



An Roinn Airgeadais  
Department of Finance

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# Monthly Economic Bulletin

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September 2010



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## ECONOMIC GROWTH (Volume)

### *Economic Growth (Volume)*

The table below summarises the performance of the economy over the 2005-2009 period. Volume growth rates for GDP and GNP are outlined, along with the value, at market prices, of GDP and GNP.

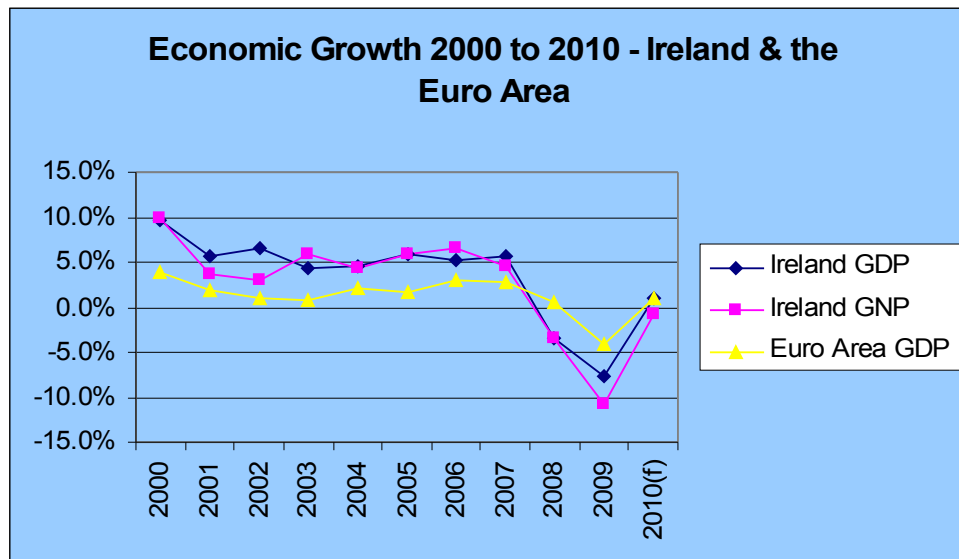
	'05-'09 avg	'05	'06	'07	'08	'09
<b>Personal Consumption</b>	2.3	6.9	6.7	6.4	-1.5	-7.0
<b>Government</b>	2.7	3.9	5.1	6.9	2.2	-4.4
<b>Investment</b>	-4.6	14.9	4.6	2.8	-14.3	-31.0
<b>Exports</b>	2.6	4.8	4.8	8.2	-0.8	-4.1
<b>Imports</b>	2.0	8.3	6.4	7.8	-2.9	-9.7
<b>GDP</b>	1.2	6.0	5.3	5.6	-3.5	-7.6
<i>Value, million</i>		€162,314	€177,342	€189,374	€179,988	€159,647
<b>GNP</b>	0.6	6.0	6.5	4.5	-3.5	-10.7
<i>Value, million</i>		€138,053	€154,078	€162,853	€154,671	€131,242

Source Q1 2010 Quarterly National Accounts - CSO

### *CSO Quarterly National Accounts Q1 2010*

Quarterly National Accounts data shows for Q1 2010 that GDP declined by -0.7% year-on-year, while the equivalent figure for GNP was an annual decrease of -4.2%.

The graph below compares Ireland's growth rate with the euro area average over the 2000 to 2010 period.



### *Forecasts from Various Sources for 2010*

2010	Dept. Finance July 2010	ESRI July 2010	Central Bank July 2010	EU May 2010	IMF June 2010	OECD May 2010
<b>GDP</b>	1.0%	0.3%	0.8%	-0.9%	-0.6%	-0.7%
<b>GNP</b>	-0.7%	-0.5%	-1.0%	n/a	-1.7%	n/a

## EMPLOYMENT

	Employment			Labour Force		ILO Unemployment Rate		ILO Participation Rate
	Actual	Year on Year	%	Year on Year	%	Overall	Long Term	
<b>Q2 2009</b>	1,938,500	-174,300	-8.2%	-36,500	-1.6%	12.0%	2.6%	62.5%
<b>Q3 2009</b>	1,922,400	-184,700	-8.8%	-64,300	-2.8%	12.7%	3.2%	62.5%
<b>Q4 2009</b>	1,887,700	-166,900	-8.1%	-69,100	-3.1%	12.4%	4.1%	61.2%
<b>Q1 2010</b>	1,857,600	-108,000	-5.5%	-55,700	-2.5%	12.9%	5.3%	60.7%

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
		2009	Q1 2010	2009	2009
Overall Employment Rate	70%	62.2%	60.2%	64.6%	64.7%
Employment Rate for women	60%	57.6%	56.3%	58.6%	58.3%
Employment Rate for older workers (aged 55-64)	50%	51.3%	49.9%	46.0%	45.1%

Source: CSO; Eurostat

### **Building and Construction Employment**

- The latest QNHS<sup>1</sup> indicates that employment in Construction declined by 50,800 (-28.2%) in the 12 months to Q1 2010 (Jan.-March).
- The CSO’s *Earnings and Labour Costs* release of 8<sup>th</sup> July 2010 indicates that Construction employment decreased by 46,000 (-36%) year-on-year to Q4 2009.

