IMF Country Report No. 25/128

IRELAND

June 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR IRELAND

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Ireland, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its June 6, 2025, consideration of the staff report that concluded the Article IV consultation with Ireland.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 6, 2025, following discussions that ended on April 7, 2025, with the officials of Ireland on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 20, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Ireland.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/189

IMF Executive Board Concludes 2025 Article IV Consultation with Ireland

FOR IMMEDIATE RELEASE

- The Irish economy has performed well and entered 2025 in a strong position.
- The domestic economy is projected to continue growing, albeit at a slower pace in a highly uncertain global environment.
- There are significant external downside risks to growth and public finances, which are vulnerable to external trade and tax policy shifts.

Washington, DC – June 11, 2025: On June 6, 2025, the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Ireland.[1]

The Irish economy has performed well. The domestic economy, as measured by the Modified Gross National Income, is estimated to have grown by about 4 percent in 2024. Robust consumption and strong net exports, dominated by foreign multinational enterprises (MNEs), contributed positively to growth. Headline inflation has fallen to target, while service inflation has been more persistent. The labor market remains tight, although pressures appear to be easing. The general government balance continued to register a sizeable surplus in 2024, supported by large corporate income tax receipts from multinational enterprises. Bank lending growth has strengthened, largely driven by housing and consumer loans.

The domestic economy is projected to continue to grow, though at a slower pace in a highly uncertain global environment. The strong labor market and rising real incomes, as well as anticipated pick up in housing investment and government capital spending would support domestic demand. While the direct effect of the announced tariff measures is projected to be contained, heightened global uncertainty would though weigh on household and business spending decisions.

There are significant downside risks to the growth outlook. The concentration of activity in a small number of MNEs leaves the economy and public finances vulnerable to external trade and tax policy shifts and firm- or sector-specific shocks. More broadly, a sustained reversal of globalization would put at risk the Irish economic model which has benefitted from free trade and capital flows. Domestically, supply-side constraints could delay the attainment of infrastructure and housing goals.

---

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors welcomed the strong economic performance, which has been underpinned by robust domestic demand and prudent policies. Directors highlighted that while the outlook remains positive, there are considerable downside risks, given high global uncertainty and Ireland's significant exposure to trade and investment shocks. Accordingly, Directors emphasized the need to maintain fiscal prudence, safeguard financial stability, and advance structural reforms to support resilience and growth.

Directors recommended that fiscal policy continue to focus on building buffers, stepping up public investment, and reducing revenue uncertainty. Noting that the economy is operating at full capacity, Directors agreed that a broadly neutral fiscal stance with increased capital expenditure is appropriate as it would allow Ireland to address infrastructure needs without adding to aggregate demand. Important measures include enhancing public spending efficiency and broadening the tax base to reduce reliance on uncertain corporate tax revenue. Directors agreed that Ireland would benefit from a strengthened national fiscal framework that further ensures long-term fiscal sustainability and enhances the credibility and predictability of fiscal policy.

Directors recognized the resilience of the financial sector, while underscoring the importance of continued close monitoring of financial stability risks. Noting the high global uncertainty, Directors emphasized the need for continued vigilance, as shocks to the non-bank sector could be transmitted to other parts of the financial system and the real economy. Directors agreed that the macroprudential stance is appropriate and that measures should continue to be reassessed as conditions evolve. While welcoming progress on reducing risks from the non-bank sector, Directors urged continued efforts to improve regulation and supervision and address data gaps in collaboration with international regulators and other jurisdictions.

Directors emphasized the importance of enhancing resilience and competitiveness, amid external policy shifts and deepening geoeconomic fragmentation. Measures to promote linkages between domestic and multinational firms in innovation cooperation and improve infrastructure would help foster increased competitiveness. Directors also encouraged continued engagement in the EU to further strengthen the single market. Noting the potential dividends for growth, Directors acknowledged that Ireland is well-positioned to harness the benefits of digitalization and AI. They also highlighted the need to address supply-side constraints in housing, including by boosting productivity in the construction sector and enhancing housing policy certainty.

---

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Ireland: Selected Economic Indicators, 2021–30

	2021	2022	2023	Projections 2024	2025	2026	2027	2028	2029	2030
	(Annual percentage change, constant prices, unless otherwise indicated)									
Output/Demand										
Real GDP 1/	16.3	8.6	-5.5	1.2	3.2	2.1	2.1	2.2	2.1	2.3
Real GNI* (growth rate) 2/	13.9	4.6	5.0	3.7	2.4	2.2	2.0	2.2	2.3	2.3
Domestic demand	-16.4	8.0	6.0	-11.9	7.6	2.4	2.4	2.4	2.5	2.5
Public consumption	6.3	3.0	4.3	4.3	2.5	2.5	2.5	2.5	2.5	2.5
Private consumption	8.9	10.7	4.8	2.3	2.3	2.0	2.0	2.0	2.1	2.1
Gross fixed capital formation	-39.4	3.7	2.8	-25.4	20.0	3.0	3.0	3.0	3.0	3.0
Exports of goods and services	14.1	13.5	-5.8	11.7	3.1	2.2	2.5	2.5	2.5	2.5
Imports of goods and services	-8.7	16.0	1.2	6.5	4.9	2.4	2.8	2.7	2.8	2.7
Output gap	3.4	3.1	1.0	1.2	0.9	0.6	0.3	0.1	0.0	0.0
Contribution to Growth										
Domestic demand	-13.1	4.7	3.5	-7.7	4.4	1.4	1.4	1.4	1.5	1.5
Consumption	3.0	3.0	1.6	1.1	1.0	0.9	0.9	0.9	0.9	0.9
Gross fixed capital formation	-16.3	0.8	0.6	-5.9	3.4	0.6	0.6	0.6	0.6	0.6
Inventories	0.2	0.9	1.3	-3.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports	29.1	3.3	-9.1	9.3	-1.0	0.7	0.7	0.8	0.7	0.8
Residual	0.3	0.6	0.1	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0
Prices										
Inflation (HICP)	2.4	8.1	5.2	1.3	1.9	1.7	1.8	1.9	2.0	2.0
Inflation (HICP, core)	1.6	5.0	5.1	2.4	2.1	2.2	2.0	2.0	2.0	2.0
GDP deflator	1.1	6.8	3.6	3.3	1.9	1.4	1.8	2.1	2.0	2.0
Employment										
Employment (% changes of level, ILO definition)	6.5	6.9	3.4	2.7	1.5	1.1	0.8	0.6	0.6	0.6
Unemployment rate (percent)	6.3	4.5	4.3	4.3	4.5	4.7	4.8	4.8	4.8	4.8
	(Percent of GDP)									
Public Finance, General Government										
Revenue	22.2	22.3	24.3	27.8	25.6	25.7	25.7	26.1	26.2	26.2
Expenditure	23.5	20.6	22.7	23.5	24.2	24.4	24.6	24.8	24.9	25.0
Overall balance	-1.4	1.7	1.5	4.3	1.4	1.3	1.1	1.3	1.3	1.2
in percent of GNI*	-2.7	3.3	2.7	7.4	2.4	2.3	1.9	2.3	2.3	2.0
Primary balance	-0.6	2.3	2.2	4.9	2.0	1.9	1.7	2.0	2.1	2.0
Cyclically adjusted primary balance	-1.6	1.4	1.9	4.4	1.7	1.7	1.6	1.9	2.1	2.0
Structural primary balance 3/	-0.6	-0.6	-0.4	-0.8	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
General government gross debt	52.6	43.1	43.3	40.9	36.4	34.4	33.1	31.6	30.2	29.0
General government gross debt (percent of GNI*)	102.3	84.2	75.9	70.0	62.8	59.3	57.1	54.5	52.1	50.1
Balance of Payments										
Trade balance (goods)	37.5	39.4	30.6	33.1	36.6	36.1	35.7	35.6	35.8	35.8
Current account balance	12.2	8.8	8.1	17.2	12.2	11.6	11.1	10.6	9.9	9.2
Gross external debt (excl. IFSC) 4/	284.9	229.9	218.9	198.0	179.9	166.4	153.3	140.6	129.3	118.9
Saving and Investment Balance										
Gross national savings	35.3	31.7	34.4	34.6	31.5	30.9	30.3	29.9	29.3	28.8
Private sector	35.5	29.0	31.8	29.2	29.1	28.6	28.4	27.7	27.2	26.8
Public sector	-0.2	2.7	2.6	5.3	2.4	2.2	2.0	2.2	2.2	2.0
Gross capital formation	23.1	22.9	26.3	17.4	19.3	19.2	19.3	19.2	19.4	19.5
Memorandum Items:										
Nominal GDP (€ billions)	449.2	520.9	510.0	533.4	561.2	581.1	603.9	630.2	656.8	685.2
Nominal GNI* (€ billions)	230.8	267.0	290.9	311.8	325.3	337.0	349.8	364.9	380.7	397.2
Modified domestic demand (percentage change) 5/	8.0	8.8	2.6	2.7	2.1	2.1	2.2	2.2	2.3	2.3

Sources: CSO, DoF, Eurostat, and IMF staff estimates and projections.
1/ Real GDP growth is reported in non-seasonally adjusted terms.
2/ Nominal GNI* is deflated using GDP deflator as proxy, since an official GNI* deflator is not available.
3/ Excludes estimated windfall CIT receipts. In 2024 also excludes CIT receipts of 2.5 percent of GDP following judgment by the Court of Justice of the EU.
4/ IFSC indicates international financial services.
5/ Modified Domestic Demand (MDD) measures Ireland's domestic economic activity by excluding certain capital investment items such as aeroplanes purchased by leasing companies in Ireland and Intellectual Property purchases of foreign-owned corporations from final domestic demand.

INTERNATIONAL MONETARY FUND

IRELAND

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 20, 2025

KEY ISSUES

Context and outlook. Ireland has achieved impressive results by building on its comparative advantages and enacting sound policies. Staying the course will require navigating uncertainties and addressing challenges. Entering 2025 in a strong position, the Irish domestic economy is expected to continue to grow, though at a slower pace against a global backdrop of high uncertainty and structural shifts. Inflation is expected to remain close to target. The growth outlook is subject to significant external downside risks.

Fiscal policy. A broadly neutral fiscal stance with higher capital expenditure is appropriate in 2025 and the medium term. Ireland needs to raise public investment to address its housing and infrastructure deficits, but this should be done within an appropriate overall spending envelope, ensuring value for money. Broadening the tax base would shield the budget from the uncertainty of corporate income tax revenue. Ireland would benefit from strengthening the national fiscal framework to help guard against shocks while addressing investment needs and future spending pressures. To this end, consideration should be given to adopting a general government debt anchor, complemented by an operational rule based on net expenditure ceilings.

Financial policies. The financial system has been resilient but systemic risks have risen in a highly uncertain global environment. Trade tensions and geoeconomic shifts may adversely affect economic activity with knock-on effects on household and business balance sheets, high global uncertainty interacting with vulnerabilities in nonbanks could transmit and amplify shocks, and the CRE market downturn could persist—all warranting continued close monitoring of financial stability risks. The current macroprudential policy settings are appropriate. Efforts should continue to strengthen the regulation and supervision of nonbanks and address data gaps in collaboration with other jurisdictions.

Structural reforms. Mitigating policies are needed to guard against risks from geoeconomic fragmentation. These include promoting cooperation in innovation between dynamic multinationals and the domestic firms, improving infrastructure, and continuing to engage in the EU to further strengthen the single market. Digitalization and AI can be harnessed to increase productivity and wellbeing, but risks need managing. Easing housing regulatory constraints and increasing productivity in the construction sector remain important to boost housing supply.

Approved By
Kristina Kostial (EUR) and Jarkko Turunen (SPR)

Discussions were held in Dublin during March 25–28 and April 1–7, 2025, and in Cork on March 31, 2025. Mission members included Yan Sun (head), Yen Mooi, Rossen Rozenov, and Yang Yang (all EUR). Gina Fitzgerald and Matthew Day (OED) attended most of the meetings. Brigitte Plein and Santiago Previde supported the mission. The mission met with Minister for Finance Donohoe, Minister for Public Expenditure, National Development Plan Delivery and Reform Chambers, Governor of the Central Bank of Ireland Makhlouf, senior officials, labor unions, and private sector representatives.

CONTENTS

ANNEXES

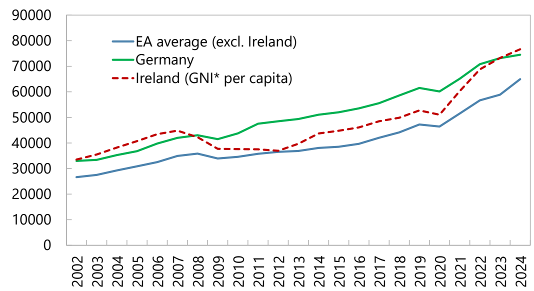
CONTEXT

1. Ireland has achieved impressive results building on its comparative advantages and sound policies. Staying on the path of success will require navigating uncertainties and addressing challenges in a more fragmented and shock-prone world. Ireland has become a top destination for international investors which has helped grow the economy and raise living standards. A well-educated and skilled labor force, a favorable business environment that fosters innovation, and sound policies and institutions are among the key factors for success. To stay the course amidst rising trade tensions, deepening geoeconomic fragmentation (GEF), and elevated uncertainty, the new government needs to build resilience and address challenges, including from dependence on tax revenues from multinational enterprises (MNEs), housing shortages, and infrastructure gaps.

Figure 1. Ireland: Selected Indicators

Ireland has achieved high per capita income thanks to…

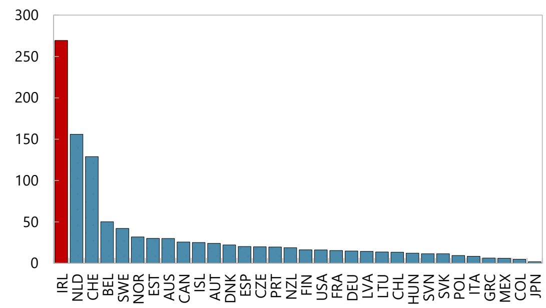
Ireland and Euro Area GNI Per Capita
(PPP dollars)



Sources: Eurostat, Haver Analytics, WEO database, and IMF calculations.
Notes: GNI per capita is divided by the PPP exchange rate to account for potential price differences across countries. GNI* for 2024 is IMF staff's estimate.

…high FDI…

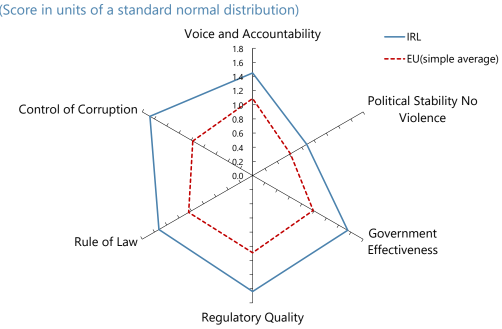
FDI per Capita 1/
(Thousand USD, 2023)



Sources: OECD, *World Economic Outlook*, and IMF staff calculations
1/ Excludes Luxembourg

…good governance…

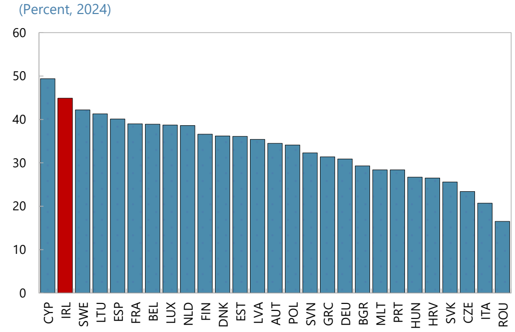
Governance Indicators
(Score in units of a standard normal distribution)



Source: *Worldwide Governance Indicators* 2023 Update, based on Kauffman, Kraay, and Mastruzzi (2011).

…and a well-educated workforce.

Population with Tertiary Education
(Percent, 2024)



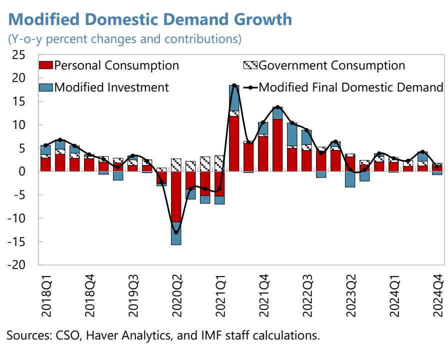
Source: Eurostat

RECENT DEVELOPMENTS

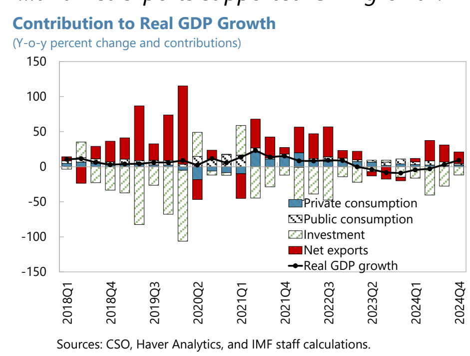
2. The domestic economy has performed well. Real GNI* (an appropriate measure of the Irish economy)[1] posted 5 percent growth in 2023 and is estimated to have grown by about 4 percent in 2024. Modified domestic demand (MDD)[2] increased by 2.7 percent in 2024, driven by private and government consumption, the former being supported by strong employment and wage growth. Modified investment expanded as well, despite weaker-than-anticipated housing completions. Real GDP increased by 1.2 percent in 2024 following a contraction in 2023. Net exports contributed positively, reflecting a strong recovery of merchandise exports, notably pharmaceuticals and electronics. Services export growth was largely influenced by exports of intellectual property (IP) which is also linked to the significant fall in investment last year. Monthly indicators suggest continuing strong performance into 2025, with industrial production, services, and retail sales posting positive growth.

Figure 2. Ireland: Economic Developments

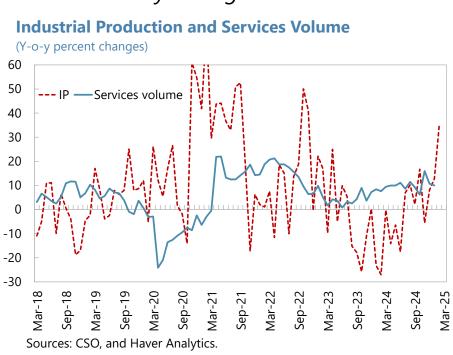
MDD remained robust in 2024…



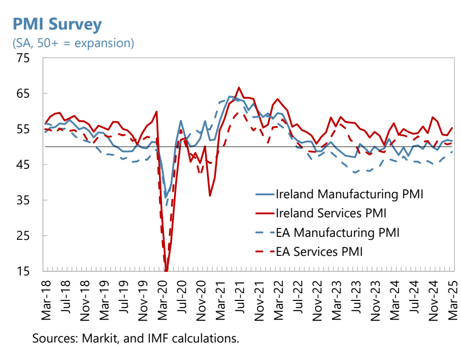
…and net exports supported GDP growth.



Industry performance has been uneven, while services were consistently strong…



…and the outlook is favorable.



[1] Modified Gross National Income (GNI*) is an indicator designed by the Central Statistics Office (CSO) to measure the size of the Irish economy by excluding MNEs' globalized operations (see Box 1 of the 2018 staff report). GNI* is only available annually.

[2] Modified Domestic Demand (MDD) is an indicator developed by the CSO to measure Ireland's domestic economic activity by excluding from final domestic demand certain capital investment items such as airplanes purchased by leasing companies in Ireland and intellectual property purchases of MNEs.

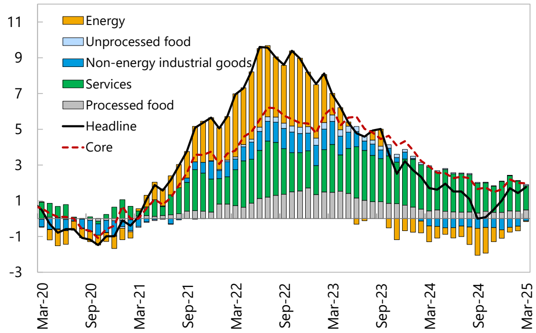
3. Inflation has fallen. Headline inflation followed a downward path throughout most of 2024, ending the year at 1 percent and bringing the annual average rate to 1.3 percent, among the lowest in the euro area. It has picked up somewhat in 2025, as the negative contribution of energy prices waned, but has remained below 2 percent. Core inflation has hovered around 2 percent since the beginning of the year. Services inflation has been more persistent, exceeding 3 percent on average and offsetting the falling prices of non-energy industrial goods. Although perceived inflation has come down from the elevated levels last year, it is still above actual inflation.

Figure 3. Ireland: Inflation Developments

Inflation has declined, helped by lower energy prices…

Contributions to Headline Inflation

(Y-o-y percent change and contributions)

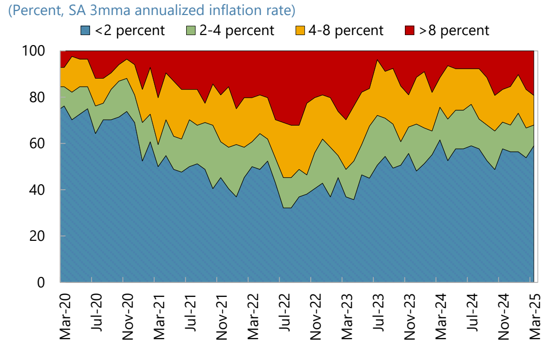


Sources: Eurostat, Haver Analytics, and IMF staff calculations.

…and most categories display moderate price increases.

Inflation Distribution of Core Components

(Percent, SA 3mma annualized inflation rate)

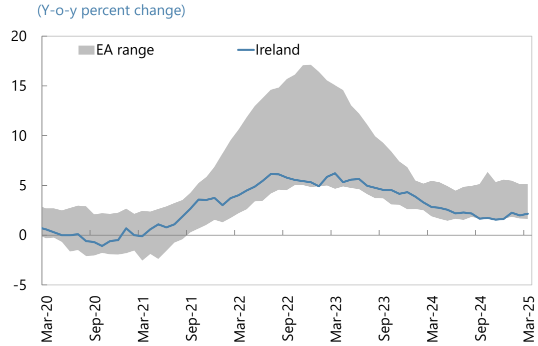


Sources: CSO; Eurostat; Haver Analytics; and IMF staff calculations.

Core inflation is among the lowest in the euro area…

Core Inflation

(Y-o-y percent change)

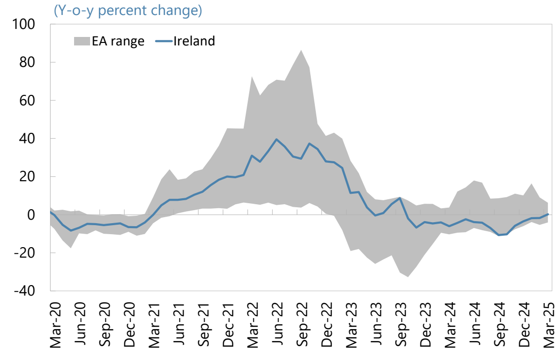


Sources: Eurostat, Haver Analytics, and IMF staff calculations.

