



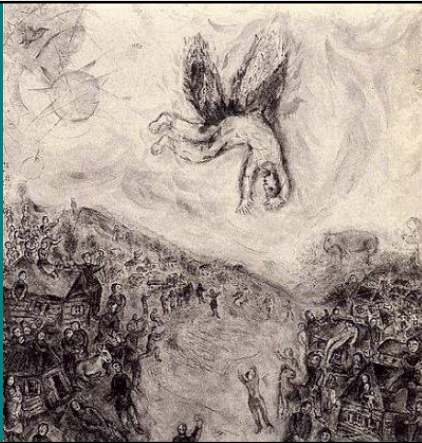
Recovery Scenarios

John FitzGerald
www.esri.ie



Introduction

- *Economic crisis*
 - Irish economy
 - Northern Ireland economy
- *Preparing for recovery*
 - Public finances
 - Competitiveness
- *Future growth*
 - Regional implications
- *Conclusions*

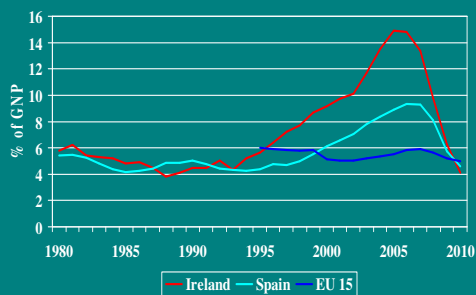


Failure of Irish Policy

- *Stability and Growth Pact a distraction*
 - Needed a large surplus e.g. Finland
 - The opposite happened
- *Building squeezed tradable sector*
- *Failure of banking regulation*
- *Bubble burst*
- *Fiscal crisis*
 - Structural deficit c. 6% of GDP
 - After 2010 Budget 3% to 4%



Housing Investment



Failure of UK policy

- *Regulatory failure in banking*
 - Building not a key element
 - Though property market did not help
- *Public finance crisis*
 - Structural deficit c. 6% of GDP

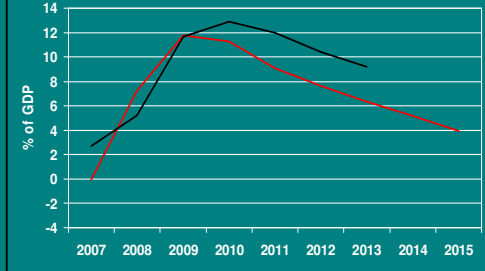


Housing, % of GDP, 1970-05

	Average	Max	Min	2005
France	5.4	7.9	4.1	4.6
Germany	6.5	8.2	5.2	5.6
UK	3.6	4.5	2.8	3.9
Ireland	6.1	13.9	3.7	13.9
Spain	5.4	8.9	4.1	8.9
Poland, 1996-05	2.6	3.0	2.2	2.7



General Government Balance



Source: Ireland, ESRI, neutral policy.
UK: NIESR announced policies in October



Vulnerabilities

- Northern economy
 - Dependence on public sector
 - Part of solution to UK budget problem: 10% cut in public sector?
 - Banking – credit crisis?
- Irish economy
 - Banking crisis
 - Public finances – on course (difficult)
 - Competitiveness – aggravated by sterling
 - Solution – cuts in nominal pay rates



Forecast

	2009	2010	2010-15	2015-20
	Annual % Growth Rate		Average Annual % Growth	
Ireland GDP	-7.2	-0.2	5.6	3.3
UK GDP	-4.4	1.3	2.5	
Year End:	2009	2010	2015	2020
GGB, % GDP, Ireland	-11.7	-11.5	-4	-2.4
GGB, % GDP, UK	-11.7	-12.9	-6	



Ireland Wage Rates



Northern Ireland

- Weak sterling
 - A major opportunity
 - Major competitive advantage
 - Need to exploit by expanding exports
 - Shift resources into tradable sector
- Solve the regional banking crisis



Future Growth

- From exports of goods and services
 - Using skilled labour
 - High productivity
 - High value added
- In Irish economy
 - High tech manufacturing **and** market services

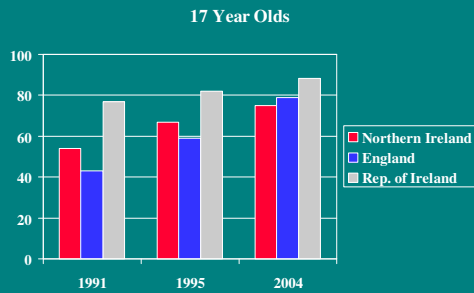


Human Capital

- Importance of education
 - End early school leaving
 - 80% to 90% Complete high school



Participation in Education



Population aged 25-34

percentage with 3rd level education, 2005

	Persons	Males	Females
Ireland	39.2	34.9	43.7
United Kingdom	34.7	33.6	35.8
Northern Ireland	35.5	28.0	42.6
EU 25	28.5	25.9	31.2



Human Capital

- Importance of education
 - End early school leaving
 - 80% to 90% Complete high school
 - Increasing third level participation
- Role of returned emigrants
 - Change in outlook
 - Management expertise
- Welcoming Skilled Immigrants



Regional Growth Implications

- What type of skilled jobs?
 - Regional implications
 - Commuting – sustainable development
- Where are skilled jobs?
 - Where do people want to live?
 - Where can people live as they want?



Proportion Married

For those aged 40-44, Ireland, 2007



Regional Implications

- *New skilled jobs in major urban areas*
 - *Morgenroth 2008-9*
- *Commuting not feasible or sustainable*
- *Implications for*
 - *Spatial Strategy*
 - *Implications for development patterns*
 - *Implications for environment*
 - *Implications for infrastructure*



Economic Challenges

- *Public finances*
- *Banking and finance*
- *Competitiveness*
 - *Expanding tradable sector*
- *Investing in Human Capital + R&D*
- *Labour market policy*



The Phoenix.