### **Other Production**

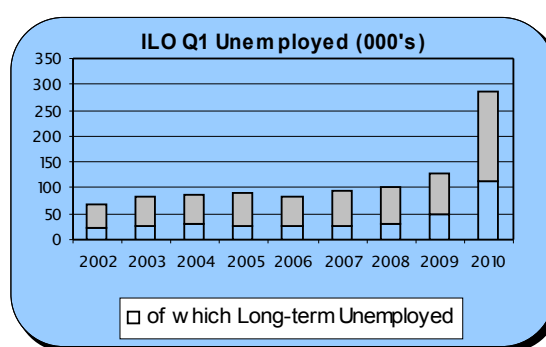
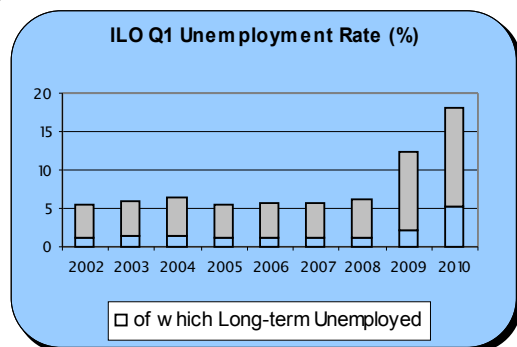
- The CSO release of 8<sup>th</sup> July 2010 on *Earnings and Labour Costs* indicates that Industrial employment fell by 29,200 (-8.7%) in the twelve months to Q4 2009.
- QNHS3 employment in Industry decreased by 20,300 (-7.7%) in Q1 2010 year-on-year.

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

- The CSO release of 8<sup>th</sup> July 2010, *Earnings and Labour Costs* indicates that employment in the Financial, Insurance and Real Estate sector rose by 1,600 (+1.7%) in the twelve months to Q4 2009.
- QNHS3 employment in Financial, Insurance and Real Estates activities was unchanged in the 12 months to Q1 2010.

### **Public Sector Employment**

- QNHS3 employment in Public Administration and Defence; compulsory social security increased by 300 (+0.3%) in Q1 2010 year-on-year to 106,000.
- The CSO release of 8<sup>th</sup> July 2010 on *Earnings and Labour Costs* indicates that, in Q4 2009, 119,400 were employed in Public administration and defence, an annual decrease of 200 (-0.2%) compared to Q4 2008.



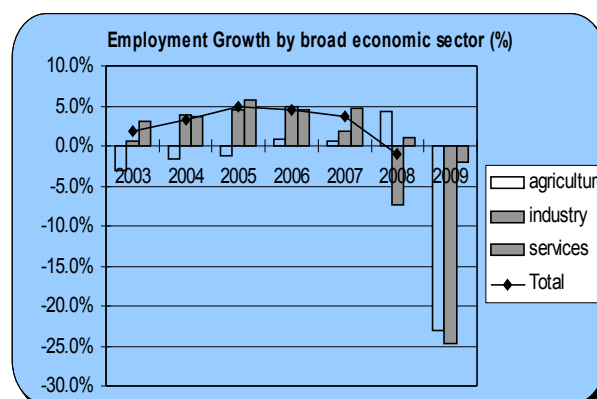
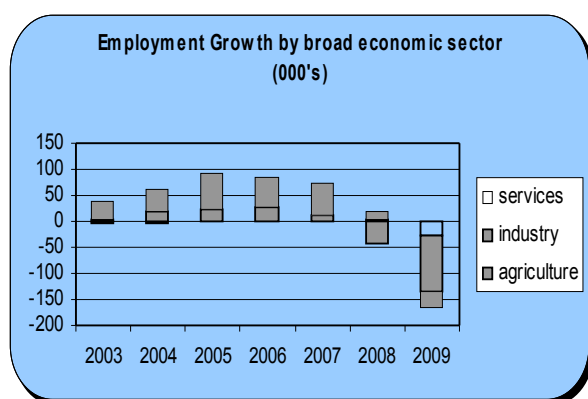
<sup>1</sup> Released by the CSO on 15<sup>th</sup> June 2010

### Annual Employment Change by broad economic sector 2003 – 2009 ('000's)

	2003	2004	2005	2006	2007	2008	2009
Services	34.2	43.0	71.0	58.3	63.2	14.3	-30.7
Industry	3.1	19.7	22.8	26.8	10.7	-42.3	-109.5
Agriculture	-3.7	-2.0	-1.6	1.0	0.7	4.9	-26.7
<b>Total</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>	<b>-166.9</b>

### Employment Change by broad economic sector 2003 - 2009 (%)

	2003	2004	2005	2006	2007	2008	2009
Services	3.0%	3.6%	5.7%	4.5%	4.6%	1.0%	-2.1%
Industry	0.6%	3.9%	4.4%	4.9%	1.9%	-7.3%	-24.7%
Agriculture	-3.0%	-1.7%	-1.3%	0.8%	0.6%	4.2%	-23.0%
<b>Total</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>	<b>-8.1%</b>



### Live Register

The Live Register figure for August 2010 was 466,923. This is an increase of 99 on the figure for July 2010 and an increase of 30,198 on the figure for August 2009. The underlying seasonally adjusted figure in August 2010 was 455,000, which represents an increase of 2,500 on the figure for July 2010. The seasonally-adjusted Standardised Unemployment Rate (SUR) for August 2010 is 13.8%

### Redundancies

The latest figures from the Department of Enterprise, Trade and Innovation show that the number of redundancies in August 2010 was 4,399, while the total figure from August 2009 to August 2010 was 66,011, a decrease of 7.8% on the previous twelve month period.

