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# BUDGET 2014

## Economic Developments and Outlook for Ireland





## Economic developments in 2013



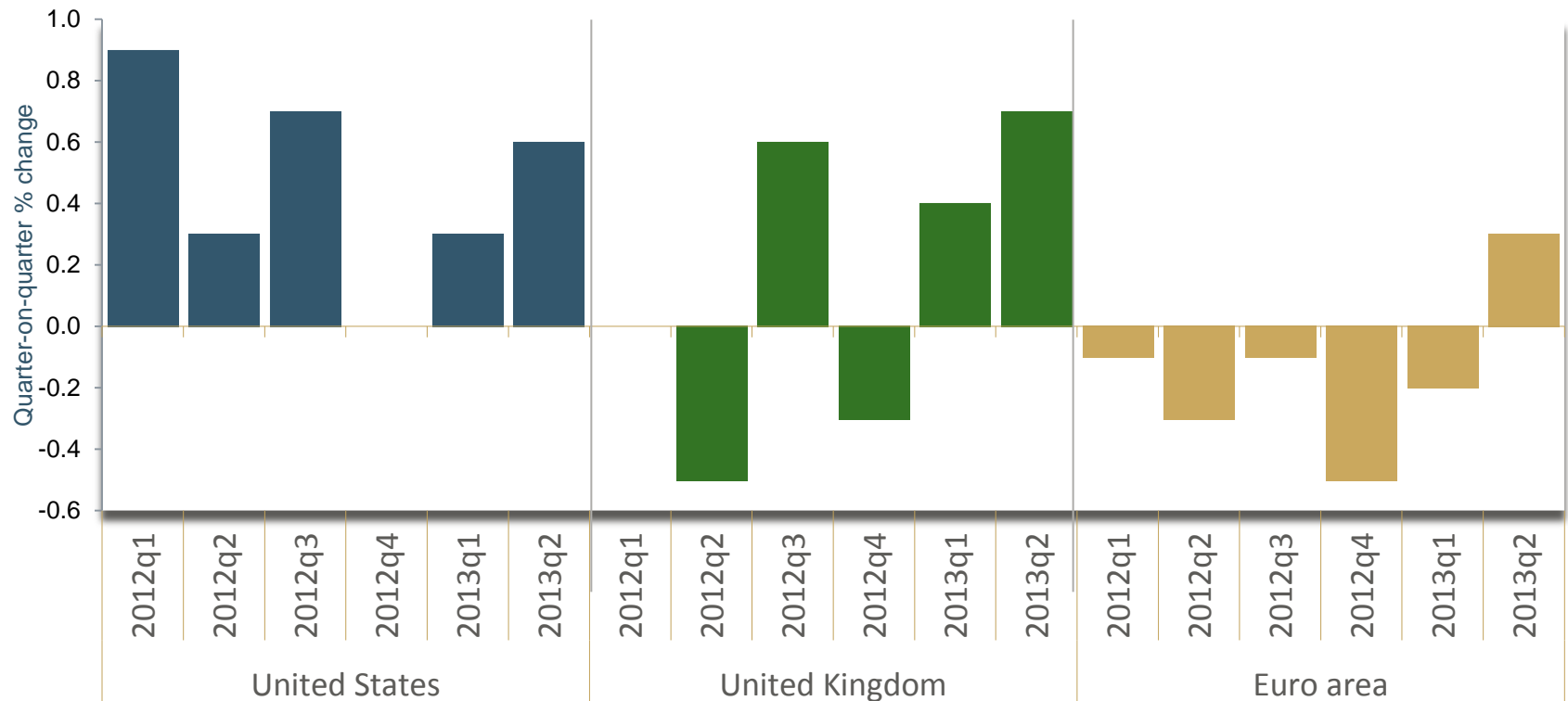
## National Accounts outturn surprised on the downside

	2013	
<i>Year-on-year % change</i>	Q1	Q2
GDP	-1.0	-1.2
Personal Consumption	-1.1	-1.3
Government Consumption	-1.8	-1.7
Investment	-19.6	1.0
Exports	-4.1	1.0
Imports	-4.0	2.6

- First and second quarter national accounts data were disappointing, although one-off factors had a considerable impact (e.g. new vehicle license regime on consumption, pharma patent expiry effect on exports).



