



An Roinn Airgeadais
Department of Finance

Stability Programme Update – Summary

April 2021

Prepared by Economics Division
Department of Finance
[finance.gov.ie](https://www.finance.gov.ie)

Summary

- > **Modified domestic demand** – which consists of consumer and government spending, as well as ‘normal’ investment – is projected to pick-up moderately from the second quarter as restrictions are gradually eased.
- > The pace of increase should accelerate over the second half of the year, resulting in an annual average MDD growth rate of **2½ per cent in 2021** (GDP +4.5 per cent).
- > MDD should accelerate in **2022** as containment measures are phased out; a growth rate of **7½ per cent** (GDP +5 per cent) is projected. This, in part, reflects a ‘catch-up’ period as pent up consumer and business spending drives above-trend growth.
- > On the basis outlined, the level of **MDD would revert back to its pre-pandemic level by the fourth quarter of 2021**. Notwithstanding reversion to trend growth rates by 2023, the level of MDD and consumption at the end of the forecast horizon would still be below the level suggested by their respective pre-pandemic trends (Figures 3a and 3b), with employment also lagging.
- > A deterioration in the epidemiological situation would delay the recovery and could increase the ‘scars’ associated with the pandemic. In a downside scenario the Irish economy would be approximately 4½ per cent smaller by the end of next year than it would under the baseline forecasts.
- > The **labour market** has borne the brunt of the pandemic, with the number of hours worked at the end of last year 9½ per cent below the pre-pandemic peak. Contact-intensive sectors have been most severely affected.
- > For next year, an additional (net) 226,000 (**+11 per cent; 2022**) jobs are projected to be added, though the level of employment will remain below the pre-crisis level in 2019 until the first quarter of 2023.
- > The **unemployment** rate is projected to average around **16¼ per cent this year**, before declining to **8¼ per cent in 2022** as the economy is fully re-opened.
- > The **unemployment rate** is forecast to fall to a rate of **5½ per cent in 2025**, remaining above the pre-pandemic rate of 5 per cent on average for 2019, reflecting some scarring.
- > Government has **mobilised substantial resources** to limit the short-term impact of the pandemic and to minimise longer-term ‘scarring’ effects.
- > A general government deficit of €18.4 billion (5 per cent of GDP; 8.9 per cent of GNI*) was recorded last year. The Department is projecting a **deficit of €18.1 billion** (4.7 per cent of GDP; 8.4 per cent of GNI*) this year.
- > A **deficit of €11.6 billion (2.8 per cent of GDP; 5 per cent of GNI*)** is projected for **2022**; this is contingent upon the assumption that most of the emergency temporary supports are withdrawn at end-2021.
- > Public indebtedness amounted to €218.2 billion, 105.6 per cent of GNI* last year.
- > **Public indebtedness** is projected at €239.3 billion this year, the equivalent of **111.8 per cent of GNI***; this would put the Irish debt-income ratio amongst the highest in the developed world.
- > While public indebtedness has increased, the **burden of public debt has fallen**, largely reflecting the decline in interest rates associated with large-scale central bank purchases of sovereign debt.

Table 1: summary – main economic and fiscal variables, per cent change (unless stated)

	2020	2021	2022	2023	2024	2025
<i>Economic Activity</i>						
Real GDP	3.4	4.5	5.0	3.5	3.2	3.1
Real GNP	0.6	4.4	4.5	2.8	2.6	2.5
Modified Domestic Demand	-5.4	2.6	7.4	3.8	3.4	3.4
Real GNI*^	-4.2	2.5	5.5	3.0	2.7	2.7
<i>Prices</i>						
HICP	-0.5	1.1	1.9	1.5	1.6	1.9
Core HICP	-0.1	0.7	1.7	1.5	1.6	1.9
GDP deflator	-0.5	0.4	1.8	1.5	1.6	1.6
<i>Balance of Payments (per cent of GDP)</i>						
Trade balance	30.0	40.5	38.7	37.9	37.1	36.6
Current account	4.6	15.1	13.1	11.8	10.7	9.8
<i>Labour Market</i>						
Total Employment ('000)^	1,972	2,051	2,276	2,351	2,405	2,457
Employment	-15.1	4.0	11.0	3.3	2.3	2.2
Unemployment (per cent)	18.7	16.3	8.2	6.7	6.0	5.5
<i>Public Finances (per cent of GDP, unless stated)</i>						
General government balance	-5.0	-4.7	-2.8	-1.2	-0.7	-0.2
Structural budget balance*	-0.5	-1.0	-1.9	-1.2	-0.9	-0.4
Debt ratio (year-end)	59.5	62.2	60.2	59.0	57.7	55.4
Debt ratio (per cent of GNI*)^	105.6	111.8	107.4	105.8	103.9	100.1
Net debt position (year-end)~	51.2	54.3	54.1	53.0	51.6	49.7

* estimates of the structural budget balance are subject to even greater uncertainty than normal.

^ GNI* is based on GNI less depreciation of R&D-related service imports and trade in IP, depreciation of aircraft for leasing, and net factor income of re-domiciled PLCs.

~ net debt figures from 2021 estimated by mechanical extrapolation of assets.

Labour market data reported on a 'covid-adjusted' basis.

