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Macroeconomic Outlook

Trevor Donnellan

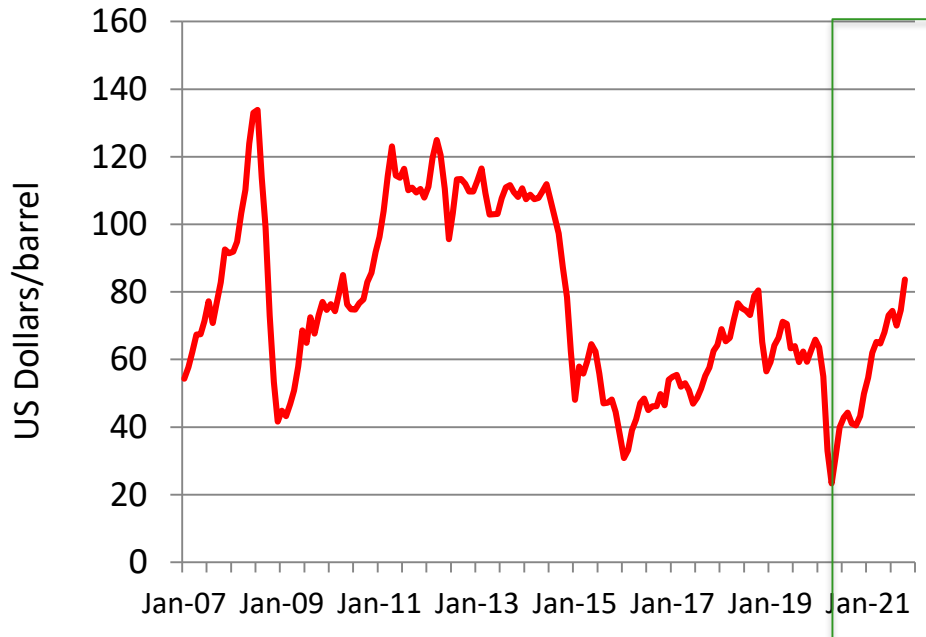
World Economy 2021



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

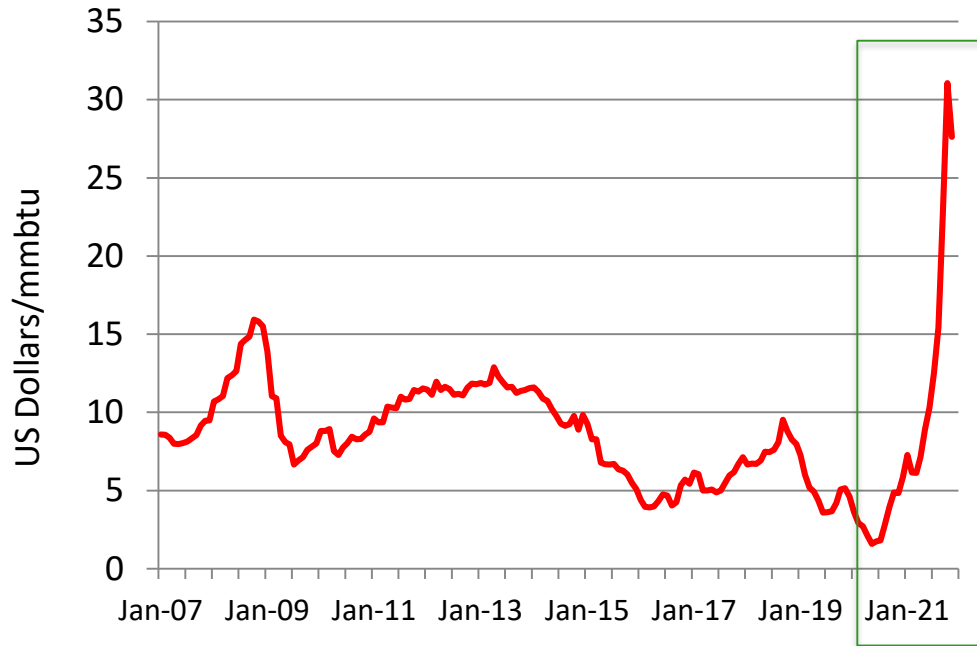
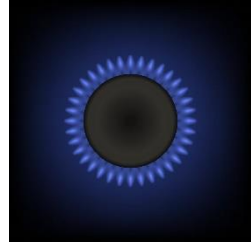
Monthly Brent Crude Price 2007-2021



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%)

