Q4 2026 Ibec Quarterly Economic Outlook

Sheltered from the storm?

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The Irish economy continues to expand strongly driven by consumer spending, which has so far proven robust to inflation, and investment levels which have been buoyed by both the National Development Plan and AI related spending. The recent budget will add further impetus to growth. Rising government borrowing costs, uncertainty about returns on generational US AI investment and an ongoing energy crisis all provide the potential to deliver a global shock which could knock our otherwise robust economy off course, but so far have not. Ireland has the economic resilience to weather potential shocks better than most with a high fiscal surplus, low debt and well-stocked household and business balance sheets. Barring a significant global shock, we expect growth to continue, with domestic demand growing by 4% in 2027. Over the past decade the national payroll has grown by 40%, domestic investment has risen by 44%, total household after-tax income has grown by 50%, and domestic demand has risen by 35% all in real terms and despite significant geo-politically driven challenges. The strength and resilience of the Irish economy in the face of ongoing shocks remains remarkable. Delivering on recent investments in infrastructure, skills and AI readiness will be critical to having the same to say in the next ten years.

Key indicators

Annual % change	2025	2026	2027
Consumer spending	2.6	2.8	2.4
Domestic investment	11.5	7.6	9.0
Exports	7.5	2.7	5.0
Imports	9.5	5.8	5.0
GDP	8.1	-0.8	3.0
Domestic demand	4.8	3.5	4.0
Inflation	2.2	3.6	3.0
Employment	2.5	2.3	1.8

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Overview

Economic overview

The Irish economy has continued to grow at a steady pace in 2026. We now expect domestic demand to rise by 3.5% on the back of rising disposable incomes (up 2.8% annually in real terms in Q2) and rising investment levels in the economy. Government spending on capital has expanded by €2.9 billion in 2026, adding just over 0.5% to domestic growth and AI investment is rising quickly. There are rising risk factors in the global economy. The ongoing energy crisis is likely to contribute to persistent inflation and slower consumer income growth in 2027. Global financial conditions are also volatile. There is growing uncertainty in the bond markets (more on page 7) and the markets may yet demand a return on spectacular AI related investment. These are not the first set of external risks that the Irish economy has faced in the past decade. Irish economic growth has remained remarkably robust despite Brexit, tariffs, supply chain volatility, a pandemic, and two energy crises. Despite the continuing build-up of risk across the global economy, we expect that the Irish economy is better positioned than most to continue to outperform in 2027 with domestic demand growth of 4%.

Trade

Irish customs trade data has been extremely volatile over the past eighteen months. Goods exports, having grown by 16% in each of 2024 and 2025, have fallen by 24% in the first eight months of 2026. This has been driven almost solely by reduced declared values of a small number of products to the US. As we wrote in our Q2 2025 outlook, this phenomenon is a direct result of prudent customs strategies designed to minimise tariff risk rather than by actual economic activity falling. Outside of those products, exports to the US have remained stable in 2026 in most categories, with some growth in AI related sectors. Notably this AI related trade has also led to growing exports to the UK (up €3.7 billion in Jan-Aug annually), China (up €1.8 billion) and to the rest of the world (up €4.7 billion). On the import side, imports from Taiwan rose by €3.9 billion in the first eight months of the year, linked both to the growing AI investment levels in Ireland and these rising semi-conductor related exports from Ireland. For 2027, we expect reasonable global growth, the continued rise in AI related trade and underlying strength in other sectors to continue to see exports grow by around 5%.

Inflation

Inflation in October has primarily been driven by rising energy costs which have added around 1.6 points to the total inflation rate of 4.3% annually. Core inflation, excluding the impact of unprocessed food and energy prices, was 3.1%. Falling contributions from food inflation, which has slowed rapidly to only 0.1% in October annually, is a key contributor to this underlying trend. Analysis from the CSO shows only marginal variation in inflation between income groups in the year so far with inflation rising at 4% for the highest income households and by 4.1% for the lowest income households. This tends to be because lower income households tend to rely more on fuels like home heating oil which have seen the sharpest price increases. The inflation outlook for the rest of the year and into 2027 remains inextricably linked to energy prices and geopolitical developments. Our view is that inflation for the full year of 2026 will end up around 3.5% with just over 1 percentage point of that inflation accounted for by energy costs. For 2027, our baseline expectation is that inflation will rise by around 3% but there remain high levels of uncertainty around that number.

