



# ECONOMIC REVIEW AND OUTLOOK

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## 2005

BAILE ÁTHA CLIATH  
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR  
Le ceannach díreach ón  
OIFIG DHÍOLTA FOILSEACHÁN RIALTAIS,  
TEACH SUN ALLIANCE, SRÁID THEACH LAIGHEAN, BAILE ÁTHA CLIATH 2,  
Nó tríd an bpost ó  
FOILSEACHÁIN RIALTAIS, AN RANNÓG POST-TRÁCHTA,  
51 FAICHE STIABHNA, BAILE ÁTHA CLIATH 2  
(Teil: 01 – 6476834/35/36/37; Fax: 01 – 6476843),  
no trí aon díoltóir leabhar.

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DUBLIN  
PUBLISHED BY THE STATIONERY OFFICE  
To be purchased directly from the  
GOVERNMENT PUBLICATIONS SALES OFFICE,  
SUN ALLIANCE HOUSE, MOLESWORTH STREET, DUBLIN 2,  
or by mail order from  
GOVERNMENT PUBLICATIONS, POSTAL TRADE SECTION,  
51 ST. STEPHEN'S GREEN, DUBLIN 2  
(Tel: 01 – 6476834/35/36/37; Fax: 01 – 6476843),  
or through any bookseller.

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(€7.60)

(Prn. A5/1026)

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ISBN: 0-7557-7113-3

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## Preface

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This report was prepared in the Department of Finance based on data to end-July. Part 1 is a commentary on the economic situation. This summarises the outlook for the Irish economy and the risks attached to this outlook. The commentary is followed by a tabular statement of the main economic aggregates, including revised forecasts for 2005. Part II deals with the international economic situation. Part III describes developments in the domestic economy in 2004 and also deals with trends to date in 2005 and the updated forecasts for the year. The Appendix presents detailed economic and budgetary statistics.

## Part I: Commentary

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The global economy continues to expand but at a slower pace than in 2004. The two most important engines of global growth in 2004, the United States and China, continue to grow at high rates. However, oil prices are at very high levels, reflecting a combination of temporary and structural factors, and this will result in slower international growth if sustained. An economy like Ireland's, which is highly integrated into the global economy, would be negatively affected by any significant reduction in world demand.

Throughout 2004 the Irish economy continued to record solid growth, in line with the international economy. National accounts data from the CSO for 2004 show that GNP grew by 4 per cent last year, while GDP growth was 4.5 per cent. Employment growth was particularly robust at 3 per cent, or over 54,000 new jobs, the highest number of jobs created since 2001. Consequently unemployment remained low by international standards and fell to 4.4 per cent.

Inflation continued to moderate in 2004. The increase in the Consumer Price Index fell to 2.2 per cent from 3.5 per cent in 2003. Ireland's inflation rate is now running close to the EU average following a number of years when we topped the EU inflation league table. We are forecasting an inflation rate of 2.4 per cent in CPI terms this year and 2.2 per cent on a HICP basis.

Ireland's public finances remained sound in 2004. The year ended with a General Government surplus of 1.4 per cent of GDP and a debt to GDP ratio of 29.4 per cent.

The key projections for 2005 are:

- GDP is estimated to grow by 5.1 per cent and GNP by 5 per cent, broadly the same as at Budget time.
- Employment is projected to rise by 2.9 per cent, with the unemployment rate averaging 4.2 per cent.
- Inflation as measured by the Consumer Price Index is estimated to average 2.4 per cent.
- The current account of the Balance of Payments is projected to record a deficit of 1 per cent of GNP.
- A General Government deficit of at most 1 per cent of GDP and an Exchequer Borrowing Requirement of not more than €2.7 billion are now in prospect.

- The Debt to GDP ratio is expected to remain below 30 per cent.

While the outlook for the Irish economy is one of growth, there are significant downside risks which could alter this picture. The key risks to the scenario presented in this review are:

- The possibility of a sharp dollar correction leading to an appreciation in the euro. This risk has not receded despite the recent fall in the value of the euro.
- Persistent high oil prices which could pose a serious threat to Irish growth and prices.
- Eurozone growth, which is already low, could turn out to be lower.
- The pace at which new housing output adjusts downwards to more sustainable levels given that sector's importance in terms of real growth in the economy.

It is important to emphasise that our medium and longer term economic prospects depend crucially on maintaining competitiveness and budget sustainability.

The public finances must continue to be managed in a prudent and sustainable manner. Our approach must balance the wide range of competing priorities and focus on:

- Developing efficient and cost-effective public services that are consistent with sustainable economic growth.
- Prioritising productive investment to enhance the capacity and the competitiveness of the economy and improve the quality of life.
- Providing for the budgetary impact of an ageing population, and
- Containing the overall fiscal burden in order to maximise our economic growth potential.

Competitiveness remains the key economic priority. We cannot afford to worsen our competitive position if we are to continue to compete in the world market. Low interest rates have helped to offset some of the downside of lost competitiveness; however interest rates are cyclically low and will rise over the medium term. The competitiveness challenge must be met and pay developments must be carefully managed. The reality is that we are no longer a low-wage economy. The impact on our international competitiveness of relatively higher pay increases was cushioned to a large extent by the weakness of the euro

in recent years. Pay increases which are out of step with our trading partners will, sooner or later, result in job losses unless they are offset by higher productivity. This is especially important in the context of negotiations on a successor to *Sustaining Progress*. Regaining competitiveness is in all our interests and is vital if Ireland is to maintain its economic growth going forward.

## Summary Table

### *Recent Economic Developments and Prospects*

	1998-2003 Average	2004	2005 Budget Forecast	2005 Revised Forecast
	Annual Percentage Volume Changes			
<b>Economic Growth</b>				
Gross Domestic Product (GDP)	7.3	4.5	5.1	5.1
Gross National Product (GNP)	5.9	4.0	4.7	5.0
<b>Expenditure in GNP</b>				
Personal Consumption	5.9	3.8	4.1	5.0
Public Consumption	7.3	2.4	2.9	3.0
Fixed Investment	6.3	8.0	2.5	6.2
Exports of Goods and Services	10.0	7.0	7.0	3.9
Imports of Goods and Services	8.3	7.6	5.7	4.0
Level of GNP (€ billion)	-	124.3	132.0	135.1
Level of GDP (€ billion)	-	148.6	158.4	159.4
Employment Change (000)	68.9	54.4	35	55
Employment Change (%)	4.5	3.0	1.9	2.9
Unemployment (%)	5.0	4.4	4.4	4.2
Consumer Price Index (%)	3.8	2.2	2.5	2.4
General Government Balance – % of GDP	1.7	1.4	-0.8	-1.0
General Government Debt – % of GDP	39.7	29.4	30.1	29.1

## Part II: International Economy

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### *Real GDP Growth in Major Economies (% Change)*

	<b>2003</b>	<b>2004</b>	<b>2005 (f)</b>
Germany	-0.1	1.6	1.0
France	0.5	2.3	1.4
Euro Area	0.6	1.8	1.2
UK	2.2	3.1	2.4
United States	3.0	4.4	3.6
Japan	1.5	2.6	1.5
Total OECD	2.1	3.4	2.6
China	9.5	9.5	9.0

Source: OECD World Economic Outlook No.77, June 2005

### Introduction

As a small and open economy, the strength of Ireland's growth performance is closely linked to global economic conditions. This section outlines the current economic situation in the major world economies.

### Overview

Global economic recovery which began in 2003 has not been as smooth as expected. After a good start in 2004 the rate of world growth slowed in the second half of the year, due in part to the impact of higher oil prices. In the latter half of 2004 strong growth in the US and China, and to a lesser extent the UK and France, was set against poor performances by Japan, Italy and Germany.

The US economy grew steadily throughout 2004 and GDP increased by a robust 4.4 per cent. Internal and external imbalances also continued to grow throughout the year. The most recent world economy forecasts, published by the OECD in June 2005, project US growth will moderate to a still strong 3.6 per cent in 2005. China continued to experience very strong growth of 9.5 per cent in 2004 and the OECD forecast a similar rate of growth, around 9 per cent, in 2005. In Japan, the pick-up in economic activity in the first half of 2004 appeared to be a false start as growth stagnated in the second half of the year. Growth appears to have picked up once again at the beginning of 2005 and the OECD forecast an increase of 1.5 per cent in GDP in 2005. In the euro area, externally driven growth in the first half of 2004 failed to spark domestic demand in some of the large euro area economies. So far in 2005, growth has continued to disappoint and the OECD forecast of GDP growth 1.2 per cent for the year is below the EU Commission's Spring forecast of 1.6 per cent.

For the rest of 2005 much will depend on developments in oil prices and exchange rates. World growth is expected to be solid but will become increasingly characterised by divergent performances in the main economies. Weak and

uncertain growth is projected in the euro area while stronger growth is expected in the US and Asia.

### **Europe and the Euro Area**

The good performance of the EU and euro area economies in 2004 owed much to buoyant world economic activity in the first half of the year. As this activity slowed in the second half of the year the diverging growth patterns of the four largest economies in the euro area (France, Germany, Italy and Spain) became a cause for comment. Domestic demand was the key factor in determining economic performance in 2004 with Spain and France faring better than Germany and Italy. Inflation was contained despite oil price increases.

Monetary policy remains supportive of a recovery in the euro area, and the ECB has left its key interest rate at 2 per cent for the last two years. According to the latest data, growth in the euro area gathered momentum in the first quarter of 2005 before slowing in the subsequent quarter. Domestic demand remains weak overall although the unemployment rate has fallen slightly to 8.7 per cent in June 2005 from 8.8 per cent in the same month last year.

Public Finances remain a concern. The average General Government deficit of the EU25 and the euro area is projected to stay around 2½ per cent of GDP in 2005. In the EU25 government debt levels are projected to increase slightly to 64 per cent of GDP (63 per cent in 2004) and similarly in the euro area to 72 per cent of GDP (71 per cent in 2004).

GDP growth in the EU25 is estimated by the European Commission to fall to 2 per cent in 2005 and for the euro area the projections are slightly lower again at 1.6 per cent (OECD 1.2 per cent). However, the risks to the short term economic outlook lie mainly on the downside. These include further increases in oil prices, a multilateral euro appreciation and slower than expected world trade growth.

### **Germany**

Germany's economy grew by 1.6 per cent in 2004 driven mainly by strong external demand. However, as the external stimulus waned in the second half of the year domestic demand failed to take over as the main driver of economic growth. There was some improvement in numbers employed over the year but unemployment also increased due in part to changes in eligibility for social welfare programmes. Reductions in government spending were offset by a reduction in revenue and the General Government deficit edged down only slightly to 3.7 per cent in 2004.

In 2005, external demand remains the main driver of growth. Consumer confidence is low but in the absence of negative economic shocks, domestic demand is forecast to pick-up in the second half of the year. On this basis, the OECD forecast GDP growth of 1.0 per cent in 2005.

### **France**

The French economy performed relatively well in 2004, growing by 2.3 per cent. Domestic demand, in particular, took over as the main engine of growth at the end of the year. However, in 2005 domestic demand is expected to be weaker and private consumption fell back in the first half of 2005. Although a recovery is projected later in the year, as well as a pick up in export growth, consumer and business confidence is low. Unemployment remains high at 10.2 per cent and the OECD predict no significant improvement in the public finances in 2004 and it is likely that the government deficit will stay around 3 per cent of GDP. The OECD forecast GDP growth of 1.4 per cent in 2005.

### **United Kingdom**

The United Kingdom performed strongly last year despite increases in interest rates designed to cool down the housing market. GDP growth was 3.1 per cent in 2004 boosted by investment and government consumption. Private consumption weakened over the year and into 2005 as interest rate hikes fed through and reduced household spending. In terms of the public finances, the government deficit was over 3 per cent of GDP in 2004 and the government faces no diminution in spending pressures over the medium term. Government consumption and world economic activity should result in firm growth this year and the OECD project GDP growth of 2.4 per cent in 2005.

### **United States**

The United States experienced strong GDP growth of 4.4 per cent in 2004 driven by domestic demand, in particular private consumption. As a consequence of increased spending by households, businesses and the government, the so-called twin deficits continued to widen through the year. The current account deficit grew to 5.7 per cent of GDP in 2004 while the government deficit was 4.4 per cent of GDP. Stimulative monetary policy was withdrawn gradually, beginning in the second half of 2004, and the US Federal Reserve raised its key interest rate nine times between June 2004 and June 2005 to reach 3¼ per cent.

