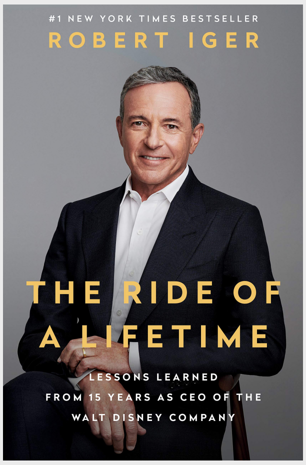
Auditor: Alex Cronnelly *Secretary: Matthew O'Meara* *Editor: Mark O'Brien* Summer 2020

ECONOMICS & COMMERCE SOCIETY

| Summer Newsletter |

BOOK RECOMMENDATION



Bob Iger has been the CEO of The Walt Disney Company for over 15 years. In his book, 'The Ride of a Lifetime' he details the lessons he learned while leading the company through times both good and bad.
Iger led Disney through the multiple billion dollar acquisitions of Pixar, Lucasfilm, Marvel and 21st Century Fox and in his book, details the inner workings of orchestrating such large deals and managing the corporate side of the media giant.
He explores principles that he feels are necessary for true, effective leadership and how he reached his position as the CEO of one of largest companies in the world.
Iger explains his work as a CEO and how he has to juggle growth strategies, share performance and much more.

- *Mark O'Brien, Editor*

About the newsletter

Since the COVID-19 Pandemic began, The Blackrock College Economics and Commerce Society have been exploring the economic effects on countries and businesses on both national and international levels. Our newsletter explores the current economic environment, the various strategies being used to combat the crisis and the effect this will have on the future of global economies. Several Society members have contributed both factual information and opinionated pieces in an attempt to understand what is going on in the world today. We hope that our newsletter will interest people in the current Economic Crisis and help people to grasp the true effects of the COVID-19 Pandemic.
- *Alex Cronnelly, Auditor*

Irish Response

The Taoiseach's actions and effects on industry

It is fair to argue that the lockdown or stay at home order has damaged industry. The ISEQ fell by 2560 points, 37% of its share value in a month. Currently in the midst of Phase 1 (18 May) the Taoiseach has opened retailers which are primarily outdoor or those which were open during first level of restriction for example opticians. Stores such as Woodie's reopened whereas others including IKEA did not. This phase has seen over 17% of the ISEQ loses regained, thus displaying an increasing ease on the market despite the still significant loss of almost 1,500 points.
In Phase 2 (8 June) the Taoiseach wishes to develop plans to open up business with a consideration for safety of staff & customers as well as opening small retail outlets where social distancing can be observed and also public libraries. Due to the selective opening of businesses, industries where close contact is often found are the most impacted. This includes the hospitality & tourism sector which employs some 250,000 people and earns the economy €6 billion per annum. Furthermore it is likely that regional industry will be impacted

especially due to an already small market that has declined during the crisis. Hence it is likely that the next few years will observe a migration of industry away from the BMW region as well as some population transfer towards urban areas. The differential rates of growth due to the 5 phase plan could result in an urban rural divide in industry whereby urban areas continue to see hundreds of cases of Covid-19 while entire rural counties observe cases verging on the single digits. The Taoiseach's actions will only truly kick-start industry in Phase 3 (29 June) with return to work for those with low levels of physical interaction & the opening non-essential retail outlets with street level entrance and exit. From there it will become clearer as to the lasting industrial impact. Importantly, while adjusted for Covid-19 unemployment stands at 28.2% according to the CSO, the traditional unemployment figure was only at 5.4% or an increase of 0.6% on January. In conclusion the scope of industrial impacts shall only be revealed in the months following Phase 5 (10 August) when there is a return to work across all sectors.

Source: PA Media

- *James Turley*

Unemployment and coronavirus weekly payment scheme

The government has confirmed that the Pandemic unemployment payment (PUP) will be extended "In some form" for the foreseeable future. Finance minister, Pascal Donohue, has reflected on this latest announcement stating that the €350 a week payment is helping citizens cope through this dramatic period of events. This payment, which is available to those who have been affected by Covid-19 related closures, has attracted 584,000 successful applicants, but this number is expected to drop as retail and food outlets re-open with the relaxation of social distancing measures. The Temporary Wage Subsidy Scheme (TWSS) has received a further 464,000 individual applications which contribute to the national figure of 28.2% unemployment for April. While this figure is a five-fold increase on this time last year, economists are confident May's month end figures will be lower as people return to work from the middle of the month. When comparing non Covid-19 related job losses unemployment has risen by only 0.2% on April 2019, a comforting sign in such times.

