



There is an increasingly unpopular drama unfolding in the global economy. It's not quite the epic of 2007/8. But it certainly has economists and investors gripped, as we have witnessed the Big Short on oil prices and a Revenant-style bear market that has mauled the share prices of the stock markets' biggest stars. Unlike Leonardo DiCaprio in the world of film, not many of the economy's actors have been covering themselves in glory during recent times. But with the annual Academy Awards having been handed out, we've decided to suggest some potential winners of a hypothetical Economic Gongs. So, which economies, personalities and organisations are in contention for the various categories?

### **Best Slow-Motion Economy - Northern Ireland**

Northern Ireland wins the prize for the Best Slow Motion Economy with *'The Recovery'*. Northern Ireland's economic recovery has been one of the slowest and weakest on record.

Since 1949 the UK experienced economic growth of less than 1 percent on 9 occasions. Northern Ireland has experienced sub-1 percent growth in 7 of the last 8 years.

### **Best Economy - India**

The BRICS have dominated this category in recent years. However the slowdown in China coupled with the commodity downturn has hit Brazil, Russia & South Africa particularly hard. Indeed, South Africa had three different finance ministers in the space of a week, allowing only cameo roles for two ministers. Meanwhile Brazil is heading for its deepest recession since at least 1901. India is the star of the BRICS and has overtaken China as the fastest growing major economy in the world. Economic growth topped 7% last year with 7.6% pencilled in for 2016. The total size of the Indian economy is expected to exceed Japan and Germany combined by 2019.

### **Best Supported Economy - China**

This became a three-horse race between Germany, China and India. Germany posted a record budget surplus in 2015 following a balanced budget in 2014 (its first since 1969). However, Germany's economic fortunes, or rather misfortunes, are linked to the Eurozone. Furthermore, unfavourable demographics pose a significant challenge for Germany and indeed China. India is the one economy with favourable demographics from a young and growing population. India has recently elected a pro-market government through Narendra Modi in 2014 and has a first rate Governor of its central bank. Given that India imports over 70 per cent of its oil needs, the collapse in the oil price benefits it hugely. However, China pips India for this award for now. China is able to engage in fiscal policies on a scale that no other countries could adopt. While this is sowing the seeds of future problems, it is a huge support in the short-term. There is also scope for further monetary stimulus (e.g. interest rate cuts) and China continues to have significant reserves to support its currency.

**Best Adapted Screenplay - UK Chancellor, George Osborne**

When it comes to adapting others' policies, the UK Chancellor George Osborne pulled off a show stopper in the July 2015 Budget - the first all-Conservative Budget for 19 years - when he announced a £9.90 National Living Wage by 2020. To say this came as something of a surprise is an understatement, as this is classic Labour territory. Some would say he stole Labour's clothes, so a nomination in the Best Economic Costume category is also a given.

The UK Chancellor could also be a contender in another category. The slasher genre (fiscal austerity) would have featured heavily in recent years, and rumours are George Osborne is going to release yet another austerity production on 16<sup>th</sup> March. This time the focus is likely to be on tax rises and reducing tax reliefs, rather than spending cuts. Pensions should feature prominently in what some film buffs have dubbed "Honey I shrank your lump sum".

**Best Director - Raghuram Rajan**

Central bankers would have failed to secure any nominations in this category during recent years but this year is an exception. The Federal Reserve's Chairman, Ben Bernanke and Bank of England Governor, Mervyn King, lacked the directorial vision to see the Global Financial Crisis coming, but not so the current Governor of the Reserve Bank of India, Raghuram Rajan. As Chief Economist of the IMF in 2003 - 07, he warned the central banking community, now his peers, that a crisis was coming, but was ignored. Now, in contrast to his counterparts in China, Rajan has been very proactive in identifying bad loans within India's state owned banks. "To the question of what comes first, clean up or growth, I think the answer is unambiguously, 'Clean up!'" Rajan said earlier this month.

