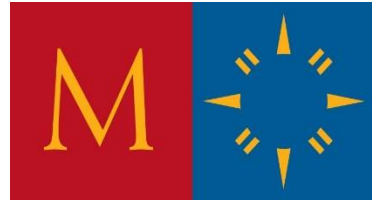




INSTITUTE OF DIRECTORS  
IN IRELAND



MAZARS

## **Breakfast & Evening Briefing Series**

Kindly sponsored by  
Mazars

**Guest Speaker**  
**Jim Power**



@IoDIreland @MazarsIreland #IoDEvents

# ‘Global & Domestic Economic & Financial Update’

for

## Institute of Directors

February 21<sup>st</sup> 2019

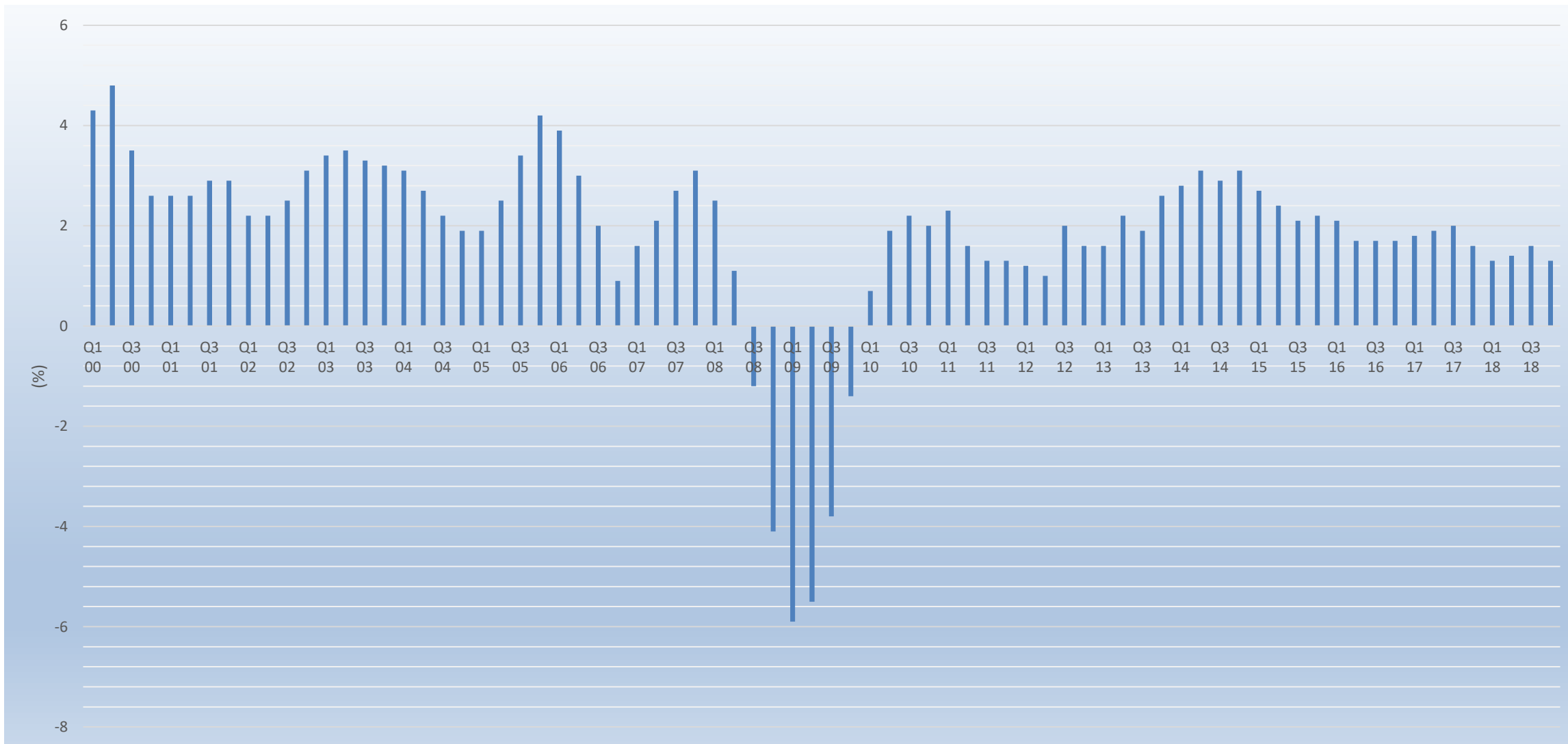


**Jim Power**  
economics

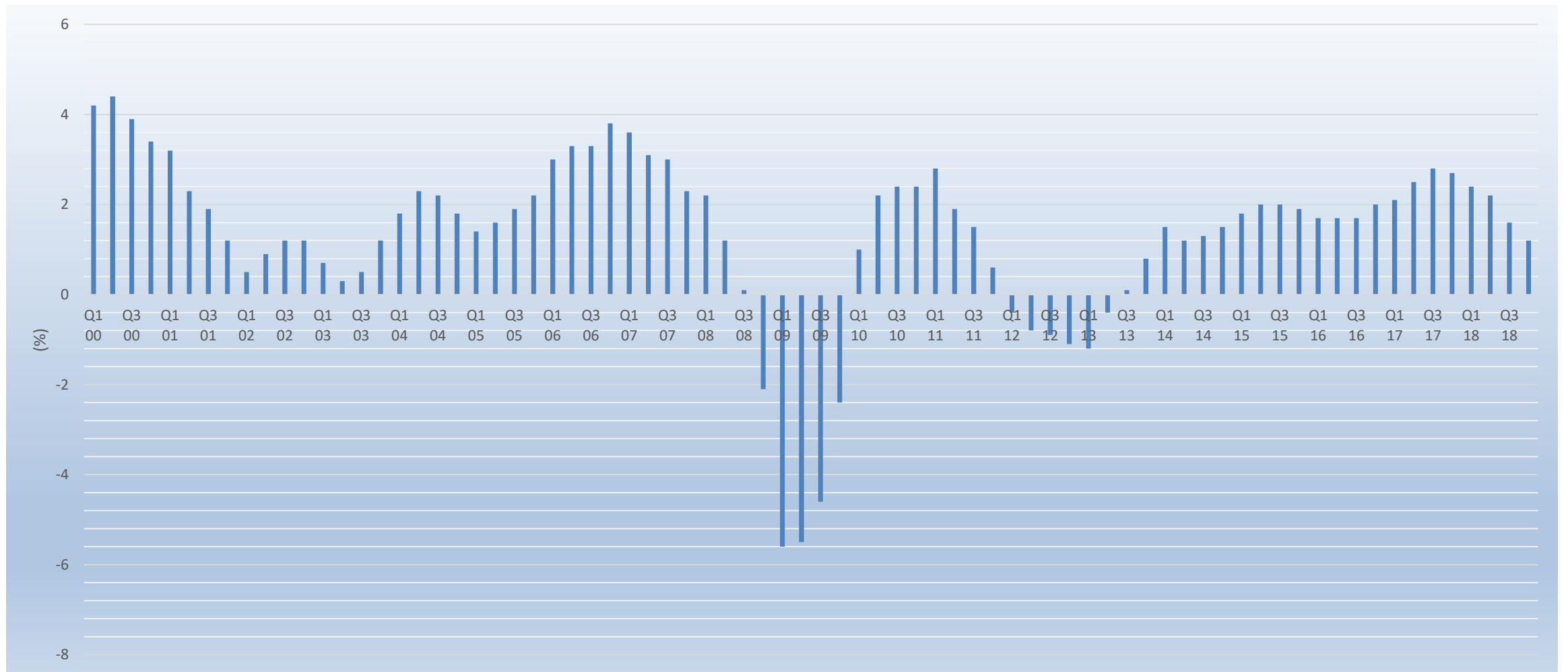
