

Quarterly Economic Observer

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Outline

- 1. Introduction**
- 2. Macroeconomic Projections**
- 3. Income in the Republic of Ireland: a review**
- 4. Conclusion**





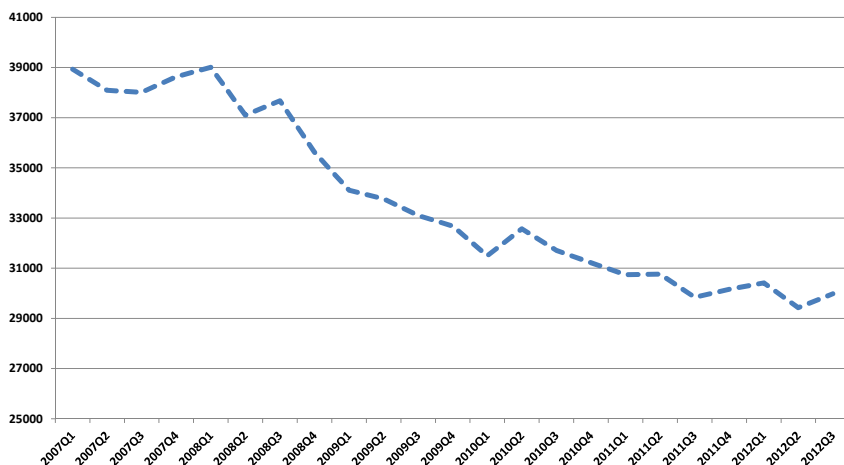
Introduction

- 4th QEO from the NERI
 - Launch postponed from December 2012
- Structure:
 - Economic Review
 - Projections
 - Thematic focus: income in ROI this time
- First outings for:
 - NERI short-term macroeconomic projections for ROI
 - NERI income distribution model

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Recent trends – Domestic Demand



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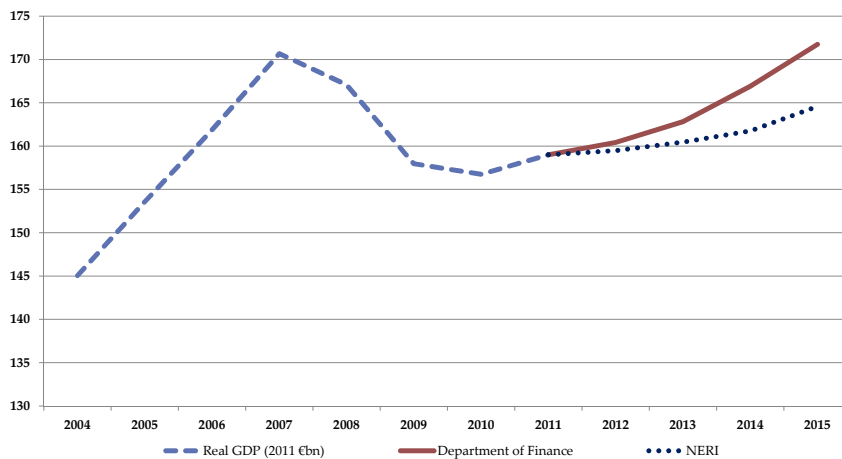
Table 3.1 Projections of Output, Public Finances and Labour Market (Republic of Ireland) to 2015

| | 2011 values | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------------|---|-------|-------|-------|-------|
| National Income | | | | | | |
| Gross Domestic Product | €159.0bn | <i>Percentage change over previous year</i> | | | | |
| | | 1.4 | 0.3 | 0.6 | 0.8 | 1.8 |
| Government Finances | | | | | | |
| <i>Percentage of GDP</i> | | | | | | |
| General Government Deficit | | -13.4 | -7.8 | -7.1 | -5.7 | -4.8 |
| Gross Debt | €169.2bn | 106.0 | 117.2 | 121.5 | 122.9 | 122.4 |
| Labour Force | | | | | | |
| <i>Percentage change over previous year</i> | | | | | | |
| Employment | 1,849,100 | -1.8 | -0.8 | -1.2 | -1.0 | -0.8 |
| <i>Percentage of Labour Force</i> | | | | | | |
| Unemployment | 316,700 | 14.6 | 14.9 | 15.2 | 15.5 | 15.5 |

Notes: 2011 data from CSO Quarterly National Accounts, CSO Quarterly National Household Survey, Department of Finance Medium Term Fiscal Statement and AMECO database; 2012-2015 data are NERI projections.



