Irish & International Economic Outlook 2025

AVIVA

Jim Power's review of 2024 & 2025 outlook

January 2025

Key Points

2024 was characterised by:

- declining inflation
- very low levels of economic activity in the Euro Zone, with Germany particularly weak
- an ailing Chinese economy
- a UK economy that started the year well but faded as the year progressed
- a US economy that surprised on the upside; and the commencement of the monetary loosening cycle by many central banks around the world

2024 was dominated by a record number of elections worldwide. All were significant, but the important ones from an Irish perspective were the European parliamentary elections, the UK general election, the US presidential election, and the Irish general election. The fear of many was that in an increasingly bitter, divided, and polarised global geopolitical environment, there would be a lurch towards right-wing or other extremism. This was avoided in the first three, but the election of Donald Trump could have profound implications for global trade and global geopolitics. We should now judge him on what he does, rather than what he says.

2025 will not feature as many elections as 2024, but the German federal election on February 23 is important. The German political system has been thrown into chaos over the past quarter, with the Chancellor losing his majority and a vote of confidence. It is likely that there will be a change of government in February, with the CDU likely to come back into power, but we need to watch the performance of the right-wing AfD party with keen interest and nervousness.

The euro weakened significantly in currency markets, losing over 6 percent of its value against the dollar following Trump's election. Political instability in France and Germany, the expectation of more aggressive ECB rate cuts against a weak economic backdrop, and fears about the impact of 'Trump Tariffs' on the already weak Euro Zone economy have combined to weaken the euro. It would not come as a major shock if the euro went to parity against the dollar.

2024 was characterised by a downturn in the global interest rate cycle. The ECB cut rates by 0.25 percent on four occasions: June, September, October, and December.in The ECB should continue to ease rates over the coming months and is likely to trim rates by at least another 1.25 percent over the coming year.

The Bank of England cut its base rate by 0.25 percent at the August meeting and followed up with another 0.25 percent cut in November, taking the base rate down to 4.75 percent. The rate cycle should edge gradually lower over the coming months.

The Federal Reserve cut rates by 0.5 percent in September and 0.25 percent in November and December. It now expects to cut rates twice in 2025 by 0.25 percent on each occasion, rather than the previously expected 3 rate cuts.

2024 was another solid year for the Irish economy both economically and politically, particularly when we observe the political and economic instability in many countries around the world. The key strengths in 2024 included a strong labour market, strong growth in tax revenues, a solid aggregate household balance sheet, and a strong rebound in exports after a setback in 2023. The consumer side of the economy and the SME sector had a challenging year. Hospitality and retail businesses were particularly challenged.

The key threats and challenges to the wellbeing of the Irish economy largely emanate from outside the country. The key threats include:

- A global trade war driven by Trump tariffs and retaliation from US trade partners.
- Inflation spiking again, driven by energy prices, higher prices due to tariffs, and labour market inflation driven by the deportation of migrants in the US.
- An overly expansionary fiscal policy in the US driven by deficit financed tax cuts by the Trump presidency.
- A significant correction in what is a highly valued global equity market.
- A Russian victory in Ukraine.
- A further escalation of the war in the Middle East.

Ireland has an inordinate dependence on US multinationals in terms of direct and indirect employment and, more particularly and worryingly, income tax and corporation tax receipts. It remains to be seen what the Trump administration might do to further the 'America first' agenda, but the risks to Ireland are compelling. In some ways, there is not much Ireland can do to counter those risks other than deep diplomatic engagement with the incoming administration to mend fences and ensure that serious efforts are made to address the obvious deficiencies in vital strategic areas such as energy, water, and housing.

The Irish economy should continue to perform reasonably strongly over the coming year, with growth of up to 4 percent in modified domestic demand possible. However, the threats posed by the Trump presidency will have to be watched very closely.

2024 was characterised by declining inflation, very low levels of economic activity in the Euro Zone, with Germany particularly weak; an ailing Chinese economy; a UK economy that started the year well but faded as the year progressed; a US economy that surprised on the upside; and the commencement of the monetary loosening cycle by many central banks around the world.

Global Economic and Political Background

GLOBAL GEOPOLITICS

The global political calendar was dominated by elections in 2024. Given the intense polarisation of politics in many countries, all elections were consequential.

US Elections

The Republican party had a clean sweep, winning the popular vote and the electoral college in the presidential election, and gaining control of both houses of Congress. There is intense nervousness around the world about what the second Trump presidency might look like, but it is important to judge him by what he does, rather than what he says. However, the people being chosen to participate in his new administration suggest that he intends to implement much of what he promised.

