

The all-island  
economy:  
favourable outlook  
amid prevailing  
risks

Economic Eye  
Autumn 2024 forecast

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# Overview



# Autumn 2024 agenda

## 1

### Economy

The growth outlook for the ROI and NI economies is favourable in the main.

## 2

### Monetary policy

With inflation close to target, major central banks are cutting interest rates.

## 3

### Upcoming budgets

Surpluses in ROI contrast with strained public finances in the UK and NI.

## 4

### Global politics

In a year of elections, the race to become the next US president is heating up.

# All-Island Outlook

Despite prevailing risks, our autumn 2024 Economic Eye outlook for the all-island economy is largely favourable. Growth is in prospect for the Republic of Ireland (ROI) and Northern Ireland (NI), with momentum expected to build over the forecast horizon as inflation settles at rates consistent with price stability, monetary conditions become more benign, and trading partner demand picks up. Employment is also projected to increase this year and next.

## Economic Growth Outlook

	2023	2024f	2025f
ROI	-5.5%	-0.3%	4.5%
ROI MDD	2.6%	2.3%	3.2%
NI	-0.3%	1.1%	1.8%

(Annual change, constant prices)

Modified Domestic Demand excludes globalisation effects

Source: EY Economic Eye



# Chief Economist Comment



**Dr. Loretta O'Sullivan**

Chief Economist and Partner, EY Ireland

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With central bankers, finance ministers and politicians making their entrances and exits on the economic stage, autumn 2024 is shaping up much like a play of three acts.



Shakespeare is always good for a quote, and the one that comes to mind for autumn 2024 is 'All the world's a stage'. With central bankers, finance ministers and politicians making their entrances and exits on the economic stage, our outlook for the all-island economy is being informed by a play of three acts.

## Act 1:

All eyes were on the US Federal Reserve, the European Central Bank and the Bank of England in September. With inflation in the US, Euro area and UK flirting with the 2% target, to cut, or not to cut, interest rates was the question. Decisions were previewed, statements were reviewed, a captive audience hung on Chairman Powell's, President Lagarde's and Governor Bailey's every word. In the end, the Fed went big, the ECB moved again, and the Bank of England stayed on hold.

Looking ahead, the near-term path for monetary policy is down. This is welcome news for households and businesses in ROI and NI, albeit back-to-back rate cuts are not guaranteed. While central bank 'doves' worry about the risks to economic growth from moving too slowly, 'hawks' are warning about lingering services inflation and the risks of moving too fast. It is also unlikely that rates will return to the ultra-low levels that prevailed in the post-global financial crisis, pre-pandemic era.

## Act 2:

Stepping into the spotlight in October are the Irish Minister for Finance and the Chancellor of the Exchequer in the UK, both of whom will be presenting their first budgets.

Flush public coffers in ROI mean there is scope to provide additional support to households and businesses, improve public services and further invest in infrastructure. Kites are being flown, speculation is rife, the discussion about what to do with tax 'windfalls' is lively. The headline fiscal position masks underlying vulnerabilities however, and the so-called 'four Ds' - demographic change, decarbonisation, digitalisation and the risk of de-globalisation - are known challenges. Spare capacity in the economy is also relatively limited at the current juncture. So, Minister Chambers and the Irish government face a balancing act in Budget 2025; between giveaway and prudence, spending and saving, the present and the future.

In contrast, strained public finances will leave Chancellor Reeves and the new UK government with little room for manoeuvre in the Autumn Budget. The purse strings are tight for the Stormont Executive as well.

## Act 3:

2024 has been a significant year for elections, but the US Presidential one in November is set to cast all others into the shadows, including a possible general election in ROI. There has been plenty of drama to date, with more to come if a potential Trump administration were to move forward with much hyped tariffs.

Of course, the global landscape has already changed. Trade and investment policies have become more inward-orientated and competition among jurisdictions has intensified. With industrial policy also re-emerging worldwide, there is a need to evaluate how ROI's grant, incentives and tax credit regimes can most effectively compete. At the same time, advocating for rules-based world trade and investment that promotes openness, competitiveness, and multilateralism should remain a focus for Irish policymakers in European and international fora.

Bringing the curtain down, our autumn Economic Eye forecast for ROI and NI is favourable in the main, but there are risks as each act plays out. And as the shocks of recent years have made clear, we don't know who or what might be waiting in the wings.



# Global perspective





# Stable world growth

## Global Growth Outlook

	2023	2024f	2025f
World	3.3%	3.2%	3.3%
US	2.5%	2.6%	1.9%
Japan	1.9%	0.7%	1.0%
China	5.2%	5.0%	4.5%
India	8.2%	7.0%	6.5%
Euro area	0.5%	0.9%	1.5%
Germany	-0.2%	0.2%	1.3%
France	1.1%	0.9%	1.3%
Italy	0.9%	0.7%	0.9%
Spain	2.5%	2.4%	2.1%
UK	0.1%	1.1%	2.0%

(Gross Domestic Product, annual change, constant prices)

Fiscal year for India

Source: IMF, EY ITEM Club



# Interest rate cuts underway

Notwithstanding market jitters of late - especially about the outlook for China and the US - the world economy is holding up, with the IMF projecting stable GDP growth for 2024 and 2025 and a further easing in global inflation.

