



INSTITUTE OF DIRECTORS
IN IRELAND



MAZARS

Economic Update 2020

with Jim Power, Economist and Media Commentator

Morning and Evening Briefings Series: Kindly sponsored by Mazars

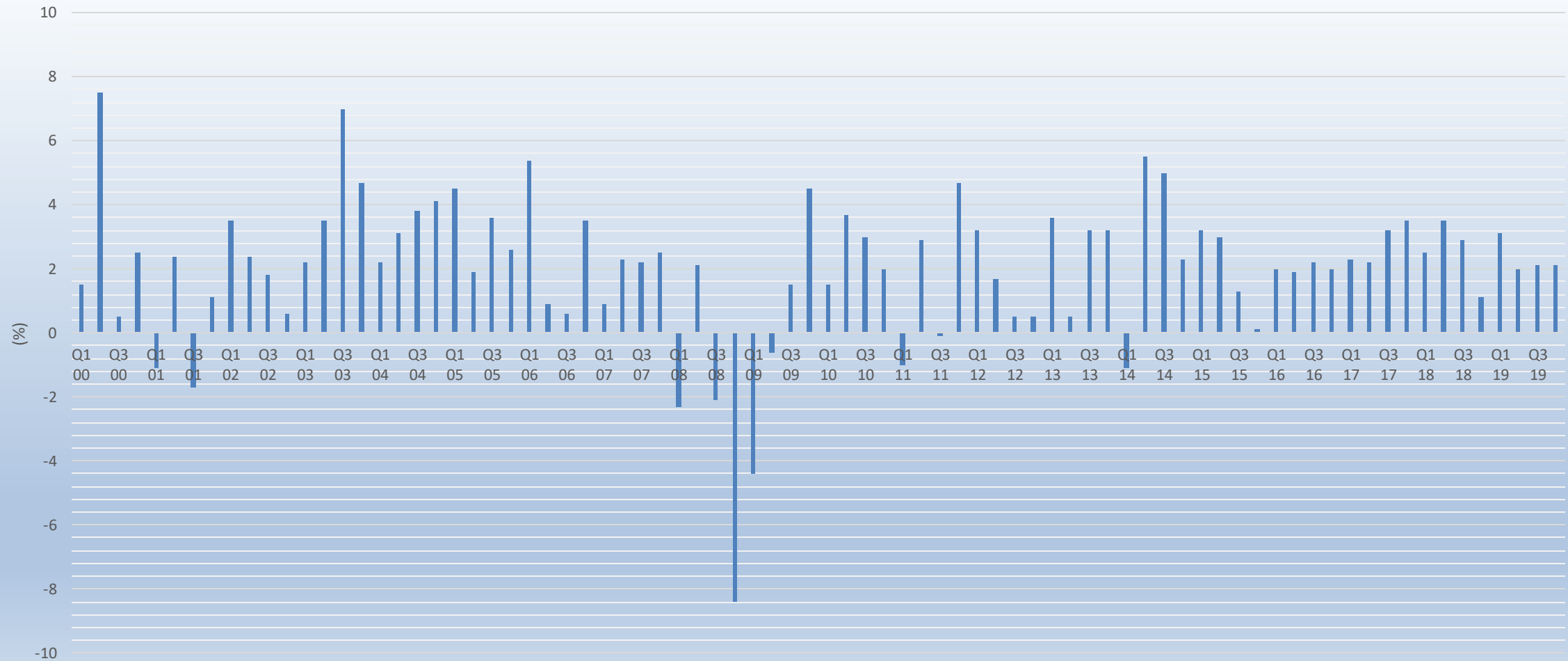


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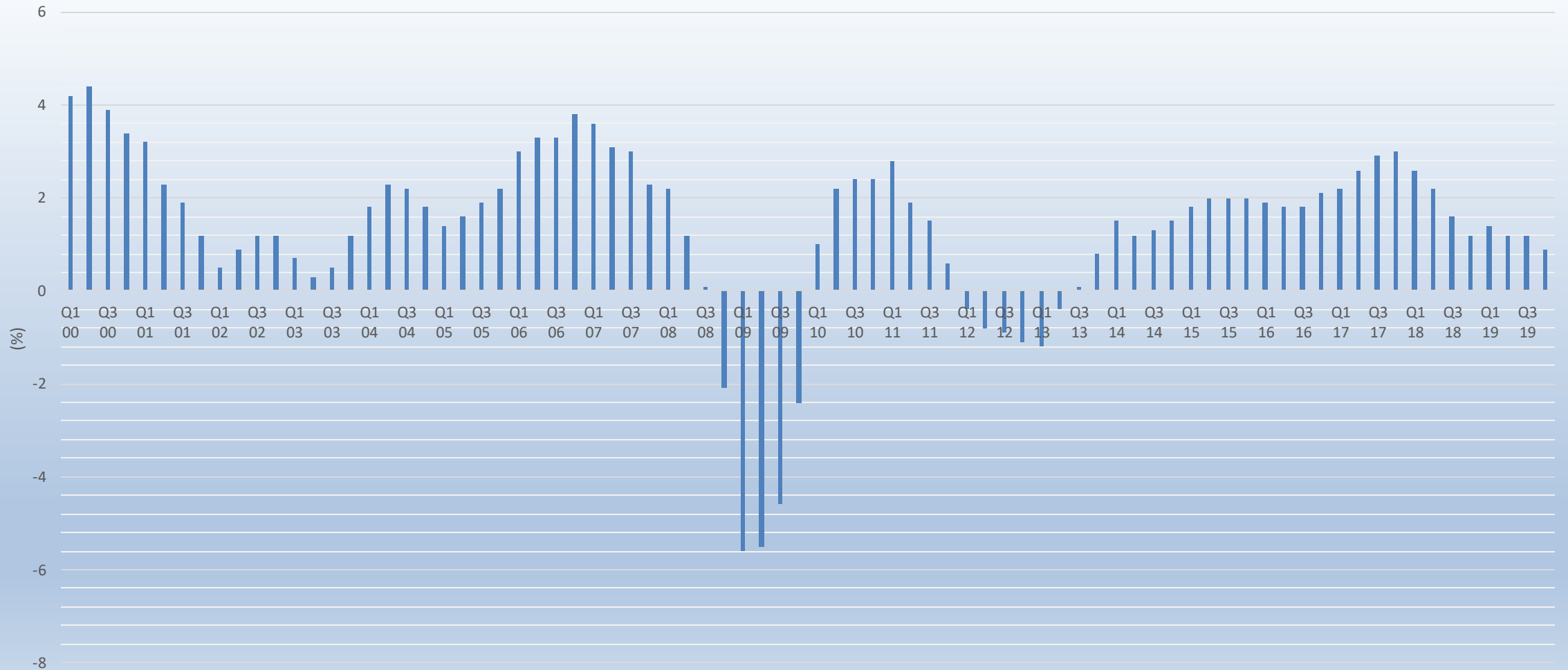
The External Context