Source: CSO for 2020 and Department of Finance 2021-2025. 2020 GNI* also estimated by Department of Finance



Figure 1a: incidence rate; 14-day m.a. per 100k

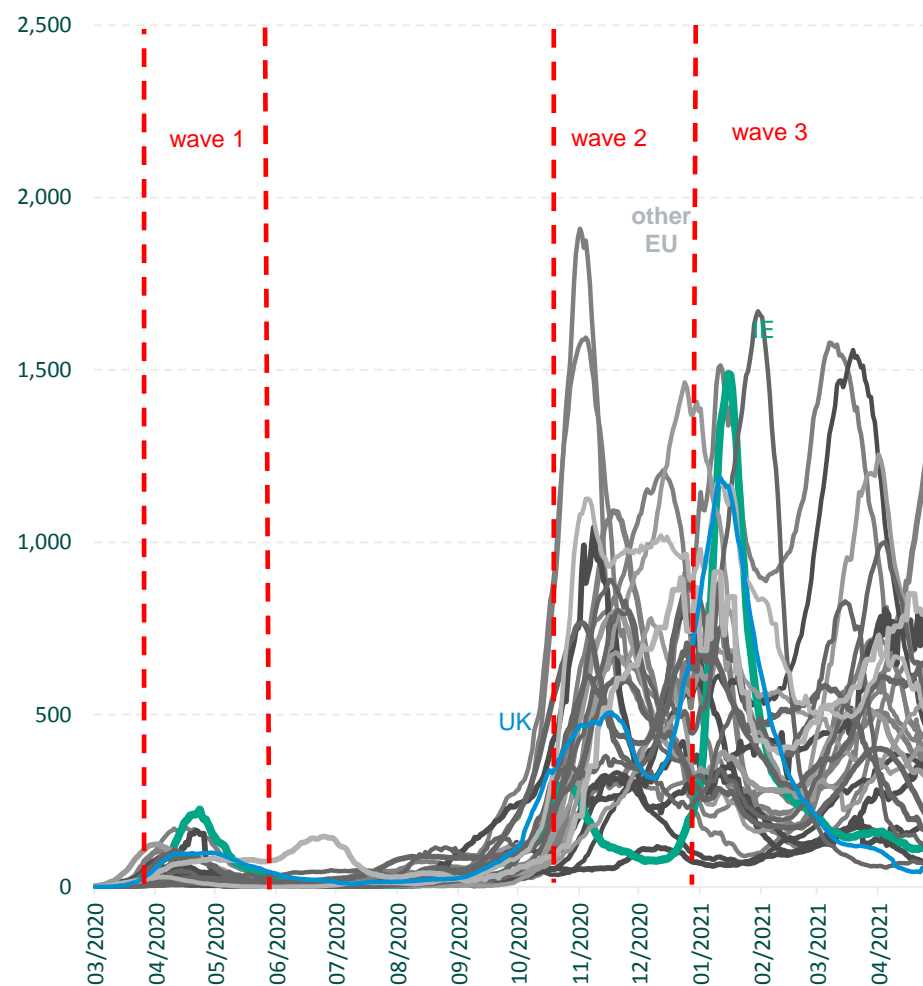
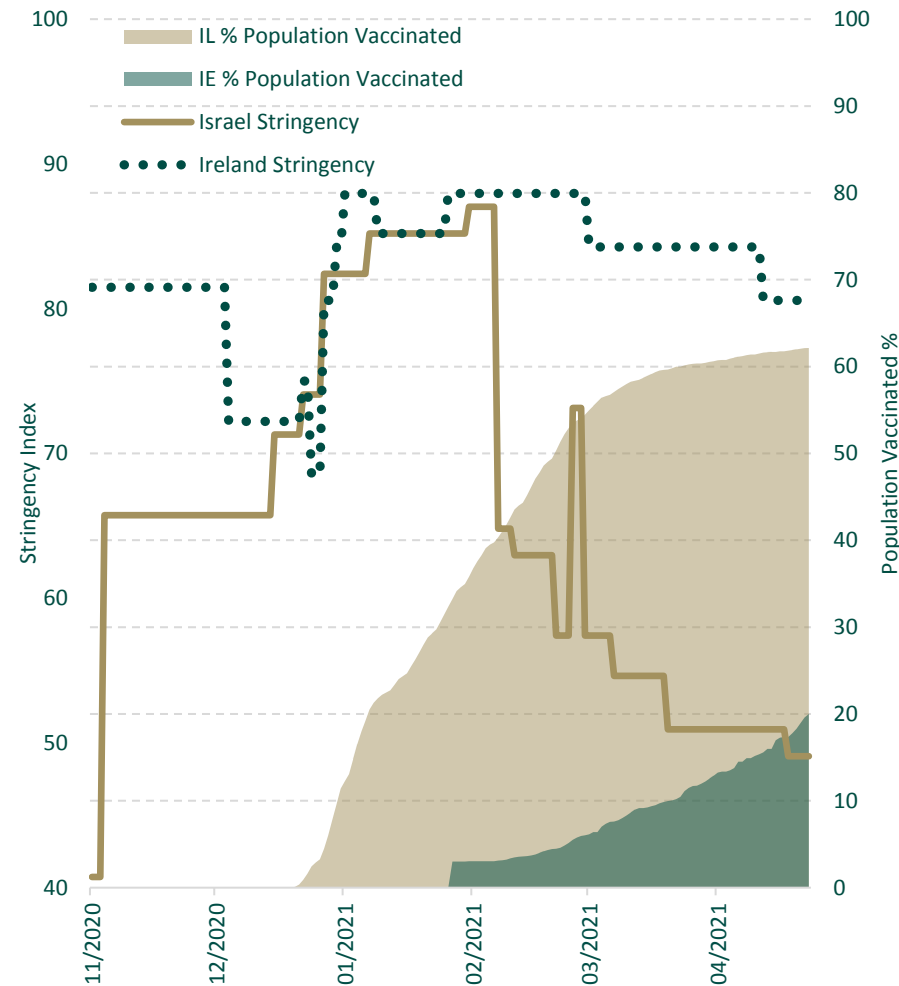


Figure 1b: the Israel experience



Source: figures a & b = John Hopkins, Our World in Data.