Isolationism was a feature of Trump's first presidency and could be more profound in the second term. The driver of this is his 'America First' creed, which involves becoming more inward-looking and framing all policies in a domestic context, rather than the global role that the US traditionally played.

Donald Trump is fundamentally anti free trade and trade agreements. He has threatened tariffs of up to 20 percent on all imports into the US; 60 percent or higher on imports from China; 25 percent tariffs on imports from Mexico and Canada, and an extra 10 percent on Chinese imports to get those countries to stem the flow of drugs and illegal immigrants into the US. The imposition of such tariffs would just result in higher prices for US consumers and businesses and would risk a tit-for-tat trade war between the US and all countries impacted by the tariffs - in other words, those affected countries would retaliate.

Trump has suggested that he would cut the corporation tax rate from 21 percent to 15 percent; and that undocumented immigrants would be deported.

If any or all of these policies were to be pursued it would result in a weaker global economy; a widening of the already very large US budget deficit; higher prices; and a much more combative global geopolitical environment.

During the first presidency, Trump had a fraught relationship with many of the traditional allies of the US, including the UK and the EU. Of interest in 2025 will be his relationship with the EU; the possibility or not of Brexit trade deals with the UK; the US commitment to NATO; the approach to the Russian invasion of Ukraine; the attitude towards the Israel/Gaza situation; the relationship with China, particularly in relation to Taiwan; and his attitude to Climate Change and the Paris Climate Accord.

There is much to ponder as we move into 2025 in relation to Trump, but we can be certain that chaos and uncertainty will be a dominant theme. For European business, the trade exposure to the US in both directions will need to be examined closely, and risk mitigation measures put in place to deal with the possibility of a tariff-driven trade war with the US.

Irish Election

An Irish general election was held on November 29. The number of seats increased from 160 to 174 due to population growth. Following the 2020 election, Fianna Fail with 38 seats; Fine Gael with 35 seats; and the Greens with 12 seats formed a coalition government. In the latest election, Fianna Fail got 48 seats, Fine Gael got 38 seats, and Sinn Féin got 39 seats. The Greens got just 1 seat. It appears certain that Fianna Fail and Fine Gael on a combined 86 seats will seek to form a coalition with Independents to bring them over the 88 seats necessary to form a majority government. It appears likely that economic policy will not be significantly altered by the results of the election.

Elections in 2025

The coming year will not feature as many elections as in 2024, but a few stand out as being particularly important. The German federal election will be held on February 23. The German political system has been thrown into chaos over the past quarter, with the Chancellor losing his majority and a vote of confidence. It is likely that there will be a change of government, with the CDU likely to come back into power, but the performance of the right-wing party AfD party will be watched with keen interest and nervousness. A few smaller European countries such as Liechtenstein, Kosovo, Moldova, and the Czech Republic are also due significant elections. The performance of pro-Russian and right-wing parties will be watched very closely, as was the case during 2024.

GLOBAL ECONOMIC BACKGROUND

2024 was characterised by declining inflation, very low levels of economic activity in the Euro Zone, with Germany particularly weak; an ailing Chinese economy; a UK economy that started the year well but faded as the year progressed; a US economy that surprised on the upside; and the commencement of the monetary loosening cycle by many central banks around the world.

On currency markets, the euro weakened significantly, losing over 8 percent of its value against the dollar following the election of Trump. Political instability in France and Germany; the expectation of more aggressive ECB rate cuts against a weak economic backdrop; and fears about the impact of 'Trump Tariffs' on the already weak Euro Zone economy have combined to weaken the euro. It would not come as a major shock if the euro went to parity against the dollar.

Table 1 shows the quarterly growth profile of a few countries over the first 9 months of 2024. The US is doing well, but elsewhere growth is underwhelming, and Germany is a particular cause for concern.

Table 1: Quarterly GDP Growth Profile (Quarter-on-Quarter % Change)

REGION/COUNTRY	Q1 2024	Q2 2024	Q3 2024
United States	+1.6%	+3.0%	+2.7%
Euro Zone	+0.3%	+0.2%	+0.4%
France	+0.2%	+0.2%	+0.4%
Germany	+0.2%	-0.3%	+0.1%
Italy	+0.3%	+0.2%	+0.0%
United Kingdom	+0.7%	+0.5%	+0.1%
China	+1.5%	+0.7%	+0.9%
Australia	+0.2%	+0.2%	+0.3%

Source: Various National Statistical Agencies

One of the features of the world economy over the past year has been the steady decline in annual inflation rates and the persistence of tight labour markets. While inflation in the US, UK and Euro Zone blipped up in October and November, this is largely due to base effects and energy prices, but the downward trend is still established, and central banks will be relatively happy that inflation everywhere is close enough to the generally preferred level of around 2 percent. Tight labour markets and the potential for wage inflation is still a concern, but central bankers appear confident that the battle against inflation is virtually won, barring some unforeseen shock.

