



An Roinn Airgeadais
Department of Finance

Monthly Economic Bulletin

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Table of Contents

	Page
The Economy	
1. Economic Growth	2
2. Employment	3
3. Earnings	5
4. Personal Consumption	6
5. Interest Rates and Credit Growth	7
6. Inflation	8
Sectoral Issues	
1. Housing	9
2. Tourism	11
3. Agriculture	11
Public Finances	
1. Budget Indicators	12
2. General Government Debt	12
3. Balance of Payments	13

ECONOMIC GROWTH (Volume)

Economic Growth (Volume)

The table below summarises the performance of the economy over the 2002-2007 period. Volume growth rates for GDP and GNP are outlined, along with the value, at market prices, of GDP and GNP.

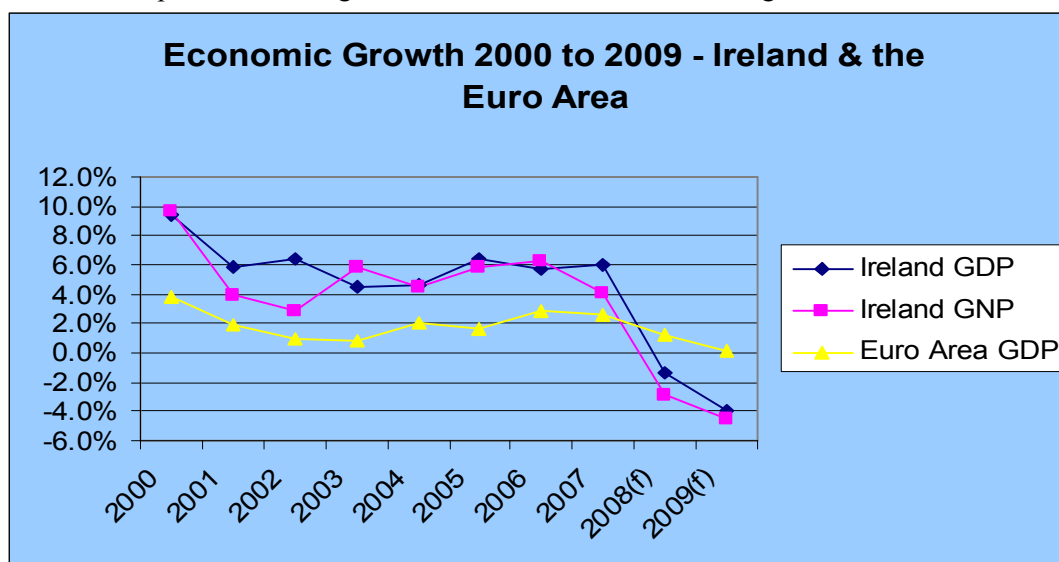
	'02-'07 AVG	'02	'03	'04	'05	'06	'07
Personal Consumption	5.3	4.1	3.1	3.9	7.1	7.1	6.3
Government	3.8	6.5	1.3	1.5	2.9	4.8	6.0
Investment	6.1	2.9	5.5	9.1	14.1	4.0	1.2
Exports	5.2	5.2	0.6	7.5	5.2	5.7	6.8
Imports	4.7	2.6	-1.6	8.5	8.2	6.3	4.1
GDP	5.6	6.4	4.5	4.7	6.4	5.7	6.0
<i>Value, million</i>		€130,190	€139,442	€148,975	€162,168	€177,286	€190,601
GNP	4.9	2.9	5.9	4.5	5.8	6.3	4.1
<i>Value, million</i>		€106,494	€117,717	€126,096	€137,265	€152,456	€161,208

Source Q2 2008 Quarterly National Accounts - CSO

CSO Quarter 3 2008

Quarterly National Accounts data for the first three quarters of 2008 shows that GDP declined by an average of 0.6% year-on-year in the first three quarters of this year, while the equivalent figure for GNP was a decrease of 2.0%.

The graph below compares Ireland's growth rate with the euro area average over the 2000 to 2008 period.



Forecasts from Various Sources for 2009

2009	DEPT. FINANCE JAN 2009	ESRI DEC 2008	CENTRAL BANK OCT 2008	EU NOV 2008	IMF OCT 2008	OECD NOV 2008
GDP	-4.0%	-3.9%	-0.9%	-1.6 %	-1.8%	-1.8%
GNP	-4.5%	-4.6%	-1.3%	n/a	n/a	n/a