Figure 2a: contributions to changes in GDP; pp

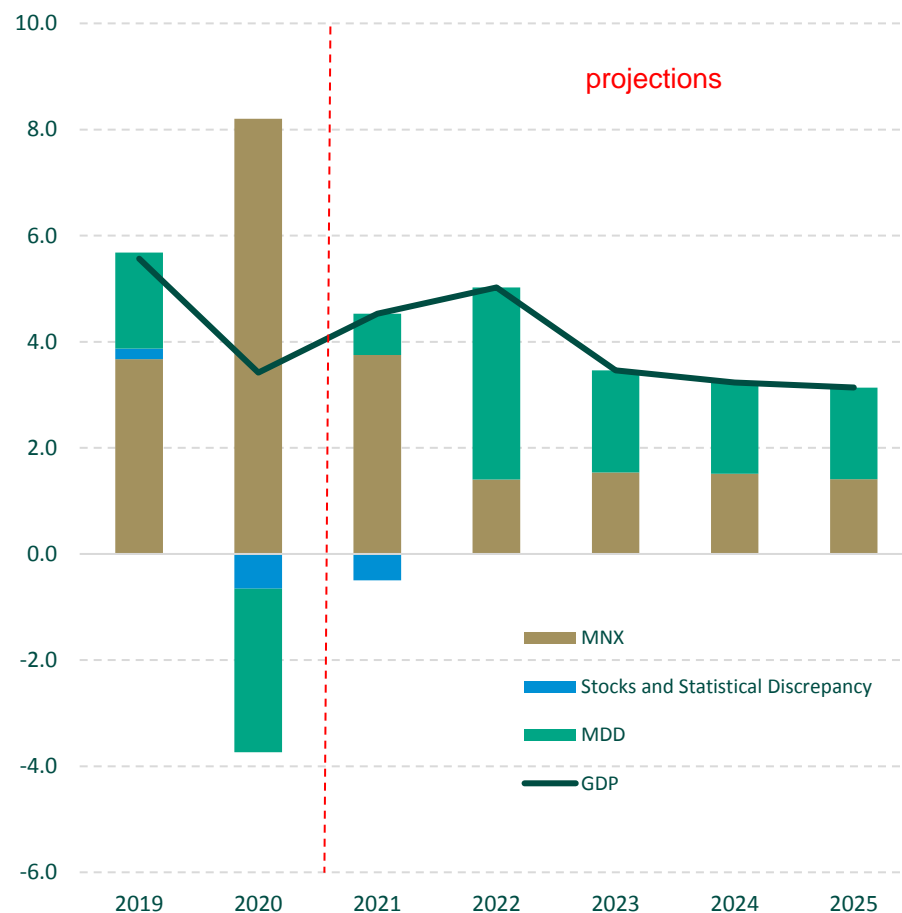
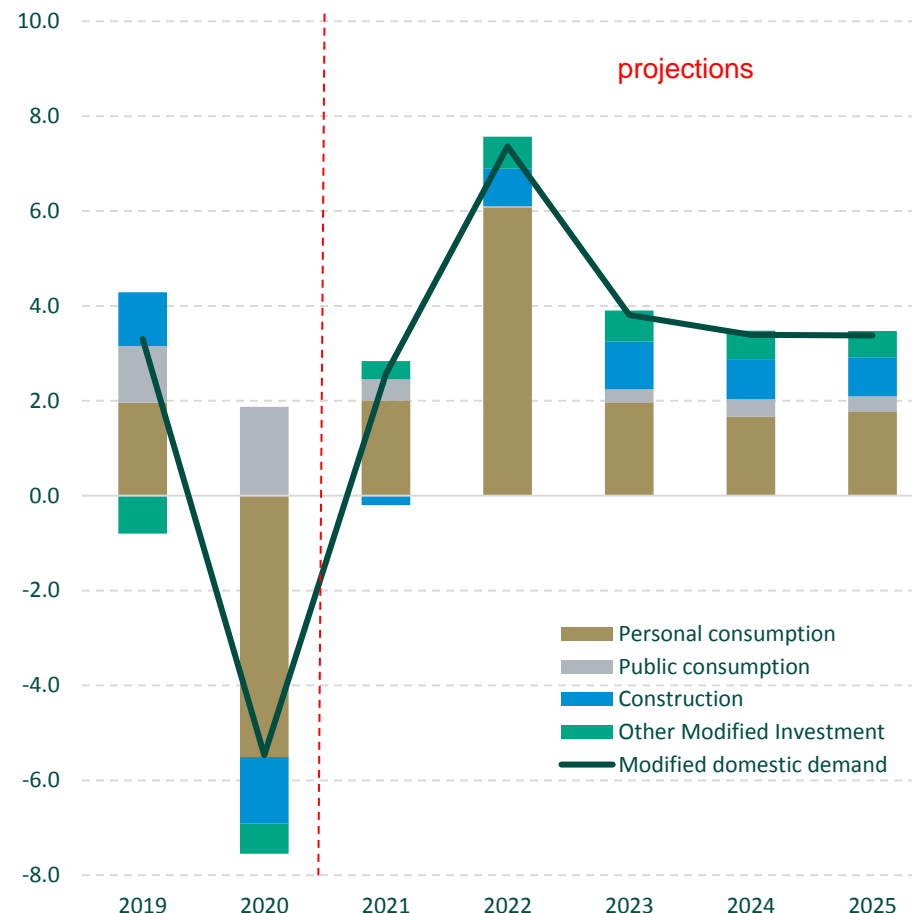


