

Luck of the Irish? The Turnaround of the Irish Economy

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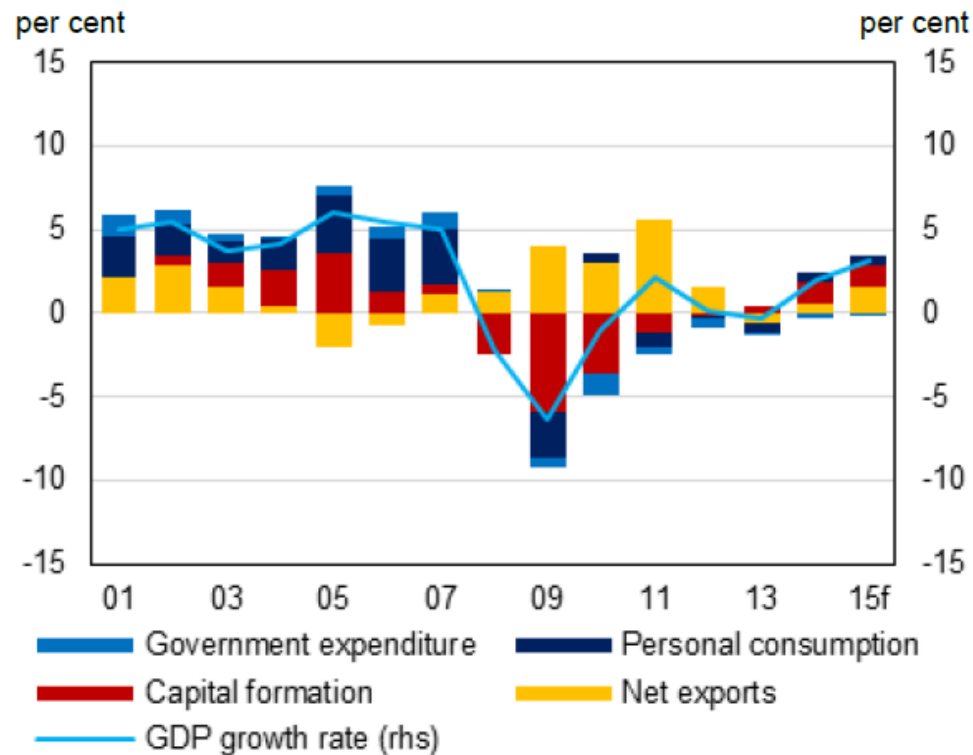
Outline

- From boom to bust...to recovery.
- Factors driving recovery.
- Prospects for the Irish economy.