Table 2: Inflation and Unemployment

COUNTRY/ REGION	INFLATION RATE	UNEMPLOYMENT RATE
United States	2.7%	4.2%
Euro Zone	2.4%	6.3%
Germany	2.6%	6.1%
France	1.3%	7.4%
Italy	1.3%	5.8%
United Kingdom	2.6%	4.3%
China	0.2%	5.0%
Australia	2.8% (Q3)	3.9%

Source: Various Statistical Agencies

INTEREST RATES

2024 was characterised by a downturn in the global interest rate cycle.

The ECB cut rates by 0.25 percent on 4 occasions – June, September, October, and December. Following the December rate cut, the ECB pointed out that Euro Zone economic growth is weaker than it previously forecast, and it dropped the customary statement 'keep policy rates sufficiently restrictive for as long as necessary.' Against a background of weak growth and greater relaxation on the inflation front, the ECB should continue to ease rates over the coming months and is likely to trim rates by at least another 1.25 percent over the coming year.

The Bank of England cut its base rate by 0.25 percent at the August meeting and followed up with another 0.25 percent cut in November, taking the base rate down to 4.75 percent. It left rates unchanged at the December meeting and stated that 'stubborn inflation will prevent it from cutting interest rates quickly.' However, it downgraded its growth forecast for the final quarter from 0.3 percent to flat. The rate cycle should edge gradually lower over the coming months.

The Federal Reserve cut rates by 0.5 percent in September and 0.25 percent in November and December. After the December cut, the Federal Reserve revised growth and inflationary expectations upwards, and dampened expectations about the pace of easing in 2025. It now expects to cut rates twice by 0.25 percent on each occasion, rather than the previously expected 3 rate cuts.

Overall, the interest rate outlook for European borrowers and businesses looks positive over the coming months against a background of subdued growth in the Euro Zone and UK and easing inflationary pressures.

GLOBAL UPDATE

In October, the IMF published its latest global economic forecast. It concluded that global growth would be stable but underwhelming in 2025. It does admit that the balance of risks is tilted to the downside. These risks include a flare up of global geopolitical tensions; sudden eruptions in financial market volatility leading to a tightening of financial conditions; problems in China's property sector generating global spillovers via the effect on global trade; rising protectionism; continued geoeconomic fragmentation; and disruptions to the global disinflation process, which could prevent the loosening of monetary policy that is needed.

Table 3: IMF's Global Economic Outlook

COUNTRY/REGION	2023	2024f	2025f
World Output	3.3%	3.2%	3.2%
Advanced Economies	1.7%	1.8%	1.8%
United States	2.9%	2.8%	2.2%
Euro Area	0.4%	0.8%	1.2%
Germany	-0.3%	0.0%	0.8%
France	1.1%	1.1%	1.1%
Italy	0.7%	0.7%	0.8%
Spain	2.7%	2.9%	2.1%
Japan	1.7%	0.3%	1.1%
United Kingdom	0.3%	1.1%	1.5%
Canada	1.2%	1.3%	2.4%
Australia	2.0%	1.2%	2.1%
China	5.2%	4.8%	4.5%
India	8.2%	7.0%	6.5%

Source: IMF World Economic Outlook, October 2024

IRELAND - ECONOMIC OVERVIEW

Official national accounts data are only available for the first 9 months of 2024 show that GDP contracted by 1.7 percent compared to the same period in 2023. However, the more representative measure of domestic activity, Modified Final Domestic Demand (MFDD) expanded by 3.1 percent, with consumer spending increasing by 2.4 percent, and exports of goods and services expanded by a strong 9.3 percent. For the full year it is likely that GDP will have contracted, but MFDD is likely to have expanded by around 3 percent. As is always the case, interpretation of Ireland's national accounts data is always challenging and confusing, but underlying real growth in the economy was solid in 2024.

