Irish Economic Chartbook

AIB Economic Research Unit

January 2026

AIB

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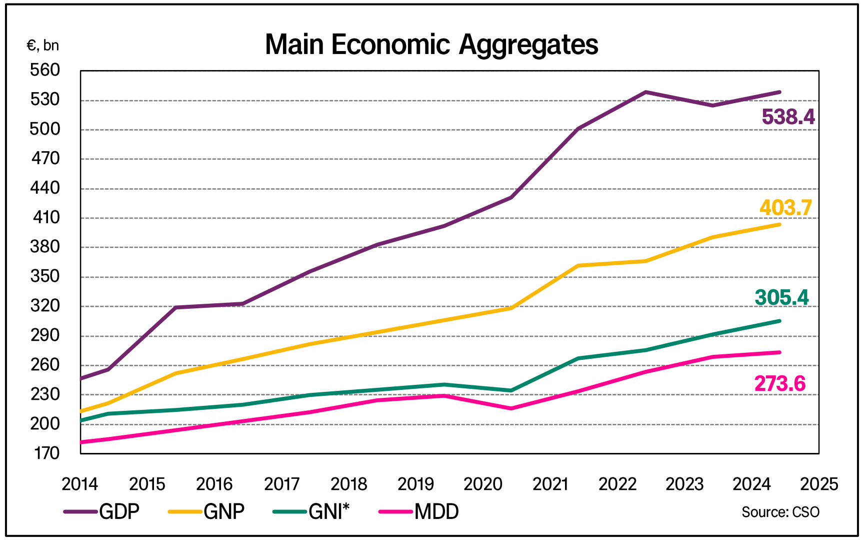
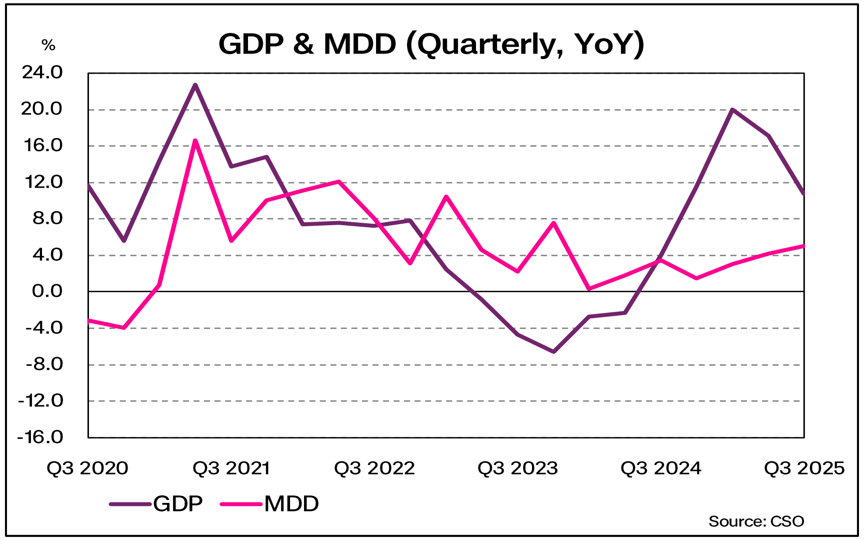
Irish economy robust despite global risks

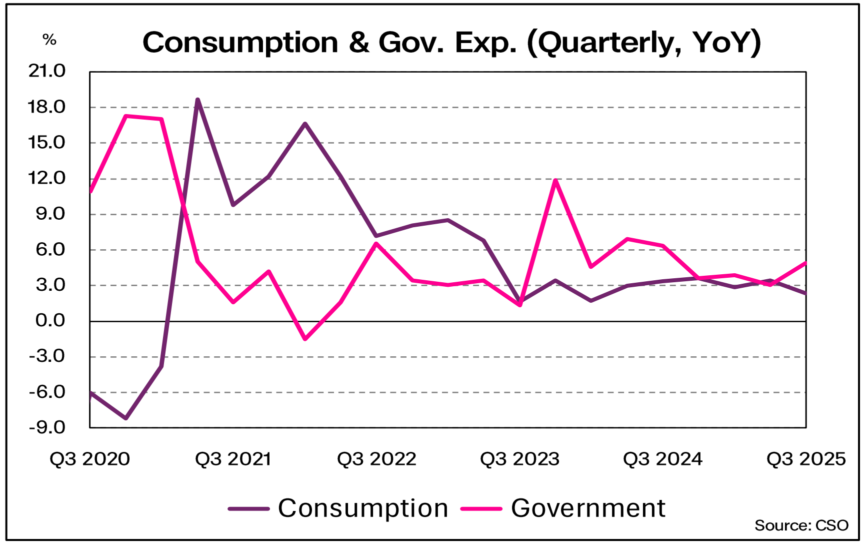
- Latest macro data point to robust growth profile, albeit confidence remains fragile amid current geopolitical volatility.
- Strong economic growth in 2025, boosted by exports, driven by emergence of weight-loss pharma production.
- Labour market is softer, with annual jobs growth slowing to 1% in Q3 2025, but unemployment remains low at 5% (Dec ‘25).
- Supply constraints continue in housing & infrastructure, but Gov. policy and spending commitments could spur faster growth.
- Industry surveys, including AIB’s PMIs suggest private sector activity accelerated at the back end of 2025, following a mid-year lull.
- Risk to the outlook tilted to the downside in current global climate, but public and private sector balance sheets in very healthy position.

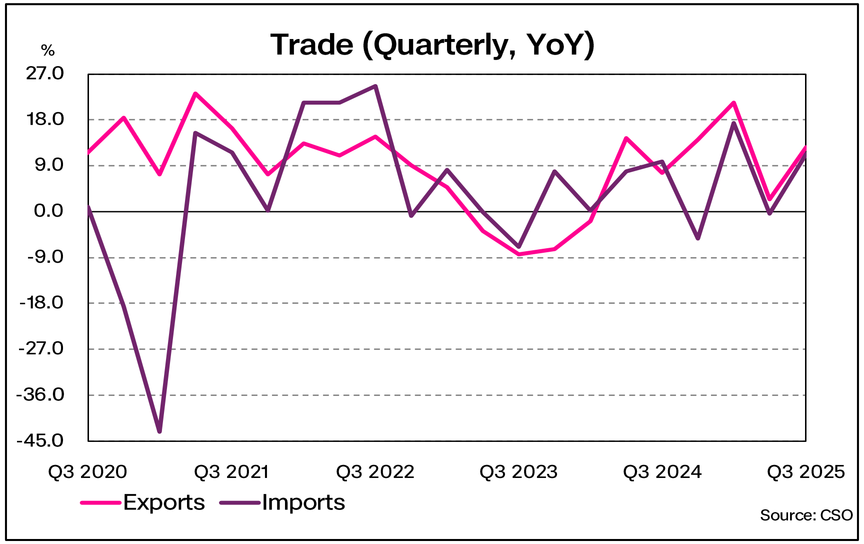
Sources: Eurostat

Irish economy performing strongly



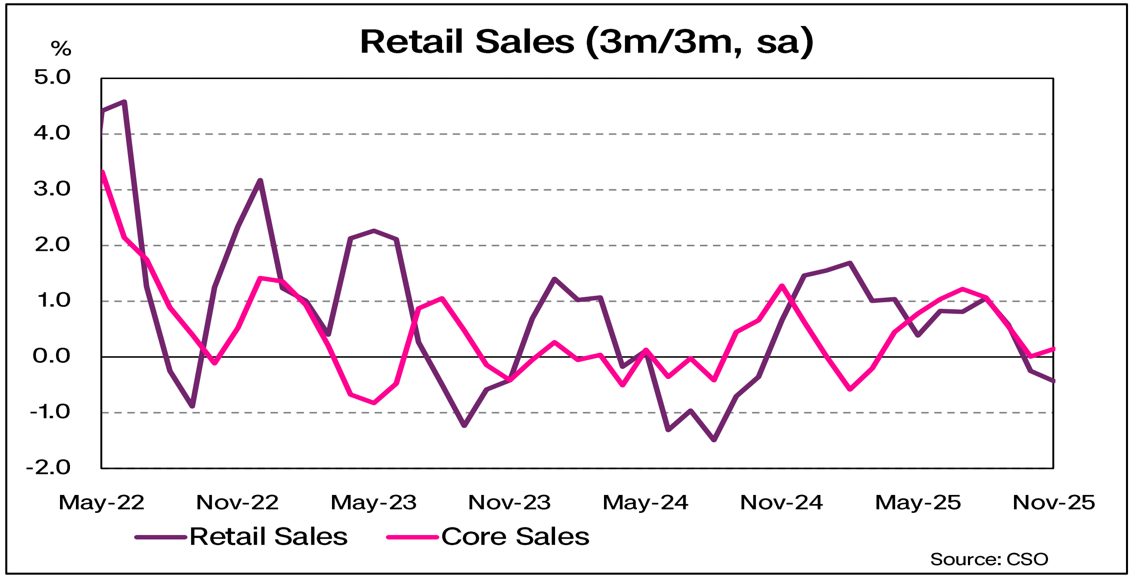


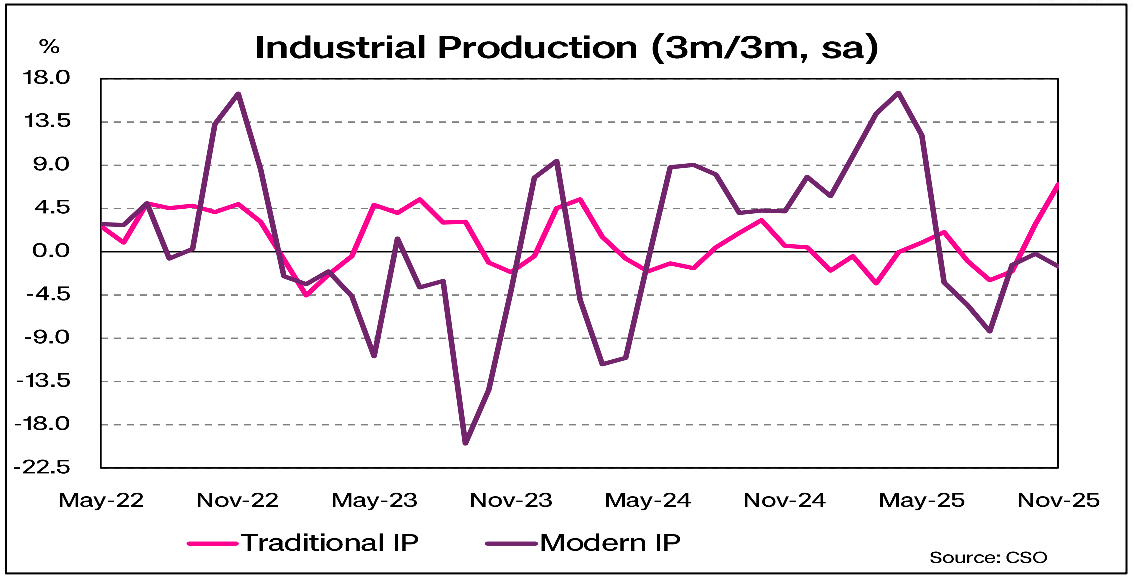


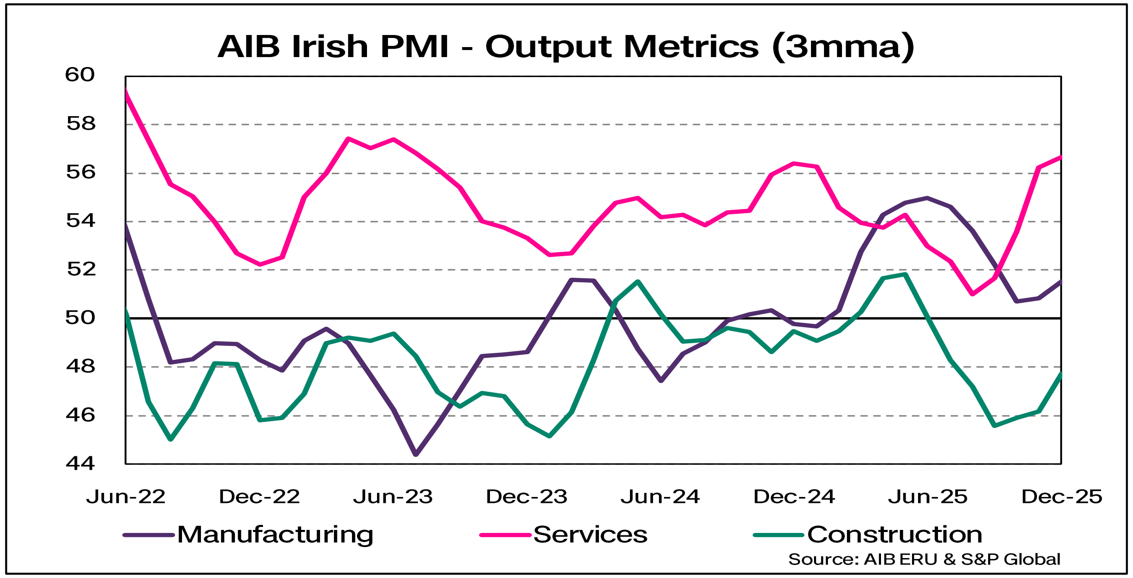


- GNI* (Modified Gross National Income) up 4.8% in 2024.
- GDP rockets 16% higher in the first three quarters of 2025 – Significant boost from exports.
- MDD (Modified Domestic Demand) expanding at a robust pace – up by 4.1% YoY so in 2025.
- Overall, economic growth has remained solid throughout 2025.