## Export market growth better than expected in second quarter

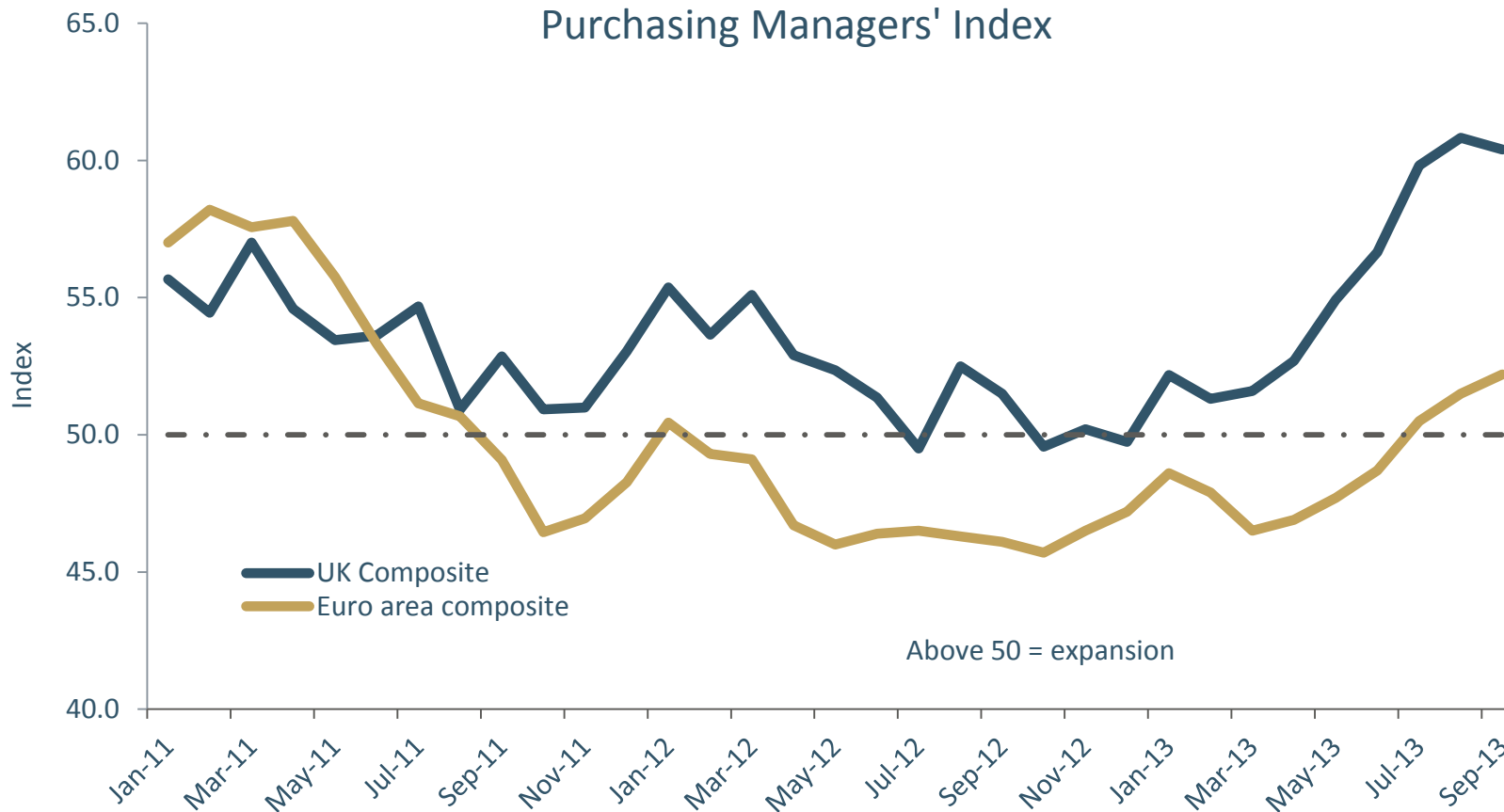


- Robust growth in key trading partners (UK and US) in the second quarter.
- The euro area also returned to growth in the second quarter, led by a pick-up of growth in France and Germany.



