

Irish Economic Chartbook

AIB Economic Research Unit

October 2025

Irish economy robust despite global risks



Irish economy performed robustly so far 2025, some sign of easing momentum

Tariff frontrunning has boosted GDP

The Irish economic picture is clouded by the prevalence of US multinationals, which have ramped up exports sharply in H1 2025 ahead of expected US tariffs, boosting Irish GDP growth temporarily. Provisional GDP data for Q3 show a marginal fall in economic activity exports normalised. However, domestic indicators such as consumer spending and employment suggest the economy is still growing at a solid pace.

Sentiment surveys have dipped on tariff worries

Sentiment surveys suggest Irish firms and households have a gloomier outlook due to geopolitical uncertainty. Consumer confidence fell to its lowest level since the post-Ukraine War period earlier in 2025, but has since regained some ground. The AIB Composite PMI future output survey also fell sharply in April but has also since recovered somewhat.

Consumers continue to spend, but business investment softer

While the surveys have weakened, hard data point to a more nuanced picture. Consumer spending was up 3.2% y/y in Q2 2025. AIB nominal card spend data for [September 2025](#), also showed robust growth of 10% y/y. For firms, the trends are more muted. Both the AIB PMIs and other surveys suggest hiring growth has eased in 2025. This is reflected in employment growth easing to 2% y/y in Q2 2025 from a near-3% pace in 2024. Business investment trends have also been softer, with machinery & equipment (ex-aircraft) spending rising a modest 1% y/y in Q2 2025.

Irish pharma exports benefitting from emergence of weight-loss drug market

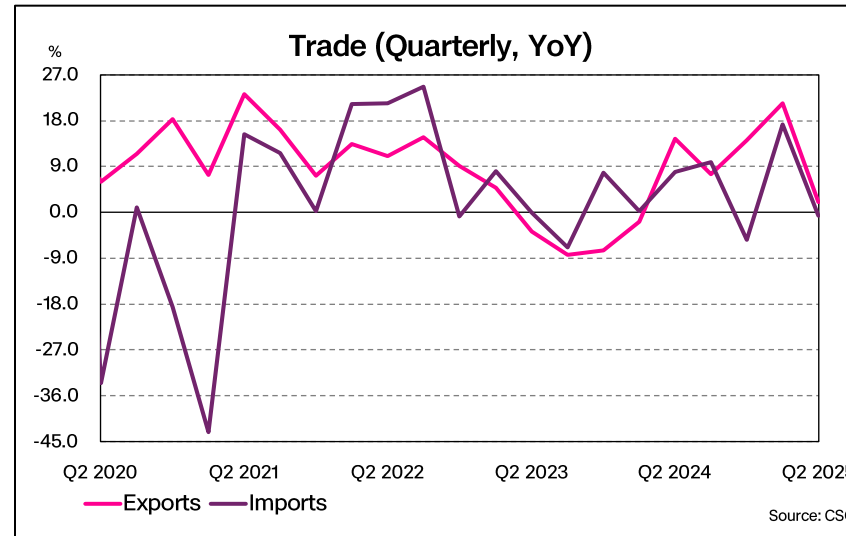
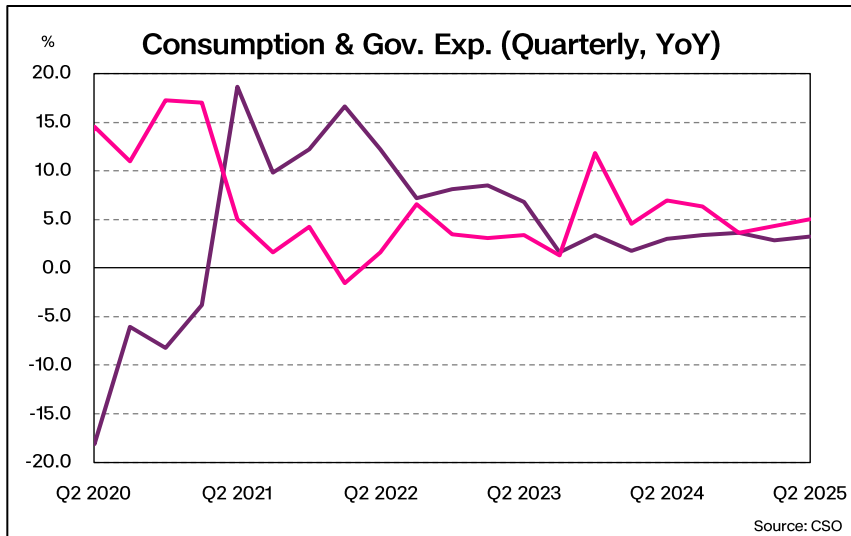
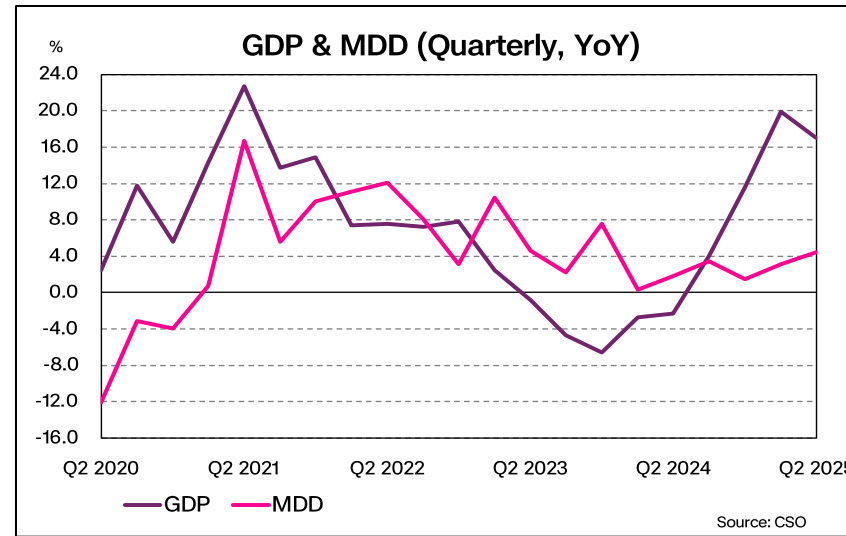
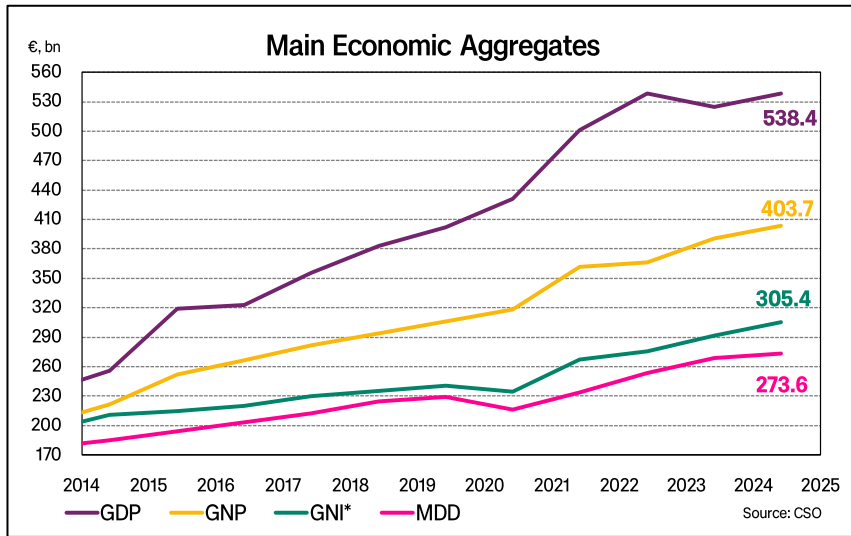
These softer trends in the Irish surveys inform the relatively modest MDD growth expectations. However, we have recently revised up our exports and GDP forecasts for 2026 compared as the latest trade data point to an emerging category of exports related to weight-loss drugs.

As outlined in a recent [WSJ article](#), Ireland has recently become a production hub for the weight-loss drug market. A specific hormone derivative product accounted for 56% of all Irish pharma exports to the US in H1 2025, compared to just 8% in H1 2024. This is likely originating from a new production line by Eli Lilly, with a further facility due to come on stream in Limerick in 2026. The surge in global demand for weight-loss drugs is likely to underpin Irish pharma exports in the near term, although this highlights the increasing importance of a small number of firms for Irish GDP, and the growing reliance of the Exchequer on associated tax receipts, as analysed in the recent AIB Economic Outlook. ([May 2025](#))



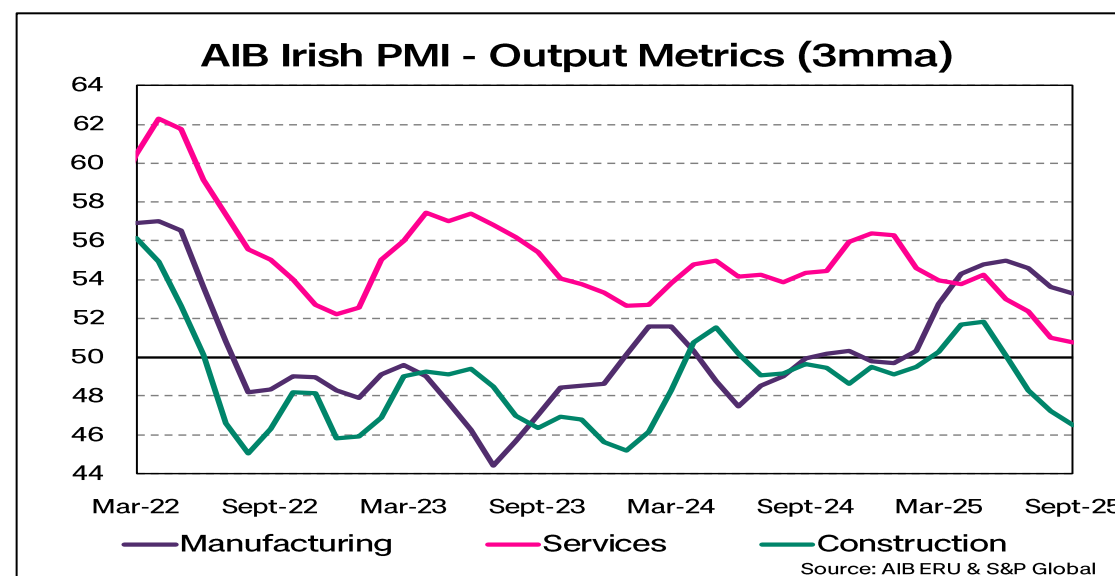
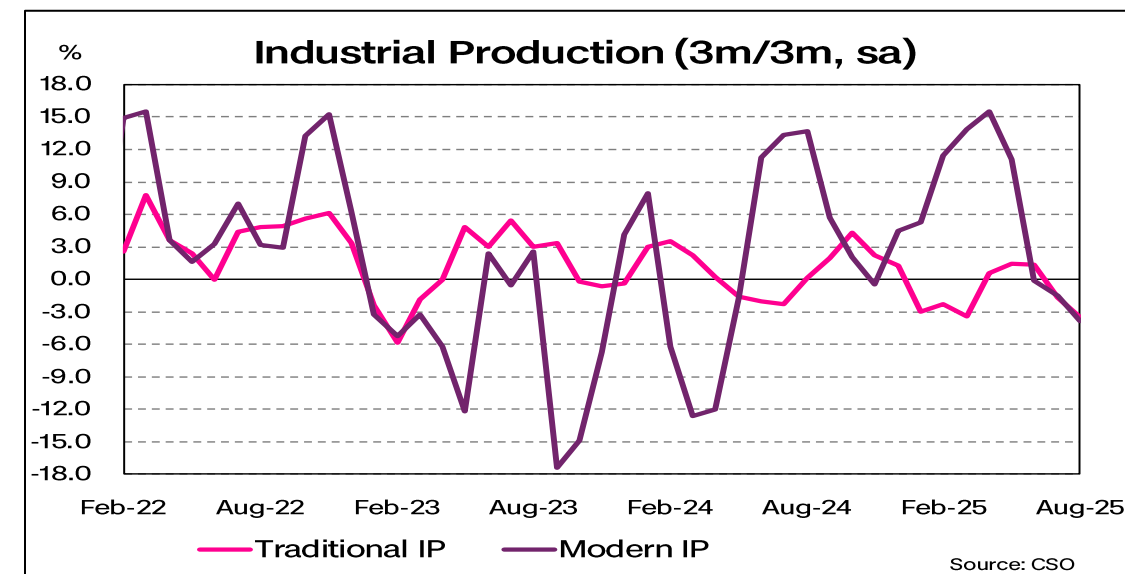
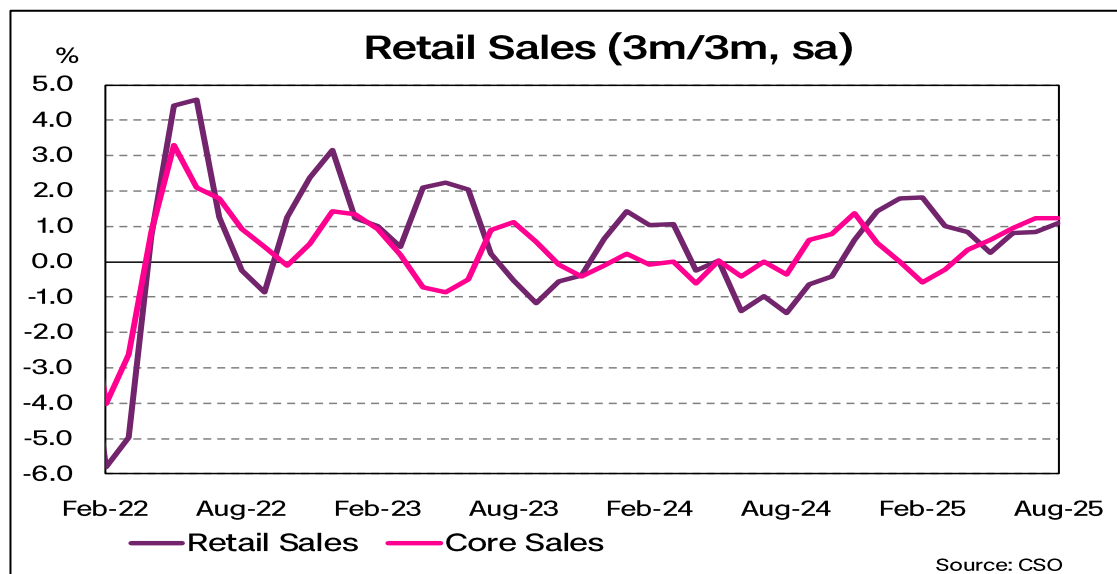
Sources: AIB, S&P Global, Irish League of Credit Unions