### FÁS Training and Employment Programmes

FÁS TRAINING & EMPLOYMENT SCHEMES	July 2010	July 2009
Community Employment	23,218	22,647
Number of Community Employment places for people with disabilities	4,801	5,751
Job Initiative	1,355	1,426
other Employment Programmes for people with disabilities	3,604	3,378
Training programmes/schemes for the unemployed and jobseekers	14,437	12,679
<b>Total</b>	<b>42,614</b>	<b>40,130</b>

## EARNINGS

The latest sectoral earnings data relate to Q4 2009.

### Public Sector (Ex Health)

In September 2009, average weekly earnings increased by 2.5%, relative to September 2008.

### Construction

In Q4 2009, average weekly earnings decreased by -4%, relative to Q4 2008. Hourly earnings rose by 0.6% over the same period.

### Industry

In Q4 2009, average weekly earnings for the average industrial worker decreased by 0.5%, relative to Q4 2008. Hourly earnings rose by 2.6% over the same period.

The tables below set out the growth rate of earnings, as detailed in the CSO's earnings releases, in the main sectors of the economy.<sup>2</sup>

ANNUAL CHANGE IN WEEKLY EARNINGS	2004	2005	2006	2007	2008
<b>Industry</b>	4.7%	3.6%	4.7%	3.2%	3.3%
<b>Distribution and Business</b>	5.1%	4.1%	5.8%	4.0%	2.7%
<b>Construction</b>	4.8%	7.2%	1.7%	5.8%	1.2%
<b>Financial and Insurance activities</b>	5.7%	4.3%	6.9%	4.5%	4.5%
<b>Public Sector (ex Health)</b>	8.5%	5.9%	4.9%	4.6%	2.9%

QUARTERLY CHANGE IN AVERAGE WEEKLY EARNINGS	Y-O-Y CHANGE IN AVG WEEKLY EARNINGS				Y-O-Y CHANGE IN AVG WEEKLY EARNINGS Q4 08 – Q4 09	AVERAGE WEEKLY EARNINGS (€) Q4 09
	Q1 09	Q2 09	Q3 09	Q4 09		
<b>Industry</b>	-7.5%	+3.7%	-2.0%	+6.9%	-0.5%	672.98
<b>Construction</b>	-4.5%	-1.8%	+0.1%	+2.3%	-4%	757.94
<b>Wholesale &amp; Retail trade; repair of motor vehicles &amp; motorcycles</b>	-3.8%	-0.5%	-0.5%	+2.5%	-2.4%	506.37
<b>Accommodation &amp; Food Services</b>	-4.4%	+2.9%	-0.9%	-0.3%	-2.8%	338.54
<b>Financial, Insurance &amp; Real Estate</b>	+1.7%	-7.1%	-2.4%	+6.5%	-1.9%	968.10
<b>Human Health &amp; Social Work</b>	-4.4%	+2.1%	+0.8%	+3.8%	+2%	787.84
<b>TOTAL</b>	<b>-1.5%</b>	<b>-1.1%</b>	<b>-1.0%</b>	<b>+3.1%</b>	<b>-0.6%</b>	<b>716.09</b>
	<b>Dec 08</b>	<b>Mar 09</b>	<b>Jun 09</b>	<b>Sep 09</b>	<b>Sep 08-Sep 09</b>	<b>Sep 09</b>
<b>Public Sector (Excl. Health)</b>	+2.3%	+0.4%	+0.2%	-0.4%	+2.5%	969.11