…as is energy and unprocessed food inflation.

Energy and Unprocessed Food HICP

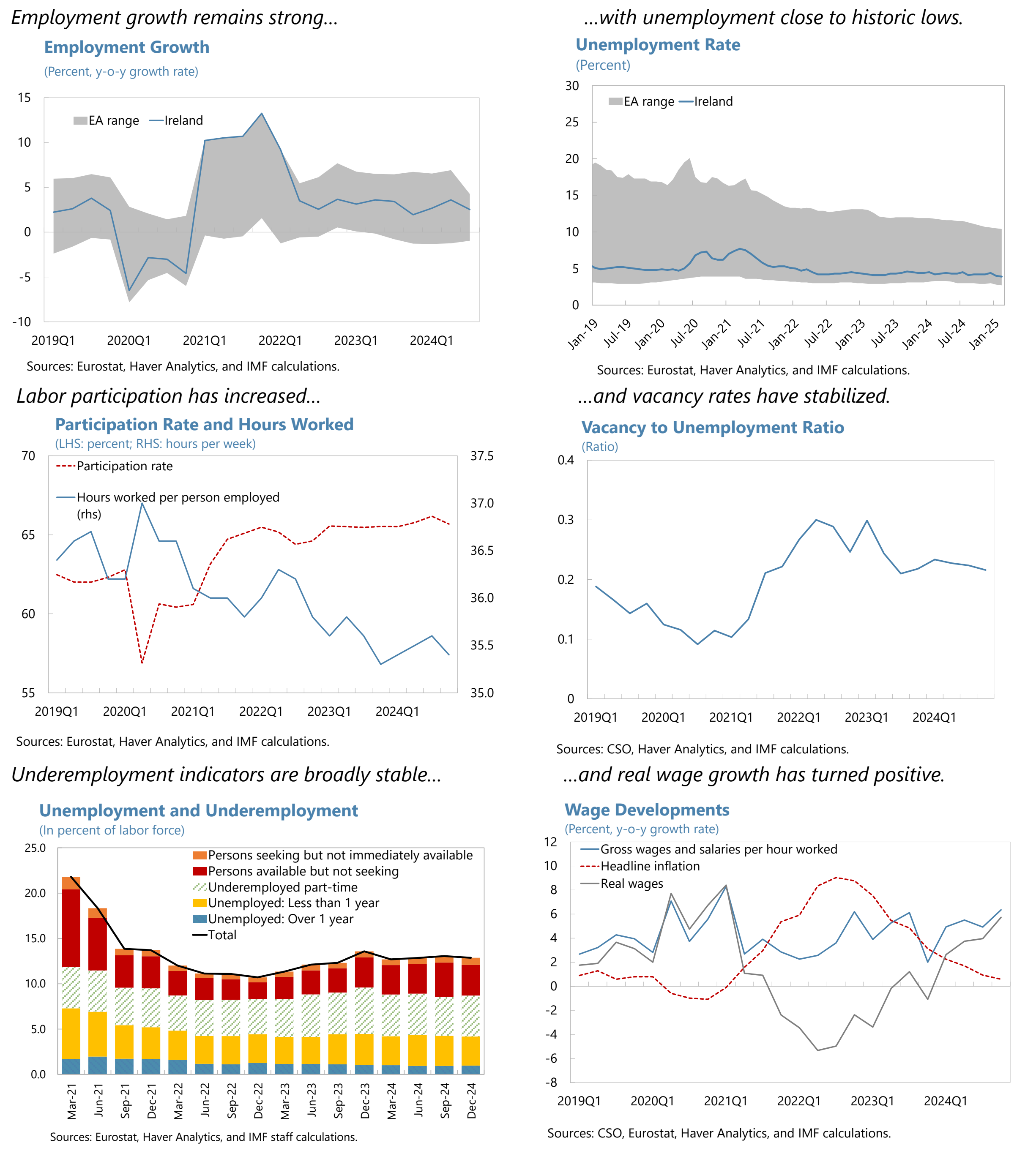
(Y-o-y percent change)



Sources: Eurostat, Haver Analytics, and IMF staff calculations.

4. The labor market remains tight, although pressures appear to be easing. Employment has been growing at healthy rates supported by immigration and higher labor participation, especially female, which have helped meet strong labor demand. The unemployment rate stood at 4.3 percent in 2024, close to historic lows. Monthly unemployment data suggest continuing strength of the labor market in 2025Q1, but labor demand appears to be moderating, with job postings declining from a year earlier. Vacancy rates, while decreasing overall, remain elevated in certain sectors such as professional, scientific and technical activities, likely reflecting skilled labor shortages. Hourly nominal wage growth stood at 5.4 percent in 2024 on average, and real wage growth turned positive after two years of decline.

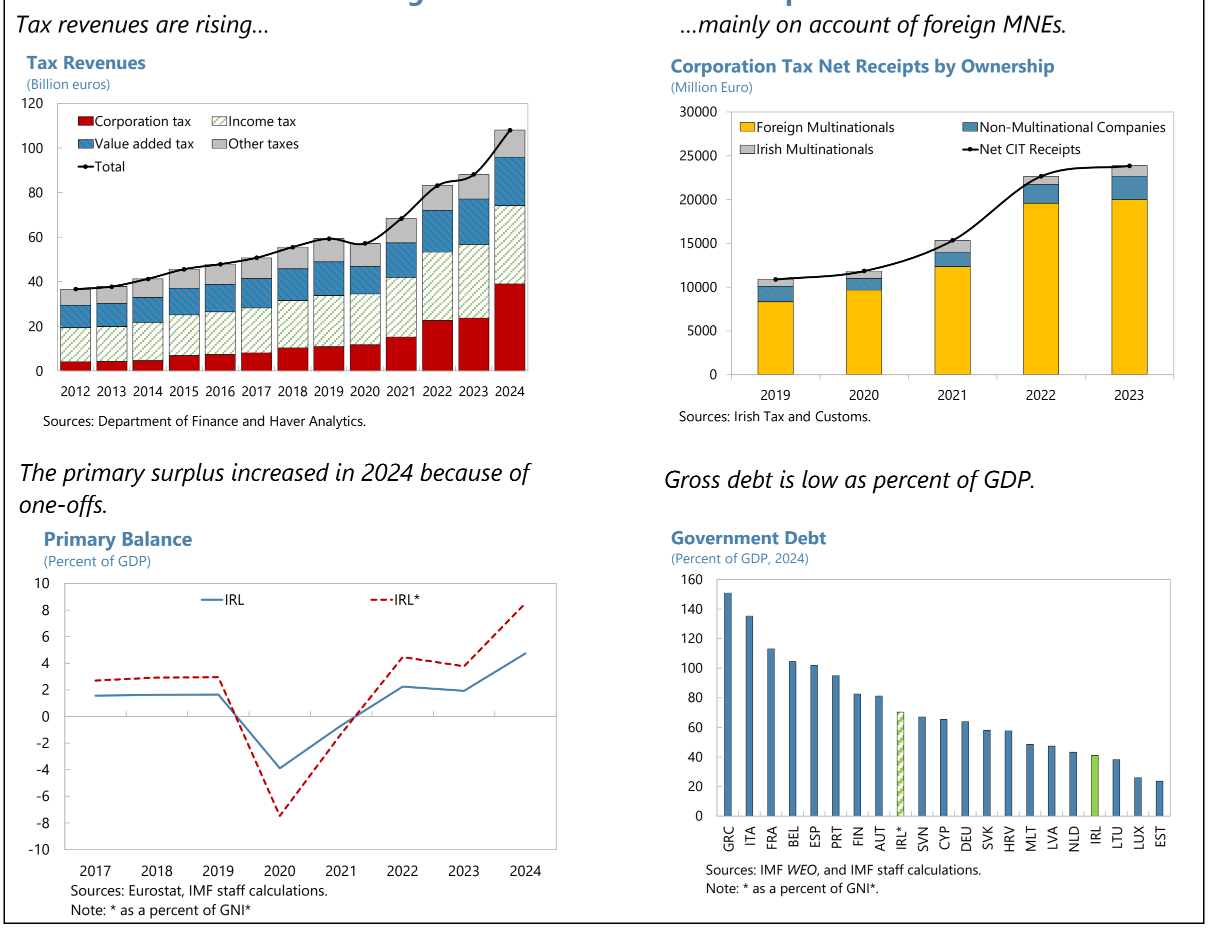
Figure 4. Ireland: Labor Market Developments



5. **Both government revenues and expenditures continued to grow strongly, resulting in a slightly expansionary stance in 2024.** Revenue, excluding one-offs, increased by about 8 percent, reflecting broad-based growth in tax collections. A recent ruling by the European Court of Justice (CJEU) on Apple provided an additional one-off boost of about €14 bn (4.5 percent of GNI*). Primary expenditure grew by about 8 percent, driven by the wage bill, social protection, and capital expenditure. The fiscal impulse, measured by the change in the structural primary balance (excluding

one-off revenue), is estimated at ⅓ percent of potential GDP. Notwithstanding the loosening, the overall fiscal balance is estimated at 7½ percent of GNI* and public debt declined further to 70 percent of GNI*.

Figure 5. Ireland: Fiscal Developments



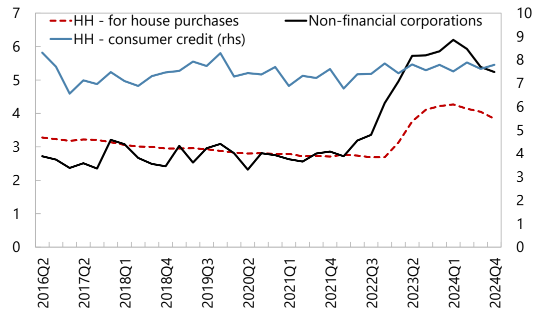
6. Bank lending growth has picked up, largely driven by housing and consumer loans. The passthrough of the last ECB tightening cycle was uneven—lending rates for non-financial corporations (NFCs) increased the most, while interest rates on consumer loans barely moved, for the latter likely reflecting low funding costs for domestic banks and competition from non-banks.[3] Lending rates have started to trend down recently following monetary policy easing. Bank credit has strengthened, mostly owing to borrowing by households which has been increasing by about 3 percent y-o-y, with growth both in the mortgage and consumer loans segments. Loans to Irish NFCs have increased as well, albeit at a lower rate.

[3] Close to 90 percent of Irish household deposits are overnight, compared to a little over half for the EU average.

Figure 6. Ireland: Credit Developments

Lending interest rates have started to decline…

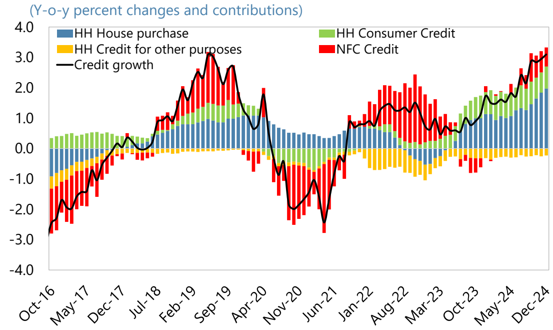
Interest Rate on New Lending
(Percent)



Sources: CBI, and IMF staff calculations.

…and bank credit growth has picked up, supported by mortgages.

Contributions to Credit Growth
(Y-o-y percent changes and contributions)



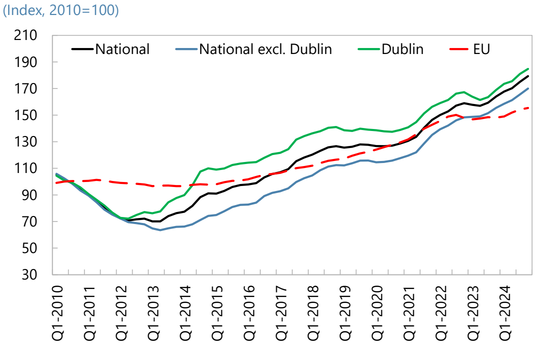
Source: CBI.
Note: Credit only considers loans by banks to Irish Residents.

7. Residential real estate prices continue to rise, driven by under-supply, while the commercial real estate downturn persists. After a period of stabilization, residential property prices growth accelerated to 10 percent (y-o-y) in August 2024 before moderating somewhat (8 percent y-o-y in February 2025). The downward trend of commercial real estate (CRE) capital values continues, led by office and retail space, while industrial CRE appears to be stabilizing. Office vacancies are up, reflecting low demand for office space.

Figure 7. Ireland: Real Estate Prices

House prices are increasing steadily…

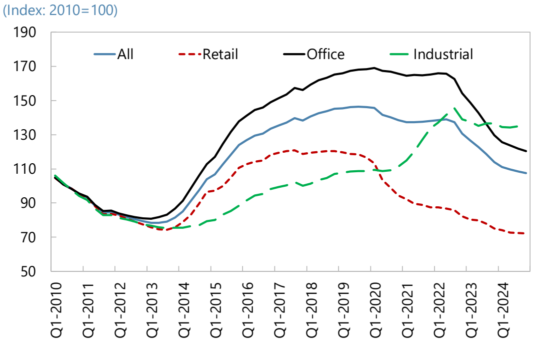
Residential Property Price Growth
(Index, 2010=100)



Sources: CSO, Eurostat, Haver Analytics, and IMF staff calculations.

…while CRE capital values continue to fall.

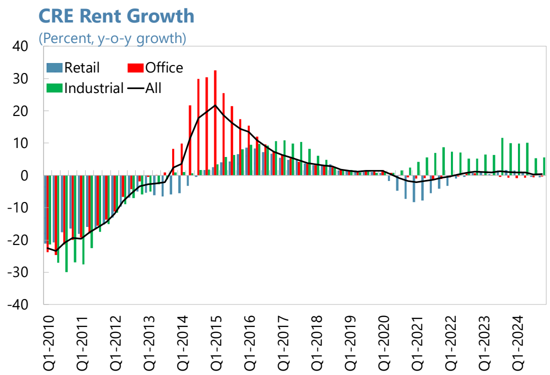
CRE Capital Value
(Index: 2010=100)



Sources: MSCI and IMF staff calculations.

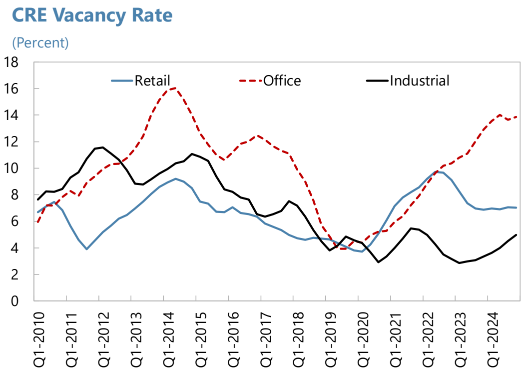
Figure 7. Ireland: Real Estate Prices (concluded)

CRE rents are flat overall…



Sources: MSCI, and IMF staff calculations.

…and office vacancies are high.

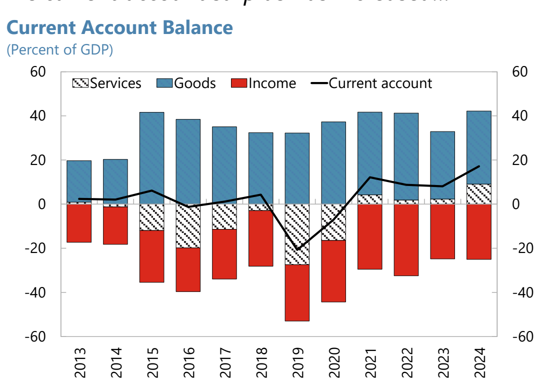


Sources: MSCI, and IMF staff calculations.

8. **The headline current account (CA) surplus widened considerably in 2024 as services exports increased significantly.** The trade balance was boosted by both a strong goods balance and significantly higher services exports, including a large one-off IP-related services export in the MNE sector.[4] Net FDI outflows increased in 2024, and portfolio investments also registered net outflows. While the external balance assessment (EBA), based on the headline CA, points to a substantially stronger external position, the model does not account for the large distortions and volatilities of the MNE sector and generates a large residual for Ireland. Hence, taking into account these effects, including the large one-off IP export, staff assesses Ireland's external position in 2024 to be moderately stronger than the level implied by fundamentals and desirable policies (Annex IV).

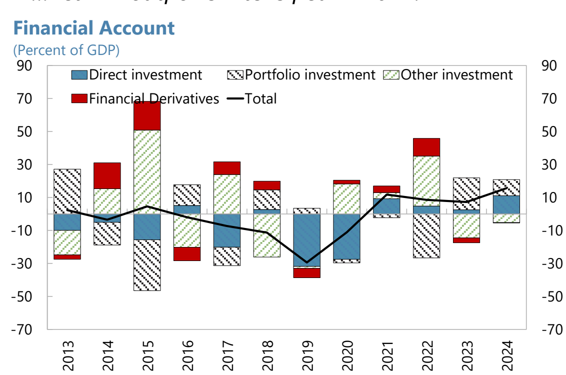
Figure 8. Ireland: Balance of Payment Developments

The current account surplus has increased…



Sources: Haver Analytics, Eurostat, and IMF staff calculations.

…net FDI outflows intensified in 2024.



Sources: Haver analytics, CSO, and IMF staff calculations.

[4] The net IP exports reached about €18 billion (3.4 percent of GDP) in 2024, compared to an average of about €-39 billion or -11.2 percent of GDP during 2015–23.

OUTLOOK AND RISKS

9. The Irish domestic economy is projected to continue to grow, though at a slower pace in a highly uncertain global environment. The interplay of external and domestic factors will shape the outlook. As a small open economy with significant trade and investment linkages with the US, Ireland is exposed to US policy changes. While the direct effect of the announced[5] tariff measures is projected to be contained, heightened external policy uncertainty would weigh on household and business spending decisions, thus resulting in increased precautionary savings and a "wait-and-see" approach to investment. Domestically, the strong labor market and rising real incomes, as well as anticipated pick up in housing investment and government capital spending would support demand. The latter would also benefit from the ECB monetary policy easing, while fiscal policy is assumed to be broadly neutral in the baseline. Staff projects real GNI* to increase by 2.4 percent in 2025, and by slightly less in the next two years as the impact of trade tensions unfolds. Growth would eventually converge to its potential of about 2¼ percent in the medium term. GDP is projected to expand in 2025 by around 3 percent and grow at a similar rate as GNI* thereafter, but uncertainty around this forecast is much higher due to the volatility of the MNE sector activity. In the absence of major shocks, both headline and core inflation are expected to stay close to 2 percent from 2025 onward.

10. There are significant downside risks to growth (Annex III). The concentration of activity in a small number of MNEs leaves the economy and public finances vulnerable to external trade and tax policy shifts and firm- or sector-specific shocks (see ¶16 for illustrative sensitivity analysis). An escalation of trade tensions would hurt exports and lead to lower growth and higher unemployment. In particular, extending tariffs to key sectors currently exempt would likely reduce growth overall, although the impact would depend on a number of factors, including policy responses, and how firms and consumers react. More broadly, a sustained reversal of globalization would put at risk the Irish economic model which has benefitted from free trade and capital flows. It could result in reorganization of supply chains, relocation of intangible assets, and reduced investment over time. Intensification of regional conflicts can cause disruption of trade, increased refugee inflows, and commodity price volatility. On the domestic side, supply-side constraints could delay the attainment of infrastructure and housing goals and lead to higher costs. The risk of overheating, while perhaps less pronounced than a year ago, remains, especially if fiscal policy turns expansionary amid monetary easing.

Authorities' Views

11. The authorities broadly shared staff's views on the economic outlook and key risks. While acknowledging Ireland's vulnerability to rise in global uncertainty and trade tensions, they noted that the Irish economy has demonstrated resilience in the face of consecutive large shocks such as Brexit and the pandemic, thanks to its strong fundamentals, sound policy, and comparative advantages. The authorities' growth projections for the domestic economy are relatively close to

[5] Trade policy assumptions are taken from the reference forecast in the April 2025 WEO (page 11). Alternative assumptions of a permanent pause on higher tariffs as in the WEO (page 14) will not materially affect staff's projections.

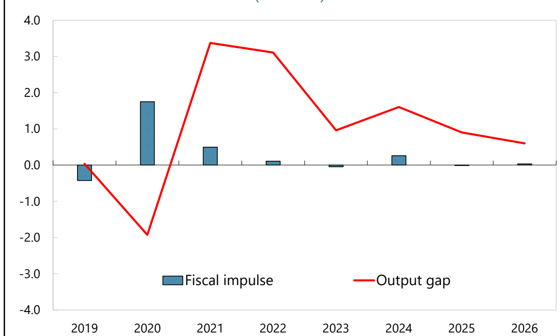
staff's. The authorities noted staff's external assessment, highlighting the large one-off factors affecting the current account in 2024. Views were also aligned on the key risks to the outlook, especially a further increase in trade restrictions and deeper GEF. A key concern is potential measures targeted at key sectors where Ireland has substantial exports. Such measures could lead to structural shifts in the economy with a particularly significant impact on tax revenue. The authorities also noted that persistent infrastructure and housing gaps are becoming a drag on competitiveness and growth.

POLICY DISCUSSIONS

A. Fiscal Policy

12. A broadly neutral fiscal stance in 2025, with higher capital expenditure, is appropriate. Staff estimates that the budget, together with additional capital spending to be financed by one-off receipts,[6] would result in a broadly neutral fiscal stance. This is appropriate, as fiscal policy should avoid adding to aggregate demand when the economy is operating at full capacity and also accounting for further monetary easing. Moreover, Ireland needs to ramp up public investment to address its housing and infrastructure deficits (¶14). Should downside risks materialize and result in a serious negative impact on the economy, automatic stabilizers should operate fully and Ireland could use its fiscal space to provide focused counter-cyclical support where essential, while avoiding entrenched support that prevents adjustments and reallocation.

Estimated Fiscal Impulse 1/
(Percent)



Sources: Department of Finance; Tax and Customs; and IMF staff calculations.
1/ Fiscal impulse is measured as the change in structural primary balance (SPB) as a percent of potential GDP. The SPB excludes windall CIT revenues and the one-off payment of €14 billion from the CJEU ruling.

13. The government should maintain a prudent fiscal stance when updating its Medium-Term Fiscal and Structural Plan (MTFSP). Ireland's headline fiscal position masks underlying vulnerabilities. There is significant uncertainty regarding the future streams of highly concentrated CIT revenue (¶15). Furthermore, spending pressures from demographic changes, security, and the green and digital transitions may exceed current projections. There is thus a case for increasing economic resilience through building buffers that could be used to support the economy should adverse scenarios materialize. The current MTFSP combined with additional capital spending (¶12) implies a broadly neutral fiscal stance, which staff supports, and further public debt reduction to

[6] These include €3 billion proceeds from further reducing the government's holdings of AIB shares that were acquired during the financial crisis, €14 billion from the CJEU ruling, and €3.15 billion transferred from the Infrastructure, Climate, and Nature Fund (ICNF), to be used for investment during 2025–30.

below 50 percent of GNI* by 2030. Staff recommends that the updated MTFSP adhere to a broadly neutral stance as well. Ireland is assessed to be at low risks of sovereign stress (Annex V).

