CUSTOMER TREASURY SERVICES
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A Spoon full of Sugar

Amid current global trade uncertainty, economy watchers have been parsing the incoming data for any signs of slowdown. While US confidence surveys have taken a nosedive in recent weeks, there are fewer signs on this side of the Atlantic of any discernible impact. This may, in part, be due to where European economies were in the business cycle versus a hot US economy, coming off a couple of years of very weak growth – the UK and Germany being prime examples. Alongside this, a steady series of rate cuts by the ECB and hopes of fiscal stimulus into defence and infrastructure may have dampened the negative hit to confidence from the US tariff debacle. Finally, the European economy may also be experiencing something of a "sugar high" as exporters front-run tariffs. This was illustrated in the surge in EU goods exports in February, with the trade surplus rising 11% on the year to €24bn.

Little Ireland may be playing an outsized role in these EU trade stats, with domestic data showing Irish exports to the US rose an enormous 210% year-on-year in February. This volatility has implications for Ireland's GDP growth in the near term, with a whipsaw effect likely in 2025-26, like that observed in the post-Covid period. Elsewhere, other estimates of activity suggest the domestic economy is starting from a position of strength amid the current uncertainty. The ESRI's nowcast model for Ireland estimates domestic demand growth is currently running at an annual rate of 3%, while the AIB PMI surveys continue to signal robust private sector output and hiring growth.

One of the few areas of notable weakness has been in Irish consumer sentiment, with the Credit Union survey falling sharply in March, wiping out much of the steady recovery over the past year. While not a perfect indicator of household spending in recent times, this series and other confidence surveys are worth watching in the coming months, ahead of the release of hard data later in the year. Another area which may not be contributing much to Irish growth this year is housebuilding, with Q1 2025 completions data showing a meagre 2% rise on the year. The annual run rate of housing output also remains stuck at c.30,000, well below demographic demand. While apartment delivery (+13%) bounced back, the quarterly profile is volatile in this sector. More concerning was the 1.7% annual fall in scheme housing – the largest category of housing delivery. Annual output growth in this sector has now fallen in five of the last six quarters. While the pipeline of housing starts was boosted last year by Government incentives, there remains little sign yet of a boost to new completions.

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