

# SUMMARY TABLE

	2007	2008	2009	2010
<b>OUTPUT</b>				
(Real Annual Growth %)				
Private Consumer Expenditure	5.9	-1.0	-7.0	-2.0
Public Net Current Expenditure	6.9	2.6	-2.0	-2.0
Investment	2.1	-15.5	-30.5	-15.5
Exports	8.6	-1.0	-1.7	1.1
Imports	5.6	-2.1	-7.7	-1.2
Gross Domestic Product (GDP)	6.0	-3.0	-7.2	-1.1
Gross National Product (GNP)	4.4	-2.8	-8.7	-1.7
GNP per capita (constant prices)	2.0	-4.6	-9.4	-1.8
<b>PRICES</b>				
(Annual Growth %)				
Harmonised Index of Consumer Prices (HICP)	2.8	3.3	-1.5	-0.7
Consumer Price Index (CPI)	4.9	4.1	-4.3	0.0
Wage Growth	3.5	3.5	-1.0	-2.5
<b>LABOUR MARKET</b>				
Employment Levels (ILO basis (000s))	2,123	2,100	1,934	1,854
Unemployment Levels (ILO basis (000s))	101	141	267	322
Unemployment Rate (as % of Labour Force)	4.6	6.3	12.2	14.8
<b>PUBLIC FINANCE</b>				
Exchequer Balance (€m)	-1,619	-12,714	-26,722	-22,364
General Government Balance (€m)	346	-13,276	-21,121	-20,570
General Government Balance (% of GDP)	0.2	-7.3	-12.9	-12.8
General Government Debt (% of GDP)	25.1	44.2	61.9	75.7
<b>EXTERNAL TRADE</b>				
Balance of Payments Current Account (€m)	-10,128.0	-9,439.0	-1,692	2,390
Current Account (% of GNP)	-6.3	-6.1	-1.2	1.8
<b>EXCHANGE AND INTEREST RATES</b>				
US\$/€ Exchange Rate (annual average)	1.39	1.47	1.36	1.40
STG£/€ Exchange Rate (annual average)	0.69	0.79	0.87	0.85
Main ECB Interest Rate (end of year)	4.00	2.50	1.00	1.75



# SUMMARY

The forecasts contained in this *Commentary* are broadly unchanged from the Summer issue. We now expect GNP to fall by 8.7 per cent in 2009 and by 1.7 per cent in 2010. In GDP terms the corresponding figures are -7.2 per cent for 2009 and -1.1 per cent in 2010. Underlying these annual forecasts is a quarterly profile in which we expect growth to return in the latter part of 2010, although at a very modest pace.

The international context in which the forecasts were prepared is beginning to look somewhat more optimistic, relative to the earlier part of the year. Both Germany and France returned to growth in the second quarter, as did Japan. The International Monetary Fund is now forecasting that the US will also return to growth in 2009. Given these trends and forecasts, we now expect to see exports growing next year at a rate of 1.1 per cent.

While the external sector will provide a boost to the economy in 2010, domestic factors will continue to act as a drag on growth. The government announced in its Supplementary Budget in April that Budget 2010 would include savings of €4 billion, equivalent to 3 per cent of GDP on a full year basis. We have assumed that a package of that magnitude is implemented, with consequent direct negative impacts on both the value and volume of public investment and consumption and also indirect negative impacts on private consumption and employment.

For 2010, we expect private consumption to fall by 2 per cent, following an expected 7 per cent fall in 2009. Investment is expected to contract by about 30 per cent in 2009 and by 15 per cent in 2010. The volume of public consumption is forecast to fall by 2 per cent in each of 2009 and 2010.

If the government implements the €4 billion fiscal package for 2010, we estimate that this will be sufficient to stabilise the General Government Deficit but will not reduce it. Our forecasts show a GGB of -12.9 per cent of GDP in 2009 and of -12.8 per cent in 2010. The General Government Debt will reach 76 per cent in 2010. This figure does not include any increase in government liabilities as a result of the operation of the National Asset Management Agency.

