

# Irish Economic Chartbook

## AIB Economic Research Unit

November 2026

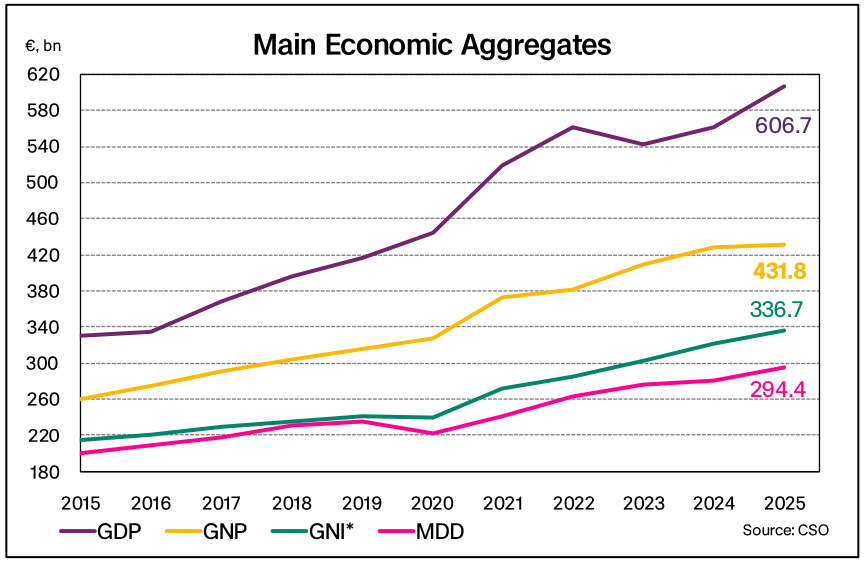
Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland

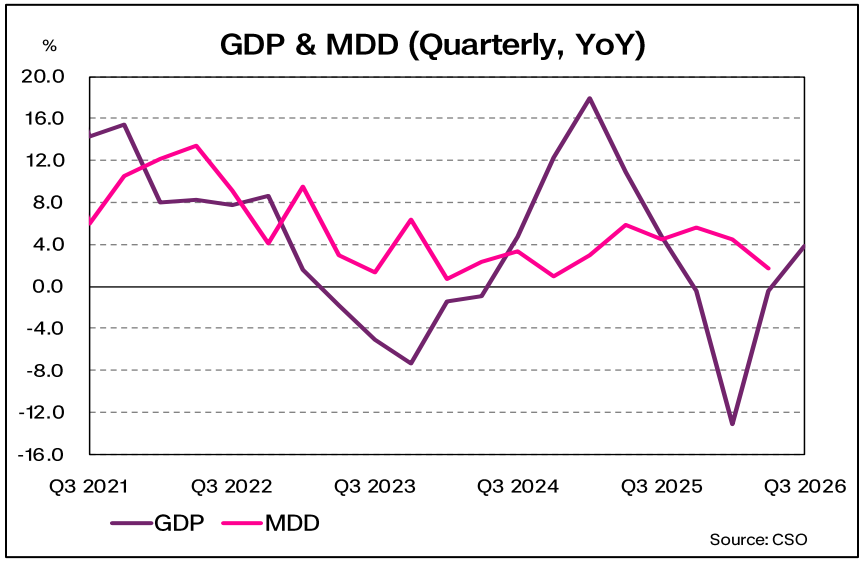
# Irish economy faces global risks from robust position

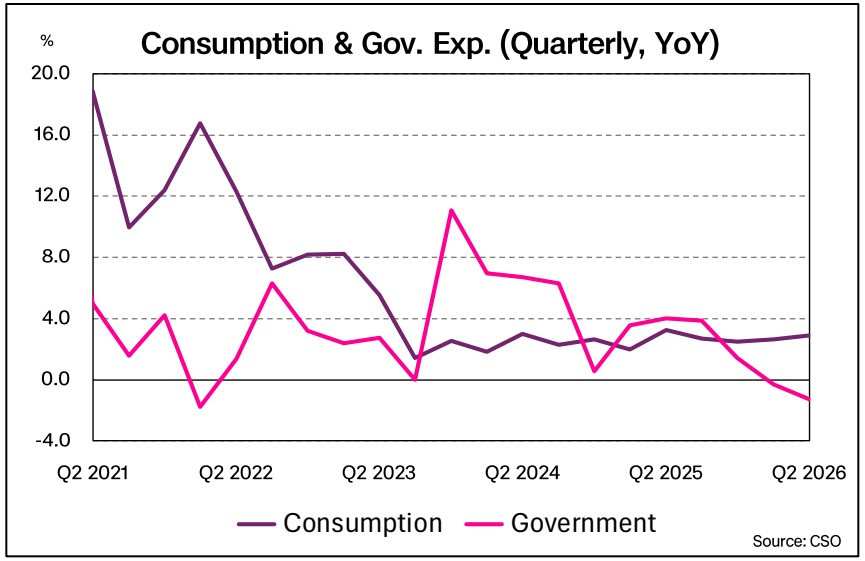
- The latest GDP data show a sharp rebound in pharma exports in the second quarter of 2026 following a dip in prior quarters.
- The domestic economy remains on a moderate growth path, supported by solid consumer spending and elevated levels of business investment (linked to AI deployment).
- The labour market expanded at a slower pace in H1 2026. The unemployment rate has risen slightly to 5% in September
- Supply constraints continue in housing & infrastructure, but Gov. policy and spending commitments could spur faster growth. Housing completions expected to reach c.39k for 2026.
- Surveys, including AIB's PMIs suggests businesses face headwinds amid ongoing war in the Middle East, but solid current activity levels.
- Risks to the outlook tilted to the downside in current volatile climate, but public and private sector balance sheets in very healthy position.

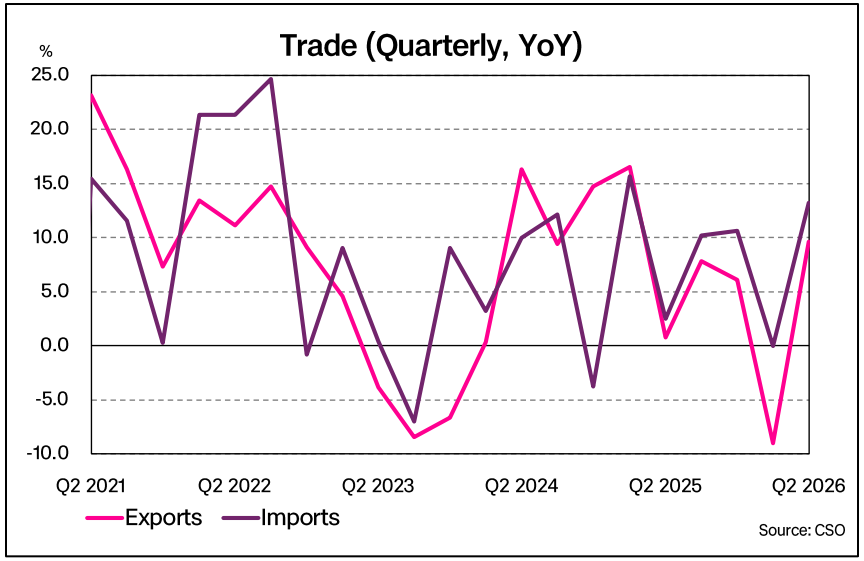


# Irish economy performing strongly in recent years



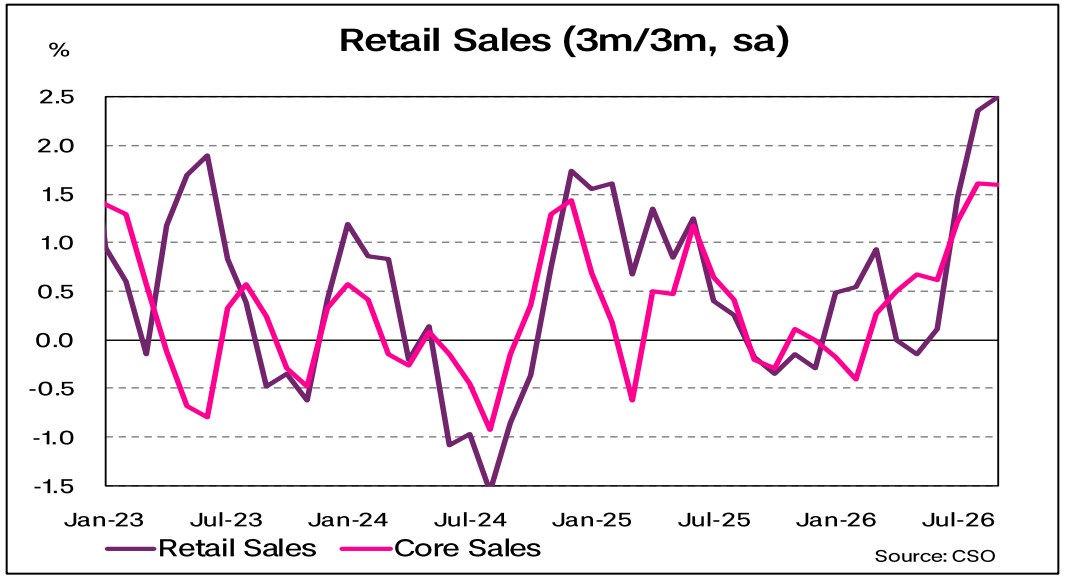



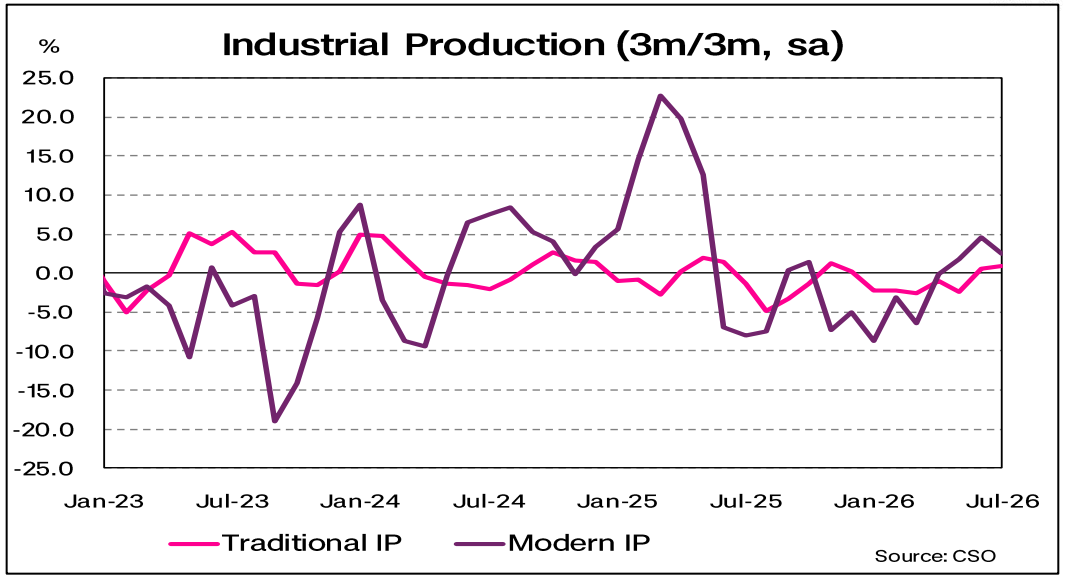



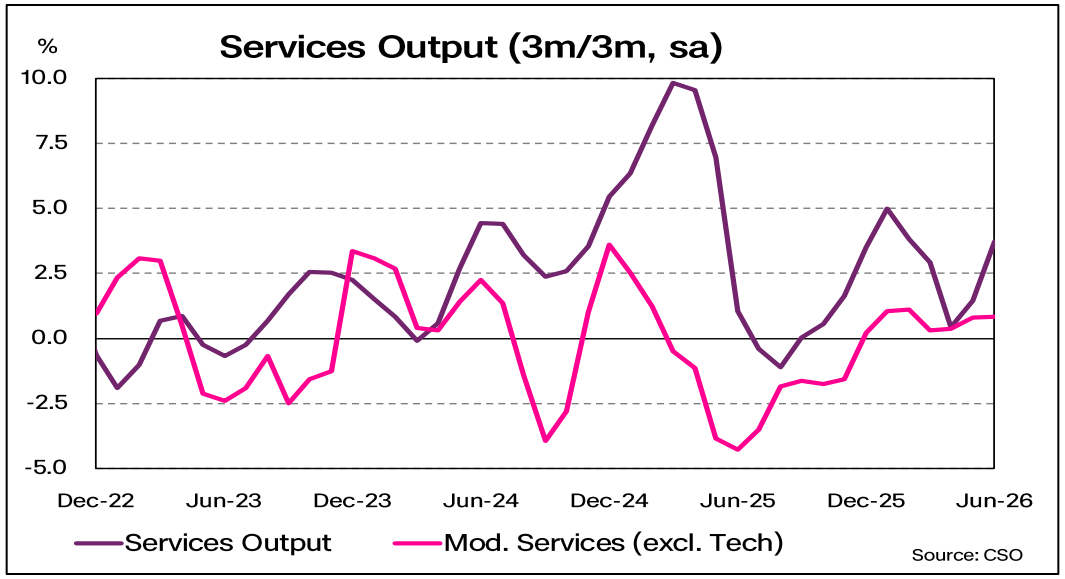



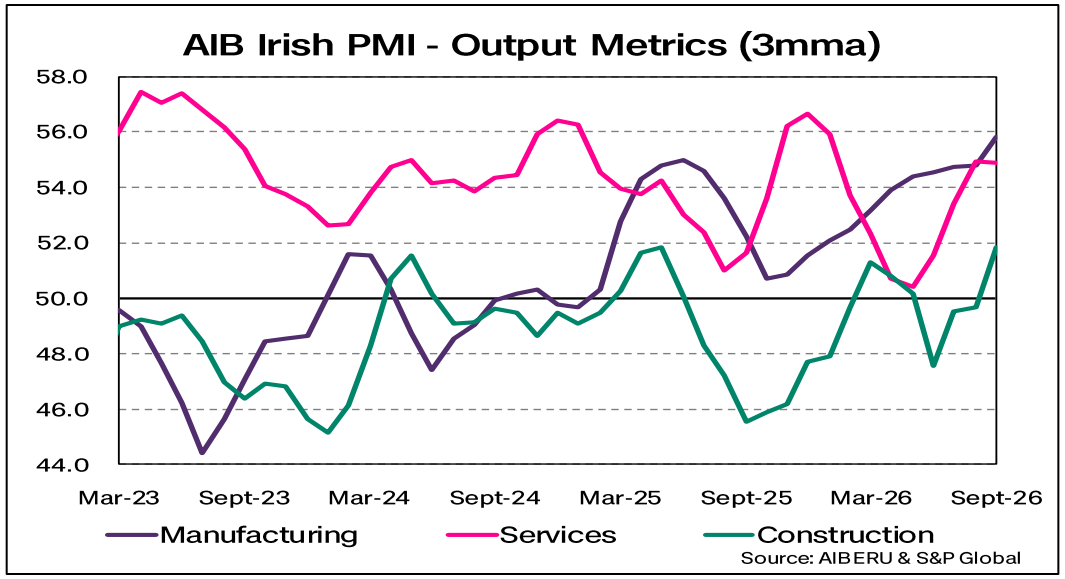

- GDP rockets 8% higher in 2025 but plunges sharply in H1 2026, as exports unwind.
- MDD (Modified Domestic Demand) expanding at a robust pace – up by 4.7% in 2025. 3.1% higher year-on-year in H1 2026.
- Overall, economic growth has remained solid throughout 2025/26, albeit exports have been volatile.

