

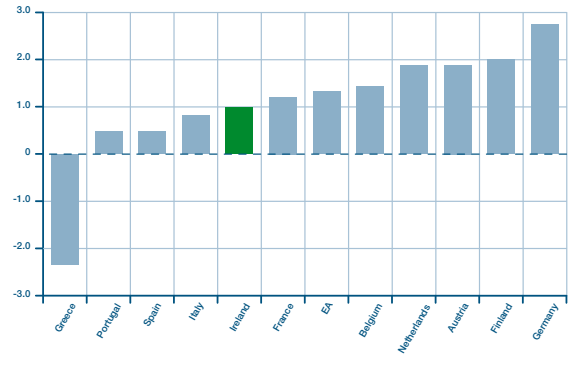


# Irish Economy Key Facts

## Irish economy recovering - real GDP up 1% from cycle low

- Irish GDP fell by 1.2% during Q2 versus consensus expectations of 0.5% growth. This was a surprising result following the strength of PMI readings and retail sales during the period
- One positive development however, was the rise in domestic demand - the first increase in 27 months
- Irish GDP is still 1% up from the cycle low and during the first half of 2010, Irish GDP averaged 0.5% per quarter. This rate over a 12-month period would equate to growth of 2% - a reasonable expectation for economic expansion over the next year

Irish GDP growth remains positive in 2010



Graph Shows: Real Irish GDP growth in the first half (H1) of 2010  
Source: Eurostat, Bank of Ireland Economic Research Unit

## Irish exports registered best monthly performance since 2002

- Irish exports rose by 8% during July, registering the best monthly performance since mid 2002
- Along with the strong export performance in July, imports fell by 9%
- This was a positive start to the third quarter for net trade and is a reversal of the unusual development seen in Q2 where imports outpaced exports
- Exports will continue to be the main driver of economic growth in Ireland, supported by the presence of a large multinational sector and improving competitiveness

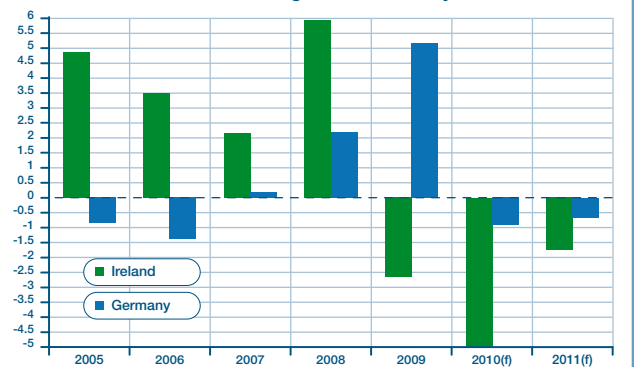
*"We must export our way out of our current difficulties"*

Brian Lenihan,  
Irish Minister for Finance,  
23 Sept 2010

## Irish competitiveness has improved

- The EU expects Irish unit labour costs to decrease by 12.5% relative to the Euro Area average by 2011
- Furthermore, productivity in Ireland is forecast to increase by 6.5% by 2011, versus productivity growth of just 1% in the Euro Area
- Ireland's progress in improving its cost base and enhancing competitiveness mean that the country is much better placed to attract and retain FDI
- World-leading companies including Google, Facebook, Intel and Pfizer have chosen Ireland as their European headquarters. Such companies are critical for employment creation and are the back bone of Irish exports