- Global growth has slowed over past year – 2019 slowest since 07/08
- Trade dispute hurt US & China
- Brexit has hurt UK
- Inflationary pressures subdued everywhere
- Interest rate outlook changed significantly during 2019
- US rates cut 3 times > ECB resumed QE & Zero rates to persist
- More uncertain global outlook than for some time > Watch Trump
- COVID-19?

US GDP (YoY)



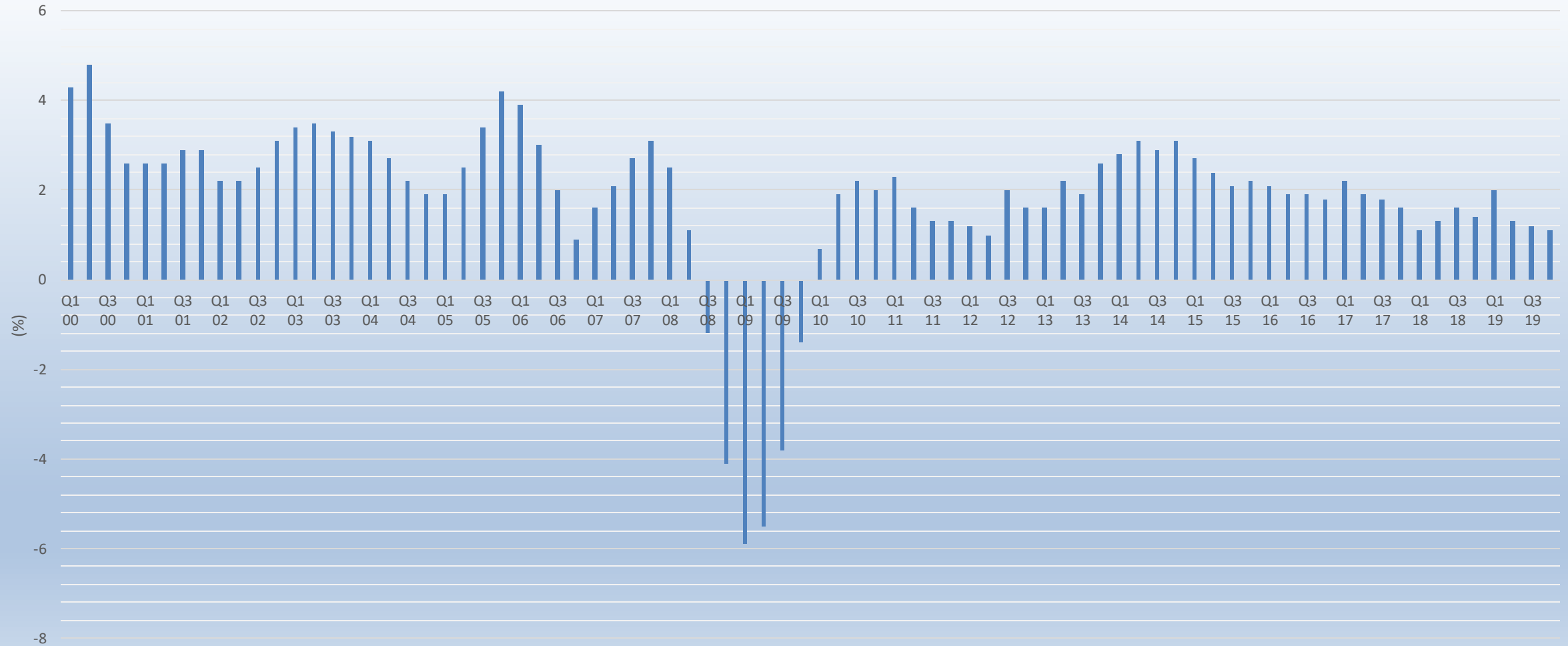
Euro Zone GDP (YoY)



Euro Zone Economy

- Growth has disappointed over past couple of years
- Car manufacturing issues
- Structural factors > Ageing Populations & Regulation
- Monetary policy has been pushed to the extreme
- Is it time to re-negotiate fiscal rules?

UK GDP (YoY)



UK Economy

- Brexit uncertainty has caused a sense of paralysis
- Early signs of upturn in 2020
- Coiled spring being released
- Future international trade relationships very uncertain
- Can UK attain the best of all regulatory worlds?