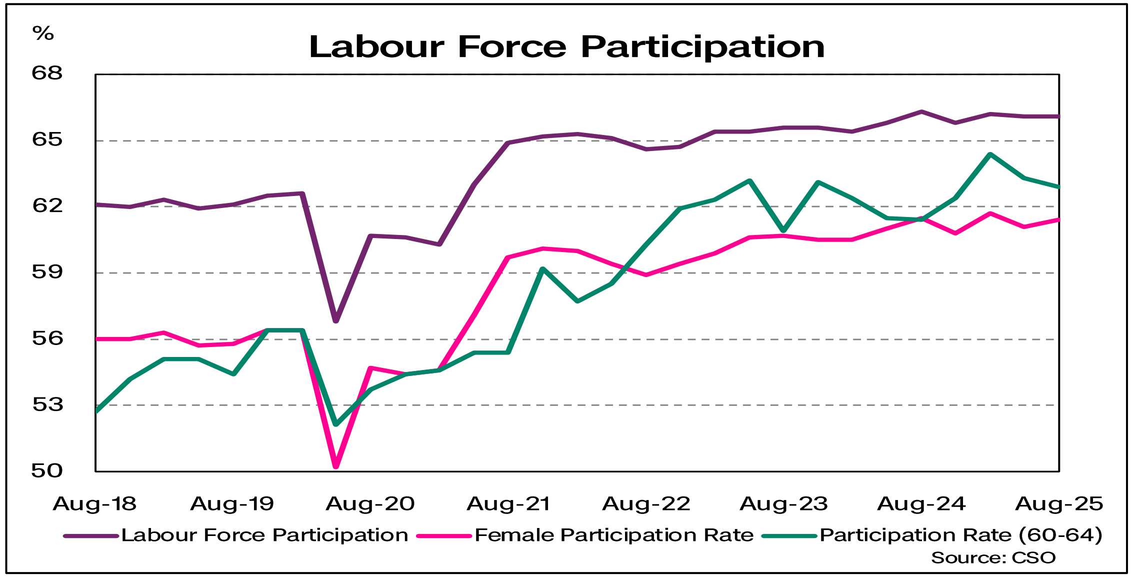
More recent activity measures have been mixed

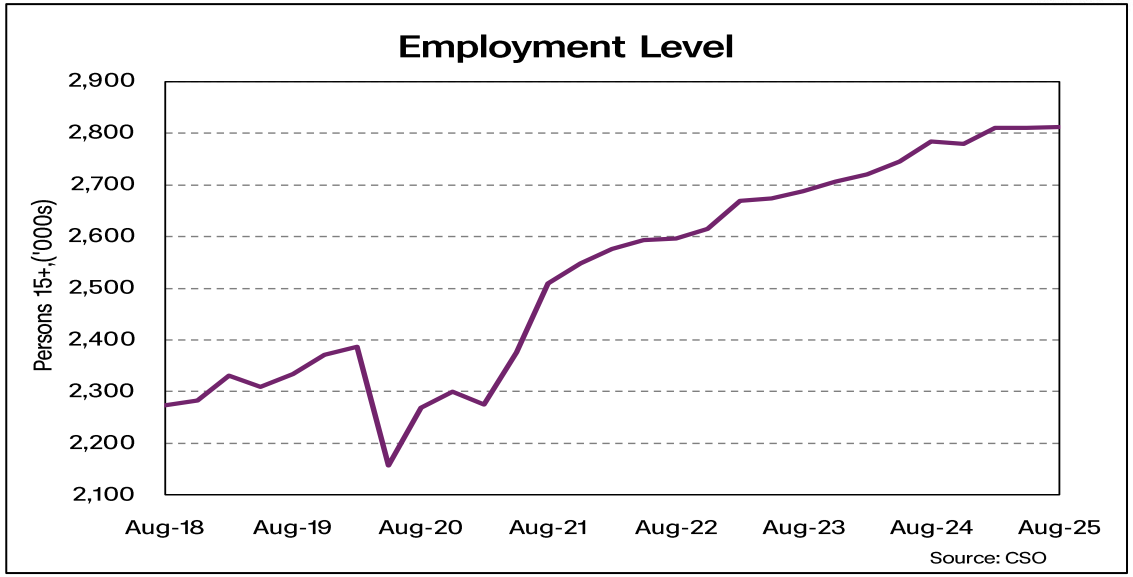


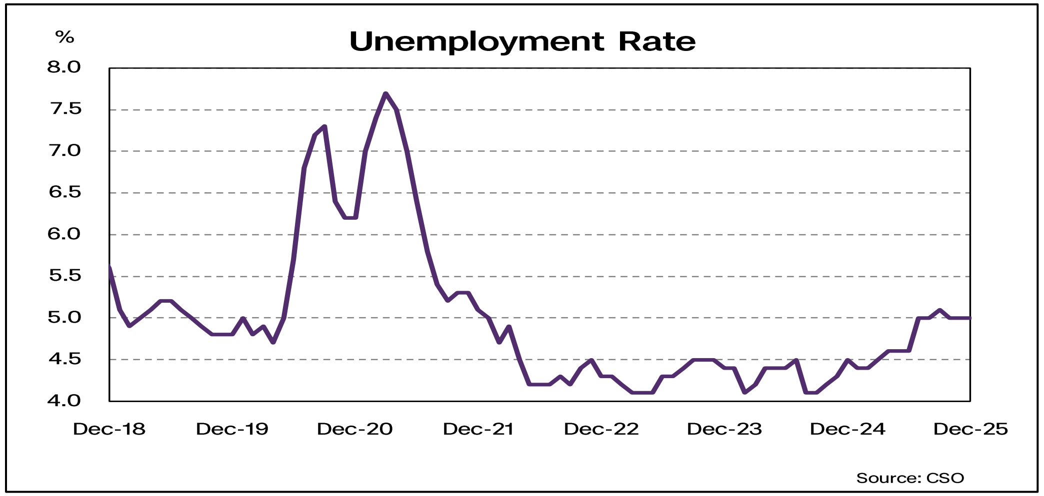




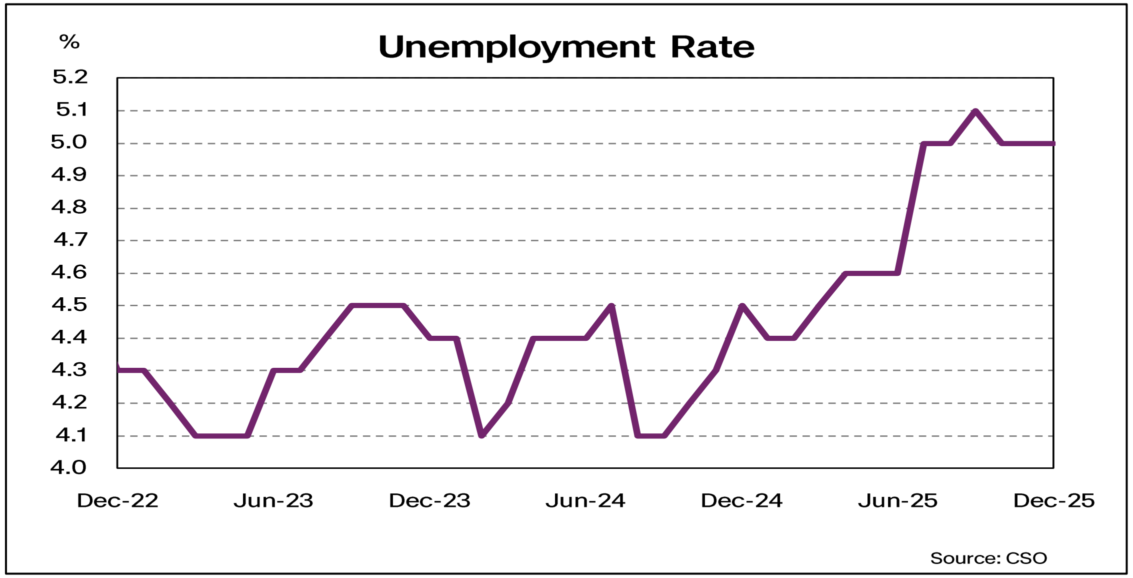
Labour market has been strong post-COVID..

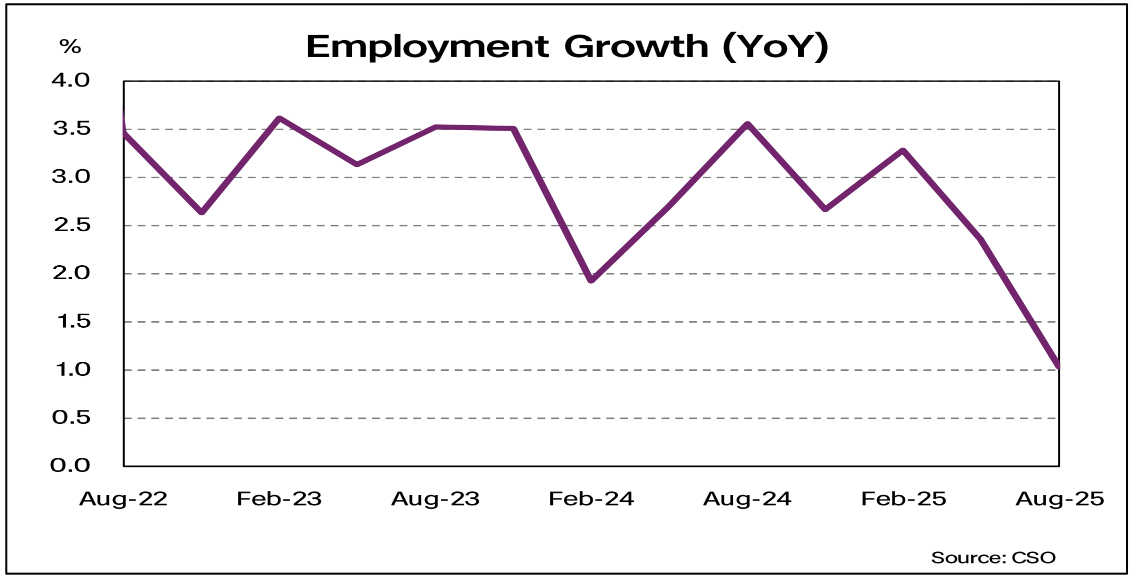


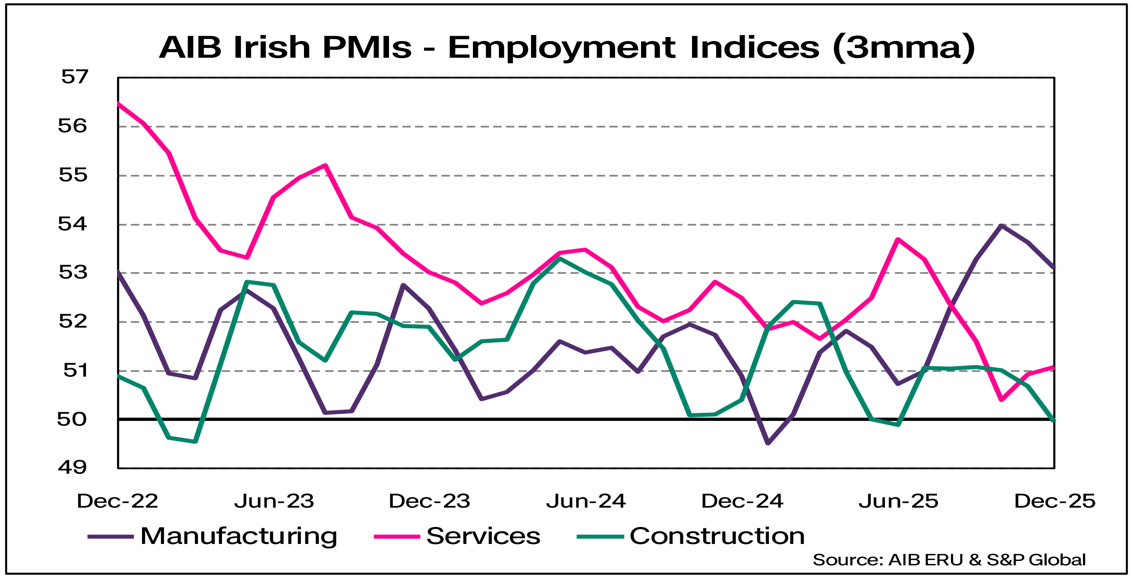




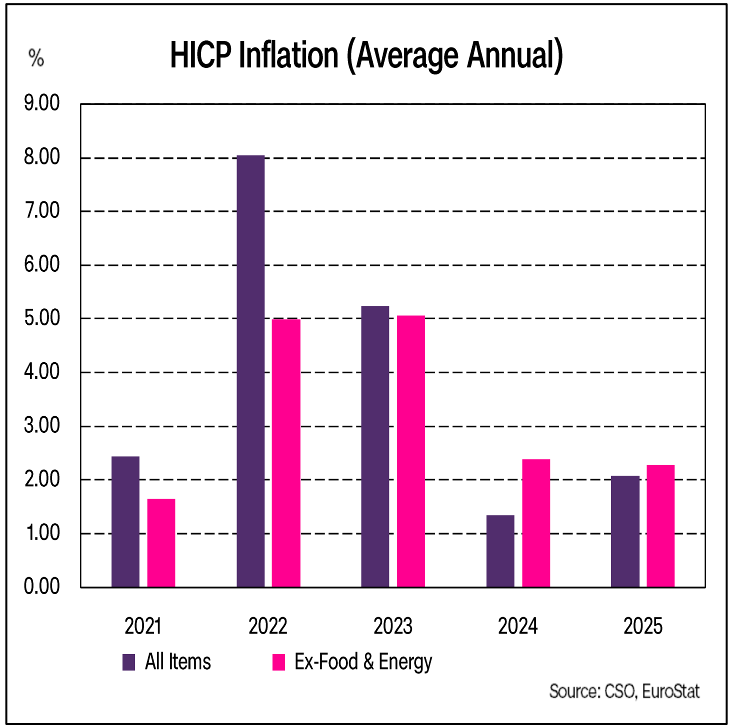
..However, there are signs conditions are softening