Figure 1: Total economy wide change Q2 2016 to Q2 2026, constant prices

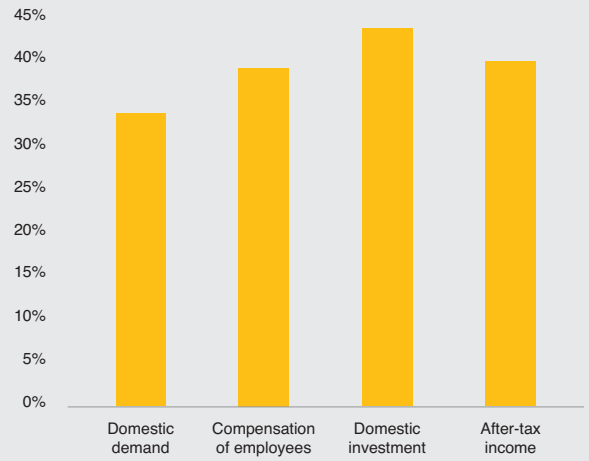


Figure 2: Irish exports to the US by category

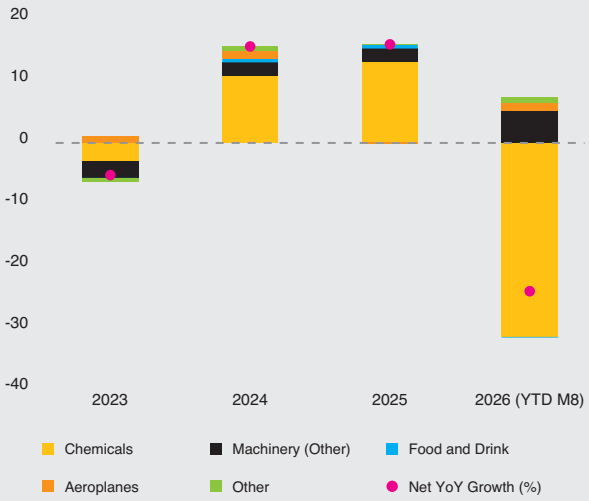
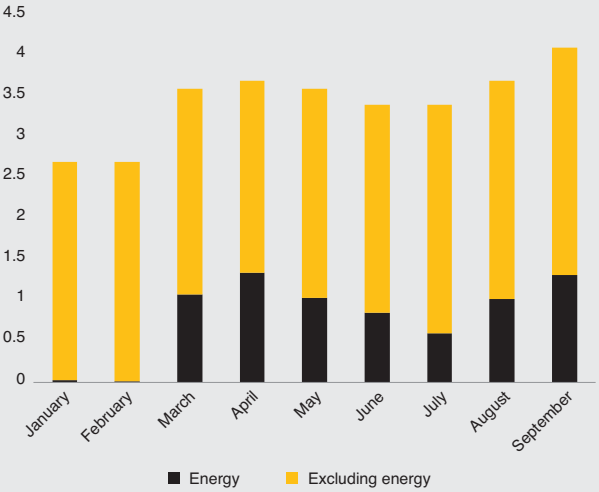


Figure 3: Inflation, annual % change by source



Investment

The global AI boom

Most analysts have so far attributed around 1 percentage point of annualised US GDP growth to AI related capex. Over a third of that impact, however, has been netted out by imports of AI related hardware. As a result, AI is now accounting for about one-fifth of US growth. This is expected to accelerate in the coming years with significant consequences for the US and global economies. A recent paper by Stijn Van Nieuwerburgh of Columbia Business School put the planned scale of AI investment in the US in perspective. At a planned 3.6% of US GDP over 2026 to 2030 the planned AI buildout would exceed investments in the canal, railroad, electrification, highway, and telecommunications and fibre networks at their peak. Already hyperscalers' capex levels have grown from $153 billion in 2023 to $800 billion in 2026. To get a 10% unlevered return on planned capex he estimates, AI revenues would have to be equivalent to 9% of US GDP by 2032. This boom is not limited to the US. Net exporters of AI hardware are seeing significant benefits. South Korea's current account balance has gone from 6.5% of GDP in 2025 to almost 19% this year and forecast nominal GDP growth is north of 20% in 2026. Taiwan is now predicted to have GDP growth of 11% in 2026. For Europe, the growth or investment effects have not been seen materially yet, although adoption is in line with other advanced economies.

Contribution of AI to Irish growth

In Ireland, ICT driven capital investment has risen, on an annualised basis, to almost 2.5% of national income, from only 1% two years ago. It now represents one euro in every ten of all domestic investment in the Irish economy. Software investment is traditionally 1.5 to 2 times the size of hardware investment and has also doubled in its share of national income over the past decade. These trends, so long as they last globally, will continue to drive Irish investment levels upwards. On the trade side, Ireland accounts for about 18% of European exports of semiconductors but only 1% of the world total. The annualised level of AI related trade (including semiconductors) to and from Ireland has risen by €24 billion from August 2024 to August 2026, a more than doubling of trade in AI related goods. Within this, exports have grown by marginally more than imports (€12.5 billion against €11.5 billion respectively) adding about €1 billion on an annualised basis to Ireland's goods trade balance. Whilst productivity effects are still in the very early stages, the recent unlocking of €150 million from the National Training Fund for AI related training is a decision which will help to put Irish workers and businesses in an improved position to benefit from those improvements as they embed in the economy.

Venture Capital investment in AI

The US accounts for 72% of global VC funding of AI companies. Whilst China accounts for only 10% its companies have other public support and have tended to IPO more quickly. The EU as a whole is raising 4.8% of the global total. In Europe it is very clear that the UK is the leading country for AI VC investment, raising on its own the same amount as the whole of the EU. In 2026 to October the UK has closed over $28.8 billion in VC funding for AI compared to $29.5 billion for the EU. On a three-year per capita basis, the UK founder led AI firms (at $725) are raising six times as much as EU firms. Within that EU total Ireland's per capita number on a three-year basis ($208) is ahead of the EU average but mid-ranking in the EU. The leading EU countries on a three-year per-capita basis are Sweden ($623), Finland ($438), the Netherlands ($269) and Estonia ($266).

