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Wilbur Ross bullish on Irish economy

While 2013 was a transitional year, investor sees Ireland as prepared for a future of economic growth and stability.



Meghan McCarthy / Daily News
Wilbur Ross speaks about Ireland's economy Friday at the Beach Club. About 70 people turned out.

By Robert Janjigian
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Palm Beach financier Wilbur Ross is bullish on Ireland.

Ross, who made a major investment in the Bank of Ireland in 2011 and is credited with rescuing the ailing institution, addressed members of the Ireland-U.S. Council on Friday at The Beach Club. The 50-year-old New York-based organization, whose mission is to nurture business connections for American and Irish firms, has met each winter in Palm Beach for 20 years.

About 70 people came to hear Ross' thoughts on the Irish economy.

Michael Gibbons, who organized the meeting, introduced Ross, congratulating him for his "vote of confidence" in Ireland and noting that those who bought stock in the Bank of Ireland a year ago saw the share price rise by a substantial 35 percent.

Ross quoted economist Milton Friedman at the start of his talk.

"Friedman famously said, 'If you put the government in charge of the Sahara Desert, it wouldn't take long until there was a shortage of sand.' I agree with his general assessment of government's ability to run anything, but I think that the present Irish government is an exception to that rule," he said.

The previous government clearly failed to recognize that something was amiss in the country, Ross said, citing statistics that led to Ireland's economic bubble bursting.

Austerity measures, such as reducing the cost of civil service, enforced by the new government have helped stimulate the Irish economy, he said. Mortgage tax and income tax exemptions as well as a new carbon tax have aided the recovery effort.

Prime Minister Enda Kenny also has been active in soliciting foreign direct investment in Irish companies.

"One-seventh of all the jobs in Ireland are now associated with foreign direct investment," Ross said.

Ireland's industrial base also is in good shape, he said. Pharmaceuticals rank as the country's most important industry, with agriculture, medical devices, Internet gaming and betting, global aircraft leasing and back-office financial services as other major contributors to the 2012 net trade balance of about 5 percent of gross domestic product or eight-billion euros, an all-time record.

"Low tax rates encourage foreign investment," Ross said.

The picture isn't all sunny, however. Unemployment declined only slightly, from 15 percent in February to 14.6 percent in December, due mostly to the decline in construction. Christmas sales were weak and home prices rose only slightly, he said.

Ross disagrees with projections that home prices will slide 20 percent more and that employment and overall economic growth are not in the cards.

"GDP is officially forecast to grow by 1.1 percent in 2013; this should stabilize if not slightly improve unemployment," he said. He also sees promise in "affordable" home prices, and increased savings rates and bond issues, that make banks, including the Bank of Ireland, more able to fund mortgages with long-term liabilities.

"(Last year) was a transitional year for Bank of Ireland and 2013 will be as well," Ross said. He projects that changes in banking regulations and costs, a smaller workforce and rising interest rates will further benefit the bank's bottom line in 2014-15.

"Mr. Ross knows what he's talking about," said audience member Roddy Feely, who was in from Dublin. "This is all very promising news, and it is reassuring that someone as astute as he obviously recognizes the strengths of Ireland's economy - and foresees further recovery and growth for the country."