



# Ireland: 12 Key Facts

1

## Irish public finances have deteriorated sharply but from a very healthy starting point

- Over the 12-year period to 2007, the Irish Government ran 10 annual General Government surpluses
- Amid consistent Current Budget surpluses, the Irish Government invested between 4-5% of GDP p.a. on capital infrastructure and since 2001, invested 1% of GNP p.a. in the National Pension Reserve Fund (NPRF)

*(Source: Irish Department of Finance)*

2

## Ireland is in a significantly better position to deal with the current economic downturn relative to the 1980s

- The Irish economy entered the current recession with lower Government debt levels and debt servicing costs versus the 1980s, double the amount of people at work, much-improved capital infrastructure and a stronger value-added export sector

*(Source: Irish Department of Finance)*

3

## Irish Government debt levels to rise sharply in the coming years but debt to GDP ratio is expected to peak in line with the Euro Area average

- Ireland's gross debt to GDP ratio projected to reach a peak of 79% in 2012
- Government's net debt position is healthier when the assets of the NPRF and cash balances are taken into account

*(Source: Irish Department of Finance)*

4

## Fiscal deterioration is not unique to Ireland

- Ireland's largest trading partners; the US and UK will also run double digit fiscal deficits in 2009 and 2010

*(Source: Irish Department of Finance, Congressional Budget Office, HM Treasury)*

5

## Irish Government plans to eliminate the Current Budget deficit and reduce the General Government deficit to 3% of GDP by 2013

- Irish Government has already taken difficult steps to stabilise the public finances
- Larger economies such as the US and UK remain focused on stimulus packages and will have to correct public finances when their economies recover

*(Source: Irish Department of Finance, Bank of Ireland ERU)*

6

## The National Treasury Management Agency (NTMA) has demonstrated an ability to raise debt in difficult markets

- NTMA plans to borrow €25bn in 2009 and has already raised c.50% of this requirement in medium and long term bonds
- NTMA has also initiated regular auctions of Irish Treasury Bills and taps of existing bonds

*(Source: NTMA)*

# 7

## Irish Government committed to supporting the Irish banking system

- Supportive measures include; the Irish Government Guarantee for covered liabilities, the recapitalisation of the country's two largest banks (Bank of Ireland and AIB) and the setting up of a National Asset Management Agency (NAMA)

(Source: Irish Department of Finance)

# 8

## Irish Government committed to capital spending

- Irish Government is progressing with the National Development Plan, which should see the country spend c.4% of GNP p.a. on capital projects
- Capital spending supportive of economic activity in lieu of fiscal stimulus, and should remove some slack in the construction sector

(Source: Irish Department of Finance)

# 9

## Negative inflation and ECB easing should relieve some pressure on household incomes

- Irish economy undergoing a period of negative CPI inflation underpinned by impact of ECB easing and the fall in commodity prices
- Irish economy more responsive than other economies in the EU to lower interest rates, as much debt held in Ireland is at variable rates

(Source: Bank of Ireland ERU, Eurostat)

# 10

## Exports are key to economic recovery in Ireland

- Irish exports continue to perform well, falling by just 0.4% in 2008 while imports were down by 4.4%
- Exports accounted for c.82% of GDP in 2008 (imports c.-70%)
- Over half of Irish merchandise exports are chemicals, pharmaceuticals and medical devices, which should continue to be more resilient to external influences

(Source: CSO)

# 11

## Statistics show a strong correlation between US and Irish economies

- Large multi-national presence in Ireland underpins ties between the two economies
- US is a key trading partner for Ireland (c.19% of Irish Merchandise exports went to US in 2008)
- US multinationals are less exposed to EUR/USD rate; much import/export flows priced in USD

(Source: CSO)

# 12

## Ireland is a small, open and flexible economy with pro-enterprise policies

- Flexibility should continue to enable Ireland to react to changing economic circumstances and support recovery as global conditions improve
- Key to Ireland's preferred location for FDI are; a low corporate tax rate, a pro-business environment, enhanced competitiveness and on-going investment in education

(Source: Bank of Ireland ERU)

### Disclaimer

Produced by the Economic Research Unit at Bank of Ireland Global Markets ("GM"). This document is for information purposes only and GM is not soliciting any action based upon it. GM believes any information contained herein to be materially accurate but GM does not warrant its accuracy or completeness and this information should not be relied upon for any purpose. No prices or rates mentioned are bids or offers by GM to purchase or sell any currencies, securities or financial instruments. Except as otherwise may be specifically agreed, GM has not acted nor will act as a fiduciary, financial or investment adviser with respect to any derivative transaction that it has executed or will execute. Any investment, trading and hedging decision of a party will be based on its own judgement and not upon any view expressed by GM. This document does not address all risks related to the transactions described. You should obtain independent professional advice before making any investment decision. Any expressions of opinion reflect current opinions as at 15th May 2009. This publication is based on information available before this date. For private circulation only. This document is property of GM. The content may not be reproduced, either in whole or in part, without the express written consent of a suitably authorised member of GM staff.

Bank of Ireland incorporated in Ireland with limited liability. Registered Office – Head Office, Lower Baggot Street, Dublin 2, Ireland. Registered Number – C-1.

Bank of Ireland is regulated by the Financial Regulator. In the UK, Bank of Ireland is authorised by the Irish Financial Regulator and authorised subject to limited regulation by the Financial Services Authority. Details about the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.