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South East

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8.83%

Est. of the national population
live in the South East
(8.89% in Census 2016)

South East generates
**6.24% of
National GDP**

↑+6% YoY growth rate
(2020 est.)
SE GDP €23.3bn (2020 est.)

€9.8bn

GDP missing
(below pro-rata share)

179,900

people in work Q1 2021
(↓15,200, -7.79% YoY;
pre-covid)

5.2%

of IDA supported jobs

9,576

missing IDA
supported jobs

8.9%

SE unemployment rate
(7.1% national)
(SE +2.1% YoY; pre-covid)

8%

average annual
SE house price
increase since 2014

3%

of pending and ongoing
Government capital
spending on significant
projects

(302m of €10.2bn)



	Population 2020 (est.)	GDP (est.)	Pop Share of national	GDP Share of national	Share of IDA jobs	Share of IDA client companies	Live register
Carlow	61,432	€3.1bn	1.24%	0.85%	0.51%	0.32%	1.71%
Kilkenny	107,075	€5.5bn	2.17%	1.5%	0.27%	0.525	1.55%
Waterford	125,358	€6.6bn	2.54%	1.77%	2.91%	2.32%	3.4%
Wexford	161,556	€7.9bn	3.27%	2.15%	1.29%	1.36%	4.29%
SE Region	439,600	€23.3bn	8.83%	6.24%	4.98%	4.52%	10.94%



SUMMARY

The South East (SE) economy, like the Irish economy, was growing at tiger rates before the pandemic, and has proved resilient during the tumult of the past year and a half. Most sentiment indicators are strongly positive.

The structural weaknesses of the SE economy, best evidenced in the significant GDP gap, continues to go unaddressed despite clear evidence-based policies being available to close the gap. So whilst the region has the greatest headroom for growth of any Irish region, based on current national policy priorities we do not envisage the region closing the significant gap in the near term. The gap between rhetoric and measures on regional development is best illustrated by the absence of any significant exchequer-funded capital projects being implemented in the South East region- a region of 8.89% of the population.

The long-term impacts of the lockdowns, experienced variously in different sectors are unknown, but the expectation is for a speedy restoration of the pre-covid frothiness. The short-term impacts are considerable, particularly to certain sectors of the labour market, and the SE labour market, weak entering the pandemic, has experienced a more pronounced downturn.

ABOUT

This is our fifth edition of the SEEM, the tumultuous economic fortunes of 2020 making it impossible to prepare a reliable evaluation on the South East Economy.

It is prepared by independent, non-politically affiliated academics who are part of the South East Network Social and Economic Research (www.senser.ie), an initiative at Waterford Institute of Technology School of Business. All opinions expressed are those of the authors and do not represent those of WIT. SENSER is committed to publishing research that reaches the appropriate academic standards, and all of our work is fully open to public scrutiny. Please bring any errors and omissions to the attention of the authors.

LABOUR MARKET

Resilient, but structurally weak, labour market in the face of the pandemic

Employment in the SE continued to be impacted by the pandemic. There was a year-on-year decrease of 15,200, from 195,100 to 179,900 to Q1 2021.

There was a year-on-year decrease of 15,200, from 195,100 to 179,900 to Q1 2021.

This represents a 7.8% decrease against a national decrease of 5%.

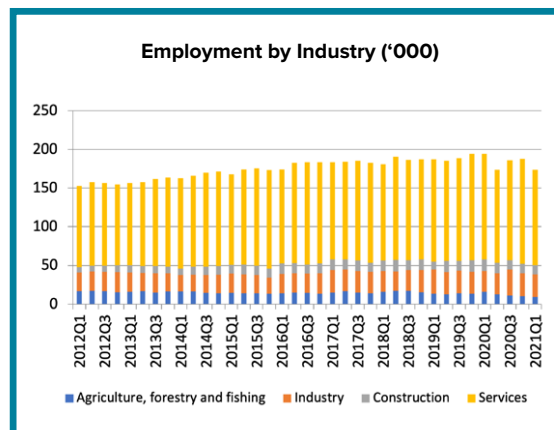
As expected, the largest absolute job losses occurred in the Services sector, where there was a year-on-year decrease of 13,500. More than half of this was in the Accommodation and Food Services sector, where employment fell by 47% Y-o-Y.

Construction also suffered significantly (-21%), as did financial, insurance and real estate activities (-22%), wholesale and retail trade, repair of motor vehicles and motorcycles (-20%) and transportation and storage (-18%).

