

Irish Economic Chartbook

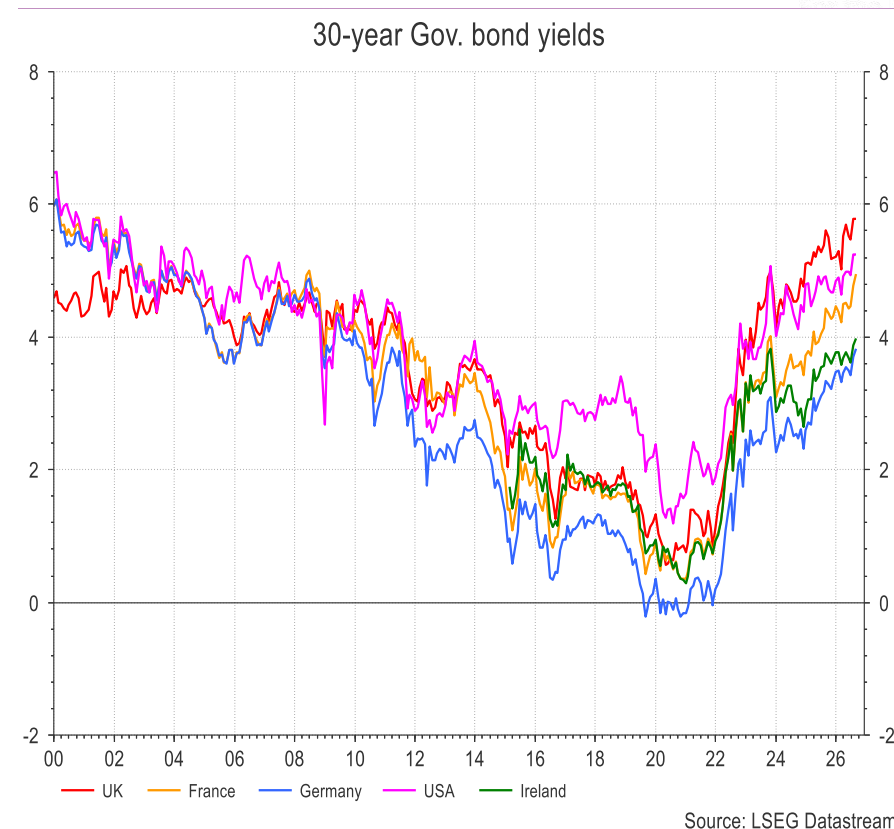
AIB Economic Research Unit

September 2026

Irish economy faces global risks from robust position



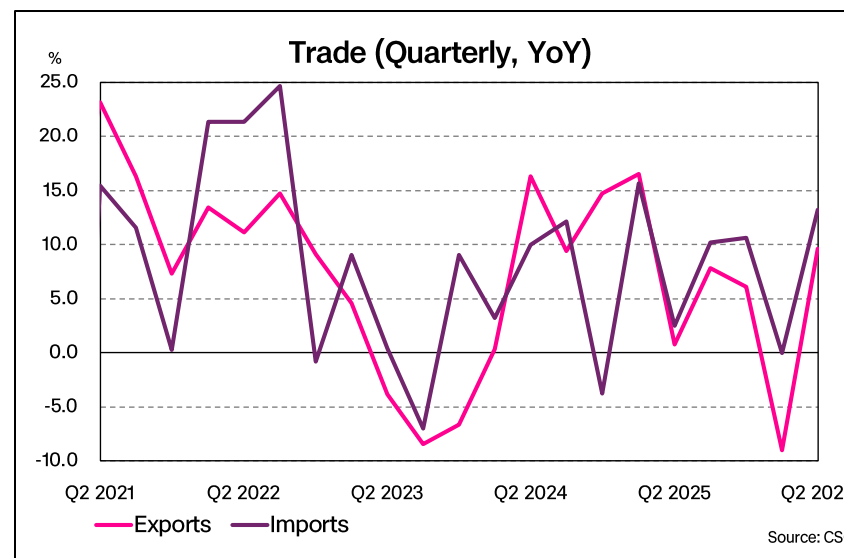
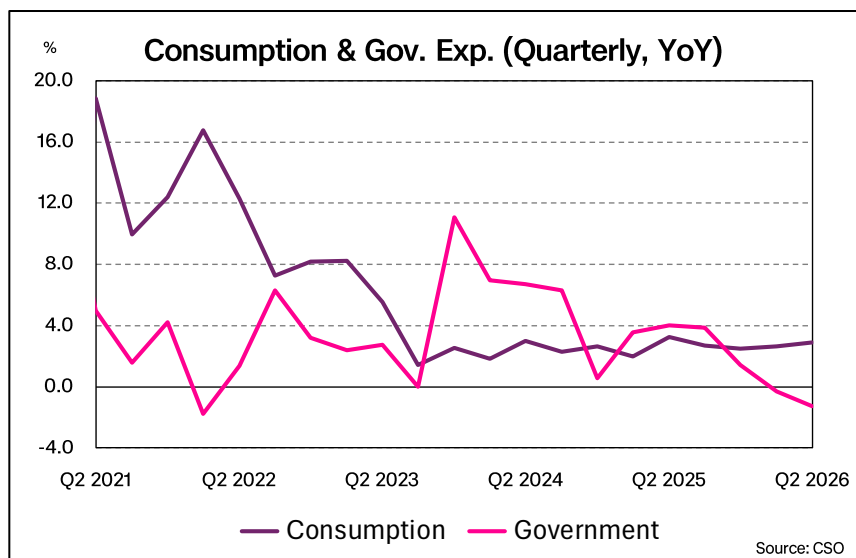
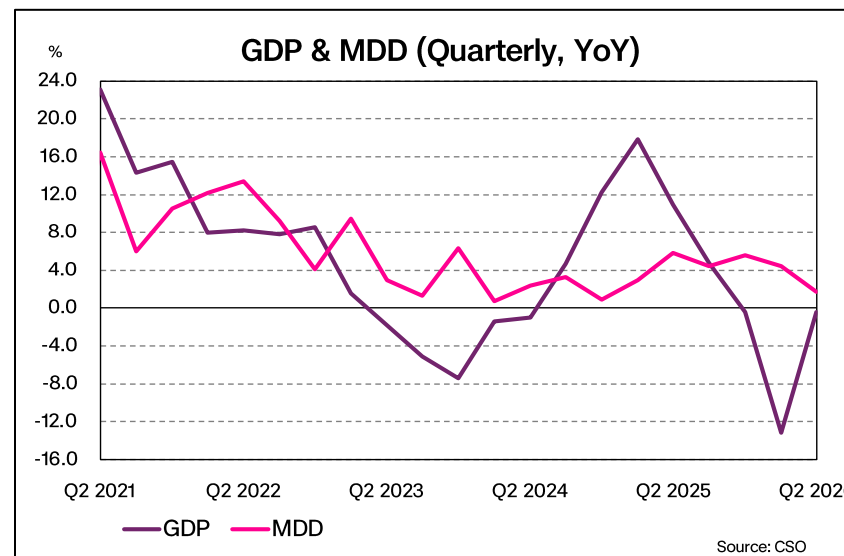
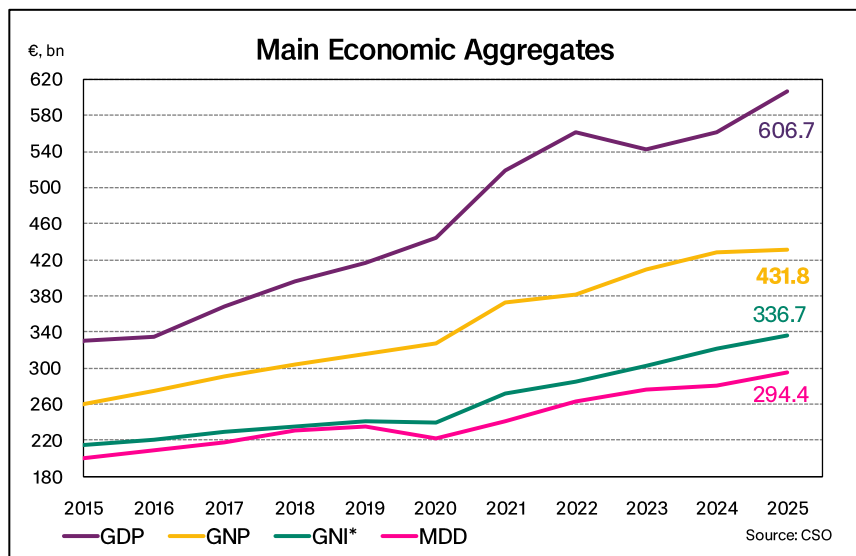
- The latest GDP data show a sharp rebound in pharma exports in the second quarter of 2026 following a dip in prior quarters.
- The domestic economy remains on a moderate growth path, supported by solid consumer spending and elevated levels of business investment (linked to AI deployment).
- The labour market expanded at a slower pace in H1 2026. The unemployment rate has risen slightly to 5% in August
- 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



For the 10 years after

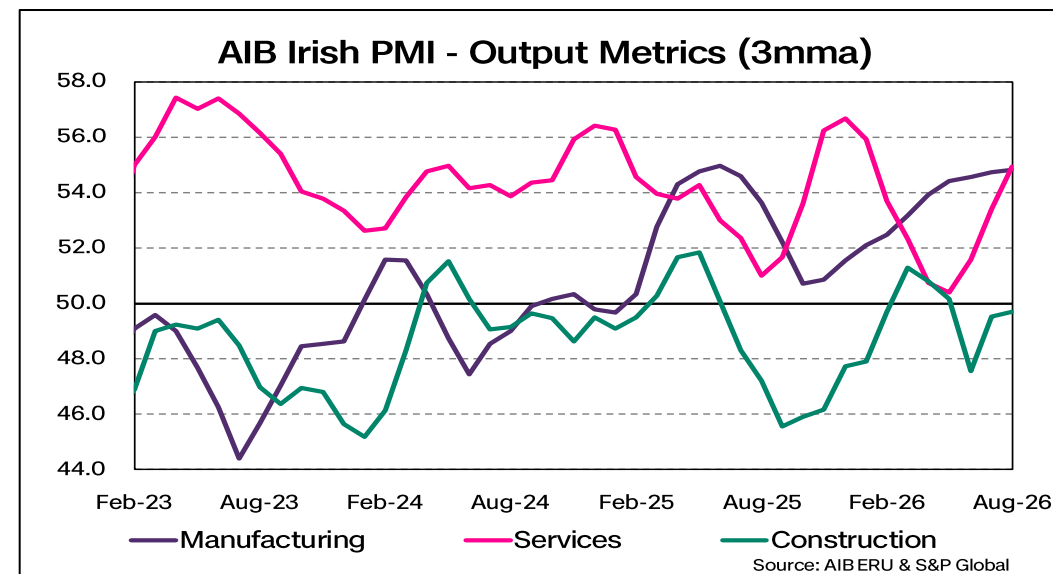
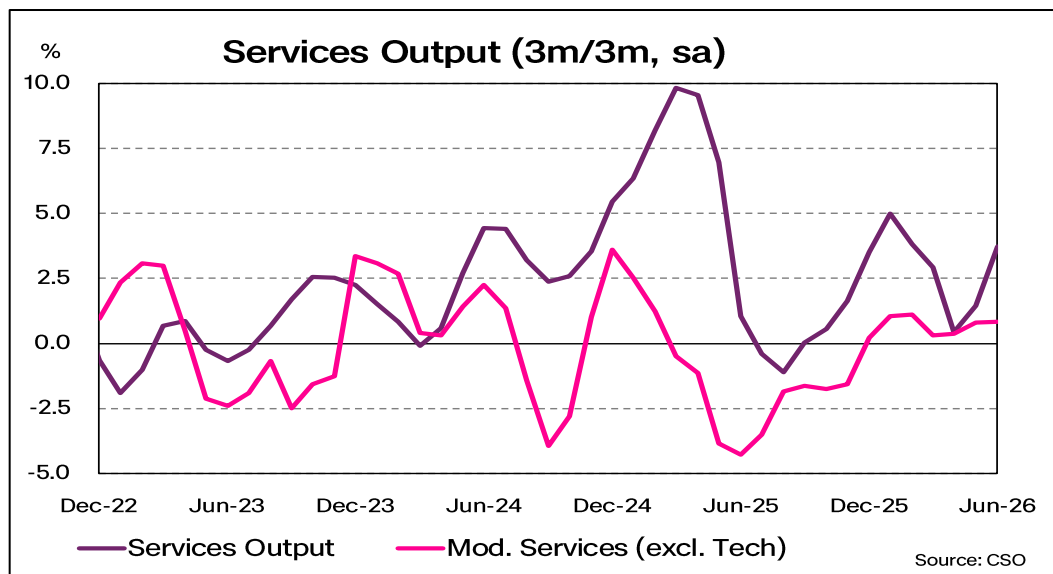
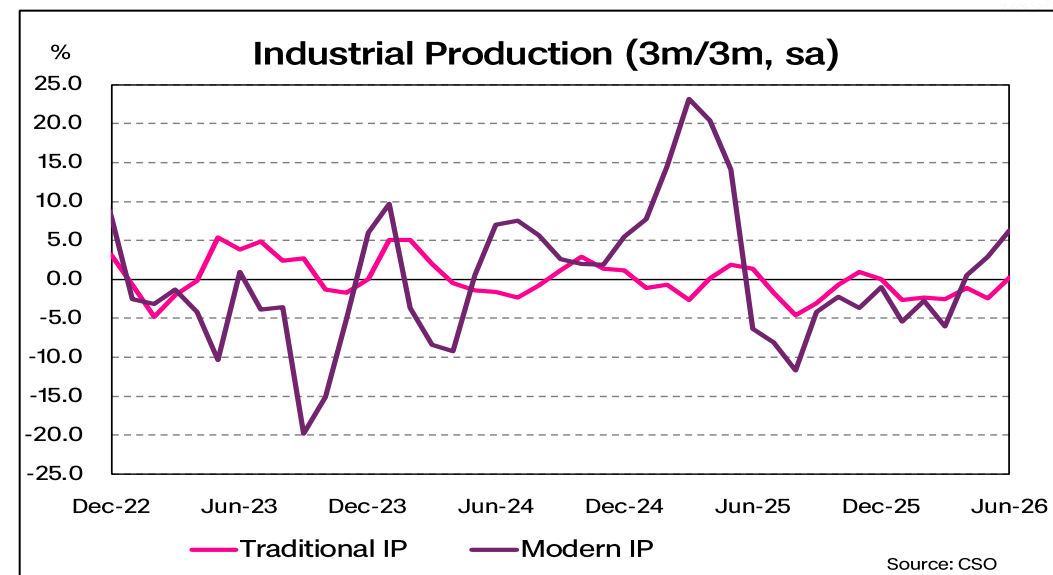
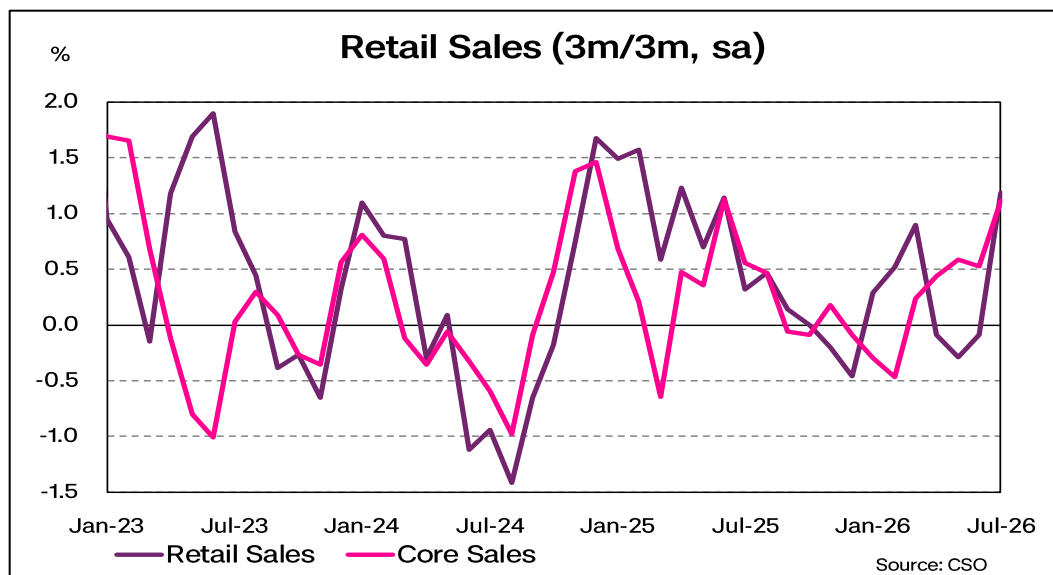


- GDP rockets 8% higher in 2025 but plunges sharply in H1 2026, as exports unwind.
- MDD (Modified Domestic Demand) expanding at a robust pace – up by 4.7% in 2025. 3.1% higher year-on-year in H1 2026.
- Overall, economic growth has remained solid throughout 2025/26, albeit exports have been volatile.

