Ireland Overview

February 2012

TREASURY SPECIALISTS | PRODUCTS | **RESEARCH** DEVELOPED FOR YOU

Produced by the Bank of Ireland Economic Research Unit (ERU)

Contents

SECTION ONE
Ireland by numbers 2

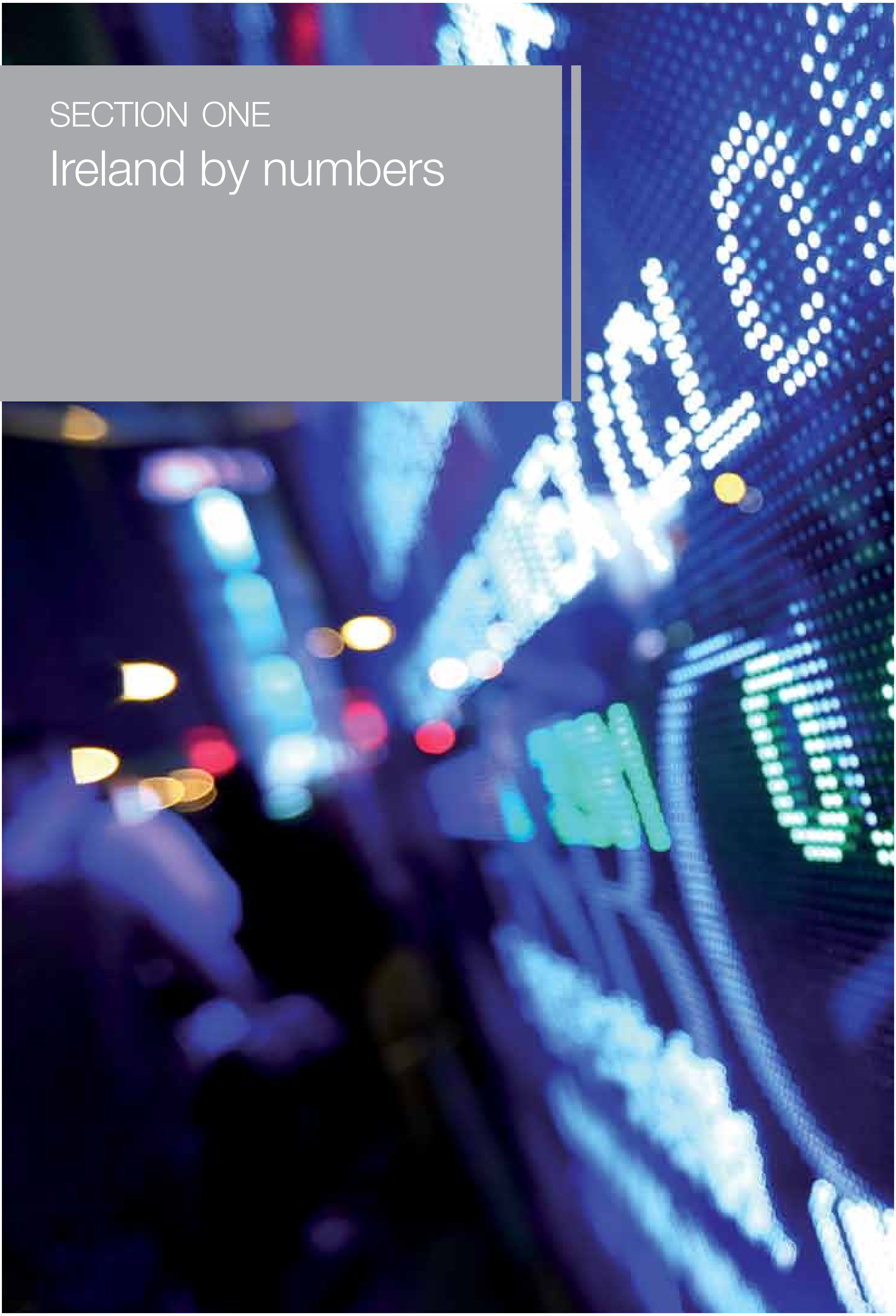
SECTION TWO
Irish economy - recovery falters 4

2a Growth - a tale of two halves 5
2b Export demand slows but continues to drive growth 6
2c Domestic demand struggling 7
2d Special feature: Economic outlook for Ireland's main trading partners 11

SECTION THREE
Government Programme on course 13

3a Government deficit starts to decline 14
3b Ireland's successful implementation of EU/IMF Programme continues 15

SECTION ONE
Ireland by numbers



1. Irish economy by numbers

GDP overview - recovery falters

(annual volume change)	2009	2010	2011(e)	2012(f)
GDP	-7.0%	-0.4%	1.0%	1.0%
- Q1 (q-o-q)	*-2.7%*	*1.5%*	*1.8%*	
- Q2 (q-o-q)	*-0.7%*	*-0.5%*	*1.4%*	
- Q3 (q-o-q)	*-0.6%*	*0.4%*	*-1.9%*	
- Q4 (q-o-q)	*-1.3%*	*-1.4%*		
Reuters consensus forecast			*0.8**	*0.7%**
Irish Government forecast			*1.0%*	*1.3%*
GNP			-2.2%	1.0%

* Reuters consensus

External sector - export demand slows

	2009	2010	2011(e)	2012(f)
Annual export (bn)	€145.9	€157.7	€165	€173
Real export growth (annual volume change)	-4.2%	6.3%	3.6%	3.0%
Annual import (bn)	€121.0	€127.9	€129.0	€132.0
Real import growth (annual volume change)	-9.3%	2.7%	-0.2%	1.0%
Total exports/imports as a % of GDP	166%	183%	185%	188%
Merchandise/services export split	53.6%/46.4%	52.9%/47.1%	52.0%/48.0%	51.0%/49.0%
EUR/GBP average for year	£0.89	£0.86	£0.87	£0.85
Competitiveness - Irish unit labour costs (annual change)	-2.4%	-6.9%	-3.1%*	-1.2%*
Balance of Payments (m)	€-4,697	€761	€1,000	€1,500

