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WATERFORD

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South East

ECONOMIC MONITOR – WINTER 2022

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8.9%

of the national population
live in the South East
(456,228 in Census 2022)

South East generates
**7% of
National GDP**

↑ 21.8% YoY growth rate
SE GDP €28.4bn (2021 est.)

€6.7bn

GDP missing
(below pro-rata share)

216,900

people in work Q3 2022
(↑ 16,100, ↑ 8% YoY)

5.4%

of IDA supported jobs

9,577

missing IDA
supported jobs

3.8%

SE unemployment rate
Q3 2022 (4.5% national)

61.8% SE participation rate
(64.8% national)

↑108%

House Prices since
low of 2013
(National ↑ 72%)

8.5% YoY increase
(National 6.2%)

25%↓

in births since 2009

(National ↓ 23%)



	Population 2022	GDP (est.) €	Pop Share of national	GDP Share of national	IDA jobs	Share of IDA jobs	Share of Live register
Carlow	61,931	€3.9bn	1.2%	0.92%	1,477	0.54%	1.72%
Kilkenny	103,685	€6.4bn	2%	1.52%	837	0.3%	1.50%
Waterford	127,085	€9.8bn	2.5%	1.93%	8,868	3.22%	3.28%
Wexford	163,527	€8.3bn	3.2%	2.3%	3,750	1.36%	4.06%
SE Region	456,228	€28.5bn	8.90%	6.70%	14,932	5.42%	10.56%



SUMMARY

The South East (SE) economy has experienced stunning growth levels in the past year, with record numbers in employment and record GDP. While the international mood has rapidly reversed, this has yet to appear in regional economic data.

In the rapid restoration of economic activity as the pandemic lockdowns eased, the structural gap between the SE economy and the nation narrowed— best evidenced in the more rapid rise in regional GDP. We could hypothesise that this meaningful improvement arose from the flow of educated working-age people back into the region, an issue we will examine as census 2022 data becomes available.

Despite this welcome year of progress, we sustain the view that the structural weakness of the SE economy is not being meaningfully tackled, particularly as the economy reaches an inflection point. With the notable exception of the two Wexford road projects, remarkably few significant exchequer-funded capital projects were delivered in the region during what can now be considered a national boom time (2014-2022), against the grain of national policy to concentrate growth outside Dublin. Although the unemployment rate in the SE dipped below the national average in the most recent quarter, it is unclear if this will sustain and we remain concerned about the lower participation rate and job-quality metrics. As economic sentiment deteriorates, with the strong possibility of international recessions manifesting in the Irish economy in the coming months, hold on to your hat.

ABOUT

Since 2016, the South East Economic Monitor has tracked the economic fortunes of the region.

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 South East Technological University's School of Business. All opinions expressed are those of the authors and do not represent those of the university. SENSER is committed to publishing research that reaches the appropriate academic standards, and all our work is fully open to public scrutiny. Please bring any errors and omissions to the attention of the authors.

LABOUR MARKET

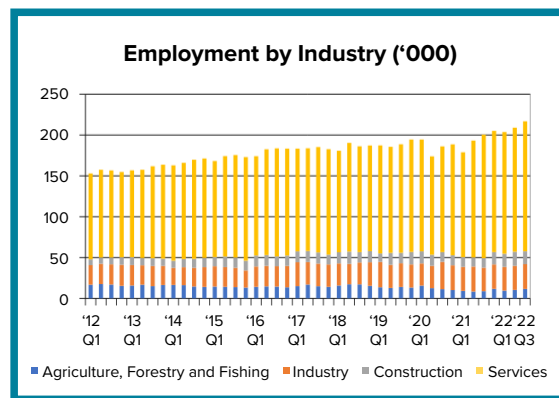
Labour market shows strong recovery with unemployment rate lower than the State average; however, job quality remains relatively low.

Record regional employment

The trend of falling employment resulting from Covid-19 has been emphatically reversed over the past 12 months.

