PRESS RELEASE

26 April 2012 - 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 International Monetary Fund (IMF) visited Dublin for the regular quarterly review of the government's economic programme from 17 to 26 April 2012. Ireland's policy implementation remains on track, nonetheless considerable challenges remain. Ensuring a recovery in Ireland's highly open economy will require that these policy efforts continue, and that the external environment improves. 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.

Ireland's programme implementation continues to be strong. Fiscal targets for 2011 were met with a healthy margin, and the consolidation remained on track in the first quarter of 2012. The authorities have also pressed ahead with comprehensive reforms to restore the health of the Irish financial sector. Market confidence in Ireland's policies has improved, contributing to some stabilisation in Irish bond spreads, although they remain elevated.

The government is advancing its jobs and growth agenda. In recognition of the more challenging external environment, the authorities are establishing a working group to review and adapt their strategy for growth and job creation by enhancing the economy's competitiveness and flexibility further while safeguarding social cohesion. The authorities' approach to labour activation is outlined in the recently published "Pathways to Work" strategy, while the Action Plan for Jobs sets out measures to facilitate job creation. Progress in this area is essential to bring down the high level of unemployment.

Fiscal consolidation efforts remain on track in 2012. The 2011 general government deficit (excluding bank support costs) is now estimated at 9.4% of GDP, well within the programme ceiling of 10.6%. The targets for end-March 2012 on the Exchequer primary balance and net debt were also met, reflecting the authorities' prudent budget design and implementation. The budget is on track for achieving the 2012 deficit ceiling of 8.6% of GDP.

Ongoing work to restore the health of the Irish financial system is critical for enabling a recovery of domestic demand. Efforts to strengthen the quality of bank assets are intensifying through strategies for dealing with mortgage and small and medium-sized enterprises' loan arrears. The personal insolvency reform will further facilitate the resolution of unsustainable debts, with the authorities taking care to balance the rights of debtors and creditors, and to uphold Ireland's tradition of debt servicing discipline. Finally, Permanent TSB is moving ahead with completing its restructuring plan.

Nonetheless, considerable challenges remain. Economic growth is expected to remain modest in 2012, at around ½%. The benefits of continued gains in competitiveness are limited by relatively low trading partner growth, while domestic demand continues to decline and the banking sector faces difficult market funding conditions. Technical work on further financial sector reforms to support prospects both for a recovery of domestic demand and for Ireland regaining market access continues. Overall, strong policy efforts by the Irish authorities, together with the support of Ireland's partners, will be needed to achieve the goals of the programme in these challenging circumstances.

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 is scheduled to make available a disbursement of €1.4 billion by the IMF, and €2.3 billion by the EU. The mission for the next programme review is scheduled for July 2012.

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