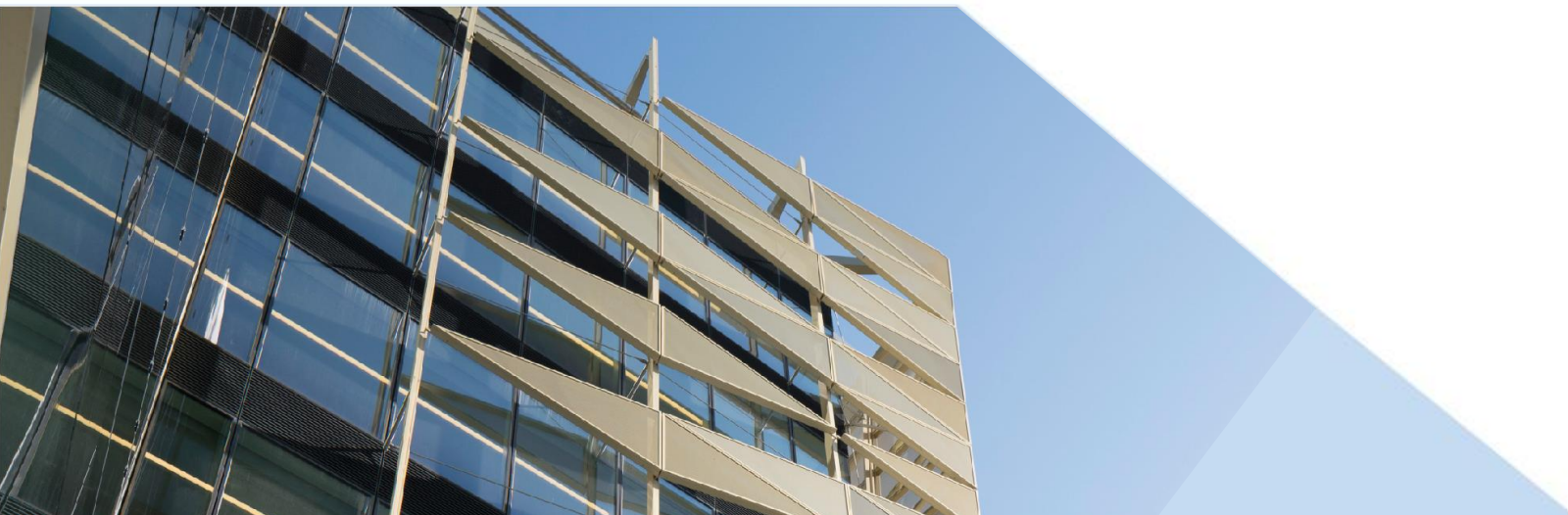




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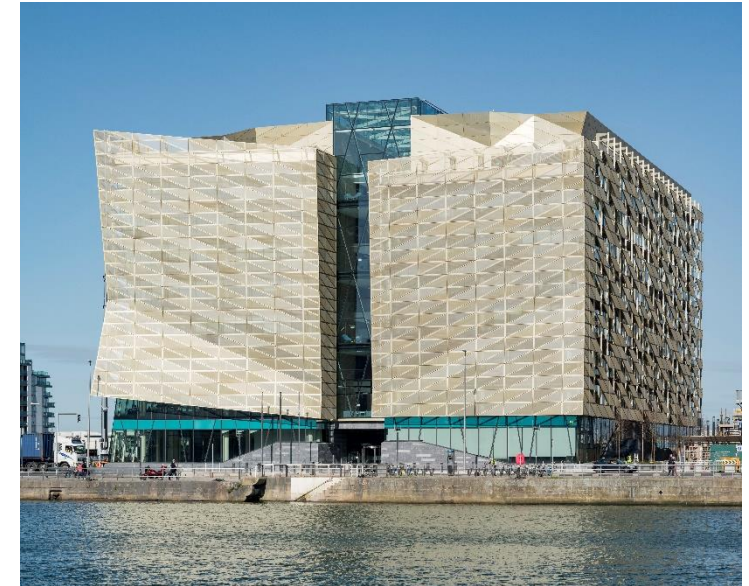
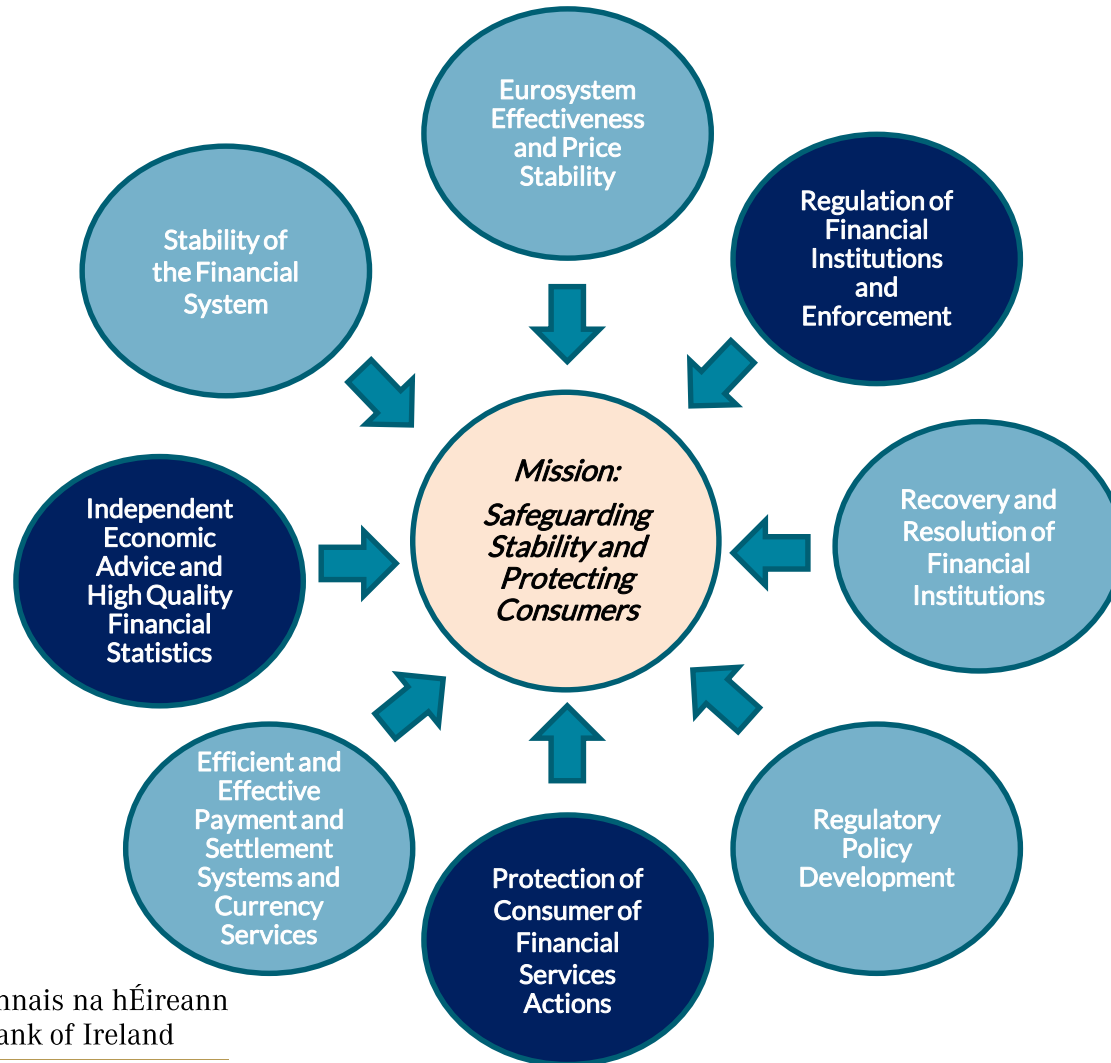
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# INTRODUCTION – GOVERNOR PHILIP R LANE

Civil Society, Round Table, 1 Dec 2017

# Central Bank – Strategic Responsibilities



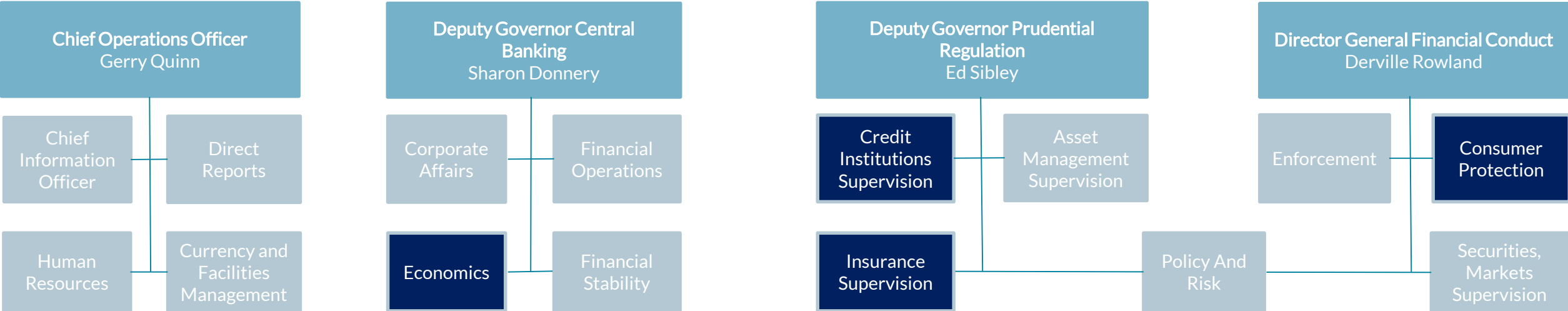
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# Our strategic responsibilities are delivered through four internal pillars

## Central Bank Commission

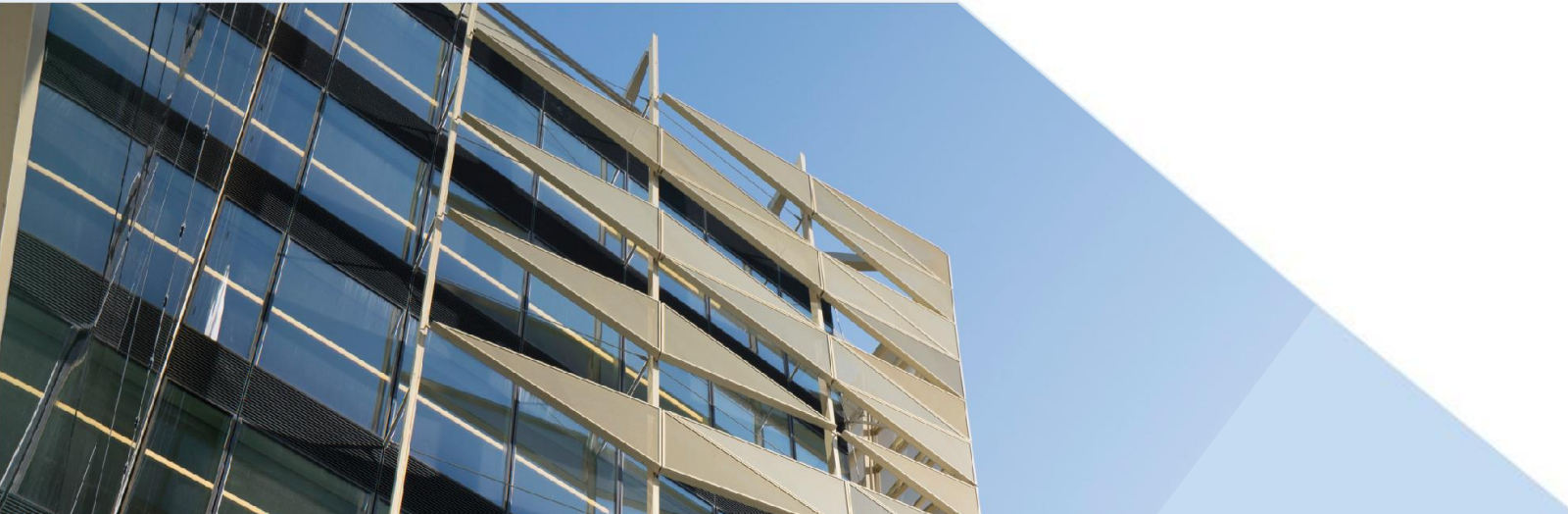
Governor  
Philip R. Lane





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# Irish Economic Outlook

Presentation to the Civil Society Roundtable meeting, Central Bank of Ireland  
1<sup>st</sup> December 2017

