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**Trump tariffs could yield “a hit to demand for Irish exports from the US” – AIB Chief Economist David McNamara**

- Initial market reaction is negative
- Tariffs will likely be a drag on manufacturing output and GDP growth in Ireland
- Reprieve on pharma tariffs for now
- Sharp fall in US trade and higher inflation for US consumers expected

AIB Chief Economist David McNamara has given his immediate reaction to tariffs announced by US President Donald Trump:

“Overnight President Trump announced blanket tariffs which he claims are matching “reciprocal tariffs” and non-tariff barriers levied on the US. The baseline global tariff is to be set at 10% (including the UK), with higher rates for certain countries/regions, including the EU at 20% and China at 34%. The initial market reaction is negative with global stock markets lower.

While the initial plans may yet be changed post trade negotiations, the impact is set to be a sharp fall in US trade and could generate higher inflation for US consumers. With a third of Irish goods exports going to the US, the tariff could yield a hit to demand for Irish exports from the US. Notably for Ireland, the White House communication indicates that pharmaceuticals will be excluded from this round of tariffs. This gives a reprieve for now, given the importance of the sector in Ireland’s export mix, but the threat of future tariffs will add to the uncertainty.

It remains unclear how the increased costs will distribute between US consumers and Irish-based producers, depending on the elasticity of demand and currency movements. Given the ‘necessity’ status of pharma products – our main export to the US, a more limited impact might be expected if tariffs are eventually levied here, particularly given the long-lead in times for firms to potentially shift production to the US – a stated goal of President Trump.

However, the imposition of tariffs is an anchor on global trade and will likely be a drag on manufacturing output and GDP growth in Ireland, and to a lesser extent on the labour market and domestic demand.

This was highlighted in the recent forecasts by the ESRI. In its base case, it expects modified domestic demand (MDD) to increase by 3.0% in 2025 and 2.8% in 2026. In its alternative scenario, which assumes 25% bilateral tariffs between the US and the EU for goods trade, MDD growth is forecast to be 2.8% in 2025 and 2.1% in 2026.

There could be smaller Irish firms who will not benefit from the 'inelastic' demand of the pharma sector.

**Context:**

- In 2024, Ireland's goods exports to the US were c.€73bn (CSO Trade Statistics), of which 80% was in the pharmaceuticals sector. Ireland accounts for about a fifth of total US pharma imports.
- Nonetheless, while the US is a key export market for Irish goods, accounting for one third of exports, the pharma industry here is also servicing other global markets. c.60% of our total pharma exports go to non-US markets.
- In total, the US accounts of 32% of total Irish goods exports, with the EU at 40% and the UK at 10%.

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