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Preface

This report was prepared in the Department of Finance. It opens with a tabular summary of the main macroeconomic aggregates, including revised forecasts for 1998. A commentary on the economic situation follows in Part I, putting particular emphasis on the risks that threaten to undermine our growth if they are not addressed. Part II deals with the international economic situation. Part III surveys developments in the domestic economy in 1997, and deals with the trends and forecasts for 1998. More detailed budgetary and economic statistics are presented in the Appendix.

SUMMARY TABLE

Recent Economic Developments and Prospects

	1992-97 ¹	1997	1998 Budget Forecast	1998 Revised Forecast
	Annual Percentage Volume Changes			
Economic Growth²				
Gross Domestic Product (GDP)	6.7	9.5	8	8.7
Gross National Product (GNP)	5.8	7.7	7	7.5
Expenditure on GNP				
Private Consumption	5	6.3	6.6	6.8
Fixed Investment	7.8	10.9	11.2	9.9
Final Domestic Demand	5.2	7	6.8	7.0
Exports of Goods and Services	14.3	16.9	12	17.3
Imports of Goods and Services	12.3	15.6	10.7	16.1
Stock Changes (% GNP)		1.3	0.4	0.7
Net Factor Income (% GNP)		-21.4	-15.5	-17.3
Level of GNP (£ billion)	33.7	41.9	44.3	46.5
Employment ('000 change) ³	39	52	48	50
Unemployment (%) ⁴	13.1	10.2	9.1	9.0
Consumer Prices (% change)	2.1	1.5	2	2.75
General Government Balance: Surplus/Deficit(-) as % of GDP	-1.4	0.9	0.3	1.7

1 Annual average.

2 Average of output and expenditure measures, except for 1998 forecasts which are expenditure-based.

3 Labour Force Survey basis – annual average estimate.

4 Annual average. Standardised unemployment rate.

For the fourth successive year, the remarkable growth performance of the Irish economy continued in 1997. GDP rose by 9.5 per cent and GNP by 7.7 per cent. Last year employment grew by over 50,000. Once again this economic growth was achieved against a background of moderate inflation which averaged 1.5 per cent. The General Government Budget Balance moved into surplus.

The outlook for 1998 is for further strong growth in output and employment. Domestic demand remains very strong. However, inflationary pressures are emerging. Average inflation will be about 2.75 per cent this year, though the headline year-on-year inflation rate is expected to exceed 3 per cent for a time later this year before moderating significantly in 1999.

The prospects for 1998 can be summarised as follows.

- GDP and GNP to grow in volume terms by 8.7 and 7.5 per cent respectively;
- employment to grow by 50,000, while unemployment falls to 9.0 per cent;
- Inflation to average around 2.75 per cent;
- General Government Balance to remain in surplus, at about 1.7 per cent of GDP, compared with a Budget target surplus of 0.3 per cent of GDP and
- General Government Debt to fall to about 55.4 per cent of GDP.

The performance of the Irish economy in recent years in terms of strong growth in output and employment against a background of moderate inflation has been exceptional both by international standards and in terms of our own experience. A combination of sound economic and budgetary policies linked to social consensus, positive demographic factors, strong foreign direct investment and EU transfers, has resulted in a significant improvement in economic conditions.

However, it is now clear that the continuation of very strong growth into a fifth year is generating pressures which, if not addressed, could eventually undermine the sustainability of the economic and social progress which has been achieved to date. In addition, the Irish economy will be facing significant challenges over the medium-term. Some of the more important of these pressures and challenges are discussed below.

INFLATIONARY PRESSURES

Over the last few years of very strong economic growth, inflation has remained very moderate at about 2 per cent on average. Indeed, a key aspect of our strong economic performance has been this combination of strong growth and low inflation. However, the strengthening of the currencies of our main trading partners relative to the Irish pound in 1997 and

early 1998, together with the continuation of very strong growth in domestic demand, has resulted in a sharp pick-up in year-on-year inflation from 1 per cent in August 1997 to 2.9 per cent in June 1998. The inflation rate is likely to rise further in the second half of the year, though the average rate for 1998 is likely to be in the region of 2.75 per cent. As the impact of the exchange rate movements passes through, inflation should fall back in 1999 to between 2 and 2.5 per cent *provided* the temporary pick-up in inflation does not feed through into domestic price, pay or margin setting behaviour.

Fiscal policy can play a role in countering inflationary pressures, and in current circumstances must avoid adding to them. The Government has stated its intention of using any unanticipated increase in tax revenue this year to increase the budget surplus and to prepare a budget for 1999 which has as its primary objective the maintenance of low inflation. Fiscal policy will have to play a greater role in this respect in the changed conditions of EMU where monetary policy instruments will no longer be available to the national authorities.

LABOUR MARKET PRESSURES

Labour shortages, both of skilled and unskilled workers, are threatening to curtail economic growth in the future. The associated danger of wage inflation is also very much a concern, as this could have serious effects on competitiveness – leading to job losses and adding to the factors inhibiting growth. This must be avoided.

In a very tight labour market, expectations among employees in relation to pay and conditions of service have increased significantly, particularly in the construction area and in high growth financial services and high technology sectors. Labour market inflows from education, training, increased female participation or migration appear insufficient to attenuate these pressures.

Against this background, the incentives for those not in work to take up jobs must be kept under review to ensure that the maximum number of unemployed are integrated into the work force. The objective would be to address shortages in the labour market, together with ongoing Government initiatives in the areas of education and training, so as to minimise inflationary pressures.

Local bargaining settlements in the public service must comply with the terms of national agreements to avoid adding excessively to the public service pay bill.

PROPERTY MARKET

The rapid increase in house prices is a concern at the present time. New and second-hand house prices rose respectively by 16 and 19 per cent on average in 1997 and have risen by 24.6 and 27.3 per cent in the first quarter of 1998 compared with the corresponding period of 1997.

This rise in house prices has been strongly influenced by economic fundamentals, including strong employment growth, sharp increases in disposable income, lower interest rates, the age structure of the population, and the prospect of further falls in interest rates with the approach of EMU. However a rise in house prices on this scale threatens to spill over into general inflation; it increases the pressure for excessive pay increases and adds to the vulnerability of house holders and the economy to any adverse economic developments in the future. The Government has already taken measures to stabilise the housing market and further measures will be considered if necessary.

MONEY AND CREDIT GROWTH

The rate of credit expansion and money growth represents another matter of concern for the economy. As highlighted in the recent Central Bank Spring Bulletin, these have been running for the last two years or so at rates which pose a risk of higher inflation in the economy over the medium-term.

INVESTMENT NEEDS AND EU DEVELOPMENTS

Ireland's development in recent years has been significantly facilitated by very substantial investment with the help of EU funding. This has greatly enhanced the country's infrastructure and capital, both physical and human. The resultant enhancement of skills in the labour force, through the education and training programmes, has made a significant contribution to the Irish economy, particularly by increasing this country's attractiveness as a location for industrial investment and raising its growth potential.

However, Ireland cannot plan for the future on the basis of an indefinite continuation of the existing level of EU funding. Developments in relation to EU enlargement will also present challenges to Ireland in the next decade. Against this background, it is essential that our public finances are sufficiently robust to be able to shoulder the extra costs associated with meeting – with reducing EU assistance – the continuing very substantial infrastructural investment needs of a fast growing economy. Resources will need to be prioritised in a way that will allow key infrastructural deficiencies in the economy to be tackled – particularly those which hinder Ireland's competitiveness by limiting enterprise's capacity to service domestic and international markets. This investment will be needed to help to close the remaining infrastructural deficit relative to Ireland's more developed EU partners.

EMU : POLICY IMPLICATIONS

With the advent of Economic and Monetary Union, the Irish authorities will no longer have exchange and interest rate instruments to manage the economy. Accordingly, fiscal policy, structural adjustment, and incomes policy will have to play a greater role than hitherto in influencing demand in the economy and correcting economic imbalances.

In the past both interest rates and, in exceptional circumstances, exchange rate changes have been used as domestic economic policy instruments to influence demand, to help secure low inflation and also to deal with severe competitiveness losses. In EMU, Ireland's monetary policy will be determined by the European Central Bank, having regard to monetary conditions prevailing across the euro zone as a whole. There is no prospect of using offsetting Irish exchange rate movements to cushion even part of any shocks to Ireland's competitiveness (whether these shocks emanate from external developments or domestic wage and price pressures). The adjustment burden will fall principally on fiscal policy, pay policy and structural adjustment measures.

SLOWER LABOUR FORCE GROWTH

There is likely to be a significant slowdown in the rate of labour force growth in the Irish economy evident in the middle of the next decade. This will reflect the effect of a slower natural increase, increased educational participation rates, stabilisation in female labour force participation rates as they reach developed world norms and a slowdown in net inward migration.

INCREASED COMPETITION FOR TRADE AND FDI

The intensification of competition in world markets from Eastern Europe and elsewhere for both trade and for flows of Foreign Direct Investment are likely to make it more difficult for Ireland to maintain its share of FDI and to continue to increase its share of world export markets. This difficulty will be compounded by the impact of increased competition in the EU with the launch of the euro.

TAX REFORM

A stable transparent tax system which minimises distortions to labour supply, savings, investment and production decisions is an important element of a strategy for sustainable medium-term growth.

On the personal tax front, there is a need to ensure that the income tax system continues to play a role in promoting the incentive to work by ensuring that resources are focused at raising substantially the points at which individuals enter the tax net and at which they move to the higher rate. There is also the need to ensure that high marginal tax rates on individuals at higher income levels do not add to wage pressures in the labour market.

On the business tax front, there is the requirement to ensure that resources are allocated towards delivering on the Government's commitment to put in place a single low rate of Corporation Tax. This is necessary to underpin the continued growth in employment. While continued expansion in the corporate sector, and improved corporate profitability, will ease this burden, the process will nonetheless curtail the yield from Corporation Tax in the years ahead. Measures to claw back some of the revenue from the sectors concerned will be pursued.

Tax policy, while supporting the continuance of social partnership through reductions in the burden of income tax, has also a pivotal role to play, as part of overall fiscal policy, in ensuring that demand in the economy grows in line with the economy's productive capacity. Hence, tax policy in the future must take account of the need to maintain macroeconomic stability.

