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Macroeconomic Outlook

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World Economy 2021

TRADING RETAIL PRODUCT TIEND PERCENT JOB INVESTMENT FISCAL INVESTMENT FISCAL INVESTMENT FISCAL POPULATION POPULATION PRODUCTION BASIS TRUST JOB INFLATION INDUSTRIAL MARKET ECONOMIC GROWTH COMMERCIAL MARKET GROWT GROWTH SAVINGS PRODUCT EXPORT BANKING BANK INDUSTRIAL RETAIL INVESTMENT POPULATION BASIS POLITICS IMPORT TREND FINANCIAL TRANSACTION TRADING COMMERCIAL FINANCIAL PRODUCTION BASIS ECONOMIC BUSIC JOB TRANSACTION PRODUCT INVESTMENT INCONTRAL RATE BUSINESS NEWS BASIS BANKING POPULATION ECONOMIC INDUSTRIAL NEWS POPULATION BANK COMMERCIAL EXPORT INFLATION BASIS BANKING TRANSACTION INVESTMENT PROPULATION FISCAL TREND BANK ECONOMIC BASIS RATE JOB TRUST BASIS PRODUCTION TREND SAVINGS MARKET INDUSTRIAL TRANSACTION GROWTH POPULATION EXPORT PRODUCT BANK INVESTMENT RETAIL INDUSTRIAL BANKING TREND IMPORT POPULATION JOB ECONOMIC COMMERCIAL TRADING MASS PRODUCTION FINANCIAL TRADE TRANSACTION INFLATION GROWTH MARKET PRODUCTION INDUSTRIAL TRADING COMMERCIAL TRADING WEEKER BASIS ---NEWS INVESTMENT MONEY ECONOMIC



World Economy 2021

- Uneven Global economic recovery
 - Struggle with COVID continued
 - Economic growth rates recovered in developed economies (US fairing better than EU)
 - Emerging and developing economies struggled with vaccination programmes
- Rapid recovery in demand for industrial commodities
- Sharp rise in energy prices
- Bottlenecks in global supply chains
 - COVID having an impact on production capacity in some parts of the world
 - high international freight costs
- Inflationary pressures throughout the economy



Monthly Brent Crude Price 2007-2021





Source: World Bank

- Strong Demand (partly driven by high gas prices)
- Lower than expected supplies from OPEC+
- COVID disruption and weak investment
- Oil prices rose sharply in 2021
- 2016 = 44 USD per barrel
- 2017 = 54 USD
- 2018 = 71 USD
- 2019 = 64 USD
- 2020 = 42 USD
- 2021 = 71 USD (up 69%)
- Spot = 82 USD
- 2022f = 79 USD (up 11%)



Monthly European Nat Gas Price 2007-2021





- Europe becoming more import dependant
- Low stocks after a cold winter 20/21
- Limited natural gas supplies from Russia
- Lower LNG imports into Europe



Source: World Bank

Monthly £/€ exchange rate 2014-2021



- Sterling has stregthened in 2021
- 2016 = £**0.82** / euro
- 2017 = £**0.87** / euro
- 2018 = £**0.88** / euro
- 2019 = £**0.88** / euro
- 2020 = £**0.89** / euro
- 2021 = £0.86 /euro
- Spot = £**0.85** / euro
- 2022f = £0.85 / euro



Source: ECB

Monthly US \$/€ exchange rate 2014-2021





- Dollar/Euro was quite variable in 2021
- But overall Dollar has strengthened in 2021
- Good for exporters trading in Dollars
- 2016 = US\$ **1.11** / euro
- 2017 = US\$ **1.13** / euro
- 2018 = US\$ **1.18** / euro
- 2019 = US\$ **1.12** / euro
- 2020 = US\$ 1.14 / euro
- 2021 = US\$ 1.18 /euro
- Spot = US\$ = **1.13** / euro
- 2022f = US\$ = **1.13** / euro



Source: ECB

Irish Economy 2021 (continuing tale of two economies)



Economy has been emerging from COVID-19

- Real GDP increased by **12.6%** in 2021*
- Real GNP to increase by **10.5%** in 2021*
- Unemployment rate has decreased substantially
 - Peaked at **27%** in "big lockdown" in Q1 of 2021 (with almost 0.5 million PUP recipients)
 - But in Q3 and Q4 of 2021 unemployment rate has dropped substantially to less than 8%
 - Unemployment to average 16% in 2021 (when PUP recipients are factored in)
 - Employment has increased to an est. **2.039** million in 2021, up from **1.976** in 2020
- Substantial government deficit
 - €-18 billion (-4.9%) in 2020 and possibly €-15 billion (-3.9%) in 2021
- But economic impact on Irish economy continued to be uneven
 - Tourism, Arts, Entertainment, Personal Services badly affected
- Rate of inflation on the increase 2.3% in 2021
- Exports up over 14% in 2021 (Imports down sharply -8%)

*Source: ESRI QEC (October 2021)



% Change GDP 2021

(Selected European Countries)



 Strong growth rates reflecting economic recovery compared to depressed situation in 2020

Source: ESRI, European Commission and UK Office of Budgetary Responsibility Note: *Growth rate of GNP shown for Ireland



Irish Unemployment Rate (incl PUP recipients)



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% change GDP Forecast 2022

(Selected European Countries)



- Recovery continues
- Slightly stronger growth across the EU as a whole
- But growth outlook varies by country
- Slower growth rates in 2022 in Ireland than in 2021



Source: ESRI, European Commission and UK Office of Budgetary Responsibility Note: Growth rate of GNP shown for Ireland

Irish Economy 2022

- **Prospects** are conditional on COVID-19 situation
- Underlying fundamentals of Irish economy remain robust
 - Real GDP increased by 7.1% in 2022*
 - Real GNP to increase by 6.1% in 2022*
- Unemployment rate to continue to fall
 - Unemployment to average <7% in 2022
 - Employment to increase to an est. **2.307** million in 2022, up from **2.039** in 2021
- Smaller government deficit likely
 - €-8 billion (-4.9%) in 2022
- Rate of inflation to slow in 2022
- Exports to increase by 9% in 2022 (Imports to increase by 10%)



END