Looking ahead, the effect of higher interest rates should feed through and moderate household and business spending, while some restraint in Government spending is planned in the 2005/06 fiscal year. The OECD project GDP growth will moderate to a still strong level of 3.6 per cent in 2005.

### **Japan**

Despite poor results in the second half of the year, GDP grew by 2.6 per cent in 2004, the fastest rate since 1996. In the first quarter of 2005, the news on economic growth turned positive again. Domestic demand, reinforced by corporate profits and a turnaround in the declining trend in employment and wages, appears to have led the expansion. The OECD project that GDP growth will be 1½ per cent in 2005. In the short term, a key issue facing the Japanese economy is bringing deflation to an end. Over the medium term, the high

government deficit and debt levels remain a concern. The Japanese government has recently established a target of achieving a primary budget surplus early in the next decade.

### **China**

Since the late 1970's China has undertaken a series of economic reforms opening it up to international trade and investment. China is now the sixth largest global economy and continues to be the main driver of growth in Asia, with spill over benefits for other economies in the region. Fears about overheating in the economy in 2004 led to tighter fiscal policy and strengthened controls over investment but despite these measures GDP picked momentum in the second half of the year to reach 9.5 per cent. The OECD are forecasting a slight slowdown in growth to 9.0 per cent in 2005.

China has recently changed its exchange rate regime from a dollar peg to a currency basket and re-valued its currency. This is an important reform although it will be some time before the effect can be evaluated.

### **World Trade**

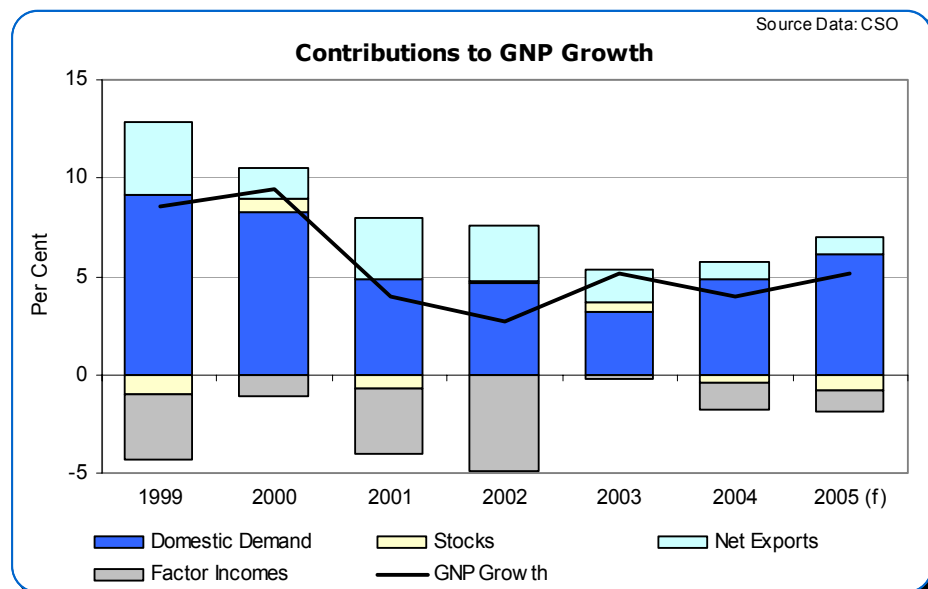
The OECD forecast world trade growth of 7.4 per cent in 2005 (9.4 per cent in 2004). This growth will be driven to some extent by the acceleration of the imports of many of the major oil producing countries especially Russia, Middle East and Africa regions.

## Part III: Economic Developments and Prospects 2004 and 2005

### Overview

The Irish economy performed reasonably well last year with GDP growth of 4.5 per cent. GNP growth was slightly lower at 4.0 per cent. Domestic demand growth increased in 2004. This reflected a significant pick up in investment growth, largely as a result of a further strong expansion in residential construction. Personal consumption growth remained modest, albeit slightly higher than in 2002 and 2003. Net export growth was lower than has been the case in recent years, reflecting strong growth in imports.

The performance of the labour market in 2004 was particularly robust, with employment increasing by 3 per cent and unemployment remaining low at 4.4 per cent.



Data for the first quarter of 2005 show that domestic demand remains strong while exports and industrial output have weakened. For the year as a whole, GNP is forecast to increase by 5.0 per cent, with GDP growth of 5.1 per cent. The forecast for personal consumption growth has been revised upwards to 5.0 per cent, partly reflecting strong employment and earnings growth. Investment is now forecast to grow by 6.2 per cent this year, slightly lower than the growth rate recorded in 2004. The performance of the export sector has been weaker than expected, and as a result the forecast for export growth in 2005 has been reduced to 3.9 per cent. The forecast for import growth has also been reduced, to 4.0 per cent. Labour market data for the year so far point to a continuing strong performance. As a result, the forecast for employment growth has been increased to 2.9 per cent, with unemployment now likely to average 4.2 per cent this year.

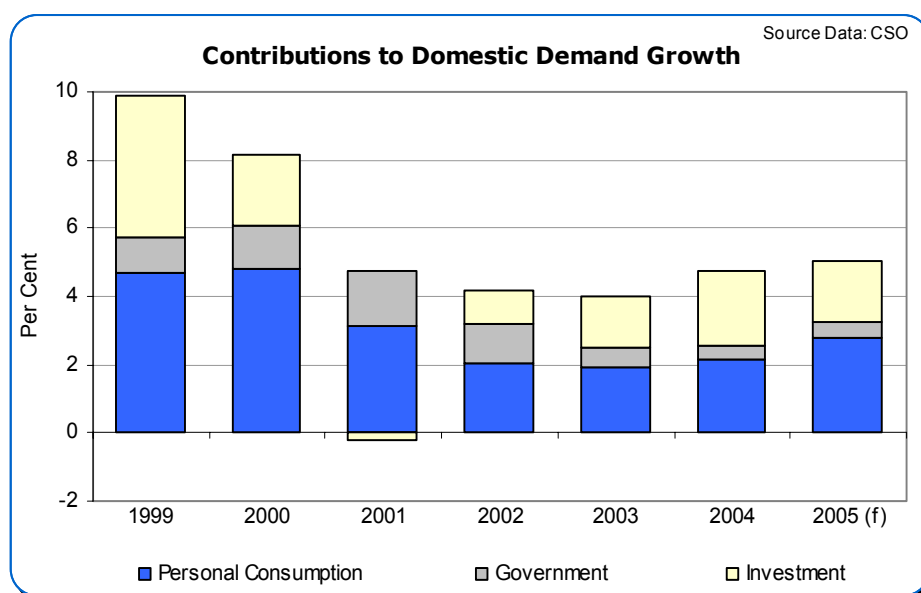
The rate of inflation continued to ease last year. As measured by annual increases in the consumer price index, inflation averaged 2.2 per cent, compared to 3.5 per cent in 2003. This was the lowest rate of increase since 1999. Inflation has remained moderate in 2005, averaging 2.2 per cent in the first half of the year. In terms of EU comparisons, inflation in Ireland is now broadly in line with the euro area average. This is expected to continue over the second half of this year. CPI inflation is now expected to average 2.4 per cent in 2005.

On the public finances, apart from costs in relation to the refund of nursing home charges, indications are that the outturn for 2005 will be better than that anticipated at Budget time, as revenues have increased ahead of expectations in line with economic growth. At this stage, we are projecting a General Government deficit of at most 1 per cent of GDP and an Exchequer Borrowing Requirement of €2.7 billion.

## **Domestic Demand**

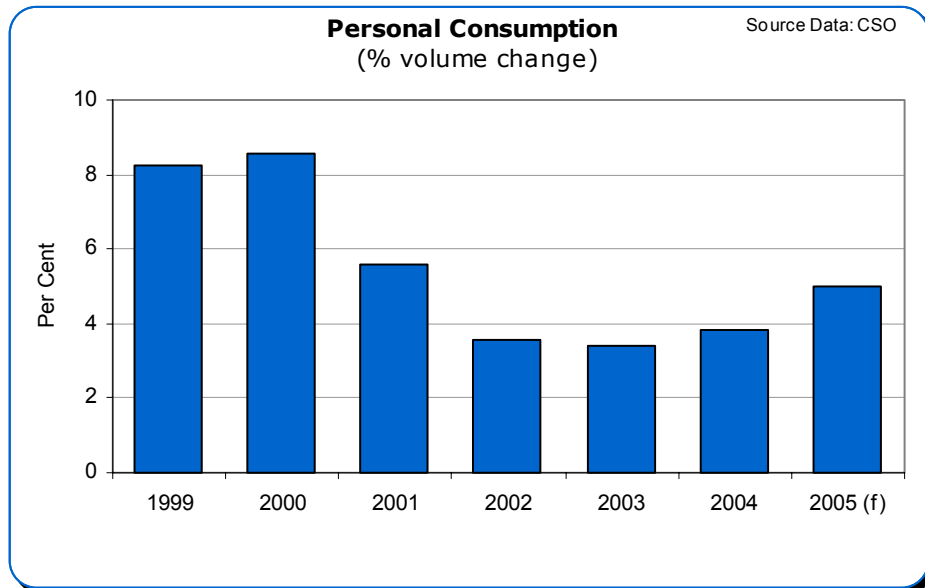
### ***Personal Consumption***

Personal consumption expenditure rose by 3.8 per cent in real terms last year. While this represented a slight acceleration from the growth rates in 2002 and 2003, it was still relatively modest in the context of strong employment and earnings growth. The volume of retail sales rose by 3.0 per cent last year.



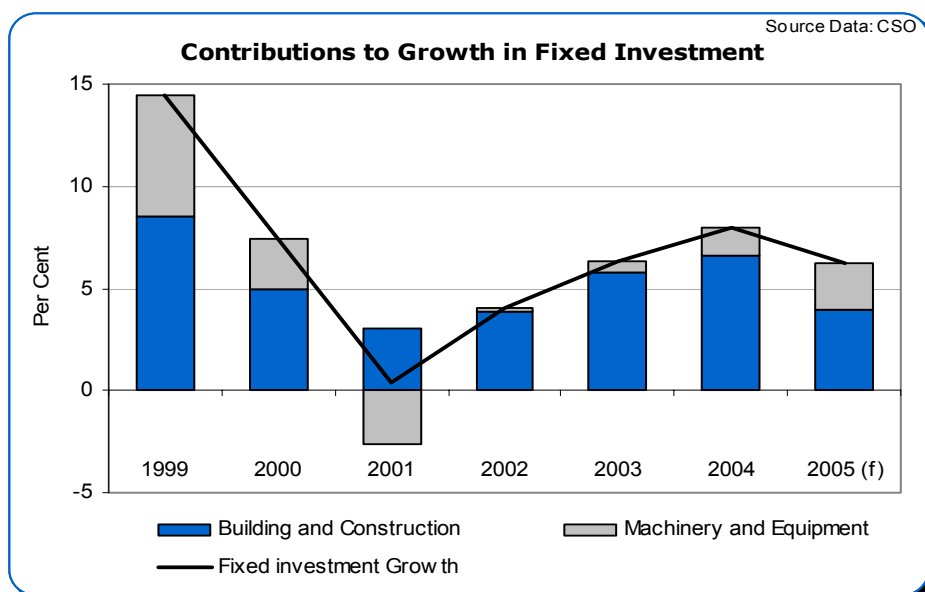
The outlook is for an acceleration in consumer expenditure growth this year. Employment and earnings growth remain robust and this, together with modest inflation, should support a pick up in consumer expenditure. Available data would tend to support this analysis. For instance, quarterly national accounts data show that the volume of personal consumption rose by 5.8 per cent year-on-year in the first quarter of this year. In addition, the most recent data show that the volume of retail sales grew by 5.3 per cent year-on-year in the first five months of this year. Excluding motor trades, the increase was slightly lower, although still

robust, at 4.1 per cent. In overall terms, therefore, the volume of consumer expenditure is forecast to increase by 5.0 per cent this year.



### **Fixed Investment**

Investment expenditure rose by 8 per cent in real terms last year, the strongest growth rate in this component since 1999. This increase was mainly driven by further strong growth in residential construction with 76,954 new houses being completed last year. This was another record year for housing output which was 12 per cent higher than in 2003. Growth in other building was, in contrast, relatively modest. Machinery and equipment investment growth was boosted somewhat by purchases of transport equipment, although underlying growth was still strong.



A slight moderation in investment growth is forecast for this year. Machinery and equipment investment growth is expected to remain relatively strong, while other building investment will be supported by increased spending under the public capital programme and an expected pick up in private investment. However, new house construction is not expected to contribute to growth to the same extent as last year. In this environment, overall investment is forecast to increase by 6.2 per cent this year.