Irish economy: From boom to bust...to recovery

Sources of real GDP growth

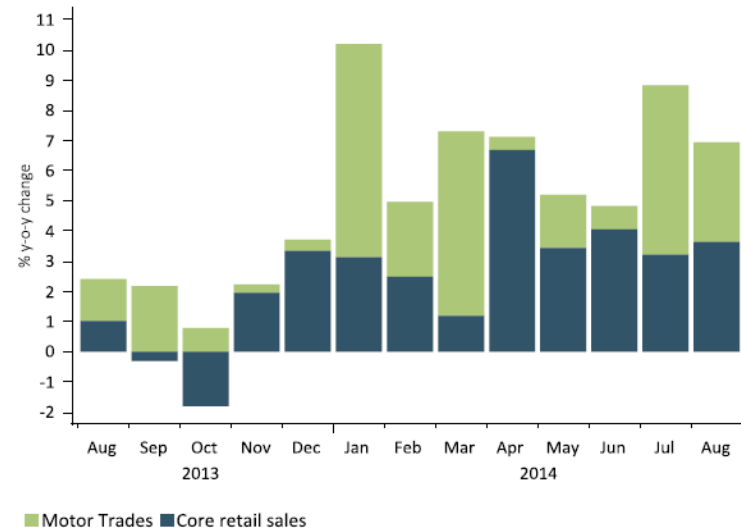


Economy beginning to fire on more than one cylinder

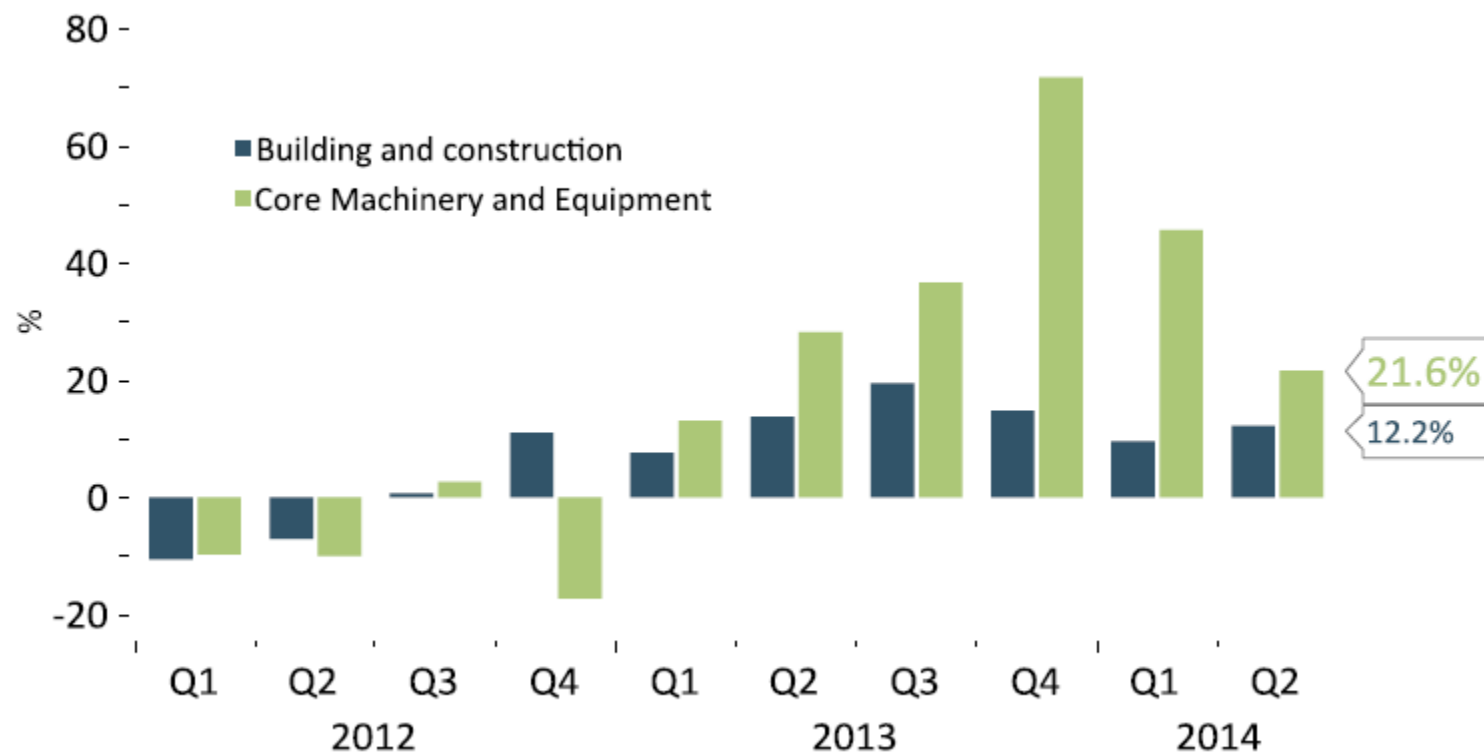
Export growth (volume)