EMPLOYMENT

	Employment			Labour Force		ILO Unemployment Rate		ILO Participation Rate
	Actual	Year on Year	%	Year on Year	%	Overall	Long Term	
Q4 2007	2,138,900	+66,800	+3.2%	+77,500	+3.6%	4.5%	1.2%	63.9%
Q1 2008	2,135,100	+53,800	+2.6%	+62,500	+2.9%	4.6%	1.2%	63.5%
Q2 2008	2,108,500	+6,900	+0.3%	+22,000	+1.0%	5.2%	1.5%	63.4%
Q3 2008	2,120,800	-25,200	-1.2%	+28,100	+1.2%	7.0%	1.6%	64.7%

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 EU Commission believes that Ireland is likely to achieve all 3 of the Lisbon employment targets by 2010. The employment targets set by the European Commission and outlined in the Lisbon Strategy are as follows:

	2010 Targets	Ireland		EU27	Euro Area
		2007	Q3 2008	2007	2007
Overall Employment Rate	70%	69.1%	68.2%	65.4%	66.9%
Employment Rate for women	60%	60.6%	60.7%	58.3%	59.7%
Employment Rate for older workers (aged 55-64)	50%	53.8%	54.1%	44.7 %	46.6%

Source: CSO; Eurostat

Building and Construction Employment

- The latest QNHS¹ indicates that employment in Construction declined by 25,900 (-9.1%) in the 12 months to Q3 2008 (Jun-Aug).
- The CSO’s *Index of Employment in Construction* release of 5th December 2008 indicates that Construction employment decreased by 18.1 % year-on-year to October 2008.

Other Production

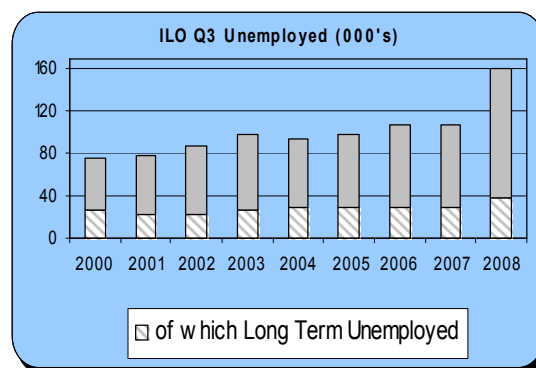
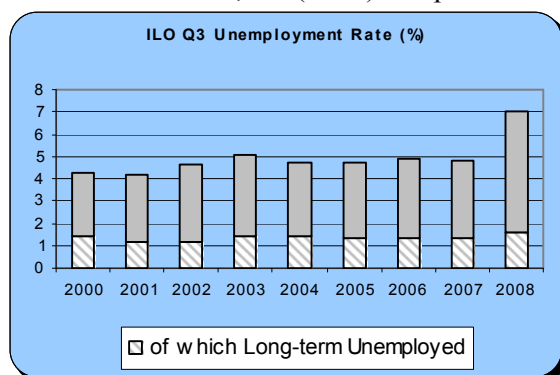
- QNHS¹ employment in Other Production industries decreased by 9,400 (-3.1%) over the same period.
- The CSO release of 26th November 2008 on *Earnings and Labour Costs* indicates that Industrial employment fell by 6,800 (-2.9%) in the twelve months to Q2 2008.

Banking, Insurance and Building Societies

- QNHS¹ employment in Financial and Other Business Services decreased by 1,900 (-0.6%) in the same period.
- The CSO release of 26th November 2008, *Earnings and Labour Costs* indicates that employment in Financial Intermediation rose by 4,000 (5.0%) in the twelve months to Q2 2008.

Public Sector Employment

- QNHS¹ employment in Public Administration and Defence decreased by 1,100 (-1.0%) in the same period.
- The CSO Statistical Release of 16th October 2008 on *Public Sector Employment and Earnings* indicates that in June 2008 262,600 were employed in the Public Sector (excluding Health), an annual increase of 8,600 (3.4%) compared to June 2007.



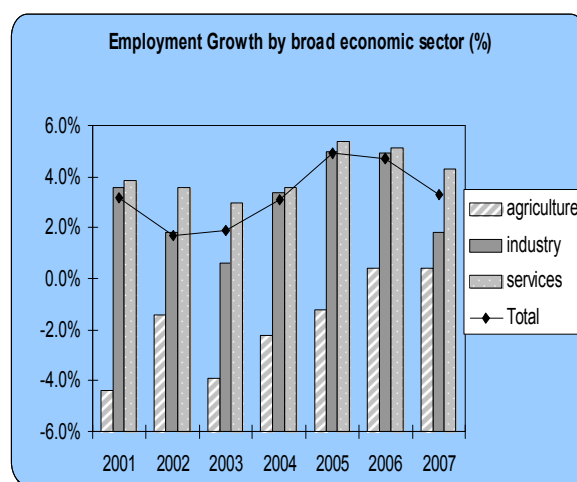
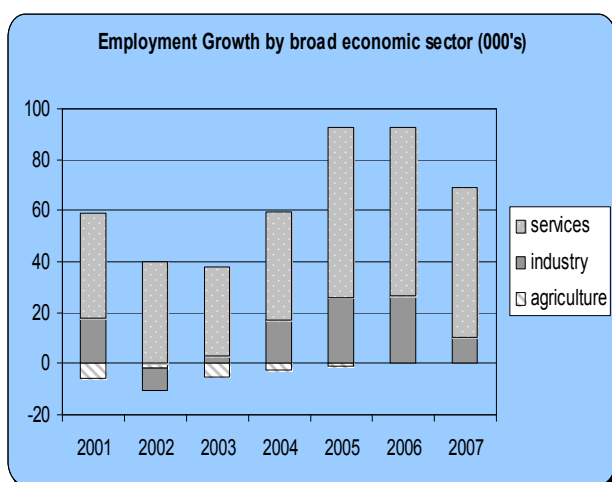
¹ Released by the CSO on 21st November 2008