# Overview

## *Economy continues to expand at a robust pace, in its 5<sup>th</sup> year of recovery*

- GDP growth of 5.1% last year, 4.9 % growth in 2017 , 3.9% in 2018
- Exports are performing well but domestic demand accounts for most of the growth
- Employment growing strongly, unemployment falling sharply

## *GDP is distorted by the multinational sector*

- Overstates the strength of the recovery -26% growth in 2015
- Understated the extent of the crisis - resilient exports offset a collapse in domestic demand

## **Underlying indicators are more informative**

- Labour market indicators - employment and unemployment
- Underlying domestic demand - consumer spending and underlying investment
- GNI\*

## *Inflation*

- Inflation below euro area average, sterling decline feeding through to goods prices, services inflation moderate except for rents



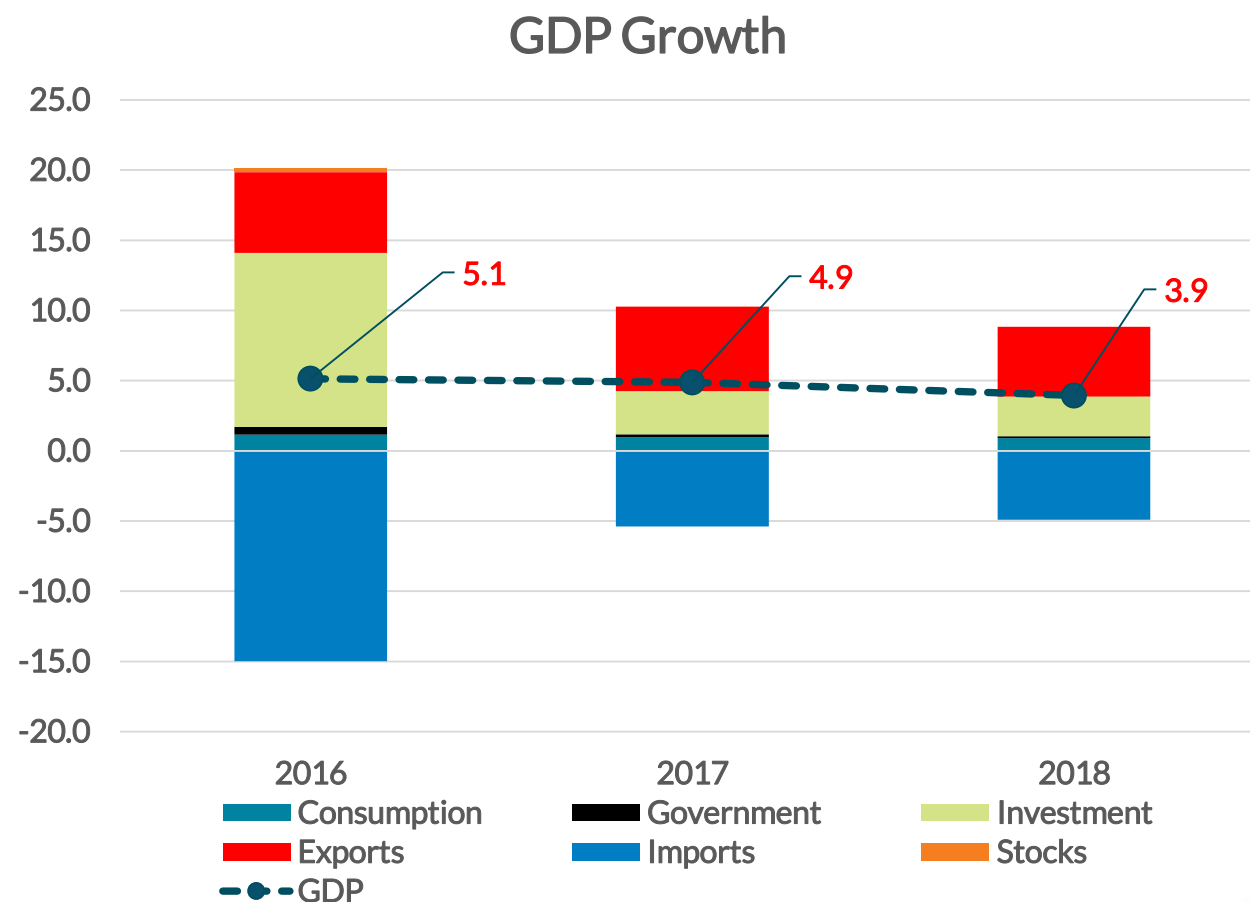
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## Forecast Summary – robust outlook driven by domestic expenditures (consumption and investment)

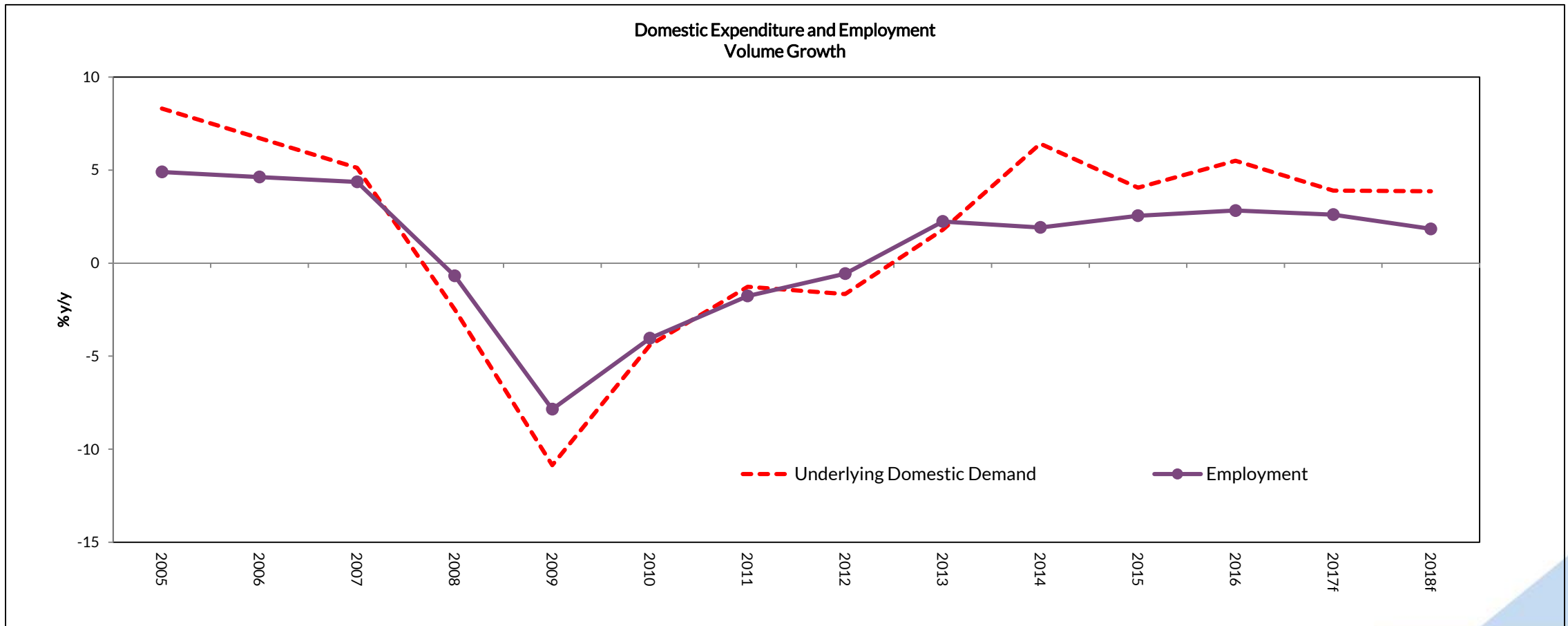
Outlook	2016	2017	2018
<b>GDP</b>	<b>5.1</b>	<b>4.9</b>	<b>3.9</b>
Consumption	3.3	2.8	2.7
Government	5.3	2.0	1.5
Investment	61.2	9.7	8.6
Exports	4.6	4.9	4.1
Imports	16.4	5.4	5.0
Employment	2.9	2.6	1.8
Unemployment	7.9	6.2	5.6
Inflation (HICP)	-0.2	0.3	0.7



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- Employment and (underlying) domestic demand intrinsically linked

