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Central Bank Quarterly Bulletin

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Contents

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. 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	-0.4	0.4
Public consumption	-6.9	-2.8	-3.7	-1.5	-2.8
Gross fixed capital formation	-22.6	-9.5	-1.0	1.6	6.6
of which: Building and construction	-29.5	-16.2	-4.1	5.0	7.2
Machinery and equipment	-9.4	-1.0	2.6	-2.0	6.0
Exports of goods and services	6.4	5.4	1.6	0.8	4.0
Imports of goods and services	3.6	-0.4	0.0	0.4	3.1
Gross Domestic Product (GDP)	-1.1	2.2	0.2	0.5	2.0
Gross National Product (GNP)	0.5	-1.6	1.8	0.1	1.2
External Trade and Payments					
Balance-of-Payments Current Account (€ million)	1,782	2,002	7,250	7,483	8,554
Current Account (% of GDP)	1.1	1.2	4.4	4.5	5.0
Prices, Costs and Competitiveness					
(% change)					
Harmonised Index of Consumer Prices (HICP)	-1.6	1.1	2.0	0.6	0.7
of which: Goods	-2.4	1.5	2.0	-0.2	0.0
Services	-0.7	0.8	1.9	1.5	1.5
HICP excluding energy	-2.7	0.0	0.9	0.7	1.0
Consumer Price Index (CPI)	-1.0	2.6	1.7	0.7	0.6
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	0.8	1.0
Labour Market					
(% change year-on-year)					
Total employment	-4.0	-1.8	-0.6	1.1	1.2
Labour force	-2.0	-0.9	-0.6	-0.1	0.5
Unemployment rate (ILO)	13.9	14.6	14.6	13.6	13.0
Technical Assumptions[b]					
EUR/USD exchange rate	1.33	1.39	1.29	1.33	1.33
EUR/GBP exchange rate	0.86	0.87	0.81	0.84	0.84
Oil price ($ per barrel)	79.61	111.26	111.74	112.89	109.04
Interbank market – Euribor[c] (3-month fixed)	0.81	1.39	0.57	0.23	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 mid September. 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

While national accounts data indicate that growth in the first half of the year was weaker than expected, the forecast is for a continuation of the gradual recovery in the overall level of economic activity, though at a slightly slower pace than previously expected. After a weak start to the year, the second quarter saw some rebound in economic growth, helped by a recovery in consumer spending and exports, both of which contracted in the first three months of the year. Looking through the fluctuations in the quarterly data, the weakness in the early part of the year is likely to dampen the average annual growth rate for 2013. However, since the first quarter, the pick-up in both domestic and external demand points to some improvement in momentum, which should support a gradual recovery in growth over the second half of this year and into 2014. Taking all of these considerations into account, the Bank's latest forecasts for GDP growth for 2013 and 2014 are marginally lower than those published in the last Bulletin. GDP growth of 0.5 per cent is now projected for this year, with growth of 2.0 per cent forecast for 2014, representing a downward revision of 0.2 and 0.1 per cent, respectively, to the previous forecasts for 2013 and 2014. The forecast for GNP has also been revised down in a similar fashion and is now projected to grow by 0.1 per cent this year, and by 1.2 per cent next year.

On the external side, export growth in the first quarter was adversely affected by economic weakness in trading partner countries and specific effects in the pharmaceutical sector. More recently, exports have benefitted from signs of improving external demand conditions, which are projected to support continued export growth in the future. On the domestic side, while prospects remain modest, employment continues to rise, with full-time employment now growing for the first time since early 2008. Although many headwinds remain, this lends support to the outlook for consumer spending. More generally, it also suggests that the recovery is gradually broadening. Further evidence of the emerging stabilisation in domestic demand is offered by the recovery in underlying investment, not yet apparent in the headline numbers, which have been distorted by the adverse trend in aircraft investment. Looking ahead, domestic demand is projected to stabilise this year and to make a small positive contribution to GDP growth in 2014.

Turning to policy issues, the main challenges remain fiscal consolidation, banking soundness and the competitiveness of wages and prices. While much has been achieved more progress is required on all three fronts to enhance Ireland's prospects for a successful exit from the EU/IMF Programme and to create the conditions for a sustainable economic recovery.

With respect to the public finances, while very significant action has been taken in recent years to lower the fiscal deficit and contain the growth in public debt, the levels of both, in relative and absolute terms, remain very high. Although projections suggest that that the debt ratio should peak this year and then gradually fall, the sustainability of the debt path, in the sense of being consistent with access to market financing at reasonable rates and long-run solvency, should not be taken for granted. Ireland is at the point at which it is about to exit the EU/IMF Programme, but is doing so at a time when deficit and debt levels are very high and there are risks in the future. Market participants will focus closely on how Ireland is likely to perform outside the Programme and whether the sustainability of the overall debt position is firmly secured. These considerations underpin the Bank's view that there should be no easing off in adjustment. Any scaling back of the planned fiscal adjustment runs the risk of starting to unwind the positive effects of the considerable consolidation effort to date, amounting to around €28 billion, for the sake of a relatively small short-term fiscal easing.

In the banking sector, further progress is needed to address the problems in relation to asset quality and profitability which need to be resolved in order to put the system back on a sustained sound footing and be in a position to support a durable recovery. The lack of progress by banks in dealing with the resolution of impaired loans has prolonged uncertainty about asset quality and delayed durable solutions for distressed borrowers. Reflecting this, in March this year, the Central Bank set quarterly targets for banks to propose sustainable long-term solutions to households in arrears and, more recently, has supplemented this with quarterly targets for the conclusion of sustainable long-term arrangements. While progress so far has been slow, momentum is building and the Central Bank will audit bank's actions on this issue to ensure the long-term sustainability of solutions.

While domestic demand is projected to gradually stabilise, a strong external performance will remain central to a return to steady growth. To help achieve this, continuing to improve competitiveness is important. While measures of national competitiveness have moved in the right direction in recent years, the decline in relatively labour intensive sectors, such as construction, means these overall measures overstate the improvement. Adjusting for these compositional effects, on a relative basis, Ireland's competitive position would seem to be back at around 2003-04 levels. Given this, further reducing the cost base would greatly enhance the prospects for a sustainable return to steady growth and rising living standards in the future.

The Domestic Economy

Overview

- *An increase in the volume of GDP of 0.5 per cent is projected for this year reflecting a broadly stable outlook for domestic demand and a modest positive contribution from net exports. A forecast pick-up in growth in 2014 to about 2 per cent is predicated on the assumption that the incipient recovery in external demand gains some momentum next year, with domestic demand projected to make a small positive contribution to growth. Modest GNP growth of about 0.1 per cent in 2013 is forecast to accelerate to about 1.2 per cent next year.*
- *Following a progressively weak performance during 2012, exports declined sharply in the first quarter of 2013 but rebounded in the second quarter of the year in line with improving external demand conditions. A further improvement in export performance is projected in the second half of the year and in 2014 on the basis of a strengthening of demand in Ireland's main external markets and a gradual easing of the negative impact of patent expiry which has contributed to a significant decline in pharmaceutical exports over the last year.*
- *Domestic demand is projected to stabilise this year and to make a small positive contribution to overall GDP growth in 2014. Consumer spending has recovered from a poor start to the year, but is likely to decline marginally for the year as a whole. The prospect of a marginal increase in consumption in 2014 reflects the positive impact of improving labour market conditions which should support a modest increase in personal disposable income.*
- *A recovery in underlying investment expenditure this year is not yet reflected in the headline numbers, which have been distorted by the adverse trend in aircraft investment. Both machinery and equipment expenditure (excluding aircraft) and non-housing construction are recovering strongly, while housing output seems close to stabilisation with forward looking indicators pointing to an increase in house completions next year.*
- *Labour market conditions continue to improve with recent data pointing to sustained employment growth, declining unemployment and increased labour force participation. The extent and timing of this improvement seems somewhat at variance with the still subdued trend in output, and may, in part, reflect compositional issues, such as the more resilient performance of labour intensive exporting sectors compared to more capital intensive sectors, such as pharmaceuticals, where output is declining. Annual employment growth accelerated to 1.8 per cent in the second quarter of this year while the labour force recorded a small increase reflecting rising participation rates. Employment growth of about 1.1 per cent is projected for 2013 as a whole, rising slightly to 1.2 per cent in 2014. The unemployment rate is now expected to average 13.6 per cent in 2013 declining to 13 per cent, on average, in 2014.*
- *The decline in headline inflation this year to a projected average rate of 0.6 per cent in HICP terms reflects, in the main, a much weaker trend in energy price inflation which contributed to higher inflation in 2012. Underlying inflationary pressures remain contained and the modest rise in the headline rate to about 0.7 per cent in 2014 reflects assumptions regarding international energy prices which are subject to a high degree of uncertainty.*

Demand

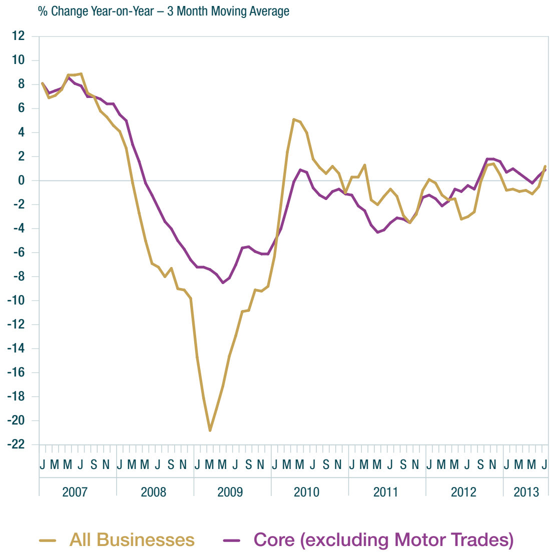
Consumer spending

Consumer spending has been on a downward trend in recent years as households have continued to adjust their expenditure to lower levels of real income and wealth. The savings rate, which increased sharply at the onset of the crisis, has remained elevated as consumers have striven to reduce excessive levels of personal debt and in the face of weakness in labour market conditions. The negative trend in consumer spending continued during the first half of this year with Quarterly National Accounts (QNA) data pointing to exceptionally weak consumer demand in the first quarter of the year in particular. Notwithstanding a small pick-up in the second quarter and indications of incipient recovery from mid-year, a decline in consumer spending seems likely for the year as a whole with the prospect of only modest growth in consumption in 2014.

A displacement in car purchases from the first to the third quarter following a change in the vehicle registration system, may have served to exaggerate the underlying weakness in consumer demand in the early months of this year. Consequently, the recovery in consumer spending from mid-year, suggested by monthly data, in part, reflects some rebound from this weakness. Total retail sales (including the motor trade) rebounded strongly in July, by 6.1 per cent on a monthly basis, while the positive trend in core retail sales (excluding the motor trade) from mid-year has been less pronounced.

The pick-up in retail sales from mid-year, together with other positive indicators such as improving consumer confidence and an improvement in labour market conditions, points to some recovery in consumer spending in the second half of this year. However, this recovery is unlikely to be sufficient to offset the weak first half outturn and it is projected that the volume of consumer spending will decline in 2013, by about 0.4 per cent. Regarding the outlook for 2014, improved labour market trends and a smaller fiscal adjustment than in recent years, point to some improvement in

Chart 1: Index of Volume of Retail Sales



Source: CSO.

the prospects for personal disposable incomes which may support a modest increase in consumption of about 0.4 per cent.

Investment

Following a disappointing headline figure for investment in the first quarter of 2013, the latest Quarterly National Accounts indicate that spending on the economy's physical capital increased by 1 per cent year-on-year in the second quarter of 2013. The headline figure, however, masks a more positive underlying trend; abstracting from aircraft investment (which is volatile and subject to timing factors), investment grew by almost 12 per cent year-on-year in the second quarter of 2013. Declines in new housing output were more than offset by a strong increase in non-housing building and construction. While investment in machinery and equipment decreased in year-on-year terms in the second quarter, the underlying figure, net of aircraft, registered strong growth.

On the housing front, new housing output looks to have bottomed out last year at around 8,500 new units, and although running slightly behind last year's trend for the first seven months of the year, forward looking indicators

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

	2012	% change in		2013f	% change in		2014f
	EUR millions	volume	price	EUR millions	volume	price	EUR millions
Personal Consumption Expenditure	82,634	-0.4	1.3	83,347	0.4	1.3	84,771
Public Consumption	25,096	-1.5	1.4	25,064	-2.8	1.1	24,608
Gross Domestic Fixed Capital Formation	17,434	1.6	1.1	17,911	6.6	1.4	19,377
Building and Construction	9,021	5.0	1.3	9,600	7.2	2.0	10,497
Machinery and Equipment	8,413	-2.0	0.8	8,311	6.0	0.8	8,880
Value of Physical Changes in Stocks	376			700			400
Statistical Discrepancy	-1,348			-1,348			-1,348
GROSS DOMESTIC EXPENDITURE	124,192	-0.1	1.3	125,674	0.4	1.3	127,808
Exports of Goods & Services	176,736	0.8	1.0	179,883	4.0	1.3	189,442
FINAL DEMAND	300,928	0.4	1.1	305,557	2.5	1.3	317,250
Imports of Goods & Services	-136,990	0.4	1.0	-138,816	3.1	1.2	-145,036
GROSS DOMESTIC PRODUCT	163,938	0.5	1.2	166,741	2.0	1.2	172,214
Net Factor Income from Rest of the World	-31,289			-32,292			-34,469
GROSS NATIONAL PRODUCT	132,649	0.1	1.3	134,449	1.2	1.2	137,745

suggest that new housing output is likely to increase slightly this year, and again next year as the stock of unsold houses declines and demand for family units in some urban areas translates into output (see Box B below). The Ulster Bank Construction PMI pointed to an increase in activity in July 2013, the first such increase since 2011.

On the non-residential side, despite the commitment to reduce public capital expenditure, a healthy pipeline of FDI and continued investment in some utility and telecommunication sectors suggest that there will probably be some growth from these sectors this year. However, the strong year-on-year growth rate recorded in the second quarter is unlikely to persist. On the whole, building and construction investment is forecast to increase by 5 and 7.2 per cent this year and next, subject to continued improvement in domestic demand, credit conditions and the wider global economic environment. This will mark an end to the 6 year decline in the construction sector.

On the machinery and equipment (M&E) side, while the total figure registered a 26 per cent year-on-year decline in the first half of last year, the underlying figure - net of aircraft purchases - was positive, up over 9.1 per cent year-on-year in the first half of 2013. It is the underlying figure which is most relevant, as aircraft investment has a limited impact on domestic economic activity and employment since they net out on the import side of the trade accounts. There is increased uncertainty, however, associated with overall M&E forecasts due to the timing and magnitude of planned aircraft investment; overall, machinery and equipment investment is projected to decrease by 2 per cent in 2013 due to temporary factors before increasing by 6 per cent in 2014. Taken together with the building and construction forecasts, these forecasts imply that, although coming from a very low base, investment should contribute positively to domestic demand with an increase of approximately 1.6 per cent and 6.6 per cent forecast for 2013 and 2014, respectively.

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

	2012	% change in		2013f	% change in		2014f
	EUR millions	volume	price	EUR millions	volume	price	EUR millions
Merchandise Exports	85,852	-3.8	0.1	82,660	-0.2	-1.0	81,699
Merchandise Imports	-49,485	-3.8	0.0	-47,605	0.8	0.2	-48,058
Merchandise Trade Balance (Adjusted)	36,367			35,055			33,641
%GDP	22.2			21.0			19.5

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 revised in 2014.

Government Consumption

According to the latest preliminary QNA, 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.

External Demand and the Balance of Payments

Merchandise Trade

Following a progressively poor performance through 2012, merchandise exports as reported in the QNA were particularly disappointing during the first quarter of 2013. While uncertainty surrounding growth prospects in Ireland's main trading partners at the time weighed on external demand, structural developments domestically also influenced the first quarter out-turn. Specifically, pharmaceutical products, which account for over 25 per cent of the total value of merchandise exports, saw a number of drugs manufactured for export in Ireland come off patent. More recent indicators of export activity, however, suggest some moderation in the pace of decline in merchandise exports during the second quarter of the year. A more benign international environment contributed to a small rebound in exports during the second quarter according to the latest QNA, with a year-on-year rate of change in the volume of merchandise exports of minus 1.7 per cent.

The CSO's Goods Exports and Imports publication provides monthly data on the composition of merchandise trade on a value basis. The data up to July 2013 show a year-on-year fall in the value of merchandise exports of 2.7 per cent, with pharmaceutical products being the major driver of this decline having fallen by 12.9 per cent. Underlying this was some easing in the pace of contraction during the second quarter, as the level of annual merchandise exports declined by just €723 million between end-March and June 2013, following a fall of over €2.3 billion during the first quarter. The slower pace of decline in the chemical sector during the second quarter was significant, as were positive developments in exports of food and related products and in machinery and transport equipment.

The latest Investec Purchasing Managers Index (PMI) for manufacturing shows a continued return to growth for the Irish manufacturing sector in August. The headline rate indicates the third consecutive month of expansion in the sector. This improvement in sentiment has been driven in July and August by a strong increase in export orders. These recent positive PMI figures suggest a further

Chart 2: Volume of Exports

Source: CSO Quarterly National Accounts.

improvement in merchandise exports over the final months of 2013.

The most recent external demand assumptions project a recovery in trade volumes as 2013 progresses. Despite the unexpectedly poor performance of the first quarter, the growth outlook in Ireland's main trading partners, particularly the US and the UK, has improved in recent months. Beyond the external demand developments, structural issues domestically in terms of the patent expiry issue in the pharmaceuticals sector will continue to feature in export performance for the year as a whole. Taking on board the latest available data and assumptions on external demand, a decline in merchandise exports of 3.8 per cent is projected in 2013. Looking forward to 2014, the recovery in Ireland's main trading partners is expected to continue at a moderate pace. Assuming that this projected recovery in external demand materialises, merchandise exports are expected to stabilise or decline only marginally in 2014.

After a decline of 2.8 per cent in 2012, merchandise imports remained weak during early 2013. The pace of contraction in merchandise imports eased to 0.1 per cent on a year-on-year basis during the second quarter of 2013. This trend is in line with the export performance over the period, given the high import content of Irish merchandise exports. Weak domestic consumption and investment developments have also weighed heavily on imports. The outlook for exports and domestic demand for the remainder of 2013 should result in import volumes falling again for the year as a whole. As external and domestic demand recover and stabilise through 2014 a small expansion in imports is expected next year.

Services, Factor Incomes and International Transfers

For a number of years now, services exports have outperformed merchandise exports and developments during 2012 embedded this feature further, with services exports continuing to expand while merchandise exports contracted. Since mid-2012, services account for over half of total exports on an annualised volume basis. Their expansion of 6.9 per cent in 2012 drove overall export growth, and their positive year-on-year growth of 1.3 per cent in the first quarter of 2013 in part offset the disappointing merchandise export performance in the early part of the year. The latest QNA results show that services exports expanded by 3.6 per cent on a year-on-year basis in the second quarter of 2013.

Within the sector, data from the *Balance of Payments* statistics show that the computer services sector continued to be the major contributor to this expansion, offset somewhat by a reduction in business services exports. These sectors combined account for over two thirds of total services exports although the overall growth of services exports during 2013 has moderated compared with previous years, particularly during the first quarter. This likely reflects the weak external demand conditions which also negatively impacted the performance of goods exports. A relatively good 2012 and a strong first half of 2013 has led to a year-on-year rise of 2.6 per cent in the value of tourism exports, a sector with a relatively high labour intensity.

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

€ million	2012	2013f	2014f
Current Account			
Merchandise Trade Balance (Adjusted)	36,367	35,055	33,641
Services Trade Balance	3,206	5,816	10,528
Net Factor Income from Rest of the World	-31,120	-32,138	-34,315
Current International Transfers	-1,205	-1,250	-1,300
Balance on Current Account	7,248	7,483	8,554
(% of GDP)	4.4	4.5	5.0

The latest (August) Investec Services PMI data show a relatively robust increase in growth for the sector, with the headline PMI indicating a rate of expansion higher than any time since 2007. This improvement is broad-based, but particularly strong for financial services, tourism and travel and business services. The pace of growth in new business and new export business quickened during August for these three sub-sectors. An increase in tourism spending was a significant factor in the improved performance of the non-financial services sector.

Given the impact of the more moderate growth in early 2013, the projections for services exports have been brought back marginally. 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. The projected improvement in the mainland European and the UK economies next year should provide a boost to services exports in 2014 leading to more robust growth.

The volume of services imports expanded by 1.7 per cent in 2012, and the pace of growth has risen so far in 2013, increasing to 4 per cent on a year-on-year basis during the second quarter. The growth in overall imports has been due primarily to higher imports of royalties and licences, with a relatively small percentage rise in business services also having an aggregate impact given its overall share in services imports of circa 40 per cent. A return to faster services export growth over the forecast horizon is expected to contribute to an increase in the pace of services import growth in 2014.

During 2012, developments in services trade, particularly the continued strong export growth seen since 2010, led to the emergence of a surplus in the services trade balance. This trend has continued in 2013, with the surplus rising, on an annual basis, from €3.2 billion at end-2012 to €3.8 billion by mid-2013. 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 the first half of 2013 show that the trade balance continues to rise on an annual basis, but at a much slower pace.

The current account of the balance of payments has consistently improved since mid-2008, moving from a deficit of almost 6 per cent of GDP in 2008 to a surplus of 4.4 per cent of GDP in 2012. A number of factors have featured in this development, including the rising overall trade balance driven by services exports, but also the impact of profit inflows for PLCs redomiciled in Ireland over the period (see “Box B: The Impact of redomiciled

PLCs on GNP and the Current Account" in the Domestic Economy chapter of the Q3 2013 *Bulletin, pps 16-17*). So far in 2013, the current account surplus has risen even further, equivalent to 5.6 per cent of annual GDP for the year ending June 2013. A fall in profit repatriation by foreign multi-nationals operating in Ireland in recent quarters has been a major component explaining recent developments.

Given the scale of factor income flows, the timing of which are highly uncertain, small changes - either positive or negative - in outflows or inflows could have a significant impact on balance of payments projections in this Bulletin. However, even when the impact of redomiciled profit flows on the current account is removed, developments on the trade side since 2008 have moved the current account to a surplus position. Our projections for exports and imports imply that the current account will remain in surplus over the period of the forecasts.

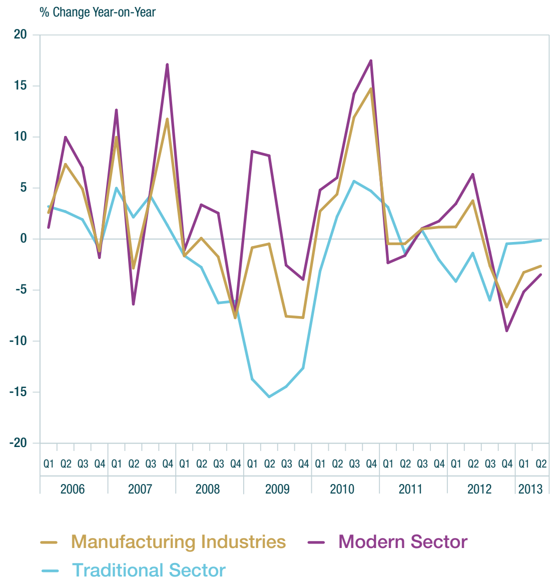
Supply

Industry and Services Output

Production in the manufacturing sector declined by almost 4 per cent in annual terms over the year to July 2013, a notably weaker trend than that recorded for the same period last year. While there were signs of renewed buoyancy in the sector in June, this was followed by a decline of 8.9 per cent in July. Volatility in Irish industrial production data on a monthly basis is not uncommon as it is strongly influenced by the pharmaceutical sector which can display erratic movements, most recently due to the impact of patent expirations on a number of significant products. Largely reflecting this development, output growth in the modern sector continues to decline in year-on-year terms. As against this, the traditional sector showed renewed signs of momentum over the summer months.

Looking ahead, the signals from the Investec Manufacturing PMI Index were favourable.

Chart 3: Volume of Industrial Production



Source: CSO.

Increased demand from both domestic and external sources led to an improvement in new orders in August, which supported increased employment growth in the sector for the third successive month. Sustained buoyancy of agri-food exports and internal demand have improved prospects for the traditional sector during 2013 and are offsetting some of the weakness emanating from the modern sector. However for 2013, as a whole, overall industrial output is projected to decline by 3 per cent per annum. This forecast takes account of the more muted outlook for exports 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 forecast based on external demand assumptions which are subject to a high degree of uncertainty.

In relation to services, recent data from the QNA show a positive trend in the output of Other Services (including rent) which increased by 2.8 per cent, year-on-year, in the second quarter of 2013. This outcome

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	-0.2	-3.3	-1.0	-1.3
2013f	-2.6	-0.5	-3.0	-2.9
2014f	0.2	0.3	0.3	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).

is consistent with recent evidence from the Investec Services PMI index, which in August 2013 registered the highest growth in the services sector since April 2007.[1] The favourable summer weather conditions contributed to increased activity in the Travel, Transport, Tourism and Leisure sub-sectors. As the services sector accounts for 70 per cent of Irish GDP, the increase in employment recorded across all sub-sectors is a positive development for the domestic economy.[2]

Agricultural Output

The final estimates of the CSO's Output, Input and Income in Agriculture confirm that agricultural sector incomes declined in 2012, following strong gains in 2011. Agricultural income (as measured by operating surplus in Table 5) declined by 7.5 per cent in 2012. This contrasts sharply with the annual increase, in nominal terms, of 31.5 per cent experienced in 2011.

The most recent Quarterly National Accounts (not directly comparable to Table 5) show tentative signs of improvement, with the decline in output in the Agricultural, Forestry and Fishing sector moderating in the second quarter of 2013. The agri-food sector in Ireland is estimated to account for 7.7 per cent of gross value added at factor cost in 2012 (Department of Agriculture 2012) and 10.8 per cent of exports in 2012, with dairy and beef representing the best performing sectors.[3] The latest data from the Quarterly National Household Survey indicate that the agricultural sector had a strong rate of increase in employment in the second quarter of 2013.

The outlook for 2013 assumes that there will be no repeat of the unseasonal weather patterns experienced in 2012. The carryover of poor weather conditions last year coupled with the harsh spring in 2013 increased dependency on imported animal feed which will dampen profits in the early part of 2013. However, higher milk and beef prices are expected to offset the impact of these increased costs of production.

The Labour Market

The results of the Quarterly National Household Survey (QNHS) for the second quarter of 2013 point to a continued improvement in labour market conditions during the second quarter. On an annual basis, the pace of employment growth accelerated to 1.8 per cent, unemployment fell and, for the first time since the third quarter of 2008, the labour force grew in size. As the gains in the

1 Ireland recorded the highest rate of expansion in business activity across all Eurozone member states.

2 The CSO Quarterly National Household Survey Q2 2013 recorded increased employment growth in the Services sector of 10.2 per cent per annum in Q1 and 8.2 per cent in Q2 2013, respectively, with the highest rate of increase found in the Accommodation and Food Services sub-sector in Q2 at 9.6 per cent per annum.

3 Teagasc (July 2013) forecast that Irish calf exports will be 150 per cent higher in 2013 relative to 2012, with total cattle exports to date already over 70 per cent higher.

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

	2012	% 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	3.6	1.1	2.5	6,959	2.2	0.2	2.0	7,111
Intermediate Consumption	5,293	0.5	0.8	-0.3	5,317	4.4	1.1	3.3	5,553
Net Subsidies plus Services Output less Expenses	1,639	-5.0			1,557	-0.5			1,549
Operating Surplus	2,241	5.0			2,353	3.5			2,436

a Including the value of stock changes.

b CSO estimates.

second quarter marked the fourth consecutive quarterly rise in employment, there are some early signs that the labour market has entered a recovery phase. The most recent Live Register figures also provide evidence of a slow improvement in labour market conditions with the number signing on declining for the fourteenth consecutive month in August.

When seasonal factors are accounted for, the unemployment rate declined in the second quarter to 13.7 per cent. The quarterly fall in the number unemployed in the three months to June marked the fifth consecutive quarterly decline in unemployment. The latest Live Register figures suggest that this pattern of improvement has continued in the third quarter. The seasonally adjusted monthly pace of decline in the Live Register averaged 0.5 per cent in the eight months up to August 2013, over the previous eight months the fall measured 0.1 per cent. In addition, the seasonally adjusted standardised rate of unemployment in August 2013 was 13.4 per cent according to the Live Register, compared to the QNHS estimate of 13.7 per cent in the second quarter of 2012.

The pace of contraction in the labour force eased during the first quarter of 2013 and the second quarter saw a small rise in the labour force, the first such annual increase since 2008. The increase in the labour force was due to a rise in the participation rate. From its peak in the final quarter of 2007, the participation rate declined by 4.3 percentage points by the second quarter of 2012. The participation rate stabilised during 2012 and has recorded small increases in recent quarters. The positive participation effect added 27,800 to the size of the labour force over the year to the second quarter of 2013. The increase in participation offset the on-going negative demographic effect (the change in the working age population) in the second quarter giving rise to a small overall increase in the labour force.

There are a number of other interesting dimensions in relation to the trends in unemployment revealed in the QNHS data. The latest figures suggest that males account for the majority of the fall in unemployment over recent quarters. The female unemployment rate in the second quarter was 11.4 per cent, up from 11 per cent in the same quarter of 2012. In contrast, the male unemployment rate declined by 2.2 percentage points over the same period. This development is not entirely surprising, given that the male unemployment rate increased by substantially more than the female rate from 2008.

Box A: Part-time Underemployment
By Suzanne Linehan[4]

Part-time jobs have represented a key source of employment gains over recent years, as reflected in the marked upward trend in Ireland's part-time employment rate. The part-time employment share reached 24 per cent in the second quarter of 2013 and given that it remained within a reasonably tight range of 16 to 18 per cent between the first quarter of 1998 and the corresponding quarter of 2008, this represents a sizable shift. An important consideration in relation to this expansion of part-time employment is the extent to which it has been consistent with employee preferences. Individuals who work on a part-time basis yet are available and willing to work additional hours are classified as underemployed part-time.[5] Gaining insight into underemployment amongst part-time workers is important given the implications for both the labour market outlook and the formulation of effective labour market activation policy. This Box provides a brief overview of the underemployed category of part-time employment, with an emphasis upon recent dynamics and its composition. Due to data issues, the period examined is limited to the four year period from the second quarter of 2009 to the corresponding quarter of 2013.

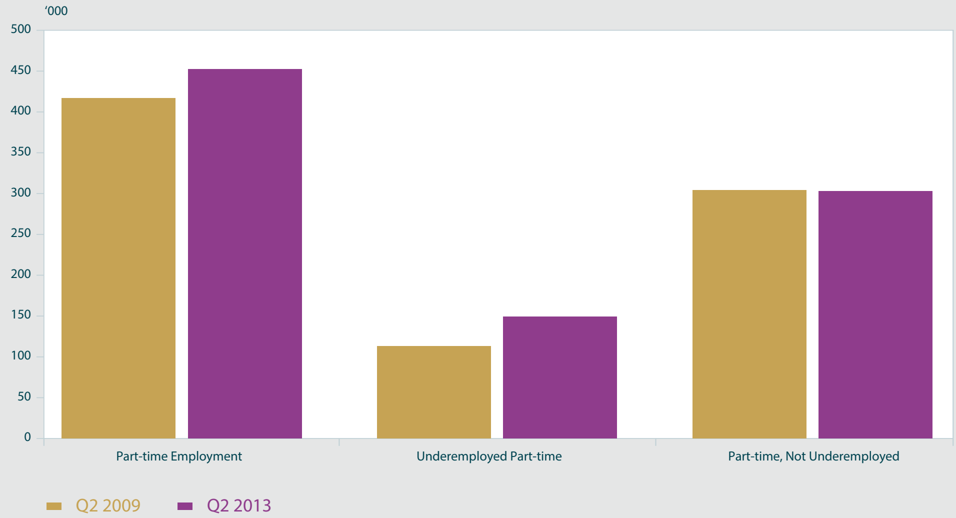
The most noteworthy aspect of part-time employment developments over this period has been the extent to which it has been driven by persons classified as underemployed (see Box A Figure 1) – part-time underemployment has grown by almost a third between the second quarter of 2009 and the same quarter in 2013. Correspondingly, the underemployed share of part-time employment has risen sharply, increasing from 27 per cent in the second quarter of 2009 to a peak of 36 per cent in the second quarter of 2012 before falling off somewhat over more recent quarters. Comparison at a Euro area level suggests that Ireland's share of underemployed part-time workers in the labour force is the single highest such share in the euro area. The increased prevalence of part-time underemployment is to be expected given both the magnitude of the labour market adjustment experienced in Ireland and the counter-cyclicality of part-time underemployment - periods of falling employment are generally associated with rising underemployment as people become discouraged about their prospects of finding a full-time position and as a result, search for part-time work. A sizable year-on-year decline in part-time underemployment was, however, recorded in the second quarter of 2013 amid recent tentative signs of recovery in labour demand. Such a development is consistent with the expectation that the increased incidence of part-time underemployment will have some impact upon the flow of workers from unemployment to employment and as a result, the reduction in the unemployment rate due, for instance, to employers increasing the hours of existing workers before hiring additional staff.

4 Irish Economic Analysis Division.

5 A new approach to the estimation of the level of part-time underemployment was adopted by the ILO and Eurostat from the third quarter of 2010 onwards. Previously, estimates were based on a single question, which required that the person be looking for additional work.

Box A: Part-time Underemployment
By Suzanne Linehan

Box A Fig 1: Part-time Employment by Employee Preference



Source: CSO, QNHS.

An analysis of developments in the profile of those classified as part-time underemployed, on the basis of gender, age and educational attainment,[6] reveals that there has been some variation in terms of its incidence.

- **Gender:** The rise in underemployed part-time workers has been relatively evenly balanced in terms of its impact by gender, albeit with females dominating in terms of the share of part-time underemployment. A comparison of the gender profiles of part-time employment and underemployment reveals, however, that the male share of underemployment part-time is somewhat higher relative to its share of part-time employment – males account for 43.5 per cent of all those in part-time underemployment vis-à-vis a 31.7 per cent share of overall part-time employment. Such a higher relative incidence of underemployment amongst males is consistent with the fact that a larger proportion of males were employed in the economic sectors most severely affected by the contraction in labour demand.
- **Age:** Part-time underemployment has increased for two of the three age cohorts[7] over the period under consideration, albeit to varying degrees. The rise occurred primarily amongst prime aged individuals (25-54 years), as evidenced by the fact that they accounted for in excess of 90 per cent of the increase in those classified as underemployed part-time between the second quarter of 2009 and the first quarter of 2013. Also notable was the fall-off in the contribution of the young, with a reduction in part-time underemployment amongst those aged 15-24 years over the same period.
- **Educational Attainment:** Analysis of the rise in part-time underemployment reveals that it has been broadly based in terms of educational attainment, with an increase in all three levels.[8] Some variation in the magnitude of these increases was nevertheless evident, with those within the high education category accounting for 42 per cent of the rise in part-time underemployment.

6 The most recently available age and educational attainment data relate to the first quarter of 2013.

7 The three age cohorts are 15-24 years, 25-54 years and 55-74 years.

8 The highest level of education attained in accordance with ISCED-97 framework – levels 0-2 (lower), levels 3-4 (medium) and levels 5-6 (high).

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

(annual average '000)	2011	2012	2013f	2014f
Agriculture	83	86	103	107
Industry (including construction)	348	336	339	344
Services	1418	1417	1417	1430
Total Employment	**1849**	**1838**	**1858**	**1881**
Unemployment	317	315	293	281
Labour Force	2166	2154	2152	2162
Unemployment Rate (%)	**14.6**	**14.6**	**13.6**	**13.0**

Note: Figures may not sum due to rounding.

A second interesting development is that long-term unemployment has begun to fall and although the long-term unemployed still account for close to 60 per cent of all persons out of work, the situation has improved with 24,500 persons exiting long-term unemployment over the last 12 months.

The forecasts in this Bulletin imply a slightly brighter outlook for the labour market compared to the previous projections published in July. Reflecting recent improvements, the rate of unemployment is expected to fall slightly in 2013. The projected recovery in domestic demand in 2014 should add momentum to the improvement in labour market conditions while the unemployment rate should decline to around 13 per cent next year.

Pay

The most recent available data suggest that overall pay pressures within the economy remain muted. Data from the National Income and Expenditure (NIE) accounts combined with figures for total employment indicate that compensation per employee increased by 0.8 per cent in 2012. Over the preceding three years from 2009-2011, nominal compensation per employee is estimated to have fallen by 5 per cent. Data from the CSO's Earnings, Hours and Employment Costs Survey (EHECS) suggest that economy-wide average weekly earnings recorded a small decline of 0.1 per cent in the first six months of 2013 compared to the same period in 2012, indicating a continuation of the trend of subdued growth in earnings.

While the NIE data suggest a reduction in compensation per employee over recent years, data from EHECS show that in relation to hourly rates of pay, the trend has been broadly flat since the economy went into decline in 2008. Average weekly earnings declined over the period 2009-2011. This was, however, mostly due to a reduction in hours worked rather than lower hourly pay. While public sector earnings fell during 2010, private sector hourly earnings were stable over the period 2008-2010 and recorded an increase of 0.9 per cent in 2012.

Turning to the outturn for the second quarter of 2013, economy-wide wages recorded a small 0.4 per cent increase during the second quarter of 2013 following a revised year-on-year decline of 0.6 per cent in the previous quarter. The composition of the change in overall weekly earnings reveals differences in wage movements in the private and public sector. In the private sector, the rise in weekly earnings was due entirely to an increase in hourly pay while hours worked were flat. In the public sector, the 1.3 per cent annual increase in weekly earnings in the first quarter consisted of a 0.5 per cent rise in hourly pay while hours worked were 0.6 per cent higher.

Across the economic sectors, average weekly earnings increased in 6 of the 13 sectors in the year to the second quarter of 2013, with the largest percentage increase in the construction

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]	0.6	0.7	1.5	-0.2	0.7
2014[f]	0.7	1.0	1.5	0.0	0.6

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

sector. The largest percentage sectoral decrease in weekly earnings was recorded in the accommodation and food services sector. In the five years to the second quarter of 2013 average hourly earnings across individual sectors show changes ranging between -11.6 per cent for financial, insurance and real estate activities and +8.4 per cent for the Information and Communication sector. Hourly pay across all sectors in the second quarter of 2013 was unchanged from its level in the second quarter of 2009.

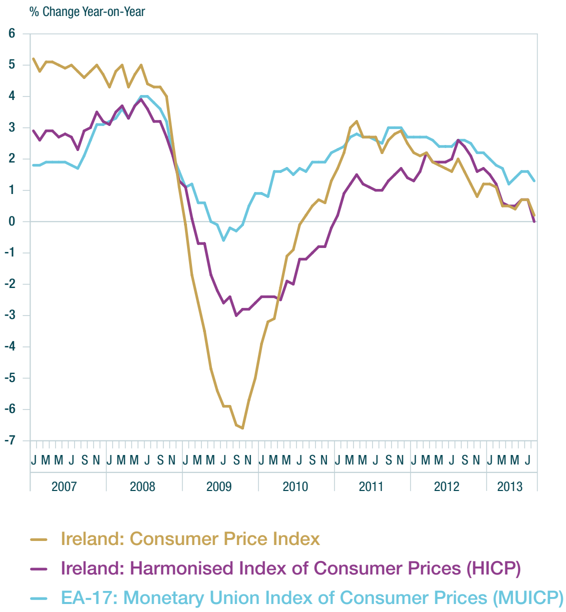
Our forecasts imply a continuation of weak growth in overall earnings both this year and next. This reflects a combination of factors including the high level of spare capacity in the labour market due to unemployment and underemployment as well as on-going fiscal consolidation, which will continue to dampen earnings growth in the public sector. 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 is forecast to average 0.8 per cent in 2013 and 1 per cent in 2014. A continuation of the recent trend of increasing employment and gradually improving labour market conditions should support stronger wage growth in the private sector in 2014.

Inflation

There has been a significant moderation in the rate of inflation this year with HICP inflation averaging 0.7 per cent per annum in the year to August compared to an average for 2012 of 2 per cent. In both 2012 and 2013, underlying inflationary pressures, as measured by HICP excluding energy, remained subdued. The diverging pattern in headline inflation in 2012 and 2013 is mainly due to the energy component. In 2012, the energy component was the main driver of inflation, as it contributed 1.1 per cent to the overall HICP inflation rate. In absolute terms, in 2012 the HICP energy component increased by 9.4 per cent as the increase in oil prices in dollar terms was reinforced by the weakening of the euro vis-à-vis the US dollar. However, in the year to date the HICP energy component increased only by 1 per cent per annum given the weak global international environment.

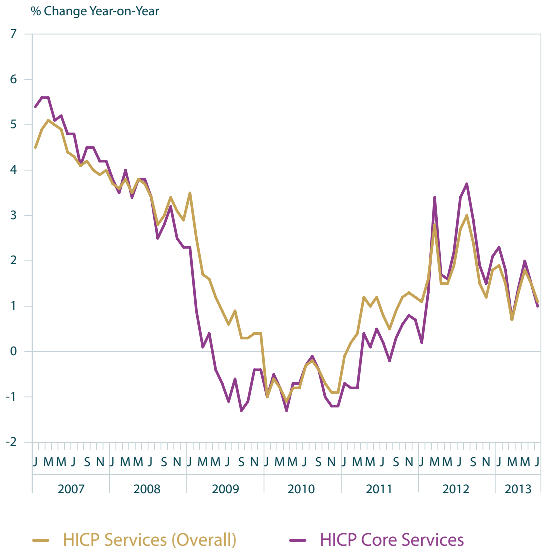
Inflationary pressures in Ireland are expected to remain muted over the forecast horizon. HICP inflation is forecast to average 0.6 per cent per annum in 2013, increasing marginally to 0.7 per cent per annum in 2014, with CPI inflation also projected at broadly similar levels in both years. Services inflation, which is a proxy for domestically generated inflation, is forecast to remain fairly stable as the domestic economy slowly recovers, rising on average by 1.5 per cent per annum in both 2013 and 2014. Excluding energy prices, core inflation is expected to average 0.7 per cent per annum and 1 per cent per annum in 2013 and 2014 respectively. The higher forecast for next year for headline inflation relative to inflation excluding energy is driven by technical assumptions for oil prices which increased over the course of the summer due to geopolitical tensions which are surrounded by uncertainty.

Chart 4: Consumer Prices



Source: CSO.

Chart 5: Services Sector Inflation



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

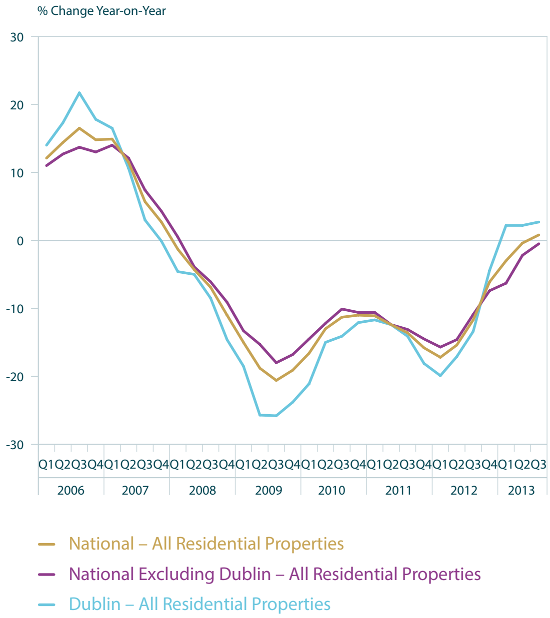
Source: CSO.

Property Prices

Residential property prices in Dublin, where demand for family homes is reportedly rising and supply is limited, continue to experience upward pressure, with the CSO's Residential Property Price Index (RPPI) pointing to an increase of 8 per cent in the year to July 2013. While prices outside the capital continue to register year-on-year declines, the rate of decline is moderating, recording a decrease of 1.5 per cent in July 2013; nationally, residential property prices increased by 2.3 per cent in the year to July - the second such annual increase since January 2008. Rising demand is also evidenced in the rental market, where rents were up 7.2 per cent, nationally, in the year to July. Regional differences continue to exist, with Dublin experiencing upward pressures and the remainder entering a period of stabilisation or moderating declines.

