

CARLOW

KILKENNY

WATERFORD

WEXFORD

South East

ECONOMIC MONITOR – WINTER 2023



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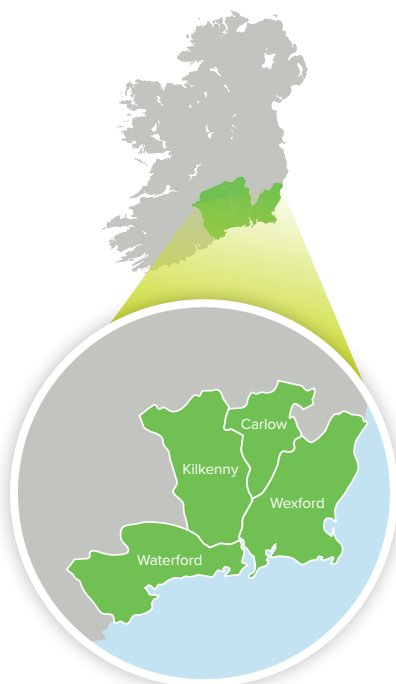
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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement 870702.

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8.9%
of the national population
live in the South East
(456,228 in Census 2022)



South East generates
**5.4% of
National GDP**
SE GDP €20.28bn (2022 est.)

**Gross Value
Added per Person
61% of National**
SE €43,534 /
National €70,967 (2020)

227,500
people in work Q3 2023
(↑ 10,600, ↑ 4.9% YoY)

5.2%
of IDA supported jobs
(5.4% in 2021)

**4.9% South East
unemployment rate**
(4.6% national)
64% South East participation rate
(65.8% national)

11,325
missing IDA supported jobs
(9,577 in 2021)

**↑126% House Prices
since low of 2013**
(National 84%)
8.5% YoY increase
(National 6.3%)

Brain Drain
64% leave / 36% stay
15,270 South East students in
Higher Education
5,440 stay / 9,830 leave

SUMMARY

After a few years of significant economic growth, with record numbers in employment, growth rates have moderated, but endured in 2022/3, and may well slowdown in the coming year.

While the challenge of inflation and interest rate increases has abated, their impacts on Irish GDP are feeding through with Irish GDP expected to decline, a movement already evidenced in the SE in past year.

The structural gap between the SE economy and the Irish economy has persisted and somewhat widened in the past eighteen months, with unemployment, labour market participation rates, regional GDP, tax take and disposable income reflecting relatively lower government investment patterns.

The labour market is relatively strong in quantum, but the quality/lower income issues have been exacerbated by the relatively weak outrun of high quality multi-national jobs. Indeed, the pipeline of IDA jobs weakened significantly, with the disappointing news of Horizon Therapeutic's expansion scaled back, and Cartamundi closing its doors. The significant investment by Abbott in Kilkenny holds out hope of some uplift.

We sustain the view that many of the game changing projects for the South East— in higher education, healthcare, roads, ports, rail and airport are not proceeding in a timely manner, if they are proceeding at all. As the State works its way through capital investments of €165bn this decade and some €13bn this year- there is little evidence that the region is absorbing half a per capita amount. If further weakening of national and international economies occurs, and this proves to have been the extent of the recovery and boom, it will have almost fully bypassed the SE region.

ABOUT

This is the 7th edition of the South East Economic Monitor. Since 2016 it 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 of our work is fully open to public scrutiny. Please bring any errors and omissions to the attention of the authors.

LABOUR MARKET

Continued growth in employment, albeit at a slower pace; unemployment rate increased.

The SE labour market has substantially recovered from the pandemic and, although employment growth is slowing, the region, outperformed the State's growth rate over the last year. The SE region has one of the highest unemployment rates and one of the lowest participation rates of any Irish region and underperforms in job-quality metrics. This indicates that the government's goals, as expressed in the Future Jobs Ireland policy, for job quality and labour market participation in the SE are not being met.

