



**AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY**



A photograph of several stacks of coins of various denominations (including copper and silver) on a dark, reflective surface. The background is a warm, blurred orange-gold gradient. The text is overlaid on the right side of the image.

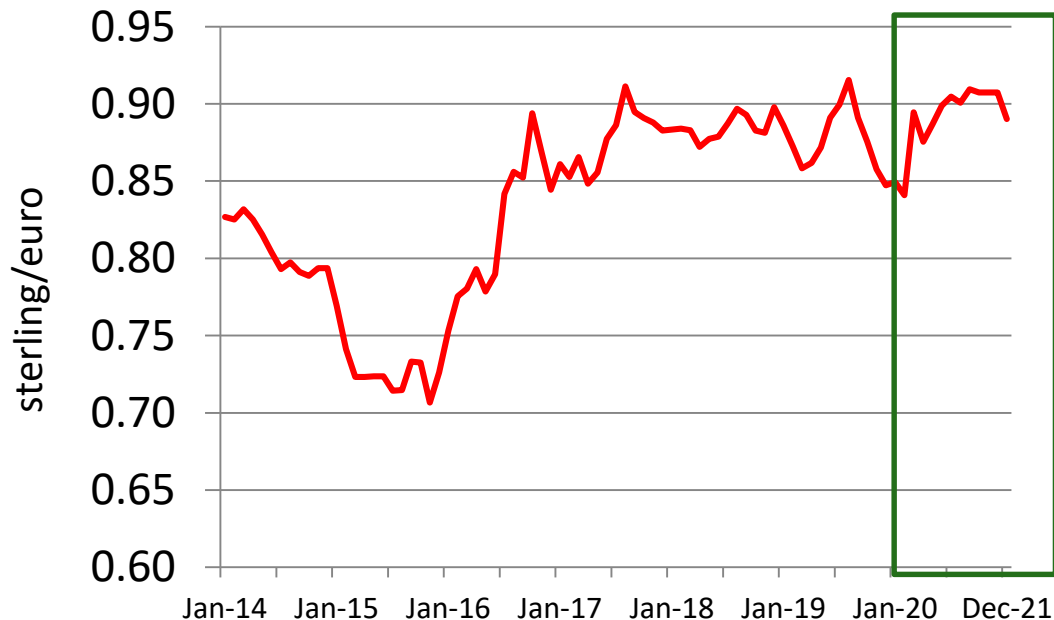
# Macroeconomic Outlook

Trevor Donnellan

# World Economy 2020



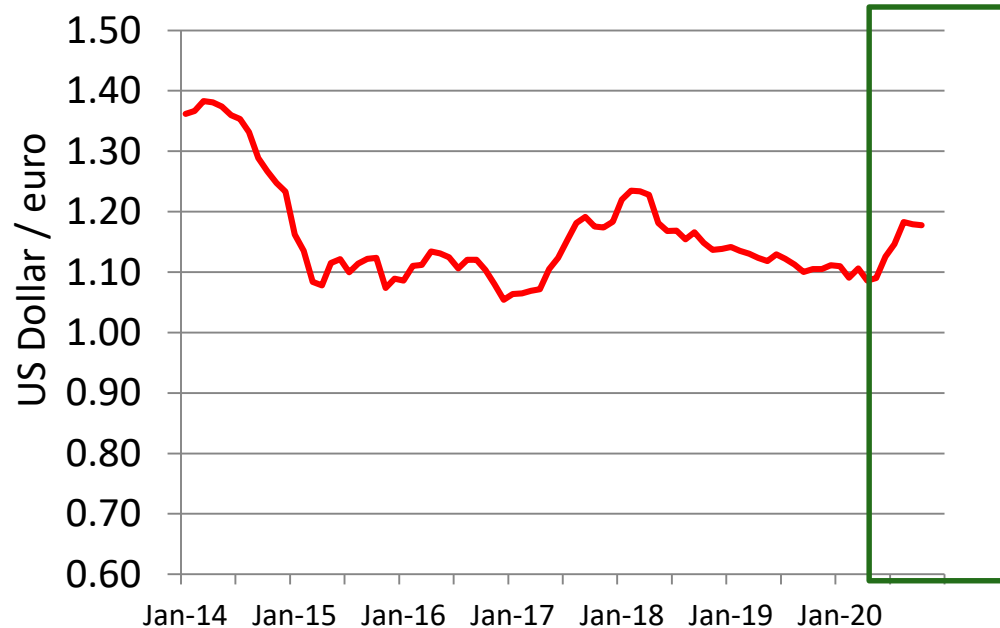