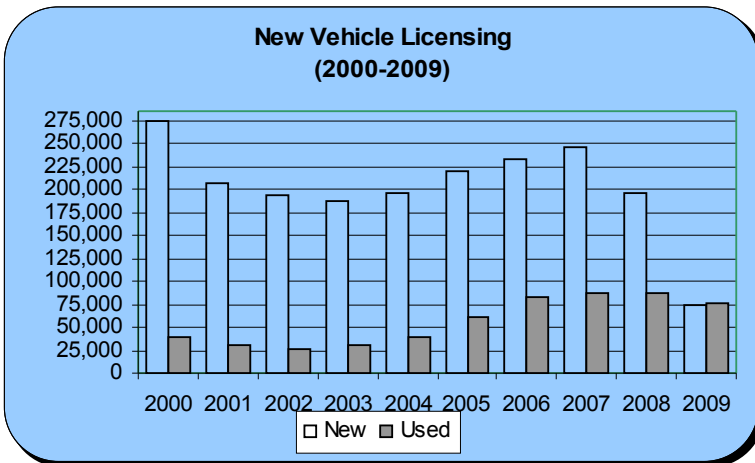
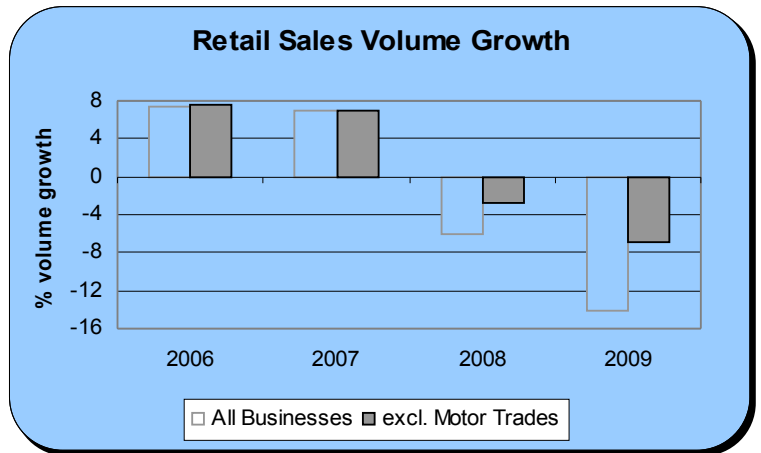
<sup>2</sup> The two tables relating to Earnings represent data from the previous and current CSO series on Earnings and may not, therefore, be directly comparable.

## PERSONAL CONSUMPTION

### *Retail Sales*

- Retail sales volumes decreased by 0.1% year-on-year in July 2010. Excluding the motor trade, retail sales decreased by 2.5% over the same period.

- The annual decrease in Retail Sales volumes in 2009 as a whole was 14.0%, while the corresponding decrease excluding Motor Trades was 6.8%.



### *New Vehicle Licensing<sup>3</sup>*

- New vehicles licensed for the first time in July 2010 increased by 44% on the same month in 2009.

- For 2009 as a whole, all new vehicles licensed were down 62.5% year-on-year, while used cars licensed decreased by 13.1% year-on-year

### *Manufacturing Output Prices<sup>4</sup>*

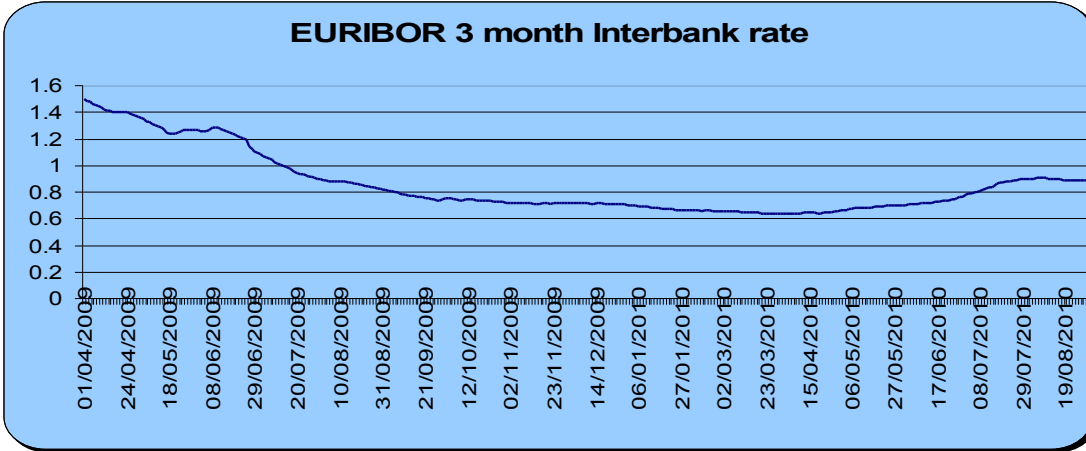
- Output prices in the manufacturing sector increased by 0.9% year-on-year in July. This was composed of a 0.1% annual rise in the home sales component and a 1.2% rise in the export sales component of the index.

<sup>3</sup> Source: Vehicles Licensed for the First Time, as published by the CSO.

<sup>4</sup> Source: Wholesale Price Index Release, as published on by the CSO.