Retail Sales

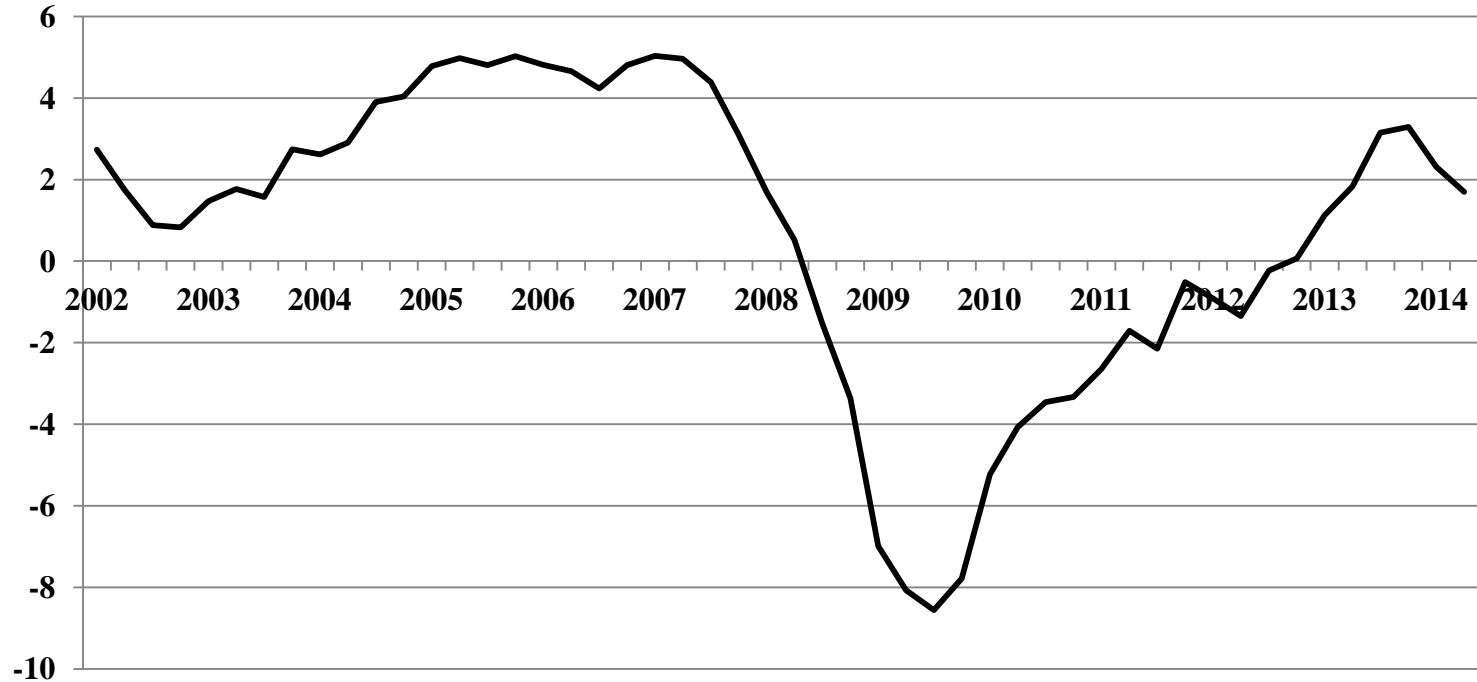


Business investment expanding from low base

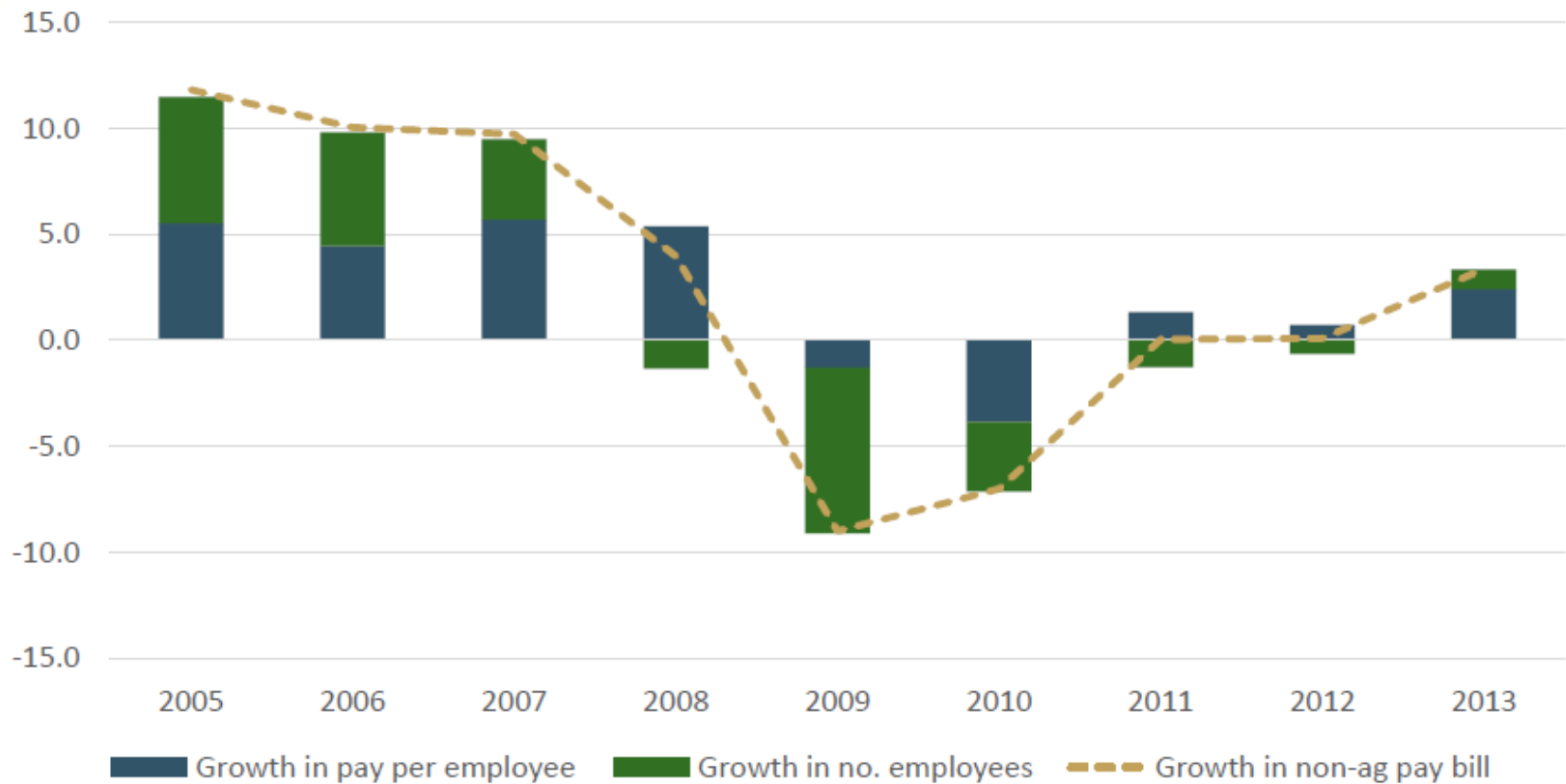