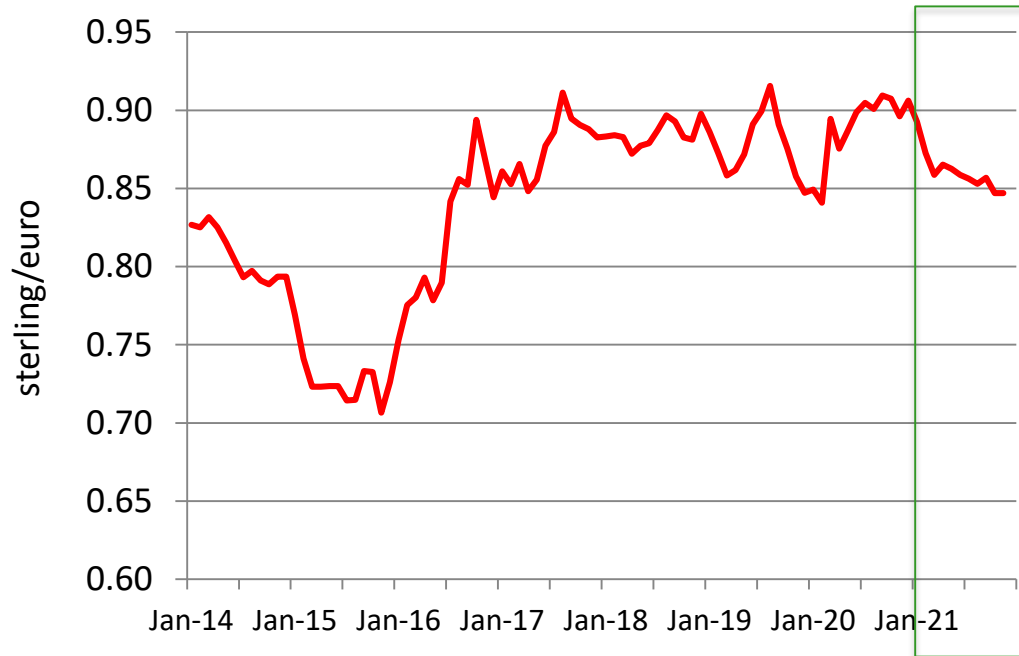
Monthly European Nat Gas Price 2007-2021



- 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

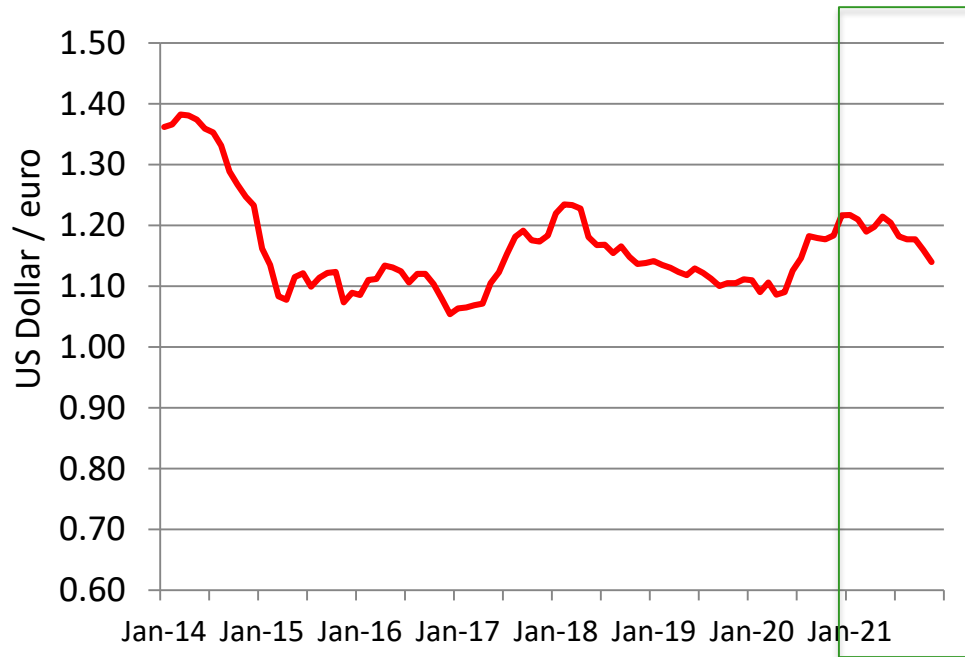
Monthly £/€ exchange rate 2014-2021



- Sterling has strengthened 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