In the US, Euro area and UK, inflation is now close to the 2% target and the Federal Reserve, the European Central Bank and the Bank of England have reduced interest rates; by 0.5, 0.5 and 0.25 percentage points, respectively. The pace of loosening may be gradual but a less restrictive policy stance by all three monetary

authorities should offer support to global growth and business spending in the period ahead. Indeed, EY's new [CEO Confidence Index](#) points to broad positivity among executives (70.5 on a scale of 50 neutral to 100 optimistic) with respect to economic conditions, company growth, prices and inflation, talent, and investment and technology over the next 12 months.

Still, geopolitical conflicts and trade tensions are headwinds that organisations and the world economy will be navigating for some time yet, posing a risk to the outlook.

## Interest Rate Outlook

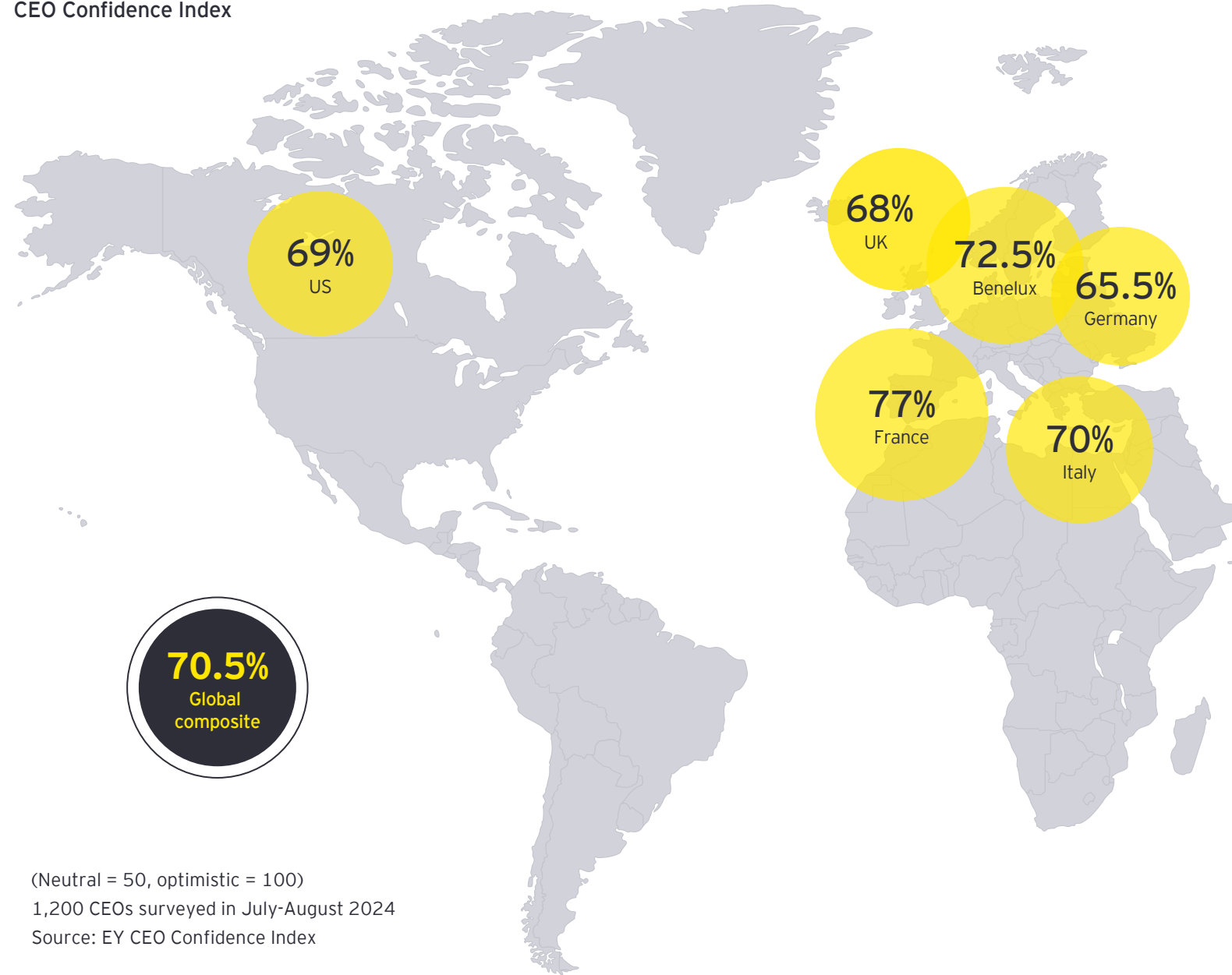
	2023	2024f	2025f
ECB	4.5%	3.4%	1.9%
BoE	5.25%	4.75%	3.75%
Fed	5.25% - 5.5%	4.25% - 4.5%	3.25% - 3.5%

(End year, ECB Refi, BoE Bank Rate, Fed Funds)

Source: Oxford Economics, EY Economic Eye



### CEO Confidence Index



(Neutral = 50, optimistic = 100)  
 1,200 CEOs surveyed in July-August 2024  
 Source: EY CEO Confidence Index