Irish economy performing strongly in recent years

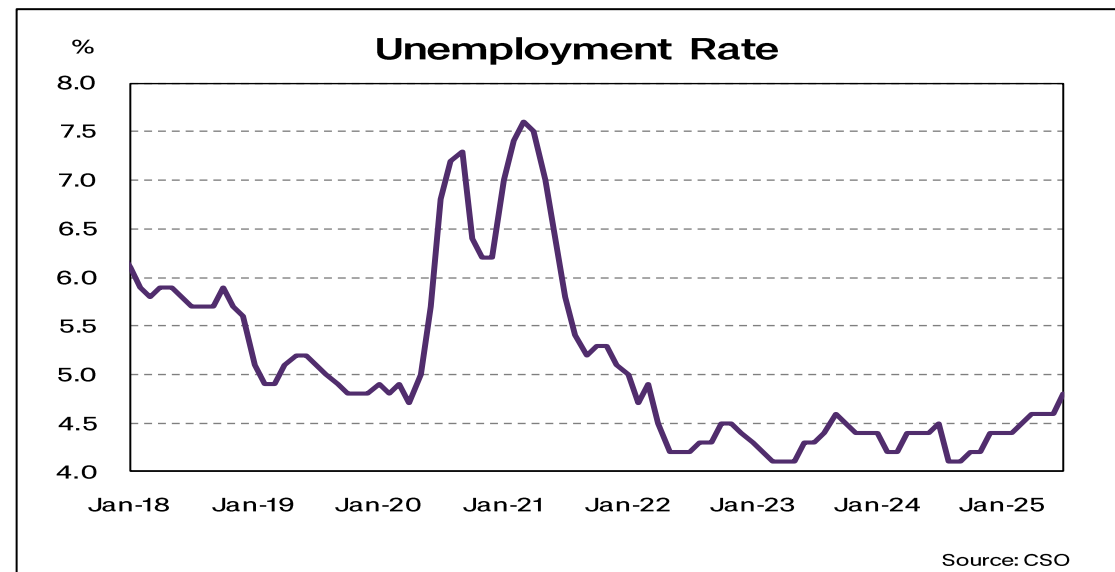
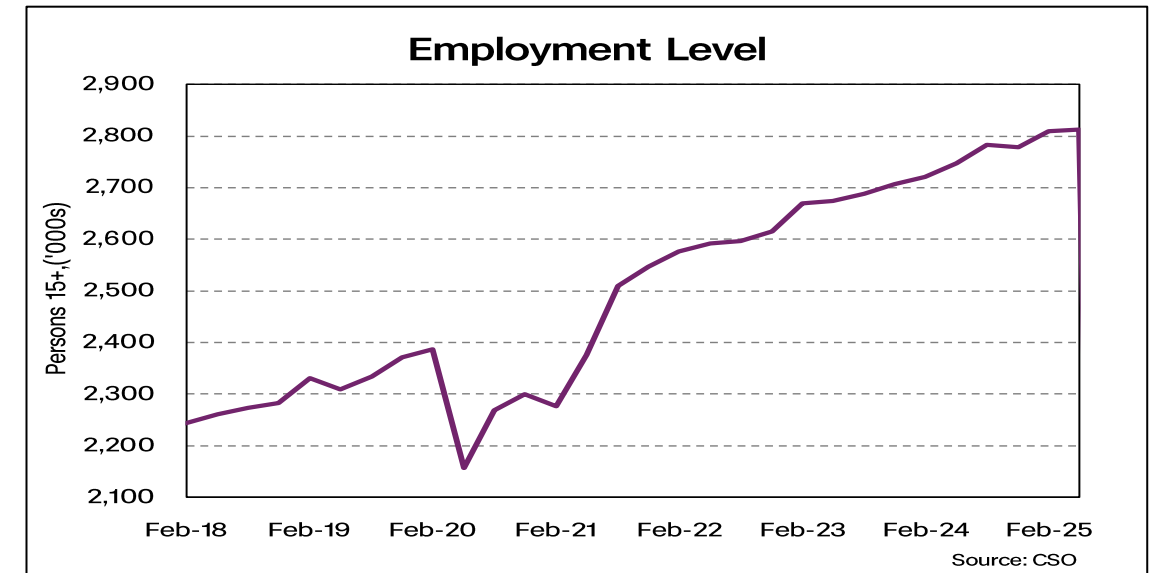
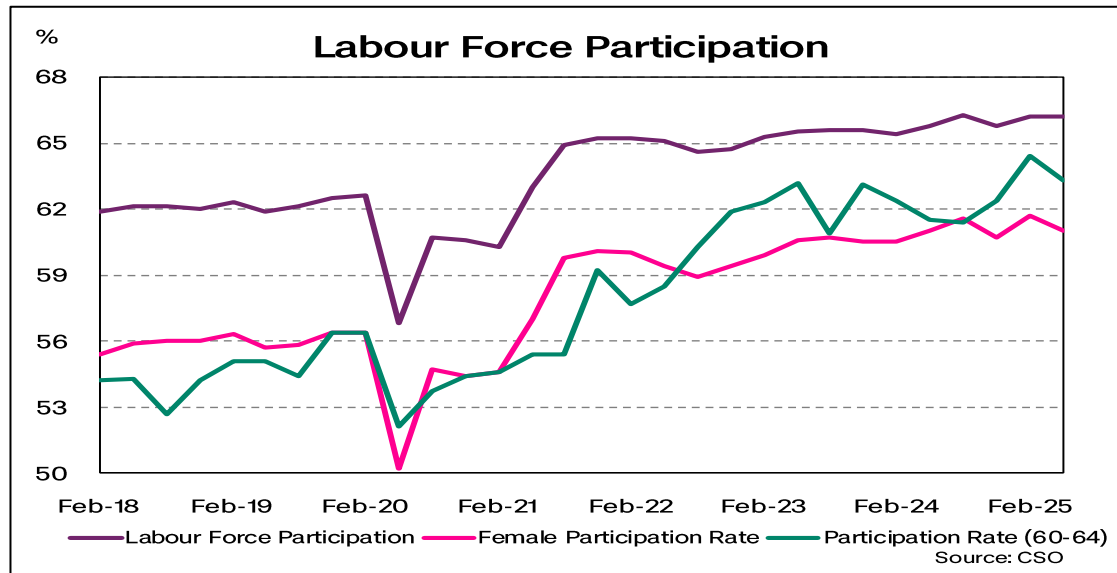


- GNI* (Modified Gross National Income) up 4.8% in 2024.
- GDP rockets 18.5% higher in H1 2025 – Significant boost from exports.
- MDD (Modified Domestic Demand) expanding at a solid pace – up by 3.8% YoY in H1.
- Overall, economic growth has remained solid so far in 2025.

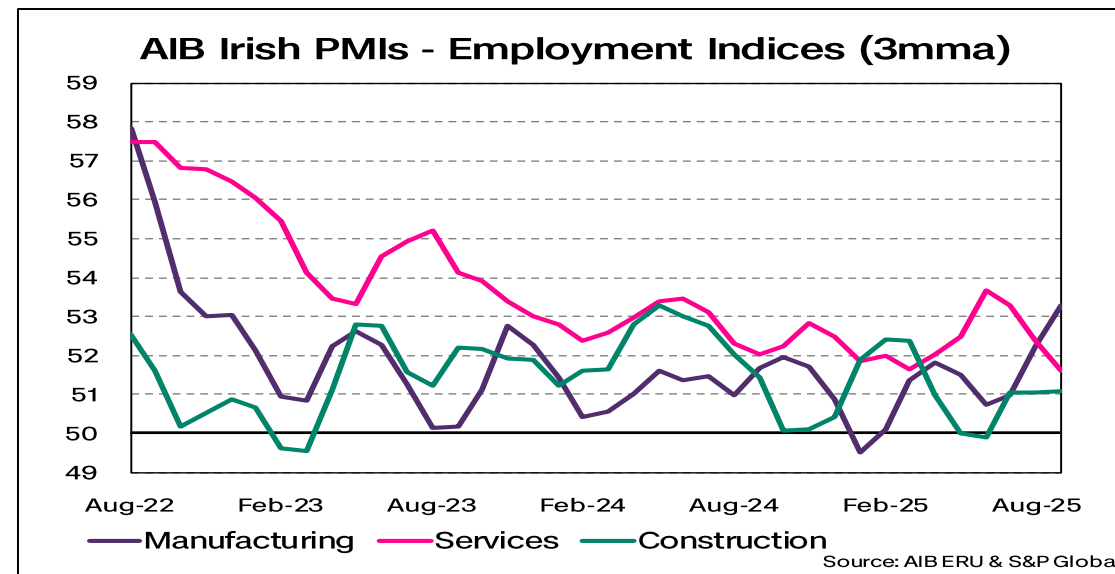
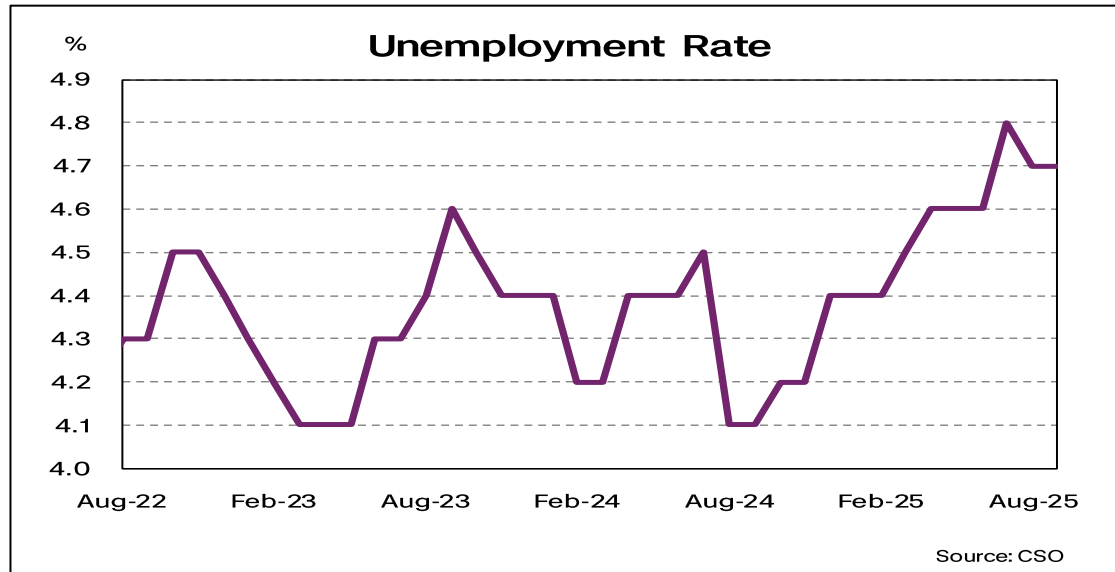
More recent activity measures have been mixed