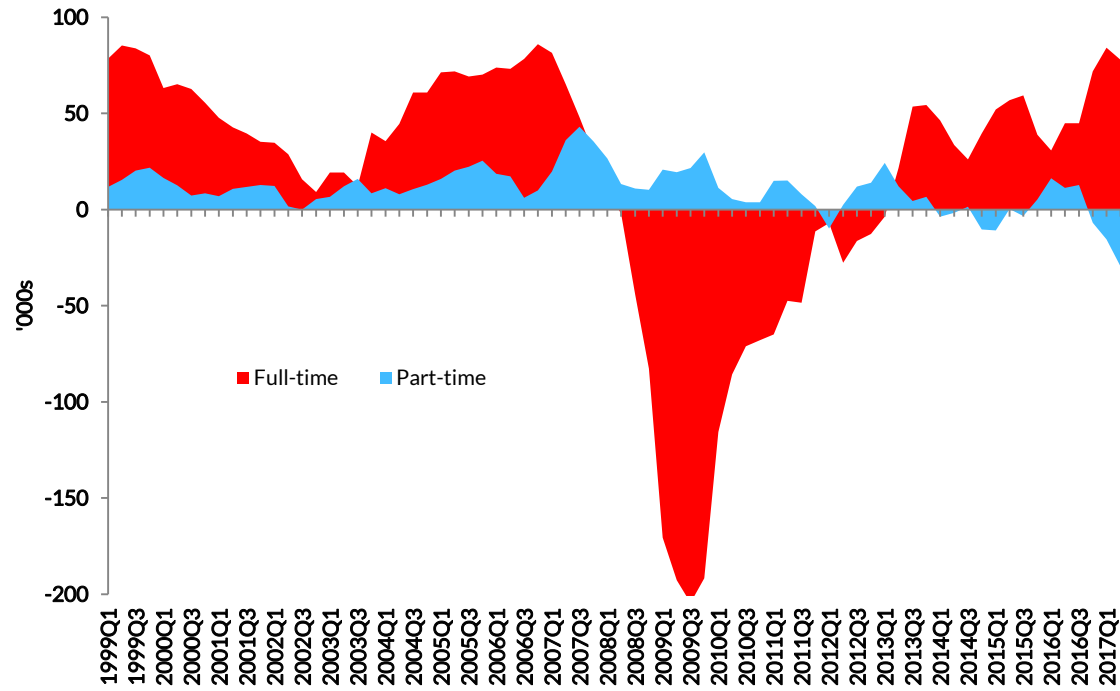


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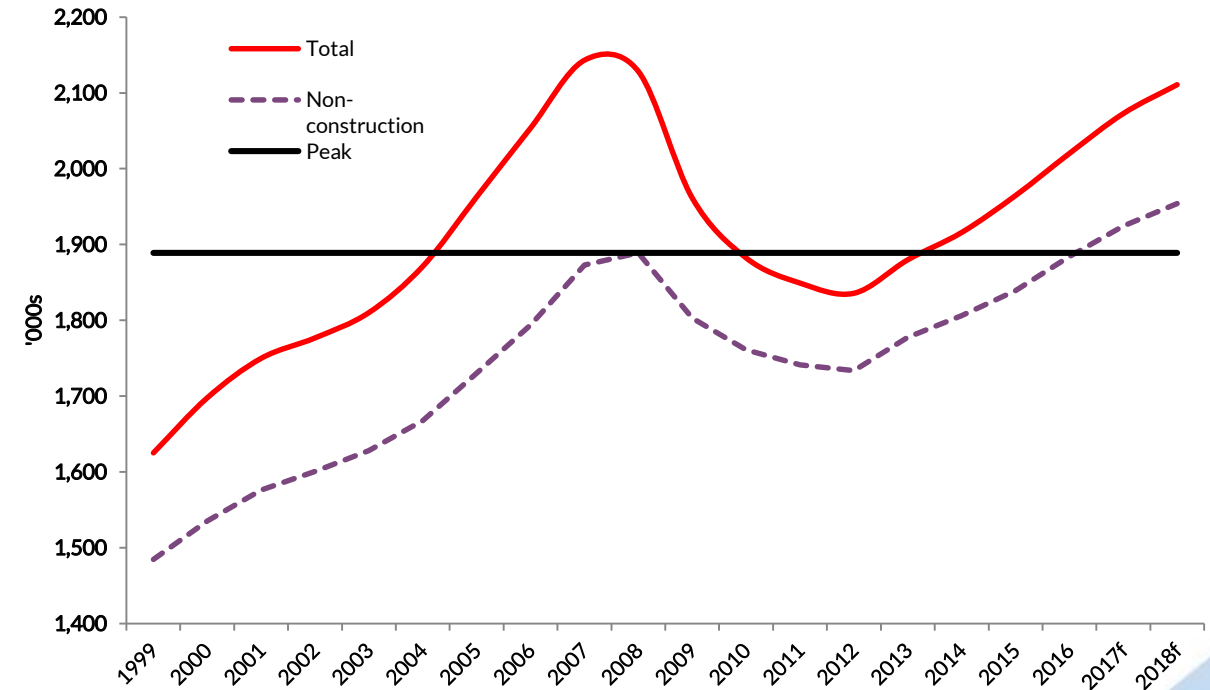
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- Strong recovery in employment but not yet at pre-crisis peak

Employment: Annual Change in Full-time and Part-time



Employment Level



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- Employment nearly back to pre-crisis peak...certain regions lagging behind however

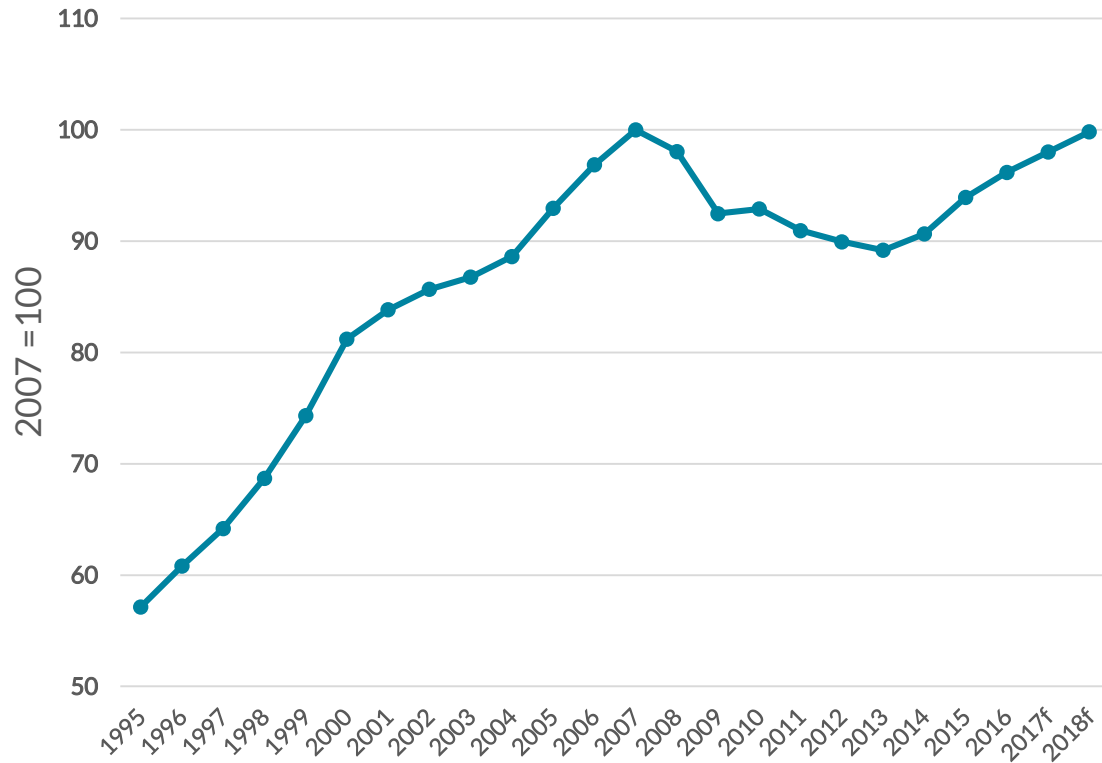


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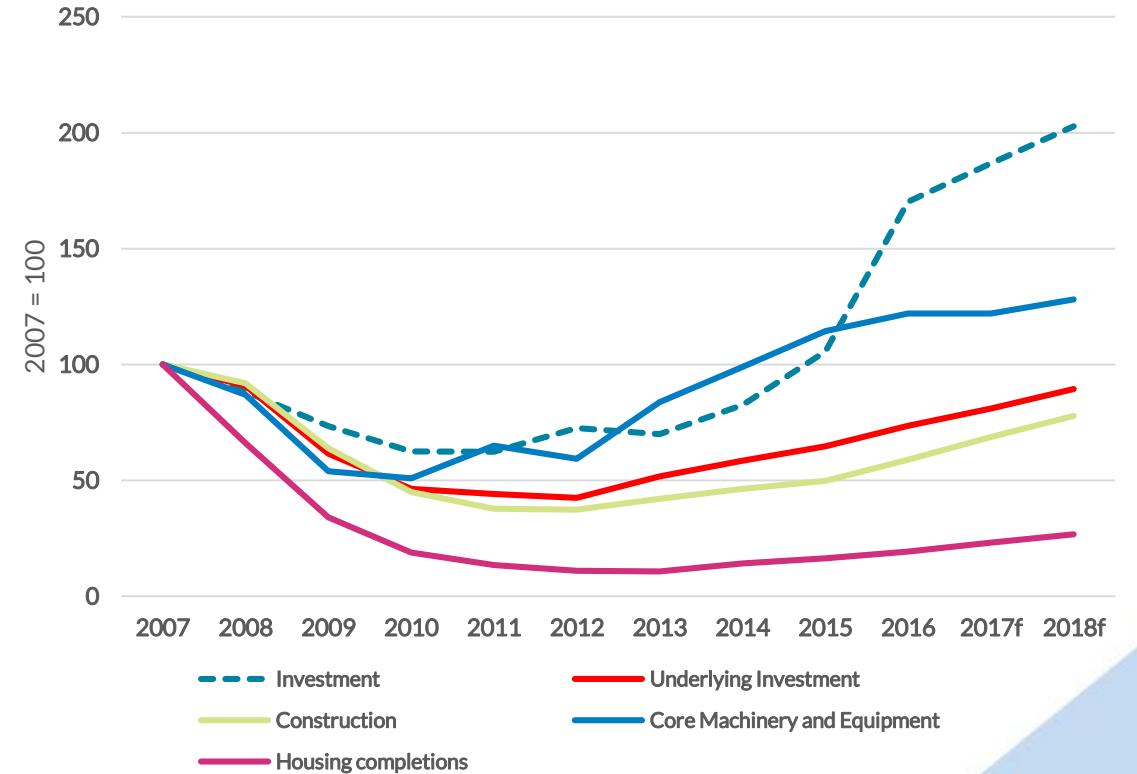
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- Consumption returning to pre-crisis peak.... but investment recovery skewed by multinationals

Consumption per capita (volumes)



Investment (volumes)

