



National Outlook: Ireland

Modest growth alongside persistent challenges

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- Technical recession in 2023 driven by slowdown in multinational activity; domestic economy grew modestly as a result of strong levels of consumption and investment
- Inflation has fallen from recent high levels and expected to stabilise in 2024; indebted households expected to benefit from ECB rate cuts
- Government finances in stable health, albeit corporation tax base remains volatile and significant investment needed to address existing bottlenecks

Ireland Forecast			
	2023	2024	2025
GDP Growth	-3.2%	2.5%	3.2%
Inflation	5.2%	2.1%	2.0%
Unemployment Rate	4.3%	4.5%	4.5%

As of mid-2024, Ireland's economic outlook is marked by modest growth alongside some persistent challenges. Following a 3.2% contraction to GDP in 2023, largely due to underperformance in multinational-dominated sectors, the Irish economy is expected to grow over the next two years, with GDP projected to increase by 2.5% in 2024 and 3.2% in 2025. This recovery is driven by improvements in global trade, easing inflation, and a robust labour market. An alternative measure of the Irish economy, Modified Domestic Demand (MDD) – which better captures domestic economic activity excluding multinational distortions – is anticipated to grow by 2.1% in 2024 and 2.2% in 2025.

Inflation, which has been a significant issue in recent years, is now on a downward trend. In the first quarter of 2024, inflation averaged 2.2%, primarily due to declining energy prices. The headline inflation rate is projected to continue its downward trend, falling from 5.2% in 2023 to 2.1% in 2024 and to 2.0% in 2025. Despite this overall fall, underlying price pressures persist due to sustained wage growth, which continues to drive inflation in services.

Ireland's labour market remains strong, with the unemployment rate expected to stay stable at around 4.5% in both 2024 and 2025. The number of people in employment has never been higher and employment growth is expected to continue, although at a slower pace than previously, supported by growth in the domestic economy. Real wage growth is anticipated to turn positive as inflation eases, boosting consumer spending.

These relatively positive trends are mirrored in sentiment indices. Business sentiment in Ireland has shown signs of improvement, reflecting the broader economic recovery, as businesses become more optimistic about future growth prospects. However, some sectors remain cautious due to ongoing geopolitical uncertainties and potential supply chain disruptions. Consumer sentiment has also improved in the first half of 2024, buoyed by falling inflation and a strong labour market. Retail sales data point to a modest pick-up in consumer demand, which is expected to enable private consumption growth over the forecast period.

Exports, which fell in 2023 due to weak external demand and sector-specific issues, are set to rebound in 2024 and 2025. This recovery is expected to be driven by an improvement in the global trade outlook and a recovery in key sectors such as pharmaceuticals and technology.

Domestically, the real estate market in Ireland continues to experience robust demand, with house prices remaining elevated due to limited supply and strong demand from both domestic and international buyers. Despite the current prices, the market shows signs of stabilising as new housing projects come online and as government policies aim to address housing shortages. While there is some stabilisation in the housing market, prices are still expected to increase in 2024, reflecting the broader economic recovery and sustained demand. In parallel, a downturn in commercial real estate prices is expected to continue in 2024.

Other key macroeconomic indicators present a mixed but generally positive outlook. Ireland's general government balance is expected to see a slight reduction in surplus from 1.7% of GDP in 2023 to 1.3% in 2024, reflecting moderated revenue growth and sustained public expenditure. Ireland's gross public debt as a share of GDP is forecasted to fall marginally from 43.7% in 2023 to 42.5% in 2024. Additionally, Ireland's current account balance is projected to remain strong, albeit falling slightly from 9.9% of GDP in 2023 to 9.1% in 2024.

Against this backdrop, Ireland's economic prospects for 2024 and beyond appear strong, with reasonable levels of growth anticipated across various sectors. This recovery is supported by a favourable external environment and robust domestic economic fundamentals. However, potential challenges are continued geopolitical tensions, infrastructure bottlenecks, and competition from peer markets for multinationals' investment.