

CARLOW

KILKENNY

STH TIPPERARY

WATERFORD

WEXFORD

# South East

## ECONOMIC MONITOR

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**10.74%**

of the national  
population live in  
the South East



South East generates  
**8% of**  
**National GDP**

Total SE GDP €19.9bn (est.)



**19,979**

citizens in full time  
higher education



**214,300**

jobs with an  
unemployment rate of

**9.3%**



**6.7%**

of IDA supported jobs

**8,065**

missing IDA  
supported jobs



**7,480**

missing higher  
education places



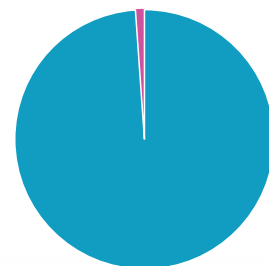
2011-2016  
Capital investment  
in higher education  
nationally = €1.7bn

**SE = 1.6%**



2011-2016  
IDA net jobs added  
nationally = 51,793

**SE = 457**  
(0.88%)





# Summary

**The economy of the South East (SE) region is now recovering strongly from the lows of 2012 and there has been strong and sustained GDP growth and declines in unemployment. This is filtering through to stronger consumer sentiment and a strengthening property market.**

Meaningfully, social cohesion measures are also improving with strong declines observed in the deprivation index. Across the region there are a number of flagship developments over the past year that are likely to feed through into economic growth such as a major new employer West Pharma commencing operations, MSD's investment in Carlow, the New Ross bypass, the resumption of UK flights at Waterford Airport, the mooted investment in the Waterford/S.Kilkenny North Quays, the Questum centre in Clonmel, Smithwick's Visitor Experience in Kilkenny, all of which is underpinned by greater coordination between the region's local authorities and chambers of commerce.

**While the regional economy is recovering along with the national economy, the regional recovery is a good deal weaker, and so overall the region's economy is falling further behind the State, and all other regions within the State. The structural economic issues within the region continue to dominate economic trends.**

In particular, the very pronounced deficit in regional higher education capacity, acute hospital services, IDA and Enterprise Ireland (EI) activity drives ever lower job quality. While nationally over €1.7bn has been invested in higher education capital projects, there was no State investment in any projects in the SE; suggesting there is no policy appetite to address the structural weaknesses of the SE economy. The region faces economic headwinds shared with the State (such as Brexit and the fragile EU recovery); but the structural economic issues within the region continue to assert themselves as the dominant economic trend.

## About

**This report aspires to present a selection of key economic indicators for the South East region. This report is prepared by lecturers in WIT School of Business to track developments in the South East economy.**

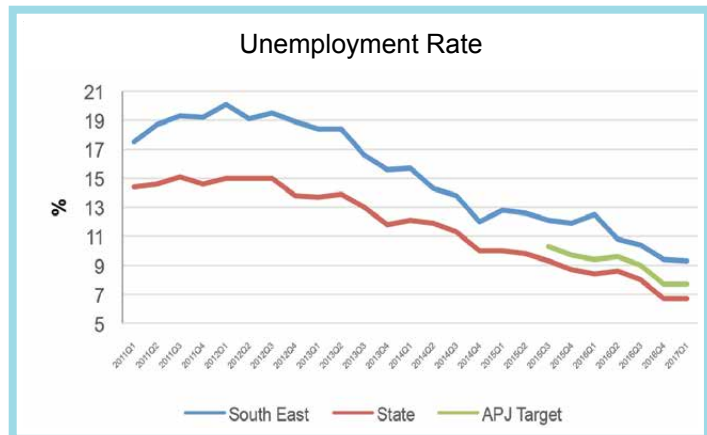
Now in its second annual edition, the report has been widely consumed, supported by media briefings, interviews and a series of presentations to regional councils, elected representatives and business communities. Our ambition is to develop and publish a new data series to increase understanding and inform decision making. Technical adjustments note: SE area is in the process of being reorganised to exclude South Tipperary, removing 89,071 people from the administrative unit of the SE, bringing the region from 10.74% of the State's population to 8.9%. As we draw entirely on external data sources, we try to carefully note the treatment of Tipperary.

# Strong Employment Growth

Unemployment Rate State (2017 Q1)	6.7
Unemployment Rate South East (2017 Q1)	9.3
Year on Year job creation	9,900 (↑4.8%)

The unemployment rate in the SE has significantly declined since last year's monitor, moving from 12.5% to 9.3%, the first time below 10% in over 8 years. There are now 214,300 people working the region.