Figure 4: AI contributions to US growth, %

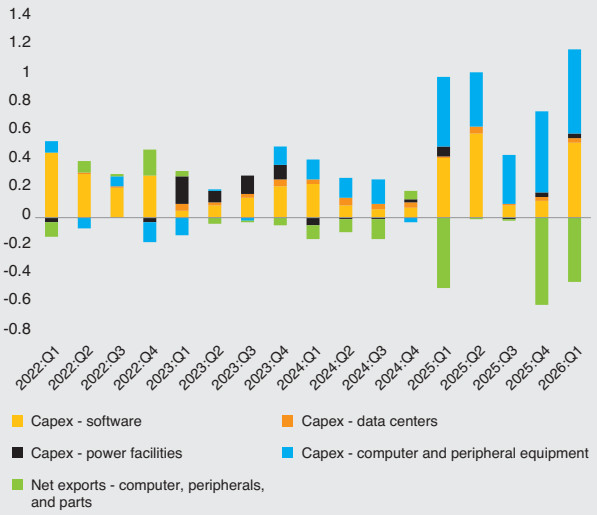


Figure 5: ICT equipment share of total investment, %

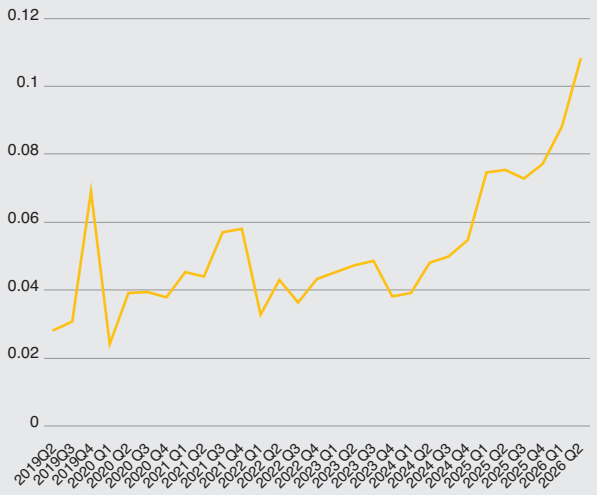
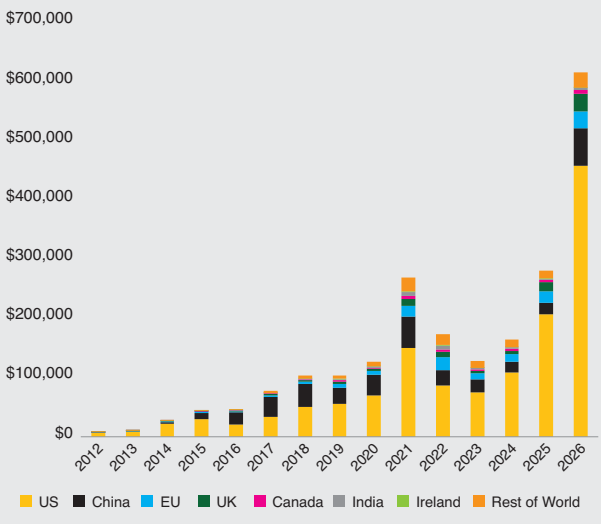


Figure 6: VC investment in AI firms by country, €m



Labour market

Overview

Despite the significant increase in uncertainty, the Irish labour market has retained a considerable degree of strength, remaining at full employment throughout and with potentially 2.9 million people expected to be at work in 2027. Over the past twelve months, different measures of the labour market have significantly diverged with CSO survey-based data showing a marked slowdown in employment (growing only 0.4% in H1 annually). This is at odds with both Revenue payrolls data from the PMOD system and with income tax data which show growth of 2.4% and 8.4% annually. Our view is that the stronger payroll and income tax data is likely to better reflect the reality of the labour market. Given the importance of the survey-based data for in-depth labour market demographic analysis, it is critical this divergence is reconciled. One consistent trend across the data is the strong growth of the construction sector, having seen annual average increase in the year to August of 5.2%. This is consistent with both strong investment numbers and rising housing completions. Feedback from members suggests that while employment remains strong hiring is softening somewhat. Our recent Talent, Trends and Pay Survey shows that 42% of companies have increased headcount in 2026, in line with 2024 and 2025 outcomes. Year-ahead expectations are softer, however, with only 35% of companies expecting to increase headcount. Our expectation is that employment will rise by around 1.8% in 2027 down from 2.3% in 2026.

Domestic productivity

Labour productivity is fundamental in determining both the underlying strength of the labour market and the long-run sustainability of growth and competitiveness in the Irish economy. In the domestic sector, defined as sectors where less than 85% of turnover is accounted for by MNEs, labour productivity is currently sitting at €65.8 per hour. This amongst EU economies on its own would be the 5th highest of all EU countries and well above the EU average (€45.9 per hour). It does, however, lag highly productive competitor economies such as the Netherlands (€70.7) and Denmark (€84.1). There are also significant differences within the Irish domestic sectors, with sectors like construction, hospitality, education, and health recording labour productivity in the range of €34-€50 per hour worked. Long-term productivity gaps between sectors also create challenges as demographic driven labour demand shifts to more labour-intensive sectors such as health and care, which by their nature are less able to take advantage of technological advancements or increased capital investments to boost productivity, but must absorb rising costs and wages driven in part by high-productivity sectors. This challenge is not unique to Ireland and will become more pressing for many advanced economies over time. A policy focus on boosting productivity will be essential for sustainable growth.

Wages

Wages are expected to rise by 3.5% in 2026 and further increase by 3.1% in 2027, according to Ibec's latest Talent, Trends, and Pay survey. This continues the trend in wage growth seen over the last several years, with a gradual slowdown now evident from previous years' growth rates; 2025 (3.3%) and 2024 (4.1%) and 2023 (4.4%). Of the respondents, just over 85% have increased their basic rates of pay in the past calendar year, whilst just under 15% have maintained or decreased their pay. The sectors with the highest percentage of firms posting pay increases were in Traditional Manufacturing (89%), Services (85%), Distribution (83%), and High-Tech Manufacturing (82%). For 2027, 83% of firms are expecting to increase their rate of pay, with the majority (55%) expecting to see an increase of between 2 and 3%. There is a clear gap between the largest and next two largest groups, with the second largest (19%) expecting an increase of 2% or less, and the third highest (14%) expecting an increase of between 3.01-4%. Only 3% of respondents are expecting to increase pay by 5% and above. The wage trends reflect the overall strong position of the labour market, whilst indicating signs of slight softening owing to cyclical trends, compounding non-pay operational costs, and increased uncertainty. Further, this solid but lower wage growth is reflective of the lower level of inflation over the past two years, with which wages are positively correlated.

