

IRISH ECONOMY 2014

*MARK FIELDING
CEO, ISME.
February 2014*

MAIN CHALLENGES FOR COUNTRY.

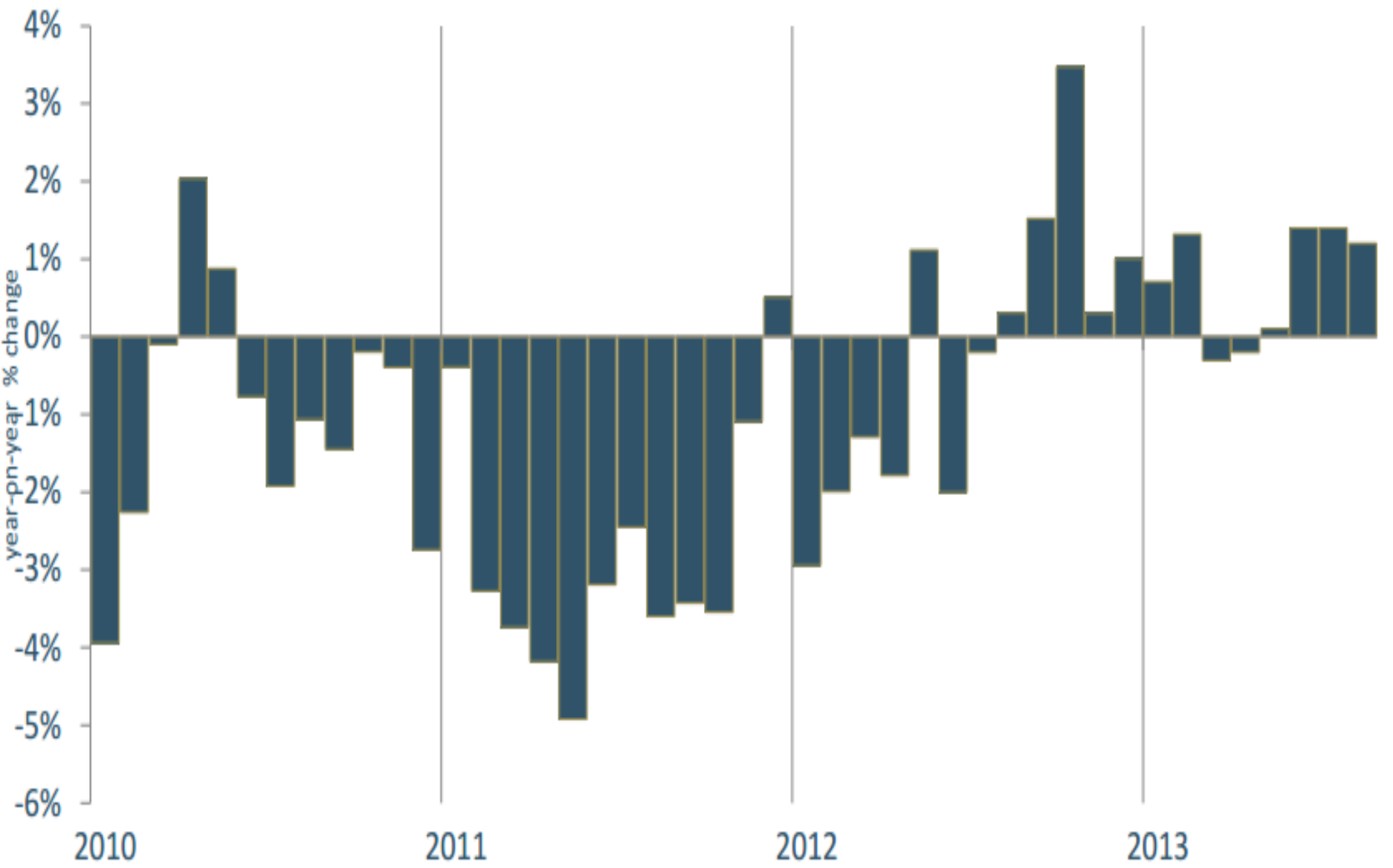
- The need for further **FISCAL CONSOLIDATION.**
- Restoration of a **SOUND BANKING SYSTEM.**
- Improving our **COMPETITIVENESS.**

- Consumer spending
- Investment
- Government Consumption
- Agricultural Output
- The Labour Market
- Pay
- Inflation
- Competitiveness
 - Exchange Rate Developments
 - Productivity and Cost Competitiveness

