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## ECONOMIC AND POLITICAL OVERVIEW

### ECONOMIC OVERVIEW

Since the end of the EU-IMF bailout in late 2013, Ireland has enjoyed steady economic growth and positioned itself as the fastest-growing European economy, supported by strong domestic demand and the activities of multinational companies operating in the country. Following two years of double-digit growth, Ireland's real GDP growth weakened significantly in the first half of 2023 to a modest 0.1% increase year-on-year. For the year as a whole, the IMF estimated growth of 2% amid tighter financial conditions, supply-side constraints, and weakening external demand (although the latest Irish Central Bank projection was at 1.5%). GDP is expected to accelerate by 3.3% in 2024 and 3.2% in 2025, underpinned by increased external demand, buoyed by a robust labour market and rising real wages, which are expected to bolster consumption levels.

Public finances remained sound over the course of the year: the general government budget balance remained in surplus in 2023, at 2.6% of GDP as per the IMF (0.9% according to the EU Commission's latest figures). This year and the next the surplus is expected to contract to 1.8% of GDP. Revenue growth during these years is anticipated to be sustained by resilient, albeit slower, private consumption. Additionally, the gradual phase-out of VAT discounts is projected to contribute to revenue increases. Expenditure growth in 2024 should be propelled by investment plans and substantial social spending initiatives. The Budget for 2024 outlines a comprehensive strategy aimed at addressing both short-term and long-term objectives. This strategy includes a deliberate and planned approach to public spending geared towards achieving economic, social, and climate aspirations, supported by a credible method for managing expenditure in the medium term. It also emphasizes the importance of maintaining flexibility to effectively address immediate challenges as they arise and continuing successful measures to mitigate the impacts of elevated inflation. The total Government expenditure ceiling for 2024 is set at EUR 96.6 billion, comprising core expenditure of EUR 91.2 billion and an allocation of EUR 4.5 billion for non-core expenditure intended to address externally driven temporary challenges. Due to the fiscal surplus and robust nominal GDP growth, the general government debt-to-GDP ratio is predicted to decline from 42.7% in 2023 to 39% in 2024, further decreasing to 35.7% in 2025 (IMF). During the initial nine months of 2023, Harmonized Index of Consumer Prices (HICP) inflation was elevated. The prolonged interval in the transmission of wholesale to retail prices for gas and electricity contributed to enduringly high energy costs in Ireland. Moreover, other prominent HICP categories similarly maintained heightened levels compared to the preceding year. For 2023 as a whole, the IMF estimated inflation at 5.2%. The inflation rate should decrease to 3% this year and 2.4% in 2025, reflecting the impact of the ECB's monetary tightening and the moderation of growth and labour market tightness.

Throughout 2023, employment levels demonstrated resilience, remaining robust. The surge in employment was bolstered by an expansion in the labour supply, attributed to heightened female participation and inward migration, which significantly augmented the labour force. While additional employment growth is projected for 2024 and 2025, it is expected to occur at a more restrained pace, aligning with the sustained anticipated expansion of the domestic economy. The unemployment rate, estimated at 4.1% in 2023, should therefore record a marginal increase to 4.4% by 2025 (IMF). Wage pressures have been increasing, resulting in nominal wage growth of 5% in 2023 with a further increase to 5.5% expected in 2024. These trends reflect the constraints of a tight labour market and an adjustment of wages to compensate for the significant decline in real incomes observed in 2022. Overall, Irish citizens enjoy one of the highest GDP per capita (PPP) in the world, estimated at USD 126,905 in 2023 by the World Bank.