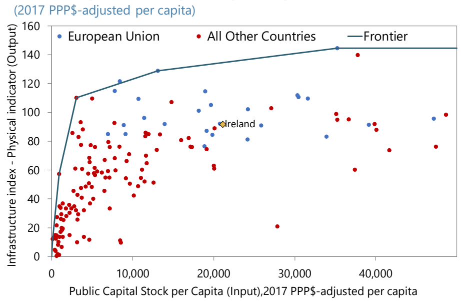
14. The planned scaling-up of public investment should be done within a proper overall spending envelope to ensure value for money and supported by complementary measures. Supply-side constraints have become a significant impediment to Ireland's competitiveness and growth potential, requiring large investments to upgrade infrastructure, increase housing supply and maintain public services for a growing population, and advance the green and digital transitions. To ensure value for money, capital outlays should be prioritized within a spending envelope consistent with the broadly neutral fiscal stance as recommended by staff. Efforts should continue to expedite the complex planning and judicial review process, a key bottleneck to timely execution of investment projects. Furthermore, improving spending efficiency across key expenditure areas should be a priority.[7] This, together with limiting current spending growth, broadening the tax base (¶15), and reducing the likelihood of spending overruns (by enhancing budgeting and expenditure management), could create space for further increases in public investment within the planned fiscal path.

Figure 9. Ireland: Public Investment and Spending Efficiency

Ireland's public capital stock is relatively low…

Public Capital Stock per Capita Input

(2017 PPP$-adjusted per capita)

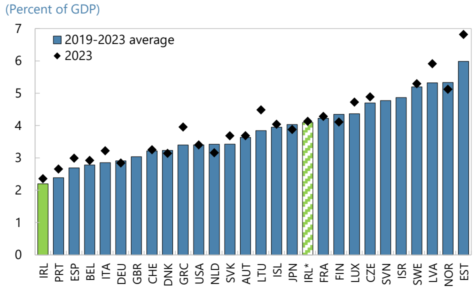


Source: *Making Public Investment More Efficient*, International Monetary Fund, 2015.

…and there is scope to increase public investment.

Gross Public Investment

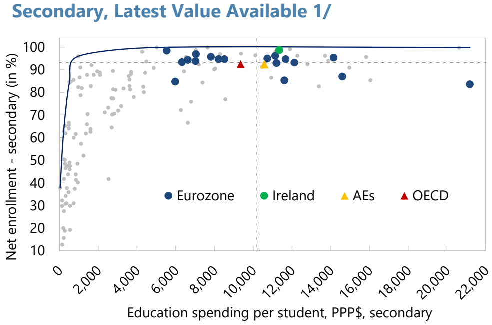
(Percent of GDP)



Sources: OECD and IMF staff calculations.
Note: * percent of modified GNI.

Ireland is at the efficiency frontier in education spending…

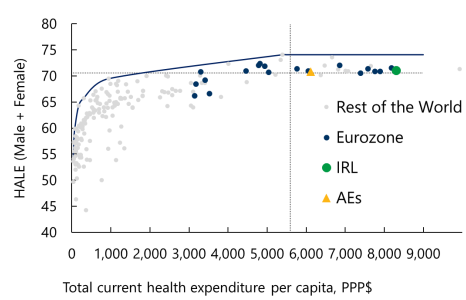
Government Education Spending and Outcome, Secondary, Latest Value Available 1/



Source:s IMF FAD Expenditure Assesment Tool, and World Bank.
1/ Dotted lines are the average of Eurozone.

…but in health, there is room for improvement.

Health Efficiency Frontier, Latest Value Available



Sources: IMF FAD Health Expenditure Assesment Tool, and WHO.
Note: Health spending is likely overstated in Ireland as it captures some social spending (see Ireland: Selected Issues, 2025).

[7] See Ireland: Selected Issues (2025).

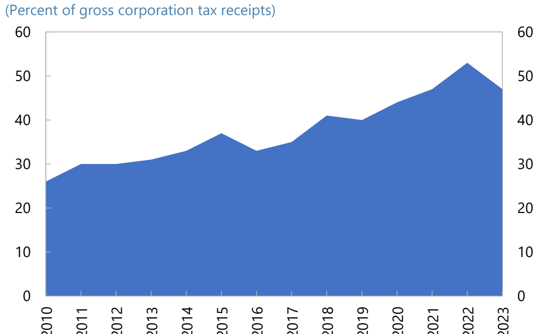
15. Ireland needs to broaden its tax base. CIT from MNEs accounts for a sizable share of tax revenue, compared to other advanced economies. Furthermore, the recent fast growth of CIT revenues is highly concentrated and well above what would be implied by domestic economic fundamentals, leaving the fiscal position highly exposed to external policy shifts and shocks. Staff's baseline assumes "windfall" CIT revenues averaging €16 billion annually during 2025–30.[8] Broadening the tax base through VAT, property tax, and PIT reforms would contribute to a more resilient revenue structure.[9] Specifically, items subject to preferential VAT or excise rates, especially those that disproportionately benefit higher-income earners, could be reduced. Despite recent reforms, there is also scope to increase the taxation of residential property and land. Introduction of additional tax bands to the PIT system and proper calibration of its tax rates could broaden the tax base while reducing disincentives to work; the potential impact on progressivity could be mitigated by means-tested transfers.

16. A significant decline in windfall CIT revenues would require additional policy effort. Relocation of FDI, especially intangible capital, by MNEs could be associated with a considerable decline in gross value added, with potential spillover effects.[10] Under an illustrative sensitivity analysis that assumes the MNE profits associated with windfall CIT revenues to gradually leave Ireland during 2026-30, the fiscal balance and debt trajectory would deteriorate significantly (see Figure 10). In such a scenario, if the decline in revenue is permanent, the deterioration in the fiscal balance could be accommodated in the short-term while reforms are being implemented to further rationalize spending and increase yields from other taxes.

Figure 10. Ireland: Tax Revenue

CIT receipts are concentrated in a small number of firms…

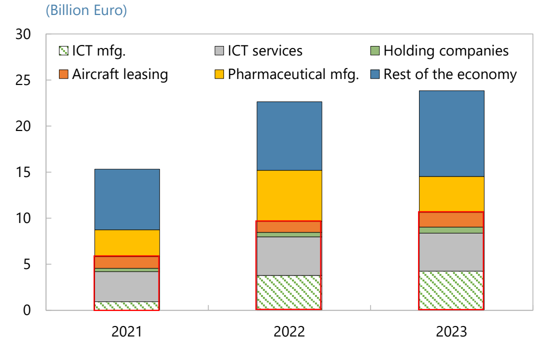
Corporation Tax Receipts From Top 10 Companies
(Percent of gross corporation tax receipts)



Sources: Tax and Customs, Department of Finance, Haver Analytics, and IMF staff calculations.

…and a few industries.

CIT by Sector
(Billion Euro)



Sources: Department of Finance and IMF staff calculations.

[8] The Department of Finance, the CBI, and the IFAC use a similar statistical methodology for estimating "windfall" CIT revenues. Staff's estimates are broadly in line with those estimates.

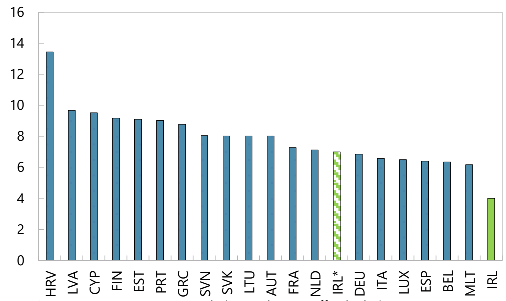
[9] Ireland: 2022 Article IV Consultation Staff Report.

[10] See Ireland: Selected Issues (2025).

Figure 10. Ireland: Tax Revenue (concluded)

The contribution of VAT to total tax revenues could be increased…

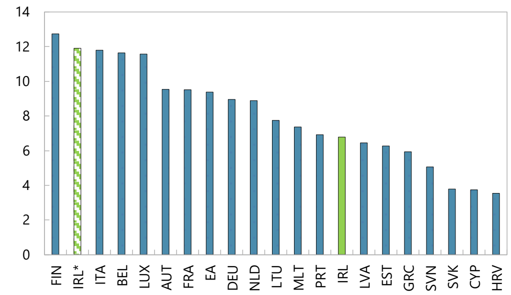
Government Revenue: Value Added Tax
(Percent of GDP, 2023)



Sources: Eurostat, Haver Analytics, and IMF staff calculations.
Note: * as a percent of GNI*.

…and the PIT schedule could be adjusted while preserving progressivity.

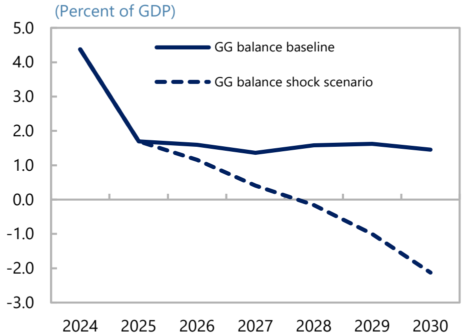
Government Revenue: Personal Income Tax
(Percent of GDP, 2023)



Sources: Eurostat, Haver Analytics, and IMF staff calculations.
Note: * as a percent of GNI*.

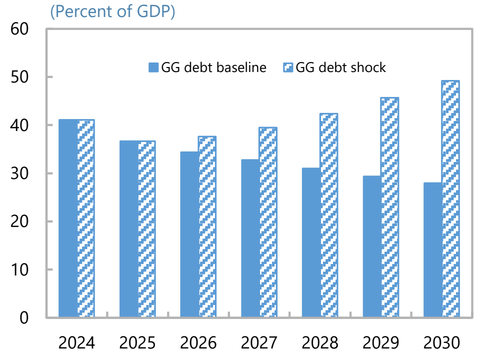
If windfall CIT were to gradually fall off, the fiscal balance would deteriorate substantially…

Impact of CIT Shock on GG Balance 1/
(Percent of GDP)



…and public debt would increase.

Impact of CIT Shock on GG Debt 1/
(Percent of GDP)



Sources: Tax and Customs, Department of Finance, IMF staff estimates.

1/ The adverse scenario assumes that the MNE profits associated with windfall CIT revenues decrease by 20 percent annually from 2026 to 2030. Under this scenario, GDP would decline by 7 percent per year on average. The shock only captures the direct impact of a potential decline in MNE profits on CIT revenues in the budget and GDP forecast. It does not capture spillovers to the rest of the economy.

17. Strengthening the national fiscal framework will help Ireland safeguard public finances against shocks while addressing investment needs and long-term spending pressures. The previous government set an annual net spending growth limit of 5 percent and established two savings funds using part of the windfall CIT revenues, which staff supported. Although a useful operational target, the net spending rule was repeatedly breached and has lapsed. The EU fiscal framework is not binding for Ireland given the use of GDP denominators, nor is it sufficient to hedge against the country's significant CIT revenue uncertainty. A stronger national fiscal framework would help Ireland balance competing priorities, achieve countercyclical policy to prevent boom-bust dynamics, and safeguard fiscal sustainability for the well-being of future generations. In a highly uncertain global environment, a credible national fiscal framework would also contribute to policy certainty, predictability, and transparency, which are conducive to confidence and investment. Consideration should be given to placing such a framework on a legislative basis. In particular:

- A general government debt anchor should be considered, with the aim of building sufficient buffers and ensuring fiscal sustainability with a high probability. It can also increase the long-term focus of fiscal policy and enhance transparency about policy choices. Staff analysis suggests targeting a net debt (defined as general government gross debt minus cash balance) to GNI* ratio of 40 percent, accounting for historical growth volatility and vulnerability to shocks.[11]

- The debt anchor should be complemented by an operational rule based on multi-year net expenditure ceilings, calibrated to keep general government debt close to the anchor, while considering prevailing economic conditions. Expenditure ceilings should ideally cover all institutions under the general government classification and be simple to implement and communicate.

- Additional provisions would be necessary to ensure credibility, flexibility, and adaptability of those rules. They should include an escape clause and triggering conditions, a correction mechanism specifying remedial actions for noncompliance, and periodic reviews to ensure that the rules are well calibrated to macro-fiscal conditions.

- The two savings funds, Future Ireland Fund and Infrastructure, Climate, and Nature Fund, should be integrated into this fiscal framework.

- The Irish Fiscal Advisory Council, which has been instrumental in enhancing fiscal transparency and management, should play a critical role in monitoring compliance with fiscal rules and enhancing the credibility of fiscal policy.

Authorities' Views

18. The authorities are committed to maintaining fiscal prudence while addressing Ireland's infrastructure and housing gaps. They are updating the National Development Plan to ramp up public investment and strengthening the public expenditure framework to deliver value for money. A broadly neutral stance was outlined in the Medium-Term Fiscal and Structural Plan published in October 2024. Following the formation of a new government in January 2025 and in line with relevant EU regulations, the Programme for Government sets out a commitment to produce a new Medium-Term Fiscal & Structural Plan, to be published later this year, setting out the government's fiscal strategy for the next five years. The authorities recognized the need to broaden the tax base but noted the difficulty to do so at the current time when Ireland records large fiscal surpluses thanks to windfall CIT revenues. They highlighted the strategic role of the two savings funds, which gathered strong support. The authorities acknowledged the need for a strong fiscal framework. They stressed a preference for an expenditure-based anchor to a debt-based anchor given Ireland's favorable debt outlook. An expenditure-based anchor would also be generally easier to communicate.

---

[11] Ireland's choice of a debt anchor depends on the assessment of risks and degree of risk aversion. See Ireland: Selected Issues (2025), which also discusses multi-year net spending limits consistent with the debt anchor.

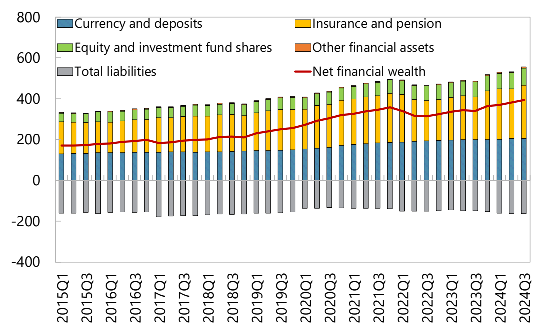
B. Financial and Macroprudential Policies

19. Healthy balance sheets and favorable domestic economic conditions have supported the resilience of Irish households and firms. The prevalence of fixed-rate mortgage loans has played a mitigating role in the recent tightening cycle, with most borrowers having experienced little or no increase in debt service costs. Higher savings underpinned by robust employment and income growth, along with positive revaluations, particularly of housing assets, have boosted households' net wealth. While higher wage costs could begin to weigh on NFCs' profit margins, their net financial position is stable, and the sector appears resilient overall. Credit standards on loans to firms and mortgages have remained largely unchanged. Corporate insolvencies increased in 2024 as a whole, although Q4 saw a decline over the same period in 2023.

Figure 11. Ireland: Private Sector Balance Sheets

Household balance sheets are strengthening…

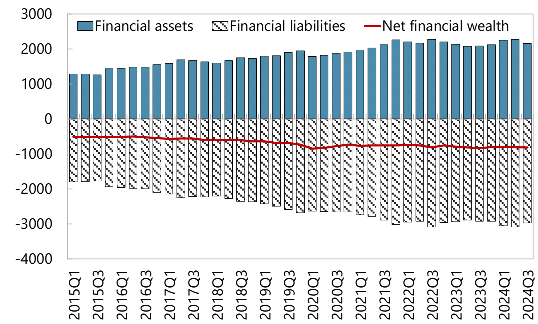
Household Net Financial Wealth
(EUR billion)



Sources: CBI and IMF staff calculations.

…and NFC's net financial position is stable.

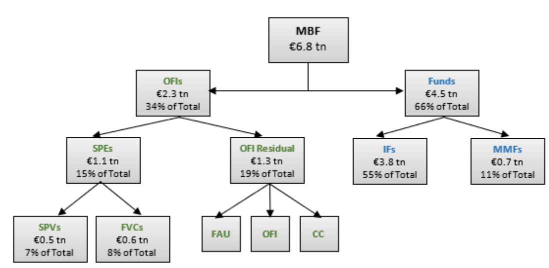
NFC Financial Assets and Liabilities
(EUR billion)



Sources: CBI, Haver Analytics, and IMF staff calculations.

20. In a highly uncertain global environment, financial stability risks have increased from the last Article IV consultation. High global uncertainty interacting with financial vulnerabilities, notably liquidity mismatches and leverage of investment funds, could amplify the impact of adverse shocks and transmit them through interconnectedness to other parts of the financial system and the real economy. Ireland's large and complex financial sector is dominated by the mostly externally-oriented market-based finance (MBF) sector, but the sector's linkages with the domestic economy are growing. Trade tensions and geoeconomic shifts may adversely

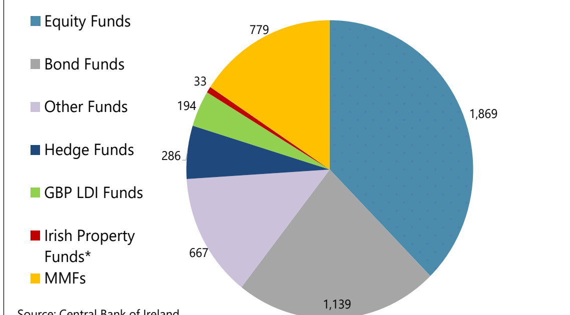
Market-Based Finance in Ireland (2023)



Source: Central Bank of Ireland
Note: MBF – market-based finance sector, IFs – investment funds, MMFs–money market funds, OFIs – other financial intermediaries, SPEs – special purpose entities, SPVs – special purpose vehicles, FVCs – financial vehicle corporations, FAU – financial auxiliaries, CC – central counterparties. Data is not available on the split of assets among the sub-components of the OFI residual.

affect MNEs' activities in Ireland with knock-on effects on public finances and the balance sheets of households and SMEs. Financial stability risks from the housing market remain limited, given housing shortages and mortgage macroprudential policy measures (MPMs). Despite CRE market weakness, greater risk sharing through a more diversified investor base (a smaller role for domestic banks and a greater role for non-banks and international capital) has helped limit dislocations to the domestic financial system. But the Central Bank of Ireland (CBI) has less visibility over some of the non-bank financing entities and their cross-border activities due to data gaps, which can only be closed through international coordination.

Irish Funds: Assets Under Management
(Billion euro)



Source: Central Bank of Ireland.
Notes: Irish Property Funds are categorised based on direct holdings of Irish property. Some funds in Ireland may also have indirect exposures to Irish property and such funds may be included in other cohorts. 'Data marked with * comes from the new Irish Property Funds Returns dataset.

21. Banks remain sound but continued close monitoring of credit, liquidity, and operational risks is warranted. Total assets of the Irish banking sector stood at about 140 percent of GDP as of end-2024, of which domestic banks comprised about 40 percent. Higher interest rates have markedly improved profitability. Banks maintain strong capital and liquidity positions, in excess of regulatory requirements. The non-performing loan (NPL) ratio declined further, reflecting growth in the performing loans portfolio, sales of legacy NPLs, and proactive management of credit risk. There are pockets of vulnerability though, notably exposures to the CRE sector which exhibit a higher share of loans transitioning to forbearance and NPLs. While there are signs of moderation of the CRE downturn and CBI analysis suggests that the banking system has capacity to absorb rather than amplify the current decline,[12] the sector may continue to face headwinds. Bank profitability is expected to moderate as monetary policy rates have fallen, but remain above pre-pandemic levels. Monitoring and managing operational risks of retail banks, including from cyber threats and outsourcing, are becoming increasingly important. Efforts should continue to divest government stakes in retail banks. International banks' vulnerability to funding stress and shocks from nonbanks warrant close monitoring.

Selected Financial Indicators of Selected Banks, 2024Q4
(Percent)

	Domestic Retail Banks 1/	Domestic Banks EBA 2/	EU average EBA 3/
Credit growth	2.5		
to Irish residents	3.9		
Return on assets	1.3	1.3	0.7
Return on equity	13.0	12.7	10.5
Net interest margin	2.9	2.7	1.7
Cost-to-income ratio	48.9	46.7	53.8
NPL ratio	1.7	1.2	1.9
Tier 1 capital ratio	16.8	19.3	17.5

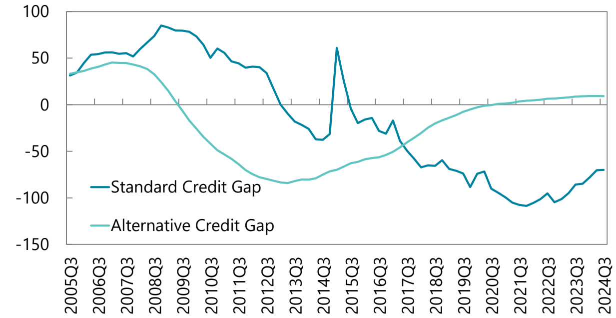
Sources: CBI and IMF staff.
1/ Indicators cover the three main domestic retail banks: Allied Irish Banks, Bank of Ireland, and Permanent TSB.
2/ In case of Ireland, the EBA sample includes AIB Group plc, Bank of America Europe, Bank of Ireland Group plc, Barclays Bank Ireland Plc, and Citibank Holdings Ireland Limited.
3/ EBA sample covers EU's largest banks, both domestic and cross-border.

22. Macroprudential settings are appropriate. The CBI has maintained the CCyB rate at the neutral level of 1.5 percent since June 2024, which appears appropriate in the current macro-financial environment. Ireland's position in the credit cycle remains broadly unchanged compared to

[12] CBI Financial Stability Review 2024:I, Special Feature. Commercial Real Estate: A Macro-Financial Assessment, June 2024.

a year ago, with the alternative credit gap close to zero. The recalibrated mortgage measures[13] seem to have yielded the intended outcomes—although more loans are originated closer to the higher limits, the use of allowances for lending above the limits has declined, implying that banks continue to adhere to prudent lending policies. As macro-financial conditions evolve, the CBI should continue to assess the macroprudential stance and stand ready to adjust if warranted. Ongoing stress-testing exercises assuming adverse macroeconomic and financial shocks, including disruptive geopolitical events and further CRE price declines, can help identify vulnerabilities and inform capital adequacy assessments.

Standard Basel and Alternative Credit Gaps
(Percentage points)



Source: CBI.
Notes: The standardised gap measure is based on the HP-filter methodology applied by the BIS and shows the deviation of the total credit-to-GDP ratio from its long-term trend. The alternative credit gap is based on a revision of O'Brien and Velasco (2020).

