

Economic and Political Update 2026

with Jim Power, Economist

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Global Backdrop – Key Features

- Extreme political polarisation
- Global geo-political order under extreme stress
- Authoritarianism, nationalism, anti-globalisation
- Defence spending being ramped up dramatically
- Global equity markets soaring to new highs
- AI investment boom
- Global economy surprisingly resilient



Key Elections in 2026

US mid-term elections
on November 3rd

Sweden, Israel, Brazil,
Colombia, Hungary,
Portugal & Japan

The performance of
more extreme political
actors will be watched
with interest.

Local elections in the
UK, May 7th



The Global Economy in 2025

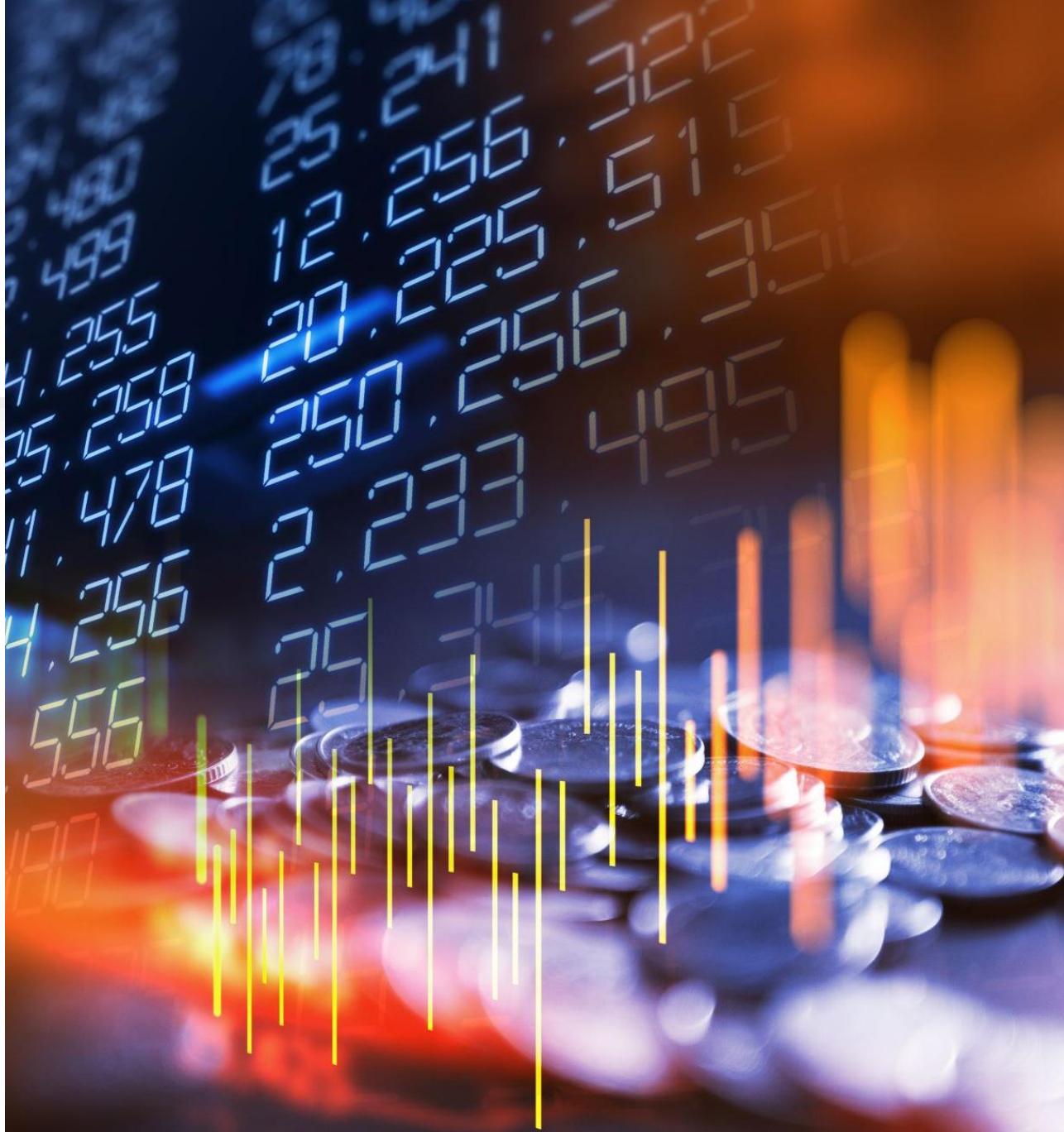
- Trump back in control
- Dominated by tariff wars
- Growth surprised on the upside
- Front-loading of exports, falling interest rates, fiscal expansion, mostly stable financial conditions, AI investment boom in Asia and US
- Inflation moderated, but cost-of-living legacy
- The resilience of business shone through