### ***Public Consumption***

Public consumption increased by 2.4 per cent last year, slightly lower than the 3.5 per cent increase recorded in 2003. This year, public consumption is forecast to grow by 3.0 per cent, in line with Budget Day projections.

### **Trade and Balance of Payments**

#### ***Exports***

Reflecting the improvement in the international economy last year, growth in Ireland's main export markets accelerated to 8.5 per cent from 3.6 per cent in 2003<sup>1</sup>. Partly as a result of this, exports of goods and services rose by 7.0 per cent last year compared to growth of just 0.8 per cent in 2003. However, the aggregate figure for last year masks different trends in goods and services exports, with strong services sector exports offsetting more modest merchandise export growth.

Available data point to a more modest export performance this year than was assumed on Budget day. Quarterly national accounts data, for instance, show that the volume of exports of goods and services in the first quarter of this year was 1 per cent lower than in the same period of last year. This partly reflects the weak export performance of some high-technology sectors in the opening months of this year. The forecast for exports has been revised downwards, with overall growth of 3.9 per cent now forecast.

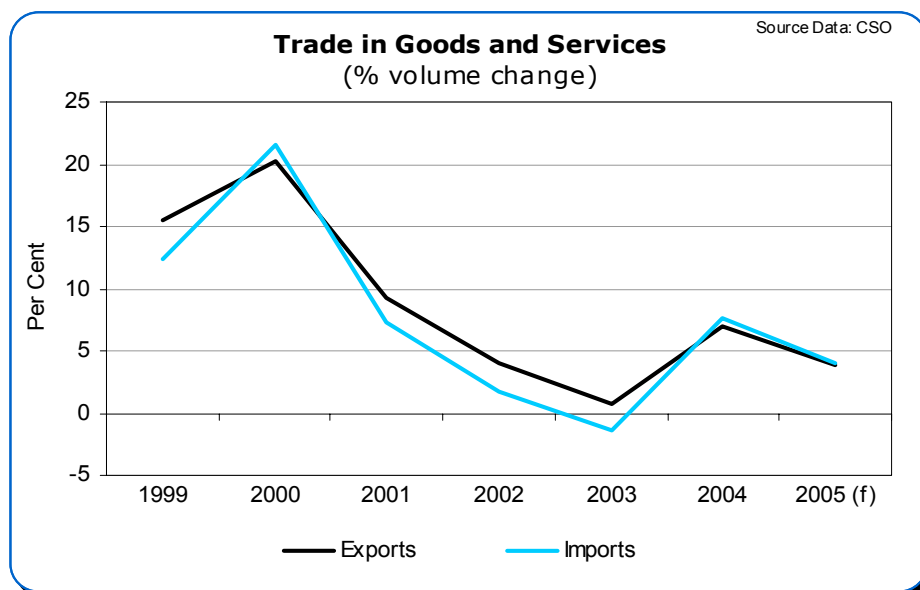
#### ***Imports***

After declining by 1.4 per cent in 2003, the volume of imports rose by 7.6 per cent last year. This was the strongest growth rate since the year 2000, and reflects relatively strong growth in both goods and services imports. Part of the pick up in merchandise imports reflected strong growth in machinery and equipment investment, particularly transport equipment, the bulk of which is imported.

Imports of goods and services rose by 4.2 per cent year-on-year in real terms in the first quarter of this year. For the year as a whole, imports are now forecast to expand by 4.0 per cent.

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<sup>1</sup> EU Commission, Economic Forecasts, Spring 2005.



### **Current Account Balance**

A current account deficit of €1,173m, equivalent to 0.9 per cent of GNP, was recorded last year. This represented a deterioration in the current account position from the broadly balanced position in 2003. This deterioration reflected a lower merchandise trade surplus and higher net income outflows. These more than offset the improvement in the services deficit.

The current account deficit is expected to remain broadly stable this year, with a deficit of 1 per cent of GNP forecast for the year as a whole.

### **Output**

#### **Industry**

The volume of industrial production rose by just 0.7 per cent last year, significantly below the growth rates of recent years. The subdued growth rate was primarily due to a small decline (0.4 per cent) in output in the 'modern' industrial sectors. This, in turn, was mainly due to the weakness in the broad chemicals sector, where output declined by just over 9 per cent last year. In other parts of the modern sector, output growth was reasonably strong last year; in particular, output in the office machinery and computers sector rose by 14 per cent. In the remainder of manufacturing, which mainly comprises of the more traditional manufacturing sectors, output expanded by 3.1 per cent last year.

The subdued performance of the industrial sector appears to be continuing in 2005. In the first five months of the year, the volume of industrial production declined by 3.5 per cent compared to the same period in 2004. Output in the modern sectors declined by 3.1 per cent year-on-year over this period, once again mainly due to the subdued performance of the chemicals sector. Output in the remainder of manufacturing declined by 4.1 per cent year-on-year in the first five months.

### **Services**

Services output increased by 4.4 per cent in 2004, broadly in line with growth in 2003. Growth in this sector is expected to pick up slightly in 2005 in line with expected stronger growth in personal consumption and continuing services export growth. Recent data from the NCB Purchasing Managers index indicate that services have picked up in 2005 and will continue to do so. The index was at 62.3 in July, its highest level since December 2000.

### **Agriculture**

In 2004, the CSO estimated that Irish agricultural output at basic prices increased by 3.1 per cent mainly due to increases in the cattle, pigs and sheep sectors. These improvements were as a result of positive trading conditions on EU markets for beef, with consumption exceeding production, good national and international demand for sheepmeat and strong pig prices. Also, steady demand for dairy commodities helped maintain milk prices. The CSO's final estimate of *Output, Input and Income in Agriculture* shows a 3.5 per cent increase in operating surplus (aggregate farm income) to €2,229 million with net subsidies accounting for 66 per cent of operating surplus.

In 2005 a substantial amount of payments on 2004 premia entitlements will be paid in conjunction with the Single Payment Scheme of approximately €1 billion. The beef market performed well in the first half of the year but is now coming under pressure in the face of sluggish demand and imports of high value cuts from South America. The dairy market has been relatively stable but the sector is likely to face challenges over the coming months as support measures are reduced. The performance of the sheep market will depend on demand at home, which is expected to remain firm, and exports to France which continue to face strong competition from New Zealand and the UK. Pig prices to date in 2005 are down 1.3% on previous year levels and current indications are that, for the year as a whole, prices will be similar to those obtained in 2004.

### **Employment and Unemployment**

Employment increased by 54,400 (3 per cent) in 2004 compared with average annual increases of 1.9 per cent in 2003 and 1.8 per cent in 2002. Full time employment accounted for over four-fifths of this increase. Construction employment increased by 19,100 (almost 10 per cent) last year. The number employed in financial and other business services rose by 11,800 (5.1 per cent) last year. Employment declines were recorded in the agricultural, other production and the hotels and restaurants sectors. The unemployment rate for 2004 stood at 4.4 per cent, compared with 4.6 per cent in 2003.<sup>2</sup>

In the year to the first quarter of 2005, employment grew by 72,400 (3.9 per cent) – the highest rate of annual growth since the fourth quarter of 2000. The

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<sup>2</sup> Quarterly average of seasonally adjusted QNHS data.

overall employment trend is upward, reflecting continued strong domestic demand growth. In the 12 months to the first quarter of 2005, construction employment continued to grow with an increase of 30,800 to 233,100. Growth of 18,500 occurred in the financial and other business services sector. With the exception of hotels and restaurants (which declined by 1,000) other areas in the services sector recorded employment growth. Employment in agriculture, forestry and fishing continued to fall (by 6,400) while employment in other production industries was flat.

The unemployment rate for the first quarter of 2005 was 4.2 per cent compared to 4.5 per cent for the same period last year.

Employment growth of 2.9 per cent (55,000) is now forecast for 2005, up from 1.9 per cent at Budget time. An unemployment rate of 4.2 per cent is projected, compared to 4.4 per cent at Budget time.

### **Non-Agricultural Incomes**

Preliminary data indicate that earnings per capita rose by an estimated 5.5 per cent last year. In terms of sectoral trends, earnings growth last year was strongest in the public sector, where weekly earnings increased by 8.6 per cent. This rate of growth partly reflects the implementation of the benchmarking payments in the public sector, with 50 per cent of the increase payable in January 2004.

In the private sector, the rates of pay increase were somewhat lower. In the industrial sector, where employment continued to decline last year, weekly earnings growth decelerated to 4.7 per cent from 6.9 per cent in 2003. In construction, earnings picked up slightly to 4.8 per cent compared to 4.2 per cent a year earlier. The strongest acceleration took place in the financial sector, where weekly earnings growth last year was 5.6 per cent compared to 1.6 per cent in 2003. In distribution and business services, earnings growth was up marginally on 2003, with growth of 5.1 per cent, compared to 4.6 per cent in 2003.

The outlook for 2005 is for a modest easing in earnings growth. This reflects the expectation that earnings growth in the private sector remains broadly in line with developments in 2004. In addition, earnings growth in the public sector is expected to moderate somewhat, reflecting lower benchmarking payments in 2005 than in 2004. In overall terms, therefore, per capita earnings are forecast to increase by 5.0 per cent this year.

### **Competitiveness**

The competitiveness position of the economy deteriorated last year. The Central Bank's Real Trade Weighted Competitiveness Indicator (RTWCI) is a measure of competitiveness which captures developments in two key competitiveness variables, namely the exchange rate (in trade-weighted terms) and relative prices. The RTWCI appreciated by 2.2 per cent last year, indicating a decline in

competitiveness. Moreover, the index is significantly higher than its level at the beginning of monetary union, indicating a loss in competitiveness since 1999. The loss in competitiveness last year was mainly due to developments in the nominal exchange rate as price developments in Ireland were broadly similar to those in our major trading partners.

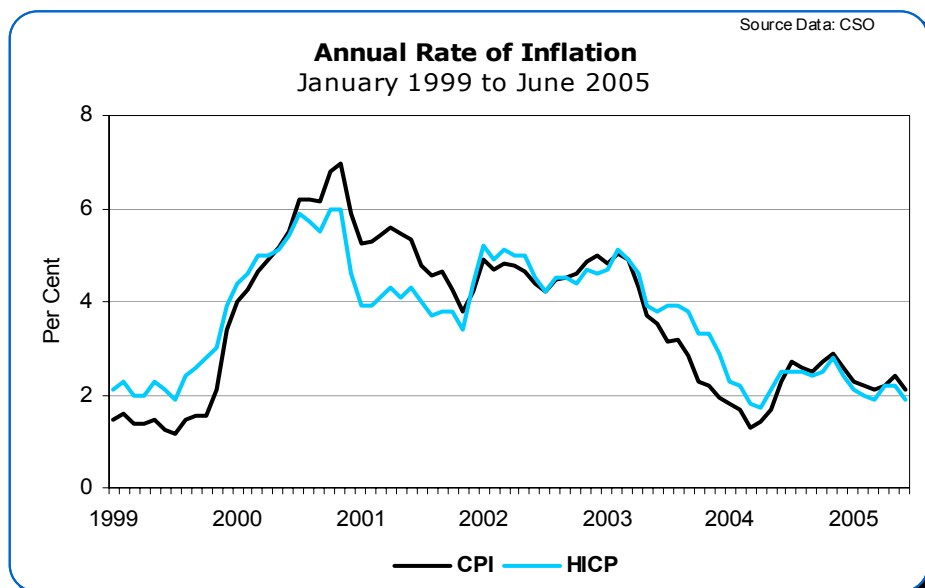
Turning to this year, in the three months to end-April, the RTWCI was 0.6 per cent lower than in the previous three months. However, in terms of annual trends, the index was 2.4 per cent higher than in the same period of last year.

### **Inflation**

Inflation, as measured by annual changes in the Consumer Price Index (CPI), averaged 2.2 per cent last year. This was the lowest rate of increase since 1999. The improved performance reflected a moderation in both the goods and services component of the index. Goods price inflation averaged 0.9 per cent for the year as a whole, partly reflecting the positive effects of the stronger exchange rate. The rate of goods price inflation did begin to pick up somewhat in the second half of the year partly due to the increase in energy prices reflecting oil price changes.

Services sector inflation has exceeded goods price inflation for some time, and last year was no exception. Nevertheless, last year's annual increase, at 3.4 per cent, was lower than in recent years. This was partly due to relatively modest demand growth.