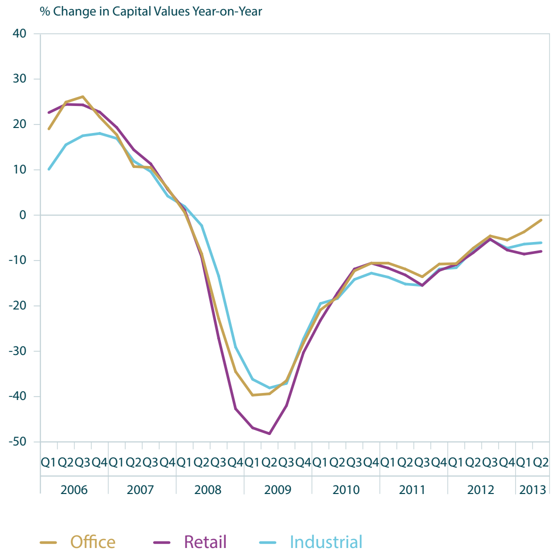
There are also signs of stabilisation on the commercial side according to the latest Society of Chartered Surveyors/ Investment Property Databank's Commercial Property Index (Chart 7), which posted zero capital growth/decline in the second quarter of 2013 compared to the previous quarter. Capital growth in the office sector was offset by declines in the retail and industrial sectors. This is corroborated by the Jones Lang LaSalle Index for the second quarter of 2013, which registered a small increase of 0.4 per cent in overall capital values in the quarter – the first such increase for five quarters. Again, the increase stemmed from the office sector, with declines recorded for the retail and industrial sectors. The latest GeoDirectory/DKM Quarterly Commercial Vacancy Rate Study pointed to a slight increase in the overall vacancy rate in the second quarter.

Chart 6: Residential Property Price Indices



Source: CSO.

Chart 7: SCS/IPD Irish Commercial Property Index



Source: SCS/IPD.

Box B: The Stock of Vacant Dwellings and Recent House Price Movements

By Thomas Conefrey[9]

Having fallen by 50 per cent from peak nationally, data from a range of sources indicate that house prices have begun to rise again. The data paint a picture of a housing market that has become fragmented. Over recent months the rise in house prices nationally has been driven by developments in the capital where annual increases have been recorded for seven consecutive months since January 2013. Outside Dublin, house prices continue to fall albeit at a slower pace than in previous years. A large body of research[10] suggests that factors such as population change, income, affordability and credit are key drivers of house price changes. Indicators suggest no significant increase in disposable income while mortgage lending remains at a low level. This raises the question of what is driving recent house price movements, in particular the rise in Dublin prices. Using Census data, this Box considers recent house price movements in the context of information on population growth and variation in the stock of vacant dwellings across regions.

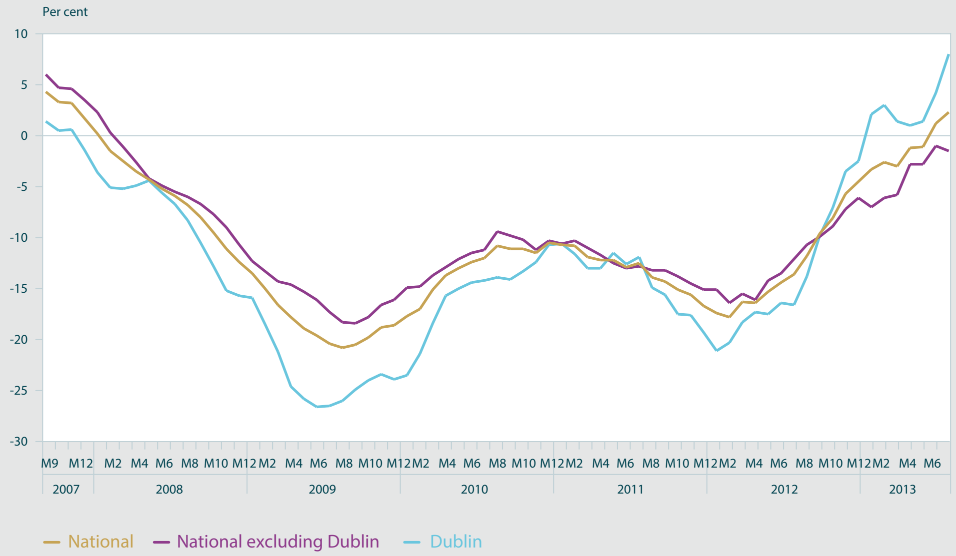
Box B Figure 1 shows the annual change in house prices in Dublin and in the rest of the country using the CSO's house price index. From the time house prices began to decline in late 2007 until late 2012, the fall in house prices in Dublin exceeded that in the rest of Ireland - the corollary of the trend in prices during the bubble when the pace and scale of the rise in Dublin exceeded that in the rest of the country. In Dublin, house prices for the first seven months of the year are 3 per cent higher than for the same period in 2012; for property outside Dublin the equivalent figure is minus 3.8 per cent.

9 Irish Economic Analysis Division.

10 See Duffy, FitzGerald and Kearney (2005), McQuinn and O'Reilly (2008).

Box B: The Stock of Vacant Dwellings and Recent House Price Movements
By Thomas Conefrey

Box B Fig 1: House prices, year-on-year change, per cent



Source: CSO House price Index.

Data from other sources reveal a similar pattern although the magnitudes of the price changes differ. Asking price data from the property website Daft.ie show that in the year to the second quarter of 2013, asking prices in Dublin rose by 5.3 per cent. Outside Dublin, prices declined by 8.9 per cent. Even within Dublin where prices increased overall, the data show considerable variation in prices across areas of the city with the largest increase in prices registered in south Dublin.

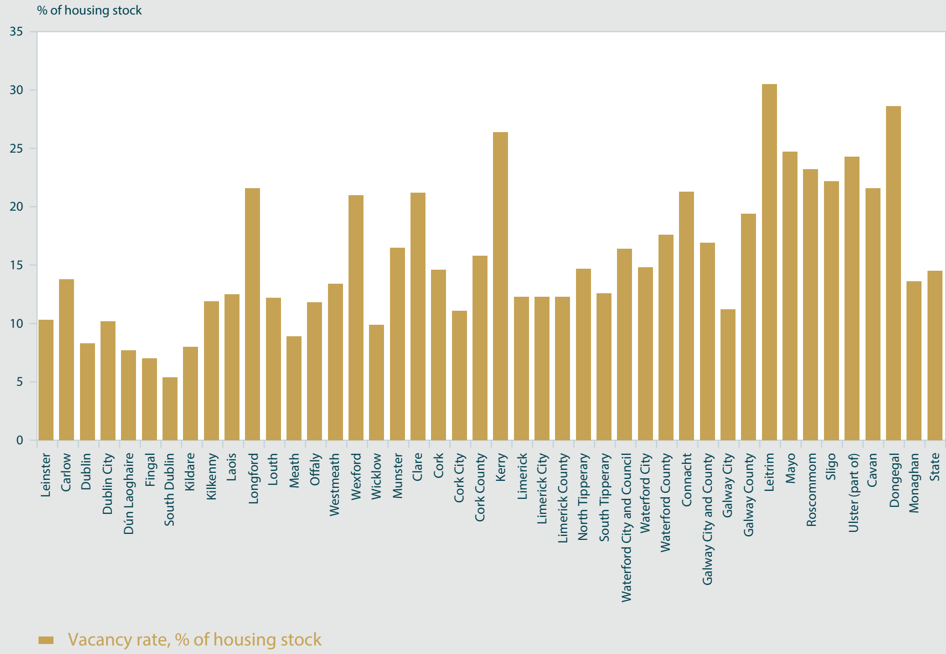
In areas where a considerable overhang of unoccupied dwellings exists, demand can be satisfied from existing supply. In other areas where the supply of dwellings is tight and the vacancy rate is low, even a limited increase in demand will place upward pressure on prices. Box B Figure 2 shows the stock of vacant dwellings as a percentage of the total housing stock across counties and regions according to Census 2011. At 30.5 per cent, Leitrim had the highest vacancy rate, six times higher than south Dublin which had the lowest rate. In general, areas in Dublin have the lowest vacancy rates with border and western counties having the highest proportion of vacant dwellings.

Box B Figure 3 shows the change in the number of vacant dwellings between 2006 and 2011 along with the change in the number of households across regions. Firstly, the graph shows that across all regions, there was a significant increase in the number of households between 2006 and 2011. Over this period the total population increased by 8.2 per cent while the number of households in the state rose by over 12 per cent. The chart shows that in some areas for example, Leitrim, Roscommon, Donegal, Kerry and Clare, the growth in the number of vacant dwellings substantially outstripped the increase in the number of households over the same period; in some of these areas growth in the number of vacant dwellings between 2006 and 2011 was twice the growth in the number of households.

A very different picture emerges for Dublin and the commuter counties of Meath, Kildare and Wicklow. In these four counties, the increase in the number of households between 2006 and 2011 averaged 13.1 per cent. In contrast to the situation in the majority of counties, the number of vacant dwellings declined by an average of 5.4 per cent in these four areas. As a result, these four counties, which recorded above average growth in the number of households, had fewer vacant homes in 2011 than five years previously. It is noteworthy that the areas which the 2011 Census shows to have the lowest vacancy rates, and to have recoded a lower number of vacant dwellings than in 2006, are the areas now experiencing the strongest rate of house price growth.

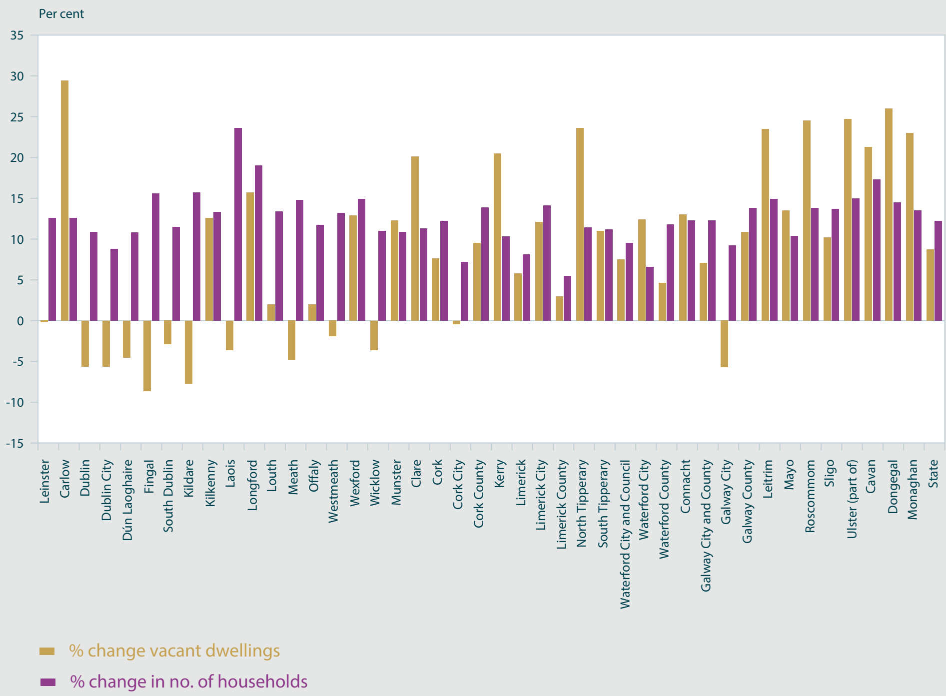
Box B: The Stock of Vacant Dwellings and Recent House Price Movements
By Thomas Conefrey

Box B Fig 2: Vacancy rate, per cent of housing stock, Census 2011



Source: CSO, Census.

Box B Fig 3: Percentage change in vacant dwellings and number of households, 2006-2011



Source: CSO, Census data and own calculations.

Box B: The Stock of Vacant Dwellings and Recent House Price Movements
By Thomas Conefrey

More timely data from Daft.ie shows a continuous decline in the stock of dwellings for sale over recent years. In late 2011, there were around 60,000 dwellings listed for sale on the Daft website, the latest data for the second quarter 2013 show that this has fallen by around a third to 40,000. Consistent with the evidence from the Census, the Daft.ie data indicates that supply conditions are tighter in the Dublin area where around 3,250 properties were for sale in June 2013 compared to 7,000 in late 2008. In addition, the number of months' supply of dwellings available for sale in Dublin has declined significantly since 2008.

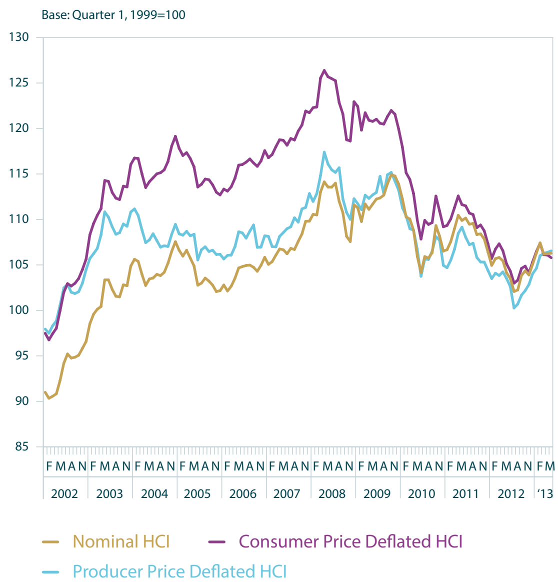
Given the exceptionally low level of house completions over recent years, the supply position is unlikely to change significantly in the short term. Overall, this suggests the likely need for an increase in housing supply to meet demand, especially in the Dublin region.

Competitiveness

Exchange Rate Developments

The euro has experienced diverging fortunes with respect to Ireland's two main trading partners – the UK and the US - over the course of the last quarter – appreciating by approximately 3 per cent against the US dollar, while falling 3.4 per cent against the pound sterling. The Harmonised Competitiveness Index (HCI - an increase in the index indicates a reduction in competitiveness) in Chart 8 indicates that competitiveness has been on a deteriorating trend since the second half of 2012. On a nominal basis, competitiveness has deteriorated by approximately 5 per cent, while on a producer price basis it has declined by over 6 per cent; the decrease is less stark when measured in consumer prices – at 3.5 per cent.

Chart 8: Harmonised Competitiveness Indicators

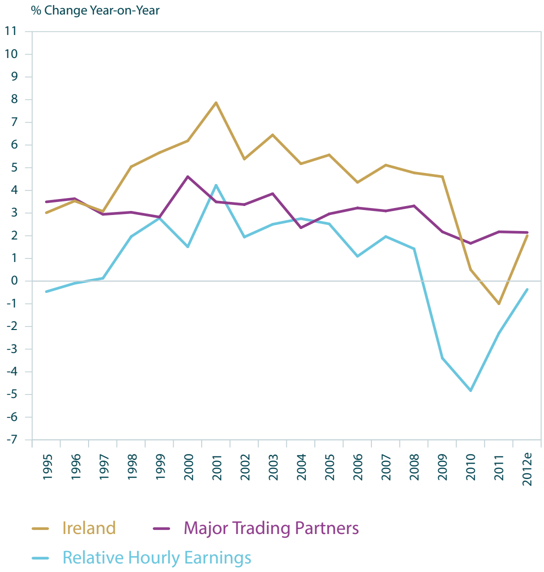


Source: Central Bank of Ireland and ECB.

Productivity and Cost Competitiveness

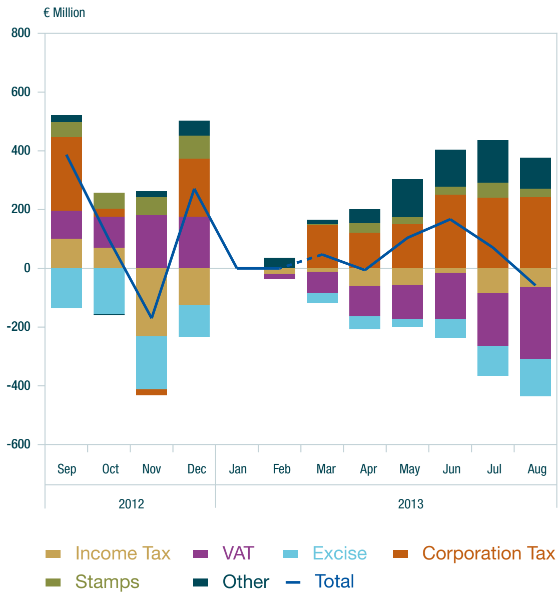
The substantial improvements in productivity and unit labour costs posted in the aftermath of the crisis, largely in the 2009 to 2011 period, are unlikely to be a feature of the economy in the years ahead. Chart 9 illustrates the evolution of hourly earnings in manufacturing relative to our main trading partners, pointing to a closing of the relative wage growth gap in 2012. Following 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 is forecast to record a negative value of 0.6 per cent of GDP this year, before increasing by 0.8 per cent in 2014. In the wake of stable unit labour costs last year, absolute unit labour costs are projected to increase by 1.4 and 0.2 per cent

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



Source: Central Bank of Ireland calculations.

Chart 10: Divergence of Tax Heads from Profile



Source: Department of Finance.

this year and next, respectively. The negative contribution from productivity is compounded this year 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 the first quarter of 2013, which covers a range of business-to-business services costs, services price inflation has been on a downward trend since the latter half of last year – registering an increase of just 0.7 per cent in the year to the first quarter. The largest year-on-year increases occurred in sea and postal transport, postal and courier services, likely as a result of energy price increases. Moreover, with international labour mobility on the rise, the cost of living is a salient factor – one where Ireland needs to improve on a 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 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 stresses the need for improvement in infrastructure, broadband in particular, 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 as a concern. Anecdotal evidence from the IT sector would suggest that the dearth of skilled workers in the sector is impacting negatively on their ease of doing business. Ensuring that there is a healthy supply of labour, capital and infrastructure, as well as competitive price levels, is an important part of ensuring future competitiveness.

Box C: The European Semester

By Ronán Hickey[11]

Introduction

The financial and public debt crises highlighted significant vulnerabilities in the rules and procedures underpinning economic decision making in the EU. The response from policymakers, which comprised the six-pack legislation, the two-pack legislation and the Treaty on Stability, Coordination and Governance (TSCG), has strengthened economic governance in the region considerably. At the centre of this revised governance framework is a division of the year into two distinct periods – the European Semester and the National Semester. The first of these, which takes place from November to July each year, has introduced a coordinated policy-making timetable at an EU level. This allows national policies and performance to be analysed collectively and guidance be provided to Member States as appropriate. The second period, the National Semester, takes place in the remaining months of the year and sees Member States introduce national budgets which should take account of the guidance provided to them. The remainder of this Box takes a closer look at the four major stages of the European Semester, which are summarised in the Table below. The first annual policy cycle began in January 2011 with the most recent, third European Semester, starting in November 2012.

Table: The key stages of the European Semester

November ––>	March ––>	April ––>	July
Annual Growth Survey and Alert Mechanism Report produced by the European Commission.	European Council adopts economic priorities for the EU.	Member States submit their Stability or Convergence Programmes and their National Reform Programmes.	ECOFIN adopts Country-Specific Recommendations for each Member State.

Stage One: The Annual Growth Survey

The European Semester begins with the publication of two Reports by the European Commission; the Annual Growth Survey and the Alert Mechanism Report. The Alert Mechanism Report assesses developments in macroeconomic imbalances and is a key component of the Macroeconomic Imbalances Procedure. The Annual Growth Survey (AGS), meanwhile, sets out the economic and social priorities for policymakers at a national and EU level for the coming year. The 2013 AGS noted that while more positive trends were evident in 2012, persistent challenges meant that the five priorities that were identified in the 2012 AGS remained appropriate for the 2013 Semester. These were (1) pursuing differentiated, growth friendly consolidation; (2) restoring normal lending to the economy; (3) promoting growth and competitiveness for today and tomorrow; (4) tackling unemployment and the social consequences of the crisis; and (5) modernising public administration.

Stage Two: Adoption of Economic Priorities

Following its publication, the AGS is used as a starting point for more detailed discussions at the various Council formations. Formations such as the Economic and Financial Affairs Council (ECOFIN), the Education Council, and the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) broaden out the AGS priorities as they apply to their areas of focus. Building on this preparatory work, the European Council then adopts economic, employment and fiscal guidelines – for both Member States and at an EU level - at its meeting in March of each year. This year the European Council identified three particular areas for special emphasis: addressing unemployment, further integration of the single market and reducing the overall burden of regulation at both EU and national levels.

11 Irish Economic Analysis Division.

Box C: The European Semester
By Ronán Hickey

Stage Three: National Reform Programmes and Stability or Convergence Programmes

In April, Member States produce two documents that should take account of the guidance provided by the European Council above. The first of these documents is a Stability Programme Update (SPU) for countries that have already adopted the euro, or a Convergence Programme Update (CPU) for all other Member States. As they are a central component of the Stability and Growth Pact, the focus of SPUs and CPUs is on fiscal developments and the outlook for public finances at least three years ahead. The content must include the medium-term budgetary objective (MTO), the planned adjustment path towards it and – if applicable – the reasons for any deviation from this required adjustment path.[12] The second document is a National Reform Programme (NRP), which focuses on policy measures to boost growth and jobs. The NRP should take account of the Country Specific Recommendations made in the previous European Semester, the policy guidelines outlined in Stage Two and the objectives of Europe 2020. The latter is the ten-year growth strategy for the EU, established in 2010, which is aiming to deliver smarter, sustainable and more inclusive growth (through more effective investment in education and research and innovation, moving towards a low carbon economy and placing an increased emphasis on job creation).[13]

Stage Four: Adoption of Country Specific Recommendations

Having reviewed these documents, and taking account of earlier policy guidelines, the final stage of the European Semester sees the European Commission issue Country Specific Recommendations (CSRs). The CSRs, as their name suggests, are tailored guidelines for each country (and for the euro area as a whole), so they can focus on the particular challenges of each Member State. CSRs are discussed by the various Council formations in June, before being endorsed by the European Council later that month and adopted by European Finance Ministers at ECOFIN in July. Member States are then expected to incorporate their CSRs into their budgetary decisions during the National Semester. Ireland, like other countries in an Economic Adjustment Programme, did not receive CSRs in 2013 to avoid duplication of measures. To provide a concrete example we can look at Germany and France, however. In the case of the former, CSRs included enhancing the cost-effectiveness of public spending; improving incentives to work and the employability of workers; and measures to stimulate competitiveness in the services sector. With regard to the latter, CSRs included the need to reinforce and pursue the budget strategy in 2013; further action to lower the cost of labour and measures to develop innovation and the export capacity of firms.

Conclusion

The establishment of the European Semester is an important step in strengthening economic governance in the EU. Prior to the Semester, key Reports were issued separately and decisions were spread across the year. Introducing a co-ordinated policy timetable has ensured that a consistent message on priorities in the region can be developed, policies and performance can be analysed collectively and guidance can be provided at a time when it can have a real impact on decision making. The structure of the European Semester also ensures a strong input at Member State level through the involvement of the various Council formations and the European Council.

12 Other content that should feature in the SPU/CPU include economic assumptions underpinning the fiscal outlook and an analysis of how changes in the main economic assumptions would affect the budgetary and debt position. For non-Euro area countries the medium term monetary policy objectives and the relationship of these objectives to price and exchange rate stability and to the achievement of sustained convergence must also be included.

13 Progress towards the goals of Europe 2020 is measured by five targets, with both EU level and country specific objectives set. The targets are related to employment, research and development, climate change and energy sustainability, education and fighting poverty and social inclusion. In the case of research and development, for example, the EU and Irish targets are 3 and 2 per cent of GDP to be invested in R&D by 2020. The Irish level in 2011 was 1.7 per cent.

The Public Finances

Overview

The estimated general government deficit for 2012 has been confirmed as 7.6 per cent of GDP (down from 13.1 per cent in 2011) following the release of the National Income and Expenditure Accounts for 2012. The underlying deficit, which excludes the costs of supporting the banking sector, is currently also estimated to have been 7.6 per cent of GDP last year; this compares with a deficit of 9.1 per cent on the same basis in 2011. The end-August Exchequer Returns represent a sizable improvement both in year-on-year terms and relative to target reflecting the continuation of the trends of stronger than anticipated overall revenue and below profile expenditure. However, when one-off capital receipts are excluded, the magnitude of this improvement is considerably reduced. It is noteworthy that these revenue windfalls benefit the Exchequer borrowing requirement this year yet do not impact upon the general government outturn.[14] Furthermore, tax receipts fell marginally below profile in August. Accordingly, and as highlighted in our previous Quarterly Bulletin, developments will have to be closely monitored during the remainder of this year.

Exchequer Returns

The latest available Exchequer data reveal a deficit of €7.3 billion was recorded during the first eight months of the year, down from €11.3 billion over the same period in 2012. Decomposition of this €4 billion year-on-year improvement reveals that it was driven by favourable developments on both the revenue and expenditure side, albeit to varying degrees.

Total revenue was €3 billion stronger, year-on-year, with the increase predominantly driven by the capital side. Taking a closer look at capital receipts, this increase almost solely reflected one-off factors, namely, the recent closing of the sale of Irish Life plc. and the sale of the contingent convertible capital notes in Bank of Ireland, which combined, totalled to €2.3 billion. While tax receipts recorded an increase of €0.8 billion in annual terms during the first eight months of the year, they fell marginally behind target reflecting a noticeably weak outturn for VAT and Excise Duties during the month of August. It is also noteworthy that when the under-estimation of local property tax receipts is taken into account, the tax revenue shortfall relative to profile would have been somewhat larger. Despite reduced Eligible Liabilities Guarantee (ELG) receipts arising from the termination of the scheme in March 2013, non-tax revenues were ahead of target for the first eight months of the year.

Total expenditure was €1 billion lower relative to the same period last year reflecting a pronounced decline in net voted expenditure, which more than outweighed an increase in non-voted spending. Net voted expenditure was €1.6 billion lower year-on-year and 2.2 per cent below profile during the first eight months of 2013 as both current and capital spending came in below expectations. All departments were either at or below profile, with the largest underspend relative to profile in the social protection, agriculture and foreign affairs vote groups. In contrast, non-voted expenditure was higher year-on-year, as ELG payments linked to the promissory note deal and higher interest costs more than offset the €1.3 billion acquisition of Irish Life plc. last year falling out of annual comparisons.

Exchequer Financing

From a funding perspective, the Exchequer Returns indicate that the Exchequer deficit was funded by net government borrowing of €37.5 billion in the first eight months of the year. Approximately two-thirds of this borrowing related to the bonds issued to the Central Bank to replace the promissory note. Accordingly, Exchequer cash balances increased by €5.1 billion over this period (see Table 8). While net government borrowing of €37.5 billion excluding the promissory note deal was sourced from a combination of market and programme funding, it was predominantly market-sourced.

14 The proceeds from the sale of Irish Life plc. and the contingent convertible capital notes in Bank of Ireland are excluded on a General Government basis as they are classified as financial transactions.

Table 8: Summary of Exchequer Returns, August 2013

	August 2012 €m	August 2013 €m	Change €m
Revenue			
– Tax revenue	22,076	22,910	+834
– Non-tax revenue	2,403	2,222	-181
– Capital Receipts	1,459	3,824	+2,365
Total	**25,938**	**28,956**	**+3,018**
Expenditure			
– Voted expenditure	29,593	27,983	-1,610
– Non-voted expenditure	7,691	8,307	+616
Total	**37,284**	**36,290**	**-994**
Exchequer Balance	**-11,346**	**-7,333**	**+4,013**
of which Current Budget Balance	-9,457	-9,231	+226
of which Capital Budget Balance	-1,889	1,898	+3,787
Source and Application of Funds			
– Total Borrowing/Repayments	-21,473	-37,458	
– Promissory notes issues to IBRC	3,060	0	
– Bonds issued to CBI on Liquidation of IBRC[13]	0	25,034	
– Total Increase in Exchequer Deposits	7,066	5,090	
Exchequer Balance	**-11,346**	**-7,333**	

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

An Timpeallacht Gheilleagrach

Cé go dtugtar le fios sna sonraí cuntas náisiúnta go raibh fás sa chéad leath den bhliain ní ba laige ná mar a bhíothas ag súil leis, meastar go leanfaidh an téarnamh céimseach ar leibhéal foriomlán na gníomhaíochta eacnamaíche, ach go mbeidh luas an téarnaimh sin níos moille ná mar a measadh roimhe seo. Cé go raibh tús lag leis an mbliain, chonacthas aisphreabadh áirithe ar fhás eacnamaíoch, arna thacú le téarnamh ar chaiteachas tomhaltóirí agus ar onnmhairí, dhá ní ar tháinig crapadh orthu sa chéad trí mhí den bhliain. Ag féachaint ar na luaimneachtaí sna sonraí ráithiúla, is dócha go dtiocfaidh maolú ar an meánráta bliantúil fáis do 2013 mar thoradh ar an laigeacht sa chéad chuid den bhliain. Ar a shon sin, tugtar le fios leis an méadú ar an éileamh intíre agus seachtrach araon go bhfuil feabhas áirithe tagtha ar mhóiminteam, rud a thacóidh le téarnamh céimseach ar fhás sa dara leath den bhliain agus in 2014. Agus na cúrsaí sin go léir á gcur san áireamh, tá na réamhaisnéisí is déanaí ón mBanc maidir le fás OTI do 2013 agus 2014 beagáinín níos ísle ná na cinn a foilsíodh san Fhaisnéis Ráithiúil dheireanach. Meastar anois go mbeidh fás 0.5 faoin gcéad ar OTI don bhliain seo, agus go mbeidh fás 2.0 faoin gcéad uirthi in 2014, is é sin athbhreithniú 0.2 faoin gcéad agus 0.1 faoin gcéad anuas ar na réamhaisnéisí roimhe seo do 2013 agus 2014, faoi seach. Rinneadh athbhreithniú anuas ar an réamhaisnéis don OTN ar an gcaoi chéanna agus meastar anois go dtiocfaidh méadú 0.1 faoin gcéad ar an OTN i mbliana agus 1.2 faoin gcéad uirthi an bhliain seo chugainn.

Maidir leis an taobh eachtrach, rinneadh dochar don fhás ar onnmhairí sa chéad ráithe le laigeacht eacnamaíoch sna príomh-chomhpháirtithe trádála agus le héifeachtaí sainiúla san earnáil cógaisíochta. Le déanaí, tá onnmhairí ag tairbhiú de na comharthaí go bhfuil feabhas ag teacht ar dhálaí an éilimh eachtraigh, agus meastar go dtacóidh sé seo le fás leanúnach ar onnmhairí amach anseo. Ar an taobh intíre, cé go bhfuil na hionchais neamhthoirtéiseach i gcónaí, leanann an méadú ar fhostaíocht agus tá fostaíocht lánaimseartha ag fás anois don chéad uair ó 2008 i leith. Cé go bhfuil go leor constaicí fós ann, tacaíonn an méid sin leis an ionchas do chaiteachas tomhaltóirí. Tríd is tríd, tugann sé le tuiscint freisin go bhfuil an téarnamh ag leathnú de réir a chéile. Leis an téarnamh ar an mbuninfheistíocht, tugtar breis fianaise maidir le cobhsú an éilimh intíre, rud nach léir fós sna huimhreacha ceannlíne atá á saobhadh leis an treocht dhochrach in infheistíocht aerárthaigh. Ag féachaint romhainn, meastar go gcobhsóidh an t-éileamh intíre i mbliana agus go gcuirfidh sé go deimhneach le fás OTI in 2014.

Maidir le saincheisteanna beartais, is iad comhdhlúthú fioscach, fóntacht baincéireachta agus iomaíochas tuarastail agus praghsanna na príomhdhúshláin atá ann. Cé go bhfuil neart déanta cheana féin, ní mór dul chun cinn breise a dhéanamh i ndáil leis na trí ní sin chun cuidiú le hÉirinn imeacht go rathúil as Clár AE/CAI agus chun na dálaí a chruthú do théarnamh inmharthana eacnamaíoch.

Maidir leis an airgeadas poiblí, cé gur glacadh bearta suntasacha le blianta beaga anuas chun an t-easnamh fioscach a ísliú agus chun srian a choinneáil ar an bhfás ar fhiachas poiblí, tá leibhéal an dá cheann an-ard i gcónaí, i ndearbhthéarmaí agus i dtéarmaí coibhneasta. Cé go dtugann na réamh-mheastacháin le fios gur cheart go mbainfeadh an cóimheas fiachais a bhuaicphointe amach i mbliana agus ansin go dtitfeadh sé de réir a chéile, níor cheart talamh slán a dhéanamh d'inmharthanacht chonair an fhiachais, sa mhéid go bhfuil sí sin comhsheasmhach leis an rochtain ar mhaoiniú margaidh ag rátaí réasúnta agus le sócmhainneacht fhadtéarmach. Tá Éire ar tí imeacht as Clár AE/CAI tráth atá leibhéil easnaimh agus fiachais an-ard agus beidh rioscaí ann amach anseo. Beidh rannpháirtithe margaidh ag díriú go mion ar chumas na hÉireann feidhmiú lasmuigh den Chlár agus cibé acu ar daingníodh go docht inmharthanacht na staide fiachais fhoriomláin. Is iad na tosca sin atá mar bhonn taca le tuairim an Bhainc nach ceart luas an choigeartaithe a mhaolú. Dá ndéanfaí aon mhaolú ar an gcoigeartú fioscach atá beartaithe, bheadh an baol ann go gcuirfí ar ceal na héifeachtaí deimhneacha a bhí ag an gcoigeartú suntasach go dtí seo, arb ionann agus tuairim is €28 billiún, ar mhaithe le héascú gearrthéarmach beag fioscach.

San earnáil baincéireachta, ní mór dul chun cinn breise a dhéanamh chun dul i ngleic leis na fadhbanna a bhaineann le cáilíocht sócmhainní agus le brabúsacht. Ní mór na fadhbanna sin a réiteach chun go bhféadfar an córas a chur ar ais ar bhonn fónta marthanach agus chun go mbeidh an córas sin in ann tacú le téarnamh buan. An easpa dul chun cinn atá déanta ag na bainc chun déileáil le hiasachtaí lagaithe, cuireann sí sin fad leis an éiginnteacht a bhaineann le cáilíocht sócmhainní agus cuireann sí moill ar réitigh inmharthana d'iasachtaithe anásta. Dá bhrí sin, i Márta na bliana seo, leag an Banc Ceannais síos spriocanna ráithiúla do na bainc chun réitigh fhadtéarmacha inmharthana a mholadh do theaghlaigh a bhfuil riaráistí acu, agus le déanaí, rinne sé forlíonadh ar an méid sin le spriocanna ráithiúla i ndáil le socruithe fadtéarmacha inmharthana a chur i gcrích. Cé go raibh an dul chun cinn mall go dtí seo, tá an luas ag géarú agus déanfaidh an Banc Ceannais iniúchadh ar ghníomhaíochtaí na mbanc chun inmharthanacht fhadtéarmach na réiteach sin a áirithiú.

Cé go meastar go gcobhsóidh an t-éileamh intíre de réir a chéile, tá sé bunriachtanach go mbeidh feidhmíocht sheachtrach láidir ann chun go bhféadfar filleadh ar fhás cothrom. Chuige sin, beidh sé tábhachtach an t-iomaíochas a fheabhsú tuilleadh. Cé go bhfuil bearta maidir le hiomaíochas náisiúnta ag gluaiseacht sa treo ceart le blianta beaga anuas, ciallaíonn an meathlú ar earnálacha dlúthshaothair, amhail foirgníocht, go leagann na bearta sin róbhéim ar an bhfeabhas. Agus coigeartú á dhéanamh i leith na n-éifeachtaí comhshuímh sin, is cosúil go bhfuil staid iomaíochta na hÉireann, ar bhonn coibhneasta, ar ais ag na leibhéil a bhí ann in 2003-04. I bhfianaise an méid sin, feabhsófar an dóchúlacht go mbeifear in ann filleadh ar fhás cothrom agus go n-ardófar na caighdeáin mhaireachtála amach anseo tríd an mbonn costais a laghdú.

Financing Developments in the Irish Economy

Overview

The most recent months have seen further advances towards the stabilisation of the domestic banking sector. While the sector has continued to decline in size, its funding profile is reverting to a more sustainable basis. In particular, increased issuance of securities and the stabilisation of the deposit base have reduced reliance on central bank funding. The cost of attracting deposit funding has also eased significantly and is now in line with euro area averages. The reduction in the ECB refinancing rate in May also contributed to some improvement in net margins as rates on lending remained largely stable, except for tracker mortgages which fell in line with the ECB rate change. The external environment has been somewhat volatile as financial markets anticipated an unwinding of the Federal Reserve's exceptional monetary policy following better than expected economic indicators.

Credit to the Irish private sector continues to fall, with the pace of decline increasing for non-financial corporations (NFCs) in the six months to end-July 2013. This indicates continuing weak demand and tight lending conditions for business. The largest declines have been in the sectors of wholesale/retail, hospitality and construction. Similar trends exist for household lending as repayments outstrip new drawdowns for both mortgage and non-mortgage lending. The cumulative decline in mortgages outstanding now exceeds €6 billion for the last three years.

The scale of arrears on outstanding mortgages for both principal dwelling houses (PDH) and buy-to-let (BTL) properties increased further in Q2 2013, particularly for longer-term arrears. The outstanding balance on all mortgage accounts in arrears over 360 days reached €17.3 billion at end-June 2013, an increase of more than 5 per cent over the quarter. This emerging trend of rising longer-term arrears continues to be of concern. The latest data also show that less than one quarter of PDHs in arrears over 90 days are part of restructure agreements. While lenders have introduced loan modifications to provide more sustainable solutions, it is still too early to see the impact of these within the data.

Notwithstanding the increased level of mortgage arrears, the aggregate household balance sheet improved over Q1 2013, as net repayments of loans saw debt levels on a per capita basis reach their lowest level since Q4 2006. Overall debt levels have fallen by almost €32 billion since their peak in 2008.

Total government debt rose by a further €14.5 billion in Q1 2013, following new debt security issuance and the latest drawdown of EU/IMF programme funding. The increase in debt was partly offset by a build-up of financial assets of €10.7 billion, as the Government builds a cash buffer to facilitate exit from the EU/IMF programme. Financial markets have been quite volatile in recent months, as investors responded to a mixture of positive and negative factors. Irish government bond yields largely moved in line with international factors although a number of favourable developments contributed to a decline during July. These included the ECB Governing Council's forward guidance on key interest rates and the decision by S&P to revise its outlook for Ireland to positive. These positive sentiments were somewhat offset by market concerns about a tapering of bond purchasing by the Federal Reserve.

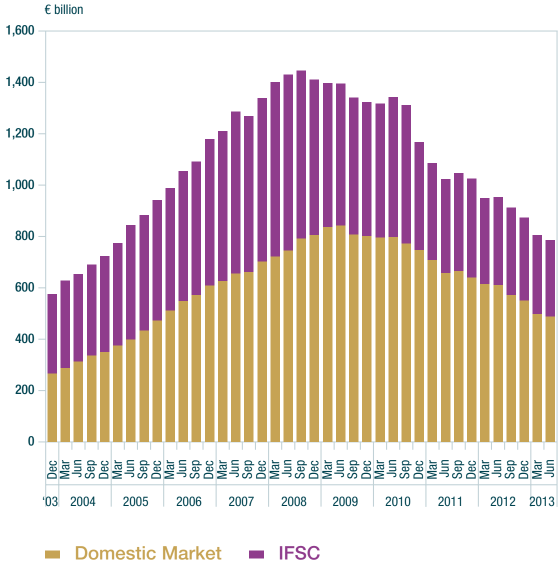
Turning to the non-bank sector, the value of Irish investment fund shares fell in Q2 2013, despite net inflows of over €16 billion. This reflected sharp falls in both international bond and equity markets over the quarter. Unlike investment funds, money market funds (MMFs) resident in Ireland continued to see a pattern of outflows. MMFs have been declining in value since end-2012, due to investor outflows and a difficulty in generating positive returns in a low interest rate environment. This pattern is likely to continue in the coming quarters, as markets anticipate the potential unwinding of exceptional monetary policy in the United States. Meanwhile, the decline in the financial vehicle corporation (FVC) sector, which began in 2010 continued in the second quarter of 2013. However, an increase in the number of FVCs resident in Ireland during the latest quarter may indicate some return in appetite for securitisation activities.

Monetary Financial Institutions

Credit Institutions

The banking system in Ireland continued to shrink in recent months. Total assets of credit institutions operating in the State were €786 billion at end-June 2013 (Chart 1), following a reduction of 17.6 per cent over the previous twelve months. Excluding internationally-focussed banks in the IFSC, the domestically-relevant banking system's total assets declined by 20.1 per cent over the twelve months to end-June 2013. Meanwhile, the IFSC banking sector declined by 13.1 per cent over the same period. These developments reflect the ongoing deleveraging by 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.

Chart 1: Total Assets of Irish Resident Credit Institutions

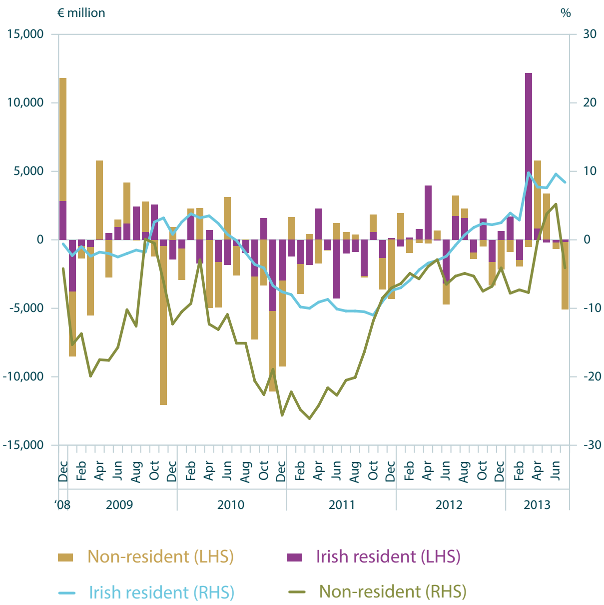


Source: Money and Banking Statistics, Central Bank of Ireland.

As the banking system continues to shrink, its overall funding requirement has declined and a return to a more sustainable funding profile is gradually taking place. Eurosystem funding of Irish resident credit institutions, which peaked at €138 billion in November 2010, has been falling steadily over the past year and stood at €44.2 billion at end-July. Domestic market credit institutions' share of Eurosystem refinancing operations was €37 billion, half of the amount outstanding one year earlier. Part of the fall in central bank funding is, however, attributable to transactions related to the liquidation of the Irish Bank Resolution Corporation (IBRC), whose liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an other financial intermediary (OFI) overnight deposit.

Debt funding continues to decline in total and as a share of the resident credit institutions' funding profile, although signs of stability have been emerging in recent months. Redemptions during the first six months of 2013, totalling €53.6 billion, were just slightly below that

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.

recorded during the same period of 2012. Gross issues of MFI debt securities, however, were significantly higher in the first six months of 2013, amounting to €44 billion.

In the first seven months of 2013, 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 59 per cent. Irish resident private-sector deposits in all resident credit institutions rose by 8.4 per cent in the year ending July 2013, with private-sector deposits from non-residents declining by 4.1 per cent over the same period (Chart 2). The increase in Irish private-sector deposits in 2013 has been strongest for overnight deposits, which rose by 23.2 per cent over the year to end-July 2013. The recent monthly and annual developments in overnight deposits, and by extension total private-sector deposits, were significantly impacted by transactions related to the liquidation of the IBRC, as outlined above. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred. Increases in overnight deposits have also been strong for Irish households and NFCs, which rose by 7.6 and 15.9 per cent, respectively, on an annual basis to end-July. Total deposits from these sectors have, however, remained relatively static as outflows from longer-term savings products nullify inflows into shorter-term deposits.

