



An Roinn Airgeadais
Department of Finance

Monthly Economic Bulletin

September 2019

Prepared by the Economics Division
Department of Finance
finance.gov.ie

The Department's Monthly Economic Bulletin (MEB) provides a monthly update of some of the key developments within the Irish economy across a broad spectrum of sectors. The bulletin also outlines fiscal developments for the State, as well as being a source of the Department's most up-to-date forecasts and providing a snapshot of conditions in some of Ireland's key trading partners. The publication is designed with the aim of being both informative and accessible to a wide readership. The MEB can be used as a research aid or for presentational purposes and is also available online at the Department's website at www.finance.gov.ie

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Economic Growth

Macroeconomic outturn for 2018

- National Income and Expenditure estimate figures released by the CSO (11th July) show **GDP grew by 8.2 per cent in 2018**. GNP grew by 6.5 per cent.
- Modified domestic demand grew by 4.7 per cent in 2018. This measure, which excludes leased aircraft and foreign owned intellectual property (IP) assets, is a measure of underlying economic activity.

Q2 2019

- Quarterly national accounts estimates released by the CSO (13th September 2019) show that the level of GDP rose by 0.7 per cent in the second quarter of this year relative to the previous quarter. As a result, the level of GDP was **5.8 per cent higher year-on-year**.
- Modified domestic demand grew by 2.9 per cent year-on-year.
- Personal consumption grew at a solid rate of 3.1 per cent year-on-year, with exports (+10.7 per cent) continuing the strong growth seen throughout 2018 and in Q1. Housing investment was up 11.4 per cent, reflective of increased housing supply, although this is the lowest year-on-year growth since Q4 2014.

(year-on-year % changes)	Q1	2017 Q2	Q3	Q1	Q1	2018 Q2	Q3	Q4	2019 Q1	2019 Q2	2017	2018
Personal Consumption	2.1	2.6	4.3	3.1	3.1	4.5	3.4	2.8	2.5	3.1	3.0	3.4
Government Consumption	3.2	3.5	4.0	4.8	2.9	4.9	6.1	3.9	4.5	3.6	3.9	4.4
Gross Investment	-33.7	107.3	-44.9	-53.0	12.3	-69.9	42.3	66.9	5.6	226.7	-6.8	-21.1
Exports	5.0	5.6	8.2	17.5	8.6	13.9	11.4	8.1	14.3	10.7	9.2	10.4
Imports	-9.6	37.2	-13.5	-10.4	0.6	-31.4	15.2	19.4	14.9	61.4	1.1	-2.9
GDP	4.6	7.2	14.2	6.5	12.1	10.4	7.4	3.6	7.4	5.8	8.1	8.2
GNP	-1.5	-0.0	19.1	3.2	14.9	12.5	4.3	-3.6	6.0	0.3	5.1	6.5

Source CSO

Latest Economic Forecasts

The Department of Finance published its most recent macroeconomic forecasts on April 16th as part of SPU 2019. These forecasts along with those of other forecasting institutions are outlined in the table to the right.

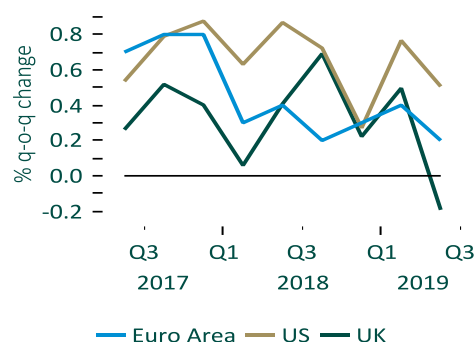
GDP Forecasts	Date	2019	2020
Department of Finance	Apr 2019	3.9	3.3
European Commission	July 2019	4.0	3.4
Central Bank of Ireland	July 2019	4.9	4.1
IMF	Apr 2019	4.1	3.4
ESRI	June 2019	4.0	3.2
OECD	May 2019	3.9	3.3

International Developments

The United Kingdom

- The UK economy contracted by 0.2 per cent in Q2 on a q-on-q basis. This compared with growth of 0.5 per cent in Q1.
- Annual CPI inflation was 2.1 per cent in July 2019, up from 2.0 per cent in June. Core inflation was 1.9 per cent in July, up from 1.8 per cent in June.
- The latest unemployment figure in Q2 was stable at 3.8 per cent.
- UK Manufacturing Purchasing Managers Index (PMI) was at 47.4 in August, a seven-year low, and down from 48.0 in July.