On employment, we are somewhat more optimistic now than when writing in July. We expect employment to average 1.85 million in 2010, up from 1.82 million in our Summer *Commentary*. We now expect the rate of unemployment to peak at close to 15 per cent. The most recent official figures on migration confirmed our expectation that a net outflow had re-emerged, although the rate of outflow was lower than we had previously forecast (8,000 actual to year ended April 2009, as opposed to 30,000 forecast). We expect an outflow of 40,000 in the year up to April 2010.

In the *General Assessment*, we consider the question of whether savings of €4 billion is still the appropriate fiscal target for next year. We argue that it is and discuss how this might be achieved. We also return to the theme of the need for pay adjustments in the wider economy, so that employment growth can resume as quickly as possible, thereby guarding against the re-emergence of structural unemployment.

## NATIONAL ACCOUNTS 2008 (Estimate)

### A: Expenditure on Gross National Product

	2007 €m	2008 Estimate €m	Change in 2008				
			€m		%		
			Value	Volume	Value	Price	Volume
Private Consumer Expenditure	91,948	93,863	1,915	-893	2.1	3.1	-1.0
Public Net Current Expenditure	27,275	28,901	1,626	716	6.0	3.3	2.6
Gross Fixed Capital Formation	49,429	39,474	-9,955	-7,663	-20.1	-5.5	-15.5
Exports of Goods and Services (X)	153,481	151,896	-1,585	-1,606	-1.0	0.0	-1.0
Physical Changes in Stocks	-146	317	464	447			
<b>Final Demand</b>	<b>321,986</b>	<b>314,451</b>	<b>-7,535</b>	<b>-8,998</b>	<b>-2.3</b>	<b>0.5</b>	<b>-2.8</b>
less:							
Imports of Goods and Services (M)	134,112	133,002	-1,110	-2,846	-0.8	1.3	-2.1
less:							
Statistical Discrepancy	-1,876	-365	-1,511	392			
<b>GDP at Market Prices</b>	<b>189,751</b>	<b>181,815</b>	<b>-7,936</b>	<b>-5,760</b>	<b>-4.2</b>	<b>-1.2</b>	<b>-3.0</b>
less:							
Net Factor Payments (F)	-28,507	-27,218	1,289	-1,276	-4.5	0.0	-4.5
<b>GNP at Market Prices</b>	<b>161,244</b>	<b>154,596</b>	<b>-6,648</b>	<b>-4,484</b>	<b>-4.1</b>	<b>-1.4</b>	<b>-2.8</b>

### B: Gross National Product by Origin

	2007 €m	2008 Estimate €m	Change in 2008	
			€m	%
Agriculture, Forestry, Fishing	3,249	2,890	-359	-11.0
Non-Agricultural: Wages, etc.	77,328	78,929	1,601	2.1
Other:	70,587	63,088	-7,499	-10.6
Adjustments: Stock Appreciation	-648	-186		
Statistical Discrepancy	-1,876	-365		
<b>Net Domestic Product</b>	<b>148,641</b>	<b>144,357</b>	<b>-4,283</b>	<b>-2.9</b>
less:				
Net Factor Payments	-28,507	-27,218	1,289	-4.5
<b>National Income</b>	<b>120,133</b>	<b>117,139</b>	<b>-2,994</b>	<b>-2.5</b>
Depreciation	17,849	17,470	-379	-2.1
<b>GNP at Factor Cost</b>	<b>137,982</b>	<b>134,609</b>	<b>-3,373</b>	<b>-2.4</b>
Taxes less Subsidies	23,262	19,987	-3,275	-14.1
<b>GNP at Market Prices</b>	<b>161,244</b>	<b>154,596</b>	<b>-6,648</b>	<b>-4.1</b>

### C: Balance of Payments on Current Account

	2007 €m	2008 Estimate €m	Change in 2008 €m
Exports (X) less Imports (M)	19,369	18,894	-475
Net Factor Payments (F)	-28,507	-27,218	1,289
Net Transfers	-990	-1,115	-125
<b>Balance on Current Account</b>	<b>-10,128</b>	<b>-9,439</b>	<b>689</b>
as % of GNP	-6.3	-6.1	0.2

### D: GNDI and Terms of Trade

	2006 €m	2007 Estimate €m	2007 Volume Change	
			€m	%
Terms of Trade Loss or Gain		1,961.0		
GNP Adjusted for Terms of Trade	161,244	154,799	-6,445	-4.0
GNDI*	160,254	153,699	-6,556	-4.1
National Resources**	160,293	153,767	-6,527	-4.1

\* GNDI is GDP adjusted for terms of trade and net international transfers.

