

Bringing focus* ...

Irish Economic Outlook...

“I think it is fair to say that 2007
represents a turning point for the Irish
economy”

Mr Brian Cowen, Tánaiste and Minister for Finance, 18 October 2007

Agenda

- Observations and recent trends
- The implications for our economic indicators and budget finances
- The impact on your organisations

Agenda

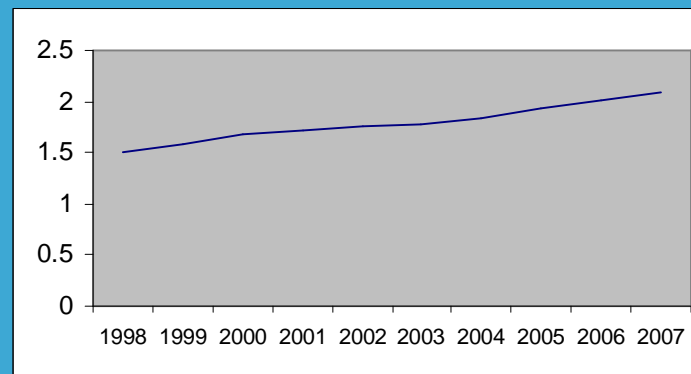
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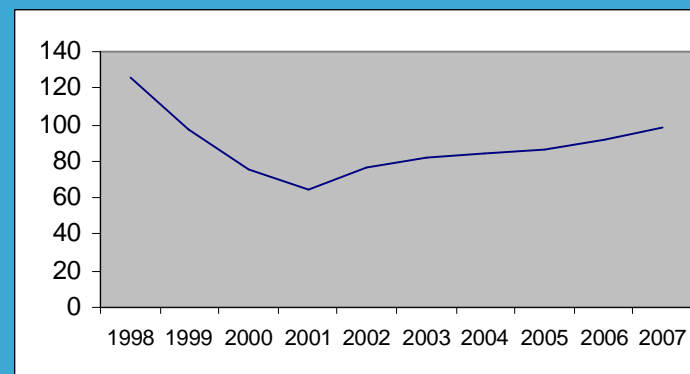
Employment trends

- Continuing growth in employment
- Since Oct 01, unemployment just above 4%

Total employment (m) 1998-2007



Total unemployed ('000) 1998 - 2007



Source: Budgetary and Economic Statistics, Dept of Finance, Aug 07 & CSO Dec 07

At October	01	02	03	04	05	06	07
Seasonally Adjusted Standardised Unemployment rate	4.0%	4.6%	4.5%	4.3%	4.4%	4.1%	4.8%

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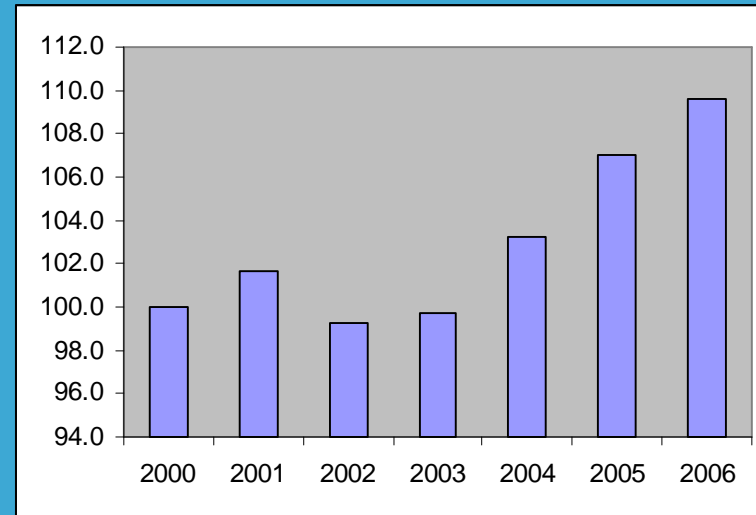
Employment trends

- Increasing employment in construction from 2002 – 2006
- Comparing 2007 employment, month-by-month relative to last year, a decline from April onwards