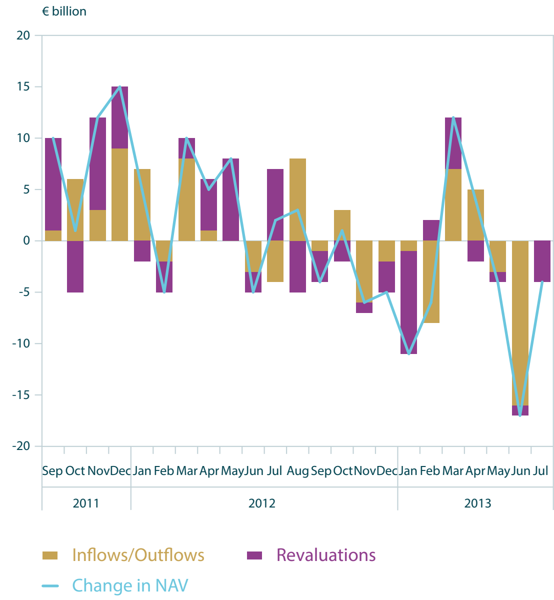
The stabilisation in aggregate private-sector deposits has occurred even as the cost of attracting them has eased significantly for credit institutions in Ireland. Retail interest rates on outstanding household and NFC deposits with agreed maturity fell by 98 basis points to 2.35 per cent in the year ending July 2013 (Chart 3). While this rate remains higher than the euro area average rate (2.30 per cent), the spread between Irish and euro area rates for savings deposits has narrowed significantly. Developments in new business rates would indicate that this spread will decline further, as the rates being agreed on new household and NFC deposits in Ireland are 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 despite the reduction in the ECB main refinancing rate in May 2013. This stability in lending rates combined with the lower deposit rates has allowed for some improvement in net interest margins generated by credit institutions in Ireland.

Developments on the assets side of credit institutions' balance sheets 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. Loans to the Irish private sector declined by 6.2 per cent over the year to end-July 2013, as deleveraging by the household and NFC sectors continued. Despite these reductions, credit to the Irish private sector as a share of 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. For example, holdings of international debt securities by Irish banks have contracted by 11 per cent since Q4 2012 (See Box 1 for more detail).

Money Market Funds

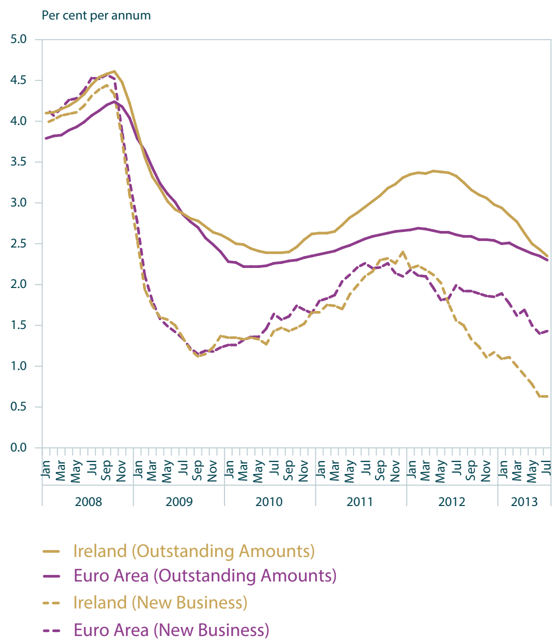
Irish resident money market funds (MMFs) faced a difficult three months from May to July, with substantial outflows in the holding of MMF shares/units in June. The growth rate of MMF shares/units has been consistently negative since December 2012, with a year-on-year decline of 11.6 per cent recorded in July 2013. In June 2013, investors resident outside the euro area recorded the largest redemptions of MMF shares since December 2008, of €17.1 billion.

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



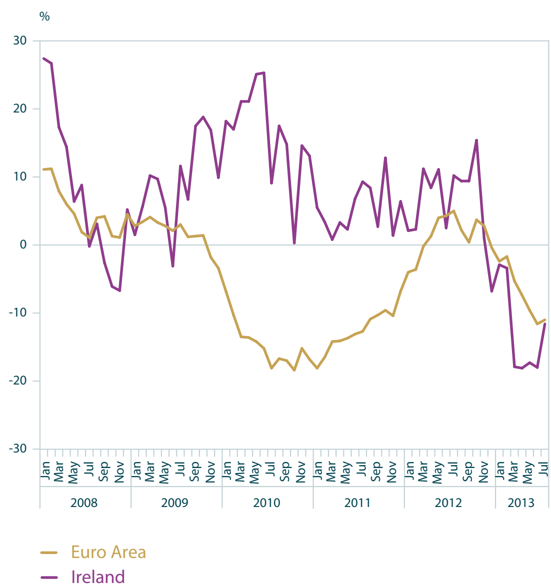
Source: Central Bank of Ireland.

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



Sources: Central Bank of Ireland and the ECB.

Chart 5: Annual Growth Rate of Money Market Funds' Shares/Units



Source: ECB.

Box 1: The Irish Banking System and its International Holdings of Debt Securities
By Dermot Coates and Jenny Osborne Kinch[1]

The objective of this box is to explore the Irish banking system's own holdings of international debt securities, that is, securities issued by non-residents in addition to securities issued by residents in non-euro currencies. Specifically, the geographical and sectoral composition of the issuers of those debt securities held by banks resident in Ireland is examined. Since late-2012, the Central Bank of Ireland has commenced the publication of in-depth statistical data on the claims (or assets) and liabilities of Irish resident credit institutions[2]. These data capture the full financial balance sheet of the Irish banking system and are disaggregated in terms of currency, financial instrument and counterparty country.

By mid-2013, the Irish banking system held debt securities with a cumulative market value of €198 billion, the equivalent of approximately 25 per cent of the total assets held. The value of these assets is more than double the equivalent value of Irish banks' securities issuance. Euro-denominated debt securities issued by Irish residents accounted for 41 per cent of these holdings whilst international holdings accounted for the balance (€117 billion). More than four-fifths of this portfolio of international debt securities is held by IFSC-based banks whilst the balance (18 per cent) is held by the Irish Domestic Market banks[3].

The size of the portfolio of international debt securities held by the Irish banking system has trended downwards over recent quarters. Since late-2012, the total value of securities held has contracted by 11 per cent (down from €132 billion at Q4 2012 to €117 billion by Q2 2013). Of this, bank and non-bank financial institution sectors accounted for €11.1 billion of this decrease, while over the same period, the value of holdings issued by foreign governments, and non-financial corporations fell by €1.8 billion and €1.7 billion, respectively (see Box 1 Chart 1). Due to data limitations, it is difficult to ascertain the exact reason for the downward trend. The decline, however, in the market value of the international holdings of the Irish banking system is likely to be attributable to a number of factors, including maturing debt securities, deleveraging (sales and reduced activity in the interbank lending market more generally), and valuation changes, which includes writedowns to the values of the securities held and FX movements.

The reduction in the size of the portfolio of international debt securities is broadly consistent with recent movements across many other developed economies. Between end-2012 and March 2013, the cross-border claims of the banking system across BIS-reporting countries fell, driven by a reduction in interbank lending, and declining claims on advanced economies (BIS, July 2013).

1 The authors are, respectively, an Economist and Senior Economist in the Statistics Division of the Central Bank of Ireland.

2 The Central Bank of Ireland began publishing a quarterly Information Release on Irish Locational Banking Statistics from Q4 2012; the data on external positions detailed therein are similar to the Locational Banking Statistics published by the Bank for International Settlements (BIS).

3 Domestic Market banks are those Irish-relevant banks with a significant retail presence in Ireland, including Irish- ('covered') and foreign-owned retail banks. The term IFSC bank refers to internationally active banks; these are banking offices resident in Ireland without a significant retail presence in the Irish marketplace. A list of these banks, excluding credit unions, is available on the Central Bank of Ireland website.

Box 1: The Irish Banking System and its International Holdings of Debt Securities

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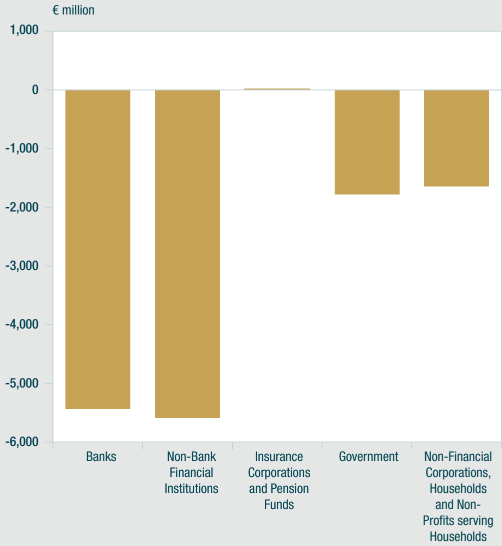
Box 1 Chart 1: Trends in International Holdings of Debt Securities, Q4 2012-Q2 2013 (Net Stock Movements)

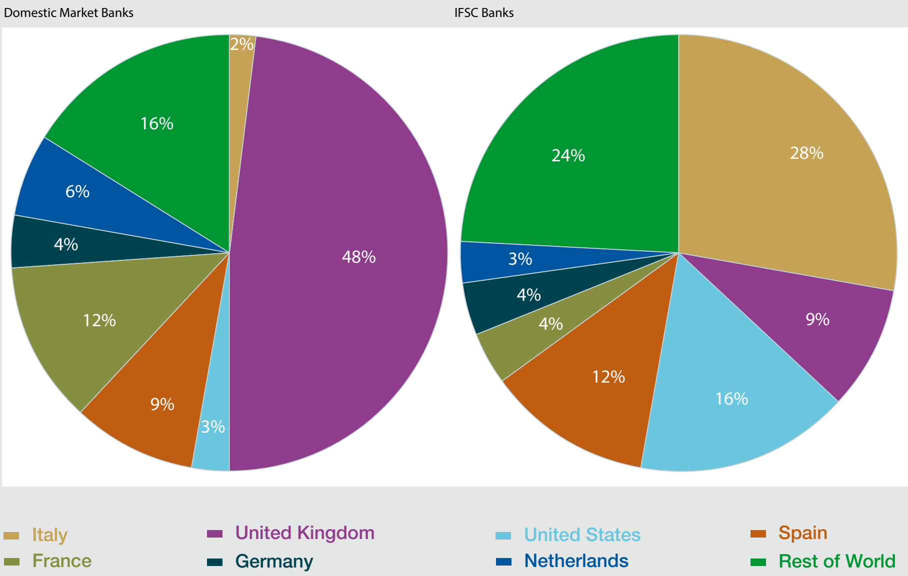


Source: Locational Banking Statistics, Central Bank of Ireland.

The geographical composition of those international debt securities held by Irish resident banks is not homogeneous, but rather varies by bank type. In Q2 2013, Irish Domestic Market banks have a significantly greater exposure to debt securities issued by UK-resident entities (48 per cent) than do their counterpart IFSC banks (9 per cent). Debt securities issued across a number of large EMU member states[4] and in the US account for 52 per cent and 16 per cent, respectively, of the IFSC banks' holdings. By contrast, the equivalent figures for the Irish Domestic Market banks are significantly lower at 33 per cent and 3 per cent, respectively (see Box 1 Chart 2).

4 Includes France, Germany, Italy, Spain and the Netherlands.

Box 1 Chart 2: Geographic Disaggregation of the Irish Banks' International Holdings, Q2 2013



Source: Irish Locational Banking Statistics, Central Bank of Ireland.

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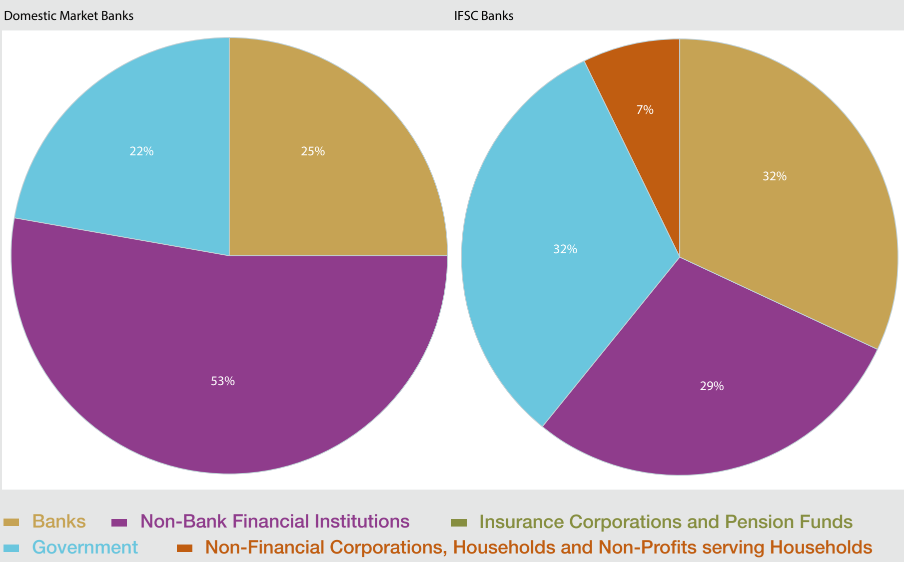
Finally, there are also a number of important differences in the sectoral composition of debt securities held by Irish resident banks. Irish Domestic Market banks have a significantly greater exposure to the non-bank financial institution sector than do their counterpart IFSC banks. In the case of the Irish Domestic Market banks, the holdings of international securities are, generally speaking, confined to three sectors: non-bank financial institutions (53 per cent); followed by banks (25 per cent); and foreign government bonds (22 per cent); see Box 1 Chart 3. By contrast, the IFSC banks' portfolio is more broad-based with foreign government and bank bonds constituting the largest sectoral components (32 per cent, respectively). This is followed by non-bank financial institutions (29 per cent) and non-financial corporations (7 per cent).

Box 1 Chart 3: Sectoral Disaggregation of the Irish Banks' International Holdings, Q2 2013



Source: Irish Locational Banking Statistics, Central Bank of Ireland.

Government

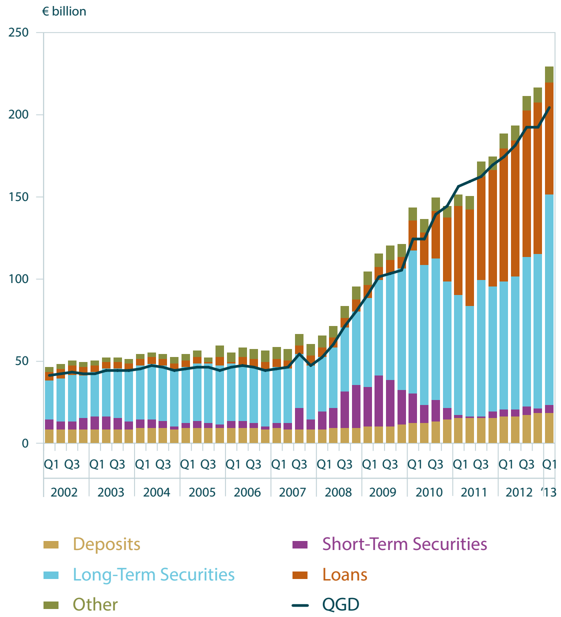
Debt and Deficit Developments

Government liabilities continued on an upward trend during Q1 2013, reaching €228.9 billion (Chart 6). This represented an increase of 6.8 per cent or €14.5 billion over the quarter. Quarterly Government Debt (QGD), which is the standard quarterly measure of debt consistent with Excessive Deficit Procedure (EDP) methodology[5], also increased over the quarter, albeit to a slightly lesser extent. The increase in government liabilities during Q1 2013 largely reflected further debt security issuances, as well as funding received as part of the EU/IMF programme.

Chart 6 also reveals the change in the composition of government debt as a result of the IBRC liquidation process. The promissory note issued to IBRC was classified as a government loan and stood at €25 billion prior to the liquidation process. During Q1 2013, this promissory note was transferred to the Central Bank and was redeemed in exchange for a portfolio of long-term government bonds. The Central Bank will sell these bonds over time as financial stability conditions permit.

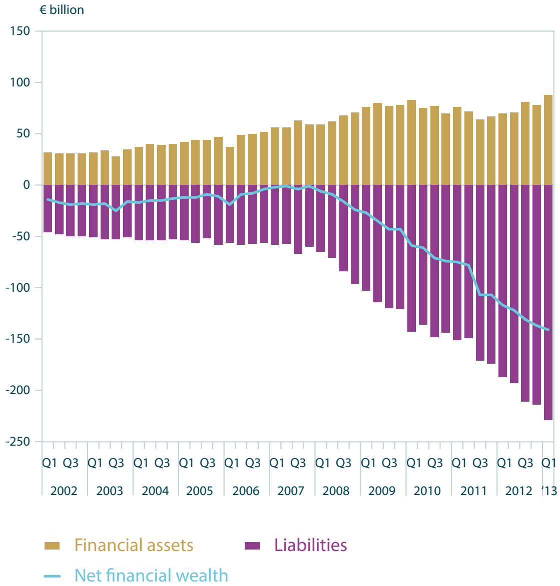
5 Government liabilities in QFA differ from the EDP measure of debt as they are calculated on a non-consolidated basis, and employ different coverage and valuation criteria.

Chart 6: Government Liabilities



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

Chart 7: Government Net Financial Wealth



Source: Quarterly Financial Accounts, Central Bank of Ireland.

Government net financial wealth, the difference between financial assets and liabilities, declined by €3.9 billion during Q1 2013 to stand at minus €140.5 billion (Chart 7). This reflected an increase in financial assets of €10.7 billion, coupled with an increase in liabilities of €14.5 billion.

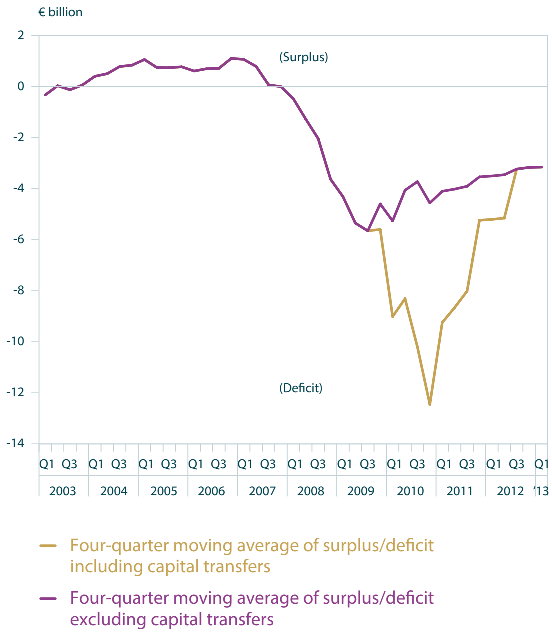
The government deficit, when measured as a four-quarter moving average, improved marginally during Q1 2013, marking the ninth consecutive quarter where there was an improvement in the deficit.

Sovereign Debt Market

Developments in sovereign bond markets in late-Q2 2013 and into Q3 2013 were volatile, with a mixture of negative and positive factors shaping market sentiment. In late-Q2, intra-euro area sovereign bond yield spreads widened moderately and yields on AAA-rated long-term government bonds in the euro area increased. These developments mirrored those of the US, where long-term government bond yields also increased. This was a continuation of an upward trend from mid-Q2. This trend was a spillover from the US and was sparked by fears of a prospective tapering of the Federal Reserve's quantitative easing. In the case of the euro area, economic data releases were slightly better than expected, albeit they continued to point to weak growth dynamics.

The Irish government bond market was volatile in June with yields on the ten-year debt increasing by 50 basis points to 4.2 per cent. This was in line with the widening of euro area sovereign bond yield spreads over this period. This upward trend was reversed in July with Irish yields falling, along with AAA-rated long-term euro area government bonds. A number of favourable developments contributed to this decline in Irish government long-term bond yields. These included EFSF confirmation that loan maturities would be extended, the decision by S&P to revise its

Chart 8: The Four-Quarter Moving Average of Government's Surplus/Deficit



Source: Quarterly Financial Accounts, Central Bank of Ireland.

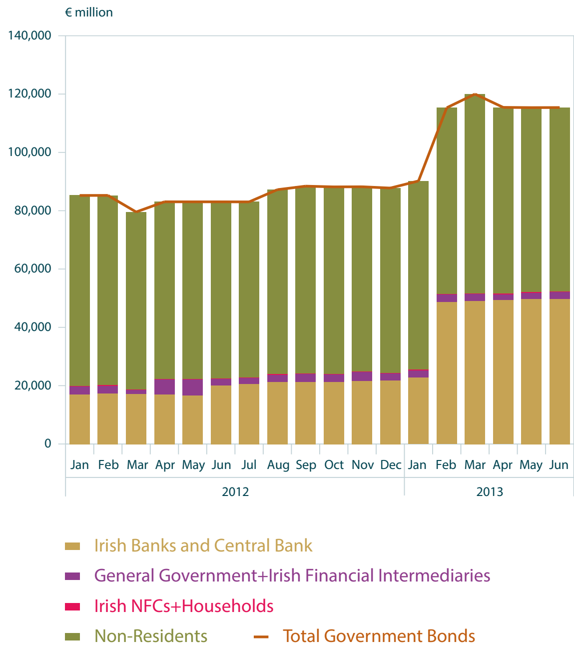
Chart 9: Irish Government Ten-Year Bond Yields

Source: Thomson Reuters Datastream.

outlook on Ireland to positive, and the ECB Governing Council's announcement regarding forward guidance. Over the course of the following weeks, however, the yield on ten-year Irish government debt had begun to rise again and by mid-August, had risen by approximately 20 basis points to almost 4 per cent, see Chart 9. Again, this reflects international sentiment that positive economic indicators from the US may hasten the withdrawal of quantitative easing.

The outstanding nominal value of existing Irish government long-term bonds in issue was €115.5 billion at end-June 2013 (up from €83.1 billion for the same period in 2012). This increase was primarily attributable to the termination of promissory notes used by IBRC as security for borrowings from the Central Bank of Ireland and their replacement with long-term Irish government bonds in February 2013.

Chart 10: Holders of Irish Government Bonds



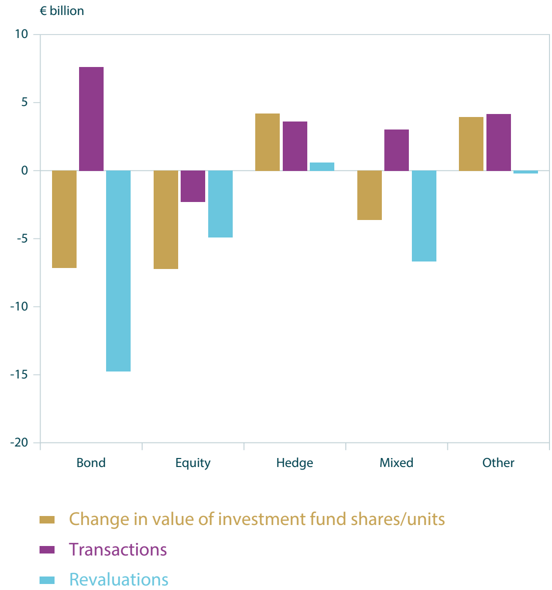
Source: Central Bank of Ireland.

Institutional Investors

Investment Funds

The value of the Irish fund industry, measured by total shares/units in issue, declined by €9.8 billion to €1,005 billion in Q2 2013, as negative revaluations of €25.9 billion more than offset net investor inflows of €16.1 billion. Negative revaluations were concentrated in holdings of debt security assets and were in line with sharp declines in global bond prices from late May. Only hedge funds recorded positive revaluations over the quarter. All fund types benefited from substantial investor inflows in April, though these largely dissipated as global markets declined. Investor behaviour, both in terms of investors in Irish funds and the asset allocations of the funds are examined in more detail in Box 2.

Chart 11: Change in Value of Shares/Units by Investment Fund Category, Q2 2013



Source: Investment Funds Statistics, Central Bank of Ireland.

Box 2: The Impact of the Prospective 'Tapering' of Quantitative Easing by the US Federal Reserve on the Funds Industry in Ireland
By Brian Golden[6]

On 22 May 2013, Ben Bernanke, the US Federal Reserve Chairman, indicated that the Federal Reserve's asset purchasing programme could be moderated later in the year. This led to significant price movements across a wide range of asset classes, particularly in bond markets. Volatility increased in both bond and equity prices to well above long-term averages. There were some shifts in investment patterns in the Irish funds industry, but not to the same extent as for financial markets as a whole.

The reaction of global investors to Chairman Bernanke's comments was quite sharp, though varied, across asset classes. Bond prices declined substantially, with the yield on the benchmark 10-year US Treasury bond rising from 1.9 per cent in late-May to 2.7 per cent in early-July. Downward pressures were somewhat less apparent for shorter maturities, however, with global liquidity expected to remain high into the medium-term. Nevertheless, global bond prices only stabilised significantly after the ECB and the Bank of England provided forward guidance on 4 July that policy interest rates would remain low for extended periods. In contrast, global equity prices retreated to a more limited extent in advanced economies and generally stabilised around mid- to late-June. There was a relatively marked unwinding of equity and debt positions in emerging economies, however, amid signs that growth dynamics were easing somewhat in emerging markets.

Investors in Irish funds shares/units reacted in a somewhat measured fashion to Chairman Bernanke's comments, with outflows only apparent among funds which usually attract risk-averse investors. Futhermore, holdings of debt securities by all Irish resident funds actually increased significantly for the quarter as a whole.

Money market fund investors tend to be acutely averse to volatility and generally react rapidly to market events. These funds tend to be seen as substitutes for bank deposit accounts, with the emphasis firmly on protecting the principal investment. As Table 1 shows, investors withdrew €17.8 billion, or 6.7 per cent of their funds, from money market funds in May and June, more than offsetting inflows of €6.7 billion in the first four months of the year. A modest inflow into money market funds in July may indicate some return to more stable conditions in the sector.

6 The author is a Senior Economist in the Statistics Division of the Central Bank of Ireland.

Box 2: The Impact of the Prospective 'Tapering' of Quantitative Easing by the US Federal Reserve on the Funds Industry in Ireland
By Brian Golden

Table 1: Investor Flows by Fund Type, January – July 2013

€ billion	Investor Flows			Net Asset Value	Investor Flows			Net Asset Value	Investor Flows
Fund type	Jan.	Feb.	Mar.	End-Q1	Apr.	May	Jun.	End-Q2	Jul.
Bond	7.9	8.0	3.6	436.2	12.9	0.7	-6.5	424.0	-0.2
Equity	5.1	3.1	5.8	334.7	1.1	1.6	0.1	325.5	4.7
Money Market	-1.7	-8.4	9.4	257.1	7.4	-1.6	-16.2	256.7	0.6
Mixed	2.1	1.1	1.7	95.4	1.5	-0.9	2.2	104.0	1.8
Hedge	0.8	0.9	0.9	87.5	1.8	1.9	1.0	98.1	3.5
Other	0.5	0.8	1.0	62.0	1.5	0.5	1.0	68.2	1.4

Source: Investment Funds Statistics, Central Bank of Ireland.

Bond fund investors, while cautious, tend to exhibit less immediate sensitivity to initial market movements than investors in money market funds. Strong inflows into bond funds in the first four months of the year stalled in May and this was followed by a €6.5 billion outflow in June. This outflow amounted to just 1.5 per cent of the total net asset value of bond funds, and for the quarter as a whole, €7.1 billion flowed into bond funds. However, outflows continued in July, albeit at low levels.

Further along the risk spectrum, equity fund investor inflows slowed moderately in April after a very strong first quarter. This suggests that there was already a degree of investor caution following strong increases in equity prices. Equity funds benefited from significant investor inflows in July, once it became apparent that global equity prices had stabilised from around mid-June following downward pressures from late-May, arising from Chairman Bernanke's comments.

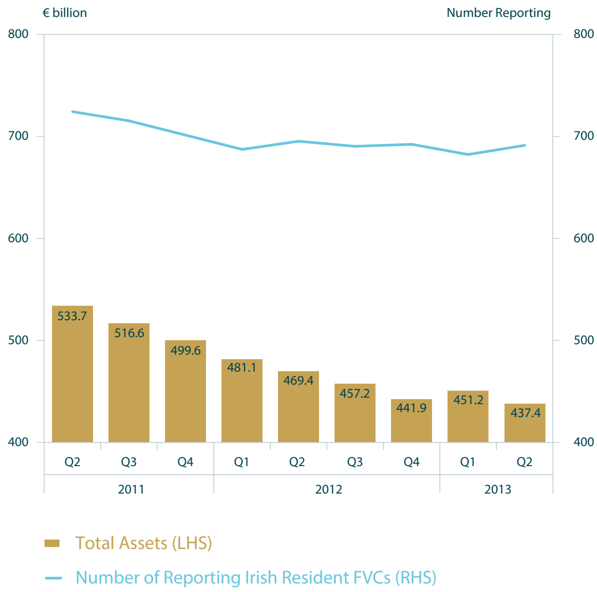
Investors with a greater appetite for risk appeared to be attracted by increased asset price volatility. Hedge funds, which tend to have unconstrained investment strategies, saw a substantial net inflow of investor funds in July, amounting to €3.5 billion, or 3.6 per cent, of total net asset value, following a moderate slowdown of inflows in June.

Within the asset portfolio allocations of investment funds, the overall appetite for bond assets remained relatively undiminished for Q2 as a whole, despite bond market fluctuations. Bond funds increased their debt security holdings by over €8 billion in the quarter, with investor redemptions late in the quarter funded by reducing bank deposits. Nevertheless, a degree of caution was evident, with bond funds moderately increasing the portfolio weight of short-term debt holdings. Mixed funds, on the other hand, showed a marked preference for long-term debt securities, possibly attracted by the higher yields on offer. This strategy was not replicated in hedge funds, however, where there was a preference for equity assets.

The geographical allocations of assets did not alter substantially during Q2. Emerging economy assets, which represent a small portion of the total assets of the Irish funds industry, remained relatively stable.

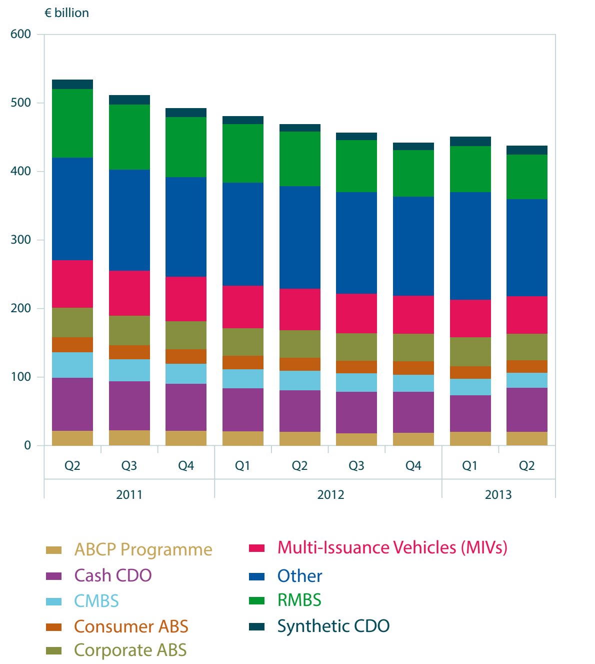
Given the scale of global asset price movements, investment patterns within the Irish funds industry suggest a relatively measured response in Q2 to the prospects of US quantitative easing tapering off later in the year. This may reflect passive investment strategies and heavy concentrations in safe-haven assets by bond and equity fund managers. Funds with less constrained investment strategies did see relatively larger inflows during the market turbulence of Q2.

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



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

Chart 13: Total Assets of Irish Resident FVCs per Vehicle Type



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

Financial Vehicle Corporations

Irish financial vehicle corporations' (FVCs) assets decreased in value in Q2 2013 to €437.4 billion from €451.2 billion in the previous quarter. This fall in asset values continued the trend of declining asset values seen since Q4 2010, which was temporarily interrupted by large NAMA-related transactions in Q1 2013. Despite this decrease in Q2 2013, the number of reporting entities increased during the quarter to 691, as illustrated in Chart 12, which may reflect an underlying appetite for securitisation among financial institutions.

Outflows from securitised loans, deposit and loan claims, and other assets were the main drivers in the fall in asset values in Q2 2013, with negative transactions of €4.3 billion, €3.9 billion and €2.7 billion, respectively. The main reasons underlying these negative transactions were a combination of early redemptions and the restructuring of a number of FVC vehicles. The decrease in asset values was most evident in corporate asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), and residential mortgage-backed securities (RMBS) with negative transactions of €3.1 billion, €2.6 billion, and €2.4 billion, respectively. Outflows from these FVC vehicle types reflected continuing difficulties in loans issued by euro area banks, euro area firms, and non-euro area residents.

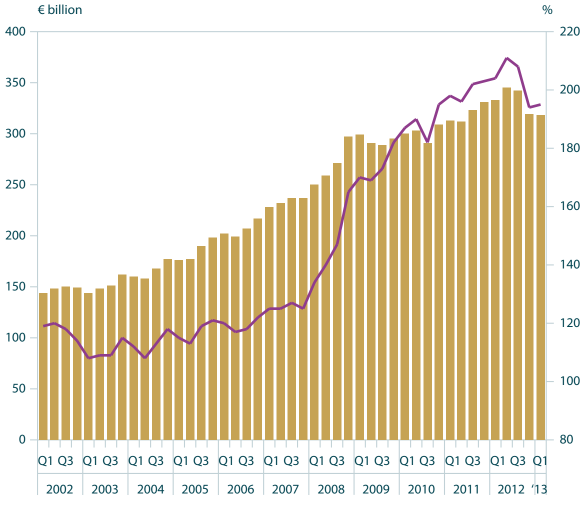
Non-Financial Corporations

Non-financial corporation (NFC) debt[7] decreased during Q1 2013 to €318 billion, as seen in Chart 14. This marked the third consecutive quarter when debt declined, although this reduction in debt of €1 billion was lower than the previous two quarters. While the level of debt diminished, debt as a percentage of GDP increased for the first quarter since Q2 2012, by 0.3 per cent to reach 195 per cent of GDP. NFC debt is largely driven by the activities of multinational corporations operating in Ireland.

There was a reduction in NFC debt as a proportion of its balance sheet size during

7 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 as a Percentage of GDP



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

Q1 2013. Two approaches to analysing NFC debt are presented in Chart 15: NFC debt as a percentage of financial assets and NFC debt as a percentage of total liabilities. The former declined by 1.4 per cent over the quarter, to 45.9 per cent. The ratio of NFC debt as a percentage of total liabilities declined during the quarter by 1.1 per cent, to 36.1 per cent. This reduction implies that NFCs have less recourse to funding from loans and securities, and are more reliant on funding from equity and other accounts payable.

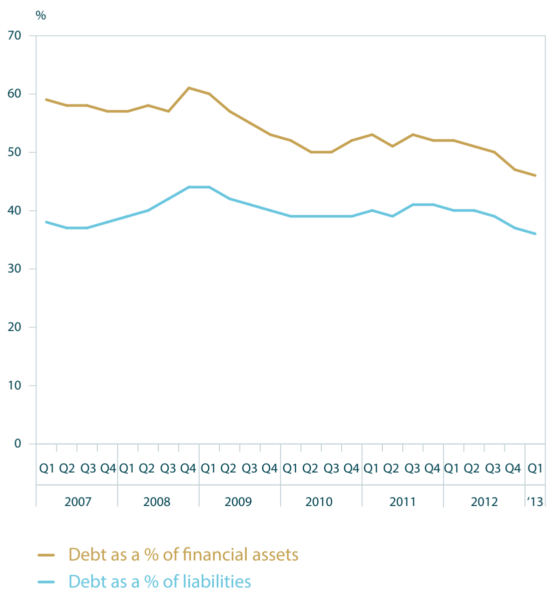
The NFC sector has been a net lender since Q1 2008, as shown in Chart 16. The chart shows that NFC net lending[8] amounted to €2.2 billion during Q1 2013. NFCs were net lenders as their investment of €9.9 billion in financial assets, exceeded their incurrence of liabilities of €7.7 billion over the quarter.

Multinational NFC Developments

While NFC debt levels fell slightly in Q1 2013, foreign-owned multinational NFCs continued to reinvest in their Irish operations. In the second quarter of this year, foreign direct investment (FDI) inflows amounted to €5.9 billion, which primarily reflected reinvested earnings while equity inflows were small during the quarter. Overall, the first half of this year has seen quite a sizable inflow of FDI of nearly €23 billion.

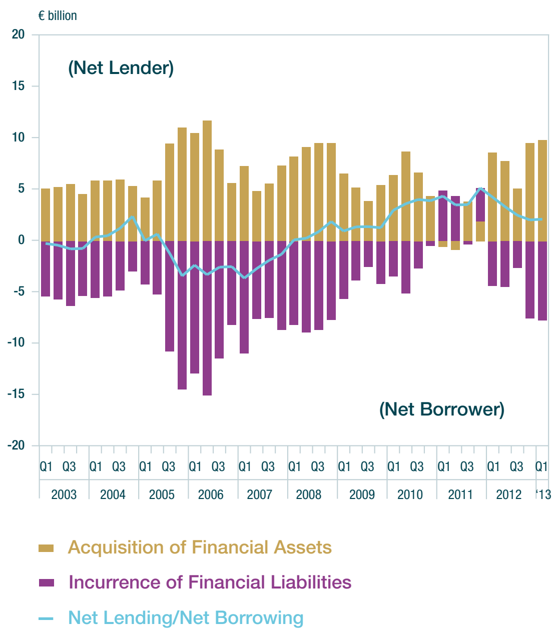
Investment by Irish-owned multinational NFCs abroad also continued, amounting to €11 billion over the quarter, while direct

Chart 15: NFC Debt to Financial Assets and Liabilities



Source: Quarterly Financial Accounts, Central Bank of Ireland.

Chart 16: NFC Net Lending/Net Borrowing on a Four-Quarter Moving Average Basis



Source: Quarterly Financial Accounts, Central Bank of Ireland.

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

investment income earned abroad by Irish-owned multinational NFCs remained steady at around €4.5 billion. A substantial amount of direct investment income earned related to income on equity, which continued to reflect multinational NFCs which established their headquarters in Ireland.

Credit Advanced to the NFC Sector by Irish Resident Credit Institutions

Over the course of the six months to end-July 2013, credit advanced to the resident NFC sector[9] has declined at an average annual rate of 4.6 per cent. The rate of decline has increased compared with the preceding six months, when credit advanced fell by an average of 4.1 per cent. Loans issued by resident credit institutions are an important source of funding for indigenous corporations. In particular, this is true for small- and medium-sized enterprises (SMEs) which, unlike the multinational sector, may not have easy recourse to alternative market-based funding or capital injections from overseas parent entities. The decline reflects continuing tight credit standards and weak demand as indicated in the latest Euro Area Bank Lending Survey. The monthly net flow of credit to the NFC sector[10], averaged minus €406 million over the last six months.

Longer-term loans have, however, continued to exhibit positive growth. With the average annual rate of change in loans, with an original maturity over five years, was 2.9 per cent over the six-month period to July 2013. At end-July 2013, the annual rate of change for loans over five years stood at 1.2 per cent.

Loans with a maturity of up to one year have also grown over the three months to end-July 2013, increasing by an average of 1.4 per cent over the same three-month period. Loans with an original maturity of between one and five years have continued to fall sharply, however, over the last quarter, more than offsetting increases in the other maturity categories. These loans declined by 18.9 per cent in the year to July 2013 and by an average of 19.1 per cent over the six months ending July 2013.

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 corporations. The annual pace of contraction was 5.3 per cent at end-June 2013, with enterprises engaged in the wholesale/retail trade, hotels/restaurants and construction/ real estate sectors experiencing the most significant declines (Table 1). Credit advanced to non-financial SMEs fell by 4.6 per cent in

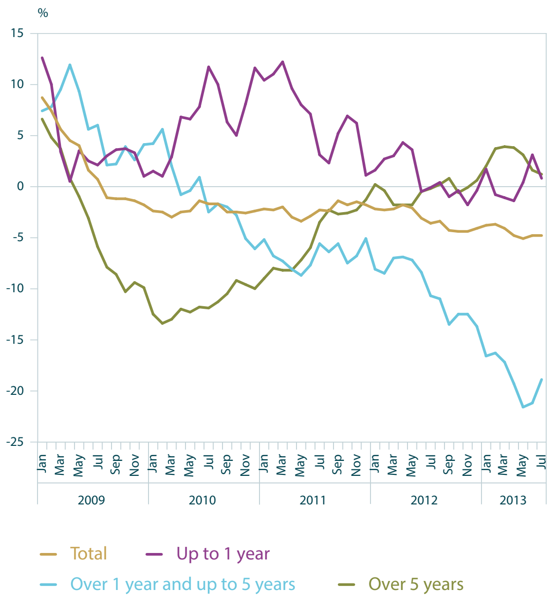
Table 1: Credit Advanced to Non-Financial Enterprises - Annual Percentage Change

	All Enterprises					SMEs				
	Jun-12	**Sep-12**	**Dec-12**	**Mar-13**	**Jun-13**	**Jun-12**	**Sep-12**	**Dec-12**	**Mar-13**	**Jun-13**
Construction and Real Estate	-2.0	-3.5	-4.1	-5.1	-5.8	-1.6	-3.5	-3.3	-3.6	-3.5
Agriculture	-3.6	-3.4	-2.9	-1.8	-1.6	-4.9	-4.4	-3.5	-5.7	-5.4
Manufacturing	-1.3	-1.8	-6.0	0.3	-1.8	-0.4	0.6	-2.5	-1.3	-1.8
Wholesale/Retail Trade & Repairs	-2.4	-5.9	-8.2	-6.1	-7.5	-6.3	-8.0	-7.9	-8.0	-7.0
Hotels and Restaurants	-1.9	-1.0	-2.3	-2.1	-5.5	-2.8	-3.0	-3.1	-3.5	-4.9
Business and Administrative Services	-14.0	-11.6	-4.2	-3.8	-0.3	-4.8	-3.9	-5.6	-7.9	-8.0
Other	-7.5	-10.7	-6.5	-5.5	-3.8	-5.4	-5.7	-5.3	-5.6	-5.1
Total	**-3.2**	**-4.5**	**-4.6**	**-4.7**	**-5.3**	**-2.9**	**-4.1**	**-4.1**	**-4.6**	**-4.6**

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

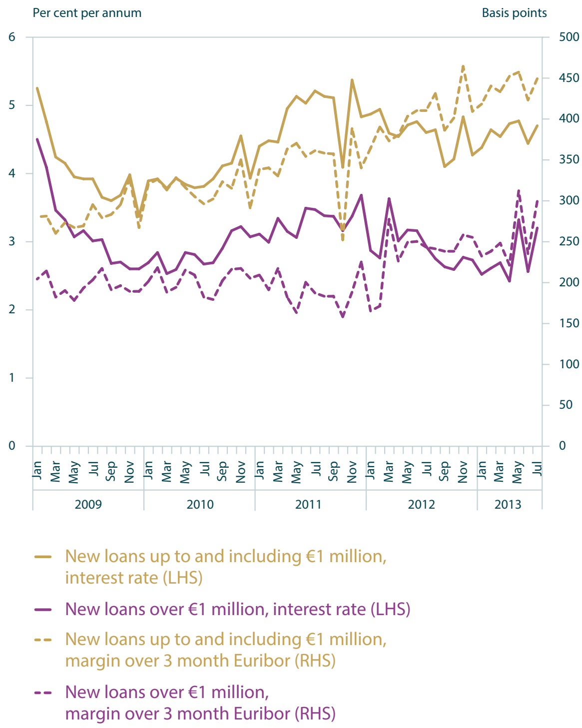
9 Credit advanced to the NFC sector includes loans to NFCs as well as credit institutions' holdings of securities issued by NFCs.
10 The monthly net flow of credit takes into account and removes non-transaction effects.

Chart 17: Loans to Irish Resident NFCs, Annual Rates of Change



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

Chart 18: Interest Rates on New NFC Loan Agreements



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

the year-ending June 2013. While there was a fall in the amount of outstanding loans to agriculture, this sector has seen significant volumes of new lending drawdowns, amounting to €596 million over the last four quarters to end-June 2013. Total new lending to non-financial SMEs amounted to just under €2.4 billion during the year to end-June 2013.

Weighted average interest rates on outstanding loans to NFCs issued by Irish resident credit institutions are significantly lower than July 2011, when rates reached 3.8 per cent. Rates have, however, remained stable since October 2012. Over the equivalent period, interest rates applicable to the euro area have not declined to the same extent, falling from 3.89 per cent in November 2011 to around 3.3 per cent more recently.

In terms of new business, rates applicable to loans up to €1 million averaged 4.65 per cent over the six months ending July 2013. At end-July this rate was 4.71 per cent. In relation to new business loans over €1 million, rates, while changeable, have increased somewhat over the last number of months. Over the six months ending July 2013, rates on new business loans over €1 million averaged 2.81 per cent, while the rate at end-July 2013 stood at 3.21 per cent.

