OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

IRELAND

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

NOVEMBER 1976

BASIC STATISTICS OF IRELAND

THE LAND

Area (thousand sq. km)	70
Agricultural area, 1974, as per cent of total area	69
Population of major cities, with suburbs, 1971 census (thousands):	
Dublin, Co. Borough	680
Cork, Co. Borough	134
Dun Laoghaire, Co. Borough	99
Limerick, Co. Borough	64

THE PEOPLE

Population (April 1975)	3 127 000
No. of inhabitants per sq. km	45
Increase in population:	
Annual average 1966-71	29 630
Natural increase in population:	
Annual average 1966-71	29 630
Emigration:	
Annual average 1966-71	10 782
Annual average per thousand of population	3.7
Labour force total, April 1975	1 132 000
Civilian employment in:	
Agriculture, forestry and fishing	252 000
Industry and construction	307 000
Other sectors	471 000

THE GOVERNMENT

Public current expenditure on goods and services, 1975 (as per cent of GNP)	20
General government current revenue 1975 (as per cent of GNP)	37
Public debt, 31st December 1975 (as per cent of central government current revenue 1975)	244

Composition of Parliament (end 1975):	seats
Fianna Fail	69
Fine Gael	54
Labour	19
Others	2

Last election: February, 1973

FOREIGN TRADE

Exports:	
Exports of goods and services, as per cent of GNP, 1975	45
Main exports, 1975 (per cent of total):	
Meat and meat preparations	17
Dairy products and eggs	11
Live animals	9
Machinery and electrical goods	9
Textile manufactures	5
Clothing	3
Medicinal products	3
Metal ores and scrap	2
Main customers, 1975 (per cent of total):	
United Kingdom	54
Other European Economic Community	25
United States	6

Imports:	
Imports of goods and services, as per cent of GNP, 1975	51
Main imports, 1975 (per cent of total):	
Machinery and electrical goods	19
Petroleum and products	13
Textile manufactures	6
Iron and steel	3
Main suppliers, 1975 (per cent of total):	
United Kingdom	49
Other European Economic Community	20
United States	7

THE CURRENCY

Monetary unit: Irish pound

Currency unit per US dollar, average of daily figures:	
Year 1975	0.45
September 1976	0.58

NOTE An international comparison of certain basic statistics is given in an annex table.

OECD ECONOMIC SURVEYS

IRELAND

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development (OECD) was set up under a Convention signed in Paris on 14th December, 1960, which provides that the OECD shall promote policies designed:

— to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
— to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;
— to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The Members of OECD are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.

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The annual review of Ireland by the OECD Economic and Development Review Committee took place on 6th October, 1976.

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INTRODUCTION

The Irish cyclical experience of the last few years has been broadly in line with that of most OECD countries. The low point of the cycle was reached sometime towards the middle of 1975. By that time industrial production was some 10 per cent down from the peak one-and-a-half years earlier. The recovery was largely export and consumption led and was particularly strong around the turn of the year. After the first quarter of 1976 the rate of expansion seems to have tapered off, largely due to a weak trend in private consumption, while industrial exports continued to rise strongly through the first eight months of 1976. The decline in investment is expected to be reversed in 1976. Reflecting the end of the considerable destocking of non-agricultural products, the contribution of the change in stockbuilding to output growth is expected to be exceptionally strong in 1976, largely offsetting the negative contribution of 1975. For 1976 as a whole the increase of GDP may be around 3 per cent and that of industrial production roughly double this. After a considerable increase through 1975 unemployment rose very little during the first three quarters of the year; nevertheless, the insured unemployment rate was about 12¼ per cent in the autumn 1976, the highest rate recorded in the post-war period. While some slowdown in inflation is expected during the remainder of the year, the rise in consumer prices will probably be around 18 per cent for 1976 as a whole, only some 3 percentage points less than in 1975. The current account of the balance of payments, after recording a negligible deficit (for special reasons) in 1975, is expected to deteriorate in 1976, the deficit probably rising to some £150 million (or nearly 3½ per cent of GDP).

With inflation remaining strong, unemployment high, the balance of payments deficit widening and the public sector borrowing requirement increasing considerably, the policy stance remains cautious. The 1976 Budget impact is broadly neutral and monetary policy accommodating. Given the critical inflationary situation, the Government has intervened more than in the past in pay negotiations, but mainly due to Trade Union opposition its bearing on the course of events has been limited. It first proposed a temporary pay freeze and when this was rejected by the unions it encouraged both industrial partners to endorse a draft 1976 National Pay Agreement. This was rejected in turn by the unions; and the Government then accepted an interim pay increase proposal by the Irish Employers' Confederation which in terms of its provisions for increases other than in basic pay was less restrictive than the rejected draft agreement. However, it contained a provision for tripartite discussions between the government, employers and trade unions on the economic and social strategy over the next two years.

Part I of the Survey reviews the inflation record, demand and output, employment and trade and payments developments in 1975 and 1976. Part II examines the authorities' policy posture, notably in the budgetary, monetary, income and employment fields. Part III discusses the short- and medium-term outlook, attempts to identify the main problems facing Ireland, and concludes with some economic policy considerations.

I DEVELOPMENTS IN 1975 AND 1976

Inflation

Up to 1969 the Irish inflation record was not very different from that of its main OECD trading partners[1]. Since then the situation has deteriorated markedly, with the acceleration in domestic inflationary trends beginning earlier and inflation remaining substantially higher than in the rest of the OECD. The upsurge in inflation was associated initially with the big pay rises of the 1969-70 wage round, which were roughly double those of the previous round. After 1969, a steep upward trend of pay was established, making it the major factor underlying the persistent high inflation rates. In addition, from 1973 onwards the acceleration in the increase of import prices, reflecting the strong worldwide inflation, especially in the UK, and the rise in commodity and oil prices, has in turn reinforced inflationary trends.

The National Pay Agreements (NPA) of 1972 and 1974 were highly inflationary[2]. They provided for substantial nominal pay rises (including sizeable special increases to deal with "anomalies" and progress towards equal pay) accompanied by indexation clauses guaranteeing real pay rises which far exceeded the growth in productivity, thus contributing to perpetuating inflationary pressures. The first of these two NPAs was implemented at a time of rapid expansion[3] which helped to contain somewhat the growth in unit labour costs, especially in 1971 and 1972. Wagedrift associated with the exceptionally high level of demand in 1973 exacerbated domestic labour cost pressures. Moreover, for roughly two years from the end of 1973, the situation changed in two important respects. First, output declined, industrial production falling nearly 10 per cent between early 1974 and autumn 1975; and secondly there was an important deterioration in the terms of trade of about 17 per cent in the two years to 1975, one effect of which was to strengthen considerably inflationary pressures as declines in real living standards were resisted.

The 1975 NPA[4], which ran from roughly mid-1975 to mid-1976, was less inflationary than the previous two agreements. However, it was not suf-

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1 Annual percentage growth of consumer prices

	1961-68	1969-72	1973-75
Ireland	4	8¼	16½
UK	3½	7	16½
OECD Europe	3¾	5½	11¾
OECD	2¾	5	11

2 In the sixties a "free for all" bargaining system was in operation, whereby strong unions set the pace of pay rises in what were called wage rounds and other workers' pay rises followed suit. The introduction of the National Pay Agreements since 1970 was aimed primarily at bringing some order to wage negotiations so as to avoid the important disruptive strikes which were a common characteristic of previous wage round negotiation procedures. The switch in 1970 to centrally negotiated National Pay Agreements (NPA) was largely due to government threatening to introduce legislation to control income rises.

3 The annual growth of GDP was about 5¼ per cent between 1970 and 1973 and roughly zero between 1973 and 1975.

4 The 1975 NPA reached in April 1975 provided practically for an indexation of basic pay to prices, plus a few percentage points of real increase mainly accounted for by special increases to remove "anomalies" and to achieve equal pay by 31st December 1975. The Government later introduced a series of measures (subsidies and abolition of VAT for a number of commodities) in June 1975, which led to an actual slight fall in consumer prices in the third quarter of 1975. In exchange the Government asked the parties to the NPA to review its terms. The parties agreed to amend its terms so that no increase would be paid in the third phase, while the final phase was effectively linked to the increase in the consumer price index in the three months to mid-November.

Table 1 **Price movements**

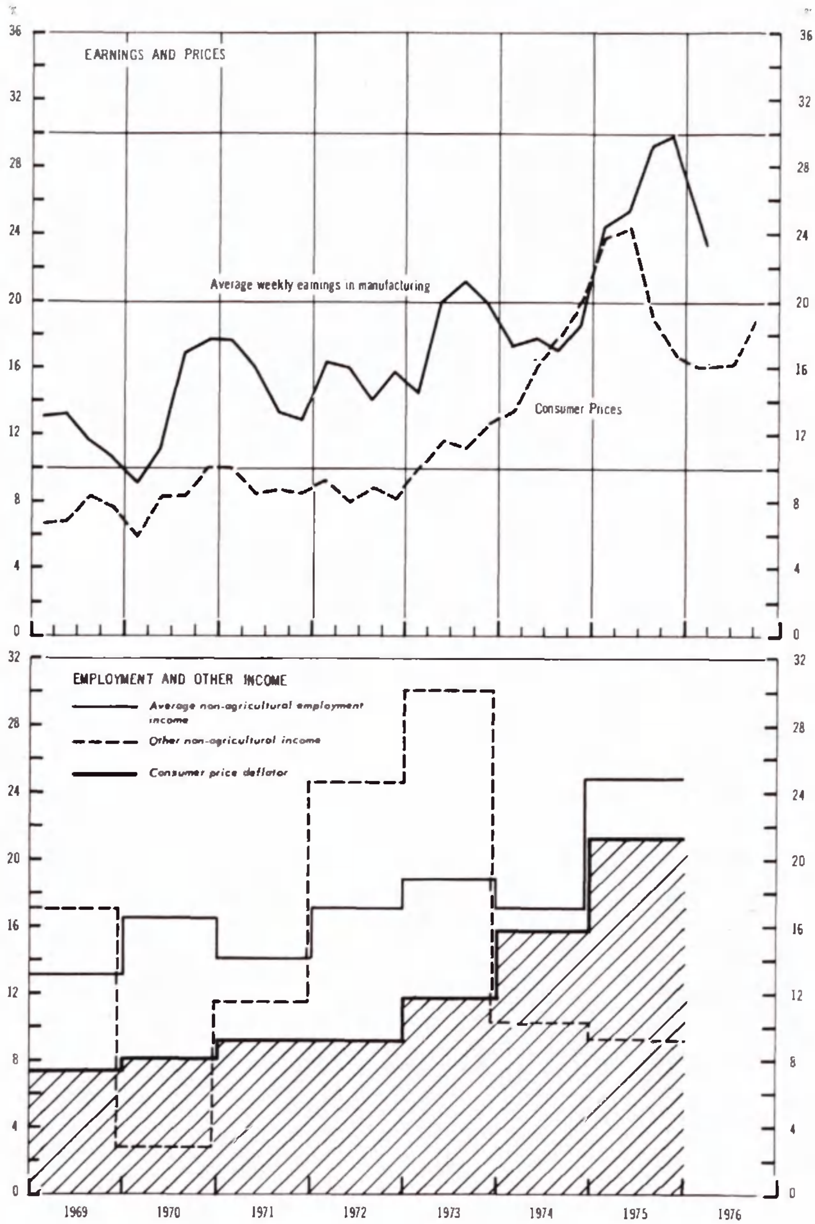
Percentage changes, actual rates

	1968 CPI weight	1972	1973	1974	1975	1975 I	1975 II	1975 III	1975 IV	1976[1] I	1976[1] II	1976[1] III
Consumer price index:												
Total	100	8.6	11.4	17.0	20.9	8.0	6.1	−0.8	2.8	7.3	6.2	1.5
— food	32	11.9	16.5	14.7	21.5	5.9	9.6	−3.1	3.1	6.0	6.3	0.2
— non-food	68	7.1	8.9	18.2	20.6	9.1	4.3	0.4	2.6	7.9	6.2	2.2
of which:												
alcohol and tobacco	16	1.8	6.5	8.9	26.0	20.6	1.3	1.8	2.1	13.0	8.9	
fuel and light	6	10.0	7.1	51.0	16.4	5.9	5.1	−4.2	2.1	5.8	4.3	
Wholesale prices:												
General index		10.4	17.6	13.5	24.5	13.5	5.6	−0.5	3.5	7.0		
Agricultural products		21.5	30.7	1.4	28.0	12.7	3.8	−0.2	11.3	9.2	6.6	
Home production		10.7	18.0	11.7	25.2	13.1	6.0	−0.9	3.2	7.5		
Materials for use in all industry		5.4	23.1	36.6	17.9	1.0	3.0	4.7	6.6	2.5		
Output of industry		7.1	13.9	20.1	24.9	11.0	4.9	−0.3	2.0	4.4		

1 Based on revised weights (mid-November, 1975) for the consumer price index.

Sources: Irish Statistical Bulletin and Economic Series, CSO, Dublin.

Diagram 1 **Incomes and Prices**



Percentage change over one year.

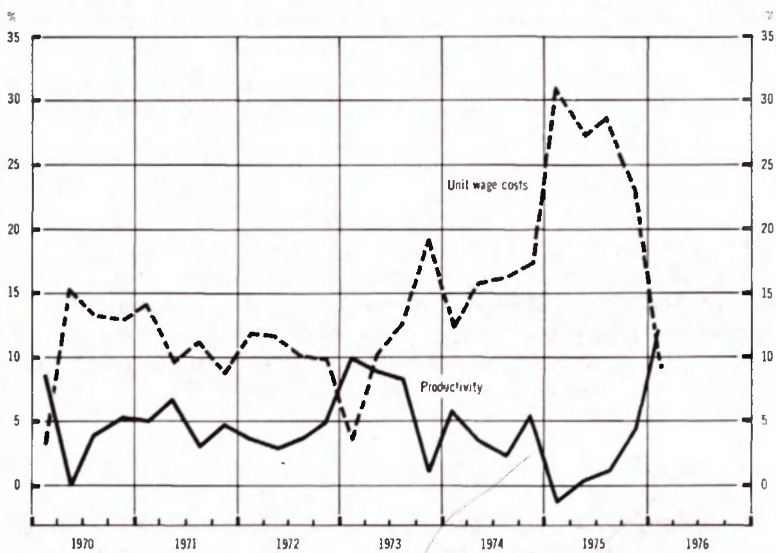
NOTE Average non-agricultural employment income is defined as the ratio of wages and salaries to employment in the non-agricultural sector. Other non-agricultural income includes profits, professional earnings, dividends and rent before adjustment for stock appreciation. The consumer price deflator is the implicit national accounts deflator for personal expenditure on consumers' goods and services.

Sources: Economic Review and Outlook - July 1976; Quarterly Industrial Inquiry; Irish Statistical Bulletin, Central Statistics Office, Dublin.

ficiently restrictive to bring the underlying growth of pay rates in line with those in competing countries, including those in the UK, which decelerated sharply under the "£6 a week" policy in mid-1975. The gap in the rate of increase in basic pay between Ireland and the rest of the OECD therefore remained very big and Ireland's competitive position continued to suffer. In addition, the marked deterioration of the terms of trade was equivalent to about 6½ per cent of real national income between 1973 and 1975. This implied the need for a corresponding reduction in real domestic demand relative to GDP, so as to allow a transfer of resources to the external sector. In fact, however, the 1975 NPA permitted several percentage points of real pay increase when account is taken of increases other than in basic pay.

The growth in average earnings decelerated markedly during the second half of 1975[5] which, combined with the slight recovery in output resulted in an even more marked slowdown in the growth of unit labour costs. The deceleration of average earnings was partly due to the amended 1975 NPA which provided for no basic rises in phase 3 of the 1975 NPA. In addition, many firms which were in a difficult economic and financial situation, especially in traditional sectors, invoked the inability to pay clause of the 1975 NPA and granted pay rises lower than the standard rises under the Agreement. This factor continued to exert a dampening influence on the growth of average earnings during the rest of the operation of the 1975 NPA. The sharp decel-

Diagram 2 **Productivity and Unit Wage Costs in Manufacturing**



Percentage changes over one year.

NOTE Productivity is defined as output divided by man-hours and was seasonally adjusted. Unit wage costs are hourly earnings divided by productivity.

Sources: Quarterly Industrial Inquiry, Central Statistics Office, Dublin.

5 The annual growth of average earnings in industry fell from 38 per cent during the first half of 1975 to 20 per cent during the second half. For the whole economy the difference is probably smaller.

eration in the growth of average earnings probably came to an end around the turn of the year and between then and late summer 1976 may have stabilized at somewhat above 16 per cent, annual rate. However, due to the strong recovery in output, especially in the first quarter of 1976, the deceleration in unit labour costs continued during the first half of 1976, but probably at a slower rate than during the previous half year. Even if the growth of unit labour costs should be steeper in the second half of 1976, the downward trend in the previous 18 months suggests a slowdown. However, despite the deceleration, the rise in unit labour costs in the non-agricultural sector is likely to remain high, probably around 15 per cent and in industry about 12 per cent for 1976 as a whole.