CONCLUSION

All of the social partners have an important role to play in managing the economy through its current very strong growth phase, in combating the inflationary pressures which may emerge and in taking full advantage of EMU and meeting its associated challenges.

There is widespread consensus among economic analysts that the Irish economy can sustain GNP growth rates of around 5 per cent – about twice the likely EU average growth rate – into the medium-term, provided that appropriate policies are adopted.

It is essential to avoid making the presumption that the current boom should or could continue unabated. If growth is not kept to a sustainable level, the inevitable outcome would be the emergence of adverse economic conditions – inflationary wage demands, accelerated inflation, erosion of competitiveness, declining investment, employment and growth. Such conditions, culminating in serious economic, employment and budgetary difficulties, would lead to a very serious deterioration in the international competitiveness of the economy which, in the context of EMU membership, would be felt more acutely.

With the appropriate mix of policies, the Irish economy can successfully make a "soft landing" from the very aggressive growth rates achieved in recent years, and return to a more sustainable, though still very strong, level of growth. This will require very careful management over the next few years, but with a continuation of the cooperative spirit between the social partners, and responsible attitudes to wage and public service enhancements, the delivery of sustainable employment and economic growth can be realised.

European Union is forecast to rise by nearly 1 per cent in 1998 – stronger than at any time since 1990.

Outside the European Union, unemployment may rise in a number of countries, most importantly in Korea and Japan. A modest rise is forecast for the United States.

Inflation

Inflation in the OECD area is forecast to fall from 4.1 per cent in 1997 to 3.3 per cent in 1998. While spare capacity will decline in most of continental Europe, it is likely that sufficient capacity will remain to ensure that inflation stays low in the European Union, at about 1.9 per cent in 1998. In the United States, where the rate of inflation stood at 2.0 per cent in 1997, it is forecast to be 1.6 per cent in 1998. In Japan, with the steep projected increase in the output gap over the next two years, upward pressure on prices should continue to be non-existent.

Fiscal positions

Fiscal policies in OECD countries have acted in recent years as a restraining force on economic activity. During 1997, reductions in both actual and structural general government financial deficits were widespread and substantial, and it is expected that fiscal policies will continue to tighten somewhat in most of the OECD area in 1998.

External Balances

As regards the current account, the situation in Europe has been improving, especially in the prospective euro area. The European Union as a whole is forecast to maintain a current account surplus of 1.5 per cent of GDP in 1998, while the U.S. external position is likely to deteriorate over the next two years. The current account surplus in Japan is expected to rise sharply to 3.2 per cent of GDP in 1998.

Exchange Rates

The most important change in the relationships between exchange rates of major OECD countries since early November 1997 has been a continued strengthening of the US dollar, amounting to 7 per cent against the Japanese yen, and around 4-5 per cent against the currencies of most European countries planning to participate in EMU in 1999. Most emerging economies in Asia, however, have experienced very sharp depreciations. This has caused many other OECD countries to experience overall losses in competitiveness.

OVERVIEW

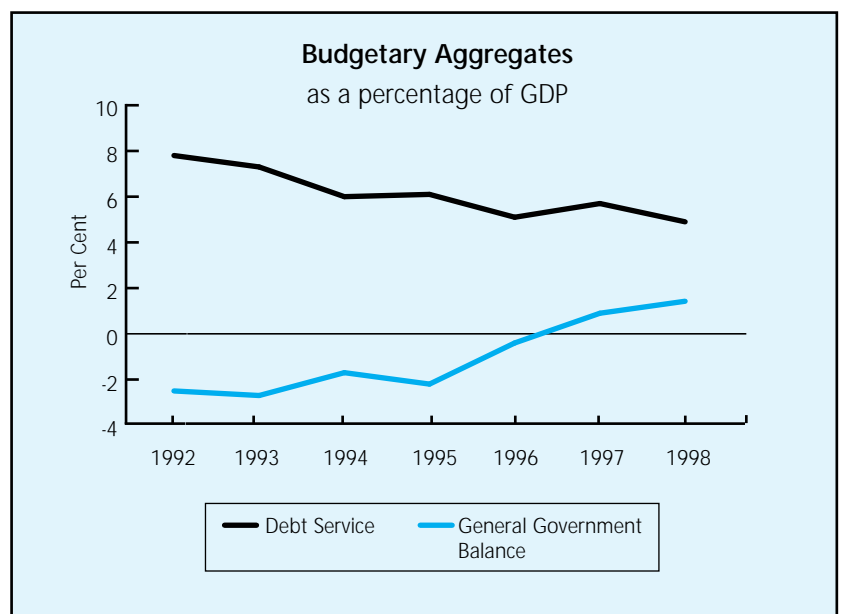
The Irish economy continued to outperform its EU partners in 1997, with a GDP growth rate of 9.5 per cent – the highest in the EU – while GNP grew by 7.7 per cent. Numbers in employment grew by 52,000, while unemployment, as measured by the Labour Force Survey, fell by 15,000 to 10.2 per cent. Despite the continuation of this very strong growth, average inflation in 1997 fell further to 1.5 per cent. The merchandise trade surplus reached another record high in 1997, while the current account of the balance of payments once again recorded a significant surplus.

Output expansion in 1998 is set to remain strong, with GDP growth likely to be around 8.7 per cent and GNP growing by 7.5 per cent. Domestic demand is again expected to contribute significantly to this growth, which should see a further substantial increase in employment of around 50,000. Because of the fall in the exchange rate, Irish inflation is now expected to average around 2.75 per cent compared with a Budget forecast of 2 per cent. The merchandise trade and balance of payments surpluses are also expected to exceed the Budget forecasts.

PUBLIC FINANCES

1997 Outturn

The Exchequer Borrowing Requirement totalled £235 million in 1997 or 0.6 per cent of GNP. This compares with a Budget day target of 1.2 per cent. On a General Government basis – which is a more appropriate indicator of the underlying fiscal position – there was an estimated *surplus* of 0.9 per cent of GDP. A *deficit* of 1.5 per cent of GDP had been originally forecast in the 1997 Budget. The Debt to GDP ratio declined further in 1997 to 63.4 per cent by the end of the year.

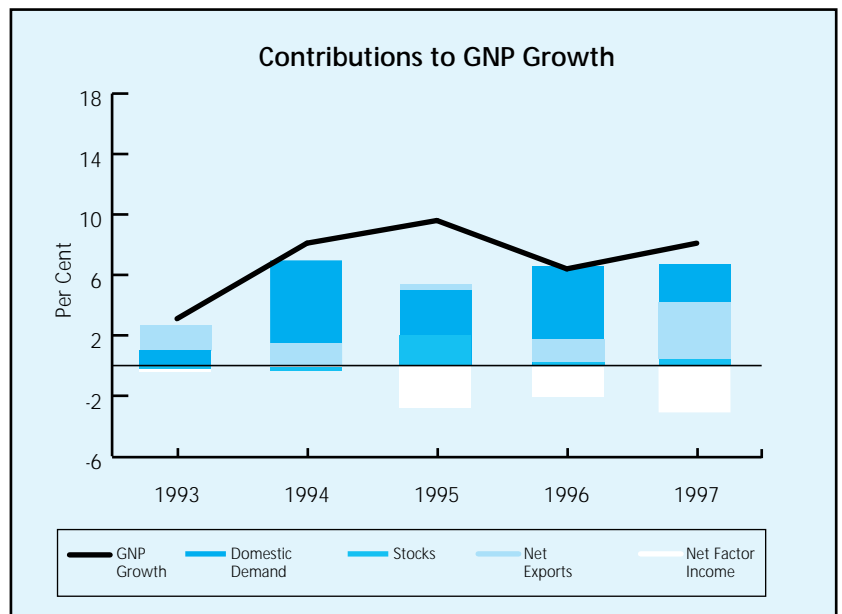


1998 Budget

The 1998 Budget, introduced on 3 December 1997, projected an Exchequer Borrowing Requirement of £89 million or 0.2 per cent of GNP and a General Government Surplus of 0.3 per cent of GDP. A current Budget surplus of £1.1 billion or 2.5 per cent of GNP was forecast. These projections were based on the assumption that revenues would increase by 7.1 per cent. An increase in Net Current Supply expenditure of 3.7 per cent was budgeted for.

Mid-1998 Assessment

The Exchequer returns to June indicate that receipts are over 13 per cent ahead of the same period in 1997. All the main tax heads are performing well in response to continued buoyant economic activity. Tax revenues are now expected to exceed the Budget target by about £800 million. Supply spending is in line with expectations. There has been some slippage, particularly on the pay side, but this has been offset by savings on Social Welfare. Overall expenditure developments for the year to date have been consistent with the Government's commitment to our European partners not to exceed the budgetary expenditure targets and to use any unanticipated rise in revenues to increase the Government surplus. A General Government Surplus of 1.7 per cent of GDP is now anticipated compared with a Budget day target of a surplus of 0.3 per cent of GDP.