23. Considerable progress has been made in assessing and reducing risks from nonbanks. The authorities should continue their strong efforts at the domestic and international levels to enhance regulation and supervision of the sector and reduce data gaps. The CBI has stepped up the monitoring of the MBF sector in light of the heightened global uncertainty and should remain vigilant about risks to the sector (¶20). In line with the 2022 FSAP recommendations, further work has also been done to improve the understanding of the business models and monitoring of subsegments of the funds sector and non-bank lenders. Given the evolving financial system and ongoing innovations, it is important to strengthen reporting requirements for NBFIs and conduct more granular risk analysis. The CBI has led the way internationally in developing and operationalizing macroprudential frameworks for nonbanks. Notably, a macroprudential framework for GBP-denominated LDI funds was announced in April 2024 together with the Luxembourg authorities—Europe's first macroprudential measure for investment funds on a cross-border basis. The CBI should continue to closely monitor the phased implementation of the macroprudential policy measures for property funds introduced in 2022, and to advance the development of a macroprudential framework for investment funds in collaboration with international regulators and other jurisdictions. Building on recent data improvement initiatives, efforts should also continue, in collaboration with other regulators, to reduce data gaps and identify foreign and domestic linkages, including of the "other financial institutions residual (OFI residual)" entities.

24. The authorities have continued to make good progress with other FSAP recommendations. They have amended the national insolvency regime on examinership to transpose the mandatory provisions of the EU Directive on Preventive Restructuring. Examinership is primarily used by large and medium-sized companies, while micro and small companies generally utilize the simplified rescue process known as SCARP (Small Companies Administrative Rescue

[13] Ireland: 2023 Article IV Consultation-Staff Report.

Process). The authorities' ongoing efforts to deepen their focus on transnational money laundering (ML) risks and to enhance the collection and analysis of cross-border payments data to inform AML/CFT supervision are welcome. Importantly, the CBI is also moving toward an integrated model for prudential, consumer protection, and AML/CFT supervision. The CBI should ensure that AML/CFT issues are accorded sufficient priority and resourcing in the integrated model.

Authorities' Views

25. The authorities broadly concurred with staff's assessment and policy advice. They highlighted trade tensions and heightened policy uncertainty which, in combination with vulnerabilities in NBFIs, can amplify market adjustments and potentially spill over to other parts of the global financial system. Ireland as an international financial center could be affected. Domestically, the structural weakness of the CRE market persists, but there are signs of the decline bottoming out. Banks are now much less exposed to this segment and macroprudential measures are in place for the property funds. The authorities confirmed the resilience of Irish households and companies but noted that a downturn in MNE activity could have a negative impact, given the high share of MNEs in employment and mortgage exposures for some sectors. Enhancing retail banks' operational resilience is a key focus from a supervisory perspective.

26. The authorities reconfirmed their commitment to advance work on macroprudential policy for NBFIs. The CBI was heavily involved in the European Commission's recent consultation on the topic, including helping to develop the Eurosystem's responses to the issues raised, and continues to contribute to the FSB's workstream on leverage. Work is ongoing to better understand how price-based liquidity management tools are used in Irish-domiciled funds and to undertake analytical work on hedge funds. With regard to data, the authorities highlighted recent improvements, including a more detailed classification of the OFI sector in the quarterly financial accounts. They noted, however, that splitting the OFI residuals into foreign and domestically controlled entities requires cooperation at the EU level and the CBI cannot do this independently. Finally, the authorities expressed concern about potential divergence of regulatory standards globally and underscored that sound financial sector regulation is essential to protect stability and contribute to economic growth. They emphasized the need for a pragmatic approach to the Savings and Investments Union with a focus on supervisory outcomes rather than institutional arrangements.

27. The authorities consider the current level of court involvement in examinership[14] to be adequate and highlighted their continuing efforts to enhance the understanding of cross-border ML/TF risks at the national and supervisory levels. They believe that large and medium-sized companies are of sufficient scale and complexity to avail of examinership, while micro and small companies can use the simplified SCARP. The CBI also noted that the shift toward the integrated supervisory model would be accompanied by sufficient dedicated resources for AML/CFT issues to allow for risk-based supervisory engagement.

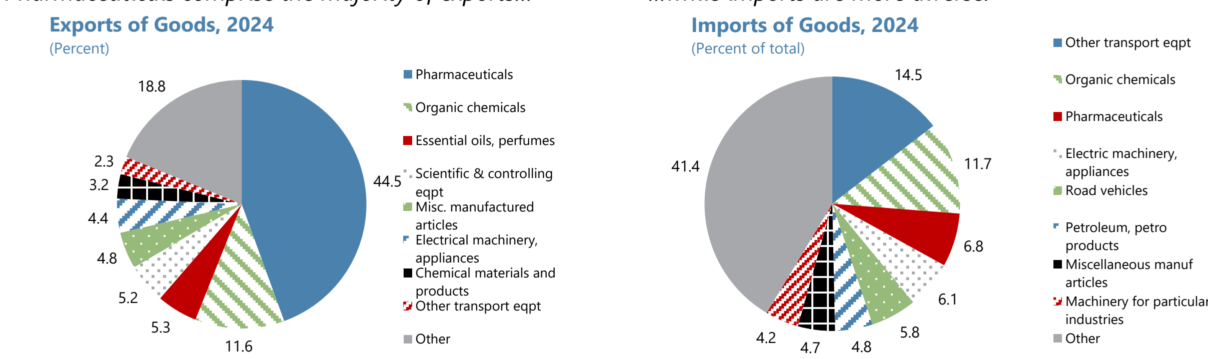
[14] Examinership is one of the procedures in the Irish insolvency framework for corporate debt resolution (see the 2022 FSAP Technical Note on Insolvency and Creditor Rights).

C. Structural Policies

28. Ireland's highly open economy faces significant risks from geoeconomic fragmentation and external policy shifts, which will require policies to strengthen resilience. Ireland is vulnerable to trade and investment shocks, and under certain adverse scenarios, output losses can be substantial from reduced access to critical inputs due to export restrictions, tariffs or subsidies introduced by large economies, as well as a slowdown or reversal of FDI.[15] While international cooperation remains the first-best solution, mitigation strategies consistent with international and European rules could be beneficial. Importantly, promoting further linkages between dynamic MNEs and the domestic economy, e.g., through innovation cooperation,[16] and improving infrastructure would bolster competitiveness and resilience. Also, building fiscal buffers in good times is important to allow the provision of focused and time-bound support which might be needed to facilitate resource reallocations from affected sectors, including for training and reskilling. Furthermore, Ireland should continue to engage in the EU to further strengthen the single market, including through advancing the Savings and Investments Union.

Figure 12. Ireland: Exports and Imports of Goods

Pharmaceuticals comprise the majority of exports… *…while imports are more diverse.*



Sources: Haver Analytics; and IMF staff estimates.

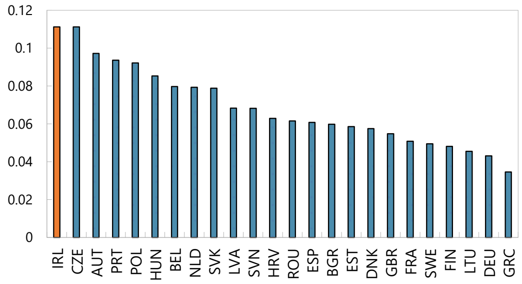
[15] Staff analysis of the impact on Ireland from various adverse scenarios of trade tensions is presented in an accompanying selected issues paper. Specifically, in the case of higher tariffs broadly consistent with the policy announcements as of mid-April, the effect on GDP would be negative but limited in size (less than 1 percent). A related study, using a different methodology and assuming a 10 percent bilateral tariff on all goods by the US on the rest of the world estimates a negative impact on Irish GDP of about 2 ½ percent after seven years. (Egan, P. and Roche, F. (2025) "The Impact of Deglobalization and Protectionism on a Small Open Economy—The Case of Ireland", *ESRI Working Paper No. 798*.).

[16] There are already examples of such collaborations—the Tyndall National Institute brings together leading global companies and Irish SMEs in semiconductors technology and related areas, thus promoting startups and facilitating the creation of high value-added jobs.

Figure 13. Ireland: Trade Concentration

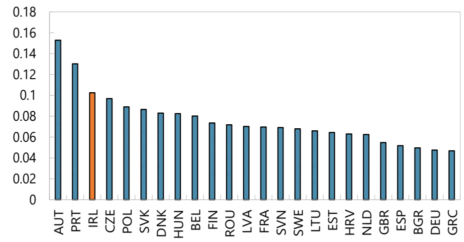
Ireland's trade is highly concentrated in terms of product and geography.

Geographic Herfindahl-Hirschman Index for Goods Exports



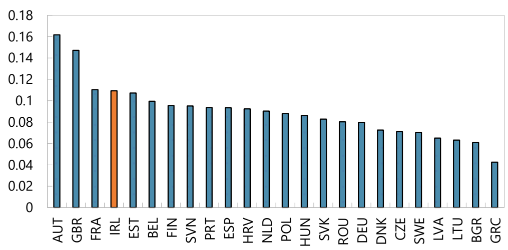
Source: BACI

Geographic Herfindahl-Hirschman Index for Goods Imports



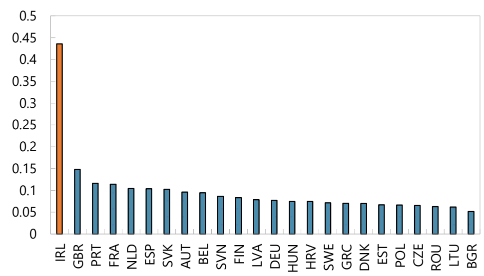
Source: BACI

Geographic Herfindahl-Hirschman Index for Service Exports



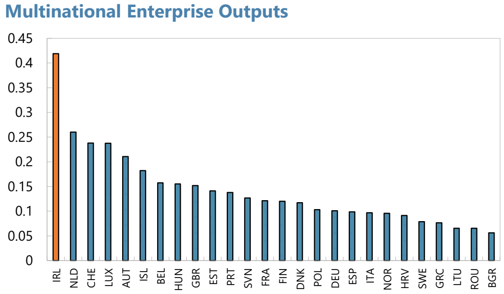
Source: UNCTAD

Geographic Herfindahl-Hirschman Index for Service Imports



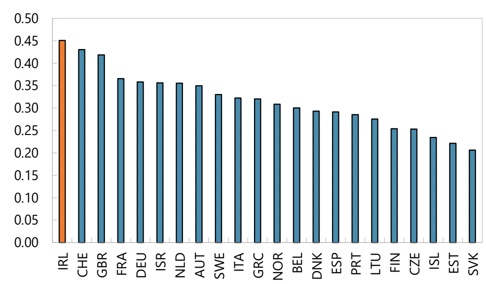
Source: UNCTAD

Geographic Herfindahl-Hirschman Index for Multinational Enterprise Outputs



Source: OECD Multinational enterprises and global value chains

FDI Vulnerbility: Geopolitical index



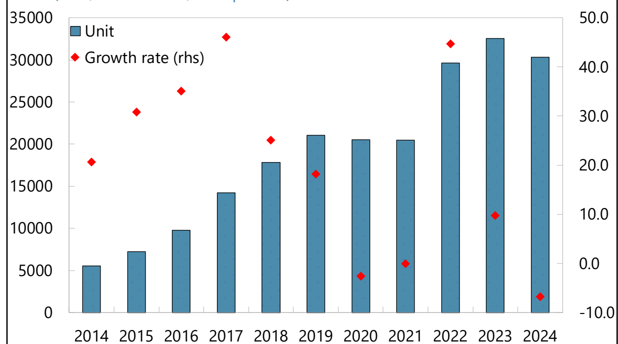
Source: World Economic Outlook, April 2023

29. **While Ireland is well-positioned to reap the benefits from digitalization and AI, the authorities should be mindful of risks.** The focus on STEM education and strong collaboration between academia and business, including the presence of innovative large MNEs, has contributed to accumulating significant expertise in AI-related areas. Ireland also hosts one of the largest data centers in Europe with strong linkages with leaders in the field. The country scores well on the AI Preparedness Index and the authorities have adopted a national strategy to harness AI to increase productivity and improve well-being. A recent report finds that over 90 percent of surveyed

organizations in Ireland used AI in 2024 versus about half a year earlier.[17] The adoption of AI, however, is uneven, with large multinationals being in the lead and SMEs facing challenges, including from costs, limited capacity, and implementation uncertainty. Also, while AI can serve as a powerful growth enabler, some jobs could be negatively affected.[18] This calls for policies that ensure an equitable adoption of AI, including support to micro-enterprises and SMEs and adjustments to the tax and welfare system as needed, along with targeted education and training.

30. Easing housing regulatory constraints and increasing productivity in the construction sector remain important to boost housing supply and support sustainable growth.[19] After a pickup in 2023, new dwelling completions dropped in 2024, despite a substantial increase in commencements early in the year in response to the development levy waiver and water connection fee rebate. The decline was driven by fewer completed apartments, likely reflecting decreased interest of investors in rental housing, given tight rent controls. Affordability remains a challenge and housing supply needs to be expanded to bridge the gap with growing demand.[20] Increasing urban density and construction sector productivity, improving the use of land, ensuring greater housing policy certainty, and expediting the planning process are key to reducing shortages and improving access to housing. Policies to leverage private capital (such as planning certainty and infrastructure investment), and converting vacant offices into residential space where feasible, could also help boost housing supply. Rental supply could be increased by reducing the complexity and restrictiveness of rent legislations, notably replacing rent caps with more targeted housing support for vulnerable households.

New Dwelling Completions
(NSA, LHS: number, RHS: percent)



Sources: Central Statistics Office, Haver Analytics, and IMF Calculations.

[17] "The AI Economy in Ireland 2025: Trends, Impact and Opportunity", A report from Trinity Center for Digital Business and Analytics in collaboration with Microsoft Ireland (https://www.tcd.ie/media/tcd/business/pdfs/research/Microsoft-Report.pdf).

[18] Analysis suggests that 30 percent of employment is in occupations at risk of AI substituting for labor (See "Artificial Intelligence: Friend or Foe? Summary and Public Policy Considerations", Department of Finance, June 2024).

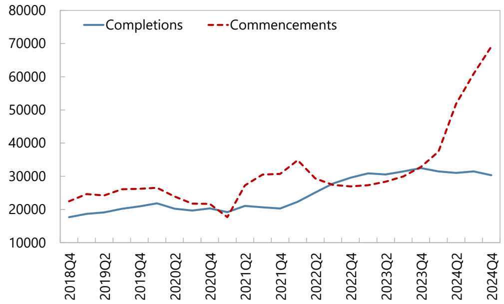
[19] See 2023 Selected Issues Paper on housing affordability.

[20] Studies suggest that structural demand for housing could be around 45–50 thousand units per year (see Bergin, A. and Egan, P. (2024), "Population Projections, the Flow of New Households and Structural Housing Demand", *ESRI Research Series* No. 190, and Conefrey, T. et al. (2024), "Economic Policy Issues in the Irish Housing Market", Signed Article, Central Bank of Ireland Quarterly Bulletin No. 3.

Figure 14. Ireland: Housing Developments

Housing commencements have increased…

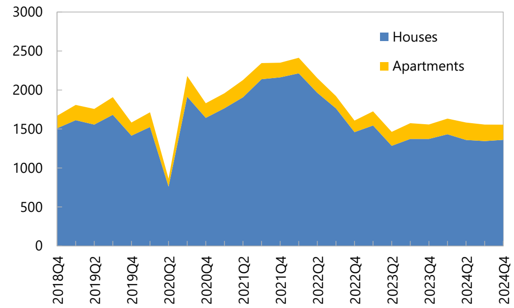
Residential Construction Activity
(Units, 1-year rolling annual totals)



Sources: Central Statistics Office, Housing Agency, and IMF staff calculations.

…but building permits have been relatively flat.

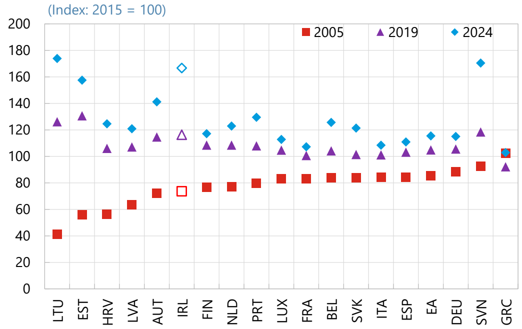
Building Permits Granted
(NSA, number)



Sources: CSO, Haver and IMF staff calculations.

Rent prices are among the highest in the EA…

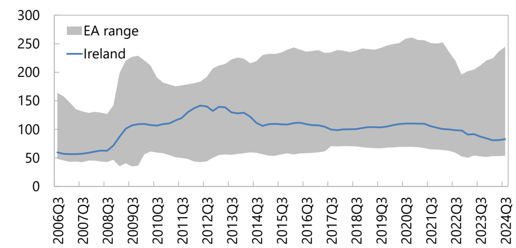
Rent Price Index
(Index: 2015 = 100)



Source: OECD.

…and housing affordability remains a challenge.

Housing Affordability Index
(Index)



Sources: Biljanovska et al., 2023, Housing Affordability: A New Dataset, IMF WP 2023/247.
Note: An index value of 100 indicates that the median-income household has exactly enough income to qualify for a mortgage loan on an average-priced home- a value below 100 indicates that a household does not have the sufficient income to qualify for a mortgage on an averaged- priced house.

Authorities' Views

31. **The authorities expressed concerns about an increasingly fragmented global economy and highlighted Ireland's strengths**. They emphasized that a trade war could undermine the growth prospects of the Irish economy, especially if intertwined with existing structural challenges such as climate change and digitalization. They noted that the uncertainty around the tariffs itself affects negatively business investment decisions and prompts households to increase precautionary savings. The authorities stressed that dialogue is the best path toward reducing trade tensions and reiterated their commitment to multilateralism. They noted that the Irish economy is currently in a strong position, with record employment, and saw the current juncture as an opportunity to strengthen Ireland's economic model. Moreover, Ireland remains an attractive destination for foreign investors with its well-educated labor force, strong fundamentals, and business-friendly environment, and many MNEs have been present in the country for decades. In terms of domestic policy responses, the authorities highlighted continuing support for innovation in SMEs, exploring ways to diversify trade and investment, addressing infrastructure and housing gaps, and further investing in human capital. An action plan on competitiveness and productivity is being prepared to look into the risks and potential dislocations and propose measures to increase resilience.

32. The authorities recognized the potential benefits and risks of AI. A refresh of Ireland's National AI Strategy published last November serves as a roadmap for leveraging the potential of AI to unlock productivity and benefit the society. The strategy elaborates on specific actions to position Ireland as a leader in AI development and use, while emphasizing the importance of a people-centered and ethical approach to AI.

33. The authorities outlined measures that would improve housing supply and affordability, while acknowledging existing challenges. The new Planning and Development Act, which was signed into law last year, is intended to bring regulatory stability and provide a clearer and more consistent planning framework, which would be beneficial for investors. The new legislation will be commenced on a phased basis and, although some elements are already in place, the full effects should become visible from 2026. The government recently approved a revised National Planning Framework which would enable accelerated housing delivery to meet growing demand. A number of initiatives are in place to improve affordability, including providing support for cost rentals and affordable purchase homes and targeted supports to enable the delivery of apartments where a viability gap occurs. The authorities also acknowledged a number of challenges and constraints to a rapid increase in housing supply, in particular, insufficient capacity in construction and infrastructure deficiencies. Also, the current calibration of rent regulations could be a factor turning investors away from the build-to-rent market. A review of the current rent regulation regime to inform the government's consideration of rent regulation is nearing completion. A new national housing plan which will seek to address key challenges and constraints is under development for publication later this year

STAFF APPRAISAL

34. Entering 2025 in a strong position, the Irish domestic economy is expected to continue to grow, though at a slower pace against high global uncertainty and structural shifts. The Irish economy has performed well. While a challenging external environment is likely to weigh on consumption, business investment, and exports, healthy household balance sheets, real wage growth, and the ECB's monetary easing would support domestic demand. Inflation is expected to remain close to target. Ireland's external position is assessed to be moderately stronger than the level implied by fundamentals and desirable policies.

35. The growth outlook is subject to considerable downside risks. Further escalation of trade tensions and policy shifts, deeper geoeconomic fragmentation, regional conflicts, and commodity price volatility are key risks. Particularly, the concentration of activity in a small number of MNEs leaves the economy and public finances vulnerable to shifts in trade and tax policies and firm- or sector-specific shocks. Domestically, supply-side constraints could hinder the achievement of infrastructure and housing objectives.

36. Fiscal policy needs to build buffers, address investment needs, and reduce revenue vulnerability. A broadly neutral fiscal stance with higher capital expenditure is appropriate in 2025 and over the medium term. Given that the economy is expected to operate at full capacity, fiscal policy should avoid adding to aggregate demand. The planned scaling-up of capital expenditure should be done within an appropriate overall spending envelope consistent with a broadly neutral fiscal stance, ensuring value for money. Efforts should continue to expedite the complex planning and judicial review process and to enhance public spending efficiency. Broadening the tax base would protect the budget from the uncertainty of CIT revenues and provide space for higher investment. Should downside risks materialize, focused counter-cyclical support could be provided where essential.

37. Ireland would benefit from a stronger national fiscal framework. Consideration should be given to adopting a general government debt anchor, complemented by an operational rule based on multi-year net expenditure ceilings. Well-defined provisions, notably an escape clause and a correction mechanism, would ensure the credibility, flexibility, and adaptability of the fiscal rules. A credible fiscal framework, ideally given a legislative status, will also contribute to policy certainty, predictability, and transparency, conducive to confidence and investment. The two savings funds should be integrated into this framework.

38. Continued close monitoring of financial stability risks is warranted. High global uncertainty interacting with vulnerabilities in nonbanks could transmit and amplify shocks through interconnectedness to the rest of the financial system and the real economy. Irish households and non-financial corporations in general have healthy balance sheets, and banks are sound. Financial stability risks from the housing market remain limited. But trade tensions and geoeconomic shifts may adversely affect MNEs' activities with knock-on effects on the domestic economy. While there are signs of moderation of the CRE downturn and the banking system has capacity to absorb the downturn, the CRE sector may continue to face headwinds. Credit, liquidity, and operational risks of banks warrant continued close watch. The macroprudential stance is appropriate, and as conditions evolve, the CBI should reassess macroprudential measures and stand ready to adjust them if warranted.

39. Notwithstanding considerable progress in assessing and reducing risks from nonbanks, the authorities should continue efforts at the domestic and international levels to enhance their regulation and supervision and address data gaps. It is important to strengthen reporting requirements for nonbanks and conduct more granular risk analysis. The CBI has led the way internationally in developing and operationalizing macroprudential frameworks for nonbanks and should continue these efforts in collaboration with international regulators and other jurisdictions. Work should also continue to reduce data gaps and identify foreign and domestic linkages, including of the OFI residual entities.

40. Mitigating policies are needed to guard against risks from geoeconomic fragmentation. Promoting linkages between MNEs and domestic firms in innovation cooperation and improving infrastructure could increase competitiveness and resilience. Maintaining fiscal prudence is important to allow the provision of focused and time-bound support to facilitate resource reallocations from affected sectors. Ireland should continue to engage in the EU to further strengthen the single market.