Recent activity measures have been robust



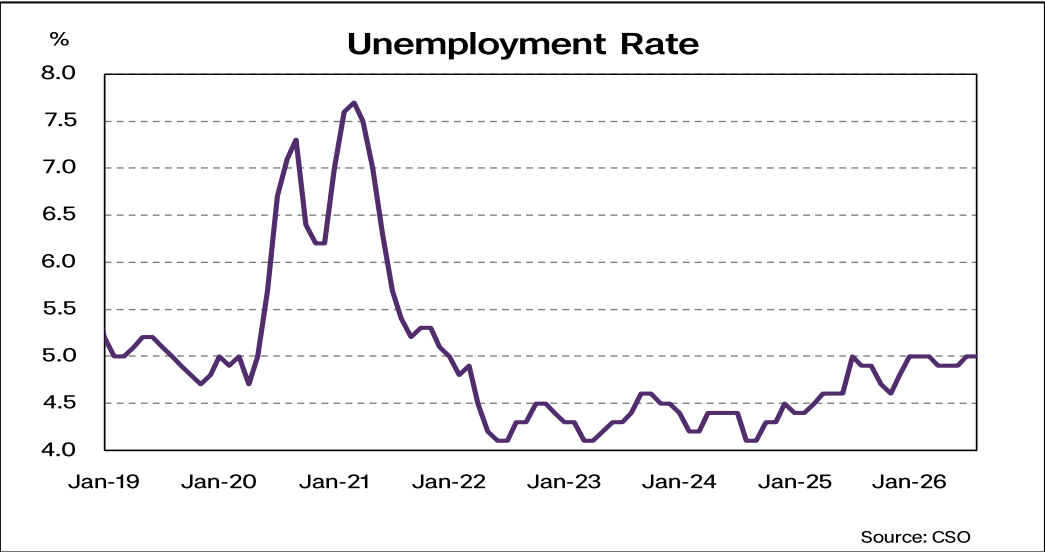
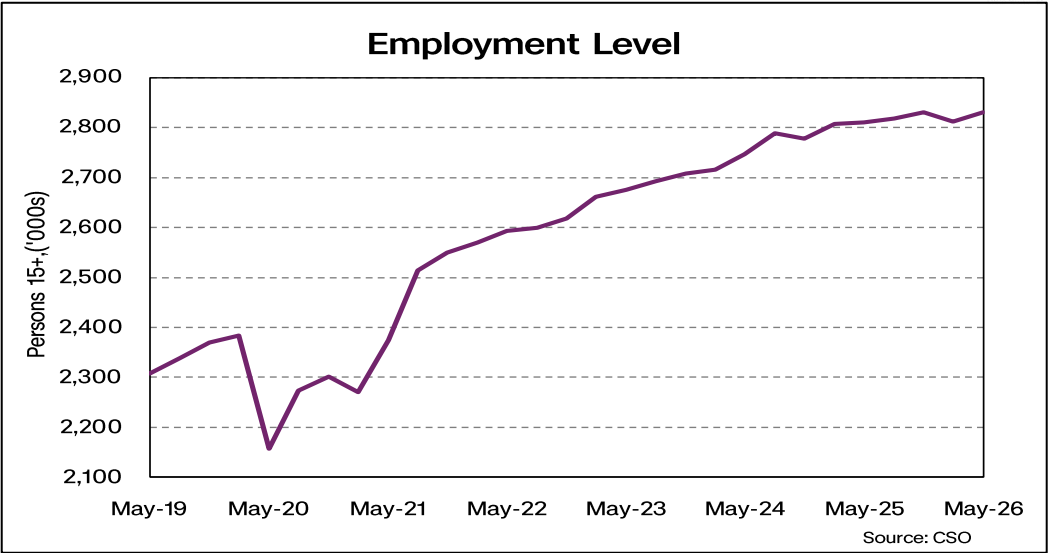
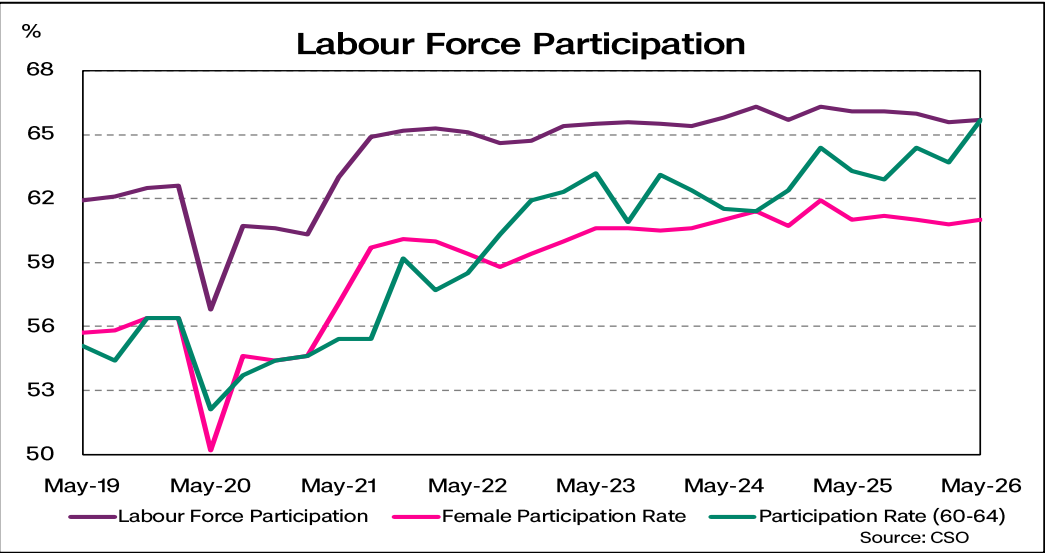
For the Irish
after



Labour market has been very strong post-COVID..



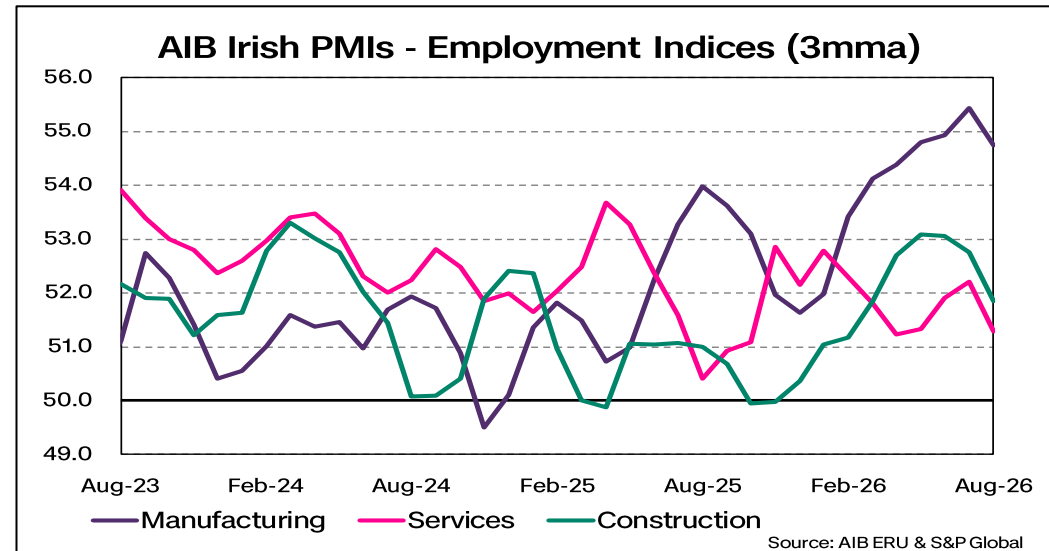
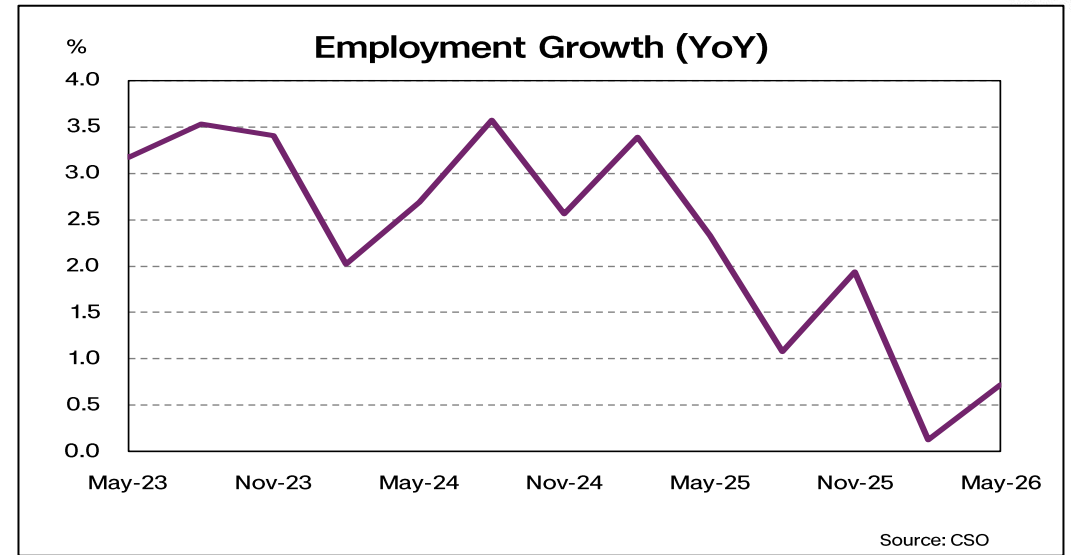
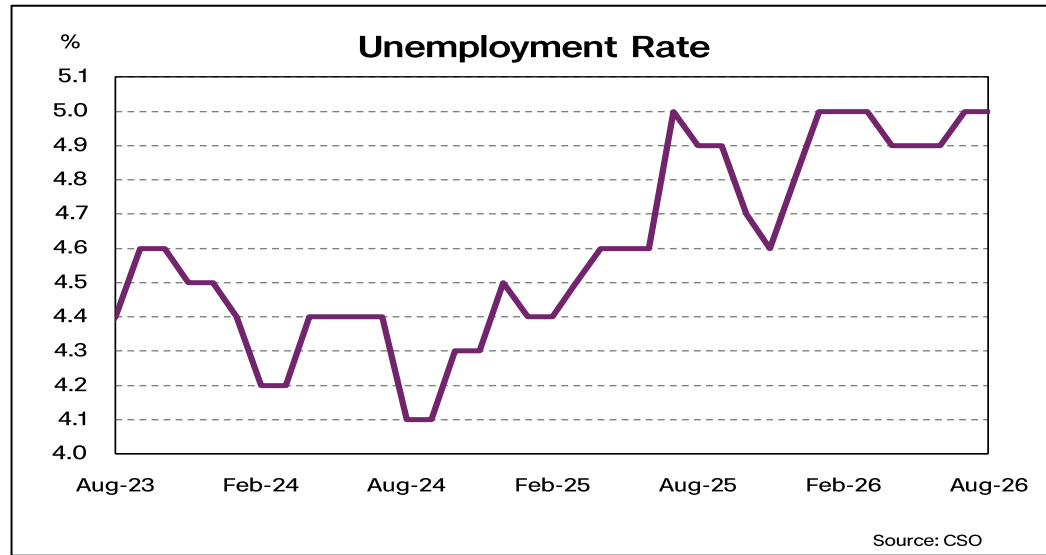
For the 17th
year after



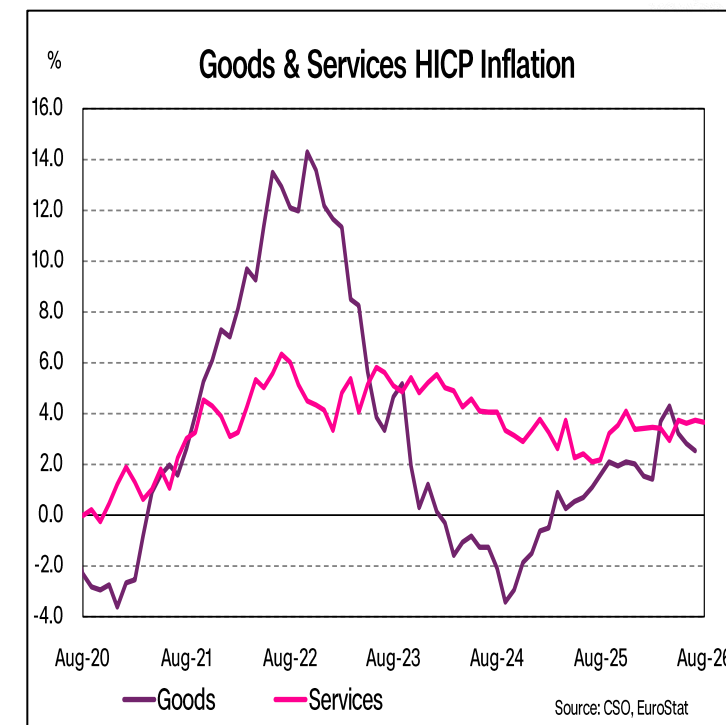
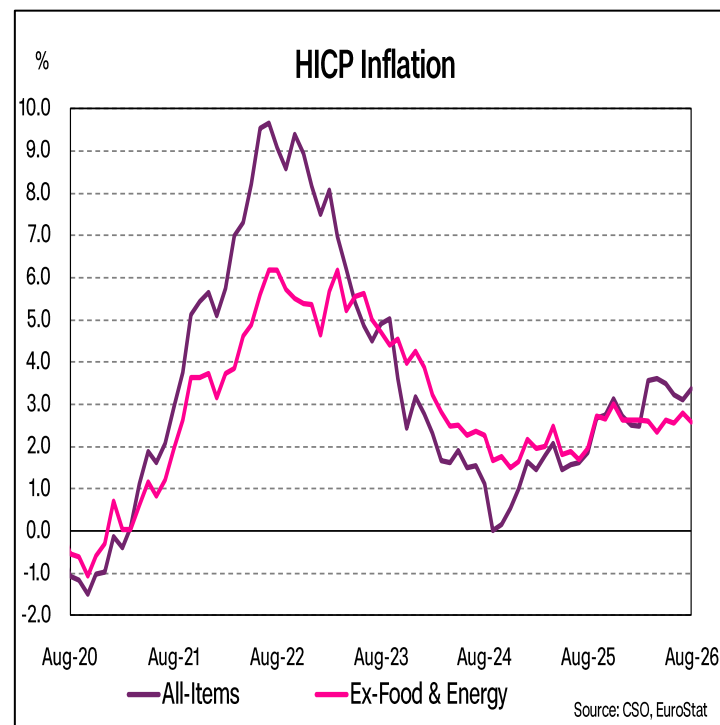
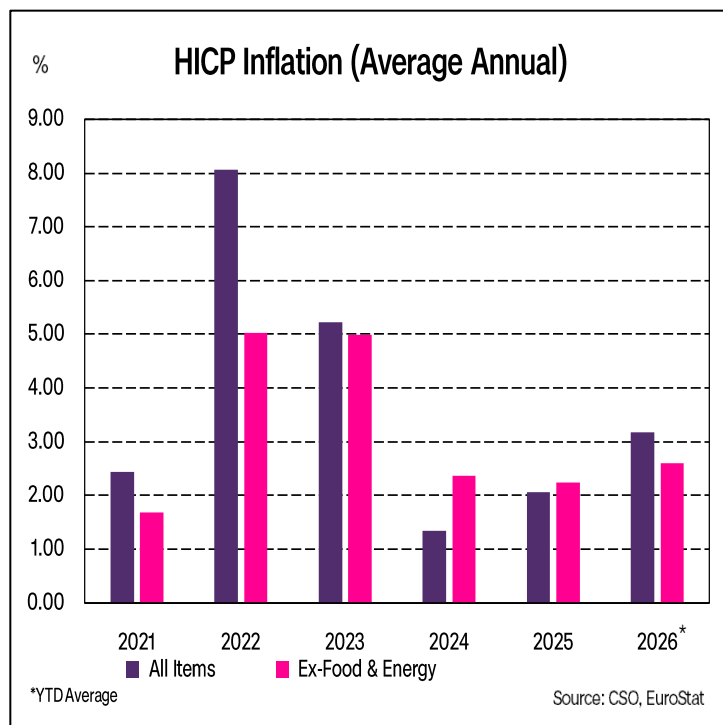
..However, labour market conditions have cooled