Households

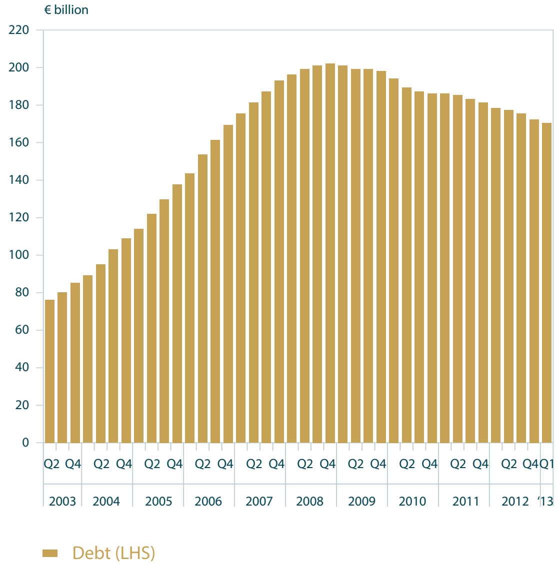
Household debt[11] continued to decline during Q1 2013, falling by €1.6 billion or 0.9 per cent (Chart 19). At Q1, this debt stood at €172.3 billion or €37,572 per capita, its lowest level since Q4 2006. Overall, debt has decreased by 15.5 per cent, or €31.5 billion, since its peak of €203.8 billion at Q4 2008.

Despite the reduction in debt during Q1, indicators of household debt sustainability remained largely unchanged (Chart 20). Debt as a proportion of disposable income[12] fell by just 0.1 percentage point to 197.3 per cent, as the decline in debt was partly outstripped by a decrease in disposable income. Over

11 Household debt is defined as total loans.

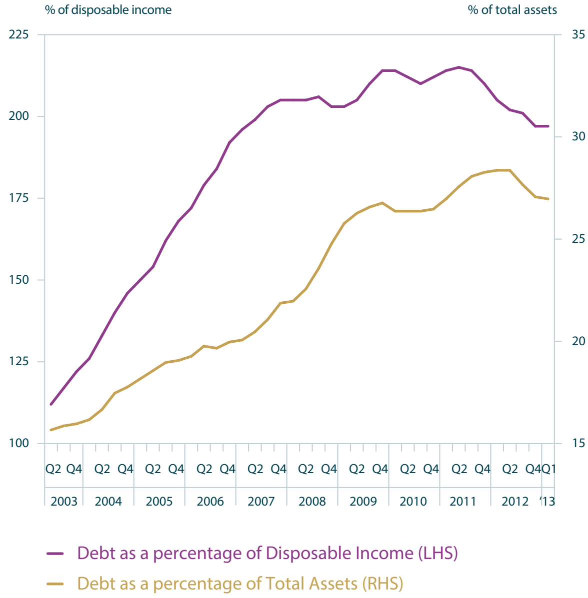
12 The disposable income figures are used as the four-sum moving average of gross disposable income adjusted for the change in net equity of households in pension funds reserves.

Chart 19: Household Debt



Source: Quarterly Financial Accounts, Central Bank of Ireland.

Chart 20: Household Debt Indicators

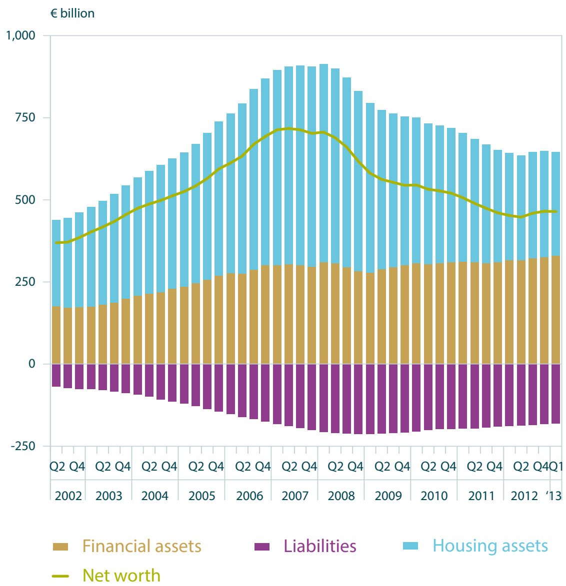


Sources: Quarterly Financial Accounts, Central Bank of Ireland; and Quarterly National Accounts, CSO.

the quarter, disposable income fell by 0.9 per cent. Debt as a proportion of total assets also declined by 0.1 percentage point during Q1, to stand at 26.7 per cent. The decline in this indicator was mitigated to some extent by a 0.4 per cent decline in total household assets. This marked the third consecutive decline in household debt to total assets.

Household net worth[13] resumed a downward trend during Q1 2013, decreasing by €1.8 billion or 0.4 per cent (Chart 21). At end Q1, net worth stood at €463.7 billion or €101,117 per capita. The decline in net worth largely reflected a decrease in the value of housing assets (€8.7 billion), as overall house prices resumed a downward trend during Q1. The decrease in net worth was mitigated however, by a further reduction in household liabilities (€0.9 billion) and increased financial assets (€6 billion). The latter was mainly due to increases in the value of 'insurance technical reserves'[14] and 'quoted equity'.

Chart 21: Household Net Worth

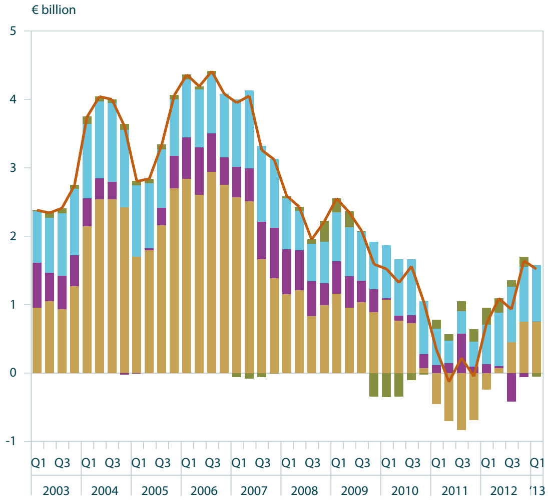


Source: Quarterly Financial Accounts, Central Bank of Ireland.

13 Household net worth is calculated as the sum of household housing and financial assets minus their liabilities. The Central Bank of Ireland estimate of housing assets is based on the size and value of housing stock. Data on the value of housing is obtained from the CSO's 'Residential Property Price Index' (RPPI).

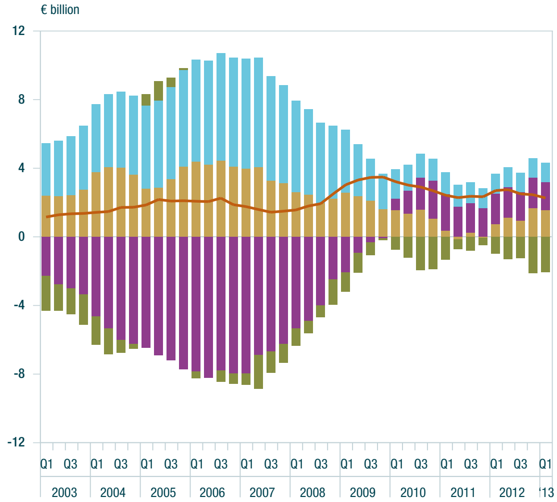
14 'Insurance technical reserves' include life assurance policies and pension funds.

Chart 22: Household Transactions in Financial Assets, Four-Quarter Moving Average



Source: Quarterly Financial Accounts, Central Bank of Ireland.

Chart 23: Household Savings Decomposed by Use, Four-Quarter Moving Average



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

Household investment in financial assets remained largely unchanged during Q1 2013, totalling €1.5 billion (Chart 22). There was a slight increase in investment by households in 'shares and other equity' and 'insurance technical reserves' while investment in 'currency and deposits' remained largely unaltered over the quarter.

Combining household savings and gross capital formation[15] 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 for a decomposition of the use of household savings. Chart 23 shows that, when measured as a four-quarter moving average, household savings reduced during Q1 2013. This is the third consecutive quarter that savings fell, and is attributable to decreased investment by households in financial assets.

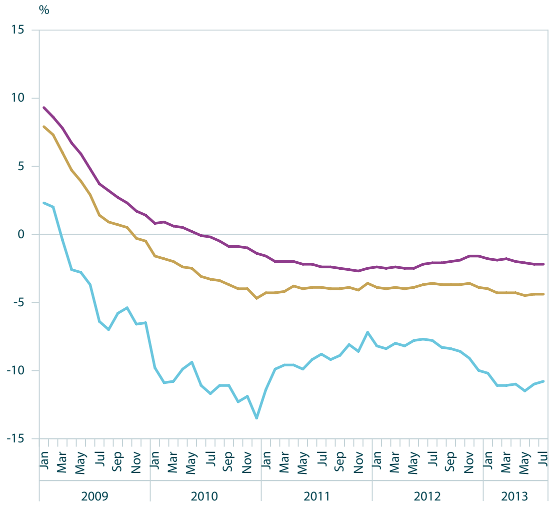
Lending to Households by Irish Resident Credit Institutions

Lending to Irish households continued to decline over recent months, with loans advanced by Irish resident credit institutions falling by €2.3 billion, or 2.1 per cent, over the six months to end-July 2013. The pace of decline in mortgage lending increased over this period, as loans for house purchase fell by almost €1.2 billion, or 1.4 per cent, in the six months to end-July. The cumulative decline in mortgage lending over the last three years is now over €6.1 billion. Loans for consumption purposes, which include the use of credit cards and overdraft facilities, recorded a decline of €537 million, while loans for other purposes fell by €587 million over the six months to end-July 2013.

The difficulties faced by existing mortgage holders increased in the second quarter of the year. At end-June 2013, 12.7 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 2.1 percentage points in the over 90 day arrears rate reported at end-June 2012. Meanwhile, 20.4 per cent of mortgage accounts for buy-to-let (BTL) properties were in arrears of over 90 days at end-June 2013. The trend emerging among longer-term arrears

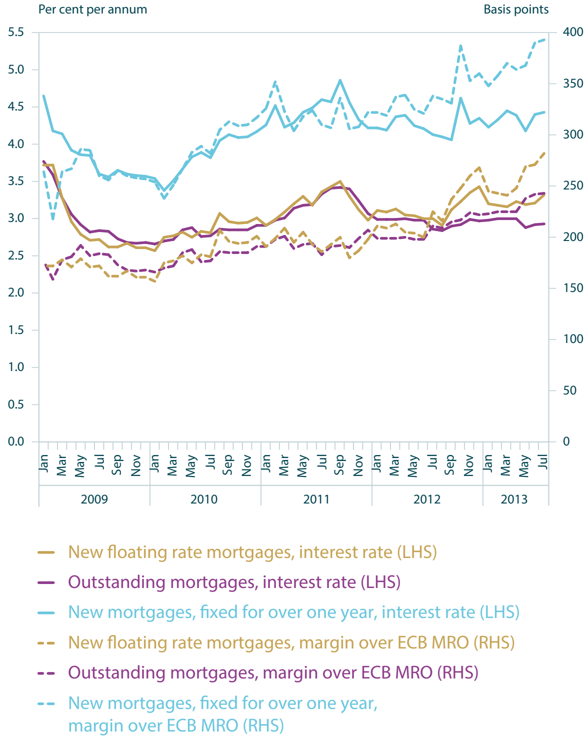
15 Gross capital formation consists of acquisitions of fixed assets less disposals. It includes acquisitions of dwellings.

Chart 24: Loans to Irish Households, Annual Rates of Change



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

Chart 25: Mortgage Interest Rates to Households



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

continues to be of particular concern, as the number of PDH accounts in arrears of over 360 days rose to 57,163 or 7.4 per cent of the total PDH stock. In addition, over 19,000 BTL accounts were in arrears of over 360 days. The outstanding balance on all mortgage accounts in arrears over 360 days was €17.3 billion at end-June 2013.

Over 79,000 PDH mortgage accounts were categorised as restructured at end-June 2013. Of this total stock, 53.3 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 76.5 per cent of restructured PDH accounts were deemed to be meeting the terms of their current arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement. Of the total stock of PDH accounts in arrears over 90 days at end-June 2013, only 24.4 per cent 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. The Central Bank has also set specific targets for banks to implement sustainable solutions for mortgages in arrears of more than 90 days. The initial targets required banks to have communicated their proposed sustainable solutions by end-June 2013.

Existing mortgage holders experienced a slight decrease 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 decreased by seven basis points, to 2.93 per cent, over the six months to end-July 2013. Meanwhile, interest rates on existing loans for consumption and other purposes increased, with the weighted average rate across all maturities rising by 70 basis points to 6.33 per cent over the same period.

Developments in the International and Euro Area Economy

Overview

International economic conditions in advanced economies improved in the second quarter of 2013 with growth gaining traction but the pace of recovery remains moderate, restrained by balance sheet repair, fiscal tightening and tight credit conditions. Previous buoyant activity in emerging markets has slowed somewhat as weaker domestic demand and uncertainty about the path of US monetary policy weigh on some of these economies. This emerging economy moderation makes for a more subdued global outlook, notwithstanding the improvement in the contribution from the advanced economies. While out of recession, euro area activity will be susceptible to these subpar global conditions as well as the continuing domestic demand impact of fiscal consolidation and tight bank funding conditions in countries under stress. Since the last Bulletin, financial conditions have improved marginally, in a context of protracted risk perception and fragmentation. Monetary policy in the euro area will remain accommodative, as indicated by the announcement of forward guidance by the ECB in July.

In the major advanced economies, growth in the second quarter as a whole was stronger than expected. The US economy grew at an annualised rate of 2.5 per cent, in line with high corporate profits for the quarter. Solid job growth and an improving housing market were offset somewhat by efforts towards fiscal downsizing. In Japan, monetary loosening, yen depreciation and a pick-up in consumer confidence pushed up growth in the second quarter. After six quarters of contraction, the euro area recorded positive GDP growth in the second quarter, albeit at only half the rate of the US and UK. Global PMI indices for manufacturing and (particularly) services improved markedly in August but global financial conditions have tightened, creating difficulties for some emerging economies. Growth has already lost momentum in China, with a number of the drivers of buoyant Chinese growth (demographics, export manufacturing, WTO accession) waning and unlikely to be fully offset by new drivers, such as urbanisation or consumer-led growth. Q2 GDP also decelerated in India and Russia.

IMF global growth projections for this year and next are shown in Table 1. The outlook for world trade is likely to be weaker than was expected earlier this year, mainly on account of emerging market demand prospects. Recent indicators for the advanced economies suggest that the modest recovery in high-income countries should continue and broaden for the remaining part of the year. However, euro area GDP remains significantly below pre-crisis levels and unemployment is at a record high in many advanced economies, despite some improvement in the United States and Japan. Extended periods of high unemployment may lead to structural unemployment risks which remain even as a recovery takes hold. A recent tightening in financial conditions and some exchange rate volatility, brought on by expectations of higher future interest rates in the advanced economies will dampen growth in the emerging economies. Countries that have relied heavily on capital inflows to finance large current account deficits are likely to be affected most.

Table 1: Changes in real GDP in selected economies

	Percentage Change		
	2012	2013f	2014f
Global	3.1	3.1	3.8
United States	2.2	1.7	2.7
Euro Area	-0.6	-0.6	0.9
United Kingdom	0.3	0.9	1.5
China	7.8	7.8	7.7
Japan	1.9	2.0	1.2

Source: IMF *World Economic Outlook*, July Update 2013

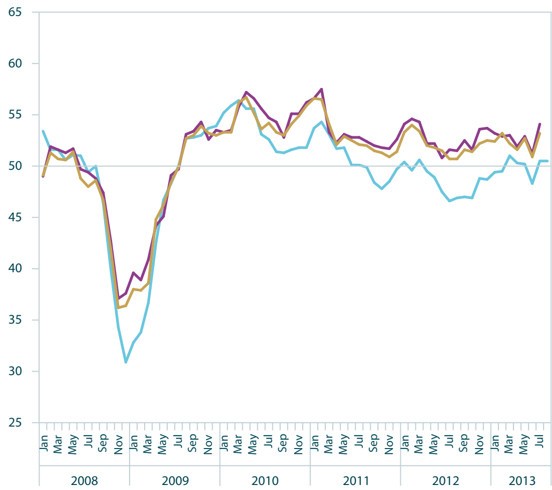
f Forecast

The euro area remains vulnerable to renewed financial, banking and sovereign debt risks. The stimulus from the ECB's expansionary policy is not fully impacting on the real economy, and fiscal policy will continue to impose a drag on growth in the short-term. Nevertheless, signs of a weak recovery in euro area activity are gaining ground in an increasing number of countries. Survey data indicators point to a further modest expansion in the third quarter. Stressed countries have undertaken significant adjustment efforts, as shown by sizable improvements in their fiscal and current account balances and measures of competitiveness. However, past imbalances in housing markets and private household debt have not yet been fully corrected in some countries and give rise to concerns over bank capital. Bank deleveraging continues to present a key challenge to potential euro area growth.

Global inflationary pressures remain contained but oil prices have become more volatile mainly for geo-political reasons. Inflation in the OECD rose to 1.9 per cent in the year to July 2013 compared with 1.5 per cent in the year to May 2013, driven by higher energy and food prices. Excluding food and energy, the OECD annual inflation rate was stable at 1.5 per cent in July. In emerging economies, longer-term inflation expectations have risen reflecting an expected pass-through of higher prices from currency depreciation. The latest euro area data imply a broadly unchanged short-term inflation outlook with survey and hard data showing unchanged moderate price pressures at producer level.

Medium and long-term inflation expectations remain firmly anchored and in line with price stability.

Chart 1: Global Purchasing Managers' Index

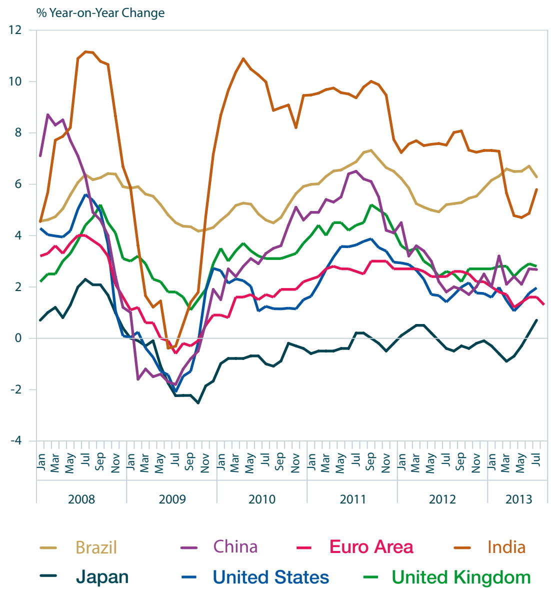


— Composite Output / Business Activity Index
— Composite New Orders / Incoming New Business Index
— Manufacturing New Export Orders Index

Source: Markit.

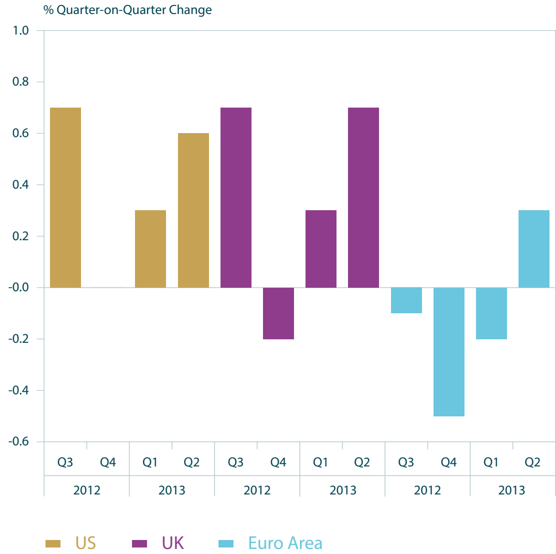
Note: For PMI indicators, above 50 represents expansion, below 50 represents contraction.

Chart 2: Selected Global Inflation Rates



Source: Thomson Reuters Datastream.

Chart 3: GDP Growth Rates



Source: Thomson Reuters Datastream.

Section 1: Euro Area

Economic Growth – Recent Developments

Following six quarters of contraction, the euro area expanded in the second quarter of 2013 growing by 0.3 per cent according to Eurostat, which was above expectations. Growth was driven by developments in Germany (0.7 per cent) and France (0.5 per cent), while Italy and Spain are still contracting, albeit at the mildest rates in seven quarters. The Netherlands remains in recession, while the rest of the non-periphery posted positive growth.

The negative impact of domestic demand on GDP growth was reversed in the second quarter of 2013. Investment expanded by 0.3 per cent, following eight quarters of decline, supported by developments in Germany, where construction investment rebounded after a weather-constrained first quarter. In addition, private consumption grew by 0.2 per cent in Q2 2013. The contribution from net exports to GDP growth was also positive in the latest quarterly data, reflecting export growth of 1.6 per cent, albeit accompanied by growth in imports of 1.4 per cent. The contributions of each component are shown in Table 2.

High frequency data were consistent with expanding GDP during Q2 and early data for Q3 point towards more moderate growth. Data for retail sales in July 2013 indicate that activity remains stable on aggregate, growing by a marginal 0.1 per cent over the month, while prospects remain constrained in some cases. Industrial production fell unexpectedly by 1.5 per cent in July, reflecting declines in capital and consumer durable goods.

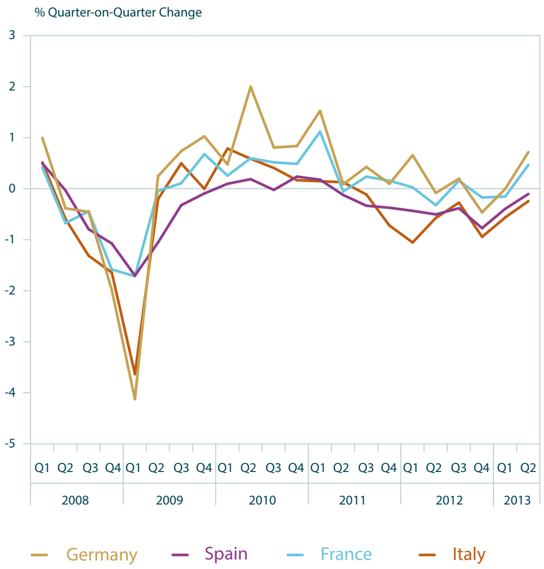
Recent survey data point to a mild improvement in sentiment in the euro area. The EU Commission's Economic Sentiment Indicator (ESI) remains below its long-term average value but has increased consistently in the four months to August. It stands at 95.2, its highest value since March 2012 and driven by increases in all components, except construction. Industrial confidence has increased reflecting a more positive assessment of the current levels of overall order books and production expectations. Euro area consumer confidence increased notably

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

	2012Q3	2012Q4	2013Q1	2013Q2
Consumption	0.0	-0.3	-0.1	0.1
Government	0.0	0.0	0.0	0.1
Investment	-0.1	-0.2	-0.4	0.0
Inventories	-0.2	-0.2	0.4	-0.1
Exports	0.3	-0.3	-0.5	0.8
Imports	-0.1	0.4	0.5	-0.6

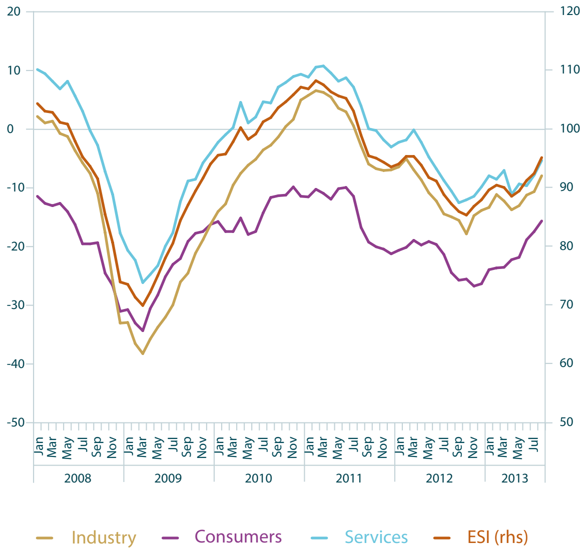
Source: Eurostat.

Chart 4: Euro Area GDP Growth



Source: Thomson Reuters Datastream.

Chart 5: Economic Sentiment Indicator & Selected Components

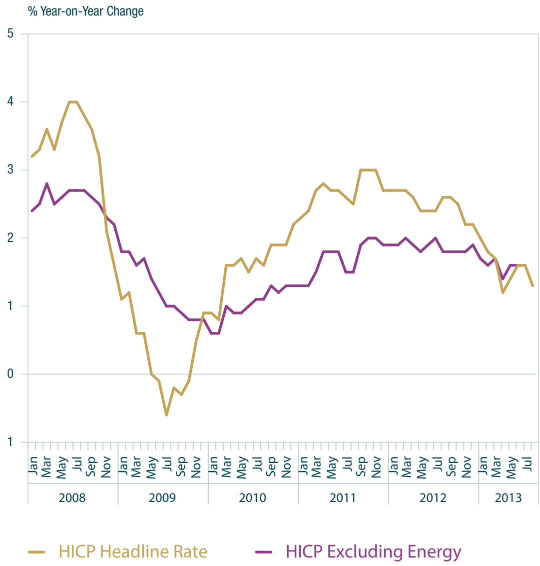


Source: European Commission.

for the ninth successive month and reflected more optimistic views regarding respondents' future general economic situation. Recent PMI data also indicate a moderate improvement in conditions moving into the third quarter. The composite output PMI rose above the neutral 50 mark in July for the first time in eighteen months, reflecting strong readings in Germany and related to the manufacturing sector in particular. The final estimate for August shows a further rise to 51.5, the highest reading since June 2011.

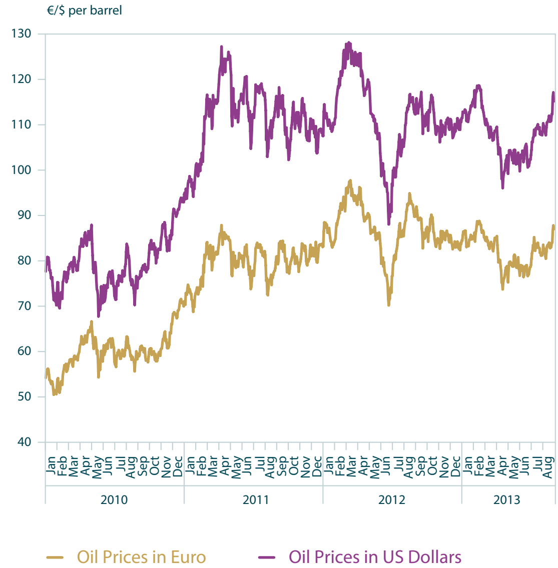
Euro area unemployment increased steadily month-on-month throughout 2012 and into early 2013, stabilising in March and standing at 12.1 per cent in July. The unemployment rate increased during 2013 in most countries, while marginal improvements were recorded in Ireland, Germany, Malta, Slovakia and Finland, with more notable and long-term improvements in Estonia and Portugal. Youth and long-term unemployment remains high in the euro area, most notably in the southern periphery.

Chart 6: Euro Area Inflation



Source: Thomson Reuters Datastream.

Chart 7: Oil Prices – Brent Crude



Source: Thomson Reuters Datastream.

Economic Growth – Outlook

Following the return to growth in Q2 2013, euro area GDP is expected to stabilise during the second half of the year, with the pace of growth picking up for 2014. The significant drag exerted by euro area demand over the recessionary period is expected to dissipate. Although demand from the euro area's main trading partners is growing at a slower pace than the rest of the world, improvements in net exports should continue to underpin growth developments at a modest rate.

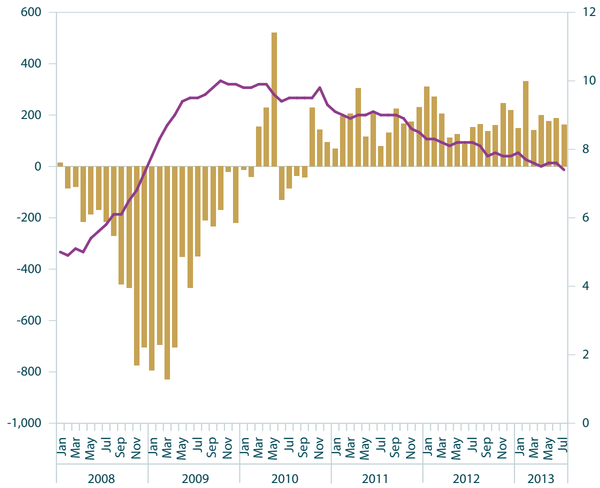
Looking ahead at the components of GDP growth, private investment will continue to be quite weak across the euro area in the near term as business expectations and industrial confidence levels remain low, albeit showing signs of recent improvement. Some improvement is anticipated in 2014 as export demand supports machinery and equipment investment and sentiment continues to improve. Consumption is expected to remain muted during 2013, with weakness persisting in the periphery into 2014. Real household spending capacity could be supported somewhat by falling inflation. Government consumption is expected to be 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.

In their *September "Macroeconomic Projections Exercise"*, ECB staff revised their forecast for 2013 up to -0.4 per cent, albeit trimming their projection for 2014 marginally to 1 per cent. While adverse risks attached to the forecasts have abated somewhat, they are still judged to be on the downside. In particular, adverse developments in external factors including higher commodity prices, combined with any weakening in global trade, would negatively impact the outlook for 2014.

Inflation – Recent Developments

Euro area HICP inflation declined considerably between late 2012 and the first half of 2013, reaching 1.3 per cent year-on-year in August. The downward path of headline inflation was driven by the energy component, reflecting a decline in oil prices together with downward base effects as the impact of past increases in oil prices falls out of the annual comparison. Core inflation has experienced a similar downward trajectory, reflecting in part the large degree of slack in the economy. HICP excluding food and energy was 1.1 per cent in July 2013, down from 1.7 per cent in July 2012. Of the two components that make up this measure of core inflation, non-energy industrial goods has been the primary driver of the decline, falling from 1.5 per cent to 0.4 per cent over the same period. Services inflation, on the other hand, declined only marginally in the twelve months up to July 2013.

Chart 8: US Labour Market



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

Pipeline price pressures remain weak. Industrial producer price inflation has stabilised at low rates in recent months, having been on a general downward trend since early 2011. Producer price inflation (excluding construction and energy) was 0.6 per cent year-on-year in both June and July. PMI survey measures of prices confirm subdued price pressures in the manufacturing sector. Finally, wage pressures also remain muted, as elevated unemployment rates continue to weigh on labour costs. Total hourly labour costs increased marginally in the first quarter relative to the final three months of 2012. The annual rate of change in unit labour costs was 2 per cent, up from 1.6 per cent in the previous quarter, reflecting a slight increase in compensation per employee and a decline in productivity.

Oil and Other Commodity Prices

Brent crude oil prices have been gradually rising since the end of June, when they were trading at around €100 per barrel. Towards the end of August prices increased sharply, reaching $117 per barrel, primarily due to increased geo-political tensions in the Middle East. Meanwhile, global food prices have been relatively steady for some time, although they declined marginally between April and July this year, according to the United Nations FAO price index.

Inflation – Outlook

Against the backdrop of weak domestic demand, a large and persistent negative output gap and base effects from past commodity price increases, euro area inflation is expected to remain contained in both 2013 and 2014. According to the September 2012 Eurosystem staff macroeconomic projections for the euro area, annual HICP inflation is expected to be 1.5 per cent in 2013 and 1.3 per cent in 2014. Downside risks pertain to lower foreign and domestic demand. Upside risks pertain to higher indirect taxes and in particular higher oil prices which have become increasingly volatile.

Section 2: External Environment

United States

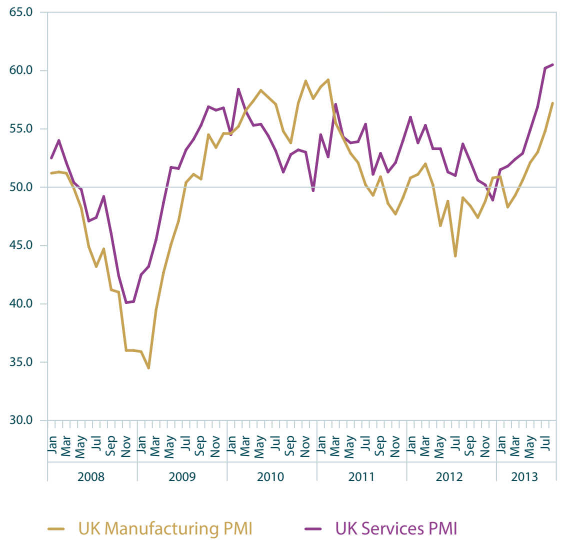
Economic activity in the United States has gained momentum in the course of this year. Real GDP increased at an annualised rate of 2.5 per cent in the second quarter of 2013, up from 1.1 per cent in the first quarter. Personal consumption expenditure was the primary source of GDP growth in the second quarter, followed closely by private investment. Government expenditures have been significantly reduced due to the sequester.

Soft indicators relating to the third quarter are encouraging. In August, the U.S. manufacturing PMI increased for the third consecutive month, while the non-manufacturing PMI reached its highest level since November 2005. Although consumer sentiment suffered a setback in August, it has increased as a whole in the last three months. The Thomson Reuters/University of Michigan's index of consumer sentiment stands 76.8. Overall, economic growth in the U.S. is expected to be moderate in 2013, due in particular to a drag from fiscal measures and the weak global environment. The IMF is forecasting growth of 1.7 per cent for 2013 and 2.7 per cent for 2014.

Labour market conditions have continued to improve, although at a slower pace. Over the past six months, monthly job creation averaged just 160,000. The rise in August of 169,000 fell slightly short of expectations and gains in June and July were revised down significantly. The unemployment rate has fallen to 7.3 per cent while the labour force participation rate also fell back marginally according to the related Survey of Households. The housing market has been more consistently supportive to economic activity. Residential investment increased by 12.9 per cent on an annualised rate in the second quarter of 2013, up marginally on a 12.5 per cent increase in the first quarter. In July, existing home sales reached their highest level since March 2007. Housing starts increased by 19.0 per cent and house prices as measured by the S&P/Case-Shiller 20 index increased by 12.1 per cent in June over the previous 12 months.

The recent dynamics of inflation has reflected the strengthening in economic activity. In July, annual consumer price inflation increased to 2.0 per cent, up from 1.8 per cent in June. Excluding food and energy, inflation rose by

Chart 9: PMI Indicators for the UK



Source: Markit.

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

0.1 percentage points to 1.7 per cent. The Federal Open Market Committee (FOMC) at its July meeting, decided to keep the target range for the federal funds rate at 0 to 0.25 per cent and to continue to purchase additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. However, the FOMC is expected to slow down the current pace of asset purchases later in the year, should the economy continue to improve as expected.

United Kingdom

According to the Office of National Statistics' second estimate, the UK economy expanded by 0.7 per cent during the second quarter of 2013. The expansion in economic activity was due to higher levels of household consumption, government consumption, as well as an increase in net exports. Sentiment indicators relating to the third quarter point to a further expansion in output. With regard to the outlook for growth, both the manufacturing and services PMIs increased further during July to 54.8 and to 60.2, respectively. The IMF has revised upwards their projection for GDP growth during 2013 from 0.6 per cent to 0.9 per cent (Table 1).

The annual increase in the Consumer Price Index slowed from 2.9 per cent in June to 2.8 per cent during July. Recreation and culture, along with clothing and footwear, provided the largest contribution to the slowdown in the inflation rate between June and July although this was partially offset by higher prices in health along with food and non-alcoholic beverages.

During the third quarter, no changes were made by the Bank of England's Monetary Policy Committee (MPC) to the bank rate - which remains at 0.5 per cent. Also, the stock of assets purchased by the issuance of reserves remained at £375 billion during the third quarter. The latest data on the Bank of England's Funding for Lending Scheme shows that participating banks made drawdowns of £2.0 billion during the second quarter bringing total drawdowns under the scheme to date to £17.6 billion. Net lending by participants was £1.6 billion during the second quarter although overall net lending is little changed since the scheme was launched.

At its August meeting, the MPC initiated a policy of forward guidance similar to what has been recently announced by other central banks. It establishes that the bank rate will not be increased until the unemployment rate falls to 7.0 per cent subject to the following conditions: that CPI inflation 18 to 24 months ahead will not be 0.5 percentage points higher than a 2 per cent target; that medium-term inflation expectations remain sufficiently well anchored; and that the Financial Policy Committee (FPC) considers that the stance of monetary policy does not pose a significant threat to financial stability that cannot be mitigated by policy actions available to the FPC.

Box A: Methodological changes in the measurement of US GDP
By Nicolas Gobalraja[1]

On July 31, the Bureau of Economic Analysis (BEA) released preliminary estimates of US Gross Domestic Product (GDP) for the second quarter of 2013. For the first time, the methodology underlining their estimates complied with the System of National Accounts (SNA), an international statistical guidance published in February 2008 by the Inter-Secretariat Working Group on National Accounts[2]. The United States is the third country to adopt these new classification standards, after Australia in September 2008 and Canada in October 2012.[3] Changes in definitions were introduced along with changes in statistical methodologies as part of the 2013 Comprehensive Revision to the National Income and Product Accounts (NIPA). The changes in definitions mainly concern[4]:

(1) The classification of research and development (R&D) expenditures. As recommended in the SNA, the revision recognised R&D expenditures by business, government and non-profit institutions as fixed investment. Prior to the revision, these expenditures were either considered as an intermediate input, and hence not recorded (business) or, in the case of the government and non-profit sector, considered as consumption expenditures.

(2) The classification of expenditures in artistic originals. The revision also recognises expenditures on entertainment, literary, and other artistic originals by business, government and non-profit institutions as fixed investment. Before the revision, these expenditures were considered as an intermediate input, and hence not recorded in the NIPA.

1 Monetary Policy Division and Banque de France.

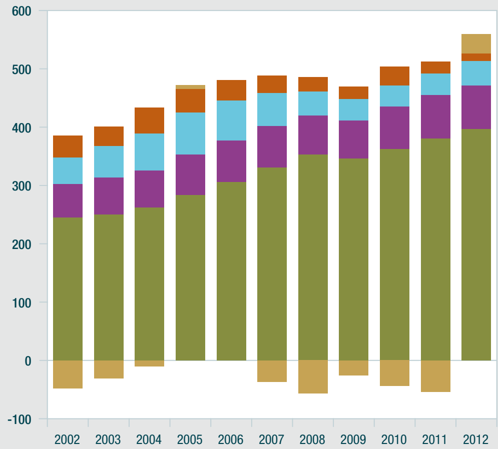
2 The Inter-Secretariat Working Group on National Accounts consists of five organisations: the European Commission, the International Monetary Fund, the Organisation of Economic Cooperation and Development, the World Bank and the United Nations. The SNA2008 can be found at: http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf

3 European quarterly national accounts are compiled in accordance with the European System of National and Regional accounts 1995 (ESA 95). In September 2014, EU Member States will implement a revised European System of National and Regional Accounts, ESA 2010, which will comply with the SNA2008 standards (see the EU regulation No 549/2013 of the European Parliament and of the Council of 21 May 2013).

4 The details about the changes in definitions are reviewed in BEA's March *Survey of Current Business*.

Box A: Methodological changes in the measurement of US GDP
By Nicolas Gobalraja

Box A Chart 1: 2013 Comprehensive Revision to the level of the U.S. GDP, by source (level, billions of dollars)



Statistical (changes in methodologies)
Accrual accounting for defined benefit pension plans
Expanded set of ownership transfer costs for residential fixed assets
Capitalisation of entertainment, literary, and artistic originals
Capitalisation of R&D

Source: BEA.

Box A Chart 2: 2013 Comprehensive Revision to the U.S. Real GDP growth

real GDP growth (revised)
real GDP growth (former)

Source: BEA.

(3) The classification of ownership transfer costs of residential fixed assets. The revision recognises ownership transfer costs, i.e. "expenses associated with the acquisition and disposal of residential fixed assets", such as commissions and taxes related to the sale or acquisition of real estate properties, as fixed investment. Prior to the revision, only brokers' commission were considered as fixed capital investment. Other costs were recorded as expenditures.

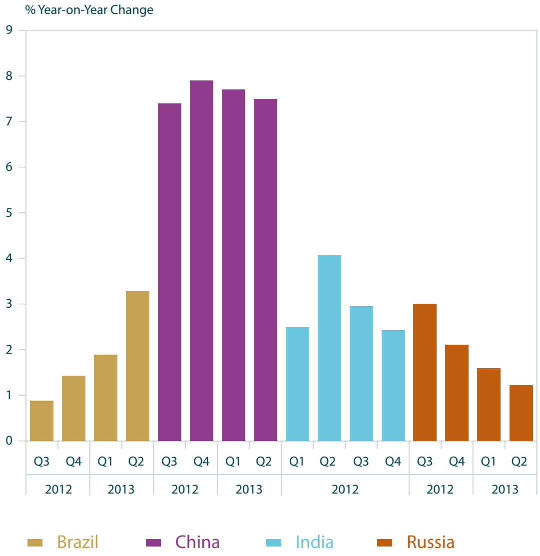
(4) The measurement of defined-benefit pension plan transactions. Before the revision, contributions (from both employers and employees) to defined-benefit pension plans were recorded on a cash accounting basis. Because of their irregularity, these contributions rarely matched the smooth payments of the benefits in the national accounts. The revision substituted the accrual accounting basis in place of a cash accounting basis.

The effects of these changes in definitions on the level of U.S. GDP are shown in chart 1. The overall impact of these changes on real GDP growth is shown in chart 2.

From chart 1, we see that the 2013 comprehensive revision had a substantial impact on the level of U.S. GDP. For 2012 only, the revision added 3.2 per cent to nominal GDP. The changes in definitions accounted for $526.0 billion (94 per cent), while the changes in methodologies only accounted for $33.8 billion (6 per cent). Among the former, most of the amount comes from the reclassification of the R&D expenses.

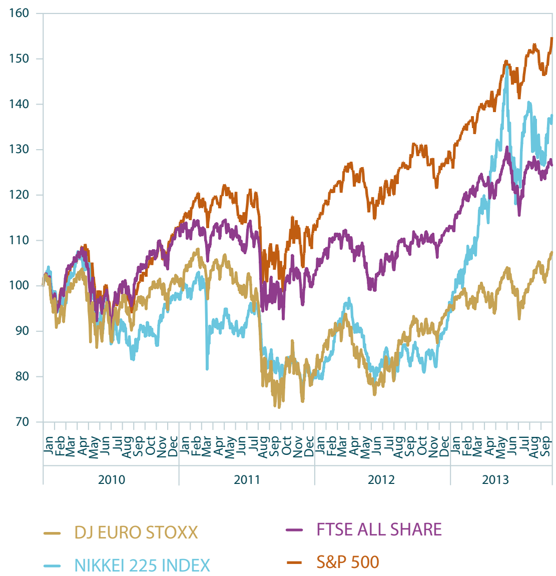
We see from chart 2 that the revision only had a minor impact on the reported rate of GDP growth over the period 2002 to 2012. The revision increased average U.S. real GDP growth by 0.2 percentage points to 1.8 per cent. Over the period 2009 to 2012 the revision added 0.3 percentage points to average GDP growth, with the most significant impact on 2012. However, the revised estimates for the last three years also reflect the incorporation of revised data from the standard annual revision.

Chart 10: BRIC GDP Growth Rates



Source: Thomson Reuters Datastream.

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



Source: Thomson Reuters Datastream.

Japan

According to the Government's second estimate, real GDP expanded by 0.9 per cent quarter-on-quarter, or 3.6 per cent on an annualised basis during the second quarter of 2013. The increase in output was primarily driven by private and public consumption. Private residential investment also added to higher output whereas non-residential investment and changes in inventories subtracted from growth in Q2 2013. Sentiment data relating to the third quarter of 2013 point to a continuing expansion in output. The manufacturing PMI increased from 50.7 in July to 52.2 in August. The IMF has revised upwards its projection for GDP growth in 2013 from 1.5 per cent to 2.0 per cent (Table 1).