Real GDP

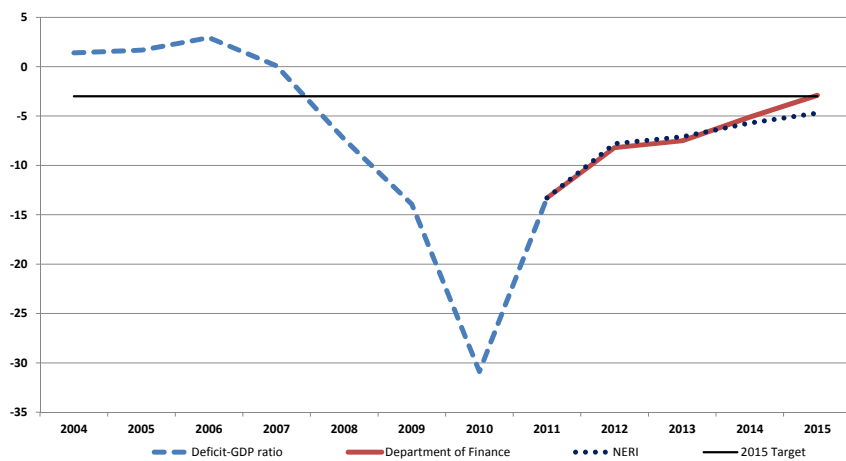


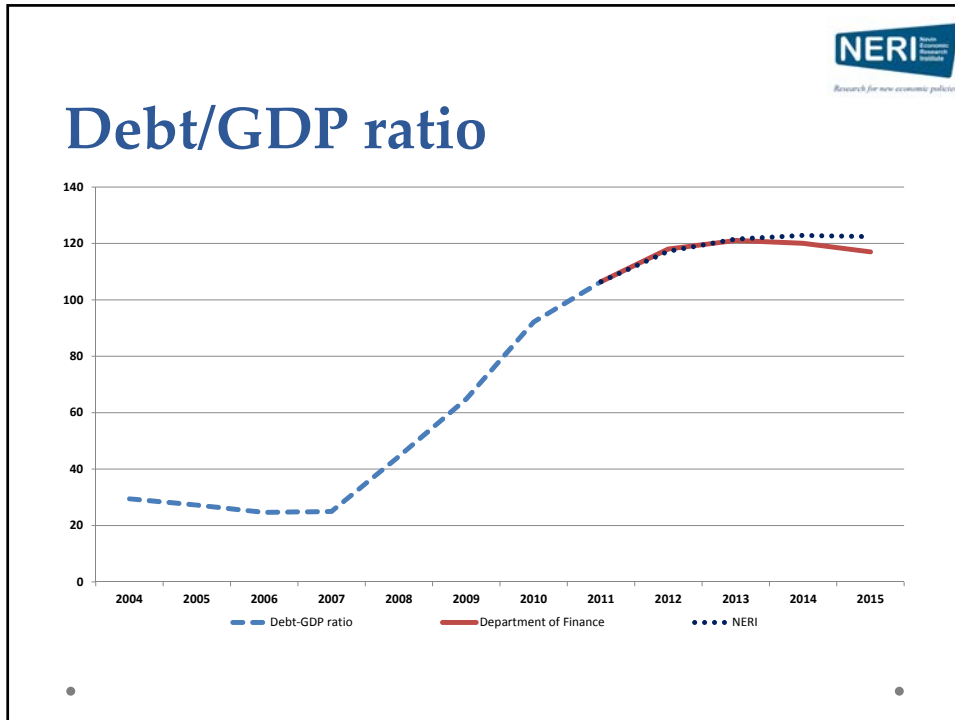
Unemployment

- 2012
 - 14.9%
- 2013
 - 15.2%
- 2014
 - 15.5%
- 2015
 - 15.5%



Deficit/GDP





Income in the ROI: a review

- Understanding the nature, shape and composition of the income distribution is important for public policy
- Yet, limited understanding
- Here, and outline of the situation
- Drawing on forthcoming:
 - Income in the Republic of Ireland (Collins, 2013)*
- NERI Microeconomic model
- Avoiding policy implications for now...as so many

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Data

- CSO SILC data used in the analysis
- Household survey:
 - 5,000 households; 12,000 individuals
- Data for 2009
 - 2010 being revised
 - 2011 due in early 2013
 - 2010-2012
 - see document
 - shift to the left
 - shape likely to be the same