(CSO: QNHS)

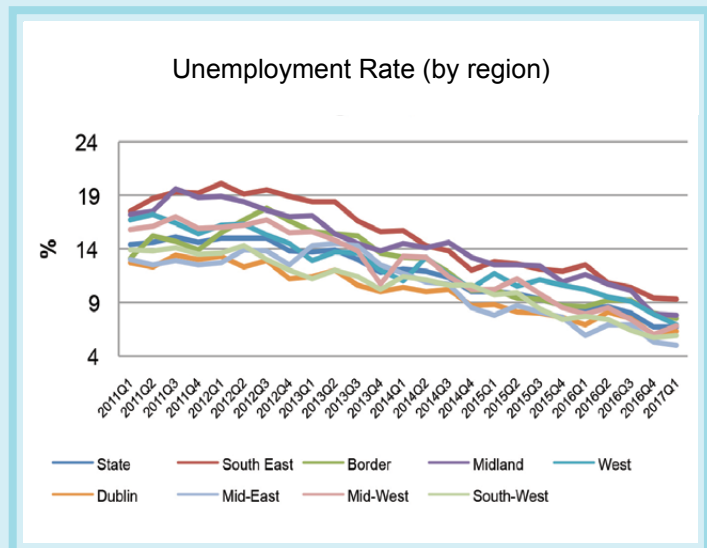


## Absolute improvement in employment masks relative decline

**The SE unemployment rate is the highest in the State, and is improving at a slower rate, suggesting the SE economy is in relative decline.**

Census 2016 shows that of the cities, Waterford City had the highest unemployment rate at 18.8%. At county level, three of the SE counties were in the top 8 in terms of highest unemployment rate (Carlow, Wexford, Waterford). The SE accounted for almost 20% of the 79 blackspots (areas with more than 27% unemployment rate).

(CSO: QNHS and Census 2016)

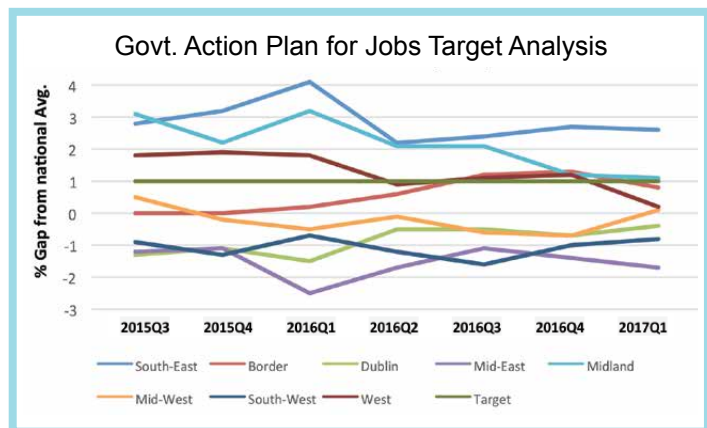


## Only region falling short of Action Plan for Job's target

**The 2015-17 South-East Action Plan for Jobs (APJ), along with the other regional APJs, has an explicit commitment to bring regional unemployment to within 1% of the State average.**

The SE unemployment rate is 2.6% above the State average, meaning that the SE is the only region that does not meet this target.

(CSO: QNHS | Government: APJ)



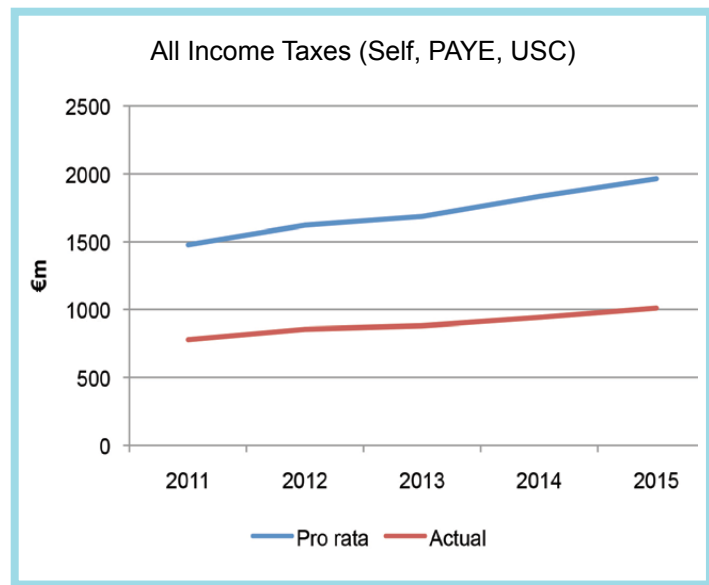
# Job Quality

## Low job quality continues to hold economy back

**Income tax returns are a proxy for job quality. Actual SE returns are 51.4% of the national average (pro rata), consistent in each county of the region, evidencing low job quality as well as higher levels of unemployment.**