- *Andrew Ryan*

CSO statistical release, 08 May 2020, 11am

Live Register

April 2020

	Live Register Total	Seasonally Adjusted	Pandemic Unemployment Payment	Temporary COVID-19 Wage Subsidy Scheme
April 2019	193,118	195,100	-	-
March 2020	205,209	209,400	283,129	25,104
April 2020	214,741	216,900	602,107	425,204
Change in month	-	7,500	318,978	400,100
Change in year	21,623	-	-	-

Source: CSO

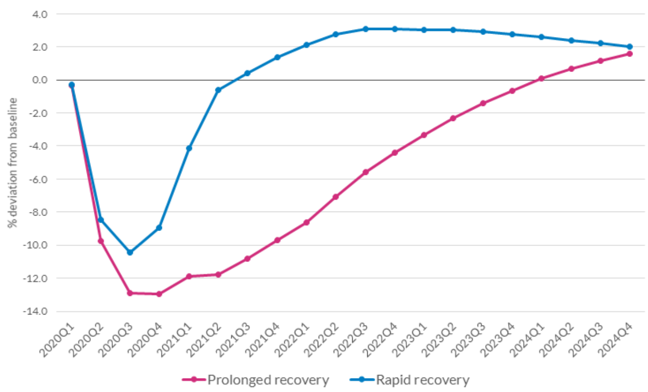
A NEW WORKPLACE

New social distancing measures set out by the Health Safety Authority (HSA) will see a dramatically altered workplace environment for when office restrictions are eased in the wake of Covid-19. The 'Return to Work Safely Protocol' document, recently released by the government, sets out specific procedures, practices and guidelines for advising employers on key requirements needed to re-open. Amongst the new obligations announced on May 9th are, mandatory temperature testing, a ban on handshakes and Covid-19 induction training for all staff. To fulfil these requirements, the Department of Health, in conjunction with the HSE, has outlined that working from home will continue to be a necessity and a requirement for many as offices should only be filled to 25% capacity for a considerable time to come.

- *Andrew Ryan*

Possible future effects on the Irish Economy

The biggest threat to the recovery of our economy surrounds that highly bandied phrase that we are in a period of 'unprecedented uncertainty'. Nevertheless this doesn't deter from the veracity of what is being said. We simply don't know what may be down the tracks, medically or economically.



Source: Central Bank of Ireland

Essentially, everything depends on how quickly the restrictions can be lifted. It has become clear that it remains imperative that small businesses be prioritised and kept afloat, given the size of the population they employ. This might avoid wide scale collapse, debt accumulation and defaulting. Subject to the current phased roadmap, the central bank had estimated that unemployment will peak in the second quarter at 22%, something which has already been surpassed (current rate stands at 28.2%), falling to 14% in late 2020 and falling below 10% into 2021.

Needless to say these figures are subject to be become even worse with further billions needed to be borrowed should the relief of restrictions fail to take place as planned. Nevertheless there is reason to be hopeful, Ireland is in a much better place to borrow than it was in 2008 with our interest rates staying comfortably low. We're encouraged by Davy's stockbrokers report that Ireland is equipped to be far more resilient than it was twelve years ago. Whenever our economy might reopen and seek recovery, it remains rightly at the discretion of the doctors and not the economists.

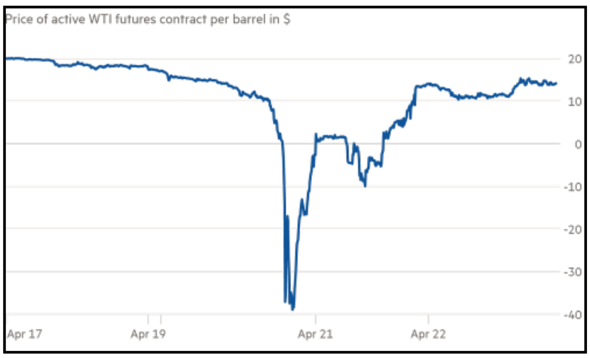
- *Shane Redahan*

International Effects on Economies

Oil prices fluctuation

The U.S. oil industry made headlines around the world recently, as oil prices became negative, for the first time in history. Oil was being traded as low as -$40.32 a barrel, meaning oil producers were paying oil companies to take the oil off their hands, either into refineries or into storage. This is a huge blow to Donald Trump, who has gone to great lengths to protect the US oil and shale sector. Trump plans to open federal oil strategic reserves as commercial storages are estimated to fill up within the next two weeks.