Figure 7: Seasonally adjusted annual percentage change of the number of employees

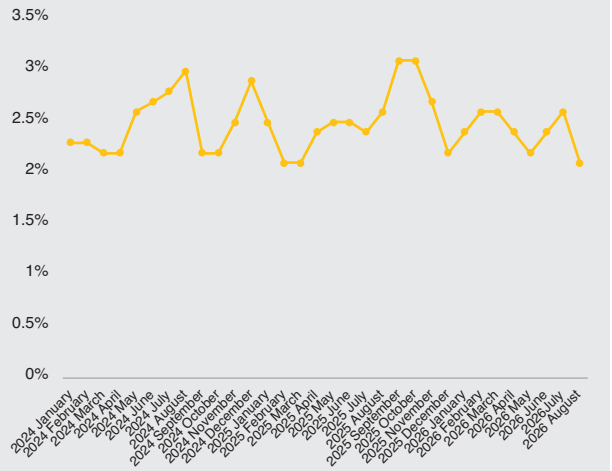


Figure 8: Labour productivity, € p/h, EU member states, 2024

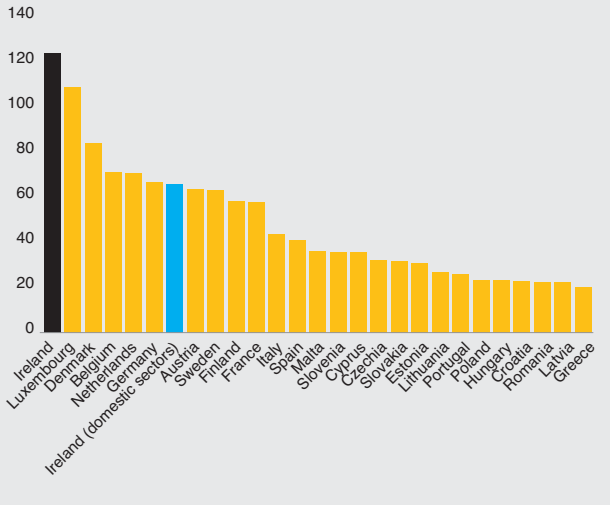
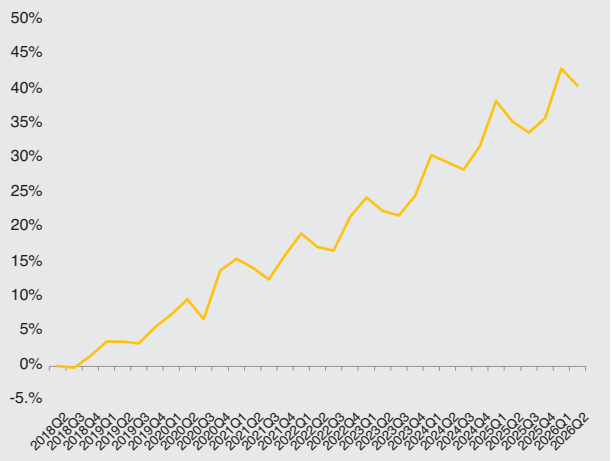


Figure 9: Average weekly earnings, quarterly % change, Q2 2018 - Q2 2026



International outlook

UK

UK GDP in the first half of 2026 grew by 1.1%, close to full year forecast expectations for the economy despite geopolitical risk factors. Beneath the headline figures household spending (1%) remains subdued due in part to rising energy prices and inflation which is running at 3.5%, ahead of the Bank of England's mid-year expectations. A major driver of this resilience in the UK economy has been the strength of its technology sector. Total output in computer programming, consultancy and related activities has risen by 26% since the beginning of 2024 compared to only 5% growth in the total services sector, and flat contributions from manufacturing. The technology services sector alone is now accounting for about one-fifth of UK growth. Together with strong venture capital funding trends (see page 2) the data does suggest that the UK stands to benefit disproportionately in Europe from AI investment trends. This may well be an area where the UK may seek to press to its advantage its relative regulatory flexibility outside of the European Union.

EU-China trade

In early October the EU and China agreed a 'shared understanding' on the bloc's bilateral trade which will limit imports of hybrid cars into Europe, reduce tariffs on some European products to the value of €225 million and facilitate the import of some rare earths and magnets. This takes place against the backdrop of a wider debate around EU-China trade and the potential re-direction of goods which had previously been bound for the US market. The EU's bilateral trade deficit with China has expanded significantly in recent years from an annual deficit of €165 billion in 2021 to one which on an annualised basis reached €407 million in August of 2026. This has been in large part driven by trade in machinery and in renewable products like solar panels and batteries. On one hand, this reflects increased competition from China for European producers. On the other, many of these imports are critical elements of European supply chains. It is also the case that while the EU has a large bilateral deficit with China, we have a significant surplus with the rest of the world, most notably with the United States. The balance between genuine de-risking to reduce strategic dependencies, ensuring a level playing field, addressing our own competitiveness challenges in Europe and critical supply chain co-operation will all be major questions for European trade in the years ahead.

Energy costs

Oil production, which had been recovering in September, has been dented again by renewed conflict surrounding the Strait of Hormuz. In Europe gas prices, which had been falling through late September have again spiked. For Ireland, the UK national balancing point futures for December which have fallen from 210 pence per therm to under 180 pence, have again risen to over 210 pence. Futures markets expect this price to persist through the winter but are highly volatile to changes in the Gulf. On the supply side, whilst European storage is low compared to recent years, demand has also fallen significantly over the same period, down 17% on 2019 levels. The progress on reducing gas consumption, however, has stalled with marginal increases in 2025 and 2026 so far. This balance, along with our export reliance, leaves Europe highly exposed to changes in the geopolitical outlook.