Employment increased year-on-year from 200,800 to 216,900 in the SE, with almost half of the additional jobs being recorded in Q3 2022. This represents an 8% increase against a national increase of 3.4%. Impressive annual increases have been recorded across all four broad industrial categories and surpassed the national growth rate in all such categories. The largest relative increase occurred in the Construction sector (+35%), whereas Services recorded for largest absolute increase (+7,900 jobs). The impressive growth between Q2 and Q3 (+3.6%) is considerably higher than the next best region (Mid-East: 1.3%)

Source: CSO LFS (Q3: 2022)



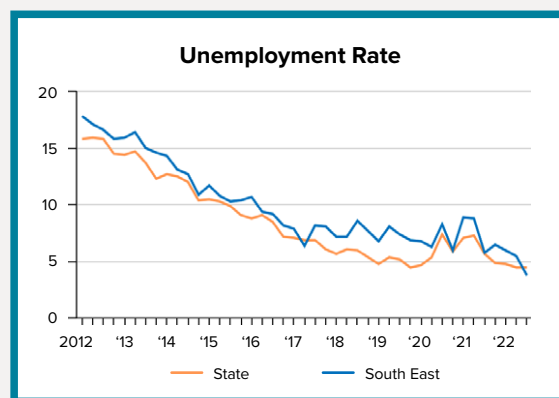
Unemployment rate decreases significantly

The regional unemployment rate plummeted (by ~70%) between Q2 and Q3 of this year (from 5.5 to 3.8%).

For only the second quarter in a decade, the regional unemployment is below that of the State.

One caveat is that the SE continues to have a relatively low participation rate at 61.8% (State: 64.8%) and this understates the true unemployment rate, suggesting that there is still labour market slack. The unemployment rate, which is based on survey data, contrasts with relatively high live registry figures, with the SE accounting for 10.6% of people on the live register.

Source: CSO LFS (Q3:2022)



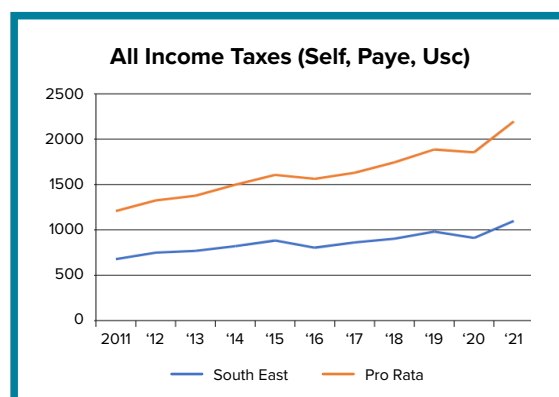
	Unemployment Rate		Participation Rate	
	State	SE Region	State	SE Region
Q3 2020	7.4%	8.3%	61%	58.3%
Q3 2021	5.7%	5.8%	65.1%	60.2%
Q3 2022	4.5%	3.8%	64.8%	61.8%

SE continues to lag State in income tax returns, indicating lower job quality

Individuals in the SE pay 44.6% 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 (47% of the average PAYE+USC), with income taxes from self-employed individuals at 76.2% of the State average.

Source: Revenue Commissioners



INDUSTRIAL, ENTERPRISE AND INNOVATION

Agency-Supported Employment: IDA underperforms in region; IEI overperforming but overall a large deficit remains.

The IDA had another strong year in 2021 with a 6.5% increase in supported employment, with the headline growth in the SE of 7.7%. This belies the lower base of IDA supported jobs in the SE, so only 6.3% of net jobs added went to the SE (a region with 8.9% of the State's population).

As a result, the SE accounts for only 5.4% of the State's IDA-supported jobs and the deficit increased from 9,155 to 9,590 in 2021. Cumulatively, over the last five years IDA-supported job numbers have increased by 18.8% in the SE versus 26.4% nationally, with growth in the SE the second lowest after the Border region.