## INTEREST RATES

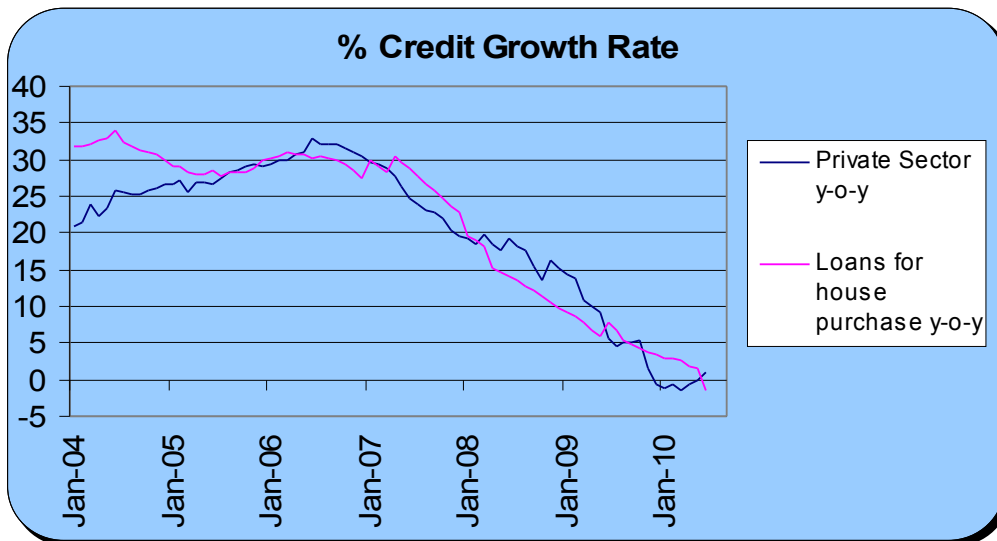
The EURIBOR one-week interbank rate on 31 August 2010 was 0.514%, down from 0.577% at the end of July, while the EURIBOR three-month interbank interest rate on 31 August 2010 was 0.886%, down from 0.896% at the end of July.



The bid yield on a ten-year Irish Government bond (04/2020) was 5.77% at the end of August 2010, compared to 2.11% for the nearest equivalent German Government bond (09/2020). The European Central Bank's minimum bid rate on its main refinancing operations at the end of August was 1.00%.

## CREDIT GROWTH

The annual rate of change in Private Sector Credit was 1.6% in July 2010, following a 0.9% increase in June 2010. The annual rate of change of residential mortgages was 1.6% lower in July 2010 than in the same month in 2009, having fallen by 1.5% in June 2010<sup>5</sup>.

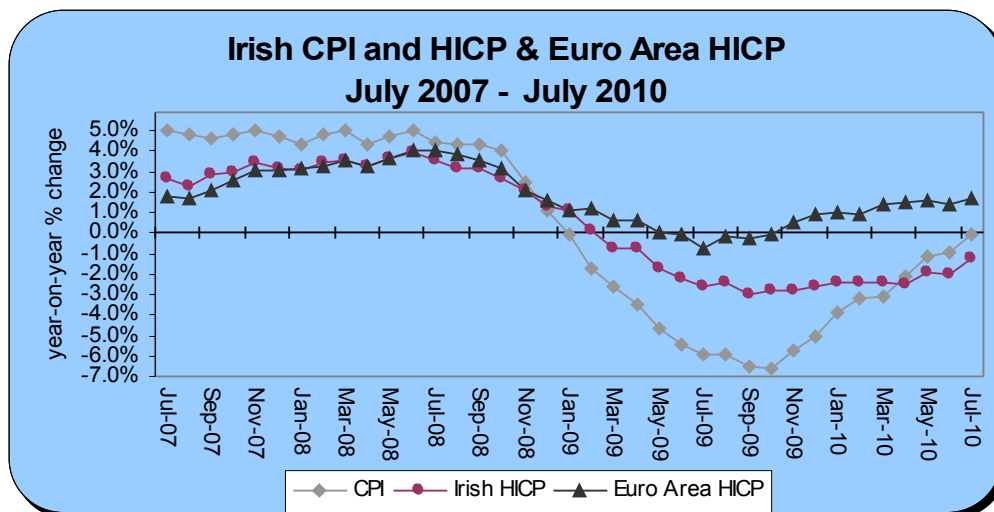


<sup>5</sup> Source: Central Bank and Financial Services Authority of Ireland. The Bank now issues a new series of Money and Banking Statistics, replacing the previously published Monthly Statistics. Full details can be found at [http://centralbank.ie/data/site/cmbs/Money\\_and\\_Banking\\_Statistics\\_Explanatory\\_Notes.pdf](http://centralbank.ie/data/site/cmbs/Money_and_Banking_Statistics_Explanatory_Notes.pdf)

