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Brussels, 12 January 1999

Commission assesses Irish Stability Programme

The European Commission made a recommendation to the Council of Ministers on the Irish Stability Programme. The Commission conclusion is that the budgetary policy presented in the Stability Programme of Ireland is in line with the requirements of the Stability and Growth Pact and the Broad Economic Policy Guidelines agreed at the Cardiff European Council. The programme is based on the 1999 Budget which extends the macroeconomic and budgetary perspectives over the period from 1999 to 2001. Growth is forecast to slow somewhat from the rapid growth of recent years, but will nevertheless remain well above the European Union (EU). In addition, the budget is expected to remain in surplus throughout the period to 2001. At the same time the debt to GDP ratio is estimated to have fallen below 60% in 1998 and is expected to fall to 43% in 2001. On the basis of the Commission recommendation, the Council is expected to adopt a formal opinion on the Irish Stability Programme on 18 January 1999.

The Commission recommendation is adopted on the initiative of President Jacques Santer and Yves-Thibault de Silguy, the Commissioner responsible for economic, monetary and financial affairs, as part of the procedures in the Stability and Growth Pact for surveillance and co-ordination of national economic and budgetary policies at the level of the EU.

The Stability and Growth Pact, adopted by the Amsterdam European Council in June 1997, requires countries participating in the euro zone to present stability programmes to the Council and the Commission. The aim of these programmes is to illustrate how Member States intend to meet the objectives of the Pact, in particular, the medium-term objective of a budget close to balance or in surplus which will enable them to deal with normal cyclical fluctuations without exceeding the reference value of a deficit of 3% of GDP.

The Commission's main conclusions are the following:

- the programme gives realistic projections of budget surpluses throughout the period to 2001 and therefore fulfils the requirements of the Stability and Growth Pact;
- the decline of the debt ratio below 60% in 1998 and the continued expected decline to 43% of GDP by the year 2001 is a particularly welcome achievement;
- nevertheless the economic situation is not without risk, in particular from rising wages and inflationary pressures. A tighter fiscal policy would help to contain these pressures and, in addition, be more in keeping with Council Recommendation on the Broad Economic Policy Guidelines of the Member States for 1998.

- nevertheless, the programme's emphasis on increasing public investment is welcome, both to meet the infrastructure needs of a strongly growing economy and to replace the reduction of EU Structural Funds expected in the programme;

Key figures from the Stability Programme of Ireland 1999 to 2001

	1998	1999	2000	2001
Real GDP growth (%)	9.5	6.7	6.4	5.8
General government balance (% of GDP)	1.7	1.7	1.4*	1.6*
General government debt (% of GDP)	59	52	47	43
Inflation (GDP deflator), (% increase)	3.5	2.7	2.1	2.1
Employment growth (%)	4.6	3.1	2.3	1.7

* Including contingency