Journalist 1:
Just in terms of the employment creation next year the forecasts, you're forecasting that 34,000 fewer will be created next year in the event of a no deal. What's the estimate for job creation by numbers, the base case for next year?

Mark Cassidy, Director of Economics & Statistics:
Yeah, so over the two years in total we have just a little – the scenario is a little over 93,000 over the two years. Now that's an average over 2019/2020, what we're saying is 37,000 by end 2020. So, it does – it would result in some increase in the unemployment rate maybe by around one percentage point by end 2020. So, whereas we're forecasting unemployment next year of 4.5% in the no deal scenario that could be of the order of 5.5%. I would note also employment is a lagged variable. So, the impact can be rather slow to be evident in the data. So, you would see further negative impact on unemployment beyond 2020.

Journalist 2:

Did you model that on wage growth? Expectations of 4.9% for next year. So, what happens in the event of a hard Brexit to wages, and not so many jobs.

Mark Cassidy:

I don't think we have an estimate on wage growth.

Thomas Conefrey, Central Bank Economist:

It would be negative obviously. Wage growth slower. It would reduce compared to the central forecasting.

Journalist 3:

Can I clarify something? The 4%, do you mean four percentage points?

Mark Cassidy:
Yes.

Journalist 3:
And 6% lower after ten years, again six percentage points?

Mark Cassidy:
Yes, yes, so the level of ..so, 4% is four percentage points off the rate of growth over the full 10 years then, output will be 6% lower so.

Journalist 3:
Right so because obviously there's a difference between 6.0% and six percentage points.

Mark Cassidy:
Yes.

Journalist 3:

So, which one is it?

Mark Cassidy:
Well the level – one is an accumulated affect over the number of years.

Journalist 3:
Yes.

Mark Cassidy:
So, it is a percentage change from the level that would otherwise occur, that is the 6.0%, whereas percentage points relates to the rate, it's compared to the rate of growth in one particular year that's why it's in percentage points.

Journalist 4:
Yeah, sorry. Just on the figures for previous Central Bank. 2021 obviously is pretty dramatic effects between 2019 and 2020, so is there a danger of slipping into negative growth in 2021?

Mark Cassidy:
We don't have a published forecast for 2021, if we did neither our central estimate or our Brexit estimate would indicate recession. What we would see in the central scenario is some modest further slowdown and what this would primarily reflect is the economy being closer to full capacity and therefore the scope for further growth does moderate somewhat. We don't have a number to put on that in the central scenario but it would still be a healthy outturn. In relation to the hard Brexit scenario again we don't have an output term but growth would be somewhat less in 2021 but not as dramatically so as in 2020 because we think that the impact of the hard Brexit would be very much frontloaded, we will see immediate impacts and therefore the most severe impact would be expected to be in 2020.

Journalist 4:

So, you'd still expect some level of growth in 2021?

Mark Cassidy:
We still would have – expect positive growth in both years – under both scenarios.

Journalist 5:
How does your modelling on a disorderly Brexit compare with the last time you did it? And how does it compare with other forecasts for the impact of a disorderly Brexit?

Mark Cassidy:
So, in terms of the first question, they are same modelling estimates, the only difference is, we're now applying it to a situation where Brexit occurs at end October as opposed to end March. So, the difference is seen in the calendar year effect. So if Brexit had occurred at end March you would have expected to have seen much more of an impact in 2019 balancing out in 2020, whereas with these new estimates from 2020 you've little enough impact in 2019 and the main impact is seen in 2020 but there's no, in terms of year-one/year-two effects, they're the same estimates.

Journalist 5:

So, it's the same quantum almost.

