

Economic and Political Update 2025

with Jim Power, Economist & Media
Commentator

6th February 2025





Welcome to IOD Economic & Political Update 2025

The World in 2024

The battle against inflation was effectively won

Central banks started to cut interest rates (ECB 4*1/4% Cuts & another Jan 30th)

Economic growth strong in US, but very weak in UK, China & Euro Zone

Difficult global geo-political backdrop

A record year for elections, but none as consequential as US election

The World in 2025



Geo-political uncertainty still intense



Euro Zone, UK & China will continue to experience modest growth, unlike US



Inflation likely to behave, but US a risk



Financial Markets a risk - Bond yields, elevated debt & irresponsible fiscal policy, & AI euphoria
Equity markets?



ECB will continue to cut interest rates (1%-1 ½% possible)



German Federal Election Feb 23rd?
Performance of AfD?



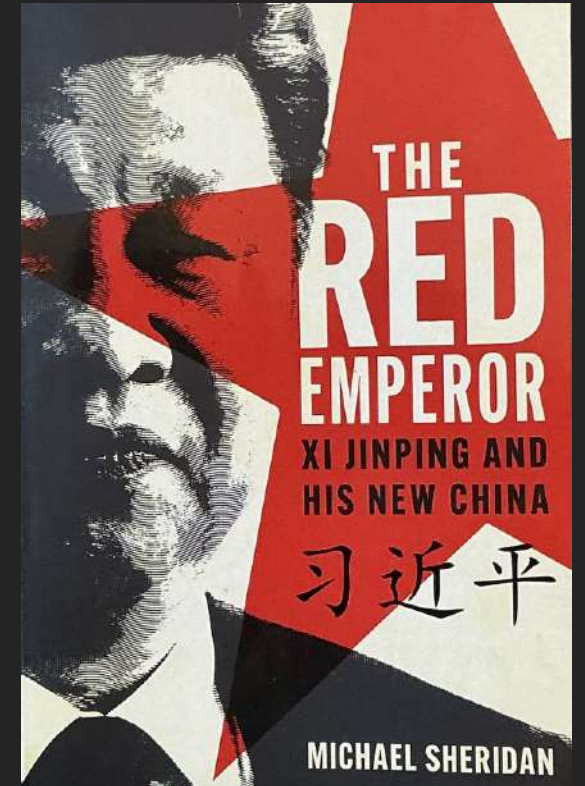
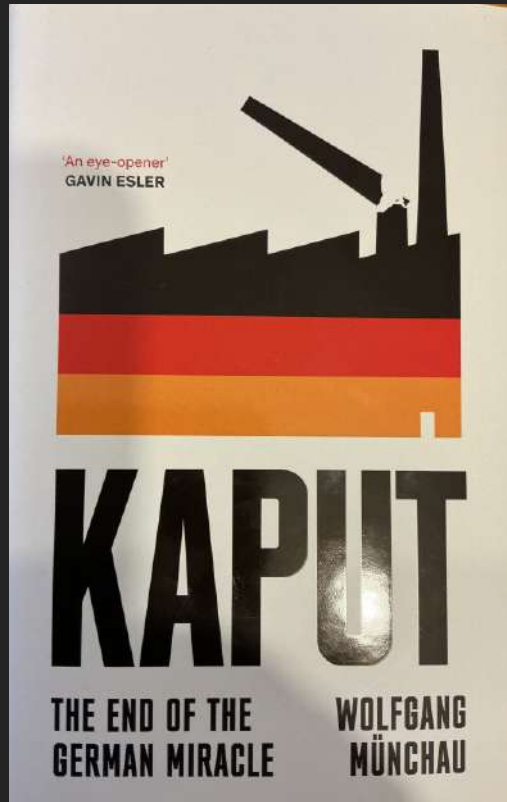
Trump presidency the big issue.