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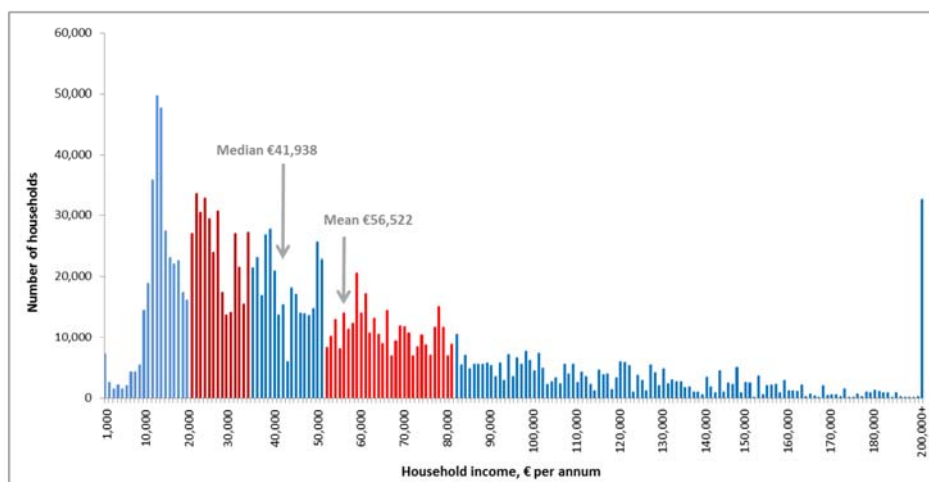
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- Income
 - **Gross:** earnings, pensions, property income, investment income and all forms of welfare (including CB)
 - **Disposable:** Gross income minus taxes and PRSI

- Data for
 - Households
 - Individuals

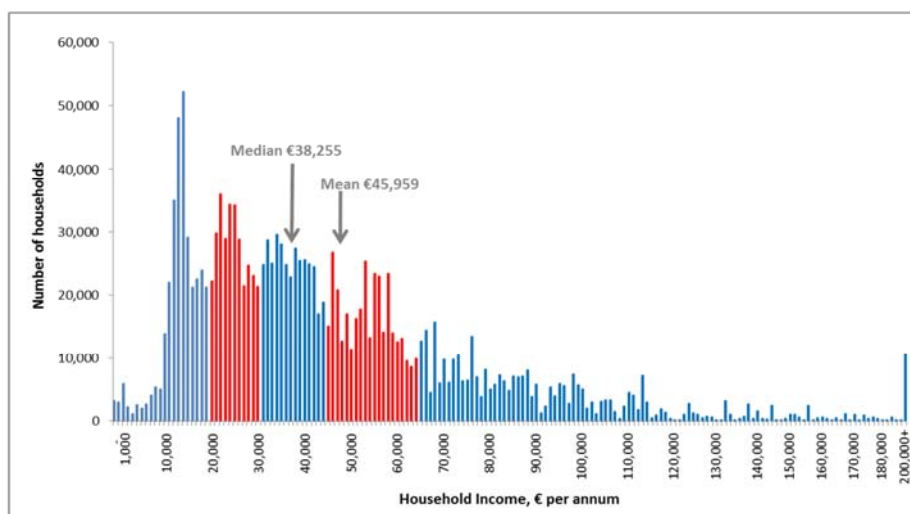
- Data, never perfect, but best info we have

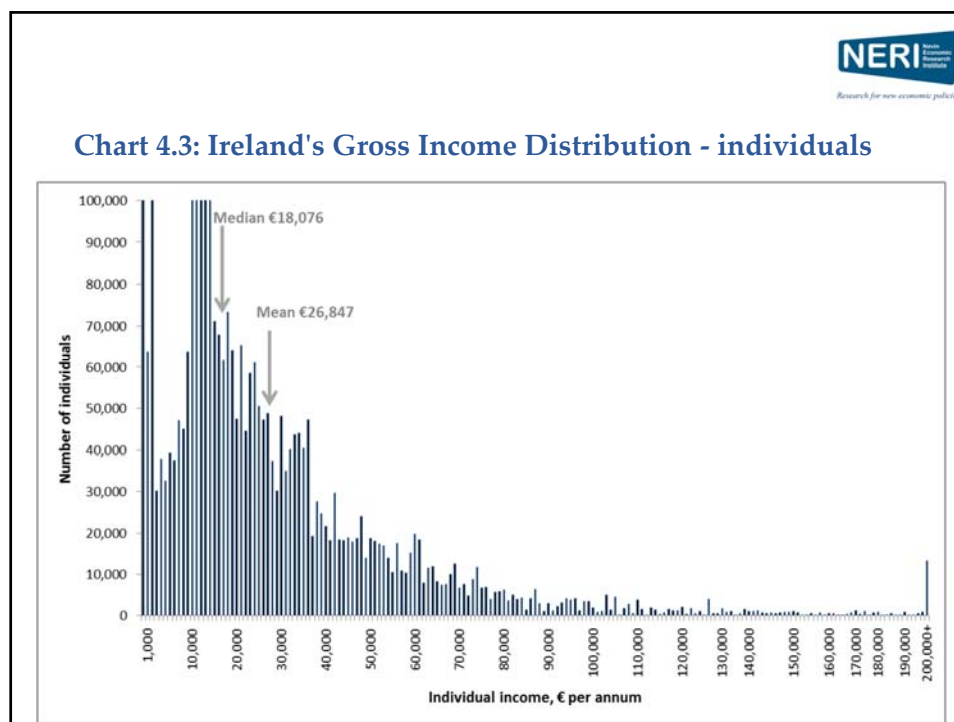
Chart 4.1: Ireland's Gross Income Distribution - households



