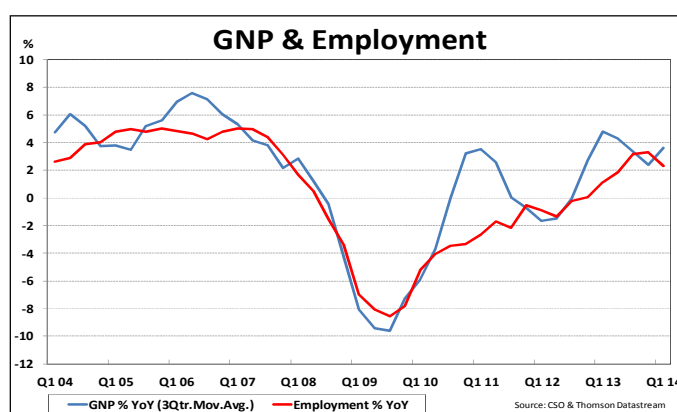


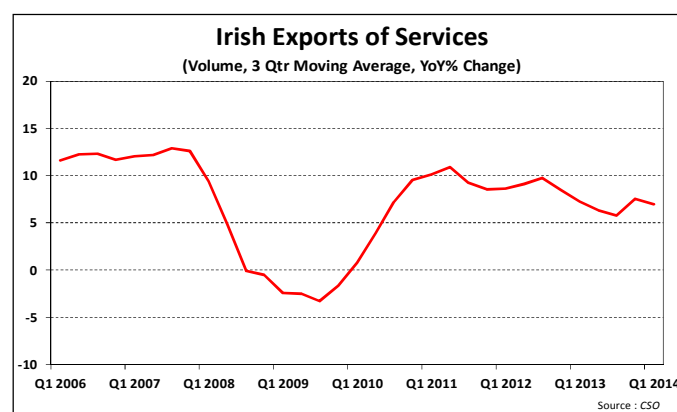
## Strong Growth by Irish Economy in Q1 2014

The past couple of weeks have seen a raft of very strong data published on the Irish economy. The highlight was the National Accounts data for the first quarter of the year. These showed GDP up by 4.1% and GNP rising by 3.4% on a year-on-year basis.

Every GDP expenditure component, including personal consumption and government spending, registered positive annual growth, with a particularly strong rise of 7.4% in exports. Business investment was very robust, increasing by 40% year-on-year, while construction spending rose by 8.8%. Notably, there was a big jump in housing output, which was up by 18% year-on-year, although in absolute terms, it remains at very subdued levels.



Exports have been the main engine of growth in the economy in recent years, most notably service exports. These have averaged growth of almost 8.5% per annum in the past four years. The first quarter also saw a rebound in goods exports. These fell last year as a result of a marked decline in output from the pharmaceutical sector following the expiry of patents on a number of key products manufactured in Ireland. Industrial production data though, show a marked rebound in manufacturing output in the first four months of 2014 as activity in the pharmaceutical sector picks up again. This has been reflected in a 10% year-on-year increase in goods exports in the first quarter.



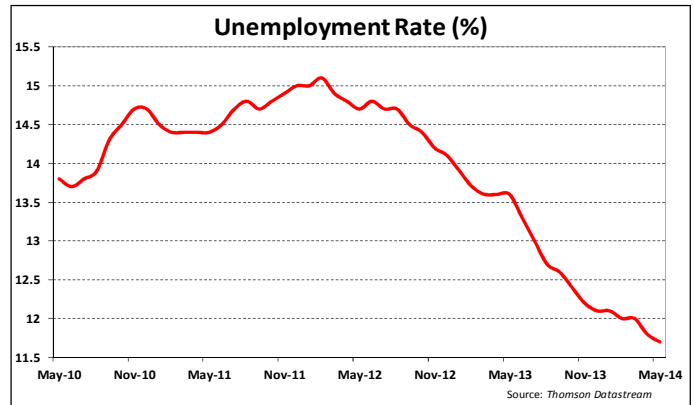
The one disappointment in the National Accounts was the continuing sluggishness of consumer spending, which was up by just 0.2% year-on-year in the first quarter. Spending on goods rose strongly, increasing by 3.1% but this was largely offset by a 2.2% fall in spending on services. Overall though, the National Accounts data indicate that the economy is now on a strong growth path. GNP rose by 1.9% in 2012 and 3.2% in 2013 and this trend was maintained in the opening quarter of 2014.

Also published with the National Accounts were the Balance of Payments figures for Q1 2014. These showed yet another large current account surplus of €960 million in the quarter, up from €781 million in Q1 2013. The rise in the surplus was due to the pick up in exports of goods. As in 2013, a balance of payments surplus of around 4.5% of GDP should be recorded for the year as a whole.

## Strong Irish Data in Q2 Also

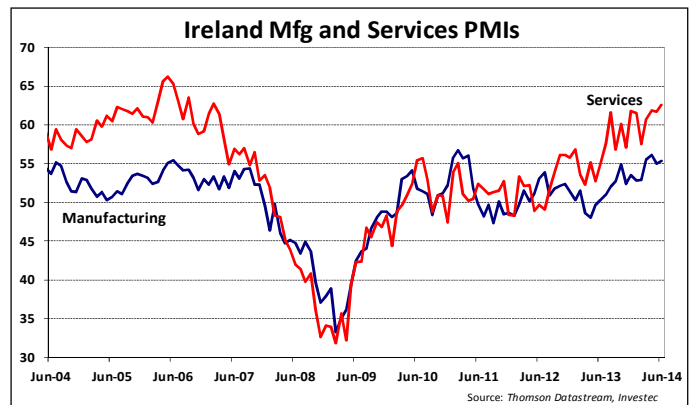
Figures released in the past couple of weeks point to a continuing strong performance by the economy in Q2 2014, following on from the impressive growth recorded in the opening quarter of the year. Retail sales excluding the auto sector were up by over 4% year-on-year in April/May. Meanwhile, car sales rose by 24% in the first half of the year, their best performance since 2008. Thus, consumer spending may be gaining some momentum, helped by improving consumer confidence and better labour market conditions.

The strong growth of the economy has seen a big rise in employment over the past two years, with a marked drop in unemployment. This trend is continuing, with the jobless rate dropping to 11.6% in June, down from 12% in March. Meanwhile, the Live Register fell by a further 10,000 during the second quarter.



PMI data for Ireland, which are a good barometer of economic activity, have also been very strong in recent months. The services PMI climbed to a seven year high of 62.6 in June, with the manufacturing PMI averaging an impressive 55.5 in quarter two. The construction PMI has been above 60 in the last three months.

Not surprisingly then, housing data have also been strong this year with a large increase in commencements and a big jump in completions up to May. Nonetheless, housing completions are still running well below estimated housing demand of close to 25,000 new units per year, putting upward pressure on house prices and rents. House prices nationally were up by 10.5% year-on-year in May, with Dublin prices rising by 22%.



The strong performance of the economy is being reflected in the public finances. The Exchequer Returns published last week showed underlying tax receipts some €0.5 billion ahead of target at mid-year. A sub 4% budget deficit looks increasingly likely in 2014. Thus, only modest adjustments are likely to be required in the October budget to get the deficit down below 3% of GDP next year.

The outlook for the economy looks increasingly favourable. Economic conditions in key export markets such as the UK, USA and Germany have improved considerably. On the domestic front, the austerity programme which has been in place since 2008 is nearing an end. Sectors which were very depressed, such as construction and retail spending, are starting to recover. Overall, the economy could grow by 3 to 4% annually over the next few years.

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