

Economic Research Unit



New Bank of Ireland Irish Economic Forecasts

This week we published our new forecasts for the Irish economy. We revised down our forecasts for Irish GDP growth to 1.0% in 2024 (from 1.5% in our February Outlook) and to 3.9% in 2025, but reflecting well understood measurement distortions relating to the multinationals. In contrast, most indicators suggest the Irish economy expanded at a healthy pace in early 2024. Hence, we have revised up slightly our forecasts for the growth of consumer spending (3%), employment (1.7%) indigenous sector output (2.3%) and modified domestic demand (2.5%). We also expect CPI inflation to average 2.3% in 2024 and the government to run a surplus worth €8bn, or 1.5% of GDP.

GDP growth forecast revised down to 1% in 2024: We now expect just 1% Irish GDP growth in 2024 (1.5% previously). This follows the partial 0.9% bounce back in Q1 2024, but following five consecutive quarters of contraction, still down 6.5% year-on-year. This decline has reflected 'contract manufacturing', goods produced abroad but where the associated profits are counted in Ireland. We do not believe the 3.2% fall in GDP in 2023, only partially reversing a sharp 9.4% gain in 2022, tells us anything on the underlying performance of the multinational sector or Ireland's attractiveness as a location for FDI. Hopefully, these measurement distortions have played out. However, just as in 2023 it is quite possible Irish GDP could contract in 2024, albeit accompanied by a strong performance in most macroeconomic indicators.

Small upward revisions for expected activity in the domestic economy: We have revised up slightly our forecasts for consumer spending (3%), employment (1.7%), indigenous sector output (2.3%) and modified domestic demand (2.5%). Household real income gains are now being driven by robust jobs growth, pay growth running at 4.7%, the decline in HICP inflation to 1.5% in June and the Budget 2024 measures. For example, the income tax cuts implemented in June were worth close to 2% of disposable incomes for those on the average wage. We expect housing completions to rise to 37,000 in 2024. Non-residential construction looks set to stabilise after several years of decline. Meanwhile, investment spending on machinery and equipment has remained at exceptionally high levels. Government spending is also contributing to solid growth in domestic demand. Gross voted expenditure in H1 2024 was €47bn, up 12% on the year.

Housing market regaining momentum: The official Residential Property Price Index (RPPI) fell for the first five months of 2023, reflecting stretched affordability, particularly in the capital Dublin. However, house price inflation has regained momentum since then – reflecting the exceptionally low level of supply in the existing homes market, but also pay growth of 4-5% translating into homebuyers taking on higher levels of debt. In April, the average mortgage approval for house purchase was €315,900, up 6.4% on the year. Furthermore, MyHome asking price inflation was 6.5% in Q1 2024, also pointing to further gains in Irish house prices to come in 2024. Our current forecast is for 4% RPPI inflation in 2024, but the risks to this view now look firmly to the upside.

Despite price pressures receding, overheating and capacity pressure now key risks: Despite Ireland's advanced stage in the economic cycle and low unemployment rate at 4%, the HICP inflation rate at 1.5% in June and average earnings growth of 4.7% in Q1 2024 do not stand out from the euro area countries. However, labour shortages, capacity pressures and infrastructural bottlenecks are becoming an ever more pressing issue for the Irish economy. Looking ahead, the ability of public expenditure to deliver the National Development Plan (NDP) in a timely fashion following the disruption during Covid19 and energy crisis will be key in allowing the Irish economy continue to expand without generating overheating pressures.

Chief Economist: Conall Mac Coille

Forecasts	2024f	2025f	2026f
Personal Consumption	3.0%	2.9%	2.8%
Government Consumption	1.5%	1.5%	1.5%
Total Investment	2.8%	0.9%	0.8%
Modified Investment	2.2%	1.8%	1.5%
Modified Domestic Demand	2.5%	2.4%	2.3%
Exports	6.2%	5.0%	5.0%
Imports	6.0%	4.3%	4.1%
GDP	1.0%	3.9%	4.0%
Employment	1.7%	1.5%	1.5%
Unemployment Rate (average)	4.3%	4.4%	4.4%
CPI	2.3%	2.0%	2.0%



Contact Us at economics@boi.com

Disclaimer

This document has been prepared by the Economic Research Unit at The Governor and Company of the Bank of Ireland ("BOI") for information purposes only and BOI is not soliciting any action based upon it. BOI believes the information contained herein to be accurate but does not warrant its accuracy nor accepts or assumes any responsibility or liability for such information other than any responsibility it may owe to any party under the European Union (Markets in Financial Instruments) Regulations 2017 as may be amended from time to time, and under the Financial Conduct Authority rules (where the client is resident in the UK), for any loss or damage caused by any act or omission taken as a result of the information contained in this document. Any decision made by a party after reading this document shall be on the basis of its own research and not be influenced or based on any view or opinion expressed by BOI either in this document or otherwise. This document does not address all risks and cannot be relied on for any investment contract or decision. A party should obtain independent professional advice before making any investment decision. Expressions of opinion contained in this document reflect current opinion as at 5th July 2024 and is based on information available to BOI before that date. This document is the property of BOI and its contents may not be reproduced, either in whole or in part, without the express written consent of a suitably authorised member of BOI. Bank of Ireland is regulated by the Central Bank of Ireland. In the UK, Bank of Ireland is regulated by the Central Bank of Ireland and authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The Governor and Company of the Bank of Ireland is incorporated in Ireland with limited liability. Registered Office 2 College Green, Dublin, D02 VR66. Registered Number C1.

[Update My Preferences](#)

If you'd rather not receive future e-mails from us, please [opt-out here](#).