



Economic and fiscal outlook

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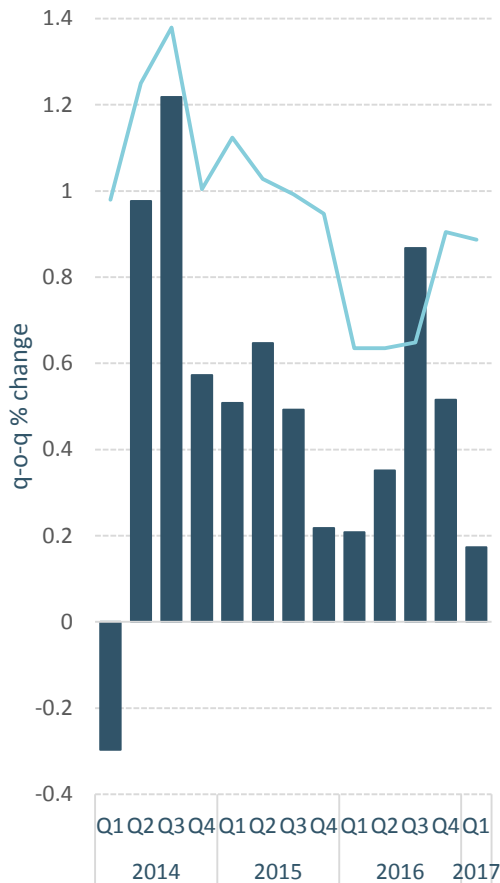
22 May 2017



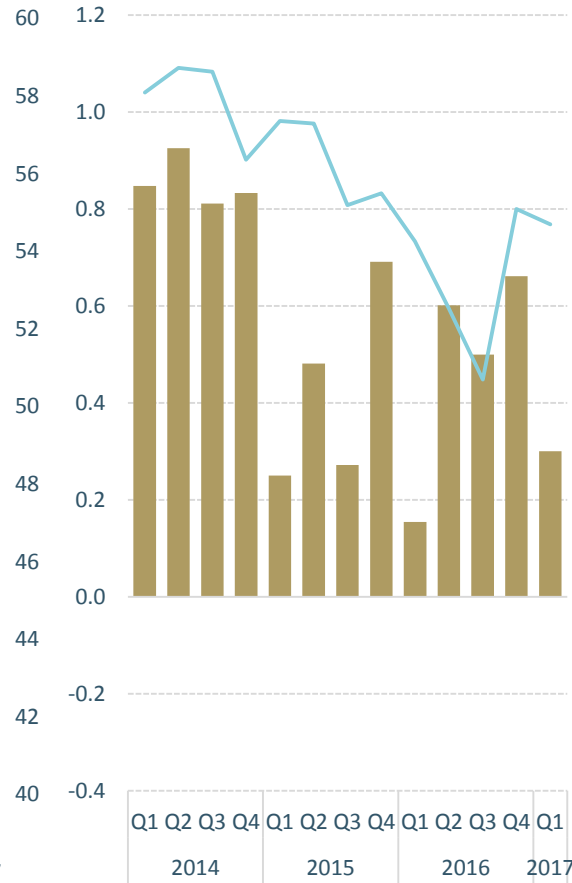
An Roinn Airgeadais
Department of Finance

External environment generally supportive though highly uncertain...

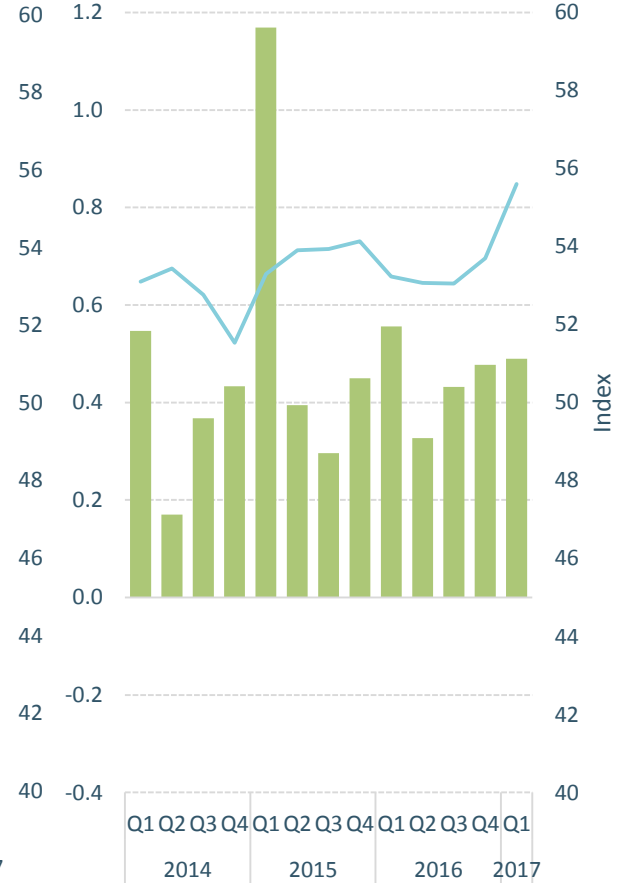
US (GDP=lhs; PMI=rhs)



UK (GDP=lhs; PMI=rhs)



EA (GDP =lhs, PMI = rhs)



External assumptions...