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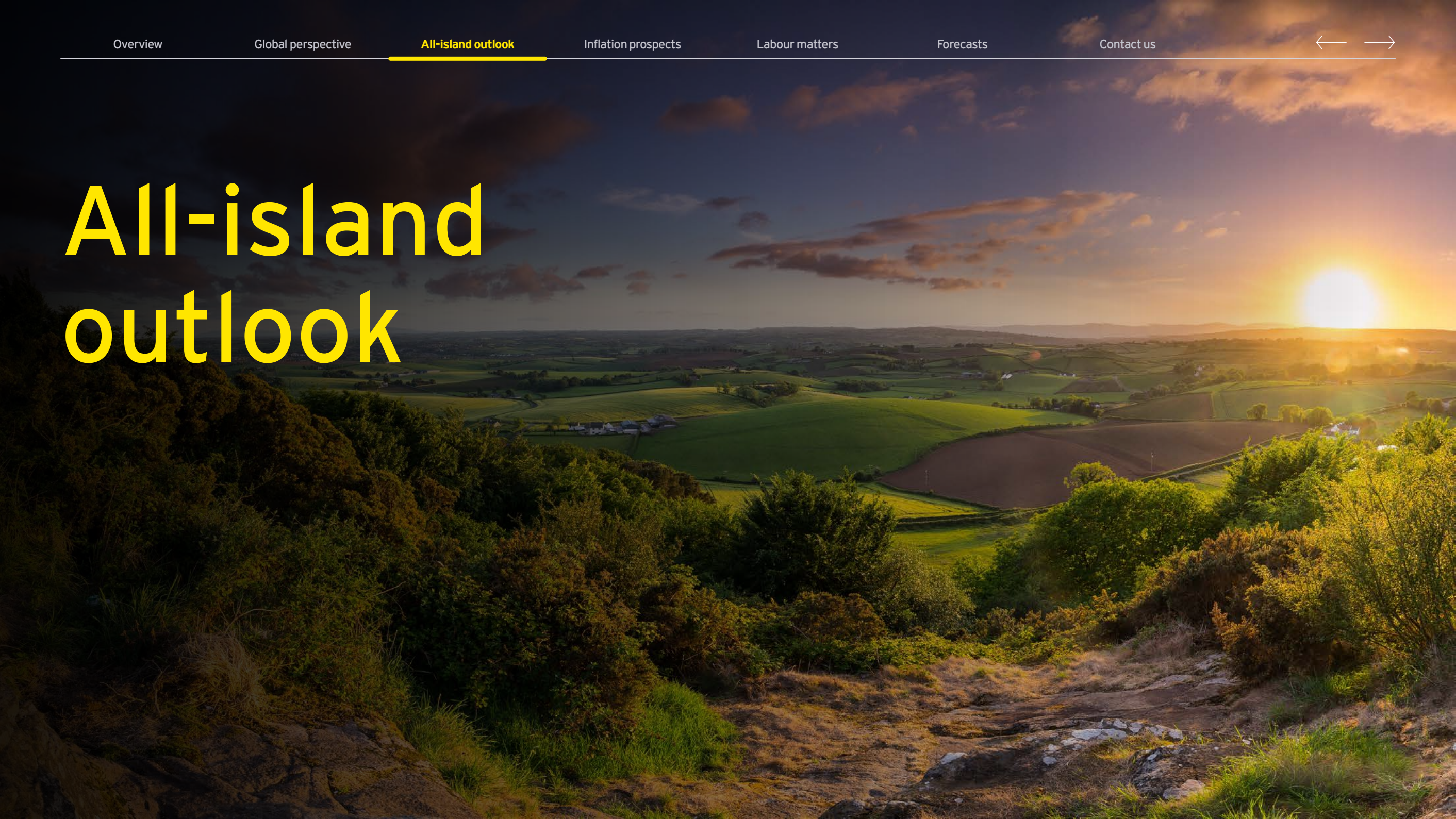
The latest EY CEO Outlook Pulse survey of 1,200 executives globally, finds a broad confidence among leaders. They are prepared to act and adapt to take advantage and grow in a business environment that is being transformed by emerging technologies and shifting consumer expectations, while also managing geopolitical and other uncertainties.