* EU Commission

Government finances - underlying finances on track

	2009	2010	2011	2012(f)
General Government Balance (% of GDP)	-14.2%	-32.0%	-10.1%	-8.6%
Exchequer Balance (m)	€-24,641	€-18,745	€-25,205	€-18,860
Exchequer Balance (% of GDP)	-15.3%	-12.0%	-16.2%	-11.9%
Tax revenue (m)	€33,043	€31,753	€34,027	€35,660
% change in tax (annual change)	-19.0%	-3.9%	5.3%	4.8%
General Government Debt (% of GDP)	65.2%	94.9%	107%	115%

Consumption/investment - challenging domestic environment

	2009	2010	2011(e)	2012(f)
Personal consumption (annual volume change)	-6.9%	-0.8%	-3.0%	-1.0%
Retail sales (annual volume change)	-13.8%	1.4%	-0.9%*	-1.0%
Total investment (annual volume change)	-28.7%	-24.9%	-16.5%	-4.5%
- Buildings and construction (annual volume change)	*-31.6%*	*-30.3%*	*-20.0%*	*-10.0%*
- Machinery & equipment (annual volume change)	*-20.4%*	*-14.5%*	*-10.0%*	*5.0%*
House completions (number of housing units)	26,420	14,602	10,480	11,000

* Reuters consensus

Labour market - unemployment stabilising

	2009	2010	2011(e)	2012(f)
Total labour force (000s)	2,187.3	2,139.5	2,105	2,085
Total employment (000s)	1,928.6	1,847.9	1,804	1,784
Total employment (annual change %)	-8.1%	-4.2%	-2.4%	-1.1%
Unemployment (% of labour force)	11.8%	13.6%	14.3%	14.3%

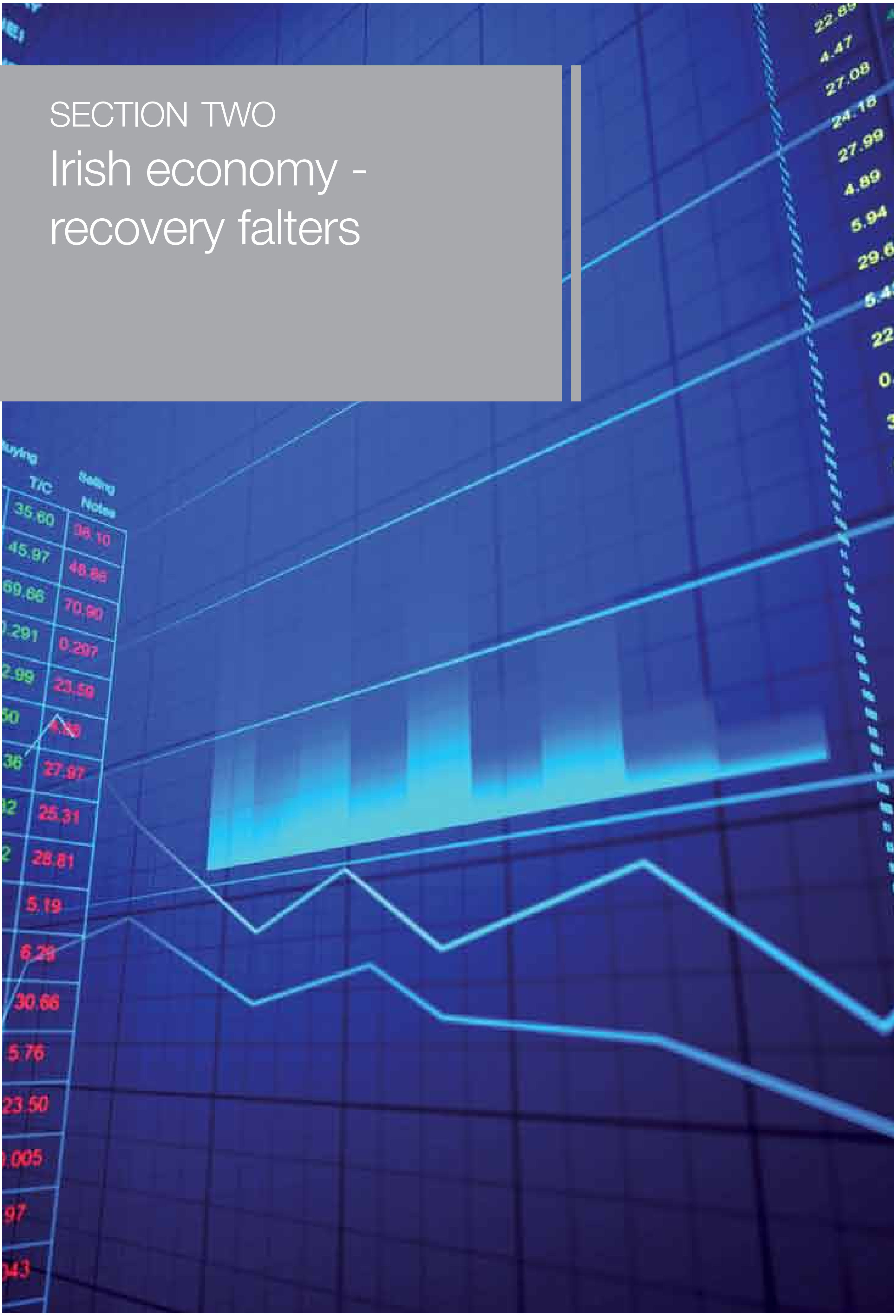
Inflation - set to ease

	2009	2010	2011	2012(f)
CPI (annual average change)	-4.5%	-1.0%	2.6%	1.8%
HICP (annual average change)	-1.7%	-1.6%	1.1%	1.6%

Source: CSO, Irish Department of Finance, EU Commission and Bloomberg. Forecasts by Bank of Ireland ERU unless stated. All Government finance forecasts by Irish Department of Finance.
Note: Any 2011 figures based on National Accounts remain estimates.

