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Notes

1. The permission of the Government has been obtained for the use in this Bulletin of certain material compiled by the Central Statistics Office and Government Departments. The Bulletin also contains material which has been made available by the courtesy of licensed banks and other financial institutions.

2. Unless otherwise stated, statistics refer to the State, i.e., Ireland exclusive of Northern Ireland.

3. In some cases, owing to the rounding of figures, components do not add to the totals shown.

4. The method of seasonal adjustment used in the Bank is that of the US Bureau of the Census X-11 variant.

5. Annual rates of change are annual extrapolations of specific period-to-period percentage changes.

6. The following symbols are used:

e estimated	n.a. not available
p provisional	. . no figure to be expected
r revised	– nil or negligible
q quarter	f forecast

7. As far as possible, data available at end-June 2013 are included in the Statistical Appendix (Section 3).

8. Updates of selected Tables from the Statistical Appendix, concerning monetary and financial market developments, are provided in *Money and Banking Statistics*. Data on euro exchange rates are available on our website at www.centralbank.ie and by telephone at 353 1 2246380.

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Forecast Summary Table

	2010	2011	2012	2013[f]	2014[f]
Real Economic Activity					
(% change)					
Personal consumer expenditure	0.9	-1.6	-0.3	-0.5	0.4
Public consumption	-6.9	-2.8	-3.7	-1.5	-2.8
Gross fixed capital formation	-22.6	-9.5	-1.0	4.1	6.6
of which: Building and construction	-30	-12.2	-4.1	4.2	7.2
Machinery and equipment	-9.4	-1.0	2.6	4.0	6.0
Exports of goods and services	6.4	5.4	1.6	1.0	4.2
Imports of goods and services	3.6	-0.4	0.0	0.7	3.2
Gross Domestic Product (GDP)	-1.1	2.2	0.2	0.7	2.1
Gross National Product (GNP)	0.5	-1.6	1.8	0.3	1.3
External Trade and Payments					
Balance-of-Payments Current Account (€ million)	1,782	2,002	7,250	7,406	8,743
Current Account (% of GDP)	1.1	1.2	4.4	4.4	5.1
Prices, Costs and Competitiveness					
(% change)					
Harmonised Index of Consumer Prices (HICP)	-1.6	1.1	2.0	0.8	1.1
of which: Goods	-2.4	1.5	2.0	0.0	0.4
Services	-0.7	0.8	1.9	1.6	1.7
HICP excluding energy	-2.7	0.0	0.9	0.9	1.4
Consumer Price Index (CPI)	-1.0	2.6	1.7	0.9	1.0
Nominal Harmonised Competitiveness Indicator (Nominal HCI)[a]	-4.2	0.8	-4.0	n.a.	n.a.
Compensation per Employee	-3.8	-0.1	0.8	1.5	1.2
Labour Market					
(% change year-on-year)					
Total employment	-4.0	-1.8	-0.6	0.7	0.8
Labour force	-2.0	-0.9	-0.6	-0.4	0.3
Unemployment rate (ILO)	13.9	14.6	14.6	13.7	13.2
Technical Assumptions[b]					
(Annual average)					
EUR/USD exchange rate	1.33	1.39	1.29	1.31	1.31
EUR/GBP exchange rate	0.86	0.87	0.81	0.85	0.85
Oil price ($ per barrel)	79.61	111.26	111.74	101.78	98.62
Interbank market – Euribor[c] (3-month fixed)	0.81	1.39	0.57	0.24	0.49

a Based upon the annual change in the average nominal HCI.

b The technical assumption made is that exchange rates remain unchanged at their average levels in late June 2013. Oil prices and interest rates are assumed to move in line with the futures market.

c Euribor is the rate at which euro interbank term deposits are offered by one prime bank to another, within the euro area. Daily data from 30 December 1998 are available from www.euribor.org.

Comment

Annual National Accounts data for 2012 point to GDP growth of just 0.2 per cent last year, a significantly lower growth rate than previously reported. Protracted weakness in external demand, particularly in the UK and the Eurozone, was the main factor contributing to this slowdown. The 2012 data, along with the preliminary data for the first quarter of 2013 suggest a relatively muted recovery in activity this year. GDP growth of 0.7 per cent is now projected for 2013, with a modest pick-up in growth to about 2.1 per cent in prospect for 2014. GNP is forecast to increase by about 0.3 per cent this year, increasing to about 1.3 per cent in 2014.

Weakness in the economy during the first three months of 2013 was broad based. Consumption, having recorded two consecutive quarters of growth during mid-2012, registered its largest quarterly contraction since 2009. Exports of goods and services, which had been the main driver of economic growth in recent years, also fell sharply. The latter reflects the challenging external environment faced by Irish exporters, as well as structural issues related to patent expiry in the pharmaceutical sector. Both are likely to constrain the pace of recovery in the economy for the remainder of the year. On a more positive note, data point to a gradual pick-up in employment. Excluding the impact of distortionary factors such as aircraft investment, there are signs of some recovery in underlying investment.

While the macroeconomic environment remains challenging, further progress on the main policy challenges continues to be made. Partly reflecting this, the Government's access to market funding has continued to improve and sovereign yields reached new post-crisis lows in the second quarter. However, notwithstanding this, on some key issues, more needs to be achieved. In the banking sector, while the liquidity of the system has improved and progress with deleveraging remains on track, uncertainty over asset quality and concerns over profitability continue to hinder the process of repairing the system. Tackling these issues is essential if the banking system is to be put back on a sustained sound footing and be in a position to increase its lending capacity, which is necessary to underpin a return to sustainable growth.

Central to the difficulties and uncertainty in relation to asset quality and profitability is the persistent rise in mortgage arrears. Reflecting this, in March 2013, the Central Bank announced quarterly targets for banks to propose sustainable solutions to households in arrears. To meet the targets banks will have to show, on a case-by-case basis, that households can be expected to meet the contractual payments over the entire life of the loan. This is seen as key to ensuring that banks are working through the problem promptly, as is needed for their own soundness, as well as for building certainty for affected borrowers. The Central Bank has also published a revised Code of Conduct on Mortgage Arrears in order to strengthen the protections for borrowers in or facing arrears and to ensure that lenders are enabled to resolve each arrears case in a fair and transparent manner. Realism on all sides, as well as an openness to innovative approaches, will be key to success in this area.

Turning to the public finances, the latest Exchequer data indicate that fiscal developments remain broadly on track. Despite the sluggishness of the economy, the Exchequer data for the first half of the year suggest that the 2013 General Government Deficit target of 7.5 per cent is on course to be met, albeit with a small margin. While the weakening of growth prospects poses risks, it is important that no slippage vis-à-vis the target for 2013 is allowed. Looking ahead, there has been discussion of scaling back the fiscal consolidation effort in 2014-15 on the basis of the interest savings from the promissory note transaction. However, while recognising that some difficult decisions will still

have to be made, Central Bank management remain of the view that this temptation should be resisted. The faster the needed fiscal adjustment is concluded, the stronger and more secure will be the platform for building the recovery in employment and income. Besides, Ireland's deficit and debt levels remain very high and full implementation of the planned fiscal adjustment of €5.1 billion, as scheduled for 2014 and 2015, is a valuable key in maintaining the confidence of international lenders and will also help build a buffer against potential shocks, both of which are central for a successful exit from programme financing.

Improving the competitiveness of the economy and recovering more of the ground lost during the boom would help to boost Ireland's growth potential. This is especially important in circumstances where export growth, which is now slowing, has provided a significant offset to the weakness of domestic demand.

While Ireland has recovered some of the competitiveness lost during the boom, as has been pointed out before, sectoral shifts in the economy away from low productivity sectors has led to an overstatement of the recorded improvement using conventional measures. Given this, further improvement is needed to restore the economy to the levels of competitiveness enjoyed at the start of the last decade. Reducing the cost base of the economy, both public and private, would help in this regard. Reflecting this, the planned reduction in the public sector pay and pensions bill serves to lower the price of delivering public services and should have a more limited impact on the provision of services, compared to a situation where equivalent savings were to be achieved through a reduction in public sector employment. Reducing the elevated cost base of the economy is beneficial to the process of recovery.

The Domestic Economy

Overview

- *Annual National Accounts data for 2012 point to a significant slowdown in the Irish economy last year, with GDP growth moderating to 0.2 per cent from 2.2 per cent in the previous year. The slowdown last year was mainly due to a marked decline in the growth rate of exports. This reflected a progressive deterioration of demand conditions in most of Ireland's main trading partners. Domestic demand also contracted but at a much slower pace than in the previous year.*
- *The progressive deterioration in export performance during 2012 became more acute in the first quarter of this year when exports declined at an annual rate of 4.1 per cent. Two factors are likely to have accounted for this relatively weak performance. The first was weak external demand, most notably in the euro area but also in the UK. The second was the negative impact on goods exports of patent expiry in the pharmaceutical sector which accounts for a large share of overall goods exports. Recent indicators point to a projected recovery in exports in the remainder of this year and this is expected to gather strength next year in line with a projected, but uncertain, recovery in external demand.*
- *The outturn for domestic demand was also quite weak in the first quarter of 2013. Consumer spending was particularly muted and this has motivated a downward revision in the forecast for consumption growth in 2013. The sharp annual decline of 20 per cent in investment reflects the distortionary impact of aircraft investment, which conceals an incipient recovery in other machinery and equipment expenditure and non-housing construction. In the case of housing completions, although these are down in the year to May, leading indicators point to the potential for an increase for the year as a whole. Domestic demand is expected to stabilise this year and to make a small positive contribution to overall GDP growth which is projected at 0.7 per cent for 2013. This projection represents a downward revision of about 0.5 per cent compared to the previous Bulletin.*
- *The trend in GNP, which expanded by 1.8 per cent last year following contraction of 1.6 per cent in 2011, is not reflective of underlying conditions in the Irish economy. The gap between Irish GDP and GNP is driven by profit repatriation by multinational firms located here (See Box B). In recent years, net factor income outflows have been reduced by profit inflows from foreign owned PLCs that are domiciled in Ireland but are not engaged in any meaningful economic activity here. This has had the effect of boosting the growth rate of GNP in some years, most notably 2010 and 2012.*
- *Labour market conditions are showing clear signs of improvement. Following a marginal annual increase in the fourth quarter of 2012, the first for 5 years, the numbers at work increased by 20,500 year-on-year in the first quarter of this year. The number unemployed fell by 29,900 – the largest such fall since Q1 1999. The increase in employment reflected a rise in part-time work. Reflecting recent improvements, the rate of unemployment is expected to fall in 2013 due to a combination of an increase in employment and a small reduction in the size of the labour force. A return to stronger employment growth awaits a recovery in domestic demand which should begin in 2014. Nonetheless, our central projections imply a continuing high level of unemployment.*
- *The annual rate of HICP inflation averaged 2 per cent in 2012 with higher energy prices being the main contributing factor, accounting for 1.1 percentage points of total inflation. For 2013, energy price inflation is expected to be considerably weaker while domestically generated inflation should remain contained. As a consequence, inflation should weaken to 0.8 per cent in 2013. A projected pick-up in HICP inflation to about 1.1 per cent in 2014 is motivated, in the main, by technical assumptions pointing to higher oil prices next year, which are subject to a high degree of uncertainty.*

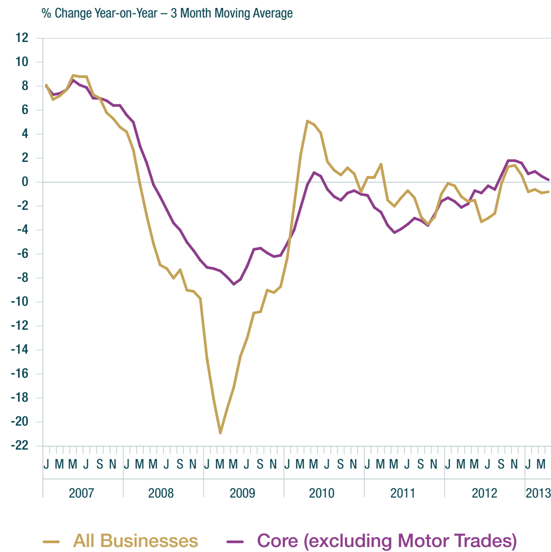
Demand

Consumer spending

Annual National Accounts for 2012 point to a marginal decline in personal consumption of 0.3 per cent last year, continuing a generally persistent downward trend in consumer spending over the last five years. The main determining factor underlying the weakness of consumer demand over this period has been the erosion of disposable incomes primarily due to declining employment and added to by an increase in taxes and lower transfer payments. In addition, the personal savings rate, following a sharp increase at the onset of the current crisis, has remained elevated in the face of continuing economic uncertainty and the need to reduce debt levels and to adjust to a significant decline in personal sector wealth. These headwinds, while becoming gradually less acute, will continue to restrain consumer demand over the next year and at this stage a further decline in consumer spending seems likely in 2013 with the prospect of only modest positive growth in 2014.

The pattern of consumer demand during 2012 was one of significant weakness in the early months of the year, followed by recovery by mid-year, but with renewed weakness in the final quarter. This weakness became more pronounced in the first quarter of this year, when consumer spending declined by 3 per cent in seasonally adjusted terms. While indicators such as retail sales, new car registrations and indirect tax receipts pointed to a decline in consumption in the first quarter, the rate of decline was greater than expected. While some recovery in consumer spending is expected for the remainder of this year against a background of a gradual improvement in labour market conditions and a marginal pick-up in consumer sentiment, it seems likely at this stage that the volume of consumer spending will decline again in 2013, by 0.5 per cent. As regards 2014, a continuation of the positive trend in labour market conditions and a less significant fiscal adjustment point to some improvement in the prospects for personal disposable incomes which may support a modest increase in consumption of about 0.4 per cent.

Chart 1: Index of Volume of Retail Sales



Source: CSO.

Investment

Turning to investment, National Income and Expenditure accounts for 2012 indicate that investment spending declined again last year, albeit by a more marginal 1 per cent. Weakness in new housing output and home improvements was partially offset by a surprisingly strong increase in non-housing building and construction. An increase in investment in machinery and equipment of 2.6 per cent - buoyed by a significant jump in expenditure on transport equipment (mainly airplanes) - was not enough to compensate for a decline in building and construction of approximately 4 per cent.

Quarterly National Accounts for the first quarter of 2013, and other available indicators, hint at a more positive outcome for investment this year. Abstracting from aircraft investment (which is volatile and subject to timing factors), investment grew by 6.3 per cent year-on-year in Q1 2013. New housing output looks to have bottomed out last year at 8,488 new units, and although running slightly behind last year's trend for the first five months of the year, forward looking indicators suggest that new housing output is likely to register about 9,000 units this year, picking up to 11,000 units next year as demand for family units in some urban areas translates into output.

Table 1: Expenditure on Gross National Product 2012, 2013f and 2014f

	2012	Percentage change in		2013f	Percentage change in		2014f
	EUR millions	volume	price	EUR millions	volume	price	EUR millions
Personal Consumption Expenditure	82,634	-0.5	1.0	83,122	0.4	1.2	84,451
Public Consumption	25,096	-1.5	1.4	25,064	-2.8	1.1	24,608
Gross Domestic Fixed Capital Formation	17,434	4.1	1.1	18,345	6.6	1.4	19,842
Building and Construction	9,021	4.2	1.3	9,525	7.2	2.0	10,418
Machinery and Equipment	8,413	4.0	0.8	8,820	6.0	0.8	9,424
Value of Physical Changes in Stocks	376			700			400
Statistical Discrepancy	-1,348			-1,348			-1,348
GROSS DOMESTIC EXPENDITURE	124,192	0.2	1.1	125,883	0.4	1.2	127,953
Exports of Goods & Services	176,736	1.0	1.1	180,458	4.2	1.2	190,296
FINAL DEMAND	300,928	0.7	1.1	306,341	2.6	1.2	318,249
Imports of Goods & Services	-136,990	0.7	1.1	-139,370	3.2	1.2	-145,561
GROSS DOMESTIC PRODUCT	163,938	0.7	1.2	166,971	2.1	1.2	172,688
Net Factor Income from Rest of the World	-31,289			-32,391			-34,619
GROSS NATIONAL PRODUCT	132,649	0.3	1.2	134,580	1.3	1.3	138,069

On the non-residential side, although fiscal consolidation has led to a reduction in public capital expenditure, a healthy pipeline of FDI and continued investment in some non-government sectors, suggest that there will probably be some growth from these sectors this year, although the substantial year-on-year growth rate recorded in Q1 (up 14 per cent) is unlikely to persist. On the whole, building and construction is forecast to increase by 4.2 and 7.2 per cent this year and next, subject to improvement in credit conditions and the wider global economic environment.

On the machinery and equipment side, while the total M&E figure registered a 37 per cent year-on-year decline in Q1 2013, the underlying figures - net of aircraft purchases - were up over 4 per cent year-on-year. In many respects, the underlying picture is more relevant as aircraft investment has a limited impact on domestic economic activity and employment since it nets out on the import side of the trade accounts and the aircraft are in fact often based abroad. Taken together with the building and construction forecasts, although coming from a very low base, investment should contribute positively to domestic demand with an increase of approximately 4.1 per cent and 6.6 per cent forecast for 2013 and 2014.

Stock Changes

According to the 2012 Annual National Accounts, changes to inventories made a negative contribution to overall GDP growth of 0.4 per cent last year. The projections assume a small positive contribution from stock building in 2013 which is likely to be reversed in 2014.

Government Consumption

In the latest National Accounts, government consumption declined in real terms by 3.7 per cent in 2012. Taking account of measures announced in detail in Budget 2013 and outlined in general terms for next year, the real level of government consumption is expected to decline by 1.5 per cent and by 2.8 per cent, respectively in 2013 and 2014.

Box A: A Monthly Business Cycle Indicator for Ireland

By Thomas Conefrey and Joëlle Liebermann[1]

Analysts and policy-makers commonly face two problems in trying to assess the current state of the economy in real-time.

First, movements in macroeconomic indicators such as retail sales or surveys (e.g. the purchasing managers' index (PMI)) capture both underlying changes in their business cycle component as well as short-run fluctuations which are mainly idiosyncratic. The latter are noise and/or measurement errors, which are irrelevant in assessing the underlying state of the economy. Indeed, a characteristic feature in the definition of the business cycle is that macroeconomic data broadly move together during phases of downswings and upswings. As such, a business cycle indicator can be seen as the underlying latent factor driving the co-movement between numerous macroeconomic variables.

An extensive literature has arisen on the construction of business cycle indicators using the factor model framework, which decomposes variables into two components: a common component which is driven by unobserved factors which accounts for most of the co-movement among the variables and an idiosyncratic component which is driven by variable-specific shocks.[2]

The second problem is that important macroeconomic variables are available at different frequencies and are published with varying lags. For example, Quarterly National Accounts data on consumption, investment and domestic demand are only released around 80 days after the end of the reference quarter. To have a more timely assessment of the underlying state of the economy, one possibility is to examine monthly variables such as house prices, retail sales and PMIs.

We have constructed a monthly business cycle indicator for the Irish economy from a panel of monthly indicators using the factor model framework. The panel includes variables relating to demand and covering the labour, credit and housing markets among others, as well as external variables. Since these variables are released in a non-synchronous manner and with varying publication lags, the panel has a ragged-edge structure at the end of the sample. Hence to provide a real-time signal to policy-makers of the state of the economy, i.e. using the latest available information for each variable, we use the Giannone, Reichlin and Small (GRS) (2008) factor model that can deal with unbalanced datasets.

Furthermore, prior to estimation of the business cycle indicator we apply a three-months moving average filter to the (transformed to stationary) series so as to clean them from the very short run fluctuations.

Figure A1 shows two versions of the business cycle indicator for the Irish economy: one including only variables reflecting domestic conditions (labeled panel IRL) and a second one reflecting domestic conditions and external demand (labeled panel ALL). The index is normalised to reflect deviations around the long-run path of economic activity. Both versions of the indicator track movements in overall GDP reasonably closely, although the magnitude of some of the changes differs.

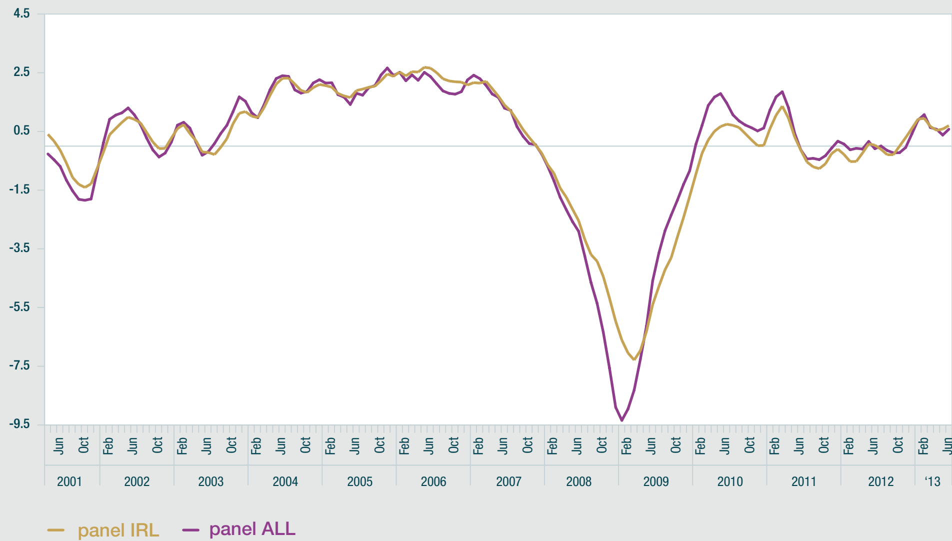
The indicator captures the sharp decline in economic activity at the height of the financial crisis and the recovery during 2010 and 2011 which was driven by the improvement in the world economy. The indicator including the external variables rises above the version including only domestic variables during 2010 and 2011. This highlights the boost to Irish economic activity from external demand over this period. The indicator including only domestic variables has been broadly flat since early 2011 reflecting the weakness in domestic demand. A small pick-up is evident in both indicators during mid-2012, however, there is evidence of weaker activity over recent months. This is consistent with the evidence from other macro data releases discussed elsewhere in the Bulletin. Nonetheless, the indicator remains in positive territory which suggests some underlying strength in economic activity. An *Economic Letter* detailing the method of construction of this indicator is forthcoming.

1 Irish Economic Analysis Division

2 See among others, Mariano and Murasawa, 2003; Stock and Watson, 1991; Altissimo et al., 2010; Brave and Butters, 2011.

Box A: A Monthly Business Cycle Indicator for Ireland
By Thomas Conefrey and Joëlle Liebermann

Box A Fig 1: Business cycle indicator, three month moving average



Source: CBI, own calculations.

External Demand and the Balance of Payments

Merchandise Trade

Although a pattern of weak merchandise export figures became established during 2012, the latest data indicate that the position deteriorated considerably in the first quarter. It is likely that two factors led to the fall off in goods exports. First, economic growth in the euro area has stalled with GDP estimated to have contracted by 1 per cent in Q1 2013 compared to the same quarter of 2012. Allied to sluggish growth in the UK, this has weakened the demand for Irish exports. Second, patent expiry in the pharmaceutical sector, which accounts for a large share of overall goods exports, has negatively affected recent output figures.

The CSO's Goods Exports and Imports publication provides monthly data on the composition of merchandise trade on a value basis. The data show a sharp decline in the value of exports from the chemicals sector (which accounts for around 50 per cent of overall merchandise exports) commencing at the start of the third quarter of 2012. Between October 2012 and January 2013, the year-on-year fall in exports of chemicals measured almost 10 per cent. As the monthly trade data display considerable volatility, it is useful to look at the figures on an annualised basis. This reveals a drop in the annualised value of total exports from October 2012. The most recent data for the period January to April provide evidence of some recovery in goods exports. The pace of decline in the chemicals sector eased somewhat and exports rose on an annual basis in April for the first time since August 2012. There was also a recovery in other sectors such as food and machinery and equipment.

The latest Investec Purchasing Managers index (PMI) data show a return to growth for the Irish manufacturing sector in June. The headline rate in June (50.3) represents the first strengthening in

Table 2: Merchandise Trade (Adjusted) 2012, 2013f, 2014f

	2012	Percentage change in		2013f	Percentage change in		2014f
	EUR millions	volume	price	EUR millions	volume	price	EUR millions
Merchandise Exports	85,852	-3.6	1.0	83,613	0.0	1.0	84,491
Merchandise Imports	-49,485	-3.3	0.8	-48,259	0.8	0.8	-49,058
Merchandise Trade Balance (Adjusted)	36,367			35,354			35,433
%GDP	22.2			21.2			20.5

operating conditions in four months, although the improvement was only marginal.

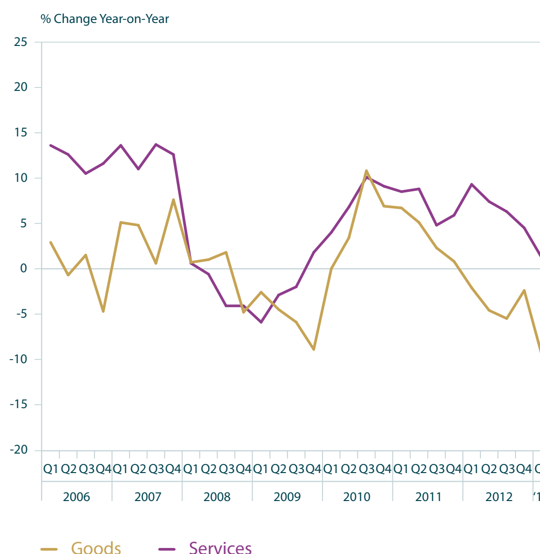
The most recent external demand assumptions point to a recovery in trade volumes during the latter part of this year, however the pace of recovery is expected to be modest and uneven. In this environment, the international economy is unlikely to impart a major stimulus to Irish merchandise trade this year. In addition, structural issues related to patent expiries are likely to continue to weigh on export volumes during the remainder of the year. As a result, the outlook remains clouded by a high degree of uncertainty and the uneven nature of the recovery to date. Taking into account the latest available data and assumptions on external demand, a further decline in merchandise exports of 3.6 per cent is expected in 2013, a sharper rate than previously forecasted. Assuming that the projected recovery in the world economy in 2014 materialises, merchandise exports could stabilise next year.

Merchandise imports were weak in 2012 with a decline of 2.8 per cent recorded. This trend continued during the first three months of this year with imports falling sharply in line with the large decline in exports. The volume of goods imports in 2012 was almost one-third lower than the level recorded in 2007. Weak domestic demand and falling goods exports, both of which have a large import content, should result in a further decline in merchandise import volumes in 2013. A return to more balanced growth in 2014 is expected to see a small expansion in imports.

Services, Factor Incomes and International Transfers

With merchandise exports faltering badly since mid-2012, the services sector has been the mainstay of growth in the economy over recent quarters. Services exports accounted for over half of all exports in 2012, up from 21 per cent in 2000. For a number of years, the pace of expansion in services exports has outstripped that of goods and this divergent performance persisted in 2012. The latest National Accounts data show that the volume of services exports expanded by 7 per cent in 2012 while goods exports declined by 3.5 per cent. Accordingly, the growth in overall exports in 2012 was driven entirely by the services sector.

Chart 2: Volume of Exports



Within the sector, data from the *Balance of Payments* statistics show that the computer services and business services sectors recorded the strongest rates of expansion. These sectors combined account for over two thirds of total services exports. Computer services exports

Table 3: Balance of Payments 2012, 2013[f], 2014[f]

Current Account	**2012**	**2013[f]**	**2014[f]**
Merchandise Trade Balance (Adjusted)	36,367	35,354	35,433
Services	3,206	5,539	9,075
Net Factor Income from Rest of the World	-31,120	-32,237	-34,465
Current International Transfers	-1,205	-1,250	-1,300
Balance on Current Account	7,250	7,406	8,743
(% of GDP)	4.4	4.4	5.1

grew at an average rate of 13.7 per cent in 2012, while the value of business services exports was 11 per cent higher. Turning to the outturn for Q1, the data suggest that services export growth moderated during the first quarter. On an annual basis, exports grew by 4.6 per cent in Q4 2012; the equivalent figure for Q1 2013 was 1.3 per cent. This is likely to reflect the weak external demand conditions, which also negatively impacted the performance of goods exports. Tourism recorded a strong first quarter with annual growth of almost 12 per cent.

The latest (June) Investec Services PMI, which is constructed on a similar basis to the Manufacturing PMI, provides an encouraging update on operating conditions in the services sector. The headline PMI indicates an eleventh successive month of growth in June, with the pace of expansion accelerating from May's reading. The latest improvement is broad-based, with unadjusted data for all of the four sub-sectors indicating growth in business activity. The pace of growth in New Business and New Export Business quickened during June. Despite the recent strength of the services PMI readings, the overall index remains well below the level recorded in 2007.

Given the recent signs of weakness, the projections for services exports have been revised downwards. Nevertheless, the services sector is expected to perform solidly in 2013 and to lead the expansion in overall exports given the projected decline in goods trade this year. An improvement in the European economy should provide an impetus to services exports in 2014 leading to a more robust expansion.

The volume of services imports expanded by 1.7 per cent in 2012 having also increased in 2011. The growth in overall imports was due primarily to higher imports in the sectors of royalties and licences and business services. A return to faster services export growth over the forecast horizon is expected to lead to acceleration in the pace of services import growth in 2014.

Recent Bulletins have noted the emergence for the first time of a surplus in services trade. The Annual National Accounts for 2012 show a services surplus of €3.2 billion compared to a deficit of €1.6 billion in 2011 and €7.6 billion in 2008. Strong growth in services exports has underpinned the expansion in the services surplus. On the merchandise side, the trade balance narrowed marginally in 2012 as the reduction in goods exports was largely offset by a similar decline in imports. The narrowing in the merchandise balance was more than offset by the positive services balance leading to a sharp widening of the overall trade balance in goods and services during 2012. The data for Q1 indicate a fifth consecutive quarterly surplus in services trade.

The current account of the balance of payments recorded a deficit of 6 per cent of GDP in 2008. The deficit narrowed rapidly in 2009 and the current account moved into surplus from 2010. The turnaround in the current account from a large deficit position in 2008 to a substantial surplus in 2012 is due to a combination of developments. As noted above, there has been an expansion in the overall trade balance driven by the growth in services exports. Offsetting this to some extent are profit repatriations by foreign multinationals located in Ireland and higher national debt interest payments abroad. However, as explained by FitzGerald (2013), net profit flows into Ireland by redomiciled PLCs have grown in recent years. The effect of these profit

flows has been to reduce net factor outflows and thereby contribute to a widening in the overall current account surplus, (see Box B).

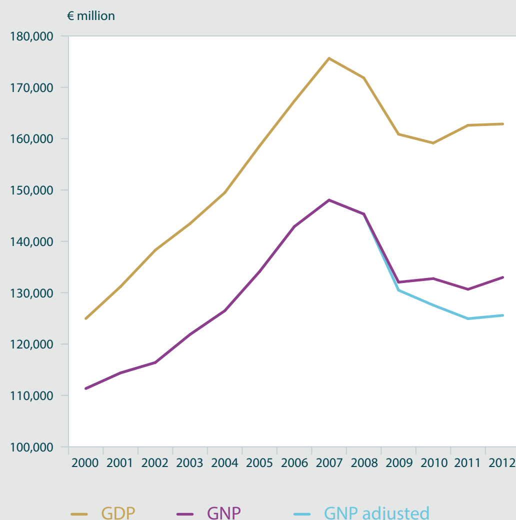
The precise scale and timing of factor income flows remain highly uncertain and could impact projections for the current account balance over the coming years. Given the scale of factor income flows, small changes - either positive or negative - in outflows or inflows could have a significant impact on balance of payments and GNP projections in this Bulletin. Allowing for the impact of redomiciled profit flows on the current account, developments on the trade side since 2008 have moved the current account to a position of broad balance. Our projections for exports and imports imply that the current account will likely remain in surplus over the period of the forecast.

Box B: The Impact of Redomiciled PLCs on GNP and the Current Account

By Thomas Conefrey[3]

In a recent research note, FitzGerald (2013) draws attention to the impact of Redomiciled PLCs on the Irish National Accounts and Balance of Payments.[4] Redomiciled PLCs refer to companies which hold substantial investments overseas but have established a legal presence in Ireland. The Irish headquarters of these operations do not engage in any meaningful economic activity in Ireland and have a negligible employment impact in this country. By locating their headquarters in Ireland, the profits of these PLCs are paid to them in Ireland even though under double taxation agreements their tax liability arises in other jurisdictions. These profit inflows are retained in Ireland with a corresponding outflow only arising when a dividend is paid to the foreign owners. To date, large profit inflows associated with Redomiciled PLCs have been only partially offset by limited outflows (dividend payments). As a result, the level of both GNP and the current account surplus have been increased in Ireland reflecting the scale of Redomiciled PLCs' retained earnings.

Box B Fig 1: GDP and GNP



Source: CSO, FitzGerald (2013) and Own Calculations.

According to the estimates in FitzGerald (2013) the net profit flows of Redomiciled PLCs grew from just over €1.5 billion in 2009 to almost €7.4 billion in 2012, or around 5.5 per cent of GNP. Over the same period, dividend payments related to these profits averaged around 30 per cent of the total resulting in a substantial increase in retained profits in Ireland. Figure 1 shows the path of GNP according to official CSO estimates along with a measure of GNP adjusting for the impact of Redomiciled PLC profits. Removing the impact of undistributed profits from the published estimates shows that GNP declined by more over the 2009-12 period than estimated in official data. The latest CSO National Accounts estimates for 2012 indicate that GNP expanded by 1.8 per cent compared to the previous year; when undistributed profits are subtracted, the underlying figure is 0.5 per cent. This figure is more reflective of underlying changes in economic activity during the year than the unadjusted estimate.

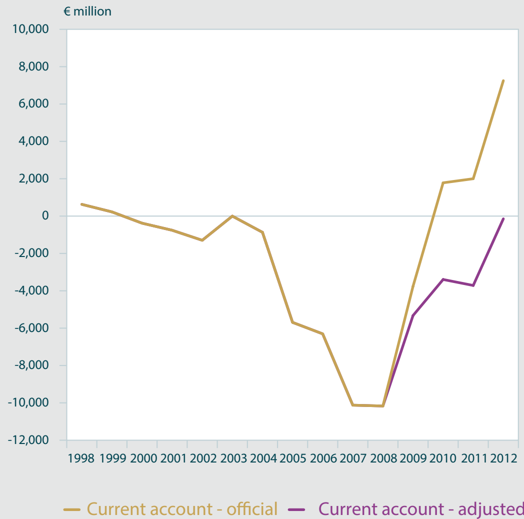
3 Irish Economic Analysis Division.

4 FitzGerald, J. 2013. "The Effect of Redomiciled PLCs on GNP and the Irish Balance of Payments", *Quarterly Economic Commentary Research Notes*, Spring 2013.

Box B: The Impact of Redomiciled PLCs on GNP and the Current Account

By Thomas Conefrey

Box B Fig 2: Balance of payments, current account



Source: CSO, FitzGerald (2013) and Own Calculations.

Published Balance of Payments data suggest a major turnaround in the current account of the Irish balance of payments with a deficit of almost 6 per cent of GDP in 2008 translated into a surplus of 4.4 per cent of GDP by 2012. The profit inflows of the Redomiciled PLCs also impact the current account by reducing the figure of net factor income outflows. When the impact of Redomiciled PLC profits is stripped out, the data suggest a less dramatic narrowing in the resulting underlying measure of the current account deficit. For 2012, the current account adjusted for undistributed profits, is estimated to have been broadly in balance. This compares to the published official estimates which show a surplus of 4.4 per cent of GDP (Figure 2).

Redomiciled PLC profits are likely to impact official estimates of GNP and the current account for some time. As there is considerable uncertainty regarding the scale and timing of any dividend outflows related to these retained profits, current projections for GNP and the current account could be subject to revision.

Supply

Industry and Services Output

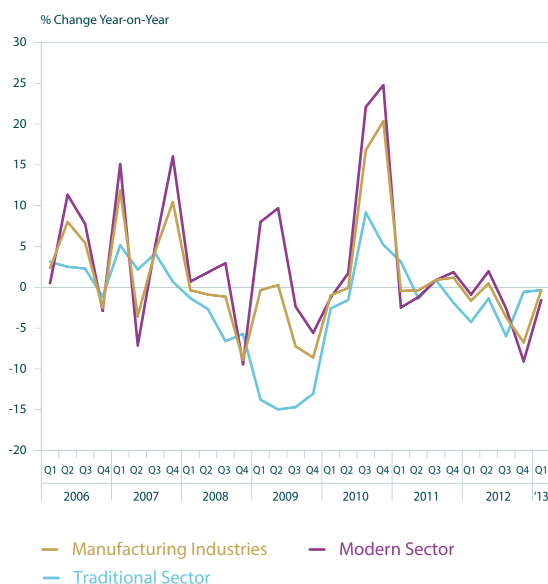
Irish manufacturing output, encompassing both the modern and traditional sectors, exhibited a high degree of volatility throughout 2012 and this pattern has persisted into the first half of 2013. Output declined by 0.4 per cent in the first quarter of this year following a decline of 6.1 per cent in the final quarter of 2012. While the level of activity in the traditional sector shows some signs of stabilisation in the first half of this year, reflecting improvement in the important UK market, the modern sector continues to display an erratic growth profile. Output growth in this sector can vary significantly from month to month - in March 2013, for example, output declined 5.3 per cent before increasing by 7.8 per cent in April. The modern sector is dominated by the production of pharmaceuticals where a number of drug patent expiries had a significantly negative impact over the last year. The sharp decline in industrial output of 20.5 per cent in September 2012, which has been partially reversed subsequently, was to a large extent, due to the impact of drug patent expiries. This was in turn reflected in a subsequent fall in merchandise exports, which declined by 9.4 per cent, year-on-year, in the first quarter of 2013.

Table 4: Industry and Manufacturing Output, Annual Percentage Change

	Modern	Traditional	Manufacturing	Total Industry
2010	10.7	2.5	8.3	7.7
2011	-0.2	0.3	0.4	0.0
2012	-0.4	-4.0	-1.5	-1.6
2013f	-2.5	-0.9	-3.0	-2.9
2014f	0.3	0.2	0.4	0.3
Average 2010-2012	3.4	-0.4	2.4	2.0

Note: Industrial production indices are produced by the CSO and report output volumes excluding the effect of price changes. To remove the impact of prices Wholesale Price Indices (WPIs) are used as deflators. These WPIs were updated in June 2010 and have resulted in revisions to the series back to 2006. Overall these changes served to dampen output growth relative to what was published in Bulletins prior to Q4 2010 (particularly relating to the Modern sector).

Chart 3: Volume of Industrial Production



Source: CSO.

Preliminary data from the Quarterly National Accounts, which are not directly comparable with industrial output volume in Table 4, show a modest recovery in industry in the first quarter of 2013 with a seasonally adjusted output increase of 2.1 per cent. Nevertheless, output was down 5.8 per cent, year-on-year, reflecting a significantly negative carryover from a sharp decline in output in the second half of 2012.

For 2013 as a whole, industrial output is projected to decline by 2.9 per cent. This forecast takes account of available evidence including: the outturn for industrial output in the year to May, the muted outlook for exports this year and the prospect of a negative impact on pharmaceutical output arising from impending patent expirations. A marginal increase in industrial output of 0.3 per cent in 2014 is predicated on external demand assumptions, which are subject to a high degree of uncertainty.

Turning to the services sector, the latest Quarterly National Accounts point to continued growth in private sector services and contraction in the public sector reflecting the impact of fiscal consolidation. The other services (including rent) sector, which has a significant domestic demand orientation, increased by 1.6 per cent in seasonally adjusted terms during the first quarter and was up by 3.7 per cent, year-on-year. The distribution, transport, software and communication sector, which encompasses a large number of export orientated high-technology firms, has seen some moderation in its rate of expansion since the middle of last year. Output in this sector was up just 0.1 per cent on a seasonally adjusted basis in the first quarter of 2013, but increased by 3.9 per cent, year-on-year, reflecting a positive base effect from a dip in activity in the same period last year.

Agricultural Output

The CSO final estimate of output and income in agriculture points to a significant decline in farm incomes of 7.5 per cent in 2012. A major

Table 5: Summary of Agricultural Output and Income 2012[e], 2013[f], 2014[f]

	2012[e]	% change in			2013[f]	% change in			2014[f]
	€ million	Value	Volume	Price	€ million	Value	Volume	Price	€ million
Goods Output at Producer Prices[a]	6,717	3.0	1.1	1.9	6,916	2.2	1.1	1.1	7,065
Intermediate Consumption	5,293	3.5	0.8	2.7	5,478	4.1	2.0	2.1	5,703
Net Subsidies plus Services Output less Expenses	1,626	-5.0			1,545	-0.5			1,537
Operating Surplus	2,241	5.0			2,353	3.5			2,436

a Including the value of stock changes.

b CSO estimates.

contributory factor to this poor outturn was the dismal 2012 summer weather conditions which led to a significant increase in feed usage on grassland enterprises[5] and severely eroded profit margins. Overall output, measured at producer prices, increased by 6.5 per cent per annum in 2012, due mainly to an increase in cattle output of 18.1 per cent, as milk output fell 11.2 per cent. Intermediate consumption increased by 9.2 per cent per annum which put a considerable strain on profits.

The first quarter of 2013 was negatively impacted by poor weather conditions, necessitating increased feed consumption, which depressed margins. Following this difficult start to the year, the positive effects of more benign weather conditions since then should support profitability for the remainder of 2013. At this stage, farm incomes are forecast to increase by about 5 per cent this year and by 3.5 per cent in 2014. This forecast is based on milk prices increasing next year, with sheep and cattle prices expected to stay stable.

The Quarterly National Accounts (QNA), which are not directly comparable to the Output, Input and Income in Agriculture estimates, provide tentative evidence of the negative outturn for the farming sector in the first quarter of this year. The QNA point to a 5.4 per cent decline in the output of the broader Agricultural, Forestry and Fishing sector.

The Labour Market

The results of the Quarterly National Household Survey (QNHS) for Q1 2013 reveal an improvement in labour market conditions during the first three months of the year. The extent of this was largely unexpected given the pattern observed in previous quarters and the trends in other indicators. On an annual basis, the number at work increased by 20,500, only the second such rise in 5 years. As in Q4 2012, agriculture accounted for the bulk of the overall increase in employment. The number unemployed fell by 29,900 – the largest such fall since Q1 1999. These gains make a small inroad into recovering some of the 330,000 peak-to-trough decline in employment during the crisis.

When adjusted for seasonal factors, the unemployment rate declined in the first quarter of 2013 to 13.7 per cent from 14.1 per cent in the previous quarter. This drop in unemployment was only the third year-on-year decline since 2005. In contrast to developments in Q4 2012, when the bulk of the decline in unemployment was due to a decline in the labour force, the annual decline in unemployment in Q1 was due, for the most part, to an increase in the number at work. The picture of gradually stabilising labour market conditions evident in the QNHS data is also to be seen in the most recent *Live*

5 CSO originally estimated a reduction in farm incomes of 10 per cent in 2012, declining to 12 per cent in February and now adjusted to 7.5 per cent for the year. Adjusting for inflation the IFA estimate a steeper decline of 16 per cent. While a recent Teagasc Farm Survey found a decline in family farm incomes of 15 per cent in 2012.

Table 6: Employment, Labour Force and Unemployment 2011, 2012, 2013[f] and 2014[f]

	2011	2012	2013[f]	2014[f]
Agriculture	83	86	96	98
Industry (including construction)	348	336	336	340
Services	1,418	1,417	1,419	1,428
Total Employment	**1,849**	**1,838**	**1,851**	**1,867**
Unemployment	317	315	294	285
Labour Force	2,166	2,154	2,145	2,152
Unemployment Rate (%)	**14.6**	**14.6**	**13.7**	**13.2**

Note: Figures may not sum due to rounding.

Register figures. These data provide evidence of a gradual fall in the number unemployed beginning at the start of the third quarter of 2012. In June 2013, the number of live register claimants declined for the twelfth consecutive month.

The pace of contraction in the labour force eased during the first three months of the year. Since reaching its peak in the last quarter of 2007, the labour force had shrunk by 117,000. Reductions in the labour force due to both falling labour force participation and migration have contributed to the decline in the number unemployed over recent quarters.

Turning to the composition of the labour force decline, net outward migration accounted for the entire reduction in the labour force in 2013 Q1. This represents a change on the position in 2010 and 2011, when the contraction in the labour force was explained mostly by lower labour force participation. In the year to the first quarter of 2013, it is estimated that the negative demographic effect contributed approximately 12,000 persons to the overall decline in the labour force. The net outward migration is concentrated almost entirely in the younger age groups. The overall labour force participation rate showed no change in the year to Q1 2013. Across age groups, a range of increases and decreases were recorded with some decreases for younger age groups and increases among older cohorts.

Long-term unemployment rose to more than half of total unemployment in Q4 2010 for the first time since the late 1990s. The long-term unemployed account for 60 per cent of total unemployment; this compares with 55 per cent in the first quarter of 2011. While the position remains critical, recent data indicate a reduction in the number classified as long-term unemployed over recent quarters, with the fall concentrated among males. The long-term unemployment rate measured 8.4 per cent in Q1 2013, over one percentage point lower than in the same quarter of 2012 (see Box C).

Reflecting recent improvements, the rate of unemployment is expected to fall by 1 per cent in 2013, due to a combination of a small increase in employment and a further reduction in the size of the labour force. A return to stronger employment growth awaits a recovery in domestic demand which should begin in 2014. Nonetheless, the central projections imply a continuing double-digit unemployment rate. Alleviating this problem within a reasonable timeframe remains key policy priority.

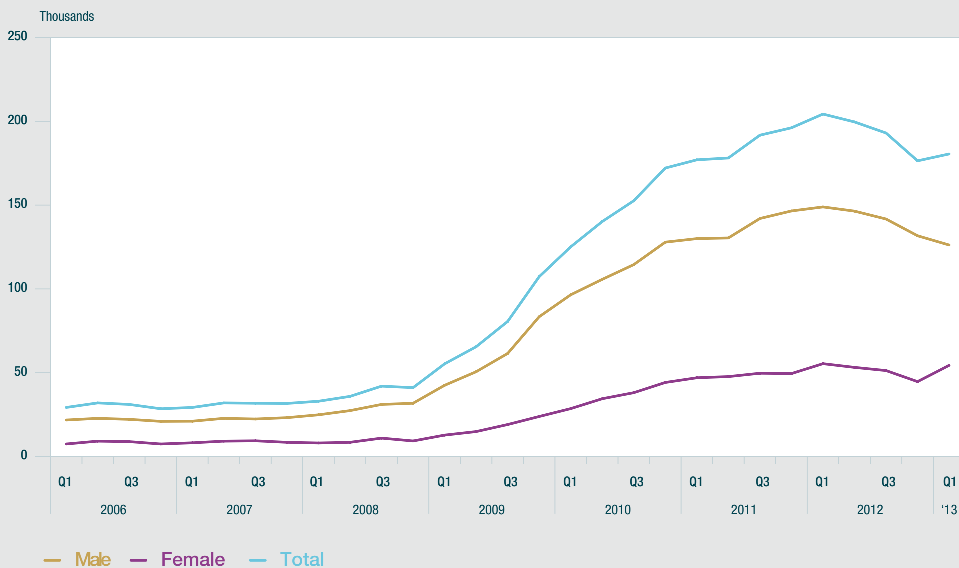
Box C: Focus on Long-Term Unemployment

By Thomas Conefrey[6]

A particularly worrying development during the crisis has been the rapid increase in long-term unemployment. Between Q1 2008 and Q1 2013, the number of long-term unemployed (those out of work for over one year) increased fivefold, from 33,000 to 180,000. Of the total number unemployed, close to 60 per cent have been out of a job for more than a year. A wide range of research has highlighted the damaging effect of long-term unemployment. A prolonged period of detachment from the labour market is associated with de-skilling, a loss of confidence and may result in structural unemployment which would damage the economy's long-run growth potential. By reducing incomes, long-term unemployment could also adversely impact on financial stability. This Box examines the age and gender composition of long-term unemployment in Ireland. Despite some recent signs of improvement, it highlights the scale of the policy challenge that must be met to prevent the current problem translating into one of persistent long-term unemployment.

Figure C1 shows long-term unemployment by gender. The graph illustrates that the rise in long-term unemployment has been particularly dramatic for males. Of the 147,500 increase between the first quarter of 2008 and the first three months of 2013, almost 70 per cent was due to a rise in the number of males out of work for over a year.

Box C Fig 1: Long-term unemployment by gender, thousands



Source: CSO QNHS and own calculations

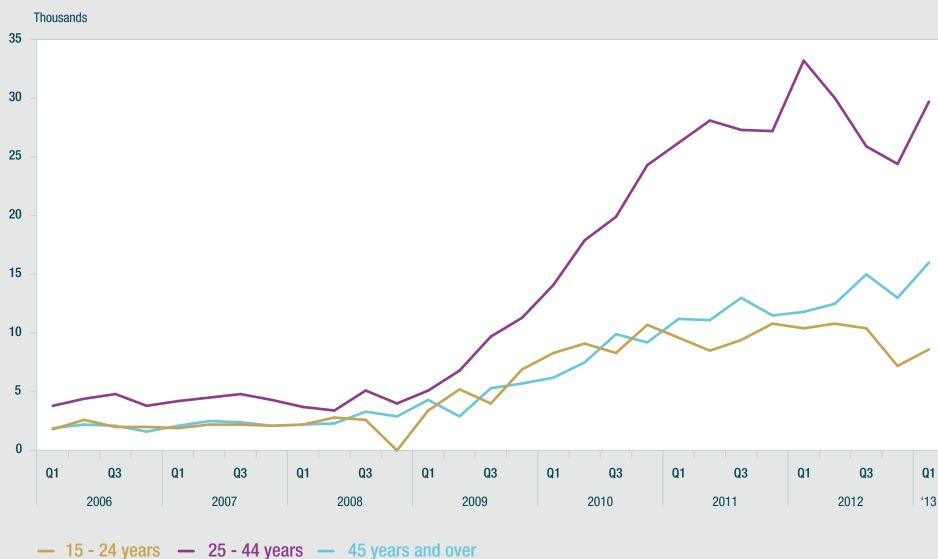
6 Irish Economic Analysis Division.

Box C: Focus on Long-Term Unemployment
By Thomas Conefrey

Figure C2 shows a breakdown of male long-term unemployment by age group. As shown in the graph, the rise in male long-term unemployment has been concentrated among those in the younger 25-44 age group. Males in this age group account for close to 40 per cent of all those long-term unemployed. More recent labour market data have been encouraging, showing a decline in long-term unemployment among males (Figure 1). The overall long-term unemployment rate declined from 9.5 per cent in Q1 2012 to 8.4 per cent in Q1 2013. The data in Figure C2 indicate that this reduction has been mostly accounted for by males in the younger age cohorts. Data from the Quarterly National Household Survey (QNHS) indicate that the majority of the fall in the labour force over recent quarters has been due to a decline in the size of the working age population. This negative demographic effect, consistent with outward migration, is concentrated almost exclusively among the 20-24 and 25-34 age groups. As a result, the decline in long-term unemployment over recent quarters, which has also been largest among these age cohorts, may reflect in part net outward migration as well as other factors.

The evidence indicates that the problem of long-term unemployment is particularly severe for males in the younger age cohorts of the population. The implementation of targeted activation measures, such as job search assistance, will be essential to avoid the risk of prolonged detachment from the workforce among individuals in this group.

Box C Fig 2: Male long-term unemployment by age group, thousands



Source: CSO QNHS and own calculations

Pay

The Annual National Accounts for 2012 show that compensation per employee recorded a small rise of 0.8 per cent last year. A similar picture emerges from the CSO's Earnings, Hours and Employment Costs Survey (EHECS) which suggest that economy-wide average weekly earnings recorded a slight increase of 0.5 per cent compared to 2011. A continuation of this trend of subdued growth in earnings was evident during the first three months of 2013, with overall weekly earnings flat in Q1 compared to the same quarter of 2012. This reflected a combination of an increase in hours worked and a decline in the hourly rate of pay.