Fig 10: Sources of growth in the UK economy, index, Jan 2024=100

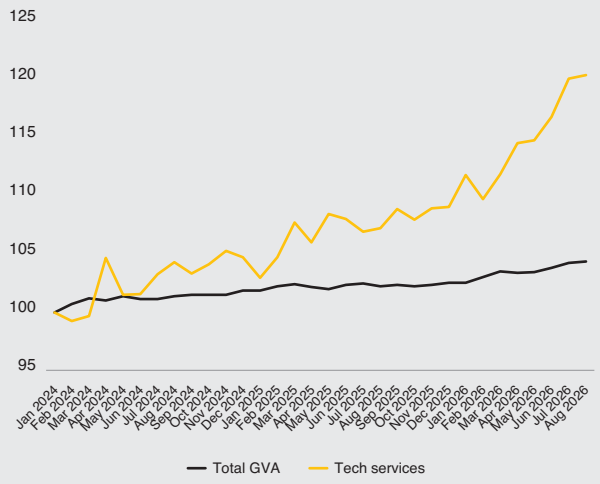


Figure 11: EU goods trade balance with China

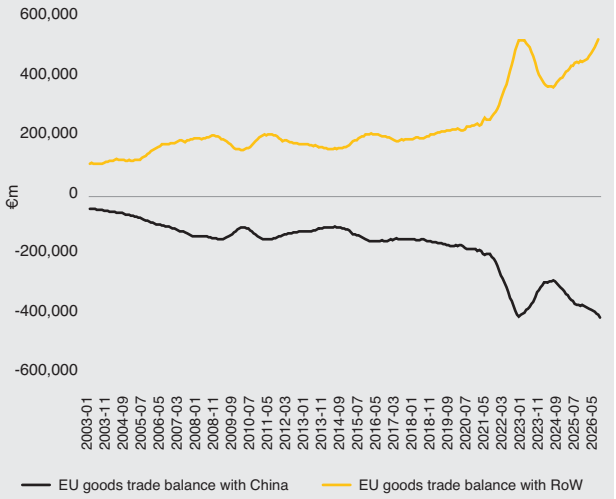
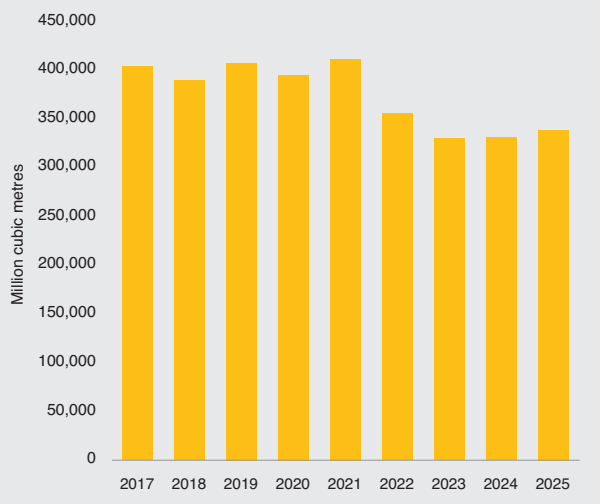


Figure 12: Total gas consumption



The Bond Market

Bond yield movements

The increase in the yields of sovereign bonds across the world's major developed economies has brought a familiar question back into the fray, the long-run sustainability of government debt. This comes during a period of high debt-to-GDP ratios. The United States debt stands at 126% of GDP, whilst in Europe Greece (144%), Italy (139%), France (118%), Belgium (109%), the UK (104%) and Spain (102%) exhibit the highest ratios. However, whilst the stock of legacy debt is a factor, it's far from the sole cause, with yields in recent years having remained remarkably low relative to large corresponding debt ratios. The departure from the low-interest environment (which helped facilitate this accumulation in sovereign debt) has exerted pressure on borrowing costs across the economy, with government debt being no different. Perhaps the most significant of the textbook causes is inflation, with which bond yields are positively correlated. Inflationary pressures from the rapid increase in energy prices have increased yields owing to the need for a higher return, in order to hedge against inflation. As such, governments are forced to not only issue new debt at a higher rate, but also rollover existing debt at a higher yield. This nominal increase is somewhat offset by the devaluation of existing debt from inflation.

However, inflation does not tell the sole story either, with real yields in the US and Eurozone at their highest in over two decades. Large swathes of private capital have been drawn towards the considerable global investment in AI. This is a marked departure from the nearly two-decades post financial crisis of more limited demand for private investment that existed, even in the face of negative real interest rates. The relevance of this is reflected in the textbook bond-equity relationship, in which the over-performance of one is counterbalanced by the underperformance of the other. Effectively, tighter global liquidity has limited the capital available to government bonds, which also have to compete with what can be considered a generational investment opportunity in AI. Thus, a contribution to the rise in yields on government debt is simply the price mechanism reflecting this.

Central banks also have their part to play. Their policy is not limited to the interest rate mechanism. Central banks had effectively been capping yields on sovereign debt through open market operations since the financial crisis, and most acutely during the pandemic. Since then, central banks have attempted to wind-down these programmes via quantitative tightening and exit the market in an attempt to return to a degree of 'normality'. This has ultimately left a large stock of sovereign debt at the behest of the market, without the interventions from central banks to smooth out potential value differentials. As a result, what we're seeing is a market price correction in response to an over-supply in sovereign bonds, effectively going unchecked by central banks in the way that they previously were. This is further exacerbated by the end of the Yen carry trade (owing to an increase in Japanese inflation) which led to an oversupply of the world's benchmark bonds, US treasuries, subsequently increasing US yields and thus the global benchmark rate.

Relative to the fiscal health of many of its European peers, Ireland sits in a position of almost exorbitant privilege. An expected budget surplus of €9.5 billion in 2027 along with a net debt to GDP ratio of 23% means that Ireland has been almost unaffected by the recent tumult on global bond markets. Despite an announcement of the largest EU budget per capita, along with broader discussions surrounding the risk of windfall corporate tax revenues, Irish yields did not materially move. In fact, the spread between 10-year Irish bonds and the German Bund (the European benchmark) has compressed from approximately 55 bps in 2022 to approximately 17 bps in 2026. This has railed against orthodoxy given the considerably expansive nature of Irish fiscal policy during this period. There are key reasons for this. Firstly, the outsized revenue streams to the State from high performing global sectors have allowed for the building up of significant reserves. Thus, unlike other countries, Ireland is not required to borrow in order to sustain current levels of consumption. Secondly, Ireland is seeing some of the strongest levels of growth in the EU (3.1% GNI projected for 2026) which allows it to raise revenue via taxation rather than borrowing. Long-term bond yields are often positively correlated with growth, yet we are seeing little movement in this regard owing to Ireland's membership of the Euro which largely insulates interest rates against domestic productivity pressures.

The ongoing consequence of this trend for business may be more constrained financing conditions for many sectors and tighter fiscal conditions over the coming years amongst many major economies.