Inflation & Unemployment

	ANNUAL INFLATION	UNEMPLOYMENT RATE
Euro Zone	1.7% (Jan 26)	6.2% (Dec)
Germany	2.1% (Jan 26)	6.3% (Jan 26)
France	0.3% (Jan 26)	7.7% (Sep)
Italy	1.0% (Jan 26)	5.6% (Dec)
Spain	2.4% (Jan 26)	9.9% (Dec)
Ireland	2.8% (Dec)	4.7% (Jan 26)
United Kingdom	3.4% (Dec)	5.1% (Nov)
United States	2.7% (Dec)	4.4% (Dec)
Japan	2.1% (Dec)	2.6% (Dec)
Canada	2.4% (Dec)	6.8% (Dec)
Australia	3.8% (Dec)	4.1% (Dec)
China	0.8% (Dec)	5.1% (Dec)

The World in 2026

- Reasonable momentum but clear issues to watch
- A revaluation of productivity growth expectations driven by the AI investment boom. This would result in a sharp decline in AI investment and an abrupt financial market correction.
- A flare up of trade tensions.
- Geopolitical tensions impacting on financial markets, supply chains and commodity prices.
- Concerns over fiscal deficits and high debt leading to a surge in bond yields.

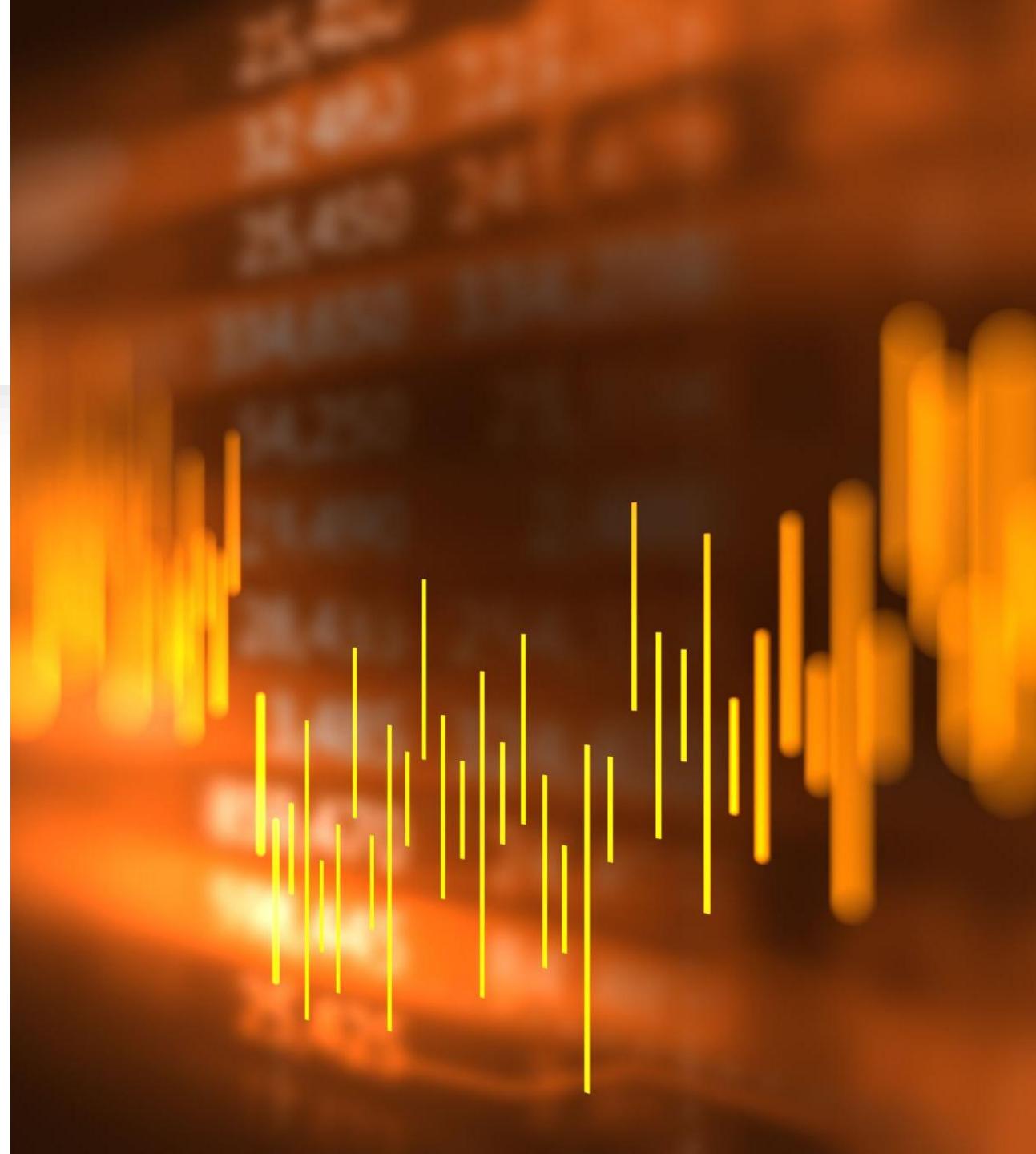


Economic Outlook (IMF Jan 19th 2026)

REGION	2025e	2026f	2027f
World	3.3%	3.3%	3.2%
Advanced Economies	1.7%	1.8%	1.7%
Euro Area	1.4%	1.3%	1.4%
Germany	0.2%	1.1%	1.5%
France	0.8%	1.0%	1.2%
Italy	0.5%	0.7%	0.7%
Spain	2.9%	2.3%	1.9%
Japan	1.1%	0.7%	0.6%
China	5.0%	4.5%	4.0%
The Netherlands	1.7%	1.2%	1.4%
United Kingdom	1.4%	1.3%	1.5%
United States	2.1%	2.4%	2.0%

Financial Markets

- Gold & silver hitting record highs
- Crypto collapse
- Equity markets have performed strongly
- Bond markets have the 'power'
- The 'magnificent 7' driving the surge, in turn driven by AI boom
- Large fiscal deficits
- Independence of Federal Reserve
- Equity market sustainability (4 Companies \$660 bln)> will AI investment boom deliver ROI



USD v EURO



Global Risks to watch

Sustainability of the AI investment boom

Bond market volatility driven by fiscal deficits & policy

Relationship between China and Taiwan

Russian reaction to ongoing EU support for Ukraine

Increased defence spending everywhere

Geo-economic confrontation

Anti-immigrant sentiment around the world

Relationship between the US and Venezuela, and the possible implications for other Latin American countries and Greenland

The increasing sophistication of cyber terrorism & underseas cables

More extreme weather events and the increasing move away from climate change policies

