



Irish Economics
A Glass Half Full?
October 2011



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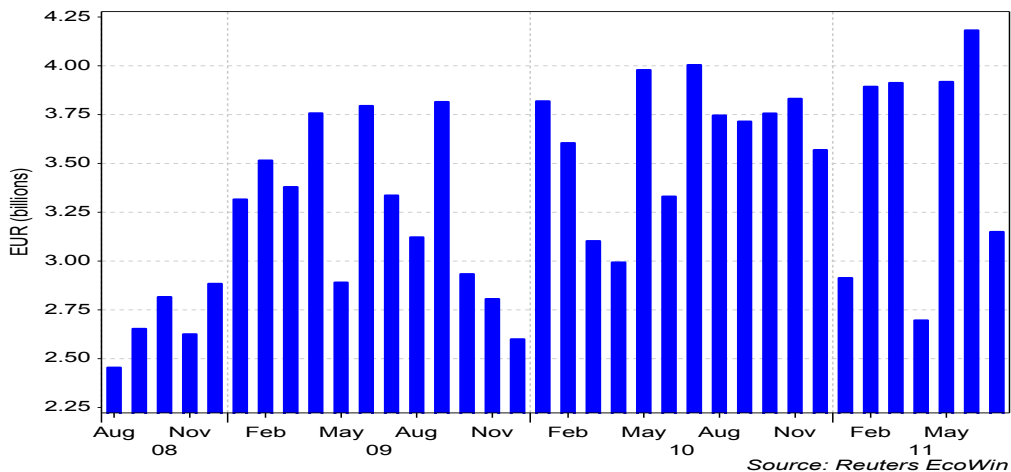
Executive Summary



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- More than two years into a global economic recovery, the rich world again threatens to drag the developing world into recession, while monetary and fiscal authorities look ill-equipped to react forcefully. The United States is mired in a deep jobs crisis and a raft of recent economic data have pointed to sluggish growth though not recession. Ten years on from the September 11 terrorist attacks, Americans struggle with an economy that continues to leave many workers behind. One particular figure is striking: despite population growth over the last decade, the number of employed Americans at 131.3 million was lower in August 2011 than it was in September 2001, when it stood at 131.52 million.
- The slowdown in the world economy couldn't have come at a worse time for Ireland given the importance of the manufacturing/export sector to Irish recovery prospects. In the first seven months of 2011, manufacturing output was just 0.7% higher on average than in January-July 2010. When compared to the strong performance of the industrial sector in the second half of 2010 and the healthy average growth rate in manufacturing output of 8.3% for last year as a whole, the figures in 2011 to date have been somewhat disappointing, and a lot will depend on what happens to the world economy and global demand in the next few months. But the omens don't look too good at the moment. However, Ireland is better placed than most to capitalise when the world economy regains momentum, and we still believe a strong manufacturing production/export performance will provide the platform for a sustainable Irish economic recovery over the next few years.

Irish Seasonally Adjusted Trade Balance



- Although the export sector will remain the key driver of Ireland's economic recovery in the short-term at least, and exports on their own account for over 100% of GDP, the reality is that when imports are taken into account, net exports are only equivalent to between a fifth and a quarter of national output, with the consumer the biggest part of GDP at more than 50%. Therefore, if the economy is to regain significant traction over the next few years, weaning consumers off their savings and getting them back in to spending mode is essential.
- If consumer confidence is to be restored in Ireland then the employment situation needs to improve dramatically and any measures that can be taken by the government (particularly with the blessing of the country's creditors) to boost the labour market can only be good news in the long-run. The bottom line is that households need to be incentivised to spend their money either directly, or indirectly, through targeting the labour market with economic initiatives to boost employment numbers.



- The latest Quarterly National Household Survey (QNHS) released by the Central Statistics Office provided further evidence of the huge task facing the government in getting people back to work and reducing the unemployment rate, though the second quarter data did at least show another fall in the annual rate of decline in the numbers employed. The latest figures show that the labour market remains very weak, and things are likely to get worse before they get better given the current slowdown in the world economy. So any steps the government can take to boost employment would be very welcome. As things currently stand, it now looks like the monthly standardised unemployment rate will peak at around the 14.5% level.

Employment & Unemployment (Annual average)

(000s)	2009	2010	2011 (f)	2012 (f)
Industry	411	360	330	310
Services	1,422	1,403	1,399	1,402
Agriculture	96	85	84	85
Total	1,929	1,848	1,813	1,797
Unemployment (LFS Basis)	259	292	300	293
Labour Force	2,187	2,140	2,113	2,090
Jobless Rate (% of labour force)	11.8	13.6	14.2	14.0

Following the deflationary pattern of 2009 and 2010, it appears that Ireland will be returning back to an inflationary environment in 2011, though mainly it has to be said driven by external forces. With the world economy slowing down, we now think the average headline inflation rate will be close to 2.5% in 2011 compared with our previous estimate of around 3.0%. Given global developments it is hard to see headline inflation being above 2.0% next year.

- Despite the slowdown in the world economy we think Ireland will meet its budget targets this year, with the real test being to get the General Government Deficit down to 8.6% of GDP next year and to under 3.0% of GDP by 2015. The domestic economy remains extremely weak and the government needs a turnaround in private demand if it is to reach the sort of annual growth rates necessary to make inroads into its debt burden, which is officially projected to peak at 116% in 2013. Still, the signs are that the country is heading in the right direction, and despite some setbacks remains well positioned to get out of its financial mess and move forward over the next few years.
- Although there are still clear downside risks, we remain hopeful that after three successive years of contraction the Irish economy will return to positive GDP growth in 2011 followed by a stronger performance over the next couple of years all things being equal. Given the strong performance in the first half of 2011, we are leaving our current GDP growth forecast for this year of 0.8% unchanged, but are pushing down our projection for next year to 1.5% from 2.0% previously due to the slowdown in the world economy.

	Real GDP Growth	Real GNP Growth	Average Inflation Rate	General Govt Balance		Unemployment		Debt/GDP
	(%)	(%)	(%)	€m	% GDP	Level	Rate (%)	Ratio (%)
						'000		
2009	-7	-9.8	-4.5	-23,400	-14.6	259	11.8	65.5
2010	-0.4	0.3	-1.0	-50,115	-32.1	292	13.6	95.7
2011	0.8	0.4	2.5	-16,190	-10.0	300	14.2	109.5
2012 (f)	1.5	1.0	2.0	-14,690	-8.6	293	14.0	114.0



• **Living on the edge**

More than two years into a global economic recovery, the rich world again threatens to drag the developing world into recession, while monetary and fiscal authorities look ill-equipped to react forcefully. The United States is mired in a deep jobs crisis that makes many economists fear President Barack Obama's latest \$450bn stimulus bid will fail to put a significant dent in the 9.1% jobless rate. Job growth stagnated in August, a key factor in the Federal Reserve's decision to ease monetary policy further at its most recent FOMC meeting.

In Europe, financial conditions are deteriorating rapidly, with the Eurozone's third largest economy, Italy, again near the top of the market's worry list. International Monetary Fund staff are concerned that the IMF's resources may prove sorely lacking if global financial conditions worsen and more countries turn to the lender for financial rescues.