The region lacks quality PAYE jobs (44.8% of income tax return of the national average), with income taxes from self-employed individuals being above three-quarters of the State average (at 78%). This demonstrates a lack of high-paid PAYE jobs, such as IDA or Government jobs and that surplus labour is absorbed by necessity entrepreneurship. This assessment of job quality is also evidenced in the GVA per capita and disposable income statistics.

*(Revenue Commissioners: PAYE, Self Employed & USC)*

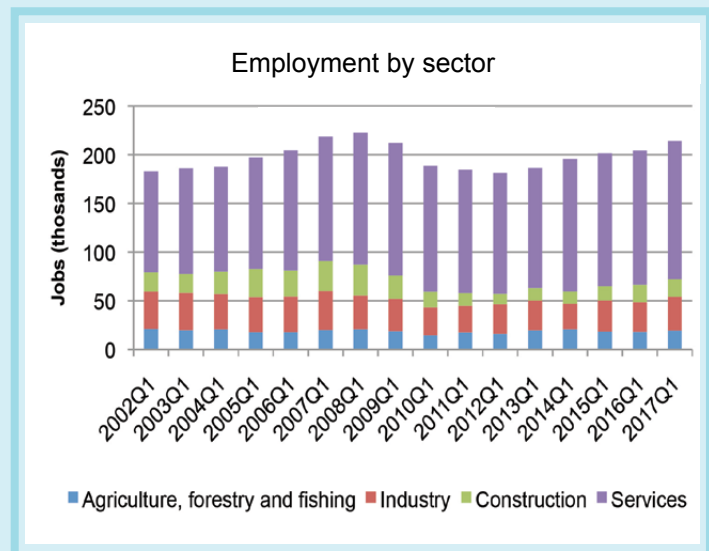


## Low income, low skill jobs driving employment growth

**All categories of employment are now growing, with services and industrial sectors driving growth in equal measure.**

YoY growth in construction labour is still minimal. In the SE (incl. all Tipperary) 32.6% of workers are in the top two categories (professional; managerial and technical), somewhat behind the State average of 36.2%. The SE has the highest proportion of unskilled workers and the highest proportion of unskilled and semi-skilled workers combined.

*(CSO: QNHS)*



## Labour Market Commentary

**The region continues to suffer relative economic decline, despite the welcome absolute employment growth. Higher rates of unemployment are generally linked with labour markets that suffer from lower general pay, low job security and poorer working conditions.**

The long-term trend of labour market turnover has not been positive for the region, with higher paid skilled manufacturing jobs being replaced by poorer quality unskilled jobs, with visible deterioration in income quality. We can find no evidence of any action to support the Government's promise in the Action Plan for Jobs to bring unemployment in the SE to within one percentage point of the national average; and no commitments have been made to improve job quality. We continue to be surprised that despite having the highest rate of unemployment of any Irish region, all of the Government's targeted measures to reduce unemployment (EI, IDA, Springboard etc) have a greater focus on other regions, and significantly less than the pro-rata share of these measures are made in the SE.

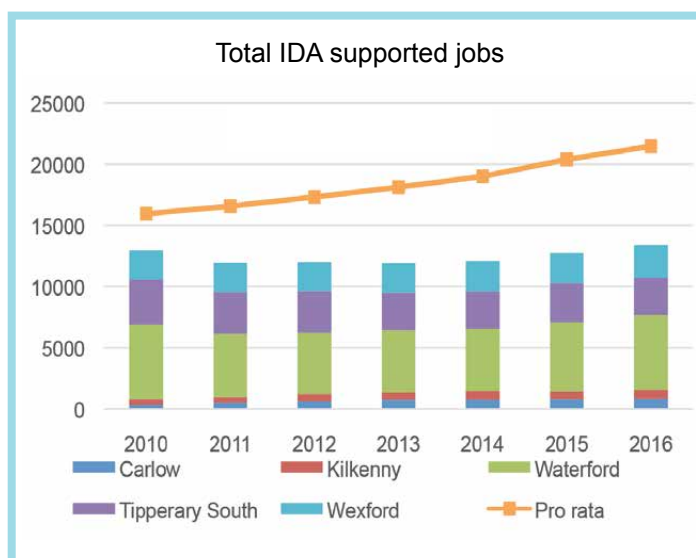


# IDA underperforming in South East

AVG Salary IDA supported job	€49,118
IDA jobs in the South East	13,369
% of IDA jobs in the South East	6.7%
IDA jobs 'missing'	8,065
IDA net job creation (2011 - 16)	51,793
% IDA net job creation (2011 - 16)	0.88%

