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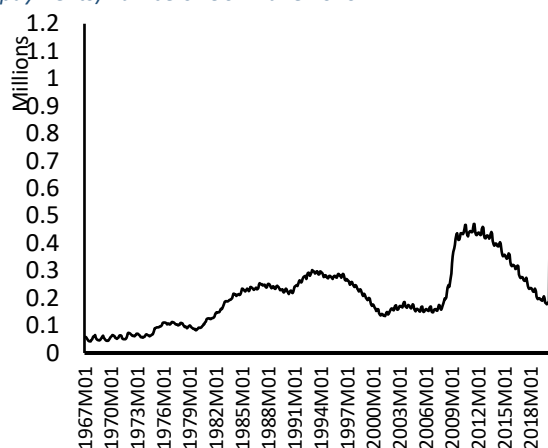
# Timely Economic Indicators: Commentary on the Initial Report

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## Labour Market

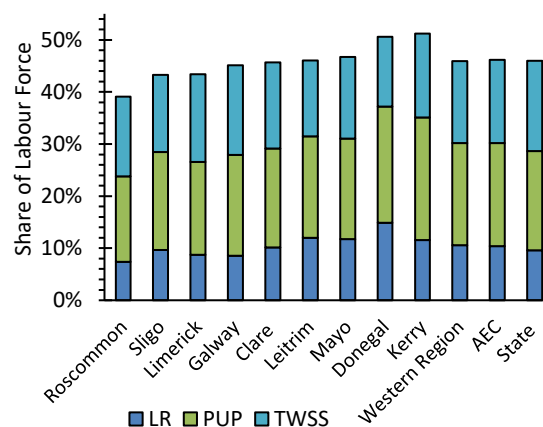
The initial economic impact of the public health crisis has been severe. Prior to the outbreak, conditions in the Irish labour market were close to full employment. By mid-June 2020, 1.13 million people, or almost half the national labour force, were receiving income support from the State (Figure 1). The immediate shock has been significant for the Western Region and Atlantic Economic Corridor (AEC). Kerry and Donegal have been amongst the most severely impacted in the country (Figure 2). As of 5<sup>th</sup> July, total state income supports within the Western Region and AEC ranged from 38% of the labour force in Roscommon to 50% in Kerry and Donegal. The national average was 45%.

Figure 1. Monthly Live Register (Including emergency payments) numbers 1967- June 2020.



Source: Own Calculations from CSO.

Figure 2. Live Register Composition as of 28th June



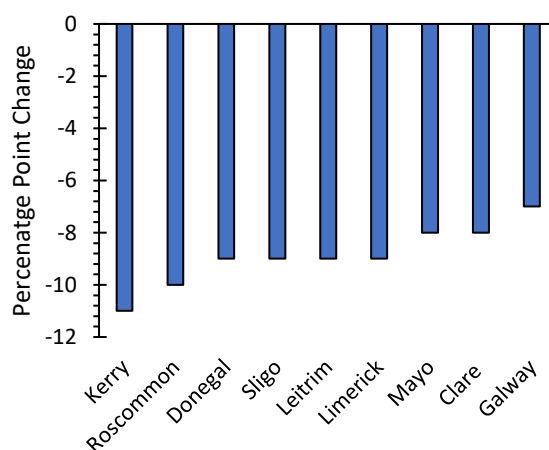
Source: Own Calculations from CSO Detailed COVID-19 Income Support and Live Register data downloaded on 18/08. LR= Live Register, PUP = Pandemic Unemployment Payment, TWSS = Wage Subsidy.

It is important to track the current levels of “non-employment” as this gives us an indication of future “unemployment” by county. If the current non-employment levels translate into unemployment in the medium term, then it seems reasonable to anticipate similar within region variation in unemployment rates. The summer [ESRI quarterly economic report](#) examines various scenarios for the economy and the consequent impact on the labour market. The “Baseline” scenario projects a national average unemployment rate of 17.4 percent for the year. Medium term unemployment will be largely determined by sectoral exposure to the COVID crisis and related public health developments/containment measures. In the longer term, the extent of the economic recovery from the crisis will ultimately depend on the ability to enhance productive capacity and grow employment from the trough.

Throughout the re-opening phases, total income supports (LR+PUP+TWSS) in the WR (AEC) have declined from 205,145 (293,583) as of 3<sup>rd</sup> May to 172,925 (245,824) as of 5<sup>th</sup> July. The changes in each component of the total over that period is provided in Table 1. Nationally, there was a decline in the numbers being supported by TWSS compared to an increase in the Western Region and AEC. The increase in TWSS supports was concentrated in Donegal, Mayo and Clare. TWSS supports in the Western Region and AEC as a share of the labour force were still lower than the national average (Figure 2).