# Recent activity measures have been robust

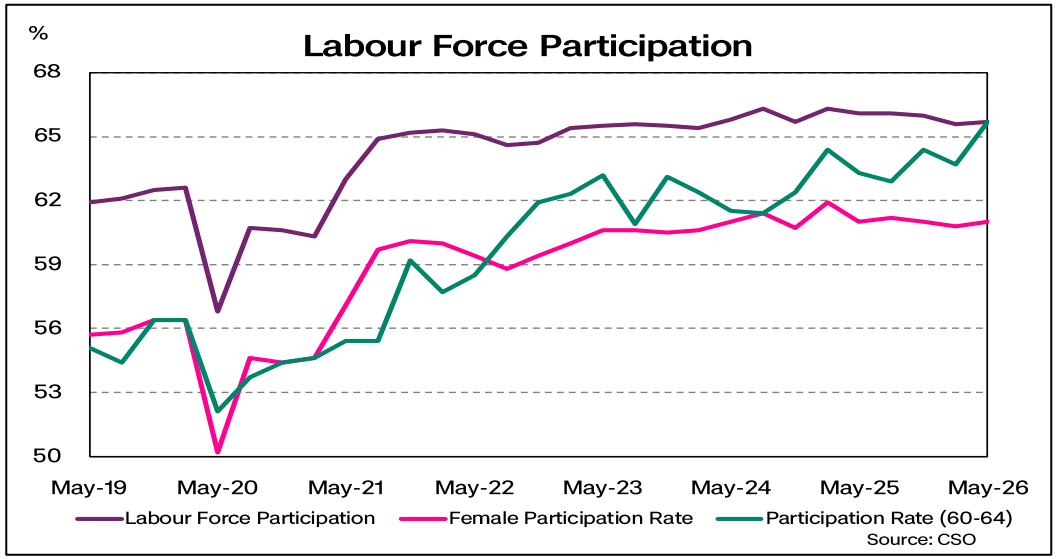


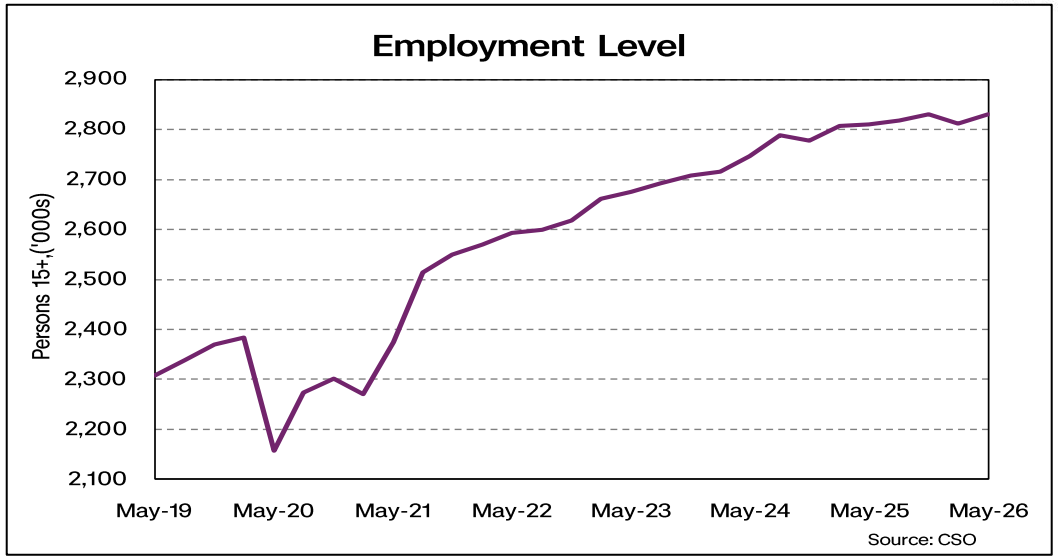



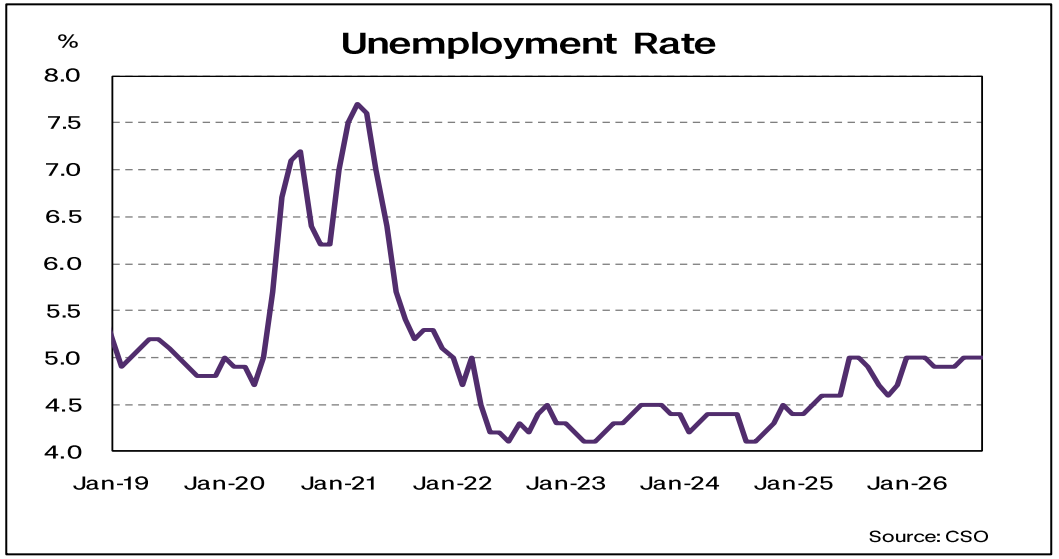



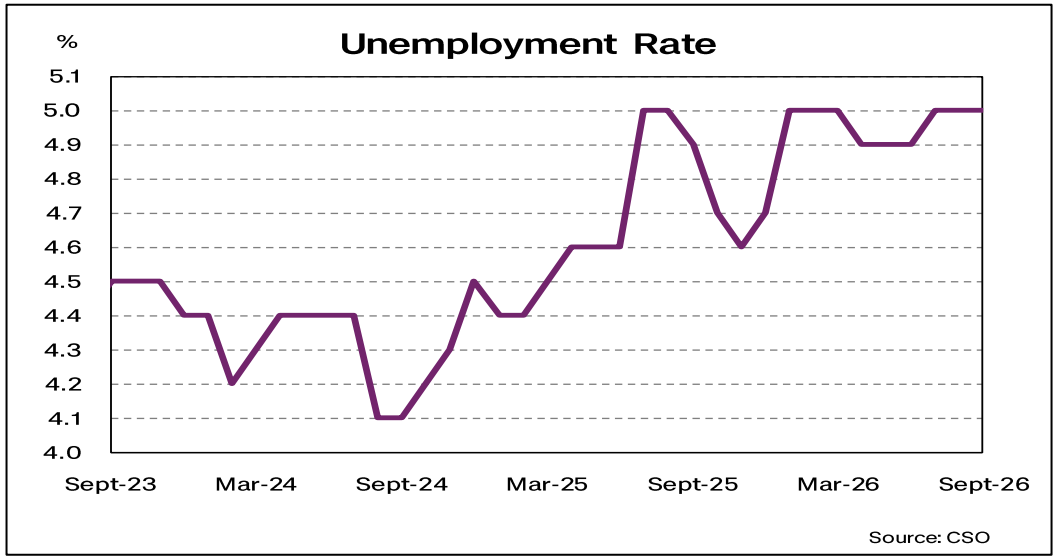
# Labour market has been very strong post-COVID..

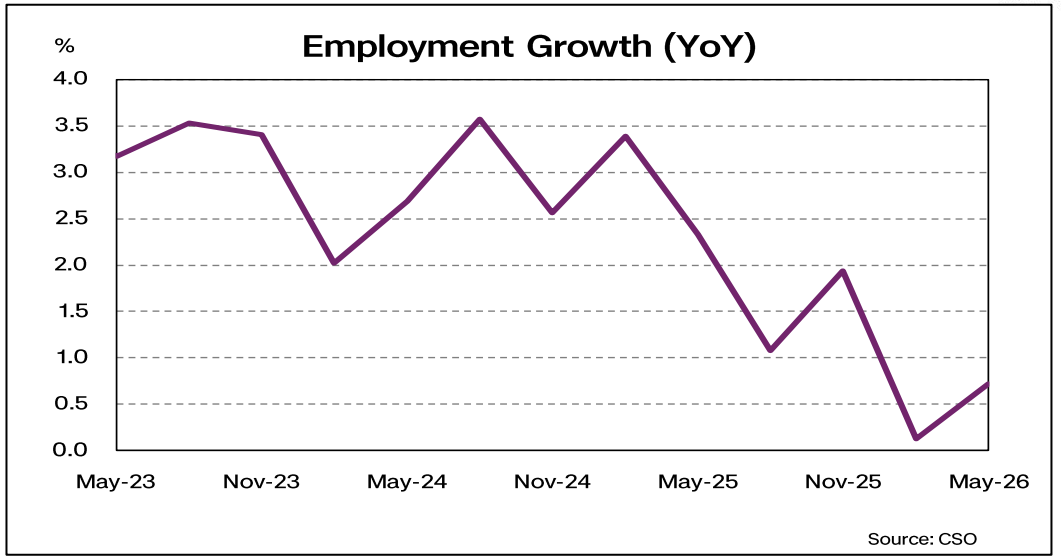


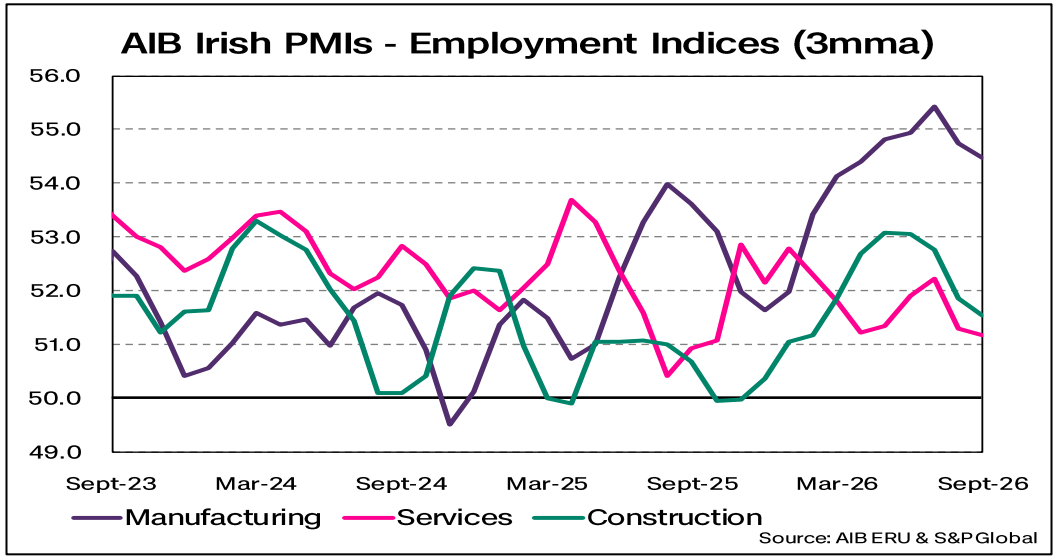



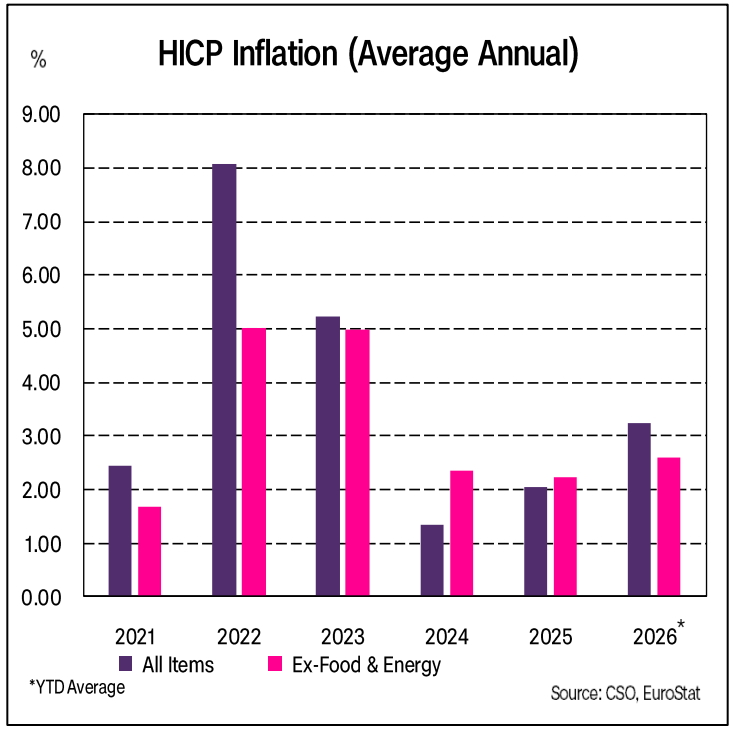
# ..However, labour market conditions have cooled

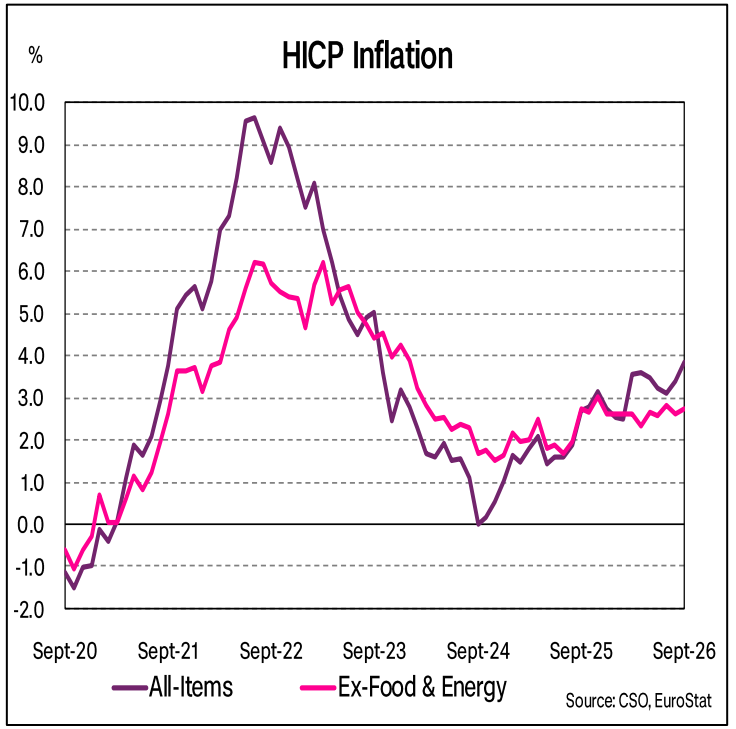


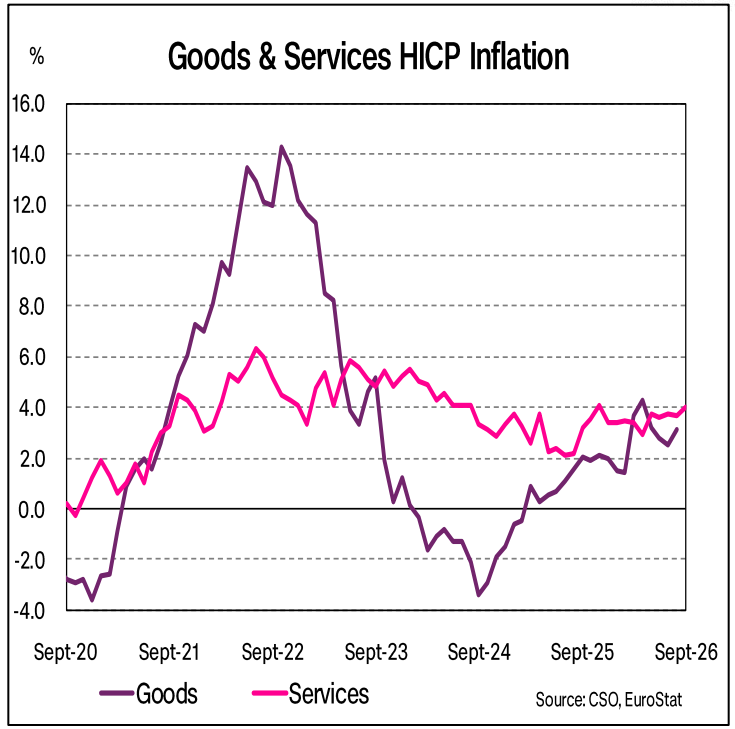



# Inflation elevated of late, and may rise further

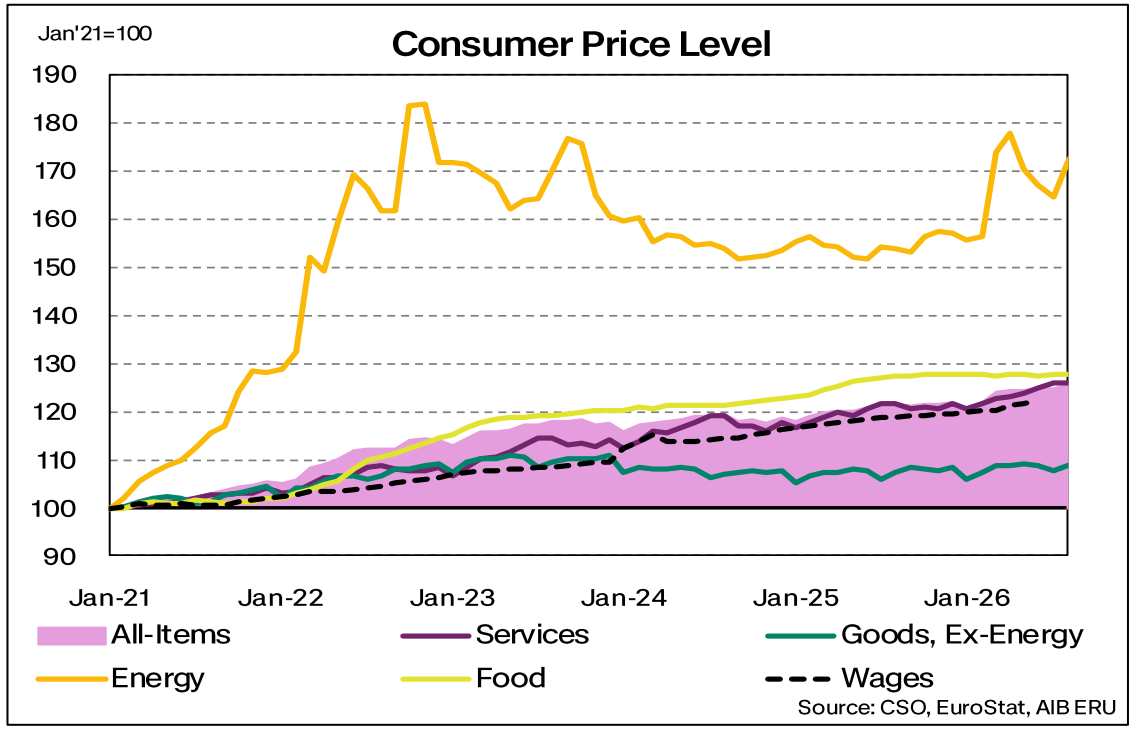


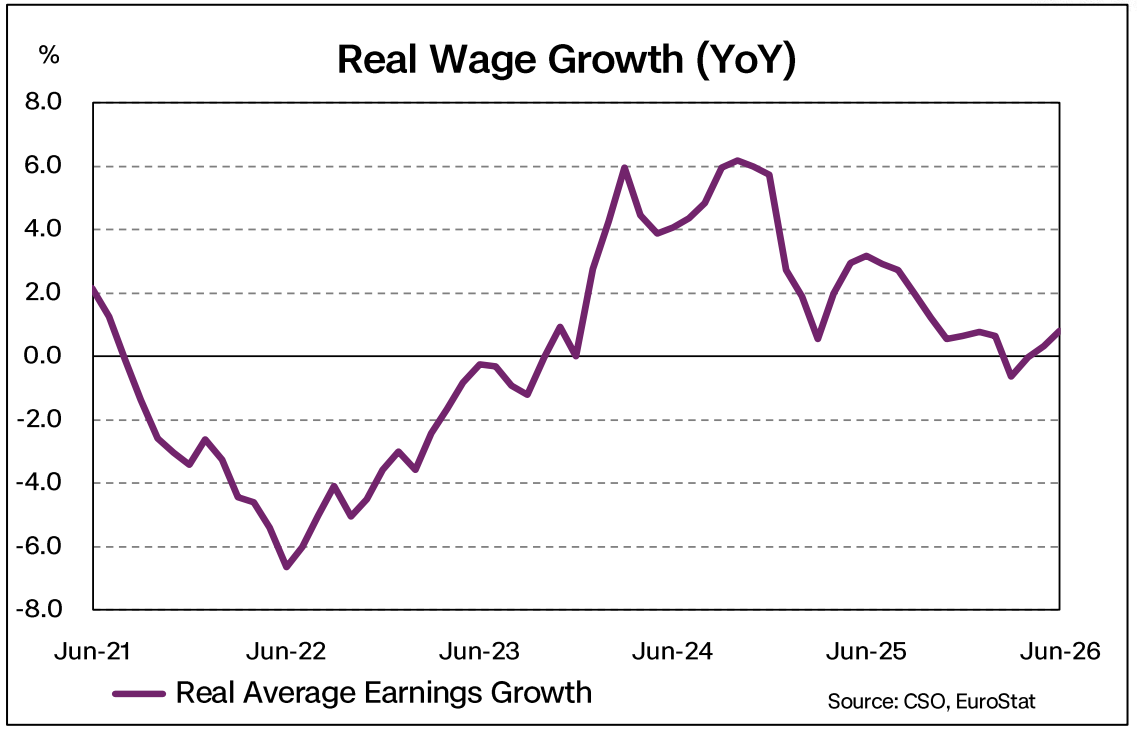




- Inflation was quite low in 2024 (1.3%) and in 2025 (2.0%).
- Inflation has spiked recently (currently at 3.8% in September) as fuel price rises continue to rise.
- However, Gov tax subsidies (cuts to excise duty) have dampened the effects of higher wholesale prices.
- Inflation may peak near 4% later this year, second order effects could push this higher.