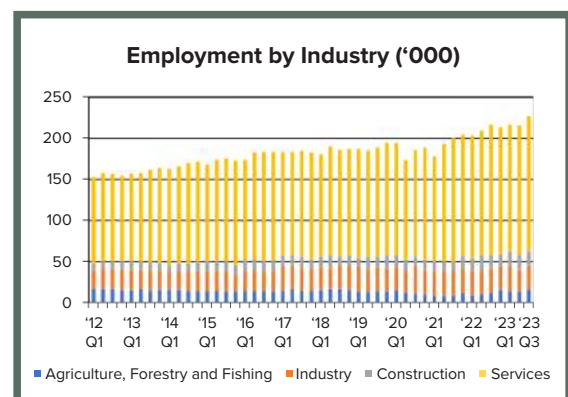
The Government's labour market strategy, Future Jobs Ireland 2019, moved away from the Action Plan for Jobs' focus on job numbers by prioritising job quality, labour market participation, innovation, and sustainability. Data for the SE region shows little to no progress towards these goals. It is noteworthy that Future Jobs Ireland does not set regional targets despite balanced regional development being emphasized in Ireland 2040 and the 2020 Programme for Government. Indeed, there is no evidence of the region progressing towards national and EU policy targets, of raising labour market participation to 78% by 2025.

Record regional employment

Employment in the SE has continued to grow, although at a slower pace, with levels comfortably higher than pre-pandemic and reaching a new high.

Employment increased annually in the region from 216,900 to 227,500, a 4.9% increase compared to the national increase of 4%. All sectors experienced increases except for Industry, which saw a reduction for the second year in a row (-7.3%, State: -2.7%). Agriculture, Forestry, and Fishing had the largest relative and absolute increase (+42% and +4,900 jobs).

Source: CSO LFS (Q3:2023)



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LABOUR MARKET *(continued...)*

Unemployment rate decreases, but still considerable labour market slack

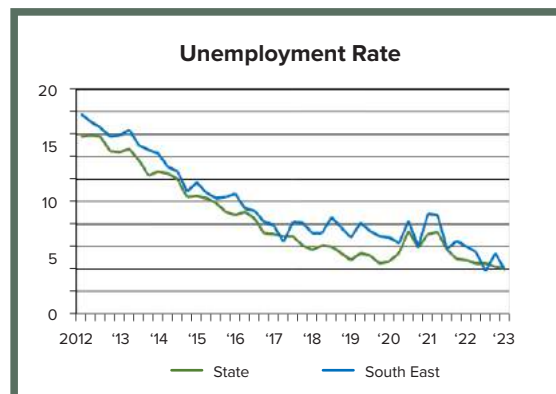
The unemployment rate in the SE has almost always exceeded that of the State and most, if not all, other regions but the gap has decreased over recent years.

However, the unemployment rate has been understated in the SE region due to a relatively low participation rate — 64% compared to the State's rate of 65.8%.

If the SE had the same participation rate as the State, an additional 6,700 people would be in the labour force.

Despite an increase in the SE's participation rate since the launch of Future Jobs Ireland 2019, it still lags behind the State's rate and started from a lower base. The Live Register figures confirm the SE's weak labour market, with the region accounting for 10.7% of people on the register.

Source: CSO Live Register & LFS (Q3:2023)



	Unemployment Rate		Participation Rate	
	State	SE Region	State	SE Region
Q3 2021	5.7%	5.8%	65.1%	60.2%
Q3 2022	4.5%	3.8%	64.8%	61.8%
Q3 2023	4.6%	4.9%	65.8%	64.0%

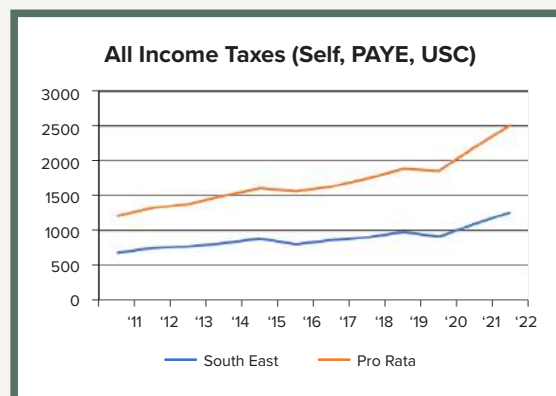
Job Quality

SE continues to lag State in income tax returns

Individuals in the SE pay 50% of the national average of all income taxes.

This is indicative of the combined effect of lower job quality and labour market slack. The region lacks quality PAYE jobs (47% of the average PAYE+USC), with income taxes from self-employed individuals at 76% of the State average.

