Summary for non-specialists
Occasional Papers No. 181 / March 2014
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Macroeconomic Imbalances

Ireland 2014

On 13 November 2013, the European Commission presented its third Alert Mechanism Report (AMR) in accordance with the Regulation (EU) No. 1176/2011 on the prevention and correction of macroeconomic imbalances. The AMR serves as an initial screening device to identify Member States that warrant further in depth analysis into whether imbalances exist or risk emerging. According to Article 5 of Regulation No. 1176/2011, these country-specific "in-depth reviews" should examine the nature, origin and severity of macroeconomic developments in the Member State concerned, which constitute, or could lead to, imbalances. On the basis of this analysis, presented on 5 March 2014, the Commission will conclude whether it considers that an imbalance exists or not, and if so whether it is excessive or not, and what type of follow-up it will recommend to the Council to address to the Member State.

The 2014 in-depth reviews (for Belgium, Bulgaria, Germany, Denmark, Ireland, Spain, France, Croatia, Italy, Luxembourg, Hungary, Malta, Netherlands, Slovenia, Sweden, Finland and the United Kingdom) were published on 5 March 2014 together with a Commission communication summarising the results. On the basis of the analysis in the In-depth review the Commission concluded that:

Ireland: The recently completed macroeconomic adjustment programme was instrumental to manage economic risks and reduce imbalances. However, the remaining macroeconomic *imbalances require specific monitoring and decisive policy action*. In particular, financial sector developments, private and public sector indebtedness, and, linked to that, the high gross and net external liabilities and the situation of the labour market mean that risks are still present. The Commission will put in motion a specific monitoring of the policy implementation, and will regularly report to the Council and the Euro Group. This monitoring will rely on post-programme surveillance.

More specifically, starting in 2007, Ireland experienced a collapse of the property market, and measures to address losses in banks and a fall in government revenues gave rise to severe budgetary problems. On the back of a loss of market access, Ireland sought international financial assistance at the end of 2010. Ireland maintained a strong track record of implementation throughout the programme, which was completed in 2013. The fiscal consolidation targets under the programme have been met, and Ireland has improved domestic fiscal rules and institutions. Moreover, the headline deficit is projected to meet the targets in 2013 and 2014. Bank deleveraging targets have been met and capital adequacy ratios have improved. Financial supervision and regulation have been strengthened. Households have increased their saving rates to reduce their indebtedness. Labour market reforms contributed to a reduction in unemployment. House prices have also stabilized and shown signs of recovery. Nonetheless, more progress is needed as public debt remains very high, as does external debt, the financial sector is vulnerable with a high amount of non-performing loans and long-term and youth unemployment remains elevated.