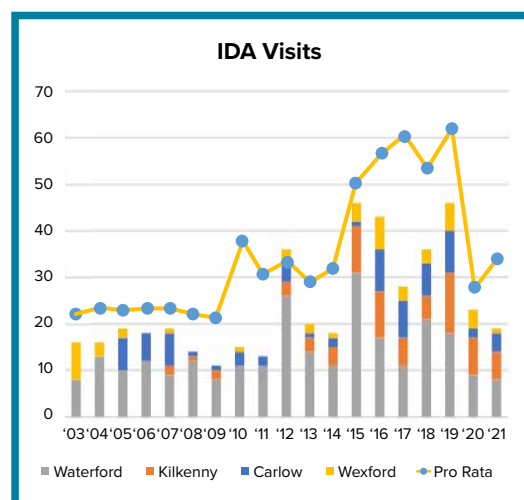
The IDA reports (IDA Annual Report 2021) that for every five direct IDA-supported jobs, four further indirect jobs are created. This means that in total the deficit of jobs associated with IDA activity in the region is approximately 17,200.

While many IDA-supported jobs are added by existing client companies, site visits are a crucial marketing tool in attracting new investment. In 2021 the SE accounted for less than 5% of the site visits (down from 7.4% in 2020) and the region has accounted for 6.4% of the visits over the past decade, potentially explaining some of region's the underperformance in net jobs added.

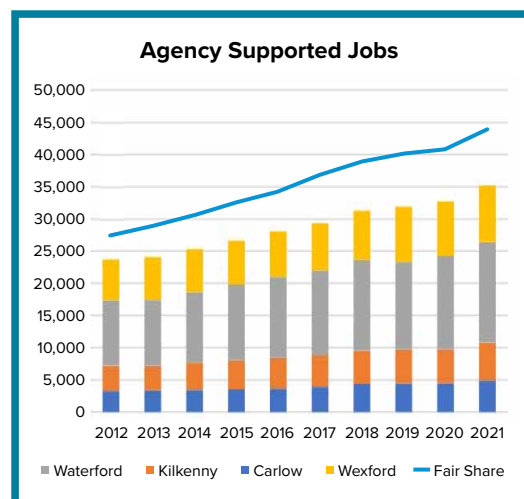
Were the region to have a fair share based on population (8.9%) a further 15 site visits would have been made in 2021, and 125 more over the last decade, potentially leading to additional investments.

The Annual Employment Survey shows that in 2021 the SE accounted for 7.2% of agency-assisted (IDA, EI, and Údarás na Gaeltachta) employment. While the region is under-represented, the gap is smaller than the case of IDA-supported jobs. This shows that Enterprise Ireland is performing relatively well in the region (as the number of jobs supported by Údarás na Gaeltachta accounts for less than 2% of agency-supported employment nationally. Indeed, the geographical distribution of EI jobs is more closely aligned with population shares and the SE over-performs, with 9.6% of EI jobs in 2021. This is the equivalent of almost 1,500 additional jobs. The funding to the region is even more disproportionately high, with the region attracting 11.8% of funding to client companies.

(Source: EI Annual Report, 2021; Annual Employment Survey, 2021)



(Source: IDA; PQ [4372/22])