The rates of growth of all the important variables which influence price trends have slowed down appreciably in 1976, bringing the annual rise of consumer prices, excluding the effects of the 1976 Budget's discretionary tax changes, close to 14 per cent compared with a little over 20 per cent in 1975. The decline in the rate of growth of unit labour costs, which has the heaviest weight among the forces affecting price formation, should exert a dampening influence. Similarly the slower growth of import prices, which also has considerable weight, will have had a moderating influence. After the inflationary impact in 1975 the smaller rise in agricultural incomes will also pull in the same direction. Non-agricultural profits and self-employment income, whose rate of increase may be slightly smaller than the growth of average earnings will probably continue to have a restraining effect on the rise in prices for the third year running. However, they should both see a marked recovery from the very depressed levels of the last two years, benefiting importantly from the recovery of domestic demand and the substantial growth in exports of manufactures. Since profit margins on exports are not subject to price controls, firms probably tend to fix these higher than profits on domestic sales to compensate for the price restrictions on the latter—a tendency which has been favoured by the rapid recovery in world trade and by the appreciable devaluation of sterling during 1976.

The impact on the consumer price index of the big rise in indirect taxes in the 1976 Budget is expected to be nearly 4 percentage points, bringing the overall consumer price increase to about 18 per cent in 1976, down only about 3 percentage points from 1975. This impact was felt mainly during the first half of 1976, when the increase of consumer prices was about 14 per cent. The effects of these tax changes having largely spent themselves by early summer, the increase may be about 6 per cent during the second half of 1976, which would appear to be a little below the underlying trend given the present outlook for domestic and foreign costs.

Demand and output[6]

The downward trend in the volume of retail sales lasted roughly two years to mid-1975. There were substantial increases in the third and fourth quarters of 1975, which brought the level of retail sales towards the end of 1975 close to the mid-1973 peak. These increases largely reflected the substantial growth in real earnings resulting from the continuing strong upward trend in pay rates combined with the marked deceleration in inflation in the course of the second

6 Current statistical indicators in Ireland tend to appear with a substantial time-lag. This means that analysis of the current conjunctural situation is in a number of respects necessarily rather speculative.

Table 2 **Contributions to consumer price increases**

	Weight	Annual percentage increases: Ave. 1968-1971	1972	1973	1974	1975	Contribution to price increase: Ave. 1968-1971	1972	1973	1974	1975
Wage costs per unit of output[1]	.285	11.4	10.3	13.1	17.0	21.0	3.2	2.9	3.7	4.8	6.0
Deflator for imports of goods and services	.268	5.7	4.6	13.2	43.7	21.3	1.5	1.2	3.5	11.7	5.7
Non-agricultural profit per unit of output[1]	.178	6.1	19.1	20.8	9.1	12.2	1.1	3.4	3.7	1.6	2.2
Agricultural profit per unit of output	.038	3.2	31.1	31.7	−15.7	40.9	0.1	1.2	1.2	−0.6	1.6
Net indirect taxes per unit of consumption	.176	12.7	10.5	11.6	−2.6	10.9	2.2	1.8	2.0	−0.5	1.9
Depreciation per unit of output[1,2]	.056	10.6	9.0	4.7	10.9	10.8	0.6	0.5	0.3	0.6	0.6
Residual							−0.6	−2.0	−2.7	−2.0	3.4
Consumption deflator		8.2	9.1	11.8	15.7	21.3	8.2	9.1	11.8	15.7	21.3
Memorandum item:											
Consumer price index		8.2	8.6	11.4	17.0	20.9					

The figures are Secretariat estimates.
1 Excluding public administration and defence.
2 Provision for the depreciation of fixed assets.
Sources: National Income and Expenditure, 1974; Economic Review and Outlook, July 1976; "Irish input-output structures 1964 and 1968", E.W. Henry, E.S.R.I. 1972.

half of 1975, which was to a great extent brought about by the June measures[7]. In addition, it appears that the upsurge in consumers' expenditure benefited from the considerable increase in real agricultural income (25 per cent) in 1975 which was due to both high prices for agricultural products and sharply increased export volumes and was concentrated in the closing months of the year. The recovery was very pronounced in consumer durables and private cars, both of which had suffered severely in the recession of the previous two years. For 1975 as a whole consumers' expenditure declined 2½ per cent, while the personal savings ratio probably rose by about 3 percentage points to around 20 per cent. This was largely due to the considerable increase in farmers' income in real terms, from which there is a much higher than average propensity to save.

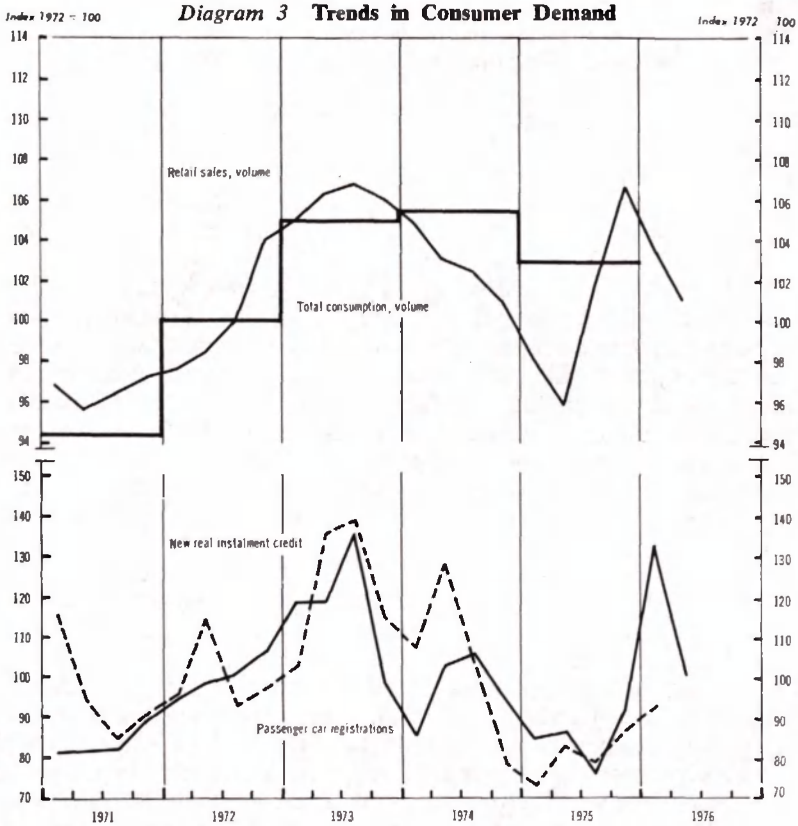
It is worth noting that the personal savings ratio in the non-agricultural sector seems also to have increased in 1975 despite a fall in real disposable income in that sector, thus reinforcing the decline of consumers' demand. Real disposable income arising from non-agricultural self employment, profits, rent and interest receipts may have fallen by as much as 10 per cent whereas that arising from earnings probably fell only slightly. Transfers appear to have increased in real terms but not sufficiently to compensate for the fall of the other two income categories. The overall personal savings ratio after fluctuating around 10 per cent in the 1960s, rose rapidly to nearly 19 per cent on average between 1972 and 1975. Apart from structural reasons, notably the rapid increase in real incomes and especially agricultural incomes in the first half of the 1970s, it appears that the impact of the recession and of inflation on employment prospects, on the value of financial and especially liquid assets and in creating great uncertainty, have contributed considerably to the rise in the personal savings ratio to historically high levels. With all these factors continuing to influence consumers' behaviour during most of 1975, the non-agricultural personal savings ratio seems to have increased in 1975 as a whole; towards the end of 1975, with the rate of consumer price rise slowing down and activity getting a little stronger, a small fall in the personal savings ratio seems to have taken place.

Anticipatory buying[8] kept the volume of retail sales in the first quarter of 1976 near the level attained in the second half of 1975. This seems to have been made possible by a fall in the savings ratio. Demand for consumer durables was again buoyant; in value terms sales of hardware, electrical goods and furniture rose by nearly 28 per cent above the level of a year earlier. Car registrations increased even more rapidly (50 per cent). Since then, there may have been some fall on average in the level of consumers' expenditure. For the year as a whole there will probably be a small decline in real disposable income, largely accounted for by the small fall in real profits, self-employment income rent and interest receipts, by a fall in employment and by the "fiscal drag" on non-agricultural income. Farmers, who are practically exempt from income tax, should experience an increase in real disposable income in 1976. The slight fall in total real disposable income could be more than offset by a decline in the savings ratio from the peak in 1975 with the result that

7 In June 1975 the Government introduced subsidies and reduced value added tax on an important range of commodities, which had the effect that the consumer price index fell slightly in the third quarter.

8 Both before and immediately after the 1976 Budget (presented at end of January 1976) there were considerable anticipatory purchases: before the budget because of the widespread belief that it would contain important indirect tax increases, and afterwards because some of the announced indirect tax increases were due to take effect a little over one month from their announcement, on 1st March 1976.

Diagram 3 **Trends in Consumer Demand**



Seasonally adjusted.

NOTE Retail sales volume is retail sales deflated by the consumer price index. New real instalment credit is new instalment credit extended by industrial banks and hire purchase finance companies for consumer goods and private motor cars deflated by the consumer price index.

Sources: Irish Statistical Bulletin, CSO, Dublin; Quarterly Bulletin, Central Bank of Ireland.

Table 3 Expenditure on GDP

Percentage volume changes (1970 prices), annual rates

	1974 £ million current prices	Average 1969-1974	1973	1974	1975	1976[1]
Private consumption	2.023	3.4	5.0	0.5	−2.5	2.0
Public consumption	530	7.5	7.1	5.5	2.5	1.5
Gross fixed capital formation	723	3.7	16.4	−5.7	−5.5	2.4
Final domestic demand	3 276	4.0	7.6	−0.2	−2.4	2.0
Stockbuilding[2]	59	−0.1	1.1	−1.1	−6.7	4.6
Total domestic demand	3 335	3.9	8.5	−1.1	−8.4	6.7
Exports of goods and services	1 284	5.1	11.2	2.0	5.6	5.8
Imports of goods and services	1 719	6.0	19.8	−1.2	−13.1	13.5
Foreign balance[2]	−435	−0.8	−4.8	1.4	8.8	−3.5
GDP at market prices	2 900	3.4	4.4	0.1	−0.5	3.3

1 Secretariat forecast.
2 Contribution to growth of GDP.

Sources: National Income and Expenditure 1974; Economic Review and Outlook - July, 1976.

consumers' expenditure will probably rise by about 2 per cent. However, consumption may have declined in the course of the year as uncertainties about employment prospects and inflation re-established the tendency for precautionary savings.

The deceleration in the growth of government consumption in real terms which began in 1972 continued in 1975 and a further slowdown is expected in 1976, bringing the year-to-year increase to about 1½ per cent, one of the lowest ever recorded. As in 1975 the increase in 1976 is concentrated on employment and is largely acounted for by an increase in the security forces.

Total fixed investment fell by 5½ per cent in 1975, following a similar decline in 1974. All main investment categories shared in the decline. There was an important decline in public sector investment in building (other than housebuilding) and construction. Company, notably industrial, investment also fell, influenced by the fall in profitability, weak demand prospects and the uncertain inflationary outlook. The fall seems to have been particularly important in foreign company investment which has also been affected by conditions in other countries. Housing investment seems to have fared better than other categories, considerably helped by the large increase in public sector expenditure on housing (about 27 per cent in value) and by the greater inflow of funds into building societies.

As with consumers' expenditure, there was some recovery in investment towards the end of 1975. Domestic sales of cement picked up and imports of capital goods also seem to have increased in volume towards the end of 1975, but the upward trend did not continue into 1976. Cement sales fell a little during the first nine months of 1976 from the very high level attained at the end of 1975 suggesting that building and construction activity remained weak, though at a somewhat higher level than the 1975 average. The decline in local authority dwelling investment seems to have been important and to have been largely responsible for the weak trend in total building and construction as evidenced by the series on dwelling starts and completions and also supported by the budgeted reduction in public capital expenditure on housing. After the exceptional rise in 1975 the volume fall may be substantial in 1976 as a whole. But this fall should be offset by an expected increase in private housing investment aided by the greater availability of funds for private housing investment. In addition to the greater autonomous fund inflow into building societies, Associated banks agreed in 1975 to provide over 2 years £40 million long-term finance for house purchase. However, the big increase in the price of dwellings in the last two years and sluggish real disposable income may prove to be important deterrents to a strong upward trend in private house purchases. Other building and construction may also show a small rise, principally due to the private sector; judging by the Budget, the public sector would probably show no increase. In sum, investment in total building and construction is estimated to increase a little in 1976.

With a large margin of unutilised capacity, especially in the traditional sectors, privately financed industrial investment may show a further decline in 1976, but will probably be more than offset by the rise in publicly financed industrial investment. Moreover, the decline in real pre-tax profits has probably continued. The data on imports of capital goods in the first eight months of 1976 seem to confirm a moderate rise in industrial investment of about 3 per cent for 1976 as a whole. Data from the Industrial Development Authority on investment commitments since 1973 suggest that investment in new foreign projects will decline whereas investment in existing establishments may show a rise. Within the latter category investment by foreign companies already established in Ireland may show a large increase, whereas investment by the

Table 4 **Investment Indicators**
Seasonally adjusted

	1971	1972	1973	1974	1975	1975 I	1975 II	1975 III	1975 IV	1976 I	1976 II
Total gross domestic fixed capital formation, volume percentage changes	9.4	−0.2	16.4	−5.7	−5.5						
Total new houses built, thousands	15.4	21.6	24.7	26.3	26.9	7.5	6.4	6.2	6.6	5.5	7.0
of which:											
local authorities	4.8	5.9	6.1	6.7	8.8	2.4	1.6	1.9	2.8	1.4	
other dwellings	10.6	15.7	18.6	19.5	18.1	5.1	4.8	4.3	3.9	4.2	
Domestic cement sales volume percentage change, annual rates	[1]	0.3	12.3	−2.9	−5.9	−36.0	−8.5	33.5	28.0	−22.8	−4.7
Imports of capital goods[2] volume percentage change, annual rate	7.6	−4.3	24.8	−0.1	−6.9	46.9	−21.9	−9.6	36.6	−15.0	−22.3
Present capacity for coming year in manufacturing, balance of replies (positive sign denotes excessive capacity)	n.a.	n.a.	n.a.	4.0[3]	28.2	28.0	31.0	25.3	28.3	28.3	21.0

1 Not given because of cement strike.
2 Imports of producers' capital goods ready for use deflated by average of UK import and export unit values for SITC category 7 (machinery and transport equipment).
3 Average of the last 10 months.

Sources : National Income and Expenditure 1974, CSO, Dublin; Economic Review and Outlook - July 1976, Stationery Office, Dublin; Irish Statistical Bulletin and Economic Series, CSO, Dublin; Quartery Bulletin, Central Bank of Ireland; Monthly Digest of Statistics, HMSO, London.

traditional industries, largely oriented to domestic consumer goods, will probably decline further. After the large increase in agricultural incomes and savings in 1975 agricultural investment is expected to increase considerably in 1976. In total, fixed investment will probably rise somewhat in 1976.

The contribution of stockbuilding to the change in output was particularly important in 1975 and to a somewhat lesser extent in 1976. There was an unprecedented rundown of both agricultural and non-agricultural stocks in 1975. Agricultural stocks, notably cattle, had risen dramatically in 1972 and 1973; coupled with the big rise in agricultural prices in 1975, this led to a massive rundown of agricultural stocks. The increase in slaughtering-capacity and the possibility to store intervention beef under EEC arrangements greatly facilitated this rundown. Largely involuntary accumulation of non-agricultural stocks in 1974 combined with sluggish demand, financial difficulties and uncertain outlook resulted in considerable destocking of non-agricultural products, especially raw materials in 1975. The decline in the world price of metals and materials from the peak in 1973-74 may also have been an influence.

There is much uncertainty as to agricultural stock changes in 1976. There may have been some further destocking, but to a much smaller extent than in 1975. Given the important rundown of stocks last year and the still uncertain domestic outlook, businessmen will probably follow a cautious policy and there may therefore be little change in non-agricultural stock levels in 1976. Some build-up of finished consumer goods may take place through the year, largely involuntary if demand weakens further in the second half. As regards materials, after the important decumulation in 1975 businessmen seem to consider that stock levels are adequate and no stockbuilding is envisaged. The much smaller destocking in 1976 will give a technical boost to the growth of output, amounting to perhaps 4½ per cent, thereby raising the growth of total domestic demand in 1976 to 5½ per cent compared with a fall of 8½ per cent in 1975 (of which 6¾ percentage points were accounted for by destocking).

In a recession largely led by a fall in private consumption and industrial exports and where in addition the contracted total demand was partly met by a considerable rundown of stocks, it was natural that industrial production would suffer more than the rest; it declined by about 6¼ per cent between 1974 and 1975. The decline came to an end in early summer 1975 and there was

Table 5 **Output by Origin**
Percentage volume changes

	Average 1969-1974	1973	1974	1975[1]	1976[1]
GDP by sector of origin:					
Agriculture, forestry and fishing	3.7	0.2	3.8	12	−2
Industry	4.8	10.2	0.6	−6	6½
Distribution, transport and communication	3.8	7.8	−0.1		
Public administration and defence	4.3	6.4	2.7	−2	1½
Other	3.9	4.2	2.8		
GDP at factor cost[2]	4.2	6.4	1.7	−1	2¾

1 Secretariat estimates.
2 The differences between these figures and those for GDP at market prices given in Table 3 reflect differences between expenditure and output based estimates as well as the factor cost adjustment.
Source: National Income and Expenditure, 1974.

a small rise in the remainder of the year. Reacting with a lag to the strong increase in private consumption in the closing months of 1975 and to the relatively strong growth of industrial exports late last year, industrial production surged considerably in the first quarter of 1976 (7 per cent up on the previous quarter) bringing its level to within a few percentage points of the peak of the first half of 1974. Private consumption in 1976 is expected to be on average below the level attained in the last quarter of 1975 and to be more oriented towards goods which are imported (electrical goods, motor cars, etc.). Continuing growth of industrial exports may be the major stimulus to industrial production in the last nine months of 1976. Industrial production may therefore have declined somewhat during the remainder of 1976 from the high first quarter level; for 1976 as a whole the increase may be close to 6½ per cent.

