



## SPRING 2011 ECONOMIC OUTLOOK FOR IRELAND: ANSWERS FROM IBEC

### MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	-0,5	1,8
Consumer price inflation	-1,6	1,5
Unemployment rate	13,5	13,2
Employment growth	-3,8	-0,6
Government net lending (% of GDP)	-32,0	-10,0
Gross public debt (% of GDP)	99,5	103,0
Current account balance (% of GDP)	-1,3	0,2

### Components of aggregate demand - in real terms

Annual % change	2010	2011
Private consumption	-1,7	-0,5
Public consumption	-4,5	-4,5
Investment (Gross Fixed Capital Formation)	-25,2	-3,5
Private non-residential investment	-5,0	5,0
Exports	8,4	5,8
Imports	4,1	3,2

### ECONOMIC SENTIMENT

	Positive	Negative	Unchanged
<b>Trend in business climate over the next 6 months</b>	Industry		
	Services		

	Positive	Negative	Unchanged
<b>Trend in profitability over the next 6 months</b>	Industry		
	Services		

	Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
<b>Investment intentions over the next 6 months</b>	Industry				
	Services				

	Global demand	Domestic demand	Cost of finance	Availability of finance	Company Profitability	Capacity Utilisation
<b>Influence on companies' investment decisions</b>	positive	negative	negative	negative	positive	positive

	Replacement	Extension	Rationalisation	Innovation
<b>Driving force behind investment decisions in the next 6 months</b>	positive	positive	neutral	positive

	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months
<b>Overall trend in employment</b>	Down	Up	Down	Down

**ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH**

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b> Cost Access	<b>same</b>	<b>down / easier</b>
<i>for larger companies (&gt;250 employees)</i>		Cost	Access	

<i>Over the next 6 months, cost /access to finance will be... for SMEs</i>	<b>sharply up / restrained</b>	<b>up / more difficult</b> Cost Access	<b>same</b>	<b>down / easier</b>
<i>for larger companies (&gt;250 employees)</i>		Cost	Access	

	<b>Consolidation of banking sector balance sheets</b>	<b>Access to capital markets</b>	<b>Engcouraging equity financing through tax reforms</b>	<b>Better use of existing EU instruments (including EIB)</b>	<b>Greater potential for Public-Private-Partnerships</b>
<i>Measures to alleviate current financial difficulties for SMEs</i>	Important effect	Important effect	Important effect	Very limited effect	Very limited effect
	<b>Consolidation of banking sector balance sheets</b>	<b>Access to capital markets</b>	<b>Engcouraging equity financing through tax reforms</b>	<b>Better use of existing EU instruments (including EIB)</b>	<b>Greater potential for Public-Private-Partnerships</b>
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Very limited effect	Very limited effect	Very limited effect	Very limited effect	Very limited effect



**POLICY MIX**

	<i>Tight, appropriate for the euro area</i> yes	<i>Tight</i>	<i>Appropriate</i>	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i> yes	<i>inadequate</i>			
<i>Regarding the sustainability of public finances, government shows ...</i>	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Exit Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>Tight fiscal rules and more effective institutions</i>		yes			
<i>Greater efficiency of public administrations</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private partnerships</i>				yes	
<i>Reform of pension systems</i>			yes		
<i>Improved efficiency of healthcare sector</i>				yes	
<i>Entry Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&amp;D and innovation efforts</i>			yes		
<i>Prioritisation of infrastructure investments</i>			yes		
<i>Growth enhancing tax reforms</i>			yes		
<i>In 2015, the government deficit will...</i>	<i>respect the 3% limit</i> yes	<i>be in balance</i> no			