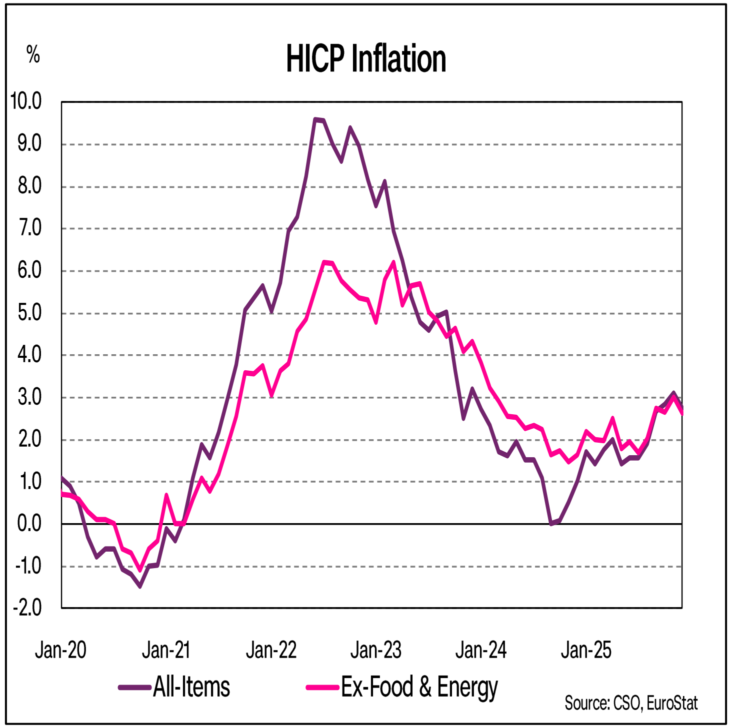


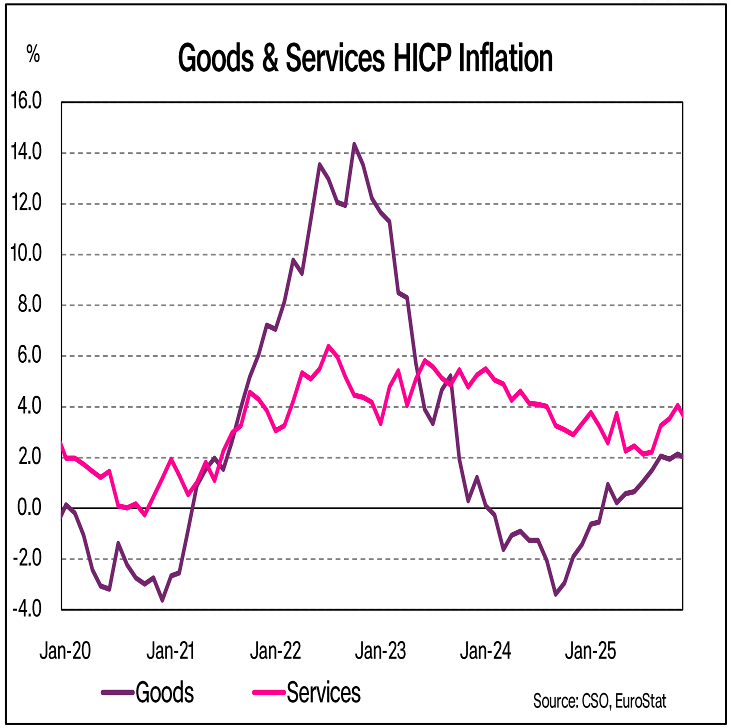




Inflation elevated of late, but expected to fall

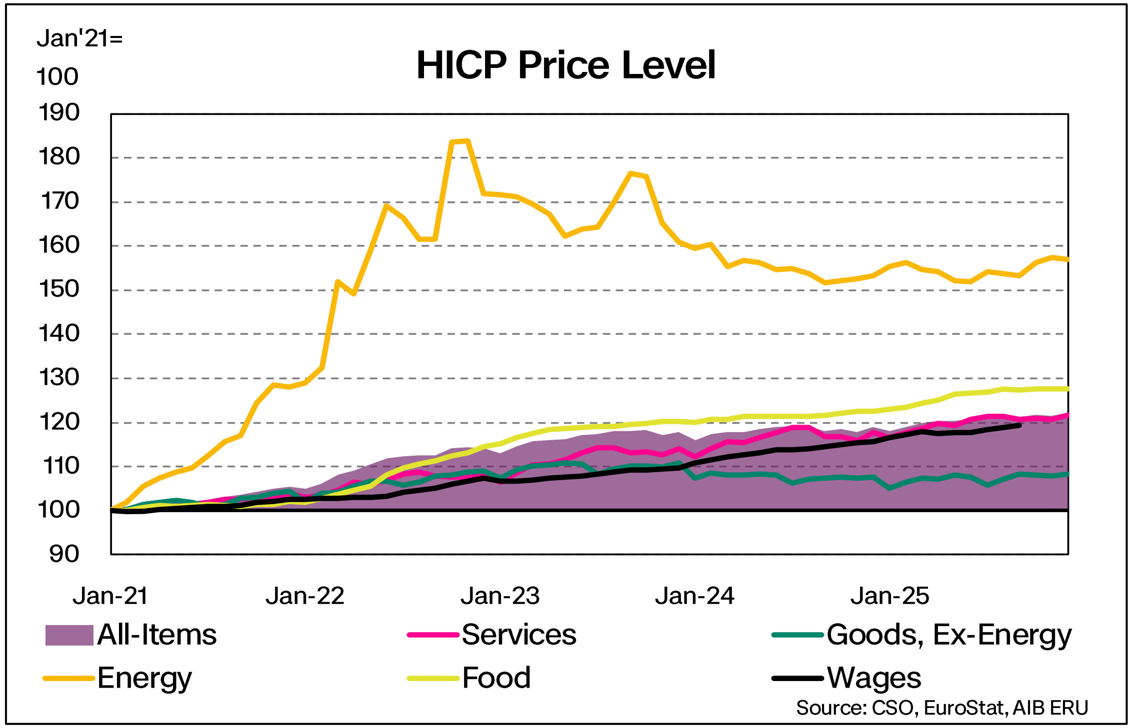






- Inflation spiked in 2022, averaging over 8%. It remained elevated throughout 2023 also.
- However, over the past 18 months, inflation has been close to 2%.
- Inflation has risen once again recently (currently at 2.8% - Dec 2025) but this has largely been due to base effects.

Wage levels 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 21 months.

Housing Market

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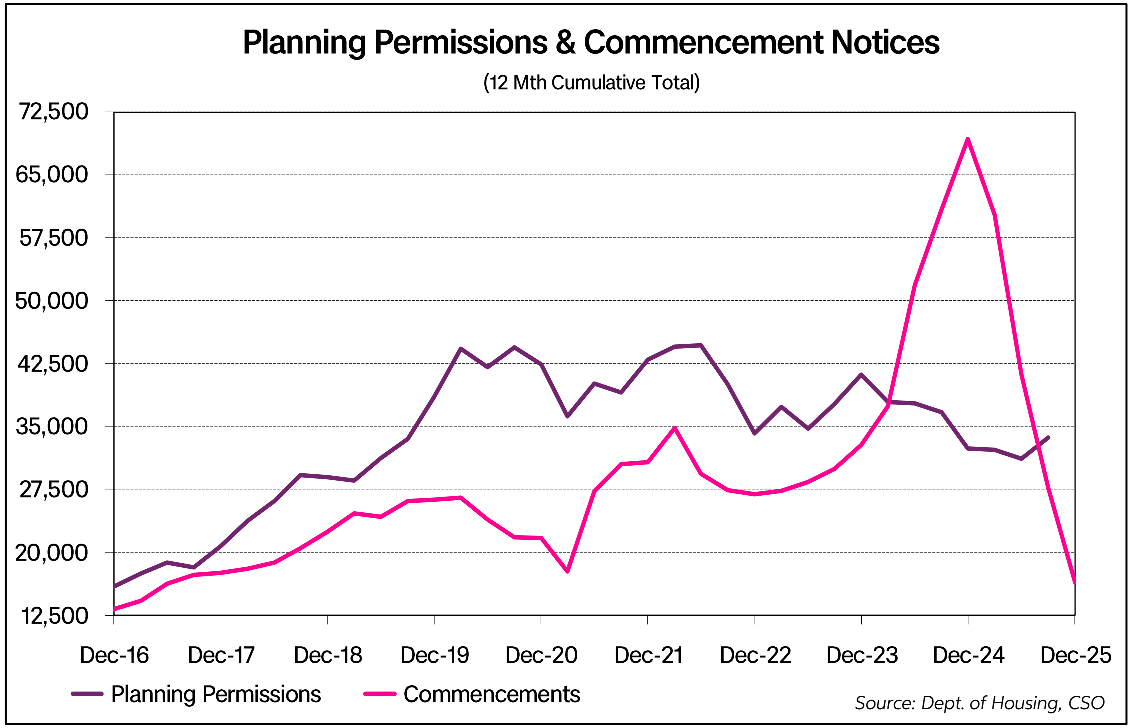
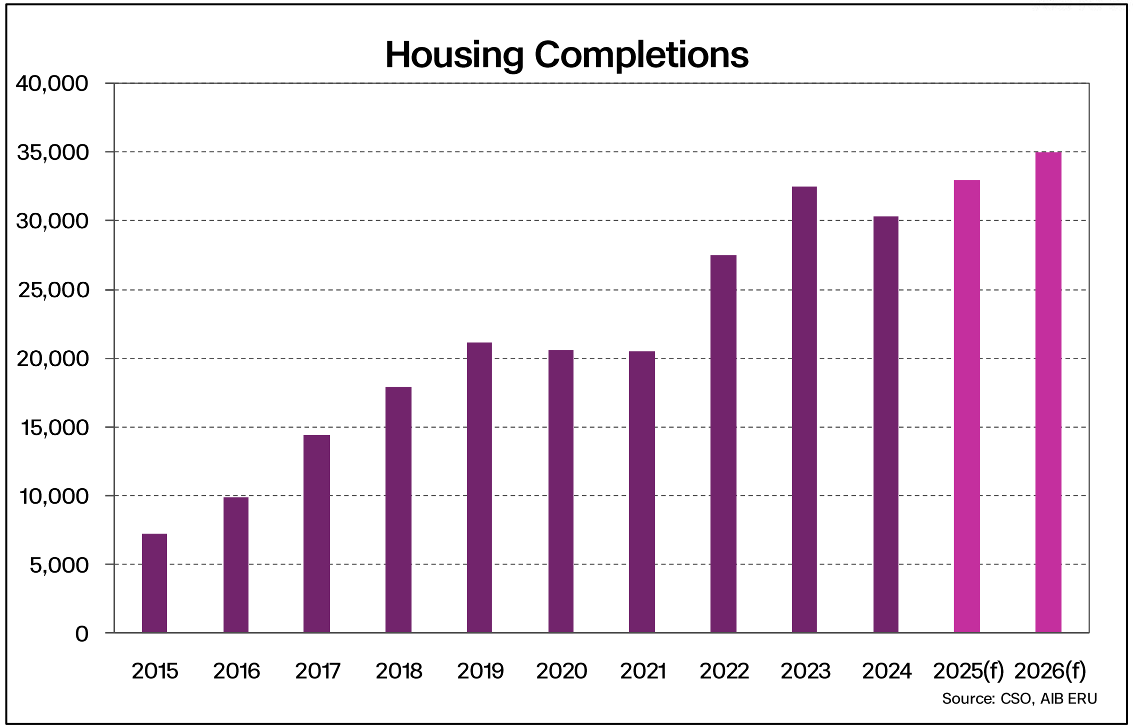
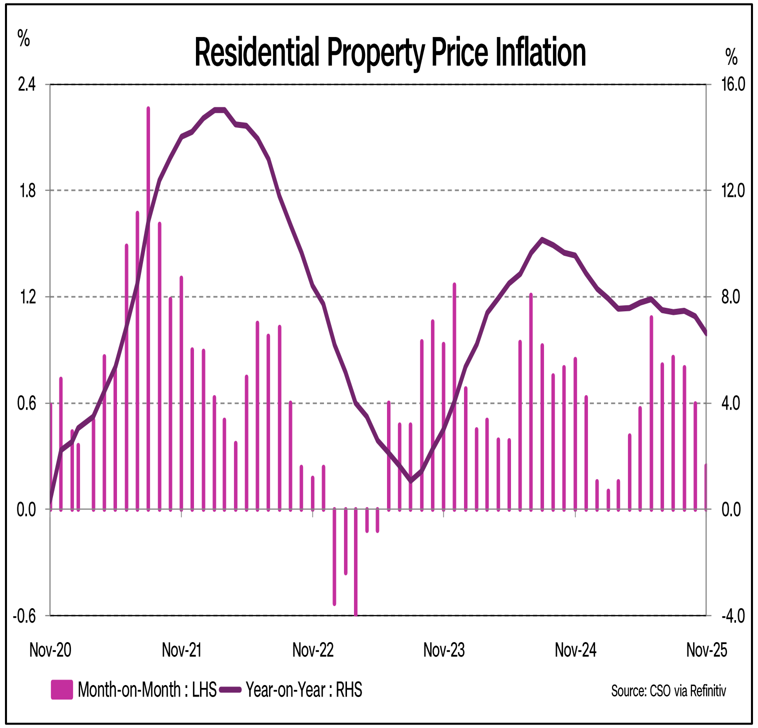
Housing completions expected to rise