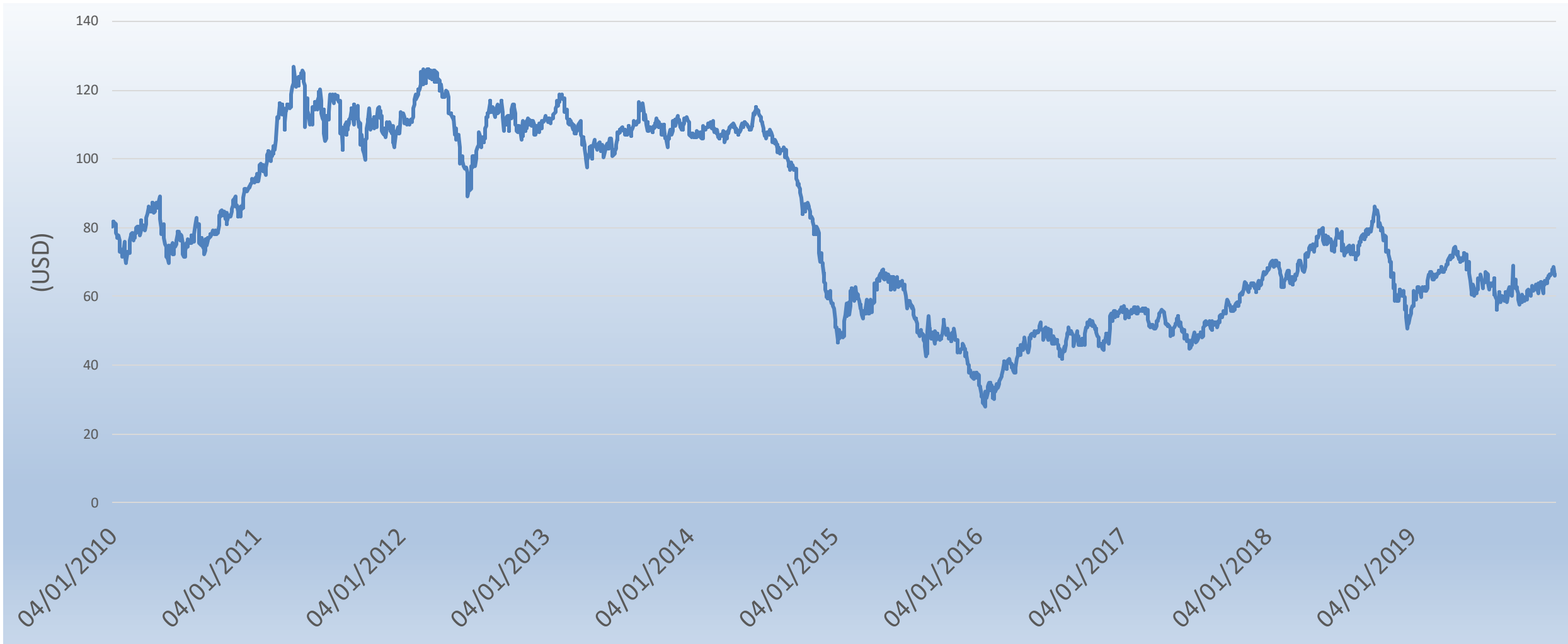
Economic Indicators

	GDP (Q4 19 YoY)	Unemployment Rate	Inflation
US	2.1%	3.5%	2.3%
Euro Zone	0.9%	7.4%	1.4%
France	0.8%	8.4%	1.6%
Germany	0.5%	3.2%	1.6%
Italy	0.0%	9.8%	0.5%
Spain	1.8%	13.7%	1.1%
Netherlands	1.5%	3.2%	1.6%
Greece	2.3% (Q3)	16.6%	1.0%
Portugal	2.2%	6.9%	0.8%
UK	1.1%	3.8%	1.5%
Austria	1.0%	4.2%	1.8%
Belgium	1.2%	5.3%	1.5%

IMF's Global Outlook (Jan 2020)

	2019	2020f	2021f
World	2.9%	3.3%	3.4%
United States	2.3%	2.0%	1.7%
Euro Zone	1.2%	1.3%	1.4%
Germany	0.5%	1.1%	1.4%
France	1.3%	1.3%	1.3%
Italy	0.2%	0.5%	0.7%
United Kingdom	1.3%	1.4%	1.5%
Emerging Markets	3.7%	4.4%	4.6%
China	6.1%	6.0%	5.8%
India	4.8%	5.8%	6.5%

Oil Prices



Sterling Pleasantly Strong



Unusual Financial Market Conditions

- Persistently low official interest rates
- Subdued inflation
- QE & Bond Yields > Incredibly low levels
- QE & Equity Markets > Incredible gains since Q1 2009
- Difficult environment for investors
- Are investors being pushed out the risk curve in dangerous fashion?

10-Year Bond Yields

Market	Rate
United States	1.58%
United Kingdom	0.64%
Ireland	-0.11%
Germany	-0.40%
Italy	0.90%
Greece	0.92%
Spain	0.28%
France	-0.17%
Japan	-0.04%

S&P 500 +395% Since March 2009



Brexit

- The UK left 31/01/20
- Negotiations on future trading relationship will commence early March
- UK adopting very hard-line stance
- Transition Period expires 31/12/20
- UK will exit 'Transition' 31/12/20
- PM says he will not seek extension, but trade deal difficult in that time-frame
- Uncertainty will persist in 2020

The 6 Priorities of the New EU Commission

- A European Green Deal
- An economy that works for its people > fair taxation
- A Europe fit for digital age
- Promoting European way of life > a union of equality
- Stronger Europe in the World
- A new push for European democracy

