

Bank of Ireland Irish Economic Forecasts

We have revised up our forecasts for Irish GDP growth to 10.7% in 2025 and 3.1% in 2026 (vs 8.1% and 3.2% previously) and also for modified domestic demand to 3.4% and 2.6% respectively. This is because recent data suggest the recent surge in Irish exports has also reflected new pharmaceutical production facilities coming online, not only front-running of US tariffs. Crucially, the majority of Irish goods exports to the US remain exempt from tariffs. Consumer spending continues to grow robustly, but with non-residential construction and government spending making a stronger contribution to demand than we expected. Also, Budget 2026 plans a sharp 8% rise in public spending to €118bn next year. We still expect job creation to slow to 1.5% growth in 2026, the unemployment rate rising to 4.8%. House prices are expected to rise by 6% in 2025 and by 3.5% in 2026 – revised up slightly.

Exports buoyant, majority of Irish trade with US still tariff free

Crucially, the majority of Irish goods exports to the United States remain exempt from tariffs. Following the White House' recent deal with Pfizer, it now looks less likely US tariffs will be imposed on the pharmaceutical sector in the future. Hence, we expect Irish exports will grow by 7.4% in 2025, reflecting new production facilities coming online, followed by relatively subdued 4.5% growth in 2026. This reflects recent IMF/OECD projections that trade growth amongst advanced economies will slow toward 1.5% next year. However, the defensive, a-cyclical character of Ireland's export sector, concentrated in pharmaceuticals and ICT services, should provide protection from this slowdown in global trade, as in previous episodes (Covid19, GFC).

Domestic demand supported by public spending and construction

We have revised up our forecasts for domestic demand. Consumer spending continues to grow robustly, we expect 2.8% growth in 2025 and 2.4% in 2026, supported by job creation, pay and CPI inflation still close to 2%. Budget 2026 plans another 8% nominal rise in public expenditure to €118bn next year, which means another stronger than expected contribution to demand from government spending. A welcome development has been the rebound in non-residential construction, helping to deliver National Development Plan (NDP) projects – after years of stagnant activity. Homebuilding has also picked-up, set to rise to 34,500 completions this year.

Labour market slowing to more sustainable 1.5% pace of job creation

For some time the frantic pace of Irish job creation, at 3%+ rates, has been sustained by high inward migration and rising participation. However, bottlenecks in housing and labour shortages are being felt. Recent indicators and out-turns have been consistent with our previous view that employment growth will to 1.5% in 2026, accompanied by a slight rise in the unemployment rate to 4.8% next year. Our labour market forecasts are broadly unchanged since July, but capture substantial revisions to the 4.0% unemployment rate first estimated for Q1 2025 (now 4.5%).

Housing market remains tight, set for 3.5% price gain in 2026:

Irish residential property prices have shown further signs of moderating inflation. MyHome asking prices fell by 0.4% in Q3 2025, up 5.7% on the year. Hence, we expect Irish house price inflation to slow to 6% growth through 2025 and to 3.5% in 2026, closer to the pace of earnings growth.

Bank of Ireland Economic Forecasts

Forecasts	2024	2025 F	2026 F
Consumer Spending	2.9%	2.8%	2.4%
Government Expenditure	5.3%	4.5%	4.0%
Investment	-28.5%	31.1%	-14.9%
Building & Construction	-4.8%	9.5%	5.4%
Machinery & Equipment (Core)	-7.5%	-4.0%	-3.5%
Modified Investment	-4.2%	3.7%	1.9%
Exports	8.6%	7.4%	4.5%
Imports	2.7%	5.3%	2.0%
Modified Domestic Demand	1.8%	3.4%	2.6%
GDP	2.6%	10.7%	3.1%
Multinational Sector	1.5%	21.5%	4.1%
Indigenous Sector	3.6%	1.8%	2.5%
Government Balance, % GDP	4.0%	1.6%	0.8%
Government Debt, % GDP	38.3%	32.8%	31.4%
Employment Growth	2.7%	2.4%	1.5%
Unemployment Rate	4.3%	4.6%	4.8%
CPI Inflation	2.1%	2.2%	2.0%

Source: Bank of Ireland, Central Statistics Office.