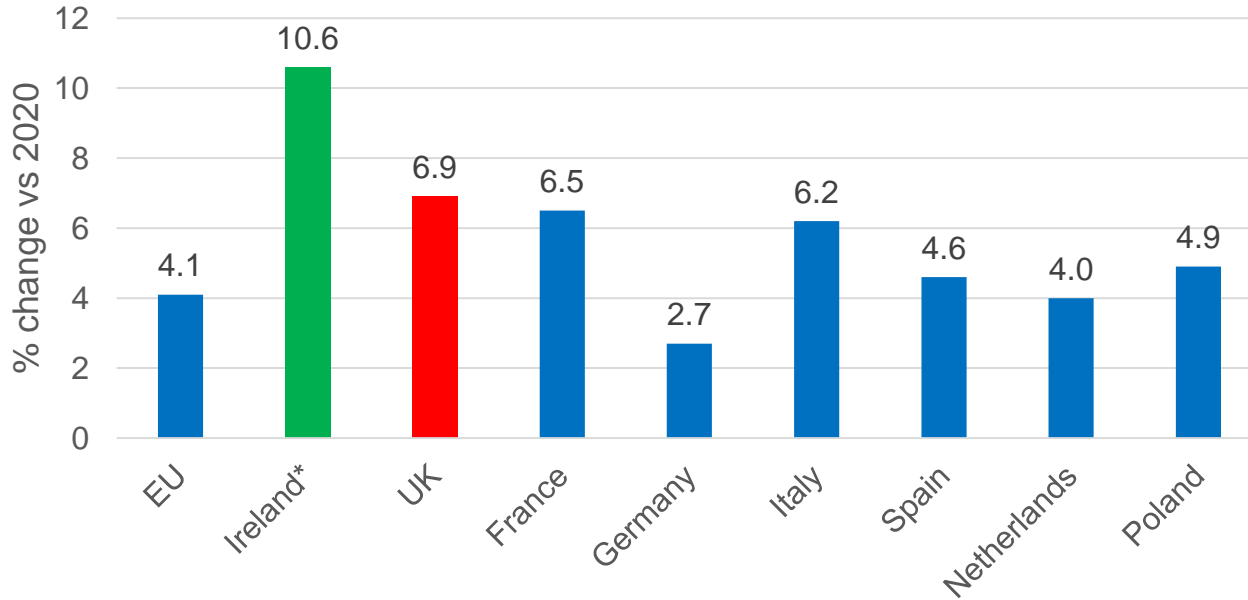
Irish Economy 2021 (continuing tale of two economies)



- **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)

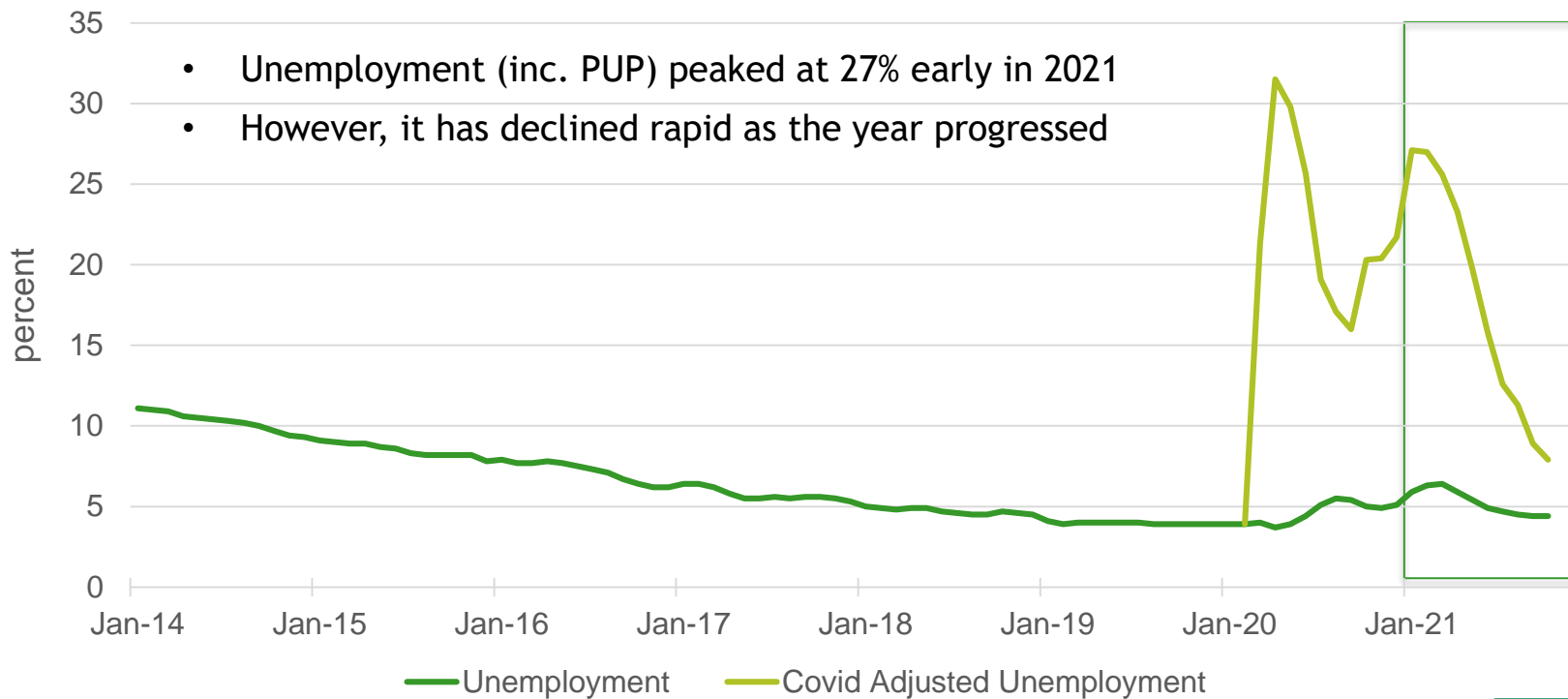
% Change GDP 2021 (Selected European Countries)