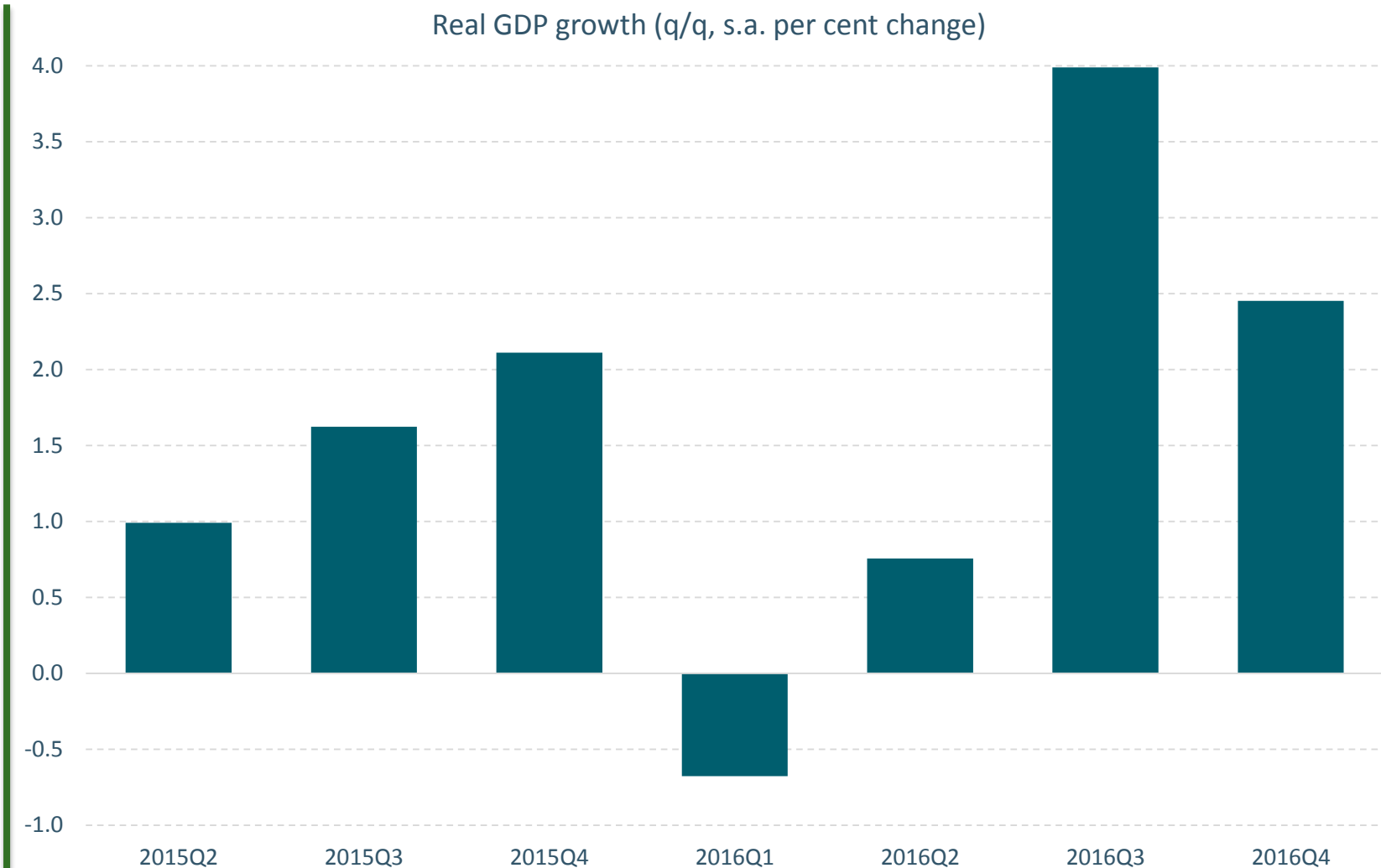
	2016	2017 ^f	2018 ^f
External GDP growth			
United Kingdom	1.8	1.8	1.3
Euro Area	1.8	1.7	1.8
United States	1.6	2.2	2.3
Technical Assumptions			
Euro-dollar exchange rate	1.11	1.06*	1.06*
Euro-sterling exchange rate	0.82	0.87*	0.87*
Brent crude (dollars per barrel)	45	55	56