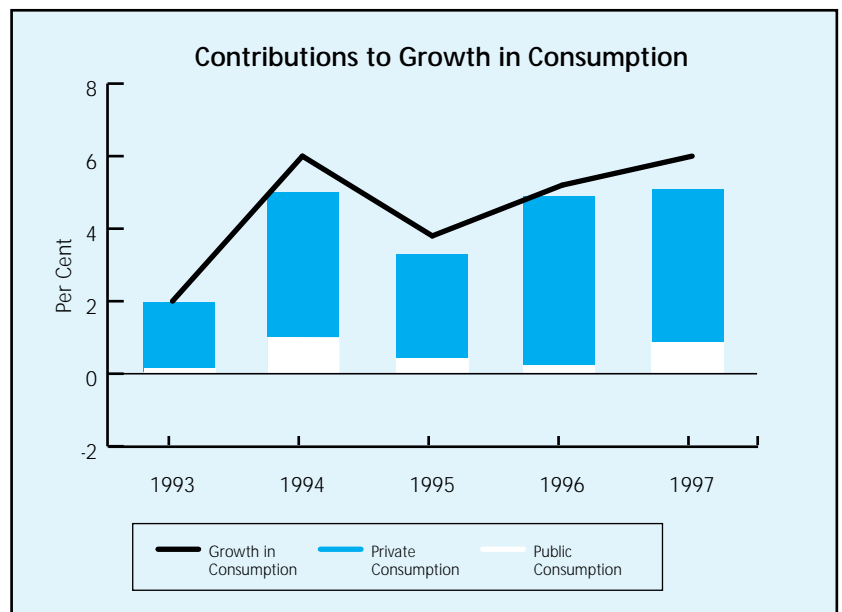
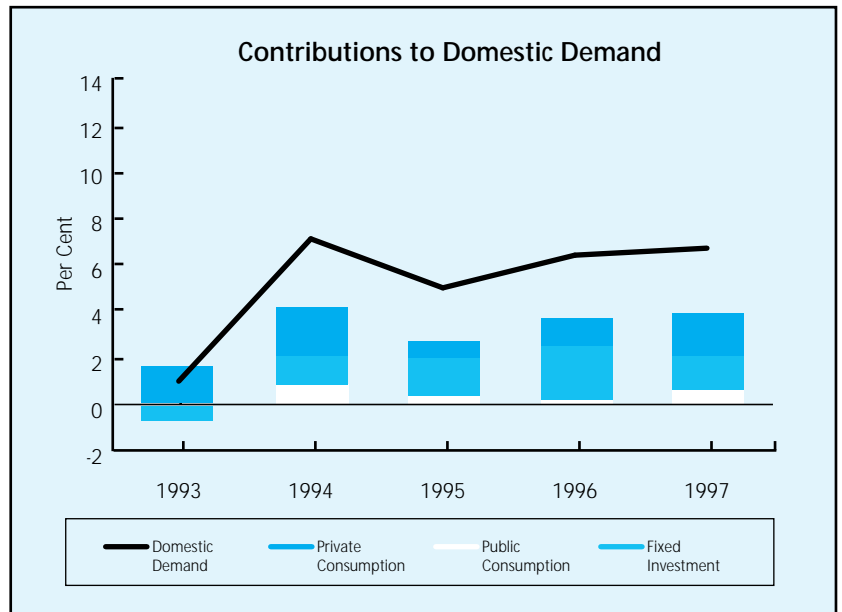
DOMESTIC EXPENDITURE

Consumer Spending

There was a strong rise in real personal disposable incomes of 7.9 per cent in 1997. New car sales grew by about 19 per cent. The volume of retail sales expanded by 7.9 per cent last year, with non-garage sales expanding by 7.1 per cent.

Growth in retail sales generally has been very strong in the early part of 1998, with year-on-year increases of 10.3 per cent for total sales and 9.7 per cent for non-garage sales in the first four months. Very strong growth in new car sales has continued during 1998, with total registrations in the first half of the year being up over 16 per cent on the corresponding period of 1997.

A continuation of low interest rates, expanding employment and rising consumer confidence is expected in 1998, and so consumer spending should increase by about 6.8 per cent this year.

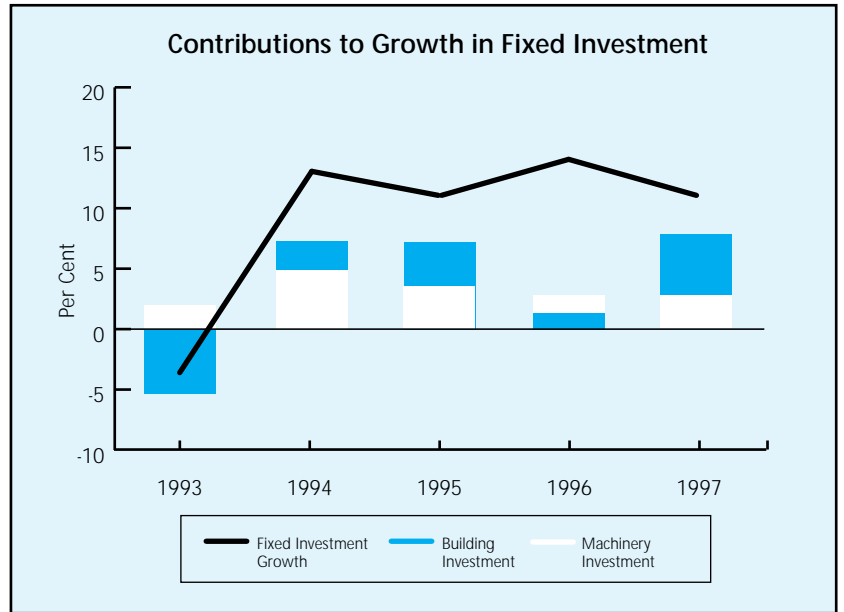


Public Consumption

Net current spending by public authorities increased by 4.8 per cent in 1997 and is expected to rise by around 3.9 per cent in volume terms in 1998.

Fixed Investment

Growth in fixed investment in 1997, while moderating a little to 10.9 per cent compared with 1996, remained very strong. The share of investment in the economy continued to increase, rising to 19.6 per cent of nominal GNP.



Growth in fixed investment is likely to moderate further in 1998 to about 9.9 per cent, which is still a very strong growth rate.

Stock-building

Increases in stock had a positive effect on economic growth in 1997. In 1998, stock building will moderate, but will remain positive.

EXTERNAL TRADE AND BALANCE OF PAYMENTS

Current Account Balance

The current account surplus in 1997 was £1,362 million, equivalent to 3.2 per cent of GNP, and was due primarily to a rise in the merchandise trade surplus. In 1998, the current account is expected to continue in surplus, with a figure of about 3.8 per cent of GNP forecast.

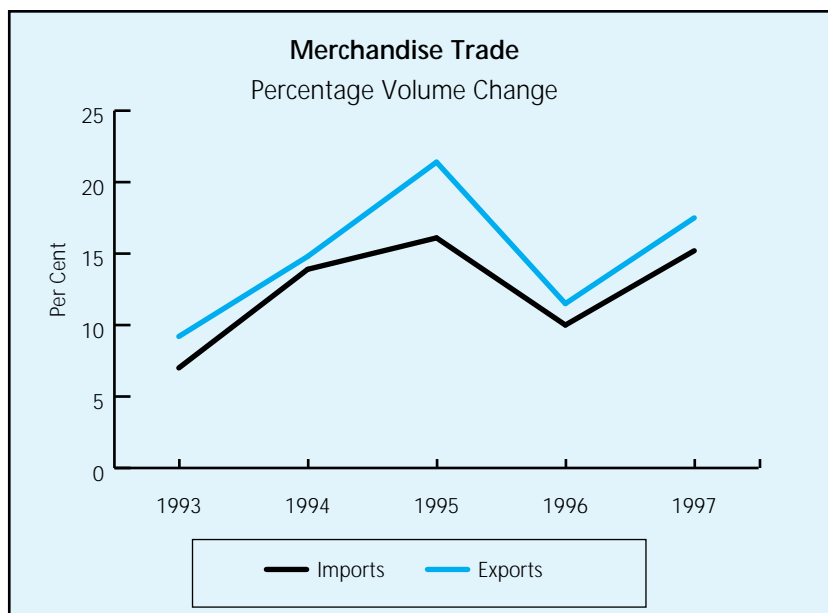
Merchandise Exports

Merchandise exports in 1997 grew in value by almost 19 per cent to a record level of £36.5 billion. Export prices rose by 1.1 per cent, implying volume growth of some 17.5 per cent.

Agricultural exports in 1997 show an increase in volume of 2.8 per cent with a decline in value of 6.6 per cent over 1996, due principally to the increased volume in dairy, cereal and cereal preparations, with a reduction in per unit value.

Notwithstanding the crisis in South East Asia, the volume of industrial exports is estimated to have expanded by about 15 per cent, with particularly strong growth being recorded in high-technology exports.

Increased capacity in the industrial sector, together with continuing expansion in the European and US markets, are expected to strengthen exports in 1998, which are forecast to grow by 18.4 per cent in volume.



Merchandise Imports

Merchandise imports in 1997 rose by almost 16 per cent in value terms to a record level of over £25 billion. Import prices rose by 0.5 per cent. This implies volume growth for the year of 15.2 per cent.

A continuation of buoyant demand for consumer and capital goods, and industrial inputs, is expected to underpin further strong import growth in 1998, exceeding 16 per cent in volume terms.

Terms of Trade

Merchandise export prices rose by 1.1 per cent in 1997, while import prices rose by 0.5 per cent, indicating an improvement in the terms of trade of 0.6 per cent.

Trade Balance

The merchandise trade surplus in 1997 was a record £11 billion, equivalent to 26 per cent of GNP. The surplus in 1998 is expected to rise further to about £13.8 billion.

Services

Notwithstanding another successful year for tourism earnings, the deficit on services widened in 1997 due, to a significant extent, to growth in royalty payments and "other services" debits, reflecting continued strength in multinational activity.

A further widening of the services deficit as a whole is likely in 1998, as continued growth in non-tourism service imports is expected to exceed an increase in the tourism surplus.

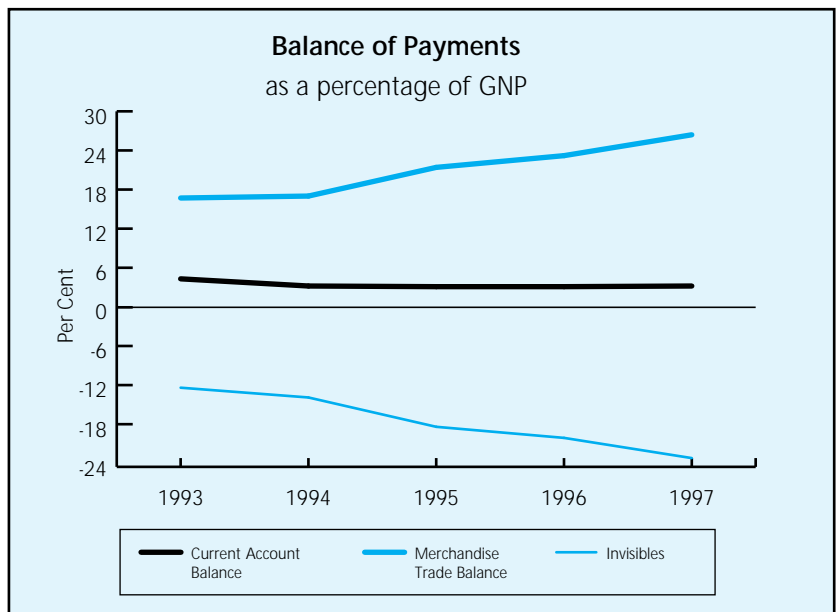
Factor Incomes

In 1997 total non-resident direct investment income increased by £1,556 million to £7,382 million. This increase more than offset the impact of lower National Debt interest outflows, and was instrumental in the rise of £1,171 million (to £6,322 million) in the net factor incomes deficit last year.