## CONSUMER PRICES

### **Consumer Price Index<sup>6</sup>**

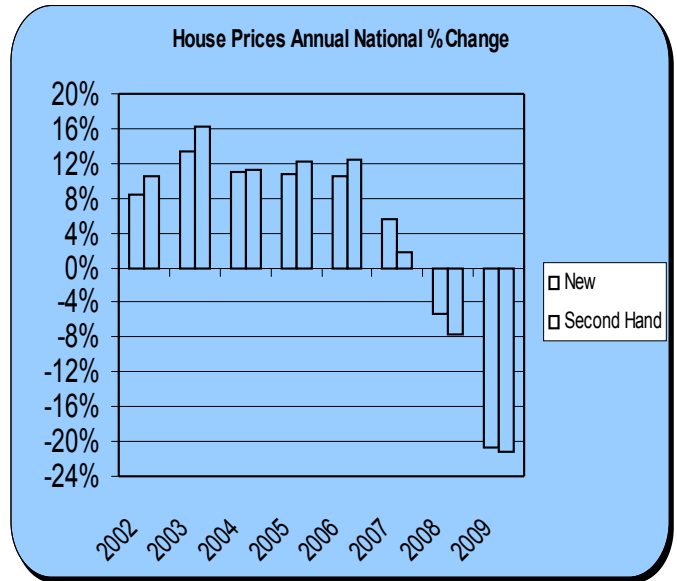
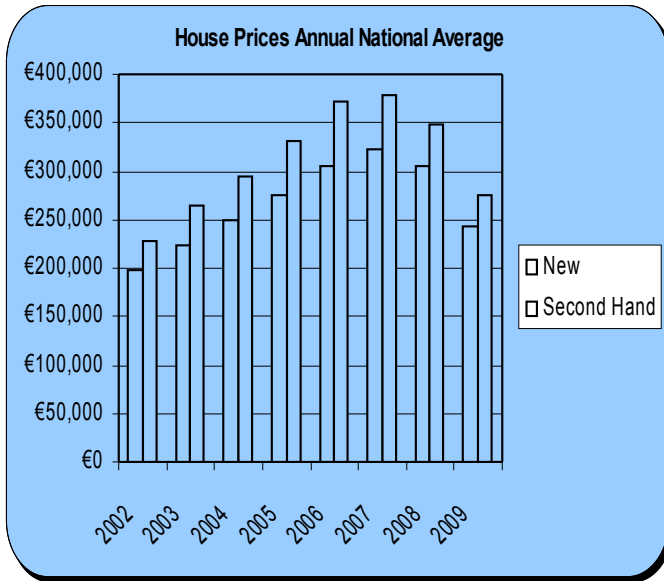
- The Consumer Price Index (CPI) fell by 0.1% in the twelve months to July 2010, compared to a fall of 0.9% in the same period to June.
- On a HICP<sup>7</sup> (Harmonised Index of Consumer Prices) basis, prices fell by 1.2% in the year to July, compared to a fall of 2.0% in June. This remains the lowest rate in the euro area.
- The flash estimate for August points to positive inflation of 1.6% in the euro area.



<sup>6</sup>Source: Consumer Price Index Release, as published by the CSO.

<sup>7</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.

## HOUSE PRICES



### *Annual<sup>8</sup>*

- Average price of new houses nationwide fell by 20.7% to €242,033 in 2009.
- Average price of second-hand houses fell by 21.1% to €275,250 in 2009.
- In Dublin, average new house prices fell by 29.8% to €260,170 while average second-hand house prices fell by 22.2% to €345,444 in 2009.

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

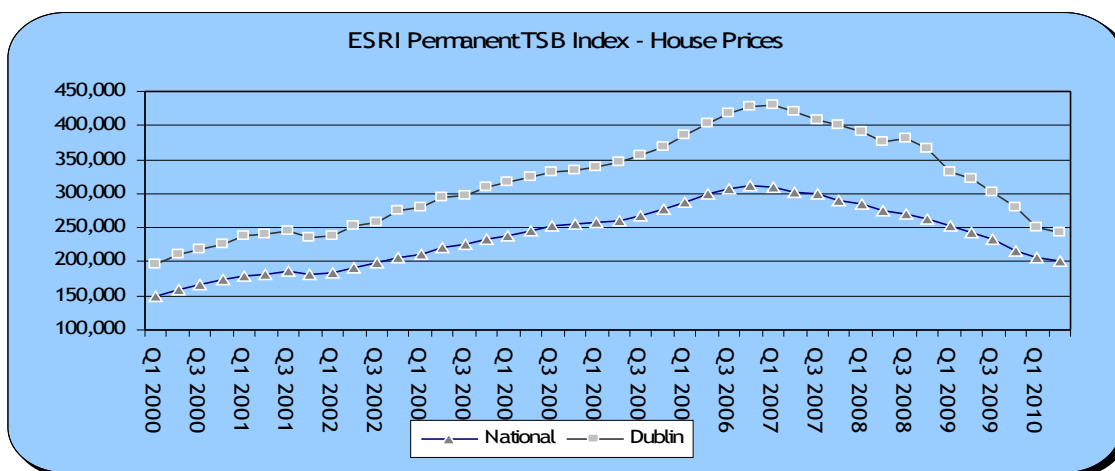
Forth quarter figures for 2009 show that:

- Average new house prices nationally fell by 19.7% on quarter 4 2008 to €226,505
- Average second-hand house prices fell by 24.3% on quarter 4 2008 to stand at €244,679
- Average new house prices in Dublin decreased by 28.2% on quarter 4 2008 to stand at €236,532
- Average second-hand house prices in Dublin decreased by 29.1% on quarter 4 2008 to €294,452