Market volatility stemming from this uncertainty has exerted a palpable drag on emerging economies. Brazil, for instance, recently posted a string of disappointing numbers that drove the country's central bank to cut interest rates. Meanwhile, the Group of Twenty finance ministers agreed at a recent gathering in Washington to respond in concert to a slowdown in the world economy but produced no concrete action to calm markets spooked by signs of faltering growth and financial turmoil. China's economic performance has remained robust, with GDP seen expanding 9.0% in real terms this year and at least 8.0% in 2012. Still, many analysts fear trouble could be brewing, and Fitch Ratings warned early in September that it might downgrade China's credit rating within two years due to the large debt loads of the country's banks. All in all, the picture for the world economy looks none too bright at the moment.

World GDP Forecasts

%	2009	2010	2011 (f)	2012 (f)
World	-0.5	5.1	3.8	4.0
US	-2.6	2.9	1.8	2.3
Japan	-6.3	4.0	-0.5	2.8
China	9.2	10.3	9.3	9.0
Eurozone	-4.1	1.8	1.6	1.5
UK	-4.9	1.3	1.2	1.5
Ireland	-7.0	-0.4	0.8	1.5

• **Sluggish growth**

In the United States, a raft of recent economic data has pointed to sluggish growth but not recession. Ten years on from the September 11 terrorist attacks, Americans struggle with an economy that continues to leave many workers behind. One particular figure is striking: despite population growth over the last decade, the number of employed Americans was lower in August 2011 — 131.3 million, than it was in September 2001, when it stood at 131.52 million. A Brown University study published earlier this year pegged the total cost of the wars in Iraq and Afghanistan at close to \$4 trillion, nearly 10 times the size of the package Obama proposed in early September to spur jobs growth.

As for Obama's jobs plan, the market reviews have been mixed at best, partly due to concerns that the proposals on offer are more of the same policies that have failed to raise growth and partly related to concerns Republicans in Congress will block many of the measures. However, with elections due in 2012, politicians cannot afford to dither about as regards passing stimulus measures to boost the world's largest economy. The debt ceiling row did a lot of damage as to how international investors perceive the United States, and one would hope that Congress had learnt its lesson. Our gut feeling is that stimulus will be passed that will boost the US economy in 2012, and that will be good news all round. But for now, it looks like economic activity in the US and Europe will remain muted, and that will have adverse consequences for Ireland just at a time when things were starting to look up, particularly in relation to our export side. After posting average GDP growth of 1.3% in the first half of 2011, the second half is likely to be a lot weaker for the Irish economy.



In the first seven months of 2011, manufacturing output in Ireland was just 0.7% higher on average than January-July 2010. When compared to the strong performance of the industrial sector in the second half of 2010 and the healthy average growth rate in manufacturing output of 8.3% for last year as a whole, the figures in 2011 to date have been somewhat disappointing, and a lot will depend on what happens to the world economy and global demand in the next few months. But the omens don't look too good at the moment. One would expect this to be reflected in Ireland's export performance in the second half of the year. Overall manufacturing output in 2011 could be lower in volume terms than in 2010. With domestic demand so weak it is vital for the economy that the manufacturing sector remains strong, but now this area is coming under pressure, which doesn't augur well for overall GDP growth prospects in 2011 and 2012. However, when the world economy regains momentum, Ireland is better placed than most to take advantage of that, and we still believe a strong manufacturing production/ export performance will provide the platform for a lasting Irish economic recovery.

• world slowdown to impact negatively on Ireland

The latest Quarterly National Accounts, which saw GDP increasing by an impressive 2.3% year-on-year in real terms in the second quarter after a marginal rise of 0.3% in the first three months of 2011, again highlighted the underlying weakness of the domestic side of the economy, and it is difficult to see things improving any time soon on this front especially given the labour market outlook and the prospect of further fiscal austerity in Budget 2012. With personal expenditure accounting for more than half of GDP, and consumers still very much under pressure, the risks to GDP remain to the downside, especially with the export sector now set to weaken. But the positive momentum in the first half of the year should be enough to ensure that Ireland after three successive years of contraction posts its first overall positive growth rate since 2007, in 2011. We are leaving our current GDP growth forecast for this year of 0.8% unchanged, but are pushing down our projection for next year to 1.5% from 2.0% previously due to the slowdown in the world economy.

Bloxham Main Economic Forecasts

%	2009	2010	2011 (f)	2012 (f)
GDP	-7.0	-0.4	0.8	1.5
Consumer Spending	-6.9	-0.8	-2.3	0.0
Fixed Investment	-28.7	-24.9	-12.5	-3.0
Government Spending	-4.5	-3.8	-3.3	-3.5
Total Domestic Demand	-11.7	-5.8	-4.0	-1.1
Exports	-4.2	6.3	4.5	3.2
Imports	-9.3	2.7	1.5	2.0
Consumer Prices	-4.5	-1.0	2.5	2.0
Unemployment Rate	11.8	13.6	14.2	14.0

The latest quarterly report from a team of European Commission/ECB/IMF inspectors gave Ireland the thumbs up as regards its efforts to get its budgetary situation under control. However, it warned that the rising figures for long-term unemployment needed "considerable attention" as the country's unemployment rate has gone from around 4.0% at the height of the economic boom to 14.3% now. The Irish government is well aware that there is no easy fix to the unemployment problem, and things are unlikely to improve on the jobs front until the economy starts to grow again on a sustained basis. Recent newspaper reports suggest the Fine Gael/Labour coalition wants to use the proceeds from the sale of state assets to fund job creation schemes. Dublin currently plans to raise €2bn (though the figure could possibly be increased) from the sale of non-strategic assets and the government is hoping that its creditors at the EU, ECB and IMF will allow the proceeds to be re-invested for jobs rather than pay down debt. If consumer confidence is to be restored in Ireland then the employment situation needs to improve dramatically and any measures that can be taken by the government (particularly with the blessing of the country's creditors) to boost the labour market can only be good news in the long-run.