Consumption outlook

Consumption

Despite facing rising costs, households' consumption remains robust, supported by high employment levels, several years of real-wage growth and substantial savings buffers concentrated amongst some households. Recent national accounts data confirm that consumption continues to act as a stable pillar of growth in the economy, with personal consumption expenditure up 2.9% annually, when adjusted for inflation. Card spending figures provide further detail, with retail spending on debit and credit cards up 9.4% annually and social spending including in bars, restaurants hotels and culture and entertainment venues up 12% overall. Experience of recent periods of inflation gives some indication of how consumer patterns might evolve if inflation persists. During the last inflationary cycle, Irish households were able to largely preserve their consumption levels in aggregate, despite price pass-through, due to rising incomes and reallocations away from strong savings rates towards current spending. Instead, the impact of inflation was felt in retail sales through household behavioural shifts, with spending patterns moving away from premium products and towards discounted and own-brand purchases and prioritising essential spending like grocery and health products over discretionary purchases. With strong fundamentals supporting household spending currently, consumer spending is likely to remain robust despite inflation, expected to grow at 2.4% over 2027. As in the past, inflation is more likely to be felt in adjustments in how and where people spend.

Retail sales

The positive conditions for consumption are evident in retail sales growth figures, which have been strong this year, with total volume of retail sales up 2.9% annually. This compares favourably with the rest of the Eurozone, which saw retail volume growth of 0.8%, reflecting a more difficult economic growth and employment environment among several Member States. Excluding motor trades and bars, total value of Irish retail trade increased by 4.4%, with volumes up 2.4% annually, indicating both the impact of inflationary pass-through and the continuation of growth in underlying real consumption. Within the retail space, food sales volumes are up 2.6% annually, compared to 3.7% growth in retail values, demonstrating increasing grocery trade is primarily driven by increased consumption rather than food inflation. Positive annual growth in sales volumes was broadly seen across most other retail categories in the range of 2-4%. Exceptions are within clothing, books and stationery, and hardware which show contractions in sales volumes, down 4.1%, 1.5% and 5.1% respectively.

Household supports

While no government can fully insulate households from the impacts of a global energy shock, the Department of Finance estimates that state energy subsidies and tax reductions in the first three quarters of the year reduced the headline inflation rate by 0.6% compared to a scenario with no interventions. Expanded and extended cuts in fuel excise, carbon taxes and energy-related levies announced in Budget 2027 will continue to act as a buffer for headline inflation over the coming year, as global energy price volatility plays out. Similarly, the Department estimates the net impact of budget measures, including direct payments to households and increases to income tax credits and thresholds, will increase weekly equivalised disposable income for households by 1.7% next year. Household savings rates currently sit at 19.9% on the back of high incomes, with about 79% of total disposable income spent on consumption, although in practice this rate of consumption will vary significantly among households, with lower income deciles generally consuming a higher share of disposable income. As a rough indication of the Budget impact on consumer spending, a 1.7% increase in equivalised disposable incomes implies an increase in the average household equivalised disposable income of €572 annually. Over the coming year, direct state supports should combine with positive labour market fundamentals to bolster consumption despite ongoing inflation.

Figure 13: Consumption share of GDP, constant prices, €m

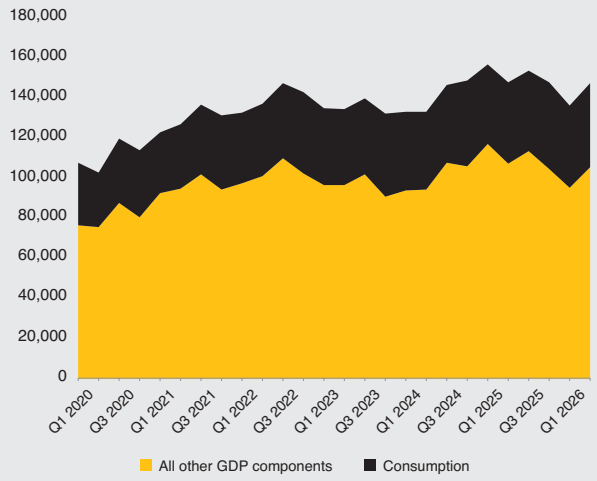


Figure 14: Retail sales excl. cars and bars, annual % change

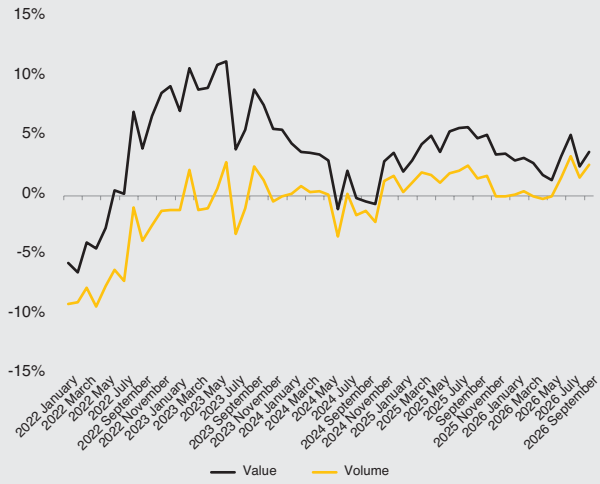
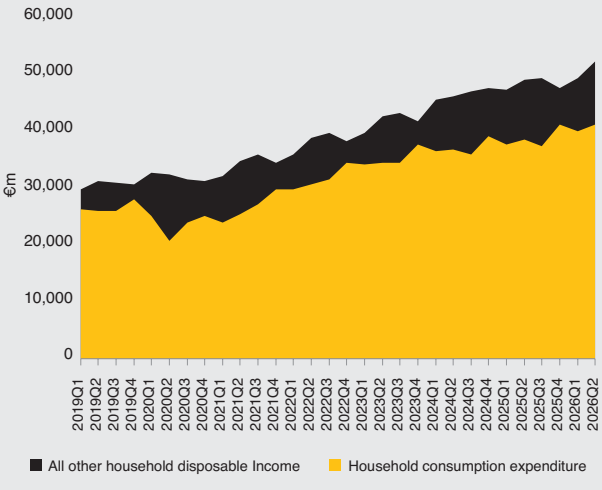


Figure 15: Total household disposable income and consumption expenditure



Fiscal

Fiscal capacity

Ireland is in a structurally different position than the rest of Europe, in an era of rising borrowing costs. Relative to countries which have already produced a draft budget plan for 2027 Ireland's policy measures are very expansionary. The most recent Irish budget package represents an expansion of about €1,600 per person. This is compared to other countries with published 2027 budgets like Finland and the Netherlands of less than €100 per person and countries like France and Austria which are proposing significant cuts. This reflects Ireland's unique fiscal position expecting a surplus of €9.5 billion in 2027. While the average EU country plans to run a deficit north of 3% of GDP in 2026 Ireland will run a surplus of around 2%. Looking forward our debt to GNI ratio is 56.4% in 2027 falling to just below 40% on a net basis if financial assets are taken into account. In the context of ongoing global concerns around fiscal imbalances, Ireland continues to have strong buffers to withstand shocks.