In terms of euro area comparisons, the appropriate measure of inflation is the Harmonised Index of Consumer Prices (HICP). This measure differs slightly from the CPI in terms of coverage. HICP inflation averaged 2.3 per cent last year, the lowest rate of increase in this measure of inflation since the beginning of EMU. This resulted in a sharp narrowing of the gap between Irish and euro area inflation to just 0.2 percentage points last year.

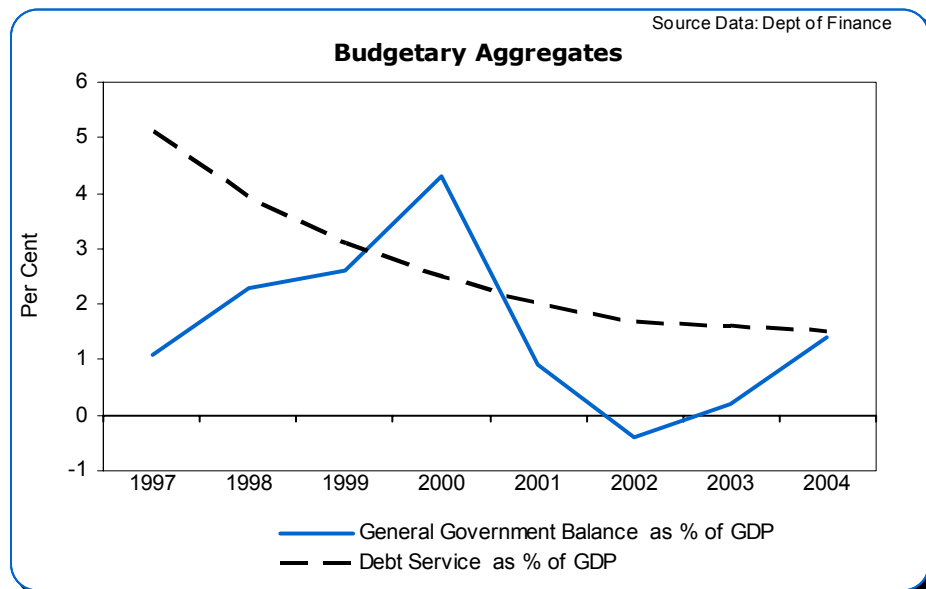


Inflation has remained relatively modest in the first half of this year, with the annual rate of CPI inflation averaging 2.2 per cent in the first half of the year. The equivalent figure for the HICP was 2.0 per cent, broadly in line with the euro area average. For the year as a whole, CPI inflation is now forecast to average 2.4 per cent. HICP inflation is forecast to average 2.2 per cent.

## **Public Finances**

### **2004 Outturn**

There was an Exchequer surplus of €36 million in 2004 or 0.03 per cent of GNP. This compares with a Budget Day target for a deficit of €2,806 million. On a General Government basis, there was an estimated surplus of 1.4 per cent of GDP. A deficit of 1.1 per cent of GDP had been forecast in Budget 2004. The Debt to GDP ratio declined further in 2004, to an estimated 29.4 per cent by end-year, from 31.4 per cent at end-2003.



### **2005**

The 2005 Budget projected an Exchequer deficit of €2,988 million, 2.3 per cent of GNP and a current Budget surplus of €4,092 million, equivalent to 3.1 per cent of GNP. At Budget time, the projected General Government balance was a deficit of 0.8 per cent of GDP.

The Exchequer returns to end-July showed a deficit of €153 million, compared to a surplus of €255 million to end-July 2004 and the €2,988 million deficit budgeted for 2005 as a whole. The Exchequer returns for the first seven months of 2005 also showed tax receipts were 6.3 per cent higher than the same period in 2004, as compared to a Budget target for an increase of 5.4 per cent for 2005 as a whole.

Tax receipts to end-July were 3.6 per cent ahead of profile. Income tax receipts were €337 million above target at end-July but this excess was due to receipts from Revenue's Special Investigations, in particular the investigation into single premium insurance policies. On an underlying basis, Income Tax at end-July was just slightly below target. VAT, Excise and Stamp Duties have all performed above profile in the period to end-July. Corporation Tax receipts were, however, 8.1 per cent below profile. It is possible that a tax surplus of around half a billion euro may arise in 2005. This excludes receipts in excess of profile from Revenue's Special Investigations.

At end-July 2005, total voted spending was €796 million less than the profile published in January. This comprised €512 million current and €284 million capital. Total voted spending increased by 6.5 per cent year-on-year.

Net voted current spending in the first seven months of 2005 increased by 8.2 per cent year-on-year which compares to an estimated increase of 11.1 per cent for the year as a whole in the Revised Estimates Volume. Net voted capital spending to end-July decreased by 7.5 per cent on the same period last year. This compares with a projected increase of 12.2 per cent for the year as a whole in the Revised Estimates Volume. However, when taking the capital carryover provision into account, there was a year-on-year increase in capital spending of 4.0 per cent. Apart from costs arising in relation to the refund of nursing home charges, public expenditure in 2005 is expected to be in line with estimates.

The General Government balance for 2005 is forecast to be a deficit of at most 1 per cent of GDP<sup>3</sup>, with an Exchequer Borrowing Requirement of €2.7 billion. The Debt to GDP ratio is expected to be 29.1 per cent, the second lowest in the euro area.

### **Monetary and Exchange Rate Developments**

The Exchange Rate Mechanism II (ERM II) replaced the European Monetary System when the euro was introduced on 1 January 1999. ERM II links the currencies of participating Member States outside the euro area to the euro. The mechanism is designed to help ensure that participating Member States orient their policies towards stability, foster convergence of economic fundamentals and thereby help them in their efforts to adopt the euro<sup>4</sup>.

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<sup>3</sup> This includes the full impact of the cost, in General Government terms, of the refund of nursing home charges, estimated to be €1 billion. The cash cost to the Exchequer will be spread over a number of years. Excluding these costs, the underlying General Government deficit is projected at 0.4 per cent of GDP in 2005.

<sup>4</sup> ERM II is a multilateral arrangement of fixed but adjustable exchange rates, with bilateral central rates between the euro and participating currencies, and a standard fluctuation band of ±15 per cent around those central rates. As part of the assessment of the sustainable convergence achieved by a Member State before it can adopt the euro currency, the Member State's currency must without severe tensions have respected the normal fluctuation margins of the ERM for 2 years before the assessment and its central rate must not have been devalued against the euro on the Member State's initiative in that period.

On 28 June 2004 Estonia, Lithuania and Slovenia joined Denmark as participants in ERM II. They entered the mechanism at agreed central rates and with the standard fluctuation band of  $\pm 15$  per cent around those central rates. Estonia and Lithuania kept their currency board arrangements as a unilateral commitment, thus placing no additional obligations on the European Central Bank. To ensure their smooth participation in ERM II, the countries have firmly committed to taking the necessary measures to preserve macroeconomic and exchange rate stability.

The ECB, in their 2004 Annual Report, said that participation in ERM II had not been associated with tensions in the foreign exchange markets of any of the participating countries. The four currencies in ERM II at the time traded continuously at or close to their central rates, while short term interest rate differentials vis-à-vis the euro area were small in most countries.

Three more countries - Cyprus, Latvia and Malta - joined the mechanism on 2 May 2005. All three currencies entered with the standard fluctuation band of  $\pm 15$  per cent around their central rates against the euro. However, the Latvian authorities declared that they would unilaterally maintain the exchange rate of the lats at the central rate against the euro with a fluctuation band of  $\pm 1$  per cent. The Maltese authorities declared that they would unilaterally maintain the exchange rate of the Maltese lira at the central rate against the euro. These commitments place no additional obligations on the ECB.

#### **2004 – second six months**

The ECB kept its key interest rate steady at 2.00 per cent during the second half of 2004. The main refinancing rate had been reduced by 0.5 per cent to 2 per cent on 5 June 2003 and remained at that rate in the period under review. This reflected the assessment of the Governing Council that the prevailing level of interest rates was consistent with the maintenance of price stability in the euro area over the medium term.

The 3 month Euribor interbank rate ended the year slightly higher against its position in July 2004, standing at 2.15 per cent by the end of December. The yield on the benchmark 10-year euro area Government benchmark bond fell from 4.3 per cent in July to 3.7 per cent by year-end.

During the third quarter, the euro traded in a range between U.S. \$1.20 and \$1.24. In the final quarter of 2004, the euro strengthened against the dollar, reaching an all-time high of \$1.3667 on 30<sup>th</sup> December 2004.

#### **2005**

During the first half of 2005 the ECB maintained its key interest rate steady at 2.00 per cent.

The 3 month Euribor rate ended July at 2.13 per cent, having fallen to around 2.1 per cent during June. The yield on the benchmark 10-year euro area Government bond fell from 3.7 per cent at end 2004 to around 3.45 per cent by mid-February 2005. Yields then returned to around 3.7 per cent during February and March but have since then declined, reaching approximately 3.23 per cent towards the end of July 2005.

Having followed a generally strengthening trend against the U.S dollar between early 2002 and the end of 2004, the euro has declined by over 11 per cent against the U.S. currency during the first seven months of 2005. After an initial fall to around \$1.28 by mid-February, the euro recovered to \$1.34 over the next month. However, the weakening trend resumed thereafter, with the euro trading around \$1.22 towards the end of July 2005.



## Appendix of Economic Statistics

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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 prices**

Year	Gross national product at current market prices	Gross national product at constant market prices*	Percentage change in GNP at constant prices
	€m	€m	%
1997	59,577	81,003	-
1998	68,733	87,277	7.7
1999	77,062	94,733	8.5
2000	88,891	103,716	9.5
2001	97,939	107,812	3.9
2002	106,316	110,718	2.7
2003	116,374	116,374	5.1
2004**	124,250	121,032	4.0

Year	Gross domestic product at current market prices	Gross domestic product at constant market prices*	Percentage change in GDP at constant prices
	€m	€m	%
1997	68,071	90,065	-
1998	78,679	97,744	8.5
1999	90,612	108,224	10.7
2000	104,379	118,198	9.2
2001	117,114	125,505	6.2
2002	130,515	133,178	6.1
2003	139,097	139,097	4.4
2004**	148,556	145,319	4.5

\* Chain linked annually and referenced to year 2003

\*\* Preliminary

TABLE 2

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

Description	1998	1999	2000	2001	2002	2003	2004*
Personal consumption of goods and services	39,786	44,455	50,604	55,706	60,673	65,227	68,540
Net expenditure by central and local government on current goods and services	10,113	11,411	13,075	15,501	17,731	19,014	20,807
Gross domestic fixed capital formation	17,439	21,713	25,380	27,125	29,105	31,948	36,290
Value of physical changes in stocks	1,261	391	819	378	645	1,218	793
Exports of goods and services~	68,241	80,683	102,885	116,975	121,723	116,379	123,519
/ess Imports of goods and services~	-58,916	-67,951	-88,697	-98,657	-99,524	-94,087	-100,687
Statistical discrepancy	755	-90	313	86	162	-602	-705
<b>Gross domestic product at current market prices</b>	<b>78,679</b>	<b>90,612</b>	<b>104,379</b>	<b>117,114</b>	<b>130,515</b>	<b>139,097</b>	<b>148,556</b>
Net factor income from the rest of the world	-9,945	-13,550	-15,488	-19,175	-24,199	-22,723	-24,306
<b>Gross national product at current market prices</b>	<b>68,733</b>	<b>77,062</b>	<b>88,891</b>	<b>97,939</b>	<b>106,316</b>	<b>116,374</b>	<b>124,250</b>
EU subsidies	1,729	1,614	1,634	1,520	1,896	1,839	1,788
EU taxes	-676	-641	-683	-756	-488	-535	-324
<b>Gross national income at current market prices</b>	<b>69,786</b>	<b>78,036</b>	<b>89,842</b>	<b>98,703</b>	<b>107,724</b>	<b>117,678</b>	<b>125,714</b>

\* Preliminary

~ Excluding factor income flows

TABLE 3

Expenditure on Gross National Income at Constant Market Prices (€ million)  
(chain linked annually and referenced to year 2003)