# The International Background

- 2018 started strongly, but eased as year progressed
- Euro Zone growth slowed significantly – Italy, automobile production, pressure on Exports (Chinese slowdown)
- UK economy impacted by Brexit
- US did well on back of tax cuts
- Emerging markets in difficulty - Turkey, Brazil, Argentina, Venezuela, Pakistan, South Africa
- Trade uncertainty undermined business confidence

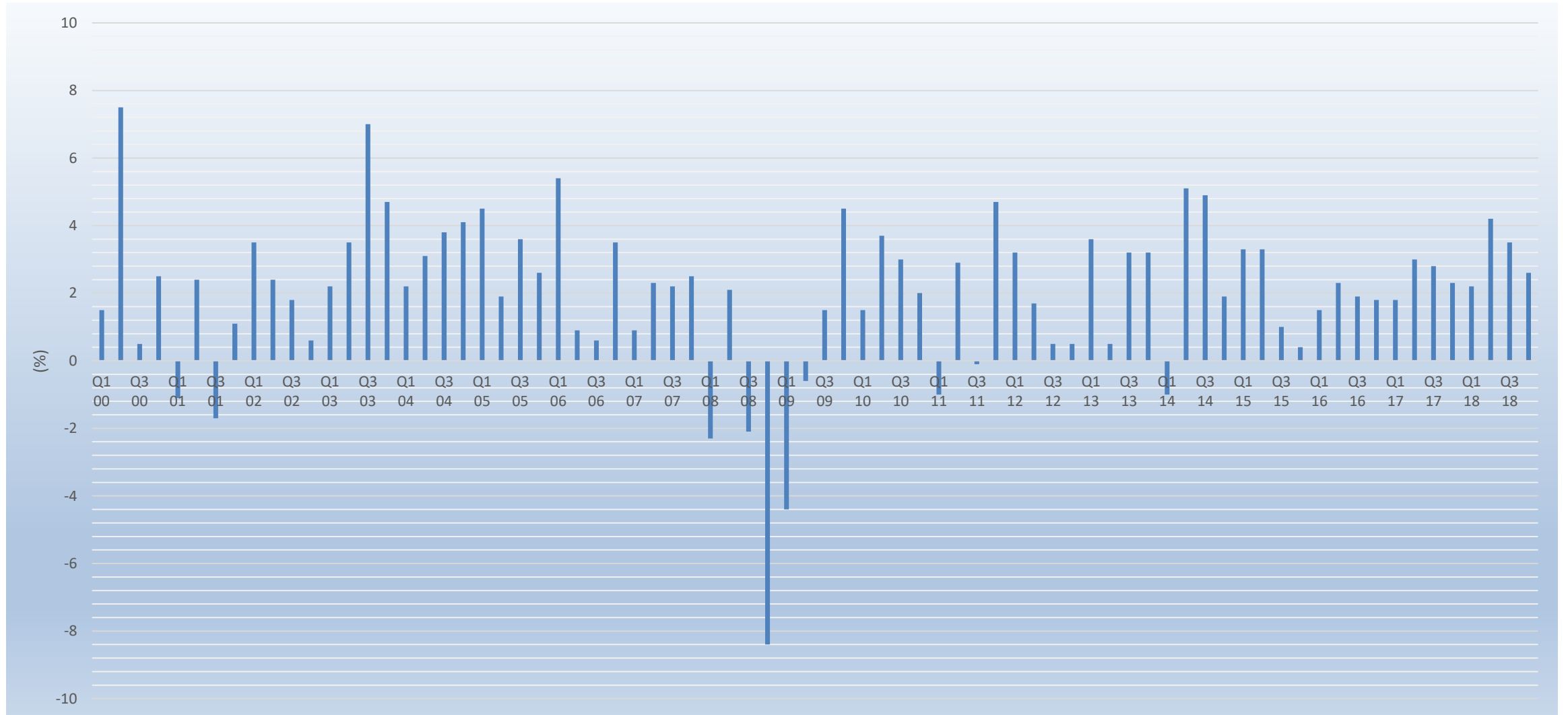
# UK GDP (% YoY)