**Carol Murphy**

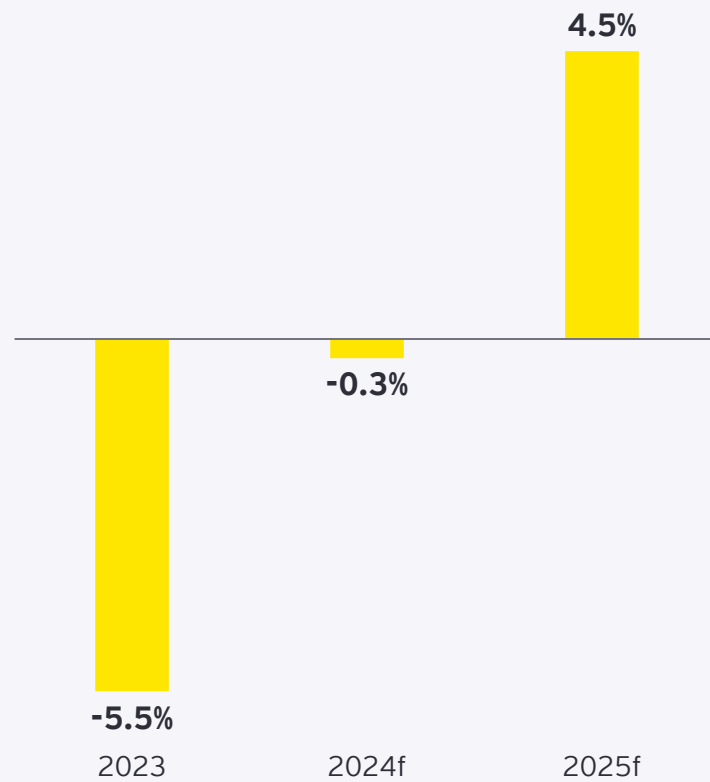
Partner and Head of Markets

# All-island outlook



# All-Island economy

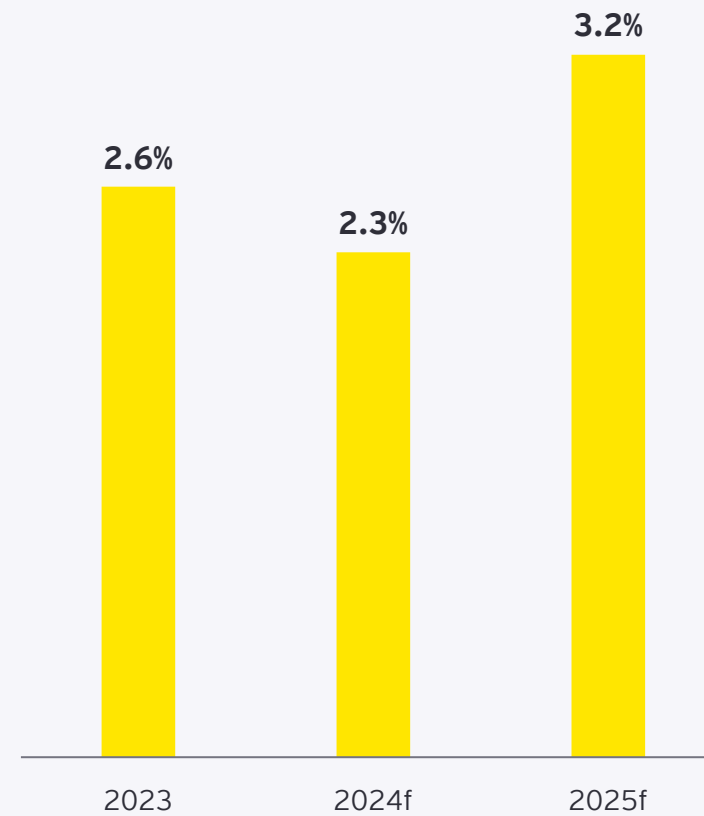
## Republic of Ireland, GDP



(Gross Domestic Product, annual change, constant prices)

Source: EY Economic Eye

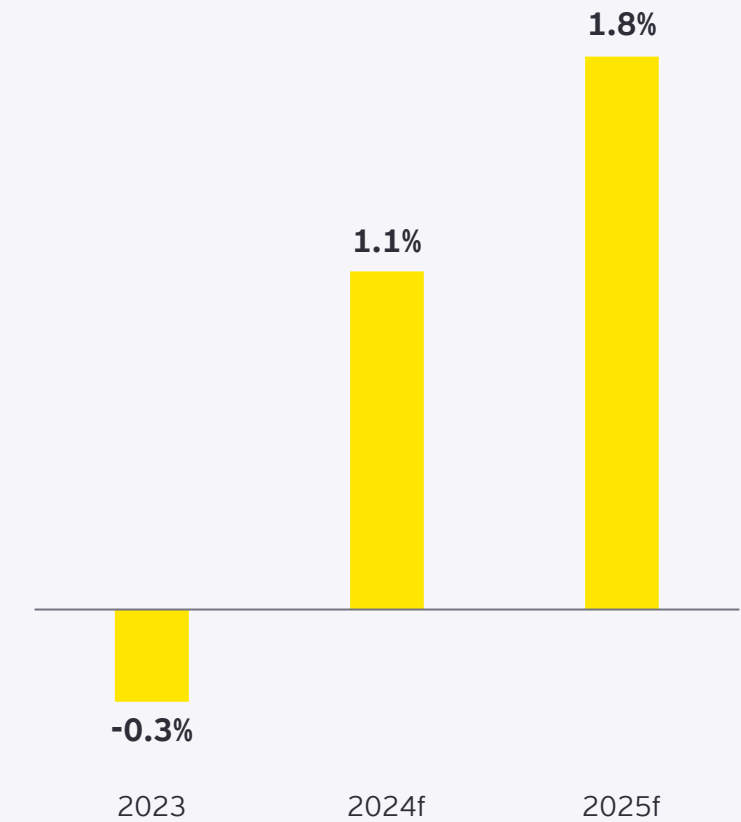
## Republic of Ireland, MDD



(Modified Domestic Demand, annual change, constant prices)

Source: EY Economic Eye

## Northern Ireland, GVA



(Gross Value Added, annual change, constant prices)

Source: EY Economic Eye

# Republic of Ireland

While GDP is exhibiting some weakness, a host of other metrics - stabilising inflation, low unemployment, a high tax take - indicate that the ROI economy is doing well.

The labour market will continue to provide support for consumer spending over the forecast horizon, with a 'Budget boost' also in the offing for households. As the cost of borrowing is an important driver of business spending, more favourable financing conditions as the European Central Bank loosens monetary policy should help lift investment, along with a sustained focus on infrastructure delivery and key digitalisation and decarbonisation agendas. Exports are expanding again too, and prospects for trading partners are broadly favourable.

Taking all this in the round, our autumn forecast has Modified Domestic Demand rising by 2.3% in 2024 and 3.2% in 2025. But ongoing volatility in the multinational sector means a negative GDP print is now likely this year, followed by an increase of 4.5% next year.

This largely positive outlook is subject to risks of course. These range from the changing global landscape to domestic bottlenecks. Further progress in addressing the latter will be important in the period ahead, for societal as well as for competitiveness and productivity reasons.