Figure 2b: contributions to changes in MDD; pp



Modified domestic demand represents the sum of private consumption, public consumption and investment excluding stocks, investments in aircraft by the leasing sector and net R&D imports. Modified net exports is net exports (exports less imports) excluding investments in aircraft by the leasing sector and net R&D imports. Other modified investment is machinery and equipment excluding investments in aircraft by the leasing sector, plus domestic R&D. Source: figures a & b = CSO, Department of Finance.



Figure 3a: modified domestic demand; 2018 prices € million

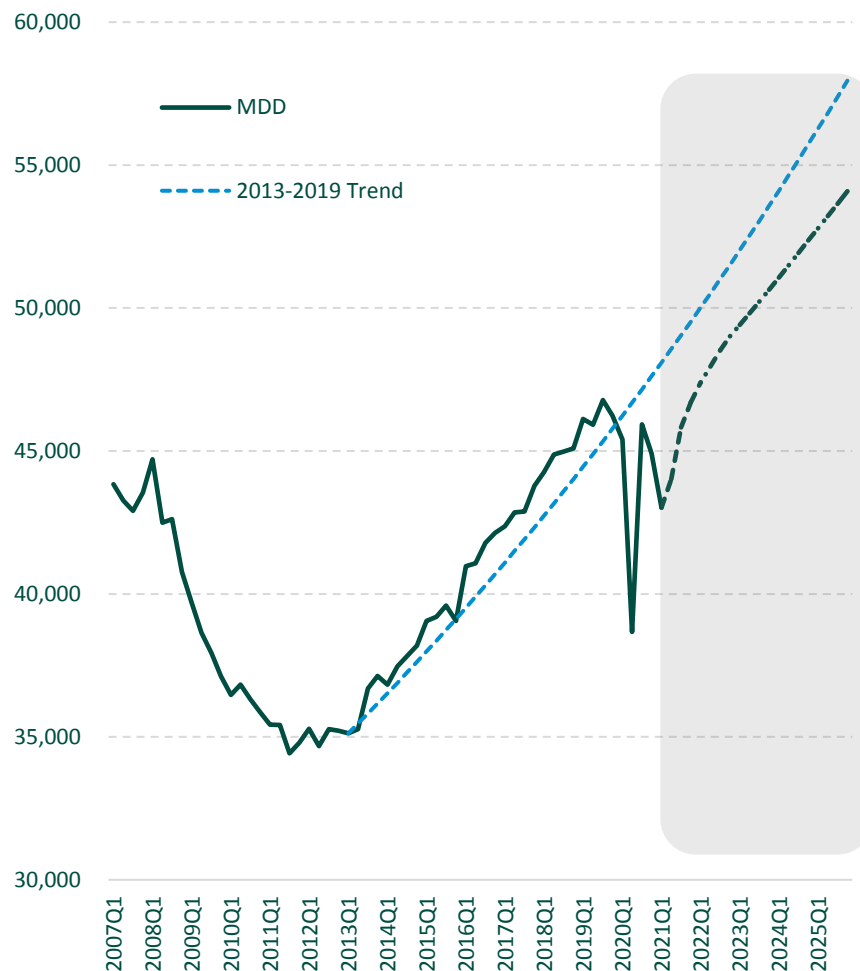
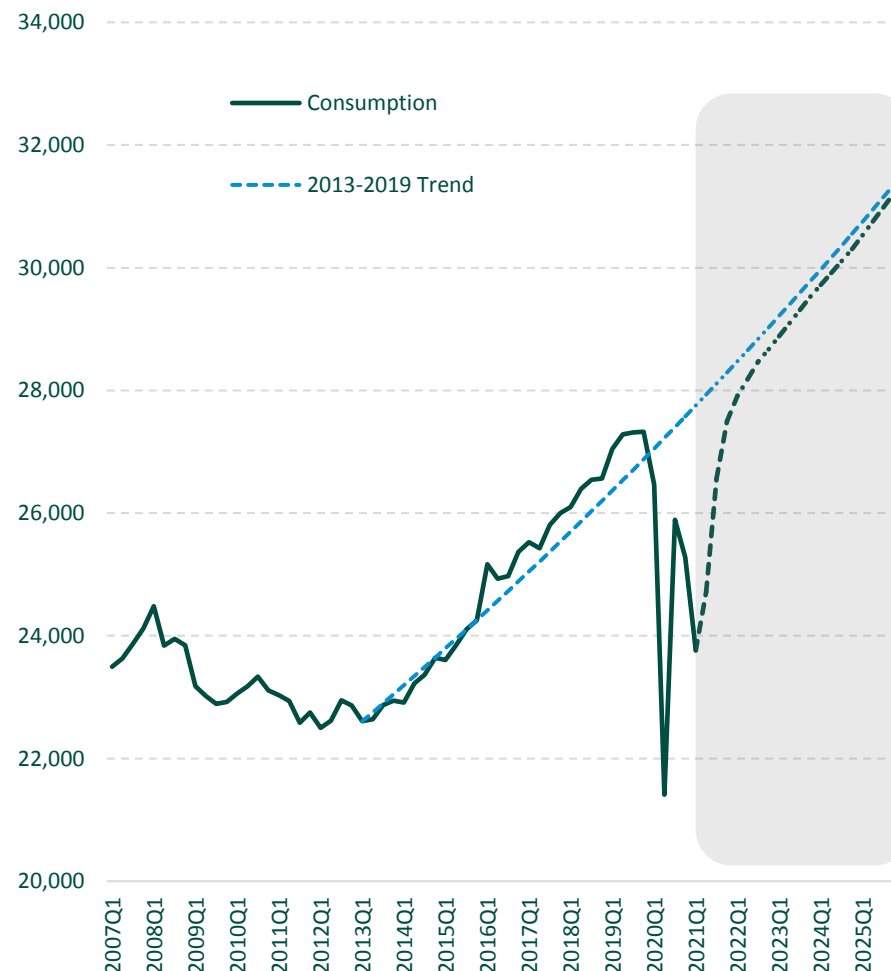