Recovery in the labour market

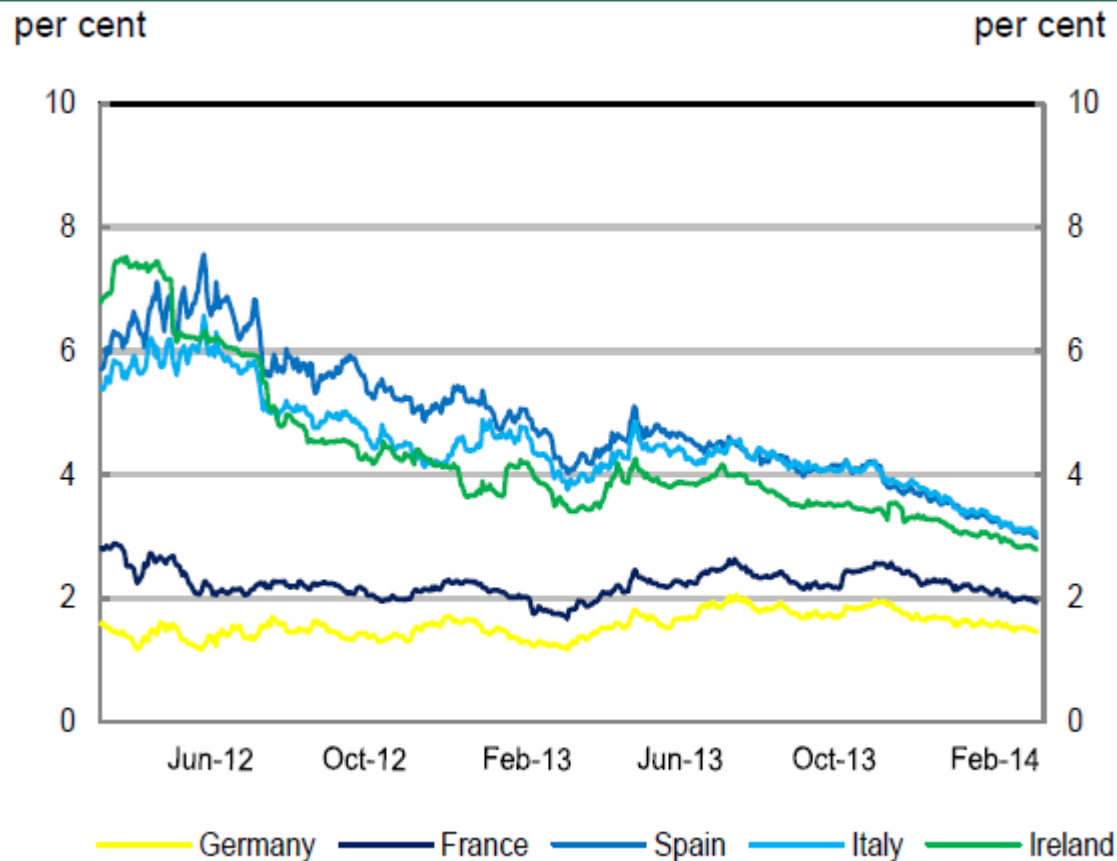
Growth in Employment (%) 2002:Q1-2014:Q2