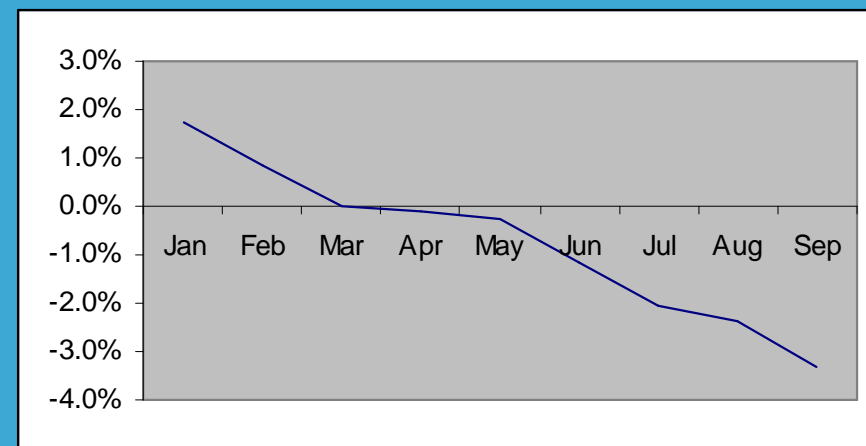
Source: Budgetary and Economic Statistics, Dept of Finance, Aug 07

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Building employment index 2000-2006
(Base year 2000 = 100)



Monthly building employment index for 2007, relative to 2006



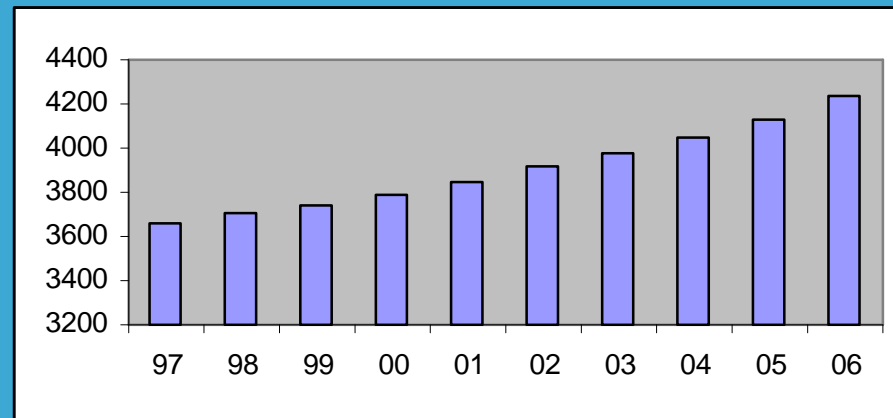
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Immigration trends

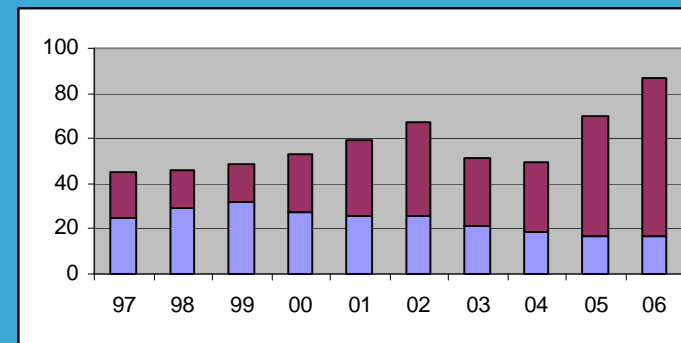
- Census in 2006 indicated a total population of 4.235m
- In 2006 87k immigrants, while there were 17k emigrants, resulting in a net migration of 70k

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Total Population ('000) 1997 – 2006



Total Immigration ('000) 1997 – 2006



Net Migration
Out-Migration

Source: Budgetary and Economic Statistics,
Dept of Finance, Aug 07 & CSO Census of Population