Source: Revenue Commissioners



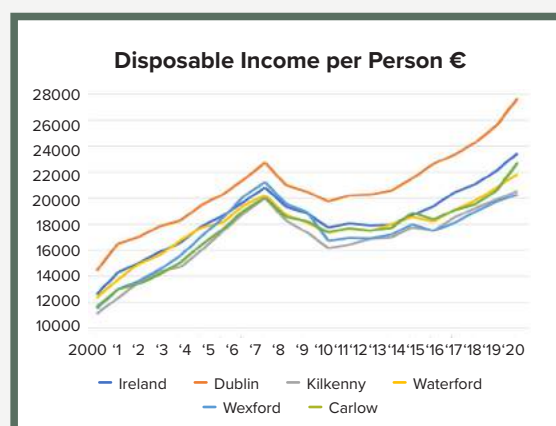
Disposable income per capita allow us to visualise discrepancies in income between regions and counties.

At €27,686 per person, Dublin is significantly above the state average. Limerick/Mid-West at €26,248 per person, next highest after Dublin. Cork/South-West is on a par with the state average of €23,471.

Within the region:

Carlow	€22,725
Kilkenny	€20,548
Waterford	€21,857
Wexford	€20,272

Source: CSO RAA03 2020 data/ Feb 2023



INDUSTRIAL, ENTERPRISE AND INNOVATION

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

2022 was another record year for the IDA, 8.7% growth saw a record level of 301,475 IDA supported jobs.

The SE continues to underperform with only a 3% increase, accounting for just 1.9% of net jobs added in a region that makes up 8.9% of the State's population. Consequently, the SE only accounts for 5.2% of the State's IDA-supported jobs, causing the deficit to rise from 9,590 to 11,325 in 2022. When considering indirect jobs, the total deficit of jobs associated with IDA activity in the region is approximately 20,385.

Since 2018, IDA-supported job numbers have increased by 15.7% in the SE, whereas the national increase stands at 27.7%.

Dublin shows the highest growth rate during this period and has consistently gained a larger share of total jobs each year. The IDA's 2021-24 Strategy aims for 800 investments, but only 5% (40 investments) are targeted for the South East—indicating it is national policy to maintain the gap.

While many IDA-supported jobs are added by existing client companies, site visits are a crucial marketing tool in attracting new investment.

The number of site visits continued the strong rebound following Covid restrictions, increasing by 39% y-o-y, and have almost recovered to pre-pandemic levels.

In 2022 the SE accounted for 4.8% of site visits (2021: 4.9%) and the region has accounted for approximately 6% of visits over the past decade, potentially explaining some of the region's underperformance in net jobs added.

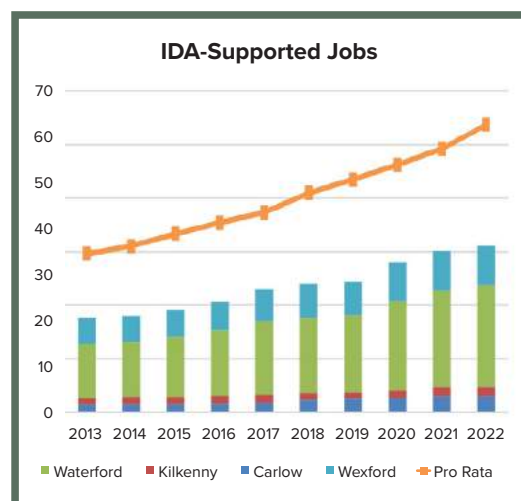
Were the region to have a fair share based on population (8.9%) a further 22 site visits would have been made in 2022, and 149 more over the last decade, potentially leading to additional investments.

Note: Figures for 2022 are only available to the end of Q3 so are scaled up to represent a full-year equivalent.

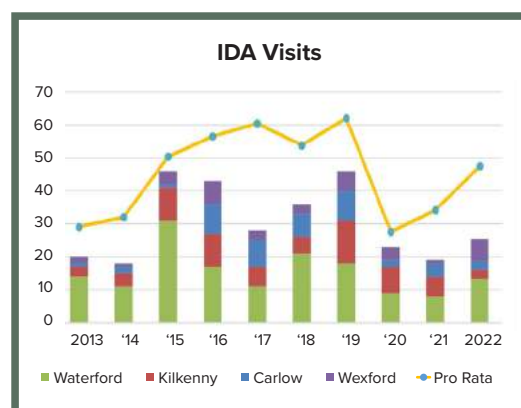
Enterprise Ireland (EI) supported jobs reflect the other key source of government agency-supported jobs and the increased by 5% in 2022.

