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ECONOMIC OUTLOOK

Dr. Constantin Gurdgiev

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DPP OFFICE TO SET UP A CAB-TYPE AGENCY

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Welcome to the November 2018 edition of our newsletter.

This issue, as always contains articles on a wide variety of topics which I hope will be of interest to you and your business.

If you have any queries, please do not hesitate to get in touch and one of our highly experienced team at Ronan Enright Solicitors will be happy to assist you.

Ronan.

ECONOMIC OUTLOOK

Dr. Constantin Gurdgiev

Since the onset of the Global Financial Crisis (GFC) ten years ago, academics, and regulatory bodies' analysts have repeatedly highlighted the changing patterns in historical evidence relating to financial crises. The two key changes identified in the growing body of empirical research point to two trends: firstly, the financial crises are now happening with higher frequency; and, secondly, each consecutive crisis has been marked by an increasing economic disruption associated with it. Data from the historical crises since the abandonment of the gold standard also shows that financial crises are commonly preceded by the build-up in leverage and imbalances in asset markets valuations and in the real economy, or, using more common language, by asset bubbles, linked to less liquid asset classes with more concentrated risk exposures, and the rising share of economic growth funded by credit creation.

In this sense, all evidence to-date points to a substantial rise in the probability of the next financial crisis in the global markets since 2015-2016.

Firstly, following the troughs of the GFC 2008 and the subsequent Great Recession, the U.S. equity markets have rallied some 210 percent (if measured by the S&P 500 index), while other developed markets (excluding the U.S.) are up 70 percent, as reflected in the MSCI EAFE index. U.S. Aggregate Bond Index data from Barclays shows corporate bond valuations that are 45 percent higher than in September 2018, with Bloomberg Barclays U.S. High Yield index showing junk bonds' yields down 690 basis points. These valuations across the major asset classes are underpinned by three key factors: the unprecedented expansion of the Central Banks' balance sheets; the increasingly complex and tightly coupled connections between the corporate credit markets and equity markets; plus, the rising risk of market concentration in equities. And, across the global economy, credit-linked growth has outpaced productivity-linked output expansion two to one since the end of the GFC.

THREE HORSEMEN OF APOCALYPSE?

Consider the three factors pushing the world toward a new financial crisis, first.

In decade since the depths of the GFC in September 2008, the combined balance sheets of the U.S. Fed, the ECB, the Bank of Japan and the People's Bank of China rose from USD7.7 trillion to USD19.8 trillion, an increase of 156 percent. Much of this liquidity went to fund sovereign debt purchases. But, these funds also supported to the downside the cost of corporate debt. As the result, levels of the U.S. corporate debt shot up from the pre-GFC peak of USD6.5 trillion to USD 9 trillion today. Moody's seasoned Aaa Corporate debt yields have fallen from around 580 bps average for 2002-2007 to below 390 bps average over 2016-present. Speculative grade corporate debt now accounts for well above 60 percent of all new debt issuance over the last 5 years. Covenant-light share of outstanding U.S. leveraged loans shot up from roughly 67 percent mid-2015 to over 77 percent in mind-2018, according to the S&P Global market Intelligence data. Bloomberg data shows that U.S. leveraged loans issuance is now at a new record high, up from USD355 billion in 207 (previous historical high) to over USD360 billion. From 2011 through September 2018, more than USD1,975 billion of leveraged loans have been issued by the U.S. corporates, more than in the entire decade prior to the Global Financial Crisis.

With easy risk pricing, underlying quality of new credit is slowly decaying as well. The Bank for International Settlements index of 'zombie' firms - tracking mature companies with EBITDA below debt-servicing costs, shows a five-fold increase in latent corporate insolvencies since 1985. Much of this increase is accounted for by the smaller firms, with some concentration in high leverage sectors, such as energy, oil and gas, and others. However, the index does not track the unicorn start-ups in the tech sector that have material presence in today's credit markets.

In simple terms, the post-GFC quantitative easing programs deployed by the major Central Banks have delivered a massive credit and equity boom, in line with the dynamics of the pre-GFC risk mispricing, and consistent with the traditional pre-crisis risk build up dynamics.

The above also hints at the tighter coupling of debt and equity markets risks. Ultra cheap credit available to corporate borrowers has fuelled more than a simple rise in equity returns performance that can be attributed to lower credit costs. Instead, the credit boom fuelled a massive shares buy-backs binge by the major corporations. Dividends and net buybacks have soared from the average of 0.023 percent of the U.S. GDP over 985-2005 period to nearly 0.05 percent in 2010-2018. Fuelled by the Trump Administration's 207 tax cuts, the first 6 months of 2018, payouts as a percentage of GDP rose to 0.058 percent, more than two and half times higher than in the decades preceding the GFC. Per research note published by U.S. Fed last month, "In dollar terms, buybacks increased from $23 billion in 2017:Q4 to $55 billion in 2018:Q1." Worse: "among the top 15 cash holders, the largest holders accounted for the bulk of the share repurchases: In 2018:Q1, the top 5 cash holders accounted for 66 percent, and the top holder alone accounted for 41 percent." And, based on data from S&P, buybacks are accelerating in 1H 2018, with 2Q 2018 marking an absolute historical high at USD 1.0803 trillion (annualized rate) of shares buybacks.

The U.S. and other advanced economies equity markets are becoming increasingly concentrated. Total Gross Issuance of Stocks, net of S&P500 shares buybacks has fallen from the 1999-2004 average of near-zero to a negative USD600 billion mid-2018, based on the data compiled by Yardeni Research. Looking at the changes in the market cap of 35 largest publicly listed companies since 2012, Facebook accounts for 56 percent of stock markets gains, followed by Alibaba (29%) and Square (3%). High risk M&A activities - also driven by low credit costs - is further exacerbating the problem: per FactSet, "the first half of 2018 has reported the second-highest level of deals valued over $1 billion with 200 deals; the highest level was attained in the first half of 2007 with 210 deals. It is also worth noting that [since] 2013, ...there have been over 100 billion-dollar deals in each half-year. Even in the run-up to the financial crisis the streak was only three years (2005 to 2007). And to help complete the pattern, the dot-com boom had a similar three-year streak of 100 billion-dollar deals in each half-year from 1998 to 2000."

