

QUARTERLY ECONOMIC COMMENTARY

SEPTEMBER, 1984

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Price IR£10 per copy or IR£30 per year

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SUMMARY

As 1984 enters its final months, the condition of the economy is a curious mixture of good and bad features. The boom in exports continues unabated, far exceeding what could be expected merely on the basis of a mildly favourable external climate. Industrial production is expanding very rapidly, accompanied by a large increase in productivity and by relatively moderate pay settlements. The increase in unemployment has abated to a rate which suggests that total non-agricultural employment may have risen slightly since the beginning of the year. On the other hand there is no sign that unemployment might actually fall, the balance of payments deficit seems unlikely to fall below £780 million in 1984, and the public finances remain in fundamental imbalance. Largely because of this last feature, general optimism and confidence in the economy is far lower than would be expected in a year when the growth in real GNP is likely to be about 2½ per cent after two years of decline.

A preliminary examination of prospects for 1985 goes far to explain this mood. On the assumption of broadly unchanged policies it is possible to project a growth rate of about 2 per cent for 1985, with a marked reduction in the level of consumer price inflation and an increase in employment sufficient to stabilise the unemployment rate. However, such an outcome would result in no significant improvement in the public finances, with additional interest payments eating away any buoyancy in general tax revenue.

Because of the cumulative nature of the debt problem, where each year of continued external borrowing makes it progressively harder to balance the following year's budget, this projected outcome for 1985 is profoundly unsatisfactory. If hope is to be restored for renewed expansion of living standards and social services in future years, it is imperative that advantage is taken of relatively favourable conditions in 1985 to reduce drastically the level of external borrowing, and thus to check the growth in the proportion of tax revenue which has to be spent on interest payments to foreign banks. The immediate cost will be a rather lower growth rate than projected, and some further rise in unemployment, but the alternative is that the adjustment will be the more severe the longer it is delayed.

FORECAST NATIONAL ACCOUNTS 1984

A: Expenditure on Gross National Product

| | 1983 | | 1984 | | Change in 1984 | | | |
|--|---------------|----------------|-------------|--------|----------------|-------|--------|--|
| | Prelim. £m | Forecast £m | Total £m | Volume | Total % | Price | Volume | |
| Private Consumer Expenditure ... | 8536 | 9526 | 990 | 190 | 11½ | 9¼ | 2¼ | |
| Public Net Current Expenditure ... | 2912 | 3152 | 240 | -22 | 8¼ | 9 | -¾ | |
| Gross Domestic Fixed Capital Formation | 3299 | 3509 | 210 | -49 | 6½ | 8 | -1½ | |
| Exports of Goods and Services (X) ... | 7719 | 9560 | 1841 | 1025 | 23¾ | 9¼ | 13¼ | |
| Physical Changes in Stocks ... | 85 | 65 | -20 | -25 | | | | |
| Final Demand ... | 22551 | 25812 | 3261 | 1119 | 14½ | 9 | 5 | |
| less: | | | | | | | | |
| Imports of Goods and Services (M) ... | 8074 | 9590 | 1516 | 624 | 18¾ | 10¼ | 7¾ | |
| GDP at market prices ... | 14477 | 16222 | 1745 | 495 | 12 | 8¼ | 3½ | |
| less: | | | | | | | | |
| Net Factor Payments (F) ... | 1176 | 1470 | 294 | 170 | 25 | 9¼ | 14½ | |
| GNP at market prices ... | 13301 | 14752 | 1451 | 325 | 11 | 8¼ | 2½ | |

B: Gross National Product by Origin

| | 1983 | | 1984 | | Change in 1984 | |
|------------------------------------|---------------|----------------|-----------------|-----|----------------|--|
| | Prelim. £m | Forecast £m | Change in £m | % | | |
| Agriculture, Forestry, Fishing ... | 1222 | 1271 | 49 | 4 | | |
| Non-Agricultural: Wages etc. ... | 7899 | 8619 | 720 | 9 | | |
| Other ... | 2212 | 2707 | 495 | 22½ | | |
| less: | | | | | | |
| Net Factor Payments ... | 1176 | 1470 | 294 | 25 | | |
| National Income ... | 10157 | 11127 | 970 | 9½ | | |
| Depreciation ... | 1320 | 1480 | 160 | 12 | | |
| GNP at factor cost ... | 11477 | 12607 | 1130 | 9¾ | | |
| Taxes less subsidies ... | 1824 | 2145 | 321 | 17½ | | |
| GNP at market prices ... | 13321 | 14752 | 1451 | 11 | | |

C: Balance of Payments on Current Account

| | 1983 | | 1984 | | Change in 1984 | |
|--------------------------------|---------------|----------------|-----------------|--|----------------|--|
| | Prelim. £m | Forecast £m | Change in £m | | | |
| X—M ... | -355 | -30 | +325 | | | |
| F ... | -1176 | -1470 | -294 | | | |
| Net Transfers ... | 668 | 720 | +52 | | | |
| Balance on Current Account ... | -863 | -780 | +83 | | | |

FORECAST NATIONAL ACCOUNTS 1985

A: Expenditure on Gross National Product

| | 1984 | | 1985 | | Change in 1985 | | | |
|--|----------------|----------------|-------------|-------------|----------------|------------|------------|-------------|
| | Forecast £m | Forecast £m | Total £m | Total £m | Volume % | Total % | Price % | Volume % |
| Private Consumer Expenditure ... | 9526 | 10407 | 881 | 200 | 9¼ | 7 | | 2 |
| Public Net Current Expenditure ... | 3152 | 3372 | 220 | -16 | 7 | 7½ | | -½ |
| Gross Domestic Fixed Capital Formation | 3509 | 3834 | 325 | 104 | 9¼ | 6 | | 3 |
| Exports of Goods and Services (X) ... | 9560 | 11049 | 1489 | 837 | 15½ | 6¼ | | 8¾ |
| Physical Changes in Stocks ... | 65 | 100 | 35 | 20 | | | | |
| Final Demand ... | 25812 | 28762 | 2950 | 1145 | 11½ | 6¾ | | 4½ |
| less: Imports of Goods and Services (M) ... | 9590 | 10950 | 1360 | 719 | 14¼ | 6¼ | | 7½ |
| GDP at market prices ... | 16222 | 17812 | 1590 | 426 | 9¾ | 6¾ | | 2¾ |
| less: Net Factor Payments ... | 1470 | 1676 | 206 | 118 | 14½ | 6¼ | | 8 |
| GNP at market prices ... | 14752 | 16136 | 1384 | 308 | 9¼ | 7 | | 2 |

B: Gross National Product by Origin

| | 1984 | | 1985 | | Change in 1985 | |
|------------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| | Forecast £m | Forecast £m | Forecast £m | Forecast £m | Change in £m | Change in % |
| Agriculture, Forestry, Fishing ... | 1271 | 1359 | 88 | 7 | | |
| Non-Agricultural: Wages etc. ... | 8619 | 9352 | 733 | 8½ | | |
| Other ... | 2707 | 3099 | 392 | 14½ | | |
| less: Net Factor Payments ... | 1470 | 1676 | 206 | 14½ | | |
| National Income ... | 11127 | 12134 | 1007 | 9 | | |
| Depreciation ... | 1480 | 1643 | 163 | 11 | | |
| GNP at factor cost ... | 12607 | 13777 | 1170 | 9¼ | | |
| Taxes less subsidies ... | 2145 | 2359 | 214 | 10 | | |
| GNP at market prices ... | 14752 | 16136 | 1384 | 9¼ | | |

C: Balance of Payments on Current Account

| | 1984 | | 1985 | | Change in 1985 | |
|--------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| | Forecast £m | Forecast £m | Forecast £m | Forecast £m | Change in £m | Change in % |
| X - M ... | -30 | 99 | +129 | | | |
| F ... | -1470 | -1676 | -206 | | | |
| Net Transfers ... | 720 | 795 | +75 | | | |
| Balance on Current Account ... | -780 | -782 | -2 | | | |

COMMENTARY

The International Economy

Introduction

The economic performance of the OECD area and its future prospects continue to be influenced by events in the United States to an even greater degree than its large weight in the area's economy might suggest. OECD growth in 1984 is expected to top 4 per cent for the first time since 1976. This is largely based on US growth of nearly 7 per cent, and an associated increase of more than 20 per cent in the volume of US imports, providing a major boost to activity in the rest of the world. The anticipated deceleration of OECD growth to 3 per cent in 1985 is almost wholly a North American phenomenon, with growth in Western Europe expected to continue at around 2¼ per cent. Most assessments of European prospects emphasise, however, the importance of US fiscal and monetary policies, together with interest and exchange rate trends, which could disturb the modest European recovery.