Figure 3b: personal consumption; 2018 prices € million



Source: figures a & b = CSO and Department of Finance



Figure 4a: employment levels; 000

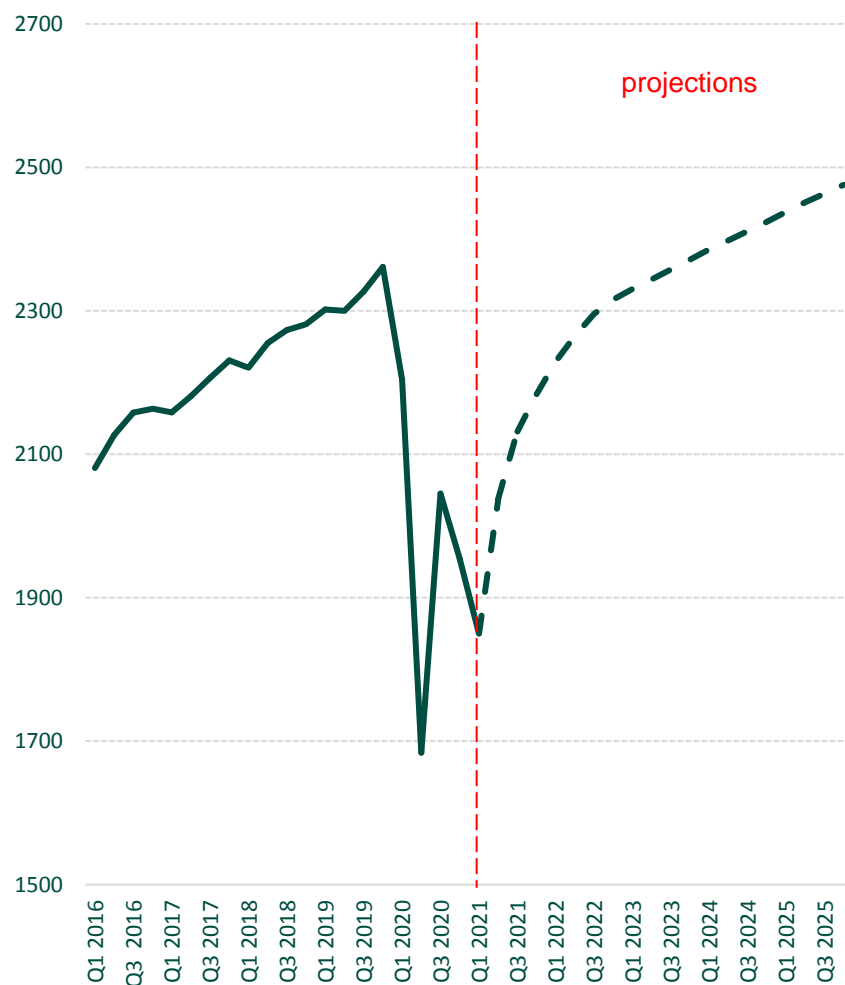
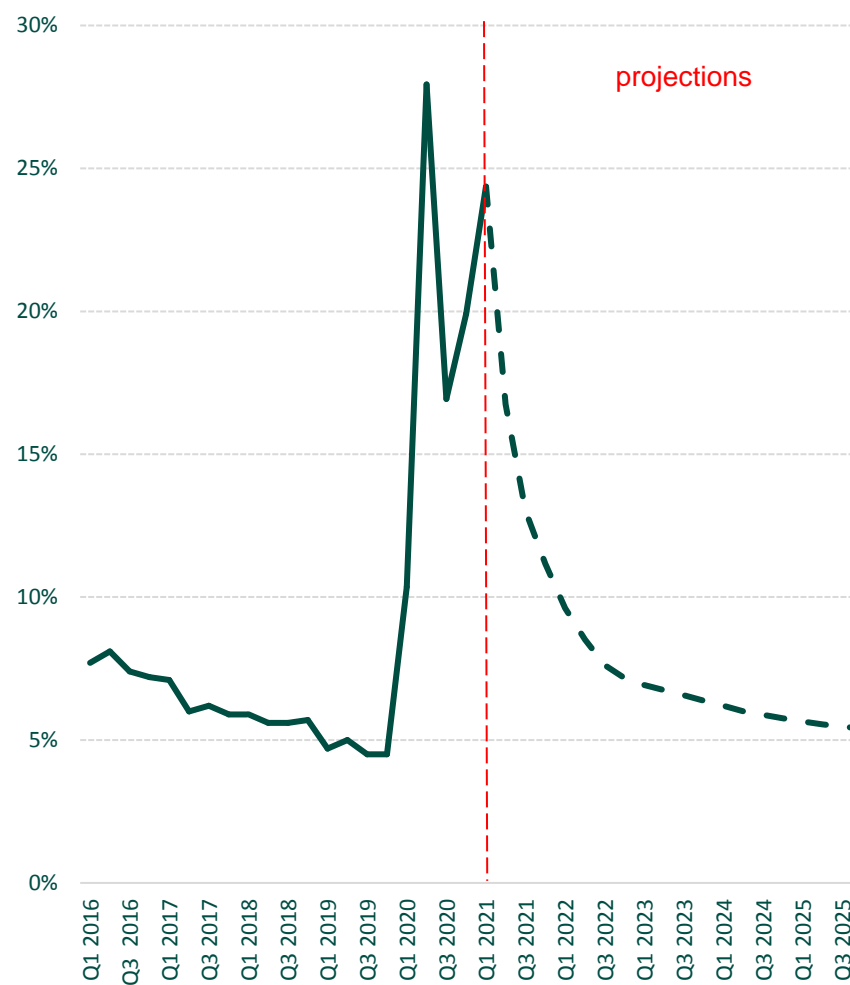


