



INSTITUTE OF DIRECTORS
IN IRELAND



Global and Domestic Challenges and Opportunities in 2022

with Jim Power, Economist and Media Commentator

IoD Ireland Briefings Series: Sponsored by Accenture



@IoDIreland @Accenture_Irl #IoDevents

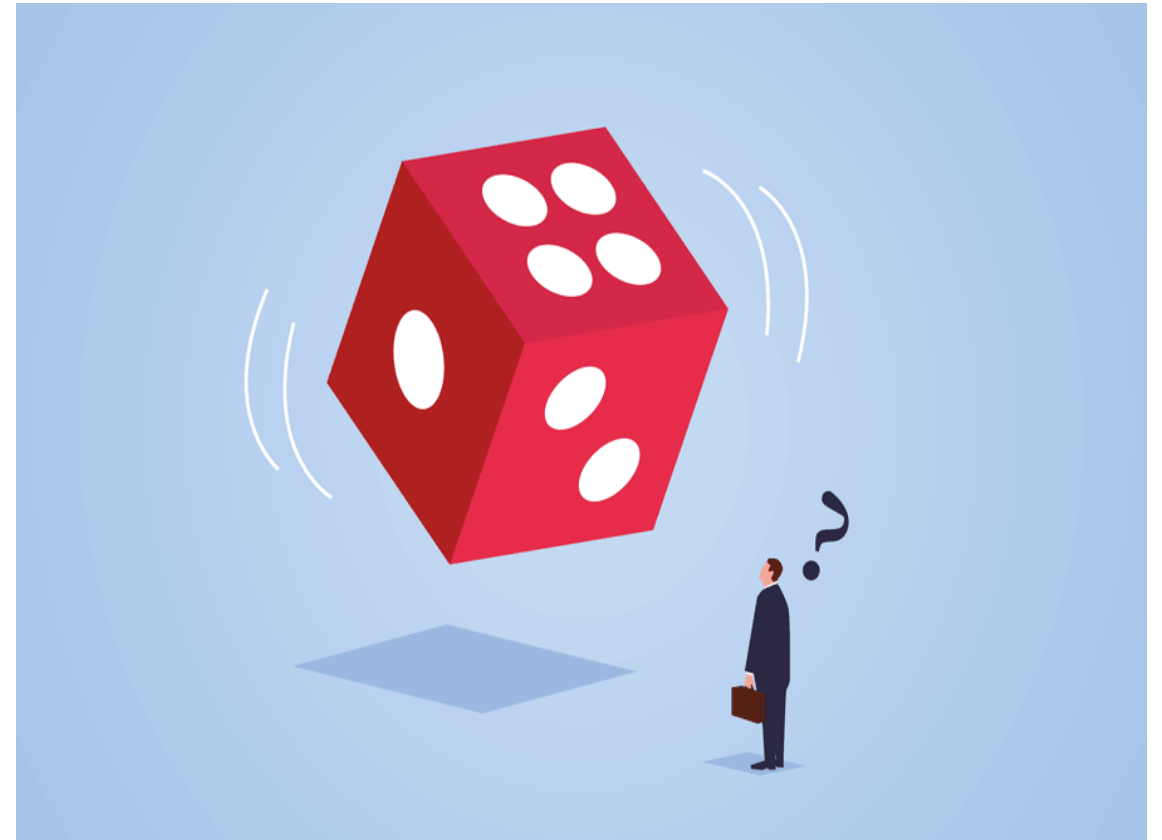
To Be Discussed

- Global Geo-Politics
- Global Economics
- Inflation & Interest Rates
- The Dynamics of the Irish Economy
- The Way Ahead



The New Normal

- Covid-19 continues to impact in significant ways, but grounds for optimism
- Global geo-politics scares & fascinates in equal measure
- Economic impact of pandemic is quite extraordinary & legacy will endure
- Repressed demand & supply side issues combining in very unpredictable ways
- Policy response from policy makers
- Forecasting the future was never as difficult – forecasters should modify their confidence
- Expect the unexpected



GLOBAL GEO-POLITICS



[This photo](#) by Unknown Author is licensed under [CC BY](#)

Political Events & Economic Consequences

- Russia & the Ukraine
- French presidential election in April > the leadership of a fractured Europe?
- US mid-term elections in November > balance of power likely to shift > Trump is back in business
- China and the rest
- Boris!!!
- The changing Irish political landscape
- Democracy as we know it under fire

The Global Economy



- Incredibly strong & pretty co-ordinated policy response from governments & central banks
- Repressed demand meets supply side constraints > inflation is taking off
- Massive economic volatility from month to month > huge uncertainties
- Central bankers in an unprecedented dilemma > rates will have to rise
- Governments under intense pressure to address cost of living
- China giving significant cause for concern
- Glut of global savings
- Equity market vulnerabilities

Brexit: it goes on and on

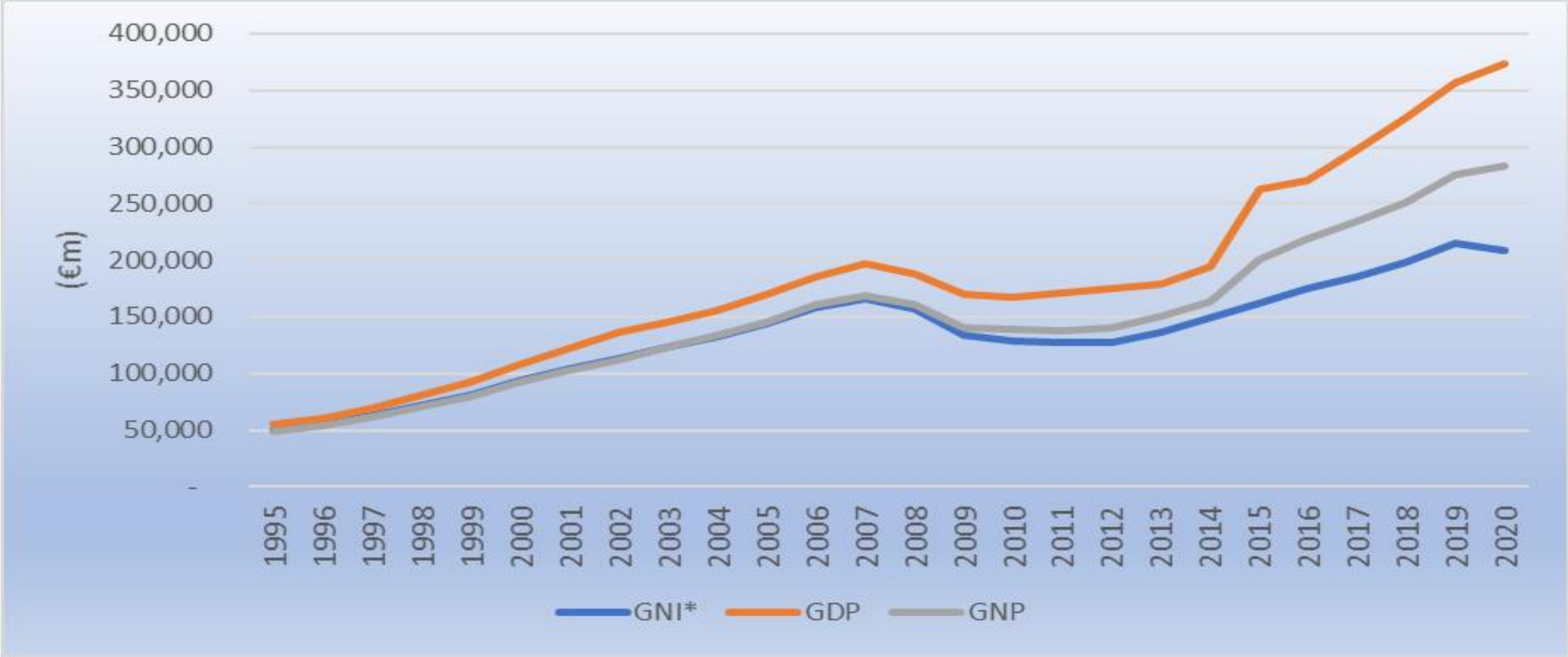
- UK's version of populism
- EU exports to UK +1.9% but EU imports from UK -13.6%
- Important to understand just how diamond-hard Brexit has been relative to all the other possibilities
- Ni Protocol opposition makes no sense
- Will the Minister for Brexit Opportunities solve it all?



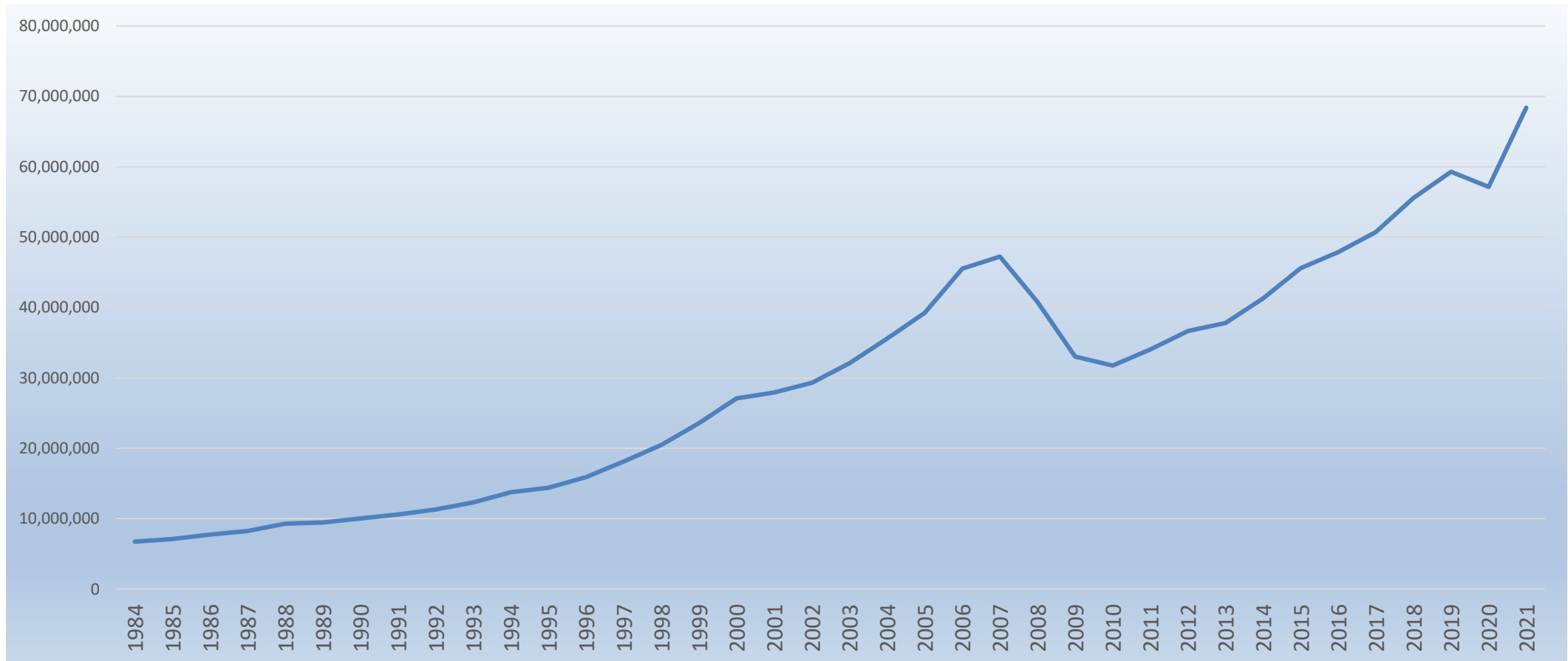
The Irish Economy

- Ireland a star performer > but beware GDP as an indicator of anything > dual economy
- FDI, professional services, financial services & public sector doing very well
- Hospitality, personal services, non-essential retail & airline industry has had a rough time
- Light on the horizon as restrictions disappear
- Inflation has taken off, just like everywhere else > strange response
- Labour market very strong > recruitment & retention & wages & hybrid work pose major challenges
- Public finances very strong in the circumstances
- Glass is half full for Ireland

Irish Growth Measures



Ireland - Tax Revenues



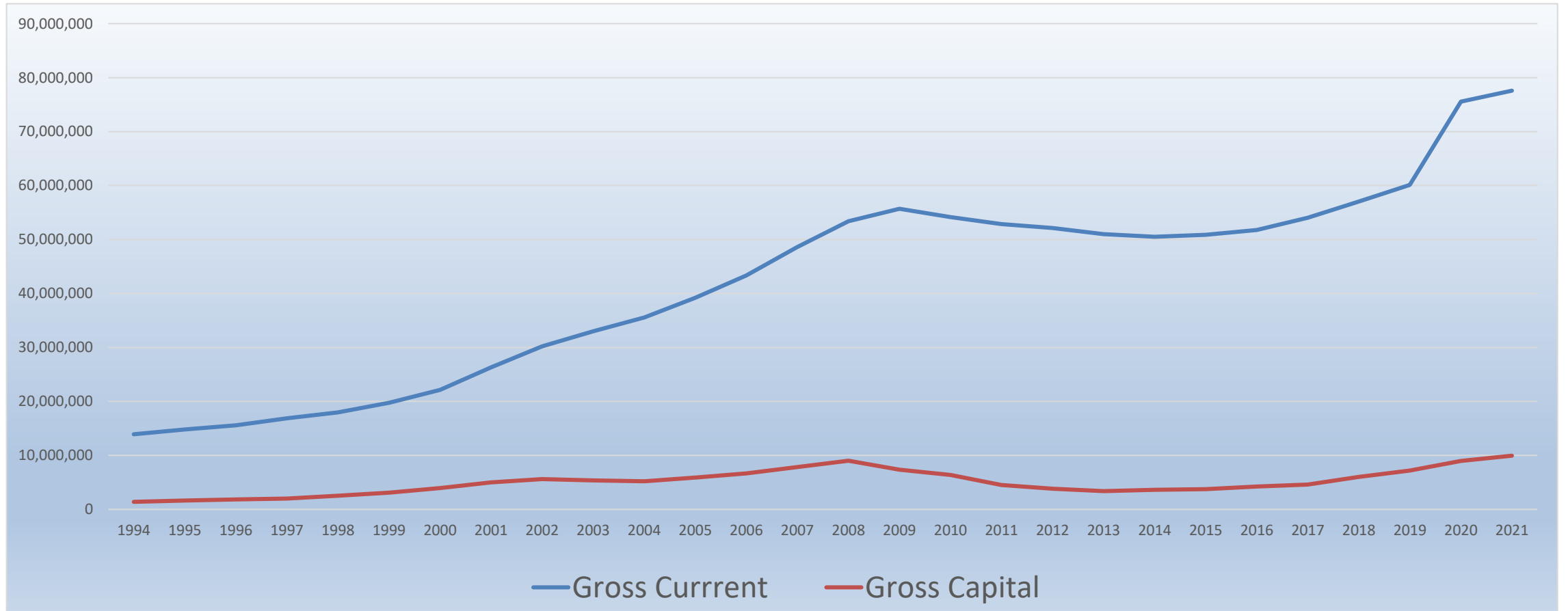
Tax Revenues 2021

TAX CATEGORY	€m	RELATIVE TO PROJECTIONS	YEAR-ON-YEAR CHANGE (%)	YEAR-ON-YEAR CHANGE (€m)
Income Tax	26,667	+4.8%	+17.4%	+€3,956
VAT	15,441	+7.5%	+24.3%	+€3,018
Corporation Tax	15,324	27.1%	+29.5%	+€3,492
Excise	5,839	0.0%	+7.2%	+€391
Stamps	1,483	-2.8%	-29.0%	-€607
Capital Gains Tax	1,642	+82.4%	+72.6%	+€690
Capital Acquisitions Tax	581	+18.6%	+17.7%	+€88
Customs	526	+28.3%	+90.9%	+€250
Motor Tax	907	-1.4%	-3.4%	-€32
Total	68,410	+10.4%	+19.7%	+€11,245

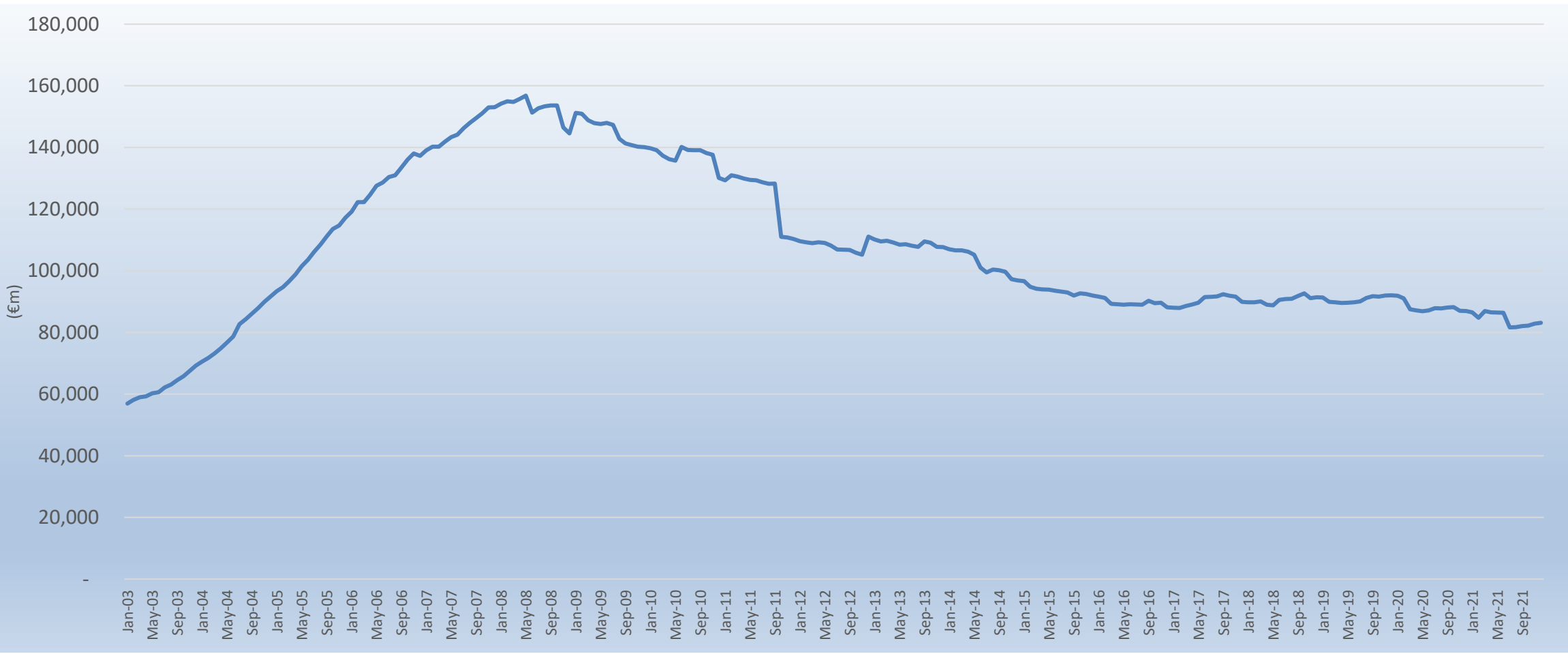
The Evolution of Irish Tax Revenues

(% of Total Tax Take)	2021	2006
Income Tax	39.0%	27.2%
VAT	22.6%	29.5%
Corporation Tax	22.4%	14.7%
Excise	8.5%	12.3%
Stamps	2.2%	8.2%
Capital Gains Tax	2.4%	6.8%
Capital Acquisitions Tax	0.8%	0.7%
Customs	0.8%	0.6%
Motor Tax	1.3%	-
Other	0.0%	0.1%
Total	100.0%	100.0%

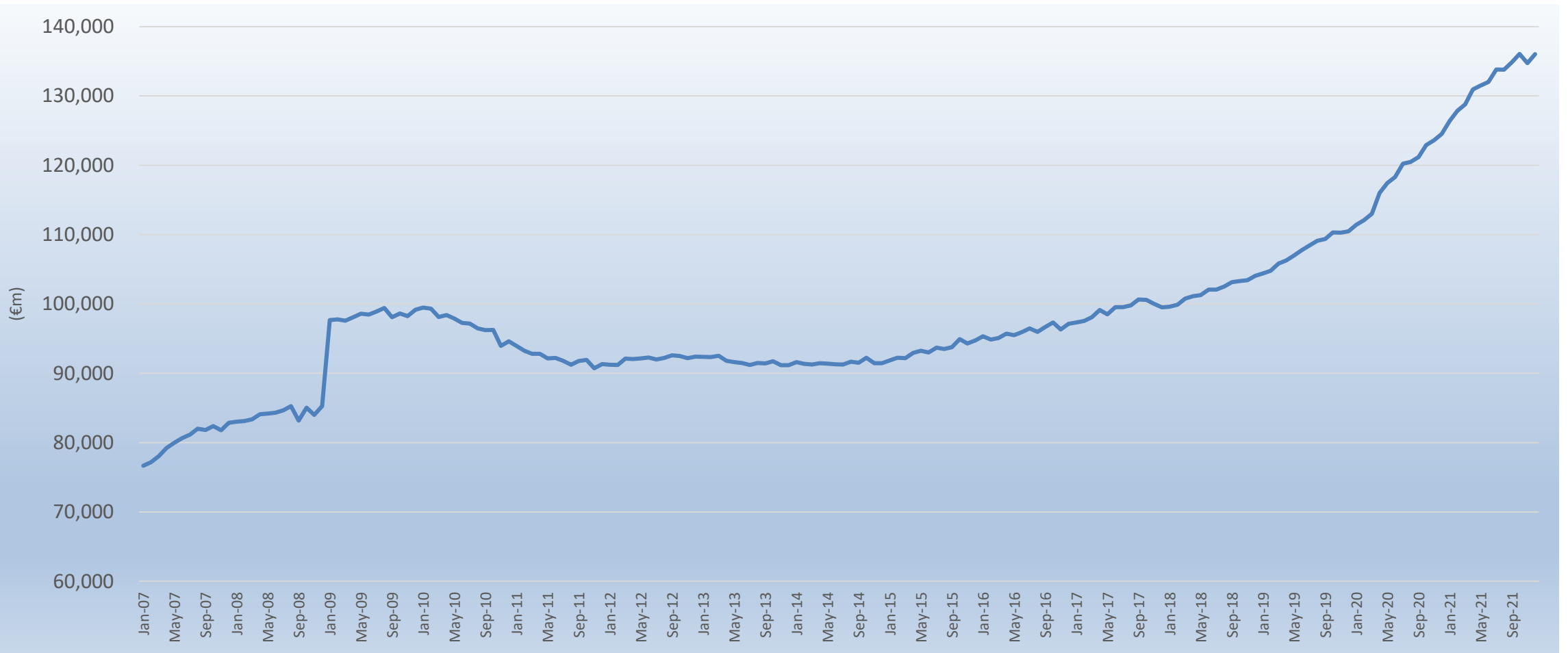
Ireland – Gross Voted Government Expenditure



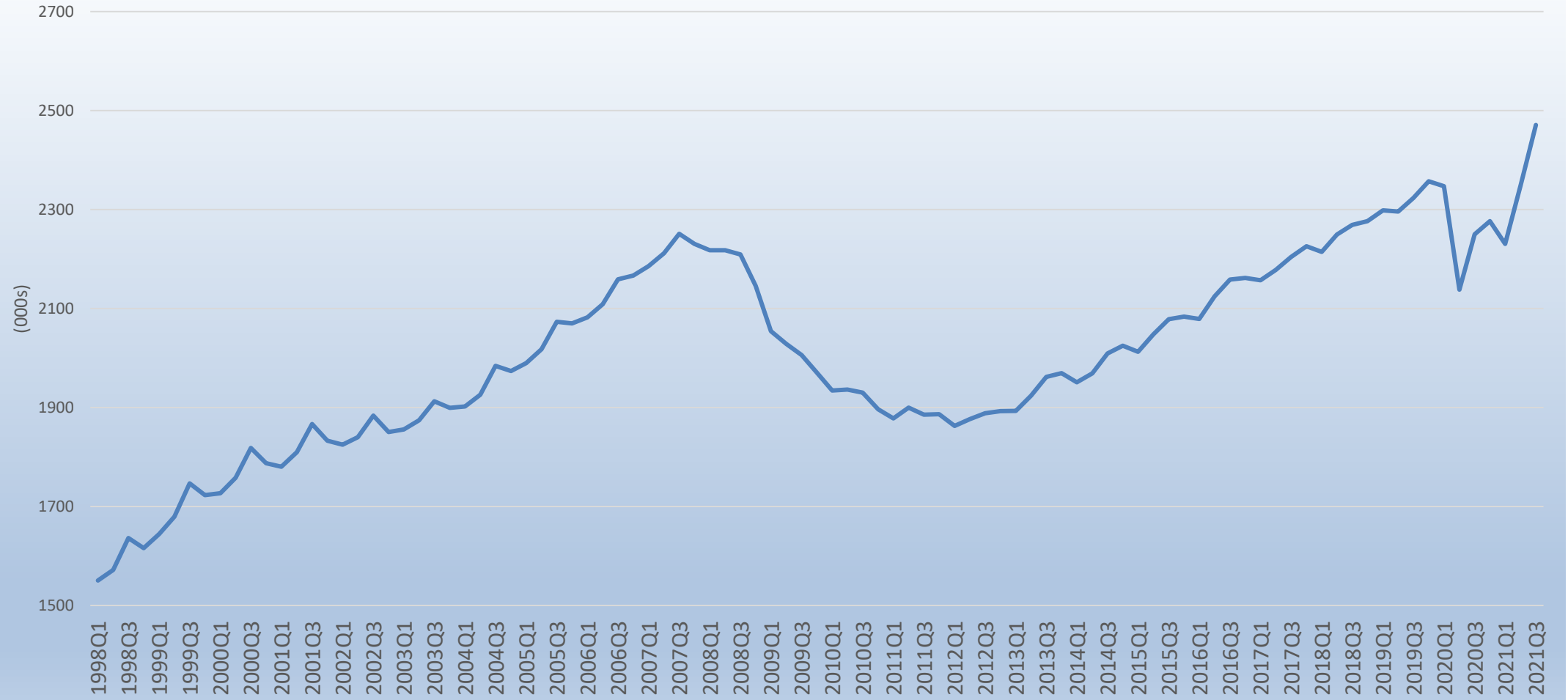
Household Loans Outstanding



Household Deposits



Ireland - Employment



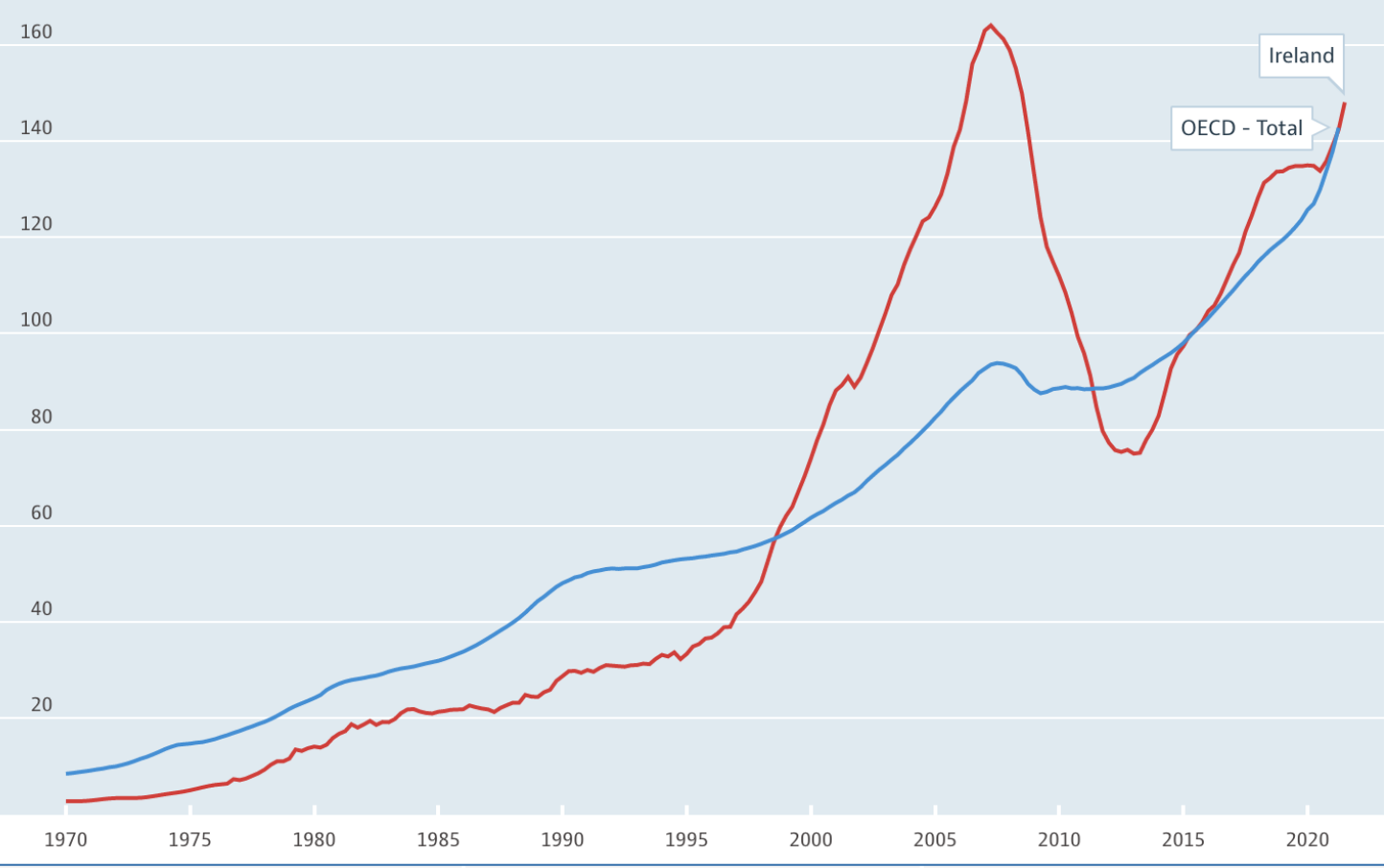
Brexit Impact >Trade Distortions (2021)

- Exports to GB +17.1% **but** Food & Live Animal Exports -7.8%
- Exports to NI +53.6% (Food & live Animals +47.3%)
- Imports from GB -13.4% - Food & Live Animal Imports -38.6% (€924 m)
- Imports from NI +64.8%
- Brexit is seriously complicating trade with GB but NI protocol working well for NI
- Politics not Economics

FDI in Ireland

- Very successful model
- 275,384 employed end 2021, + 220,000 indirect jobs (many SMEs) dependent on FDI jobs
- Strong linkages to local economy
- IDA Strategy to 2025 > 800 new investments, 50,000 new jobs, 50% in regions
- FDI provides strong opportunity for SMEs
- FDI model under some pressure from global tax agenda
- Need to nurture & support SME sector

One type of inflation
– with domestic &
(mostly) global
drivers (Guess which
price this is?)