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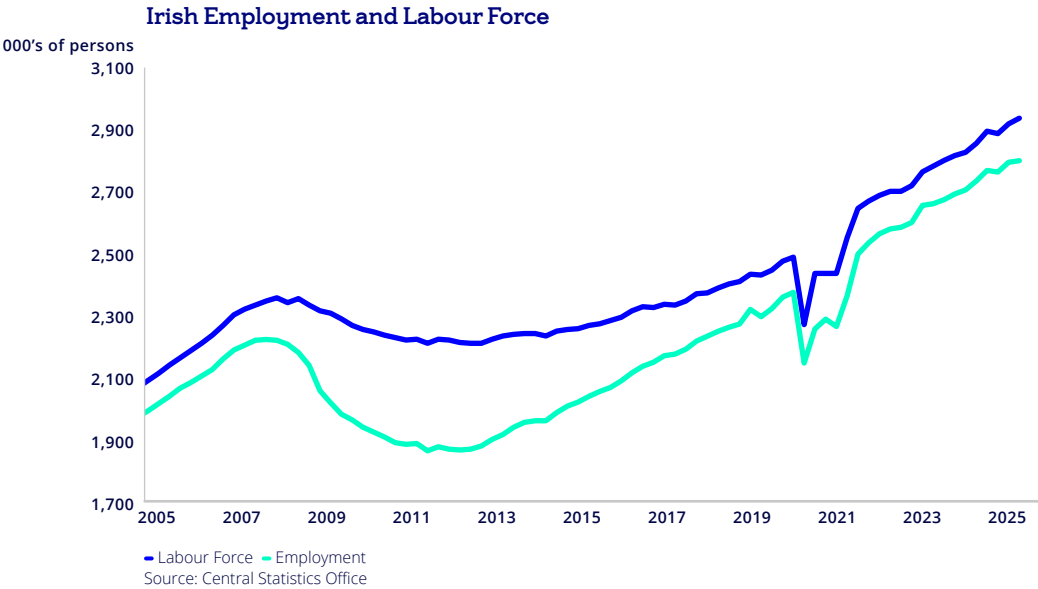


Labour Market

Job creation slowing to more sustainable pace of 1.5%

Irish employment rose by just 0.1% in Q2 2025, the annual pace of job creation slowing to 2.3%. This out-turn was broadly in line with our past projections that employment growth will gradually moderate, from rates above 3%, towards a more sustainable pace. Hence, we have left our forecast for 1.5% employment growth in 2026 unchanged.

A range of indicators are consistent with this view. The CSO's monthly estimate of payrolled employees was 2.56 million, up 1.7% yoy – the softest pace since the Covid19 pandemic. Indeed, job postings in July were down 7.8% yoy, accompanied by a slight fall in the vacancy rate derived from the EHEC survey. That said, Ireland's PMI surveys continue to point to sustained job creation.



The CSO revised the unemployment rate in Q2 2025 from 4% initially, to 4.6% in Q2 and 4.7% in September. This appears to reflect an error in the seasonal adjustment process in the Q1 2025 Labour Force Survey (LFS). The data now suggest the labour force has expanded at a faster pace than employment over the past 12-months, leading to a rise in unemployment, particularly in youth (15-19 years) unemployment. Hence, we have revised up our forecasts for the unemployment rate to 4.8% in 2026.