SECTION TWO

Irish economy - recovery falters

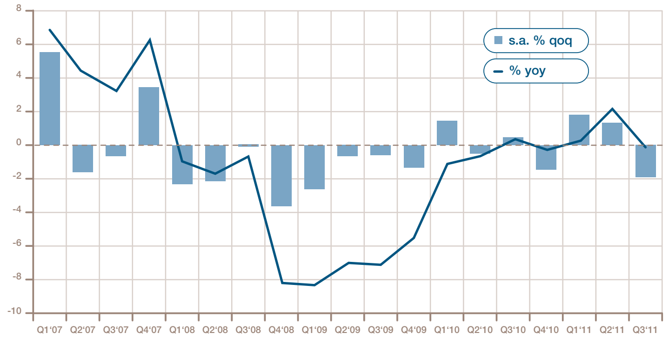


2a. Growth - a tale of two halves

Following stronger than expected growth in the first half of 2011, expectations of higher growth for 2011 reversed following poor Q3 data; GDP growth declined by 1.9% in the quarter.

- GDP growth in the first two quarters of the year was very encouraging at 1.8% in Q1 and 1.4% in Q2. However, the second half of the year was a more difficult environment given signs of a slowdown in some of our key markets and the continuing debt crisis troubles in the Euro Area
- While Q3 2011 was disappointing, the composition of growth has been as expected with net exports providing the main stimulus and offsetting further falls in domestic spending
- Growth in exports has slowed, which is not a surprise given the dampening of global demand in 2011, but imports have also slowed which has offset some of the fall in export demand
- The labour market also disappointed in Q3 with employment recording a drop of 1.1%
- Domestic demand continues to fall with declines in consumer and government spending in Q3. The largest contributor to the decline in the economy in Q3 was investment which fell by over 20%, due to a fall in spending on plant and machinery and a large drop in spending on aircraft orders
- Also, the consumer continues to retrench with little sign in retail sales or confidence data that this situation is going to turn around anytime soon. The Irish consumer is likely to remain subdued due to high unemployment, a modest decline in average earnings and a decline in real income
- The ECB's decision to cut interest rates should benefit most mortgage holders and should provide a little stimulus to the economy. However, fiscal policy and continued austerity measures will continue to have a contractionary effect on the economic situation
- It is now expected that GDP growth for 2011 as a whole will be 1%, which is lower than expectations. This year growth is forecast to be 1% which also reflects the impact of slower export growth than had previously been assumed

Irish recovery falters



Graph shows: Seasonally adjusted quarterly GDP growth and annual GDP growth
Source: CSO

Irish Economy Forecasts (%)

	2010	2011(e)	2012(f)
Personal Consumption	-0.8	-3.0	-1.0
Government Consumption	-3.8	-3.5	-2.0
Capital Formation	-24.9	-16.5	-4.5
Exports	6.3	3.6	3.0
Imports	2.7	-0.2	1.0
GDP	-0.4	1.0	1.0
GNP	0.3	-2.2	1.0

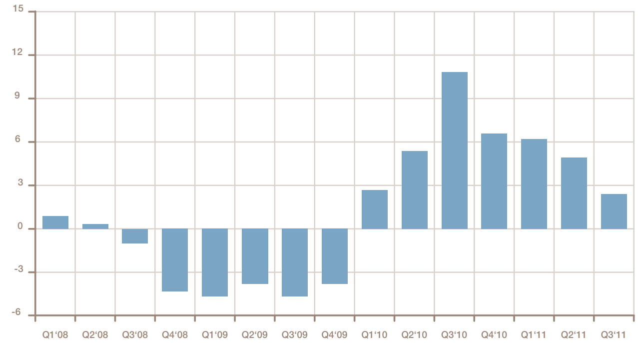
Source: CSO, BoI ERU forecasts

2b. Export demand slows but continues to drive growth

External demand has dropped due to slowing growth in key markets but export growth is still positive.

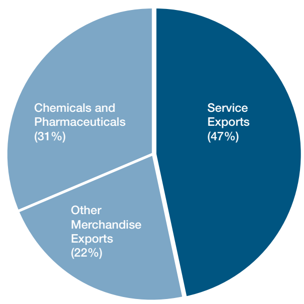
- Exports rose by 0.8% in Q3 2011, compared to 1.1% in Q2 and 3.3% in Q3 2010 (q-on-q). The annual rate of export growth has fallen to 2.4% in Q3 2011 from 10.4% in the same quarter in 2010
- Net exports continue to be positive as import growth has turned negative falling in both Q2 and Q3, by 0.8% and 1.5% respectively
- Ireland is a small open economy and is particularly exposed to developments globally. Exports are now 100% of GDP, so swings in export growth dwarf the impact of other GDP components
- Risks to the Irish economy lie in the slowdown in the major developed economies. It should be noted however that the global economy is still forecast to grow this year and next, albeit at a slower rate than in 2010
- The outlook for 2012 is clouded by the uncertainty surrounding the Euro Sovereign debt issue which appears to have taken some toll on business and consumer confidence in the region. Growth in some of Ireland's main export markets looks likely to be weaker than in the past two years. In contrast, the US economy has picked up some momentum of late and as the largest single destination for Irish exports it may provide some offset to the dimmer prospects elsewhere
- Ireland has a strong mix of high value merchandise and services exports. This should prove resilient to the slowdown in key markets as it has done in the past. In 2009, in the grip of a global recession, Irish exports fell by 4.2% while the equivalent figure for the Euro Area as a whole was a fall of 12.8%
- Ireland has improved its competitive position as evidenced by the fall in unit labour costs vis-à-vis the EU average. The EU Commission's latest estimate (November 2011) for the three year period 2009-2011 is that Ireland's unit labour costs have decreased by c.12% while the EU average has increased by about 4% in the same period
- The Irish economy is currently going through a rapid rebalancing process. This is clear in the balance of payments data, with Ireland posting a meaningful current account surplus in 2010 for the first time since 1999 and a current account surplus of c.€1bn is estimated for 2011
- Taking all of the above into account, export growth is expected to slow in 2012 to 3%