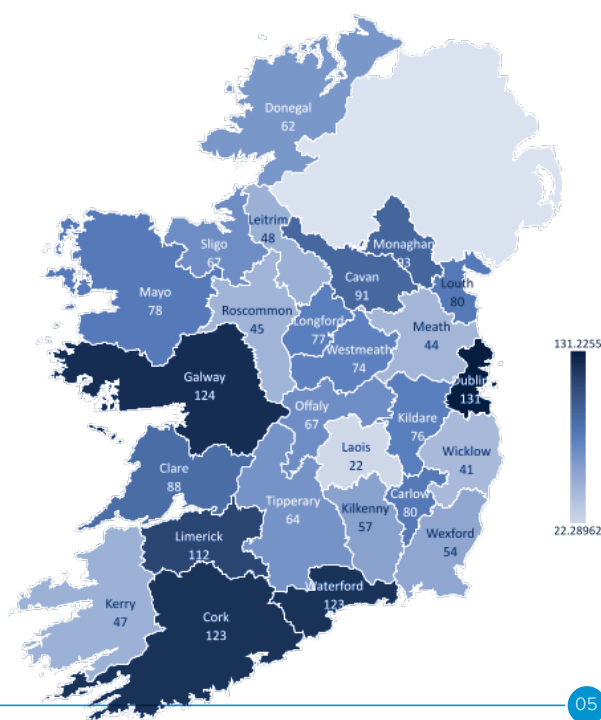


(Source: EI Annual Report, 2021; Annual Employment Survey, 2021)

Agency-Supported Jobs per 1,000 Population

The map on the right shows the number of agency-supported jobs per 1,000 population in each county.

The average for the State is 96 and the jobs are disproportionately concentrated in the cities.



CAPITAL SPENDING AND ENVIRONMENTAL PERFORMANCE

Balanced Regional Development Appears Skewed Towards Dublin

One of the legacies of the Financial Crash was the capital tracker database. This is a database of all the potential capital projects and programmes that are likely to be completed in the coming years.

Whilst the 'capital programmes' are nationwide most of the 'capital projects' are location specific.

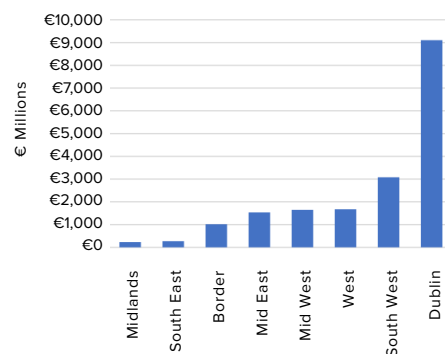
The distribution of capital projects that are scheduled for completion from 2022 forward is significantly skewed towards Dublin.

Dublin is about to receive an allocation that is almost more than all the other regions combined.

The average cost of a Dublin based project is considerably higher than a regional project. In part, this can be explained by higher costs and lower value for money in Dublin construction.

Source: DPER Capital Tracker, May 2022. All projects with a completion date of 2022+

Capital Projects due to complete from 2022+ Regional Spread



Environment

Using GDP, inflation rates and unemployment to gauge the health of an economy provides on insight on one dimension of economic and social performance. As climate change and sustainability become more significant, progress on these dimensions will become more important.

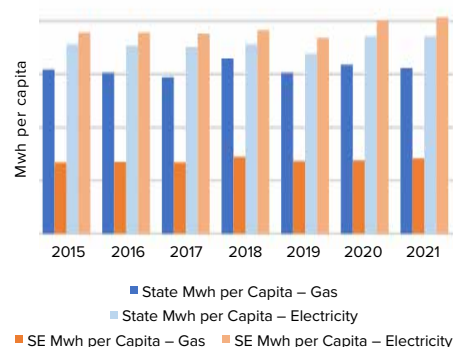
However, while there is considerable environmental related data at a national level, there is less data available on a regional basis. As a result, much of the data points only provide a proxy on the progress being made across the regions.

The SE consumes above average electricity per capita and below average gas per capital than the national average. But, there are fewer domestic connections to the natural gas grid in the South East. As a result, absolute usage of gas and electricity per capita is not that informative. However, notwithstanding, domestic consumption of electricity and gas has increased in the period between 2015 and 2021 and, in the aggregate, the increase in the SE has been in excess of national increases.

There has been considerable improvement in the energy efficiency of the housing stock both nationally and in the SE. Based on the BER audits undertaken, there has been a marked increase in the number of houses achieving an A rating.

