


The Economic & Demographic Outlook for Ireland


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IAPF Annual Investment Conference: 14th March 2012 www.iapf.ie

Structure of the talk


- Short-term economic outlook: 2012, 2013
 - challenging times
- The medium term: 2014, 2015
 - Light at the end of the tunnel?
- The long-term: out to 2060
 - Population ageing and the public finances
- A word on TILDA



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The Outlook for 2012


% change unless otherwise stated	Budget	CBI	ESRI
	Dec-11	Jan-12	Feb-12
Real GDP	1.3	0.5	0.9
Real GNP	0.7	-0.7	0.1
Consumption	-1.3	-1.5	-1.8
Investment	-1	-5.5	-3.3
Government	-2.2	-4.2	-2.5
Exports	3.6	3.9	3.4
Imports	1.6	1.8	1.1
Employment	-0.2	-0.6	-1.5
Unemployment rate	14.1	14.6	14.0



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The Outlook for 2013


% change unless otherwise stated	Budget	CBI	ESRI
	Dec-11	Jan-12	Feb-12
Real GDP	2.4	2.1	2.3
Real GNP	1.7	1.0	1.0
Consumption	0	0.2	-1.0
Investment	3.2	-0.6	-1.9
Government	-2.2	-2.0	-2.0
Exports	4.5	5.0	4.4
Imports	2.8	3.6	0.5
Employment	0.8	0.4	-0.8
Unemployment rate	13.5	14.1	13.7



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Medium Term – 2014 / 2015


% change unless otherwise stated	Budget 2012		EC	
	Dec 2011		March 2012	
	2014	2015	2014	2015
Real GDP	3	3	2.7	3
Real GNP	2.3	2.3		
Consumption	1	1.2	1.8	1.9
Investment	4.6	4.8	4.4	5.2
Government	-2.3	-2.1	-3.7	-3.2
Exports	4.8	4.8	4.9	4.9
Imports	3.4	3.5	3.8	4
Employment	1.2	1.6	1.4	2
Unemployment rate	12.9	11.6	13	12.1



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Why 3 Percent Growth Might Not Be Met

- External factors, especially growth elsewhere
- Household debt, deleveraging and consumption
- Bank lending and investment
- Long-term unemployment and emigration



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The Public Finances – Budget 2012

	2011	2012	2013	2014	2015
% of GDP					
General Govt. Deficit	10.1	8.6	7.5	5.0	2.9
Gross Debt	107	115	119	118	115



The Long-Run Demographic Projections

		2010	2020	2030	2040	2050	2060
Fertility rate		2.07	2.05	2.04	2.02	2.00	1.99
Life expectancy at birth	males	77.0	78.7	80.3	81.8	83.2	84.5
	females	82.0	83.5	85.0	86.4	87.7	88.9



The Long-Run Public Finance Projections

Spending as % of GDP

	2007	2060
Pensions	5.2	11.3
Healthcare	5.8	7.6
Long-term care	0.8	2.1
Unemployment benefits	0.8	0.9
Education	4.5	4.2
Total	17.1	26.1



A word on TILDA

- Previous slides highlight the need for planning in the context of an ageing society
- TILDA is a representative sample of 8,500 people aged 50 and over and living in Ireland
- Interviews and health assessments conducted through 2009 to early 2011
- All 8,500 to be re-interviewed this year and again in 2014, 2016 and 2018
- Health assessments in 2014 and 2018



Some pension-related findings from TILDA

- Based on questions about when people expect to retire, the worsening economic situation in 2010 seemed to move people from "65" to "don't know"
- Based on the same question, we did not see any adjustment in expected retirement ages as a result of the change in the pension age announced in March 2010



Some pension-related findings from TILDA cont...

- There is a high incidence of "don't know" responses when we ask people about their occupational pensions.
- ¼ of private sector employees with occupational pensions did not know how much they are contributing
- Very similar for DC versus DB
- ¾ of private sector employees with occupational pensions did not know how their pension would be paid – monthly v. lump-sum



Conclusions

- Economic prospects remain fragile
- But glimmers of hope internationally
- In the absence of rapid economic growth, budgetary arithmetic will remain tight
- The crisis has diverted attention from long-term issues but we will need to become more focused on them in time
- Clever age-related policy and planning needed
- TILDA to contribute to this