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

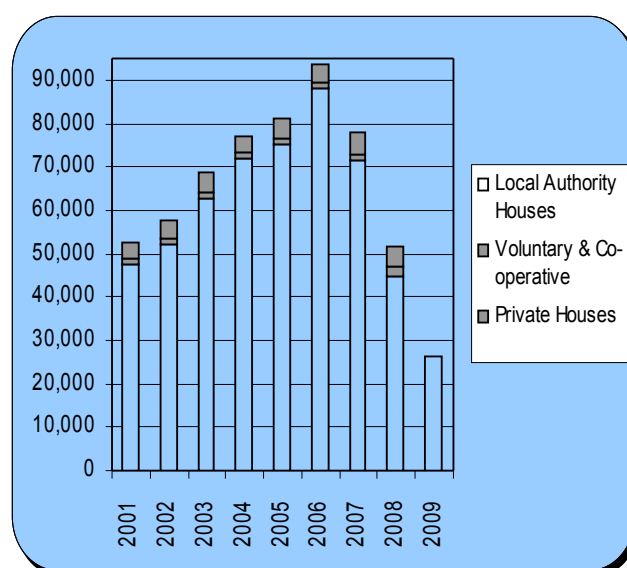
- The quarterly ESRI /Permanent TSB House Price Index was published on July 29<sup>th</sup> 2010, it showed that at end of quarter 2 2010 the average prices for houses nationally and in Dublin were €201,364 and €242,000 respectively. This represents a quarterly decline in prices of 1.7% nationally and 3.5% in Dublin and an annual decline of 17.0% and 24.6% respectively. National prices have fallen 35.2% since the price peak at the end of 2006.

<sup>8</sup> Source: Department of Environment, Heritage and Local Government Housing Statistics Workbook. Quarterly House Price Bulletin – Latest Quarter 4 2009 – Released 24 May 2010. Average House Prices are derived from data supplied by the mortgage lending agencies on loans approved by them. 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) and the continued slowdown in mortgage market activity will affect the average figures.



### House Completions<sup>9</sup>

- In the first 7 months of 2010 8,383 houses were completed. This represents a 50% decrease in house completions compared to the same period in 2009.
- A total of 26,420 houses (excluding conversions) were completed in 2009 compared with 51,724 in 2008 and 78,027 completed in 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>10</sup>.
- The 2009 sectoral breakdown is not yet available.



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
2009				26,420

Source: DoELG Housing Statistics

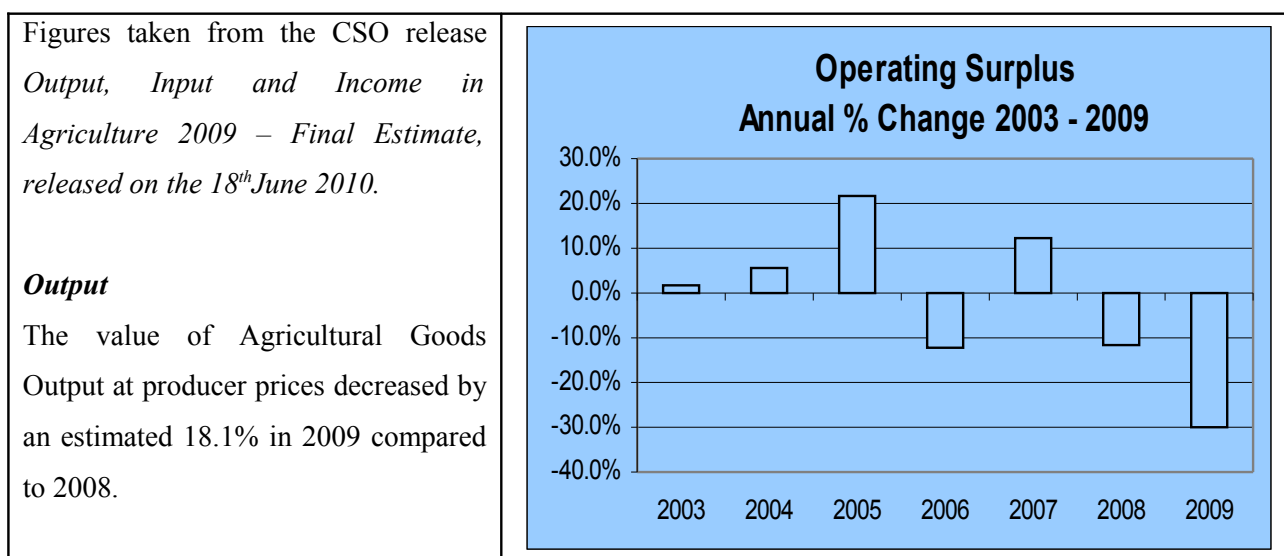
<sup>9</sup> House completions data series are based on the number of new dwellings connected by ESB Networks to the electricity supply. These represent the number of homes completed and available, and do not reflect any work-in-progress. ESB Networks have indicated that there was a higher backlog in 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>10</sup> Source: Department of Environment, Heritage and Local Government Housing Statistics.

## TOURISM<sup>11</sup>

- There were 600,300 overseas visits to Ireland during June 2010, 5.7% less than in the same month a year earlier.
- The number of visits abroad by Irish residents in June 2010 was 657,200, 7.4% less than in the corresponding month last year.
- Earnings from visitors to Ireland in 2009 amounted to €3,879 million, a decrease of 18.9% over 2008.<sup>12</sup>
- Expenditure by Irish visitors abroad amounted to €6,148 million in 2009, a decrease of 11% over 2008.<sup>13</sup>

## AGRICULTURE



### ***Farm Incomes***

Aggregate farm incomes (i.e. operating surplus) decreased by an estimated 29.9% in 2009, 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 an estimated €1,850 million in 2009, down 2.8% from €1,904 million in 2008.