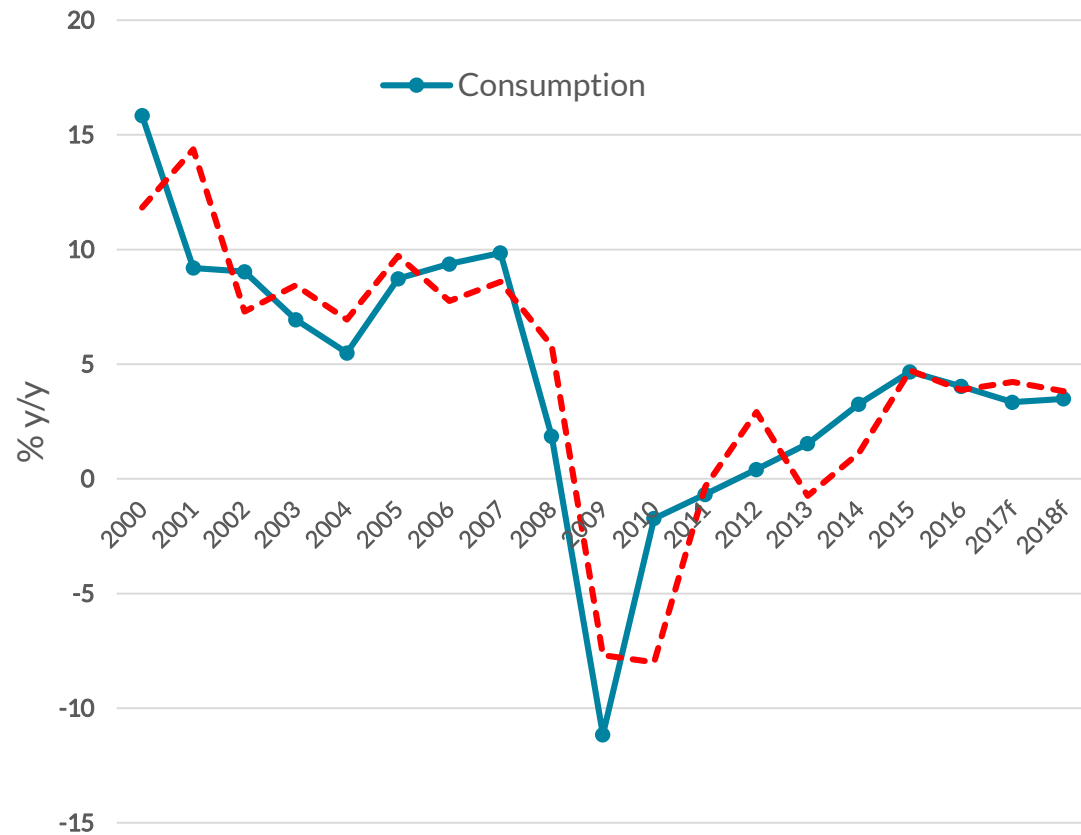


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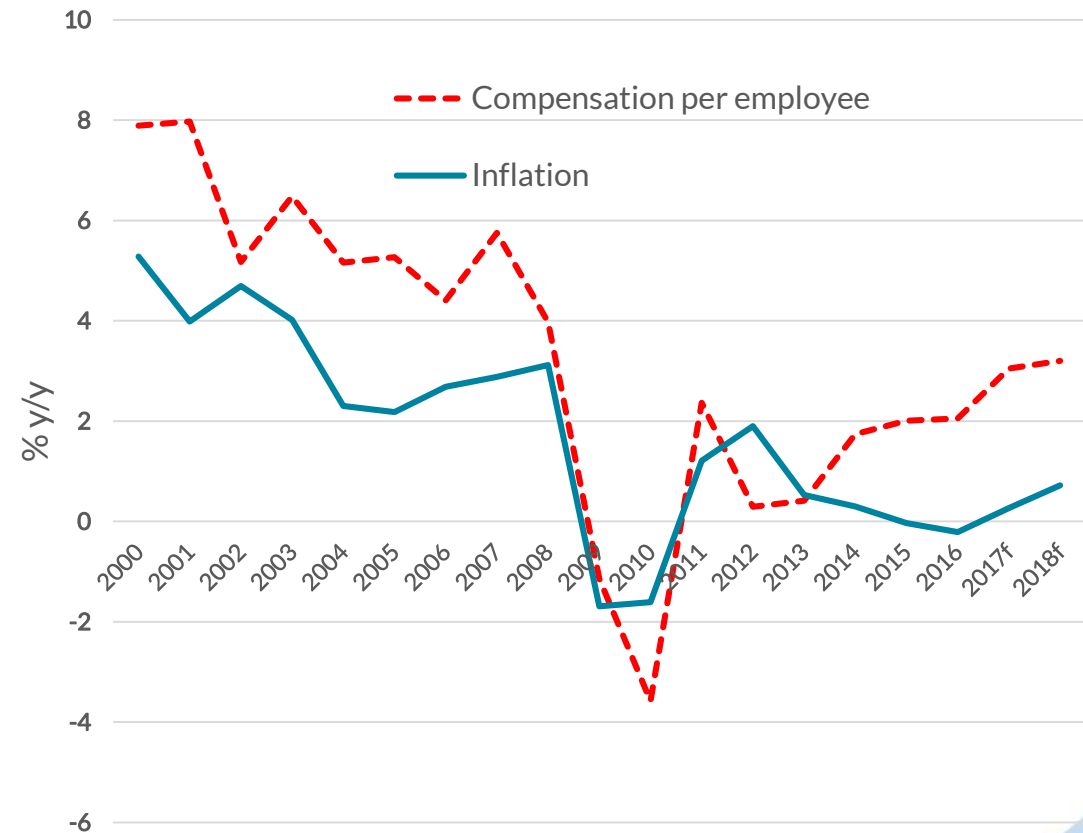
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- Wages and incomes recovering following the crisis... consumer price inflation remains subdued

### Consumption and Incomes



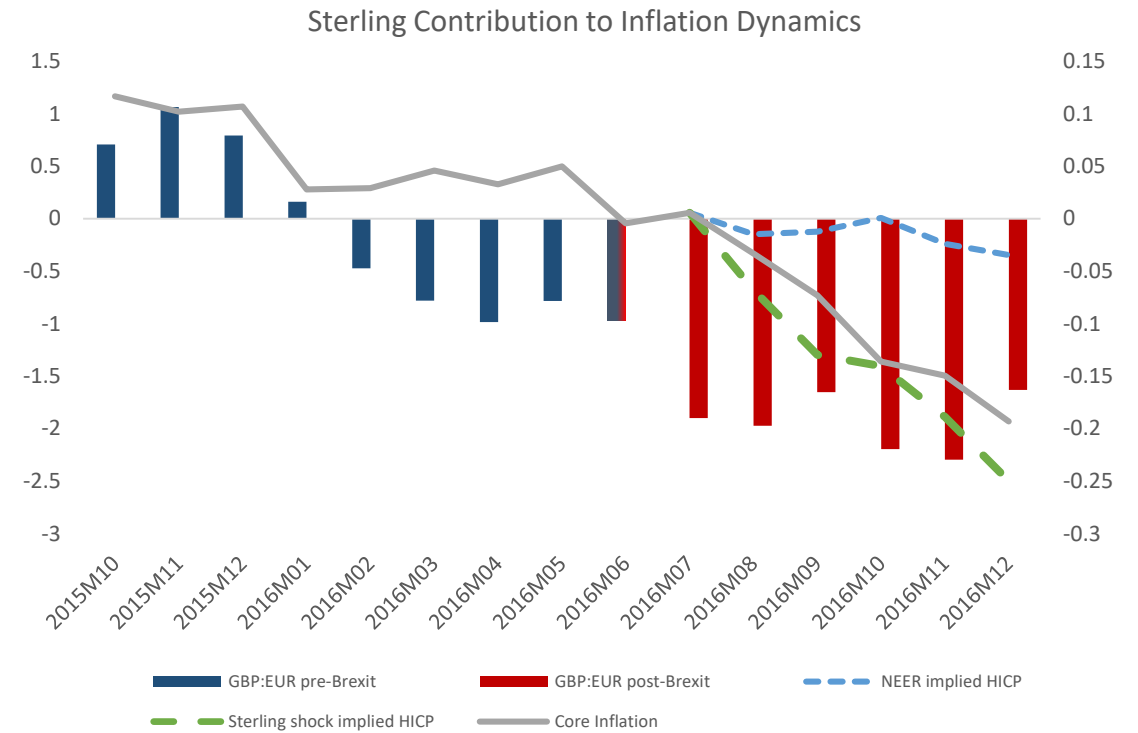
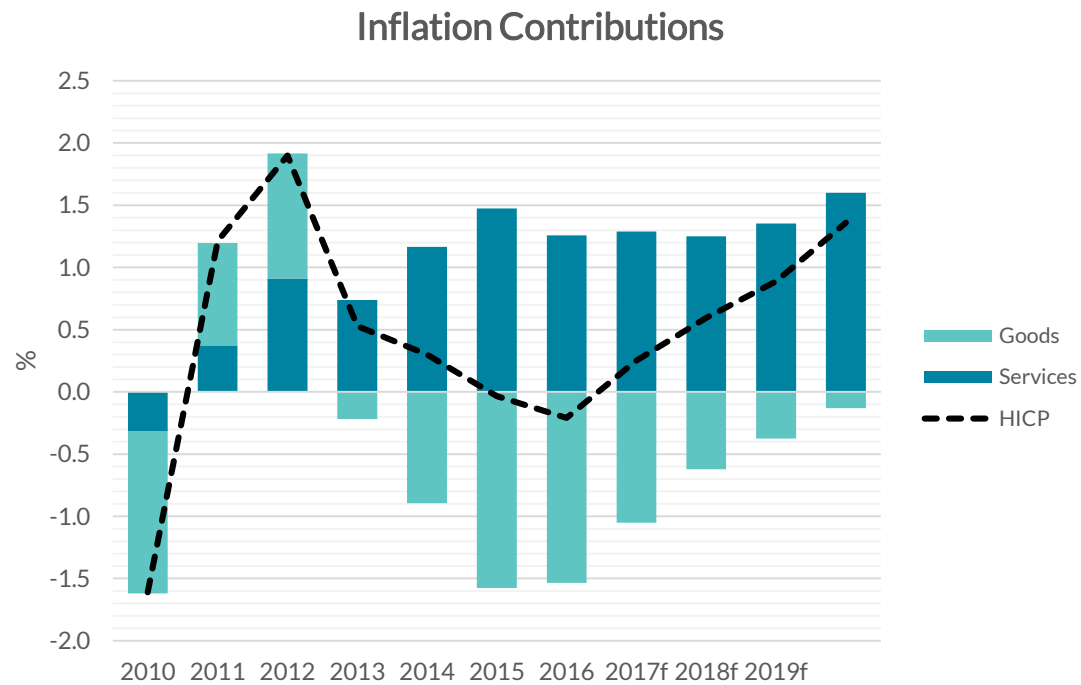
### Wages



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- Early Brexit impact – exchange rate pass through to inflation



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# Risks to the Outlook

## ■ Brexit

- Risks become more acute in 2019 and 2020
- Early signs in exchange rate movements
- Indigenous sectors and certain regions more exposed to Brexit.

## ■ Domestic economy

- Domestic demand could be stronger than anticipated  
with knock-on implications for the labour market and wages

## ■ Housing Market

- Can the economy accommodate the required increase in construction activity while avoiding overheating?



Thank you



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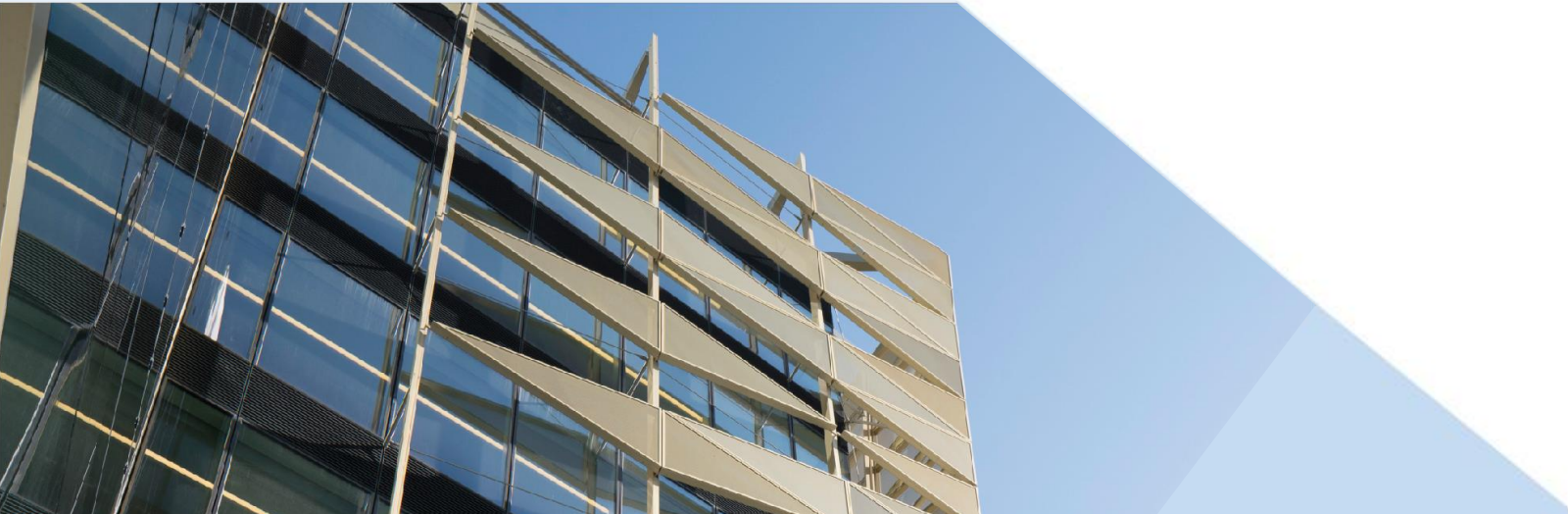
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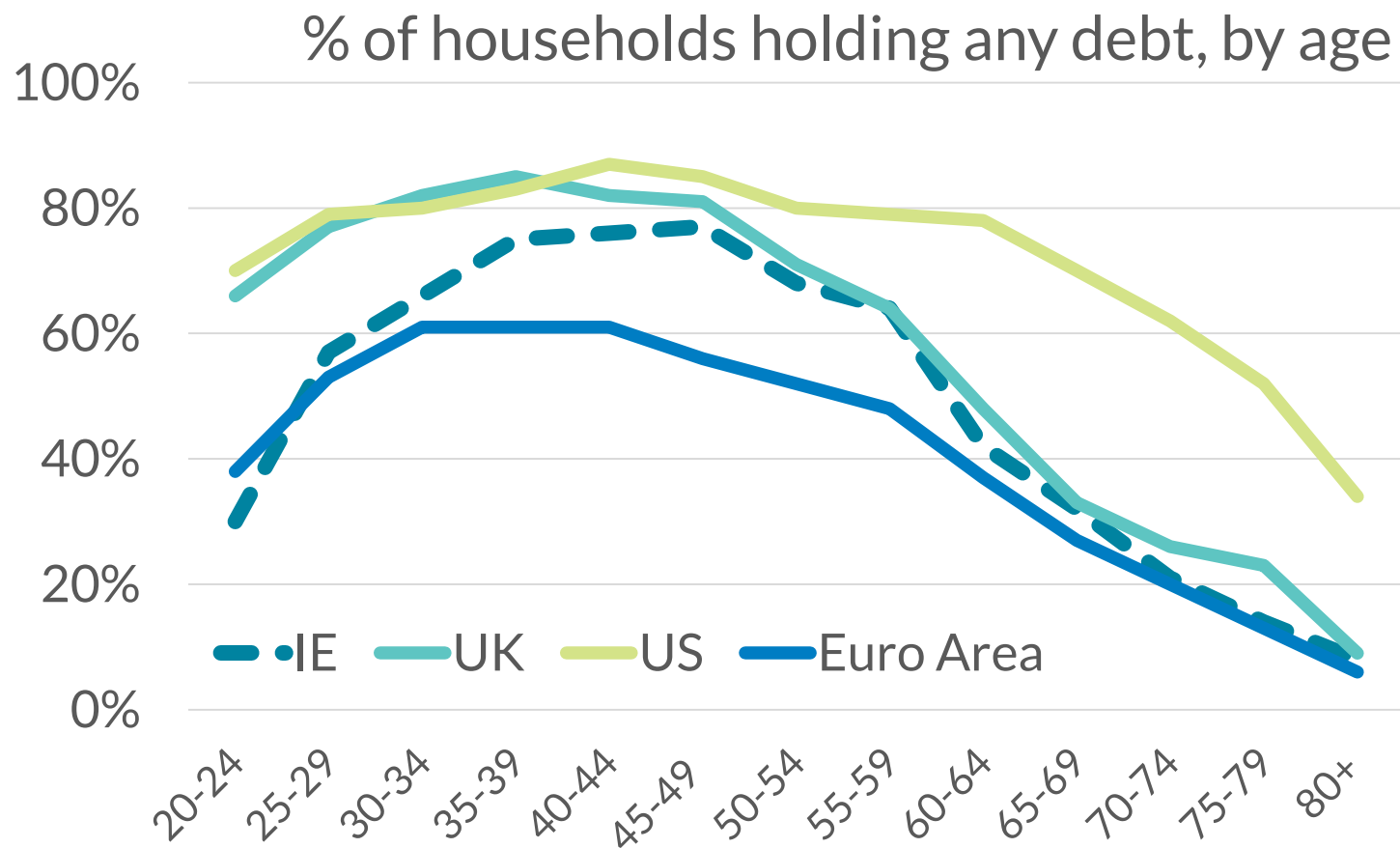
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# Household Credit Trends