Ireland's unit labour costs falling versus Germany

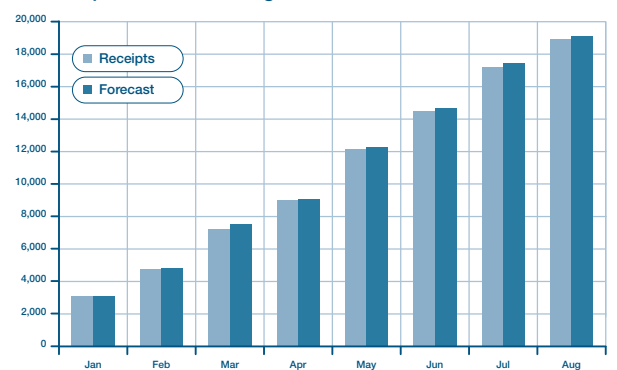


Graph shows: Whole economy, unit labour costs  
Source: EU Commission

## Underlying public finances stabilising

- Despite on-going fiscal challenges in Ireland, core public finances are stabilising
- Government expenditure is down almost 6% in the year to end August 2010
- Tax receipts are in line with Budget forecasts, with most tax categories ahead of target
- Income tax lagging behind target reflects the weakness in the Irish labour market. However, data is indicating that the unemployment rate may be at or near its peak - the number unemployed on the Live Register actually fell slightly in September 2010

Tax receipts in line with Budget forecast



Graph shows: Cumulative monthly tax revenue against forecast  
Source: Department of Finance

## Government committed to supporting the financial sector

- The Government is to announce a new 4 year fiscal austerity plan in November which will renew the commitment to return the Budget deficit to below 3% of GDP by 2014
- The Irish Government is committed to further fiscal action and plans an adjustment of at least €3bn in the December 2011 Budget
- The Government has announced the final estimate of the cost of support to the Irish banking sector. This underlines the Government's commitment to restoring the financial sector in Ireland and also draws a line under the total cost to the Government
- To facilitate further transparency on the cost of the financial sector support, the NAMA process is to be accelerated with final transfers to the Agency to be completed in one further tranche from each bank by the end of this year

Cost of financial sector support

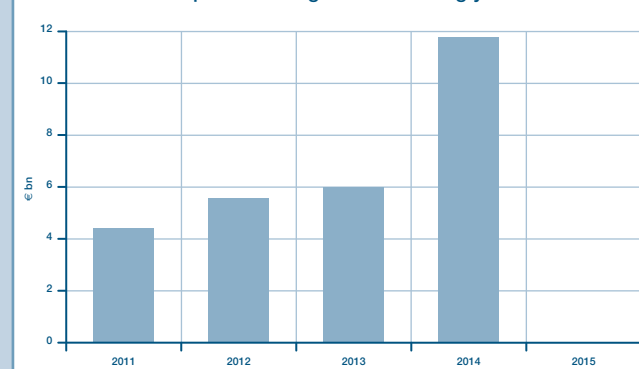
	Already committed	Additional required	Total
Anglo Irish Bank	€22.9	€6.4	€29.3
INBS	€2.7	€2.7	€5.4
EBS	€0.35	€0.44*	€0.35
<b>Cost</b>			<b>€35</b>

Table shows: Cost in €bn of State support as at 30.09.10  
\*Additional capital requirement expected to be met by new buyer of EBS

## Irish State has no liquidity or solvency issues

- The National Treasury Management Agency (NTMA) is fully funded to the end of Q2 2011
- The 2010 Budget is on target and was fully funded by mid August. The NTMA has decided not to issue any further debt this year
- The cost of support to the banking sector is mainly through a promissory note structure. This will place the cost immediately into the National Debt but the raising of funding for these notes from the market can be spread over 10 years
- The NTMA holds cash balances of €20bn and the National Pension Reserve Fund has €24bn in assets
- Irish Sovereign bond redemptions in the coming years are manageable. Between now and 2013, redemptions total €16bn (c.10% of 2009 GDP)

Irish bond redemptions manageable in coming years



Graph shows: Outstanding Bond redemptions per year in €bns  
Source: Bloomberg

## Government announcement on State support brings certainty to the bond markets

- It is widely recognised that the recent widening of Irish Government bonds was principally due to the uncertainty surrounding the Government's exposure to the Irish banking sector
- The market now has clarity on the cost of State support to the Irish banking sector
- Combined with a speedier conclusion of the NAMA process and stabilisation of the Irish economy, a more positive bond market reaction may occur

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