In contrast, employment in the Industry sector increased by 8.5% and encouragingly there was an 11% increase in employment in the Professional, scientific and technical activities sector.

Before the first lockdown, the SE labour market was in a historically strong position, albeit structurally weaker and unpressurised relative to the State. The impact of the pandemic is largely consistent with the national picture, however in most cases job losses were more pronounced in the SE.

Source: CSO LFS (Q1: 2021)

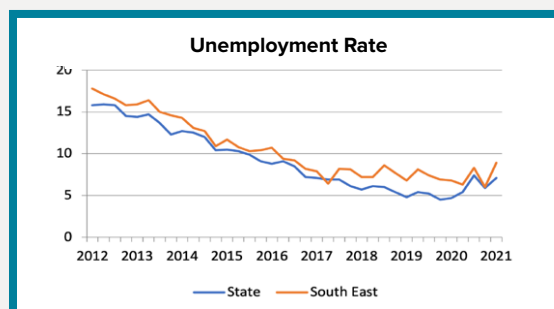


Unemployment Rate Increases

The unemployment rate is substantially higher both regionally and nationally over the past year as the impact of Covid-19 continues to be seen.

The impact has been more significant nationally than is the case for the SE. The Live Register figures back up the relatively weak labour market in the SE, as the region accounts for 10.94% of people on the live register.

Source: CSO



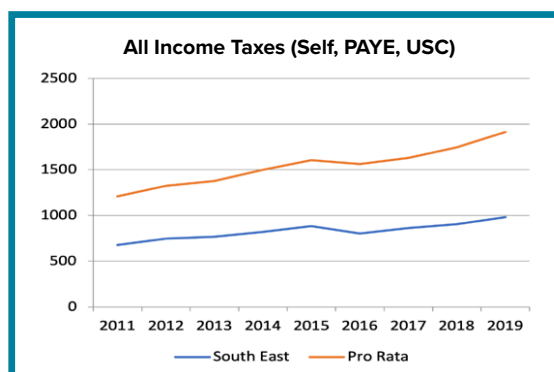
Unemployment Rate	State	SE Region
Q1 2021	7.1%	8.9%
Q1 2020	4.7%	6.8%

SE Incomes Continue to be Decoupled from Irish Economy

Individuals in the SE pay 51.2% of the national average of all income taxes.

This highlights the combined effect of low average wages and higher rates of unemployment. The region lacks quality PAYE jobs (48.5% of the average PAYE+USC), with income taxes from self-employed individuals at 71.9% of the State average.

Source: Revenue Commissioners



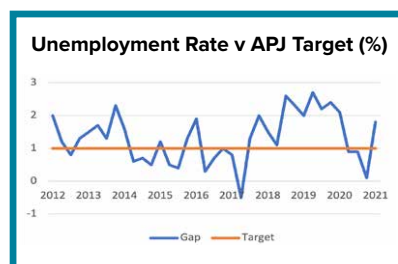
LABOUR MARKET *contd.*

Government's jobs targets

The Government has a target of bringing all regional unemployment rates to within one percentage point of the state, a commitment made in 2015's action plan for jobs policy initiative and repeated in the Ireland 2040 policy initiative.

The gap was below one percentage point for three quarters in 2020 for the first time since 2017. However, during the pandemic crisis, much of this relative improvement is due to the faster decline of the labour market in other regions rather than employment growth in the SE.

Source: CSO: LFS | APJ | Ireland2040

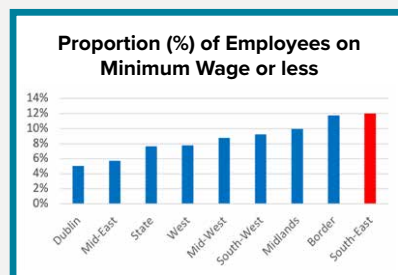


SE with largest proportion of workers on Minimum Wage

The SE has the highest proportion of minimum wage workers, with 12.7% of workers in the region earning the minimum wage or less, against 8.1% as the national average.

This figure has increased at a greater rate in the SE than nationally over the past year.

Source: CSO LFS (Q3: 2020)

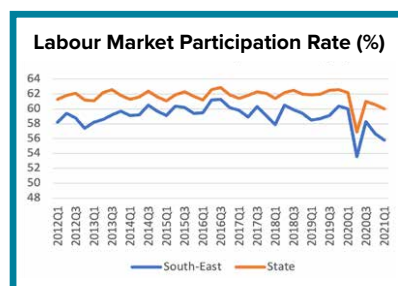


Lower labour market participation rate

Irish labour market participation rates are considerably lower than historical heights in 2007 (67.4%), and lower than the European policy aspiration to have 78% of people aged 20-64 into employment.