• labour market initiatives urgently required

Personal Spending

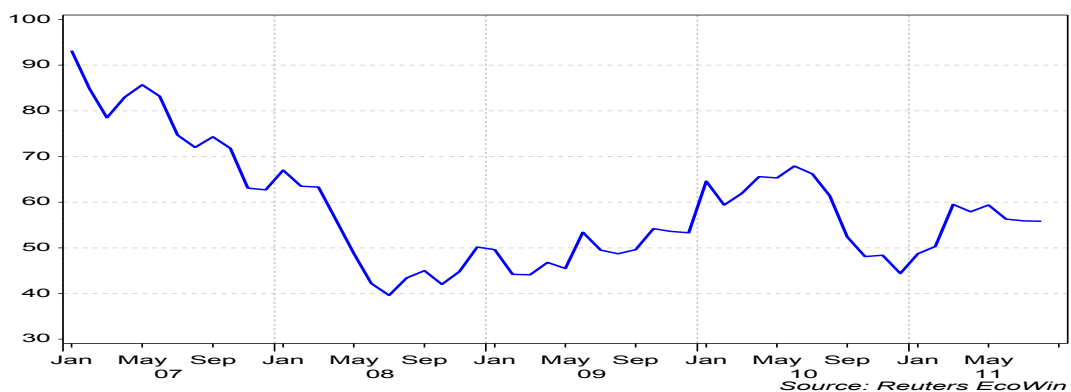


- consumers still very much under water

Following the boom period of the “Celtic Tiger” era things have changed dramatically, and for the worse in recent years. There is no sign of an immediate improvement in personal spending trends. Despite the temporary uplift and morale boost from the mid-year visits to Ireland by Queen Elizabeth II and US President Barack Obama, consumer sentiment has struggled to hold up since and in fact is expected to remain fairly weak over the rest of the year as households continue to grapple with high levels of personal indebtedness and the erosion of disposable incomes arising from fiscal consolidation measures, higher interest rates and weak labour market conditions. With the unemployment rate stuck firmly above the 14% level and no immediate sign of an underlying improvement in the employment situation, consumers are expected to remain very cautious in the short-term, impacting negatively on retail sales. The one area that did well up to the middle of 2011 was car sales but it is clear that there was some frontloading of car purchases before the expiry of the “scrapage scheme” in June this year. Sales since then would bear that out, with a sharp drop in activity.

With not much scope for a significant decrease in the savings rate, consumer spending is likely to maintain the downward trend of recent years with declining real disposable incomes being the main driver. All in all, personal spending on goods and services is expected to fall in real terms for the fourth year running in 2011. Even with the recently announced VAT decreases for certain goods/services from July 1, consumers are expected to remain cautious next year and the savings rate is likely to stay high, albeit declining somewhat as households continue to run down still high levels of personal debt. Incomes may gain some support from a slight improvement in labour market conditions, and possibly lower interest rates, but this will be offset by the impact of ongoing fiscal consolidation efforts. In the first half of 2011, personal spending on goods and services was 2.7% lower on average in the year in real terms according to the most recent Quarterly National Accounts, and expenditure is likely to stay fairly depressed over the remaining two quarters. At this point in time we are now projecting an overall decrease in spending of 2.3% in 2011. As regards 2012, we think households will remain in cautious mode, keeping the savings rate at an elevated level. All told, another year of subdued personal spending is on the cards, with expenditure forecast to at best be unchanged from 2011.

KBC Ireland/ESRI Consumer Confidence Index



- incentivising consumers to spend is key

Although the export sector will remain the key driver of Ireland’s economic recovery in the short-term at least, and exports on their own account for over 100% of GDP, the reality is that when imports are taken into account, net exports are only equivalent to between a fifth and a quarter of national output, with the consumer the biggest part of GDP at more than 50%. So, if the economy is to regain significant traction over the next few years, then weaning consumers off their savings and getting them back into shops again and into spending mode is essential. We’ve already seen the positive impact on the motor industry from the introduction of a “scrapage scheme” over an 18-month period and this type of policy which incentivises consumers to part with their money needs to be broadened out to all areas of retail expenditure, especially now as the Exchequer has saved some money on the EU interest-rate component of its bailout deal. If consumers continue to remain cautious then the chances of generating enough overall economic growth to meet our budgetary targets will be seriously diminished. The bottom line is that in these uncertain times households need to be incentivised to spend their money.



Government Spending:

The volume of government consumption declined by 3.8% in real terms last year, compared with a fall of 4.5% in 2009. On the basis of expenditure plans set out in the Budget and in the Programme for Government, the volume of government spending is projected to decline by 3.3% this year and 3.5% in 2012.

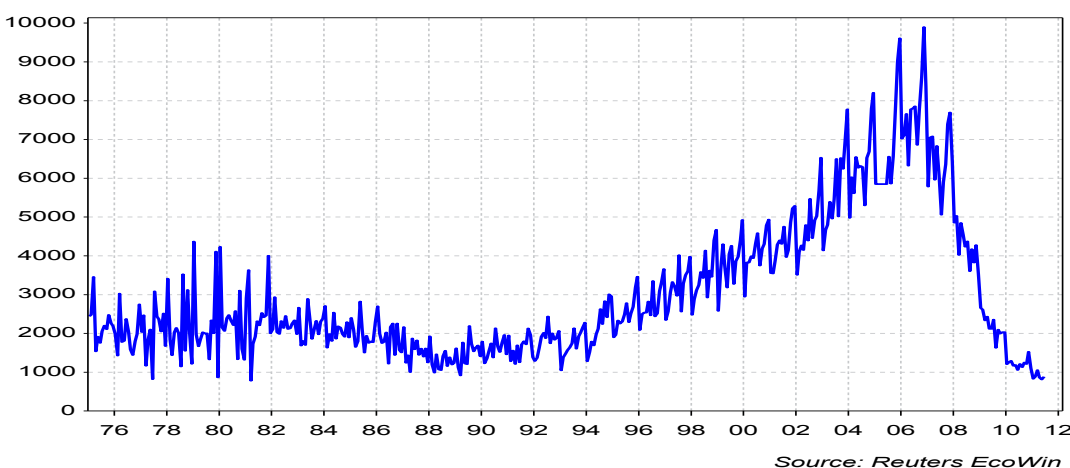
• government spending to continue falling

Investment:

The prospects for a recovery in domestic demand remain overshadowed by persistent weakness in fixed investment, or in other words the construction sector. The most recent Quarterly National Accounts, relating to the second quarter of 2011, showed building and construction investment down for the sixteenth quarter running. Quite simply, the building industry remains in steady decline with its share of national output now back in single digits, a far cry from close on 25% at the height of the boom. Within construction, the decline in housing investment has been particularly marked, falling from almost 15% of national output in 2005 to just 3.5% in 2010. Indicators for the year to date along with anecdotal evidence suggest that residential housing and commercial investment are bottoming out after their sharp declines in recent years. However, new house completions are only likely to be around 12,000 this year, well below the peak of 93,000 hit in 2006. Little change is expected in 2012. The housing market remains weak as tight credit, unfavourable employment conditions, higher interest rates and concerns about more declines in residential property prices continue to shape expectations. The extent of the housing supply overhang is also set to depress investment activity in this sector in the coming years. Meanwhile, activity in non-residential construction is also set to have a negative impact on domestic demand in both 2011 and 2012. While the signs are that the fall in commercial property prices is slowing, activity within all sectors remains weak, with still significant overhangs in the retail, industrial and office markets persisting. A further increase in commercial property brought to the market is likely as NAMA and borrowers unwind their positions. As a result it is fair to assume that substantial investment will not be undertaken in these sectors in the immediate future. The outlook for the civil engineering side is none too bright either, particularly against a background of continued consolidation in public capital expenditure. Non-residential investment is projected to fall by 17% in 2011 and 10% in 2012.

• outlook for construction sector still bleak

Irish Monthly House Completions



Irish construction activity continued to decline in August according to the most recent Ulster Bank Construction Purchasing Managers' Index (PMI). The index rose to 43.5 from 42.1 in July, but remained well below the 50 mark separating growth from contraction. The August outcome extended the period of decline for the PMI to 51 months. Alongside the overall drop in activity, further falls were recorded in new orders, employment and purchasing activity. Meanwhile, input price inflation continued to ease from the rates seen earlier in the year. New orders declined for the twelfth month running and the rate of decrease accelerated over the month. The latest PMI was further confirmation that the backdrop for the Irish construction market remains extremely challenging and shows little prospect of a recovery in the nearterm.