For the first time after

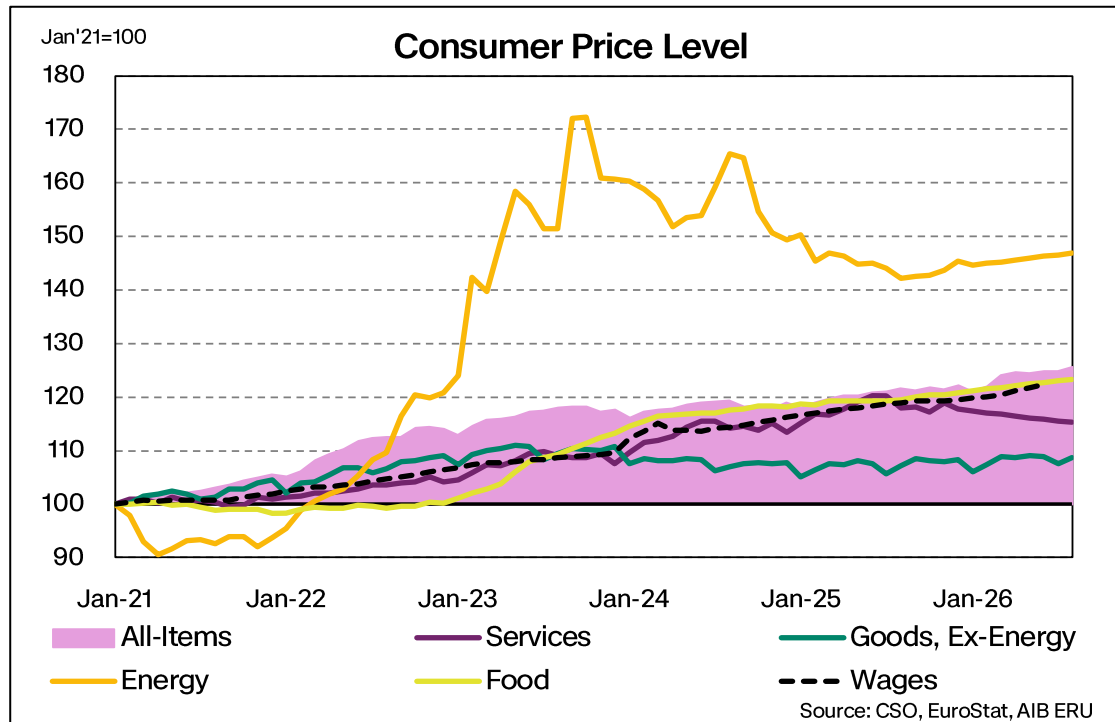


Inflation elevated of late, and may rise further



- Inflation was quite low in 2024 (1.3%) and in 2025 (2.0%).
- Inflation has spiked recently (peaked at 3.6%, currently at 3.4% in August) as fuel price rises feed through quickly.
- 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 (+47%) and food prices (23%) 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 – May 2026



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Irish macroeconomic forecasts (% change)

	2025	2026	2027	2028
Consumer Spending	2.9	2.2	1.9	2.3
Government Spending	4.1	3.1	2.9	3.5
Investment	42.6	-1.4	1.9	0.8
Exports	9.7	1.8	4.5	4.3
Imports	9.5	2.6	3.8	3.5
GDP	12.3	0.9	3.3	3.6
Modified Investment	10.9	3.5	3.9	4.9
Modified Domestic Demand	4.9	2.7	2.6	3.2
HICP Inflation	2.1	3.7	2.8	1.8

Irish labour market forecasts (% change)

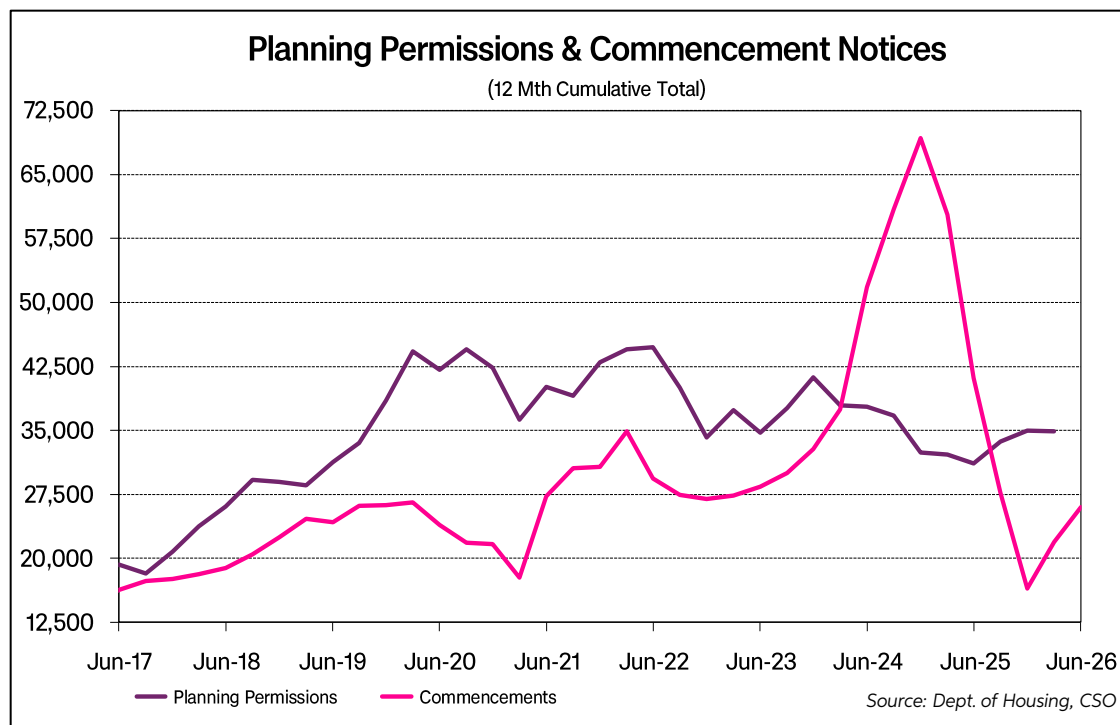
	2025	2026	2027	2028
Unemployment rate	4.7	4.9	5.0	4.9
Employment Growth	2.2	1.8	1.9	2.0
Employment ('000)	2,818	2,868	2,922	2,980
Earnings Growth	4.4	3.7	3.9	3.2

Source: CSO, AIB Economic Research Unit

Housing Market



Housing completions expected to rise

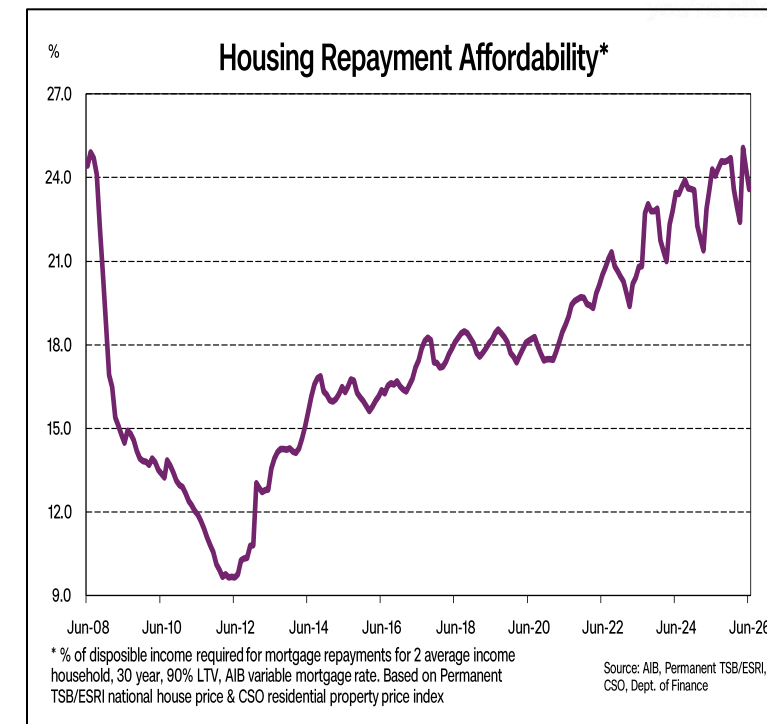
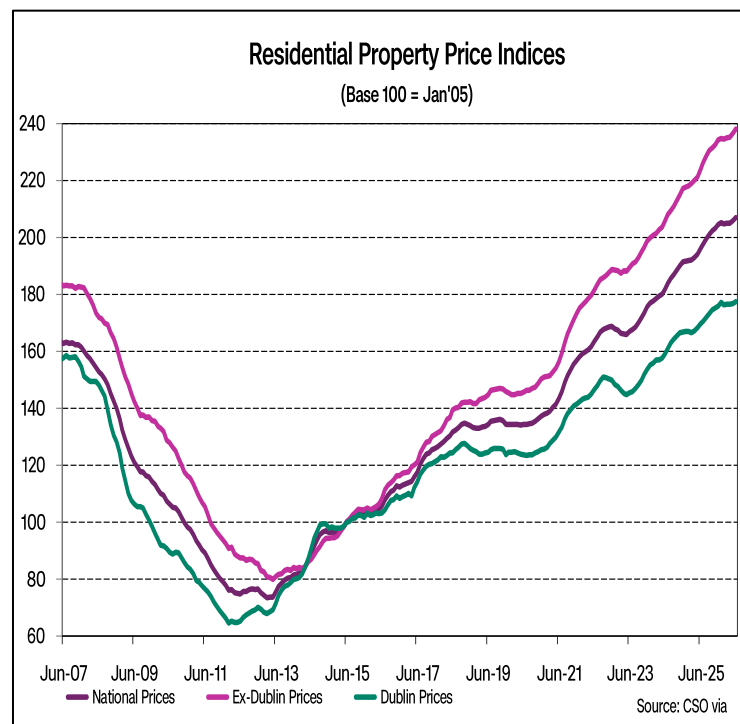
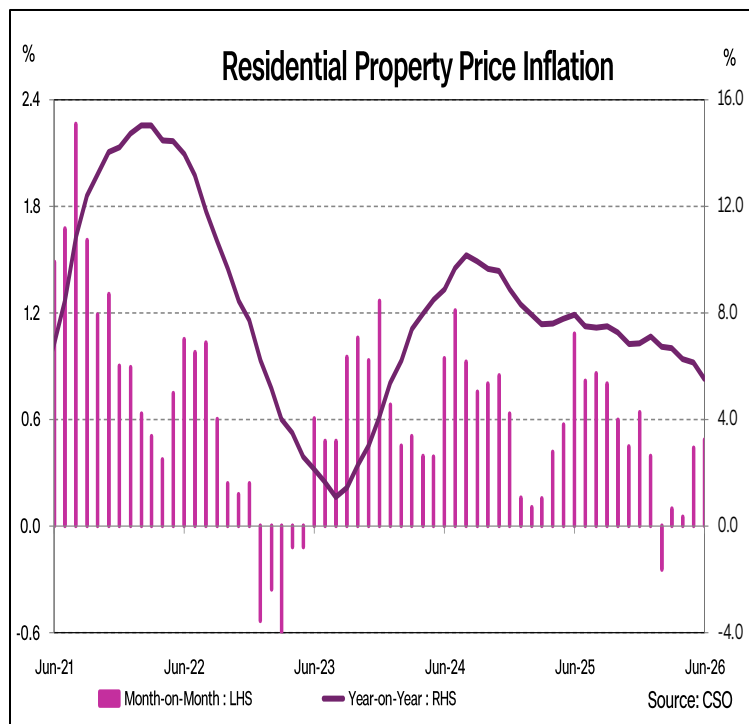


- Completions up 20% in 2025 to over 36k.
- Up by 10.8% YTD in H1, lifting the 12-month running total to 37.8k. Further increases expected in the coming years.
- Just 16,400 commencements registered in 2025, down 71.4% compared to 2024, as surge in prior year unwound due to policy changes. However, c.19k 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

