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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The Economy

Economic Growth

Macroeconomic outturn for 2017

- Real GDP rose by 7.2 per cent in 2017. GNP rose by 4.4 per cent.
- GNI* is estimated at €181.2 billion in 2017 (GDP is €294.1 billion). As a result, the debt to GNI* ratio was 111.1 per cent in 2017 (compared to a debt to GDP ratio of 68.4 per cent in 2017).
- Modified Final Domestic Demand— that is domestic demand excluding the volatile components of investment spending - made a solid positive contribution to growth in 2017 increasing by 3.2 per cent on an annual basis.
- Net exports were the main driver of growth in 2017, reflecting a significant increase in exports of 7.8 per cent and a substantial decline in imports of 9.4 per cent over the year. The latter is primarily due to a contraction in imports linked to the onshoring of intellectual property assets.

Macroeconomic outturn for Q1 2018

- In the first quarter of this year, the level of GDP fell by 0.6 per cent relative to the previous quarter (on a seasonally adjusted basis). However, GDP was 9.1 per cent higher year-on-year.
- Personal consumption (+2.7 per cent) and exports (+6.1 per cent) made a positive contribution to growth in Q1 2018, whilst investment (-3.8 per cent) and imports (-1.1 per cent) recorded annual declines.

<table>
<thead>
<tr>
<th>(year-on-year % changes)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Personal Consumption</td>
<td>2.9</td>
<td>3.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>4.7</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Gross Investment</td>
<td>58.8</td>
<td>31.6</td>
<td>-22.4</td>
</tr>
<tr>
<td>Exports</td>
<td>2.0</td>
<td>2.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Imports</td>
<td>16.7</td>
<td>7.9</td>
<td>-9.0</td>
</tr>
<tr>
<td>GDP</td>
<td>1.4</td>
<td>12.7</td>
<td>2.9</td>
</tr>
<tr>
<td>GNP</td>
<td>8.5</td>
<td>21.1</td>
<td>-1.1</td>
</tr>
</tbody>
</table>

Source CSO

Latest Economic Forecasts

- The Department of Finance published its most recent macroeconomic forecasts on April 17th as part of SPU 2018. These forecasts along with those of other forecasting institutions are outlined in the table to the right.

<table>
<thead>
<tr>
<th>GDP Forecasts</th>
<th>Date</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Commission</td>
<td>July 2018</td>
<td>5.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Department of Finance</td>
<td>Apr 2018</td>
<td>5.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Central Bank of Ireland</td>
<td>Jul 2018</td>
<td>4.7</td>
<td>4.2</td>
</tr>
<tr>
<td>IMF</td>
<td>June 2018</td>
<td>5.0</td>
<td>4.1</td>
</tr>
<tr>
<td>ESRI</td>
<td>June 2018</td>
<td>4.7</td>
<td>3.9</td>
</tr>
<tr>
<td>OECD</td>
<td>May 2018</td>
<td>4.0</td>
<td>2.9</td>
</tr>
</tbody>
</table>
International Developments

The United Kingdom
- The UK economy expanded by 0.4% in the three months to June.
- Annual HICP inflation was 2.5% in July 2018, up from 2.4% in June 2018. Core inflation was 1.9% in July, unchanged from June.
- Employment increased by 42,000 in the 3 month period to June 2018 compared with January to March 2018 and increased by 313,000 y-o-y.
- The unemployment rate was 4.0% in the three month period April to June, down from 4.4% in the same period last year.
- The manufacturing PMI decreased to 54.0 in July and the services PMI decreased to 53.5 in July.

The United States
- The US economy expanded by 1.0% in Q2 2018 q-o-q and increased by 4.2% y-o-y.
- Annual inflation was 2.9% in July, unchanged from June. Core inflation was unchanged on the month (sa) and up 2.4% y-o-y.
- US non-farm payroll data showed the US economy gaining 157,000 jobs in the month of July (sa), with the unemployment rate down to 3.9% in July.
- The manufacturing PMI decreased to 54.5 in August and the services PMI decreased to 55.2 in August (above 50 indicates expansion).

The euro area
- The euro area economy expanded by 0.4% in Q2 2018 q-o-q and increased by 2.2% y-o-y (sa).
- Annual inflation in the euro area decreased from 2.1% in July to 2.0% in August. Core inflation was 1.2% in August, down from 1.3% in July.
- The unemployment rate in the euro area was 8.3% in June (sa), unchanged from May, and down from the 9.0% rate recorded in June 2017.
- The manufacturing PMI decreased to 54.6 in August but the services PMI increased to 54.4 in August (above 50 indicates expansion).