The SE has a consistently lower participation rate, around 4.2 percentage points lower than the state (currently 55.8% v 60%), suggesting a further 14,800 individuals who are not unemployed, but who do not participate in paid employment than the national average.

Source: LFS (Q1: 2021)



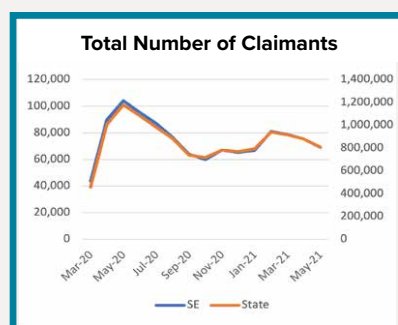
Pandemic Related Government Support Schemes

In addition to the traditional unemployment payments, the government introduced three pandemic-related payments or subsidies at various points throughout the crisis: the Pandemic Unemployment Payment (PUP), Temporary Wage Subsidy Scheme (TWSS), and the Employment Wage Subsidy Scheme (EWSS).

In May 2020, almost 1.2 million people in the State were supported by either the Live Register or by one of the three COVID19 schemes. The equivalent figure in the SE was almost 104,000, the equivalent of approximately half the labour force of the region.

When the PUP was first introduced, the SE accounted for approximately its fair share of PUP recipients (8.6%) but subsequently the number of claimants rose at a slightly faster rate in the SE than nationally. However, that share has fallen to 7.2%, suggesting that the SE is emerging from the Covid restrictions at a faster rate than the rest of the State.

However, the SE accounted for a disproportionate number of people on the live register or supported by one of the above three schemes at the start of the crisis. This is largely driven by the statistic reported earlier showing that the SE accounts for ~11% of people on the live register. However, the number of total claimants on all schemes has fallen close to a fair share as of July 2021. In conclusion, the pandemic has not had a disproportionately negative impact on the SE. However, the labour market weakness that were apparent pre-crisis remain.



Labour Market Commentary

The SE labour market continues to be relatively unpressurised compared to the national market- with higher unemployment, lower participation and lower incomes- suggesting significant headroom for growth.

While the economic crisis emanating from the pandemic has not had a disproportionate effect on the region, the legacy issues of the SE labour market re-emerge, and with national concerns dominating again, there is little policy attention on the causes of this weakness.

INDUSTRIAL, ENTERPRISE AND INNOVATION

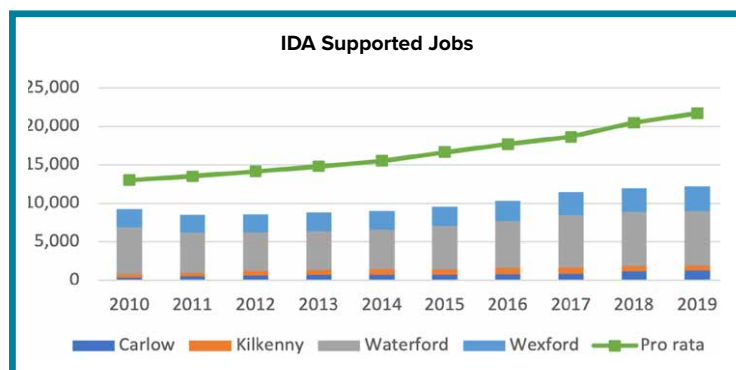
IDA strategy fails the South-East

The IDA had another strong year nationally in 2018/19, with supported employment growing by 6%.