Source: European Commission, May 2017

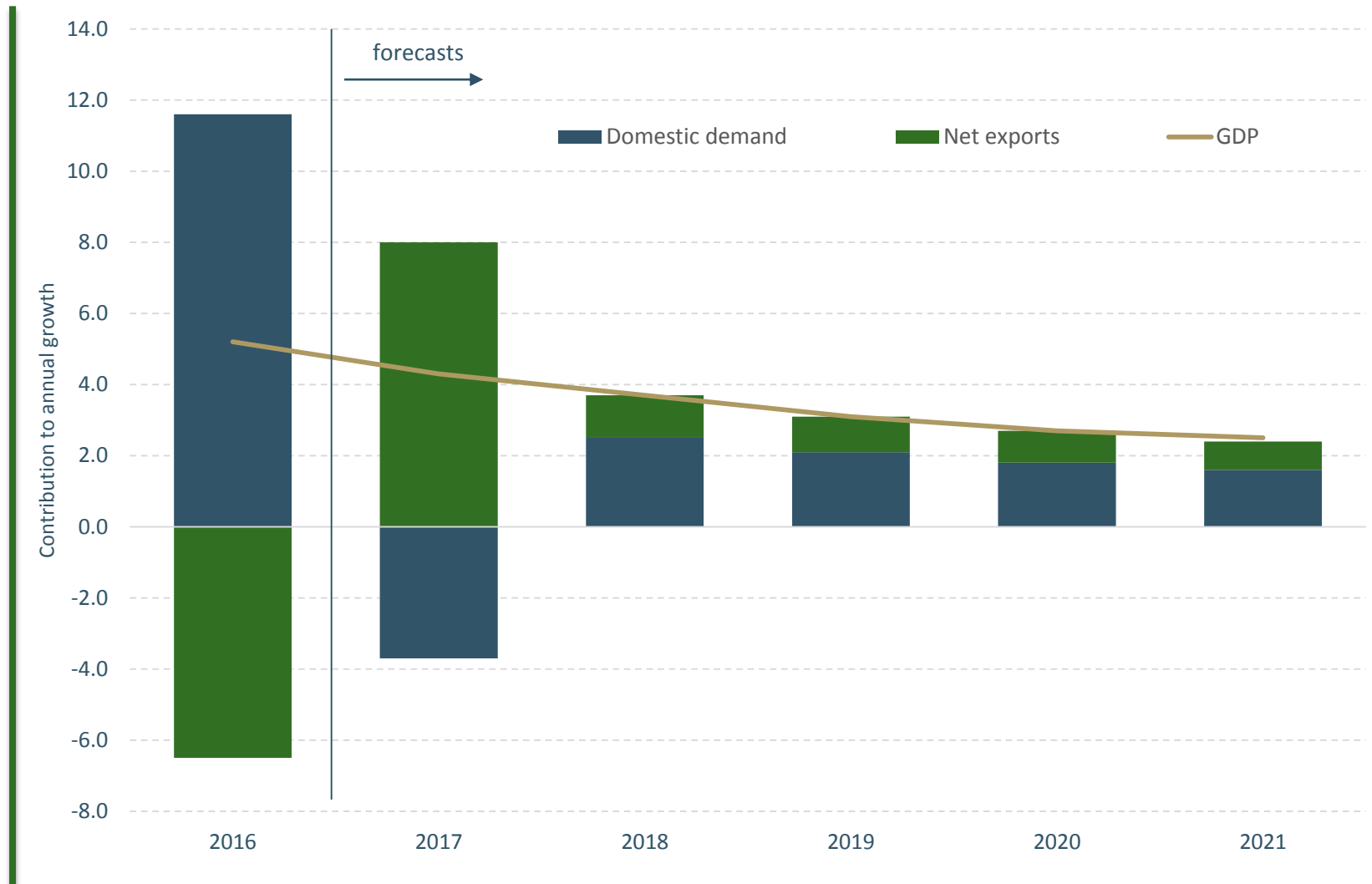
f: forecast value

* technical assumption of unchanged levels from those at mid-April.

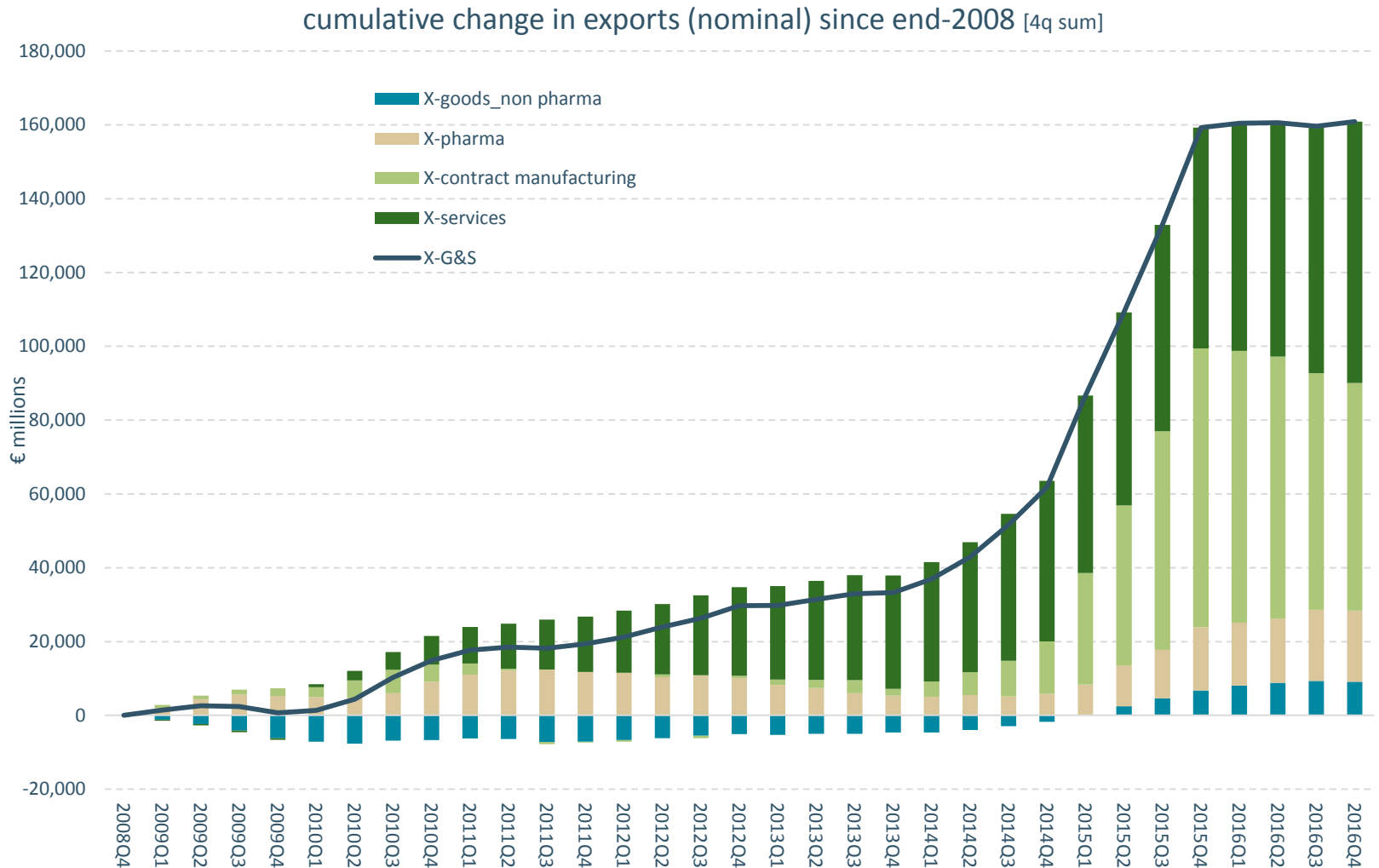
Strong growth in H2 driving momentum into 2017...