Household wages beginning to rise



Borrowing costs for Irish State have tumbled



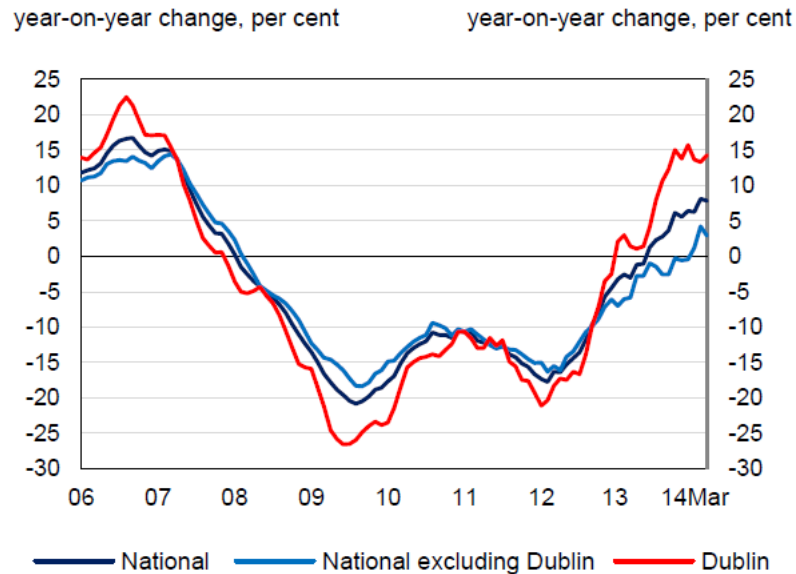


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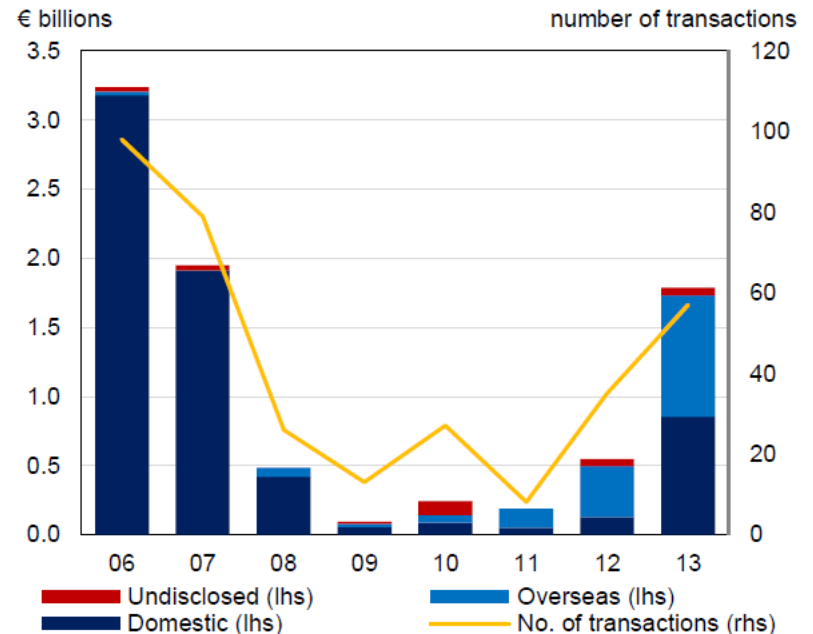
Source: Irish Times, 2010

Recovery in the property market

House prices



Commercial property transactions



Recovery driven by three main factors

- Underlying economic strengths have come to the fore.
 - Med-tech, ICT, Pharmaceutical, Agri-food, Tourism.
- Decisive policy actions at home.
 - Sustained efforts to reduce budget deficit and rebuild banking system.
 - Sure and steady progress; Meeting multi-year fiscal targets helped to boost confidence.
 - Political consensus about what had to be done.



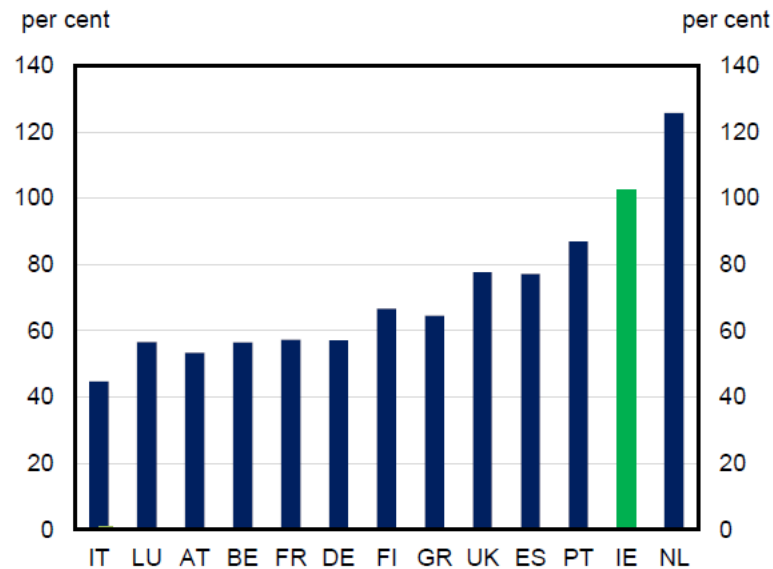
Factors driving recovery (continued)

- Supportive policy actions abroad.
 - ECB measures (but much more needed).
 - Revised terms on official loans.
 - Improvements in US and UK economies.



