1. End of the bailout

The bailout which was agreed in December 2010 is due to finish towards the end of the year. There is still some debate about whether the State will be able to return to the international bond markets and start borrowing again. The National Treasury Management Agency, which sells bonds on behalf of the State, has begun selling small quantities of bonds to test the markets but the really big test will come when the bailout ends. Any sign that the euro crisis could return is likely to make it much more difficult, and much more expensive, for Ireland to resume borrowing.

At the moment, things are looking good. The yield - the interest rate which the bonds earn - is lower than it was before the crisis began. While this is good news, Irish yields are still much higher than other countries such as Germany which can almost borrow for free. Yields in many countries are now so low that many investors are looking elsewhere to invest money - leading some analysts to talk of a "great rotation" away from bonds and back towards shares.

2. Debate on austerity

Economists are divided on the wisdom of austerity. As many countries in Europe, including major economies such as Italy, Spain and the UK return to recession, some economists say that austerity is clearly not working. Economists such as Nobel prize winning economist Paul Krugman argues that after five years of scrimping and saving by governments around the world, things are only getting worse. Prof Krugman believes that countries which can borrow money should do this to inflate demand and employment. The International Monetary Fund also makes this argument from time to time. Their opponents disagree and argue that the present financial crisis was caused by too much borrowing and further borrowing is no solution. While their arguments reflect conventional economic thinking, there is little doubt that austerity has been slow to heal broken economies while some countries such as Greece appear to be in a death spiral despite debt write-offs and harsh austerity.

3. House prices

Ireland has endured one of the worst housing price crashes ever recorded in history with official figures putting the declines since 2007 at around 60pc. These figures suggest the cost of a home is back to levels last seen in the beginning of the 2000s but some analysts believe prices are even lower. While official figures capture prices paid using a mortgage, they struggle to capture houses bought for cash. As these are often cheaper houses, prices may have fallen even further than the 60pc declines captured by the official figures. The latest evidence from the Central Statistics Office suggests prices have begun to rise again in some parts of the country where there is a shortage of supply while continuing to fall in other parts of the country. The phenomenon of rising prices in the capital and falling prices elsewhere reflect long-term changes in living styles around the world as people continue to move to cities for work.

4. Construction Sector Collapse

While many parts of the economy have shown signs of revival, the construction sector remains in deep trouble. A survey which measures activity in the sector shows employment in the sector has declined every month since May 2007. Still, the rate of decline has started to ease recently. The survey suggests that the housing sector may even be close to picking up again as shortages of houses in some parts of Dublin and other big cities emerge. While it may seem strange to talk about housing shortages with so many ghost estates in every country, badly designed incentives during the boom meant that houses were often built in the wrong places rather than being built in our cities. In Dublin too many apartments and not enough family houses were built during the boom.

5. Stockmarket bounce

The stock market collapsed when the economy stalled in 2007 but it has recently staged an extraordinary comeback. The ISEQ Overall Index, which contains most of the big companies listed on the Dublin stock exchange, is up around 9pc since the beginning of the year and about 18pc since this time last year. Shares are now at their highest levels in more than four years, suggesting that investors are confident in Ireland's prospects for now.

6. Exchequer figures

Last year was the first time since the crash that the government's estimates for spending and taxation came in roughly in line with expectations. In previous years, spending continued to rise while revenue from taxes fell more heavily than expected. This lead to an exchequer deficit that was far worse than forecast. Things began to improve in 2012 for several reasons. The government was less ambitious than in the past. The introduction of the Universal Social Charge brought in extra revenue and government departments outside of health and social protection curbed spending. Indirect taxes have also risen with VAT going from 21pc to 23pc. The good news is that the country is on track to meet targets to reduce the gap between spending and income to 3pc by 2015. Last year, the gap was around 8pc – less than the official target of 8.5pc agreed with the troika.

7. Bank lending

Lack of bank lending, is having a negative effect on the Irish economy but nobody is quite sure about who is to blame. The failure to lend is not disputed but the question of who is to blame remains a hotly debated topic. The banks, the government and entrepreneurs all have different stories to tell. The banks claim that the economic downturn means nobody wants to borrow. They also say they have to cling onto their money to keep the ratio between borrowing and lending within legal limits. The government and the Central Bank say the banks should lend more but remain cautious about setting limits beyond a general demand that both Bank of Ireland and Allied Irish Banks lend €3.5bn each every year to business and farmers. Central Bank governor Patrick Honohan has also complained the banks lack the expertise to lend because they were so focussed on property during the boom. Business leaders complain that banks are simply not lending and most of the money in going to renew old loans rather than helping new companies.

8. Unemployment

Unemployment is around 14.2% of the labour force or the same sort of level it was at in early 2012. The problem is becoming entrenched here and in the rest of Europe. Most forecasters see Irish unemployment staying at these levels for at least two or three years. Long-term unemployment is becoming a real problem with more than half the work force now classified as long-term unemployed. We are also seeing a fall in the number of people in the work force as workers become "discouraged" and simply give up looking. Some become students or home makers. These people do not appear in the statistics but their absence from the working world means the economy grows more slowly. Unemployment would be much worse here if people were not emigrating in record numbers.