The sectors suffering most during the recession were the traditional ones —textiles, clothing and footwear, wood and furniture, paper and printing, and building materials—and those suffering the least were food, drink and tobacco. Some of the traditional sectors, especially those which were set up behind protection a few decades ago, have structural deficiencies which were greatly reinforced by the unusual depth of the recent recession. The dismantling of protection in recent years also played a role in weakening the position of some of these industries, particularly textiles, and especially clothing and footwear, in which sectors there has been considerable import penetration. The industries which fared better, taking into account the depressed international trade situation, are the newly established industries, mainly foreign-owned. In the recovery only textiles of the traditional sectors has so far seen an important increase in production. However, this recovery was overshadowed by an appreciable increase in textile imports (5 per cent rise in value between first half of 1975 and first half 1976). As for clothing and footwear, production between the first quarters of 1975 and 1976 showed a small increase of 3 per cent whereas imports between the first halves of the same years rose by 70 per cent in value. These trends suggest that import penetration continued in 1976, probably at an even faster rate than before.

Services experienced a nearly 2 per cent fall in 1975. Taking account of the fact that both the number of tourists increased by some 3½ per cent in 1975 and that the government sector also increased somewhat, output of other service sectors must have fallen considerably. In 1976 government output is expected to increase at a smaller rate than in 1975 and tourism to fall slightly. In addition the bank strike, which lasted for two months from the end of June, may have exerted a dampening influence on service output with the result that despite an overall autonomous increase of domestic demand for services, the growth of output in service sectors in 1976 will probably be small. The growth of net agricultural output in 1975 (12½ per cent)[9], was one of the highest ever recorded. This was partly achieved by a decline in the input of fertilisers of about 20 per cent so that gross output rose by only 7 per cent. In 1976, gross output is expected to fall slightly (a decline in cattle and beef output roughly offset by increases in milk, pig and crop production); and as there will probably be an increase in the use of fertilisers, there will likely be a somewhat bigger fall in net agricultural output. Although Irish agriculture has not been as severely affected by the 1976 drought as Continental and UK farmers, it is not yet clear to what extent the dry weather has depressed agricultural output.

9 This figure refers to net output including value of changes in livestock numbers. Net output equals gross output less input of farm materials.

Despite the fall in total domestic demand, expenditure based GDP declined by only ½ per cent in 1975, reflecting a substantial positive contribution from the real foreign balance. Movements in both exports and imports reflected the heavy destocking. Imports were sharply reduced as the declining demand for materials and finished products was met from stocks and the run-down of agricultural stocks was itself a reflection of high export demand for agricultural products. The expected reversal of these inventory movements in 1976 implies that the change in net exports in real terms should offset to some extent the expected growth in total domestic demand, GDP growing by perhaps 3 per cent.

The labour market

Employment was considerably affected by the recession. After 16 years of almost uninterrupted growth, non-agricultural employment fell appreciably (2.1 per cent) in 1975 (Table 6). The decline in agricultural employment was about ¾ per cent, by far the smallest fall in the last twenty-five years (annual average decline 2¾ per cent). The substantial growth in farmers' income helped to retain a considerable number of people in agriculture; and the weak employment prospects in the non-agricultural sector in Ireland and the UK, the traditional country of emigration, acted as a strong disincentive to leave farm employment. The small fall of about 2,000 persons is probably almost exclusively due to substantial retirement of old people, and the possibility that some working age people may have gone back to agriculture, mainly farmers' relatives, cannot be excluded. In 1976, with farm incomes in real terms showing a considerably smaller increase than in 1975 and non-agricultural activity more buoyant, the fall in agricultural employment is likely to be bigger than last year, though still smaller than the long-term average. Weak employment prospects outside agriculture in both Ireland and the UK will continue to act as a brake on working age people leaving agriculture.

The fall in non-agricultural employment in 1975 was exclusively accounted for by a fall in employment in industry and in building and construction. Principally due to an increase in public service employees employment in services seems to have increased somewhat; the other service sectors experienced only small changes. The fall in manufacturing employment during 1975—14 thousand (6¾ per cent) compared with some 3¾ thousand during the previous year—was the balance of job losses of about 29 thousand and new job creations of 15 thousand. Due to the usual lags between developments in output and employment the experience in both areas was worse than during the previous year. The most disturbing aspect is the downward trend in new job creation since the peak of 1973; the share of jobs created by new foreign projects also seems to be declining. It has been suggested that job losses were roughly equally due to structural and cyclical factors[10]. The structural causes are related to the longer term decline of traditional industries which have been subject in recent years to increasing foreign competition—especially textile, clothing and footwear and certain metal industries[11].

In the fourth quarter of 1975 there was a very small increase in hours worked; employment in manufacturing remained static in the first quarter of 1976 and hours worked may have declined slightly. With output remain-

10 Industrial Development Authority, Annual Report, 1975.

11 In the case of footwear, for example, import penetration has risen from one quarter to three quarters of domestic sales between 1973 and the first half of 1976, while over the same period employment has been almost halved and, it has been reported, twelve factories have closed down.

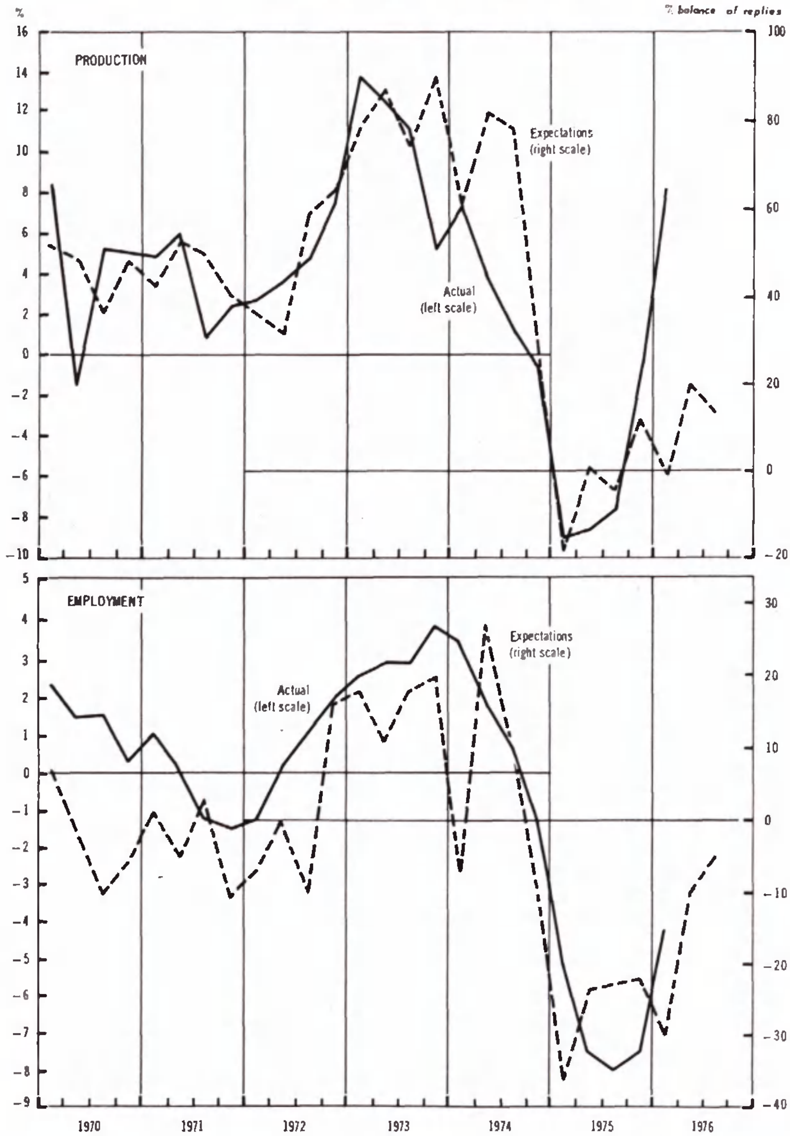
Table 6 **Labour market indicators**
Thousands, seasonally adjusted

	Average[1] 1966-71	1972	1973	1974	1975	1975 I	1975 II	1975 III	1975 IV	1976 I	1976 II
Population	2 923	3 014	3 051	3 089	3 127						
Total employment	1 061	1 047	1 053	1 061	1 042						
Agriculture	303	267	260	254	252						
Other	758	780	793	807	790						
Transportable goods industries[2]	198	208	214	216	201	206.7	201.4	198.4	198.1	197.9	199.9
Manufacturing industries	187	197	204	205	191	196.3	190.7	188.3	188.1	187.8	189.8
Building and construction	61	61.2	61.6	61.8	55.4	59.0	55.8	53.6	53.2	50.7	48.5
Total registered unemployed	57.6	72.0	66.6	72.0	104.4	94.7	102.2	106.9	109.2	110.3	113.3
Total insured unemployed[3]	37.6	48.2	44.0	48.1	75.4	68.5	74.4	78.3	80.4	82.1	84.1
Insured unemployed rate (%)[4]	6.7	8.1	7.2	7.9	12.2	10.8	12.2	13.0	13.2	12.1	12.4
Net emigration[5]	10.8	−6.7	−9.4	−9.2	−4.4	−14.8	−2.9	−6.6	−4.4	2.3	n.a.
Weekly hours worked, manufacturing	43.3	42.3	42.4	41.5	41.2	40.8	41.1	41.2	41.7	41.2	n.a.

1 1966 and 1971 are the two most recent census years.
2 Manufacturing and extractive industries.
3 Excludes those normally engaged in agricu'ture, fishing and domestic service and permanent pensionable employees in the public sector.
4 Per cent of insured labour force. The insured labour force figures vary from year to year, but since April 1974, when the upper income limit for eligibility for social insurance cover was abolished, these figures have risen sharply—particularly in 1976—which accounts for the decline in the rate despite a rise in total insured unemployed.
5 Moving 12-monthly total of net passenger movement by sea and air. Minus denotes net immigration.

Sources: Quarterly Industrial Enquiry and Irish Statistical Bulletin, CSO, Dublin; Main Economic Indicators, OECD.

Diagram 4 **Production and Employment in Manufacturing**



NOTE The actual production and employment series are expressed as percentage changes from the previous year. The expectations series gives the percentage balance of replies expecting higher rather than lower production or employment. Both sets of data were seasonally adjusted.

Sources: Quarterly Industrial Inquiry, CSO, Dublin; Quarterly and Monthly Industrial Surveys (CII/ESRI), Dublin.

ing weak, and with the potential for considerable increase in productivity as existing employees are more fully utilised, employment in manufacturing may fall slightly during the remainder of the year; during 1976 as a whole the decline might then amount to a few thousand. There may be a further small increase in services, largely due to public sector employment. Taking all these elements together, total non-agricultural employment may continue to decline in 1976, but at a rate possibly less than half the nearly 2 per cent year-on-year decline recorded in 1975.

After an appreciable surge in the year to the third quarter of 1975 the increase in unemployment has decelerated considerably since. In the summer of 1976 the number of people on the Live Register[12] was about 115 thousand, which is some 75 per cent up on the figure at the peak of the labour boom some three years earlier and some 8 per cent up on the same period in the previous year. The rate of unemployment among insured persons (excluding public service employees and employees in agriculture, fisheries and in domestic services) reached 12¼ per cent in early summer of 1976, the same level as a year earlier. However, these two figures probably understate somewhat both the deterioration and the degree of slack in the labour market. The possible upward shift in the unemployment curve following the large increases in unemployment benefits in recent years may have been more than offset by the tendency for participation rates to decline in a recession, as many people refrain from looking for a job and many women who do not receive unemployment benefits and assistance do not register as unemployed. This may have been important during the recent recession when some of the industries most severely hit were those which employ a relatively large proportion of female labour (notably textiles and clothing), which also helps to explain the considerably greater increase in the two years to 1975 in registered female unemployment (73 per cent) compared with male unemployment (53 per cent). When allowance is made for the fact that not all unemployed women register, the difference becomes even bigger. During the first half of 1976 some industries which employ a high proportion of women expanded somewhat. Moreover, many women were retained or returned to their employment in the textile and clothing industries in the first half of 1976 under the Premium Employment Programme, which subsidised employment. As a result, the faster increase in unemployment among women may have slowed down considerably early in 1976. One of the sectors worst hit during the recession was building and construction, where unemployment more than doubled from mid-1973 to the first quarter of 1976, the rate reaching 28 per cent. The rising trend in unemployment in building and construction continued into the early months of 1976 but has recently shown signs of levelling off.

Contrary to what might be expected in a recession, young people do not seem to have suffered significantly more than other categories. According to a nationwide survey carried out among school leavers unemployment was slightly less than the national average. However, the weak state of the labour market seems to have induced more young people than in the past to continue their studies or simply stay at home. Moreover, Community Training Schemes employing young people also slightly alleviate unemployment. Another factor worth noting is that the more developed parts of Ireland—East, South East and South West, and notably the Dublin area—had considerably larger increases in unemployment than the less developed ones. This may be explained partly by the fact that many of the traditional industries which suffered most are in the developed parts of the country, whereas as a result of an important regional development programme over the last few years, which included substantially greater advantages for the less developed areas, a relatively greater number of new, especially foreign-owned industries were established in these regions. The

12 The Live Register includes claimants to unemployment benefit, applicants for unemployment assistance and other persons registering for unemployment. Persons on systematic short time who thus qualify are included in the register.

extent of net immigration during 1975—equivalent to ½ per cent of non-agricultural employment— represented a slowdown in the trend which began in 1972. The effects of this small net immigration on the labour market were probably insignificant. It seems that a number of immigrants return on retirement whereas emigrants are predominantly young people. Total unemployment will probably rise slightly during the remainder of the year bringing the increase during 1976 to some 6-8 thousand compared with over 20,000 during 1975. But the composition will probably change somewhat with sectors catering for home demand faring relatively badly while export sectors are likely to be in a much better position. In some sectors unemployment may continue to fall, especially those which have been aided by the Premium Employment Programme.

Trade and payments

In 1975 the current account of the balance of payments showed a very slight deficit of £15 million after a record deficit of £288 million, or about 10 per cent of GNP, in 1974. The main part of this improvement was in the merchandise trade account which moved from a deficit of £538 million to one of £304 million between the two years. Since the terms of trade deteriorated slightly between 1974 and 1975 the improvement in the trade balance was due entirely to volume changes of imports and exports, reflecting on the one hand the low level of activity and demand in the economy and on the other hand exceptionally high agricultural exports. In 1976 the improvement in the terms of trade, largely reflecting the steep rise in agricultural prices, will probably be more than offset by a substantial deterioration in volume terms, stronger activity at home leading to higher imports while agricultural export receipts stagnate and the current deficit may rise to some £150 million.

Imports of goods fell by 13½ per cent in volume in 1975, more than might have been expected with a decline in total final expenditure of 4.7 per cent (the average elasticity over the previous decade was 1.6). This was attributable to the composition of the change in demand, the principal component in 1975 being the turnaround in stockbuilding of which the non-agricultural component has a high import content. As witness to this the value of imports of materials for industry, which accounts for over half of total imports of goods, fell by over 3 per cent in value, implying a substantial volume fall. Judging from value data, there also appear to have been volume declines in imports for investment and consumption excluding food, drink and tobacco, reflecting the cyclical weakness in these demand components. Total import volumes, seasonally adjusted, remained at cyclically low levels for a year up to the third quarter of 1975. They recovered, however, in the final quarter in response to the recovery in consumption and to brighter export prospects for manufactures. The rise continued up to the third quarter of 1976, by which time import volumes were approaching those of the cyclical peak two years previously. But there was some slackening of the increase in the second and third quarters as the consumption boom tapered off and industrialists considered stock levels to be rising in relation to expected output and sales—implying possibly that industry had over-estimated the strength of the upturn and that imports would not be as buoyant towards the end of 1976 as in the first eight months. However, even if imports fell considerably in the final quarter of 1976, there might still be an increase of around 15 per cent year-on-year, given the high level reached in the first three quarters.