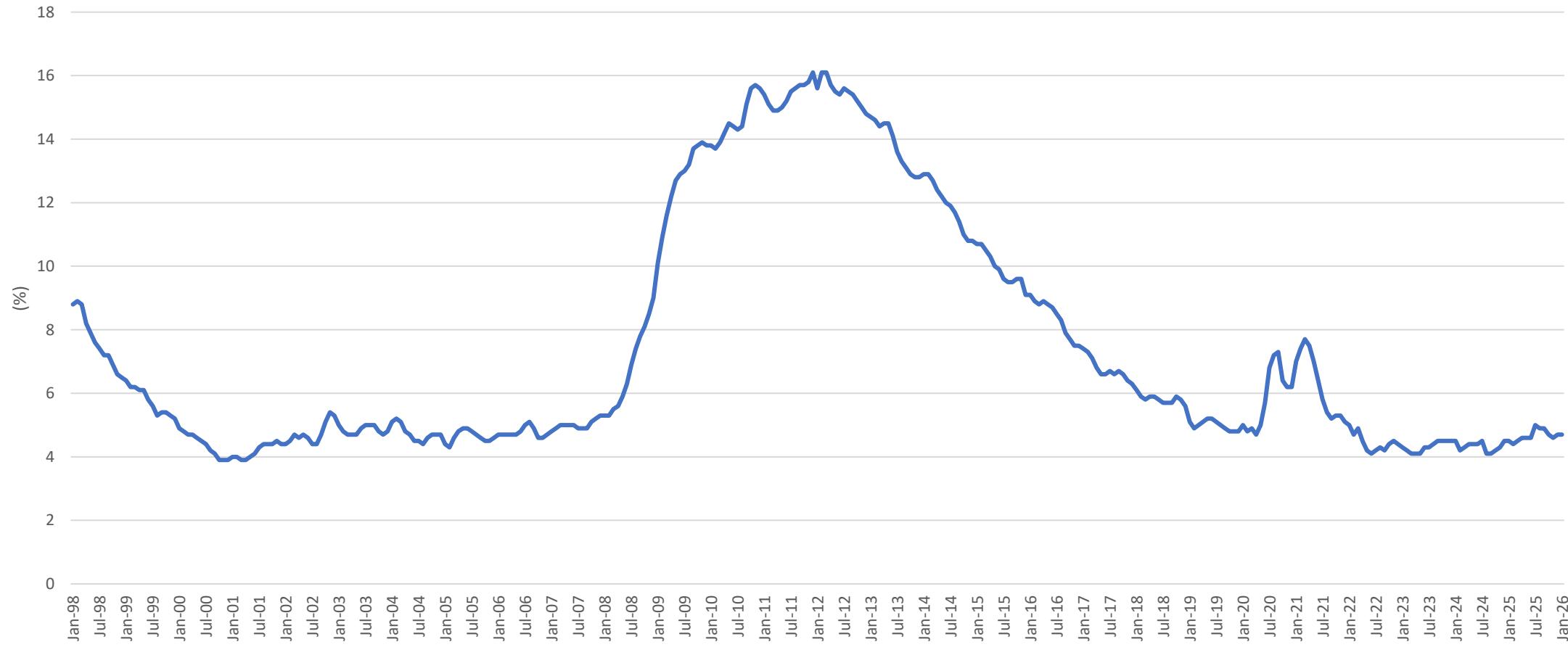
Elections in 2026.