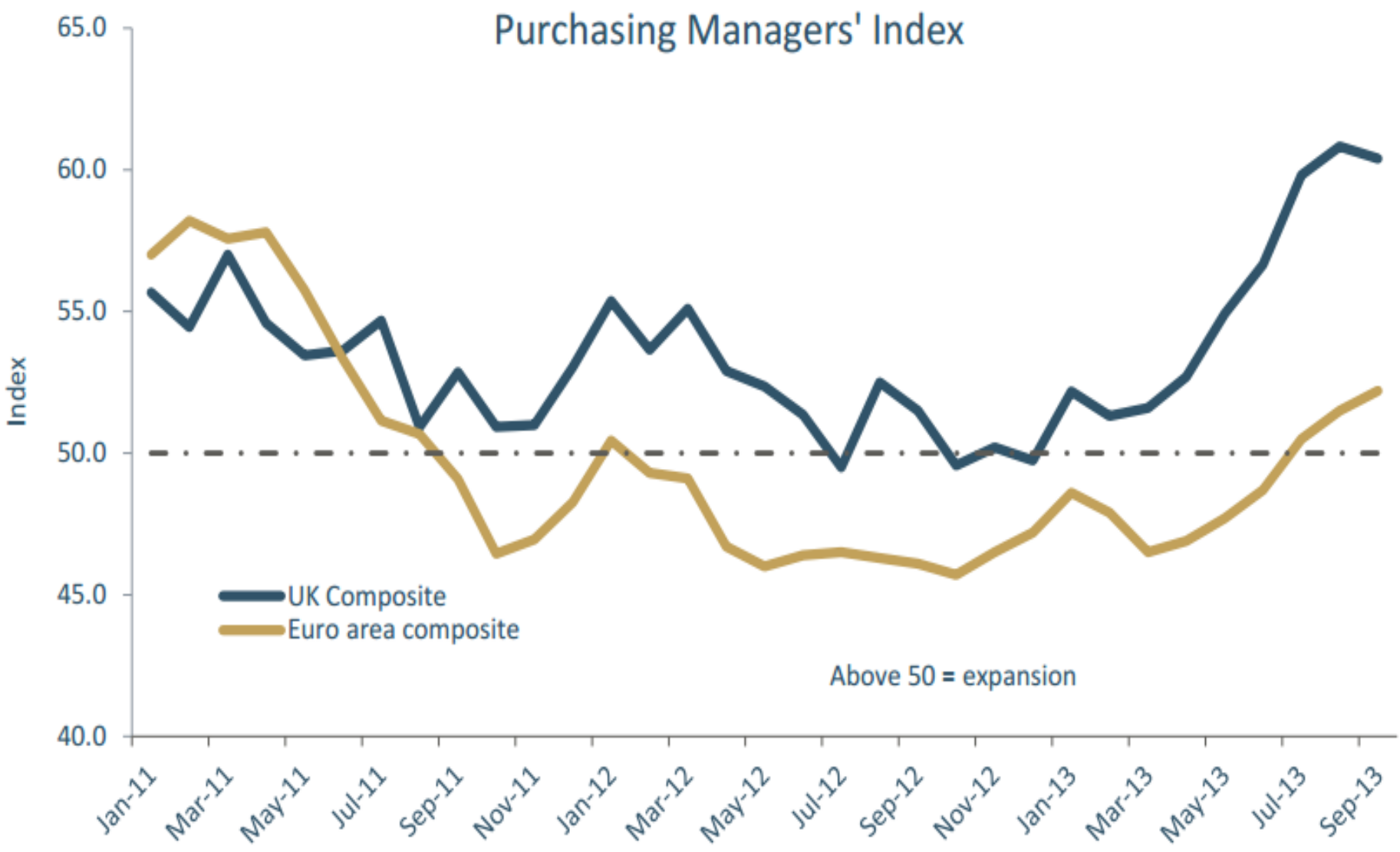
INTERNAL - DOMESTIC

- Importantly, there are increasing signs of a stabilisation in domestic demand, with data pointing to a gradual recovery in both consumer and investment spending.**
- The strength of employment growth in recent quarters is also indicative of a modest recovery in domestic demand.**

Signs of stabilisation in “core” retail sales



Leading international indicators are encouraging



- Current prospects are for an acceleration in the pace of economic growth in Ireland in 2014, with GDP forecast to increase by ~ 2.0 per cent.**

- The contribution from domestic demand is expected to strengthen, which is encouraging.**

- On the assumption of a pick-up in trading partner growth, exports are set to increase once again.**

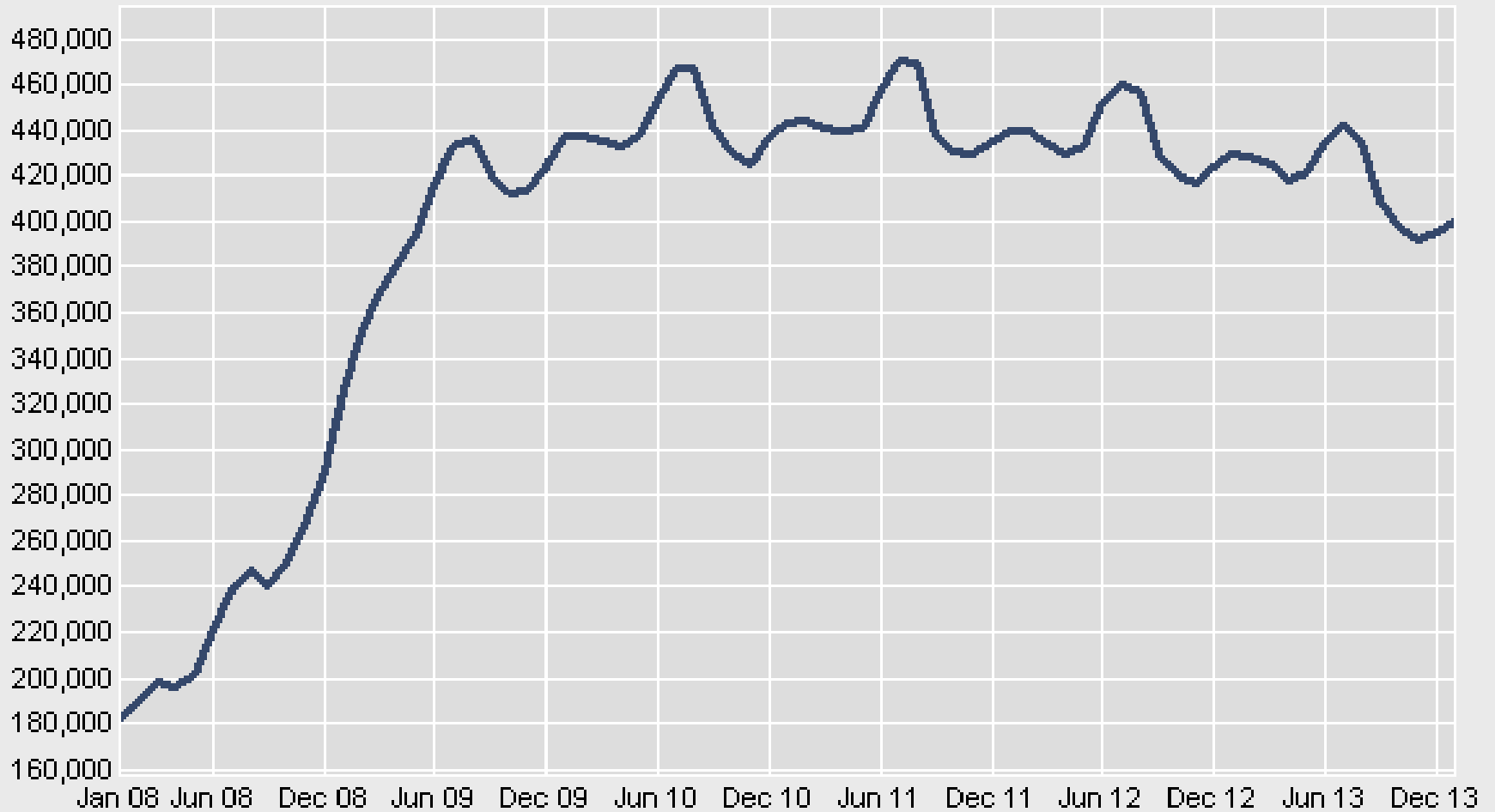
- Although the potential for further reductions in pharma-chem output presents a notable risk to this projection.**

2014.....