Gross Domestic Product, SA



The United States

- The US economy expanded by 0.5 per cent in Q2 2019 q-o-q and increased by 2.1 per cent y-o-y.
- Annual inflation was 1.7 per cent in August, down from 1.8 per cent in July. Core inflation was up 0.3 per cent from the previous month (sa) and up 2.4 per cent y-o-y.
- Total nonfarm payroll employment increased by 130,000 in August, and the unemployment rate was unchanged at 3.7 percent for the third month in a row.
- The manufacturing PMI was 50.3 in August, the lowest reading for almost a decade, and down slightly from 50.4 in July.

The euro area

- The euro area economy expanded by 0.2 per cent in Q2 q-o-q and increased by 1.2 per cent on an annual basis.
- Annual headline inflation in the euro area was 1.0 per cent in August, whilst core inflation over the same period was also 1.1 per cent, both were stable compared with July.
- The unemployment rate in the euro area was 7.5 per cent in July (sa), stable compared with June, and down from the 8.1 per cent rate recorded in July 2018. The EU28 unemployment rate was 6.3 per cent in July, stable compared with June and down from 6.8 per cent in July 2018.
- The manufacturing PMI increased to 47 in August, up from 46.5 in July, the seventh successive month with a reading below 50 (this indicates contraction with values above 50 indicating expansion).

Exchange Rate Developments

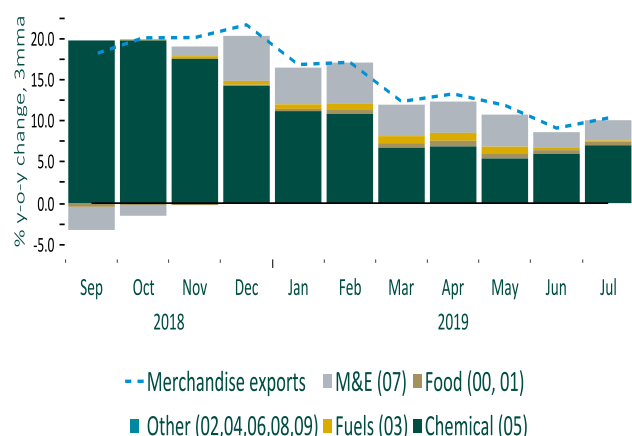
- The €/£ monthly average spot rate was 0.92 in August 2019, up from 0.90 in August 2018. The €/ \$ monthly average spot rate was 1.11 in August 2019, down from 1.15 in August 2018.

External Trade

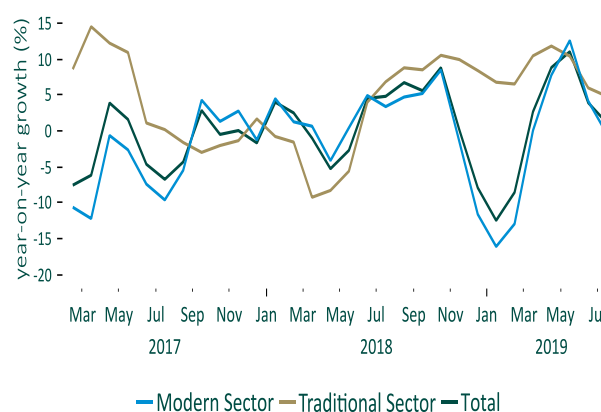
External Trade and Industrial Production

- On a monthly basis, the seasonally adjusted value of goods exports increased by 18 per cent in July, whilst imports increased by 3.5 per cent. As a result, the trade surplus increased by 41 per cent to €6.2 billion.
- On a monthly basis, exports of goods in the pharma-chem sector increased by 20 per cent in value terms in July y-o-y. As a result they are up 11 per cent y-o-y in year to date terms.
- The value exports from the employment-rich food and beverage sector increased by 9.6 per cent y-o-y in July and increased by 6.1 per cent y-o-y in year to date terms.

