2.7. **IRELAND**

Ireland’s domestic economy grew at a strong pace in 2018, underpinned by continued momentum in employment and investment in construction. However, headline GDP figures remained influenced by the activities of multinational companies. The strong increase in employment was spread across most sectors, supporting private consumption. Planning permissions for residential units grew strongly and construction sentiment remains high, suggesting continued momentum in construction activity in the coming quarters.

Headline trade and business investment figures remain volatile. The external economic environment has been less favourable in recent months. This is expected to slow Irish export growth over the forecast horizon.

The domestic economy is expected to expand at an average rate of 4% this year and next. Robust employment developments, stronger wage growth and weak inflation are set to further support private consumption. However, the ongoing decline in consumer confidence, reflecting uncertainty about the economic outlook, suggests downside risks to consumer spending. Construction activity is forecast to expand at a brisk pace, supported by government supply measures. Real GDP is estimated to have grown by 6.8% in 2018, well below projections in the autumn. This reflects weaker-than-expected growth in the third quarter and downward revisions to GDP statistics for the first half of the year. Influenced by the lower carry-over from 2018 and the less favourable outlook for global demand, Ireland’s GDP growth is forecast to moderate to 4.1% in 2019 and 3.7% in 2020.

Consumer price inflation was low in 2018 at 0.7%. It was sustained by energy prices, while core inflation remained subdued. Headline inflation is projected to reach 0.9% in 2019. Dynamic increases in residential rents and accommodation and catering service prices should bolster service prices, whereas decreasing oil prices and the depreciation of the sterling are expected to dampen the price of goods. In 2020, headline inflation is expected to pick up to 1.4%, on the back of increasing wage pressures in a tight labour market.

The economic outlook remains clouded by uncertainty. This relates primarily to the terms of the UK’s withdrawal from the EU. As a highly open economy, Ireland is also particularly exposed to changes in the international taxation and trade environment. The huge impact of the often unpredictable activities of multinationals, could drive headline growth either up or down.

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**Graph 2.7: Ireland - Real GDP growth and contributions**

- **Real GDP (y-o-y%)**
- **Private consumption**
- **Public consumption**
- **Investment**
- **Changes in inventories**
- **Net exports**

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