



# Economist sees opportunity despite slow down in housing

INTERNATIONALLY RECOGNISED chief economist with IIB Bank Austin Hughes was at the Waterford Institute of Technology to speak at a breakfast seminar which was hosted by the South East Chapters of the MBA Association of Ireland (MBAAI) and the Chartered Institute of Management Accountant (CIMA).

Hughes' presentation, entitled 'Troubling Times or Troubling Talk' commented on the state of the Irish economy and his outlook for the future.

The MBAAI is an on-line community of MBA graduates living in Ireland and Irish MBA graduates working overseas. CIMA is a leading membership body that offers an internationally recognised professional qualification in management accountancy, which focuses on accounting for business. The breakfast speech was part of an ongoing commitment by both groups to bring compelling and relevant business seminars to their Southeast Chapter members. Mr. Hughes is a respected economist who is known in the economic world as a man who bases his statements on 'research and solid work' is as a result is an economist whom people sit up and listen to.

Hughes has been working for IIB Bank since 1990. His work in the Bank's Treasury and Capital Markets division focuses on interest rate and currency markets as well as broader economic trends.

This analysis is used both by the bank and its corporate base. He lectures and writes widely on economic issues.

Prior to joining IIB, Austin studied Economics at UCD and began working as an economist in the Department of Finance in 1980. He subsequently worked in Bord Fáilte and in the Central Bank of Ireland. During his time in the Central Bank he was responsible for the preparation of its economic forecasts.

His message today was clear, while Ireland's economy is taking on a softer look, it is not a turn for the worse as many would have us believe.

While the housing sector is definitely declining, surveys carried out by IIB which demonstrate that the economy over all is still doing very well. In August of this year, an IIB Business Sentiment survey asked the Irish business community if the housing sector slow down was impacting their business. A solid 46 percent of businesses stated it was having little or no impact and an additional 23 percent said it was marginal. By the same token research shows that 42 percent of businesses expect a growth in business activity with an additional 32 percent showing no change, so overall, from the business community perspective, there is little impact from a slow down.

From a consumers perspective an IIB/ESRI Consumer Sentiment Survey also shows that the picture is not as bleak as current media reports. A very interesting

question on debt reveals that in 2007 only 18 percent of people find their mortgage to be a heavy burden with 55 percent saying it is 'somewhat a burden' and 28 percent finding it no burden at all.

There has been much negative comment about the Irish economy in recent months? The housing market after many years of extraordinary growth is finally adjusting and for the first time in many years, we are experiencing a slow down. Again, surveys show that the reason for this change is 43 percent due to interest rate increases, which are expected to come to an end shortly, 22 percent is due to fears about a potential property crash and 16 percent due to stamp duty uncertainty.

According to Austin Hughes, the government can help out this situation by:

- \* Increasing mortgage interest relief
- \* Changing stamp duty burdens
- \* Adjusting policies for economic growth such as migration legislation

Either way, he posits that a severe drop in house prices will be prevented as developers reduce the number of houses they are producing. According to Hughes, the outlook is not so negative once we remain confident in the economy. Ireland has a strong jobs market with good demographic breakdown, and should continue to enjoy positive growth in the economy.