



INSTITUTE OF DIRECTORS
IN IRELAND



Economic Update 2021

with Jim Power, Economist and Media Commentator

IoD Ireland Briefings Series: Sponsored by Accenture



@IoDIreland @Accenture_Irl #IoDevents

'Economic Update 2021'

Institute of Directors

February 25th 2021



Jim Power
economics

The Futility of Forecasting

- Understanding economic forecasts > what they can and cannot do
- The unpredictability of human behaviour
- The colossal impact of political developments
- The potential for 'natural catastrophe'
- There is nothing more difficult to forecast than the future
- Identification & management of risks

Where things stand – The International Context

- Prospects promising coming in to 2020 > but Global Pandemic changed everything
- Sharp slowdown in activity
- Very aggressive & coordinated policy response > Fiscal & Monetary policy in perfect harmony
- Rolling lockdowns inhibiting recovery
- Too early to judge who reacted well & who didn't
- Recovery will be driven by vaccine rollout

Where things stand – The Domestic Context

- Statistically Ireland did well in 2020 on GDP basis
- GDP needs to be treated with high degree of caution
- Dual economy & workforce
- FDI, Public Sector, Financial Services, Professional Services > doing well
- Tourism, Hospitality, Non-Essential Retail, Personal services > awful
- Strong fiscal response from Government & financial support
- Recovery should be driven by vaccine
- Housing & Health the big issues

Ireland - Economic Growth

| | Q2 QoQ | Q3 QoQ | Q1-Q3 YoY |
|-----------------------------|--------|--------|-----------|
| GDP | -3.2% | +11.1% | +3.0% |
| GNP | -3.7% | -1.9% | -0.8% |
| Modified Domestic Demand | -15.5% | +18.7% | -6.6% |
| Consumption | -19.1% | +21.3% | -10.1% |
| Exports of Goods & Services | -2.9% | +5.7% | +4.4% |

Tax Revenues 2020

| HEADING | € (M) | % OF TOTAL | YEAR-ON-YEAR (%) |
|----------------------|---------------|---------------|------------------|
| Income Tax | 22,711 | 39.7% | -1.0% |
| VAT | 12,424 | 21.7% | -17.8% |
| Corporation Tax | 11,833 | 20.7% | +8.7% |
| Excise | 5,448 | 9.5% | -8.3% |
| Stamps | 2,090 | 3.7% | +38.0% |
| Capital Gains Tax | 951 | 1.7% | -11.5% |
| Capital Acquisitions | 494 | 0.9% | -7.3% |
| Customs | 276 | 0.5% | -20.9% |
| Motor Tax | 939 | 1.6% | -2.4% |
| Total | 57,165 | 100.0% | -3.6% |

Merchandise Exports 2020

| SECTOR | €M | % YEAR-ON-YEAR | % OF TOTAL EXPORTS |
|---|---------|----------------|--------------------|
| Food & Live Animals | 11,505 | -2.3% | 7.1% |
| Beverages & Tobacco | 1,452 | -15.3% | 0.9% |
| Chemicals & Related Products | 105,835 | +13.8% | 65.8% |
| Machinery & Transport | 21,631 | -8.9% | 13.5% |
| Other | 20,392 | -8.7% | 12.7% |
| Total | 160,814 | +5.4% | 100.0% |

Irish Household & Corporate Finances

- Household finances healthy
- Household Deposits +€14.1 bln to reach €124.5 bln end-2020
- Household debt falling sharply
- Strong basis for strong consumer rebound
- Non-Financial Corporate Deposits +€11 billion to reach €72.7 bln end-2020
- Strong basis for rebound in business investment

The Pessimistic Take

- Why the future might be dark
- Key risks
 - Inequality
 - Ongoing growth of Populist Politics
 - Virus mutation & Vaccines
 - Policy mistakes
 - Brexit
 - Globalisation under pressure
 - The climate agenda
 - EU policy failure

The Optimistic Take

- Why the future might be bright
 - The problem – populism – is a clear and present danger which all politicians now know they need to do something about
 - Exit of Trump & emergence of Biden
 - There may well be virus setbacks but the crisis will, sooner or later, end. Probably sooner, even if the virus mutates badly: mRNA vaccines can be quickly reengineered. And ~230 vaccines remain in the pipeline. All pandemics end.
 - Technological optimism
 - Keynes is back – on steroids
 - The ECB will not make the same mistake as a decade ago
 - Brexit has been removed as source of uncertainty

A conditional dose of optimism

- Everything is set up for a rapid recovery once the virus is brought under control (the most important condition)
- Pent-up demand & accumulated savings
- Policy levers will be pulled fully and appropriately
- Reasons for technological optimism
- Green agenda is also growth enhancing (this is another example of economists changing their minds)
- Austerity is dead and buried

Issues to Ponder

- The future of cities
- The jobs & workplaces of the future
- The future of retailing
- Will there be a need for offices?
- What does Brexit really mean for the EU?
- Outlook for property
- Outlook for markets
- Outlook for politics

**Thank you.
Any Questions?**



Jim Power
economics

+353 1 499 0097
info@jimpowereconomics.ie