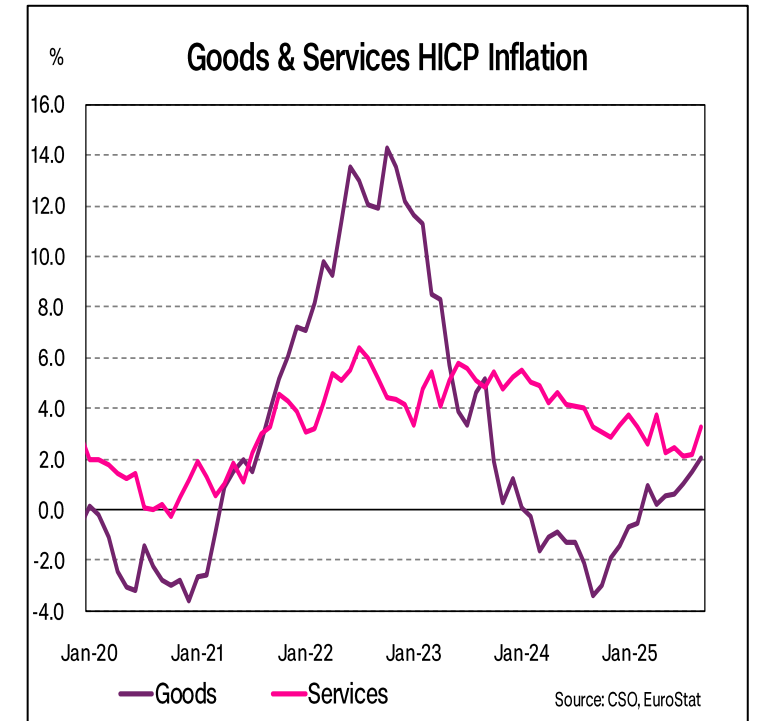
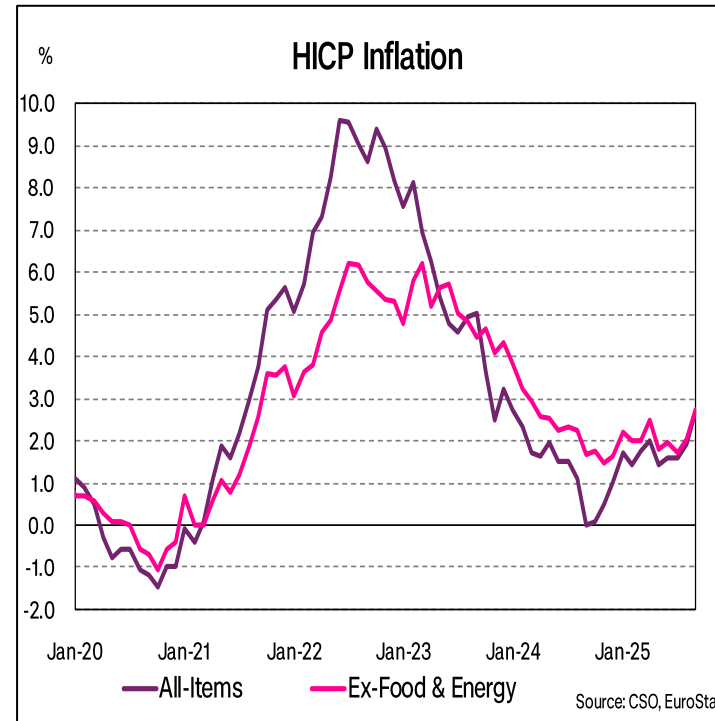
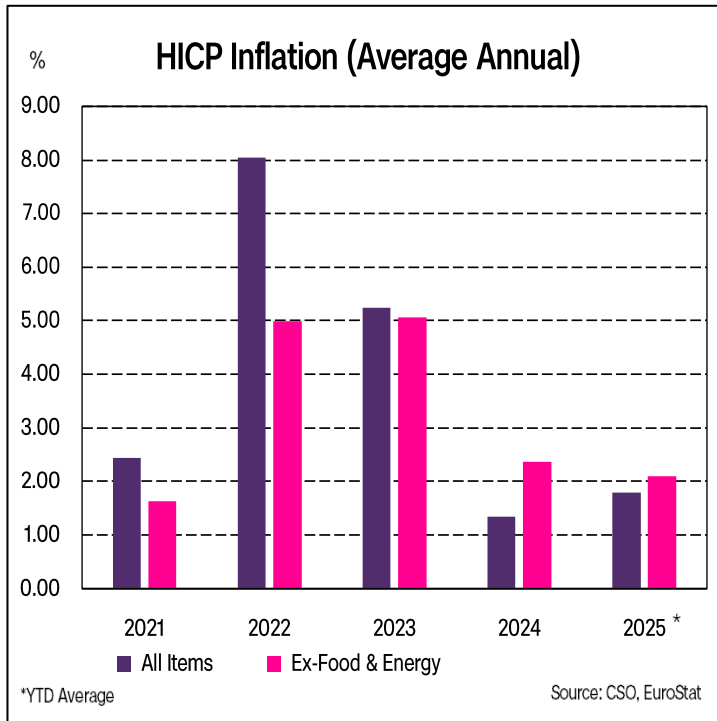
Labour market has been strong post-COVID



However, there are signs conditions are softening

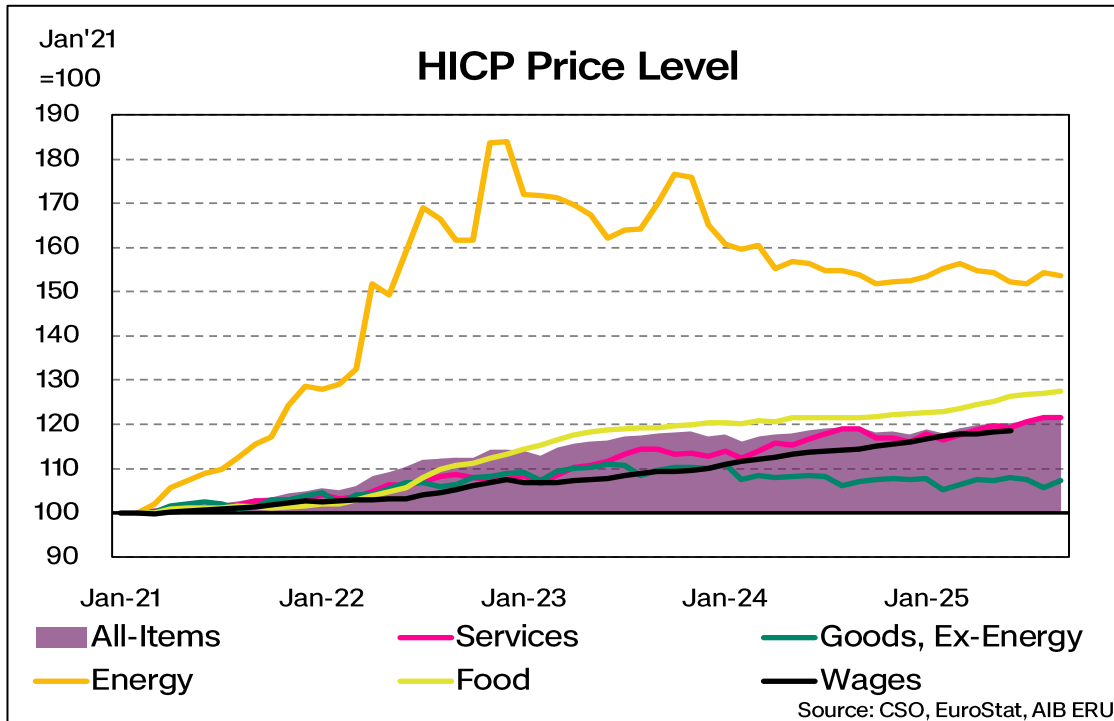


Inflation remains near 2%, having spiked in 2022-23



- Inflation spiked in 2022, averaging over 8%. It remained elevated throughout 2023 also.
- However, over the past 18 months, inflation has been close to 2%.
- Inflation has risen once again recently but this has largely been to base effects.

Wage growth has not quite kept pace with inflation

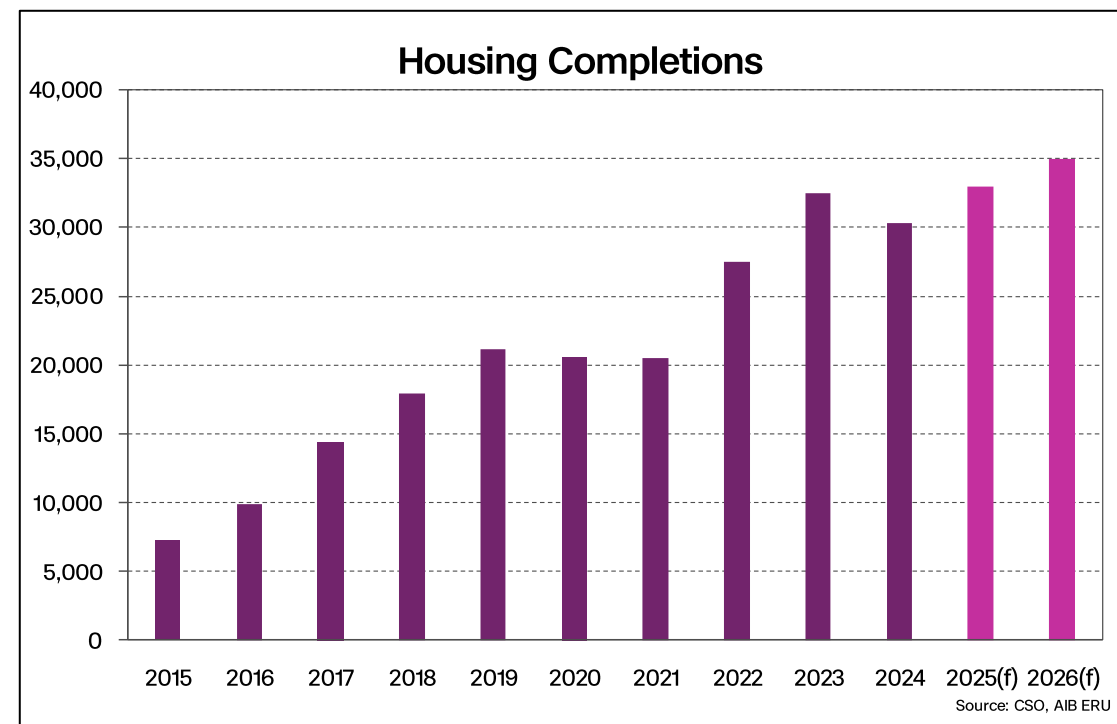
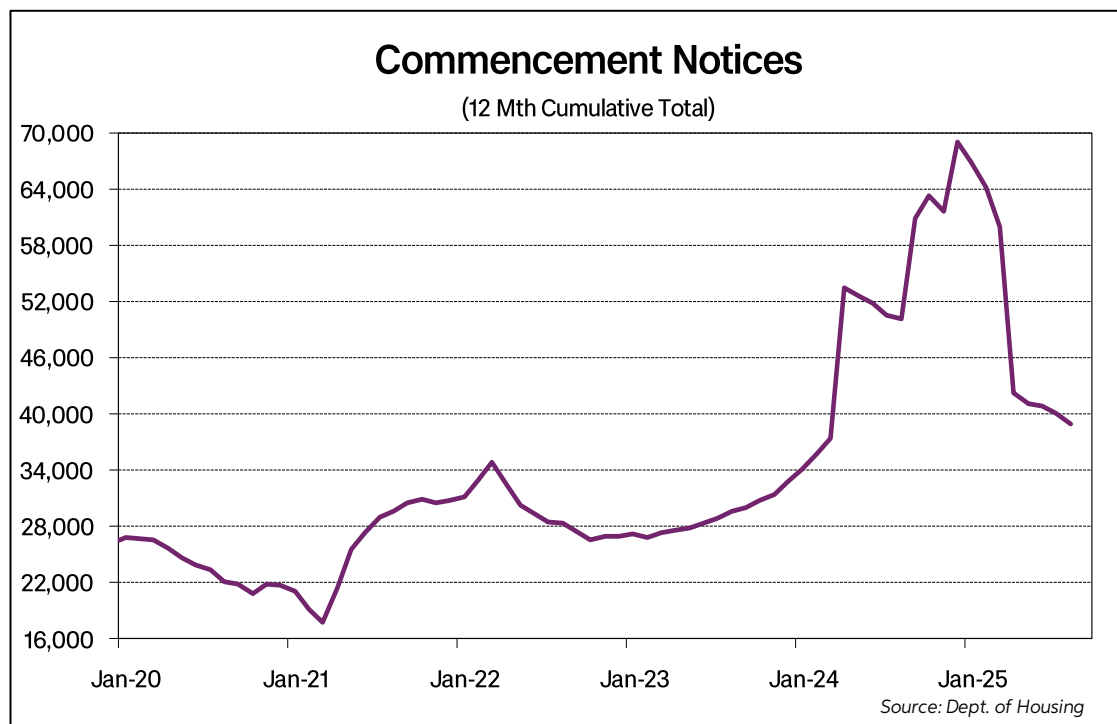


- Although inflation has fallen, prices are circa 20-25% higher since the start of 2021.
- Importantly, energy and food prices have significantly outpaced wage growth.
- However, real wage growth has been positive for the past 18 months.