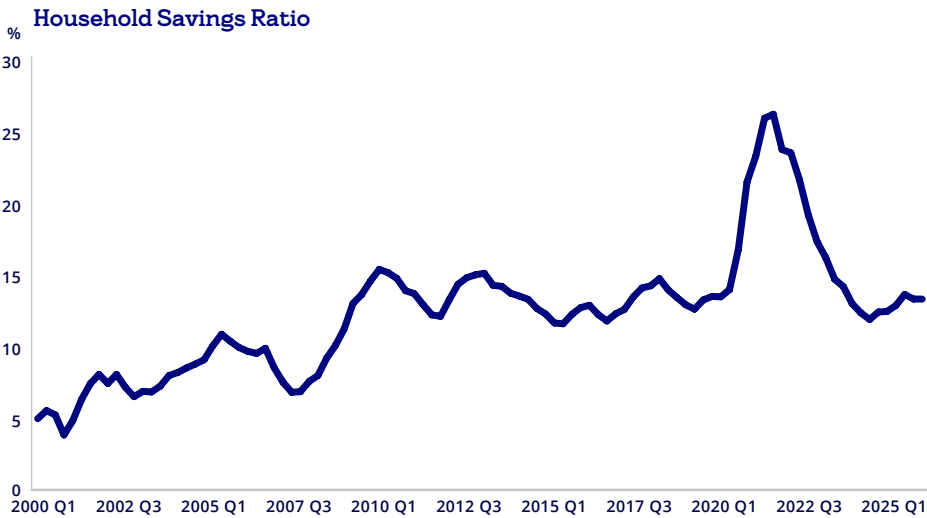
Labour Market Projections	2024	2025 F	2026 F
Employment	2.7%	2.4%	1.5%
Unemployment Rate	4.3%	4.6%	4.8%

Source: Bank of Ireland, Central Statistics Office

Consumer Spending

Real spending to moderate to 2.4% growth in 2026

Irish consumer spending has continued to grow at a sharp pace. Consumption grew by 1% in Q2 2025, up 3.2% on the year. Retail sales volumes (excluding motor trades) rose by 1.2% in the three months to August, pointing to further growth in Q3 2025. Central Bank of Ireland data also show credit/debit card spending was €9.5bn in August, up 7.7% on the year. Thus far consumer confidence has remained resilient, crucially including survey questions on major purchases. New private cars licensed in September were up 10% on the year.



Source: Central Statistics Office

Looking forward to 2026, our forecast for employment growth of 1.5% will support household incomes. Average weekly earnings grew by 5.3% in the year, to Q2 2025, but we see that slowing towards 4% next year. Budget 2026 left the key income tax bands and credits frozen, which will imply a small rise in effective tax rates next year, dragging slightly on household incomes.

Hence, our forecast is for a 2.8% rise in consumer spending in 2026, slowing to 2.4% growth in 2026. This will be helped by a slight fall in the household savings ratio toward 13% next year, from elevated levels in H1 2025.

Household Income and Spending	2023	2024	2025 F	2026 F
Compensation	10.8%	7.4%	6.4%	5.5%
Gross Disposable Income	9.8%	9.4%	5.0%	4.0%
Savings Ratio	11.9%	13.5%	13.7%	13.4%
Nominal Spending	13.5%	7.3%	4.7%	4.4%
Consumer Expenditure Deflator	8.2%	4.0%	1.9%	2.0%
Real Spending	5.1%	3.0%	2.8%	2.4%