The pandemic and quarantine measures have resulted in a collapse in oil demand by about 30%. This is equivalent to 30 million barrels of oil per day, which is 3 times the oil exports of Saudi Arabia. To combat this OPEC, (Organisation of Petroleum Exporting Countries) led by Saudi Arabia, initially agreed to reduce production by 9.7 million barrels per day, eventually agreeing to a projected reduction of 20 million, as they were joined by US, Russian and Norwegian oil producers. Oil prices have since recovered and currently stand at $30 per barrel. The spike in demand again is due to companies beginning to re-open their economies, along with the controlled reduction in production.



Source: Refinitiv, © FT

- Conor O'Kane

Current economic condition in the Stock Market

At the best of times, the stock market is volatile. It is constantly changing due to a multitude of tiny factors. When such a major disaster such as the COVID-19 pandemic occurs, the results can be catastrophic. Even before the actual hits to businesses, traders began to sell out of fear. US stocks had their most serious fall since 1987.

Source: Craig Ruttle/Associated Press

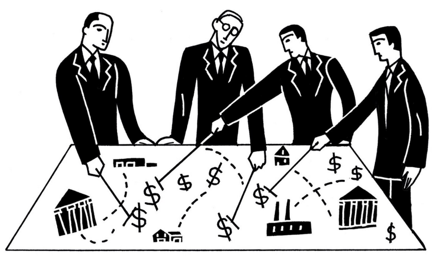
Source: Investopedia

The stock markets have safety switches in anticipation of such a disaster. Market circuit breakers are activated when a stock exchange drops more than 7% in one day, stopping all trading for fifteen minutes to calm the fluctuations. These circuit breakers are a last resort, their use almost unheard of. These breakers were activated in the first hour of trading on the 9th, 12th and 16th of March, then later in the day on the 18th, amid widespread panic. This uncertainty is almost unprecedented, and it is impossible to predict where it may go next. Traders can only hope for some assurance in the coming months, but that may be an overly optimistic aspiration, circumstances considered.

- *James Gray*

An Economist's View

Taking a look back to the month of April when the Coronavirus outbreak really began to hit, we see the scale of the damage done to countries' economies. Dermot O'Leary, Chief Economist at Goodbody Stockbrokers describes April 2020 'as the month when the developed world came to a standstill'. As a development from this, he remarks that the scale of the damage done as a result of COVID-19 measures brought in by government, has only begun to reveal itself through a catastrophic decline in jobs, collapses in output and sharp reductions in earnings. To develop on this, Dermot points towards how the return to normality will not be linear, however he lists some key principles that he believes will have a large bearing going forward: Second wave concerns will persist; Recovery across sectors will not be uniform; Countries will differ in their responses; Localised restrictions will replace blanket national ones; Learn to live with social distancing, it's not going away soon; Government supports need to be consistent with the speed of opening up and the Heavy price tag of the crisis.



Source: Medium

- *Oscar Bourke Mullaney*

Profile of an MNC

As a result of government travel restrictions brought in on March 16th, Ryanair was forced to ground all aircraft. This reaction was based on two strategy pillars: Reduce cost to a minimum and preserve cash. From April 1st, all staff including Michael O'Leary were put on half time. Staff on probation, short term or hourly contracts were let go as part of the cost reduction strategy. Lease payments were re-negotiated, and all creditors were put on notice to the effect that Ryanair was put in cash preservation mode and terms were re-negotiated with all major creditors. While aircraft are grounded, Ryanair is undergoing a large maintenance program on the fleet. Passengers seeking refunds were offered vouchers in lieu of cash. As opposed to other airlines such as Lufthansa and Air France who are seeking billions in bailouts from the German and French governments, Ryanair has €4 billion in cash which has enabled the airline to meet all essential costs during the crisis. From the 1st of July, Ryanair aims to be operating 1,000 flights a day (40% of regular schedule) and they are putting pressure on governments to open up European skies. They hope to be flying their full schedule by mid-August and have planned the biggest seat sale in the history of the company. Despite the circumstances, Ryanair's share price is at the same level as it was last year, showing that the market is confident in Ryanair's ability to lead the industry out of this crisis.

Source: Wolfgang Rattay/Reuters

- *Max Reid*

Auditor's Overview of the Pandemic

Globally, this pandemic sees a 90% drop in business revenue versus the 2008 crash which on average fell 10 to 15%. In addition, some sectors are more adversely affected such as hospitality, energy and aviation. The speed of domestic and global recovery depends on governmental and central bank policies and stabilisers, it will be difficult to see a further reduction in interest rates give how low they are already. Will it be a U shaped recovery or a deeper recession? At the very least all indications are that 2023 is the earliest we will see the same the levels of activity prior to COVID-19. The fourth quarter of 2020 will provide interesting results - but only time will truly tell!

- *Alex Cronnelly, Auditor*

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