Export growth contributions (current prices)



Ireland, Industrial Production, SA, Index



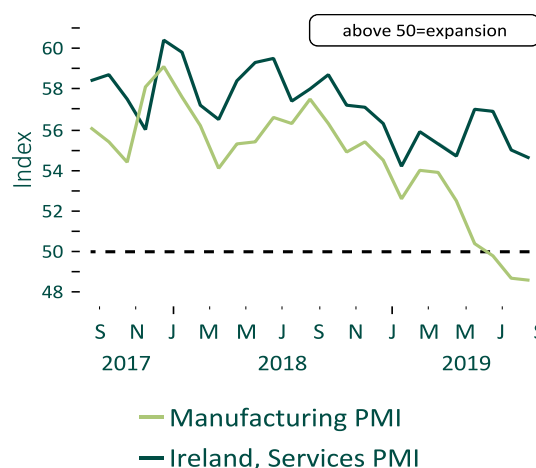
Purchasing Managers' Index

The PMI of the manufacturing industry posted 48.6 in August 2019, down from 48.7 in July 2019. The seasonally adjusted services Index posted 54.6 in August 2019, down from 55.0 in July 2019.

Balance of Payments – Current Account

- In Q2 2019, a current account deficit of 32 per cent of GDP was recorded.¹ This was impacted by significant imports of intellectual property and leased aircraft.
- A merchandise trade surplus of €28.2 billion was recorded in Q2 2019, with a services trade deficit of €33.4 billion.

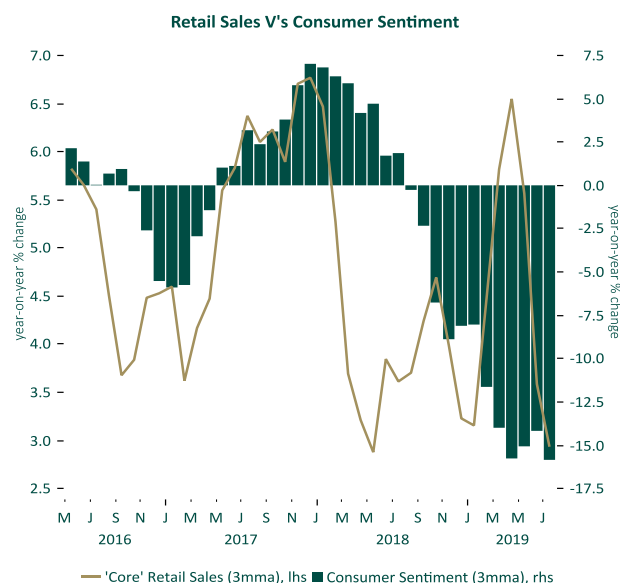
Purchasing Managers' Indices (PMIs)



¹ This headline figure is heavily distorted by the multinational sector in Ireland through inter alia contract manufacturing, aircraft leasing and re-domiciled PLC's.

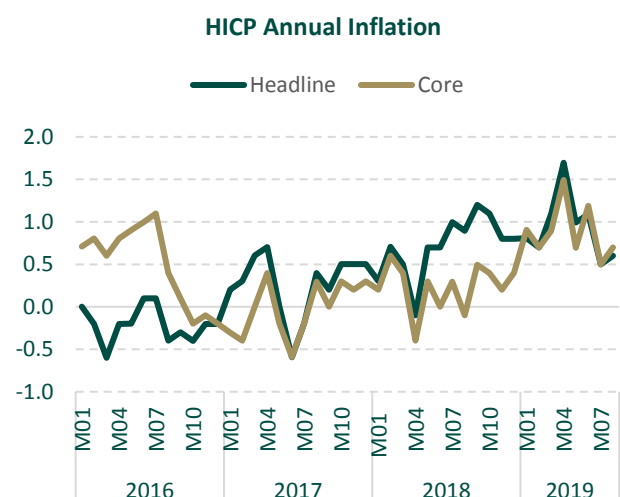
Personal Consumption

- Headline retail sales, in volume terms, decreased by 4.3 per cent month-on-month (sa) in July and decreased by 4.4 per cent in year-on-year terms.
- Excluding Motor Trades, the volume of 'core' sales increased by 1.9 per cent (sa) in July month-on-month but increased by 4.2 per cent year-on-year.
- New private cars licensed for the first time decreased by 7.1 per cent *in the first eight months of 2019 yoy*.
- Used (imported) private cars increased by 4.7 per cent over the same period. As a result, total private cars i.e. new and used (imported), decreased by 2.6 per cent in the first eight months of 2019 y-o-y.
- The Consumer Sentiment Index was 77.2 in August 2019, down from 85.5 in July 2019.



Inflation

- On a HICP (Harmonised Index of Consumer Prices) basis, prices in Ireland increased by 0.4 per cent between July and August 2019 and increased by 0.6 per cent on a year-on-year basis.
- The Consumer Price Index (CPI) also increased by 0.5 per cent over the month to August and increased by 0.7 per cent in year-on-year terms.