# Wages have just recovered from 2022 price shock




- Although inflation has eased, prices are c.26% higher since the start of 2021.
- Importantly, energy (+77%) and food prices (28%) have increased sharply.
- Average nominal wages have grown c.22% over the same period, so still lag price increases.
- Real wage growth has been positive for the past two years, but may turn negative again this year.

# AIB Irish Economic Outlook – November 2026

## Irish macroeconomic forecasts (% change)

| | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|
| Consumer Spending | 2.6 | 2.3 | 2.1 | 2.5 |
| Government Spending | 3.2 | 4.5 | 2.7 | 2.8 |
| Investment | 38.4 | -10.2 | 8.0 | 4.6 |
| Exports | 7.5 | 2.8 | 5.2 | 4.7 |
| Imports | 9.5 | 6.6 | 5.5 | 5.0 |
| GDP | 8.0 | -3.6 | 4.2 | 3.3 |
| Modified Investment | 11.3 | 6.8 | 5.6 | 5.7 |
| **Modified Domestic Demand** | **4.7** | **3.8** | **3.1** | **3.4** |
| HICP Inflation | 2.1 | 3.5 | 3.1 | 2.0 |

Source: CSO, AIB Economic Research Unit

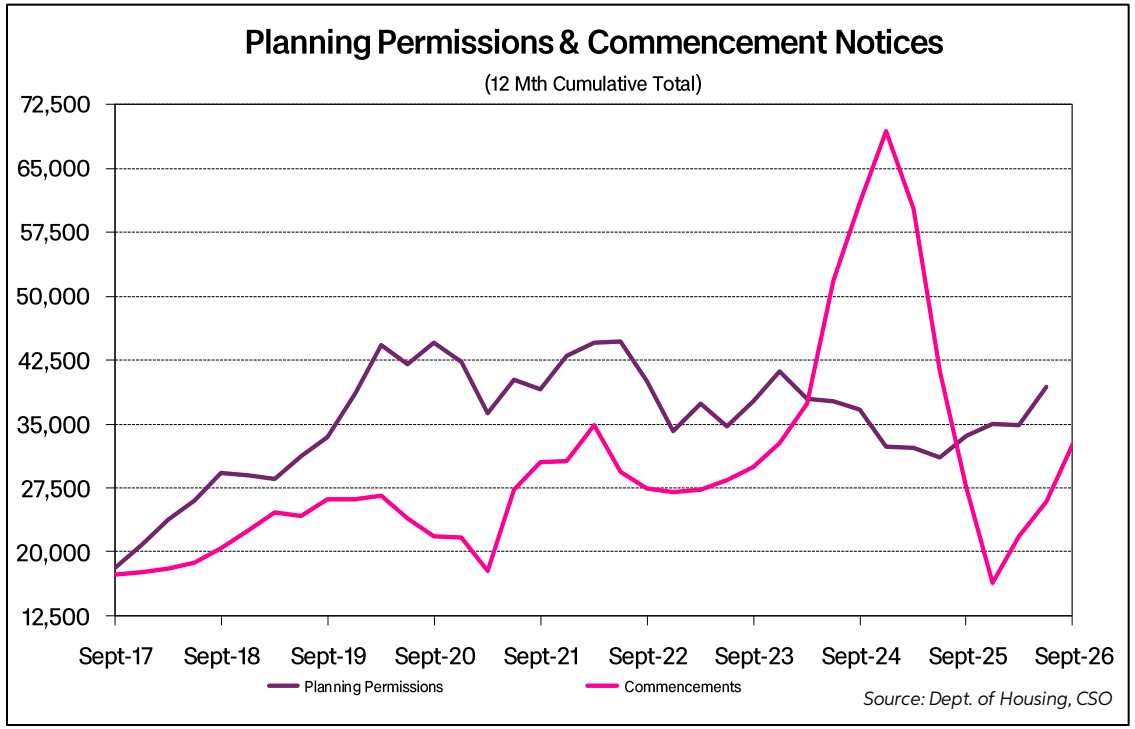
## Irish labour market forecasts (% change)

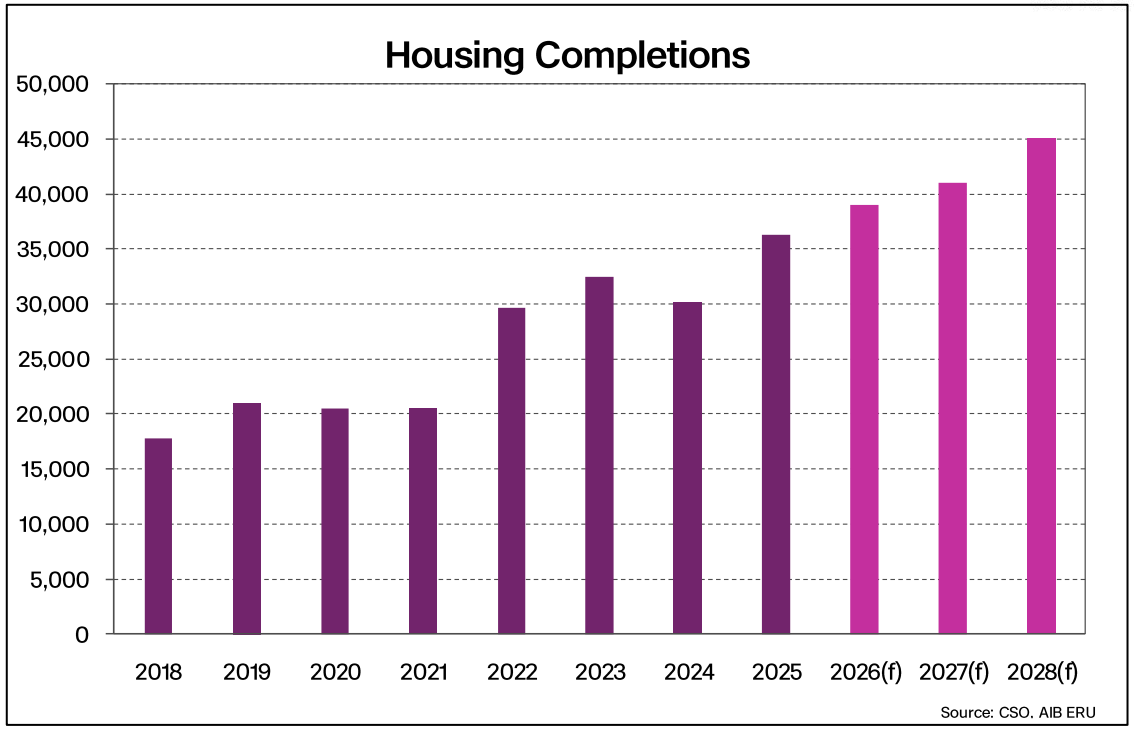
| | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|
| Unemployment rate | 4.6 | 5.1 | 5.3 | 5.2 |
| Employment Growth | 2.2 | 1.2 | 2.0 | 2.0 |
| Employment ('000) | 2,818 | 2,851 | 2,908 | 2,967 |
| Earnings Growth | 4.4 | 4.0 | 4.1 | 3.7 |

Source: CSO, AIB Economic Research Unit


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Housing Market

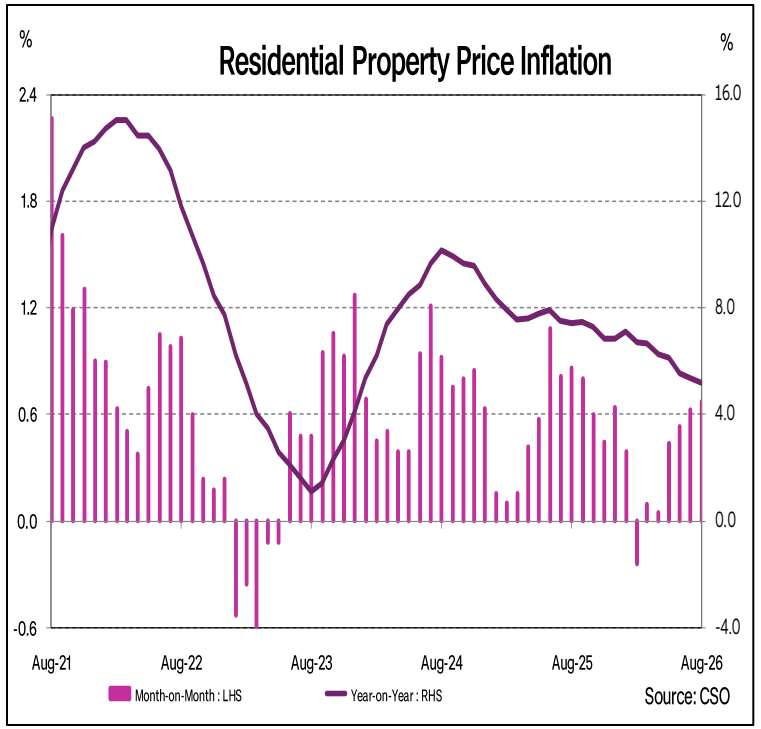
# Housing completions expected to rise

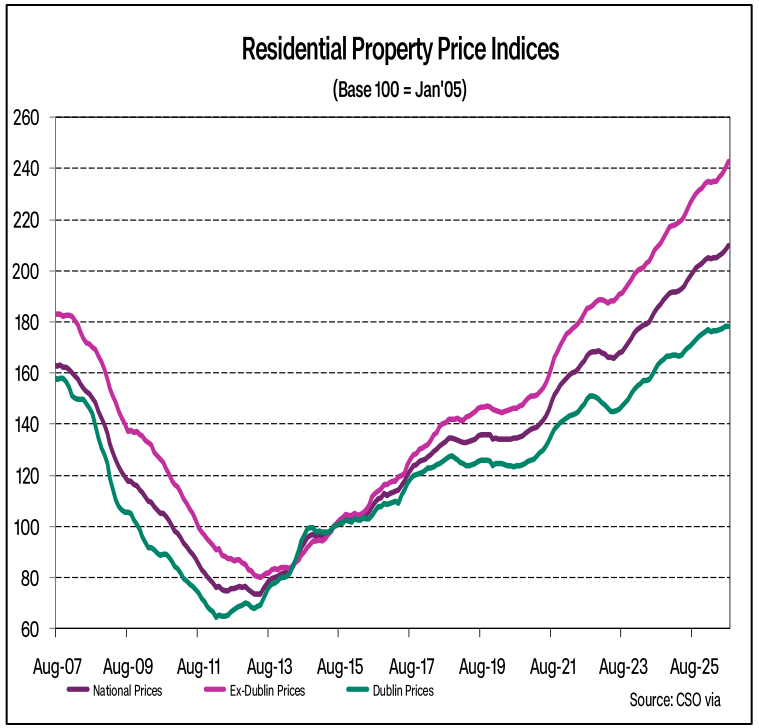


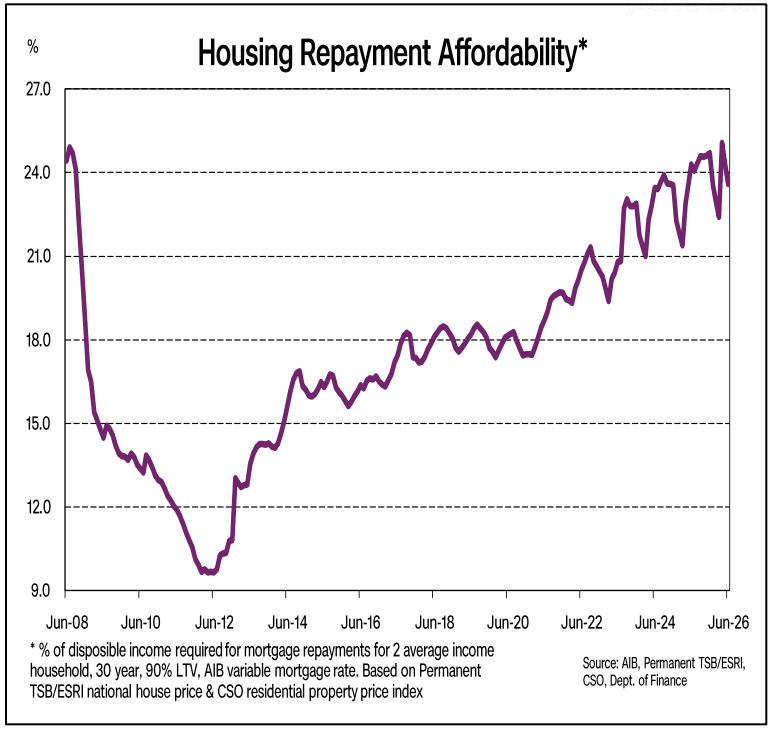




- Completions up 20% in 2025 to over 36k.
- Up by 17.9% YTD in Q3, lifting the 12-month running total to 38.8k. Further increases expected in the coming years.
- Just 16,400 commencements registered in 2025, down 71.4% compared to 2024, as surge in prior year unwound due to policy changes. However, c.26.5k commencements have been registered so far in 2026.
- Circa 35,000 planning permissions granted in 2025 up 7.9% on 2024.