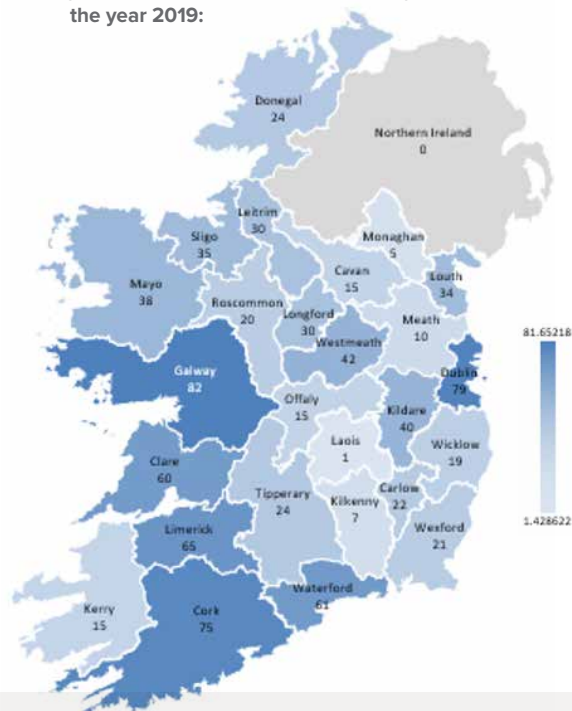
Lacklustre growth in the SE of just 1.6% results in a further relative widening of the gap between the region and the State. With 8.89% (CSO, 2016) of the population living in the SE, just 5% of IDA jobs, and a mere 4.5% of IDA-supported companies are in the region.

This deficit has more than doubled over the past decade. Using IDA average income data (~€66,000) this suggests the region misses out on direct payroll of almost €632m per year.

Source: PQ, 2019 data; IDA Annual Report (2020)



The map below shows the IDA-supported jobs per 1,000 people in each county for the year 2019:



IDA visits increase but still fall short

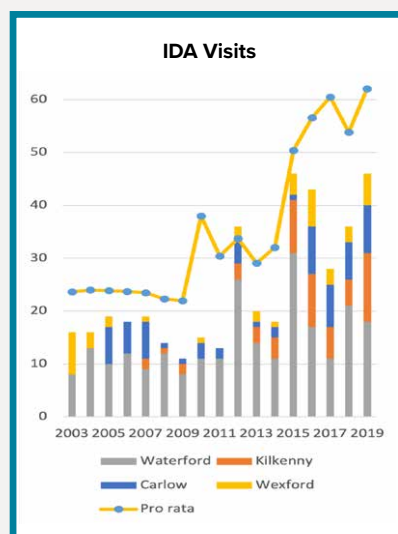
While most additional IDA jobs come from organic growth in existing IDA supported enterprises, with a lower stock of existing enterprises, it is a strategic imperative that the SE wins new IDA clients.

The number of IDA visits is consistently below the national average — with 8.83% of the population 2018 share of visits was 5.9%, 2019 share was 6.6%. Were the region to have a fair share based on population (8.89%) a further 16 site visits would have been made in 2019, and 195 more over the period 2003-19, potentially leading to additional investments.

The last IDA strategy 'Winning: FDI 2015-2019' committed to 'balanced regional growth'. Over the life of the strategy, the number of SE IDA jobs rose by 27.6%, against 30% nationally, as a result the number of missing IDA jobs rose by 35%, indicating that the strategy did not effectively address balanced regional growth in the SE.

That the outrun in the SE it is important to reflect that over this period of time the IDA failed to deliver for the region.

Source: IDA Ireland | PQ.470 March 5th 2020.

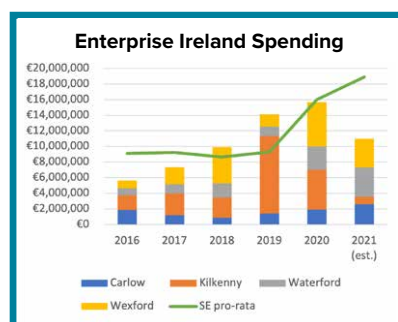


Enterprise Ireland keeping pace

Enterprise Ireland (EI) is the state agency charged with supporting higher value start-up business activity.

In recent years, the SE has attracted more than a fair share of EI investment. In the context of the pandemic, employment in EI-supported enterprises decreased by 3% YoY, but the number of client companies increased 3% YoY suggesting sustained effort by the agency.

Source: EI | PQ



TRACKING EXCHEQUER-LED CAPITAL INVESTMENT

The Department of Public Expenditure maintains a database of significant capital projects (>€20m). The tracker does not claim to be exhaustive and was last updated in December 2020.

The database lists 146 projects from development to final review. Here we analyse the data using two different methods.

This table presents the 96 projects that are pending commencement or are underway, representing €10.2bn of expenditure, using reported expenditure or mid-range valuations from the PER database.

Four projects from the SE are included on the table representing €302m of exchequer expenditure or 3% for a region of 8.83% of the population.