Annual Employment Growth by broad economic sector 2001 – 2007 ('000's)

	2001	2002	2003	2004	2005	2006	2007
Services	41.4	39.9	34.7	42.3	66.9	65.9	58.1
Industry	17.6	-9.1	3.1	17.2	25.9	26.4	10.1
Agriculture	-5.8	-1.7	-4.9	-2.6	-1.4	0.4	0.5
Total	53.2	29.0	32.9	56.9	91.3	92.8	68.6

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

	2001	2002	2003	2004	2005	2006	2007
Services	3.9%	3.6%	3.0%	3.6%	5.4%	5.1%	4.3%
Industry	3.6%	-1.8%	0.6%	3.4%	5.0%	4.9%	1.8%
Agriculture	-4.4%	-1.4%	-3.9%	-2.2%	-1.2%	0.4%	0.4%
Total	3.1%	1.7%	1.9%	3.1%	4.9%	4.7%	3.3%



Live Register

The Live Register figure for December 2008 was 291,363. This is an increase of 22,777 on the figure for November 2008 and an increase of 120,987 on the figure for December 2007. The underlying seasonally adjusted figure in December 2008 was 293,500, which represents an increase of 16,300 on the figure for November 2008.

Redundancies

The latest figures from the Department of Enterprise, Trade and Employment show that the total number of redundancies for the eleven months to the end of December 2008 was 40,607 an increase of 59.5% on the same period in 2007.

FÁS Training and Employment Programmes

FÁS TRAINING & EMPLOYMENT SCHEMES	November 2008	November 2007
Community Employment	22,626	22,707
<i>(Number of CE places for people with disabilities)</i>	<i>(6,064)</i>	<i>(5,704)</i>
Job Initiative	1,464	1,554
Other Employment programmes for people with disabilities ²	3,063	3,336
Training programmes/schemes for the unemployed and jobseekers	14,809	14,144
Total	41,962	41,741

² The figures for other employment programmes for the disabled represent a split between those engaged on the Wage Subsidy Scheme and those involved on the Supported Employment Programme (SEP). FÁS have recently revised the estimate for the numbers on the SEP scheme, which explains the large year-on-year increase.

EARNINGS

The latest sectoral earnings data relate to Q2 2008, except Construction where Q3 data is available.

Public Sector (Ex Health)

In Q2 2008 average weekly earnings increased by 1.7%, relative to Q2 2007.

Construction

In Q3 2008 average weekly earnings decreased by 1.0%, relative to Q3 2007. Hourly earnings rose by 0.9% over the same period.

Industry

In Q2 2008 average weekly earnings for the average industrial worker increased by 2.1%, relative to Q2 2007. Hourly earnings rose by 3.5% over the same period.