Mark Cassidy:
Exactly it's the same impact just applied from a different starting point. Exactly, it's the same impact just applied from a different starting point. In relation to your second question, the comparison we have would be in relation to ESRI Department of Finance estimates. Our estimates are similar for the medium-term so this figure of around 6% of medium-term … of output over the medium-term is around the same. We have a reasonably significant more negative outcome in the first two years. And the main reason for that is we are assuming a particular impact on confidence and sentiment because of the disorderly nature of the Brexit. So, if Brexit was to occur, if a hard Brexit occurs on 31st October, you would have the immediate imposition of tariffs. You'll have evidence shows that in terms of firms getting used to non-tariff barriers, the costs are particularly severe upfront because firms have to get used to new documents, et cetera. We also know that a lot of small and medium-sized enterprises are not ready for Brexit date at that and then there is the transition to new trading arrangements, ports, infrastructures. That is in addition to the impact that you would expect to see from financial stress or confidence effects, so we think that there will be this particularly severe impact in the first year or two which is not as severe as in the Department of Finance ESRI estimates.

Journalist 6:

0.7% GDP growth, does that not really mean, any other measure, you know, commonly is at a standstill because that's reflecting multinational exports which don't have – as we all know. Is there any other measure which shows the economy in recession or at standstill, zero growth?

Mark Cassidy:
So, I would maybe not describe it so much as in standstill rather than an initial severe decline in output followed by a period of adjustment and recovery. So, we're not … we're assuming that growth in the subsequent years will be somewhat higher because that initial one-off impact would moderate somewhat. So, it's not a period of economic stagnation as such, rather a kind of sudden decline in output growth followed by a gradual recovery. It's not, technically it's not a recession, it's still positive growth but the margin of error given the uncertainty around these estimates is particularly high and certainly reduction in the rate of growth to 0.7% would be a significant shock for the economy.

Journalist 7:
My question is kind of tedious. Just looking at Bulletin 2 and comparing it to today's bulletin, you say that the forecast, the GDP was forecast a revision is 0.7 … 0.5% upwards for '19 and '20, is that right? ….be lower in the Bulletin 2.

Mark Cassidy:
No, it was our GDP forecast was 4.2 for '19 and 3.6 for '20. So, we're 4.2 to 4.9 now from last time and 3.6 to 4.1 now.

Journalist 7:
That's what I meant though, 4.7 across the year but 5% in the last bulletin.

John Flynn:

Yeah there's been in the meantime since we published the last bulletin, there's been some methodological changes to … which were published in the labour force survey data published in May. So, they significantly revised down the unemployment rate for Q1, so say, for example, the initial estimate was 5.6 and it was revised down to 5 so there have been some significant changes there. So, previously … our Q1 forecast on the back of the old data, or Q2 forecast, sorry, was 5.4 and 5 for this year and next year so now we're 4.7 and 4.5.

Journalist 1:

Seen sterling weaken significantly in the last week or so, against the euro and major currencies, is a no-deal Brexit being priced in around these levels or is this just a foretaste of the types of volatility you would expect as we get closer to a potential no-deal?

Mark Cassidy:
I think the movement in the sterling exchange rate have clearly more than anything else reflected the increasing probability of a no-deal Brexit. To what extent markets are correctly pricing it, of course, is very uncertain. There are other factors at play but the decline over the past week against most major currencies has been… against the dollar it's at its weakest point since about March 2017. So, I think in a case that financial markets, generally are that there is a greater probability of Brexit than ever before. I think the markets would still point that it is not necessarily the most likely outcome at the moment but there is such uncertainty around that, I don't think you could go much further. I think it's about 18% below where it was pre-referendum against the euro.

Journalist 2:
If you look at the markets, and inflation just 1.2%, there's no evidence there of overheating is there relationship? So, how do you decide whether the … how do you judge whether the economy is overheating without wishing to sound totally callous, especially given where I'm from, I mean the economy's got to slow if you're right about overheating. I mean if it happens with Brexit, if it happens in another way, it's going to happen, so Brexit is the answer, isn't it? Sorry, I didn't mean that really genuinely sound as if I've come over with the ERG to … comes through this. Quite clearly on the one hand and on the other.