Domestic demand

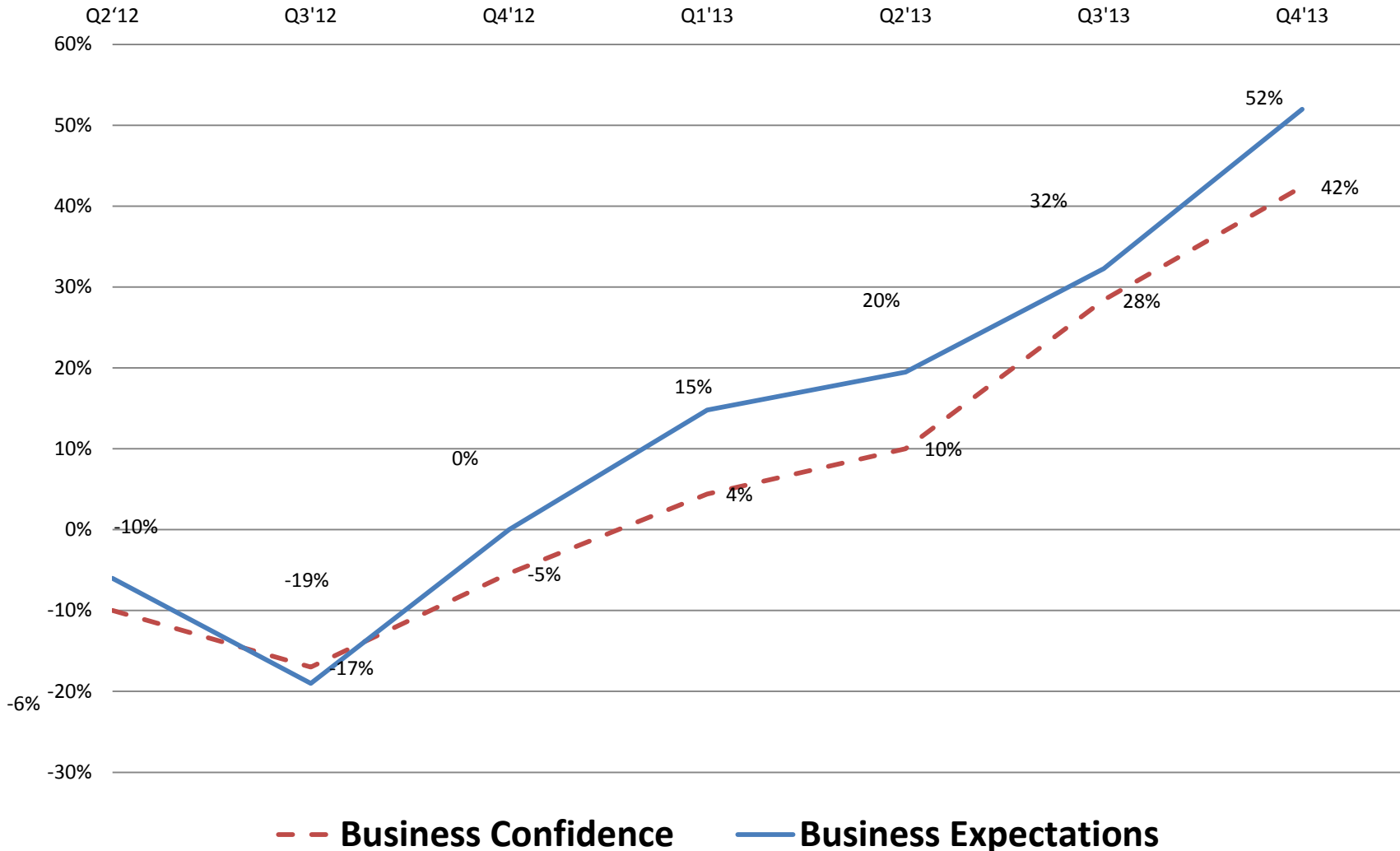
- Positive addition to GDP growth in 2014.**
- Personal consumer spending is expected to strengthen. 60,000 new jobs. +++**
- Improvement in investment spending, both in construction and machinery and equipment.**
- Imports are projected to increase by 1.5% next year, in line with the increase in final demand.**
- GDP is projected to increase by 2.0% in 2014.**
- GNP growth is anticipated to be slightly lower at 1.7%.**