# House prices continue to increase strongly

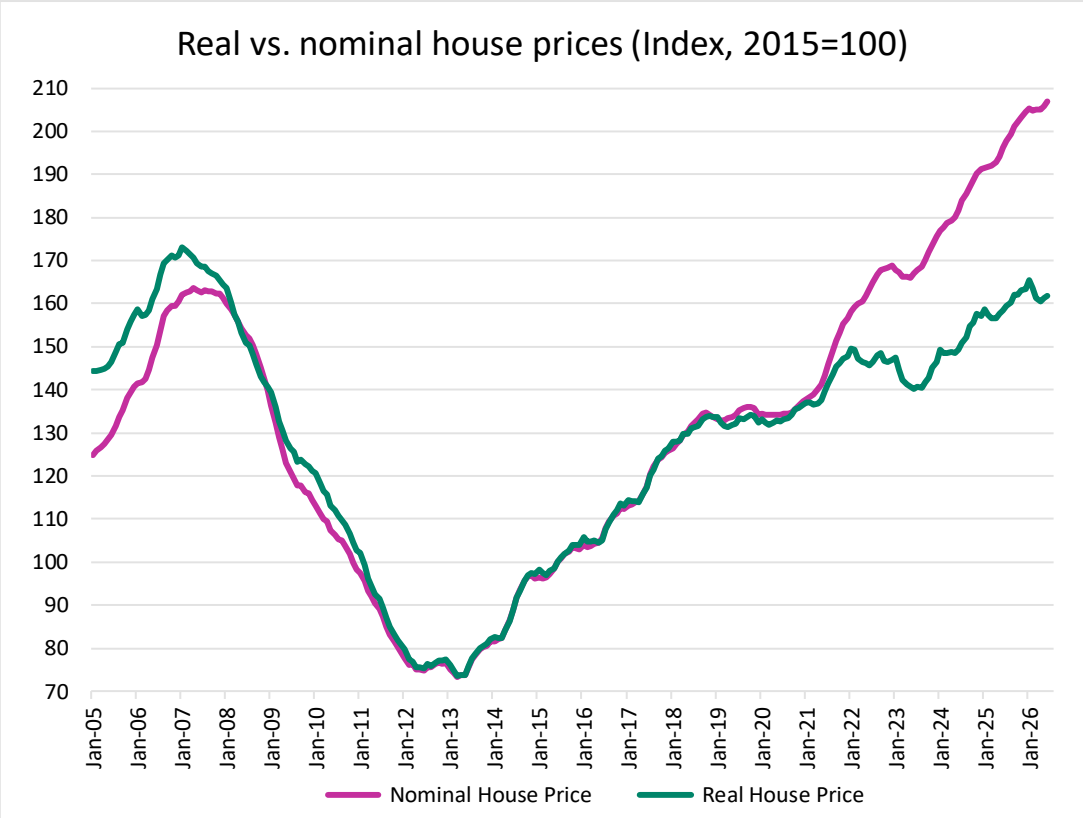


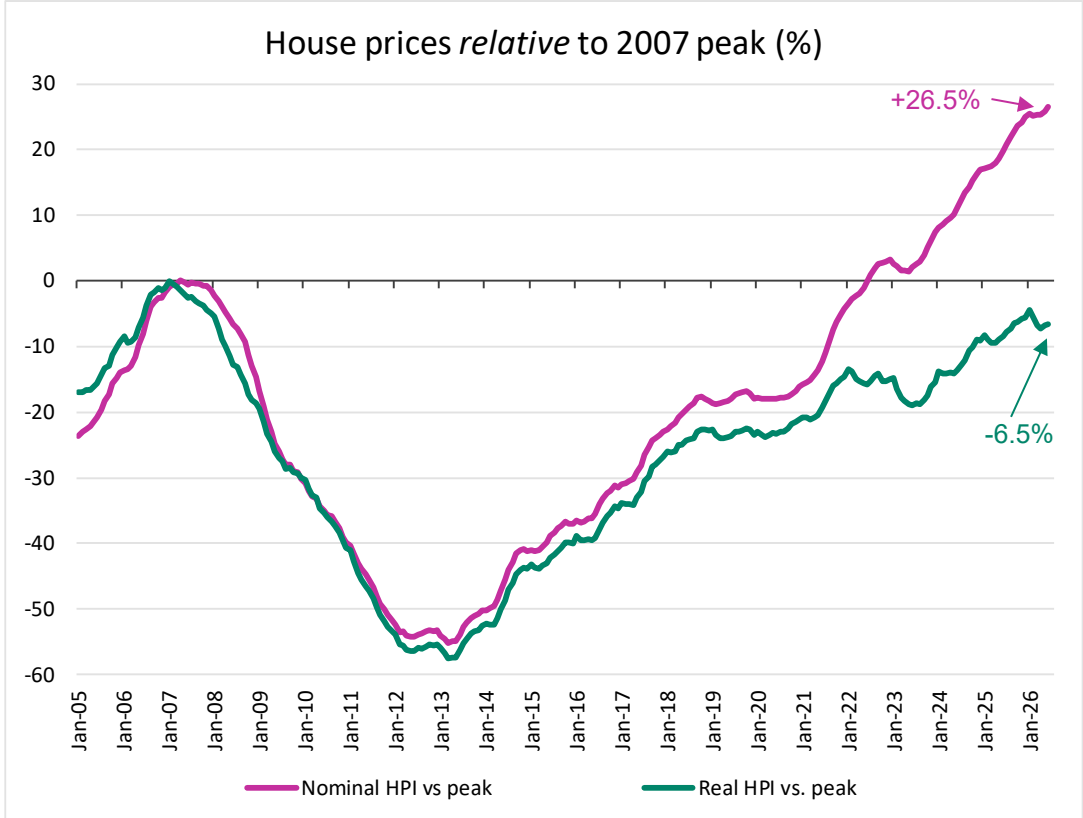




- Residential Property prices rose by 8.5% in 2024, and by 7.6% in 2025. However, house price inflation has eased markedly so far this year (up 5.2% YoY in August).
- Property prices nationally are over 26.5% above their Celtic Tiger peak, albeit still c.6% below peak in real terms.
- The trend of deteriorating affordability has accelerated post-COVID.

# However, real house price trends more muted

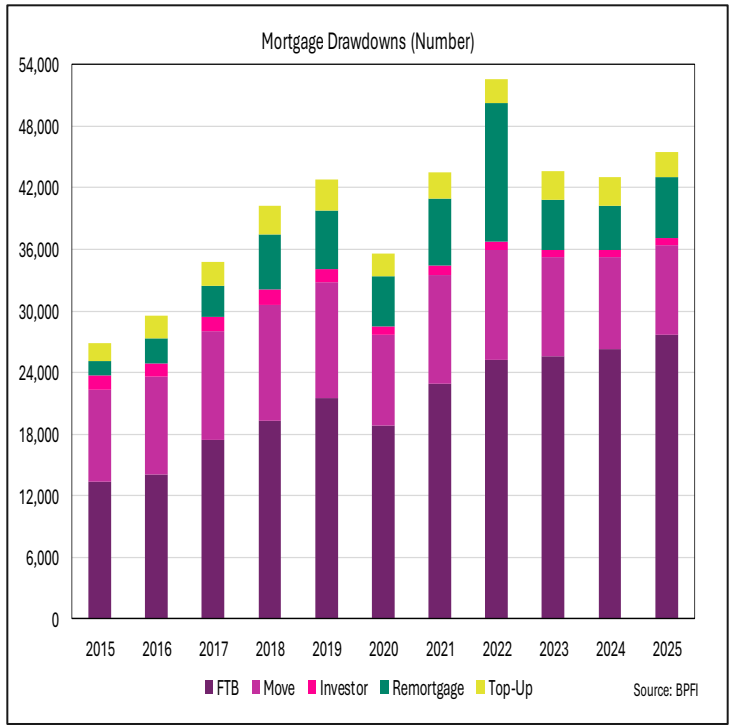


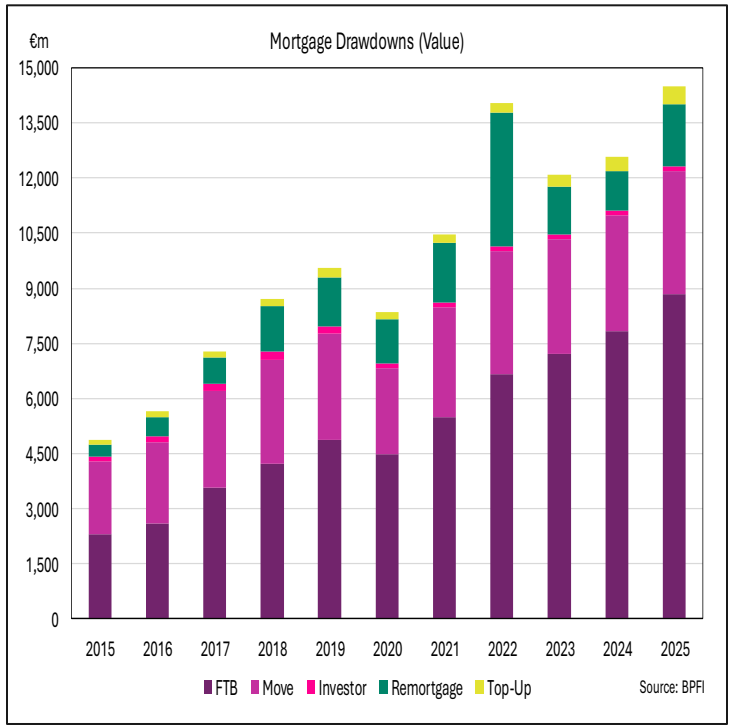



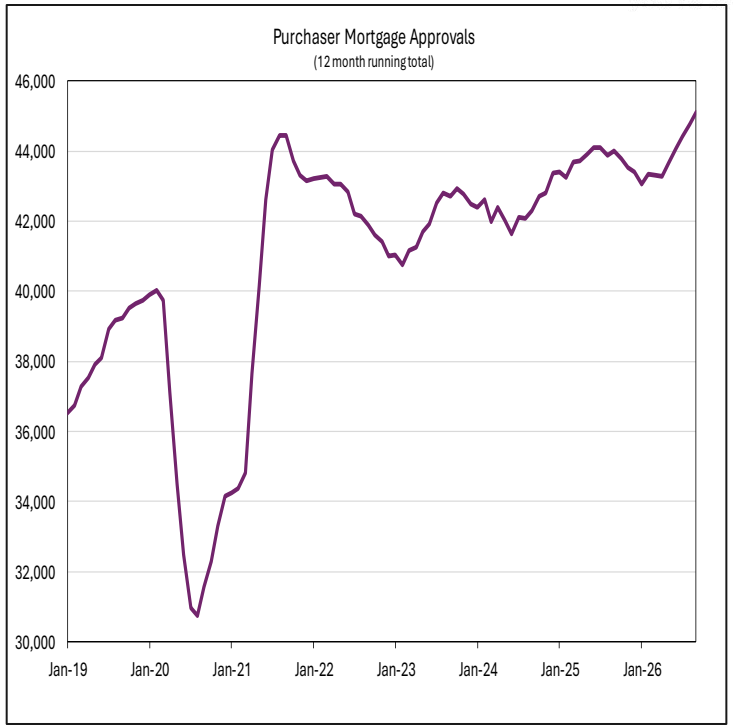

- Property prices nationally are 26.5% above their Celtic Tiger peak, albeit still 6.5% below peak in real (inflation-adjusted) terms, and falling in recent months.

- International house price-to-income comparisons also place Ireland in the middle of the pack compared to other wealthy countries, in terms of affordability

# Mortgage market growth largely due to house price inflation




- There was a total of 45,500 mortgage drawdowns in 2025, up 5.8% on 2024.
- However, the value of mortgage drawdowns reached €14.5bn, up 15.2% annually.
- Mortgage approvals rise modestly in H1 2026. 12-month running total at 44,000.

# 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 Apple case proceeds, sovereign wealth funds, and 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

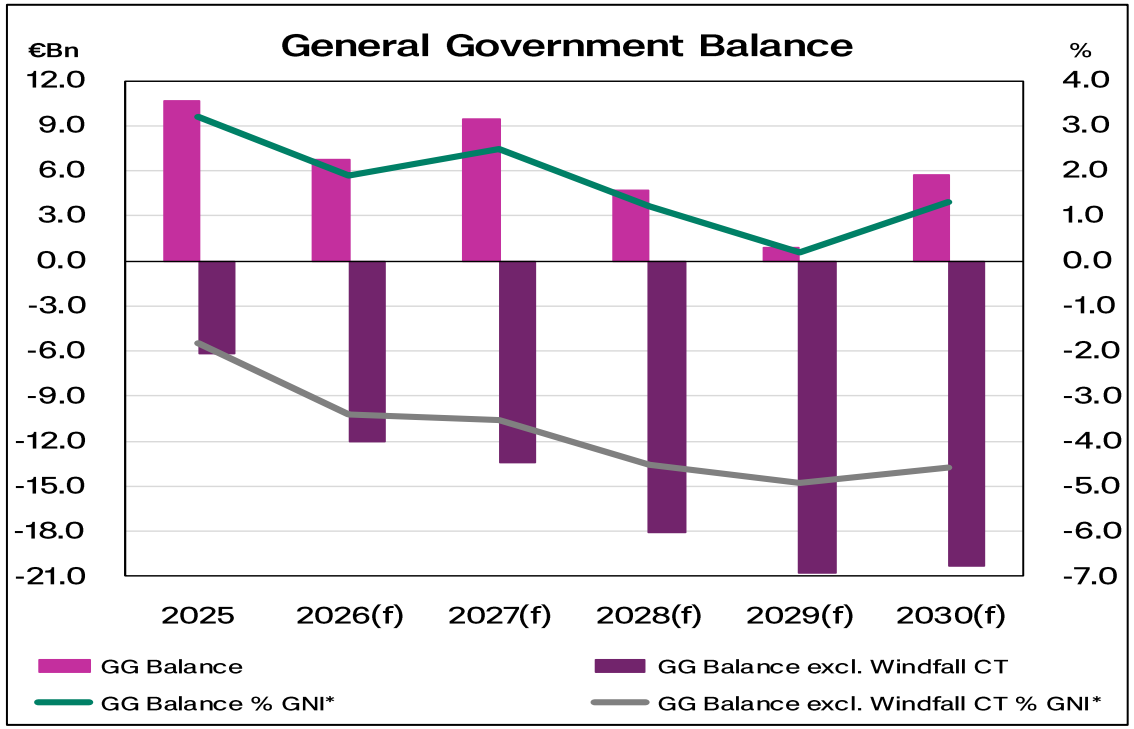
- Whole of government response to systemic delays in infrastructure
- Aims to reform judicial review process to cut average timeline from 18 to 9 months.
- 30 actions under four pillars; Legal reform, Regulatory simplification, Coordination & delivery and Public acceptance.
- Enact legislation (such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

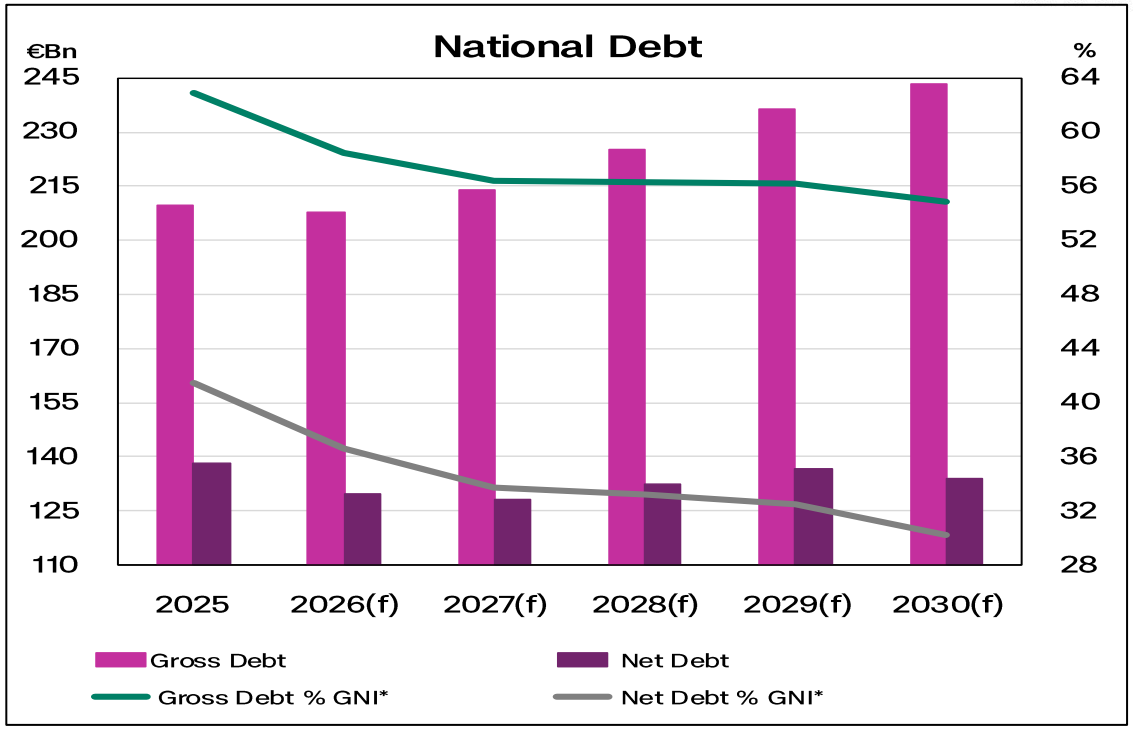


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# National Balance Sheet & Budget 2027

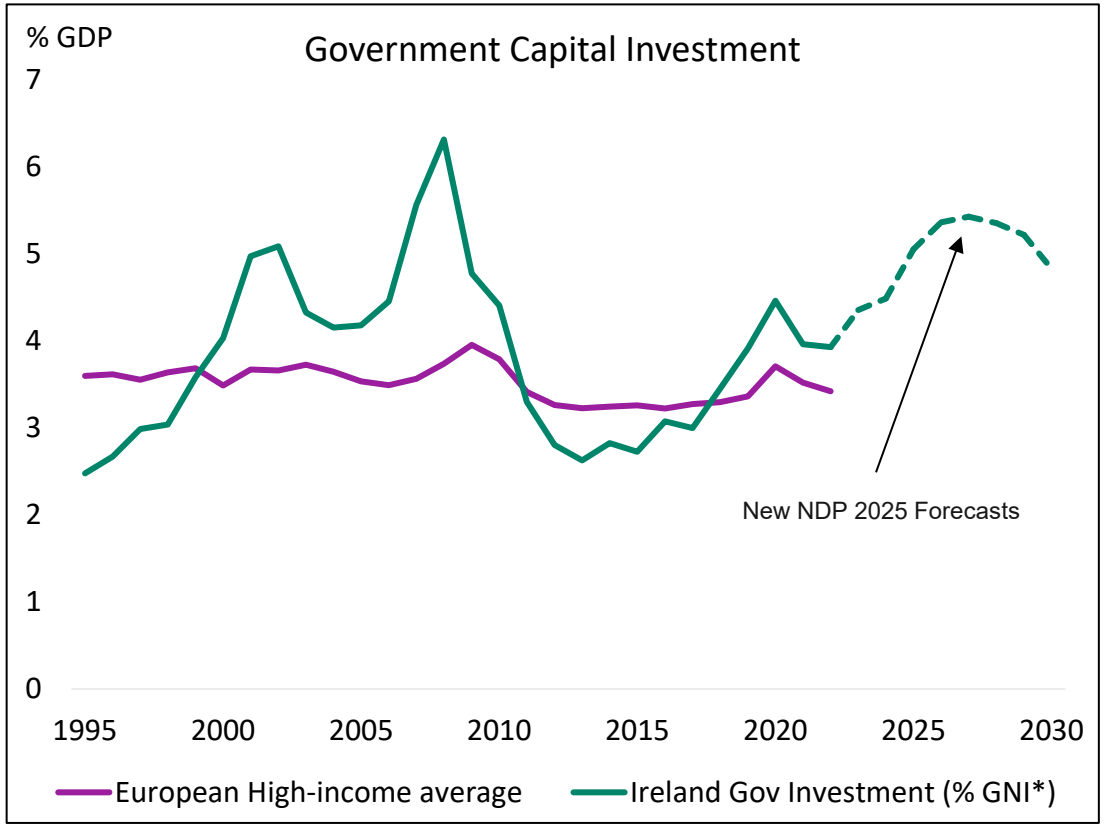
# Gov. finances supported by windfall CT receipts




- Government set to register a surplus once more in 2026.
- However, substantial levels of “windfall” corporate tax receipts are masking significant increases in expenditure.
- Gross debt as a share of GNI* is now set to increase in the years ahead.