Description	1998	1999	2000	2001	2002	2003	2004*
Personal consumption of goods and services	49,082	53,140	57,702	60,922	63,082	65,227	67,733
Net expenditure by central and local government on current goods and services	13,408	14,291	15,466	17,110	18,378	19,014	19,464
Gross domestic fixed capital formation	23,671	27,245	29,246	29,175	30,247	31,948	34,492
Value of physical changes in stocks	1,539	571	1,180	453	557	1,218	766
Exports of goods and services~	73,143	84,496	101,537	110,955	115,440	116,379	124,558
/ess Imports of goods and services~	-63,856	-71,772	-87,302	-93,690	-95,404	-94,087	-101,200
Statistical discrepancy	#	#	#	#	#	-602	-494
<b>Gross domestic product at constant market prices</b>	<b>97,744</b>	<b>108,224</b>	<b>118,198</b>	<b>125,505</b>	<b>133,178</b>	<b>139,097</b>	<b>145,319</b>
Net factor income from the rest of the world	-11,236	-14,132	-15,221	-18,112	-22,381	-22,723	-24,287
<b>Gross national product at constant market prices</b>	<b>87,277</b>	<b>94,733</b>	<b>103,716</b>	<b>107,812</b>	<b>110,718</b>	<b>116,374</b>	<b>121,032</b>
EU subsidies	2,095	1,940	1,770	1,727	1,984	1,839	1,730
EU taxes	-838	-767	-768	-842	-499	-535	-311
<b>Gross national income at constant market prices</b>	<b>88,567</b>	<b>95,928</b>	<b>104,736</b>	<b>108,706</b>	<b>112,202</b>	<b>117,678</b>	<b>122,451</b>

\* Preliminary

~ Excluding factor income flows

# Chain linked series not additive for 2003 and 2004

**TABLE 4**

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

Description	1998	1999	2000	2001	2002	2003	2004*
Agriculture, forestry and fishing	3,495	3,259	3,508	3,600	3,461	3,499	3,603
Industry (including building)	28,861	34,035	39,347	43,621	48,353	47,007	49,003
Distribution, transport and communication	11,215	12,417	14,166	15,818	17,907	20,337	21,391
Public administration and defence	2,822	2,953	3,246	3,605	4,027	4,415	4,757
Other services (including rent)	24,583	27,825	32,488	38,523	43,491	48,325	52,108
Statistical discrepancy	-755	90	-313	-86	-162	602	705
<b>Gross value added at factor cost</b>	<b>70,221</b>	<b>80,579</b>	<b>92,442</b>	<b>105,081</b>	<b>117,076</b>	<b>124,185</b>	<b>131,567</b>
Non product taxes	770	855	895	977	1,105	1,267	1,391
Non product subsidies	-532	-586	-556	-586	-551	-533	-477
<b>Gross value added at basic prices</b>	<b>70,459</b>	<b>80,849</b>	<b>92,781</b>	<b>105,473</b>	<b>117,630</b>	<b>124,919</b>	<b>132,481</b>
Product taxes	10,067	11,530	13,434	13,610	15,064	16,348	18,250
Product subsidies	-1,847	-1,767	-1,836	-1,968	-2,178	-2,170	-2,175
<b>Gross domestic product at current market prices</b>	<b>78,679</b>	<b>90,612</b>	<b>104,379</b>	<b>117,114</b>	<b>130,515</b>	<b>139,097</b>	<b>148,556</b>
Net factor income from the rest of the world	-9,945	-13,550	-15,488	-19,175	-24,199	-22,723	-24,306
<b>Gross national product at current market prices</b>	<b>68,733</b>	<b>77,062</b>	<b>88,891</b>	<b>97,939</b>	<b>106,316</b>	<b>116,374</b>	<b>124,250</b>
EU subsidies	1,729	1,614	1,634	1,520	1,896	1,839	1,788
EU taxes	-676	-641	-683	-756	-488	-535	-324
<b>Gross national income at current market prices</b>	<b>69,786</b>	<b>78,036</b>	<b>89,842</b>	<b>98,703</b>	<b>107,724</b>	<b>117,678</b>	<b>125,714</b>

\* Preliminary

TABLE 5

**Gross Value Added at Constant Factor Cost by Sector of Origin and  
Gross National Income at Constant Market Prices (€ million)**  
(chain linked annually and referenced to year 2003)

Description	1998	1999	2000	2001	2002	2003	2004*
Agriculture, forestry and fishing	3,526	3,445	3,424	3,436	3,390	3,499	3,561
Industry (including building)	32,783	36,982	40,426	42,910	46,675	47,007	48,829
of which: ~							
<i>Reproduction of recorded media</i>	2,704	3,155	2,069	2,415	3,271	2,327	4,081
<i>Chemicals (incl. man-made fibres)</i>	5,492	7,296	8,087	9,453	12,178	12,824	11,012
<i>Computers and instrument engineering</i>	2,200	2,272	3,370	3,753	3,546	3,620	4,247
<i>Electrical machinery and equipment</i>	2,803	2,896	3,615	3,162	3,049	2,573	2,777
Distribution, transport and communication	14,574	15,735	17,831	19,377	20,042	20,337	20,905
Public administration and defence	3,877	3,933	4,048	4,166	4,285	4,415	4,467
Other services (including rent)	34,148	36,955	39,708	43,170	45,598	48,325	50,948
Statistical discrepancy	#	#	#	#	#	602	494
<b>Gross value added at constant factor cost</b>	<b>87,065</b>	<b>96,015</b>	<b>104,288</b>	<b>111,997</b>	<b>118,992</b>	<b>124,185</b>	<b>129,204</b>
Non product taxes	844	886	966	1,019	1,070	1,267	1,290
Non product subsidies	-591	-588	-539	-453	-451	-533	-548
<b>Gross value added at constant basic prices</b>	<b>87,283</b>	<b>96,275</b>	<b>104,693</b>	<b>112,560</b>	<b>119,619</b>	<b>124,919</b>	<b>129,946</b>
Product taxes	12,726	14,092	15,495	15,572	15,913	16,348	17,386
Product subsidies	-2,338	-2,216	-2,048	-2,702	-2,362	-2,170	-2,013
<b>Gross domestic product at constant market prices</b>	<b>97,744</b>	<b>108,224</b>	<b>118,198</b>	<b>125,505</b>	<b>133,178</b>	<b>139,097</b>	<b>145,319</b>
Net factor income from the rest of the world	-11,236	-14,132	-15,221	-18,112	-22,381	-22,723	-24,287
<b>Gross national product at constant market prices</b>	<b>87,277</b>	<b>94,733</b>	<b>103,716</b>	<b>107,812</b>	<b>110,718</b>	<b>116,374</b>	<b>121,032</b>
EU subsidies	2,095	1,940	1,770	1,727	1,984	1,839	1,730
EU taxes	-838	-767	-768	-842	-499	-535	-311
<b>Gross national income at constant market prices</b>	<b>88,567</b>	<b>95,928</b>	<b>104,736</b>	<b>108,706</b>	<b>112,202</b>	<b>117,678</b>	<b>122,451</b>

\* Preliminary

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

# Chain linked series not additive except for 2003 and 2004

TABLE 6

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

Description	1998	1999	2000	2001	2002	2003	2004*
Agriculture, forestry and fishing:							
Net value added	2,915	2,662	2,882	2,941	2,787	2,822	2,915
Remuneration of employees	456	480	483	483	493	505	546
Other	2,459	2,181	2,398	2,458	2,295	2,316	2,369
Industry (including building):							
Net value added	26,809	31,501	36,178	40,032	44,335	43,004	44,901
Remuneration of employees	10,658	11,905	13,756	15,058	15,372	16,268	n/a
Other	16,060	20,104	22,968	24,642	28,925	26,333	n/a
Adjustment for stock appreciation	91	-508	-546	331	38	403	-239
Distribution, transport and communication:							
Net value added	10,145	11,056	12,324	13,782	15,649	17,452	18,465
Remuneration of employees	6,343	7,291	8,254	8,709	8,953	9,492	n/a
Other	3,830	4,095	4,342	5,185	6,797	7,930	n/a
Adjustment for stock appreciation	-28	-331	-272	-112	-101	31	-70
Public administration and defence:							
Remuneration of employees	2,822	2,953	3,246	3,605	4,027	4,415	4,757
Other services (including rent):							
Net value added	20,917	23,524	27,308	32,601	36,828	41,245	44,076
Remuneration of employees	12,590	14,162	16,145	18,785	21,159	23,309	n/a
Other	8,327	9,362	11,163	13,816	15,669	17,935	n/a
Statistical discrepancy	-755	90	-313	-86	-162	602	705
<b>Net value added at factor cost</b>	<b>62,854</b>	<b>71,785</b>	<b>81,624</b>	<b>92,875</b>	<b>103,464</b>	<b>109,539</b>	<b>115,818</b>
<b>plus Provision for depreciation</b>	<b>7,367</b>	<b>8,794</b>	<b>10,818</b>	<b>12,206</b>	<b>13,612</b>	<b>14,646</b>	<b>15,749</b>
Agriculture, forestry and fishing	580	597	626	659	674	678	688
Industry	2,051	2,534	3,169	3,589	4,018	4,004	4,102
Distribution, transport and communication	1,070	1,361	1,843	2,036	2,258	2,885	2,926
Other services	3,666	4,301	5,180	5,922	6,662	7,080	8,033
<b>Gross value added at factor cost</b>	<b>70,221</b>	<b>80,579</b>	<b>92,442</b>	<b>105,081</b>	<b>117,076</b>	<b>124,185</b>	<b>131,567</b>
Non product taxes	770	855	895	977	1,105	1,267	1,391
Non product subsidies	-532	-586	-556	-586	-551	-533	-477
<b>Gross value added at basic prices</b>	<b>70,459</b>	<b>80,849</b>	<b>92,781</b>	<b>105,473</b>	<b>117,630</b>	<b>124,919</b>	<b>132,481</b>
Product taxes	10,067	11,530	13,434	13,610	15,064	16,348	18,250
Product subsidies	-1,847	-1,767	-1,836	-1,968	-2,178	-2,170	-2,175
<b>Gross domestic product at market prices</b>	<b>78,679</b>	<b>90,612</b>	<b>104,379</b>	<b>117,114</b>	<b>130,515</b>	<b>139,097</b>	<b>148,556</b>
Net factor income from the rest of the world	-9,945	-13,550	-15,488	-19,175	-24,199	-22,723	-24,306
<b>Gross national product at market prices</b>	<b>68,733</b>	<b>77,062</b>	<b>88,891</b>	<b>97,939</b>	<b>106,316</b>	<b>116,374</b>	<b>124,250</b>
EU subsidies	1,729	1,614	1,634	1,520	1,896	1,839	1,788
EU taxes	-676	-641	-683	-756	-488	-535	-324
<b>Gross national income at current market prices</b>	<b>69,786</b>	<b>78,036</b>	<b>89,842</b>	<b>98,703</b>	<b>107,724</b>	<b>117,678</b>	<b>125,714</b>

\* Preliminary

Note: 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	1998	1999	2000	2001	2002	2003	2004*
<b>Value added from agriculture, forestry, fishing</b>	<b>2,914</b>	<b>2,656</b>	<b>2,878</b>	<b>2,936</b>	<b>2,785</b>	<b>2,819</b>	<b>2,912</b>
Income from self-employment	2,457	2,175	2,395	2,453	2,292	2,313	2,366
Remuneration of employees:							
Wages and salaries	415	436	439	439	448	459	496
Employers' contribution to social insurance	41	44	45	44	45	46	50
<b>Non-agricultural value added</b>	<b>60,695</b>	<b>69,040</b>	<b>79,059</b>	<b>90,025</b>	<b>100,842</b>	<b>106,118</b>	<b>112,201</b>
Profits and self employed earnings:							
Domestic trading profits of companies (including corporate bodies) before tax	20,124	24,602	27,313	30,620	36,820	37,472	} 48,377
Self employed earnings	5,063	5,574	6,797	7,861	8,601	8,762	
Adjustment for stock appreciation	64	-839	-818	219	-63	434	-309
Rent of dwellings (actual and imputed)	3,030	3,386	4,362	5,162	5,970	5,963	5,909
<i>of which imputed rent</i>	<i>2,468</i>	<i>2,757</i>	<i>3,569</i>	<i>4,222</i>	<i>4,870</i>	<i>4,824</i>	<i>4,739</i>
Rent element in land annuities	1	6	3	5	3	3	3
Remuneration of employees:							
Wages, salaries, pensions	30,447	34,030	38,682	42,951	46,036	49,837	54,269
Employers' contribution to social insurance	1,966	2,282	2,719	3,207	3,476	3,647	3,951
Adjustments:							
Statistical discrepancy	-755	90	-313	-86	-162	602	705
<b>Net value added at factor cost</b>	<b>62,854</b>	<b>71,785</b>	<b>81,624</b>	<b>92,875</b>	<b>103,464</b>	<b>109,539</b>	<b>115,818</b>
Net factor income from the rest of the world	-9,945	-13,550	-15,488	-19,175	-24,199	-22,723	-24,306
<b>Net national product at factor cost</b>	<b>52,908</b>	<b>58,235</b>	<b>66,136</b>	<b>73,700</b>	<b>79,265</b>	<b>86,816</b>	<b>91,512</b>
National (i.e. non-EU) taxes	10,161	11,745	13,646	13,831	15,681	17,080	19,317
National (i.e. non-EU) subsidies	-651	-739	-758	-1,034	-834	-864	-864
<b>Net national income at market prices</b>	<b>62,419</b>	<b>69,242</b>	<b>79,024</b>	<b>86,497</b>	<b>94,112</b>	<b>103,032</b>	<b>109,965</b>