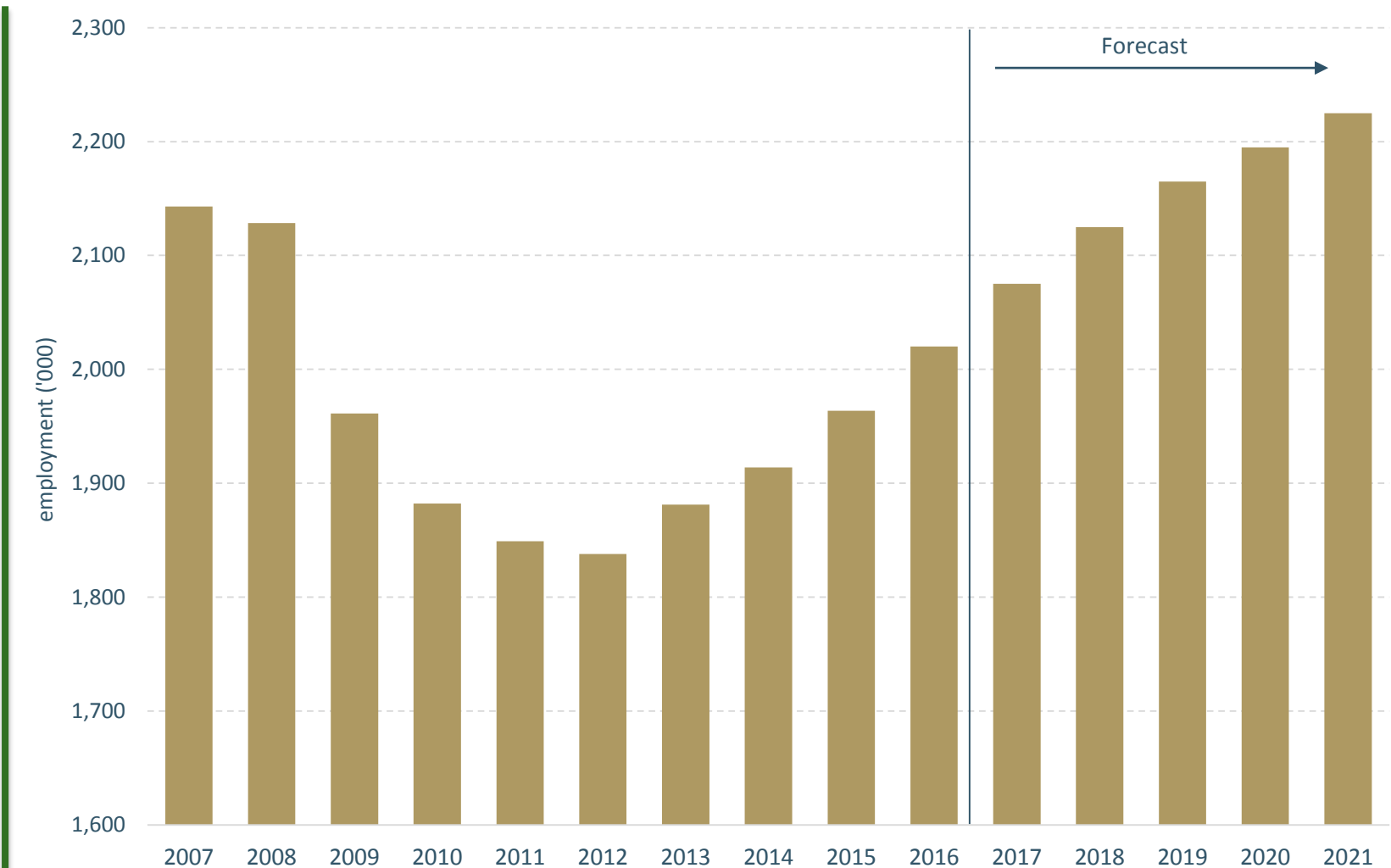
Central scenario is for solid GDP growth in the short-term...