IDA supported jobs are amongst the best paid in Ireland, and typically have higher incomes. With 10.7% of the population, the SE has just 6.7% of all IDA jobs (62% of a fair-share/pro-rata distribution). Despite 2016 being another record year for the IDA, with approximately 12,000 net jobs added (6.3%↑), and some notable successes in the SE (e.g. Eurofins, OPKO, and First Data), the region accounted for just 5.7% of these net additional jobs. As a result the direct deficit of IDA jobs in the region has grown by a further 5.8% YoY to 8,065, with a further deficit of 5,705 indirect jobs.

(Dáil Questions [17223/17] | note SE includes all Tipperary)

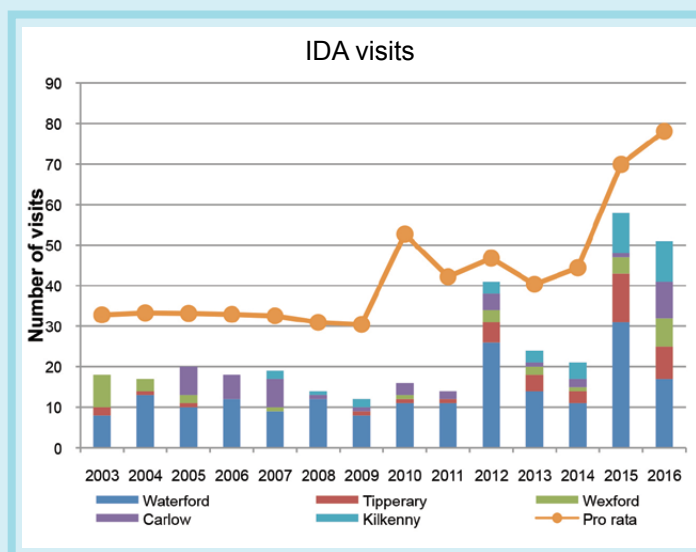


## IDA visits falls back

**With such a significant and widening deficit of IDA supported jobs in the region, acquiring new IDA clients is critical to closing the regional economic gap.**

With the appointment of a regional manager in 2015 (after a 20 year vacancy) there was significant improvement in 2015 (although less than a fair share), which has now fallen back. Dublin and the other regional-city economies continue to receive a disproportionately-large number of new client visits. In particular, we can see the significant effort and outcomes from the improved marketing of the Mid-West / Limerick region.

(Dáil Questions [17223/17] | note SE includes all Tipperary)



## Low Enterprise Ireland activity

**There are three prongs to Irish economic development policy- the IDA to attract high quality MNC jobs through FDI, Enterprise Ireland (EI) to support internationally competitive indigenous firms and the local enterprise boards to develop SME sector.**

With 10.74% of the population, the SE underperforms in securing all identified EI funding schemes. For example, in the most recent round of *Seed & Venture Capital* funding (2013-18), the SE secured one of the 44 new investments, accounting for just 2.15% of the €92.967m total investments.

(Dáil Question | Enterprise Ireland Annual Report)

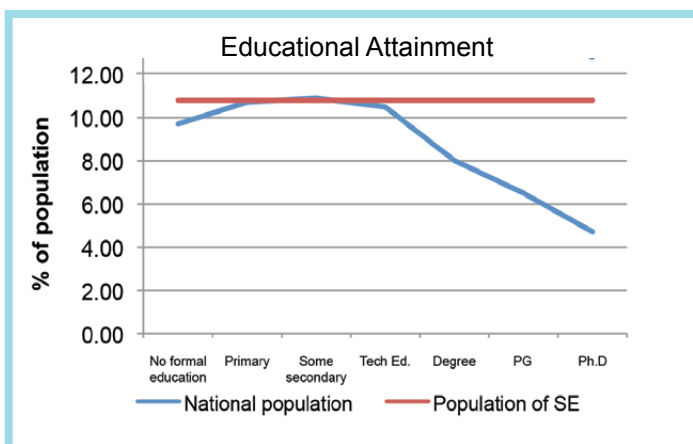
	Cumulative Investment (€'000s)	Cumulative South East Share (value)	South East Share (volume)
Seed & Venture Capital Programme 1994 - 99	129,264	3.14%	
Seed & Venture Capital Programme 2000- 06	358,936	1.62%	
Seed & Venture Capital Programme 2007- 12	409,967	1.38%	
Seed & Venture Capital Programme 2013- 18	456,755	2.27%	
HPSU			6.20%
R&D projects of at least €1m (2015)			4.75%
Company Training			8.50%