## Leading international indicators are encouraging

### Purchasing Managers' Index





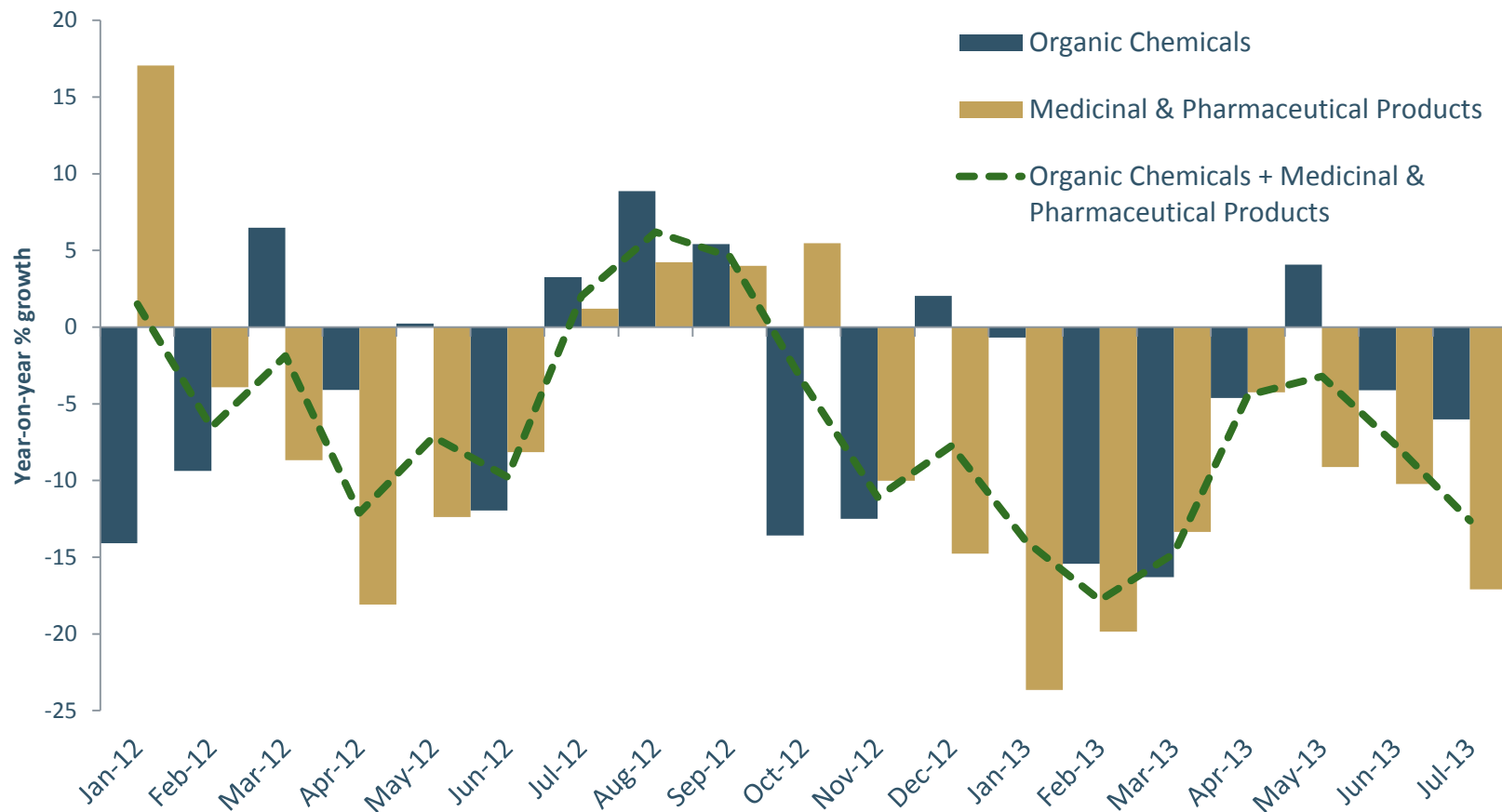
## Weakness in goods exports but services exports remain strong