The Irish Economy

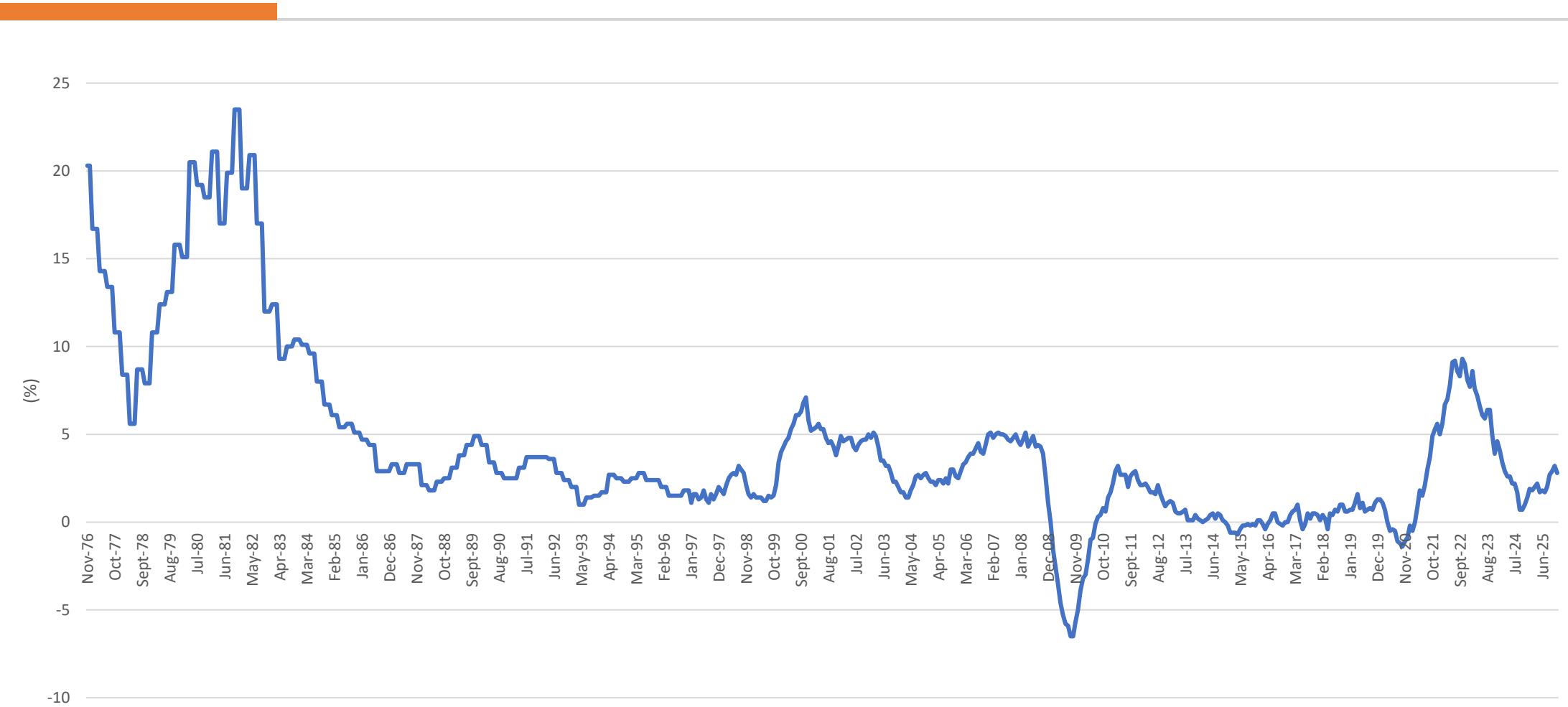
- The Irish economy delivered another solid performance in 2025
- Strong labour market; strong growth in tax revenues; a strong export performance; & reasonable consumer spending.
- Housing the biggest challenge
- Energy, water & general infrastructure all problematical
- Outlook for 2026 very similar to 2025, but 'Trumpian' risks are obvious