# Infrastructure spending to reach record levels



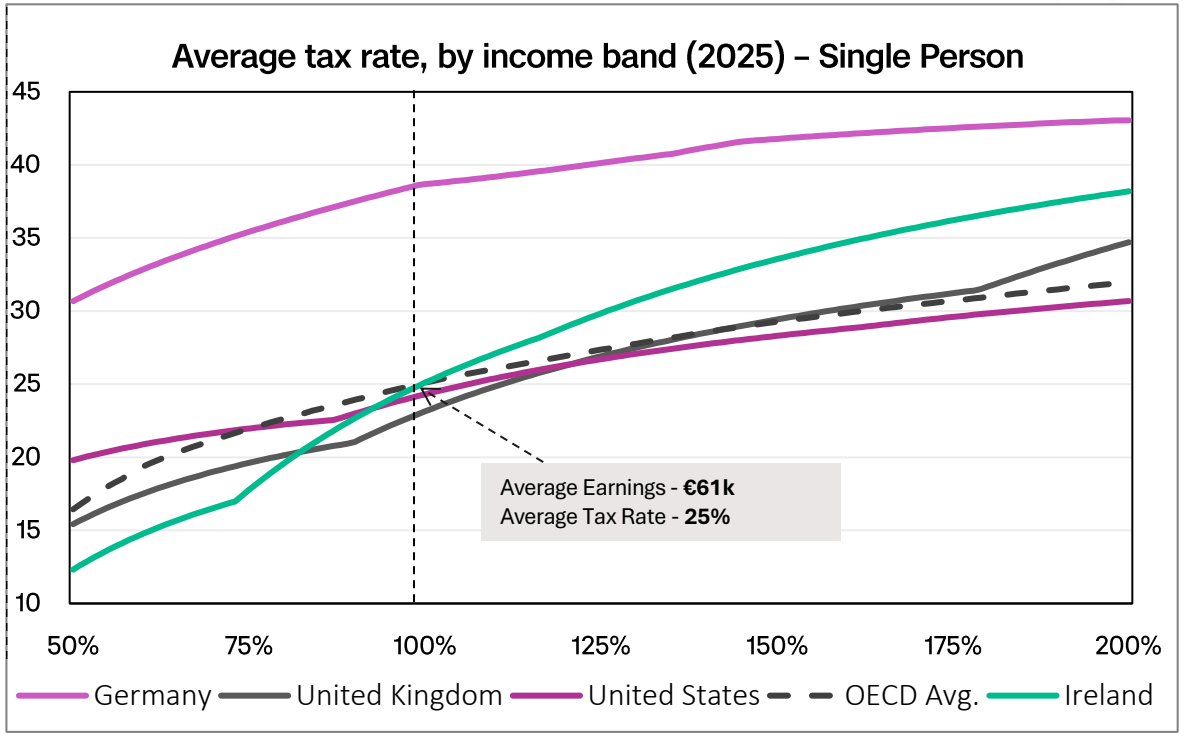

***€ billions*** **National Development Plan Allocation (2026-2030)**

| **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.
- Investment is expected to peak above 5% of % of GNI*, well ahead of European peers.

# Income tax rates elevated vs. peers

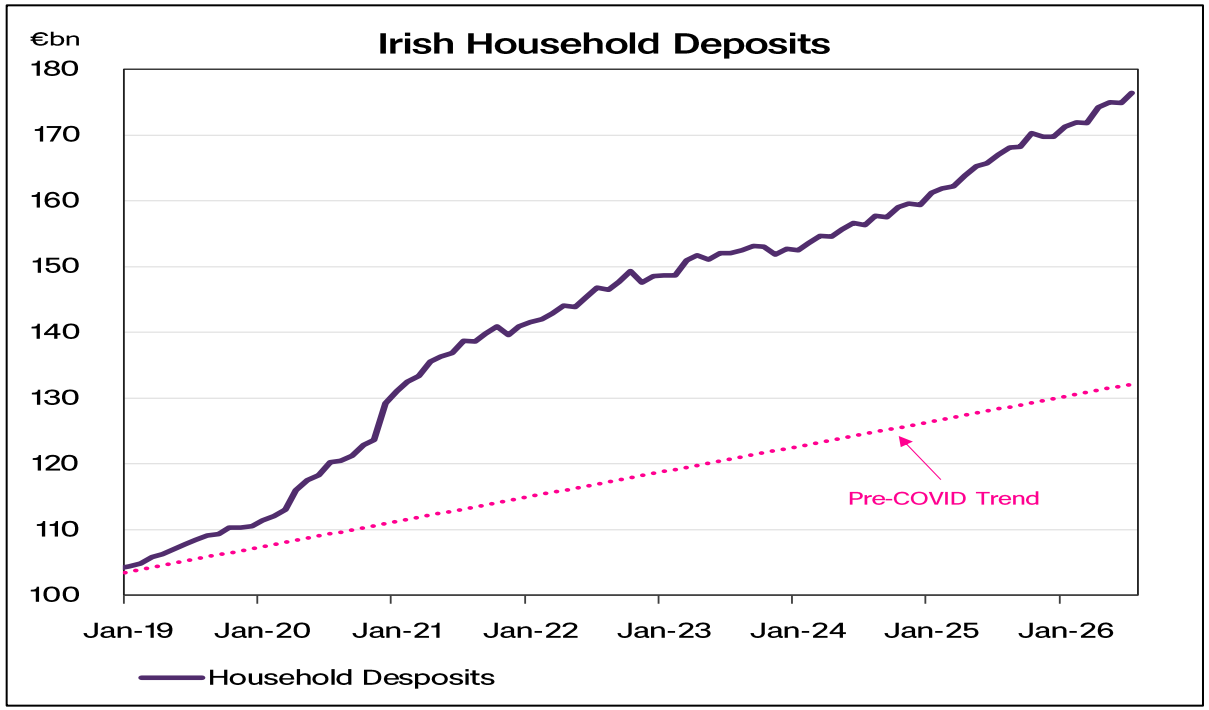


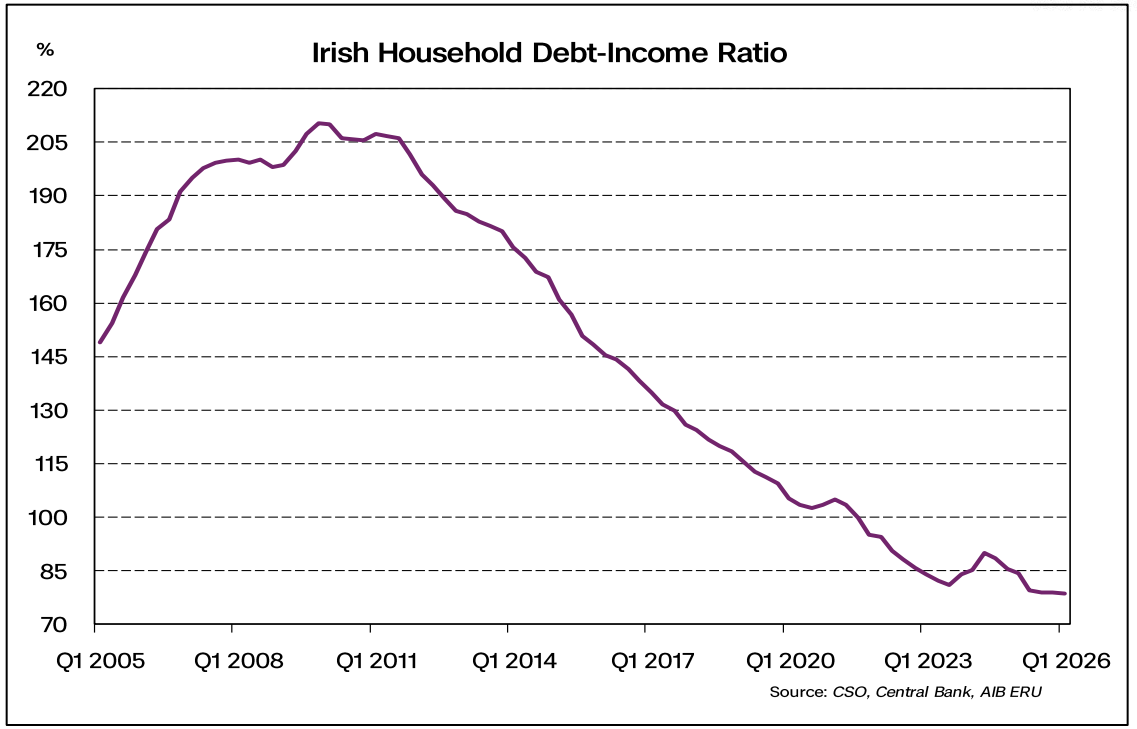




Sources: OECD
* Including cash transfers from state such as welfare payments

- Income tax freeze in Budget 2026 implies a take hike as 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.

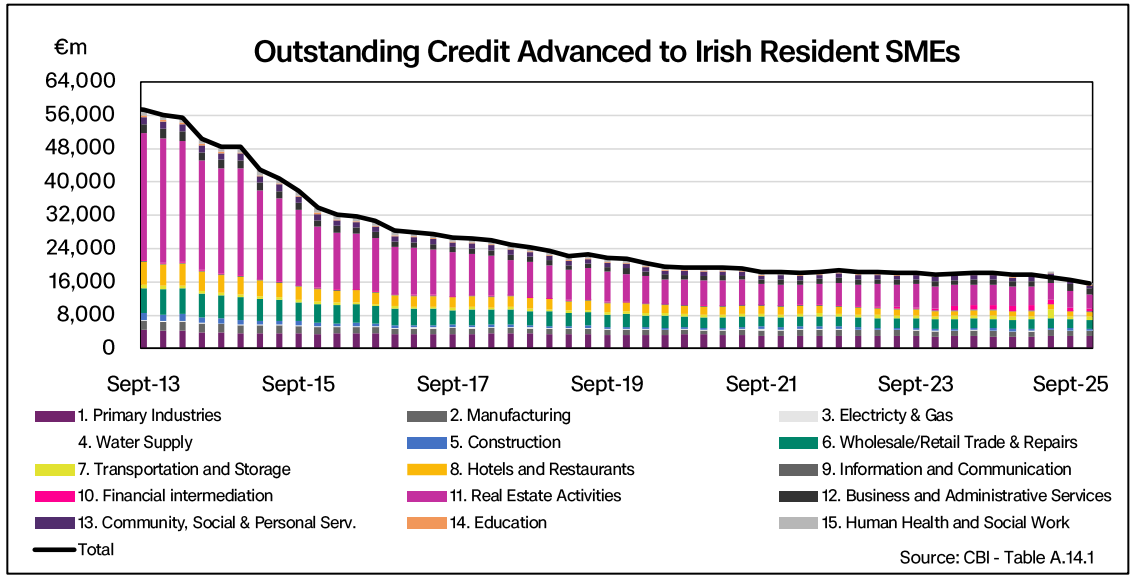
# Households have low debt and high savings

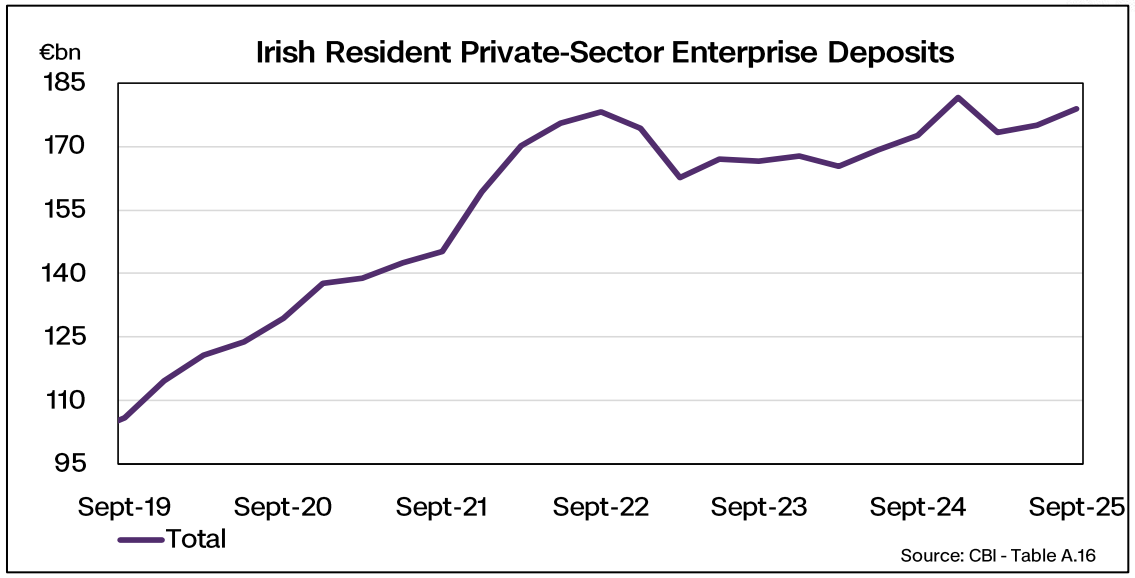


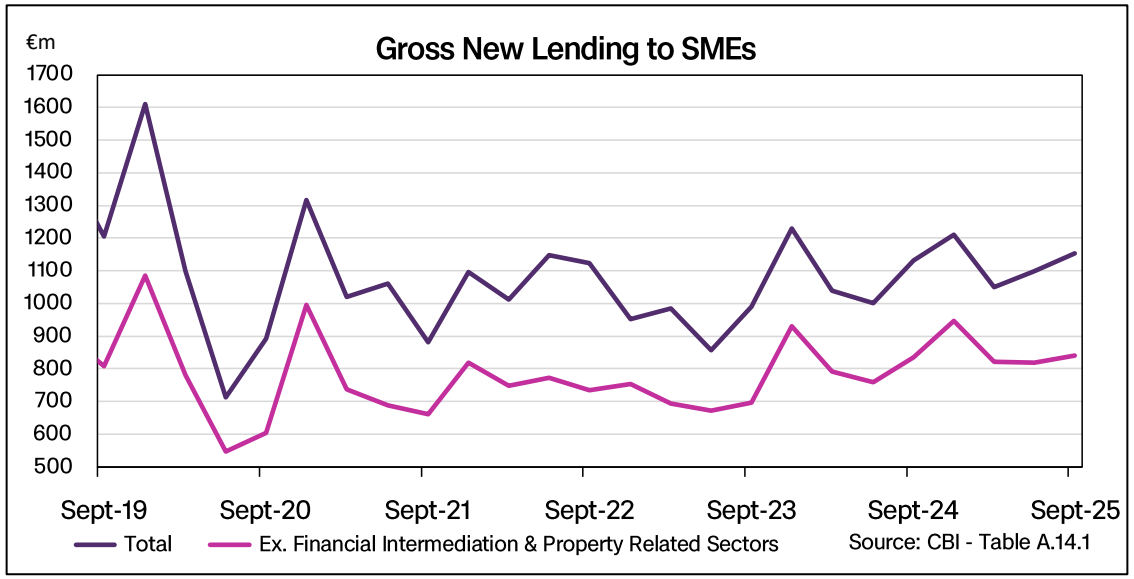




- Household deposits have continued to rise very sharply post-COVID.
- Household debt to income ratio below 80%, less than half of the peak of 210% seen in 2010.
- Deleveraging and savings build-up indicates that on aggregate, households have room to spend.

