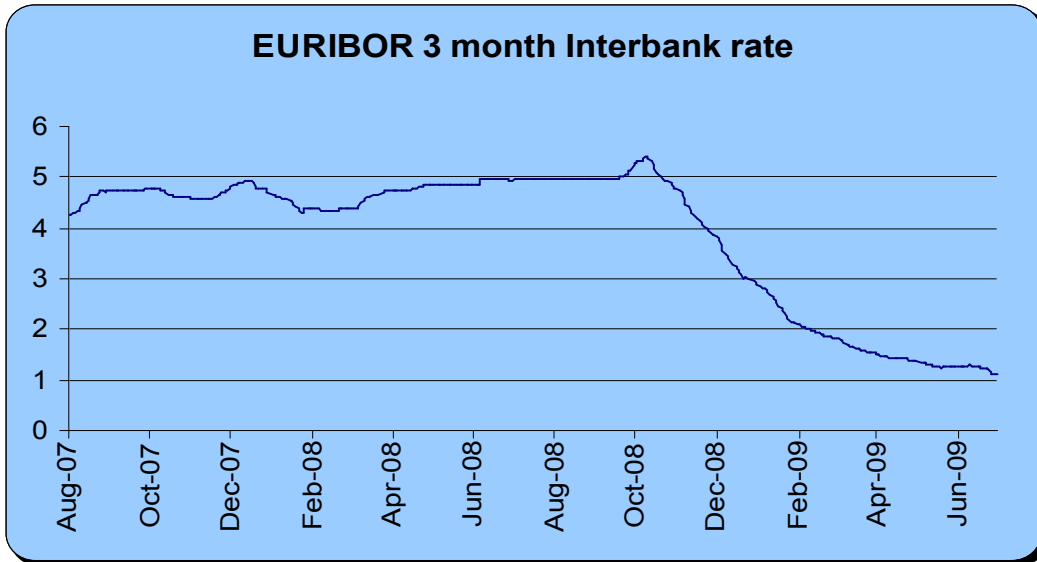
- New private car registrations in May 2009 declined by 60% on the same month in 2008.
- Looking at 2008 as a whole, new car registrations were down 19% year-on-year, while used car registrations increased by 2.3% year-on-year

<sup>4</sup> Source: Retail Sales Index Release, as published by the CSO.

<sup>5</sup> Source: Latest data available from the Revenue Commissioners, preliminary figures.

## INTEREST RATES

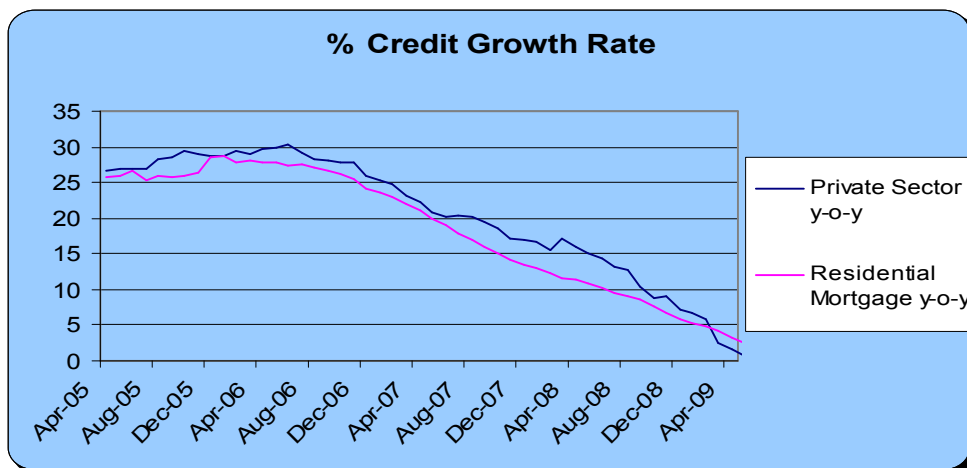
The EURIBOR one-week interbank rate on the 30<sup>th</sup> June 2009 was 0.497%, down from 0.898% at the end of May, while the EURIBOR three-month interbank interest rate on 30<sup>th</sup> June 2009 was 1.099%, down from 1.269% at the end of May.



