

Brussels, 18 January 2000

Commission assesses Irish Stability Programme

The European Commission has today made a recommendation to the Council of Ministers on the updated Irish Stability Programme. The Commission conclusion is that the budgetary objectives in the updated programme are in line with the requirements of the Stability and Growth Pact and the Broad Economic Policy Guidelines. The updated programme presents the macroeconomic and budgetary perspectives for the period 2000 to 2002. Economic growth is forecast to decelerate from the rapid rates of recent years, but will nevertheless remain well above the Community average. In addition, the budget is expected to remain in surplus throughout the programme period. The debt to GDP ratio is expected to fall to 36% in 2002. On the basis of the Commission recommendation, the Council is expected to adopt a formal opinion on the updated Irish Stability Programme on [31 January 2000].

The Commission recommendation is adopted on the initiative of Mr Pedro Solbes, the Commissioner responsible for economic and monetary 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 European Union (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 Pact also provides that updates of stability programmes be presented annually.

The stability programme for Ireland, covering the period 1999-2001, was presented on 3 December 1998 and was examined by the Council on 18 January 1999 on the basis of an assessment and recommendation from the Commission. An update of the programme, covering the period 2000-2002, was presented on 1 December 1999 and will be assessed by the Council on [31 January 2000], again based on an assessment and recommendation from the Commission.

The Commission's main conclusions regarding the updated Irish stability programme are the following:

- the programme gives realistic projections of budget surpluses throughout the period to 2002 and therefore fulfils the requirements of the Stability and Growth Pact;
- the expected decline in the debt ratio to 36% of GDP by the year 2002 is a particularly welcome achievement;

- nevertheless, there are risks in the current economic situation, in particular from rising wages and prices. In addition, a tighter fiscal policy would be more in keeping with Council Recommendation on the Broad Economic Policy Guidelines of the Member States for 1999;
- on the other hand, the programme's emphasis on increasing public investment in the context of the National Development plan 2000-2006 is welcome, both to meet the infrastructure needs of a strongly growing economy and to address the likely reduction in transfers from the Community Structural Funds over the programme period.

Key figures from the Stability Programme of Ireland 2000 to 2002

	1999	2000	2001	2002
Real GDP growth (%)	8.4	7.4	6.5	5.7
General government balance* (% of GDP)	1.4	1.2	2.5	2.6
General government debt (% of GDP)	52.0	46.0	40.0	36.0
Inflation (GDP deflator), (% increase)	3.4	3.1	2.8	2.7
Employment growth (%)	4.8	3.3	2.4	2.0

* Including contingency and after adjustment for special factors