Maganomics & Chaos

- 'America First'
- Anti free trade & free trade agreements
- Tariffs as a leverage tool - up to 20% on all imports into the US; 60 per cent or higher China; and 25% Mexico & Canada.
- Retaliatory trade war
- Cut the corporation tax rate from 21% to 15%
- Deport undocumented immigrants
- Weaker global economy; a widening of the already very large US budget deficit with consequent global financial stability risks; higher prices; & a much more combative global geo-political environment.
- Pushing the boundaries of his power



Books to Cause Concern





Irish Economy in 2024



Solid performance



Exports, tax revenues & labour market very strong



Inflation came down, but price legacy persists



Consumer & SME sector pressurised



Political stability

Legacy of Inflation Spike (Dec 2020 to Dec 2024)

	ANNUAL % CHANGE DEC 2024	% DEC 2020-DEC 2024
All items	1.4%	21.1%
Food	1.9%	21.6%
Clothing & Footwear	-8.0%	-0.4%
Private rents	5.4%	34.1%
Mortgage interest	4.7%	80.2%
Electricity	-8.3%	54.9%
Gas	-8.0%	92.9%
Petrol	+2.4%	27.0%
Diesel	-0.2%	45.0%
Restaurants, cafes and the like	4.2%	20.9%
Accommodation services	0.3%	39.7%
Hairdressing	3.1%	20.4%
Childcare	-20.8%	-37.4%
Insurance connected with health	10.3%	23.7%
Motor car insurance	11.5%	-6.4%

Tax Revenues in 2024

	€m	YEAR-ON-YEAR CHANGE (%)	YEAR-ON-YEAR CHANGE (€m)	% TOTAL
Income Tax	35,071	6.6%	2,158	32.5%
VAT	21,835	7.3%	1,488	20.2%
Corporation Tax	39,065	63.9%	15,228	36.2%
Excise	6,275	11.8%	662	5.8%
Stamps	1,695	-3.7%	-66	1.6%
Capital Gains Tax	1,706	12.3%	187	1.6%
Capital Acquisitions Tax	854	34.7%	220	0.8%
Customs	594	1.9%	11	0.5%
Motor Tax	928	1.9%	18	0.8%
Other Property Taxes	2	-	11	-
Total	108,025	+22.6%	+19,908	100.0%

The Irish Economy in 2025



SOLID MOMENTUM
GOING INTO YEAR



INTEREST RATES TO
FALL FURTHER



PROGRAMME FOR
GOVERNMENT & ITS
DELIVERY
IMPORTANT



MORE CAUTIOUS
APPROACH FROM
BUSINESS – COST
CONTROL - THE
SHEDDING OF
LUXURY LABOUR?



THE THREAT
POSED BY
MAGANOMICS

The Housing Market in 2024



National residential property prices + 9.4% Nov, Outside of Dublin +9.2% & Dublin +9.6%



National Index 16% above April 2007. Dublin 4% above Feb 2007, & Outside of Dublin 16.7% above May 2007.



Demographics, falling interest rates, Government policy, economic backdrop & pent-up demand > Supply constraints:
Completions 30,330 -6.7% (Apartments -24.1%)



ESRI suggest market overvalued by 10% - what does this really mean?



Private rents +123.3% June 2012 to Dec 2024



It is a massive challenge, but Ireland is not alone eg: Spain, UK, Canada, Australia

The Housing Market in 2025

- Demand will continue to outpace supply
- Solid economy, lower interest rates & simple demographics
- National average prices could rise by circa 8/10%
- A sharp economic correction the only obvious way of getting prices down
- Let's see The Programme for Government

Concentration Risk

- 302,566 employees in IDA companies 2024 (10.8% employment)
- Corporation Tax 36.2% tax revenues in 2024(€11 bln Apple)
- 10 Companies paid 52% Corporation Tax in 2023
- Manufacturing, ICT & Finance accounted for 70% Corporation Tax
- These 3 sectors 1/3rd of Income Tax
- Top 10 companies 10% of Income tax
- Top 20% of Income Tax payers pay 80% of Income tax