The bid yield on a ten-year Irish Government bond (10/2019) was 5.72% on 30 June, 2009, compared to 3.38% for the nearest equivalent German Government bond (07/2019). The European Central Bank's minimum bid rate on its main refinancing operations at the end of June was 1.00%.

## CREDIT GROWTH

The adjusted<sup>6</sup> annual growth rate of Private Sector Credit slowed to 0.8% in May 2009 from a revised 1.6% in April. The annual growth rate of residential mortgages (adjusted for securitisations) eased to 2.6% in May from a revised 3.3% in April<sup>7</sup>.



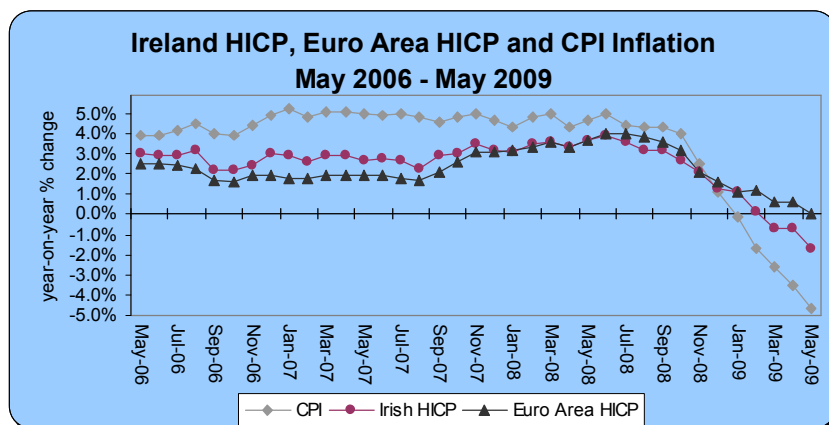
<sup>6</sup> i.e. excluding lending to non-Monetary Financial Institution IFSC companies and adjusted for valuation effects caused by exchange-rate movements.

<sup>7</sup> Source: Central Bank and Financial Services Authority of Ireland Monthly Statistics June 2009.

## INFLATION

### *Consumer Price Index*<sup>8</sup>

- The Consumer Price Index (CPI) fell by -4.7% in the twelve months to May 2009, down from -3.5% in April. Prices are now falling at their fastest rate since 1933.
- Irish HICP<sup>9</sup> (Harmonised Index of Consumer Prices) fell by -1.7% in May, down again from -0.7% in April. This was the lowest in the euro area.
- Euro area HICP inflation measured 0.0% in the twelve months to May, but the flash estimate for June was lower, at -0.1%.