Source: PER, 2021

Significant projects	Value of pending projects €m	Value of projects underway €m	Value of projects €m	% of investment	% of pop	Investment per capita
Dublin	2,368	3346.6	5,714.6	56%	28.3%	198%
West	909	401	1,310	12.8%	9.9%	129%
South West	634	809.2	1,443.2	14.1%	14.5%	98%
Mid West	422	20	442	4.3%	6.1%	71%
Border	160	343.4	503.4	4.9%	8.3%	60%
South East	41	261	302	3%	8.9%	33%
Mid East	251	209	460	4.5%	14.5%	31%
Midlands	27		27	0.3%	9.5%	3%
TOTAL	4,812	5,390.2	10,202.2	100%	100%	100%

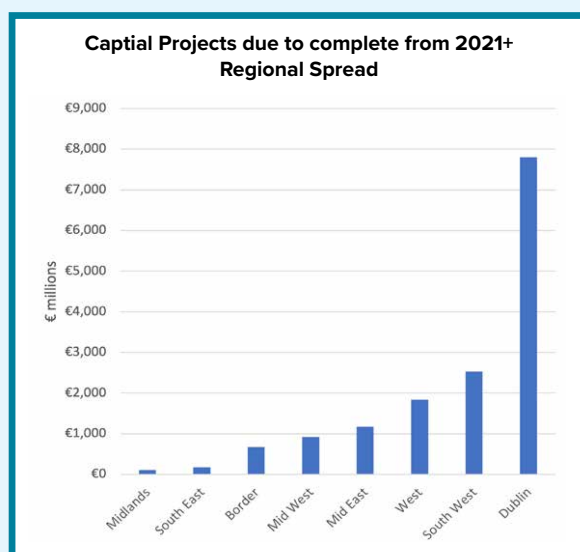
Balanced Regional Development at odds with focused investment in Dublin

Here we present the regional distribution of all significant capital projects that are scheduled for completion from 2021 forward. We use mid-range valuations.

Dublin is about to receive an allocation that is €3.5bn more than its population would merit. This is to the detriment of many of the regions, including the South East.

There are significantly more Dublin based projects and those projects are significantly more expensive to deliver-reflecting both the scale of projects and higher development costs.

Source: Analysis of Capital Tracker, PER, 2020



DEMOGRAPHICS – WHERE ARE ALL THE BABIES GONE?

In 2009 there were 76,000 babies born in Ireland, by 2020 this had declined to 56,000 babies, a decline of 26%.

The SE experienced a 29% decline, considerably less than Dublin's 23% decline. Were the SE to have Dublin's rate of decline there would be an additional 5,800 babies born in the last decade.

Some of this decline is due to fewer females in the 20 to 44 age cohort which has declined nationally by just 2.1% since 2011, yet increased by 3.3% in Dublin.