This deficit is expected to rise again this year to about £7.7 billion, reflecting increased profit "repatriations" by multinational companies due to increased export growth, particularly in the high-technology sectors.

Current Transfers

The surplus on current transfers fell to £1,290 million in 1997, but is expected to rise again to just under £1,400 million in 1998.



Capital and Financial Account

The official external reserves fell to £4,636 million at the end of 1997, mainly due to foreign exchange market intervention and foreign debt repayment. £1,055 million of Exchequer foreign currency debt was repaid during 1997 and non-residents increased their holdings of domestic government securities by £1,122 million. Private capital outflows rose to £2,661

million in 1997. The net residual (a balancing item) amounted to £2,450 million in 1997.

In 1998 so far, official external reserves have risen slightly, mainly due to EU receipts.

OUTPUT

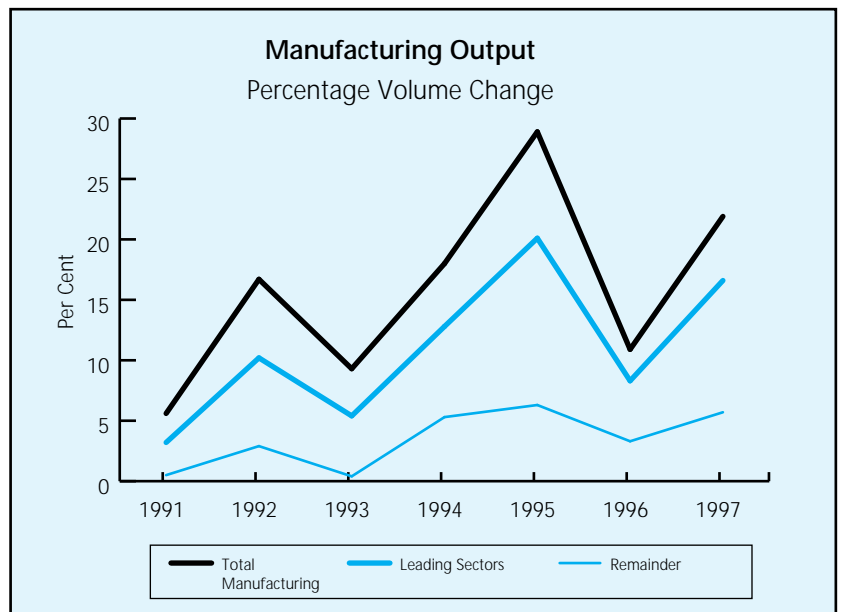
Agriculture

The value of Gross Agricultural Output in 1997 was estimated at £3,315 million. This was reflected in Gross Agricultural Product at market prices, which declined by 7.6 per cent.

A recovery in output value is expected in 1998. This will be driven by the increase in beef and milk prices, but there is also likely to be a decline in direct payments to farmers.

Industry

Manufacturing output grew by 16.6 per cent in 1997. This growth was primarily attributable to foreign-owned, high-technology sectors whose scale of operation and employment in sectors such as computers and pharmaceuticals continues to expand. Growth in the more mainstream indigenous sectors of manufacturing was lower than in the high-technology industries.



Manufacturing output growth improved again in the first quarter of 1998 with a year-on-year increase of over 18 per cent being recorded. Further expansions in productive capacity, the pick-up in economic activity in Europe, together with strong overseas demand for leading sector products, should ensure a continuation in 1998 of significant expansion in manufacturing output

EMPLOYMENT AND UNEMPLOYMENT

Employment

According to the April 1997 Labour Force Survey, employment increased by 51,400 or 3.9 per cent in the preceding twelve months (ILO basis). Women accounted for over half the increased numbers at work. The first Quarterly National Household Survey, published in May, covered the period September to November 1997 and indicated that the upward trend in employment continued in the subsequent six months. Taking other indicators into account, average employment in 1997 is estimated to have increased by about 52,000 or 3.9 per cent.

The labour force increased by 31,500 or 2.1 per cent in the 12 months to April 1997. Female participation has continued to increase with an extra 19,300 women joining the labour force in that period. Over 1997 as a whole, it is estimated that the labour force increased by 37,000.

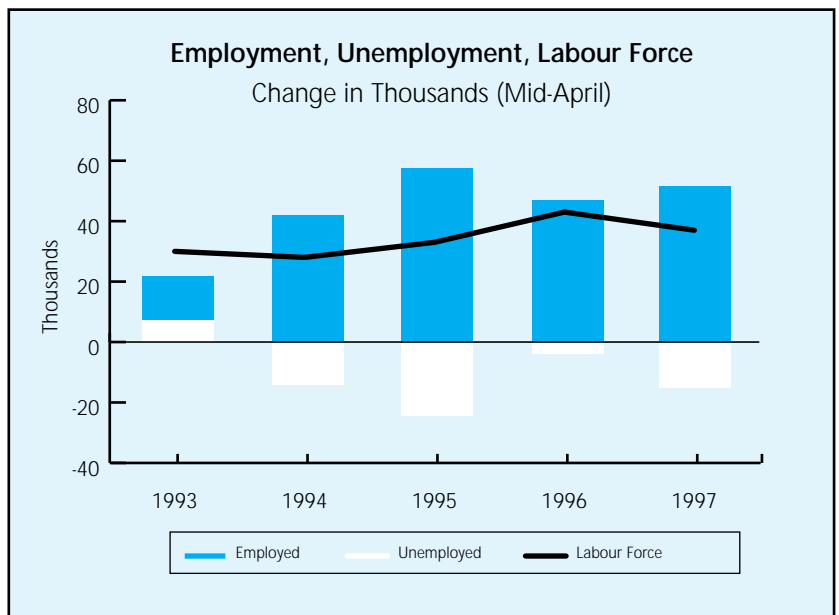
Data for employment in manufacturing indicate an average increase of 13,400 (6 per cent) in the numbers at work in 1997. Leading sectors¹ accounted for about 8,500 of this growth – an increase of 11.4 per cent for those sectors – while employment in other manufacturing industries is estimated to have increased by 3.3 per cent. Financial sector employment is estimated to have increased by 1,900 or 4.9 per cent in the twelve months to September 1997. Employment in private firms in construction increased by 9.3 per cent in 1997. Public sector employment fell by 1,152. Continuing its trend of decline, agricultural employment fell by about 2,000.

Employment is expected to rise by 50,000 in 1998, equivalent to an increase of 3.6 per cent. The highest rates of growth are expected in the construction sector, followed by the manufacturing and services sectors. The long term decline in agricultural employment is likely to continue. While labour shortages are emerging in certain sectors, the continued increase in young people coming into the labour market, increased female participation and net inward migration, should help alleviate to some extent concerns about labour supply. Given the current performance of the economy, it is expected that net inward migration will continue for the foreseeable future.

Unemployment

The average unemployment level (as measured by the Labour Force Survey) is estimated to have fallen by 15,000 in 1997 reflecting strong employment growth. For the first time this decade, Ireland's average unemployment rate (at 10.2 per cent in 1997) fell below the EU average rate (10.6 per cent). However, long-term unemployment remains a serious problem at around 5.7 per cent last year.

¹Leading sectors include pharmaceutical, office/data processing machinery, electrical and instrument engineering and other foods.



Unemployment is expected to fall by a further 17,000 in 1998. Numbers signing on the Live Register were 254,000 on average during 1997. The average Live Register for 1998 is now expected to be 232,000.

INCOMES, PRICES AND COMPETITIVENESS

Agricultural Incomes

Aggregate farm income dropped by 4.5 per cent in 1997 as a result of price declines in most commodities. This was despite the fact that farm input costs dropped by 5.7 per cent and direct income payments rose 3.2 per cent.

Beef prices have been showing a steady improvement since February of this year, and are now 14 per cent ahead of the 1997 equivalent levels. Milk prices were ahead of last year's levels throughout the first four months of this year. Sheep and pig prices for the first five months of 1998 have been disappointing, although throughput is up on 1997. Direct payments are likely to fall in 1998 as agri-monetary and BSE compensation will not apply.

The overall effect on agricultural incomes may well be one of little change over 1997 with agriculture undergoing a period of stabilisation after the BSE crisis.

Non-agricultural Incomes

The year-on-year increase in hourly manufacturing earnings to September 1997 was 4.1 per cent, which is higher than the average increase in 1996 of 2.6 per cent. The year-on-year increase in weekly manufacturing earnings to September 1997 was 4.3 per cent.

Partnership 2000 provides for an increase of 2.25 per cent in private sector pay in 1998 and contains a local bargaining element, applicable after six months, of up to 2 per cent of basic pay. However, when carryover from

the previous year's wage increases, and other elements are included, overall per capita private sector earnings are likely to increase by about 5 per cent in 1998.

Costs and Competitiveness

Increases in non-agricultural private sector earnings in 1997 in common currency terms were higher than those of our main trading partners as a group (with the exception of the UK). This arose because of the strength of the Irish pound and higher earnings growth in national currency terms. However, relatively higher productivity increases offset this.