### *Manufacturing Output Prices*<sup>10</sup>

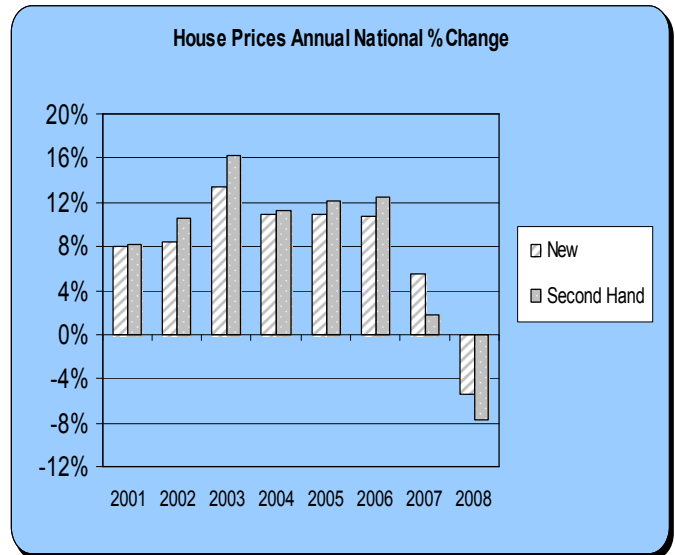
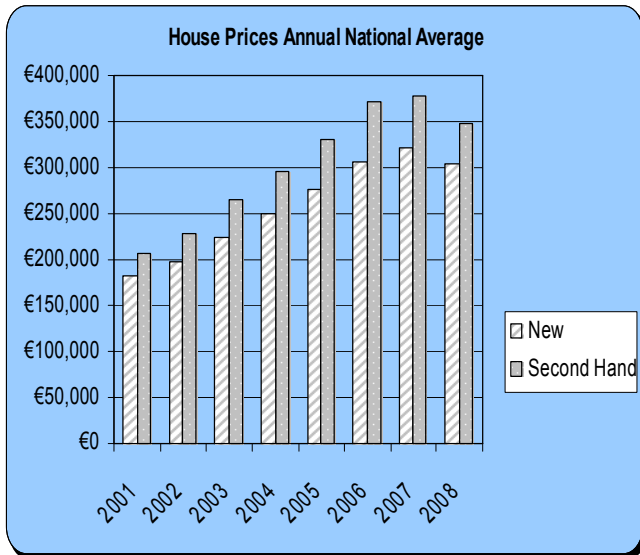
- In May 2009, manufacturing output prices decreased by 2.4% month-on-month and showed an annual increase of 1.3%.
- The prices for domestic sales decreased by 0.2% in May and decreased by 0.7% in the year, while export sales prices decreased by 3% in the month but increased by 1.9% year-on-year.

<sup>8</sup>Source: Consumer Price Index Release, as published by the CSO.

<sup>9</sup> The HICP measure of inflation excludes certain items that are included in the CPI; the most notable of these is mortgage interest and some insurance items. HICP is used for comparison between EU member states.

<sup>10</sup> Source: Wholesale Price Index Release, as published on by the CSO.

## HOUSE PRICES



### *Annual<sup>11</sup>*

- Average price of new houses nationwide fell by 5.4% to €305,269 in 2008.
- Average price of second-hand houses fell by 7.7% to €348,804 in 2008.
- In Dublin, average new house prices fell by 11.0% to €370,495 while average second-hand house prices fell by 10.4% to €444,207 in 2008.

### *Quarterly<sup>1</sup>*

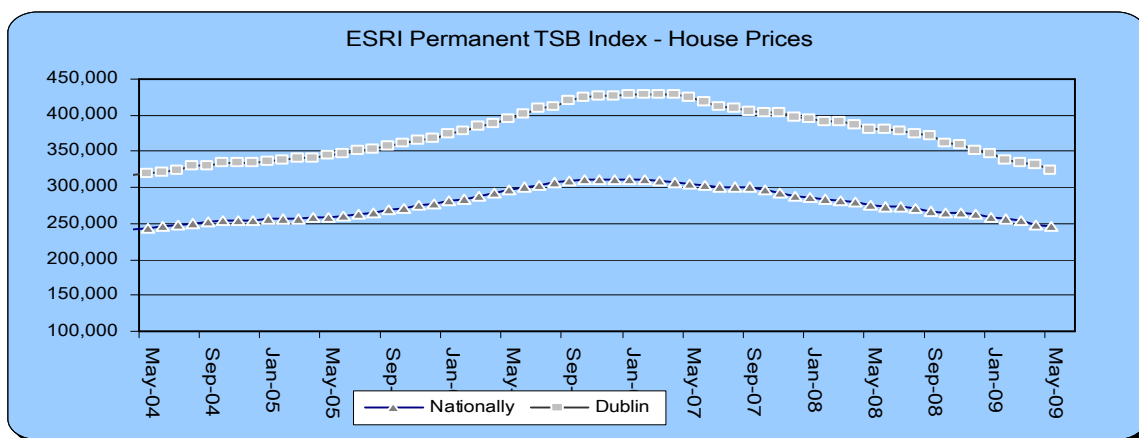
Fourth quarter figures for 2008 show that:

- Average new house prices nationally fell by 10.3% year-on-year to €282,023
- Average second-hand house prices fell by 11.9% year-on-year to stand at €323,418
- Average new house prices in Dublin decreased by 18.1% year-on-year to €329,625
- Average second-hand house prices in Dublin also decreased by 10.3% year-on-year to €415,035

### **The latest ESRI/Permanent TSB House Price Index reports that:**

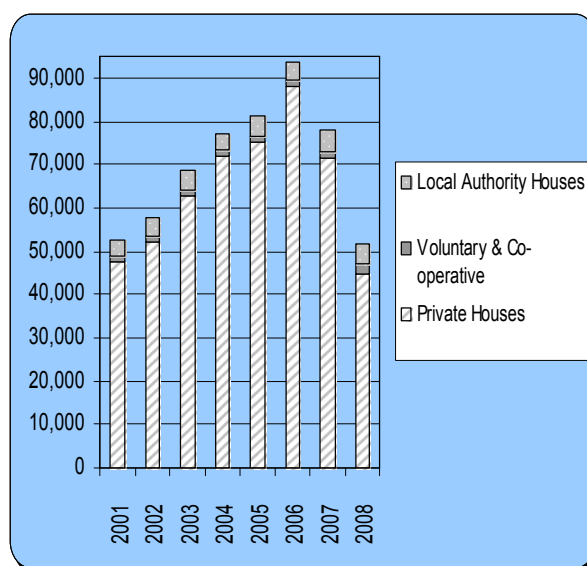
- In May 2009 the average prices for houses nationally and in Dublin were €245,295 and €323,973 respectively. This is a monthly decline in prices of 1.3% nationally and 2.2% in Dublin and an annual decline of 10.9% and 14.8% respectively.

<sup>11</sup> Source: Department of Environment, Heritage and Local Government Housing Statistics Workbook. Average House Prices are derived from data supplied by the mortgage lending agencies on loans approved by them rather than loans paid. In comparing house price figures from one period to another, account should be taken of the fact that changes in the mix of houses (including apartments) will affect the average figures. Latest Quarterly Data Published 21<sup>st</sup> May 2009.



### House Completions<sup>12</sup>

- A total of 51,724 houses were completed in 2008 compared with 78,027 in 2007 and 93,419 completed in 2006<sup>13</sup>.
- This represents a 34% decrease in house completions in 2008 as compared to 2007.
- In 2008, 44,923 completions were Private Houses, 1,896 completions were Voluntary and Co-operative Houses and 4,905 completions were Local Authority Houses<sup>14</sup>.
- In the first 5 months of 2009 12,162 houses were completed.



House Completions by Sector				
Year	Private Houses	Voluntary & Co-operative	Local Authority Houses	Total
2004	71,808	1,607	3,539	76,954
2005	75,398	1,350	4,209	80,957
2006	88,211	1,240	3,968	93,419
2007	71,356	1,685	4,986	78,027
2008	44,923	1,896	4,905	51,724

Source: DoELG Housing Statistics Workbook

<sup>12</sup> House completions data series are based on the number of new dwellings connected by ESB Networks to the electricity supply. These represent the number of homes completed and available, and do not reflect any work-in-progress. ESB Networks have indicated that there was a higher backlog in work-in-progress in 2005 than usual (estimated as being in the region of 5,000 units). This backlog was cleared through the connection of an additional 2,000 houses in Quarter 1 2006 and 3,000 houses in Quarter 2 2006.

<sup>13</sup> Source: Department of Environment, Heritage and Local Government Housing Statistics Workbook. 2006 figure is not adjusted for the ESB anomaly above.

<sup>14</sup> Source: Department of Environment, Heritage and Local Government Housing Statistics Workbook.

