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PRESS RELEASE

STATEMENT BY THE EUROPEAN COMMISSION, THE ECB AND THE IMF ON THE REVIEW MISSION TO IRELAND

Staff teams from the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) visited Dublin for the regular quarterly review of the government's economic programme from 10 to 19 January 2012. The teams' assessment is that the programme is on track, but that challenges remain and that a continuation of steadfast policy implementation will be key. The European Commission and IMF missions will seek approval for the completion of this review from the relevant EU bodies and the IMF Executive Board respectively.

Programme implementation remains strong. The front-loaded fiscal consolidation is on track, with the 2011 deficit significantly below the programme targets. 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. Reforms to enhance competitiveness and support growth and job creation are moving forward.

The substantial fiscal consolidation targeted for 2011 has been achieved with a margin. Budgetary measures in the order of 3.5% of GDP have reduced the estimated general government deficit to about 10% of GDP, well within the programme target of 10.6% of GDP. This result was achieved despite weaker domestic demand, reflecting the authorities' strong management of revenues and firm expenditure controls. The budget for 2012 targets further consolidation in the order of 2.75% of GDP, so as to lower the deficit to 8.6% of GDP, and sets out a clear path for reaching the deficit target of 3% of GDP by 2015.

Major progress in strengthening and downsizing the banking system was made in 2011. The two pivotal banks met the 2011 deleveraging targets with almost €15 billion of predominantly foreign assets sold at better prices than anticipated. Implementation of the strategy to restore the viability and solvency of the credit union sector is underway. More conservative provisioning and disclosure guidelines will enhance the transparency of banks' 2011 financial statements.

Steps to support growth and job creation are being put in place. Reforms of sectoral wage agreements, so as to make wage-setting in occupations that have been hit hard by recession more responsive to economic conditions, have been submitted to Parliament. Asset disposal plans are being finalised, with the primary goal of strengthening competition and efficiency in key sectors, while securing value for the state.

Looking ahead, Ireland nonetheless continues to face considerable challenges. Domestic demand remains subdued, unemployment high and trading partner growth is slowing. As a result, projected GDP growth for 2012 has been revised down to 0.5%, from an estimated 1% in 2011.

In this more challenging environment, maintaining Ireland's track record of strong programme implementation remains key to a sustained recovery and the achievement of Ireland's return to capital markets. Accordingly, the authorities' priorities in first half of 2012 include the publication of a fiscal responsibility bill to underpin the budgetary consolidation achieved. The authorities are also working with lenders to promote efforts to address loan arrears, and they will publish a modernised personal insolvency framework. The authorities are also strengthening the effectiveness of activation and training policies to help job seekers get back to work.

The objectives of Ireland's European Union and IMF-supported programme are to address financial sector weaknesses and to put Ireland's economy on the path of sustainable growth, sound public finances and job creation, while protecting the poor and most vulnerable. The programme includes loans from the European Union and EU Member States amounting to €45.0 billion, and a €22.5 billion Extended Fund Facility with the IMF. Ireland's contribution is €17.5 billion. Approval of the conclusion of this review will allow the disbursement of €3.2 billion by the IMF, and €6.5 billion by the EU. The mission for the next programme review is scheduled for April 2011.

Contacts:

European Commission	International Monetary Fund	European Central Bank
Amadeu Altafaj Tardio	Olga Stankova	Wiktor Krzyzanowski
Tel: +32 498 952658	Tel: +1 202 651 1664	Tel: +49 69 13445755
Email: Amadeu.ALTAFAJ-Tardio@ec.europa.eu	Email: OStankova@imf.org	Email: wiktor.krzyzanowski@ecb.int

European Central Bank

Directorate Communications, Press and Information Division

Kaiserstrasse 29, D-60311 Frankfurt am Main

Tel.: +49 69 1344 7455, Fax: +49 69 1344 7404

Internet: <http://www.ecb.europa.eu>

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