

## Press release

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# Minister McGrath welcomes strong start to year for domestic economy

From [Department of Finance \(/en/organisation/departments-of-finance/\)](/en/organisation/departments-of-finance/).

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- in the first quarter of this year, Modified Domestic Demand – a proxy for the domestic economy – grew by 2.7 per cent relative to the previous quarter
- consumer spending grew by 1.7 per cent in the first quarter, reflecting the strength of the labour market
- construction investment grew by 8.7 per cent, mirroring strong growth in residential completions in the first quarter
- investment in plant and machinery was up 16 per cent due to continued investment in Ireland by the multinationals
- GDP contracted by 4.6 per cent, reflecting the volatility of production in the multinational sectors

The CSO today (2 June) published the Quarterly National Accounts for the first quarter of 2023. Commenting on the figures, Minister for Finance Michael McGrath said:

"I welcome the strong increase in modified domestic demand (MDD) - the preferred metric of domestic economic activity – in the first quarter of the year. The 2.7 per cent quarterly expansion was broad-based, with both consumer and investment spending robust in the quarter. Consumer spending increased by 1.7 per cent when compared with the previous quarter, with government supports, the easing of energy prices and an improvement in confidence all playing a role. Strong employment growth in the first quarter was also a key factor.

"The strength of investment spending was also notable, with contributions from both the domestic and multinational sectors. Construction investment increased by 9 per cent, reflecting a strong start to the year for housing supply, with over 6,700 new housing units coming on-stream. Investment by firms in machinery and equipment increased by 16 per cent, reflective of continued investment in production capacity by the multinational sector. I am very encouraged to see continued investment by the multinational sector which will bring increased employment and exports in the years ahead.

"Incoming data suggest that momentum has continued into the second quarter, bolstered by a record low unemployment rate of 3.8 per cent registered in May. Consumer confidence continues to improve and inflation is on a firm downward trajectory.

"Our economy is now clearly at full employment and it is important that budgetary policy is calibrated so as to avoid adding to inflation. We need to address capacity constraints, including those in the housing market, and these issues will be the focus of discussions at the forthcoming National Economic Dialogue.

"Finally, I am conscious that GDP decreased by 4.6 per cent in the first quarter of 2023. This reflects a fall in exports and, specifically, the globalised activities of the multinational sector. Multinational production can be extremely volatile on a quarterly basis with large swings a pattern of recent years. Indeed, given the outsized role the multinational sector plays in our economy, GDP is clearly not a useful measure of the living standards of domestic residents."

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## Notes

Modified (final) domestic demand, a proxy for the domestic economy, is the sum of personal and government consumption and investment, excluding investment in imported IP and aircraft for leasing. It also excludes changes in the value of stocks.

The National Economic Dialogue takes place on Monday 12 June.

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