Table 4: National Accounts Data

COMPONENT	Q1 - Q3 2024 (% YoY)
Gross Domestic Product (GDP)	-1.7%
Gross National Product (GNP)	+2.2%
Modified Final Domestic Demand (MDD)	+3.1%
Consumer Expenditure	+2.4%
Gross Domestic Fixed Capital Formation	-18.7%
Exports Goods & Services	+9.3%
Imports Goods & Services	+5.1%

Source: CSO

INFLATION

2024 was characterised by a steady downward trend in measured inflation. The annual rate stood at 1 percent in November, down from a high of 9.2 percent in October 2022. In the first 11 months of 2024, annual inflation averaged 2.2 percent, down from 7.8 percent in 2022 and 6.3 percent in 2023.

Figure 1: Consumer Price Inflation (Annual % Change)

Source: CSO

The EU measure of inflation, the Harmonised Index of Consumer Prices (HICP), stood at 1 percent in December. The HICP excludes 9 items that are included in the CPI index. These 9 items have a weighting of 4.6 percent in the CPI. The items excluded from the CPI include mortgage interest, building materials, motor car tax, motorcycle tax, some insurance on motor cars and contents, dwelling insurance, union subscriptions, and local property tax.

Although the headline inflation rate has fallen sharply from the highs of 2022, the average cost of living in November 2024 is 20.4 percent higher than in November 2020. Table 5 shows the annual percentage change in a range of items in November 2024, and the change in prices between November 2020 and November 2024. This demonstrates the cost-of-living pressures facing consumers. This cost-of-living escalation was a key theme in Budget 2025 and General Election 2024.

Table 5: Increase in Selected Consumer Prices

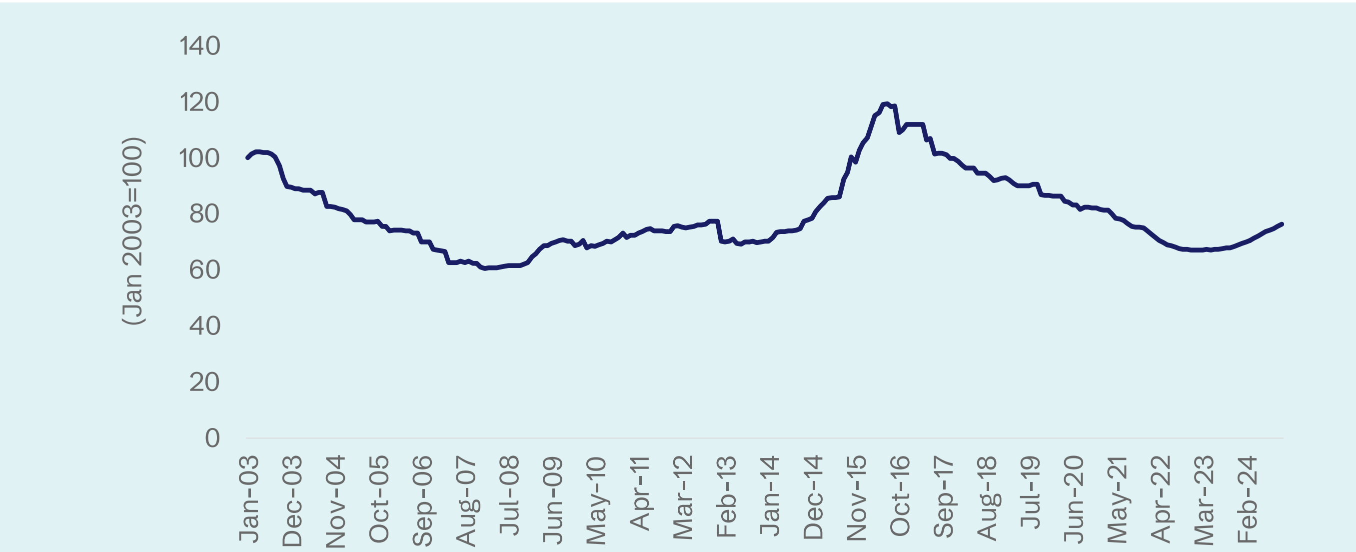
	ANNUAL % CHANGE NOV.2024	% CHANGE NOV. 2020-NOV. 2024
All items	1.0%	20.4%
Food	1.8%	21.6%
Clothing & Footwear	-7.5%	-2.1%
Private rents	5.1%	34.0%
Mortgage interest	5.2%	79.8%
Electricity	-8.3%	54.9%
Gas	-8.0%	92.9%
Transport	-1.6%	23.4%
Petrol	-3.6%	27.0%
Diesel	-6.8%	34.3%
Restaurants, cafes, and the like	4.3%	21.1%
Accommodation services	-0.3%	51.0%
Hairdressing	3.2%	20.5%
Childcare	-20.8%	-37.4%
Insurance connected with health	10.5%	23.8%
Motor car insurance	11.3%	-7.1%

