

Assessment of Budget 2022



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economics

The Global Issues

- Global economy much stronger, but dangers lurking
- Commodity prices under pressure
- Gas prices spiralling > will feed through to higher prices & other difficulties
- CO2 shortages
- Shipping chaos & spiralling container costs
- Semi-Conductors
- Construction materials & Packaging & Labour
- Supply Chain bottlenecks starting to cause serious problems
- 'The shortage Economy'

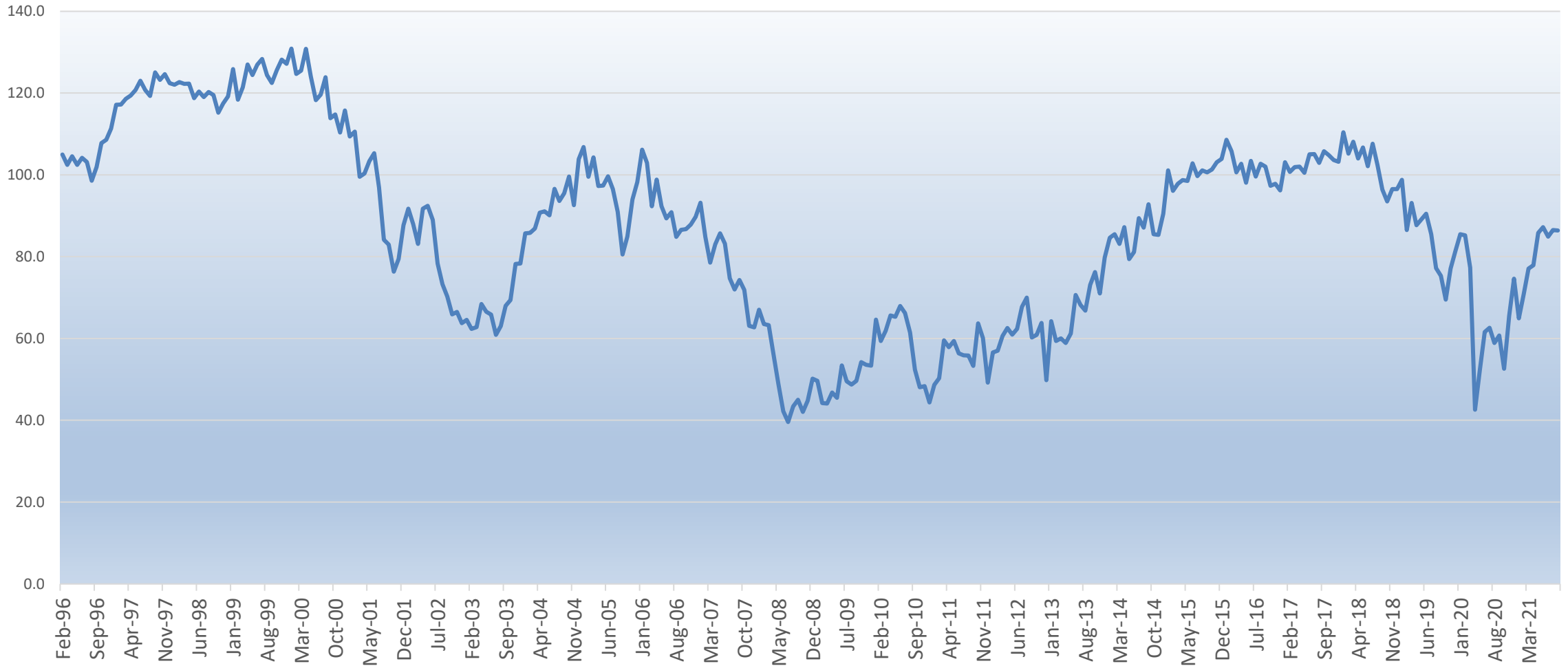
Interest Rates

- Inflationary pressures building in system
- Central banks have been unconvinced that it is an enduring problem, but mood music changing a littler
- Bond buying still keeping bond yields down, but tapering likely in 2022
- Official rates in US could tighten in 2022, no pressure on ECB...yet
- Watch evolution of inflation