In simple terms, lax credit conditions, cheap cost of debt and reckless chasing of yields by the corporates, fuelled by the unprecedented money printing by the Central Banks over the period post-GFC has now inflated asset markets bubbles well beyond the risk levels seen in the run up to the last crisis. Today, virtually all financial markets are more reckless at mispricing financial and strategic risks and uncertainties, more concentrated and complex in terms of contagion pathways, and exhibit more ambiguity and complacency in investors' perceptions of the core risk dynamics than at any time in living memory. Unlike the dot.com bubble and just as at the time of the onset of the GFC, we are in an explosive VUCA environment of heightened volatility, uncertainty, complexity and ambiguity - the environment that has served as the basis for every single one of the past major financial crises.

CREDIT AND THE REAL ECONOMY

Recent study, published by the National Bureau of Economic Research, authored by Stephen Cecchetti and Enisse Kharroubi, explored the negative relationship between the rate of growth in credit and the rate of growth in output per worker. In other words, the adverse impact of credit creation on labour productivity. The authors used a panel of 20 countries over 25 years, to show that the higher the growth rate of credit, the lower the growth rate of output per worker. They show that, as the levels of borrowing in the economy expand, companies turn to safer, lower return projects. This reduces aggregate productivity growth. This effect is more severe in industries that have either less tangible assets or are more R&D intensive, or out differently, in the more modern sectors of the economy.

This view of the harmful effects of credit on economic activity is currently being priced into the economists' forecasts for the next economic downturn. Even the IMF, a stubbornly optimistic forecaster of global growth rates, has recently revised it's outlook for the global economic growth for 2019-2023 from an average of more than 3.77 percent per annum forecast in April 2018, to 3.625 percent last month. The cumulative forecast slowdown over the next 5 years implied by the IMF figures is now around 0.85 percentage points, or USD721 billion in current 2018 US dollars terms. Remember, this is the optimistic view that allows for virtually no chance of a recession any time between now and the end of 2023, the same as it allowed for no recession any time between 2007 and 2011 in the pre-GFC forecasts.

Other analysts, less optimistic than the IMF, are now predicting a U.S. recession around 2H 2020, followed by negative growth hitting Europe around 1H 2021. Japan, a poster-child of monetary activism, is perpetually teetering on the edge of the next economic downturn, while other parts of the advanced economies club, Canada and Australia, are staring at the historically unprecedented risks of housing and financial assets bubbles that rival pre-2007 U.S. and European excesses.

TIMING

While the large scale, systemic blowout in the financial markets is no longer a prospect worth doubting, the timing of the next market collapse is much harder to predict. Thanks to the very cautious tightening of monetary policies, to-date, credit carry costs remain benign even for the financially fragile companies. And the recent experience with quantitative easing suggests that the central banks have acquired a virtually limitless willingness to continue underwriting fiscal and corporate recklessness into the future.

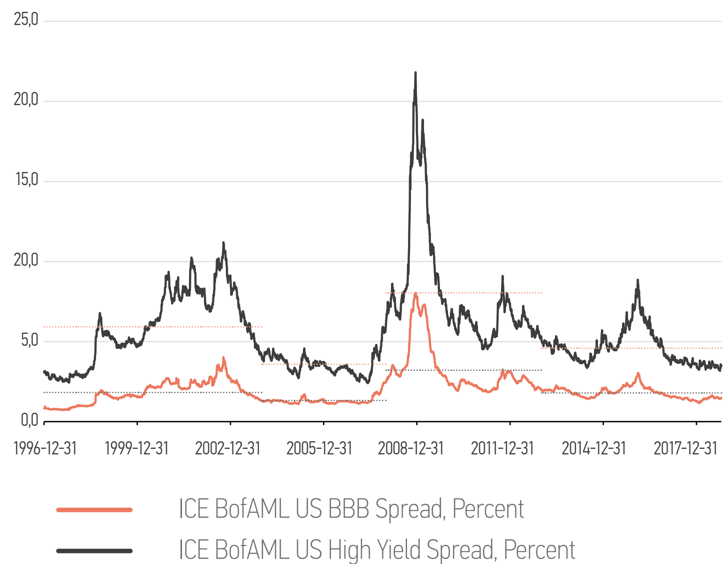
Cyclically, the U.S. economy (as well as that of the EU) is overdue a recession. Consensus amongst macroeconomic analysts suggests a spike in probability of the next downturn around late-2020. It is highly likely that, given current forward guidance, the recession can arrive earlier, around the end of 2019-start of 2020, triggering a large downward correction in the financial markets. Unless, of course, a different shock, arising from the ongoing problems in the financial and real economies across the emerging markets and China, leads us into a global downturn ahead of the U.S. and the European one.

Timing is a precarious game of guesses and ambiguity-rich analytical forecasts. That said, the fundamentals are ripe for a Global Financial Crisis 2.0. History tells us, it is likely to be more painful than the previous one.

CHART 1:

U.S. Corporate High Yield and BBB Spreads over U.S. Treasuries, options-adjusted, percent

Source: *FRED database and author own calculations*



Prof. Constantin Gurdgiev is the Associate Professor of Finance with Middlebury Institute of International Studies (California, USA) and an Adjunct Professor of Finance with Trinity College Dublin (Ireland). His research is concentrated in the fields of investment, geopolitical and macroeconomic risk and uncertainty analysis. Prof. Gurdgiev serves an adviser with a number of fintech start ups, and a co-Founder and Chairman of the Board of the Irish Mortgage Holders Organisation, and a co-Founder of iCare Housing Solutions, two non-profit organizations working with the issues of financial empowerment.

In the past, Prof. Gurdgiev served as the Head of Macroeconomics with the Institute for Business Value, IBM, the Director of Research with NCB Stockbrokers, Ltd, and the Editor and Director of the Business & Finance magazine.

ENERGY PRICE HIKES AHEAD OF CHILLY AUTUMN

As though it's not enough that Ireland's electricity prices are the fourth-highest in Europe, we're about to see another hike very soon.

The energy market in Ireland is completely deregulated. We have access to twelve suppliers who are vying for the same consumers. One would think that we'd be much quicker to take our business elsewhere, but only 14 % of people switched providers last year, according to One Big Switch, an organisation that campaigns for lower prices. Shockingly, only a third of people assess their bills in detail and 15 % never even open them at all. We should be more ferocious, especially at average costs of around €850 a year.