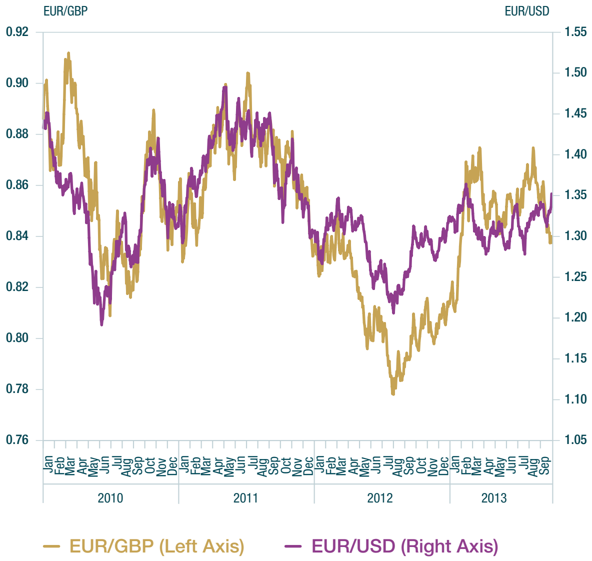
Consumer prices rose in July by 0.7 per cent on the corresponding month of the previous year. After 0.2 per cent in June, this was the second consecutive increase but was driven by higher energy prices, which rose nearly 9 per cent in July. This energy price increase is attributed to both increasing oil prices and the depreciation of the yen. The government also permitted energy companies to raise electricity prices. At 0.1 per cent, food was only slightly more expensive than in July 2012. Excluding energy and food, the core rate of inflation remains negative at -0.1 per cent.

The monetary base was up 42.0 per cent on an annualised basis in August compared with 38.0 per cent in July. At its September meeting, the Bank of Japan left its monetary policy unchanged while reiterating that it felt the economy continues to recover.

BRIC Economies

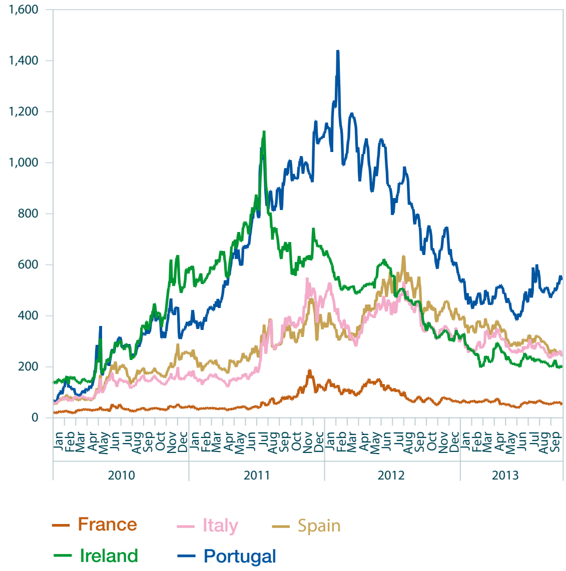
Emerging economy performance was mixed during the second quarter. Growth slowed in several large economies in the second quarter, with the exception of Brazil. An anticipation of quantitative easing (QE) tapering by the US Federal Reserve led to some financial market turbulence, but currency depreciation has been concentrated in a few countries and the outflow of portfolio investment appears to have moderated following a sharp initial correction. At the same time, a reappraisal of trend growth and increased concerns about the pace of structural reform, and in the case of China,

Chart 12: Euro Exchange Rates



Source: Thomson Reuters Datastream.

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



Source: Thomson Reuters Datastream

concerns about the indebtedness of the state have come to the fore. The IMF has revised down projected GDP growth for all four BRIC economies during 2013 and 2014.

In China, real GDP growth slowed further from 7.7 per cent in the first quarter to 7.5 per cent in the second quarter. The contribution from investment remained strong while a weaker external environment accounted for a reduced contribution from net exports compared with previous quarters. Sentiment data relating to the third quarter point to a stabilisation in output. The manufacturing PMI increased from 47.7 in July to 50.1 in August. Credit and loan growth slowed during the quarter but remained well above nominal GDP growth. Inflationary pressures remain contained with the CPI increasing by 2.6 per cent in August on an annual basis, little changed from the 2.7 per cent increase recorded in June and July.

In Brazil, economic activity was somewhat more buoyant in the second quarter with real GDP expanding by 3.3 per cent year-on-year, led by investment. The increase in second quarter output follows growth of 1.8 per cent and 1.4 per cent in the fourth quarter of 2012 and the first quarter of 2013 respectively. Inflation remains above Banco Central do Brazil's target of 4.5 per cent although it slowed marginally from 6.3 per cent in July to just under 6.1 per cent in August. The main monetary policy rate, the selic, was increased further by 50 basis points in August to reach 9 per cent.

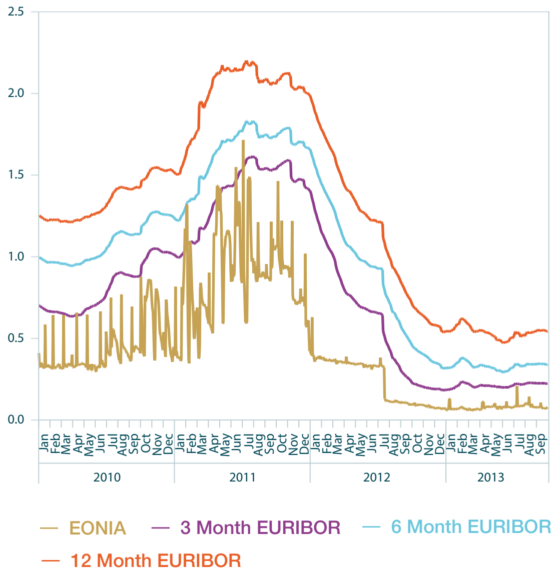
In India GDP growth at factor cost slowed from 4.8 per cent year-on-year in the first quarter to 4.4 per cent in the second quarter. A contraction in mining and manufacturing activity was behind the slowdown. Inflation, as measured by the wholesale price index, increased for the third successive month and registered almost 5.8 per cent in July, up from 4.9 per cent in June. In Russia, GDP growth slowed from 1.6 per cent in the first quarter to 1.2 per cent in the second quarter. Inflation remained high at 6.5 per cent during August.

Section 3: Financial Markets

Financial Sector Developments

Market sentiment improved marginally in the third quarter of 2013 following an unsettled end to the second quarter. Developments

Chart 14: Selected Euro Area Money Market Interest Rates



Source: Thomson Reuters Datastream.

were driven mainly by positive economic data releases in the United States and the euro area as well as signals about future monetary policy by the major central banks. Positive economic data releases in the United States improved sentiment while escalating concerns regarding the tapering by the US Federal Reserve of its asset purchase programme had an opposite effect. In the euro area, stronger-than-expected GDP and PMI releases, spillovers from the US economy and the July 4 announcement of forward guidance by the ECB's Governing Council have affected markets. Yields on highly rated long-term government bonds in the euro area, as well as those of the United States, rose during the review period. In the stressed segments of the euro area government bond market, yields were generally stable.

Equity Markets

Global equity markets saw a slowing of their early-year momentum in the third quarter of 2013. Equity market developments during the period were driven primarily by signals about future monetary policy and by positive economic data and company earnings releases. In the euro area, equity markets moved upwards through July to mid-August and were supported by stronger-than-expected data releases. In the United States, the increase in equity prices in July was supported by generally positive economic data, particularly evident for the housing and labour markets, as well as comments made by FOMC Chairman Ben Bernanke reassuring against a premature reduction in asset purchases by the US Federal Reserve. Evolving expectations of US monetary policy, as well as geopolitical concerns surrounding Syria, drove developments in the rest of the quarter, with both euro area and US equity prices falling slightly during this time. By early September, euro area and US equity markets were still higher than the levels seen at the beginning of July. The NIKKEI 225 and FTSE 100 followed similar patterns to euro area and US equity markets – both showing gains over the period.

Foreign Exchange Developments

By September, the nominal effective exchange rate of the euro as measured against the currencies of the 20 most important trading partners stood above its level in June and 5.5 per cent above the level one year ago. Against the US dollar, the euro depreciated to $1.28 in early July following a sharp rise in June. It has since appreciated back towards $1.35 over the course of July and August. These developments arose amid changing expectations concerning the tapering of the Federal Reserve's asset purchasing programme and stronger-than-expected economic data in both economies. The euro appreciated against the pound sterling throughout June and July to stand above £0.87 on 1 August before depreciating back again in August and early September. The euro remained stable against most other European as well as Asian currencies during the period.

Sovereign Debt Markets

Sovereign yields were generally stable in the stressed segments of the euro area government bond market, with the exception of Portugal, in the third quarter of 2013. In July, increased political tensions following the high-profile resignations within the ruling coalition in Portugal saw ten-year sovereign bond yield spreads vis-à-vis Germany rise by approximately 100 basis points. Yields have since fallen on Portuguese government bonds and stabilised at a level above what was seen earlier in the year. Elsewhere, Ireland, Italy and Spain saw their long-term yields remain stable during the review period with spreads vis-à-vis Germany decreasing. German yields, as well as other highly rated long-term government bond yields in the euro area, rose during the review period reflecting spillovers from the United States and positive economic data.

In the United States, long-term government bond yields increased in the third quarter. Sentiment continues to be driven by market participants' perceptions on the Federal Reserve's tapering off of its asset purchasing programme. Positive GDP and labour market data releases in July and August saw yields increase, with the expectation that the Federal Reserve will cut its bond-purchase programme in September.

Money Markets

Euro area money market rates in the third quarter of 2013 were affected by both the ECB announcement of forward guidance and better-than-expected economic data releases in the euro area. In early July, the money market yield curve flattened slightly after the announcement of forward guidance with the three-month, six-month and twelve-month EURIBOR falling. These rates have since moved back to their original levels due mainly to positive economic data releases. Rates remain at historically low levels reflecting 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.

EU-IMF Financial Assistance Programme – Eleventh Review

Overview

The eleventh review mission of the European Union/International Monetary Fund (EU/IMF) Financial Assistance Programme for Ireland was carried out from 9 to 18 July 2013. Similar to previous reviews, a range of issues was discussed, including recent developments in the Irish economy and progress on the three main programme fronts – fiscal, financial sector and structural reform. Reflecting the strong delivery of programme commitments during the second quarter[1], the External Partners concluded the review mission by remarking that Ireland's programme remains on track. Nonetheless challenges remain, particularly "the fiscal deficit, unemployment, and banks' non-performing loans", reinforcing the need to continue "steadfast programme execution"[2].

Discussions at the review mission focused on the following issues:

- The macroeconomic situation and outlook
- Progress by lenders in addressing non-performing loans
- Roll out of the Personal Insolvency Framework
- Banks' future profitability
- Methodological aspects of the Balance Sheet Assessment
- Budget 2013 implementation
- Job activation and other structural reforms

Compliance with Financial Sector Conditions (Q2 2013)

Work to advance the financial sector reform agenda continued during the second quarter of 2013. The main actions are summarised below.

During the second quarter, the Central Bank ('the Bank') continued to monitor and report on the Prudential Capital Assessment Review (PCAR[3]) banks' strategies for resolving non-performing mortgage loan arrears. This included progress against key performance indicators (KPIs) and bank specific targets. The principal mortgage lenders[4] subject to the Mortgage Arrears Resolution Targets framework (MART) were required to propose sustainable solutions to 20 per cent of mortgage debtors in arrears over 90 days by end-June. To aid this process, the Bank produced an internal guideline on the definition of sustainable restructuring arrangements. The lenders subsequently reported that they have met the end-June target. To confirm this, an audit of the solutions offered, including whether the arrangements are sustainable, will be completed in November.

The Bank published a revised Code of Conduct on Mortgage Arrears at the end of June, which took effect from 1 July[5]. Amendments to the code include greater clarity on when a borrower is considered to be cooperating, the introduction of communication policies approved by the

1 All programme milestones, apart from the finalisation of the eHealth strategy (which is now expected in September), were met during the second quarter. Two structural benchmarks were also observed, to publish an update of the 2011 Impairment Provisioning and Disclosure Guidelines (May 2013); and to undertake a review of progress in addressing mortgage arrears (June 2013).

2 http://www.imf.org/external/np/sec/pr/2013/pr13267.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/regulation/processes/consumer-protection-code/Documents/2013%20CCMA.pdf

boards of the lenders to ensure that borrowers are protected against unnecessarily frequent contacts and harassment, and the removal of the 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 which would retain the tracker rate, and the only alternative is repossession[6].

As a stock-taking exercise, a review detailing progress in tackling mortgage arrears was prepared and presented to the External Partners at the end of June (structural benchmark).

The Bank also developed non-public restructuring targets for Small and Medium-Sized Enterprises (SMEs) in distress, which it issued to the relevant banks in June. Progress towards these targets and the KPIs will be monitored, and the Bank will also continue to undertake targeted on-site reviews. The focus of the latter is on assessing the quality and sustainability of restructuring arrangements, as well as on operational capabilities.

On the funding side, options to lower the cost of banks' tracker mortgage portfolios are being explored. A progress report was provided to the External Partners in June, and further work is underway.

In May, the Bank provided the External Partners with a report on the evolution of regulatory capital within the PCAR banks (up to end-December 2012).

Updated impairment provisioning and disclosure guidelines were published by the Bank at the end of May[7]. These guidelines will inform the development and application of the covered institutions'[8] impairment and 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 normal monitoring and reporting on banks' deleveraging, based on existing nominal targets and the run-off of non-core assets, continued during the second quarter.

Future Financial Sector Commitments

Financial sector reforms that have taken place during the third quarter, and those that are to be advanced over the coming months, are briefly detailed below.

The Bank is continuing to roll out the MART framework for mortgages in arrears[9]. A target for the conclusion of sustainable solutions by end-2013 of 15 per cent of mortgage loans in arrears for more than 90 days has been announced (prior action[10]), as have targets for the number of solutions to be proposed (70 per cent), and concluded (25 per cent), in the first quarter of 2014. Targets for subsequent quarters will be announced on a rolling basis, with the aim of largely completing sustainable solutions by end-2014. The Bank is also devising a system for lenders to report on legal proceedings. In addition to this, lenders will be required to have strategies in place to address any potential shortfalls from the repossession of properties.

The Insolvency Service of Ireland (ISI) is now fully operational and began accepting applications for the three new debt arrangements in September. Six specialist judges have been appointed to deal specifically with personal insolvency cases. An examination of the merits of assigning additional functions to these specialist judges will be conducted later this year.

6 The arrangement offered must be a long-term, sustainable solution that is affordable for the borrower.

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

8 AIB, Bank of Ireland and Permanent TSB.

9 An interim target of 30 per cent for proposed solutions by end-September 2013 was announced in March 2013, as was an end-2013 proposed solutions target of 50 per cent.

10 The publication of the end-2013 concluded target was a prior action for the completion of the eleventh review.

The Land and Conveyancing Law Reform Act 2013 was signed into law in July[11], while an expert group will examine issues relating to the effectiveness of repossession arrangements[12] by year end. Terms of reference for this group have been agreed, and it is expected to propose, where necessary, appropriate measures to deal with any problem issues.

In the area of SME restructuring, Company Law and the legal framework surrounding examinership are being looked at.

On the credit union front, the new Fitness and Probity regime became effective on 1 August for credit unions with total assets greater than €10 million[13]. Some sections of the Credit Union and Co-operation with Overseas Regulators Act 2012 were commenced in August, with others commencing on 1 October[14]. In addition, the Central Bank published a Credit Union Handbook[15] in September, to assist credit unions with the implementation of the new strengthened regulatory framework. This contains, amongst other things, information on certain legal and regulatory requirements and guidance that apply to credit unions, including details on the new Fitness and Probity regime and the new governance and prudential requirements applicable under the Act.

A pilot scheme, facilitated by the Bank, looking at the restructuring of distressed consumer debt across multiple lenders also began to process individual applications in September. 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.

Work on the Balance Sheet Assessment – encompassing an asset quality review and a review of the appropriateness of banks' risk weighted assets – also progressed during the third quarter (preliminary results – end-October structural benchmark). Broad agreement has been reached on the methodological aspects of the exercise, and independent third party loan file reviewers and an independent assessor have been appointed. In addition, the Bank set out a detailed roadmap for the completion of the Balance Sheet Assessment, and will continue to engage with the External Partners on a regular basis on progress, methodology, inputs, outputs and findings.

The Bank is also undertaking a forward-looking analysis of operating profits for the PCAR banks to end 2015, which should be completed by the end of September (structural benchmark).

The Central Bank (Supervision and Enforcement) Act 2013 was signed into law in July. This Act provides the Bank with additional supervisory and enforcement powers.

Other work being advanced over the coming months includes further exploration of options to lower the cost of banks' tracker mortgage portfolios, an analysis of current eligible regulatory capital under Basel III/the Capital Requirements Directive (CRD IV), and a comparative assessment of banks' fee income (along with an external review of the regulation of bank fees).

Steps to establish a Central Credit Register are also continuing, including work on the Credit Reporting Bill. This is expected to be enacted later this year, which will enable the tendering process to start.

11 This addresses the lacuna identified by the Justice Dunne High Court judgement. 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.

12 The group will examine issues such as the length, predictability and cost of proceedings.

13 1 August 2015 for all others.

14 The requirements are being inserted into the Credit Union Act 1997.

15 http://www.centralbank.ie/regulation/industry-sectors/credit-unions/Pages/Credit%20Union%20Handbook.aspx.

Compliance with Fiscal Targets

Work on the fiscal front advanced further in the second quarter of the year.

The Irish Stability Programme Update (SPU[16]), which presents the Government's macro-economic and fiscal projections out to 2016, was published in April 2013.

In May, the Health (Pricing and Supply of Medical Goods) Act 2013 was enacted. This is designed, amongst other things, to introduce a system of generic substitution and reference pricing. It is part of the work aimed at containing costs in the health sector. This work is also being informed by a study comparing the cost of drugs, prescription practices and use of generics in Ireland with those in comparable EU jurisdictions[17]. Measures to contain costs in the wider public sector were also taken in the second quarter, including a successor to the Croke Park Agreement – the Haddington Road Agreement – which has been broadly accepted by the unions.

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

Future Fiscal Targets

Further steps to strengthen the institutional fiscal framework were taken in the third quarter of 2013. First, the mandate of the Irish Fiscal Advisory Council (IFAC) was 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 was agreed between the Department of Finance and the IFAC[18]. Second, the Ministers and Secretaries (Amendment) Act 2013 – which will make the already operational expenditure ceilings legally binding – was enacted. The details of the ceilings are expected to be published shortly.

On the health side, the eHealth strategy is expected to be finalised by the end of September. This will serve as a time-bound action plan for the implementation of eHealth systems. Other actions, aimed at reducing costs and improving efficiency, to be undertaken over the coming months include a comprehensive exercise to realign downwards the price of off-patent listed items, and the setting of high level targets so as to increase the share of generic drug usage in the medium-term.

Work on Budget 2014 is also underway. In line with the new EU fiscal governance structure, this is being brought forward and will be published on 15 October (structural benchmark). At the conclusion of the review mission, the External Partners commented that "Budget 2014 should bring the high debt and deficit down in line with Ireland's commitments and continue Ireland's track record of steady fiscal consolidation efforts"[19].

Compliance with Structural Reforms

The structural reform agenda was also advanced in the second quarter of 2013.

On the labour market front, a review of the impact of reforms to sectoral wage-setting mechanisms was provided in June. This was followed in July by an evaluation of the employment impact of the 2012 and 2013 Action Plans for Jobs.

Regarding activation, plans to redeploy and train staff as case managers are proceeding. In addition, a model which would enable activation services to be contracted out to private providers is being developed (a tender

16 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.

17 ERSI report – http://www.esri.ie/publications/latest_publications/view/index.xml?id=3773

18 http://www.fiscalcouncil.ie/wp-content/uploads/2011/07/MoU.pdf

19 http://www.imf.org/external/np/sec/pr/2013/pr13267.htm request will issue by end-November). Targets have been set for engaging the long-term unemployed in group sessions (15,000) and regular one-on-one interviews (an additional 10,000) in each quarter, starting in the fourth quarter of 2013. The sanctions system will also be reviewed (by end-October) to ensure it is providing incentives for the unemployed to participate in activation and training schemes, while a clear system of cooperation between Intreo offices and education and training boards is being developed.

Turning to the SME sector, the SME State Bodies Group (SBG) continues to meet regularly, while the credit review office (CRO) published its most recent report in June (for the first quarter of 2013). Support is being provided to the sector by the National Pension Reserve Fund (NPRF), which will roll out three new SME funds[20] over the coming months, and the Credit Guarantee Scheme (this is being reviewed to assess its effectiveness).

Progress is also being made in other key areas. For example, the water strategy is advancing, albeit at a slower pace than envisaged, while steady progress is being made on the sale of state assets in the energy sector. The Legal Services Regulatory Bill is expected to be progressed later this year which, when enacted, should help reduce the cost of legal services.

EU/IMF Loan Disbursements to Ireland

The nominal amount of loans under the EU/IMF Financial Assistance Programme, as of end-August 2013, stood at just over €62 billion (the net euro amount received by the Exchequer was €61.4 billion, after adjustment for below par issuance, deduction of a prepaid margin, and the effect of foreign exchange transactions). Upon successful completion of the eleventh review, approximately €3.3 billion in external funding – €2.3 billion from the European Financial Stability Facility (EFSF), €0.8 billion from the IMF and €0.25 billion in bilateral loans from Sweden and Denmark – will be dispersed. With the drawdown of this tranche of funding, together with outstanding amounts from the tenth review, around 98% of the total external financing of €67.5 billion available under the Programme will have been drawn down.

20 The Restructuring Fund, Turnaround Fund and Credit Fund. These new long-term funds will provide equity, credit and restructuring / recovery investment for Irish small and medium sized businesses (SMEs) and mid-sized corporates.

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.

Mortgage Arrears in Ireland: Introducing the Enhanced Quarterly Statistics

Jean Goggin*

Abstract

This article introduces the recently expanded *Residential Mortgage Arrears and Repossessions Statistics* published by the Central Bank of Ireland. An overview of developments regarding mortgage arrears since 2009 is provided, and the motivation for expanding the data is outlined. New features of the data, such as the detailed breakdown of longer-term arrears, the performance of restructured accounts, and flows data on restructuring activity, are discussed in detail. The expanded statistics address a number of data gaps and deliver further insights into the trends in arrears formation, and the movement of mortgages through to the more advanced stages of arrears. New data relating to restructured mortgages provide a more detailed analysis of the quantity and nature of restructuring activity taking place on a quarterly basis. They also provide an insight into the level of compliance by borrowers with the terms of their restructure arrangement, or the extent to which they are 're-defaulting'.

* The author is an Economist in the Statistics Division of the Central Bank of Ireland. The views expressed in this article are solely the views of the author and are not necessarily those held by the Central Bank of Ireland or the European System of Central Banks. The author would like to thank Lars Frisell and Joe McNeill for their helpful comments.

1. Introduction

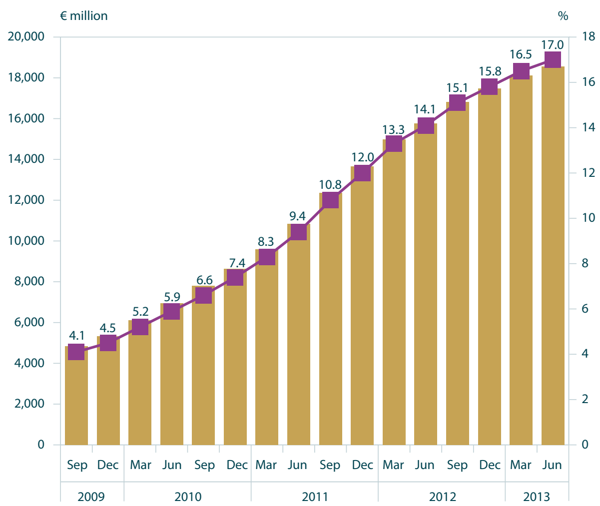
The extent of mortgage repayment difficulties in Ireland, and the associated implications for households, mortgage lenders and the wider economy, is a major policy concern for the Government and the Central Bank. Given the rapidly evolving nature of the mortgage arrears crisis, the availability of timely and detailed statistics is essential for the effective monitoring of developments and the evaluation of progress towards resolution. Over the past year, the Central Bank has expanded the *Residential Mortgage Arrears and Repossessions Statistics* to meet the increasing demand for information in this area, and to address a number of gaps in the data. These enhanced quarterly statistics provide a more detailed breakdown of long-term arrears cases, as well as additional information relating to the performance of restructured mortgage accounts. They also provide a more accurate reflection of developments in restructuring activity on a quarterly basis through the collection of flows data.

The purpose of this article is to introduce the new data on mortgage arrears, describe the recent trends in arrears and restructures, and provide an analysis of the current situation and the types of resolution strategies undertaken by lenders to date. Section 2 provides a brief overview of developments in mortgage arrears since the data were first collected in 2009. The motivation for the expansion of the quarterly arrears statistics is discussed in Section 3, while Section 4 describes the new data and how they address the gaps previously identified. Section 5 presents the most recent findings from the data, focussing on the additional information provided by the new metrics and what they tell us about the resolution strategies undertaken to date. Finally, Section 6 concludes.

2. Overview of Developments in Mortgage Arrears since 2009

The Central Bank commenced collecting quarterly mortgage arrears statistics in 2009, with the first data referring to end-September of that year. Information relating to the number of, and outstanding balance on mortgage accounts in arrears was requested from mortgage lenders[1], as well as information relating to repossessions of properties. The data referred to mortgage loans secured on principal dwelling houses (PDH) only. At end-September 2009, the number of PDH mortgage accounts that were in arrears of more than 90 days was almost 26,300, equivalent to 3.3 per cent of the total stock of PDH accounts. In value terms, the outstanding balance on these accounts was €4.8 billion, or 4.1 per cent of the total outstanding balance on all PDH accounts. PDH mortgages in arrears of more than 90 days have almost quadrupled since 2009, amounting to €18.6 billion at end-June 2013. Combined with a steady decline in the total value of outstanding mortgage loans over this period, this accounted for 17 per cent of the total outstanding balance of PDH mortgages at end-June 2013.[2]

Chart 1: PDH Mortgage Arrears



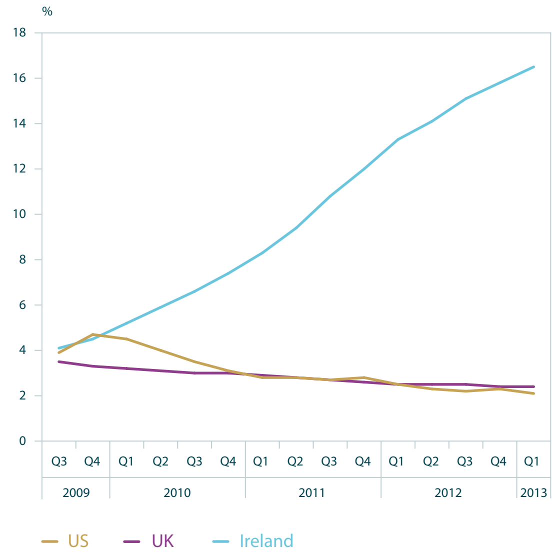
Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

1 Data are collected from all banks and other lenders providing mortgages in the Republic of Ireland.

2 When comparing Irish mortgage arrears statistics over time, it is more meaningful to use outstanding loan values rather than the number of loan accounts. Data referring to the number of accounts have been subject to revisions and reclassifications in multiple reporting periods, due to differences across the various lenders in reporting practices, i.e. at customer level, property level, or sub-account level. Data relating to outstanding balances have not been affected by such issues, and so they produce a more consistent time series.

Also by international standards, the acceleration of mortgage arrears in Ireland has been dramatic, even if one accounts for the severe recession. The absence of consistent data on mortgage arrears makes precise cross-country comparisons difficult. Chart 2, however, illustrates the dramatic increase in mortgage arrears relative to the US and the UK. Although the three series shown are not directly comparable with each other, they provide a useful illustration of the divergent experience in Ireland relative to both countries.[3] At end-September 2009, 4.1 per cent of the total balance on Irish PDH mortgages was accounted for by mortgages in arrears of more than 90 days. At that time, the shares of distressed mortgages in both the UK and the US were similar, at just under 4 per cent of the total. Since then the series for the UK and the US indicate that mortgage repayment difficulties have eased in both countries over this period. At end-March 2013, distressed mortgages accounted for 2.4 per cent and 2.1 per cent of total residential mortgages in the UK and the US, respectively.

Chart 2: Mortgage Arrears Cases as a Percentage of Mortgages[3]



Sources: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland; OCC Mortgage Metrics Report, Office of the Comptroller of the Currency; Mortgage Lenders and Administrators Statistics, Bank of England.

3. Motivation for the Expansion of the Quarterly Mortgage Arrears Statistics

As the mortgage arrears crisis in Ireland has escalated, the demand for information has increased significantly. A number of shortcomings relating to the original quarterly statistics on mortgage arrears have been identified over the past three years, and some of these have been addressed through earlier enhancements to the data. For example, at end-2010 the Central Bank commenced collecting information on restructured mortgage accounts. Repossessions of residential properties in Ireland have been low by international standards[4], and resolution strategies have tended to focus on forbearance arrangements as a means of providing more manageable repayment options for borrowers in difficulty. At end-December 2010, the outstanding value of restructured PDH mortgage accounts was €10.4 billion, equivalent to 8.9 per cent of the total value of PDH mortgages at that time. Interest-only repayment arrangements, along with other reduced-payment options, accounted for almost three quarters of all restructures in value terms. The latest data indicate that at end-June 2013, the value of restructured PDH mortgages had increased to €13.4 billion, or 12.3 per cent of the total outstanding value of all PDH mortgages. The share of interest-only and reduced-payment arrangements fell to 64 per cent, as mortgage lenders have begun to switch their focus to more long-term modification options.

The initial focus concentrated on the ability of borrowers to meet repayments on the property that is their primary residence (PDH). The absence of any data relating to mortgage

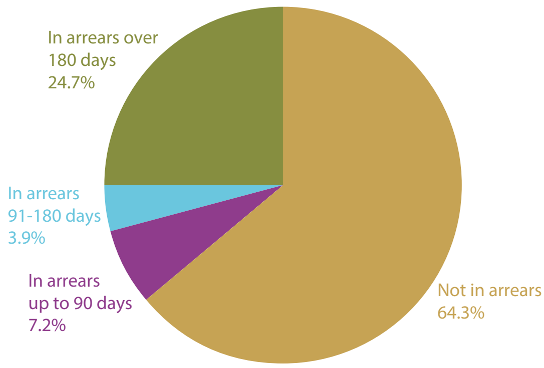
3 The Irish series reflects the outstanding balance on PDH mortgage accounts in arrears over 90 days as a percentage of the total outstanding balance on all PDH mortgages. The UK series reflects the outstanding balance on all residential mortgages in arrears (of any length) as a percentage of the total outstanding balance on all residential mortgages. The US series reflects the number of residential mortgages in arrears of more than 90 days as a percentage of the total number of residential mortgages. See: http://www.bankofengland.co.uk/pra/Pages/regulatorydata/mortgagelending.aspx; and http://www.occ.gov/publications/publications-by-type/other-publications-reports/index-mortgage-metrics.html for more details on the UK and the US data.

4 The Dunne Judgement specified that a lending institution could not apply for an order for repossession where a mortgage was issued before 1 December 2009, but a demand for full payment was not made until after that date.

arrears on residential investment properties, i.e. buy-to-let (BTL), however, was another limitation of the original mortgage arrears statistics. BTL mortgages now account for almost one quarter of the total outstanding value of mortgage loans on the balance sheet of Irish resident credit institutions, having increased their share from 17 per cent of the total at end-March 2003.[5] Growth in mortgage loans was significantly higher in the BTL sector during the boom, particularly in 2006 and 2007. Previous research by the Central Bank indicates that mortgage loans originated in these years account for over half of the outstanding value of accounts in arrears (Lydon and McCarthy, 2011). BTL data were incorporated into the quarterly statistics in June 2012, and the data confirmed a significantly higher incidence of arrears among borrowers in this sector. The most recent data indicate that the value of BTL mortgage accounts in arrears of more than 90 days was €8.7 billion at end-June 2013, equivalent to 28.5 per cent of the total outstanding balance on all BTL mortgages.

The original quarterly statistics provided a relatively detailed account of distressed mortgage loans. However, as the efforts to tackle the mortgage arrears crisis have intensified, so too has the necessity for data that can provide meaningful insights into the types of resolution strategies implemented. The quarterly statistics captured the end-quarter stock of restructured mortgage accounts, broken down by restructure type, and by arrears status. Given the relatively short-term nature of some restructure types, these statistics were not sufficiently detailed to allow for accurate monitoring of the restructuring activity by mortgage providers during a particular quarter. For example, stock figures that remain relatively static from one quarter to the next could mask some high frequency underlying flows into and out of one, or multiple, restructure categories. Furthermore, the data only distinguished between restructured accounts that were in arrears and those not in arrears. If a restructured account has an arrears balance, this does not necessarily imply that the restructure has 'failed', i.e. that the terms of the restructure arrangement are not being met, as the arrears balance may have been carried forward into the new arrangement. By focusing solely on the arrears status of the restructured account, the data were incapable of providing an accurate insight into the ability of borrowers to comply with their new repayment schedule under the various restructure types.

Chart 3: Outstanding Value of BTL Mortgages by Arrears Status, End-June 2013



Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

4. Closing the Data Gaps

In light of the shortcomings outlined above, the Central Bank introduced a number of new requirements in its reporting template. This followed a period of consultation with both internal and external users of the data, and the new measures introduced were designed to improve the quantity and quality of publicly-available information relating to mortgage arrears, while not compromising the timely nature of the data. The changes were implemented in the end-September 2012 data.

Firstly, the decision was taken to collect and publish more detailed information relating to the length of time in arrears. This allows users

5 See Table A.18.1 Credit Advanced to Irish Resident Private Households for House Purchase: http://www.centralbank.ie/polstats/stats/cmab/Pages/HouseholdCredit.aspx

Table 1: Changes to the Quarterly Mortgage Arrears Data

	Pre-September 2012	Additions post-September 2012
Arrears by duration	Up to 90 days	181-360 days
	91-180 days	361-720 days
	Over 180 days	Over 720 days
Restructured accounts	End-quarter stock of restructured accounts	Flows into and out of the stock of restructured accounts during the reference quarter. Data available for all types of restructures
Performance of restructured accounts	Not in arrears	Meeting the terms of the arrangement
	In arrears up to 90 days	
	In arrears over 90 days	

Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

of the data to distinguish early arrears (less than 90 days), which can be quite volatile and not necessarily an indication of financial distress, from longer-term arrears (over 90 days) that indicate more serious problems. The publication of data relating to mortgages in arrears of less than 90 days helps to bring greater transparency around trends in early arrears and allows for the monitoring of lenders' progress in slowing the transition of potential problem cases into arrears. In relation to longer-term arrears, the very rapid increase of loans in arrears of more than 90 days suggested that there could be a potentially large cohort of mortgage loans in even deeper arrears. While mortgage lenders were already providing the number, balance and arrears amount relating to mortgages in arrears of more than 180 days, this was expanded to include those in arrears of more than 360 days and 720 days. This further disaggregation of longer-term arrears cases allows for the identification of seriously delinquent cases, and provides an insight into the scale of potential losses on such loans.

The second enhancement to the data related to the collection of information on flows into and out of the stock of restructured accounts during the reference quarter. Data are provided for each individual category of restructure. Flows are captured on a gross basis, where 'additions' refer to all accounts in the stock of restructures at the end of the reference quarter that were not in the stock of restructures at the end of the previous quarter. These flows facilitate the monitoring of the quantity and nature of restructuring activity undertaken by mortgage lenders during each quarter.

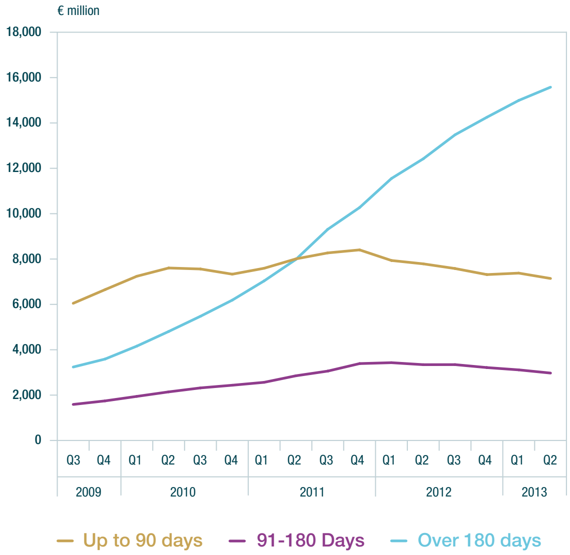
Finally, it was deemed necessary to introduce an additional measure regarding the performance of restructured loans. Information relating to accounts that are still in arrears but are meeting the terms of their current restructure arrangement is requested for each restructure type. 'Meeting the terms of the arrangement' implies that there has been no material increase in the arrears balance since the borrower entered the arrangement, i.e. the borrower is, at a minimum, meeting the agreed monthly repayments according to the restructure arrangement. Modified accounts that are not meeting the terms of their current arrangement have essentially 're-defaulted'.

5. Recent Findings from the Expanded Quarterly Data

5.1 Arrears by Duration

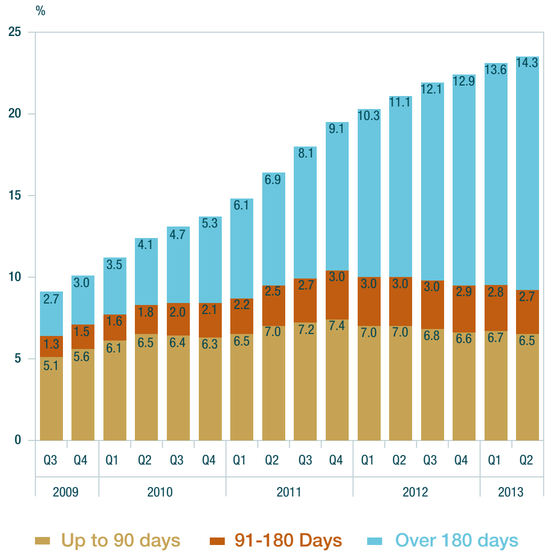
The expanded quarterly data have delivered some important insights into the developments in mortgage arrears. The series relating to arrears by duration collected since September

Chart 4A: Outstanding Value of PDH Mortgages in Arrears



Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland

Chart 4B: PDH Mortgages in Arrears as a Percentage of All PDH Mortgages

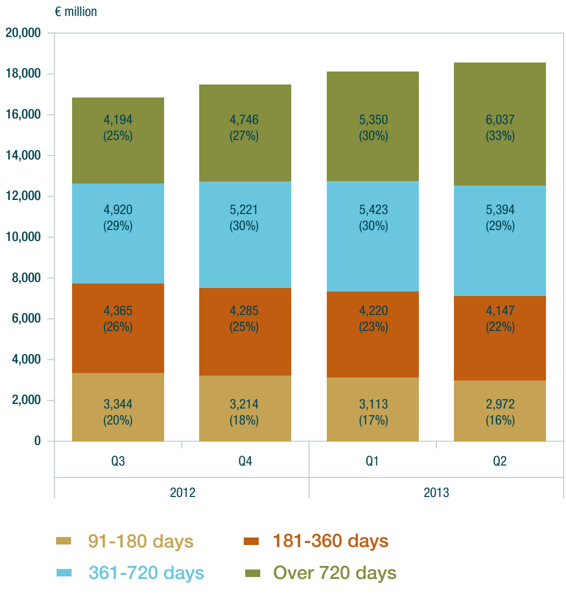


Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

2009 highlight the divergent trends in short-term versus long-term arrears. As shown in Chart 4A, the outstanding value of PDH mortgage accounts in arrears of up to 90 days peaked at end-December 2011, at approximately €8.4 billion. Early arrears have been declining since then, and the quarter-on-quarter rate of change in the value of accounts in arrears up to 90 days has averaged minus 2.7 per cent in the six quarters since end-2011. This trend in early arrears reflects the active management of pre-arrears cases by mortgage lenders in recent years and indicates that they have been relatively successful in their efforts to arrest the transition of such cases into arrears. It is also influenced by developments in the wider economy including improvements in the labour market. By contrast, the value of PDH accounts in arrears over 90 days has increased significantly since September 2009, as discussed in Section 2 and shown in Chart 1. However, Charts 4A and 4B indicate that the 91-180 days category of arrears has also declined since early 2012, both in terms of the outstanding value of PDH mortgages in this category (Chart 4A) and the share of this cohort in total value of PDH mortgages (Chart 4B). It is the longer-term arrears category, containing mortgages in arrears of more than 180 days, that has experienced the most significant increase since 2009, with the value of mortgages in this cohort increasing from €3.2 billion to €15.6 billion at end-June 2013. The share of PDH mortgages in arrears over 180 days reached 14.3 per cent of the total value of PDH mortgages at end-June 2013. The new data relating to longer-term arrears allow us to explore the dynamics in this category further.

Chart 5 shows the more detailed breakdown of PDH mortgages in arrears over 90 days, for the four quarters for which data are available. While overall this cohort of mortgages has increased in value terms during that period, focusing on this group masks the underlying differences across the sub-categories. The value of mortgages in arrears of between 91 and 360 days has fallen by €0.6 billion between September 2012 and June 2013. In contrast, the value of mortgages in arrears of more than 360 days has increased significantly rising by more than €2.3 billion or 25 per cent over the same period. Arrears in the over 360 day category now constitute over 62 per cent

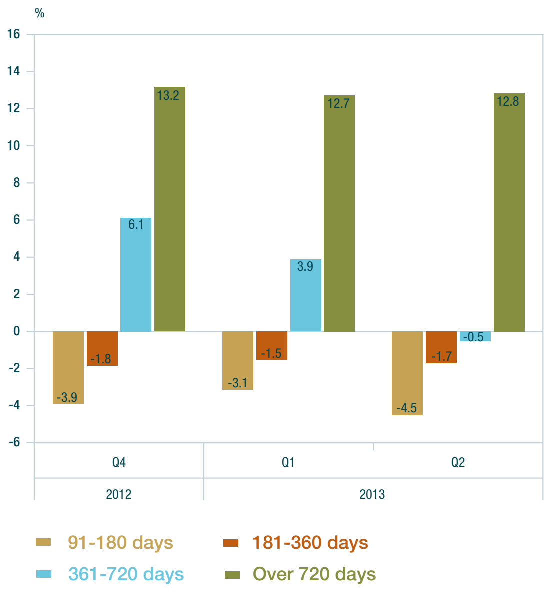
Chart 5: PDH Mortgages in Arrears Over 90 Days



Note: Figures in parentheses represent the share of that category of total PDH mortgages in arrears over 90 days.

Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

Chart 6: Quarter-on-Quarter Percentage Change in the Value of PDH Mortgages in Arrears Over 90 Days



Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

of total PDH mortgages in arrears over 90 days. While the trends in all of the shorter-term arrears categories are encouraging, insofar as they suggest the formation of new arrears cases is declining, the reverse is true for longer-term arrears. There is a significant quantity of distressed mortgages in longer-term arrears showing no signs of improvement and simply transitioning through to the more advanced stages of arrears. Chart 6 shows the quarter-on-quarter percentage rates of change in the value of PDH mortgages in each of the categories of arrears over 90 days. The most recent data show that while all other categories of arrears experienced a decline between Q1 and Q2 of this year, the value of PDH mortgages in arrears of more than 720 days increased by 12.8 per cent over the period. At end Q2 2013, mortgages in arrears of over 720 days constituted one-third of all mortgages in arrears over 90 days. The rapidly growing proportion of loans in this category is a source of serious concern, as these loans are effectively over two years behind on their repayments[6], and the scale of potential losses on these loans could be quite significant. It also indicates that the various resolution strategies implemented to date have, thus far, had little impact on longer-term arrears.

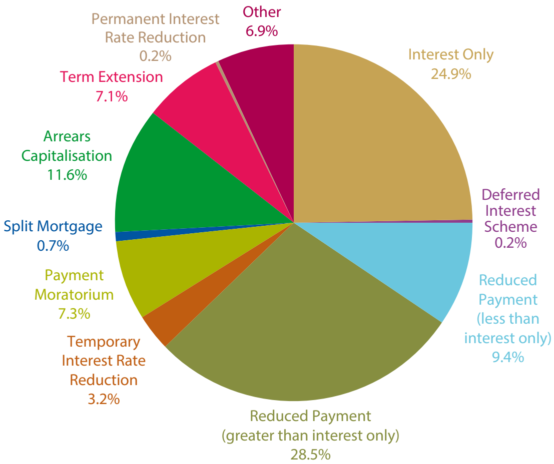
5.2 Restructured Accounts – Flows Data

The collection of flows data in and out of each restructure category requires a significant level of quality checking and validation, including a process of reconciliation with end-quarter stock figures. As a result, and as these data are still relatively new, the quantity of information that is of publishable quality is still relatively limited. Nonetheless, these data can provide some useful insights into the level of restructuring activity that is taking place on a quarterly basis, and the nature of that activity.

