How did austerity affect Ireland

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Ireland had a huge fall in employment (1 in 7 jobs lost)
Two main causes

• Bursting of construction bubble/banking
  o Costs between 33% and 50% of GDP (Finland 8%)

• Austerity
Construction was hardest hit

Wholesale and retail trade, repair of motor vehicles and motorcycles
Human health and social work activities
Industry
Education
Accommodation and food service activities
Professional, scientific and technical activities
Financial, insurance and real estate activities
Construction
Other NACE activities
Public administration and defence, compulsory social security
Agriculture, forestry and fishing
Transportation and storage
Information and communication
Administrative and support service activities

Q1 2013 ‘000s
Q1 2008 ‘000s
Retail also hit

• Between 2008 and 2011
  o 10% of jobs lost
  o Wages per worker down 4.3%
Historically low investment
How much austerity was there

Composition of Fiscal Consolidation
(Percent of GDP)

Source: IMF staff estimates.
SPB denotes structural primary balance ratio.
Austerity and the deficit

Primary underlying deficit (% GDP)

2007 2008 2009 2010 2011 2012
How did austerity affect the domestic economy?
Price Deflation
Effects due to austerity

• ESRI look at 2010 to 2013 (2009 not included)

• They say budgets reduced inequality (does not account for job losses or loss of services)

• Austerity reduced
  o jobs by 3.5% (65,000)
  o The economy by 3.2%
  o Private consumption by 7.1%
Conclusion

• Construction bubble burst

• Austerity cost at least 65,000 jobs (maybe more)

• Austerity measures added to 20% of economy

• Prices still at 2008 levels