Mark Cassidy:
No, I would certainly refute the second part. So, certainly an easing in demand that was stable and gradual would not be a problem for the economy at the moment given that we are closer, close to full capacity. What you're talking about with the Brexit shock is a very sudden extremely sharp shock that disproportionately impacts on certain regions and sectors on the economy and for that reason, it is particularly harmful and is not in any … not in any way a benign influence in terms of reducing overheating pressures. In terms of the first point, whether we are at overheating, so we have said before and I would stand by the point that we do not yet see overheating present in the economy. The evidence I would give for that would be, as you say, price pressures. Also wage pressures remain reasonably contained. We are not seeing any strong credit growth in the economy. In fact, what we are seeing is households building up their savings, particularly in the form of bank deposits, which is actually having a favourable impact in terms of easing consumer demand in the economy but in a moment, I'll come back to a different point about that. But we would, it is clear we are much closer to full capacity than we previously thought. And there's a couple of points of evidence for that. One is that the unemployment rate has come down to 5% considerably quicker than we thought. Second, if you look at the evidence in relation to the labour supply, then the potential for further labour supply growth seems quite limited. So, the amount of people that

are outside of the labour force but might be attracted back in – and we have some analysis of that in the signed article – is quite limited at the moment. A lot of the people who are out of employment are people who categorise themselves as not looking for work, who are over 50 years old and evidence suggests that those people are not likely to come back into the labour force. We also have evidence in relation to the participation rate that it may be close to as high as you might expect it to be in the current economic circumstances. There's also some unusual indicators if you look at who employers are hiring. The experience of employers in the market. First of all, they now tend to be employing more people from other jobs than from the unemployed which is traditionally a sign of a tighter labour market. We also see vacancies increasing. So, without overburdening you with indicators, there are a number of indicators there showing we're definitely getting a tighter labour market. We also have seen some trend, it's volatile over quarters, we have seen some trend increase in wages and in terms of inflation, I would very much point you towards services inflation rather than overall inflation which tends to be reflective of domestic demand. So, in summary we don't see overheating yet, but we're certainly close to the full capacity and therefore the risk is materially higher that we might see it emerge.

Journalist 3:
So, are you having any conversations with the ECB at the moment about Brexit and post-Brexit positioning and are you getting any … are you drawing up any combined plans of action or anything like that? And taking advice from the ECB or giving them advice and, you know, what is … is there any kind of ongoing talking there?

Mark Cassidy:
Well in the economic area we have ongoing interaction in terms of sharing information, in terms of providing insights regarding country-specific information that therefore feed into the outlook for the overall euro area. Now, there would be nothing in the relation of policy implications or any change in policy in the ECB as a result of Irish experience. The ECB policy will remain, the objective remains price stability within the euro area as a whole, so unless you see a … I think Brexit is not expected to largely affect overall euro area performance. If it is to do so, if … the ECB's central scenario also assumes that there is a deal in the same way our own does. In the event of a no-deal you would expect some impact on those overall forecasts including inflation which may have an impact on the monetary policy outlook but I don't think the Irish numbers would have much of an impact.

Journalist 3:

Right, but I just wonder whether, you know, given that a no-deal Brexit looks increasingly likely, that the ECB is on the phone saying this is coming down the tracks and what … you know, are you prepared, do we need to co-ordinate things like that?

Mark Cassidy:
Yes, so we have been analysing potential implications of Brexit since before the referendum. I think I'm fair in saying that before that would make us before any other European countries so certainly, we have shared our analysis regarding the potential implications with the ECB across a number of fora and I think that really is the extent. I don't think there's been anything in … of course we have a whole range of discussions on another side which wouldn't be my own area on the financial supervision regulations side given that the ECB is now the supervisor for the main Irish banks, so there are issues there in relation to the preparedness of banks, there's work there but in terms of the economics nothing more than I've mentioned.

Journalist 3:

But there is, one could say that there is contact on the sort of supervisory and financial side?

Mark Cassidy:
To the extent yes, absolutely, to the extent that the ECB is responsible for supervising the main Irish banks but it's also a shared responsibility to the extent that a lot of the work is undertaken by this organisation on the supervisory side, yes, there is ongoing interaction.