Why are we overpaying for electricity and what can be done about it? Let's start by demystifying the truth.

SWITCHING IS A HASSLE

One of the main reasons why people don't shop around for better energy rates, is because they think it's a hassle. They are worried that they will be cut off, or that someone might gain access to their homes. They How long will it take? Actually, all that's required to switch energy suppliers, is one phone call and a piece of paper.

IT'S NOT REALLY WORTH IT

Actually, it is. By switching annually, the average household would have saved €1,146 on their electricity bills over the last four years.

Remember, when you switch, your discount or special offer will usually last a year. After that, you will automatically be placed on the standard (usually the highest) tariff. That's why it's important to switch every year.

I'D HAVE TO SWITCH MY GAS TOO

You don't necessarily have to switch your gas too, to make it worth your while. It's true that urban customers usually save on dual fuel bundles, but it's not guaranteed. Use an independent comparison site such as Switcher.ie or Bonkers.ie to see whether your household will benefit.

I DON'T KNOW HOW TO READ MY BILL

While there's a lot to understand, and it makes comparison easier.

Unit rate
That's the actual rate you pay per kilowatt-hour (kWh) of electricity you consume. Your tariff will determine your unit rate, and discounts are applied to this portion.

Usage / consumption
This depicts the amount of kWh units you consumed during the billing period. 'E' means that it is estimated, but it is worth obtaining an actual ('A') reading. Many people overpay for years, because most companies rarely send out meter readers.

Standing charge
This is a daily charge from the provider for the maintenance of your electricity supply. The amount will vary by supplier and tariff type - Rural, Urban or NightSaver. This cost remains fixed, and is not dependent on your usage.

PSO levy
The Public Service Obligation levy is charged by the government for additional costs relating to the production of sustainable, renewable energy. Good news: This rate has recently halved.

VAT
You pay a 13.5% VAT on top of the total of all the above charges.

I DON'T KNOW HOW MUCH ELECTRICITY I'M USING

While it's difficult to monitor your electricity usage, there are many methods and ways to trim your costs.

- Opt for paperless online billing and pay by direct debit. This could shave about 10% off your charges.
- Use old-fashioned draught excluders at your doors, shut off radiators in empty rooms, and use modern electric bar heaters instead of switching on your heating.
- The majority of electricity used by appliances goes towards heating water. Use the 30-degree cycle on your washing machine, and only boil as much water as you need when you use the kettle.
- Switch off any unnecessary lights, and switch off unused plug points.
- Instead of leaving unused gadgets or devices in sleep mode, switch them off.

TAKE CONTROL OF YOUR ENERGY USE

Many gadgets can now be controlled using phone apps, including heating and water controls, including:

- Hive from Bord Gais (€299);
- Electric Ireland's Nest (€130);
- Climote (€90);
- Netatmo from Energia is normally €249, but is free if you sign up with OneBigSwitch.ie and use online billing. This is only applicable in homes with a pre-2006 build and you will also need wifi.

These devices are tiny, but allow full control over your heating and water scheduling and the monitoring of kilowatt usage. It will certainly pay for itself in savings.

DPP OFFICE TO SET UP A CAB-TYPE AGENCY

A new report on law and business recently proposed that the Director of Public Prosecutions office set up a corporate crime agency, similar to the Criminal Assets Bureau (CAB).

An eight-hundred page document, compiled by the Law Reform Commission, was developed in response to the banking collapse, but it extends beyond the banking sector. It also proposes the commission's response to the issue that exists in terms of prosecuting white-collar crimes.

Additionally, the report recommends extensive changes to some of the regulatory regimes used in a variety of sectors within the Irish economy, including telecommunications, health products, competition, consumer issues and others.

The report supports a move away from the current "light-touch" regulatory regime to a new model that is designed to identify problems and prevent them from developing into full-blown catastrophes.

In this report, the Law Reform Commission also covers former Central Bank governor, Patrick Honohan's call for law changes that combat "egregiously reckless risk taking".

FINANCIAL SANCTIONS

The new Law Reform Commission report includes more than 200 recommendations and gives regulatory bodies more power to impose significant financial sanctions, the power to enforce agreements and handle consumer redress.

The Central Bank already holds such powers and has used it in the tracker mortgage scandal. However, regulators in the health products, competition, and communications industries do not have access to such powers.

The Irish Times reported that some of the new powers would include the right to impose sanctions equal to €10 million and or 10 % of the turnover on businesses, and up to €1 million on individuals.

The commission has proposed that the law on fraud be amended. Specifically, it wants conscious recklessness, such as false accounting, to be considered as fraud. However, it does not recommend new laws against reckless trading, in case it could negatively impact on beneficial risk-taking by businesses.

By law, a company can be convicted of many crimes, including fraud and murder. However, we never see such convictions, as intent must be proven. According to the Law Reform Commission, this issue may have been a contributing factor to the lack of prosecutions for bribery, fraud, theft and similar offenses for corporate bodies in Ireland. For the system to work, someone in a high managerial position within the corporate firm must be accused of committing an offense while acting for the corporate firm.

A Government paper published in 2017 also suggested the establishment of a new agency that deals with white-collar crimes. However, systems are often considered to work best where it is needed least (in smaller firms) and worst where it is most needed (in larger organisations). This problem has been coined as the “paradox of size”.

The reality of modern business, in which agents or managers have the authority to implement policies, has been taken into account in the Law Reform Commission’s list of suggested changes.

It also mentions Seán FitzPatrick’s collapsed trial. Former chairman of the Anglo Irish Bank, FitzPatrick had the most lengthy criminal trial in Irish history. According to the report, the prosecution’s legal costs for the 126-day hearing amounted to €3 million. Since he was on free legal aid, the state also paid for Mr FitzPatrick’s legal fees, which have been estimated to be the same or more than that of the prosecution. After much legal argument, Judge John Aylmer eventually directed to acquit him.

According to the report, it was clear the prosecution’s case failed; this raised questions about whether the legal system was equipped to take effective action with regard to prosecute serious corporate offenses.

