Addendum to the Irish Stability Programme Update
January 2009

Summary

The economic situation is changing rapidly. The uncertainty surrounding economic forecasts in the current environment was highlighted in the October Stability Programme Update, and many of the risks identified at the time have subsequently materialised. The data which have become available in the final quarter of 2008 have been especially gloomy. In addition, notwithstanding various policy initiatives, prospects for the global economy have deteriorated significantly in recent months, with international forecasting agencies revising downwards their projections for short-term global economic growth on foot of mounting evidence that the impact of financial market difficulties on the real economy is intensifying. From an Irish perspective, most of our major trading partners are in or are on the verge of recession, and prospects for demand in our main export markets have been revised downwards. Exchange rate developments, in particular movements in the euro-sterling bilateral rate given the proximity and significance of the sterling area, are compounding our difficulties, as well as negatively impacting on tax revenues. The domestic small and medium-sized sectors are most exposed to developments in the euro-sterling bilateral rate.

All told, therefore, developments since Budget-day point to a sharper contraction of output in 2009 than initially assumed, with activity now projected to contract by 4 per cent this year. Furthermore, there is a growing consensus that any recovery in our trading partners is likely to be modest and not begin until well into 2010. With domestic demand likely to remain weak, another year of contracting activity is expected next year. As a result, a cumulative loss of output of around 6¼ per cent appears to be in prospect over the period 2008-2010. Positive growth is expected in 2011, with a return to more sustainable growth thereafter.

As a result of this dramatically changed economic situation, the outlook for the fiscal position over the next number of years will be considerably more difficult than previously envisaged. Restoring sustainability to the public finances can only realistically involve a period of adjustment of up to five years. Taking action over a shorter period of time, given the scale of the emerging position, would impose substantial economic and social costs and would not be sensible or appropriate. The fiscal consolidation now required to be taken is set out in the tables below.

The Government has agreed to put in place a five year plan to restore balance to the public finances by 2013. This will include as a priority the elimination of the current budget deficit by 2013, that is to stop borrowing for day-to-day spending, and in that period to also bring the General Government deficit to below 3 per cent of GDP, while maintaining a high level of capital expenditure.

I. Economic Outlook

The Economy in 2008

Quarterly national accounts data show that annual GDP growth was flat in the third quarter. As a result, the average level of activity in the first three quarters was 0.6 per cent lower than in the same period a year earlier. Monthly indicators point to an annual decline in the fourth quarter so that for the year as a whole, it is now estimated that GDP declined by 1.4 per cent. GNP, which is a more appropriate measure of actual income levels, declined by 2.0 per cent in the first three quarters and is estimated to have declined by 2.8 per cent for the year as a whole.

A lower level of residential investment was a key factor depressing activity last year – completions of new homes amounted to around 50,000, around one-third lower than in the previous year. The labour market implications of this adjustment have been substantial, and lower employment in construction was the main factor behind the annual decline in employment in the third quarter of last year, the first annual decline since 1991. Live register figures indicate a further considerable deterioration in the labour market in the period since then - ending the year in excess of 290,000 - with the result that unemployment is estimated to have averaged 6¼ per cent last year, compared to 4½ per cent a year earlier.

Retail sales data confirm that consumer spending became increasingly negative in the second half, reflecting lower household income growth together with the deterioration in consumer sentiment. Export growth weakened due to the slowdown in our main export markets.

As measured by the Irish domestic measure – the Consumer Price Index (CPI) – inflation averaged 4.3 per cent for the first eleven months of the year, driven primarily by external factors such as increases in commodity prices and mortgage interest rates. On a harmonised basis (HICP), inflation averaged 3.3 per cent. Recent months have seen an easing in inflationary pressures due to a combination of weaker domestic demand, exchange rate factors, moderating commodity prices, favourable base effects and ECB interest rate cuts. Reflecting these developments, CPI inflation is now expected to average close to 4.0 per cent for 2008 as a whole, while HICP inflation should average around 3¼ per cent (the December figure for HICP inflation is expected to be around 1½ - 1¾ per cent).

Economic Outlook

International forecasting agencies are revising downwards their projections for global activity this year. Indeed, the speed and frequency of revisions to world growth forecasts in recent months are a reflection of the fluidity of the current situation. While the assessment of the external environment underpinning this update is broadly based on the *OECD's Economic Outlook* published in November, it must be acknowledged that the international environment may prove to be worse than this, or that the downturn may be more prolonged. Moreover, the significant appreciation of the euro vis-à-vis sterling in recent months, if sustained, will weigh further on our export performance. As a result of these developments, the outlook for the exporting sector is unfavourable, with a decline in exports assumed for this year.