Journalist 4:

Yeah, just briefly. Is because of the, because of the modelling, is there … are the regional effects which have been long discussed, have they been, are they made worse?

Mark Cassidy:
First of all, we do not have estimates of regional effects. We do not ourselves have estimates of sectoral effects but some other analyses such as ESRI do have such. Particularly they show very severe impact on agri-food as a whole and within agri-food, very severe impacts on exports of beef, dairy products and the like. In terms of regional no, I think we do know agri-food will for a number of reasons agri-food is certainly the most vulnerable sector. We do know in terms of employment in agri-food that whereas around maybe around 7, 8% of the overall economy employment is in the sector, which is about one in twelve, one in thirteen, that in some regions of the economy that goes border midland regions, that's actually one in five employed there.

Journalist 4:
Sorry, I do apologise. Could you repeat those?

Mark Cassidy:
Yeah, so I think, so nationally I think around one in twelve, one in eleven is employed in agri-food. About 60% of that is in agriculture, 40% in food processing. But in some counties like the border, midlands, that is actually one in five.

Jill Forde:
I think there's published research on that which we can share afterwards as well.

Journalist 4:
And the other question briefly was about food and sterling crisis and the Irish bank shares. Does … is there a crisis looming in terms of Irish bank shares before, well before October?

Mark Cassidy:
Why would there be an impact on the bank shares?

Journalist 4:
Well, you know, because of an exposure to sterling earnings.

Mark Cassidy:
I don't think there's any exposure risk. In fact, I think they have their assets and liabilities matching or hedged as far as I'm aware.

Journalist 4:
The Irish bank shares have fallen quite sharply in the last few days and the … if a full-blown sterling crisis develops in the next few days, the next week or so, going toward parity, and Irish assets continue to fall, dot, dot, dot, what's …?

Mark Cassidy:
So, yeah, so a hard Brexit would give rise to some issues for Irish banks. I don't think they would be via the exchange rate channel, although I do accept that the recent fall in Irish shares may be partly related to Brexit concerns and the higher probability of a Brexit. We think that the main … we published our financial stability review two weeks ago. In that we identified Brexit as perhaps the primary risk for financial stability at the moment but our analysis indicates that the main channel of risk as a result of Brexit for the banks would be via the macroeconomic effects in Ireland as opposed to the banks' UK exposures or exchange rate exposures

Journalist 4:
I do apologise. There was one I think about the regional side. Does Dublin still continue to overheat, and no-deal Brexit because of the regional effects on agriculture, does Dublin still overheat despite a hard Brexit?

Mark Cassidy:
So, I think you'll see mitigating impacts, I think you would probably see less of a negative impact in Dublin although you would see spill over effects and I think it's important to emphasise we do see negative economic effects across most of the economy, including Dublin, because many of the effects will come through the generalised reduction in demand. So, you would have negative effects in Dublin which would enable some cooling in the economy. On the other hand, the negative effects may be somewhat less than in some of the more exposed regions. There's probably some minor effect for Dublin in terms of more inward migration into the financial services sector, with financial services firms locating here. But we think that is relatively minor in the context of overall housing market developments so I wouldn't see much change in terms of the dynamics within Dublin vis-à-vis the rest of the country.

Jill Forde:
Next question.

Journalist 8:
Yeah, just on the forecast for hard Brexit, you kind of mentioned one or two things earlier that you factored in tariffs and that sort of thing. So, what specifically, what is causing growth to go down by so much? I mean tariffs are an obvious one but what else?