Housing Market

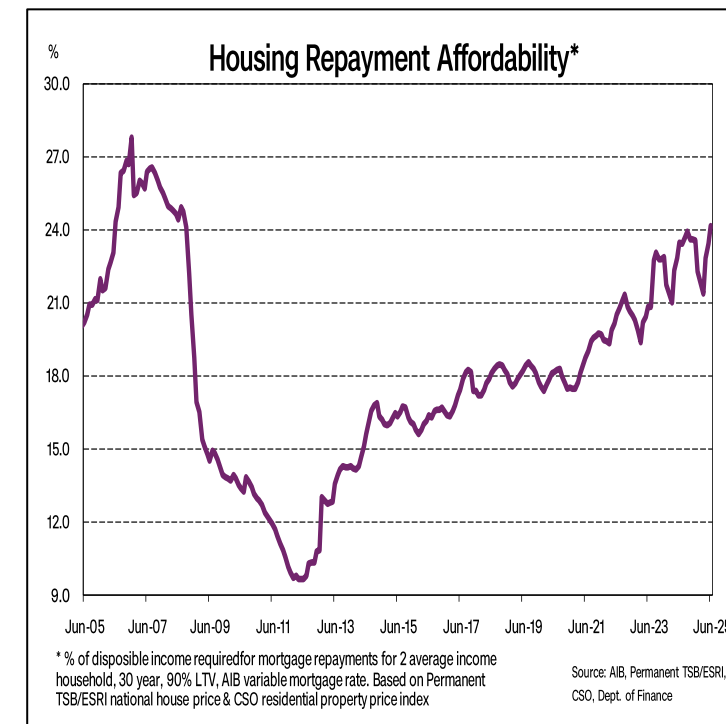
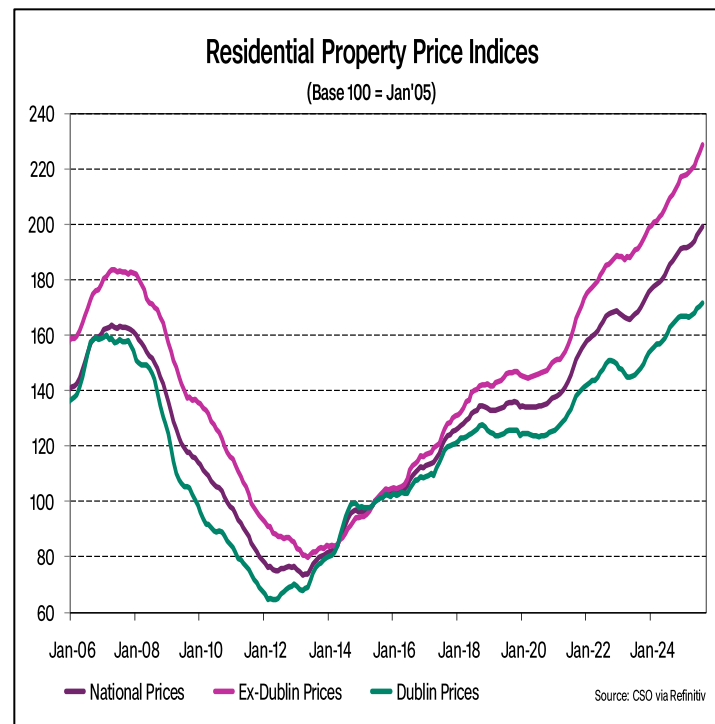
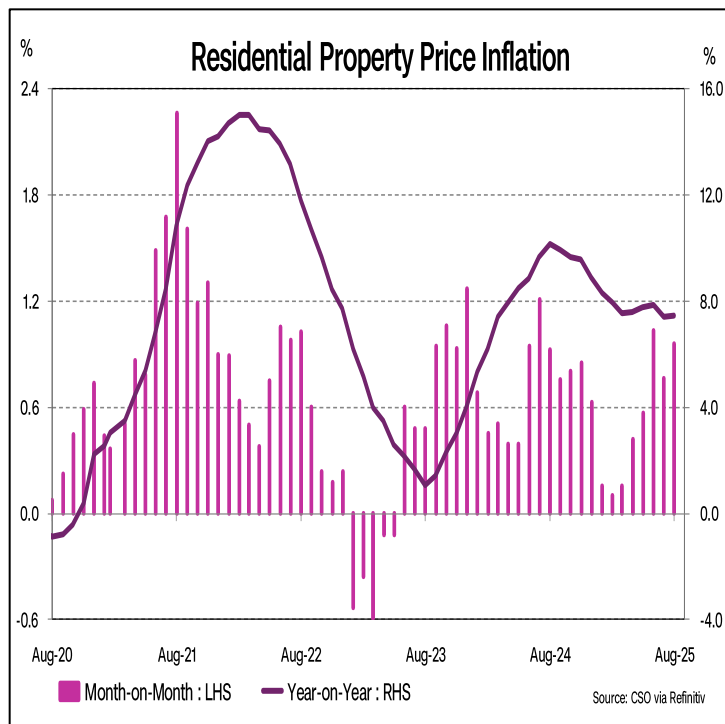


Housing completions expected to rise



- Housing commencements surged in 2024 but have plummeted so far this year.
- Just 10,200 commencements registered in the first three quarters of 2025, down 80.4% YTD.
- Around 30,000 homes completed in 2024, down from 32,500 in 2023.
- Completions up by 13.1% YTD at the end of September. Upside risks to our forecast for 33,000 units in 2025.

House prices continue to rise sharply

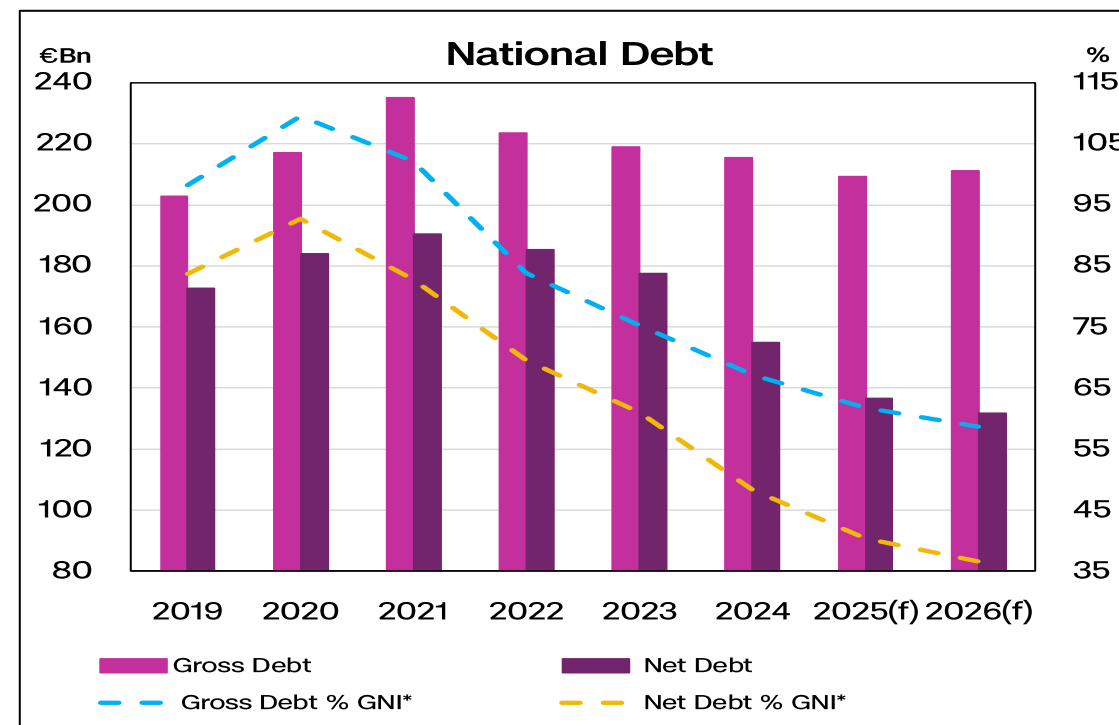
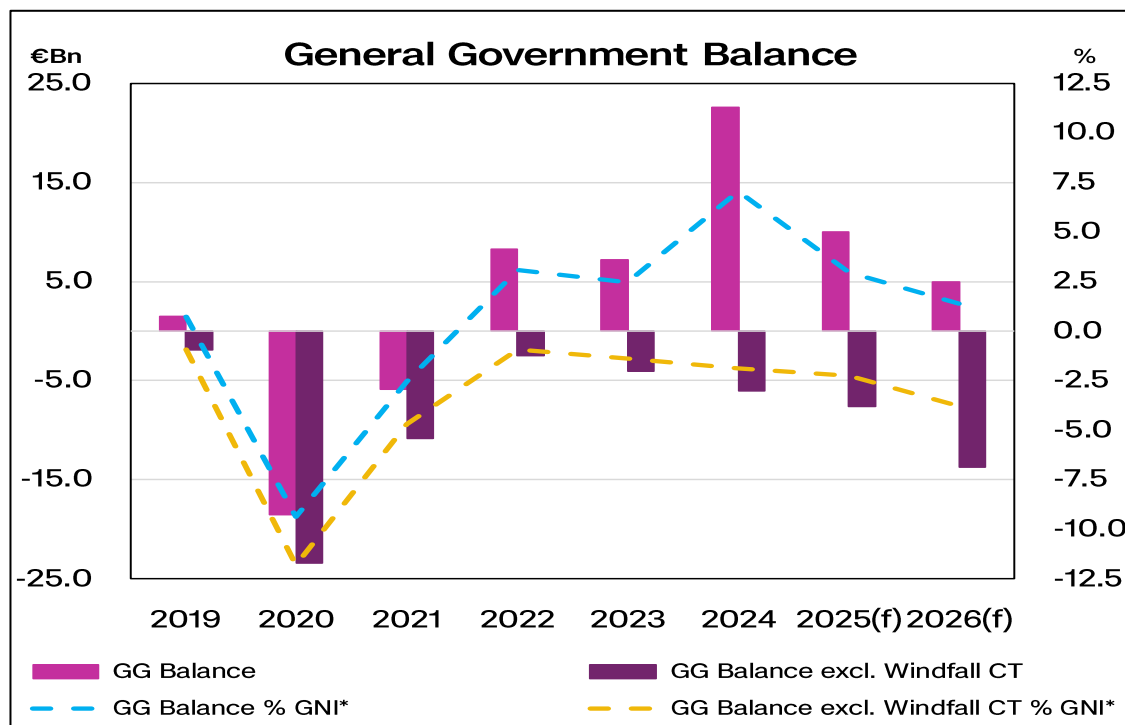


- Residential Property prices rose by 8.5% in 2024. Currently up by an average of 7.4% in 2025.
- Property prices outside and in Dublin are above their Celtic Tiger peak.
- The trend of deteriorating affordability has accelerated post-COVID.