- Services exports continue to perform strongly with IT services contributing the bulk of the growth



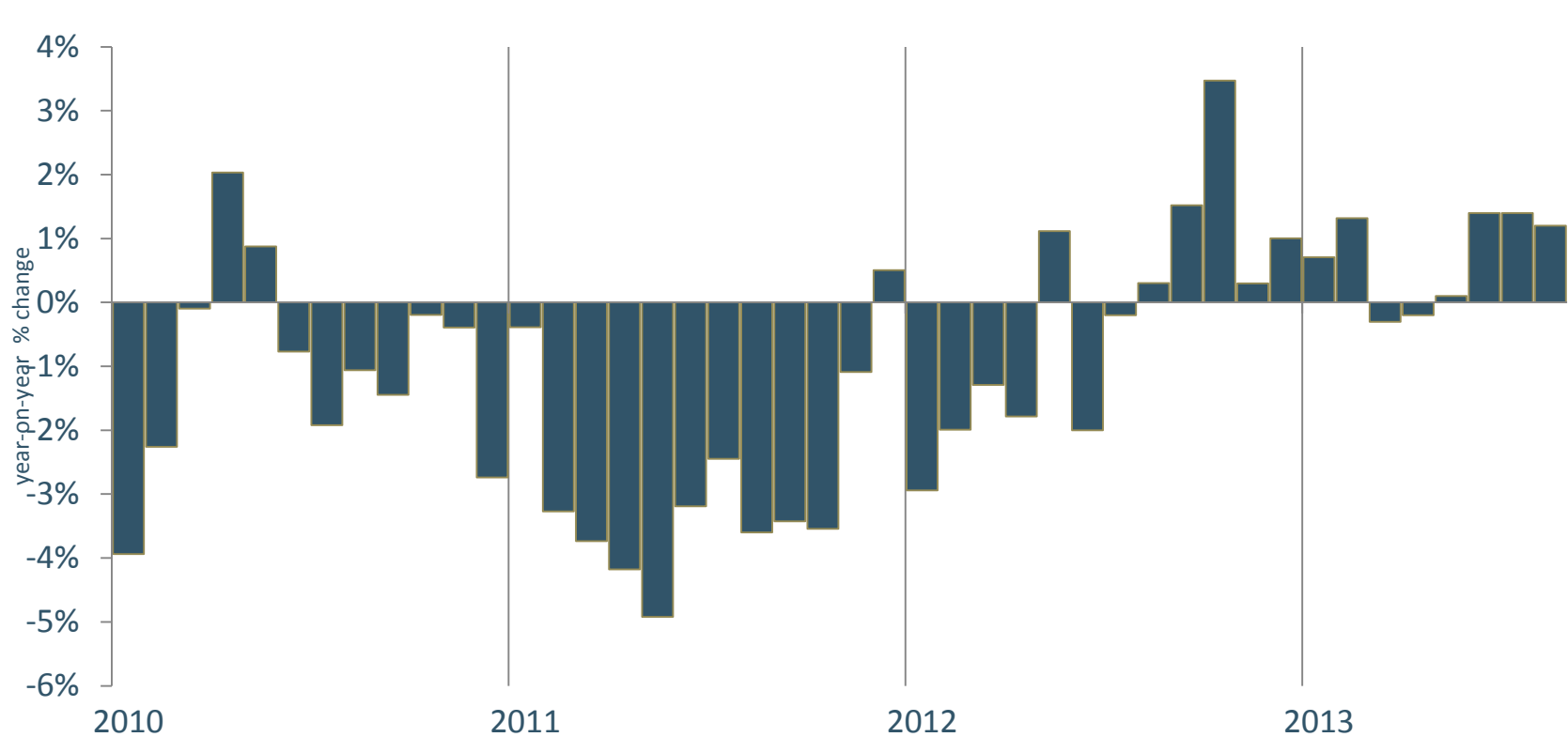
## The “patent cliff” is impacting on goods exports



- Exports of both organic chemicals and finished products down sharply.