Unemployment Rate



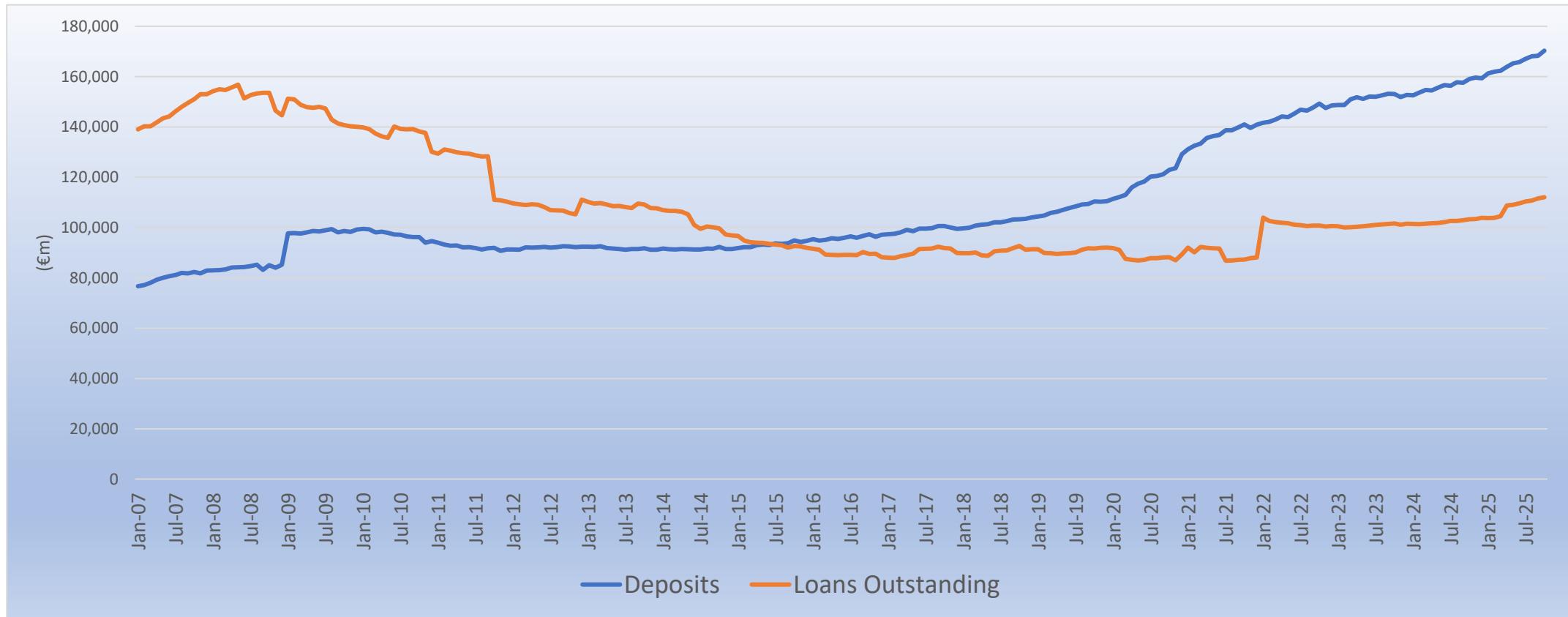
Inflation



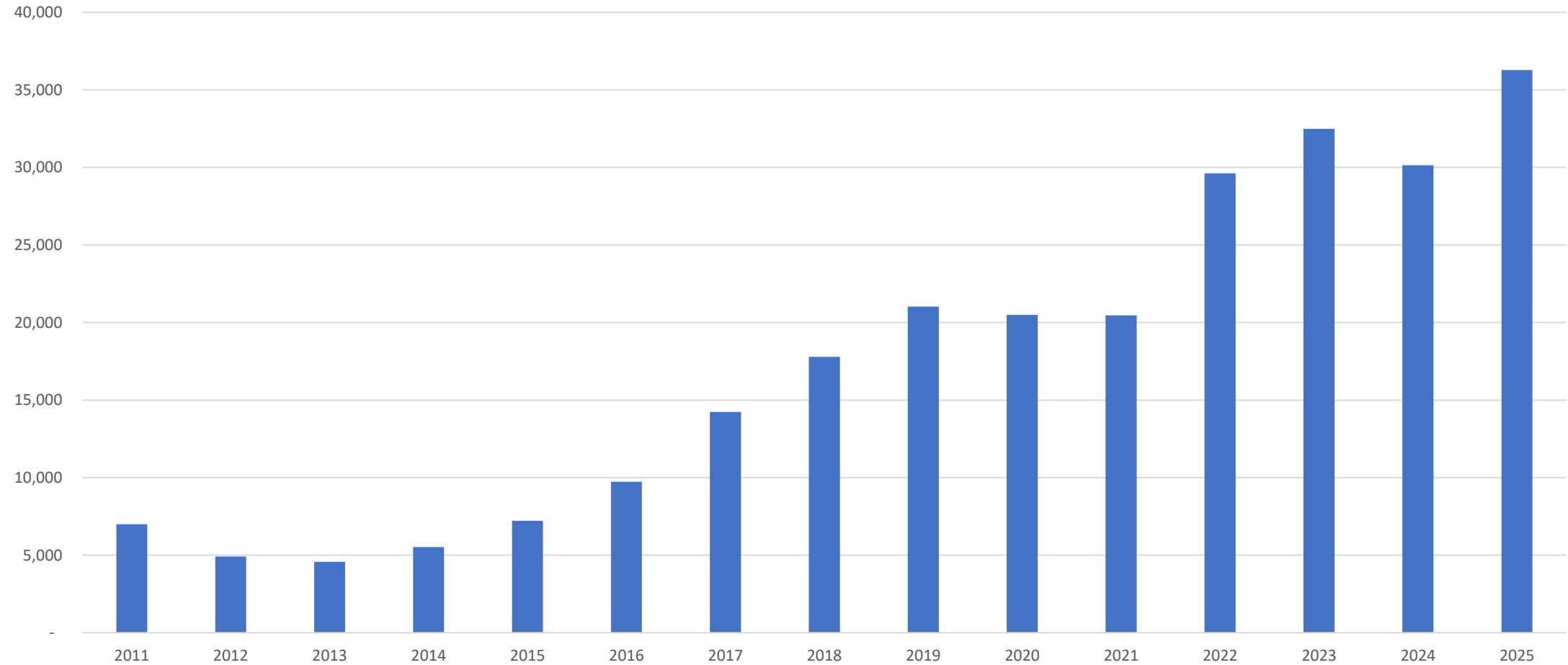
Cost-of-Living Pressures

	Annual % Change (Dec 25)	% Change Dec 20 to Dec 25
All items	2.8%	24.5%
Food	4.1%	26.6%
Clothing and footwear	5.7%	5.2%
Private rents	2.7%	37.7%
Mortgage interest	3.3%	86.2%
Electricity	4.7%	62.2%
Gas	1.2%	95.2%
Health	2.7%	10.2%
Motor cars	-0.4%	24.4%
Petrol	0.3%	36.9%
Diesel	2.3%	48.4%
Restaurants, cafes and the like	3.6%	25.2%
Accommodation services	2.1%	42.6%
Hairdressing	4.6%	25.9%
Insurance connected with health	8.3%	34.0%
Motor car insurance	1.4%	-5.0%

