

IRELAND

The economy is experiencing a severe recession as large domestic imbalances correct, but there are recent signs that the pace of contraction is slowing. Ireland should benefit from the world trade upswing along with restored competitiveness as a result of the decline in wages and prices. The ongoing domestic adjustment will nevertheless be prolonged, and the economic recovery weak.

The budget deficit has swelled and public indebtedness has increased sharply. Substantial fiscal consolidation measures are already in place, but more will be needed over an extended period, which will require both further increases in revenues and cuts in public expenditure. With NAMA (the National Asset Management Agency), the government seeks to restore the banking system to health by recognising and dealing swiftly with losses, thus contributing to the recovery. This should be implemented along with the necessary risk-sharing mechanisms to protect the taxpayer.

Ireland: Demand, output and prices

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------------------------|--|-------|-------|-------|-------|
| | Current prices € billion | Percentage changes, volume (2007 prices) | | | | |
| Private consumption | 81.0 | 5.6 | -0.7 | -7.5 | -2.2 | -1.4 |
| Government consumption | 27.5 | 7.7 | 1.5 | -2.6 | -2.9 | 1.3 |
| Gross fixed capital formation | 47.7 | 2.1 | -15.6 | -28.9 | -16.7 | 0.5 |
| Final domestic demand | 156.2 | 4.9 | -4.6 | -11.7 | -5.0 | -0.5 |
| Stockbuilding ¹ | 3.0 | -0.8 | 0.1 | -1.0 | 0.7 | 0.0 |
| Total domestic demand | 159.2 | 4.0 | -4.5 | -12.7 | -4.2 | -0.5 |
| Exports of goods and services | 141.0 | 8.6 | -1.0 | -2.2 | 1.1 | 2.4 |
| Imports of goods and services | 123.4 | 5.7 | -2.0 | -7.7 | -0.6 | 1.2 |
| Net exports ¹ | 17.6 | 2.9 | 0.6 | 3.8 | 1.5 | 1.3 |
| GDP at market prices | 176.8 | 6.0 | -3.0 | -7.5 | -2.3 | 1.0 |
| GDP deflator | – | 1.2 | -1.2 | -3.8 | -1.4 | 0.8 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 2.9 | 3.1 | -1.7 | -0.7 | 0.4 |
| Private consumption deflator | – | 3.7 | 2.7 | -3.5 | -1.1 | 0.4 |
| Unemployment rate | – | 4.6 | 6.0 | 11.9 | 14.0 | 13.8 |
| General government financial balance ^{2,3} | – | 0.2 | -7.2 | -12.2 | -12.2 | -11.6 |
| Current account balance ² | – | -5.2 | -5.4 | -2.8 | -2.0 | -0.6 |

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

3. The balance does not include additional fiscal measures outlined by the authorities for 2010.

Source: OECD Economic Outlook 86 database.

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