# Exploring higher education as an engine for growth

**Low job quality and persistently higher rates of unemployment arise from lower educational attainment within the region.**

As we await the results from Census 2016 we envisage that the significant improvement in national educational attainment rates, with preliminary data (available from AIRO, Maynooth) indicating a widening regional lag in educational attainment. This expectation arises from the continued underinvestment in regional higher education capacity.

(CSO: Census 2011)

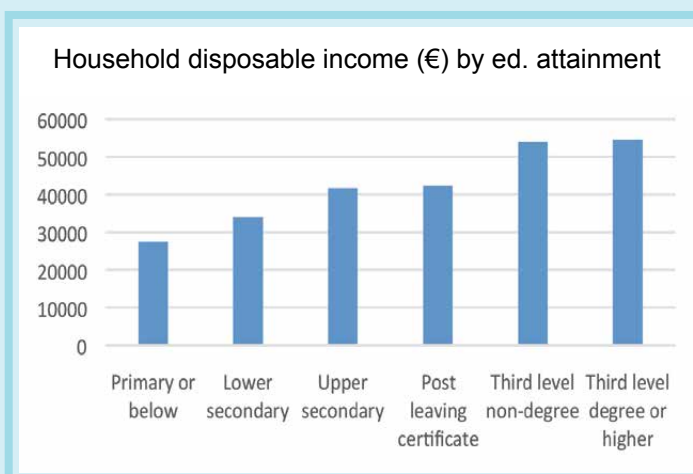


## Linking educational attainment to job quality

**Census 2016 data demonstrates the clear link between educational attainment and household disposable income.**

Less authoritative data sources indicate average income for degree holders to be €49k compared with €23k for non-degree holders. This chart demonstrates the huge impact lower educational attainment has on incomes and thus regional economic performance.

(CSO: Census 2016)



## Capital expenditure on higher education

**The under-provision of higher education capacity starts with capital expenditure. Over the past five years there has been almost €1.7bn investment approved in the university sector (incl. DIT).**

There has been no approved capital investment in the Institute of Technology sector (excluding DIT). The two regional providers have generated small projects from their own resources; we can identify two self-funded building projects; IT Carlow's investment in the Haughton student centre (€12m) and WIT's investment in the controversial Carriganore Sports Facilities (€14m). If included, this brings the 5-year regional investment to 1.57% of the overall State investment.

(EIB | Dáil Questions | Various HEI)

HE Capital Funding (2011 - 2016)	EIB loan (m)	Announcement Date	Total Investment (€m)
UCD	€90	30.11.11	€200
DCU	€76	29.4.13	€230
DIT	€110	24.07.13	€230
UL	€100	10.12.13	€224
Maynooth	€76.77	17.2.15	€153
TCD	€70	25.6.15	€155 (est.)
RCSI	€50	11.7.16	€103
NUI Galway	€60	29.9.16	€120
UCC	€100	24.11.16	€241
<b>University + DIT Capital Programme</b>	<b>€733</b>	<b>2011-2016</b>	<b>€1,656</b>
<b>Institute of Technology Capital Programme</b>	<b>Nil</b>		<b>Nil</b>

# Educational opportunities for the unemployed

**The Springboard+ initiative offers free tuition in industry relevant programmes for unemployed jobseekers; and is an important measure designed to reduce unemployment.**

With 10.8% of the population, and 13.3% of the live register, the SE has just 7% of the provision of Springboard+ courses. The excerpt from the recent evaluation of the Springboard+ programme demonstrates how programme provision follows the contours of existing capital investment, rather than targeting areas with high unemployment.

(HEA: Developing Talent, Changing Lives An Evaluation of Springboard+, 2011-16)

%	2011	2012	2013	2014	2015	2016
Online	10	8	10	8	11	15
Border	5	5	6	4	7	6
Dublin	63	57	56	65	58	54
Midland	0	3	2	2	3	1
Mid-East	0	2	0	2	0	2
Mid-West	4	6	7	4	5	5
South East	4	4	6	5	7	7
South West	10	10	11	9	6	5
West	4	5	2	2	4	3
<b>Total Places</b>	<b>5883</b>	<b>6842</b>	<b>6831</b>	<b>6104</b>	<b>9109</b>	<b>5825</b>

“The majority of participants are from the Dublin region at 44%, but this is consistent with the level of provision in Dublin, the size of the population in the city and the concentration of higher education institutions in and around the capital. This is followed by 13% in the Mid-East, 10% in the South West, 8% in the South East, 7% in the Midlands, 7% in the West and Mid West 7%, and 5% in the Border counties.”

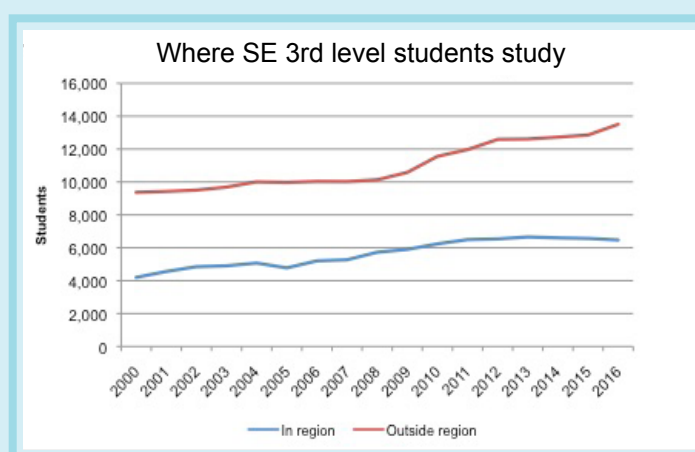
Developing Talent, Changing Lives - An Evaluation of Springboard+, 2011 - 16

## Region brain drain

**There are 19,979 people from the SE in higher education. This is a more than the national average (10.74% of the national student population is 18,189).**

Of these, over two thirds (67.6% or 13,506 students) left the region to secure a higher education. It is estimated that the additional cost per annum of a student living away from home is €11,000, which suggests an annual transfer of €148m to other regions. The region is missing 7,480 higher education places, which is an additional 220 over last year's number.

(HEA)

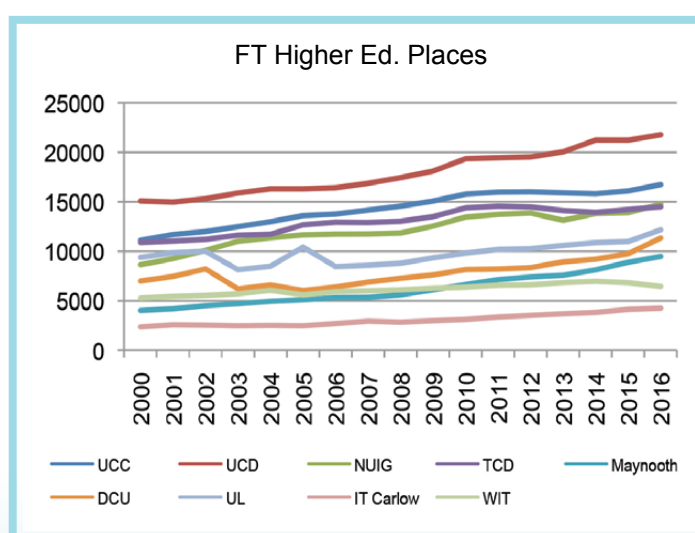


## Low investment in regional HE providers drives relative economic decline

**In the absence of transformative investment, it is very unlikely that the two main providers in the region will achieve the growth required to address the higher education capacity deficit in the region.**

Given the absence of capital spending over the past half-decade, with €1.7bn being invested into competitors outside the region (including substantial student accommodation facilities), it is obvious that there is no policy appetite, with or without the proposed Technological University, to address the region's economic educational needs.

(HEA)





# Social inclusion and Health

## Regional healthcare equality

Given the current interest in regional health equality, we explored the (difficult to access) healthcare budgets.

Here we compare the four regional 'Model 4' hospitals which offer acute care. On a per citizen basis the SE regional service costs 33% less, has 47% less staff and 41% less beds than the most resourced provider. This suggests that the SE's Model 4 hospital is either hyper-efficient or has poorer medical outcomes.

