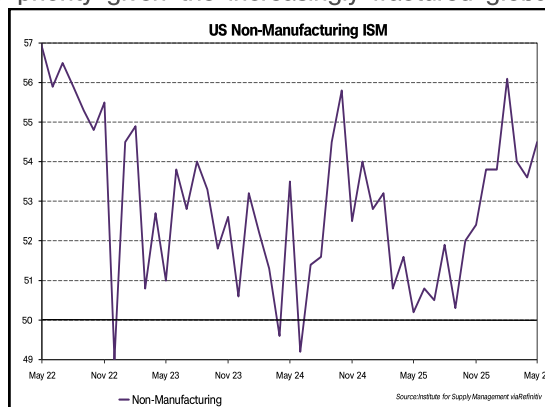


A light that never goes out?

- This week's final Irish national accounts data for 2025 reveals a similar picture to the provisional GDP estimate.** That is another robust year of growth for the Irish economy. The data also highlight the increasingly lopsided nature of the economy, with growth driven predominately by multinationals. While GDP growth wasn't quite as strong as the initial estimate of +12.3% for 2025, the 8.0% gain was still exceptional in a European context. Modified Domestic Demand (MDD) and Gross National Income (GNI*) both grew at 4.7%, reflecting very strong physical investment trends in the multinational sector, alongside solid consumer and government spending. On the output side, the breakdown shows multinational GVA (Gross Value Added) up 14.5%, with domestic sectors growing at 2.2%.
- The overarching global themes in 2025 of tariffs and the rise of AI are very much to the fore in the Irish data.** As we have discussed previously, the first half of 2025 saw a surge in Irish exports to the US ahead of expected tariffs. This was turbocharged by the emergence of weight-loss drug production (GLPs) in Ireland. The second theme of AI was evident in the surge in imports and investment in data centre hardware in Ireland, contributing to the recent pickup in modified investment. With this investment categorised as physical capital, it is still captured in MDD, in contrast to other investment activity by multinationals, such as intellectual property, which is often excluded from MDD and GNI*. Excluding this investment, essentially capturing construction investment only, alongside consumer and government spending, leaves 'core' MDD growth at 3.5% for 2025, compared to the headline MDD figure of 4.7%, broadly in line with wage and jobs growth in the domestic economy last year.
- The big picture is that the Irish economy has become increasingly reliant on a small number of large multinationals, not only for GDP growth, but increasingly to underpin our tax base.** Multinational sector output accounted for over 50% of GVA in 2025, up from 48% in 2024. Since 2020, the multinational sector has accounted for over two-thirds of total GVA growth. New analysis by the Irish Fiscal Advisory Council shows almost €1 in every €5 collected income tax, USC, PRSI, and VAT in 2024 came from foreign-owned firms in manufacturing, tech and financial services. This comes on top of the 87% of corporation tax coming from multinationals.
- This decades-long strategy on US FDI has been a roaring success beyond even the most optimistic expectations.** The recent emergence of GLPs in the pharma sector and AI in tech services is now also bearing fruit in new investments in Ireland. Data from the IDA show that FDI remained robust in the first half of 2026, with 190 investments from abroad supporting over 10,000 jobs. However, this success may owe as much to global megatrends as it does to an attractive business environment at home. Indeed, Ireland's competitiveness has been eroded in areas such as energy costs, transport and housing, while our domestic economic performance bears much closer resemblance to the European economy. Rebalancing this uneven performance should be a policy priority given the increasingly fractured global environment.
- Turning to the week ahead, the macro data calendar is quite sparse on both sides of the Atlantic.** In the US, the main release of note will be the non-manufacturing ISM for June. The headline index has been in expansion mode since July 2024. More recently, it has indicated a solid level of growth in the sector. The consensus is for a slight fall to 54.2 in June from 54.5 in May. Elsewhere in the US, existing home sales (around 90% of the size of the house sales market per annum) is forecast to rise by 0.7% in June.
- In the Eurozone, retail sales figures for May are due.** In April, sales declined by 0.4%, primarily because of the impact of higher fuel prices. Automotive fuel sales contracted by 2.7%, but sales of food rose by 0.9%, while non-food & fuel sales fell by 0.9% in the month. A modest 0.3% rebound in the headline sales figure is pencilled in for May. Meanwhile, producer price inflation is projected to rise to 5.7% in May from 4.9%, albeit the monthly change in prices is set to slow to just 0.2%, having increased sharply by 3.4% m/m and 0.6% m/m in March and April. In terms of some of the large national Eurozone economies, German industrial production and orders data for May will be released.
- On the monetary policy front, the Fed and ECB meeting minutes from their respective June policy gatherings will be in focus.** In particular, investors will be looking to see if the general tone of the Fed FOMC minutes are as hawkish as the initial post-meeting communications appeared.