## Signs of stabilisation in “core” retail sales

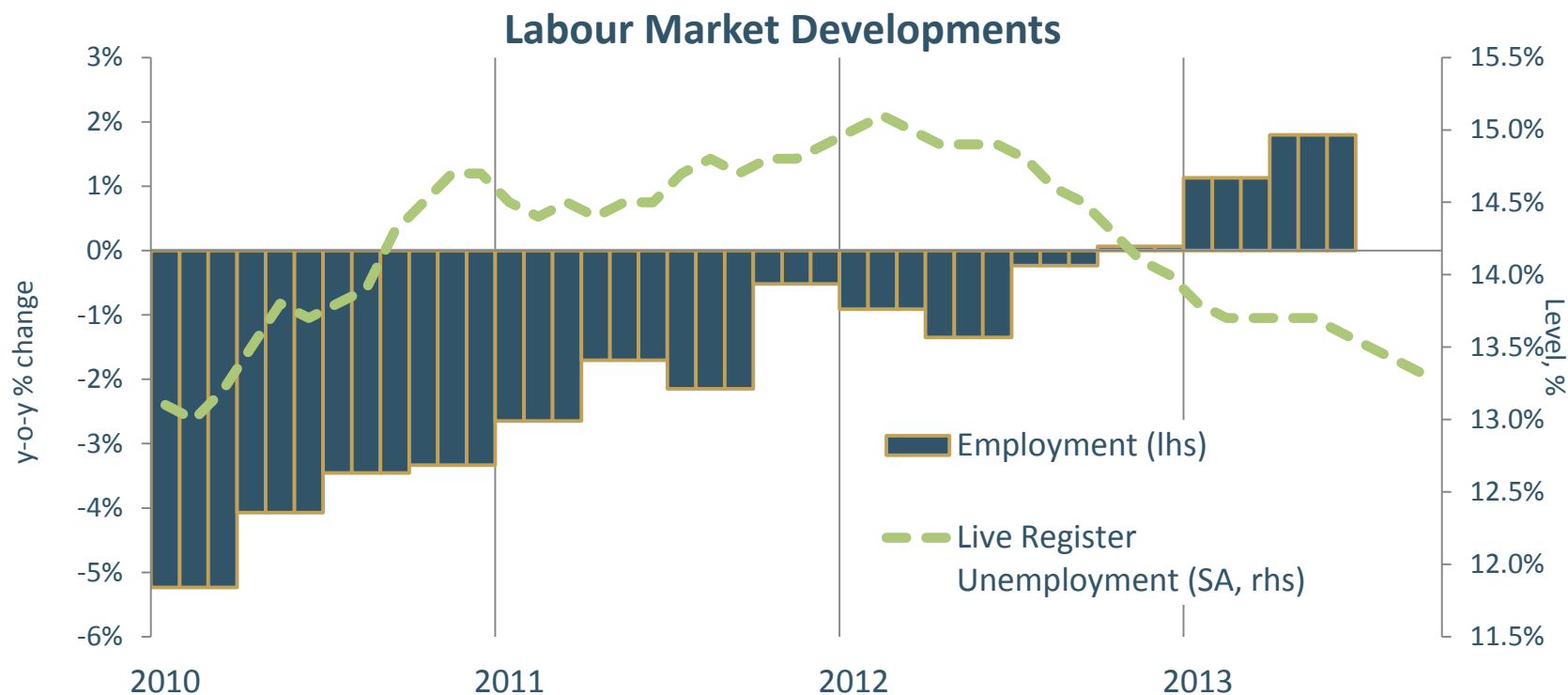


- Core retail sales (excluding cars) have increased in each of the last four quarters.





