

The Irish Economy

Current Position & Future Outlook

PSEU-IMPACT Conference
July 18th 2012

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Overview

1. The Economy Now

Growth, Unemployment, Deficits & Debt

2. The Economic Outlook

Growth, Unemployment, Deficits & Debt

3. Implications & Challenges

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1. The Economy Now

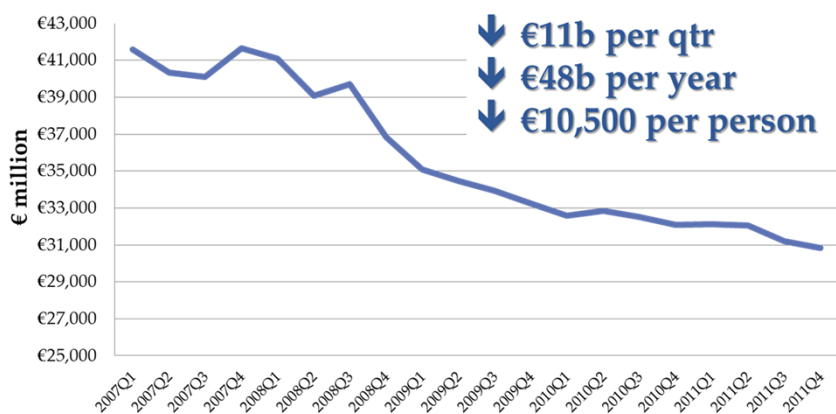
Growth

- **low versus targets**
- **dependence on exports**
- **domestic demand = weak**
 - **Crash**
 - **Cutbacks**
 - **Confidence**
 - **Credit**

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Domestic Demand and its decline



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Unemployment

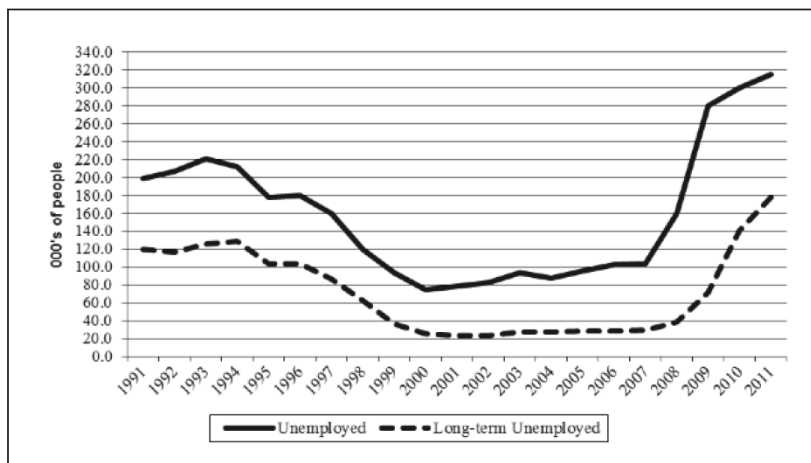
- high versus targets/expectations

	2011	2012	2013	2014	2015
Budget 2012	14.3	14.1	13.5	12.9	11.6
SPU – April 2012	14.4	14.3	13.6	12.8	11.7
CSO – actual	14.4	14.7			
CSO – predict		14.9			

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Unemployment: growth & level



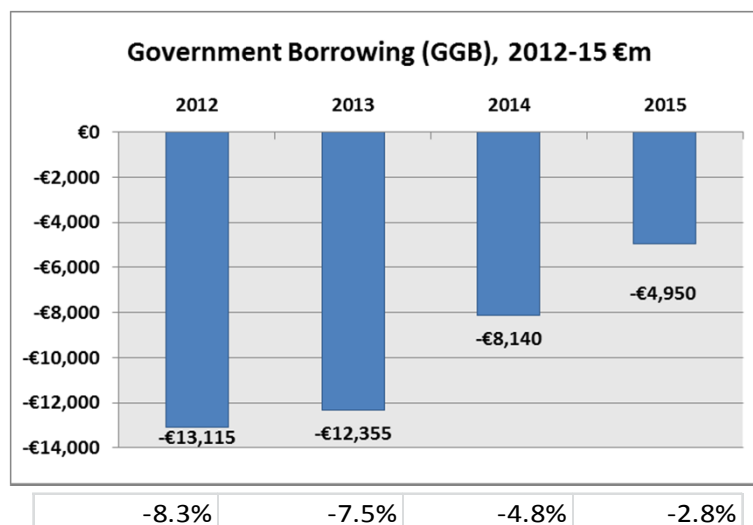
Source: CSO, QNHS various editions

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Deficits and Debt

- **spending > income**
 - spending: fairly static
 - Debt service
 - Unemployment
 - tax collapse
 - low-tax still...narrow base
 - low growth and limited international recovery