Developments and Prospects

The 1984 growth forecast for the US of 6¾ per cent is some 1¾ per cent higher than in the last *Commentary* because of unexpectedly strong levels of activity in the first half of the year. Business investment and stockbuilding were the major contributory factors, but higher than expected employment also played a part in increasing growth by supporting greater consumption. All of these stimuli are expected to moderate: slower employment growth and a turnaround towards higher inflation will restrain consumption, while high interest rates will dampen investment, including inventory investment which is likely to fall after two years of strong growth. As a result, growth in the remainder of the period to end 1985 is expected to be at a slower pace. Canadian growth is also expected to slow down to about half of this year's rate, but buoyant domestic demand in Japan is thought likely to keep the growth rate there close to 4½ per cent in 1985, despite the reduced growth stimulus from the US.

Forecast growth for Western Europe is up marginally to 2¼ per cent, despite industrial relations difficulties in two of the major economies. In the absence of the coal miners' strike, growth in the UK of just over 2½ per cent might have been expected in 1984, with a slight slowing in 1985; this pattern is now reversed, with a reduction to 2¼ per cent in 1984 and a rebound to 2½ per cent in 1985. In spite of the IG Metall dispute, growth in Germany is likely to reach 3 per cent, slowing fractionally in 1985. Growth prospects in other European countries are slightly better than was thought previously. Similar growth rates are expected in 1985 for most countries, with France and Belgium showing the most significant improvements, to catch up towards the average. Broadly

TABLE 1: Short-term International Outlook

| Country | GNP/GDP % Change | | Consumer Prices % Change | | Hourly Earnings % Change | | Unemployment Rate | | Budget Deficit as % of GNP/GDP | | Current Account Balance as % of GNP/GDP | |
|---------------|------------------------|------|--------------------------------|------|--------------------------------|------|----------------------|------|--------------------------------------|------|---|------|
| | 1984 | 1985 | 1984 | 1985 | 1984 | 1985 | 1984 | 1985 | 1984 | 1985 | 1984 | 1985 |
| United States | 6¾ | 3 | 4¼ | 5½ | 5¼ | 6 | 7¼ | 7 | 3 | 3½ | -2½ | -2½ |
| Canada | 4¼ | 2½ | 5 | 5½ | 5½ | 6 | 11¼ | 11 | 5½ | 4½ | ½ | ¼ |
| Japan | 4¾ | 4¼ | 2¼ | 2¾ | 4¾ | 5¼ | 2½ | 2½ | 2¼ | 1½ | 2½ | 2½ |
| West Germany | 3 | 2¾ | 3 | 3¼ | 4¼ | 4½ | 8 | 7¾ | 1½ | ½ | ¾ | 1½ |
| France | 1 | 1¾ | 7½ | 5¾ | 7½ | 5¾ | 9¾ | 10½ | 3½ | 3½ | -½ | 0 |
| UK | 2¼ | 2½ | 5½ | 5¼ | 8 | 8 | 11½ | 11½ | 2¾ | 2½ | ¼ | ¼ |
| Italy | 2¼ | 2½ | 10¾ | 8¼ | 11½ | 8½ | 10¼ | 10½ | 12½ | 13 | -¼ | 0 |
| Belgium | 1¼ | 1¾ | 6½ | 5½ | 4½ | 4½ | 14½ | 15 | 10¼ | 10¼ | -½ | 1½ |
| Denmark | 2¾ | 2¾ | 5½ | 4½ | 5 | 4 | 10½ | 10 | 6 | 5 | -2½ | -1¾ |
| Netherlands | 1¾ | 1¾ | 3¼ | 3 | 1¾ | 1¾ | 15 | 15½ | 6 | 5½ | 2¾ | 3¾ |
| Sweden | 3 | 2½ | 6½ | 5½ | 8½ | 7½ | 3 | 3 | 3½ | 3¼ | ½ | 1¼ |
| Total (OECD) | 4½ | 3 | 5¼ | 5½ | 5 | 6 | 8¼ | 8¼ | 3½ | 3½ | -½ | -½ |
| Ireland | 2½ | 2 | 9¼ | 7 | 9 | 7 | 16 | 16½ | 7½* | 7* | -5 | -4½ |

Sources: OECD *Economic Outlook* July 1984, NIESR *National Institute Economic Review* August 1984, London Business School Centre for Economic Forecasting *Economic Outlook* June 1984.

*Not comparable with OECD estimates for other countries, which are based on a wider definition.

speaking, West European growth in 1984 is fairly balanced between private consumption, net exports and investment. The outlook for 1985 is for continued growth in these components of demand. Falling or stable inflation rates suggest that savings ratios are not likely to rise, so further consumption growth can be expected; there is less likelihood than in the US of interest rate increases choking off the higher investment which improved profits will sustain; and barring a collapse of the dollar, Europe's competitive position would suggest that net exports can continue to increase significantly.

There have been no marked changes in the orientation of fiscal and monetary policies in the major OECD economies in recent months. An increased structural budget deficit in the US seems likely to be offset by restraint elsewhere, with little overall change in the OECD. The general rise in activity will, however, bring actual deficits down in 1984 in many countries; the aggregate deficit will fall as a percentage of GDP for the first time since 1979, though it will remain at a high level. This downward trend in actual deficits is expected to continue during 1985 in most countries, counterbalanced in aggregate by a higher structural deficit in the US, unless more restrictive measures than are currently envisaged are implemented there. Monetary growth targets have been lowered by a percentage point or two in the US, Germany, France and the UK, and in most countries key aggregates are within the target ranges. The US prime lending rate moved up a further ½ per cent in late June, bringing it to 13 per cent. Interest rates in Germany and other EMS countries have not responded to this change, which has further strengthened the dollar. UK base rates were increased sharply soon afterwards, from 9¼ to 12 per cent. The proximate cause of this action was a slide in the value of sterling; the root cause may have been the doubts cast on the authorities' anti-inflationary resolve by the June money supply figures, but the tightening of policy brought the July figures back to the top end of the target range, and allowed a fall in base rates to 10½ per cent.

The major uncertainty on the policy front concerns the US fiscal/monetary policy mix. Some measures to restrict the growth of the federal budget deficit have already been discounted by financial markets, but it is not widely expected that the deficit will be cut soon enough to accommodate rising private sector demand for credit without some further interest rate increases in the short term. Slower real growth from the third quarter of this year, and a credible commitment to reduce the budget deficit, might reverse these increases, but this possibility is linked with the evolution of the dollar's value and of monetary policy.

The dollar has advanced since March because faster than expected growth led to higher US interest rates, and industrial unrest depressed sterling and the Deutschmark. The prospect of further interest rate increases, as outlined above, could lead to a still stronger dollar in the short term. If, as is widely held, large budget deficits have pushed up interest rates and the dollar, action to reduce these deficits may be expected to exert some downward pressure in the longer term. Recent current account balance of payments deficits, growing to close to \$100 billion this year, will automatically worsen the US net foreign investment income position. This will add to other depressing influences on the dollar's value, even if it does not precipitate a basic re-evaluation of the dollar's strength. It seems likely, therefore, that the dollar's rise may be reversed during the first half of 1985. The continuation of its steep climb through 1984 has raised fears of a future collapse, but we assume, in line with most predictions, that the fall will be a gradual one. One reason is that any improvement in the current account balance of payments deficit will throw more of the burden of financing the federal budget deficit onto domestic sources. Unless the Federal Reserve Board relaxes monetary policy, which seems unlikely given its concern with inflation, this will tend to raise interest rates still further. Rising interest rates will moderate any fall in the dollar, although they are unlikely to completely counteract the downward pressure.

In brief, future fiscal contraction by the US may be associated with high interest rates and a falling dollar. On balance, this would reduce growth in the US and the stimulus given to the rest of the world. It seems unlikely that fiscal expansion in Europe will take up the slack, despite calls for the co-ordinated expansion of demand; the current UK and German governments are strongly opposed to such measures, while the practical difficulties of co-ordination require strong commitment from all parties to such a scheme. A falling dollar might allow lower interest rates in countries whose currency would strengthen, such as Germany, Japan and Switzerland, but not if there were significant increases in US rates. In any case a somewhat cautious policy might be expected, since recent efforts to "decouple" from US interest rates have greatly widened interest rate differentials. The EMS members with weaker currencies would not be in a position to follow German interest rate reductions if parities were to be maintained. With these uncertainties the outlook beyond 1985 is perhaps not so bright, though at the moment slow growth rather than a fall in activity seems more likely.

OECD unemployment is likely to stabilise at 8¼ per cent of the labour force in 1984 and 1985, just below the 1983 peak. The fall in 1984 is mainly due to the drop in US unemployment from 9.6 per cent to 7¼ per cent, while unemployment in Europe has risen somewhat. The fall in US unemployment is set to

slow, as labour force participation rates increase, but the broadening of the European recovery should limit the rise in unemployment there. The recovery has been just sufficient to halt the overall rise in unemployment at a high level, not to reduce it significantly.