**Persons on Live Register (Number)
by Month
All classes, Both sexes, All ages (Number)**

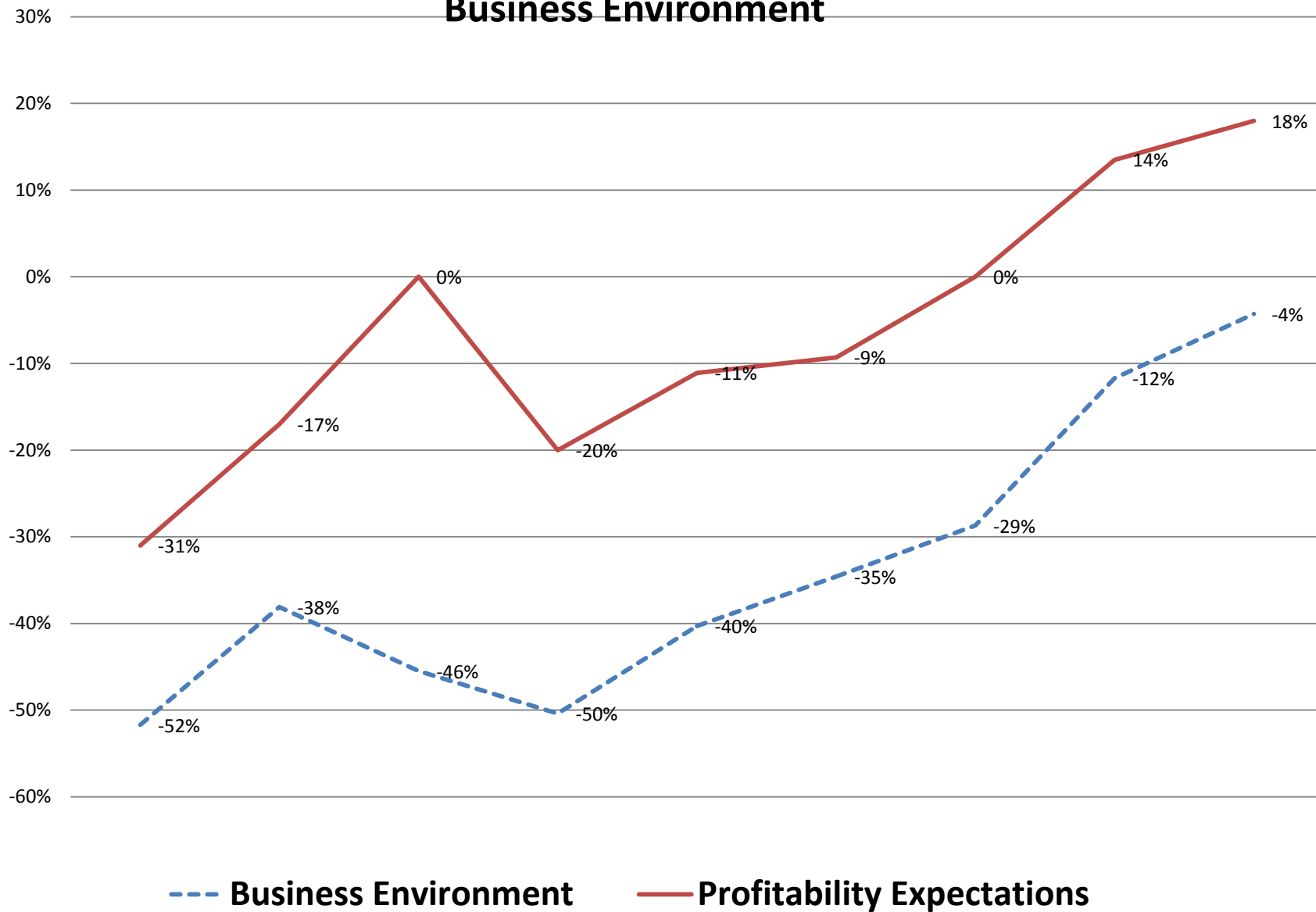


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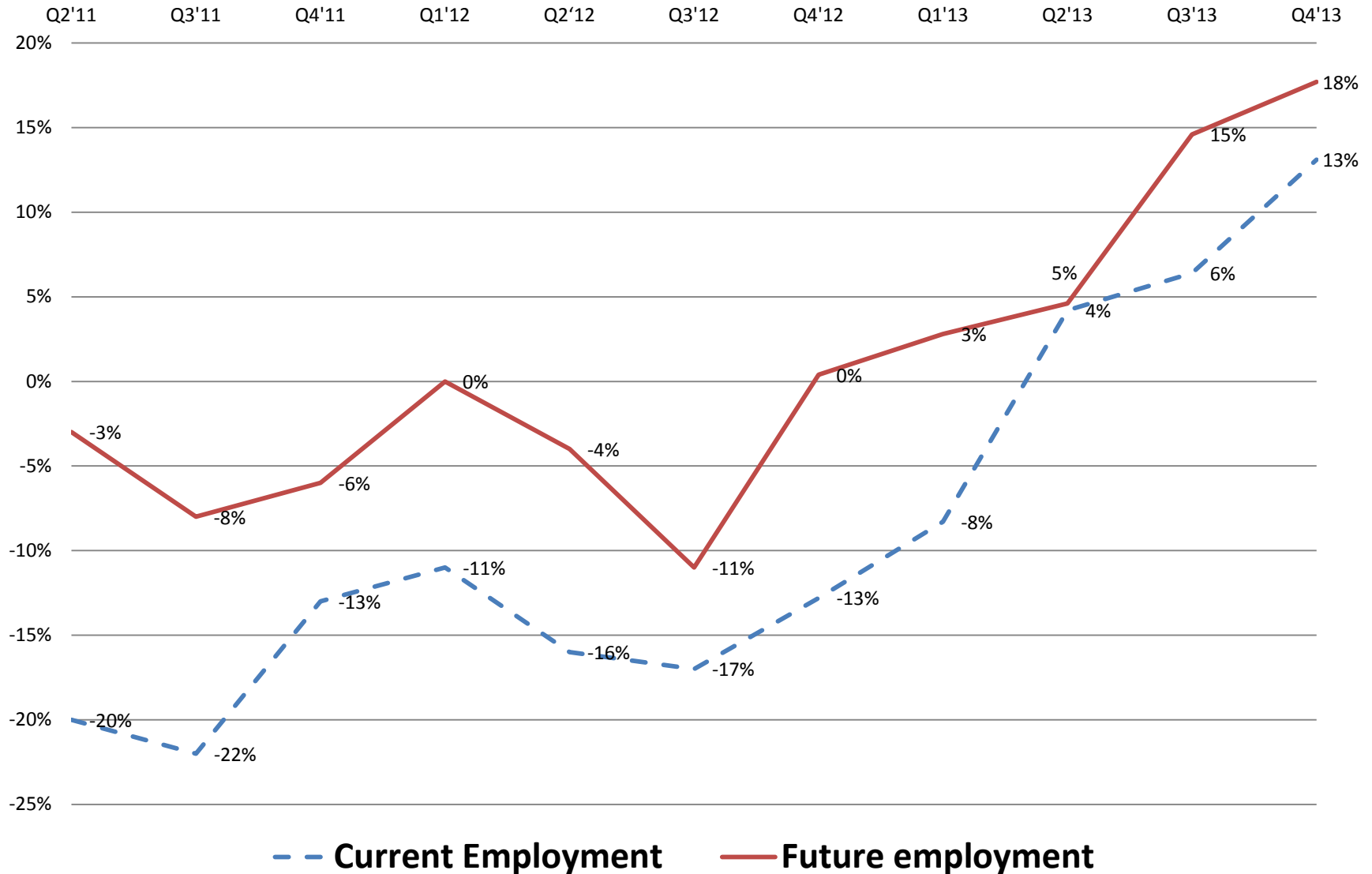
Business Confidence & Expectations