Presentation to the Civil Society Roundtable meeting, Central Bank of Ireland  
Reamonn Lydon, Tara McIndoe-Calder and Jane Kelly, 1<sup>st</sup> December 2017

# % of households with debt – Ireland similar to UK, in some respects



... but *type* of debt held quite different

- Less unsecured/student debt in Ire
- More likely to be mortgage debt
- This largely explains the relatively lower propensity for under-35s to hold debt.

Source: [Fasianos, Lydon & McIndoe-Calder \(QB 2017\)](#). Data 2013-14.

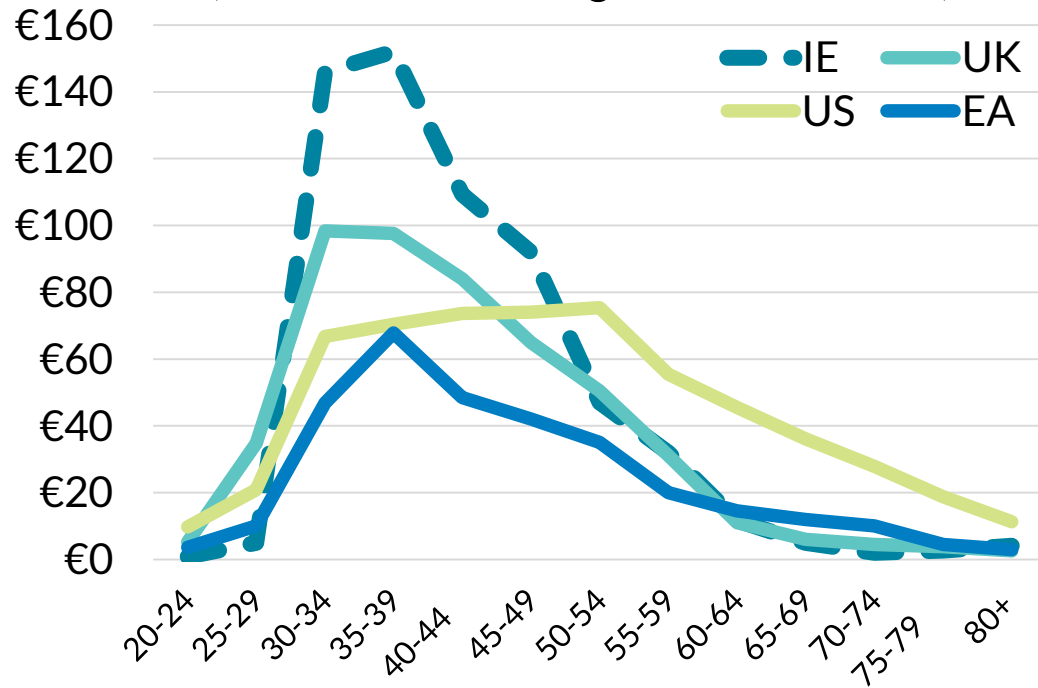


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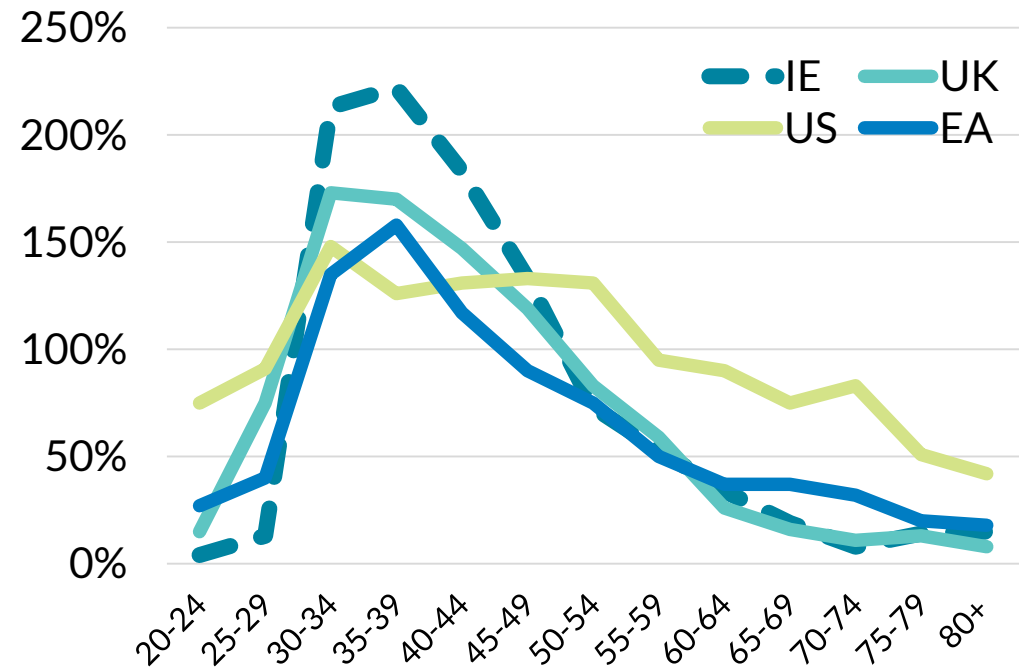
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# Irish debt levels tend to be higher (also after taking account of income)

Median value of debt holdings  
(conditional on having debt, € thousands)



Median debt-to-income ratio (%)

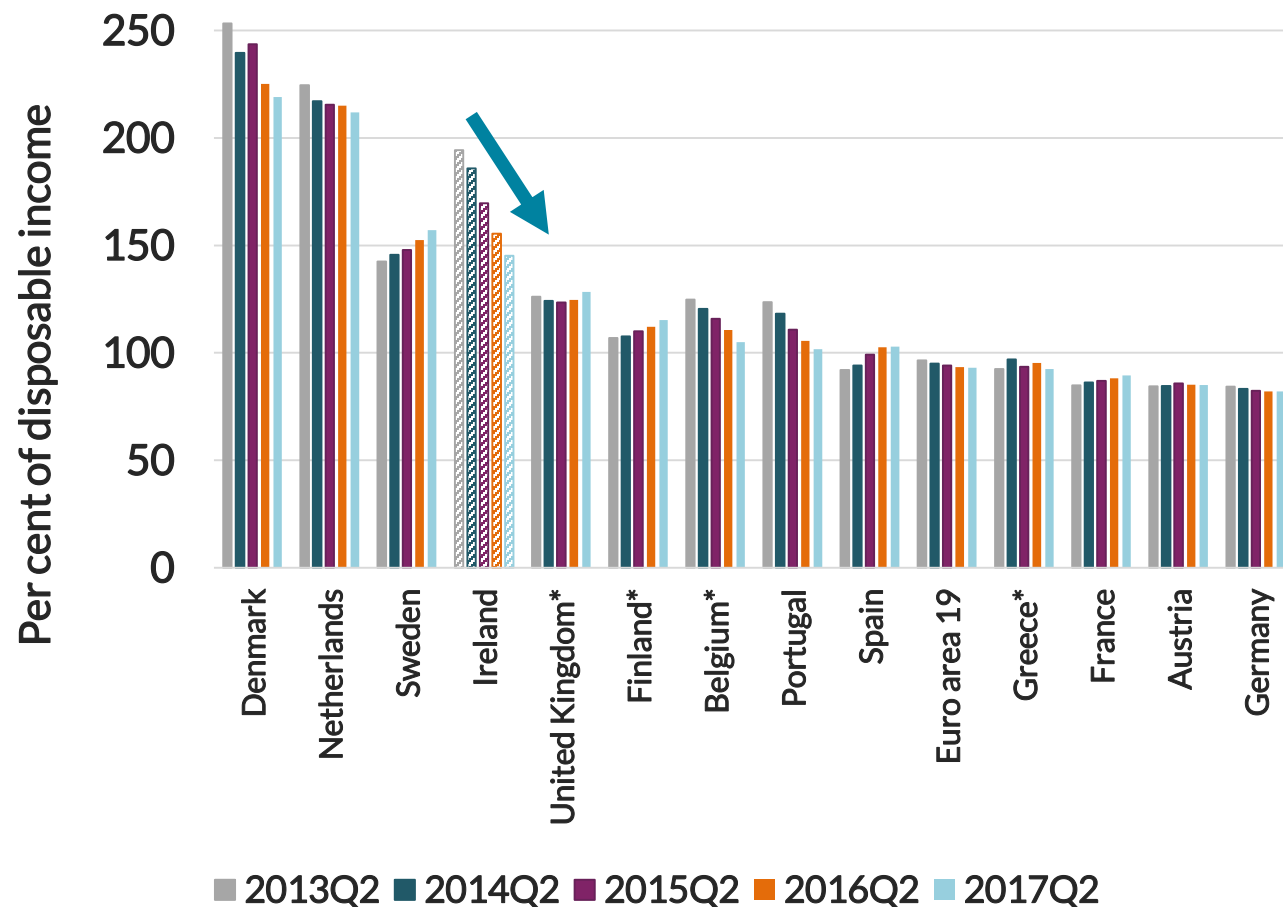


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Source: [Fasianos, Lydon & McIndoe-Calder \(QB 2017\)](#)  
Data 2013-14

