Economic Research Unit

Economics Weekly

Bank of Ireland

Irish GDP expanded by 1.2% in 2024

Data released by the CSO yesterday revised up GDP growth in the Irish economy last year to 1.2% (from a preliminary estimate of 0.3%). The data showed the domestic economy grew solidly last year, with modified domestic demand up 2.7%, while volatility in the MNC sector, largely caused by changes in contract manufacturing and intangibles investments, appears to have waned with output in that sector down only 0.9% last year after a sharp fall in 2023. The data shows economic activity was quite robust in Q4 with GDP increasing by 3.6% quarter-on-quarter supported by increased personal consumption and a rise in exports. Modified investment was poor, down 9.2% in the quarter not helped by a decline in construction (-3.3%) (driven by a fall in apartment completions). All in all, however, the economy appears to be in good shape starting off 2025, amid increased global uncertainty.

GDP grew faster than expected last year: Irish GDP expanded by 1.2% in 2024, revised up from an initial estimate of 0.3%. Growth was supported by expansion in the domestic sector with personal consumption (+2.3%), government spending (+4.3%) and modified investment (+2.2%) all improving last year and modified domestic demand coming in at 2.7%. Exports also increased strongly last year, rising by 11.7% while imports were up by 6.5%. The apparent easing of distortions in the multinational sector helped output there to ease only slightly last year, down 0.9%, following a sharp fall in 2023, while domestic sector output was up 2.1% in 2024, the fourth consecutive year of increase post-Covid.

Strong export performance in Q4: Exports rose by 5.0% quarter-on-quarter in Q4 driving an overall GDP expansion of 3.6%. Good exports were particularly robust, up 9.2% on the quarter (and up over 30% year-on-year having rebounded all year from the trough in 2023 (see chart below)) which might reflect some companies bringing forward exports ahead of any potential tariffs this year. Household spending was also solid, rising 1.6% on the quarter but overall modified domestic demand (-1.1% quarter-on-quarter) was held back by a fall in investment. Modified investment fell 9.2% on the quarter, and was down 3% on the year, with a 17% annual fall in new dwellings (caused by weak apartment completions) holding back growth. Apartment completions can be volatile from quarter-to-quarter and strong housing starts data suggest new dwelling activity should rebound during this year.

Economy in good shape amid uncertainty: Overall, the results from Q4 are somewhat of mixed bag with strong export growth but some weakness in domestic demand. However, some one-off factors such as that likely temporary decline in residential construction are masking a solid domestic economy with personal consumption (+2.3%), modified investment (+2.2%) employment (+2.7%) and compensation of employees (+2.9%) all growing last year. The chart below shows consistent year-on-year increases in modified domestic demand all through 2024. Exports are also growing strongly again but there is increasing uncertainty on this front with global trade relations becoming increasingly fraught as President Trump threatens significant tariffs on the EU – though it must be noted that, as of yet, tariff threats on others such as Canada and Mexico have been followed up by delays and limited tariff implementation so far. Ireland is still in a relatively good position, as its export mix of pharmaceutical/medical goods and business and IT services is somewhat tariff resistance. While acknowledging the increased risks to the outlook, we still think that solid GDP growth of over 4% remains in prospect this year with contributions to growth coming from both the domestic and export sectors.

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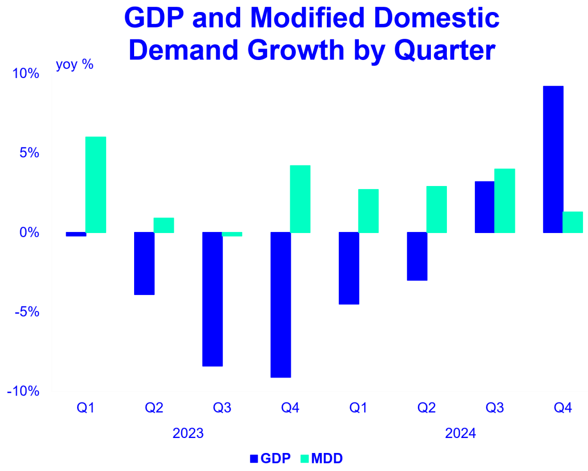

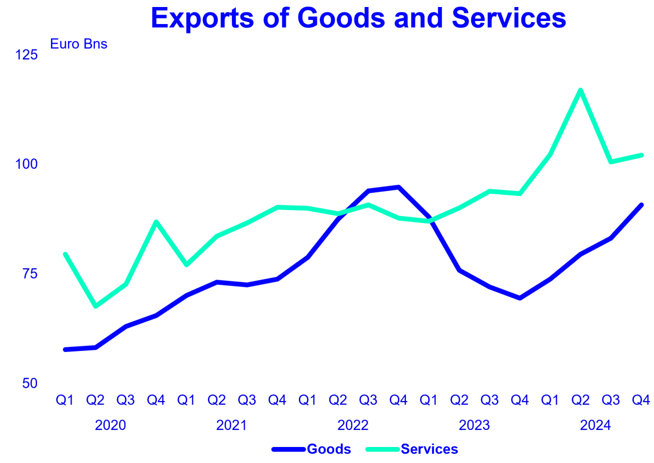

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