

Irish Economic Chartbook

AIB Economic Research Unit

December 2025

Irish economy robust despite global risks



Irish economy looks to be emerging from mid-year lull

Latest macro data point to robust growth profile

A slew of macro data for the Ireland suggest the economy is performing robustly at present. The most timely data, such as Exchequer tax data for November, show the FDI and domestic sides of the economy are generating solid growth, including c.5% annual growth in income taxes and a record €10bn in corporate tax revenues.

Strong economic growth in 2025, boosted by exports

The latest Irish GDP data provided the first full breakdown of the economy in Q3 2025. In Q3, GDP fell by 0.3% on the quarter, following robust growth in H1 2025. However, GDP was still up +10.8% year-on-year in Q3 2025 compared to the same period in 2024. While tariff front running has been a factor in the surge in exports in 2025, the emergence of weight loss drugs are as prominent in the data.

Indeed, a specific hormone product related to weight-loss drugs has accounted for 53% of all Irish pharma exports in 2025 and is now over a third of all goods exports, according to Eurostat data. This new product has contributed to the surge in trade in 2025, with total exports in the year to September surpassing the 2024 total with three months to spare.

Beneath the noisy headline data, domestic indicators point to a robust growth picture so far in 2025. Modified Domestic Demand (MDD), which strips out some of the volatility of the multinational sector, rose 2.3% on the quarter. On an annual basis, MDD is 5% higher than the same period in 2024, boosted by investment spending in the private sector.

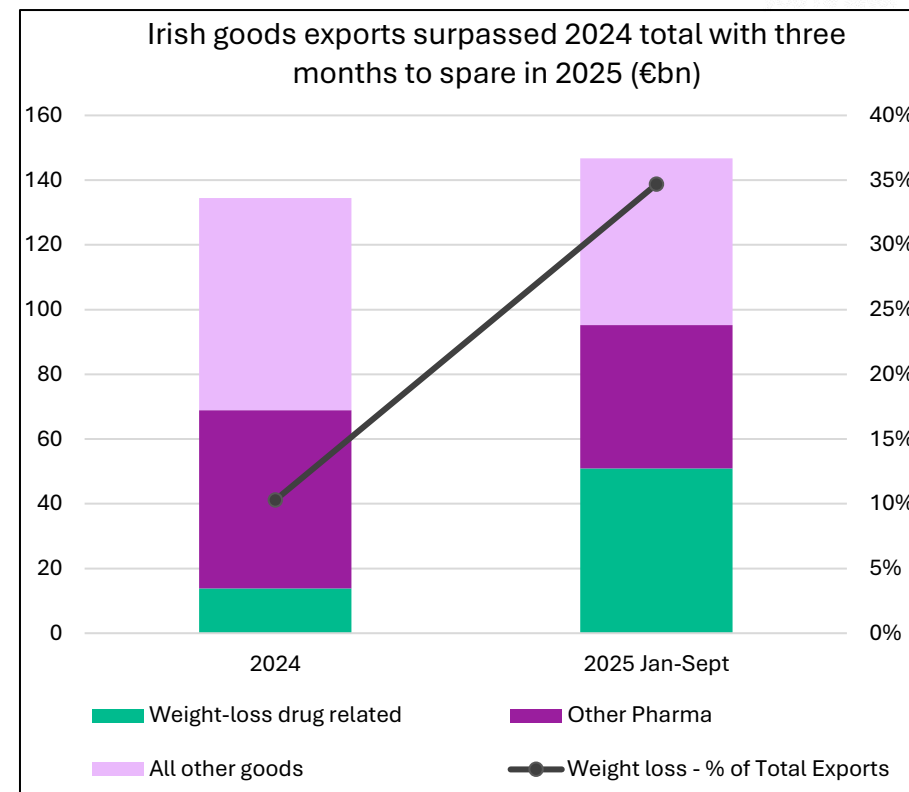
Labour market softer in Q3 as cautious hiring took hold..

On US tariffs, Ireland's effective rate remains close to zero, and among the lowest of OECD countries, given pharma products have yet to be hit with tariffs. This remains a key downside risk for the economy in the year ahead if the US reignites its trade war with the EU.

The uncertainty created by US trade policy may have contributed to the softer growth in the labour market, with jobs growth slowing to +1% y/y in Q3, and unemployment topping 5% for the first time in several years. While this recent softening in hiring growth has been well signalled by industry surveys, it has not been accompanied by net job losses, implying a preference for cautious hiring rather than firing by Irish firms. There are also [few signs](#) that AI is dampening jobs growth outside of a some pockets of the labour force so far.

..But Q4 surveys point to a bounce back in activity

AIB's services and manufacturing PMIs both signalled an acceleration in activity and hiring in the domestic economy in Q4, so the latest evidence suggests the domestic economy is emerging from a softer growth period through, as geopolitical uncertainty eases. In our latest [AIB Economic Outlook](#), we pencilled in MDD growth of 2.5-3% in the coming years, underpinned by robust consumer spending and a ramp up in capital investment in infrastructure and housing.

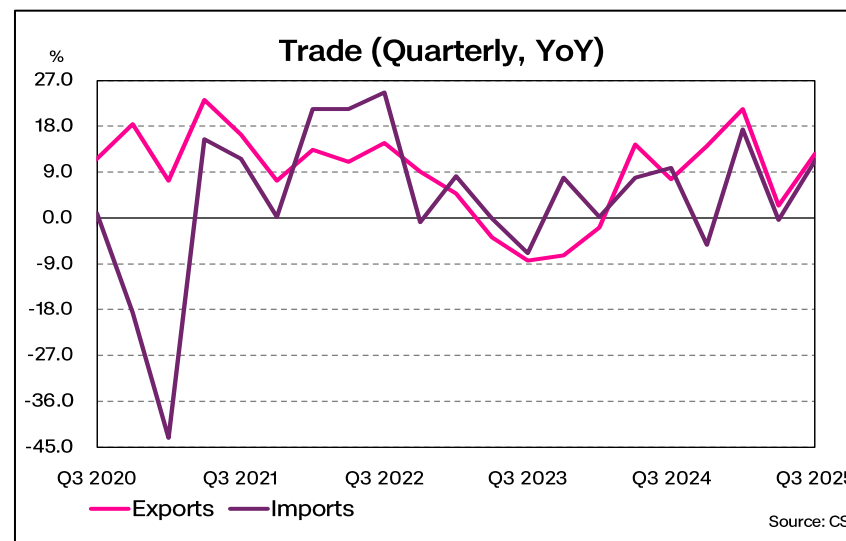
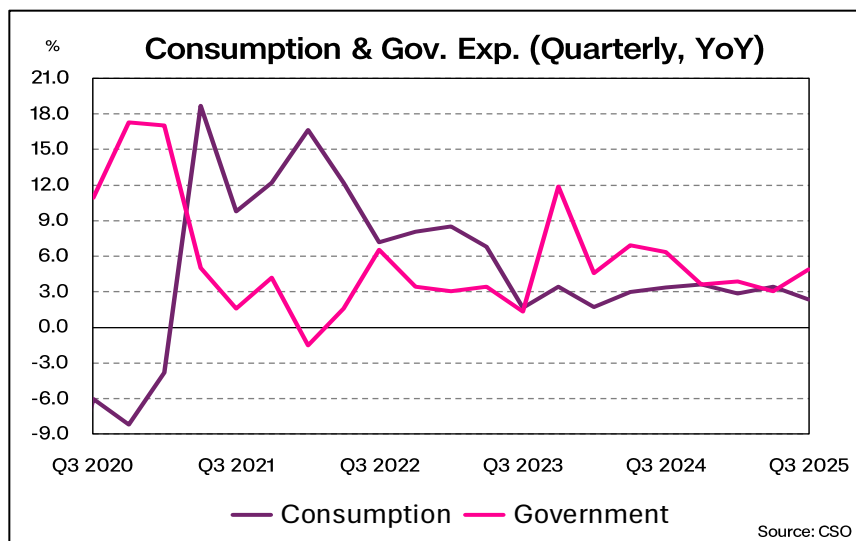
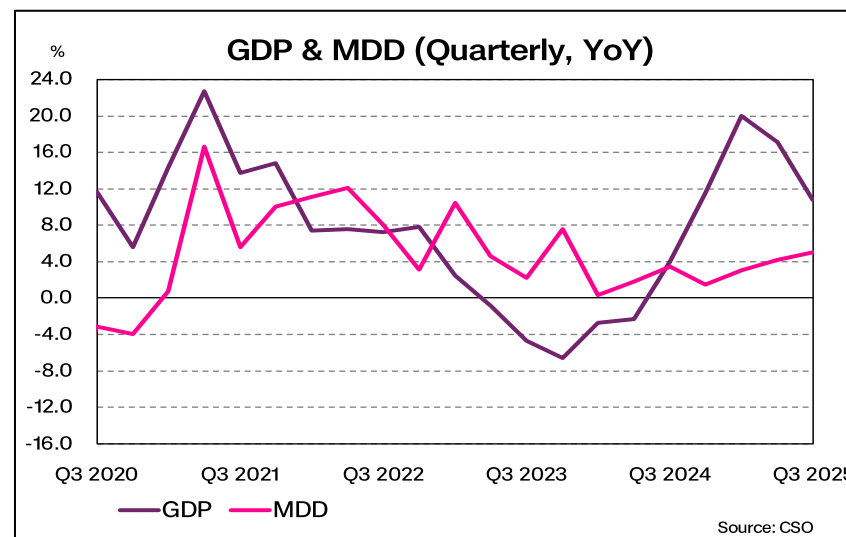
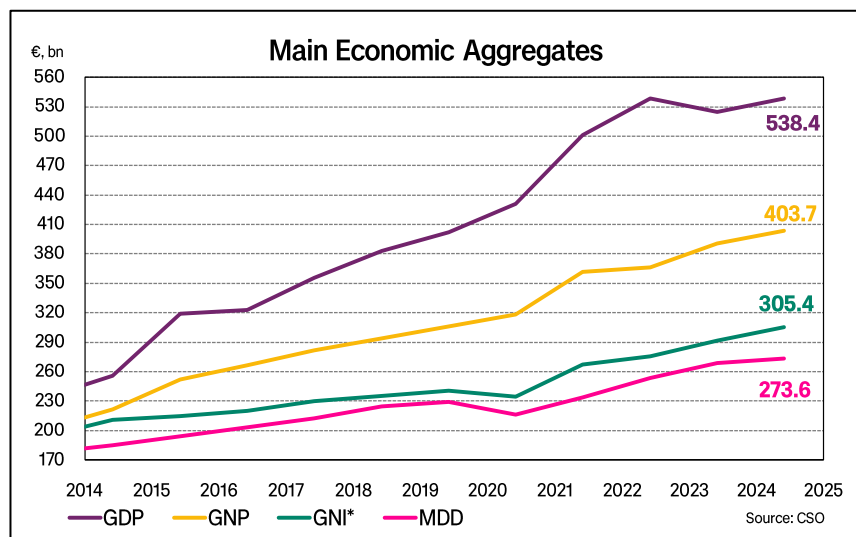


Sources: Eurostat

Irish economy performing strongly



For the 10 years after

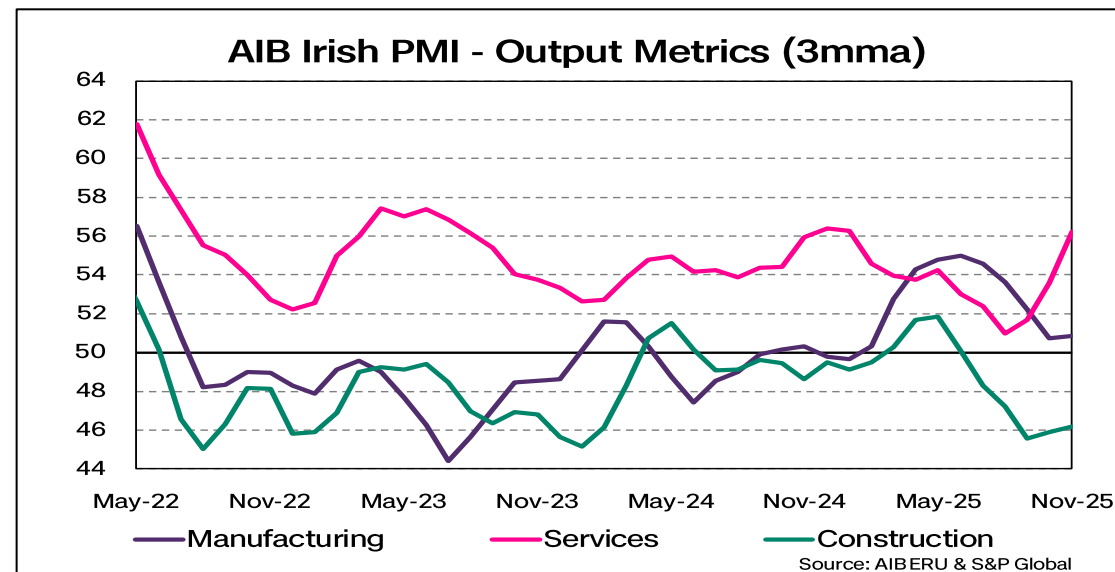
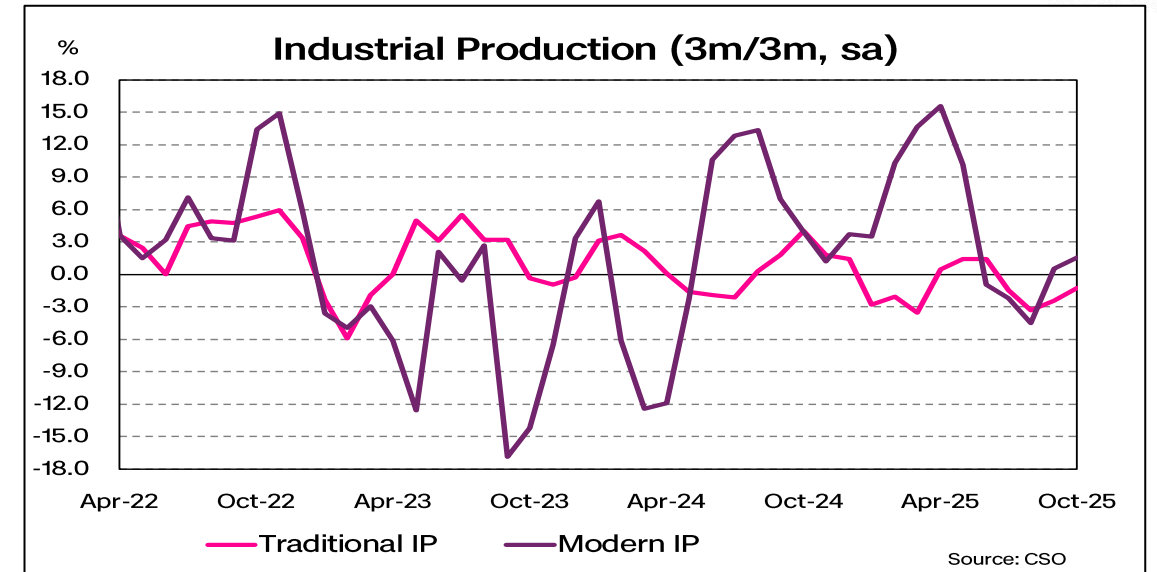
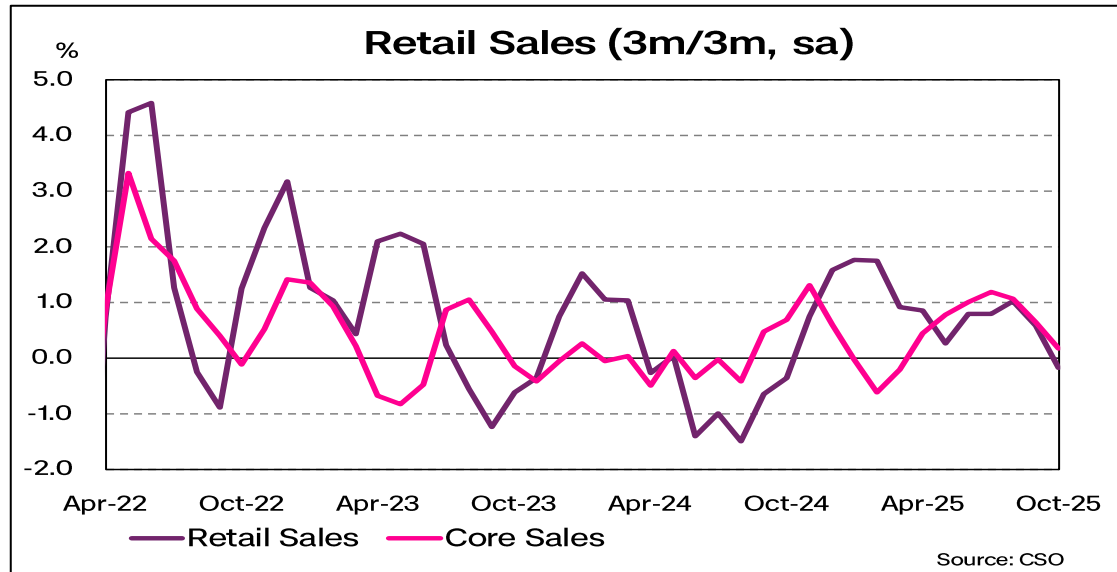