# Indigenous firms have also deleveraged

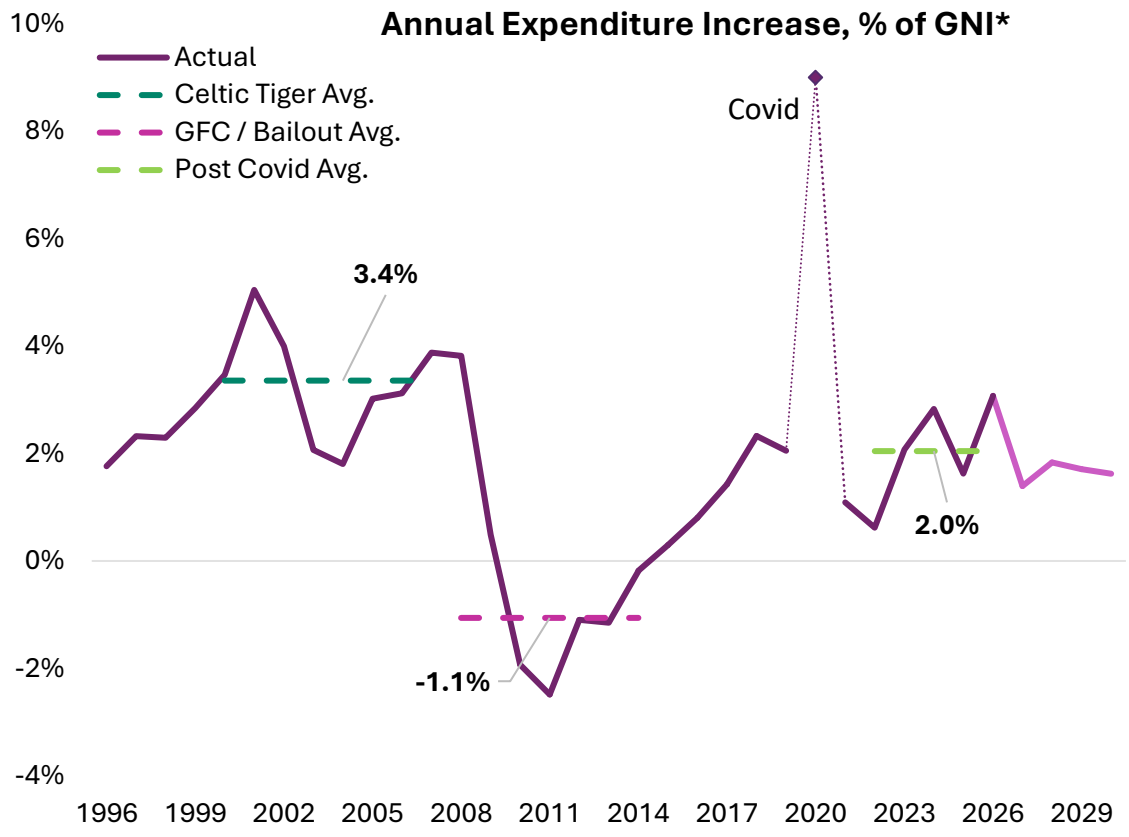


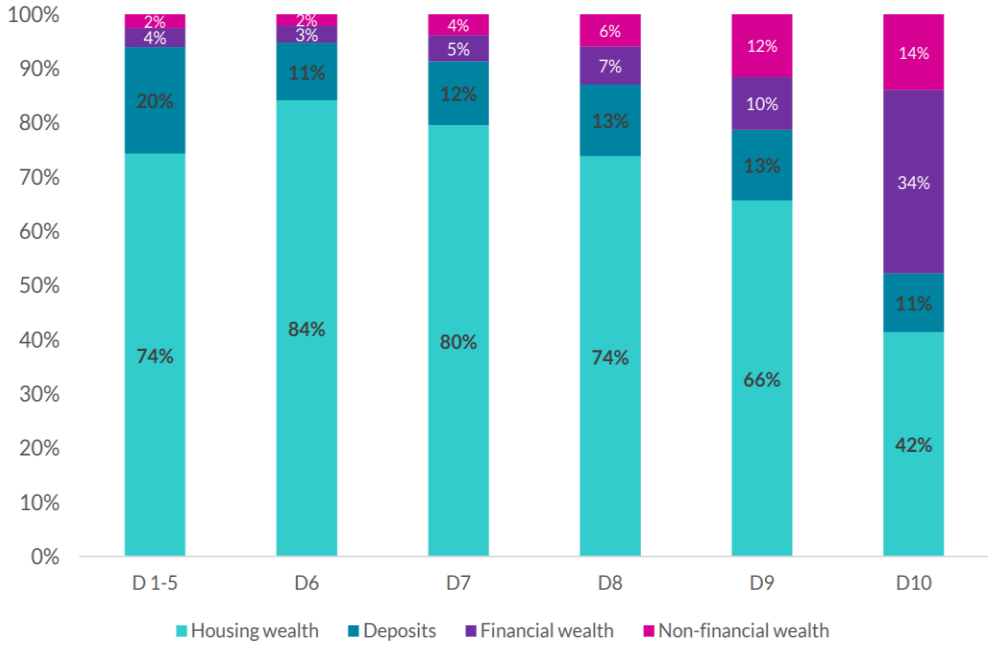
# Budget 2027: Overall Package – Tax & Spend

- In total – over **€9bn** in new measures
  - A 'cost of living' budget is the main theme
  - This includes **€7bn in spending** measures, **€2bn in taxes**
  - Also €2bn spending overruns in 2026 which increases the expenditure base
- Focus on household supports in this Budget – Income taxes, Inheritance, Personal investment incentives, CGT
- This 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.€34bn in 2026
  - Spending increases dwarf tax cuts, with 2026 spending increase at c.3% of GNI*
  - Spending increases expected to average c.1.8% of GNI* in the coming years. These are large sums, but again nowhere close to Celtic Tiger era
- The Government is contributing to sovereign wealth funds (€31bn by end 2027), with other monies also sitting with NTMA adding up to **€78bn in liquid assets.**

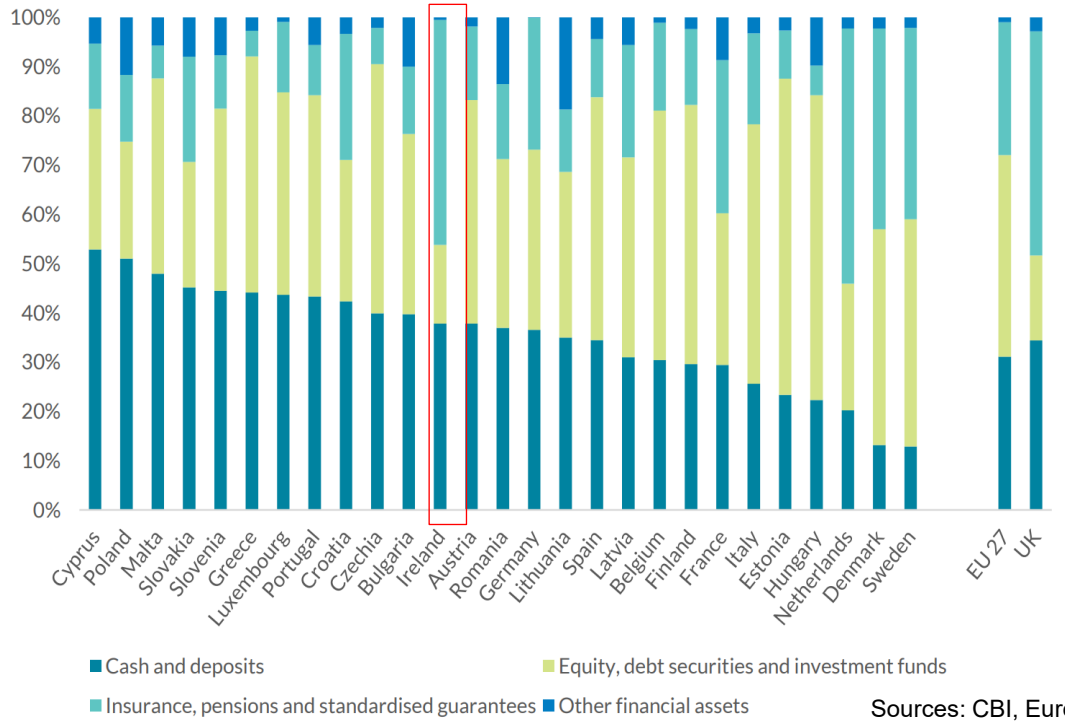


# Investment incentives coming for Irish households

**Asset allocation across household wealth deciles**




**Breakdown of financial assets vs. European peers**




Sources: CBI, Eurostat

- Irish households largely recycle retained income into cash deposits, pensions, and housing.
- Cash & deposits 38% of financial assets (EZ avg: 30%, US: 11%)
- Direct equity/debt holdings exceptionally low at 2.3% (EU: 7.5%), albeit indirect equity exposure high via pensions/insurance plans (46% of fin. assets)

- Government announced tax free trading accounts (to €50k), part of broader EU push to deepen capital markets.
- This includes an annual contribution limit of €12k, with a 1% flat rate tax on value above €50k
- Ireland has low direct equity and debt market exposure, but relatively high indirect through pensions system.

# Risks to the Outlook



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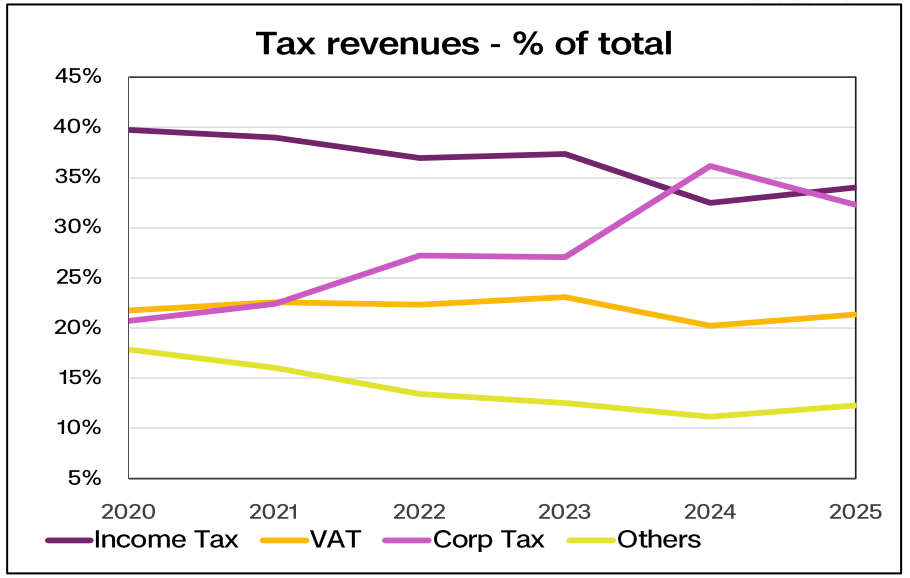
# Two-sided risks for the Irish economy

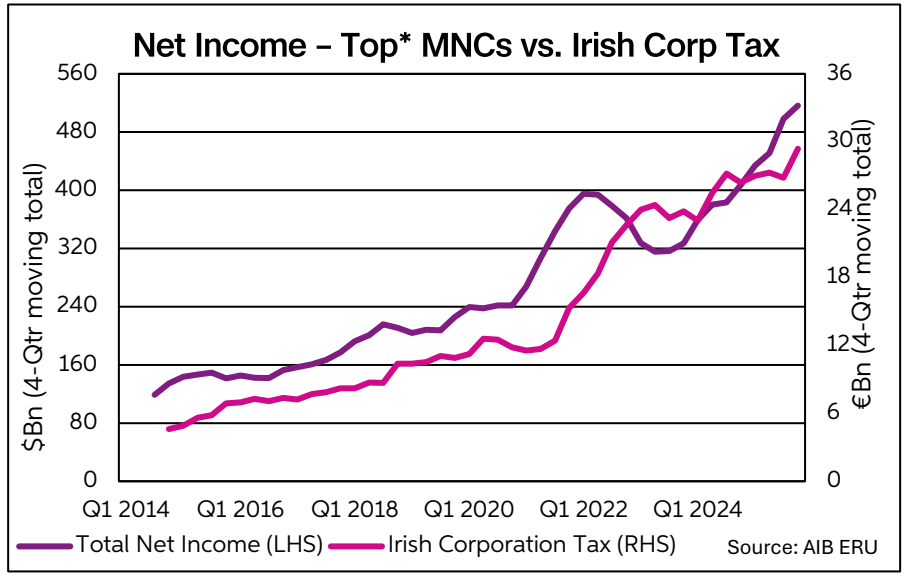
## Upside Risks

- 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

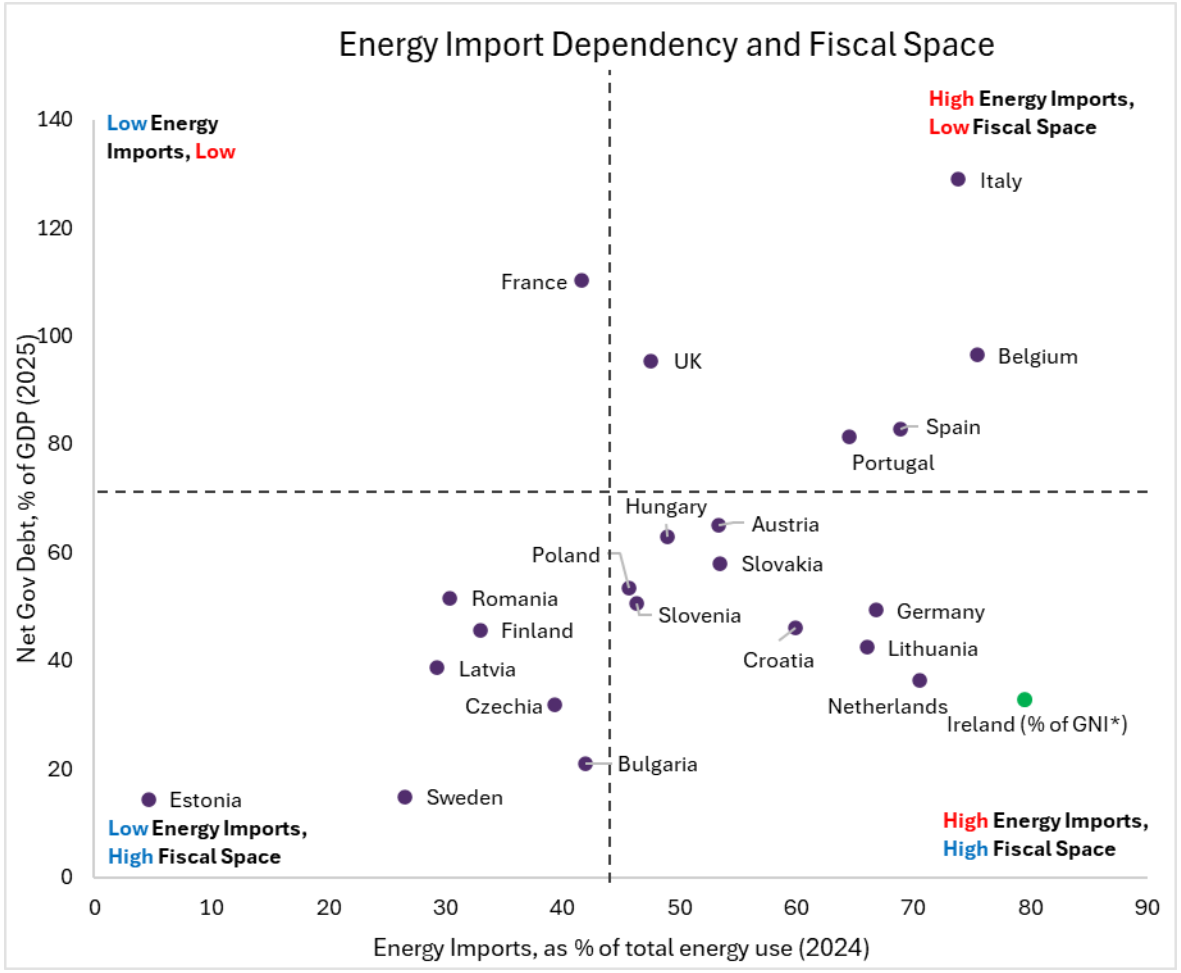
- Open Irish economy vulnerable to geopolitics, including US trade policy and Middle East energy shocks.
- Concentration risk from reliance on a small number of MNC's for investment, exports & tax receipts – top 3 firms accounted for 46% of all corporation taxes in 2024.
- Reliant on UK/EU energy impots. Could be impacted by disruptions to oil/gas supplies, hybrid threats to infrastructure.
- Capacity constraints – labour, electricity, water, infrastructure, & housing.

