Mixed picture in trading partner performance

Key Points

- UK growth ahead of expectations
- Strong rebound in growth in Q2 in the US
- Euro area growth has disappointed
- Euro area, US and UK combined represent about two thirds of exports
Export growth has rebounded

Key Points
- Export growth of 13.0 per cent recorded in Q2
- Services exports have remained strong over the last number of quarters
- Goods exports have bounced back from dip in pharmaceutical output in 2013
Strong retail sales recovery in 2014

Key Points

- Retail sales up 7% (y-o-y) over the eight months to August 2014
- Supported by strong car sales – new vehicles licensed for the first time for Jan-Sep 2014 up over 28% year-on-year
- Tax impact is visible – both VAT and excise up 6.5% in year to end-September
Labour market recovery

Key Points

- Employment numbers surprised on the upside in 2013, up 2.4%
- Claimant measure of unemployment (Live Register) declining rapidly – see chart
- Unemployment rate at 11.1% in September
Unemployment now below euro area average

Key Points

- Irish employment increased by 1.7% (y-o-y) in Q2 2014 – the 7th successive quarter of annual growth and up 4% from trough

- Unemployment has fallen 4pp since early 2012, now below the euro area average
Key Points

- HICP inflation at 0.4% in first nine months of year
- Energy effect has weighed down on inflation in the year to date
- Evidence of spare capacity in economy as well as weak global inflationary pressures

Inflationary pressures have been weak
Section 1  Macroeconomic Developments  Slides 3-8

Section 2  Macroeconomic Outlook  Slides 9-11

Section 3  Developments in Public Finances  Slides 12-14

Section 4  Debt/Deficit Projections  Slides 15-18
## Budget 2015 macroeconomic forecasts

<table>
<thead>
<tr>
<th>Year-on-Year % change</th>
<th>2013 Outturn</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>0.2</td>
<td>4.7</td>
<td>3.9</td>
<td>3.4</td>
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<td>GNP</td>
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<td>Nominal GDP</td>
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<td>Personal Consumption</td>
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<td>Government Consumption</td>
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<td>Investment</td>
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<td>12.7</td>
<td>7.6</td>
<td>7.5</td>
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<td>Stocks (pp cont)</td>
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<td>-0.2</td>
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<tr>
<td>Exports</td>
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<td>4.8</td>
<td>4.3</td>
<td>4.3</td>
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<tr>
<td>Imports</td>
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<td>5.3</td>
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<td>HICP</td>
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<td>GDP Deflator</td>
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<td>Current a/c (% of GDP)</td>
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## Labour market forecasts

<table>
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<th>2013 Outturn</th>
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<th>2016</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>Employment (% y-o-y growth)</td>
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<td>Unemployment rate (annual average)</td>
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<td>Labour productivity (GDP per person employed)</td>
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<td>1.4</td>
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</table>
Section 1  Macroeconomic Developments  Slides 3-8

Section 2  Macroeconomic Outlook  Slides 9-11

Section 3  Developments in Public Finances  Slides 12-14

Section 4  Debt/Deficit Projections  Slides 15-18
Fiscal performance strong in 2014

Key Points

- Tax receipts of €28,873 million to Q3, up 7.4% year-on-year
- €703 million (2.5%) above expectations
- Strength visible across a range of tax categories
- Gross voted expenditure down 0.9% year-on-year to Q3
- Solid platform on which to base Budget 2015
Yields on Irish debt continue to fall

Key Points

- Irish yields have continued to fall right through 2014
- 10-year yield is down from a peak of 14% in July 2011
- Investor sentiment remains positive with new 10-year issuance at 1.63% on 9 October
Section 1  Macroeconomic Developments  Slides 3-8

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Section 3  Developments in Public Finances  Slides 12-14

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## Budget 2015 fiscal forecasts

<table>
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<tr>
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<th>2013 Outturn</th>
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<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying general government balance (% of GDP)</td>
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<td>-3.7</td>
<td>-2.7</td>
<td>-1.8</td>
<td>-0.9</td>
<td>0.3</td>
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<tr>
<td>Underlying general government primary balance (% of GDP)</td>
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<td>1.9</td>
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<td>Debt-to-GDP ratio</td>
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<td>110.5</td>
<td>108.5</td>
<td>104.0</td>
<td>100.5</td>
<td>95.4</td>
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</table>

Note: the general government balance is presented on an underlying basis, i.e., adjusted for the effect of certain financial sector supports, which are excluded for the purpose of adherence to the EDP targets.

Technical assumption made that voted spending remains unchanged from 2015 levels. Policy decisions will be taken in future Budgets to ensure compliance with Ireland’s obligations under the fiscal rules.
Fiscal targets exceeded once again

Key Points

- Chart shows underlying deficit (green bars) compared to European ceiling (blue diamonds)

- Over-performance on deficit reduction every year so far

- Underlying deficit -3.7% forecast for this year – well within -5.1% EDP ceiling

- Forecast of -2.7% in 2015, within EDP ceiling of 3.0% providing a prudent buffer
Debt ratio on firm downward trajectory

Key Points

- Gross debt peaked at 123.3% of GDP in 2013 and is set to fall to 110.5% of GDP this year
- Net debt of 90.8% of GDP in 2014
- Debt-reducing primary surplus expected in 2014
- Sustained primary surpluses and favourable growth and interest rates to support debt reduction over medium term
This presentation is for informational purposes only.

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