Mark Cassidy:
It's a good question and there are many factors and it's important to emphasise that tariffs is only one of those. Possibly the main channel of weakness comes through the deterioration in the UK economy. And the weaker demand in the UK economy, the impact that has on exports. Secondly, we would assume further depreciation of sterling which also has an impact. You mentioned tariffs and I would agree with that. I would also emphasise what we call non-tariff barriers, in other words increased costs and delays of moving goods into and out of the country. For example, because of increased regulatory and customs checks, extra documents and the like. Confidence, I think, spill over effects, so for example to what extent

Brexit spills over to stresses in financial markets or confidence in the broader global economy, that could transmit into Ireland as well so there are a number of very different channels. And that's important because it underlines that this will not be a shock that is confined to a small number of sectors and regions but rather, we think it will be rather widespread across the economy.

Thomas Conefrey, Central Bank Economist:
At a point just to reiterate comments made by John and Mark already on the Brexit estimates in Box B and it's just to say that it's by far, at the moment uncertain exercise, an exercise of that type that we've had to carry out. Usually when we do a scenario analysis like this, using models, we have a historical precedent. So, for example, when we're looking at the effect on the Irish economy of an increase in oil prices or something like that, we would have from history we would have an example of when oil prices increased to a level, you know, if they went up by 50%, we would have some idea, some example of that happening in the past and that gives us parameters around which we would expect the effect of that to be in the future. We would have some guidelines to go by. In the case of a disorderly Brexit, we obviously don't have any historical precedent for a shock like that. So, the level of uncertainty around the estimates that we publish is extremely high. We have used and addressed available evidence on the effect of this shock by the UK. We have made our best assessment of the transmission of that shock to the Irish economy as well as the potential impact on channels like uncertainty and sentiment that are difficult to grasp. But – and we've, you know, we've published the resulting numbers but it is … we really have to emphasise at the same time that there's quite a wide range around those and the timing of the … there's uncertainty over this, the magnitudes, the shocks, and the timing of them, so, you know, we're focusing here on two-year effects but it's difficult to attribute the exact size of the shock each year and it could be larger or smaller than what we have estimated. Just as the people involved in doing the exercise and I am aware of all the gory details and they have made assumptions…. It's just important that you bear that in mind. I know we always talk about uncertainty around estimates but this particular exercise is uniquely uncertain.

Journalist 5:

Just in terms of the gory details particularly on price effects, I'm just wondering what you see in terms of what people may expect under a disorderly Brexit in terms of the impact on imported goods, pricing effects there, and then just a secondary question: why do you think wage growth has been so modest or forecast to be modest, given that we're close to zero unemployment?

Mark Cassidy:
So, on the first part I'd distinguish between immediate effects and the longer-term effects. Our estimates are that consumer prices over the medium-term would be somewhat lower as a result of a hard Brexit than in the case of where a deal can be agreed. So, two factors that put downward pressure on prices would be first the weakening of the exchange rate and secondly the more subdued overall economic environment. The near term is a little bit more difficult to estimate because on the one hand you have those two factors putting some downward pressure on prices. On the other hand, you have upward pressures from first of all tariffs if introduced which could put upward pressure and second the higher costs and delays in moving imports into the country could lead to higher prices in the short-run. So, in the short-run we do think there could be some impact on availability and prices of some brands of consumer products. I wouldn't overstate that. In terms of the second, in terms of wages, it's a bit of a conundrum, I suppose, across Europe. Other countries as well, why strong demand, strong labour market performance hasn't fully translated into higher wages and prices yet. One argument that is commonly mentioned is that it is only when unemployment gets to a certain particularly low level that you see the

upward pressure on wages. And Ireland's experience and we published on this a couple of years ago, Ireland's experience from the 2000s was that it was only when unemployment fell to 5% that the wage pressures really began to take off. So, this is what we're seeing now, so maybe it'll be interesting to see whether you do see more of an increase so I would note that you have seen some increases in wage pressures across most sectors of the economy, stronger in some than in others. So, I think maybe I think coming out of a crisis too, you have experiences where people are kind of … really want job … are looking for job security. You can have more kind of temporary contracts and the like, and temporary contracts are less associated with higher wage increases. So, there's a number of factors but I don't think any of them necessarily should be extrapolated and we won't see it in the coming years.

ENDS