| Main Indicators   | 2022    | 2023 (E) | 2024 (E) | 2025 (E) | 2026 (E) |
|---|---------|----------|----------|----------|----------|
| <b>GDP</b> <i>(billions USD)</i>                          | 533.56  | 589.57   | 629.59   | 667.34   | 699.87   |
| <b>GDP</b> <i>(Constant Prices, Annual % Change)</i>      | 9.4     | 2.0      | 3.3      | 3.2      | 2.7      |
| <b>GDP per Capita</b> <i>(USD)</i>                        | 103,311 | 112,248  | 117,979  | 123,693  | 128,312  |
| <b>General Government Balance</b> <i>(in % of GDP)</i>    | 2.9     | 2.6      | 1.8      | 1.8      | 1.6      |
| <b>General Government Gross Debt</b> <i>(in % of GDP)</i> | 44.4    | 42.7     | 39.0     | 35.7     | 33.2     |
| <b>Inflation Rate</b> <i>(%)</i>                          | n/a     | 5.2      | 3.0      | 2.4      | 2.0      |
| <b>Unemployment Rate</b> <i>(% of the Labour Force)</i>   | 4.5     | 4.1      | 4.2      | 4.4      | 4.4      |
| <b>Current Account</b> <i>(billions USD)</i>              | 57.53   | 45.70    | 45.53    | 47.35    | 47.02    |
| <b>Current Account</b> <i>(in % of GDP)</i>               | 10.8    | 7.8      | 7.2      | 7.1      | 6.7      |

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Agriculture represents 1% of GDP and employs 4% of the Irish labour force (World Bank, latest data available). The primary sector remains a key pillar as the government seeks to strengthen its role in the economy by modernising it and transforming the food processing industries (beef, dairy, potatoes, barley, wheat). The sector manages 4.5 million hectares of agricultural land and 808,848 hectares of forestry. The Irish agri-food sector is globally orientated, with approximately 90% of Irish beef, sheepmeat and dairy produce exported each year. According to the CSO, the value of agricultural output at basic prices increased by 28% to EUR 12,894 million in 2022. The average family farm income was EUR 45,809 in 2022, a year-on-year increase of 32%.

The Irish industrial sector - which accounts for 41.5% of GDP and employs 19% of the active population - is a diverse landscape comprising traditional and emerging industries. Historically, Ireland's industrial sector has been dominated by pharmaceuticals, biotechnology, and medical devices, with multinational corporations such as Pfizer, Johnson & Johnson, and Boston Scientific having significant operations in the country. In recent years, emerging sectors such as renewable energy, information and communications technology (ICT), and financial services have gained momentum, fueled by government initiatives and a skilled workforce. The country's commitment to research and development, coupled with favourable tax policies, has attracted investment in areas like clean technology, cybersecurity, and fintech. Data by CSO show that, on an annual basis, production in manufacturing industries was 30.6% lower in the three months from August to October 2023 when compared with the same period in 2022.

The service sector accounts for 52.6% of GDP and employs more than three-quarters of the labour force (77% - World Bank). Key sectors include financial services, where Dublin serves as a prominent European financial hub, hosting numerous international banks, insurance companies, and fintech startups. Ireland's tourism industry is also vital. Moreover, the country has a thriving technology and digital services sector, bolstered by the presence of major tech companies like Google, Facebook, and Microsoft, which have established significant operations in Ireland. Emerging sectors in the Irish tertiary landscape include cybersecurity, data analytics, and e-commerce.

| Breakdown of Economic Activity By Sector                      | Agriculture | Industry | Services |
|---|-------------|----------|----------|
| <b>Employment By Sector</b> <i>(in % of Total Employment)</i> | 4.5         | 18.8     | 76.7     |
| <b>Value Added</b> <i>(in % of GDP)</i>                       | 1.1         | 41.1     | 52.3     |
| <b>Value Added</b> <i>(Annual % Change)</i>                   | 2.3         | 22.7     | 6.1      |

Source: World Bank - Latest available data.

| Monetary Indicators  | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|------|
| <b>Euro (EUR) - Average Annual Exchange Rate For 1 USD</b> | 0.94 | 0.89 | 0.85 | 0.89 | 0.88 |

Source: World Bank - Latest available data.

## FOREIGN TRADE

Ireland is a very open economy, and therefore very dependent on the international economic situation and vulnerable to external shocks. Trade accounted for 234% of GDP in 2022 (World Bank). In the same year, the pharmaceutical sector constituted 55% of the overall export value, totalling more than EUR 112 billion. Enterprises within the manufacturing & construction sector contributed exports valued at EUR 44.8 billion (22%), while the agri-food sector accounted for EUR 18.5 billion in exports, representing 9% of the total export value. In 2022, the retail & wholesale sector emerged as the primary importer, responsible for importing goods worth EUR 43.2 billion, constituting 31% of the total. Meanwhile, the services sector, encompassing aircraft leasing companies, imported goods valued at EUR 26.5 billion, representing 19% of the total imports. Imports of chemicals & related products accounted for EUR 38 billion (27%), while food & live animal imports accounted for 7% of the total (data CSO).