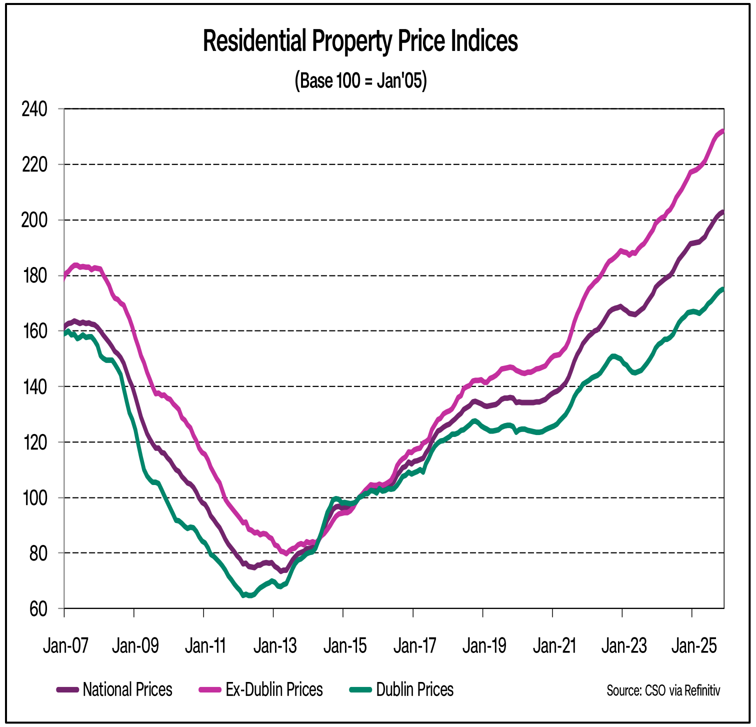


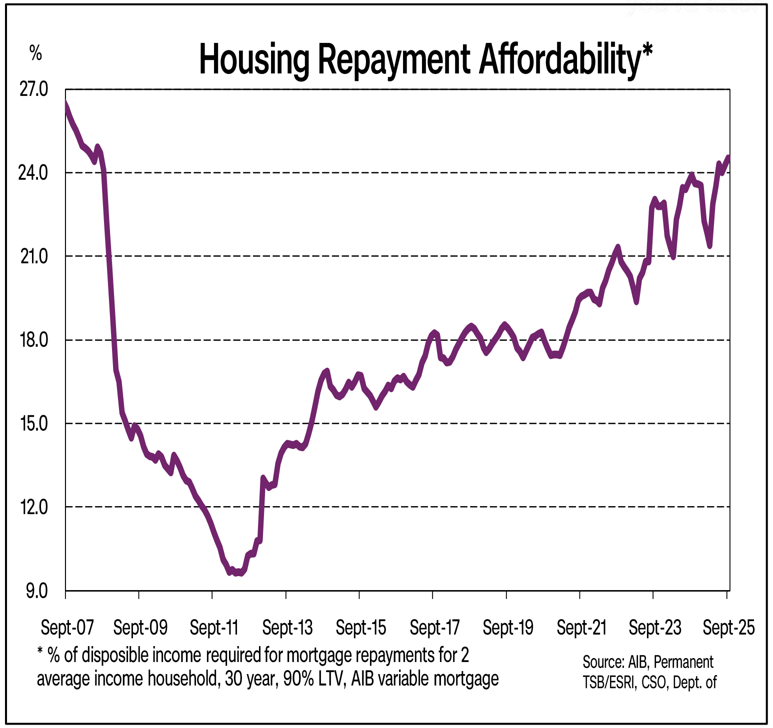


- Around 30,000 homes completed in 2024, down from 32,500 in 2023.
- Completions up by 13.1% YTD at the end of September. Upside risks to our forecast for 33,000 units in 2025.
- Just 16,400 commencements registered in 2025, down 71.4% compared to 2024.
- Circa 26,700 planning permissions granted YTD, up by 4.9%.

House prices continue to rise sharply







- Residential Property prices rose by 8.5% in 2024. Currently up by an average of 7.6% in 2025.
- Property prices nationally are above their Celtic Tiger peak.
- The trend of deteriorating affordability has accelerated post-COVID.

Housing & Infrastructure delivery a key focus

National Development Plan (NDP) Review 2025

- NDP Review 2025 represents Ireland's long-term strategy for capital investment.
- Total investment of €275.4bn planned for between 2026-2035.
- €202.4bn is to be funded by the Exchequer, with €102.4bn allocated to departments for 2026-2030.
- The NDP will also draw on funding from the Escrow proceeds, the ICNF and from monies earned via bank share sales.
- Focus on water, energy, transport & housing.

Delivering Homes, Building Communities 2025-30

- Main target is to deliver 300k homes by 2030.
- This includes 72k social homes and 90k affordable housing units.
- Investment of €20bn per annum, as well as €50bn for housing and water infrastructure.
- Focus on utilising zoned land & a more efficient planning process under the Planning & Development Act 2024.
- Grants of up to €70k to tackle vacancy & dereliction.
- Adoption of MMC for at least 25% of new social & affordable homes with expansion of apprenticeships.

Accelerating Infrastructure Report & Action Plam

- Whole of government response to systemic delays in infrastructure
- Aims to reform judicial review process to cut average timeline from 18 to 9 months.
- 30 actions under four pillars; Legal reform, Regulatory simplification, Coordination & delivery and Public acceptance.
- Enact legislation (such as the Critical Infrastructure Bill) to fast-track nationally significant projects.
- Establishment of a framework to coordinate across utilities.

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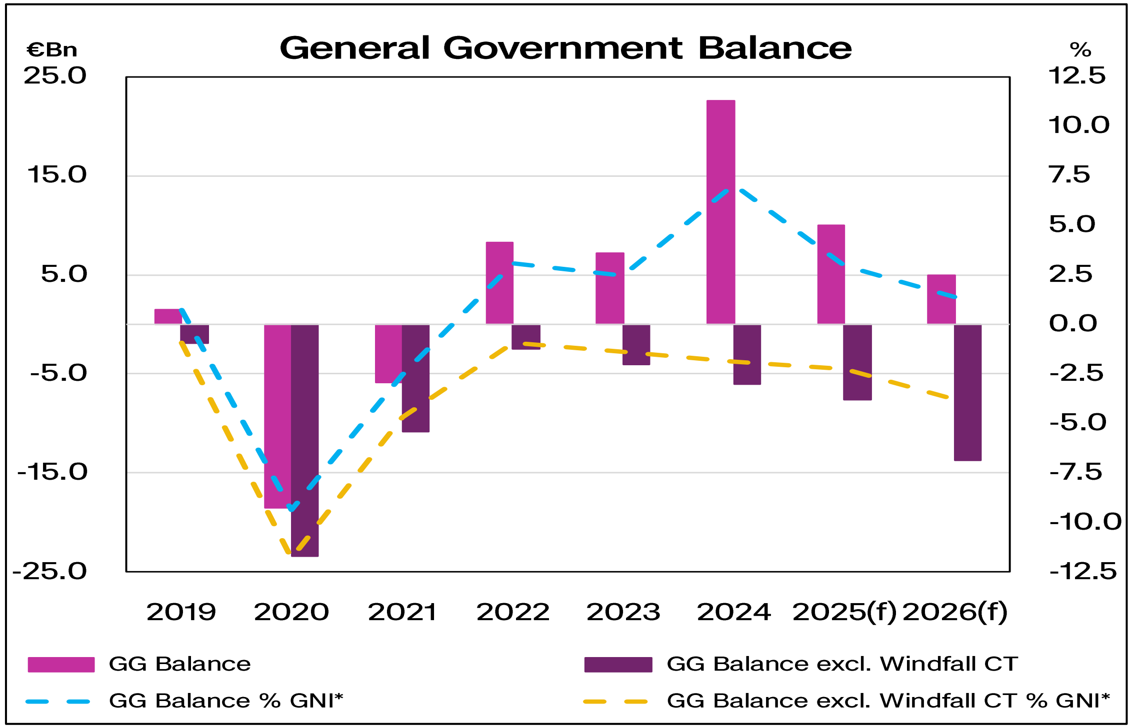
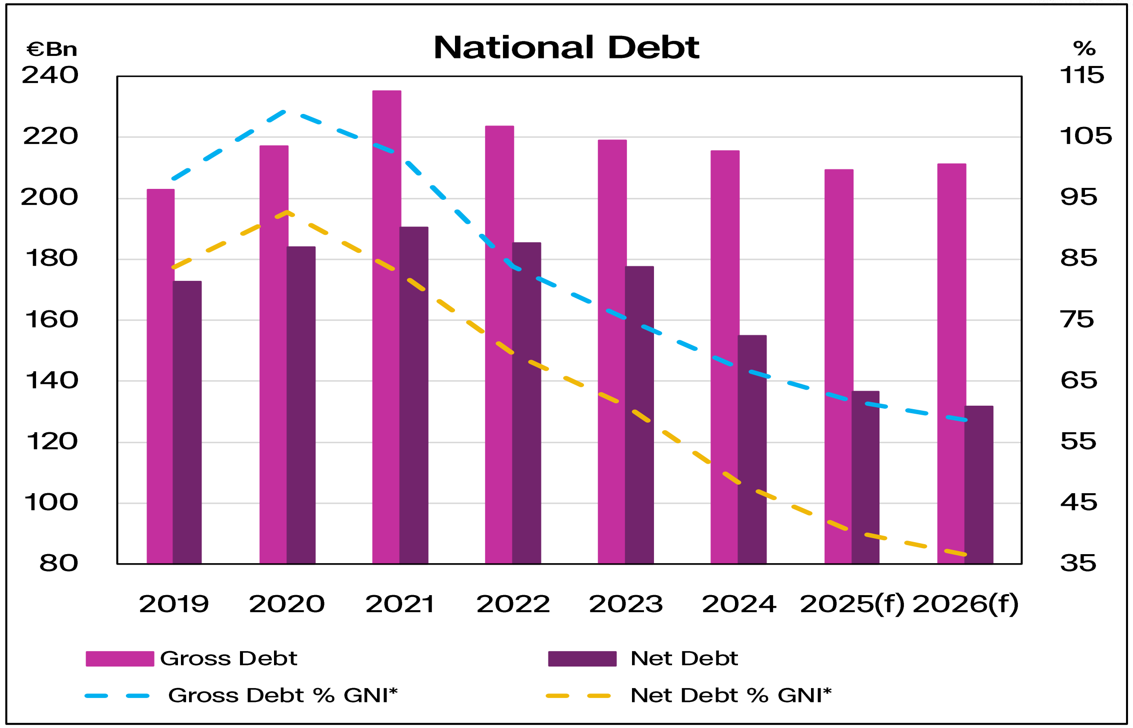
National Balance Sheet & Budget 2026