Given the weak state of the labour market in most countries, nominal wage increases are expected to remain quite modest. Continuing productivity growth will also tend to limit increases in unit labour costs, though 1985 will see some acceleration. Commodity price trends are likely to show wide variation both within and between groups. Metals and minerals are expected to respond to higher levels of activity now that stocks have been drawn down somewhat, and will recover from price falls in the latter half of 1983. Agricultural raw material prices are expected to grow slowly in both 1984 and 1985. Food prices are likely to fall from the high levels of early 1984 and to recover slowly through 1985, yielding a year on year increase in 1984, but a fall in 1985. Oil prices may increase slightly by end 1985, but this could be counterbalanced by a fall in the dollar. Consumer price inflation is expected to slow or remain stable in Western European countries, but to pick up slightly in the US.

The volume of world trade grew by 1½ per cent in 1983 with trade in manufactures increasing slightly faster. Trade volumes are expected to grow by about 7½ per cent in 1984, slowing to around 5½ per cent in 1985. LDC imports will be restrained by debt financing difficulties, especially if interest rates continue to rise. A dollar fall could alleviate the burden of dollar-denominated debt, but might also reduce export earnings from commodities with dollar-determined prices. Intra OECD trade is expected to experience only a mild slowdown in 1985.

Forecast growth in Irish export markets for 1985 is down slightly from the 1984 rate, but is close to that which obtained in 1983. We retain the assumption of a constant effective exchange rate for the Irish currency, but expect that an eventual fall in the dollar will help to reduce Irish inflation, even if technically matched by the appreciation of other currencies. The foreign investment outlook for 1984 is quite good, but the anticipated slowing of US investment is not a good sign for 1985.

The Domestic Economy

General

For the past few months there have been contradictory signals concerning the state of the Irish economy. On the one hand there has been a spate of news concerning commercial failures, factory closures and emergency fiscal measures. On the other hand official economic indicators show that in the first half of the year exports were even more buoyant than expected, industrial output was rising at an almost unprecedented rate and the increase in unemployment was slower than most commentators had predicted.

In attempting to explain these apparent contradictions and to assess the balance between recovery and continuing stagnation the task of the commentator is complicated by the recent revisions to the National Accounts. The figures quoted in earlier forecasts have thus been rendered obsolete, although the general outline of those forecasts remains valid.

Exports

Merchandise exports in the first half of 1984 were almost 36 per cent higher in value than in the corresponding period of 1983. When allowance is made for higher prices, it is likely that the increase in volume was more than 25 per cent. Even when allowance is made for such special factors as the low-price disposal of intervention stocks of milk powder and the operation of the Alcan plant, this remains a powerful export performance. New industries, especially in the electronics and chemical fields, are responsible for much of the growth, but there have also been substantial increases in the value of most other manufactured exports, including textiles and clothing.

While sales out of intervention tend to be erratic, there seems no reason why other exports should not continue to grow through the remainder of the year. Because the second half of 1983 saw a major recovery in exports, the annual rate of growth will appear less spectacular in the second half of 1984 than in the first, even though the seasonally corrected quarterly level continues its upward trend.

TABLE 2: Exports of Goods and Services

| | 1983 | % Change | | 1984 | % Change | | 1985 |
|-------------------------------|------|----------|-------|------|----------|-------|-------|
| | £m | Volume | Value | £m | Volume | Value | £m |
| Agricultural | 1466 | 6 | 11¼ | 1630 | 3½ | 7 | 1744 |
| Manufactured | 4355 | 18¼ | 30 | 5635 | 10¾ | 18 | 6650 |
| Other Industrial | 1065 | 15 | 30 | 1384 | 11¼ | 19 | 1646 |
| Other | 70 | 0 | 8½ | 77 | 0 | 6 | 81 |
| Total Visible | 6956 | 15 | 25½ | 8726 | 9½ | 16 | 10121 |
| Adjustments | -152 | | | -193 | | | -195 |
| Merchandise Exports | 6804 | 14¾ | 25½ | 8533 | 9½ | 16¼ | 9926 |
| Tourism | 524 | 4¼ | 14¼ | 597 | 3 | 10¼ | 658 |
| Other Current Receipts | 391 | ¾ | 10 | 430 | 1 | 8 | 465 |
| Exports of Goods and Services | 7719 | 13¼ | 23¾ | 9560 | 8¾ | 15½ | 11049 |

With regard to 1985 it is prudent to project a slower rate of growth. The effect of the first year's production at the Alcan plant will no longer be apparent, the boom in the world electronics market might begin to taper off, and Ireland's competitiveness vis a vis the USA may be somewhat eroded by a belated but modest fall in the value of the dollar. Nevertheless, with output per head still improving and moderate wage increases covering most of 1985, it seems reasonable to expect that the volume of industrial exports will continue to increase at above the average annual rate of the past ten years. For agricultural products it is assumed that efforts to restrict the growth of intervention stocks will lead to a modest increase in the volume of exports.

Forecast movements in visible exports for 1984 and projections for 1985 are shown in Table 2. This also shows the expectation that 1984 will prove to have been a successful year for foreign tourism, with another good year projected for 1985.

Stocks

Substantial revisions have been made to official estimates of physical changes in stocks for the years 1975 to 1982. Consequently it now appears that the build-up in stocks in 1983 was lower than previously estimated.

With regard to 1984, a fall in cattle numbers will result in a reduction in the value of livestock on farms. From transactions so far completed it seems likely that the rise in intervention stocks in 1984 will be substantial, although very much lower than in 1983. Of course, any deviation from this expectation will tend to be reflected in the volume of agricultural exports. Other stocks are forecast to rise only marginally, although this in itself will be a major change from the heavy run-down seen in 1983. At this stage of the cycle one would normally expect a substantial increase in non-agricultural stocks, but import statistics taken in conjunction with industrial output and retail sales returns show no evidence of significant stock-building. It could well be that continuing uncertainty concerning the strength of economic recovery, combined with high real interest rates, is inducing caution in raising stock levels.

TABLE 3: Stock Changes

| | 1983 £m | Change in Rate £m | 1984 £m | Change in Rate £m | 1985 £m |
|---------------------------|------------|----------------------|------------|----------------------|------------|
| Livestock on Farms | -2 | -18 | -20 | 0 | -20 |
| Irish Intervention Stocks | 178 | -103 | 75 | -15 | 60 |
| Other Non-ag. Stocks | -91 | +101 | 10 | +50 | 60 |
| Total | 85 | -20 | 65 | +35 | 100 |

Table 3 summarises stock forecasts for 1984. It also projects possible movements in 1985, but these must be treated as highly tentative at present. A further reduction in livestock numbers seems a reasonable expectation, but movements in intervention stock levels are almost impossible to predict more than twelve months in advance. The projection of a moderate increase in non-agricultural stocks is compatible with the general forecast for the economy.

Investment

On the evidence of cement sales, building employment and housing statistics, the modest reduction in construction activity which was implicit in the public capital programme seems to be taking place. Imports of capital goods are running at about the same seasonally corrected level by value as in the second half of 1983 and almost 10 per cent above the first half of 1983. Allowing for price increases, for a slight upturn in the remainder of the year, and for some purchases of equipment from domestic sources, a marginal increase in the volume of investment in machinery and equipment is shown in Table 4.

Partly because total investment has been so low in 1984, a modest volume increase is projected for 1985, with most of the impetus expected to come from the private sector, including housing.

TABLE 4: Gross Fixed Capital Formation

| | 1983 | | % Change | | 1984 | | % Change | | 1985 £m |
|---------------------------|------|--------|----------|-------|------|--------|----------|------|------------|
| | £m | Volume | Volume | Value | £m | Volume | Value | | |
| Building and Construction | 1849 | -3 | | 4 | 1924 | 2¼ | 8½ | 2087 | |
| Machinery and Equipment | 1450 | ¼ | | 9¼ | 1585 | 3¼ | 10¼ | 1747 | |
| Total | 3299 | -1½ | | 6½ | 3509 | 3 | 9¼ | 3834 | |

Private Consumption

The fall in the volume of retail sales in the first quarter of 1984 was unexpectedly deep, compared with either the first or the last quarter of 1983. Changing seasonal influences might account for some of the fall, but even allowing for this it is clear that the recovery seen in the last quarter of 1983 did not maintain its momentum. There was, however, a considerable recovery in retail sales volume in April and May. On balance it seems likely that there will be an increase in the volume of consumption for the year as a whole, but that the increase of 2¼ per cent will be rather less than was forecast in the *May Commentary*. In part this downward revision to the forecast volume of consumption is due to an upward adjustment to the forecast for consumer prices, so that a similar increase in money spending will result in the purchase of fewer goods or services. Even this revised consumption forecast will depend on a reduction in the savings ratio, as real disposable personal income is not expected to increase significantly.

If the general economic projection for 1985 is correct and on the assumption of no major changes in real tax levels, then personal disposable incomes in 1985 could rise by about 1¾ per cent in real terms, and the volume of consumption by about 2 per cent.

Public Current Expenditure

On the evidence of the mid-year figures, Government spending on supply services appears to be running fairly close to budgeted levels. Moreover, it seems increasingly unlikely that 1984 pay levels in the direct public service will be drastically above those allowed for in the estimates. Net expenditure by public authorities on current goods and services, to give the National Accounts item its full resounding title, thus seems likely to rise by about 8¼ per cent in 1984, implying a volume fall of perhaps ¾ per cent.