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The ROI economy is doing well. Consumers are spending, businesses are hiring, exports are rebounding, and tax receipts are robust. As always, there are headwinds, some external and some domestic, but the growth outlook is favourable in the main.



**Dr. Loretta O'Sullivan**

Chief Economist and Partner,  
EY Ireland

“

Prioritising strategic infrastructure projects such as offshore wind farms, improved public transport, and energy-efficient housing is vital to meet carbon commitments, spur economic growth, achieve sustainability targets, enhance Irish citizens' quality of life, and strengthen our economy.



**Shane MacSweeney**

EY Ireland Head of Strategy and  
Transactions; EY Global and EMEIA  
Infrastructure Leader

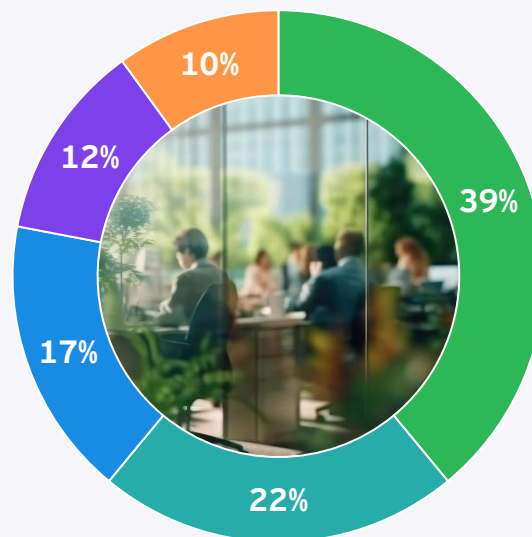
## Consumers

Consumption rose in ROI in the first half of 2024 and the outlook for the second half of this year and next is positive. Retail sales ticked up in July and consumer sentiment improved during the summer as inflation moderated, and as the ECB started to cut interest rates. While higher price levels are a concern for some households, looser monetary policy will feed through to tracker mortgage holders immediately and support a more widespread lowering of borrowing costs over time. Further employment and wage gains also augur well for households' finances.

Encouragingly, [EY's Future Consumer Index](#) research carried out in the spring finds that 42% of consumers expect to be better off in a year's time. And that's before the upcoming Budget puts additional money in pockets.

Taking these factors into account and assuming a modest easing in the savings ratio (which at 12.7% is currently above its long-run average), reasonably solid consumer spending growth is in store.

ROI Consumer Priorities



- Affordability First
- Health First
- Planet First
- Society First
- Experience First

500 consumers surveyed in April 2024  
 Source: EY Future Consumer Index

## Government

With the tax take up 12.6% in the year to end August 2024 and the Exchequer running a surplus, the public finances are healthy ahead of Budget 2025. The Irish government has indicated that a total package of €8.3 billion will be provided to support households and firms, improve public services such as healthcare, and enhance the capital stock. Of this, €6.9 billion has been slated for spending initiatives and €1.4 billion for taxation measures.

Fiscal vulnerabilities remain however, particularly the concentrated nature of corporation tax receipts. The recently enacted Future Ireland Fund is not a panacea but helps address these risks. It also allows the State to prepare for spending pressures down the line, including pension costs as the population ages and costs associated with the digital and green transformations. Meanwhile, the new Infrastructure, Climate and Nature Fund will facilitate public investment through the economic cycle, in contrast to the stop-start approach of the past.

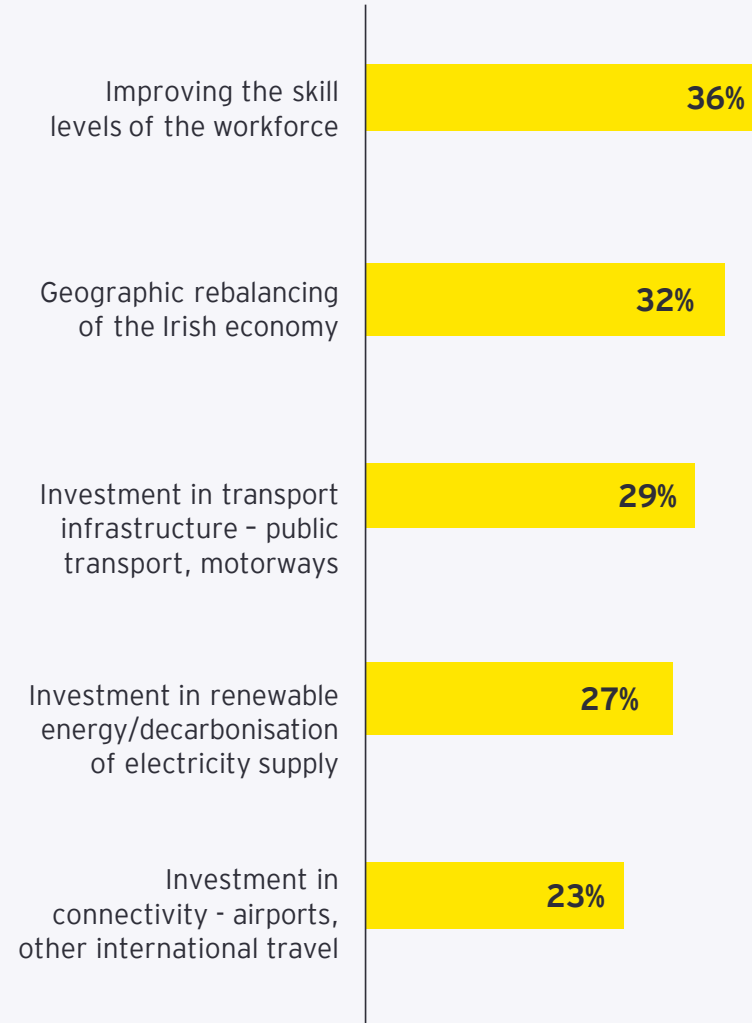
## Investment

Modified investment (which excludes Intellectual Property Products and aircraft leasing) is projected to gain ground over the forecast horizon.