EI jobs are more regionally balanced than IDA jobs and the SE growth rate was one of the highest in the State and the region is now over-represented in these jobs, accounting for approximately 10% of EI-supported employment (2021: 9.6%). This relative over-performance represents an additional 2,377 jobs and reduces the overall deficit of agency-supported jobs to 8,948 direct jobs. When Údarás na Gaeltachta (UnG) jobs are included the deficit rises back somewhat to approximately 9,500 direct jobs.

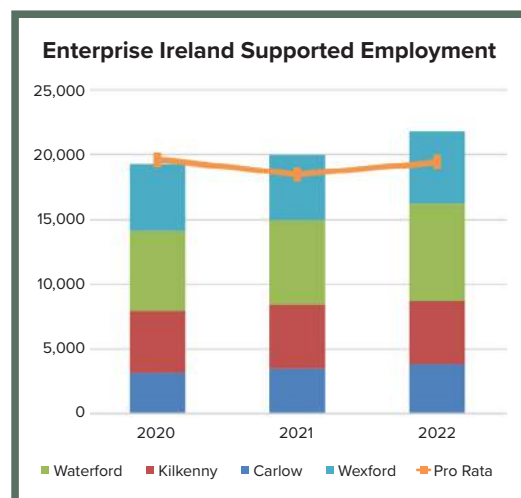
EI report that in 2022 the SE accounted for €9.3m, which represents 8.52% of funding to client companies.



Source: IDA; PQ [4909/23]



Source: IDA; PQ [1792/23]



Source: EI Annual Report 2022;
Annual Employment Survey 2022

CAPITAL SPENDING AND COST OF LIVING

Capital spending skewed against Balanced Regional Development

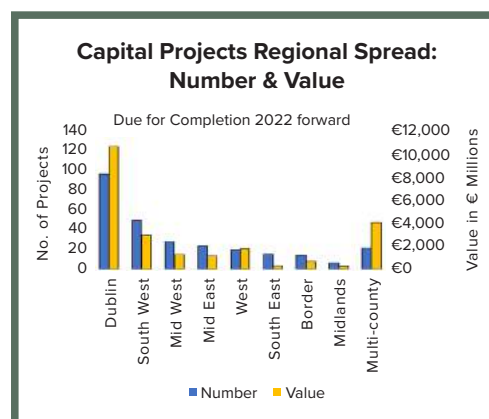
The Government's Capital Tracker database partially reports on major capital public expenditure.

Despite the ambition of the Ireland2040 to focus growth on regional cities, it is clear that current and future Government capital spending is skewed towards Dublin.

Of the €18.4bn projects identified as due for competition from 2022 onwards, €10.4bn are in Dublin, 56%, representing 38% of the projects, despite Dublin being only 29% of the country by population.

The value figures do not include MetroLink – at a projected cost of €9.5bn (Public Accounts Committee, Jul 2023).

Source: Capital Tracker, Feb 2023, Dept. of Public Expenditure and Reform. All projects with a completion date in 2022+



Cost of Living Crisis

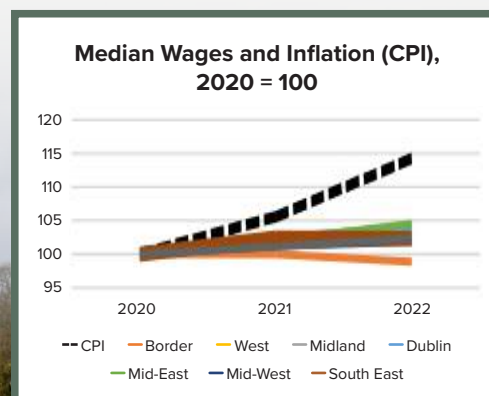
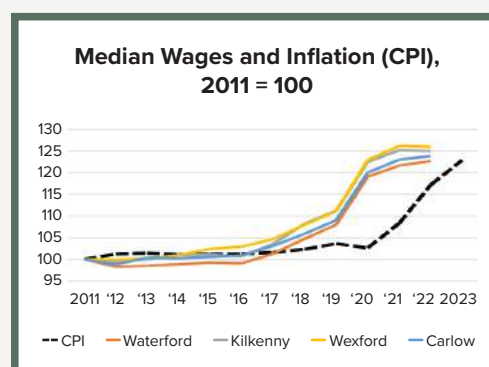
Increasing prices has been one of the main features of the domestic economy over the last 18 months.