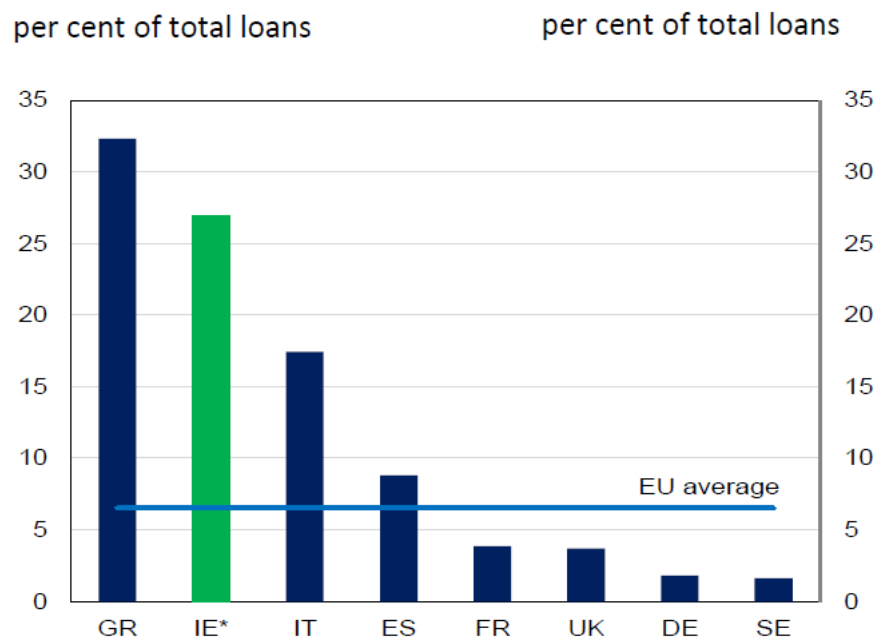
Household debt remains at elevated levels