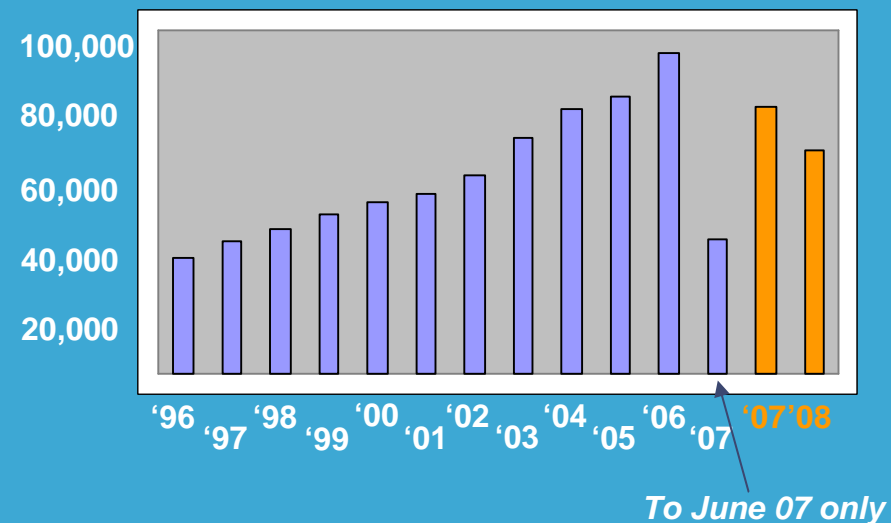
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House building trends

- Growth year-on-year from '96 to 2006, reaching 93,419 in 2006
- Comparing June 06 to June 07 indicates a decline of 11%
- Estimated outturn 07 ~ 78k
- Forecast 08 ~ 65k (ESRI)

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Annual House completions



Source: Budgetary and Economic Statistics,
Dept of Finance, Aug 07 & ESRI QNHS, November 07

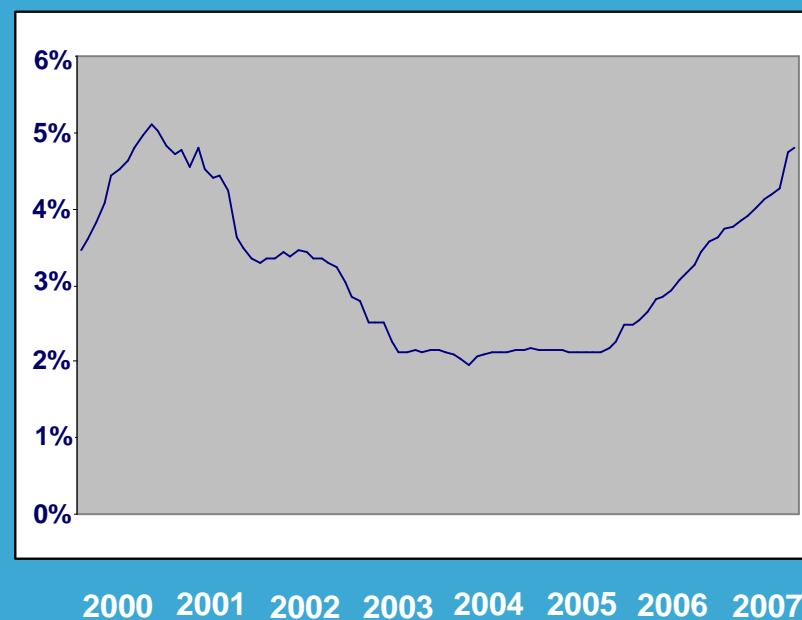
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Interest rate trends

- From Jan 03 to Jun 06, the interbank market rate was below 3%
- Steady increase since June 06
- Rate of 4.8% at Sep 07
- 8 increases over past 2 years

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Interbank market rate – 3 month fixed
2000 - 2007