\* Preliminary

TABLE 8

## National Disposable Income, Savings and Capital Formation (€ million)

Description	1998	1999	2000	2001	2002	2003	2004*
Gross national product at current market prices	68,733	77,062	88,891	97,939	106,316	116,374	124,250
EU Subsidies	1,729	1,614	1,634	1,520	1,896	1,839	1,788
EU Taxes	-676	-641	-683	-756	-488	-535	-324
Gross national income at current market prices	69,786	78,036	89,842	98,703	107,724	117,678	125,714
Current transfers from the rest of the world less current transfers to the rest of the world (excluding EU subsidies and taxes)	254	161	-22	-569	-703	-872	-1,157
<b>Gross national disposable income</b>	<b>70,040</b>	<b>78,196</b>	<b>89,820</b>	<b>98,134</b>	<b>107,020</b>	<b>116,806</b>	<b>124,557</b>
Total consumption expenditure	49,899	55,866	63,679	71,207	78,404	84,241	89,347
<b>Gross national savings</b>	<b>20,141</b>	<b>22,330</b>	<b>26,141</b>	<b>26,927</b>	<b>28,616</b>	<b>32,565</b>	<b>35,210</b>
Provision for depreciation	7,367	8,794	10,818	12,206	13,612	14,646	15,749
Net national savings	12,774	13,536	15,323	14,721	15,004	17,919	19,461
Capital transfers	840	560	1,182	703	512	93	401
Net foreign disinvestment	-1,526	-876	-811	-41	784	-94	766
Statistical discrepancy	-755	90	-313	-86	-162	602	705
Gross total available for investment	18,700	22,104	26,199	27,503	29,750	33,166	37,083
Gross domestic fixed capital formation	17,439	21,713	25,380	27,125	29,105	31,948	36,290
Value of physical changes in stocks on farms	43	-179	-151	-14	-40	-43	-21
Increase in value of non agricultural stocks and work in progress (including EU intervention stocks)	1,155	1,409	1,788	173	748	827	1,123
Adjustment for stock appreciation	64	-839	-818	219	-63	434	-309
<b>Gross domestic physical capital formation at current prices</b>	<b>18,700</b>	<b>22,104</b>	<b>26,199</b>	<b>27,503</b>	<b>29,750</b>	<b>33,166</b>	<b>37,083</b>

\* Preliminary

TABLE 9

## General Government Balance (€ million)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Current Budget</b>										
Expenditure	15,273	16,078	17,795	18,301	19,750	20,634	24,009	26,126	28,747	30,778
- Central fund services	3,787	4,013	4,686	4,361	4,379	3,924	3,605	2,812	3,295	3,584
- Voted current expenditure	11,486	12,065	13,109	13,940	15,371	16,710	20,404	23,314	25,452	27,194
Revenue	14,814	16,449	18,563	20,950	24,095	27,601	28,736	31,524	33,157	36,386
- Tax	14,392	15,897	18,124	20,480	23,565	27,072	27,925	29,294	32,103	35,581
- Non-tax	422	551	439	470	529	529	811	2,230	1,054	805
<b>Surplus/Deficit (-) on Current Account</b>	<b>-459</b>	<b>371</b>	<b>767</b>	<b>2,649</b>	<b>4,345</b>	<b>6,967</b>	<b>4,727</b>	<b>5,398</b>	<b>4,410</b>	<b>5,608</b>
as % of GNP	-1.0%	0.7%	1.3%	3.9%	5.6%	7.8%	4.8%	5.1%	3.8%	4.5%
<b>Capital Budget</b>										
Expenditure	1,581	1,828	2,025	2,934	8,591	6,527	6,020	6,868	6,678	6,714
Resources	1,244	903	960	1,233	5,758	2,738	1,946	1,562	1,289	1,142
<b>Surplus/Deficit (-) on Capital Account</b>	<b>-337</b>	<b>-925</b>	<b>-1,065</b>	<b>-1,701</b>	<b>-2,833</b>	<b>-3,790</b>	<b>-4,074</b>	<b>-5,306</b>	<b>-5,389</b>	<b>-5,572</b>
as % of GNP	-0.7%	-1.8%	-1.8%	-2.5%	-3.7%	-4.3%	-4.2%	-5.0%	-4.6%	-4.5%
<b>Exchequer Surplus/Deficit (-)</b>	<b>-796</b>	<b>-554</b>	<b>-298</b>	<b>948</b>	<b>1,512</b>	<b>3,177</b>	<b>653</b>	<b>93</b>	<b>-980</b>	<b>36</b>
as % of GNP	-1.7%	-1.1%	-0.5%	1.4%	2.0%	3.6%	0.7%	0.1%	-0.8%	0.0%
<b>General Government Balance Surplus/Deficit(-)</b>	<b>-1,088</b>	<b>-70</b>	<b>795</b>	<b>1,845</b>	<b>2,312</b>	<b>4,515</b>	<b>1,033</b>	<b>-470</b>	<b>270</b>	<b>2,043</b>
as % of GDP*	-2.1%	-0.1%	1.1%	2.3%	2.6%	4.3%	0.9%	-0.4%	0.2%	1.4%

\*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.

Source: Department of Finance; CSO

TABLE 10

## Volume of Production in Major Industrial Sectors (Base Year 2000 = 100)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Food products and beverages; tobacco products	74.6	83.0	84.3	86.0	90.5	94.9	100.0	106.5	110.7	114.9	120.6
Food products and beverages	74.5	83.0	84.3	86.2	91.1	95.3	100.0	106.7	110.9	116.4	123.7
Tobacco products	84.3	82.5	85.8	85.7	79.0	86.4	100.0	103.2	106.6	86.4	61.4
Textiles	147.3	120.0	118.7	122.0	124.6	108.2	100.0	112.3	85.3	69.6	65.1
Wearing apparel; dressing and dyeing of fur	201.4	164.1	169.9	162.9	165.7	149.4	100.0	97.4	55.3	60.1	65.0
Leather and leather products	109.4	126.6	118.6	121.5	122.4	105.3	100.0	84.5	84.3	55.5	36.4
Wood and wood products	67.7	60.5	67.9	86.2	93.5	103.3	100.0	92.0	103.7	107.5	124.4
Pulp, paper and paper products; publishing, printing and reproduction of recorded media	52.6	58.3	63.2	76.8	96.3	105.3	100.0	98.6	107.4	119.2	145.5
Chemicals, chemical products and man-made fibres	23.7	30.2	35.5	49.3	69.8	87.7	100.0	122.5	152.7	159.1	144.3
Rubber and plastic products	81.5	101.3	99.2	96.2	96.3	97.4	100.0	99.5	90.0	95.8	94.6
Other non-metallic mineral products	56.8	73.7	77.6	87.7	88.9	91.2	100.0	101.7	93.8	98.7	99.1
Basic metals and fabricated metal products	80.7	80.9	82.6	85.3	89.0	92.8	100.0	91.6	90.2	90.5	95.7
Fabricated metal products, except machinery and equipment	79.0	76.2	78.4	82.3	87.8	91.8	100.0	92.2	90.8	92.3	100.3
Electrical and optical equipment	30.8	41.9	46.1	55.0	63.3	73.3	100.0	108.6	102.6	109.1	116.2
Office machinery and computers	29.8	45.5	48.4	55.9	61.3	73.2	100.0	92.1	75.6	92.7	105.9
Electrical machinery and apparatus, N.E.C	32.5	35.1	39.4	50.0	66.2	70.5	100.0	118.5	126.5	128.7	144.3
Radio, television and communication equipment and apparatus	35.2	50.1	53.2	61.9	77.6	81.2	100.0	98.0	88.9	76.8	78.2
Medical, precision and optical instruments, watches and clocks	30.4	35.8	43.6	54.3	61.6	72.6	100.0	135.3	135.9	165.0	170.2
Transport equipment	51.9	50.1	58.6	67.1	75.8	80.3	100.0	103.9	90.8	88.6	92.5
Manufacturing N.E.C.; recycling; refined petroleum products	65.0	80.5	80.1	87.6	85.2	83.9	100.0	91.8	81.4	72.1	71.9
<b>Manufacturing Industries</b>	<b>39.5</b>	<b>47.9</b>	<b>51.9</b>	<b>61.9</b>	<b>75.1</b>	<b>86.4</b>	<b>100.0</b>	<b>110.0</b>	<b>118.4</b>	<b>123.9</b>	<b>124.4</b>
Mining and quarrying	59.5	87.7	86.1	73.7	67.9	81.3	100.0	99.7	95.2	115.4	113.5
<b>Transportable Goods Industries</b>	<b>39.7</b>	<b>48.4</b>	<b>52.4</b>	<b>62.0</b>	<b>75.0</b>	<b>86.3</b>	<b>100.0</b>	<b>109.9</b>	<b>118.1</b>	<b>123.8</b>	<b>124.2</b>
Electricity, gas and water supply	76.2	77.4	81.7	85.2	87.6	95.0	100.0	109.9	120.2	130.6	139.5
<b>All Industries</b>	<b>41.2</b>	<b>49.6</b>	<b>53.6</b>	<b>63.0</b>	<b>75.5</b>	<b>86.7</b>	<b>100.0</b>	<b>109.9</b>	<b>118.2</b>	<b>124.1</b>	<b>125.0</b>

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

	Estimated Value (€ million)					Volume Index Numbers (2000=100)				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Goods output at producer prices	4,884	5,097	4,711	4,846	5,028	100.0	101.7	96.6	99.7	100.5
of which:										
Cattle	1,382	1,260	1,179	1,244	1,345	100.0	99.4	92.1	97.7	96.7
Milk	1,447	1,566	1,413	1,432	1,417	100.0	102.3	99.6	101.9	100.6
Intermediate consumption (total input)	3,139	3,391	3,344	3,377	3,451	100.0	102.6	98.7	97.3	96.5
Gross value added at basic prices	2,847	2,671	2,492	2,607	2,719	100.0	94.3	89.4	95.9	107.1
Factor income*	2,606	2,621	2,470	2,542	2,657	-	-	-	-	-
Operating surplus*	2,224	2,249	2,092	2,153	2,229	-	-	-	-	-

\* Volume indices not available

TABLE 12

## Estimated Labour Force (ILO) and Numbers at Work by NACE Economic Sector

Economic Sector (NACE Rev. 1)	Quarterly National Household Survey (Thousands)									
	Mar- May '00	Jun- Aug '00	Sep- Nov '00	Dec '00- Feb '01	Mar- May '01	Jun- Aug '01	Sep- Nov '01	Dec '01- Feb '02	Mar- May '02	Jun- Aug '02
A-B Agriculture, forestry and fishing	132.9	132.5	125.3	124.0	122.5	129.2	127.2	124.7	124.0	125.9
<b>Industry</b>										
C-E Other production industries	309.5	325.3	320.9	318.0	318.1	330.7	319.0	311.8	305.0	315.9
F Construction	166.2	175.0	178.1	179.3	180.0	186.1	185.4	183.8	182.2	190.8
<b>Services</b>										
G Wholesale and retail trade	235.2	252.4	241.9	245.9	247.8	252.6	245.3	248.9	246.8	258.1
H Hotels and restaurants	108.1	116.9	108.6	105.1	103.8	115.0	107.8	107.4	104.2	116.1
I Transport, storage and communication	101.3	106.4	106.0	107.9	111.1	113.3	112.2	110.2	111.7	115.6
J-K Financial and other business services	210.8	217.3	214.7	216.4	217.1	229.6	227.0	225.3	228.9	229.5
L Public administration and defence	78.4	79.4	79.5	79.1	81.3	84.8	82.5	83.1	90.6	91.4
M Education	102.8	98.9	103.6	103.5	103.8	102.9	107.3	107.9	111.3	106.0
N Health	133.0	134.7	140.1	140.9	144.0	147.8	150.9	155.0	159.3	159.9
O Other services	93.3	97.4	94.1	90.7	92.4	96.8	95.2	95.3	99.8	99.2
<b>In Employment</b>	<b>1,671.4</b>	<b>1,736.1</b>	<b>1,712.6</b>	<b>1,710.9</b>	<b>1,721.9</b>	<b>1,788.9</b>	<b>1,759.9</b>	<b>1,753.5</b>	<b>1,763.9</b>	<b>1,808.4</b>
<b>Unemployed</b>	<b>74.5</b>	<b>77.1</b>	<b>68.4</b>	<b>65.3</b>	<b>65.1</b>	<b>78.5</b>	<b>71.8</b>	<b>79.2</b>	<b>77.0</b>	<b>86.2</b>
- Seeking full-time work	60.9	62.9	55.0	52.0	53.3	63.9	59.1	66.8	65.2	73.2
- Seeking part-time work	13.5	14.3	13.4	13.3	11.8	14.6	12.6	12.5	11.8	13.0
<b>In Labour Force</b>	<b>1,745.9</b>	<b>1,813.3</b>	<b>1,781.0</b>	<b>1,776.2</b>	<b>1,787.0</b>	<b>1,867.4</b>	<b>1,831.6</b>	<b>1,832.7</b>	<b>1,840.9</b>	<b>1,894.6</b>
<b>Unemployment Rate %</b>	<b>4.3</b>	<b>4.3</b>	<b>3.8</b>	<b>3.7</b>	<b>3.6</b>	<b>4.2</b>	<b>3.9</b>	<b>4.3</b>	<b>4.2</b>	<b>4.6</b>