It also highlighted the fact that other cases related to activities of the Anglo Irish bank have led to important convictions. However, even in those Anglo cases that led to convictions, the report states that the commission is aware of the fact that, “... experienced prosecuting counsel became involved in the case after much of the preparatory work had been completed”.

Just like CAB, the report recommends that the staff recommended for the new corporate crime agency possess a mix of skills. While the commission recognises the Circuit Criminal Court as a capable entity, it does not recommend that such cases be handled by the Central Criminal Court.

Readers may access the Regulatory Powers and Corporate Offences report by visiting the Law Reform Commission’s website.

NO-DEAL BREXIT:

What it would mean for Ireland?

According to Donald Tusk a no-deal Brexit is 'more likely than ever', and it could have devastating consequences.

NO-DEAL BREXIT EXPLAINED

If the United Kingdom leaves the European Union without concluding a withdrawal agreement, iit will be considered a no-deal withdrawal agreement. Currently, an agreement is being negotiated. Agreement has been reached on most of the pressing issues, except for the Irish Border backstop. The EU is demanding a legal guarantee that a hard Irish Border will not return after Brexit, regardless of what transpires from the negotiations.

If a withdrawal agreement is signed, a transition period will commence starting at the end of March 2019, when the United Kingdom is due to leave the EU. Almost everything will remain as status quo until the end of 2020, which will provide time for powers-that-be to negotiate on the future relationship between the UK and the EU. In the absence of this agreement, however, the UK will leave the EU in March, ending all regulatory and trading links instantaneously. Such a move could come at a considerable cost for Ireland and the UK as a whole.

How will this affect Ireland?

The EU Customs Union has set down certain rules that govern trading between the EU and the UK. One of the agreements is that goods can be traded freely across the single market. A common regulatory structure allows for the free movement of people, capital, goods and services.

If the UK leaves the EU, these two agreements would be nullified. That means that all future trade would be based on World Trade Organisation (WTO) rules. Free movement of goods would end between the UK and the EU, as well as between the UK and Ireland. Special import taxes or tariffs would be implemented on certain products, as would custom checks.

Common regulation between the UK and the EU would impact on many industries, including food, pharmaceuticals and aviation, to name a few. Business and trade could be affected in the short term while new arrangements are made and implemented. It would require additional checks near borders, which would affect trade in the long term.

Exports and imports to and from the UK would result in the EU-regime being replaced by WTO rules. Approximately 12 % of EU exports to the UK, however, exports in the food sector rise to approximately 40%. When the rules change, these goods would immediately be subject to more checks and bureaucracy. There could well be disruptive delays, and special taxes and tariffs would be applicable to goods entering a country. This could be particularly damaging where food exports are concerned.

BREXIT FACTS

Goods transported to the UK market and approximately two-thirds of goods exported from Ireland cross the UK landbridge. Four new checks could be implemented, including when goods leave Ireland, enter and leave the UK, and when it enters Continental ports.

More than half of all beef exports go to the UK, and would be particularly exposed to a hard Brexit. More than 50% of their value would apply to several beef products, This would price many Irish exports out of the UK market. As such, producers would be forced to seek new markets, while some would operate from within the UK. This would lead to fewer exports, lower prices for farmers, and inevitably, job losses.

A hard Brexit would also impact on imports to Ireland. Since approximate 23% of Irish imports come from the UK, the supply chains of many businesses (especially those in chemicals and pharmaceuticals) would be disrupted.

Consumers will ultimately be affected. According to economists Edgar Morgenroth and John FitzGerald, who published a paper for the Institute for International and European Affairs, around two-thirds of products on Irish supermarket shelves are either imported from the UK, or move to Ireland via the UK landbridge. Products are often brought here from big supermarkets' distribution centres in the UK. This could become impossible when a no-deal Brexit is implemented, or even due to trade barriers imposed after an organised Brexit, as all the different products would potentially require a range of checks.

A no-deal Brexit could disrupt the supplies of some items on our shelves in the short term. However, the entire sector could be shaken up in the long term, resulting in changes to the mix of products we have become accustomed to, as well as higher prices. According to a study by ESRI, a hard Brexit could lead to price hikes of 2-3%, resulting in consumers spending up to €1,360 more on their annual shopping bills. In the event of a no-deal Brexit, these cost could accrue even more quickly from March 2019.

BREXIT AND THE AVIATION INDUSTRY

There's talk about planes not taking off in the event of a no-deal Brexit, which might well hold true. The UK aviation industry currently operation under EU regulation, both for domestic flights and flights to international destinations. New arrangements would be needed if the UK leaves the EU suddenly in April 2019. If the details are not agreed upon in advance, flights between the UK and EU countries could be grounded temporarily - either for a few days until an agreement is reached, or longer, depending on the relationship between the two sides at that point in time.

The UK also forms part of the EU regulatory regime where the pharmaceutical industry is concerned. That means that pharma imports from the UK to the EU will be affected, and vice versa. A likely fallback will be stockpiling of vital drugs in both the EU and UK.

Can Any of This Be Avoided?

It's possible that some of these issues can be avoided with the proper planning in terms of regulations that would allow planes to continue flying. However, neither of the two sides has the power to change international trade regulations.

Perhaps one of the best solutions would be for both parties to agree and that the exit could take longer than initially anticipated. This would be possible if the UK as well as all twenty-seven of the remaining member states agreed.

Ireland's Department of Finance estimated that a hard-Brexit could result in 40,000 job losses and the GDP lowering by 4.5% in ten years' time even if there is a transition deal. The Government also commissioned the Copenhagen Economics consultancy firm to perform another study, which estimated that by 2030, a hard-Brexit could lower the GDP by 7%.

A no-deal Brexit would bring all changes in a short timeframe, as well as the risk of more costs during the transition years. If it happens in March 2019, it would hit growth immediately , which would threaten existing tax and economic forecasts for the next year.

According to Taoiseach Leo Varadkar, the Government would not under any circumstances countenance the return of a border on the island. However, many experts believe that there would be no option but to reimpose the border in the event of a no-deal Brexit, as it would facilitate the checking of goods entering the EU market and control smuggling, which is an important issue.