- GNI* (Modified Gross National Income) up 4.8% in 2024.
- GDP rockets 16% higher in the first three quarters of 2025 – Significant boost from exports.
- MDD (Modified Domestic Demand) expanding at a robust pace – up by 4.1% YoY so far this year.
- Overall, economic growth has remained solid so far in 2025.

More recent activity measures have been mixed



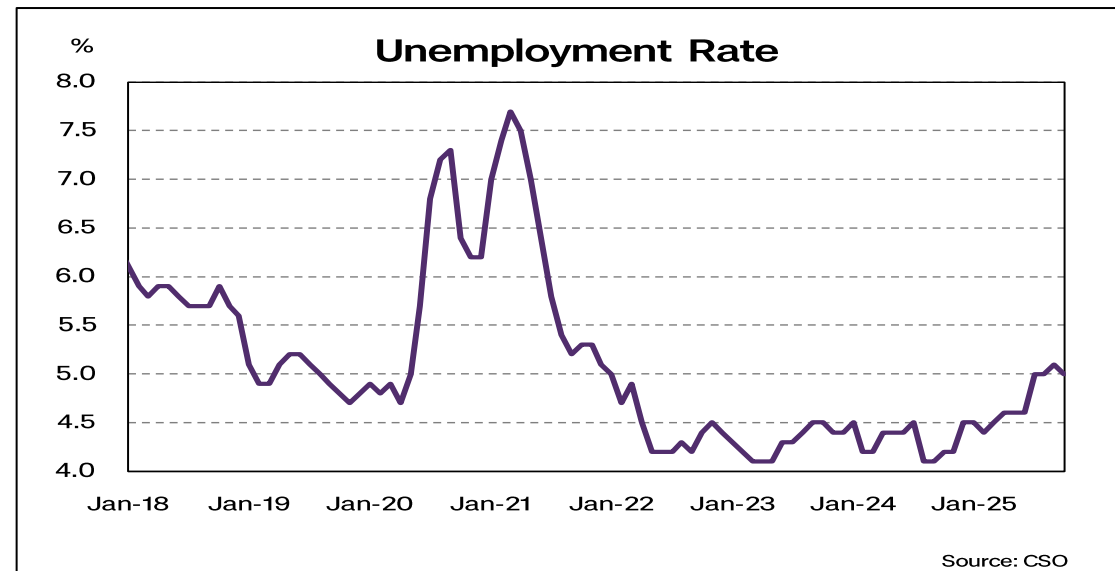
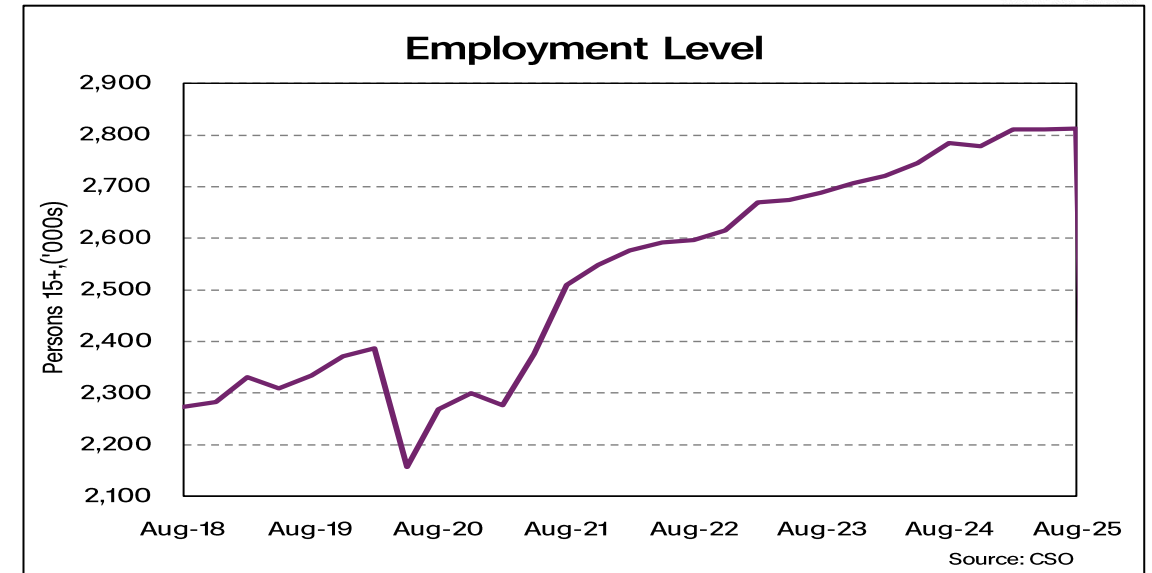
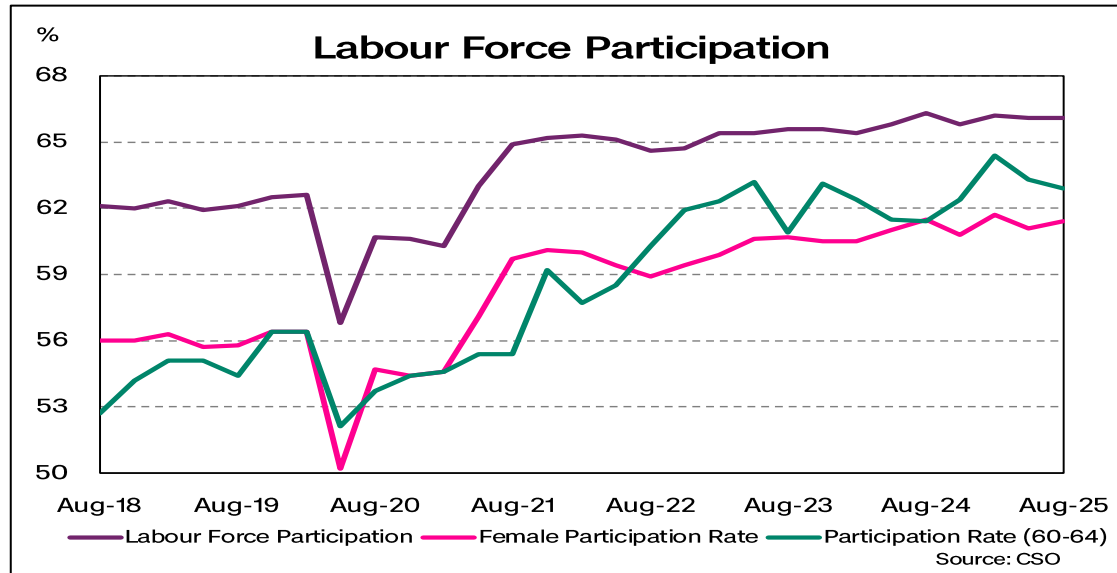
For the first time



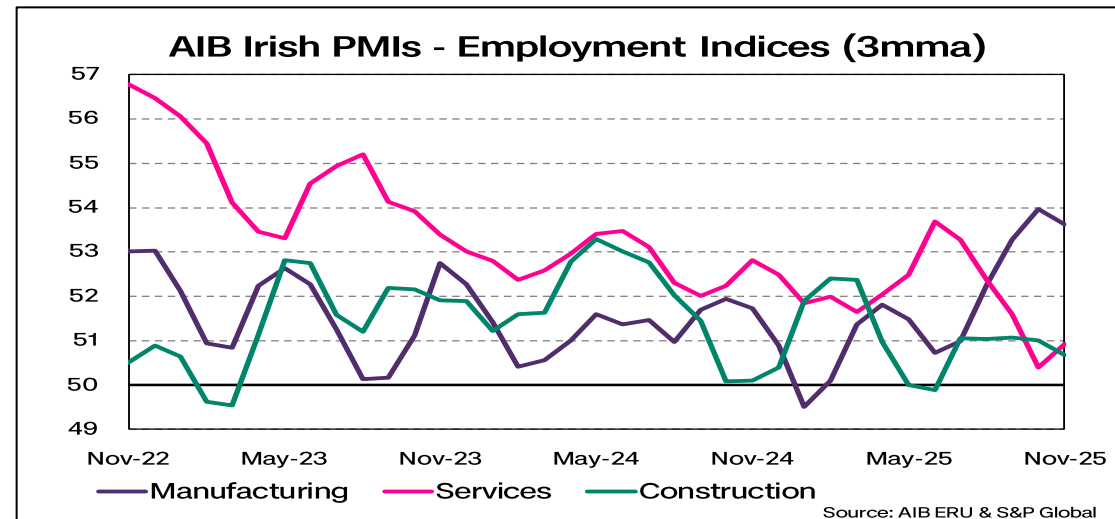
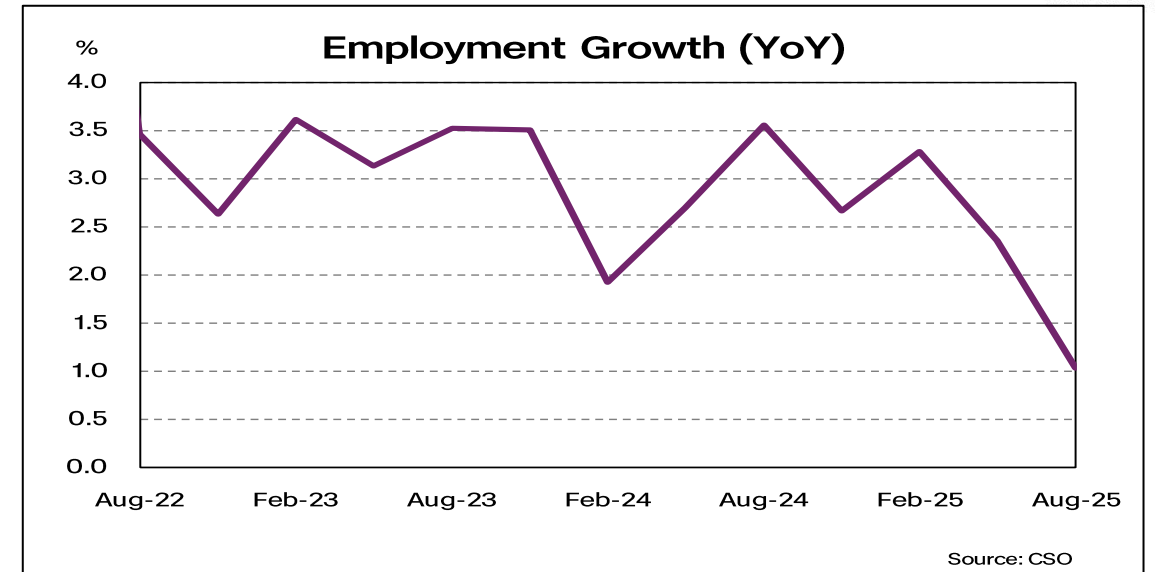
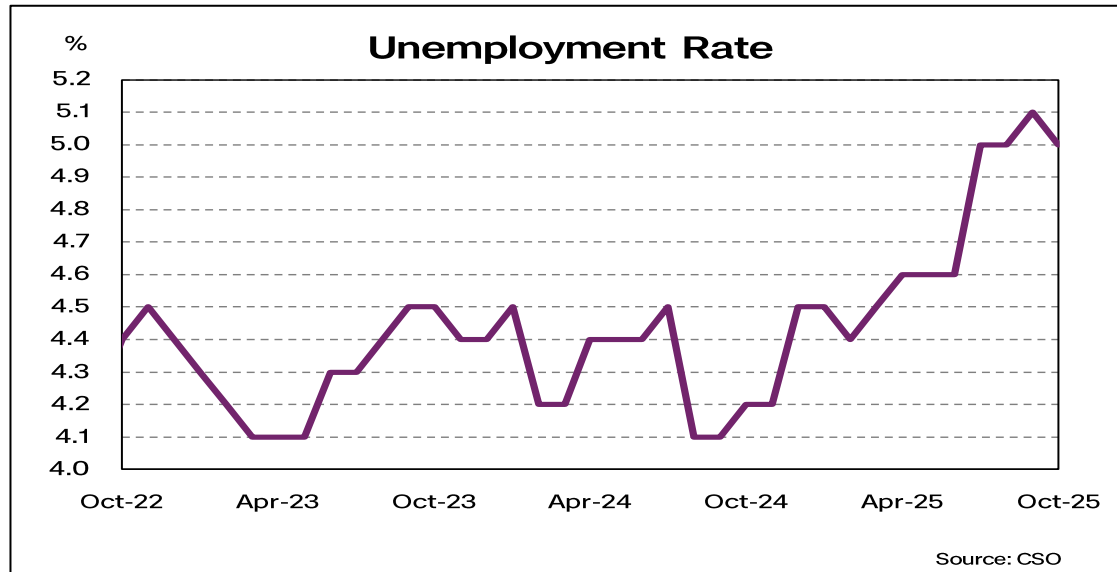
Labour market has been strong post-COVID..