For 1985, a fall of ½ per cent in volume is assumed, as representing a continuation of present policies, converting into a rise of 7 per cent in value, when prices, including pay, are taken into account. It should perhaps be stressed that this is merely a working assumption, and represents neither a forecast of the most likely policy stance nor a recommendation of the most desirable policy. Some discussion of such matters can be found later in this *Commentary*.

Output

Under the stimulus of buoyant exports, industrial production has continued its rapid rise in 1984. For the first six months of the year, the index of manufacturing production was 12.9 per cent above the corresponding period of 1983. If the average seasonally corrected level of January to June were merely to be maintained for the remainder of the year, annual output would be 10.4 per cent higher than in 1983. Given even a modest upward trend during the year, the annual increase in 1984 could well be over 12 per cent, compared with a rise of 7.1 per cent in 1983.

Although the size of the increase owes much to the rise of over 50 per cent in the output of office and data processing machinery, the broadening base of the industrial recovery can be seen in the fact that seven out of the ten industry groups contained in the index showed an improvement over the corresponding period of 1983, as did 17 out of the 28 sub-groups. Traditional labour intensive

industries such as knitting and clothing have been experiencing a significant increase in output over 1983.

After conflicting reports concerning the effect of the drought, it now seems to be accepted that there will be a moderate rise in agricultural gross output of perhaps 5 per cent in 1984. The main effect of the drought itself, apart from assisting in a high grain harvest, will be to limit the extent of the expected fall in feed inputs. When allowance is made for differential input and output price movements it seems likely that the annual increase in farm income will be about 4 per cent.

No adequate data exist to monitor the progress of the service sectors during the course of the year. The general evolution of the economy would lead to expectations of a modest rise in the volume of output of the private service sector in 1984.

For 1985, manufacturing can be expected to continue its growth, although under the influence of a projected slowdown in export expansion, the annual increase may be a few percentage points slower than in 1984. Apart from weather conditions, the main determinant of agricultural output could well be whether any increase is permitted in the EEC milk superlevy quota and, if not, how successful Irish farmers are in meeting the challenge of changing market structures. It seems prudent to project only a small rise in the volume of gross output, although input economies and price movements might result in a larger improvement in farm incomes than in 1984.

With the economic recovery further along its path, a marginally higher increase in the volume of private services seems a reasonable expectation.

Employment and Unemployment

Given that manufacturing output in the first quarter of 1984 was 8.4 per cent above the same period of 1983, while output for the month of March alone was 15.6 per cent higher, it is startling that manufacturing employment in March was measured as 7,000, or 3½ per cent, below its March 1983 level. If the figures are correct, the apparent rate of monthly output per head in March was practically 20 per cent higher than a year previously. While this result is obviously freakish, there are grounds for believing that the seasonally corrected fall of 900 between December 1983 and March 1984 heralds a turning point in manufacturing employment, and that as output continues to rise there will be stability or a small increase in the number of industrial jobs in the remainder of 1984. The well publicised redundancies which have continued through the summer are likely to be at least offset by little reported expansion in a large number of other firms.

With the building industry remaining depressed, little recovery can be looked for in the employment it provides, but it seems probable that the rate of job losses will abate. Private service employment would appear to have continued to increase in 1982 and 1983 in spite of the recession, and a steady but modest rise in 1984 does not seem unreasonable.

The somewhat erratic behaviour of unemployment as recorded by the Live Register appears to support the interpretation that there might have been a small rise in non-agricultural employment, over and above normal seasonal influences, between January and August 1984. The seasonally corrected

TABLE 5: Employment and Unemployment

| A: Mid-April Estimates '000 | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| | 1982 | 1983 | 1984 | 1985 | 1986 |
| Agriculture | 193 | 189 | 185 | 181 | 178 |
| Industry | 355 | 331 | 317 | 321 | 331 |
| Services | 600 | 605 | 609 | 614 | 620 |
| Total at work | 1,148 | 1,125 | 1,111 | 1,116 | 1,129 |
| Unemployed | 148 | 184 | 213 | 222 | 224 |
| Labour Force | 1,296 | 1,309 | 1,324 | 1,338 | 1,353 |
| Unemployment Rate % | 11.4 | 14.1 | 16.1 | 16.6 | 16.6 |
| Live Register | 148 | 188 | 214 | 223 | 225 |

| B: Annual Averages '000 | | | | | |
|-------------------------|-------|-------|-------|-------|------|
| | 1982 | 1983 | 1984 | 1985 | 1986 |
| Agriculture | 191 | 187 | 183 | 179 | |
| Industry | 346 | 325 | 319 | 327 | |
| Services | 603 | 607 | 611 | 617 | |
| Total at work | 1,140 | 1,118 | 1,113 | 1,123 | |
| Unemployed | 161 | 195 | 216 | 223 | |
| Labour Force | 1,301 | 1,314 | 1,329 | 1,346 | |
| Unemployment Rate % | 12.4 | 14.8 | 16.3 | 16.6 | |
| Live Register | 157 | 193 | 215 | 223 | |

Footnote:

The labour force estimates for mid-April 1982-83 have been taken from Table 10 of "Economic Review and Outlook, Summer 1984". This is a revised series, based on the results of the 1983 Labour Force Survey. The figures for 1982 and 1983 are, therefore, somewhat different from those given in previous editions of the *Commentary*.

It should be noted that the unemployment estimates now include those seeking work for the first time, who numbered 29,000 in April 1983.

increase of 7,700 would seem to be less than the expected rise in the labour force during the period, and is certainly much reduced from the increase of 15,800 in the corresponding period of 1983.

Table 5 gives estimates of employment by broad sector, unemployment and the labour force for 1984 and 1985. The projected improvement in 1985, with unemployment held almost constant between April 1985 and April 1986, depends on the assumption that industrial output will continue to grow but with a lower increase in productivity and that there will be some recovery in the level of building activity. More generally it is based on the assumption that the stance of the 1985 budget will be similar to that of 1984.

Incomes

Agricultural incomes are expected to increase by about 4 per cent in 1984 and are projected to rise by about 7 per cent in 1985. Average non-agricultural employment in 1984 is forecast to show virtual stability, while it is projected to rise, on the assumptions adopted, by some 14,000 or 1½ per cent, in 1985. This leaves the level of pay increases in both years and the trend in non-employee incomes as the principal questions to be considered here.

It seems clear that the danger of a disastrous pay explosion in 1984 has passed, but it is still uncertain what average level of pay increase will emerge from the 24th round. In the private sector, as expected, there has been a broad spread of settlements according to the financial situation of the companies involved. Taking the carryover from the 23rd round into account, the average

private sector increase for 1984 as a whole could be of the order of 9½ per cent. Deviations from this norm will mainly be associated with differences in ability to pay, reflecting market conditions in various industries and improvements in productivity in particular firms. Thus labour cost competitiveness is likely to be maintained or improved over a larger proportion of the exposed trading sector than if all firms had simply paid the average increase.

If Labour Court recommendations are accepted, pay increases in the commercial semi-State sector will be significantly below the average in the private sector, although overlapping with some of the lower private settlements. There is no indication yet whether central public sector settlements will be in line with the Labour Court recommendations in the semi-State sector, or will be yet lower in line with official Government guidelines. For the purposes of this *Commentary* it is assumed that public sector pay increases in 1984 will be little above official guidelines. With the substantial carryover from the 23rd round and earlier special agreements, this would take the average public sector increase to around 8½ per cent in 1984, offset by some fall in numbers. Total wages and salaries in the economy in 1984 would thus rise by about 9 per cent.

The nature of 24th round pay settlements obviously has a major influence on the likely evolution of pay in 1985. It seems probable that the carryover into 1985 will be lower than that into 1984. With unemployment inevitably remaining high, another round of moderate settlements can be expected during 1985. The increase in average pay could be around 7 per cent, with the private sector again obtaining higher settlements than the public. With total non-agricultural employment set to increase by perhaps 1½ per cent in 1985, the total of wages and salaries could increase by 8½ per cent.

The increases of 15¾ and 13 per cent respectively shown in Table 6 for personal income from self employment, interest dividends and rent would appear to be roughly in line with experience in recent years when allowance is made for a declining rate of inflation. Current transfers are likely to rise quite sharply in 1984 due to the rise in the average number on the Live Register compared with 1983, together with a fairly substantial carryover of increased benefit rates from 1983. In 1985 there will be a lower carryover, a smaller increase in the Live Register and, it is assumed, an increase in benefit rates of not more than 7 per cent.