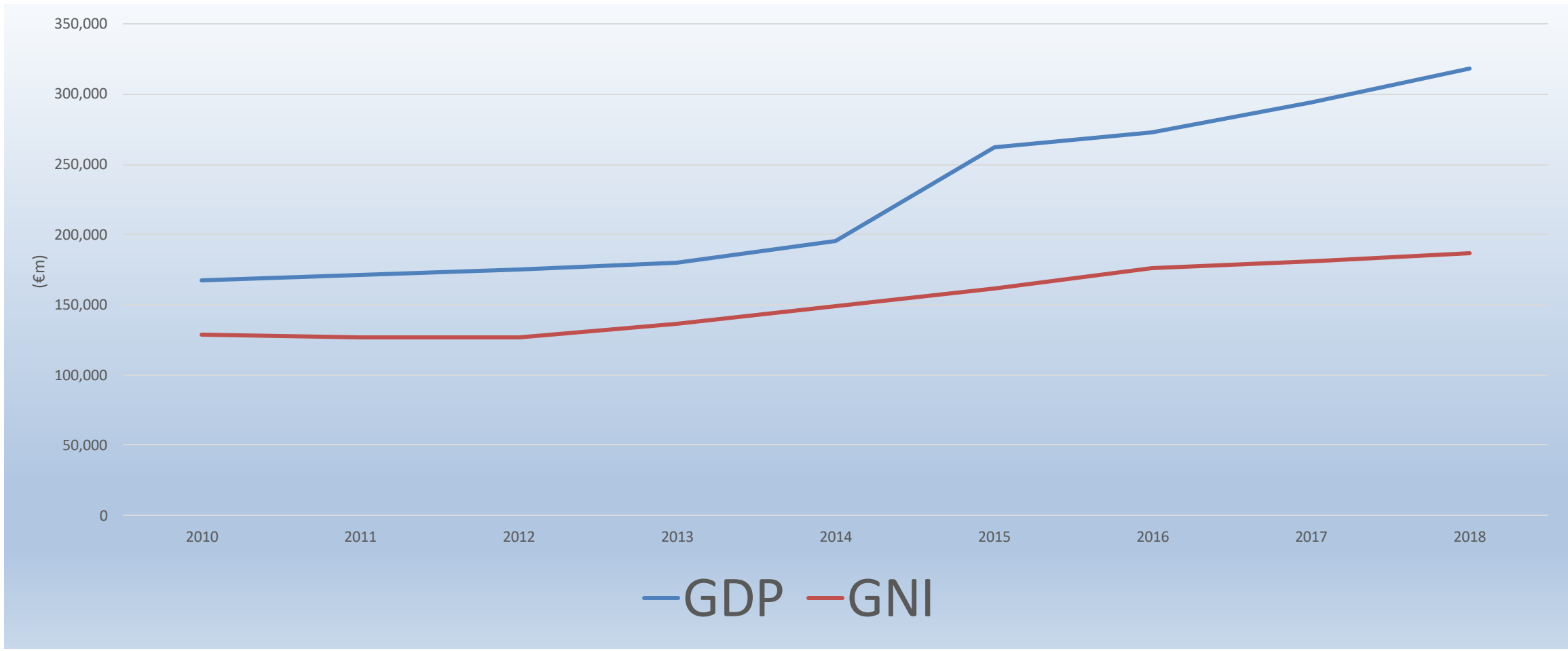
What to Watch in 2020

- Brexit
- Global Economy > particularly Euro Zone
- US Presidential Election & Trade Issues
- COVID-19
- Political developments > rise of extremist/populist politics
- Changing of the guard ECB & EU, Policy making in the EU
- Climate change