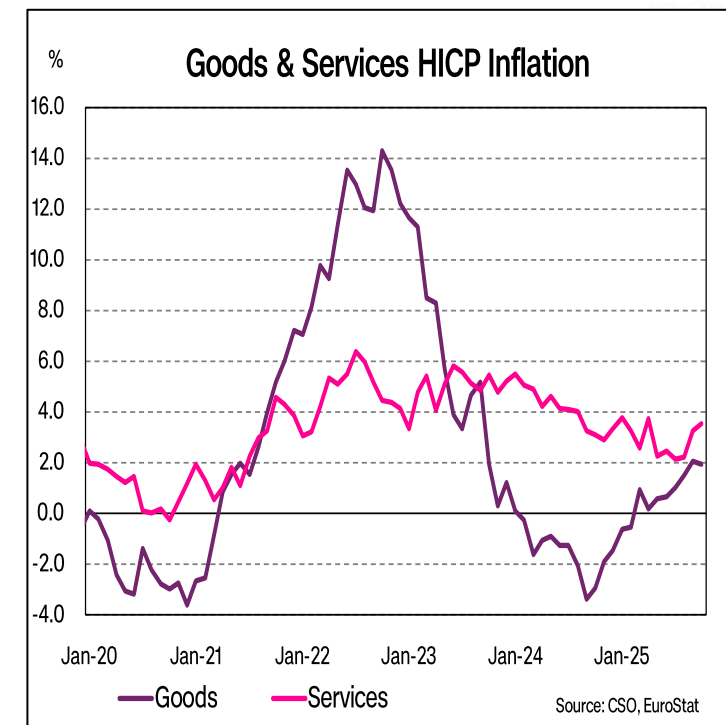
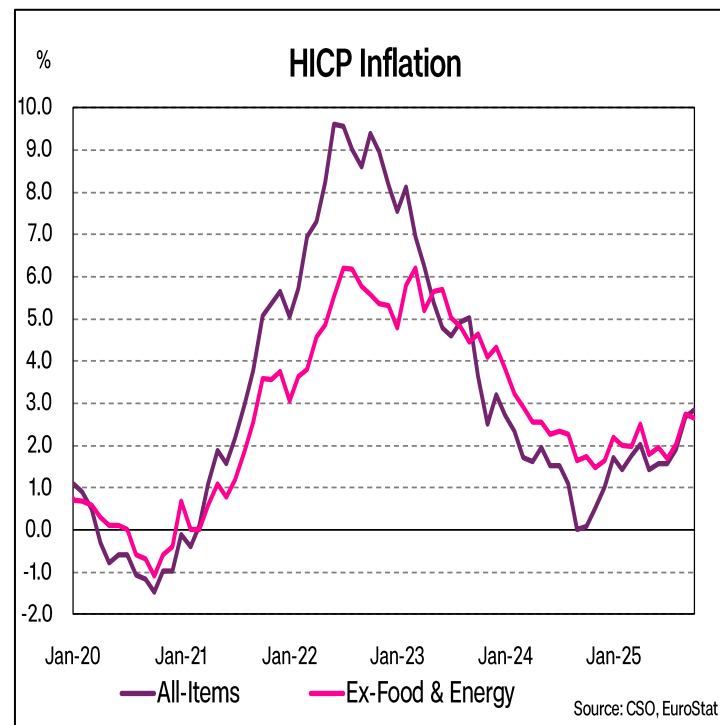
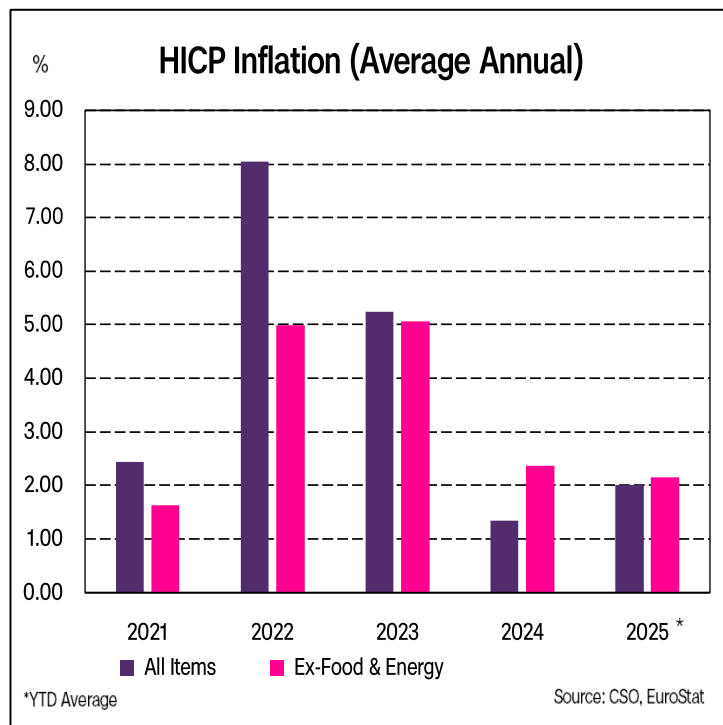
For the People



..However, there are signs conditions are softening

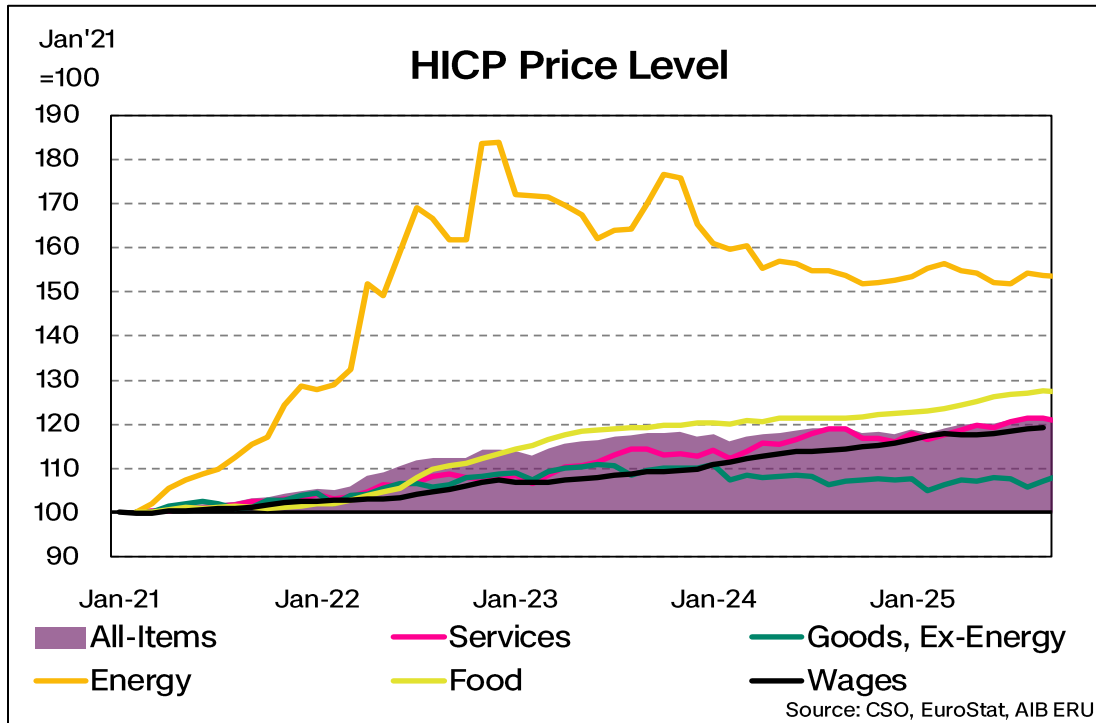


Inflation remains near 2%, having spiked in 2022-23



- 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 (currently at 3.2%) but this has largely been due to base effects.

Wage growth has not quite kept pace with inflation

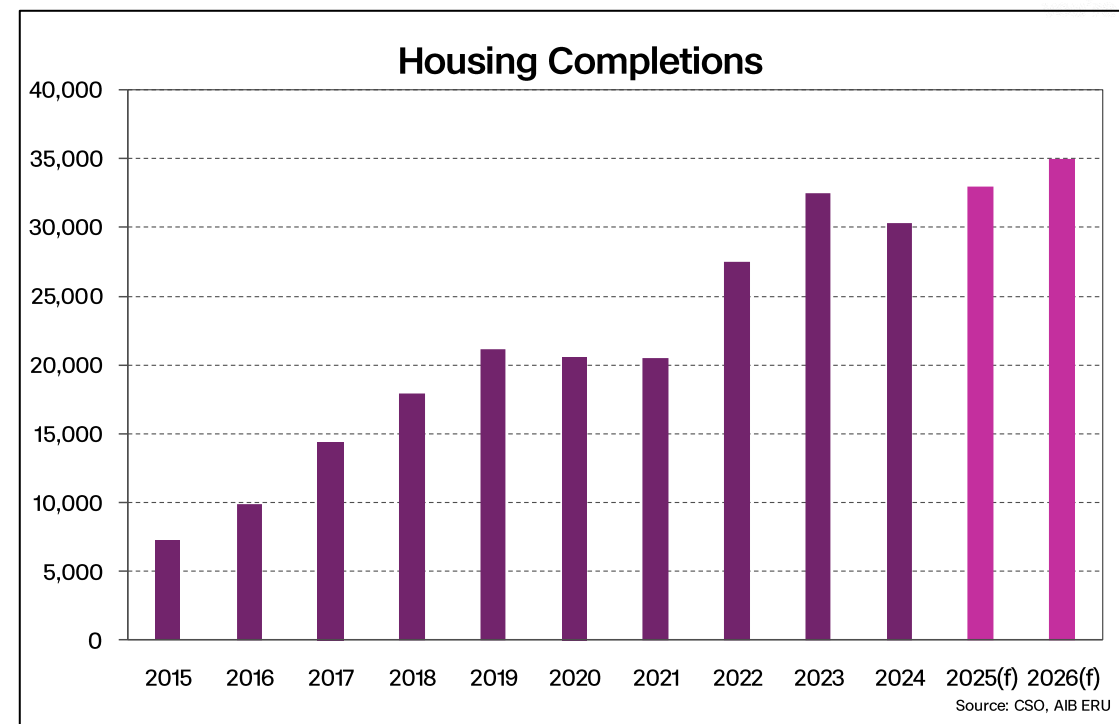
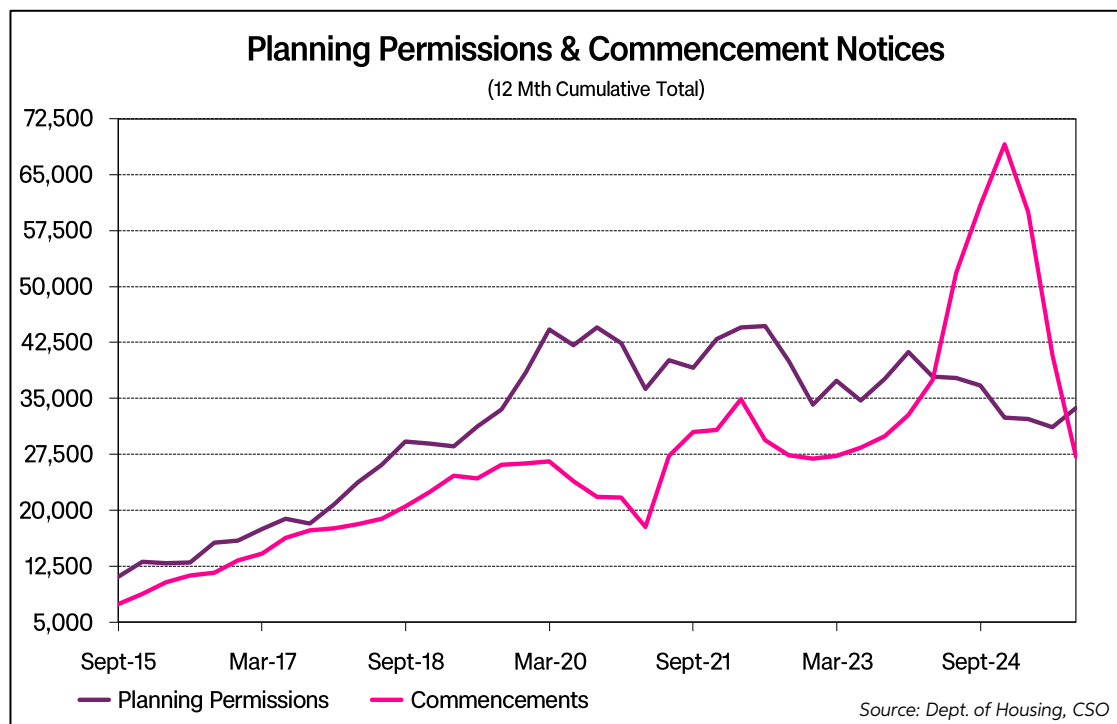


- Although inflation has eased, prices are circa 20-25% higher since the start of 2021.
- Importantly, energy and food prices have significantly outpaced wage growth.
- Average nominal wages have grown c.19% over the same period, so still lag price increases
- However, real wage growth has been positive for the past 18 months.