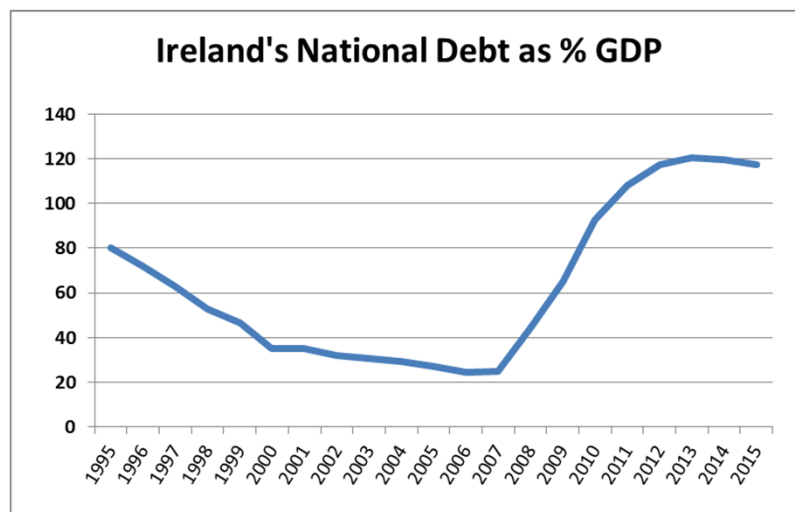


- **Climbing National Debt = €170bn (end 2011)**
About 25% = Banking Debt (€42bn)
- **Even with restructuring**
 - Interest Burden = heavy
 - Versus the past
 - Impacts on future exchequer decisions

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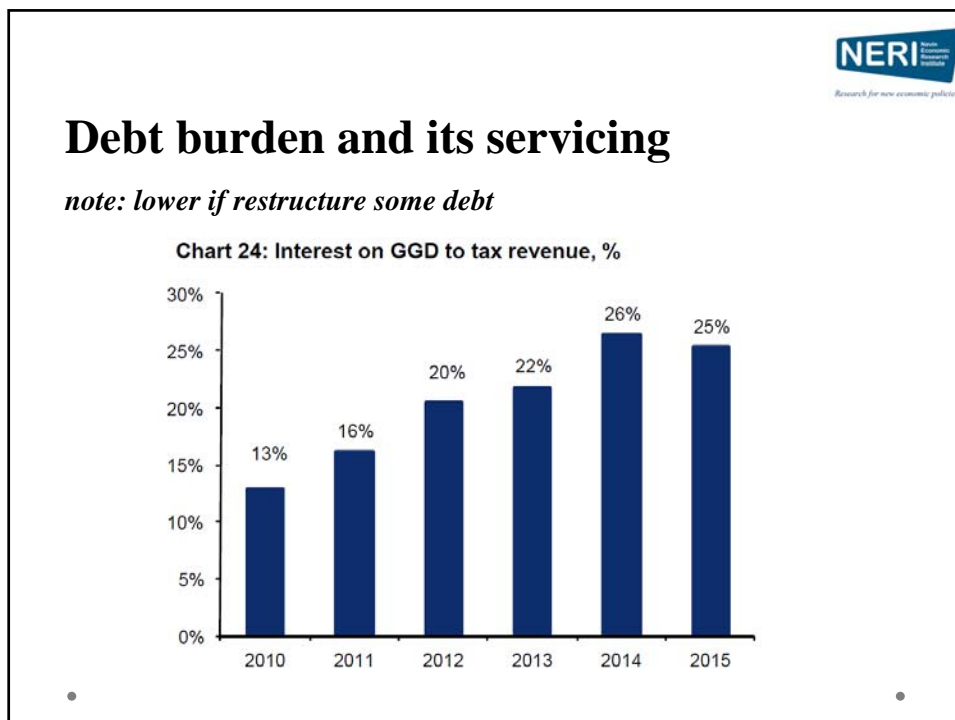
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Debt increase over time