Source: CSO PxStat

MOTOR CAR INSURANCE

Between July 2016 and February 2023 average motor car insurance premiums declined by 43.8 percent. Average premiums have subsequently trended upwards and increased by 13.6 percent between February 2023 and November 2024. In the year to November 2024, average premiums were 11.3 percent higher than a year earlier. The upward trend reflects increased claims, but more particularly increased costs of car parts and car repairs. The expectation is that average premiums will continue to trend upwards for the foreseeable future.

Figure 2: Motor Car Insurance



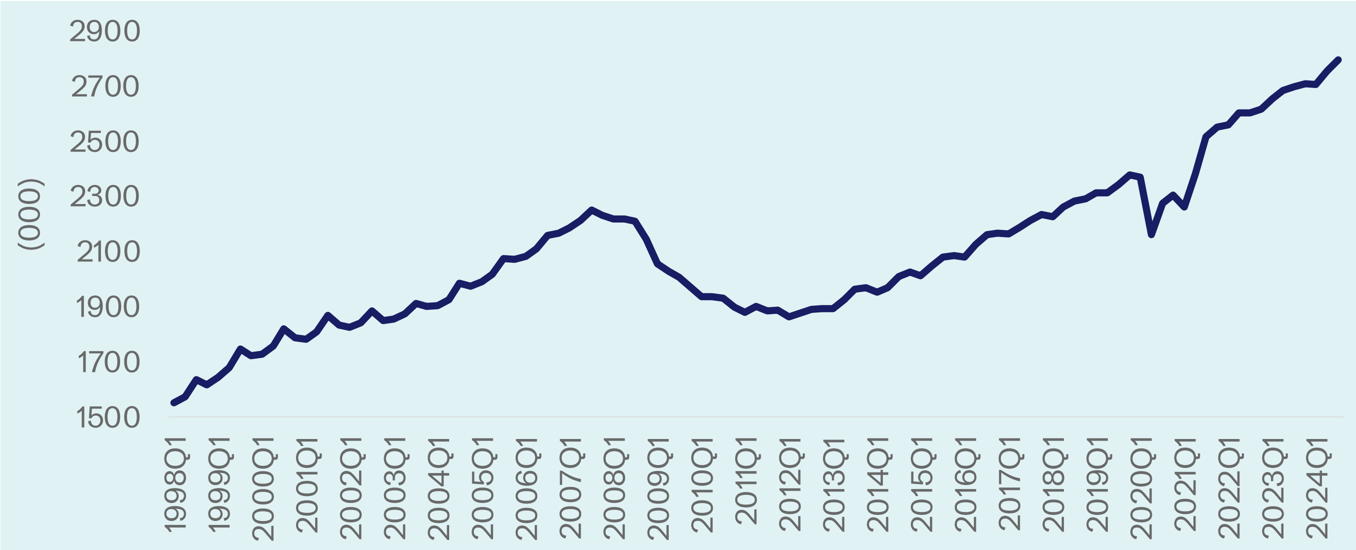
Source: CSO

THE LABOUR MARKET

The Irish labour market continued to perform very strongly during 2024. In the year ending September, total employment in the economy increased by 98,600, or 3.7 percent, from a year earlier to reach a new record high of 2.794 million.

The employment rate, which is the share of the total population aged between 15 and 64 who are employed, reached a record high of 75.3 percent.

Figure 3: Employment



Source: CSO

At a sectoral level, two sectors experienced a decline in employment in the year to the third quarter. Employment in agriculture, forestry & fishing declined by 1,800; and employment in the wholesale & retail trade declined by 700.

