

Will Inflation Make a Return?

Presentation to Dublin Economic Workshop

17th September

12:00

Marc Coleman



Our June 11th prediction

We did not dwell on pandemic price recovery

Rather

- Deglobalisation (China producer price inflation at 9% and rising)
- Energy prices (partly pandemic base year effects, partly climate action)
- Pent up pressures related to property market
- Lack of competition in key sectors of Irish economy coupled with government spending and monetary stimulus



ECONOMIC RECOVERY

June 3rd – June 11th 2021

Inflation once again.

G7 summit priorities

Covid-2019 update

AN OLD ENEMY RETURNS



WILL INFLATION HIT YOUR BUSINESS?

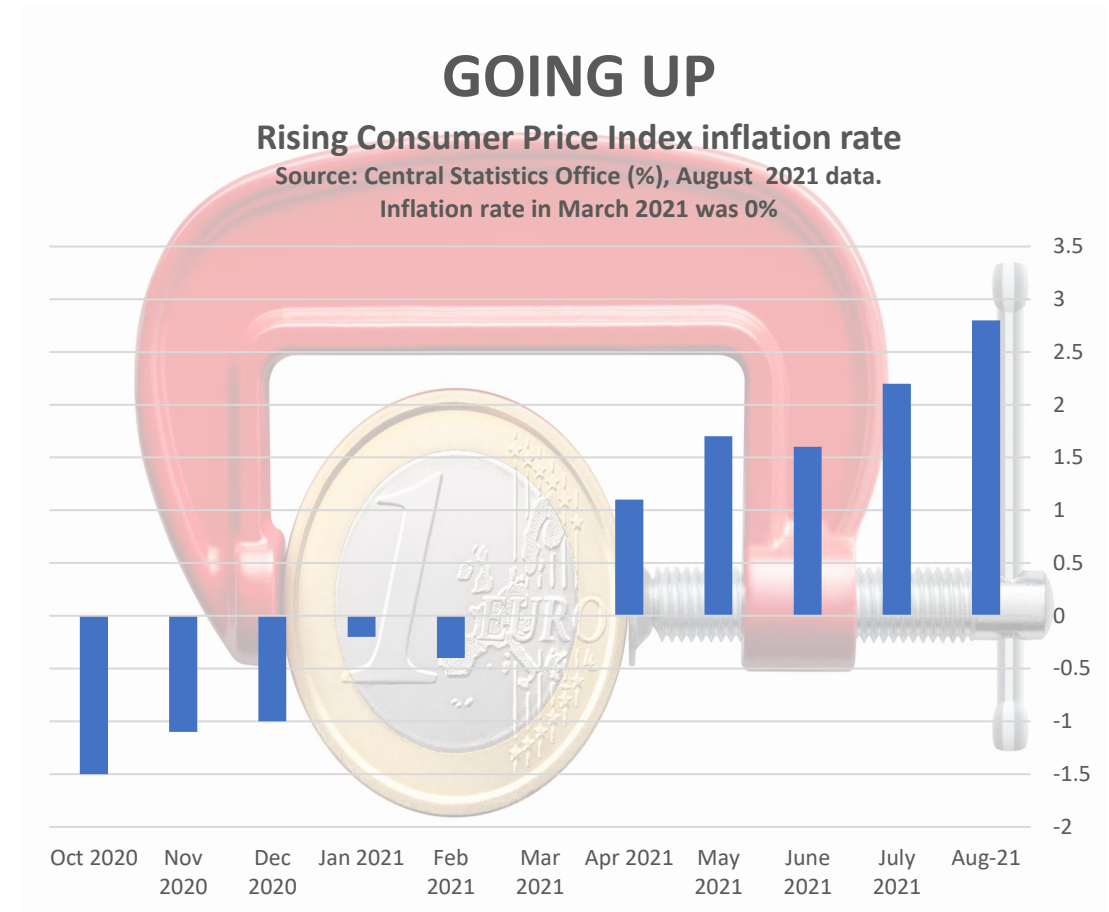
Plus: Does the G7 summit tax consensus threaten Ireland's business model?