**Best Editing & Make-Up - China**

For its less than complete GDP figures, China claims this gong. (It might also contend for the Best Make-Up award.) The world's second largest economy collects its quarterly GDP figures faster than anywhere else in the world, and they are never revised. But as WikiLeaks revealed, Li Keqiang, the Chinese Prime Minister admitted in 2013 that Chinese economic statistics are 'man made' and, apart from numbers for electricity use, bank lending and rail freight, are for 'reference only'.

**Best Live Action Short** - The former Greek Finance Minister, Yanis Varoufakis, who gained rock star status, was a shoo-in for this category. His quotes such as "*fiscal waterboarding*" and one-liners ("*I shall wear the creditors' loathing with pride*") were legendary. Had his ministerial career not have been so short Varoufakis would have hoped to bag a number of awards such as Best Director.

### **Best / Worst Sequel - Brexit**

We have recently been exposed to financial market turmoil, particularly within Emerging Markets. But these are merely trailers for Part III of the Credit Crunch trilogy, following the Eurozone Sovereign Debt Crisis and Lehman Brothers prequels. So the build-up to the UK referendum on the EU takes this category, as a sequel to 2014's Scottish Independence Referendum. Brexit would promise even more turmoil for the UK than Scottish Independence if it came to pass, and has arguably created even more drama and intrigue than its predecessor to date, with some of the biggest UK political actors going head-to-head in this blockbuster. We've been bombarded with trailers and contradictory reviews already around everything from the potential impact on economic growth and to the potential devaluation of Sterling, and there will be lots of subplots emerging between now and June 23<sup>rd</sup> as well. Some critics have dismissed the film as hype. There are rumours that two different endings have been filmed. There will be a public vote to determine which one will be used.

### **Best Comeback - Ireland**

When it comes to the Best Comeback, who can argue with Ireland's 'Chinese' economic growth rate of close to 7% in 2015? Spain and even Iceland deserve honourable mentions, but the Irish economy takes the award. Yes, there are still questions around Ireland's elevated levels of household debt (164% of GDP v an EZ average of 95%), issues in relation to mortgage arrears and less than half of the jobs lost during the recession have been recouped thus far. 2016 should see more people arrive in Ireland than leave. No mean feat following years of emigration. But when you consider that Ireland has enjoyed a trampoline-like rebound from its substantial EU-IMF bailout of 2010, it is a deserving winner. The only unknown is who will deliver the acceptance speech following the inconclusive General Election result.

The Economic  
Gongs for 2015/16



<p>Best Comeback</p>  <p>IRISH ECONOMY</p>	<p>Best Editing</p>  <p>CHINESE GDP FIGURES</p>
<p>Best Adaptation</p>  <p>GEORGE OSBORNE</p>	<p>Best Economic Director</p>  <p>RAGHURAM RAJAN, INDIAN CENTRAL BANKER</p>
<p>Best Economy</p>  <p>INDIA</p>	<p>Best / Worst Sequel</p>  <p>UK BREXIT REFERENDUM</p>

## Conclusion

With India collecting a number of awards, it could be said that this year's Economic Gongs are more like Bollywood than the annual Academy Awards. However, it is the Best Original Song from the Oscars that best reflects the 'Spectre' of more turbulence hanging over the global economy during the remainder of 2016. As Sam Smith's song goes: the 'Writing's on the Wall'.

Indeed, the pressure is on central bankers to produce a box office hit. Previous productions such as "*Forward Guidance*" have flopped, with economy watchers struggling to follow the plot. Looking ahead, we are likely to see policymakers increasingly making use of tools were once only thought to exist in an (academic) galaxy, far far away. While sounding somewhat sci-fi, the tools of 'ZIRP' (zero interest-rate policies) have been replaced by 'NIRP' (negative interest rate policies) in the battle against the enemies of deflation and secular stagnation. The key question is - who will shoot first (and run out of ammo first) as the potential for currency wars hots up?

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