Table 6: Annual Change in Employment by Sector

SECTOR	Q3 2024 (000s)	Q3 2023 (000s)	CHANGE (000s)
Agriculture, forestry & fishing	112.9	114.7	-1.8
Construction	176.3	169.4	6.9
Wholesale & retail trade, repair of motor vehicles & motorcycles	323.5	324.2	-0.7
Transportation & storage	118.4	116.4	2
Accommodation & food service activities	200	183.1	16.9
Information & communication	188.6	179.5	9.1
Professional, scientific & technical activities	202.2	180.8	21.4
Administrative & support service activities	103.4	111.7	-8.3
Public administration & defence, compulsory social security	153.6	137.1	16.5
Education	228.2	222.9	5.3
Human health & social work activities	379.2	362.7	16.5
Industry	343.1	325.2	17.9
Financial, insurance & real estate activities	137	134.7	2.3
Other NACE activities	124.1	124.7	-0.6
Not stated	4.3	9	-4.7
Total	**2794.8**	**2,696.20**	**98.6**

Source: CSO PxStat

FOREIGN DIRECT INVESTMENT

Despite the challenging environment, the IDA had another solid year in terms of attracting foreign direct investment. At the end of 2024, companies supported by the IDA accounted for 302,566 direct jobs, which is 0.2 percent higher than in 2023 and it accounted for 10.8 percent of total employment. Modern manufacturing saw employment increase by 0.8 percent; traditional manufacturing saw growth of 0.4 percent; business, financial and other services increased by 1.7 percent; and ICT saw a decline of 1.7 percent.

THE FISCAL SITUATION

In 2024, an Exchequer surplus of €12.8 billion was recorded. This compares to a surplus of €1.2 billion in 2023.

The year was characterised by continued strong growth in the main tax revenue headings.

Tax receipts of €108 billion were collected, which is €19.9 billion or 22.6 percent ahead of 2023. This tax revenue buoyancy continues to be driven primarily by solid growth in income tax and VAT. However, the €11 billion of the ECJ Apple Tax ruling received to date grossly exaggerated the overall tax situation. When this €11 billion is excluded a surplus of just €1.8 was recorded.

- Income tax receipts totalled €35.1 billion, which is €2.2 billion or 6.6 percent higher than in 2023. This reflects the ongoing strength of employment and solid growth in wages.
- VAT receipts totalled €21.8 billion, which is €1.5 billion, or 7.3 percent higher than in 2023.
- Corporation tax receipts totalled €39.1 billion which is €15.2 billion or 63.9 percent ahead 2023. When the Apple Tax is excluded, corporation tax receipts at €28.1billion were 18.1 percent higher than in 2023.

Table 7: Tax Revenues (2024)

	€m	YEAR-ON-YEAR CHANGE (%)	YEAR-ON-YEAR CHANGE (€m)	% TOTAL
Income Tax	35,071	6.6%	2,158	32.5%
VAT	21,835	7.3%	1,488	20.2%
Corporation Tax	39,065	63.9%	15,228	36.2%
Excise	6,275	11.8%	662	5.8%
Stamps	1,695	-3.7%	-66	1.6%
Capital Gains Tax	1,706	12.3%	187	1.6%
Capital Acquisitions Tax	854	34.7%	220	0.8%
Customs	594	1.9%	11	0.5%
Motor Tax	928	1.9%	18	0.8%
Other Property Taxes	2	-	11	-
Total	**108,025**	**+22.6%**	**+19,908**	**100.0%**

Source: Department of Finance Fiscal Monitor, January 6, 2025

Gross voted government expenditure totalled €103.7 billion, which was €9 billion or 9.5 percent higher than in 2023. Of this total, gross voted current expenditure was €89.1 billion, which was 8.4 percent or €6.9 billion ahead of 2023. Gross voted capital expenditure totalled €14.6 billion, which was 16.8 percent ahead of 2023.

EXTERNAL TRADE

In 2023, merchandise exports declined by 5.5 percent, which largely reflected a post-Covid adjustment. There has been a strong rebound in 2024. In the first 10 months of the year, overall exports were up by 12.6 percent, with food up by 4.1 percent; chemicals and related products up by 13.4 percent; and exports of machinery and transport equipment up by 20.8 percent. Chemicals and related products accounted for 65.9 percent of total exports.

Exports to the EU-27 increased by 8.6 percent and accounted for 40 percent of the total; exports to the US increased by 29.6 percent and accounted for 31.7 percent of the total; and exports to Great Britain were down by 10 percent, and imports from GB were down by 22.5 percent. Great Britain accounted for just 7.2 percent of Irish merchandise exports in the first 10 months, which is the lowest level seen. Brexit is clearly complicating the trade relationship with Great Britain.

While the overall merchandise export performance is very positive, the heavy dependence on exports of chemicals and pharmaceuticals, and the US market highlights the concentration risks for Ireland. The actions of President Trump in relation to tariffs, his 'America First' policy, and free trade in general will need to be watched very closely in Ireland. In the first 10 months of 2024, Ireland ran a merchandise trade deficit of €40.2 billion with the US.