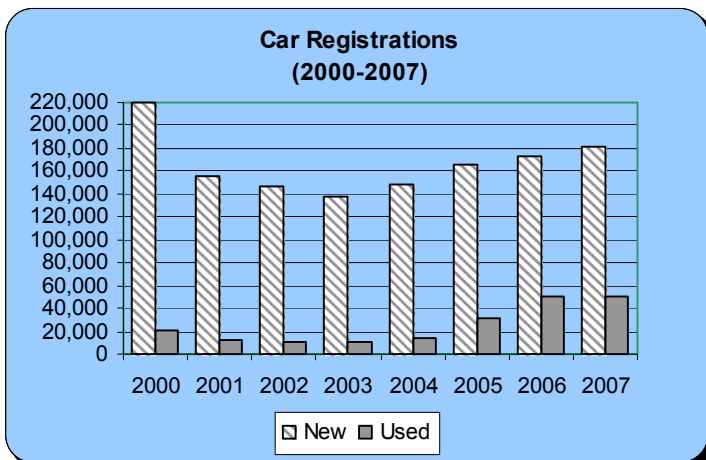
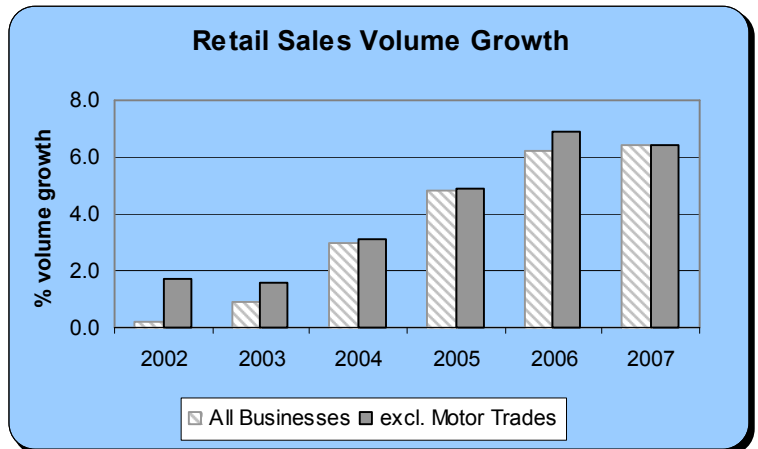
The table below sets out the growth rate of earnings, as detailed in the CSO's earnings releases, in the main sectors of the economy.

	2003	2004	2005	2006	2007	Annual Change in Average Weekly Earnings		Average Weekly Earnings(€)
						Q2 '08		
Industry	6.9%	4.7%	3.6%	3.5%	6.5%	Q2 '08	2.1%	641
Distribution and Business	4.6%	5.1%	4.1%	5.8%	4.0%	Q2 '08	3.4%	732
Construction	4.2%	4.8%	7.2%	1.7%	5.8%	Q3 '08	-1.0%	810
Financial Intermediation	1.7%	5.7%	4.3%	6.9%	7.0%	Q2 '08	4.7%	1134
Public Sector (ex Health)	4.0%	8.5%	5.9%	4.9%	4.6%	Q2 '08	1.7%	943

PERSONAL CONSUMPTION

Retail Sales³

- Retail sales volumes declined by 7.3% year-on-year in October. Retail sales volumes for the first ten months of 2008 declined by nearly 3.8% on the corresponding period last year. Excluding the motor trade, retail sales declined by 6.2% year-on-year in October.
- The annual increase in Retail Sales volume in 2007 as a whole was 5.9%, while the corresponding increase excluding Motor Trades was 5.5%.



Car Registrations⁴

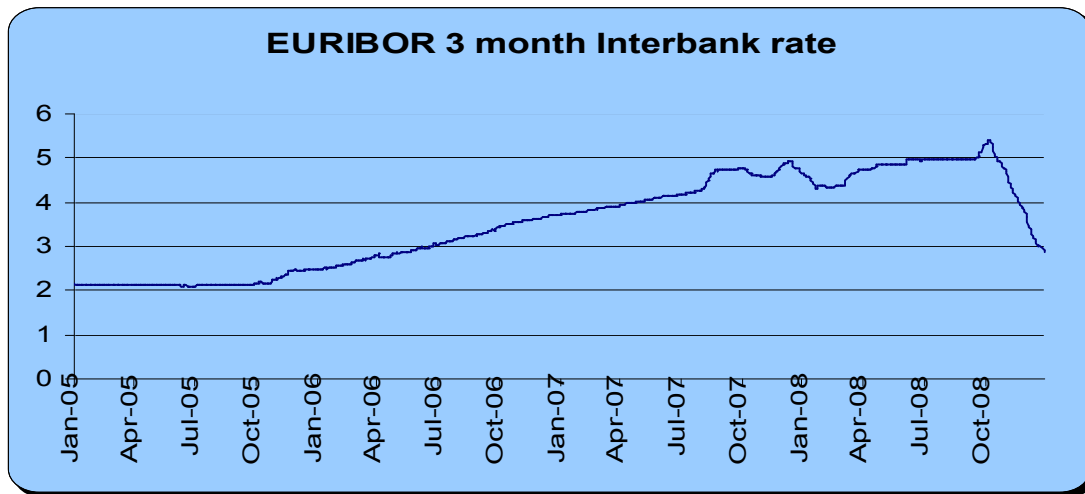
- New private car registrations in November 2008 declined by 59% on the same month in 2007. The total number of new cars licensed in the first eleven months of 2008 is down by 19% on the corresponding period last year.
- Looking at 2007 as a whole, new car registrations were up 4.3% year-on-year, while used car registrations increased by 8.2% year-on-year

³ Source: Retail Sales Index Release, as published by the CSO.

⁴ Source: Latest data available from the Revenue Commissioners, preliminary figures.