STANDING WORKERS ARE MORE PRODUCTIVE

THIGH MONITORS

The British Medical Journal published a report that shows that sedentary behaviour has been associated with increased risks of chronic diseases (some cancers, heart disease and type 2 diabetes) and death.

However, recent research has discovered that employees who worked at IT-stand desks for an average of twelve months, reduced their sitting time by more than an hour a day, and this could potentially have meaningful benefits on their work performance as well as their psychological health. High sedentary levels are detrimental to a person's presenteeism (going to work despite illness) and feelings of engagement.

According to the report, office workers are one of the biggest sedentary populations. They spend up to eighty-five percent of their working hours seated. However, most studies exploring ways in which people can reduce sitting, have been of low quality.

A UK-based team of researchers and collaborators from Australia decided to evaluate the impact of a program which was designed to reduce the amount of time people spent sitting at work. The program is known as Stand More At Work (SMArT).

Subjects of the study included 146 University Hospitals and Leicester NHS Trust. Seventy-seven subjects were randomly assigned to the intervention group and sixty-nine to the control group for twelve months. Participants were an average of forty-one years old; 78% identified as white European ethnicity, and 80% were women.

The program received height adjustable workstations, as well as a brief seminar and instructions regarding the workstation. They were also given standing and sitting targets.

Additionally, the participants received feedback on their physical activity and sitting, a goal setting booklet, action plan, coaching sessions together with a self-monitoring and prompt tool. The group continued working as usual.

At the start of the study, a baseline measurement was taken via a device worn on participants thighs. This was repeated again at three month intervals. The researchers also inquired about their daily activity levels, work performance, engagement, mood, and quality of life.

Initially, participants in the control group sat for 9.7 hours per day. However, by month three, sitting time has lowered by 50.62 minutes per day, 64.40 minutes at six months, and 82.39 minutes per day at the end of the study in month twelve.

While prolonged sitting time was reduced, it was replaced by standing, rather than moving. Their physical activity and stepping time remained unchanged. However, the results of the study suggest that quality of life, occupational fatigue, work engagement, daily anxiety, and job performance improved. The study found no notable changes in sickness absence, cognitive function or job satisfaction.

The authors of the study consider it a well-designed trial, and further analysis showed that their results remained largely unchanged. They do however acknowledge that their findings may not be applicable to other organisations and that the results may have been affected by self-reporting of work-related outcomes.

Yet, they remain adamant that the SMArT Work plan helped to reduce sitting time significantly in the short, medium and long term. As a result, positive changes to both work-related and psychological health issues were observed.

The study authors suggest that future research should look into the long-term health benefits of replacing seated workstations with standing workplaces and ways in which movement can be incorporated, rather than just standing while working.

Doctor Cindy Gray from the University of Glasgow responded to the results, saying that the study demonstrated lasting reductions in sedentary behavior and work-related benefits. She did however question the potential health gains of merely standing instead of sitting. The intervention did not increase participants' levels of beneficial physical activity.

Additionally, Dr Gray questioned the cost-effectiveness of the SMArT work programme and how it could be transferred to shift workers and other types of employees. Perhaps these factors should be addressed in future studies.

CHILD CARE SUBSIDY:

Do You Qualify?

You could save approximately €300 a month on childcare if you earn €50,000 or more

It's true that every little helps, especially when it comes to the costs of childcare. Most parents were hoping for a much bigger improvement to the current weekly €20 childcare payment that is currently available to those with children aged 24 weeks to 36 months and the Early Childhood Care and Education Scheme programme.

New advances to the affordable childcare scheme are a welcome relief to many, although they may not yet make a big difference to many families.

These changes will kick in in 2019, and 7,500 children will qualify for the first time, and a further 40,000 will receive improved subsidies; this will include families that earn up to €100,000 before tax.

Who Will Receive Full Subsidies?

At the moment, full subsidies of €220 per week per child are only available to people who have net incomes of less than €22,700. The figure will be rising by 14 % or €300, to €26,000. Katherine Zappone, Minister for Children and Youth Affairs said that they department aimed to poverty proof the system.

As a result, more people will be able to claim the higher subsidy rate, which equates to €5.38 per hour for infants between six months and one year, and €4- €5 per hour for children from twelve months to five years. The subsidy for school aged children will be €3.96 per hour.

A single parent who earns a net annual income of €26,000 (or €26,500 gross) with a single two-year old child who needs forty hours of childcare a week, will see an increase from €148 per week to €175 per week. The subsidy will decline with increased income. As such, a family who earns a gross income of €34,500 a year with two children, aged two and a half and one and a half, and need twenty-five hours of childcare every week, can expect a €220 subsidy per week. This amount was €187 until recently.

HIGHER EARNING FAMILIES AND CHILDCARE

The latest changes will also benefit families who earn more than €100,000. A family that earns €102,000 and has three children (ages 2, 5, and 7) will fall in the €60,000 net income bracket. As such, their weekly subsidy will increase from €20 to €92, saving them close to €300.

Who Will Qualify for Subsidies?

Currently, only people who earn less than €47,000 qualify for subsidies, apart from the €20 universal weekly payment, unless you have a big enough family to push you into the qualifying bracket.

However, the threshold will increase to €60,000, increasing the amount of children benefiting from the scheme by 7,500.

A family of four earning an income of €64,000 gross or €47,500 net currently qualify for a weekly subsidy of €52. This amount will rise to €128 based on the new proposals. They will save €304 a month.

More people will benefit from the increases. Currently, families who earn €87,000 a week with two children - one of two years who needs forty hours of childcare a week, and one of five who needs seventeen hours of school care a week - only receives a €20 weekly universal subsidy. However, from next year, they will receive €93 a week, which will save them close to €300 a month.

AFFORDABLE CHILDCARE SCHEME

The above changes come ahead of the highly anticipated and overly delayed fully-fledged Affordable Childcare Scheme (ACS) which was supposed to have been introduced in September 2017. For now, parents have to wait until the end of 2019 before learning more about the scheme. According to Ms Zappone, launch plans are currently being finalised.

The Affordable Childcare Scheme is set to replace the current targeted childcare programmes through a more streamlined and user-friendly scheme with wraparound care for preschoolers and school-aged children.

9 Simple Steps to BEAT the Budget

Looking for ways to make your money stretch? We've compiled a list of tips to help you.