Figure 4b: unemployment rate, per cent



Source: figures a and b = CSO and Department of Finance



Figure 5a: general government balance, per cent GDP

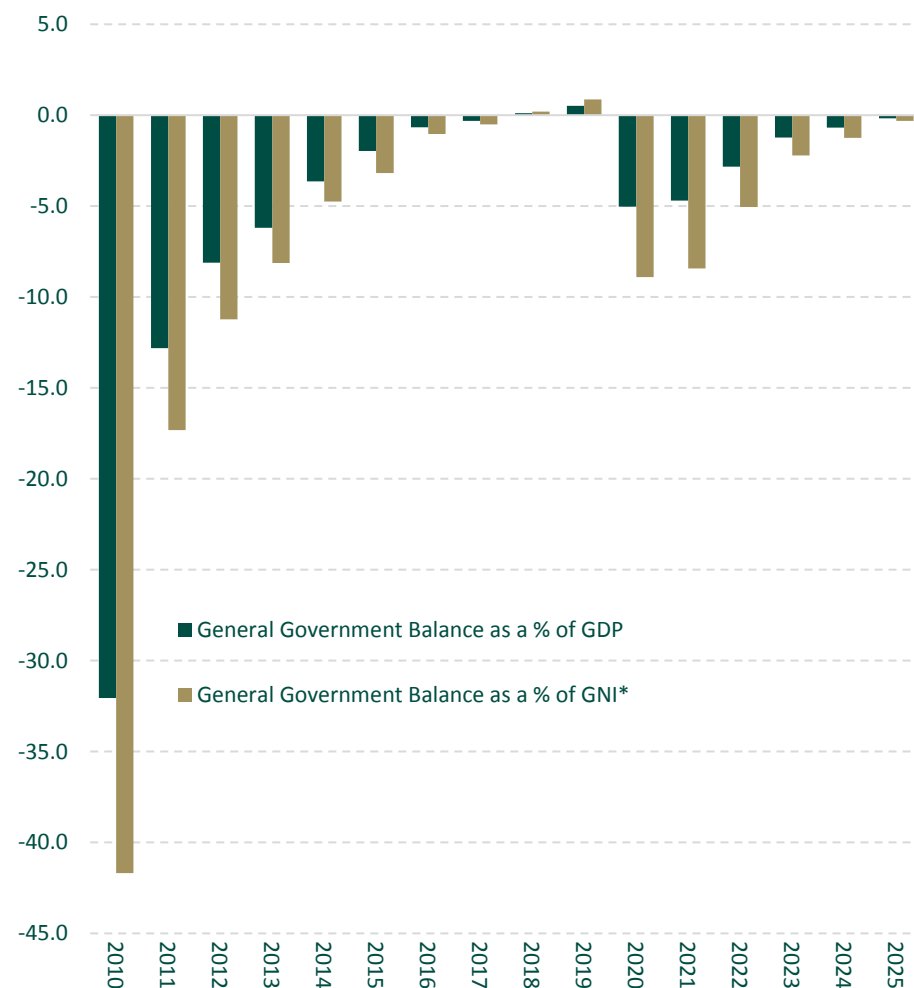
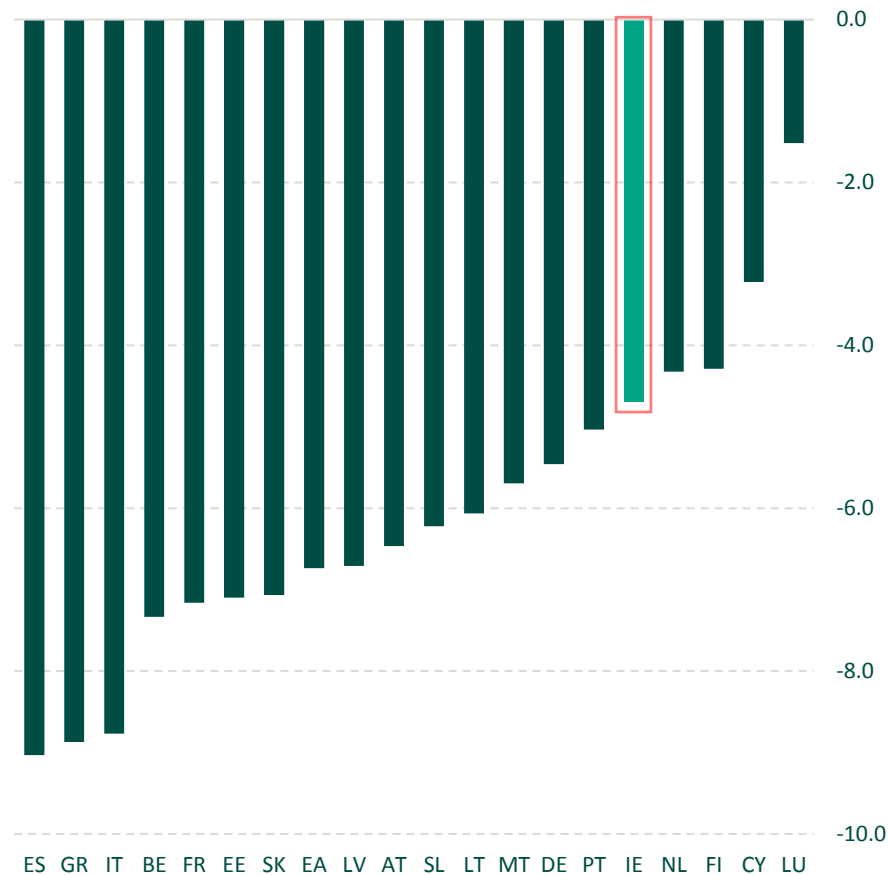