# Euro Zone GDP(% YoY)



# US GDP (% YoY)



# Global Growth Forecasts

(IMF JAN 2019)	2017	2018e	2019f	2020f
World	3.8%	3.7%	3.5%	3.6%
Euro Area	2.4%	1.8%	1.6%	1.7%
-Germany	2.5%	1.5%	1.3%	1.6%
-France	2.3%	1.5%	1.5%	1.6%
-Italy	1.6%	1.0%	0.6%	0.9%
UK	1.8%	1.4%	1.5%	1.6%
US	2.2%	2.9%	2.5%	1.8%
China	6.9%	6.6%	6.2%	6.2%
India	6.7%	7.3%	7.5%	7.7%

# Big Global Issues in 2019

- Trade uncertainty: US v China & US v EU > Global Free Trade Agenda under pressure
- Brexit
- Chinese debt levels & growth
- Emerging market difficulties
- Financial market conditions – Equity markets & Interest rates
- Global Politics – Rise of the Right



# Interest Rates

- US rates 0 to 2.5% since Dec 15 > little pressure in 2019
- UK rates 0.25% to 0.75% > no upside in 2019
- ECB ended QE end 2018
- ECB still at zero official rates & very relaxed
- No ECB rate rises in 2019
- Pressure to return to 'normal' interest rate levels abating
- Inflation well behaved & growth easing