# Monthly £/€ exchange rate 2014-2020



- Sterling has weakened slightly in 2020
- 2016 = £**0.82** / euro
- 2017 = £**0.87** / euro
- 2018 = £**0.88** / euro
- 2019 = £**0.88** / euro
- 2020 = £**0.89** / euro
- Spot = £**0.89** / euro
- 2021f = £0.90 / euro

Source: ECB

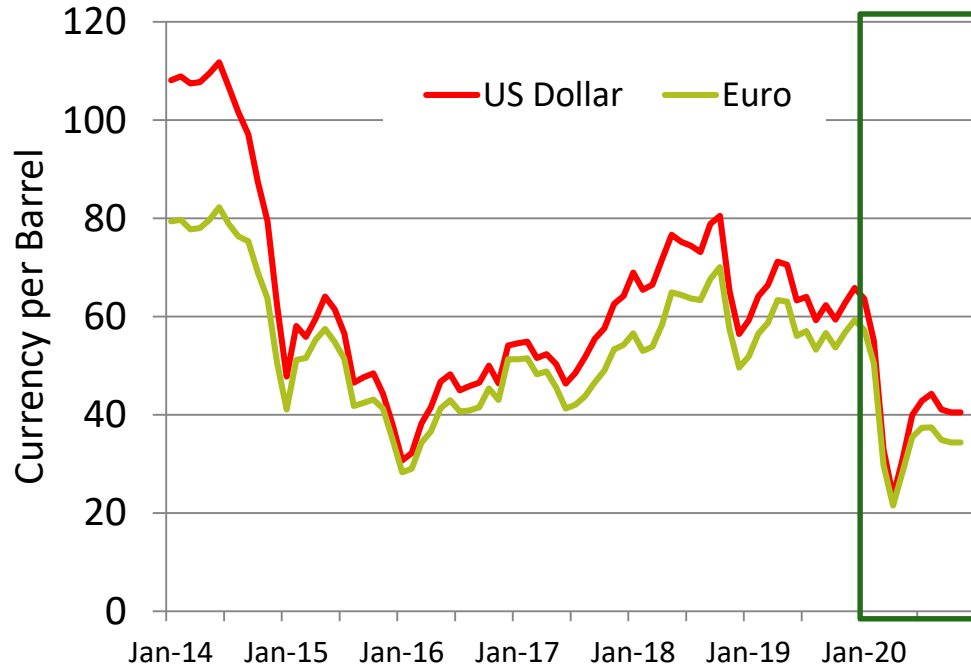
# Monthly US \$/€ exchange rate 2014-2020



- Dollar has weakened in 2020
- 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
  
