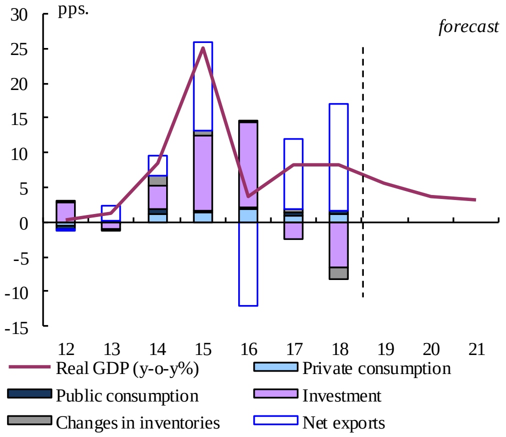
2.4. IRELAND

Ireland's real GDP grew at the brisk pace of 5.9% year-on-year over the first three quarters of 2019, driven by strong private consumption, exports and investment. The activities of multinational companies boosted the latter two categories, while very large imports – the counterpart of multinationals' investment – had the opposite effect. Surveys show a marked rebound in consumer and business sentiment after the threat of a 'no-deal' Brexit receded, supporting a more optimistic outlook.

Private consumption is set to remain strong, supported by labour market dynamics. The unemployment rate stabilised at 4.8% in the last quarter of 2019, despite an expansion of the labour force through inward migration. Average weekly earnings rose by 4% in the third quarter of 2019, compared to the same period in 2018. Furthermore, the rise in the national minimum wage on 1 February 2020 should support the disposable income of poorer households.

Investment in construction continued at a rapid pace and residential property completions have surged. Construction permits suggest a continuation of this trend, which is reinforced by a public support scheme for homebuyers. Domestic investment in equipment dwindled as small and medium-sized enterprises reportedly postponed investment due to uncertainty related to the terms of the UK's exit from the EU. After large imports of intellectual property in 2019, the net export contribution to growth is expected to turn positive again this year and next. Real GDP is estimated to have grown by 5.7% in 2019, inflated by the activities of multinationals, and is forecast to moderate to 3.6% in 2020 and 3.2% in 2021. Activities by multinationals remain difficult to predict and could drive headline growth in either direction.

Graph 2.4: **Ireland - Real GDP growth and contributions**



HICP inflation averaged 0.9% in 2019, driven by rising prices for services and processed foods and dampened by non-energy industrial goods and unprocessed food prices. With the Irish economy operating at full capacity, service prices should continue to rise, but deflationary effects from imported non-energy industrial goods should keep overall HICP inflation in check at 1% in 2020 and 1.3% in 2021.