

Ireland

Prime Minister: Brian COWEN	Population (2007 est.): 4,312,526			
Finance Minister: Brian LENIHAN	GDP (2007): €185.6 billion			
Central Bank Governor: John HURLEY	GDP/capita: €42,600			
Joined the EU: 1973	GDP by sector:			
Adopted the Euro: 1999	Agriculture 5%			
Currency prior to Euro: Irish Pound	Industry 46%			
	Services 49%			
	Life Expectancy (women / men): 82 / 77			
	2005	2006	2007	2008*
Real GDP growth rate	6.4%	5.7%	6.0%	-1.6%
Inflation	2.2%	2.7%	2.9%	3.3%
Unemployment Rate	4.4%	4.5%	4.6%	6.1%

* forecast

Ireland in the EU and the Euro Area

Ireland joined the EU in 1973, along with Denmark and the UK, thus bringing the EU to encompass 9 countries in total. 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 was able to benefit from a range of European structures, including the single market and various funding programs. As a result the economy grew, unemployment diminished, infrastructure expanded and education systems improved. Today, Ireland boasts the second highest per capita GDP in the EU, second only to Luxembourg.

Economic Overview of Ireland

Before joining the EU, Ireland had an agriculturally based economy. However, due to the economic growth, funding, job creation and other benefits derived from EU membership, Ireland now has a modern, technologically advanced and prosperous economy.

Ireland's economy is based mainly on industry, which accounts for about 80% of exports and employs 29% of the labor force. Ireland is a small, modern, trade-dependent open economy with averaged annual growth of 6% from 1995 to 2006. Growth was mainly driven by construction, business investment and domestic demand, in particular private consumption, while there was also continued progress in employment and per capita income. However, economic growth became more reliant on house building in recent years and competitiveness eroded, as house prices increased rapidly, credits to property-related sectors surged and inflation rose.

GDP for 2008 is forecasted to decline by 1.6%, which is reflected by a downward turn in the housing market that has spread to the wider economy and has been amplified by the financial crisis and lower growth prospects in the main trading partners (euro area, US and UK). In addition, the Executive Board of the IMF¹ recently noted a number of downside risks such as inflationary pressure, declining competitiveness and a widening current account deficit.

Some Economic Challenges Facing Ireland

Growth in GDP per capita over the past decade, albeit not fully matched by real income gains, has been the fastest in the OECD. However, there is scope to raise labor force participation, and further efficiency gains can be achieved in some areas.²

Insufficient Competition

There is little competition in network industries such as telecommunications, electricity, and transport sectors. Bus routes are not liberalized and one large electricity company is in control of all aspects of electricity production. The lack of competition leads to increased prices and bottlenecks, thus hindering growth. In terms of solutions, the Irish government might consider splitting up the incumbent electricity company, separate electricity generation and transmission, and encouraging competitive practices in other network industries, including liberalization of the bus routes.

Improved Access to Education

Pre-school attendance of young children in Ireland is low and many students leave before completing upper-secondary education. Furthermore, higher education remains under-funded. A more educated population is likely to lead to increased research, innovation and growth, all of which will benefit Ireland in the long term. In particular it is important that children are given equal opportunities to enter school at the same age and are all given greater encouragement and facility to complete their secondary education. It would also be beneficial if higher education costs were reduced so as to improve access for a wider section of the population. So far the Irish government has started to implement The National Development Plan for 2007 to 2013, which includes additional spending on training for specific groups with low skills and education support for those of working age.

Increased Participation of Women in the Economy

The rapid economic growth in Ireland is 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. Support for families with children was increased substantially in 2005, though further innovations in this area would be helpful. In addition, efforts to tie childcare support and use of childcare to employment and income should have helped integrate more women into the labor force, but until now the success of these measures is limited. Further, it would be necessary to improve job-search assistance for lone parents and provide financial incentives for low-income woman to work.

¹ International Monetary Fund (IMF), <http://www.imf.org/external/np/sec/pn/2007/pn07117.htm> 06/13/08

² "Economic Reform: Going for Growth." OECD. 2008