The outstanding stock of restructured accounts has remained reasonably static in recent quarters, leading to suggestions that there may be a slow-down in the quantity of restructures being agreed between mortgage lenders and borrowers. However, the most recent flows data show that during the second quarter

6 Mortgage loans in arrears of more than 720 days have not necessarily failed to make a single repayment for a period of 720 days. They do, however, possess an arrears balance equivalent to 720 days past due.

Chart 7: New Restructure Arrangements by Type, Q2 2013



Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

of 2013 about 23,500 PDH accounts were granted new restructure arrangements, of which 5,000 were already in the stock of restructures at the end of the previous quarter. Chart 7 shows the breakdown of the new restructure arrangements during Q2 2013. Interest-only and reduced-payment (greater than interest only) arrangements accounted for over half of these new arrangements. This is in spite of the decline in the share of interest-only and reduced-payment arrangements in the overall stock of restructured accounts over recent quarters. Early indications suggest that mortgage lenders are making efforts to move away from the practice of rolling-over short-term forbearance arrangements, and instead offering more long-term, or sustainable modification options to borrowers in distress. It will take some time for this to be reflected more clearly in the stocks and flows data relating to restructured accounts.

5.3 Performance of Restructured Accounts

New data relating to the performance of restructured accounts allows users to distinguish between accounts that are meeting the terms of their current arrangement, and those that have 're-defaulted'. In this framework, a borrower has 're-defaulted' if there has been an increase in the arrears balance on the account since the inception of the current restructure arrangement. At end-June 2013, 76.5 per cent of restructured PDH accounts were deemed to be meeting the terms of the arrangement, implying that these borrowers are, at a minimum, meeting the agreed monthly repayments according to the restructure arrangement. Meeting the terms of the arrangement should not be interpreted as a measure of the sustainability of a particular restructure type, as restructures do not necessarily represent long-term sustainable solutions. However,'re-defaults' would imply that the arrangement put in place was not sustainable.[7] Table 2 shows the percentage of restructures that were deemed to be meeting the terms of their arrangement at end-June 2013. Low numbers indicate a higher incidence of 're-default', and these are particularly evident amongst arrears capitalisation cases, as well as cases in which a permanent interest rate reduction has been granted. As the figures in Table 2 only reflect compliance with the terms of the *current* restructure arrangement, we should expect to see a higher percentage of compliance among the restructure types that are likely to be shorter-term. Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, 52.6 per cent of PDH accounts and 69.6 per cent of BTL accounts have 're-defaulted', i.e. the arrears balance has increased since the arrangement was put in place. This would suggest that the particular course of action taken is likely to be insufficient, or unsuitable, for a large number of borrowers in this cohort.

6. Conclusion

The expanded *Residential Mortgage Arrears and Repossessions Statistics* have addressed a number of data gaps and have delivered some crucial insights into the developments in arrears and the level of progress towards resolution achieved to date. The detailed breakdown of arrears by duration allows for a more comprehensive understanding of trends in arrears formation and the movement of

7 The Central Bank has set public targets for lenders in relation to mortgages in arrears over 90 days. By the first target date of June 2013, lenders were required to have proposed sustainable solutions in place for 20 per cent of mortgages in arrears over 90 days.

Table 2: Percentage of Restructures 'Meeting the Terms of the Arrangement': end-June 2013[8]

%	PDH	BTL
Total	76.5	77.4
Interest-Only	88.0	76.0
Deferred Interest Scheme	43.2	n/a
Reduced Payment (less than interest only)	71.5	84.8
Reduced Payment (greater than interest only)	85.1	88.2
Temporary Interest Rate Reduction	62.3	80.0
Payment Moratorium	89.8	91.1
Arrears Capitalisation	47.4	30.4
Term Extension	79.7	82.7
Permanent Interest Rate Reduction	32.5	43.9
Split Mortgage	92.7	n/a

Source: Residential Mortgage Arrears and Repossessions Statistics, Central Bank of Ireland.

mortgages through to the more advanced stages of arrears. This breakdown provides a clearer picture of the areas in which much progress has been achieved, and those which continue to display signs of deterioration. Flows statistics detailing the quantity and type of restructuring activity undertaken during the reference quarter reflect the ongoing efforts by mortgage lenders to tackle the issue of arrears, while the enhanced data relating to the performance of restructures provide an insight into the level of compliance by borrowers with the terms of their restructure arrangement, or the extent to which they are 're-defaulting'.

The most recent trends in the quarterly data indicate that the formation of new arrears is declining. This is evident in the early arrears figures, which have been on a downward trajectory since end-2011. The data on restructures suggest that of the total stock of restructured PDH accounts, 53 per cent are not in arrears. While some of these may previously have had an arrears balance that was either capitalised or cleared through additional repayments, it is likely that a significant cohort of these accounts are 'pre-arrears' cases, in which the borrower anticipates future difficulties with meeting repayments. The proactive restructuring of such cases by mortgage lenders, which may be preventing their transition into the early arrears figures, is certainly a welcome development.

The substantial increase in the value of mortgage loans in arrears of more than 720 days suggests that there is a significant cohort of distressed loans that continue to deteriorate. The various resolution strategies implemented thus far have either failed to effectively tackle such problem cases, or they have not been targeted at these particular cases. The latest data on arrears and restructures indicate that of the total stock of PDH mortgages in arrears over 90 days at end-June 2013, 76 per cent were not classified as restructured at that time. The recent implementation of the Mortgage Arrears Resolution Targets (MART) for the main mortgage lenders should go some way towards addressing this. The Central Bank has set out specific performance targets for banks to ensure borrowers in arrears will be put on more sustainable solutions, tailored to their individual situation. Banks are now required to meet specific targets for proposing and concluding sustainable solutions for borrowers in arrears over 90 days. The first targets relating to the proposal of sustainable solutions applied for the quarter-ending June 2013. As such, it is too early to expect any impact of these targets to be reflected in the quarterly statistics.

8 It should be noted that while the figure for 'Total' in Table 2 reflects data provided by all mortgage lenders, the figures for the individual restructure categories exclude a small number of lenders that were incapable of providing the data at this level of disaggregation. However, the data used to construct these figures represent 82 per cent of all restructures.

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Policy measures to improve access to credit for SMEs: a survey

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Abstract

Governments, central banks and development banks around the world have a long history of intervention in the credit market for Small and Medium-sized Enterprises (SMEs). These interventions are justified by economic research which has found that enterprises facing credit constraints are less likely to participate in growth-enhancing activities such as investment, marketing, hiring, exporting and importing. Since the onset of the financial crisis in 2008, a number of policy initiatives have been adopted in Ireland with the aim of improving credit flow to SMEs. This article provides a survey of the range of SME credit schemes available to policy makers, allowing the Irish position to date to be placed in a comparative context.

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1 Introduction

The provision of credit to Small and Medium Enterprises (SMEs), an issue of perennial policy interest, takes on increased importance in the aftermath of a financial crisis. SMEs generally face more difficulty accessing credit than larger firms due to their opacity (i.e. lack of an agency credit rating, or unavailability of relevant financial information), their reliance on local markets, a narrower range or lower volume of tangible collateral, and more uncertainty regarding future cash flows for younger firms. For these reasons, governments and other policy makers, even in "normal" times, have sought to alleviate SME credit constraints. Economic research provides much justification for such interventions, having shown that firms faced by credit constraints are more likely to exit the market, to shed employment, to spend less on technology, to invest less in new capital and in marketing, and less likely to enter export or import markets.[2] This article reviews the main policy options available to both national and supranational decision makers and outlines the economic rationale, risks and potential benefits associated with each. In documenting the range of available options, it allows Ireland's policy stance to be placed in a comparative context.

The global financial crisis of 2007-2008, and the significant build-up in leverage which preceded it, has exacerbated the difficulties faced by SMEs in accessing bank credit. Financial institutions' credit supply curves have shifted due to increased risk aversion, driven in part by increases in the share of non-performing loans on their books, the deteriorated macroeconomic environment, the need to deleverage and anticipated changes in the regulatory environment. On the borrower side, financial institutions are also less likely to lend into a market where many over-leveraged SMEs are struggling with non-performing legacy loans, and where consumer demand is weak.[3] Property prices, often the source of collateral used by SMEs when borrowing from banks, have fallen, leaving borrowers with less security to pledge against prospective loans.

Most of the above issues have impacted countries across the developed world since 2008, but are particularly resonant in Ireland, where Non-Financial Corporate (NFC[4]) indebtedness increased four-fold between 2003 and 2008 and has since collapsed by nearly 50 per cent. This explosion in leverage has been followed by an inevitable increase in non-performing loans on Irish banks' books, with SME/Corporate impairment rates standing at roughly one third in mid-2012.[5] Economic activity has undergone similarly dramatic changes, with domestic demand in 2013Q1 being 33 per cent lower than its peak value in 2008Q1.[6] The recapitalisation of the Irish banking system in March 2011[7] must also be placed in a context in which Irish SMEs are among the most reliant in Europe on banks for funding (Lawless *et al*., 2013). The exit of foreign lenders and retrenchment of lending activity among other incumbent banks has also led to an increased concentration in the Irish SME lending market.[8] Research from Holton and McCann (2012) and Holton *et al*. (2013) has found that in 2012-13, the Irish SME credit market is among the most restrictive in the euro area.

In response to the global financial crisis and associated curtailment of bank lending, policy makers have widened the scope of intervention beyond measures used to alleviate "traditional" sources of SME credit constraints. Given Ireland's membership of the Eurosystem, not all policy options surveyed here are in the control

2 See for example, Campello *et al*. (2010), Berman and Hericourt (2010), Bas and Berthou (2012), Mach and Wolken (2011).

3 These are concerns more relevant to SMEs oriented towards the domestic market. SMEs serving export markets are impacted by alternate obstacles, which are outlined later in the text.

4 Data separating SME debt from total NFC debt is only available at the Central Bank of Ireland from 2010 onwards.

5 Chart 34, Central Bank of Ireland Macro-Financial Review 2012.2.

6 Calculation made using "Expenditure on GDP at Constant Market Prices" from www.cso.ie.

7 http://www.centralbank.ie/regulation/industry-sectors/credit-institutions/documents/the%20financial%20measures%20programme%20report.pdf

8 McCann and McIndoe-Calder (2012) document this increased lending market concentration and provide a literature review which suggests that these trends are likely to exacerbate difficulties in accessing SME credit.

of Irish policy makers. Both central banking initiatives potentially available to the European Central Bank (ECB) (and other central banks) and European Union-wide initiatives available to the European Investment Bank (EIB) are included in the survey in order to present a complete picture.

All policy measures outlined in this article can be placed into one of two categories: those that aim to improve the flow of bank credit to SMEs, and those that aim to stimulate the development of non-bank sources of SME finance. The analysis here suggests that there remain policy measures in both categories that have yet to be adopted in Ireland. The difficulties faced by the Irish financial sector since 2008 provide ample justification for policies aiming to stimulate bank credit flows, such as government loan guarantees and the establishment of a credit mediation agency. The financing structure of the Irish SME population, among the most reliant in Europe on bank funding (Lawless *et al*., 2013), provides motivation for policies which aim to develop non-bank alternatives to improve the diversification of the SME external funding structure.

This article aims to place Ireland's SME credit policy in an international context, as opposed to offering an evaluation. It should not be concluded from the article that more intervention is always more desirable. Particular policy measures may be more suited to particular countries due to differences in both industrial structure and financial structure. The findings of the survey suggest that the Irish government has intervened to a similar extent to many OECD countries to this point. Conditional on an analysis of how appropriate each policy is to the Irish SME credit market, potential scope for further action exists in the areas of export financing, the channelling of retail investors' funds towards SME borrowers, the rolling out of the proposed Central Credit Register and in developing markets for alternative forms of financing such as peer-to-peer lending and crowd-funding. An analysis of the appropriateness of each policy to the Irish case is beyond the scope of this article but represents an avenue for important future research.

A number of economic principles are important to consider when designing policy in this area. Policy makers must consider whether lending that occurs as a result of the policy is "additional", i.e. lending that would not have occurred in the absence of the policy. The policy must not distort the credit allocation mechanism by diverting funds to borrowers who do not have viable investment propositions. Similarly, policies must have structures in place to ensure lending decisions are made free of political or bureaucratic influence that would lead to sub optimal credit allocation. Finally, the transparent and rigorous ex-post analysis of policy must always exist to ensure taxpayers' funds are being put to effective use.

The remainder of section 1 will review the economic context and the Irish policy response thus far; section 2 will focus on the range of policies that are available to governments; section 3 will review policies outside the control of national government by focussing on those available to a central bank and to development banks such as the European Investment Bank; section 4 provides an overview of different country level policy actions; finally, section 5 concludes.

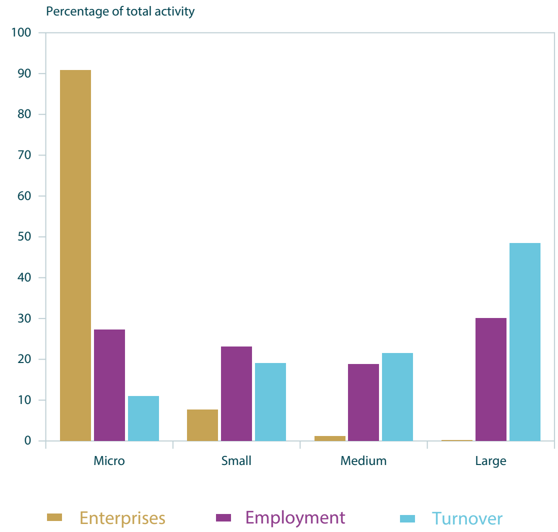
1.1 Economic Context

Throughout this article, we refer to SMEs as being those with less than 250 employees. Within this category, we follow the definition of a "Micro" enterprise as having less than 10 employees, a "Small" enterprise having between 10 and 49 employees, while a "Medium" enterprise is one that employs between 50 and 249 people. "Large" firms are defined as those employing 250 people or more.

Table 1: Overview of Irish SME credit policy since 2008

Policy Measure	Date	Additional credit volume	Actor	Target firms (Micro, Small, Medium)
Credit Review Office (CRO), set up to mediate on disputes between lenders and prospective SME borrowers who have been refused credit.	Dec 2009	€16m overturned as of 2013q2	Credit Review Office/ Dept. of Finance	Micro, Small* *while Medium-sized firms are not excluded, the upper limit of €500,000 will exclude larger SME loan transactions.*
SME lending targets for AIB and BoI of €3bn, €3.5bn and €4bn each for 2011, 2012 and 2013, respectively. To be reported on by the CRO.	2011	n/a	Credit Review Office/ Dept. of Finance	Micro, Small, Medium
Code of Conduct for Lending to Small and Medium Enterprises.	Jan 2012	n/a	Central Bank of Ireland	Micro, Small, Medium
Microfinance Ireland. Loans between €2k and €25k to firms with less than 10 employees. Fund size €90m.	Q3 2012	€90m* *over 10-year horizon*	Department Jobs, Enterprise, Innovation.	Micro
Temporary Loan Guarantee Scheme. €150m per year available over three years for firms with specific characteristics that are unable to access bank financing.	Q4 2012	€150m in guarantees available per year, over three years.	Department Jobs, Enterprise, Innovation.	Micro, Small, Medium
Involvement of the National Treasury Management Agency in provision of finance from National Pension Reserve Fund to the real economy through partnership with private sector investors, comprising one credit fund and two equity funds: • SME Credit Fund (€200m; €450m*) • Two equity funds: SME Equity Fund (€125m; €350m); SME Turnaround Fund (€50m; €100m) **(NPRF commitment; total fund size)*	Q1 2013	€450m (credit), along with €450m equity.* **these are target figures; at time of print no figures on funds extended was available.*	NTMA / NPRF	Medium

Chart 1: Distribution of economic activity by firm size class



Source: CSO Business in Ireland 2010.

Chart 1 describes the distribution of economic activity across these four enterprise groups in Ireland in 2010, the latest year for which such granular data are available. Micro firms, while accounting for 90 per cent of enterprises, employ 27.2 per cent of the enterprise workforce, and account for merely 11 per cent of total enterprise turnover. Medium-sized firms, despite numbering only 1.2 per cent of all enterprises, account for a larger share of turnover and only marginally lower shares of employment than Micro or Small enterprises. SMEs in total account for 99.8 per cent of enterprises, 69.9 per cent of employment and 51.5 per cent of turnover.

1.2 Irish SME credit policy

Since 2008, the Irish government has been active in instigating policy changes aimed at improving credit flows to SMEs. Table 1 documents, in chronological order, the policy

Table 2: Dichotomy of government SME credit policies surveyed

Policy aimed at stimulating bank credit flows	Policy aimed at providing non-bank alternatives
Government guarantees on default risk in SME loans	Peer-to-peer lending platforms; Crowdfunding
Bank lending targets	Retail bond markets
Credit Mediation	Direct government lending to SMEs
Export finance guarantees	Direct export financing
<– Public funds leveraged by private investors –>	
<– Supply Chain Financing –>	

changes that have been introduced in Ireland. The policies outlined represent a wide mix of approaches, incorporating credit mediation (through the Credit Review Office), the setting of lending volume targets at banks receiving state financial assistance, direct lending to SMEs (Microfinance Ireland), state-leveraged private lending and equity (National Pension Reserve Fund / National Treasury Management Agency), and the SME Loan Guarantee Scheme. The remainder of this article will review where the Irish policy response lies relative to that of other European and OECD countries, to identify potential gaps which could be exploited to further enhance credit access policy in Ireland.

This article restricts itself in scope to the area of SME credit. There have been numerous government policy changes related to alternative sources of SME funding which complement these measures. Examples include the Development Capital Scheme and Innovation Fund Ireland, operated both by Enterprise Ireland (the latter with equity from NPRF), which provide and attract equity investments to innovative, high-growth and start-up SMEs. The Development Capital Scheme involves the commitment of €25m to each of three private equity funds with a minimum of €75m under management. Other initiatives include the Employment Incentive Investment Scheme which allows individual investors obtain tax relief on investments made into qualifying companies; collaboration between the NPRF, government and Silicon Valley Bank in attracting technology sector capital to Ireland; equity investments that form part of two of the three NPRF SME funds mentioned above. Furthermore, initiatives have been put in place to reduce payment delays for firms supplying government bodies, as well as in the inter-firm supply chain.

2 Government Policy Options

The policy options available to a government are outlined in this section. The distinction between such measures and those in the control of bodies beyond national boundaries (discussed in section 3) is particularly relevant for Ireland as a member of the EU and Eurosystem. For each policy measure, we attempt to outline its underlying economic rationale, advantages and risks and to summarise of the Irish position.

We place all government policy initiatives into one of two categories outlined in Table 2: those that aim to stimulate the flow of bank credit to SMEs, and those that attempt to develop alternative non-bank funding sources to SMEs.

2.1 Government Loan Guarantees

As mentioned in Section 1, even in "normal" economic climates, SMEs and start-ups are more likely to experience credit rationing due to their under-collateralisation, shorter credit history, lack of an agency credit rating and paucity of verifiable financial information with which banks can make credit allocation decisions. For this reason, intervention in SME credit markets has not been limited to periods of economic crisis, with Loan Guarantee Schemes (LGS) being an extremely prevalent form of government intervention.

Information provided in OECD (2013a) suggests that LGS exist in all OECD countries. The vast majority of these had LGS in place before the financial crisis, and many have increased or widened the scope of the guarantees in response to the crisis. The Irish SME Credit Guarantee Scheme is in operation since Q4 2012. The scheme offers a government guarantee on 75 per cent of losses incurred by lenders. The guarantees are limited to SMEs in specifically-targeted categories: "It is intended to address market failure affecting commercially viable businesses in two specific situations – namely, where businesses have insufficient collateral, and where businesses operate in sectors with which the banks are not familiar".[9] Borrowers availing of the scheme must pay a 2 per cent premium above the interest rate to the Department of Jobs, Enterprise and Innovation. The scheme can cover a maximum of €150m annually over a three year horizon from Q4 2012.

Advantages

In general, a LGS is considered successful once it meets "additionality" criteria as outlined in section 1. LGS schemes can be seen as preferable to direct government lending schemes in achieving this as, given that funds continue to be channelled through the banking system, appropriate credit quality assessments on prospective borrowers are more likely to be carried out (Honohan, 2010). To achieve this, the risk coverage offered by the government on defaulted loans must be sufficiently low that banks have the necessary "skin in the game" to be incentivised to assess credit risk appropriately.

A further possible advantage of LGS lies in the re-direction of credit allocation. In the absense of LGS, banks are likely to favour borrowers with tangible collateral and this could arguably lead to mis-allocation away from intangible-intensive sectors such as information technology, business services and other production involving research and development. By shifting the incentives of banks towards lending to such sectors, an LGS can increase banks' experience and expertise in lending to these sectors and therefore, have a potentially positive long-run effect on the composition of economic activity, particularly in a country such as Ireland where the private sector is particularly reliant on bank funding.

Risks

The additionality of LGS-backed SME lending can be difficult to identify. When additionality is not ensured, it is possible that such a scheme will exist merely to allow banks reduce their exposure to default risk on loans that would have been made without the scheme, while charging borrowers an unnecessary premium.

Another related risk is the contingent liability placed on the government balance sheet by the guarantees offered. In the case of the Irish LGS, this liability is capped by a portfolio default limit of 10 per cent of the aggregate of scheme facilities accepted in each year. The risk of these liabilities ever being realised can be diminished through risk sharing policies and an incentive structure which ensures appropriate credit assessment by the financial institution underwriting the guaranteed loans. The Irish guarantee of 75% matches that of many long-running schemes in OECD countries.

It is noteworthy that the enterprise population that falls under the eligibility criteria of the Partial Temporary Loan Guarantee Scheme is potentially quite small. In order to be eligible to access credit under the scheme, enterprises must firstly have applied to a bank for credit and been rejected due to either insufficient collateral or the bank's unfamiliarity with their sector of activity. Further, they must be willing or able to pay a 2% interest rate premium to access the credit facility. A research project which attempts to quantify the potentially eligible enterprise population could provide important context to analysis of the performance of this scheme.

9 http://www.merrionstreet.ie/index.php/2012/04/minister-bruton-publishes-credit-guarantee-bill-and-announces-appointment-of-operator-for-the-credit-guarantee-scheme/

2.2 Direct Government Lending; Public-Private Funds

Government can provide funding to the SME sector either through the direct provision of funds through a state bank, or through the provision of funds which are leveraged by private sector investors. Both forms of intervention are common across developed countries.

In Ireland, combined public-private funding for the SME sector is in existence since Q1 2013 through three funds, one of which provides credit and two of which provide equity. These funds were conceived by the National Treasury Management Agency (NTMA) with the National Pension Reserve Fund (NPRF) acting as cornerstone investor: (i) the SME equity fund of €300m-€350m, of which €125m is provided by the NPRF, which will provide equity to growing SMEs, including those with overleveraged balance sheets. (ii) SME credit fund I of €450m, into which the NPRF has injected €200m. (iii) SME turnaround fund of €100m, of which €50m comes from the NPRF, which will invest in firms close to the point of insolvency with potential for successful restructuring. While this article restricts itself to analysis of credit policy, the equity components of the NPRF policy are mentioned for readers' information.

Direct government lending to the SME sector exists on a small scale in Ireland, through Microfinance Ireland. This private limited company, established to deliver the Government's Microenterprise loan fund, provides loans of €25,000 or less to small Irish enterprises, with a total fund capacity of €90m over a 10 year project horizon. Applicants must prove that they have first had a loan application rejected by a bank before being considered for financing under the scheme.

Advantages

Government provision of SME financing, either direct or through partnership with private sources, can act as a counter-cyclical substitute for bank financing in times of financial distress.[10] Further, government involvement allows policy makers the opportunity to set strategic objectives and to target segments of the economy which are most likely to be disproportionately affected by a tightening of bank lending. This can include sectoral targeting e.g. for infrastructure purposes, or towards high-potential sectors of the economy with which banks are unfamiliar or where tangible collateral is less readily available. It can also include firm life-cycle targeting, e.g. funds aimed specifically at early-stage firms, or, at the other extreme, funds aimed at aiding potentially successful firms avoid liquidation at a time where private funding is not readily available.

Risks

The most pertinent risk associated with direct government funding for SMEs relates to the mis-allocation of capital deriving from either political interference or the lack of a profit motive to incentivise those making capital allocation decisions. Numerous academic studies have shown that higher state involvement in the banking sector is associated with weaker financial development, higher default rates, lower interest rates for firms in areas with stronger political patronage and a higher probability of incidence of a banking crisis.[11]

With the above risks highlighted, it is often deemed preferable to follow the public-private model, where government funds are leveraged by private firms who then take full control of credit allocation decisions on a commercial basis. For example, this principle of commercial partnership is enshrined in all UK policy in the area of SME credit, and in the approach adopted by the Irish state when investing in venture capital. The risk of political interference in the credit process can be reduced if transparency and separation of the commercial entity from the government partner are guaranteed. The Irish NPRF SME credit funds provide an apt example of how certain strategic objectives, e.g. turnaround for firms

10 This finding has been confirmed empirically in a cross-country setting by Bertay *et al*. (2012).

11 Barth *et al*. (2001), Caprio and Martinez Peria (2002), Beck *et al*. (2007), Mian (2003).

near insolvency with chance of successful restructuring, can be achieved without the direct involvement of state actors in credit allocation decisions.

2.3 Credit Mediation

Credit mediation schemes are available for SMEs whose demand for credit has been entirely or partially rejected by a financial institution (OECD, 2013b). Such schemes operate by either independently reviewing rejected credit applications, or by acting as interlocutor between borrower and lender on a disputed credit decision. Credit mediation may be particularly useful during crisis times, where banks' risk aversion has over-corrected in response to mounting losses and deleveraging requirements. A credit mediation body can alleviate credit constraints by overturning rejection decisions at the "borderline", which would have been accepted in a period where banks were less risk averse. As is the case with other forms of government intervention in the credit market, the separation of the credit mediation body from political interference is crucial to its successful operation.

Along with the inception of the Credit Review Office (CRO) in Ireland in 2010, such bodies have been set up by France (2008), Belgium (2009), Germany (2010), Spain and the United Kingdom (2011). While the scale of activity at the CRO remains small, with 367 cases handled as of June 2013[12], the overturn rate of greater than 50 per cent of cases suggests that such a mediation body provides an important service in the SME credit market. A recent review has led to an increase in the number of staff reviewing credit appeals, while debate is currently taking place with regard to increasing the upper limit on loan applications beyond the current €500,000. Based on experience to date, it is in the interests of SMEs and government that policy makers identify reasons for the low level of resort to the CRO's services to date and identify measures which will lead to more widespread use of the appeals process.

2.4 Lending Targets

An additional function of the CRO is to act as the reporting body for adherence to government SME lending targets set for the two pillar banks, Allied Irish Banks (AIB) and Bank of Ireland (BOI). These annual targets, which include monies sanctioned for restructuring existing debt, refinancing of loans from inactive banks, new lending and contingent liabilities, were set at €3bn per bank in 2011, €3.5bn per bank in 2012 and €4bn per bank in 2013. OECD (2013a) data suggests that Ireland is the only OECD country to currently engage in the policy of setting SME lending targets. The ability to set targets for banks is contingent on the state having some ownership stake in the institutions in question. The United Kingdom in 2011 adopted a similar policy, known as "Project Merlin" whereby lending targets for enterprise and SMEs were set for four major high street banks. As of 2013, these targets are no longer in place.

Risks

The underlying economic rationale behind the setting of SME lending targets does not appear to be as well-defined as that for many of the other schemes surveyed in this article. Firstly, if the target does not represent an estimate of the optimal level of credit flow into the economy, it can appear arbitrary. Secondly, accurately defining the optimal level of credit in an economy is extremely difficult, model-dependent, and subject to a number of factors that are difficult to predict and can change after the targets have been set. Thirdly, the principle of "additional credit", which forms the focus of many other credit policies, is more difficult to assess when policy makers are attempting to specify a bank's total lending volume to SMEs over one year. Fourthly, the overall target may not ensure that credit is allocated in the most efficient way among sectors and firms. The optimal composition of total credit provision between restructuring, new lending, contingent liabilities and refinancing of non-active banks' facilities is also extremely difficult to define. The current stance in Ireland is to remain neutral on

12 http://www.creditreview.ie/docs/EleventhQuarterlyReportfromJohnTrethowanJune2013final.pdf

the underlying composition of the total lending numbers against which the target is assessed. In remaining agnostic, the targets are subject to the criticism that they are not tailored to the needs of the economy.

2.5 Export Financing

A feature of many financial crises is the collapse of exports relative to output. Such a collapse in 2008 has prompted research into how trade finance may be partially responsible for the decline.[13] Amiti and Weinstein (2011) find that the health of financial institutions is an important determinant of firm-level exports during crises. In this context, the policy question arises as to how governments can support exports following financial shocks, in particular those of SMEs. In Ireland, the Action Plan for Jobs has committed to exploring the potential need for products that support the working capital needs of Irish exporters, particularly SMEs. While Irish exports are dominated by multinational firms, exporting is nonetheless extremely common among indigenous SMEs: McCann (2009) has shown that 50 per cent of indigenous Irish manufacturing enterprises are involved in exporting, while Lawless *et al*. (2012) have shown that 36 per cent of manufacturing employment and 14.3 per cent of manufacturing and services employment is accounted for by indigenous exporting firms.

The financing needs of exporters are different to other firms for a number of reasons. Exporters typically have a more acute need for working capital financing due to the longer payment delays associated with selling abroad. Further, verification of customer creditworthiness is more difficult outside the borders of an enterprise's home jurisdiction, and creditor protection legislation, particularly for overseas trade creditors, varies significantly across export destinations. Entry into export markets is also associated with significant initial investment costs, which will often require external financing.[14]

The rationale for government intervention centres on correcting for financial market failure. Governments, through an entity commonly known as an export credit agency (ECA), may offset possible financial market failures by providing export financing directly or by insuring against certain risks. In addition, an ECA can offset market failure through auxiliary actions such as gathering and sharing information on risks and by providing relevant training to exporters. The ownership structure of ECAs can vary from the wholly state owned (United States – Ex-Im Bank, United Kingdom – UK Export Finance) to the wholly private (France – Coface) or a combination of both (France – Bpifrance, Germany – KfW-IPEX Bank). Generally, in the latter case the state intervenes by providing a guarantee even though the entity is privately operated.

In terms of size, figures from the Berne Union suggest there was $1.8 trillion dollars of export credit extended by its' members in 2012 - more than 10 per cent of the volume of total international trade.[15] If we concentrate on SME export credit, the Ex-Im Bank of the United States authorised €6.1 billion in 2012 (17 per cent of total credit authorised) whereas only 2 per cent of UK Export Finances total export financing of £4.2 billion was extended in guarantees and insurance policies of less than £5 million.[16]

ECAs provide funds through products that, though tailored to the company size, business and other characteristics, fall into four main groups:

13 See Auboin (2009), Bricogne *et al*. (2009), Campbell *et al*. (2009), Haddad, Harrison, and Hausman (2010) and Chor and Manova (2011).

14 Das *et al*. (2007) estimate the sunk costs of export market entry among Colombian firms to be in the order of $400,000. It is clear that for Irish SMEs attempting to export to nearby open economies such as the UK will be faced with lower costs than enterprises aiming to export from a less developed country in a less open region.

15 The Berne Union was founded in 1934 by private and state export credit insurers from France, Italy, Spain and the UK. Today, it has 78 member companies and has grown to be the leading global organisation for the export credit and investment insurance industry. Please see http://www.berneunion.org/statistics/ for statistics. Given that this organisation does not include every ECAs we must assume that the size of the industry is somewhat larger than the figures mentioned above.

16 Source: http://www.exim.gov/about/library/reports/annualreports/2012/ and https://www.gov.uk/government/publications/annual-report-and-accounts-2012-to-2013

- Export Credit Insurance: This is the simplest structure whereby the export credit agency covers the risk to the exporter of non-payment by the importer for a variety of reasons (mainly commercial and political risks).
- Financial Intermediation/Loan Guarantees: The ECA lends funds to a financial intermediary, such as a commercial bank, that in turn loans the funds to the importing entity.
- Direct Lending: This is where the ECA extend a loan directly to the exporting or importing entity that is conditioned upon the purchase of goods or services from businesses in the organizing country.
- Performance bonds: These are usually granted by the supplier's bank with a set of conditions under which a customer can be compensated. They act as insurance for importing firms against the increased difficulty in verifying supplier quality when trading across borders. Government agencies can step in to provide performance bonds for prospective exporting firms who have been unable to raise these bonds at financial institutions.

The Ex-Im Bank of the United States favours extending export credit insurance to SMEs ($3.2 billion and 83 per cent of authorisations to SMEs in 2012) over loan guarantees ($2.1 billion) and direct loans ($800 million).[17] In contrast, in 2012-13 UK Export Finance supported exports and investments overseas through loan guarantees to banks with an aggregate value of £2.2 billion versus £1.6 billion in credit insurance.[18] Meanwhile, KfW-IPEX bank in Germany (in cooperation with a private financial institution Northstar Europe S.A.) favours direct lending to SMEs, of approx. €500,000 to approx. €5 million, tied to deliveries and granted to the exporter.[19] In all these cases, the ECA charges interest on a loan or a commission on intermediation.

Currently, there is no state-backed ECA operating in Ireland. Enterprise Ireland provides many of the auxiliary services of an ECA without extending export credit insurance or loan guarantees. It provides grants to support the costs of researching and exploring new international business opportunities[20], organises trade missions, provides training to companies on how to grow their exports as well as providing funds to support new employment. The French equivalent of Enterprise Ireland, BpiFrance has created a subsidiary called BpiFrance Export with the dual objective of providing easier access to financial products dedicated to exporting as well as improving SMEs' expertise regarding exporting.

At the pan-European level, the European Investment Bank (EIB) has entered into nation-specific policies as of its June 2013 agreement with the Greek authorities. The EIB provides up to €500 million for trade finance to support foreign trade-oriented SMEs in Greece, with a supported transaction volume of €1.5bn.

An in-depth analysis identifying that policy which represents the best path for Irish export credit policy is beyond the scope of this article. However it is important that all policy proposals take into account the specific needs of Irish internationalised SMEs.

2.6 Peer to Peer lending

The matching of retail investors with borrowers on internet-based platforms, also known as Peer to Peer (P2P) lending, is a nascent and growing channel of non-bank funding for SMEs which is the subject of significant debate globally.

P2P grew in prominence in the middle of the past decade in the United States. The most prevalent market participants are Lending

17 Source: http://www.exim.gov/

18 Source: https://www.gov.uk/government/publications/annual-report-and-accounts-2012-to-2013. Please note as the UK figures are not broken down by company size, the figures referenced are not for SMEs but companies of all sizes.

19 Source: https://www.kfw-ipex-bank.de/International-financing/KfW-IPEX-Bank/About-KfW-IPEX-Bank/Unsere-Rolle-in-der-Außenwirtschaftsförderung/Finanzierungsangebote-für-kleinere-Exportgeschäfte/

20 Eligible costs include; Salaries & Overheads (for clients with less than 50 employees), Consultancy Fees, Foreign Travel & Subsistence, and Trade Fair costs.

Club and Prosper, who have lent $2bn and $550m respectively since their inception and focus mainly on unsecured consumer lending. Platforms in the UK such as Funding Circle and Zopa have lent £135m and £355m, respectively, with the former focusing on SMEs and the latter on consumer lending.[21] Currently these markets are extremely small when viewed relative to SME lending markets of $606bn[22] and £170bn[23] respectively. In Ireland, the P2P lending market remains minuscule, with LinkedFinance being the only platform and currently having facilitated only €400,000 in funding to SMEs as of June 2013.[24]

Attractions

The obvious attraction of P2P lies in the simple fact that these platforms represent new competition in the SME lending market, unburdened by non-performing loans or deleveraging requirements which continue to impact major retail banks since the financial crisis. Survey evidence in the UK suggests that 60 per cent of SMEs that used Funding Circle had tried to get bank financing previously, and 32 per cent would not have received funds from any other source.[25] Such numbers suggest that, when assessing P2P against the "additionality" principle, there appears to be scope for improving credit access for SMEs.

The direct matching, using an online platform, of household savings with SME borrowing needs represents a significant reduction in transaction costs and transaction times both for investor and borrower.

Risks

Despite the rapid growth of and attention towards P2P lending activity, the sector remains unregulated in both the UK and Ireland. There exist market participants who are undoubtedly leading the sector towards improved transparency and consumer protection, as evidenced by the "Rules and Operating Principles" set out by the *Peer2Peer Finance Association* in the UK.[26] However, as it currently stands, retail investors considering P2P are not protected by legislation on issues such as anti-money laundering or fraud, nor are they guaranteed a transparent disclosure of the platforms' credit checking processes.

Another important risk relates to the fact that P2P platforms generally do to not have any "skin in the game" (SITG) in the loans transacted on their websites. Previous economic research from Keys *et al*. (2010) has shown that securitisation of US mortgages, which removed banks' SITG, had a causal impact on the lax screening of mortgage originators, with default rates among more easily securitised pools of mortgages found to be 10-25 per cent higher than those where securitisation was less easy. Investors must bear this in mind when observing the credit ratings generated by online P2P platforms. Full disclosure of rigorous credit rating methodologies is a crucial prerequisite to the safe and stable expansion of the P2P sector beyond its current nascent stage.

Finally, in matching household savings directly with SME borrowing needs, a shift from bank deposits to P2P involves a substantial transfer of risk onto household balance sheets. When households invest savings in P2P lending, they lose the security available when placing them as deposits in banks. This leads to the concern that, in a scenario where large shares of household savings were moved from bank deposits to P2P lending, a substantial wave of SME default across the economy such

21 Based on information from each company's website, August 15 2013. http://uk.zopa.com/, https://www.fundingcircle.com/about-us. An overview of all P2P market participants in the UK can be found at http://www.p2pmoney.co.uk/companies.htm.

22 Based on FDIC data on loans less than $1m in 2011: http://www.sba.gov/sites/default/files/sbl_11study%20FINAL.pdf

23 As of July 2013, according to Bank of England data: http://www.bankofengland.co.uk/publications/Documents/other/monetary/trendsjuly13.pdf

24 http://www.irishtimes.com/business/personal-finance/peer-to-peer-lending-could-offer-substantial-returns-and-provide-lifeline-to-smes-1.1441227

25 http://www.nesta.org.uk/news_and_features/news/assets/features/banking_on_each_other

26 http://www.p2pfinanceassociation.org.uk/rules-and-operating-principles as that observed in the years following 2008 would have an additional knock-on effect on individuals' wealth than was the case up to now. These factors must all be considered when evaluating the desirability of P2P as a growth area for SME finance.

Government Policy towards P2P

Despite the risks outlined above, governments, particularly in the UK, have taken a keen interest in P2P. Given the difficulties faced by commercial banks since the financial crisis in both Ireland and the UK, along with the high concentration[27] of the SME lending market in both countries, it is understandable that a range of alternative financing options have received government attention and support. The UK government's "Business Finance Partnership" is a £1.2bn fund which leverages private investment to provide SME financing. Of the funding, roughly £85m has gone to seven "alternative funding" providers, two of which are the online P2P platforms Funding Circle and Zopa.[28] This funding will be matched with £240m from the private sector. The inclusion of these platforms in the scheme is a signal of the growth potential and growing acceptability of P2P among UK policy makers. This process will be accelerated further by the inclusion of P2P lenders under the regulation of the Financial Conduct Authority from April 2014.

At the launch of the 2013 Action Plan for Jobs, the government announced plans to "investigate the potential for alternative funding mechanisms including peer to peer lending, supply chain finance and crowdfunding".[29] Up to August 2013 there have been no policy measures announced which relate to P2P lending. Given the concentration of the Irish SME lending market currently, it appears that the encouragement of P2P platforms, in conjunction with policy measures to improve transparency and consumer protection, represents one potential strand in a multi-pronged strategy to improve and diversify the mix of funding options available to SMEs.

2.7 Supply Chain Finance

The network of business-to-business credit is an area in which very little research or information is available in Ireland. Given the general economic deterioration in recent years, default risk and payment delay between businesses and their suppliers have undoubtedly increased. Indeed, Red C/ Department of Finance (2013) report that between September 2012 and March 2013, 33% of SMEs reported that the average number of days within which customers pay them has increased, while only 11% reported that this number had decreased.

Supply Chain Finance (SCF) involves financial intermediaries such as banks providing immediate financing to businesses supplying other business along the supply chain upon delivery of product. The supplying firm is therefore protected from the risk of payment delay and default. The financing is provided by the bank in exchange for the receivables of the customer. An efficient SCF system can greatly smooth the movement of inputs through the supply chain and "grease the wheels" of economic growth.

As with many forms of financing, SCF has been affected by the crisis. The UK, government has moved to improve the flow of SCF with a £15 million investment in two SCF providers as part of its wide programme encouraging the development of non-bank financing options for business. Similar to P2P, this number is extremely small relative to the UK SME market. The UK government has also signed an agreement with a range of large companies committing to improve the information flow between customers, suppliers and providers of SCF. As one of the largest

27 In SME lending, a market share of over 90 per cent is held by three banks in Ireland and five in the UK.

28 https://www.gov.uk/government/policies/making-it-easier-to-set-up-and-grow-a-business--6/supporting-pages/encouraging-private-sector-investment

29 http://www.finance.gov.ie/viewdoc.asp?DocID=7569 customers of UK SMEs, the government has also committed to offering SCF to suppliers of the government, beginning with a scheme providing SCF to community pharmacies.[30]

In Ireland, steps have been taken to set up a Code of Conduct for business-to-business payment, as well as launching a commitment to speeding up the payment of suppliers by Irish government agencies. The Action Plan for Jobs 2013 commits to investigating the potential for policy action in this area. Such policies would need to be tailored towards the industrial structure of the Irish economy, where many large firms are multinationals, and supply chains within the Irish economy are often shorter than in other countries due to the high import content in Irish production.

2.8 Credit Registers

The establishment of a Central Credit Registry (CCR) is a deliverable under the EC/ECB/IMF agreement with the Irish state. The absence of a CCR in Ireland creates important information asymmetries in the credit market, in that when assessing a credit application, a prospective lender cannot be guaranteed an integral view of the prospective borrower's outstanding debt and credit history. The establishment of the CCR, with mandatory reporting by all credit institutions, means that lenders will in future have full relevant information with which to make a credit decision.

As well as allowing lenders access to relevant borrower information, the establishment of a CCR empowers supervisors with an additional tool with which to assess institution-wide and system-wide risks from credit concentration and risky lending behaviour.

Data from the World Bank shows that, of 25 EU countries for which information was collected, 14 had public credit registries at 2006. Research from Djankov *et al*. (2007) suggests that the existence of public credit registries is an important determinant of financial development, although the effect is found to be more important in less developed countries.

It is expected that the establishment of a CCR in Ireland will lead to reduced information asymmetry and more effective credit screening, allowing banks to make more informed decisions which should ultimately lead to a more efficiently functioning domestic credit market. This is of particular relevance to SMEs, whose difficulty in accessing finance is often ascribed to the lack of information available to banks when assessing their credit applications, relative to larger firms with publicly available financial information. Furthermore, the existence of transparent information on borrowers is likely to make Ireland a more attractive market into which new competitors can enter lending markets.

2.9 Retail bond issuance

The issuance of corporate bonds is an additional alternative funding source which is generally considered under-exploited by SMEs. This derives from unfamiliarity among SMEs with such issuance, a lack of investor demand or knowledge of such products, and from the lack of a platform to facilitate issuance of bonds by anything other than the largest corporates in many countries. As part of a policy framework aimed at broadening the range of financing options available to SMEs, European governments have attempted to facilitate the issuance of so-called "mini-bonds" by SMEs, and to encourage investment in corporate bonds by low-volume retail investors. By so doing, it is hoped that an additional direct channel will be created through which household savings can be matched with small business investment needs. By increasing access to the bond market for smaller investors and smaller

30 https://www.gov.uk/government/news/prime-minister-announces-supply-chain-finance-scheme borrowers, the range of enterprises availing of the bond market will be widened to include not only the largest corporates, but also larger SMEs.