Although geopolitical and other concerns are a headwind, measured optimism among firms and a more benign monetary backdrop bode well for business investment. Structural factors such as increased digitalisation, investment in artificial intelligence and sustainability programmes should lend additional support.

Public capital spending is also in prospect. Investment in infrastructure creates an enabling environment, lowering business costs and improving competitiveness. This is an area that international investors view as key to bolstering ROI's appeal as a location for foreign direct investment, with respondents to the latest [EY attractiveness survey](#) citing transport, energy and connectivity. On the housing front, commencements data for the year to July 2024 point to a strong pipeline, and we expect a step up in new dwelling completions to c.40,000 units per annum in 2025-2026, albeit this is still likely to fall short of demand.

### Focus Areas for ROI



150 international decision-makers surveyed in February-March 2024

Source: EY Attractiveness Survey

## Exports

Available CSO data for 2024 show exports rebounding after last year's weakness. While agri-food businesses that sell to Great Britain (and to the rest of Europe via the Landbridge) are dealing with new Brexit customs and regulatory checks, goods exports benefitted from a recovery in demand for pharma-chemical products in the first half of the year. At the same time, the global tech and business services sectors drove a strong expansion in services exports.

Looking ahead, the picture for major trading partners is broadly favourable - activity is expected to moderate in the US but to strengthen in the Euro area and UK - and export growth is forecast to continue apace in 2025.

Due to its small size and openness, the ROI economy is vulnerable to increasing trade protectionism. This vulnerability is heightened by former President Trump's proposal to impose a 60% tariff on Chinese products and a blanket tariff of 10% on imports from other countries if he is elected in the US in November, escalating the situation further.



# Northern Ireland

The NI economy has fared relatively well in 2024 to date. The Purchasing Managers' Index and solid employment gains point to expanding activity, and with easing inflation helping real incomes and financing conditions improving as the Bank of England gradually reduces interest rates, growth is projected to pick up further in 2025.

In his Spring Budget, the then-Chancellor of the Exchequer provided funding to boost global investment and trade opportunities for NI, which has unique access to both Great Britain and the European Union market for goods post-Brexit. The Stormont Executive's focus on growing a competitive and sustainable economy in its recently published draft Programme for Government is also welcome, albeit its finances are strained. This is the case in the UK too, with tax increases a possibility when the new Chancellor announces her Autumn Budget.

Overall, we expect the economy to grow by 1.1% this year and by 1.8% next year.

## NI Draft Programme for Government 2024-2027



Source: Northern Ireland Executive

“

The emphasis on unlocking the economy's potential and increasing prosperity in the Executive's blueprint for Northern Ireland is encouraging. Our EY Entrepreneur of the Year programme is in a similar vein, nurturing entrepreneurship among businesses across the island of Ireland to drive growth and investment.



**Rob Heron**

Managing Partner,  
EY Northern Ireland

# Inflation prospects



# Broad-based disinflation

Headline inflation in ROI has maintained a downward course in recent months, with underlying inflation (excluding food and energy) following a similar trajectory. Allowing for some bumps along the way, low rates are projected for the remainder of 2024 and into 2025, boosting real incomes and supporting consumer spending. The disinflation process in the UK is well advanced too, meaning the squeeze on households' purchasing power in NI is lessening.

The fading of the energy price shock triggered by Russia's invasion of Ukraine, the abatement of pandemic-related disruption to global supply chains, and aggressive monetary policy tightening by the

main central banks have all helped tame inflation, such that the interest rate cycle has now turned in the US, Euro area and UK.

Future energy commodity developments are uncertain, however, not least because of the unsettled situation in the Middle East. Higher than assumed oil and gas prices pose an upside risk to headline inflation forecasts for ROI and the UK, while stronger wage growth in the context of solid labour markets could slow the unwinding of services inflation in both countries. With spare capacity in the economy relatively limited, overly expansionary fiscal policy could also amplify domestic price pressures in ROI, keeping inflation higher than it would otherwise be.

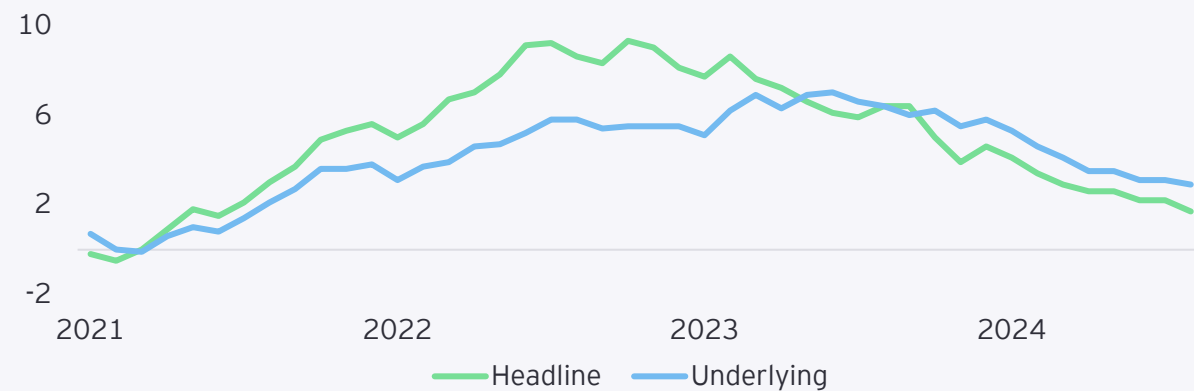
## Inflation Outlook

	2023	2024f	2025f
ROI	6.3%	2.4%	2.0%
UK	7.3%	2.5%	2.2%

(CPI, annual change)