National Balance Sheet & Budget 2026

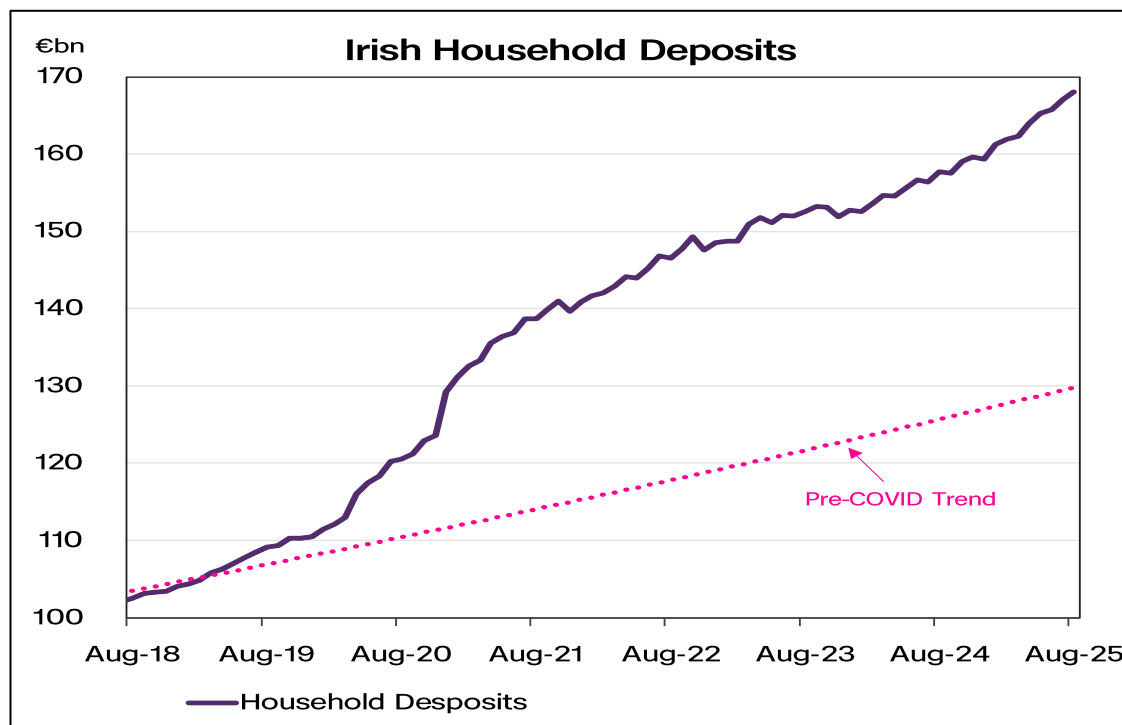


Gov. finances supported by windfall CT receipts



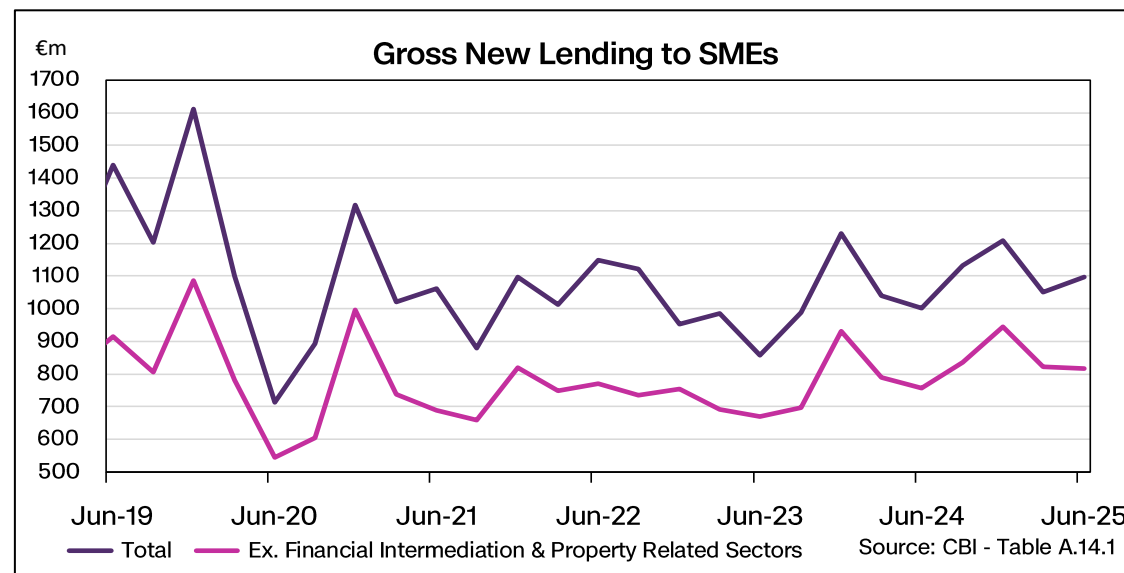
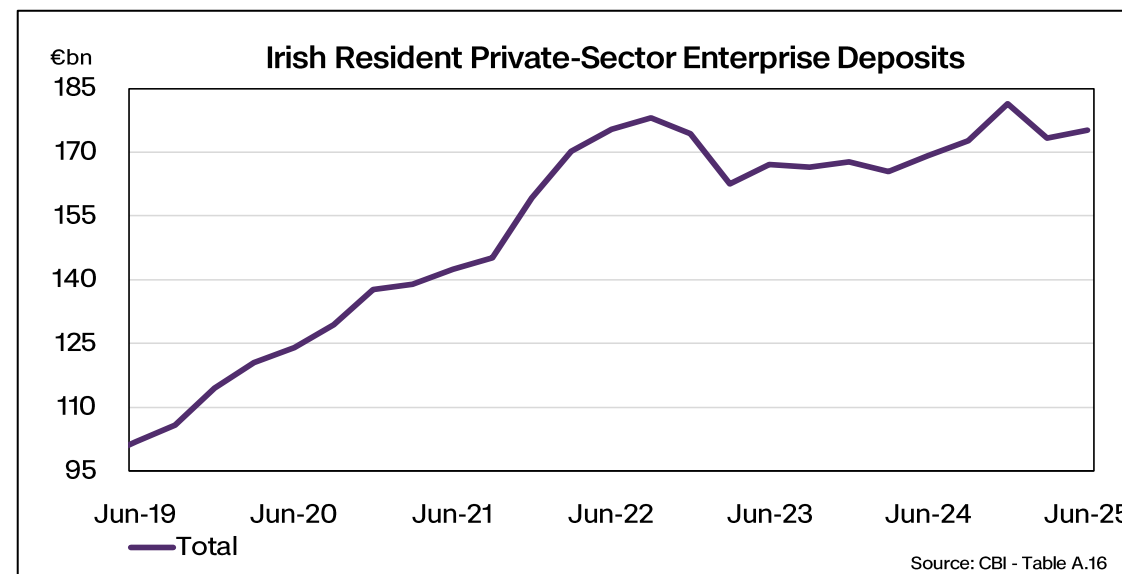
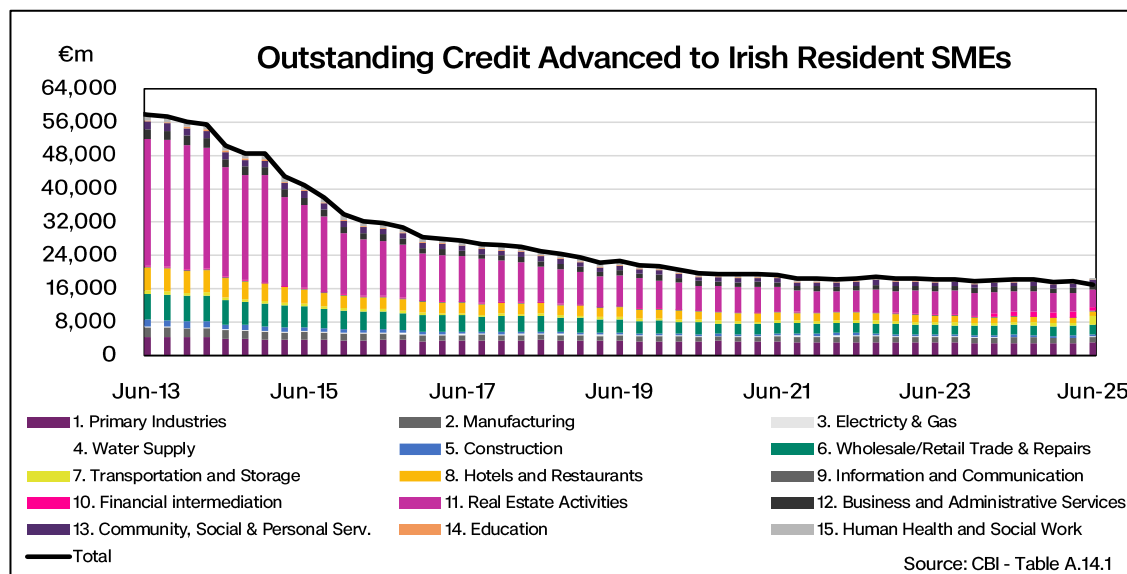
- Government set to register a surplus once more in 2025 & 2026.
- However, substantial levels of “windfall” corporate tax receipts are masking significant increases in expenditure.
- Both gross and national debt are falling as a share of GNI*.

Household have low debt and high savings



- Household deposits have continued to rise very sharply post-COVID.
- Household debt to income ratio around 90%, less than half of the peak of 210% seen in 2010.
- Deleveraging and savings build-up indicates that on aggregate, households have room to spend.

Indigenous firms have also deleveraged



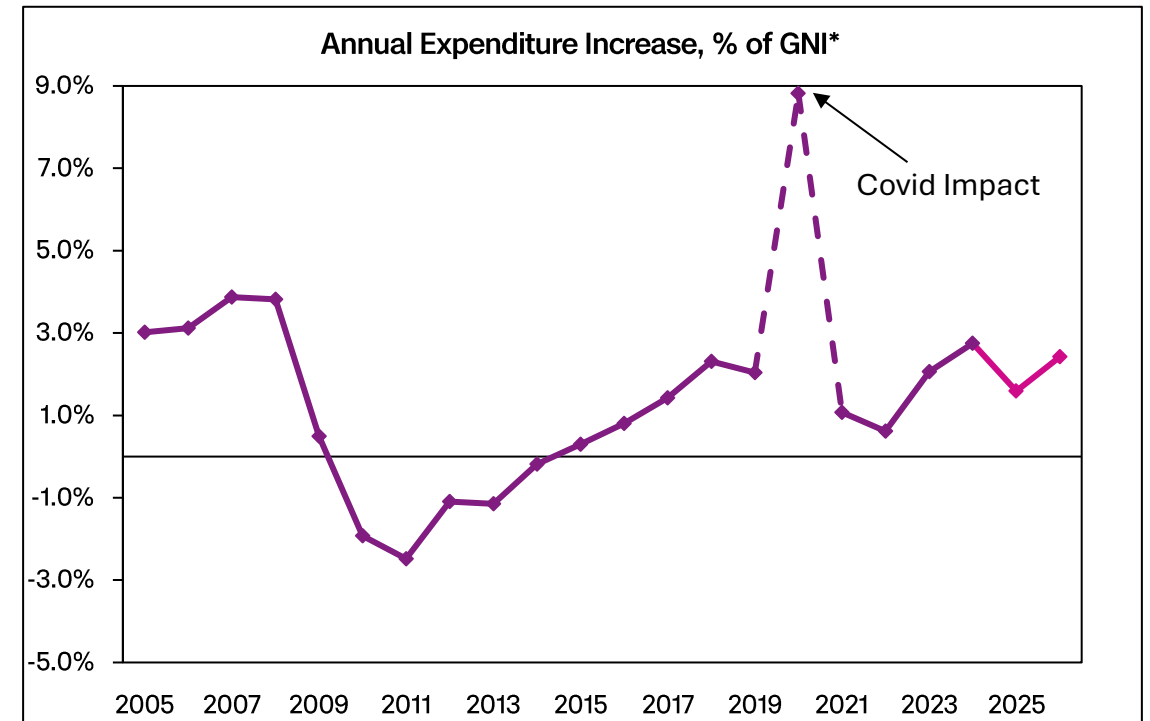
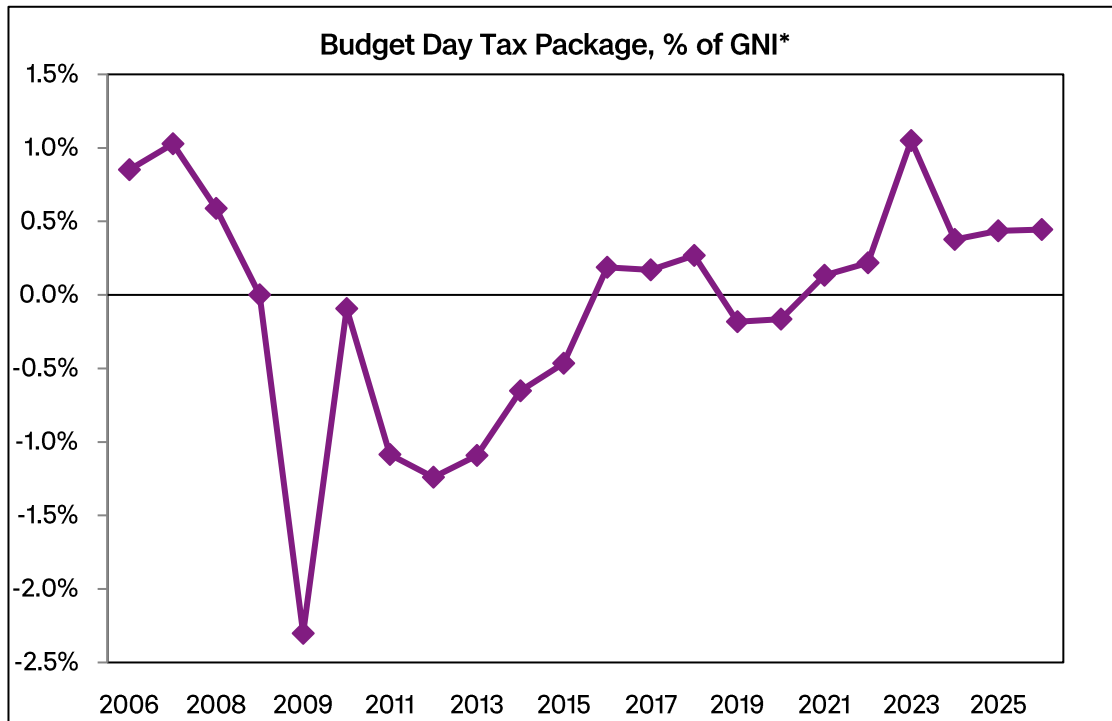
Overall Budget 2026 package of €9.4bn