The Irish Economy in 2021

- Restrictions dominated first half '21– gradual opening up > growth rebounding strongly
- Marked sectoral differences
- FDI, Professional Services, Public Sector, Financial Services strong
- Hospitality, Non-Essential Retail, Airline Industry & Personal Services challenged
- Labour market improving – some labour shortages emerging in some sectors
- Brexit impact significant
- Strong rebound in consumer spending
- International tourism & aviation have struggled, but slowly getting better
- Dual economy continues – will widen income inequality

Consumer Confidence



Merchandise Exports by Destination (Jan-July 21)

REGION	€M	% CHANGE	% OF TOTAL EXPORTS
EU-27	35,483	-5.9%	37.8%
Great Britain	8,215	+25.7%	8.7%
Northern Ireland	1,894	+45.5%	2.0%
USA	29,009	-2.1%	30.9%
Other	19,292	-6.0%	20.6%
Total	93,893	-1.9%	100.0%

Brexit Impact > Serious Trade Distortions

- Exports to GB +25.7% (€1.7 bln) > Chemical & Pharma Exports to GB +63% > Food & Live Animal Exports to GB -5%
- Exports to NI +45.5% (€592 mln)
- Imports from GB -31.7% (€2.9 bln) > Food & live Animal Imports from GB -48.8% (€817 m)
- Imports from NI +60.5% (€800 mln)
- Brexit is seriously complicating trade with UK
- Agri-food sector most impacted on Export side
- Imports of Food & Live Animals most affected on Import side
- EU Exports to UK +6.2%; EU Imports from UK -17.1%