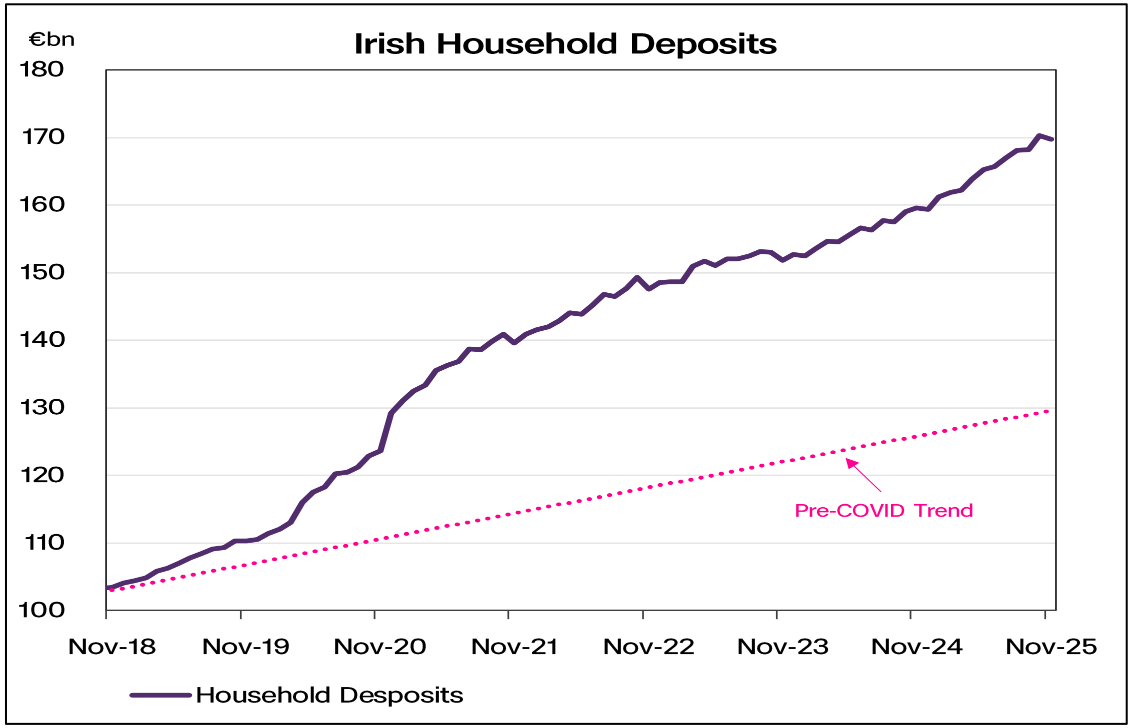
Gov. finances supported by windfall CT receipts

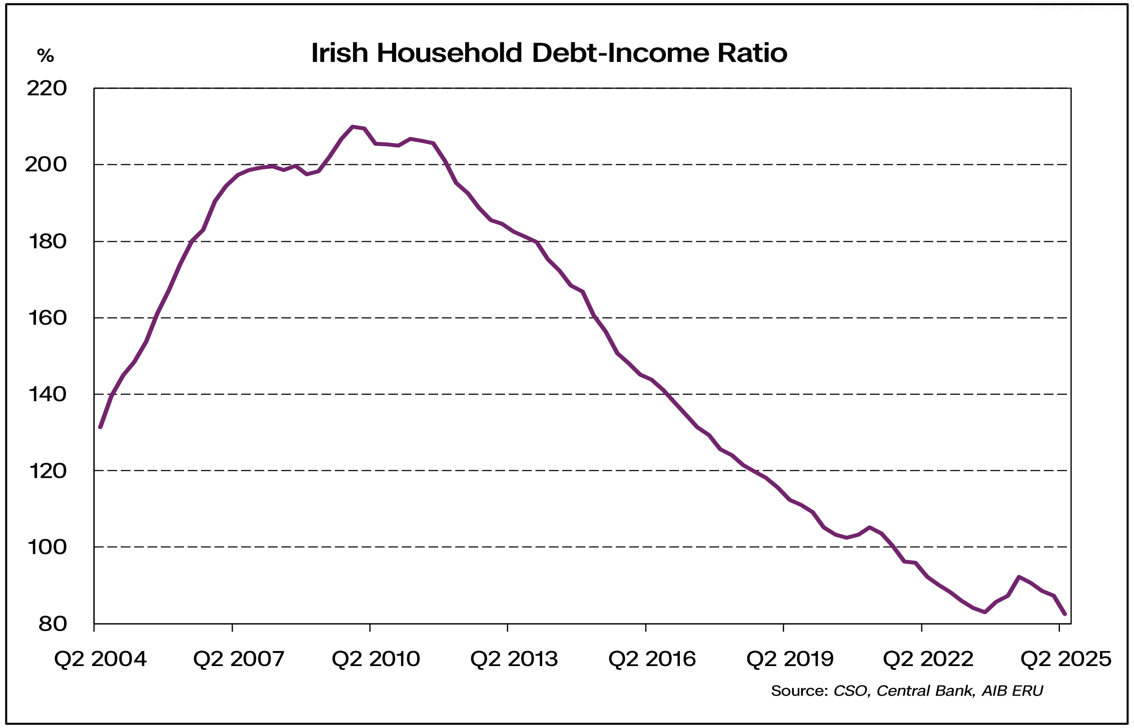




- Government set to register a surplus once more in 2025 & 2026.
- However, substantial levels of “windfall” corporate tax receipts are masking significant increases in expenditure.
- Both gross and national debt are falling as a share of GNI*.

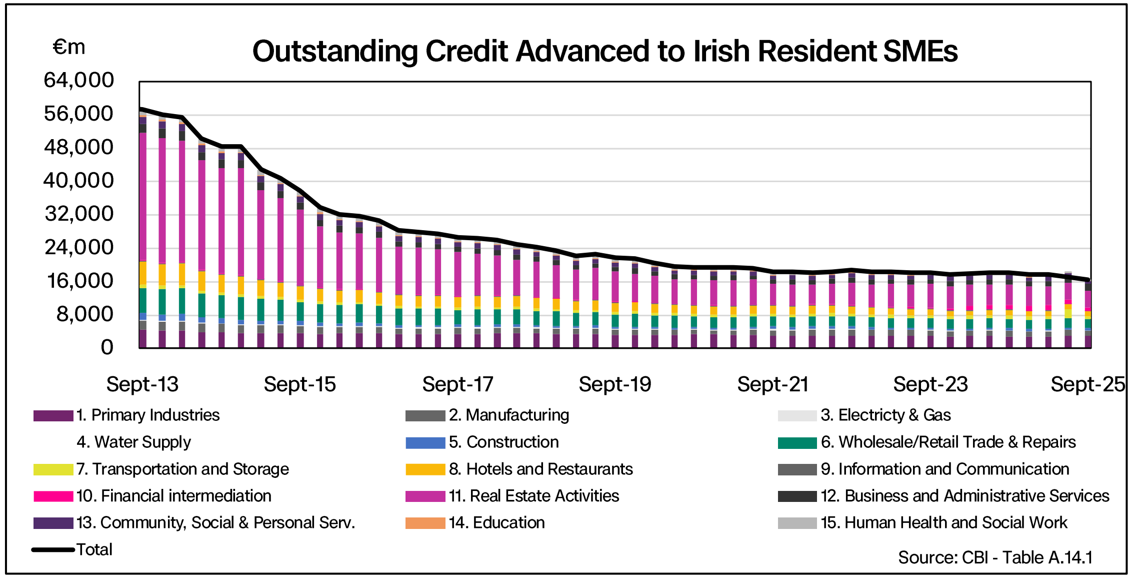
Household have low debt and high savings

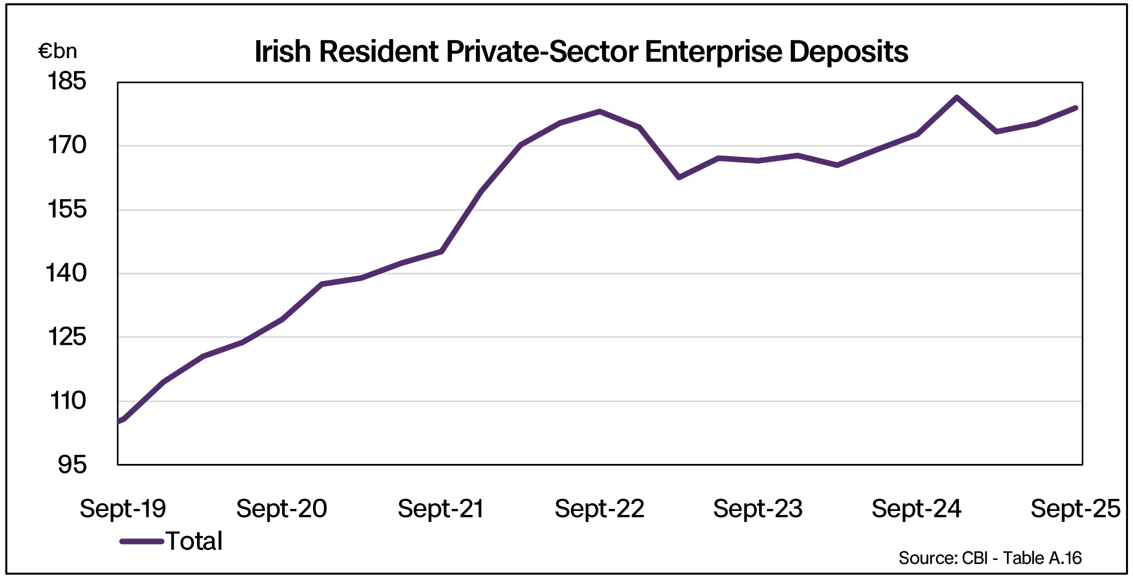


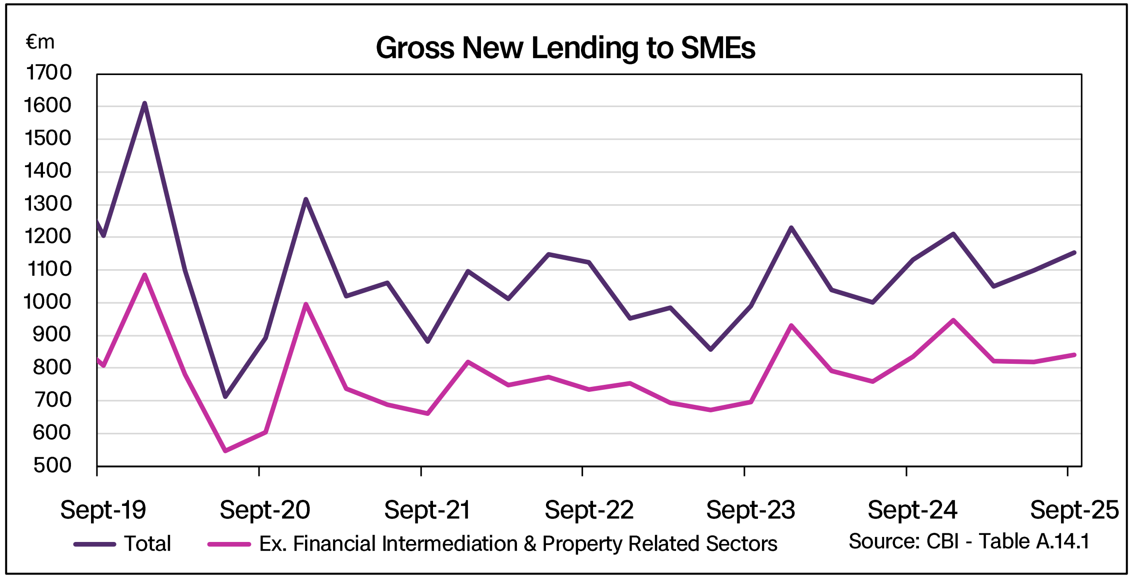


- Household deposits have continued to rise very sharply post-COVID.
- Household debt to income ratio around 85%, less than half of the peak of 210% seen in 2010.
- Deleveraging and savings build-up indicates that on aggregate, households have room to spend.