Housing Market



Housing completions expected to rise

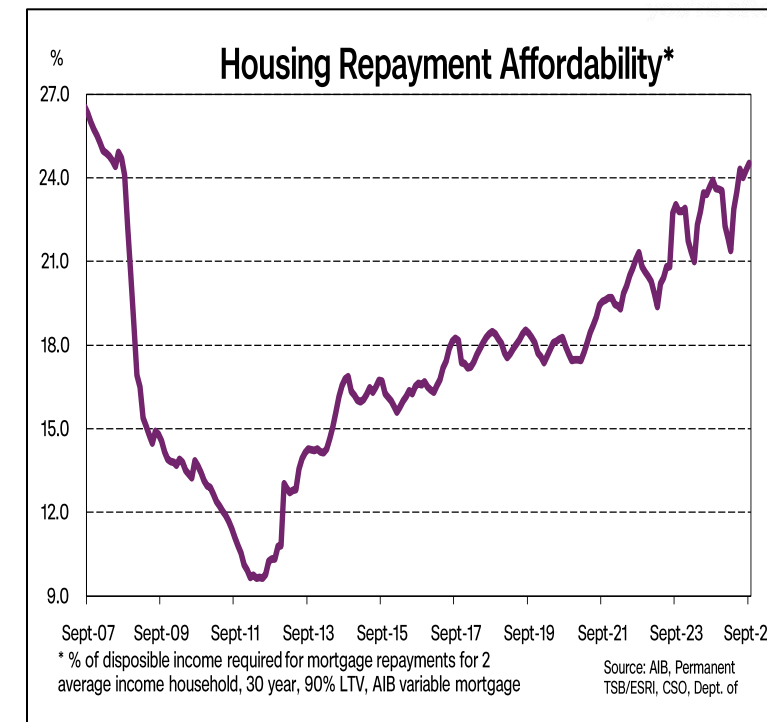
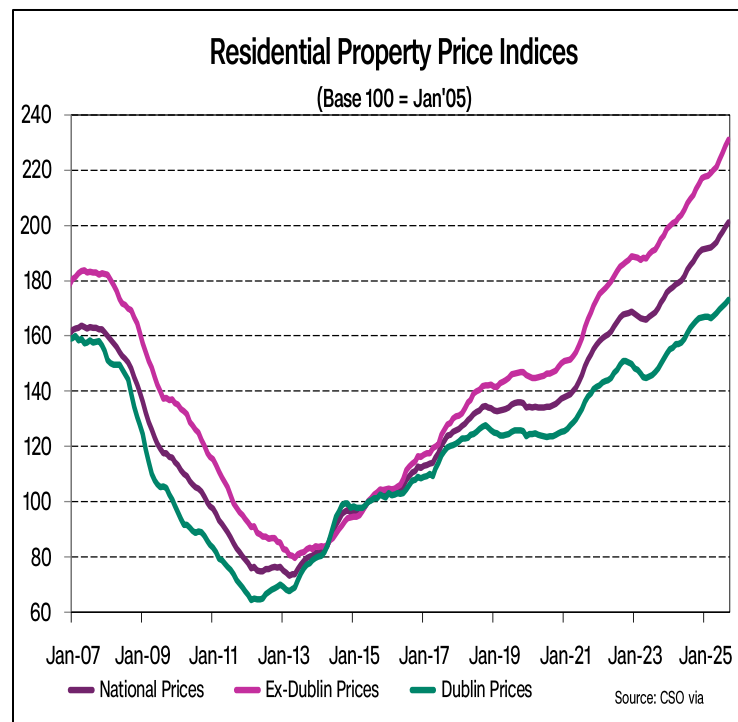
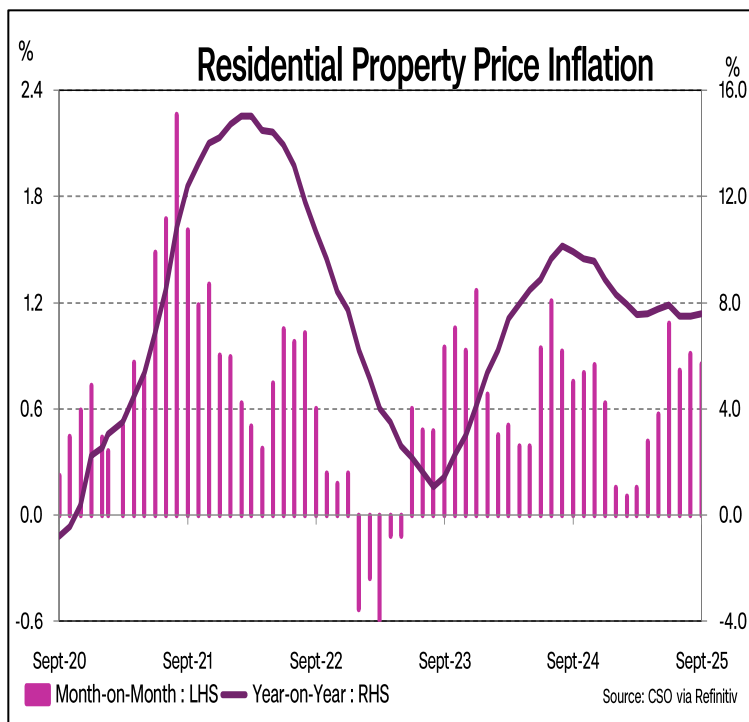


- Around 30,000 homes completed in 2024, down from 32,500 in 2023.
- Completions up by 13.1% YTD at the end of September. Upside risks to our forecast for 33,000 units in 2025.
- Just 11,600 commencements registered so far in 2025, down 79.6% YTD.
- Circa 26,700 planning permissions granted YTD, up by 4.9%.

House prices continue to rise sharply



For the Win

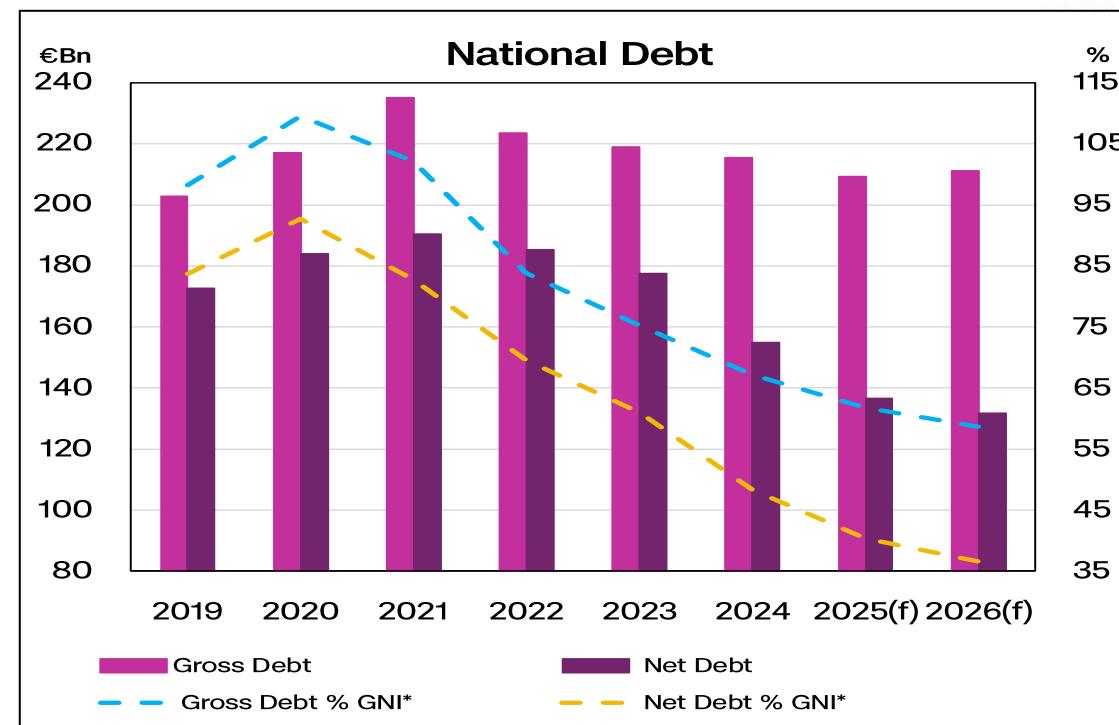
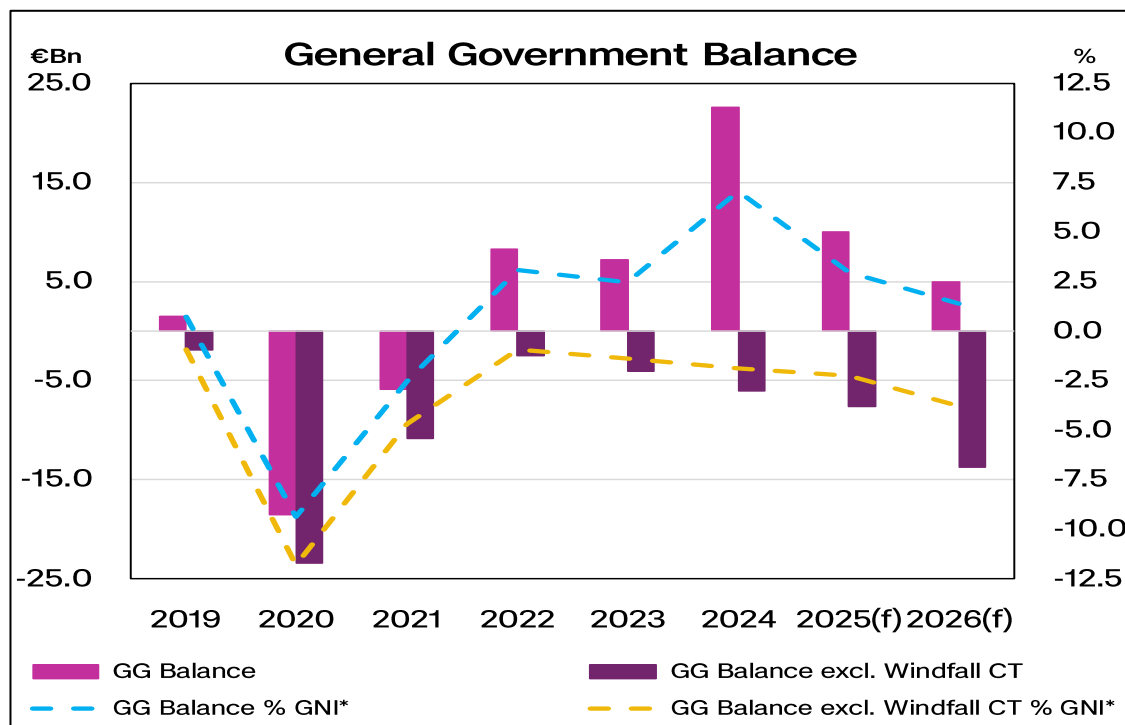


- Residential Property prices rose by 8.5% in 2024. Currently up by an average of 7.7% in 2025.
- Property prices nationally are above their Celtic Tiger peak.
- The trend of deteriorating affordability has accelerated post-COVID.

National Balance Sheet & Budget 2026

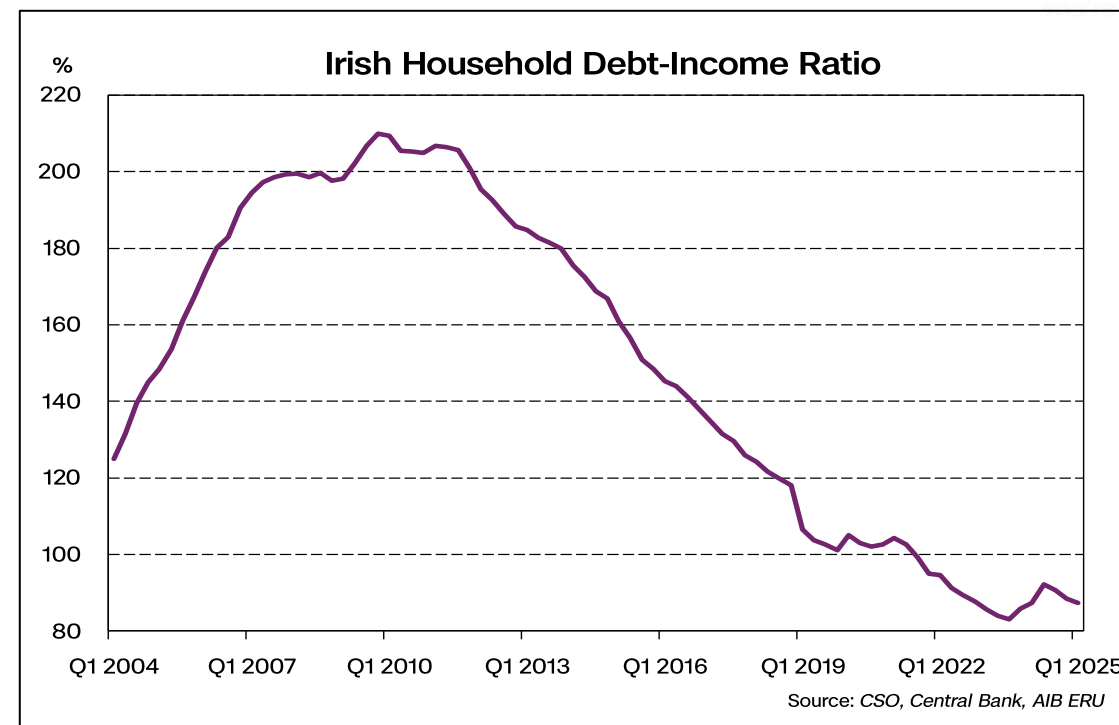
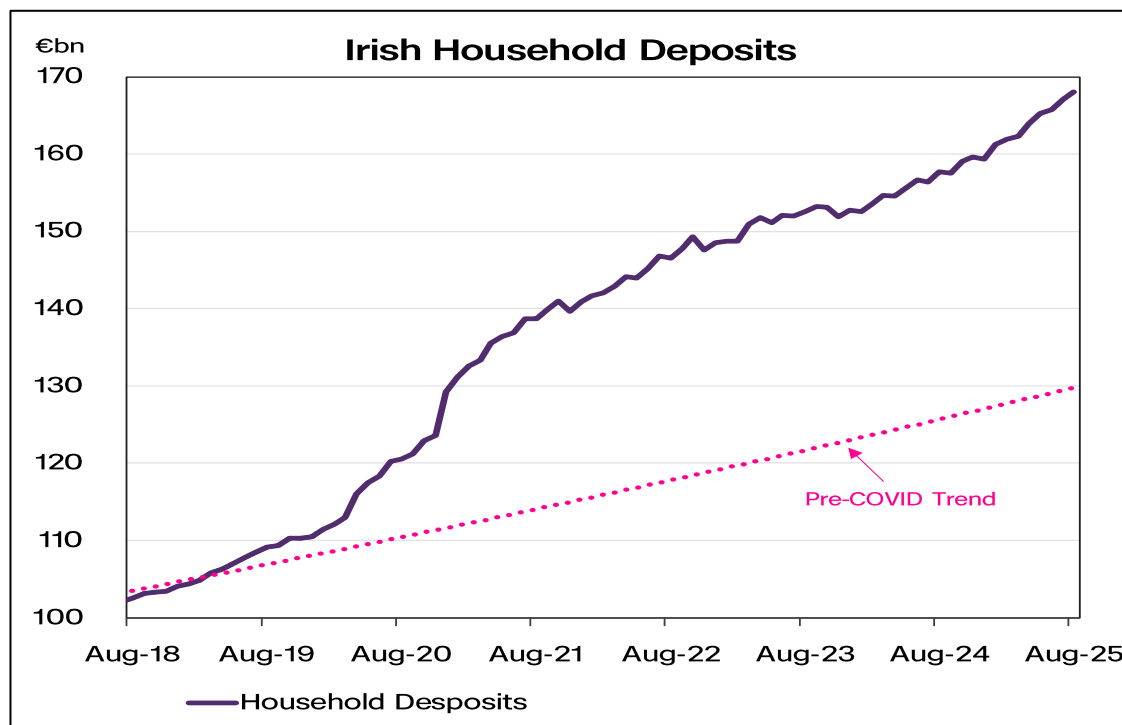