There is very little evidence on regional disparities in inflation – there is some evidence that, in the current inflationary cycle, poorer and older people have experienced higher rates of inflation.

At the household level, inflation is only a problem if it is not matched by an increase in earnings. Taking a longer term view it does appear that earnings by households in the region have kept pace with inflation – with the increase in earnings, particularly from 2017 onwards, leading the increase in prices.

However, in the shorter term, from the start of the current inflationary cycle (end 2020) inflation has exceeded the increase in median wages. From December 2020 to December 2022, households in the South East have lost 10% to 12% in purchasing power. This gap is likely to increase once the full out-turn for 2023 become apparent.

CSO 2023, CPI Monthly Series, Earnings Analysis using Administrative Data Sources and Estimated Inflation by Household Characteristics



HIGHER EDUCATION

Transfers of wealth due to lack of educational opportunities

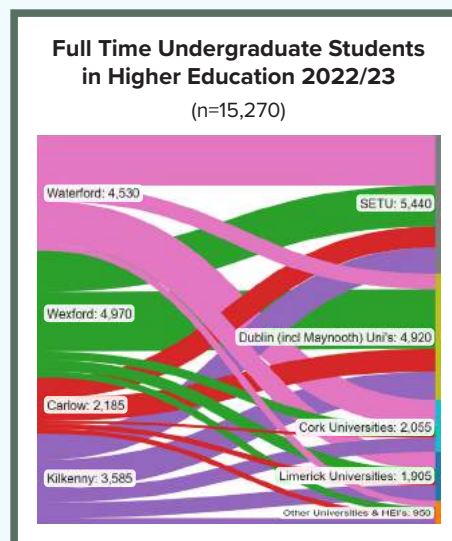
In the academic year 2022/23 there were 15,270 students from the SE in higher education.

This represents 9.1% of the total number of Republic of Ireland students in higher education which is slightly more than the general population of the SE (8.9% of the national population).

Of these students, 36% 5,440 remained in the SE for their higher education but 64% (9,830) 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 73% of Cork and Kerry students remaining in the South West for their higher education with just 27% leaving their region.

Source: Student numbers and county of residence from HEA. Full time, undergraduates only. Year 2022/23. Population % from Preliminary Results from Census 2022



Capital Spending on Higher Education

In the absence of significant new IDA employers in the region, and higher education investments to retain young people in the region- working from home is being advocated by the Government as supporting balanced regional development.

The new Technological University is the leading initiative to halt the regions brain drain by adding new student places, courses, disciplines and resources. These organisations are at the early stages of development, engaging in complex institutional mergers, whilst also challenged by strong upward demographics, the cost of living crisis and the task of supporting regional social, cultural and economic development.

Since their founding, just €67m of Government funding has been provided to support capital development (by March 2023), with 6% of that investment made in the South East, the lowest within the TU sector. Important to note that most other regions with TUs also absorb significant exchequer funding to the university sector, for example the since 2021 the Government has enabled €756m of funding to provide accommodation in the university sector.

	Capital (€m)	%
TU Dublin	41	61.7%
Munster TU	14	21.5%
TU Shannon	7	10.9%
South East TU	4	6.0%

* PQ 12725/23 (March 2023)

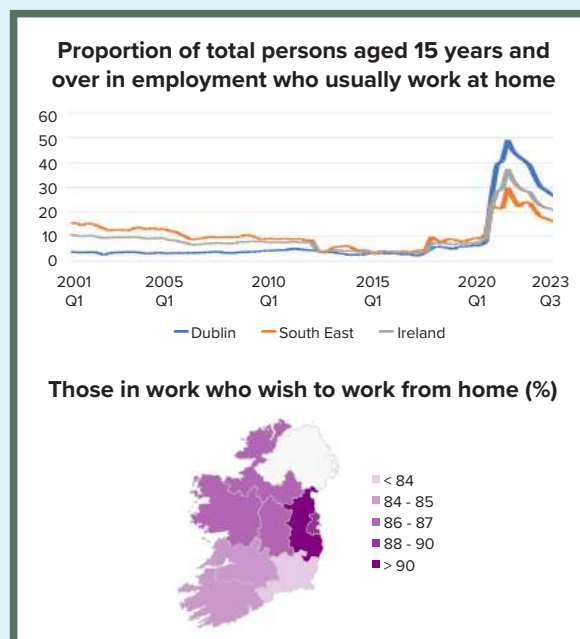
* No data reported for Atlantic TU

WORKING FROM HOME

In the absence of significant new IDA employers in the region, and higher education investments to retain young people in the region- working from home is being advocated by the Government as supporting balanced regional development.