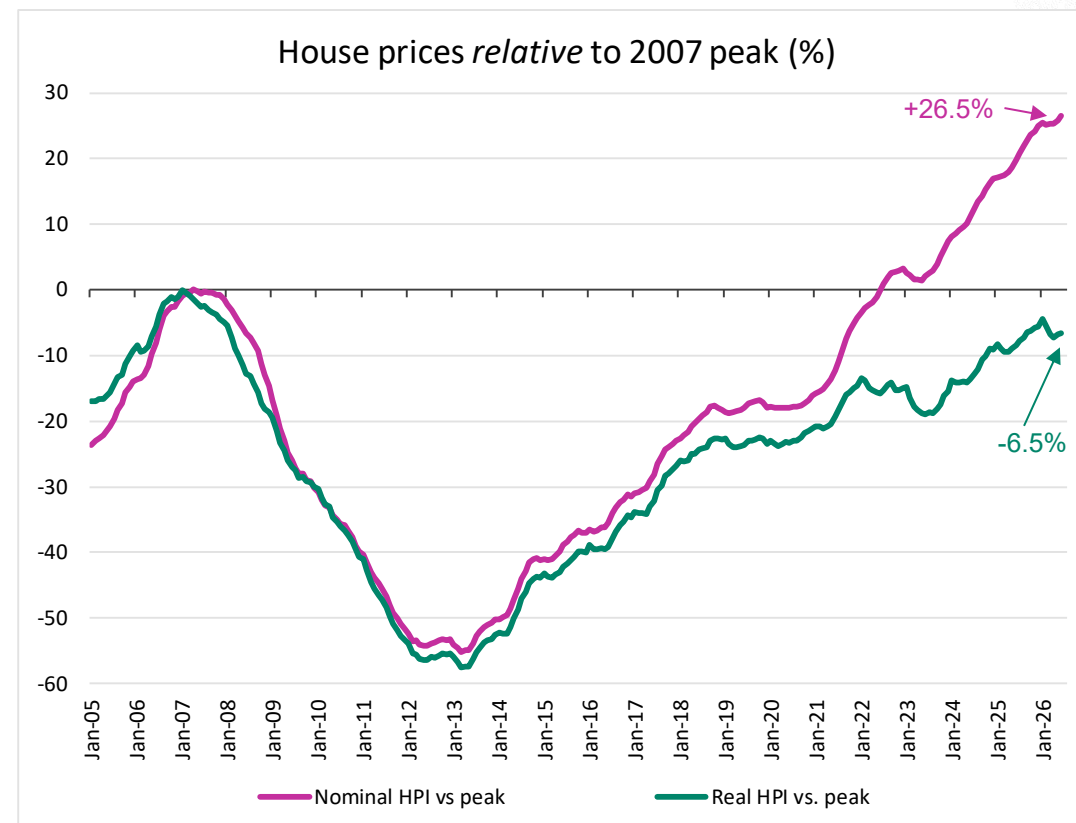
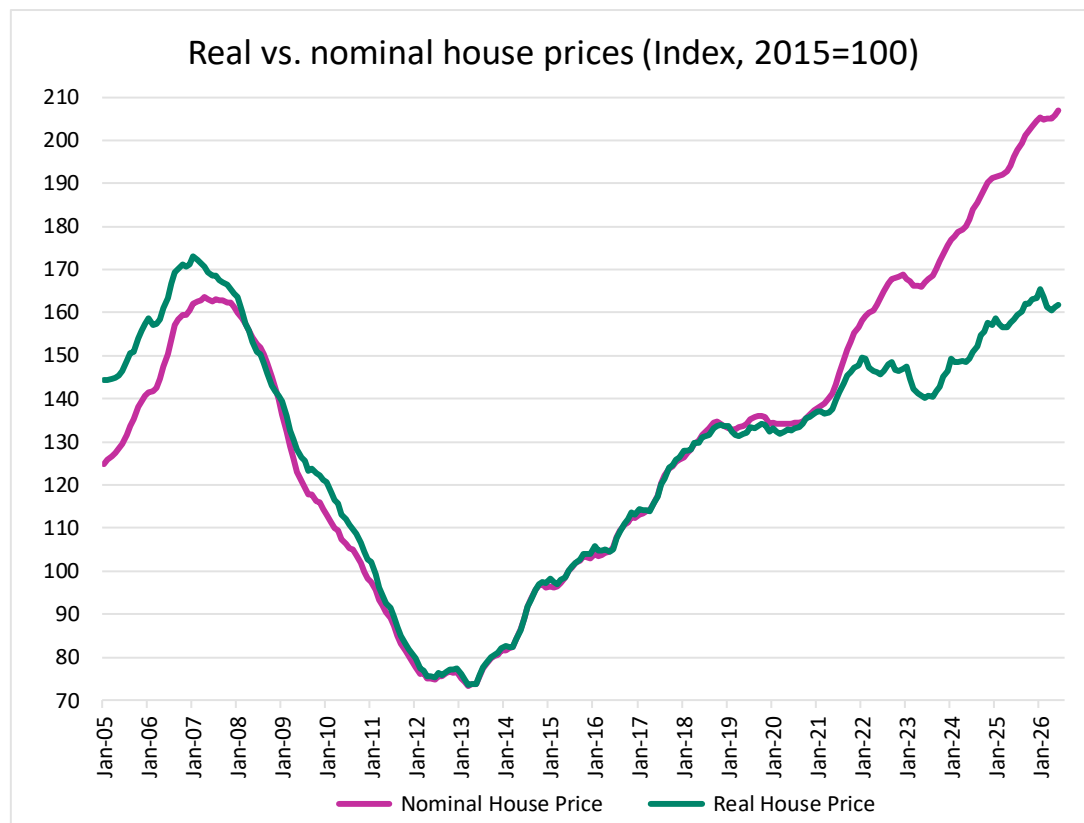


For the Win



- Residential Property prices rose by 8.5% in 2024, and by 7.6% in 2025. However, house price inflation has eased markedly in H1 2026.
- Property prices nationally are over 25% 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

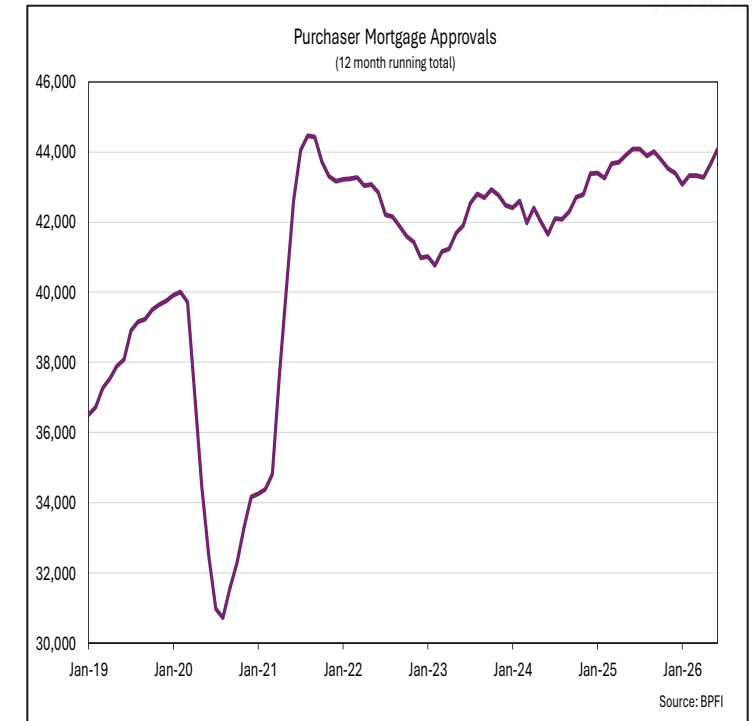
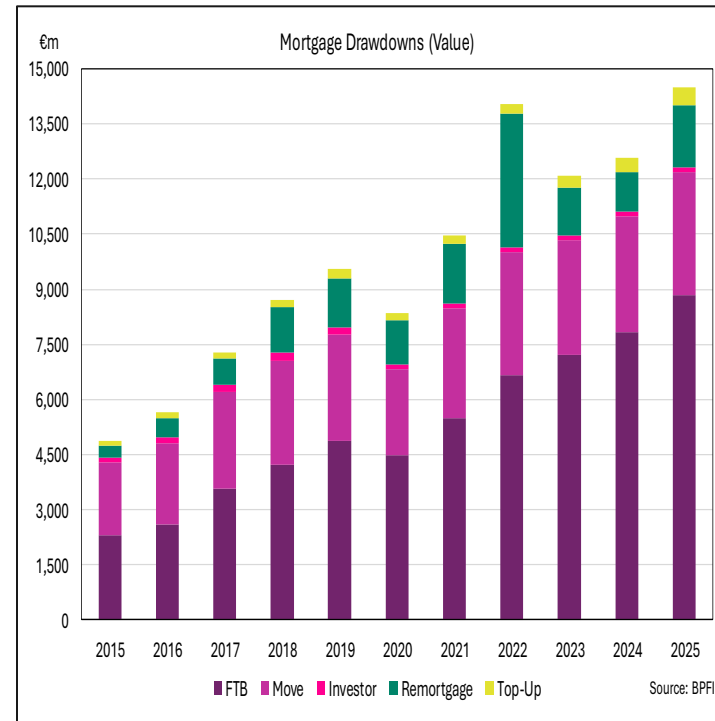
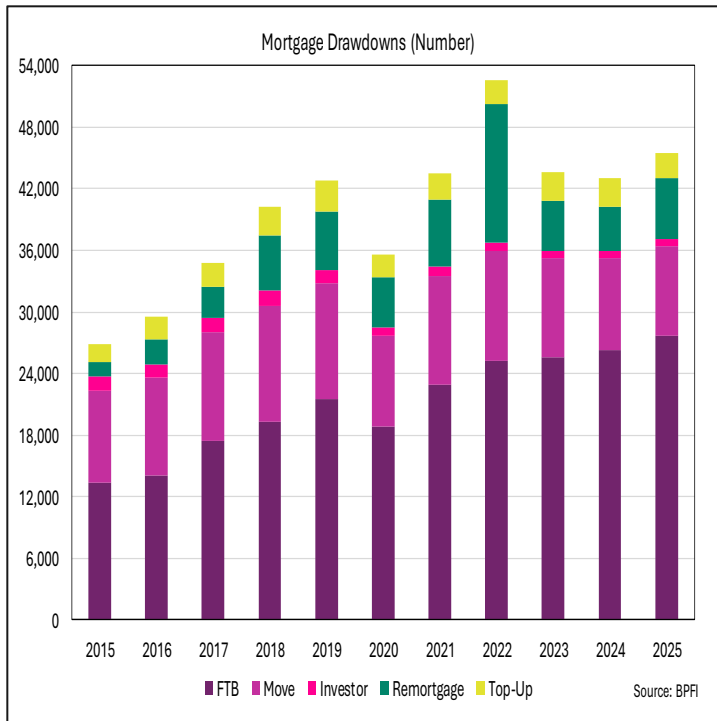


- Property prices nationally are 26.5% above their Celtic Tiger peak, albeit still 6.5% below peak in real (inflation-adjusted) terms, and falling in recent months.
- International house price-to-income comparisons also place Ireland in the middle of the pack compared to other wealthy countries, in terms of affordability

Mortgage market growth largely due to house price inflation



For the Year



- 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



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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.

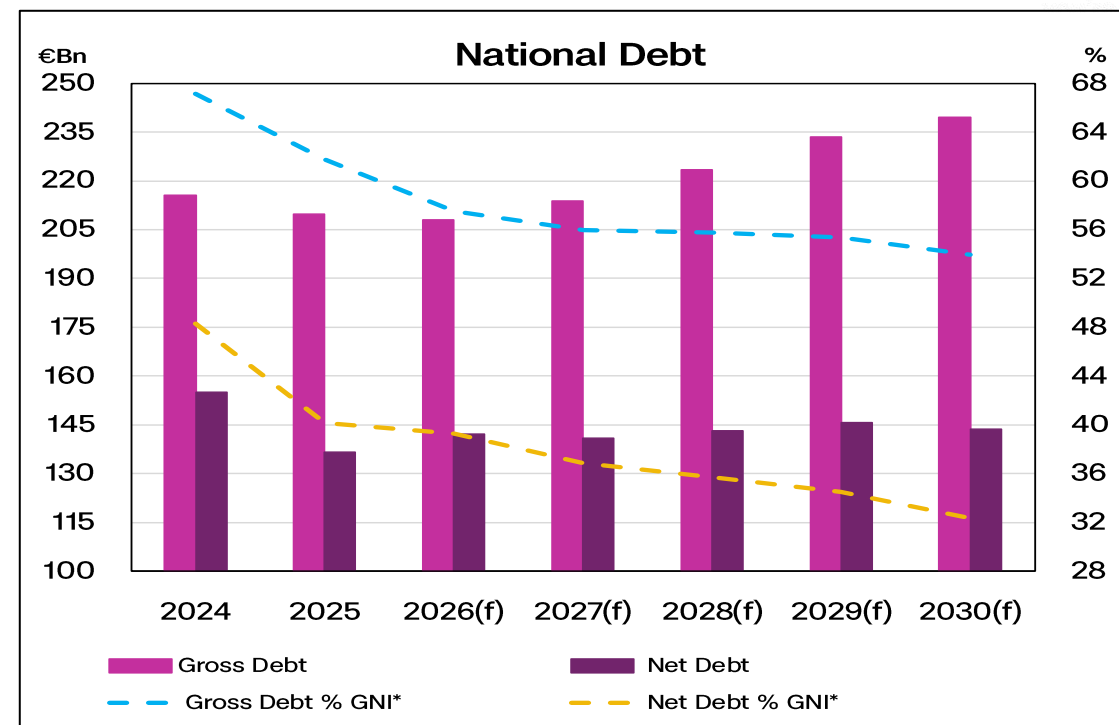
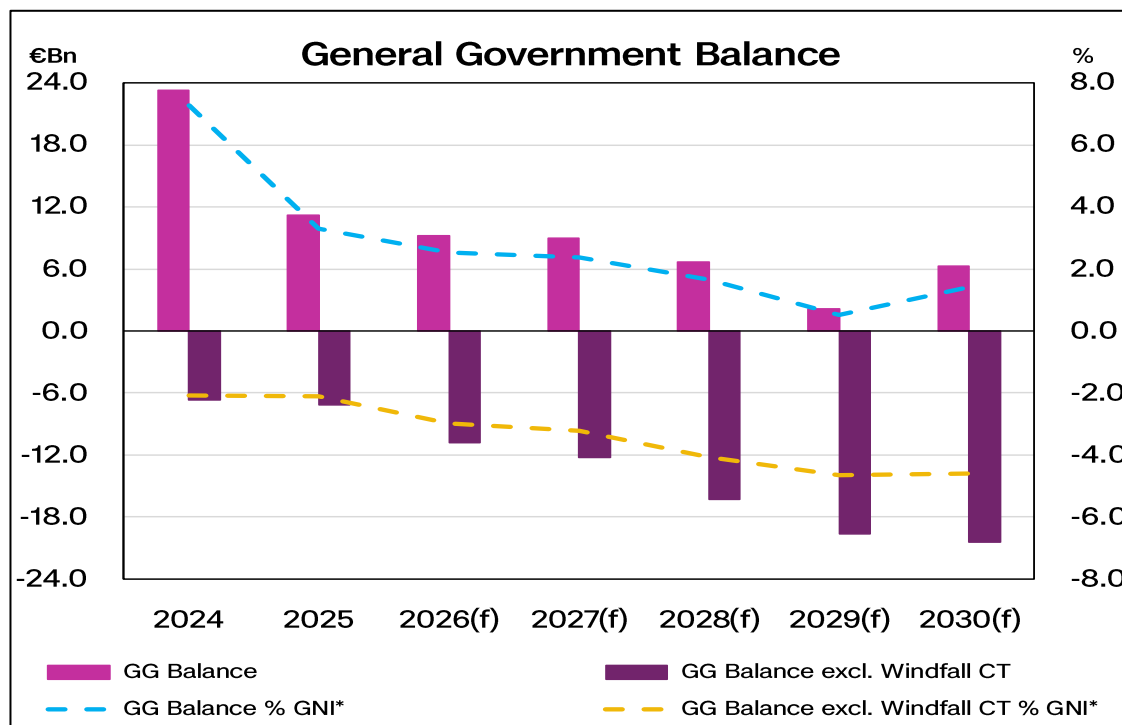
Accelerating Infrastructure Report & Action Plan

- 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.

National Balance Sheet



Gov. finances supported by windfall CT receipts

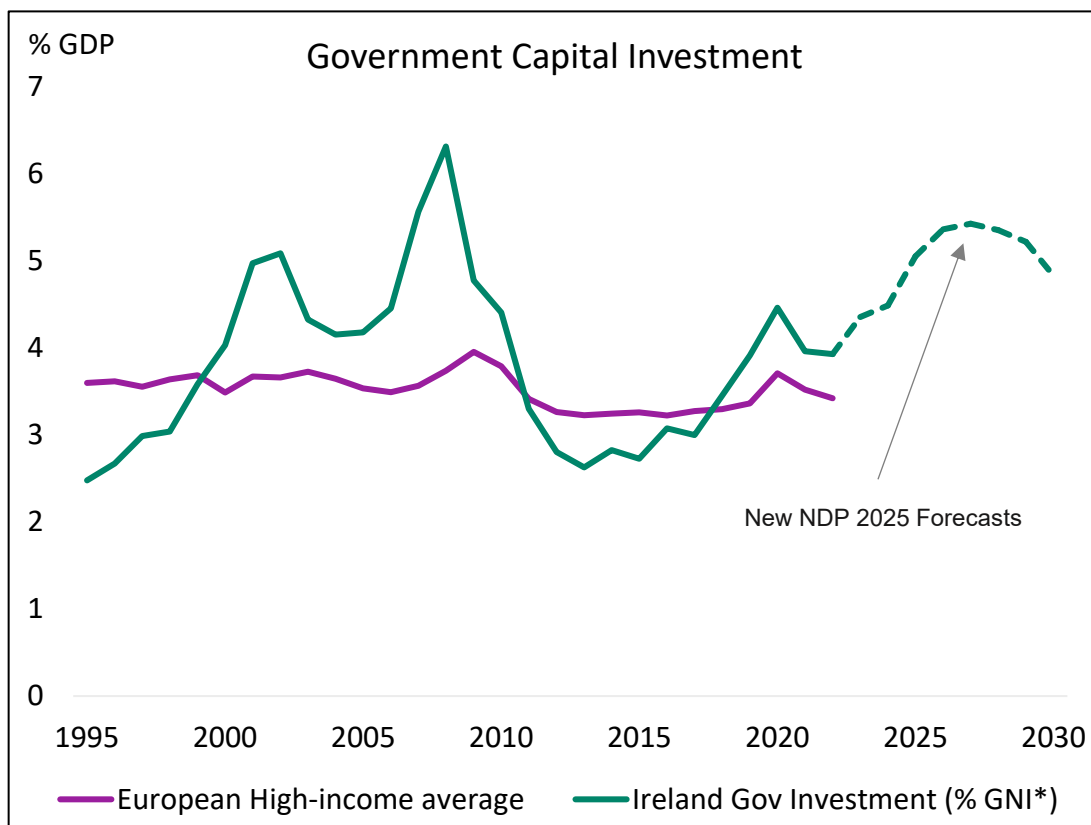


- Government set to register a surplus once more in 2026.
- However, substantial levels of “windfall” corporate tax receipts are masking significant increases in expenditure.
- Gross debt as a share of GNI* is now set to increase in the years ahead.