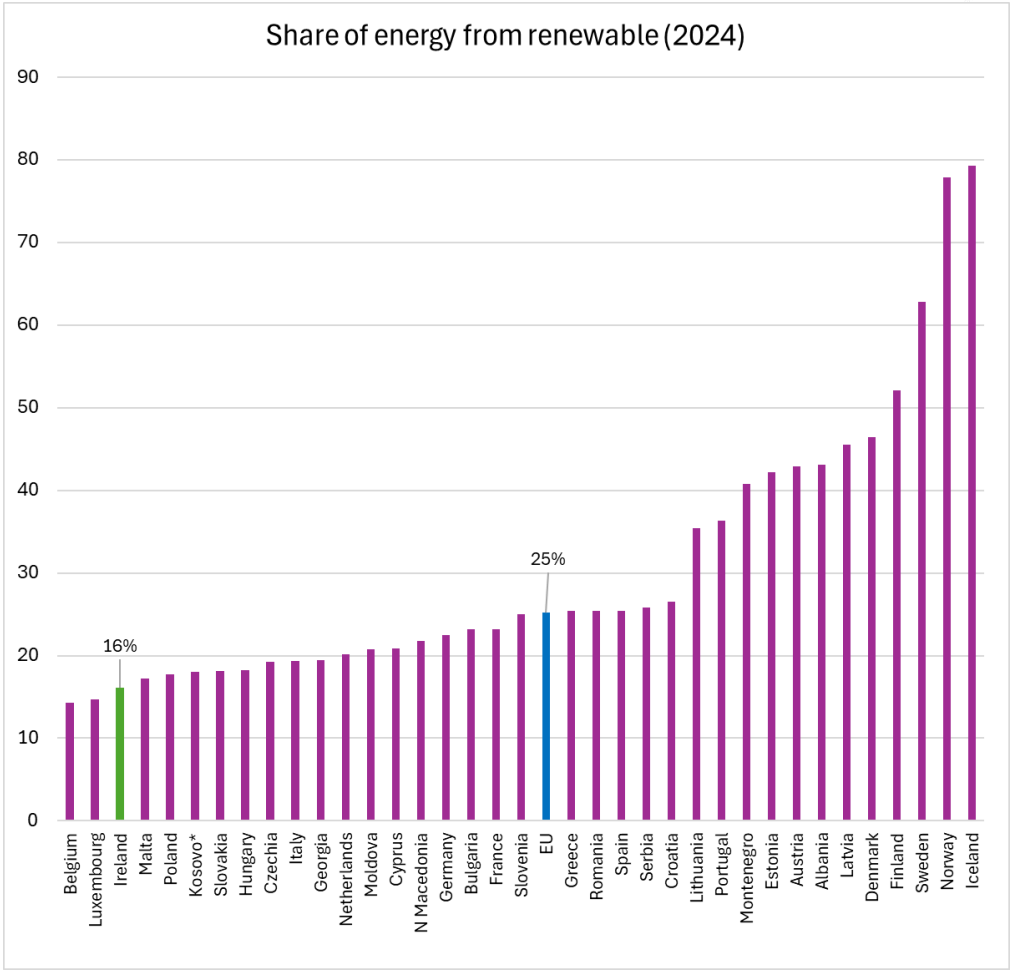


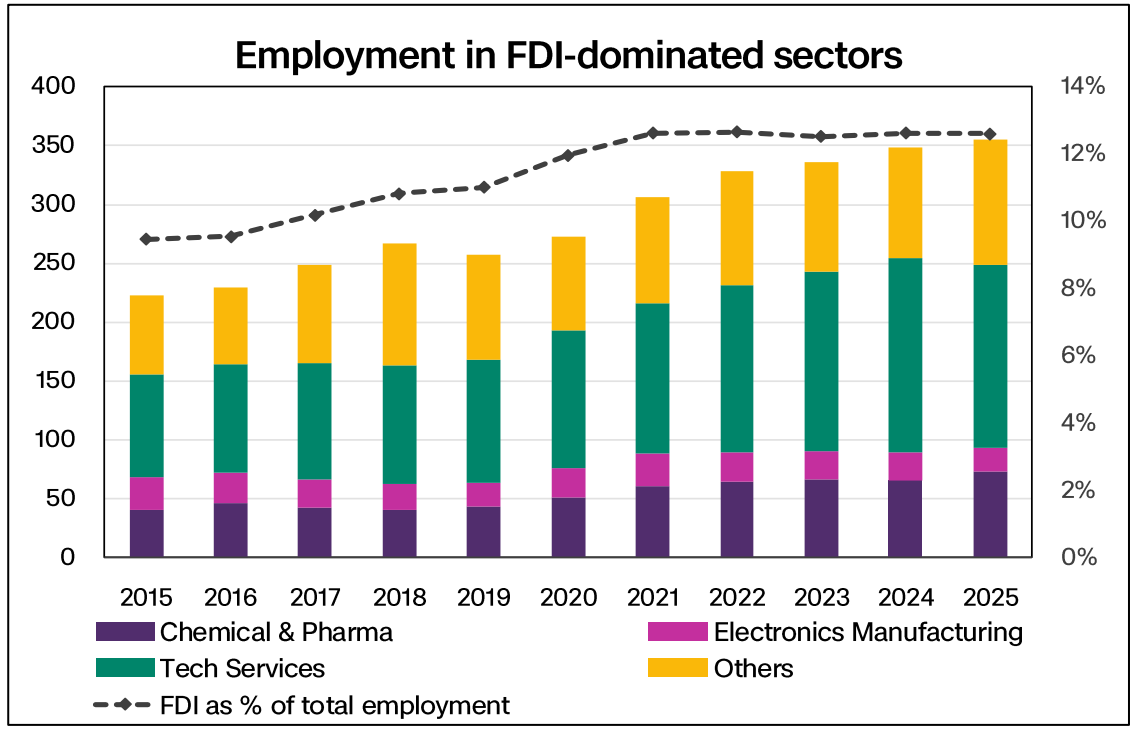

* Apple, Microsoft, Eli Lilly, Meta, Alphabet, Pfizer, MSD, J&J, Coca Cola, AbbVie, Medtronic, Intel

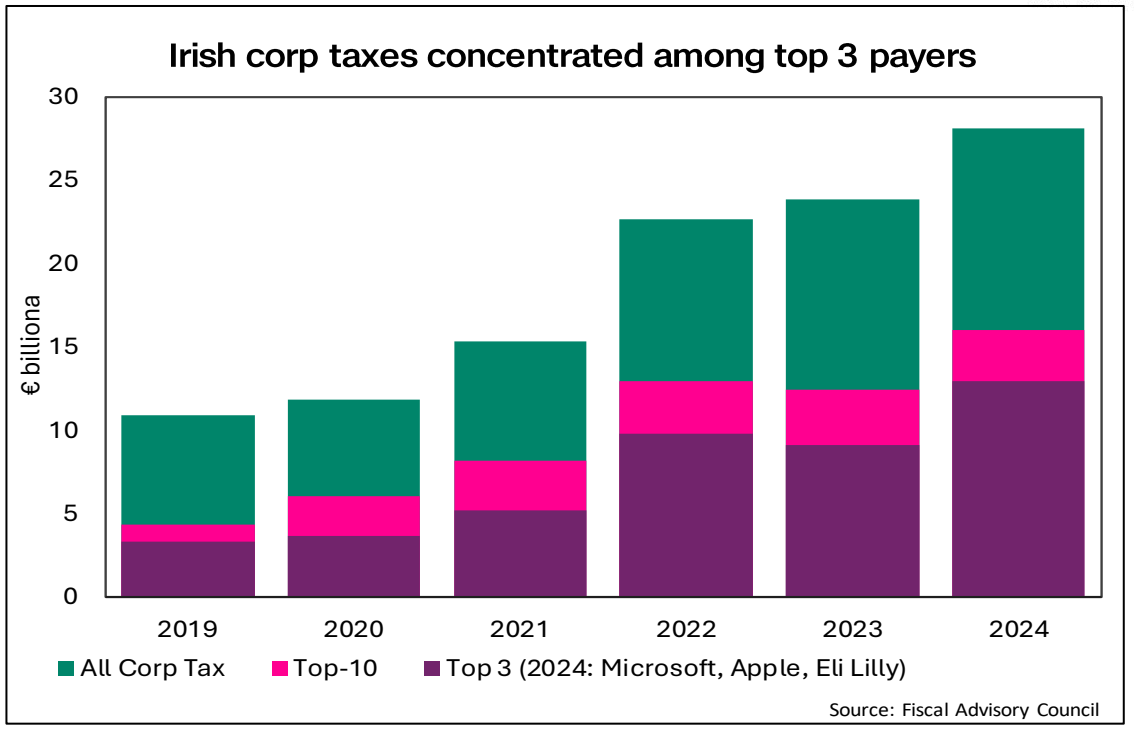
# Ireland reliant on energy imports, fiscal space to offset



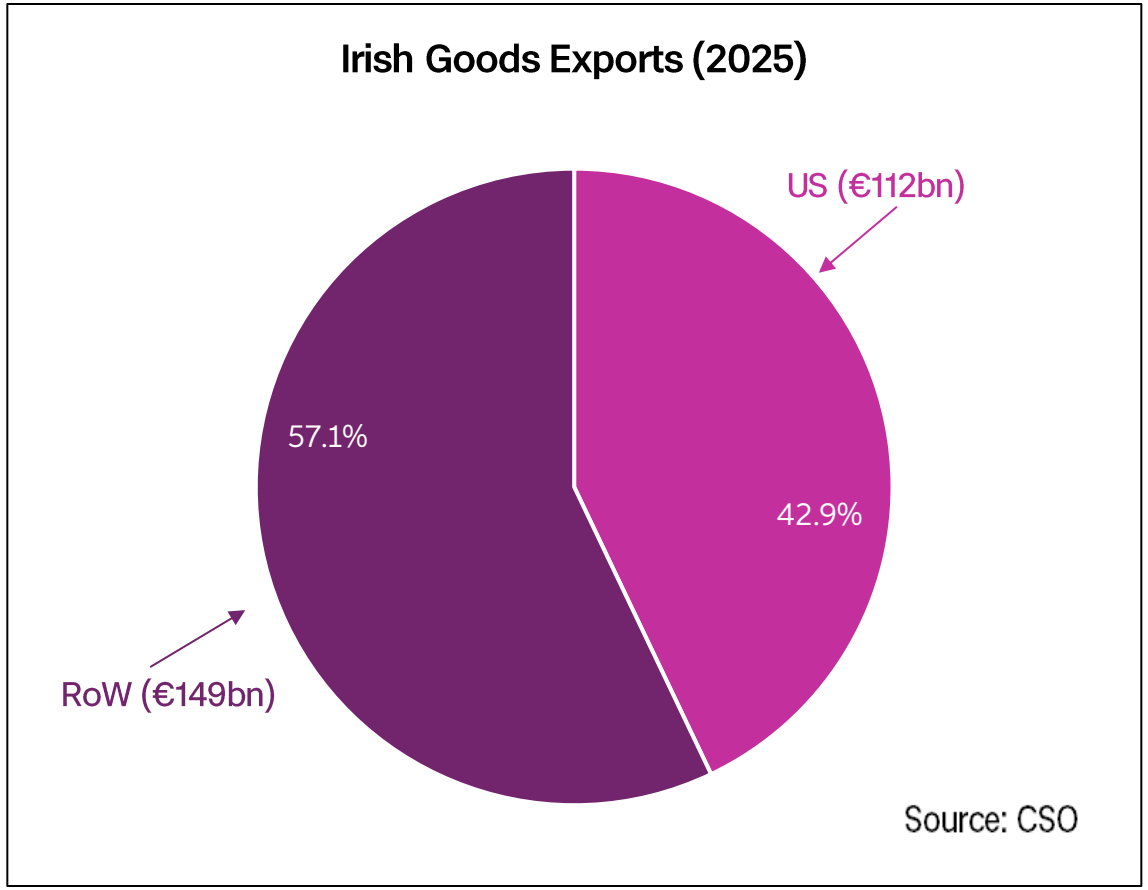
# US MNCs a large share of GDP/taxes but not jobs

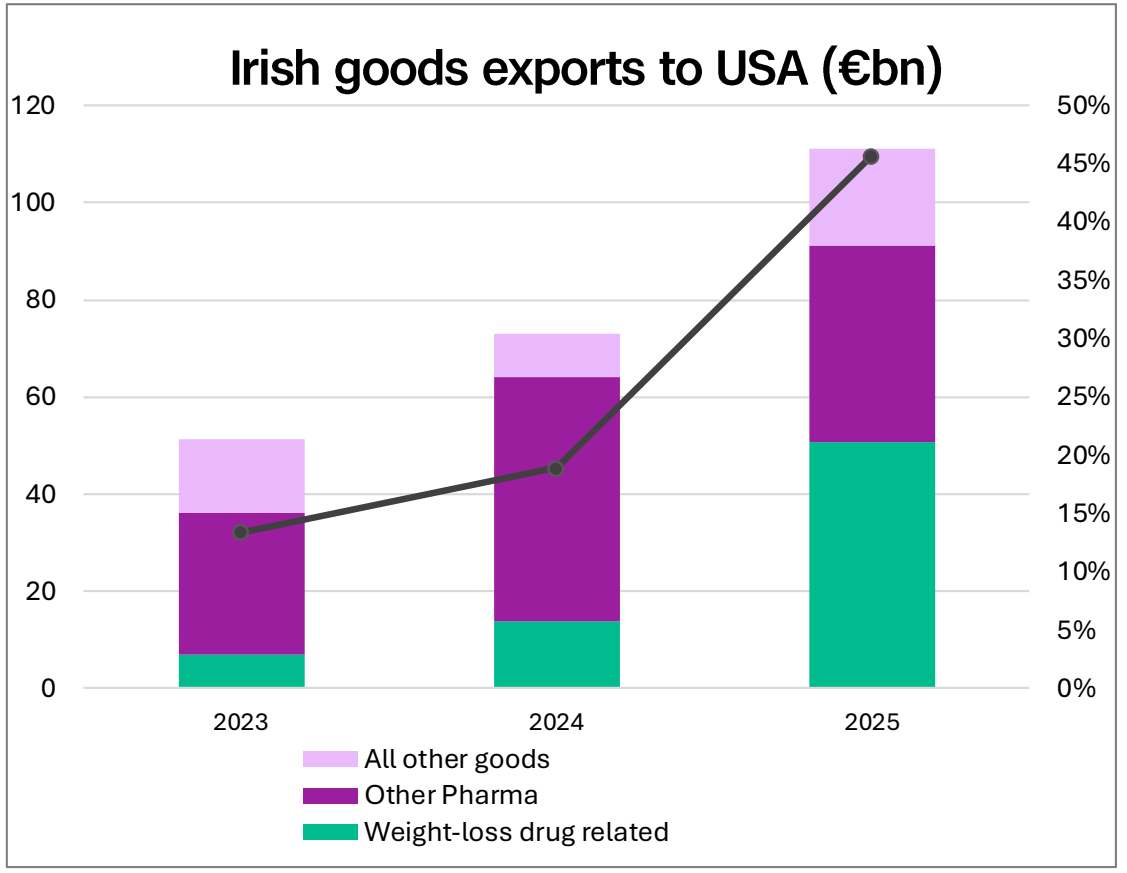


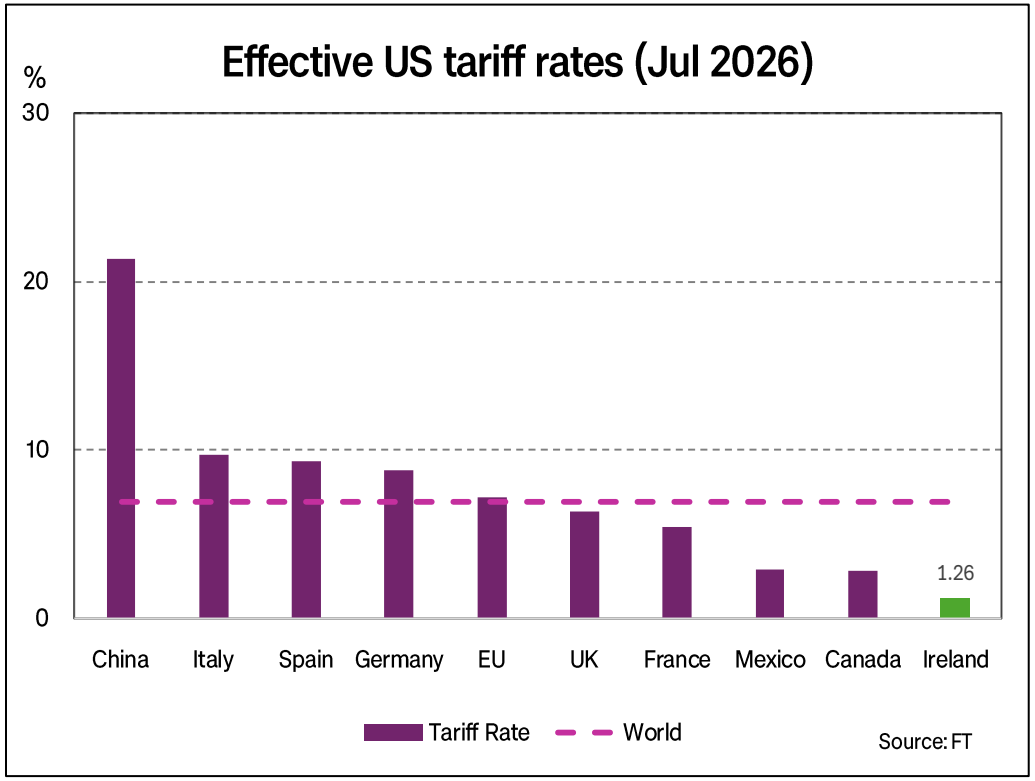

- US MNCs directly employ a small (albeit a well-paid) cohort of the overall workforce of 350k (12% of all employment.
- However output/investment from these companies is vast, accounting for over 50% of turnover and GVA for Irish economy, and over 80% of exports.
- Top 10 US firms accounted for 57% of Corp tax in 2024, with Top-3 (Apple, Microsoft, Eli Lilly) 46% of all Corp Tax.

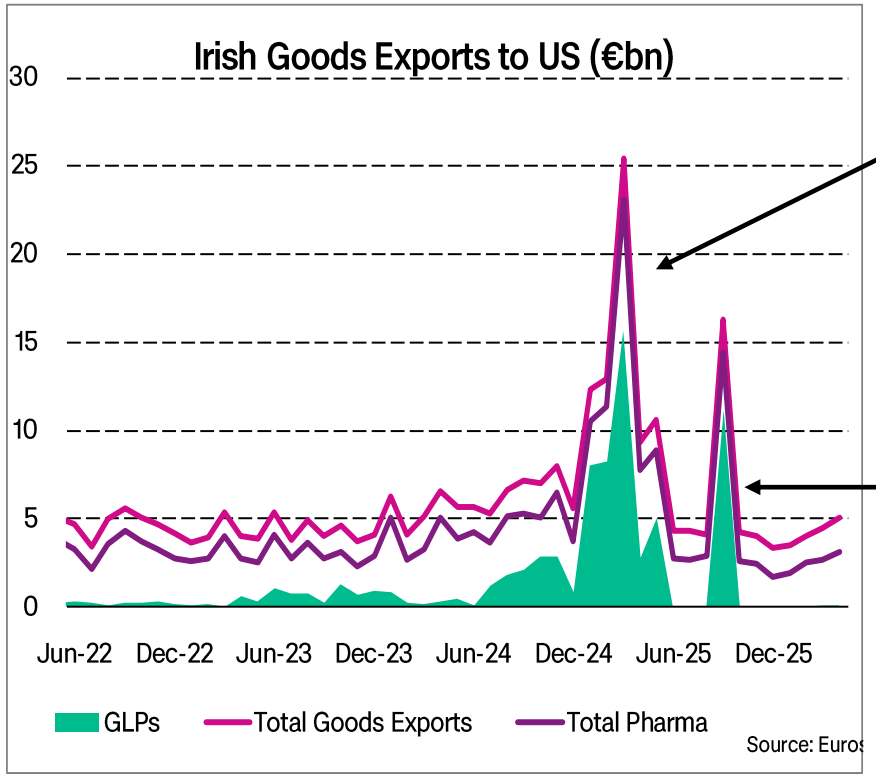
# US a key trade partner in goods – pharma dominates



