The all-island economy: steering a course in changing times

Economic Eye

Autumn 2025 forecast

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OVERVIEW

Chief Economist Comment

Dr. Loretta O'Sullivan
Chief Economist and Partner | EY Ireland

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The Times They Are A-Changin'

Audiences in Dublin, Killarney and Belfast will be hoping this classic hit is on the setlist when the acclaimed songwriter Bob Dylan tours Ireland and the UK this autumn. It's also an apt soundtrack for musings about the all-island economy as policy shifts in the US reverberate here, there and everywhere.

President Trump has put the wheel in spin with his desire to bring manufacturing back to America. His strategy combines investment incentives with tariff hikes and has been on full show since the last edition of our Economic Eye report.

Congress has passed a package of tax cuts and spending measures - the "One Big Beautiful Bill" - that is it set to add trillions of dollars to the federal debt and could impact global financial conditions and market volatility. And America's trading partners have been chasing deals to mitigate the punitive duties announced on "Liberation Day" and subsequent threats.

Tariffs are a double-edged sword; they harm the country that imposes them as well as the countries they are imposed on. Both the Republic of Ireland and Northern Ireland have export linkages with the US and are exposed, albeit things could have been worse. The deals Brussels and London have struck with Washington have avoided an all-out trade dispute with tit-for-tat retaliation, even if they leave some questions unanswered. And the respective 15% and 10% rates appear manageable, at least at the aggregate macroeconomic level.

The ROI economy in particular is entering this shock from a position of strength, and our autumn forecast is for a continuation of growth; in NI too.

Of course, ROI also heavily relies on the US for foreign direct investment, traditionally sourcing three in every five inbound projects from the States according to EY's Attractiveness Survey. Over time, there is a risk that tariffs alongside other changes to US tax and industrial policies lead to a restructuring of multinationals' value chains and lower investment flows.

All of which reinforces the importance of a domestic policy focus on shoring up competitiveness and building resilience, and we share some perspectives on these later in this report.

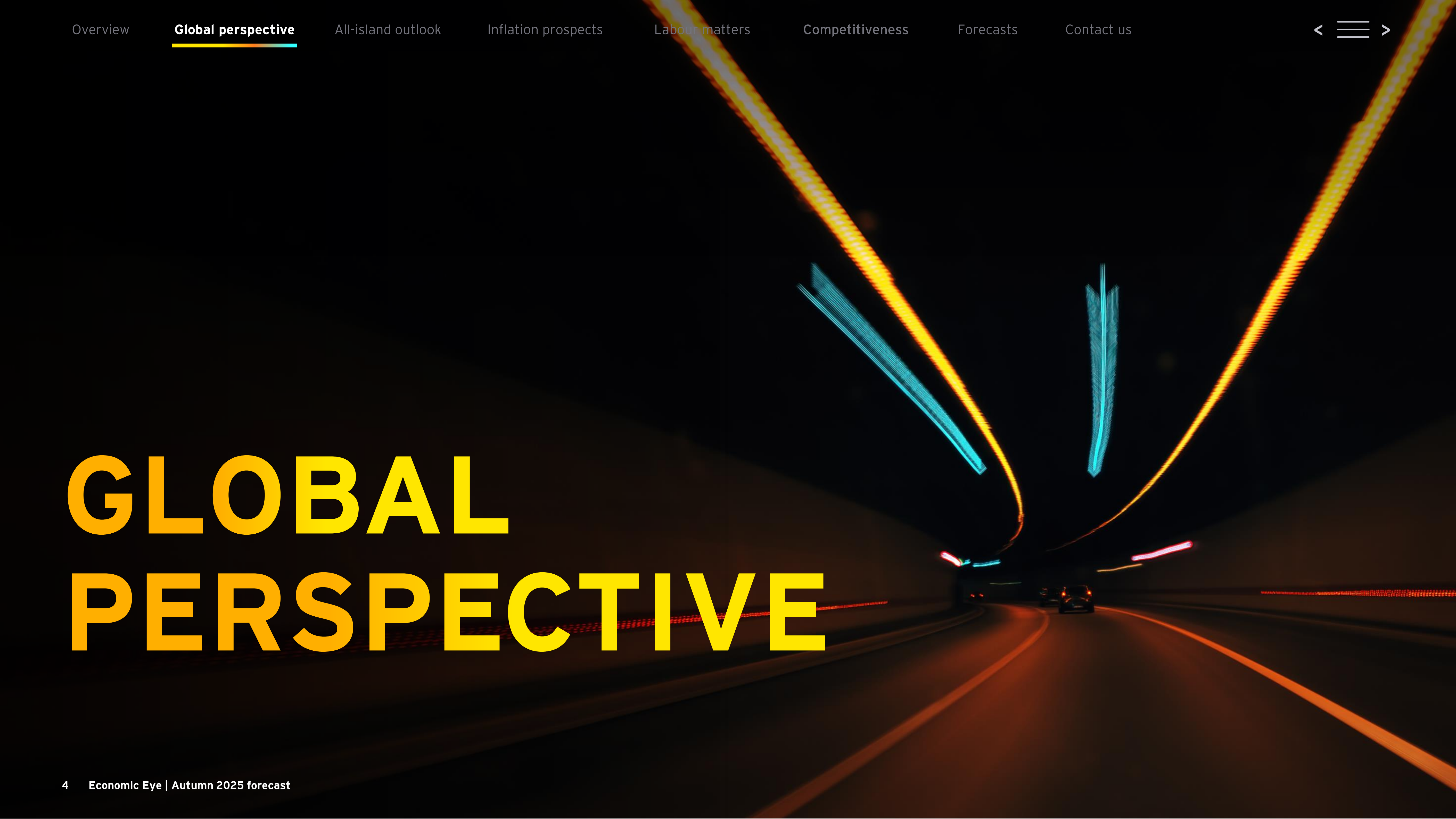
Dylan sings about a fading order. For the global economy this is the trend towards greater trade fragmentation. For the all-island economy, investing in AI and enhancing innovation supports, delivering energy and other infrastructure, boosting skills, and leveraging Ireland's upcoming EU Presidency will be key to steering a course in these changing times.