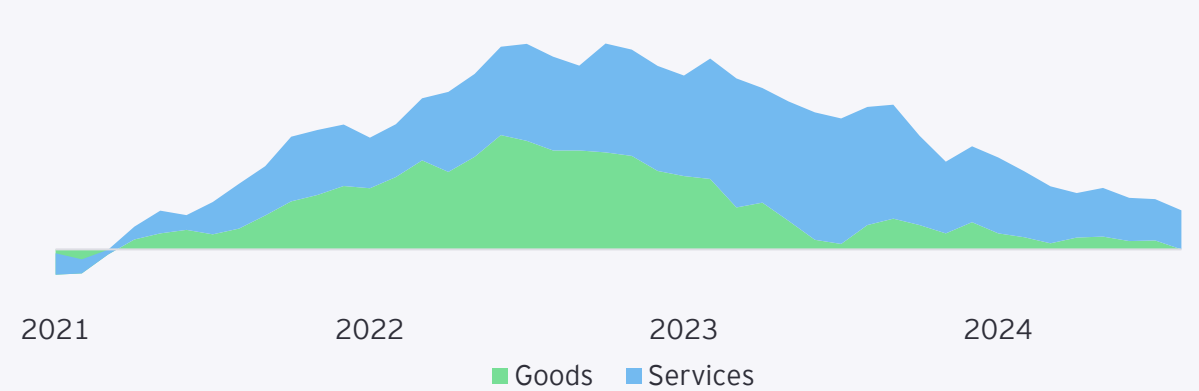
Source: EY Economic Eye, EY ITEM Club

ROI Consumer Price Index and Contributions



(Annual % change for Headline and Underlying, % points for Goods and Services)

Source: CSO



■ Goods ■ Services

# Labour matters



# Labour markets moderating

Incoming data confirm the strength of the island’s two labour markets, even as conditions are expected to cool.

The number of people employed in ROI stood at 2.75 million in the second quarter of 2024, with the Purchasing Managers’ Indices (PMIs) and income tax receipts indicating hiring continued in the third quarter. Job vacancies have eased though, and while the multinational sector remains supportive, the IDA expects employment trends in client companies to be softer going forward than in the past. Still, the unemployment rate is projected to

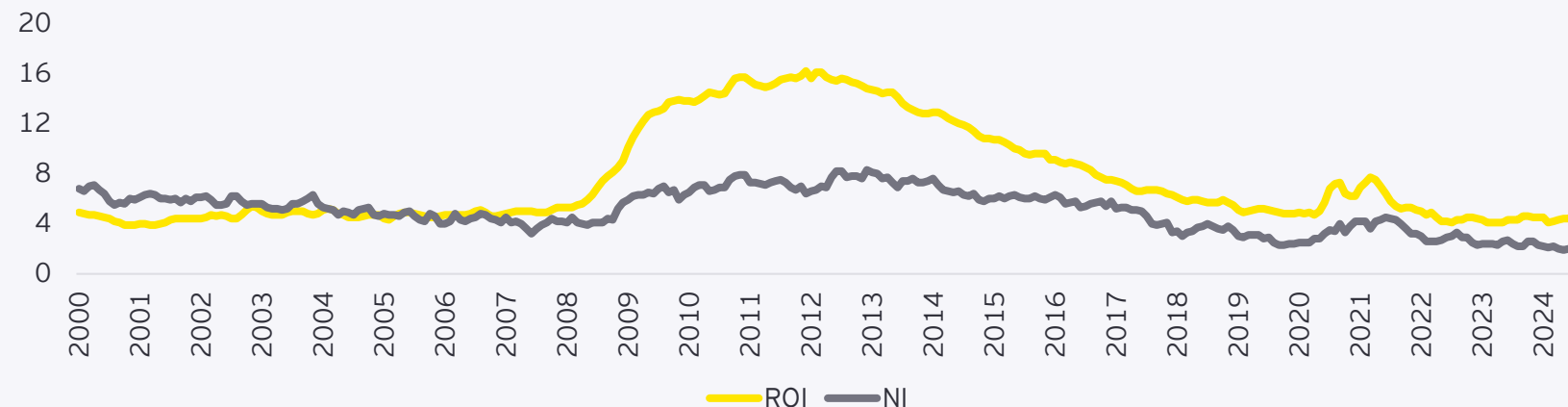
remain low by historical standards (4.4% this year and 4.6% next year), and our autumn forecast envisages solid wage gains of 4.5% on average in 2025.

Workforce jobs in NI posted a fresh high in the second quarter of 2024, and private sector staffing levels increased further in July and August according to the PMI survey. This better-than-expected performance is encouraging and has led us to raise our full-year employment growth forecast. Skills shortages and labour costs are a concern for many businesses, however.