In 2022, the United States emerged as Ireland's foremost export market, with exports exceeding EUR 63 billion, constituting 30% of the total. Germany stood as the second-largest export partner, with EUR 25 billion worth of exports (12%), trailed by the United Kingdom with EUR 22 billion (11%). Belgium (8%) and the Netherlands (7%) rounded off the list of the top five export markets for Ireland. The UK was the biggest source of imports in 2022 (21%), followed by the U.S. (16%), China (10%), France (9%), and Germany (7% - data CSO).

The Irish trade balance is structurally in surplus. According to the WTO, in 2022 Ireland exported goods with a record total value of USD 213.6 billion, while imports reached USD 146 billion (+12% and +21.3% y-o-y, respectively). The country also exported USD 355.1 billion worth of services (+2.2%) against USD 372.8 billion in imports (+7.5%). The country's trade balance was estimated to be positive by 39.9% of GDP in 2022 (World Bank). According to the Central Statistics Office, comparing the first 11 months of 2023 with the same period in 2022, exports of goods were down 5% (to EUR 183.2 billion), while the value of imports fell by 2% (EUR 125.4 billion).

| Foreign Trade Values                            | 2018    | 2019    | 2020    | 2021    | 2022    |
|---|---------|---------|---------|---------|---------|
| <b>Imports of Goods</b> <i>(million USD)</i>    | 107,669 | 101,104 | 99,823  | 120,315 | 146,048 |
| <b>Exports of Goods</b> <i>(million USD)</i>    | 164,794 | 169,625 | 180,104 | 190,658 | 213,688 |
| <b>Imports of Services</b> <i>(million USD)</i> | 242,788 | 375,826 | 372,887 | 346,604 | 372,833 |
| <b>Exports of Services</b> <i>(million USD)</i> | 223,489 | 257,650 | 290,974 | 347,287 | 355,174 |

Source: World Trade Organisation (WTO) ; Latest available data

| Foreign Trade Indicators                  | 2018    | 2019    | 2020    | 2021    | 2022    |
|---|---------|---------|---------|---------|---------|
| <b>Foreign Trade</b> <i>(in % of GDP)</i> | 217.1   | 252.2   | 247.8   | 229.4   | 236.6   |
| <b>Trade Balance</b> <i>(million USD)</i> | 129,048 | 133,368 | 162,713 | 199,347 | 212,501 |

| Foreign Trade Indicators   | 2018    | 2019   | 2020   | 2021    | 2022    |
|--|---------|--------|--------|---------|---------|
| <b>Trade Balance (Including Service)</b><br><i>(million USD)</i> | 110,479 | 49,334 | 82,228 | 206,530 | 213,051 |
| <b>Imports of Goods and Services</b> <i>(Annual % Change)</i>    | 2.5     | 42.3   | -2.1   | -8.3    | 19.0    |
| <b>Exports of Goods and Services</b> <i>(Annual % Change)</i>    | 9.8     | 11.8   | 11.2   | 14.1    | 15.0    |
| <b>Imports of Goods and Services</b> <i>(in % of GDP)</i>        | 94.3    | 124.4  | 114.4  | 95.0    | 99.6    |
| <b>Exports of Goods and Services</b> <i>(in % of GDP)</i>        | 122.8   | 127.9  | 133.3  | 134.4   | 137.0   |

Source: World Bank ; Latest available data

| Foreign Trade Forecasts  | 2023 | 2024 (e) | 2025 (e) | 2026 (e) | 2027 (e) |
|--|------|----------|----------|----------|----------|
| <b>Volume of exports of goods and services (Annual % change)</b> | 2.0  | 5.5      | 5.0      | 4.0      | 4.0      |
| <b>Volume of imports of goods and services (Annual % change)</b> | 2.4  | 6.0      | 5.5      | 5.0      | 5.0      |

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

Ireland is a member of the following international economic organisations: IMF, European Union, ICC, European Economic Area, WTO, Organization of American States (OAS) (observer), OECD, among others. For the full list of economic and other international organisations in which participates Ireland click [here](#). International organisation membership of Ireland is also outlined [here](#).

## Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Ireland can be consulted [here](#).

## Main Partner Countries

| Main Customers<br><i>(% of Exports)</i> | 2022  |
|---|-------|
| <b>United States</b>                    | 30.3% |
| <b>Germany</b>                          | 12.1% |
| <b>United Kingdom</b>                   | 10.6% |
| <b>Belgium</b>                          | 8.4%  |
| <b>Netherlands</b>                      | 6.8%  |
| <b>See More Countries</b>               | 31.7% |

| Main Suppliers<br>(% of Imports) | 2022  |
|----------------------------------|-------|
| <b>United Kingdom</b>            | 20.8% |
| <b>United States</b>             | 15.8% |
| <b>China</b>                     | 10.2% |
| <b>France</b>                    | 9.3%  |
| <b>Germany</b>                   | 7.5%  |
| <b>See More Countries</b>        | 36.4% |

Source: Comtrade, Latest Available Data

## POLITICAL OUTLINE

### Current Political Leaders

President: Michael D. Higgins (since 29 October 2011, re-elected in October 2018)

Prime Minister: Leo Varadkar (since 16 December 2022)

### Next Election Dates

Presidential elections: November 2025

Senate: March 2025

House of Representatives: March 2025

### Current Political Context

The existing coalition government, composed of three parties namely Fianna Fáil, Fine Gael, and the Green Party, with the first two historically at odds, assumed power in June 2020 following four months of negotiations. An agreement was reached stipulating that Micheál Martin, leader of Fianna Fáil (centre), would serve as Taoiseach (Prime Minister) for the initial portion of the tenure, after which Leo Varadkar (Fine Gael, centre-right) would assume the position. The transition was finalized in December 2022, and the arrangement has remained generally stable since then.

The Northern Ireland Protocol triggered an election in Northern Ireland in 2022, prompted by the resignation of the sitting First Minister, Paul Givan of the Democratic Unionist Party, in protest over the Protocol. This resulted in Northern Irish Sinn Féin securing 29% of the votes, marking the first instance in history where they became the largest party. Sinn Féin now holds the distinction of being the largest party in both Northern Ireland and the Republic of Ireland. This development, coupled with Brexit and demographic shifts, has sparked increased discussions about the potential for a referendum on Irish unification, though an actual vote is generally considered plausible in 5-10 years, with the majority in Northern Ireland still opposed to it. The Windsor framework, announced in February 2023, has notably improved relations between Ireland and the UK, promising enhanced trade prospects. Nonetheless, the suspension of the Stormont Assembly, the devolved legislature of Northern Ireland, underscores persisting political tensions in the region.

### Main Political Parties

The main parties currently represented in the parliament include:

- **Fianna Fail**: centre/centre-right, populist
- **Fine Gael**: centre-right, socially moderate and fiscally conservative. Allied with Fianna Fail
- **Sinn Fein**: left-wing, democratic socialist and Irish republican party advocating for a united Ireland. It is the main opposition party

- **Labour**: centre-left social-democratic party founded in 1912, advocating for workers' rights and social justice
- **Green Party**: centre-left, driven by green politics
- **Social Democrats**: centre-left party advocating for social justice and progressive social policies
- People Before Profit-Solidarity (PBPS): a left-wing electoral alliances formed by members of two socialist political parties: **People Before Profit** (PBP) and **Solidarity**.
- **Independent Ireland**: promoting non-affiliated, grassroots-driven governance and policies in Ireland
- **Aontú** (Unity): conservative nationalist party promoting traditional values and advocating for Irish unity
- **Right to Change**: left-wing, focusing on social and economic justice, grassroots activism, and progressive policies.

## Executive Power

The **President**, who serves as the Head of State in a largely ceremonial role, is elected for a 7-year term and can be re-elected only once. The **Prime Minister** (Taoiseach) is the Head of the Government. He is appointed by the president after being appointed by the lower house.

## Legislative Power

Bicameral national Parliament (Oireachtas): House of Representatives (**Dail**) and Senate (**Seanad**). The Chamber of Deputies has 166 members elected by universal suffrage and the Senate is composed of 60 members (one part elected by the national universities and the other part by a representative panel of the civil society).

## COVID-19 COUNTRY RESPONSE

### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic), please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

### Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).