Exchange Rate Developments
- The €/£ spot rate was 0.89 in July, up from 0.88 in June, and unchanged from July 2017. The €/$ spot rate was 1.17 in July, unchanged from June, but up from 1.15 in July 2017.
- Brent crude oil was $75.0 in July, up from $75.9 in June and from $49.2 a year earlier.
External Trade

External Trade and Industrial Production

- On a monthly basis, merchandise exports increased by 0.8% (sa) in value terms in June. Merchandise imports increasing by 19.5% (sa) in value terms. As a result, the trade surplus decreased by 22.4% to €4,054 million compared with May 2018.
- On a monthly basis, industrial output decreased by 9.5% (sa) in June m-o-m but increased by 8.3% y-o-y.
- Output in the modern sector decreased by 9.1% in June and output in the traditional sector decreased by 2.9% in the month.

PMI Data

- The Manufacturing PMI had a reading of 56.3 in July, down from the previous month’s 56.6 (above 50 indicates an expansion). The rate of expansion in the Services PMI increased to 57.4 in July, from 59.5 in June.

Balance of Payments – Current Account

- In Q1 2018, a current account surplus of 12.4 per cent of GDP was recorded.
- A merchandise trade surplus of €27.1 billion was recorded in Q1 2018.
- The services trade deficit improved from €5.4 billion to €1.3 billion over the year to Q1 2018.

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1 Source: Services and Manufacturing PMI published by Investec. Note: PMI measures qualitative rather than quantitative responses from purchasing executives related to their expected output and may therefore not mirror trends in output.

2 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, increased by 6.5% month-on-month (sa) in July and increased by 5.5% in year-on-year terms.

- Excluding Motor Trades, the volume of ‘core’ sales decreased by 0.5% (sa) in July month-on-month but increased by 2.9% year-on-year.

- New private cars licensed for the first time decreased by 4.5% in the period January - July 2018 y-o-y.

- Used (imported) private cars increased by 11.3% over the same period. As a result, total private cars i.e. new and used (imported), increased by 0.7% in the period January - July 2018 y-o-y.

- The Consumer Sentiment Index increased to 107.6 in July 2018, up from 102.1 in June 2018.

Inflation

Consumer Price Index (CPI)\(^3\)

- On a HICP\(^4\) (Harmonised Index of Consumer Prices) basis, prices in Ireland increased by 0.4% between June and July 2018, and increased by 1.0% on a year-on-year basis.

- The Consumer Price Index (CPI) increased by 0.4% on the month and increased by 0.8% in year-on-year terms in July 2018.

- The main sectors impacting on the CPI index over the month were Transport (+0.47%) and Restaurants & Hotels (+0.15%). The largest downward contribution in the month were Clothing & Footwear (-0.24%) and Furnishings, Household Equipment & Routine Household Maintenance (-0.06%)

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\(^3\) Source: Consumer Price Index, as published by the CSO.

\(^4\) 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.
Labour Market

Employment

The seasonally adjusted unemployment rate for July 2018 was 5.9%, unchanged from June and down from 6.7% in July 2017. June shows a (sa) decrease of 2,200 people on the Live Register on the month and a fall of 39,940 year-on-year.

Second quarter 2018 Labour Force Survey (LFS)

The CSO published the LFS for Q2 2018 on 28th August 2018.

Key points from the Q2 2018 release were:

- The level of unemployment decreased by 19,100 in the year to Q2 2018 (-11.7%) and the seasonally adjusted unemployment rate in Q2 fell to 5.8% from 6.7% in Q2 2017.
- There were 2.26 million people in employment in Q2 representing a 3.4% annual increase (74,100).
- In seasonally-adjusted terms, employment increased by 0.8% (17,200) over the previous quarter.
- The labour force increased by 57,900 over the year to Q2 2018 (2.5%).
- The long-term unemployment rate decreased from 3.2% to 2.0% over the year to Q2 2018, with those long-term unemployed now accounting for 33.9% of total unemployment.
- The youth unemployment rate decreased from 16.1% to 15.4% over the year to Q2 2018.

Latest Labour Market Developments

<table>
<thead>
<tr>
<th>Employment</th>
<th>Labour Force</th>
<th>ILO Unemp. Rate (sa)</th>
<th>ILO Participation Rate (sa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Y-o-Y</td>
<td>%</td>
<td>Y-o-Y</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>2,180,900</td>
<td>54,200</td>
<td>2.5</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>2,206,500</td>
<td>48,500</td>
<td>2.2</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>2,230,800</td>
<td>67,300</td>
<td>3.1</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>2,220,700</td>
<td>62,300</td>
<td>2.9</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>2,255,000</td>
<td>74,100</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Source: CSO

- Focusing on sectoral developments, employment rose in ten of the fourteen sectors over the year to Q2 2018.
- The largest increases were in the Construction (+13.9%) and the Accommodation and food services (+10.8%) sectors.

