



THE GOVERNMENT'S BALANCE SHEET AFTER THE CRISIS:

A COMPREHENSIVE PERSPECTIVE

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A new working paper by Sebastian Barnes (OECD and Irish Fiscal Advisory Council (IFAC)) and Diarmaid Smyth (IFAC) presents a comprehensive overview of the Government's financial position. The paper looks at the evolution of Government financial assets and liabilities since the start of the financial crisis in 2008.

The paper highlights the marked rise in indebtedness levels. Points of interest include:

- While the value of the Irish Government's assets and liabilities were broadly equal in 2007, by the end of 2012, liabilities exceeded assets by €135 billion (82% of GDP).
- Relative to the Euro Area, the Irish Government experienced the single largest deterioration in its financial position as a result of the financial crisis.
- The rise in indebtedness in Ireland reflects a combination of large budgetary deficits and exceptional payments to the banking sector.
- The Irish Government has substantial holdings of financial assets. These include cash balances, semi-state entities and investments made in the banking sector. The value of the Government's banking investments however has been heavily written down.
- The Irish Government also faces potentially large "off-balance" sheet liabilities. These mainly relate to government guarantees in the banking sector and pension liabilities.
- The decision to liquidate IBRC in February is likely to lead to substantial savings for the Government although these savings will depend on Ireland's perceived creditworthiness by the markets.

NOTES TO EDITORS:

1. *The Government's Balance Sheet After the Crisis: A Comprehensive Perspective* is under embargo until 00.01 a.m Thursday 26th September. The report will be available to download from www.fiscalcouncil.ie
2. Sebastian Barnes is Economic Counselor to the Chief Economist of the OECD and is member of the Irish Fiscal Advisory Council. Diarmaid Smyth is Chief Economist at the Irish Fiscal Advisory Council.