INTEREST RATES

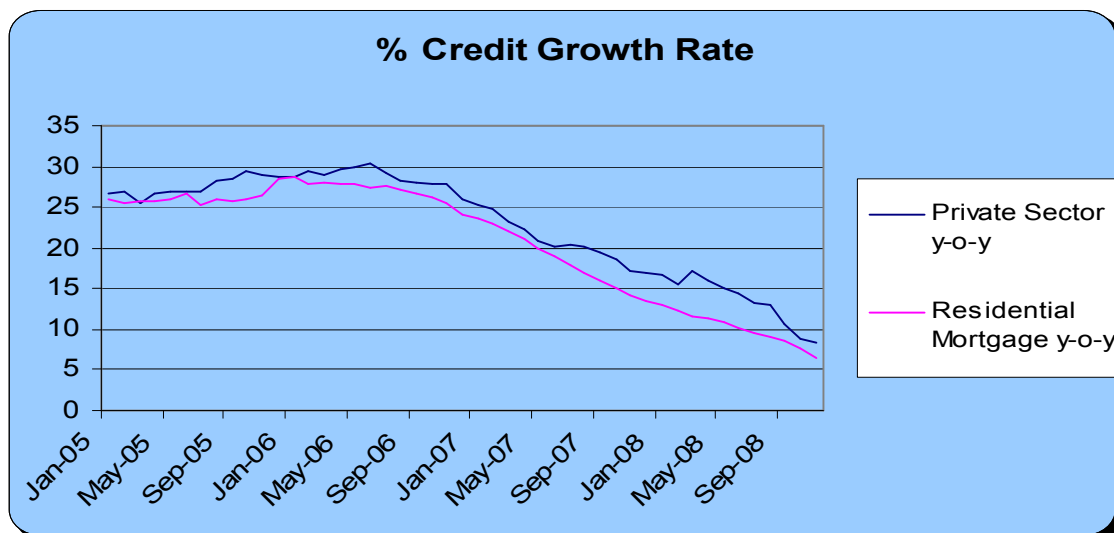
The EURIBOR one-month interbank rate on the 31st December 2008 was 2.387%, down from 3.145% at the end of November, while the EURIBOR three-month interbank interest rate on 31st December 2008 was 2.892%, down from 3.853% at the end of November.



The bid yield on a ten-year Irish Government bond (06/2019) was 4.44% on 31st December, 2008, compared to 2.95% for the nearest equivalent German Government bond (01/2019). The European Central Bank's minimum bid rate on its main refinancing operations at the end of December was 2.50%.

CREDIT GROWTH

The adjusted⁵ annual growth rate of Private Sector Credit decreased to 8.4% in November from 8.9% in October. The annual growth rate of residential mortgages (adjusted for securitisations and reclassifications) eased to 6.7% in November from 7.6% in October⁶.



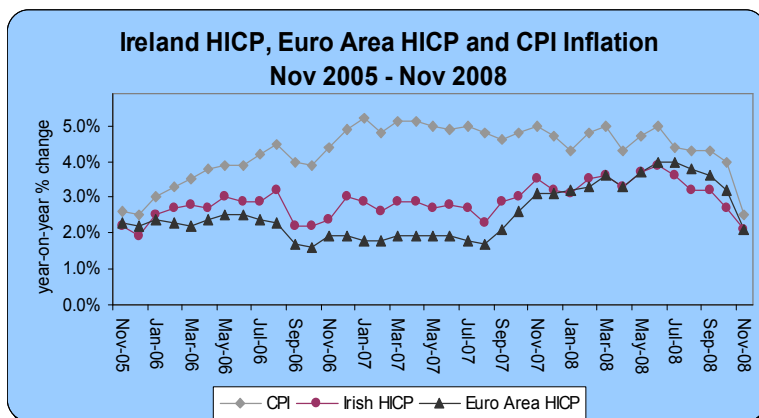
⁵ i.e. excluding lending to non-Monetary Financial Institutions (MFI) IFSC entities and adjusted for valuation effects caused by exchange-rate movements.

⁶ Source: Central Bank and Financial Services Authority of Ireland Monthly Statistics November 2008.

INFLATION

Consumer Price Index⁷

- CPI (Consumer Price Index) inflation measured 2.5% in the twelve months to November 2008, down substantially from 4.0% in October.
- Irish HICP⁸ (Harmonised Index of Consumer Prices) inflation was 2.1% in November, down from 2.7% in October.
- Euro area HICP inflation measured 2.1 % in November but early or ‘flash’ estimates place it lower, at 1.6% for December.



