



DKM issues March *Economy Watch*

Today (26th March 2009), ***DKM Economic Consultants*** released the March 2009 issue of ***Economy Watch***. It is available free online at www.dkm.ie.

DKM's unique ***Snapshot of Economic Forecasts*** gives a concise but comprehensive outlook for the Irish economy based on the latest predictions from 16 leading sources, both Irish and key international bodies such as the IMF, EU and OECD.

This issue of ***Economy Watch*** focuses on the deteriorating domestic situation, the challenges to be faced in the forthcoming April Budget and the difficulties in the banking system.

"For 2009, the ***DKM Snapshot*** predicts GNP will *contract* by 6%, with recent forecasts as low as -8% for GNP this year. With unemployment expected to reach 11% on average in 2009 and price deflation of 2.6% expected, there is a clear need to restore consumer confidence and protect jobs, if the fiscal deficit is to be significantly reduced to more sustainable levels by 2013 and if economic stagnation is to be averted," according to **DKM's Chairman, Brendan Dowling**.

Launching the March issue, **Brendan Dowling** commented, "In the current fiscal environment it is difficult to envisage domestic demand providing a stimulus. What is needed in the forthcoming Budget are creative measures to shore up demand in the short term with structural measures to improve the public finances. For example, a VAT refund system for consumers of big ticket items might be offered for a limited fixed period."

Comment on the banking situation he said, "We do not need a 'bad bank' to remove difficult loans from the balance sheet of banks. The acquisition of impaired assets by a state-run 'bad bank' will not of itself stimulate increased domestic lending. It is more likely to create liquidity for non-Irish euro lenders, as Irish banks would be in a position to repay euro loans obtained from overseas banks via the interbank market.

What is need is a flow of viable lending opportunities for the banks. The risk profile of the banking system as a whole would be improved by replacing 100% loans to a small number of developers of residential property with 90% loans to a much larger number of buyers of new houses and apartments at market clearing prices."

Economy Watch is produced on a quarterly basis and is available to those who register for free at www.dkm.ie. For further information, please call 01-6670372 or e-mail info@dkm.ie.

DKM is one of the longest-established economic research firms in Ireland, and has been providing decision-makers with quality advice on economic issues since 1981. Visit www.dkm.ie for further information about us.