# Ireland has one of the fastest rates of deleveraging in Europe



Source: Central Bank of Ireland Quarterly Financial Accounts

## What's hiding behind the aggregates?

1. Employment growth feeding income growth
2. Fewer younger households buying homes
3. More renting households (and living at home)

% renting	2000	2005	2010	2015
All	18%	18%	32%	31%
Under-45	29%	30%	48%	50%

4. Debt repayment varies by age-group, e.g. change in mortgage debt 2010-2014

- Born in the 1970s = **-10%**
- Born in the 1960s = **-15%**
- Born pre-1960s = **-28%**

5. Loan-to-gross income multiples falling in recent years

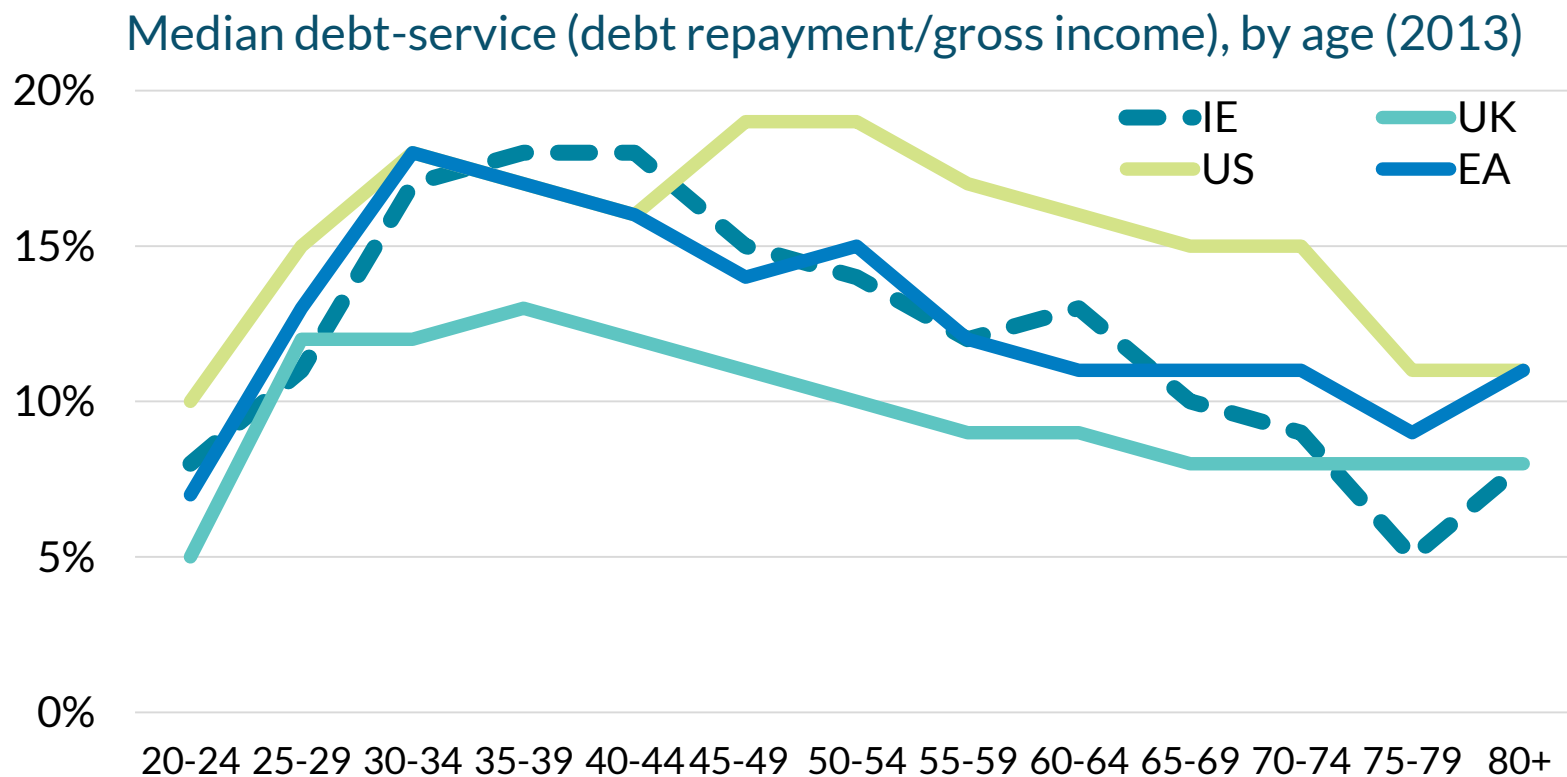
Source: [McIndoe-Calder \(2017\)](#)



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# Despite high debt-levels, repayment *burden* similar to other countries



## [Report to the Minister for Finance on Mortgage Arrears](#)

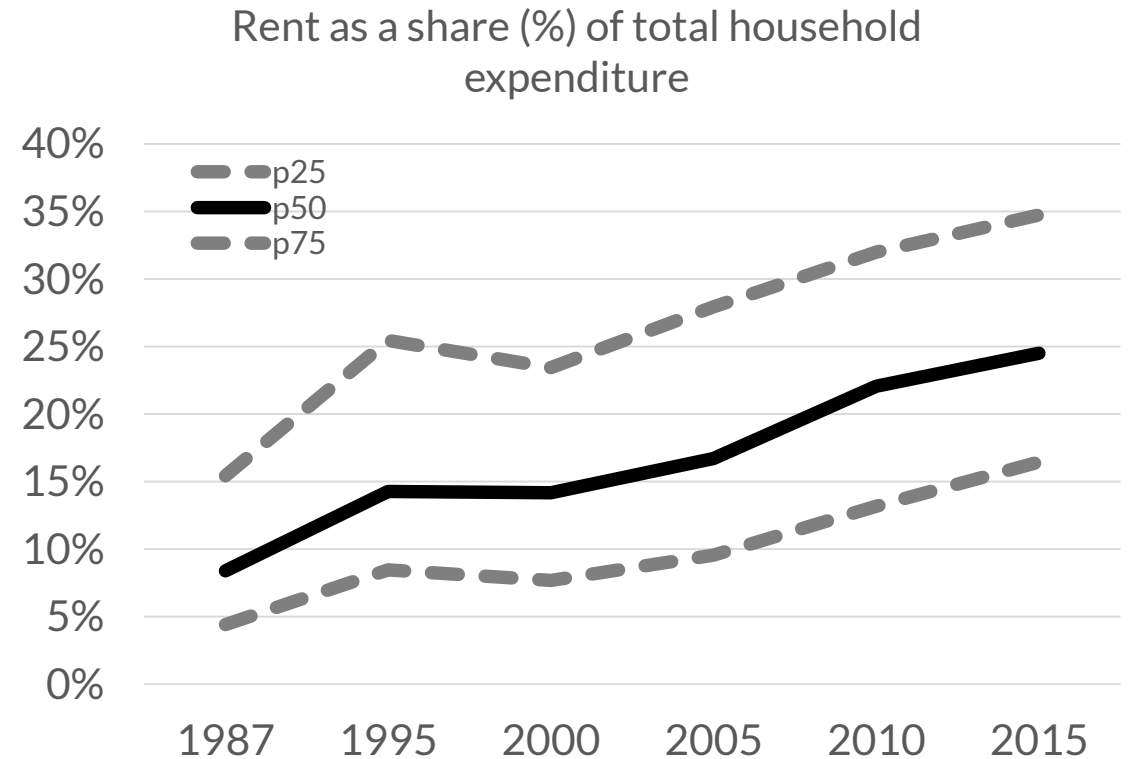
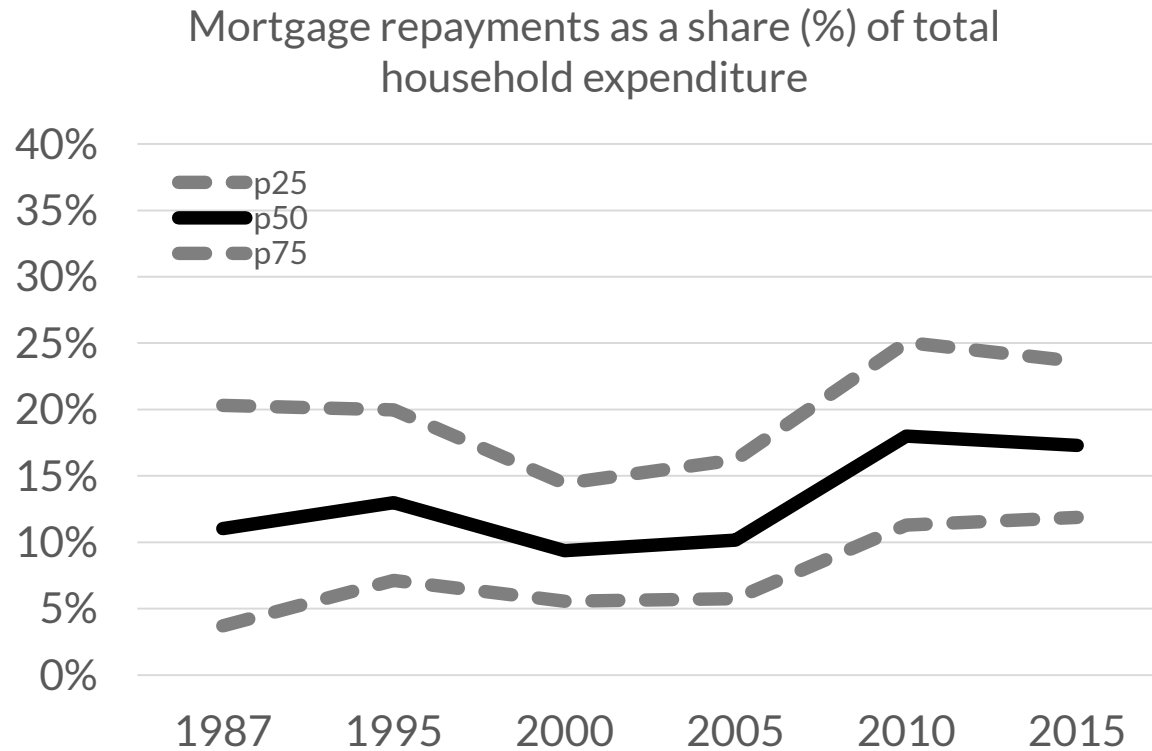


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Note: conditional on holding (any) debt  
Source: [Fasianos, Lydon & McIndoe-Calder \(QB 2017\)](#)  
Data 2013-14

# Housing costs on the rise since 2010 (household budget survey)



Source: [HBS 1987-2015](#); mortgage and renter households respectively.

For comparison, the proportion of total expenditure on food for mortgage and renters in 2015/16 was **16 and 20%** respectively (medians).



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# Summary

- Credit conditions:
  - First-time buyers much larger share of mortgage credit in recent years (~50%)
  - Mortgage measures provide a buffer against shocks (price and income)
- Arrears
  - Reduction - employment growth & sustainable solutions
- Burden
  - Low inflation over past 10 years means *real*/burden of debt repayments remains high.
  - Long loan lengths & large originating loan balances mean many households have large outstanding balances to pay down.
  - Incomes – employment growth the primary driver, wage growth...