41. Harnessing the benefits of digitalization and AI and boosting housing supply will strengthen competitiveness and wellbeing. Ireland's focus on STEM education and strong collaboration between academia and business has contributed to accumulating significant expertise in AI-related fields. Policies should ensure an equitable adoption of AI, including support to SMEs and adjustments to the tax and welfare system as needed, along with targeted education and training. Housing supply needs to expand to bridge the gap with growing demand. Increasing urban density and construction sector productivity, improving the use of land, ensuring greater housing policy certainty, and expediting the planning process are key to reducing shortages and improving access to housing. Employing policies to leverage private capital and converting vacant offices to residential space where feasible could also help. Rental supply could be increased by reducing the complexity and restrictiveness of rent legislation.

42. Staff proposes that the next Article IV consultation with Ireland take place on the standard 12-month cycle.

Table 1. Ireland: Selected Economic Indicators, 2021–30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Projections						
	(Annual percentage change, constant prices, unless otherwise indicated)									
Output/Demand										
Real GDP 1/	16.3	8.6	-5.5	1.2	3.2	2.1	2.1	2.2	2.1	2.3
Real GNI* (growth rate) 2/	13.9	4.6	5.0	3.7	2.4	2.2	2.0	2.2	2.3	2.3
Domestic demand	-16.4	8.0	6.0	-11.9	7.6	2.4	2.4	2.4	2.5	2.5
Public consumption	6.3	3.0	4.3	4.3	2.5	2.5	2.5	2.5	2.5	2.5
Private consumption	8.9	10.7	4.8	2.3	2.3	2.0	2.0	2.0	2.1	2.1
Gross fixed capital formation	-39.4	3.7	2.8	-25.4	20.0	3.0	3.0	3.0	3.0	3.0
Exports of goods and services	14.1	13.5	-5.8	11.7	3.1	2.2	2.5	2.5	2.5	2.5
Imports of goods and services	-8.7	16.0	1.2	6.5	4.9	2.4	2.8	2.7	2.8	2.7
Output gap	3.4	3.1	1.0	1.2	0.9	0.6	0.3	0.1	0.0	0.0
Contribution to Growth										
Domestic demand	-13.1	4.7	3.5	-7.7	4.4	1.4	1.4	1.4	1.5	1.5
Consumption	3.0	3.0	1.6	1.1	1.0	0.9	0.9	0.9	0.9	0.9
Gross fixed capital formation	-16.3	0.8	0.6	-5.9	3.4	0.6	0.6	0.6	0.6	0.6
Inventories	0.2	0.9	1.3	-3.0	0.0	0.0	0.0	0.0	0.0	0.0
Net exports	29.1	3.3	-9.1	9.3	-1.0	0.7	0.7	0.8	0.7	0.8
Residual	0.3	0.6	0.1	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0
Prices										
Inflation (HICP)	2.4	8.1	5.2	1.3	1.9	1.7	1.8	1.9	2.0	2.0
Inflation (HICP, core)	1.6	5.0	5.1	2.4	2.1	2.2	2.0	2.0	2.0	2.0
GDP deflator	1.1	6.8	3.6	3.3	1.9	1.4	1.8	2.1	2.0	2.0
Employment										
Employment (% changes of level, ILO definition)	6.5	6.9	3.4	2.7	1.5	1.1	0.8	0.6	0.6	0.6
Unemployment rate (percent)	6.3	4.5	4.3	4.3	4.5	4.7	4.8	4.8	4.8	4.8
	(Percent of GDP)									
Public Finance, General Government										
Revenue	22.2	22.3	24.3	27.8	25.6	25.7	25.7	26.1	26.2	26.2
Expenditure	23.5	20.6	22.7	23.5	24.2	24.4	24.6	24.8	24.9	25.0
Overall balance	-1.4	1.7	1.5	4.3	1.4	1.3	1.1	1.3	1.3	1.2
in percent of GNI*	-2.7	3.3	2.7	7.4	2.4	2.3	1.9	2.3	2.3	2.0
Primary balance	-0.6	2.3	2.2	4.9	2.0	1.9	1.7	2.0	2.1	2.0
Cyclically adjusted primary balance	-1.6	1.4	1.9	4.4	1.7	1.7	1.6	1.9	2.1	2.0
Structural primary balance 3/	-0.6	-0.6	-0.4	-0.8	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
General government gross debt	52.6	43.1	43.3	40.9	36.4	34.4	33.1	31.6	30.2	29.0
General government gross debt (percent of GNI*)	102.3	84.2	75.9	70.0	62.8	59.3	57.1	54.5	52.1	50.1
Balance of Payments										
Trade balance (goods)	37.5	39.4	30.6	33.1	36.6	36.1	35.7	35.6	35.8	35.8
Current account balance	12.2	8.8	8.1	17.2	12.2	11.6	11.1	10.6	9.9	9.2
Gross external debt (excl. IFSC) 4/	284.9	229.9	218.9	198.0	179.9	166.4	153.3	140.6	129.3	118.9
Saving and Investment Balance										
Gross national savings	35.3	31.7	34.4	34.6	31.5	30.9	30.3	29.9	29.3	28.8
Private sector	35.5	29.0	31.8	29.2	29.1	28.6	28.4	27.7	27.2	26.8
Public sector	-0.2	2.7	2.6	5.3	2.4	2.2	2.0	2.2	2.2	2.0
Gross capital formation	23.1	22.9	26.3	17.4	19.3	19.2	19.3	19.2	19.4	19.5
Memorandum Items:										
Nominal GDP (€ billions)	449.2	520.9	510.0	533.4	561.2	581.1	603.9	630.2	656.8	685.2
Nominal GNI* (€ billions)	230.8	267.0	290.9	311.8	325.3	337.0	349.8	364.9	380.7	397.2
Modified domestic demand (percentage change) 5/	8.0	8.8	2.6	2.7	2.1	2.1	2.2	2.2	2.3	2.3

Sources: CSO, DoF, Eurostat, and IMF staff estimates and projections.

1/ Real GDP growth is reported in non-seasonally adjusted terms.

2/ Nominal GNI* is deflated using GDP deflator as proxy, since an official GNI* deflator is not available.

3/ Excludes estimated windfall CIT receipts. In 2024 also excludes CIT receipts of 2.5 percent of GDP following judgment by the Court of Justice of the EU.

4/ IFSC indicates international financial services.

5/ Modified Domestic Demand (MDD) measures Ireland's domestic economic activity by excluding certain capital investment items such as aeroplanes purchased by leasing companies in Ireland and Intellectual Property purchases of foreign-owned corporations from final domestic demand.

Table 2. Ireland: Statement of Operations of the General Government, 2021–30

(Percent of GDP, unless otherwise indicated)

				Projections						
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	**22.2**	**22.3**	**24.3**	**27.8**	**25.6**	**25.7**	**25.7**	**26.1**	**26.2**	**26.2**
Taxes	16.9	17.1	18.4	19.3	19.4	19.5	19.3	19.6	19.6	19.5
Personal income tax	6.5	6.3	6.8	6.9	6.9	7.0	6.9	6.9	6.9	6.9
Corporate income tax	3.4	4.4	4.7	5.4	5.3	5.1	5.0	5.3	5.3	5.2
VAT	3.7	3.7	4.0	4.1	4.1	4.1	4.1	4.1	4.2	4.2
Excises	1.3	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other taxes	1.9	1.6	1.7	1.7	2.1	2.1	2.1	2.1	2.1	2.1
Social contributions	3.9	3.8	4.2	4.3	4.5	4.7	4.8	5.0	5.1	5.2
Other revenue	1.4	1.4	1.7	4.3	1.6	1.6	1.6	1.5	1.5	1.5
Expenditure	**23.5**	**20.6**	**22.7**	**23.5**	**24.2**	**24.4**	**24.6**	**24.8**	**24.9**	**25.0**
Expense	21.5	18.6	20.4	20.8	21.0	20.9	21.1	21.1	21.1	21.1
Compensation of employees	5.9	5.5	6.2	6.4	6.6	6.7	6.8	6.8	6.8	6.9
Use of goods and services	3.6	3.3	3.8	3.8	3.8	3.8	3.7	3.6	3.6	3.5
Interest	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.8
Subsidies	1.6	0.7	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Social benefits	8.3	7.1	7.8	8.0	8.0	8.0	8.1	8.1	8.0	8.0
Other expense	1.3	1.3	1.5	1.6	1.5	1.4	1.4	1.4	1.4	1.3
Net acquisition of nonfinancial assets	2.0	2.0	2.3	2.7	3.1	3.5	3.5	3.7	3.8	4.0
Net Lending(+)/Borrowing(-) (Overall Balance)	**-1.4**	**1.7**	**1.5**	**4.3**	**1.4**	**1.3**	**1.1**	**1.3**	**1.3**	**1.2**
Net financial transactions	-1.4	1.4	1.7	4.2	1.4	1.3	1.1	1.3	1.3	1.2
Net acquisition of financial assets	3.0	-1.1	0.3	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	4.4	-2.5	-1.4	-3.3	-1.4	-1.3	-1.1	-1.3	-1.3	-1.2
Memorandum Items:										
Cyclically adjusted primary balance	-1.6	1.4	1.9	4.4	1.7	1.7	1.6	1.9	2.1	2.0
Structural primary balance 1/	-0.6	-0.6	-0.4	-0.8	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
Gross public debt	52.6	43.1	43.3	40.9	36.4	34.4	33.1	31.6	30.2	29.0
in percent of GNI*	102.3	84.2	75.9	70.0	62.8	59.3	57.1	54.5	52.1	50.1
in percent of revenue	236.9	193.8	178.3	147.1	142.4	133.6	128.8	120.9	115.1	110.7
Overall balance	-1.4	1.7	1.5	4.3	1.4	1.3	1.1	1.3	1.3	1.2
in percent of GNI*	-2.7	3.3	2.7	7.4	2.4	2.3	1.9	2.3	2.3	2.0
Net public debt 2/	42.6	35.8	35.2	30.8	29.8	30.1	30.1	29.8	29.6	29.5
in percent of GNI*	82.9	69.9	61.6	52.8	51.4	51.8	51.9	51.5	51.0	50.9
Interest (in percent of revenue)	3.3	2.9	2.8	2.2	2.4	2.2	2.4	2.6	2.8	3.0
Currency and deposits	8.8	6.3	6.2	8.2	5.1	2.9	1.7	0.5	-0.6	-1.6
GDP at current market prices (in billions of euros)	449.2	520.9	510.0	533.4	561.2	581.1	603.9	630.2	656.8	685.2

Sources: DoF, Eurostat, and IMF staff estimates and projections.

1/ Excludes estimated windfall CIT receipts. In 2024 also excludes CIT receipts of 2.5 percent of GDP following judgment by the Court of Justice of the EU.

2/ Gross debt minus financial assets corresponding to debt instruments (currency and deposits, debt securities, and loans).

Table 3. Ireland: Balance of Payments and International Investment Position, 2021–30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Projections						
Balance of Payments	(Billions of euros, unless otherwise indicated)									
Current Account Balance	**54.6**	**45.6**	**41.3**	**91.5**	**68.3**	**67.5**	**66.7**	**67.1**	**65.2**	**63.4**
(Percent of GDP)	**12.2**	**8.8**	**8.1**	**17.2**	**12.2**	**11.6**	**11.1**	**10.6**	**9.9**	**9.2**
Balance of goods and services	187.3	214.8	167.8	225.1	224.3	232.0	240.9	252.2	261.7	272.2
(Percent of GDP)	41.7	41.2	32.9	42.2	40.0	39.9	39.9	40.0	39.8	39.7
Trade balance	168.4	205.1	156.1	176.6	205.6	210.0	215.8	224.4	234.9	245.6
Exports of goods	280.7	354.8	305.7	329.4	361.2	368.7	380.4	394.6	412.5	431.3
Imports of goods	112.2	149.7	149.6	152.8	155.6	158.8	164.5	170.2	177.6	185.7
Services balance	18.9	9.7	11.7	48.5	18.7	22.0	25.1	27.8	26.8	26.6
Primary income balance	-128.2	-164.5	-121.7	-129.0	-151.1	-159.5	-169.0	-179.7	-190.9	-203.0
(Percent of GDP)	-28.5	-31.6	-23.9	-24.2	-26.9	-27.5	-28.0	-28.5	-29.1	-29.6
Secondary income balance	-4.4	-4.7	-4.9	-4.6	-4.8	-5.0	-5.2	-5.4	-5.6	-5.9
Capital account balance	1.5	-0.9	-8.7	-18.2	-25.7	-26.8	-28.4	-29.7	-30.9	-32.3
Financial account balance	52.7	44.4	36.9	83.1	42.6	40.7	38.3	37.4	34.2	31.1
(Percent of GDP)	11.7	8.5	7.2	15.6	7.6	7.0	6.3	5.9	5.2	4.5
Direct investment	41.5	25.0	12.9	59.0	57.9	53.3	52.4	51.4	50.6	49.7
Portfolio investment	-10.5	-138.8	98.6	52.1	53.2	54.2	55.3	56.4	57.6	58.7
Other investment	16.6	157.7	-74.1	-27.8	-68.5	-66.9	-69.4	-70.5	-73.9	-77.3
Change in reserve assets	5.0	0.5	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	-3.5	-0.4	4.3	9.8	0.0	0.0	0.0	0.0	0.0	0.0
Net International Investment Position	(Percent of GDP)									
Net investment position	-120.9	-110.3	-101.4	-80.7	-46.2	-17.0	10.1	34.8	57.4	77.8
Net direct investment	12.6	-26.7	-10.1	37.5	45.9	53.5	60.2	65.8	70.9	75.2
Net portfolio investment	-175.5	-148.2	-155.8	-186.3	-174.3	-165.3	-155.9	-146.2	-136.9	-127.9
Net other investment	39.4	62.3	62.2	65.8	80.0	92.7	103.8	113.2	121.6	128.7
Reserve assets	2.6	2.3	2.3	2.3	2.2	2.1	2.0	1.9	1.9	1.8
External Debt	(Percent of GDP)									
Total external debt	642.4	550.3	556.6	523.9	489.7	465.5	441.2	416.5	394.0	372.6
Non-IFSC external debt	284.9	229.9	218.9	198.0	179.9	166.4	153.3	140.6	129.3	118.9
IFSC external debt	357.5	320.4	337.7	325.9	309.8	299.2	287.9	275.9	264.7	0.0
Short-term debt	237.7	202.5	211.3	198.9	185.9	176.8	167.5	158.1	149.6	141.5
Medium & long term debt	404.7	347.8	345.2	325.0	303.8	288.8	273.7	258.3	244.4	231.1
Memorandum Item:										
Modified current account balance (CA*) 1/	4.6	2.7	1.9	…	…	…	…	…	…	…

Sources: CBI, CSO, and IMF staff estimates and projections.

1/ CA* removes the impact of MNEs' globalisation-related operations by excluding R&D service imports, net imports of R&D-related IP and aircraft leasing, and redomiciled income, as well as the depreciation of R&D service imports, trade in IP and aircraft leasing.

Table 4. Ireland: Depository Corporations Survey, 2020–24

	2020	2021	2022	2023	2024
	(In billions of euros, end of period)				
Net foreign assets	231.4	271.5	276.7	299.5	337.2
Claims on nonresidents	1045.9	1101.5	1199.5	1250.8	1457.3
Central Bank	75.0	114.2	128.8	124.4	119.6
Other Depository Corporations	971.0	987.3	1070.7	1126.4	1337.7
Liabilities to Nonresidents	-814.5	-829.9	-922.9	-951.3	-1120.1
Central Bank	-4.2	-6.8	-5.9	-6.2	-6.0
Other Depository Corporations	-810.3	-823.1	-917.0	-945.1	-1114.1
Net domestic assets	181.9	151.9	209.3	175.5	177.7
Net Claims on Central Government	52.7	48.6	45.6	43.6	44.3
Claims on State and Local Government	0.1	0.1	0.1	0.1	0.1
Claims on Public Nonfinancial Corporations	0.0	0.0	0.0	0.0	0.0
Claims on NBFIs	112.5	94.4	139.0	124.7	130.9
Claims on private sector	123.5	118.8	132.5	132.4	133.0
Corporates	34.2	30.7	31.9	30.9	29.2
Households	89.3	88.1	100.6	101.5	103.8
Capital and Reserves (-)	88.5	88.8	100.6	104.8	108.8
Other items, net (-, including discrepancy)	18.3	21.2	7.2	20.5	21.8
Broad Money	303.2	334.3	342.6	349.6	390.7
Currency in Circulation	22.0	23.6	24.0	24.0	31.5
Transferable Deposits	212.2	250.4	253.4	245.3	254.8
Other Deposits	69.9	58.4	62.1	77.7	102.5
Securities	-0.8	2.0	3.2	2.7	1.9
Other Liabilities	110.1	89.1	143.4	125.4	124.2
	(Annual percentage change)				
Net foreign assets	11.1	17.3	1.9	8.2	12.6
Net domestic assets	30.6	-16.5	37.8	-16.2	1.3
Claims on private sector	-5.9	-3.8	11.6	-0.1	0.5
Corporates	-12.7	-10.3	4.0	-3.2	-5.3
Households	-3.0	-1.3	14.2	0.9	2.3
Broad Money	13.4	10.3	2.5	2.0	11.8
	(In millions of U.S. dollars, end of period)				
Net foreign assets	281.6	306.9	293.0	326.5	370.5
Net domestic assets	221.4	171.7	221.6	191.4	195.3
Claims on private sector	150.2	134.2	140.3	144.3	146.2
Corporates	41.6	34.6	33.7	33.6	32.1
Households	108.7	99.6	106.5	110.7	114.1
Memorandum items:					
Velocity (GDP/Broad Money)	1.3	1.3	1.5	1.5	1.3
Euro per U.S. dollar (end of period)	0.8	0.9	0.9	0.9	0.9

Sources: International Financial Statistics and IMF Staff.

Table 5. Ireland: Key Financial Indicators of Selected Irish Banks, 2017–24 1/
(Percent)

	2017	2018	2019	2020	2021	2022	2023	2024
Credit growth	-3.9	-3.4	1.0	-3.8	-1.2	1.8	10.1	3.1
to Irish residents	-17.9	2.2	-3.3	-1.9	-1.6	4.4	16.2	3.7
Return on assets	0.8	0.8	0.4	-0.7	0.6	0.6	1.3	1.3
Return on equity	7.4	6.9	3.2	-6.2	6.5	7.0	12.4	13.0
Net interest margin	2.3	2.2	2.2	1.9	1.7	1.9	3.0	2.9
Cost-to-income ratio	64.4	67.8	76.5	75.1	75.1	62.9	48.9	48.9
NPL ratio	12.1	7.3	4.3	5.1	3.5	2.3	2.1	1.7
Coverage ratio	30.4	28.8	27.9	31.3	31.7	32.8	28.6	31.4
CT1 ratio	18.4	17.8	17.9	17.1	18.1	16.9	15.4	14.8
Net loan to deposit ratio	92.0	90.4	85.3	70.5	65.4	71.8	76.4	76.7

Sources: CBI and IMF staff.
1/ Indicators cover the three main domestic banks: Allied Irish Banks, Bank of Ireland, and Permanent TSB. Figures are based on Q4 data, unless otherwise indicated.

Annex I. Implementation of Past IMF Recommendations

2023 Article IV Recommendations	Policy Actions
Fiscal Policy	
Phase out temporary cost-of-living measures and save revenue overperformance to avoid adding to aggregate demand.	Energy credits and business support have been reduced over time. About half of the temporary cost-of-living measures, including the remaining energy credits, were untargeted in 2024.
Strengthen public investment efficiency and timely execution of the capital budget.	The authorities are updating the National Development Plan to ramp up public investment and strengthening the public expenditure framework to deliver value for money.
Broaden the revenue base, improve the PIT structure and simplify VAT.	While various options have been laid out in Report of the Commission on Taxation and Welfare and Tax Group Strategy papers for Budget 2025, progress has been slow in this area. The recent proposed changes to the local property tax could yield higher revenues.
Save temporary excess CIT receipts to build fiscal buffers and integrate the two saving funds in a medium-term fiscal framework.	€10 billion was transferred from the Exchequer's account into the two savings funds in 2024. The authorities are on track to transfer another €6 billion to the two funds in 2025. The National Treasury Management Agency is developing an interim investment strategy for the two funds.
Structural Reforms	
Boost housing supply, including by increasing urban density, improving use of land, boosting construction productivity, introducing greater regulatory certainty, and removing rent caps.	Housing completions declined in 2024 despite a large increase in commencements. The decline was driven by apartment buildings. The revised National Planning Framework is expected to ensure the zoning of land is aligned with development needs. A National Economic & Social Council report published in September investigated the potential of modern methods of construction (MMC) to boost housing supply and identifies actions for greater adoption of MMC methods. The new Planning and Development Act is expected to bring regulatory certainty. Rent controls have been maintained for the time being.
Support digital transformation of SMEs and promote innovation.	The Digital Transition Fund, as part of Ireland's National Recovery and Resilience Plan, supports the digital transformation of Irish companies, particularly SMEs.
Climate	
Adopt policies to move closer to meeting climate goals, including removal of implicit fossil fuel subsidies, expansion of the national carbon tax coverage, higher and unified carbon taxation and sectoral feebates.	An annual increase in the carbon tax till 2030 has been adopted, and carbon budgets and sectoral emissions limits have been introduced. The 2025 Climate Action Plan provides a roadmap to closing the emissions gaps through high-impact actions, including low-emission feeds and fertilizers in agriculture, and focus on alternative fuels and enhancing rail connectivity in transport. Fossil fuel subsidies are still in place.
Financial Sector Policy	
See Annex II	The authorities have made significant progress in implementing the 2022 FSAP policy recommendations.
Source: IMF staff.	