Infrastructure spending to reach record levels



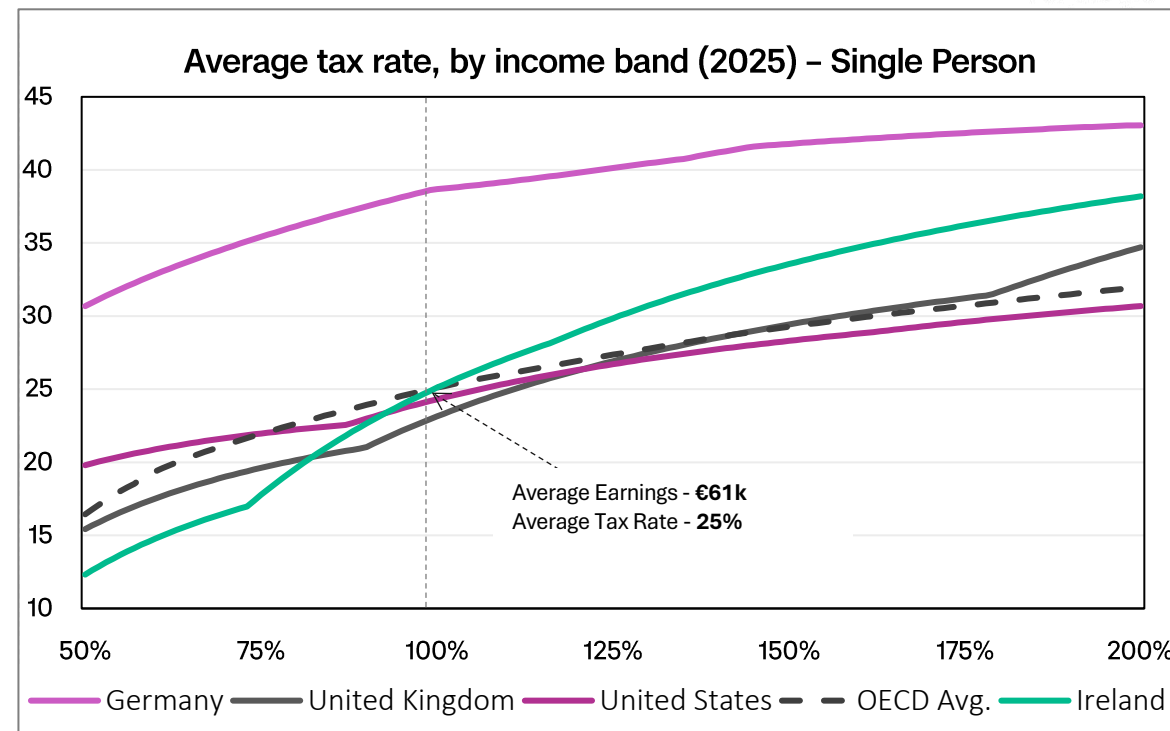
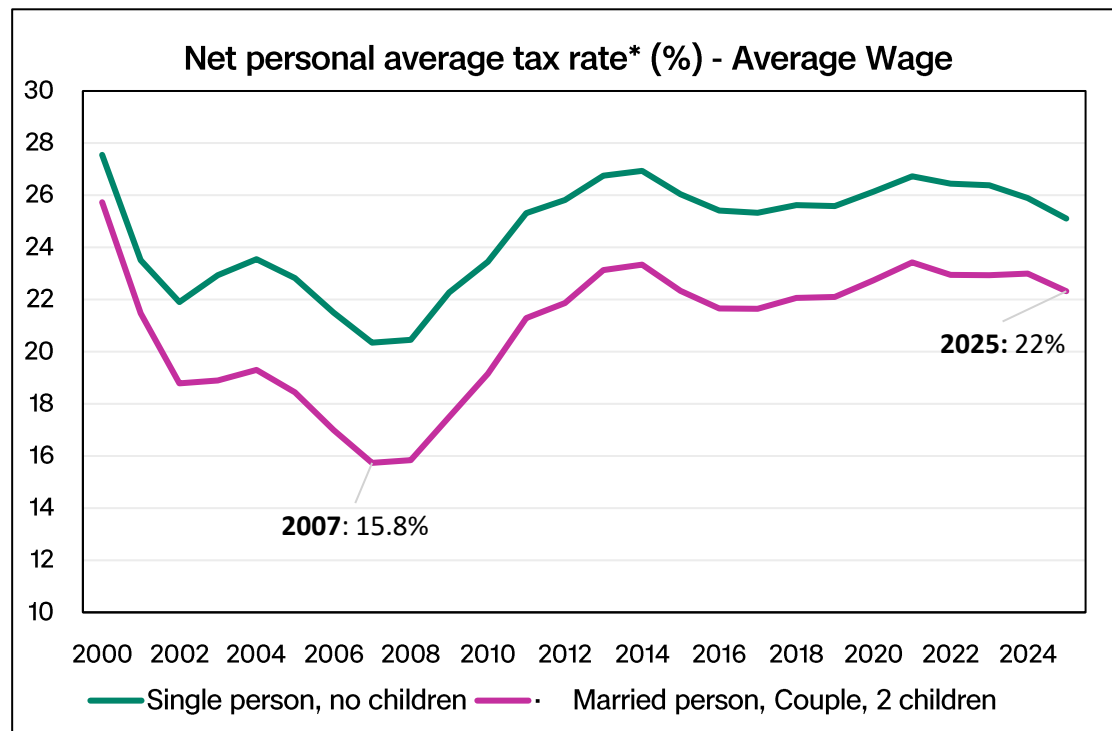
For the first time in 100 years



€ billions	National Development Plan Allocation (2026-2030)
Ministerial Vote Groups	2026-2030
Housing, Local Government and Heritage	36.0
<i>of which: Housing and Other</i>	28.3
<i>of which: Water</i>	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.
- Investment is expected to peak above 5% of % of GNI*, well ahead of European peers.

Income tax rates elevated vs. peers

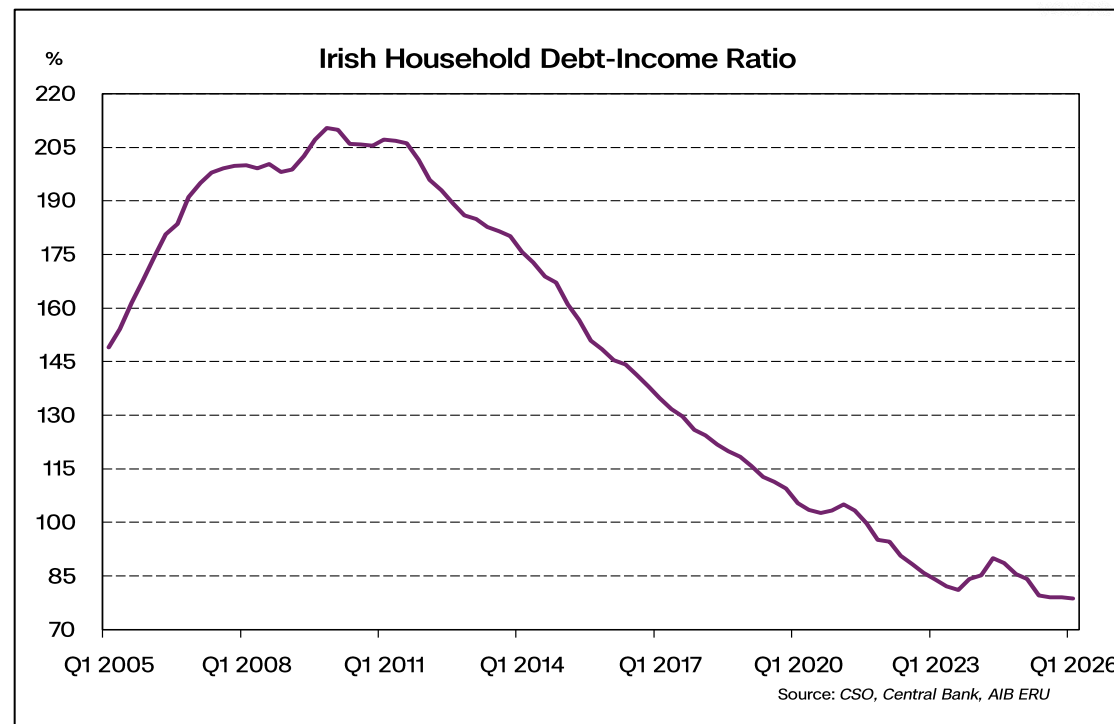
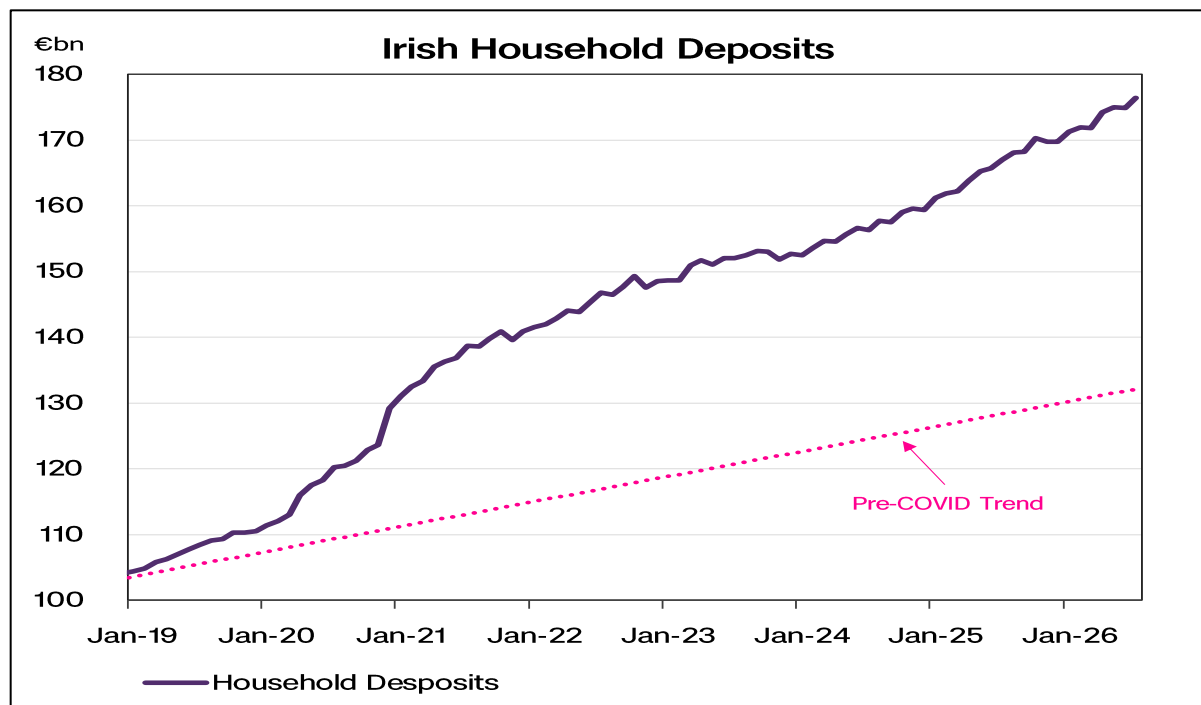


Sources: OECD

* Including cash transfers from state such as welfare payments

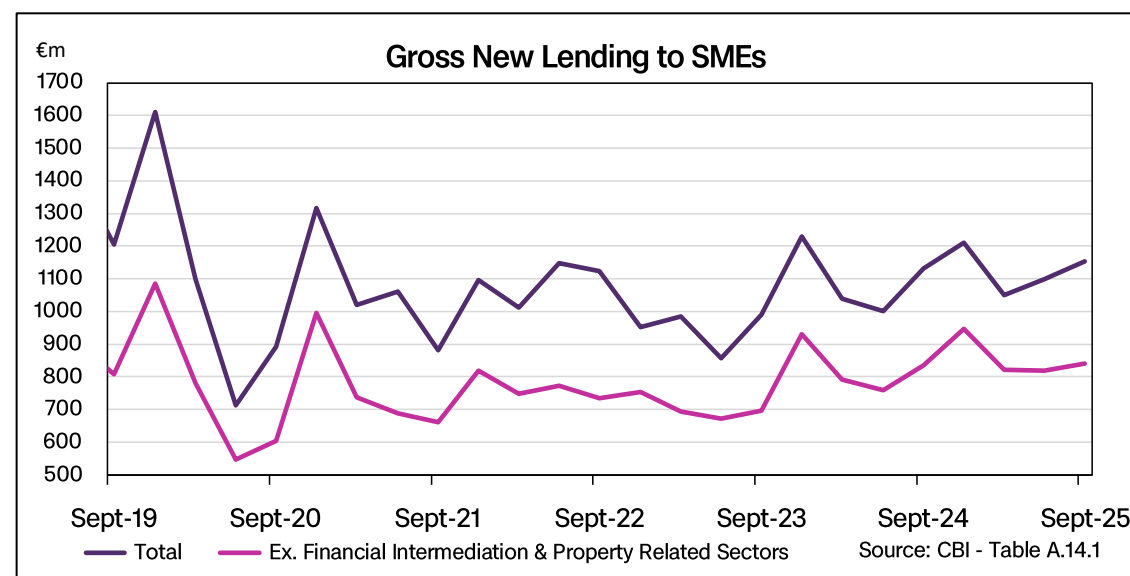
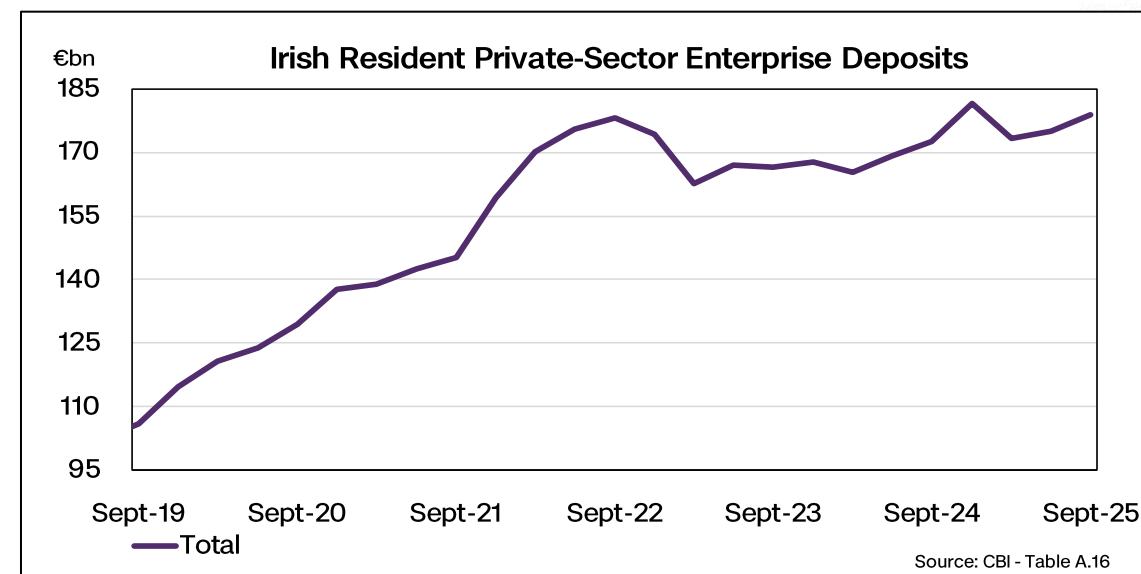
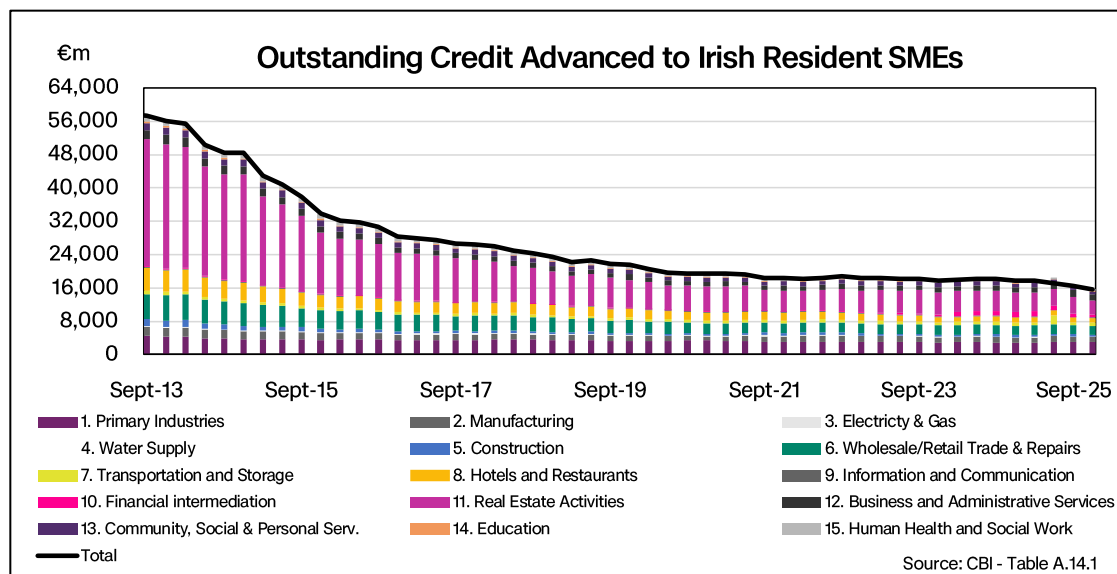
- Income tax freeze in Budget 2026 implies a take hike as wages push households into higher tax brackets.
- Net income tax rates (including cash transfers), have been steadily increasing in recent years, with Ireland having relatively high tax rates versus OECD peers.