While the large decline in national output and the rise in unemployment during the crisis might have suggested downward pressure on wage rates, the data show that overall

Table 7: Inflation Measures – Annual Averages, Per Cent

Measure	HICP	HICP excluding Energy	Services[a]	Goods[a]	CPI
2010	-1.6	-2.7	-0.7	-2.4	-1.0
2011	1.1	0.0	0.8	1.5	2.6
2012	2.0	0.9	1.9	2.0	1.7
2013[f]	0.8	0.9	1.6	0.0	0.9
2014[f]	1.1	1.4	1.7	0.4	1.0

a Goods and services inflation refers to the HICP goods and services components.

economy-wide earnings have been broadly stable since 2008. Private sector hourly pay has been flat since 2009 and increased in Q1 2013. Public sector hourly earnings declined by 3.7 per cent in 2010 (excluding the impact of the pension levy), but registered marginal increases in both 2011 and 2012.

Turning to the outturn for Q1 2013, although overall economy-wide weekly earnings were flat in the first quarter, this masks differences in wage movements in the public and private sector. Hourly pay rose by 1.5 per cent in the private sector while hours worked declined by 1 per cent. In the public sector, both hourly earnings and hours worked declined by 0.5 per cent.

At a sectoral level, average hourly earnings rose in six of the thirteen economic sectors annually in the first quarter of 2013, with the largest percentage increases recorded in the administrative and support services sector and transportation and storage. The largest annual decline in hourly earnings was recorded in the professional, scientific and technical sector. Overall average hourly earnings in Q1 2013 remained 0.6 per cent below their level recorded four years earlier.

Looking ahead, pay pressures in the economy are expected to remain muted over the period of the forecast. The unemployment rate is projected to stay above 13 per cent and domestic demand is set to recover only gradually. Meanwhile, in the context of the on-going efforts to reduce the budget deficit, there is unlikely to be significant upward movement in public sector pay. Overall economy-wide compensation per employee is expected to remain close to or below the rate of inflation over the forecast horizon. Annual growth in economy-wide compensation per employee should average 1.5 per cent in 2013 and 1.2 per cent in 2014. Improved labour market conditions should support marginally stronger wage growth in the private sector next year.

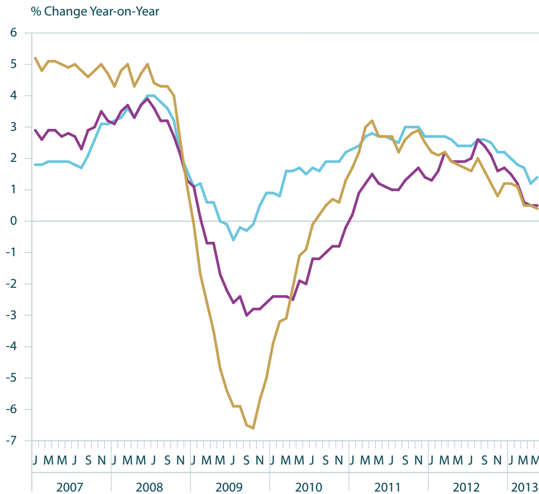
Inflation

In 2012, the annual rate of inflation in Ireland as measured by the HICP averaged 2 per cent. The energy component was the main driver of inflation, as it contributed to 1.1 per cent of the overall HICP inflation rate. In absolute terms, the HICP energy component increased by 9.4 per cent in 2012, as the increase in oil prices in dollar terms was reinforced by the weakening of the euro vis-à-vis the US dollar. For the year to date, oil prices in euro terms have decreased and are not expected to increase in the coming months given the weak economic environment. As a result, the contribution of imported energy price inflation in 2013 is expected to be marginal. These aforementioned factors are also driving down HICP goods inflation, which is expected to be flat this year and average 0.4 per cent in 2014.

Services inflation, which represents a reasonable proxy for domestically generated inflation, should remain fairly stable relative to last year reflecting weak domestic demand. It is anticipated to average 1.6 per cent in 2013 and 1.7 per cent in 2014.

These factors have motivated a downward revision to the inflation forecast, with HICP

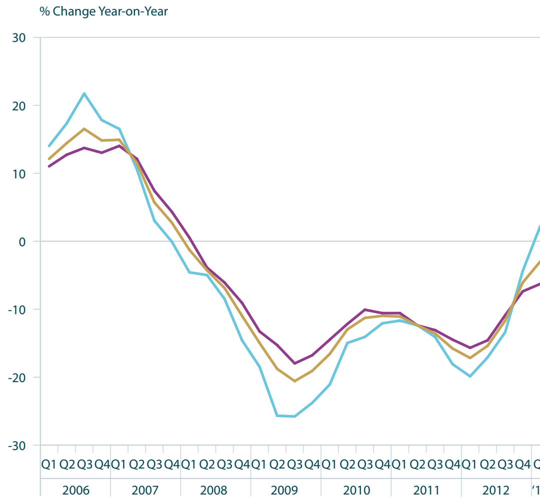
Chart 4: Consumer Prices



— Ireland: Consumer Price Index
— Ireland: Harmonised Index of Consumer Prices (HICP)
— EA-17: Monetary Union Index of Consumer Prices (MUICP)

Source: CSO.

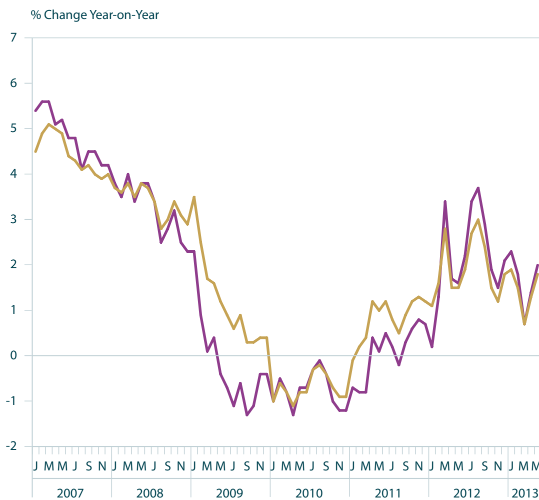
Chart 6: Residential Property Price Indices



— National – All Residential Properties
— National Excluding Dublin – All Residential Properties
— Dublin – All Residential Properties

Source: CSO.

Chart 5: Services Sector Inflation



— HICP Services (Overall) — HICP Core Services

Note: Core Market Services equals HICP services excluding telecommunications, alcohol and administered services.

Source: CSO.

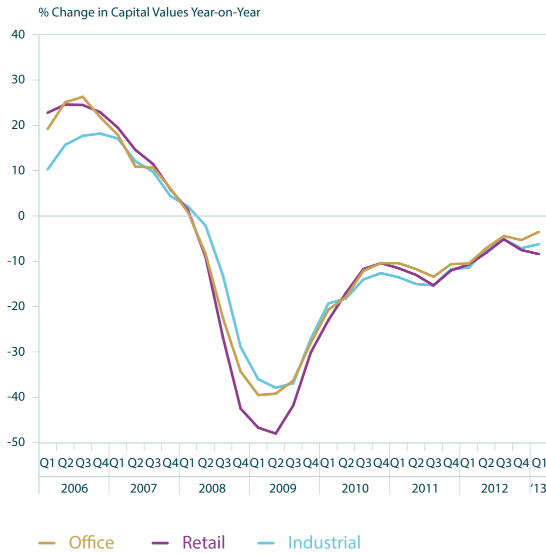
inflation of 0.8 per cent and 1.1 per cent, respectively projected in 2013 and 2014. The equivalent forecasts for the Consumer Price Index (CPI) are 0.9 per cent and 1 per cent respectively. Excluding energy prices, inflation is expected to average 0.9 per cent this year and 1.4 per cent in 2014. The difference between the two measures in 2014 is driven by technical assumptions for oil prices, which are subject to a high degree of uncertainty.

Property Prices

The CSO's Residential Property Price Index to May 2013, points to continued divergences in Ireland's property market, with signs of stabilisation and increasing prices in some parts of Dublin and continuing price declines for the remainder of the country. Chart 6 illustrates that the year-on-year rate of change in property prices for Dublin is in positive territory, up 1.4 per cent in May, while prices for the remainder of the country continued to decline (although at a decelerating rate), down 2.8 per cent compared to the same month last year. There is evidence of a shortage in the supply of family homes in parts of Dublin, and properties there for sale are reportedly selling faster than in the rest of the country. Some evidence of pent-up demand is reflected in the rental market, with rents up almost 5.6 per cent year-on-year in May according to the CSO's CPI rental sub-index.

In terms of a cumulative fall from peak, national property prices have fallen by about 50 per cent, although considerable differences exist

Chart 7: SCS/IPD Irish Commercial Property Index



Source: SCS/IPD.

depending on location and type. Prices in Dublin have fallen further than the rest of the country ostensibly because prices there increased more during the boom. In Dublin, cumulatively house prices are down 54.6 per cent and apartment prices down 61 per cent; house prices outside of Dublin have fallen by a lesser 47.1 per cent. This gap is likely to close in the months ahead as price declines outside the capital continue. Over-supply, difficult credit conditions and expectations of falling prices are likely to continue to blight some regions resulting in further price declines.

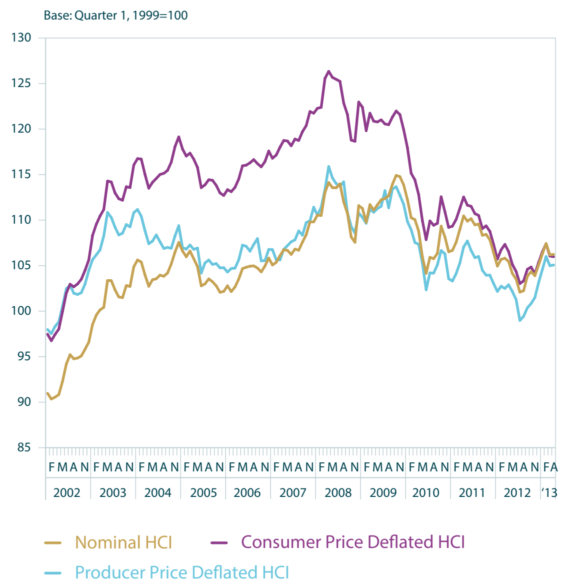
On the commercial side, the latest available indices indicate that capital values continued to fall in the first quarter of 2013, although at a moderate rate, with a semblance of stabilisation reported by some sectors in prime rents and yields. The Society of Chartered Surveyors/ Investment Property Databank's Commercial Property Index reported a 1 per cent quarter-on-quarter capital value decrease in Q1 2013 (Chart 7). This is corroborated by the Jones Lang LaSalle Index for Q1 2013, which recorded a slightly smaller decrease of 0.6 per cent in capital values. This index also reported weakness in rental values, reporting a quarterly decline of 3.2 per cent in the first quarter of 2013. The latest Geo Directory/ DKM Quarterly Commercial Vacancy Rate Study pointed to a slight increase in the overall vacancy rate – up from 11.4 to 11.9 per cent in Q2 of 2013, indicating that price declines could continue for some sectors and regions.

Competitiveness

Exchange Rate Developments

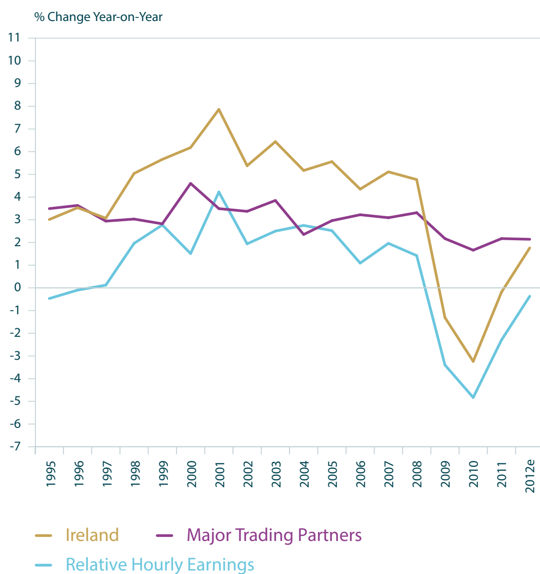
Following appreciations from mid-2012, the euro has remained relatively stable against both the dollar and sterling in recent months. This pattern is reflected in an increase and a subsequent levelling out in the Harmonised Competitiveness Index (HCI - an increase in the index indicates a reduction in competitiveness) in Chart 8. While inflation differentials with respect to the euro area and the US narrowed with the global slowdown last year, the continued downward trend in Irish inflation more recently, and the firming of inflation in the UK and US, should translate into an improvement in competitiveness.

Chart 8: Harmonised Competitiveness Indicators



Source: Central Bank of Ireland and ECB.

Chart 9: Hourly Earnings in Manufacturing (in Local Currency)



Source: Central Bank of Ireland calculations.

Productivity and Cost Competitiveness

The substantial improvements in conventional measures of productivity and unit labour costs posted in the aftermath of the crisis, largely in the 2009 to 2011 period, are unlikely to be a feature of the economy in the years ahead as most of the adjustment in employment (mainly in the private sector) and salaries (mainly in the public sector) has already occurred.

As has been pointed out before, these conventional measures overstate the improvement in competitiveness and productivity growth which has occurred. Chart 9 illustrates the evolution of hourly earnings in manufacturing relative to our main trading partners, pointing to a closing of the relative wage gap in 2012. Following estimated productivity growth of 0.7 per cent last year, and in light of the overall economic and labour market outlook set out above, average annual productivity growth of just 0.1 per cent on a GDP basis is likely for this year, before increasing to 1.2 per cent in 2014. In the wake of a small rise in unit labour costs of 0.2 per cent (on a GDP basis) last year, absolute unit labour costs are projected to increase by 1.3 per cent this year before declining by 0.1 per cent in 2014. The marginal improvement in productivity is more than offset by projected increases on the compensation side. However, according to European Commission projections, labour cost competitiveness in Ireland relative to the euro area is set to improve this year and next.

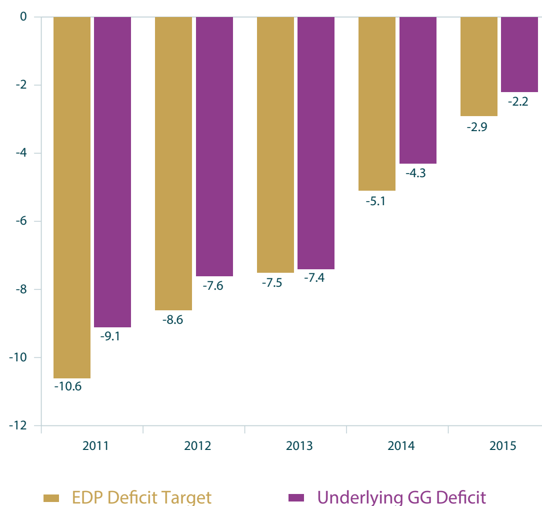
While competitiveness in the manufacturing sector has been a critical factor in Ireland's competitiveness in the past, a broader sense of competitiveness is now more relevant – particularly one that encompasses the characteristics of the increasingly important services sectors. According to the CSO's Services Producer Prices for Q4 2012, which covers a range of business-to-business services costs, the largest year-on-year increases occurred in air transport (up 5.4 per cent), postal and courier services (up 3.8 per cent) and computer programming and consultancy (up 3 per cent). Moreover, with international labour mobility on the rise, the cost of living is a salient factor – one where Ireland needs to improve on number of fronts. While the rate of inflation in Ireland at present is below that of many of our competitors, the level of prices is coming from a high base. On-going work of the National Competitiveness Council (NCC) highlights areas of concern in regard to our competitiveness and Forfás recently published its report on Ireland's Competitive Performance for 2013, highlighting a number of areas of concern. In addition to structural commitments under the EU/IMF programme, the NCC recommend and stress the need for improvement in infrastructure, broadband and planning processes in relation to property. The loss of skills arising from long-term unemployment and emigration are cited as a concern. Moreover, the recent increase in labour costs, given the high rate of unemployment, is also cited.

The Public Finances

Overview

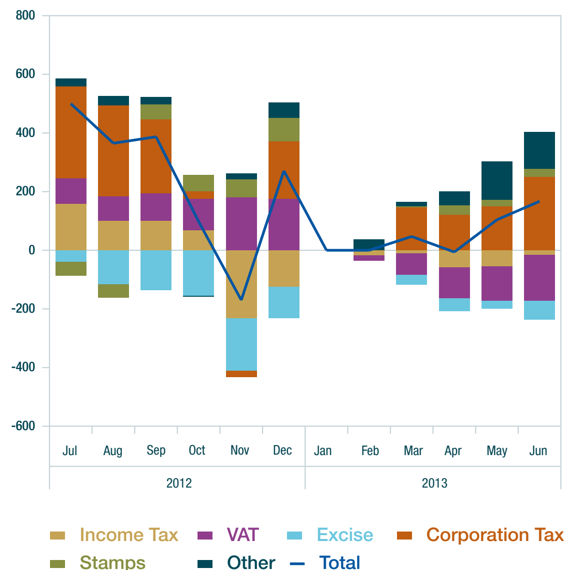
The first official estimate of last year's general government balance has confirmed that a significant improvement took place, with the deficit falling to 7.6 per cent of GDP. The underlying deficit - which excludes capital injections into financial institutions and is the

Chart 10: GG Deficit Targets and Forecast SPU Outturns



Source: Department of Finance, Stability Programme Update, April 2013.

Chart 11: Divergence of Tax Heads from Profile



Source: Department of Finance.

measure used in assessing performance against EDP targets – was also 7.6 per cent of GDP, and as a result the annual target was met with a substantial margin for a second successive year[7]. Exchequer returns figures have continued to move in the right direction in the first half of 2013, but with the annual outturn expected to be much closer to its target, careful monitoring of developments will be required in the second half of the year. Looking further ahead, the latest forecasts anticipate that the deficit will fall below 3 per cent of GDP in 2015, but there is still significant work to be done to ensure this outcome. The decision to extend the maturities of Ireland's programme loans will have a favourable impact on financing needs and helps to support a return to full market financing next year. Gross general government debt was estimated to have increased to 117.6 per cent of GDP last year and is expected to peak in 2013 at 123.3 per cent, before gradually starting to decline.

Stability Programme Update

The Government submitted its Stability Programme Update to the European Commission in April, as required under the European Semester. Reflecting the latest macro and fiscal developments, the Department of Finance has forecast an underlying general government deficit of 7.4 per cent of GDP this year. The marginal change in the deficit from 2012 - despite the planned implementation of a €3.5 billion consolidation package this year - reflects a number of special factors: the conclusion of an interest holiday on certain loans, reduced guarantee fees as the ELG scheme ends and costs related to the liquidation of the Irish Bank Reconciliation Corporation (IBRC). Given that the forecast leaves little margin for error with regard to meeting the 7.5 per cent deficit target, careful monitoring of developments will be required as the year progresses.

The Department of Finance expects the general government balance to continue to improve in subsequent years, satisfying EDP targets and fulfilling the commitment to bring the deficit back below 3 per cent of GDP by 2015 (see Chart 10). Notably the latest projections published by the IMF and European Commission also anticipate that targets will continue to be met[8]. With regard to general government debt, the

7 The EDP target for 2012 was a deficit of 8.6 per cent of GDP. The 2011 target of 10.6 per cent of GDP was met with a margin of 1.5 per cent.

8 See IMF: Tenth Review Under the Extended Agreement (June 2013) and European Commission: Spring Forecast (May 2013).

Table 8: Summary of Exchequer Returns, June 2013

	June 2012 €m	June 2013 €m	Change €m
Current Revenue			
– Tax revenue	17,014	17,599	+585
– Non-tax revenue	1,726	1,897	+171
– Capital Receipts	1,452	2,519	+1,067
Total	**20,192**	**22,015**	**+1,823**
Expenditure			
– Voted expenditure	22,422	20,973	-1,449
– Non-voted expenditure	7,214	7,635	+421
Total	**29,636**	**28,608**	**-1,028**
Exchequer Balance	**-9,443**	**-6,593**	**+2,850**
of which Current Budget Balance	-8,028	-7,624	+404
of which Capital Budget Balance	-1,416	1,031	+2,447
Source and Application of Funds			
– Total Borrowing/Repayments	-13,541	-38,364	
– Promissory notes issues to IBRC	3,060	0	
– Bonds issued to CBI on Liquidation of IBRC[9]	0	25,034	
– Total Increase in Exchequer Deposits	1,038	6,737	
Exchequer Balance	**-9,443**	**-6,593**	

9 These bonds replace the promissory notes previously issued to IBRC.

Department of Finance anticipates that the debt to GDP ratio will reach a peak of 123.3 per cent this year before declining gradually in the following years, falling to 117.4 per cent of GDP by 2015. The IMF and European Commission also expect gross debt to peak this year.

Exchequer Returns

The latest data reveal that the Exchequer ran a deficit of €6.6 billion in the year to June, down from €9.4 billion in the corresponding period of 2012 (see Table 8). This was a better than expected outturn for the first half of the year. The annual improvement reflected favourable developments in both revenue and expenditure; the former was boosted by higher tax receipts and income received from the sale of the contingent capital notes in Bank of Ireland, while the latter reflected a strong reduction in net voted expenditure and bank support payments.

Taking a closer look at the revenue side, tax receipts recorded an annual increase of 3.4 per cent in the first half of the year and, when earlier than anticipated property tax flows are excluded, were marginally ahead of profile. There were contrasting developments in the 'big four' tax heads. Income tax and corporation tax have recorded strong annual growth, with the former in line with its target and the latter well ahead of expectations. VAT and excise, on the other hand, were broadly unchanged from the first half of last year and, as a result, have fallen below profile (see Chart 11). Non-tax revenue recorded an increase of €1.2 billion, as capital receipts were boosted considerably by the €1 billion sale of the State's contingent capital notes in Bank of Ireland. The first six months of the year also saw stronger than expected Central Bank surplus income and higher dividend payments. These more than compensated for declining income from the Eligible Liabilities Guarantee (ELG) scheme

following the Government's decision to close it to new liabilities from the end of March. Combined, these developments resulted in total revenue increasing by €1.8 billion year-on-year.

On the expenditure side, a strong decline in net voted spending comfortably outweighed an increase in non-voted outlays. Focusing on the former first, total net voted expenditure was €1.4 billion lower on an annual basis and 2.5 per cent below profile, as both current and capital spending came in below expectations. All but one vote group was below profile by mid-year, with the biggest divergences from target – in nominal terms - occurring in Health and Environment. The €421m increase in non-voted expenditure, meanwhile, was driven by €939 million of ELG payments arising from the liquidation of IBRC and a significant increase in debt servicing costs; factors partly offset by last year's €1.3 billion acquisition of Irish Life falling out of the base. Taking account of all of these developments, total expenditure recorded an annual contraction of €1 billion from the same period in 2012.

Exchequer Financing

From a funding perspective, the Exchequer returns show that the deficit was financed by net government borrowing of €13.3 billion in the first half of the year. Accordingly, excluding the bonds issued to the Central Bank on the liquidation of IBRC, there was a €6.7 billion increase in Exchequer cash balances over the period (see Table 8). This reflects a strategy to increase cash buffers before the financial assistance programme ends this year. Government borrowing was sourced from both the market (€7.7 billion) and through the programme (€5.7 billion); for the year as a whole around two-thirds of the total financing needs are expected to come from market sources.

Focusing on the medium-term, in June it was confirmed that the average weighted maturity of programme loans made to Ireland from the European Financial Stability Facility (EFSF) and the European Stabilisation Mechanism (ESM) would be extended by up to seven years. Combined, these facilities have committed to just over €40 billion of the €85 billion package of financial assistance for Ireland. This significant decision will have a favourable impact on funding needs in the coming years, smoothing the national debt redemption profile and supporting a return to full market based financing. It is expected to remove a market financing requirement of around €20 billion over the period 2015 to 2022, with the funding requirement for 2015 being reduced by over €6 billion.

An Timpeallacht Gheilleagrach

Leis na sonraí bliantúla Cuntas Náisiúnta do 2012, tugtar le fios gur tháinig fás 0.2 faoin gcéad ar OTI anuraidh, ráta fáis i bhfad níos lú ná mar a tuairiscíodh roimhe seo. Bhí laige fhadtréimhseach an éilimh sheachtraigh, go háirithe sa Ríocht Aontaithe agus sa limistéar euro, ina príomhchúis leis an moilliú seo. Tugtar le fios leis na sonraí do 2012, mar aon leis na réamhshonraí don chéad ráithe de 2013 go bhfuil téarnamh sách maothaithe ar ghníomhaíocht i mbliana. Meastar anois go mbeidh fás OTI de 0.7 faoin gcéad ann in 2013 agus go dtiocfaidh méadú neamhthoirtéiseach ar fhás go dtí thart ar 2.1 faoin gcéad in 2014. Meastar go dtiocfaidh méadú 0.3 faoin gcéad, a bheag nó a mhór, ar OTN i mbliana, agus go méadóidh sí go dtí thart ar 1.3 faoin gcéad in 2014.

Bhí bonn leathan faoi laige an gheilleagair le linn na chéad ráithe de 2013. Cláraíodh an cúngú is mó ó 2009 i leith ar thomhaltas cé gur cláraíodh fás ar thomhaltas do dhá ráithe as a chéile le linn 2012. Ina theannta sin, tháinig titim ghéar ar onnmhairiú earraí agus seirbhísí a bhí mar phríomhspreagadh an fháis eacnamaíoch le blianta beaga anuas. Leis an titim sin, léirítear an timpeallacht sheachtrach dhúshlánach ina mbíonn onnmhaireoirí Éireannacha ag gníomhú, mar aon leis na saincheisteanna struchtúracha a bhaineann le paitinní éaga san earnáil cógaisíochta. Is dócha, dá bhrí sin, go mbeidh srianadh ar luas an téarnaimh ar an ngeilleagar don chuid eile den bhliain. É sin ráite, tugann na sonraí le fios go bhfuil méadú ag teacht de réir a chéile ar fhostaíocht. Nuair a eisiatar tionchar tosca saofa amhail infheistíocht aerárthach, tá comharthaí ann go bhfuil téarnamh éigin ag teacht ar bhuninfheistíocht.

Cé go bhfuil an timpeallacht mhaicreacnamaíoch dúshlánach i gcónaí, leantar le dul chun cinn breise ar na príomhdhúshláin beartais. Léirítear é seo go pointe sa mhéid go leanann an feabhas ar rochtain an Rialtais ar mhaoiniú margaidh agus gur baineadh íosphointí nua iar-ghéarchéime amach le raon difríochta na mbannaí rialtais sa dara ráithe. Ar a shon sin, ní mór dul chun cinn breise a dhéanamh i dtaca le príomh-shaincheisteanna áirithe. Cé go bhfuil leachtacht an chórais san earnáil baincéireachta feabhsaithe agus go bhfuil an dul chun cinn maidir le díghiaráil ag gluaiseacht sa treo cheart, tá éiginnteacht ann maidir le cáilíocht sócmhainní agus imní maidir le brabúsacht, rud a leanann de bhac a chur ar phróiseas deisiúcháin an chórais. Tá sé ríthábhachtach go rachfar i ngleic leis na saincheisteanna sin chun go bhféadfar an córas baincéireachta a chur ar ais ar bhonn cobhsaí marthanach agus chun go mbeidh an córas baincéireachta ábalta a chumas iasachta a neartú, rud atá riachtanach chun tacú le fás inmharthana.

Tá an méadú leanúnach ar riaráistí morgáiste ina ghné lárnach de na deacrachtaí agus den éiginnteacht a bhaineann le cáilíocht sócmhainní agus le brabúsacht. Dá bhrí sin, i mí an Mhárta 2013, d'fhógair an Banc Ceannais spriocanna ráithiúla do na bainc chun réitigh inmharthana a mholadh do theaghlaigh a bhfuil riaráistí morgáiste acu. Chun na spriocanna sin a bhaint amach, beidh ar na bainc a léiriú, ar bhonn gach cáis ar leith, go bhféadfar a bheith ag súil leis go mbeidh teaghlaigh in ann freastal ar na híocaíochtaí conarthacha thar shaolré iomlán na hiasachta. Meastar go bhfuil sé seo riachtanach chun a áirithiú go bhfuil na bainc ag dul i ngleic leis an bhfadhb ar mhodh tráthúil, rud atá ag teastáil dá bhfóntacht féin, agus chun cinnteacht a chur ar fáil do na hiasachtaithe lena mbaineann. De bhreis air sin, d'fhoilsigh an Banc Ceannais Cód Iompair athbhreithnithe

um Riaráistí Morgáiste d'fhonn na cosaintí a neartú d'iasachtaithe a bhfuil riaráistí acu nó a bhfuil riaráistí ag bagairt orthu agus chun a áirithiú go mbeidh na hiasachtóirí ábalta gach cás de riaráistí a réiteach ar mhodh cothrom, trédhearcach. Tá sé riachtanach go mbeidh réadúlacht ar gach taobh, mar aon le hoscailteacht i leith modhanna nuálacha, chun go mbeidh rath ar an réimse seo.

Maidir leis an airgeadas poiblí, tugadh le fios leis na sonraí is déanaí maidir leis an Státchiste go bhfuil forbairtí fioscacha ag gluaiseacht sa treo ceart, a bheag nó a mhór. D'ainneoin spadántacht an gheilleagar, tugtar le fios leis na sonraí Státchiste don chéad leath den bhliain gur cosúil go mbainfear amach an sprioc don Easnamh Rialtais Ghinearálta in 2013 arb ionann é agus 7.5 faoin gcéad, cé gur corrlach beag a bheidh ann. Cé go bhfuil rioscaí ag gabháil le lagú na n-ionchas fáis, tá sé tábhachtach nach mbeidh aon sleamhnú i gceist maidir leis an sprioc do 2013. Ag féachaint romhainn, bhí an plé maidir le maolú a dhéanamh ar an iarracht um chomhdhlúthú fioscach in 2014-15 bunaithe ar an gcoigilt úis ón idirbheart maidir leis an nóta gealltanais. Cé go n-aithnítear go mbeidh cinntí deacra le glacadh go fóill, tá bainistíocht an Bhainc Ceannais fós den tuairim nár cheart géilleadh don chathú sin. A luaithe a bhainfear an coigeartú fioscach riachtanach amach, is ea is láidre a bheidh an beartas don téarnamh ar fhostaíocht agus ar ioncam. Lena chois sin, tá leibhéil easnaimh agus fiachais na hÉireann an-ard i gcónaí agus tá sé fíor-riachtanach go ndéanfar an coigeartú fioscach beartaithe de €5.1 billiún atá sceidealaithe do 2014 agus 2015 a chur chun feidhme go hiomlán chun go gcothabhálfar muinín na n-iasachtóirí idirnáisiúnta agus chun cuidiú le maolán a chur ar fáil in aghaidh suaití ionchasacha, dhá rud atá bunriachtanach chun go bhféadfar scor go rathúil de mhaoiniú an chláir.

Dá bhféadfaí iomaíochas an gheilleagair a fheabhsú agus aon talamh a cailleadh le linn am an bhorrtha a aisghabháil, chuideofaí le hionchas fáis na hÉireann a spreagadh. Bíonn tábhacht ar leith ag baint leis sin in imthosca ina mbíonn laige an éilimh intíre á fritháireamh le fás ar onnmhairí, cé go bhfuil moilliú ag teacht ar an bhfás sin. Mar a dúradh cheana, cé go bhfuil cuid den iomaíochas a cailleadh le linn am an bhorrtha athghafa ag Éirinn, rinneadh áibhéil maidir leis an bhfeabhas a taifeadadh toisc go raibh aistriú earnálach le blianta beaga anuas ó na hearnálacha ina mbíonn táirgiúlacht íseal. Dá bhrí sin, is gá tuilleadh feabhais a dhéanamh chun an geilleagar a thabhairt ar ais chuig na leibhéil iomaíochais a bhí ann sna blianta tosaigh den deich mbliana deireanacha. Chuideofaí leis seo trí bhonn costas an gheilleagair a ísliú, san earnáil phoiblí agus phríobháideach ar aon. Chuige sin, beartaítear an costas a bhaineann le soláthar seirbhísí poiblí a isliú trí bhille pá agus pinsin na hearnála poiblí a ísliú agus ba cheart go mbeadh tionchar níos teoranta aige sin ar sholáthar seirbhísí i gcomparáid le staid ina mbainfear coigiltis choibhéiseacha amach trí fhostaíocht san earnáil phoiblí a laghdú. Tá laghdú bhonn costas an gheilleagair tairbhiúil don phróiseas téarnaimh.

Financing Developments in the Irish Economy

Overview

Amidst a somewhat more volatile external environment in recent months, financing conditions for the Irish public and private sectors have remained relatively stable. Progress in implementing the measures required as part of the EU/IMF Programme of Financial Support has continued, and the yields on benchmark Irish sovereign debt are at levels last seen in 2005. Despite this, yields on Irish government bonds ticked upwards towards the end of Q2 2013. This is in line with wider market developments following the launch of the Cypriot official assistance programme and announcements by the Federal Reserve on the potential tapering of their quantitative easing measures towards the end of 2013. The rehabilitation of the Irish-owned credit institutions has also continued as part of the EU/IMF Programme, with signs that more sustainable deposit-based funding at affordable rates of interest is emerging. The banking system in Ireland continues to contract, however, as it deals with the high cost of impaired loan-books following the contraction in the property market and domestic economy generally.

The non-financial private sector in Ireland also continues to adjust its balance sheet. Non-financial corporations (NFCs) saw a reduction in financial assets and debt positions in Q4 2012 arising from certain companies moving their headquarters out of Ireland, but this was more than offset by strong inflows from foreign-owned multinational companies into their Irish operations. However, the underlying trend of NFCs deleveraging in the light of a challenging environment for expansion and investment, and management of previously incurred debt, remains prominent, particularly so for small- and medium-sized enterprises (SMEs). Resident credit institutions' loans outstanding to NFCs continue to contract, with a slight increase in the pace of contraction in the first quarter of 2013. Similar developments are evident for SMEs, and were seen across a number of business sectors.

For households, aggregate debt levels have fallen again in recent quarters, with the decline evident during Q4 2012 being the largest quarterly decline recorded since mid-2010. This was driven by net repayment of loans by households, predominantly to resident credit institutions. The latest banking data suggests that this trend has continued into Q1 2013, with the pace of decline in credit institutions' loans outstanding to households increasing marginally to approximately 4 per cent year-on-year. The reduction in overall liabilities was the dominant factor in a rise of household net worth during the last quarter of 2012. This represents the second consecutive quarterly rise in net worth following over four years of steady decline, primarily as a result of the drop in the value of housing assets. Underlying these aggregate developments, a significant proportion of households continue to face difficulties in servicing their mortgage debt. At end-March 2013, 12.3 per cent of all private residential mortgage accounts for principal dwelling houses (PDH) were in arrears of over 90 days. The trend emerging among longer-term arrears continues to be of particular concern, as the number of PDH accounts in arrears of over 360 days rose to over 54,000 or 7 per cent of the total stock. Resolving

these issues is a key area of policy concern. Credit institutions are now required to meet targets for offering long-term sustainable solutions to customers in mortgage arrears over the coming year. A pilot programme on how to manage the distribution of payments between secured and unsecured debt for customers in difficulty has been launched. The Code of Conduct on Mortgage Arrears has also been amended to support customers and their bank in reaching sustainable solutions to the mortgage arrears problem.

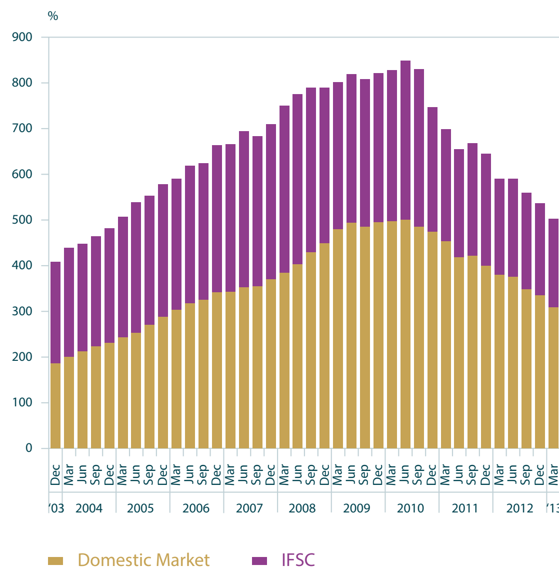
Meanwhile, the non-bank financial sector in Ireland continues to be influenced by international factors. The funds industry expanded very strongly in Q1 2013, with net asset values rising to over €1 trillion for the first time. Strong investor inflows into bond funds and asset price increases in equity funds were equally important driving factors. Nevertheless, an element of investor caution was evident, as was a moderate preference for non-euro area assets. Conversely, money market funds resident in Ireland have declined in value in early 2013, reflecting investor outflows and difficulties in generating positive returns in a low interest rate environment. Irish resident funds are likely to see further significant shifts in the coming quarters as international markets respond to the potential unwinding of exceptional monetary policy measures in the United States.

Monetary Financial Institutions

Credit Institutions

In line with recent quarters, the banking system in Ireland has continued to contract. Total assets of credit institutions operating in the State were equivalent to 502 per cent of annual GDP at end-Q1 2013 (Chart 1), following a reduction in assets of 15.3 per cent over the year. Excluding internationally-focussed banks in the IFSC, the domestically relevant banking system[1] in Ireland is 308 per cent of GDP, following a reduction in

Chart 1: Total Assets of Irish Resident Credit Institutions as a Per cent of Nominal GDP



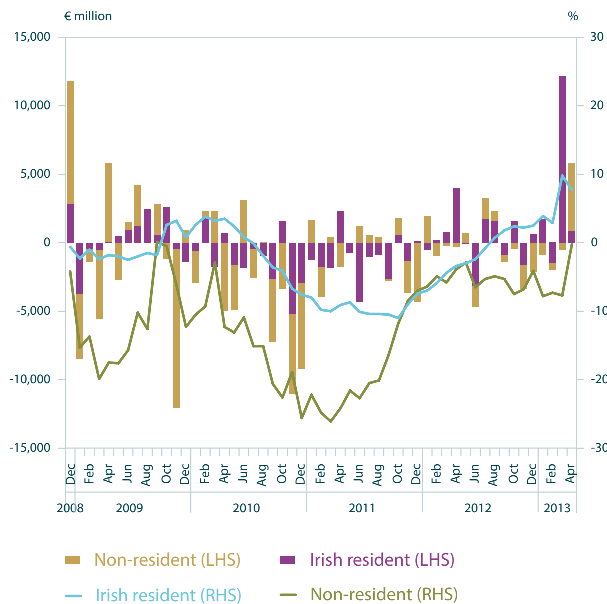
Source: Money and Banking Statistics, Central Bank of Ireland.

total assets of 18.9 per cent over the year to end-Q1 2013. Meanwhile, the IFSC banking sector declined by 10.2 per cent over the same period. These developments reflect the ongoing deleveraging of Irish-owned credit institutions and the retrenchment and restructuring of foreign-owned banks (both in terms of the Irish retail market and IFSC operations) as a result of the wider correction in the European banking system. An overview of changes in the structure of the Irish banking system is presented in Box 1.

As the banking system contracts, its overall funding requirement is declining and a return to a more sustainable funding profile is gradually taking place. The shift away from wholesale and market-based funding (deposits from other MFIs and debt securities issued) had, for the most part, been replaced by increased reliance on funding from central banks since mid-2010. In more recent months, however, deposit funding has become more prominent for two

1 This refers to domestic market credit institutions, i.e. those institutions with a significant retail presence in Ireland in terms of business with Irish households and non-financial corporations. This includes both Irish- and foreign-owned credit institutions. A list of domestic market credit institutions is available at http://www.centralbank.ie/polstats/stats/cmab/Documents/Credit%20Institutions%20resident%20in%20the%20Republic%20of%20Ireland.pdf.

Chart 2: Monthly Net Flows (LHS) and Annual Rates of Change (RHS) of Private-Sector Deposits in Irish Resident Credit Institutions



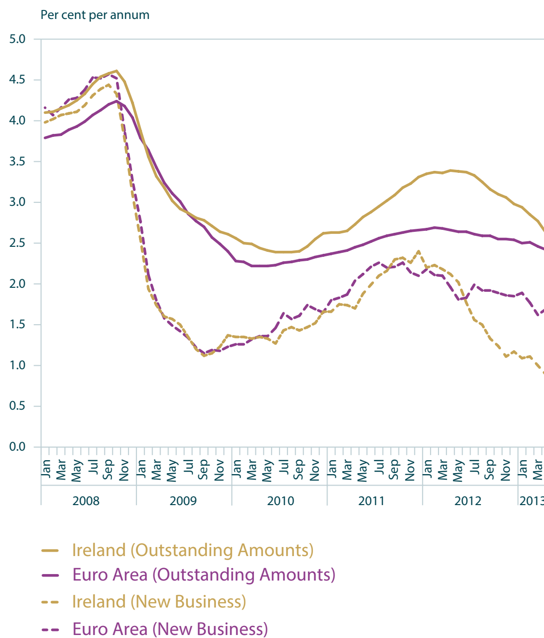
Source: Money and Banking Statistics, Central Bank of Ireland.

reasons. Firstly, deposits from the Irish non-financial private sector and to some extent the non-resident private sector have begun to rise. Secondly, and more significantly in terms of size, deposits from the Irish non-bank financial sector have risen, as Central Bank funding has been replaced by NAMA deposits as part of the liquidation of IBRC. Total lending related to monetary policy implementation (euro and non-euro denominated) by the Central Bank of Ireland stood at €52.8 billion at end-April, a reduction of €37 billion over the twelve months up to that point.

Debt funding continues to decline in total and as a share of the resident credit institutions funding profile, with signs of stability emerging in recent months. Redemptions during the first four months of 2013, totalling €40.5 billion, were just slightly below that recorded during the first four months of 2012. Gross issues of MFI debt securities, however, almost doubled when comparing the two time periods, with issues during the first four months of 2013 being €35.9 billion. The increases in issuance were strong in longer-term debt securities of over 1 year maturity, as the ability of banks in Ireland, and particularly institutions head-quartered here, to access these funding markets at sustainable rates has improved.

In most recent months private-sector deposits, particularly those from Irish residents, have begun to increase and their share in overall funding for domestic market credit institutions has risen to 57 per cent. Private-sector deposits from Irish residents rose 7.7 per cent in the year ending April 2013, with private-sector deposits from non-residents declining by 0.2 per cent over the same period (Chart 2). The rise in Irish private-sector deposits in recent months has been strongest for overnight deposits, which rose by 22.4 per cent over the year to end-April 2013. The monthly and annual developments in overnight deposits, and by extension total private-sector deposits, were significantly impacted by transactions related to the liquidation of IBRC, whose liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), and classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred. Excluding the impact of this transaction, Irish resident overnight deposits would have risen by 5.6 per cent on an annual basis and total private-sector deposits would have been unchanged in the year to end-April. This increase reflects strong inflows into overnight deposits by Irish households and NFCs, which recorded growth of 5.1 and 19.1 per cent, respectively, on an annual basis to end-April. Total deposits from these sectors have not risen to the same extent over the period, however, as longer-term savings products have seen some outflows. This may suggest that a general preference for liquidity to finance consumption or investment is becoming a more relevant factor in Irish households' and NFCs' decisions on their deposit category allocations. The relatively low interest rates

Chart 3: Interest Rates on Deposits with Agreed Maturity from Households and NFCs



Sources: Central Bank of Ireland and the ECB.

prevailing currently on savings products in comparison with previous years is another possible reason for the shift to more liquid assets.

The stabilisation in aggregate private-sector deposits has occurred even as the cost of attracting them has eased significantly for credit institutions in Ireland. Retail interest rates on outstanding household and NFC deposits with agreed maturity fell by 76 basis points to 2.63 per cent between April 2012 (the most recent high point) and April 2013 (Chart 3). While this rate remains higher than the euro area average rate (2.42 per cent), the spread between Irish and euro area rates for savings deposits has narrowed significantly. This spread, which has been falling consistently since end-2011, is expected to decline further.

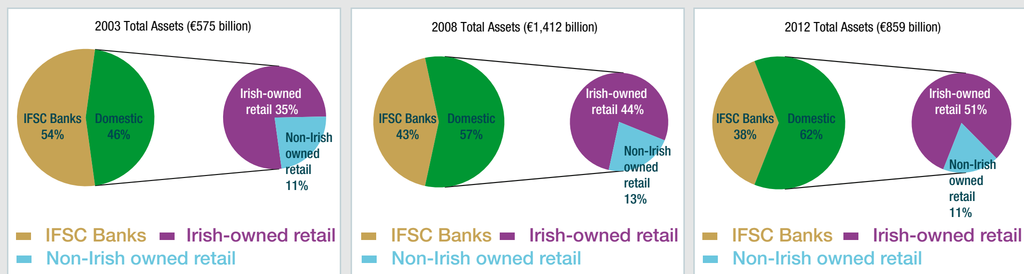
The rate being agreed on new business household and NFC deposits in Ireland, at 0.89 per cent, is now some 80 basis points lower than the euro area average. Meanwhile, retail interest rates on new business lending to households and NFCs have remained relatively stable in recent months, which has allowed for some improvement in net interest margins generated by credit institutions in Ireland.

Developments on the assets side of credit institutions' balance sheet are being driven by both the need to 'right-size' their business in a sustainable manner and the wider debt dynamics faced by the Irish non-financial private and public sectors given their own process of deleveraging. Transactions related to the liquidation of IBRC, including the settlement of the promissory note, have decreased the exposure of the resident banking system to the Irish government. At the same time, credit institutions' holdings of Irish government debt has also declined marginally in recent months. Having increased by almost 40 per cent during 2012, holdings of Irish government bonds were 3.3 per cent lower on an annual basis at end-April 2013. Meanwhile, loans to the Irish private sector declined by 4.8 per cent over the year to end-April 2013, as deleveraging by the household and NFC sectors continued. Despite these reductions, the share of credit to the Irish private sector relative to the total assets of domestic market credit institutions has risen to 55 per cent, a level not consistently seen since 2003. This comes as retrenchment from foreign markets, particularly for Irish-owned credit institutions, has taken the majority of the impact of the adjustment process. Credit advanced to non-residents by the domestic market credit institutions has contracted by 21.6 per cent in the year to end-April 2013, with credit to the non-resident private sector falling by 22.1 per cent.

Box 1: The Changing Composition of the Irish Banking System 2003-2012
By Sarah Frost

This Box provides an overview of the evolution of the banking system in Ireland over the period end-2003 to end-2012. The banking system in Ireland can be split into three main categories, namely Irish-owned retail banks, non-Irish owned retail banks and IFSC banks. Along with credit unions[2], Irish-owned and non-Irish owned retail banks together make up the domestic market credit institutions, whose main business activity is to provide banking services to households and businesses in the Republic of Ireland. In contrast, IFSC credit institutions are resident in Ireland but their business is mainly conducted with counterparties outside the State. We examine the developments in each of these categories, highlighting their characteristics at the start of the domestic credit-fuelled boom, at the onset of the financial crisis, and at the most recent year-end as recovery and repair of the financial system continues.

Box 1 Chart 1: Irish Resident Credit Institutions' Total Assets



Source: Money and Banking Statistics, Central Bank of Ireland.

In 2003, at the onset of the period of credit-fuelled domestic demand, the total assets of the Irish banking sector amounted to €575 billion (408 per cent of GDP). At this time the IFSC banks accounted for the majority share of the Irish banking system in terms of balance sheet size. Over the years to 2008, the resident banking system almost tripled in size to €1,412 billion (789 per cent of GDP). This was primarily driven by Irish-owned retail banks, whose activities in the State grew by 209 per cent over the period, bringing their total share in the resident banking system to 44 per cent. While non-Irish owned retail institutions also increased in size from 2003 to 2008, by 193 per cent, their share in the total system only rose by 2 percentage points. This suggests that Irish-owned banks' behaviour during this time was not solely in response to excessive competition in the domestic retail space from foreign competitors. The IFSC banks had also expanded from 2003 to 2008 but their rate of increase was outpaced by that of the domestic market institutions, and as a result the IFSC banks share of the resident banking system had decreased by 11 percentage points by end-2008. The IFSC banking group began to contract from its peak of €707 billion in mid-2008 as the international financial crisis of 2007-2009 had a relatively more direct impact on these banks than on the domestic retail banking system.

2 As of January 2009, credit unions have been classified as credit institutions in Central Bank statistics. Prior to this, they were classified as non-bank financial intermediaries. Credit unions are not included in the analysis presented here.

Box 1: The Changing Composition of the Irish Banking System 2003-2012
By Sarah Frost

The main asset class driving the expansion from 2003 to 2008 for the domestic market credit institutions was credit advanced to the Irish-resident non-financial private sector (households and non-financial corporations). Among the Irish-owned retail banks, credit advanced to the Irish-resident non-financial private sector increased by 128 per cent over the period and accounted for the largest share (36 per cent) of total credit for these banks at end-2008. Similarly, for the non-Irish owned retail banks, credit advanced to the Irish-resident non-financial private sector increased by 226 per cent to account for a 52 per cent share of total credit advanced in 2008. Meanwhile the increase in the IFSC banking sector from 2003 to 2008 was mainly driven by increases in credit advanced to the non-resident, non-bank private sector.

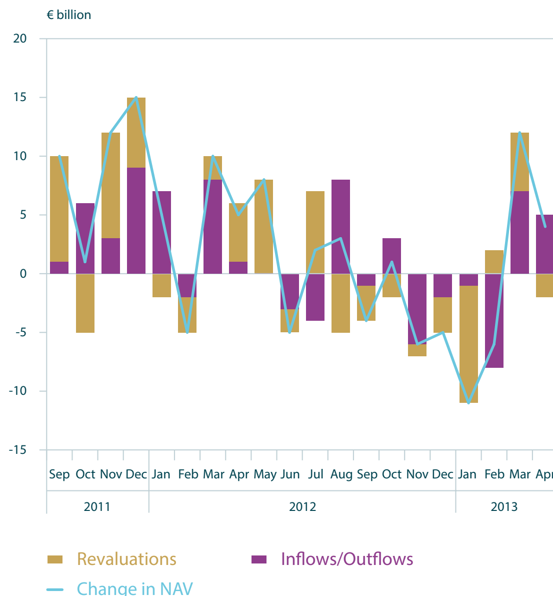
The three categories of banks in Ireland responded in different ways from 2008, when the property market began to falter, the domestic economy began to contract and the wider international economy stagnated. A feature of the years following 2008 has been retrenchment by banks to home markets, and this is evident in the data for the Irish resident banking system. Over the 2008-2012 period, credit advanced to the Irish-resident non-financial private sector decreased by 8 per cent and 14 per cent for the Irish-owned and non-Irish owned retail banking groups, respectively. Meanwhile, credit advanced to the non-resident non-bank private sector (households, non-financial corporations, other financial institutions and insurance corporations and pension funds) declined by 61 per cent for the Irish-owned retail banks and increased by 63 per cent for the non-Irish owned retail banks. Among the Irish-owned retail banks, the proportion of total credit advanced to non-residents contracted by 15 percentage points over the 2008-2012 period, reflecting drops in credit to non-affiliated entities (both bank and non-bank). Meanwhile, among the non-Irish owned retail banks, credit advanced to non-residents increased by one percentage point over the same time period, reflecting increases in credit to the non-bank private sector.

By 2012, following the developments in the key asset categories discussed above, the size of the resident banking system had fallen to €859 billion (525 per cent of GDP), with IFSC banks reporting the sharpest decline. At end-2012, similar to 2008, the largest share of the Irish banking system's total assets was held by Irish-owned retail banks (51 per cent), while IFSC banks and non-Irish owned retail banks held 38 per cent and 11 per cent, respectively. The differing responses of the three categories of banks to the domestic and international financial crises of recent years can be seen to have implications for the analysis of credit to Irish households and NFCs. Correctly identifying the size and behaviour of the domestically-relevant banking system is an important first step in outlining any difficulties in credit provision and targeting of policy measures to address these where necessary.