Annex II. Implementation of FSAP Key Recommendations

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
		Oversight – Cross Cutting		
1	Notwithstanding strong de facto independence, further strengthen de jure Central Bank independence by: • amending legislation such that the Minister for Finance may dismiss Central Bank Commission members only on specified grounds of serious misconduct, and • enshrining in legislation a written procedure for the submission by the Central Bank and approval by Minister for Finance of the supervisory levy.	**DoF,** Oireachtas	ST	A suitable legislative vehicle for both proposed changes will be identified. All legislative changes are subject to agreement by the Minister and Government.
2	Amend relevant legislation to provide for greater individual accountability and enhance supervisory powers of the Central Bank to take direct enforcement action against individuals. Finalize the related internal framework to operationalize execution of the upgraded accountability regime.	**DoF,** Oireachtas, CBI	ST	The Central Bank Individual Accountability Framework (IAF) Act 2023 was enacted on 9 March 2023. The Act provides for greater individual accountability through the introduction of individual and business conduct standards and enhances the supervisory powers of the CBI to take direct enforcement action against individuals. The Act also provides for an amendment to Section 48 of the Central Bank Supervision and Enforcement Act (2013) to provide the CBI with a regulation making power to give effect to the Senior Executive Accountability Regime (SEAR). The legal instruments commencing all provisions of the Act have been signed by the Minister for Finance to allow for the implementation of the legislation to achieve its objectives. The CBI issued SEAR Regulations that apply to in-scope firms from 1 July 2024 and for (Independent) Non-Executive Directors in in-scope firms from 1 July 2025. Technical amendments to improve existing legislation and clarify certain statutory processes are included in the Act. A CBI-wide project has been completed to operationalise the new IAF regime. IAF Guidance has been finalised and issued by the CBI.
3	Adopt a sequenced action plan for banking and insurance supervision to manage climate-related financial risks in priority areas, with an early emphasis on robust data and quality disclosure.	**CBI**	I	A sequenced action plan is in place. This takes the form of 3-year forward-looking roadmaps detailing the various projects and activities that are required to meet these (and broader) objectives with respect to climate change risk management. These were updated in January 2025. The work is progressing through the climate change hub and spokes model led by the CBI's Climate Change Unit. The cross-Bank teams meet on a monthly basis to discuss progress across the activities in the roadmaps, to identify gaps and obstacles and to engage in strategic conversation to progress the work. Material progress over the past year includes improvements in data and insights such as flood risk in bank lending and insurance flood protection gaps. While the action to adopt a sequenced action plan is completed, significant work is still required to mature and embed management of climate-related risks as outlined in the roadmaps.
		Macroprudential Policy		
4	Work with European institutions to develop macroprudential tools targeting risks from non-banks, including for leakages and other cross-border issues.	**CBI**	MT	The CBI has engaged with international colleagues (Eurosystem, ESRB, ESMA, FSB, IOSCO etc.) in taking forward work on macroprudential policy for investment funds internationally. The CBI published a Discussion Paper (DP) on the macroprudential framework for investment funds in July 2023 while the Feedback

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
				Statement to the Discussion Paper was published in July 2024. The CBI also hosted an international conference on macroprudential policy for funds in May 2024 as part of the programme of engagement with key stakeholders on the contents of the Discussion Paper and the feedback received. Building on the Discussion Paper, the CBI published its response to the European Commission's targeted consultation on macroprudential policies for non-bank financial intermediation (NBFI) in November 2024. The CBI was also heavily involved in developing a single Eurosystem response to the European Commission's consultation. The Eurosystem High-Level Task Force which prepared the Eurosystem response is co-chaired by the CBI, alongside the Banque de France. The CBI is also active in a number of international workstreams at the FSB and IOSCO on this topic, including the FSB's Working Group on Leverage in NBFI, which published a consultation paper in December 2024. In addition to inputting to these international workstreams, the CBI has introduced two macroprudential measures targeting specific cohorts of investment funds in recent years - namely the macroprudential measures for Irish property funds announced in Nov 2022 (see Rec 6 below) and macroprudential measures pertaining to GBP denominated LDI funds announced in April 2024. Given the cross-border nature of GBP-denominated LDI funds, the CBI sought to ensure international coordination in introducing these measures. To this end, the CBI's consultation paper represented an aligned public consultation with the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg who also published in parallel a consultation paper and final framework on GBP-denominated LDI funds. Since the beginning of the UK gilt market crisis in 2022, the CBI has also worked closely with ESMA, UK authorities and other relevant stakeholders.
		Macroprudential Policy		
5	Expand the monitoring of non-bank lenders beyond those engaged in mortgage activities.	**CBI**	ST	The role of non-bank lenders (NBLs) in credit provision to the Irish real economy has been the subject of research and analysis at the Bank since 2019. Previous work, now embedded as a regular feature in the FSR, estimates the share of NBLs in SME lending at 30-40 percent in recent years, and closer to one-half among real estate SMEs. In late 2023, a detailed balance sheet profile of non-bank lenders was developed using hand-collected data, highlighting the diverse range of players and activity among NBLs with exposure to Irish firms (Moloney et al 2023). In 2024, a deep-dive on the CRE market gave high priority to the role of NBLs in the provision of this form of credit, including detailed analysis of the risk profile of lending to NBLs versus banks (Lambert et al., 2024; FSR Special Feature 2024h1). The work also highlighted that NBLs based outside Ireland, while not captured in central bank data, likely play an important role in a range of funding structures used to channel global financing to Ireland's CRE market. Transaction-level data on CRE deals is now being used to fill data gaps in this area. In September 2024, a special Quarterly Bulletin article was published on the housing market in Ireland. This work was led by the Bank's Research Board Working Group on the housing market, and again gave priority to the topic of non-bank sources of financing when assessing the funding landscape for housing

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
				development in Ireland. Further work analysing Specialist Property Lenders (non-bank lenders that specialise in real estate lending) will be forthcoming in the next few months. Research is ongoing to investigate the different pass-through of monetary policy, both to lending volumes and interest rates, using credit register data.
6	Strengthen the resilience of property funds by introducing the proposed macroprudential leverage limit and liquidity management guidance, while adjusting the limit countercyclically.	**CBI**	I	In November 2022 the CBI announced the introduction of a leverage limit of 60 percent on property funds, which will be gradually implemented over a five-year period for existing property funds. Funds with leverage currently over 50 per cent will need to submit a plan outlining how to keep leverage below 60 percent or reduce it below 60 percent prior to the implementation deadline. The leverage limit is subject to regular monitoring by the CBI including engagement with property funds on their leverage reduction and maintenance plans. Furthermore, the CBI introduced new Guidance to address risks from liquidity mismatch, with an 18-month implementation period to May 2024. Both measures will apply immediately to newly-authorised Irish property funds.
		Banking Sector		
7	Maintain the use of tools developed for intensified monitoring of banks' credit losses introduced during the pandemic.	**CBI**	ST	The tools developed by the CBI in the immediate aftermath of Covid-19 continue to drive its supervision of credit and other debt-related risks. The underlying data analysis continues to be collectively considered on a collaborative, cross-divisional basis via specific, formally established fora developed by the Distressed Debt Working Group. Specifically, Credit Network focuses on credit risk issues and related priority actions arising. Debt Steering Group is looking at potential indicators of latent distress, access to and availability of credit on a forward-looking basis.
		Insurance Sector		
8	Continue strengthening insurance supervision focused on intra group transactions and concentrations, with a focus on post-Brexit group structures, recovery planning, and liquidity risk management.	**CBI**	ST	On 30 January 2023, the CBI published its "Guidance for (Re)Insurance Undertakings on Intragroup Transactions & Exposures". The stated aim in publishing this guidance is to be "more transparent about expectations with regard to IGTs of (re)insurance undertakings supervised by the CBI and in doing so, to promote a level playing field". Furthermore, following a thematic review of recovery plans, industry feedback was issued to all firms in Q4 2022. Further engagement will come under the CBI's PRISM engagement, including regular risk assessments and annual reviews of recovery plans and ORSAs. In particular, specific reviews of intra-group arrangements are being planned for 2025.
		MBF Sector		
9	Work with ESMA, ESRB, and EU Commission, as part of the Commission's review of the EU MMF Regulation, to promote MMF resilience.	CBI, **DoF**	ST	The CBI opined on the need for targeted MMF reform as part of the CBI response (and Eurosystem response) to the EU Commission consultation on NBFI. More broadly, the CBI continues to engage with a range of stakeholders on the need for MMF reform, including industry representatives and other supervisory authorities.
		MBF Sector		
10	Prioritize guidance to the funds sector on using the full range of liquidity management tools, including those which result in subscribing or redeeming investors bearing the associated transaction costs.	**CBI**	ST	The CBI co-led the work underway at the FSB on OEIFs on the use of LMTs, particularly price-based LMTs. The CBI was also heavily involved in the parallel IOSCO process to develop international guidance on the use of such tools. The CBI is part of the ESMA project team developing the Regulatory Technical Standards and associated guidance on LMTs as part of the implementation of the

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
				revised AIFMD. This will support a more harmonized European approach to the selection and use of LMTs. The CBI also issued guidance on the use of side-pockets by UCITS in 2022. Domestically, and as a follow-up to the FSB OEIF work, the CBI is currently engaged in work to understand better how price-based or anti-dilution LMTs are used in Irish-domiciled funds, as well as digging deeper into some of the implementation challenges to inform operational discussions internationally on this issue. This includes work on issues such as incorporating market impact into swing factors; inconsistencies in the use of these tools; and use in normal as well as stressed conditions. The CBI has recently conducted a survey with Irish-authorised funds with regard to LMT availability and use, and will supplement this data with targeted follow-ups with industry over the coming period.
11	Intensify collaboration between the Central Bank, the CSO, and international regulators to better understand the OFI residual entities and their domestic and foreign linkages, and to conduct risk analysis at a granular level.	**CBI**, CSO	MT	CSO have conducted internal analysis to examine OFI links to the domestic economy and the proportion of intra-group activity. Furthermore, collaborating with the CSO, Quarterly Financial Accounts Statistics will have incorporated greater OFI sector splits, facilitating a greater understanding of the OFI residual at an aggregate level over time. While the CBI doesn’t have granular data on the 'OFI residual' to undertake risk analyses presently, the Bank continues to actively monitor trends and vulnerabilities in the available OFI granular data – the SPEs, investment funds and MMFs, for example in the MBF Monitor, and has published a ‘Behind The Data’ which looks at IFs use of SPEs and its links to the domestic economy. Discussions at a European level have been deprioritized over the past 18 months, but bilateral discussions on understanding the typology and vulnerabilities arising from the captive financial sector are being discussed with a number of countries more recently, with the intention of looking to progress understanding their typology further in H2 2025.
12	Conduct more deep dives to further enhance the monitoring of risks of subsegments of the funds sector.	**CBI**	ST	Unstructured risk assessments of the fund sector are on-going, these include analysis of the strategies and risk associated with Irish-domiciled Hedge Funds, an assessment of the availability and use of investment funds’ liquidity management tools and improvements in the data granularity being collected by the CBI. From a supervisory perspective a number of deep dives have also been achieved including ETFs, MMFs, FOE as well as regular monitoring of the sector through the Funds Impact Model.
		Fintech Sector		
13	Prepare to introduce domestic legislation in the event of significant delay or material gaps in the MiCA framework.	**DoF**, CBI	ST	The EU Markets in Crypto Asset Regulation (MiCAR) was published in the Official Journal on 9 June 2023. MiCAR became applicable to issuers of Asset-Referenced Tokens (ARTs) and E-Money Tokens (EMTs) on 30 June 2024 and applicable to Crypto-Asset Service Providers (CASPs) on 30 December 2024. MiCAR was transposed into Irish law on 7 November 2024 by S.I. No. 607 of 2024 European Union (Markets in Crypto-Assets) Regulation. Under this S.I. the CBI has been designated as the NCA for the authorisation and supervision of entities that will be subject to MiCAR. Companies operating in Ireland must achieve full compliance within the twelve-month transitional period which concludes on 29 December 2025. Throughout 2023 and 2024 the CBI has been working with ESMA and EBA on the development of level

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
				2 and 3 texts, as well as engaging on the important issue of supervisory convergence across Competent Authorities in the EU. The CBI has established a cross-sectoral team to integrate MiCAR into the CBI's authorisation and supervisory processes and methodologies.
14	Continue to advocate for inclusion of systemic Irish cloud service providers in the Union Oversight Framework under DORA; failing which, seek additional statutory powers to review and examine the resilience of these entities.	CBI, **DoF**	MT	DORA was published in the official journal in December 2022 and was transposed in January 2025. The ESAs are in the process of preparing the new Oversight Regime for critical ICT third-party providers, which will rely on the collection of the Register of Information on ICT services provided by third-parties from all regulated financial entities subject to DORA. The CBI expects that all critical cloud service providers of financial entities will come under the ESAs Oversight Regime.
		Insolvency and Creditor Rights		
15	Further develop the government strategy, ensuring coordination across multiple responsible agencies, to provide targeted solutions to long-term mortgage arrears borrowers based on their financial situation and debt servicing capacity.	CBI, **DoF**, DOJ, ISI, consulting relevant agencies	ST	An inter-Departmental Group was established to review the Mortgage Arrears Framework. The Group issued a report in September 2024 with recommendations for actions. The purpose of the Group was to consider the impact of the mortgage arrears resolution framework, the current resolution options available through the schemes operated by state agencies and bodies, and recommend refinements and improvements to better address the economic and social impact of mortgage arrears. A second iteration of the group commenced in December 2024 - the Mortgage Arrears Forum - to oversee the implementation of the recommendations.
16	Conduct a review of examinership given its limited usage, the new EU Directive and identified gaps vis a vis the Standard. Consider introducing a new hybrid procedure in line with the "spirit" of the EU Directive.	**DETE**, CLRG	I	The EU Directive on Preventive Restructuring's (PRD) mandatory articles relating to corporate insolvency were transposed into Irish law by way of relatively minor amendments to Ireland's existing examinership regime. A review of examinership in relation to the optional articles of the Directive is on the Company Law Review Group Work Programme for 2024–2026. SCARP (Small Company Administrative Rescue Process) is Ireland's hybrid insolvency procedure - it allows fundamentally viable companies experiencing temporary financial problems to restructure with the agreement of creditors. It is initiated by the directors of the company concerned and has limited court involvement where creditors are actively engaged and are positively disposed to a rescue plan. The process mirrors elements of examinership but with a simplified administrative process making it potentially both quicker and cheaper. To avail of SCARP, a company must be a small or micro company as defined by the Companies Act 2014, which in Ireland means in effect 98 percent of companies on the register of companies are eligible. 2023 saw a 50 percent rise in SCARP notifications compared to the first year of operation and the numbers for 2024 are roughly on a par with 2023. It is also important to note that the usage of the SCARP process has outnumbered examinerships during 2022, 2023 and significantly in 2024. The Department of Enterprise, Tourism and Employment has undertaken an insolvency statistics project to support more effective analysis and drive and inform policy.
		Crisis Management		
17	Develop policies and procedures for assessing the prospective solvency of a bank entering into or undergoing	**CBI**	ST	A workshop was held in Q4 2023 to address the recommendation. Specifically, three outcomes were sought: (i) To agree how the assessment of the credible prospect of recapitalisation within 24 weeks would be carried out by the

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
	resolution to determine its eligibility for ELA.			National Competent Authority (NCA), in consultation with the National Resolution Authority (NRA), in respect of a bank that requests ELA and falls within scope of criteria 4.1 (b) of the Eurosystem Agreement; (ii) To examine how the NCA, in consultation with the NRA, would approach such an assessment when ELA is requested at different stages of the resolution process, namely when the bank is entering resolution and undergoing resolution; and (iii) Following on from the above, to identify any follow-up work required in order to support the NCA's approach to and preparation for ELA. The recommendations from the workshop have been progressed within the CBI, which will culminate in cross-bank ELA procedures being updated to include details on the approach when ELA is provided to a bank that is entering or undergoing resolution. In addition to the internal procedures on ELA in resolution, a solution to restore full access of an entity in resolution to Eurosystem monetary policy operations (MPOs) the day after the adoption of the resolution scheme has been set out and agreed by the ECB Governing Council.
18	Remedy weaknesses in the insolvency regime for insurers, including any required legislative amendments	**DoF**, CBI	ST	The Insurance Recovery and Resolution Directive (Directive 2025/1) was published in the Official Journal of the EU on 08 January 2025. Ireland has begun to transpose the Directive into Irish law before the deadline of 28 January 2027. The IRRD will require that insurers that meet the criteria for resolution are prepared in the face of possible failures, and that these are managed in an orderly manner. As part of this work, the Department of Finance has met with the CBI and they are assessing the proposal to update the powers to seek the appointment of a liquidator for insurers.
		Financial Integrity		
19	Adequately resource AML/CFT capacity, use advanced data analytical tools, and focus on deepening understanding of and addressing ML/TF risks from non-resident and cross-border activity.	Relevant AMLSC members Lead: **DoF**	ST	Ireland's Financial Intelligence Unit, FIU Ireland has had an increase in staffing of 15 percent, which excludes management members. With regard to advanced data analytical tools, in early 2025 the next generation of FIU.net was rolled out to all European FIUs. There is a business interface solution on this which means more analysis capability that was not available on its predecessor. Additionally, FIU Ireland's GoAML software was upgraded to version 5.4. Phase 2 of this upgrade will provide more analysis capabilities and is currently expected to take place at the end of Q2 or early Q3 2025. In January 2025, the CBI commenced implementing a new integrated approach to how it supervises across all parts of its regulatory mandate. The new supervisory framework establishes integrated supervisory teams that identify and assess all risks (prudential, consumer protection & AML) and supervise accordingly, across all risk categories on a sector and firm basis. There are three large directorates for these supervisory teams (vertical directorates across Banking & Payments, Insurance, and Capital Markets & Funds). Importantly, there is also a horizontal supervision directorate that has dedicated teams in expert divisions operating on a horizontal basis. These teams conduct firm-specific, sectoral and cross-sectoral supervision. The CBI's new framework means there will be more resources supervising ML/TF risks and AML/CFT measures in sectors and firms. Firstly, the CBI has maintained a horizontal division (Financial Integrity Division or "FID") responsible for conducting AML/CFT supervision across the entire financial sector. This is at the same

Rec No.	Recommendation	Addressee (Lead Agency in bold)	Time	Comment
				level of dedicated AML supervisory resources operating on a horizontal basis as there was previously in the old AML Division. Secondly, as the CBI implements the new supervisory framework, integrated supervisory teams in the vertical directorates will also be conducting AML/CFT supervision on a firm and sector basis, in addition and in partnership with FID. Given the new framework is just being implemented this year, the CBI is focused on AML/CFT supervision out of FID, while also upskilling the vertical supervisory teams so they can also commence AML/CFT supervision into next year. On systems and technology, the CBI continues the project started in 2024 to enhance the data we collect to support our risk based approach to ML/TF supervision. The enhanced Risk Evaluation Questionnaires (REQs) will be sector specific, with particular emphasis on data regarding domestic and international flows of funds and other information to support the calculation of ML/TF Risk as is required under the EU AML package and the CBI's own analysis of emerging ML/TF Risks and trends. The CBI will roll out the enhanced REQS for consultation and then completion on a phased basis over 2025 and into Q1 2026. More broadly, a risk assessment partner was procured in 2024 to assist the AML Steering Committee with work on revising Ireland's national risk assessment for ML and TF. That work is due for completion in Q4 2025 and one of the priority areas incorporated in the assessment work is transnational financial flows.

C = Continuous; I = Immediate (within one year); ST = Short Term (within 1-3 years); MT = Medium Term (within 3-5 years).
Note: The table presents a factual update of progress vis-à-vis the 2022 FSAP recommendations, based on inputs from the authorities.

Annex III. Risk Assessment Matrix[1]

Risks	Likelihood	Expected Impact	Policy Response
Global Risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further US dollar appreciation, tighter financial conditions, and higher inflation. **Deepening geoeconomic fragmentation.** Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High High	High The Irish economy is highly integrated into the global value chains, with significant reliance on FDI and trade concentrated in a small number of sectors, notably, pharmaceutical manufacturing and ICT. As a result, the country is highly vulnerable to trade and investment restrictions and supply disruptions.	• In case of a large negative impact, use fiscal buffers to provide focused and time-bound support where essential. • Accelerate structural reforms to strengthen competitiveness and build resilience. • Diversify exports, strengthen supply chain resilience and linkages between MNEs and the domestic economy. • Redouble efforts together with other EU countries to deepen the single market and complete its architecture.
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	Medium Negative spillovers from conflicts, including weaker external demand and higher commodity prices, would affect growth and inflation in Ireland. Migrant inflows could increase fiscal and housing pressures but also help alleviate labor shortages.	• In case of a large negative impact, use fiscal buffers to provide focused and time-bound support where essential. • Facilitate the integration of migrants. • Accelerate high-quality public investment projects.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	Medium As a commodity importer, higher commodity prices would increase firms' costs, resulting in higher inflation and lower private consumption and investment.	• In case of a large negative impact, use fiscal buffers to provide focused and time-bound support where essential. • Strengthen the resilience of the supply chain of critical commodities including by diversifying suppliers.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing,	Medium	Medium Higher-for-longer interest rates would increase financing costs and slow credit and growth. Asset repricing and market dislocations would affect negatively Ireland's large NBFI sector. A mitigating factor is that the sector is mostly	• Allow automatic stabilizers to operate fully and recalibrate fiscal policy in line with cyclical conditions.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Expected Impact	Policy Response
market dislocations, weak bank and NBFI distress, and further US dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.		externally oriented, with limited linkages to the domestic economy.	• Intensify monitoring of the financial sector and close data gaps. • Recalibrate and develop macroprudential measures as needed.
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.	Low	High Ireland is highly integrated in the global value chain, with a large multinational enterprise sector. Higher global growth would raise the demand for Irish exports which could strain capacity and contribute to higher costs of goods and services.	• Tighten fiscal policy to reduce aggregate demand and counteract overheating pressures. • Accelerate structural reforms to ease capacity constraints.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	Medium/High Cyber-attacks, if successful, could inflict significant damage to the financial sector and other critical infrastructure.	• Intensify the monitoring of cyber risks and exchange of information with partners. • Strengthen further the cyber security framework, including resilience testing and business continuity plans.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	Medium Rising sea levels increase the risk of coastal erosion and coastal flooding. Changing precipitation patterns increase inland flood risks and rising temperatures may result in droughts.	• Strengthen climate adaptation policies and infrastructure to increase resilience. • If risks materialize, consider providing fiscal support to affected individuals and firms.
Domestic Risks			
Supply-side constraints become more binding for growth and increase social discontent. Constraints, particularly in the housing market and labor market, slow down the implementation of public investment and create social discontent.	Medium	Medium/High Housing and infrastructure shortages further limit the extent to which the Irish economy can attract workers, increasing wage and price pressures and lowering the country's competitiveness and potential growth.	• Accelerate high-quality public investment in housing and infrastructure. • Employ active labor market policies to increase labor supply. • Adopt policies aimed at increasing urban density, improving the use of land, and boosting construction productivity. • Introduce greater housing regulatory certainty and remove rental caps.
Volatile MNE activities. Uncertainty over global demand leads to larger swings in MNE activities in Ireland.	High	High MNEs are important employers and taxpayers in Ireland. A retrenchment (expansion) of the MNE sector would lead to lower (higher) employment growth, tax receipts, and confidence.	• Allow headline fiscal balance to fluctuate in the short run if MNE profits fall temporarily. If the fall is permanent, use fiscal buffers in the short term, rationalize spending, and implement tax reforms.

Annex IV. External Sector Assessment

<table>
<tr><td colspan="7">Overall Assessment: The external position in 2024 is assessed as moderately stronger than the level implied by medium-term fundamentals and desirable policies. This assessment tries to abstract from the large-scale operations of multinational enterprises (MNEs), which have limited links to the domestic economy and distort the headline current account (CA). The CA registered a double-digit surplus in 2024, with some moderation projected over the medium term. Trade policy and investment shocks, intensification of regional conflicts and domestic capacity constraints are the main near-term risks, while uncertainty around geoeconomic fragmentation and the MNE sector remains high over the medium term.