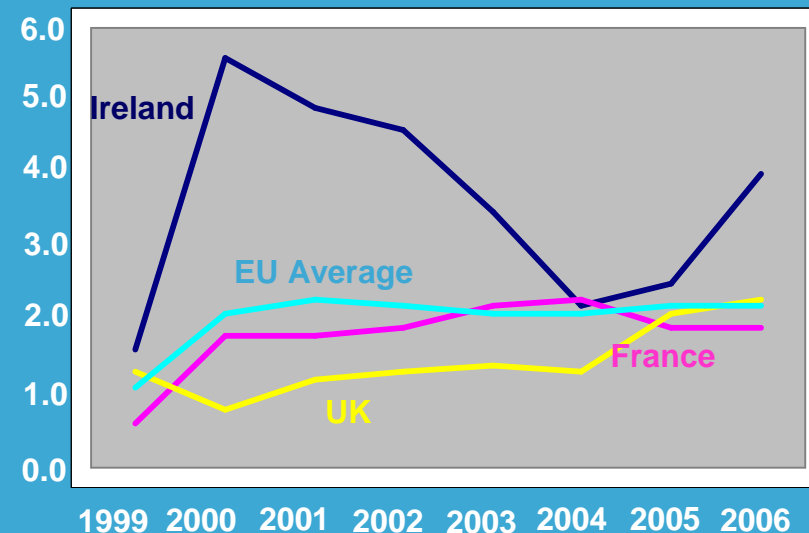
Source: CSO Financial interest rates

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Inflation trends

- Irish rates more volatile
- Continue to exceed EU average rates
- Rate of CPI in Sep 07 = 4.6%
- Driven by public sector inputs

International inflation rates % 1999 - 2006



Source: Budgetary and Economic Statistics, Dept of Finance, Aug 07, CSO, Eurostat, OECD Economic Outlook

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Personal income and savings trends

- Increasing disposable income and increasing savings ratio

Personal disposable income and savings

	2001	2002	2003	2004	2005
Personal income (€bn)	75.9	82.0	88.6	94.6	102.9
Personal disposable income (€bn)	61.1	66.9	72.8	76.5	83.4
Personal savings (€bn)	4.7	5.1	6.6	6.4	6.9
Savings ratio	7.6%	7.6%	9.0%	8.4%	8.3%

Source: CSO Personal income and expenditure tables, 2006

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Oil price trends

Brent Crude Oil - \$ per barrel
Dec 06 – Dec 07



Source: BBC Website, Brent Crude Oil Prices

- Upward trend in prices since January 2007.
- Current price \$90 a barrel. Just above \$50 in January 2007
- Feeds into all industries/ facets of life

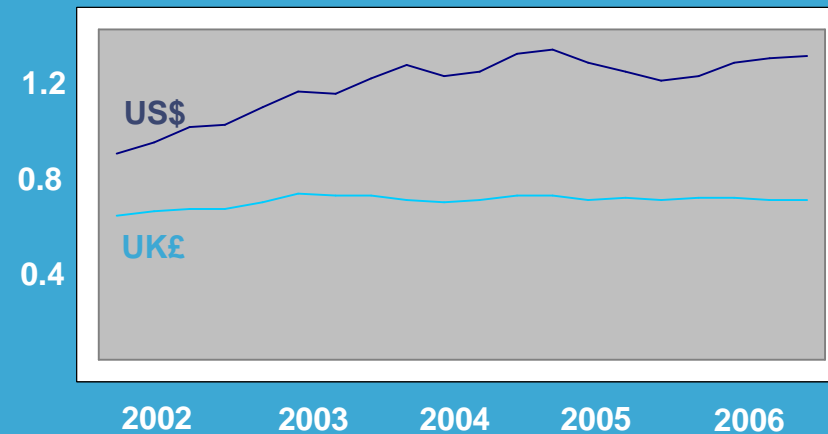
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Exchange rate trends

- Relatively consistent €/£ exchange rate at approximately €0.68 to £1
- Weakening dollar exchange rate, putting pressure on €-denominated exports.
- Exchange rates at 5th Dec:
 - \$1.472
 - £0.722

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Quarterly Exchange Rate Trends – Euro relative to the US\$ and UK£