Manufacturing Output Prices⁹

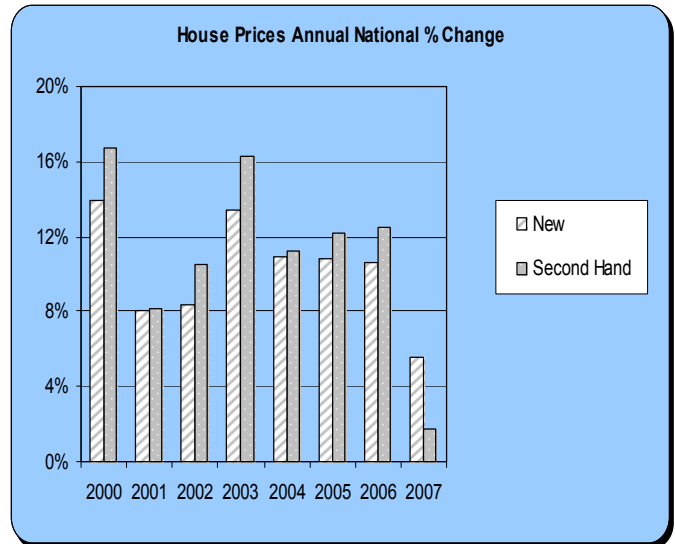
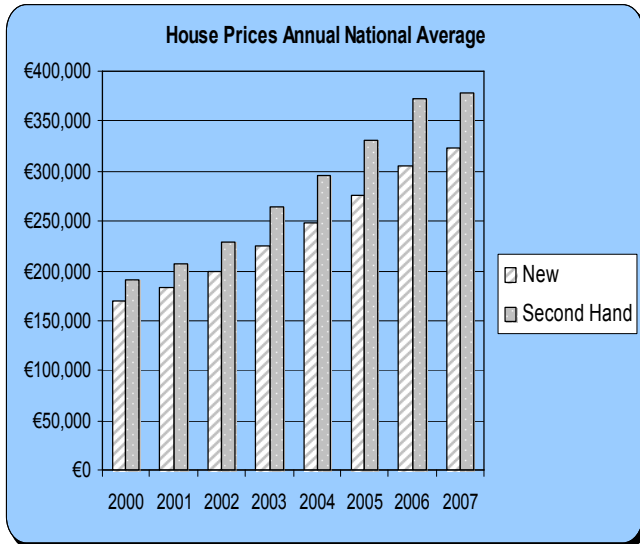
- In November 2008, manufacturing output prices increased by 1.3% in the month and increased by 5.2% y-o-y.
- The prices for domestic sales decreased by 0.3% in November and increased by 4.7% y-o-y, while export sales prices increased by 1.8% in the month and increased by 5.3% y-o-y.

⁷Source: Consumer Price Index Release, as published by the CSO.

⁸ 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.

⁹ Source: Wholesale Price Index Release, as published on by the CSO.

HOUSE PRICES



Annual¹⁰

- Average price of new houses nationwide rose by 5.6% to €322,634 in 2007.
- Average price of second-hand houses rose by 1.7% to €377,850 in 2007.
- In Dublin, average new house prices rose by 2.5% to €416,225 while average second-hand house prices fell by 3.3% to €495,576 in 2007.

Quarterly¹¹

Second quarter figures for 2008 show that:

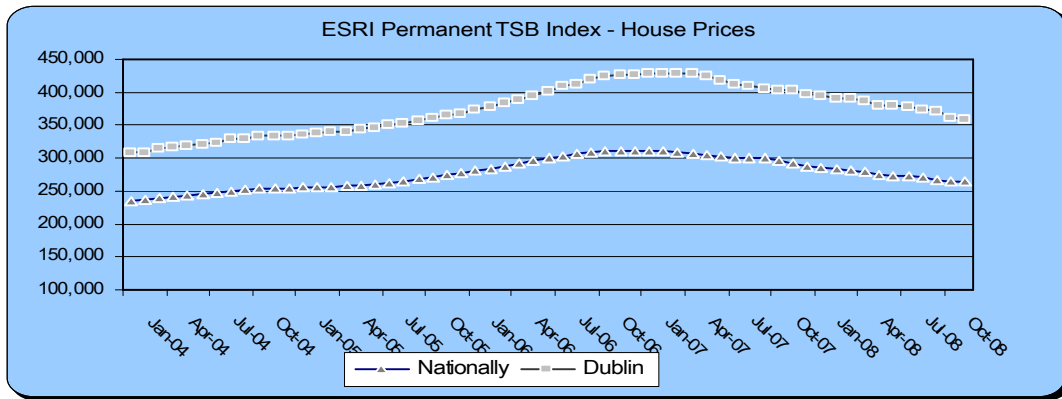
- Average new house prices nationally fell by 5.5% year-on-year to €313,678
- Average second-hand house prices fell by 7.8% year-on-year to stand at €356,638
- Average new house prices in Dublin decreased by 8.5% year-on-year to €390,544
- Average second-hand house prices in Dublin decreased by 10.3% year-on-year to €455,142

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

- The November average prices for houses nationally and in Dublin were €264,026 and €358,631 respectively. This represents a monthly decline in prices of 0.5% and 0.8% and annual decline of 9.6% and 11.1% respectively.

