Ireland's Economic Outlook: Economic Recovery is Under Way

Anne Anderson
Ambassador of Ireland to the United States

"Ireland's economic recovery is under way." This is not the pronouncement of an Irish Government Minister or an economic observer in Ireland. It is not even a quote from an Irish Ambassador, although it certainly could have been. Instead this quotation is drawn from a statement made by hard-nosed professionals at the credit rating agency, Standard and Poor's, in July 2013. This is an organization whose job it is to call it as they see it, and to provide dispassionate analysis of financial and economic data.

Since the middle of last year, when that statement was made, a great deal has happened to confirm the prescience of Standard and Poor's assessment.

On December 15, 2013, Ireland exited the EU/IMF Programme of Assistance—the first euro area country to exit a program of this type. Over the previous three years the EU/IMF had lent Ireland €67.5 billion.

The fact that the Irish Government decided to exit the Programme without a precautionary credit line, what some had described as a "safety net" or an "insurance policy," is a reflection of high levels of market confidence in Ireland. Over the previous 36 months, Ireland had undertaken over 260 separate actions as part of the Programme. Ireland fulfilled each one of these commitments on time and in full. Building up the confidence of financial markets in this way—showing our absolute determination to restore stability and growth to our economy—was critical to our "clean" and on-time exit from the Programme.

Ireland's successful return to the international financial markets was demonstrated in January 2014 when we sold €3.5 billion of ten year bonds at sustainable interest rates (3.54 percent) in an auction that was more than three times over-subscribed. In fact we have now seen our bond yields come down close to historic lows.

In January 2014, Moody's joined the other major credit rating agencies in upgrading Ireland's credit rating to investment grade. Moody's also changed their outlook for the Irish economy from "stable" to "positive." Ireland has now very clearly made a full return to normal market funding.

The economic adjustment process continues. We are working our way out from the most severe economic crisis to confront Ireland since the foundation of our state almost 100 years ago. Our success is the result of collective sacrifice: hard political decisions taken by the Government and implemented with the support of our people.

Bringing our public finances under firm control has been critical to all our efforts. We remain on course to bring our deficit below five percent this year and to below three percent next year. Our debt-to-GDP ratio is expected to have peaked at 122 percent of GDP in 2013 and to begin declining this year. We are again paying our way in the world: we expect this year to achieve a primary budget surplus—Government income exceeding expenditure, when debt servicing costs are excluded.

Despite this real and tangible progress across many fronts, major challenges remain. Tackling the scourge of unemployment is foremost among these challenges. Our unemployment rate has fallen by almost three percentage points over the past two years; having lost 1,600 jobs a week during the economic crisis, we are now creating 1,200 jobs per week. But an unemployment rate of 12 percent still remains unacceptably high and the Government has a single-minded focus on bringing that figure down. The third installment of the Action Plan for Jobs 2014 has just been launched; the Plan presents a comprehensive list of measures designed to have 100,000 more people at work by 2016.

For Ireland, growth has always meant looking outwards.

We are a small, open, trading economy, exporting 80 percent of everything we produce. Exports have driven our recovery. Total exports from Ireland are now 16 percent higher in nominal terms than the pre-crisis peak in 2007. Irish companies have shown they have the strengths and capabilities to successfully compete globally across a range of sectors, including financial services, life sciences, software technology solutions, information and communications technology (ICT), and high-end engineering and electronics.

Against this backdrop, the importance of a healthy, vibrant and open US economy to Ireland cannot be overstated. As Ireland's single largest export market for goods last year, the United States consumed 21 percent of our goods exports. The United States is also Ireland's largest trading partner in international traded services, with total trade in services amounting to more than €30 billion in 2012.

Irish companies are also significant investors in the United States, with over 220 of them employing tens of thousands of people across all 50 states.

For Ireland and for the entire European Union, concluding an ambitious Transatlantic Trade and Investment Partnership (TTIP) deal with the United States is a very high priority, and one which will undoubtedly be emphasized by leaders during the EU-US Summit, scheduled to take place in Brussels on March 26, 2014. We are proud of the pivotal role which Ireland played, as Presidency of the EU Council during the first half of last year, in getting the TTIP negotiations underway.