The world of work has undergone significant change in ROI and NI in recent years. The resilience of both labour markets to the pandemic among other shocks has been remarkable, but more adjustment will be needed as the digital and green transitions progress and skill requirements evolve into the future.

A skills system that is flexible and responsive, and policies that promote training and lifelong learning is important for employers and employees alike, as is appropriate public funding for the further and higher education sectors.

Unemployment rate



(ILO measure, %)  
Source: CSO, ONS

## Employment Growth Outlook

	2023	2024f	2025f
ROI	3.4%	2.2%	1.8%
NI	1.9%	1.0%	0.7%

(Annual change, ROI Labour Force Survey, NI workforce jobs)

Source: EY Economic Eye

# Forecasts



# Republic of Ireland

	2023	2024f	2025f
Consumption	4.8%	2.6%	3.0%
Government Spending	4.3%	2.9%	3.0%
Investment	2.8%	-39.6%	3.0%
Modified Investment	-4.4%	1.0%	4.0%
Exports	-5.8%	12.0%	5.0%
Imports	1.2%	6.0%	4.4%
GDP	-5.5%	-0.3%	4.5%
Modified Domestic Demand	2.6%	2.3%	3.2%
Jobs	3.4%	2.2%	1.8%

(Annual change, GDP, MDD and components in constant prices)

Modified investment excludes Intellectual Property Products and aircraft leasing

Source: EY Economic Eye, CSO

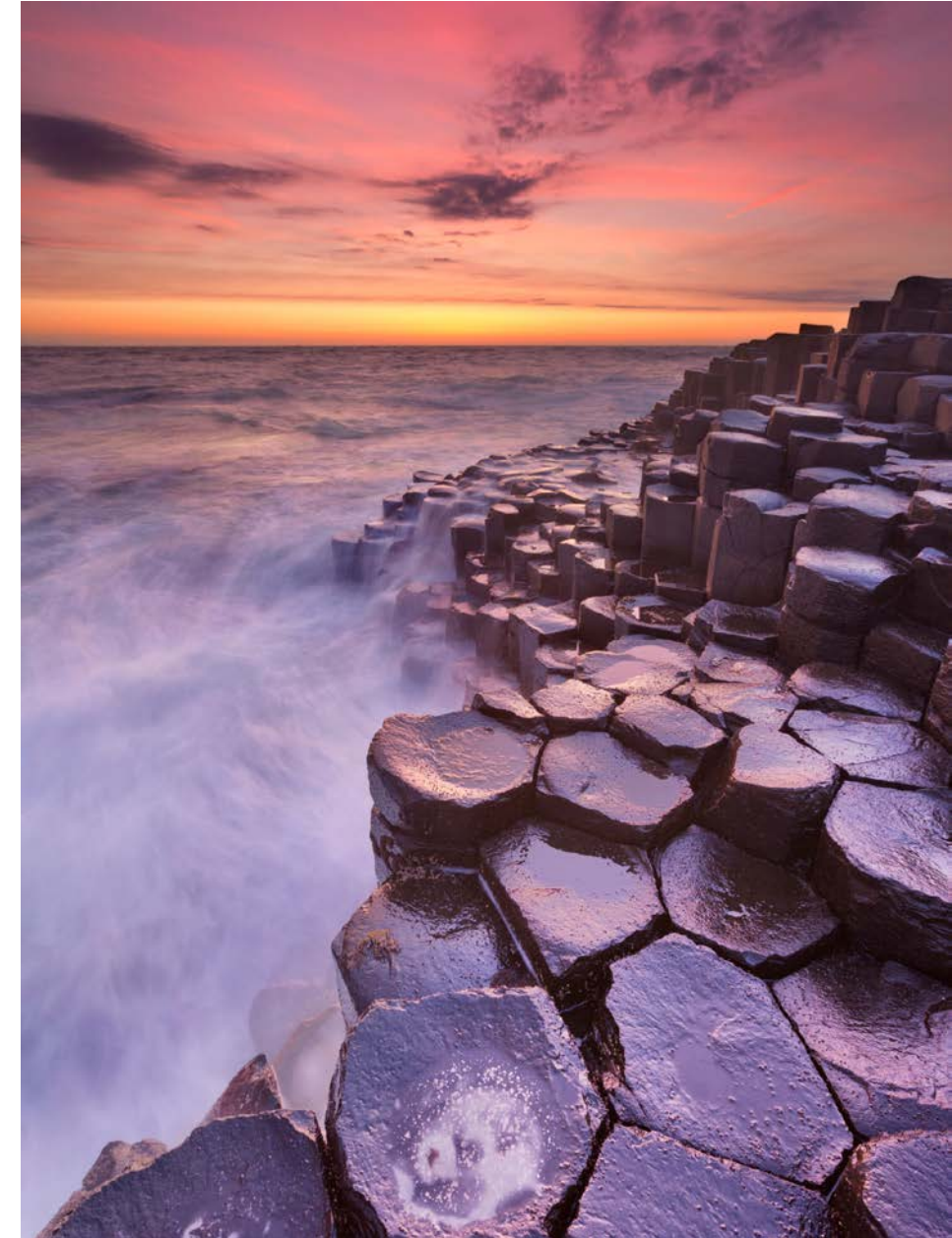


# Northern Ireland

	2023	2024f	2025f
GVA	-0.3%	1.1%	1.8%
Jobs	1.9%	1.0%	0.7%

(Annual change, GVA in constant prices)

Source: EY Economic Eye, NISRA





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Join in the conversation  
**#EconomicEye**



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