## Supported by continued labour market improvements

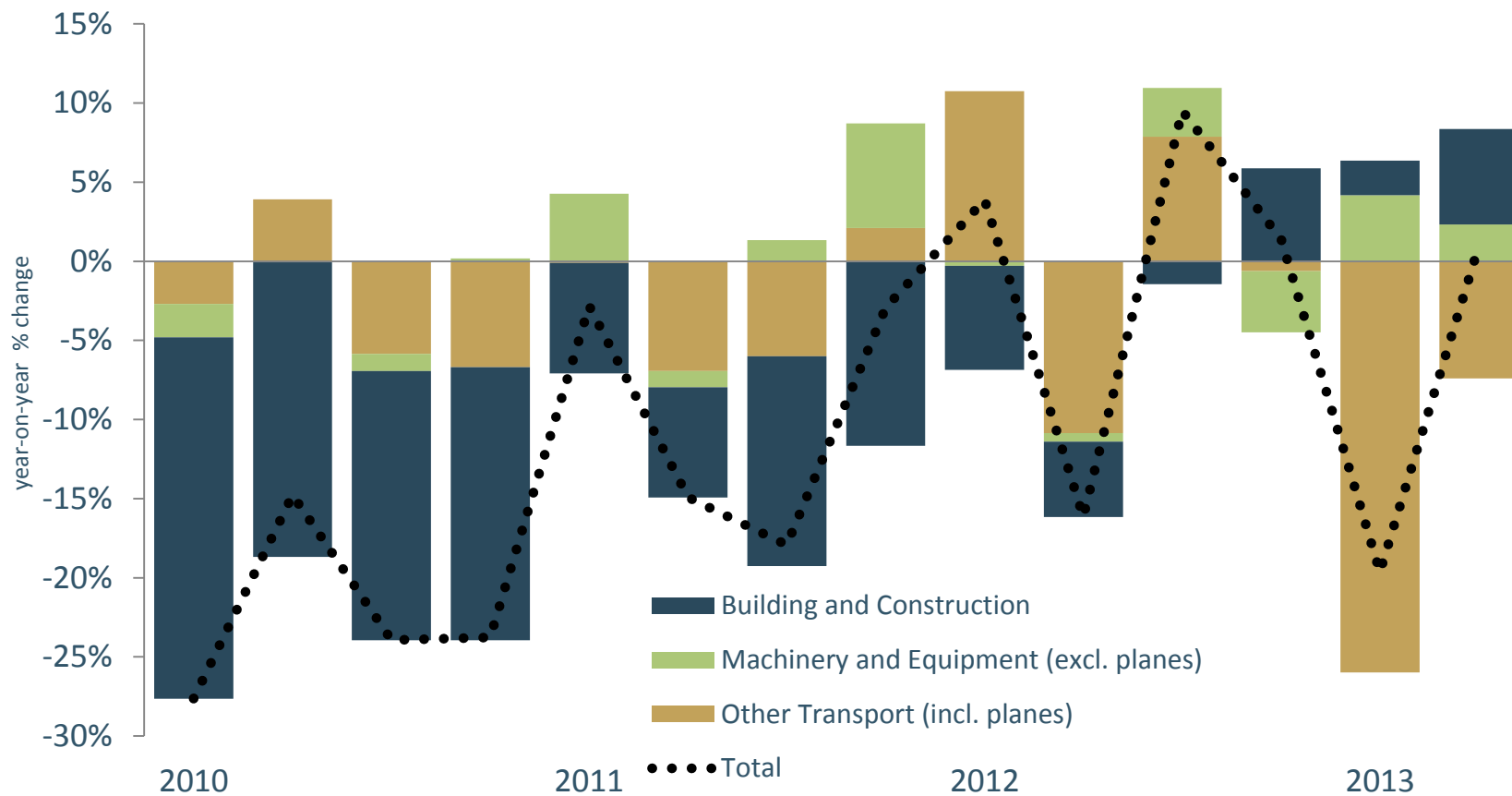


- Three successive quarters of annual employment growth, with employment increasing by 1.8% in the second quarter – representing 33,800 more jobs.
- The unemployment rate has fallen by 1.8 percentage points since February 2012.