Employment Change by broad economic sector (% yoy)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>3.1</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Industry (inc construction)</td>
<td>7.2</td>
<td>6.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.0</td>
<td>3.5</td>
<td>-0.4</td>
</tr>
<tr>
<td>Total</td>
<td>3.8</td>
<td>3.7</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Source: CSO
Earnings
The CSO published Earnings and Labour Costs data for the second quarter of 2018 on the 29th August 2018. The release covers employees in all sectors with the exception of agriculture, fishing and forestry. The key points from the release are:

- Average weekly earnings increased by 3.3% y-o-y to €744.08 in Q2 2018 from €720.52 in Q2 2017.
- The average number of hours worked per week was 32.5 hours in Q2 2018, down from 31.8 in Q1 2018.
- Average hourly earnings increased by 2.8% y-o-y to €22.89.
- Average weekly earnings in the public sector were €959.09 in Q2 2018 compared with €683.12 in the private sector.

- Average hourly earnings increased by 2.1% in the year to Q2 2018 in the public sector, while hourly earnings in the private sector increased by 3.1% over the same period.
- Weekly earnings in the private sector were up 3.6% over the year to Q2 2018 and up 2.4% in the public sector.

Sectoral Developments

- Across the economic sectors average weekly earnings increased in all of the 13 sectors in the year to Q2 2018. The sectors with the largest increases were the financial, insurance, and real estate sector (6.5 per cent), followed by the Professional, scientific and technical sector (6.3 per cent) and Information and communication (5.5 per cent) sectors.

Annual Change in Average Hourly Earnings (%)

<table>
<thead>
<tr>
<th></th>
<th>2016 Q3</th>
<th>2016 Q4</th>
<th>2017 Q1</th>
<th>2017 Q2</th>
<th>2017 Q3</th>
<th>2017 Q4</th>
<th>2018 Q1</th>
<th>2018 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>0.0</td>
<td>1.5</td>
<td>1.8</td>
<td>0.2</td>
<td>3.2</td>
<td>2.3</td>
<td>1.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Construction</td>
<td>0.7</td>
<td>0.6</td>
<td>2.1</td>
<td>-0.3</td>
<td>2.6</td>
<td>1.2</td>
<td>2.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Wholesale/Retail: motor vehicle repair</td>
<td>1.8</td>
<td>4.2</td>
<td>1.7</td>
<td>1.9</td>
<td>2.0</td>
<td>1.6</td>
<td>2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>3.0</td>
<td>1.7</td>
<td>2.4</td>
<td>1.8</td>
<td>2.0</td>
<td>2.4</td>
<td>5.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Financial, Insurance &amp; Real Estate</td>
<td>1.2</td>
<td>0.1</td>
<td>2.6</td>
<td>3.9</td>
<td>3.6</td>
<td>3.6</td>
<td>4.9</td>
<td>5.8</td>
</tr>
<tr>
<td>Total</td>
<td>0.3</td>
<td>1.2</td>
<td>0.6</td>
<td>1.4</td>
<td>2.8</td>
<td>1.9</td>
<td>3.1</td>
<td>2.8</td>
</tr>
</tbody>
</table>

*Source: CSO*
Sectoral Developments

Housing

- In June, the number of Mortgages approved for house purchases declined by 4.6% (y-o-y) while the value of Mortgage approvals decreased by 1.4% (y-o-y).
- Residential property prices nationally increased by 12.0% in June, on a year-on-year basis, following on from an increase of 12.4% in May. Prices increased by 1.1% nationwide over the month.
- Dublin residential property prices increased by 0.2% over the month and increased by 9.0% on a year-on-year basis; properties outside of Dublin increased by 1.8% in June and are up 15.2% year-on-year.
- There were 4,419, new dwelling completions in Q2 2018, increasing 34.1% compared to the same period in 2017. There were 14,435 new dwelling completions in 2017 compared to 9,907 in 2016.
- The Ulster Bank Construction PMI – an index tracking changes in construction activity posted 60.7 in July, down from 58.4 in June (above 50 equates to expansion)

Tourism

- There were 6,033,100 overseas visits to Ireland in January to July 2018, an increase of 7.8% y-o-y.
- The number of overseas trips made by Irish residents during the same period increased by 3.0% y-o-y to 4,752,600.