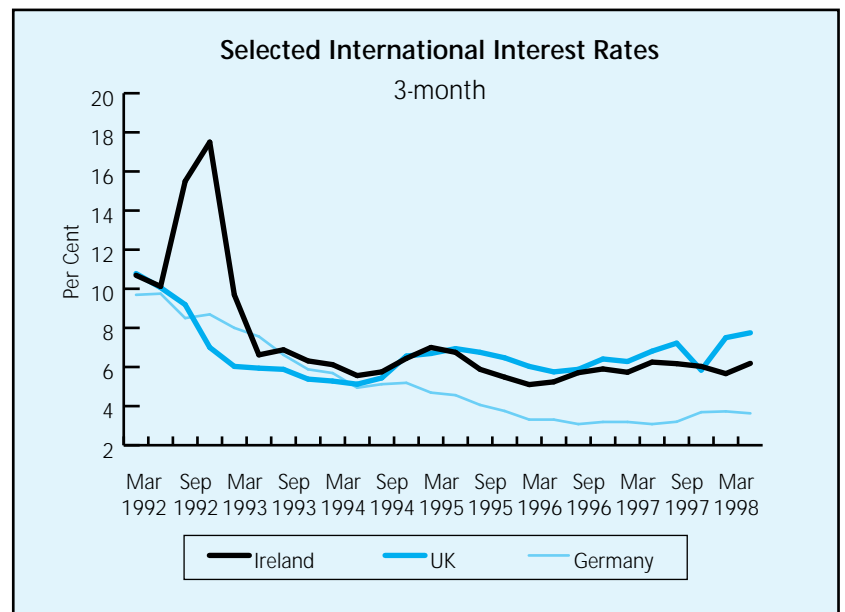
Private sector earnings in 1998 are expected to increase by about 5 per cent in national currency terms, somewhat ahead of the average for our main trading partners, apart from the UK. However, if exchange rates were not to vary from average June 1998 levels, in common currency terms, it is projected that increases in Irish wages would be lower than those of our main trading partners as a group. Continuing productivity gains are likely to support our competitiveness.

MONETARY AND EXCHANGE RATE DEVELOPMENTS

Monetary Developments

In the spring of 1997 Irish short-term money-market interest rates firmed and the Short-Term Facility (STF) was increased by 50 basis points to 6.75 per cent in early May. The increase in the STF led to increases in commercial banks' retail lending rates. Thereafter, short-term rates were relatively steady for most of the remainder of the year, firming slightly.

In early 1998, Irish short-term interest rates remained relatively steady, reflecting market uncertainty about the timing of official interest rate reductions in advance of EMU. There was a relatively modest fall in short-term interest rates after the mid-March realignment of the ERM central rate of the Irish pound, but since then they have firmed again.



In the US, the Federal Reserve increased its Federal Funds rate by 25 basis points from 5.25 per cent to 5.50 per cent in March 1997. In the UK, the Bank of England raised its Minimum Lending Rate on five occasions between May 1997 and June 1998 from 6.25 to 7.50 per cent. Germany raised its Repo rate by 30 basis points to 3.30 per cent in October 1997.

Credit and Money Supply

Credit and Money Supply grew strongly in 1997, reflecting the pace of economic activity, interest rates close to historically low levels and a perception that interest rates would fall further in the run-up to EMU.

Private sector credit growth (adjusted) has continued to grow strongly in 1998 to date, and at end-May (the latest month for which data is available) stood at 24.2 per cent year-on-year. The year-on-year growth in broad money supply (adjusted) was at 18.1 per cent at end-May.

Exchange Rate Developments

In 1997, the Irish pound fell by 12.4 per cent against Sterling, 15.8 per cent against the US dollar and 1.7 per cent against the Deutschemark. The Effective Exchange Rate index fell by 8.4 per cent to end the year at 64.52.

The Irish pound eased somewhat in early 1998 as market expectations of a revaluation continued to recede. However, on 14 March, the bilateral ERM central rates of the Irish pound were revalued by 3 per cent, bringing them close to the market rates prevailing at that time. Between then and end-June, the Irish pound had strengthened overall as Sterling weakened and the Central Bank indicated that it had a strong preference for delaying reductions in Irish interest rates for as long as possible within “the inevitable constraints that movement to EMU entails”.

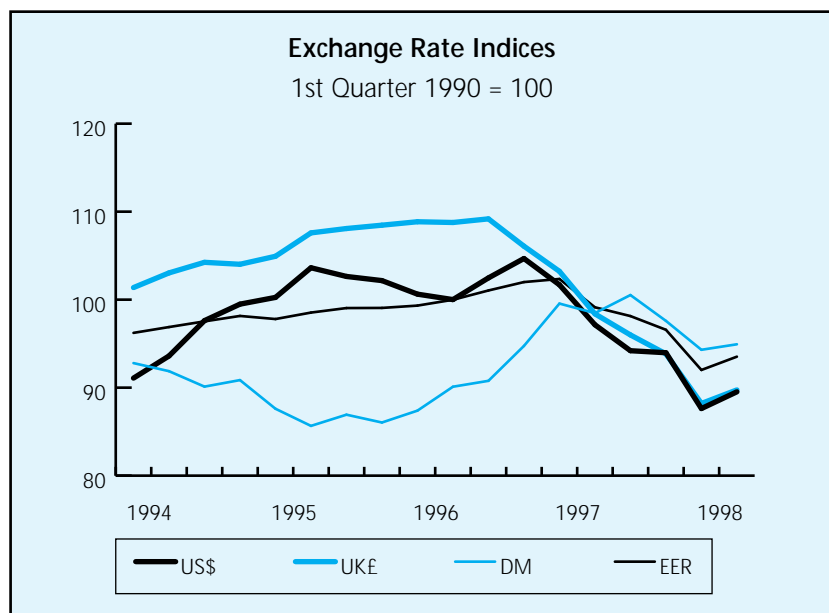


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TABLE 1

Gross National Product and Gross Domestic Product at Current Market Prices and Percentage Changes in GNP and GDP at Constant (1990) Prices

Year	GNP at Current Market Prices £m	Percentage Change in GNP at Constant Prices		
		Expenditure Basis	Output Basis	Average
1992	26,915.5	2.7	1.9	2.3
1993	28,921.0	3.1	2.3	2.7
1994	31,655.4	8.1	6.8	7.4
1995	34,807	9.6	7.9	8.8
1996	37,790	6.4	5.6	6.0
1997	41,919	8.1	7.2	7.7

Year	GDP at Current Market Prices £m	Percentage Change in GDP at Constant Prices		
		Expenditure Basis	Output Basis	Average
1992	30,125.0	4.2	3.4	3.8
1993	32,441.8	3.1	2.4	2.8
1994	35,230.7	7.3	6.1	6.7
1995	39,315.1	11.1	9.7	10.4
1996	42,942	7.4	6.7	7.1
1997	48,241	9.8	9.1	9.5

TABLE 2

Expenditure on Gross National Product at Current Market Prices (£ million)

Description	1992	1993	1994	1995	1996	1997
Personal expenditure on consumers' goods and services	18,047.2	18,819.4	20,553.9	21,840.5	23,487	25,191
Net expenditure by public authorities on current goods and services	4,842.7	5,210.5	5,569.6	5,871.1	6,125	6,669
Gross domestic fixed capital formation	5,046.2	5,086.9	5,848.2	6,735.1	7,951	9,448
Value of physical changes in stocks	-95.3	-135.5	-158.6	400.6	404	539
Exports of goods and services	18,881.3	22,033.1	25,308.1	30,837.1	34,341	40,614
Imports of goods and services	-16,597.1	-18,572.6	-21,890.5	-26,369.3	-29,367	-34,220
Gross domestic product at current market prices	30,125.0	32,441.8	35,230.7	39,315.1	42,941	48,241
Net factor income from the rest of the world	-3,209.5	-3,520.8	-3,575.3	-4,508.1	-5,151	-6,322
Gross national product at current market prices	26,915.5	28,921.0	31,655.4	34,807.0	37,790	41,919

TABLE 3

Expenditure on Gross National Product at Constant (1990) Market Prices (£ million)

Description	1992	1993	1994	1995	1996	1997
Personal expenditure on consumers' goods and services	17,089.4	17,496.3	18,591.1	19,345.1	20,517	21,812
Net expenditure by public authorities on current goods and services	4,288.3	4,303.8	4,520.5	4,638.8	4,707	4,931
Gross domestic fixed capital formation	4,698.8	4,531.8	5,084.7	5,640.2	6,411	7,106
Value of physical changes in stocks	-78.6	-129.2	-227.8	347.4	414	555
Exports of goods and services	19,334.2	21,207.8	24,222.5	28,969.9	32,362	37,846
Imports of goods and services	-16,433.1	-17,610.8	-20,217.2	-23,412.4	-26,258	-30,349
Gross domestic product at constant market prices	28,899.0	29,799.7	31,973.8	35,529.0	38,153	41,901
Net factor income from the rest of the world	-3,286.4	-3,388.9	-3,421.9	-4,235.2	-4,855	-5,891
Gross national product at constant market prices	25,612.6	26,410.8	28,551.9	31,293.8	33,298	36,010

TABLE 4

Gross Domestic Product at Factor Cost by Sector of Origin and Gross National Product at Current Market Prices
(£ million)

Description	1992	1993	1994	1995	1996	1997
Agriculture, forestry and fishing	2,523.7	2,568.5	2,668.4	2,851.5	2,904	2,816
Industry	9,802.4	10,417.0	11,537.4	13,370.1	14,302	16,624
Distribution, transport and communication ...	4,562.6	5,225.4	5,238.9	5,924.2	6,970	7,546
Public administration and defence	1,563.0	1,685.7	1,724.7	1,762.0	1,855	2,012
Other domestic	9,606.1	10,746.1	11,594.2	12,800.7	14,044	15,725
Adjustment for financial services	-1,235.4	-1,419.4	-1,492.8	-1,769.7	-1,673	-1,930
Gross domestic product at factor cost	26,822.4	29,223.3	31,270.8	34,938.8	38,402	42,793
Plus Taxes on expenditure	4,781.3	4,901.0	5,589.7	6,062.9	6,638	7,458
Less Subsidies	-1,478.7	-1,682.5	-1,629.8	-1,686.6	-2,098	-2,010
Gross domestic product at current market prices	30,125.0	32,441.8	35,230.7	39,315.1	42,942	48,241
Net factor income from the rest of the world	-3,209.5	-3,520.8	-3,575.3	-4,508.1	-5,152	-6,322
Gross national product at current market prices	26,915.5	28,921.0	31,655.4	34,807.0	37,790	41,919

TABLE 5

Gross Domestic Product at Factor Cost by Sector of Origin and Gross National Product at
Constant (1990) Market Prices (£ million)