Gov. finances supported by windfall CT receipts



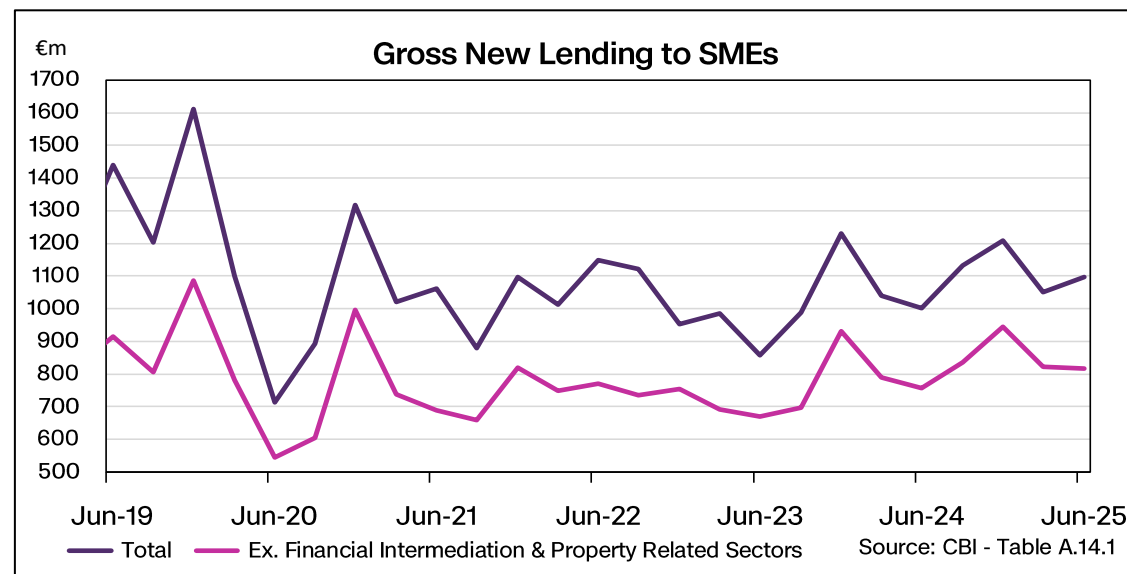
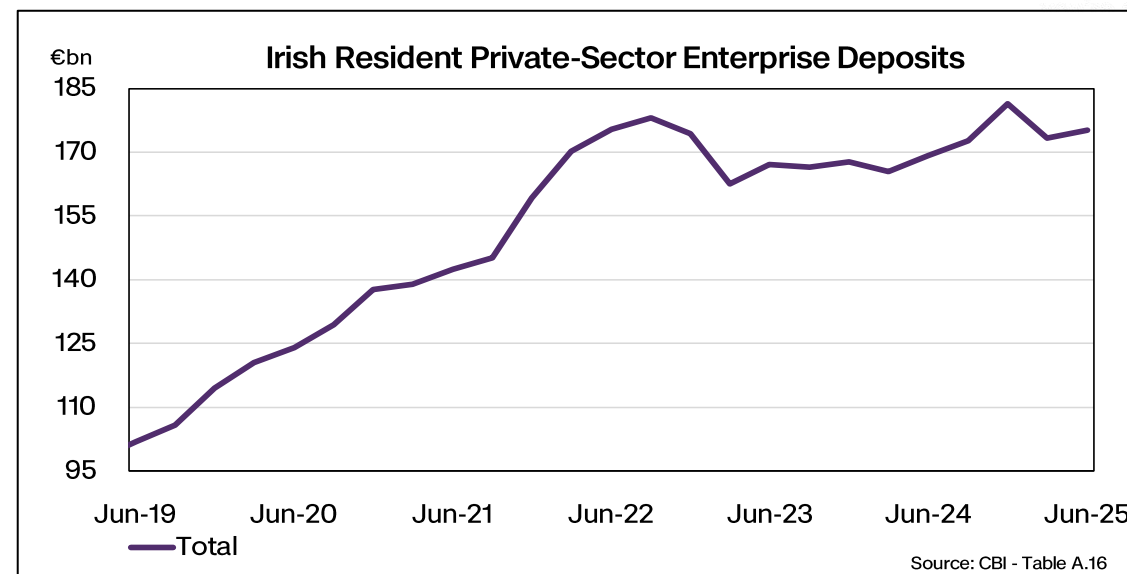
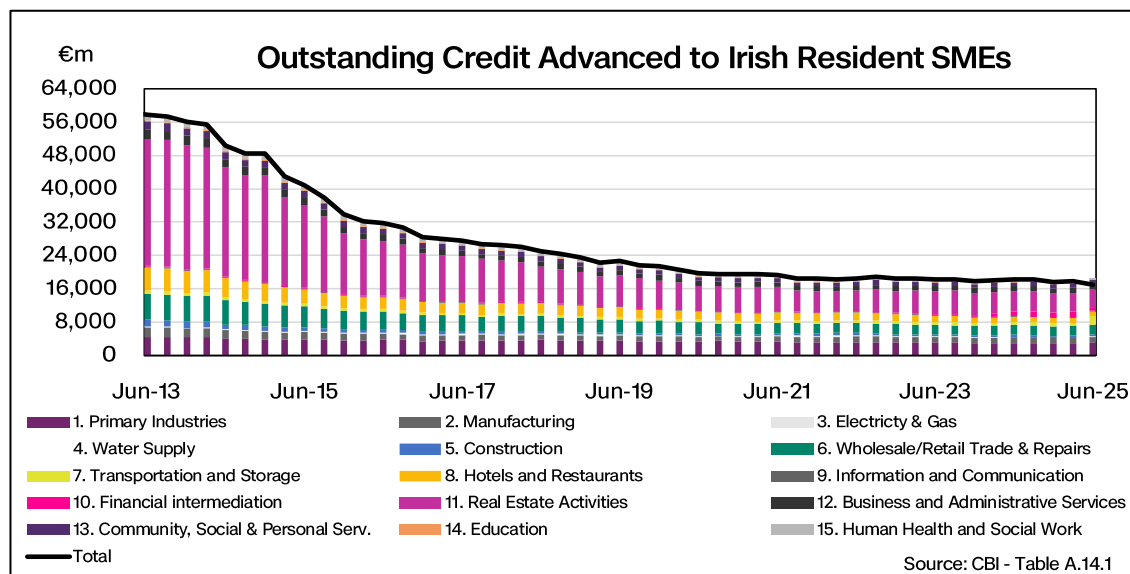
- Government set to register a surplus once more in 2025 & 2026.
- However, substantial levels of “windfall” corporate tax receipts are masking significant increases in expenditure.
- Both gross and national debt are falling as a share of GNI*.

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

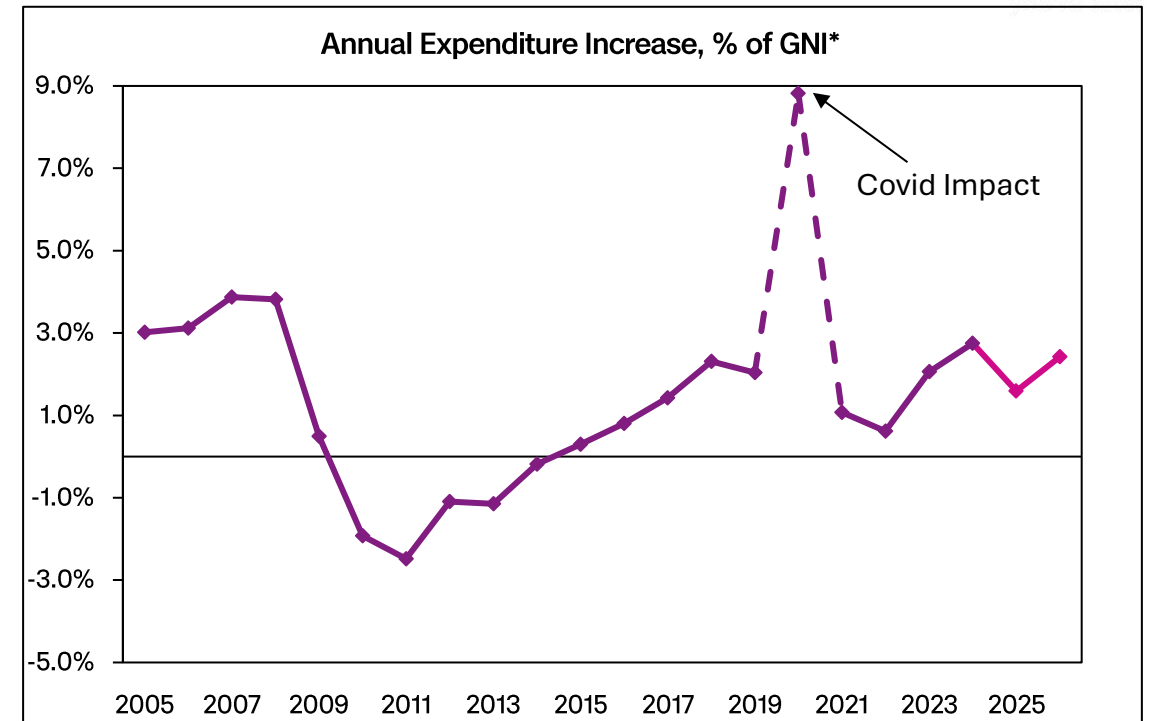
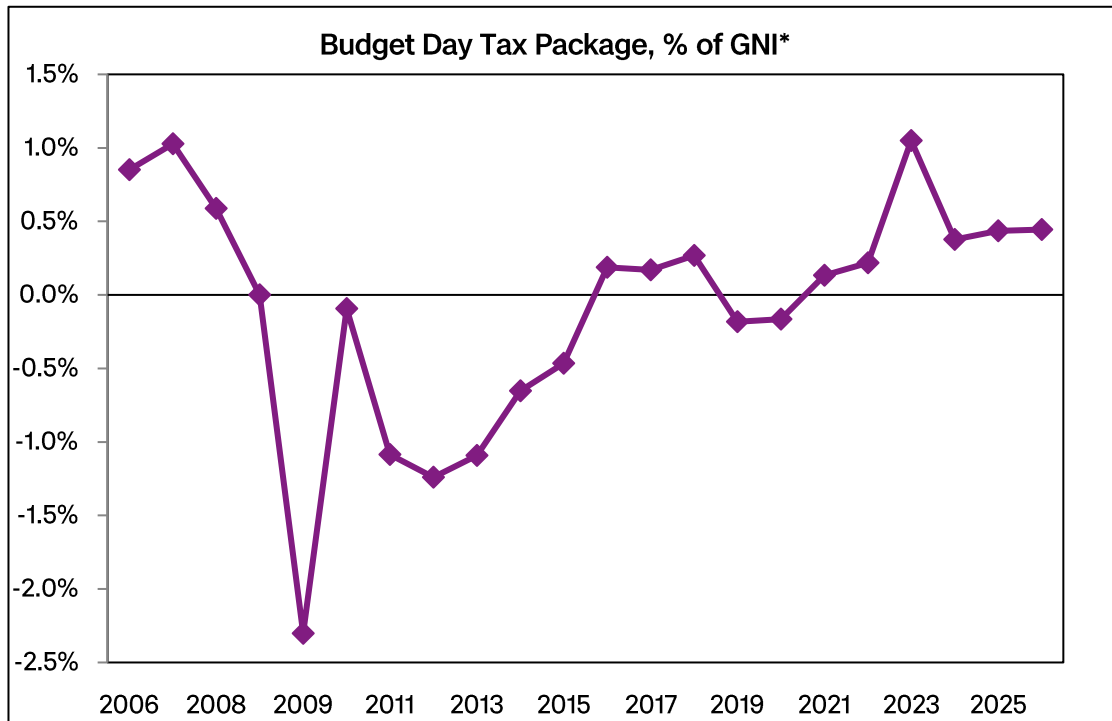


Overall Budget 2026 package of €9.4bn

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.

