



Irish GDP continues to outperform

Irish GDP fell by just 0.3% in Q3 2025, leaving the annual increase at 10.8%. GDP surged in Q1 2025, driven by front running of tariffs and new pharmaceutical production facilities coming online, and it had been expected that GDP would fall back somewhat over the rest of 2025. However, multinational sector output and exports have held up in both Q2 and Q3 at relatively close to Q1 levels helping GDP to remain at an elevated level. This is helped by continued solid expansion in the domestic economy, supported by growing household spending and investment. The upshot is that annual GDP growth has averaged 16% in the first three quarters of the year and we will now have to revise up our forecasts for GDP growth this year from the current forecast of 10.7%.

Irish GDP only marginally decreases in Q3 2025: Today's CSO release shows Irish GDP fell by just 0.3% quarter-on-quarter in Q3 and was still up very strongly by 10.8% year-on-year. Supporting growth in the quarter was an increase in personal consumption (+0.1%), government spending (2.1%) and, in particular, domestic investment in the form of modified investment (+8.3%). Exports also did well, +2.1% on the quarter, and now only slightly off the record level recorded in Q1. However, the gain in exports last quarter was outpaced by a 10% quarterly gain in imports, meaning net exports were negative and weighed down on growth (see chart below).

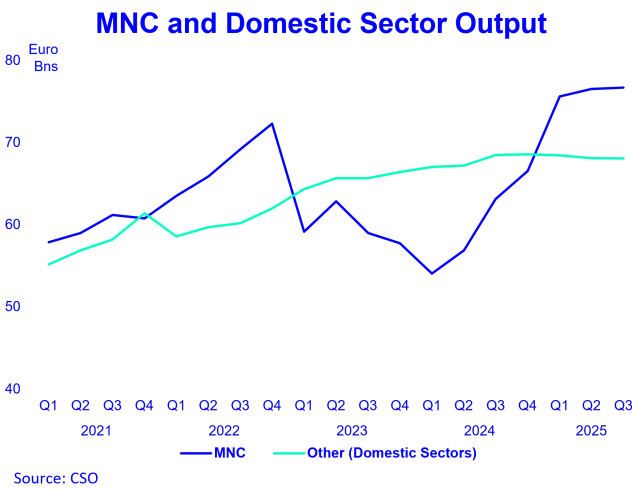
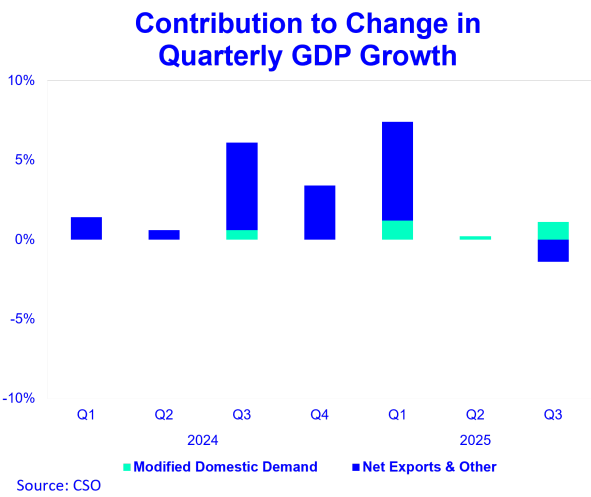
Domestic investment supports growth: The main driver of growth in Q3 was domestic investment where the CSO said that investment in software, R&D spending by domestic firms and transport - mostly likely planes bought by Irish airlines but not in the leasing sector- helped an expansion in modified investment. Construction activity was poor, falling by over 5% on the quarter but the weakness was in the improvements and other buildings area as we know that dwellings construction increased. Household spending also disappointed a little, growing by just 0.1%, in Q3 but that followed a solid 0.9% gain in Q2. In year-on-year terms, personal spending and modified investment are showing good gains and that is reflected in modified domestic demand, which was up 2.3% on the quarter, and 5.1% on the year.

Multinational output being sustained: In Q1, a surge in multinational output and exports to the US helped GDP to rise to nearly €153bn in real terms, a 20% increase over the level in Q1 2024. Most commentators thought that this was down to front running of US tariffs and that output and exports would fall back over the course of the year. It's now being more clear that, while the surge in Q1 may have been ahead of expected changes in US trade policy, it was also driven by new production facilities coming online and that the evaluated level of output is largely being maintained (see chart below). MNC sector output was circa. €54bn in real terms in Q1 of 2024 and rose to nearly €76bn in Q1 of this year, but far from dropping back it remains at nearly €77bn in Q3.

Projections for GDP and modified domestic demand growth in 2025 likely to be revised up: Given the outperformance in Irish GDP, not only in Q1, but sustained through the next two quarters, calendar year GDP growth looks set to be well into double digits, rather than the 10.7% growth we had forecast in October. Similarly, we had revised up our forecast that modified domestic demand would expand by 3.4% in 2025, but modified domestic demand has now averaged annual growth of circa. 4% in the first three quarters of this year. So in light of the solid Q3 data and the upside surprise in investment, there are also clear upside risks to this forecast as well. Overall, the economy appears to be in a good position headed into the final quarter of the year.

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