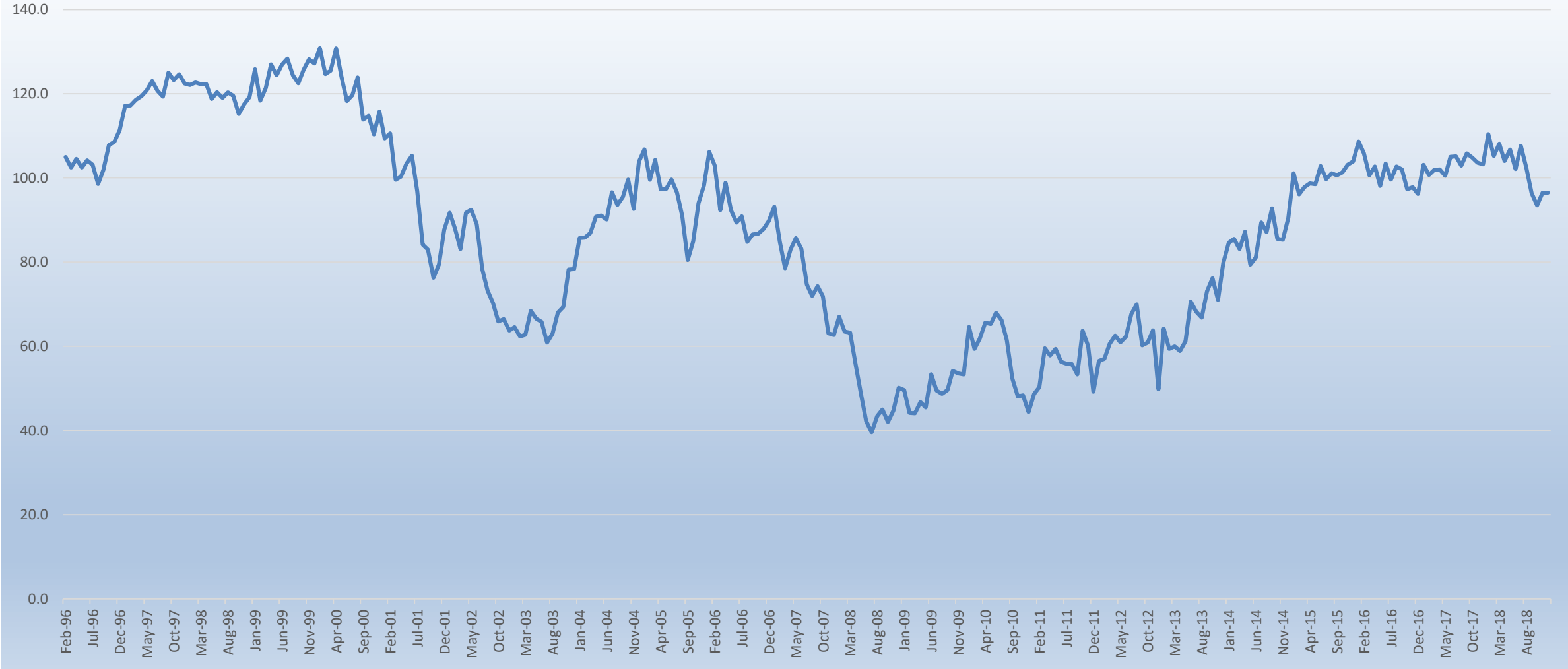
# Sterling/Euro Exchange Rate



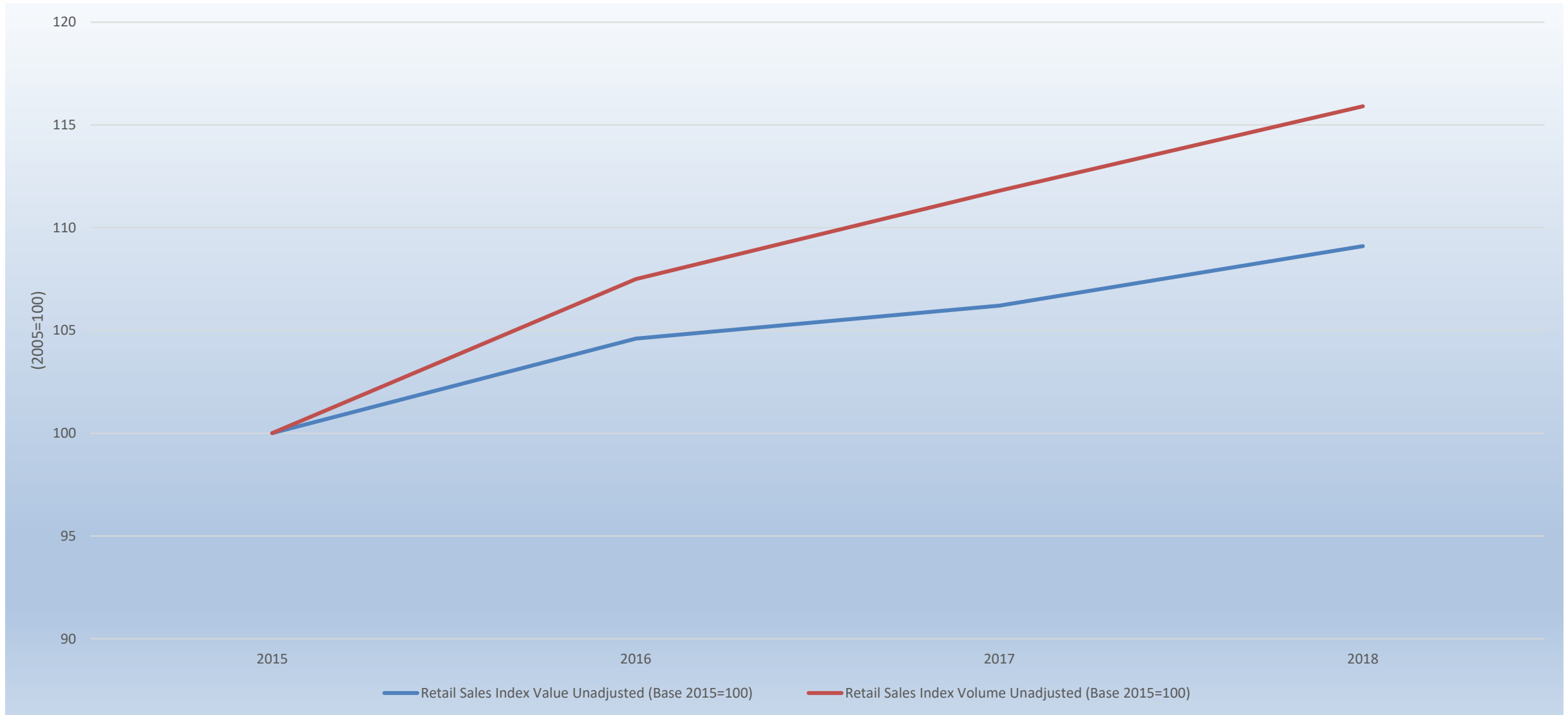
# The Irish Economy in 2018

- 2018 was a good year Q1-Q3 GDP 7.4% but Modified Domestic Demand 4.5%
- Record number of people at work/unemployment down sharply
- Strong export performance +14.8%; but UK -2.2%
- Strong tourism performance
- Consumer confidence fragile
- Personal sector undermined by subdued wage growth, high housing costs, Brexit, high personal tax burden
- Few signs of overheating in economy

