Economic Research Unit

Economics Weekly

Bank of Ireland

Irish GDP data for Q2 2025 ahead of expectations

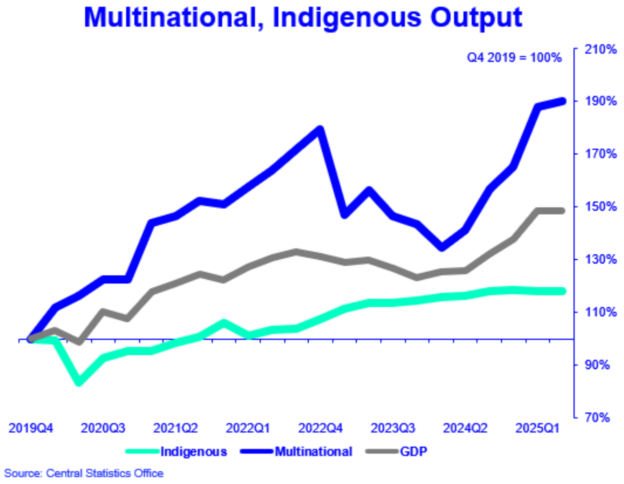
This week's Irish GDP data saw growth in Q2 2025 revised up from -1% in the preliminary release, to a soft 0.2% gain. However, GDP was still up 17% in the year to Q2 2025. The message from the data is that the surge in exports and multinational sector output in early 2025 not only reflected front-running of US tariffs, but also new pharmaceutical production facilities coming online and past investments in intellectual property assets. Hence, we will need to revise up our forecast for Irish GDP growth in 2025 from 8% currently, into double-digit territory.

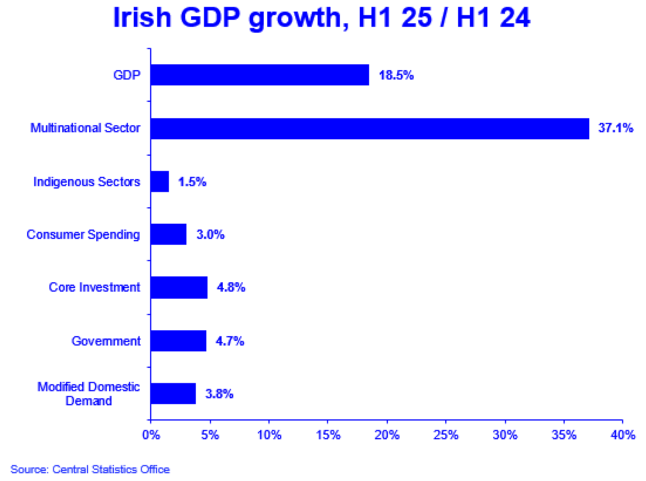
However, modified domestic demand, up 4.4% in the year to Q2 2025 is also ahead of our projections, helped by robust gains in consumer spending (3.2%), public expenditure (5.0%) and core investment spending (7.1%). This includes a welcome rebound in investment spending on residential and non-residential construction. So we will need to revise up our forecast for modified domestic demand growth in 2025, from 2.9% currently, towards 3.5%.

Irish GDP expands in Q2 despite pre-tariff export surge unwinding: Yesterday's Irish GDP data showed activity expanded at a soft 0.2% pace in Q2 2025. However, this was revised up from the -1% contraction indicated in the preliminary GDP release. It also follows the enormous 7.5% rise in Irish GDP in Q1 2025. This topsy-turvy pattern of growth in H1 reflects the front-running of US tariffs by many firms. Irish exports rose by 9.4% in Q1 2025 but fell back by 4% in Q2. Smoothing through the volatility, the exceptional (37%) growth in multinational sector output and GDP (18.5%) in H1 2025 appears to reflect not only the temporary boost to exports but also new pharmaceutical production facilities coming online and past investments in intellectual property assets.

Domestic demand also running ahead of expectations: Consumer spending saw a solid 1% rise in Q2 2025, up 3.2% on the year. This shows that Ireland's robust rate of employment (2.3%) and pay (5.3%) growth translating into buoyant earnings and household spending, even as savings remain elevated. However, public spending is also making a strong contribution to demand. Government spending rose by 2.5% in Q2 2025, up 5% on the year in real-terms. Core investment spending was also up 7% in the year to Q2, helped by improvements in residential (36%) and non-residential (4.5%) construction. Hence, modified domestic demand rose by 0.6% in Q2 2025, up 4.4% on the year.

Upside news for our Irish economic forecasts: The message from the Q2 GDP data is that despite front-running of tariffs temporarily pushing up on exports in Q1, there is still sufficient momentum in the multinational sector to push Irish GDP growth into double-digit territory in 2025. For example, in June nominal goods exports were €17.5bn, up 4.8% on the year, despite a 23% decline in US exports to €4.4bn. Hence, we will need to revise up our current forecast for Irish GDP growth in 2025 from 8% currently, to likely somewhere in the range of 10-15%. However, domestic demand has also beaten expectations, helped by buoyant government expenditure and a welcome rebound in non-residential construction output. So our forecast for 2.9% modified domestic demand growth in 2025 will also need to be revised up, towards 3.5%.





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