An ambitious TTIP deal has the potential to be a real win-win for both sides of the Atlantic, holding promise of major returns in terms of jobs and growth for the United States and Europe. Given the character of these negotiations—with their particular focus on non-tariff barriers, where it is widely accepted the greatest potential for gains exist—

nobody expects them to be easy. But the considerable effort required on all sides to make an ambitious deal a reality is most certainly worth it.

As well as selling our goods and services to the world, another critical element in Ireland's push to recovery has been making Ireland the prime location in Europe for businesses who want to internationalize their operations. Ireland stands as a world leader in attracting inward investment. Over many decades we have seen the establishment of an extraordinary range of overseas companies that now have significant Irish bases.

One striking statistic brings this home in a US context: US firms have invested more capital in Ireland since 1990 (approximately $189 billion) than in the four BRIC nations combined. In no other country in the world are US multinationals and US emerging companies as present as they are in Ireland.

The United States remains the single largest source of foreign direct investment (FDI) in Ireland, with more than 530 US corporations employing more than 100,000 people directly. Just last year, 164 FDI projects were won for Ireland, with 78 coming from companies investing in Ireland for the first time, and bringing with them an increase of over 7,000 jobs. Among the US companies placing their faith in Ireland over the last twelve months were Amazon, Twitter, EMC, eBay, Salesforce, Facebook, Symantec, De Puy and Yahoo. Many of these operations service the vast EU market of more than 500 million people, as well as international markets beyond Europe. In fact, more than 77 percent of US multinational exports from Ireland go to non-US markets.

There are very solid reasons to explain Ireland's track record in attracting leading US corporations.

US companies appreciate the package of measures we offer, including our highly educated, young workforce; our investment in technology and R&D; our competitive and transparent corporation tax rate of 12.5 percent; our access to the massive EU market; and our native use of the English language.

They also appreciate that we are one of the most open and progressive economies in the world. Just last year, *Forbes* magazine ranked Ireland as the best country in the world for business (number one of the 145 countries listed). Other independent studies rank Ireland first in the world for inward investment by quality and value, and as the best country in Western Europe in which to invest.

Ireland's competitiveness relative to our trading partners has significantly improved. By the end of this year, our competitiveness is forecast to have improved 23 percent since 2008 compared to the euro area average. Our labor costs, commercial property prices, and other business costs have all come down.

Those are the reasons that eight out of the top ten global ICT firms; 15 of the top 20 medical technology companies; nine out of the top ten global pharmaceutical firms; and all ten of the largest online companies in the world are based in Ireland.

Other sectors of the Irish economy are also performing particularly strongly, including our agri-food industry which has increased exports of Irish food and drinks to the United States by almost 50 percent since 2009. Through the 'Origin Green' initiative, Ireland is well on its way to becoming recognized as one of the most sustainable places in the world to produce food and drink. It is striking that more carbon audits (50,000) have been carried out on farms in Ireland than in any other country in the world.

Similarly with tourism, 2013 saw approximately eight million tourists visiting the island of Ireland, up six percent from 2012. Last year was a record year for Irish tourism from the United States, with remarkable growth of 14 percent. We were delighted to welcome one million American visitors who spent $1 billion while in Ireland.

Happily, Americans do not just come to Ireland to buy our exports, or to make investments, or even just as tourists—increasing numbers of US students are coming to Ireland to study. We have developed the "Education in Ireland" brand which brings together the Irish universities and other colleges to attract more students to experience Irish education, whether it's through short programs, undergraduate or post-graduate studies. We are now one of the most popular international destinations for US students. Increasing numbers of US students are experiencing firsthand the world class standards and the unique student experience offered in Irish universities and colleges.

Overall, there is a great deal of good news. We know we are making progress and we are confident we are on the right path. But we also know that there is a way to go and that we have to keep challenging ourselves to move further and faster.

The Irish Government published a detailed Medium-Term Economic Strategy for 2014-2020 last December. The Strategy sets out our intention and a framework to reduce unemployment to 8.1 percent; achieve a balanced budget; and reduce our national debt to just over 90 percent of GDP by the end of this decade.

We are determined to meet these ambitious goals.