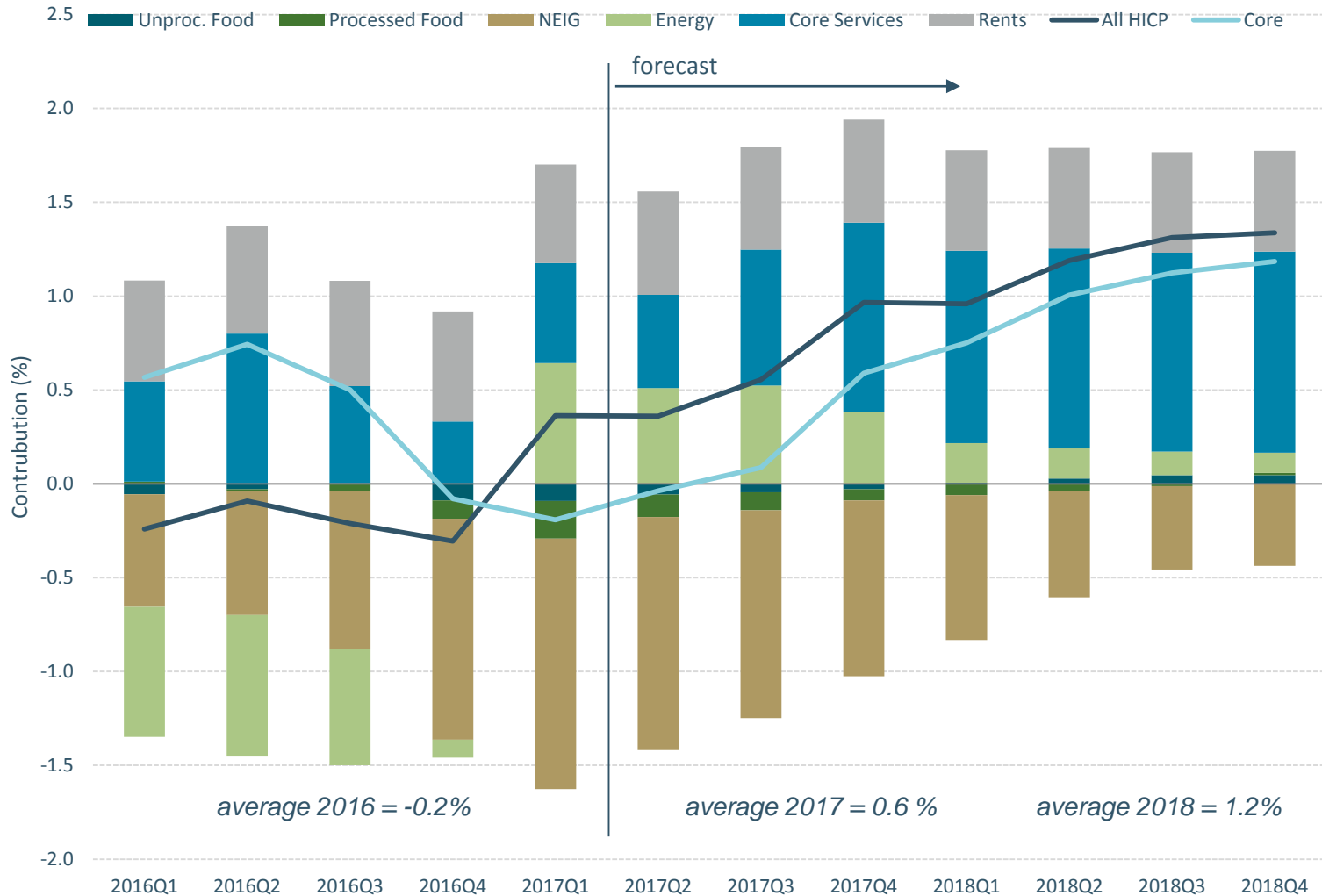
Exports strong but nearly half due to “contract manufacturing”...



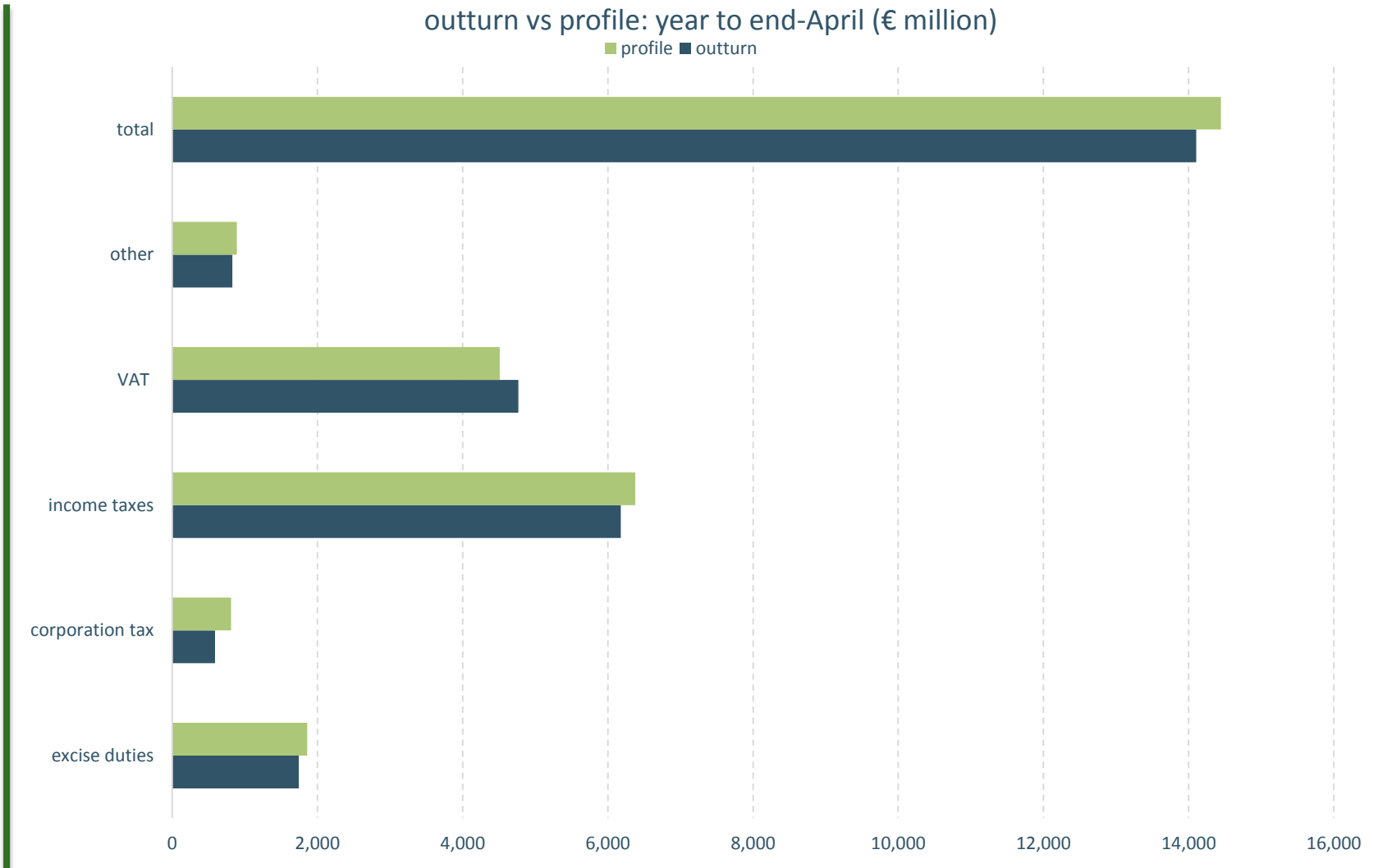
Growth yielding a dividend in the labour market...