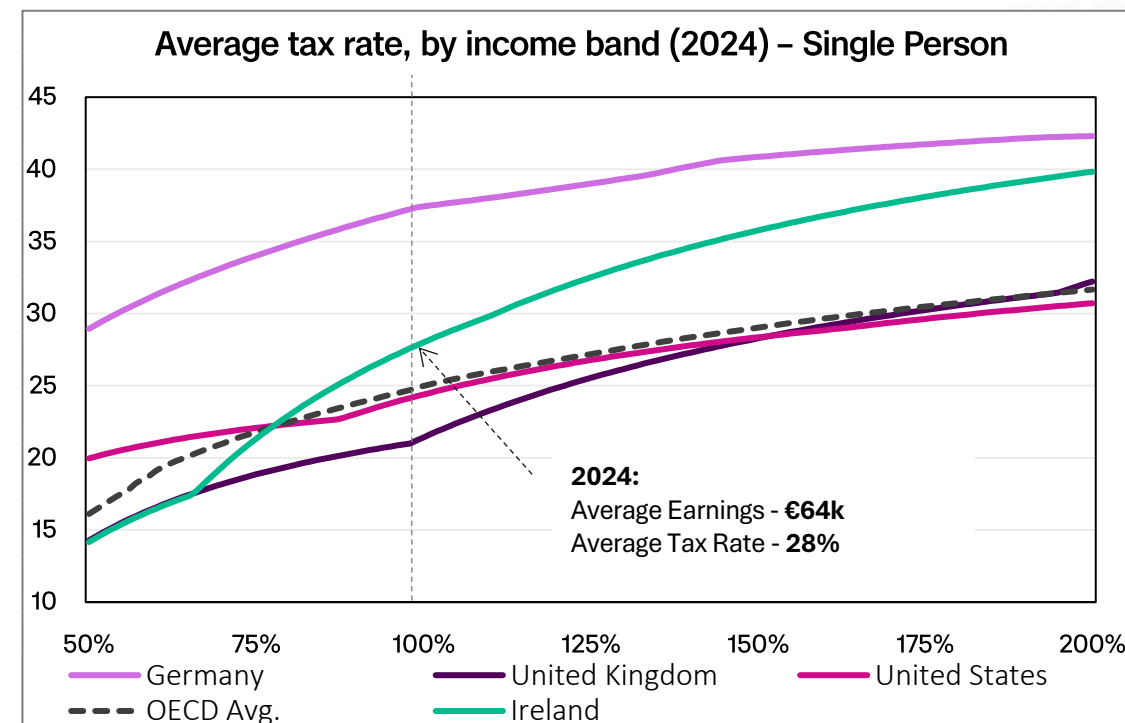
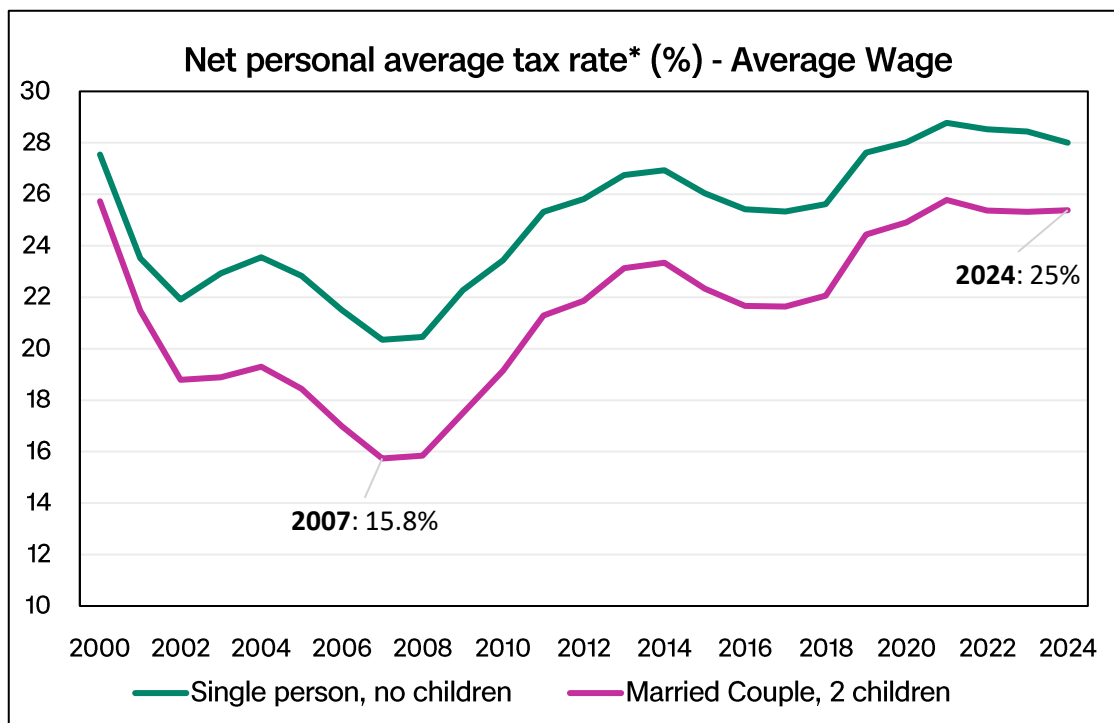
A big budget giveaway in a historical context



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



Sources: OECD

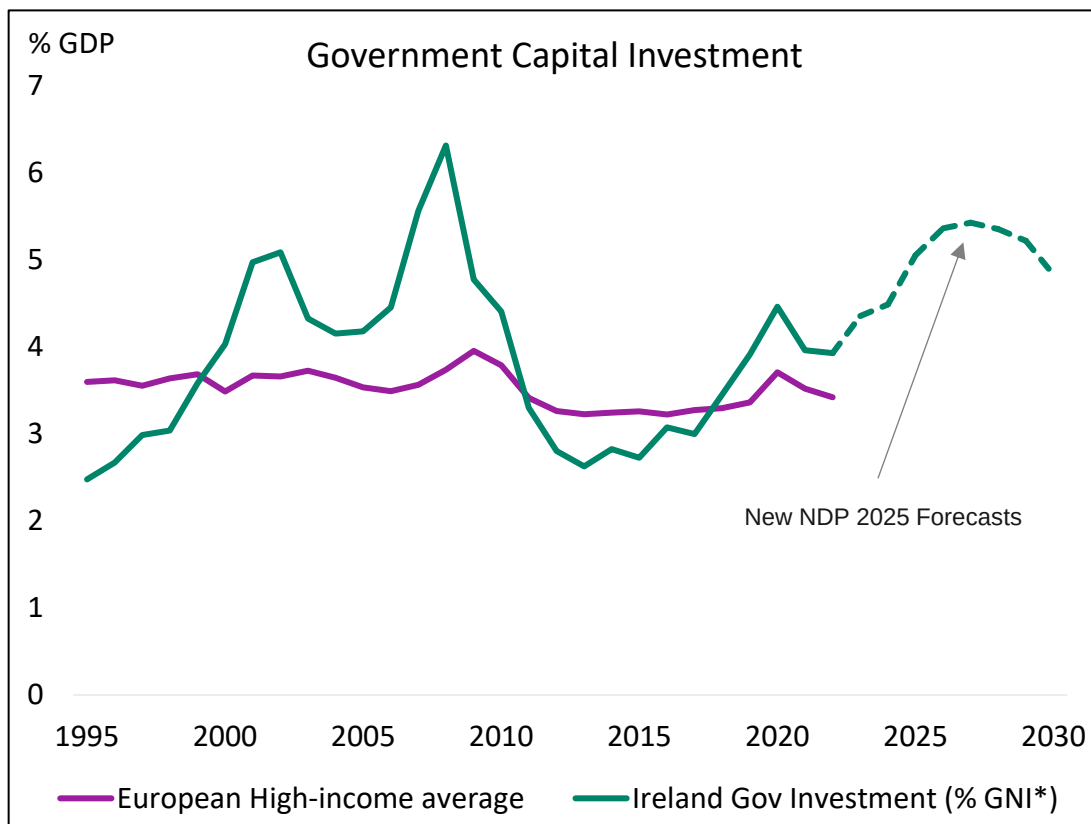
* Including cash transfers from state such as welfare payments

- Income tax freeze implies a take hike as prices and wages 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



For the first time in 10 years



€ 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



For the life
you're after



Two-sided risks for the Irish economy

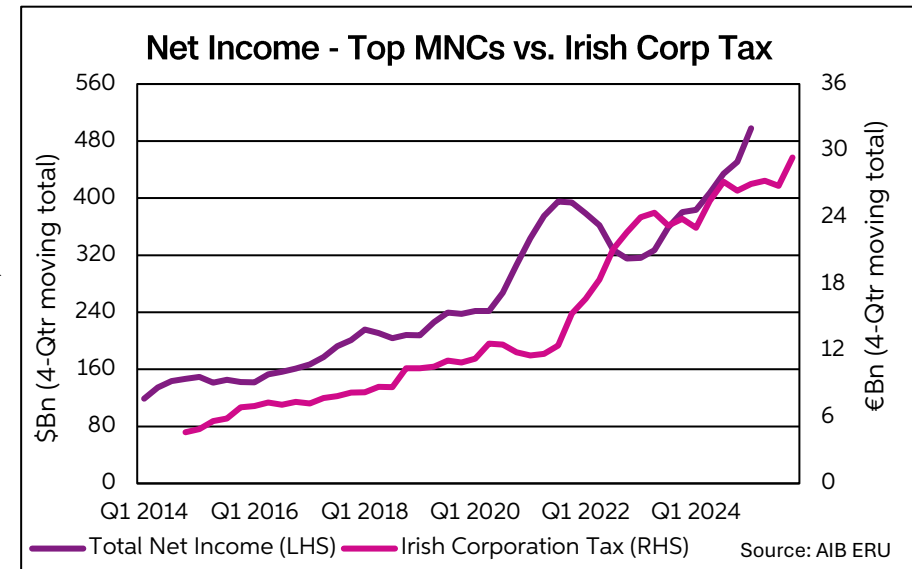
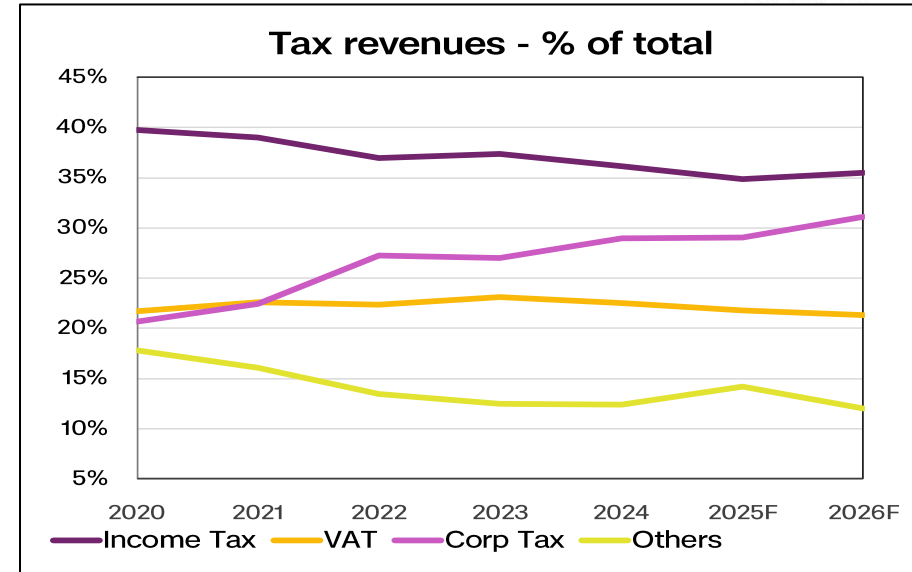


Upside Risks

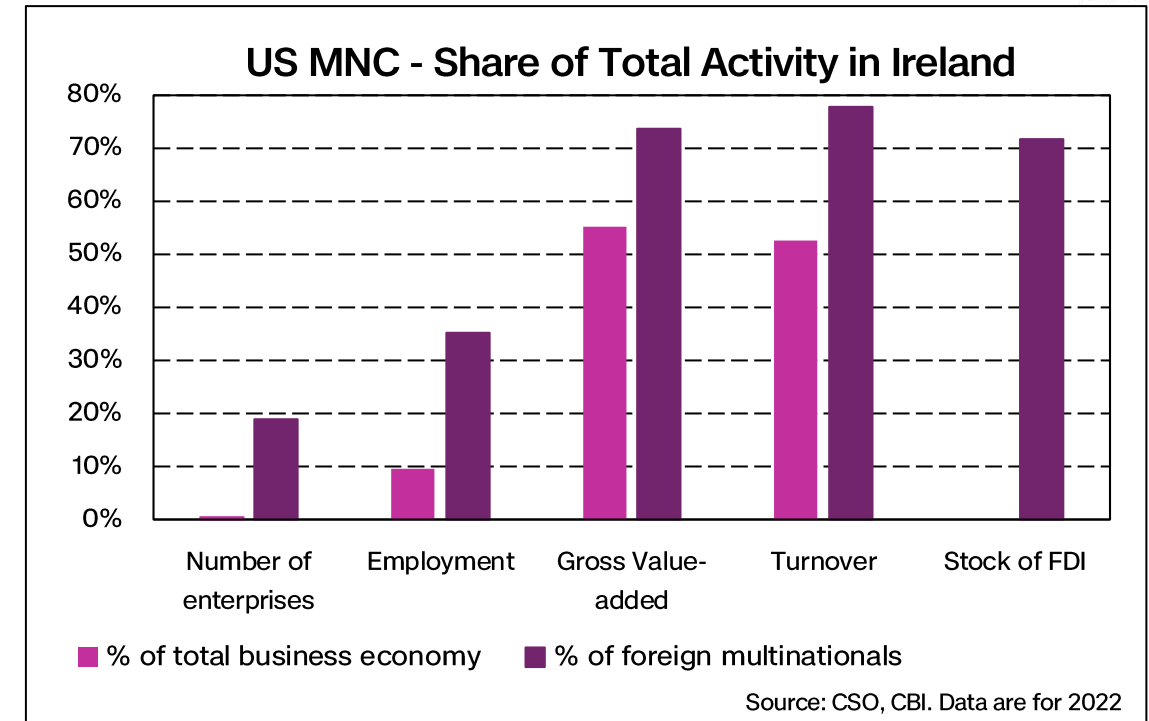
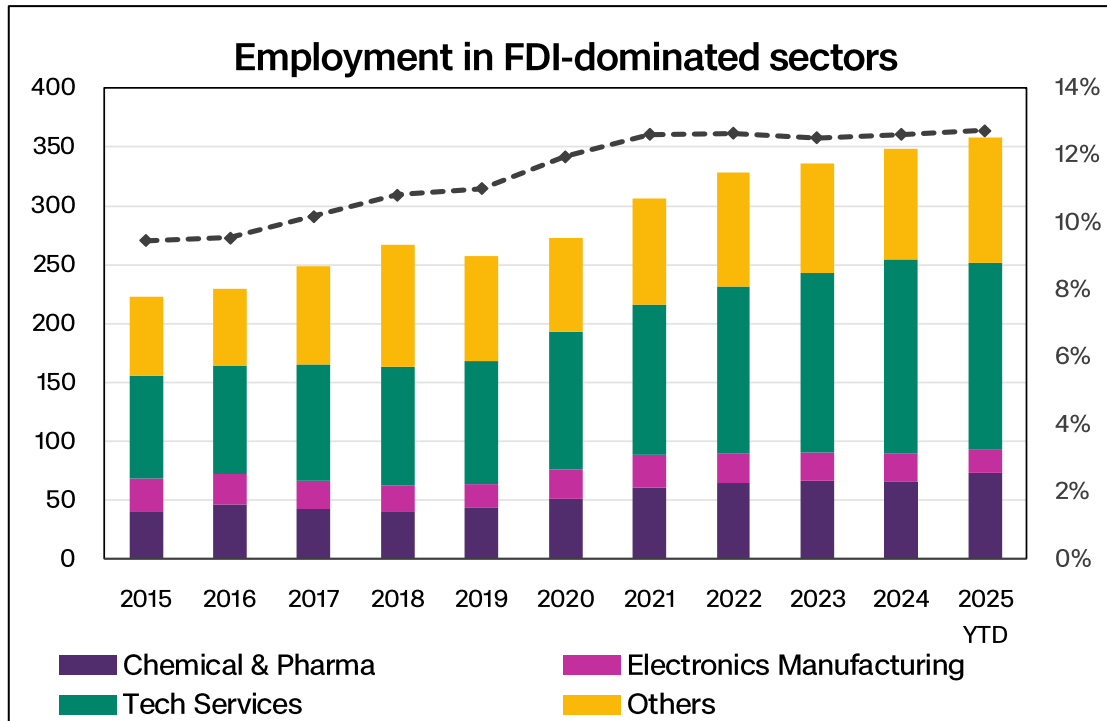
- COVID savings glut for households could support consumer spending and stronger growth.
- FDI export sector still exposed to rapidly expanding pharma & tech sectors.
- Rapid population growth likely to ease, but forecasts have consistently undershot.
- Predictable political environment amid global uncertainty – 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, hybrid threats to infrastructure
- Capacity constraints – labour, electricity, water, infrastructure, & housing.