Table 1 – GDP Growth in Ireland's Main Trading Partners

	2008	2009	2010
Euro area	1.0	-0.6	1.2
Germany	1.4	-0.8	1.2
France	0.9	-0.4	1.5
Italy	-0.4	-1.0	0.8
UK	0.8	-1.1	0.9
US	1.4	-0.9	1.6

Source: OECD Economic Outlook, November 2008.

On the domestic front, a further decline in the level of new housing output is expected this year; data relating to housing starts point to completions of around 20,000 units for the year as a whole, a decline of around 60 per cent compared to last year. Other parts of construction – especially commercial – look set to decline also.

In terms of labour market developments, job losses this year will exceed gains with the result that employment levels will contract by around 4 per cent (85,000). On a full-time equivalent basis, it is possible that the decline in employment will be even larger, as there is evidence that some of the lower demand for labour is being met by reduced working time (rather than actual employment losses) at least in the short-term. In terms of next year, a further decline in net employment appears to be in prospect, so that overall employment looks set to decline by over 120,000 over the two year period. Notwithstanding this, the level of employment in the economy will be close to 2 million, as a result of the substantial employment gains since the mid-1990s. Unemployment is forecast to continue to rise this year. It is forecast to average 9.2 per cent for the year as a whole, with the year-end figure being around 10 per cent. A modest decline in the size of the labour force is projected, which will mitigate the rise in survey-based unemployment.

Lower household income levels combined with poor sentiment will impact negatively on consumer spending which looks set to decline by at least 2.7 per cent in 2009. The volume projections for public consumption reflect the technical assumption that adjustments to spending on goods and services impact on the deflator.

The weakness of domestic demand should result in a decline in imports of 4.5 per cent, which, in turn, should contribute towards a narrowing of the current account deficit, although this seems set to remain relatively large.

In overall terms, therefore, GDP is projected to decline by 4 per cent this year, which would constitute the sharpest annual decline of output ever recorded in Ireland. GNP is forecast to decline by 4½ per cent.

It must be recognised that there is considerable uncertainty – even more so than normal – attached to the current set of economic forecasts. For instance, there is the possibility that the various stimulus packages being introduced will result in a more rapid global recovery. However, the main risks to the outlook appear to be on the downside and include:

- A steeper or more prolonged downturn in our main trading partners;
- The possibility that global financial market problems deepen or persist for some time;
- Further exchange rate appreciation, particularly against sterling given our proximity to the UK and our export pattern;
- The possibility of a sharper than assumed decline in residential investment or of a more prolonged downturn in this sector;
- The possibility that declining price levels feed into expectations and lead to a more prolonged deflationary environment.

A modest improvement in the export performance is assumed for next year in line with the gradual recovery in the global economy. However, the loss in competitiveness in recent years will limit our ability to achieve anything more than a gradual improvement. It also seems likely that domestic demand will remain weak. As a result, a further – albeit more modest – decline in activity is assumed for next year with the result that three consecutive years of contracting activity are expected, something which has not happened before. This would also mean a cumulative loss of output of around 6¼ per cent over the period 2008-2010. Beyond next year, growth is forecast to gradually return to more sustainable rates, with exports assumed to be the driving force.

Inflation

A significant easing in the average rate of inflation is already underway for 2009 due to moderating commodity prices, favourable base effects (such as the impact of higher oil prices in 2008 falling out of the annual comparison), exchange rate factors and a slowdown in economic activity. The recent ECB interest rate cuts will also underpin an easing in the rate of CPI inflation. Indeed, CPI inflation is now forecast to turn negative during the first quarter of 2009, with an average rate of -1.0 per cent expected for the year as a whole. HICP inflation will also moderate but, given that the impact of the recent interest rate cuts is excluded from this measure, it is expected to remain marginally positive, averaging ½ per cent in 2009.