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

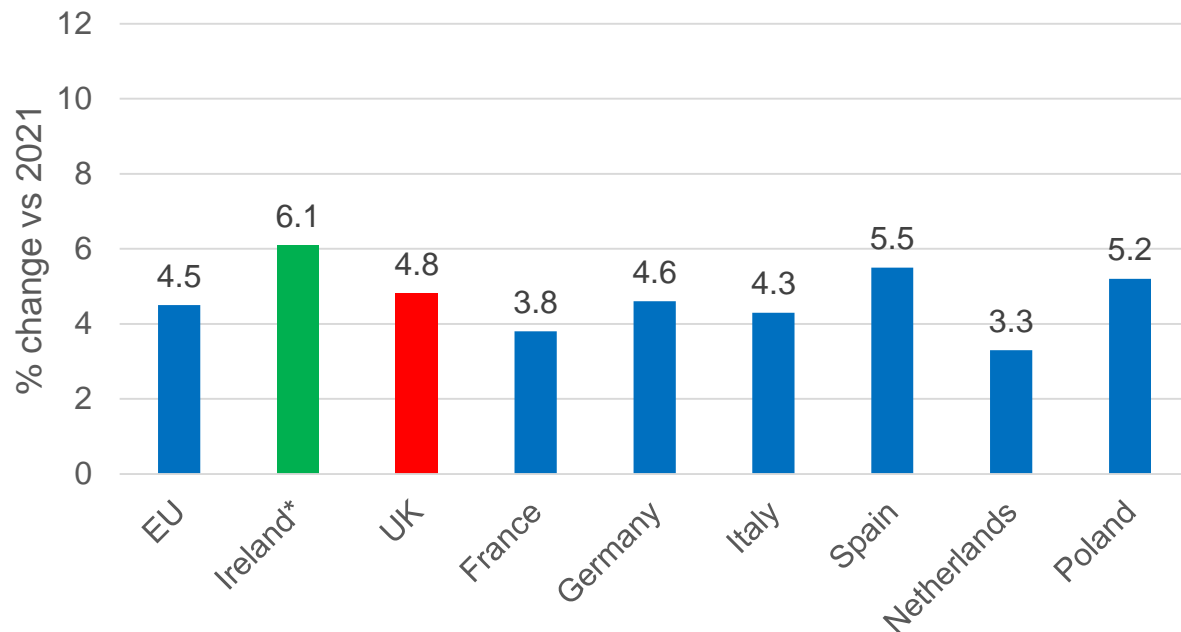
Source: ESRI, European Commission and UK Office of Budgetary Responsibility
Note: *Growth rate of GNP shown for Ireland

Irish Unemployment Rate (incl PUP recipients)



% 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