



### Irish GDP rebounds more sharply than expected in Q3

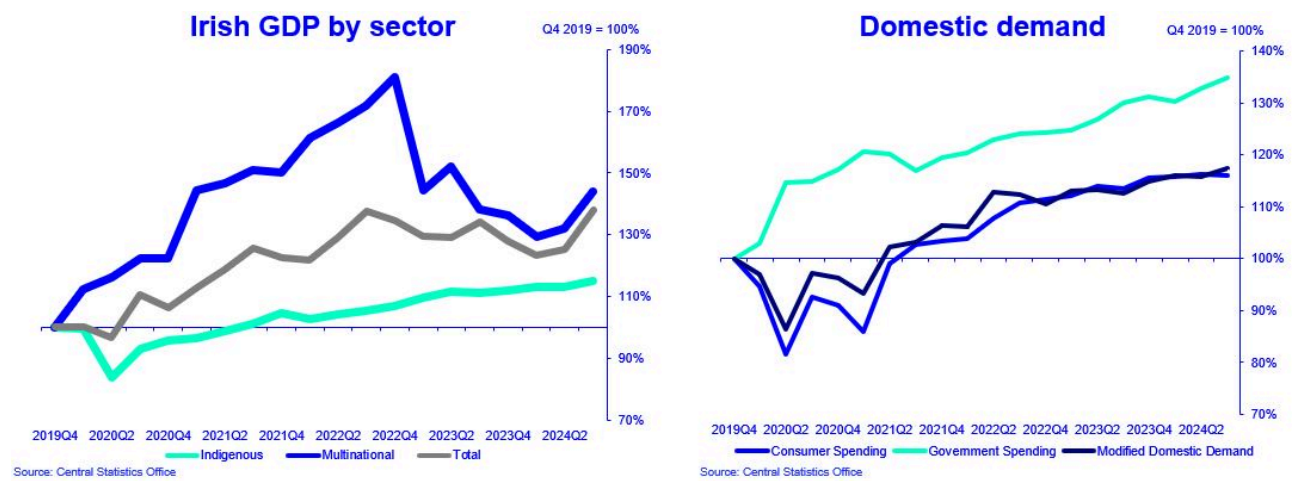
*Irish GDP bounced back by 3.5% in Q3 2024, more sharply than we had expected, and following contractions in five of the past six quarters. The upshot is that we will now likely have to revise up our forecasts for both Irish GDP growth and modified domestic demand to zero and 3% respectively (from the -1% and 2.3% in our last projections published in September). It appears the distortions from 'contract manufacturing' that led to the 5.5% fall in GDP in 2023 have dissipated. Hence, the underlying strength of the Irish economy, evident across both the indigenous and multinational sectors, is becoming clearer in the headline figures. Annual GDP growth is now back in positive territory, up 2.9% in the year to Q3.*

**Irish GDP bounces back by 3.5% in Q3 2024:** Today's CSO release shows Irish GDP grew by 3.5% in Q3 2024, on the quarter, and was up 2.9% on the year. The pick-up in Q3 reflected sharp rises in government expenditure (1.5%) and core investment (5.2%) spending. Pharmaceutical exports also drove the expansion, leading to sharp gains in manufacturing (15%) and multinational sector (9%) output. However, indigenous sectors (1.5%) also saw output rise in Q3, including; construction (3.5%), ICT (6%), financial services (4%). However, distribution, transport, hotels & restaurants (-0.3%) saw a small contraction in Q3, and output in this sector has actually fallen marginally over the past two years.

**Less momentum in consumer spending than expected:** Revisions to previous quarters and a small -0.2% contraction in Q3 mean there is now less momentum in consumer spending than we expected. Real spending was still up a reasonable 1.7% in the year to Q3 2024, or 4.2% in nominal terms, but is surprisingly weak given employment was up 3.7% over the same period, accompanied by pay growth of circa 5%. One explanation is that savings remain elevated. Household deposits in the banking system in October were up 4% on the year to €159bn. All-in-all a 2% expansion in consumer spending in 2024 now looks likely, but below the 2.7% projection in our September forecasts.

**Investment spending and export performance remain robust:** Core investment spending rose by 5% in Q3 2024, up 10% on the year. This expansion was largely driven by the construction sector. Housing investment (5.7%) and repair & maintenance (5%) are both up sharply on the year. Having contracted for four consecutive years through 2020-2023, investment spending on non-residential construction is finally starting to rise again, up 3.4% in the year to Q3. Exports were up 10.5% on the year, split between a 14.6% rise in goods and 7.4% gain in services, driven by pharmaceuticals, computer, business and financial services.

**Projections for GDP and modified domestic demand growth in 2024 to be revised up:** Given the stronger than expected 3.5% rebound in Q3, calendar year GDP growth in 2024 now looks set to be close to zero, rather than the -1% contraction we had forecast in September. Similarly, we had forecast that modified domestic demand would expand by 2.3% in 2024, but in light of the strong Q3 data an expansion of circa 3% now looks more likely. However, the key message from the GDP data remains consistent. That is, Ireland's economy has clearly grown rapidly in 2024, but with bottlenecks and capacity pressures becoming increasingly evident and potentially facing a more uncertain 2025.



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