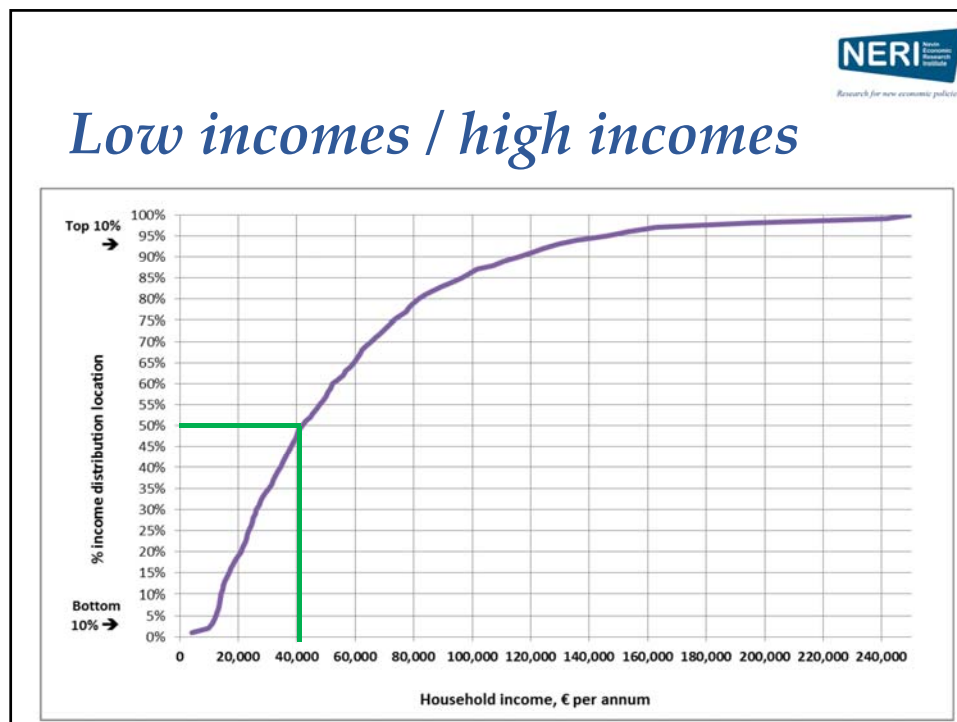
- Quintiles (20% groups) shaded
- 33% of households have a gross income of less than €30,000
- 56% of households have a gross income of less than €50,000
- 62% of households have a gross income below the average (mean) household income
- The top 30% of households have a gross income of more than €70,000 per annum
- The top 20% of households have a gross income of more than €80,000 per annum
- 14% of household have a gross income above €100,000 per annum
- 2% of households have gross incomes above €200,000 per annum

Chart 4.2: Ireland's Disposable Income Dist - households





- NERI**
Health Economics Research Institute
 Research for new economic policies
- Almost 300,000 individuals (9% of the adult pop) received €0
 - 1.5 million individuals (40%) have a gross income between €10,000 and €30,000 per annum
 - 2.6 million individuals (77%) have a gross income below €50,000 per annum – this excludes those with zero incomes
 - The top 10% of individuals in the income distribution have an income of more than €60,000 per annum
 - The top 5% of individuals in the income distribution have an income of more than €78,000 per annum
 - The top 1.5% of individuals in the income distribution have an income of more than €120,000 per annum
 - The top 1% of individuals in the income distribution have an income of more than €140,000 per annum



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Research for new economic policies

Conclusion

On Income

- highlight and make accessible information on that distribution
- enhance understanding
- inform policy making and analysis
- more from the microeconomic model to follow

On the Economy

- pessimistic outlook
- weak domestic performance
- low growth and increasing unemployment
- 2015 target likely to be missed unless policy change

Documents on website www.NERInstitute.net