Exports slow but remain resilient



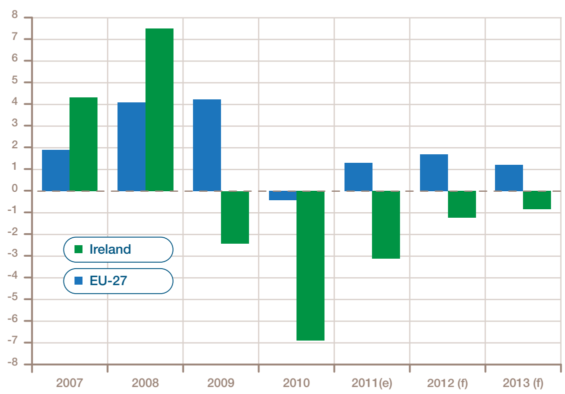
Graph shows: Export growth year-on-year (volume terms)
Source: CSO

Composition of Irish exports for 2010; services, chemicals and pharma of increased importance



Graph shows: Merchandise and Service Exports adjusted for Balance of Payments terms
Source: CSO

Substantial gains in Irish Unit Labour Costs



Graph shows: nominal unit labour cost, for Ireland & EU 27 countries, whole economy
Source: EU Commission, Autumn Forecasts

2c. Domestic demand struggling

The domestic economy signalled a hint of recovery in Q2 2011 when personal consumption rose unexpectedly. However, this optimism proved to be short lived as domestic demand fell back sharply once again in Q3.

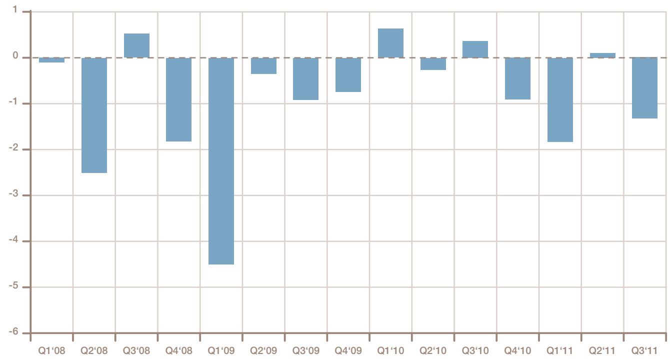
- Domestic demand fell 4.1% in Q3 2011 as consumer spending (-1.3%), government spending (-1.3%) and investment (-20.9%) all contracted in the quarter
- Consumer spending fell by 1.3% in Q3 and was down 3.9% on an annual basis. The final quarter may see a modest rise in personal consumption for 2011 but as a whole personal consumption is likely to fall by 3% for the year
- Households probably increased their precautionary savings and certainly repaid some debt but inflation and job losses proved the main negative for consumer spending last year
- This year a further 1% fall in consumer spending is envisaged but this will be at a slower pace than in 2011
- Capital investment is likely to have declined by 16.5% in 2011. This is driven by continuing weakness in the housing sector and a subdued business environment
- Government spending fell in the first three quarters of 2011, falling 1.3% in Q3 due to the austerity measures being implemented. Government expenditure is expected to continue to decline for some time to come
- As Government spending is forecast to fall in 2012, the net result is very similar to the position in 2011 - a decline in domestic spending offset by a positive contribution from net exports
- Overall domestic demand is expected to fall by 5.1% in 2011 and 1.6% in 2012

Irish GDP component weighting

	2009	2010	2011
Personal Consumption	53	52	51
Government Spending	17	17	16
Investment	15	12	10
Exports	90	97	100
Imports	-75	-78	-77

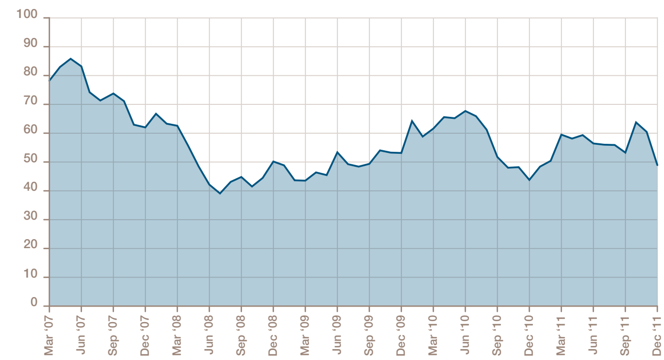
Graph shows: GDP component weighting in real terms
Source: Bank of Ireland ERU