Policy Responses. In the short term, fiscal policy should support public investment within the appropriate fiscal stance. In the medium term, a productivity-enhancing fiscal policy with greater public sector investment in areas such as affordable housing, infrastructure, digitization, and green transition would help boost potential growth and corporate investment.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Ireland's large negative net international investment position (NIIP) reflects the globalized operations of MNEs including financial services firms operating in the International Financial Services Centre (IFSC).[1] The NIIP, after peaking at -198 percent of GDP in 2015, further improved to -81 percent in 2024 from -101 percent in 2023. Non-IFSC gross external debt further declined to 165 percent of GDP in 2024 from 181 percent in 2023, reflecting the current account surplus, and non-debt-creating capital inflows.
Assessment. Ireland's NIIP largely reflects the activities of MNEs and market-based finance entities with few linkages to the Irish economy. Moreover, much of the cross-border liabilities from the operation of redomiciled MNEs have low rollover risk as they are financed through intra-company loans. Therefore, staff acknowledge that these are not, ultimately, the liabilities of Irish residents in assessing Ireland's external sustainability. Staff's estimates suggest that controlling for the volatilities associated with the MNE sector, including redomiciled firms, intellectual property, aircraft leasing, and adjusting for the international financial intermediation activities of investment funds and special purpose entities would result in a NIIP that is considerably less negative.[2]</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: -81</td><td>Gross Assets: 1679</td><td>Res. Assets: 2</td><td>Gross Liabilities: 1760</td><td colspan="2">Debt Liabilities: 521</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. Several factors—including contract manufacturing, the profits of redomiciled MNEs, and the depreciation of Irish-based, foreign-owned capital assets such as intellectual property and leased aircraft—distort the headline external balance and complicate the interpretation of trends. Over the recent decades, the CA has been very volatile and subject to frequent and large revisions. Ireland's share of world exports has been increasing, driven by exports of pharmaceutical products, business and financial services, and computer services. In 2024 the CA surplus increased to 17.2 percent of GDP from 8.1 percent in 2023, reflecting strong services exports (including a large one-off intellectual property relocation). On the saving-investment balance, households net saving rate has decreased from the very high levels during the pandemic but remained somewhat above the pre-pandemic levels. The headline government savings increased further reflecting a large windfall of corporate income taxes. In the medium term, the CA surplus is expected to moderate as the government and household net savings decrease, but it will remain sizable given the export activities of MNEs, and the exit from the double-Irish leading to smaller services imports by MNEs.
Assessment. The EBA CA model estimates a cyclically adjusted CA of 17.6 percent of GDP and a CA norm of 0.8 percent of GDP, with a standard error of 1.7 percent of GDP and an adjustor of -6.1 percent of GDP for portfolio retained earning measurement bias. The resulting EBA model-based CA gap of 10.8 (±1.7) percent of GDP includes identified policy gaps of 1.0 percent of GDP and a residual of 9.8 percent of GDP, reflecting MNEs' volatile operations. After controlling for these effects, staff assesses Ireland's external position in 2024 to be moderately stronger than the level implied by fundamentals and desirable policies.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 17.2</td><td>Cycl. Adj. CA: 17.6</td><td>EBA Norm: 0.8</td><td>EBA CA Gap: 16.9</td><td>Other Adj.: -6.1</td><td>Staff CA Gap: 10.8</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The depreciation of the CPI-based REER during the pandemic had been fully reversed by the end of 2023. In 2024, the REER depreciated by 0.1 percent and the NEER appreciated by 0.7 percent, relative to their average levels in 2023.</td></tr>
</table>

	Assessment. Consistent with the EBA-based CA gap of 10.8 percent of GDP, staff assesses a REER undervaluation ranging from 14.4 to 10.4 percent on average during 2024, with a midpoint of 12.4 percent (given an estimated elasticity of 0.87). Results from the EBA CA model are subject to a high degree of uncertainty as the model does not account for the large distortions and volatilities of the MNE sector, with a substantial portion of the gaps attributed to residuals. Results from the REER models also suggest a wide range, with the EBA REER index and level models resulting in a REER gap of –14.1 and 3.5 percent, respectively.
Capital and Financial Accounts: Flows and Policy Measures	**Background.** Ireland's capital and financial accounts are characterized by significant volatility due to the financing operation and investment activities of MNEs. In 2024, net FDI outflows amounted to 59 billion euro (11 percent of GDP), driven by equity repayment and reinvested earnings of MNEs. Total net financial account outflows in 2024 stood at around 16 percent of GDP. **Assessment.** Inward FDI and foreign demand for Irish sovereign bonds have been supported by Ireland's strong economic performance and investor-friendly business climate, including a favorable tax environment.
FX Intervention and Reserves Level	**Background.** The euro has the status of a global reserve currency. **Assessment**. Reserves held by the euro area are typically low relative to standard metrics. The currency floats freely.

1/ For more information about the impact of MNEs on Ireland's NIIP, see "The Role of Foreign-owned Multinational Enterprises in Ireland," IMF Country Report No. 17/172.
2/ See Galstyan, V., 2019, "Estimates of Foreign Assets and Liabilities for Ireland," Central Bank of Ireland and Trinity College Dublin.

Annex V. Sovereign Risk and Debt Sustainability Framework

Figure 1. Ireland: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Low	Ireland's overall risk of sovereign stress is low, reflecting relatively low vulnerabilities of the near and medium term outlook, while long term vulnerabilities are considered to be moderate.
Near term 1/			
Medium term	Low	Low	Risk of sovereign stress over the medium term is low, consistent with the mechanical signals. This largely reflects Ireland's relatively low debt burden, and favorable debt structure (long maturities, stable investor base and debt predominantly at fixed rates). The fanchart module, signals a moderate risk, reflecting uncertainty around the outlook.
Fanchart	Moderate	…	
GFN	Low	…	
Stress test	Bank. Crisis	…	
Long term	…	Moderate	Risks over the long term are assessed to be moderate, reflecting upcoming unfavorable demographics trends: an old age dependency ratio expected to double in the next decades and a retirement age well below life expectancy. In the absence of reforms to safeguard the sustainability of the pension system, public pension costs are projected to increase significantly. Previous estimates by the authorities suggest that failure to increase the retirement age as planned could imply a cumulative fiscal cost of about 10 percent of 2022 GDP over the long term. Health and long-term care expenditures are also expected to increase significantly, which highlights the need for a cost-efficient healthcare system in line with the authorities' healthcare reform plans.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Not required for surveillance countries.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Ireland is at a low overall risk of sovereign stress. Public debt has been contained through consecutive shocks, falling by more than 15 percentage points since the onset of the pandemic. Ireland's low sovereign spread and active debt management strategy have helped lengthen the maturity of the debt structure and kept debt servicing costs contained. Public debt is expected to remain on a firmly downward path despite the projected growth slowdown. However, the positive headline figures mask some underlying vulnerabilities. While Ireland's public debt as a percentage of GDP is much lower than the EA average, public debt burden is more elevated when measured against GNI*, a more appropriate measure of domestic activities (standing at 70 percent of GNI* in 2024). Furthermore, the dependence on volatile and uncertain CIT revenues leaves the fiscal position significantly exposed to shocks to the multinational sector.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Ireland: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

CPS / NFPS / GG: expected / CG		Subsectors captured in the baseline	Inclusion	Comments
CPS, NFPS, GG: expected, CG	1	Budgetary central government	Yes	
CPS, NFPS, GG: expected, CG	2	Extra budgetary funds (EBFs)	Yes	Not applicable
CPS, NFPS, GG: expected, CG	3	Social security funds (SSFs)	Yes	
CPS, NFPS, GG: expected	4	State governments	Yes	
CPS, NFPS, GG: expected	5	Local governments	Yes	
CPS, NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage | Missing from recommended coverage | Not applicable

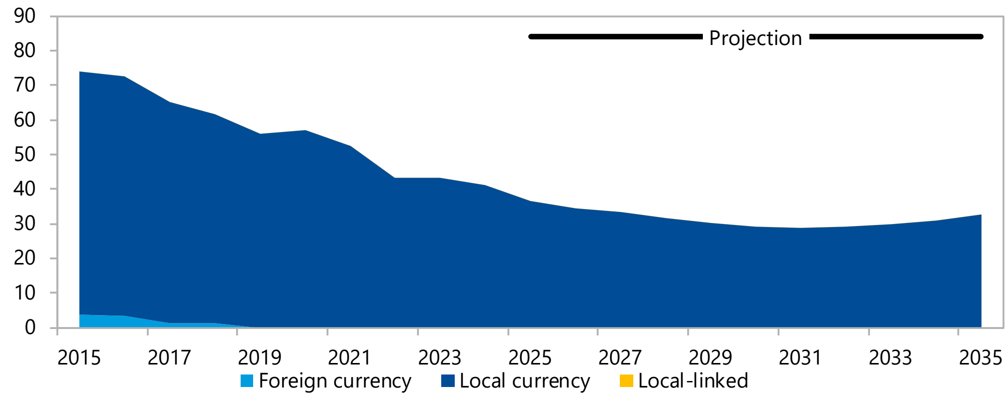
Reporting on Intra-Government Debt Holdings

		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS, NFPS, GG: expected, CG	1	Budget. central govt									0
CPS, NFPS, GG: expected, CG	2	Extra-budget. funds									0
CPS, NFPS, GG: expected, CG	3	Social security funds									0
CPS, NFPS, GG: expected	4	State govt.									0
CPS, NFPS, GG: expected	5	Local govt.									0
CPS, NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

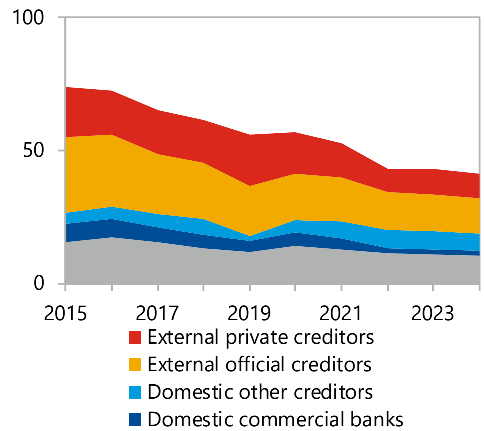
Commentary: The debt coverage remains unchanged from the last Article IV -- i.e., it covers general government debt, with most debt issued by the central government.

Figure 3. Ireland: Public Debt Structure Indicators



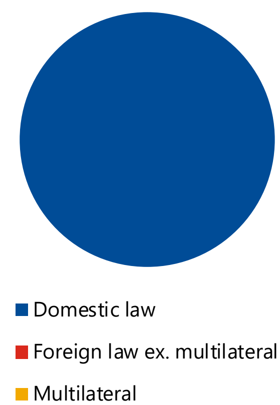
Note: The perimeter shown is consolidated public sector.

Public Debt by Holder (Percent of GDP)



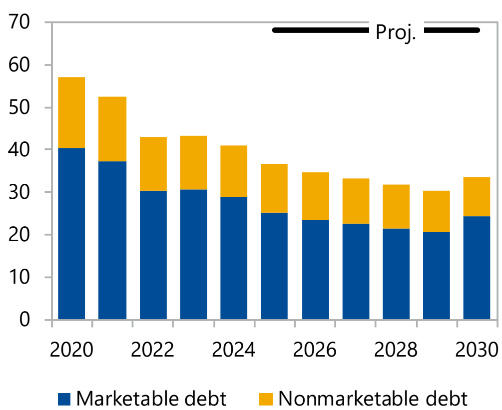
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



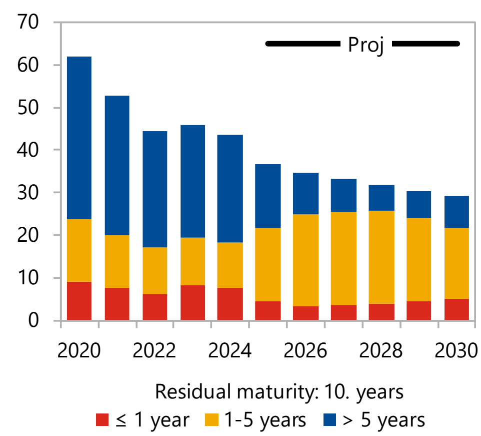
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

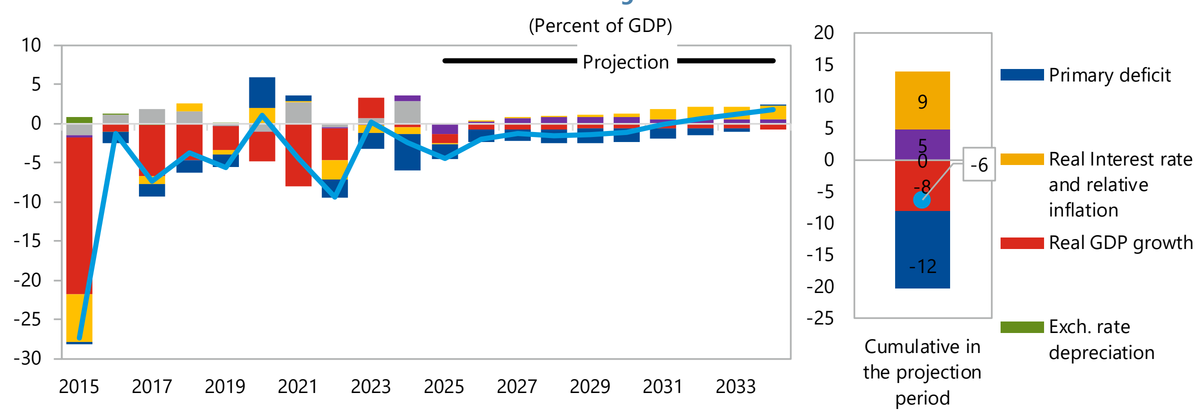
Commentary: Public debt is almost entirely in domestic currency, predominantly marketable and largely held by external creditors. The relatively long residual maturity of the debt portfolio (10 years) and debt primarily on fixed rates provides are important buffer to the higher interest rate environment.

Figure 4. Ireland: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	40.9	36.4	34.4	33.1	31.6	30.2	29.0	28.9	29.6	30.8	32.6
Change in public debt	-2.4	-4.5	-2.0	-1.3	-1.5	-1.4	-1.2	-0.1	0.7	1.2	1.8
Contribution of identified flows	-5.3	-4.5	-2.0	-1.3	-1.5	-1.4	-1.2	-0.1	0.7	1.2	1.8
Primary deficit	-4.7	-1.8	-1.6	-1.5	-1.8	-1.9	-1.7	-1.3	-0.8	-0.3	0.1
Noninterest revenues	27.6	25.4	25.5	25.4	25.9	26.0	26.0	25.4	24.9	24.3	23.8
Noninterest expenditures	22.8	23.6	23.9	24.0	24.1	24.1	24.2	24.1	24.1	24.0	23.9
Automatic debt dynamics	-1.3	-1.4	-0.6	-0.6	-0.6	-0.4	-0.2	0.6	0.9	1.0	1.1
Real interest rate and relative inflation	-0.8	-0.1	0.1	0.1	0.1	0.3	0.4	1.3	1.6	1.7	1.8
Real interest rate	-0.8	-0.1	0.1	0.1	0.1	0.3	0.4	1.3	1.6	1.7	1.8
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-0.5	-1.3	-0.8	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6	-0.7	-0.7
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.7	-1.3	0.3	0.8	0.8	0.8	0.8	0.5	0.5	0.5	0.5
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Other transactions	0.9	-1.1	0.5	1.0	1.1	1.0	1.0	0.7	0.7	0.7	0.7
Contribution of residual	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	1.3	5.3	3.2	2.8	3.2	3.7	5.0	6.7	5.8	6.8	6.8
of which: debt service	6.3	7.3	5.1	4.5	5.2	5.8	7.0	8.2	6.8	7.3	7.0
Local currency	6.3	7.3	5.1	4.5	5.2	5.8	7.0	8.2	6.8	7.3	7.0
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	1.2	3.2	2.1	2.1	2.2	2.1	2.3	2.3	2.3	2.3	2.3
Inflation (GDP deflator; percent)	3.3	1.9	1.4	1.8	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	4.6	5.2	3.5	3.9	4.4	4.2	4.3	4.4	4.3	4.3	4.3
Effective interest rate (percent)	1.5	1.6	1.7	2.2	2.5	3.0	3.6	6.6	7.7	8.0	8.2

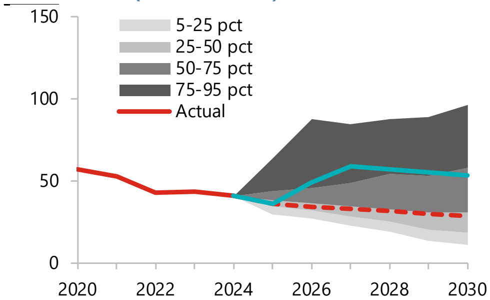
Contribution to Change in Public Debt



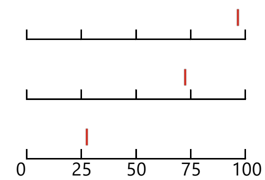
Staff commentary: Despite the projected growth slowdown and a less supportive interest rate environment, public debt is expected to continue on a downwards path over the medium term on the back of a strong fiscal position and still robust growth.

Figure 5. Ireland: Medium-Term Risk Assessment

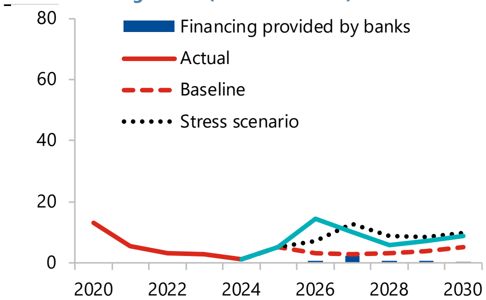
Final Fanchart (Percent of GDP)



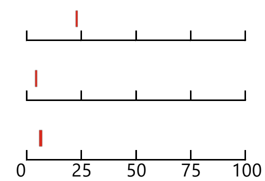
Debt fanchart module	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	85.5	1.2	
Probability of debt non-stabilizaiton *(percent)*	20.7	0.2	
Terminal debt-to-GDP x institutions index	5.4	0.1	
Debt fanchart index (DFI)		1.5	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (Percent of GDP)



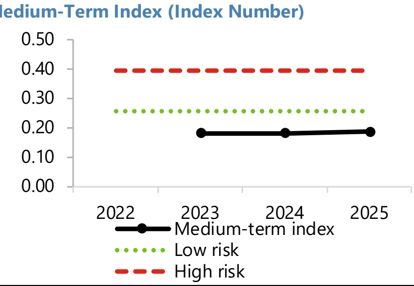
Gross financing needs (GFN) module	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	3.9	1.3	
Initial Banks' claims on the gen. govt *(pct bank assets)*	0.7	0.2	
Chg. In banks' claims in stress *(pct banks' assets)*	0.3	0.1	
GFN financeability index (GFI)		1.7	
Risk signal: 4/		**Low**	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	1.5	0.3	0.5	0.2
GFN finaceability index	1.7	0.0	0.5	0.0
Medium-term index		0.2		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

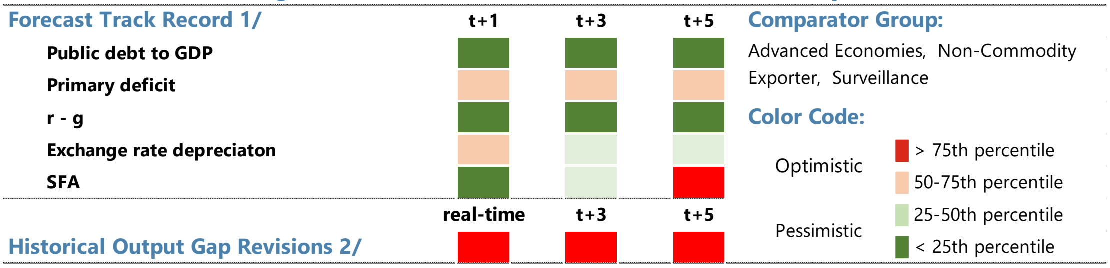
Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 58.0 pct.

Commentary: The debt fanchart shows a moderately low probability that Ireland's public debt will not stabilize over the medium term. All other medium-term tools point to low level of risks.

Source: IMF staff estimates and projections.