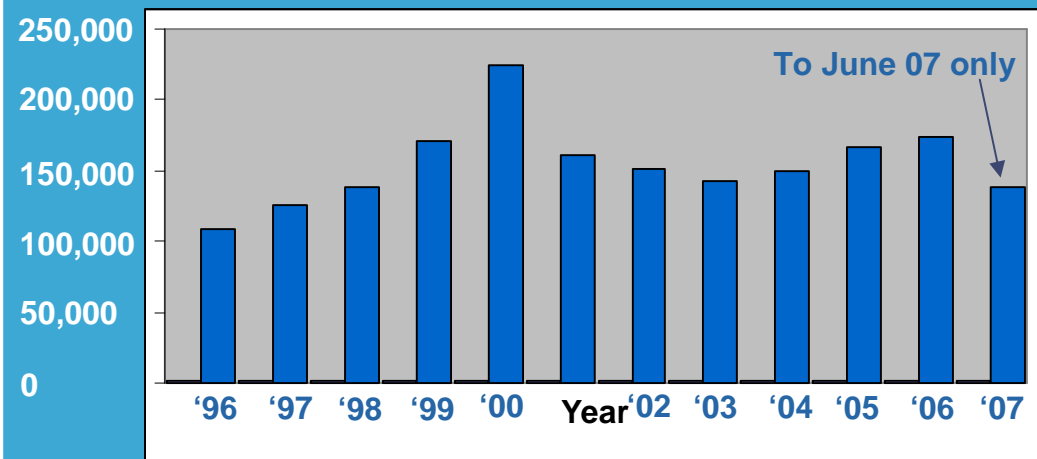
Source: Budgetary and Economic Statistics, Dept of Finance, Aug 07 & Central Bank

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New car trends

- Peak in 2000
- Since 03, increasing year-on-year.
- Relative to June 06, 2007 has increased by 6.5%

New Private Motor Cars Licensed for the First Time
1996 - 2007



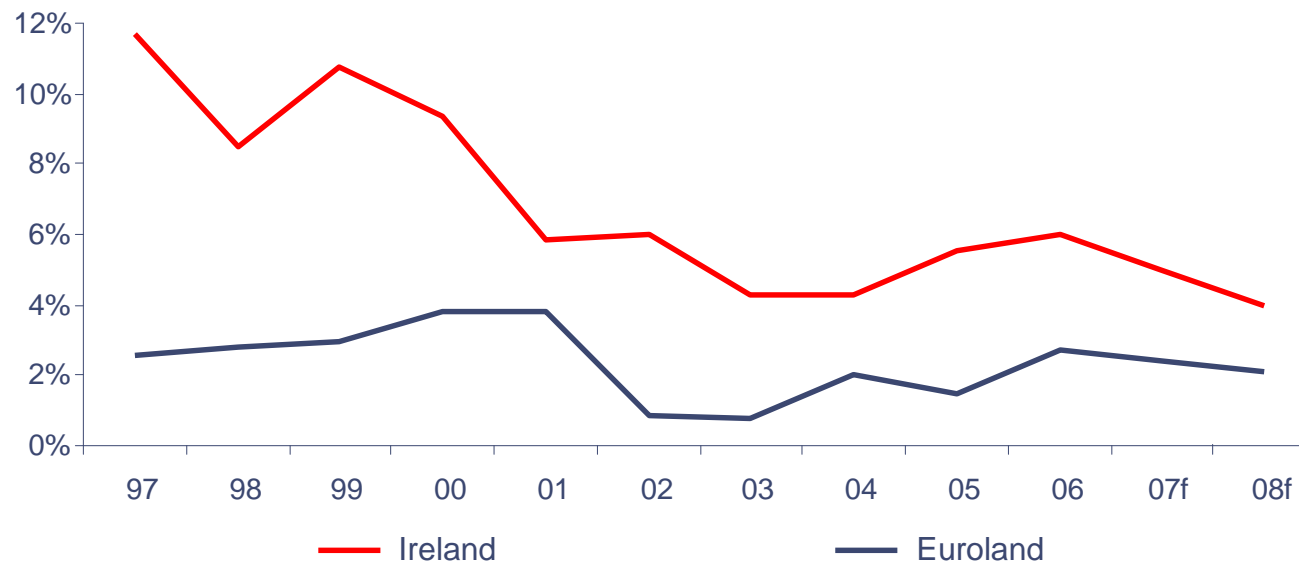
Source: Budgetary and Economic Statistics,
Dept of Finance, Aug 07

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Economic Growth Profile



Relatively
benign, but
stable outlook

Source: CSO, Eurostat; PricewaterhouseCoopers forecasts (f)

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GDP – Relative to other territories

	2006	2007	2008
	%	%	%
US	3.3	2.0	2.8
Euro area average	2.7	2.6	2.5
EU – 27	3.0	3.1	2.8
UK	2.8	2.9	2.7
Ireland	5.7	4.75	3.25

