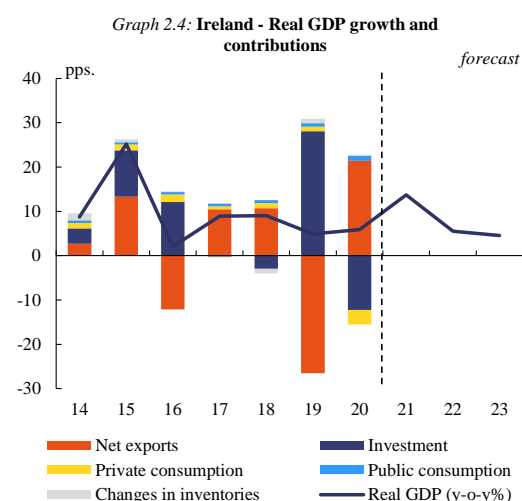


4. IRELAND

Real GDP in Ireland grew by 0.9% quarter-on-quarter in the third quarter of 2021 — a modest rate when compared with the extremely strong growth in the first half of the year. While public and private consumption expanded modestly, a fall in investment and shrinking net exports weighed on growth. Growth in the fourth quarter of 2021 is estimated to have been positive, supported by strong exports, especially in the information and communication sector, though restrictions re-introduced due to the Omicron variant negatively affected end-year retail sales and business confidence. Production by multinationals was very volatile in October and November, adding uncertainty regarding the final quarter. Annual real GDP growth in 2021 is hence estimated to be somewhat weaker than in the European Commission Autumn Forecast, at 13.7%.

COVID-related restrictions were still in place in the first weeks of 2022, which might slightly dampen growth in the first quarter. Nevertheless, economic growth for the year as a whole is projected at 5.5%, supported by a rapidly recovering labour market, a gradual reduction of large household savings through consumption and a relatively benign financial situation in the corporate sector. Growth in 2023 is forecast at 4.5%.

The unemployment rate has continued declining, as employment bounced back in sectors previously affected by restrictions. The gap between the official and COVID-adjusted unemployment rate has been consistently narrowing, with a slight divergence in December when restrictions were reintroduced. The official unemployment rate stood at 5.1% by the end of 2021, and the COVID-adjusted rate was up at 7.5%.



HICP inflation accelerated in the final months of 2021, particularly driven by steeply rising energy prices, though core inflation also rose substantially. In the fourth quarter of 2021 prices rose for all major components except unprocessed food, leading to inflation of 5.4% year-on-year, a rate not seen for more than a decade. The high inflation is set to continue in early 2022, while some changes in taxation, such as minimum alcohol pricing that came into effect on 1st January, will add to price pressures. Inflation is projected at 4.6% in 2022 and 2.5% in 2023.

Ireland's economic outlook remains subject to uncertainty surrounding trade developments related to the implementation of the Protocol on Ireland/Northern Ireland, upcoming changes in international taxation, and rising inflation. The performance of multinational corporations could swing growth in either direction.