Household Balance Sheet - Healthy



Residential Completions



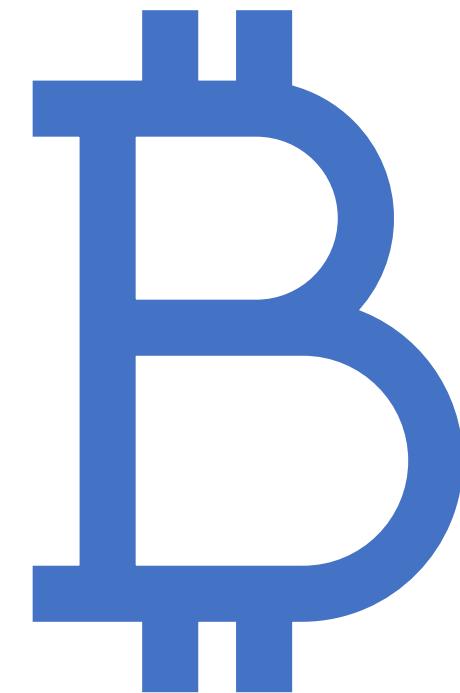


Housing Supply Issues

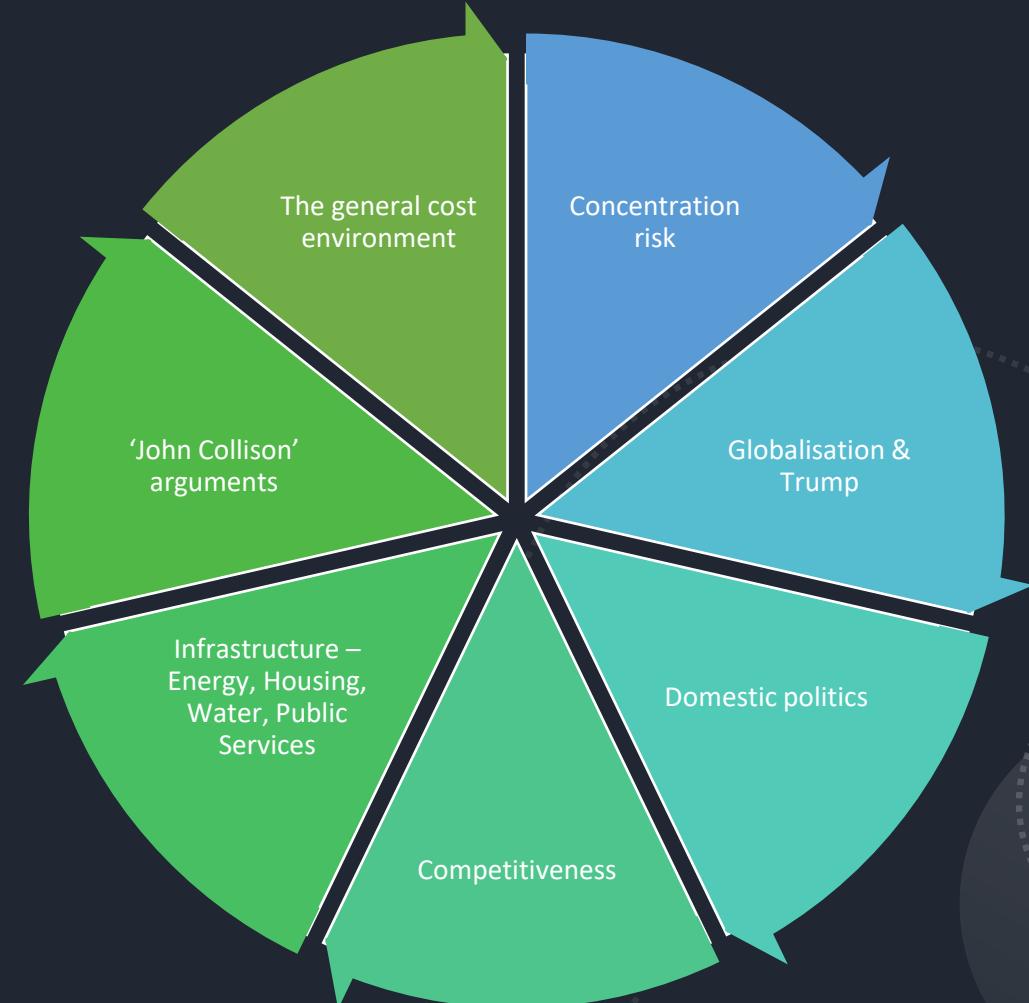
- Fundamental supply – demand imbalance
- Water infrastructure
- Utility connection delays
- Planning delays
- NIMBYism
- Shortage of zoned & serviced land

Concentration Risks (2024)

- 312,400 direct employment in MNCs
- 86.1% tax revenues VAT, Income Tax & Corporation Tax (2025)
- 57% corporation tax derived from 10 multinationals.
- Manufacturing accounted for 1/3rd corporation tax & is 97.6% MNC
- ICT accounted for 1/5th corporation tax & is 99.7% MNC
- Finance accounted for 1/7th corporation tax and is 84.2% MNC
- The top 10% of income earners contributed 40% of income tax and 60% of USC.
- Heavy dependence on US MNCs > what to do about it?



Ireland – The Key Issues





Podcast



'The Other Hand' with
Jim Power & Chris Johns'



Available Apple, Spotify
etc



<https://cjpeconomics.stack.com/> for ongoing
written economic
commentary



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