Employment

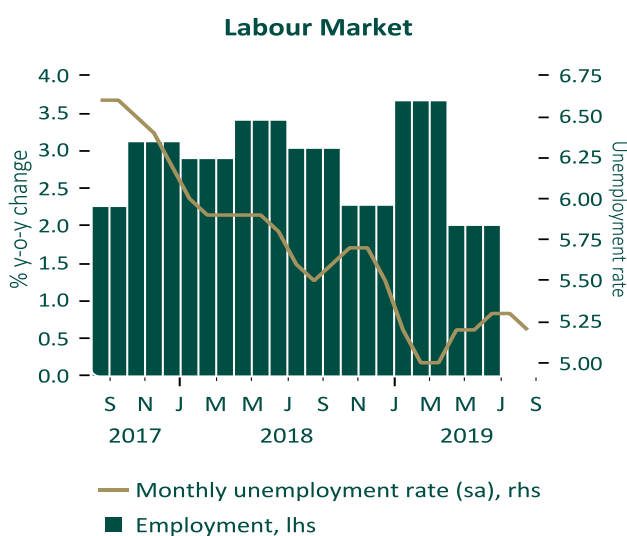
The seasonally adjusted unemployment rate for August 2019 was 5.2%, down from 5.3% in July 2019 and down from 5.5% in August 2018.

Second quarter 2019 Labour Force Survey (LFS)

The CSO published the LFS for Q2 2019 on 27 August 2019.

Key points from the Q2 2019 release were:

- The level of unemployment decreased by 13,600 in the year to Q2 2019 (-9.4%) and the seasonally adjusted unemployment rate in Q2 stood at 5.2 per cent.
- There were 2.3 million people in employment in Q2 representing a 2.0 per cent annual increase (45,000).
- In seasonally-adjusted terms, employment decreased by -0.9 per cent (-20,900) over the previous quarter.
- The labour force increased by 31,400 over the year to Q2 2019 (+1.3%).
- The long-term unemployment rate decreased from 2.0 per cent to 1.7 per cent over the year to Q2 2019.
- The youth unemployment rate increased slightly from 15.4 per cent to 15.7 per cent over the year to Q2 2019.



Latest Labour Market Developments

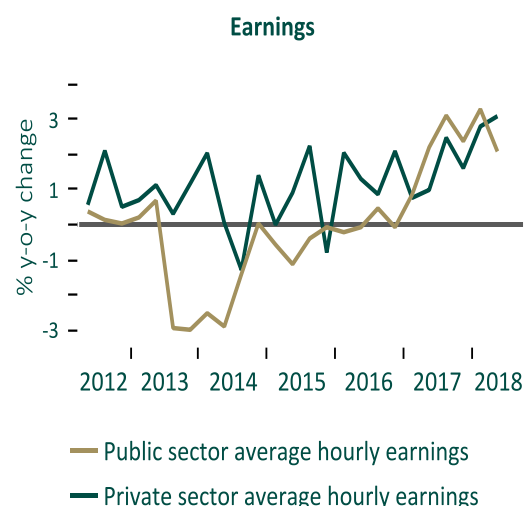
	Employment			Labour Force		ILO Unemp. Rate (sa)		ILO Participation Rate (sa)
	Actual	Y-o-Y	%	Y-o-Y	%	Overall	LT	Overall
Q1 2018	2,220,700	62,400	2.9	31,900	1.4	6.0	2.1	62.0
Q2 2018	2,255,000	74,100	3.4	57,900	2.5	5.9	2.0	62.3
Q3 2018	2,273,200	66,700	3.0	46,900	2.0	5.6	2.1	62.2
Q4 2018	2,281,300	50,500	2.3	35,300	1.5	5.6	2.1	62.2
Q1 2019	2,301,900	81,200	3.7	62,600	2.7	5.1	1.7	62.4
Q2 2019	2,300,000	45,000	2.0	31,400	1.3	5.2	1.7	62.1

Source: CSO

Earnings

The CSO published Earnings and Labour Costs data for the second quarter of 2019 on 28th August 2019. The release covers employees in all sectors with the exception of agriculture, fishing and forestry. The key points from the release are:

- Average hourly earnings increased by 3.8 per cent y-o-y to €23.81.
- The average number of paid hours worked per week was 32.4 hours in Q2 2019, down from 32.5 in Q2 2018.
- As a result average weekly earnings increased by 3.5 per cent y-o-y to €771.12 in Q2 2019.
- Average weekly earnings in the public sector increased on an annual basis by 2.0 per cent in Q2 2019. Average weekly earnings in the private sector increased by 3.9 per cent in annual terms in Q2 2019, with average hourly earnings up 4.4 per cent.