## Signs of recovery in underlying investment

Contribution to Investment





## Outlook 2014

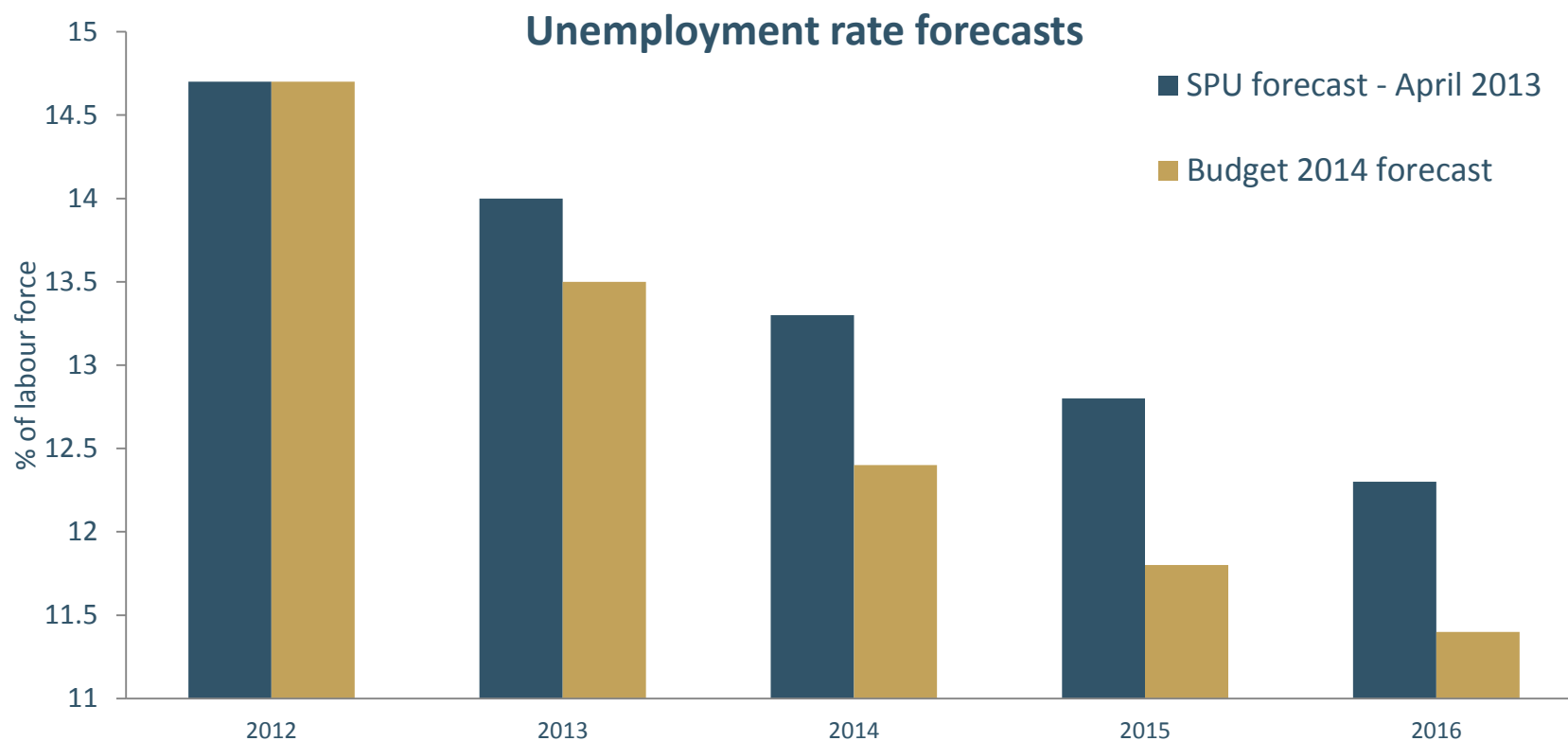


## Budget 2014 – Macroeconomic forecasts

<i>Year-on-year % change unless specified</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
GDP	0.2	2.0	2.3	2.8
Nominal GDP (nearest €25m)	165,875	170,600	176,950	184,675
GNP	1.0	1.7	1.7	2.1
Personal Consumption	-0.2	1.8	1.2	1.1
Government Consumption	-0.9	-1.9	-1.5	0.2
Investment	4.9	6.8	5.9	5.1
Exports	-0.6	1.9	2.7	4.2
Imports	-0.4	1.5	2.1	3.5
Employment	1.6	1.5	1.3	1.3
Unemployment (rate)	13.5	12.4	11.8	11.4
HICP Inflation	0.7	1.2	2.0	2.0
Current A/c (% of GDP)	4.4	4.0	3.8	3.7



## Labour market outlook more positive



- The decline in the unemployment rate is mainly driven by employment growth.



## Contributions to real GDP growth