• construction PMI data still very negative



Stocks

- **stock changes to make a lower positive GDP contribution in 2011** The rate of decline in stocks moderated significantly in 2010, resulting in a positive contribution to GDP growth of 0.8 percentage points. But stocks are forecast to contribute half that amount in 2011 and half that again next year, as the pace of de-stocking eases further.

External Trade

- **export performance set to weaken in second half of 2011** For 2010 as a whole, the trade surplus amounted to €43,437m, a new record high, and €4,259m greater than the cumulative surplus of the then record high of €39,178m posted in 2009. According to the most recent Quarterly National Accounts, the positive momentum in merchandise export activity continued during the first half of 2011, with the volume of merchandise exports increasing by 5.5% year-on-year on average. But, the worry is that growth will decrease markedly in the second half of 2011 due to the slowdown in the world economy and the fall-off in global demand. The latest monthly trade figures which saw a seasonally adjusted 11.7% decline in exports in July and a fall of almost 25% in the trade surplus to €3,151m from a record high of €4,183m posted in June, don't bode well. The export sector will be the key driver of Ireland's economic recovery in the short-term at least and the performance in the year to date has been very good all things considered. However, with signs that the global economy is slowing down, Ireland's export figures are likely to weaken in the coming months, which in turn will have negative implications for the country's overall growth prospects this year. Still, it is clear that Ireland has a very healthy and dynamic export model, putting it in a much better position than other Eurozone "peripheral" debt countries to move forward once the world economy regains momentum. In addition to developments in external demand, the outlook for merchandise exports in 2011 also depends upon the market share of world exports that Irish exporters can capture. The pace of recovery across regions is expected to be somewhat uneven, with a weaker expansion in prospect for some of Ireland's main trading partners such as the US and UK, particularly in comparison to that of emerging economies. As a consequence, some modest loss in Ireland's overall external market share is expected to arise. But, the continued improvement in the competitiveness of Irish exports due to the lowering of the cost base means that such losses in market share look set to be contained. Following a record merchandise trade surplus of €43,437m in 2010, it now looks like the surplus in 2011 will be in the €42-44bn range.

Balance of Payments on Current Account (€m)

	2009	2010	2011 (f)	2012 (f)
Trade	32,469	36,495	37,600	40,200
Services	-8,052	-7,095	-6,000	-5,000
Net Factor Income	-27,906	-27,415	-29,200	-31,500
Current Transfers	-1,207	-1,222	-1,300	-1,500
Current Account	-4,697	761	1,100	2,200
(as % of GNP)	-3.6	0.6	0.8	1.7

Balance of Payments

- **current account of balance of payments to remain in surplus** One of the most important economic factors last year was the return of a current account surplus on the balance of payments for the first time since 1999, meaning the country (private sector) can fund itself. Clearly this was down to the strong rise in exports, and of course a falloff in imports as Irish consumers save more and spend less. Further buoyancy in the performance of services exports is expected this year, supported by developments in external demand together with competitiveness gains. Growth in services exports is projected to remain reasonably strong in 2012. Meanwhile, another increase in net factor outflows is on the cards this year and indeed 2012, sustained by the continuation of decent profits among the foreignowned exporting sectors of the economy. Taking all the current account components into account, an overall surplus of €1,100m (0.8% of GNP) is projected for 2011, rising to €2,200m (1.7% of GNP) in 2012.



Foreign Direct Investment

Foreign direct investment remains a key driver of Ireland's economic performance, and the half-year results for 2011 from the IDA (Industrial Development Agency) painted the country in a very favourable light. The results showed that the number of first time (new name) investors to Ireland, existing companies making new investments and research, development and innovation (RD&I) investments all increased on 2010 levels. The growth in the number of "new name" investors to Ireland was particularly strong, increasing by 40%, with 28 companies deciding to invest in Ireland for the first time. Leading new names to Ireland include Quest Software in Cork, Amgen, the number one bio-pharmaceutical company in the world and Gilt Groupe which is establishing centres in Dublin and Limerick.

• foreign direct investment still strong

Two key sectors being targeted by IDA Ireland include cloud computing and financial analytics. In the past year Ireland has secured nine cloud computing investments including Dell, EMC, HP, and Microsoft and six financial analytics investments including Accenture and D&B. In addition to leading multinational companies, the IDA is also targeting second tier and emerging high growth companies such as Zynga, Marketo, Mycroft (Waterford) and Zenimax Online Studios (Galway). It is also worth pointing out that the top eight internet-created companies in the world (e.g Google, Facebook, LinkedIn) are now all located in Ireland, and Twitter is now set to open an office in Dublin.

On the cost side, Ireland's competitiveness rankings in a number of areas has improved over the past few years. According to the IMD World Competitiveness Yearbook 2011, Ireland is 1st for real corporate taxes; 1st for business legislation for foreign investors; 1st for investment incentives for foreign investors; 1st for availability of skilled labour; 2nd for immigration laws; 3rd for availability of financial skills; 4th for labour productivity and 5th for Human Development Index (economic, social & educational). Meanwhile, prime office rents have fallen sharply. Dublin has fallen from 6th most expensive in 2007 to 45th in 2010, and Irish labour costs have become significantly more competitive. However, Eric Schmidt, Executive Chairman of Google said recently that the decision of his company to base itself here in Ireland has nothing to do with the Irish economy and everything to do with the Irish workforce. He described the workforce as being geographically diverse, speaking multiple languages, and creative young people coming out of the country's top universities. But, he did acknowledge that the low level of corporate tax is also a key factor in locating here. Ireland has so far resisted attempts to force it to raise its corporate tax rate, which at 12.5%, is well below the EU average of 23%, and the government needs to hold firm on the issue. Overall, the IDA recognises that it has got to spread its wings in terms of new investment and is targeting 20% of new business going forward at emerging markets like India and China. But in a marketplace where foreign direct investment into the EU was down 23% last year it is extremely encouraging that IDA Ireland is having a strong performance in 2011 and has managed to win an increasing number of investments from overseas companies.

Tourism

The tourist sector is Ireland's largest home-grown industry, contributing over 4% of annual economic output and employing over 200,000 people, and Ireland's government, anxious to stoke economic growth, has cut sales tax for restaurants and hotels in a bid to help tourism. According to official figures from the Central Statistics Office, the number of tourists visiting Ireland rose more than 15% in the second quarter from a year earlier, on the back of high-profile visits by Britain's Queen Elizabeth II and US President Barack Obama. Nearly 1.8 million people visited Ireland from April to June this year, with an 8% increase from its most important tourist market, the UK. Queen Elizabeth made an historic visit in May followed soon after by Obama's one-day trip, triggering a wave of overseas interest. The jump in visitors in April to June was also helped by a fall-off in travelers in the same period of 2010, when a volcanic ash cloud in Iceland closed airports across Europe. Tourism Ireland acknowledges that the distribution of visitors remains uneven, with some areas performing better than others, but is still optimistic about the outlook for the rest of 2011 despite signs of a world economic slowdown. Better tourism numbers are another indication of the recent improvement in Ireland's plight from an international perspective.