Indigenous firms have also deleveraged





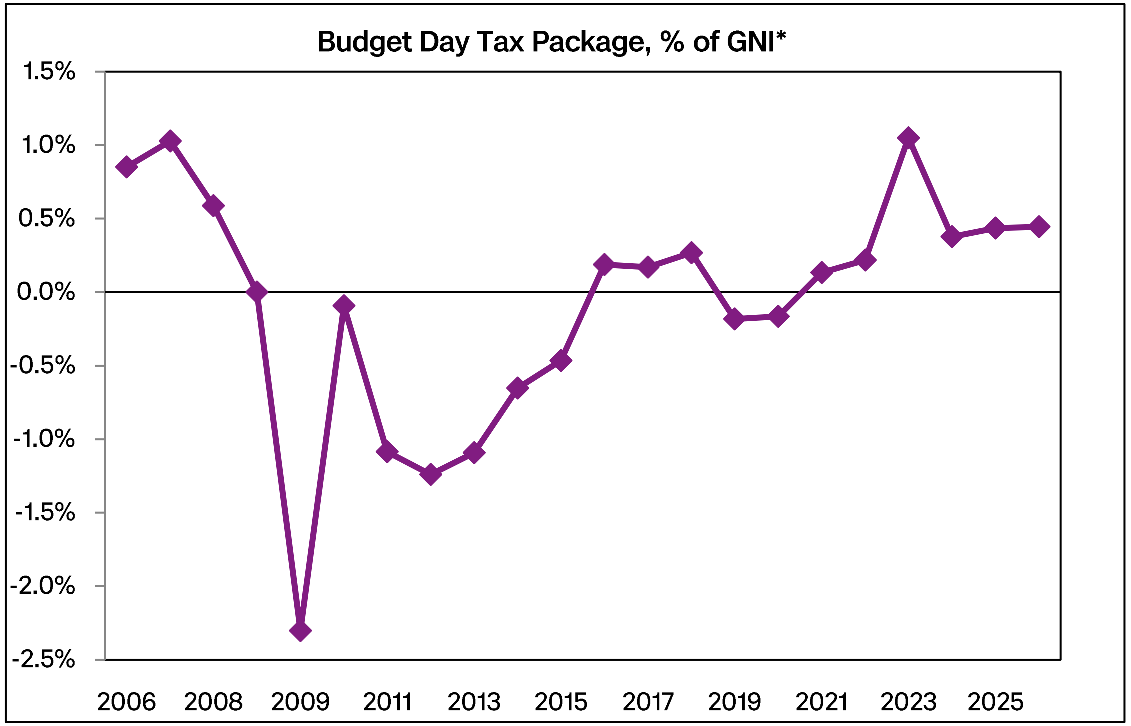


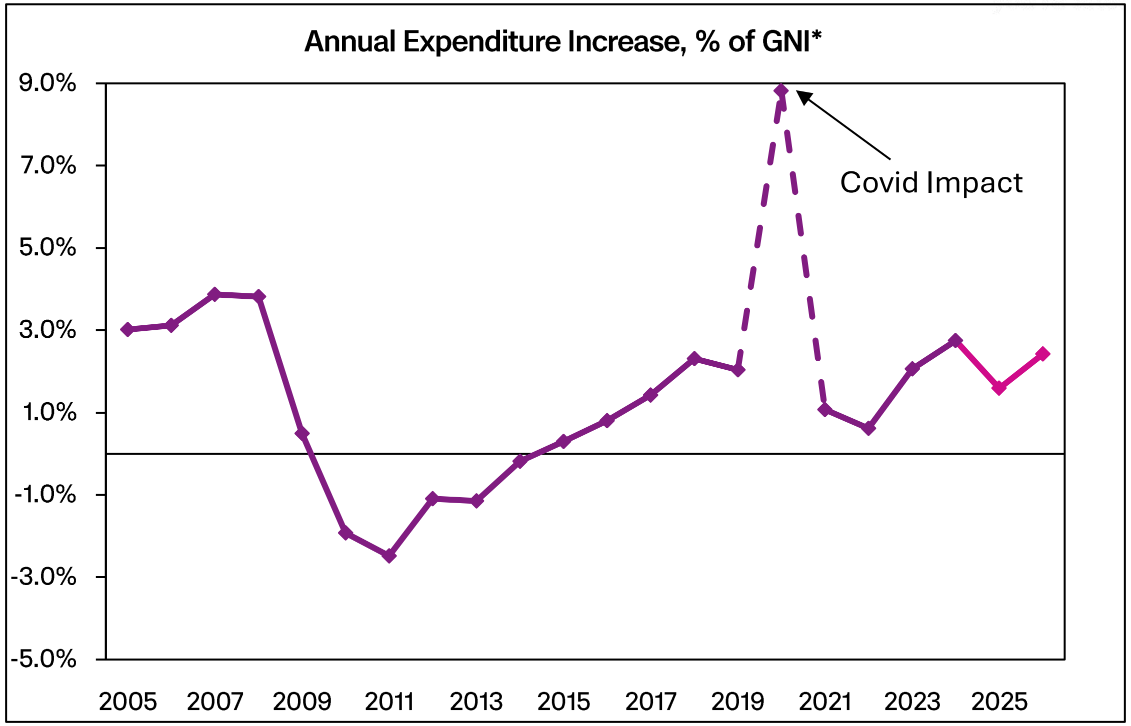
Overall Budget 2026 package of €9.4bn

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

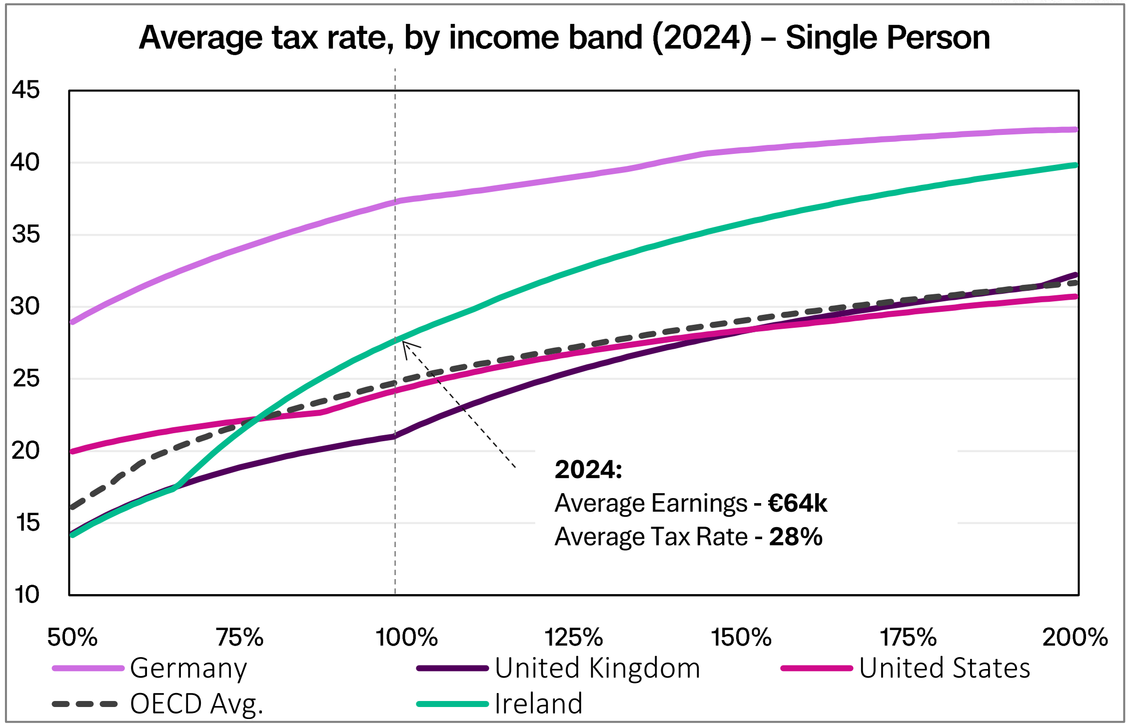




Sources: Dept of Finance, AIB ERU

- 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

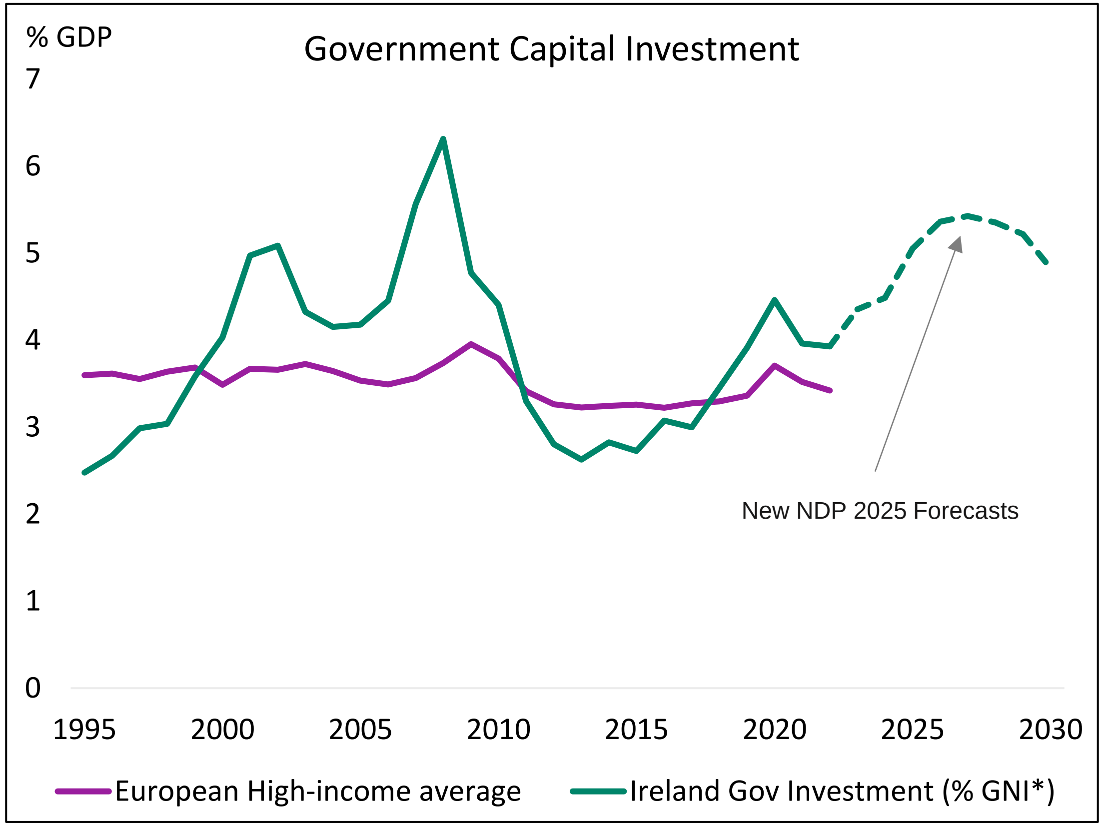


Sources: OECD
* Including cash transfers from state such as welfare payments

- 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



€ 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 Envroment 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

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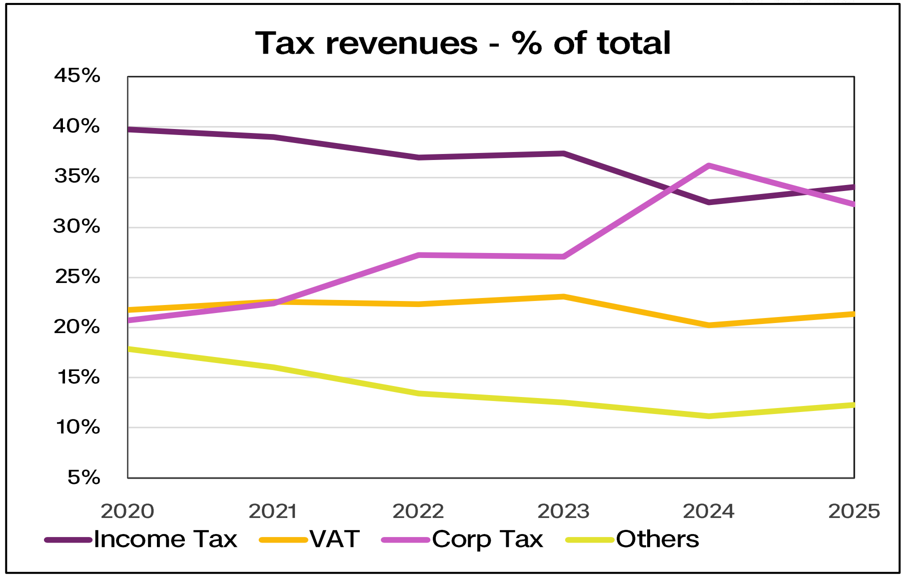
Two-sided risks for the Irish economy