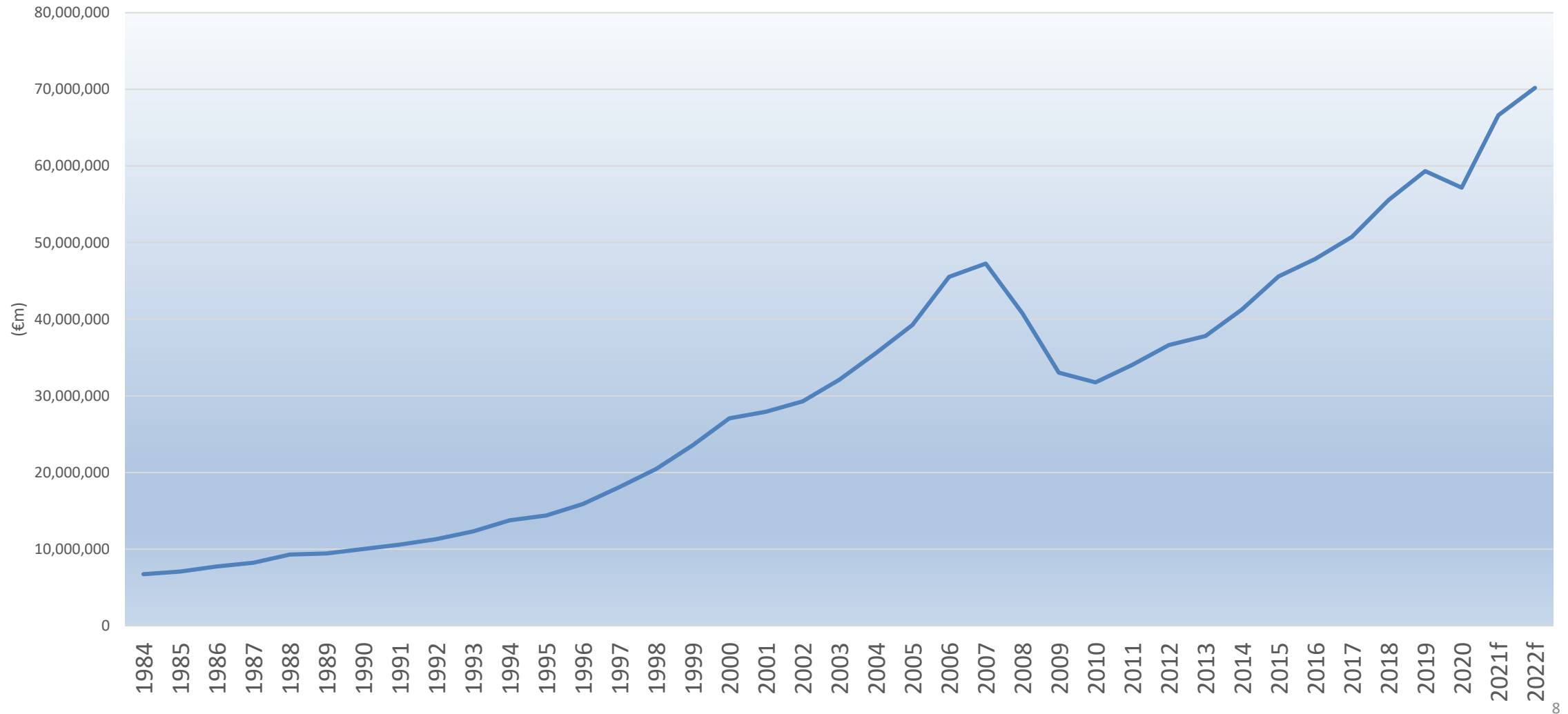
Background to Budget 2022

- Economy bouncing back strongly
- Public finances stronger than expected General Government Deficit -€13.2 billion (Budget 2021 Target €20.2 billion)

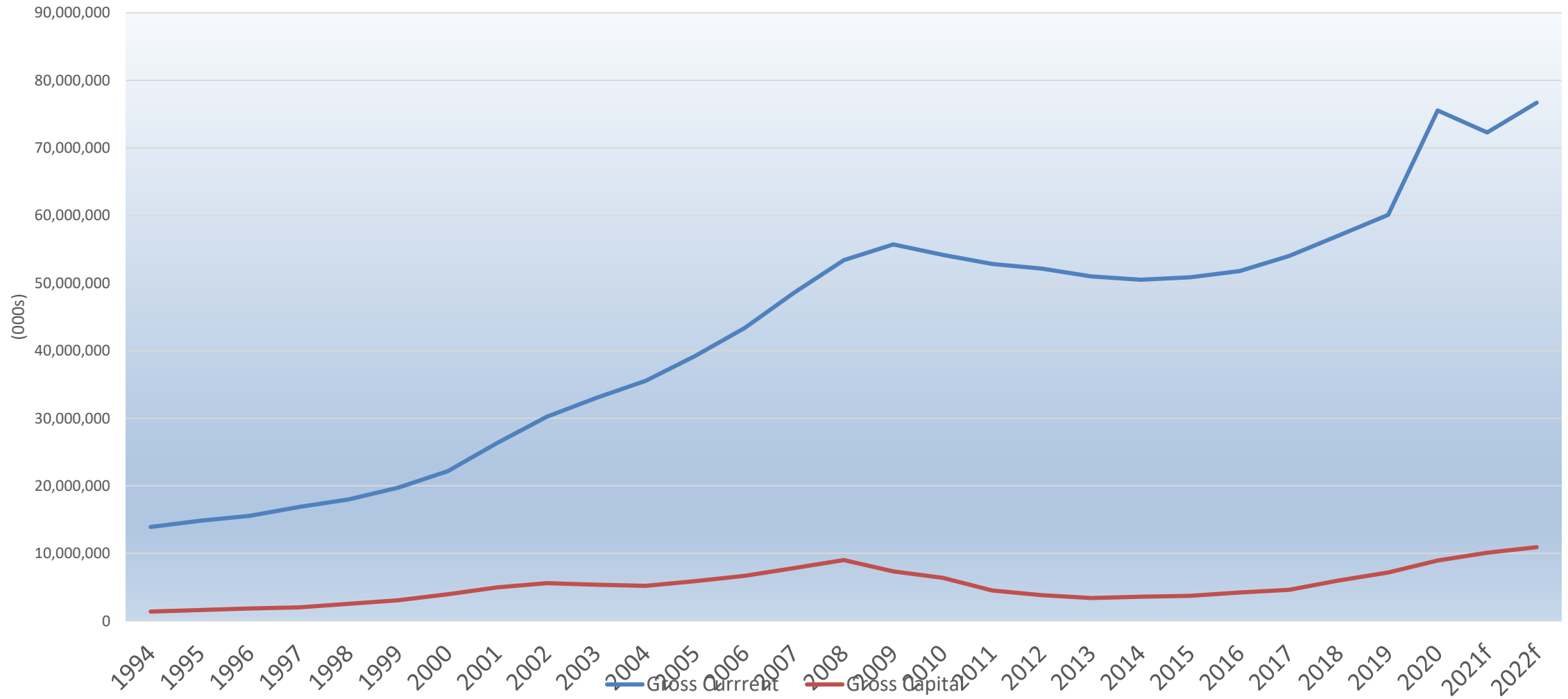
Key Challenges:

- Restoring order to public finances
- Dual Economy > MNCs v Indigenous SMEs
- Weaning the economy off Covid supports
- Housing > economically and politically crucial
- Climate change
- OECD Corporation Tax changes
- Labour shortages > Childcare
- Cost of Living pressures

Tax Revenues



Gross Government Expenditure



Tax Revenues Jan-Sep 2021 > Very Buoyant

TAX CATEGORY	€m	% OF TOTAL	YEAR-ON-YEAR CHANGE
Income Tax	18,445	40.2%	+19.5%
VAT	12,439	27.1%	+26.0%
Corporation Tax	8,057	17.6%	+7.9%
Excise	4,075	8.9%	+7.4%
Stamps	1,144	2.5%	+22.3%
Capital Gains Tax	332	0.7%	+11.2%
Capital Acquisitions Tax	229	0.5%	+19.7%
Customs	355	0.8%	+91.7%
Motor Tax	719	1.6%	-1.8%
Other	70	0.1%	-
Total	45,865	100.0%	+15.9%

Economic Assumptions Budget 2022

	2021	2022	2023	2024	2025
GDP	15.6%	5.0%	4.1%	3.7%	3.6%
Modified Domestic Demand	5.2%	6.5%	4.2%	4.0%	3.8%
Modified Gross National Income (GNI*)	4.7%	5.2%	3.5%	3.3%	3.2%
Personal Consumption	6.8%	9.6%	3.6%	3.4%	3.2%
Modified Investment	4.0%	6.4%	7.6%	7.1%	6.6%
Exports	16.1%	5.7%	5.1%	4.6%	4.4%
Inflation (HICP)	2.3%	2.2%	1.9%	2.1%	2.2%
Employment	7.8%	13.2%	2.7%	2.6%	2.2%
Unemployment Rate	16.8%	7.2%	6.0%	5.3%	5.0%

Fiscal Assumptions Budget 2022

	2021	2022	2023	2024	2025
General Gov. Balance (€m)	-€13,225	-€8,260	-€1,080	-€270	€875
General Gov Balance (% GNI*)	-5.9	-3.4	-0.4	-0.1	+0.3
Gen Gov Debt (€ bln)	€236.7	€238.7	€246	€250	€250.2
Gen Gov Debt (% GNI*)	106.2	99.2	96.7	93.3	89.5

Key Measures

- €4.7 bln package: Expenditure €4.2 billion, Taxation €500 million reduction (€230 m tax raising measures)
- Indexation of tax bands & allowances
- Childcare
- Climate Change
- Housing
- Business support > EWSS, Commercial rates waiver extended
- Significant social welfare package
- AN APPROPRIATE BUDGET IN THE CIRCUMSTANCES

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