



# Ireland



## Did you know...?

**Geography** Ireland is sometimes known as the "Emerald Isle" because of its green scenery.

**History** Millions died during the great famine from 1846-48 when the potato crop failed, and the millions that emigrated spawned the first mass wave of Irish emigration to the United States.

**Culture** Ireland has made a large contribution to world literature. Notable authors include James Joyce, Bram Stoker, Jonathan Swift, and Oscar Wilde.

**Northern Ireland** The conflict in Northern Ireland stems from a history of British rule, historical animosity between Catholics and Protestants, and the various armed and political attempts to unite Northern Ireland with the rest of the island.

**Fun Fact** Ireland is the world's only country with a musical instrument for a national symbol: the harp.

## An overview of Ireland's economy

After years of rapid growth, the "Celtic Tiger" was among the European economies hardest hit by the global economic crisis.

Ireland joined the European Union in 1973 together with Denmark and the UK, increasing EU membership to nine states. Joining the EU greatly benefited Ireland in several ways. When it joined, Ireland was a poor country with high unemployment and very low levels of income. However, once Ireland joined the EU it benefited from participation in the single market and various funding programs. At the same time, Ireland also began to benefit from its young, highly-educated population and inward investments by foreign multinationals. These factors helped to transform Ireland from an agricultural economy to a modern, open and technologically advanced economy.

The "Celtic Tiger" period starting in the mid-1990s saw several years of rapid GDP growth, driven by a progressive industrial policy that boosted large-scale foreign direct investment and exports. From 1995 to 2007, GDP growth averaged 6%, and growth in GDP per capita was the fastest in the OECD. Ireland had hence become one of the richest countries in the EU.

However, in the early 2000s, economic activity became heavily dependent on the construction and financial sectors. House prices saw rapid increases, credit expansion to property-related sectors surged, and inflation rose.

The collapse of Ireland's property bubble, and its heavy exposure to the global economy, translated into a sharply negative impact from the global financial crisis. Real GDP fell by 7.1% in 2009 and -0.4% in 2010, as domestic consumption and investment decreased sharply. The downturn produced a dramatic deterioration in Irish public finances, with a large general government deficit emerging and feeding into a steep increase in the debt ratio from its pre-crisis level. In response to severe market pressures, a joint EU-IMF program €85 billion was established for Ireland in November, 2010.

Ireland's main challenges are to stabilize its financial sector, which suffered large losses from the bursting of the property bubble, reduce unemployment, and put its public finances back on a sustainable track.





## Ireland's Economy – Key Facts

- In terms of GDP per capita, Ireland is one of the wealthiest countries in the OECD, while in terms of GNP per capita, Ireland ranks below the OECD average. GDP (national output) is significantly greater than GNP (national income) due to the significant presence of multinationals in Ireland's economy.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Ireland 29<sup>th</sup> out of 139 countries in terms of competitiveness. The country is ranked 10<sup>th</sup> for the quality of health and primary education and has a very efficient goods market (ranked 14<sup>th</sup>). The four most problematic factors for doing business are access to financing, inefficient government bureaucracy, inadequate supply of infrastructure, and restrictive labor regulations.
- The World Bank's Doing Business Report ranked Ireland 9<sup>th</sup> out of 183 countries in terms of ease of doing business in 2011.
- According to the European Commission's Spring 2011 forecast, real GDP will grow by 0.6% in 2011. In 2012, GDP is estimated to grow by 1.9%. The government deficit is projected to improve from 10.0% of GDP in 2009 to 9.5% of GDP in 2011 and to 8.5% in 2012. The gross debt ratio, is projected to rise to 112.0% of GDP by 2011.
- Under the terms of the IMF/ EU bailout, Ireland is committed to cut the budget deficit in stages to reach 2.9% in 2014 and has presented three austerity packages in just over a year. The measures include cuts of 760 million euro in social welfare and 960 million euro in investment projects as well as a pay cut for all public servants of at least 5%.

## References

- <http://delicious.com/eurochallenge/Ireland>
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**Exports** The export sector, dominated by foreign multinationals, remains a key component of Ireland's economy.

**Labor Market** The rapid economic growth in Ireland between 1995 and 2007 was partially due to increased participation of women in the economy. However, female labor participation still remains relatively low due to a range of social and economic factors.

**Competitiveness** Over the past few years, Ireland suffered significant losses in competitiveness as reflected in the strong rise in unit labor costs since 2002.

**Unemployment** The collapse of the housing sector and the contraction in overall activity were reflected in a large decline in employment. The unemployment rate has risen to 14.6% in 2011, with young and low-skilled workers hardest hit.

**Inflation** The Irish price level was among the highest in the euro area in recent years and a downward adjustment of prices is underway. Inflation averaged around 2% in 2010 and is expected to vary around this level in the short term.