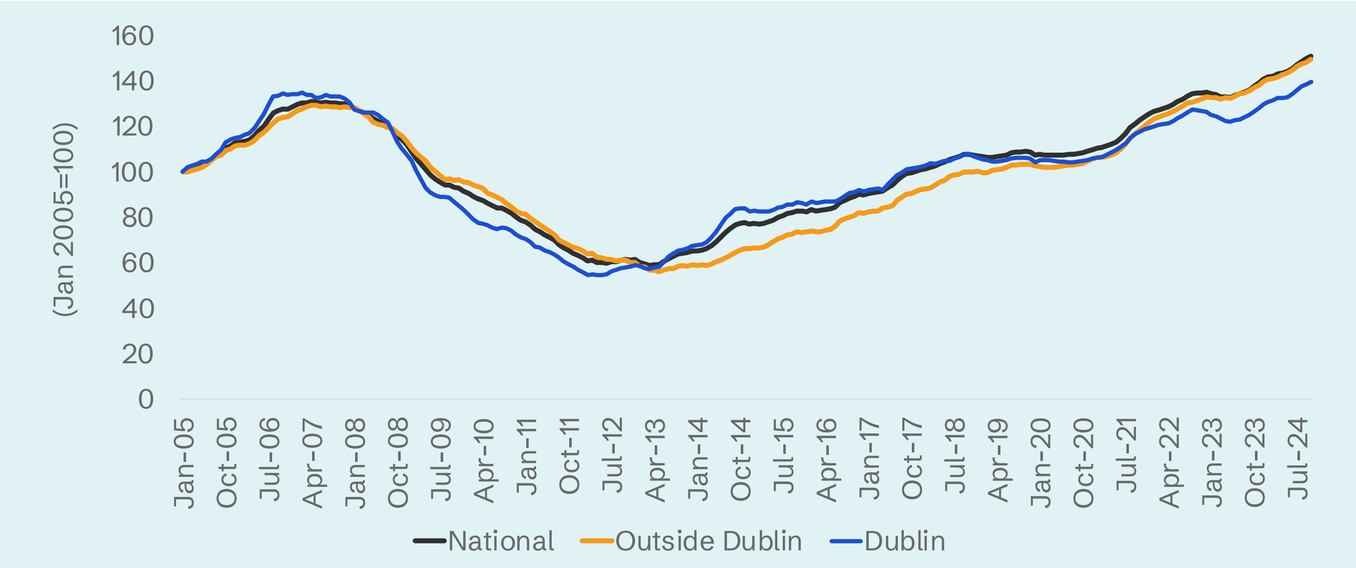
THE HOUSING MARKET

The housing market remained very strong in 2024, with prices and rents continuing to rise strongly. Not surprisingly, it was one of the biggest issues in General Election 2024. Demand has been strong throughout 2024 and while supply is gradually improving, it is still inadequate.

- National average residential property prices increased by 9.7 percent in the year to October.
- Average residential property prices Outside of Dublin increased by 9.2 percent in the year to October.
- Average residential property prices in Dublin increased by 10.4 percent in the year to October. The annual growth rate is down from a peak of 13.2 percent in February 2022.
- The national residential property price index in October was 15.2 percent above its highest level at the peak of the property boom in April 2007. Dublin prices are 3.4 percent higher than their February 2007 peak, and prices Outside of Dublin are 15.8 percent above their May 2007 peak.
- CSO data show that private rents increased by 5.1 percent in the year to November 2024. Between June 2012 and November 2024, average private rents increased by 122.2 percent.

With interest rates now starting to trend downwards this will help affordability and stimulate even stronger demand.

Figure 4: Residential Property Price Index



Source: CSO

In its Q4 Quarterly Economic Commentary in December, the ESRI concluded that Irish house prices in the third quarter are 8-10 percent overvalued. Similar modelling would have shown that back in 2007 house prices were overvalued by close to 40 percent.

The latest assertion is based on what its house forecasting model predicts where house prices should be and where house prices are. The ESRI uses an econometric model that includes affordability indicators such as household disposable incomes and mortgage interest rates; credit conditions; housing stock; and the population ratio in the key house purchase cohort of 25 to 44 years of age. The model concludes that prices are now up to 10 percent above what the model would have predicted.

Despite this overvaluation, barring a serious economic shock, house prices are likely to grow by at least 8 percent in 2025, particularly if the firm downward trajectory in interest rates continues.

