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Easing of global uncertainty leads to more positive outlook for domestic Irish economy - AIB Economic Outlook Report

- **Global uncertainty has eased and the economy has proven resilient in recent months**
- **Modified domestic demand growth of 3.2% expected this year, slowing to 2.5% in 2026**
- **Labour market will continue expanding, but jobs growth to ease and unemployment will tick-up**
 - **Special article on AI asks will it reshape the economy as it has done markets**

Ireland's economy has proven robust to global uncertainty and an escalation in trade tariffs, leading to a stronger than previously expected outlook for the domestic economy, according to [AIB's Economic Outlook Report for November 2025](#). In recent months, the uncertainty created by the imposition of US tariffs has begun to dissipate. The US has agreed to a succession of trade deals, including the 15% baseline on EU exports. Amidst these tentative moves towards trade settlements, international forecasters such as the IMF have been revising up expectations for global GDP growth, following downgrades to forecasts in the immediate aftermath of 'Liberation Day' in April.

However, geopolitical uncertainty remains high and because of that consumer spending and business investment growth in Ireland are still expected to cool. Nevertheless, amid the improved international outlook, Irish modified domestic demand is forecast to grow by 3.2% this year, 2.5% in 2026 and 2.7% in 2027, an upgrade on our May 2025 report. Irish households are expected to ease spending growth while some business sectors may delay planned investments, particularly those in export-oriented sectors. Recent consumer spending has been robust. Public and private sector balance sheets have low debt levels and high savings on aggregate. While economic risks are tilted to the downside, balance sheet resilience has continued to strengthen.

Labour market growth

The labour market will continue to grow, but given the expected easing in economic growth next year, we expect a more modest expansion in employment. Following a 2.7% rise in 2024 we see employment growth slowing to 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027.

Weighing up the risks

Further shifts in US trade and economic policy are among the main downside risks to the Irish economy. Some indigenous Irish export sectors may now be exposed to higher US tariffs, but there have also been some key carve outs below the headline 15% rate for generic pharmaceuticals and aircraft parts in the US-EU deal. This should mean Ireland's effective tariff settles below that headline 15% rate.

In terms of upside risks, a further easing in global uncertainty could underpin stronger domestic spending and investment in the coming years. Our central assumption is that Irish households

continue to edge savings rates higher. However, a brightening geopolitical outlook might spur even stronger spending than we anticipate in the coming years.

AI in focus

Another emerging upside risk is the rapid development and deployment of AI technologies. This has the potential to significantly boost private sector investment in the short term and productivity growth in the long term.

Each AIB Economic Forecast Report has a theme in focus and this one is: *“AI has rapidly reshaped markets, is the economy next?”* The development and deployment of AI is moving at a rapid pace, boosting equity markets and driving an exceptional investment surge by technology companies. While this investment cycle is now boosting GDP, particularly in the US, the long-term productivity growth benefits remain uncertain. However, the pace of AI adoption by firms and consumers is far outstripping previous technologies, suggesting evidence will soon emerge to corroborate or contradict predictions of a potential productivity boost, which have driven the equity market boom.

AIB Chief Economist David McNamara said: “The global macro backdrop has improved since our last Economic Outlook in May 2025. The uncertainty created by the dramatic shift in US trade policy in April is still elevated, but the EU-US trade deal has also brought some predictability for exporters. Amid this volatility, the Irish economy has been robust, but there are some signs of cooling, particularly in the labour market.”

“For the domestic economy we expect an easing in growth next year, as ongoing uncertainty dampens both consumer spending and business investment growth. While the risks remain tilted to the downside, the Irish economy has shown remarkable resilience to global shocks in recent years, and the economy is set to continue to outperform European peers.”

[AIB's Economic Outlook Report](#) is produced by AIB's Economic Research Unit, consisting of David McNamara, John Fahey and Daniel Noonan is published bi-annually.

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