Latest trends

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Rather

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- Energy prices (partly pandemic base year effects, partly climate action)
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Culprits

Energy: + 16.0% y-o-y

- Only partly unwind of price falls
- Also carbon taxes & climate action

Utilities & Local Charges: +14.8% y-o-y

Jan 03-Jun 09:

- Rail travel prices + 39.9%
(sheltered monopoly)
- Air travel prices - 6.7%
(rigorous competition)

Tobacco, Alcohol prices 220% and 180% EU average

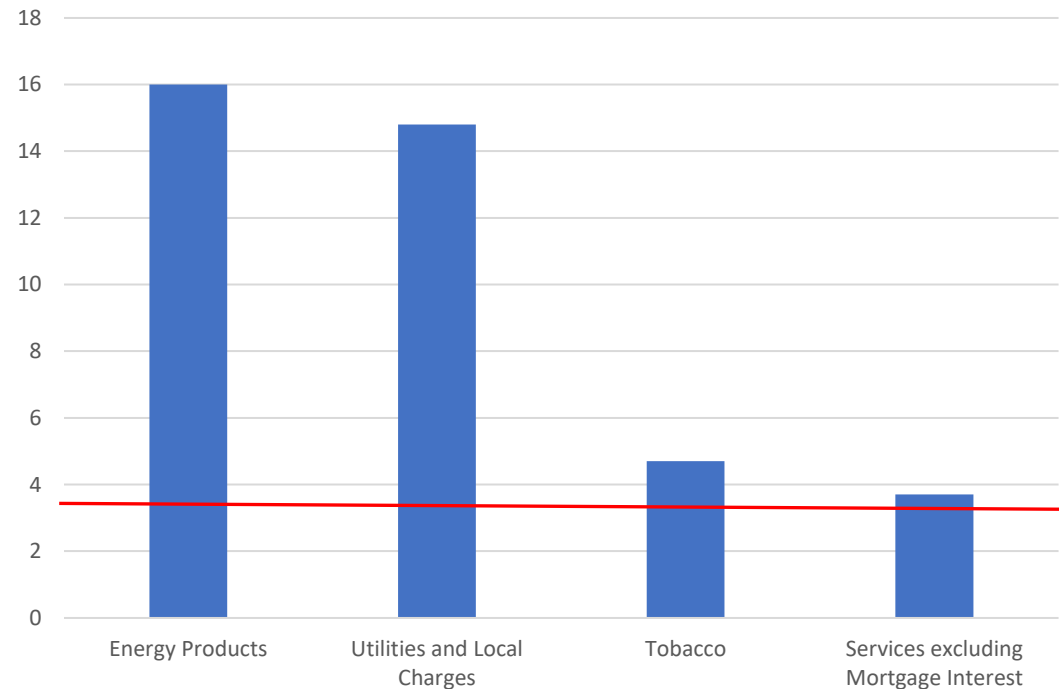
- Most impacts low-income families (regressive)
- Evidence of social virtue via reduced consumption by abusers?
- Or simply adverse impact on responsible users?



THE MAIN CULPRITS Contributors to rising inflation

Source: Central Statistics Office, August 2021 data.

Year-on-year percentage change



That was Then. This is Now.