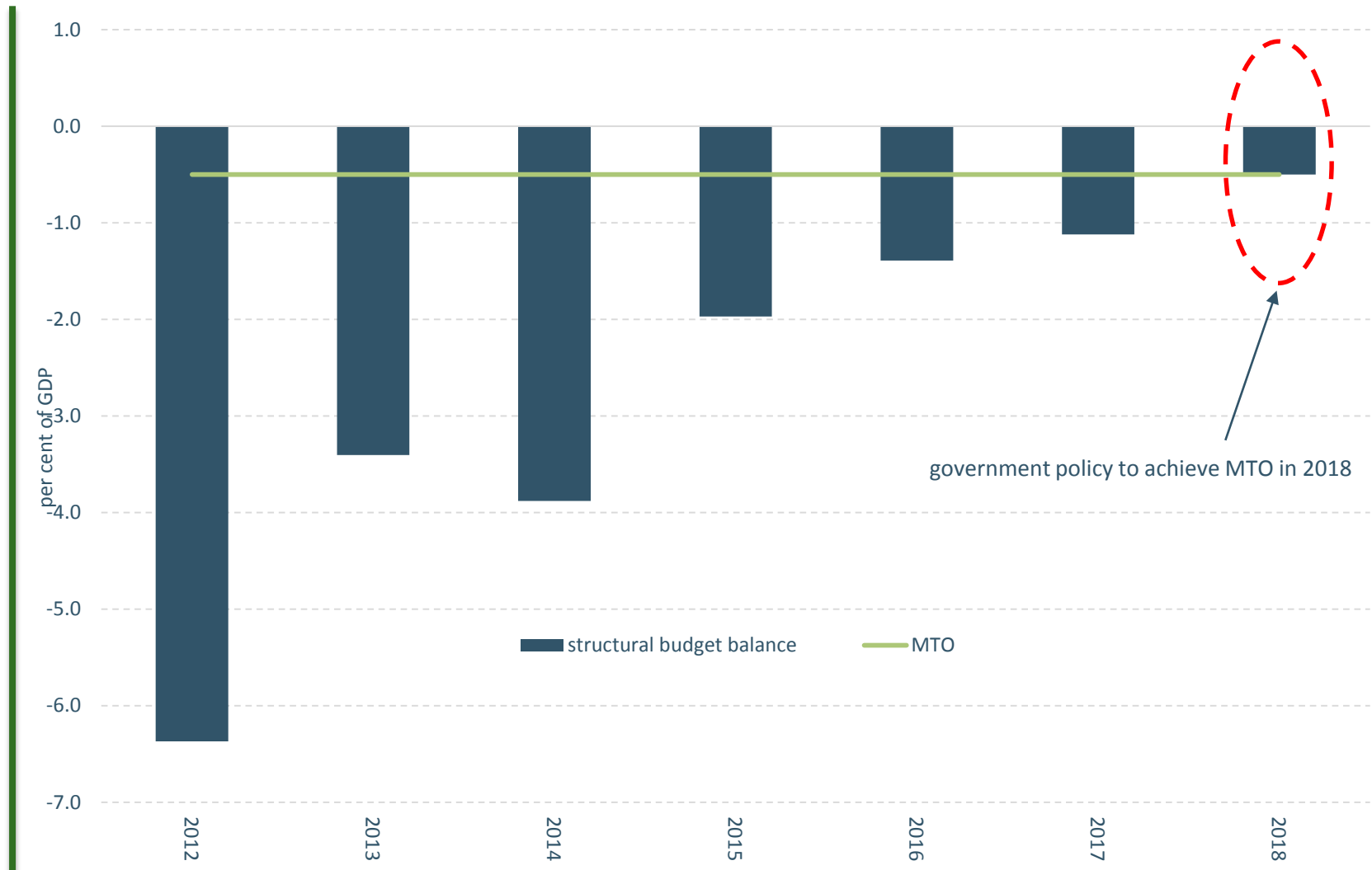
Inflationary pressures (HICP) remain contained...