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

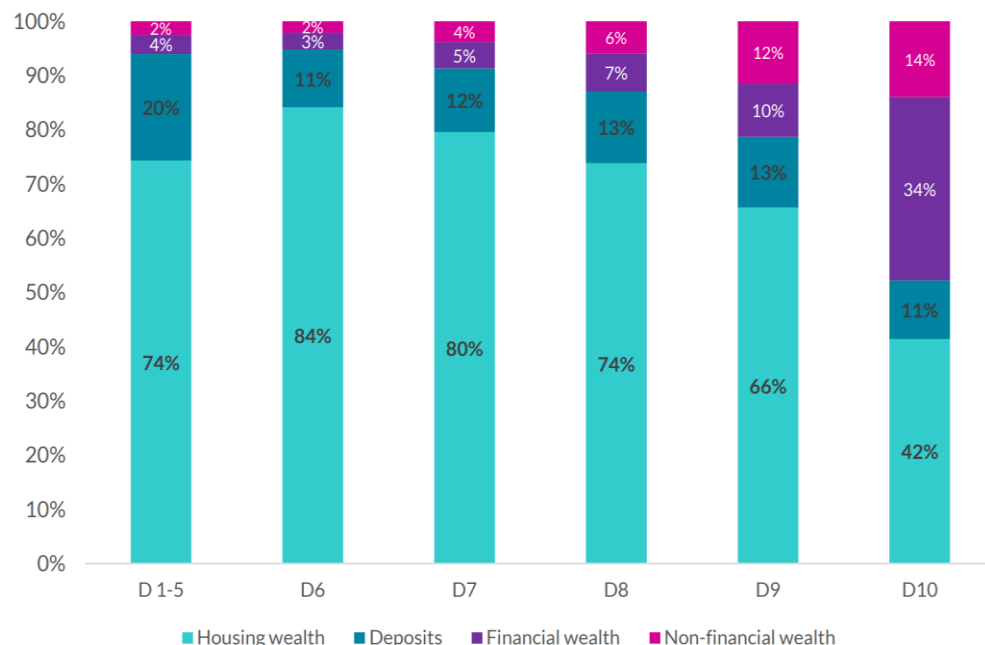


Investment incentives coming for Irish households?

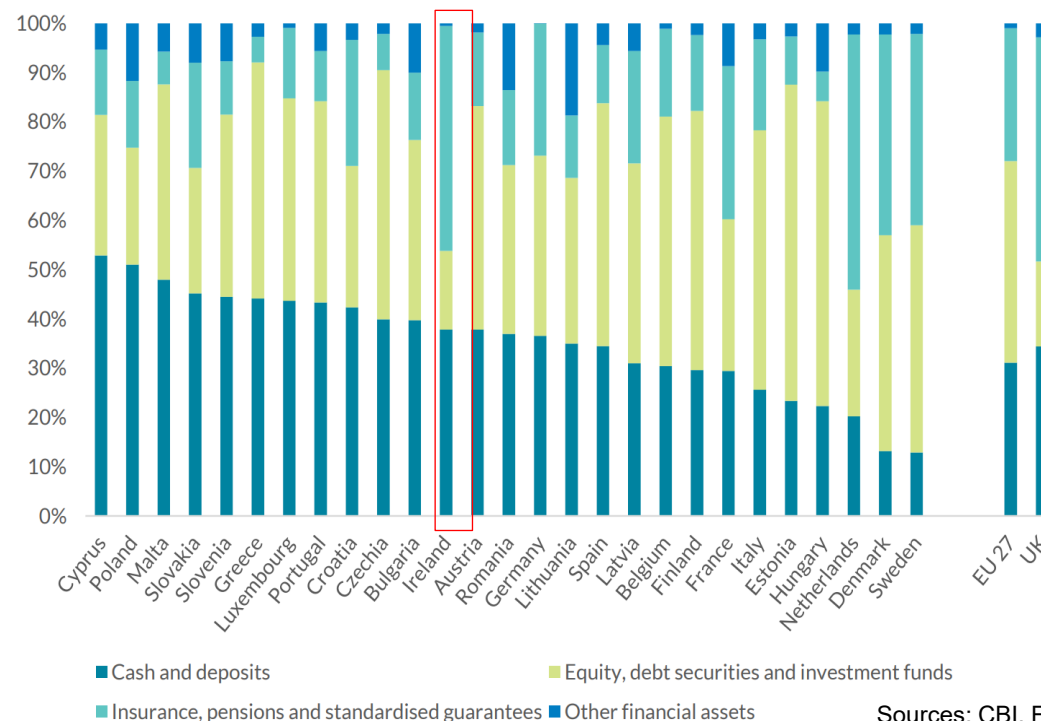


For the 10 years after

Asset allocation across household wealth deciles



Breakdown of financial assets vs. European peers



- 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)

Sources: CBI, Eurostat

- Government developing policies to incentivise household investment, part of broader EU push to deepen capital markets. This may include tax incentives similar to UK 'ISA' or Swedish 'ISK' products.
- Ireland has low direct equity and debt market exposure, but relatively high indirect through pensions system.

Risks to the Outlook



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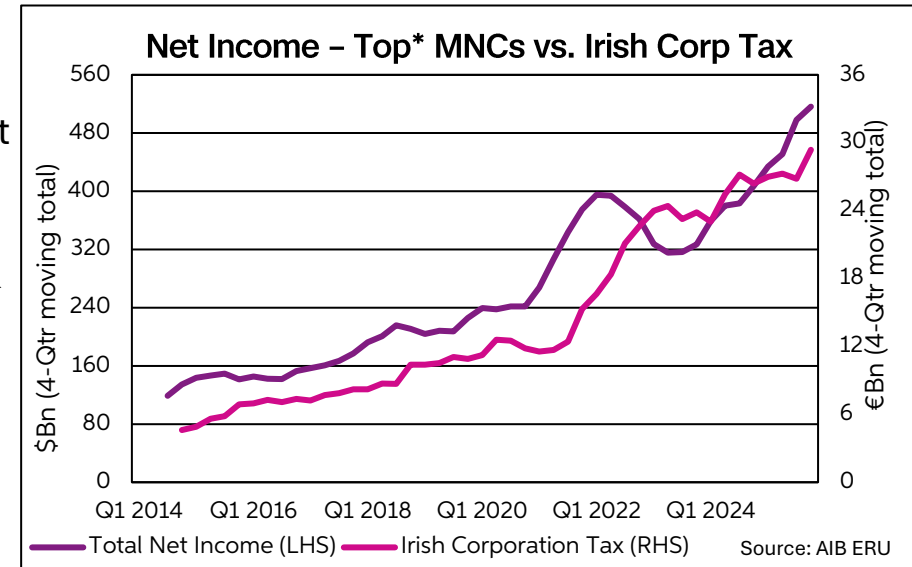
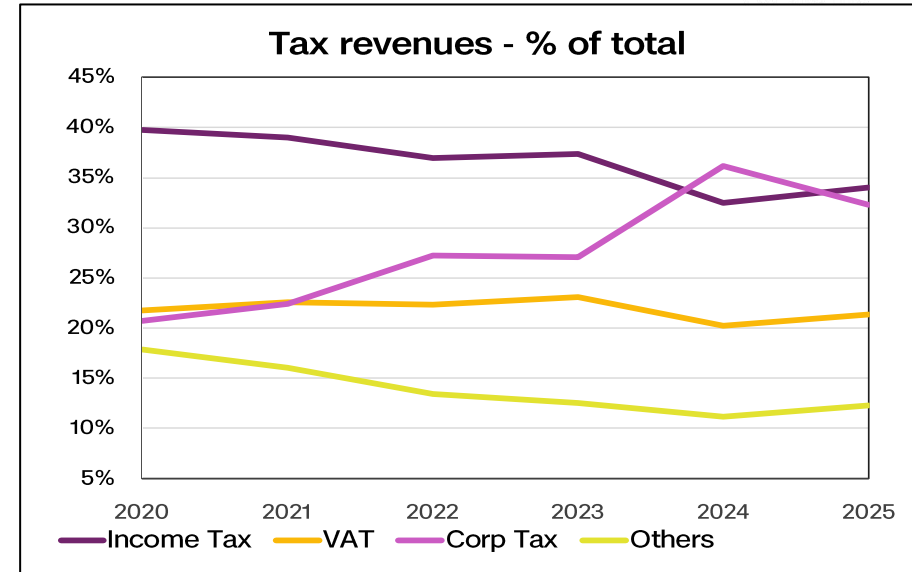
Two-sided risks for the Irish economy

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.

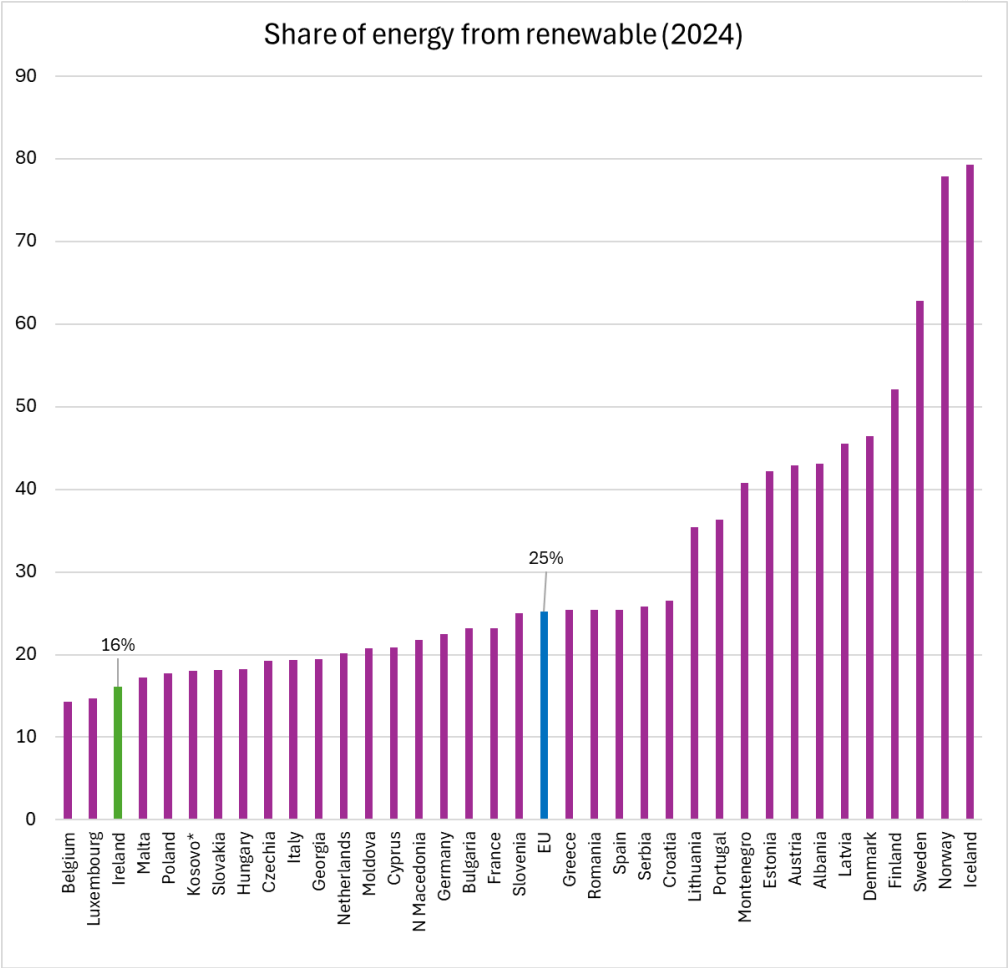
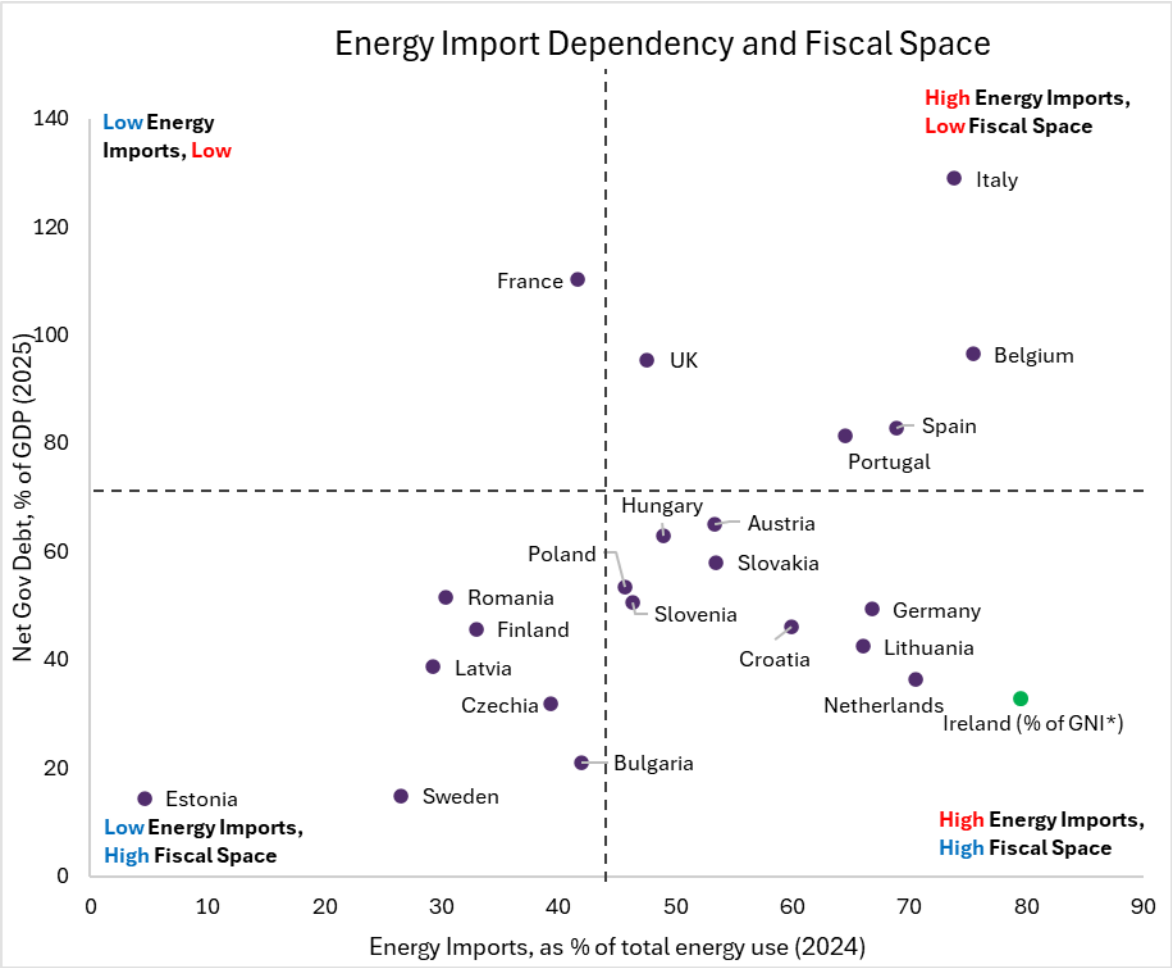