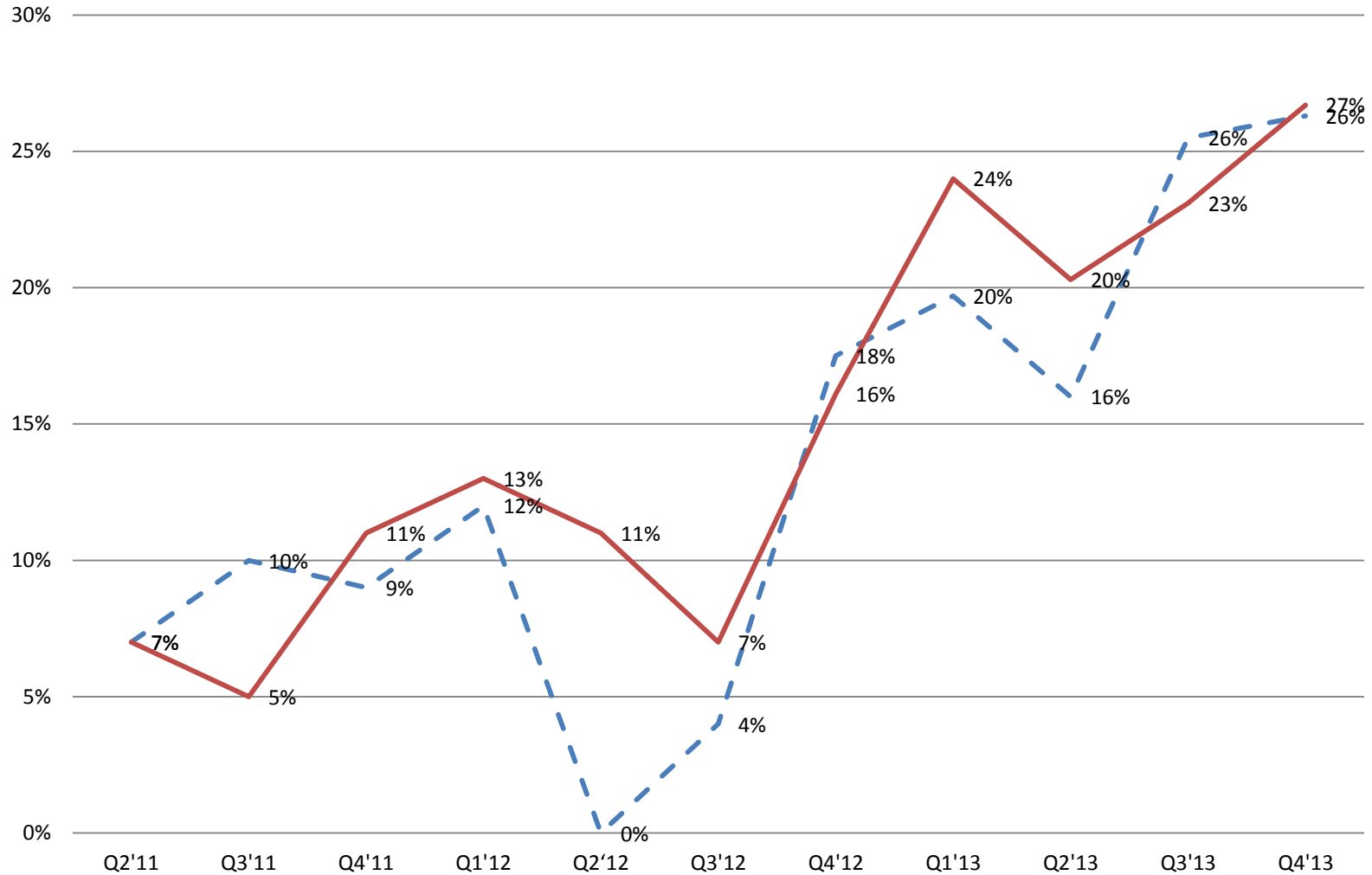
Business Environment



Current & Future Employment

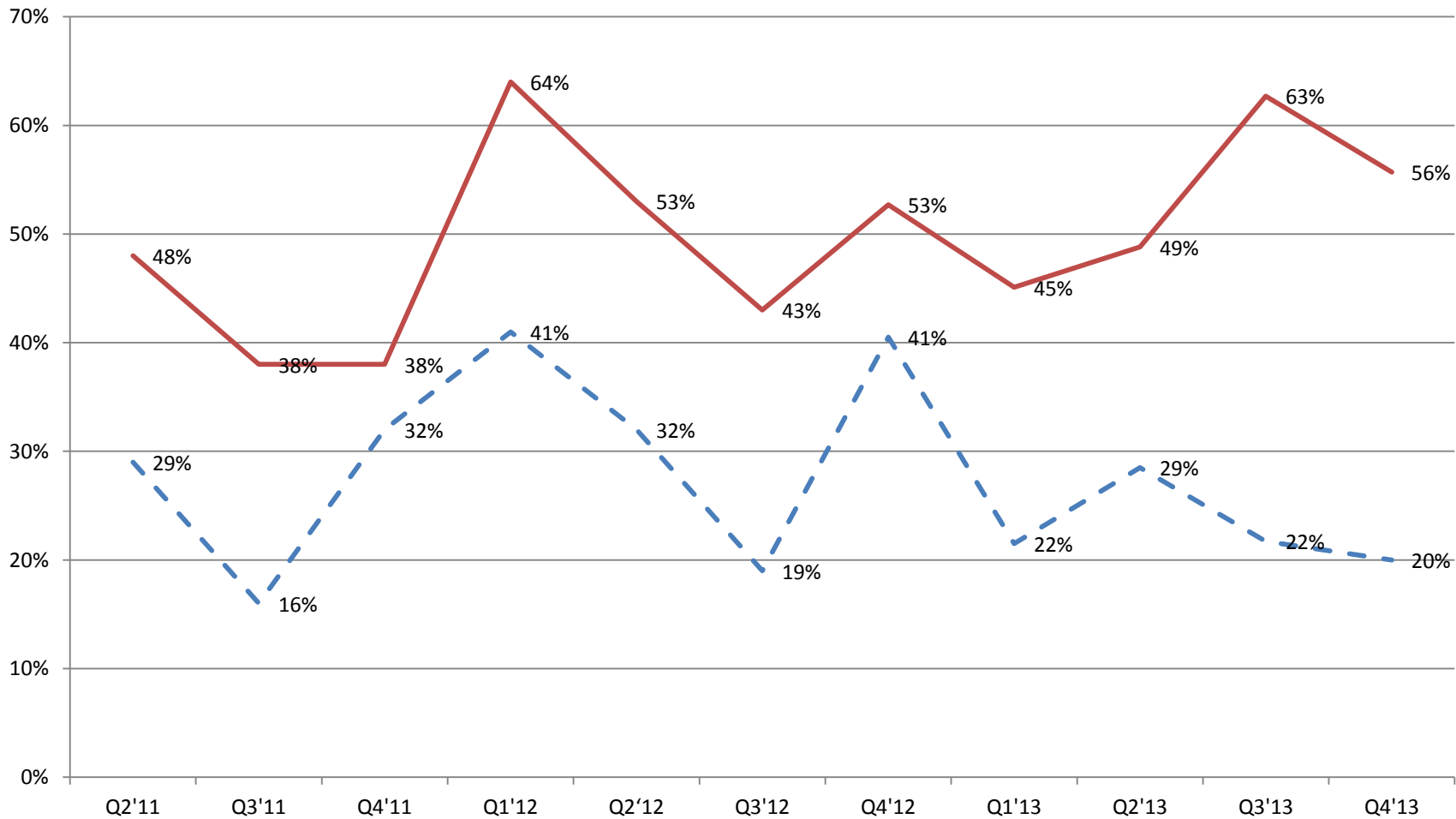


Investment