• tourist sector healthy too



Dollar

• Fed policy could put spring in dollar's step

As expected, the Federal Reserve injected more stimulus into the flagging US economy at its latest FOMC policy meeting, but where that would in theory usually be expected to weaken the dollar, it could have the opposite effect. Indeed, the introduction in November last year of QE2, which could have been expected to see the greenback weaken, initially saw it rise, by as much as 7% by the end of the year. It subsequently lost 10.6% between mid-January and early May 2011. The lack of a deflation threat, indeed the gradual rise of inflationary pressure, evident as recently as September 15 in the consumer price index, prevented the Fed embarking on a third round of bond purchases, or QE3. Instead, the US central bank opted for Operation Twist, a policy last utilised in the 1960s and designed to push down longer-term interest rates. The objective here is to replace maturing short-term debt with longer-dated bonds and/or actively sell short-dated assets for longer-dated debt. Unlike the outright purchase of more assets, which ultimately was instrumental in driving the dollar down, the impact of Operation Twist, which will re-weight but not increase the Fed's balance sheet is unknown. Proponents of this Fed strategy hope that driving down long-term rates could encourage mortgage refinancing or encourage risk-averse investors to switch to riskier assets such as stocks or corporate debt. This ought to push the safe-haven dollar lower. However, this is far from certain to happen. As the central bank will not be printing money, there is no reason to anticipate the usual flood of cash that fuels risk appetite and use of the dollar to fund carry trades. Of course what happens on the Eurozone debt crisis front will also be a key driver of currency movements in the short-term. Unless European policymakers can come up with a credible and lasting solution soon then speculation about the future of the single currency will intensify. In the absence of a quick fix to the debt crisis, we expect global safehaven flows to lead to dollar appreciation below the \$1.30 level to the euro towards \$1.20,

Spot Exchange Rates 2011/2012

	Current	End Dec (f)	End Mar (f)	End June (f)	End Sept (f)
€ / GBP	0.8700	0.840	0.800	0.810	0.820
€ / \$	1.33	1.30	1.24	1.27	1.30
€ / Yen	102	102	100	102	107
\$ / Yen	77	78	81	80	82
GBP / \$	1.53	1.55	1.55	1.57	1.59

Sterling

• more QE to cap sterling gains

The Bank of England will spend £75bn more of newly created money to shield Britain's economy from the Eurozone debt crisis and keep a faltering recovery going, opting for an early, dramatic move to maximise the impact. The decision by the Bank at its October policy meeting to expand its asset purchase programme to a total of £257bn highlights the precarious state of Britain's economy as global growth slows, government spending cuts and tax hikes bite, and consumers face high inflation and slow wage rises. The move in theory should be negative for the pound, but developments elsewhere may offset any adverse impact on the currency. While UK inflation is still expected to rise above 5.0% over the next few months, the recent deterioration in the economic outlook has made it more likely inflation will undershoot the 2.0% target over the medium-term. The bold move in October puts the Bank of England ahead of other central banks in responding to a darkening world economic outlook and renewed market turmoil. The fact that the Bank chose to act early and opted for £75bn rather than market expectations of £50bn reflected the fact that the already difficult outlook for the UK economy has deteriorated amid the global uncertainty. Our overall view is that Sterling too should gain versus the euro on the back of the Eurozone debt crisis, falling towards the 0.80 level in the coming months, though the latest round of quantitative easing from the Bank of England may well cap the gains in the short-term.



Employment

The latest Quarterly National Household Survey (QNHS) released by the Central Statistics Office provided further evidence of the huge task facing the government in getting people back to work and reducing the unemployment rate, though the second quarter data did at least show another fall in the annual rate of decline in the numbers employed. The number of employed persons in the second quarter of 2011 was 1,821,300, an annual decrease of 37,800 or 2.0%. This compared with a year-on-year fall of 2.9% (53,400) in the previous quarter and a decline of 4.1% in the year to the second quarter of 2010. The annual fall of 2% was the lowest since the third quarter of 2008 when the numbers in employment also decreased on an annual basis by 2%. On a seasonally adjusted basis, employment fell by 3,200 (-0.2%) in the quarter. That followed on from an adjusted employment drop of 7,200 (- 0.4%) in the first quarter of 2011. Employment fell in seven of the fourteen economic sectors over the year with the largest declines recorded in the Construction (-19,600 or -15.6%) and Accommodation and food service activities (-12,600 or -10.5%) industries. The Construction sector accounted for more than half (51.9%) of the overall drop in employment in the year and almost two-thirds (65.5%) of the fall in male employment. However, the level of annual decline in the building industry was at its lowest in three years. Still, Construction employment has now fallen to 105,700, a decrease of almost 61% from its peak level of 269,900 recorded in the second quarter of 2007.

- **construction employment 61% off its peak**

Employment & Unemployment (Annual Average)

(000s)	2009	2010	2011 (f)	2012 (f)
Industry	411	360	330	310
Services	1,422	1,403	1,399	1,402
Agriculture	96	85	84	85
Total	1,929	1,848	1,813	1,797
Unemployment (LFS basis)	259	292	300	293
Labour Force	2,187	2,140	2,113	2,090
Jobless Rate (% of labour force)	11.8	13.6	14.2	14.0

Unemployment rose by 10,900 (+3.7%) in the year to the second quarter, bringing the total number without a job to 304,500. The increase (+9,100) was most heavily concentrated in the 25-34 age group. The long-term unemployment rate increased to 7.7% from 5.9% a year earlier, and this category now accounts for more than half of all unemployment, a trend last seen in the late 1990s. In its latest quarterly report on Ireland the team of European Commission/ECB/IMF inspectors said the long-term unemployment figures needed 'considerable attention'. Seasonally-adjusted unemployment rose by 6,100 to 301,600 in the quarter, with the jobless rate increasing to 14.2% from 13.9% over the period. As a result of these new figures, the monthly standardised unemployment rate as published in the Live Register was temporarily revised up to 14.5% in August from the earlier estimate of 14.4%. Meanwhile, emigration among Irish nationals continued to increase sharply from 27,700 to 40,200 over the 12 months to April 2011 while emigration among non-Irish nationals fell for the second year in a row. The number of immigrants also rose over the period from 30,800 to 42,300. All told, this resulted in net migration of 34,100, down slightly from 34,500 in the previous year. There was an overall population increase in the year of 13,600 to 4,484,300. However, the preliminary population estimate from the 2011 Census was 4.58 million, a difference of 97,000 with the figures published in the QNHS. This has implications for employment/unemployment figures over the last five years, though the CSO believes the underlying labour market trends won't be affected. But it does plan to go back and revise its population/labour force estimates for the past five years when the final Census results are published next March. The QNHS figures show that the labour market remains very weak, and things are likely to get worse before they get better given the current slowdown in the world economy. So any steps the government can take to boost employment would be very welcome. As things currently stand, it now looks like the unemployment rate will peak at around the 14.5% level.