TABLE 6: Personal Disposable Income

| | 1983 | | Change | | 1984 | | Change | | 1985 |
|--|--------|-----|--------|--------|------|-------|--------|----|------|
| | £m | % | £m | £m | £m | % | £m | £m | |
| Agriculture etc. | 1,222 | 4 | 49 | 1,271 | 7 | 88 | 1,359 | | |
| Non-Agricultural Wages and Salaries | 7,899 | 9 | 720 | 8,619 | 8½ | 733 | 9,352 | | |
| Other Non-Agricultural Income | 1,724 | 15¾ | 271 | 1,995 | 13 | 259 | 2,254 | | |
| Total Income Received | 10,845 | 9½ | 1,040 | 11,885 | 9 | 1,080 | 12,965 | | |
| Current Transfers | 2,634 | 14½ | 382 | 3,016 | 10 | 302 | 3,318 | | |
| Gross Personal Income | 13,479 | 10½ | 1,422 | 14,901 | 9¼ | 1,382 | 16,283 | | |
| Direct Personal Taxes | 2,671 | 16 | 427 | 3,098 | 11½ | 356 | 3,454 | | |
| Personal Disposable Income | 10,808 | 9¼ | 995 | 11,803 | 8¾ | 1,026 | 12,829 | | |
| Consumption | 8,536 | 11½ | 990 | 9,526 | 9¼ | 881 | 10,407 | | |
| Personal Savings | 2,272 | ¼ | 5 | 2,277 | 6½ | 105 | 2,422 | | |
| Savings Ratio | 21.0% | | | 19.3% | | | 19% | | |

As Table 6 shows, these forecasts would result in increases in gross personal income of 10½ per cent in 1984 and 9¼ per cent in 1985. Direct personal taxation seems likely to rise by about 16 per cent in 1984. On the assumption of broadly unchanged real tax rates, but allowing for the effect of lags and carryover, the increase in 1985 could be about 11½ per cent. On this basis personal disposable income could rise by about 9¼ per cent this year and 8¾ per cent in 1985. Likely price movements would convert these into volume increases of ¼ per cent and 1¾ per cent respectively.

Taking the consumption forecasts already discussed, a substantial fall in the personal savings ratio is predicted for 1984 with a marginal further fall in 1985.

Imports

Even allowing for the probable underrecording of the May total, it appears that merchandise imports in the first half of 1984 were slightly below the expected value. As prices had increased by rather more than anticipated, there was a significant shortfall in volume. This would appear to be a result largely of the failure of consumer expenditure to match earlier expectations in the first half of the year, and of a lower rate of stock-building than expected.

Table 7 sets out the forecast of imports of goods and services for 1984, showing a substantial rise in the volume of imports of intermediate goods for further production and in imported services other than tourism, but little or no growth in the volume of capital or consumer imports or tourist expenditures.

TABLE 7: Imports of Goods and Services

| | 1983 | | % Change | | 1984 | | % Change | | 1985 £m |
|-------------------------------|-------|--------|----------|--|-------|--------|----------|--|------------|
| | £m | Volume | Value | | £m | Volume | Value | | |
| Capital Goods | 936 | 0 | 9 | | 1,021 | 3½ | 10 | | 1,123 |
| Consumer Goods | 1,873 | 2 | 12½ | | 2,102 | 3 | 10¼ | | 2,317 |
| Intermediate Goods: | | | | | | | | | |
| Agriculture | 379 | 6½ | 15 | | 436 | 0 | 5 | | 458 |
| Other | 4,155 | 13 | 25¼ | | 5,203 | 11 | 17¾ | | 6,126 |
| Other Goods | 12 | 0 | 8¼ | | 13 | 0 | 7¾ | | 14 |
| Total Goods | 7,355 | 8¼ | 19¼ | | 8,775 | 7¾ | 14½ | | 10,038 |
| Adjustments | -77 | | | | -90 | | | | -103 |
| Merchandise Imports | 7,278 | 8¼ | 19¼ | | 8,685 | 7¾ | 14½ | | 9,935 |
| Tourism | 370 | 0 | 9½ | | 405 | 1¼ | 8½ | | 440 |
| Other Services | 426 | 7 | 17¼ | | 500 | 9 | 15 | | 575 |
| Imports of Goods and Services | 8,074 | 7¾ | 18¾ | | 9,590 | 7½ | 14¼ | | 10,950 |

The projections for 1985, in line with the developments discussed elsewhere in this *Commentary* allow for modest volume increases in both capital and consumer imports and an 11 per cent rise in the volume of goods for further industrial production.

Balance of Payments

If the forecasts made for exports and imports are broadly correct, 1984 will see a substantial improvement of over £300 million in the balance of trade, visible and invisible. Indeed, trade in goods and services is likely to be almost in balance, with a deficit of only £30 million forecast.

Unfortunately this improvement in the trading position will be offset by an almost equal deterioration in net factor flows. The further rise in the value of the dollar, and to some extent the rise in US interest rates, will increase the outflow of interest payments in Irish pound terms. The buoyancy of manufactured exports suggests a high level of profits earned by the companies involved, and while the factors influencing the rate of profit repatriation are not well understood, it seems reasonable to expect that a similar proportion to recent years will, in fact, be sent out of the country.

With a moderate rise expected in net current transfers, largely from the EEC, it seems likely that there could be an improvement of about £83m in the overall current account balance of payments, but this would still leave the current deficit at around £780m. in 1984.

The projections for 1985 suggest that although the underlying balance of trade in goods and services may move into surplus, there will be little change in the total current account balance of payments deficit, which seems likely to remain at around £780m on the assumptions made.

Consumer Prices

In earlier *Commentaries* a substantial deceleration in consumer price inflation was forecast for the second half of 1984. With the unexpected rise in the dollar and the reductions of food subsidies, the extent of any improvement is likely to be much less than previously expected. It now seems probable that the Consumer Price Index in the second half of 1984 will remain about 8½ per cent above its corresponding 1983 levels, leaving an annual average increase of about 9¼ per cent.

On the assumption that the average value of the dollar in 1985 will be marginally below that in 1984, that world commodity prices will rise only moderately, and that 1985 pay increases will be low, consumer price inflation next year should be reduced to about 7 per cent on average. This would imply an increase from November 1984 to November 1985 of about 6½ per cent. If the dollar does fall more substantially, a lower rate of increase in the Consumer Price Index could be expected.

Public Finances

So far as the domestic elements of the public finances are concerned, there is little reason to expect major deviations from budgeted levels of revenue and expenditure in 1984. The composition of tax revenue and of supply service expenditure will inevitably differ somewhat from the detailed estimates, but the overall balance between the two should be roughly as scheduled.

Central fund expenditure, however, and in particular interest payments on the external national debt, is likely to be seriously affected by the rise in US interest rates and the consequent rise in the value of the dollar. Clearly it is a form of spending over which the Irish authorities have no short-run control. Without knowing the precise currency levels underlying official forecasts at the time of the budget, it is difficult to estimate the exact extent to which revisions have had to be made on account of the unexpected strength of the dollar, but £30 million would seem a reasonable revision for 1984. The recent cuts in consumer food subsidies illustrate the importance of the additional interest

payments and a determination to hold the current budget deficit as close as possible to forecast in spite of these changes.

For 1985, the fiscal implications of the general economic projections made in this *Commentary* are not reassuring. The specific assumptions are of a continued policy of across the board stringency in domestic public expenditure and of pay increasing more slowly in the public than in the private sector, while tax rates remain at roughly their present levels in real terms. If fulfilled, these assumptions would lead to revenue rising rather faster than domestic public expenditure, but this improvement in the budget balance would be offset by increased interest payments due to the continued expansion of the debt in both 1984 and 1985. Thus there would be little change in the nominal current budget deficit, with a slight improvement in the deficit expressed as a proportion of GNP. More seriously a deficit of this size, combined with any feasible capital programme, would mean that external borrowing would need to continue at almost its 1984 level, thus intensifying the long-term fiscal problem.

Whether such an outcome could be tolerated, and whether action to bring about a more rapid improvement in the public finances would cause a serious worsening of the employment prospects are the main questions raised by this *Commentary's* projection for 1985.

Implications

The events of the summer have highlighted the dangers inherent in the existing burden of external debt. A relatively modest movement in exchange rates forced a policy response which in itself could prove economically damaging. Similarly, a much more serious exchange rate movement in 1983 added over £700 million to the value of outstanding debt, and the corresponding increase in the pound value of interest payments far outweighed the beneficial effects of temporarily falling international interest rates. So long as the size of the external debt is increasing, so the danger of external shocks of this nature will intensify.

Despite the recent publicity given to the subject it still appears that the external debt problem is not fully appreciated by the public at large. Although the sheer size of existing debt is acknowledged, the cumulative nature of the borrowing process is less understood. If exchange and interest rates remain constant, each year of continued borrowing pushes up the level of interest payments, making the following year's current budget harder to balance, thus leading to a need for further borrowing. Given that so little of the external borrowing is for purposes which can yield a financial gain to the Exchequer, higher taxes or lower domestic expenditure becomes necessary simply to prevent the deficit widening and the borrowing from increasing.