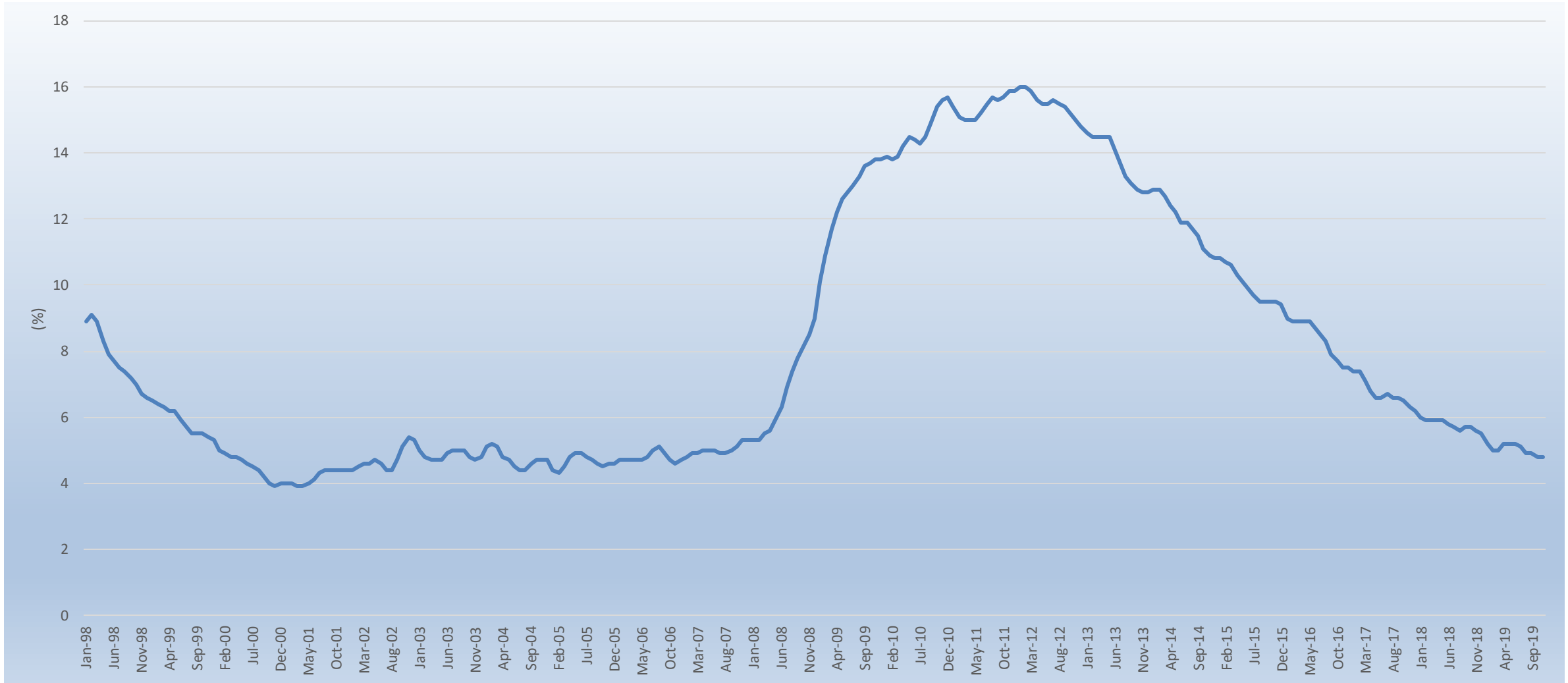
The Irish Economy in 2019

- Momentum solid in 2019
- Strong export performance +8.5% (UK -2.3%)
- Strong labour market - 12,900 Unemployment & +79,900 employment
- Strong tourism, but UK more difficult
- Consumer confidence fragile
- Business sentiment more cautious
- Brexit fears

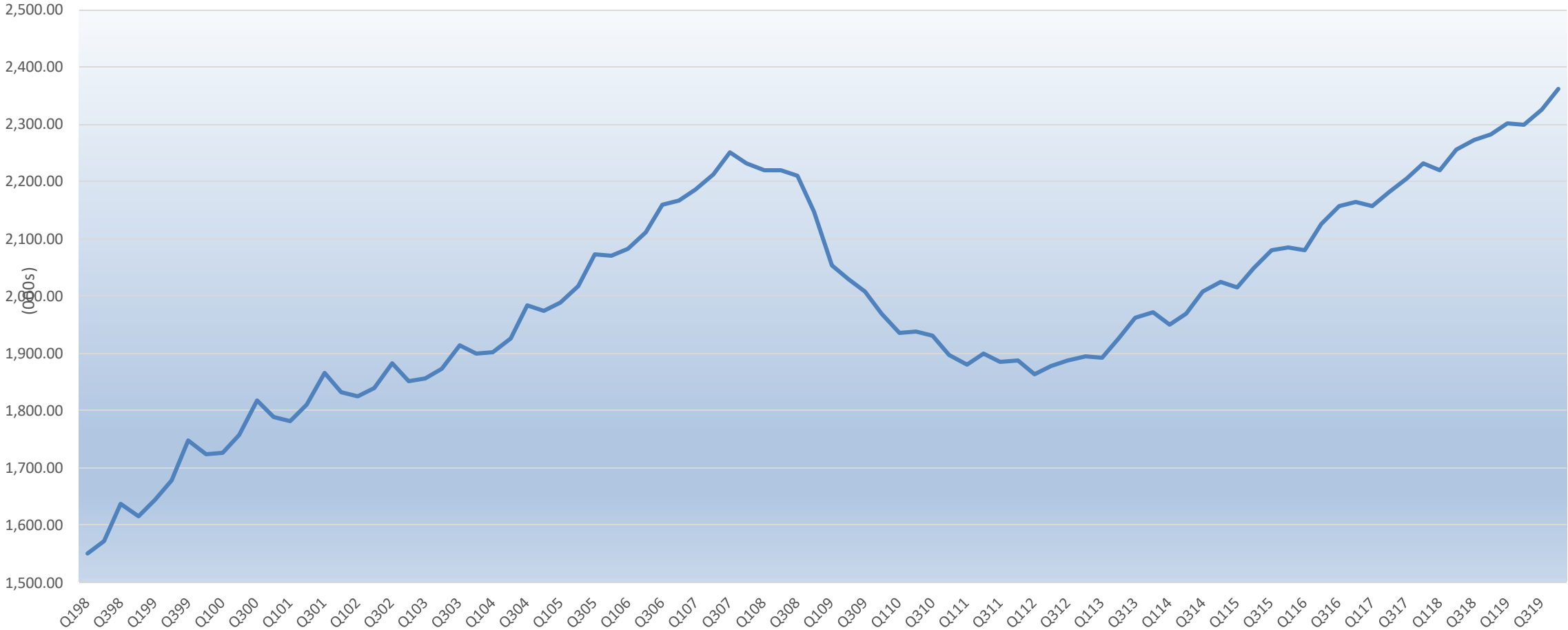
Interpreting Irish Growth – A Cautionary Tale