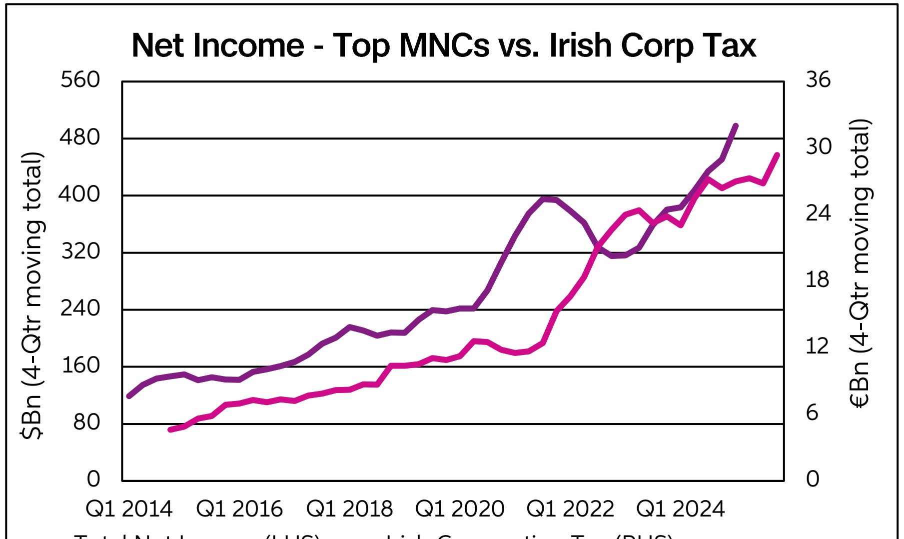
Upside Risks

- 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

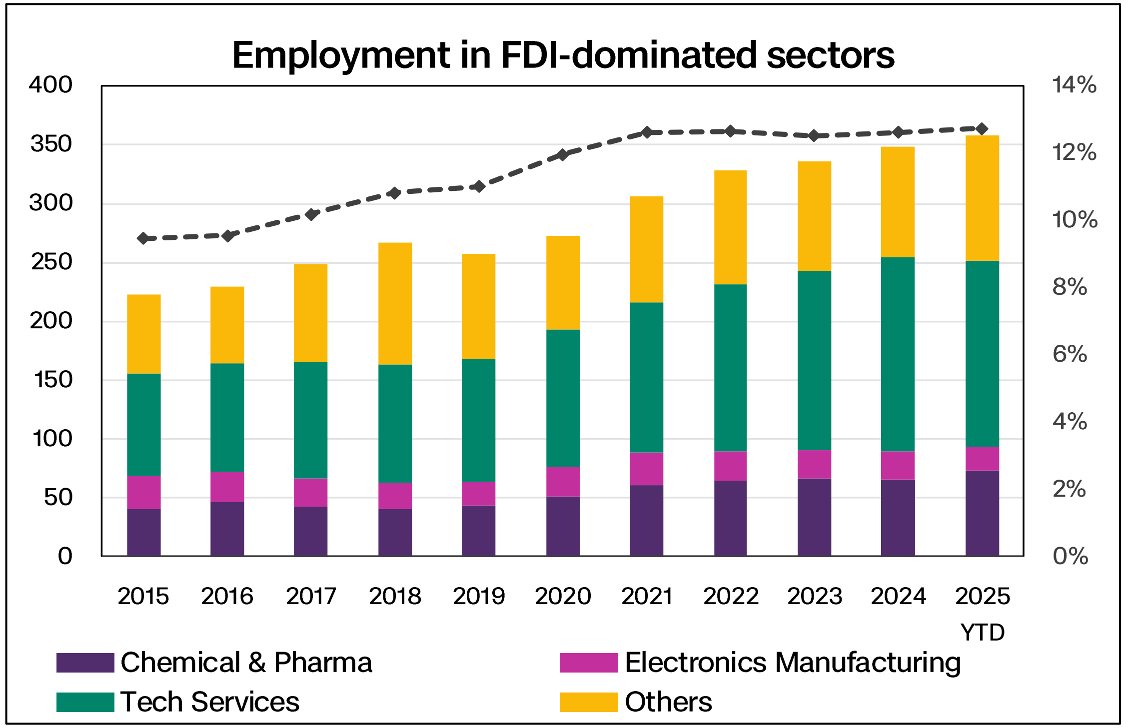
- Open Irish economy vulnerable to geopolitics (potential US-EU trade war), including US trade policy.
- Concentration risk from reliance on a small number of MNC's for investment, exports & tax receipts.
- Reliant on UK/EU energy impots. Could be impacted by disruptions to European gas supplies, hybrid threats to infrastructure
- Capacity constraints – labour, electricity, water, infrastructure, & housing.

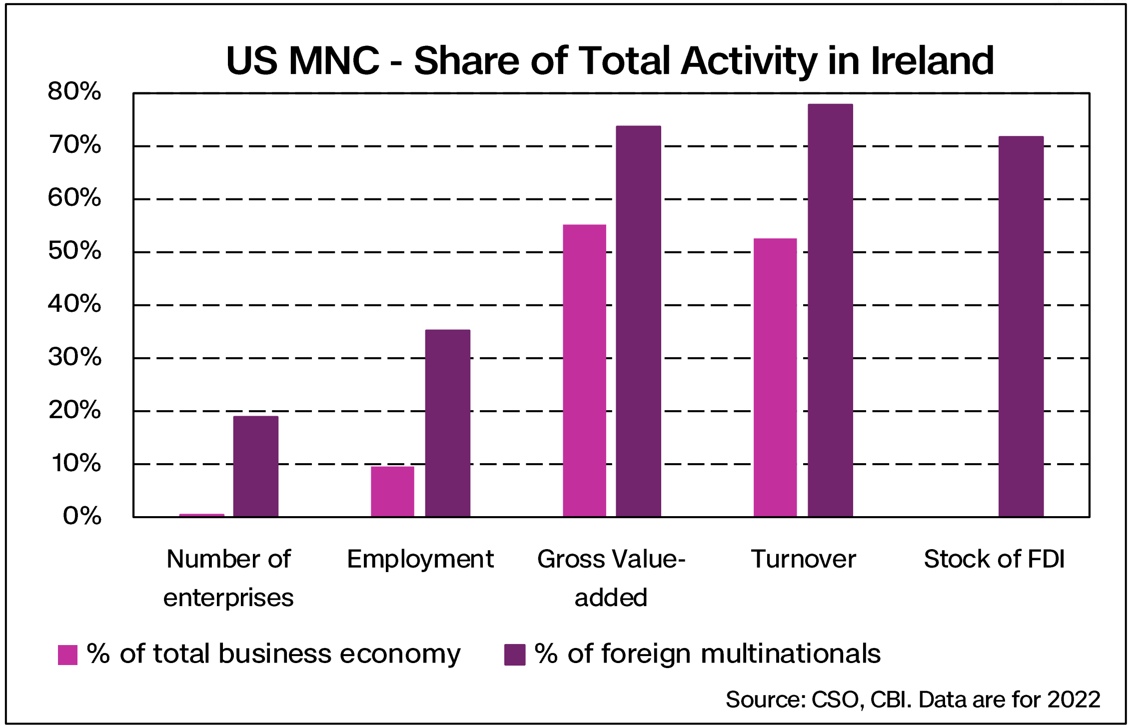




Source: AIB ERU

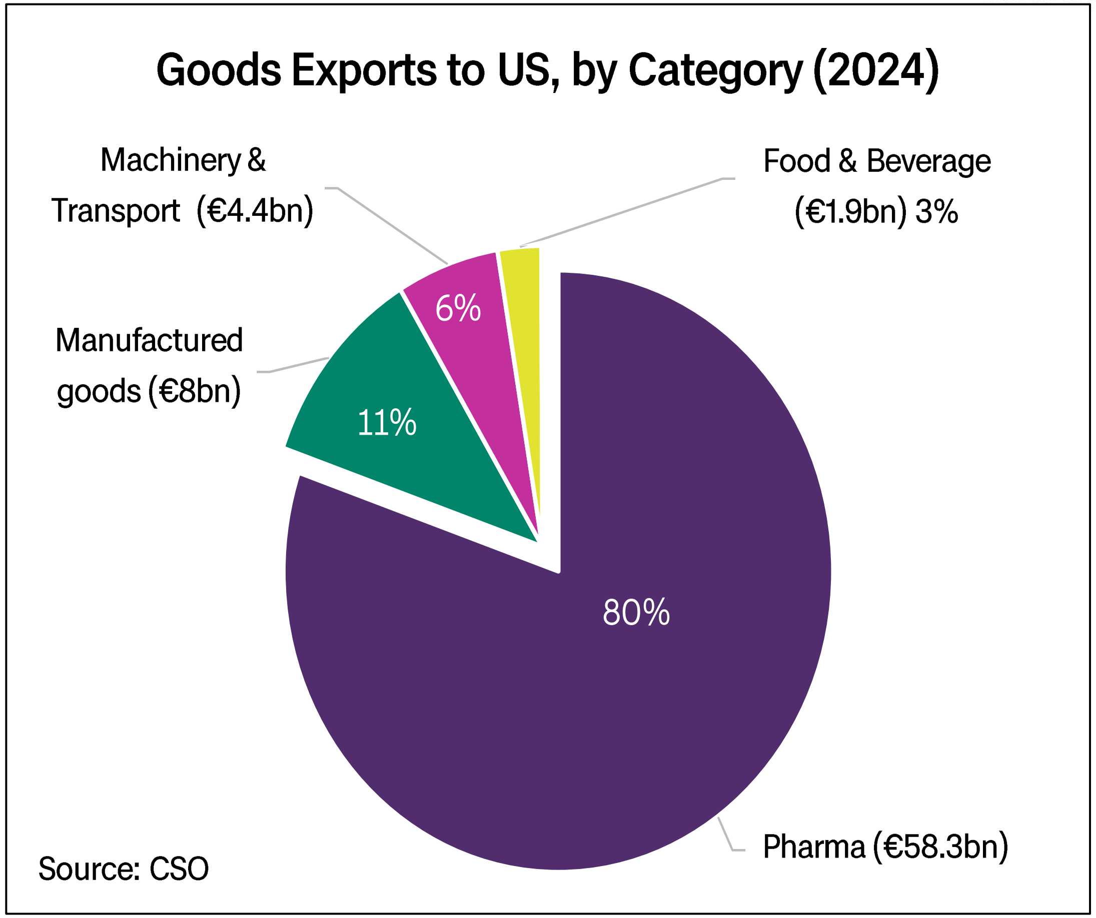
US MNCs a large share of GDP but not employment





- 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



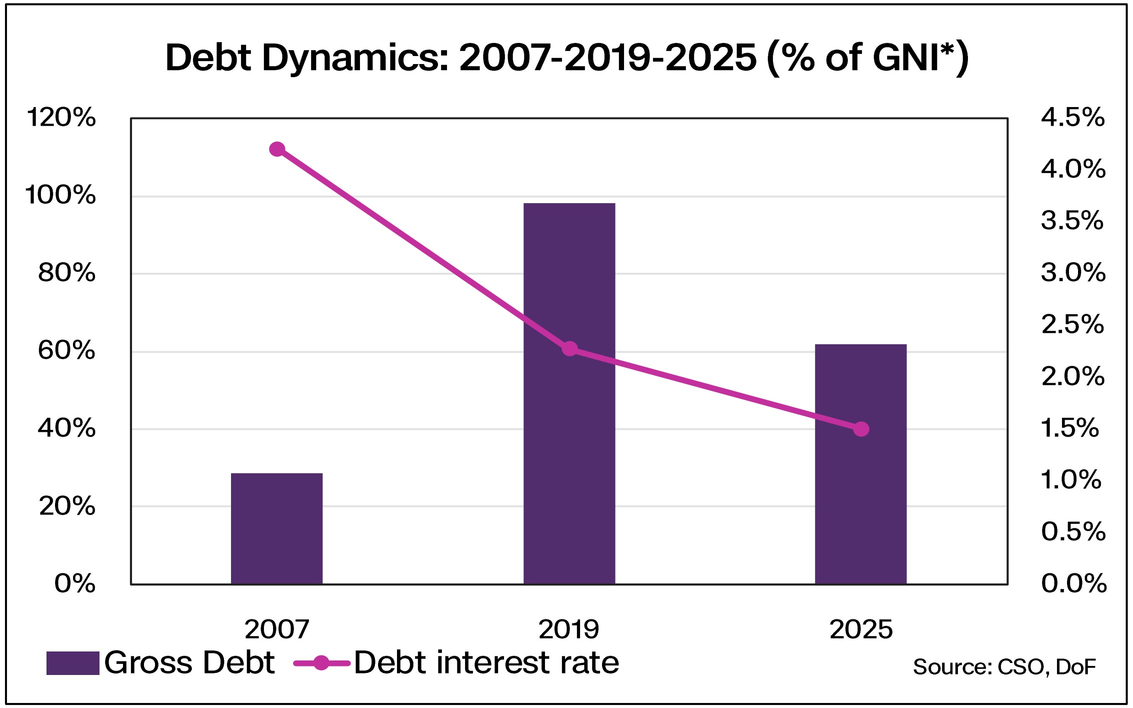
Surge in Irish exports to US is not just due to tariffs

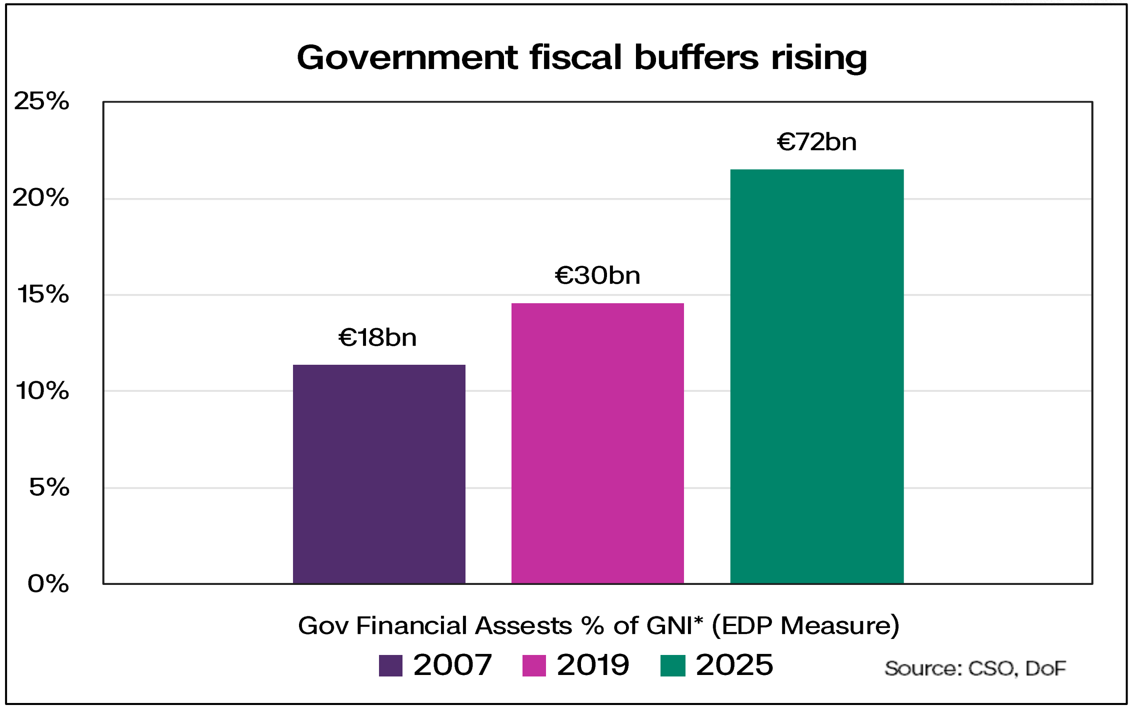
Source: Eurostat

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 chemicals" exports to the US