US MNCs a large share of GDP but not employment



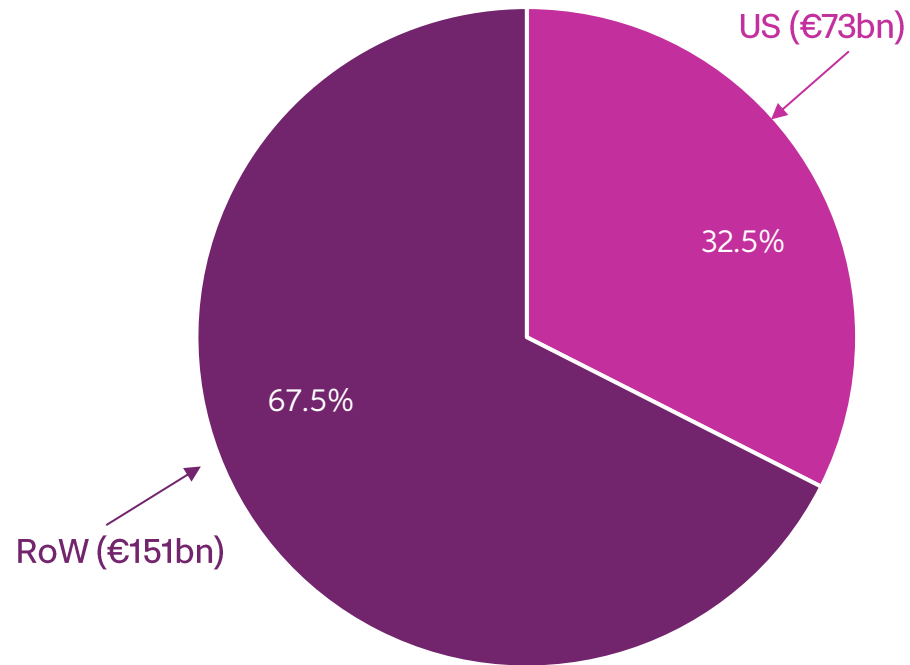
- US MNCs directly employ a small (albeit a well-paid) cohort of the overall workforce.
- However, the output/investment from these companies is vast, accounting for over 50% of turnover and GVA for Irish economy

US a key trade partner in goods – pharma dominates



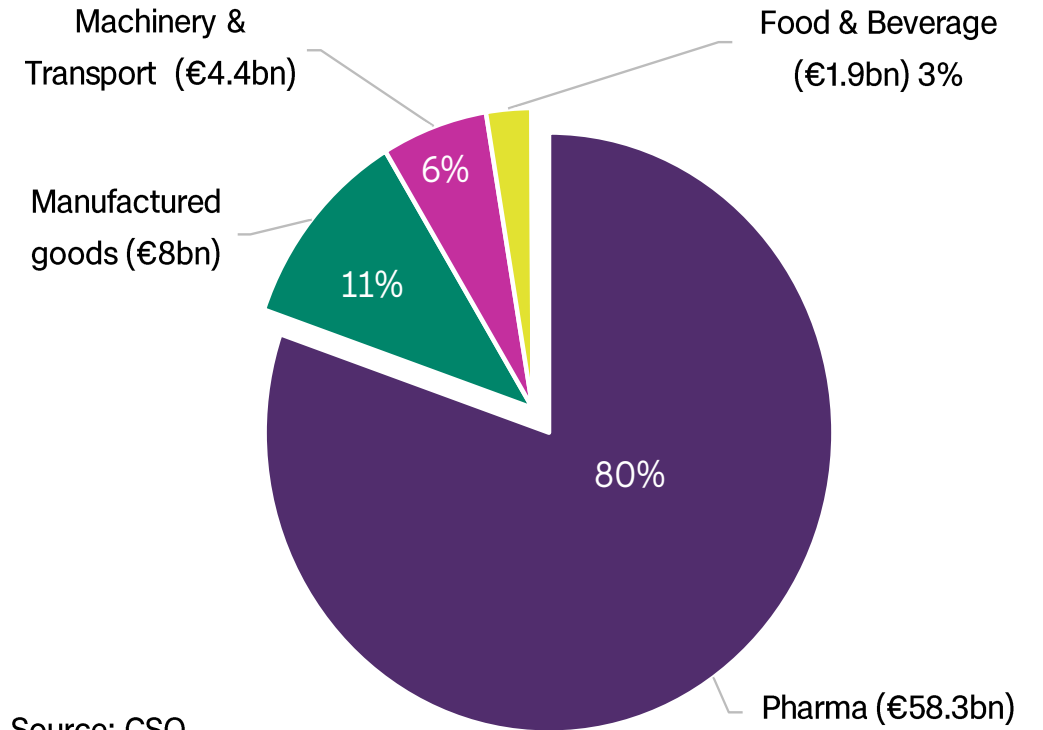
For the People

Irish Goods Exports (2024)



Source: CSO

Irish Exports to US, by Category (2024)

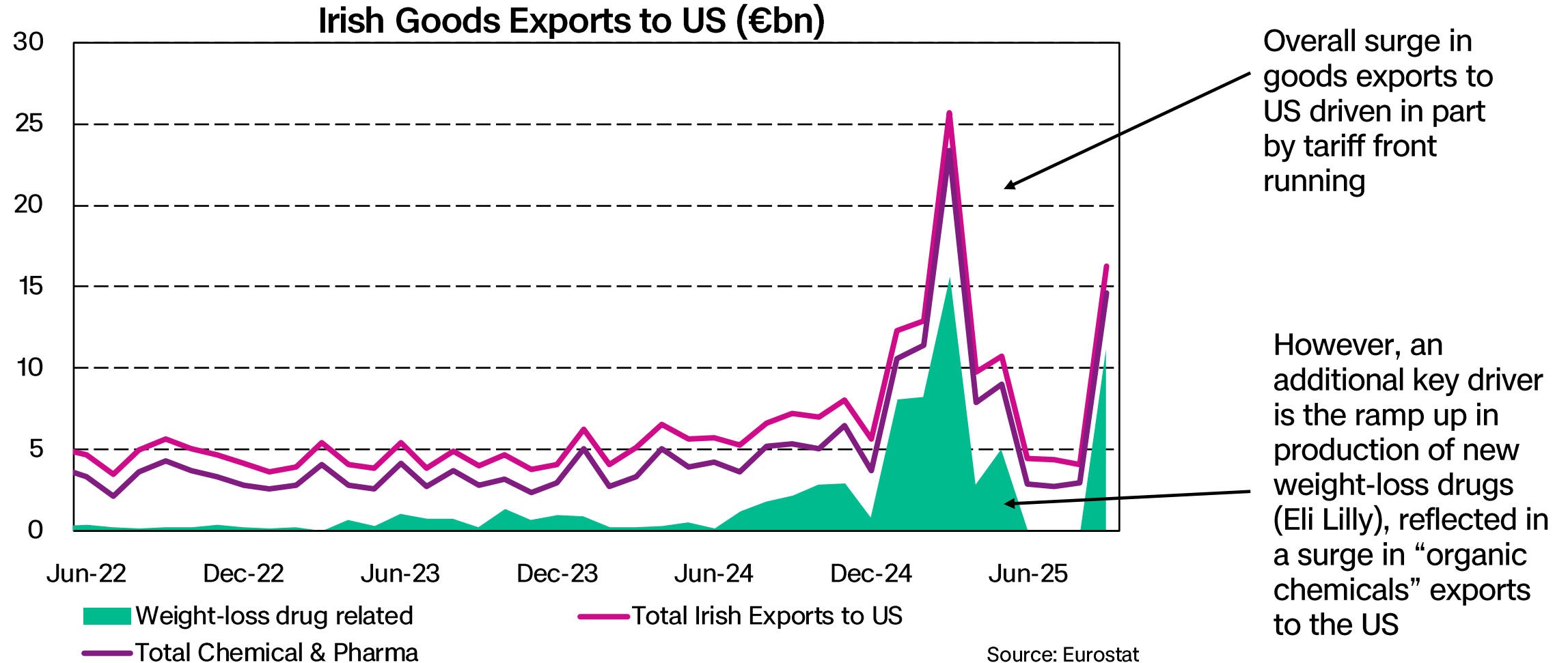


Source: CSO

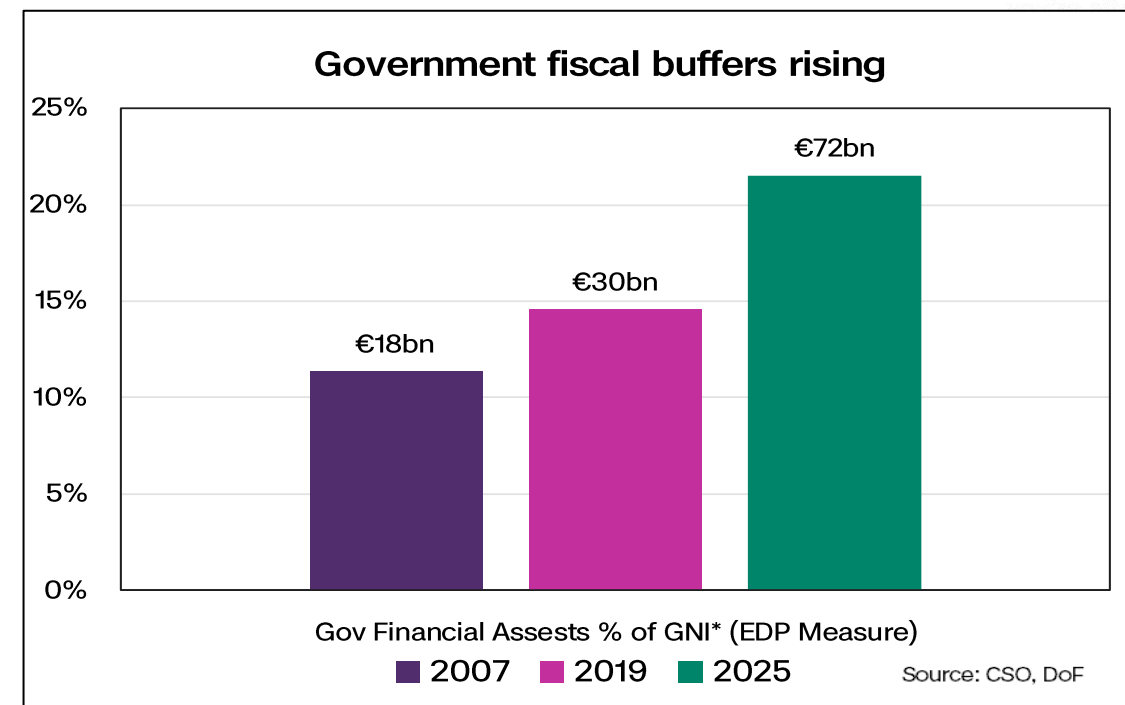
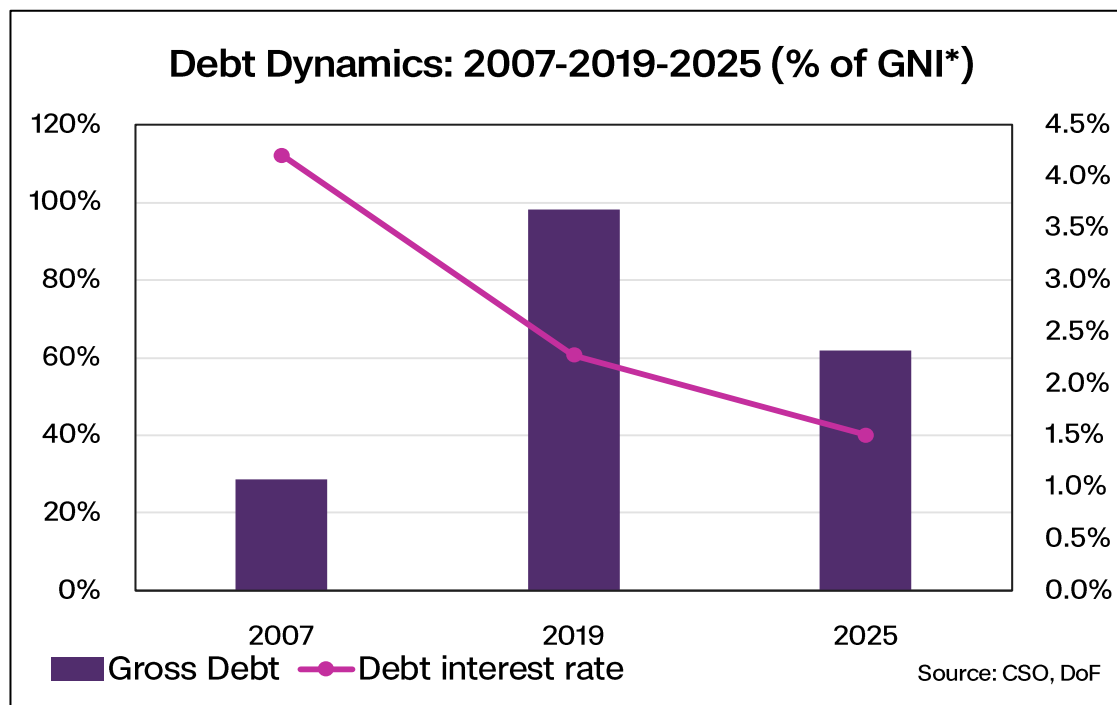
Surge in Irish exports to US is not just due to tariffs



For the life
you're after



Could the public finances weather an FDI shock?