Consumer spending falls in Q3



Graph shows: Personal Consumption growth quarter-on-quarter
Source: CSO

Consumer confidence remains at low ebb

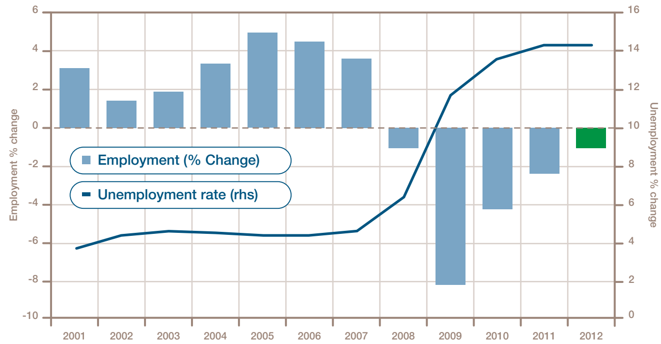


Graph shows: Consumer confidence
Source: ESRI

Labour market vulnerable

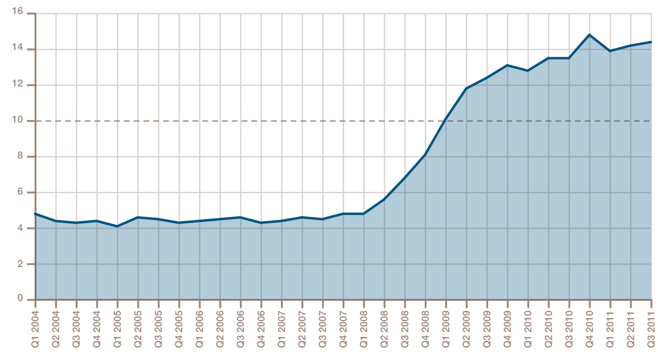
- The labour market has continued to weaken in 2011. There were some signs of stabilisation mid year but the fall in employment accelerated again in Q3
- The past year had seen a marked deceleration in the pace of job losses, with the decline in Q2 2011 at just 0.1%, which had prompted the view that the employment cycle may have bottomed. However, the Q2 data was revised down slightly to a 0.2% fall and the Q3 decline of 1.1% proved the largest since Q4 2009
- The supply of labour has been on a downward trend and Q3 saw an 18,000 fall in the labour force. Consequently, the rise in unemployment was marginal, from 300,000 to 303,000, pushing up the unemployment rate to 14.4% from 14.2% in Q2
- Employment did rise modestly in Q3 on a seasonally adjusted basis in wholesale, retail, hotels and restaurants (perhaps reflecting the pick up in tourism) and in construction but this was more than offset by falls in agriculture, financial services, manufacturing, education and health
- For 2011 as a whole, an average fall in employment of 2.4% is expected. The latest data and the downward revision to GDP forecast have also resulted in a more negative projection for employment in 2012, which is now expected to fall by 1%
- Due to the decline in employment being balanced out by the fall in the labour force, the unemployment rate appears to have stabilised after peaking at 14.8% in November of 2010. Unemployment is likely to average 14.3% for 2011 up from 13.7% in 2010. Unemployment is forecast to average 14.3% in 2012
- The prospects for a return to rapid employment gains are not good given that most growth will be export orientated and the more labour intensive domestic demand will remain weak

Employment still falling as unemployment steadies



Graph shows: Average annual unemployment rate as a % of total labour force
Average annual % change in total persons employed
Source: CSO, ERU forecasts

Unemployment stabilising



Graph shows: Unemployment rate as a % of total labour force
Source: CSO, BoI ERU forecast

Inflation set to slow

- Inflation picked up over the course of 2011, with the annual rate of CPI inflation ending the year at 2.5% from 1.3% a year earlier. CPI inflation averaged 2.6% for the year 2011 as a whole
- This acceleration in the rate of inflation was largely down to two factors - higher mortgage interest rate and higher energy costs - both of which are not influenced by the domestic economic environment
- Average mortgage repayments rose by 20.4% in the year mainly due to mid year interest rate increases by the ECB. This contributed about 1% to inflation in 2011. Energy products rose by 11.9% on average in 2011 and this contributed circa 0.9% to inflation
- If both these factors were excluded, inflation was very subdued over the course of 2011, reflecting a weak domestic environment of declining unemployment, falling wages and poor retail sales
- Mortgage interest inflation peaked in the first half of 2011 and has been slowing since. That process is likely to become more pronounced in 2012 given the policy reversal by the ECB, with rates falling in November and December and the prospect of a further cut in the coming months
- The path of energy prices is more uncertain, but in the absence of an oil price spike, the first half of 2012 should see a deceleration in annual energy inflation due to base effects alone
- Ireland's size and openness also means that exchange rates, notably against sterling, play a role in the Irish price level. The recent fall in the euro may provide some offset in upward pressure on inflation, albeit limited by weak domestic spending. The impact on inflation of the recent 2% VAT increase may be limited as retailers are forced to absorb the cost due to difficult market conditions
- CPI inflation is forecast to fall sharply in the first half of 2012, and to move below 2% sometime in the second half of the year, leaving the annual average at 1.8% for 2012

Irish Inflation Forecast (%)

	2009	2010	2011	2012(f)
Quarter 1	-1.1	-3.4	2.3	2.4
Quarter 2	-4.5	-1.4	2.9	1.9
Quarter 3	-6.1	0.2	2.6	1.6
Quarter 4	-5.8	0.9	2.9	1.3
Annual	-4.5	-1.0	2.7	1.8
HICP	-1.7	-1.6	1.2	1.6

Graph shows: annual % change in CPI on a quarterly basis + annual HICP % change
Source: CSO, BoI ERU forecasts

Property market downturn continues

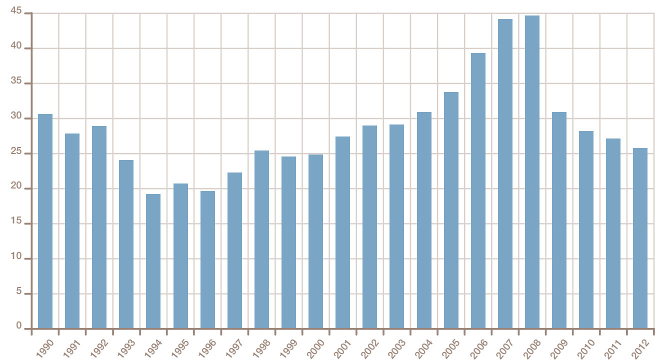
- A bottom to the residential property market does not appear to be imminent. Prices in Q4 2011 declined by 5.4% meaning that property prices declined by 16.7% in 2011 as a whole
- The demand for house purchases is influenced by price expectations, and the recent price data is not indicative of any near-term change in the trend
- Mortgage lending showed a second successive quarterly increase in the three months to September and the Q1 2011 figure may prove to be a cycle low. Net mortgage lending continues to decline as the stock of mortgages is falling due to redemptions outstripping new loans
- There is an underlying demand for housing and that is pushing up rents modestly. Rents rose at a quarterly rate of 1.6% in December. Supply clearly still exceeds demand, at least for house purchase, and would-be buyers may well prefer to rent given the uncertainty surrounding the economic outlook, particularly in relation to the labour market
- The number of house completions fell to under 10,500 in 2011 but may have bottomed, with a marginal rise expected this year
- Affordability is at its strongest for a decade. However, the decision on whether to buy or rent is influenced by other factors such as the economic outlook and expectations on near term house price changes, with both acting as negative influences at this time
- While declining average earnings are having a small adverse impact on affordability, this has been dwarfed by the fall in house prices and lower interest rates over the past number of years
- According to BoI ERU's affordability model, the average new 25-year mortgage in 2010 cost 28% of income to service from a high of over 44% at the peak of the cycle and as such is below the average since 1975
- A long term recovery in the housing market is very much dependent on an improvement in the unemployment rate over time