Table 2 – Macroeconomic Prospects

% change (unless otherwise indicated)	2008	2009	2010	2011	2012	2013
GNP growth at constant market prices	-2.8	-4.5	-1.1	2.1	3.3	2.7
GNP at current market prices (€m)	156,275	148,950	148,450	154,275	162,825	171,400
GDP growth at constant market prices	-1.4	-4.0	-0.9	2.3	3.4	3.0
GDP at current market prices (€m)	187,375	179,775	179,800	187,575	198,200	209,000
Components of real GDP						
Private consumption expenditure	-0.5	-2.7	-0.9	1.0	2.3	2.1
Government consumption expenditure	2.9	0.7	0.6	0.4	0.0	0.0
Gross domestic fixed capital formation	-18.4	-22.7	-11.5	6.6	8.5	9.1
Exports of goods and services	0.9	-0.5	0.7	3.0	3.5	3.4
Imports of goods and services	-2.9	-4.5	-1.7	2.3	2.7	3.4
External Trade						
BoP Current account (% GDP)	-6.3	-4.2	-3.5	-3.4	-3.0	-2.8
Price Developments						
HICP	3.2	0.5	1.5	1.8	1.8	1.8
CPI *	4.1	-1.0	1.5	2.0	2.0	2.0
Labour Market						
Unemployment (% of labour force)	6.3	9.2	10.5	9.4	8.6	7.9
Employment	-0.3	-4.0	-1.9	1.0	1.3	1.2
Labour productivity (GDP/person employed)	-1.1	0.1	1.1	1.3	2.1	1.7

Source: Department of Finance.
* The Department of Finance forecasts of CPI inflation are based on a technical assumption of unchanged interest rates.

Range of Forecasts

The following table compares the Department of Finance 2009 forecasts with those of other organisations. In making comparisons, it should be borne in mind that the assumptions underpinning the forecasts may be different.

Table 3 – Comparison of Macroeconomic Forecasts for Ireland for 2009

		Annual % change			
Institution	**Publication**	**GDP**	**GNP**	**HICP**	**Employment**
Department of Finance	*Addendum to SPU*	-4.0	-4.5	0.5	-4.0
Consensus ^	*End-December 2008*	-3.5	-4.0	1.0	n.a.
ESRI	*Winter 2008 QEC*	-3.9	-4.6	0.5	-5.5
Forecasts for 2009 as of last October					
Department of Finance	*SPU*	-0.8	-1.0	2.2	-0.9
Consensus ^	*End-September*	0.0	0.0	2.6	n.a.
ESRI	*Autumn 2008 QEC*	-0.7	-0.7	2.4	-2.2
IMF	*WEO October 2008*	-0.6	n.a.	2.4	n.a.
Central Bank of Ireland	*Bulletin No. 4 October 2008*	-0.9	-1.3	1.6	-0.9

Source: Department of Finance and institutions cited.
^ The consensus forecast refers to a poll of 11 economists mostly in the financial sector undertaken by Reuters.

II. General Government Balance and Debt

The Government's budgetary strategy is designed to restore stability to the public finances over the five year period out to 2013.

The outlook is for a General Government deficit of 6¼ per cent of GDP in 2008 and following further action by Government this year a deficit of 9½ per cent of GDP in 2009. Additional annual actions will be implemented in the period out to 2013 so as to achieve a General Government deficit of about 2½ per cent of GDP by the end of the period.

Budgetary Outlook

The deterioration in international economic conditions has had a significant impact on the Irish economy. In addition, domestic pressures, in particular the contracting construction sector and its spillover into the wider economy are compounding these international difficulties. The substantial loss in economic output has resulted in a very steep fall in tax revenue. The tax shortfall in 2008 was €8.1 billion resulting in a total tax revenue figure of €40.8 billion - representing a contraction of 13.7 per cent in revenue over 2007. In addition, substantial expenditure pressures, for example social welfare related expenditure, meant that in overall terms a larger than planned Exchequer deficit of €12.7 billion materialised. It is estimated that the General Government Deficit in 2008 was 6¼ per cent of GDP.

The poor tax revenue performance, combined with the worsening economic outlook, means that the fiscal outlook for 2009 and subsequent years has weakened considerably. On the basis of existing policy, which assumes payment of the latest public sector pay deal under *Towards 2016* and no other policy measures over and above those announced in Budget 2009, a General Government Deficit in the range of 11 per cent – 12 per cent of GDP is in prospect for each of the years to 2013. The Government regards this as untenable and has decided that urgent action over and above that already agreed will be taken. The Government has set as a priority the elimination of the current budget deficit by 2013, that is to stop borrowing for day-to-day spending, and to bring the General Government deficit to below 3 per cent of GDP in that period. Budget 2009 had set out a plan to do this by 2011. Given the worsening position it is no longer practicable or sensible to do this in three years, as it would layer too great a shock on the economy and would be counter-productive. Instead the Government has agreed to put in place a five year plan to restore balance to the public finances by 2013.