STOP OVERPAYING ON HEALTH INSURANCE

Research has shown that two-thirds of Irish policyholders overpay for health insurance cover, and many people still have dated and overly costly schemes. According to Dermot Goode from TotalHealthCover.ie, corporate plans offer the best value. These are his top picks in terms of value:

- Irish Life Health 4D Health 1 at €1,045 (no day-to-day cover);
- Laya Simply Connect at €1,100;
- VHI Company Plan Plus Level 1.3 at €1,128.

FIND A CHEAPER ENERGY PROVIDER

Several of the ten Irish gas and electricity providers have increased their prices twice in 2018 already. However, you can save money on your energy bills by switching to a different provider. If you have average consumption, you can save €300 by switching from your standard plan to a cheaper, discounted deal. New customers who sign up for Bord Gáis Energy will receive a 24 % discount on electricity, or 21 % on dual fuel or gas respectively.

These deals are only available to new customers, so existing Bord Gáis Energy customers will have to switch elsewhere. Flogas has a deal of 22 % off for new gas customers and Energia is offering new customers a 30 % electricity discount.

SAVE HUNDREDS WITH A NEW BROADBAND DEAL

Bundling is a great way to save on your broadband, especially if you have more than one mobile phone, home phone, or TV with the same provider. Some of the discounts available on Switcher.ie exceed €350. If you bundle your products, you will only have to pay one monthly bill, and deal with only one provider. It makes life simpler and saves you money.

CLAIM ALL TAX RELIEF AVAILABLE TO YOU

Shopping around for a new mortgage protection plan can save you up to €10 a month off your premium. Smokers pay higher rates than people who don't smoke, so consider kicking the habit and reapplying for a new mortgage protection plan after a year.

STREAM YOUR FAVOURITE SHOWS

Switcher.ie's research shows that most people watch less than a quarter of the channels they pay for. However, many have added Amazon Prime, NOW TV and Netflix to their viewing. If you're using these streaming options for most of your viewing, you could probably ditch traditional TV and use a broadband only plan instead. They start from as little as €25 a month.

SWITCH TO SIM-ONLY

Most phone plans include a phone in the data plan, and span somewhere between 18-24 months. Providers tend to build the cost of the phone into the contract. However, you can save a load of money by switching from a bundle plan to a SIM-only deal.

Some unlimited SIM-only deals go for as little as €15 a month, saving you as much as €500 a year.

SWITCH YOUR MORTGAGE PAYMENTS

Switcher.ie said that mortgage account holders with standard variable rates of 4.5 % on a €250,000 loan, with an equity of a minimum of 20 %, can save up to €300 per month by switching to a 2.3 % fixed rate over two years from Ulster Bank. Switching to a 2.5% one-year fixed rate with KBC can save you €268.

SWITCH YOUR MORTGAGE PROTECTION PLAN

Shopping around for a new mortgage protection plan can save you up to €10 a month off your premium. Smokers pay higher rates than people who don't smoke, so consider kicking the habit and reapplying for a new mortgage protection plan after a year.

RENT OUT YOUR SPARE ROOM

Earn up to €14, 000 a year in non-taxable income by renting out a room in your home. This must be one of Ireland's best tax-free deals.

SELF EMPLOYED BENEFIT FROM BUDGET

Self-employed individuals have emerged as the major benefactors from the recent budget announcement. They will have an opportunity to earn more before they have to pay tax and will be entitled to Jobseeker's Benefits if they were to lose their jobs. They have also avoided social insurance contribution increases.

These changes will benefit approximately 150,000 people.

A self-employed individual can earn up to €1,350 before paying tax. Another benefit gained is the €750 income tax standard rate band increase for all earners. This pushes the band from €34,550 to €35,300 for individuals and €43,550 to €44,300 for one-income married couples.

Self-employed people will also benefit from the universal social charge rate which decreased from 4.75% to 4.5%. According to Department of Finance figures, single self-employed earners who earn €55,000 will save €452 a year in USC and income tax changes as from next year.

However, tax experts say that self-employed individuals are still €300 worse off than PAYE counterparts.

Top 9 App Money Management Apps

1. You Need a Budget

This app is great for people who need to improve their budgeting skills or discipline. If you need a plan to help you reduce your debt, or to save up for a big-ticket expense, You Need a Budget (YNAB) can help. The app will show you how you can even out your expenses - both monthly and unexpected or irregular bills - that crop up over the year. It can also help you to become a bit more aware of how you're spending your money, resulting in a more financially disciplined you. The You Need a Budget does have an annual subscription fee, but you can try it out for free for the first 34 days.

2. AIB Mobile Banking

AIB recently made some changes to their app, that allow new customers to open up current account with the institution without having to go into the bank. You will need a passport to verify your identity in order to open an account, and an AIB agent will perform an interview with you on a live video call. Once your account is open, you can check your account balance, and you can create alerts to notify you of account balances. You can use the app's MySpending feature to analyse income and expenses across a number of categories. The AIB Mobile Banking app also integrates smoothly with Apple Pay.

Most other Irish banks have mobile apps, and you will typically need to snap a selfie and upload either a passport or driving license in order to prove your identity when you wish to open an account.

3. Pricespy

Savvy shoppers agree that shopping around is a powerful way to save hundreds or even thousands - provided you don't spend too many potentially income-earning hours shopping around. Now you can save time by using the Pricespy app, which will take care of the shopping around on your behalf. Pricespy will scout out online shops such as Amazon, as well as main street shops, such as Powercity and Smyths. It will compare prices on items such as cameras, cookers, toys, TVs, mobile phones, and white goods.

Listings are regularly updated to display the latest information from the shops, including price, product details, pictures, product information, availability, delivery information and other important details. Although the information is regularly updated, the stores may change their information without notice. Therefore, it's always important to verify important information on the shop's own website before you make the purchase.

4. Splitwise

This handy app is great at helping you manage and track shared bills and expenses, particularly for friends and housemates who share costs. Whether you have to divvy up grocery bills, restaurant tabs, rent money, or energy costs, Splitwise can help you track who has paid their fair share, and who still owes the group money. Use the free version or Splitwise, or opt for the paid Splitwise Pro if you want to scan receipts or increase cloud storage.