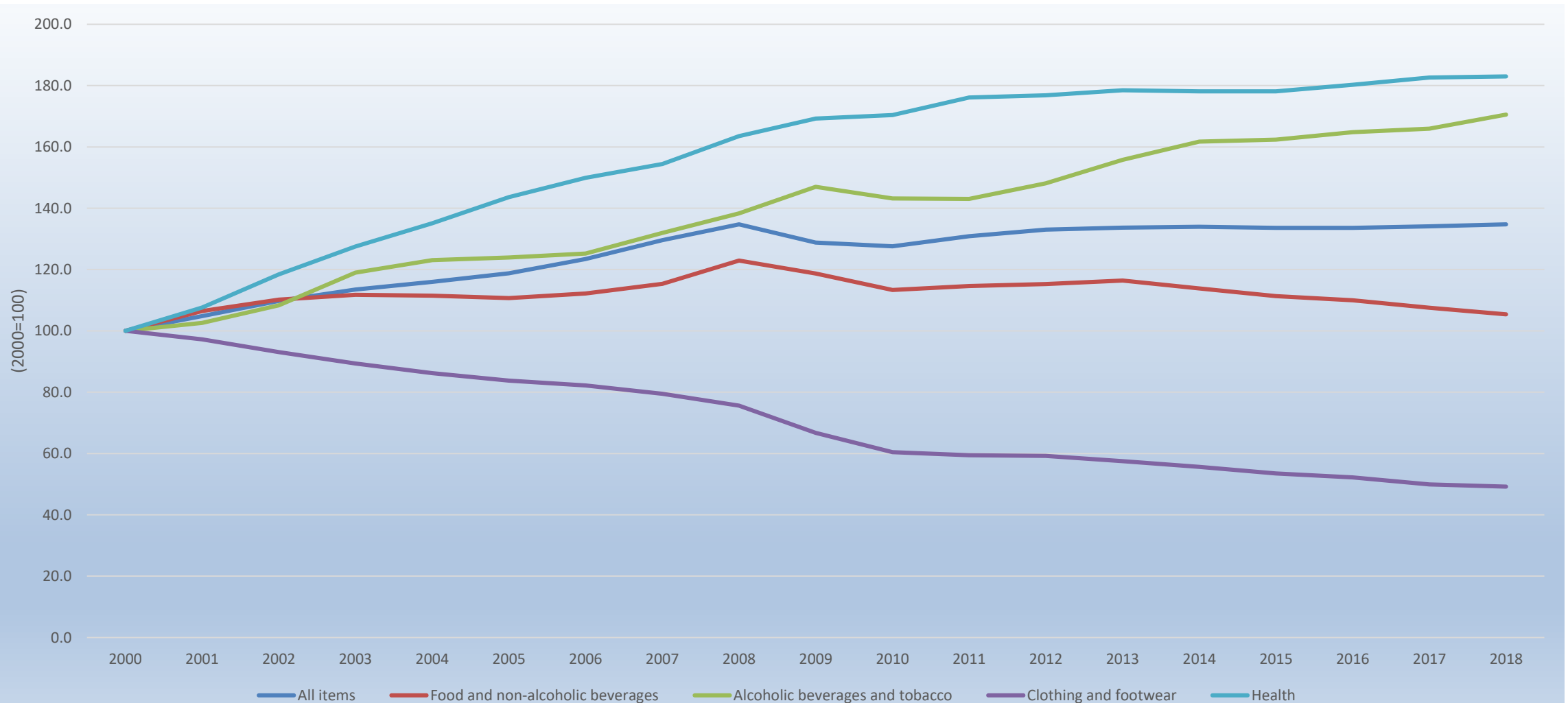
# Consumer Confidence



# Retail Sales



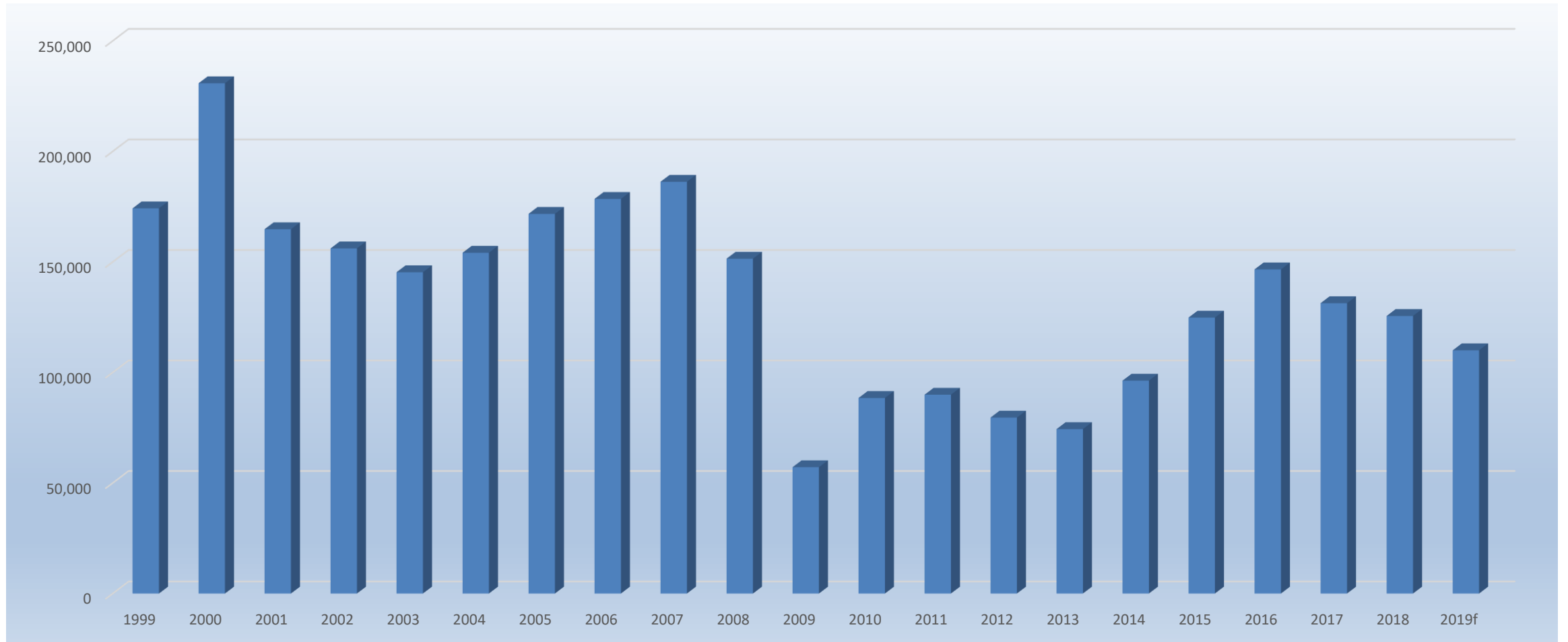
# Consumer Price Trends



# Trends in Irish Taxation

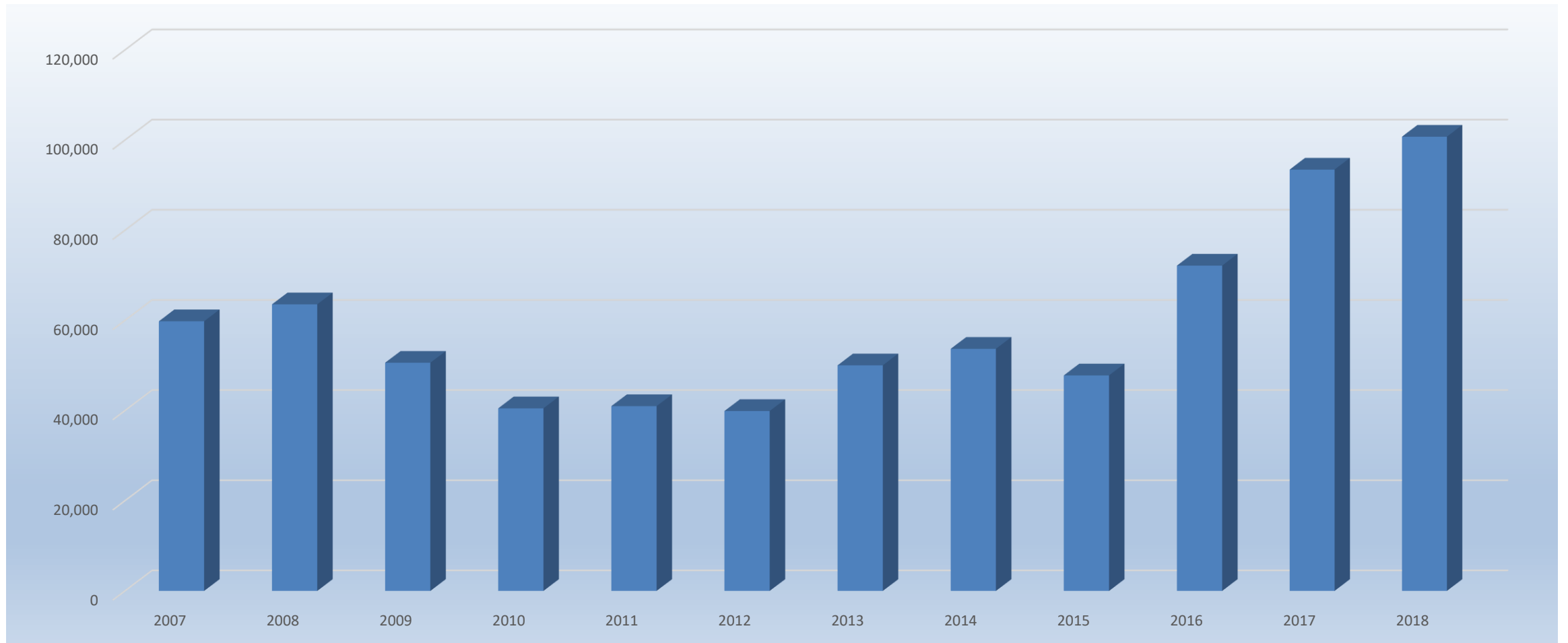
	2006	2017	2018
Expenditure Taxes	€19.3 bln	€19.6 bln	€19.99bln
% Tax Take	42.4%	38.7%	36.0%
<b>Income Tax</b>	<b>€12.4 bln</b>	<b>€20.0 bln</b>	<b>€21.24 bln</b>
<b>% Tax Take</b>	<b>27.2%</b>	<b>39.4%</b>	<b>38.2%</b>
Corporation Tax	€6.7 bln	€8.20bln	€10.39 bln
% Tax Take	14.7%	16.2%	18.7%
Capital Taxes	€3.5 bln	€1.3 bln	€1.52 bln
% Tax Take	7.6%	2.6%	2.7%
Total Tax Take	€45.5 bln	€50.7 bln	€55.55 bln