- Spot = US\$ = **1.19** / euro
- 2021f = US\$ = **1.20** / euro

Source: ECB

# Brent Crude Price 2014 to 2020



- 2016= US\$ **44**
- 2017 = US\$ **54**
- 2018 = US\$ **72**
- 2019 = US\$ 64
- 2020 = US\$ 41
  
- Current Spot price = US\$ 48
- Weak Demand due to low global growth
  
- 2021f= US\$ 45 - 48

Source: St Louis Fed

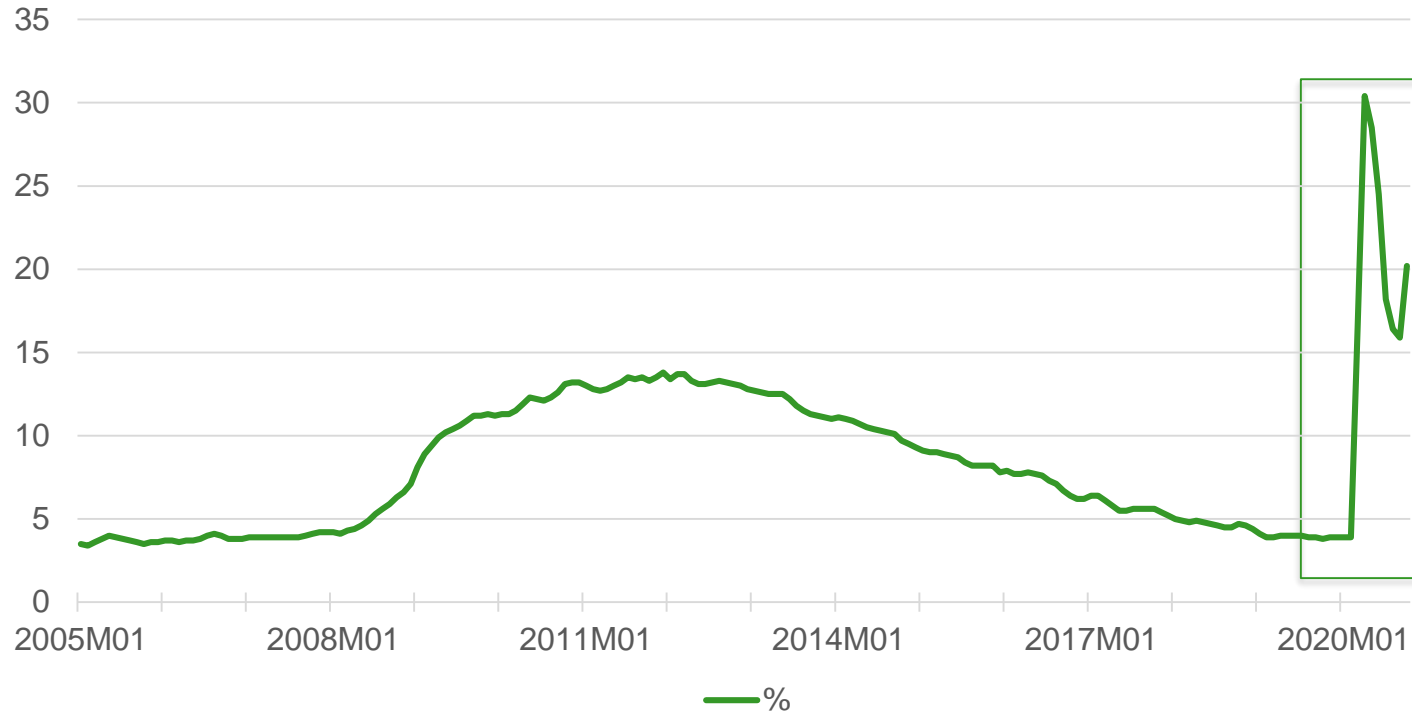
# Irish Economy 2020 (a tale of two economies)



- **COVID-19** has caused the **Irish economy** to **struggle**
  - Real GDP to contract by **1.8%** in 2020\*
  - Real GNP to contract by **2.3%** in 2020\*
- **Unemployment rate** has increased substantially
  - At **20%** in recent weeks (when PUP recipients are factored in)
  - For 2020 overall unemployment rate will exceed the peak of 15.1% in 2012
  - Employment has dropped from **2.32** million in 2019 to an estimated **2.01** in 2020
- But **economic impact** on Irish economy has been **uneven**
  - Distribution and Transport, Arts and Entertainment have suffered
  - Manufacturing has prospered
  - Agriculture, food processing and public sector largely unaffected

\*Source: ESRI QEC (September 2020)