Description	1992	1993	1994	1995	1996	1997
Agriculture, forestry and fishing	2,496.0	2,302.6	2,259.9	2,286.8	2,340	2,372
Industry	9,539.2	9,770.0	10,721.3	12,462.6	13,499	15,552
Distribution, transport and communication ...	4,462.7	4,829.5	4,905.1	5,298.2	6,124	6,665
Public administration and defence	1,389.4	1,397.9	1,382.8	1,395.6	1,418	1,457
Other domestic	8,755.1	9,011.2	9,390.1	9,940.9	10,169	10,691
Adjustment for financial services	-1,178.1	-1,273.6	-1,314.9	-1,524.4	-1,417	-1,604
Gross domestic product at factor cost	25,464.3	26,037.6	27,344.3	29,859.7	32,133	35,133
Plus Taxes on expenditure	4,472.9	4,499.9	4,833.2	5,083.3	5,310	5,690
Less Subsidies	-1,511.4	-1,429.5	-1,295.4	-1,066.9	-1,282	-1,355
Gross domestic product at constant market prices	28,425.8	29,108.0	30,882.1	33,876.1	36,161	39,468
Net factor income from the rest of the world	-3,286.4	-3,388.8	-3,421.9	-4,235.2	-4,854	-5,892
Gross national product at constant market prices	25,139.4	25,719.2	27,460.2	29,640.9	31,307	33,576

TABLE 6

Net Domestic Product at Factor Cost by Sector of Origin and Gross National Product at Current Market Prices
(£ million)

Description	1992	1993	1994	1995	1996	1997
Agriculture, forestry and fishing						
Remuneration of employees	218.0	219.9	220.6	225.9	223	234
Other	1,928.8	1,971.2	2,062.2	2,217.3	2,247	2,138
Industry						
Remuneration of employees	4,978.8	5,235.8	5,623.4	6,059.1	6,531	} 15,155
Other	3,875.6	4,426.6	4,926.1	6,179.8	6,406	
Distribution, transport and communication						
Remuneration of employees	2,770.7	2,968.0	3,154.3	3,390.4	3,760	} 6,731
Other	1,570.6	1,814.1	1,872.2	2,196.4	2,439	
Public administration and defence						
Remuneration of employees	1,563.0	1,685.7	1,724.7	1,762.0	1,855	2,011
Other domestic (including rent)						
Remuneration of employees	5,335.5	5,963.9	6,367.3	6,984.0	7,632	} 13,427
Other	2,981.3	3,364.6	3,621.0	4,014.9	4,401	
Adjustment for stock appreciation	-162.1	-245.8	-420.2	-362.2	118	-87
Industry	77.8	-210.3	-43.7	-46.6	30	-112
Distribution	-239.9	-35.5	-376.5	-315.6	88	24
Adjustment for financial services	-1,235.4	-1,419.4	-1,492.8	-1,769.8	-1,673	-1,930
Net domestic product at factor cost	23,824.8	25,984.6	27,658.8	30,897.8	33,939	37,679
Plus Provision for depreciation	2,997.6	3,238.7	3,612.0	4,041.0	4,463	5,114
Gross domestic product at factor cost	26,822.4	29,223.3	31,270.8	34,938.8	38,402	42,793
Plus Taxes on expenditure	4,781.3	4,901.0	5,589.7	6,062.9	6,638	7,458
Less Subsidies	-1,478.7	-1,682.5	-1,629.8	-1,686.6	-2,098	-2,010
Gross domestic product at current market prices	30,125.0	32,441.8	35,230.7	39,315.1	42,942	48,241
Net factor income from the rest of the world	-3,209.5	-3,520.8	-3,575.3	-4,508.1	-5,152	-6,322
Gross national product at current market prices	26,915.5	28,921.0	31,655.4	34,807.0	37,790	41,919

TABLE 7
National Income (£ million)

Description	1992	1993	1994	1995	1996	1997
Income from agriculture, forestry and fishing ...	2,138.3	2,182.1	2,280.5	2,441.0	2,470	2,371
Income from self-employment and other trading income	1,920.3	1,962.2	2,059.9	2,215.2	2,246	2,137
Remuneration of employees:						
– Wages and salaries	196.4	198.1	202.4	208.6	208	217
– Employers' contribution to social insurance	21.6	21.8	18.2	17.2	16	17
Non-Agricultural income	22,922.0	25,221.9	26,871.0	30,226.6	33,143	37,239
Profits, professional earnings, interest, dividends and income from lands and buildings:						
Trading profits of companies (including corporate bodies) before tax	5,536.6	6,467.5	7,046.0	8,710.2	9,413	} 14,200
Other trading profits, professional earnings etc.	1,884.5	2,088.4	2,292.3	2,531.9	2,613	
Adjustment for stock appreciation	-162.1	-245.8	-420.2	-362.2	118	-87
Rent of dwellings (actual and imputed)	1,006.4	1,049.4	1,081.1	1,149.1	1,219	1,319
Rent element in land annuities	8.5	9.0	2.2	2.2	2	1
Remuneration of employees:						
– Wages, salaries, pensions	13,686.6	14,810.2	15,765.3	17,003.4	18,505	20,390
– Employers' contribution to social insurance	961.5	1,043.2	1,104.3	1,192.1	1,273	1,416
Adjustment for financial services	-1,235.5	-1,419.4	-1,492.8	-1,769.8	-1,674	-1,931
Net domestic product at factor cost	23,824.8	25,984.6	27,658.8	30,897.8	33,939	37,679
Net factor income from the rest of the world	-3,209.5	-3,520.7	-3,575.3	-4,508.1	-5,151	-6,322
Net national product at factor cost = National Income	20,615.3	22,463.9	24,083.5	26,389.6	28,788	31,357

TABLE 8
National Disposable Income, Savings and Capital Formation (£ million)

Description	1992	1993	1994	1995	1996	1997
Gross national product at current market prices	26,915.5	28,921.0	31,655.4	34,807.0	37,790.0	41,918.0
Net current transfers from the rest of the world	1,245.4	1,308.6	1,115.7	1,110.0	1,354.0	1,290.0
Gross national disposable income	28,160.9	30,229.6	32,811.1	35,917.0	39,144.0	43,208.0
Total consumption expenditure	22,889.9	24,029.9	26,123.6	27,711.7	29,612.0	31,860.0
Gross national savings	5,271.0	6,199.7	6,687.5	8,205.3	9,532.0	11,348.0
Depreciation	2,997.6	3,238.6	3,612.0	4,041.0	4,464.0	5,113.0
Net national savings	2,273.4	2,961.1	3,075.5	4,164.4	5,069.0	6,235.0
Capital transfers	463.2	513.1	251.5	510.9	489.0	578.0
Net foreign disinvestment	-783.3	-1,761.4	-1,249.5	-1,580.6	-1,666.0	-1,940.0
Gross total available for investment	4,950.9	4,951.4	5,689.5	7,135.7	8,356.0	9,986.0
Gross domestic fixed capital formation	5,046.2	5,086.9	5,848.2	6,735.1	7,952.0	9,447.0
Value of changes in agricultural stocks	83.4	-1.2	56.6	91.3	94.0	111.0
Increase in value of non-agricultural stocks and work in progress (including EU intervention stocks)	-16.6	111.5	204.9	671.5	192.0	515.0
Adjustment for stock appreciation	-162.1	-245.8	-420.2	-362.2	118.0	-87.0
Gross domestic physical capital formation	4,950.9	4,951.4	5,689.5	7,135.7	8,356.0	9,986.0

TABLE 9
General Government Balance (£ million)

	1989	1990	1991*	1992	1993	1994	1995	1996	1997
Current Budget									
1. Expenditure	8,019	8,421	9,074	9,806	10,519	11,188	12,029	12,662	14,015
– Central Fund Services	2,453	2,604	2,721	2,726	2,869	2,821	2,983	3,161	3,691
– Supply Services	5,566	5,817	6,353	7,080	7,650	8,367	9,046	9,501	10,324
2. Revenue	7,756	8,269	8,776	9,360	10,140	11,203	11,667	12,954	14,619
– Tax	7,443	7,903	8,357	8,910	9,704	10,835	11,335	12,520	14,274
– Non-Tax	313	366	419	450	436	368	332	434	345
3. Current Budget Surplus/Deficit(–)	–263	–152	–298	–446	–379	15	–362	292	604
as % of GNP	–1.2	–0.6	–1.2	–1.7	–1.3	–	–1.1	0.8	1.5
Capital Budget									
4. Expenditure	1,433	1,679	1,713	1,884	2,216	2,362	2,682	3,219	3,671
5. Resources	1,217	1,369	1,512	1,617	1,905	1,675	2,417	2,490	2,831
6. Exchequer Borrowing									
Deficit(–) for Capital Purposes... ..	–216	–310	–201	–267	–311	–687	–265	–729	–840
as % of GNP	–1.0	–1.3	–0.8	–1.0	–1.1	–2.2	–0.8	–2.0	–2.1
7. Exchequer Borrowing									
Deficit(–)	–479	–462	–499	–713	–690	–672	–627	–437	–235
as % of GNP	–2.2	–1.9	–2.0	–2.7	–2.4	–2.1	–1.9	–1.2	–0.6
8. General Government Balance									
Surplus/Deficit(–)	–455	–632	–669	–754	–810	–611	–816	–394	459
as % of GDP†	–1.8	–2.3	–2.3	–2.5	–2.4	–1.7	–2.0	–0.9	0.9

* Excluding £270 million received from the flotation of Irish Life plc.

† 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 Accounts, 1979. The other indicators in this table are calculated as a percentage of GNP estimated on the basis of the European System of Accounts, 1995.