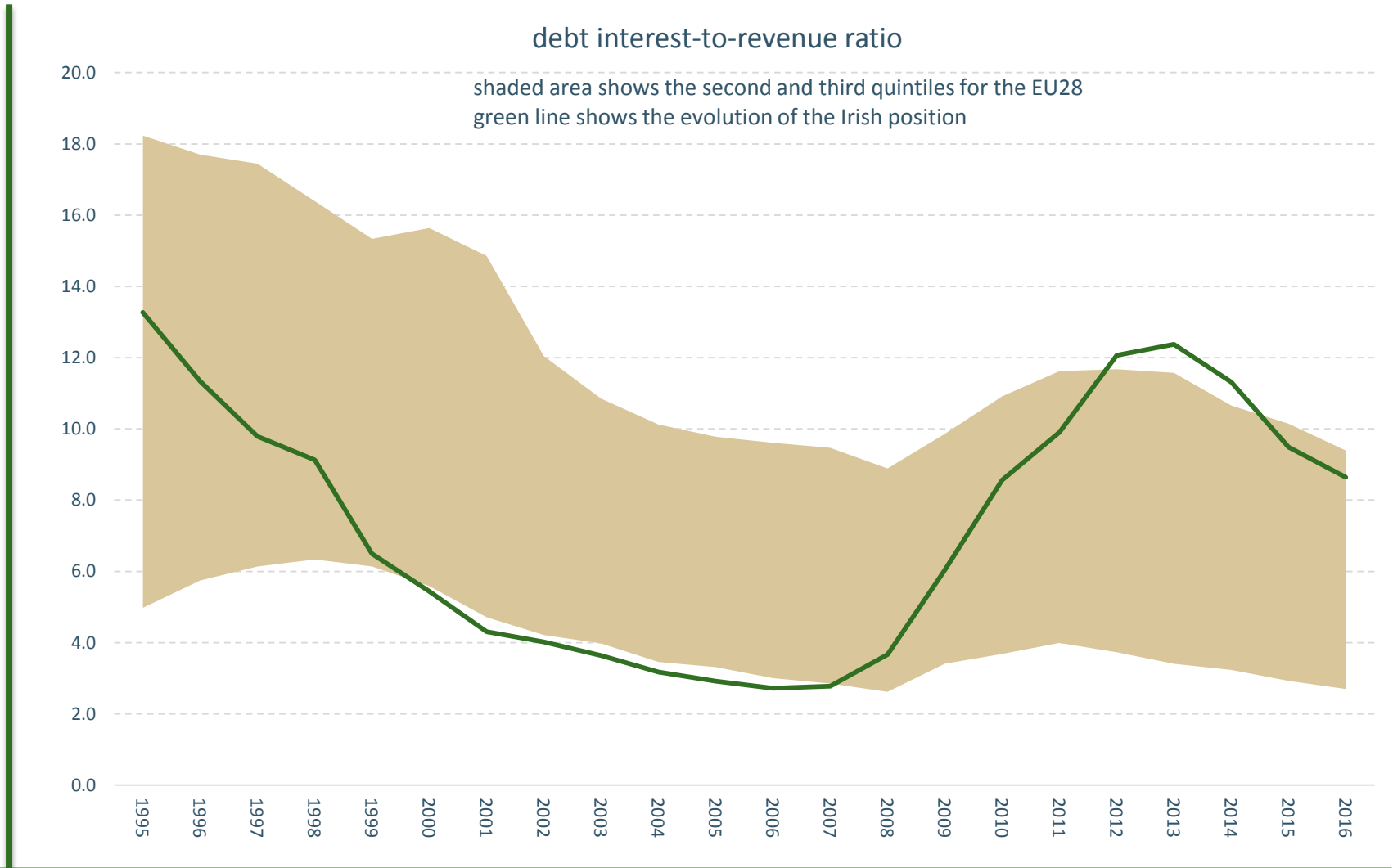
Still running a deficit in 2017 and tax receipts behind profile...



Government policy to achieve balanced budget (structural) in 2018...