CONSUMER SPENDING

Consumer sentiment improved during in 2024. Cost-of-living issues come across as the main concern, but the overall sentiment index is optimistic based on falling interest rates and a generally solid economic background.

However, consumer spending behaviour is quite cautious as the elevated level of consumer prices continues to engender caution. Retail spending on goods has been weak this year.

In the first 10 months of the year, the volume of retail sales was 0.5 percent higher than the equivalent period in 2023. When car sales are excluded, the volume of retail sales was 0.3 percent lower than in 2023. The cost-of-living escalation is dampening consumer expenditure.

NEW CAR REGISTRATIONS

2024 was a reasonably challenging year for the motor trade in terms of new car sales. New car registrations declined by 1 percent. The new car market started the year strongly, but then weakened as the year progressed. The big story of the year was the decline of 23.6 percent in EV sales. In the first nine months of the year new registrations declined by 1.4 percent. EVs accounted for 18.7 percent of the new car market in 2023, but this declined to 14.4 percent in 2024.

The decline in EVs reflects several factors including the impact of Tesla and Chinese EVs on second hand prices of the established brands; range anxiety concerns and the inadequate charging infrastructure; reduced incentives; and more generally, a significant deterioration in sentiment. This is the one segment of the market that will be watched more closely in 2025 and there is a reasonable chance that new EV sales could be stronger than in 2024.

Table 8: New Car Registrations by Engine Type (2024)

ENGINE TYPE	NUMBER	% YEAR-ON-YEAR	% MARKET
Petrol	36,732	-0.5%	30.3%
Diesel	27,628	+1.4%	22.8%
Petrol-Electric (Hybrid)	25,353	+12.2%	20.9%
Electric	17,459	-23.6%	14.4%
Petrol Plug-In Electric Hybrid	12,145	+20.4%	10.0%
Diesel-Electric (Hybrid)	1,486	-39.1%	1.2%
Diesel Plug-In Electric Hybrid	392	+32.0%	0.4%
Total	**121,195**	**-1.0%**	**100.0%**

Source: SIMI Motorstat

AGRICULTURE

The advanced estimate of farm incomes from the CSO suggests that the operating surplus in agriculture increased 32.7 percent to €3.9 billion. While this growth rate is very significant, it follows a decline of 39.4 percent in 2023, and an increase of 35.6 percent in 2022. Input costs and output prices have become very volatile since 2022 and this is leading to extreme volatility in farm incomes.

THE ECONOMIC OUTLOOK FOR 2025

2024 was another solid year for the Irish economy both economically and politically, particularly when we observe what is going on in a myriad of other countries around the world. The key strengths in 2024 included a strong labour market, strong growth in tax revenues, a solid aggregate household balance sheet, and a strong rebound in exports after a setback in 2023. The consumer side of the economy and the SME sector had a challenging year. Hospitality and retail businesses were particularly challenged.

The key positives for the Irish economy include:

- Solid economic momentum.
- Record levels of employment.
- Low unemployment.
- A stable FDI sector.
- A stable banking system, although it is overly concentrated.
- Strong public finances, helped by windfall corporation tax receipts and the ECJ Apple tax ruling.
- Falling interest rates.
- Record household deposits, lower levels of household debt and in general, a strong personal balance sheet.
- Political stability.
- Budget 2025 was a very stimulatory package and will provide strong support to the overall economy in 2025.

The key threats and challenges to the wellbeing of the Irish economy largely emanate from outside the country. The key threats include:

- A global trade war driven by Trump tariffs and retaliation from US trade partners.
- Inflation spiking again, driven by energy prices, higher prices due to tariffs, and labour market inflation driven by deportation of migrants in the US.
- An overly expansionary fiscal policy in the US driven by deficit financed tax cuts by the Trump presidency.
- A significant correction in what is a very highly valued global equity market background.
- A Russian victory in Ukraine.
- A further escalation of the war in the Middle East.

Ireland has an inordinate dependence on US multi-nationals in terms of direct and indirect employment, and more particularly and worryingly, income tax and corporation tax receipts. It remains to be seen what the Trump administration might do to further the 'America first' agenda, but the risks to Ireland are compelling. In some ways there is not a lot we can do to counter those risks other than deep diplomatic engagement to mend fences; and to ensure that in vital strategic areas such as energy, water, and housing serious efforts are made to address the deficiencies.

The Irish economy should continue to perform reasonably strongly over the coming year with growth of up to 4 percent in modified domestic demand possible. The threats posed by the Trump presidency will have to be watched very closely.

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