Money Market Funds

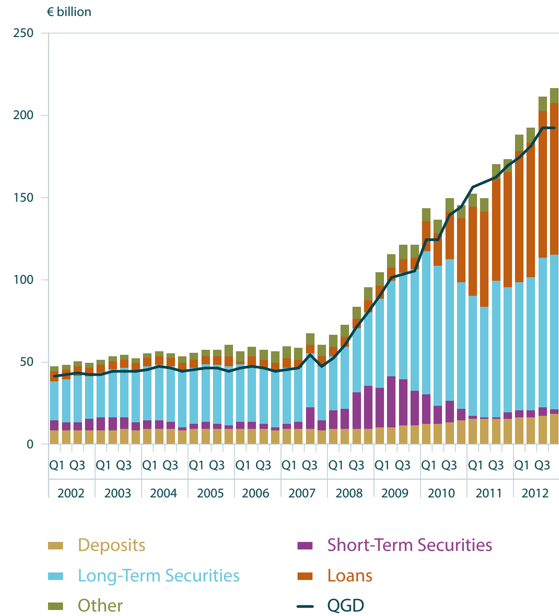
The year-on-year change in the net asset value (NAV) of money market funds (MMFs) resident in Ireland which was positive at end-2012, had turned negative by April 2013 (Chart 4). This was due to a continued sell-off of holdings of MMF shares between November and February, although some inflows were recorded in March and April. The NAV of an MMF is also influenced by price and exchange-rate valuation changes in the assets that they hold. Over the twelve months to April 2013, positive revaluations were recorded in only four months, reflecting the difficult environment that MMFs are currently operating in. Euro area resident MMFs, in aggregate, also recorded sizeable declines in their NAVs over the year to March 2013. MMFs have been operating in an environment of low interest rates which has made it more difficult to generate positive returns, and have not benefited from inflows that were previously seen during periods following the onset of the financial crisis.

Chart 4: Monthly Change in Money Market Funds' Net Asset Values



Source: Central Bank of Ireland.

Chart 5: Government Liabilities



Sources: Quarterly Financial Accounts, Central Bank of Ireland; and Quarterly Government Debt, Eurostat.

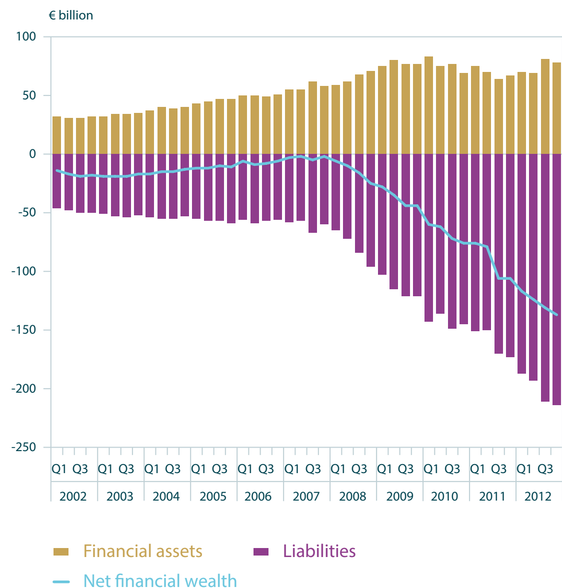
Government

Debt and Deficit Developments

Government liabilities increased during Q4 2012 reaching €214 billion, their highest level to date, as shown in Chart 5. This represented an increase in liabilities of €3 billion or 1.4 per cent compared with the previous quarter. Quarterly Government Debt (QGD), which is the standard quarterly measure of debt consistent with Excessive Deficit Procedure (EDP) methodology[3], increased by €0.7 billion over the quarter. The increase in government liabilities during Q4 2012 primarily reflected a further instalment of the EU/IMF programme by €2.8 billion. By the end of 2012, the total value of EU/IMF loans amounted to €57.9 billion.

Government net financial wealth, the difference between financial assets and liabilities, declined further over Q4 2012 reaching minus €137 billion (Chart 6). The decline was attributed to an increase in liabilities of €3 billion, as well as, a reduction in financial assets by €2.8 billion.

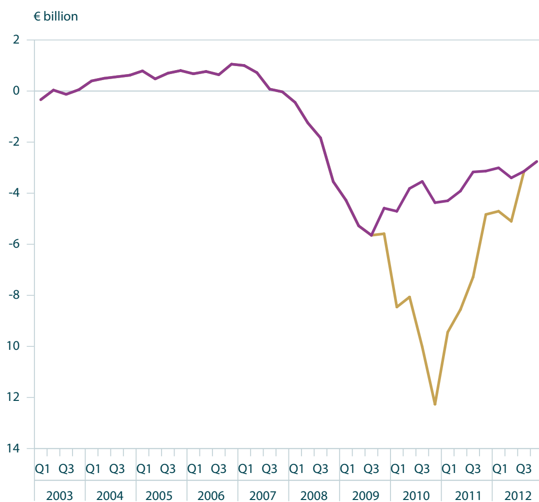
Chart 6: Government Net Financial Wealth



Source: Quarterly Financial Accounts, Central Bank of Ireland.

3 Government liabilities in Quarterly Financial Accounts differ from the EDP measure of debt as they are calculated on a non-consolidated basis, and employ different coverage and valuation criteria.

Chart 7: The Four-Quarter Moving Average of the Surplus/Deficit

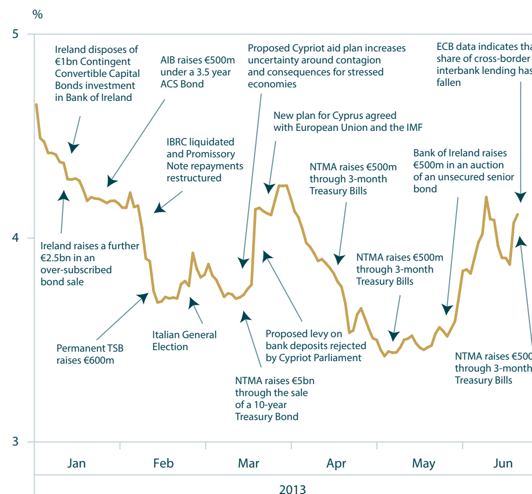


— Four-quarter moving average of surplus/deficit including capital transfers

— Four-quarter moving average of surplus/deficit excluding capital transfers

Source: Quarterly Financial Accounts, Central Bank of Ireland.

Chart 8: Irish Government Ten-Year Bond Yields



Source: Thomson Reuters Datastream.

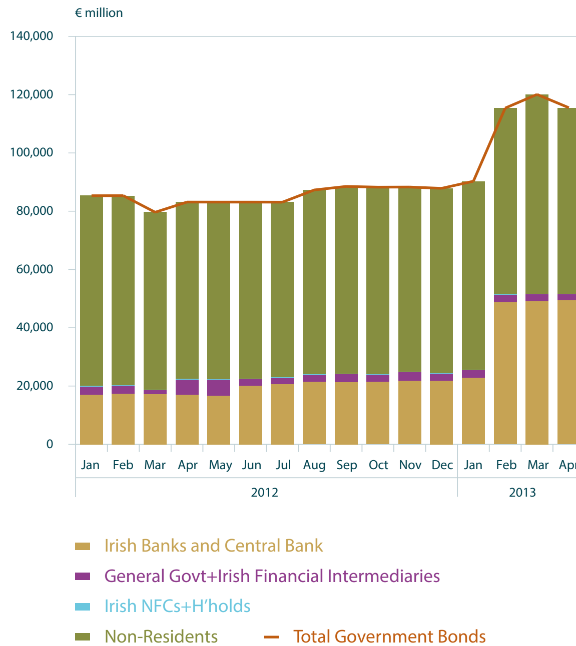
The government deficit, as a four-quarter moving average, declined slightly during Q4 2012, from €3.1 billion to €2.8 billion, as presented in Chart 7. There were no capital transfers during this quarter. Since 2009, the State has injected €63 billion into the banking sector, of which €42.7 billion has been treated as a deficit-increasing capital transfer. The remainder was treated as financial transactions (or investments) in government accounts and therefore do not impact the deficit.

Sovereign Debt Market

Developments in sovereign bond markets in late-Q1 2013 and into Q2 2013 were volatile reflecting a mixture of negative and positive factors shaping market sentiment. Until late-Q1 2013, yields in many euro area countries had continued to decline, reflecting the ongoing impact of the announcement of Outright Monetary Transactions (OMT) in 2012. Trends in international bond markets are discussed further in the Developments in the International and Euro Area Economy chapter.

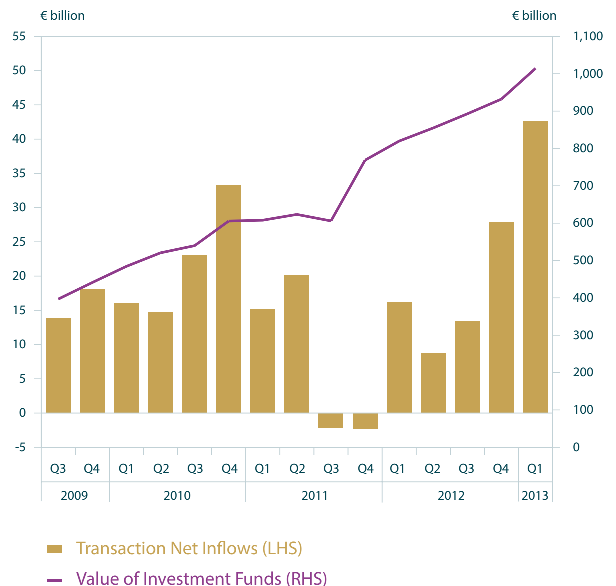
Yields on Irish government bonds moved in line with the wider trends in the euro area sovereign bond markets. By mid-March 2013, the yield on ten-year Irish government debt stood at just over 3.7 per cent in the aftermath of the deal on the restructuring of the IBRC Promissory Notes. The yield, however, would jump to 4.1 per cent shortly thereafter and would climb above 4.2 per cent before the end of the month. This represented an increase of more than 50 basis points within a matter of weeks and reflected a perceived increase in risk in the aftermath of the initial announcement of a Cypriot aid package. The yield resumed its downward trajectory in April and May. By early-May, the yield on ten-year Irish government debt stood at close to 3.4 per cent. This was the lowest level for this yield since 2005. Over the course of the following weeks, however, the yield on ten-year Irish government debt had begun to rise again and

Chart 9: Holders of Irish Government Bonds



Source: Central Bank of Ireland.

Chart 10: Value of Investment Funds Shares/Units



Source: Investment Funds Statistics, Central Bank of Ireland.

Note: The movement from Q3 2011 to Q4 2011 includes €114 billion of money market funds that were reclassified as investment funds.

by mid-June, it had risen by approximately 80 basis points to 4.2 per cent, see Chart 8. This reflected concerns in the market about a reduction in quantitative easing by the Federal Reserve, and the tighter liquidity conditions being experienced by Chinese banks.

The outstanding nominal volume of existing Irish government long-term bonds in issue was €115.5 billion at end-April 2013 (up from €83.1 billion for the same period in 2012). The termination of promissory notes used by IBRC as security for borrowings from the Central Bank of Ireland and replacement with long-term Irish government bonds in February 2013 was largely responsible for this increase. By end-April, the holders of government bonds continued to be predominantly non-resident, with 55 per cent of government bonds in issue being held by foreign investors. Banks accounted for approximately 43 per cent of resident holders.

Institutional Investors

Investment Funds

Investment funds (IFs) resident in Ireland expanded strongly in Q1 2013, with net asset value increasing by €82 billion to €1,014 billion. Increases in both investor confidence in IFs and global financial asset prices contributed in almost equal measure, with net transaction inflows and net positive revaluations amounting to €42.7 billion and €39.5 billion, respectively. The pattern was similar for the euro area as a whole, though growth in Irish funds at 8.8 per cent was significantly higher than for euro area IFs, at 5 per cent. Recent developments continue a long-run trend of growth in Irish IFs, with the latest quarter marking the sixth successive quarterly expansion. This trend has seen the Irish share of euro area IFs increase to almost 15 per cent, from 8 per cent when data was first collected in Q4 2008. The factors underlying this trend are explored in more detail in Box 2.

Table 1: Investment Fund Debt Security Exposures to Selected Countries

Country	Debt Securities Issued by All Sectors: Net transactions Q1 2013 (€ billion)	Stock end-Q1 2013 (€ billion)	Net transactions (as % of end-Q4 2012 stock)
US	15.4	170.4	10.2
UK	5.3	61.1	9.5
Germany	0.8	12.8	6.9
France	1.3	13.6	10.3
Italy	0.4	11.0	3.8
Netherlands	-0.1	5.1	-1.1
Spain	0.8	5.2	16.8

Source: Investment Fund Statistics, Central Bank of Ireland.

The underlying data provides some evidence that investors were more cautious, however, than implied by overall transactions inflows. IFs channelled just €4.1 billion in net terms into equity assets, the strongest performing asset class in the quarter. This compares to €34 billion of net inflows into debt security assets, of which €11 billion was accounted for by safe haven flows to US and UK sovereign debt. This pattern was driven by a strong portfolio allocation preference for debt securities over equities among both hedge and mixed funds. Inflows into euro area debt were reasonably strong, though the impact of the debt crisis appeared to linger, amid political uncertainty in Italy and discussions on a financial assistance programme for Cyprus. Flows into Italian debt were relatively weak and there was only limited evidence of the unwinding of safe haven flows last year from peripheral to core debt, as shown in Table 1. Some evidence of an appetite for risk was seen in a €6.8 billion net inflow into US non-financial corporation debt. In addition, investors in IFs channelled €10.4 billion into mixed funds, which have relatively unconstrained investment strategies, though net inflows to hedge funds amounted to just €2.7 billion.

Box 2: Overview of Recent Growth in the Irish Investment Fund Industry
By Patrick Hughes

Introduction

The last four years have seen increased volatility and extended periods of uncertainty in global financial markets. Nevertheless, the Irish investment funds (IFs) industry has more than tripled in size since data was first collected in Q4 2008, with total assets under management (AUM) growing from €349 billion to €1.1 trillion[4] by the end of Q1 2013.

To put this growth in context, total assets of Irish resident banks and other monetary financial institutions (MFIs) have fallen from €1.4 trillion to €804 billion over the same period. Furthermore, the Irish IF industry has expanded at a faster pace than that of the euro area as a whole. In December 2008, Irish authorised IFs accounted for 7.8 per cent, or €339 billion, of the AUM of all euro area funds of €4.8 trillion. As of March 2013, Irish IFs have almost doubled their share of euro area IFs to 14.8 per cent, or €1.1 trillion, of €7.6 trillion.

4 €114 billion of MMFs were reclassified as IFs in November 2011, split between bond funds (€112.6 billion) and other funds (€1.4 billion).

Box 2: Overview of Recent Growth in the Irish Investment Fund Industry
By Patrick Hughes

The Irish fund industry also services non-resident funds (funds authorised in another jurisdiction) and Money Market Funds (MMFs). Non-resident funds had AUM of €972 billion at end-Q1 2013, up from €783 billion at end-Q4 2008. MMFs had AUM of €295 billion at end-Q1 2013. Almost a third of euro area MMFs are resident in Ireland.

Factors Underpinning Growth

Industry representatives suggest three major factors underpinning this growth: ease of doing business; the availability of relevant expertise; and the taxation structures for non-resident investors.

Firstly, international access is particularly important in facilitating ease of business. Industry contacts suggest that, for as much as 80 per cent of Irish IFs, trading activity is managed in the UK or the US. These jurisdictions share a common language, similar common law systems and business cultures, thereby promoting ease of establishment and co-ordination with overseas fund managers. EU regulations provide a further incentive to locate in Ireland. UCIT[5] funds, which account for approximately 80 per cent of all Irish IFs by AUM, can operate freely in the EU once authorised in one EU member state. In addition, a new directive, the Alternative Investment Fund Managers Directive, proposes an EU passport for non-UCIT funds, allowing for similar freedom of movement from 2013.

Secondly, legal, regulatory and accounting expertise is readily available and has accumulated within the industry over the last 15 years. The relatively recent development of the industry has facilitated investment in IT infrastructure and automation to meet increasing demands for information, reporting, and legal compliance. Nevertheless, continued re-investment will be necessary to maintain this advantage.

Thirdly, Ireland is seen as having an efficient tax structure for IFs. Ireland has an extensive tax treaty network, which means that foreign investors in IFs are exempt from Irish tax on income and gains derived from their investment portfolios, instead being subject to the applicable tax regime in their home country. Furthermore, unlike most other European jurisdictions, there is no tax for buying shares in a fund, which is particularly attractive to low yielding funds, such as MMFs, and Exchange Traded Funds (ETFs)[6], whose shares/units are frequently traded.

Fastest Growing Fund Types

Growth in Irish IFs is concentrated in three areas: bond funds, generally perceived as lower risk; hedge funds, which have a high risk appetite; and ETFs, where risk varies depending on leverage, as shown in Box 2, Charts 1 and 2.

The growth in bond funds, which has surpassed equity funds as the dominant fund type in Ireland, has been driven by international trends. In Q4 2008, equity funds were the largest fund type, at 41 per cent of AUM, but by end-Q1 2013, that proportion had declined to 29.6 per cent. Conversely, bond funds, which accounted for 26 per cent of AUM in Q4 2008, increased their share to 42 per cent by end-Q1 2013. It should be noted, however, that part of this growth is due to a reclassification in November 2011, when a change in the definition

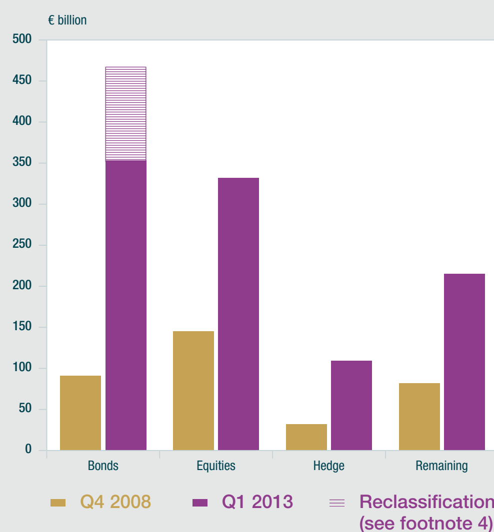
5 Undertakings for Collective Investment in Transferable Securities (UCITS) are open-ended funds and may be established as unit trusts, common contractual funds, variable or fixed capital companies.

6 An ETF is a fund that tracks an index, a commodity, or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold.

Box 2: Overview of Recent Growth in the Irish Investment Fund Industry
By Patrick Hughes

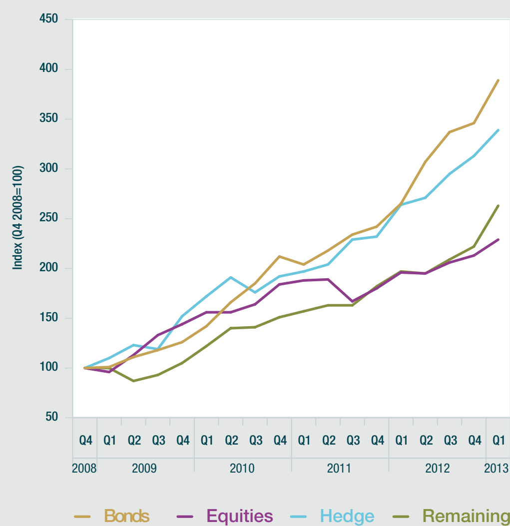
of MMFs saw €114 billion in AUM of former MMFs reclassified as bond funds. The growth in bond funds is broadly in line with the European experience. In late 2007, bond funds began to replace equity funds as the dominant investment strategy across Europe, coinciding with an increasingly bearish appetite for risk in a volatile global market. Although the growth in bond funds corresponded with a sovereign bond crisis, a granular analysis of the holdings of these funds indicates that exposures to affected bonds, e.g. Greek bonds, were minimal. The core of bond fund portfolios are exposed to countries with well developed, highly liquid capital markets, such as the UK and the US.

Box 2 Chart 1: AUM by Fund Type - Q4 2008 and Q1 2013



Source: Investment Fund Statistics, Central Bank of Ireland.

Box 2 Chart 2: Index of AUM by Fund Type



Source: Investment Fund Statistics, Central Bank of Ireland.

Hedge funds have seen the second largest expansion by sector after bond funds, with AUM some 239 per cent higher than at end-2008. Irish resident hedge funds, though accounting for only 10 per cent of Irish IFs, account for 60 per cent of euro area hedge funds by value. This growth in AUM can be linked to the development of particular expertise within the industry, e.g. Ireland was the first jurisdiction to provide a regulatory framework specifically for the alternative investment industry. Hedge funds have very few investment restraints, though there is usually a minimum subscription of €100,000 to the fund, and the administration of these items can involve pricing and administering more exotic investment securities and derivatives. A number of administrators specialising in hedge fund administration are active in Ireland.

ETFs are another specialised fund type exhibiting strong growth in AUM. The first available data on ETFs is for December 2011, when there were 366 ETFs with €68.7 billion in AUM. As of Q1 2013, there were 408 ETFs with €105.3 billion in AUM, and Ireland is home to around one third of all European ETFs. In particular, Irish resident ETFs benefit from the absence of a subscription tax on purchases of shares/units in the fund. Ireland was also an established location for administering ETFs before global growth in this particular fund type accelerated markedly in recent years.

Box 2: Overview of Recent Growth in the Irish Investment Fund Industry
By Patrick Hughes

Implications for the Irish Economy

Risks to the Irish economy are more limited than the size of the IF industry might suggest. Most investments in Irish resident IFs are by non-residents into retail funds, with retail funds accounting for 81 per cent of AUM. Unlike banks, investors in IFs do not have recourse to the investor compensation or deposit guarantee schemes, with investment risk entirely borne by the investor. Furthermore, only 6 per cent of shares/units in Irish IFs are owned domestically, with 24 per cent owned by residents of other euro area countries and 70 per cent by residents in the rest of the world. The Funds industry makes a significant contribution to the Irish economy by generating approximately 12,000 jobs in Ireland and contributing around €1 billion to Irish GDP. However, there has been an increase in investment in funds with a greater risk appetite. For instance, leverage ratios[7] have increased from 9.2 per cent to 15.3 per cent since Q4 2008, driven, to a significant extent, by growth in hedge funds and leveraged ETFs[8]. Only 43 out of 756 hedge funds and 55 out of 408 ETFs have leverage ratios in excess of 20 per cent. Despite the relatively low numbers of substantially leveraged funds they represent an important sub-set of IFs that require appropriate monitoring.

7 The leverage ratio is estimated as the difference between the gross and net asset value of the fund divided by the net asset value. It is equivalent to the extent to which assets are funded by debt. As such, the leverage ratio is seen as a key indicator of risk.

8 Leveraged ETFs employ derivatives to track an index and magnify potential gains or losses by multiplying the impact of a movement in the underlying index.

Financial Vehicle Corporations

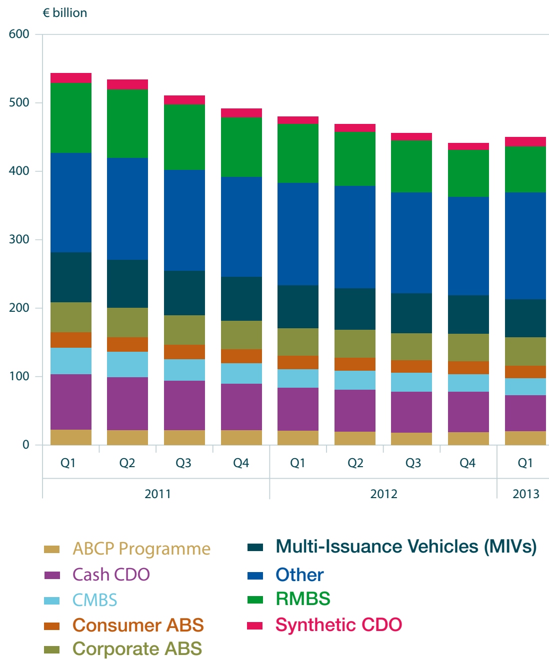
Irish financial vehicle corporations' (FVCs) assets increased in value, for the first time since Q4 2010, to €450.2 billion in Q1 2013. This increase was entirely driven by NAMA transactions with the Central Bank in relation to IBRC assets. NAMA issued debt securities worth €12.5 billion in order to cover IBRC assets, which had been used as collateral for repo transactions with the Central Bank. These IBRC assets are in the process of being liquidated and as this continues, debt securities issued to cover them will be redeemed.

When NAMA transactions are excluded, the underlying trend of declining asset values seen since Q4 2010, continued for the majority of FVC types in Q1 2013. This is particularly evident for cash collateralised debt obligations (CDO), other FVC types and commercial mortgage-backed securities (CMBS) which fell in value by €6.2 billion, €1.3 billion and €1.2 billion, respectively, as shown below in Chart 11.

These declines in certain asset types were caused by outflows of €4.9 billion, primarily from securitised loans originated by euro area MFIs (€2.1 billion) and by non-euro area residents (€1.6 billion). Rating downgrades for debt securities backed by these loans meant that they were no longer eligible as collateral for ECB funding. Reporting numbers also declined over the quarter to 682, from 692 in Q4 2012, as seen in Chart 12.

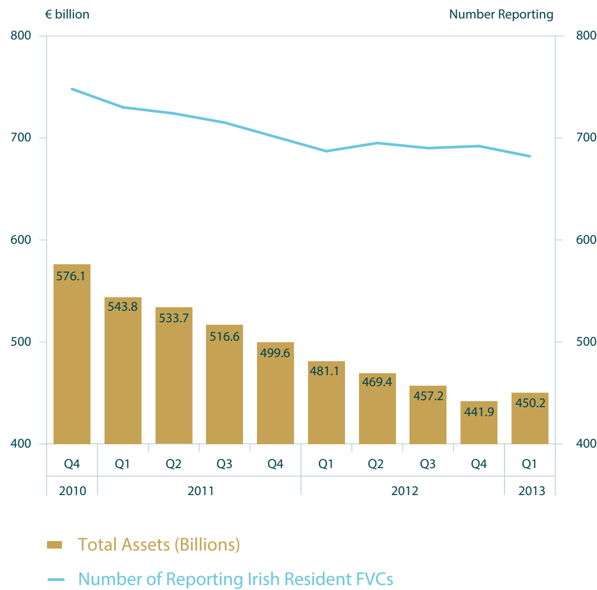
Developments in the euro area followed a similar trend to Ireland, with assets declining by €22.9 billion to €2,018.7 billion in Q1 2013, as euro area FVCs encountered similar challenges to those in Ireland. This was the fifth consecutive quarter of declining asset values in the euro area and was driven by

Chart 11: Total Assets of Irish Resident FVCs per Vehicle Type



Source: Financial Vehicle Corporation Statistics, Central Bank of Ireland.

Chart 12: Number of Reporting Irish Resident FVCs and Total Assets



Source: Financial Vehicle Corporation Statistics, Central Bank of Ireland.

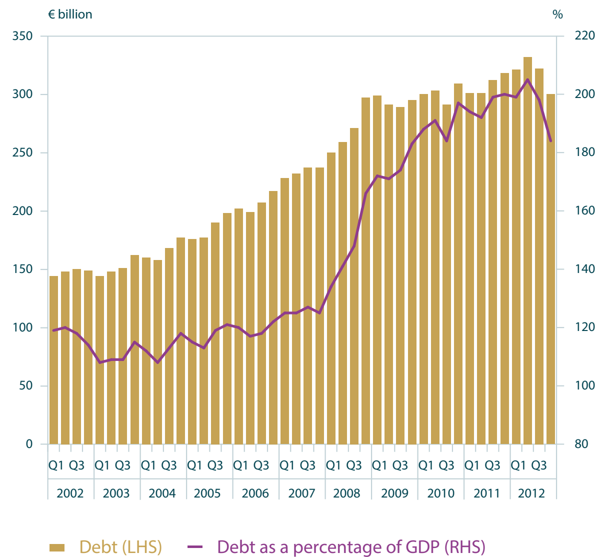
a large outflow of €29 billion in securitised loans originated by euro area MFIs. This fall contributed to an increase in Ireland's share of euro area assets, from 21.6 per cent in Q4 2012 to 22.3 per cent in Q1 2013.

Non-Financial Corporations

Non-financial corporation (NFC) debt[9] decreased during Q4 2012 to €300 billion, or 184 per cent of GDP, as seen in Chart 13. This represented a decline of €22 billion, or 14 per cent of GDP, compared with the previous quarter. In Q4 2012, NFC debt was at its lowest level since Q3 2010. A large proportion of the reduction in debt is attributable to a decrease in the NFC reporting population, following the relocation of headquarters by some companies out of Ireland.

The reduction in NFC debt contributed towards an improvement in the ability of Irish NFCs to manage their debt, as assessed using

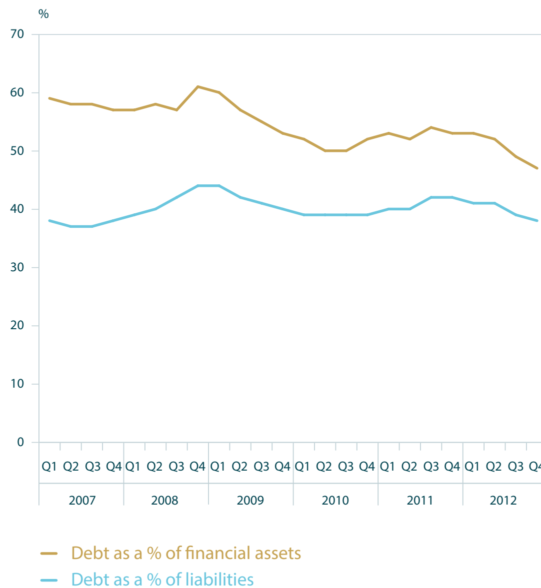
Chart 13: NFC Debt as a Percentage of GDP



Sources: Quarterly Financial Accounts, Central Bank of Ireland; and Quarterly National Accounts, CSO.

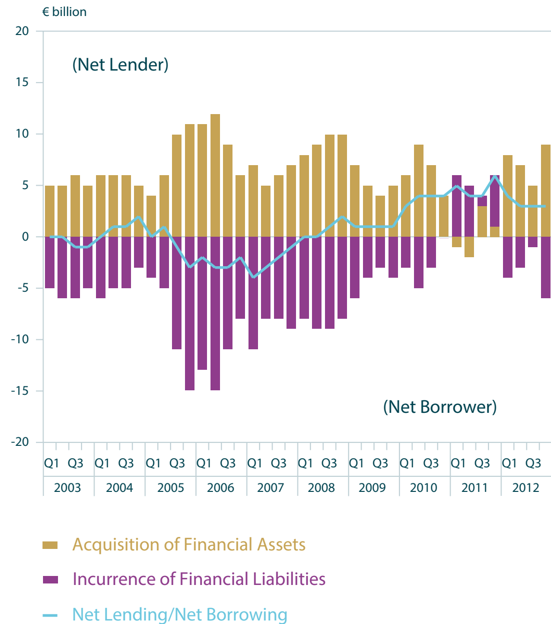
9 NFC debt is defined as the sum of its 'securities other than shares' and 'loans' liabilities. The NFC sector's loan liabilities are now presented on a gross basis. This means that outstanding amounts for NFC loans include all impairment provisions recognised against the sector's loans. Debt is non-consolidated, meaning that inter-company debt is included.

Chart 14: NFC Debt to Financial Assets and Liabilities



Source: Quarterly Financial Accounts, Central Bank of Ireland.

Chart 15: NFC Net Lending/Net Borrowing on a Four-Quarter Moving Average Basis



Source: Quarterly Financial Accounts, Central Bank of Ireland.

two approaches presented in Chart14. These two approaches to analysing debt are NFC debt as a percentage of financial assets and NFC debt as a percentage of total liabilities. The former declined by 1.9 per cent over the quarter, to 47.5 per cent in Q4 2012. The ratio of NFC debt as a percentage of total liabilities declined during Q4 2012 by 1.2 per cent, to 38 per cent. The decline in the reporting population impacted both financial assets and liabilities.

Multinational NFC Developments

Despite a fall in NFC debt levels in Q4 2012, foreign-owned multinational NFCs continued to reinvest in their Irish operations. Foreign direct investment inflows amounting to €16.7 billion were recorded during Q1 2013, primarily comprised of equity inflows. The volume of foreign investment in Irish-based foreign-owned multinational NFCs was €385 billion at end-March.

The trend of foreign investment by Irish-owned multinational NFCs continued in Q1 2013, where nearly €10 billion was invested abroad over the quarter. Direct investment income earned abroad by Irish-owned multinational NFCs remained steady at just over €4 billion during Q1 2013. A significant portion of direct investment income earned is attributable to multinational NFCs which have established their headquarters in Ireland, with the remaining income related to foreign earnings of Irish-owned multinational NFCs. Investment income paid abroad to foreign direct investors fell by nearly €2 billion during Q1 2013.

The NFC sector was a net lender during Q4 2012, as shown in Chart 15[10]. The chart shows that NFC net lending amounted to €2.7 billion over the quarter, which was the lowest level since Q4 2009. NFCs invested €9 billion in financial assets over the quarter, which was in excess of incurred liabilities of €6.3 billion. Both the investment in assets and the incurrence of liabilities were at their highest since Q4 2008.

10 The NFC net lending/net borrowing position is measured as a four-quarter moving average, to adjust for seasonality.

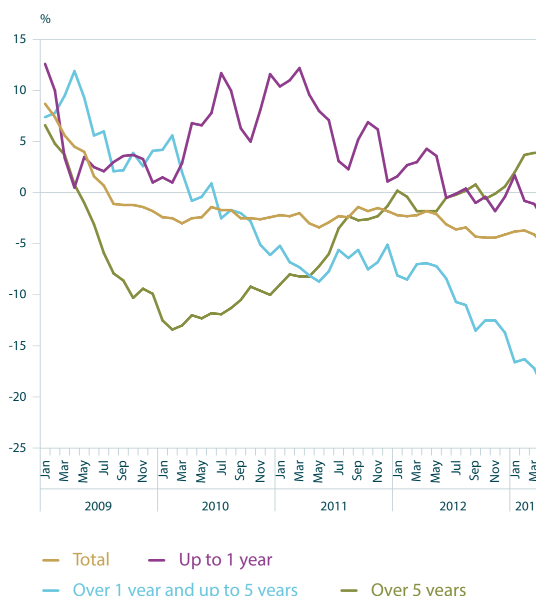
Credit Advanced to the NFC Sector by Irish Resident Credit Institutions

Over the course of the last six months credit advanced to the resident NFC sector[11] has declined at an average annual rate of 4.2 per cent, to end-April 2013. During the preceding six months, the level of credit advanced had fallen by an average of 3.5 per cent. The quickening pace of decline is of concern, as loans issued by resident credit institutions are an important source of funding for indigenous corporations. In particular, this is true for SMEs, which, unlike the multinational sector, may not have easy recourse to alternative market-based funding or capital injections from overseas parent entities. The monthly net flow of credit to the NFC sector[12], averaged minus €375 million over the last six months.

The pace of decline in long-term loans eased with positive annual growth being recorded over the last number of months. The average annual rate of change in NFC loans, with an original maturity over five years, averaged 2.3 per cent over the six month period to April 2013, compared with a rate of minus 0.4 per cent during the preceding six month period. At end-April 2013, the annual rate of change for loans over five years stood at 3.9 per cent.

Loans with a maturity of up to one year declined, falling to minus 2.7 per cent in April 2013. Despite the positive trend in longer-term contracts, loans with original maturity of between one and five years have continued to fall sharply, declining 19.3 per cent in April 2013 and averaging minus 14.8 per cent over the previous six month period ending March 2013.

Chart 16: Loans to Irish Resident NFCs, Annual Rates of Change



Source: Money and Banking Statistics, Central Bank of Ireland.

The accelerated decline in lending to NFCs is also reflected in credit advanced to non-financial enterprises, which include non-incorporated businesses as well as larger

Table 2: Credit Advanced to Non-Financial Enterprises - Annual Percentage Change

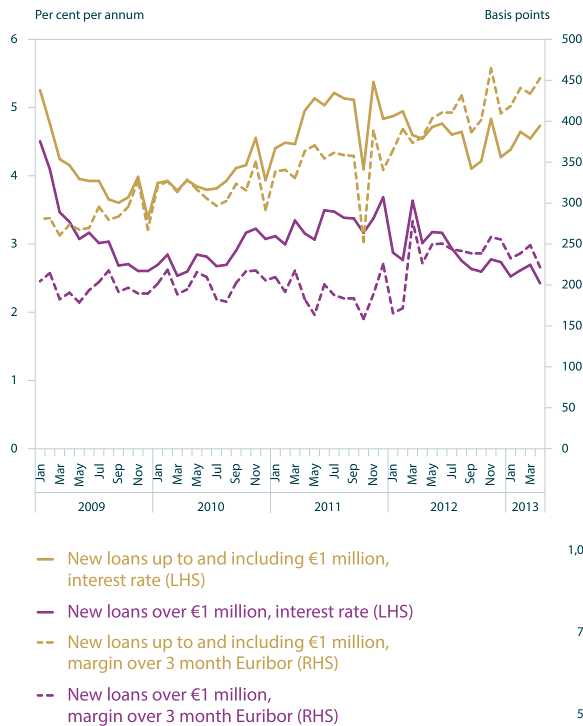
	All Enterprises					**SMEs**				
	Mar-12	**Jun-12**	**Sep-12**	**Dec-12**	**Mar-13**	**Mar-12**	**Jun-12**	**Sep-12**	**Dec-12**	**Mar-13**
Construction and Real Estate	-0.2	-2.0	-3.5	-4.1	-5.1	-3.7	-1.6	-3.5	-3.3	-3.6
Agriculture	-3.6	-3.6	-3.4	-2.9	-1.8	-7.2	-4.9	-4.4	-3.5	-5.7
Manufacturing	-5.7	-1.3	-1.8	-6.0	0.3	-6.6	-0.4	0.6	-2.5	-1.3
Wholesale/Retail Trade & Repairs	-3.8	-2.4	-5.9	-8.2	-6.1	-6.8	-6.3	-8.0	-7.9	-8.0
Hotels and Restaurants	-2.0	-1.9	-1.0	-2.3	-2.1	-3.6	-2.8	-3.0	-3.1	-3.5
Business and Administrative Services	-8.7	-14.0	-11.6	-4.2	-3.8	-9.4	-4.8	-3.9	-5.6	-7.9
Other	-6.2	-7.5	-10.7	-6.5	-5.5	-6.4	-5.4	-5.7	-5.3	-5.6
Total	**-2.1**	**-3.2**	**-4.5**	**-4.6**	**-4.7**	**-4.9**	**-2.9**	**-4.1**	**-4.1**	**-4.6**

Source: Business Credit and Deposits, Central Bank of Ireland.

11 Credit advanced to the NFC sector includes loans to NFCs as well as credit institutions' holdings of securities issued by NFCs.

12 The monthly net flow of credit takes into account and removes non-transaction effects.

Chart 17: Interest Rates on New NFC Loan Agreements

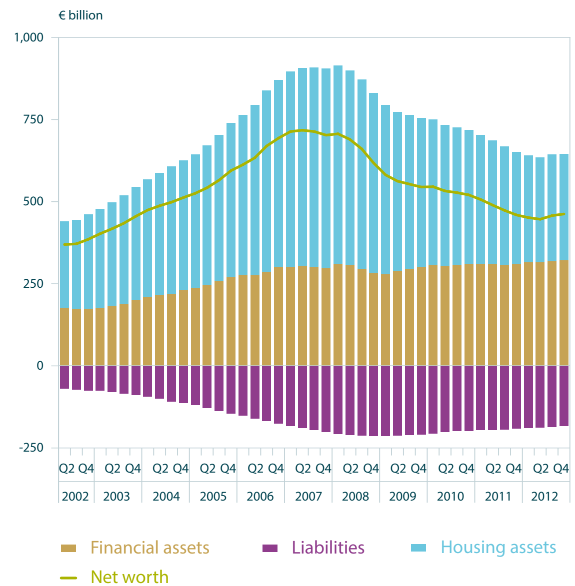


Source: Retail Interest Rate Statistics, Central Bank of Ireland.

corporations. The annual pace of contraction was 4.7 per cent at end-March 2013, with enterprises engaged in wholesale/retail trade and construction/real estate experiencing the most significant decline (Table 2). Credit advanced to non-financial SMEs fell by 4.6 per cent at end-March 2013, compared with a decline of 4.1 per cent at the end of the previous year. The decline in credit advanced to SMEs was most evident in the wholesale/retail trade & repairs, agriculture, and business & administration services sectors. Nevertheless, new lending drawdowns in the 'agricultural' sector continued to be strong at end-March 2013, amounting to €590 million over the last four quarters. Total new lending to SMEs amounted to just under €2.6 billion during the last four quarters to end-March 2013.

Weighted average interest rates on outstanding loans to NFCs issued by Irish resident credit institutions have consistently fallen since July 2011, when rates peaked at 3.8 per cent. Despite this decline, rates have remained stable since October 2012, remaining close to 3 per cent over the six month period to end-April 2013. Equivalent interest rates applicable to the euro area have not declined to the same extent, falling from a peak of 3.89 per cent in November 2011 to average approximately 3.31 per cent over the last three months. In terms of new business, rates applicable to loans up to €1 million, continue to be higher in Ireland when compared to the euro area. Corresponding new business rates reported by Irish institutions averaged 4.57 per cent over the last six months, compared with 3.8 per cent for the euro area.

Chart 18: Household Net Worth

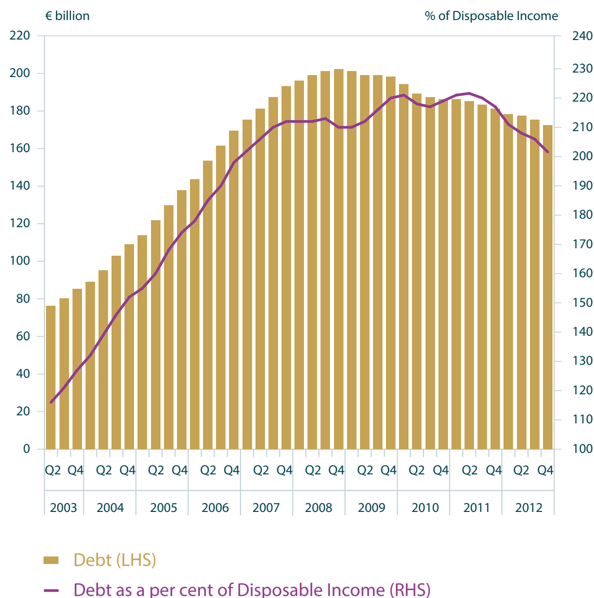


Source: Quarterly Financial Accounts, Central Bank of Ireland.

Households

Household net worth increased during Q4 2012 for the second consecutive quarter. It reached €461.6 billion, reflecting continued reduction in household liabilities by €2.8 billion and further investment in financial assets of €2.2 billion. The rise in financial assets marked an increase in the value of insurance technical reserves and, to a lesser extent, increased investment in financial assets. There has been a negligible change to the value of housing assets over the quarter.

Chart 19: Household Debt



Sources: Quarterly Financial Accounts, Central Bank of Ireland; and Quarterly National Accounts, CSO.

Household investment in financial assets continued on an upward trend during Q4 2012 to €1.6 billion (Chart 20). This increase was largely due to improved household transactions in ‘currency and deposits’. Households moderately reduced investment in ‘shares and other equity’, although to a lesser extent than previous quarters, while ‘insurance technical reserves’ declined slightly.

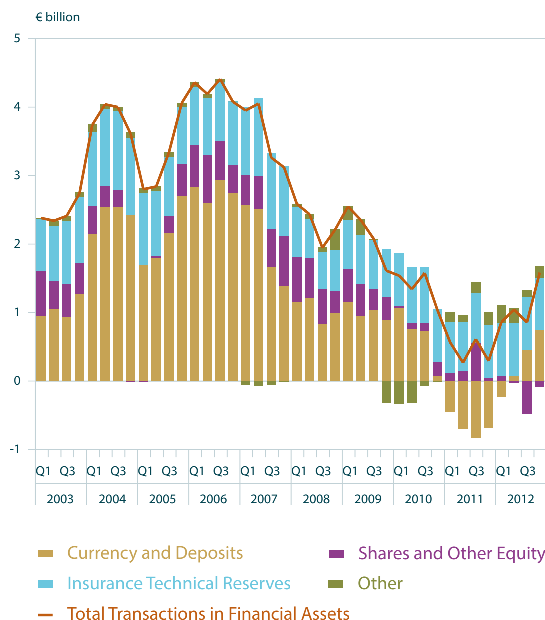
Household savings remained high at €2.8 billion for Q4 2012, when measured as a four-quarter moving average (Chart 21). Combining household ‘saving’ and ‘gross capital formation’ data from the CSO’s non-financial accounts (i.e. the real side of the economy) with households’ transactions data from Quarterly Financial Accounts allows a decomposition of how households use their savings. During Q4 2012, households used their savings to reduce liabilities (€1.6 billion), to invest in financial assets (€1.6 billion) and, to a lesser extent, to contribute to gross capital formation (€1.1 billion).

Overall, household net worth at Q4 2012 was 35.6 per cent lower than its peak at Q2 2007. This decrease in net worth largely reflected declines in housing asset values.

Household debt[13] continued to decrease during Q4 2012, falling by €2.9 billion or 1.7 per cent, to stand at €173.9 billion or €37,928 per capita (Chart 19). This is the largest decline since Q2 2010. In overall terms, debt has reduced by 14.7 per cent, or €29.9 billion, since its peak of €203.8 billion at Q4 2008.

Household debt to disposable income, an indicator of debt sustainability, also declined further during Q4 2012, to stand at 201.6 per cent. At Q4 2012, this indicator was at its lowest level since Q4 2006, following a sixth consecutive decline from its peak of 221.6 per cent at Q2 2011. The decrease in this indicator during Q4 2012 was as a result of the continued decline in household debt, while household disposable income has been on an upward trend since Q4 2011.

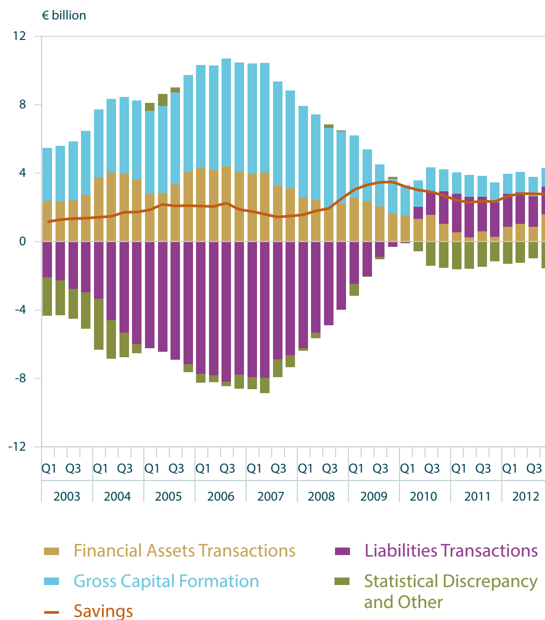
Chart 20: Household Transactions in Financial Assets, Four-Quarter Moving Average



Source: Quarterly Financial Accounts, Central Bank of Ireland.

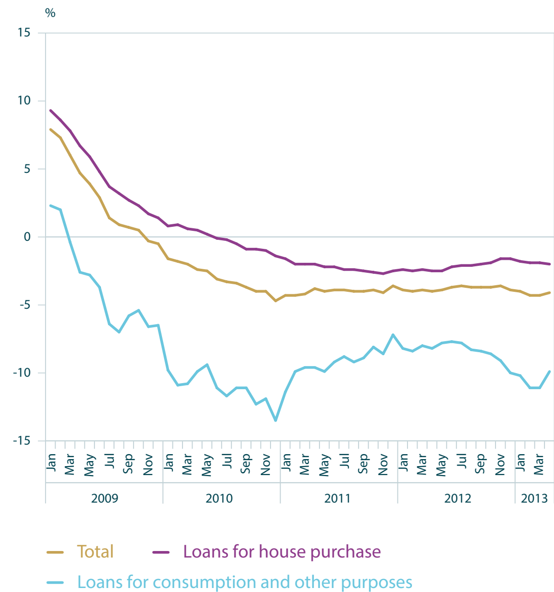
13 Household debt is represented by total household loans at the end of each quarter.

Chart 21: Household Savings Decomposed by Use, Four-Quarter Moving Average



Sources: Quarterly Financial Accounts, Central Bank of Ireland; and Quarterly Sectoral Accounts, CSO.

Chart 22: Loans to Irish Households, Annual Rates of Change



Source: Money and Banking Statistics, Central Bank of Ireland.

Lending to Households by Irish Resident Credit Institutions

Lending to Irish households continued to decline sharply over recent months, with loans advanced by Irish resident credit institutions falling by €2.6 billion, or 2.4 per cent, over the six months to end-April 2013. The pace of decline in mortgage lending accelerated over this period, as loans for house purchase fell by almost €1.1 billion, or 1.2 per cent, in the six months to end-April. The cumulative decline in mortgage lending over the last three years is now over €6 billion. Loans for consumption purposes, which include the use of credit cards and overdraft facilities, recorded a decline of just over €1 billion, while loans for other purposes fell by €529 million over the six months to end-April 2013.

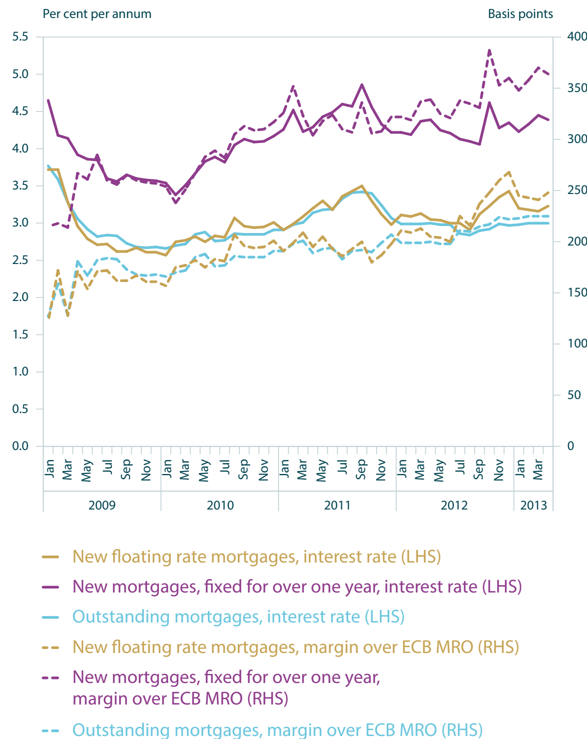
The difficulties faced by existing mortgage holders increased in the first quarter of the year. At end-March, 12.3 per cent of all private residential mortgage accounts for principal dwelling houses (PDH) were in arrears of over 90 days. This reflects an increase of 2.4 percentage points in the over 90 day arrears rate reported at end-March 2012. Meanwhile, 19.7 per cent of mortgage accounts for buy-to-let (BTL) properties were in arrears of over 90 days at end-March 2013. The trend emerging among longer-term arrears continues to be of particular concern, as the number of PDH accounts in arrears of over 360 days rose to over 54,000, or 7 per cent, of the total stock. In addition, over 18,000 BTL accounts were in arrears of over 360 days. The outstanding balance on all mortgage accounts in arrears over 360 days was €16.4 billion at end-March 2013.

Almost 80,000 PDH mortgage accounts were categorised as restructured at end-March 2013. Of this total stock, 53 per cent were not in arrears. Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet been eliminated, as well as accounts

that are in arrears on the current restructuring arrangement. New data indicate that 76 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the restructure arrangement. However, of the total stock of PDH accounts in arrears over 90 days at end-March 2013, only one quarter of these were classified as restructured at that time. Progress in tackling longer-term arrears cases has been limited thus far, and restructuring activity undertaken to date has for the most part been short-term in nature. Lenders have recently introduced new loan modification options with the aim of providing longer-term and more sustainable solutions for borrowers in arrears.

Existing mortgage holders continued to experience an increase in the cost of their borrowings over the last six months. The weighted average interest rate on existing mortgage loans with an original maturity over five years increased by 8 basis points, to 3 per cent, over the six months to end-April 2013. Meanwhile, interest rates on existing loans for consumption and other purposes also increased, with the weighted average rate rising by 58 basis points to 6.19 per cent over the same period.

Chart 23: Mortgage Interest Rates to Households



Source: Retail Interest Rate Statistics, Central Bank of Ireland.

Developments in the International and Euro Area Economy

Overview

Accommodative policies continue to support growth in the global economy which has been slower than anticipated, fragile and diverse across economic regions. Emerging economies are continuing to underpin the improvement in global economic conditions with activity in the US and Japan also gathering pace. Total debt levels in these key advanced economies remain elevated despite progress in the rebalancing of private sector indebtedness. On the other hand, activity has remained hesitant in the euro area, with some Member States continuing to record a contraction in activity and very high unemployment rates. Survey indicators have been signalling a stabilisation in business sentiment and risk perception. Chinese data warrant monitoring for downside risks to growth, especially given the strong contribution of Chinese investment to global GDP. Following a period of sustained improvement, global financial market conditions have weakened somewhat. Euro area inflation rates have drifted downwards and remain low while inflation expectations are generally well-anchored.