Sectoral Developments

At a sectoral level, average hourly earnings increased in all of the 13 sectors reported by the CSO, in Q2 2019 y-o-y. The strongest increase in average hourly earnings was seen in the *Transportation and storage* sector at 8.5 per cent. The *Public administration and defence* sector saw the slowest rise in average hourly earnings of 0.3 per cent in the year to Q2 2019.

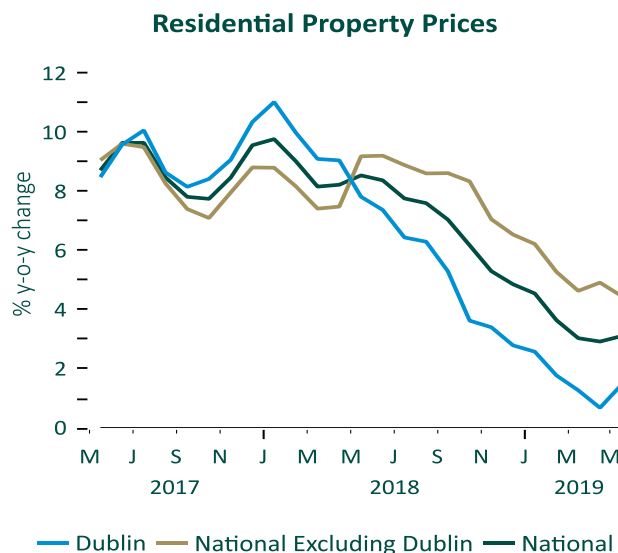
Annual Change in Average Hourly Earnings (%)

	2017				2018		2019	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industry	3.2	2.3	1.8	3.5	1.5	1.9	2.3	2.8
Construction	2.6	1.2	2.0	4.3	5.3	4.3	3.2	2.1
Wholesale/Retail: motor vehicle repair	2.0	1.6	2.1	2.1	1.4	2.4	5.8	5.2
Accommodation & Food Services	1.0	2.4	5.4	1.3	2.5	1.5	-0.4	4.2
Financial, Insurance & Real Estate	3.6	3.6	4.9	5.1	2.5	5.0	3.3	4.3
Total	2.8	1.9	3.1	3.0	2.1	3.2	2.8	3.8

Source: CSO

Housing

- Between June and July 2019, the national residential property price index increased by 0.9 per cent. As a result, residential property prices increased by 2.3 per cent in the year to July 2019.
- Prices in Dublin fell by 0.2 per cent in the year to July 2019.
- Residential property prices in the rest of Ireland were 4.8 per cent higher over the same period.



- In July, mortgage approval activity increased in volume terms by 21.5 per cent year-on-year and increased in value terms by 24.8 per cent.
- New dwelling completions increased by 19.4 per cent in the year to Q2 2019, to 19,334.
- Construction commenced on 24,226 residential units in the year to June 2019, an increase of 28.8 per cent over the year to June 2018.
- The Ulster Bank Construction PMI increased to 53.7 in July 2019 from 51.4 in the previous month.

Tourism

- There were 6,203,600 overseas visits to Ireland between January and July 2019, an increase of 2.8 per cent y-o-y.
- The number of overseas trips made by Irish residents during the same period increased by 7.3 per cent y-o-y to 5,099,600
- Total tourism and travel earnings from overseas travellers to Ireland increased by 2.1 per cent between Q2 2018 and Q2 2019, from €1,970 million to €2,012 million.
- Total tourism and travel expenditure by Irish residents overseas increased by 17.5 per cent between Q2 2018 and Q2 2019, from €1,438 million to €1,689 million.



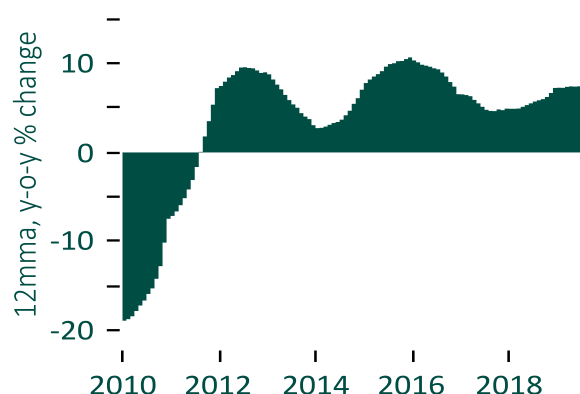
Exchequer Balance

- An Exchequer deficit of €625 million was recorded to end-August 2019. This compares to a deficit of €1,818 million in the same period last year. The €1,193 million year-on-year improvement in the Exchequer balance is driven by increases across all revenue streams; tax, non-tax and capital receipts, and somewhat offset by increases in both current and capital expenditure.
- Cumulative tax receipts of €35,050 million to end-August were ahead of target finishing the period ahead by 0.7% or €233 with annual growth of 8.1% or €2,629 million.
- Total net voted expenditure to end-June 2019, at €33,740 million, was up €2,160 million or 6.7% in year-on-year terms, comprised of a 5.2% increase in current spending and a 25.1% increase in capital spending. This was in line with profile, below by 1.1% or €365 million.
- Combined cumulative receipts from non-tax revenue and capital receipts of €4,152 million were up €612 million year-on-year.

General Government Balance

- The headline General Government Balance for 2018 was a surplus of €0.05 billion or 0.0% of GDP.²
- The headline General Government Balance is forecast to improve to 0.2 per cent of GDP for 2019 and further improve to 0.4% for 2020.
- The central fiscal assumption in the Summer Economic Statement 2019 is that Ireland will have a balanced budget this year.
- The Summer Economic Statement 2019, based on Stability Programme Update projections, indicates that Ireland has achieved its Medium Term Budgetary Objective (MTO) of a structural deficit of -0.5% of GDP.

Exchequer receipts



General Government Receipts and Expenditure

	2018	2019 Forecast	2020 Forecast
	€m	€m	€m
GG Receipts	82,029	85,955	88,835
GG Expenditure	81,983	85,345	87,600
GG Balance	46	610	1,235
GGB (% of GDP)	0.0%	0.2%	0.4%
GG Debt (% of GDP)	63.6	61.1	55.8
Structural Balance (% of GDP)	0.4	0.1	-0.1

² The general government balance (GGB) measures not just the difference between receipts and expenditure of central government [the Exchequer] but the fiscal performance of all arms of Government (other than commercial state-sponsored bodies), including local government and non-commercial state-sponsored bodies, as well as extra-budgetary funds such as the Social Insurance Fund and the Ireland Strategic Investment Fund. It is therefore a wider measure of the public finances than the Exchequer Balance (EB). The GGB operates on an accruals basis whereas the Exchequer Balance is a cash-based measure.

- The Department's Budget 2019 booklet is available on the Department's website: <http://budget.gov.ie/Budgets/2019/2019.aspx>
- Electronic copy of Stability Programme Update 2019 can be accessed here: <https://www.gov.ie/en/publication/e97b68-stability-programme-update-2019-april-2019/>
- An electronic copy of the National Reform Programme is available on the Department of the Taoiseach's website: www.taoiseach.gov.ie
- Copies of CSO releases can be downloaded from www.cso.ie
- Information on Central Bank statistical releases can be downloaded from <http://www.centralbank.ie>
- Details of forthcoming statistical releases, including the IMF's advance calendar can be found at: <http://www.imf.org/external/NP/SEC/bc/eng/index.aspx>
- Details of the Commission's Spring 2019 forecast can be found at: https://ec.europa.eu/info/files/european-economic-forecast-spring-2019_en
- Details of the ESRI's Quarterly Economic Update forecast can be found at: <https://www.esri.ie/publications/quarterly-economic-commentary-summer-2019>

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Department of Finance's SPU 2019 Forecasts

Annex						
	2018*	2019	2020	2021	2022	2023
Economic Output (% change)						
Real GNP	6.5	3.7	3.1	2.2	2.3	2.4
Real GDP	8.2	3.9	3.3	2.4	2.5	2.6
Nominal GDP	9.1	5.5	5.1	4.1	4.1	4.3
Components of GDP						
Personal Consumption	3.4	2.7	2.5	2.1	2.3	2.5
Government Consumption	4.4	3.9	2.7	2.0	2.0	2.0
Investment	-21.0	6.9	5.5	4.2	4.1	4.1
Exports	10.4	5.2	4.5	3.7	3.6	3.5
Imports	-2.9	5.9	5.0	4.4	4.2	4.1
Prices						
HICP	0.7	0.9	1.1	1.6	2.0	2.3

Source: CSO, Department of Finance.

*Outturn data published by CSO.



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