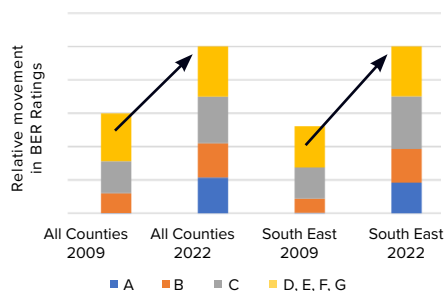
Source: CSO

Metered Gas and Electricity Domestic Consumption



Relative Movement in BER Ratings

n=51,027 and 85,184 (all counties) and 3,983 and 7,628 (South East)



HIGHER EDUCATION

Underinvestment in regional higher education

The under-provision of higher education capacity is very evident at the capital investment level. Almost €890m has been spent and is projected to be spent in the traditional university sector. The equivalent figure for SETU (WIT and IT Carlow) is €24m.

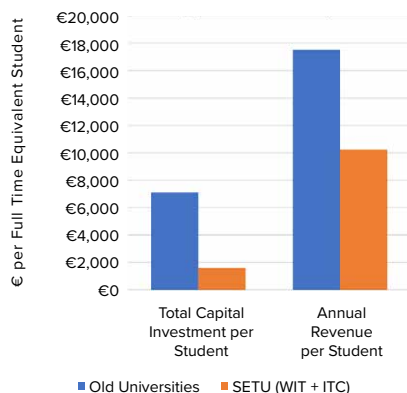
Even controlling for the relative size of the institutions, there is 4.5 times more capital spending in higher education in the traditional universities relative to the SETU.

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 Technological University sector. Whilst there is some progress being made, large investments will be required to match the traditional universities.

There is currently €858m of borrowings in the 7 traditional universities with a further €354m of investment authorised. That will leave in excess of €1bn of borrowing in the sector.

Source: Institutions audited financial statements: FY2020 (fixed asset additions, capital commitments & borrowings). Student numbers from HEA. Revenue excludes deferred pension funding and amortisation of deferred capital grants.

Investment in Traditional Universities versus South East Technological University (WIT + IT Carlow)



Transfers of wealth due to lack of educational opportunities

In the academic year 2020/21 there were 15,817 students from the South East in higher education.

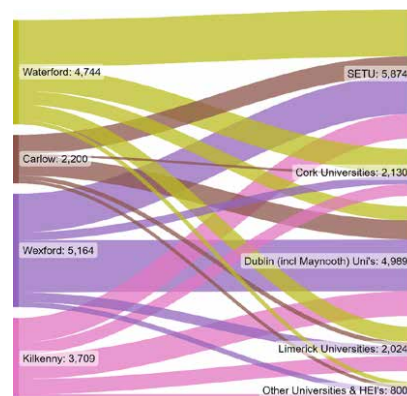
This represents 9.2% of the total number of students in higher education which is slightly more than the general population of the South East (8.9% of the national population).

Of these students, 37% (5,874) remained in the South East for their higher education but 63% (9,943) went outside the region. This represents a significant loss to the local economy and a cost on families.

The equivalent figure for the South West was 74% of Cork and Kerry students remaining in the South West for their higher education with just 26% leaving their region.

Source: Student numbers and county of residence from HEA. Full time, undergraduates only. Year 2021/21. Population % from Preliminary Results from Census 2022

Full Time Undergraduate Students in Higher Education 2021/22
(n=15,817)



DEMOGRAPHICS – WHERE ARE ALL THE BABIES GONE?

In 2009 there were 76,000 babies born in Ireland, by 2021 this had declined to 58,000 babies.

The SE has experienced a 25% decline in births since 2009. This exceeds the national decline of 23% and is considerably behind Dublin's decline of 21%. Had the SE experienced the same rate of decline as Dublin then an additional 6,000 babies would have been born in the period 2010 to 2021 inclusive.

Some of this decline is due to fewer females in the 20 to 44 age cohort which has declined nationally by just 2.4% since 2011 (versus a 2.8% increase for Dublin).

