

IRISH ECONOMY

In conversation with Minister for Finance Paschal Donohoe

ECONOMIC RESEARCH

THE DAVY VIEW

Ireland's Minister for Finance and Public Expenditure Paschal Donohoe gave a wide-ranging interview to Bernard Byrne, Davy's Head of Capital Markets ([click here for full interview](#)). The government's position is clear — Ireland entered this crisis in a strong financial position. The dynamics of the economy remain resilient, with the public finances capable of supporting a sustainable and safe recovery and the banking system more than adequately capitalised to support and benefit from this recovery.

Sustainability at the core of reopening plan

The minister addressed the relative speed of the Irish government's reopening plan. The objective is to get it right first time, restoring consumer confidence by minimising the risk of a second health scare. He believes the long-term benefits of a sustainable recovery outweigh the short-term gains from a speedy but imperfect reopening. At the same time, he did not rule out accelerating the reopening plan if the medical outcomes supported that. To date, most of the support schemes have been directed towards workers through direct income payments or subsidies. It is clear that existing business support mechanisms can and will be extended to ensure recovery in the SME sector. Income supports and subsidies will be replaced steadily as employment levels recover.

Public finances capable of supporting a sustainable, safe recovery

The public finances entering this crisis were the strongest in years, with a budget surplus in each of the last two years. This will allow the government to continue to support the economy to the extent necessary and "restore public finances at the appropriate time". The construction sector will likely be a beneficiary of this stimulus, both in terms of public infrastructure and the housing market.

Banking system primed to support and benefit from recovery

The minister was very positive on the Irish banking sector in terms of capitalisation and its ability to support economic recovery. The ability of the bank system to weather this crisis is due in no small part to the capital rules put in place in recent years. Referring to the risk that Irish banks may take a higher share of losses, the minister cited the success of and adherence to the shareholder framework, which has been in place for some time and is expected to continue. Supports for consumers and SMEs alike will clearly help minimise non-performing loans (NPLs). The banks will be key beneficiaries of the sustained recovery in the Irish economy.

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