Before the pandemic, WFH was stronger in rural and remote areas, with around 10-15% of Irish workers, usually worked from home. Post pandemic, WFH in the SE is almost back to the same, pre-pandemic levels, with the demonstrable change in pattern sustained in the Dublin commuter belt.

CSO data indicates, that in the aftermath of the pandemic necessity, demand for WFH is highest in the Dublin commuter belt, with the SE region having a marginally lower demand.



HEALTH CARE EQUALITY

Total expenditure in Ireland accounts for 6.1% of GDP in 2022.

Data and performance statistics on regional expenditure on health is difficult to access and needs to be assembled by stitching parliamentary questions and HSE data together. Here we compare resources (beds/operational expenditure/capital expenditure/staff) against two measures of demand (stated hinterlands on the hospitals and estimated annual A+E presentations).

Despite increases in budgets, it is clear that UHW, the only Model 4 hospital in the region is relatively underfunded by most measures. This suggests that the SE's model 4 hospital may be remarkably efficient and, or potentially has poorer medical outcomes.

	Dublin Model 4					Regional Model 4			
	B'mont	Mater	James	Tallaght	Vincents	CUH	GUH	UHL	UHW
In-patient Beds (2022)	718	707	684	426	523	633	635	513	443
Capital (2021/22 €m)	31.02	109.09	26.79	27.78	43.07	29.22	78.04	18.91	23.32
Hospital budget (2022 €m)	466	422	506	295	375	401	452	361	277
Staff (2022 WTE)	4157	3664	3249	2957	3249	4599	3957	3570	2192
Baseline Population (2020)	290,000	185,000	330,000	650,000	300,000	550,000	798,800	385,172	500,000
A+E Presentations (Estimate 2023)	60,192	93,512	52,348	51,080	59,164	70,640	72,408	74,532	69,928
Resources to Baseline Pop.									
Spend per Citizen	€1,606	€2,283	€1,534	€454	€1,249	€728	€566	€938	€553
Capital spend per Citizen	€107	€590	€81	€43	€144	€53	€98	€49	€47
Citizen per Staff	70	50	102	220	92	120	202	108	228
Citizen per Bed	404	262	482	1,526	574	869	1,258	751	1,129
Resources to A+E Pres.									
Spend per A+E Presentation	€774	€452	€967	€578	€633	€567	€625	€485	€396
Capital spend per A+E Pres.	€515	€1,167	€512	€544	€728	€414	€1,078	€254	€333
A+E Pres. per Staff	14	26	16	17	18	15	18	21	32
A+E Pres. per Bed	84	132	77	120	113	112	114	145	158

DEMOGRAPHICS

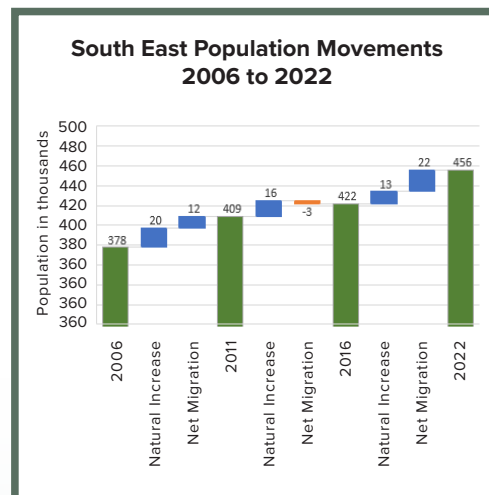
Census 2022: Demographic Changes

The population of the SE has grown strongly since 2016. Indeed, since 2006, over a 16-year period, there has been a 21% increase in population in the SE. This mirrors the growth in population at the national level (also at 21%).

The key driver of population growth in the SE is net migration which was strongly positive since the previous census. Net migration can be quite sensitive to economic conditions with an outflow experienced in the recessionary period between the 2011 and 2016 census.

It may be of some concern that the rate of natural increase is declining. This is possibly due to lower fertility rates (which we reported on elsewhere) and an aging population.

CSO Census 2022 Preliminary Results (and prior census)



HOUSING MARKET

Based on actual market transactions, there has been a strong recovery, since the bust, 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 of 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 – 126% of an increase over 10 years (8.5% annual equivalent) in the South East versus 84% nationally (6.3% annual equivalent).