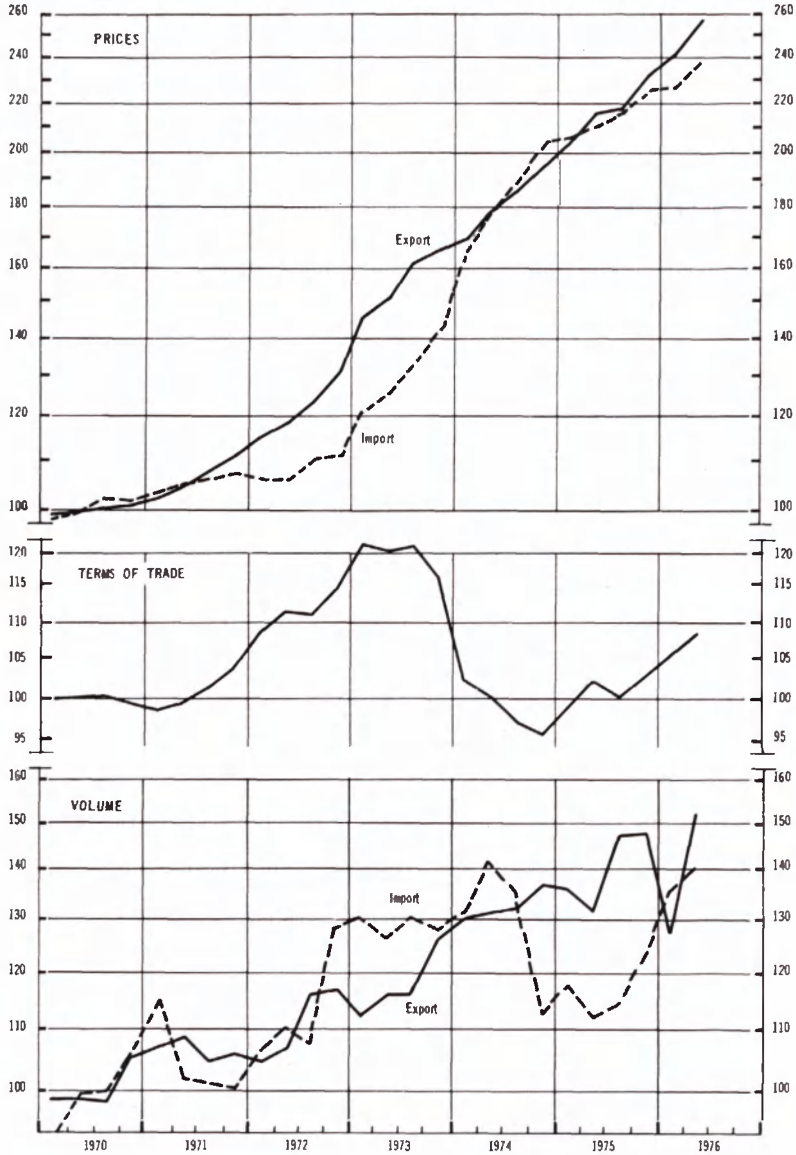
The value of merchandise exports increased by 27 per cent on a customs basis in 1975, with a volume increase of 7 per cent. This was an exceptional

Table 7 **External trade**
Seasonally adjusted

	1973	1974	1975	1975				1976		
				I	II	III	IV	I	II	III
£ million, monthly averages										
Imports, c.i.f.	94.8	135.5	141.6	134.9	132.8	139.5	158.2	172.8	183.3	200.5
of which[1]:	16.0	18.8	22.1	20.9	21.0	21.7	24.6	24.7	25.4	
— Producers' capital goods										
— Consumers' goods	22.9	32.1	37.5	37.6	34.0	36.0	40.4	45.5	49.2	
— Materials for further production	55.6	84.6	81.9	78.2	77.4	81.1	92.6	101.4	108.8	
Exports, f.o.b.	72.4	94.5	120.1	108.1	111.1	122.1	134.1	118.5	155.7	156.5
of which[1]:										
— Industrial	41.8	57.6	67.2	62.4	63.8	67.2	74.7	77.2	92.3	
— Agricultural	29.0	33.8	50.7	42.4	47.6	54.9	59.2	38.5	63.3	
Trade balance	−22.4	−41.0	−21.5	−26.8	−21.7	−17.4	−24.1	−54.3	−27.6	−44.0

1 Excluding ships and aircraft. The seasonal adjustments to the components were derived separately from that of the total.
Source: Trade Statistics of Ireland, CSO, Dublin; Irish Statistical Bulletin and Economic Series, CSO, Dublin.

Diagram 5 **External Trade**



Seasonally adjusted.
Source: Irish Statistical Bulletin, CSO, Dublin.

experience in 1975, total OECD exports falling by 5 per cent in volume. The volume increase was more than accounted for by agricultural exports, especially livestock and livestock products for which 1975 was an exceptional year with exports registering an increase of about 60 per cent in value. Farmers, desiring to benefit from the appreciable increase in prices, considerably ran down the stocks built up over earlier years. As in 1974, about £45 million worth of beef and dairy products (just over 10 per cent of total exports of livestock and livestock products) were not strictly speaking exports as they were held in EEC intervention stocks abroad and accordingly there were only limited foreign exchange earnings. While prices may continue rising in 1976, developments this year may be affected by supply constraints arising largely from last year's rundown of stocks. Indeed the value of agricultural exports on a customs basis in the first half of 1976 was about 11 per cent down on the previous half year, implying a large volume fall. In 1976 as a whole agricultural exports on a customs basis may rise somewhat in value but fall by around 12 per cent in volume. However, as there have been substantial sales of beef and livestock products out of EEC intervention stocks, the fall in volume in balance of payments terms will be considerably less and in value terms (i.e. on a foreign exchange receipts basis) there may be a rise of over 10 per cent. The value of exports of manufactures rose by about 14 per cent in 1975, implying a volume fall of perhaps 4 per cent. However, since Irish export markets probably declined by about 6 per cent the volume fall is consistent with a slight gain in market shares. Over the past decade the average annual gain in export market shares for manufactures has been 4-5 per cent. One important influence over the last few years has been the marked decline—from 58½ per cent in 1973 to 51½ per cent in 1975—of the share of Irish industrial exports going to the slow growing UK market. In the first half of 1976 industrial exports grew by over 19 per cent in value over the previous half year, suggesting a large volume rise. For the year as a whole the volume rise could be around 15 per cent.

The surplus on invisibles increased again in 1975, for the third year in succession. Since most of the improvement of £39 million was accounted for by net receipts from Community funds and there was a net increase from tourism, the balance of other items in the invisibles account such as transportation and income from capital may have deteriorated somewhat. A further gain in the net invisibles balance in 1976 may slightly mitigate the expected deterioration of the trade account.

Table 8 **Balance of payments**
£ million, seasonally adjusted

	1973	1974	1975	1976[1]	1975 H1	1975 H2	1976 H1	1976 H2[1]
Exports, f.o.b.	869	1 134	1 441	1 800	662	779	830	970
Imports, c.i.f.	1 137	1 626	1 700	2 300	805	895	1 070	1 230
Trade balance[2]	−268	−492	−258	−500	−143	−116	−240	−260
Adjustment to balance of payments basis[3]	−1	−46	−46	15				
Net invisible receipts[4]	191	250	289	335				
Transportation	40	51	n.a.					
Tourism and travel	25	30	n.a.					
Income from capital	8	5	n.a.					
Current transfers	90	126	n.a.					
Balance on current account	−78	−288	−15	−150				
Change in official external reserves (nsa)	+3	+60	+181		+30	+151	+17	

1 Secretariat estimates.
2 Includes insurance and freight for imports.
3 Including net changes of EEC intervention stocks held abroad.
4 Includes "Other Services" and "Balance Unaccounted for" but excludes insurance and freight for imports.

Sources: Irish Statistical Bulletin, CSO, Dublin; Economic Review and Outlook - July 1976, CSO, Dublin; Trade Statistics of Ireland, CSO, Dublin; Quarterly Bulletin, Central Bank of Ireland.

With a net increase in reserves of £181 million in 1975, the current account deficit of £15 million implies a net capital inflow of all kinds of £196 million. The bulk of this, £154 million, is accounted for by government borrowing abroad so that when account is taken of the foreign borrowing by the State Bodies[13] during the year it appears that private capital flows, including bank transactions, may have registered only a slight net inflow. Financing the expected current account deficit for 1976 should not present problems for the authorities since most of it is likely to be covered by Ireland's share of the EEC loan which was taken up early in the year, and the steady accretion of external reserves over recent years should allow any shortfall from other capital items to be met from this source. However, while the level of external reserves had increased by 40 per cent to £693 million between December 1974 and June 1976, over the same period public sector accumulated foreign borrowing rose by over one half to £866 million. Moreover, if the depreciation of sterling is taken into account the debt amounted to some £1.1 billion in mid-1976.

II ECONOMIC POLICY

In 1976 the authorities have had the difficult task of reconciling the objectives of reducing inflation, improving a weak underlying current balance of payments position and stimulating activity and employment. The Government has further to plan for a sustained high rate of growth to generate a substantial increase in the number of industrial jobs in the longer run. One of the difficulties that the authorities face is that there are constraints on the effectiveness of policy instruments at their disposal. The present large budget deficit leaves little room for stimulatory fiscal policy. Because of the close links with the UK financial market, including free movement of capital, and the one-to-one parity between the Irish and UK pounds, the role of monetary policy is greatly restricted and there can be no exchange rate policy. These constraints impose a greater burden on the role of incomes policy, where government sucess to date has been relatively limited. However, the tripartite discussions offer a valuable opportunity to deal with inflation, which is today the principal problem facing Ireland.

Budgetary policy

Budgetary policy in 1976 was constrained by the sizeable exchequer borrowing requirement, and especially by the current government deficit, which in 1975 were equivalent to about 17 per cent and 7¼ per cent of GDP respectively, compared to 7½ per cent and ½ per cent in 1970. Thus, despite the continuing slack and the rise in unemployment, budgetary policy remained cautious primarily in order to avoid an excessive growth of the borrowing requirement and even more importantly of the current deficit. The latter was achieved by pruning current expenditure where it would not contribute significantly to increased economic activity and employment. The prolonged slack was only partly responsible for the substantial growth of the current deficit. The cumulative effects of the measures taken in recent years, including those taken during the expansionary phase of the cycle, have contributed importantly to the growth of the current deficit. First, there were substantial volume increases in government

13 These include commercial bodies, which are in effect nationalised industries, and non-commercial bodies which are purely executive arms of the government.

consumption which, together with the above average pay rises in the public sector, payable under successive national agreements[14], were roughly equally responsible for the appreciable increase in the share of government consumption in GDP from 14½ per cent in 1970 to 20½ per cent in 1975. Second, current transfers also increased substantially with the result that total current government expenditure grew from about 29 per cent of GDP in 1970 to 38 per cent in 1975, but no further growth is expected.

Table 9 **Government current expenditure**
£ million

	1972-73	1973-74 Outcome	April-Dec. 1974	1975[1]	1976 Estimate
Service of public debt	127.3	151.5	146.1	241.1	355.2
Social services	247.2	336.5	311.5	603.5	717.7
Economic services	142.1	130.2	110.1	199.8	240.5
General services	108.8	129.7	121.6	219.7	262.9
Other expenditure	38.1	52.2	55.7	85.9	106.3
Total current expenditure	663.5	800.1	745.1	1 350.0	1 682.6
less public debt	536.2	648.6	599.0	1 108.9	1 327.4
of which:					
public service wage and salary bill	200.2	253.1	237.5	448.9	539.9
Memorandum item:					
Current expenditure as per cent of GNP	29.2	29.4	33.9[2]	37.9	39[2]
Public service wage and salary bill as per cent of GNP	8.8	9.3	10.8	12.6	12.5

1 Provisional.
2 Secretariat estimate.
Source: Budget 1976.

In an effort to raise the standards of social care the rates of most social welfare payments (mainly unemployment benefits and assistance, sickness benefits and pensions) were more than doubled in the four years to April 1976. The improvement in real terms was nearly 20 per cent. This combined with growing unemployment, the lowering of the qualifying age for old age pensions from 70 years in 1972 to 67 years in 1975, the alleviation of the means tests, and the appreciable expansion of the education and health services have led to an officially estimated increase of some 200 per cent in total current expenditure on welfare payments and social services between 1972 and 1976. The cost of servicing the public debt is another factor which has considerably boosted the growth of current government expenditure, especially in 1976. This cost increased at an annual rate of nearly 20 per cent in the five years to 1975 and is officially forecast to rise by about 48 per cent in 1976, when it will amount to almost 9 per cent of GDP[15] compared to 6 per cent in 1970. This increase principally

14 It appears that partly because of increased overtime pay for security forces pay rises in the public sector have been higher than in the rest of the economy and in a wage push inflationary situation, government consumption, which is the most "labour intensive" of all main demand components, is bound to see its implicit price deflator rise faster than the rest.

15 The GDP figures employed to derive the 1976 ratio are Secretariat forecasts.

reflects the appreciable growth of the public sector debt, mainly in 1975-1976, and to a lesser extent the fact that a growing part of interest payments are made in foreign currencies (for loans contracted abroad) and as the Irish pound has depreciated vis-à-vis many of these currencies the cost in pounds has substantially increased.

In order to check the growth of the borrowing requirement, and especially of the current deficit, the 1976 Budget provided firstly for a substantially slower volume growth of government consumption than in 1975; secondly for no further real increase in the rates of social welfare payments—the aim being to consolidate the real gains of the previous three years; and thirdly for the imposition of higher taxes. Because of the existing high marginal personal income tax rates the authorities decided not to increase further income tax rates[16] but concentrated instead on indirect taxes. However, with a real decline in the value of personal income tax allowances, some fiscal drag is expected to occur, increasing the personal tax burden. The main indirect tax measures were the following: the VAT standard rate was considerably raised (from 6¾ per cent to 10 per cent), the top rate was only marginally raised, and more goods were brought into the tax net; these rises are officially estimated to yield an additional revenue of £30 million. Excise duties on spirits, wine, beer, tobacco and oil were increased (£68 million yield) as well as motor vehicle duties (£9 million yield). The total increases amounting to some £124 million were somewhat offset by personal income tax reductions and company stock relief of £17 million, giving an overall revenue increase of £107 million, or near 3 per cent of GDP.

Table 10 **Public sector revenue, expenditure and borrowing requirement**
£ million

	1972-73	1973-74 Outturn	April-Dec. 1974	1975	1976 Estimate
Current revenue	659.1	792.9	651.4	1 091.2	1 355.6
Current expenditure	663.5	800.1	745.1	1 350.0	1 682.6
Current deficit	4.4	7.2	93.7	258.8	327.0
Public Capital Programme expenditure	248.5	320.7	288.5	467.3	596.3
Other budget expenditure	7.6	18.9	64.3	74.0	20.3
Capital revenues[1]	79.1	102.5	82.3	125.0	140.8
Total public sector borrowing:	181.4	244.3	364.2	675.1	802.8
State bodies	47.7	53.3	53.7	74.0	123.8
Exchequer	133.7	191.0	310.5	601.1	679.0
of which:					
1 Net sales of domestic securities	76.4	70.6	101.7	331.1	
to the public	24.4	20.2	27.7	191.1	
to commercial banks	52.0	50.4	74.0	140.0	
2 Small savings	23.4	18.0	18.2	39.1	
3 Commercial Bank advances			14.2	93.0	679.0
4 Increase in Central Bank portfolio of Government stocks		20.0		50.0	
5 Foreign borrowing	21.5	44.2	146.7	163.6	
6 Other	12.4	38.2	29.7	−75.7	

1 Including depreciation funds, capital repayments.
Source: Budgets, 1973 to 1976.

16 The 10 per cent income tax surcharge on rates of 35 per cent and over, introduced in the 1975 Budget, was continued.

The 1976 Budget reversed the expenditure trends established since 1970, whereby the growth of the public sector capital programme expenditure lagged behind that of current government expenditure[17]. After having nearly doubled in eight years to 1971 the share of total public capital expenditure devoted to capital grants and loans to industry had since declined. In 1976 this share is budgeted to reach an all-time high of 26 per cent compared with the previous peak of 21 per cent in 1971. This change in emphasis seems quite appropriate for Ireland with its still small industrial sector and with established trends in private investment funds insufficient to secure a sustainable high rate of industrial growth. Most of the funds are in the form of grants to be channelled through the Industrial Development Authority to both domestic and foreign firms. This increase in the share going to manufacturing industry was to some extent at the expense of the share of capital expenditure for building and construction (including housing) which declined from an average of about 39 per cent in the 1974-1975 period to 33 per cent in 1976, implying a decline in real terms. The changes in other sectors were less important.

Table 11 **Public capital programme**
£ million

		1971-72	1972-73	1973-74	Apr.-Dec. 1974	1975	1976 Estimate
1	Building and construction	64.2	81.7	117.0	113.1	179.5	195.8
	of which: Housing	37.8	45.0	66.7	69.3	114.5	119.5
2	Agriculture	19.6	21.5	25.4	20.1	27.1	37.9
3	Loan finance to agriculture	13.5	24.1	43.1	30.4	43.1	50.0
4	Fuel and power	26.7	27.4	34.2	30.2	42.9	52.8
5	Telephones	11.1	17.2	24.0	23.0	47.2	50.0
6	Industry	36.3	33.3	34.2	28.8	65.5	119.4
7	Loan finance to industry	8.4	8.9	15.8	20.1	24.4	34.3
8	Other	34.2	34.3	27.1	22.9	37.6	56.1
	Total	213.9	248.5	320.7	288.5	467.3	596.3

Source: Budget 1976.
The sum of the individual components may differ from the total due to rounding.

The discretionary tax measures together with the deceleration in the volume growth of current government expenditure are expected to reduce the exchequer borrowing requirement and the current government deficit to about 15½ per cent and 7¼ per cent of GDP[18] respectively, in each case about 3 percentage points lower than would have been expected in the absence of the changes. These deficits, expressed as a proportion of GDP, are, therefore, expected to remain at roughly the same level as in 1975 or possibly slightly lower. The change in government priorities in favour of capital expenditure, notably to manufacturing investment (which has a high import content), is expected to have a somewhat smaller short-run domestic impact than if current expenditure had continued to

17 The annual growth of current government expenditure was, except for 1973, consistently higher than that of public sector capital programme expenditure during the period 1970-1975 (average annual growths of 24½ per cent and 20 per cent respectively). The 1976 Budget forecast is 24½ per cent in current and 27½ in capital expenditure.

18 The absolute figures of the exchequer borrowing requirement and the current government deficit are those given in the 1976 Budget to which have been applied the 1976 GDP Secretariat forecast.

experience the biggest rise, as in 1975. Over a longer time span the opposite should be the case, the acceleration of manufacturing investment having a stronger effect on potential growth and employment creation. In 1976 the overall budget impact on domestic demand and activity may be broadly neutral, and the effect of the rise in indirect taxes on consumer prices around 4 per cent.