--- Current Investment — Future Investment

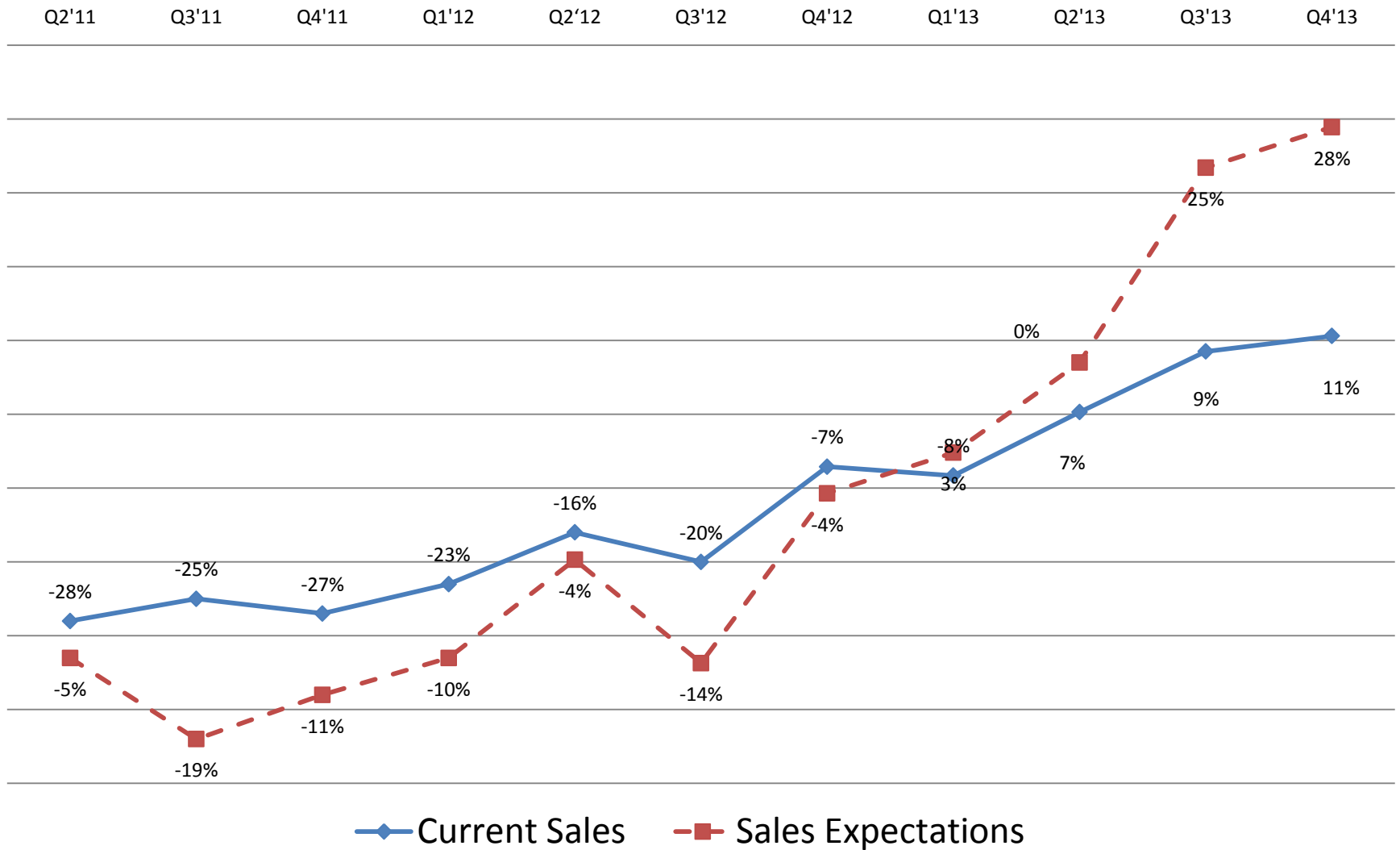
Exports



--- Current Exports

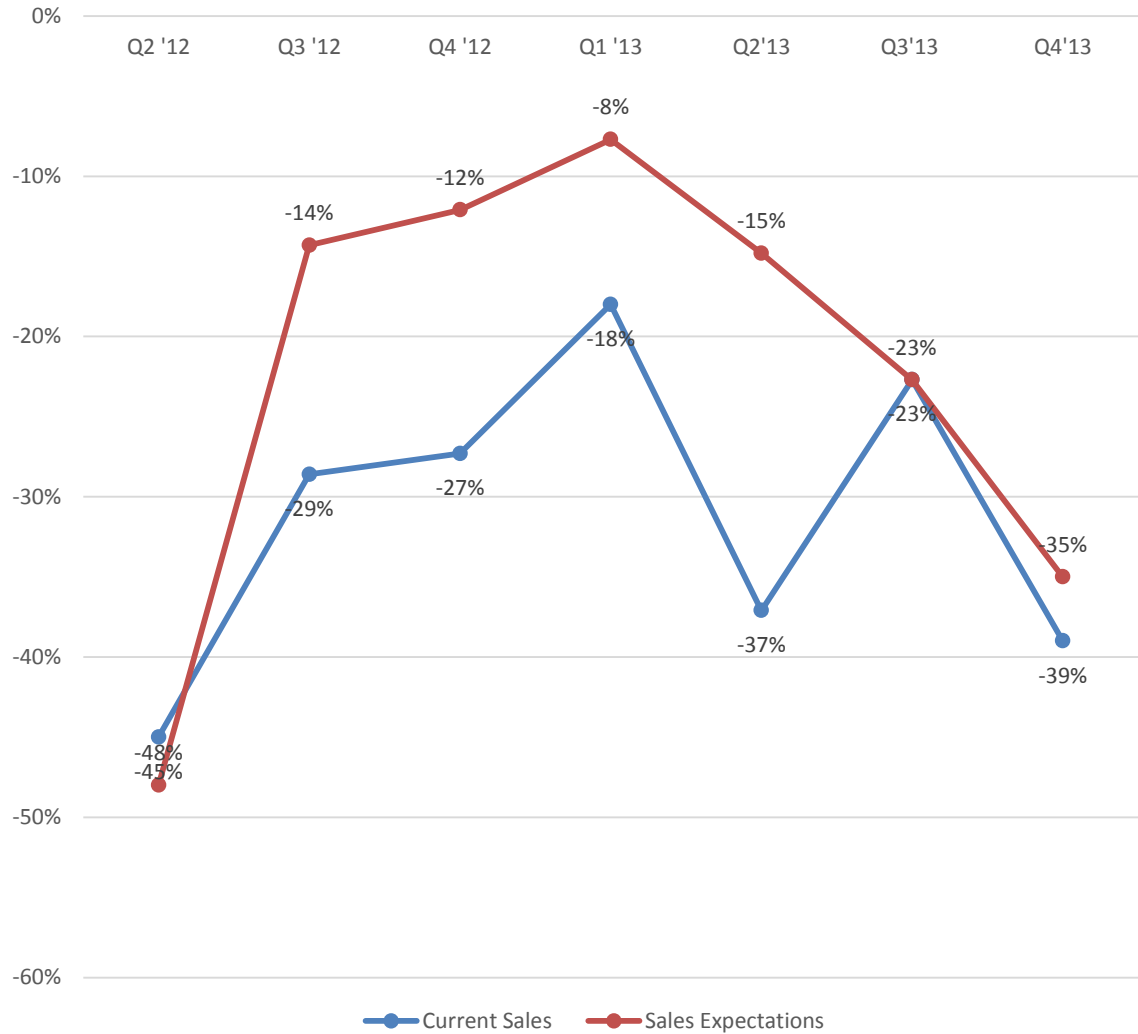
— Export Expectations