For the Western Region, total income supports as a share of the labour force fell from 53% to 45% (8 percentage points) from May 3<sup>rd</sup> to July 5<sup>th</sup>. For the AEC and nationally the decline was from 54% to 45% (9 percentage points). Figure 3 shows the percentage point change in the total income supports as a share of the labour force in each AEC county from May 3<sup>rd</sup> to July 5<sup>th</sup>. Kerry (-11) and Roscommon (-10) recorded the largest percentage point declines. Galway (-7) saw the smallest percentage point decline.

Figure 3. Percentage Point Change in Total Income Supports as a share of the Labour Force from 3<sup>rd</sup> May to 5<sup>th</sup> July



Source: Own Calculations.

Table 1 Change in Income Supports from 3<sup>rd</sup> May to 5<sup>th</sup> June

	LR Change	PUP Change	TWSS Change	Change in Total Income Supports
Donegal	+14	-8,131	+1,714	-6,403
Sligo	-67	-2,429	-110	-2,606
Leitrim	+110	-1,415	-14	-1,319
Roscommon	+29	-2,578	-512	-3,061
Mayo	+284	-5,724	+310	-5,160
Galway	+486	-9,816	-351	-9,681
Clare	+119	-4,620	+481	-4,020
Limerick	+711	-7,335	-1,176	-7,800
Kerry	-684	-6,930	-125	-7,739
Western Region	+975	-34,713	+1,518	-32,220
AEC	+1,002	-48,978	+217	-47,759
State	+9,910	-189,248	-36,698	-216,036

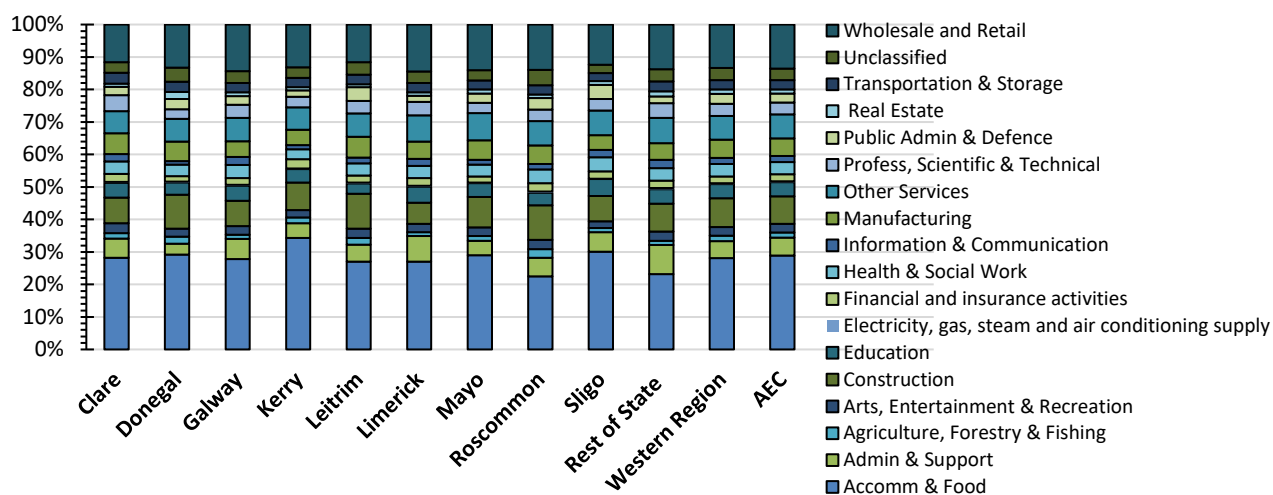
Source: Own Calculations

Previous WDC [blog posts](#) have examined the potential sectoral impact of COVID on the Western Region. The initial impact has been suffered in the sectors where economic activity is difficult given the public health measures and social distancing guidelines. Three broad sectors, “Accommodation and Food” Services, “Wholesale and Retail” and “Construction” have been hit the hardest ([DESAP, 2020](#)). More recently, [the Department of Business, Enterprise and Innovation \(DBEI\)](#) has published 16

sectoral reports examining the impact that of Covid-19 nationally.<sup>1</sup> Each individual sectoral report sets out: an overview of the sector pre-COVID, the initial impact and an indication of ongoing issues, challenges and opportunities. The sectoral reports re-affirm the main findings of DESAP (2020) and the previous WDC analysis.