Already in 1984 total interest on the national debt absorbs about 30 per cent of total tax revenue. External interest alone accounts for 13 per cent of revenue, compared with less than 5 per cent of a lower real tax take in 1979. If foreign borrowing continues at its present level, adding almost 10 per cent to the total of external debt each year the problem is likely to intensify. External interest payments will tend to take an increasing proportion of the revenue, leaving less available for desirable domestic uses.

The exact level to which external borrowing needs to be reduced in order to

stabilise the interest burden is difficult to specify, either conceptually or in practice. Theoretically the long-term real burden of external interest could be expected to remain constant if new borrowing added to external debt at a rate equal to the real growth rate in Gross Domestic Product, plus the average inflation rate in the countries to which the debt is owed. If domestic inflation were higher than that in the creditor nations, then currency depreciation would also add to the value of debt outstanding, thus causing the total value of debt to remain a constant proportion of nominal GDP. In practice, exchange rates do not adjust simply and smoothly to differences in inflation. Neither can the assumption of constant interest rates be sustained if only because of changes resulting from refinancing debt. As a protection against possible adverse movements in either exchange or interest rates, it would seem necessary to hold the rate of debt increase through new borrowing far closer to the real than the nominal rate of increase in GDP if an unchanged interest burden is the policy aim.

A major difficulty in reducing new borrowing towards this sort of level is that the increase of debt during the '70s and early '80s enabled the provision of services and incomes at a level that the country could not then afford. Now, because of the interest flows incurred, the cutting back of services to a level that could have been afforded is no longer enough; the interest flows themselves need to be accommodated by cutting below the level that by now could have been achieved if the borrowing had not taken place. In the meantime, the standards of income and service obtained due to the borrowing have become perceived as normal, and any serious attempt to reduce these standards significantly is seen as undermining the fabric of society.

This dilemma would be greatly eased if there were to be a major fall in international interest rates. A rise in the value of the Irish pound against creditor currencies would also be of some assistance, although here the benefit would have to be weighed against the effect on exports of a deterioration in competitiveness. A sustained, rapid, revenue-generating boom could resolve the problem relatively painlessly. Unfortunately, while such developments are not impossible, it would be folly to rely on their happening.

It is thus impossible to avoid the conclusion that for 1985 the principal economic priority must be to make substantial progress in reducing the level of new external borrowing. The longer this action is delayed, the more difficult it will become, and until it is achieved no sustainable long-term improvement in the level of public services, general living standards, or employment can be looked for. Increased output will simply leak out of the economy in ever increasing interest payments abroad.

As to the methods adopted, these are primarily a matter of political and not economic choice. Although it is a widely held belief that tax rates, direct and indirect, are so high as to be incapable of further increase, there is little empirical evidence either for or against this contention. Similarly, the administrative and political barriers to obtaining worthwhile revenue from an extension of the tax base, or from more efficacious tax collection, remain largely untested in practice.

On the expenditure side, it seems unlikely that painless economies can be made. Cuts severe enough to contribute to a solution of the dilemma are bound

to be hurtful, whether they fall on the capital or current budgets. If the latter, they must almost certainly include some, if not all, of the major social spending departments, or the pay levels of public servants.

During 1985 corrective action, whether on spending or taxation, would tend to reduce the level of economic activity below that of the projections set out in this *Commentary*. In particular the virtual stabilisation of unemployment would be jeopardised, although the extent to which unemployment would rise would depend on the mix of measures chosen. The least damaging policy from an employment point of view would be a reduction in public service pay, but the chances of implementing such a measure are beyond the scope of this *Commentary* to assess.

What is clear is that to take advantage of the reasonably favourable economic environment in 1985 to make a major move towards correcting the imbalances in the public finances would be far preferable to enjoying a short-lived immediate improvement in general living standards. The choice lies between acute discomfort in the short run, with hope of more relaxed times to follow, or some temporary relief with the near certainty of much worse cuts in the future.

STATISTICAL APPENDIX

| | Output Indicators | | | | Employment | | Output per Head | | |
|---|-------------------|---------------------|--------------------|-----------------|---------------|---------------------|-----------------|---------------------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| | Manufacturing | Transportable Goods | Electricity Output | Cement Sales | Manufacturing | Transportable Goods | Manufacturing | Transportable Goods | |
| | 1973 = 100 | 1973 = 100 | G.W.H. | 000 Metric Tons | 000's | 000's | 1973 = 100 | 1973 = 100 | |
| 1978 | 125.6 | 125.1 | 9815 | 1751.7 | 216.9 | 228.1 | 119.6 | 118.9 | |
| 1979 | 134.9 | 134.6 | 10853 | 2067.8 | 226.4 | 238.0 | 123.1 | 122.6 | |
| 1980 | 133.7 | 133.5 | 10733 | 1814.9 | 224.5 | 236.3 | 123.0 | 122.5 | |
| 1981 | 136.6 | 134.5 | 10767 | 1812.5 | 217.0 | 228.7 | 130.0 | 127.5 | |
| 1982 | 135.3 | 133.9 | 10792 | 1486.1 | 209.5 | 220.5 | 133.4 | 131.6 | |
| 1983 | 144.9 | 142.6 | 11039 | 1382.4 | 196.2 | 206.7 | 152.5 | 149.5 | |
| 1984 | | | | | | | | | |
| Quarterly Averages or Totals | | | | | | | | | |
| 1981 | I | 130.6 | 128.7 | 2885 | 410.2 | 217.6 | 229.0 | 124.0 | 121.8 |
| | II | 145.2 | 142.9 | 2546 | 516.6 | 216.2 | 228.5 | 138.7 | 135.6 |
| | III | 131.9 | 131.9 | 2408 | 488.8 | 217.2 | 229.4 | 125.5 | 124.6 |
| | IV | 138.7 | 134.4 | 2928 | 396.9 | 216.8 | 227.7 | 132.2 | 127.9 |
| 1982 | I | 133.7 | 130.1 | 2954 | 335.2 | 213.1 | 224.2 | 129.6 | 125.8 |
| | II | 143.6 | 142.8 | 2514 | 436.2 | 210.5 | 222.7 | 140.9 | 139.0 |
| | III | 126.5 | 127.9 | 2425 | 405.9 | 209.0 | 219.9 | 125.0 | 135.9 |
| | IV | 137.8 | 134.8 | 2899 | 308.8 | 205.2 | 215.2 | 138.7 | 135.8 |
| 1983 | I | 142.1 | 139.1 | 2990 | 298.1 | 198.3 | 208.4 | 148.0 | 144.7 |
| | II | 149.5 | 146.3 | 2650 | 367.1 | 195.8 | 207.2 | 157.7 | 153.0 |
| | III | 136.9 | 137.6 | 2470 | 371.5 | 196.5 | 207.3 | 143.9 | 143.9 |
| | IV | 151.3 | 147.5 | 2929 | 345.7 | 194.1 | 203.9 | 161.0 | 156.8 |
| 1984 | I | 154.1 | 150.0 | 3136 | 271.5 | 171.3 | 201.0 | 166.3 | 161.7 |
| | II | | | | 366.2 | | | | |
| | III | | | | | | | | |
| | IV | | | | | | | | |
| Quarterly Averages or Totals Seasonally Corrected | | | | | | | | | |
| 1981 | I | 132.9 | 132.3 | 2606 | 482.5 | 218.5 | 230.5 | 125.7 | 124.4 |
| | II | 136.5 | 134.3 | 2708 | 461.2 | 216.8 | 228.1 | 130.1 | 127.6 |
| | III | 139.0 | 136.4 | 2729 | 444.5 | 216.7 | 228.9 | 132.5 | 129.2 |
| | IV | 137.9 | 135.0 | 2737 | 408.8 | 215.7 | 227.1 | 132.1 | 128.8 |
| 1982 | I | 135.1 | 132.6 | 2676 | 398.2 | 214.1 | 225.7 | 130.4 | 127.3 |
| | II | 135.2 | 134.2 | 2674 | 394.9 | 211.2 | 222.4 | 132.2 | 130.8 |
| | III | 133.8 | 132.8 | 2737 | 368.2 | 208.5 | 219.3 | 132.6 | 131.3 |
| | IV | 136.9 | 135.3 | 2704 | 340.6 | 204.1 | 214.7 | 138.6 | 136.6 |
| 1983 | I | 143.6 | 141.8 | 2720 | 316.4 | 199.2 | 209.8 | 148.9 | 146.5 |
| | II | 140.7 | 137.4 | 2816 | 336.6 | 196.4 | 206.9 | 148.0 | 144.0 |
| | III | 145.3 | 143.4 | 2786 | 344.1 | 196.0 | 206.7 | 153.1 | 150.4 |
| | IV | 150.7 | 148.3 | 2731 | 373.8 | 193.1 | 203.4 | 161.2 | 158.0 |
| 1984 | I | 155.3 | 152.7 | 2848 | 313.9 | 192.2 | 202.3 | 166.9 | 163.6 |
| | II | | | | 325.4 | | | | |
| | III | | | | | | | | |
| | IV | | | | | | | | |