## TOURISM<sup>15</sup>

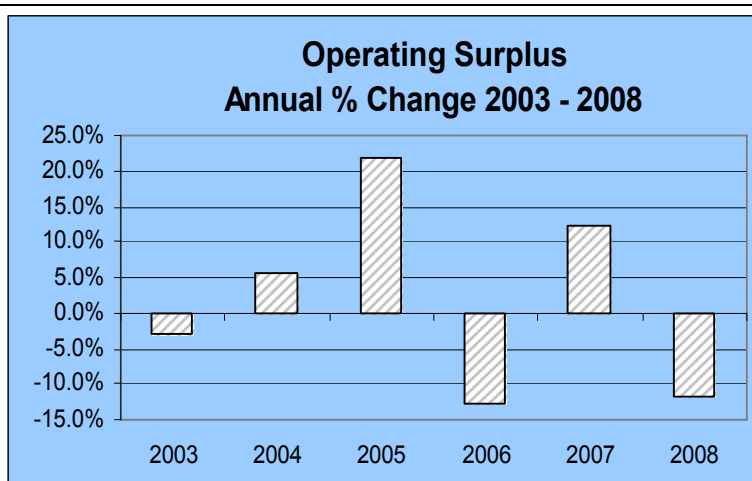
- There were 607,800 overseas visits to Ireland during April 2009, 6.5% more than in the same month a year earlier.
- The number of visits abroad by Irish residents in April 2009 was 579,400 4.2% less than in April last year.
- Earnings from visitors to Ireland in 2008 amounted to €4,781 million, a decrease of 2.5% over 2007.<sup>16</sup>
- Expenditure by Irish visitors abroad amounted to €6,912 million in 2008, an increase of 12.2% over 2007.<sup>17</sup>

## AGRICULTURE

Figures taken from the CSO release *Output, Input and Income in Agriculture 2008 – Final Estimate*, released on the 23<sup>rd</sup> June 2009.

### **Output**

The value of Agricultural Goods Output at producer prices increased by 2.1% in 2008 compared to 2007.



### **Farm Incomes**

Aggregate farm incomes (i.e. operating surplus) decreased by 11.8% in 2008, before deductions for interest payments and land rental.

- The structure of agricultural subsidies changed substantially in 2005, following the introduction of the Single Payment Scheme. This is classified in the Economic Accounts for Agriculture (EEA) as a *subsidy on production* and has replaced the system of direct product product-related payments which were classified as *subsidies on products*.
- Under this payment system the net value of subsidies on products and production amounted to €1,906 million in 2008, up 3.5% from €1,841 million in 2007.

<sup>15</sup> Source: Overseas Travel Release, as published by the CSO.

<sup>16</sup> Source: Tourism and Travel Release, May 2009 as published by the CSO.

<sup>17</sup> Source: Tourism and Travel Release, May 2009 as published by the CSO.

## BUDGET INDICATORS

### *Exchequer Balance*<sup>18</sup>

- An Exchequer deficit of €12,714 million was recorded in 2008.

### *General Government Balance*

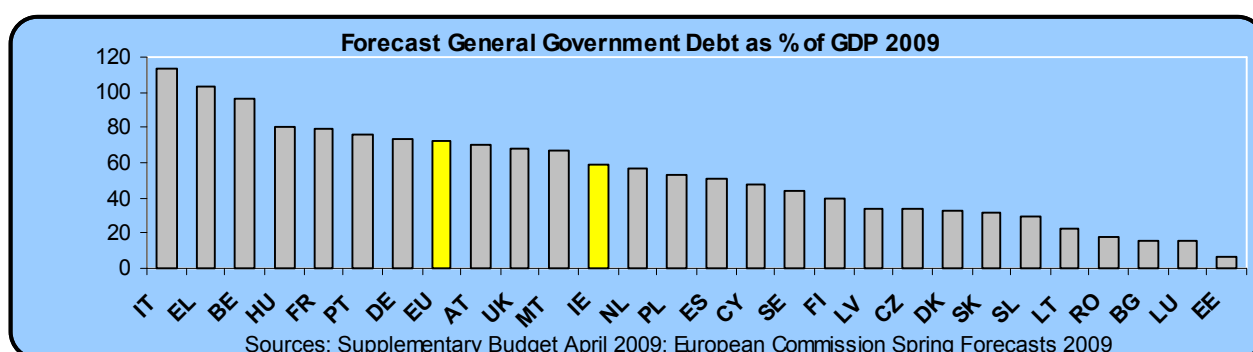
- The outturn for the 2007 General Government Balance is a surplus of 0.2 per cent of GDP.
- The revised estimate for the 2008 General Government Balance is a deficit of 7.1 per cent of GDP.
- The Supplementary Budget forecast a deficit of -10¾% of GDP for 2009.