# Tariffs on Irish exports remain negligible



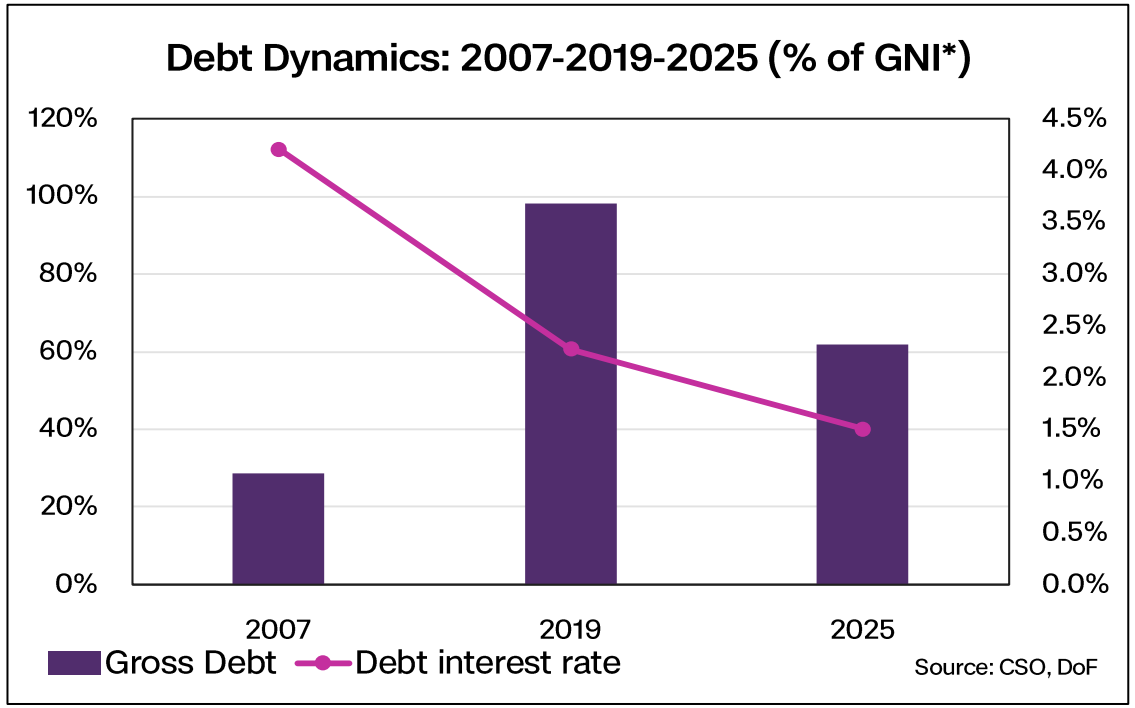



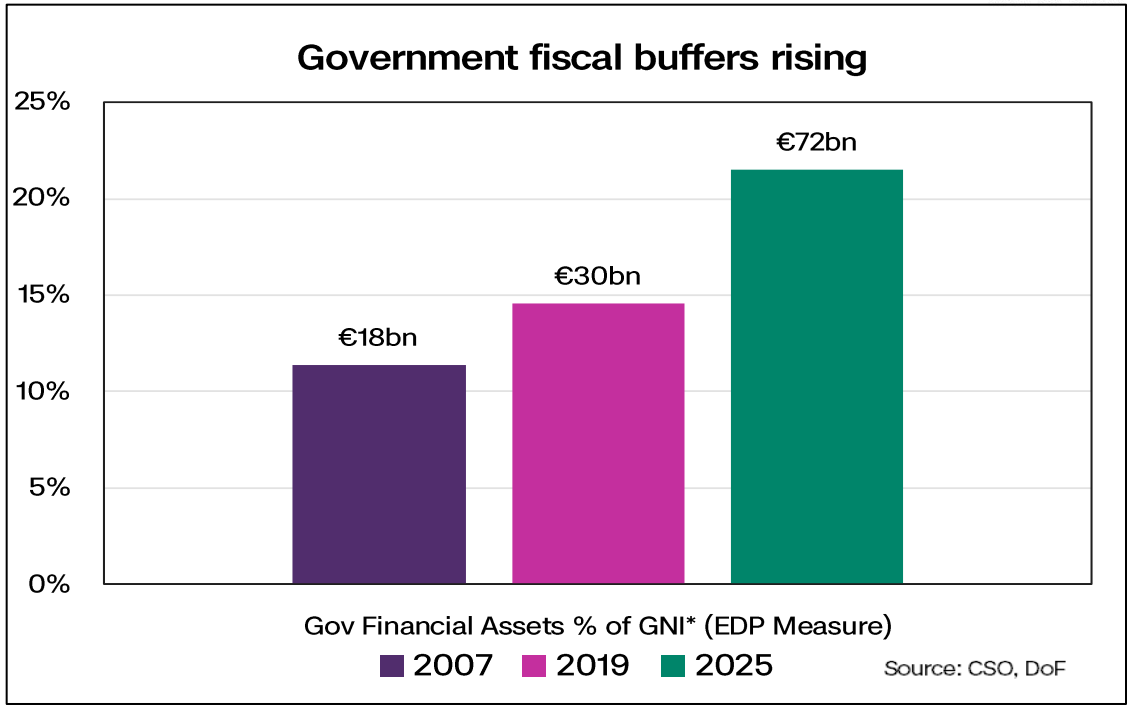

Overall surge in goods exports in 2025 to US driven in part by tariff front running

Additional key driver is the ramp up in production of weight-loss drugs (Eli Lilly), reflected in a surge in "organic chemicals" exports to the US in 2025, followed by pause in H1 2026

- Ireland has largely avoided US tariffs so far given exemption for chemicals and pharma with EU-US trade agreement
- However, removal of IEEPA (reciprocal) tariffs by US Supreme Court adds uncertainty on future path. Ongoing US 'Section 232' investigation into pharma means risk of higher tariffs on Irish exports remains heightened.

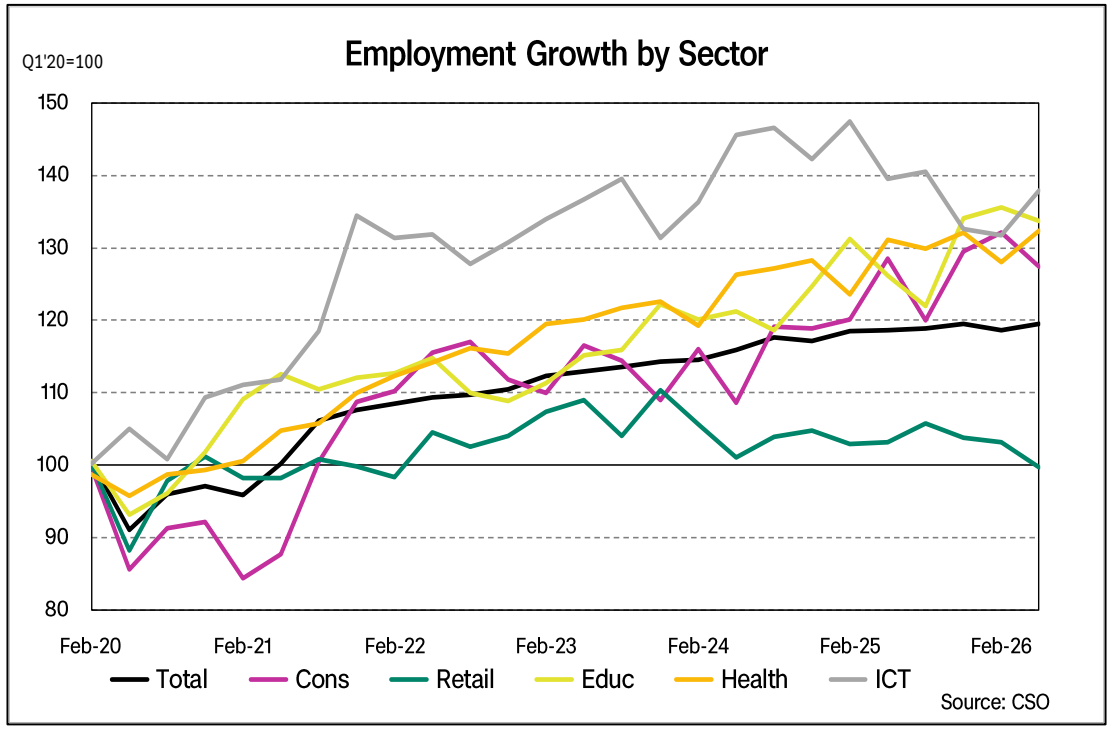
# Could the public finances weather a fresh shock?

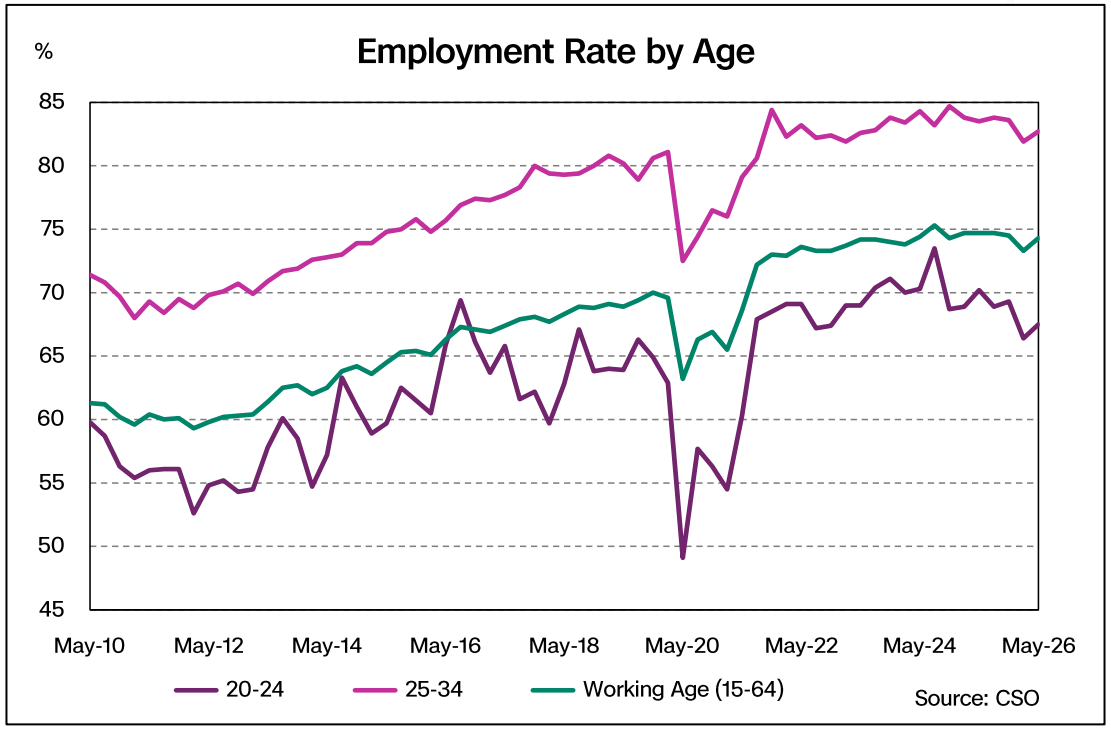



- Stock of debt is higher than pre-GFC, but debt interest costs are much lower (c. 1.5% of GNI*).
- Gov. has built-up fiscal buffers – main financial assets were c.€72bn in 2025 (22% of GNI*).
- Sovereign wealth funds to grow in the coming years – Gov. could accelerate transfers from windfall CT receipts.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

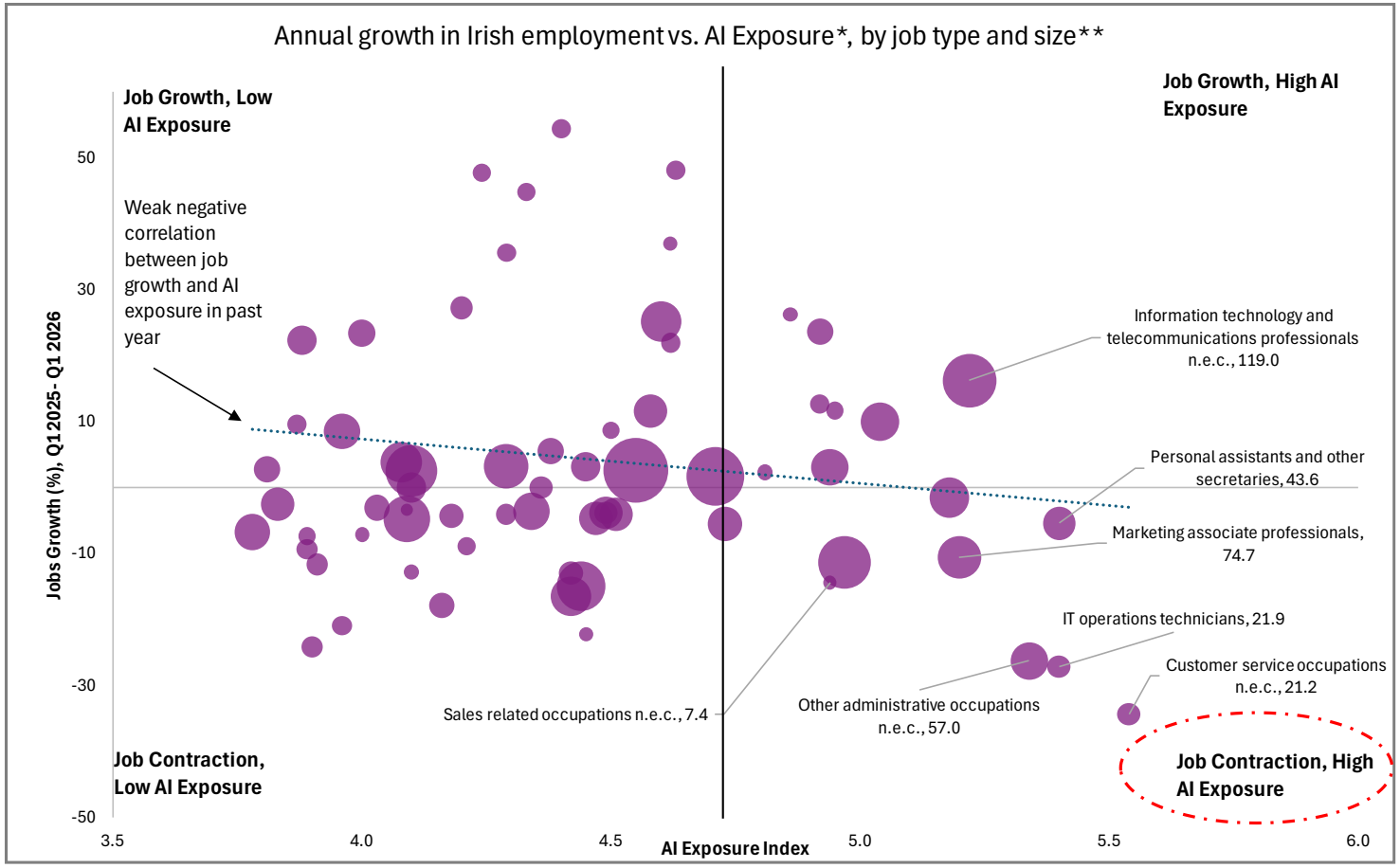
# Is AI negatively impacting the labour market? Too early to tell

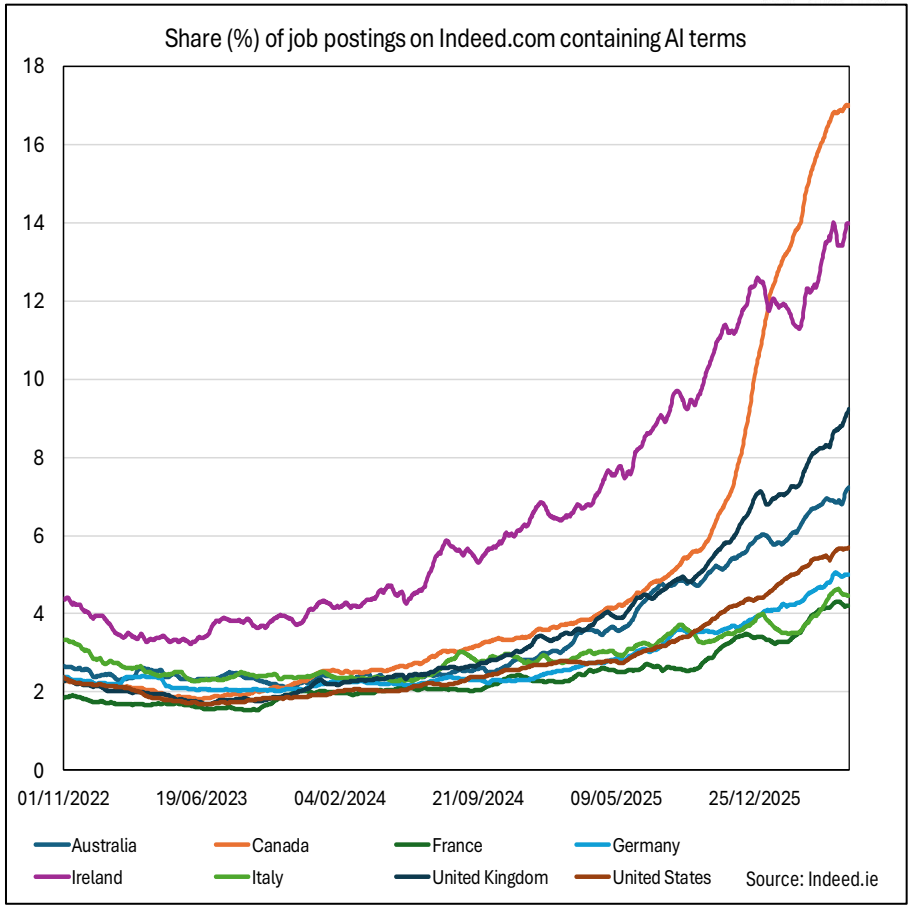



- AI & the labour market: Automating, augmenting or new task-creating?
- Potential nascent AI impact (job loses in tech, drop in youth age employment) can also be explained by other factors.

# AI could be complementary as well as job-replacing




**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 Q2 2026) for each job type*
***Sources:*** *AIB ERU, CSO, Dept of Finance*

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