Source: Bank of Ireland, Central Statistics Office

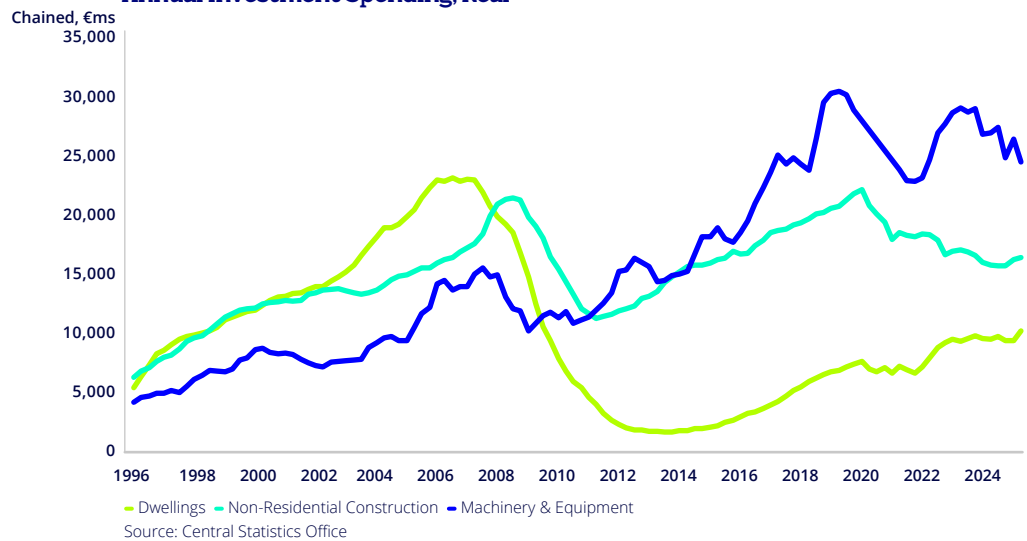
Investment Spending

A welcome rebound in non-residential construction

Housing completions in Q2 2025 bounced back, 9,200 up 35% on the year, or to 32,700 in the twelve months to June. This out-turn was broadly in line with our previous projections. So we have left our forecast for 34,500 completions in 2025 and 38,000 in 2026 unchanged. We also take encouragement from the 4Dublin Housing Supply figures for Q1 2025, showing there were 22,700 units under construction in the capital, up 27% on the year.

A welcome development in H1 2025 was a 10% rebound in real non-residential investment, following five consecutive years of contraction through 2020-2024, or a 28% cumulative decline, as build cost inflation hurt activity. Civil engineering, infrastructure and National Development Plan (NDP) project delivery have led the better than expected rebound in 2025. Hence, we have revised up our forecast for non-residential investment growth to 6.6% in 2025 and 3.5% in 2026.

Annual Investment Spending, Real



Machinery & equipment spending fell by 2.9% in H1 2025, albeit from elevated levels. We assume this contraction continues into 2026 – depressing modified investment. Nonetheless, our forecast is for modified investment to grow by 3.7% in 2025 and 1.9% in 2026.

Investment Spending Projections	2024	2025 F	2026 F
Residential	-4.2%	14.2%	10.1%
Non-Residential Construction	-5.1%	6.6%	3.5%
Machinery and Equipment (Core)	-7.5%	-4.0%	-3.5%
Intangible Assets	-47.9%	76.7%	-33.5%
Total Investment	-28.5%	31.1%	-14.9%
Modified Investment	-4.2%	3.7%	1.9%

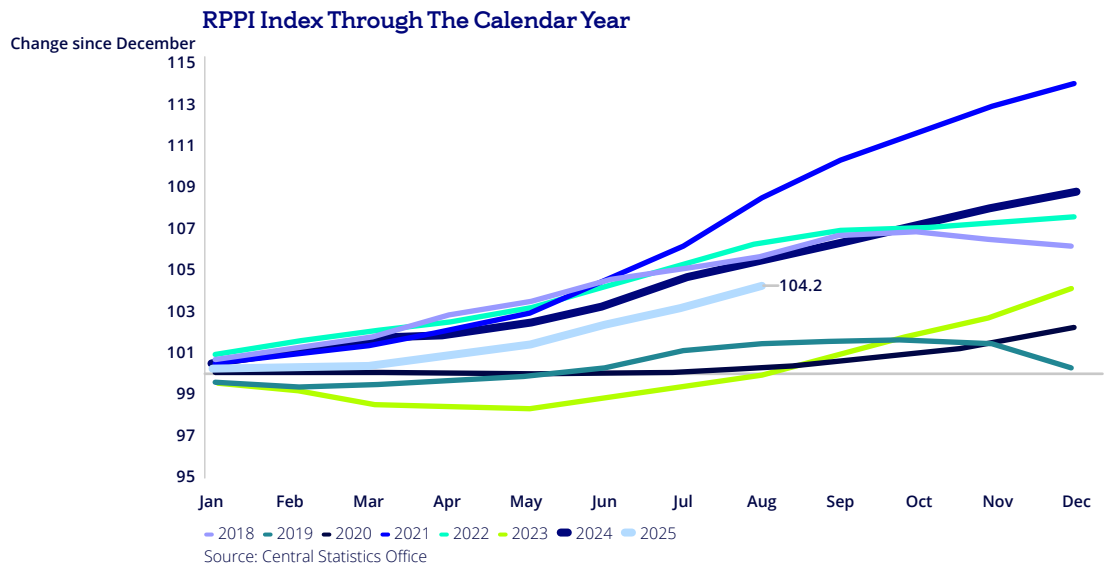
Source: Bank of Ireland, Central Statistics Office

Investment Spending (cont'd)

House prices set for 6% rise in 2025, 3.5% in 2026

Irish residential property price inflation (RPPI) was 7.4% in August 2025. However, this annual comparison is flattered by unusually sharp price gains in the final quarter of 2024. Through January-August the RPPI has increased by just 4.2% - indicative of an underlying slowdown in price inflation to mid-single digit territory as affordability has become stretched.