\*\* GNDI including capital transfers.

## FORECAST NATIONAL ACCOUNTS 2009

### A: Expenditure on Gross National Product

	2008 Estimate €m	2009 Forecast €m	Change in 2009				
			€m		%		
			Value	Volume	Value	Price	Volume
Private Consumer Expenditure	93,863	85,547	-8,316	-6,570	-8.9	-2.0	-7.0
Public Net Current Expenditure	28,901	26,651	-2,250	-578	-7.8	-5.9	-2.0
Gross Fixed Capital Formation	39,474	25,633	-13,841	-12,033	-35.1	-6.6	-30.5
Exports of Goods and Services (X)	151,896	150,588	-1,308	-2,571	-0.9	0.8	-1.7
Physical Changes in Stocks	317	-1,386	-1,703	-1,146			
<b>Final Demand</b>	<b>314,451</b>	<b>287,033</b>	<b>-27,418</b>	<b>-23,432</b>	<b>-8.7</b>	<b>-1.4</b>	<b>-7.5</b>
less:							
Imports of Goods and Services (M)	133,002	123,558	-9,443	-10,262	-7.1	0.7	-7.7
less:							
Statistical Discrepancy	-365	-365	0	-131			
<b>GDP at Market Prices</b>	<b>181,815</b>	<b>163,840</b>	<b>-17,975</b>	<b>-13,039</b>	<b>-9.9</b>	<b>-2.9</b>	<b>-7.2</b>
less:							
Net Factor Payments (F)	-27,218	-27,606	-388	-388	1.4	0.0	1.4
<b>GNP at Market Prices</b>	<b>154,596</b>	<b>136,233</b>	<b>-18,363</b>	<b>-13,396</b>	<b>-11.9</b>	<b>-3.5</b>	<b>-8.7</b>

### B: Gross National Product by Origin

	2008 Estimate €m	2009 Forecast €m	Change in 2009	
			€m	%
Agriculture, Forestry, Fishing	2,890	2,601	-289	-10.0
Non-Agricultural: Wages, etc.	78,929	72,241	-6,689	-8.5
Other:	63,088	58,646	-4,443	-7.0
Adjustments: Stock Appreciation	-186	-200		
Statistical Discrepancy	-365	-365		
<b>Net Domestic Product</b>	<b>144,357</b>	<b>132,923</b>	<b>-11,435</b>	<b>-7.9</b>
less:				
Net Factor Payments	-27,218	-27,606	-388	1.4
<b>National Income</b>	<b>117,139</b>	<b>105,316</b>	<b>-11,823</b>	<b>-10.1</b>
Depreciation	17,470	16,245	-1,225	-7.0
<b>GNP at Factor Cost</b>	<b>134,609</b>	<b>121,561</b>	<b>-13,048</b>	<b>-9.7</b>
Taxes less Subsidies	19,987	14,672	-5,315	-26.6
<b>GNP at Market Prices</b>	<b>154,596</b>	<b>136,233</b>	<b>-18,363</b>	<b>-11.9</b>

### C: Balance of Payments on Current Account

	2008 Estimate €m	2009 Forecast €m	Change in 2009	
			€m	%
Exports (X) less Imports (M)	18,894	27,029	8,135	
Net Factor Payments (F)	-27,218	-27,606	-388	
Net Transfers	-1,115	-1,115	0	
<b>Balance on Current Account</b>	<b>-9,439</b>	<b>-1,692</b>	<b>7,747</b>	<b>4.9</b>
as % of GNP	-6.1	-1.2		

### D: GNDI and Terms of Trade

	2008 €m	2009 Estimate €m	2009 Volume Change	
			€m	%
Terms of Trade Loss or Gain		265		
GNP Adjusted for Terms of Trade	154,596	141,466	-13,131	-8.5
GNDI*	153,481	140,358	-13,123	-8.6
National Resources**	153,549	140,658	-12,891	-8.4

\* GNDI is GDP adjusted for terms of trade and net international transfers.