### *General Government Receipts and Expenditure*<sup>19</sup>

	2007	2008	2009 (Revised forecast)
	€m	€m	€m
GG Receipts	65,165	59,283	54,539
GG Expenditure	64,819	72,560	72,953
<b>GG Balance</b>	<b>346</b>	<b>-13,277</b>	<b>-18,413</b>
GGB as a % of GDP	+0.2%	-7.1%	-10.7%
<b>Financing of GG Balance:</b>			
Currency and Deposits	-247	-397	
Securities other than Shares (excl.derivatives)	-243	3,722	
<i>Short-term</i>	195	3,979	
<i>Long-term</i>	-438	-257	
Loans	91	-83	
<i>Short-term</i>	86	-4	
<i>Long-term</i>	5	87	
Other Movements	746	-16,684	
<b>Total</b>	<b>346</b>	<b>-13,277</b>	

### *General Government Debt*

- Ireland's ratio of General Government Debt to GDP at end-2007 is estimated to have been 25.0%.
- Ireland's ratio of General Government Debt to GDP at end-2008 is estimated to have been 43%.
- The revised forecast for General Government Debt to GDP ratio at end-2009 is projected to be in the region of 59%.



<sup>18</sup> The difference between the General Government and Exchequer measures of the public finances is that the definition of General Government includes local authorities, non-commercial state sponsored bodies, the National Pensions Reserve Fund (NPRF) and the Social Insurance Fund whereas only the transactions of Central Government are included in the Exchequer Balance. The General Government measure also includes elements of accrual accounting while the Exchequer Balance is a cash-based measure.

<sup>19</sup> Figures for GG receipts and expenditure are calculated in accordance with European standard statistical accounting rules and include Imputed Social Contributions (ESA 95 R63). Rounding may affect totals.

## BALANCE OF PAYMENTS – CURRENT ACCOUNT

The most recent Balance of Payments (BOP) data relates to the first quarter of 2009. These data show a current account deficit of -€2,530 million (7.4 per cent of GNP) for Q1. This compares with a deficit of €4,175m (10.6% of GNP) for the corresponding period last year.

	Q1	Q2	Q3	Q4	Total	% of GNP
2003	-753	88	103	560	-2	0.0
2004	-107	-149	-359	-252	-867	-0.7
2005	-2,009	-1,250	-1,215	-1,216	-5,690	-4.1
2006	-2,302	-1,437	-1,227	-1,338	-6,304	-4.1
2007	-3,624	-2,096	-1,641	-2,763	-10,124	-6.3
2008	-4,175	-2,028	-2,898	-334	-9,435	-6.1
2009	-2,530	-	-	-	-2,530	-7.4

## OUTPUT AND EXPORTS

### **Manufacturing Production**

Manufacturing output increased by 3.6% year-on-year in April 2009. In the slightly wider industrial sector, output was also up by 3.1% on an annual basis.

### **Exports**

Monthly merchandise export data for April 2009 shows that the value of merchandise exports increased by 6.3% year-on-year. Imports decreased by 27% in value terms for the corresponding period. The trade balance was €4.1 billion in April.

## OTHER NEWS

- Information on the Supplementary Budget April 2009 and Budgetary and Economic Statistics 2008 is available on the Department of Finance website: [www.finance.gov.ie](http://www.finance.gov.ie)
- Copies of CSO releases can be downloaded from [www.cso.ie](http://www.cso.ie)
- Information on Central Bank statistical releases can be downloaded from [www.centralbank.ie](http://www.centralbank.ie)
- Details of **forthcoming statistical releases**, including the IMF's advance calendar can be found at: <http://dsbb.imf.org/Applications/web/calmultiarccountry/>
- The OECD Economic Survey of Ireland was published in April 2008, and details can be found on <http://www.oecd.org/>

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