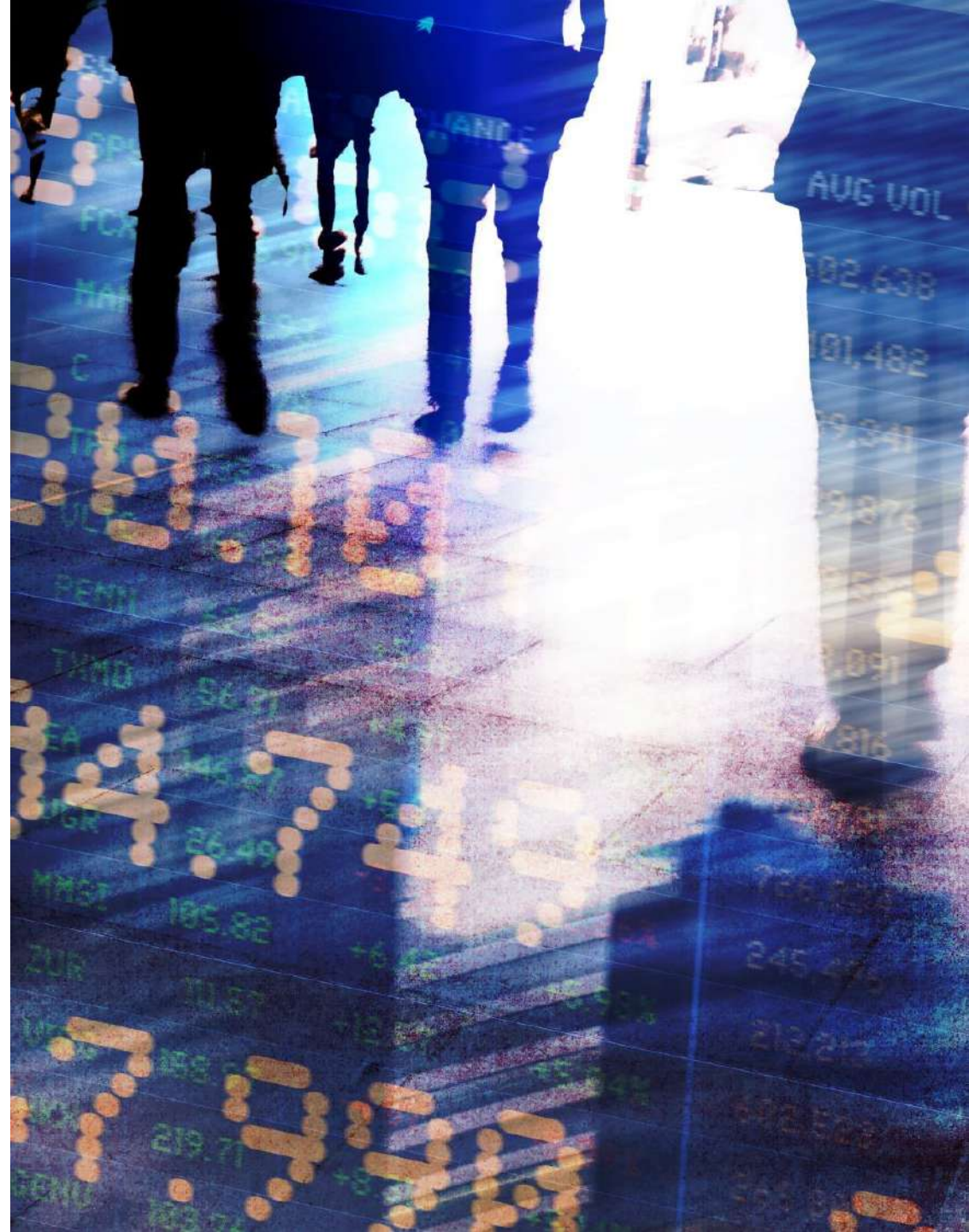


Issues & Challenges for Ireland in 2025

- Threat to FDI model from Trump in particular
- Deep diplomatic engagement to mend fences?
- Ensure that in vital strategic areas such as energy, water & housing serious efforts are made to address the deficiencies
- The cost environment
- Climate change agenda
- Housing THE key component of national competitiveness
- More attention to SME sector

Key Messages

- Global geo-political background not good
- Trump has potential to massively disrupt global economic & political stability
- China, EU & UK struggling, US doing well
- ECB interest rates to fall a lot further
- Watch financial markets
- Ireland has solid momentum but risks building
- A more cautious business sector?



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Podcast Launched February 2021 Chris Johns & Jim Power



'The Other Hand'



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Thank you
for listening

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