

IRELAND

The economy is experiencing a severe contraction as large domestic imbalances correct, compounded by the global downturn and financial crisis. With the recession already well entrenched and further contraction expected, the peak-to-trough fall in GDP is set to reach 14%. Activity will recover in 2010 but at a slow pace.

With severe pressure on the public finances, it is appropriate that fiscal consolidation has begun. Substantial spending cuts and increases in taxation are required in the coming years. Problems in the banking sector must be resolved at a reasonable cost. Competitiveness would be restored by lower wages and stronger competition.

Ireland: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2006 prices)				
Private consumption	73.8	7.0	6.0	-0.8	-7.2	-3.6
Government consumption	24.9	5.3	6.8	1.8	-1.1	1.5
Gross fixed capital formation	43.2	4.0	1.0	-20.1	-34.9	-15.6
Final domestic demand	141.9	5.8	4.6	-6.1	-12.7	-4.6
Stockbuilding ¹	0.7	0.3	-0.8	0.1	0.4	0.3
Total domestic demand	142.7	6.1	3.6	-5.9	-12.1	-4.1
Exports of goods and services	132.3	5.7	6.8	-0.4	-10.4	0.7
Imports of goods and services	112.7	6.4	4.1	-4.3	-14.5	-2.1
Net exports ¹	19.6	0.3	2.6	2.7	1.6	2.0
GDP at market prices	162.3	5.7	6.0	-2.3	-9.8	-1.5
GDP deflator	–	3.4	1.4	-0.3	0.5	-1.2
<i>Memorandum items</i>						
Harmonised index of consumer prices	–	2.7	2.9	3.1	-1.3	-1.5
Private consumption deflator	–	2.2	3.0	3.1	-2.2	-1.4
Unemployment rate	–	4.4	4.6	6.0	12.2	14.8
General government financial balance ^{2,3}	–	3.0	0.2	-7.1	-11.5	-13.6
Current account balance ²	–	-3.5	-5.4	-4.5	-0.6	0.9

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 85 database.