| Unemployment | Prices | | | | | | |
|---|----------------------|--------------------------|---------------------|---------------------|---------------------|--------------------------|--------|
| | 9 | 10 | 11 | 12 | 13 | 14 | |
| Live Register Av. Monthly | Consumer Price Index | Agricultural Price Index | Import Unit Value | Export Unit Value | Terms of Trade | Price of Stocks + Shares | |
| 000's | Nov. 1975 = 100 | 1975 = 100 | 1975 = 100 | 1975 = 100 | 1975 = 100 | 1975 = 100 | |
| 99.2 | 139.9 | 174.0 | 146.2 | 151.6 | 103.7 | 201.5 | 1978 |
| 89.6 | 158.5 | 184.2 | 165.9 | 165.0 | 99.5 | 215.6 | 1979 |
| 101.5 | 187.3 | 179.3 | 195.6 | 179.5 | 91.8 | 212.0 | 1980 |
| 127.9 | 225.6 | 213.1 | 232.4 | 208.4 | 89.7 | 219.9 | 1981 |
| 148.2 | 264.2 | 232.2 | 249.4 | 231.5 | 92.8 | 179.9 | 1982 |
| 192.7 | 291.8 | 247.4 | | | | 223.7 | 1983 |
| | | | | | | | 1984 |
| Quarterly Averages or Totals | | | | | | | |
| 125.8 | 209.9 | 202.9 | 221.4 | 192.0 | 86.7 | 218.9 | 1981 I |
| 124.3 | 218.1 | 213.2 | 231.3 | 204.8 | 88.5 | 235.3 | II |
| 126.8 | 230.4 | 213.9 | 236.8 | 211.5 | 89.3 | 223.1 | III |
| 134.5 | 243.8 | 220.0 | 236.6 | 216.2 | 91.4 | 202.7 | IV |
| 146.8 | 249.5 | 237.0 | 243.5 | 222.2 | 91.3 | 192.3 | 1982 I |
| 149.0 | 263.9 | 235.3 | 248.4 | 231.1 | 93.0 | 174.6 | II |
| 159.0 | 269.5 | 230.2 | 254.0 | 235.0 | 92.5 | 175.5 | III |
| 171.6 | 273.8 | 229.6 | 255.6 | 238.3 | 93.2 | 178.3 | IV |
| 188.3 | 280.6 | 241.9 | 247.0 | 237.3 | 96.1 | 172.0 | 1983 I |
| 188.1 | 288.3 | 245.9 | 254.5 | 247.7 | 97.3 | 206.1 | II |
| 193.0 | 296.5 | 250.0 | 268.8 | 257.0 | 96.7 | 249.7 | III |
| 201.3 | 302.0 | 249.7 | 275.3 | 263.3 | 95.6 | 267.2 | IV |
| 215.2 | 309.1 | 263.9 | 281.7 | 270.7 | 96.1 | 309.6 | 1984 I |
| 210.8 | 316.2 | | | | | 314.9 | II |
| | | | | | | | III |
| | | | | | | | IV |
| Quarterly Averages or Totals Seasonally Corrected | | | | | | | |
| 121.7 | 210.8 | 198.7 | No Seasonal Pattern | No Seasonal Pattern | No Seasonal Pattern | No. Seasonal Pattern | 1981 I |
| 125.5 | 217.2 | 205.3 | | | | | II |
| 129.5 | 229.7 | 218.0 | | | | | III |
| 134.7 | 244.4 | 229.4 | | | | | IV |
| 142.2 | 250.6 | 231.9 | | | | | 1982 I |
| 150.9 | 262.9 | 227.3 | | | | | II |
| 161.5 | 268.6 | 234.7 | | | | | III |
| 171.8 | 274.4 | 238.7 | | | | | IV |
| 183.7 | 282.0 | 236.4 | | | | | 1983 I |
| 190.0 | 287.3 | 241.0 | | | | | II |
| 195.6 | 295.5 | 253.0 | | | | | III |
| 201.5 | 302.6 | 255.3 | | | | | IV |
| 210.1 | 311.3 | 258.0 | | | | | 1984 I |
| 212.6 | 315.1 | | | | | | II |
| | | | | | | | III |
| | | | | | | | IV |

| | Money Earnings Weekly Averages | | Real Earnings | | Consumption Indicators | | | |
|---|-----------------------------------|-----------------------------|--------------------|-----------------------------|-----------------------------|--------------------------|---------------------------|-------|
| | 16 | 17 | 18 | 19 | 20 | 21 | 22 | |
| | Manufac- turing | Trans- portable Goods | Manufac- turing | Trans- portable Goods | New Cars Regis- tered | Retail Sales Value | Retail Sales Volume | |
| | 1973 = 100 | 1973 = 100 | 1977 = 100 | 1977 = 100 | Total | 1975 = 100 | 1975 = 100 | |
| 1978 | 236.2 | 235.7 | 106.4 | 106.3 | 105582 | 170.4 | 116.4 | |
| 1979 | 271.3 | 271.1 | 107.9 | 107.9 | 95938 | 197.9 | 120.3 | |
| 1980 | 321.2 | 321.0 | 108.1 | 108.1 | 91032 | 226.5 | 119.3 | |
| 1981 | 373.8 | 372.6 | 104.4 | 104.2 | 104645 | 268.8 | 118.8 | |
| 1982 | 419.1 | 419.8 | 100.0 | 100.2 | 72603 | 293.4 | 112.1 | |
| 1983 | 468.3 | 469.2 | 101.1 | 101.4 | 61094 | 311.6 | 107.7 | |
| 1984 | | | | | | | | |
| Quarterly Averages or Totals | | | | | | | | |
| 1981 | I | 346.2 | 344.6 | 103.9 | 103.6 | 35696 | 238.8 | 113.3 |
| | II | 373.3 | 371.4 | 107.9 | 107.4 | 29306 | 264.1 | 119.8 |
| | III | 383.8 | 385.2 | 104.9 | 105.5 | 32351 | 278.8 | 120.7 |
| | IV | 391.7 | 389.2 | 101.2 | 100.7 | 7292 | 293.5 | 121.2 |
| 1982 | I | 393.3 | 390.6 | 99.3 | 98.7 | 28114 | 269.5 | 108.4 |
| | II | 417.6 | 423.0 | 99.7 | 101.1 | 21223 | 291.3 | 112.1 |
| | III | 424.0 | 423.6 | 99.1 | 99.1 | 14012 | 289.2 | 108.6 |
| | IV | 441.3 | 441.9 | 101.6 | 101.8 | 9981 | 323.6 | 119.2 |
| 1983 | I | 440.6 | 440.8 | 98.9 | 99.1 | 29851 | 295.6 | 105.5 |
| | II | 458.4 | 463.1 | 100.2 | 101.3 | 12255 | 301.4 | 104.9 |
| | III | 476.3 | 475.9 | 101.2 | 101.2 | 12110 | 305.3 | 104.4 |
| | IV | 497.9 | 497.1 | 103.9 | 103.8 | 6878 | 344.0 | 116.0 |
| 1984 | I | | | | | 19145 | 303.1 | 99.8 |
| | II | | | | | 18205 | | |
| | III | | | | | | | |
| | IV | | | | | | | |
| Quarterly Averages or Totals Seasonally Corrected | | | | | | | | |
| 1981 | I | 351.7 | 351.6 | 104.8 | 105.0 | 24790 | 253.9 | 120.1 |
| | II | 370.1 | 367.0 | 107.4 | 106.4 | 26598 | 261.8 | 119.3 |
| | III | 384.4 | 384.2 | 105.1 | 105.4 | 34184 | 278.0 | 120.1 |
| | IV | 388.4 | 387.2 | 100.7 | 100.5 | 15255 | 279.1 | 114.7 |
| 1982 | I | 399.7 | 398.7 | 100.1 | 99.9 | 19242 | 286.4 | 114.8 |
| | II | 413.5 | 417.3 | 99.3 | 100.2 | 19314 | 288.1 | 111.4 |
| | III | 425.3 | 423.4 | 99.3 | 99.0 | 15074 | 291.9 | 109.5 |
| | IV | 437.1 | 438.9 | 101.1 | 101.6 | 18407 | 308.0 | 112.8 |
| 1983 | I | 447.9 | 450.0 | 99.6 | 100.3 | 20173 | 312.4 | 111.1 |
| | II | 453.6 | 456.5 | 99.8 | 100.4 | 11484 | 290.8 | 105.1 |
| | III | 478.1 | 476.1 | 101.4 | 101.1 | 12853 | 308.8 | 105.7 |
| | IV | 492.9 | 493.3 | 102.6 | 102.8 | 14449 | 329.6 | 110.1 |
| 1984 | I | | | | | 12771 | 318.9 | 104.6 |
| | II | | | | | 16986 | | |
| | III | | | | | | | |
| | IV | | | | | | | |