In total - €9.4bn in new measures

- This includes €8.1bn in spending measures, €1.3bn in tax
- Also €3.7bn spending overruns in 2025 which increases the expenditure base
- Big boost to capital spending in coming years expected - €19bn next year
- Focus on business supports over workers in this Budget – VAT cuts, R&D credits etc.
- This still marks one of the largest Budget day packages ever, and does not come without risks of overheating the economy
- Spending increases enabled by surge in corporate tax receipts – c.€32bn in 2025
- The Government is contributing to sovereign wealth funds (€22bn by end 2026), with other monies also sitting with NTMA adding up to €72bn in liquid assets.

A big budget giveaway in a historical context



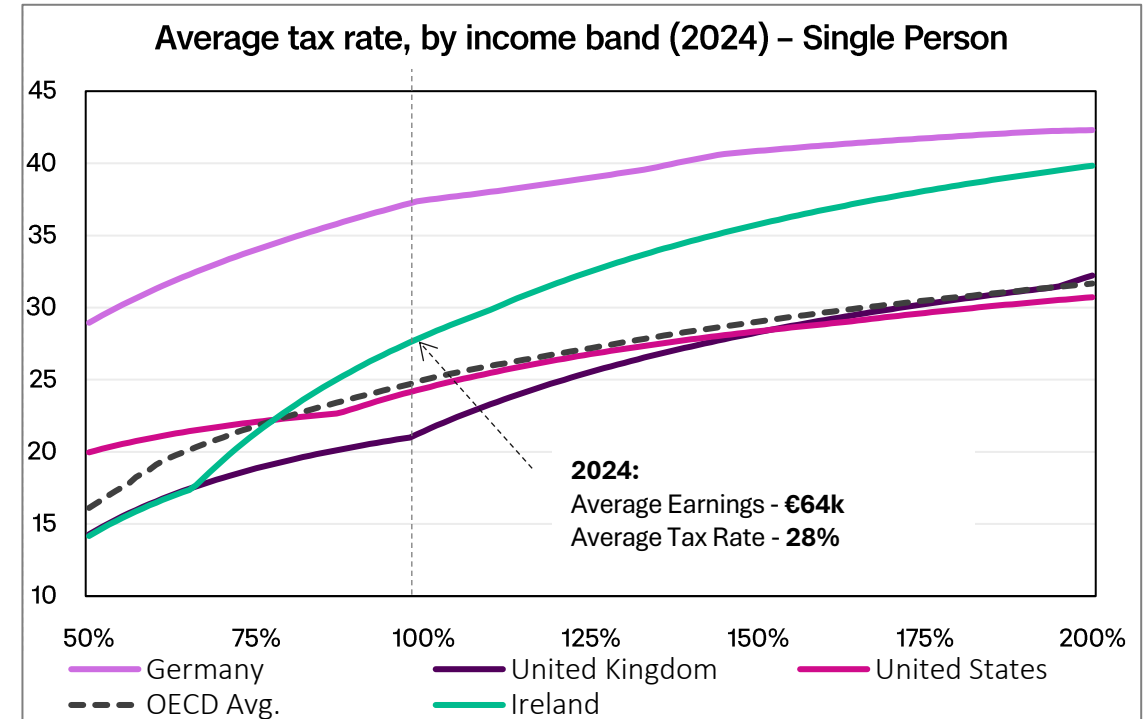
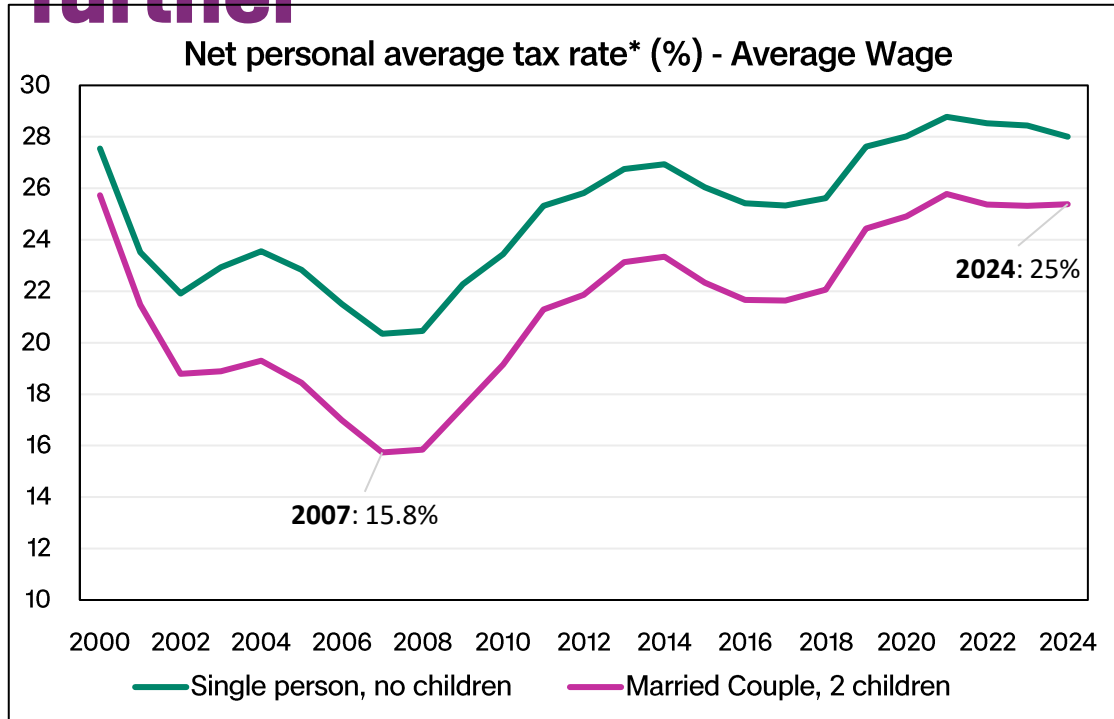
Sources: Dept of Finance, AIB ERU

- Planned spending increase worth c.2.5% of GNI* in 2026 is significant, albeit short of 3%+ increases during 2004-2007 period
- Tax package at 0.4% of GNI* is well short of tax cuts worth 1% of GNI* during 2004-2007 period

Income tax rates elevated vs. peers, will rise further



further

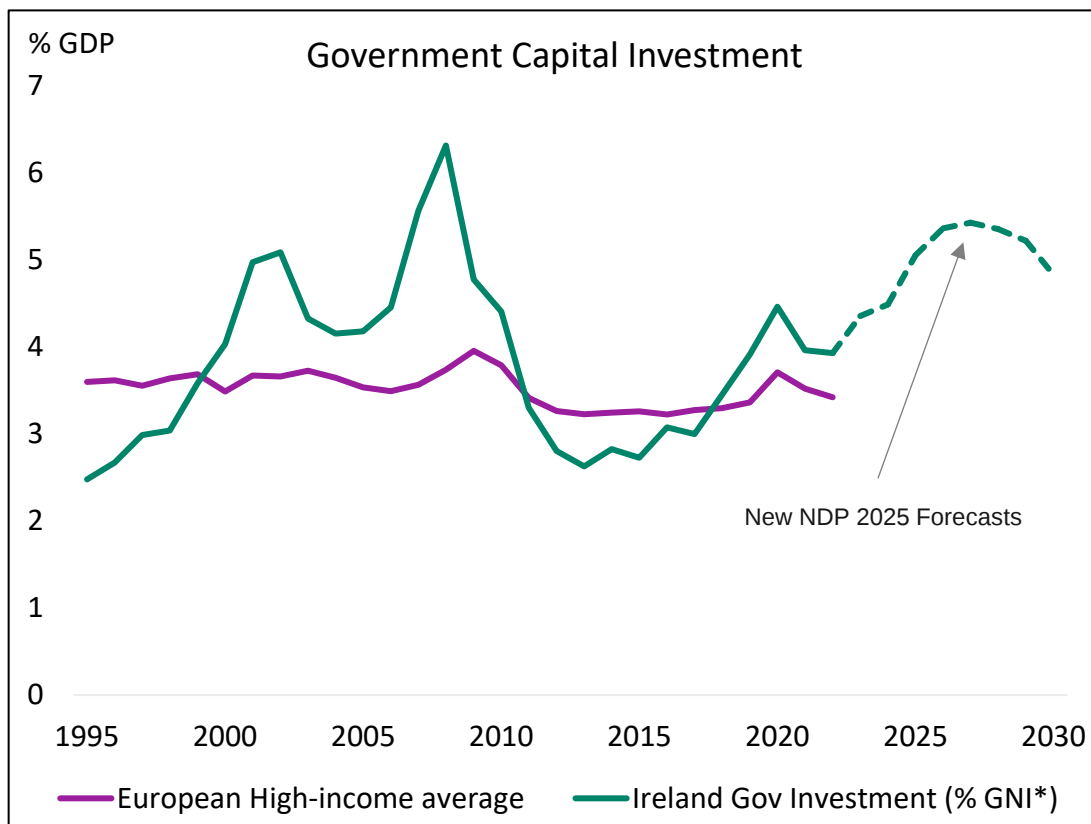


Sources: OECD

* Including cash transfers from state such as welfare payments

- Income tax freeze implies a take hike as prices and wage push households into higher tax brackets.
- Net income tax rates (including cash transfers), have been steadily increasing in recent years, with Ireland having relatively high tax rates versus OECD peers

Infrastructure spending to reach record levels



€ billions

National Development Plan Allocation (2026-2030)

Ministerial Vote Groups

2026-2030

Housing, Local Government and Heritage	36.0
of which: Housing and Other	28.3
of which: Water	7.7
Transport	22.3
Health	9.3
Education	7.6
Climate Environment and Energy	5.6
Further and Higher Education, Research, Innovation and Science	4.6
Others	17.1
Total Exchequer	102.4
Non-Exchequer funding	29.7
Total NDP Funding	132.1

- Big ramp up in capital spending planned over the next five years – 40% will go to housing and transport
- Expected Budget day package of €9.4bn includes €7.9bn in spending increases and €1.5bn in tax.