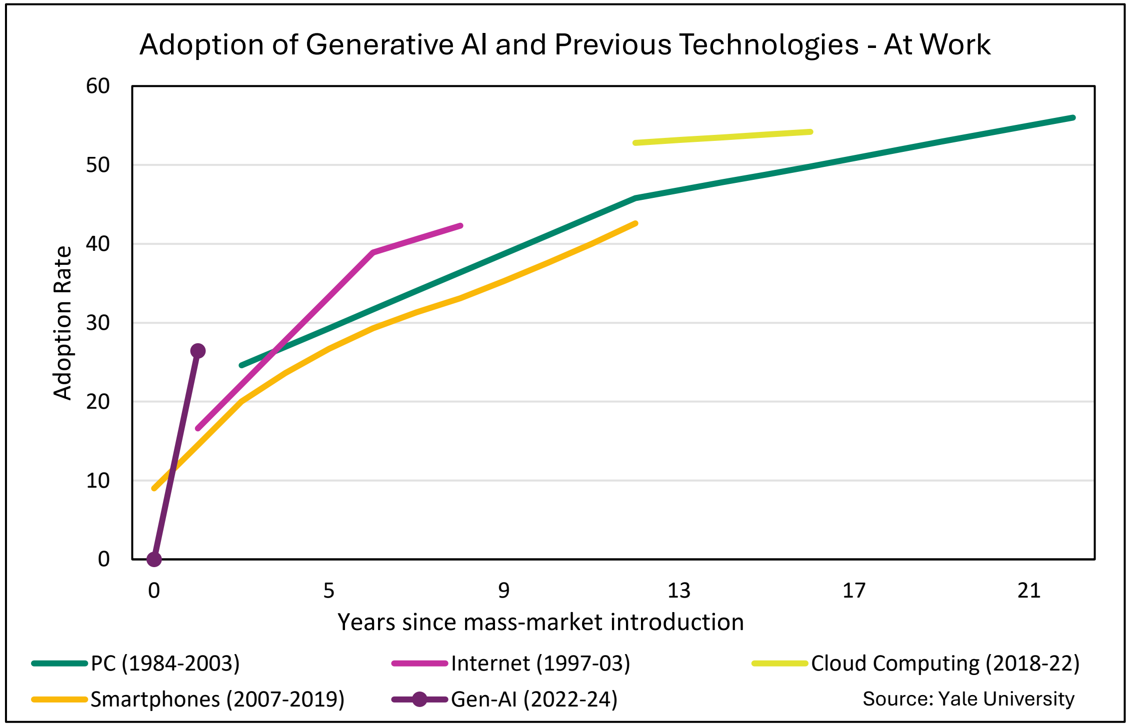
Could the public finances weather an FDI shock?

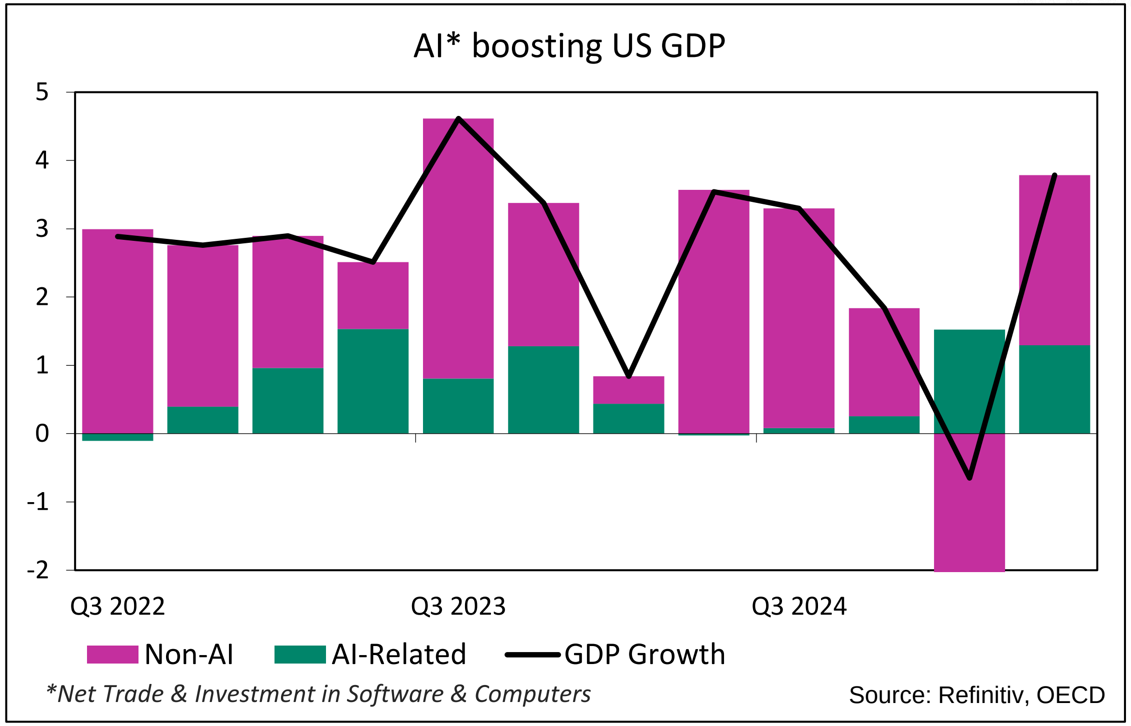




- Stock of debt is higher than pre-GFC, but debt interest costs are much lower (c. 1.5% of GNI*)
- Gov. has built-up fiscal buffers – main financial assets were c.€60bn in 2024, set to rise to €72bn in 2025 (22% of GNI*)
- Sovereign wealth funds to grow in the coming years – Gov. should accelerate transfers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

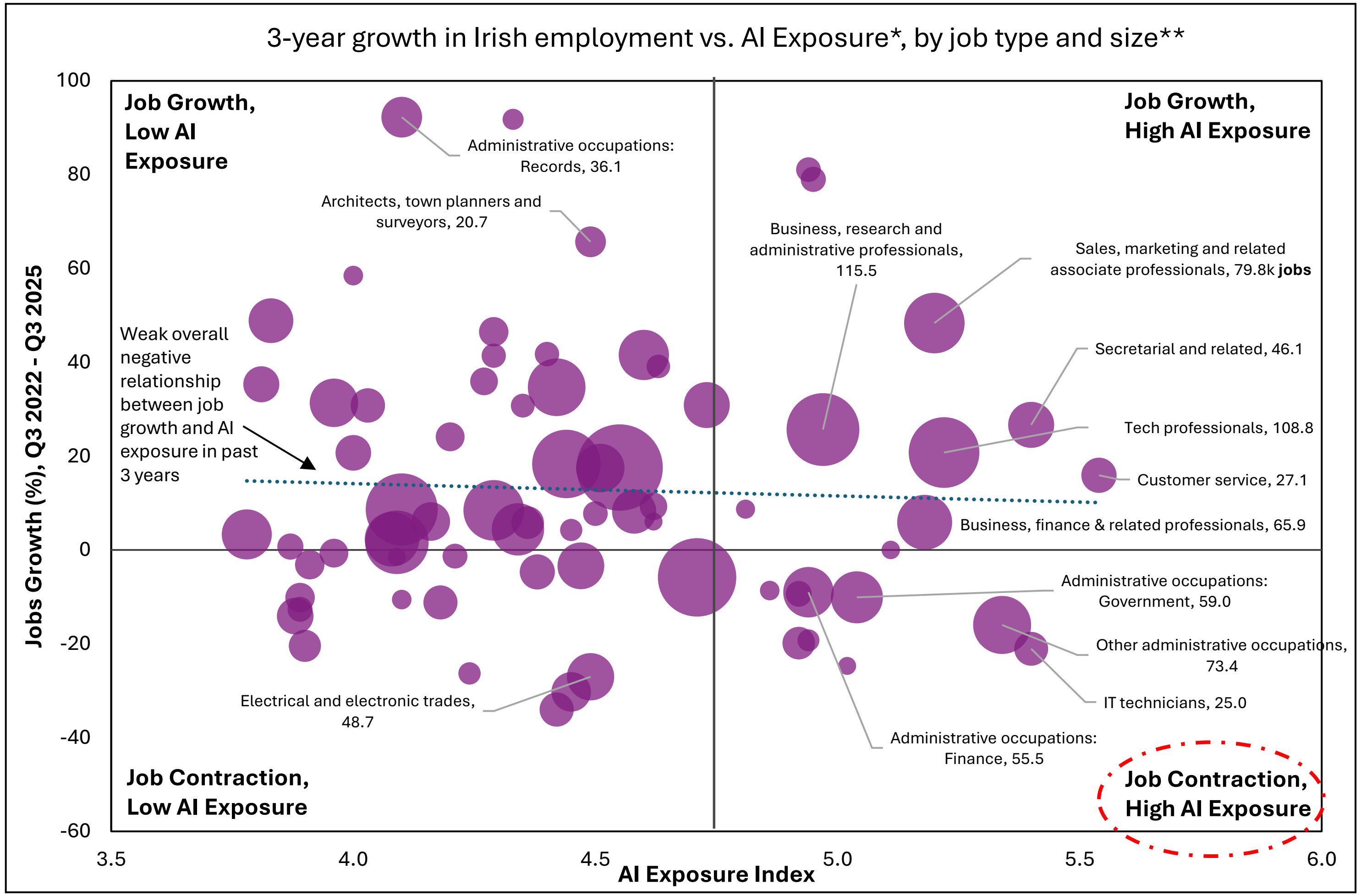
AI is already driving global GDP growth

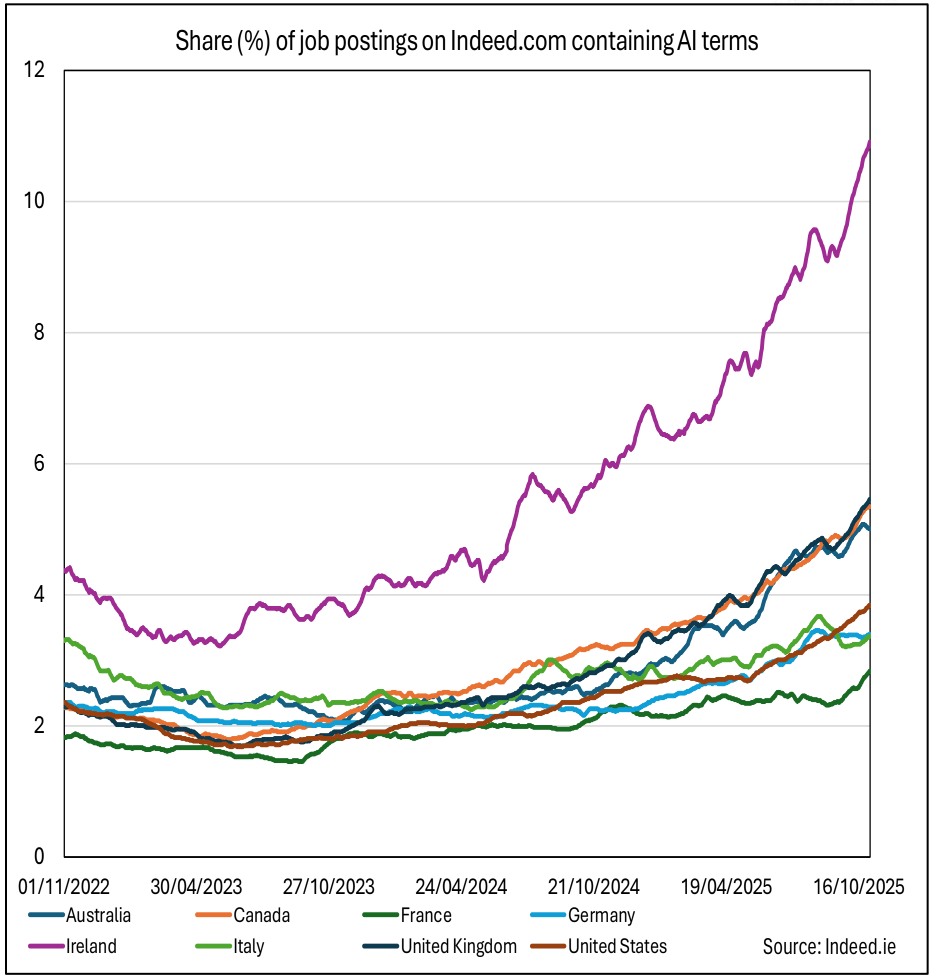




- The rapid deployment of AI technologies in recent years has not only generated financial market gains, but is now materially boosting economic activity
- The investment cycle, largely in the US, into data centres and power infrastructure accounted for over a third of US GDP growth in Q2 2025

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

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