In the UK, for example, the Order Book for Retail Bonds (ORB) was established in 2010 to begin filling this gap. At the point of inception of the ORB in 2010, retail investments in corporate debt were close to impossible due to minimum investment sizes that were simply too large: "Of the 10,000 or so corporate debt securities listed on the London Stock Exchange's markets, only around 1,000 have lot sizes of under £50,000."[31] The ORB allows individual lots as small as £2,000 to be placed. £1.4bn was raised on the ORB in 2012, and it is estimated to have the potential to increase in size to a £20bn market (Breedon, 2012). Other examples of retail bond markets accessible to SMEs are the MOT in Italy, founded in 1994; and the BondM in Germany, also created in 2010. In Belgium, a retail market for government and corporate bonds exists, from which the Belgian government raised €5.7bn in December 2011.

Currently no such matching of retail investors with mid-sized enterprise borrowers exists in Ireland. The existence of a "mini-bond" market accessible to retail investors certainly has the potential to form part of a more diversified funding environment for Irish SMEs. It must be acknowledged, however, that the transaction size in these markets[32] makes them more suitable to Medium-sized companies, and would be unlikely to alleviate funding pressure for Small and Micro companies. Furthermore, in order to transition to an environment where "mini-bonds" would become a viable funding option for mid-sized Irish firms, a behavioural and cultural shift among Irish retail investors towards such investments would be necessary. Such changes can be expedited through tax incentives, such as that proposed by Breedon (2012), whereby investments in SME bonds would be given tax deductible status similar to investments in other schemes such as the UK's Individual Savings Account (ISA).

The relatively small scale of the potential Irish market, where just 1.2 per cent of Ireland's 195,000 active enterprises[33] are classified as of "medium" size, is offset by the economic activity accounted for by these firms, with 18.8 of employment and 21.5 per cent of turnover, respectively.

3 Supranational Policies

Section 2 focused on policies that can be implemented at a national level, while in this section we will explore policies beyond the ambit of national institutional control that currently, or indeed could potentially, unlock credit to SMEs. We will document the activity of the European Investment Bank (EIB) in the area of SME credit. Following this we will discuss some of the policies available to central banks, and use examples of their implementation where available. While the central banking policies discussed are broad and varied, it must be remembered that the same policies may not have the same effectiveness when applied to different regions. The effect of policies will depend on many factors, including the financial structure prevailing in a certain region.

3.1 European Investment Bank

The EIB provides finance and expertise to promote investment activity that will increase growth and employment in the EU, with a special focus on SMEs, resource efficiency, infrastructure, innovation and skills. In 2012, the capital of the EIB was increased by €10bn, which allows for an extra €60bn in lending between 2013 and 2015, which is expected to unlock €180bn in additional investments. During 2013, the lending target for SMEs was increased from a planned €14.1 billion to €17 billion, bringing the overall EIB Group

31 http://www.world-exchanges.org/insight/views/retail-bond-market-uk-investors

32 On the UK's ORB market, the minimum bond size is £200,000: http://www.nortonrosefulbright.com/knowledge/publications/79796/uk-retail-bonds-for-funding-mid-cap-companies

33 http://www.cso.ie/en/media/csoie/releasespublications/documents/multisectoral/2010/businessinireland2010.pdf

support close to €20 billion, with the European Investment Fund (EIF) focusing on venture capital, guarantees and microfinance.

The EIB supports SME financing in Ireland through a number of different programmes. In 2012, Ireland received around €505 million in long term low cost funds from the EIB. These funds supported a number of different projects including investment in universities, renewable energy, the water sector, and investments in SMEs in conjunction with banks operating in the country. Overall over the last 5 years, the EIB has provided more than €3 billion for infrastructure investment and SMEs in Ireland.

Like in other EU countries the EIB supports SME financing in Ireland primarily through financial institutions that pass funds on to SMEs and other counterparties, either directly or through guarantees.[34] In 2013, a programme was announced in conjunction with AIB to provide €200 million for SME investments. Under this programme AIB will pass on benefits of low cost EIB backed loans to eligible firms for both medium and long-term investment needs. This follows on from an earlier SME lending programme intermediated by AIB in 2011. These direct funds channelled through banks will help alleviate financing constraints along with the risk sharing instrument (RSI) already in place under the European Investment fund (EIF), under which AIB will offer up to €80 million in new loans to innovative SMEs over 2013-2014. The RSI covers 50% of the amount lent out by banks to SMEs in the case of default. When the scheme was announced at the end of 2012 around 10 banks were expected to be involved in the pilot phase, which would mean that the RSI could potentially reach up to 1000 beneficiaries with lending volumes of up to €1.0 billion.

The EIB is currently exploring ways to further intervene in the European SME credit market. The different options currently under consideration involve guarantees either for new SME lending by financial intermediaries or for portfolios of SME loans (either new or existing) for the purposes of securitisation. The options depending on the final design parameters have the potential to generate lending to SMEs across Europe from €55bn to €100bn.[35]

3.2 Central Banking Policy

This section will explore the additional policy options open to central banks to ease financing conditions under the broad headings of funding, collateral and Asset-Backed Securities (ABS) programmes and discuss some examples of these policies where undertaken. Most policies in this domain do not have the specific aim of stimulating SME credit flows, but rather have the direct aim of alleviating funding pressures on financial institutions, with the indirect effect that credit conditions in the real economy may improve.

Traditional central bank policy looks to affect the overall monetary stance by adjusting the level of interest rates. When interest rates reach very low levels, as is currently the case, traditional policy becomes limited. For this reason central banks must look to non-standard measures to further ease monetary conditions. These policies can either affect the overall monetary stance in the economy (a general easing) or they can be more targeted towards sectors that are most acutely affected, or indeed a combination of both.

Funding

As problems in bank funding can lead to restrictions in credit supply in the real economy, with SMEs often most affected, measures to alleviate funding problems can therefore increase loan supply. Central banks can design funding schemes which vary in their target, their scope and their implementation.

Untargeted central bank refinancing operations (which could be at fixed or flexible rates) aim to alleviate bank funding pressures, with central

34 In Ireland the financial intermediaries that have access to EIB funds are Bank of Ireland, AIB and Ulster Bank.

35 "Increasing lending to the economy: implementing the EIB capital increase and joint Commission-EIB initiatives" Joint Commission-EIB report to the European Council, 27-28 June 2013.

banks being capable of supplying essentially unlimited liquidity to banks against eligible collateral, as the ECB did with its fixed rate full allotment policy. They can also increase the maturity of their operations to reduce banks' uncertainty, as the ECB did with their longer term refinancing operations up to one year (introduced in the second half of 2009) and three years (introduced at the end of 2011).

Central banks can also pursue targeted funding operations, which can either be linked to loan developments to a certain sector or to types of collateral. An example of the former is the Bank of England's (BoE) Funding for Lending Scheme (FLS), which involves a "collateral swap" in which BoE lends out UK treasury bills in return for loans to households and firms. This swap takes place for a fixed period of time, so the risk of the loan remains with the originating bank, but the amount of funds that can be accessed is directly linked to the amount of lending to the real economy. The programme was extended in 2013 and the criteria were altered to make lending to SMEs more attractive, after they recorded a less favourable performance relative to households and larger companies.[36]

While these funding programmes can be very effective in alleviating credit constraints particularly when banks are undergoing liquidity problems, the effectiveness of these programmes can be difficult to assess and communicate especially in the case of targeted programmes, which can be complex in their set up. For instance, there is limited initial evidence of success for BoE's FLS, in particular with regard to SME loans (See footnote 36).

Collateral

Central banks can change the collateral requirements for their operations to alleviate banks' funding stress and reduce financing obstacles. The ECB has made a number of such adjustments, for example by reducing the rating threshold for certain ABS and by allowing NCBs to accept additional "credit claims" (i.e. bank loans) as collateral. Most recently in July 2013 it reduced the rating requirements and haircuts on certain ABS in the collateral framework to ease financing conditions further.

Collateral requirements can also be changed in order to favour lending to particular sectors. Options include reducing the minimum rating requirements and the haircuts imposed on certain types of assets (for instance, on SME loans), pools of assets or ABS. If a central bank makes the conditions on usage of a certain asset (for instance, loans to SMEs) more favourable, this can encourage bank lending to this sector.

An initiative with potential to reduce credit and valuation risks is the introduction of more efficient assessment tools for collateral operations. For instance, NCBs could develop in-house credit assessment systems (ICAS) which could help assess the risks of SME ABS and other securities making them easier to use for ECB tenders.[37]

Changes to the collateral framework can clearly be effective in easing financing constraints to banks and access to finance to sectors of the economy, like SMEs. However, changes in relation to pools of assets can be complex and could increase risks for the Eurosystem. Changes to ICAS can also be complex and costly, particularly for smaller central banks, and so a cost benefit analysis would be necessary before implementation.

ABS programmes

Central banks around the world have also implemented purchase programmes or non-recourse repo programmes for SME ABS and other credit related securities. By purchasing SME (ABS) in secondary markets, central banks could improve investor confidence through a portfolio balance effect, increased

36 See "Extension to the Funding for Lending Scheme: Explanatory Note" April 24 2013, Bank of England.

37 See "The use of credit claims as collateral for Eurosystem credit operations", ECB Occasional paper Nr. 148 for further details.

liquidity, or simply through signalling support for this asset class. This could have the effect of narrowing spreads and fostering activity in the primary issuance market. The Federal Reserve (Fed) undertook such asset purchases to reduce long term interest rates and improve financial conditions. For example, the Fed bought mortgage backed securities in order to attempt to increase the availability of credit for house purchase. Another version of this type of policy involves non-recourse loans (or repurchase agreements) given to investors through eligible counterparties using ABS as collateral with a haircut, similar to the Fed's Term Asset-Backed Securities Loan Facility (TALF). This means that borrowers could leave the underlying security with the Fed, rather than repay the loan, should the value of the security fall below the amount of money owed. This arrangement leaves the investor with potential upside gains, while removing the chance of extreme losses.

These programmes have the potential to increase activity in ABS markets and ease real economy financing constraints. However, they can be complex in their design and can increase risks to central banks. In the European context, given that the ABS market in Europe is much smaller than in the US these concerns would have to be carefully weighed up against the possible effectiveness of these programmes.

4 Overview of Countries' Policy Scope

Table 3 provides an overview of the existence of the schemes surveyed in this article across OECD countries. The most common policy interventions are government loan guarantees and export financing support. It is notable that Ireland is the only country in the data which does not operate an export finance support scheme. The next most common policy intervention is for governments to lend directly to SMEs or through partnerships with private investors.

The most interventionist country in the sample is Spain which engages in 9 of the 11 policies surveyed. Germany, the UK and the US are the next most active when measured by the take-up of policies. The policy areas in which Ireland is not active are export financing; credit register; bank funding schemes; securitisation support; peer-to-peer lending support; retail bond markets. It is important to note that this analysis in no way attempts to weight the success of individual schemes; it merely documents their existence.

5 Conclusions

This article has surveyed the policy options open to governments and central banks aiming to improve credit flow to SMEs. The analysis uncovers a wide range of options including direct lending to firms, loan guarantees, credit mediation bodies, guarantees on exporting activity, the development of securitisation markets, provision of low-cost funding to financial institutions, information dissemination through credit registries, and the development of non-bank alternatives such as peer-to-peer lenders and retail bond markets.

From an Irish perspective, the survey reveals that the Irish policy towards SME credit has expanded rapidly in a short space of time, yet remains towards the middle of the OECD distribution when counting the number of policies adopted. This suggests that there is room to expand the range of policies to improve SME credit flow, if such a strategy is deemed desirable. Potential options for further government-led schemes include support for export financing and alternative financing sources such as peer-to-peer lending and retail "mini-bond" markets. Other policy choices are outside the control of Irish policy makers. These include policies which have been the subject of much debate and would require action at a supranational level from the European Investment Bank and the European Central Bank. Examples of such schemes include support for SME loan securitisation through credit enhancements, the purchase of securities and targeted bank funding schemes.

Table 3: Existence of Policy Measures Across Selected OECD Countries

	Policies to improve bank credit intermediation - Government					Policies to improve bank credit intermediation - Central Banks		Policies to promote alternative sources of credit - Government			
	Loan Guarantee schemes	Lending targets	Export Finance Support	Credit Mediation / Code of Conduct	Credit Registry	Bank funding schemes	Securitization Support	Direct lending 100%	Direct Lending with private sector involvement	Peer-to-Peer Support	Retail Bond Markets
Canada	✓		✓					✓	✓		
Chile	✓				✓			✓			
Czech Republic	✓		✓		✓				✓		
Denmark	✓		✓					✓	✓	✓	
Finland	✓		✓					✓			
France	✓		✓	✓	✓			✓	✓	✓	
Germany	✓		✓	✓	✓		✓	✓	✓	✓	✓
Ireland	✓	✓		✓				✓	✓		
Italy	✓		✓		✓			✓	✓		✓
Japan	✓		✓			✓	✓	✓	✓		
New Zealand	✓		✓	✓							
Portugal	✓		✓		✓				✓		
Serbia	✓		✓					✓			
Spain	✓		✓	✓	✓		✓	✓	✓	✓	✓
Sweden	✓		✓					✓	✓	✓	
Switzerland	✓		✓								
The Netherlands	✓		✓						✓	✓	✓
UK	✓		✓	✓		✓			✓	✓	✓
United States	✓		✓					✓	✓	✓	

***** Bank funding schemes do not include the ECB's Long-Term Refinancing Operations, as this scheme did not have explicit targets for lending as a quid-pro-quo

****** A Central Credit Register will be implemented in Ireland as agreed under the EU/IMF/ECB "Troika" programme.

It is preferable that all policies adhere to the principle of additionality, i.e. the credit extended would not have been allocated in the absence of the policy. Policies also must have structures in place to ensure lending decisions are made free of political or bureaucratic influence that would lead to sub-optimal credit allocation.

The survey can be seen as providing a menu of options at the disposal of policy makers globally, while attempting to provide economic intuition behind each scheme. The challenge for policy-makers involves designing the correct parameters and range of options that are most appropriate in a country-specific financing environment. Given the scale of the difficulties faced by the Irish financial sector since 2008, policies which aim to stimulate the flow of bank credit to SMEs are of the utmost importance. In the Irish case, one salient point is the current reliance of Irish SMEs on banks for financing (Lawless *et al*. (2013)). In this light, an inventive and active set of policies which aim to diversify the mix of funding options available to Irish SMEs appear to be particularly desirable.

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Statistical Appendix

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							
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	109,750	84,313	13,651	11,786	83,928	83,801	127
April	109,144	84,006	13,430	11,708	82,889	82,764	125
May	108,469	83,520	13,346	11,603	82,401	82,276	125
June	108,636	83,584	13,437	11,615	82,173	82,048	125
July	108,123	83,363	13,254	11,505	81,816	81,693	123
Transactions – € million							
2012							
July	- 534	- 157	- 288	- 88	- 294	- 297	2
August	- 500	- 151	- 72	- 277	- 202	- 234	32
September	- 86	13	- 95	- 4	- 394	- 358	- 37
October	- 514	- 182	- 263	- 68	- 455	- 455	-
November	- 262	4	- 228	- 39	- 10	13	- 24
December	- 370	- 2	- 44	- 324	- 386	- 385	- 1
2013							
January	- 831	- 372	- 391	- 68	- 255	- 251	- 4
February	- 701	- 324	- 36	- 341	- 106	- 108	2
March	- 115	- 20	- 121	26	- 259	- 261	2
April	- 631	- 335	- 214	- 81	- 958	- 956	- 2
May	- 507	- 322	- 82	- 103	- 613	- 613	-
June	153	44	93	17	- 195	- 195	-
July	- 513	- 231	- 177	- 105	- 304	- 303	- 2
Growth rates – per cent.							
2012							
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	- 1.8	- 12.0	- 10.0	- 4.1	- 4.1	- 16.6
April	- 4.3	- 2.0	- 11.5	- 10.3	- 4.8	- 4.8	- 17.7
May	- 4.5	- 2.1	- 12.2	- 10.8	- 5.2	- 5.1	- 20.0
June	- 4.4	- 2.2	- 11.5	- 10.5	- 4.8	- 4.8	- 19.0
July	- 4.4	- 2.2	- 11.0	- 10.7	- 4.8	- 4.8	- 21.1

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	Loans	Securities	Irish Private Sector Deposits – Total	Households	Non-financial corporations	Insurance corporations and pension funds/ Other financial intermediaries	
8	9	10	11	12	13	14	
							Outstanding amounts – € million
							2012
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	180,247	91,801	31,532	56,915	April
102,190	37,352	64,838	180,035	91,603	31,406	57,026	May
100,902	36,448	64,454	179,801	91,497	31,296	57,009	June
97,531	33,887	63,644	179,422	91,211	31,393	56,818	July
							Transactions – € million
							2012
169	428	- 258	1,726	- 322	465	1,582	July
- 273	- 124	- 149	1,582	268	273	1,041	August
- 967	- 532	- 435	- 937	393	- 629	- 701	September
45	- 240	285	1,541	- 81	1,328	293	October
- 283	- 115	- 167	- 1,604	- 314	- 1,137	- 154	November
- 9,072	- 975	- 8,097	628	231	735	- 339	December
							2013
- 1,149	- 857	- 293	1,694	54	121	1,519	January
- 2,674	- 292	- 2,383	- 1,463	- 54	- 360	- 1,049	February
270	384	- 114	12,163	176	- 409	12,395	March
- 364	- 334	- 30	837	- 515	1,305	46	April
- 450	- 151	- 299	- 197	- 193	- 121	117	May
- 1,137	- 842	- 295	- 176	- 101	90	- 165	June
- 2,491	- 1,722	- 769	- 169	- 267	160	- 62	July
							Growth rates – per cent.
							2012
- 10.6	- 10.0	- 11.0	- 0.8	- 0.1	0.1	- 2.8	July
- 9.6	- 9.1	- 9.9	0.7	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	9.0	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	36.0	March
- 14.1	- 6.3	- 18.0	7.7	-	5.7	24.7	April
- 14.3	- 6.3	- 18.3	7.6	- 0.3	5.1	25.3	May
- 13.6	- 9.0	- 16.0	9.6	- 0.5	5.5	34.8	June
- 15.8	- 14.2	- 16.7	8.4	- 0.4	4.5	29.7	July

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									
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	-	-	-	-
28 June	114,155	242	46,111	8,800	37,311	-	-	-	-
26 July	112,317	178	43,621	7,850	35,771	-	-	-	-
30 August	112,085	178	43,276	7,530	35,746	-	-	-	-

Liabilities

Outstanding amounts – € million		Banknotes in circulation	Liabilities to euro area credit institutions relating to monetary policy operations in euro	Current accounts (covering the minimum reserve system)	Deposit facility	Fixed-term deposits	Deposits related to margin calls	Fine-tuning reverse operations	Other liabilities to euro area credit institutions in euro
2012									
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	-	-	-	-
28 June	114,155	13,309	5,437	2,561	926	1,950	-	-	-
26 July	112,317	13,396	4,445	2,470	1,475	500	-	-	-
30 August	112,085	13,510	4,186	2,145	2,041	-	-	-	-

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
40,800	6,709	1,226	1,090	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
151	-	1,557	1,060	62,678	-	2,356
151	-	1,489	1,043	63,913	-	1,922
451	-	1,490	1,043	63,557	-	2,090

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
-	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
-	16,804	22	1	-	907	442	2,110	75,123
-	17,484	25	-	-	892	1,292	2,110	72,673
-	14,751	23	-	-	892	1,292	2,110	75,321

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									
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	295,893	65,579	900	229,414	100,291	16,420	18,600	65,271
May	800,098	295,752	66,818	837	228,097	100,258	16,300	18,995	64,963
June	785,824	295,856	67,895	828	227,133	100,447	16,473	19,395	64,579
July	772,621	291,135	66,602	830	223,703	99,530	16,346	19,416	63,767

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								
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	11,237	180,247	16,304	18,744	38,221
May	800,098	257,566	64,828	12,703	180,035	16,090	17,614	38,011
June	785,824	258,181	65,713	12,667	179,801	16,534	17,385	37,831
July	772,621	256,410	63,567	13,422	179,422	16,412	16,314	33,302

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		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
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	–	22,976	28,019	April
70,153	149,368	67,462	61,504	4,306	–	25,080	26,215	May
65,176	147,934	65,049	60,192	5,814	–	21,896	23,460	June
64,078	143,794	64,435	57,642	4,718	–	24,015	23,274	July

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
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
105,073	123,273	112,899	18,874	52,756	21,798	33,766	April
112,316	124,574	113,036	18,962	46,901	23,079	31,949	May
104,835	123,338	112,751	18,984	46,111	21,045	28,830	June
100,991	123,255	113,157	19,071	44,211	21,767	27,731	July

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 Market 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									
July	584,276	294,784	55,185	27,789	211,810	111,475	18,806	17,704	74,965
August	574,034	293,501	54,303	27,802	211,396	111,586	18,618	18,507	74,461
September	570,800	293,182	54,721	27,778	210,683	111,330	18,583	18,745	74,002
October	569,272	290,666	54,104	27,826	208,735	112,001	18,638	19,048	74,315
November	565,783	291,341	55,733	27,778	207,830	111,103	17,558	19,514	74,031
December	549,612	293,365	52,886	27,741	212,738	103,918	18,537	19,483	65,898
2013									
January	545,017	290,818	52,322	27,748	210,748	103,768	18,474	20,682	64,612
February	501,901	260,604	49,395	627	210,583	97,298	16,983	17,123	63,192
March	497,977	261,769	50,424	761	210,583	96,789	15,956	17,783	63,050
April	495,539	260,425	51,110	765	208,551	96,431	15,025	18,284	63,122
May	491,591	258,974	50,989	701	207,284	96,287	14,853	18,618	62,816
June	486,979	256,664	49,866	698	206,101	96,527	15,044	18,833	62,650
July	484,464	256,034	50,267	700	205,067	95,712	14,909	18,834	61,969

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								
July	584,276	210,232	61,664	2,698	145,869	25,264	7,371	7,923
August	574,034	208,843	60,225	2,647	145,972	24,567	7,404	7,832
September	570,800	208,283	60,136	2,806	145,340	24,350	7,373	7,823
October	569,272	210,691	60,018	3,534	147,139	23,120	7,390	7,794
November	565,783	213,600	62,180	4,932	146,487	21,684	8,044	7,364
December	549,612	211,897	59,205	5,971	146,721	23,057	7,538	7,579
2013								
January	545,017	211,470	58,330	5,794	147,347	22,224	7,441	7,531
February	501,901	208,699	54,273	7,086	147,340	20,455	7,652	7,270
March	497,977	224,222	54,753	9,556	159,913	19,013	7,743	7,400
April	495,539	227,205	55,511	11,221	160,473	16,055	7,753	5,673
May	491,591	228,423	55,856	12,696	159,871	16,019	6,769	5,587
June	486,979	226,117	54,009	12,623	159,485	16,485	6,678	5,531
July	484,464	226,138	53,374	13,416	159,347	16,363	5,683	4,496

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
8,435	99,625	7,772	26,617	6,216	–	16,492	12,861	July
8,220	94,189	7,749	25,873	4,951	–	16,242	11,723	August
7,993	90,697	7,693	25,869	6,840	–	15,791	11,405	September
7,812	88,567	7,659	24,904	10,275	–	15,731	11,658	October
7,951	89,173	7,591	25,018	6,155	–	15,497	11,954	November
7,864	82,503	7,617	23,561	1,901	–	17,292	11,592	December
								2013
7,714	80,291	7,612	22,657	2,369	–	18,236	11,553	January
7,707	77,170	7,730	21,050	2,641	–	16,614	11,087	February
7,419	75,864	7,701	20,869	1,899	–	15,494	10,173	March
7,608	73,471	7,632	21,202	1,995	–	15,745	11,030	April
7,631	71,648	7,501	21,115	1,713	–	16,155	10,566	May
7,778	68,886	7,780	21,005	2,515	–	15,816	10,007	June
7,826	69,656	7,811	19,293	2,214	–	16,731	9,187	July

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
10,718	79,900	93,770	1,990	74,087	58,890	14,130	July
11,010	74,189	94,213	1,867	73,513	57,143	13,453	August
10,666	73,475	95,334	1,718	70,624	58,067	13,087	September
10,065	71,372	95,587	1,684	72,321	56,361	12,886	October
9,602	72,202	95,749	1,699	65,917	56,864	13,056	November
9,968	66,064	96,734	1,643	59,386	53,029	12,716	December
							2013
12,693	64,494	96,175	2,395	55,851	53,212	11,531	January
13,859	63,017	91,458	2,353	49,581	26,661	10,896	February
13,199	63,975	91,374	2,553	44,021	14,238	10,239	March
12,995	62,241	91,664	2,424	43,901	14,617	11,012	April
14,447	61,675	91,648	2,367	39,701	14,158	10,795	May
13,977	60,470	91,576	2,328	38,911	14,799	10,108	June
15,275	61,386	92,185	2,313	37,011	14,457	9,156	July

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				
		Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
1. Primary Industries	**1,226**	**5,057**	**5,110**	**4,977**	**5,023**	**4,965**
1.1 Agriculture	1,227	4,252	4,277	4,146	4,209	4,176
1.1.1 Growing of crops, market gardening, horticulture	301	482	482	435	444	437
1.1.2 Farming of animals	302	2,761	2,760	2,675	2,732	2,752
1.1.3 Other agricultural activities	303	1,009	1,034	1,036	1,033	987
1.2 Forestry, logging, mining and quarrying	304	497	538	548	534	527
1.3 Fishing and aquaculture	305	307	295	283	280	262
2. Manufacturing	**306**	**5,244**	**5,148**	**5,018**	**5,236**	**5,228**
2.1 Manufacture of food, beverages and tobacco products	307	2,432	2,429	2,403	2,629	2,491
2.2 Wood, pulp, paper, paper products, printing and reproduction of recorded media	308	670	690	612	609	617
2.3 Chemicals, rubber/plastic products, other non-metallic mineral products	309	651	647	652	634	669
2.4 Pharmaceutical products and preparations, medical and dental instruments and supplies	310	64	76	56	61	107
2.5 Fabricated metal products, except machinery and equipment	311	90	87	83	83	82
2.6 Computer, electronic and optical products	312	78	81	73	92	78
2.7 Production, installation and repair of commercial machinery/equipment, not including computers	313	460	408	381	375	446
2.8 Other manufacturing	314	799	730	759	752	738
3. Electricity, Gas, Steam and Air Conditioning Supply	**315**	**774**	**575**	**578**	**630**	**563**
4. Water Supply, Sewerage, Waste Management and Remediation Activities	**316**	**124**	**125**	**112**	**148**	**127**
5. Construction	**317**	**2,891**	**2,877**	**2,821**	**2,800**	**2,741**
5.1 Construction of buildings carried out on contract	318	1,393	1,385	1,360	1,363	1,259
5.2 Civil engineering activities carried out on contract	319	670	672	671	664	642
5.3 Other construction activities	320	828	820	790	772	840
6. Wholesale/Retail Trade & Repairs	**321**	**9,129**	**8,859**	**8,554**	**8,713**	**8,404**
6.1 Sale, maintenance/repair of motor vehicles, retail sale of fuel	322	1,674	1,600	1,709	1,728	1,680
6.2 Wholesale trade and commission trade (except vehicles)	323	1,688	1,647	1,522	1,599	1,617
6.3 Retail trade (except vehicles), repair of personal/household goods	324	4,848	4,853	4,655	4,739	4,388
6.4 Other wholesale/retail	325	919	759	668	648	720
7. Transportation and Storage	**326**	**1,580**	**1,395**	**1,355**	**1,370**	**1,411**
7.1 Land, water and air transport	327	936	760	730	762	797
7.2 Postal, courier, warehousing and support activities for transportation	328	323	302	301	296	298
7.3 Other transportation and storage	329	320	333	325	312	315
8. Hotels and Restaurants	**330**	**7,678**	**7,688**	**7,490**	**7,612**	**7,295**
8.1 Hotels	331	4,363	4,398	4,335	4,477	4,170
8.2 Restaurants	332	599	585	547	541	534
8.3 Bars	333	2,385	2,382	2,296	2,281	2,280
8.4 Other accommodation and catering	334	330	322	312	313	311

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.				
Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
-58	**53**	**-130**	**48**	**-49**	**-3.7**	**-4.0**	**-2.0**	**-1.7**	**-1.5**
-38	24	-128	65	-28	-3.6	-3.4	-2.9	-1.8	-1.6
8	1	-47	9	-7	-1.2	1.9	-9.7	-6.4	-9.3
0	-1	-85	57	20	-3.1	-3.0	-1.9	-1.1	-0.3
-45	25	4	-1	-41	-5.9	-6.7	-2.1	-1.6	-1.3
-8	41	10	-13	-7	-1.5	-6.2	11.9	5.9	6.2
-12	-12	-11	-4	-14	-8.7	-8.3	-11.4	-12.2	-13.5
106	**-82**	**-100**	**90**	**0**	**-1.3**	**-1.8**	**-6.0**	**0.3**	**-1.8**
154	6	-4	150	-121	7.6	8.9	-0.3	13.7	1.5
-28	19	-78	-29	8	-0.4	4.6	-8.6	-16.5	-11.9
22	-1	8	-21	21	-19.5	-18.3	-11.8	1.2	1.0
-6	11	-19	2	47	-32.7	-21.2	-25.6	-18.3	59.0
-5	-3	-5	1	-2	-20.9	2.0	-10.1	-12.8	-9.5
-24	3	-7	-11	-13	-11.2	2.3	-21.6	-38.5	-30.8
22	-50	-26	-6	72	8.1	-2.9	-13.2	-13.8	-2.0
-26	-68	31	4	-13	-6.0	-17.3	-8.3	-7.2	-5.8
-8	**-222**	**4**	**-86**	**-67**	**0.4**	**-31.9**	**-29.9**	**-39.5**	**-45.3**
-15	**2**	**-13**	**-4**	**-5**	**0.9**	**-12.0**	**-21.6**	**-21.4**	**-15.1**
-14	**-14**	**-48**	**-21**	**-64**	**-2.4**	**-2.9**	**-3.6**	**-3.3**	**-5.1**
-11	-8	-17	4	-105	2.3	-2.9	-2.6	-2.3	-9.1
-4	2	0	-7	-22	-9.1	-3.4	-2.3	-1.4	-4.1
0	-8	-30	-18	62	-5.8	-2.7	-6.6	-6.7	0.7
-158	**-270**	**-150**	**11**	**-277**	**-2.4**	**-5.9**	**-8.2**	**-6.1**	**-7.5**
-40	-74	113	7	-47	4.9	-2.3	-2.6	0.3	-0.1
-93	-41	-81	0	21	-3.1	-1.7	-17.4	-12.1	-6.1
-16	5	-194	22	-327	-5.4	-5.7	-4.8	-3.8	-10.1
-10	-159	13	-18	76	3.1	-20.5	-17.8	-19.2	-8.7
33	**-184**	**-41**	**13**	**37**	**-7.9**	**-9.2**	**-8.3**	**-11.6**	**-11.0**
28	-176	-30	30	35	-6.0	-16.0	-12.3	-16.3	-15.1
6	-21	-2	-9	-1	3.1	-2.5	-7.5	-8.3	-10.5
-2	13	-8	-7	4	-21.5	4.2	1.4	-1.4	0.3
-45	**9**	**-136**	**13**	**-311**	**-1.9**	**-1.0**	**-2.3**	**-2.1**	**-5.5**
19	35	-39	33	-302	1.8	3.1	2.1	1.1	-6.1
-5	-15	-38	-6	-7	-6.6	-6.4	-10.5	-10.7	-11.1
-59	-3	-59	-15	0	-6.9	-6.3	-7.8	-5.5	-3.2
0	-8	0	1	-2	-1.4	-1.7	-1.7	-1.8	-2.6

Table A.14 – *continued*

	Series Code	Outstanding amounts – € million				
		Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
9. Information and Communication	**335**	**463**	**440**	**442**	**531**	**533**
9.1 Publishing of printed material	336	175	172	168	234	241
9.2 Audio-visual production and publishing, programming and broadcasting activities	337	28	32	37	32	31
9.3 Telecommunications and information service activities	338	145	124	118	144	141
9.4 Software publishing, computer programming, consultancy and related activities	339	114	113	118	120	120
9.5 Other information and communication	340	1	1	1	1	1
10. Financial Intermediation (Excl. Monetary Financial Institutions)	**1,228**	**117,397**	**115,892**	**106,135**	**102,631**	**100,439**
10.1 Financial leasing	342	1,485	1,464	1,404	1,370	1,441
10.2 Non-bank credit grantors, excluding credit unions	343	15,587	15,743	14,823	14,696	14,494
10.3 Investment funds, excluding financial vehicle corporations and money market funds	344	592	623	528	489	505
10.4 Financial vehicle corporations (FVCs)	345	82,635	81,337	74,858	70,922	69,491
10.5 Life insurance	346	1,368	1,434	1,396	1,383	1,671
10.6 Pension funding	347	69	69	68	66	62
10.7 Non-life insurance	348	240	195	181	166	131
10.8 Security broker/fund management	349	363	394	379	414	350
10.9 Other financial intermediation/Unallocated	1,229	15,058	14,632	12,498	13,126	12,293
11. Real Estate, Land and Development Activities	**351**	**54,103**	**53,559**	**52,231**	**51,111**	**50,283**
11.1 Property investment/development of residential real estate	1,230	18,622	19,020	18,641	18,261	17,919
11.2 Property investment/development of commercial real estate	1,231	14,532	14,664	14,303	14,208	14,207
11.3 Property investment/development of mixed real estate	1,232	16,938	15,802	15,213	14,615	14,437
11.4 Investment in unzoned land	358	849	843	849	832	806
11.5 Other real estate activities	359	3,161	3,230	3,226	3,196	2,915
12. Business and Administrative Services	**360**	**4,692**	**4,748**	**4,855**	**4,868**	**4,689**
12.1 Legal, accounting and management consultant activities	361	1,197	1,225	1,254	1,272	1,225
12.2 Architectural and engineering activities, technical testing and analysis	362	176	174	167	164	161
12.3 Scientific research and development	363	29	29	29	28	27
12.4 Rental and leasing activities, services to buildings and landscape activities	364	86	87	165	137	103
12.5 Employment, office administration and business support activities	365	249	279	281	287	256
12.6 Other business and administrative services	366	2,955	2,954	2,959	2,980	2,916
13. Other Community, Social and Personal Services	**367**	**2,109**	**2,088**	**2,099**	**2,100**	**2,078**
13.1 Recreational, cultural and sporting activities	368	865	867	880	885	854
13.2 Membership organisations (business, employers, professional, trade unions, religious, political)	369	296	291	285	285	292
13.3 Other service activities	370	948	930	935	930	933
14. Education	**371**	**500**	**553**	**568**	**565**	**570**
15. Human Health and Social Work	**372**	**1,895**	**1,837**	**2,014**	**2,123**	**2,089**
15.1 Hospitals and medical practice activities	373	1,251	1,183	1,365	1,485	1,450
15.2 Residential care activities	374	310	309	312	310	294
15.3 Other health and social work	375	333	345	338	328	345
16. Extra-Territorial Organisations and Bodies	**376**	**0**	**0**	**0**	**0**	**0**
17. Total	**378**	**213,634**	**210,894**	**199,251**	**195,461**	**191,416**
17.1 Total ex Financial Intermediation	***1,233***	***96,238***	***95,002***	***93,116***	***92,830***	***90,977***
17.2 Total ex Financial Intermediation and Property Related Sectors	***1,234***	***39,244***	***38,566***	***38,064***	***38,919***	***37,953***

Table A.14 – *continued*

Transactions – € million					Growth rates – per cent.				
Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
-103	**-32**	**2**	**-14**	**2**	**-23.4**	**-27.4**	**-25.8**	**-25.9**	**-9.1**
1	-18	-3	2	7	-3.4	-11.4	-11.7	-10.6	-8.3
-21	9	5	-1	-1	-33.7	-13.8	-13.8	-15.4	43.1
-84	-21	-5	-17	-3	-42.8	-52.7	-51.9	-55.7	-31.6
2	-1	5	2	-1	-10.2	1.0	5.7	6.8	4.7
0	0	0	0	0	-4.7	-19.9	-5.8	-6.8	-8.8
-5,463	**-983**	**-9,278**	**-3,439**	**-1,907**	**-11.8**	**-8.7**	**-13.7**	**-15.7**	**-13.4**
-15	-24	-57	-34	73	-14.2	-11.2	-8.8	-8.7	-2.8
-371	192	-834	-101	-148	-15.1	-12.9	-8.5	-7.0	-5.7
43	33	-57	-42	19	8.6	33.5	8.7	-4.8	-8.3
-3,900	-626	-6,224	-3,021	-1,265	-9.8	-6.6	-13.1	-16.0	-13.6
-1,353	71	-27	-2	294	-53.4	-49.1	-49.8	-48.5	25.0
-1	1	-2	-2	-3	2.1	10.4	-2.4	-5.1	-8.7
2	-43	-11	-15	-33	59.9	12.2	9.5	-28.5	-43.2
-6	31	-13	35	-63	-24.7	-7.3	2.5	12.6	-3.0
138	-618	-2,053	-257	-781	-7.9	-5.7	-17.7	-18.5	-24.1
-646	**-537**	**-887**	**-791**	**-908**	**-2.0**	**-3.5**	**-4.1**	**-5.2**	**-5.8**
-81	71	-357	-301	-332	-0.9	-1.3	-0.9	-3.5	-4.9
-96	12	-130	54	-14	-4.1	-3.6	-4.1	-1.1	-0.5
-372	-681	-405	-552	-260	-0.8	-6.2	-8.3	-11.7	-11.5
-13	-9	6	-10	-26	-9.6	-10.5	-4.8	-2.9	-4.6
-83	69	0	19	-275	-3.2	-1.5	0.0	0.1	-6.1
-348	**41**	**114**	**2**	**-172**	**-14.0**	**-11.6**	**-4.2**	**-3.8**	**-0.3**
-98	12	29	-18	-46	-10.8	-6.6	-5.1	-5.8	-1.7
-3	-2	-7	-3	-3	-1.3	-5.9	-3.2	-8.0	-8.1
-4	0	0	0	-1	-10.5	-3.3	-2.6	-13.9	-7.0
-4	0	72	-43	-34	-16.6	-14.9	75.5	30.1	2.1
-21	30	2	36	-31	-15.4	-1.0	3.9	17.3	13.5
-219	0	18	31	-58	-15.7	-14.7	-6.9	-5.4	-0.3
-16	**-21**	**12**	**-10**	**-21**	**-5.3**	**-4.8**	**-2.7**	**-1.7**	**-1.9**
-4	1	13	-8	-31	-3.6	-3.2	-1.5	0.3	-2.7
-5	-4	-6	0	7	-7.1	-6.7	-6.4	-5.0	-1.3
-8	-18	5	-3	3	-6.1	-5.7	-2.6	-2.4	-1.3
6	**52**	**15**	**-3**	**5**	**-22.8**	**-7.5**	**0.6**	**14.3**	**13.9**
-40	**-58**	**180**	**-41**	**-34**	**-5.1**	**-7.5**	**1.0**	**2.1**	**2.6**
-29	-68	184	-30	-35	-6.2	-10.6	2.2	4.5	4.4
1	-2	3	-2	-16	-5.4	-4.6	1.0	0.2	-5.4
-12	12	-7	-9	17	-0.7	1.7	-3.5	-5.0	3.6
0	**0**	**0**	**0**	**0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
-6,769	**-2,246**	**-10,455**	**-4,232**	**-3,772**	**-7.9**	**-6.8**	**-9.7**	**-10.8**	**-9.7**
-1,306	***-1,263***	***-1,177***	***-792***	***-1,865***	***-3.2***	***-4.5***	***-4.6***	***-4.7***	***-5.3***
-646	***-712***	***-243***	***20***	***-893***	***-4.9***	***-5.9***	***-5.3***	***-4.0***	***-4.6***

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

	Series Code	Outstanding amounts – € million				
		Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
1. Primary Industries	900	2,794	2,563	2,807	2,655	2,595
2. Manufacturing	901	3,891	4,018	4,307	3,931	4,202
3. Electricity, Gas, Steam and Air Conditioning Supply	902	487	504	583	552	532
4. Water Supply, Sewerage, Waste Management and Remediation Activities	903	53	58	52	42	50
5. Construction	904	1,747	1,720	1,835	1,730	1,855
6. Wholesale/Retail Trade & Repairs	905	3,765	3,684	4,204	3,554	3,676
7. Transportation and Storage	906	2,480	2,580	2,203	2,556	2,538
8. Hotels and Restaurants	907	632	695	639	614	662
9. Information and Communication	908	1,001	982	1,054	1,195	1,259
10. Financial Intermediation (Excl. Monetary Financial Institutions)	1,240	41,521	44,042	43,201	56,632	56,967
11. Real Estate, Land and Development Activities	910	3,676	3,647	3,545	3,635	3,543
12. Business and Administrative Services	911	7,683	7,642	7,995	8,053	8,677
13. Other Community, Social and Personal Services	912	4,345	4,287	4,179	4,174	4,120
14. Education	913	1,763	1,882	1,795	1,890	1,654
15. Human Health and Social Work	914	1,125	1,161	1,067	1,127	1,150
16. Extra-Territorial Organisations and Bodies	915	0	0	0	0	0
17. Total	917	76,964	79,466	79,464	92,339	93,481

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.16 – *continued*

Transactions – € million					Growth rates – per cent.				
Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
-88	-229	246	-152	-22	3.7	-5.7	-4.5	-7.8	-5.6
19	142	339	-408	393	-5.7	-2.5	-1.6	2.2	11.9
-10	17	40	-30	-20	-5.9	-1.3	3.7	3.6	1.9
6	4	-6	-9	8	-9.1	-5.4	5.8	-10.4	-3.7
-89	-27	116	-104	127	-13.0	-9.9	-6.6	-5.7	6.3
147	198	525	-653	127	-5.6	-0.4	5.4	5.7	5.2
-10	105	-376	371	-10	-5.1	-4.2	-8.6	3.6	3.6
63	64	-56	-25	49	-2.9	4.1	3.9	8.0	5.0
-46	-18	73	-64	26	3.5	1.1	-5.1	-5.3	1.3
426	1,865	-165	12,987	47	-7.7	6.5	7.1	36.2	35.0
82	-29	-100	92	-90	-5.4	-4.6	-6.3	1.3	-3.5
126	-16	386	255	735	8.7	6.2	13.8	10.0	18.0
99	-59	-105	-4	-51	-2.3	-4.1	-1.1	-1.6	-5.0
-70	119	-86	94	-235	2.3	6.7	4.7	3.1	-6.1
8	37	-93	61	24	-5.9	-6.0	-4.6	1.1	2.6
0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
661	2,173	736	12,409	1,107	-4.9	2.9	4.2	20.7	21.1

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

	Total Lending	Lending for house purchase	Floating rate	Standard variable	Tracker	Up to 1 year fixed	Fixed rate	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										
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
June	99,460	83,584	77,408	34,237	41,762	1,409	6,177	2,573	2,457	1,148
Transactions – € million										
2012										
June	-666	-335	964	1067	-129	26	-1299	-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	-1547	-721	59	476	-454	36	-780	-560	-207	-13
June	-853	-614	170	562	-459	67	-784	-498	-292	7
Growth rates – per cent.										
2012										
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	2.8	10.4	-2.7	1.1	-33.9	-43.5	-27.6	-5.6
June	-3.9	-2.2	1.7	8.3	-3.4	4.0	-32.9	-43.5	-27.7	-2.8

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
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
15,875	1,970	13,906	86,320	June
				Transactions – € million
				2012
-330	-41	-289	74	June
-485	-82	-403	180	September
-585	-128	-457	-179	December
				2013
-826	-337	-489	215	March
-239	-89	-150	-652	June
				Growth rates – per cent.
				2012
-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
-11.9	-24.1	-9.8	-0.5	June

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								
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	70,169	4,732	81,567	102,730	38,217	-	441
May	293,390	65,351	4,530	79,809	106,503	36,719	-	479
June	275,621	57,135	4,064	73,968	103,155	36,829	-	469
July	272,533	58,616	4,041	73,094	103,166	33,200	-	415

	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					
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
February	284,976	11,923	36,895	228,526	7,632
March	295,129	11,628	34,176	245,044	4,280
April	297,856	11,852	34,285	248,680	3,039
May	293,390	11,524	35,086	243,885	2,895
June	275,621	11,252	32,873	229,005	2,492
July	272,533	10,996	33,653	224,869	3,014

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									
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	0
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
June	275,151	5,734	29,936	21,153	311	1,526	2,302	236	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									
June	349,497	25,952	17,456	15,284	358	21,357	73,769	82,533	959
September	365,026	28,504	25,320	9,986	421	27,643	72,570	81,775	941
December	286,317	24,407	19,608	7,254	282	15,740	76,407	64,606	1,184
2012									
March	300,305	20,873	29,235	8,527	425	21,862	100,374	69,610	1,074
June	307,259	21,829	27,895	9,699	513	18,839	86,313	66,759	1,135
September	311,670	23,832	34,333	10,822	369	17,794	89,270	62,557	1,406
December	296,617	22,790	30,773	8,075	447	13,942	84,956	69,133	1,157
2013									
March	294,194	23,627	45,072	12,394	586	10,188	66,473	68,041	953
June	275,151	20,325	43,053	10,054	537	9,589	69,347	60,306	742

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: Up to 2 years	With agreed maturity: Over 2 years	Overnight	With agreed maturity: Up to 2 years	With agreed maturity: Over 2 years
Rates (per cent per annum)							
2012							
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
May	0.30	1.13	2.78	2.32	0.36	1.88	1.32
June	0.31	1.11	2.69	2.34	0.33	1.82	1.31
July	0.30	1.12	2.61	2.30	0.34	1.76	1.28
Volumes (€ million)							
2012							
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	35,548	9,929	31,146	4,267	16,536	10,732	492
April	35,913	9,739	30,282	4,279	17,313	10,937	476
May	36,300	9,511	29,919	4,341	17,218	11,178	477
June	36,823	9,365	29,382	4,348	17,679	11,009	476
July	36,817	9,379	28,893	4,494	17,992	11,008	475

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							
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	9.62	5.84	3.95
May	13.41	3.37	3.29	2.88	9.62	5.84	3.92
June	13.47	3.39	3.33	2.92	9.64	5.97	4.01
July	13.44	3.44	3.34	2.93	9.70	5.95	4.02
Volumes (€ million)							
2012							
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
May	5,200	248	453	82,447	6,889	4,737	9,771
June	5,246	242	465	82,509	7,093	4,636	9,726
July	5,259	239	466	82,304	7,095	4,569	9,640

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	Over 1 and up to 5 years	Over 5 years	
				Rates (per cent per annum)
				2012
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	3.33	2.76	2.98	April
4.73	3.33	2.80	2.95	May
4.72	3.34	2.80	2.97	June
4.70	3.35	2.81	2.97	July
				Volumes (€ million)
				2012
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
7,502	26,971	18,417	38,864	May
7,586	27,281	18,347	38,832	June
7,416	26,789	18,331	39,034	July

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							
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
May	3.19	4.18	3.44	7.38	10.12	8.11	4.12
June	3.21	4.40	3.39	5.10	10.42	6.10	3.91
July	3.32	4.43	3.51	6.88	9.77	7.71	4.86
Volumes (€ million)							
2012							
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
May	896	299	-	92	34	-	50
June	785	148	-	128	29	-	39
July	854	178	-	95	38	-	46

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
4.30	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	2.39	4.28	1.12	0.54	April
4.43	6.29	3.30	3.63	0.94	0.52	May
4.17	6.14	2.48	4.13	0.76	0.42	June
4.35	6.21	3.12	4.11	0.76	0.40	July
						Volumes (€ million)
						2012
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	407	11	7,459	4,885	April
272	62	395	41	8,459	5,336	May
287	47	442	26	7,390	4,743	June
245	59	861	86	8,821	5,037	July

Table B.3: Official and Selected Interest Rates

	Eurosystem Official Interest Rates			Interbank Market				Clearing Banks' Prime Rates
Per cent per annum	Marginal lending facility	Deposit facility	Main refinancing operations	Eonia (overnight)	1 month Euribor	3 month Euribor	12 month Euribor	Ireland
End-month								
2012								
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
June	1.00	0.00	0.50	0.21	0.12	0.22	0.53	0.62 - 1.50
July	1.00	0.00	0.50	0.14	0.13	0.23	0.54	0.62 - 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							
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
June	1,112,379	3,997	3,375	66,170	8,120	70,369	395,714
Transactions – € million							
2011							
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
June	17,174	-246	836	-2,106	-2,012	1,555	12,625

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									
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
June	1,112,379	17,127	44,614	61,741	76,727	199,865	276,592	666,206	1,004,539
Transactions – € million									
2011									
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
June	17,174	-3,768	3,516	-252	-3,654	42,409	38,756	-22,404	16,100

Note: The data contains the following reclassifications: Former Money Market Funds were reclassified as Investment Funds in November 2011 resulting in additional funds €114,002 million by end-Q4 2011. €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, driven by improvements in the recording of repurchase agreements (repos). In Q1 2012, improvements in the recording of reverse repos saw the overall balance sheet increase by €4,140 million, via Securities other than shares on the asset side and Deposits and loans on the liability side. In net terms, Securities other than shares decreased by an additional €689 million in Q1 2012 (the net effect of repo and reverse repo reclassifications in Q1 2012).