Risks to the Outlook



Two-sided risks for the Irish economy

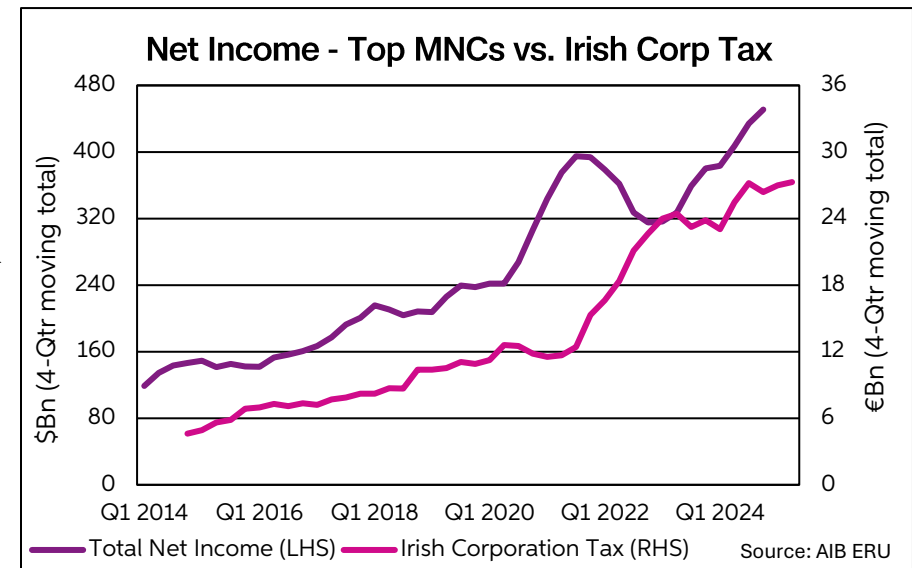
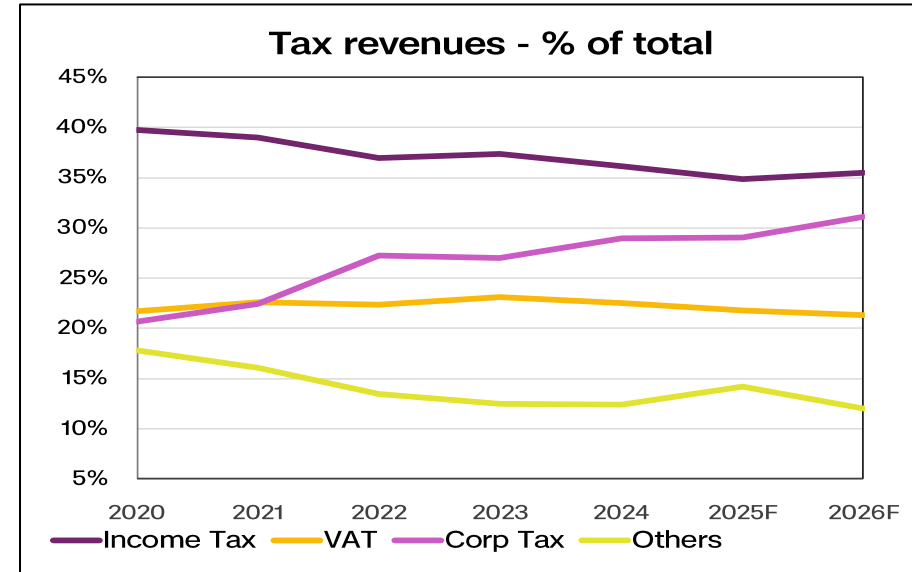


Upside Risks

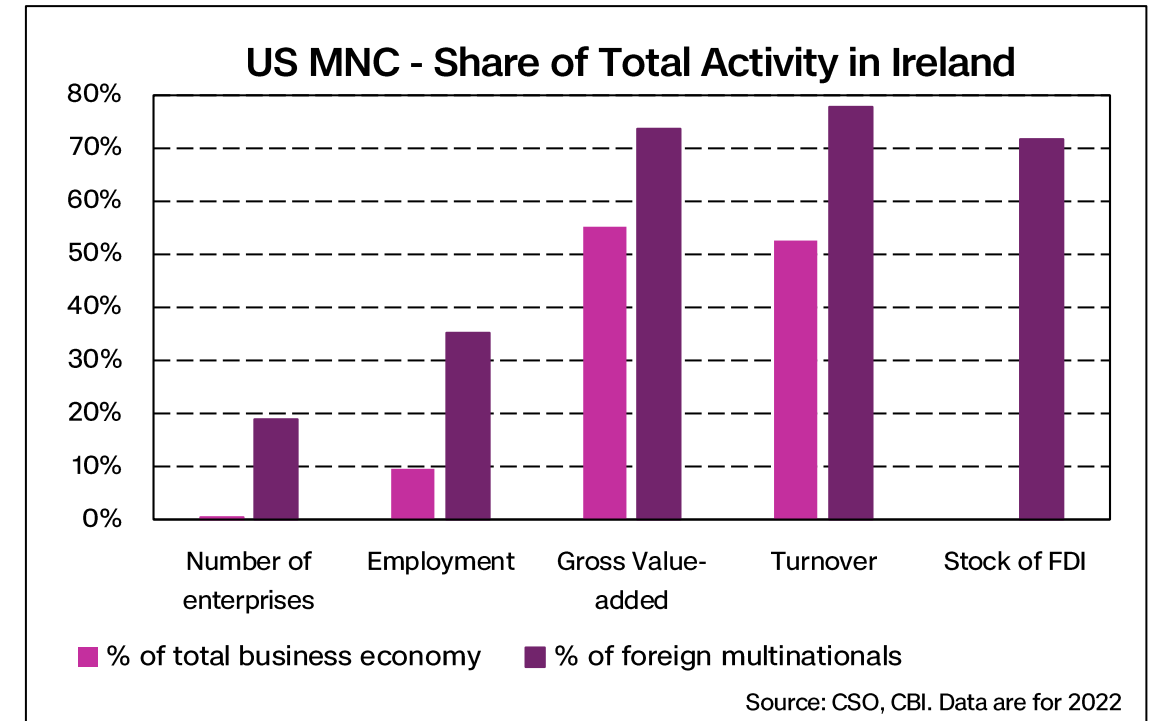
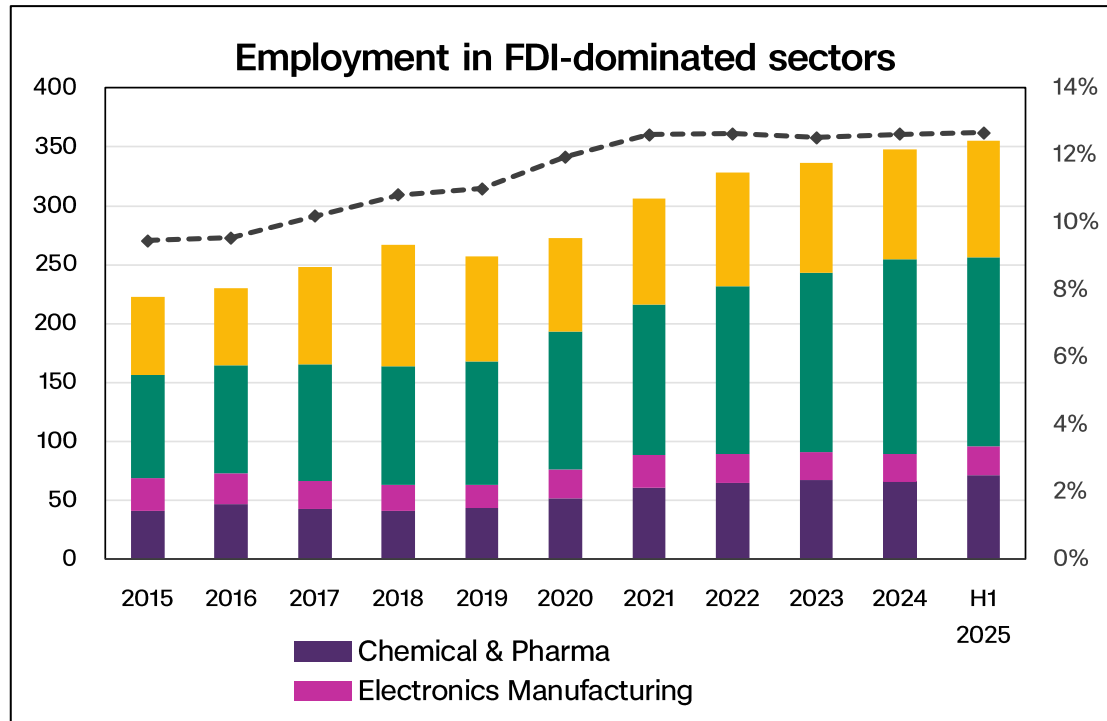
- COVID savings glut for households could support consumer spending and stronger growth.
- FDI Export sector still exposed to rapidly expanding pharma & Tech sectors.
- Rapid population growth likely to ease, but forecasts have consistently undershot reality.
- Predictable political environment amid global uncertainty – Key for attracting investment.
- EU fiscal stimulus could boost growth in Ireland's largest trading partner.

Downside Risks

- Open Irish economy vulnerable to global outlook, including US trade policy.
- Concentration risk from reliance on a small number of MNC's for investment, exports & tax receipts.
- Reliant on UK/EU energy impots. Could be impacted by disruptions to European gas supplies.
- Capacity constraints – Labour, Electricity, water, infrastructure, & housing.



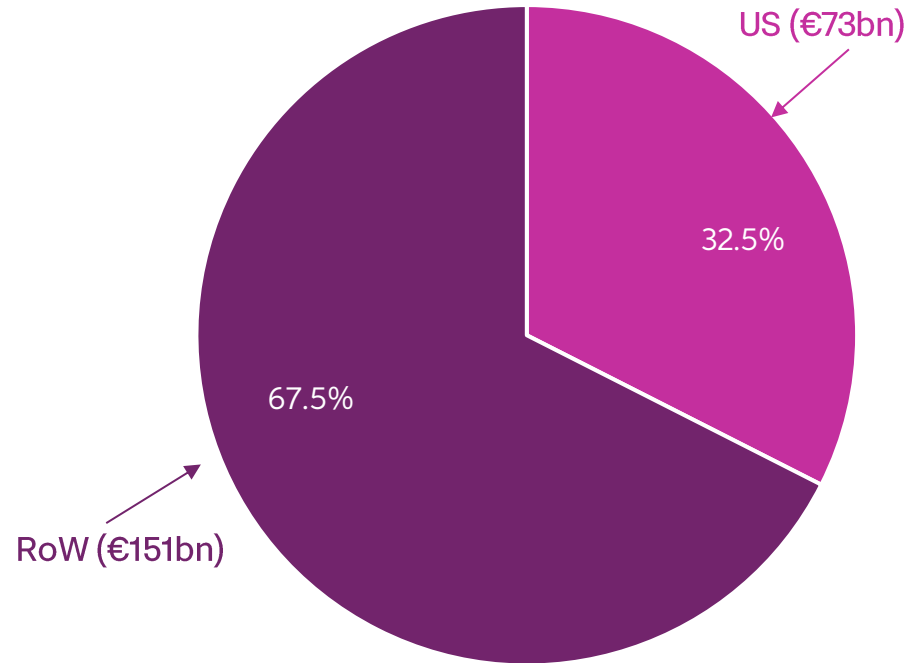
US MNCs a large share of GDP but not employment