* Apple, Microsoft, Eli Lilly, Meta, Alphabet, Pfizer, MSD, J&J, Coca Cola, AbbVie, Medtronic, Intel

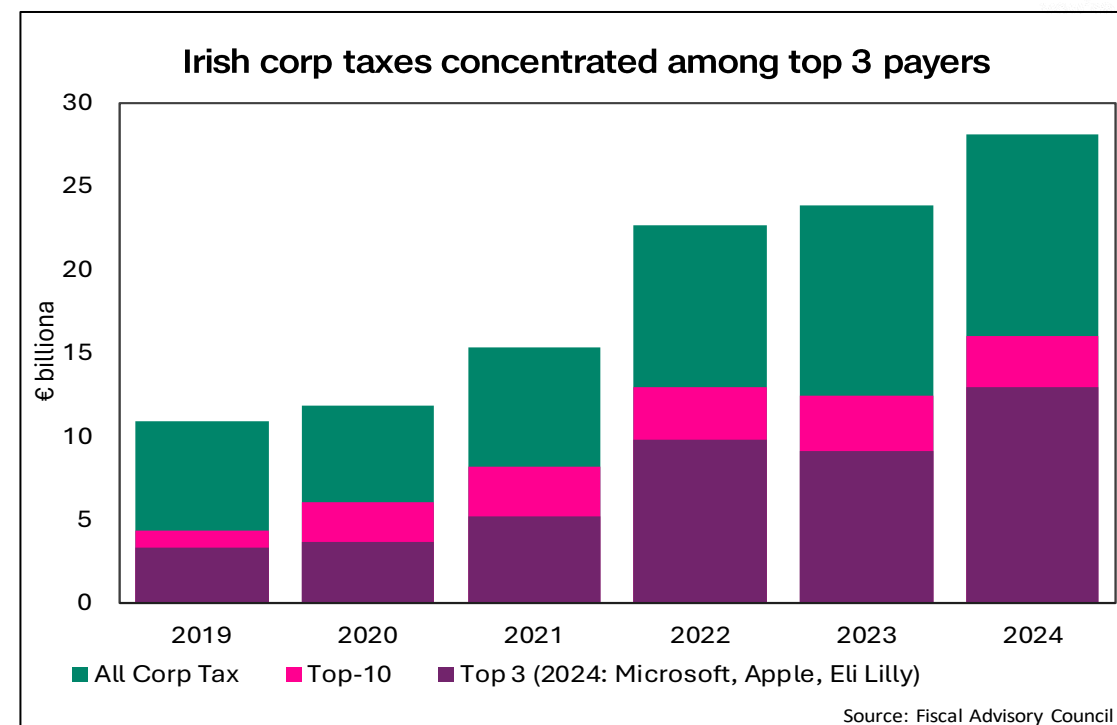
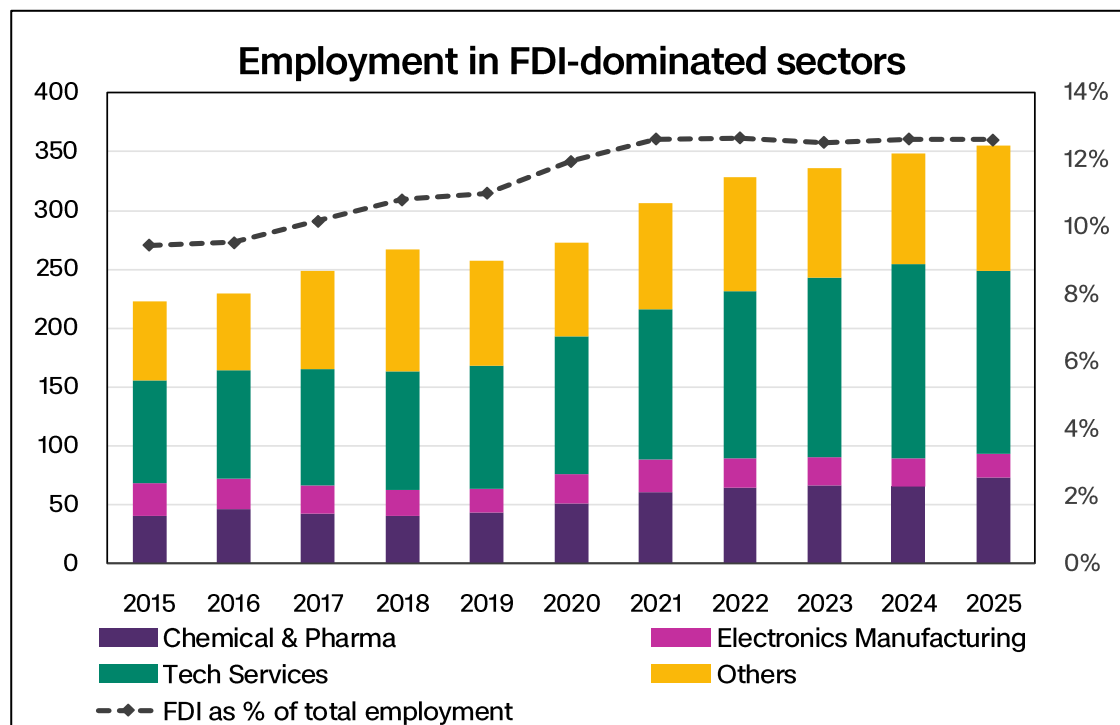
Ireland reliant on energy imports, fiscal space to offset



For the 10 years after



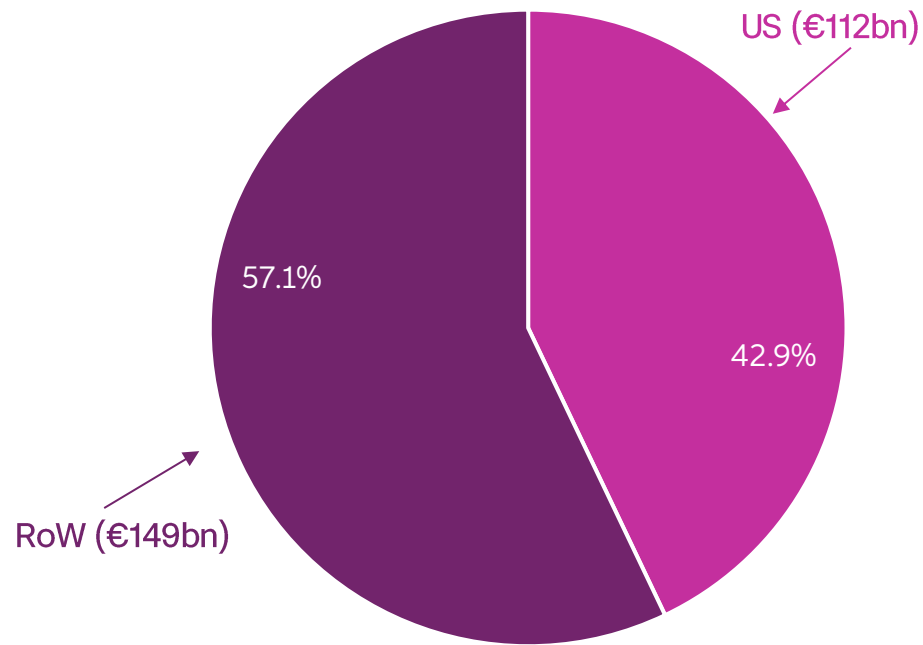
US MNCs a large share of GDP/taxes but not jobs



- 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.

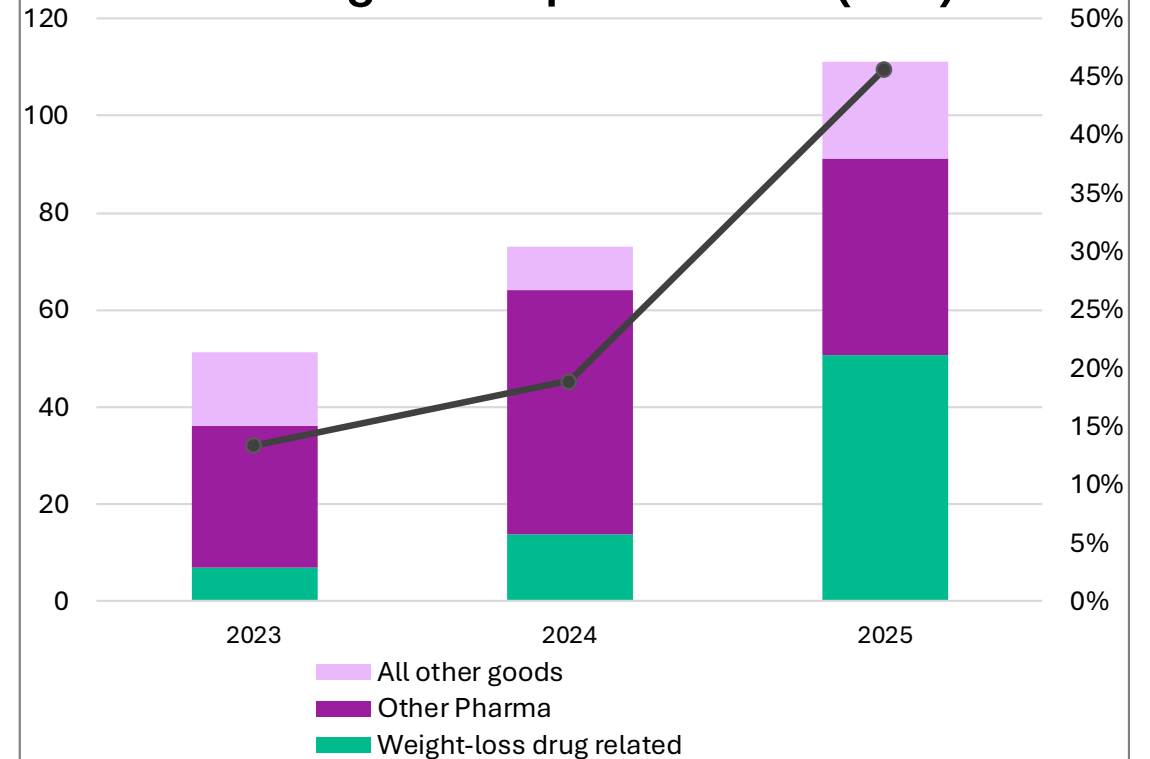
US a key trade partner in goods – pharma dominates

Irish Goods Exports (2025)



Source: CSO

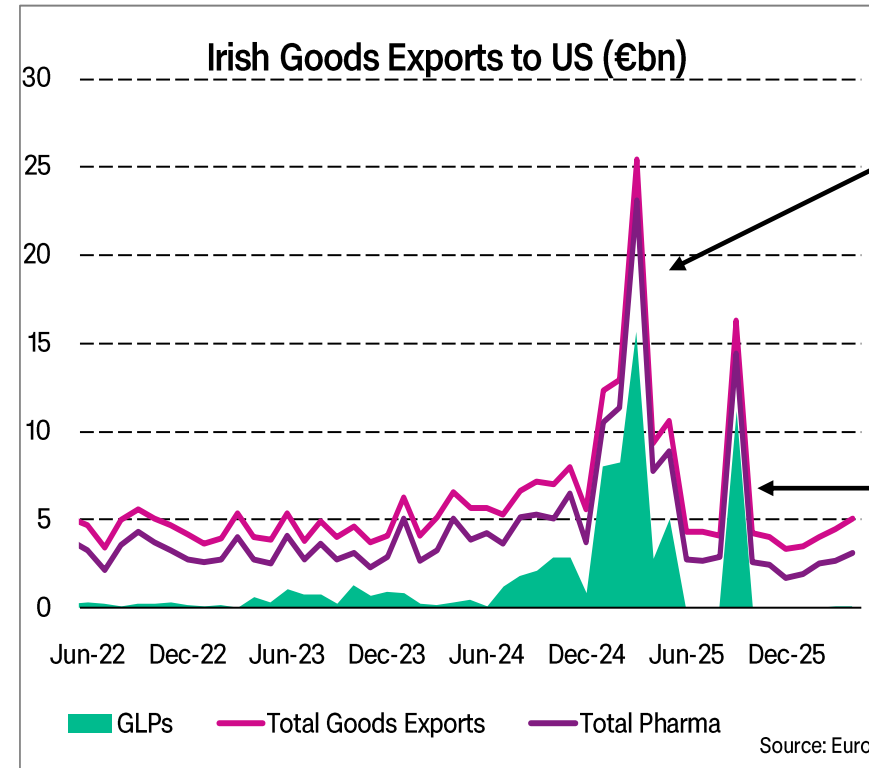
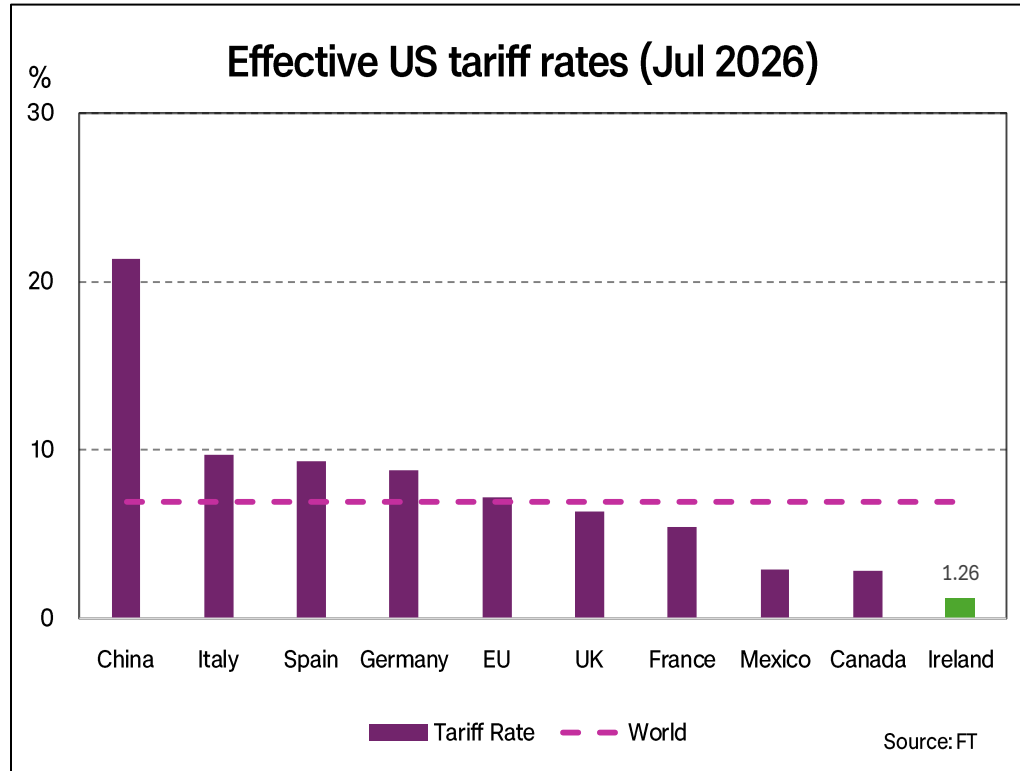
Irish goods exports to USA (€bn)