MyHome asking prices fell by -0.4% in Q3 2025, albeit still up 5.7% on the year, again pointing to a moderation in price growth. Also, the premium homebuyers are paying over asking appears to have levelled-off, 7.7% at the median in September, down from 8.2% through June to August. So we expect price inflation to slow towards 6% by end-2025.



Looking ahead to 2026, the latest mortgage approvals data point to further substantial gains. The average mortgage approval for house purchase in August was €336,500, up 6.4% on the year. So we still expect a solid 3.5% rise in Irish house prices through 2026, despite recent signs of a slowdown. Ultimately, Ireland's labour market remains robust, which couple with the tight housing market points to further house prices gains close to pay growth – leaving affordability broadly unchanged.

Public Finances

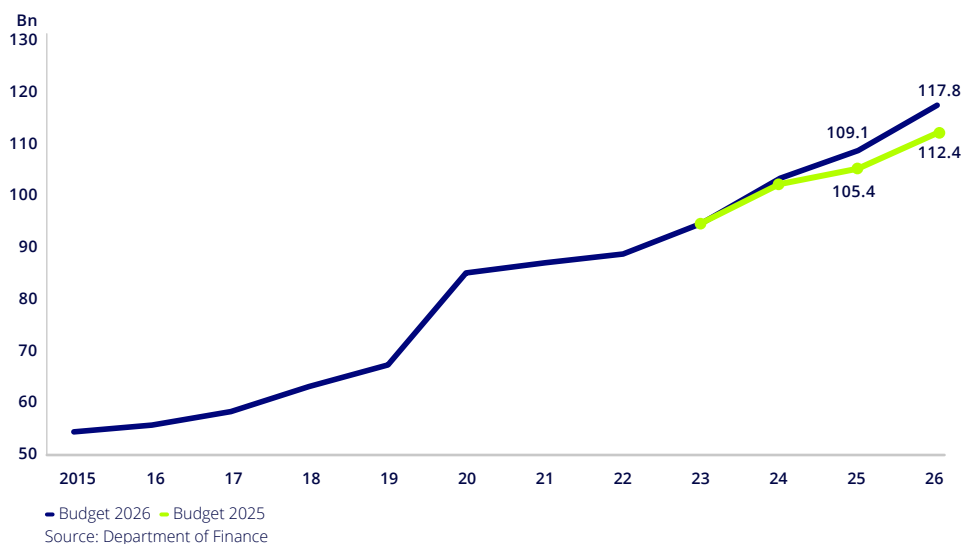
Government spending to make strong contribution to domestic demand growth in 2026

Exchequer returns for the first nine months of 2025 reveal that public spending continues to grow rapidly, even as tax revenue growth has slowed. Tax revenues were €71.3bn through January-September, up 4.6% on 2024 on an underlying basis. However, gross voted expenditure was €77.5bn over the same period, up by 7.5%, split between a 6% rise in current spending and 19% rise in capital expenditure.

Budget 2026 set out plans to grow public expenditure by 8% to €118bn next year, more sharply than the expected 4.4% underlying rise in tax revenues. Hence, the Department of Finance expect the government surplus to narrow from €10bn in 2025 to just €5bn in 2026.

There is clearly a risk of spending exceeding budgetary targets, as in previous years. Budget 2026 expects spending to equal €109bn in 2025, up just 5% on 2024, despite the 7.5% growth recorded in the first nine months. This looks ambitious, even after excluding the elimination of social welfare payments and cost-of-living measures paid in the final months of 2024.