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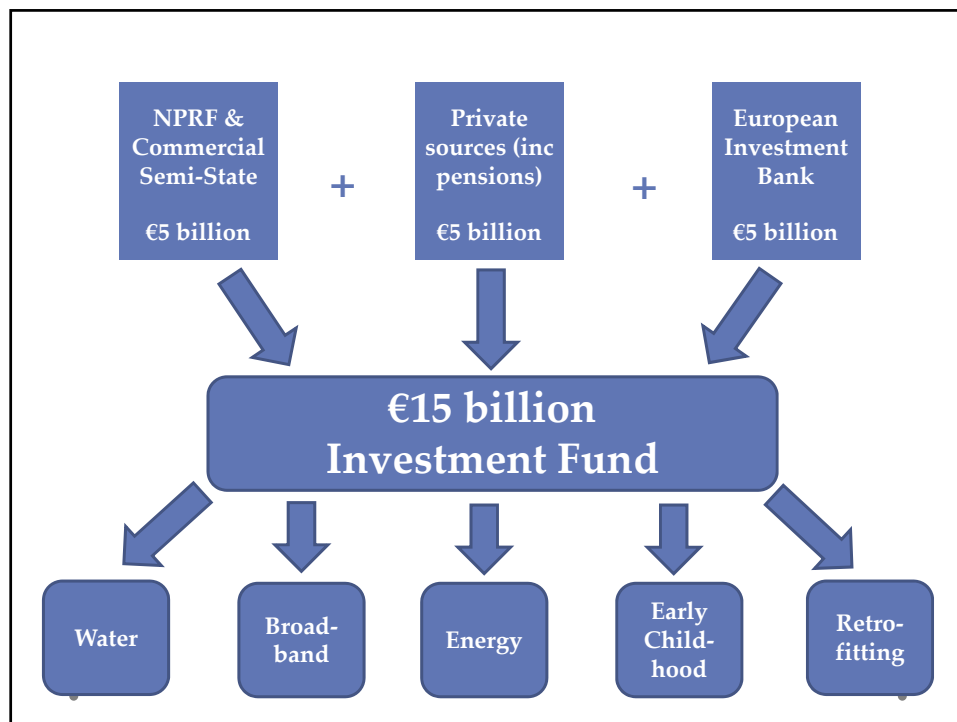


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2. The Economic Outlook

Growth

- weak
- government targets are ambitious
- Budget 2013: ↓ 2.5% GDP
- international outlook = unstable
- large scale off-the books domestic stimulus

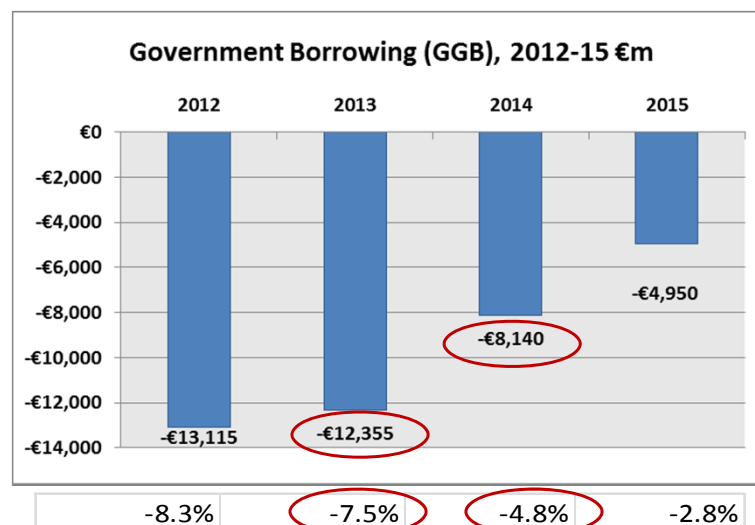


Unemployment

- a crisis
- limited real attention...not going away
- 10% in 2017 at best
- long-term unemployment
- retraining & community employment
- exchequer implications
 - welfare payments
 - lost taxes
 - retraining costs

Deficits & Debt

- likely some move on debt restructure
- even so
 - level is high and servicing costs remain high
 - 12-15% of the current tax take (was 5%)
- some big assumptions:
 - big reduction in GGB from 2013-2014



Deficits & Debt

- likely some move on debt restructure
- even so
 - level is high and servicing costs remain high
 - 12-15% of the current tax take (was 5%)
- some big assumptions:
 - big reduction in GGB from 2013-2014
 - how?
 - ‘unallocated savings’
 - 2013 = €180m
 - 2014 = €330m (€150m + €180m)

3. Implications & Challenges

- Economy still very weak
- Weak outlook
- Exchequer challenges remain
- Options around:
 - reducing expenditure
 - increasing revenue
 - likely a mix of both
 - vulnerability of those dependent on the public purse
- Resetting the economy...challenging



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