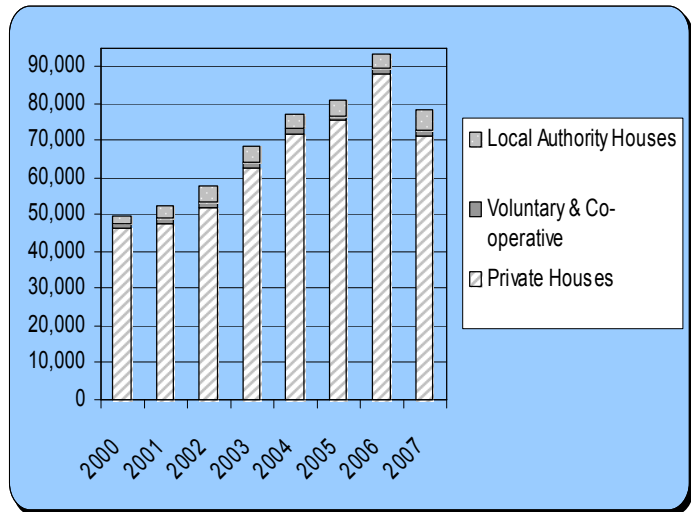
¹⁰ Source: Department of Environment, Heritage and Local Government Housing Statistics Workbook. Average House Prices are derived from data supplied by the mortgage lending agencies on loans approved by them rather than loans paid. In comparing house price figures from one period to another, account should be taken of the fact that changes in the mix of houses (including apartments) will affect the average figures.

¹¹ Source: Department of Environment, Heritage and Local Government Housing Statistics Bulletin, Quarter 2 2008.



House Completions¹²

- A total of 78,027 houses were completed in 2007 compared with 93,419 completed in 2006¹³.
- This represents a 16.5% decrease in house completions in 2007 as compared to 2006.
- In 2007, 71,356 completions were Private Houses, 1,685 completions were Voluntary and Co-operative Houses and 4,986 completions were Local Authority Houses¹⁴.
- In the 11months to November 2008, 48,190 houses were completed.



House Completions by Sector				
Year	Private Houses	Voluntary & Co-operative	Local Authority Houses	Total
2000	46,657	951	2,204	49,812
2001	47,727	1,253	3,622	52,602
2002	51,932	1,360	4,403	57,695
2003	62,686	1,617	4,516	68,819
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

Source: DoELG Housing Statistics Workbook

¹² 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.

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

¹⁴ Source: Department of Environment, Heritage and Local Government Housing Statistics Workbook.

TOURISM¹⁵

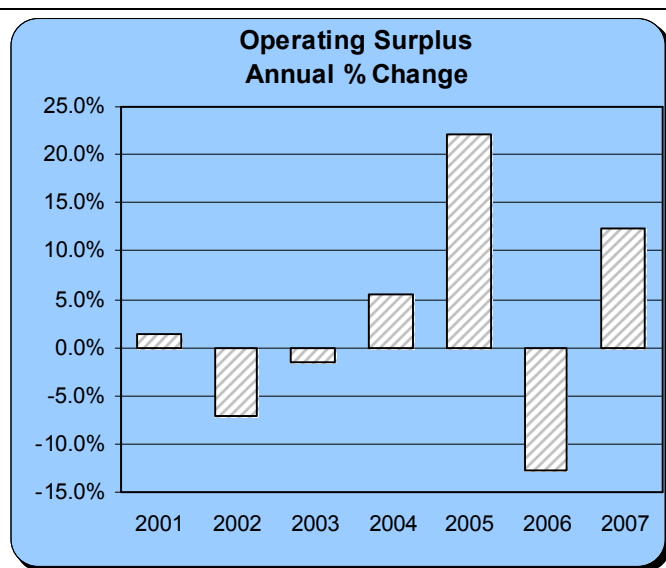
- There were 662,000 overseas visits to Ireland during October 2008, 0.3% less than in the same month a year earlier.
- The number of visits abroad by Irish residents in October 2008 was 639,500, 4.6% less than in October last year.
- Earnings from visitors to Ireland in 2007 amounted to €4,902 million, an increase of 4.5% over 2006.¹⁶
- Expenditure by Irish visitors abroad amounted to €6,163 million in 2007, an increase of 15.9% over 2006.¹⁷

AGRICULTURE

Figures taken from the CSO release *Output, Input and Income in Agriculture 2007 – Final Estimate, released on the 24th June 2008.*

Output

The volume of Agricultural Goods Output at producer prices increased by 8.9% in 2007 compared to 2006.