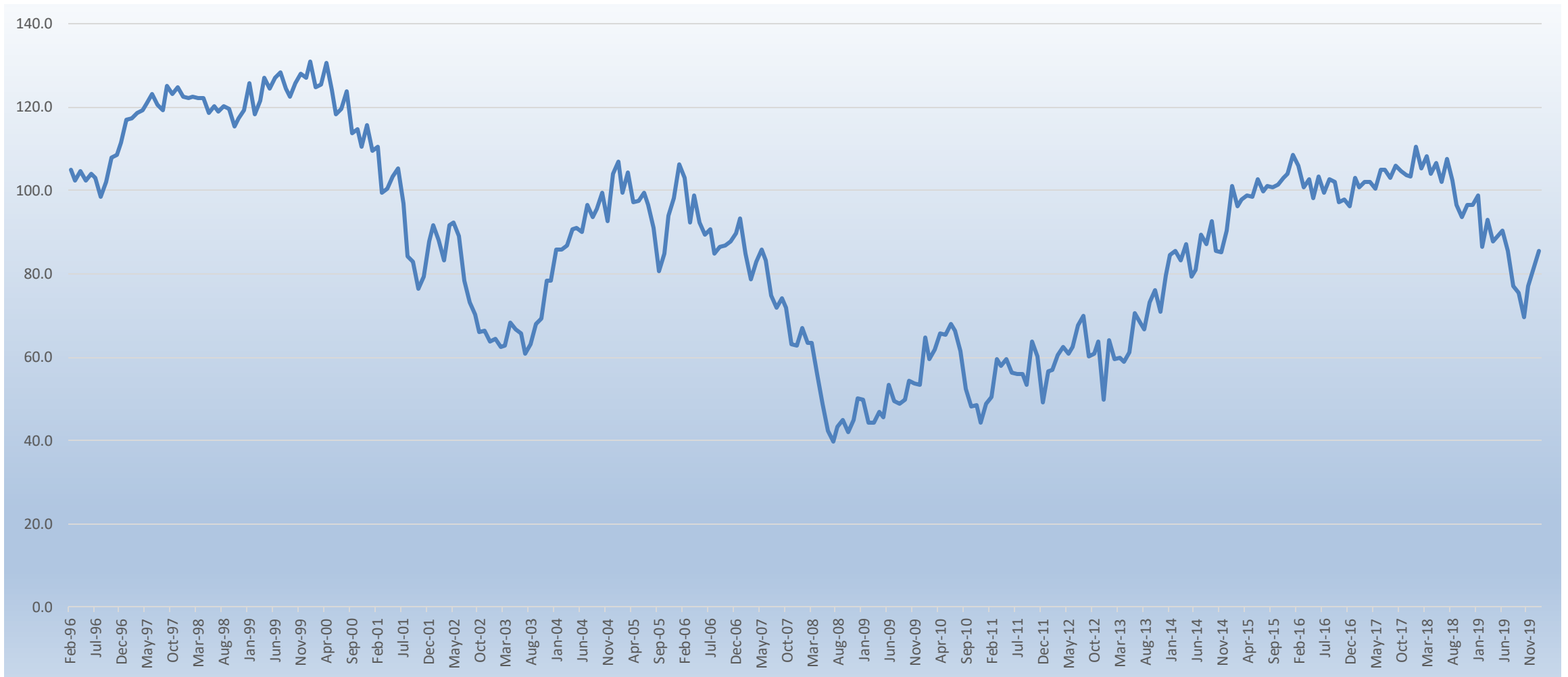
Unemployment Rate



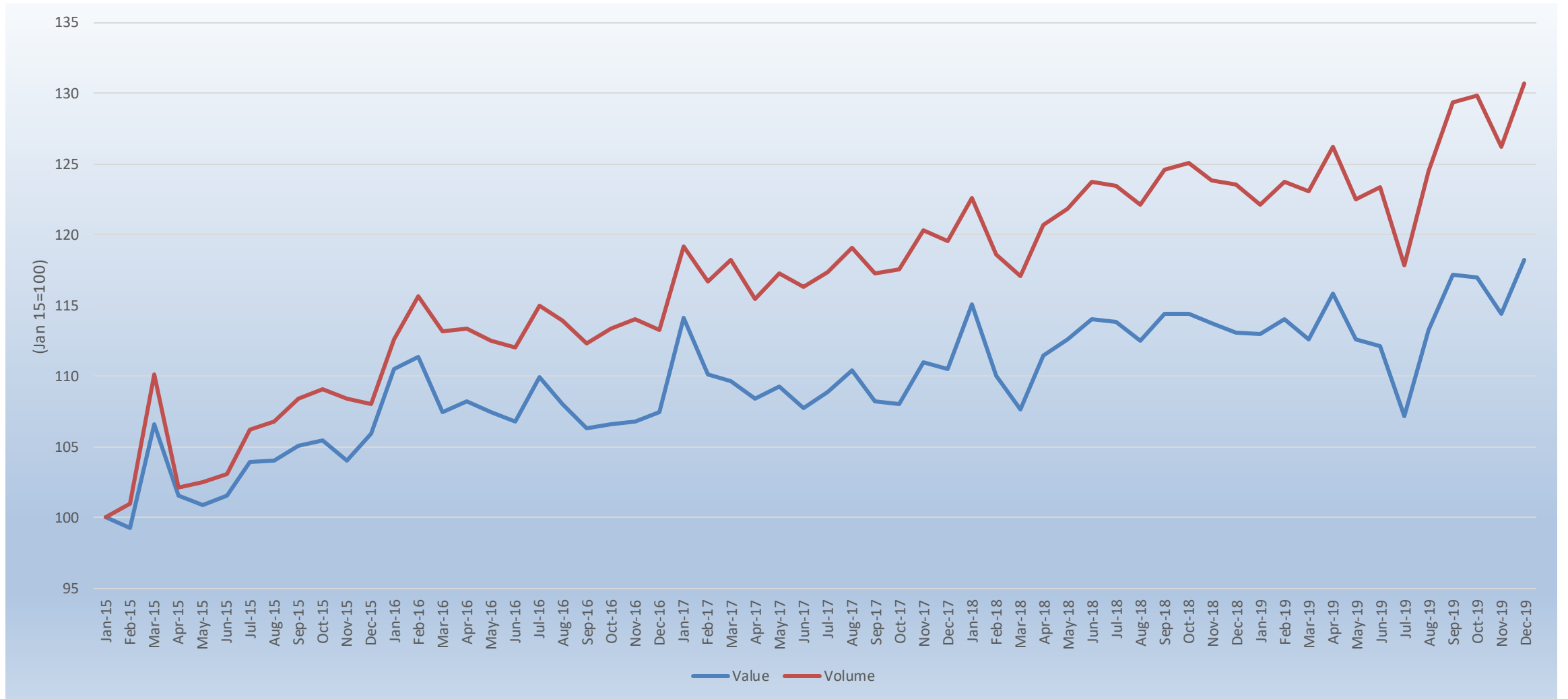