(HSE: various operational plans)

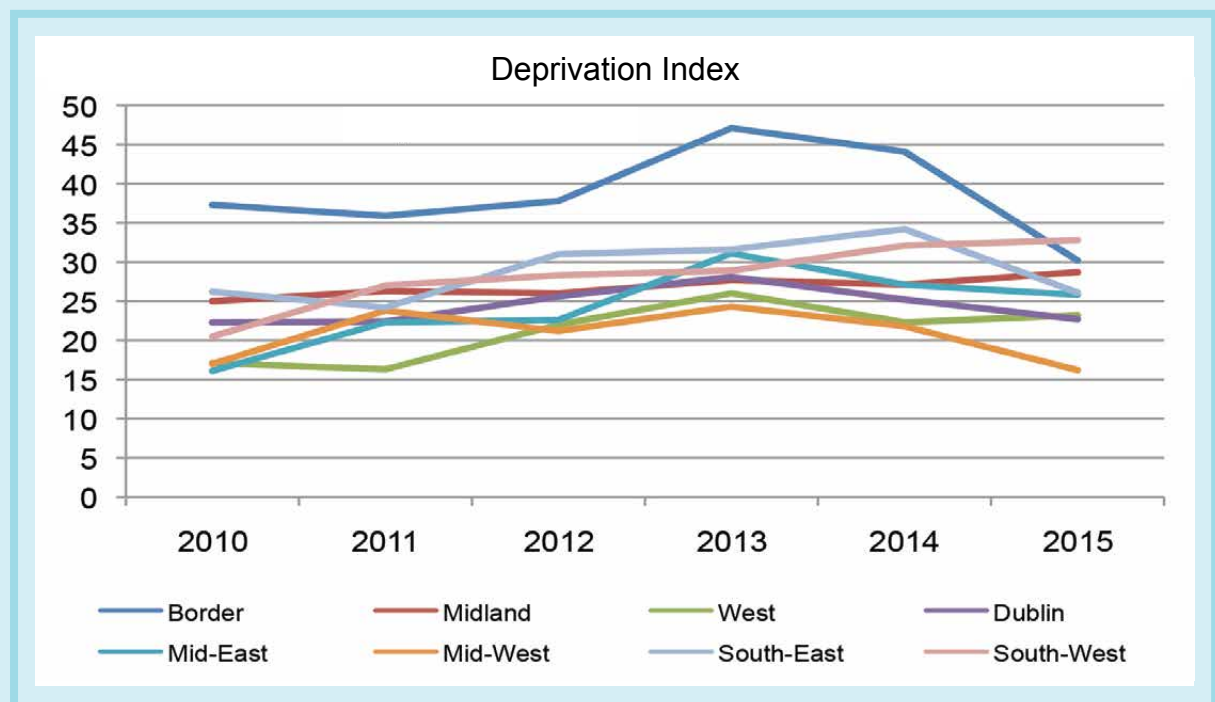
	UH Waterford	Cork UH	UH Galway	UH Limerick
Inpatient Beds	431	800	655	428
Baseline Population	500,000	550,000	709,487	385,172
Hospital Budget 2017 (m)	166,603	274,015	300,725	186,174
Staff WTE 12/16	1,772	3,663	3,368	2,383
<b>Spend per Citizen (€)</b>	<b>333.2</b>	<b>498.2</b>	<b>423.9</b>	<b>483.4</b>
<b>Citizen per Staff</b>	<b>282.2</b>	<b>150.2</b>	<b>210.7</b>	<b>161.6</b>
<b>Citizen per Bed</b>	<b>1160.1</b>	<b>687.5</b>	<b>1083.2</b>	<b>879.4</b>

## Meaningful decline in the deprivation index, demonstrating an economy and society healing

The SE has the third highest rate on two of the CSO measures of poverty (at risk of poverty and consistent poverty) and has the fourth highest in terms of the deprivation index.

Of these, the most important measure is deprivation (which measures absolute poverty over such things as not being able to afford a winter coat or to eat meat), and we can see meaningful national and regional progress. Improved social welfare payments and employment of any quality greatly impact this measure, and the improving macro-economy is now feeding through in this 2015 data set.

(CSO:QNHS)



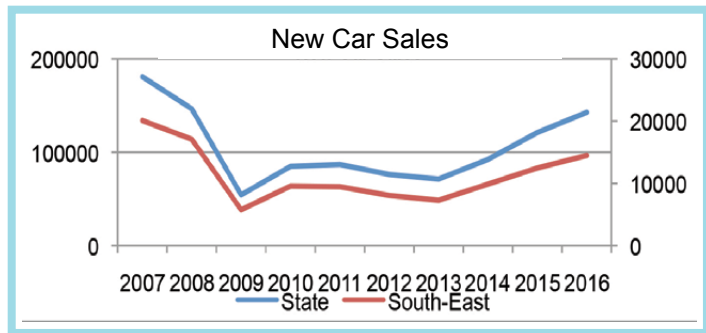
# Sentiment Indicators

## New Car Sales

New car registrations are a bellwether for consumer sentiment, and continued strong regional sales, although weaker than national sales, indicate a sustained improvement in consumer confidence.