<u>Action Planned for the Public Finances</u>

In putting in place a five year plan to restore balance to the public finances by, amongst other things, reducing and prioritising current expenditure and adjusting taxation levels to reflect the changed realities, the Government has agreed that in 2009 significant public expenditure savings will have to be made. This will be in addition to the strict containment of expenditure and tax raising measures contained in Budget 2009.

Investment in capital projects to enhance Ireland's productive capacity has been retained at a very high level, of the order of 5 per cent of GNP, as this will help boost the productive capacity of the economy and thus ensure future improvements in living standards. In addition, given the extraordinary economic and financial circumstances impacting on all countries, including Ireland, this level of investment, which is now being totally funded from borrowings, will provide a significant fiscal stimulus in these difficult times.

The Government took firm and immediate action on expenditure in mid-2008 to address the emerging spending pressures, securing some €440 million in savings in 2008. The budgetary process was accelerated and presented to the Dáil in October, rather than, as usual, in December. Government expenditure is to be further contained and almost €2 billion (1 per cent of GDP) is being raised in additional taxation in 2009 on foot of the October Budget. In addition: -

- A special group has been established under an independent Chairman to further curtail public expenditure and public service numbers. This Group will report to the Minister during the first half of 2009 to secure additional savings which will feed into the Budgetary and Estimates process, work on which is already underway.
- A Commission on Taxation established in February 2008 is currently examining the structure and nature of the Irish tax system and will report to the Minister for Finance well in advance of Budget 2010.
- The Government will decide during January 2009 amongst options to deliver additional savings of up to €2 billion in Government expenditure during 2009 over and above that agreed in Budget 2009.
- Additional adjustments will be made on a phased basis each year out to 2013 and these will cumulatively amount to over €16 billion (8 per cent of GDP) by 2013.

Table 4 below sets out, in indicative form, the annual adjustment planned starting in 2009 and for each of the years out to 2013.

Table 4: Indicative Net Annual Adjustment Required

	2009	**2010**	**2011**	**2012**	**2013**
Emerging General Government Balance (excluding the unspecified Budget 2009 consolidation measures for 2010 & 2011)	**-10½%**	**-12½%**	**-12¼%**	**-12¼%**	**-11¼%**
Additional Annual Adjustment *% of GDP*	-€2b *1%*	-€4b *2¼%*	-€4b *2%*	-€3½b *1¾%*	-€3b *1½%*
General Government Balance following adjustment (taking account that each year's measures improve the following year's base)	**- 9½%**	**-9%**	**-6½%**	**-4¾%**	**-2½%**

On the basis of the above action being taken the current budget deficit is forecast to be eliminated by 2013 and the General Government deficit to be reduced to 2.6 per cent of GDP. Further details are set out in Table 5.

Table 5: Budgetary Projections 2008 – 2013

	2008	2009	2010	2011	2012	2013
	€m	€m	€m	€m	€m	€m
CURRENT BUDGET						
Expenditure						
Gross Voted Current Expenditure	53,677	56,523	58,890	60,091	61,466	62,866
Non-Voted (Central Fund) Expenditure*	3,936	6,469	7,468	8,376	8,991	10,241
Gross Current Expenditure	**57,613**	**62,991**	**66,358**	**68,467**	**70,457**	**73,107**
less Expenditure Receipts and Balances	12,920	13,965	14,339	13,790	13,876	14,095
Net Current Expenditure	**44,693**	**49,026**	**52,019**	**54,676**	**56,581**	**59,012**
Receipts						
Tax Revenue	40,777	36,995	36,890	38,415	40,475	42,890
Non-Tax Revenue	847	731	742	750	755	760
Net Current Revenue	**41,624**	**37,726**	**37,632**	**39,165**	**41,230**	**43,650**
Less Cumulative Fiscal Consolidation Objective:**						
Additional Annual Adjustment		2,000	4,000	4,000	3,500	3,000
Adjustment in the base from preceding years		0	2,000	6,000	10,000	13,500
CURRENT BUDGET BALANCE	**-3,069**	**-9,300**	**-8,387**	**-5,511**	**-1,851**	**1,138**
CAPITAL BUDGET						
Expenditure						
Gross Voted Capital	9,012	8,231	8,297	8,193	9,672	9,160
Non-Voted Expenditure	797	909	912	870	872	870
Pre-Funding for Future Pension Liabilities	1,690	1,584	1,484	1,543	1,628	1,714
	11,499	10,724	10,693	10,606	12,172	11,744
less Capital Receipts	456	466	485	479	479	479
Net Capital Expenditure	**11,043**	**10,259**	**10,209**	**10,126**	**11,693**	**11,265**
Capital Resources	**1,398**	**1,579**	**1,735**	**1,868**	**1,961**	**2,046**
CAPITAL BUDGET BALANCE	**-9,645**	**-8,680**	**-8,473**	**-8,258**	**-9,732**	**-9,219**
EXCHEQUER BALANCE	**-12,714**	**-17,980**	**-16,860**	**-13,769**	**-11,583**	**-8,081**
GENERAL GOVERNMENT BALANCE	**-11,796**	**-17,165**	**-16,271**	**-12,092**	**-9,443**	**-5,537**
% of GDP	*-6.3%*	*-9.5%*	*-9.0%*	*-6.4%*	*-4.8%*	*-2.6%*