Record Levels of Employment



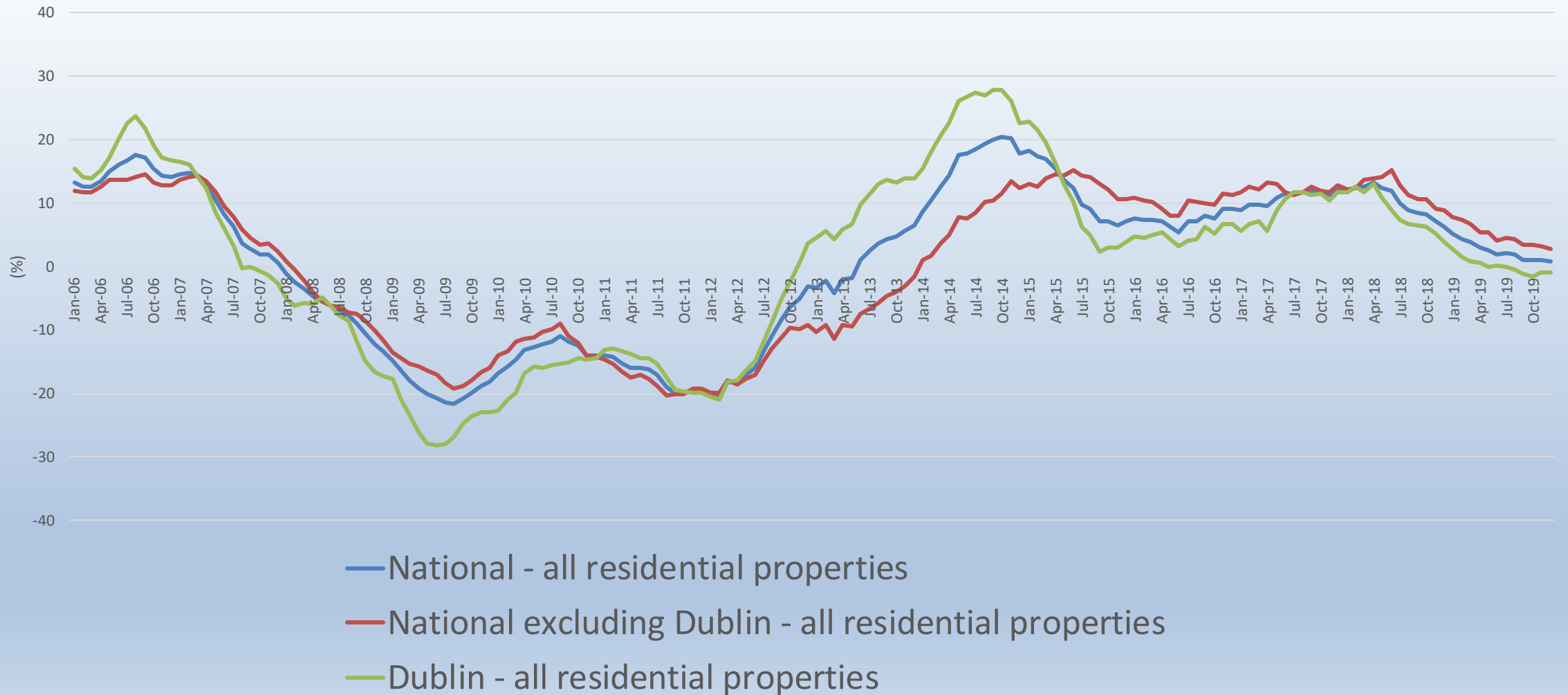
Fragile Consumer Confidence, but Getting Better