- **level of long-term unemployed a serious concern**



Inflation

- **headline inflation rate to average around 2.5% this year**

Following the deflationary pattern of 2009 and 2010, it looks like Ireland will be returning back to an inflationary environment in 2011, though mainly it has to be said driven by external forces. However, there was some positive news from the most recent CPI release. The annual inflation rate was running at 2.7% in May, June and July, but in August it dropped back to 2.2%, much as expected. Month-on-month there was a rise of 0.2% in the CPI in August compared with a monthly increase of 0.7% in August 2010. In the first eight months of the year, inflation averaged 2.6% as against -1.8% in the same period last year. Meanwhile, the harmonised index (HICP), which strips out mortgage increases and is used for intra-EU comparisons, also rose 0.2% in the month to give a year-on-year rate of 1.0%, unchanged from July, and the lowest figure in the EU. Taking the external factors out of the equation, Ireland is still very much in disinflationary mode. Continued weak consumer demand and one-off factors such as the reduction in VAT for mainly tourism related services should help to push inflation down over the remainder of the year. In addition, weaker sterling vis-à-vis the euro in the short-term may also give rise to lower import prices, mainly for food, clothing and footwear. However, significantly higher energy prices (including forthcoming increases in gas and electricity bills) relative to the second half of 2010 will likely exert upward pressure on the headline annual inflation rate. The other key concern for households on the inflation front will be as regards mortgage interest rates. Along with higher commodity prices, increased mortgage costs have been a key driver of higher headline inflation in 2011. However, with the world economy slowing down and Eurozone debt crisis now starting to weigh negatively on the German economy, it looks like the European Central Bank having raised interest rates in both April and July will at the very least keep them on hold for a while. Indeed, some analysts believe there is the possibility of a cut in rates before the year is out, which would benefit those on a tracker mortgage and help to bring the headline inflation rate down in 2012. Taking all the factors into account, we now think the average headline inflation rate will be close to 2.5% in 2011 compared with our previous estimate of around 3.0%. The median projection in the latest Reuters monthly poll of Irish economists put consumer prices averaging 2.6% this year and 2.2% in 2012. However, the way things are playing out on the world stage at the moment it is hard to see headline inflation being above 2.0% next year and the HICP rate being any higher than 1.0%.

House Prices:

- **further falls in house prices on the cards**

The rate of decline in Irish house prices picked up again in August compared to the previous month, and a recovery in property prices is not expected until Ireland's banking sector is back in full health. Irish property prices have fallen for 44 straight months and are now 43% below a 2007 peak as a disastrous property bubble deflates, leaving the banking sector nursing huge losses and homeowners hefty mortgages. The most recent official figures from the Central Statistics Office showed that residential property prices fell 1.6% in the month and 13.9% in the year in August, compared with a year-on-year decline of 12.5% in July. According to the latest Reuters survey of Irish economists, house prices are likely to continue falling for some time yet. The poll predicts that house prices will decline by a further 11.8% on average in 2011, and 5.4% in 2012. The short-term risks to house prices remain to the downside and it would be no great surprise if the level of decline was greater than analysts' expectations over the next twelve months or so. Ireland's banks, recently faced with a fresh €24bn bill to bolster their balance sheets, are focused on raising capital and selling assets rather than expanding their mortgage books. Given weak labour market conditions and the continuing lack of available bank credit it is hard to be optimistic on the prospects for the property market in the immediate future. But looking further ahead, we think house prices should increase on a five-year view as the labour market improves. That said, the level of any rise over the next few years is only likely to be in low single digits as banks adopt a more cautious stance to lending than in the "Celtic Tiger" era, interest rates return to "normal" and the introduction of a property tax for "principal" homes of residence all weigh negatively on the market.



Irish Government Bonds

Ireland's insistence that it is different from Greece and the rest of the Eurozone "periphery" finally appears to be striking a chord among investors. Irish sovereign debt prices have staged an impressive rally in recent weeks in spite of growing bond market volatility elsewhere in Euroland, which has been hit by doubt over the effectiveness of the latest bailout plan for Athens and concern about the ability of Italy and Spain to weather the storm. Irish bonds are delivering the best returns in the world as investors bet the former "Celtic Tiger" is the most likely of the Eurozone's bailed-out nations to grow itself out of trouble. According to indices compiled by Bloomberg and the European Federation of Financial Analysts Societies, Irish securities have handed investors a 20% gain in the past four months, the highest among the 26 government debt markets covered, though the bulk of the rally has come since the start of August. The country's 10-year bond yield is now almost three percentage points below its June-August average, the biggest recovery among the countries that have received EU/IMF aid. At one point seen as a major default risk, Ireland's success in separating itself from Greece in the minds of international investors has driven yields on its benchmark 10-year paper down from over 14% in mid-July to less than 8% now. The sharp downward move in bond yields since late July can be traced to a number of factors.

- huge improvement in bond market sentiment

European leaders sought to stop a region-wide selloff in bonds by agreeing at a summit on July 21 to extend the maturities of Greece's existing bailout loans and provide financing at rates close to the cost paid by the European Financial Stability Facility of about 3.5%, adding that those conditions would also apply to Ireland. In mid-September the European Commission said it proposed to align the European Financial Stabilisation Mechanism (EFSM) loan terms and conditions to those of the long standing Balance of Payment Facility. Ireland should now pay lending rates equal to the funding costs of the EFSM, i.e. reducing the current margin of 292.5bps to zero. The reduction in margin will apply to all instalments, i.e. both to future and to already disbursed tranches.

- better loan terms

The Eurozone's western most nation had originally been saddled with an average 5.8% rate on its multi-billion euro bailout. It now looks like overall savings on Ireland's loans will in our view be in the region of €1bn to €1.5bn a year, another positive development for government bonds and Ireland inc. as a whole. The concessions Ireland have won on the cost of its official loans are set to save it €8.5bn in total according to the National Treasury Management Agency (NTMA) and see its General Government Debt/GDP ratio peak at around 116% in the next couple of years as against a previous estimate of 118%. Unlike fellow bailout recipients Greece and Portugal, Ireland is meeting its budget deficit targets and has been singled out for praise by the International Monetary Fund and the European Union for its determination to get its annual deficit, still the largest within the Eurozone as a proportion of GDP, under control.

Although Ireland is midway through an unprecedented eight-year cycle of austerity, social unrest is almost non-existent and unlike Greece and Portugal, Ireland is expected to return to economic growth this year because of a vibrant export sector and the flexibility of its economy. The Irish government has been trumpeting these points for months, but it is only since the end of July, during which Europe agreed to relax the terms of Dublin's bailout as part of a new approach to Greece, and a group of US and Canadian investors saved Ireland's largest bank from effective nationalisation, that the market has taken serious notice. Bank of Ireland's surprise announcement towards the end of July that a consortium of investors, including Canada's Fairfax Financial Holdings and Wilbur Ross' New York buyout firm, had agreed to pour €1.1bn into the lender meant at least one Irish bank had avoided state control. We don't think the importance of that move can be underestimated in terms of Ireland's international credibility. It has put confidence back into the Irish story. The scale of Ireland's banking crisis has been a major deterrent for investors, but Dublin's shock-and-awe response has impressed. The decision to purge the banks of their risky land and development loans, shrink the sector from six players to just two and put a €70bn price tag on bailing out the sector, has persuaded many investors that there are no further nasty surprises. Indeed, the improved half-year results/outlook from Anglo Irish Bank have reinforced that view.

