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SM/83/126
Supplement 1

CONTAINS CONFIDENTIAL
INFORMATION

July 20, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Ireland - Staff Report for the 1983 Article IV Consultation

The attached supplement to the staff report for the 1983 Article IV consultation with Ireland (SM/83/126, 6/14/83) has been prepared on the basis of additional information.

This subject has been tentatively scheduled for discussion at an Executive Board meeting on Monday, July 25, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Vittas, ext. 76546.

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INTERNATIONAL MONETARY FUND

IRELAND

Staff Report for the 1983 Article IV Consultation--
Supplementary Information

Prepared by the European Department

Approved by Brian Rose

July 20, 1983

Since the staff report (SM/83/126, 6/14/83) was issued the following information has become available:

1. Prices and wages

During the 12 months to mid-May 1983, consumer prices increased by 9.2 per cent, compared with an increase of 12.5 per cent in the 12 months to February 1983. It is now expected that the average rate of inflation in 1983 will be close to 10 per cent.

Information on pay developments in the private sector is still scanty, although it appears that the few pay settlements that have been reached to date deviated in varying degrees from the Government's recommendations for a six-month pay pause to be followed by low single-figure increases. As for the civil service and other groups of public sector employees, the Government has recently proposed a 15-month pay agreement which is to be voted on by the rank and file of the trade unions concerned. The agreement envisages a six-month pay pause and a two-phase pay increase of 4.75 per cent from September 1983 and a further 3.5 per cent from February 1984. The additional cost to the Exchequer over and above the budget allocation for 1983 has been estimated at £Ir 38 million. Pay agreements have also been proposed or accepted for employees of two of the largest public sector entities. These provide for pay increases totaling 9-10 per cent over a 15-month period.

2. External developments

In the first five months of 1983, the value of exports, f.o.b., was about 15 percent higher than in the first five months of 1982, while that of imports, c.i.f., was about 2 percent lower. As a result, the trade deficit in the five months to May 1983 narrowed to £Ir 432 million from £Ir 810 million in the corresponding period of 1982.

3. Budgetary developments

On the basis of the actual returns for the first half of 1983, the authorities estimate that, in the absence of corrective action, the

current budget deficit for the year as a whole would exceed by £Ir 75 million the £Ir 897 million target set in March. In addition, the last pay offer to public service employees would entail increased expenditure of £Ir 38 million. The estimated overrun of the current budget deficit is attributed to a number of factors; government transfers to the EC budget are £Ir 20 million higher than originally estimated; unemployment benefits will cost £Ir 25 million more; there will be a shortfall of £Ir 20 million of tax revenue; and Post Office revenue is now expected to be £Ir 10 million lower than anticipated in the budget. The authorities have reiterated that measures will be taken to ensure that the initial budget objectives are met.