House prices continue to fall

	Peak	Change from peak	Last Quarter
CSO House Price Index	Q3 '07	-47%	-5.4% Q4 '11
Daft.ie	Q2 '07	-51%	-7.7% Q4 '11
Private Rents (CSO)	Apr '08	-23%	1.6% Q4 '11

Graph shows: % change in house prices
Source: Daft.ie, CSO change in national average house price
Daft.ie change in national average asking price
Private rents, change in private rents in CPI index

Substantial improvement in affordability



Graph shows: Measure of affordability over time
Source: Bank of Ireland ERU

2d. Special feature: Economic outlook for Ireland's main trading partners

It has been noted that the external environment represents the key downside risk to Ireland's export led recovery. As a small open economy Ireland is uniquely situated within the Euro Area to benefit from upturns in global activity. Equally so, we are at risk when global demand slows. This section looks at Ireland's key trading partners and their current economic situation and outlook.

Euro Area

As a member of the Eurozone, Ireland's fortunes are closely linked to developments in the area. The zone performed reasonably well in the first half of 2011 driven by strong growth in core economies, such as Germany and France. However, as the year progressed the escalating debt crisis and increasing austerity measures have hit consumer and business demand and has seen growth in the Euro Area slow to a halt. Growth in Q3 was just 0.1% and the Euro Area may be in a technical recession at the moment as growth in Q4 and the first half of 2012 is expected to be negative or flat at best. In response to the slowing of growth, as well as the difficulties in the financial sector, the ECB has cut the main interest rate back to 1% in December from 1.5% in the summer of 2011. The ECB has also extended long term loan facilities to banks which may help 'unfreeze' financial markets, ease debt crisis concerns and boost lending into the real economy. Recently, there have been signs that the pace of the slowdown in the Euro Area may be bottoming; the composite PMI - which is a good indicator of future growth - bounced to 50.4 in January up from a recent low of 46.5 in October. A reading above 50 indicates expansion in the economy. This is just an early signal and the situation remains difficult; Euro Area leaders have to inject confidence back into the economy which may be difficult to do against a background of the debt crisis and austerity actions to correct public finances. Many commentators see a recession in the Euro Area in 2012 with the consensus GDP forecast currently standing at -0.3% before a recovery of growth greater than 1% in 2013.

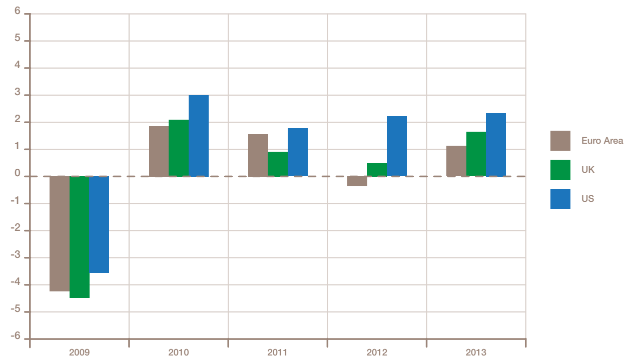
United Kingdom

Growth in the UK has slipped back into negative territory with Q4 2011 GDP declining by 0.2%. The outlook for the early part of 2012 is poor, and flat growth is the best that can be hoped for in Q1. Growth for 2011 as a whole was 0.9% down from 2.1% in 2010 while growth in 2012 is forecast to be not much better than 0.5%. Much of the UK's growth since the 08/09 recession has been driven by manufacturing and export demand which has slowed as the global economy has weakened. The fall in industrial output accounted for most of the fall in GDP in Q4 as services, which make up approximately 75% of the economy, were flat on the quarter. Domestic demand has been hit as real incomes have not risen due to high inflation and low wage growth. Unemployment in the UK stood at 8.4% in the three months to the end of November and the consensus forecast is for it to creep higher in the face of sub-trend economic growth. The outlook for the UK is similar to the Euro Area with a difficult first half of 2012 in prospect. There is a good chance that Q1 will also post negative growth; an outcome which could mean that the UK is already in a technical recession. The Bank of England has restarted asset purchases in a bid to stimulate the economy but, similar to the Euro Area, there is little prospect of fiscal stimulus as the Government attempts to cut back on a budget deficit of 8% of GDP. The current consensus forecast for the UK is below trend GDP growth of 0.5% in 2012 and growth of c.1.75% in 2013.

United States

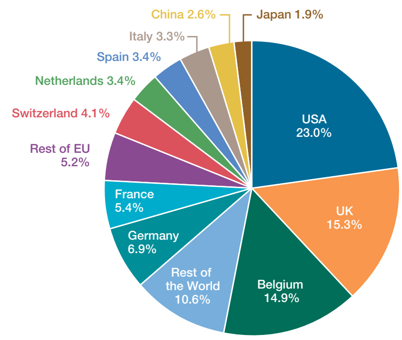
In contrast to the stories in the UK and the Euro Area, the economic situation improved greatly in the US as the year progressed. GDP growth in Q1 2011 was barely positive at just 0.1% but by Q4 that had risen to 0.7% or an annualised rate of 2.8%. That is not to say the economy is growing particularly strongly as the Q4 result represents growth in and around the economy's trend rate. However, current indicators show the rate of growth may keep up during 2012 as the forward looking data such as the ISM purchasing manger indices indicate that the economy is expanding. A key development is that the labour market situation appears to be improving. Over 1.6m new jobs were created in 2011 compared to just 900k in 2010 from a loss of 5m jobs in 2009. The increase in the rate of job creation has finally started to eat into the US unemployment rate which has fallen to 8.3% in January 2012 from over 9% for much of 2011. If the unemployment rate can continue to decline over the coming year it will do much to boost consumer confidence. The Federal Reserve, for their part, are supporting the economy by committing to keep interest rates low until late 2014 at the earliest. The Fed continues to worry about the contagion effect from a downturn in Europe and other headwinds that may drag down US growth. There are serious downside risks but for the moment recent data suggests a recovery is taking hold and the US should outperform both the UK and Euro Area over the next couple of years. This is an important consideration for Ireland as the US is its biggest single destination for exports. Ireland is uniquely placed in Europe to benefit most from an increase in American demand.