In June 2018, the CSO published the Tourism and Travel Q1 2018 release, which revealed:

- Total tourism and travel earnings from overseas travellers to Ireland increased by 14.2% between Q1 2017 and Q1 2018, from €945 million to €1,079 million.
- Total tourism and travel expenditure by Irish residents overseas increased by 10.7% between Q1 2017 and Q1 2018, from €1,173 million to €1,299 million.

5 The CSO’s quarterly new dwelling completions series replaced the Department of Housing, Community and Local Governments housing ESB connections series on the 14th June 2018.
Public Finances

Exchequer Balance

- An Exchequer deficit of €277 million was recorded to end July 2018. This compares to a surplus of €3,366 million in the same period last year. When adjusted for the impact of the AIB share sale in 2017, the Exchequer balance shows an underlying annual decrease of €210 million. This decline in the Exchequer balance was primarily due to an increase in expenditure (both voted and non-voted), albeit somewhat offset by increased tax revenue.
- Tax revenues of €29,689 million were collected to end-July 2018, an annual increase of 5.5% or €1,555 million on end-July 2017. This was in line with profile, up 0.6% or €174 million.
- Overall, total net voted expenditure to end-July 2018, at €27,602 million, was 0.5% or €150 million below profile, and up €2,094 million or 8.2% in year-on-year terms.
- Combined non-tax revenue and capital receipts of €3,452 million were down 47.9% (€3,175 million) year-on-year, due to the base effect of last year’s AIB share sale of €3,434 million.

General Government Balance

- The headline General Government Deficit for 2017 was €1.0 billion or 0.4% of GDP.\(^6\)
- The headline General Government Deficit is forecast to fall to 0.2% of GDP for 2018 and 0.1% for 2019.
- The central fiscal assumption in the Stability Programme Update 2018 is that Ireland will have a balanced budget in 2019. This is defined as achieving our Medium Term Budgetary Objective (MTO) – a structural deficit of -0.5% of GDP.
- The Stability Programme Update 2018 currently forecasts that Ireland will achieve its MTO in 2019.

General Government Receipts and Expenditure\(^7\)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018 Forecast</th>
<th>2019 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>GG Receipts</td>
<td>€76,538</td>
<td>€79,295</td>
<td>€82,615</td>
</tr>
<tr>
<td>GG Expenditure</td>
<td>€77,573</td>
<td>€80,080</td>
<td>€82,965</td>
</tr>
<tr>
<td>GG Balance</td>
<td>-1,035</td>
<td>-780</td>
<td>-350</td>
</tr>
<tr>
<td>GGB (% of GDP)</td>
<td>-0.4%</td>
<td>-0.2%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>GG Debt (% of GDP)</td>
<td>68.4</td>
<td>66.0</td>
<td>63.5</td>
</tr>
<tr>
<td>Structural Balance (% of GDP)</td>
<td>-0.4%</td>
<td>-0.9%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

Note: 2017 structural balance estimate is also from the SPU.

\(^6\)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.

\(^7\)Figures for GG receipts and expenditure are calculated in accordance with European standard statistical accounting rules (ESA 2010). The GGB is based on the April 2018 EDP return.
Other News

- The Department’s Budget 2018 booklet is available on the Department’s website: http://budget.gov.ie/Budgets/2018/2018.aspx


- 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 Summer 2018 forecast can be found at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip084_en.pdf

- Details of the ESRI’s Quarterly Economic Update forecast can be found at: http://www.esri.ie/publications/quarterly-economic-commentary-summer-2018/

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Phone (01) 6760336 or e-mail: pressoffice@finance.gov.ie
## Department of Finance’s SPU 2018 Forecasts

<table>
<thead>
<tr>
<th>ANNEX</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Output (% change)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GNP</td>
<td>4.4</td>
<td>5.6</td>
<td>3.7</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Real GDP</td>
<td>7.2</td>
<td>5.6</td>
<td>4.0</td>
<td>3.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td>7.6</td>
<td>5.6</td>
<td>5.4</td>
<td>4.7</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Components of GDP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Consumption</td>
<td>1.6</td>
<td>2.6</td>
<td>2.4</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>3.9</td>
<td>1.9</td>
<td>1.9</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Investment</td>
<td>-31.0</td>
<td>8.5</td>
<td>7.4</td>
<td>5.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Exports</td>
<td>7.8</td>
<td>6.9</td>
<td>5.4</td>
<td>4.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Imports</td>
<td>-9.4</td>
<td>6.6</td>
<td>5.9</td>
<td>4.8</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>External Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current A/C (% of GDP)</td>
<td>8.5</td>
<td>12.2</td>
<td>11.4</td>
<td>10.9</td>
<td>10.2</td>
</tr>
<tr>
<td><strong>Price Developments</strong></td>
<td></td>
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<td></td>
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*Source: CSO, Department of Finance*