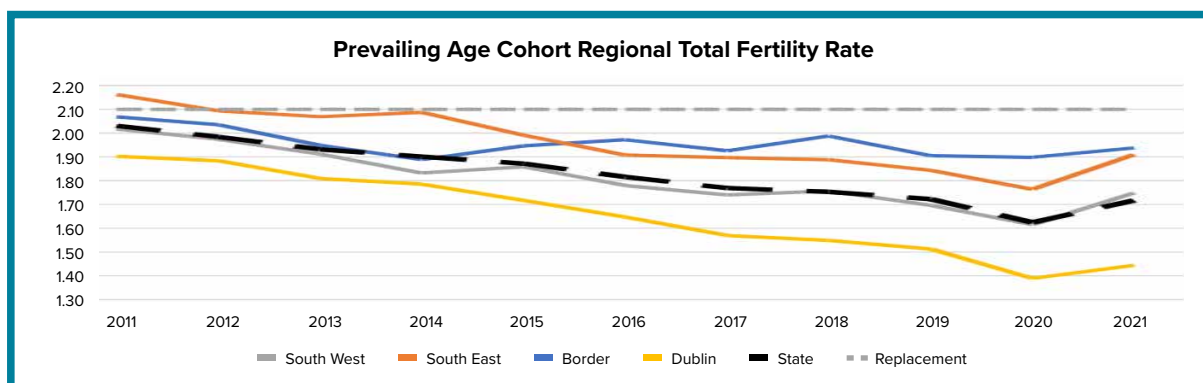
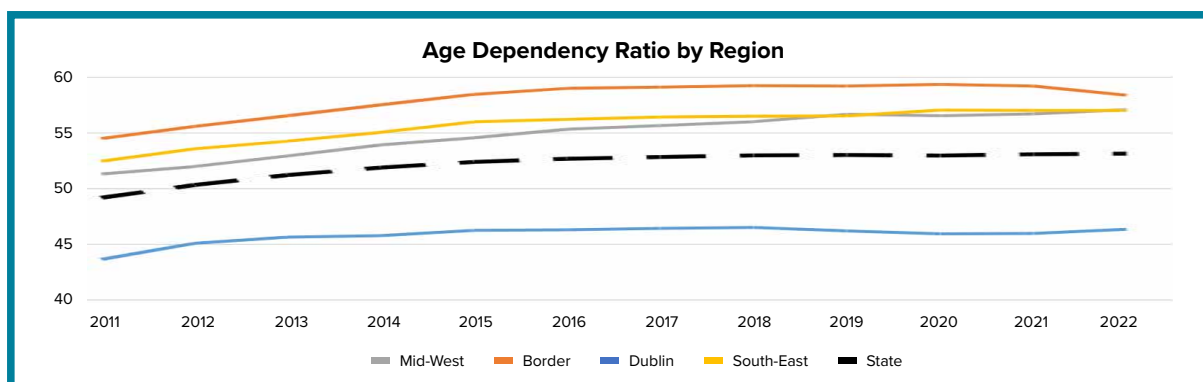
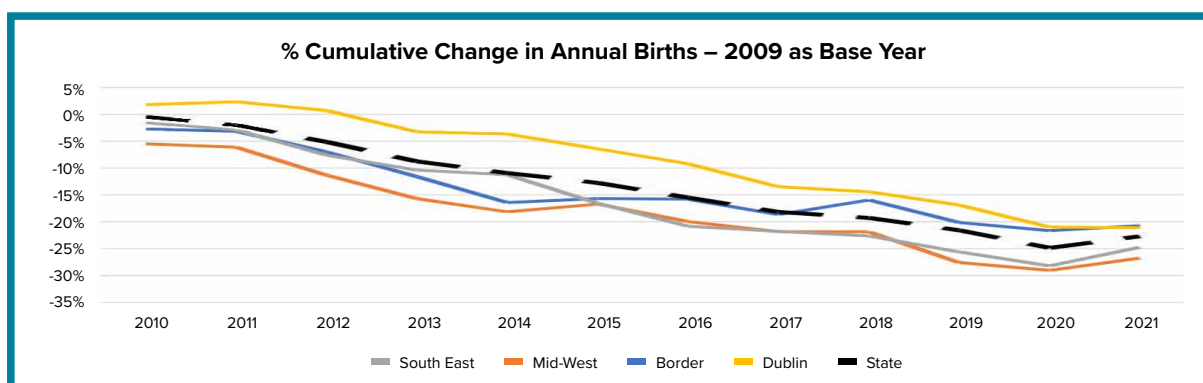
However, this only partially reveals the demographic changes that are taking place. Whilst births are declining, we are also getting older. This is a national phenomenon with the Dublin region being an outlier due to its younger working-age population. The average age of the population in the SE has 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. Whilst there was a slight uptick in 2021, 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 1.7 children but in Dublin this is 1.4.