Household debt-to-GDP ratio, 2013



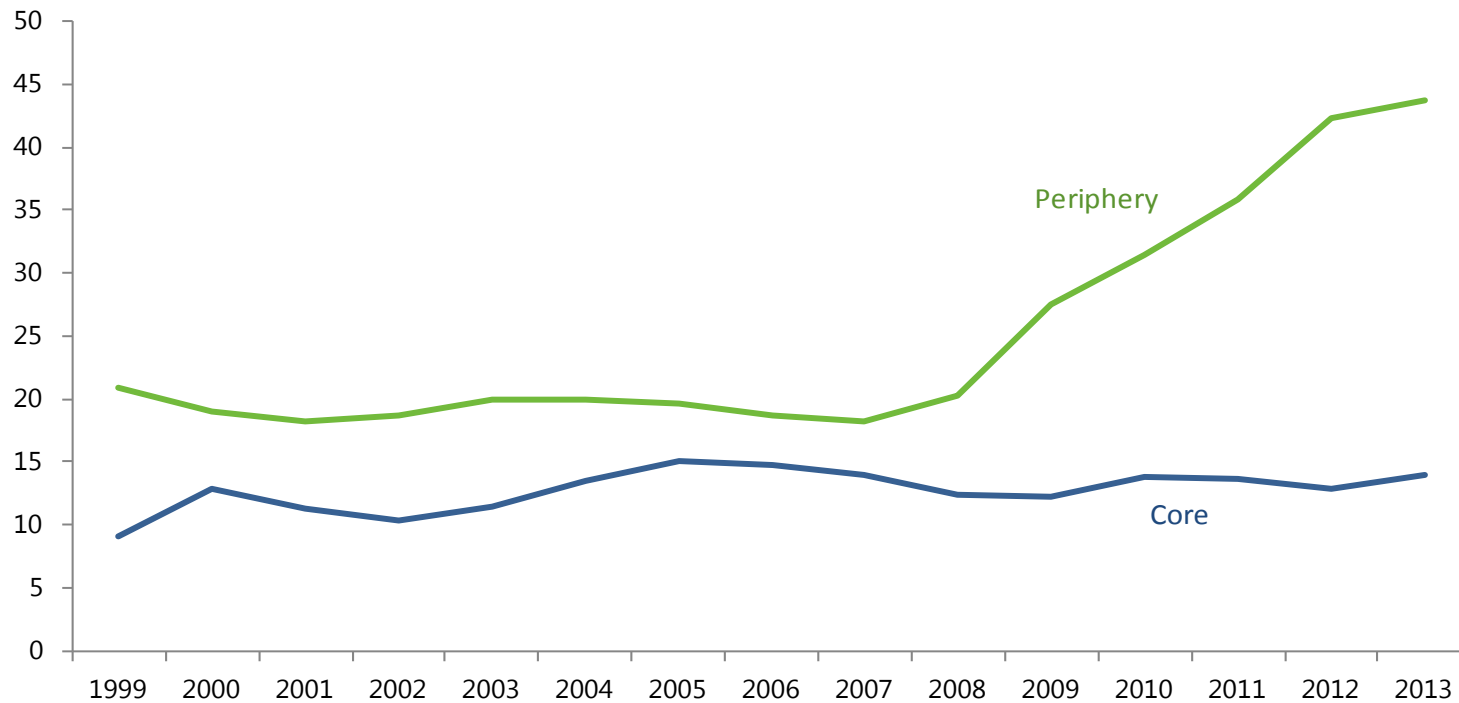
Banks' non-performing loans remain high

Impaired loans 2013Q3



Dangerous divergence in labour market outcomes across Europe

Euro Area Core and Periphery, Youth Unemployment Rates



Source: Eurostat

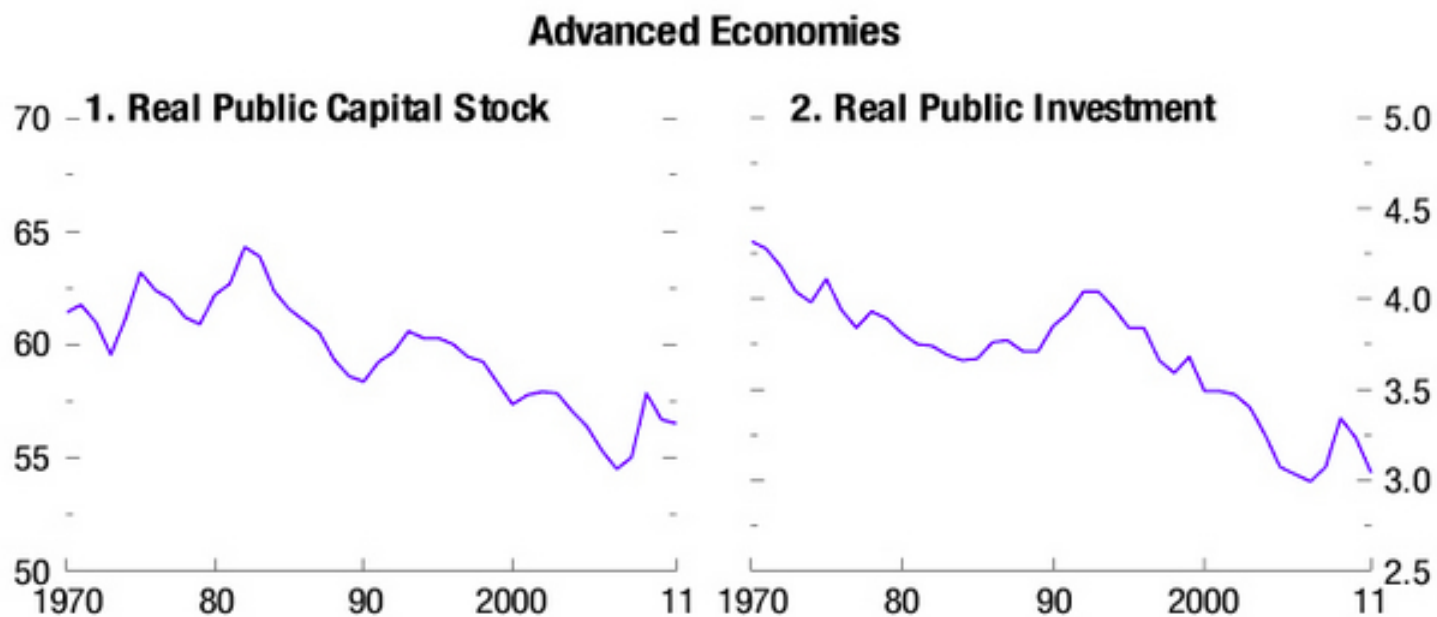


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Source: Ahearne et al, 2014

Public investment is too low

Figure 2. Evolution of Public Capital Stock and Public Investment
(Percent of GDP, PPP weighted, unless noted otherwise)



Conclusions

- Broad-based recovery in the Irish economy, but risks remain.
- Will the banking system fund economic expansion?
- Can the political system take the long-term view?



Muchas Gracias



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