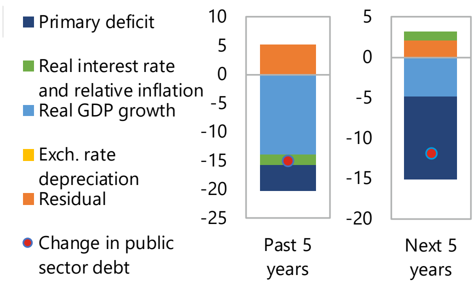
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Ireland: Realism of Baseline Assumptions

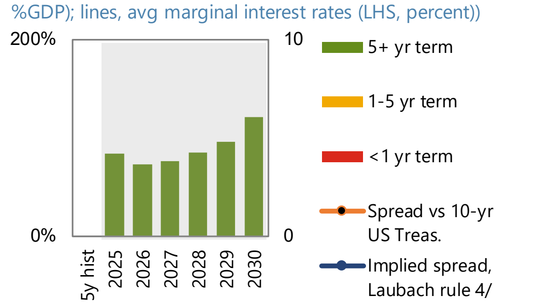


Public Debt Creating Flows

(Percent of GDP)

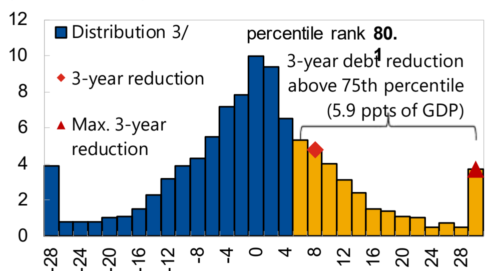


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

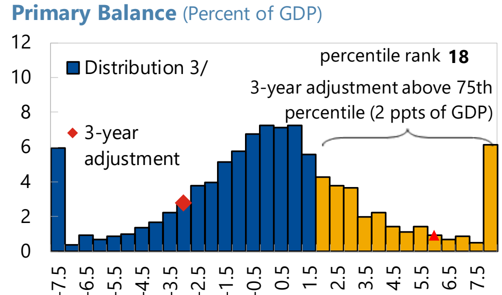


3-Year Debt Reduction

(Percent of GDP)

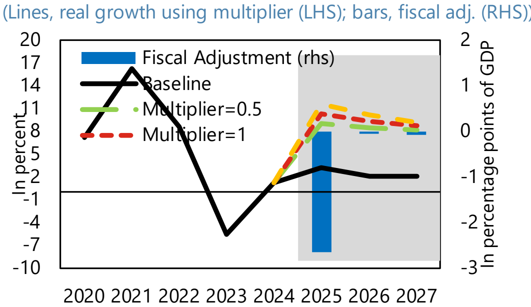


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



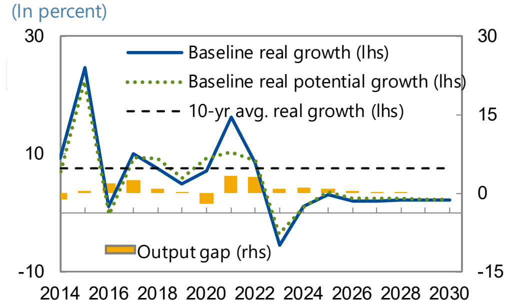
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



Commentary: Debt reduction has been faster than expected due to strong growth and low interest rate in recent years. The projected fiscal adjustment is well within norms, and while debt reduction projections are slightly above norms, it is still well below Ireland's maximum historical 3-year debt reduction.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

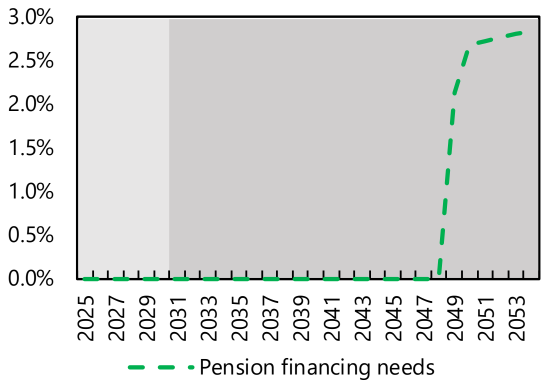
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

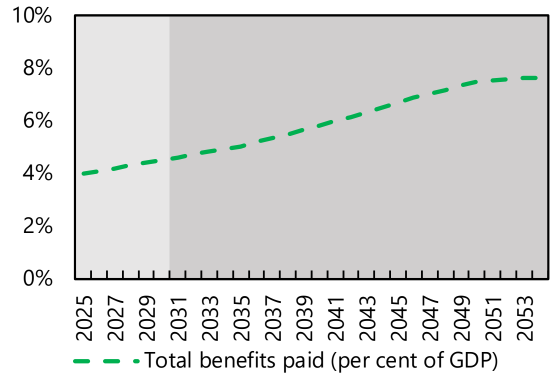
Figure 7. Ireland: Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	0.5%	1.4%	2.2%

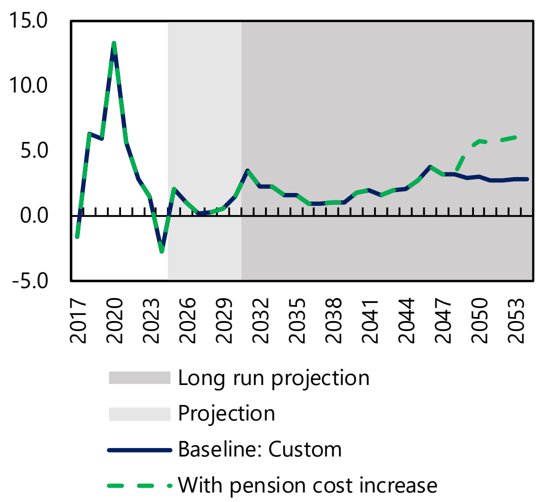
Pension Financing Needs



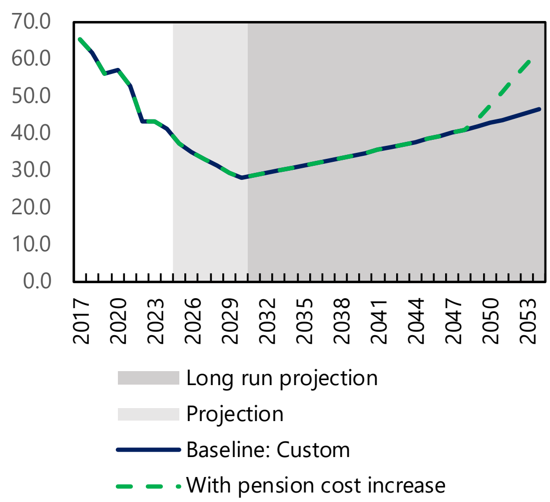
Total Benefits Paid



GFN-to-GDP Ratio

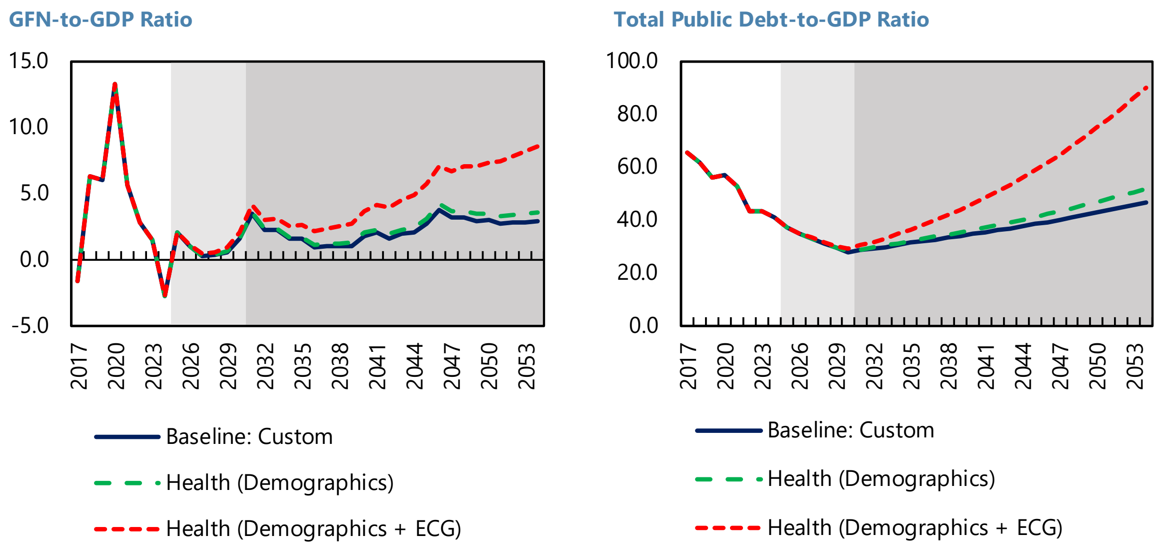


Total Public Debt-to-GDP Ratio



Commentary: Currently, public expenditures on pensions in Ireland are significantly below the EU averages, thanks to Ireland's relatively favorable age structure. However, according to the European Commission's 2024 Ageing Report, the share of the old-age population is set to steadily rise, almost doubling from 15 percent in 2022 to 29 percent in 2070. Consequently, total pension expenditure is projected to increase from 3.8 percent of GDP in 2022 to 6.6 percent in 2070 At the same time, Ireland has enjoyed strong population growth in recent years, which can offset some of the cost increases. According to the Ageing Report, net migration higher by a third would reduce pension spending by 0.2 percentage points of GDP relative to the baseline.

Figure 8. Ireland: Demographics: Health



Commentary: While public expenditures on healthcare as a percent of GDP in Ireland are significantly below the EU averages, health care expenditure on a per capita basis is high despite Ireland's relatively favorable age structure. According to the European Commission's 2024 Ageing Report, the share of the old-age population is set to steadily rise, almost doubling from 15 percent in 2022 to 29 percent in 2070. Consequently, total public expenditure on healthcare is expected to rise from 4.1 percent of GDP in 2022 to 5.6 percent of GDP in 2070.

Annex VI. Data Issues

Table 1. Ireland: Data Adequacy Assessment Rating 1/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
Overall	A						
Questionnaire Results 2/	A	A	A	A	B	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	A	A	B		
Granularity 3/	A		A	A	B		
			A		A		
Consistency			A	A		A	
Frequency and Timeliness	A	A	B	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is adequate for Fund surveillance. Ireland publishes timely economic statistics and posts most of the data and the underlying documentation on the internet. Remaining data gaps mostly pertain to the "OFI residual" segment and the authorities have made progress in reducing the size of the residual.

Changes since the last Article IV consultation. The CBI has commenced updating its ML risk understanding by improving data collection on cross-border payments. There have been further financial data imrpovements, including a more detailed classification of the OFI sector in the quarterly financial accounts.

Corrective actions and capacity development priorities. To enhance financial monitoring and surveillance, the CBI should continue to collaborate with the CSO and other regulators to reduce data gaps for non-bank financing entities and their cross-border activities as well as to identify both foreign and domestic linkages, including those involving OFI residual entities.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data and/or estimates different from official statistics.

Other data gaps.

Table 2. Ireland: Data Standards Initiatives

Ireland subscribes to the Special Data Dissemination Standard (SDDS) since July 1996 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Ireland: Table of Common Indicators for Surveillance

(As of April 25, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Ireland[8]	Expected Timeliness[6,7]	Ireland[8]
Exchange Rates	25-Apr-25	25-Apr-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Feb-25	Mar-25	M	M	M	30	1W	30
Reserve/Base Money	Feb-25	Mar-25	M	M	M	30	2W	14
Broad Money	Feb-25	Mar-25	M	M	M	30	1M	30
Central Bank Balance Sheet	Feb-25	Mar-25	M	M	M	30	2W	14
Consolidated Balance Sheet of the Banking System	Feb-25	Mar-25	M	M	M	30	1M	30
Interest Rates[2]	25-Apr-25	25-Apr-25	D	D	D	...	...	1
Consumer Price Index	Mar-25	Mar-25	M	M	M	30	1M	30
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Dec-24	Apr-25	Q	Q	A	365	2Q	90
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Feb-25	Mar-25	M	M	M	30	1M	2
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Mar-25	Apr-25	Q	Q	Q	90	1Q	112
External Current Account Balance	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
Exports and Imports of Goods and Services	Dec-24	Mar-25	Q	Q	M	30	8W	56
GDP/GNP	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
Gross External Debt	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
International Investment Position	Dec-24	Mar-25	Q	Q	Q	90	1Q	90

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

IRELAND

May 20, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

European Department

CONTENTS

FUND RELATIONS

(As of March 31, 2025)

Membership Status: Joined August 8, 1957; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	3,449.90	100.00
Fund holdings of currency	2,583.88	74.90
Reserve position in Fund	866.06	25.10

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	4,082.00	103.79
Holdings	4,236.77	102.56

Outstanding Purchases and Loans: None

Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
EFF	12/16/10	12/15/13	19,465.80	19,465.80

Overdue Obligations and Projected Payments to Fund
(SDR million; based on existing use of resources and present holdings of SDRs):

	2025	2026	2027	2028	2029
Principal					
Charges/Interest	0.03	0.03	0.03	0.03	0.03
Total	0.03	0.03	0.03	0.03	0.03

Exchange Rate Arrangement and Exchange Restrictions:

Ireland's currency is the euro, which floats freely and independently against other currencies. Ireland has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of multiple currency practices and restrictions on payments and transfers for current international transactions, other than restrictions maintained solely for security reasons, which have been notified to the Fund pursuant to Decision No. 144 (52/51).

Article IV Consultation:

The last Article IV consultation was concluded on December 12, 2023. The associated Executive Board assessment is available at https://www.imf.org/en/News/Articles/2023/12/14/pr23446-ireland-imf-exec-board-concludes-2023-art-iv-consult and the staff report (Country Report No. 2023/411) at https://www.imf.org/en/Publications/CR/Issues/2023/12/14/Ireland-2023-Article-IV-Consultation-Press-Release-and-Staff-Report-542470. Ireland is on the standard 12-month consultation cycle.

Financial Sector Assessment Program (FSAP) Participation and ROSC:

The Financial System Stability Assessment (FSSA) for the last mandatory financial stability assessment was discussed by the Board on July 1, 2022. The FSSA and accompanying Reports on the Observation of Standards and Codes (ROSCs) are available at https://www.imf.org/en/Publications/CR/Issues/2022/07/07/Ireland-Financial-System-Stability-Assessment-520469.

Statement by Ms. Fitzgerald, Alternate Executive Director for Ireland, and Mr. Day, Advisor to the Alternate Executive Director
June 6, 2025

Introduction

On behalf of our Irish authorities, we thank the IMF mission team for the Article IV report and selected issues papers, and for the constructive policy and technical discussions. **Our authorities welcome and broadly agree with staff's analysis and policy advice.**

Ireland is a small, open economy, which has benefitted significantly from ever-deeper integration into the wider European and global economy over the past number of decades. However, it is clear that there is rising uncertainty regarding the future of the rules-based multilateral trading system. Indeed, Ireland is now facing into a more contested and fragmented world, representing a clear headwind for the Irish economy. Following the formation of a new Government in January 2025, the Programme for Government 'Securing Ireland's Future' **commits to delivering a clear and credible macroeconomic and fiscal framework**, prioritizing continued economic resilience, through investment in capital spending and funds for future needs.

Economic Outlook

Despite recent shocks, the Irish economy has proven to be remarkably resilient. Modified Domestic Demand (MDD)[1] increased by 2.7 percent last year, reflecting broad based growth, while inflation eased significantly throughout 2024 and has remained at or below 2 percent over the last year or so. The Government's baseline forecasts published in Ireland's May 2025 Annual Progress Report (APR) were produced during March on the assumption that no transatlantic tariffs would be introduced. On this basis, MDD is projected to grow by 2.5 percent this year, a downward revision of around -0.5 percentage points from the autumn forecasts, reflecting the significant increase in uncertainty over recent months. For next year, MDD growth of 2.8 percent is currently anticipated.

Risks to the economic outlook, however, are firmly tilted to the downside and the most pressing economic threats are undoubtedly external in nature. Given the significant change in the global tariff landscape in recent weeks, the APR included an alternative scenario incorporating the potential impacts of tariffs that were in place at end-April. In this scenario, the domestic economy is expected to grow by around 2 percent and 1¾ percent this year and next, a downward revision of 1½ percent compared to the no-tariff baseline scenario by the end of next year. It is important to stress that confidence intervals around estimates are particularly large in the current environment. Indeed, there is little or no precedent from which to make confident projections regarding the impact of trade de-coupling on the Irish economy.

[1] Given some of the distortions in Irish macroeconomic data, MDD is considered the most appropriate, timely indicator of economic conditions in Ireland.

Fiscal Policy

Ireland's Medium-Term Fiscal and Structural Plan, published in October 2024, laid out the then Government's fiscal strategy for the years 2025 to 2029. It is designed to align closely with the European Union's (EU) reformed fiscal governance framework, which came into effect in April 2024. The core of the plan is the establishment of **a national fiscal framework that supports long-term debt sustainability while enabling continued investment in critical areas such as housing, climate action, and infrastructure.**

At the heart of Ireland's current fiscal strategy is a commitment to a net expenditure growth path averaging 5.3 percent annually over the medium term. This path is calibrated to achieve a structural primary balance of 2.3 percent of GDP by 2028. While noting well staff's recommendations to consider further strengthening the national fiscal framework, the authorities highlight that overall, Ireland's 2024 fiscal plan illustrates a deliberate alignment with evolving EU fiscal norms, while also addressing domestic vulnerabilities and policy priorities. By integrating prudent spending rules, risk mitigation tools, and EU oversight, the plan aims to deliver a stable macroeconomic environment conducive to sustainable growth.

In recognition of the risks associated with Ireland's reliance on volatile corporate tax receipts, the government continues to run budgetary surpluses (in general government terms) – building enhanced buffers so that, in the event of a shock to the economy, budgetary policy can be deployed in a counter-cyclical manner in order to support economic activity. This includes two important savings mechanisms: one for long-term structural needs, such as population ageing and climate transitions (the Future Ireland Fund), and the other for counter-cyclical use during future economic downturns (the Infrastructure, Climate and Nature Fund).

In line with relevant EU regulations, the new Programme for Government sets out a commitment to produce a new Medium-Term Fiscal & Structural Plan, to be published later this year, setting out the Government's fiscal strategy for the next five years. Staff recommendations will feed into the formulation of this new Plan. The Government will shortly publish its annual *Summer Economic Statement*, which will set out the budgetary parameters for *Budget 2026*. The framework will aim to ensure that the public finances remain on a sustainable trajectory in an increasingly challenging and uncertain economic landscape.

Financial Sector

The banking sector has shown resilience in the face of significant risks posed by the macro-financial environment in recent years. Domestic bank profitability remains resilient, while NPL ratios continue to be at low levels and capital buffers remain above regulatory requirements. For international banks, strategy execution, strengthening risk management frameworks, as well as operational and cyber resilience, remain important areas of supervisory focus. Furthermore, in light of the ongoing changes in the financial sector, the Central Bank of Ireland (CBI) has further enhanced how it regulates and supervises, introducing a new supervisory model in January 2025 that remains risk-based, but delivers a more integrated approach.[2]

The authorities welcome staff's assessment that the macroprudential settings are appropriate. The CBI undertakes regular monitoring and assessment of each of its macroprudential policies to ensure its policy stance remains appropriate for the prevailing systemic risk environment. Most recently, in February 2025, the CBI maintained the CCyB rate at 1.5 percent, judging that the rate remained appropriate given the prevailing macro-financial risk environment. Future CCyB rate decisions will continue to be based on macro-financial conditions in a manner consistent with the CBI strategy for the CCyB. The outcome of the next CCyB review will be published in the Financial Stability Review in June 2025. In addition, and as communicated in the Financial Stability Review published in December 2024, arising from the CBI's 2024 Other Systemically Important Institution (O-SII) review, six institutions were identified as systemically important and were required to maintain an associated supplementary capital buffer. Finally, the recalibration of mortgage measures introduced in 2022 have yielded the intended outcomes, with the refreshed framework continuing to support sustainable lending standards in the mortgage market.

Considerable progress has been made in assessing and reducing risks from non-banks, and Ireland has been strongly engaged internationally in developing and operationalizing macroprudential frameworks for the sector. The CBI has announced two macroprudential measures relating to cohorts of investment funds, which cover Irish property funds and GBP-denominated liability driven investment (LDI) funds. The objective of the measures is to address financial stability concerns with Irish property funds, and to ensure the resilience of Irish-authorized GBP denominated LDI funds. The CBI continues to engage stakeholders, domestically and internationally, to advance the development internationally of a macroprudential framework for the funds sector. This includes its engagement with the European Commission's recent consultation on a macroprudential framework for NBFI in Europe, a May 2024 conference on macroprudential policy for investment funds, ongoing work to understand how price-based LMTs are used by Irish-domiciled funds, as well as its contribution to the FSB's workstream on leverage in NBFI. It is important to acknowledge the positive role that the non-bank sector, and investment funds specifically, plays within the wider global financial system, providing significant diversification benefits, supporting enterprise through the provision of capital and contributing to economic growth. As such, the objectives of the EU's Savings and Investment Union strategy, as well as the competitiveness and simplification agendas, are important factors when examining how best to manage and mitigate risks to financial stability.

The authorities continue to progress the implementation of the 2022 FSAP recommendations, with all key recommendations either on track or completed. This includes improving collaboration with stakeholders at domestic and European levels, strengthening the CBI's supervisory toolkit to offer guidance where needed, improved monitoring of non-bank lenders, and further enhancing the resourcing capacity and supervision of AML/CFT.

[2] Central Bank of Ireland – [Regulatory & Supervisory Outlook (February 2025)]

Structural reforms

Ireland's approach to navigating the more challenging external environment involves polices that are designed to enhance the competitiveness of the domestic economy. Infrastructure delivery is a key part of the response. Government is investing in productive capital – boosting the stock of infrastructure, including in key strategic areas such as energy supply, water, housing and transport – to eliminate bottlenecks and support employment-creating inward investment.

Competitiveness

The Programme for Government mandates the development of the Action Plan on Competitiveness and Productivity, intended to cover areas critical to Ireland's economic performance including industrial policy, regulatory burden reduction, infrastructure, energy, trade, and innovation. By expediting this Plan, the Government aims to align key decisions with the upcoming budgetary process, enabling swift implementation.

Infrastructure

An early review of the National Development Plan has been prioritized and will be published in July. This review will focus on the delivery of transformative, critical and growth-enhancing infrastructure over the next five years. It will also allocate funding to update capital expenditure ceilings out to 2035 and will significantly increase investment in national infrastructure.

Housing

The Government is in the process of updating its multi-annual, multi-billion euro Housing for All plan out to 2040, providing clarity and policy stability that will allow for long-term planning at local and national level. The new Planning and Development Act is being implemented on a phased basis, with the majority of provisions to be commenced over the next 12 months. It will include the introduction of statutory timelines for decision making, streamlining of judicial review processes and the reform of the national planning body to provide greater certainty on expected outcomes. The recently approved revision to the National Planning Framework (NPF) sets the agenda for accelerated housing delivery. The infrastructure required to enable increased housing supply will be supported through a new Housing Activation Office which will seek to address barriers and blockages to the delivery of such infrastructure.

Health

The health system in Ireland will face increasing demands in the future due to several factors including an ageing population and rising pharmaceutical costs. The Productivity and Savings Taskforce was set up to drive savings and productivity improvements across the Health Services Executive. The associated Action Plan, published in April 2025, is a key reform plan in the Health Sector which focuses on implementation of existing and new reforms with a particular emphasis on value for money and better services within existing resources.

Labor force participation and female representation

Ireland's labor force has undergone a significant expansion in recent years, increasing by 17 percent to over 2.9 million since Q4 2019. In particular, the female labor force participation rate has increased by over 5 percentage points since 2019 (compared to 2.2 percentage points for males). With slowing population gains from natural demographic change, combined with an expected slowdown in net migration, the authorities recognize that it will become increasingly important to maximize the labor force contributions of the existing working age population as well as productivity, through targeted efforts to reduce barriers including childcare costs and skills mismatches.

Digitalization and AI

The Programme for Government commits to update the National Digital Strategy to bring together digital policy and regulatory responsibilities and lead on delivery of these objectives across all Departments and Agencies. The authorities also intend to invest to make Ireland an EU center of expertise for digital and data regulation and a regulatory hub for companies operating across the EU Digital Single Market. 'AI - Here for Good': the National Artificial Intelligence Strategy sets out how Ireland can be an international leader in using AI to benefit the economy and society. It comprises 8 strands, including driving adoption of AI in Irish enterprise and AI education, skills and talent, with specific strategic actions led by nominated Government Departments, State agencies and other bodies.

Climate Change

In April 2025 the Government approved Climate Action Plan 2025, the third statutory update to the plan since the Climate Action and Low Carbon Development (Amendment) Act 2021. Through the Climate Action Plan, Government has set out a pathway to transitioning to a more sustainable and low carbon economy, through providing a detailed framework for implementing the carbon budgets and sectoral emissions ceilings. In doing so, Government has presented the direction of travel for the various sectors such as electricity, transport, industry, and agriculture. This is important in terms of signaling to industry and stakeholders what types of investments are needed and where they are needed.

Conclusion

Our authorities are committed to sustaining the momentum of strong sustainable economic growth and fiscal prudence through sound macroeconomic management. The Irish economy has proven to be remarkably resilient in the face of consecutive crises. Notwithstanding this resilience, further policy challenges lie ahead across fiscal policy, the financial sector, climate and digital transitions, and a more uncertain international economic environment. The authorities continue to welcome and appreciate the IMF's quality and well specified advice as they address these challenges.