# Unemployment Rate (incl PUP recipients)



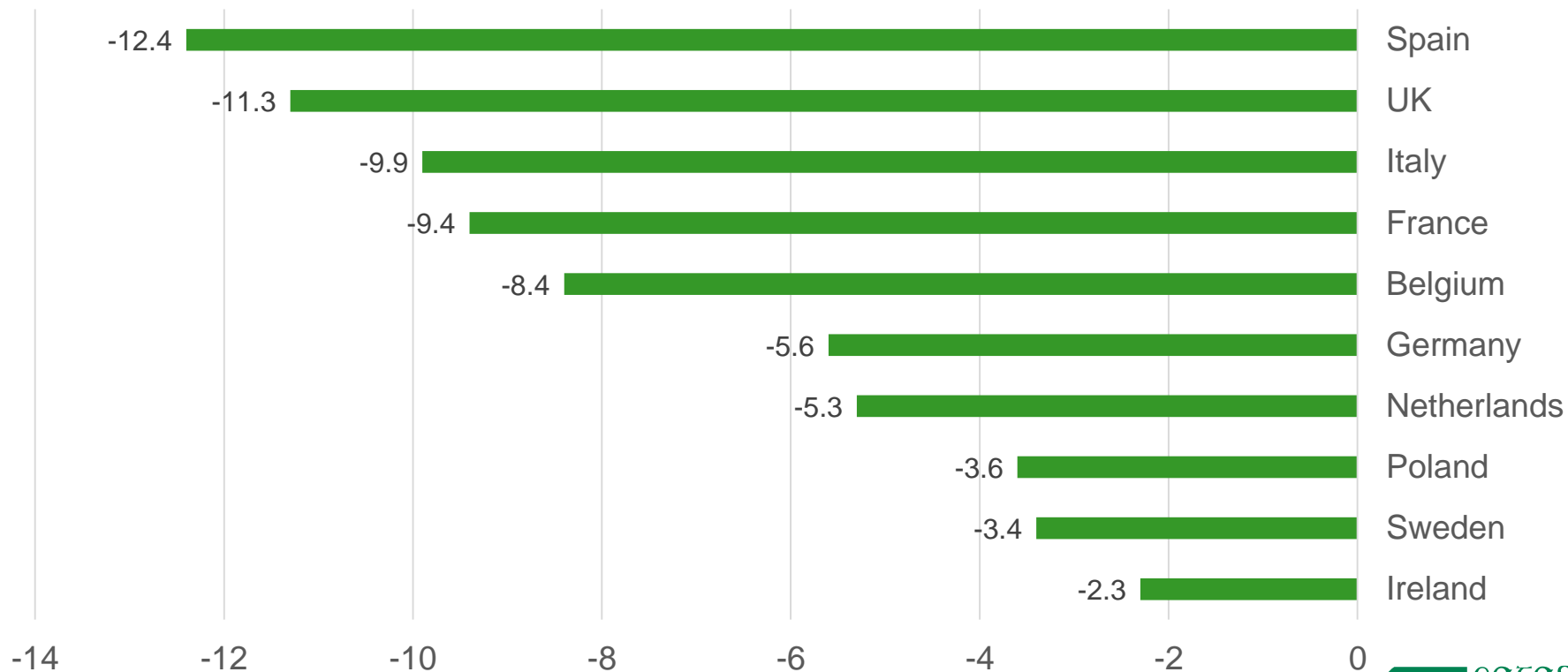


# Irish Economy 2020



- Performance of Irish Economy under COVID-19 has been atypical
  - **Export** performance has been **resilient**
  - **Domestic** consumption and investment have **contracted sharply**
  - **Imports** have **fallen**
  - **Elevated expenditure** on health and Pandemic Unemployment Payment (PUP)
  - But **decline in tax revenue less severe** than had been anticipated

# Forecast % change GDP 2020 (Selected European Countries)



Source: European Commission and Office of Budgetary Responsibility (UK)

# Irish Economy 2021



- **Prospects** are difficult to call, due to short term **economic uncertainty**
- COVID-19
  - At some point in 2021 economy will have to be weaned off **COVID-19 support measures**
- BREXIT
  - Two alternatives for economic growth of Irish economy in 2021
  - **Free trade agreement: 6.3% growth**
  - **No deal Brexit: 3.3% growth**
- Underlying fundamentals of Irish economy remain robust

Source: ESRI 2020 QEC (September 2020)