Figure 5b: Ireland's deficit in context, per cent GDP



Source: figure a: CSO and Department of Finance; figure b: IMF World Economic Outlook April 2021



Figure 6a: general government debt, per cent of GDP/ GNI*

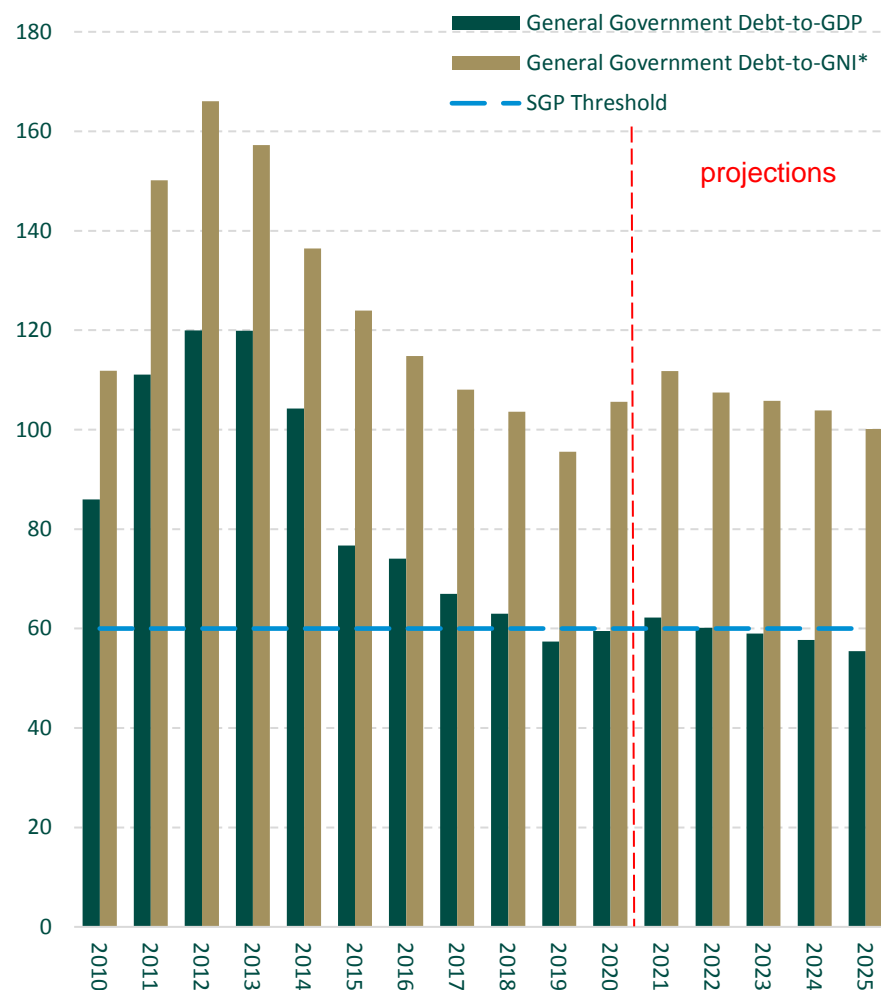
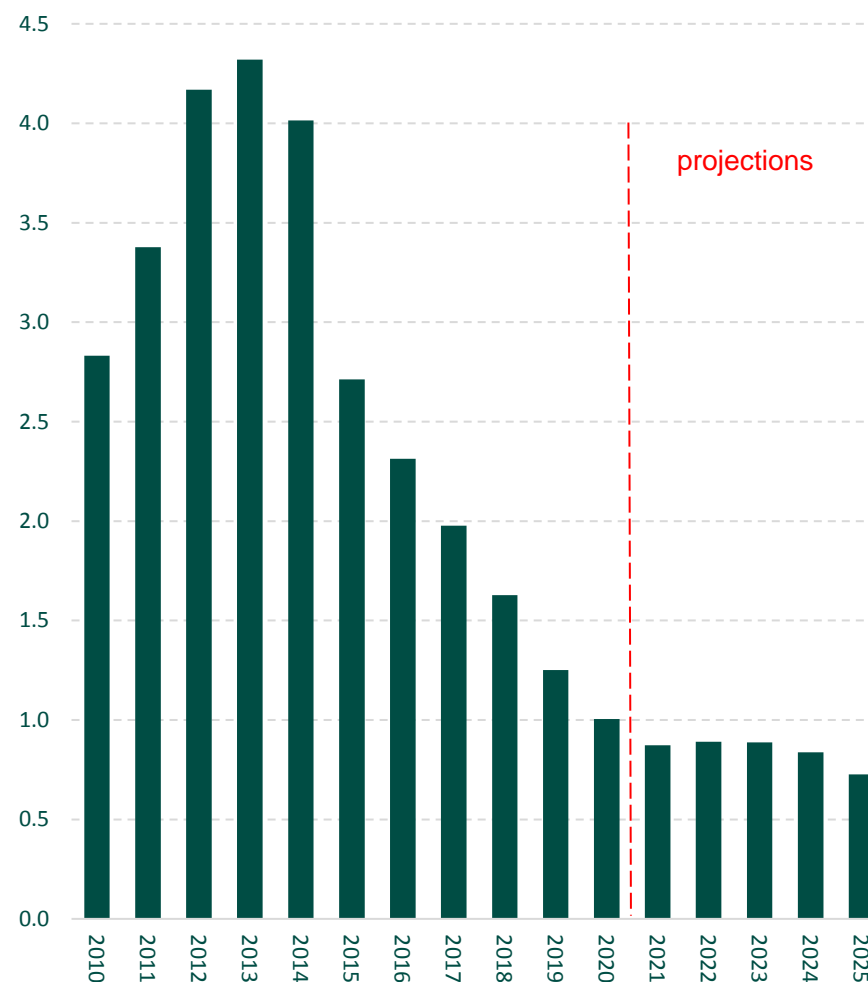