| Government | | | Monetary Developments | | | | |
|-------------------------|---------------------|-----------------|-----------------------|---|---------------|-------------------|--------|
| 23 | 24 | 25 | 26 | 27 | 28 | 29 | |
| Current Revenue | Current Expenditure | Current Deficit | Money Supply M3 | Licensed Banks Domestic Credit Government | Non-Gov. | External Reserves | |
| £m | £m | £m | £m End Period | £m End Period | £m End Period | £m End Period | |
| 2023 | 2421 | 398 | 4248.8 | 902.6 | 3475.2 | 1251.9 | 1978 |
| 2384 | 2905 | 521 | 5044.3 | 1005.9 | 4350.5 | 974.7 | 1979 |
| 3155 | 3708 | 553 | 5939.3 | 1132.6 | 5050.7 | 1346.0 | 1980 |
| 3973 | 4796 | 823 | 6972.7 | 1277.4 | 6053.6 | 1473.1 | 1981 |
| 4908 | 5896 | 988 | 7876.0 | 1564.7 | 6677.4 | 1594.0 | 1982 |
| 5711 | 6671 | 960 | 8667.2 | 1775.7 | 7570.9 | 2014.8 | 1983 |
| | | | | | | | 1984 |
| Quarterly Totals | | | Monthly Totals | | | | |
| 871 | 1076 | 205 | 6147.6 | 1124.1 | 5381.7 | 1322.7 | 1981 I |
| 936 | 1188 | 252 | 6369.8 | 1201.5 | 5511.6 | 1191.7 | II |
| 970 | 1245 | 275 | 6679.9 | 1217.8 | 5785.0 | 1071.8 | III |
| 1196 | 1287 | 91 | 6972.7 | 1277.4 | 6053.6 | 1473.1 | IV |
| 1044 | 1437 | 393 | 7098.2 | 1334.1 | 6366.8 | 1406.0 | 1982 I |
| 1176 | 1474 | 298 | 7141.8 | 1369.9 | 6347.9 | 1464.6 | II |
| 1184 | 1457 | 267 | 7498.7 | 1510.7 | 6458.1 | 1521.0 | III |
| 1505 | 1534 | 29 | 7876.0 | 1564.7 | 6677.4 | 1594.0 | IV |
| 1220 | 1646 | 426 | 8008.2 | 1499.9 | 7046.5 | 1235.1 | 1983 I |
| 1405 | 1654 | 249 | 8109.2 | 1638.4 | 7057.4 | 1343.2 | II |
| 1440 | 1560 | 120 | 8204.9 | 1749.7 | 7430.1 | 1914.4 | III |
| 1646 | 1811 | 165 | 8667.2 | 1775.7 | 7570.9 | 2014.8 | IV |
| 1290 | 1719 | 429 | 8757.3 | 1831.2 | 7704.6 | 2117.7 | 1984 I |
| 1516 | 1684 | 169 | 8897.4 | 2142.4 | 7885.5 | 1952.0 | II |
| | | | | | | | III |
| | | | | | | | IV |
| Quarterly Totals (S.C.) | | | Monthly Totals (S.C.) | | | | |
| 791 | 996 | 204 | 6087.5 | No Seasonal Pattern | 5241.3 | 1291.8 | 1981 I |
| 984 | 1214 | 230 | 6404.1 | | 5483.8 | 1268.9 | II |
| 1032 | 1313 | 281 | 6679.3 | | 5729.4 | 1076.7 | III |
| 1186 | 1296 | 110 | 6814.0 | | 6016.9 | 1352.6 | IV |
| 965 | 1340 | 383 | 7037.9 | | 6194.7 | 1375.1 | 1982 I |
| 1215 | 1492 | 277 | 7184.3 | | 6317.5 | 1554.7 | II |
| 1281 | 1509 | 229 | 7513.7 | | 6403.4 | 1528.6 | III |
| 1402 | 1530 | 128 | 7683.8 | | 6625.6 | 1463.7 | IV |
| 1198 | 1599 | 401 | 7949.2 | | 6851.6 | 1208.5 | 1983 I |
| 1424 | 1631 | 207 | 8172.1 | | 7027.2 | 1424.4 | II |
| 1571 | 1611 | 40 | 8212.0 | | 7368.8 | 1920.2 | III |
| 1487 | 1796 | 309 | 8457.1 | | 7501.5 | 2084.7 | IV |
| 1401 | 1688 | 287 | 8689.5 | | 7469.8 | 2119.6 | 1984 I |
| 1520 | 1665 | 145 | 8960.0 | | 7855.9 | 2039.7 | II |
| | | | | | | | III |
| | | | | | | | IV |

| | Visible Trade Indicators | | | | | Exchange Rates | | |
|---|--------------------------|--------------------|-----------------------------|---------------------|---------------------|--------------------|---------------------------|---------------------------|
| | 30 | 31 | 32 | 33 | 34 | 35 | 36 | |
| | Imports (Value) | Exports (Value) | Import Excess (Value) | Imports (Volume) | Exports (Volume) | Effective Index | Sterling Index | |
| | £m | £m | £m | 1975 = 100 | 1975 = 100 | Dec. 1971 = 100 | Per IR£ | |
| 1978 | 3713.1 | 2963.2 | 749.9 | 148.8 | 134.8 | 77.57 | 1.0000 | |
| 1979 | 4817.5 | 3501.1 | 1316.4 | 170.3 | 146.5 | 77.08 | 0.9646 | |
| 1980 | 5419.6 | 4130.9 | 1288.7 | 162.6 | 158.9 | 74.01 | 0.8862 | |
| 1981 | 6578.4 | 4777.6 | 1800.8 | 166.0 | 158.3 | 67.75 | 0.8002 | |
| 1982 | 6812.3 | 5687.9 | 1124.4 | 160.3 | 169.8 | 67.35 | 0.8125 | |
| 1983 | 7355.0 | 6936.0 | 419.0 | | | 65.13 | 0.8222 | |
| 1984 | | | | | | | | |
| Monthly Averages | | | | | | | | |
| 1981 | I | 511.7 | 339.6 | 172.1 | 162.7 | 144.1 | 67.24 | 0.7686 |
| | II | 557.2 | 405.5 | 151.7 | 169.6 | 162.0 | 66.57 | 0.7730 |
| | III | 572.6 | 419.4 | 153.2 | 170.4 | 161.8 | 67.85 | 0.8177 |
| | IV | 549.4 | 450.7 | 98.7 | 163.4 | 170.3 | 69.32 | 0.8407 |
| 1982 | I | 597.7 | 411.2 | 126.4 | 172.8 | 153.3 | 67.71 | 0.8126 |
| | II | 589.5 | 503.7 | 85.8 | 167.1 | 180.7 | 67.72 | 0.8171 |
| | III | 532.5 | 475.0 | 57.5 | 147.6 | 173.2 | 66.88 | 0.8022 |
| | IV | 550.8 | 506.5 | 44.3 | 151.7 | 176.3 | 67.10 | 0.8185 |
| 1983 | I | 585.8 | 471.5 | 114.3 | 167.1 | 164.8 | 69.46 | 0.8943 |
| | II | 592.1 | 575.8 | 16.4 | 163.8 | 192.6 | 65.14 | 0.8171 |
| | III | 602.4 | 606.8 | -4.4 | 157.8 | 195.6 | 63.28 | 0.7894 |
| | IV | 673.2 | 658.9 | 14.3 | 172.2 | 207.6 | 62.74 | 0.7896 |
| 1984 | I | 744.4 | 654.1 | 90.3 | 186.3 | 200.3 | 62.58 | 0.7951 |
| | II | 702.2 | 769.4 | -67.3 | | | 62.56 | 0.8097 |
| | III | | | | | | | |
| | IV | | | | | | | |
| Monthly Averages. Seasonally Corrected. | | | | | | | | |
| 1981 | I | 504.1 | 361.0 | 143.1 | 158.7 | 154.8 | No Seasonal Pattern | No Seasonal Pattern |
| | II | 537.6 | 406.9 | 130.7 | 164.0 | 160.4 | | |
| | III | 597.7 | 414.2 | 183.5 | 179.1 | 160.5 | | |
| | IV | 555.4 | 434.0 | 121.4 | 164.0 | 162.6 | | |
| 1982 | I | 586.8 | 436.4 | 143.9 | 169.7 | 163.4 | | |
| | II | 573.3 | 500.5 | 72.8 | 163.7 | 181.3 | | |
| | III | 547.4 | 468.8 | 78.6 | 152.0 | 165.4 | | |
| | IV | 567.1 | 488.2 | 79.9 | 154.5 | 167.9 | | |
| 1983 | I | 570.6 | 507.7 | 62.9 | 163.6 | 176.2 | | |
| | II | 577.3 | 565.9 | 11.4 | 160.9 | 191.1 | | |
| | III | 620.6 | 601.3 | 19.3 | 162.5 | 194.3 | | |
| | IV | 690.2 | 641.3 | 48.9 | 175.5 | 200.6 | | |
| 1984 | I | 722.5 | 711.7 | 10.8 | 180.3 | 215.7 | | |
| | II | 687.2 | 741.1 | -53.9 | | | | |
| | III | | | | | | | |
| | IV | | | | | | | |

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