In addition to the overall economic benefits, the public finances have greatly benefited in recent years from the entry of Ireland into the EEC, which has helped the authorities to contain the growth of the public sector borrowing requirement and especially the extent to which recourse to foreign borrowing was needed. Net EEC transfers rose to some £100 million in 1975[19] (2¾ per cent of GDP), almost all destined for agriculture through the FEOGA. There have also been indirect fiscal effects, mainly due to a considerable increase in agricultural incomes, a substantial growth of exports and higher overall levels of economic activity; these are, however, difficult to measure.

The 1976 Budget revenue and expenditure forecasts incorporated the assumption that a pay pause would have succeeded the 1975 NPA and would have lasted up to the end of 1976. The rejection of the pay pause and the implementation of the "interim pay" proposals will raise public sector revenue and expenditure levels above the original estimates. However, the overall budget effects should not be significantly different from what would have been the case had the pay pause been observed. Due to high marginal personal income tax rates, income tax receipts are likely to increase considerably more than the budget forecast and thus partly offset the unanticipated increase in the public sector pay bill. It is also possible that certain items of expenditure may not be fully realised.

The Government, conscious of the risks of strengthening inflationary pressures and undermining longer term growth prospects involved in running persistent large current budget deficits, has announced its intention to phase out current deficits over the next three years. Moreover, the financial environment in which the 1975 deficit was financed with some ease is unlikely to pertain again. In the conditions of the 1975 recession, the authorities were able to cover the borrowing requirement without unduly inflating money supply and without pre-empting resources needed by the private sector. Direct sales of government paper to the non-bank public more than doubled compared with 1974 and were higher than was thought possible at the beginning of last year. There was also a substantial increase in commercial bank credit. These increases permitted a reduction in the amount of foreign borrowing from £190 million, annual rate, in 1974, to £164 million in 1975. In 1976, with domestic activity picking up, the share of the non-bank private sector in financing the borrowing requirement will probably diminish, and that of commercial banks and foreign borrowing increase.

Monetary developments

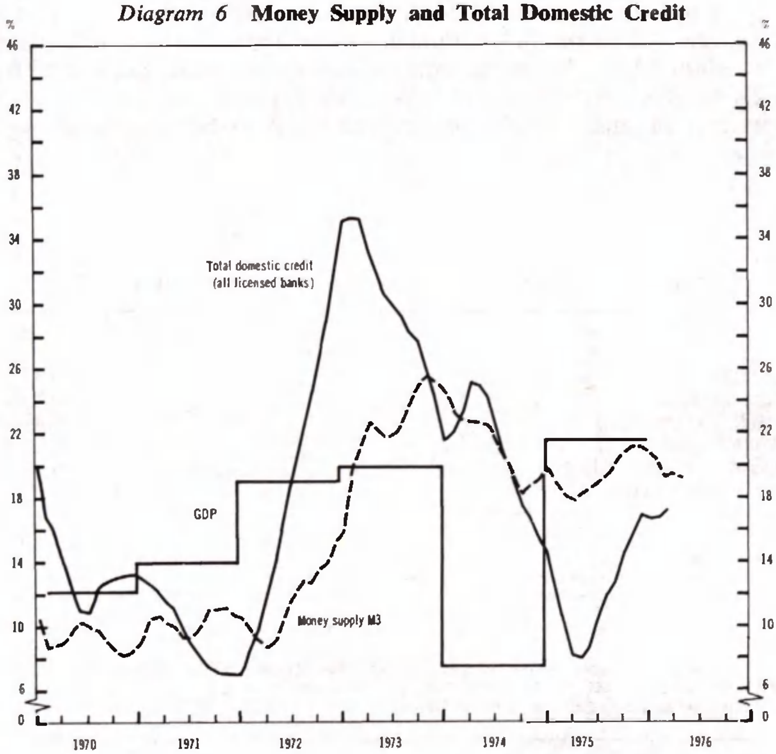
Monetary policy has operated over the last couple of years in an environment of sluggish domestic demand, together with a substantial increase of the public sector borrowing requirement. It had to contribute to satisfying the two principal policy objectives of moderating the strong inflation trend and the increase in unemployment. Under these conditions the accommodating monetary policy stance followed was appropriate; it continued in 1976 and seems to have been

19 Gross EEC transfers:

	£ million
FEOGA (Agriculture)	102.4
Social Fund	5.0
Regional Fund	1.8

little affected by the bank strike and the rejection of the provisional 1976 National Pay Agreement. The distortions in monetary aggregate movements associated with the bank strike became evident even before the strike took place and are expected to continue for some time after its termination and it may take time before all the effects are unwound. In these circumstances, it would be difficult to analyse monetary aggregates from about the beginning of June to, say, November 1976, and the following paragraphs deal mainly with the changes which occurred up to the end of May 1976.

Diagram 6 **Money Supply and Total Domestic Credit**



Percentage change over one year.

NOTE The money supply and the total domestic credit series were first smoothed by a three month moving average.

Sources: Economic Review and Outlook - July 1976; Quarterly Bulletin, Central Bank of Ireland.

Following the rapid growth of about 20 per cent during 1975, which reflected the rebuilding of current account deposits after the previous year's drawings, money supply growth narrowly defined (M1) slowed down to around 14 per cent, annual rate, during the first five months of 1976. This slow-down was largely due to a levelling off in current account deposits since the fourth quarter of 1975. Similarly, the growth in money supply broadly defined (M3) decelerated from 20 per cent during 1975 to 15 per cent, annual rate, in the course of the first five months of 1976. The main expansionary influence behind the growth of the monetary aggregates both in 1975 and 1976 has been the sizeable rise in the public sector borrowing requirement of which a substantial portion was raised abroad. It was officially expected early in the year that for 1976 government borrowing (abroad and from the banking system) would increase M3 by about 18 per cent. In 1975 the effect of the sizeable increase of the public sector borrowing requirement on M3 was mitigated by important sales of public sector debt directly to the non-bank public. In 1976 as private activity recovered somewhat, the sale of government paper directly to the non-bank public will probably prove to have been less important than in the previous year and, consequently, its contractionary influence on M3 also to have been weaker. Due to slack private domestic activity, lending to the private sector was sluggish and exerted a relatively small impact on M3 in 1975. Despite the recovery in activity and the correspondingly greater increase in bank lending to the private sector, the influence on M3 of the latter, though greater than in 1975, will still remain relatively small in 1976. As for the external sector, the substantial overall balance-of-payments surplus in 1975 had a large positive impact on the growth of M3; in the first half of this year the impact continued to be positive, though at a smaller rate.

Table 12 **Changes in money supply and its main counterparts**[1]

	1973	1974	1975
M1, percentage change	7.1	5.3	20.3
M3, percentage change	25.7	20.2	19.9
Change in M3 (£ million)	344.9	340.8	404.6
Main Counterparts:			
Non-Government lending	223.9	186.7	132.9
Public sector financing[2]	162.4	293.0	335.6
Other changes in external reserves[3]	−36.4	−91.4	17.0

1 December on December.
2 Comprising sales of Government securities to the banking system (including the Central Bank), the drawdown of Government deposits with the Central Bank, external borrowing by the Government and advances to the Intervention Agency.
3 Comprising the change in external reserves other than that arising from Government external borrowing.
NOTE As a result of changes in other assets and liabilities of the banking system, the sum of the main counterparts of the change in the money supply may not equal the latter.
Source: Quarterly Bulletin, Central Bank of Ireland.

Bank lending to the Government increased at a much faster pace than that to the private sector between the end of 1974 and early 1976; in 1975 some three-quarters of the increase in total bank credit went to the public sector. This trend seems to have been reversed between the beginning of the year and May 1976. But as this is largely due to special factors, bank lending to the public sector should continue to grow faster (excluding the effects of the bank strike) than that to the private sector during 1976 as a whole, as in 1975, though the difference in growth rates should narrow. Total bank advances to the non-government sectors increased very little (7 per cent) during 1975, and though during the first five months of 1976 there was a sharp acceleration to 14 per cent, annual rate, the growth remained much below that of nominal GDP. Reflecting the depressed level of activity, the substantial destocking and a weak fixed investment trend, the growth of bank advances to manufacturing and to building and construction came to a stand-still early in 1975 and since then they have remained roughly flat, implying a considerable decrease in real terms between

Table 13 **Money and credit**

Percentage change over a year earlier

	Amount outstanding[1] Dec. 1975 £ million	1973	1974	1975	1974 IV	1975 IV	1976 I	1976 II
Money supply:								
M1	676.8	12.0	3.0	14.0	2.6	20.4	20.4	18.8[4]
M3	2 449.5	22.6	21.1	19.2	18.8	21.1	19.4	20.0[4]
Total bank credit to domestic sector:								
— Central bank, total[2]	102.4	−20.3	113.9	29.0	155.4	68.6	76.5	174.9[4]
— Other banks, total	2 227.5	28.4	20.6	16.1	17.9	19.3	22.2	22.0[4]
Government	612.2	22.7	19.8	29.2	21.9	30.4	38.1	28.9[4]
Non-government	1 615.3	30.3	20.8	12.0	16.7	15.7	16.7	19.9[4]
Advances of all licensed banks to:								
— Agriculture	171.6	—	20.7	10.3	19.7	7.0	13.9	17.1
— Building and construction	83.3	—	34.0	3.5	22.2	−1.8	0.8	−0.1
— Manufacturing	281.5	—	27.0	14.2	27.3	11.0	−0.1	−0.7
— Financial	113.9	—	21.7	−0.7	6.5	7.8	3.6	9.3
— Services	257.4	—	15.5	9.9	17.4	6.7	11.1	21.6
— Personal	234.4	—	14.9	6.1	4.5	13.5	17.2	26.6
— Other	45.9	—	0.7	−5.4	−6.9	17.3	−0.8	21.3
Total non-government[3]	1 188.3	—	19.7	8.0	15.2	8.9	8.0	13.9
Net increase in instalment credit, £ m.		37.2	43.3	21.2	36.4	22.3	31.3	
Net increase in mortgages, £ m.		36.7	30.9	38.2	28.4	47.8	54.4	

1 November 1975 for advances of all licensed banks.
2 Excluding Exchequer Bills and Exchequer Account overdraft facility.
3 Excluding local authorities.
4 April-May only.

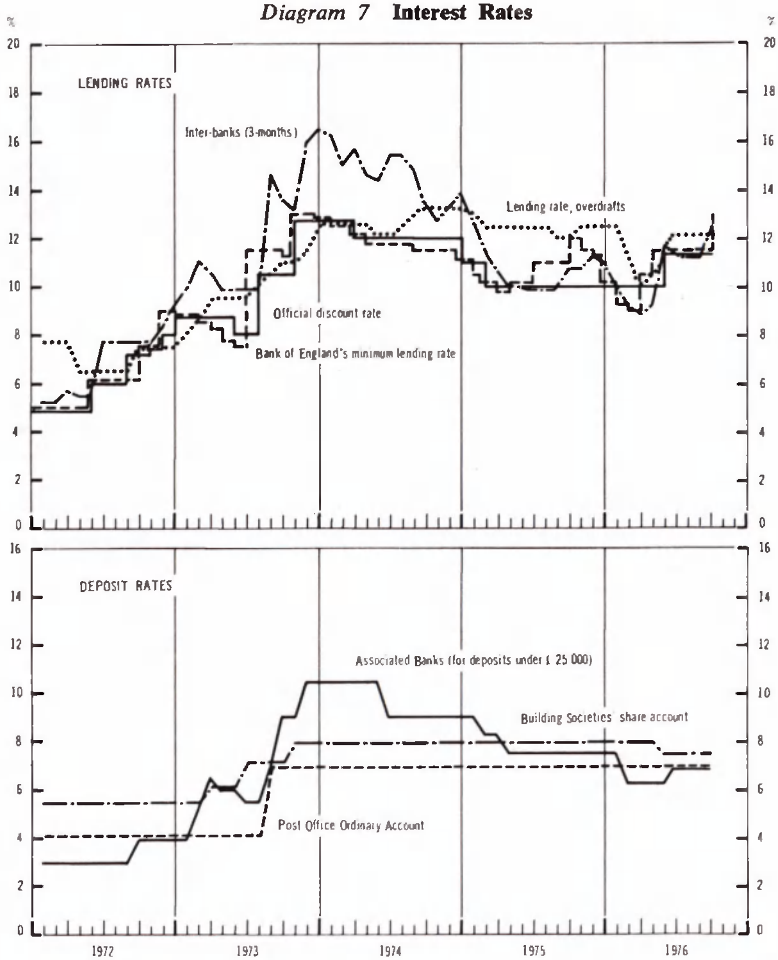
NOTE The annual changes are on averages of monthly or quarterly figures.

Source: Central Bank of Ireland; Quarterly Bulletin.

early 1975 and May 1976. Advances to all other sectors grew only a little through 1975, for most sectors declining in real terms. After one year of stagnation, bank advances to the personal sector have increased considerably since mid-1975, especially during the first half of 1976 when the annual rate of growth reached about 33 per cent. A large proportion of this growth was destined for house financing[20]. Bank advances to services also accelerated during the first half of 1976, with all categories sharing in this growth and especially retail trade.

Instalment credit, which was strongly influenced by the retail sales pattern through 1975 and the first half of 1976, grew considerably in the last quarter of 1975 and first quarter of 1976—in the latter period reflecting increased demand

Diagram 7 **Interest Rates**



Sources: Quarterly Bulletin, Central Bank of Ireland; Bank of England Quarterly Bulletin.

20 Under the Scheme for Associated Banks to provide longer-term finance for house purchasing, some £21 million was allocated in the first 9 months of its operation to March 1976.

for credit for private car purchases. The increase in shares and deposits with building societies through 1975 and the first quarter of 1976 reached record rates (36 per cent, annual rate, on average), and it appears that the rate remained rather high in the second quarter of 1976. This substantial inflow into building societies was largely due to the rise in the savings ratio in 1975, especially small savings by farmers, and also to the decline in bank deposit rates since early 1975 which widened the differential in favour of building societies. This important inflow permitted building societies to sustain a high rate of growth of mortgage loans and also to repay to banks a substantial part of the special loans contracted during 1973-1974. In addition, their overall liquidity increased further during this period.

Because of the close association of the UK and Irish financial markets, Irish interest rates are greatly influenced by corresponding rates in the UK and in general they tend to move in line. The decline in short-term rates in the UK resulted in a gradual reduction in Irish interest rates of about 2 percentage points between the end of 1974 and the beginning of 1976. The official rediscount rate fell from 12 per cent to 10 per cent, followed by a roughly similar movement in all other bank rates. The only rates which did not fall during this period were building society deposit rates and post office savings banks' rates, while building societies' mortgage rates increased by 1 percentage point when a government subsidy scheme was ended. Since April 1976, again largely influenced by the rise in UK rates following the strong pressure against sterling, interest rates edged upwards. The rediscount rate increased from 10 per cent to 11.25 per cent on 11th June, 1976, whilst most other lending rates had already risen by 1.5 to 2 percentage points in May. Bank deposit rates increased in their turn in June, while building societies' deposit rates fell in May by ½ percentage point, the first fall for roughly three years. The differential in favour of building societies was therefore weakened, which will probably affect the rate of inflow of funds into building societies.

Income and price policies

The authorities, concerned with the persistent high inflation largely resulting from continuing excessive labour cost increases, held separate talks late in 1975 and during 1976 with the social partners with a view to securing acceptance of the principle of a pay pause to succeed the 1975 NPA due to expire around mid-1976. The pay pause was to last up to the end of 1976, some eight months on average for the great majority of employees. A major consideration was the appreciable growth of the public sector, and especially the public service pay bill; average earnings in the public sector appear to have increased faster than in the private sector in recent years. Public service employees received in full all the standard increases stipulated under the successive NPAs, whereas some workers, mainly in traditional industries and in activities where labour is less organised, often received less than the standard basic pay increases. Moreover, public service employees benefited more than average from various special increases justified by the removal of "anomalies"[21]. In addition, the transfer of the cost of labour intensive health charges from local taxes to the exchequer, higher insurance contributions and increased overtime of security forces reinforced the upward trend in the public sector pay bill.

21 The term anomaly refers to disturbances of traditional pay relationships between groups of employees. The 1974 NPA and earlier ones included direct reference to anomalies. The 1975 NPA recognized that exceptional problems may arise in respect of rates of pay (largely associated with the emergence of serious inequities) and that special increases may be justified on those grounds.

Even without any additional increases in 1976 beyond those under the 1975 NPA (and excluding special increases under that Agreement) the public service pay bill was officially forecast early in 1976 to increase this year by just under 18 per cent, of which about 1½ per cent was due to volume increase. With the special increases, the overall growth might have exceeded 20 per cent, and if there had been increases in the second half of 1976 merely to compensate for the increase in consumer prices, the total increase in the public sector pay bill could have been nearly 25 per cent. The authorities thought that such an excessive growth for the second year in succession was not appropriate; and in addition to the pay pause proposed they announced their intention to postpone consideration of all outstanding claims for special increases to public servants and other public sector employees (except for a few exceptional cases) up to at least the end of 1976.