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2026	2026	2027
Fed Funds	3.625	3.625	3.625	3.375
ECB Deposit	2.25	2.25	2.50	2.50
BoE Repo	3.75	3.75	3.75	3.50
BoJ OCR	1.00	1.00	1.25	1.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q3	End Q4	End Q1
		2026	2026	2027
EUR/USD	1.1441	1.15	1.16	1.17
EUR/GBP	0.8568	0.87	0.88	0.88
EUR/JPY	184.50	184	184	185
GBP/USD	1.3350	1.34	1.33	1.33
USD/JPY	161.22	159	159	158

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane, Schnabel (Mon); Vujčić (Fri)		
	BoE Speakers:	Mann (Mon); Breeden (Thu)		
	Fed Speakers:	Waller (Mon); Williams, Logan (Thu)		
Mon 6th	GER:	07:00 Industrial Orders (May)	-3.8%	+1.5%
	EU-21:	09:30 EU Sentix Index (July)	-13.4	-8.0
	EU-21:	10:00 Producer Prices (May)	+0.6% (+4.9%)	+0.2% (+5.7%)
	EU-21:	10:00 Retail Sales (May)	-0.4% (+1.0%)	+0.3% (+1.5%)
	IRE:	11:00 Unemployment Rate (June)	4.9%	4.9%
	US:	14:45 Final S&P Composite PMI (June)	52.2	52.2
		- Final S&P Services PMI	51.3	51.3
	US:	15:00 Non-Manufacturing ISM (June)	54.5	54.2
Tue 7th	GER:	07:00 Industrial Output (May)	+0.4%	+0.3%
	US:	13:30 International Trade (May)	-\$55.9bn	-\$78.5bn
Wed 8th	JPN:	06:00 Economy Watchers Poll (June)	43.6	
	US:	19:00 Fed FOMC Meeting Minutes (16-17th June)		
Thu 9th	UK:	00:01 RICS Housing Survey (June)	-35.0	
	GER:	07:00 Trade Balance (May)	+€14.5bn	
		- Exports	+0.9%	-1.0%
	EU-21:	10:00 Monetary Policy Meeting Account (10-11th Jun)		
	IRE:	11:00 CPI Inflation (June)	-0.1% (+3.6%)	-0.2% (+3.5%)
		- HICP Inflation (June)	Flash: -0.2% (+3.5%)	-0.2% (+3.5%)
	US:	13:30 Initial Jobless Claims (w/e 29th June)	+215,000	
	US:	15:00 Existing Home Sales (June)	4.17m / +3.2%	4.20m / 0.7%
Fri 10th	GER:	07:00 Final HICP Inflation (June)	-0.2% (+2.4%)	-0.2% (+2.4%)
	FRA:	07:45 Final CPI Inflation (June)	-0.3% (+2.0%)	-0.3% (+2.0%)
	ITA:	09:00 Industrial Output (May)	+0.5% (+1.3%)	-0.2%

◆ Month-on-month changes (year-on-year shown in brackets)