EUROPEAN COMMISSION

MEMO

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Statement by EC, ECB and IMF on the Tenth Review Mission to Ireland

Staff teams from the European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) visited Dublin during April 23rd – May 2nd, 2013 for the tenth review of the government's economic programme and met with a range of stakeholders. Ireland's programme remains on track, the gradual recovery is continuing and there have been further improvements in market conditions for the sovereign and the banks. The authorities have made significant progress on financial sector repair and restoring sustainability to the public finances, yet remaining challenges require continuing policy efforts. Mission teams discussed policies for the tenth review, completion of which is subject to EU and IMF approval processes. Teams also discussed with the Irish authorities preparations for programme exit.

Ireland's economic recovery is continuing, with growth forecast at about 1 percent in 2013 and just over 2 percent in 2014. Weaker than anticipated economic activity in main trading partners is weighing on exports, but domestic demand is somewhat stronger than expected.

A 10-year benchmark bond was recently auctioned successfully and its yield has since declined to a low of around 3½ percent. Funding conditions for banks have also improved. Strong investor interest reflects growing international confidence in Ireland's steadfast policy implementation and improvements in the sovereign's debt service outlook stemming from recent European decisions.

Sustaining Ireland's fiscal performance is key to durable market financing. The 2012 fiscal target was comfortably met and the budget remained on track in the first quarter of 2013. The strict implementation of Budget 2013 measures, including in the health sector, is essential to meet the government's commitment to a 2013 deficit ceiling of 7.5 percent of GDP.

The normalisation of the financial sector is gradually continuing with the smooth phase-out of the Eligible Liabilities Guarantee scheme. After a disappointingly slow start, banks are working towards meeting ambitious targets to ensure a durable reduction in mortgage arrears and the authorities will need to monitor this process closely. Further progress by banks in resolving unsustainable SME debts is needed to help bolster job creation.

While a pick-up in growth is needed to meaningfully reduce high unemployment, further policy efforts are important to address its increasingly structural nature. Further progress in enhancing engagement with the unemployed, including through the continued rollout of Intreo offices (which provide a single point of contact for all employment and income supports) and a redeployment of case workers, will ensure an even quality of activation and training services throughout the country. The significant progress Ireland has made in recovering lost competitiveness in recent years should be continued through opening up competition in sheltered sectors such as legal services. Concluding disposal of state assets can support job-creating investment projects.

The key objectives of Ireland's EU-IMF supported programme are to address financial sector weaknesses and put Ireland's economy on the path of sustainable growth, sound 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 billion and a €22.5 billion Extended Fund Facility with the IMF. Conclusion of this review would make available a disbursement of €1 billion by the IMF and €1 billion by the EFSF, with EU member states expected to disburse a further €0.5 billion through bilateral loans. The next review mission is scheduled for July 2013.