Figure 4 shows the breakdown of the PUP by sector and by county and illustrates the importance of the Accommodation and Food Services sector in the Western Region, and AEC. Figure 5 shows the huge impact of COVID on the operation of Accommodation and Food enterprises at the national level.

Figure 4- Sectoral PUP breakdown by County for Week of June 22nd



Source: Own Calculations from data obtained from Department of Employment Affairs and Social Protection

The short-term focus for regional economic development is job retention thus it will be important to gain insight of the impact of the July stimulus package, and any changes to the current income support schemes at the county level through the live register data and through supplementary sources.

Figure 5. Trading Status by Sector 28<sup>th</sup> June 2020



Source: CSO (2020) Business Impact of Covid-19 Survey 1 Jun to 28 Jun 2020

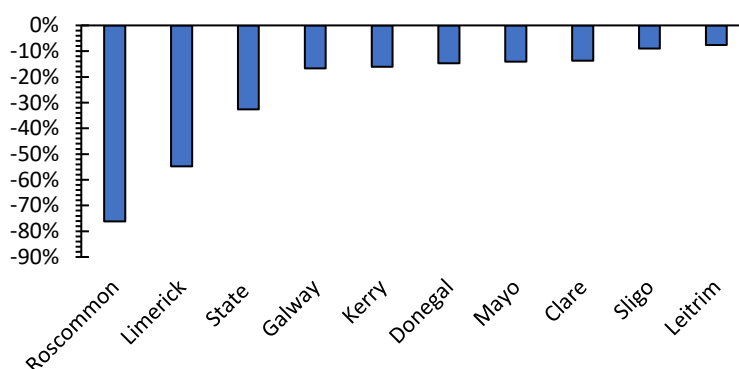
<sup>1</sup> The 16 sectors are Aerospace & Aviation; Agri-Food & Beverages; Audiovisual; Biopharmachem; Construction; Energy, Sustainability & Natural Resources; Engineered Products & Sub-Supply; Global Business Services & Business Process Outsourcing; International Education Services; International Financial Services & Fintech; Marine & Maritime; Medical Technologies; Retail; Technology; Tourism & Hospitality; Transport & Logistics.

## Consumption

The car registration data shows a national decline pre-COVID and in all AEC counties. The COVID impact saw annual declines of up to 90% during April and May. July is a key month for the car industry as consumers try to make the most of the dual car registration system (see data description blog). In the aggregate data, July showed a moderation in year on year registration decline (e.g. 23% in the Western Region). However, the aggregate decline for the AEC and Western Region was solely the result of a huge fall in Roscommon, all other AEC counties recorded an increase.<sup>2</sup> Previous WDC [blogs](#) have discussed the peculiarity of Roscommon in terms of car registrations. During July and excluding Roscommon: Western Region registrations increased year on year by 19% and the AEC by 13%, a contrast with a national decline. Figure 6 shows the year on year percentage change in new car registrations from January to July. In all AEC counties (except Roscommon and Limerick) the decline has been less severe than observed nationally.

Clearly, vehicle registrations are a very limited proxy for consumption behaviour but can allow us to gain insight and frame some fundamental economy-wide questions. A key issue for the car industry is where and when will car registrations level off? Economy-wide it will be important to ascertain to what degree any change in consumption patterns (across all goods and markets) is related to a temporary pandemic-specific shock? (e.g. why buy a new car if I expect my travel will be restricted?), and to what extent the change is due to other negative shocks such a loss of secure employment? Pandemic specific shocks are more likely be temporary and related to consumer confidence thus once consumer confidence is restored as the virus is contained and/or eliminated then “normal” consumption levels would be expected to eventually return.

Figure 6. Year on Year % Change in New Car Registrations – Year to Date (January-July)