Tariffs on Irish exports remain negligible



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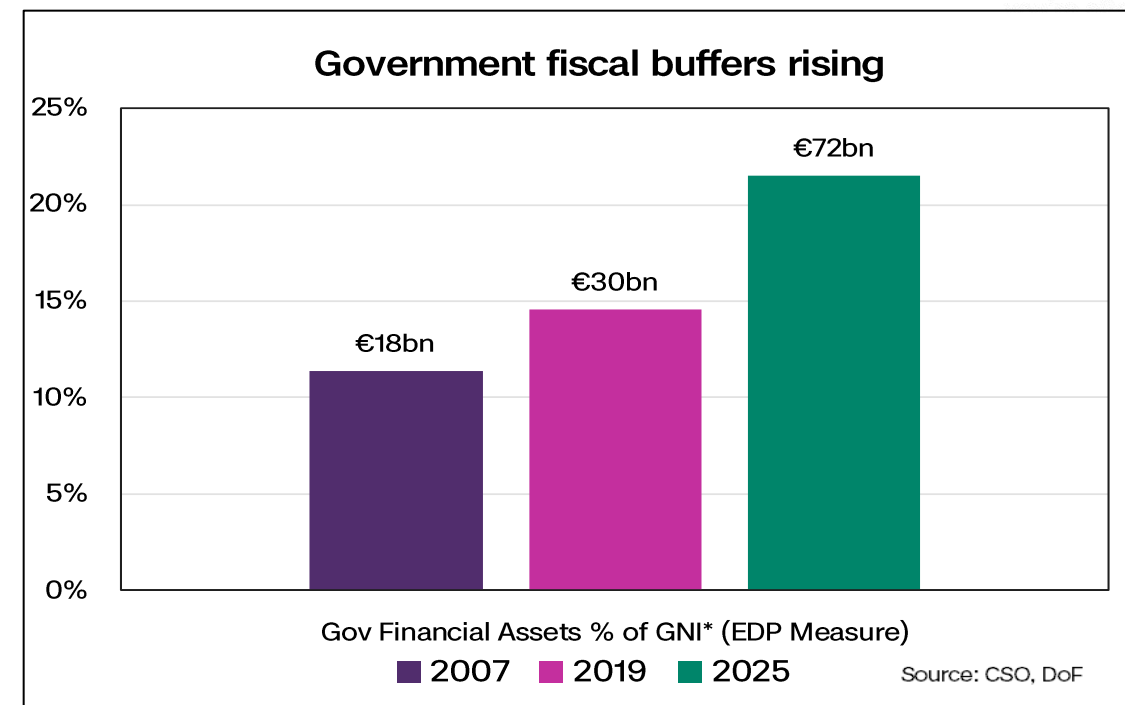
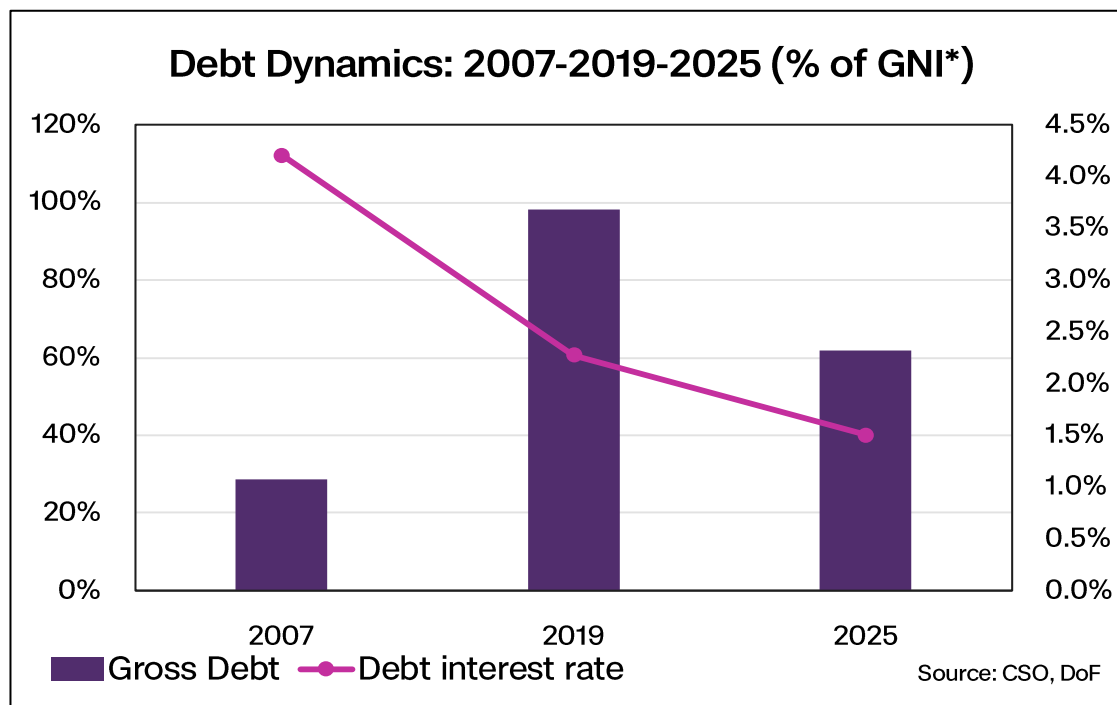


Overall surge in goods exports in 2025 to US driven in part by tariff front running

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

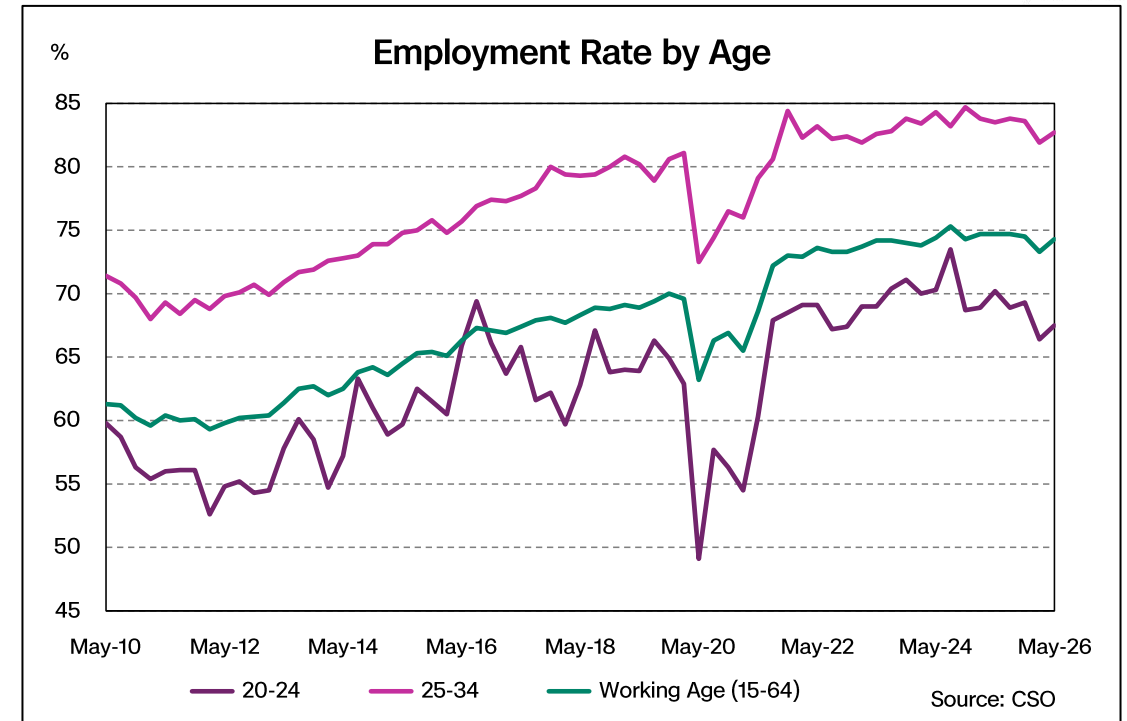
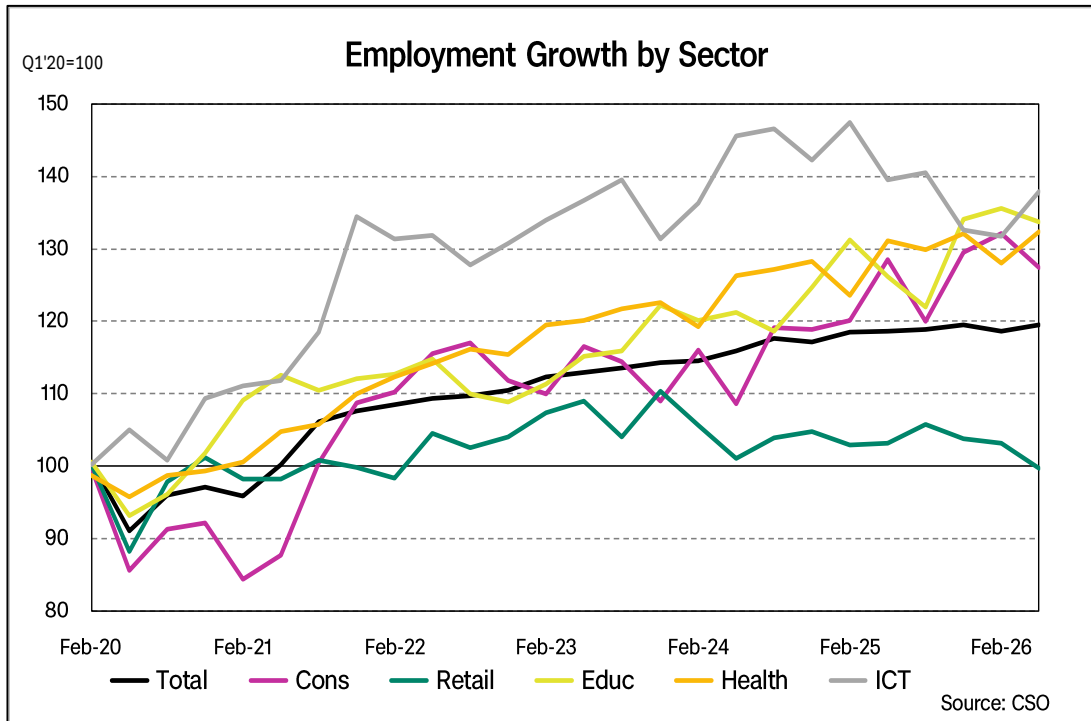
- Ireland has largely avoided US tariffs so far given exemption for chemicals and pharma with EU-US trade agreement
- However, removal of IEEPA (reciprocal) tariffs by US Supreme Court adds uncertainty on future path. Ongoing US ‘Section 232’ investigation into pharma means risk of higher tariffs on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

Could the public finances weather a fresh shock?



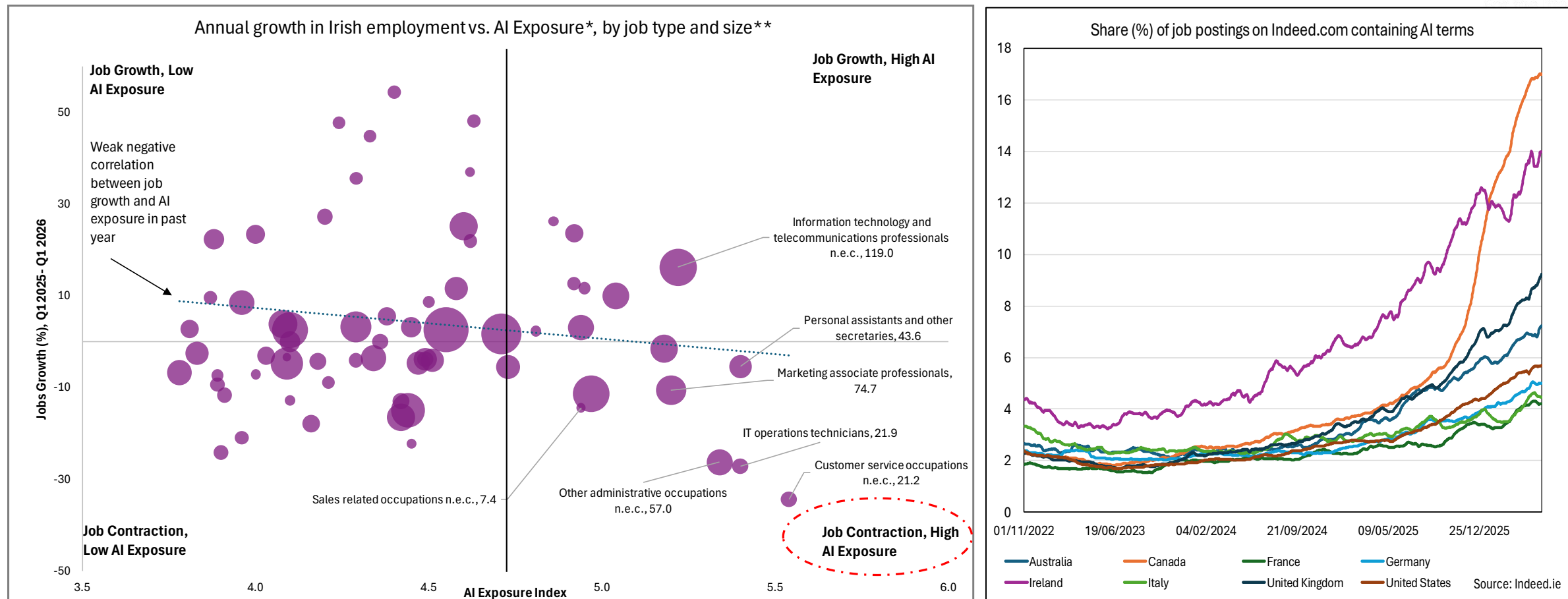
- Stock of debt is higher than pre-GFC, but debt interest costs are much lower (c. 1.5% of GNI*).
- Gov. has built-up fiscal buffers – main financial assets were c.€72bn in 2025 (22% of GNI*).
- Sovereign wealth funds to grow in the coming years – Gov. could accelerate transfers from windfall CT receipts.
- 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 losses in tech, drop in youth age employment) can also be explained by other factors.

AI could be complementary as well as job-replacing

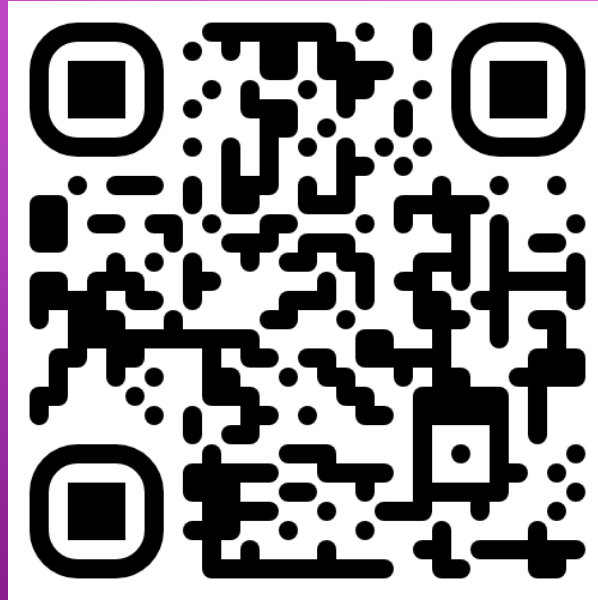


*AI exposure index based on methodology developed by Dept. of Finance in: Fitzgerald, Coates, Williamson, Gannon and Daly, (2024), [Artificial Intelligence: Friend or Foe?](#)

**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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