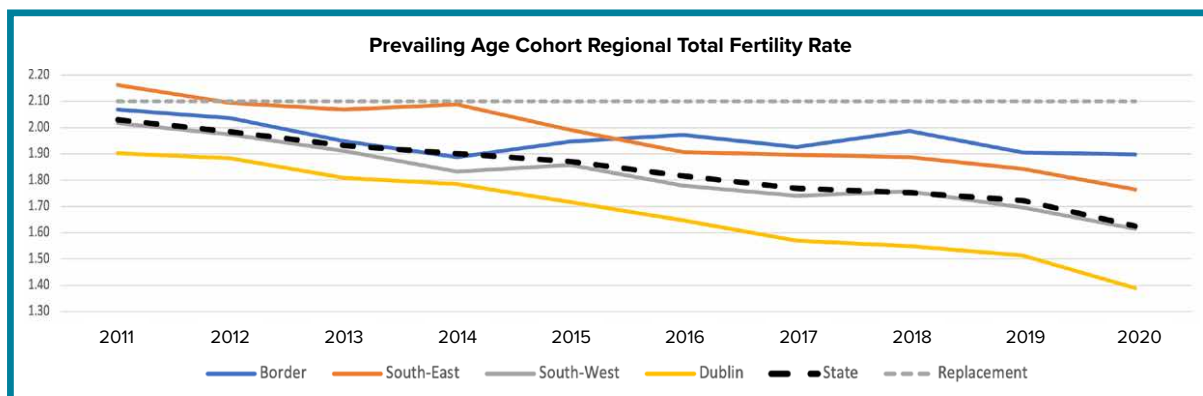
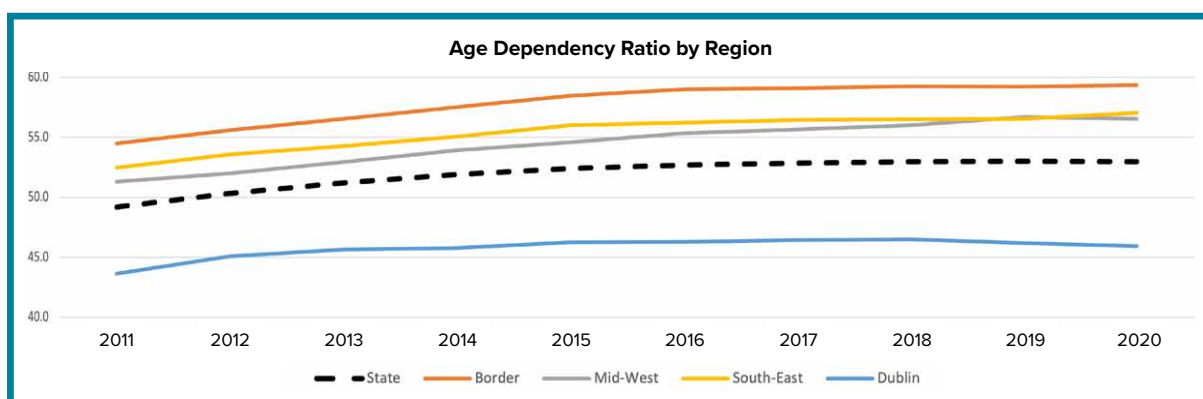
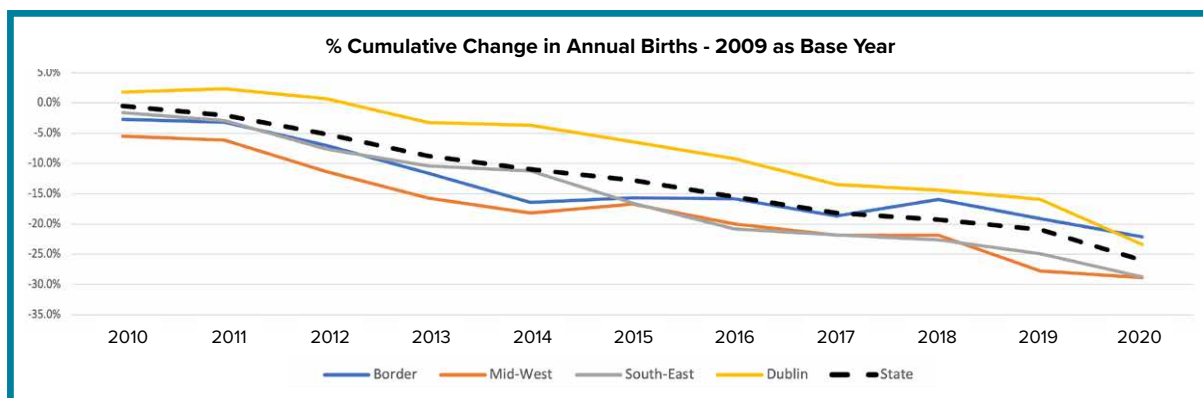
Whilst births are declining, we are also getting older. This is a national phenomenon with the Dublin region being an outlier due to its younger working-age population. The average age of the population in the SE has increased from an estimated 36.5 years in 2011 to 39 in 2020. The overall impact is that the age dependency ratio has increased. This has an impact on the allocation of resources across the economy, there are less people of working age to those who are either too young or too old to work.

The demographic shift taking place in the region and nationally is even more nuanced. The total fertility rate (think of this as a measure of the average number of children a female aged 20 to 44 has) is declining. However, the TFR rate of Dublin has decoupled from the other regions. The national TFR in 2020 rate is 1.6 children but in Dublin this is 1.39.

So although Dublin has more females in the 20 to 44 age cohort, they have significantly fewer babies than in the regions.

The relative attractiveness of Dublin as a destination for migration from inside and outside the country has been part of the explanation along with changing social and economic trends.

Source: CSO Population Estimates April 2020, authors calculations



HIGHER EDUCATION

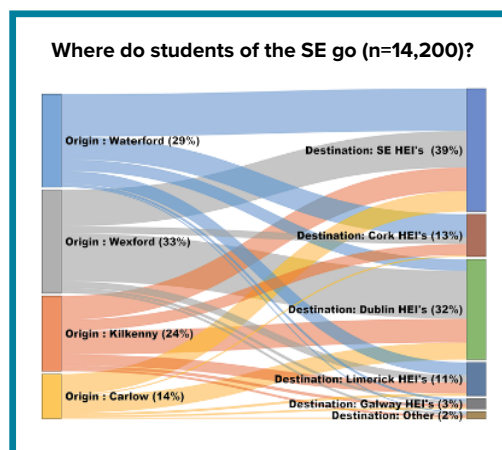
Higher education brain drain continues

In the academic year 2018/19 there were ~14,200 students from the SE in higher education (note: all figures exclude TCD).