Following the rejection by organised labour of the pay pause proposals, the authorities became much more actively involved than in the past in the national pay negotiations. In addition to their usual participation (as major employers) in the tripartite talks between employers and employees, the authorities also held a series of separate talks with the trade unions and representatives of employers and no doubt influenced them to reach an agreement. The draft agreement was concluded early in June, subject to approval by a Special Delegate Trade Union Conference in July. The duration of the draft 1976 Agreement was to be 13½ months including at the start a two-month pay pause and provided for average standard increases in basic pay of nearly 14 per cent, annual rate. Moreover, it contained a provision that the inability to pay clause[22] would also apply to the public sector, which could, therefore, withhold the standard increases if these were to have serious consequences on the financial and budgetary situation. The agreement restricted seriously any special pay increases. Early in July the Special Delegate Trade Union Conference rejected the draft agreement, mainly because of the restrictions on special increases. Shortly afterwards the Irish Employers Confederation proposed a two-month pay pause and an "interim" pay increase with a minimum of £3 and a maximum of £5 per week to succeed the 1975 NPA. This would operate on the understanding that discussions commence between the Government, employers and trade unions covering not only pay but also employment, welfare, taxation, prices and growth and development issues for the coming two years. This interim proposal is similar to the provisions of phase one of the draft 1976 NPA but reverted to the less restrictive provisions of the 1975 Agreement as regards matters such as conditions of work and special increases. The Government announced in July that it would grant to public service employees the interim pay increases if they were ratified by the social partners. This would carry the bulk of public sector employees to the end of the year. In September the interim agreement was accepted in the context that as a preliminary to discussions on a new NPA the social partners would participate in a series of discussions with the Government on the economic and social strategy for the next two years. The basic increase combined with some special increases will probably raise the annual rate of growth of average earnings to some 16 per cent during the second half of 1976.

Early in 1976 the Price Control system was slightly revised. In manufacturing only those who are sheltered from competition (because of a dominant

22 Under the previous NPA employers could withhold standard or special pay increases if these were considered (by an independant authority) to seriously affect the competitive situation and/or the financial situation of firms. While it was open to the State to invoke these provisions, the specific criteria laid down in the Agreements were not very appropriate to the State's particular circumstances.

position in the home market, or of protection from external competition or of a key position in industry) remain subject to detailed price control. Price controls for the rest, especially manufacturers employing less than 50 people, were considerably relaxed as it was deemed that market forces, notably in a period of slack, were effective in checking excessive price increases. In addition, there was a shift in emphasis to control more efficiently importers[23], wholesalers, retailers, the professions and many services which have a wide discretion in their pricing practices. The National Prices Commission rejected about 20 per cent of proposed price increases in the twelve months to March 1976. Moreover, because of the continuing slack, the increase in the price of many goods was less than the limit allowed by the National Prices Commission. In order to contain the growth of the food components of the Consumer Price Index the authorities have maintained the food subsidies introduced in June 1975; the cost in 1976 is estimated at about £40 million, roughly $1\frac{1}{2}$ per cent of total consumers' expenditure. In the Budget the Government announced that a new constant tax price index (excluding the effect of indirect tax changes) would be published so as to distinguish between price rises resulting from increases in indirect taxes and those resulting from other factors.

Employment policies

With a view to alleviating unemployment without resorting to a general reflationary policy which would have resulted in a large increase of the government deficit, the authorities continued the policy of selective employment creation, extending the Premium Employment Programme (introduced in June 1975 to last one year) up to 8th January, 1977. Its coverage was also extended so that it now covers almost all manufacturing industry and agriculture and the premium given to employers who increase their workforce was raised as from April 1976 to £15 a week from the £12 a week originally fixed. This premium fell to £7.50 in September up to the expiration of the scheme. The scheme is not expected to cost anything to the Exchequer on a net basis. The design of the programme is such that the exchequer outlay on payments should at least be balanced by savings on unemployment benefit payments and by income from national insurance stamps. Taking into account income tax receipts and the overall multiplier effects resulting from the increase in domestic demand, the scheme could lead to an increase in net fiscal receipts. The scheme was applied with great flexibility so as to meet the objective of retaining in employment as big a workforce as possible. In almost one year of operation about 5 300 people (1.7 per cent of manufacturing employment) have been returned or retained in employment, some in short-term employment. The industries which benefited most under the scheme are textiles (2 000 persons) and mechanical and general engineering (1 400 persons). The extent to which the scheme has been taken up by industries, such as textiles and some small engineering industries, which suffer not only from cyclical effects but also have structural deficiencies, suggests that after the termination of this subsidisation of labour early in January 1977 there could be difficulties in maintaining the existing workforce in employment.

The appreciable increase in unemployment combined with the urgent need to have a trained workforce in sufficient numbers led the authorities to accelerate the training programme. The number of persons who underwent training organised by the Industrial Training Authority (AnCO) jumped from 3 thousand in 1973 to $7\frac{1}{2}$ thousand in 1975 and is officially expected to reach some 10 thousand

23 Only importers and wholesalers with an annual turnover of more than £250 000 are subject to price controls.

in 1976. This was originally the target for 1978. In October 1975 a Community Training Programme for young people was introduced, largely with the aim of alleviating unemployment. Under this programme groups of 7 are formed in order to do repair—mainly building—work, including repairing old houses. Some 700 to 1 000 persons have so far been employed in this programme. The relatively big rise in unemployment in the more developed east region of the country, especially in the Dublin area, led the authorities to greatly strengthen the incentives applied to large-scale industry in the Dublin area, and to extend the IDA small scale industries programme to the Dublin area also for certain selected sectors. This programme is largely oriented towards labour intensive projects. This could be expected to alleviate the problem of the unemployed in the Dublin area, who may not have the same facility to fall back on their family when they become unemployed as many unemployed in the less developed, still mainly agricultural parts of the country.

III PROSPECTS, PROBLEMS AND CONCLUSIONS

Outlook for 1977

Developments in 1977 will depend to a great extent on the outcome of the negotiations regarding the economic and social strategy for the next two years and on the terms of a new NPA to succeed the "interim pay" proposal. It is, therefore, impossible at the time of writing when the outcome is still uncertain, to forecast with any degree of accuracy the movements of the principal demand components, notably private consumption and investment, or price trends in 1977. However, if present trends persist, notably if the strong rise in wage and salary rates is not brought to a halt in 1977, this could further damage confidence, increase uncertainty associated with the prospect of a continuing high inflation rate, render even more difficult the financial position of the company sector and lead to a deterioration in the balance of payments as export competitiveness is further affected. Under these conditions GDP growth would probably be small, and unemployment would increase—the more so since continuing high inflation and the consequent strong rise in the budget deficit would further restrict the scope for budgetary action to alleviate unemployment.

On the other hand, if the social partners accept the measure of income restraint which the current situation demands the outlook for 1977 could be a good deal brighter. Whatever the outcome of the pay negotiations, inflation would remain strong (considerably above the OECD average) through most of 1977, until the forces which have been pushing prices upwards to the end of 1976 have worked through. But the prospects of rapidly decelerating inflation during the second half of 1977 would greatly improve the economic and social climate. Moreover, the loss of competitiveness would be mitigated and there would be a much more favourable environment for a boost to investment. In addition, a deceleration in inflation would permit the authorities to take selective measures with a view to improving labour-market conditions. Private consumption would probably show little change and government consumption may remain at about this year's level in real terms. Because of continuing growth in export markets, exports are expected to be the only major buoyant demand component. Even though precise changes are difficult to forecast, it might be hazarded that GDP would grow by less than capacity and that the declining employment trend would level out.

Medium-term development

On almost any plausible assumptions the outlook for 1977 looks, in itself, unfavourable. Given the 1976 starting point, it could hardly be otherwise. The relevant measure of performance would, however, be in relation to progress towards medium-term objectives for the economy. The Irish authorities have recently published, in the form of a "Green Paper"[24] (a discussion document), projections which show a realisable growth path on the assumptions of maintaining or increasing competitiveness and reorienting public policies to support investment. The projections suggest that an annual growth of GDP of just under 6 per cent to 1980 is feasible, entailing an annual 1½ per cent increase in employment and a reduction of unemployment from 108 000 in 1976 to 80 000 in 1980. What follows here is an alternative, complementary approach to medium-term analysis examining the implications for the labour force, sectoral output and demand components of a "full-employment" target to be achieved by 1986[25].

The problem of over-riding importance for the medium term is the reduction of unemployment. Recovery from the recession will bring about some improvement, but this will be only a first step. Large changes are expected in the size and structure of the working population over the next decade. According to one systematic analysis of the problem[26], taking demographic movements, changes in participation rates and the secular decline of family farming into account, full employment by 1986 would imply an employed non-agricultural labour force some 42 per cent larger than in 1971[27]. Since the level in 1976 will probably turn out to be not much different from that in 1971, an annual average growth in non-agricultural employment of 3½ per cent would be required over the next ten years to reach the "full employment" target[28]. The division between industry and services in the non-agricultural labour force remained stable in the decade to 1974 until it was upset by disparate movements largely induced by the recession. If it is assumed that the proportions for these sectors would regain their early 1970s values by 1986, an annual average growth of the employed labour force of 4¼ per cent in industry (4 per cent in manufacturing) and of 3¼ per cent in services would be implied. The question arises whether these projections are attainable, and, if so, what this implies for the structure of output and demand in the economy.

There is evidence of some acceleration in the trend of output per man-hour in manufacturing since 1960, which has shown an average annual increase of 4½ per cent. This is not surprising in view of the rapid expansion of the manufacturing sector and the concomitant shift in emphasis from "traditional" or

24 *"Economic and Social Development,* 1976-1980", Stationery Office, Dublin.

25 This section was prepared by the Secretariat independently of the Green Paper. The main differences are first in the approach—the distinction between a feasible path and a required growth path to attain a given target; secondly, the time span, principally because there is little realistic hope of achieving full employment before the mid-1980s, but also because a longer view is necessary to "iron-out" the effects of the very low starting point this year; thirdly, in the assumptions relating to the age composition of migration; and fourthly, in assumptions about sectoral productivity growth in which the Green Paper assumes a significantly lower rate for industry but higher rates for agriculture and services.

26 B. M. Walsh, *Population and Employment Projections: 1971-86,* National Economic and Social Council, 1975.

27 This is on the assumption of zero net emigration over the projection period. The conclusions of the analysis would not be greatly affected if instead of zero emigration as assumed a weak emigration trend were allowed for. The state of most OECD labour markets abroad, particularly in the UK, combined with greatly improved levels of social care in Ireland in recent years will act as a strong brake on large emigration flows which in any case might be regarded as incompatible with the notion of full employment at home.

28 This figure is not very sensitive to the precise definition of "full employment" which was taken as 4 per cent unemployment of the non-family-farm labour force.

more labour-intensive to "modern" and more capital-intensive industries. These factors suggest that the average age of capital must be declining and average capital intensity increasing, so that some further acceleration of productivity trends in manufacturing can be anticipated. Projecting the trend in output per man-hour at 5 per cent per annum to 1986 and assuming that average weekly hours worked decline by about ½ per cent per year, the required growth of manufacturing output should average about 8½ - 9 per cent per annum over the coming decade. This compares with an annual rate of 6.1 per cent over the period 1960 to 1974. Similar projections for the agriculture and service sectors lead to a required annual growth of GDP at constant factor cost of about 6¼ per cent in the decade to 1986[29], contrasting with an actual average of 4.0 per cent per annum in the period 1960 to 1974. While this rate of GDP growth is fast in comparison to past Irish experience it corresponds broadly with what has been achieved by some other OECD countries at a similar stage of development. On these projections, the proportion of GDP arising in industry would increase to just under 44 per cent by 1986 compared with 36 per cent in 1974, mainly at the expense of agriculture.

For the components of demand, the scenario implied by these projections indicates a substantial shift of resources to the net foreign balance on the one hand and to investment, and particularly towards industrial investment, on the other. Of necessity, exports would be required to absorb a large proportion of the output of manufacturing industry. Manufacturing exports might need to expand by around 18 per cent, annual rate, to 1986[30] while export markets might grow by perhaps 9 per cent per year[31], requiring an 8 per cent annual gain in market shares compared with an average 4 to 5 per cent gain between 1960 and 1974. The required growth in output would also need to be supported by a growth of investment by around 12 per cent per annum, and somewhat faster for industrial investment. Given these requirements, which would imply a considerable shift of resources to investment and the real foreign balance, the residual left over for consumption, private and public, would be relatively modest—probably about 3 per cent per year to 1986[32].

The scenario presented above does not pretend to show a precise forecast or target pattern of growth but should rather be taken as indicating the orders of magnitude involved and drawing attention to some important problems that face Ireland in the coming years. While the analysis does not outline the only feasible path to a full employment economy, the conclusions to be drawn would be broadly similar whatever the course adopted. The analysis emphasises the need for a considerable acceleration in the overall growth of the economy to be

29

	Average annual rates of growth			
	1960 to 1974, actual		1976 to 1986, projected	
	Employment	GDP	Employment	GDP
Agriculture	—3.0	1.8	—3	1¾
Industry (a)	2.0	5.9	4¼	8¾
Services	1.0	3.6	3¼	5¾
Total	0.0	4.0	2¼	6¼

(a) Including building and construction.

30 I.e. some 3 to 4 per cent per annum faster than was achieved in the decade to 1974. This figure was arrived at by projection of the past relation between manufactured exports and output in the manufacturing sector.

31 This figure is implicit in "A growth scenario to 1980" OECD Economic Outlook 19, July 1976, and was simply projected forward to 1986.

32 While the tentative orders of magnitude presented here have been derived as the implications for demand categories of the required output growth, it appears that they would be roughly consistent with the need to maintain approximate balance on the current account of the balance of payments.

achieved by raising the trend rates of increase of investment, especially manufacturing investment, and of industrial exports. Though the difficulties in achieving higher growth rates should not be underestimated, the task is not insurmountable. It does, however, depend on a favourable contiguity of buoyant external conditions and realistic domestic income expectations. There is in Ireland a very strong interrelationship between manufacturing investment and industrial exports, and both depend on competitiveness. This is particularly so since a considerable proportion of manufacturing investment comes from foreign companies which are very sensitive to competitive conditions in other countries and whose production is principally export-oriented. The substantial advantages (mainly sizeable capital grants, loans and fiscal advantages) granted to foreign investors and the big drive to attract foreign companies to Ireland risk being offset by an erosion of competitiveness associated with high pay levels and increases and uncertainty about future unit costs, so that rates of return may be insufficient to permit a higher investment rate.

The acceleration in the growth rates of investment and exports depicted above would partly be accommodated by a deceleration in consumption, especially government consumption. The required fall in the latter's growth might be about 1½ to 2 percentage points and that of private consumption roughly 1 percentage point, compared with past longer-term-trends. While the scenario still implies a substantial cumulative increase in private consumption of about one-third in a ten-year period, the time path necessitates a small fall in the next couple of years. This is because, in order to improve competitiveness sufficiently to allow the required investment and export-led growth to materialise, it will be necessary at first to lower the trend in wage cost inflation which, with prices lagging, implies a decline in real incomes. It goes without saying that in the absence of a marked improvement in competitivity—and hence of a big decline in the growth of nominal incomes—there would be no chance of realising something like the above scenario.

Conclusions

The solution to many of the problems besetting the Irish economy lies in curbing inflation. Inflation has probably contributed significantly in recent years to the deficiency in domestic demand, particularly the weakness in productive investment, to increasing import penetration, and to the sizeable rise in the public sector borrowing requirement. The cumulative effect of these factors reinforces considerably the direct effects on employment of excessive increases of labour costs, with the result that the rise in unemployment becomes increasingly difficult to handle.

Inflation has important repercussions on external competitiveness, not only in foreign markets but also in the home market as domestic production tends to be displaced by foreign goods. The importance of exports, notably manufacturing exports, for a country with as small a domestic market as Ireland is evident. Exports can be the only source of sustainable rapid growth. The opening of new markets and the increase in the range of products manufactured in Ireland, which is closely related to the strong foreign investment boom of past years, have contributed importantly in maintaining a relatively fast growth of industrial exports since the early 1970s. However, in the longer run both the number of foreign investment projects and the growth of Irish industrial exports will depend critically on competitiveness. This implies that the rise in wage and salary rates has to be considerably reduced and to remain below that of trading partners in the next few years.

At present the opposite seems to be happening. If the sizeable depreciation of sterling since the beginning of 1976 has compensated for the loss of competitiveness vis-à-vis most of Ireland's trading partners, this is not the case for trade with the UK, nearly half the total. Between 1970 and the end of 1975 Irish unit labour costs in manufacturing rose only slightly faster than those in the UK. However, since early 1976 the divergence in unit labour cost trends has become increasingly evident. The pay increases under the 1975 NPA and under the interim pay proposals (including a small number of special increases) may raise the growth of Irish average earnings during 1976 to around 15 per cent, roughly one and a half times that in the UK. The difference in overall unit labour costs is expected to be bigger, but in manufacturing smaller. Moreover, to the extent that the effective depreciation of sterling slows down as UK wage costs are brought into line with those of competing countries, the fast rise in Irish wage costs would no longer be shielded by exchange rate movements; the deterioration in competitiveness would then apply vis-à-vis trading partners beyond the UK.

Wage inflation has also contributed importantly to the appreciable rise in the exchequer borrowing requirement, which at close to 16 per cent of GDP in 1976 risks becoming unmanageable. On the one hand the share of the pay bill in total government expenditure is rather high and on the other hand the share of personal income tax revenue as a per cent of GNP is relatively small and specific excises predominate among indirect taxes; wage inflation therefore tends to add more to government expenditure than to revenue. An extension of the income tax system as applied to farmers would increase the income tax base and the overall elasticity of tax revenues with respect to GDP, and improve trends in the revenue side of the budget. Moreover, the high rate of growth of government consumption and of current transfers, which have tended since 1970 to push current government expenditure upwards, needs also to be controlled. The government aim of phasing out the current government deficit over the next three years so as to release resources for investment cannot be achieved without moderating the growth of real government consumption and current transfers in addition to curbing wage and salary rises. It may be necessary to freeze most of the expenditure items in real terms and even to reduce some of those which do not meet essential needs. Reduction of the Exchequer's borrowing requirement could become necessary at some stage to prevent competition for resources developing between the public and private sectors; "crowding out" effects have so far been avoided because of weak private domestic demand, but when the recovery gathers momentum this may change.