**TABLE 12 (continued)**

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

Economic Sector (NACE Rev. 1)	Quarterly National Household Survey (Thousands)									
	Sep- Nov '02	Dec '02- Feb '03	Mar- May '03	Jun- Aug '03	Sep- Nov '03	Dec '03- Feb '04	Mar- May '04	Jun- Aug '04	Sep- Nov '04	Dec '04- Feb '05
A-B Agriculture, forestry and fishing	123.1	117.4	116.6	121.4	123.4	118.9	117.0	119.9	112.5	112.5
<b>Industry</b>										
C-E Other production industries	305.0	305.8	306.1	307.7	297.3	297.4	300.6	305.6	301.1	297.3
F Construction	191.3	188.8	191.4	200.1	200.6	202.3	206.0	221.7	227.4	233.1
<b>Services</b>										
G Wholesale and retail trade	251.5	253.3	251.6	261.0	256.5	263.4	260.2	270.2	265.4	267.6
H Hotels and restaurants	111.5	110.0	114.4	123.7	115.4	113.1	107.8	116.1	112.6	112.3
I Transport, storage and communication	113.3	111.9	112.1	112.8	114.6	113.4	113.2	114.8	115.7	115.7
J-K Financial and other business services	224.5	226.1	227.1	230.6	231.3	234.4	237.0	243.1	247.7	252.9
L Public administration and defence	88.3	90.2	92.4	93.8	90.6	89.9	89.5	93.5	94.4	96.4
M Education	112.3	115.9	116.1	110.1	118.1	119.4	117.9	112.3	118.5	119.8
N Health	163.2	167.8	169.9	173.8	175.8	177.2	177.0	182.1	182.5	185.5
O Other services	98.3	96.3	95.7	101.3	105.3	106.4	110.0	114.4	116.3	115.4
<b>In Employment</b>	<b>1,782.3</b>	<b>1,783.6</b>	<b>1,793.4</b>	<b>1,836.4</b>	<b>1,828.9</b>	<b>1,835.9</b>	<b>1,836.2</b>	<b>1,893.6</b>	<b>1,894.1</b>	<b>1,908.3</b>
<b>Unemployed</b>	<b>84.1</b>	<b>85.2</b>	<b>82.1</b>	<b>98.8</b>	<b>85.9</b>	<b>83.6</b>	<b>84.2</b>	<b>93.9</b>	<b>85.6</b>	<b>82.1</b>
- Seeking full-time work	69.0	71.6	69.0	82.9	70.9	70.8	71.7	80.1	72.2	69.1
- Seeking part-time work	15.0	13.5	13.1	15.9	15.0	12.8	12.4	13.8	13.4	13.0
<b>In Labour Force</b>	<b>1,866.3</b>	<b>1,868.7</b>	<b>1,875.5</b>	<b>1,935.3</b>	<b>1,914.8</b>	<b>1,919.5</b>	<b>1,920.3</b>	<b>1,987.5</b>	<b>1,979.7</b>	<b>1,990.5</b>
<b>Unemployment Rate %</b>	<b>4.5</b>	<b>4.6</b>	<b>4.4</b>	<b>5.1</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.7</b>	<b>4.3</b>	<b>4.1</b>

**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		
(Thousands)**				
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	3,509.5	-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	3,664.0	38	19	19
1998	3,703.0	39	22	17
1999	3,742.0	39	22	17
2000	3,789.5	47	21	26
2001	3,847.0	58	25	33
2002	3,917.0	70	29	41
2003	3,979.0	62	32	30
2004	4,044.0	65	33	32

\* A minus sign denotes net outward migration

\*\* Rounded to the nearest thousand

**TABLE 14**  
**Price Index Numbers and Percentage Changes**  
(2000 = 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
1990	77.9	81.5	101.9	90.9	87.0	78.1	111.3
1991	80.4	82.5	98.0	91.3	86.3	79.9	108.0
1992	82.9	83.2	99.7	91.2	84.0	78.3	107.3
1993	84.1	87.2	106.2	91.2	90.3	82.3	109.7
1994	86.0	88.0	107.8	92.0	90.3	84.5	106.9
1995	88.2	89.1	110.3	93.4	91.9	88.0	104.4
1996	89.7	88.8	105.3	97.3	91.4	87.0	105.0
1997	91.0	89.1	98.8	95.3	92.4	87.5	105.6
1998	93.2	91.7	98.0	93.0	94.9	89.5	106.0
1999	94.7	93.4	94.0	94.1	95.2	92.2	103.3
2000	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	104.9	102.9	104.3	104.8	105.1	103.0	102.1
2002	109.7	103.1	100.0	106.2	103.0	99.0	104.1
2003	113.5	97.4	99.6	108.8	93.9	90.7	103.5
2004	116.1	-	101.8	113.1	90.4	88.7	102.0
2005 Jan	116.4	-	104.5	114.3	-	88.5	100.1
Feb	117.3	-	104.8	115.6	-	87.3	104.0
Mar	117.6	-	105.0	116.8	-	88.2	102.4
Apr	118.2	-	103.8	117.4	-	-	-
May	118.5	-	103.8	116.8	-	-	-
Percentage Changes							
1990	3.4	-2.7	-11.4	0.2	-9.5	-5.0	-4.7
1991	3.2	1.2	-3.8	0.4	-0.7	2.3	-2.9
1992	3.0	0.8	1.7	-0.1	-2.7	-2.1	-0.7
1993	1.5	4.8	6.5	0.0	7.6	5.2	2.3
1994	2.4	0.9	1.6	0.8	-0.1	2.6	-2.6
1995	2.5	1.3	2.3	1.6	1.8	4.3	-2.3
1996	1.6	-0.3	-4.5	4.2	-0.6	-1.2	0.6
1997	1.5	0.3	-6.2	-2.1	1.1	0.5	0.6
1998	2.4	2.9	-0.8	-2.4	2.6	2.3	0.3
1999	1.6	1.9	-4.1	1.2	0.4	3.0	-2.5
2000	5.6	7.1	6.4	6.3	5.0	8.5	-3.2
2001	4.9	2.9	4.3	4.8	5.1	3.0	2.1
2002	4.6	0.2	-4.1	1.3	-2.0	-3.9	2.0
2003	3.5	-5.5	-0.3	2.5	-8.9	-8.4	-0.5
2004	2.2	-	2.2	3.9	-3.7	-2.2	-1.5

TABLE 15

**Nominal Compensation per Employee Indices in National and Common Currency Terms**  
(1987=100)

Indices in National Currency

Year	UK	USA	Germany	France	Italy	Japan	Nether-lands	Belgium	Spain	Ireland
1988	107.5	104.8	102.6	104.5	108.3	104.1	101.1	102.1	107.5	107.0
1989	117.8	108.2	105.3	108.8	117.5	109.1	101.8	107.8	115.4	114.0
1990	129.7	113.6	110.2	114.6	129.7	114.8	105.1	115.0	127.0	118.8
1991	142.0	119.0	116.8	119.0	141.1	120.5	110.3	123.6	139.9	124.2
1992	149.8	125.5	129.1	123.8	149.2	122.1	115.6	130.1	155.7	133.9
1993	155.8	129.0	134.4	127.3	156.0	123.0	119.7	136.1	167.3	141.2
1994	160.3	132.1	138.4	129.5	160.8	124.8	123.3	142.2	173.5	144.3
1995	165.6	134.8	143.4	132.6	167.6	126.8	125.1	145.2	179.8	148.6
1996	171.5	138.4	145.3	135.8	177.7	127.6	126.7	147.4	188.0	153.6
1997	179.1	143.4	146.4	138.8	184.9	129.5	129.3	151.6	192.3	159.9
1998	189.4	150.4	147.9	141.4	182.0	129.2	133.8	153.2	197.7	170.3
1999	198.1	156.7	149.7	144.6	186.7	127.7	138.8	158.4	203.0	178.1
2000	209.7	165.6	152.8	147.2	192.5	128.0	145.4	161.7	209.9	193.4
2001	220.9	169.6	155.4	151.2	198.5	127.4	153.4	167.6	217.9	208.2
2002	229.2	175.0	157.7	154.8	203.6	125.4	162.8	174.7	227.3	218.5
2003	239.5	182.1	160.3	158.3	211.3	124.7	169.1	178.2	237.0	228.8
2004	249.0	189.9	160.4	163.2	217.3	123.3	173.3	182.7	246.6	241.8

Indices in Common Currency (euro)

Year	UK	USA	Germany	France	Italy	Japan	Nether-lands	Belgium	Spain	Ireland
1988	114.1	102.4	102.5	102.9	105.2	114.5	101.0	102.2	111.1	107.0
1989	123.3	113.4	105.5	107.3	116.3	119.7	101.7	108.0	125.8	113.9
1990	128.1	103.0	110.2	114.8	127.4	104.1	106.1	117.8	139.6	120.1
1991	142.7	110.9	116.9	118.3	137.6	120.6	111.4	127.2	154.8	125.5
1992	143.1	111.6	129.8	125.2	139.8	123.9	118.6	135.9	167.0	136.5
1993	140.8	127.1	148.2	133.0	126.7	157.5	128.4	146.1	159.5	136.9
1994	145.5	128.2	152.5	136.3	125.5	171.4	133.3	155.8	155.2	141.0
1995	140.8	119.0	166.8	140.9	117.6	171.7	139.1	163.7	156.8	141.4
1996	148.5	125.9	161.2	145.0	135.6	153.9	138.2	163.0	166.3	150.1
1997	182.2	146.0	148.8	145.5	143.3	157.4	136.5	162.6	164.9	165.9
1998	197.4	154.8	157.7	148.5	140.0	147.0	140.7	163.9	168.1	168.1
1999	212.0	169.8	161.0	152.8	144.2	175.4	147.0	170.6	173.4	175.4
2000	242.6	207.1	164.4	155.5	148.6	214.4	154.0	174.1	179.3	190.5
2001	250.3	218.6	167.2	159.7	153.3	195.3	162.4	180.5	186.2	205.1
2002	257.0	213.7	169.7	163.6	157.2	176.9	172.4	188.1	194.2	215.2
2003	244.0	185.9	172.9	167.3	163.1	158.6	179.1	192.0	202.5	225.4
2004	258.5	176.3	173.1	172.4	167.8	152.7	183.5	196.8	210.7	238.2

Source: European Commission AMECO database.