Source: Pre-budget outlook, October 2007, Dept of Finance

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Other economic indicators for 2008

	GDP %	Inflation (CPI) %	Unemployment %
Dept of Finance	3.25	2.9	5.5
Central Bank	3.5	3.0	5.25
ESRI	2.7	3.4	5.6

Source: Dept of Finance, Central Bank Quarterly Bulletin, ESRI
Economic Commentary

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The Current & Capital Account – what happened in 2007

	Budget 07 €m	Estimate 07 €m	Current & Capital Account
Receipts – Current	49,640	47,999	
Receipts – Capital	1,483	1,407	
Expenditure – Current	41,590	40,938	
Expenditure - Capital	10,080	10,091	
Current Surplus	8,050	7,060	
Capital Spend	(8,597)	(8,683)	
Exchequer Balance	(547)	(1,623)	

Source: Dept of Finance, Pre-Budget Outlook, October 2007

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The Current & Capital Account – what is expected for 2008

	Estimate 07 €m	Forecast 08 €m	Current & Capital Account
Receipts – Current	47,999	49,460	
Receipts – Capital	1,407	1,456	
Expenditure – Current	40,938	43,612	
Expenditure – Capital	10,091	11,134	
Current Surplus	7,060	5,848	
Capital Spend	(8,683)	(9,678)	
Exchequer Balance	(1,623)	(3,830)	

Source: Dept of Finance, Estimates of Receipts and Expenditure 08, Dec 07

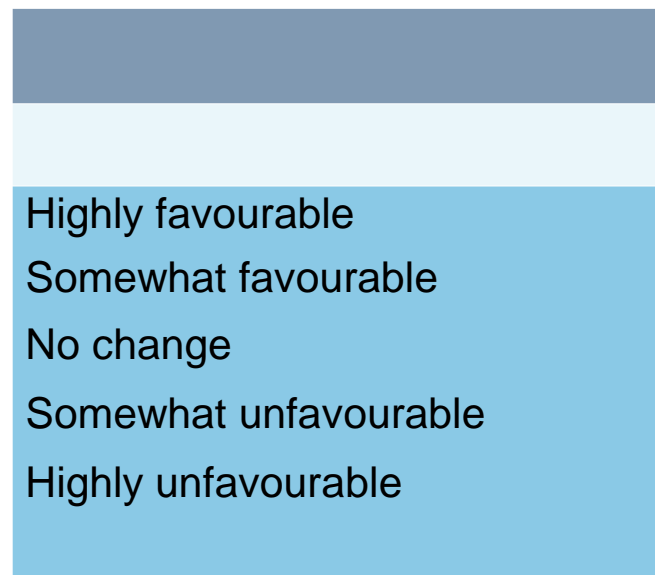
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What are CEOs saying to us?

PwC CEO Pulse Survey respondents reporting outlook on the Irish economy to the end of 2007



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What are CEOs saying to us?

PwC CEO Pulse Survey respondents reporting outlook on the Irish economy to the end of 2007 - turn in sentiment

% of Respondents	Total		Irish HQ		MNC	
	2007	2006	2007	2006	2007	2006
Highly favourable	14%	16%	19%	19%	8%	13%
Somewhat favourable	60%	60%	59%	62%	61%	57%
No change	15%	13%	13%	10%	17%	17%
Somewhat unfavourable	11%	10%	9%	9%	14%	11%
Highly unfavourable	0%	1%	0%	0%	0%	2%

Source: 2007 PricewaterhouseCoopers CEO Pulse Survey

Concern over social partnership

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What are the biggest challenges?

PwC CEO Pulse Survey - % of respondents indicating single greatest challenge in 2007...

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Controlling costs 50%

Staff retention and motivation 13%

Business restructuring 12%

Implementing business strategy 10%

Concluding thoughts:

- Positive outlook
- Focus on indigenous industry
- Continue to invest in key areas:
 - knowledge economy
 - Infrastructure
 - education

“I think it is fair to say that 2007 represents a turning point for the Irish economy”

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“We mustn’t lose sight of the fact that our overall growth performance is nevertheless impressive by International Standards”

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