This represents 6.7% of the total number of students in higher education which is less than the general population of the South East (8.9% of the national population).

Of these students, 39% 5,522 remained in the South East for their higher education but 61% (8,686) went outside the region. This represents a significant loss to the local economy and a cost on families, and has long term implications for regional demographics. For comparison, 75% of students from the South West stay in the region for their higher education.

Source: HEA



Underinvestment in regional Higher Education

The under-provision of higher education capacity is very evident at the capital investment level.

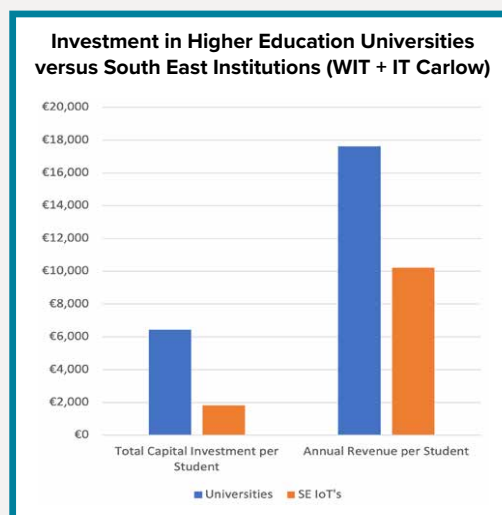
Almost €780m has been spent and is projected to be spent in the traditional university sector. The equivalent figure for WIT is €9m and €17m for IT Carlow.

Even controlling for the relative size of the institutions, there is 3.5 times more capital spending in higher education in the universities relative to the SE institutions.

The main explanation for this difference is the funding system that is in place for the traditional universities which is at a much higher level than the Institute of Technology/Technological University sector. There is no evidence that the conversion to a Technological University will change this.

There is currently €886m of borrowings in the 7 traditional universities with a further €254m of investment authorised. That will leave in excess of €1bn of borrowing in the sector. Institutes of Technology are not permitted to borrow.

Source: Financial data from most recent audited financial statements (fixed asset additions, capital commitments & borrowings). Student numbers from HEA. Revenue excludes deferred pension funding and amortisation of deferred capital grants.



HOUSING

Housing Market

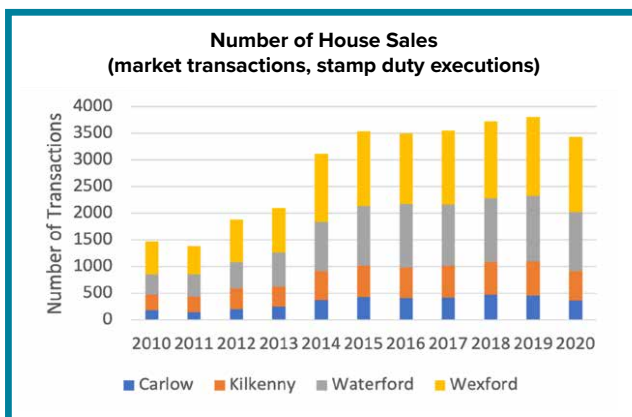
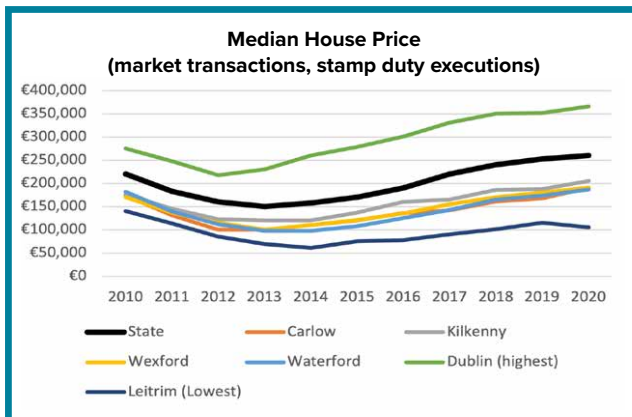
Based on actual market transactions, there has been a strong recovery in median house prices across the South East.