Though the current balance of payments deficit expected for 1976 (about 3½ per cent of GDP) is not much bigger in relative terms than in a number of other OECD countries it is nonetheless a matter for concern since Ireland's relative cyclical position should benefit its balance of payments. Moreover, Irish exports have greatly benefited in recent years from the approximate doubling of agricultural export prices since 1972. At the end of June 1976 the public sector foreign debt stood at about £1.1 billion, nearly double the figure eighteen months earlier; and in recent years there has also been some change in the composition with a relatively larger share of short to medium-term loans. It may be necessary and appropriate to rely on net capital imports to some extent to accelerate the growth of productive investment and the development of the economy. But if continued at the present rate, the current balance-of-payments deficit combined with a large concentration of debt repayments could pose difficult financing problems in a few years' time. It seems, therefore, desirable to start reducing the current balance-of-payments deficit next year. This would require a shift of resources to the external sector which can only be achieved, without harming longer term growth prospects, if consumers accept a reduction of their claims on real resources.

It is evident that the economic situation has reached a critical stage, and if present trends continue it may become extremely difficult to take remedial action without impairing medium to longer-term growth prospects. Moreover, the corrective measures, if delayed, would necessarily be considerably more severe and affect more sectors and social categories. While unemployment is the most important and pressing social and economic problem both in the short and medium term, little can be done without first checking inflation. Measures to date, such as the Premium Employment Programme and training programmes would appear to be largely short-term in effect; a substantial proportion of present unemployment may be due to deep-seated structural causes, which have been greatly reinforced by the excessive pay rises of recent years.

It has already been noted that the Irish authorities are constrained in their use of policy instruments. The fixed exchange rate and close financial integration with the UK restrict the role of monetary policy. This underlines the need to bring the public finances firmly under control, so that fiscal policy can be made to play an important role in economic management. These considerations also suggest that the authorities can no longer afford not to intervene more directly in the process of income determination. While acknowledging the seriousness of the situation and despite the exhortations of the authorities, the social partners have so far failed to produce an acceptable solution. A government initiative therefore seems imperative and the tripartite conference may afford the opportunity for such measures to be agreed with the social partners. The Government's proposals early this year for a pay pause of almost half a year would appear the least that should be applied at present. Even after the expiration of such a pause, controls on income would need to be maintained so as to prevent the resumption of excessive pay increases. There remains the question of the scope for conjunctural policies aimed at alleviating the situation in 1977. It would appear that general reflationary policy should be avoided. But in exchange for strict income restraint the authorities could consider, in the context of the tripartite talks, a package of measures designed to reduce inflation and also to improve conditions in the labour market. In addition, the composition of government expenditure, especially capital expenditure, should favour expenditure categories which have a high short-term domestic multiplier, especially as regards employment, and small import leakage.

In summary, by far the most urgent task confronting the authorities is the need to reduce substantially the increase of nominal incomes. This is a pre-requisite for improving competitiveness, setting the conditions for export-led growth in the medium term, and bringing about a significant reduction in unemployment. It might also be helpful if more explicit policy objectives were fixed. In this connection, the Green Paper is a useful step. In the recent period, the government's efforts to manage the economy have been to a significant extent undermined by inflation and the problems of meshing policy measures to combat it. Co-operation on the part of the social partners might be more forthcoming—and the need for restraint of incomes more widely understood—if they were involved in the elaboration of the strategy for returning the economy to a high growth-path, led by exports and investment. The tripartite conference affords a valuable opportunity to come to grips with present problems.

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Annex

CALENDAR OF ECONOMIC EVENTS

1975

September 25

Confederation of Irish Industry called for a wage freeze.

European Investment Bank granted a loan of £ 17.5 million for expansion of telephone service.

October 14

The Irish Green Pound was to be devalued by 2.2 per cent from the 27th October.

October 15

It was announced that offshore exploration licences had been allocated to three consortia of multinational oil companies.

October 24

It was announced that the EEC Social Fund had allocated about £ 3.5 million for retraining in Ireland.

October 27

Two new Government savings schemes, designed to protect the value of savings from inflation, came into effect.

November 20

The Associated Banks raised their lending rates by ½ per cent.

November 24

Building Society mortgage rates on new home loans were increased by 1 per cent to 12½ per cent following a withdrawal of a ¾ per cent Government subsidy.

November 26

Offshore exploration licences allocated to five new consortia.

December 9

The temporary employment premium scheme was extended to include seasonal food processing industries.

December 10

Government advocated a pay pause for about 6 months on expiry of the 1975 National Pay Agreement.

December 15

An Act to control the pay of bank officials came into effect after bank employees' refusal to modify their 1975 pay agreement in line with the NPA.

December 17

Government proposed to introduce legislation to control non-pay incomes if the pay pause proposal is accepted.

December 18

Trade Unions rejected Government's call for a pay pause.

The second tranche of the EEC Regional Development Fund commitment was approved bringing the 1975 total to £ 8.3 million.

December 23

Government decided to withhold the final phase of equal pay from public sector employees.

Minister for Finance announced that a £ 18.8 million deutschemark loan was to be raised.

December 29

The Confederation of Irish Industry agreed that dividends, directors' fees and rents should be frozen for the duration of the proposed pay pause.

December 30

Ireland was awarded about £ 2.8 million in the first allocation of the Guidance Section of the EEC's 1975 farm fund.

1976

January 1

Customs duties on trade between Ireland and the six original members of the EEC were cut by 20 per cent and the difference between Irish duties on third country products and the EEC common external tariff was also reduced by 20 per cent.

January 2

Exchequer returns showed that the current Budget deficit for 1975 was £ 259 million, compared to an estimate of £ 241 million in June 1975.

January 6

EEC approved a further £ 1.9 million from the 1975 European Social Fund, bringing the total for 1975 to £ 9.8 million.

January 21

Government announced implementation of final phase of equal pay to public service employees, but on a marriage-differentiated basis, with effect from 1st January 1976.

January 23

The Public Capital Programme for 1976 was estimated at £ 596 million, representing a 27.5 per cent increase on the 1975 outcome with the largest increase being in grants and loan finance to industry which came to 71 per cent.

January 28

Budget for 1976.

Announcing the principal objectives of government economic policy for 1976 as first to reduce the excessive rate of price inflation, secondly to safeguard employment and thirdly to limit the growth of public expenditure, the Minister for Finance introduced the 1976 Budget on the premise that a pay pause in 1976 would be forthcoming.

The current budget deficit for 1976 was put at £ 327 million, compared to an outcome of £ 259 million in 1975, with both current revenue and current expenditure increased by 24½ per cent. The main discretionary changes were on the revenue side. Measures to widen the income tax base estimated to yield an extra £ 18 million were almost wholly offset by increased personal income tax allowances and increased "stock relief" to industry, but increases in VAT and excise and motor vehicle duties combined to yield an estimated extra £ 107 million in tax revenue. On the expenditure side an increase of 10 per cent in social welfare benefits was offset by a reduction in the proportion financed by the Exchequer, transferring £ 8 million of what it would have been liable for to the Social Insurance Fund, leaving a net increase in the Exchequer cost of £ 3.4 million.

Income tax rates were not changed although the 10 per cent surcharge introduced in June 1975 was renewed. A number of changes were made to extend the income tax net and close loopholes. Quantitatively the most important changes were an extension of the "Pay As You Earn" scheme to include the public service and some other groups previously outwith the scheme and an advancement of tax payments for the self-employed and small traders. Personal income tax allowances were increased by about half the increase in consumer prices since the previous upgrading. The "stock relief" scheme for companies introduced in the January 1975 Budget was extended in coverage and for a year. These changes in direct taxes and allowances were estimated to yield about £ 1 million in 1976 but to cost the Exchequer about £ 6½ million in a full year.

Indirect taxes were substantially increased. Specific duties and excises on alcoholic drinks, tobacco and petrol were raised to give an estimated yield of £ 67½ million in 1976 and £ 77 million in a full year. There were changes in the complex structure of VAT rates, mostly upwards and "slanted towards non-essential spending". The biggest increase of 3.25 percentage points, applied to a large range of commodities including alcoholic drink, almost all services, radios, TV's, record players and records. However, an increase of only 0.5 percentage points applied to furniture, furnishings, electrical and kitchen equipment. The extra yield was put at £ 30 million in 1976 and £ 45 million in a full year. The road tax schedule on private cars was increased to yield £ 8½ million in 1976 and £ 10½ million in a full year.

On the expenditure side of the current budget, the subsidies introduced in the June Budget in 1975 were retained, there was in increased allocation of £ 3.5 million (almost 70 per cent) towards industrial training and an increase of almost 2 per cent in public service employment of which 1 per cent was due to a net increase in civil service posts. Additional expenditure allocations, equal pay and special pay contingencies amounted to £ 5.5 million. The fastest growing item of non-discretionary expenditure was the cost of servicing the public debt which increased by over 47 per cent to account for over one fifth of current expenditure.

It was officially estimated that the combined current and capital discretionary changes would raise GDP by 1 per cent.

February 18

Irish Banks reduced lending and deposit rates of interest by 1.25 percentage points.

Government to apply to the EEC for the establishment of a special fund of £ 20 million to aid companies to offset the costs of implementing equal pay.

February 25

Trade Unions rejected a Government call for a pay pause until the end of the year.

March 4

EEC formally rejected Irish application for derogation from the Community's directive on equal pay.

March 5

Green Pound devalued by 2 per cent.

March 6

Agriculture Ministers agreed an increase in EEC farm prices of 7.5 per cent for 1976-1977.

March 9

Employer-Labour Conference started negotiating a pay agreement for 1976.

March 23

A £ 150 million EEC loan for Ireland was agreed.

March 24

Employer-Labour Conference failed to negotiate a pay agreement for 1976.

March 31

The 1975 National Pay Agreement expired for some 89 000 workers.

April 1

The difference between Irish prices for beef and dairy produce and that of the EEC's Common Agricultural Policy was reduced by one third.

April 6

Irish Building Societies announced a reduction in the mortgage rate for house-purchase loans from 12.5 per cent to 11.85 per cent effective from 1st May.

April 12

Negotiations for a new national pay agreement were resumed.

April 16

A working party of the Employer-Labour Conference agreed on the main provisions for a new national pay agreement providing for a two-month pay pause followed by pay increases in two stages close to 15 per cent over 13½ months.

April 23

The United States imposed heavy duties on Irish beef exports countervailing the EEC subsidy on it.

April 29

Details of the first 1976 allocations from the EEC Regional Fund were announced giving Ireland £ 4.6 million of a total of £ 58 million.

May 5

Financial assistance from FEOGA for structural improvement in agriculture and fisheries of £ 1.8 million was approved from the 1975 allocations.

May 7

Modifications to the system of price controls, effective from 8th May, were announced.

June 2

A new double taxation agreement with the UK was signed.

June 3

Negotiations for the proposed 1976 National Pay Agreement were completed.

June 4

Irish Banks raised interest rates by 0.75 percentage points.

June 28

Because of a pay and productivity dispute, a strike of bank employees led to closure of Associated Banks.

June 29

Legislation freezing bank officials' pay at current levels until end-July 1976 came into force.

June 30

The temporary employment premium scheme was extended for a further 6 months to end-December, 1976.

July 3

The proposed National Pay Agreement for 1976 was rejected by the Irish Congress of Trade Unions.

July 7

The Irish Employers' Confederation proposed an interim pay increase of 3 per cent plus £ 2 a week with a minimum of £ 3 and a maximum of £ 5, to be considered as an extra phase of the 1975 National Pay Agreement; it also suggested tripartite discussions for a pay policy for 1977-1978 within a general economic and social programme. Special increases were allowed.

July 12

The Government stated that it would accede to the proposed interim pay agreement for public service employees, which would apply for a five-month period.

July 20

The EEC announced aid totalling £ 2¾ million for Ireland from its Regional Fund, bringing the total from this source since January 1975 to £ 16 million.

July 23

Building unions and employers agreed to an interim pay settlement in line with that proposed by the Irish Employers Confederation.

August 9

Government revoked an order controlling bank salaries.

August 24

Bank officials accepted the interim national pay agreement but rejected proposed terms for productivity increases.

August 25

A Report was published showing that European Community grants and subsidies to Ireland in 1975 totalled £ 121 million, while the Irish contribution to the Community budget was £ 10 million.

August 31

The bank strike ended and bank officials resumed work.

September 6

Irish banks reopened to the public.

September 11

A special delegate conference of the Irish Congress of Trade Unions ratified the interim National Pay Agreement.

September 27

A Green Paper on "Economic and Social Development 1976-1980" was released by the Government.

October 7

The Associated Banks raised their interest rates by 1¼ per cent.

October 11

The Irish "Green Pound" was devalued by 7½ per cent for most products covered by the EEC Common Agricultural Policy.

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STATISTICAL ANNEX

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Table A Expenditure on Gross National Product

	1967	1968	1969	1970	1971	1972	1973	1974	1975[1]
	(a) £ million at current prices								
Consumers' expenditure	797.0	910.3	1 028.8	1 141.3	1 280.4	1 482.2	1 740.1	2 023	2 392
Public authorities' current expenditure	145.0	163.2	196.2	239.1	285.8	351.1	434.4	530	723
Gross fixed capital formation	220.9	258.5	332.5	361.1	434.5	478.6	620.3	723	809
Change in stocks and work in progress	—4.5	16.1	37.1	34.9	17.1	50.9	89.7	59	—178
Domestic demand	1 158.4	1 348.1	1 594.6	1 776.4	2 017.8	2 362.8	2 884.5	3 335	3 746
Exports of goods and services[2]	417.7	483.6	536.9	598.9	669.1	773.1	1 025.6	1 284	1 614
Aggregate demand	1 576.1	1 831.7	2 131.5	2 375.3	2 686.9	3 135.9	3 910.1	4 619	5 360
less: Imports of goods and services[2]	451.4	563.3	666.1	728.5	803.9	893.1	1 211.0	1 719	1 812
Net factor income from abroad	24.6	31.7	28.3	28.3	26.6	29.7	25.0	28	13
Gross national product at market prices	1 149.3	1 300.1	1 493.7	1 675.1	1 909.6	2 272.5	2 724.1	2 928	3 561
	(b) £ million at constant (1970) prices								
Consumers' expenditure	972.8	1 045.6	1 111.7	1 141.3	1 173.9	1 245.0	1 307.1	1 313	1 280
Public authorities' current expenditure	194.0	202.8	222.6	239.1	260.6	283.2	303.4	320	328
Gross fixed capital formation	269.3	304.7	360.4	361.1	395.1	394.3	459.0	433	409
Change in stocks and work in progress	—7.0	19.0	38.8	34.9	16.6	34.0	52.9	32	—95
Domestic demand	1 429.1	1 572.1	1 733.5	1 776.4	1 846.2	1 956.5	2 122.4	2 098	1 922
Exports of goods and services[2]	504.1	548.2	573.5	598.9	624.0	648.5	721.3	736	777
Aggregate demand	1 933.2	2 120.3	2 307.0	2 375.3	2 470.2	2 605.0	2 843.7	2 834	2 699
less: Imports of goods and services[2]	542.6	627.4	711.8	728.5	757.8	805.0	964.0	952	827
Net factor income from abroad		35.2	30.2	28.3	25.1	26.8	19.9	15	6
Gross national product at market prices		1 528.1	1 625.4	1 675.1	1 737.5	1 826.8	1 899.6	1 897	1 878

1 Preliminary.
2 Excluding factor income flows.
Sources: National Income and Expenditure; Irish submission to the OECD.

Table B **Production, Employment and Other Economic Indicators**

		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1	Volume of agricultural output[1] (1968 = 100)	92.3	94.6	100.0	98.1	99.9	105.7	110.4	110.6	114.2	128.5
2	Cattle numbers (thous., mid-year)	5 590	5 586	5 572	5 688	5 957	6 134	6 438	6 970	7 215	6 927
3	Index of industrial production, transportable goods (1953 = 100)	180	196	218	235	243	253	264	290	298	280
	of which:										
4	Mining and quarrying	302	365	449	494	526	545	549	548	570	568
5	Manufacturing	175	189	208	224	231	240	251	278	286	267
6	No. of males engaged in farm work (thousands, 1st June)	320	308	299	288	274	265	258	251	245	243
7	Employment in transportable goods industries (thousands)[2]	185	187	194	204	208	207	208	214	216	202
8	Registered unemployment (thousands)[3, 5]	48	54	56	55	60	65	72	67	72	104
9	Weekly hours worked in manufacturing, hours[4]	43.7	43.5	43.5	43.1	42.5	42.1	42.3	42.4	41.5	41.2
10	Value of average weekly retail sales (1968 = 100)	88	92	100	111	122	135	152	179	203	241
11	New private cars registered for the first time (thousands)	39.5	40.3	51.4	50.5	52.9	51.8	62.6	74.8	61.0	52.4

1 Net output (incl. value of changes in livestock numbers).
2 Figures are averages.
3 Figures over the years are not comparable owing to changes in coverage.
4 Establishment data referring to the mid-month week.
5 Coverage changes in 1971 have severely affected comparability.

Sources: Irish Statistical Bulletin; OECD, Main Economic Indicators.