US a key trade partner in goods – pharma dominates

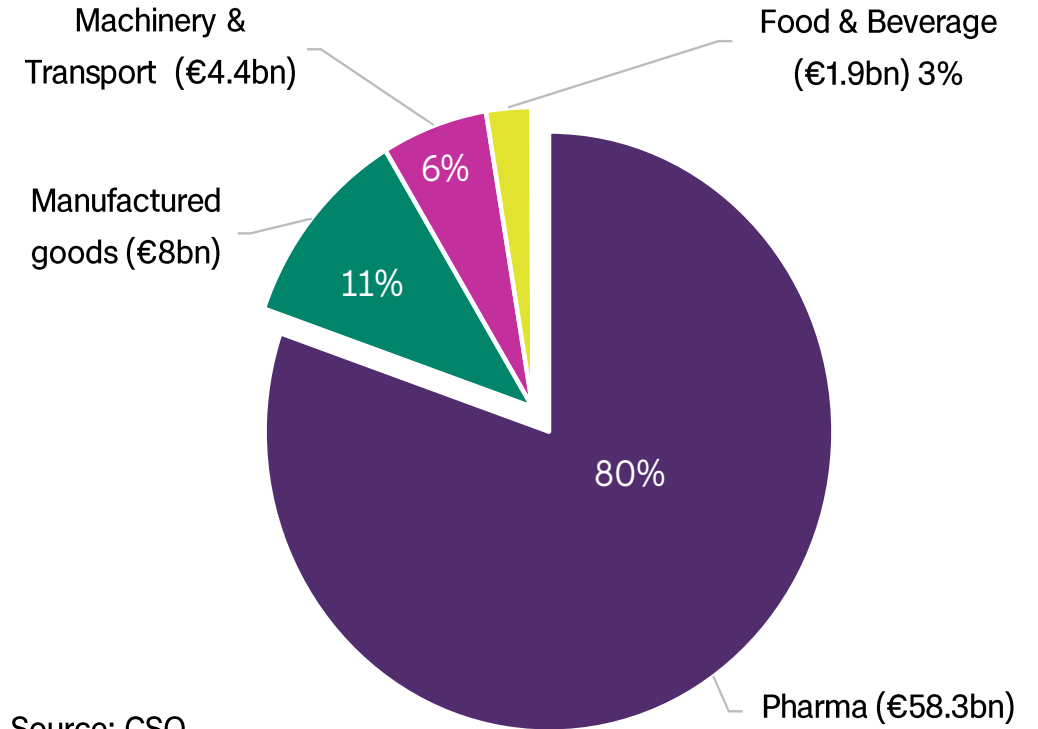


Irish Goods Exports (2024)



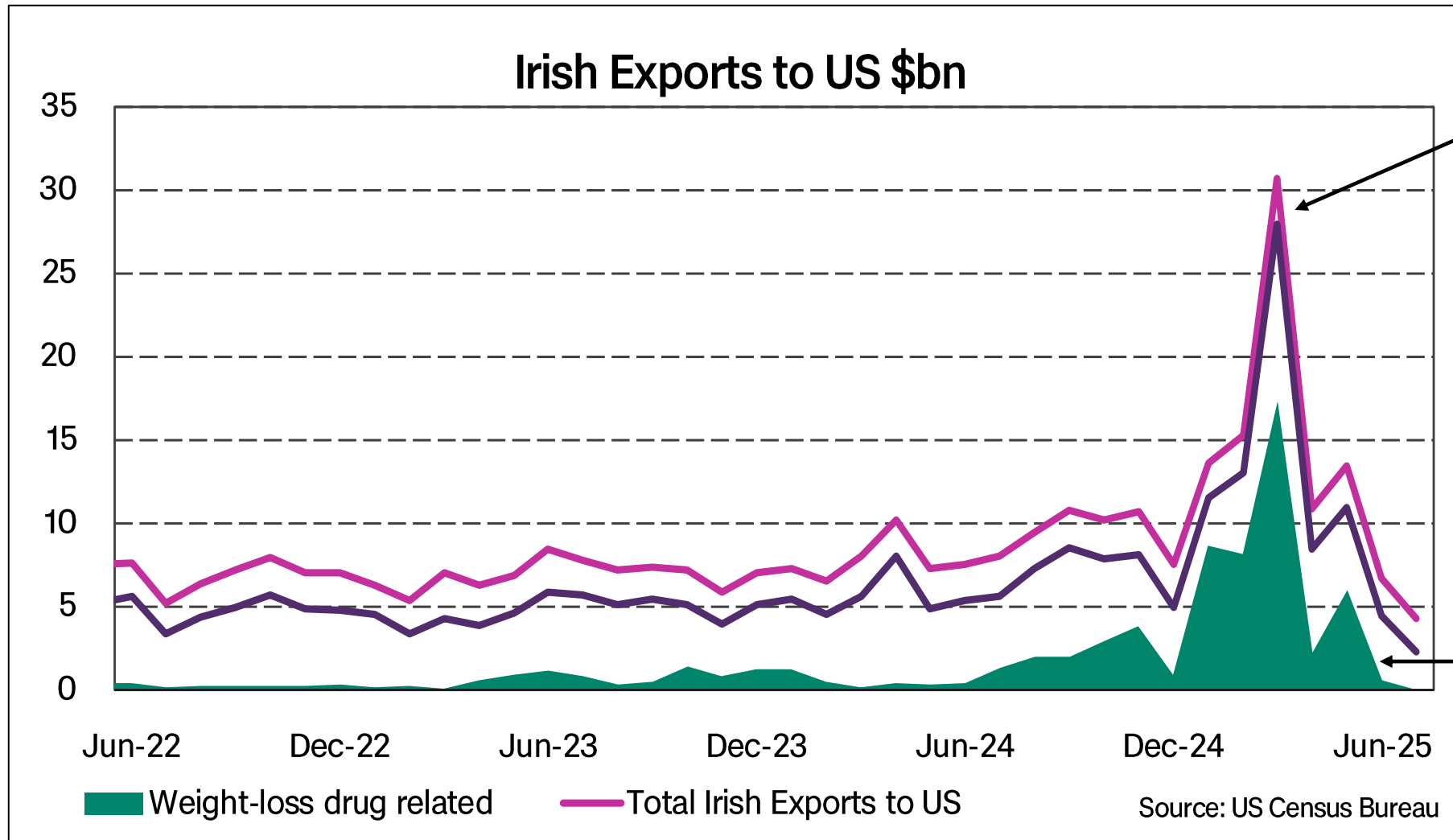
Source: CSO

Irish Exports to US, by Category (2024)



Source: CSO

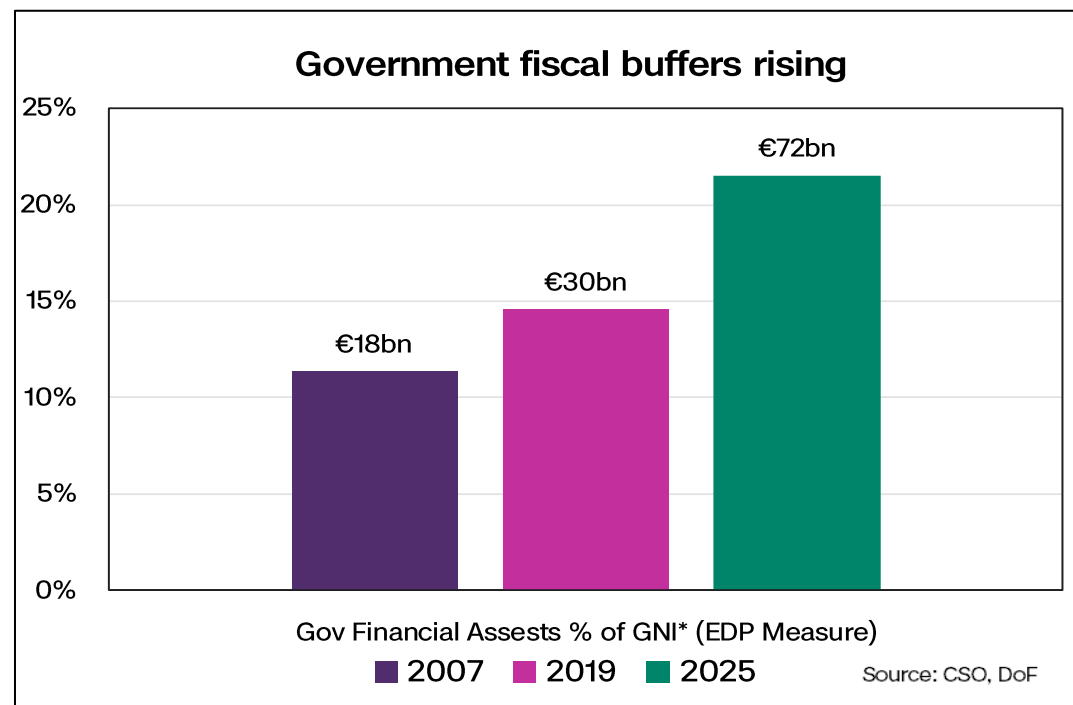
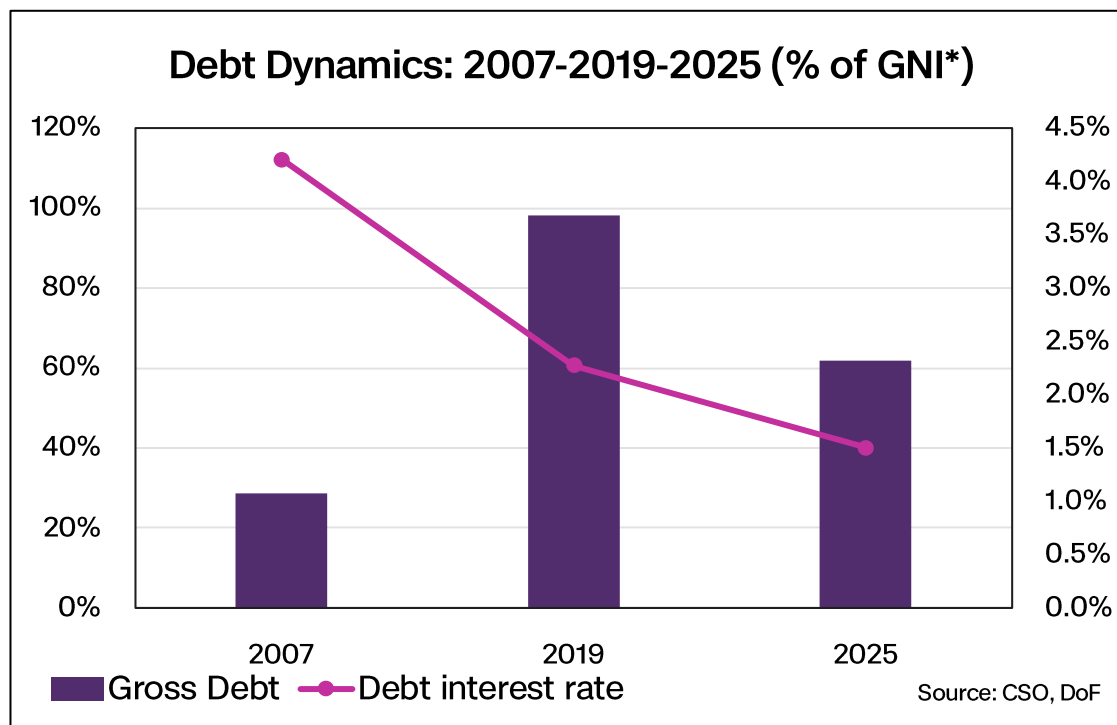
Surge in Irish exports to US is not just due to tariffs



Overall surge in goods exports to US driven in part by tariff front running

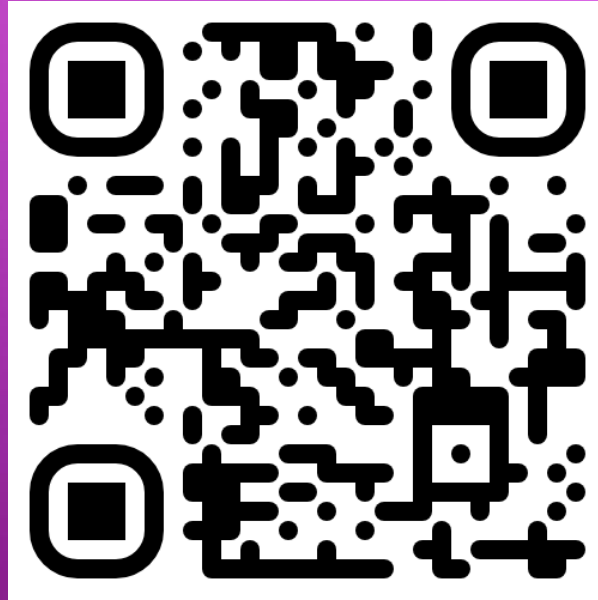
However, an additional key driver is the ramp up in production of new weight-loss drugs (Eli Lilly), reflected in a surge in “organic chemical” exports to the US

Could the public finances weather an FDI shock?



- Stock of debt is higher than pre-GFC, but debt interest costs are much lower (c. 1.5% of GNI*)
- Gov. has built-up fiscal buffers – main financial assets were c. €60bn in 2024 (c.19% of GNI*)
- Sovereign wealth funds to grow in the coming years – Gov. should accelerate transfers from windfall CT receipts.
- Significant resilience also from high savings/low debt in the private sector, but Gov. could go further given FDI risks

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