Indeed, the South East housing market is very similar on a county by county basis with the trend and median price following an overlapping trajectory. All counties are below the national median price but this is skewed by the Dublin effect.

Since the national low point in 2013, median house prices in the South East have increased at a rate in excess of the national rate – 85% of an increase over 7 years (9% annual equivalent) in the South East versus 73% nationally (8% annual equivalent).

These house price increases have taken place at a time when the volume of transactions has also been increasing. There was a slight decrease in the number of houses transacted in 2020 due to Covid impacts. However, the general trend is strongly upwards: there were 2.5 times as many houses sold in 2020 versus 2011 (the previous low). The South East is reflective of the national trend in this regard.

Source: CSO.ie (based on stamp duty returns to the Revenue)



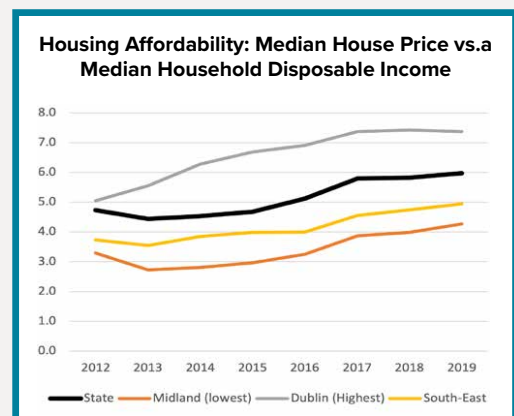
Housing Affordability Measure

Housing affordability has declined since the bottom of the decline following the financial collapse.

Housing affordability is median house price divided by median household disposable income. The higher the figure the less affordable the median house is relative to median income.

Housing in the South East is relatively more affordable than Dublin and nationally. The South East ranks 4th out of 8 in terms of this measure of housing affordability. House prices are currently 4.9 times household disposable income, this is an increase from the low point of 3.5 times in 2013.

Source: CSO: House prices based on stamp duty returns and income from the Survey on Income and Living Conditions (SILC)



SOCIAL AND SENTIMENT

Regional Healthcare Equality

Given the current interest in regional health equality, we explored the (difficult to access) acute hospital resources.

Here we compare the eight regional 'Model 4' hospitals which offer acute care, using HSE data. On a per citizen basis the SE regional service costs 28%, has 23% of the staff and 72% of the beds than the most resourced provider. This suggests that the SE's model 4 hospital is remarkably efficient or has poorer medical outcomes.

	Dublin Model 4					Regional Model 4			
	Beaumont	Mater	James	Tallaght	Vincent's	CUH	GUH	UHL	UHW
In-patient beds	672	617	713	425	521	628	693	432	405
Baseline Population	290,000	185,000	330,000	650,000	300,000	550,000	709,880	400,000	500,000
Budget 2019 (€, m)	327	250	229	382	296	295	354	266	194
Staff WTE 12/19	3,876	3,182	4,080	2,691	2,875	4,055	3,631	2,820	1,955
Spend per Citizen (€)	1,127.80	1,351.84	694.38	588.08	985.10	536.25	497.97	665.37	387.84
Citizen per Staff	75	58	81	242	104	136	196	142	256
Citizen per Bed	432	300	463	1529	576	876	1024	926	1235

Source: various HSE hospital group plans assembled by WIT researchers senser.ie | Jan 2020

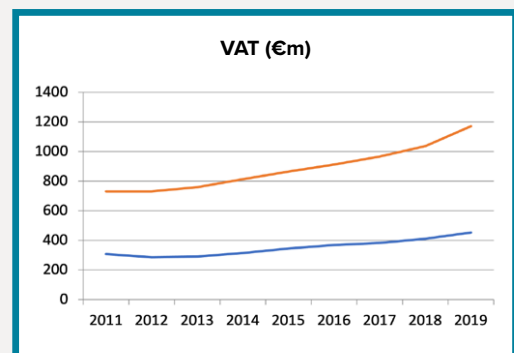
Consumption

Sales tax, VAT is a useful proxy for consumption.

In 2019 SE VAT returns increased 11.7% (+12.9% nationally) from a low base. With 8.86% of the population of Ireland living in the SE, the region returns just 3.4% of the VAT, which is 38.5% of the National Average.

While a certain amount of this arises from retail leakage to other regions, it does suggest relatively weaker consumer spending and sentiment in the region arising from the weaker labour market.

Source: Revenue Commissioners





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