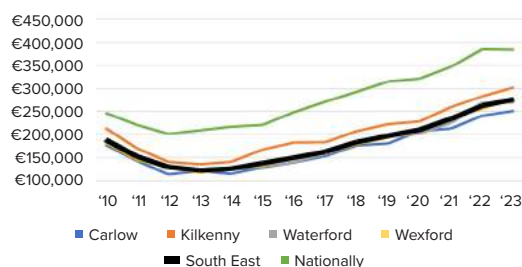
In the last year, nationally, house prices have flat-lined. This is the impact of a slight decrease in Dublin whereas in the South East prices are still rising.

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 and 2022. There were 3.5 times as many houses sold in 2022 versus 2011 (the previous low). The South East is reflective of the national trend in this regard. In 2022, €1.5bn of property was transacted, this is up from the low of €275m in 2012 (only full market price transactions included).

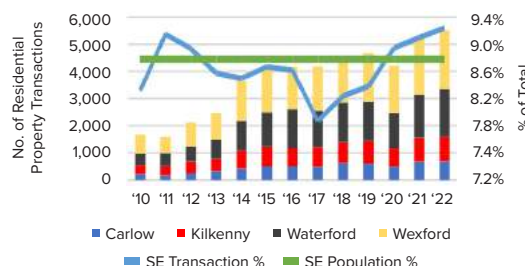
Whilst prices have increased, there is a concern over affordability. One measure of affordability is the relationship between house prices and earnings. Leitrim is the most affordable county in the country with the median house price being 4 times the median earnings. Houses sell at between 6.1 and 6.7 times median earnings in the South East counties. This is below the national rate of 7.3 times earnings. Wicklow is the least affordable housing county in Ireland (prices are 9 times median earnings).

Source: Property Price Register (market based transactions to Oct 2023). Median earnings from CSO (Administrative Data Sources. Prices are 2023, Earnings are lagged one year.

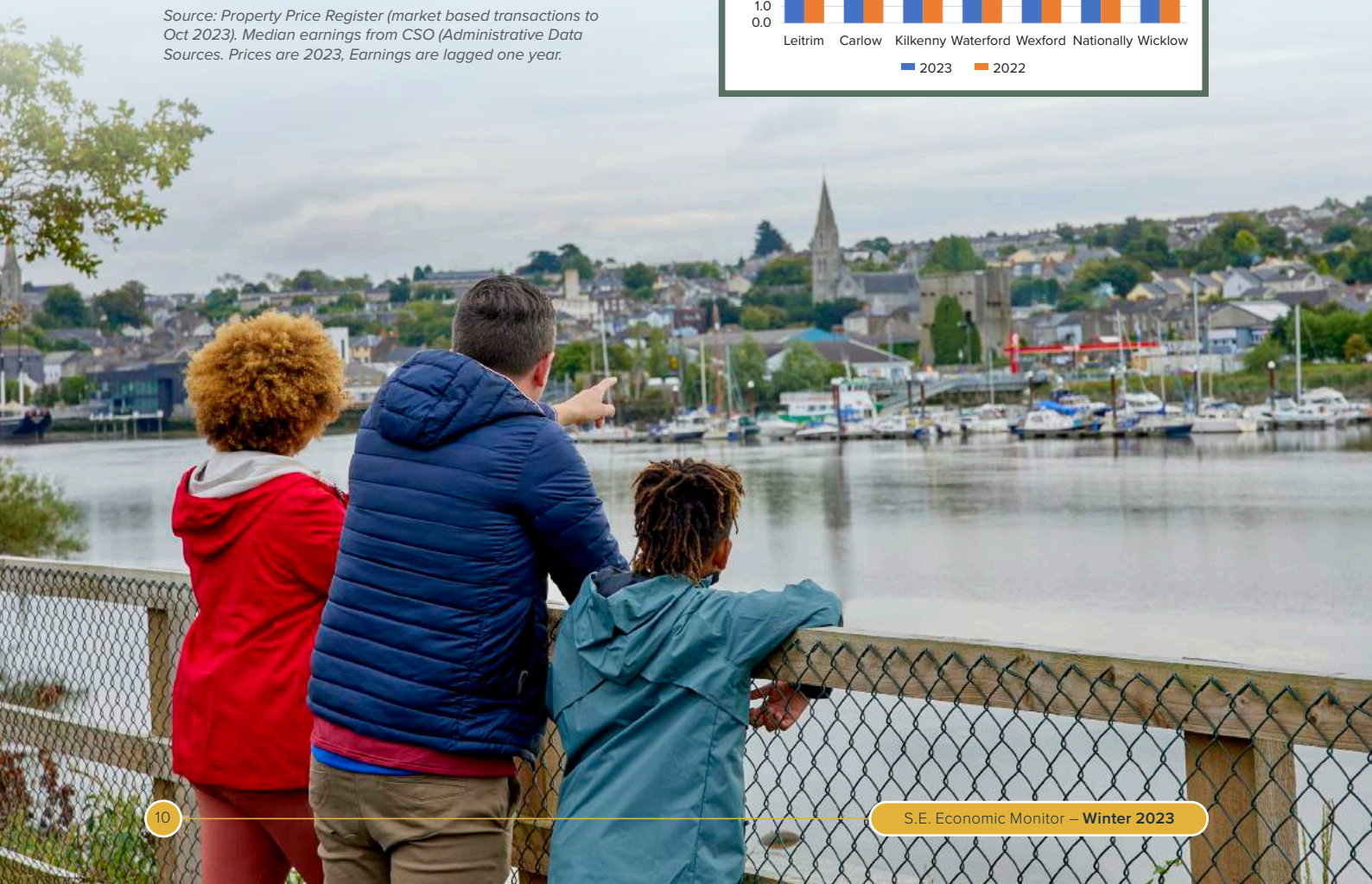
Average House Price (PPR Data)



