

## Information Note on Ireland's Debt

### 1. General Government Debt

Ireland's General Government Gross debt<sup>1</sup> – the debt of all arms of Government and the standard metric across the EU – was €148.1bn at the end of 2010. It is projected to increase to €173bn at the end of 2011. Based on Department of Finance forecasts for the Exchequer deficit as set out in the recently published Ireland - Stability Programme Update (SPU<sup>2</sup>) and projected interest costs from the NTMA, General Government debt is forecast to reach €203bn by 2015 (see table 1 below).

*Table 1: General Government Gross debt, 2010-2015*

	Gen. Govt. debt (€bn)*	Nominal GDP (€bn)**	% of GDP
2010E	148.1	153.9	96.2
2011F	173.0	156.1	110.8
2012F	187.4	160.9	116.4
2013F	198.1	167.4	118.3
2014F	202.2	174.7	115.8
2015F	203.6	182.7	111.4

\* Based on Exchequer deficits as per the SPU and interest payments estimated by NTMA

\*\* Based on macroeconomic forecasts in the SPU, broadly similar to those of the EC and IMF

Source: NTMA; Department of Finance

The increase in General Government debt of €24.9bn between 2010 and 2011 is projected as follows:

Debits:

- An Exchequer deficit of **€18.2bn** in 2011, including interest payments.

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<sup>1</sup> General Government debt is the total debt of the Irish State. The National Debt is its principal component. In addition, it includes the debt of central and local government bodies as well as the promissory notes issued to Anglo Irish Bank, Irish Nationwide Building Society (INBS) and EBS. General Government debt is reported on a gross basis and does not net off outstanding cash balances – unlike the National Debt.

<sup>2</sup> In accordance with the requirements under the European Semester the SPU was submitted by the Irish Authorities to the EU Commission on 29 April 2011. The SPU can also be found at [www.finance.gov.ie](http://www.finance.gov.ie)

- Conservative estimate of further borrowing of **€10.0bn** associated with the Prudential Capital Assessment Review (PCAR) : gross PCAR cost of €24bn minus indicative burden sharing with junior bondholders and offset from liquid assets of National Pensions Reserve Fund (NPRF)
- Local authority and other non-central government borrowing **€0.4bn**

Credits:

- Cash balance run down of **€0.6bn** (negating borrowing requirement)
- Subtract principal payment on promissory notes of **€3.1bn** already booked in General Government debt in 2010 (note that Eurostat accounted for the full €30.85bn of promissory notes issued to Anglo Irish Bank, INBS and EBS in General Government debt in 2010: this €30.85bn will be funded in 10 equal instalments)

## 2. Ireland's Assets and Liabilities

Table 2 below provides a snapshot of Ireland's assets and liabilities at the end of 2010. There will be some shifts, following the PCAR. It is estimated that €10bn of the banking recapitalisation will be provided from the National Pensions Reserve Fund.

Cash balances will fluctuate during the year, but by the end of 2011 will be little different from their position at end-2010 so as to ensure that the Exchequer has adequate funding to meet its estimated liabilities in early 2012. These balances provide a significant potential offset to Gross Government debt in the future and give the State some financial flexibility.

*Table 2: Ireland's assets and liabilities at end-2010*

Assets	€bn	Liabilities	€bn
A. Cash balances	16.2	E. Govt. securities/ borrowings	116.5
B. Non-bank NPRF	15.0	F. Promissory notes	30.9
<b>=C. Total non-bank financial assets</b>	<b>31.2</b>	- Anglo Irish Bank	25.3
		- Irish Nationwide	5.3
D. NPRF investment in banks	9.4	- EBS	0.3
		G. Special investment shares in EBS/INBS	0.7
Total financial assets (C+D)	40.6	<b>General Govt. Debt (GGD = E+F+G)</b>	<b>148.1</b>
		<b>Net Govt. Debt (GGD - non-bank fin. Assets: C.)</b>	<b>116.9</b>
Loan assets of NAMA	30.7	Bonds issued by NAMA	30.7

Source: NTMA

Note that commercial semi-State companies are not on the balance sheet under Eurostat (ESA-95) accounting, unless those companies are loss-making. There is an exception for financial institutions because of the financial crisis across the euro area.

The National Asset Management Agency (NAMA) is not on the State's balance sheet, as ruled by Eurostat. NAMA has offsetting assets against the government-guaranteed bonds it has issued.

### **3. Government Debt Holdings by Residence of Holder**

The majority of Ireland's medium/long-term (MLT) government securities are owned by non-residents. Table 3 below shows that, at end-2010, 82% of Ireland's MLT securities were held overseas. Irish Government MLT bonds amounted to 61% of its General Government debt at end-2010.

*Table 3: Ownership of Ireland's medium and long-term government bonds*

€bn	Q2 2010	Q3 2010	Q4 2010
Resident	12.6	14.3	16.0
% share	15%	16%	18%
Rest of World	72.2	75.3	74.1
% share	85%	84%	82%
Total MLT bonds	84.7	89.6	90.1

Source: Central Bank of Ireland (See quarterly bulletin Table E.2)

**10 May 2011**