Ireland's trading partners' growth prospects

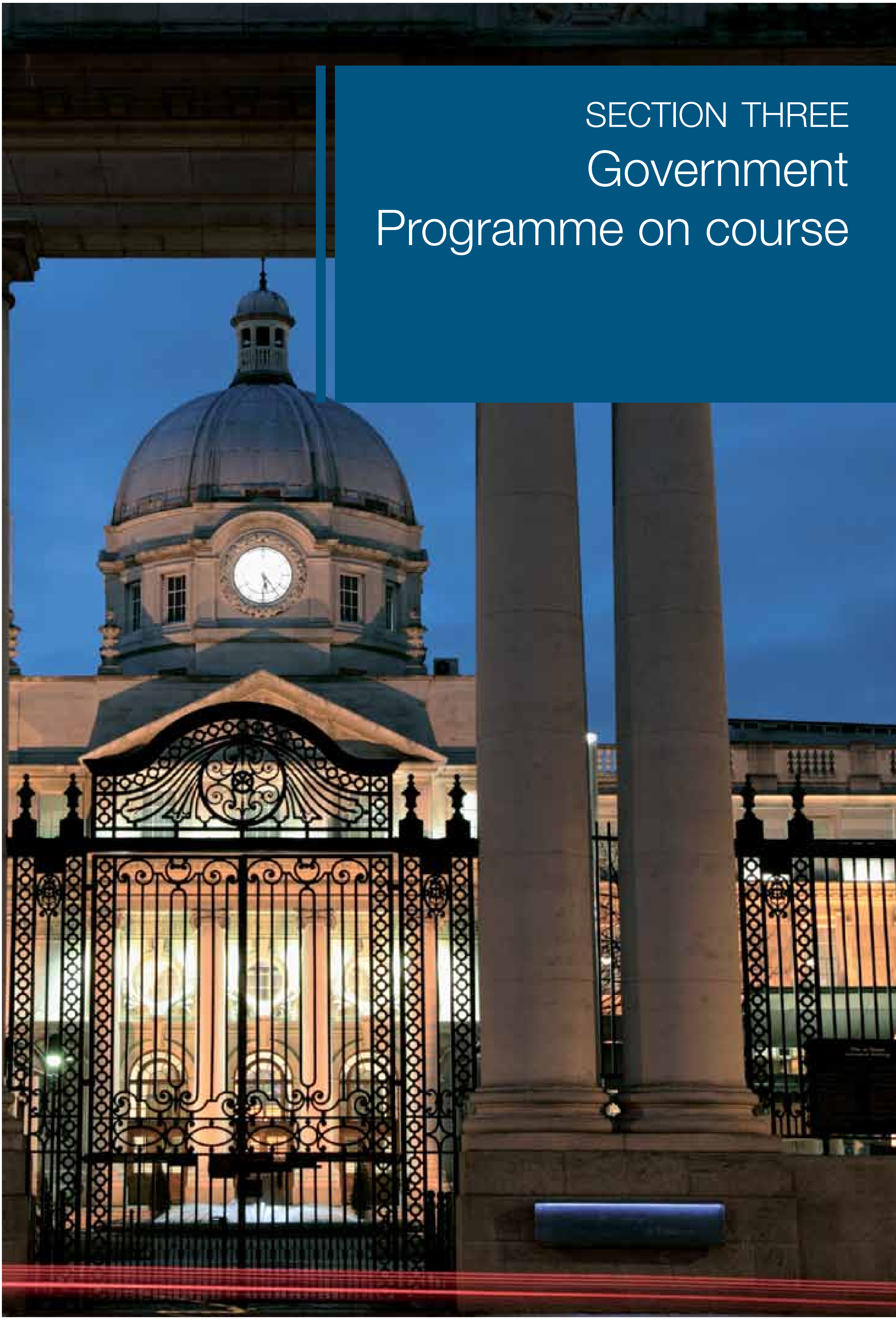


Graph shows: GDP growth 2000-2016
Source : IMF September 2011 World Economic Outlook

Geographical split of Merchandise Exports in 2011



Based on data from first 10 months of 2011
Graph shows: Merchandise Exports adjusted for Balance of Payments terms
Source: CSO



SECTION THREE
Government Programme on course

3a. Government deficit starts to decline

Ireland's public finances have improved but a lot remains to be done to ensure that its position becomes sustainable.

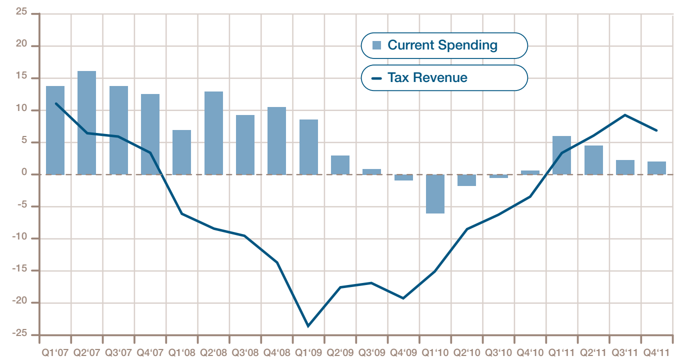
- General Government deficit for 2011 was c.€15.2bn or 10.1% of GDP, successfully coming in short of the 10.6% Troika target
- Budget 2011 had a capital deficit of €13.7bn which included a net €6.6bn in bank recapitalisation costs and resulted in a total Exchequer deficit of €24.9bn equivalent to 16.1% of GDP
- Current spending emerged some €400m below profile with the current Budget deficit emerging at €11.2bn for 2011 against an €11.5bn Budget target, well below the 2010 figure of €12.6bn
- Tax receipts were projected to rise by 9.9% in 2011 to €34.9bn. However, total tax receipts for 2011 were €34bn or 2.5% short of the Budget target. This was largely due to a €500m shortfall in VAT receipts which reflect weaker than expected consumer spending and a significant shortfall in corporation taxes
- Despite this, total revenue came in broadly on target due to a substantial overshoot in non-tax receipts, primarily in fees from the bank guarantee scheme
- On unchanged policies, the General Government deficit for 2012 would have risen to €16.2bn or over 10% of GDP, so the achievement of an 8.6% deficit target required a further €3.2bn in fiscal adjustments on top of the €21bn already enacted since 2008
- The risks to the Budget appear to be to the downside particularly in the area of spending related taxes as consumers still appear to be retrenching
- The Government intends to reduce the General Government deficit to <3% of GDP by 2015. This is estimated to involve another c.€9bn in austerity measures from 2013-2015
- General Government Debt was 107% of GDP at end 2011. Under the current plan, General Government debt will peak at 119% of GDP in 2013, before starting to fall back, declining to 115% by 2015