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
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
13,173	46,675	297,525	63,795	13,395	31,578	763	0	54	97,675
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
-417	356	3,471	2,005	1,579	-250	-15	0	0	-205

Loans and deposits received	Other liabilities
Total	Total
6,094	43,887
12,292	53,810
8,383	59,707
19,787	72,821
22,432	64,174
27,155	81,922
27,561	80,279
428	-7,637
6,278	10,529
-4,423	712
11,584	13,133
3,042	-7,902
5,040	16,318
1,341	-267

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	97,068	35,235	57,124	0	0	4,709
February	83,840	35,254	45,142	0	0	3,444
March	80,933	34,574	44,467	0	0	1,893
April	82,622	37,242	44,652	0	0	728
May	81,924	36,377	44,831	0	0	716
June	77,064	32,255	44,356	0	0	452
July	74,807	30,837	43,495	0	0	475
August	75,075	28,950	44,815	0	0	1,309
September	73,622	28,777	44,347	0	0	497
October	74,849	28,048	44,939	0	0	1,862
November	72,113	27,342	44,277	0	0	494
December	76,543	26,940	49,253	0	0	349
2012						
January	77,369	28,632	48,102	0	0	635
February	69,821	20,217	48,865	0	0	740
March	71,154	20,720	49,583	0	0	852
April	70,067	20,734	48,381	0	0	952
May	68,463	18,994	48,431	0	0	1,038
June	64,681	18,653	44,911	0	0	1,117
July	61,576	16,118	44,169	0	0	1,289
August	61,768	15,516	44,432	0	0	1,820
September	58,934	12,276	44,403	0	0	2,256
October	63,924	17,975	43,517	0	0	2,431
November	59,934	14,897	42,245	0	0	2,793
December	57,369	14,650	40,409	0	0	2,310
2013						
January	59,203	16,588	40,001	0	0	2,613
February	74,915	16,609	55,568	0	0	2,738
March	49,060	16,002	30,003	0	0	3,055
April	46,076	13,256	29,387	0	0	3,433
May	45,317	12,827	29,164	0	0	3,326
June	45,228	12,742	29,171	0	0	3,315
July	46,237	12,905	30,462	0	0	2,870
Transactions						
2011						
January	17,207	16,854	2,514	0	0	-2,160
February	-13,228	19	-11,982	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	4,430	-402	4,977	0	0	-145
2012						
January	826	1,692	-1,151	0	0	286
February	-7,548	-8,415	763	0	0	105
March	1,333	503	718	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	192	-602	264	0	0	531
September	-2,834	-3,240	-30	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	1,834	1,938	-407	0	0	303
February	15,712	21	15,567	0	0	125
March	-25,855	-607	-25,565	0	0	317
April	-2,984	-2,746	-616	0	0	378
May	-759	-429	-224	0	0	-107
June	-90	-85	7	0	0	-12
July	1,010	163	1,291	0	0	-445

Table C.2.1 – *continued*

Debt securities: All currencies

Long-term securities

Total	MFIs	OFIs	IC&PF	NFCs	Govt
896,752	99,327	702,408	1,109	3,734	90,174
889,745	99,508	695,458	1,101	3,596	90,081
873,817	94,511	684,795	1,070	3,549	89,892
866,501	93,242	679,692	1,027	2,867	89,673
867,100	92,760	680,712	1,056	2,906	89,666
863,071	91,083	678,509	1,048	2,719	89,711
867,220	90,892	682,676	1,063	2,816	89,773
855,355	90,407	671,216	1,056	2,806	89,870
857,837	89,300	674,745	1,118	2,990	89,684
851,278	88,370	669,102	1,094	2,939	89,773
855,220	88,896	676,817	1,134	2,993	85,380
861,890	86,035	686,233	1,169	3,044	85,410
851,955	83,110	679,233	1,160	3,032	85,419
845,409	79,955	675,874	1,143	3,008	85,429
852,892	76,399	692,576	1,160	3,012	79,745
852,706	74,291	691,253	1,152	2,774	83,237
873,121	74,484	711,318	1,226	2,859	83,234
864,992	73,453	704,287	1,197	2,825	83,230
879,595	73,468	718,845	1,236	2,832	83,214
866,941	72,078	703,463	1,206	2,798	87,397
862,385	71,581	698,414	1,178	2,606	88,606
860,957	70,794	698,636	1,169	2,002	88,356
861,354	69,695	699,701	1,169	2,400	88,389
855,655	69,779	693,894	1,152	2,890	87,941
836,807	68,400	674,051	1,118	2,868	90,371
845,178	66,664	659,418	1,160	2,452	115,484
867,728	65,335	678,355	1,188	2,685	120,166
870,981	66,578	685,007	1,152	2,645	115,600
860,505	61,953	679,772	1,038	2,225	115,518
860,474	62,072	679,570	1,038	2,251	115,542
846,630	56,188	672,265	1,015	2,201	114,960
974	-1,792	2,904	-185	68	-21
-7,007	181	-6,950	-8	-137	-92
-15,928	-4,997	-10,663	-31	-47	-189
-7,316	-1,269	-5,102	-43	-683	-219
599	-482	1,020	29	40	-7
-4,029	-1,677	-2,203	-7	-188	45
4,149	-192	4,167	15	97	62
-11,865	-484	-11,460	-7	-10	96
2,482	-1,108	3,529	62	184	-185
-6,559	-930	-5,642	-24	-51	89
3,942	526	7,715	41	53	-4,393
6,671	-2,861	9,415	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
8,371	-1,736	-14,633	43	-416	25,113
22,550	-1,328	18,937	27	233	4,681
3,253	1,242	6,652	-36	-40	-4,566
-10,476	-4,625	-5,235	-113	-421	-82
-31	120	-202	0	26	25
-13,845	-5,884	-7,305	-23	-49	-582

Table C.2.1 – *continued*

€ Million	Debt securities: Euro denominated					
	Short-term securities					
	Total	MFIs	OFIs	IC&PF	NFCs	Govt
Outstanding amounts						
2011						
January	85,004	27,434	53,308	0	0	4,262
February	72,825	28,332	41,385	0	0	3,109
March	69,512	27,445	40,504	0	0	1,563
April	71,462	30,315	40,642	0	0	505
May	71,502	30,263	40,944	0	0	295
June	68,908	28,183	40,430	0	0	295
July	67,411	27,384	39,887	0	0	140
August	67,819	25,738	41,091	0	0	990
September	66,233	25,545	40,448	0	0	240
October	67,821	25,374	40,952	0	0	1,495
November	65,602	24,697	40,720	0	0	185
December	67,691	24,258	43,133	0	0	300
2012						
January	69,598	26,029	42,987	0	0	582
February	60,058	17,576	41,857	0	0	625
March	61,356	17,871	42,756	0	0	729
April	60,533	17,866	41,863	0	0	804
May	58,488	16,061	41,700	0	0	727
June	54,272	15,721	37,850	0	0	701
July	51,187	12,842	37,133	0	0	1,211
August	50,901	11,886	37,277	0	0	1,739
September	48,556	8,797	37,571	0	0	2,188
October	53,861	14,404	37,094	0	0	2,363
November	50,187	11,289	36,199	0	0	2,699
December	47,716	11,092	34,453	0	0	2,170
2013						
January	49,555	13,183	34,113	0	0	2,260
February	65,300	12,977	49,963	0	0	2,360
March	39,621	12,493	24,374	0	0	2,755
April	36,781	9,646	23,908	0	0	3,227
April	36,315	9,050	24,122	0	0	3,143
April	35,962	9,043	23,786	0	0	3,133
April	36,674	8,933	25,049	0	0	2,691
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	15,745	-206	15,851	0	0	100
March	-25,678	-484	-25,590	0	0	396
April	-2,841	-2,847	-466	0	0	472
April	-466	-596	214	0	0	-84
April	-352	-6	-336	0	0	-10
April	712	-110	1,263	0	0	-442

Table C.2.1 – *continued*

Debt securities: Euro denominated

Long-term securities

Total	MFIs	OFIs	IC&PF	NFCs	Govt
663,057	75,906	494,981	0	2,086	90,085
658,029	76,973	489,104	0	1,960	89,993
650,076	73,083	485,226	0	1,960	89,807
655,355	72,596	491,814	0	1,356	89,590
652,023	72,055	489,031	0	1,356	89,581
650,367	71,341	488,144	0	1,256	89,626
646,714	71,065	484,710	0	1,256	89,684
639,082	70,889	477,158	0	1,256	89,779
631,515	69,173	471,397	0	1,356	89,589
629,503	69,299	469,167	0	1,356	89,681
624,944	69,850	468,455	0	1,356	85,284
622,485	66,617	469,202	0	1,356	85,310
616,111	64,113	465,323	0	1,356	85,318
613,839	62,700	464,446	0	1,356	85,337
603,229	59,838	462,384	0	1,356	79,651
601,892	57,471	459,922	0	1,356	83,142
605,996	57,732	463,776	0	1,356	83,131
603,567	57,525	461,555	0	1,356	83,131
601,056	57,339	459,293	0	1,314	83,110
597,067	56,312	452,145	0	1,314	87,295
597,182	56,248	451,113	0	1,314	88,506
596,114	55,564	450,976	0	1,314	88,259
591,613	54,907	446,696	0	1,714	88,295
587,493	55,585	441,841	0	2,214	87,853
577,954	56,067	429,383	0	2,214	90,290
565,839	54,566	394,092	0	1,779	115,402
584,780	53,891	408,809	0	1,997	120,083
585,762	55,783	412,460	0	1,997	115,522
575,435	51,400	406,875	0	1,719	115,441
572,364	51,850	403,304	0	1,746	115,465
563,125	46,144	400,389	0	1,707	114,883
-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
-12,115	-1,501	-35,291	0	-435	25,111
18,940	-675	14,717	0	218	4,681
982	1,891	3,651	0	0	-4,561
-10,326	-4,382	-5,586	0	-278	-81
-3,072	449	-3,571	0	26	24
-9,239	-5,705	-2,914	0	-38	-582

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	..
May	231,536	17,797	15,019	462	198,258	..
June	230,287	16,953	14,719	487	198,128	..
July	229,421	17,387	15,299	539	196,195	..
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	..
May	91	0	-32	1	122	..
June	1,471	0	46	0	1,424	..
July	552	41	356	0	154	..

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	..
329	0	16	0	313	..
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	..
0	0	0	0	0	..
0	0	0	0	0	..
0	0	0	0	0	..

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

Outstanding Amounts - € billions

	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2
Assets									
Deposits and loan claims	**83.3**	**77.9**	**76.5**	**74.2**	**72.7**	**72.9**	**70.8**	**85.4**	**81.1**
To euro area FVCs	36.2	38.4	38.4	38.6	35.9	36.1	34.1	34.4	32.7
Securitised loans	**254.3**	**244.2**	**231.4**	**227.5**	**226.7**	**224.3**	**214.7**	**208.6**	**204.0**
Originated by euro area MFIs	187.3	158.4	145.7	144.4	143.6	143.3	134.6	132.0	130.2
By borrowing sector									
Domestic households	69.4	59.6	59.2	60.2	59.6	59.0	52.7	52.3	52.1
OMUM households	9.9	8.5	3.7	3.2	2.7	2.3	2.5	2.1	1.9
Domestic non-financial corporations	41.9	54.0	56.5	54.4	54.8	55.1	53.7	53.4	53.2
OMUM non-financial corporations	34.1	13.1	6.7	6.8	6.3	7.2	6.7	6.5	6.4
Euro area residents (*)	4.7	4.3	0.5	0.5	0.4	0.4	1.0	1.0	0.9
Non euro area residents	27.3	18.9	19.1	19.3	19.9	19.3	17.9	16.6	15.6
Originated by euro area residents (*)	12.1	14.7	14.6	14.5	14.4	14.3	13.9	13.2	13.2
Originated by euro area non-financial corporations	16.5	17.8	18.5	18.1	17.7	18.0	17.7	16.7	15.5
Originated by non-euro area residents	38.5	53.3	52.7	50.5	50.9	48.7	48.5	46.7	45.1
Securities other than shares	**138.5**	**135.4**	**132.6**	**121.2**	**120.4**	**110.9**	**108.9**	**110.1**	**108.4**
Issued by euro area FVCs	18.5	16.9	15.7	15.1	14.7	13.1	10.4	13.0	11.5
Other securitised assets	**12.0**	**11.5**	**11.3**	**10.5**	**9.7**	**9.3**	**8.8**	**9.0**	**9.2**
Originated by euro area general government	2.2	2.2	2.1	2.1	2.1	2.1	2.0	1.9	1.9
Originated by euro area non-financial corporations	3.1	3.0	2.7	2.3	2.2	1.9	1.8	2.3	2.4
Shares and other equity	**29.0**	**27.9**	**26.1**	**25.2**	**19.4**	**17.5**	**16.8**	**17.2**	**15.4**
Issued by euro area FVCs	26.2	24.9	23.3	22.7	17.0	15.0	14.6	14.4	12.6
Other assets	**16.5**	**19.9**	**21.6**	**22.4**	**20.5**	**22.3**	**21.9**	**21.1**	**19.3**
Liabilities									
Loans and deposits received	**63.0**	**62.6**	**64.1**	**63.3**	**65.4**	**64.2**	**61.3**	**61.5**	**61.2**
From euro area FVCs	38.8	39.0	39.0	39.0	37.0	37.0	35.0	35.1	33.7
Debt securities issued	**408.5**	**386.8**	**369.2**	**350.2**	**334.0**	**325.0**	**312.5**	**318.3**	**306.5**
Up to 1 year original maturity	25.2	23.6	24.7	19.6	16.6	15.9	16.3	17.5	14.7
1 to 2 years original maturity	5.1	5.4	6.0	5.6	4.4	5.4	2.7	2.8	2.1
Over 2 years original maturity	378.3	357.8	338.6	324.9	313.0	303.7	293.5	298.0	289.7
Capital and reserves	**0.1**	**0.1**	**-**	**-**	**-0.4**	**-0.2**	**0.1**	**0.3**	**-0.2**
Other liabilities	**62.2**	**67.2**	**66.3**	**67.6**	**70.5**	**68.2**	**68.0**	**71.1**	**69.8**
Total	**533.7**	**516.6**	**499.6**	**481.1**	**469.4**	**457.2**	**441.9**	**451.2**	**437.4**

(*) 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

	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2
Assets									
Deposits and loan claims	**3.4**	**-5.9**	**-1.3**	**-2.0**	**-1.6**	**0.6**	**-1.9**	**14.7**	**-3.9**
To euro area FVCs	0.9	1.9	-	0.1	-2.8	0.2	-2.0	0.2	-1.7
Securitised loans	**-3.9**	**-12.9**	**-15.0**	**-3.4**	**-1.6**	**-2.3**	**-8.8**	**-4.9**	**-4.3**
Originated by euro area MFIs	-1.1	-4.8	-13.3	-0.6	-1.3	-0.6	-8.1	-2.1	-1.9
By borrowing sector									
Domestic households	-2.8	-1.5	0.3	0.4	-1.1	-0.8	-6.3	-0.5	-0.5
OMUM households	-0.6	-1.0	-4.9	-0.5	-0.5	-0.3	-0.5	-0.4	-0.2
Domestic non-financial corporations	-1.9	1.5	2.0	-1.5	-	0.2	-0.4	-0.6	-0.3
OMUM non-financial corporations	4.0	-0.5	-6.5	-	0.5	1.0	-0.4	-0.1	-0.1
Euro area residents (*)	3.7	-	-3.9	0.2	-0.1	0.1	0.5	-	-
Non euro area residents	-3.5	-3.4	-0.4	0.8	-	-0.7	-0.9	-0.5	-0.8
Originated by euro area residents (*)	-	-0.1	-0.1	-0.2	-	-0.1	-0.4	-0.3	-0.1
Originated by euro area non-financial corporations	-0.4	0.1	0.8	-0.3	-0.4	0.2	-0.1	-0.8	-1.0
Originated by non-euro area residents	-2.4	-8.2	-2.3	-2.3	0.1	-1.8	-0.2	-1.6	-1.3
Securities other than shares	**-10.0**	**-3.5**	**-3.2**	**-11.5**	**-1.6**	**-10.3**	**-2.1**	**2.1**	**-1.6**
Issued by euro area FVCs	-0.2	-0.2	-0.9	-0.5	-0.8	-1.3	0.5	0.2	-1.6
Other securitised assets	**0.3**	**-0.6**	**-0.1**	**-1.1**	**-0.9**	**-0.3**	**-0.5**	**0.3**	**0.2**
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	0.1
Shares and other equity	**-0.9**	**-1.2**	**-1.7**	**-0.8**	**-5.9**	**-2.0**	**-0.6**	**0.3**	**-1.8**
Issued by euro area FVCs	-0.9	-1.3	-1.6	-0.7	-5.7	-2.0	-0.4	-0.4	-1.6
Other assets	**-2.8**	**-6.9**	**-1.2**	**-2.0**	**-4.3**	**0.7**	**-4.0**	**-2.2**	**-2.7**
Liabilities									
Loans and deposits received	**0.2**	**-0.8**	**1.4**	**-0.3**	**1.9**	**-1.1**	**-2.8**	**1.1**	**-0.3**
From euro area FVCs	-0.2	0.2	-0.1	-	-2.1	0.7	-1.9	0.4	-1.4
Debt securities issued	**-11.6**	**-21.8**	**-17.7**	**-18.9**	**-17.4**	**-9.4**	**-12.5**	**7.2**	**-11.7**
Up to 1 year original maturity	-3.7	-2.8	1.0	-5.6	-3.0	-0.7	0.5	0.9	-2.9
1 to 2 years original maturity	-0.4	0.4	0.7	-0.6	-1.1	0.7	-2.4	0.3	-0.7
Over 2 years original maturity	-7.5	-19.4	-19.4	-12.7	-13.3	-9.3	-10.5	6.0	-8.0
Capital and reserves	**0.6**	**-1.1**	**-0.7**	**-0.1**	**-0.1**	**0.5**	**0.1**	**-0.3**	**-0.4**
Other liabilities	**-3.2**	**-7.3**	**-5.6**	**-1.5**	**-0.3**	**-3.7**	**-2.7**	**2.4**	**-1.6**
Total	**-14.0**	**-30.9**	**-22.6**	**-20.8**	**-15.9**	**-13.7**	**-18.0**	**10.3**	**-14.0**

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

Table C.4: Resident Credit Institutions International Business:Analysis by Currency and Sector[a]

€ million	28 June 2013	28 March 2013
Assets		
1. Analysis by currency		
Irish residents in non-euro	*27,715*	*29,439*
US Dollar	14,855	16,126
Sterling	10,437	11,321
Other	2,424	1,992
Non-residents in non-euro	*189,374*	*201,633*
US Dollar	90,569	88,334
Sterling	80,137	89,636
Other	18,668	23,663
Non-residents in euro	*181,723*	*189,459*
2. Analysis by sector		
Irish residents in non-euro	*27,715*	*29,439*
Monetary financial institutions	6,555	6,935
Non-monetary financial institutions	21,161	22,504
Non-residents in non-euro	*189,374*	*201,633*
Monetary financial institutions	104,161	111,793
Non-monetary financial institutions	85,212	89,839
Non-residents in euro	*181,723*	*189,459*
Monetary financial institutions	107,764	115,262
Non-monetary financial institutions	73,959	74,196
3. Total international business	**398,812**	**420,531**

a For further information on tables C.4 and C.5 please log on to http://www.centralbank.ie/polstats/stats/locational/Pages/releases.aspx

Table C.4 – *continued*

€ million	28 June 2013	28 March 2013
Liabilities		
1. Analysis by currency		
Irish residents in non-euro	*29,565*	*28,583*
US Dollar	20,571	20,453
Sterling	6,760	6,605
Other	2,235	1,525
Non-residents in non-euro	*150,357*	*155,128*
US Dollar	73,362	71,631
Sterling	55,328	61,074
Other	21,667	22,423
Non-residents in euro	*195,816*	*208,952*
2. Analysis by sector		
Irish residents in non-euro	*29,565*	*28,583*
Monetary financial institutions	13,926	13,567
Non-monetary financial institutions	15,639	15,016
Non-residents in non-euro	*200,843*	*155,128*
Monetary financial institutions	135,277	106,266
Non-monetary financial institutions	65,566	48,862
Non-residents in euro	*145,329*	*208,952*
Monetary financial institutions	110,572	162,253
Non-monetary financial institutions	34,757	46,699
3. Total international business	**375,738**	**392,664**

Table C.5: Resident Credit Insititutions International Business - Analysis by Geography[a]

	Liabilities			Assets			
	Euro	Non-euro	Total	Euro	Non-euro	Total	Net external liabilities[b]
€ million	Friday 28 June 13						
1. EU Countries	**238,255**	**72,307**	**310,562**	**168,053**	**161,247**	**329,300**	**-18,737**
MU Countries	**103,324**	**65,503**	**168,826**	**123,406**	**46,256**	**169,663**	**-836**
Austria	150	15	165	2,321	72	2,393	-2,228
Belgium	18,806	2,667	21,473	3,868	684	4,552	16,920
Finland	30	170	199	810	248	1,058	-859
France	27,435	8,404	35,839	16,306	4,720	21,026	14,812
Germany	39,201	8,185	47,385	20,044	4,579	24,623	22,762
Greece	8	1	9	35	61	96	-87
Ireland	-	29,565	29,565	-	27,715	27,715	1,850
Italy	6,142	3,311	9,453	43,913	4,587	48,500	-39,047
Luxembourg	977	571	1,549	2,516	939	3,455	-1,906
Netherlands	9,309	12,427	21,735	11,858	2,091	13,949	7,786
Portugal	22	3	26	1,610	2	1,612	-1,586
Spain	1,150	124	1,274	18,733	171	18,903	-17,630
Other MU	95	60	155	1,392	387	1,779	-1,624
Other EU	**69,428**	**72,307**	**141,736**	**44,646**	**114,990**	**159,637**	**-17,901**
Denmark	4,387	-419	3,968	3,497	995	4,492	-524
Sweden	29	185	214	651	931	1,581	-1,367
United Kingdom	64,934	72,368	137,302	38,183	111,062	149,244	-11,943
Other EU	79	173	252	2,316	2,003	4,319	-4,067
2. Other Europe	**1,027**	**2,874**	**3,900**	**1,958**	**4,910**	**6,868**	**-2,968**
Switzerland	722	2,337	3,059	510	888	1,398	1,661
Other Europe	304	537	841	1,448	4,022	5,470	-4,629
3. Other Industrial Countries	**7,134**	**24,466**	**31,600**	**8,055**	**38,076**	**46,131**	**-14,532**
Australia, New Zealand, South Africa	330	62	392	421	2,566	2,986	-2,594
Canada	828	2,982	3,810	376	1,958	2,334	1,476
Japan	84	76	161	111	2,833	2,944	-2,783
United States	5,891	21,345	27,237	7,148	30,720	37,868	-10,631
4. Offshore Centres	**1,889**	**9,010**	**10,899**	**1,582**	**7,713**	**9,295**	**1,603**
5. Other	**13,014**	**5,762**	**18,776**	**2,074**	**5,143**	**7,217**	**11,559**
Grand Total	**261,319**	**114,419**	**375,738**	**181,723**	**217,089**	**398,812**	**-23,075**

a 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.

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

Table C.5 – *continued*

Liabilities			Assets			
Euro	Non-euro	Total	Euro	Non-euro	Total	Net external liabilities[b]
Thursday 28 March 13						
111,983	**104,715**	**216,698**	**83,105**	**122,554**	**205,659**	**11,040**
80,129	**47,424**	**127,553**	**59,132**	**34,446**	**93,578**	**33,975**
146	20	165	57	40	97	68
19,649	2,854	22,502	2,626	632	3,259	19,244
1	0	1	454	1	455	-453
24,186	8,947	33,133	9,627	4,784	14,411	18,722
26,719	4,875	31,594	11,259	1,439	12,698	18,896
6	1	7	43	69	112	-105
-	14,531	14,531	-	24,477	24,477	-9,946
1,694	2,656	4,350	20,092	248	20,339	-15,990
338	1,012	1,350	1,300	770	2,070	-720
6,424	12,429	18,853	7,176	1,577	8,753	10,100
16	3	18	201	0	201	-183
909	34	943	5,202	133	5,335	-4,392
43	62	105	1,096	275	1,371	-1,266
31,854	**57,291**	**89,145**	**23,973**	**88,108**	**112,081**	**-22,935**
4,937	114	5,050	1,653	396	2,048	3,002
26	65	91	67	561	627	-536
26,792	57,025	83,817	20,776	86,671	107,447	-23,630
100	87	187	1,477	480	1,958	-1,771
554	**1,935**	**2,489**	**1,399**	**7,235**	**8,634**	**-6,145**
407	1,428	1,836	633	3,520	4,154	-2,318
147	506	654	766	3,714	4,480	-3,826
1,323	**19,385**	**20,708**	**2,882**	**16,738**	**19,619**	**1,088**
113	85	198	211	1,006	1,217	-1,019
83	820	902	672	214	886	16
8	47	55	2	220	222	-167
1,119	18,433	19,552	1,997	15,297	17,294	2,258
1,868	**6,078**	**7,947**	**743**	**5,631**	**6,374**	**1,573**
553	**370**	**923**	**314**	**2,652**	**2,965**	**-2,042**
116,281	**132,483**	**248,765**	**88,442**	**154,809**	**243,250**	**5,514**

Section D

Quarterly Financial Accounts

Table D.1: Financial Balance Sheet By Sector, Q1 2013

€ million	Total Assets	Total Liabilities	Net Financial Wealth	Total Assets Transactions	Total Liabilities Transactions	Net Financial Borrowing/ Lending
Non-financial corporations	**691,584**	**879,968**	**-188,384**	**13,807**	**9,899**	**3,908**
Financial corporations	**3,625,910**	**3,658,140**	**-32,230**	**47,340**	**45,878**	**1,462**
Monetary financial institutions	1,216,082	1,234,299	-18,217	-52,860	-61,545	8,685
Other financial intermediaries and financial auxiliaries	2,107,308	2,116,105	-8,797	93,708	103,395	-9,687
Insurance corporations and pension funds	302,520	307,735	-5,216	6,492	4,028	2,464
General government	**88,363**	**228,891**	**-140,528**	**9,383**	**14,328**	**-4,945**
Households and non-profit institutions serving households	**330,040**	**182,164**	**147,876**	**1,067**	**-1,594**	**2,660**
Rest of the world	**3,458,668**	**3,244,408**	**214,260**	**71,126**	**74,210**	**-3,085**

Table D.1.1: Financial Balance Sheet By Sector, Q1 2013

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	**691,584**	**0**	**62,415**	**21,358**	**41,057**	**3,496**	**892**	**1,930**	**674**
Financial corporations	**3,625,910**	**994**	**462,690**	**99,165**	**363,525**	**1,372,937**	**342,160**	**970,130**	**60,647**
Monetary financial institutions	1,216,082	994	340,472	65,832	274,640	538,965	214,791	299,857	24,317
Other financial intermediaries and financial auxiliaries	2,107,308	0	97,614	30,112	67,501	748,818	121,863	593,130	33,825
Insurance corporations and pension funds	302,520	0	24,604	3,221	21,383	85,155	5,506	77,144	2,506
General government	**88,363**	**0**	**30,829**	**0**	**30,829**	**9,593**	**1,990**	**7,040**	**562**
Households and non-profit institutions serving households	**330,040**	**0**	**126,301**	**56,268**	**70,033**	**511**	**0**	**211**	**300**
Rest of the world	**3,458,668**	**0**	**330,665**	**53,639**	**277,026**	**609,980**	**24,598**	**531,792**	**53,590**

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	**879,968**	**0**	**0**	**0**	**0**	**11,964**	**0**	**10,198**	**1,766**
Financial corporations	**3,658,140**	**0**	**661,128**	**140,775**	**520,353**	**642,962**	**63,336**	**521,073**	**58,553**
Monetary financial institutions	1,234,299	0	661,128	140,775	520,353	115,733	17,193	69,497	29,043
Other financial intermediaries and financial auxiliaries	2,116,105	0	0	0	0	526,041	46,143	450,388	29,510
Insurance corporations and pension funds	307,735	0	0	0	0	1,188	0	1,188	0
General government	**228,891**	**0**	**18,141**	**667**	**17,474**	**134,711**	**5,012**	**128,495**	**1,205**
Households and non-profit institutions serving households	**182,164**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rest of the world	**3,244,408**	**0**	**333,630**	**88,988**	**244,642**	**1,206,879**	**301,293**	**851,338**	**54,249**

n.a. not available.

Table D.1.1 – *continued*

Total Assets

Loans	Short-term loans	Long-term loans	Shares and other equity	Quoted shares	Unquoted shares and other equity	Mutual fund shares	Insurance technical reserves	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	Other accounts receivable/ payable	€ million
168,554	**73,593**	**94,961**	**303,275**	**1,938**	**298,779**	**2,558**	**3,669**	**0**	**0**	**3,669**	**150,176**	**Non-financial corporations**
945,885	**226,653**	**719,232**	**713,402**	**n.a.**	**n.a.**	**184,834**	**29,897**	**0**	**0**	**29,897**	**100,105**	**Financial corporations**
302,079	65,431	236,649	19,928	9,500	7,428	3,000	0	0	0	0	13,644	Monetary financial institutions
640,167	159,410	480,756	550,880	403,013	39,858	108,009	0	0	0	0	69,831	Other financial intermediaries and financial auxiliaries
3,640	1,812	1,827	142,594	68,769	0	73,825	29,897	0	0	29,897	16,630	Insurance corporations and pension funds
13,995	**4,533**	**9,462**	**25,794**	**7,617**	**16,479**	**1,698**	**0**	**0**	**0**	**0**	**8,152**	**General government**
0	**0**	**0**	**46,548**	**11,204**	**35,345**	**0**	**148,875**	**71,470**	**74,653**	**2,751**	**7,804**	**Households and non-profit institutions serving households**
547,759	**235,569**	**312,190**	**1,679,299**	**140,409**	**308,282**	**1,230,608**	**106,610**	**86,294**	**0**	**20,316**	**184,356**	**Rest of the world**

Total Liabilities

Loans	Short-term loans	Long-term loans	Shares and other equity	Quoted shares	Unquoted shares and other equity	Mutual fund shares	Insurance technical reserves	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	Other accounts receivable/ payable	€ million
305,599	**64,137**	**241,462**	**394,600**	**190,350**	**204,250**	**0**	**0**	**0**	**0**	**0**	**167,805**	**Non-financial corporations**
413,191	**266,185**	**147,006**	**1,566,883**	**28,809**	**220,586**	**1,317,488**	**262,339**	**157,764**	**74,653**	**29,922**	**111,636**	**Financial corporations**
0	0	0	435,130	13,363	118,659	303,108	0	0	0	0	22,308	Monetary financial institutions
407,867	264,889	142,978	1,107,170	15,036	77,754	1,014,380	0	0	0	0	75,027	Other financial intermediaries and financial auxiliaries
5,324	1,296	4,028	24,583	410	24,173	0	262,339	157,764	74,653	29,922	14,301	Insurance corporations and pension funds
67,593	**1,861**	**65,732**	**1,844**	**0**	**1,844**	**0**	**0**	**0**	**0**	**0**	**6,601**	**General government**
172,281	**6,416**	**165,865**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9,882**	**Households and non-profit institutions serving households**
717,528	**201,748**	**515,780**	**804,991**	**423,290**	**279,491**	**102,209**	**26,711**	**0**	**0**	**26,711**	**154,669**	**Rest of the world**

n.a. not available.

Table D.1.2: Financial Transactions By Sector, Q1 2013

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	**13,807**	**0**	**3,954**	**-442**	**4,396**	**862**	**183**	**54**	**626**
Financial corporations	**47,340**	**1**	**-45,080**	**12,104**	**-57,184**	**84,918**	**22,498**	**62,749**	**-329**
Monetary financial institutions	-52,860	1	-51,636	-61	-51,575	32,233	7,828	28,587	-4,182
Other financial intermediaries and financial auxiliaries	93,708	0	6,278	12,396	-6,118	52,562	14,234	34,476	3,852
Insurance corporations and pension funds	6,492	0	278	-231	509	123	436	-314	1
General government	**9,383**	**0**	**6,457**	**0**	**6,457**	**-102**	**945**	**-1,081**	**34**
Households and non-profit institutions serving households	**1,067**	**0**	**627**	**658**	**-31**	**54**	**54**	**0**	**0**
Rest of the world	**71,126**	**1**	**-20,119**	**-1,472**	**-18,647**	**12,540**	**406**	**12,860**	**-726**

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	**9,899**	**0**	**0**	**0**	**0**	**527**	**0**	**612**	**-85**
Financial corporations	**45,878**	**0**	**-48,401**	**10,266**	**-58,667**	**22,220**	**15,516**	**6,684**	**20**
Monetary financial institutions	-61,545	0	-48,401	10,266	-58,667	-4,414	0	1,232	-5,646
Other financial intermediaries and financial auxiliaries	103,395	0	0	0	0	26,564	15,516	5,382	5,666
Insurance corporations and pension funds	4,028	0	0	0	0	70	0	70	0
General government	**14,328**	**0**	**634**	**-3**	**637**	**36,142**	**2,312**	**33,830**	**0**
Households and non-profit institutions serving households	**-1,594**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rest of the world	**74,210**	**1**	**-6,394**	**584**	**-6,978**	**39,383**	**6,257**	**33,456**	**-330**

n.a. not available.

Table D.1.2 – *continued*

Total Assets Transactions

Loans	Short-term loans	Long-term loans	Shares and other equity	Quoted shares	Unquoted shares and other equity	Mutual fund shares	Insurance technical reserves	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	Other accounts receivable/ payable	€ million
-6,774	**-7,473**	**699**	**12,685**	**86**	**12,586**	**13**	**134**	**0**	**0**	**134**	**2,946**	**Non-financial corporations**
-44,030	**-9,093**	**-34,937**	**28,188**	**n.a.**	**n.a.**	**12,732**	**1,860**	**0**	**0**	**1,860**	**21,482**	**Financial corporations**
-33,152	-1,307	-31,845	-202	-153	-7	-42	0	0	0	0	-104	Monetary financial institutions
-10,878	-8,015	-2,863	24,840	14,029	1,387	9,423	0	0	0	0	20,906	Other financial intermediaries and financial auxiliaries
1	229	-228	3,550	200	0	3,350	1,860	0	0	1,860	680	Insurance corporations and pension funds
2,810	**2,237**	**573**	**28**	**53**	**0**	**-25**	**0**	**0**	**0**	**0**	**190**	**General government**
0	**0**	**0**	**-181**	**489**	**-670**	**0**	**880**	**639**	**160**	**81**	**-313**	**Households and non-profit institutions serving households**
12,530	**11,488**	**1,042**	**39,068**	**-15,045**	**26,036**	**28,076**	**1,269**	**1,870**	**0**	**-601**	**25,839**	**Rest of the world**

Total Liabilities Transactions

Loans	Short-term loans	Long-term loans	Shares and other equity	Quoted shares	Unquoted shares and other equity	Mutual fund shares	Insurance technical reserves	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	Other accounts receivable/ payable	€ million
-7,111	**-2,167**	**-4,943**	**12,266**	**-14,975**	**27,241**	**0**	**0**	**0**	**0**	**0**	**4,216**	**Non-financial corporations**
2,281	**3,399**	**-1,118**	**35,188**	**-59**	**-3,558**	**38,805**	**2,716**	**2,509**	**160**	**47**	**31,873**	**Financial corporations**
0	0	0	-8,999	0	-4,243	-4,756	0	0	0	0	269	Monetary financial institutions
2,360	3,460	-1,101	44,114	-61	614	43,561	0	0	0	0	30,357	Other financial intermediaries and financial auxiliaries
-78	-61	-18	73	2	71	0	2,716	2,509	160	47	1,246	Insurance corporations and pension funds
-23,890	**-42**	**-23,848**	**5**	**0**	**5**	**0**	**0**	**0**	**0**	**0**	**1,436**	**General government**
-1,902	**-206**	**-1,696**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**309**	**Households and non-profit institutions serving households**
-4,843	**-3,825**	**-1,018**	**32,328**	**14,694**	**15,643**	**1,991**	**1,427**	**0**	**0**	**1,427**	**12,309**	**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	30 Sep.	31 Dec.	29 Mar.	28 Jun.
Government Debt				
Amount outstanding (gross)				
Euro-denominated debt				
Government Bonds	88,506	87,853	120,083	115,465
Exchequer Bills/Notes, Central Treasury Notes	4,004	1,391	3,738	4,145
Saving Certificates/Stamps, National Solidarity Bonds	5,416	5,794	6,299	6,877
Prize Bonds	1,584	1,649	1,718	1,799
Savings Bonds	5,228	5,568	5,671	5,710
National Instalment Savings	472	472	473	473
Ways and means	1,233	786	1,464	1,094
Borrowings from Central Bank, etc.	-	-	-	-
Local loans funds	5	5	5	5
Short-term paper	1,169	1,159	1,241	1,590
FX contracts	654	706	278	360
EIB loans	100	100	100	100
Public bond issues	-	-	-	-
Private placements	602	602	602	602
IMF[a]	6,677	6,998	7,349	7,701
EFSM	20,700	21,700	21,700	21,700
EFSF[b]	12,214	12,214	12,214	14,614
Bilateral loans	250	500	500	750
Medium-term notes	-	-	-	-
Swaps	12,907	13,986	15,661	16,672
Total euro-denominated debt	**161,722**	**161,483**	**199,097**	**199,659**
Non-euro-denominated debt				
EIB loans	-	-	-	-
Public bond issues	-	-	-	-
Private placements	-	-	-	-
Medium-term notes	100	88	83	77
IMF[a]	12,153	12,288	12,975	13,246
EFSM	-	-	-	-
EFSF	-	-	-	-
UK Bilateral Loan	2,022	2,471	2,862	3,294
Swaps	-13,694	-14,284	-15,837	-16,428
Short-term paper	68	140	199	169
FX contracts	-651	-703	-283	-359
Total non-euro-denominated debt	**-3**	**-**	**-1**	**-1**
Gross debt	**161,719**	**161,482**	**199,096**	**199,658**
Residual Maturity Profile				
Amounts due to mature in:				
– ≤ 1 year	7,227	9,968	12,585	8,076
– Over 1 year but ≤ 5 years	45,739	47,097	50,088	50,987
– Over 5 years but ≤ 10 years	79,831	78,063	79,752	81,468
– Over 10 years	28,922	26,354	56,670	59,128
Total	**161,719**	**161,482**	**199,096**	**199,658**

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	28 Sep.	31 Dec.	28 Mar.	28 Jun.
1. Resident[a]	24,212	24,387	51,600	52,270
– MFIs and Central Bank	21,285	21,784	49,126	49,797
– Gerernal Government and Financial Intermediaries	2,737	2,416	2,271	2,274
– Non-Financial Corporations and Households	189	188	203	198
2. Rest of world	64,295	63,466	68,483	63,195
Total	**88,507**	**87,853**	**120,083**	**115,465**
3. Amounts due to mature in:				
– Less than 3 years	16,949	16,363	15,872	21,424
– 3 or more years but less than 5 years	10,188	14,105	16,558	6,389
– 5 or more years but less than 10 years	48,603	44,618	49,618	49,630
– 10 or more years but less than 15 years	11,780	11,780	11,895	11,817
– 15 or more years	986	986	26,140	26,205
Total	**88,507**	**87,853**	**120,083**	**115,465**

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
May	106.27	105.78	106.54
June	107.30	106.63	

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
2013		
Q1	100.16	101.18

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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