Public sector pay deal

The new public sector pay deal of 10.75% over a period of 33 months, represents annualised average increases in public pay of 3.7% in 2027 and 4.1% in 2028 for a worker on €50,000. For lower paid workers the gains will be greater, with workers on €35,000 receiving equivalent increases of 4.7% and 5.3% respectively. For higher paid workers (a worker on €70,000) the increases will be more moderate (3.3% and 3.8%). These increases, taken as a whole, are a moderate increase on the previous deal which were for half a percentage point less in overall pay but over a 30-month term. Relative to private sector wages this means public pay increases will broadly be in line on average wages in 2026 and 2027 but ahead in 2028. Public sector pay has risen from €25.3 billion to €34.9 billion since 2022. This represents only a small rise as a share of overall public spending (1.3 percentage points) which has risen by €28 billion or 32% over the same period. Given that these pay increases are running marginally ahead of overall wage inflation in the economy, the second-round effects on broader wage expectations and ultimately inflation are likely to be modest.

Budget overruns

Whilst budget day packages have increased significantly in size in the years following the pandemic, the subsequent corresponding annual spend has been substantially higher. Across the past three budgets, annual expenditure has outpaced the Gross Voted Expenditure by 3.7% annually. This is reflective of departmental overruns adding to exchequer costs. Despite the increasingly expansionary nature of Irish budgets over the last number of years, annual spend has continued to run considerably higher. Since 2023 current spending has expanded by 22% with over half of this driven by in-year overruns rather than planned expansions. Such departmental overruns are down to several factors. Unaccounted-for events can significantly push government expenditure above its annual target due to weak expenditure controls. Given the number of shocks of the past several years, spending overruns are reflective of government measures to address inflationary pressures. The rate of population growth has also continuously outpaced estimates, which has caused unexpected additional demand on public services. Ireland's fiscal approach lacks the discipline of multi-year budgeting at budget line level which means delivery bodies and agencies are often left partly into the budget year before having a clear view of what their allocation is. This makes efficient planning extremely difficult at local level. Finally, there is no effective constraint or sanction on overspending departments. Recent introductions of a cross-departmental spending levy are to some extent a step in this direction but by their cross-departmental nature are prone to moral hazard concerns.

Figure 16: Deficits in the EU, % of GDP

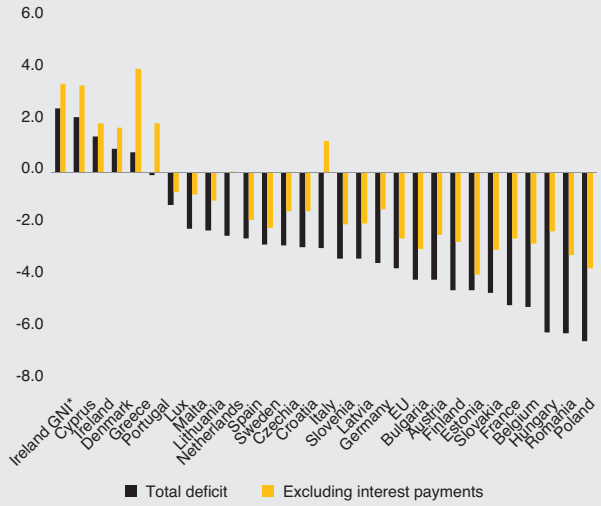


Figure 17: Public sector pay bill

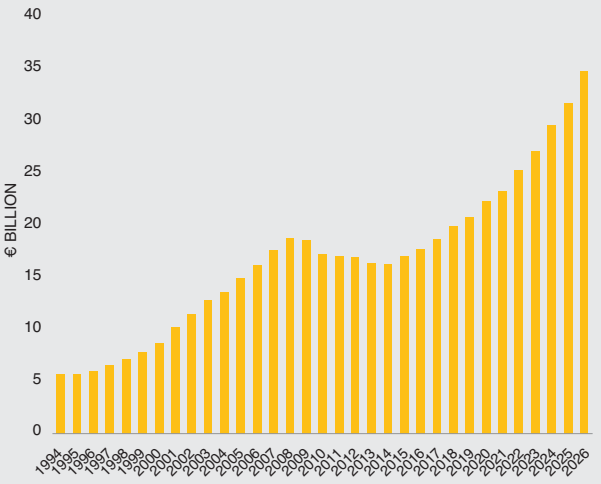
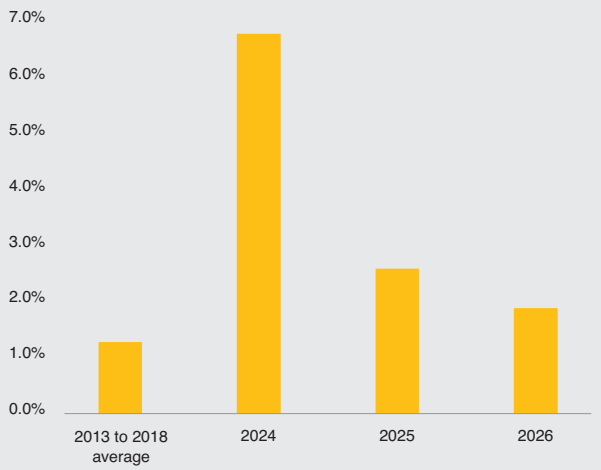