Irish Government Deficit as a % of GDP

	General	Current	Capital
2011	-10.1	-7.3	-8.9
2012	-8.6	-7.0	-4.8
2013	-7.5	-5.3	-3.3
2014	-5	-2.9	-3.0
2015	-2.9	-0.9	-3.0

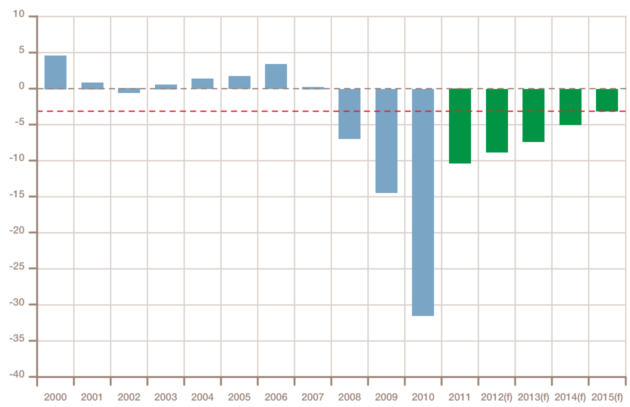
Source: Budget 2012, Irish Department of Finance
General based on general government debt standards, Current and Capital based on Exchequer standards (i.e. totals will not sum)

Taxes vs Spending



Graph shows: annual percentage change in tax revenues and current spending
Source: Irish Department of Finance

Government Deficit - set to decline



Graph shows: General Government Balance % of GDP
The red line represents Stability & Growth Pact 3% deficit limit
Source: Irish Department of Finance

3b. Ireland's successful implementation of EU/IMF Programme continues

Staff teams from the Troika recently concluded that Ireland's EU/IMF Programme of Financial Support is on track highlighting that Ireland has consistently achieved all the targets set out under the Programme since its inception.

However, looking ahead economic challenges remain highlighting the need for the continuation of strong Programme implementation which will be key for a sustained economic recovery and will allow for Ireland's return to capital markets.

Ireland's priorities for the first half of 2012 include:

- the publication of a fiscal responsibility bill to underpin the budgetary consolidation achieved
- working with lenders to promote efforts to address loan arrears; publish a modernised personal insolvency framework
- strengthening the effectiveness of activation and training policies to help job seekers get back to work

The following developments were identified for the purposes of this review:

Fiscal consolidation target achieved

- Substantial fiscal consolidation targeted for 2011 was achieved with a margin due to the authorities' strong management of revenues and firm expenditure controls
- Clear path for reaching deficit target of <3% of GDP by 2015
- Consolidation was achieved in tandem with returning the economy to growth after three years of contraction

Structural reforms being put in place

- An ambitious programme of structural reforms to support job creation, increase Ireland's competitiveness and boost potential growth is being put in place
- Reforms of sectoral wage agreements have been submitted to the Dáil
- Asset disposal plans are being finalised, with the primary goal of strengthening competition and efficiency in key sectors, while securing value for the State

Major progress made on financial sector reforms

- Major progress in strengthening and downsizing the banking system made in 2011
- Two Pillar banks met their 2011 deleveraging targets & assets were sold at better prices than anticipated
- Strategy implementation to restore the viability and solvency of the credit union sector is underway

Challenging macroeconomic environment

- Domestic demand remains subdued, unemployment high and trading partner growth is slowing
- Troika's projected GDP growth for 2012 has been revised down to 0.5%, from c.1% in 2011

Programme is well financed

- Preparations continuing for Ireland to regain market access

Continuing on this path is an essential step towards regaining economic stability, ensuring the sustainability of the public finances and providing the platform to deliver sustainable growth and jobs.

"This successful outcome illustrates the ability of the Irish State to implement a challenging programme effectively"
Michael Noonan, Minister for Finance
19 January 2012

"The Irish authorities have continued to push ahead with wide-ranging reforms to restore the health of the financial system, so that it can support Ireland's recovery"
Statement by the European Commission, the ECB & IMF on the review mission to Ireland
19 January 2012

Disclaimer

Contact details

Dr Dan McLaughlin
Chief Economist
+353 1 609 3326
dan.mclaughlin@boigm.com

Jennifer Howett
Head of Funding Communications
+353 1 799 3140
jennifer.howett@boigm.com

Michael Crowley
Senior Economist
+353 1 609 3341
michael.crowley@boigm.com

Joanne Guerin
Debt Investor Relations
+353 1 799 3140
joanne.guerin@boigm.com

Patrick Mullane
Economist
+353 1 609 4613
patrick.mullane@boigm.com

DUBLIN
Colvill House,
Talbot Street,
Dublin 1,
Ireland
+353 (0)1 799 3000

LONDON
Bow Bells House,
1 Bread Street,
London EC4P 4BF,
UK
+44 (0)207 429 9199

BELFAST
1 Donegall
Square South,
Belfast BT1 5LR,
UK
+44 (0)289 032 2778

STAMFORD
300 First
Stamford Place,
Stamford CT 06902,
USA
+1 203 391 5555

DOC163v2 Feb2012