TABLE 10

Volume of Production Indices in Major Industrial Sectors (1985 = 100)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Non-metallic Mineral Products	92.9	94.0	111.1	116.5	109.5	113.8	109.8	121.3	132.4	145.4	175.3
Chemical	104.0	120.7	144.8	149.0	181.5	212.9	234.0	279.4	324.0	384.1	506.5
Metals and Engineering ...	126.0	153.7	178.1	189.8	184.3	205.7	218.4	252.7	337.1	365.2	428.4
Food	117.4	123.5	126.2	130.9	136.5	149.1	156.7	168.9	187.2	188.8	190.9
Drink and Tobacco	100.1	105.5	116.8	117.2	122.9	122.4	122.3	129.6	136.2	143.1	151.8
Textiles	102.1	106.3	111.1	119.1	119.0	125.5	128.4	131.8	132.9	125.9	128.3
Clothing, Footwear and Leather	98.6	91.7	87.0	87.9	77.2	73.6	68.8	65.8	63.5	64.0	54.7
Timber and Wooden Furniture	96.3	105.8	111.1	117.5	117.5	120.4	121.9	134.6	141.8	153.2	183.4
Paper and Printing	116.8	127.7	137.4	139.4	151.1	165.1	176.6	180.2	199.9	200.8	218.5
Miscellaneous Industries ...	110.3	113.2	120.6	129.2	127.5	133.1	130.2	140.9	150.5	148.7	157.5
Total Manufacturing Industries (percentage change)	113.6 (10.4)	127.6 (12.3)	142.5 (11.7)	149.2 (4.7)	153.9 (3.2)	169.6 (10.2)	178.8 (5.4)	201.6 (12.8)	242.1 (20.1)	261.9 (8.2)	305.5 (16.6)
Mining, Quarrying and Turf	117.3	94.7	123.0	116.5	107.0	98.6	114.6	116.4	137.4	139.5	119.1
Total Transportable Goods Industries	113.7	126.5	141.8	148.2	152.4	167.3	176.7	198.8	238.7	257.9	299.4
Electricity, Gas and Water	93.2	96.2	101.4	108.1	116.0	120.4	127.1	133.5	137.9	145.1	150.6
All Industries (percentage change)	111.4 (9.1)	123.2 (10.6)	137.5 (11.6)	143.8 (4.6)	148.4 (3.2)	162.2 (9.3)	171.3 (5.6)	191.7 (11.9)	227.9 (18.9)	245.8 (7.9)	283.5 (15.3)

TABLE 11
Agricultural Output, Input, Product and Income

	Estimated Value (£ million)					Volume Index Numbers 1990=100				
	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
1. Gross agricultural output (incl. value of changes in stocks)	3,431.1	3,398.8	3,576.1	3,538.4	3,315.4	102.3	101.1	104.5	107.0	106.8
of which: Cattle	1,348.5	1,282.6	1,321.8	1,147.7	1,093.0	103.8	98.7	104.0	105.7	105.8
Milk	1,131.9	1,138.9	1,211.5	1,209.4	1,116.3	98.8	100.1	100.4	100.6	100.2
2. Inputs of materials and services	1,431.0	1,573.0	1,670.7	1,735.2	1,649.9	106.9	116.3	120.9	121.8	116.9
3. Gross agricultural product (line 1 less line 2)	2,000.1	1,825.8	1,905.4	1,803.3	1,665.5	99.0	90.2	92.6	96.4	99.6
4. Income arising in Agriculture (line 3 less levies and depreciation, plus subsidies)	2,028.6	2,098.5	2,227.8	2,266.9	2,146.6					
5. Income from self-employment and other trading income	1,846.1	1,919.1	2,044.9	2,081.1	1,952.9					

TABLE 12

Estimated Labour Force (ILO) and Number at Work by NACE Economic Sector
(Thousands)

Economic Sector (NACE Rev. 1)										Labour Force Survey				QNHS
										April 1994	April 1995	April 1996	April 1997	Sep-Nov 1997
A-B	Agriculture, Forestry and Fishing									147.7	149.1	141.4	141.5	134.8
	Industry													
C-E	Other production industries									252.1	263.9	266.5	288.5	299.6
F	Construction									91.5	96.6	100.8	110.4	132.7
	Services													
G	Wholesale and retail trade									169.2	177.2	184.0	193.2	204.0
H	Hotels and restaurants									68.4	70.6	73.5	76.4	89.0
I	Transport, storage and communication									55.9	57.1	61.2	65.0	76.2
J-K	Financial and other business services									114.3	126.4	135.2	134.7	160.7
L	Public administration and defence									66.4	70.8	75.6	72.2	68.2
M-N	Education and health									181.5	192.1	209.9	212.9	215.5
O	Other services									73.6	77.9	80.4	85.1	91.6
TOTAL AT WORK										1,220.6	1,281.7	1,328.5	1,379.9	1,472.3
Unemployed										211.0	177.5	179.0	159.1	171.6
Seeking full-time work										186.4	153.5	151.3	136.6	132.3
Seeking part-time work										24.6	24.0	27.7	22.5	39.3
Labour Force										1,431.6	1,459.2	1,507.5	1,539.0	1,643.9
Unemployment Rate %										14.7	12.2	11.9	10.3	10.4

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		
(000's)				
1983	3,504	24	38	-14
1984	3,529	25	34	-9
1985	3,540	11	31	-20
1986	3,541	1	29	-28
1987	3,546	6	29	-23
1988	3,531	-16	26	-42
1989	3,510	-21	23	-44
1990	3,506	-4	19	-23
1991	3,526	20	22	-2
1992	3,555	29	26	3
1993	3,574	19	19	0
1994	3,586	12	14	-2
1995	3,601	15	13	2
1996	3,626	25	21	4
1997	3,661	35	27	8

*Figures rounded to nearest thousand.

**A minus sign denotes net outward migration.

TABLE 14
Price Index Numbers and Percentage Changes
(1990 = 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
1986	88.3	93.1	93.4	96.7	96.7	92.9	104.0
1987	91.0	93.6	97.2	92.2	96.6	92.8	104.1
1988	93.0	97.4	107.4	94.7	103.6	98.9	104.7
1989	96.8	102.9	112.8	99.8	110.5	105.3	104.9
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	103.2	101.2	96.4	100.4	99.3	102.3	97.0
1992	106.4	102.1	97.8	100.3	96.6	100.2	96.4
1993	107.9	106.9	104.2	100.3	103.9	105.4	98.6
1994	110.4	108.0	105.8	101.2	103.8	108.1	96.0
1995	113.2	110.3	108.1	102.8	105.7	112.7	93.7
1996	115.1	110.8	102.8	106.8	105.1	111.4	94.3
1997	116.8	110.2	96.2	105.1	106.3	112.0	94.9
1998 Jan	117.5		96.1	103.4	107.3	115.2	93.1
Feb	118.1		96.0	103.4	107.8	113.2	95.2
Mar	118.6		96.5	103.6	—	—	—
Apr	119.2		97.2	103.4	—	—	—
May... ..	119.7		—	—	—	—	—
June... ..	120.3		—	—	—	—	—
Percentage changes							
1986	3.9	-2.1	-0.5	-3.8	-7.3	-11.1	4.3
1987	3.2	0.5	4.1	-4.7	-0.1	-0.1	0.1
1988	2.1	4.1	10.5	2.7	7.2	6.6	0.6
1989	4.0	5.6	5.0	5.4	6.7	6.5	0.2
1990	3.4	-2.8	-11.3	0.2	-9.5	-5.0	-4.7
1991	3.2	1.2	-3.6	0.4	-0.7	2.3	-3.0
1992	3.0	0.8	1.5	-0.1	-2.7	-2.1	-0.6
1993	1.5	4.8	6.5	0.0	7.6	5.2	2.3
1994	2.4	1.0	1.5	0.9	-0.1	2.6	-2.6
1995	2.5	2.1	2.2	1.6	1.8	4.3	-2.4
1996	1.6	0.5	-4.9	3.9	-0.6	-1.2	0.6
1997	1.5	-0.4	-6.4	-1.6	1.1	0.5	0.6

TABLE 15

Hourly Earnings Indices in National and Common Currency Terms
(1987 = 100)

Hourly Earnings Indices in National Currency

Year	UK	USA	Germany	France	Italy	Japan	Main Partners	Ireland
1988	107.5	104.8	103.2	104.3	107.8	103.0	105.1	105.7
1989	117.0	108.2	106.3	108.8	117.8	106.9	110.9	111.8
1990	129.5	113.5	110.8	114.4	127.8	112.4	118.4	114.5
1991	139.3	117.9	116.1	119.5	139.1	117.2	125.6	119.2
1992	144.5	124.5	128.0	124.3	147.9	118.3	132.5	129.0
1993	146.6	128.0	132.6	127.9	153.9	119.0	136.4	137.4
1994	151.8	130.8	137.3	130.2	158.1	121.3	140.5	141.4
1995	156.3	133.9	142.2	133.4	166.6	122.3	144.7	142.8
1996	161.5	137.9	145.6	137.2	173.8	122.9	148.9	147.8
1997	169.4	143.7	148.8	141.7	181.4	125.1	154.3	153.5

Hourly Earnings Indices in Common Currency

Year	UK	USA	Germany	France	Italy	Japan	Main Partners	Ireland
1988	114.2	102.3	103.1	102.7	104.9	113.5	106.7	105.7
1989	122.5	113.3	106.4	107.3	116.7	117.4	113.6	111.6
1990	127.7	103.0	111.9	114.7	125.6	101.9	116.1	115.7
1991	140.3	110.0	117.4	118.8	135.7	117.6	124.9	120.4
1992	138.0	110.8	131.7	125.5	138.5	120.2	129.1	131.4
1993	132.5	125.8	141.9	133.6	125.1	152.2	134.2	133.2
1994	138.0	126.9	147.8	137.0	123.5	166.8	138.7	138.1
1995	133.0	118.5	157.3	141.7	116.9	165.9	138.4	135.7
1996	140.0	125.3	158.0	146.3	132.7	148.5	143.7	144.4
1997	172.5	146.1	157.0	148.4	140.6	152.1	155.6	159.3