Gross Voted Current Expenditure



Given the Budget 2026 announcements we expect real government consumption to grow by 4.5% in 2025 and 4% in 2026 – making a solid contribution to domestic demand. These are actually relatively weak growth rates for government spending, surpassed in all but one of the past 7-years, as initial budgetary expenditure ceilings were inevitably raised. Our forecasts for the government surplus of €10.2bn and €5.6bn in 2025 and 2026 are similar to the Department of Finance, but a clear risk here is that spending exceeds Budget allocations next year.

Public Finance Projections	2024	2025 F	2026 F
General Government Balance	€23,445mn	€10,192mn	€5,648mn
% GNI*	7.3%	3.0%	1.6%
Debt	€215bn	€209bn	€211bn
% GNI*	67.1%	61.9%	59.4%

Source: Bank of Ireland, Department of Finance

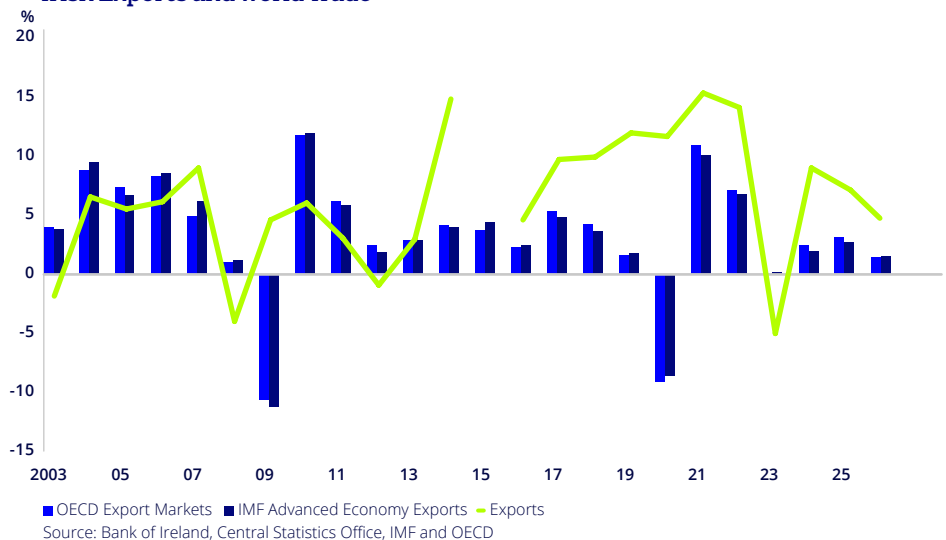
Multinational sector pushing GDP growth into double-digit territory

Trade

Irish goods exports surged in early 2025 ahead of the expected imposition of US tariffs. Total nominal goods exports were €62.9bn in Q2 2025, up 16% on the year, almost entirely due to a 39% rise to the United States to €25bn. However, nominal goods exports through July-August were down 6% on the year, and to the United States by 29%. So goods trade is likely to fall back in H2 2025, as the temporary surge to the United States in H1 unwinds.

Nonetheless, Ireland looks set to record strong export growth of 7.5% in the calendar year 2025 as a whole. The data suggest a greater proportion of the surge in exports over the past 12-months reflects new pharmaceutical production facilities coming online. Services exports, dominated by the technology sector also continue to record strong growth.

Irish Exports and World Trade



Notably, industrial production in July and August was still up 17% year-on-year and by 21% in the modern sector (dominated by pharmaceuticals). This suggests the correction in exports in Q3 will likely be limited and short-lived, multinationals contributing to double-digit GDP growth in 2025. Looking ahead to 2026, both the IMF (1.5%) and OECD (1.4%) are forecasting a marked slowdown in global trade. The graph above illustrates our forecast for 4.5% export growth in 2026 is low by historical standards and Ireland's export sector has often outpaced global trade.

A key factor underpinning our forecast is that the vast majority of Irish goods exports to the United States (namely pharmaceuticals) remain exempt from tariffs. Hence, our assumption in our July forecast that only 2%-3% of Irish exports are exposed to US tariffs, remains intact.

	2023	2024	2025 F	2026 F
Irish Exports	-3.9%	8.6%	7.4%	4.5%
Irish Exports Markets	0.1%	2.4%	3.1%	1.4%

Source: Central Statistics Office, OECD

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