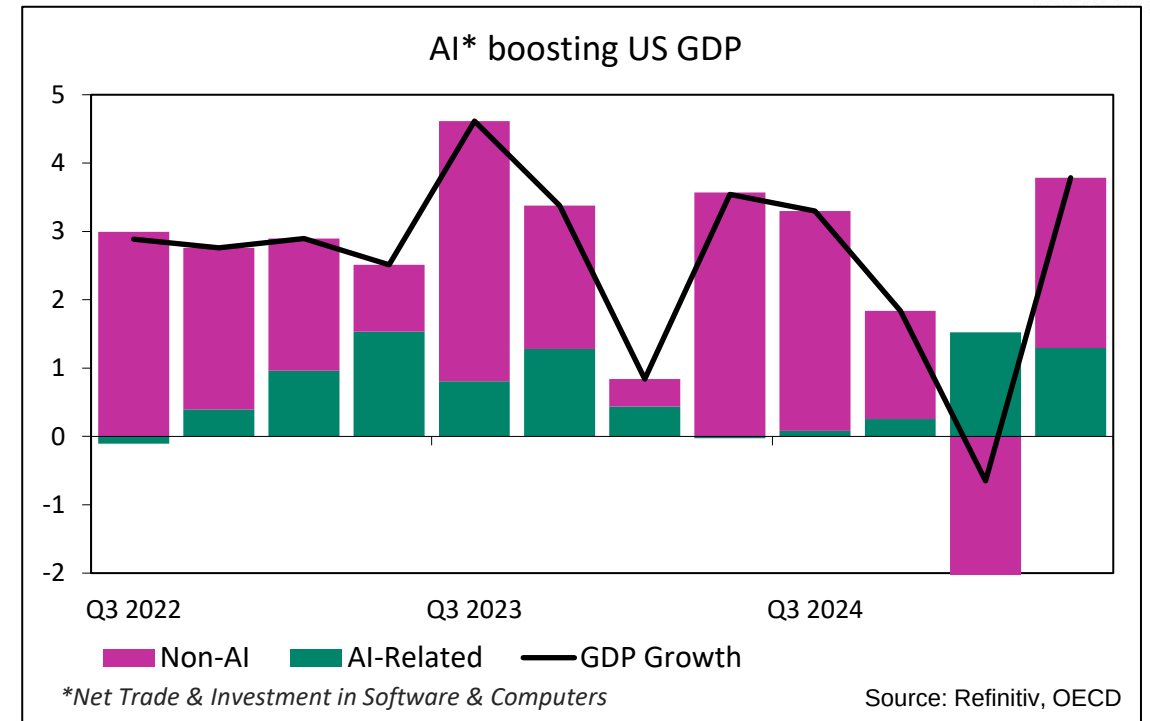
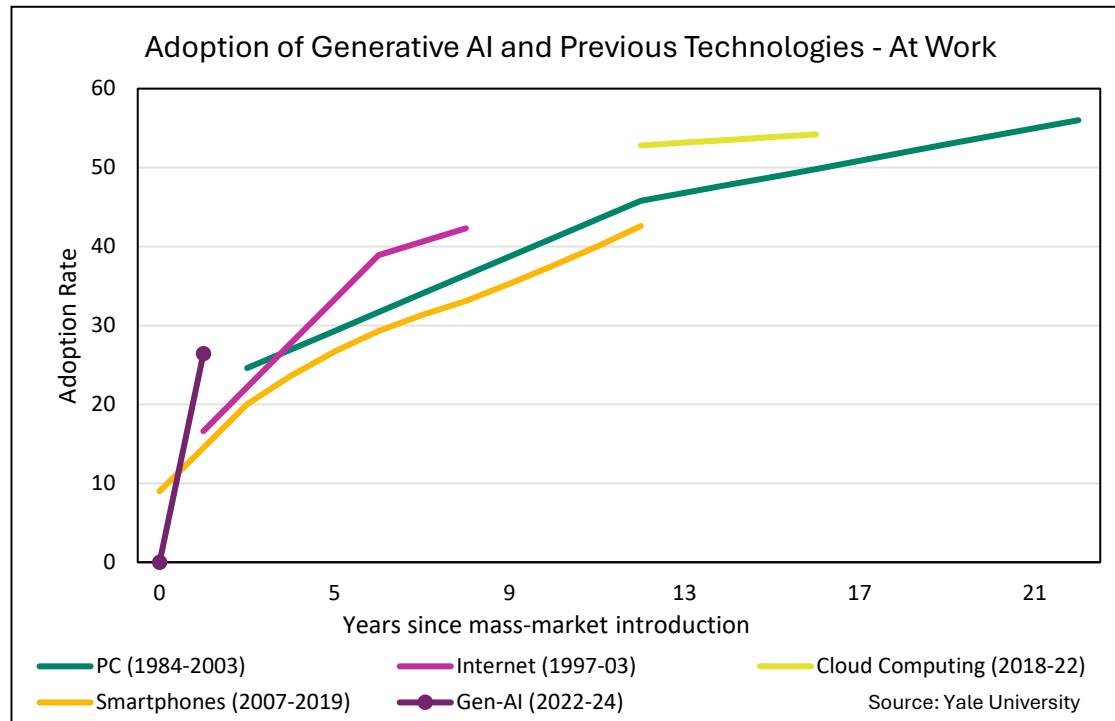


- Stock of debt is higher than pre-GFC, but debt interest costs are much lower (c. 1.5% of GNI*)
- Gov. has built-up fiscal buffers – main financial assets were c.€60bn in 2024, set to rise to €72bn in 2025 (22% of GNI*)
- Sovereign wealth funds to grow in the coming years – Gov. should accelerate transfers from windfall CT receipts.
- Significant resilience also from high savings/low debt in the private sector, but Gov. could go further given FDI risks

AI is already driving global GDP growth

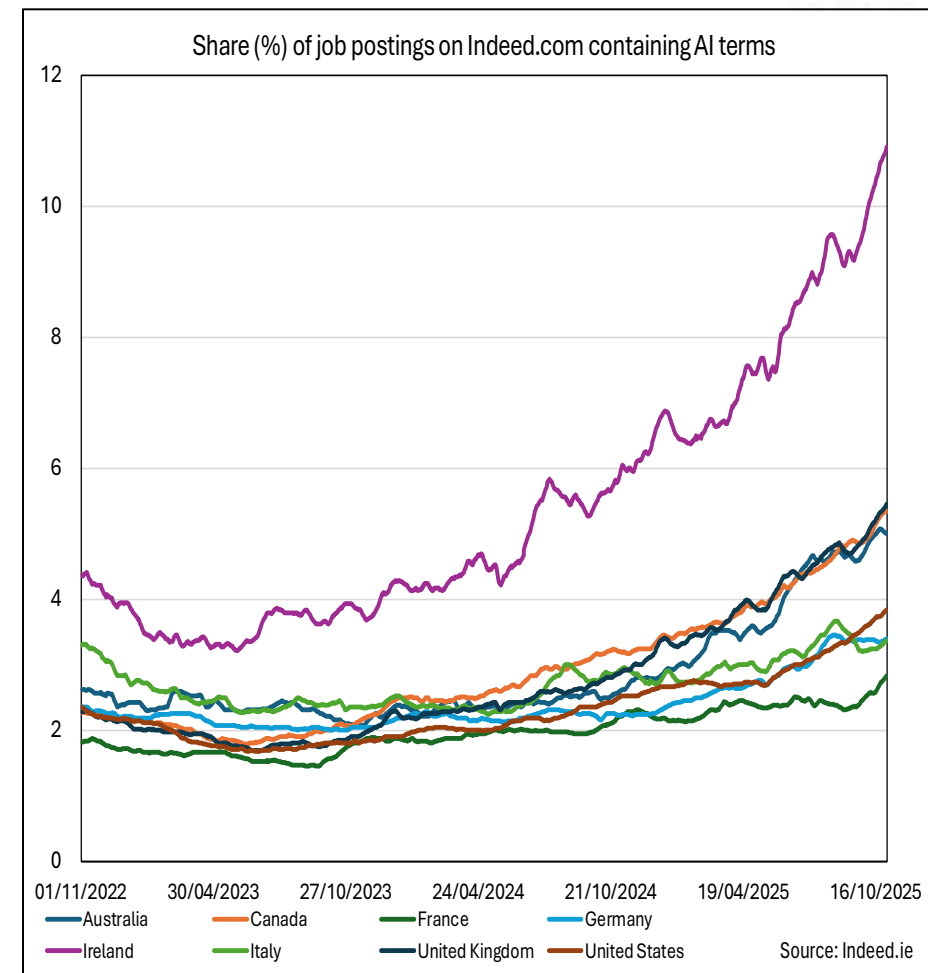
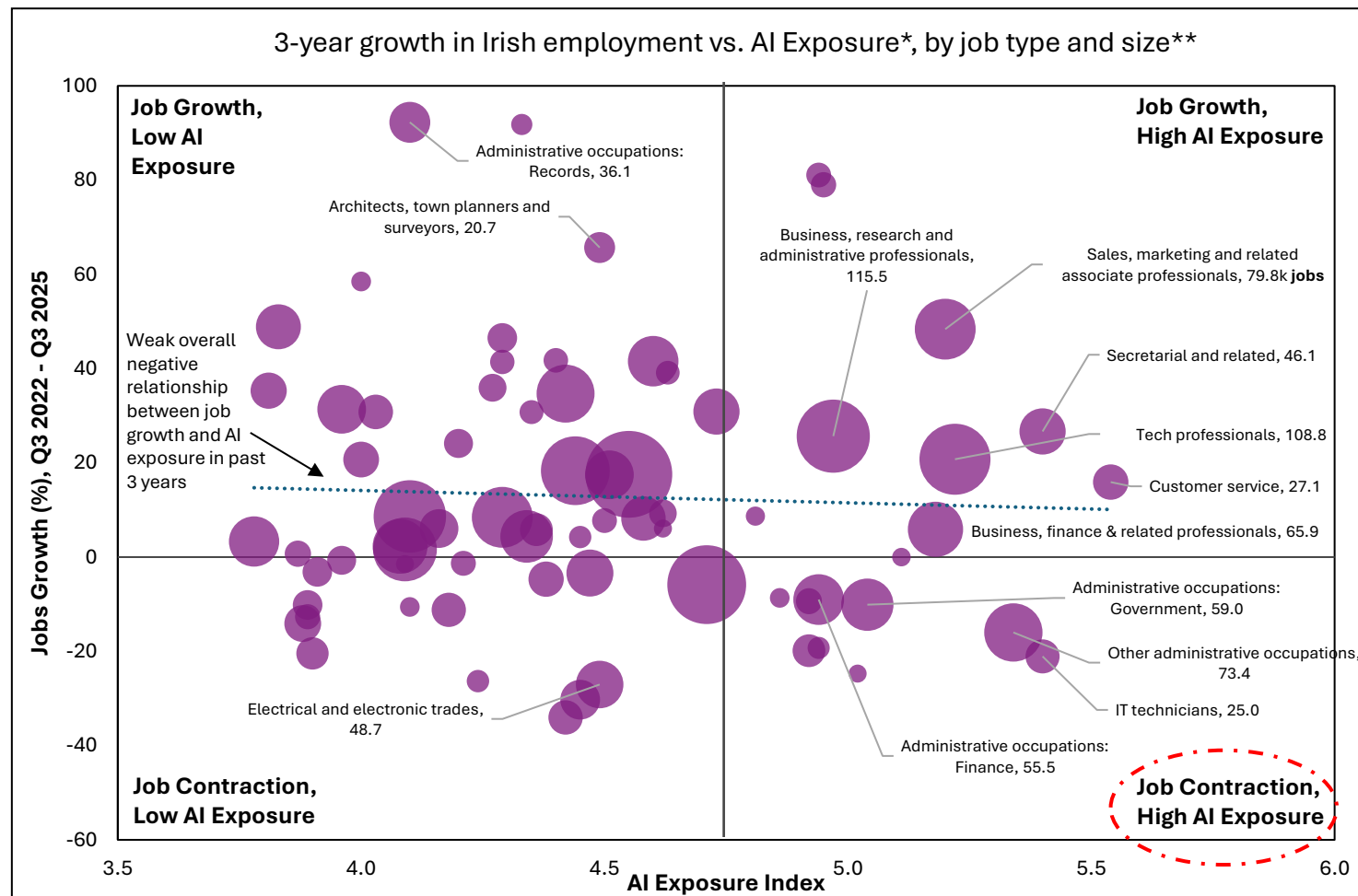


For the People



- The rapid deployment of AI technologies in recent years has not only generated financial market gains, but is now materially boosting economic activity
- The investment cycle, largely in the US, into data centres and power infrastructure accounted for over a third of US GDP growth in Q2 2025

AI complementary rather than job-replacing so far

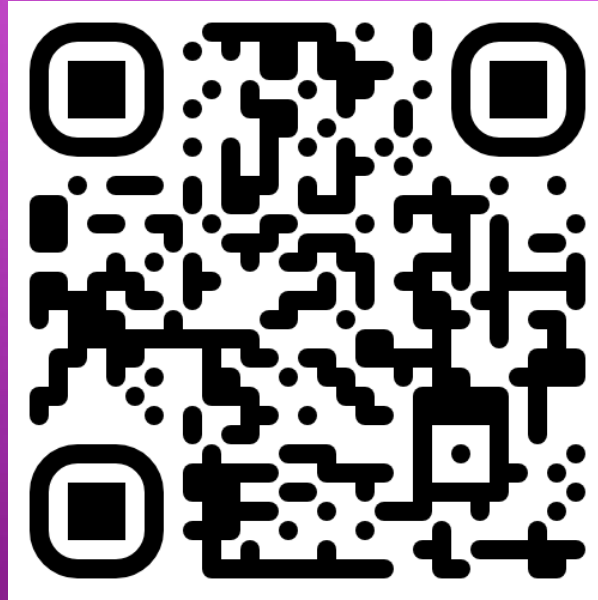


*AI exposure index based on methodology developed by Dept. of Finance in: Fitzgerald, Coates, Williamson, Gannon and Daly, (2024), [Artificial Intelligence: Friend or Foe?](#)

**Bubble size denotes size (in thousands) of employment base in Ireland (1-year avg. to Q3 2025) for each job type

Sources: AIB ERU, CSO, Dept of Finance

Access our latest research



→ aib.ie/investorrelations/economic-research

David McNamara
Chief Economist
david.g.mcnamara@aib.ie

John Fahey
Senior Economist
john.j.fahey@aib.ie

Daniel Noonan
Economist
daniel.x.noonan@aib.ie

Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland