



An Roinn Airgeadais
Department of Finance

Monthly Economic Bulletin

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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 (Q4)

- In the fourth quarter of 2018, the level of GDP rose by 0.1 per cent relative to the previous quarter (on a seasonally adjusted basis). As a result, the level of GDP was 3.0 per cent higher year-on-year. Overall GDP was up 6.7 per cent in 2018.
- Modified domestic demand was up 4.5 per cent in 2018. This measure, which excludes leased aircraft and foreign owned intellectual property (IP) assets, is a measure of underlying economic activity.
- Personal consumption (+2.6 per cent) and exports (+8.7 per cent) recorded strong annual growth in 2018, while investment (+49 per cent) and imports (+19 per cent) grew significantly due to acquisitions of intellectual property and aircraft.

(year-on-year % changes)	2016	2017				2018				2017	2018
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Personal Consumption	3.1	-0.3	1.0	3.1	2.8	2.6	3.8	2.9	2.6	1.6	3.0
Government Consumption	3.4	3.3	3.5	4.1	4.9	3.4	5.3	6.1	5.8	3.9	6.4
Gross Investment	31	-22	-8.7	-46	-43	-2.9	-32	43	49	-31	9.8
Exports	2.7	3.0	4.4	8.6	14	5.9	12	9.4	8.7	7.8	8.9
Imports	7.9	-9.3	-3.1	-15	-10	-1.5	-5.8	16	20	-9.4	7.0
GDP	13	2.9	6.2	13	6.5	9.0	8.7	4.9	3.0	7.2	6.7
GNP	21	-1.1	0.0	16	3.0	8.8	11	3.1	-0.4	4.4	5.9

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.

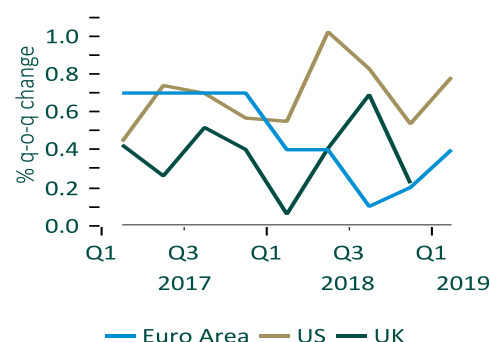
GDP Forecasts	Date	2019	2020
Department of Finance	Apr 2019	3.9	3.3
European Commission	May 2019	3.8	3.4
Central Bank of Ireland	Apr 2019	4.2	3.6
IMF	Apr 2019	4.1	3.4
ESRI	Mar 2019	3.8	3.2
OECD	Oct 2018	4.1	3.4

International Developments

The United Kingdom

- The UK economy expanded by 0.2 per cent in the three months to January 2019.
- Annual HICP inflation was 1.9 per cent in March 2019, unchanged from February. Core inflation was 1.9% in March, unchanged from February.
- Employment increased by 179,000 people in the 3 month period to February 2019 compared with to 2018 and increased by 457,000 y-o-y.
- The unemployment rate was 3.9 per cent in the three month period December to February, down from 4.2 per cent in the same period last year.
- The manufacturing PMI decreased to 53.1 in April but the services PMI increased to 50.4 in April.

Gross Domestic Product, SA



The United States

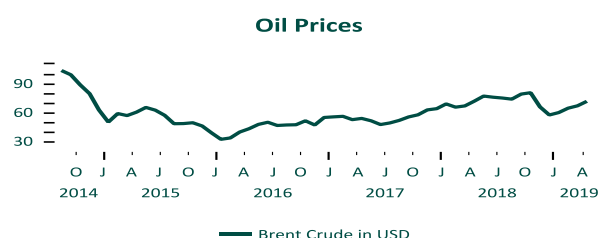
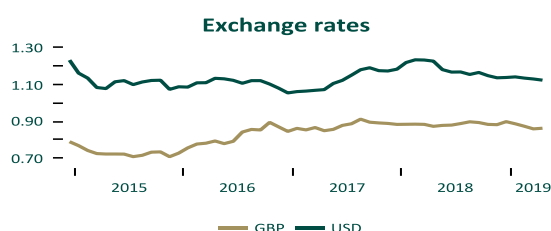
- The US economy expanded by 0.8 per cent in Q1 2019 q-o-q and increased by 3.2 per cent y-o-y.
- Annual inflation was 1.9 per cent in March, up from 1.5 per cent in February. Core inflation was up 0.1 per cent on the month (sa) and up 2.0 per cent y-o-y.
- US non-farm payroll data showed the US economy gaining 263,000 jobs in the month of April (sa), with the unemployment rate declined to 3.6 per cent in April.
- The manufacturing PMI increased in April to 52.6 but the services PMI decreased to 53.0 in April (above 50 indicates expansion).

The euro area

- The euro area economy expanded by 0.4 per cent in Q1 2019 q-o-q and increased by 1.2 per cent on an annual basis.
- Annual inflation in the euro area was 1.7 per cent in April, whilst core inflation over the same period was 1.3 per cent.
- The unemployment rate in the euro area was 7.7 per cent in March (sa), down from 7.8 per cent in February, and down from 8.5 per cent rate recorded in March 2018.
- The manufacturing PMI increased to 47.9 in April but the services PMI decreased to 52.8 in April (above 50 indicates expansion).

Exchange Rate Developments

- The €/£ spot rate was 0.86 in April 2019, down from 0.87 in April 2018. The €/£ spot rate was 1.12 in April, down from 1.23 in April 2018.
- Brent crude oil was \$71.6 in April 2019, down from \$73.8 a year earlier.

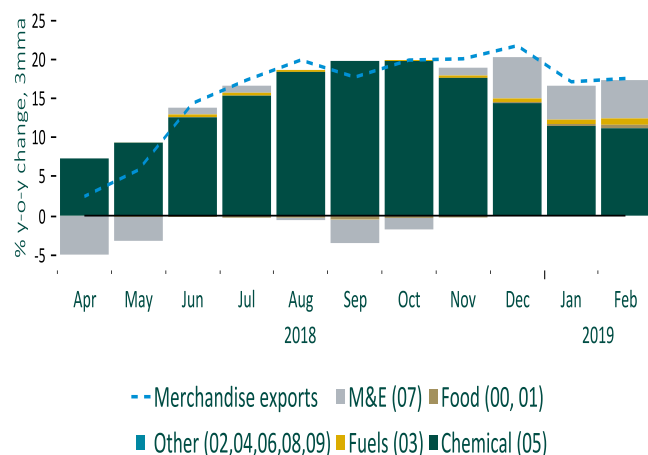


External Trade

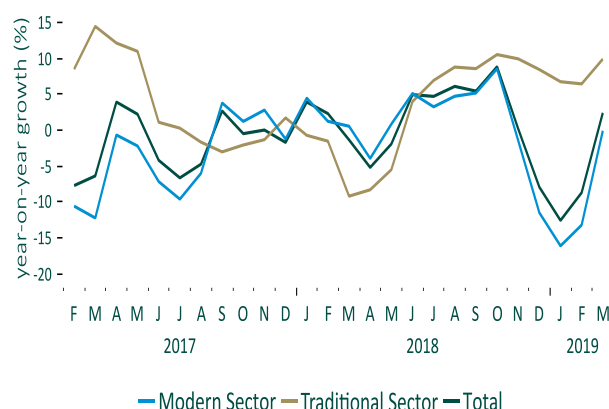
External Trade and Industrial Production

- On a monthly basis, the seasonally adjusted value of goods exports decreased by 4.4 per cent, whilst imports rose by 4.0 per cent. As a result, the trade surplus decreased by 12 per cent in February to €6.3 billion.
- Goods Exports and Imports for March will be released on the 15th May 2019.
- On a monthly basis, industrial output increased by 1.4 per cent (sa) in March 2019 and increased by 19.0 per cent in annual terms.
- Output in the modern sector increased by 2.1 per cent in March and output in the traditional sector increased by 0.6 per cent in the month.
- Industrial Production and Turnover for April will be released on the 5th June 2019.

Export growth contributions (current prices)



Ireland, Industrial Production, SA, Index



Purchasing Managers' Index

- The PMI of the manufacturing industry posted 52.5 in April 2019, down from 53.9 in March 2019. The seasonally adjusted services Index posted 54.7 in April 2019, up from 55.3 in March 2019.

Balance of Payments – Current Account

- In Q4 2018, a current account surplus of 0.2 per cent of GDP was recorded.¹ This was impacted by significant imports of intellectual property and leased aircraft.
- A merchandise trade surplus of €27.3 billion was recorded in Q4 2018, with a services trade deficit of €7.6 billion.

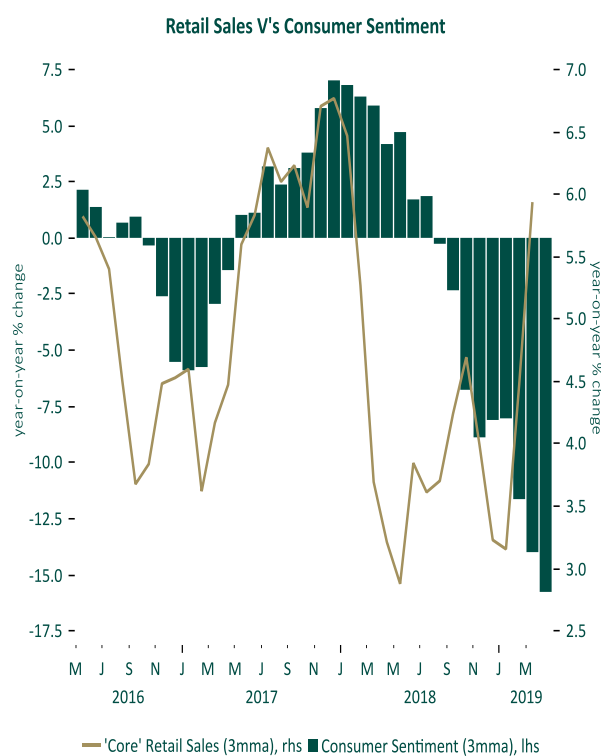
Purchasing Managers' Indices (PMIs)



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.

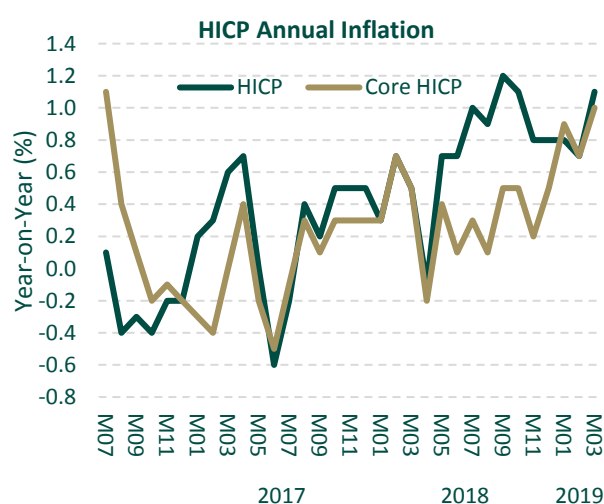
Personal Consumption

- Headline retail sales, in volume terms, was down 0.8 per cent month-on-month (sa) in March but increased by 4.9 per cent in year-on-year terms.
- Excluding Motor Trades, the volume of 'core' sales increased by 1.2 per cent (sa) in March month-on-month and increased by 8.2 per cent year-on-year.
- The Retail Sales Index for April will be released on the 29th May 2019
- New private cars licensed for the first time decreased by 7.6 per cent in the first four months of 2019 y-o-y.
- Used (imported) private cars increased by 3.8 per cent over the same period. As a result, total private cars i.e. new and used (imported), decreased by 3.9 per cent in the first four months of 2019 y-o-y.
- Vehicles licensed for the first time in May 2019 will be released on the 10th June 2019.
- The Consumer Sentiment Index was 87.7 in April 2019, down from 93.1 in March 2019.



Inflation

- On a HICP (Harmonised Index of Consumer Prices) basis, prices in Ireland increased by 0.8 per cent between February and March 2019 and increased by 1.1 per cent on a year-on-year basis.
- The Consumer Price Index (CPI) also increased by 0.8 per cent over the month and increased by 1.1 per cent in year-on-year terms in March 2019.
- The main sectors impacting on the CPI index over the month were Transport (+0.45%), Restaurants & Hotels (+0.16%) and Housing, Water, Electricity, Gas & Other Fuels (+0.10%).
- The Consumer Price Index for May 2019 will be released on the 13th June 2019.



Employment

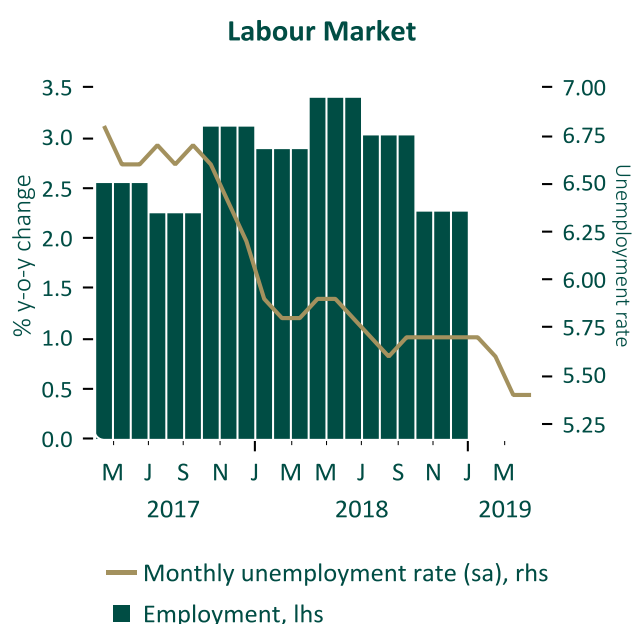
The seasonally adjusted unemployment rate for April 2019 was 5.4 per cent, unchanged from March but down from 5.9 per cent in April 2018. The Monthly Unemployment Rate for May 2019 will be released on the 5th June 2019. April shows a (sa) decrease of 700 people on the Live Register on the month and a fall of 30,484 year-on-year.

Fourth quarter 2018 Labour Force Survey (LFS)

The CSO published the LFS for Q4 2018 on the 19th February 2019.

Key points from the Q4 2019 release were:

- The level of unemployment decreased by 15,200 in the year to Q4 2018 (-10.5%) and the seasonally adjusted unemployment rate in Q4 was unchanged at 5.7 per cent.
- There were 2.28 million people in employment in Q4 representing a 2.3 per cent annual increase (50,500).
- In seasonally-adjusted terms, employment increased by 0.4 per cent (8,300) over the previous quarter.
- The labour force increased by 35,300 over the year to Q4 2018 (1.5%).
- The long-term unemployment rate decreased from 2.5 per cent to 2.1 per cent over the year to Q4 2018.
- The youth unemployment rate decreased from 12.2 per cent to 12.0 per cent over the year to Q4 2018.
- The Labour Force Survey for Q1 2019 will be released on the 21st May 2019.



Latest Labour Market Developments

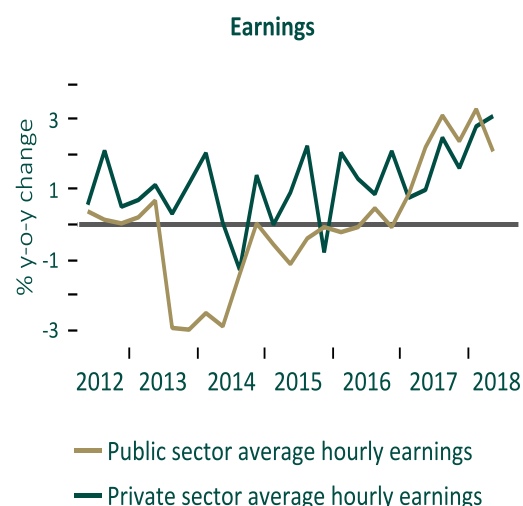
	Employment			Labour Force		ILO Unemp. Rate (sa)		ILO Participation Rate (sa)
	Actual	Y-o-Y	%	Y-o-Y	%	Overall	LT	Overall
Q3 2017	2,206,500	48,500	2.2	10,900	0.5	6.7	2.7	61.9
Q4 2017	2,230,800	67,300	3.1	43,700	1.9	6.4	2.5	62.2
Q1 2018	2,220,700	62,300	2.9	31,900	1.4	5.8	2.1	62.2
Q2 2018	2,255,000	74,100	3.4	57,900	2.5	5.9	2.0	62.2
Q3 2018	2,273,200	66,700	3.0	47,000	2.0	5.7	2.1	62.1
Q4 2018	2,281,300	50,500	2.3	35,300	1.5	5.7	2.1	62.2

Source: CSO

Earnings

The CSO published Earnings and Labour Costs data for the fourth quarter of 2018 on the 25th February 2019. Earnings and Labour Costs data for the first quarter of 2019 will be published on the 29th May 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 €23.46.
- The average number of hours worked per week was 32.5 hours in Q4 2018, down from 32.8 in Q3 2018, a decrease of 0.9 per cent.
- As a result average weekly earnings increased by 4.1 per cent y-o-y to €761.65 in Q4 2018 from €731.86 in Q4 2017.
- Average weekly earnings in the public sector were €966 in Q4 2018 compared with €762 in the private sector.
- Average hourly earnings increased by 2.3 per cent in the year to Q4 2018 in the public sector, while hourly earnings in the private sector increased by 4.4 per cent over the same period.
- Weekly earnings in the private sector were up 4.4 per cent over the year in Q4 2018 and up 2.3 per cent in the public sector.



Sectoral Developments

- Average weekly earnings increased in all 13 sectors of the economy in the year to Q4 2018. The largest percentage increase was 10.5% in the Administrative and support services sector where average weekly earnings rose from €547.52 to €605.01 in the year to Q4 2018. The second largest increase was 9.1% in the Transportation and storage sector which rose from €781.47 to €852.79 over the year.

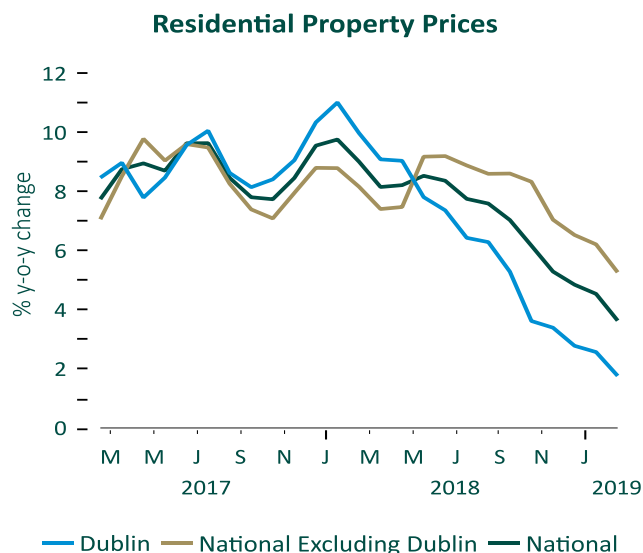
Annual Change in Average Hourly Earnings (%)

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Industry	1.8	0.2	3.2	2.3	1.8	3.5	1.2	2.1
Construction	2.1	-0.3	2.6	1.2	2.0	4.3	4.0	6.0
Wholesale/Retail: motor vehicle repair	1.7	1.9	2.0	1.6	2.1	2.1	2.5	3.7
Accommodation & Food Services	2.4	1.8	1.0	2.4	5.4	1.3	2.7	3.3
Financial, Insurance & Real Estate	2.6	3.9	3.6	3.6	4.9	5.1	2.6	3.7
Total	0.6	1.4	2.8	1.9	3.1	3.0	2.1	3.8

Source: CSO

Housing

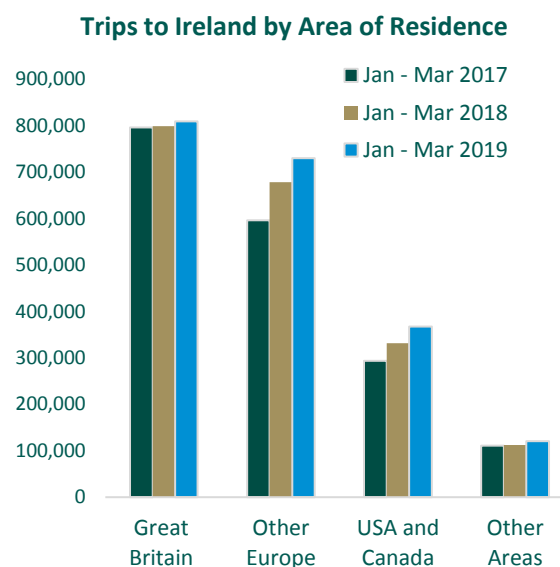
- Between January 2019 and February 2019, the national residential property price index fell by 0.1 per cent. As a result, residential property prices increased by 4.3 per cent in the year to February 2019.
- Prices in Dublin increased by 1.4 per cent in the year to February 2019.
- Residential property prices in the rest of Ireland were 7.5 per cent higher over the same period.
- Residential Property Price Index for March 2019 will be released on the 15th May 2019.



- In March, mortgage approval activity increased in volume terms by 19.7 per cent year-on-year and increased in value terms by 17.9 per cent.
- New dwelling completions increased by over 25 per cent in 2018, to 18,072. This demonstrates continued strong growth in newly completed housing.
- The Ulster Bank Construction PMI fell to 55.9 in March 2019 from 60.5 in the previous month.

Tourism

- There were 784,700 overseas visits to Ireland in March 2019, an increase of 3.2 per cent y-o-y.
- The number of overseas trips made by Irish residents during the same period increased by 13.5 per cent y-o-y to 634,000.
- Total tourism and travel earnings from overseas travellers to Ireland increased by 1.7 per cent between Q4 2017 and Q4 2018, from €1,377 million to €1,400 million.
- Total tourism and travel expenditure by Irish residents overseas increased by 10.5 per cent between Q4 2017 and Q4 2018, from €1,107 million to €1,223 million.
- Tourism and Travel expenditure for Q1 2019 will be released on the 12th June 2019.

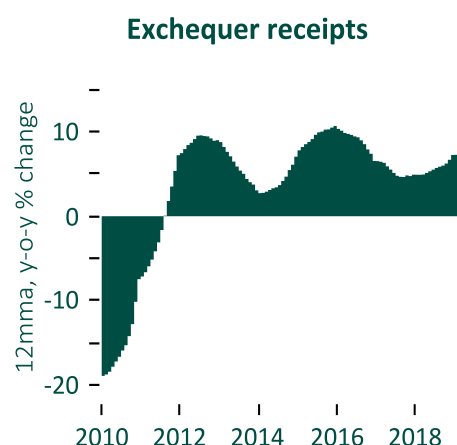


Exchequer Balance

- An Exchequer deficit of €3,192 million was recorded to end-April 2019. This compares to a deficit of €3,430 million in the same period last year. The €237 million year-on-year improvement in the Exchequer balance is primarily driven by increases in tax revenues which is somewhat offset by annual increases in current and capital expenditure (both voted and non-voted).
- Cumulative tax receipts of €15,571 million at end-April were up 5.7% or €833 million in year-on-year terms and finished the period broadly in line with profile, below by just 0.2% or €26 million.
- Total net voted expenditure to end-April 2019, at €16,244 million, was (0.9%) or €154 million below profile but up €817 million (5.3%) in year-on-year terms.
- Combined receipts from non-tax revenue and capital receipts of €1,475 million were up 29.5% or €336 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 2019.
- The central fiscal assumption in the Stability Programme Update 2019 is that Ireland will have a balanced budget this year.
- The Stability Programme Update 2019 currently forecasts that Ireland will achieve its Medium Term Budgetary Objective (MTO) of a structural deficit of -0.5% of GDP in 2020.



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)	64.8	61.1	55.8
Structural Balance (% of GDP)	-1.6%	-1.1%	-0.4%

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-spring-2019>

QUERIES ON THIS PUBLICATION TO:

Michael Flanagan
Department of Finance
Upper Merrion Street
Dublin 2.
Phone: (076) 100 7604
Email: michael.flanagan@finance.gov.ie

GENERAL QUERIES TO:

Press Office
Department of Finance
Upper Merrion Street
Dublin 2.
Phone: (01) 676 0336
Email: PressOffice@finance.gov.ie

Department of Finance's SPU 2019 Forecasts

Annex						
	2018	2019	2020	2021	2022	2023
Economic Output (% change)						
Real GNP	6.7	3.9	3.3	2.4	2.5	2.6
Real GDP	5.9	3.7	3.1	2.2	2.3	2.4
Nominal GDP	8.3	5.5	5.1	4.1	4.1	4.3
Components of GDP						
Personal Consumption	3.0	2.7	2.5	2.1	2.3	2.5
Government Consumption	6.4	3.9	2.7	2.0	2.0	2.0
Investment	9.8	6.9	5.5	4.2	4.1	4.1
Exports	8.9	5.2	4.5	3.7	3.6	3.5
Imports	7.0	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



An Roinn Airgeadais
Department of Finance

Tithe an Rialtas. Sráid Mhuirfean Uacht,
Baile Átha Cliath 2, D02 R583, Éire
Government Buildings, Upper Merrion Street,
Dublin 2, D02 R583, Ireland

T:+353 1 676 7571
@IRLDeptFinance
www.finance.gov.ie