**TABLE 16**

**Retail Sales and New Private Car Licensing**

Period	Index of Total Retail Sales (Seasonally Adjusted) (2000 = 100)				New Private Car Licensing	
	Value Index	Year-on-Year % Change	Volume Index	Year-on-Year % Change	Total	Year-on-Year % Change
2000	100.0	-	100.0	-	225,269	32.3
2001	103.3	3.3	101.5	1.5	160,908	-28.6
2002	105.9	2.5	101.7	0.1	150,485	-6.5
2003	109.3	3.2	102.6	0.9	142,992	-5.0
2004	114.1	4.4	105.7	3.0	149,635	4.6
2000 Q1	97.6	-	99.0	-	79,644	41.1
Q2	100.9	0.9	101.2	1.2	78,853	44.8
Q3	101.3	1.3	101.1	1.1	47,052	19.0
Q4	99.4	-0.6	97.9	-2.1	19,720	-0.6
2001 Q1	100.9	3.4	100.5	1.5	60,932	-23.5
Q2	102.9	2.0	101.1	-0.1	54,151	-31.3
Q3	102.9	1.6	100.8	-0.3	31,966	-32.1
Q4	105.3	5.9	102.8	5.0	13,859	-29.7
2002 Q1	104.0	3.1	101.4	0.9	55,539	-8.9
Q2	104.7	1.7	100.4	-0.7	49,007	-9.5
Q3	106.2	3.2	101.6	0.8	32,078	0.4
Q4	107.5	2.1	102.1	-0.7	13,861	0.0
2003 Q1	108.4	4.2	102.5	1.1	55,797	0.5
Q2	108.0	3.2	101.5	1.1	46,029	-6.1
Q3	109.2	2.8	102.4	0.8	29,002	-9.6
Q4	110.3	2.6	103.0	0.9	12,164	-12.2
2004 Q1	112.1	3.4	104.9	2.3	58,086	4.1
Q2	113.1	4.7	104.9	3.3	48,804	6.0
Q3	114.3	4.7	105.6	3.1	31,126	7.3
Q4	115.5	4.7	106.2	3.1	11,619	-4.5
2005 Q1	119.8	6.9	111.1	5.9	67,315	15.9

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	27.0	-	16.9	-
1987	11,624.7	13,616.0	1,991.3	28.7	6.3	19.3	14.5
1988	12,970.8	15,623.9	2,653.9	30.0	4.7	20.7	7.0
1989	15,597.8	18,534.4	2,936.6	33.9	13.0	23.0	11.2
1990	15,832.1	18,203.9	2,371.7	36.2	6.9	25.0	8.5
1991	16,317.2	19,070.1	2,752.9	36.5	0.7	26.3	5.5
1992	16,753.9	21,260.2	4,506.4	38.3	4.8	30.2	14.6
1993	18,899.7	25,178.5	6,278.9	41.1	7.2	33.2	10.1
1994	21,945.4	28,890.9	6,945.6	46.5	13.2	38.2	14.9
1995	26,180.9	35,330.1	9,149.2	53.2	14.4	45.8	20.1
1996	28,479.5	38,608.9	10,129.6	58.5	10.0	50.4	9.9
1997	32,863.5	44,868.0	12,004.5	67.2	14.8	57.9	14.9
1998	39,715.0	57,321.8	17,606.7	79.3	18.1	72.0	24.5
1999	44,327.1	66,956.2	22,629.1	86.0	8.4	83.8	16.4
2000	55,908.8	83,888.9	27,980.1	100.0	16.3	100.0	19.3
2001	57,384.2	92,689.9	35,305.7	99.7	-0.3	105.1	5.1
2002	55,628.1	93,675.2	38,047.1	100.5	0.8	108.4	3.1
2003	47,864.6	82,076.1	34,211.5	94.4	-6.1	104.2	-3.9
2004***	50,099.6	83,891.5	33,791.8	101.1	7.1	110.6	6.2

\*Based on Merchandise Trade only, i.e. excludes the value of Trade in Services. The trade balance as measured by the Balance of Payments is shown in Table 21

\*\* There may be slight differences in the Volume Index % Change calculations due to rounding

\*\*\* Provisional

TABLE 18

## Sectoral Origin of Exports

Origin of Produce	2000		2001		2002		2003		2004	
	€m	%	€m	%	€m	%	€m	%	€m	%
Agricultural Produce	4,046.6	4.8	3,655.7	3.9	3,672.8	3.9	3,797.9	4.6	4,068.4	4.8
Forestry and Fishing Produce	384.9	0.5	488.9	0.5	494.2	0.5	453.5	0.6	441.7	0.5
Industrial Produce	77,648.5	92.6	86,627.8	93.5	87,995.8	93.9	76,874.5	93.7	78,492.5	93.6
Unclassified Exports*	1,808.9	2.2	1,917.5	2.1	1,512.4	1.6	950.2	1.2	888.9	1.1
<b>Total Exports</b>	<b>83,888.9</b>	<b>100.0</b>	<b>92,689.9</b>	<b>100.0</b>	<b>93,675.2</b>	<b>100.0</b>	<b>82,076.1</b>	<b>100.0</b>	<b>83,891.5</b>	<b>100.0</b>

\*Includes estimates which are not classified by industrial origin

Note: Rounding may affect totals

TABLE 19

## Distribution of Imports According to Main Use

Main Use Category	2000		2001		2002		2003		2004	
	€m	%	€m	%	€m	%	€m	%	€m	%
Producer's Capital Goods	8,069.5	14.4	7,534.3	13.1	7,067.3	12.7	5,754.6	12.0	6,494.6	13.0
Consumption Goods	11,486.1	20.5	12,446.8	21.7	12,760.7	22.9	12,692.9	26.5	12,922.0	25.8
of which:										
- Food, Drink, Tobacco	2,481.5	4.4	2,881.7	5.0	2,958.8	5.3	2,952.6	6.2	2,958.8	5.9
- Other	9,004.5	16.1	9,565.0	16.7	9,801.8	17.6	9,740.4	20.3	9,963.2	19.9
Materials for further processing	34,056.7	60.9	35,289.3	61.5	33,791.4	60.7	27,566.2	57.6	28,648.7	57.2
of which:										
- Agriculture	886.9	1.6	941.7	1.6	946.3	1.7	990.0	2.1	1,062.6	2.1
- Other	33,169.7	59.3	34,347.7	59.9	32,845.1	59.0	26,576.2	55.5	27,586.1	55.1
Unclassified Imports	2,296.6	4.1	2,113.8	3.7	2,008.7	3.6	1,851.4	3.9	2,034.3	4.1
<b>Total</b>	<b>55,908.8</b>	<b>100.0</b>	<b>57,384.2</b>	<b>100.0</b>	<b>55,628.1</b>	<b>100.0</b>	<b>47,864.6</b>	<b>100.0</b>	<b>50,099.6</b>	<b>100.0</b>

Note: Rounding may affect totals

TABLE 20

## Percentage Distribution of Trade by Area

Areas	Exports		Imports	
	2003	2004	2003	2004
	%	%	%	%
<b>European Union</b>	<b>61.3</b>	<b>62.5</b>	<b>55.7</b>	<b>57.6</b>
of which:				
Great Britain	16.4	16.0	28.5	28.5
Northern Ireland	1.7	1.7	2.2	2.2
Germany	8.3	7.7	7.3	7.5
France	6.1	6.0	4.0	4.5
Netherlands	5.1	4.5	3.5	3.7
Belgium and Luxembourg	12.6	14.7	1.6	1.9
Italy	4.6	4.5	2.2	2.2
Other EU	6.6	7.4	6.3	7.1
<b>Other European Countries</b>	<b>4.9</b>	<b>4.2</b>	<b>4.1</b>	<b>3.1</b>
<b>Other Countries</b>	<b>33.1</b>	<b>32.7</b>	<b>38.2</b>	<b>37.0</b>
of which:				
USA	20.6	19.7	15.5	13.9
Japan	2.6	2.8	4.8	4.3
China	0.7	0.8	4.6	5.7
Switzerland	3.2	3.3	1.0	1.1
Other	6.0	6.2	12.3	12.1
<b>Trade not Classified by Country</b>	<b>0.6</b>	<b>0.6</b>	<b>2.0</b>	<b>2.2</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
of which:				
OECD	92.2	91.7	83.4	82.4

Note: Rounding may affect totals

TABLE 21

## Balance of International Payments (€ million)

Current Account	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Trade at Current Prices</b>										
Merchandise*	10,705	12,457	15,442	17,510	22,170	27,266	30,494	35,442	32,604	31,812
Services	-4,683	-5,714	-6,962	-8,820	-10,176	-13,889	-13,259	-13,779	-11,091	-9,718
Income	-5,948	-6,535	-8,040	-9,382	-12,945	-14,750	-18,295	-23,664	-21,947	-23,573
Current Transfers	1,409	1,720	1,638	1,319	1,177	994	305	707	432	306
<b>Balance on Current Account</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>-1,295</b>	<b>-2</b>	<b>-1,173</b>
As % of GNP	3.2	3.7	3.5	0.9	0.3	-0.4	-0.8	1.2	0.0	0.9

## Balance of International Payments (€ million) - Detailed Breakdown

	2002	2003	2004
<b>Current Account:</b>			
Merchandise*	35,442	32,604	31,812
Services	-13,779	-11,091	-9,718
<i>Tourism**</i>	-686	-779	-736
<i>Other Services</i>	-13,093	-10,312	-8,982
Income	-23,664	-21,947	-23,573
Current Transfers	707	432	306
<b>Balance on Current Account</b>	<b>-1,295</b>	<b>-2</b>	<b>-1,173</b>
as % of GNP	-1.2	0.0	-0.9
<b>Balance on Capital Account</b>	<b>512</b>	<b>93</b>	<b>401</b>
<b>Financial Account:</b>			
Direct Investment	19,444	15,270	-3,586
Portfolio Investment	-37,979	-39,977	-6,968
Other Investment***	19,263	21,567	13,665
Reserve Assets	343	1,770	1,177
<b>Balance on Financial Account</b>	<b>1,070</b>	<b>-1,372</b>	<b>4,288</b>
<i>Net errors and omissions</i>	-287	1,280	-3,517

\* Adjusted for balance of payments purposes

\*\* Excluding passenger fare receipts

\*\*\* Including financial derivatives and trade credits

Note: The series has been adjusted retrospectively to take account of the financial services sector and achieve comparability in the series from 1995 to 2004. The figures from 1995 to 1997 are therefore different to the official balance of payments statistics published by the CSO for this period.

**TABLE 22**  
**Interest Rates**

End of Year/Period	One Month Interbank Rate (%)	Clearing Banks Prime Rate* (%)	Mortgage Rate** (%)
1984	15.0	14.8	11.75
1985	10.4	10.5	9.75
1986	13.7	13.5-14.0	12.5
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	5.74	6.25-6.29	6.60-7.00
1997	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	5.60-6.35
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	3.75-4.86
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	3.3	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
2003 Q3	2.09	2.63-2.69	3.30-3.60
2003 Q4	2.1	2.63-2.69	3.30-3.60
2004 Q1	2.02	2.50-2.65	3.30-3.60
2004 Q2	2.08	2.61-2.65	3.25-3.60
2004 Q3	2.08	2.61-2.65	3.25-3.60
2004 Q4	2.13	2.63-2.75	3.25-3.60
2005 Q1	2.11	2.63-2.65	3.25-3.60
2005 Q2	2.10	2.63-2.65	3.25-3.60

\*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 rates above refer to annuity mortgage rates. The Central Bank quotes a range of representative mortgage rates — prior to 1989 it quoted a single rate. Mortgage interest rates from 1984 to 1996 are representative of the rates of building societies. Post 1996 the rates are representative of all mortgage providers..

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

Source: Central Bank and Financial Services Authority of Ireland

**TABLE 23**

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

Year	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	1.43	0.86	2.50	1.27	63.88

Source: Central Bank and Financial Services Authority of Ireland

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

Period	US Dollar	Sterling	Nominal Trade Weighted Competitiveness Indicator*
1999	1.066	0.659	97.17
2000	0.923	0.609	90.72
2001 Q1	0.923	0.633	92.42
Q2	0.873	0.614	90.56
Q3	0.890	0.619	91.17
Q4	0.896	0.621	91.58
2002 Q1	0.876	0.615	91.29
Q2	0.919	0.629	92.78
Q3	0.984	0.635	94.38
Q4	0.999	0.636	95.13
2003 Q1	1.073	0.670	98.25
Q2	1.137	0.702	101.20
Q3	1.125	0.699	100.71
Q4	1.189	0.698	101.64
2004 Q1	1.250	0.680	102.27
Q2	1.205	0.667	100.80
Q3	1.222	0.672	101.49
Q4	1.298	0.695	103.80
2005 Q1	1.311	0.694	103.95
Q2	1.259	0.679	102.39

\* 1999 Q1 = 100. Trade weighted competitiveness indicators measure how changes in the value of the currency and changes in the prices of imports and exports combine to improve or worsen the competitiveness of Irish exports and imports relative to Ireland's major trading partners. A rise in the index signifies a disimprovement in Ireland's competitiveness, while a fall implies an improvement.

Source: Central Bank and Financial Services Authority of Ireland