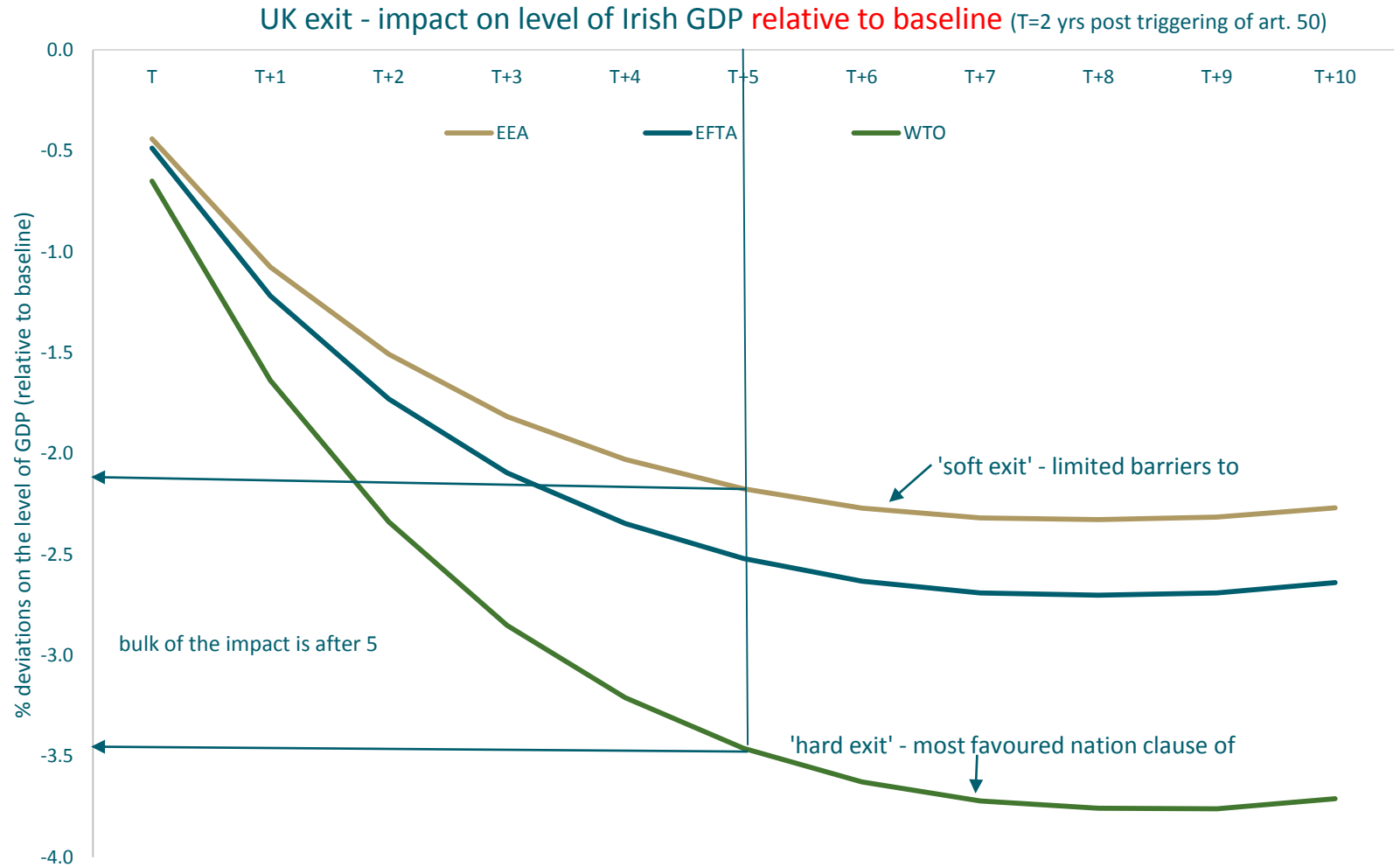
Public debt remains elevated...



Short-term risks – firmly tilted to the downside, mainly external...

Positive	Negative	
	<ul style="list-style-type: none"> Hard “Brexit” Policy uncertainty in the US (inc. tax) Protectionism Weaker external growth Exchange rate re-alignments Geopolitical factors Global financial market conditions 	External
“measured” GDP (distortions)	<ul style="list-style-type: none"> Concentrated industrial base Loss of competitiveness Private sector deleveraging Supply-side constraints 	Domestic

“Brexit” impact could be severe...



In summary...

- Economy performing well
 - GDP / GNP distorted
 - ⇒ labour market trends = best barometer at present
- **Highly uncertain** short- and medium-term outlook
 - “Brexit” ----- future EU-UK trading relationship?
 - policy uncertainty in the US
 - ⇒ continued growth cannot be taken for granted
- Policy requirements
 - need to remain competitive
 - : adjustment more difficult in monetary union
 - address supply-side bottlenecks
 - achieve balanced budget (MTO) in 2018
 - reduce public debt
 - : cushion future shocks
 - : reduce vulnerabilities

Annex 1: Macroeconomic Outlook as set out in Stability Programme

Year-on-year % change	2016	2017	2018	2019	2020	2021
GDP	5.2	4.3	3.7	3.1	2.7	2.5
GNP	9.0	4.2	3.5	2.8	2.3	2.1
Nominal GDP	3.9	5.5	5.0	4.6	4.4	4.2
Personal Consumption	3.0	2.8	2.7	2.5	2.2	2.0
Govt Consumption	5.3	2.6	2.1	2.0	1.9	1.8
Investment	45.5	-17.1	5.4	4.3	3.3	2.9
Exports	2.4	5.0	5.1	4.2	3.9	3.8
Imports	10.3	-2.0	5.3	4.5	4.2	4.0
HICP	-0.2	0.6	1.2	1.8	1.9	1.9
GDP Deflator	-1.2	1.2	1.3	1.5	1.7	1.7
Employment	2.9	2.7	2.4	1.9	1.5	1.4
Unemployment (rate)	7.9	6.4	5.8	5.5	5.5	5.5
Contributions to growth (p.p.)						
Domestic Demand	11.3	-3.7	2.5	2.1	1.8	1.6
Change in Stocks	0.3	0.0	0.0	0.0	0.0	0.0
Net Exports	-6.5	8.0	1.2	1.0	0.9	0.8
Underlying Domestic Demand (inc. stocks)	2.2	2.3	2.3	1.9	1.6	1.4
Underlying Net Exports	2.9	2.1	1.4	1.1	1.1	1.0

Annex 2: Fiscal space (as per Budget 2017) – to be updated in SES

<i>€ bns</i>	2018	2019	2020	2021
Gross fiscal space	1.8	3.2	3.5	3.6
Pre-commitments	0.6	0.6	0.7	0.8
Net fiscal space *	1.2	2.7	2.7	2.7

*carry-over effects impact on 2018 figure