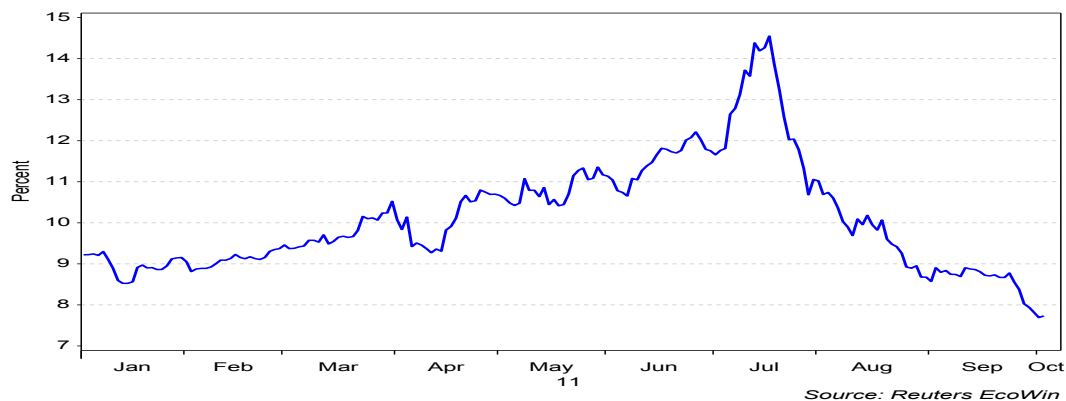


Greece: A spanner in the works for Irish bonds?

- **Greek default could undo all Ireland's good work**

However, Europe's debt crisis has entered a more dangerous stage in the past few weeks with Greece's repeated failure to meet its fiscal targets and senior politicians in German Chancellor Angela Merkel's centre-right coalition talking openly about a Greek default. Although Irish bond yields have remained remarkably stable and have actually continued to fall despite the international turmoil, they could push up sharply again if Greece's second bailout package starts to unravel, raising question marks over Ireland's deal. The fear is that a Greek default could set a dangerous precedent and revive fears that Irish bonds are a similar risk, sending yields soaring. But if Ireland can meet its deficit cutting/growth targets over the next two years, then investor demand for Irish bonds should remain firm in our view. Still, it would be foolish to assume that Irish bond yields will continue to fall as sharply over the coming months as they have in the August-September period. Even with up to €25bn in spending cuts and tax increases under its belt, equivalent to nearly 16% of annual economic output, Ireland's budget deficit is estimated to be around 8.6% of GDP in 2012, the second-highest in Euroland after Greece.

Irish 10 Year Government Bond Yield %



- **bond yields to continue falling over the next 12 months**

Ideally Ireland needs yields to fall to around 5-6% if it is to exit its bailout programme, as planned, in 2013 and return to debt markets to fund itself. But that will be a tall order. The government has said it has enough EU/IMF loans to last it until the end of 2013 but with an €11.9bn bond due to mature in January 2014, the head of Ireland's debt management agency, John Corrigan, told lawmakers recently that the bond repayment was "very challenging" and Dublin may need to raise up to €15bn before the end of 2013. He added that if next year's budget deficit came in below 8.6% of GDP it would make life easier for him to secure financing. However, the government, conscious of the need to protect a tepid economic recovery, has said it is sticking to its current goals. Finance Minister Michael Noonan has said he does not expect Ireland will have to tap the Eurozone's emergency fund again but he told lawmakers earlier this month that he may discuss with European partners whether Dublin could use official loans to help meet its maturing debt in 2014. Before returning to issuing longer-term debt, the NTMA is expected to start ramping up its sale of short-term paper in the second half of 2012. Corrigan said that the agency would likely return to the market with a syndicated issue, where the terms are agreed in advance, rather than the sort of open tender (monthly auction) used by confident issuers with plenty of buyers. Having gone from an AAA rating to junk or a few notches above it in the space of two years, the NTMA is courting new investors for Irish debt with a greater appetite for risk. Ireland's fundamentals, its success in meeting its bailout targets, its focus on relatively recession-hardy exports such as pharmaceuticals and its improving competitiveness, are all reasons to buy its bonds, but in the current uncertain economic/financial climate it is understandable that investors may worry a messy default in Greece could lead to a wave of restructuring speculation elsewhere in the "periphery", which would drag down the Irish market. Still, we remain optimistic that whatever about the short-term, Ireland is better placed than most to avail of the pickup in global growth when it returns, and this, combined with a strong commitment to meet its fiscal austerity targets, should see yields continuing to push downwards over the next twelve months.



Public Finances:

The government is targeting an Exchequer deficit of €18,165m this year and a General Government Deficit as a percentage of GDP of 10% down from over 32% last year, and it is on course to meet its targets based on the tax returns up to the end of September. Tax revenues at the end of September of €24.1bn were €1.9bn or 8.7% higher than in the same period last year. The year-on-year increase was primarily due to income tax being up over 25% on the corresponding period in 2010 mainly as a result of measures introduced in Budget 2011, most notably the Universal Social Charge (USC), and stamp duties being up almost 52% year-on-year due to receipts from the levy on Pension Funds, introduced at the beginning of July to fund the Jobs Initiative. Tax revenues were €160m above target at-end September, slightly lower than the surplus receipts in the two previous months, but still very encouraging nonetheless given the current uncertain domestic/international economic backdrop. Income tax was €147m above target at the end of the third quarter. Excluding the beneficial impact of earlier than expected DIRT payments in April and July, which were originally profiled for collection in October, income tax was just 0.9% below target after nine months of the year. Corporation tax was €31m below profile while excise duties were €77m under target. However, it should be noted that this was not a true reflection of the excise position as there was a delay in the transfer of some €112m in receipts from this source proper to September into the Exchequer account. These receipts were not received in time to benefit the end-September figures. Meanwhile, VAT figures were again disappointing. The tax heading recorded a shortfall against target of €300m up to the end of September on foot of lower than expected receipts of €71m for the last month of the quarter. This was the fourth month running that VAT revenue came in below official expectation, underlining the weakness in domestic demand, and depressed consumer spending.

- tax returns have improved during the third quarter

Exchequer Tax Receipts: Performance against Department of Finance Profile

Exchequer Tax Receipts	End-Sept Target €m	End-Sept Outturn €m	Excess / Shortfall €m	Excess / Shortfall %
Income Tax (including USC)	9,107	9,254	147	1.6
VAT	8,294	7,994	-300	-3.6
Corporation Tax	2,085	2,054	-31	-1.5
Excise	3,306	3,229	-77	-2.3
Stamps	740	1,124	384	51.9
Capital Gains Tax	115	103	-12	-10.5
Capital Acquisitions Tax	118	139	21	17.6
Customs	173	174	1	0.4
Levies	-	-	-	-
Unallocated Tax Deposits	-	27	27	-
Total	23,938	24,098	160	0.7

The Exchequer deficit at end-September was €20.7bn compared to a deficit of €13.4bn in the first nine months of 2010. The €7.3bn increase in the deficit was mainly due to non-voted capital expenditure banking related payments, including €3.1bn in Promissory Note payments to Anglo Irish Bank, INBS and EBS, and just over €7.5bn in once-off payments relating to the July recapitalisation of the banking sector announced following the PCAR stress tests at end- March. Excluding banking related payments the Exchequer deficit fell by over €3bn compared to the same period last year. Despite the slowdown in the world economy we think Ireland will meet its budget targets this year, with the real test being to get the General Government Deficit down to 8.6% of GDP next year and to under 3.0% of GDP by 2015. The domestic economy remains extremely weak and the government needs a turnaround in private demand if it is to reach the sort of annual growth rates necessary to make inroads into its debt burden, which is officially projected to peak at 116% in 2013. Still, the signs are that the country is heading in the right direction, and despite some setbacks remains better placed than most to get out of its financial mess and move forward over the next few years. However, the government needs to tread carefully as regards overdoing it on the fiscal austerity in the forthcoming Budget.