CPI (index value) Aug 2004 to Aug 2008

Rise: + 16.6%

Increase in PSC approx €200 billion

So **cannot** blame on tax cuts

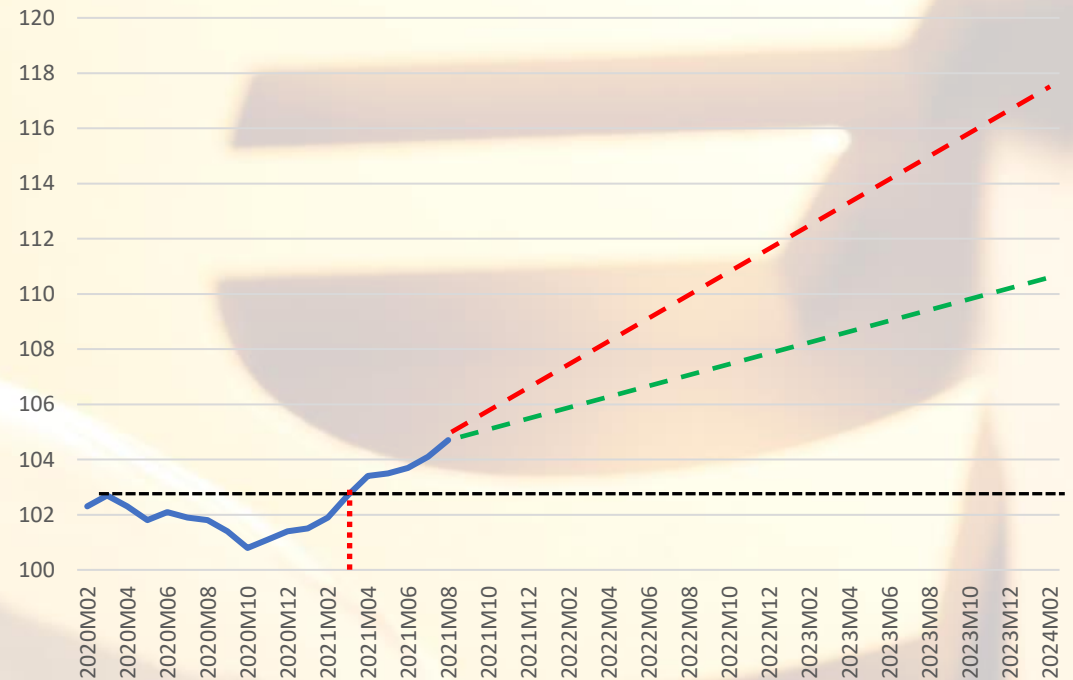


CPI (Index) Feb 2020 to Feb 2024

Current Trajectory CBI Forecasts (approx)

No appreciable PSC rise or tax cuts

But €192 billion Investment in 2019 alone



Halting the Slide...

- **Long term:** Housing...Housing and more Housing
- **Medium term:** Reform & Revitalise Competition Authority (CCPC) & Competition agenda
Reform sheltered sectors of economy
- **Short term:** Carefully consider inflation impact of current spending rises versus tax cuts

“Tax cuts” or “Reversal of tax austerity from previous crisis”?

Consider income tax reductions to offset carbon tax rises
Remember what happened to Water Charges

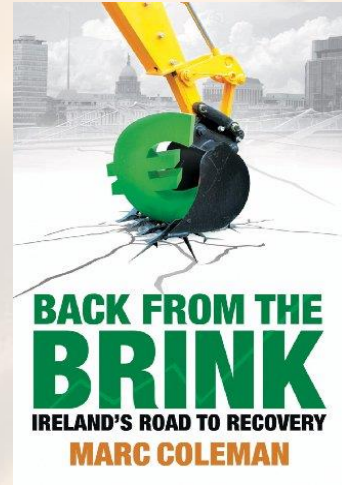
Reconsider “Virtue tax hikes”. At 222% & 181% above EU average, virtue impact of tobacco and alcohol price hikes likely exhausted. Prices are highest and 2nd highest in EU, respectively

See article in Sunday Independent www.independent.ie

Some of our publications during previous and current crises...



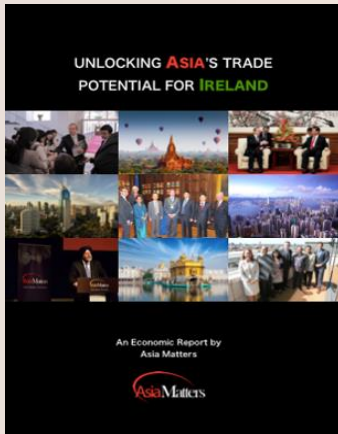
Promoted closer Irish-German economic relations (2013)



2009 Analysis of & prescriptions for previous crisis



1st global report to analyse Covid-19 economic challenge
Recommended July stimulus in April 2020



Promoted expanding Irish Asia trade (2013)



Promoted global Green Finance cooperation (2020)



Analysis of sustainability priorities in NDP

THANK YOU

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