* This figure includes servicing of the national debt

**for illustrative purposes it is assumed that the adjustment is made on the current side

Rounding may impact on totals

Table 6: General Government Budgetary Prospects

	2007 €m	2007 % of GDP	2008 % of GDP	2009 % of GDP	2010 % of GDP	2011 % of GDP	2012 % of GDP	2013 % of GDP
Net Lending by sub-sector								
1. **General Government** (=2+4+5) (=8)	444	0.2	-6.3	-9.5	-9.0	-6.4	-4.8	-2.6
2. **Central Government**	171	0.1	-6.1	-8.8	-8.1	-5.9	-4.4	-2.3
4. **Local Government**	-343	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
5. **Social Insurance Fund**	616	0.3	-0.1	-0.6	-0.9	-0.4	-0.3	-0.2
General Government								
6. **Total Revenue** (=16)	68,007	35.7	33.6	33.7	34.4	34.6	33.9	34.4
7. **Total Expenditure** (=24)	67,563	35.4	39.9	43.3	43.4	41.0	38.7	37.0
8. **Net lending/borrowing** (=6–7) (=1)	444	0.2	-6.3	-9.5	-9.0	-6.4	-4.8	-2.6
9. **Interest expenditure** (=20)	1,819	1.0	1.1	2.2	2.6	3.0	3.0	3.4
10. **Primary balance** (=8+9)	2,264	1.2	-5.2	-7.3	-6.4	-3.5	-1.7	0.7
11. One-off & temporary measures	420	0.2	-0.3	0.0	0.0	0.0	0.0	0.0
Selected components of revenue								
12. **Total taxes**	49,550	26.0	23.0	22.2	22.4	22.5	22.3	22.9
a. Taxes on production and imports	25,155	13.2	11.9	11.3	11.3	11.1	11.1	11.4
b. Current taxes on income & wealth.	24,002	12.6	11.0	10.8	11.0	11.3	11.0	11.4
c. Capital taxes[1]	392	0.2	0.2	0.2	0.2	0.2	0.2	0.2
13. **Social contributions**	11,947	6.3	6.7	7.2	7.4	7.4	7.2	7.1
14. **Property Income**[2]	2,013	1.1	1.3	1.4	1.5	1.5	1.5	1.4
15. **Other**	4,497	2.4	2.6	2.9	3.0	3.2	2.9	2.9
16. **Total Revenue** (=12 to 15) (=6)	68,007	35.7	33.6	33.7	34.4	34.6	33.9	34.4
Tax Burden[3]	*62,015*	32.5	30.0	29.8	30.2	30.2	29.8	30.3
Selected components of expenditure								
17. **Compensation of Employees +** 18. **Intermediate Consumption**	27,642	14.5	16.1	16.0	15.7	15.2	14.3	13.6
19. **Total social payments**	22,177	11.6	13.2	15.3	15.3	13.4	11.6	10.0
a. Social transfers in kind	3,460	1.8	2.1	2.3	2.3	2.1	2.0	1.8
b. Social transfers other than in kind	18,717	9.8	11.1	13.1	13.0	11.3	9.6	8.2
20. **Interest Expenditure** (=9)	1,819	1.0	1.1	2.2	2.6	3.0	3.0	3.4
21. **Subsidies**	1,120	0.6	0.6	0.6	0.6	0.6	0.7	0.6
22. **Gross fixed capital formation**	7,812	4.1	4.8	4.4	4.6	4.5	4.4	4.2
23. **Other**	6,993	3.7	4.2	4.6	4.6	4.3	4.7	5.1
24. **Total Expenditure** (=17 to 23) (=7)	67,563	35.4	39.9	43.3	43.4	41.0	38.7	37.0
Government Consumption	*30,032*	*15.8*	*17.6*	*17.5*	*17.1*	*16.8*	*16.3*	*15.9*

[1] Capital Acquisitions Tax only. Capital Gains Tax is included in '12.b Current Taxes on Income, Wealth, etc', and Stamp Duty is included in '12.a Taxes on Production and Imports'.
[2] Interest, dividends, rent, etc.
[3] Total Taxes plus Social Contributions plus taxes paid directly to EU.