9. Euro rise against sterling

The rise in the value of the euro against the UK pound is creating headaches for Irish exporters. As the euro strengthens, Irish exports sold in Britain become less competitive. The Irish Exporters Association calculates that a 5pc rise in the value of the euro against the pound over a year costs Irish business €1.5bn in exports. Sterling is falling against the euro for all sorts of reasons but the main one is the so-called currency war between the world's major powers. Most countries are quietly devaluing their currencies to boost exports. The European Central Bank doesn't like devaluation because it creates inflation so the euro remains strong.

10. Improved Credit Rating

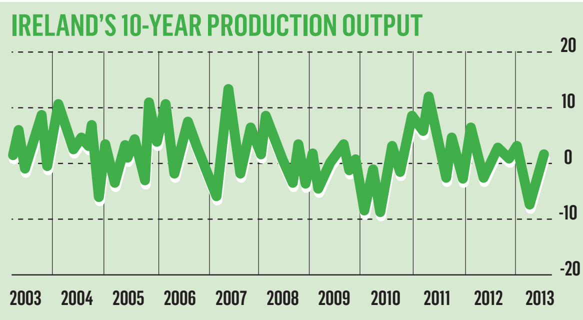
Ireland's credit rating has improved sightly over the past year as the risk of default appears to recede. Two of the world's three biggest rating agencies no longer rate Irish government bonds as non-investment grade, while the third rating agency, Moody's, is said to be considering an upgrade. While this is good news, Irish bonds are still rated very poorly compared to other countries. Just four years ago, the Irish state had triple AAA status which is the highest rating in the world. Now, even the UK has lost the much valued triple AAA status while one rating agency has even warned that the US may lose its rating. Bond ratings are important because a good rating reduces the cost of borrowing and Ireland is expected to return to the bond markets in force towards the end of the year to replace the present borrowing from the troika.

- Thomas Molloy, Acting Business Editor, Irish Independent

The Ghost Estate Glenatore

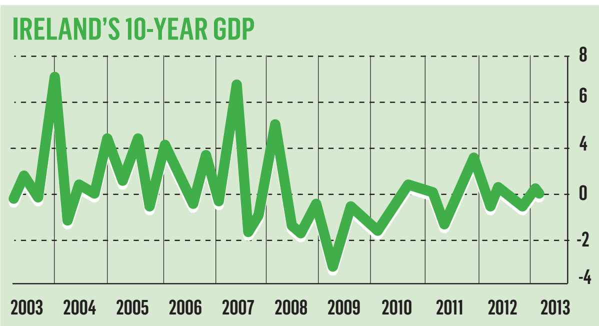
Irish exports in €billion

2000	103,044	2006	140,707
2001	117,112	2007	152,389
2002	122,630	2008	150,181
2003	117,172	2009	146,369
2004	125,199	2010	157,810
2005	132,526	2011	166,791



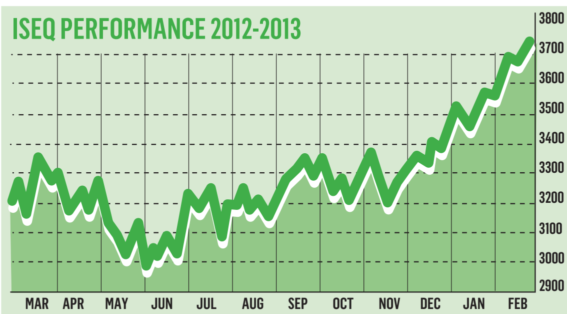
Irish GDP in €billion

2000	105,775	2006	177,729
2001	117,643	2007	188,729
2002	130,877	2008	178,882
2003	140,827	2009	161,275
2004	150,194	2010	156,487
2005	163,037	2011	158,993



Planning permission for new dwellings

2002	19,728	2007	22,253
2003	20,949	2008	17,491
2004	27,512	2009	10,380
2005	25,334	2010	6,347
2006	22,774	2011	4,744



Croke Park Agreements

In 2010 the Croke Park Agreement covering the period 2010-2014 was reached between the then government and unions representing workers in the state sector. It was so called because the talks were held in meeting rooms in the Croke Park stadium. Under the Agreement public servants and their managers gave a commitment to change the way in which the Public Service operates so that both its cost and the number of people working in the Public Service could fall significantly, while continuing to meet the need for services.

In return for this the Government gave certain commitments to serving public servants:

- no further reductions in their pay rates, other than those applied in 2009 and 2010;
- no compulsory redundancies as long as public servants were flexible about redeployment;
- a review of the position on public service pay in the Spring of each year of the Agreement.

The deal has been criticised over the past two years for being out of step with the private sector where many jobs were being lost and pay rates were falling. The deal was criticised for failing to deliver enough savings and for the slow pace of change in the way in which the public service operates. This year, a year before the Agreement was due to run out, the government negotiated a second Croke Park Agreement with the public service unions. This was necessary because to meet our reducing budget deficit target under the bailout programme the state needed to shave a further €1bn off the €13bn public sector pay bill. After weeks of talks, a deal was reached last week cutting pay for middle and higher paid public servants and increasing working hours for most public servants. Many public sector workers are unhappy and it is still unclear whether Croke Park 2 will be accepted in all parts of the public service.