Figure 18: % Overrun above budget on current spending



Housing

Housing costs

Despite some positive movements in housing delivery over recent quarters, housing costs for both homeowners and renters continue to increase in the wake of significant undersupply. Shortages in both the rental and home-buying markets, the impact of rising interest rates on mortgage repayments and rapid rent increases are all contributing to housing costs pressures. Housing costs as measured by the consumer price index are up 4.3% in the year to September. Within this figure, the mortgage interest index has risen 10.8% and private rents increased 5.5% over the same period. The Residential Tenancy Board's rental index confirms this, with average rents for new tenancies up 9.1% annually in Q1 of 2026, the most recent period for which data is available, which captures just the first month of rents after the change in rent control legislation in March. When compared with the EU, Ireland's housing cost over-burden rate, the share of households spending more than 40% of their income on housing, does not look extreme, at 5.3% compared to an EU average of 7.6% and rates of 10% or more among the worst-impacted states. However, this rate is likely flattered by the number of individuals unable to enter the rental market due either to cost or no availability in the required area, likely living with family rather than forming new households, and those living in high-occupancy house-shares to cut costs.

Building materials

As discussed in the previous Economic Outlook, the volatility in global energy prices in the early part of the year was reflected rapidly in building materials, particularly materials with high transport costs, energy intensive production methods and petrochemical based products. While some impact was seen immediately in manufacturing producer prices for key materials, the full impact of cost increases had yet to be passed through to the construction industry in the first half of the year. Average Irish building material prices rose 2.2% in the first five months of the year before stabilising, corresponding with reducing oil and gas prices over June and July. Building materials prices began to increase again in September, up by 1% month-on-month, as the global energy outlook worsened again. Globally, basic commodity prices, including for base metals and timber products have risen substantially, up around 23% year-on-year for base metals and industrial materials, and 6.1% for softwoods. Survey data of construction firms across Europe indicate that the construction industry continues to face price pressures after some relief over the summer, as input costs began to accelerate again in September reflecting material production costs passing on to industry. This pressurised price environment along with rising bond yields will continue to make funding viability for housing difficult in the coming year.

Housing delivery

There has been an uptick in housing delivery this year, with new home completions up 10.9% in the first three quarters of the year. A total of 26,833 new homes have been delivered so far, with continued momentum in delivery expected in the final quarter. The wind-up of the development levy waiver at the end of the year is likely to manifest as a late bump in home completions when the final quarter figures become available, as firms move to complete construction within the qualifying period. This will not necessarily mark a longer-term increase in the delivery trend but rather the moving up of completion timetables into this year, and a corresponding reduction in completions in Q1 and Q2 of 2027. Roughly half of the new units are scheme homes, houses and duplexes built as part of multi-unit developments, with a little under a third accounted for by apartment developments. Housing delivery is broadly accelerating nationally, with the West and South-East regions seeing significant increases in completions, up by about a third and quarter respectively, year on year. However, completions were down in the range of 6-8% in the Border and Mid-West regions.

Figure 19: New dwelling completions by type

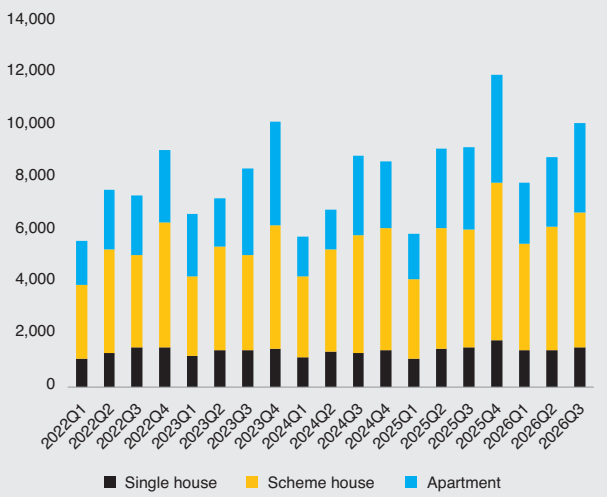


Figure 20: Monthly building materials wholesale price index, 2021=100

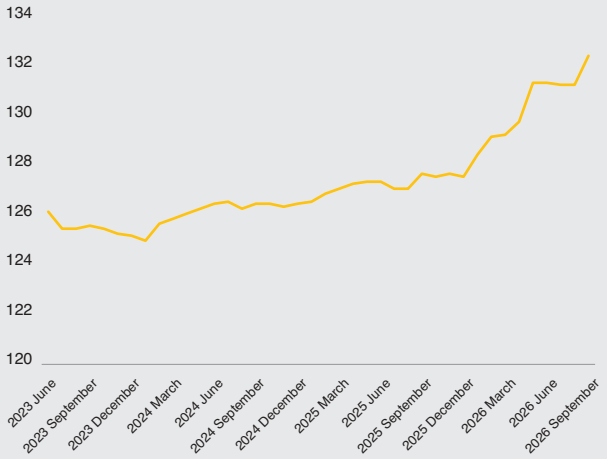
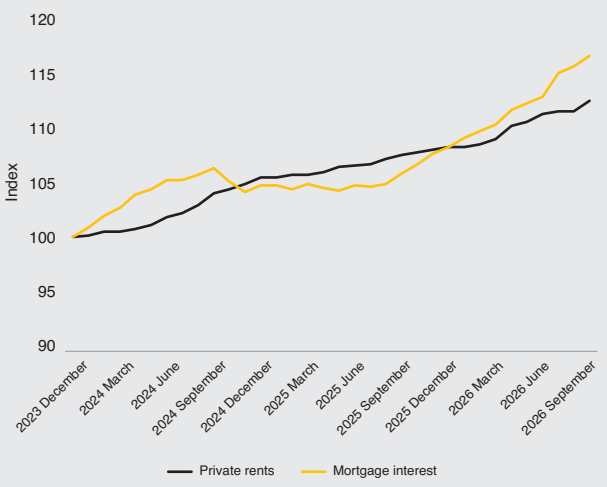


Figure 21: Mortgage interest and private rents CPI, index Dec 2023=100



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