Debt Level and Developments

The General Government Debt/GDP ratio ended 2008 at about 41 per cent, up from 24.8 per cent at end 2007. It continues to be well below the EU average of 59.8 per cent. The General Government Debt measure does not allow the €20 billion in cash balances (more than 10 per cent of GDP) to be offset against the gross position. Deducting the value of the National Pensions Reserve Fund and other funds managed by the National Treasury Management Agency from the gross debt would give a Debt/GDP ratio of around 30 per cent at end 2008. Subtracting Exchequer cash balances reduces the ratio further to 20 per cent.

A General Government debt to GDP ratio of 53 per cent is forecast for 2009. While the General Government debt-to-GDP ratio will rise over the forecast period, Ireland's net debt position will still be significantly lower than implied by the gross level.

Table 7: General Government Debt Developments

% of GDP	2007	2008	2009	2010	2011	2012	2013
Gross debt[4]	24.8	40.6	52.7	62.3	65.7	66.2	64.5
Change in gross debt ratio	0.1	15.8	12.1	9.6	3.4	0.5	-1.7
Contributions to change in gross debt ratio							
Primary balance	1.2	-5.2	-7.3	-6.4	-3.5	-1.7	0.7
Interest expenditure	1.0	1.1	2.2	2.6	3.0	3.0	3.4
Stock-flow adjustment[5]	2.0	9.1	0.9	0.6	-0.7	-0.7	-1.0
Nominal GDP	-1.7	0.4	1.7	0.0	-2.6	-3.5	-3.4
Net Receipts of Social Security Funds	1.5	1.1	0.6	0.3	0.8	0.9	1.0
Other factors influencing the debt ratio:							
Privatisation receipts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Increase in local authorities debt	0.2	0.1	0.1	0.1	0.1	0.1	0.1
p.m. implicit interest rate on debt	4.2	4.2	5.3	5.0	5.0	4.9	5.4

Source: Department of Finance

[4] The General Government debt ratio is measured on a gross basis, so liquidity held at year end will affect the gross debt. This debt ratio does not take into account the value of the funds in the NPRF.
[5] Stock-flow adjustment is calculated as the change in gross debt ratio, less the GG Balance as % of GDP, less the contribution of nominal GDP growth.

Cyclically Adjusted Budget Balance and Fiscal Stance

There is always uncertainty attached to estimates of the output gap in Ireland, given the structure of the economy. At this point in time, the uncertainty is heightened, as estimates of potential growth are clouded by the rapidly changing environment, which, for instance, make it difficult to project migration flows. This uncertainty must be borne in mind in any analysis of the structural budgetary position.

Table 8: Cyclical Developments

% of GDP	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
GDP growth	-1.4	-4.0	-0.9	2.3	3.4	3.0
Actual balance	-6.3	-9.5	-9.0	-6.4	-4.8	-2.6
Interest expenditure	1.1	2.2	2.6	3.0	3.0	3.4
One-off and other temporary measures	-0.3	0.0	0.0	0.0	0.0	0.0
Potential GDP growth	3.0	1.5	1.3	2.6	2.7	2.9
- contribution of labour	1.1	0.4	0.4	1.5	1.4	1.4
- contribution of capital	1.4	0.7	0.5	0.5	0.7	0.8
- contribution of total factor productivity	0.6	0.5	0.5	0.5	0.6	0.7
Output gap (% potential output)	-1.8	-7.1	-9.2	-9.4	-8.8	-8.7
Cyclically adjusted balance (CABB)	-5.6	-6.7	-5.3	-2.6	-1.3	0.9
Cyclically adjusted primary balance (CAPB)	-4.5	-4.5	-2.7	0.4	1.7	4.3
Structural balance (=CABB exc one-offs)	-5.3	-6.7	-5.3	-2.6	-1.3	0.9

Source: Department of Finance calculations.
Note that rounding can affect totals.