No. of Housing Transactions (PPR Data)



House Price Affordability Index



SENTIMENT INDICATORS

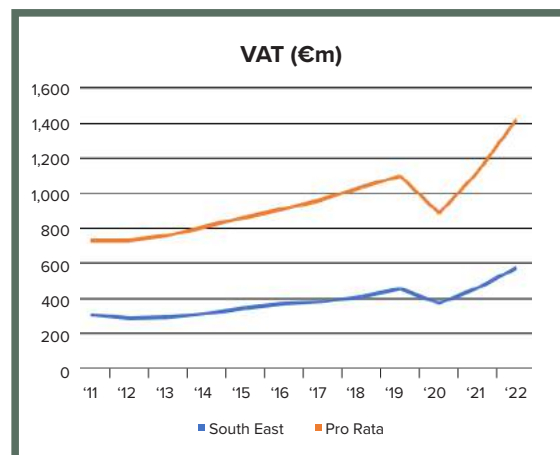
Consumption – VAT returns indicate relatively low consumption

Regional statistics for consumer spending and sentiment are not readily available but VAT is a useful proxy.

In 2022 VAT returns continued their impressive recovery from the lows caused by pandemic-related restrictions, increasing by 25% in the SE (State: +26.8%). However, 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, possibly arising from the weaker labour market.

Source: Revenue Commissioners



Traffic Toll Volumes – a leading indicator of economic activity

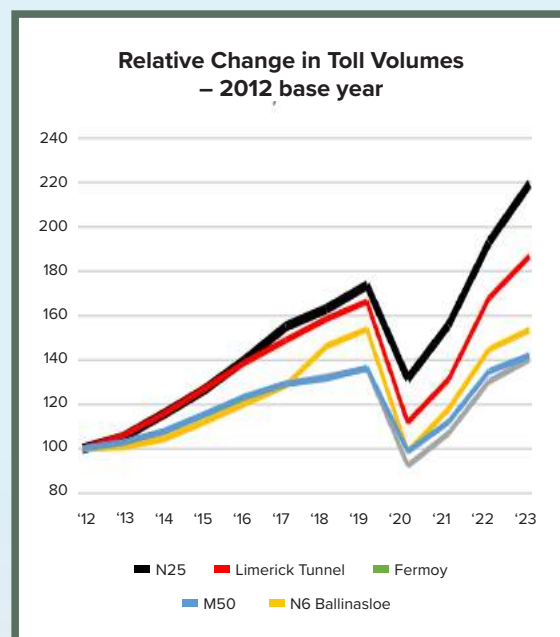
Traffic volume growth is closely related to employment growth and real gross domestic output (GDP) growth.

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 2023, the daily average number of vehicles using the Toll on the N25 was 12,000. This is a considerable increase on previous periods and is the current high watermark and, potentially, an indicator of economic activity.

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





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