TABLE 16
Retail Sales and New Private Car Licensing

Period	Index of Total Retail Sales (Seasonally Adjusted) 1990 = 100				New Private Car Licensing	
	Value Index	Year-on-Year % Change	Volume Index	Year-on-Year % Change	Total	Year-on-Year % Change
1986	82.1	1.9	92.4	-0.5	58,760	-1.4
1987	83.4	1.6	91.1	-1.4	54,341	-7.5
1988	87.4	4.8	93.0	2.1	61,888	13.9
1989	95.4	9.2	97.3	4.6	78,383	26.7
1990	100.0	4.8	100.0	2.8	83,420	6.4
1991	101.8	1.8	99.9	-0.1	68,533	-17.8
1992	106.2	4.3	102.2	2.3	67,861	-1.0
1993	109.4	3.0	103.6	1.4	60,792	-10.4
1994	118.0	7.9	109.3	5.5	77,773	27.9
1995	123.7	4.8	112.4	2.8	82,730	6.4
1996	134.0	8.3	119.4	6.2	109,333	32.2
1997	145.4	8.5	128.8	7.9	125,818	15.1
1995 Q1	120.4	1.9	110.2	-0.2	29,430	-2.5
Q2	121.7	4.8	110.8	2.9	27,214	3.1
Q3	124.7	5.9	113.1	4.0	19,162	22.4
Q4	126.6	6.1	114.4	4.1	6,924	25.1
1996 Q1	130.8	8.6	117.4	6.5	38,814	31.9
Q2	133.5	9.7	119.3	7.7	37,287	37.0
Q3	133.4	7.0	118.5	4.8	22,703	18.5
Q4	137.1	8.3	121.3	6.0	10,529	52.1
1997 Q1	139.7	6.8	124.1	5.7	41,211	6.2
Q2	142.4	6.7	126.3	5.9	38,704	3.8
Q3	145.8	9.3	129.0	8.9	25,622	12.9
Q4	152.0	10.9	133.9	10.4	20,281	92.6
1998 Q1	154.5	10.6	136.5	10.0	n.a.	n.a.

TABLE 17
Value and Volume of Exports and Imports*

Year	Value at Current Prices (£ million)			Volume Index 1990 = 100			
	Imports	Exports	Trade Balances	Exports		Imports	
				Volume	% Change	Volume	% Change
1986	8,621.3	9,374.3	753.0	67.6	3.7	74.4	2.9
1987	9,155.2	10,723.5	1,568.3	77.4	14.5	79.1	6.3
1988	10,214.8	12,304.8	2,090.0	82.9	7.1	82.8	4.7
1989	12,284.3	14,597.0	2,312.7	92.2	11.2	93.6	13.0
1990	12,468.8	14,336.7	1,867.9	100.0	8.5	100.0	6.8
1991	12,850.8	15,018.9	2,168.1	105.6	5.6	100.8	0.8
1992	13,194.8	16,743.8	3,549.0	121.1	14.7	105.6	4.8
1993	14,884.7	19,829.7	4,945.0	133.4	10.2	113.0	7.0
1994	17,283.4	22,753.4	5,470.0	153.2	14.8	127.9	13.2
1995	20,619.1	27,824.7	7,205.6	184.0	20.1	146.3	14.4
1996	22,429.4	30,407.0	7,977.6	202.2	9.9	160.9	10.0
1997	25,792.0	35,005.0	9,213.0	230.2	13.8	184.1	14.4

*On a trade statistics basis. The trade balance on a balance of payments basis is shown in Table 21.

TABLE 18
Sectoral Origin of Exports

Category	1992		1993		1994		1995		1996		1997	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Agricultural	2,618.9	15.6	2,540.3	12.8	2,613.4	11.5	2,943.2	10.6	2,499.1	8.2	2,508.5	7.2
Forestry and Fishing	212.7	1.3	211.5	1.1	232.0	1.0	260.0	0.9	289.8	1.0	263.7	0.8
Industrial	13,765.5	82.2	16,145.0	81.4	19,245.4	84.6	23,954.7	86.1	27,058.1	89.0	31,665.3	90.4
Unclassified	146.7	0.9	932.9	4.7	662.6	2.9	666.8	2.4	560.0	1.8	567.5	1.6
Total	16,743.8	100.0	19,829.7	100.0	22,753.4	100.0	27,824.7	100.0	30,407.0	100.0	35,005.0	100.0

TABLE 19
Distribution of Imports according to Main Use

Use Category	1992		1993		1994		1995		1996		1997	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Producer's capital goods	1,424.3	10.8	1,389.8	9.3	1,704.6	9.9	2,054.8	10.0	2,393.1	10.7	2,982.8	11.6
Consumption goods	3,718.7	28.1	3,507.3	23.6	3,899.1	22.6	4,198.8	20.4	4,781.9	21.3	5,503.2	21.3
of which												
– Food, drink & tobacco	1,034.5	7.8	990.2	6.7	1,123.8	6.5	1,185.8	5.8	1,281.5	5.7	1,398.4	5.4
– Other	2,684.2	20.3	2,517.1	16.9	2,775.3	16.1	3,013.0	14.6	3,500.4	15.6	4,104.8	15.9
Material for further processing	7,978.1	60.5	8,916.8	59.9	10,511.7	60.8	13,090.4	63.5	13,949.5	62.2	16,033.3	62.2
of which												
– Agriculture	460.9	3.5	466.8	3.1	533.6	3.1	563.3	2.7	569.2	2.5	517.5	2.0
– Other	7,517.2	57.0	8,450.0	56.8	9,978.1	57.7	12,527.1	60.8	13,380.3	59.7	15,514.7	60.2
Unclassified	73.7	0.6	1,070.8	7.2	1,168.0	6.7	1,275.1	6.1	1,304.9	5.8	1,272.7	4.9
Total	13,194.8	100.0	14,884.7	100.0	17,283.4	100.0	20,619.1	100.0	22,429.4	100.0	25,792.0	100.0

TABLE 20
Percentage Distribution of Trade by Area

Areas	Exports		Imports	
	1996	1997	1996	1997
EUROPEAN UNION	68.4	66.6	56.8	55.3
United Kingdom	24.6	24.3	34.8	33.9
of which: Great Britain	21.9	21.4	31.9	31.1
Northern Ireland	2.7	2.9	2.9	2.8
Germany	13.1	12.5	6.8	6.0
France	8.2	7.9	3.9	4.7
Netherlands	6.7	6.8	3.0	3.2
Belgium and Luxembourg	4.7	5.0	1.3	1.1
Italy	3.6	3.3	2.1	1.8
Other EU	7.5	6.8	4.9	4.6
OTHER EUROPEAN COUNTRIES	6.3	5.4	3.8	3.5
OTHER COUNTRIES	22.0	25.2	35.3	37.9
United States	9.3	11.4	15.4	15.0
Japan	2.8	3.2	5.4	6.9
Trade Not Classified by Country	3.3	2.8	4.1	3.3
TOTAL	100.0	100.0	100.0	100.0
of which				
OECD	86.0	86.7	81.0	81.2

TABLE 21
Balance of International Payments (£ million)

	1992	1993	1994	1995	1996	1997
Current Account						
Merchandise Trade*	3,501	4,826	5,396	7,459	8,756	11,084
Services	-1,217	-1,366	-1,978	-2,991	-3,783	-4,690
– Tourism**	432	532	426	411	514	645
– Other Services	-1,649	-1,898	-2,404	-3,402	-4,297	-5,335
Net Factor Income	-3,209	-3,521	-3,576	-4,508	-5,151	-6,322
Current Transfers	1,245	1,309	1,156	1,110	1,354	1,290
Balance on Current Account	320	1,248	998	1,070	1,176	1,362
as % of GNP	1.2	4.3	3.2	3.1	2.3	3.2
Capital and Financial Account						
Capital Transfers	463	513	251	511	489	578
Private Capital	-742	-471	-1,375	-1,824	-535	-2,661
Official Capital	-167	542	-1,335	24	38	-2,180
Credit Institutions Transactions	-1,344	-844	140	1,798	-1,229	-303
Official External Reserves	1,201	-1,756	102	-1,443	55	754
Balance on Capital Account	-589	-2,016	-2,217	-934	-1,182	-3,812
Net Residual	269	768	1,219	-136	6	2,450

*Adjusted for balance of payments purposes.

**Including passenger fare receipts.

TABLE 22
Interest Rates: End Period

End of Year/Period	One Month Interbank Rate (%)	Associated Banks ¹ Prime Rate (%)	Mortgage Rate ² (%)
1983	12.2	12.8	11.75
1984	15.0	14.8	11.75
1985	10.4	10.5	9.75
1986	13.7	13.5-14.0	12.50
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			
Q1	5.10	5.52-5.65	6.85-7.29
Q2	5.20	5.73-5.75	6.50-6.75
Q3	5.60	6.13-6.20	6.60-7.00
Q4	5.74	6.25-6.29	6.60-7.00
1997			
Q1	5.65	6.25-6.29	6.60-7.00
Q2	6.25	6.75-6.81	7.10-7.50
Q3	6.23	6.75-6.81	7.10-7.85
Q4	6.43	6.81-7.00	7.10-7.85
1998			
Q1	6.20	6.62-6.74	7.10-7.85
Q2	6.31	6.75-6.94	7.10-7.85

¹ Rates shown for times 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.

² The representative mortgage rate above refers to building society annuity mortgage rates.

The Central Bank now quotes a range of representative mortgage rates rather than a single rate as in the past.

Source: Central Bank of Ireland.

TABLE 23
Exchange Rates: Units per Irish Pound (Period Averages)

				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
1995	Q1	...	...	1.57	0.99	2.32	1.24	66.6
	Q2	...	...	1.63	1.02	2.27	1.22	67.1
	Q3	...	...	1.61	1.02	2.31	1.23	67.4
	Q4	...	...	1.60	1.03	2.28	1.22	67.4
1996	Q1	...	...	1.58	1.03	2.32	1.23	67.6
	Q2	...	...	1.57	1.03	2.39	1.25	68.1
	Q3	...	...	1.61	1.03	2.41	1.26	68.78
	Q4	...	...	1.64	1.01	2.51	1.30	69.43
1997	Q1	...	...	1.60	0.98	2.64	1.35	69.67
	Q2	...	...	1.53	0.93	2.61	1.33	67.48
	Q3	...	...	1.48	0.91	2.67	1.35	66.80
	Q4	...	...	1.48	0.89	2.59	1.31	65.74
1998	Q1	...	...	1.38	0.84	2.50	1.27	62.63
	Q2	...	...	1.41	0.85	2.52	1.28	63.66

Source: Central Bank of Ireland.