



High frequency data points to growth in Q4

Last week's Q3 national accounts showed the robust position the Irish economy is in. The surge in GDP driven by exports in Q1 2025 did not fall back over the following two quarters, as many had expected, and this left GDP growth averaging 16% in the first three quarters of the year. Moreover, the domestic economy continued to do well with modified domestic demand averaging 4% in the first three quarters. With this in mind, now is a good time to take stock of the early data we have so far for Q4. From this, we can see industrial production is holding up in October as are retail sales while services appear to be doing well also. The PMIs for November show Irish business activity in manufacturing and services is expanding at a faster pace than in October and growing solidly. All of this points to a strong economy moving towards the end of year with no sign of a pullback in headline GDP or in the domestic economy.

Very strong growth in first three quarters of 2025: Irish GDP fell by just 0.3% quarter-on-quarter in Q3 coming off a 0.3% rise in Q2. That means, following the export driven surge in Q1, the level of GDP for every quarter of 2025 has been significantly higher than last year averaging 16% year-on-year. That, however, has somewhat masked the solid growth in the domestic economy - modified domestic demand is up 4.1% year-on-year in the same three quarter period - where personal consumption is up nearly 3% on average and there has been a strong rebound in modified investment, which fell by 4.2% last year, but has grown by 7.3% on average in the first three quarters of this year. This outturn mean we will be revising up our 10.7% GDP forecast for 2025 while our modified domestic demand forecast of 3.4% now also looks to be conservative.

Latest high frequency data points to healthy economy: The latest data for October shows that activity is holding up at the start of the fourth quarter of the year. Industrial production remains up strongly (+14.4%) on the year in the three months to October, driven by strong growth (+18.3%) in the modern sector (pharmaceuticals etc.) while the more domestically focused traditional sector is down slightly (-3.4%). However, looking at just October data, production in both sectors has picked up from September with the level of output in the traditional sector now at its highest level in 6 months. The data from the services sector is also encouraging. The CSO's services index for October shows that the volume of services output was up 2.3% from September and 17.2% from a year earlier. The annual increase has been heavily influenced by the outperformance of the multi-national dominated ICT sector as excluding this sector, services output is down 3% from October 2024. More positively though, the pickup in October 2025 is more broad-based as the services index excluding ICT is still up 2.2% from September.

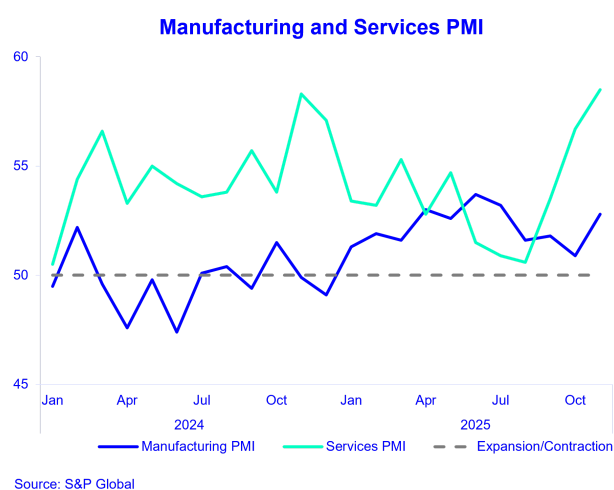
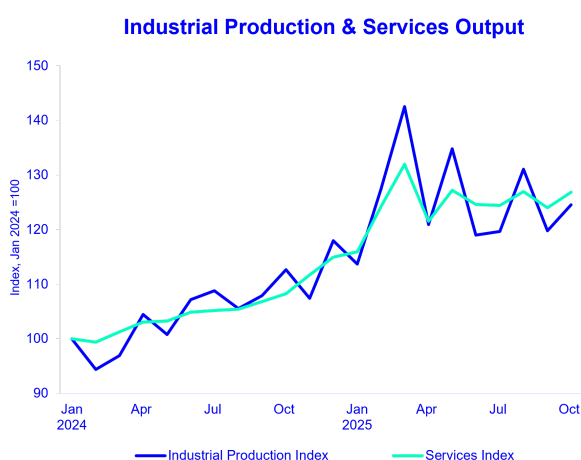
Consumers are spending despite weak confidence: Retail sales for October also show consumer spending is holding up. The volume of core sales (excluding cars) in October was more or less in line with the average level throughout Q3. This comes despite consumer confidence being relatively weak in October, at 61, below where it was at this time last year and well below its long term average of above 80. On the other hand, the EU Commission's consumer sentiment index shows relatively little change in Irish consumer's intention to make major purchases in the next 12 months, which remains

higher than the Euro Area average in November, despite the weakness of overall consumer sentiment. There is also evidence that consumer spending is growing from the Central Bank's card data for October which shows solid increases in domestic card spending in both the month (+4.6%) and the year (+13.8%).

November PMIs indicate continued economic expansion: The survey data for November indicates that activity is picking up heading into the end of 2025. Both services and manufacturing PMIs improved in November to 58.5 and 52.8 respectively. Those readings show solid expansions in both sectors and are above comparable readings for the Euro Area, UK and US last month. The services PMI in Ireland rose at the fastest pace since May 2022 and was driven by broad-based gains in activity and new business while employment rose as did the outlook for the next 12 months. The rise in manufacturing was similar with gains in current activity, new business and an improvement in the outlook.

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