Sales Current & Future



RETAIL SALES

Current & Future Sales



Consumer Sentiment Index

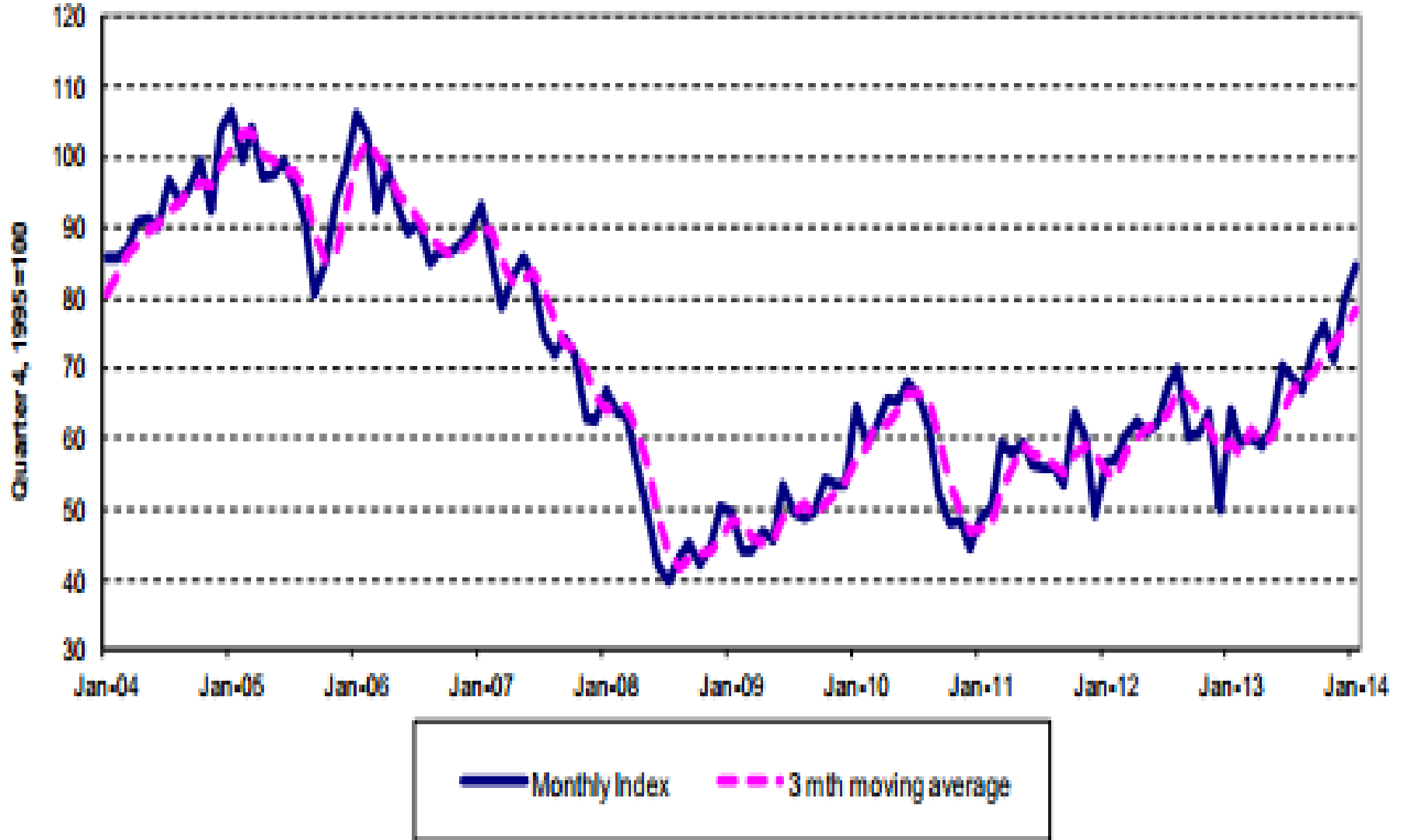
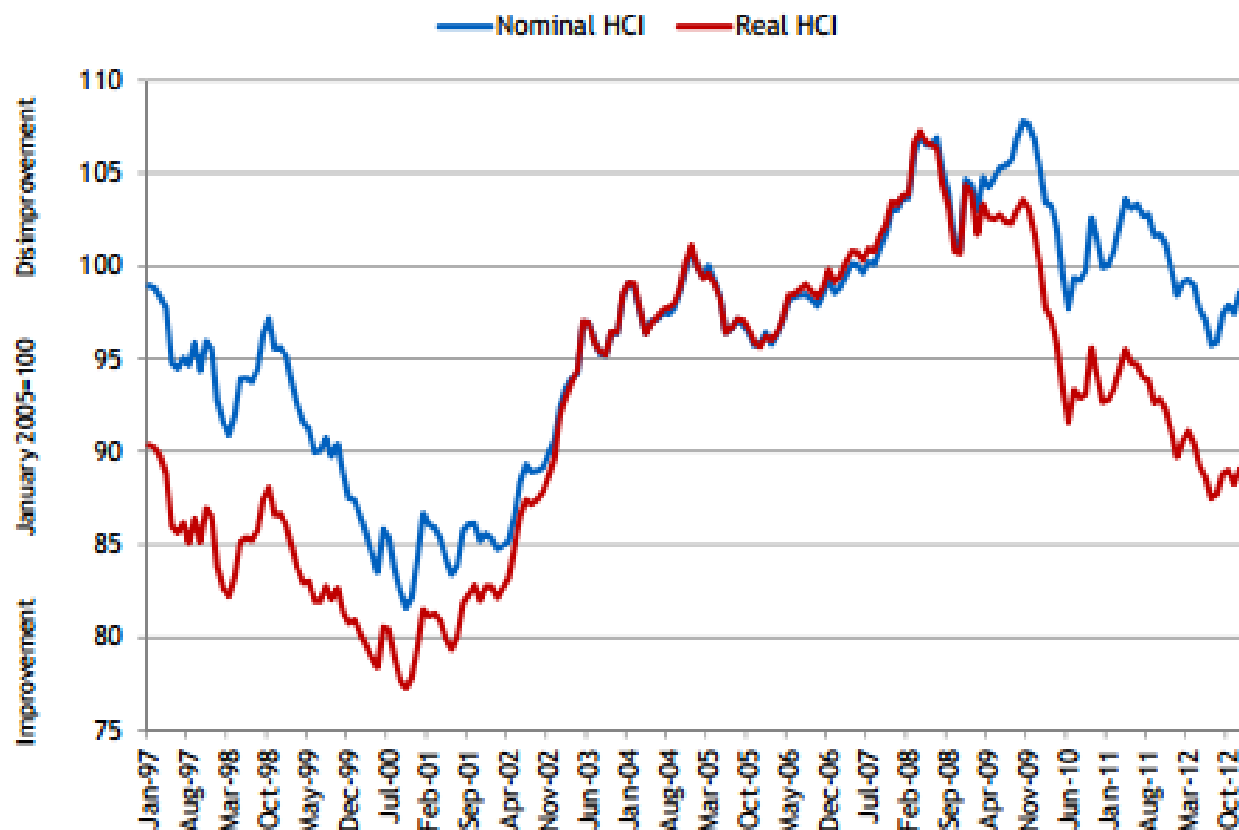