- budget targets can be met



Private-Sector Credit:

• credit figures still very weak

The latest monthly banking figures again underlined the current weakness in the domestic side of the economy. The numbers showed that the annual rate of decline in loans to house-holds was 4.0% in August, a slight increase in the rate of decrease observed in the previous month. Lending for house purchase was 2.4% lower on an annual basis while lending for consumption and other purposes decreased by 9.1% in the year. Household lending declined during the month of August by €443m, based on underlying transactions, following a net monthly flow of -€710m in July. Developments in the month were driven by a fall of €242m in loans for house purchase and a decline of €127m in loans for consumption purposes. Lending for other purposes fell by €74m. The monthly net flow of loans to households averaged minus €450m in the three months ending August, which consisted of an average net flow of minus €234m in loans for house purchase, minus €163m in loans for consumption purposes, and minus €52m in lending for other purposes. Meanwhile, the annual rate of decline in Irish private-sector deposits was 10.4% at the end of August, the same as at the end of July. Deposits from Irish households were 5.4% lower on an annual basis, whereas deposits from Irish non-financial corporates fell by 10.1% over the period. Deposits from other financial intermediaries and insurance corporations and pension funds decreased at an annual rate of 20%. There was an underlying decrease of €895m in Irish resident private-sector deposits during August. Household deposits fell by €510m during the month, while deposits from other financial intermediaries and insurance corporations and pension funds decreased by €913m, predominantly due to interaffiliate transactions. Ireland's debt plight has also been highlighted by data from the CSO. At end June, Ireland's quarterly investment position results showed overall stocks of foreign financial assets of €2,544bn, down €15bn from the end-March level. The corresponding overall stocks of foreign financial liabilities of €2,679bn decreased by €35bn in the same period. Irish residents therefore had an overall net foreign liability of €134bn at the end of the second quarter.

Private-Sector Credit

• mortgage arrears on the increase

	Household Credit (€m)	% Change Year	House Loans (€m)	% Change Year	Household Deposits (€m)	% Change Year
2011 January	129,370	-5.1	99,289	-2.3	93,957	-5.5
2011 February	131,001	-5.1	99,080	-2.7	93,259	-6.1
2011 March	130,520	-5.0	98,851	-2.6	92,803	-5.4
2011 April	129,920	-4.6	98,627	-2.0	92,813	-5.6
2011 May	129,510	-4.8	98,371	-2.1	92,133	-5.7
2011 June	129,352	-3.9	98,335	-2.2	92,215	-5.1
2011 July	128,692	-3.9	98,020	-2.4	91,795	-5.6
2011 August	128,234	-4.0	97,771	-2.4	91,239	-5.4

Irish residential mortgages in arrears or restructured due to financial distress rose 10% in the second quarter from the previous three months, heaping pressure on the government to come up with a solution for struggling homeowners. The Central Bank said that at the end of June there were 95,158 mortgages either in arrears or were restructured, representing some 12% of the total residential mortgage market. The proportion of loans in arrears for more than 90 days was 7.2% at the end of June, up from 6.3% at the end of March, and nearly three quarters of those were in arrears for over 180 days. Mortgage arrears are a very sensitive issue, but something has to be done about it. However, the government will have to tread very carefully in how they address it. The Minister for Finance, Michael Noonan, has said that Irish banks must remain prudent with their capital and only write-off the mortgage debt of people who can't pay their home loans. The government has rejected calls, and rightly so in our opinion, for a blanket debt forgiveness scheme to help stretched borrowers, and is waiting to receive an expert group's report on the issue of mortgage arrears, before making policy decisions. But Noonan has made it clear that it is not a question of coming up with a new pool of money to deal with bad debt.



Interest Rates

The European Central Bank resisted growing calls for it to slash interest rates at its October policy meeting, although a stalled Eurozone economy will likely force it to cut them at some stage over the next few months. The ECB kept rates unchanged at 1.5% at its meeting in Berlin, the last for ECB President Jean-Claude Trichet before he hands over to Mario Draghi, currently Italy's central bank governor. Draghi replaces Trichet, who raised rates as the financial crisis was gathering pace in 2008, from November and it would also be a bold move for him to open his presidency by easing the central bank's policy stance. Recent data showing a higher than expected increase in money supply and private-sector credit as well as a surprise jump in Euroland headline inflation to 3.0% in September are arguments against an early rate decrease from the European Central Bank. However, the ECB said it saw "intensified" threats to the Eurozone economy and will provide struggling banks with longer-term liquidity to ward off a new credit crunch. At his final monetary policy press conference Trichet offered a gloomier prognosis than in September when he merely talked of downside risks. The shift in rhetoric will encourage investors to believe a rate cut is not far away. Although the central bank uses a well-defined set of key words in its monthly policy statements to flag rate hikes ahead, it has yet to establish a similar vocabulary for the way down, making Trichet's statements harder to interpret. To help banks withstand a further worsening of the European sovereign debt crisis and growing tension in the interbank market, the European Central Bank threw another lifeline to commercial banks by renewing offers to lend them one-year funding in two operations, in October and in December. Extra-long 12-month liquidity tenders were originally introduced in June 2009 and the first such offer attracted record-breaking use of €442bn. While liquidity injections are a help to the banking system, it is the direction of interest rates that investors and financial markets are really interested in. Looking at the overall picture, we think the ECB will wait until the updated staff economic projections are ready in December before contemplating a move. Still, even an easing of policy in the final month of 2011 or the first quarter of 2012 would be welcome news for consumers. A rate reduction would give Irish mortgage holders a huge boost, especially those on trackers linked to the official European Central Bank lending rate.

- ECB rates on hold until December

Bloxham: Main Irish Economic Forecast

	Real GDP Growth	Real GNP Growth	Average Inflation Rate	General Govt Balance		Unemployment		Debt/GDP
	(%)	(%)	(%)	€m	% GDP	Level	Rate (%)	Ratio (%)
						'000		
2009	-7	-9.8	-4.5	-23,400	-14.6	259	11.8	65.5
2010	-0.4	0.3	-1.0	-50,115	-32.1	292	13.6	95.7
2011	0.8	0.4	2.5	-16,190	-10.0	300	14.2	109.5
2012 (f)	1.5	1.0	2.0	-14,690	-8.6	293	14.0	114.0

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