# Central Bank Publications

- [“The balancing act: household indebtedness over the lifecycle”](#), Fasianos, Lydon & McIndoe-Calder
- [Household Credit market report \(2017H2\)](#)
- [Review of Mortgage Measures](#)
- [“Revised mortgage measures: a six-month snap shot”](#), *Economic Letter 2017*, Kinghan, Lyons & McCarthy
- [Report on Mortgage Arrears](#)
- [“Resolving a non-performing loan crisis: the ongoing case of the Irish mortgage market”](#) (McCann, Sep 2017)
- [Mortgage Interest Rates Report](#)
- [“Debt Giveth and Debt Take it Away”](#), *Economic Letter 2017*, McIndoe-Calder.



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# RESOURCES

- [QUARTERLY BULLETINS](#)
- [MACRO FINANCIAL REVIEWS](#)
- [ECONOMIC LETTERS](#)
- [RESEARCH TECHNICAL PAPERS](#)
- [STATISTICS](#)
- [HOUSEHOLD CREDIT MARKET REPORT](#)
- [MORTGAGE MEASURES](#)



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Thank you



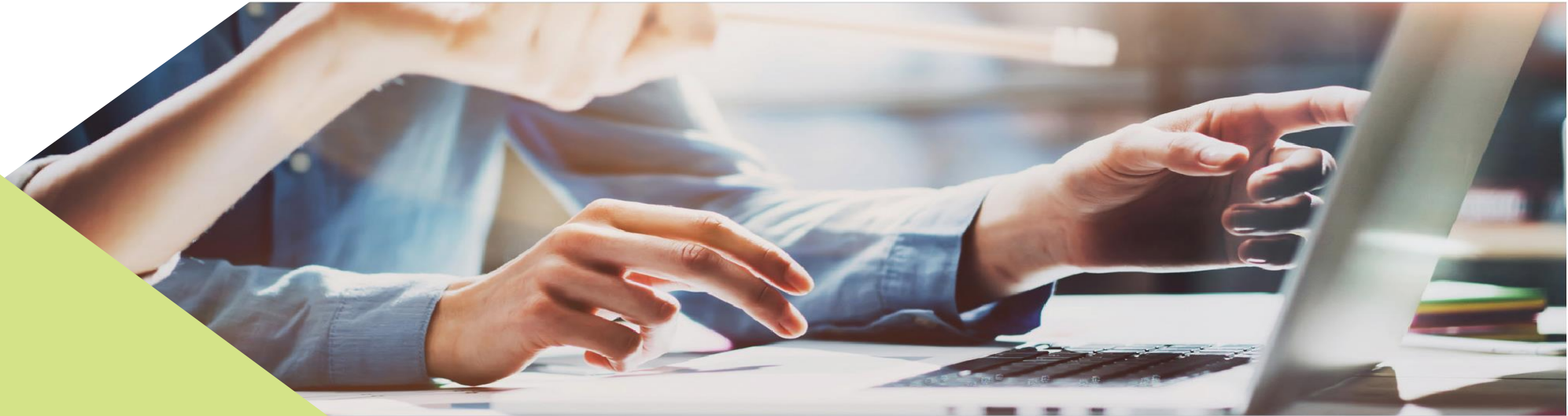
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# Regulation and supervision of financial firms in Ireland - Consumer Protection

Presentation to the Civil Society Roundtable Meeting  
Colm Kincaid, 1<sup>st</sup> December 2017

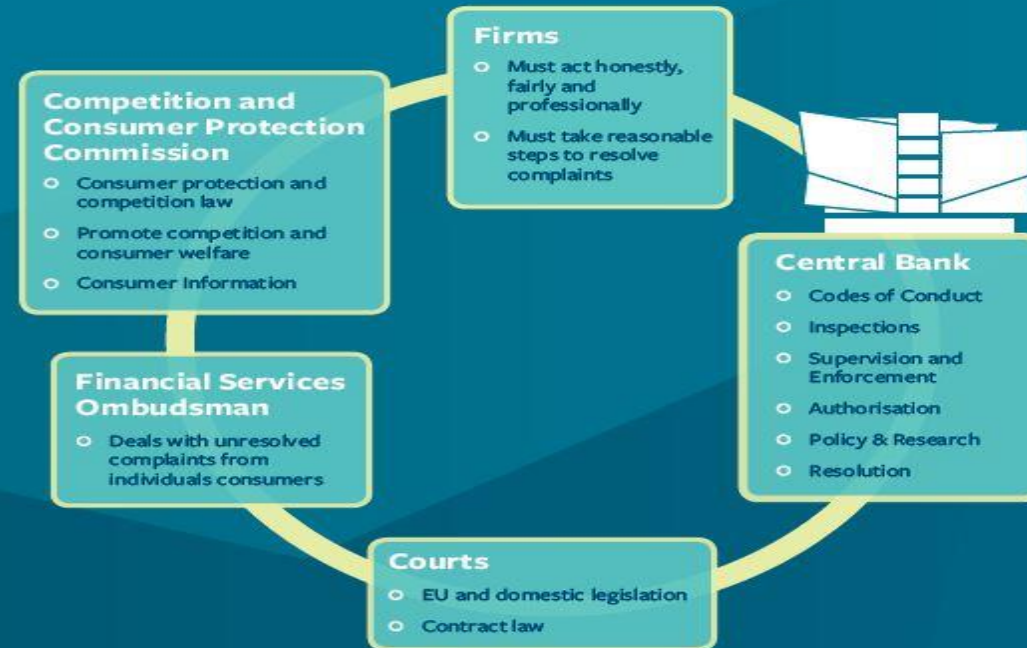
# Protecting Consumers of Financial Products



## Our approach to consumer protection

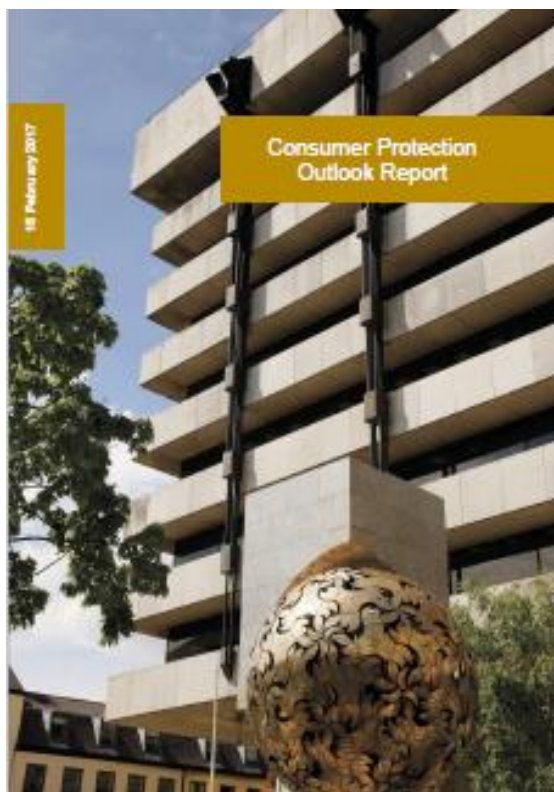


## Role of the Central Bank





## 2017 Consumer Protection Outlook Report (CPOR)



Our desired consumer protection outcomes are:

- A positive consumer focussed culture that is embedded and demonstrated within all firms.
- A consumer protection framework that is fit for purpose and ensures that consumers best interests are protected.
- Regulated firms that are fully compliant with their obligations and are treating their customers (existing and new) in a fair and transparent way.



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# Risk Outlook



1. Impact of a Lack of Consumer Focused Culture in Firms



2. Risks to Consumer Protection from Digitalisation of Financial Services



3. Financial Vulnerability Caused by Indebtedness & Loan Arrears



4. Implications for Consumer Protection Arising from Brexit



5. Risks from Ineffective Disclosure and Product Complexity



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Thank you



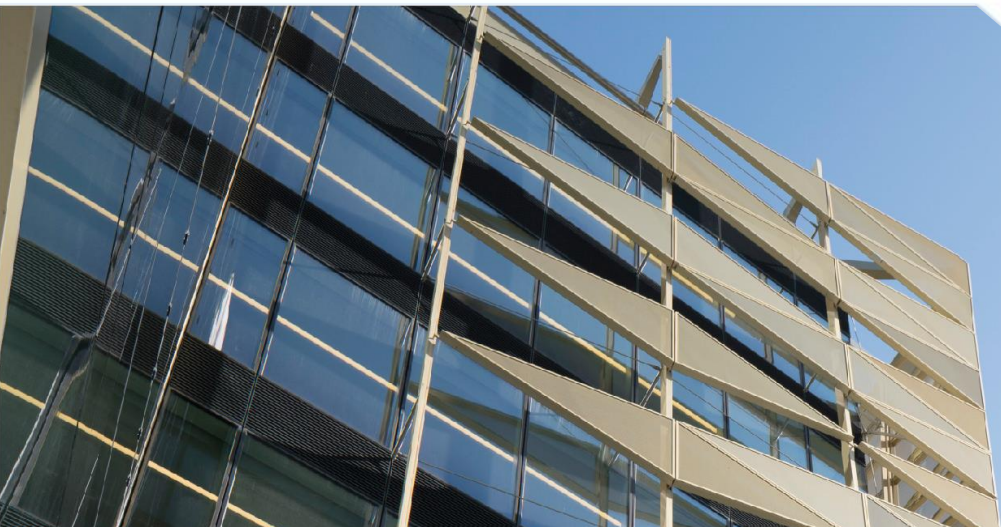
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# Regulation and supervision of financial services firms in Ireland: Prudential Regulation

Patrick Casey, Registrar of Credit Unions  
Presentation to the Civil Society Roundtable - 1 December 2017

# We regulate and supervise a broad range of financial service providers based in Ireland

*Aa at 31 December 2016, we regulated and supervised a total of 10,014 financial service providers*

242 Fund Providers

6,470 Investment Funds

56 Banks

290 Credit Unions<sup>1</sup>

1 Regulated Market

2,457 Retail Intermediaries

213 Insurance Firms<sup>2</sup>

141 Other Financial Service Providers



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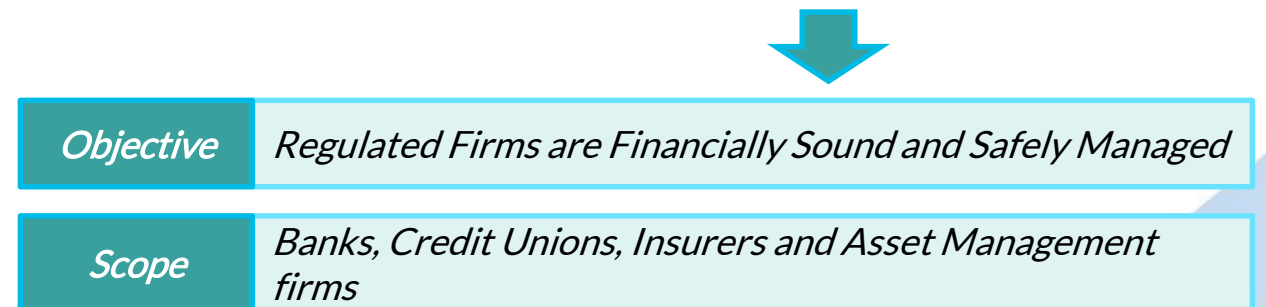
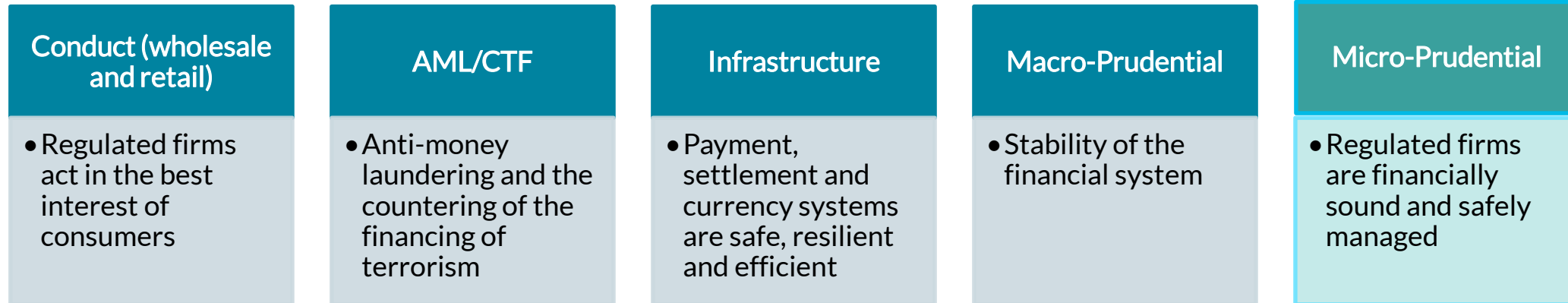
Notes:

<sup>1</sup>290 active credit unions at year end 2016

<sup>2</sup>47 life, 98 non life 68 reinsurance

# Financial regulation covers five broad categories

Restoration of this trust is necessary for the delivery of the Central Bank's vision for financial services as a whole, including banking – specifically, that it functions well, is well-managed and well-regulated and it serves the needs of the economy and its customers over the long term



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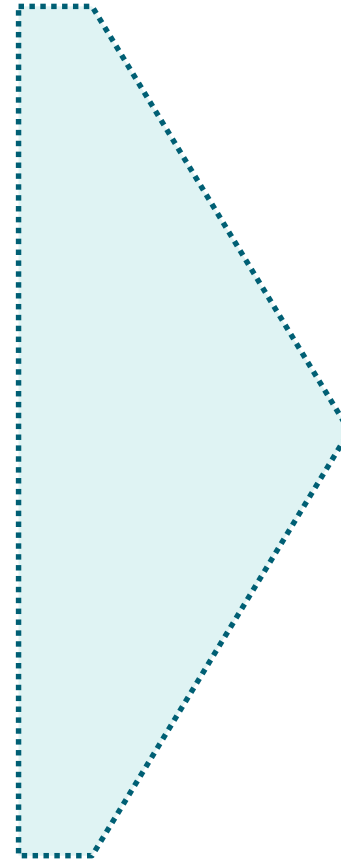
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# Supervisory Approach

*Assertive risk-based approach to supervision, underpinned by a credible threat of enforcement*

Our supervisory objectives are to ensure that regulated firms:

- act in the best interests of consumers
- are financially sound and safely managed with sufficient financial resources
- are well governed, with clear and embedded risk appetites, which drive an appropriate culture
- have frameworks in place to ensure failed or failing firms can be resolved in an orderly manner



*We want firms to be:*

- *Well-managed*
- *Financially sound*
- *Serving the needs of the economy*
- *Serving the needs of customers*



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# Banking Union – the key EU policy response to the recent financial crisis

## Three Pillars of EU Banking Union



Supervision



Resolution



Deposit Guarantee

*Single rulebook*

Capital Requirements Directive & Regulation  
(CRD IV & CRR)  
January 2014

Bank Recovery and Resolution Directive  
(BRRD)  
July 2015

Deposit Guarantee Scheme Directive  
(DGS)  
2015

*Centralised responsibility*

Single Supervisory Mechanism  
(SSM)  
November 2014

Single Resolution Mechanism  
(SRM)  
January 2016

European Deposit Insurance Scheme  
(EDIS)  
*Not finalised at EU level*

*Significant banks are supervised directly by the ECB under the Single Supervisory Mechanism (other less significant banks are supervised by the Central Bank)*



Bank of Ireland



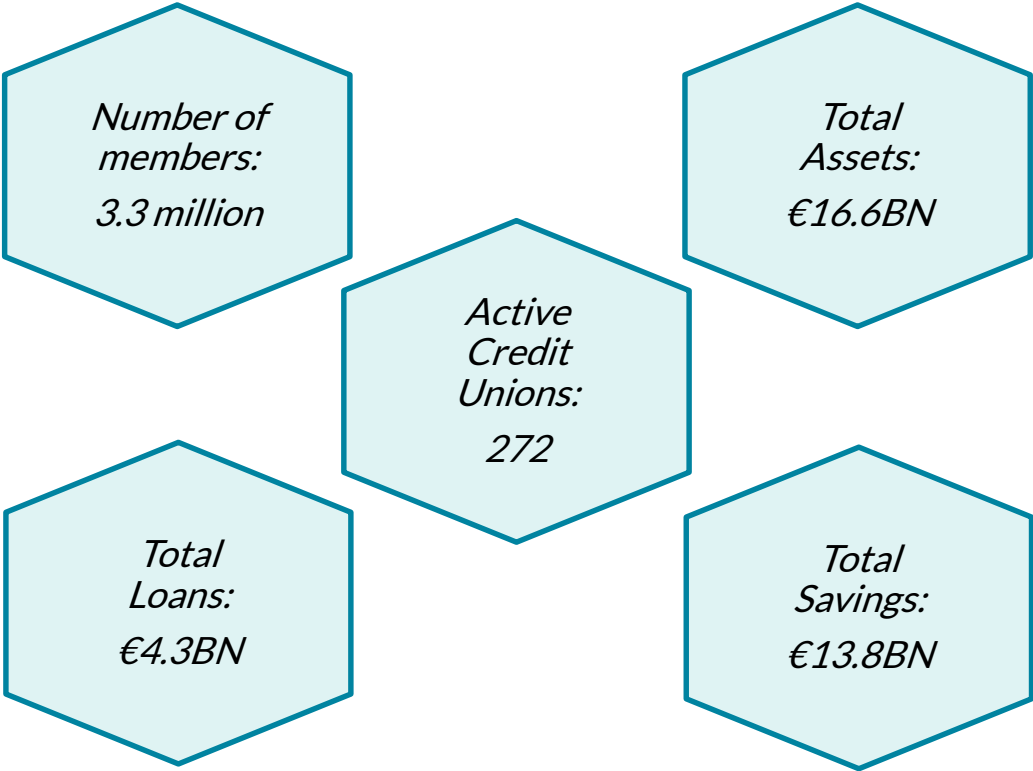
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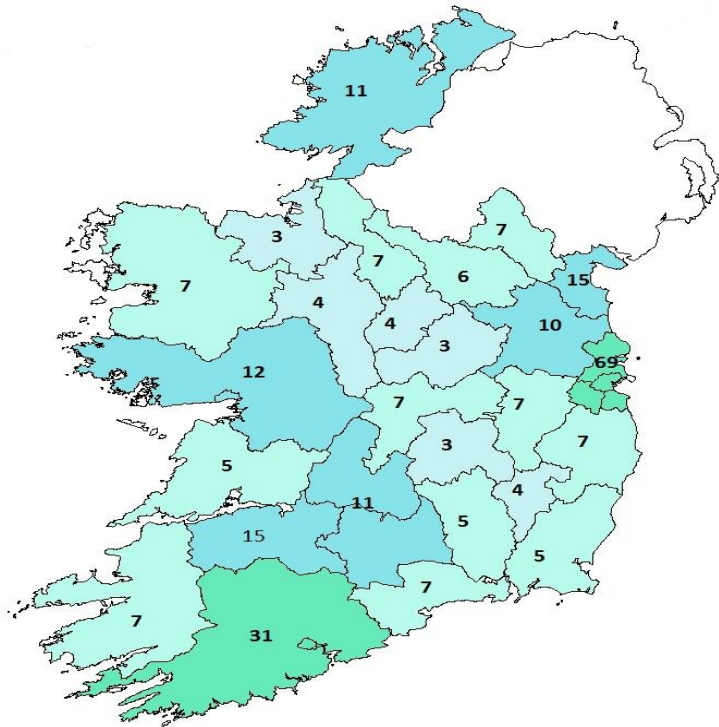
# Credit unions are a key component of the Irish financial services landscape

## Credit unions – key stats



## Credit union – national footprint

Number of active credit unions:  
2011: 406  
2015: 342  
2016: 290  
2017: 272



# We are responsible for the regulation & supervision of the credit union sector in Ireland

## Central Bank's Statutory Mandate

The Central Bank is statutorily responsible for administering the system of regulation and supervision of credit unions, with a view to:

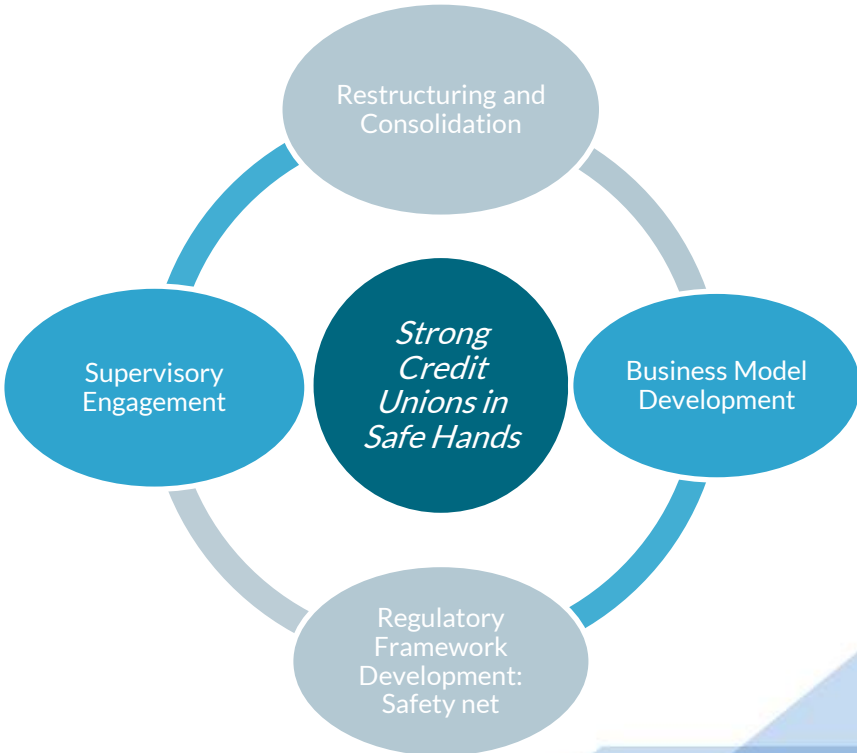
- ❑ The protection by each credit union of the funds of its members; and
- ❑ The maintenance of the financial stability and well-being of credit unions generally.

• Our vision for the sector is: ***“Strong credit unions in Safe Hands”***

• *We seek to implement our vision through four Strategic Priorities*

• *Those priorities support change within the sector while appropriately managing risks*

## The Registry of Credit Unions - Strategic Priorities



Thank you



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# RESOURCES

- [CONSUMER HUB](#)
- [CONSUMER PROTECTION OUTLOOK REPORT](#)
- [ANNUAL PERFORMANCE STATEMENT : FINANCIAL REGULATION 2016-2017](#)
- [HOW WE REGULATE](#)
- [REGISTRY OF CREDIT UNIONS](#)
- [ECB BANKING SUPERVISION](#)
- [ANNUAL REPORTS](#)



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