While Dublin has more women in the 20 to 44 age cohort, traditionally they have less children than similar aged women in other regions. Birth-rates over the past decade are generally declining in all regions, including Dublin.

The relative attractiveness of Dublin as a destination for migration from inside and outside the country may, in part, explain this changing social trend.

Source: CSO Population Estimates April 2021, Birth data CSO to 2022, authors calculations



HOUSING

Housing Market

Based on actual market transactions, there has been a strong recovery in average 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 average price following an overlapping trajectory. All counties are below the national average price but this is skewed by the Dublin effect.

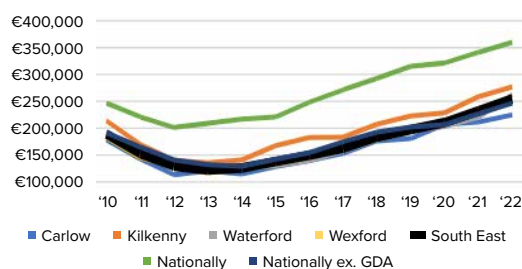
Since the national low point in 2013, average house prices in the South East have increased at a rate in excess of the national rate – 108% of an increase over 9 years (8.5% annual equivalent) in the South East versus 72% nationally (6.2% annual equivalent).

These house price increases have taken place at a time when the volume of transactions has also been increasing. After a slight decrease in the number of houses transacted in 2020 due to Covid, there was a strong recovery in 2021. There were 3 times as many houses sold in 2021 versus 2011 (the previous low). The South East is reflective of the national trend in this regard.

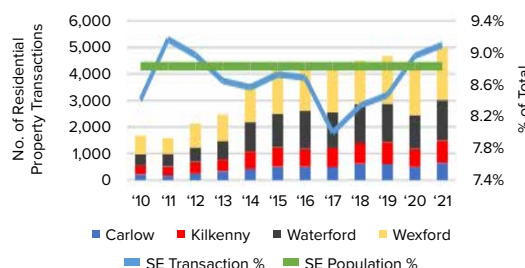
It is not just the transactions in 'second hand' homes that has increased, there is also a similar level of increase in house building activity. The years of 2012 and 2013 displayed extremely low levels of activity and shows just how deep the recession was for the South East. Since then, there has been a strong recovery and new home registrations have grown strongly. New home registrations have almost recovered to a 'fair share' level.

Source: Property Price Register (market based transactions to June 2022). Dept of Housing/Homebond for New Home Registrations

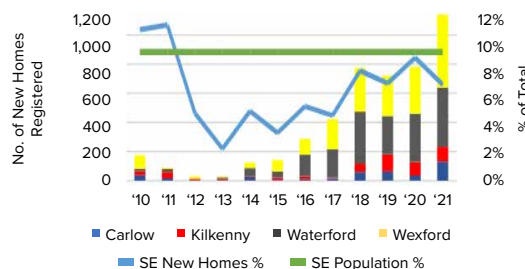
Average House Price (PPR Data)



No. of Housing Transactions (PPR Data)