Table C Prices and Wages

		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1	Agricultural prices (1953 = 100)	116	118	130	134	140	150	182	238	242	310
2	Livestock price index (1953 = 100)	116	118	138	144	153	165	204	265	246	315
3	Consumer prices[1] (mid-August 1953 = 100)	148	153	160	172	186	203	220	245	287	347
4	*of which:* Food prices	142	144	153	162	174	187	209	244	280	340
5	Wholesale prices (1953 = 100)	134	138	146	156	165	174	192	225	256	319
6	Industrial prices (1953 = 100)	138	143	149	160	168	177	190	216	259	324
	of which:										
	Simply transformed goods	115	118	123	126	131	134	144	169	209	
	More elaborately transformed goods	147	152	159	173	182	193	207	234	278	
7	Minimum weekly wages in agriculture[2] (1953 = 100)	213	222	246	284	358	399	436	486	609	747
8	Average hourly earnings in transportable goods industries[2] (October 1953 = 100)	221	232	255	290	340	390	446	540	644	839

1 Figures are averages.
2 Figures are for September (October from 1966 up to 1968).
Source: Irish Statistical Bulletin.

Table D **Balance of Payments, 1965-1974**
OECD Basis
US $ million

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Exports, fob	631	719	739	853	950	1 092	1 272	1 582	2 089	2 516
Imports, fob[1]	947	972	903	1 122	1 342	1 475	1 655	1 895	2 528	3 472
Trade balance	—316	—253	—164	—269	—392	—383	—383	—313	—439	—956
Services, net[2]	149	152	141	157	99	88	82	53	—2	—48
Balance on goods and services	—167	—101	—23	—112	—293	—295	—301	—259	—441	—1 003
Private transfers, net	56	61	62	77	96	106	115	131	229	301
Official transfers, net	—3	—4	—4	—3	—2	—1	—4	—6	—9	—5
Current balance	—114	—44	35	—38	—199	—190	—190	—134	—221	—708
Long-term capital (excl. spec. trans.)	66	119	70	50	77	151	380	21	268	724
(a) Private[3]	58	69	64	44	47	121	343	—31	192	336
(b) Official	8	50	6	6	30	30	37	52	76	388
Basic balance	—48	75	105	12	—122	—39	190	—114	47	16
Non-monetary short-term priv. capital[4]	—	—	—	—	—	—	1	1	1	1
Non-monetary short-term off. capital	—6	—6	1	—4	—4	—2	—1	4	—5	—4
Errors and omissions	3	4	—84	—38	33	34	17	13	29	35
Balance on non-monetary transactions	—51	73	22	—30	—93	—7	208	—96	72	49
Private monetary institutions' short-term capital[5]	12	11	—75	136	240	—	—	210	—64	92
Assets	—38	119	—50	—18	266	—	—	—215	—1 111	—678
Liabilities	50	—108	—25	154	—26	—	—	426	1 047	770
Balance on official settlements	—39	84	—53	106	147	—7	208	114	8	141
Use of IMF credit	—	1	—	—	—	—	—	—	—	—
Miscellaneous official accounts	3	—1	—2	—	—1	—1	—	—	—	—137
Allocation of SDR's	—	—	—	—	—	13	13	14	—	—
Change in reserves (+ = increase)	—36	84	—55	106	146	5	221	128	8	3
(a) Gold	2	2	2	54	—40	—23	1	1	2	—
(b) Currency assets	—38	93	—68	15	176	43	203	108	6	—
(c) Reserve position in IMF	—	—11	11	37	10	—28	5	6	—	2
(d) Special Drawing Rights	—	—	—	—	—	13	13	14	—	1

1 Original figures for imports were on a cif basis. They are adjusted to fob basis by deduction of 8 per cent representing the estimates cif-fob margin.
2 Services debits include 8 per cent of imports, as an approximation of the freight content of imports not recorded in original figures.
3 Including non-monetary short-term capital.
4 Included in private long-term capital.
5 For 1970 and 1971, data are included in long-term capital.

Sources: Balance of Payments Submissions to OECD; IMF, Balance of Payments Yearbook; Central Statistical Office, Irish Statistical Bulletin; BIS, External Monetary Position of OECD Countries; IMF, International Financial Statistics.

Table E **Foreign Trade and Payments**

		1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1	Imports, £ million, monthly averages	33.1	34.6	43.0	51.1	56.4	62.9	69.8	94.8	135.5	141.6
2	Exports, £ million, monthly averages	22.8	26.2	30.3	33.7	38.9	44.9	54.0	72.4	94.5	120.1
3	Trade balance, £ million, monthly averages	—10.3	—8.4	—12.7	—17.4	—17.5	—18.0	—15.8	—22.4	—41.0	—21.5
4	Volume of imports (1968 = 100)	82.7	87.0	100.0	114.3	118.0	124.1	131.8	158.5	155.2	134.3
5	Volume of exports (1968 = 100)	80.7	92.8	100.0	104.9	113.5	121.7	129.1	141.3	149.3	160.1
6	Import prices (1968 = 100)	92.9	92.3	100.0	104.0	111.1	117.8	123.2	139.1	203.1	245.5
7	Export prices (1968 = 100)	93.2	93.2	100.0	106.1	113.1	121.8	138.2	169.1	209.1	247.6
8	Terms of trade (1968 = 100)	100.3	100.9	100.0	101.9	101.8	103.4	112.2	121.5	103.0	100.9
	Reserves ($ million, end of period):										
9	Gold	23	25	79	39	16	17	17	18	20	19
10	Currency assets	471	403	418	594	637	911	1 023	911	1 146	1 419
11	Reserve position in IMF	—	11	48	58	30	38	44	49	52	46
12	SDR holdings	—	—	—	—	13	29	43	48	50	48
13	Total	494	439	545	691	697	995	1 126	1 025	1 267	1 532

Sources: Irish Statistical Bulletin; Central Bank of Ireland Quarterly Bulletin; IMF, International Financial Statistics (lines 9-13).

INTERNATIONAL COMPARISONS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

	Reference period	Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany
Population	Mid-1975	Thousands	13 507	7 533	9 801	22 831	5 060	4 707	52 743	61 832
Inhabitants per sq. km	»	Number	2	90	321	2	117	14	96	249
Net average annual increase	Mid-1965 to Mid-1975	%	1.8	0.4	0.4	1.5	0.6	0.3	0.8	0.5
Employment Total civilian	1974	Thousands	5 736	3 010	3 801	9 137	2 355	2 220	21 096	25 689
of which: Agriculture, forestry, fishing	»	% of total	6.9	13.0	3.7	6.3	9.6	16.3	11.6	7.3
Industry[4]	»	»	35.1	41.0	41.2	31.1	32.3	36.1	39.2	47.6
Other	»	»	58.0	46.0	55.1	62.6	58.1	47.6	49.2	45.1
Gross domestic product at market prices	1974	US $ billion	78.39	33.00	53.42	145.30	30.40	22.03	266.10	384.53
Average annual volume growth[5]	1969 to 1974	%	4.2	5.9	5.3	4.8	2.9	5.6	5.3	3.6
Per capita	1974	US $	5 877	4 372	5 466	6 464	6 026	4 712	5 061	6 195
Gross fixed capital formation	1974	% of GDP	24.0[6]	28.0	22.3	23.2	21.9	29.0	25.1	22.5
of which: Machinery and equipment	»	»	9.9[6]	11.2	8.2	8.2	9.1	10.7	12.1	9.8
Residential construction	»	»	4.6[6]	16.8[9]	6.2	5.4	5.5	7.6	7.3	5.3
Average annual volume growth[5]	1969 to 1974	%	1.5[6]	8.1	4.9	6.0	2.0	6.4	5.7	2·0
National savings ratio[11]	1974	% of GNP	25.5	30.8	26.2	24.0	20.0	33.0	25.5	26.6
General government										
Current expenditure on goods and services	1974	% of GDP	15.4[6]	15.3	15.1	19.2	23.2	17.1	13.0	19.7
Current transfer payments	»	»	9.1[6]	14.7	17.8	11.7	15.8	12.6	20.8	16.6
Current revenue	»	»	28.9[6]	38.4	37.9	38.6	47.4	38.7	38.9	41.4
Net official development assistance	1974	% of GNP	0.6	0.2	0.5	0.5	0.6	0.2	0.6	0.4
Indicators of living standards										
Private consumption per capita	1974	US $	3 429	2 357	3 256	3 590	3 382	2 317	3 119	3 312
Passenger cars, per 1 000 inhabitants	1973	Number	340	204	245	353	249	191	268[13]	267
Telephones, per 1 000 inhabitants	»	»	355	246	257	528	400	329	217	287
Television sets, per 1 000 inhabitants	»	»	227[13]	237	244	348	304	263	237[13]	298
Doctors, per 1 000 inhabitants	1972	»	1.3[14]	1.9	1.6	1.6	1.6	1.2	1.4	1.8
Access to higher education[15a]	1973	% of relevant age group	30.5	15.7	(28.5)[15]	49.8[13]	35.0	(23.3)	26.4	15.8[15]
Infant mortality[16]	1974	Number	16.1	23.5	16.2	16.8[12]	12.0[13]	10.2	12.0	21.1
Wages and prices										
Hourly earnings in industry[18]	Average annual increase	%	15.9	13.3	15.8	10.9	17.4	17.8	14.0	9.9
Consumer prices	1970 to 1975	%	10.2	7.3	8.4	7.3	9.3	11.7	8.8	6.1
Foreign trade										
Exports of goods, fob	1975	US $ million	11 902	7 519	28 809[20]	32 301	8 710	5 503	52 211	90 021
as percentage of GDP	»	%	14.1	20.0	44.7[20]	20.8	24.5	20.7	16.0	21.3
average annual volume increase	1970 to 1975	%	3.9	7.7	5.9[20]	2.8	4.4	-0.4	7.6	6.0
Imports of goods, cif	1975	US $ million	9 988	9 393	30 707[20]	33 955	10 329	7 618	54 241	74 208
as percentage of GDP	»	%	11.9	25.0	47.7[20]	21.8	29.1	28.6	16.6	17.5
average annual volume increase	1970 to 1975	%	2.8	6.8	5.9[20]	7.7	1.2	4.6	5.7	5.5
Total official reserves	End-1975	US $ million	3 256	4 439	5 797[20]	5 326	877	470	12 593	31 034
as percentage of imports of goods	In 1975	%	32.6	47.3	18.9[20]	15.7	8.5	6.2	23.2	41.8

	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia[1]
Population	9 046	218	3 127	55 812[2]	110 950	359	13 654	3 104	4 007	9 448	35 219	8 196	6 403	40 063	56 042	213 631	21 352
Inhabitants per sq. km	69	2	44	185	298	138	404	12	12	106	70	18	155	51	230	23	83
Net average annual increase	0.6	1.3	0.8	0.7	1.2	0.8	1.1	1.7	0.7	0.5	0.9	0.6	0.7	2.5	0.3	1.0	(0.9)
Employment Total civilian	(3 170)	93	1 047	18 715	52 010	151	4 579	1 180	1 659	3 081	12 860	3 962	2 943	14 868	24 767	85 936	8 023[3]
of which: Agriculture, forestry, fishing	(36.2)	16.9	24.3	16.6	12.9	6.4	6.6	12.0	10.5	28.2	23.1	6.7	7.6	64.1	2.8	4.1	47.6
Industry[4]	(27.8)	37.2	31.1	44.1	37.0	49.2	35.5	34.7	34.2	33.6	37.2	37.0	47.0	14.8	42.3	(31.0)	21.9
Other	(36.0)	45.9	44.6	39.3	50.1	44.4	57.9	53.3	55.3	38.2	39.7	56.3	45.4	21.1	54.9	(64.9)	30.5
Gross domestic product at market prices	19.17	1.39	6.73	149.81	455.30	2.13	69.18	13.36	23.30	13.32	85.50	56.10	47.29	29.43	188.99	1 411.33	27.81
Average annual volume growth[5]	5.4	6.2	3.3	3.9	7.1	4.1	4.5	3.8	4.2	6.4	6.4	3.2	3.6	6.8	2.7	2.7	6.6
Per capita	2 139	6 465	2 180	2 706	4 152	5 987	5 109	4 388	5 847	1 517	2 446	6 878	7 340	748	3 371	6 660	1 315
Gross fixed capital formation	21.7[7]	32.5	24.9	23.4	34.3	25.5	22.2	26.3[8]	32.1	19.3	25.0	22.0	26.1	20.7	20.1	17.5	24.8
of which: Machinery and equipment	8.7	9.6	10.5	10.5	12.5	8.6	9.4	..	12.0	7.7	9.2	9.2	9.3	6.4	8.8	6.8	9.6
Residential construction	4.4	7.3	6.3	7.1	8.0	6.3	5.7	..	5.3	4.0	6.8	4.5	..	4.8	3.9	3.9	6.6
Average annual volume growth[5]	0.7	15.3	3.7	2.4	6.9	5.9	2.1	..	8.9[10]	10.3	7.7[10]	2.3	3.4	8.3	1.2	1.6	7.6
National savings ratio[11]	18.0	23.5	12.8	18.9	37.3	34.5	27.3	22.2	30.4	13.5[12]	22.5	23.3	32.0	19.0	17.0	17.7	..
General government																	
Current expenditure on goods and services	13.6	10.4	17.6	14.0	9.9	12.1	17.2	16.7[8]	16.5	14.5	9.5	23.6	12.0	14.1	20.5	18.8	15.7
Current transfer payments	9.8	14.7	17.6	19.6	5.7	19.9	26.6	..	22.4	7.6	12.0	18.7	13.9	..	14.8	9.9	..
Current revenue	24.2	..	35.1[12]	32.6	24.7	44.3	51.4	..	48.5	23.0	23.1	49.4	35.8	27.5[13]	40.0	30.2[12]	31.5
Net official development assistance	..	..	..	0.2	0.3	..	0.6	0.3	0.6	..	..	0.7	0.1	..	0.4	0.3	..
Indicators of living standards																	
Private consumption per capita	1 517	4 079	1 542	1 782	2 185	3 199	2 860	2 633	3 056	1 089	1 444	3 647	4 299	568	2 142	4 148	679
Passenger cars, per 1 000 inhabitants	39	239[13]	157	243	133	339	239	350	230	90	109	307	260	6	244	478	54
Telephones, per 1 000 inhabitants	187	381	120	229	357	382	320	475	329	109	181	594	560	21	340	657	48
Television sets, per 1 000 inhabitants	58[13]	220[13]	176	208	229	227[14]	258	304	249	66	164	339	253	7	309	523	121
Doctors, per 1 000 inhabitants	1.7	1.4[14]	1.2	1.9	1.2	1.1	1.4	1.2	1.5	1.0	1.4	1.5	1.7	0.5	1.3	1.7	1.1
Access to higher education[15a]	..	..	..	27.9	23.8[15]	..	20.5[14]	..	39.2	(9.8)	27.1[13]	(31.1)[13]	..	..	21.5[13]	43.9	16.1[14]
Infant mortality[16]	23.9	9.6[12]	17.8[12]	22.6	10.8	13.5[13]	11.2	15.5	10.4	44.8[12]	13.6	9.6	12.8[12]	153.0[17]	16.7	17.6[12]	45.0
Wages and prices																	
Hourly earnings in industry[18]	16.8	34.0[19]	19.7	17.5	18.6	..	13.8[10]	13.7	13.7	16.3	20.4	11.3	9.5	18.2	15.9	7.4	..
Consumer prices	12.4	24.7	13.3	11.3	11.5	7.2	8.6	10.2	8.2	15.1	12.1	8.0	7.7	..	13.0	6.3	20.4
Foreign trade																	
Exports of goods, fob	2 293	308	3 211	34 830	55 753	—	34 440	2 148	7 196	1 935	7 683	17 406	12 957	1 401	43 756	107 652	4 072
as percentage of GDP	10.9	25.7	41.2	20.2	11.4	—	42.4	16.9	25.4	13.2	7.6	25.2	24.1	4.0	19.2	7.2	12.3
average annual volume increase	14.6	..	7.1	6.2	9.9	—	7.0	-1.3	5.5	..	9.2	3.2	3.0	-0.4	5.4	7.3	4.8
Imports of goods, cif	5 317	487	3 807	38 364	57 863	—	35 145	2 912	9 675	3 827	16 261	18 049	13 303	4 641	53 252	96 940	7 697
as percentage of GDP	25.3	40.6	48.8	22.3	11.8	—	43.3	22.9	34.2	26.1	16.1	26.1	24.7	13.1	23.4	6.4	23.3
average annual volume increase	6.7	..	2.7	0.8	4.1	—	3.9	9.1	4.4	..	7.7	3.4	-0.4	15.6	4.4	2.3	6.0
Total official reserves	931	47	1 532	4 774	12 815	—	7 109	428	2 237	1 534	6 090	3 077	10 428	1 064	5 459	15 883	871
as percentage of imports of goods	17.5	9.7	40.2	12.4	22.1	—	20.2	14.7	23.1	40.1	37.5	17.0	78.4	22.9	10.3	16.4	11.3

1 Partly from national sources.
2 Total resident population.
3 Private and socialised sector.
4 According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
5 At constant (1970) prices.
6 Fiscal year beginning July 1st.
7 Excluding ships operating overseas.
8 Fiscal year beginning April 1st.
9 Total construction.
10 1970 to 1974.
11 $\frac{\text{GNP} - (\text{Priv. cons.} + \text{Pub. cons.})}{\text{GNP}} \cdot 100.$
12 1973.
13 1972.
14 1971.
15 1970.
15a Figures are not strictly comparable due to differences in coverage. For more details see "Educational Statistics Yearbook - Volumes 1 and 2, 1974 and 1975 - OECD, Paris."
16 Deaths in first year per 1 000 live births.
17 1967.
18 Figures are not strictly comparable due to differences in coverage.
19 1971 to 1975.
20 Including Luxembourg.

Note Figures within brackets are estimates by the OECD Secretariat.

Sources: Common to all subjects and countries: OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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