The global economy is moving forward, but divergence between regions and countries reflects the uneven progress made towards a recovery from the economic crisis. Latest data suggest that global trade momentum moderated during the first quarter of 2013, followed by some pick up in April, with advanced economies in particular contributing to the weaker-than-expected dynamics. Despite a strengthening of Chinese import growth in the first quarter of 2013, elsewhere, a more general deceleration in import growth cut across both high-income and emerging regions. In the near term, weak confidence and high uncertainty, particularly in Europe, are likely to remain significant headwinds to global growth and the demand for durable and investment goods – items with high import content – could restrain the pace of the global trade recovery. Surveys, in particular an upturn in new export orders, are indicating an expansion in global trade, albeit gradual. As such, global growth indicators continue to signal moderate growth in the second half of the year.

Financial market sentiment improved over the last year principally due to policy actions, particularly in a number of advanced economies. Risk perceptions including the threat of a euro area break-up and a sharp fiscal contraction in the US associated with the full fiscal cliff, appear to have diminished. However, since late May, market sentiment weakened primarily due to weak economic data from China and the euro area, as well as discussions of the possible tapering of the US Federal Reserve's asset purchasing programme. According to the latest OECD projections, real GDP in the euro area is expected to decline by 0.6 per cent this year and rebound only by 1.1 per cent in 2014 (Table 1). In the US, private demand and growth prospects look to be somewhat stronger with activity projected to rise by 1.9 per cent this year and close to 3.0 per cent in 2014. Moreover, Japanese real GDP is expected to grow by between 1.4 and 1.6 per cent both this year and next.

Downside risks to the advanced economy growth outlook have reduced, but remain significant. Adverse interactions between fragile banking systems, government finances and the real economy remain a risk in the euro area. Fiscal concerns will feature in both the

Table 1: Changes in real GDP in selected economies

	Percentage Change		
	2012	2013f	2014f
Global	3.0	3.1	4.0
United States	2.2	1.9	2.8
Euro Area	-0.5	-0.6	1.1
United Kingdom	0.3	0.8	1.5
China	7.8	7.8	8.4
Japan	2.0	1.6	1.4

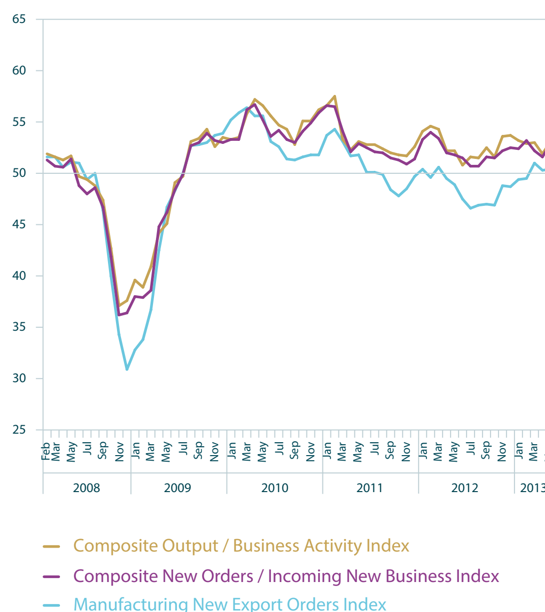
Source: OECD *Economic Outlook* no. 93 May 2013
f Forecast

United States and Japan in the absence of credible medium-term consolidation plans. There is also a risk that potential growth rates may be lower than currently estimated following the global economic crisis. Further, the outlook in the euro area and surrounding countries is dependent on fiscal policy developments as high government debt ratios could also expose countries to volatile financial market sentiment. Despite weaker-than-expected output growth, most countries are close to stabilising their government debt-to-GDP ratios and ensuring a gradual decline in indebtedness over the longer term.

Growth in many emerging countries remains buoyant but has moderated according to their first quarter GDP data releases, mainly due to local capacity constraints. Significantly, China's growth slowed to an annualised 7.7 per cent in Q1 2013 from 7.9 per cent in the final quarter of 2012.

Headline inflation has generally decreased across the world over the past number of months, driven primarily by declining energy prices. OECD-measured global inflation has fallen to 1.5 per cent from 2.1 per cent a year earlier, and it is projected to stay close to this level through 2014. Consumer inflation rates of food and other goods and services have remained stable across a number of advanced economies. Among developing and emerging economies, inflation pressures have become more broad-based reflecting some capacity constraints and an increasing weight of non-food commodities in consumption baskets. Monetary policy tightening has started in some emerging economies as a result. Euro area inflation rates have remained low in recent months. Ample spare capacity together with a reduced contribution from energy prices should ensure that inflation expectations remain well-anchored.

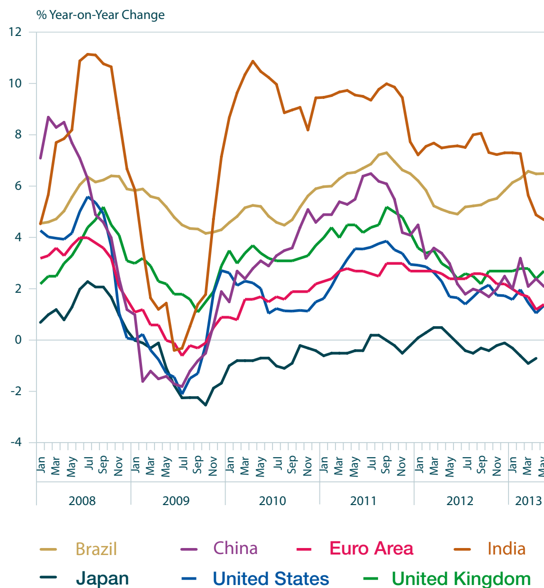
Chart 1: Global Purchasing Managers' Index



Source: Markit.

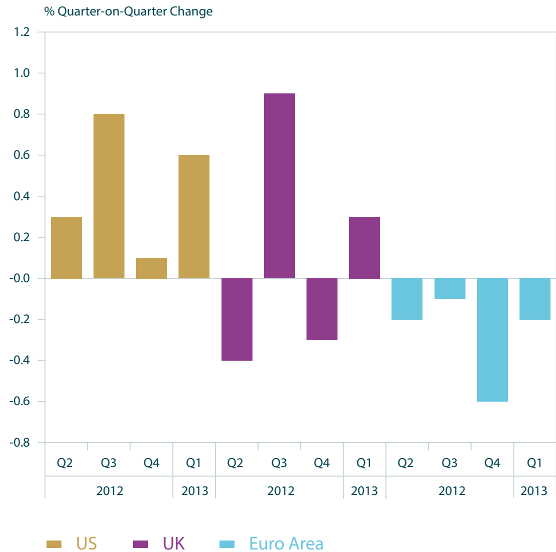
Note: For PMI indicators, above 50 represents expansion, below 50 represents contraction.

Chart 2: Selected Global Inflation Rates



Source: Thomson Reuters Datastream.

Chart 3: G3 GDP Growth Rates



Source: Thomson Reuters Datastream.

Section 1: Euro Area

Economic Growth – Recent Developments

The euro area remained in recession in the first quarter of 2013, and has recorded six consecutive quarters of declining GDP. The contraction of 0.2 per cent was broadly in line with expectations and an improvement on the preceding quarter. Four out of the five largest euro area economies are experiencing recession: the main drivers of the Q1 2013 contraction were Italy and Spain, each recording a decline in GDP of 0.5 per cent. France is now in technical recession, following a second quarter of contraction. In contrast, Germany recorded a return to weak growth of 0.1 per cent, a little below expectations.

Domestic demand continues to exert a significant drag on GDP growth across the euro area. In particular, investment has declined for the eighth consecutive quarter. In contrast, private consumption grew by a marginal 0.1 per cent in Q1 2013, following five consecutive quarters of contraction. The contribution from net exports to GDP growth was also marginally positive in Q1 2013, reflecting further declines in imports arising from weak domestic demand conditions, while exports faltered over the quarter against a background of subdued global import demand.

High frequency data were mixed in the second quarter of 2013. Conditions in retail sales remain challenging as low levels of consumer confidence continue to weigh on consumer spending. Activity during Q1 2013 was marginally up relative to the preceding quarter, while data for April again suggested a difficult trading environment as retail sales declined 0.5 per cent relative to March. Industrial production showed some tentative signs of stabilisation in the three months up to April, most notably in capital goods where monthly gains have been recorded each month since February. The improved industrial production data reflect solid conditions in Germany, while activity in the rest of the euro area remains flat.

More recent survey data point to an easing in the rate of decline in the euro area as a whole. The EU Commission’s Economic Sentiment Indicator (ESI) remains well below its long-term average value, with uneven monthly

Table 2: Contributions of Expenditure Components to Quarterly Change in Euro Area GDP

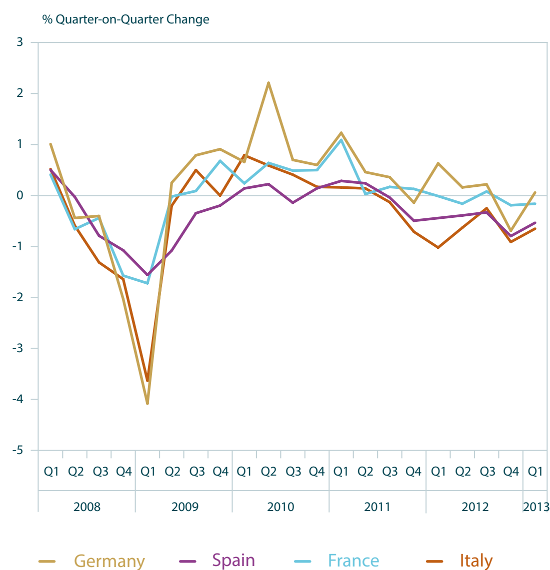
	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Consumption	-0.3	-0.1	-0.3	0.0
Government	-0.1	0.0	0.0	0.0
Investment	-0.3	-0.2	-0.3	-0.3
Inventories	-0.1	-0.1	-0.1	0.0
Exports	0.7	0.4	-0.4	-0.4
Imports	-0.2	-0.1	0.5	0.5
GDP	**-0.2**	**-0.1**	**-0.6**	**-0.2**

Source: Eurostat.

improvements since last October. An increase of 1.8 per cent in June was driven by an uptick in all components, except services which remained broadly stable. Industrial confidence saw gains in May and June, regaining ground lost earlier in the year, reflecting mainly a more positive assessment of the current levels of overall order books and product expectations. In parallel, the composite output PMI remains below the neutral 50 mark, indicating that the euro area remains in contraction territory. Data for June show a rise from 47.7 in May to 48.7, indicating the smallest contraction in euro area business activity since March last year. Most euro area countries remain well below the 50 threshold, a notable exception being Germany. There, the composite output PMI rose to a three-month high of 50.4 in June from 50.2 in May, helped by a stronger-than-expected gain in the services sector but an unexpected moderation in manufacturing suggests limited growth for the second quarter.

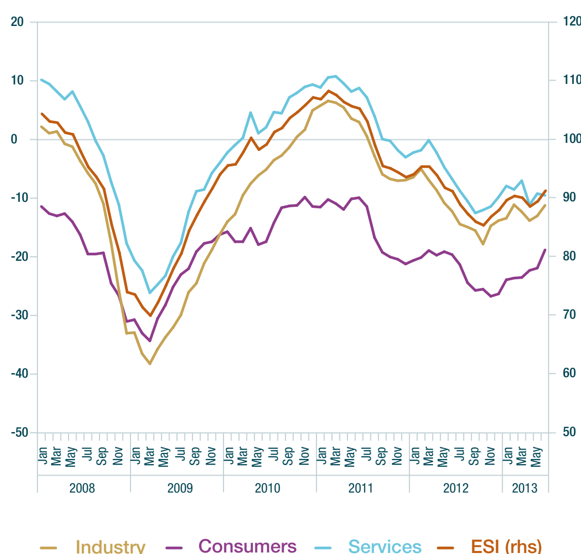
Euro area unemployment increased steadily month-on-month throughout 2012 and into 2013, standing at 12.2 per cent in May. The unemployment rate increased during 2013 in nearly all countries, with the rate in Germany flat and marginal improvements recorded in Ireland and Malta. Youth unemployment continued to rise across most euro area countries, most notably the southern periphery, while long-term unemployment also remains high. Survey data indicate that employment has fallen consistently throughout 2012 and into 2013 and employment expectations remain negative.

Chart 4: Euro Area GDP Growth



Source: Thomson Reuters Datastream

Chart 5: Economic Sentiment Indicator & Selected Components



Source: European Commission.

Economic Growth – Outlook

Euro area GDP may begin to pick up modestly in the second half of the year, as improvements in the net trade position outweigh weak domestic demand. Euro area GDP is likely to be supported by positive developments in Germany, where the growth recorded in Q1 is expected to be sustained throughout 2013.

Domestic demand is expected to continue to exert a significant drag on euro area GDP growth for the rest of 2013. Private investment in particular will continue to contract across the euro area as business expectations and industrial confidence levels remain low. Some improvement is anticipated in 2014 as export demand stimulates machinery and equipment investment and sentiment improves. Consumption is expected to remain muted during 2013 as weak labour markets, combined with low levels of confidence and on-going balance sheet adjustment in several countries, could serve to negatively impact household spending capacity. These factors are expected to wane only gradually, maintaining a drag in some countries into 2014. This might be partly offset by increases in real incomes arising from falling inflation. Government consumption is expected to be fairly flat over 2013, reflecting on-going fiscal consolidation efforts across the euro area, before picking up modestly in 2014. Imports are expected to remain weak in response to dampened domestic demand, although some pick-up is likely in response to increased activity in exports with high import content. The net trade position is expected to be the primary driver of any GDP growth during 2013 and could serve to offset weak domestic demand. Thereafter, while exports are expected to gain momentum during 2014, import demand is also expected to pick up in response to improved domestic demand conditions.

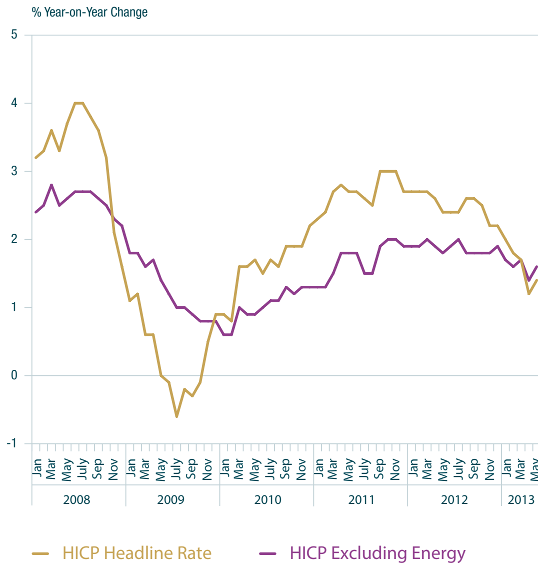
The OECD revised down their forecasts for euro area GDP growth for 2013 and 2014 to -0.6 and 1.1 per cent, respectively, with the expectation that external demand will drive GDP growth and the headwinds weighing on domestic demand will abate only gradually (Table 1). These forecasts are in line with the June Eurosystem Broad Macroeconomic Projections Exercise projections for euro area GDP growth in both years. While adverse risks attached to the forecasts have abated somewhat over the past year, they are still judged to be on the downside. Renewed uncertainty within the euro area may undermine the potential for consumption and investment to regain some ground toward the end of 2013 and into 2014. In addition, on-going balance sheet correction in the private sector and persistently low levels of confidence arising from high unemployment may continue to weigh on any recovery.

Inflation – Recent Developments

Euro area annual HICP inflation has been trending downwards since August 2012, reaching a three year low of 1.2 per cent in April. While recent lower inflation rates primarily reflect a reduced contribution from energy prices, the April figure was artificially low due to a distortion related to the timing of Easter this year relative to last. Inflation increased to 1.4 per cent in May as these distortions unwound. Core inflation, meanwhile, has remained relatively steady for some time. Any downward price pressures emanating from increased economic slack have largely been offset by increased contributions from both administered prices and indirect taxes in the two components that make up core inflation, namely services and non-energy industrial goods. Nevertheless, a slight downward trend in the core rate is discernible, as HICP excluding food and energy averaged 1.3 per cent in the six months up to May 2013, down from an average of 1.5 per cent in the preceding six-month period.

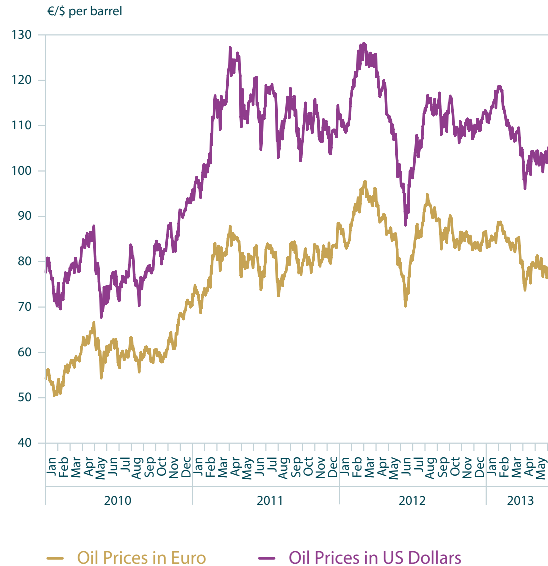
Since peaking in early 2011 at 6.6 per cent, producer price inflation (excluding construction) has generally been on a downward trajectory, falling to -0.2 per cent in May 2013. PMI survey measures of prices, meanwhile, indicate weak price pressures in the manufacturing sector. The manufacturing input price index

Chart 6: Euro Area Inflation



Source: Thomson Reuters Datastream.

Chart 7: Oil Prices – Brent Crude



Source: Thomson Reuters Datastream.

stood at 44.1 in June, considerably below the 50 mark that separates falling from rising prices. Manufacturing output prices have been below that threshold since June 2012. Finally, domestic price pressures also remain subdued, as rising unemployment continues to weigh on labour costs. Total hourly labour costs increased by 1.6 per cent year-on-year in the first quarter, following 1.3 per cent in the final quarter of 2012. Meanwhile, unit labour costs increased by 1.9 per cent in the first quarter, up from 1.6 per cent in the previous quarter, reflecting a slight increase in compensation per employee and higher productivity.

Oil and Other Commodity Prices

Brent crude oil prices declined sharply from mid-February to mid-April this year, reflecting weak demand and favourable supply conditions due to record seasonal maintenance at refineries. Following a year-to-date trough of €96 per barrel, Brent crude oil increased slightly, while trading in a narrow range, to average $103 in May. Meanwhile, global food prices have remained steady, moving within a narrow range since July 2012, according to the United Nations FAO price index.

Inflation – Outlook

Euro area inflation is expected to remain contained in both 2013 and 2014. According to the June 2012 Eurosystem Broad Macroeconomic Projections Exercise, euro area annual HICP inflation is expected to average 1.4 per cent in 2013 and 1.3 per cent in 2014.

Box A: Correction of current account imbalances: how are the periphery economies progressing?

By Bernard Kennedy and Mary Ryan[1]

The years leading up to the Great Recession were marked by pronounced external imbalances in the euro area's periphery countries with the exception of Italy. Since then, a notable decline in current account deficits has been achieved in the periphery countries (see Chart 1). This box reviews the progress made with regard to structural and cyclical factors and considers the sustainability of recent improvements.

While the periphery countries have clearly improved their current account deficits, the composition of the improvement will determine its sustainability. Gains in a current account position can generally be achieved through a combination of higher exports, lower imports, greater net interest income and an increase in current transfers[2]. The sustainability of current account improvements tend to be rooted in structural factors, in particular increased exports contributions. In contrast, falling imports reflecting dampened domestic demand are more indicative of a cyclical correction to the current account, which may be subject to reversal once recovery is underway.

The relative contributions of exports and imports to the narrowing of current account deficits differ considerably across the periphery countries, reflecting a varying balance of structural and cyclical factors (see Chart 2). **Portugal**, in particular, has experienced an improvement in its current account deficit which is primarily driven by exports. Regarding **Spain**, just over half of the improvement in the current account is accounted for by increased exports of both goods and services, supplemented by falling imports of goods. About 30 per cent of the moderation in the current account in **Greece** is exports-related, with higher goods exports offsetting a fall in services exports. Lower imports of goods and services account for almost 45 per cent of the improvement in the current account, constituting a significant cyclical adjustment. **Ireland** stands out in contrast, with a large upswing in exports accompanied by a significant increase in imports, reflecting the high import content of Irish exports. Gains in exports reflect the increased importance of services in the current account, while higher imports of services have been offset somewhat by declining imports of goods in line with dampened domestic demand. Also, the negative impact of income net outflows on the current account balance is particularly significant to Ireland and is closely related to the operations of multinational companies, as noted by the ECB[3] (2013). At the same time, income net outflows would be even larger but for the activities of re-domiciled companies which add to income flows but have little broader impact on economic activity (see Everett 2012 and FitzGerald 2013[4]).

1 Monetary Policy Division.

2 Current Transfers have remained relatively stable for the peripheral economies over the last 5 years and are not examined further.

3 ECB Monthly Bulletin, Box 3. January 2013.

4 Everett, Mary (2012) "Box 3: The Statistical Implications of Multinational Companies' Corporate Structures", Financing Developments in the Irish Economy Chapter, Central Bank Quarterly Bulletin, Q2 2012. FitzGerald, John (2013) "The Effect of Redomiciled PLCs on GNP and the Irish Balance of Payments", ESRI Quarterly Economic Commentary Spring 2013.

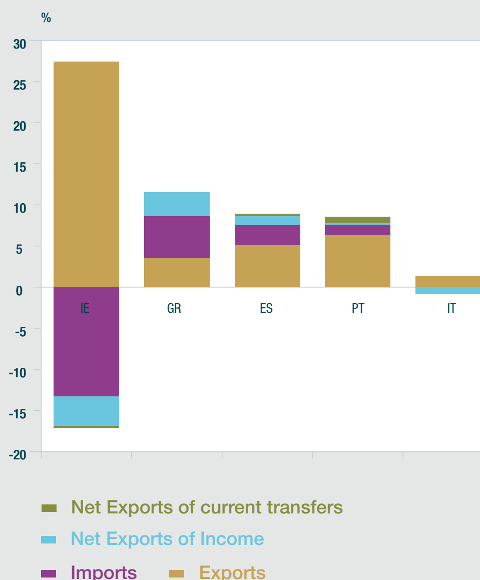
Box A: Correction of current account imbalances: how are the periphery economies progressing?

By Bernard Kennedy and Mary Ryan

Box A Chart 1: Current Account as a Percentage of GDP

Source: Eurostat.

Box A Chart 2: Change in Current Account Components as a percentage of GDP, 2007-2012



Source: Eurostat, authors' calculations.

Note: Above the line indicates a positive contribution to current account balance, while the below the line denotes a negative impact on the current account balance.

The improvement in export performance reflects a combination of competitiveness gains and partner country demand. As noted by Chen, Milesi-Ferratti and Tressel (2012)[5], the periphery countries experienced real exchange rate appreciations in the years prior to the crisis. This loss of competitiveness originated to some extent in cost increases in the non-traded sectors, following a reallocation of resources in response to positive demand shocks (e.g. residential investment boom) with spill-over effects into the traded sector (see ESCB Working Group on Econometric Modelling, 2012[6]). The years since the crisis have seen some reversal of the loss of competitiveness, although it should be noted that real exchange rates deflated by unit labour costs can exaggerate the improvement in competitiveness due to compositional effects. In particular, a shift in economic activity towards higher value added sectors can generate an improvement in competitiveness without any underlying sectoral improvements (see O' Brien 2011[7]). Nonetheless, corrections have been consistent across the peripheral economies and pronounced in some cases[8] (see Chart 3). Ireland, in particular, witnessed a significant real exchange rate appreciation largely unwind, with a fall relative to peak of 26 per cent, with early and sustained adjustment evident. Adjustment in the southern periphery countries was more gradual at first and has been concentrated from mid-2011 onwards; Greece in particular has seen a 16 per cent fall in the real exchange rate since then.

5 Chen, Milesi-Ferratti and Tressel. "External Imbalances in the Euro Area", IMF Working Paper WP/12/236.

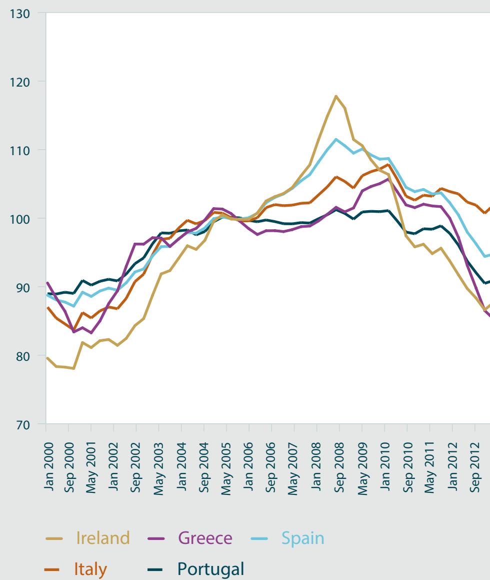
6 A team of the Working Group on Econometric Modelling of the ESCB, 2012. "Competitive and external imbalances within the euro area", ECB Occasional Paper No. 139, December 2012.

7 O'Brien, Derry (2011) "The compositional Effects in Recent Trends in Irish Unit Labour Costs", Box A, Domestic Economy Chapter, Central Bank Quarterly Bulletin, Q1 2011.

8 It is also the case that there is adjustment in the real exchange rate relative to the HICP.

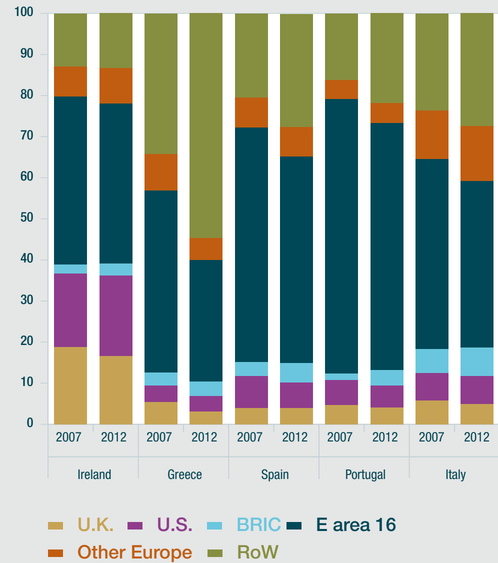
Box A: Correction of current account imbalances: how are the periphery economies progressing?
By Bernard Kennedy and Mary Ryan

Box A Chart 3: Real Effective Exchange Rate, deflated by Unit Labour Costs



Source: EU Commission, DG Economic and Financial Affairs.

Box A Chart 4: Where are exports going?



Source: Eurostat, authors' calculations.
Note: Merchandise trade only.

With regard to demand from partner countries, past and future export performance is dependent on the composition of trade flows. It is evident that the share of southern periphery exports going to the euro area has weakened in line with dampened domestic demand in the single currency bloc (see Chart 4), with a corresponding increase in the relative importance of exports to neighbouring North African and Middle Eastern economies. Ireland stands in contrast to the southern periphery countries, with only a minor reduction in the weight of euro area exports; the relative importance of US and UK markets to Ireland is evident.

The improvement in world trade and foreign demand for euro area exports projected for 2014 should support the rebalancing of economic activity towards the traded sector which is currently underway in the peripheral economies. However, all periphery countries face the prospect that the structural improvements may be mitigated somewhat by cyclical developments as import demand rises in the event of domestic demand recovery.

Section 2: External Environment

United States

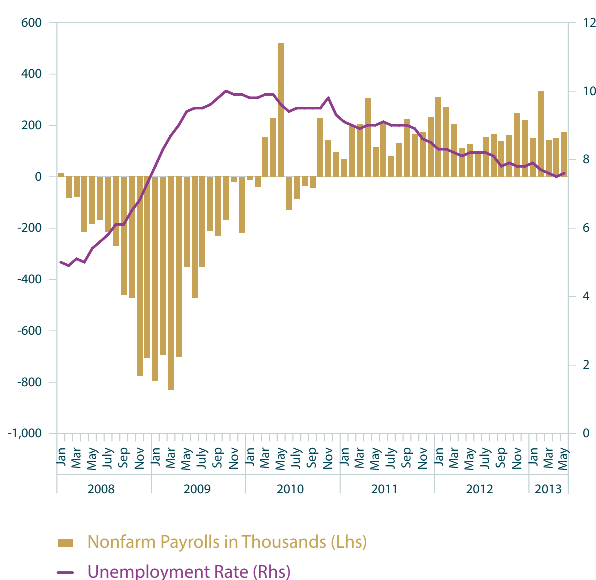
The US economy continues to expand at a moderate pace. Real GDP increased at an annual rate of 1.8 per cent in the first quarter of 2013, up from 0.4 per cent in the final three months of 2012. Real GDP was primarily supported by positive contributions from personal consumption expenditures, private inventory investment and residential fixed investment. These were partly offset by negative contributions across the board from federal, state and local government spending and exports. As shown in Table 1, the OECD is forecasting growth of 1.9 per cent for 2013, as a whole, and 2.8 per cent in 2014.

Table 3: US Contributions to GDP Growth

	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Consumption	1.1	1.1	1.3	1.8
Government	-0.1	0.8	-1.4	-0.9
Fixed Investment	0.6	0.1	1.7	0.4
Inventories	-0.5	0.7	-1.5	0.6
Exports	0.7	0.3	-0.4	-0.2
Imports	-0.5	0.1	0.7	0.1
GDP	**1.3**	**3.1**	**0.4**	**1.8**

Source: Bureau of Economic Analysis (BEA)

Chart 8: US Labour Market



Source: Bureau of Labor Statistics, US Department of Labor.

Ongoing fiscal deficit reduction is expected to weigh on the outlook but, despite increases in payroll and other taxes at the beginning of this year, consumer spending has held up well in recent months. Housing has become a tailwind for the recovery and is supporting consumer spending more broadly. While below their previous peak, residential property prices are up sharply over the past year and have served to improve household balance sheets and reduce the amount of mortgages with negative equity. Labour market indicators have also shown ongoing, if gradual, signs of improvement. Job growth averaged 207,000 through the first quarter of 2013 and averaged 162,000 in April and May.

Momentum has slowed but remains positive. The unemployment rate has been coming down and currently stands at 7.6 per cent but the participation rate remains below its pre-crisis average. Moreover, consumer sentiment remains upbeat, with the University of Michigan consumer sentiment index rising to 84.5 in May, well above the April reading of 76.4 and its highest since July 2007.

Consumer price inflation is quite low with the Federal Reserve's preferred measure of prices rising only 1.0 per cent over the past year. Hourly earnings are increasing slowly and the labour market still has considerable slack which should restrain future wage increases. In addition, the increases in the prices of imported goods and services have been subdued. The Federal Reserve's Federal Open Market Committee (FOMC) states that near-term inflation expectations are slightly lower, and longer-term inflation expectations are little changed and remain within the narrow range that they have occupied for several years. In their discussion of monetary policy for the period ahead, all but two members of the 14 person committee at the June meeting judged that a highly accommodative stance of monetary policy was warranted in order to foster a stronger economic recovery in a context of price stability. The FOMC maintained purchases of mortgage-backed securities at a pace of $40 billion per month and purchases of longer-term Treasury securities at a pace of $45 billion per month, as well as the Committee's reinvestment policies. It also retained its forward guidance about the federal funds rate, including the thresholds on the unemployment and inflation rates.

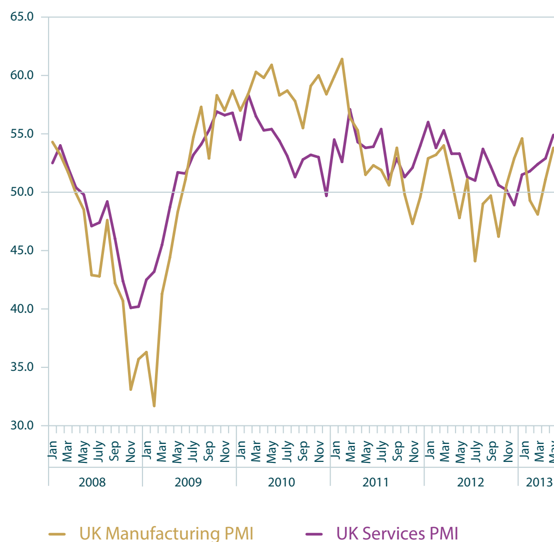
United Kingdom

According to the Office of National Statistics, the UK economy expanded by 0.3 per cent during the first quarter of 2013. The increase in economic output during this period was due to higher levels of household consumption along with changes in inventories. Meanwhile, net exports, government consumption, and business investment acted as a drag on economic growth. Recent sentiment data point to a further expansion in output during the second quarter of 2013. The services PMI remains above 50 and has displayed further positive momentum during the second quarter. The manufacturing PMI has reversed most of the decline witnessed in February and March and at 53.8 is just short of the 21 month-high reached in January. Retail sales increased by 1.9 per cent on an annualised basis in May and were up by 2.1 per cent compared with April. The OECD's May *Economic Outlook* projects that GDP growth in 2013 will be 0.8 per cent (Table 1), while the European Commission has a slightly lower outturn for this year at 0.6 per cent. Both see stronger prospects for 2014 at 1.5 and 1.7 per cent growth, respectively.

The Consumer Price Index recorded an annual increase of 2.7 per cent in May, up from 2.4 per cent in April. Since October last year, annual inflation has remained between 2.7 and 2.8 per cent with the exception of the temporary dip recorded in April. The largest contribution to the latest increase in inflation came from transportation and this was partially offset by developments in food prices. The Bank of England's May *Inflation Report* projects that inflation should fall below 2 per cent towards the end of 2015 as external price pressures wane and a revival of productivity growth is experienced.

No changes have been made by the Bank of England's Monetary Policy Committee (MPC) to the bank rate – which remains at 0.5 per cent – or to the asset purchases programme since the start of the year. Net lending by banks participating in the Bank of England's Funding for Lending Scheme remained negative during the first quarter of 2013 at -£300 million but less than the figure of -£2.4 billion recorded during the fourth quarter of 2012. During the March budget, the Chancellor reaffirmed that monetary policy should be set to meet the 2 per cent inflation target but in a

Chart 9: PMI Indicators for the UK



Source: Markit.

Note: For PMI indicators, above 50 represents expansion, below 50 represents contraction.

way that avoided undesirable volatility in output. The new remit also confirmed that the MPC should promote understanding of the trade-offs inherent in setting monetary policy to meet a forward looking inflation target while giving due consideration to output volatility.

The UK economy still faces a number of challenges at it attempts to re-balance economic activity away from consumer spending and towards investment and exports. The persistent weakness in economic activity across the euro area – the UK's largest trading partner – limits the scope for export growth. Total unemployment at 7.8 per cent has fallen to its lowest in two years. Numbers in employment rose to a new high in April while pay growth has picked up modestly and job vacancies have shown the largest increase since late-2010, hitting the highest since December 2008. At the same time, youth unemployment (those aged 16-24) remained high at 20.7 per cent during the first quarter. Finally, the on-going fiscal consolidation acts as a drag on short term growth.

Japan

Real GDP grew by 1.0 per cent in Japan during the first quarter of 2013, up from 0.3 per

cent during the fourth quarter of 2012. Final consumption expenditure and net exports of goods and services contributed 0.6 per cent and 0.4 per cent, respectively, to the increase in economic growth. The increase in exports is associated with the depreciation of the yen against its main trading partners.

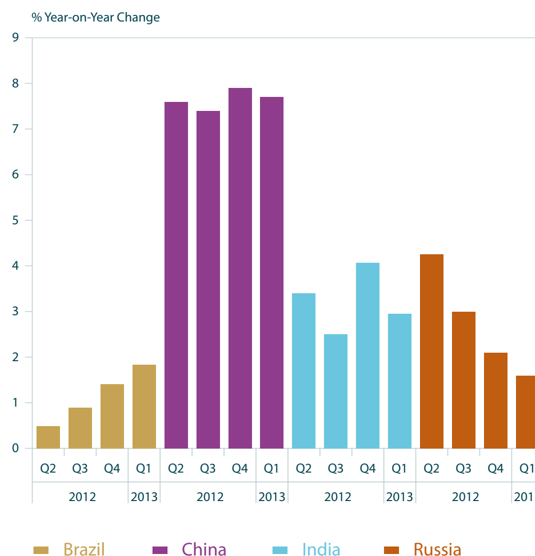
Sentiment data point to a further expansion in output during the second quarter of 2013. The manufacturing PMI increased from 51.1 in April to 52.3 in June. More forward-looking indicators point to further increases in economic activity during the second half of 2013. PMI new export orders remain above 50 and increased further during May. The OECD's Composite Leading Indicator (CLI) – which is configured to identify turning points in economic activity 6 to 9 months ahead – has remained above 100 since November and this corresponds to above trend growth. Since the start of the year, the pace of increase in the CLI has intensified. The OECD's Economic Outlook (May 2013) shows that projected GDP growth for 2013 has been revised upwards to 1.6 per cent (see Table 1) with a 1.4 per cent growth outlook for 2014. Expectations of fiscal expansion, further easing in financing conditions and an improvement in export performance in the latter half of this year underpin these projections.

Since the start of the year deflationary pressures have intensified despite some easing during April. Inflation registered -0.7 per cent in April, up slightly from -0.9 per cent in March but still below the -0.3 per cent recorded during January. No changes to monetary policy were made by the Bank of Japan (BoJ) during May or June. One of the objectives of the new monetary policy strategy announced by the BoJ in April is to double the amount of base money in circulation within two years. Base money rose by 31.6 per cent year-on-year during May following a 23.1 per cent year-on-year expansion in April.

BRIC Economies

With the exception of Brazil, the BRIC economies are showing signs of a loss of growth momentum. Reflecting this, the IMF and OECD have revised downwards projected GDP growth during 2013. For the most part price pressures remain elevated. A consequence of this is that the scope for more accommodative monetary policy remains limited.

Chart 10: BRIC GDP Growth Rates



Source: Thomson Reuters Datastream.

In China, annualised GDP growth slowed unexpectedly from 7.9 per cent in the fourth quarter of 2012 to 7.7 per cent during the first quarter of 2013, mainly owing to weaker investment. By contrast, private consumption accelerated and was the main driver of growth, while net trade also made a positive contribution. Sentiment data relating to the second quarter point to a further slowdown in economic activity. The manufacturing PMI, fell from 49.2 in May to 48.2 in June and this points to a further deterioration in business conditions for China's manufacturing economy. The composite output PMI including services business activity fell from 50.8 in May to 49.8 in June. Total social financing, which is a broad measure of credit, fell by almost one third to 1.19 trillion yuan during May. Price pressures remain muted and inflation dropped from 2.4 per cent in April to 2.1 per cent in May, while the producer price index was negative for the fourteenth consecutive month in April. The most recent projections for GDP growth in 2013 and 2014 have been revised downwards by the IMF and the OECD owing to concerns about the sustainability of growth along with heightened risks in individual sectors.

In Brazil, GDP increased by 1.8 per cent on an annualised basis during the first quarter of 2013, up from 1.4 per cent recorded during the fourth quarter of 2012. Inflation continues to rise and registered 6.5 per cent in mid-May which is at

the higher end of the central bank's target of 4.5 per cent plus or minus 2 percentage points. The central bank's main policy rate, the Selic, was increased by 25 basis points in April and by 50 basis points to 8.0 per cent in May.

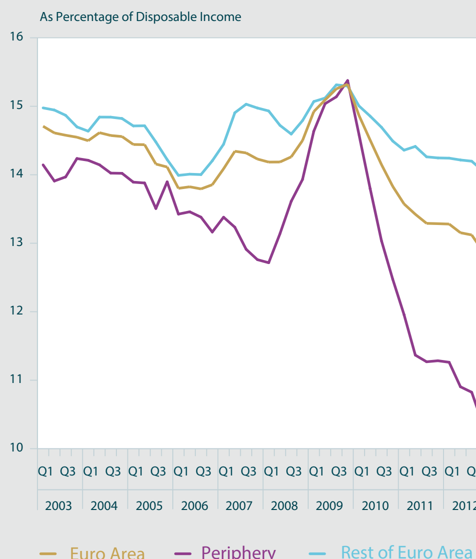
In India, GDP at factor cost increased by 4.8 per cent on a year-on-year basis during the first quarter of 2013, little changed from the 4.7 per cent increase recorded during the fourth quarter of 2012. Inflation, as measured on an annualised basis by the wholesale price index, dropped from close to 6 per cent in March to 4.9 per cent in April and coincided with a drop in fuel and power prices. The Reserve Bank of India cut its key policy rate by 25 basis points in March and again in May to 7.25 per cent. In Russia, activity continued to slow and according to the flash estimate GDP expanded by 1.6 per cent on an annualised basis during the first quarter of 2013, following growth of 2.1 per cent in the final quarter of 2012. Inflation remains high and increased from 7 per cent in March to 7.4 per cent in May, driven mostly by food prices.

Box B: Comparing household saving patterns in the euro area periphery against those in the rest of the euro area

By David Purdue[1]

The euro area household savings rate (as a percentage of disposable income) has fallen below pre-crisis levels in recent years. Although the savings rate rose in the immediate aftermath of the financial crisis, it has subsequently fallen back to around 13 per cent, slightly below the average of 14.3 per cent for the euro area pre crisis. When we break down the euro area household savings rate into a periphery[2] and a rest of euro area component, it is clear that the fall in the periphery's savings rate has weighed on the euro area aggregate in recent years (Chart 1)[3]. This box uses quarterly integrated euro area accounts data to compare the changes in volume and composition of household savings in the euro area periphery against the rest of the euro area.

Box B Chart 1: Savings Rate



Source: ECB SDW Website.

1 Monetary Policy Division.

2 The periphery is defined as Ireland, Italy, Portugal and Spain. Relevant data for Greece are unavailable and are therefore included in the residual rest of the euro area.

3 The developments in the savings rate are caused primarily by developments in savings and not disposable income. Euro area savings (on a four quarter accumulated sum basis) rose by 15 per cent from Q1 2007 to Q4 2009 and have subsequently fallen back to Q1 2007 levels while disposable income increased by 6 per cent from 2007 to 2009, on a four quarter accumulated sum basis, and by a further 3 per cent from 2010 to 2012.

Box B: Comparing household saving patterns in the euro area periphery against those in the rest of the euro area

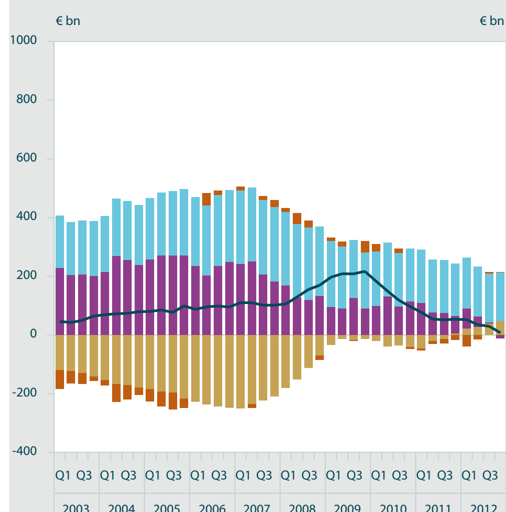
By David Purdue

The basis for this analysis is the financial accounts relation:[4]

Savings = Transactions in Financial Assets – Transactions in Financial Liabilities
+ Gross Fixed Capital Formation + (Statistical discrepancy and Other)

The relation shows the three “forms of saving”. Firstly, a household can save through acquiring financial assets (such as deposits, securities, equities) thereby foregoing current consumption for future consumption. Secondly, households can invest in the real economy which would increase gross fixed capital formation. This is, for the most part, made up of the acquisition of property. Finally, households can choose to pay down debt accumulated in previous periods. Positive values for financial liabilities transactions (which are shown with an inverse sign in Chart 2) indicate loan advancement to households and contribute negatively to savings. However, as the sector looks to deleverage, financial liabilities transactions will decrease and can even turn negative with savings increasing as a result.

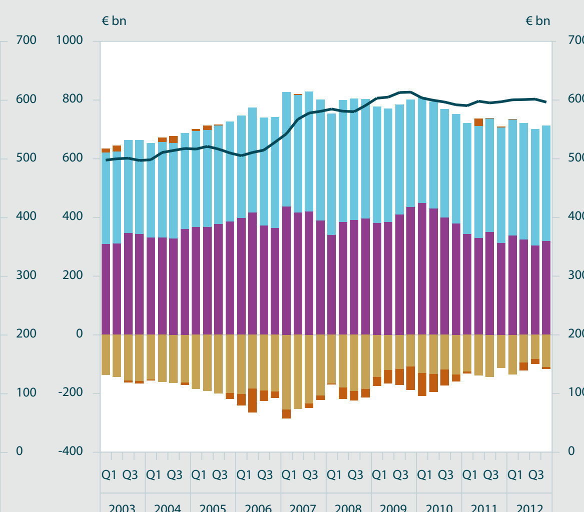
Box B Chart 2: Euro Area Periphery - Saving Four Quarter Accumulated Sum



- Financial Liabilities Transactions
- Financial Assets Transactions
- Gross Fixed Capital Formation
- Statistical Discrepancy and Other
- Savings (RHS)

Source: ECB SDW Website.

Box B Chart 3: Rest of the Euro Area - Saving Four Quarter Accumulated Sum



- Financial Liabilities Transactions
- Financial Assets Transactions
- Gross Fixed Capital Formation
- Statistical Discrepancy and Other
- Savings (RHS)

Source: ECB SDW Website.

From the start of 2007 to the end of 2009, a rise in savings is evident in both areas (Chart 2). The increases stem from severe drops in financial liabilities transactions of €238 billion (periphery) and €146 billion (rest of the euro area) and occurred despite lower financial asset transactions and gross fixed capital formation. On a four quarter accumulated sum basis, the periphery savings increased by €53 billion while the rest of the euro area component increased by €71 billion. Although the rest of the euro area savings increase is larger in absolute terms, the changes observed in the periphery are larger in percentage terms for all components during the period. The periphery saw declines of 95.2 per cent in financial liabilities transactions, 62.6 per cent in financial assets transactions and 24.2 per cent in gross fixed capital formation. By contrast, the corresponding declines in the rest of the euro area were 57.6 per cent, 0.3 per cent and 6.4 per cent, respectively.

4 The accounting items net capital transfers, changes in inventories and acquisitions less disposals of valuables and acquisitions less disposals of non-produced non-financial assets are aggregated in “Other”. The statistical discrepancy relates to the difference between calculating savings from a financial accounts perspective (as we are here) or from a non-financial perspective i.e. savings equals disposable income minus consumption.

Box B: Comparing household saving patterns in the euro area periphery against those in the rest of the euro area
By David Purdue

Since 2010, the periphery has seen a fall in savings while savings in the rest of the euro area have stabilised. Indeed, 87.5 per cent of the fall in euro area household savings is from periphery households (€105 billion of €122 billion). The composition of changes in household savings is also different across the two regions during this period. The fall in periphery savings has been driven by declines in financial assets transactions of €101 billion – financial assets transactions were slightly negative for 2012 - and in gross fixed capital formation of €25 billion. Financial liabilities transactions turned negative for the periphery in all four quarters of 2012 indicating sustained deleveraging efforts by households. For 2012, the paying down of debt by households is outstripping loan advancement by €48 billion in the periphery, which increases household savings. By contrast, financial assets transactions stood at €319 billion in the fourth quarter of 2012 for the rest of the euro area despite declines since the start of 2010[5]. Gross fixed capital formation has increased by €29 billion since 2010 on a four quarter accumulated sum basis while there have been positive financial liabilities transactions of €110 billion indicating net loan advancement.

To summarise, given the size and compositional differences in household savings patterns observed since 2010, household savings in the two regions are currently being driven by different motives - one by debt repayment which is necessary from a household indebtedness perspective, the other by more traditional precautionary intentions.

5 The declines in financial assets transactions across the euro area could be explained by households tapping into their savings to cushion their consumption in a climate of subdued income growth. For more see ECB Monthly Bulletin February 2013.

Section 3: Financial Markets

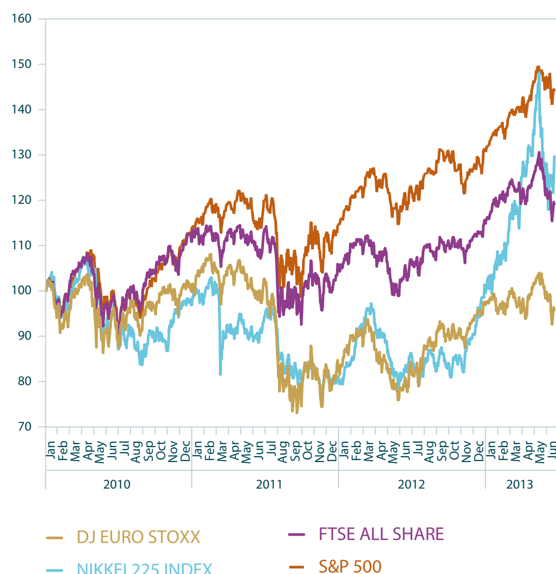
Financial Sector Developments

Market sentiment cooled somewhat during a volatile second quarter of 2013. Initially, the very positive sentiment of the first quarter of 2013 continued into April, despite some adverse economic data, as accommodative monetary policy from the major central banks supported sentiment. In early April, the Bank of Japan introduced substantial changes to its monetary policy operations, including the purchase of Japanese government bonds of around JPY 7 trillion per month, while the ECB lowered its key interest rate by 25 basis points to 0.50 per cent in May. However, as the quarter progressed, weaker-than-expected economic data from the euro area and China as well as questions relating to the tapering of the Federal Reserve's asset purchasing programme saw market sentiment weaken. Early-quarter increases made by euro area equity markets were reversed in late May and June although global equity markets registered some gains overall. Yields on AAA-rated long-term government bonds in the euro area increased slightly, while yields in the stressed euro area government bond markets saw increased volatility as sentiment worsened in late May and June.

Equity Markets

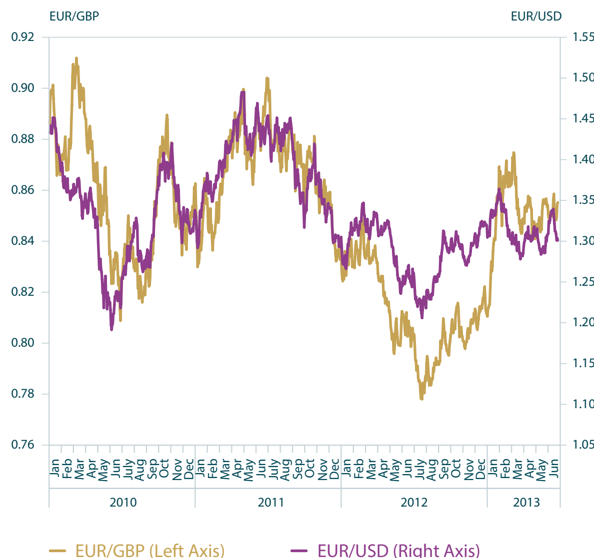
Euro area equity markets were slightly lower in the second quarter of 2013, while global equity market indices saw some increase. Equity market developments were driven by diminishing domestic uncertainties and by low yields on alternative investments such as government and corporate bonds. The major central banks further eased their monetary stance during the quarter. Along with a search for yield, this buoyed equity markets generally in April and early-May, despite weak economic

Chart 11: International Share Price Indices (end-December 2009 = 100)



Source: Thomson Reuters Datastream.

Chart 12: Euro Exchange Rates



Source: Thomson Reuters Datastream.

data. The DJ Euro Stoxx (6.2 per cent), FTSE 100 (4.3 per cent), S&P 500 (5.7 per cent) and NIKKEI (21.8 per cent) all grew in April through to mid-May. However, in late May and early June equity prices declined. Weak economic data from China and a possible slowdown in the Federal Reserve's asset purchasing programme saw volatility increase, profit-taking occur and indices decline. By the end of the review period, euro area equity markets were slightly lower than the levels seen at the beginning of March while global equity indices, in particular the NIKKEI, remained above such levels.

Foreign Exchange Developments

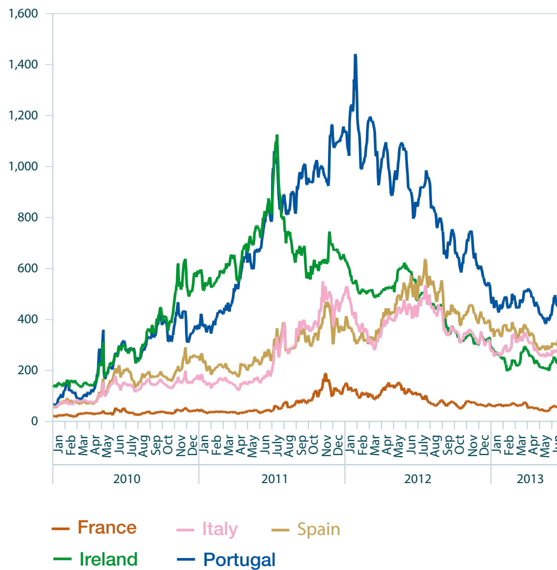
Since mid-March 2013, the nominal effective exchange rate of the euro as measured against the currencies of the 20 most important trading partners weakened slightly in March, stabilised in April and appreciated in May. Against the US dollar, the euro traded in a band between $1.28 and $1.32 before appreciating strongly in late May and June. This appreciation was principally due to weaker-than-expected US economic data and uncertainty concerning the Federal Reserve's asset purchasing programme. The euro depreciated against the pound sterling in March. It has since stabilised to trade in a band between £0.84 and £0.86 over the second quarter. The euro strengthened against most other European as well as Asian currencies, in particular against the Japanese yen.

Sovereign Debt Markets

Volatility increased in the stressed segments of the euro area government bond market in the second quarter of 2013. In April, successful auctions in Italy, Portugal and Spain along with the Eurogroup's approval of the extension of the EFSF/EFSM loans to Ireland and Portugal saw yields decrease. However, in late May and June, the yields in stressed euro area government bond markets increased, most notably in Portugal and Ireland. Yields on AAA-rated long-term government bonds in the euro area ended the quarter up slightly.

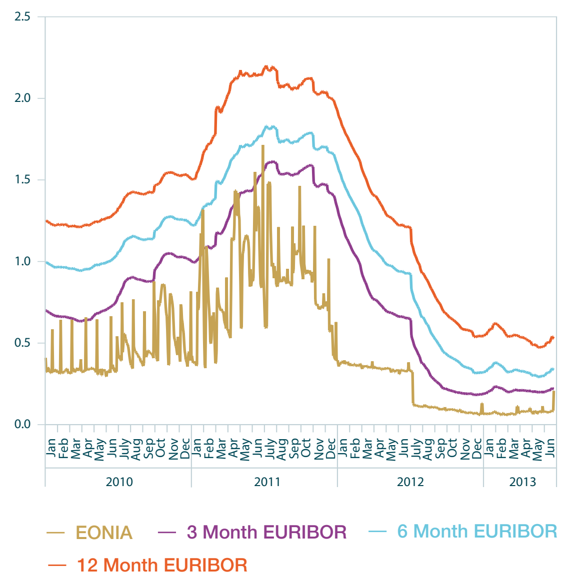
In the United States, long-term government bond yields increased in the second quarter. Bond yields fell in April as market sentiment

Chart 13: Selected Euro Area 10-Year Sovereign Bond Yield Spreads over Germany (bps)



Source: Thomson Reuters Datastream

Chart 14: Selected Euro Area Money Market Interest Rates



Source: Thomson Reuters Datastream.

was driven by the Federal Reserve's accommodative policy and economic data releases. However, bond yields increased significantly during May primarily due to market participants' perceptions regarding a possible tapering of the Federal Reserve's asset purchasing programme earlier than expected. In June, yields increased further amid hardening fears that the Federal Reserve was looking to relax their bond-buying programme.

Yields on long-term Japanese government bonds saw some volatility in the second quarter as the Bank of Japan introduced changes to its operational framework. Yields fell to a historic low of close to 0.4 per cent on 4 April, before rebounding to twice that level in mid-May. They have since stabilised around this new level.

Money Markets

Money market rates were broadly unchanged in the second quarter of 2013. The EONIA rate increased marginally, but remained at historically low levels during the quarter. This reflects the low key ECB interest rates as well as the amount of excess liquidity in the overnight money market. Excess liquidity remains high despite the on-going repayment of funds borrowed in the three-year longer-term refinancing operations. During the review period, the shorter maturity EURIBOR rates (one-, three- and six-month) stayed relatively stable while the twelve-month EURIBOR fell slightly inducing a flattening of the money market yield curve. EONIA increased on the final trading day of the quarter, however this was due to a temporary end-quarter effect which corrected itself in early July.

EU-IMF Financial Assistance Programme – Tenth Review

Overview

The tenth review of Ireland's European Union/ International Monetary Fund (EU/IMF) Financial Assistance Programme took place from 23 April to 2 May 2013. A range of issues were discussed during the mission, including recent developments in the Irish economy, progress on the three main programme fronts - fiscal, financial sector and structural reform - and preparations for programme exit. Delivery in terms of programme conditions and quantitative targets was strong in the first quarter of 2013[1] - the period under review. Following the conclusion of the visit, the External Partners commented that "Ireland's program remains on track". However, while acknowledging that significant progress has been made in repairing the financial sector, and restoring sustainability to the public finances, they cautioned that "remaining challenges require continuing policy efforts"[2].

Discussions during the review focused on the following issues:

- The macroeconomic situation and outlook.
- Progress by lenders in offering sustainable mortgage solutions to distressed borrowers.
- Management of distressed small and medium-sized enterprises' (SMEs) loans.
- Roll out of the Personal Insolvency framework.
- Banks' future profitability.
- Preparatory work for the bank stress tests.
- Job creation and activation measures.
- Implementation of Budget 2013.
- Preparations for exit from programme financing.

Compliance with Financial Sector Conditions (Q1 2013)

Work to advance the financial sector reform agenda advanced during the first quarter of 2013. The main actions are outlined below.

The Central Bank ('the Bank') continued to monitor and report on the Prudential Capital Assessment Review (PCAR) banks'[3] strategies to address non-performing mortgage loan arrears. It also continued its assessment of banks' progress against Key Performance Indicators (KPIs) and bank-specific targets. As part of the new Mortgage Arrears Resolution Targets (MART) framework, a public target requiring the principal mortgage lenders[4] to offer a substantial number of restructuring arrangements by the end of 2013 was announced in March (this was a structural benchmark for end-March 2013). The banks are required to have proposed sustainable solutions for 50 per cent of mortgage debtors in arrears of more than 90 days by the end of the year. Interim targets of 20 per cent by end-June and 30 per cent by end-September have also been set[5].

The review of the Code of Conduct on Mortgage Arrears (CCMA), which included a

1 For example, two structural benchmarks were met. These involved establishing a public target requiring the principal mortgage banks to offer a substantial share of sustainable restructuring arrangements during 2013, and requesting an external Basel Core Principles (BCP) assessment in support of efforts to strengthen financial supervision and regulation. A revised date was agreed with the Troika in respect of a study comparing the cost of drugs, prescription practices and use of generics in Ireland with comparable EU jurisdictions. This has since been completed, and the report was published at the end of June.

2 http://www.imf.org/external/np/sec/pr/2013/pr13161.htm

3 AIB, Bank of Ireland and Permanent TSB.

4 ACC Bank, AIB, Bank of Ireland, KBC Bank Ireland, Permanent TSB and Ulster Bank.

5 http://www.centralbank.ie/press-area/press-releases/Documents/Approach%20to%20Mortage%20Arrears%20Resolution%20-.pdf

four week consultation process, also started in the first quarter of 2013.

Similarly, work to get the Insolvency Service of Ireland (ISI) up and running - so that it will soon be in a position to accept applications for the three new debt relief arrangements - continued. The ISI's website has been launched, and information guides on each arrangement along with 'Guidelines on Reasonable Standards of Living', have also been published. The regulations for the authorisation of insolvency practitioners and other approved intermediaries have been published, while six specialist judges have been nominated for appointment to deal specifically with personal insolvency cases.

On the SME front, the Bank developed a set of KPIs and metrics, which PCAR banks are required to submit on a quarterly basis, for monitoring distressed SME loans. It is reviewing progress with these and the intention is to enhance them over time.

The Land and Conveyancing Law Reform Bill 2013 was published in March. When enacted, this will address the lacuna identified by the Justice Dunne High Court judgement[6]. The effectiveness of statutory repossession arrangements is also being kept under review.

In March, the Bank published a report comparing the Prudential Capital Assessment Review (PCAR) 2011 with actual performance up to June 2012.

The Central Bank requested an assessment by the IMF of its observance against Basel Core Principles for Effective Banking Supervision (structural benchmark for end-March).

The normal monitoring and reporting on banks' deleveraging, based on existing nominal targets and the run-off of non-core assets, continued during the first quarter. In addition, the Eligible Liabilities Guarantee (ELG) Scheme was removed for new liabilities with effect from midnight on 28 March 2013.

Turning to credit unions, the Restructuring Board (ReBo), which is leading the restructuring process, was placed on a statutory basis in January 2013. A new fitness and probity regime has been agreed and will be introduced on a phased basis. For credit unions with total assets greater than €10 million, it will come into effect on 1 August 2013 (1 August 2015 for all others).

Following discussions between the banks and credit unions, the Bank announced a pilot scheme looking at the restructuring of distressed consumer debt across multiple lenders. The aim of the scheme is to enhance cooperation between lenders of secured and unsecured debt, so as to resolve the situation at an early stage, without the borrower having to enter the full insolvency process.

Future Financial Sector Commitments

The financial sector reforms undertaken in the second quarter of 2013 and the actions to be progressed over the coming months, including two proposed structural benchmarks, are summarised below.

To enhance the MART framework, the Bank issued guidance to credit institutions on the definition of sustainable restructuring arrangements at end-June. Targets for the completion of a substantial share of such arrangements during 2013 will be established in the third quarter, along with targets to ensure that the terms of concluded solutions are being met. Banks' progress in respect of these will be monitored closely.

As a means of taking stock of progress in tackling mortgage arrears, a comprehensive review was prepared for the External Partners at the end of June (existing structural benchmark).

6 The jurisprudence related to this High Court judgement (of 25 July 2011) highlighted a loophole in the current legislation which has had the effect of limiting banks' ability to repossess property collateral. Justice Dunne ruled that a lending institution cannot apply for an order for possession where a mortgage was created before December 2009 but a demand for full payment was not made by the lender until after that date.

In addition, the Bank published the revised CCMA[7], which came into effect from 1 July 2013. Amendments to the code include greater clarity on when a borrower is considered to be cooperating, the introduction of communication policies approved by the boards of the lenders to ensure that borrowers are protected against unnecessarily frequent contacts and harassment, and the removal of the current monthly cap on unsolicited successful contacts. Lenders are also permitted to offer arrangements to distressed mortgage holders that provide for the removal of tracker rates, as a last resort, in cases where there is no other sustainable option available and the only alternative is repossession. The arrangement offered must be a long-term, sustainable solution that is affordable to the borrower. In addition, cooperating borrowers must now be given at least eight months from the date arrears first arise before legal action can commence and, at the end of the Mortgage Arrears Resolution Process (MARP), lenders will be required to provide a newly introduced three-month notice period to allow co-operating borrowers time to consider their options, such as voluntary surrender or an arrangement under the Personal Insolvency Act (once available), before legal action can commence.

The Bank has also developed non-public individual bank targets for SME distressed debt restructuring, which it issued to the relevant banks in June. Along with tracking banks' progress with the KPIs, it is maintaining its focus on strengthening the operational capacity of the banks so that they can deliver durable solutions.

In the area of provisioning, the Bank has been engaging with each bank to ensure an appropriately conservative treatment. It published updated impairment provisioning and disclosure guidelines at the end of May[8], which will inform the development and application of the covered institutions'[9] impairment provisioning frameworks. The Bank's work in this area drew, amongst other things, on a review of the implementation of the 2011 Guidelines by the covered banks.

The Bank reported to the External Partners on the evolution of regulatory capital within the PCAR banks up to the end of December 2012, at the end of May.

Two new structural benchmarks have also been proposed, namely to undertake a forward-looking analysis of operating profits for the PCAR banks to the end of 2015 (by end-September) and a preliminary balance sheet assessment (by end-October). The latter will be finalised by end-November, and will consist of an asset quality review and a review of the appropriateness of banks' risk-weighted asset (RWA) calculations for determining regulatory capital requirements. This work will form part of the preparations for the bank stress test. The timeline for this was previously linked to that of the EU-wide European Banking Authority (EBA) stress test. However, in light of the evolving calendar of the next EU-wide bank diagnostic exercises, in the lead-up to the Single Supervisory Mechanism (SSM), it has been agreed to modify the stress test timeline under the programme. A stress test of the Irish banking sector will now be conducted ahead of, but in close proximity to, the EU-wide exercise in 2014.

Other work to be progressed over the coming months includes an exploration of options to lower the cost of banks' tracker mortgage portfolios, a comparative assessment of banks' fee income and an external review of the regulation of these fees. An analysis of current eligible regulatory capital under Basel III/the Capital Requirements Directive IV (CRD IV) will also be undertaken.

The Central Bank (Supervision and Enforcement) Act 2013, has been enacted. This will strengthen the Bank's powers in a range of areas, including investigation, direction and enforcement. Steps to establish a Central Credit Register are also on-going.

7 http://www.centralbank.ie/regulation/processes/consumer-protection-code/Documents/2013%20CCMA.pdf

8 http://www.centralbank.ie/regulation/industry-sectors/credit-institutions/documents/impairment%20provisioning%20guidelines%20may%202013.pdf

9 AIB, Bank of Ireland and Permanent TSB.

Compliance with Fiscal Targets

Work on the fiscal front also continued in the first quarter of the year.

The Finance (Local Property Tax) Act 2012 was signed into law in December 2012, and amended by the Finance (Local Property Tax) (Amendment) Act 2013 in March 2013. The new property tax established under this Act will be effective from July.

As part of on-going efforts to improve fiscal transparency, the Revised Estimates for the Public Service for 2013 were supplemented by key performance information on outputs and impacts. In addition, the Central Statistics Office (CSO) published a new Government Finance Statistics Report (containing annual and quarterly general government data).

The quantitative targets for the first quarter were achieved. The adjusted cumulative end-March 2013 exchequer primary deficit target was met by a margin, as was the target for the outstanding stock of central government debt. In addition, the continuous performance criterion on the non-accumulation of external payment arrears was achieved.

Future Fiscal Targets

The Irish Stability Programme Update (SPU[10]), published in April 2013, presents the Government's macro-economic and fiscal projections out to 2016. An underlying General Government Deficit of 7.4 per cent of GDP is envisaged for 2013, within the programme ceiling of 7.5 per cent. The External Partners noted that "the 2012 fiscal target was comfortably met and the budget remained on track in the first quarter of 2013". However, they emphasised that the "strict implementation of Budget 2013 measures, including in the health sector, is essential"[11]. To this end, work aimed at containing costs in the health sector is being progressed. This includes the publication of a study comparing the cost of drugs, prescription practices and use of generics in Ireland with those in comparable EU jurisdictions, and the development of an eHealth Strategy. A successor to the Croke Park Agreement - the Haddington Road Agreement – is also being put in place.

The institutional framework is being strengthened. In line with the new EU fiscal governance structure, the annual budget is being brought forward to October. In addition, the mandate of the Irish Fiscal Advisory Council (IFAC) will be amended to include the ex-ante endorsement of the macroeconomic forecasts on which future budgets and stability programmes will be based. To support this arrangement, a memorandum of understanding will be agreed between the Department of Finance and the IFAC.

The Ministers and Secretaries (Amendment) legislation – which will make the already operational expenditure ceilings legally binding – is also being progressed.

Compliance with Structural Reforms

The structural reform agenda was further advanced in the first quarter of 2013.

Steps to improve the environment for job creation continued with the publication of the 2013 Action Plan for jobs in February. An evaluation of the employment impact of the 2012 and 2013 Action Plans will be undertaken, and the results will be used to inform future policy choices. Work is also advancing on the development of identified capital projects in key public infrastructure areas, such as roads and schools.

The implementation of the Pathways to Work initiative was further progressed in the first

10 Each Member State in the European Union is required to submit a Stability or Convergence Programme Update to the European Commission in April of every year.

11 http://www.imf.org/external/np/sec/pr/2013/pr13161.htm

quarter. Intreo offices[12] are being rolled out, with the aim of having up to 43 offices in place by end-2013 and the full Intreo service rolled out to all Department of Social Welfare offices nationwide by the end of 2014. In tandem with this, the number of case managers is being increased.

The State Bodies Group (SBG) developed a work programme for 2013 in the first quarter, which includes a rigorous scrutiny of the credit environment for SMEs. The Credit Review Office (CRO), whose resources were increased recently, will continue to monitor the enforcement of AIB's and BOI's 2013 SME lending targets. The National Pension Reserve Fund (NPRF) will roll out three new SME funds.

Progress is also being made in other key areas, including the water strategy, the sale of state assets in the energy sector, and establishing the new training and further education authority and Education and Training Boards. On the labour market reform front, a report reviewing the impact of reforms to sectoral wage-setting mechanisms is being prepared.

EU/IMF Loan Disbursements to Ireland to Date

The nominal amount of loans under the EU/IMF Programme, as of 30 June 2013, amounts to €62.1 billion. (The net euro amount received by the Exchequer - which takes account of any adjustments for below par issuance, deductions of a prepaid margin, and the effect of foreign exchange transactions - was some €61.4 billion). Successful completion of the tenth review of the programme allows for the disbursement of a further €2.5 billion (€1.0 billion from the IMF (which was disbursed on 27 June), €1 billion from the European Financial Stability Facility (EFSF) and €0.5 billion in bilateral loans). Following the draw down of this tranche, just under €63 billion - some 93 per cent of the total external financing of €67.5 billion available under the programme - will have been drawn down.

12 The Intreo offices provide a one stop point of contact for all employment and income supports.

Developments in EU Financial Services Legislation during the Irish Presidency of the Council of Ministers January - June 2013

Ireland took over the Presidency of the EU Council of Ministers from Cyprus in January 2013 and was followed by Lithuania in July.

It was Ireland's 7th Presidency and priority was given to financial services issues – in particular to securing a strong and stable banking system to underpin job creation and sustainable economic growth in Europe.

Overall considerable progress was made and momentum was restored to the EU programme of financial reform. Five legislative proposals were adopted and there was agreement on three proposals in the Council of Ministers.

Introduction

The core Presidency functions are to manage the work of the Council of Ministers ('the Council'), to chair Council meetings and to lead the Council in its dealings with the other EU institutions. Under the Treaty of Lisbon almost all financial services legislation is proposed by the European Commission ('the Commission') and is adopted jointly by the Council and the European Parliament ('the Parliament'). This is achieved through interinstitutional negotiations called Trilogues to find a compromise. From a Presidency perspective there are two negotiation milestones: 1) agreement on an initial Council General Approach and 2) conclusion of Trilogues.

The Presidency gave particular priority to financial services issues. It organised an intensive programme of work - 6 formal meetings of Ministers of Finance in ECOFIN and one informal ECOFIN meeting with Ministers and Central Bank governors - and achieved an unprecedented number of agreements with three dossiers approved for Council General Approach and five dossiers concluded in Trilogue. (It is worth noting that three of these agreements were reached in the final week).

Context

The Presidency came at a critical juncture in the development of EU financial services legislation. Following the financial crisis of 2007 the G20 introduced a coordinated global approach which was implemented and developed through the biggest ever EU programme of financial reform. Some thirty measures were proposed by the Commission. This was further supplemented in June 2012 with proposals for a Banking Union in the wake of the sovereign debt crisis in the Eurozone.

However there were delays in the presentation of proposals by the Commission and their adoption by the Council and Parliament. At the outset of the Presidency there were over twenty proposals still on the table. The initial goal of having all legislation in force by 2013 had become unrealistic. There was also an imperative to complete as much as possible of the reform programme before the end of the

current Parliament's term, with elections in May 2014 (see table of legislative progress since 2009).

The substantial progress on key dossiers under the Presidency has loosened the logjam of dossiers and enabled a necessary catching up by the EU institutions. The progress was the result of effective preparation, technical expertise, professionalism and experience in negotiation and a strong prioritisation of dossiers. Over 40 officials from the Central Bank of Ireland were heavily involved in providing support to the Department of Finance in the lead up to, and the conduct of the Presidency.

Main Developments

Banking Union

Absolute priority was given to this file in line with the conclusions of the European Council of December 2012. Banking Union shifts supervision of banks to the European level, and combined with a common system for deposit protection and integrated crisis management aims to reassure citizens and markets that a common, high standard of prudential regulation is being consistently applied. With an appropriate fiscal backstop it is an important element in breaking the vicious circle between banks and the sovereign.

Its five elements are CRDIV, SSM, BRRD, DGSD and SRM, which are further explained below.

CRR/CRDIV (Capital Requirements Regulation and Directive) which transpose the Basel III requirements as endorsed by the G20 leaders, greatly strengthen the prudential requirements for banks, and ensure that they hold enough good quality capital and sufficient liquidity to withstand future economic and financial shocks. They also improve governance and remuneration practices.

After an intensive series of meetings the Irish Presidency concluded long running Trilogue discussions with an agreement in March. CRDIV will enter into force in January 2014.

SSM Regulation creates a **Single Supervisory Mechanism** for the Euro area with the ECB taking on key prudential supervisory tasks relating to major credit institutions. It is accompanied by an amendment to the European Banking Authority regulation to avoid fragmentation of the Single Market for banking services. There is also provision for non-euro area member states to opt into the SSM

The Presidency initiated Trilogues on the EBA regulation and brought them to a successful conclusion in March. Extensive preparations are well under way in the ECB to take responsibility for supervision within 12 months of formal adoption which is expected in September 2013.

BRRD (Bank Recovery and Resolution Directive) aims at providing a common framework of rules and powers to allow national authorities to intervene decisively before problems occur and to ensure that the cost of restructuring and resolving failing banks falls on the owners and creditors and not on taxpayers. This highly technical and politically sensitive dossier was first tabled by the Commission in June 2012.

The Presidency conducted a protracted series of meetings to clarify the issues and to explore possible compromises. After 2 discussions at ECOFIN a special ECOFIN meeting was convened on 26 June at which agreement was reached on a Council General Approach. Trilogues can now begin under the Lithuanian Presidency.

The agreement on BRRD will also allow Trilogue discussions on **DGSD (Deposit Guarantee Scheme Directive)** to recommence. This Directive aims to significantly increase depositors' confidence by introducing a higher level of coverage, faster

pay-out and more credible funding of schemes. Progress on this dossier has had to await the decisions on the financing issues reached in the BRRD.

The BRRD agreement also clears the way for the Commission to present its proposals on **SRM (Single Resolution Mechanism)** (expected in July). This will establish a Single Resolution Board and a Single Bank Resolution Fund for institutions subject to the Single Supervisory Mechanism. The Lithuanian Presidency will give priority to this dossier.

In summary the Irish Presidency concluded Trilogue discussions on two of the five elements of Banking Union and achieved a Council General Approach on a third.

It should also be noted that during the Presidency the economic and fiscal context within which Banking Union will operate was strengthened by the Trilogue agreement on the ‘Two Pack’ on budgetary and economic surveillance and coordination.

Markets Reform

Outside of the Banking sector there was a wide ranging series of proposals from the Commission aimed at improving the stability and efficiency of the Single Market in financial services and the Presidency faced a significant build-up of dossiers. From the outset the Presidency focused on two files in particular - **MiFID/R** and **MAR**.

MiFID had been in effect since 2007 and had increased competition, reduced costs and provided greater choice for investors. The Commission introduced proposals in October 2011 **MiFID/R (Markets in Financial Instruments Directive and Regulation)** to update the legislation in line with G20 commitments and to take account of new trading venues, products and technology (such as high frequency trading). It also aimed to improve oversight of less regulated markets, including derivatives markets and to introduce an OTF (Organised Trading Facility) regime and a harmonised third country regime. However the complexity and sensitivity of the proposal led to strong divisions between member states and agreement had eluded successive Presidencies.

After nine Council Working Party meetings, the development of successive compromise texts and intensive bilateral discussions hosted by the Presidency, a Council General Approach was agreed in June.

MAR/D (Market Abuse Regulation and Directive) strengthens the existing regime on market abuse and insider trading with a Regulation covering the administrative regime and supplemented by a Directive on criminal sanctions. The regime is extended to cover new trading platforms and OTC (Over the Counter) trading and introduces tougher sanctions.

Concern about the manipulation of benchmarks (such as LIBOR) increased the pressure for progress on the file and Trilogue agreement on the Market Abuse Regulation was reached in June. It was agreed with the Parliament to temporarily suspend discussions on the Market Abuse Directive until progress was made on the Regulation. Negotiations on the Directive will resume under the Lithuanian Presidency.

During the second half of the Presidency priority was also given to Trilogue negotiations on the **Transparency Directive** where the Commission proposal dated from October 2011.This Directive sets minimum requirements for the disclosure of periodic and on-going information by issuers of securities and on the disclosure of major shareholdings and voting rights. Agreement was reached in June. It was possible to reopen negotiations on this Directive because of Presidency success in the related **Company Law (Accounting) Directive** where Trilogue agreement was reached between the Parliament and the Competitiveness Council.

The Informal ECOFIN, Dublin 12/13 April.

Ministers and Governors discussed a number of important issues at the informal ECOFIN meeting in Dublin Castle on 12/13 April. The items on the agenda included the economic outlook and financial stability of the EU, the future shape of Banking Union in the EU, tax transparency and international tax fraud/evasion, financial services' dossier plans for the remainder of the Presidency, financing options for long term economic growth and preparations for IMF/World Bank Spring and G20 Finance Ministers meetings. The discussion on Banking Union included contributions from two invited speakers, M. Jacques de Larosière and Prof. Dirk Schoenmaker. A commitment, in a draft Declaration, to the completion of all the agreed elements of Banking Union was reaffirmed by Ministers and Governors. Financing options for long-term economic growth were presented by Commissioner Michel Barnier (on the basis of a Commission Green Paper) and further work to promote this type of growth was agreed. Broad agreement was reached on the steps that need to be taken to tackle international tax fraud and draft Terms of Reference for the IMF/World Bank Spring and G20 Finance Ministers' meetings were agreed.

Although no milestones were reached in relation to other market files substantial work was done in Council Working Groups on **CSDR (Central Securities Depositories Regulation) and the 4th Anti Money Laundering Directive.**

The **CSDR** proposal aims to bring more safety and efficiency to securities settlement and is linked to the introduction of the TARGET2-Securities regime. Despite progress it became clear that it would not be possible to attain a Council General Approach and a handover report has been prepared.

A handover report was also prepared on the **4th Anti Money Laundering Directive** following a number of Council Working Group meetings organised by the Irish Presidency. This Directive takes account of the revised international FATF (Financial Action Task Force) recommendations aimed at preventing the use of the financial system for the purpose of money laundering and terrorist financing.

Consumer Protection

The Presidency gave priority to finalising Trilogue negotiations on a Directive on Credit Agreements Relating to Residential Property (more commonly known as the **Mortgage Credit Directive**). This was proposed by the Commission in March 2011 and aims at creating an efficient and competitive Single Market for mortgage credit by facilitating cross border activity. It also seeks to enhance consumer protection and to ensure more responsible mortgage lending. Agreement was reached in April after four high level Trilogues under the Presidency.

During the second half of the Presidency there was a focus on achieving a Council General Approach on the **PRIPS (Packaged Retail Investment Products)** Regulation. This Regulation addresses consumer protection issues as regards PRIPS where assets are bundled together creating different exposures, product features or cost structures as compared with a direct holding. It introduces new rules to ensure that consumers are informed about such products in a standardised 'Key Information Document'. A Council General Approach was reached in June.

Table: EU Financial Services legislation adopted by the European Parliament and the European Council since 2009

2009	
Deposit Guarantee Scheme Directive	26 February 2009
Capital Requirements Directive II	16 September 2009
E-Money Directive	22 October 2009
Crossborder Payments Regulation	3 November 2009
Solvency II	25 November 2009
2010	
UCITS IV	13 July 2010
Alternative Investment Fund Managers Directive	26 October 2010
Establishment of the European Supervisory Authorities and European Systemic Risk Board Regulations	17 November 2010
Omnibus I Directive	24 November 2010
Capital Requirements Directive III	24 November 2010
2011	
Review of Financial Conglomerates Directive	1 June 2010
Short Selling Regulation	18 October 2011
2012	
European Market Infrastructure Regulation	9 February 2012
Single Euro Payments Area Regulation	28 February 2012
Credit Rating Agencies Regulation	5 December 2012
European Venture Capital Funds Regulation	7 December 2012
European Social Entrepreneurship Funds Regulation	7 December 2012
January - June 2013	
Capital Requirements Directive and Regulation	20 March 2013
Single Supervisory Mechanism Regulations	19 March 2013
Mortgage Credit Directive	22 April 2013
Transparency Directive	17 May 2013
Market Abuse Regulation	26 June 2013

Signed Articles

The articles in this section are in the series of signed articles on monetary and general economic topics introduced in the autumn 1969 issue of the Bank's Bulletin. Any views expressed in these articles are not necessarily those held by the Bank and are the personal responsibility of the author.

Analysis of Recent Monetary Operations & Financial Market Developments

Eoin McCabe and Donal Hayes, Financial Markets Division[1]

Abstract

As the financial crisis continued in 2012, developments in peripheral Europe and the ECB's monetary policy continued to be closely watched by market participants as many banks remained heavily reliant on central bank funding and the level of ECB borrowing increased to record highs. In this article, we review 2012 and the first five months of 2013, examining the main changes to the ECB's operational framework and the evolution of Eurosystem lending, particularly the allotment and subsequent Early Repayment Operations (EROs) related to the two 3-year Longer Term Refinancing Operations (LTROs). The article studies the use of the ECB's standing facilities, while it also reports on the improvement in money markets over the review period. Finally, we also examine the Irish sovereign's return to debt markets before briefly analysing changes in TARGET2 balances over 2012.

[1] The authors would like to acknowledge, with thanks, the helpful comments and suggestions of Philippine Cour-Thimann (DG-E) and Patrick Papsdorf (DG-P) in the European Central Bank and colleagues in the Financial Markets Division of the Central Bank of Ireland.

Overview

Financial markets remained volatile in 2012, as the year was segmented by a number of major developments, with peripheral Europe remaining the main focus of market attention. During Q1 2012, market sentiment was generally positive following the ECB rate cut[2] and the announcement of a range of non-standard measures on 8 December 2011. Market conditions worsened in Q2 2012 amid growing concerns about the situation in Greece, extending even to concerns about its continued membership of the Eurozone, and as the outlook for the Spanish banking system worsened. There was a strong reversal of sentiment in H2 2012 following ECB President Draghi's comments on 26 July 2012 that the "ECB is ready to do whatever it takes to preserve the euro"[3] and the subsequent announcement of the Outright Monetary Transactions (OMT) programme[4].

The two 3-year LTROs conducted in December 2011 and February 2012 had a major impact on the liquidity environment in the Eurozone, with a total net addition of €525bn of liquidity, as €1,019bn was allotted across both operations. The increased liquidity provision suppressed initial concerns the markets had about Spain and Italy's ability to refinance debt during 2012, as peripheral yields fell following the 3-year operations. Market reports suggested that funds from the LTRO were used for carry trades, with ECB data subsequently pointing towards an increase in holdings of sovereign debt by Italian and Spanish banks[5].

Tensions resurfaced in Q2 2012 as the failure of a conclusive outcome to the Greek elections and an increase in 'anti-bailout' sentiment increased market expectations of a Greek exit, above those of a purely tail risk event. Developments in Spain also added to the negative sentiment following an initial two notch sovereign downgrade by S&P in late April 2012, which was followed by three notch downgrades by Fitch and Moody's to both the Spanish sovereign and banks. Contagion effects from Spanish and Greek developments were observed across peripheral Europe with increases in both yields and CDS spreads, while perceived 'safe-haven' countries benefitted with the German 2-year yield going into negative territory.

There was a brief relief in market pressure in June 2012 following the formation of a new Government in Greece and the agreement by European leaders on a number of measures to tackle the debt crisis. At their June 2012 summit, the Eurogroup agreed to issue loans to Spain from the European Stability Mechanism (ESM), and allow the ESM to directly recapitalise banks following the formation of a single supervisor. Meanwhile, the Eurogroup statement made specific mention of Ireland stating they would "examine the situation of the Irish financial sector with the view of further improving the sustainability of the well-performing adjustment programme". However, initial optimism over the outcome of the end-June 2012 EU summit faded amid remaining uncertainty about the impact of EU support to Spanish banks.

The ECB cut rates in July 2012 by 25bps, further reducing the main refinancing operation (MRO) rate to 0.75% and the Deposit Facility rate to 0.0%.[6] The rate cut led to a decline in money market rates and to negative General Collateral (GC)[7] repo rates for German, Dutch and French sovereign instruments. It also caused a change in the behaviour of counterparties with respect to the maintenance of minimum reserves, as neither excess reserves held on current accounts

2 Link to ECB press release available at: http://www.ecb.int/press/pr/date/2011/html/pr111208.en.html

3 Link to ECB press release available at: http://www.ecb.int/press/key/date/2012/html/sp120726.en.html

4 Link to press conference text: http://www.ecb.int/press/pressconf/2012/html/is120802.en.html

5 European Central Bank, Statistical Data Warehouse, available at: http://sdw.ecb.eu/browseTable.do?BS_COUNT_SECTOR=2100&saf8=4&REF_AREA=190&REF_AREA=143&advFil=y&node=2019174&sfl5=3&saf3=1&sfl2=4&saf4=1&sfl1=3&saf5=4&sfl4=4&saf6=4&DATASET=0&saf7=4&periodSortOrder=ASC

6 The Marginal Lending Facility (MLF) rate also fell to 1.50%.

7 General collateral or GC is the range of high quality and liquid assets that are accepted, at any particular time, as collateral in the repo market by the majority of market intermediaries and at a very similar repo rate - the GC repo rate.

nor funds placed on the deposit facility were remunerated, leading to counterparties being indifferent as to where they placed excess liquidity.[8]

The major turning point in the year was ECB President Draghi's comments on 26 July 2012, which resulted in a strong reversal of risk sentiment across all market segments on rising expectations of an imminent policy action from the European authorities. In the sovereign bond market, 'peripheral' government bond yields fell following the positive sentiment while the 'core' market reversed some of its gains.

Sentiment was further improved following the announcement of the OMT programme (August 2012) and subsequently as the details of the programme were outlined (September 2012). The OMT was received very positively by markets with focus on the fact that there was: 1) no stated quantitative limit on the size of the programme and; 2) the same (pari passu) creditor status for the Eurosystem as for other investors.

Market sentiment remained generally positive for the remainder of 2012, with a rise in risk aversion towards the end of the year amid uncertainty over an agreement on the US fiscal cliff. In early 2013, sentiment continued to remain broadly positive with a larger than expected repayment in the first ERO from the first 3-year LTRO taken as a sign of an improvement in the financial health of European banks. Banks have continued to repay at subsequent EROs and on 31 May 2013 the total amount of Eurosystem borrowing had reduced by over €300bn since the beginning of the year. However, signs of a possible re-emergence of problems within the Eurozone as a result of the uncertainty over the Cypriot bailout programme, together with a number of weak economic sentiment data releases and low inflation expectations resulted in the ECB reducing its main policy rate to a record low of 0.50% at its May meeting.[9]

In Section 1 of this paper, we examine the main changes to the ECB's operational framework over 2012 and in the first five months of 2013. Section 2 discusses money market developments over the same period, while Section 3 looks at overall trends in Eurosystem lending and the use of the ECB's standing facilities. In Section 4 we look at developments in Ireland with regard to ELA provision and Eurosystem lending as well as the Sovereign's return to debt markets. Section 5 examines movements in TARGET2 balances over 2012 and Section 6 describes the focus of financial markets in mid-2013.

1. ECB's Operational Framework/Non-Standard Policy Decisions

As the financial crisis continued into 2012, with liquidity shortages among financial institutions becoming more acute, the ECB and other global central banks undertook a number of non-standard measures to encourage lending to the real economy and restore an appropriate monetary policy transmission mechanism to certain markets. This section summarises some of the main non-standard measures introduced by the Eurosystem throughout 2012 and during the period up to 31 May 2013.

On 9 February 2012, the Governing Council of the ECB approved, for seven national central banks (NCBs), including the Central Bank of Ireland (CBI), measures for the temporary acceptance of additional credit claims as collateral in Eurosystem credit operations. This development followed the decision of the Governing Council of 8 December 2011 to increase collateral availability by allowing Eurosystem NCBs, as a temporary solution, to accept additional performing credit claims as collateral.

On 20 June 2012, the Governing Council of the ECB decided on additional measures to improve the access of the banking sector to Eurosystem operations in order to further support the provision of credit to households and non-financial corporations. The Governing Council reduced the rating threshold and amended the eligibility requirements for

8 Please refer to Annex 1 for a full glossary of terms.

9 The Deposit Facility Rate remained at 0.0% while the Marginal Lending Facility rate reduced to 1.00%.

Box 1: The Framework for Outright Monetary Transactions

(i) Conditionality - A necessary condition for OMTs is strict and effective conditionality attached to an appropriate European Financial Stability Facility/European Stability Mechanism (EFSF/ESM) programme;

(ii) Coverage - OMTs will be considered for future cases of EFSF/ESM macroeconomic adjustment programmes or precautionary programmes. They may also be considered for Member States currently under a macroeconomic adjustment programme when they will be regaining bond market access. Transactions will be focused on the shorter part of the yield curve, and in particular on sovereign bonds with a maturity of between one and three years;

(iii) Creditor treatment - The Eurosystem intends to clarify in the legal act concerning OMTs that it accepts the same (pari passu) treatment as private or other creditors with respect to bonds issued by euro area countries and purchased by the Eurosystem through Outright Monetary Transactions, in accordance with the terms of such bonds;

(iv) Sterilisation - The liquidity created through OMTs will be fully sterilised, i.e. it could be fully offset by conducting liquidity absorbing operations similar to those conducted for the SMP programme; and

(v) Transparency - Aggregate OMT holdings and their market values will be published on a weekly basis.

certain asset-backed securities (ABSs). This broadened the scope of the measures to increase collateral availability which were introduced on 8 December 2011 and which remain applicable.[10,11]

At its press conference on **2 August 2012**, the ECB announced that the Governing Council may undertake outright market operations within its mandate to maintain price stability over the medium term.

On 6 September 2012, the Governing Council announced a programme of secondary market bond purchases known as Outright Monetary Transactions (OMT). The technical features of the OMT are summarised in Box 1.

Following the announcement of the OMT, the Securities Markets Programme (SMP) was terminated. The liquidity injected through the SMP continues to be absorbed as in the past, and the existing securities in the SMP portfolio will be held to maturity.

The Governing Council expanded the collateral framework to also include eligible marketable debt instruments denominated in currencies other than the euro, namely the US dollar, the pound sterling and the Japanese yen, which are issued and held in the euro area. This measure came into effect on 9 November 2012, until further notice, and reintroduced a similar measure that was applicable between October 2008 and December 2010. Appropriate valuation markdowns are applied to such collateral. On **6 September 2012**, the Governing Council also suspended the application of the minimum credit rating threshold in the collateral eligibility requirements for marketable

10 The Eurosystem will now consider certain ABSs with lower ECAI ratings as eligible, including auto loan, leasing and consumer finance ABS, ABS backed by commercial mortgages (CMBSs), residential mortgage-backed securities (RMBSs), and securities backed by loans to small and medium-sized enterprises (SMEs), subject to such ABS satisfying additional requirements. The risk control framework applies higher haircuts to such ABS, which aims to ensure risk equalisation across asset classes and to control the risk profile of the Eurosystem.

11 In the assessment of the credit standard of certain eligible assets pledged as collateral for monetary operations, the Eurosystem takes into account credit assessment information belonging to External Credit Assessment Institutions (ECAIs). ECAIs currently recognised by the Eurosystem include DBRS, Fitch Ratings, Moodys and Standard & Poors.

debt instruments issued or guaranteed by the central government, and credit claims granted to or guaranteed by the central government, of countries that are eligible for OMT or are under an EU-IMF programme. Such countries must comply with the related conditionality, as assessed by the Governing Council.

On 12 September 2012, the ECB extended the liquidity swap arrangement with the Bank of England up to 30 September 2013. The swap facility agreement established on 17 December 2010 had been authorised until the end of September 2011 and then extended until 28 September 2012.

On 31 October 2012, the second Covered Bond Purchase Programme (CBPP2) ended as scheduled. The purchases of covered bonds commenced in November 2011. The initially targeted total nominal amount of purchases was €40bn, and the purchases were expected to have been carried out in full by 31 October 2012. As announced at the press conference of 4 April 2012, the ECB had slowed down the pace of purchases in response both to investors' increasing demand for euro area covered bonds and the decline in the supply of covered bonds. Accordingly, a nominal amount of €16.4bn was purchased on the primary and secondary markets between November 2011 and October 2012.

On 6 December 2012, the Governing Council decided to continue conducting its main refinancing and one maintenance period operations as fixed rate tender procedures with full allotment (introduced on 8 October 2008) for as long as necessary, and at least until 9 July 2013.

On 13 December 2012, the ECB announced the extension of the existing swap arrangements with other central banks. The Bank of Canada, the Bank of England, the US Federal Reserve and the Swiss National Bank announced an extension of the existing temporary US dollar liquidity swap arrangements until 1 February 2014. Previously, these swap arrangements had been authorised until 1 February 2013. These central banks also extended until 1 February 2014 the network of temporary bilateral liquidity swap arrangements that enable the provision of liquidity in each jurisdiction in any of their currencies, should market conditions so warrant. Previously, these bilateral liquidity swap arrangements had been authorised until 1 February 2013.

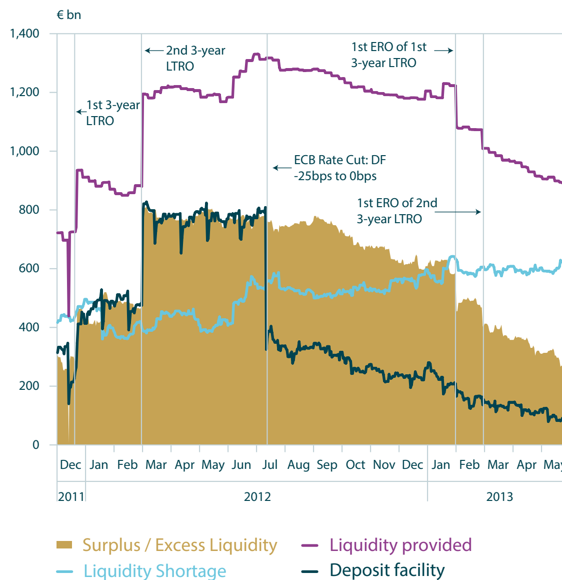
On 2 May 2013, the Governing Council narrowed the interest rate corridor when it decided to lower the interest rate on the main refinancing operations of the Eurosystem by 25 basis points to 0.50%. The rate on the marginal lending facility was reduced by 50 basis points to 1.00% and the rate on the deposit facility remained unchanged at 0.00%. In addition, the Governing Council decided to continue conducting its main refinancing and one maintenance period operations as fixed rate tender procedures with full allotment (introduced on 8 October 2008) for as long as necessary, and at least until 8 July 2014.

2. Money Market Developments

Euro area money markets improved markedly over the course of 2012, strongly influenced by ECB decisions. In the first half of the year, the liquidity injected by the ECB via the two 3-year LTROs had a stabilising effect on the money market and addressed banking refinancing and funding risks in the short to medium term. Following this, the ECB rate cut, the reduction in the deposit facility rate to zero and the announcement of the OMT programme soon after, further eased the difficulties of banks in peripheral countries accessing interbank funding, although this was predominately confined to collateralised markets. Higher excess liquidity[12] in 2012 put downward pressure on money market rates to some extent, particularly following the 3-year LTROs (See Chart 1).

12 Please refer to Annex 1 for a full glossary of terms.

Chart 1: Excess Liquidity - Deposit Facility Usage

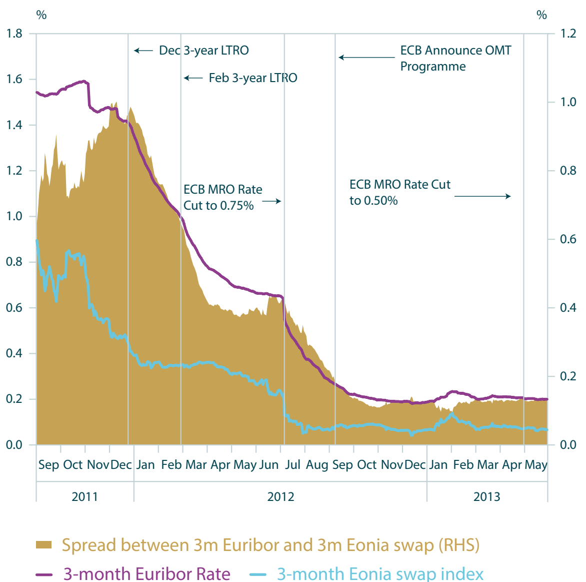


Surplus / Excess Liquidity — Liquidity provided — Liquidity Shortage — Deposit facility

*Please refer to Annex 1 for a full glossary of terms.

Sources: ECB, own calculations.

Chart 2: 3-month Euribor-OIS-spread



Spread between 3m Euribor and 3m Eonia swap (RHS) — 3-month Euribor Rate — 3-month Eonia swap index

Source: Bloomberg.

A key measure of money market tension that declined significantly last year was the spread between the 3-month Euribor fixing and Eonia swap rates (Euribor-OIS spread[13]). The Euribor-OIS spread fell from 94bps at the beginning of the year to 12bps at year-end, highlighting the continued easing in euro area money markets. As can be seen from Chart 2 below, the decline in 3-month Euribor was the main driver of this fall.

Following the allotment of the second 3-year LTRO in February 2012, the Eonia rate fell slightly, trading between 31bps and 38bps up until the ECB cut its interest rates on 11 July 2012 (announcement was on 5 July 2012). Following the reduction in the deposit facility rate to zero, the Eonia rate immediately dropped from 32bps to 13bps and continued to gradually decline until year-end, reaching an all-time low of 6bps on 21 December 2012. Interbank trading volumes measured by Eonia volumes increased at the beginning of 2012, reaching a high of €41bn on 27 February 2012 (2 days prior to the allotment of the second 3-year LTRO). However, Eonia volumes declined steadily over the remainder of the year, with the cut in the deposit rate to zero adding to the declines as investors' sought increased returns through extending the term of their investments. Average Eonia volumes traded in 2012 were as follows: €29.5bn in Q1, €25.1bn in Q2, €23.5bn in Q3 and €20.1bn in Q4.

Going forward, there is a risk that Eonia volumes are likely to be adversely affected by the actual and rumoured withdrawals of contributing banks from the Eonia panel. Banks have expressed discomfort in contributing to the money market benchmarks due to increased reporting requirements and possible litigation charges. In addition, the effect of the recent separation of the Eonia and the Euribor panel on volumes has yet to be determined[14]. It is notable that market participants seem to show an increasing

13 The spread between the three-month Euribor interbank rate and the Eonia swap rate, reflecting the spread between unsecured interest rates (Euribor) and the Eonia swap rate (where one party agrees to receive/pay a fixed rate to another party, against paying/receiving Eonia). The spread affects perception of counterparty risk and, therefore, is a measure of market tensions.

14 On 31 May 2013 the Euribor-EBF announced that the Euribor and Eonia panals were to be differentiated, with the goal of encouraging banks to re-join or join the respective reference rate panels according to their level of activity and knowledge in the respective market segments.

interest in the volume-based repo market indicators, such as Eurex repo indices and the newly established ICAP/MTS Repofund Rate Indices.

Over the course of 2012, unsecured money market rates fell and the curve flattened, while money market volumes declined marginally as a consequence of the rate cut and the flatter yield curve. Euribor (unsecured) rates declined significantly over the year, with the 3-month rate declining steadily, from 134bps on 2 January 2012 to 18bps on 31 December 2012. Both 1- and 6-month Euribor followed a similar trend, falling 90bps and 129bps respectively. The fall also reflects the perceived lower credit risk in unsecured money markets.

In secured money markets, the deposit facility rate of zero led to a search for yield as many investors were not prepared to accept zero or negative rates. At first, low and negative yields led investors to seek increased returns in higher-rated assets via maturity extension. However, following ECB President Draghi's comments at the end of July 2012 and the announcement of the OMT programme, improved market risk sentiment benefited lower-rated issuers and assets, as investors were more willing to lend on a collateralised basis to banks in peripheral countries due to the perceived lower credit risk.

This led to a compression of GC repo rates for different collateral types with the spread between German GC and Italian and Spanish GC converging further, especially in term maturities. The improved sentiment was also reflected by the increase in the total volume traded of all overnight transactions in the GC Pooling ECB basket[15], which increased over the second half of 2012. Average volumes rose to €9.2bn in the second half of the year from €7.4bn in the first half. Eurepo (secured) rates also declined significantly over the year, with both 1- and 3-month Eurepo falling to all-time lows of -0.02% and -0.03% respectively.

3. Developments in Eurosystem Outstanding Lending

This section looks at the developments in ECB outstanding lending over the year, as well as the ECB policy responses put in place to mitigate the effects of the crisis.

At the beginning of 2012, Eurosystem outstanding lending stood at €913bn, significantly elevated following the 3-year LTRO in December 2011 (allotment of €489bn). Gross lending increased further after 800 banks borrowed €529.5bn in the second 3-year LTRO on 29 February 2012. Levels began to fall gradually before increasing to a record high of €1,282bn on 28 June 2012 amid escalating concerns about Spain's economic situation and as debt instruments issued or guaranteed by the Greek government regained eligibility for use as collateral in ECB operations.

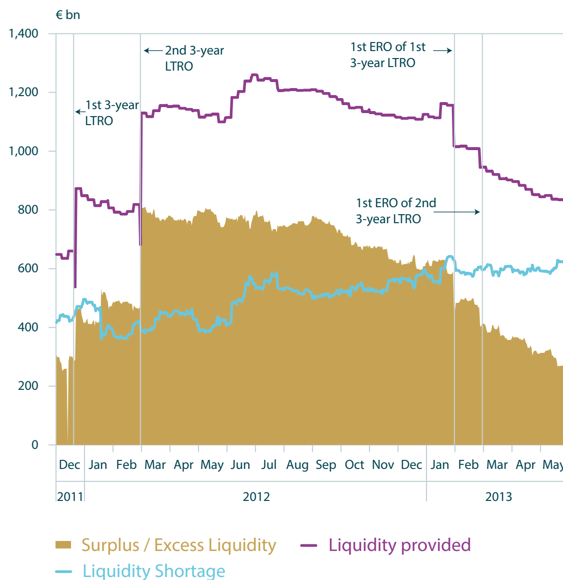
Following an improvement in market conditions in H2 2012, Eurosystem lending declined gradually to finish 2012 at €1,132bn, resulting in a net €220bn increase in lending over 2012. In early 2013, Eurosystem outstanding lending initially increased, but has since fallen sharply as counterparties have availed of the option to repay 3-year LTRO borrowings early, with total lending falling over €300bn in the first five months of 2013 to €825bn on 31 May 2013.

Prior to the allotment of the first 3-year LTRO in December 2011, LTRO borrowings accounted for 52% of total Eurosystem liquidity provision, with MRO borrowings comprising 41% and USD operations the remaining 6%. The maturity profile of open market operations lengthened significantly following the large allotments in the two 3-year LTROs.

In early March 2012, following the allotment of the second 3-year operation, LTROs accounted for 93% of Eurosystem lending, while MROs made up 5% and USD operations 2%. LTRO borrowings continued to dominate

15 The GC Pooling ECB basket is the set of GC that are on the Eligible Assets Database and thus eligible as collateral in all ECB open market operations.

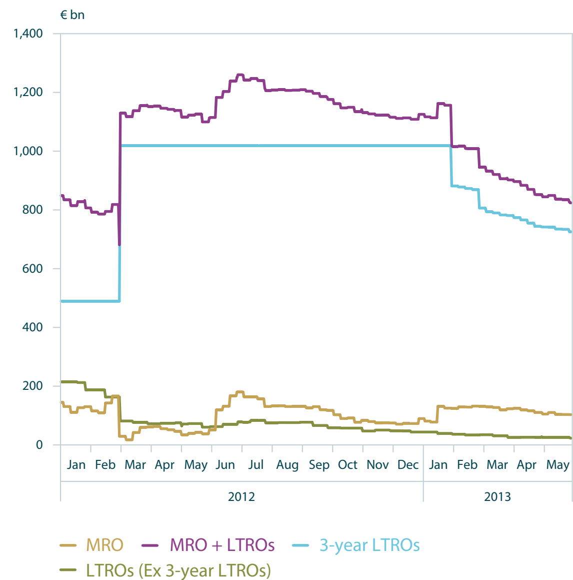
Chart 3: Eurosystem Outstanding Lending



*Please refer to Annex 1 for a full glossary of terms.

Sources: ECB, own calculations.

Chart 4: MRO and LTRO Borrowings



*Please refer to Annex 1 for a full glossary of terms.

Sources: ECB, own calculations.

the composition of Eurosystem borrowing for the remainder of 2012, and at year-end LTRO borrowings accounted for 91% of total borrowing, MRO borrowings 8% and USD borrowings had fallen to 1% of overall borrowings[16]. Chart 4 illustrates MRO and LTRO borrowings since January 2012.

3.1 3-Year Longer Term Refinancing Operations (LTROs)

The major changes in Eurosystem lending over the last 18 months have been dominated by the allotment[17] and subsequent repayment of the 3-year LTROs. The first 3-year LTRO was conducted in December 2011 with 523 bidders allotted €489bn, above the median Reuters poll estimate of €310bn, while the second 3-year was conducted on 29 February 2012 with 800 bidders allotted €530bn, again above the median estimate Reuters poll of €500bn. In total, €1,019bn was allotted in the two 3-year LTROs, with a net liquidity addition of €525bn, as some counterparties switched from shorter dated operations. The large amount allotted across both of these operations kept outstanding liquidity at historically elevated levels for the remainder of 2012.

Market reaction to the 3-year operations was largely positive, with the general belief that the increased level of liquidity in the system would reduce funding risks for banks, particularly as they faced large debt redemption pressures in 2012 (reportedly €230bn in Q1). However, others interpreted the large participation in the operations as a sign that banks expected the distressed borrowing conditions to continue. Reports also suggested that the high take-up could allow banks to engage in carry trades in which they would use the Eurosystem funds to purchase higher yielding government bonds, particularly shorter dated issues which would closely match the maturity term of the operation.

16 Pre-crisis, the main source of liquidity in ECB OMOs was through the MRO (73% of the total borrowings in 2006). However since the crisis, banks now have a preference for longer term funding.

17 The two 3-year LTROs were conducted as fixed rate full allotment operations and were indexed to the average MRO rate over the lifetime of the operation.

The terms of the 3-year operations gave counterparties, after one year[18], the option to repay[19] any part of the amount they were allotted in either 3-year operation. As funding conditions in the Eurozone improved in H2 2012, many banks that had access to public debt markets indicated their intention to wean themselves from central bank funding. In January 2013, the first opportunity for counterparties to repay funds, 278 counterparties chose to repay €137bn of borrowings or 28% of the total allotment of the first 3-year LTRO, which was above the expected repayment amount of €84bn from a Bloomberg poll. The larger than expected allotment in the first Early Repayment Operation (ERO) was received positively by markets as a sign of improvements in the strength of the Eurozone banking system.

However, the reaction to the first ERO of the second 3-year LTRO on 27 February 2013 was less positive, as counterparties decided to repay €61.1bn, or 12% of the total €530bn borrowed. The repayment amount was below a median forecast of €130bn from a Reuters poll. Many market analysts attributed the lower than expected repayment to heightened uncertainty in the region ahead of closely-fought Italian general elections.

At end May 2013, counterparties had repaid €195bn, or 40% of the total allotment from the first 3-year LTRO, while in the second 3-year LTRO, a total of €101bn or 19% of the total allotment had been repaid.

Some market commentators noted that it was understandable for some banks to repay the LTRO borrowings as they had an abundance of liquidity from other sources, and had been placing surplus funds back with the Eurosystem on the deposit facility at 0%. However, analysts noted that some banks, even though not in a particularly strong liquidity position, could have been tempted to pay back symbolic amounts so as to avoid appearing weak in comparison to their rivals.

Although the ECB does not release a breakdown of individual country or counterparty repayments, many counterparties have indicated plans surrounding the repayment of ECB borrowings. Some indicated they had begun to repay their borrowings, whilst others signalled an intention to repay some but also a plan to retain a portion as an “insurance policy” in the event of a renewed escalation of interbank tensions.

3.2: Weekly SMP Liquidity Absorbing Operation

Following the announcement of the technical features of OMT on 6 September 2012, the SMP was terminated. However, in order to neutralise the effect of the additional liquidity supplied to the system through the SMP, the ECB continues to withdraw this liquidity through the use of liquidity absorbing Fine Tuning Operations (FTOs), and continues to hold the existing securities in the SMP portfolio to maturity.

The ECB reported limited SMP purchases in 2012 with total purchases of €7.4bn in 2012, resulting in the intended absorption size of the SMP related FTOs increasing to €219.5bn in February 2012 before decreasing to €208.7bn at year-end, following bond maturities and revaluations.

At the end of 2012, the composition of the SMP portfolio was €99bn in Italian, €30.8bn in Greek, €43.7bn in Spanish, €21.6bn in Portuguese and €13.6bn in Irish debt[20].

An interesting aspect of the SMP FTOs, in late 2011 and over 2012, was the fall in the weighted-average rate in the operation. Due to the large amount of excess liquidity in the system, particularly after the two 3-year operations and the cut in the deposit facility rate to zero in July 2012, the weighted-average allotment rate in SMP FTOs dropped to an average of only 1bp above the deposit

18 The first date for early repayments from the December 2011 3-year LTRO was 30 January 2013. The first date for early repayments from the February 2012 3-year LTRO was 27 February 2013.

19 Counterparties were given the option to repay any portion of their 3-year LTRO borrowings at weekly Early Repayment Operations.

20 Link to press release available at: http://www.ecb.int/press/pr/date/2013/html/pr130221_1.en.html

facility in 2012. However, in 2013 with the falling levels of excess liquidity, as a result of the repayments from the 3-year operations, the marginal and weighted average rates in the SMP FTOs have moved upwards away from the deposit facility rate, with the bid-to-cover ratios in the operations also falling.

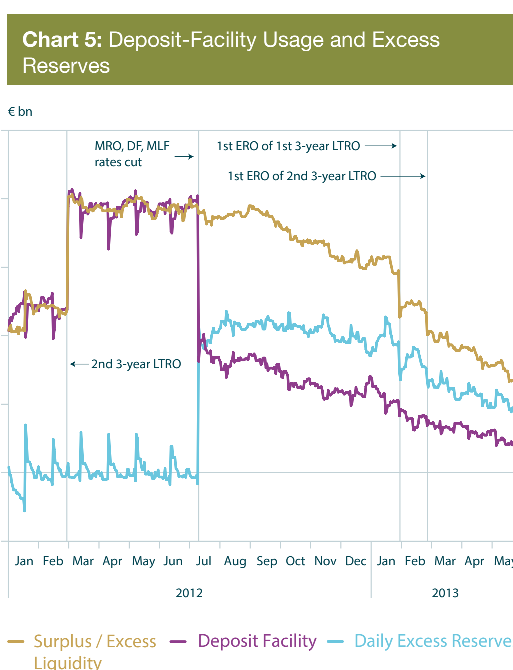
3.3: Fulfilment of Minimum Reserve Requirements

During 2012, the majority of counterparties maintained the practice of frontloading reserve requirements at the beginning of each maintenance period and then reducing the surplus towards the end of the maintenance period. Actual reserve requirements declined significantly in 2012 falling from €207bn at end December 2011 to €106bn at end 2012. On average, reserve account balances held in 2011 were €208.3bn, compared to an average of €110.7bn for 2012. This decline was largely attributable to the decision taken by the Governing Council on 8 December 2011[21] to temporarily reduce the reserve requirement from 2% of a bank's short term liabilities to 1%.

3.4: Standing Facilities: Deposit Facility

In the first 3 months of 2012, deposit facility usage averaged approximately €580.9bn. This compares with an average of €150.6bn in the second half of 2011[22]. The increase in deposit facility usage was in line with the increased excess liquidity following a reduction in the reserve requirement (as above) and increased borrowings in ECB operations supplied in the 3-year LTRO in December 2011. Following the settlement of the 3-year LTRO on 1 March 2012, deposit facility usage increased sharply and spiked to an-all time high of €827.5bn in early March 2012 (See Chart 5). This trend of strong deposit facility usage continued for a number of months. The sharp drop seen in Chart 5 in July 2012 reflected the reduction of the deposit facility rate to 0%. As a result of this interest rate reduction, use of the deposit facility

Chart 5: Deposit-Facility Usage and Excess Reserves



*Please refer to Annex 1 for a full glossary of terms.

Sources: ECB, own calculations.

fell by more than 50% falling from €809bn on the final day of MP6 (10 July 2012), to €325bn on the first day of MP 7 (11 July 2012 when 0% rate applicable), as banks no longer had an opportunity cost of keeping excess reserves on the current account. Since the beginning of 2013, deposit facility usage has declined significantly and stood at €85.6bn on 31 May 2013, down from €280.2 on 1 Jan 2013[23].

The use of the deposit facility averaged €675bn over the first half of 2012, and fell to an average of €314bn for the second half of 2012, a daily average of €494bn for the year. This compares to an average use of €102bn in 2011 and €146bn in 2010.

While usage of the facility has fallen since the rate on the deposit facility was reduced to zero (effective on 11 July 2012), usage of the facility averaged €286.2bn daily up to the end of 2012. Given that excess liquidity stood at

21 Link to press release available at: http://www.ecb.int/press/pr/date/2011/html/pr111208_1.en.html

22 Excess liquidity in the Eurosystem reached a high of €811.9bn in March 2012, remaining at an elevated level throughout 2012, but gradually declining to €620.7bn at year-end.

23 It should be noted that counterparties currently hold large amounts of excess funds on their current accounts, due to the fact that they are both carrying the same interest rate.

just under €621bn at end-December 2012 it is clear that counterparties continue to display a preference for holding significant amounts on their current accounts. Current account holdings stood at €447bn on 31 December 2012 relative to required reserves of €106bn. As such average fulfilment of reserves stood at 420%.

3.5: Standing Facilities Marginal Lending Facility

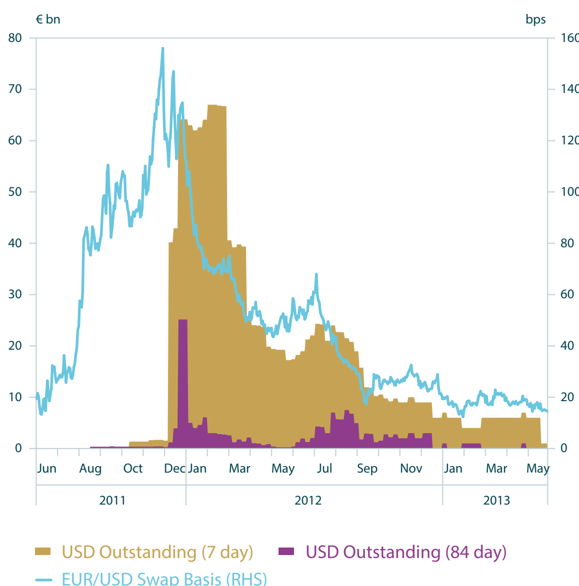
Use of the marginal lending facility averaged at €1.93bn over 2012, a slight increase when compared to the €1.8bn annual average for 2011. However, some prominent spikes were observed in 2012 most notably in January, March and December.

The use of the facility averaged €2.2bn daily over the first half of the year, falling to €1.6bn in the second half. This compares to an average of €1.4bn in the first half of 2011 and €2.3bn in the second half of 2011. In July 2012, the ECB reduced the marginal lending facility rate by 25bps to 1.5%. In the run up to end-2012, Eurosystem counterparties borrowed €16.3bn from the facility, the highest amount since December 29, 2011. On 8 May 2013, the marginal lending facility rate was further reduced to 1%.

3.6: USD funding developments

In H2 2011, amid the on-going European sovereign debt crisis, European banks found it increasingly difficult to access dollar funding in interbank markets. A measure of the tensions in the dollar funding market, the euro-dollar basis swap[24] increased steadily in H2 2011 and peaked in November 2011, reaching its highest level since October 2008 (156bps) as market conditions for European banks continued to worsen (See Chart 6). In response to stressed funding market conditions for US dollars in the eurozone, the ECB reintroduced 84-day US dollar operations in September 2011. Despite the increased dollar funding costs, banks did not begin to use the USD operations for a significant amount until December 2011, when the ECB reduced the cost[25] of the operations.

Chart 6: USD Borrowings (Euro-Equivalent) & 3-month EUR/USD Basis Swap Spread



Sources: ECB, Bloomberg.

Participation in USD operations jumped significantly following the reduction in the cost of the operations with total USD borrowings from the ECB peaking at approximately $90bn (approx. €67bn) in February 2012. However, borrowing in USD operations then declined over the remainder of 2012 in line with a reduction in the euro-dollar basis swap from 113bps to 21bps over the course of the year. Borrowing in USD operations stood at approximately $9bn (approx. €7bn) at the end of 2012, having fallen from around $85bn (approx. €64bn) at the beginning of the year. USD operation participation has continued to fall in 2013, dropping to less than $2bn (approx. €1bn), a level last seen in

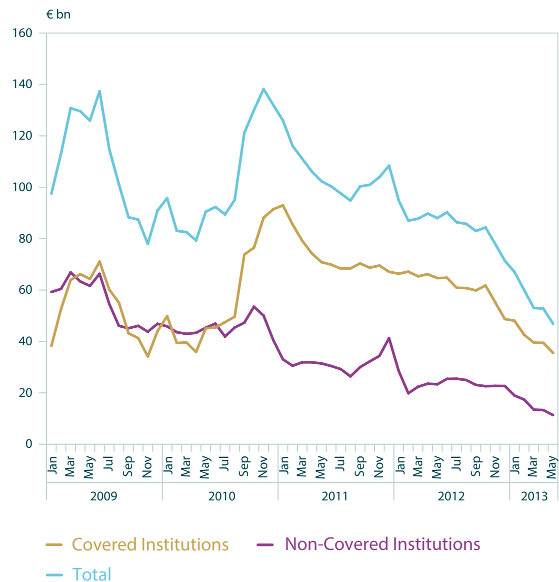
24 The spread between the cost of indirect borrowing in dollars using FX swaps and the rate that US banks pay for borrowing directly in dollars.

25 The cost of US dollar liquidity swaps through the ECB was reduced by 50 basis points, from USD OIS plus 100bps to USD OIS plus 50bps, and the initial margin for 84-day US dollar operations was reduced from 20% to 12% (with a weekly rebalancing for currency movements).

October 2011, before the 3-year LTROs were introduced.

On 13 December 2012, the ECB announced an extension of the existing temporary US dollar liquidity swap arrangements with the US Federal Reserve until 1 February 2014. The ECB Governing Council also decided, until further notice, to continue to conduct regular US dollar liquidity-providing operations with maturities of approximately one week and three months.

Chart 7: Irish Covered and Non-Covered Banks Eurosystem Borrowings



Source: CBI.

4. Ireland Overview

In response to the on-going financial market turmoil, the CBI, on behalf of the Eurosystem, continued to supply substantial liquidity support to the Irish banking system during 2012. Total Eurosystem monetary policy lending stood at €1.1trn at end-December 2012, (including US dollar operations), of which €71bn was being provided, via the CBI, to Irish domiciled institutions (including the Irish Financial Services Centre (IFSC) based counterparties). This compares with a total of €913bn at end 2011, of which €108bn was provided to Irish counterparties. The number of counterparties eligible to participate in operations via the CBI at the end of 2012 was 40, down from 41 in 2011.

With regard to the Irish covered banks[26], total Eurosystem borrowings dropped by €18.4bn in 2012 to €48.7bn or 4.6% of the Eurosystem total at year end, and fell by a further €13.2bn in 2013 to stand at €35.6bn or 4.3% of the Eurosystem total at end May 2013.

In relation to the Irish non-covered banks, total Eurosystem borrowings fell by €18.6bn to €22.7bn at end 2012. Since January 2013 outstanding Eurosystem borrowings for Irish non-covered banks has reduced by a further €11.3bn to stand at €11.4bn at end May 2013.

The CBI also provided Exceptional Liquidity Assistance (ELA), which was deemed necessary for financial stability purposes and amounted to €40.4bn at 2012 year-end, down from €42.4bn in 2011. On 7 February 2013 the liquidation of IBRC resulted in the removal of ELA[27].

Over 2012, a combination of deleveraging, asset sales, increased deposit flows and a return of AIB, BOI and PTSB to international funding markets has allowed the Irish covered banks to reduce dependence on central bank funding. The removal of the Irish Eligible Liabilities Guarantee (ELG) scheme, which was effective from 28 March 2013, is another positive step in the normalisation of the Irish banking system.

26 The covered banks are AIB Group (including EBS Building Society), Bank of Ireland Group, Permanent TSB and IBRC (until liquidation on 7 February 2013) who were guaranteed by the Irish government pursuant to the Credit Institutions ELG Scheme, which expired on 28 March 2013. The non-covered banks are the remaining Irish domiciled counterparties, and include IFSC-based counterparties.

27 Page 20 of the Central Bank of Ireland Annual Report 2012 available at: http://www.centralbank.ie/publications/Documents/Central%20Bank%20Annual%20Report%202012.pdf

Table 1: Recent Irish T-bill Auctions

Date	€ bn	Maturity	Bid/cover	Yield
16-May-13	0.5	3-month	3.6	0.129
18-Apr-13	0.5	3-month	4.8	0.195
21-Mar-13	0.5	3-month	3.4	0.24
21-Feb-13	0.5	3-month	3.3	0.24
17-Jan-13	0.5	3-month	3.8	0.20
15-Nov-12	0.5	3-month	4.1	0.55
18-Oct-12	0.5	3-month	3.6	0.70
13-Sep-12	0.5	3-month	3.0	0.70
05-Jul-12	0.5	3-month	2.8	1.80
23-Sep-10	0.3	6-month	4.1	1.91

Source: National Treasury Management Agency.

4.1: Ireland's return to debt markets in 2012

In July 2012, the National Treasury Management Agency (NTMA) announced it would recommence Treasury bill (T-bill) auctions for the first time since the EU/IMF Financial Support programme in November 2010. Since then, there have been a number of well received 3-month T-bill auctions (see Table 1).

In addition to the issuance of T-bills, the NTMA also initiated a return to the bond markets and held a bond switch and sale in July 2012 where investors committed a total of €5.2bn into longer-dated bonds maturing in 2017 and 2020. Some €4.2bn consisted of new funds issued, with two longer-term bonds on offer - a new 5-year bond maturing in October 2017 and an existing bond maturing in October 2020. A further €1.0bn of investors' holdings of the shorter dated 2013 and 2014 bonds were exchanged into the 2017 and 2020 bonds.

New issuance continued in August 2012 and for the first time the NTMA sold sovereign amortising bonds with maturities of between 15 and 35 years. The NTMA sold a total of €1.0bn and reports suggested the domestic pension fund sector was likely the major buyer, with amortising bonds matching their maturity/ duration and cash flow requirements.

In January 2013, the NTMA raised €2.5bn through the sale of a syndicated tap of its Treasury bond which matures in October 2017. In March 2013, the Agency raised a further €5bn through the sale of a new benchmark Treasury bond at a yield of 4.12% maturing in March 2023. This marked the NTMA's first new 10-year issuance since January 2010. Following the auction, the NTMA announced that it had met 75% of its total funding target of €10bn for 2013[28]. Demand for issuance in 2013 was spread across a wide range of international investors.

In terms of debt issuance, the NTMA is in a relatively comfortable position thus far in 2013. The improved funding conditions for both the Irish sovereign and banks has been welcomed by the Troika, where they noted in their concluding statement in May 2013 that "significant progress on financial sector repair and restoring sustainability to the public finances" has been made.

A possible upgrade to the Irish sovereign credit rating will be in focus, with recent positive sentiment towards Ireland leading S&P to affirm its long and short-term ratings

28 Link to press release available at: http://www.ntma.ie/news/result-syndicated-tap-2017-bond/

on Ireland at BBB+/A-2 and revise its rating outlook to stable from negative in March 2013. Meanwhile, Moody's reaffirmed Ireland's Ba1 sovereign rating with negative outlook, maintaining its rating three notches below S&P and Fitch, citing Ireland's perceived vulnerability to euro area event risks. In addition, Moody's commented that it "would consider raising Ireland's rating outlook and eventually upgrading the country's Ba1 government bond rating if the government's financial balance, excluding interest payments, were to move into a surplus large enough for the country's debt-to-GDP ratio to stabilise and then begin to decline".

4.2: Covered Bond and Other Debt Issuance

Evidence of improved sentiment towards Ireland was also seen in corporate bond markets, with Bank of Ireland, Allied Irish Banks (AIB), the Electricity Supply Board (ESB) and Bord Gais all issuing bonds with reports of strong demand from international investors in November 2012.

Bank of Ireland issued a €1bn covered bond, maturing in November 2015 at 270bps over mid-swaps. This was the first public bond market issue for Bank of Ireland since it sold €750mn of state-guaranteed notes in October 2010. AIB also issued a €500mn 3-year covered bond (also at mid-swaps + 270bps) in its first public ACS issuance since June 2007. The issue was four times oversubscribed. In other bond issuance, the ESB sold a €500mn 7-year bond on 12 November 2012 at a yield of 4.43%. On 21 November 2012, Bord Gais sold a €500mn 5-year bond at an average yield of 3.66% which had a bid to cover of 13.

Bank of Ireland was also active in raising further funds in December 2012, issuing €250mn from the sale of lower tier two 10% coupon December 2022 bonds.

On 9 January 2013, the State sold €1bn of its Bank of Ireland Contingent Capital Bonds (Cocos) which met with strong demand of €4.8bn, almost five times the amount offered, with a yield of 9.61%. Meanwhile, Irish Life completed, for the first time, the sale of a sovereign annuity bond[29] with a value of roughly €20mn to a defined benefit pension scheme.

On 22 January 2013, AIB Mortgage Bank sold a €500mn 3.5-year covered bond, with the issue priced at mid-swaps + 185bps. On 15 March 2013, Bank of Ireland concluded its sale of €500mn of new 5-year covered bonds, backed by Irish residential mortgages, the issue priced at mid-swaps +190 bps which equates to a 2.825% yield.

More recently (29 May 2013) Bank of Ireland issued a 3-year €500mn senior unsecured bond, the issue priced at mid-swaps plus 220bps which equates to a yield of 2.80%. Market analysts noted that the issue was the first significant benchmark deal by an Irish bank since September 2009.

4.3: Stress Testing

Commercial bank stress tests were due to take place later this year but their timing is now more uncertain. On 13 June, the Department of Finance published its new Memorandum of Understanding (MoU) with the EU/IMF, showing that bank stress tests, will now take place in 2014 within 6-8 weeks of broader European stress tests. However, a balance sheet assessment will be completed by end-November, ahead of Ireland's exit from the EU/IMF programme.

29 Sovereign annuities are a new product linked to long dated bonds issued by the NTMA and offer higher yields than are available from the German and French bonds which traditionally underpin annuity products.

5. TARGET2 balances

TARGET2[30] (T2) is the payment system of the euro that is operated by the central banks of the Eurosystem. All payments are settled in central bank money (that is to say they are booked on the accounts that banks hold with their central bank) and are settled in real time. The payments are primarily between banks, between banks and ancillary systems (e.g. security settlement systems, central counterparties, retail payment systems) as well as payments as part of Eurosystem operations [such as open market operations (OMOs) (i.e. MRO, LTRO, FTOs) and outright operations].

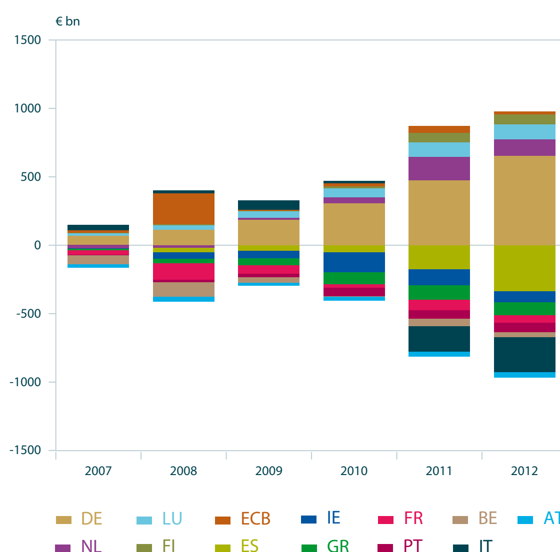
The T2 balances of national central banks (NCBs) reflect cross-border euro transfers. When a national central bank has a T2 claim, it implies that there has been an inflow of euro funds to that country's banking system, whereas a T2 liability balance implies that an outflow has taken place. The settlement of such cross-border transfers between banks in the euro area in T2 thus results in intra-Eurosystem balances. As a result, some NCBs have a T2 claim (asset) and others a T2 liability vis-à-vis the ECB.

5.1: The main changes in T2 balances in 2012

T2 imbalances in the Eurosystem increased significantly in the first half of 2012, before receding later in the year. The most notable changes were on the balance sheets of the German and Spanish NCBs. Over the course of 2012, the German T2 claim increased by €181bn to €656bn, while the Spanish T2 liability rose by €162bn to €337bn. The Dutch T2 claim fell by €49bn to €121bn and the Irish T2 liability fell by €40bn to €79bn, while the Italian and French liabilities also fell by €72bn and €23bn respectively (See Chart 8).

During the first half of 2012, funds moved from the periphery to core countries, in part related to safe-haven flows. However, comments by ECB President Draghi in July 2012, and the subsequent announcement of OMT in August 2012 helped ease tensions and narrow T2 imbalances in the later stages of the year. It should also be noted that this trend has continued into 2013.

Chart 8: T2 balance per selected NCB from 2007 to 2012



Source: ECB.

Ireland's T2 liability fell by €40bn to €79bn over the course of 2012, and further to €62bn as at end-May 2013. From a wider time perspective, Ireland's T2 liability has more than halved from €146bn at the end of 2010.

The €40bn reduction in Ireland's T2 liability in 2012 results from a number of different factors, but a major reason for the reduction is the decrease in Eurosystem borrowings from non-domestic counterparties of the CBI. Such non-domestic counterparties traditionally borrowed in the ECB's OMOs via Ireland repatriating borrowings to their parent and creating a T2 liability for Ireland/T2 claim for the other Eurosystem NCB where the parent is located. Over the course of 2012, Irish non-domestic counterparties gradually reduced Eurosystem borrowing via the CBI, and in doing so, decreased the CBI's T2 liability and reduced the claim of the NCB where the parent is located.

30 TARGET2 stands for Trans-European Automated Real-time Gross settlement Express Transfer system 2.

Other factors which contributed to the reduction in the CBI's T2 liability over the longer term include the inflow of programme funds from the EU/IMF; the sale of sovereign debt to foreign investors; deleveraging receipts; and an increase in Irish banks' access to international funding market. In the first five months of 2013, the €17bn reduction in Ireland's T2 liability is a reflection of the sovereign and domestic banks' increasing access to international markets, as well as the impact of 3-year LTRO repayments.

6. Market Focus mid-2013

In Europe, macroeconomic adjustments and structural reforms in peripheral countries will continue to be the main focus of market participants in 2013. Despite the considerable progress made on this front in 2012, concerns have heightened somewhat again in the first half of 2013. Developments on the European policy front will also be a key factor in the year ahead, with ESM bank recapitalisation, the single supervisory mechanism and the OMT programme all likely to be in focus. From a monetary policy and money markets perspective, the on-going weekly repayments of the two 3-year LTROs and any ECB decisions will be closely watched by market participants. Excess liquidity in the Eurosystem has fallen quite considerably from its peak in H1 2012, and is approaching levels which analysts believe could prompt a move towards a normalisation of money markets.

On the wider international front, global central bank policy is having a major impact on financial markets. In the US, markets reacted sharply to Fed Chairman Ben Bernanke's press statement following the FOMC's June meeting[31] in 2013. The Fed Chairman indicated that bond purchases could be moderated later this year, which prompted a significant sell-off in most asset classes, with markets concerned about the possibility of an earlier than anticipated tapering of the US Quantitative Easing programme. In Japan, 2013 has seen the Bank of Japan (BoJ) undergo significant change, with the newly appointed Governor Kuroda, increasing monetary stimulus in order to meet the new inflation target of 2%. Meanwhile, the Bank of England's policy stance will be closely watched by investors, as Mark Carney takes over as governor in July 2013.

In Ireland, banking sector developments remain a key focus in 2013, with banking sector reform, the mortgage arrears issue, the removal of the ELG and debt issuance by the domestic banks all in focus. Meanwhile, the growth outturn for Ireland's main trading partners will be critical for continuing progress in meeting Ireland's fiscal targets in 2013.

31 Link to press conference text: http://www.federalreserve.gov/mediacenter/files/FOMCpresconf20130619.pdf

Annex 1: Glossary of Terms

Eonia (Euro Overnight Index Average) is a market index computed as the weighted average of overnight unsecured lending transactions undertaken by a representative panel of banks.

Euribor (Euro Interbank Offered Rate) is the rate at which interbank term deposits are offered by one prime bank to another prime bank. This is often the reference rate for maturities of one, two and three weeks, and for maturities of one to twelve months.

Excess liquidity arises when the supply of liquidity (as provided via ECB open market operations and the marginal lending facility), exceeds the demand for liquidity (as dictated by minimum reserve requirements and autonomous factors outside the direct control of individual NCBs), there is said to be **excess liquidity** in the banking system. In this situation, the excess will likely end up being deposited with the ECB via deposit facility usage or via the weekly fine-tuning operation.

Excess Reserves: Current account holdings in excess of the average minimum reserve requirements.

Liquidity Provided: The net amount of liquidity provided by the ECB through its open market operations.

Liquidity Shortage: This is determined by the minimum reserve requirements and autonomous factors outside the direct control of individual NCBs.

Maintenance period (MP): The period over which compliance with reserve requirements is calculated. The MP begins on the settlement day of the first MRO following the policy meeting of the Governing Council.

Minimum reserves are determined on the basis of the institutions' average daily reserve holdings (calculated on the basis of certain balance sheet liabilities) over a maintenance period of about one month. Each bank in the Eurosystem is required to maintain a balance with their respective NCB. The required reserve holdings are remunerated at a level corresponding to the average interest rate over the maintenance period of the MROs of the Eurosystem.

Open Market Operations (OMO's) include Main refinancing operations, Longer-term refinancing operations, Fine-tuning operations and structural operations, as defined below.

(i) **Main refinancing operations (MRO)** are regular liquidity-providing reverse transactions with a frequency and maturity of one week. The MRO rate is currently 0.50%

(ii) **Longer-term refinancing operations (LTRO)** are liquidity-providing reverse transactions that are regularly conducted with a monthly frequency and a maturity of three months. Longer-term refinancing operations are conducted at irregular intervals or with other maturities, e.g. the length of one maintenance period, six months, twelve months or thirty-six months are also possible.

(iii) **Fine-tuning operations (FTO)** can be executed on an ad hoc basis to manage the liquidity situation in the market and to steer interest rates. In particular, they aim to smooth the effects on interest rates caused by unexpected liquidity fluctuations. Fine-tuning operations are primarily executed as reverse transactions, but may also take the form of outright transactions, foreign exchange swaps and collection of fixed-term deposits. Since May 2010, a weekly FTO has been held to absorb the liquidity provided through the Securities Markets Programme (SMP), which involved purchases of sovereign debt in the secondary market.

(iv) **Structural operations** are executed by the Eurosystem mainly in order to adjust the structural liquidity position of the financial sector vis-à-vis the Eurosystem. They can be carried out through reverse transactions, outright transactions and the issuance of debt certificates.

Standing facilities aim to provide and absorb overnight liquidity, signal the general monetary policy stance and bound overnight market interest rates. Two standing facilities, which are administered in a decentralised manner by the NCBs, are available to eligible counterparties on their own initiative:

(i) Marginal lending facility (MLF): Counterparties can use the MLF to obtain overnight liquidity from the NCBs against eligible assets. The interest rate on the MLF is currently 1.00% (50bps above the MRO rate) and normally provides a ceiling for the overnight market interest rate.

(ii) Deposit facility (DF): Counterparties can use the deposit facility to make overnight deposits with the NCBs. The interest rate on the deposit facility is currently 0.0% (50bps below the MRO rate) and normally provides a floor for the overnight market interest rate

Variable rate allotment: In normal circumstances, the Eurosystem, when conducting its OMO's, assesses the total liquidity need of the banking sector and, in competitive tenders, allots this amount. Usually these tenders are conducted as **variable rate tenders**, meaning that banks pay the interest rate that they offer when they make their bids.

The Eurosystem may also execute its tenders in the form of **fixed rate tenders**, where the interest rate is specified in advance and banks bid the amount of money they wish to transact at the fixed interest rate.

In exceptional circumstances, the ECB may decide in advance to allot the full amount of liquidity that banks request, i.e. to accommodate all bids, at a fixed interest rate (known as **fixed rate full allotment**). The ECB currently operates a fixed rate full allotment policy for all refinancing operations.

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Note: **Data published in the Statistical Appendix for most recent months or quarters may be subject to revision.**

Section A

Money and Banking

Table A.1: Summary Irish Private Sector Credit and Deposits

	Credit Advanced to Irish Private Sector						
	Households				Non-financial corporations		
		Loans for house purchase	Consumer credit	Other loans		Loans	Securities
	1	2	3	4	5	6	7
Outstanding amounts – € million							
2012							
April	109,212	81,031	14,991	13,190	87,210	87,059	150
May	109,010	80,819	15,022	13,169	87,211	87,056	154
June	108,145	80,012	15,003	13,130	86,485	86,332	153
July	106,929	79,166	14,700	13,062	86,455	86,300	155
August	106,825	79,508	14,689	12,628	86,090	85,902	188
September	106,728	79,355	14,767	12,606	85,622	85,470	151
October	105,835	78,810	14,500	12,525	85,092	84,941	151
November	105,216	78,740	14,254	12,223	84,805	84,678	127
December	111,076	84,973	14,206	11,897	84,330	84,204	126
2013							
January	110,185	84,580	13,799	11,806	83,651	83,529	122
February	109,521	84,290	13,764	11,467	84,384	84,259	125
March	109,451	84,313	13,651	11,488	84,226	84,100	127
April	109,144	84,006	13,430	11,708	82,889	82,764	125
Transactions – € million							
2012							
April	- 579	- 188	- 341	- 51	- 328	- 328	-
May	- 264	- 242	21	- 44	- 334	- 338	4
June	55	94	- 15	- 24	- 562	- 560	- 2
July	- 534	- 157	- 288	- 88	- 294	- 297	2
August	- 500	- 151	- 72	- 277	- 202	- 234	32
September	- 88	11	- 95	- 4	- 394	- 358	- 37
October	- 515	- 184	- 263	- 68	- 455	- 455	-
November	- 264	3	- 228	- 39	- 10	13	- 24
December	- 372	- 4	- 44	- 324	- 386	- 385	- 1
2013							
January	- 833	- 374	- 391	- 68	- 255	- 251	- 4
February	- 705	- 327	- 36	- 341	- 106	- 108	2
March	- 116	- 20	- 121	26	- 259	- 261	2
April	- 334	- 336	- 214	217	- 1,256	- 1,255	- 2
Growth rates – per cent.							
2012							
April	- 4.0	- 2.5	- 11.9	- 3.4	- 1.9	- 1.8	- 54.3
May	- 3.9	- 2.5	- 11.0	- 3.5	- 2.1	- 2.1	- 50.6
June	- 3.7	- 2.2	- 10.7	- 3.7	- 3.1	- 3.1	9.6
July	- 3.6	- 2.1	- 11.0	- 3.7	- 3.6	- 3.6	8.0
August	- 3.7	- 2.1	- 10.8	- 5.2	- 3.3	- 3.4	31.3
September	- 3.7	- 2.0	- 10.7	- 5.4	- 4.3	- 4.3	1.8
October	- 3.7	- 1.9	- 11.0	- 5.5	- 4.4	- 4.4	4.1
November	- 3.6	- 1.6	- 11.7	- 5.8	- 4.4	- 4.4	- 12.9
December	- 3.9	- 1.6	- 11.9	- 7.7	- 4.1	- 4.1	- 20.7
2013							
January	- 4.0	- 1.8	- 12.3	- 7.7	- 3.8	- 3.8	- 20.4
February	- 4.3	- 1.9	- 11.9	- 10.2	- 3.8	- 3.7	- 17.7
March	- 4.3	- 1.9	- 12.0	- 10.0	- 4.1	- 4.1	- 16.6
April	- 4.1	- 2.0	- 11.5	- 8.0	- 5.2	- 5.1	- 17.7

Notes:

1. For commentary on developments in a given month see the relevant Money and Banking Statistics information release at: Credit, Money and Banking Statistics: Publications and Releases
2. For a full set of explanatory notes see: Money and Banking Statistics Explanatory Notes
3. Data in Money and Banking Statistics are collected with reference to business written out of the within-the-State offices of the entire population of credit institutions in the Republic of Ireland. The most up to date list of these institutions is available on the Central Bank website here: Credit Institutions resident in the Republic of Ireland
4. Credit Unions entered the reporting population for Money and Banking Statistics in January 2009.

Table A.1 – *continued*

Insurance corporations and pension funds/Other financial intermediaries			Irish Private Sector Deposits: Total				
	Loans	Securities		Households	Non-financial corporations	Insurance corporations and pension funds/ Other financial intermediaries	
8	9	10	11	12	13	14	
							Outstanding amounts – € million
							2012
120,440	40,171	80,269	167,270	92,045	30,099	45,127	April
120,799	40,665	80,133	167,336	92,154	30,328	44,854	May
118,133	40,747	77,385	164,009	92,257	30,236	41,516	June
118,645	41,545	77,100	166,007	91,975	30,806	43,226	July
117,913	41,337	76,576	167,872	92,214	30,712	44,946	August
116,541	40,534	76,007	166,682	92,585	30,020	44,077	September
116,463	40,193	76,270	168,136	92,493	31,369	44,274	October
116,074	40,053	76,020	166,504	92,176	30,198	44,131	November
106,758	38,907	67,851	166,475	92,391	30,888	43,195	December
							2013
104,132	37,629	66,503	167,450	92,369	30,870	44,211	January
102,626	37,582	65,044	167,117	92,329	30,584	44,204	February
103,139	38,009	65,130	179,537	92,535	30,273	56,729	March
102,653	37,506	65,146	180,257	91,801	31,532	56,925	April
							Transactions – € million
							2012
- 2,859	- 1,397	- 1,461	3,960	- 108	291	3,777	April
- 257	- 166	- 91	- 49	48	44	- 141	May
- 2,318	257	- 2,574	- 3,194	120	- 38	- 3,276	June
169	428	- 258	1,729	- 322	465	1,585	July
- 273	- 124	- 149	1,576	268	273	1,035	August
- 967	- 532	- 435	- 946	393	- 629	- 710	September
45	- 240	285	1,538	- 81	1,328	291	October
- 283	- 115	- 167	- 1,604	- 314	- 1,137	- 154	November
- 9,072	- 975	- 8,097	625	231	735	- 342	December
							2013
- 1,149	- 857	- 293	1,683	54	121	1,508	January
- 2,674	- 292	- 2,383	- 1,469	- 54	- 360	- 1,055	February
270	384	- 114	12,167	176	- 409	12,400	March
- 364	- 334	- 30	849	- 515	1,371	- 8	April
							Growth rates – per cent.
							2012
- 9.9	- 14.4	- 7.3	- 3.3	- 1.1	- 3.5	- 7.4	April
- 9.4	- 14.3	- 6.5	- 2.9	- 0.3	- 3.3	- 7.7	May
- 11.8	- 13.0	- 11.0	- 2.4	- 0.2	- 1.1	- 7.7	June
- 10.6	- 10.0	- 11.0	- 0.7	- 0.1	0.1	- 2.8	July
- 9.6	- 9.1	- 9.9	0.8	0.8	- 0.5	1.5	August
- 8.7	- 10.1	- 7.8	1.8	0.7	- 1.2	6.5	September
- 6.7	- 7.0	- 6.6	2.4	0.4	1.7	7.4	October
- 6.6	- 6.1	- 6.9	2.2	1.4	- 1.5	6.9	November
- 13.7	- 7.8	- 16.8	2.5	1.1	1.1	7.0	December
							2013
- 14.2	- 9.1	- 16.9	3.9	1.2	5.2	8.9	January
- 16.2	- 9.2	- 19.7	2.9	1.1	3.7	6.2	February
- 15.8	- 8.7	- 19.5	9.8	0.5	2.3	35.9	March
- 14.1	- 6.3	- 18.0	7.7	-	5.9	24.5	April

5. Prior to December 2010, the outstanding amount of loans is reported on a net of impairment provisions basis. As of December 2010, the outstanding amount of loans is reported on a nominal basis, i.e. gross of impairment provisions, which, all else being equal, would lead to an increase in the reported outstanding amount of loans in that month.

6. In December 2010 the outstanding amount of loans, deposits and other asset and liability instruments across a number of categories has been reduced following the exit of a credit institution from the Irish market.

7. In all instances the underlying transactions and growth rates are fully adjusted to account for non-transaction related effects (e.g. change in reporting population, revaluations, exchange rate movements) and accurately reflect the level of activity in a particular category through time.

Table A.2: Financial Statement of the Central Bank of Ireland

Assets

Outstanding amounts – € million		Gold and Receivables	Lending to euro area credit institutions relating to monetary policy operations in euro						
				Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations	Structural reverse operations	Marginal lending facility	Credits related to margin calls
2012									
25 May	154,241	240	84,456	4,290	80,166	-	-	-	-
29 June	158,199	240	84,644	7,648	76,996	-	-	-	-
27 July	155,151	241	80,020	11,324	68,696	-	-	-	-
31 August	154,399	241	79,121	11,445	67,676	-	-	-	-
28 September	152,531	241	79,071	12,095	66,976	-	-	-	-
26 October	150,184	266	78,171	12,495	65,676	-	-	-	-
30 November	148,145	266	75,701	12,775	62,881	-	-	45	-
28 December	137,599	266	70,936	7,850	63,086	-	-	-	-
2013									
25 January	136,073	244	70,061	8,465	61,596	-	-	-	-
22 February	130,550	244	61,881	6,225	55,656	-	-	-	-
29 March	122,098	244	53,051	8,670	44,381	-	-	-	-
26 April	121,574	242	52,756	9,000	43,756	-	-	-	-
31 May	115,688	242	46,901	6,850	40,051	-	-	-	-

Liabilities

Outstanding amounts – € million		Banknotes in circulation	Liabilities to euro area credit institutions relating to monetary policy operations in euro						Other liabilities to euro area credit institutions in euro
				Current accounts (covering the minimum reserve system)	Deposit facility	Fixed-term deposits	Deposits related to margin calls	Fine-tuning reverse operations	
2012									
25 May	154,241	12,838	4,002	1,957	2,045	-	-	-	-
29 June	158,199	13,053	6,453	1,315	5,138	-	-	-	-
27 July	155,151	13,065	5,222	2,277	2,945	-	-	-	-
31 August	154,399	13,092	3,353	1,944	1,409	-	-	-	-
28 September	152,531	13,035	4,781	1,931	2,850	-	-	-	-
26 October	150,184	13,195	4,850	3,532	1,318	-	-	-	-
30 November	148,145	12,995	3,322	1,834	1,488	-	-	-	-
28 December	137,599	13,677	3,972	2,079	1,893	-	-	-	-
2013									
25 January	136,073	12,723	4,098	2,966	1,132	-	-	-	-
22 February	130,550	12,859	7,067	5,130	1,937	-	-	-	-
29 March	122,098	13,089	3,957	2,098	1,859	-	-	-	-
26 April	121,574	12,966	5,143	3,616	1,527	-	-	-	-
31 May	115,688	13,221	3,928	1,863	2,065	-	-	-	-

Notes:

1. For a full set of explanatory notes see:
   http://www.ecb.int/press/pr/wfs/html/wfs-userguide.en.html
2. An accounting reclassification took place, in month ending 27 April 2012, in order to harmonise the disclosure of the Emergency Liquidity Assistance (ELA) provided by Eurosystem central banks to domestic credit institutions under 'Other Claims on Euro Area Credit Institutions in Euro'.

Table A.2 – *continued*

Assets

Other claims on euro area credit institutions in euro	Claims on euro area residents in foreign currency	Claims on non-euro area residents in euro	Claims on non-euro area residents in foreign currency	Securities of other euro area residents in euro	General Government debt in euro	Other assets
41,498	2,926	1,258	1,045	20,462	-	2,356
42,375	5,545	1,260	1,051	20,440	-	2,644
41,600	6,242	1,332	1,091	20,995	-	3,630
40,800	6,020	1,226	1,779	21,078	-	4,134
40,575	4,038	1,260	1,093	21,098	-	5,155
40,650	2,736	1,306	1,081	21,217	-	4,757
40,675	2,304	1,322	1,081	21,025	-	5,771
40,425	496	1,231	1,076	21,274	-	1,895
39,750	496	1,172	1,050	21,347	-	1,953
-	172	1,300	1,051	51,116	-	14,786
151	-	1,865	1,054	63,578	-	2,155
151	-	1,907	1,058	63,130	-	2,330
151	-	1,826	1,056	62,993	-	2,519

Liabilities

Debt certificates issued	Liabilities to other euro area residents in euro	Liabilities to non-euro area residents in euro	Liabilities to euro area residents in foreign currency	Liabilities to non-euro area residents in foreign currency	Counterpart of Special Drawing Rights allocated by the IMF	Revaluation Accounts	Capital and reserves	Other liabilities
-	16,999	29	-	-	900	346	1,893	117,234
-	17,173	27	-	-	900	346	1,893	118,354
-	20,526	72	-	-	935	339	1,893	113,099
-	23,425	25	-	-	935	339	1,893	111,337
-	25,953	24	-	-	935	339	1,893	105,571
-	22,054	23	-	-	925	375	1,893	106,869
-	23,306	22	-	-	925	375	1,893	105,307
-	19,480	22	-	-	925	375	1,893	97,255
-	22,828	59	-	-	904	335	1,893	93,233
-	19,151	55	-	-	904	335	1,893	88,286
-	22,514	29	-	-	904	335	2,110	79,160
-	14,276	26	-	-	907	442	2,110	85,704
-	15,425	29	-	-	907	442	2,110	79,626

3. In February 2013, 'Other Claims on Euro Area Credit Institutions in Euro' fell following the appointment of a liquidator to a credit institution. This was accompanied by an increase in the holdings of 'Securities of Other Euro Area Residents in Euro' and 'Other Assets'.

Table A.4: Credit Institutions – Aggregate Balance Sheet

Total Assets

		Loans to Irish residents				Holdings of securities issued by Irish residents			
			Monetary financial institutions	General government	Private sector		Monetary financial institutions	General government	Private sector
	15	16	17	18	19	20	21	22	23
Outstanding amounts – € million									
2012									
April	940,272	363,040	98,277	28,321	236,443	116,524	18,500	17,605	80,419
May	954,021	363,543	98,764	28,048	236,731	116,052	18,630	17,134	80,288
June	953,296	362,653	99,397	28,031	235,224	114,101	19,023	17,540	77,538
July	929,724	335,501	72,716	28,012	234,773	114,687	19,622	17,810	77,255
August	915,320	335,044	72,958	28,022	234,064	114,844	19,467	18,613	76,763
September	912,098	333,043	72,313	27,998	232,732	114,442	19,433	18,851	76,158
October	910,247	330,698	71,683	28,046	230,970	115,309	19,734	19,154	76,421
November	899,528	331,361	73,407	28,007	229,947	114,735	18,967	19,620	76,148
December	872,679	331,404	69,253	27,965	234,186	107,323	19,757	19,589	67,977
2013									
January	858,988	327,055	67,740	27,972	231,344	107,092	19,679	20,788	66,625
February	821,285	296,945	64,733	850	231,363	100,691	18,193	17,330	65,168
March	804,148	297,805	65,349	896	231,560	101,159	17,746	18,156	65,256
April	796,266	295,907	65,594	900	229,414	100,277	16,405	18,600	65,271

Total Liabilities

		Deposits from Irish residents				Debt securities issued		
			Monetary financial institutions	General government	Private sector	Irish resident	Euro area	Rest of the world
	32	33	34	35	11	36	37	38
Outstanding amounts – € million								
2012								
April	940,272	265,257	95,660	2,328	167,270	26,387	16,786	38,852
May	954,021	266,837	96,833	2,668	167,336	26,395	15,564	38,570
June	953,296	264,317	97,718	2,589	164,009	25,696	15,959	37,501
July	929,724	240,780	72,042	2,731	166,007	25,746	16,246	37,448
August	915,320	242,437	71,887	2,679	167,872	25,040	16,343	37,946
September	912,098	240,417	70,856	2,879	166,682	24,814	16,626	36,752
October	910,247	242,189	70,491	3,562	168,136	23,519	17,337	39,948
November	899,528	244,181	72,719	4,957	166,504	22,087	18,568	40,872
December	872,679	240,937	68,484	5,978	166,475	23,454	18,102	39,808
2013								
January	858,988	240,393	67,146	5,797	167,450	22,616	18,249	41,059
February	821,285	237,062	62,854	7,091	167,117	20,707	18,738	40,763
March	804,148	252,200	63,052	9,610	179,537	19,273	18,742	40,258
April	796,266	254,559	63,074	11,227	180,257	16,304	18,744	38,221

Notes:

1. For commentary on developments in a given month see the relevant Money and Banking Statistics information release at: Credit, Money and Banking Statistics: Publications and Releases
2. For a full set of explanatory notes see: Money and Banking Statistics Explanatory Notes
3. Data in Money and Banking Statistics is collected with reference to business written out of the within-the-State offices of the entire population of credit institutions in the Republic of Ireland. The most up to date list of these institutions is available on the Central Bank website here: Credit Institutions resident in the Republic of Ireland

Table A.4 – *continued*

Loans to non-residents: Euro area	Loans to non-residents: Rest of the world	Holdings of securities issued by non-residents: Euro area	Holdings of securities issued by non-residents: Rest of the world	Central bank balances: Resident	Central bank balances: Non-resident	Remaining assets: Resident	Remaining assets: Non-resident	
24	107	131	145	28	29	30	31	
								Outstanding amounts – € million
								2012
73,825	181,066	69,796	75,182	7,799	–	18,569	34,470	April
74,360	184,466	70,315	76,982	7,840	–	21,155	39,309	May
82,292	184,682	69,976	74,359	8,039	–	21,635	35,560	June
78,686	187,752	70,840	75,236	7,589	–	23,098	36,335	July
75,960	181,524	70,045	73,304	6,357	–	23,342	34,900	August
81,588	175,117	69,306	74,129	8,864	–	21,500	34,108	September
81,636	171,932	69,557	72,252	11,903	–	22,699	34,261	October
73,134	172,245	70,089	72,249	7,807	–	23,059	34,849	November
71,125	162,381	70,645	68,698	3,899	–	25,196	32,009	December
								2013
74,402	153,951	70,570	66,120	4,041	–	25,240	30,516	January
78,381	151,238	70,490	63,930	5,738	–	23,648	30,224	February
69,100	149,673	69,916	63,186	4,337	–	21,923	27,049	March
66,821	148,177	67,842	62,157	4,089	–	23,096	27,899	April

Deposits from non-residents: Euro area	Deposits from non-residents: Rest of the world	Capital & reserves: Resident	Capital & reserves: Non-resident	Borrowing from the Eurosystem relating to monetary policy operations	Remaining liabilities: Resident	Remaining liabilities: Non-resident	
39	40	41	42	43	45	46	
							Outstanding amounts – € million
							2012
124,066	148,923	111,148	17,556	89,759	60,981	40,555	April
125,423	153,121	112,206	17,174	88,010	64,973	45,748	May
130,596	150,800	116,970	16,901	90,244	63,265	41,049	June
127,260	151,962	116,432	17,223	86,410	66,606	43,610	July
122,607	143,260	116,560	17,544	85,782	65,014	42,787	August
128,930	140,125	117,408	17,261	82,977	64,278	42,509	September
123,986	137,882	117,764	17,373	84,371	63,999	41,880	October
116,170	136,136	117,831	17,812	77,973	65,185	42,715	November
112,963	128,475	118,214	18,095	71,410	61,674	39,548	December
							2013
113,850	121,638	116,867	18,600	67,067	60,602	38,048	January
121,233	120,419	112,595	18,095	60,032	33,771	37,870	February
113,021	121,212	113,017	18,912	53,051	20,692	33,770	March
105,077	123,269	112,899	18,874	52,756	21,798	33,766	April

4. Credit Unions entered the reporting population for Money and Banking Statistics in January 2009.

5. Prior to December 2010, the outstanding amount of loans is reported on a net of impairment provisions basis. As of December 2010, the outstanding amount of loans is reported on a nominal basis, i.e. gross of impairment provisions, which, all else being equal, would lead to an increase in the reported outstanding amount of loans in that month.

6. In December 2010 the outstanding amount of loans, deposits and other asset and liability instruments across a number of categories has been reduced following the exit of a credit institution from the Irish market.

Table A.4.1: Credit Institutions (Domestic Group) – Aggregate Balance Sheet

Total Assets

	Total Assets	Loans to Irish residents				Holdings of securities issued by Irish residents			
			Monetary financial institutions	General government	Private sector		Monetary financial institutions	General government	Private sector
	15	16	17	18	19	20	21	22	23
Outstanding amounts – € million									
2012									
April	602,777	321,987	80,149	28,083	213,755	113,297	17,720	17,500	78,077
May	603,057	321,321	79,950	27,816	213,555	112,837	17,864	17,032	77,942
June	605,886	320,847	80,993	27,805	212,048	110,878	18,209	17,436	75,233
July	580,499	293,899	55,118	27,789	210,992	111,475	18,806	17,704	74,965
August	570,179	292,588	54,242	27,802	210,544	111,586	18,618	18,507	74,461
September	567,086	292,340	54,662	27,778	209,900	111,330	18,583	18,745	74,002
October	565,438	289,774	54,024	27,826	207,924	112,001	18,638	19,048	74,315
November	561,569	290,369	55,668	27,778	206,922	111,103	17,558	19,514	74,031
December	545,675	292,308	52,825	27,741	211,742	103,918	18,537	19,483	65,898
2013									
January	540,666	289,781	52,271	27,748	209,762	103,768	18,474	20,682	64,612
February	497,737	259,353	49,342	627	209,385	97,298	16,983	17,123	63,192
March	494,052	260,644	50,369	761	209,513	96,789	15,956	17,783	63,050
April	491,385	259,509	51,065	765	207,679	96,416	15,010	18,284	63,122

Total Liabilities

	Total Liabilities	Deposits from Irish residents				Debt securities issued		
			Monetary financial institutions	General government	Private sector	Irish resident	Euro area	Rest of the world
	32	33	34	35	11	36	37	38
Outstanding amounts – € million								
2012								
April	602,777	234,601	85,843	2,322	146,436	25,925	7,265	8,861
May	603,057	235,079	86,373	2,645	146,060	25,903	7,268	8,737
June	605,886	232,029	86,938	2,551	142,540	25,211	7,258	8,108
July	580,499	208,226	61,655	2,698	143,872	25,264	7,188	7,905
August	570,179	206,757	60,216	2,647	143,894	24,567	7,186	7,821
September	567,086	206,363	60,130	2,806	143,426	24,350	7,183	7,809
October	565,438	208,633	60,010	3,534	145,089	23,120	7,171	7,781
November	561,569	211,353	62,173	4,932	144,247	21,684	7,851	7,289
December	545,675	210,036	59,196	5,971	144,868	23,057	7,326	7,482
2013								
January	540,666	209,102	58,318	5,794	144,990	22,224	7,284	7,440
February	497,737	206,760	54,264	7,086	145,410	20,455	7,537	7,189
March	494,052	222,411	54,745	9,556	158,110	19,013	7,593	7,329
April	491,385	225,002	55,503	11,211	158,288	16,055	7,578	5,596

Notes:

1. For commentary on developments in a given month see the relevant Money and Banking Statistics information release at: Credit, Money and Banking Statistics: Publications and Releases
2. For a full set of explanatory notes see: Money and Banking Statistics Explanatory Notes
3. Data in Money and Banking Statistics is collected with reference to business written out of the within-the-State offices of the entire population of credit institutions in the Republic of Ireland. The most up to date list of these institutions is available on the Central Bank website here: Credit Institutions resident in the Republic of Ireland

Table A.4.1 – *continued*

Loans to non-residents		Holdings of securities issued by non-residents		Central bank balances		Remaining assets		
Euro area	Rest of the world	Euro area	Rest of the world	Resident	Non-resident	Resident	Non-resident	
24	107	131	145	28	29	30	31	
								Outstanding amounts – € million
								2012
8,107	93,780	8,347	26,655	5,905	–	12,335	12,364	April
8,187	93,930	8,190	26,827	5,460	–	13,115	13,190	May
7,619	98,434	7,840	26,267	6,352	–	14,821	12,828	June
8,226	97,029	7,772	26,617	6,179	–	16,442	12,859	July
8,012	91,546	7,749	25,873	4,915	–	16,188	11,722	August
7,773	88,108	7,693	25,869	6,822	–	15,747	11,403	September
7,598	85,910	7,659	24,904	10,237	–	15,699	11,657	October
7,733	86,233	7,591	25,018	6,118	–	15,451	11,953	November
7,642	79,948	7,617	23,561	1,881	–	17,211	11,591	December
								2013
7,492	77,266	7,612	22,657	2,326	–	18,212	11,552	January
7,481	74,601	7,730	21,050	2,602	–	16,536	11,086	February
7,185	73,347	7,701	20,869	1,877	–	15,469	10,172	March
7,360	70,568	7,632	21,202	1,954	–	15,714	11,030	April

Deposits from non-residents		Capital & reserves		Borrowing from the Eurosystem relating to monetary policy operations	Remaining liabilities		
Euro area	Rest of the world	Resident	Non-resident		Resident	Non-resident	
39	40	41	42	43	45	46	
							Outstanding amounts – € million
							2012
11,479	76,767	90,959	2,125	76,958	54,334	13,502	April
11,043	76,641	90,727	2,203	75,444	56,140	13,874	May
10,913	78,843	94,902	1,932	77,764	55,727	13,199	June
10,419	78,971	93,769	1,949	73,912	58,776	14,119	July
10,777	73,232	94,209	1,827	73,338	57,023	13,442	August
10,401	72,518	95,329	1,673	70,449	57,937	13,073	September
9,823	70,410	95,580	1,640	72,146	56,263	12,872	October
9,293	71,161	95,739	1,658	65,742	56,759	13,040	November
9,633	64,991	96,721	1,579	59,211	52,928	12,710	December
							2013
12,356	63,445	96,151	2,353	55,676	53,110	11,528	January
13,396	61,754	91,433	2,311	49,406	26,606	10,892	February
12,756	62,841	91,346	2,504	43,846	14,179	10,233	March
12,574	61,286	91,634	2,376	43,726	14,556	11,003	April

4. Credit Unions entered the reporting population for Money and Banking Statistics in January 2009.

5. Prior to December 2010, the outstanding amount of loans is reported on a net of impairment provisions basis. As of December 2010, the outstanding amount of loans is reported on a nominal basis, i.e. gross of impairment provisions, which, all else being equal, would lead to an increase in the reported outstanding amount of loans in that month.

6. In December 2010 the outstanding amount of loans, deposits and other asset and liability instruments across a number of categories has been reduced following the exit of a credit institution from the Irish market.

Table A.14: Credit Advanced to Irish Resident Private-Sector Enterprises

	Series Code	Outstanding amounts – € million				
		Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
1. Primary Industries	**1,226**	**5,114**	**5,057**	**5,110**	**4,977**	**5,023**
1.1 Agriculture	1,227	4,290	4,252	4,277	4,146	4,209
1.1.1 Growing of crops, market gardening, horticulture	301	474	482	482	435	444
1.1.2 Farming of animals	302	2,761	2,761	2,760	2,675	2,732
1.1.3 Other agricultural activities	303	1,055	1,009	1,034	1,036	1,033
1.2 Forestry, logging, mining and quarrying	304	505	497	538	548	534
1.3 Fishing and aquaculture	305	319	307	295	283	280
2. Manufacturing	**306**	**5,066**	**5,244**	**5,148**	**5,018**	**5,236**
2.1 Manufacture of food, beverages and tobacco products	307	2,225	2,432	2,429	2,403	2,629
2.2 Wood, pulp, paper, paper products, printing and reproduction of recorded media	308	698	670	690	612	609
2.3 Chemicals, rubber/plastic products, other non-metallic mineral products	309	624	651	647	652	634
2.4 Pharmaceutical products and preparations, medical and dental instruments and supplies	310	69	64	76	56	61
2.5 Fabricated metal products, except machinery and equipment	311	96	90	87	83	83
2.6 Computer, electronic and optical products	312	101	78	81	73	92
2.7 Production, installation and repair of commercial machinery/equipment, not including computers	313	436	460	408	381	375
2.8 Other manufacturing	314	818	799	730	759	752
3. Electricity, Gas, Steam and Air Conditioning Supply	**315**	**773**	**774**	**575**	**578**	**630**
4. Water Supply, Sewerage, Waste Management and Remediation Activities	**316**	**138**	**124**	**125**	**112**	**148**
5. Construction	**317**	**2,948**	**2,891**	**2,877**	**2,821**	**2,800**
5.1 Construction of buildings carried out on contract	318	1,447	1,393	1,385	1,360	1,363
5.2 Civil engineering activities carried out on contract	319	673	670	672	671	664
5.3 Other construction activities	320	828	828	820	790	772
6. Wholesale/Retail Trade & Repairs	**321**	**9,274**	**9,129**	**8,859**	**8,554**	**8,713**
6.1 Sale, maintenance/repair of motor vehicles, retail sale of fuel	322	1,716	1,674	1,600	1,709	1,728
6.2 Wholesale trade and commission trade (except vehicles)	323	1,777	1,688	1,647	1,522	1,599
6.3 Retail trade (except vehicles), repair of personal/household goods	324	4,866	4,848	4,853	4,655	4,739
6.4 Other wholesale/retail	325	914	919	759	668	648
7. Transportation and Storage	**326**	**1,545**	**1,580**	**1,395**	**1,355**	**1,370**
7.1 Land, water and air transport	327	907	936	760	730	762
7.2 Postal, courier, warehousing and support activities for transportation	328	316	323	302	301	296
7.3 Other transportation and storage	329	323	320	333	325	312
8. Hotels and Restaurants	**330**	**7,709**	**7,678**	**7,688**	**7,490**	**7,612**
8.1 Hotels	331	4,321	4,363	4,398	4,335	4,477
8.2 Restaurants	332	606	599	585	547	541
8.3 Bars	333	2,449	2,385	2,382	2,296	2,281
8.4 Other accommodation and catering	334	332	330	322	312	313

Notes:

* For metadata and explanatory notes see:
http://www.centralbank.ie/polstats/stats/cmab/Documents/Business_Credit_and_Deposits_Explanatory Notes_Jun11.pdf

** For commentary on most recent developments see:
http://www.centralbank.ie/polstats/stats/cmab/Pages/releases.aspx

Table A.14 – *continued*

Transactions – € million					Growth rates – per cent.				
Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
34	**-58**	**53**	**-130**	**48**	**-3.3**	**-3.7**	**-4.0**	**-2.0**	**-1.7**
20	-38	24	-128	65	-3.6	-3.6	-3.4	-2.9	-1.8
-8	8	1	-47	9	-3.1	-1.2	1.9	-9.7	-6.4
33	0	-1	-85	57	-3.3	-3.1	-3.0	-1.9	-1.1
-6	-45	25	4	-1	-4.4	-5.9	-6.7	-2.1	-1.6
15	-8	41	10	-13	2.2	-1.5	-6.2	11.9	5.9
-1	-12	-12	-11	-4	-7.7	-8.7	-8.3	-11.4	-12.2
-244	**106**	**-82**	**-100**	**90**	**-5.7**	**-1.3**	**-1.8**	**-6.0**	**0.3**
-159	154	6	-4	150	-0.7	7.6	8.9	-0.3	13.7
29	-28	19	-78	-29	7.8	-0.4	4.6	-8.6	-16.5
-111	22	-1	8	-21	-22.0	-19.5	-18.3	-11.8	1.2
-4	-6	11	-19	2	-37.4	-32.7	-21.2	-25.6	-18.3
4	-5	-3	-5	1	-23.7	-20.9	2.0	-10.1	-12.8
9	-24	3	-7	-11	6.2	-11.2	2.3	-21.6	-38.5
-4	22	-50	-26	-6	-4.9	8.1	-2.9	-13.2	-13.8
-7	-26	-68	31	4	-9.2	-6.0	-17.3	-8.3	-7.2
-11	**-8**	**-222**	**4**	**-86**	**-17.0**	**0.4**	**-31.9**	**-29.9**	**-39.5**
-5	**-15**	**2**	**-13**	**-4**	**14.4**	**0.9**	**-12.0**	**-21.6**	**-21.4**
-32	**-14**	**-14**	**-48**	**-21**	**-2.5**	**-2.4**	**-2.9**	**-3.6**	**-3.3**
-1	-11	-8	-17	4	9.0	2.3	-2.9	-2.6	-2.3
-14	-4	2	0	-7	-12.1	-9.1	-3.4	-2.3	-1.4
-18	0	-8	-30	-18	-13.8	-5.8	-2.7	-6.6	-6.7
-196	**-158**	**-270**	**-150**	**11**	**-3.8**	**-2.4**	**-5.9**	**-8.2**	**-6.1**
-44	-40	-74	113	7	4.6	4.9	-2.3	-2.6	0.3
-110	-93	-41	-81	0	2.0	-3.1	-1.7	-17.4	-12.1
-32	-16	5	-194	22	-8.4	-5.4	-5.7	-4.8	-3.8
-10	-10	-159	13	-18	-2.3	3.1	-20.5	-17.8	-19.2
68	**33**	**-184**	**-41**	**13**	**-8.0**	**-7.9**	**-9.2**	**-8.3**	**-11.6**
75	28	-176	-30	30	-8.8	-6.0	-16.0	-12.3	-16.3
-8	6	-21	-2	-9	1.2	3.1	-2.5	-7.5	-8.3
1	-2	13	-8	-7	-13.5	-21.5	4.2	1.4	-1.4
-5	**-45**	**9**	**-136**	**13**	**-2.0**	**-1.9**	**-1.0**	**-2.3**	**-2.1**
75	19	35	-39	33	0.6	1.8	3.1	2.1	1.1
-6	-5	-15	-38	-6	-7.3	-6.6	-6.4	-10.5	-10.7
-76	-59	-3	-59	-15	-5.2	-6.9	-6.3	-7.8	-5.5
2	0	-8	0	1	-1.8	-1.4	-1.7	-1.7	-1.8

Table A.14 – *continued*

	Series Code	Outstanding amounts – € million				
		Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
9. Information and Communication	**335**	**567**	**463**	**440**	**442**	**531**
9.1 Publishing of printed material	336	174	175	172	168	234
9.2 Audio-visual production and publishing, programming and broadcasting activities	337	49	28	32	37	32
9.3 Telecommunications and information service activities	338	230	145	124	118	144
9.4 Software publishing, computer programming, consultancy and related activities	339	113	114	113	118	120
9.5 Other information and communication	340	1	1	1	1	1
10. Financial Intermediation (Excl. Monetary Financial Institutions)	**1,228**	**122,387**	**117,397**	**115,892**	**106,135**	**102,631**
10.1 Financial leasing	342	1,496	1,485	1,464	1,404	1,370
10.2 Non-bank credit grantors, excluding credit unions	343	15,787	15,587	15,743	14,823	14,696
10.3 Investment funds, excluding financial vehicle corporations and money market funds	344	544	592	623	528	489
10.4 Financial vehicle corporations (FVCs)	345	86,440	82,635	81,337	74,858	70,922
10.5 Life insurance	346	2,701	1,368	1,434	1,396	1,383
10.6 Pension funding	347	69	69	69	68	66
10.7 Non-life insurance	348	231	240	195	181	166
10.8 Security broker/fund management	349	367	363	394	379	414
10.9 Other financial intermediation/Unallocated	1,229	14,751	15,058	14,632	12,498	13,126
11. Real Estate, Land and Development Activities	**351**	**54,462**	**54,103**	**53,559**	**52,231**	**51,111**
11.1 Property investment/development of residential real estate	1,230	18,296	18,622	19,020	18,641	18,261
11.2 Property investment/development of commercial real estate	1,231	14,187	14,532	14,664	14,303	14,208
11.3 Property investment/development of mixed real estate	1,232	17,928	16,938	15,802	15,213	14,615
11.4 Investment in unzoned land	358	863	849	843	849	832
11.5 Other real estate activities	359	3,187	3,161	3,230	3,226	3,196
12. Business and Administrative Services	**360**	**5,020**	**4,692**	**4,748**	**4,855**	**4,868**
12.1 Legal, accounting and management consultant activities	361	1,294	1,197	1,225	1,254	1,272
12.2 Architectural and engineering activities, technical testing and analysis	362	178	176	174	167	164
12.3 Scientific research and development	363	33	29	29	29	28
12.4 Rental and leasing activities, services to buildings and landscape activities	364	90	86	87	165	137
12.5 Employment, office administration and business support activities	365	268	249	279	281	287
12.6 Other business and administrative services	366	3,157	2,955	2,954	2,959	2,980
13. Other Community, Social and Personal Services	**367**	**2,124**	**2,109**	**2,088**	**2,099**	**2,100**
13.1 Recreational, cultural and sporting activities	368	869	865	867	880	885
13.2 Membership organisations (business, employers, professional, trade unions, religious, political)	369	300	296	291	285	285
13.3 Other service activities	370	955	948	930	935	930
14. Education	**371**	**495**	**500**	**553**	**568**	**565**
15. Human Health and Social Work	**372**	**1,937**	**1,895**	**1,837**	**2,014**	**2,123**
15.1 Hospitals and medical practice activities	373	1,277	1,251	1,183	1,365	1,485
15.2 Residential care activities	374	313	310	309	312	310
15.3 Other health and social work	375	347	333	345	338	328
16. Extra-Territorial Organisations and Bodies	**376**	**0**	**0**	**0**	**0**	**0**
17. Total	**378**	**219,558**	**213,634**	**210,894**	**199,251**	**195,461**
17.1 Total ex Financial Intermediation	***1,233***	***97,171***	***96,238***	***95,002***	***93,116***	***92,830***
17.2 Total ex Financial Intermediation and Property Related Sectors	***1,234***	***39,761***	***39,244***	***38,566***	***38,064***	***38,919***

Table A.14 – *continued*

Transactions – € million					Growth rates – per cent.				
Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
-17	**-103**	**-32**	**2**	**-14**	**-9.0**	**-23.4**	**-27.4**	**-25.8**	**-25.9**
0	1	-18	-3	2	-1.7	-3.4	-11.4	-11.7	-10.6
0	-21	9	5	-1	6.9	-33.7	-13.8	-13.8	-15.4
-17	-84	-21	-5	-17	-10.8	-42.8	-52.7	-51.9	-55.7
1	2	-1	5	2	-20.6	-10.2	1.0	5.7	6.8
0	0	0	0	0	-1.9	-4.7	-19.9	-5.8	-6.8
-1,177	**-5,463**	**-983**	**-9,278**	**-3,439**	**-9.8**	**-11.8**	**-8.7**	**-13.7**	**-15.7**
-38	-15	-24	-57	-34	-11.3	-14.2	-11.2	-8.8	-8.7
-364	-371	192	-834	-101	-19.9	-15.1	-12.9	-8.5	-7.0
26	43	33	-57	-42	-35.4	8.6	33.5	8.7	-4.8
-642	-3,900	-626	-6,224	-3,021	-4.7	-9.8	-6.6	-13.1	-16.0
-73	-1,353	71	-27	-2	-11.0	-53.4	-49.1	-49.8	-48.5
0	-1	1	-2	-2	26.9	2.1	10.4	-2.4	-5.1
67	2	-43	-11	-15	58.9	59.9	12.2	9.5	-28.5
-17	-6	31	-13	35	-37.3	-24.7	-7.3	2.5	12.6
-135	138	-618	-2,053	-257	-15.8	-7.9	-5.7	-17.7	-18.5
-182	**-646**	**-537**	**-887**	**-791**	**0.0**	**-2.0**	**-3.5**	**-4.1**	**-5.2**
185	-81	71	-357	-301	2.1	-0.9	-1.3	-0.9	-3.5
-384	-96	12	-130	54	-3.2	-4.1	-3.6	-4.1	-1.1
30	-372	-681	-405	-552	1.3	-0.8	-6.2	-8.3	-11.7
-27	-13	-9	6	-10	-7.8	-9.6	-10.5	-4.8	-2.9
14	-83	69	0	19	-1.4	-3.2	-1.5	0.0	0.1
-19	**-348**	**41**	**114**	**2**	**-8.7**	**-14.0**	**-11.6**	**-4.2**	**-3.8**
-9	-98	12	29	-18	-6.6	-10.8	-6.6	-5.1	-5.8
6	-3	-2	-7	-3	19.1	-1.3	-5.9	-3.2	-8.0
3	-4	0	0	0	12.2	-10.5	-3.3	-2.6	-13.9
0	-4	0	72	-43	-32.3	-16.6	-14.9	75.5	30.1
0	-21	30	2	36	-17.0	-15.4	-1.0	3.9	17.3
-18	-219	0	18	31	-9.2	-15.7	-14.7	-6.9	-5.4
-33	**-16**	**-21**	**12**	**-10**	**-6.1**	**-5.3**	**-4.8**	**-2.7**	**-1.7**
-24	-4	1	13	-8	-6.2	-3.6	-3.2	-1.5	0.3
-4	-5	-4	-6	0	-7.3	-7.1	-6.7	-6.4	-5.0
-5	-8	-18	5	-3	-5.7	-6.1	-5.7	-2.6	-2.4
-70	**6**	**52**	**15**	**-3**	**-27.6**	**-22.8**	**-7.5**	**0.6**	**14.3**
-61	**-40**	**-58**	**180**	**-41**	**-2.9**	**-5.1**	**-7.5**	**1.0**	**2.1**
-58	-29	-68	184	-30	-4.6	-6.2	-10.6	2.2	4.5
1	1	-2	3	-2	-1.7	-5.4	-4.6	1.0	0.2
-4	-12	12	-7	-9	2.2	-0.7	1.7	-3.5	-5.0
0	**0**	**0**	**0**	**0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
-1,951	**-6,769**	**-2,246**	**-10,455**	**-4,232**	**-6.2**	**-7.9**	**-6.8**	**-9.7**	**-10.8**
-774	***-1,306***	***-1,263***	***-1,177***	***-792***	***-2.1***	***-3.2***	***-4.5***	***-4.6***	***-4.7***
-559	***-646***	***-712***	***-243***	***20***	***-4.8***	***-4.9***	***-5.9***	***-5.3***	***-4.0***

Table A.16: Deposits from Irish Resident Private-Sector Enterprises

	Series Code	Outstanding amounts – € million				
		Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
1. Primary Industries	900	2,873	2,794	2,563	2,807	2,655
2. Manufacturing	901	3,827	3,891	4,018	4,307	3,931
3. Electricity, Gas, Steam and Air Conditioning Supply	902	495	487	504	583	552
4. Water Supply, Sewerage, Waste Management and Remediation Activities	903	47	53	58	52	42
5. Construction	904	1,835	1,747	1,720	1,835	1,730
6. Wholesale/Retail Trade & Repairs	905	3,603	3,765	3,684	4,204	3,554
7. Transportation and Storage	906	2,461	2,480	2,580	2,203	2,556
8. Hotels and Restaurants	907	568	632	695	639	614
9. Information and Communication	908	1,039	1,001	982	1,054	1,195
10. Financial Intermediation (Excl. Monetary Financial Institutions)	1,240	41,227	41,521	44,042	43,201	56,632
11. Real Estate, Land and Development Activities	910	3,590	3,676	3,647	3,545	3,635
12. Business and Administrative Services	911	7,481	7,683	7,642	7,995	8,053
13. Other Community, Social and Personal Services	912	4,239	4,345	4,287	4,179	4,174
14. Education	913	1,832	1,763	1,882	1,795	1,890
15. Human Health and Social Work	914	1,113	1,125	1,161	1,067	1,127
16. Extra-Territorial Organisations and Bodies	915	0	0	0	0	0
17. Total	917	76,230	76,964	79,466	79,464	92,339

Notes:

* For metadata and explanatory notes see:
http://www.centralbank.ie/polstats/stats/cmab/Documents/Business_Credit_and_Deposits_Explanatory Notes_Jun11.pdf

** For commentary on most recent developments see:
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Table A.16 – *continued*

Transactions – € million					Growth rates – per cent.				
Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
-61	-88	-229	246	-152	6.0	3.7	-5.7	-4.5	-7.8
-567	19	142	339	-408	-15.5	-5.7	-2.5	-1.6	2.2
-27	-10	17	40	-30	-11.9	-5.9	-1.3	3.7	3.6
-1	6	4	-6	-9	-18.8	-9.1	-5.4	5.8	-10.4
-130	-89	-27	116	-104	-3.1	-13.0	-9.9	-6.6	-5.7
-687	147	198	525	-653	-4.5	-5.6	-0.4	5.4	5.7
75	-10	105	-376	371	6.6	-5.1	-4.2	-8.6	3.6
-46	63	64	-56	-25	-9.4	-2.9	4.1	3.9	8.0
-65	-46	-18	73	-64	0.8	3.5	1.1	-5.1	-5.3
738	396	1,863	-164	12,943	-11.5	-7.8	6.4	7.0	36.0
-190	82	-29	-100	92	-21.9	-5.4	-4.6	-6.3	1.3
473	126	-16	386	255	3.2	8.7	6.2	13.8	10.0
16	99	-59	-105	-4	-3.1	-2.3	-4.1	-1.1	-1.6
118	-70	119	-86	94	-4.8	2.3	6.7	4.7	3.1
-3	8	37	-93	61	-3.3	-5.9	-6.0	-4.6	1.1
0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
-357	632	2,171	737	12,365	-8.5	-4.9	2.9	4.1	20.6

Table A.18: Credit Advanced to and Deposits from Irish Private Households

	Total Lending									
		Lending for house purchase								
			Floating rate				Fixed rate			
				Standard variable	Tracker	Up to 1 year fixed		Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 years
Series Code	1,243	777	1,244	1,245	1,246	1,247	1,248	1,249	1,250	1,251
Outstanding amounts – € million										
2012										
March	98,713	79,874	69,496	28,810	39,403	1,284	10,377	5,411	3,783	1,184
June	98,008	80,012	70,969	30,522	39,135	1,311	9,043	4,503	3,384	1,156
September	96,939	79,355	71,325	31,186	38,901	1,238	8,029	3,834	3,058	1,137
December	101,947	84,973	77,234	33,371	42,557	1,306	7,739	3,630	2,956	1,153
2013										
March	100,440	84,313	77,353	33,843	42,168	1,342	6,960	3,071	2,749	1,140
Transactions – € million										
2012										
March	-1,143	-500	402	657	-175	-80	-900	-585	-277	-40
June	-666	-335	964	1,067	-129	26	-1,299	-877	-397	-27
September	-783	-298	691	914	-109	-113	-990	-670	-315	-14
December	-770	-185	266	604	-405	68	-451	-243	-126	-12
2013										
March	-1,547	-721	203	485	-318	36	-780	-560	-207	-13
Growth rates – per cent.										
2012										
March	-4.1	-2.4	0.1	5.8	-3.3	0.6	-17.1	-16.2	-27.4	-10.7
June	-3.8	-2.2	1.9	9.8	-3.1	3.8	-26.2	-29.6	-32.5	-11.0
September	-3.4	-1.9	2.9	10.8	-2.2	-2.7	-30.8	-37.5	-34.9	-6.9
December	-3.4	-1.6	3.4	11.4	-2.1	-7.4	-32.3	-39.7	-27.5	-7.6
2013										
March	-3.7	-1.9	3.0	10.5	-2.4	1.1	-33.9	-43.5	-27.6	-5.6

Notes:

* For metadata and explanatory notes see:
http://www.centralbank.ie/polstats/stats/cmab/Documents/Private_Households_Credit_and_Deposits_Explanatory_Notes_Jun11.pdf

** For commentary on most recent developments see:
http://www.centralbank.ie/polstats/stats/cmab/Pages/releases.aspx

Table A.18 – *continued*

Total Lending			Total Deposits	
Other personal				
	Finance for investment	Finance for other purposes		
1,252	1,253	1,254	962	Series Code
				Outstanding amounts – € million
				2012
18,839	2,725	16,114	86,910	March
17,996	2,748	15,248	87,045	June
17,584	2,556	15,029	87,216	September
16,974	2,416	14,558	87,010	December
				2013
16,127	2,066	14,061	87,198	March
				Transactions – € million
				2012
-643	-61	-582	826	March
-330	-41	-289	74	June
-485	-82	-403	180	September
-585	-128	-457	-179	December
				2013
-826	-337	-489	215	March
				Growth rates – per cent.
				2012
-11.6	-7.6	-12.2	-0.7	March
-10.7	-9.3	-10.9	0.0	June
-9.5	-9.9	-9.4	0.8	September
-10.6	-11.2	-10.5	1.0	December
				2013
-12.1	-21.9	-10.4	0.3	March

Table A.20.1: Money Market Funds – Monthly Aggregate Balance Sheet

Assets

	Total	Deposits and loan claims	Securities other than shares				Money market fund shares/ units	Other assets including shares and other equities
			Issued by Irish residents	Issued by other euro area residents	Issued by non-euro area residents			
					MFIs	Other		
Outstanding Amounts – € million								
2012								
April	305,128	54,304	2,294	61,439	138,034	48,320	-	737
May	317,335	58,151	1,988	66,987	143,088	46,246	-	875
June	309,471	72,273	2,003	59,936	126,602	46,444	-	2,212
July	308,920	68,547	2,693	63,333	124,885	49,082	-	382
Aug	315,149	69,351	2,992	69,271	126,377	46,750	-	408
September	312,015	68,077	3,210	69,356	124,178	46,849	-	345
October	311,488	70,556	3,501	69,794	121,446	45,705	-	487
November	306,583	63,609	2,891	71,982	122,956	44,466	-	679
December	297,322	62,190	3,155	62,084	124,259	44,929	-	705
2013								
January	291,548	60,868	4,028	79,270	99,992	46,439	-	950
February	284,976	58,203	4,202	79,921	97,596	44,075	-	980
March	295,129	62,241	4,617	81,679	103,439	42,217	-	935
April	297,856	71,185	4,712	81,005	102,254	38,217	-	482

Liabilities

	Total	Money market fund shares/units issued			Other Liabilities
		Issued to Irish residents	Issued to other euro area residents	Issued to non-euro area residents	
Outstanding amounts – € million					
2012					
April	305,128	16,517	38,222	246,992	3,396
May	317,335	16,331	38,464	255,343	7,198
June	309,471	15,789	36,487	252,693	4,502
July	308,920	13,995	40,992	252,002	1,931
Aug	315,149	14,074	42,073	254,438	4,565
September	312,015	13,167	39,532	254,452	4,865
October	311,488	13,678	41,861	251,818	4,131
November	306,583	11,916	37,869	251,723	5,075
December	297,322	11,567	34,904	249,500	1,352
2013					
January	291,548	11,579	37,537	237,711	4,720
April	248,976	11,923	36,895	228,526	7,632
May	295,129	11,628	34,176	245,044	4,280
June	297,856	1,852	34,285	248,680	3,039

The change in definition of money market funds (MMFs) required by Regulation of the European Central Bank ECB/2001/12 has been implemented in December 2011.

This has led to €114billion of funds previously classified as MMF's being re-categorised as Investment Funds and no longer being included in these statistics.

The difference in total assets between the monthly and quarterly tables is accounted for by the inclusion of remaining assets in the monthly table but omission from the corresponding quarterly data.

Table A.20.2: Money Market Funds – Currency Breakdown of Assets

	Assets								
	Total	Loans				Securities other than shares			
						Issued by Irish residents			
		Euro	Sterling	USD	Other	Euro	Sterling	USD	Other
Outstanding Amounts – € million									
2011									
March	345,996	11,651	11,482	20,573	355	1,384	489	486	72
June	349,497	30,731	25,405	52,446	280	2,024	432	438	75
September	365,026	27,219	31,372	56,403	340	1,961	243	326	-
December	286,317	16,415	33,309	25,089	453	1,195	216	148	1
2012									
March	300,305	13,025	14,197	18,651	288	1,722	243	198	3
June	307,259	15,011	35,515	21,412	335	1,426	392	181	3
September	311,670	12,786	30,903	24,075	313	2,164	763	281	2
December	296,617	8,863	29,908	23,170	248	1,666	1,069	418	2
2013									
March	294,194	7,190	33,828	20,941	282	1,989	2,419	210	0

	Securities other than shares							
	Issued by other euro area residents				Issued by non-euro area residents			
	Euro	Sterling	USD	Other	Euro	Sterling	USD	Other
2011								
March	50,068	22,544	18,792	427	14,603	88,462	103,847	761
June	25,952	17,456	15,284	358	21,357	73,769	82,533	959
September	28,504	25,320	9,986	421	27,643	72,570	81,775	941
December	24,407	19,608	7,254	282	15,740	76,407	64,606	1,184
2012								
March	20,873	29,235	8,527	425	21,862	100,374	69,610	1,074
June	21,829	27,895	9,699	513	18,839	86,313	66,759	1,135
September	23,832	34,333	10,822	369	17,794	89,270	62,557	1,406
December	22,790	30,773	8,075	447	13,942	84,956	69,133	1,157
2013								
March	23,627	45,072	12,394	586	10,188	66,473	68,041	953

The change in definition of money market funds (MMFs) required by Regulation of the European Central Bank ECB/2001/12 has been implemented in December 2011.

This has led to €114billion of funds previously classified as MMF's being re-categorised as Investment Funds and no longer being included in these statistics.

The difference in the total assets figure included in the monthly and quarterly tables, is accounted for due to the remaining assets being included in the monthly table but omitted from the corresponding quarterly data.

Section B

Interest Rates

Table B.1.1: Retail Interest Rates – Deposits, Outstanding Amounts

	Households				Non-financial corporations		
	Overnight	Redeemable at notice	With agreed maturity		Overnight	With agreed maturity	
			Up to 2 years	Over 2 years		Up to 2 years	Over 2 years
Rates (per cent per annum)							
2012							
April	0.57	1.95	3.68	2.51	0.21	3.06	1.67
May	0.52	1.95	3.66	2.54	0.24	3.06	1.58
June	0.52	1.96	3.64	2.53	0.24	3.05	1.72
July	0.50	1.80	3.60	2.54	0.26	2.99	1.72
August	0.49	1.79	3.54	2.53	0.23	2.84	1.69
September	0.48	1.53	3.47	2.52	0.23	2.64	1.66
October	0.46	1.51	3.41	2.48	0.22	2.57	1.55
November	0.45	1.51	3.35	2.42	0.24	2.57	1.72
December	0.35	1.49	3.29	2.36	0.23	2.42	1.75
2013							
January	0.35	1.50	3.23	2.41	0.24	2.36	1.78
February	0.35	1.38	3.15	2.41	0.24	2.22	1.74
March	0.35	1.25	3.06	2.40	0.38	2.13	1.46
April	0.31	1.18	2.92	2.36	0.35	2.01	1.32
Volumes (€ million)							
2012							
April	33,978	11,745	30,371	4,321	15,165	12,298	533
May	33,759	11,527	30,763	4,422	15,094	12,116	504
June	33,969	11,315	30,820	4,414	15,487	11,893	526
July	33,649	11,151	31,083	4,444	15,872	11,571	523
August	33,921	10,970	31,180	4,463	15,587	11,814	543
September	34,358	10,771	31,290	4,504	15,550	11,706	540
October	34,634	10,482	31,276	4,485	16,743	11,792	514
November	34,606	10,315	31,236	4,388	16,073	11,125	486
December	34,767	10,224	31,349	4,331	17,163	11,062	477
2013							
January	34,648	10,139	31,609	4,304	16,623	10,723	468
February	34,948	10,112	31,394	4,258	16,182	11,010	475
March	34,548	9,929	31,146	4,267	16,536	10,732	492
April	34,913	9,739	30,282	4,279	17,313	10,937	476

Notes: The interest rate and volume data refer to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in Ireland and other Monetary Union Member States. Rates reported are weighted averages for each instrument category.

Data are representative of resident offices of banks and building societies. Credit union data are not included in the interest rates tables.

Table B.1.2: Retail Interest Rates – Loans, Outstanding Amounts

	Households						
	Overdrafts	Loans for house purchases with original maturity			Consumer loans and other loans with original maturity		
		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
Rates (per cent per annum)							
2012							
April	13.50	3.38	3.36	3.00	8.64	6.15	4.17
May	13.47	3.35	3.32	2.98	8.68	6.21	4.14
June	13.52	3.28	3.30	2.98	8.95	6.12	4.11
July	13.48	3.22	3.22	2.86	8.95	6.05	4.00
August	13.54	3.21	3.26	2.84	9.00	5.98	3.98
September	13.50	3.42	3.16	2.90	9.26	5.87	3.94
October	13.53	3.24	3.15	2.92	8.99	5.86	3.92
November	13.47	3.25	3.16	2.99	8.98	5.84	3.99
December	13.57	3.21	3.18	2.97	9.11	5.83	3.98
2013							
January	13.65	3.24	3.24	2.98	9.07	5.83	3.98
February	13.65	3.24	3.27	3.00	9.17	5.87	4.01
March	13.62	3.28	3.27	3.00	9.18	5.89	4.03
April	13.39	3.29	3.30	3.00	9.74	5.73	3.95
Volumes (€ million)							
2012							
April	3,725	455	583	79,564	5,806	7,115	10,701
May	3,698	447	582	79,400	5,843	6,983	10,771
June	3,706	444	578	78,562	5,628	7,018	10,775
July	3,717	437	556	77,733	5,603	6,745	10,844
August	3,706	399	553	78,066	5,410	6,511	10,889
September	3,896	266	537	78,064	5,198	6,344	11,357
October	3,857	285	517	77,524	5,202	6,213	11,338
November	3,887	276	521	77,480	5,132	5,982	11,155
December	3,882	278	513	83,744	5,186	5,526	11,177
2013							
January	3,807	276	485	83,411	5,053	5,305	11,232
February	3,777	269	485	83,134	5,079	5,134	11,290
March	3,756	266	477	83,161	5,198	5,064	11,450
April	5,209	271	476	82,857	7,028	4,732	9,837

Notes: The interest rate and volume data refer to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in Ireland and other Monetary Union Member States. Rates reported are weighted averages for each instrument category.

Data are representative of resident offices of banks and building societies. Credit union data are not included in the interest rates tables.

Table B.1.2 – *Continued*

Non-financial corporations

Overdrafts	Loans with original maturity: Up to 1 year	Loans with original maturity: Over 1 and up to 5 years	Loans with original maturity: Over 5 years	
				Rates (per cent per annum)
				2012
4.92	3.75	3.25	3.26	April
4.66	3.77	3.16	3.23	May
4.99	3.76	3.15	3.19	June
4.77	3.75	3.04	3.09	July
4.46	3.58	2.94	3.07	August
4.68	3.56	2.82	3.02	September
4.65	3.19	2.79	2.96	October
5.32	3.16	2.73	2.97	November
4.69	3.19	2.72	2.97	December
				2013
4.62	3.16	2.75	2.96	January
5.48	3.19	2.72	2.96	February
4.68	3.24	2.74	2.98	March
4.72	3.32	2.76	2.97	April
				Volumes (€ million)
				2012
9,432	23,426	23,627	40,572	April
9,359	23,677	23,255	40,489	May
9,291	23,382	22,913	40,859	June
9,462	23,302	22,554	41,156	July
9,304	23,231	22,279	41,300	August
9,308	23,580	21,846	41,638	September
9,150	23,725	21,559	41,243	October
9,371	23,823	21,326	41,103	November
9,279	24,269	20,911	41,044	December
				2013
9,324	24,331	20,081	41,340	January
10,315	23,993	20,187	42,003	February
10,321	24,029	20,268	41,346	March
7,567	26,529	18,872	39,163	April

Table B.2.1: Retail Interest Rates and Volumes – Loans and Deposits, New Business

	Loans						
	Households						
	For house purchases			For consumption purposes			For other purposes
	Floating rate and up to 1 year fixation	Over 1 year fixation	APRC	Floating rate and up to 1 year fixation	Over 1 year fixation	APRC	
Rates (per cent per annum)							
2012							
April	3.05	4.39	3.15	6.57	10.40	7.52	4.69
May	3.04	4.25	3.16	7.36	10.55	8.32	4.53
June	3.00	4.21	3.10	7.12	10.44	7.98	5.03
July	3.00	4.13	3.10	6.81	10.12	7.74	4.59
August	2.91	4.10	3.00	6.71	10.70	7.69	4.29
September	3.12	4.06	3.22	5.59	10.89	6.52	5.46
October	3.23	4.62	3.46	7.03	10.85	7.96	4.71
November	3.35	4.28	3.62	5.17	10.65	6.00	5.50
December	3.43	4.35	3.61	5.81	10.69	6.58	4.33
2013							
January	3.20	4.23	3.37	6.38	10.29	7.42	4.92
February	3.18	4.33	3.53	6.61	10.32	7.70	4.55
March	3.16	4.45	3.36	5.26	10.14	6.42	3.96
April	3.23	4.39	3.45	6.92	9.91	7.80	4.35
Volumes (€ million)							
2012							
April	794	66	-	105	34	-	46
May	785	78	-	85	36	-	46
June	712	62	-	81	28	-	27
July	772	74	-	91	36	-	43
August	852	68	-	95	31	-	89
September	737	94	-	123	26	-	36
October	810	162	-	86	28	-	44
November	965	272	-	152	27	-	54
December	1,019	216	-	90	17	-	49
2013							
January	1,072	164	-	92	34	-	27
February	843	147	-	92	37	-	38
March	812	150	-	117	37	-	43
April	934	219	-	94	40	-	43

Notes: The interest rate and volume data refer to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in Ireland and other Monetary Union Member States. Rates reported are weighted averages for each instrument category.

Data are representative of resident offices of banks and building societies. Credit union data are not included in the interest rates tables.

Table B.2.1 – *Continued*

Loans: Non-financial corporations – Loans up to €1 million – Floating rate and up to 1 year fixation	Loans: Non-financial corporations – Loans up to €1 million – Over 1 year fixation	Loans: Non-financial corporations – Loans over €1 million – Floating rate and up to 1 year fixation	Loans: Non-financial corporations – Loans over €1 million – Over 1 year fixation	Deposits: Households – With agreed maturity	Deposits: Non-financial corporations – With agreed maturity	
						Rates (per cent per annum)
						2012
4.23	6.47	2.91	4.41	2.42	1.68	April
4.38	6.33	3.14	4.10	2.31	1.59	May
4.51	6.18	2.94	4.58	1.95	1.51	June
4.30	6.26	2.92	3.94	1.69	1.38	July
4.41	5.94	2.72	4.04	1.63	1.32	August
3.79	6.23	2.56	4.44	1.55	1.03	September
3.98	5.43	2.50	3.55	1.35	1.08	October
4.64	6.02	2.65	4.04	1.28	0.83	November
4.04	5.66	2.69	3.19	1.34	0.94	December
						2013
4.03	6.73	2.42	4.17	1.29	0.81	January
4.26	6.31	2.52	3.56	1.26	0.88	February
4.20	6.57	2.50	4.56	1.19	0.70	March
4.40	6.46	2.38	4.28	1.12	0.54	April
						Volumes (€ million)
						2012
270	45	542	41	7,293	5,019	April
246	52	652	32	7,072	4,646	May
237	43	692	111	5,852	3,982	June
246	45	1,106	24	5,879	4,273	July
197	36	627	19	6,032	4,428	August
246	38	515	20	6,979	5,022	September
251	51	542	57	7,632	5,068	October
265	45	497	53	7,265	4,573	November
266	46	838	102	6,038	4,212	December
						2013
240	37	686	48	7,062	4,901	January
252	58	444	49	6,620	4,359	February
258	45	493	54	7,175	4,408	March
258	50	412	11	7,459	4,885	April

Table B.3: Official and Selected Interest Rates

Per cent per annum	Eurosystem Official Interest Rates			Interbank Market				Clearing Banks' Prime Rates
	Marginal lending facility	Deposit facility	Main refinancing operations	Eonia (overnight)	1 month Euribor	3 month Euribor	12 month Euribor	Ireland
End-month								
2012								
May	1.75	0.25	1.00	0.33	0.39	0.67	1.23	0.88 - 2.00
June	1.75	0.25	1.00	0.38	0.37	0.65	1.21	0.88 - 2.00
July	1.50	0.00	0.75	0.11	0.15	0.39	0.95	0.63 - 1.70
August	1.50	0.00	0.75	0.11	0.12	0.28	0.81	0.63 - 1.60
September	1.50	0.00	0.75	0.11	0.12	0.22	0.68	0.62 - 1.50
October	1.50	0.00	0.75	0.08	0.11	0.20	0.62	0.61 - 1.50
November	1.50	0.00	0.75	0.08	0.11	0.19	0.57	0.61 - 1.50
December	1.50	0.00	0.75	0.13	0.11	0.19	0.54	0.61 - 1.50
2013								
January	1.50	0.00	0.75	0.08	0.12	0.23	0.62	0.61 - 1.50
February	1.50	0.00	0.75	0.07	0.12	0.21	0.56	0.62 - 1.50
March	1.50	0.00	0.75	0.11	0.12	0.21	0.55	0.62 - 1.50
April	1.50	0.00	0.75	0.10	0.12	0.21	0.51	0.62 - 1.50
May	1.00	0.00	0.50	0.11	0.11	0.20	0.48	0.61 - 1.50

Note: Euribor is the rate at which euro interbank term deposits are offered by one prime bank to another, within the euro area.
Daily data from 30 December 1998 are available from www.euribor.org.

Section C

Other Financial Data

Table C.1: Investment Funds – Aggregate Balance Sheet

Total Assets

		Deposits and loan claims			Securities other than shares		
		Domestic Total	OMUMs' Total	ROW Total	Domestic Total	OMUMs' Total	ROW Total
Outstanding amounts – € million							
2011							
September	661,748	3,661	1,803	23,513	4,538	40,778	210,498
December	818,648	4,046	4,285	52,827	9,683	53,101	292,980
2012							
March	885,550	5,381	6,078	53,153	12,628	57,207	315,302
June	922,941	5,060	2,641	63,523	14,260	67,308	323,216
September	985,295	5,195	2,782	83,369	17,586	70,519	328,749
December	1,018,752	3,766	2,854	73,843	14,841	75,833	350,361
2013							
March	1,123,458	4,166	2,561	69,338	10,179	69,476	401,160
Transactions – € million							
2011							
September	3,255	-1,844	-318	3,377	270	-31	4,950
December	-9,559	295	-291	586	1,991	2,019	-4,040
2012							
March	32,916	1,952	1,796	-537	2,952	3,965	17,861
June	5,064	-307	-3,443	6,830	1,795	9,615	-9,419
September	38,205	258	211	23,689	3,022	-2,985	1,596
December	23,098	-1,241	147	-7,699	-3,670	6,101	19,013
2013							
March	64,056	406	-372	-6,081	-4,602	3,712	34,856

Total Liabilities

		Investment fund shares/units							
		Domestic MFIs	Domestic Non-MFI's	Domestic Total	OMUMs' MFI	OMUMs' Non-MFI's	OMUMs' Total	ROW Total	Total
Outstanding amounts – € million									
2011									
September	661,748	16,605	24,824	41,429	73,178	109,402	182,580	381,949	605,958
December	818,648	15,922	27,298	43,220	78,293	134,234	212,527	512,919	768,667
2012									
March	885,550	15,948	31,503	47,451	72,642	143,490	216,133	555,864	819,448
June	922,941	16,968	33,516	50,484	76,298	150,713	227,011	577,356	854,851
September	985,295	18,390	36,326	54,716	72,206	142,630	214,836	623,134	892,686
December	1,018,752	18,223	35,996	54,219	75,665	149,462	225,127	652,799	932,145
2013									
March	1,123,458	21,172	41,820	62,992	82,476	162,915	245,390	705,998	1,014,380
Transactions – € million									
2011									
September	3,255	-1,693	-2,531	-4,224	-3,539	-5,291	-8,831	10,942	-2,113
December	-9,559	-2,433	-2,059	-4,493	-10,988	-7,460	-18,447	20,591	-2,349
2012									
March	32,916	-751	2,668	1,917	-8,326	3,971	-4,356	18,548	16,110
June	5,064	-968	2,648	1,680	-5,580	9,749	4,169	2,926	8,775
September	38,205	470	929	1,400	-5,945	-11,744	-17,689	29,778	13,488
December	23,098	-424	-838	-1,262	2,536	5,010	7,546	21,674	27,958
2013									
March	64,056	2,254	4,452	6,706	3,828	7,561	11,389	24,604	42,699

Note: The data contain the following reclassifications:
Q4 2011 - €114,002 million of Money Market Funds were reclassified as Investment Funds - bond funds (€112,597 million) and other funds (€1,405 million)
Q4 2011 and Q1 2012 - €15,689 million moved, within asset holdings, from Securities other than shares to Deposits and Loans in Q4 2011 and an additional €4,684 million in Q1 2012.
In Q1 2012, the balance sheet increased by €4,140 million, via Securities other than shares on the asset side and Deposits and loans on the liability side.
Q1 2013 - Units/shares in issue of equity funds declined by €9,804 million with €5,318 million transferring to mixed funds, €2,041 million to other funds, €1,274 million to bond funds and €1,171 million to hedge funds. €15,348 million of debt security assets of equity funds transferred to bond funds (€10,881 million), mixed funds (€3,035 million), hedge funds (€1,113 million) and other funds (€318 million). €7,970 million of equity holdings (including shares in other funds) of bond funds transferred to equity funds (€6,391 million), mixed funds (€1,459 million) and small amounts to hedge and other funds. Within the debt securities holdings of bond funds, €9,285 million "transferred from "other monetary union members" (OMUM) to "rest of the world" (RoW)."

Table C.1 – *continued*

Shares and other equity			Investment fund shares/units (incl. MMF shares)			Non-financial assets			Other assets
Domestic Total	OMUMs' Total	ROW Total	Domestic Total	OMUMs' Total	ROW Total	Domestic Total	OMUMs' Total	ROW Total	Total
14,170	33,909	204,114	36,313	8,609	28,655	11	0	65	51,111
15,331	33,917	220,138	39,206	9,083	28,047	11	0	64	55,927
16,504	39,424	240,047	42,469	9,241	28,407	10	0	58	59,640
18,830	36,624	244,721	40,221	11,066	33,911	10	0	58	61,491
16,837	39,815	257,096	46,665	11,185	30,669	10	0	65	74,751
17,525	44,017	269,341	47,132	11,243	32,121	781	0	67	75,026
13,616	46,359	298,788	62,731	12,206	32,072	779	0	55	99,971
794	-6,230	-5,891	3,319	1,188	2,356	0	0	-14	1,330
575	-1,137	-5,656	278	-166	-2,212	0	0	-35	-1,765
684	1,004	2,364	-387	-589	-622	0	0	-5	2,480
300	-863	1,966	-4,098	1,743	4,825	0	0	1	-3,880
-2,427	-455	563	4,422	-535	-3,798	0	0	8	14,636
551	1,474	8,803	-333	247	1,836	0	0	-45	-2,855
-4,570	778	7,893	11,885	399	-1,254	-2	0	4	21,005

Loans and deposits received	Other liabilities
Total	Total
5,626	50,165
6,094	43,887
12,292	53,810
8,383	59,707
19,787	72,821
22,432	64,174
27,155	81,922
-141	5,509
428	-7,637
6,278	10,529
-4,423	712
11,584	13,133
3,042	-7,902
5,040	16,318

Table C.1.1: Resident Credit Institutions International Business: Analysis by Currency and Sector[a]

€ million	28 March 2013	31 December 2012
Assets		
1. Analysis by currency		
Irish residents in non-euro	*29,439*	*30,355*
US Dollar	16,126	15,890
Sterling	11,321	12,096
Other	1,992	2,368
Non-residents in non-euro	*201,633*	*214,719*
US Dollar	88,334	90,048
Sterling	89,636	97,592
Other	23,663	27,079
Non-residents in euro	*189,459*	*216,681*
2. Analysis by sector		
Irish residents in non-euro	*29,439*	*30,355*
Monetary financial institutions	6,935	6,993
Non-monetary financial institutions	22,504	23,362
Non-residents in non-euro	*201,633*	*214,719*
Monetary financial institutions	111,793	115,541
Non-monetary financial institutions	89,839	99,178
Non-residents in euro	*189,459*	*216,681*
Monetary financial institutions	115,262	138,291
Non-monetary financial institutions	74,196	78,390
3. Total international business	**420,531**	**461,755**

Table C.1.1 – *continued*

€ million	28 March 2013	31 December 12
Liabilities		
1. Analysis by currency		
Irish residents in non-euro	*28,583*	*40,243*
US Dollar	20,453	30,717
Sterling	6,605	7,838
Other	1,525	1,689
Non-residents in non-euro	*155,128*	*172,516*
US Dollar	71,631	78,122
Sterling	61,074	68,486
Other	22,423	25,907
Non-residents in euro	*208,952*	*217,131*
2. Analysis by sector		
Irish residents in non-euro	*28,583*	*40,243*
Monetary financial institutions	13,567	24,482
Non-monetary financial institutions	15,016	15,761
Non-residents in non-euro	*155,128*	*172,516*
Monetary financial institutions	106,266	119,433
Non-monetary financial institutions	48,862	53,082
Non-residents in euro	*208,952*	*217,131*
Monetary financial institutions	162,253	170,716
Non-monetary financial institutions	46,699	46,415
3. Total international business	**392,664**	**429,890**

Table C.1.2: Resident Credit Insititutions International Business - Analysis by Geography[a]

	Liabilities			Assets			
	Euro	Non-euro	Total	Euro	Non-euro	Total	Net external liabilities[b]
€ million	28 March 13						
1. EU Countries	**111,983**	**104,715**	**216,698**	**83,105**	**122,554**	**205,659**	**-66,617**
MU Countries	**80,129**	**47,424**	**127,553**	**59,132**	**34,446**	**93,578**	**52,516**
Austria	146	20	165	57	40	97	21,969
Belgium	19,649	2,854	22,502	2,626	632	3,259	-3,123
Finland	1	0	1	454	1	455	30,511
France	24,186	8,947	33,133	9,627	4,784	14,411	19,319
Germany	26,719	4,875	31,594	11,259	1,439	12,698	-13,752
Greece	6	1	7	43	69	112	16,258
Ireland		14,531	14,531		24,477	24,477	-
Italy	1,694	2,656	4,350	20,092	248	20,339	-19,257
Luxembourg	338	1,012	1,350	1,300	770	2,070	16,416
Netherlands	6,424	12,429	18,853	7,176	1,577	8,753	-9,707
Portugal	16	3	18	201	0	201	918
Spain	909	34	943	5,202	133	5,335	-5,700
Other MU	43	62	105	1,096	275	1,371	-1,337
Other EU	**31,854**	**57,291**	**89,145**	**23,973**	**88,108**	**112,081**	**-119,133**
Denmark	4,937	114	5,050	1,653	396	2,048	-2,051
Sweden	26	65	91	67	561	627	84,729
United Kingdom	26,792	57,025	83,817	20,776	86,671	107,447	-117,982
Other EU	100	87	187	1,477	480	1,958	-2,458
2. Other Europe	**554**	**1,935**	**2,489**	**1,399**	**7,235**	**8,634**	**-5,364**
Switzerland	407	1,428	1,836	633	3,520	4,154	-3,836
Other Europe	147	506	654	766	3,714	4,480	-4,400
3. Other Industrial Countries	**1,323**	**19,385**	**20,708**	**2,882**	**16,738**	**19,619**	**-20,204**
Australia, New Zealand, South Africa	113	85	198	211	1,006	1,217	94
Canada	83	820	902	672	214	886	-882
Japan	8	47	55	2	220	222	20,574
United States	1,119	18,433	19,552	1,997	15,297	17,294	-18,390
4. Offshore Centres	**1,868**	**6,078**	**7,947**	**743**	**5,631**	**6,374**	**-6,382**
5. Other	**553**	**370**	**923**	**314**	**2,652**	**2,965**	**-3,181**
Grand Total	**116,281**	**132,483**	**248,765**	**88,442**	**154,809**	**243,250**	**-101,748**

a This table represents the Credit Institutions International Business Loans and Deposits only.

b Net external liabilities are based on the selected assets and liabilities which are included in this table. A plus sign denotes net external liabilities; a minus sign net external assets.

c Positions vis-a-vis Slovenia, Cyprus, Malta, Slovakia and Estonia are not statistically significant.

Table C.1.2 – *continued*

Liabilities			Assets			
Euro	Non-euro	Total	Euro	Non-euro	Total	Net external liabilities[b]
31 December 12						
108,749	**110,740**	**219,488**	**88,571**	**132,112**	**220,682**	**8,470**
79,089	**50,339**	**129,429**	**61,914**	**35,290**	**97,205**	**41,888**
86	32	119	58	40	98	20
18,157	3,910	22,068	2,603	524	3,127	18,941
4	0	4	473	8	480	- 476
21,884	9,108	30,992	8,936	4,221	13,157	17,834
27,566	4,910	32,477	12,269	1,512	13,782	18,695
20	10	30	86	72	158	- 128
	16,416	16,416		26,080	26,080	-
3,048	2,621	5,669	20,556	304	20,860	- 15,191
507	1,096	1,602	1,661	697	2,358	- 756
6,666	12,108	18,774	8,251	1,485	9,736	9,038
17	12	29	205	0	205	- 176
1,078	45	1,124	5,741	85	5,826	- 4,702
55	71	125	1,075	262	1,337	- 1,212
29,660	**60,400**	**90,060**	**26,656**	**96,821**	**123,478**	**- 33,418**
4,247	98	4,345	1,903	311	2,214	2,131
25	138	163	68	597	665	- 502
25,290	60,104	85,394	23,282	94,859	118,141	- 32,747
98	61	158	1,404	1,055	2,458	- 2,300
957	**3,422**	**4,379**	**1,293**	**7,696**	**8,989**	**- 4,611**
761	2,864	3,625	557	4,033	4,590	- 965
195	558	754	737	3,663	4,400	- 3,646
1,363	**20,660**	**22,023**	**2,719**	**17,635**	**20,354**	**1,669**
107	44	150	248	535	783	- 633
61	817	877	778	164	943	- 65
8	53	61	2	236	238	- 177
1,177	19,636	20,813	1,690	16,700	18,390	2,422
2,218	**8,088**	**10,306**	**917**	**5,465**	**6,382**	**3,924**
583	**1,124**	**1,707**	**509**	**2,672**	**3,181**	**- 1,474**
113,869	**144,034**	**257,903**	**94,009**	**165,580**	**259,589**	**7,978**

Table C.2.1: Securities Issues Statistics: Debt Securities

€ million	Debt securities: All currencies					
	Short-term securities					
	Total	MFIs	OFIs	IC&PF	NFCs	Govt
Outstanding amounts						
2011						
January	100,726	35,235	60,782	0	0	4,709
February	87,498	35,254	48,800	0	0	3,444
March	84,591	34,574	48,125	0	0	1,893
April	86,280	37,242	48,310	0	0	728
May	85,582	36,377	48,489	0	0	716
June	80,722	32,255	48,014	0	0	452
July	78,465	30,837	47,153	0	0	475
August	78,732	28,950	48,473	0	0	1,309
September	77,280	28,777	48,005	0	0	497
October	78,507	28,048	48,597	0	0	1,862
November	75,771	27,342	47,935	0	0	494
December	80,210	26,940	52,920	0	0	349
2012						
January	81,027	28,632	51,760	0	0	635
February	73,488	20,217	52,531	0	0	740
March	74,812	20,720	53,241	0	0	852
April	73,725	20,734	52,039	0	0	952
May	72,121	18,994	52,089	0	0	1,038
June	68,339	18,653	48,569	0	0	1,117
July	65,234	16,118	47,826	0	0	1,289
August	65,427	15,516	48,091	0	0	1,820
September	62,592	12,276	48,061	0	0	2,256
October	67,582	17,975	47,175	0	0	2,431
November	63,592	14,897	45,903	0	0	2,793
December	61,027	14,650	44,067	0	0	2,310
2013						
January	62,869	16,588	43,668	0	0	2,613
February	62,350	16,609	43,003	0	0	2,738
March	61,319	16,002	42,262	0	0	3,055
April	58,097	13,256	41,408	0	0	3,433
Transactions						
2011						
January	17,191	16,854	2,497	0	0	-2,160
February	-13,233	19	-11,987	0	0	-1,265
March	-2,907	-681	-675	0	0	-1,551
April	1,689	2,668	186	0	0	-1,164
May	-698	-865	178	0	0	-12
June	-4,860	-4,122	-474	0	0	-264
July	-2,257	-1,418	-861	0	0	23
August	267	-1,887	1,320	0	0	834
September	-1,453	-173	-468	0	0	-812
October	1,227	-729	592	0	0	1,365
November	-2,736	-706	-662	0	0	-1,368
December	4,439	-402	4,985	0	0	-145
2012						
January	817	1,692	-1,160	0	0	286
February	-7,539	-8,415	772	0	0	105
March	1,324	503	709	0	0	112
April	-1,087	15	-1,202	0	0	101
May	-1,604	-1,740	50	0	0	86
June	-3,782	-341	-3,519	0	0	79
July	-3,105	-2,535	-743	0	0	172
August	193	-602	265	0	0	531
September	-2,835	-3,240	-31	0	0	436
October	4,990	5,700	-885	0	0	175
November	-3,990	-3,078	-1,273	0	0	361
December	-2,565	-247	-1,836	0	0	-483
2013						
January	1,842	1,938	-399	0	0	303
February	-519	21	-665	0	0	125
March	-1,031	-607	-742	0	0	317
April	-3,222	-2,746	-854	0	0	378

Table C.2.1 – *continued*

Debt securities: All currencies

Long-term securities

Total	MFIs	OFIs	IC&PF	NFCs	Govt
982,085	99,327	787,741	1,109	3,734	90,174
975,078	99,508	780,791	1,101	3,596	90,081
959,151	94,511	770,128	1,070	3,549	89,892
951,834	93,242	765,026	1,027	2,867	89,673
952,433	92,760	766,046	1,056	2,906	89,666
948,404	91,083	763,843	1,048	2,719	89,711
952,553	90,892	768,009	1,063	2,816	89,773
940,688	90,407	756,549	1,056	2,806	89,870
943,170	89,300	760,078	1,118	2,990	89,684
936,611	88,370	754,435	1,094	2,939	89,773
940,553	88,896	762,151	1,134	2,993	85,380
947,224	86,035	771,566	1,169	3,044	85,410
937,288	83,110	764,567	1,160	3,032	85,419
930,742	79,955	761,207	1,143	3,008	85,429
938,226	76,399	777,910	1,160	3,012	79,745
938,039	74,291	776,586	1,152	2,774	83,237
958,454	74,484	796,651	1,226	2,859	83,234
950,325	73,453	789,620	1,197	2,825	83,230
964,928	73,468	804,179	1,236	2,832	83,214
952,275	72,078	788,796	1,206	2,798	87,397
947,718	71,581	783,747	1,178	2,606	88,606
946,290	70,794	783,969	1,169	2,002	88,356
946,687	69,695	785,034	1,169	2,400	88,389
940,988	69,779	779,227	1,152	2,890	87,941
922,140	68,400	759,384	1,118	2,868	90,371
939,064	66,664	753,304	1,160	2,452	115,484
936,032	65,335	746,658	1,188	2,685	120,166
925,469	66,578	739,494	1,152	2,645	115,600
1,942	-1,792	3,872	-185	68	-21
-7,002	181	-6,945	-8	-137	-92
-15,907	-4,997	-10,643	-31	-47	-189
-7,288	-1,269	-5,074	-43	-683	-219
580	-482	1,001	29	40	-7
-2,645	-1,677	-819	-7	-188	45
2,760	-192	2,778	15	97	62
-11,861	-484	-11,455	-7	-10	96
2,441	-1,108	3,488	62	184	-185
-6,543	-930	-5,626	-24	-51	89
3,915	526	7,688	41	53	-4,393
6,648	-2,861	9,392	35	51	30
-9,936	-2,924	-6,999	-9	-12	9
-6,546	-3,155	-3,360	-17	-25	11
7,484	-3,557	16,703	17	5	-5,685
-187	-2,108	-1,324	-9	-239	3,492
20,415	193	20,065	74	85	-3
-8,129	-1,031	-7,031	-29	-34	-4
14,603	15	14,559	39	7	-16
-12,653	-1,390	-15,383	-29	-34	4,183
-4,556	-497	-5,049	-28	-192	1,209
-1,428	-787	222	-9	-604	-250
397	-1,099	1,065	0	398	33
-5,699	84	-5,807	-18	490	-448
-18,848	-1,378	-19,843	-34	-23	2,430
16,924	-1,736	-6,080	43	-416	25,113
-3,271	-1,328	-6,885	27	233	4,681
-10,563	1,242	-7,164	-36	-40	-4,566

Table C.2.1 – *continued*

€ Million	Debt securities: Euro denominated					
	Short-term securities					
	Total	MFIs	OFIs	IC&PF	NFCs	Govt
Outstanding amounts						
2011						
January	87,986	27,434	56,289	0	0	4,262
February	75,807	28,332	44,366	0	0	3,109
March	72,494	27,445	43,485	0	0	1,563
April	74,443	30,315	43,623	0	0	505
May	74,483	30,263	43,926	0	0	295
June	71,890	28,183	43,412	0	0	295
July	70,393	27,384	42,869	0	0	140
August	70,800	25,738	44,072	0	0	990
September	69,214	25,545	43,429	0	0	240
October	70,803	25,374	43,934	0	0	1,495
November	68,584	24,697	43,701	0	0	185
December	70,672	24,258	46,115	0	0	300
2012						
January	72,579	26,029	45,968	0	0	582
February	63,040	17,576	44,839	0	0	625
March	64,338	17,871	45,737	0	0	729
April	63,514	17,866	44,845	0	0	804
May	61,469	16,061	44,681	0	0	727
June	57,254	15,721	40,832	0	0	701
July	54,168	12,842	40,115	0	0	1,211
August	53,883	11,886	40,258	0	0	1,739
September	51,538	8,797	40,552	0	0	2,188
October	56,842	14,404	40,076	0	0	2,363
November	53,168	11,289	39,181	0	0	2,699
December	50,697	11,092	37,435	0	0	2,170
2013						
January	52,537	13,183	37,094	0	0	2,260
February	51,927	12,977	36,591	0	0	2,360
March	51,251	12,493	36,004	0	0	2,755
April	48,191	9,646	35,319	0	0	3,227
Transactions						
2011						
January	17,019	16,236	2,683	0	0	-1,900
February	-12,179	898	-11,923	0	0	-1,154
March	-3,313	-886	-881	0	0	-1,546
April	1,949	2,869	138	0	0	-1,058
May	40	-52	302	0	0	-210
June	-2,593	-2,079	-514	0	0	0
July	-1,497	-799	-543	0	0	-155
August	407	-1,647	1,204	0	0	850
September	-1,586	-193	-643	0	0	-750
October	1,588	-171	504	0	0	1,255
November	-2,219	-676	-232	0	0	-1,310
December	2,089	-440	2,413	0	0	115
2012						
January	1,907	1,771	-146	0	0	282
February	-9,540	-8,453	-1,129	0	0	43
March	1,298	295	899	0	0	104
April	-823	-6	-892	0	0	75
May	-2,045	-1,805	-163	0	0	-77
June	-4,216	-340	-3,850	0	0	-26
July	-3,086	-2,879	-717	0	0	510
August	-285	-957	144	0	0	528
September	-2,345	-3,088	294	0	0	450
October	5,304	5,606	-477	0	0	175
November	-3,674	-3,115	-895	0	0	336
December	-2,471	-196	-1,746	0	0	-529
2013						
January	1,839	2,090	-340	0	0	90
February	-609	-206	-503	0	0	100
March	-676	-484	-587	0	0	396
April	-3,060	-2,847	-685	0	0	472

Table C.2.1 – *continued*

Debt securities: Euro denominated

Long-term securities

Total	MFIs	OFIs	IC&PF	NFCs	Govt
714,445	75,906	546,369	0	2,086	90,085
709,418	76,973	540,492	0	1,960	89,993
701,465	73,083	536,615	0	1,960	89,807
706,744	72,596	543,203	0	1,356	89,590
703,411	72,055	540,420	0	1,356	89,581
701,756	71,341	539,533	0	1,256	89,626
698,103	71,065	536,098	0	1,256	89,684
690,471	70,889	528,547	0	1,256	89,779
682,904	69,173	522,785	0	1,356	89,589
680,892	69,299	520,556	0	1,356	89,681
676,333	69,850	519,843	0	1,356	85,284
673,874	66,617	520,590	0	1,356	85,310
667,499	64,113	516,712	0	1,356	85,318
665,228	62,700	515,835	0	1,356	85,337
654,618	59,838	513,773	0	1,356	79,651
653,281	57,471	511,311	0	1,356	83,142
657,384	57,732	515,165	0	1,356	83,131
654,956	57,525	512,943	0	1,356	83,131
652,444	57,339	510,681	0	1,314	83,110
648,456	56,312	503,534	0	1,314	87,295
648,571	56,248	502,502	0	1,314	88,506
647,502	55,564	502,365	0	1,314	88,259
643,001	54,907	498,084	0	1,714	88,295
638,882	55,585	493,230	0	2,214	87,853
629,343	56,067	480,771	0	2,214	90,290
648,197	54,566	476,450	0	1,779	115,402
647,571	53,891	471,600	0	1,997	120,083
639,484	55,783	466,183	0	1,997	115,522
-9,046	-642	-8,326	-160	100	-18
-5,027	1,068	-5,877	0	-126	-92
-7,953	-3,890	-3,878	0	0	-186
5,280	-488	6,588	0	-603	-217
-3,333	-541	-2,783	0	0	-9
-1,656	-714	-887	0	-100	45
-3,653	-276	-3,434	0	0	58
-7,632	-176	-7,551	0	0	95
-7,567	-1,715	-5,762	0	100	-190
-2,012	126	-2,230	0	0	92
-4,559	550	-712	0	0	-4,397
-2,459	-3,232	747	0	0	26
-6,374	-2,505	-3,878	0	0	9
-2,271	-1,413	-877	0	0	19
-10,610	-2,862	-2,062	0	0	-5,686
-1,337	-2,367	-2,462	0	0	3,492
4,103	260	3,854	0	0	-11
-2,429	-207	-2,222	0	0	0
-2,511	-186	-2,262	0	-42	-22
-3,989	-1,026	-7,148	0	0	4,186
115	-64	-1,032	0	0	1,211
-1,069	-684	-137	0	0	-247
-4,501	-656	-4,281	0	400	36
-4,120	677	-4,855	0	500	-442
-9,539	482	-12,458	0	0	2,437
18,855	-1,501	-4,321	0	-435	25,111
-626	-675	-4,850	0	218	4,681
-8,087	1,891	-5,418	0	0	-4,561

Table C.2.2: Securities Issues Statistics: Equities

€ million	Equity Securities					
	Quoted securities					
	Total	MFIs	OFIs	IC&PF	NFCs	Govt
Outstanding amounts						
2011						
January	157,241	9,118	10,832	220	137,072	..
February	159,813	9,753	11,047	253	138,760	..
March	158,153	8,567	11,088	241	138,257	..
April	163,489	11,370	10,704	241	141,174	..
May	163,210	10,020	10,410	243	142,538	..
June	160,292	9,410	10,636	238	140,008	..
July	155,654	10,895	10,420	229	134,110	..
August	150,602	14,860	9,983	223	125,536	..
September	147,772	14,512	10,497	216	122,546	..
October	160,882	15,328	11,303	215	134,036	..
November	162,047	14,997	11,561	218	135,271	..
December	163,102	14,667	11,889	216	136,330	..
2012						
January	175,567	15,631	12,174	233	147,529	..
February	182,217	16,269	12,087	285	153,575	..
March	186,563	15,637	11,777	287	158,863	..
April	189,824	15,577	12,159	290	161,799	..
May	185,040	14,884	12,336	270	157,551	..
June	184,319	15,251	12,258	268	156,541	..
July	194,543	15,282	12,597	263	166,400	..
August	193,705	14,890	12,828	298	165,689	..
September	198,564	15,161	13,008	329	170,066	..
October	193,583	15,011	12,766	321	165,485	..
November	196,699	15,613	12,572	353	168,161	..
December	206,651	15,673	12,561	336	178,080	..
2013						
January	216,179	16,546	13,881	363	185,388	..
February	220,539	16,343	14,117	408	189,671	..
March	222,659	16,863	15,036	410	190,350	..
April	219,615	17,308	14,826	413	187,068	..
Transactions						
2011						
January	108	190	0	0	-81	..
February	-97	0	0	0	-97	..
March	-159	0	-225	0	66	..
April	2,508	2,394	1	0	114	..
May	-535	0	0	0	-535	..
June	140	0	5	0	135	..
July	2,092	2,024	0	0	68	..
August	5,501	5,534	-158	0	125	..
September	2,211	0	2,284	0	-73	..
October	1,561	0	0	0	1,561	..
November	-371	0	343	0	-714	..
December	-108	0	58	0	-166	..
2012						
January	-63	0	-77	0	14	..
February	-280	0	-73	0	-207	..
March	16	0	-82	0	98	..
April	-17	0	0	0	-17	..
May	648	0	216	0	432	..
June	358	279	0	0	79	..
July	913	0	179	0	734	..
August	-905	0	-110	0	-795	..
September	979	0	0	0	979	..
October	-873	0	233	0	-1,106	..
November	192	0	-97	0	289	..
December	8,690	0	156	0	8,534	..
2013						
January	453	0	-17	0	470	..
February	-6,442	143	236	0	-6,821	..
March	-9,045	-143	-280	2	-8,624	..
April	-4	0	0	0	-4	..

Table C.2.2 – *continued*

Equity Securities

Unquoted securities

Total	MFIs	OFIs	IC&PF	NFCs	Govt
482	0	14	0	468	..
487	0	14	0	473	..
481	0	14	0	467	..
479	0	14	0	466	..
479	0	14	0	465	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
474	0	14	0	460	..
476	0	16	0	460	..
476	0	16	0	460	..
476	0	16	0	460	..
476	0	16	0	460	..
476	0	16	0	460	..
476	0	16	0	460	..
329	0	16	0	313	..
329	0	16	0	313	..
9	0	0	0	9	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
3	0	3	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..
-146	0	0	0	-146	..
0	0	0	0	0	..

Table C.3: Assets and Liabilities of Irish Financial Vehicle Corporations

Outstanding Amounts - € billions

	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1
Assets									
Deposits and loan claims	**80.0**	**83.3**	**77.9**	**76.5**	**74.2**	**72.7**	**72.9**	**70.8**	**85.1**
To euro area FVCs	35.6	36.2	38.4	38.4	38.6	35.9	36.1	34.1	34.4
Securitised loans	**259.2**	**254.3**	**244.2**	**231.4**	**227.5**	**226.7**	**224.3**	**214.7**	**208.6**
Originated by euro area MFIs	189.6	187.3	158.4	145.7	144.4	143.6	143.3	134.6	132.0
By borrowing sector									
Domestic households	69.6	69.4	59.6	59.2	60.2	59.6	59.0	52.7	52.3
OMUM households	10.5	9.9	8.5	3.7	3.2	2.7	2.3	2.5	2.1
Domestic non-financial corporations	54.9	41.9	54.0	56.5	54.4	54.8	55.1	53.7	53.4
OMUM non-financial corporations	28.4	34.1	13.1	6.7	6.8	6.3	7.2	6.7	6.5
Euro area residents (*)	0.9	4.7	4.3	0.5	0.5	0.4	0.4	1.0	1.0
Non euro area residents	25.4	27.3	18.9	19.1	19.3	19.9	19.3	17.9	16.6
Originated by euro area residents (*)	12.1	12.1	14.7	14.6	14.5	14.4	14.3	13.9	13.2
Originated by euro area non-financial corporations	16.9	16.5	17.8	18.5	18.1	17.7	18.0	17.7	16.7
Originated by non-euro area residents	40.5	38.5	53.3	52.7	50.5	50.9	48.7	48.5	46.7
Securities other than shares	**149.5**	**138.5**	**135.4**	**132.6**	**121.2**	**120.4**	**110.9**	**108.9**	**110.3**
Issued by euro area FVCs	19.0	18.5	16.9	15.7	15.1	14.7	13.1	10.4	12.7
Other securitised assets	**11.7**	**12.0**	**11.5**	**11.3**	**10.5**	**9.7**	**9.3**	**8.8**	**9.0**
Originated by euro area general government	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	1.9
Originated by euro area non-financial corporations	3.1	3.1	3.0	2.7	2.3	2.2	1.9	1.8	2.3
Shares and other equity	**30.1**	**29.0**	**27.9**	**26.1**	**25.2**	**19.4**	**17.5**	**16.8**	**17.2**
Issued by euro area FVCs	27.1	26.2	24.9	23.3	22.7	17.0	15.0	14.6	14.4
Other assets	**13.3**	**16.5**	**19.9**	**21.6**	**22.4**	**20.5**	**22.3**	**21.9**	**20.1**
Liabilities									
Loans and deposits received	**63.2**	**63.0**	**62.6**	**64.1**	**63.3**	**65.4**	**64.2**	**61.3**	**61.6**
From euro area FVCs	39.4	38.8	39.0	39.0	39.0	37.0	37.0	35.0	35.1
Debt securities issued	**416.9**	**408.5**	**386.8**	**369.2**	**350.2**	**334.0**	**325.0**	**312.5**	**318.3**
Up to 1 year original maturity	24.8	25.2	23.6	24.7	19.6	16.6	15.9	16.3	17.5
1 to 2 years original maturity	5.5	5.1	5.4	6.0	5.6	4.4	5.4	2.7	2.8
Over 2 years original maturity	386.6	378.3	357.8	338.6	324.9	313.0	303.7	293.5	297.9
Capital and reserves	0.0	0.1	0.1	0.0	0.0	- 0.4	- 0.2	0.1	0.3
Other liabilities	63.6	62.2	67.2	66.3	67.6	70.5	68.2	68.0	70.1
Total	**543.8**	**533.7**	**516.6**	**499.6**	**481.1**	**469.4**	**457.2**	**441.9**	**450.2**

(*) Euro area residents include general government, other financial intermediaries, insurance corporations and pension funds.

Table C.3: Assets and liabilities of Irish Financial Vehicle Corporations

Transactions - € billions

	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1
Assets									
Deposits and loan claims	**-6.6**	**3.4**	**-5.9**	**-1.3**	**-2.0**	**-1.6**	**0.6**	**-1.9**	**14.4**
To euro area FVCs	0.4	0.9	1.9	-	0.1	-2.8	0.2	-2.0	0.2
Securitised loans	**-7.1**	**-3.9**	**-12.9**	**-15.0**	**-3.4**	**-1.6**	**-2.3**	**-8.8**	**-4.9**
Originated by euro area MFIs	-6.2	-1.1	-4.8	-13.3	-0.6	-1.3	-0.6	-8.1	-2.1
By borrowing sector									
Domestic households	-3.5	-2.8	-1.5	0.3	0.4	-1.1	-0.8	-6.3	-0.5
OMUM households	-1.2	-0.6	-1.0	-4.9	-0.5	-0.5	-0.3	-0.5	-0.4
Domestic non-financial corporations	-0.4	-1.9	1.5	2.0	-1.5	-	0.2	-0.4	-0.6
OMUM non-financial corporations	-0.6	4.0	-0.5	-6.5	-	0.5	1.0	-0.4	-0.1
Euro area residents (*)	-0.1	3.7	-	-3.9	0.2	-0.1	0.1	0.5	-
Non euro area residents	-0.4	-3.5	-3.4	-0.4	0.8	-	-0.7	-0.9	-0.5
Originated by euro area residents (*)	-3.6	-	-0.1	-0.1	-0.2	-	-0.1	-0.4	-0.3
Originated by euro area non-financial corporations	-0.1	-0.4	0.1	0.8	-0.3	-0.4	0.2	-0.1	-0.8
Originated by non-euro area residents	2.9	-2.4	-8.2	-2.3	-2.3	0.1	-1.8	-0.2	-1.6
Securities other than shares	**-2.8**	**-10.0**	**-3.5**	**-3.2**	**-11.5**	**-1.6**	**-10.3**	**-2.1**	**2.2**
Issued by euro area FVCs	-0.7	-0.2	-0.2	-0.9	-0.5	-0.8	-1.3	0.5	-1.4
Other securitised assets	**0.1**	**0.3**	**-0.6**	**-0.1**	**-1.1**	**-0.9**	**-0.3**	**-0.5**	**0.3**
Originated by euro area general government	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Originated by euro area non-financial corporations	-	-	-0.1	-0.3	-0.4	-0.1	-0.3	-0.1	0.5
Shares and other equity	**-4.7**	**-0.9**	**-1.2**	**-1.7**	**-0.8**	**-5.9**	**-2.0**	**-0.6**	**0.3**
Issued by euro area FVCs	-4.2	-0.9	-1.3	-1.6	-0.7	-5.7	-2.0	-0.4	-0.4
Other assets	**-12.2**	**-2.8**	**-6.9**	**-1.2**	**-2.0**	**-4.3**	**0.7**	**-4.0**	**-3.1**
Liabilities									
Loans and deposits received	**-1.7**	**0.2**	**-0.8**	**1.4**	**-0.3**	**1.9**	**-1.1**	**-2.8**	**1.1**
From euro area FVCs	0.2	-0.2	0.2	-0.1	-	-2.1	0.7	-1.9	0.4
Debt securities issued	**-26.0**	**-11.6**	**-21.8**	**-17.7**	**-18.9**	**-17.4**	**-9.4**	**-12.5**	**7.0**
Up to 1 year original maturity	0.1	-3.7	-2.8	1.0	-5.6	-3.0	-0.7	0.5	0.9
1 to 2 years original maturity	-1.5	-0.4	0.4	0.7	-0.6	-1.1	0.7	-2.4	0.3
Over 2 years original maturity	-24.6	-7.5	-19.4	-19.4	-12.7	-13.3	-9.3	-10.5	5.8
Capital and reserves	-1.6	0.6	-1.1	-0.7	-0.1	-0.1	0.5	0.1	-0.3
Other liabilities	-4.1	-3.2	-7.3	-5.6	-1.5	-0.3	-3.7	-2.7	1.4
Total	**-33.3**	**-14.0**	**-30.9**	**-22.6**	**-20.8**	**-15.9**	**-13.7**	**-18.0**	**9.2**

(*) Euro area residents include general government, other financial intermediaries, insurance corporations and pension funds.

Section D

Quarterly Financial Accounts

Table D.1: Financial Balance Sheet By Sector, Q4 2012

€ million	Total Assets	Total Liabilities	Net Financial Wealth	Total Assets Transactions	Total Liabilities Transactions	Net Financial Borrowing/ Lending
Non-financial corporations	**632,396**	**790,999**	**-158,602**	**10,017**	**4,502**	**5,516**
Financial corporations	**3,578,472**	**3,623,270**	**-44,798**	**-49,331**	**-41,567**	**-7,764**
Monetary financial institutions	1,296,992	1,310,986	-13,993	-73,797	-70,051	-3,746
Other financial intermediaries and financial auxiliaries	1,983,892	2,010,317	-26,424	25,457	29,595	-4,138
Insurance corporations and pension funds	297,588	301,968	-4,380	-991	-1,111	120
General government	**77,709**	**214,360**	**-136,650**	**-2,753**	**-1,342**	**-1,412**
Households and non-profit institutions serving households	**320,445**	**183,268**	**137,177**	**2,002**	**-1,304**	**3,306**
Rest of the world	**3,288,744**	**3,084,878**	**203,866**	**11,812**	**11,458**	**354**

Table D.1.1: Financial Balance Sheet By Sector, Q4 2012

Total Assets

€ million		Gold & SDRs	Currency & Deposits			Securities other than shares			
				Currency & Transferrable Deposits	Other Deposits		Short-term securities	Long-term securities	Financial Derivatives
Non-financial corporations	**632,396**	**0**	**50,087**	**21,698**	**28,388**	**2,491**	**725**	**2,204**	**-438**
Financial corporations	**3,578,472**	**992**	**527,641**	**89,773**	**437,868**	**1,281,593**	**316,168**	**908,075**	**57,350**
Monetary financial institutions	1,296,992	992	408,012	65,869	342,143	514,025	207,676	277,884	28,465
Other financial intermediaries and financial auxiliaries	1,983,892	0	93,670	20,232	73,438	683,643	104,420	553,080	26,142
Insurance corporations and pension funds	297,588	0	25,959	3,672	22,287	83,926	4,072	77,111	2,743
General government	**77,709**	**0**	**24,246**	**0**	**24,246**	**9,920**	**1,046**	**8,231**	**644**
Households and non-profit institutions serving households	**320,445**	**0**	**125,710**	**55,633**	**70,077**	**497**	**0**	**197**	**300**
Rest of the world	**3,288,744**	**0**	**357,564**	**58,120**	**299,444**	**618,402**	**21,990**	**542,525**	**53,887**

Total Liabilities

€ million		Gold & SDRs	Currency & Deposits			Securities other than shares			
				Currency & Transferrable Deposits	Other Deposits		Short-term securities	Long-term securities	Financial Derivatives
Non-financial corporations	**790,999**	**0**	**0**	**0**	**0**	**11,166**	**0**	**9,330**	**1,835**
Financial corporations	**3,623,270**	**0**	**730,628**	**132,825**	**597,803**	**652,400**	**45,884**	**548,468**	**58,048**
Monetary financial institutions	1,310,986	0	730,628	132,825	597,803	124,587	15,837	74,012	34,738
Other financial intermediaries and financial auxiliaries	2,010,317	0	0	0	0	526,661	30,047	473,304	23,310
Insurance corporations and pension funds	301,968	0	0	0	0	1,152	0	1,152	0
General government	**214,360**	**0**	**17,511**	**667**	**16,844**	**98,247**	**2,691**	**93,984**	**1,572**
Households and non-profit institutions serving households	**183,268**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rest of the world	**3,084,878**	**0**	**337,109**	**91,733**	**245,376**	**1,151,090**	**291,354**	**809,448**	**50,288**

n.a. not available.

Table D.1.1 – *continued*

Total Assets

€ million

	Loans			Shares and other equity				Insurance technical reserves				Other accounts receivable/ payable
		Short-term loans	Long-term loans		Quoted shares	Unquoted shares and other equity	Mutual fund shares		Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayment of insurance premiums and reserves for outstanding claims	
Non-financial corporations	**173,132**	**84,183**	**88,949**	**271,552**	**1,975**	**267,032**	**2,545**	**3,406**	**0**	**0**	**3,406**	**131,728**
Financial corporations	**1,000,755**	**235,539**	**765,217**	**663,001**	**n.a.**	**n.a.**	**165,156**	**29,739**	**0**	**0**	**29,739**	**74,752**
Monetary financial institutions	339,598	62,678	276,920	21,324	9,526	8,218	3,580	0	0	0	0	13,042
Other financial intermediaries and financial auxiliaries	656,216	171,005	485,211	505,380	376,247	37,211	91,922	0	0	0	0	44,983
Insurance corporations and pension funds	4,941	1,855	3,086	136,297	66,643	0	69,654	29,739	0	0	29,739	16,727
General government	**11,249**	**2,296**	**8,953**	**23,895**	**7,268**	**14,981**	**1,646**	**0**	**0**	**0**	**0**	**8,399**
Households and non-profit institutions serving households	**0**	**0**	**0**	**46,616**	**9,892**	**36,724**	**0**	**139,566**	**70,699**	**66,312**	**2,555**	**8,057**
Rest of the world	**517,405**	**224,253**	**293,152**	**1,566,844**	**125,910**	**278,604**	**1,162,330**	**111,053**	**88,548**	**0**	**22,505**	**117,476**

Total Liabilities

€ million

	Loans			Shares and other equity				Insurance technical reserves				Other accounts receivable/ payable
		Short-term loans	Long-term loans		Quoted shares	Unquoted shares and other equity	Mutual fund shares		Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayment of insurance premiums and reserves for outstanding claims	
Non-financial corporations	**289,165**	**62,634**	**226,532**	**346,929**	**178,080**	**168,849**	**0**	**0**	**0**	**0**	**0**	**143,739**
Financial corporations	**420,064**	**272,678**	**147,386**	**1,478,435**	**25,070**	**220,975**	**1,232,390**	**256,660**	**159,247**	**66,312**	**31,100**	**85,083**
Monetary financial institutions	0	0	0	433,815	12,173	121,397	300,245	0	0	0	0	21,955
Other financial intermediaries and financial auxiliaries	414,218	271,173	143,045	1,019,103	12,561	74,397	932,145	0	0	0	0	50,334
Insurance corporations and pension funds	5,846	1,505	4,341	25,517	336	25,181	0	256,660	159,247	66,312	31,100	12,793
General government	**91,601**	**1,901**	**89,701**	**1,839**	**0**	**1,839**	**0**	**0**				**5,161**
Households and non-profit institutions serving households	**173,913**	**6,446**	**167,467**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9,355**
Rest of the world	**727,798**	**202,612**	**525,186**	**744,703**	**394,310**	**251,107**	**99,287**	**27,104**	**0**	**0**	**27,104**	**97,073**

n.a. not available.

Table D.1.2: Financial Transactions By Sector, Q4 2012

Total Assets Transactions

€ million		Gold & SDRs	Currency & Deposits			Securities other than shares			
				Currency & Transferrable Deposits	Other Deposits		Short-term securities	Long-term securities	Financial Derivatives
Non-financial corporations	**10,017**	**0**	**-1,539**	**1,610**	**-3,149**	**151**	**250**	**-50**	**-50**
Financial corporations	**-49,331**	**-5**	**-47,768**	**-10,296**	**-37,473**	**829**	**-19,795**	**17,115**	**3,510**
Monetary financial institutions	-73,797	-5	-46,405	-9,089	-37,316	-17,527	-10,054	-7,471	-2
Other financial intermediaries and financial auxiliaries	25,457	0	-916	-1,425	509	18,872	-9,842	25,266	3,447
Insurance corporations and pension funds	-991	0	-448	218	-666	-516	100	-680	65
General government	**-2,753**	**0**	**-6,377**	**0**	**-6,377**	**1,251**	**1,046**	**205**	**0**
Households and non-profit institutions serving households	**2,002**	**0**	**1,084**	**713**	**371**	**-1**	**0**	**-1**	**0**
Rest of the world	**11,812**	**0**	**-33,479**	**441**	**-33,920**	**5,383**	**4,329**	**1,819**	**-765**

Total Liabilities Transactions

€ million		Gold & SDRs	Currency & Deposits			Securities other than shares			
				Currency & Transferrable Deposits	Other Deposits		Short-term securities	Long-term securities	Financial Derivatives
Non-financial corporations	**4,502**	**0**	**0**	**0**	**0**	**-186**	**0**	**-344**	**158**
Financial corporations	**-41,567**	**0**	**-58,823**	**2,562**	**-61,385**	**-983**	**3,585**	**-3,962**	**-606**
Monetary financial institutions	-70,051	0	-58,823	2,562	-61,385	2,686	5,121	127	-2,562
Other financial intermediaries and financial auxiliaries	29,595	0	0	0	0	-3,669	-1,536	-4,089	1,956
Insurance corporations and pension funds	-1,111	0	0	0	0	0	0	0	0
General government	**-1,342**	**0**	**961**	**0**	**961**	**-4,047**	**-2,395**	**-1,652**	**0**
Households and non-profit institutions serving households	**-1,304**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rest of the world	**11,458**	**0**	**-30,217**	**-10,094**	**-20,123**	**12,828**	**-15,361**	**25,046**	**3,143**

n.a. not available.

Table D.1.2 – *continued*

Total Assets Transactions

Loans			Shares and other equity				Insurance technical reserves				Other accounts receivable/ payable	€ million
	Short-term loans	Long-term loans		Quoted shares	Unquoted shares and other equity	Mutual fund shares		Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayment of insurance premiums and reserves for outstanding claims		
1,342	**1,149**	**193**	**-1,445**	**12**	**-1,105**	**-352**	**-188**	**0**	**0**	**-188**	**11,696**	**Non-financial corporations**
-7,618	**3,255**	**-10,873**	**10,853**	**n.a.**	**n.a.**	**-723**	**-1,824**	**0**	**0**	**-1,824**	**-3,799**	**Financial corporations**
-8,892	-793	-8,099	-202	-153	-7	-42	0	0	0	0	-766	Monetary financial institutions
1,159	3,991	-2,832	9,123	10,165	1,005	-2,047	0	0	0	0	-2,781	Other financial intermediaries and financial auxiliaries
115	57	58	1,932	566	0	1,366	-1,824	0	0	-1,824	-251	Insurance corporations and pension funds
862	**793**	**69**	**473**	**33**	**510**	**-69**	**0**	**0**	**0**	**0**	**1,038**	**General government**
0	**0**	**0**	**-87**	**53**	**-140**	**0**	**650**	**635**	**159**	**-144**	**357**	**Households and non-profit institutions serving households**
5,706	**10,146**	**-4,439**	**21,263**	**7,855**	**-2,536**	**15,944**	**-986**	**1,366**	**0**	**-2,352**	**13,920**	**Rest of the world**

Total Liabilities Transactions

Loans			Shares and other equity				Insurance technical reserves				Other accounts receivable/ payable	€ million
	Short-term loans	Long-term loans		Quoted shares	Unquoted shares and other equity	Mutual fund shares		Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayment of insurance premiums and reserves for outstanding claims		
-2,866	**1,812**	**-4,678**	**-1,548**	**7,717**	**-9,265**	**0**	**0**	**0**	**0**	**0**	**9,101**	**Non-financial corporations**
4,399	**8,121**	**-3,722**	**14,208**	**292**	**1,123**	**12,792**	**-520**	**2,001**	**159**	**-2,680**	**152**	**Financial corporations**
0	0	0	-9,842	0	971	-10,813	0	0	0	0	-4,073	Monetary financial institutions
4,558	8,175	-3,617	24,129	292	231	23,605	0	0	0	0	4,578	Other financial intermediaries and financial auxiliaries
-159	-54	-105	-79	0	-79	0	-520	2,001	159	-2,680	-353	Insurance corporations and pension funds
2,700	**-339**	**3,040**	**3**	**0**	**3**	**0**	**0**	**0**	**0**	**0**	**-959**	**General government**
-1,758	**-39**	**-1,719**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**454**	**Households and non-profit institutions serving households**
-2,183	**5,789**	**-7,971**	**18,393**	**10,520**	**5,865**	**2,008**	**-1,827**	**0**	**0**	**-1,827**	**14,464**	**Rest of the world**

n.a. not available.

Section E

Public Finances and Competitiveness Indicators

Table E.1: Government Debt

€ million	2012			2013
End-quarter	29 Jun.	30 Sep.	31 Dec.	29 Mar.
Government Debt				
Amount outstanding (gross)				
Euro-denominated debt				
Government Bonds	83,131	88,506	87,853	120,083
Exchequer Bills/Notes, Central Treasury Notes	1,764	4,004	1,391	3,738
Saving Certificates/Stamps, National Solidarity Bonds	5,209	5,416	5,789	6,299
Prize Bonds	1,539	1,584	1,649	1,718
Savings Bonds	5,084	5,228	5,568	5,671
National Instalment Savings	469	472	472	473
Ways and means	2,183	1,233	789	1,464
Borrowings from Central Bank, etc.	-	-	-	-
Local loans funds	5	5	5	5
Short-term paper	699	1,169	1,159	1,241
FX contracts	1,357	654	706	278
EIB loans	-	100	100	100
Public bond issues	-	-	-	-
Private placements	602	602	602	602
IMF[a]	6,357	6,677	6,998	7,349
EFSM	18,400	20,700	21,700	21,700
EFSF[b]	12,209	12,214	12,214	12,214
Bilateral loans	250	250	500	500
Medium-term notes	-	-	-	-
Swaps	11,476	12,907	13,986	15,661
Total euro-denominated debt	**150,734**	**161,722**	**161,482**	**199,097**
Non-euro-denominated debt				
EIB loans	-	-	-	-
Public bond issues	-	-	-	-
Private placements	-	-	-	-
Medium-term notes	100	100	88	83
IMF[a]	11,766	12,153	12,288	12,975
EFSM	-	-	-	-
EFSF	-	-	-	-
UK Bilateral Loan	1,500	2,022	2,471	2,862
Swaps	-12,429	-13,694	-14,284	-15,837
Short-term paper	418	68	140	199
FX contracts	-1,351	-651	-703	-283
Total non-euro-denominated debt	**3**	**-3**	**-**	**-1**
Gross debt	**150,737**	**161,719**	**161,481**	**199,096**
Residual Maturity Profile				
Amounts due to mature in:				
– ≤ 1 year	7,194	7,227	9,971	12,585
– Over 1 year but ≤ 5 years	46,479	45,739	47,095	50,088
– Over 5 years but ≤ 10 years	72,016	79,831	78,061	79,752
– Over 10 years	25,050	28,922	26,354	56,670
Total	**150,737**	**161,719**	**161,481**	**199,096**

a The IMF liability is denominated in SDRs. The € equivalent of the SDR liability is equal to the SDR amount divided by the EUR/SDR exchange rate. The EUR portion of this € equivalent amount is equal to the SDR amount multiplied by the EUR currency amount (0.423).

b EFSF is net of a €530m prepaid margin deducted from the first disbursement.

Source: NTMA.

Table E.2: Irish Government Long-Term Bonds – Nominal Holdings

€ million	2012			2013
End-quarter	29 Jun.	28 Sep.	31 Dec.	28 Mar.
1. Resident[a]	22,447	24,212	24,387	51,600
– MFIs and Central Bank	20,083	21,285	21,784	49,126
– Gerernal Government and Financial Intermediaries	2,180	2,737	2,416	2,271
– Non-Financial Corporations and Households	184	189	188	203
2. Rest of world	60,684	64,295	63,466	68,483
Total	**83,132**	**88,507**	**87,853**	**120,083**
3. Amounts due to mature in:				
– Less than 3 years	17,903	16,949	16,363	15,872
– 3 or more years but less than 5 years	10,176	10,188	14,105	16,558
– 5 or more years but less than 10 years	43,300	48,603	44,618	49,618
– 10 or more years but less than 15 years	11,753	11,780	11,780	11,895
– 15 or more years	0	986	986	26,140
Total	**83,132**	**88,507**	**87,853**	**120,083**

a Above conform to ESA95 standard. Financial auxiliaries include, for example, insurance and security brokers and investment advisors, etc. Other financial intermediaries include mutual funds, financial leasing, etc.

Table E.3: Harmonised Competitiveness Indicators for Ireland (HCIs)

1999 Q1 = 100	Nominal HCI (Monthly average)	Real HCI (Deflated by consumer prices)	Real HCI (Deflated by producer prices)
2006			
January	102.78	113.34	104.29
February	102.14	113.12	104.68
March	102.65	113.59	104.72
April	103.52	114.51	105.63
May	104.67	115.96	107.25
June	104.82	116.03	107.12
July	104.93	116.29	106.58
August	104.97	116.64	107.32
September	104.73	116.20	107.97
October	104.30	115.84	105.52
November	104.96	116.43	105.55
December	105.83	117.58	106.78
2007			
January	105.06	116.79	106.75
February	105.35	117.14	105.64
March	106.08	118.00	105.62
April	106.74	118.74	106.78
May	106.67	118.69	107.19
June	106.22	118.16	107.62
July	106.81	118.90	107.83
August	106.69	118.74	108.81
September	107.58	119.71	108.34
October	108.39	120.37	109.73
November	109.79	121.92	109.91
December	109.80	121.74	111.41
2008			
January	110.55	122.28	110.53
February	110.50	122.38	111.41
March	113.03	125.56	113.37
April	114.12	126.34	115.89
May	113.56	125.67	114.63
June	113.54	125.46	114.00
July	113.98	125.24	113.70
August	111.99	122.85	114.20
September	110.73	121.60	110.82
October	108.14	118.78	109.30
November	107.56	118.65	108.58
December	111.59	122.96	110.78
2009			
January	111.28	122.40	110.30
February	109.76	119.82	109.65
March	111.70	121.74	111.22
April	111.10	120.86	110.86
May	111.67	120.78	111.26
June	112.23	121.01	111.52
July	112.36	120.56	113.23
August	112.67	120.48	111.35
September	113.93	121.32	113.41
October	114.91	121.98	113.66
November	114.77	121.59	112.73
December	113.87	119.93	111.72
2010			
January	112.25	117.96	109.84
February	110.26	115.14	108.94
March	110.05	114.41	107.53
April	108.78	112.80	107.34
May	105.95	109.92	105.26
June	104.15	107.85	102.34
July	105.91	109.91	104.20
August	105.76	109.43	104.17
September	106.34	109.64	105.09
October	109.33	112.56	106.66
November	108.15	110.92	106.29
December	106.52	109.19	103.56
2011			
January	106.66	109.33	103.30
February	107.56	110.07	104.12
March	108.99	111.30	105.30
April	110.46	112.54	107.04
May	109.88	111.63	107.70
June	110.15	111.51	106.65
July	109.47	110.71	105.87
August	109.56	110.51	106.00
September	108.33	109.06	104.48
October	108.43	109.37	103.95
November	107.83	108.76	103.94
December	106.40	107.31	103.02
2012			
January	104.94	105.71	102.16
February	105.68	106.73	102.73
March	105.81	107.33	102.49
April	105.45	106.53	102.89
May	104.13	105.13	102.15
June	103.51	104.35	101.27
July	102.08	103.02	98.97
August	102.24	103.32	99.43
September	103.83	104.59	100.36
October	104.34	104.84	100.83
November	103.89	104.09	101.49
December	105.07	105.34	103.13
2013			
January	106.29	106.50	104.57
February	107.42	107.41	105.99
March	106.18	106.05	104.99
April	106.23	105.97	105.06

Table E.3: Harmonised Competitiveness Indicators for Ireland (HCIs) – *continued*

1999 Q1=100	Real HCI (Deflated by GDP)	Real HCI (Deflated by whole economy unit labour costs)
1999		
Q1	100.00	100.00
Q2	97.66	98.74
Q3	99.75	96.54
Q4	99.40	95.21
2000		
Q1	96.78	92.52
Q2	96.16	90.94
Q3	95.56	90.09
Q4	94.72	88.87
2001		
Q1	99.10	92.58
Q2	98.72	92.25
Q3	100.28	94.84
Q4	100.95	94.91
2002		
Q1	102.43	93.45
Q2	103.09	94.82
Q3	106.60	96.22
Q4	108.86	97.33
2003		
Q1	113.05	102.92
Q2	116.07	106.39
Q3	116.57	107.77
Q4	117.47	106.94
2004		
Q1	118.17	112.09
Q2	117.74	111.03
Q3	118.07	112.82
Q4	120.14	112.77
2005		
Q1	119.94	115.78
Q2	120.02	114.28
Q3	117.36	116.47
Q4	116.58	114.40
2006		
Q1	118.90	115.80
Q2	119.25	118.91
Q3	121.85	117.10
Q4	119.86	119.21
2007		
Q1	120.13	116.15
Q2	121.59	122.01
Q3	119.57	127.58
Q4	121.74	128.05
2008		
Q1	119.42	128.39
Q2	120.25	135.02
Q3	119.10	132.46
Q4	115.46	131.95
2009		
Q1	112.30	126.17
Q2	111.81	123.23
Q3	113.29	122.59
Q4	112.73	120.89
2010		
Q1	109.00	115.78
Q2	104.15	110.85
Q3	103.13	108.75
Q4	100.72	110.31
2011		
Q1	102.40	107.87
Q2	104.70	108.42
Q3	103.39	106.80
Q4	101.15	102.32
2012		
Q1	100.68	101.12
Q2	100.07	99.10
Q3	98.53	98.54
Q4	100.76	100.23

Notes:

1. See article entitled “Measuring Ireland’s Price and Labour Cost Competitiveness” in the Bank’s Quarterly Bulletin No. 1 of 2010.
2. A rise in an indicator implies a disimprovement in competitiveness, while a fall in an indicator implies an improvement.
3. These indicators are available from January 1995 in excel format on the Bank’s website.
4. Real HCIs may be subject to revisions to reflect latest available price data.

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