Figure 6b: debt service costs, per cent



Source: figures a & b = CSO and Department of Finance

Table 2: Chronology of the pandemic

Date		Key development
December 2019	31	China informs WHO of a number of 'flu-like' cases in Wuhan
January	11	First confirmed death from coronavirus recorded in China
	13	First case outside of China detected, in Thailand
	24	First confirmed European cases of Covid-19 reported in France
February	29	First case recorded in Republic of Ireland
March	8	Global confirmed Covid-19 cases surpass 100,000
	11	WHO declares 'global pandemic'; first confirmed Covid -19 death in Ireland
	12	Schools, colleges, childcare facilities in Ireland shut for two-week period
	13	WHO declared Europe the 'epicentre' of the pandemic
	16	Irish Government establish pandemic unemployment payment (PUP)
	18	ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP)
	24	TWSS announced. All non-essential shops in Ireland close, all sporting events
	27	Ireland enters 'lockdown'
April	2	Cases top 1 million worldwide
	10	Global death toll surpasses 100,000
May	1	Ireland extends lockdown to 18 May; Roadmap to reopening announced (May–Aug)
	18	Phase 1 commences, including some easing of restrictions on workplace attendance
June	4	ECB boosts bond-buying PEPP stimulus package by €600bn to €1,350bn
	8	Phase 2 commences, including opening for all retail outlet
	29	Phase 3 commences, travel restrictions end, personal services and bars serving
July	13	Face coverings compulsory on public transport
	15	Phase 4 deferred as reproductive rate rises
	20	EU leaders agree €750bn stimulus deal
	23	Government of Ireland announces <i>July Stimulus</i> package, worth €5.2 billion
August	7	Regional lockdown in Kildare, Laois, and Offaly
September	18	Dublin moves to Level 3
	29	Global deaths surpass 1 million

October	7	Ireland enters National 3 lockdown
	13	Ireland unveils record budget package to tackle Covid-19 recession
	21	Ireland is first EU country to re-enter national lockdown - 'Level 5'
	31	France, Germany, UK, Greece and Belgium follow Ireland in implementing fresh
November	9	Pfizer and BioNTech announce preliminary results for a 90 per cent effective vaccine
	11	EU signs deal for 300 million doses of Pfizer and BioNTech vaccine
	18	Covid-19 death toll in Ireland reaches 2,000
December	1	Ireland moves to Level 3, non-essential retail reopens
	2	UK becomes first Western country to approve a Covid-19 vaccine
	14	New and more transmissible strain of Covid-19 (B.1.1.7) identified in the UK
	28	Vaccine rollout begins in Ireland
	29	Ireland re-enters Level 5 national lockdown
January	8	Ireland reports peak of over 8,200 daily cases
	11	Ireland's daily Covid-19 rate per million people highest in the world
	26	Government extends Level 5 restrictions to March 5
	29	AstraZeneca Covid-19 vaccine is approved in the EU
February	15	Location of 37 mass vaccination centres announced
	17	4,000 deaths in Ireland
	26	5 per cent of people in Ireland have received first dose of the Covid-19 vaccine
March	11	US adopts \$1.9 tn Covid-19 stimulus package
	14	Ireland temporarily suspends use of AstraZeneca vaccine amid blood clot concerns
	30	Phased easing of Covid-19 restrictions announced
April	8	Ireland administers 1 millionth Covid-19 vaccine

Note: table does not purport to be fully comprehensive – its purpose is to provide an overview of the key developments, as they impacted on Ireland, and their timeline.

Source: Department of Finance.



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