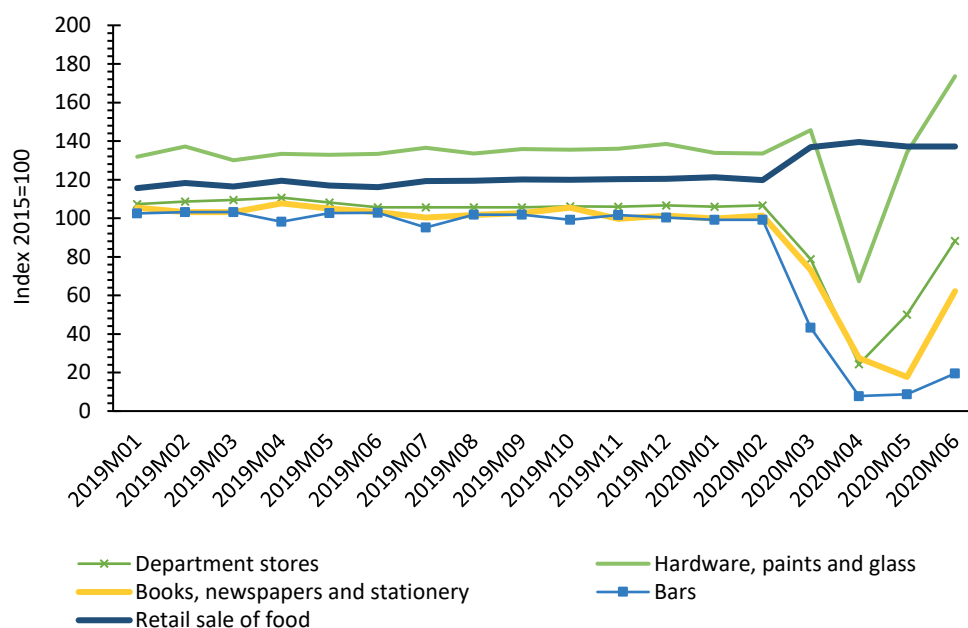
Source: CSO (TEM22) data downloaded 18/08 where no data for June 2020 was available thus June was excluded.

We can see how changes in consumption patterns have differed considerably at the national level by looking at some components of the [CSO Retail Sales Index](#) (Figure 7). For example, we can see a huge increase in “Hardware, Paints and Glass” much higher than historical consumption patterns as soon as those outlets were permitted to re-open. Consumer preferences are likely to change (perhaps dramatically in some sectors) as we head towards a “new-normal” and thus consumption patterns

<sup>2</sup> There were 1175 new car registrations in Roscommon during July 2019 (25% of the Western Region total) compared with 263 in July 2020.

may level off at a “new-normal” radically different from historical consumption patterns. To identify appropriate sectoral policy supports it will be important to identify those sectors at risk during the current pandemic and the likelihood and extent of recovery to be anticipated in those sectors.<sup>3</sup> The recently published Department of Business, Enterprise and Innovation (DBEI) sectoral reports provide an excellent starting point as those reports provide a high level overview of the short and medium term likely sectoral impacts at the national level. For greater insight at the county level important future work will be to try and supplement the national data and the county level vehicle registration data with less conventional data sources.

Figure 7. Some sectors within the Retail Sales Index January 2019 to June 2020



Source: CSO retail Sales Index

<sup>3</sup> For example, I expect much of the boost in Hardware, Paints and Glass is related to a temporary pandemic specific shock thus I do not anticipate a “new-normal” at the current (much higher) level of consumption.

## Housing

The initial supply side reaction in the housing market was a reluctance to reduce prices and instead to withdraw housing from the market ([Lyons, 2020](#)). On the demand side, we would expect individuals to put off long-term decisions like buying a house with such a high degree of uncertainty present. Both factors resulted in a sharp decline in year on year sales volumes particularly during April and May. Nationally, the collapse in sales volumes has been larger than in the Western Region and AEC. The decline in sales volumes moderated in June although it remained large at 25% in the AEC and Western Region and 33% nationally. It will be important to monitor the changes in sales volumes going forward as this will provide a “revealed preference” indicator of consumer confidence and some insight into the consumption pattern questions posed above.<sup>4</sup> The rental market should be less volatile as although unemployment may rise considerably the government has committed to income supports and regulations to prevent evictions. Rent data is only available for Q1 from the Residential Tenancies Board and it showed across all property types and sizes an increase within the range of 1-10% across the AEC and 5-6% nationally.

Pre-COVID there was a sizeable increase in dwelling completions. During Q1 2020, completions rose 41% in the Western Region (year on year) and 38% in AEC compared to a national rise of 17%. The COVID impact resulted in a collapse in dwelling completions during Q2 where completions fell year on year by 30% (34%) in the Western Region (AEC) compared to a national decline of 32%. Commencement notices provide an indication of future supply. During Q1, notices rose nationally by 11%, year on year, compared with a 1% increase in WR and a slight decline in AEC. There was a collapse during Q2 that was more severe nationally (-35%) than observed in the Western Region (-29%) and AEC (-28%).

**The views expressed here are those of the author and do not necessarily represent or reflect the views of the WDC**

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<sup>4</sup> In economics, revealed preference is where the actual behaviour of an individual is observed. The alternative is to rely on stated preference where what is relied upon is what an individual says about their purchasing behaviour.