\*\* GNDI including capital transfers.

## FORECAST NATIONAL ACCOUNTS 2010

### A: Expenditure on Gross National Product

	2009 Forecast €m	2010 Forecast €m	Change in 2010				
			€m		%		
			Value	Volume	Value	Price	Volume
Private Consumer Expenditure	85,547	83,417	-2,130	-1,711	-2.5	0.5	-2.0
Public Net Current Expenditure	26,651	25,151	-1,500	-533	-5.6	-3.7	-2.0
Gross Fixed Capital Formation	25,633	20,381	-5,252	-3,979	-20.5	-5.9	-15.5
Exports of Goods and Services (X)	150,588	153,662	-1,379	1,653	2.0	0.9	1.1
Physical Changes in Stocks	-1,386	308	3,074	3,086			
<b>Final Demand</b>	<b>287,033</b>	<b>282,919</b>	<b>1,694</b>	<b>-3,330</b>	<b>-1.4</b>	<b>-0.3</b>	<b>-1.2</b>
less:							
Imports of Goods and Services (M)	123,558	122,070	-1,488	-1,446	-1.2	0.0	-1.2
less:							
Statistical Discrepancy	-365	-365	0	-20			
<b>GDP at Market Prices</b>	<b>163,840</b>	<b>161,214</b>	<b>-2,626</b>	<b>-1,863</b>	<b>-1.6</b>	<b>-0.5</b>	<b>-1.1</b>
less:							
Net Factor Payments (F)	-27,606	-28,086	-480	-480	1.7	0.0	1.7
<b>GNP at Market Prices</b>	<b>136,233</b>	<b>133,128</b>	<b>-3,106</b>	<b>-2,305</b>	<b>-2.3</b>	<b>-0.6</b>	<b>-1.7</b>

### B: Gross National Product by Origin

	2009 Forecast €m	2010 Forecast €m	Change in 2010	
			€m	%
Agriculture, Forestry, Fishing	2,601	2,601	0	0.0
Non-Agricultural: Wages, etc.	72,241	67,401	-4,839	-6.7
Other:	58,646	60,398	1,753	3.0
Adjustments: Stock Appreciation	-200	-200		
Statistical Discrepancy	-365	-365		
<b>Net Domestic Product</b>	<b>132,923</b>	<b>129,836</b>	<b>-3,087</b>	<b>-2.3</b>
less:				
Net Factor Payments	-27,606	-28,086	-480	1.7
<b>National Income</b>	<b>105,316</b>	<b>101,750</b>	<b>-3,567</b>	<b>-3.4</b>
Depreciation	16,245	15,905	-340	-2.1
GNP at Factor Cost	121,561	117,655	-3,907	-3.2
Taxes less Subsidies	14,672	15,473	801	5.5
<b>GNP at Market Prices</b>	<b>136,233</b>	<b>133,128</b>	<b>-3,106</b>	<b>-2.3</b>

### C: Balance of Payments on Current Account

	2009 Estimate €m	2010 Forecast €m	Change in 2010	
			€m	%
Exports (X) less Imports (M)	27,029	31,592	4,562	
Net Factor Payments (F)	-27,606	-28,086	-480	
Net Transfers	-1,115	-1,115	0	
<b>Balance on Current Account</b>	<b>-1,692</b>	<b>2,390</b>	<b>4,082</b>	
as % of GNP	-1.2	1.8	3.0	

### D: GNDI and Terms of Trade

	2009 €m	2010 Estimate €m	2009 Volume Change	
			€m	%
Terms of Trade Loss or Gain		1,474		
GNP Adjusted for Terms of Trade	136,233	135,402	-831	-0.6
GNDI*	135,118	134,287	-832	-0.6
National Resources**	135,186	134,587	-600	-0.4

\* GNDI is GDP adjusted for terms of trade and net international transfers.

\*\* GNDI including capital transfers