<sup>11</sup> Source: Overseas Travel Release, as published by the CSO.

<sup>12</sup> Source: Tourism and Travel Release, April 2010 as published by the CSO.

<sup>13</sup> Source: Tourism and Travel Release, April 2010 as published by the CSO.

## BUDGET INDICATORS

### **Exchequer Balance<sup>14</sup>**

- An Exchequer deficit of €24,641 million was recorded in 2009.

### **General Government Balance**

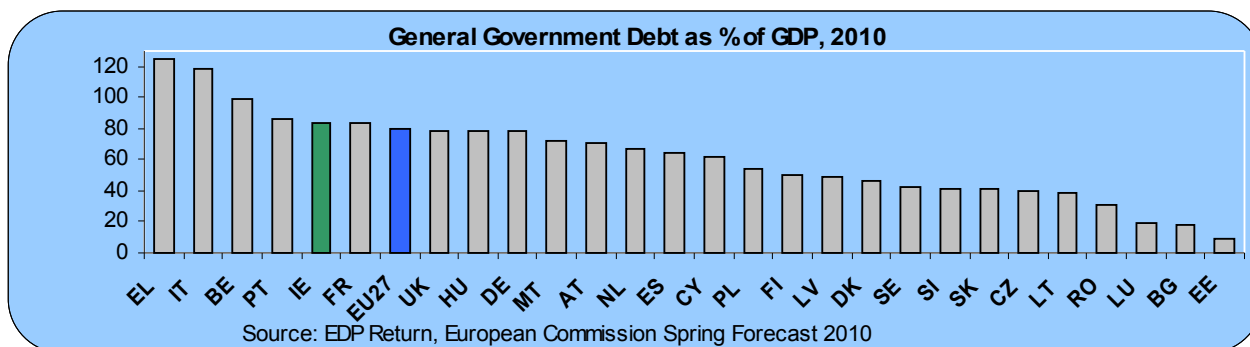
- The revised estimate for the 2008 General Government Balance is a deficit of 7.3 per cent of GDP.
- The revised estimate for the 2009 General Government Balance is a deficit of 14.3 per cent of GDP.
- The forecast for the General Government Balance in 2010 is a deficit of 11.5 per cent of GDP.

### **General Government Receipts and Expenditure<sup>15</sup>**

	2008	2009	2010 (forecast)
	€m	€m	€m
GG Receipts	59,782	52,099	51,954
GG Expenditure	72,981	75,450	70,496
<b>GG Balance</b>	<b>-13,198</b>	<b>-23,350</b>	<b>-18,543</b>
GGB as a % of GDP	-7.3%	-14.3%	-11.5%
<b>Financing of GG Balance:</b>			
Currency and Deposits	1,168	1459	
Securities other than Shares (excl.derivatives)	30,610	23,311	
<i>Short-term</i>	19,955	-5,199	
<i>Long-term</i>	10,655	28,510	
Loans	671	38	
<i>Short-term</i>	83	288	
<i>Long-term</i>	588	-249	
Other Movements	-45,647	-48,158	
<b>Total</b>	<b>-13,198</b>	<b>-23,350</b>	

### **General Government Debt**

- Ireland's ratio of General Government Debt to GDP at end-2008 is estimated to have been 43.9%.
- The revised estimate for General Government Debt to GDP ratio at end-2009 is estimated to have been 64.0%.
- The forecast for General Government Debt to GDP ratio at end-2010 is estimated to be 83.9%.



<sup>14</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>15</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 2010. These data show a current account deficit of -€1,622 million (5.3 per cent of GNP) for Q1. This compares with a deficit of -€2,738m (8.2% of GNP) for the corresponding period last year.

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>	<b>% of GNP</b>
<b>2004</b>	-107	-149	-359	-252	-867	-0.7
<b>2005</b>	-2,009	-1,250	-1,215	-1,216	-5,690	-4.1
<b>2006</b>	-2,302	-1,437	-1,227	-1,338	-6,304	-4.1
<b>2007</b>	-3,624	-2,096	-1,641	-2,763	-10,124	-6.2
<b>2008</b>	-3,997	-2,563	-2,976	-633	-10,169	-6.6
<b>2009</b>	-2,738	-1,479	-653	17	-4,853	-3.7
<b>2010</b>	-1,622	n/a	n/a	n/a	n/a	-5.3

## **OUTPUT AND EXPORTS**

### **Manufacturing Production**

Manufacturing output increased by 5.9% year-on-year in June 2010. In the slightly wider industrial sector, output was up by 5.8% on an annual basis.

### **Exports**

Merchandise export data for June 2010 show that the value of merchandise exports increased by 1.1% year-on-year. Imports increased by 8.9% in value terms over the corresponding period. The trade balance was €3.7 billion in June.

## OTHER NEWS

- Information on Budget 2010 and Budgetary and Economic Statistics 2009 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 November 2009, and details can be found on <http://www.oecd.org/>

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