5. Home Budget

This app is similar to Splitwise, Home Budget with Sync assists families - rather than housemates - in tracking their income, expenses and bills, and calculating their disposable income. It's a great app for setting budgets for family expenses such as groceries, electricity and more. Use the Family sync feature to allow family members to exchange information about expenses from various devices and collaborate on a single budget. This is a premium app.

6. Bullet

Speaking of uploading receipts - anywhere but in your wallet or a shoebox under the bed - Bullet is a great way to do that. It's especially handy for small businesses or freelancers. It's available through the online accounting software by the same name, released by Bullet HQ. You simply need to snap a photo of your receipts and they are digitally stored in a central location.

Not only does it cut down on paper clutter, but it also provides an easy way to record your taxable expenses. Irish accounting and taxation rules are built into simple workflows, which automate your tax returns process.

The Bullet app is free, but you can purchase optional add-on features and apps, if you wish.

7. Transferwise

Small businesses and freelancers, as well as families with children in other countries sometimes have to transfer money abroad. The Transferwise app makes it as much as eight times cheaper to transfer money than it is to use the banks. The Financial Conduct Authority, a British regulator, has authorised the Transferwise app.

8. Revolut

The Revolut app revolutionises the way in which people bank. The app claims to save customers money on currency conversion and banking charges. It is available for most newer model Apple iPads, iPhones, Apple watches, and Android devices.

It allows you to open an app-based current account and apply for a debit card through this new banking alternative. The physical debit card is free, but you must pay a €6 delivery fee to cover shipping and handling, which takes approximately nine business days. If you need it sooner than that, an expedited delivery fee will be applicable.

Revolut allows you to send money transfers to the bank accounts of people in more than one-hundred and thirty countries around the world. You can also exchange or hold up to twenty-four different currencies and create recurring payments to ensure that your bills are paid timeously.

The standard Revolut current account allows you to withdraw up to €200 a month from ATMS at no charge. A 2pc fee is attracted to any amounts exceeding that limit.

The Irish deposit guarantee scheme does not yet cover any monies held in your Revolut account, as the company is yet to acquire a banking license. They are currently in the process of applying for it from Lithuania, and will transport it to other countries in Europe. The institution is aimed at protecting depositors as well as current account holders with banks, building societies and Central Bank of Ireland authorised credit unions in the event that the financial services becomes insolvent and unable to repay clients' deposits. Banks across the EU offer similar deposit guarantee schemes.

The Financial Conduct Authority (FCA) does regulate Revolut, which means that the company must follow all FCA rules, and all client funds must be held in a separate Barclays or Lloyds account. The company's website states that, in the event of insolvency, clients will be able to claim their funds from the segregated account. Your claim will be prioritised over that of all other creditors.

Once they have obtained their banking license, Revolut hopes to start offering direct debits, interest on deposits, overdrafts, and personal loans to their customers. London will remain the company's headquarters, and they intend to also apply for a UK-based banking license if any passporting issues occur.

9. Marketwatch

Marketwatch helps investors to stay on top of the latest stock market news. It provides real-time data on currencies, stocks, and commodities. You're able to track your stocks-related stories and stock picks, and stay abreast of your investments. Detailed stock quote pages contain key trading information.

AIRBNB RULES TO RETURN HOUSING UNITS TO LONG-TERM RENTALS

The new Airbnb regulation will bring more than a thousand homes back on the market. Eoghan Murphy, Minister of Housing, is expected to follow Toronto's model for regulating short-term lets. He first informed TheJournal.ie during the Fine Gael think-in that the new proposed regulations will be similar to those introduced in Toronto.

Toronto introduced new laws in September, enabling people to only rent homes as short-term lets if it is their primary residents. They may no longer rent out secondary suites on short term leases. That means that individuals who own investment properties may no longer rent it out via Airbnb, as the maximum rental period is 180 days.

Toronto rules also require that homeowners and short term rental companies obtain licenses and registration from the city council.

The new licensing system is likely to impact properties in the capital first. However, according to Taoiseach Leo Varadkar, the new rules will restrict the use of homes and apartments in pressure zones for short-term lettings, such as Airbnb. He confirmed that people will still be able to rent out rooms in their homes on a short term basis. However, you may not use a house or apartment for a long-term Airbnb transaction. Those homes should be released into the market for Irish residents, rather than to tourists.

According to Murphy, the department can no longer wait on regulations. The Ministry of Housing is pushing for the publication of the new rules, and the delay was caused by discussions between the tourism and housing departments as to which should take the lead and as to whether Cabinet had to approve it.

The minister said that more detail will be provided in due course, and the two-stage process will be rolled out, bringing immediate and near term changes. It should have a substantial outcome whereby short-term leases will return to the long-term market, while bringing a proper understanding of what can be expected in terms of regulations and licensing.

He explained that he would give people notice when making the announcement ahead of when the changes will come into effect. He wants to provide people with enough time to prepare for the arrangements, but feels that it should happen quickly. Understanding that the introduction of such regulations will take time, he is considering other measures that might support the objectives and recommendations in the interim.

The housing committee created a working group, which was tasked with creating the best regulatory system for short term lettings. However, Murphy has been clear about his support for the Joint Committee on Housing's recommendations from 2017.

The recommendations set down by the Committee on Housing differ slightly from the Toronto regulations. It sets out a two-level regulatory regime which is to be introduced via primary legislation with regard to short-term lets. It will follow a strict regime of short-term letting of entire commercial properties at one level, while a second, less stringent level will focus on people who rent out their primary residences for up to ninety days a year.

More than half of the rental properties in Dublin are aimed at short-term letting to tourists. The new rules recommend that short-term casual letting of up to ninety days in a year should be exempt from planning permission. Those properties that are let out for more than ninety days a year should obtain change-of-use planning permission.

As per the Toronto rules, the Irish housing committee recommends that the licensing system be implemented for short term letting platforms and short term lets. Homeowners would have to register with the Revenue Commissioners and local authority alike.

Understandably, many Airbnb proprietors are anxious about how the rules will impact on their incomes. Airbnb has been holding information evenings to inform people about the coming changes, and has lobbied Government on many occasions.

Addressing the Dáil, Murphy admitted that he is not a fan of home sharing and that the country has a housing crisis. He said that this new development cannot happen in an unfettered way.