# New Car Sales

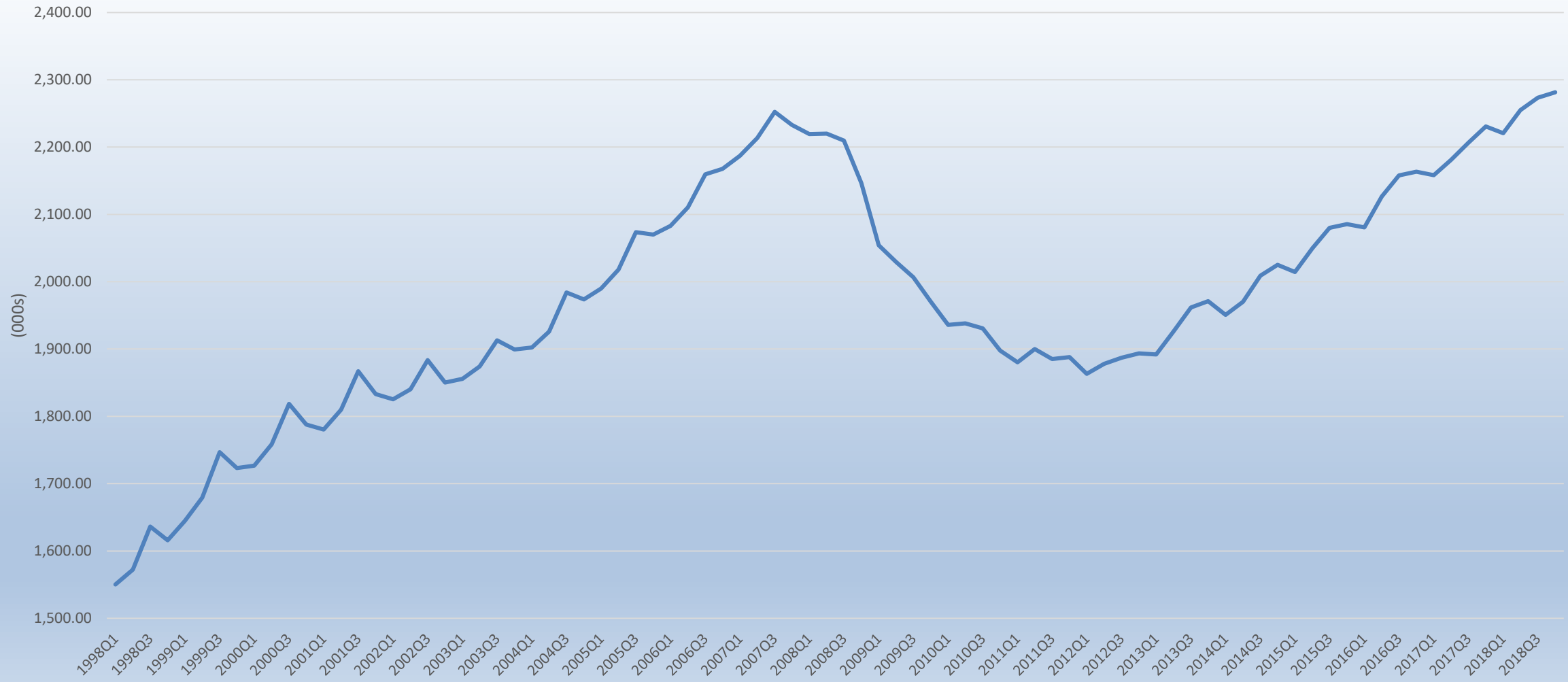




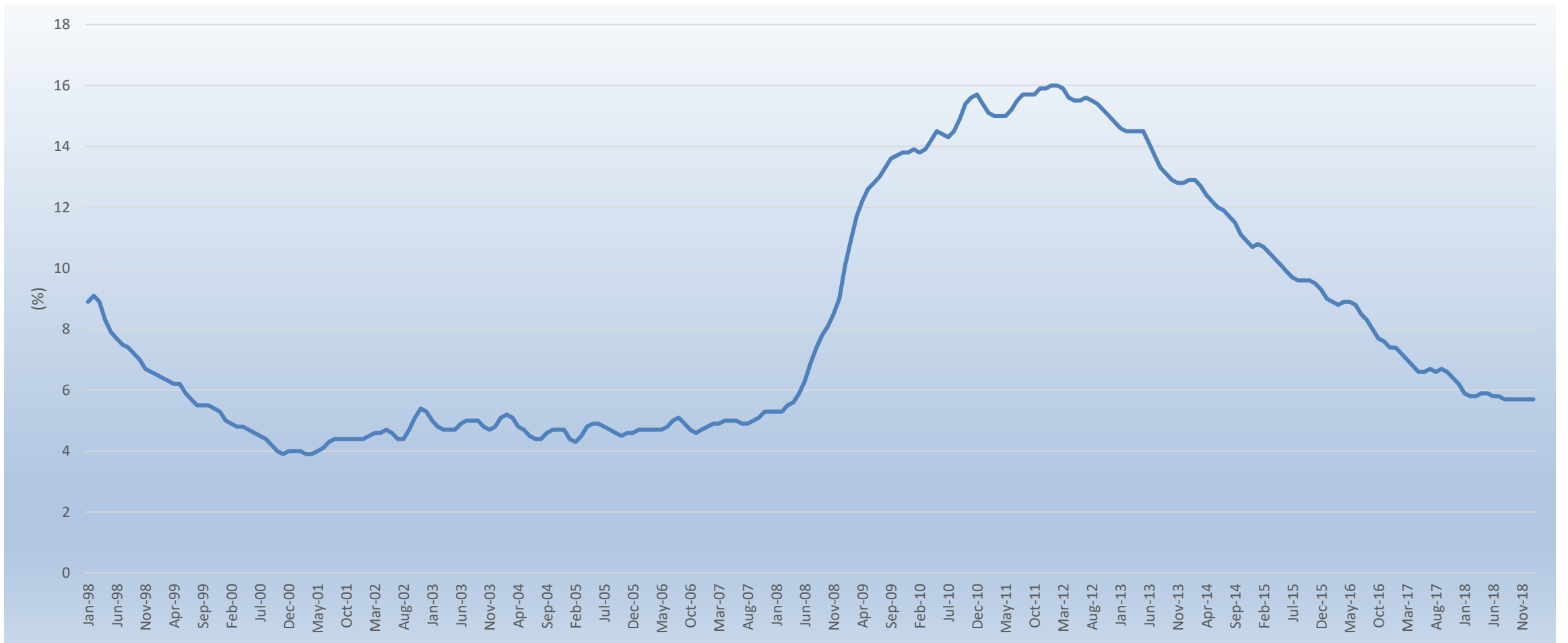
# Used Car Imports



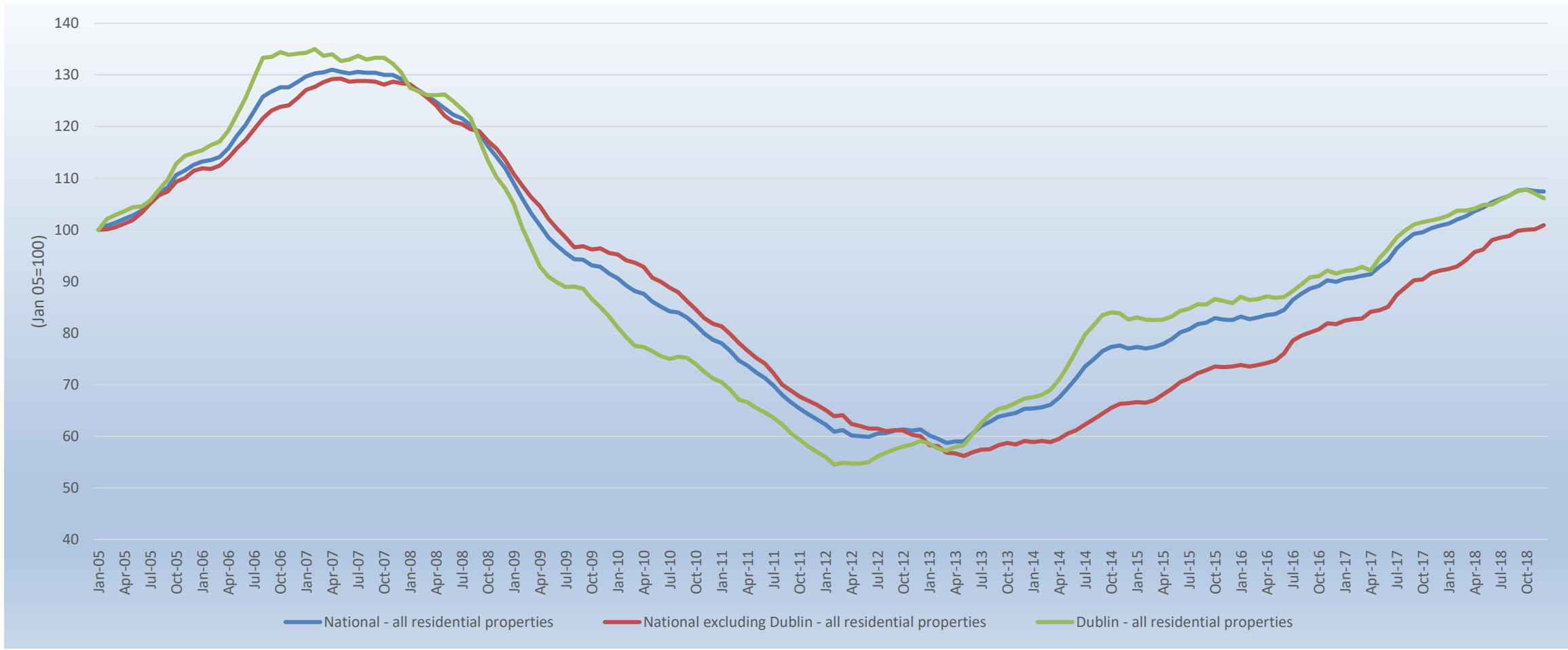
# Employment



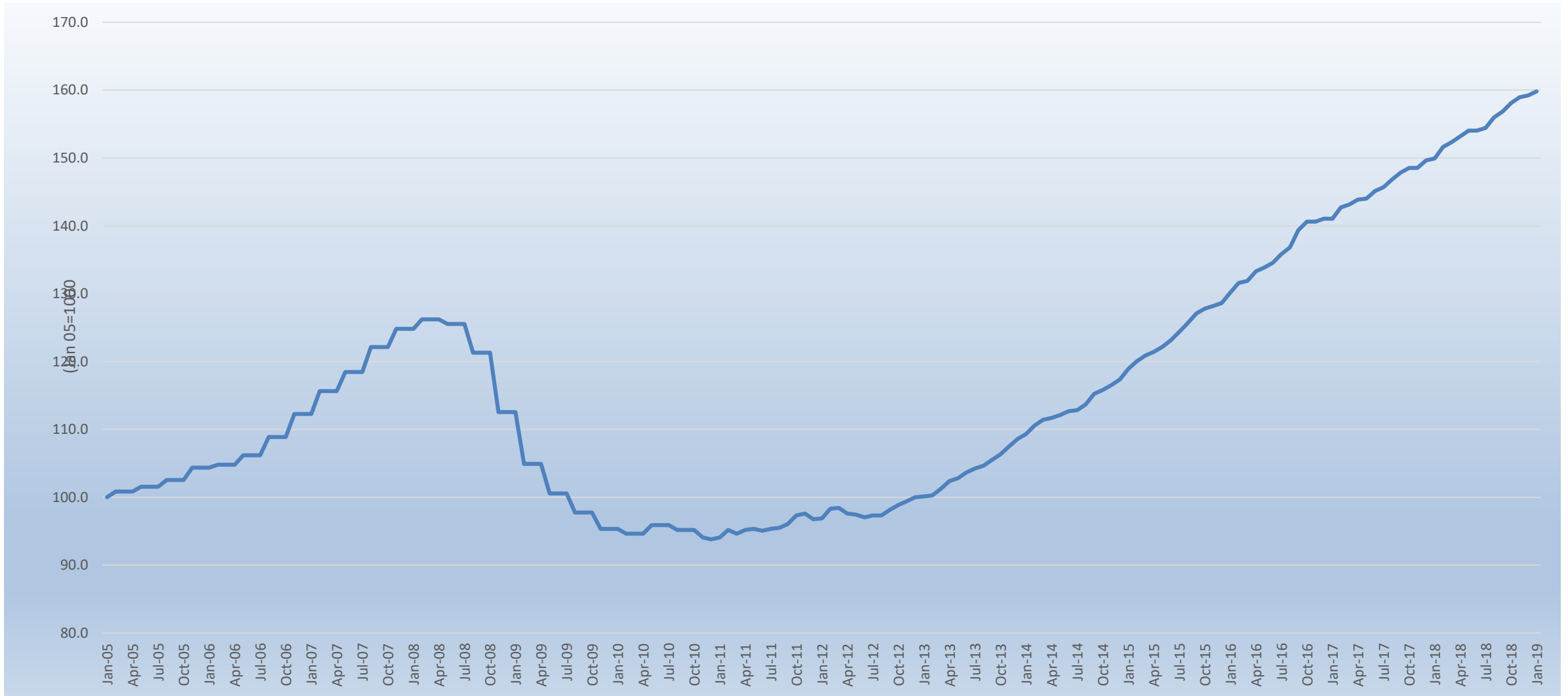
# Unemployment Rate



# House Prices



# Private Rents



# Overseas Visitors to Ireland

AREA	2017	2018	% CHANGE (YoY)
Great Britain	3,728,900	3,759,000	+0.8%
Other Europe	3,482,400	3,812,700	+9.5%
North America	2,101,500	2,383,800	+13.4%
Other Areas	619,300	660,700	+6.7%
Total	9,932,100	10,616,300	+6.9%

# Ireland – The Year Ahead

- Will be a solid year, but slower growth looks inevitable
- External environment the key risk
- Stretched personal sector will remain a feature
- Domestic challenges – public sector pay, housing, public services & public spending, tight labour market
- Brexit the key external challenge

# Brexit

- March 29<sup>th</sup> the key date
- UK political system has clear understanding of what it does not want
- Much less clear on what it does want
- Key issues are impact on UK economy & future trading relationship
- Applying logic a waste of time and effort



# Irish Trade With UK (2018)

- UK accounts for 11.4% Exports: 21.9% Imports
- Indigenous economy most exposed – much larger trade exposure to UK
- Great Britain 36.8% Food & Live Animal Exports; 40.6% Imports
- UK land bridge very important
- UK supply chain very important

# Key Longer-Term Issues for Ireland

- Housing
- Public Services v Pay v High Level of Government Debt
- Corporation Tax Pressures
- FDI v Indigenous Economy
- Brexit
- Demographics

**Thank you.  
Any Questions?**



**Jim Power**  
economics

**+353 1 499 0097**  
**info@jimpowereconomics.ie**