Sales rose by 2,008 units in 2016, a 17% YoY growth regionally, compared to 18% growth nationally.

(CSO:QNHS)

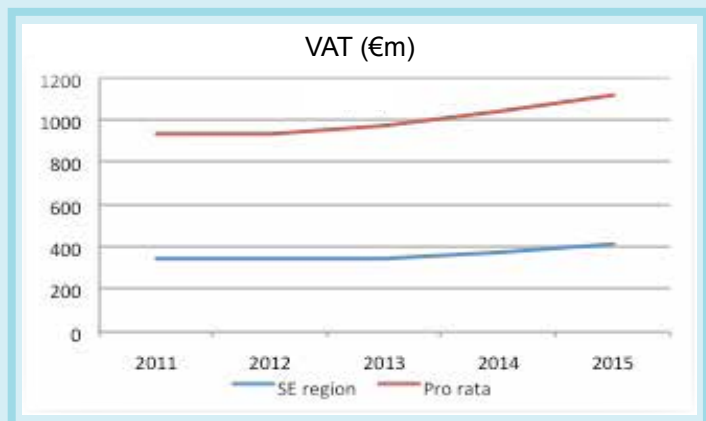


## Consumption

Sales tax, VAT is a good proxy for consumption. The most recent reported data, 2015 shows that the SE returned just 37% of the national average (pro-rata rate).

The low level of VAT returned from the region indicates the region has very low consumer spending activity. High unemployment, low job quality and spending directed outside the region (such as the migration of students) leads to much lower levels of consumption.

(Revenue Commissioners)

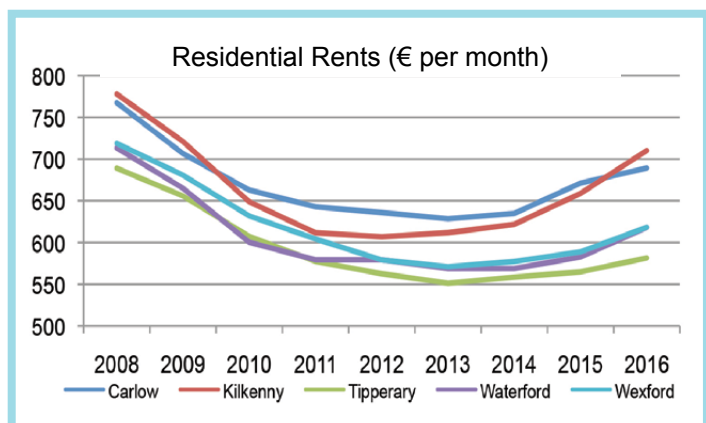


## Rising Rents

The rate of growth of residential rents across the SE increased markedly from lows of 2013 as average rents for both houses and apartments are between 18% and 9% from their peaks. Rents in all housing types are now growing strongly.

The YoY growth rate ranges from 2-3% in Carlow and Tipperary, to 5% in Wexford, 6% in Waterford and almost 8% in Kilkenny. Average rents rose €30 per month YoY.

(PRTB)

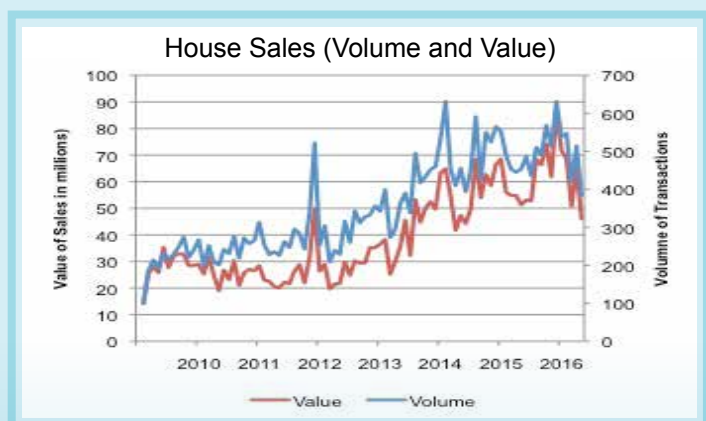


## House Sales

The SE housing market is still in the early stages of recovery.

Initially the recovery was only in the volume of transactions, but now transaction price rises are fueling a broader recovery. House prices started to progress in mid-2015, and are now growing at 15.2% YoY.

(CSO:RPPI)











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