New Home Registrations



SENTIMENT INDICATORS

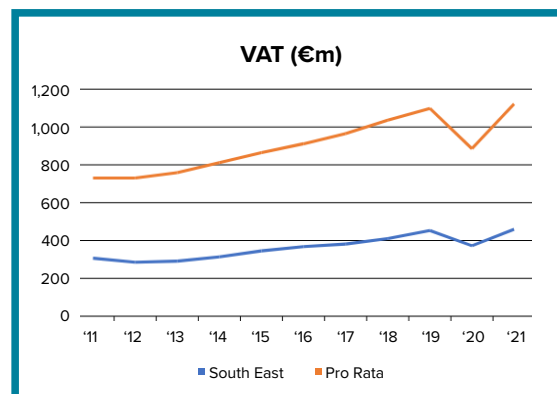
Consumption

Sales tax, VAT, is a useful proxy for consumption. In 2021 SE VAT returns increased considerably because of the rebound from low levels of spending caused by Covid-19 (+23.3% versus +26.7% nationally) from a low base.

With 8.9% of the population of Ireland living in the SE, the region returns just 3.6% of the VAT, which is approximately 40% 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



Traffic Toll Volumes – a leading indicator of economic activity

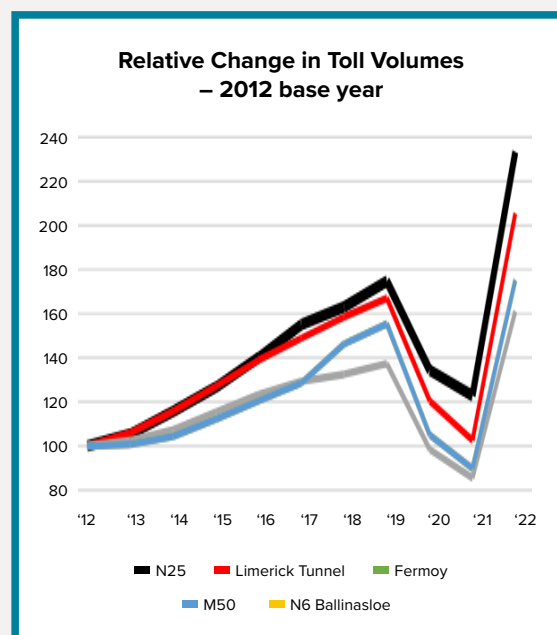
Traffic volume growth is closely related to employment growth and real Gross Domestic Output (GDP) growth.

As traffic volumes can be identified in almost real time, this “can lead to significant improvements in the measurement of economic activity in real-time” (Patatoukas, P. N., & Skabardonis, A., 2016).

To mid-October 2022, the daily average number of vehicles using the Toll on the N25 was 13,000. This is a considerable increase on previous periods and is the current high watermark. Given the increase in recent months, this would indicate a significant increase in economic activity post-covid.

There are a number of caveats: this may not reflect economic activity in the SE/Waterford as it may be an indicator of ‘pass through’ traffic. However, it is impossible to disaggregate this and it is very likely that the increase is reflecting greater economic activity within the region also.

Source: TII Tolling Data, selected toll roads

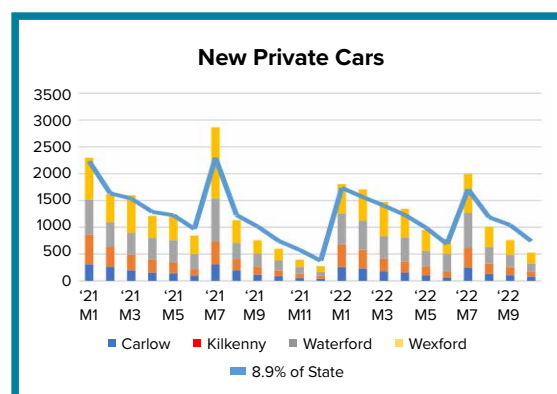


Car sales trend shows regional spending power

New car registrations are seen as a bellwether for consumer sentiment; actual new car sales in the region are very close to 8.9% of the national sales.

This indicates the volumes of cars in the region is consistent with the national trend. The CSO does not carry data on the value of cars, counting each sale as equal. From Vat returns it is likely the value of each transaction is lower in the region.

Source: CSO







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