Farm Incomes

Aggregate farm incomes (i.e. operating surplus) rose by 12.3% in 2007, 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 the new payment system the net value of subsidies on products and production amounted to €1,843 million in 2007, up from €1,821 million in 2006.

¹⁵ Source: Overseas Travel Release, as published by the CSO.

¹⁶ Source: Tourism and Travel Release, as published by the CSO.

¹⁷ Source: Tourism and Travel Release, as published by the CSO.

BUDGET INDICATORS

Exchequer Balance¹⁸

- An Exchequer deficit of €12,714 million was recorded in 2008. The forecast exchequer deficit for 2009 is €17,980 million.

General Government Balance

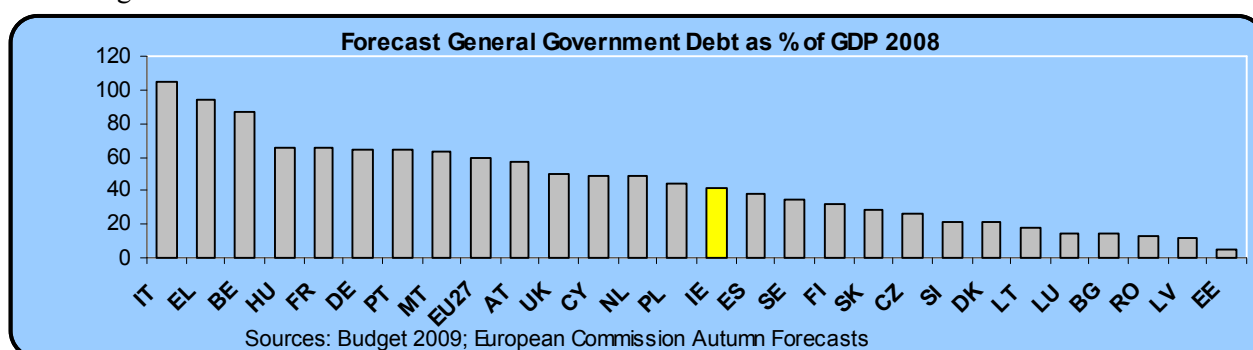
- The outturn for the 2007 General Government Balance is a surplus of 0.2 per cent of GDP.
- The revised forecast for the 2008 General Government Balance is a deficit of 6.3 per cent of GDP.

General Government Receipts and Expenditure¹⁹

	2006	2007	2008 (Revised forecast)
	€m	€m	€m
GG Receipts	62,492	65,113	59,859
GG Expenditure	57,166	64,669	71,654
GG Balance	5,326	444	-11,796
GGB as a % of GDP	+3.0%	+0.2%	-6.3%
Financing of GG Balance:			
Currency and Deposits	245	-247	
Securities other than Shares (excl.derivatives)	13	-243	
<i>Short-term</i>	-232	195	
<i>Long-term</i>	245	-438	
Loans	116	48	
<i>Short-term</i>	-142	91	
<i>Long-term</i>	258	-44	
Other Movements	4,952	887	
Total	5,326	444	

General Government Debt

- Ireland's ratio of General Government Debt to GDP at end-2007 is estimated to have been 24.8%.
- The revised forecast for General Government Debt to GDP ratio at end-2008 is projected to be in the region of 41%.



¹⁸ 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.

¹⁹ 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 third quarter of 2008. These data show a current account deficit of -€8,242 million in the first three quarters of 2008.

The deficit for 2007 was -€10,302m (6.4% of GNP) compared with a deficit of -€6,304m (4.1% of GNP) in 2006.

	Q1	Q2	Q3	Q4	Total	% of GNP
2002	-741	-1,244	174	516	-1,295	-1.2
2003	-753	88	103	560	-2	0.0
2004	-107	-149	-359	-252	-867	-0.7
2005	-2,009	-1,250	-1,215	-1,216	-5,690	-4.1
2006	-2,302	-1,437	-1,227	-1,338	-6,304	-4.1
2007	-3,676	-1,785	-2,113	-2,728	-10,302	-6.4
2008	-3,622	-2,241	-2,379	-	-8,242	-7.0

OUTPUT AND EXPORTS

Manufacturing Production

Manufacturing output increased by 2.6% year-on-year in November 2008. In the slightly wider industrial sector, output was down by 2.8% on an annual basis.

Exports

Monthly merchandise export data for October shows that the value of merchandise exports year-on-year are down by 3% compared to the same period last year. Imports decreased by 18% in value terms for the corresponding period. The trade balance was €2.8 billion in October.

OTHER NEWS

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

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