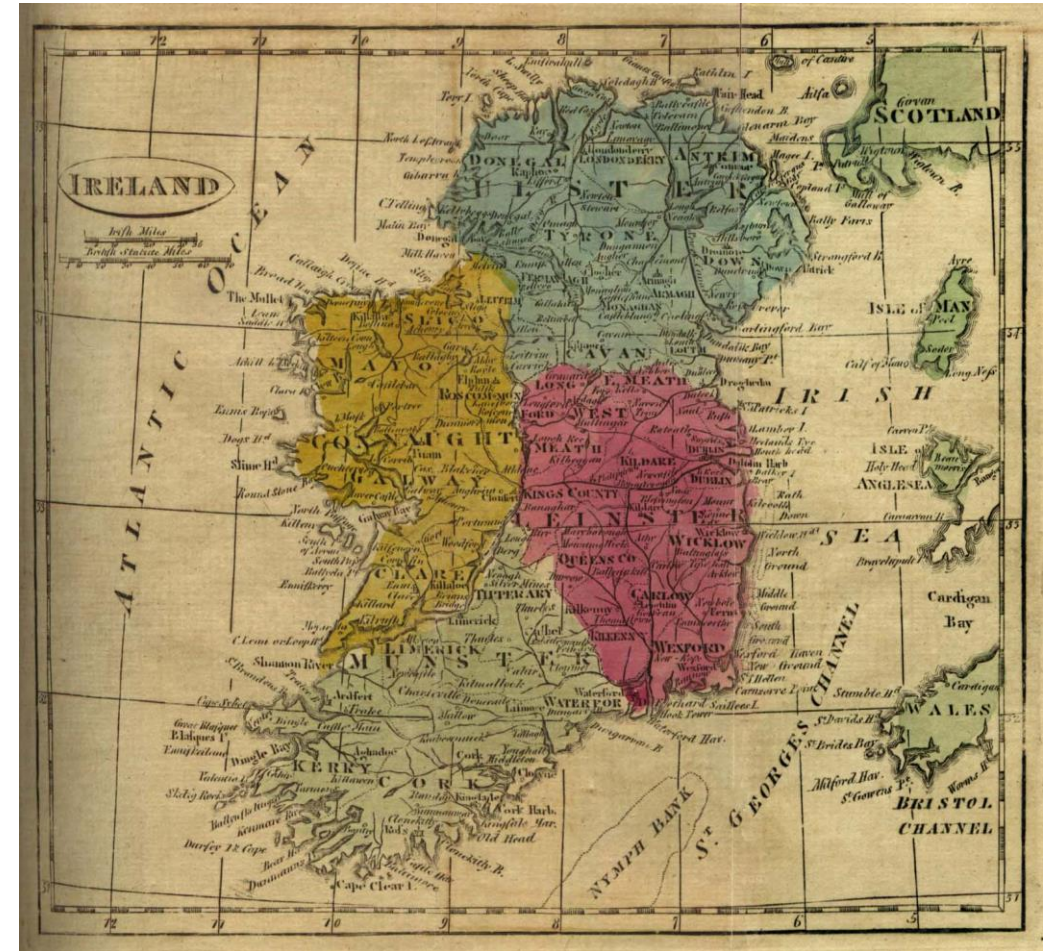


Housing Completions (Annual Average 12,119 2011-2021)



Ireland – The Outlook

- Strong momentum into 2022
- Dual economy since March 2020
- Removal of restrictions will help – but issue with SME debt legacy
- Labour market pressures
- Global corporation tax reform
- Climate change
- The housing market
- Political disruption & uncertainty



A COMMERCIAL

- Podcast Launched February 2021 with Chris Johns
- ‘The Other Hand’
- Please check it out & subscribe on Apple Podcasts or Spotify if you like it.
- <https://cjpeconomics.substack.com/>



INSTITUTE OF DIRECTORS
IN IRELAND



Global and Domestic Challenges and Opportunities in 2022

with Jim Power, Economist and Media Commentator

IoD Ireland Briefings Series: Sponsored by Accenture



@IoDIreland @Accenture_Irl #IoDevents