Figure 1: Harmonised Competitiveness Indicators for Ireland, 1997-2012 (January 2005 = 100)



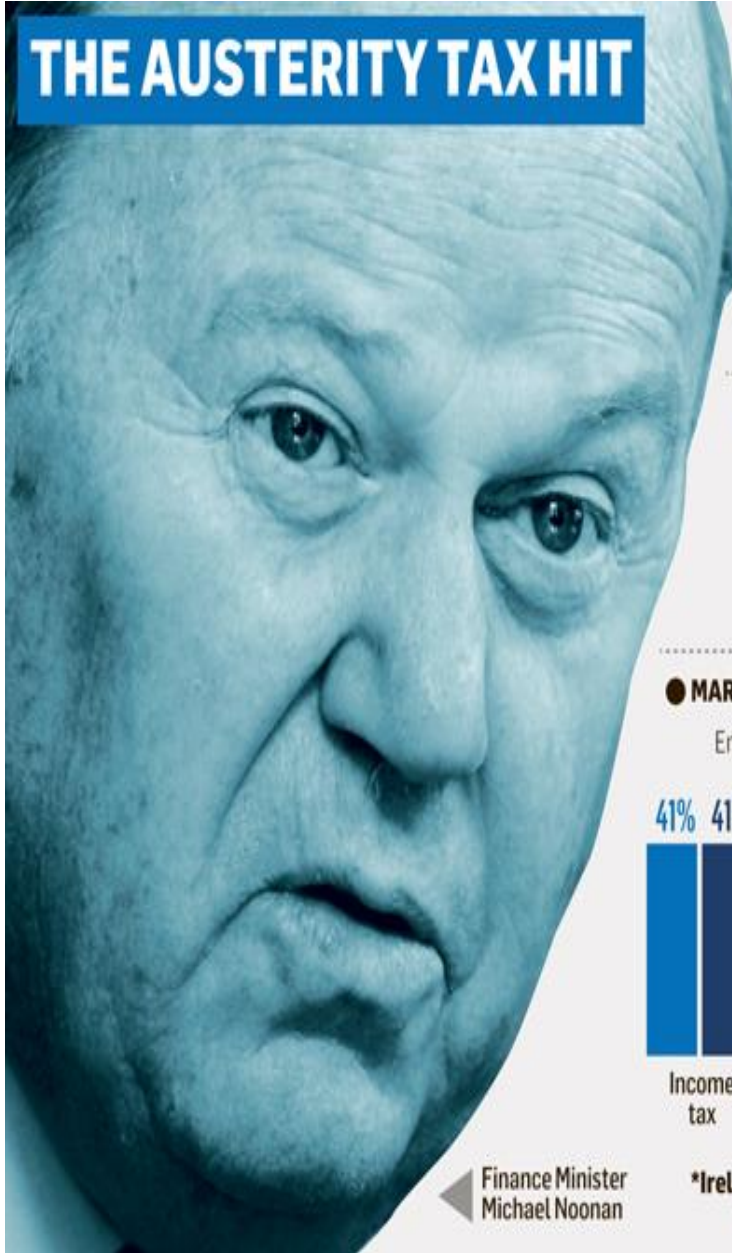
Relative Irish competitiveness improved in the period up until late 2000. Between October 2000 and April 2008, however, the real HCI declined by almost 39 per cent (the nominal HCI declined by 31 per cent), reflecting an appreciation of the euro against the currencies of our trading partners (nominal HCI) and higher price inflation

Source; Central Bank Of Ireland

Average Earnings

2009 (Q3)		% Difference	2013 (Q3)	
Public:	50,116	-4.9%	Public:	47,626
Private:	31,688	-0.4%	Private:	31,562
<50:	27,803	+0.8%	<50:	28,036
50- 250:	33,703	-5.7%	50- 250:	31,793
>250:	43,760	-4.6%	>250:	41,731

THE AUSTERITY TAX HIT



Finance Minister
Michael Noonan

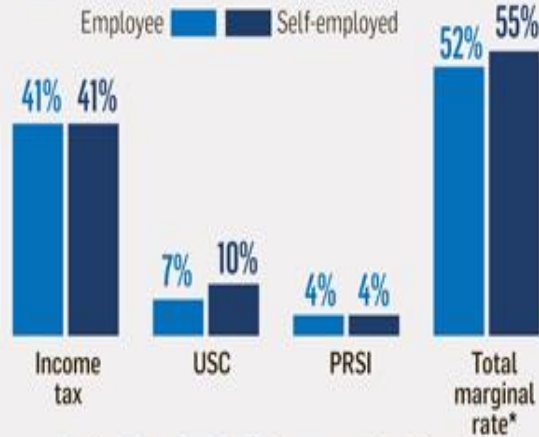
INCOME TAX REVENUE



INCOME TAX AS % OF TOTAL TAX REVENUE



MARGINAL INCOME TAX RATES NOW

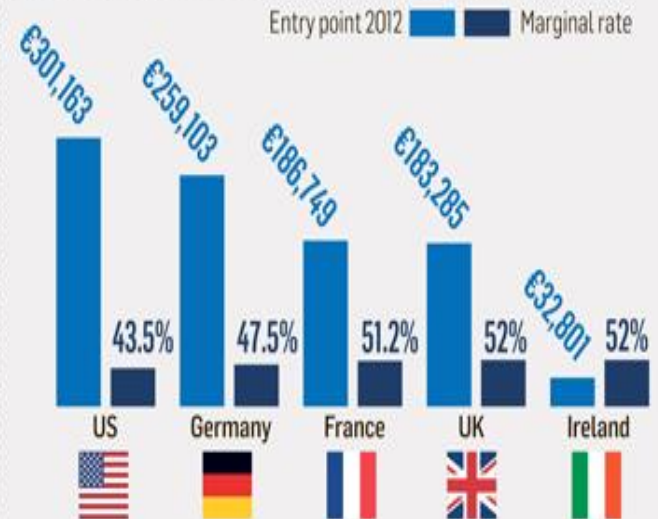


*Ireland has the 9th highest marginal income tax rate among 34 OECD countries

EFFECTIVE RATES OF TAX



ENTRY POINT TO TOP INCOME TAX RATE IN OTHER COUNTRIES



Tax Reductions

“The creation of extra jobs is the absolute priority of the government and if - when we have the resources – reducing income tax for certain groups in the economy creates extra jobs or sustains jobs, then we will do it,”

Minister for Finance ,Irish Times,13 December, 2013

5 Reasons to Join ISME





**REMEMBER
NEVER FEEL
ALONE IN
BUSINESS**

The *Independent* Business Organisation