Retail Sales



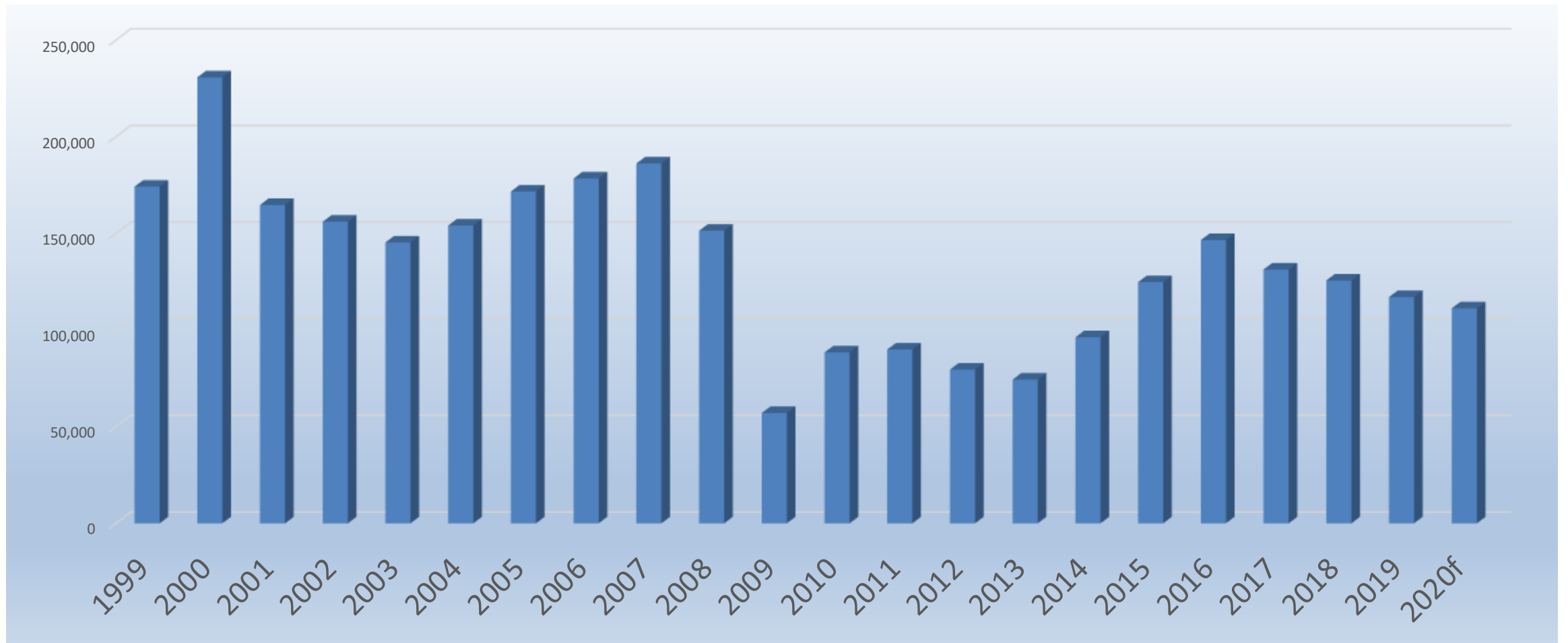
House Price Growth Decelerating



Overseas Visitors to Ireland

	2019	% Annual Change	Share 2019
Great Britain	3,787,700	+0.8%	35.0%
Other Europe	3,910,200	+2.6%	36.2%
USA & Canada	2,412,500	+1.2%	22.3%
Other Areas	697,200	+5.5%	6.5%
Total	10,807,500	+1.8%	

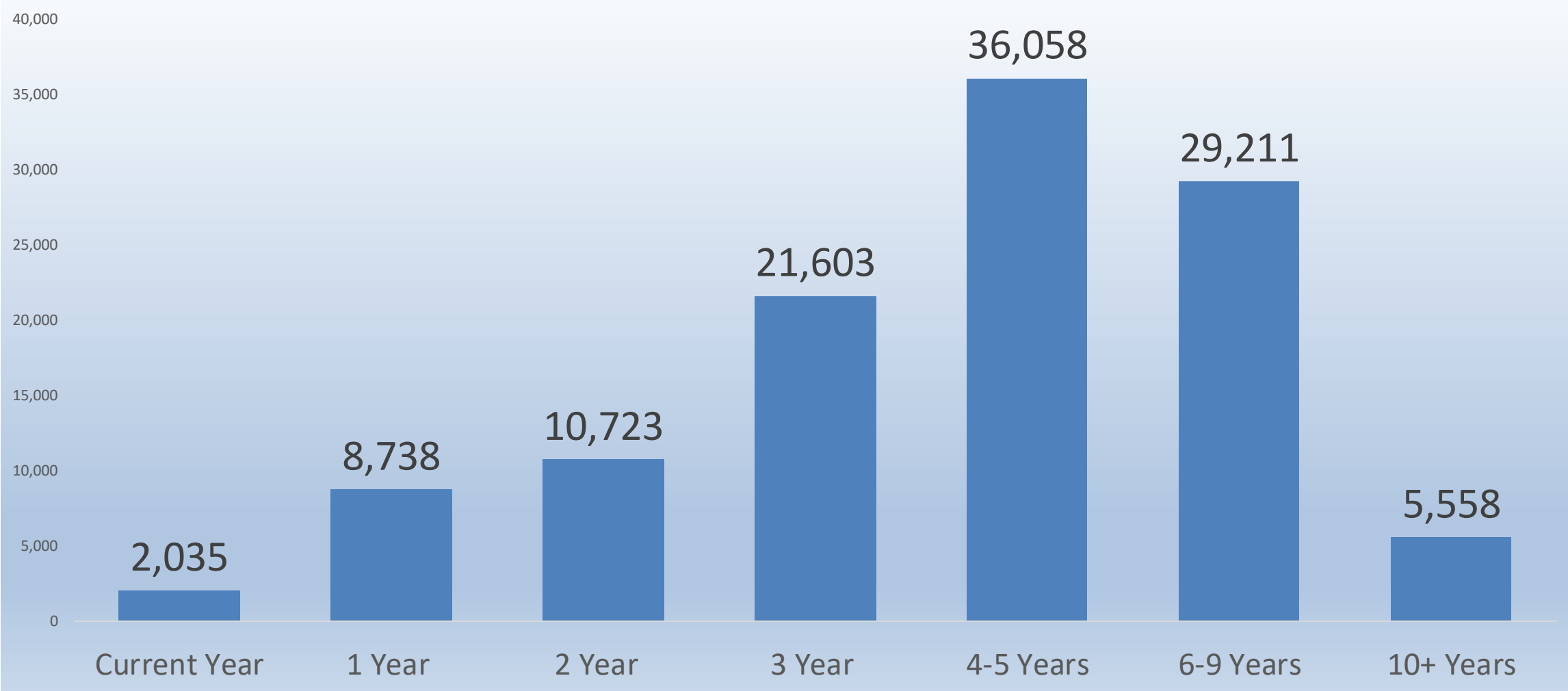
New Car Registrations



Used Car Imports



Age Profile Used Imports



Irish Issues

- Brexit
- Global corporation tax
- Housing
- Taxation v Expenditure
- Tight labour market
- Focus on competitiveness broadly defined
- General Election 2020



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