According to Airbnb, 640,000 guests used the service over the summer in Ireland. The company has also welcomed talks on creating clean rules for home-sharing.

After approximately two years of discussion. Airbnb expressed some concerns about the Irish home-sharing rules.

MEET THE TEAM

RONAN ENRIGHT
SOLICITORS

RONAN ENRIGHT
Principal Solicitor

Ronan Enright qualified as a solicitor in 2007. He received a Bachelor of Commerce degree from University College Cork and later went on to receive a Diploma in Commercial Litigation, and Diploma in Commercial Property and a Diploma in Employment Law from the Law Society of Ireland. He volunteers as a Mentor to start up companies on various accelerator programmes. Ronan is also a Practitioner of the Institute of Banking.

Ronan practices extensively in both plaintiff and defence litigation. He advises clients in relation to personal injury, general litigation and commercial litigation, and acts on behalf of private clients, insurance companies and self insured bodies. He also advises clients in relation to debt collection, employment law issues, social welfare investigations and disputes, tax investigations and disputes, road traffic matters, residential conveyancing, commercial property, wills, probate, and estate planning.

Having worked for over ten years as an associate in a general practice in Cork, Ronan formed Ronan Enright Solicitors in 2017.

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MICHAEL ENRIGHT
Consultant Solicitor

Michael Enright is a full-time Consultant Solicitor in the Firm. Having attended Christian Brothers College, and University College Cork, he qualified as a solicitor in 1973 and practiced for much of his career as a Partner and head of litigation in a large firm. He formed his own firm in 1994 where he was the Senior Partner until 2017.

Michael has extensive experience in litigation. Much of his work is on behalf of insurance companies and he has acted on behalf of a number of local authorities, dealing with public liability claims and employers' liability for many years. He also practices in the areas of plaintiff litigation and commercial litigation and has extensive experience dealing with claims of professional negligence and medical negligence. Michael is an experienced Arbitrator and has helped many clients resolve matters outside of the court system.

Michael is a former Council Member of the Law Society of Ireland and has served on many committees, including the Litigation Committee. He is a former President of the Southern Law Association, and was Chairman of the Litigation Committee of the Southern Law Association for over 20 years.

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RANGE OF SERVICES

LITIGATION AND DISPUTE RESOLUTION

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- Road Traffic Accidents
- Occupiers' Liability
- Public Liability
- Product Liability
- Employers' Liability
- Company Law & Shareholder Disputes
- Contract Disputes
- Defamation
- Environmental Law
- Nuisance
- Health & Safety Legislation
- Professional Negligence
- Conciliation
- Insurance law
- Arbitration
- Insurance defence litigation
- Mediation
- Injuries Board Applications

WILLS AND ESTATE PLANNING

- Will Drafting
- Periodic Will Review
- Estate Planning
- Tax implications
- Advise beneficiaries and family members

EMPLOYMENT LAW

- Unfair Dismissal
- Workplace Discrimination
- Drafting of Employee Handbooks
- Drafting of Employee Contracts
- Bullying and Harassment Issues
- Equality Issues
- Redundancy
- Representation at the Workplace Relations Commission

FAMILY LAW

- Separation and Divorce
- Custody, Access and Guardianship Issues
- Advise relating to barring orders and safety issues
- Maintenance Payments

PROPERTY

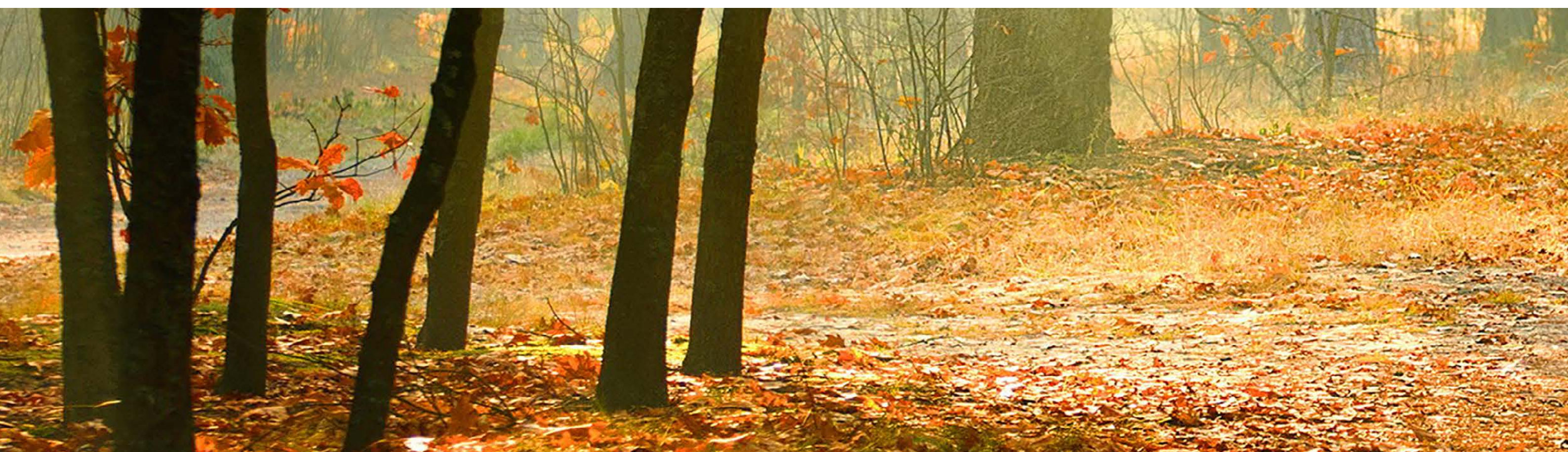
- Buying
- Selling
- Commercial
- Residential
- Planning
- Environmental
- Landlord & tenant

COMMERCIAL LAW

- Buying and Selling a Business
- Taxation Issues
- Debt Collection
- Enforcement of Judgements
- Shareholders agreements

LICENSING LAW

- Ad Interim Transfers
- Confirmation of Transfers
- Renewal of Licences
- Dance licences
- Occassional Licences
- Restaurant Licences
- Music and Singing Licences
- Special and General Exemption Orders
- Applications for New/ replacement Licenses
- Declaratory Orders



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