Republic of Ireland (ROI)

	2025f	2026f
GDP	9.0%	3.3%
MDD	3.2%	2.6%
Jobs	2.2%	1.8%

Northern Ireland (NI)

	2025f	2026f
GVA	1.3%	1.2%
Jobs	1.0%	0.6%



GLOBAL PERSPECTIVE

Moderating world growth

Global Growth Outlook

	2024	2025f	2026f
World	3.3%	3.2%	2.9%
US	2.8%	1.8%	1.5%
Japan	0.1%	1.1%	0.5%
China	5.0%	4.9%	4.4%
India	6.5%	6.7%	6.2%
Euro area	0.8%	1.2%	1.0%
Germany	-0.5%	0.3%	1.1%
France	1.1%	0.6%	0.9%
Italy	0.7%	0.6%	0.6%
Spain	3.2%	2.6%	2.0%
UK	1.1%	1.3%	1.0%

(Gross Domestic Product, annual change, constant prices)

Fiscal year for India

Source: OECD, EY UK

Central banks diverging

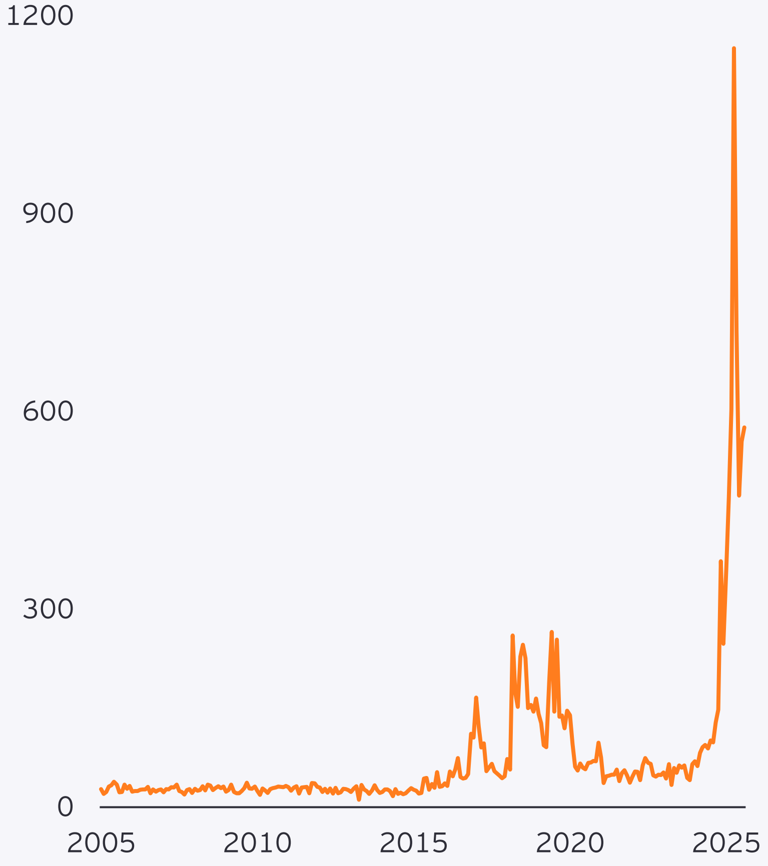
Trade-related uncertainty has been front and centre for the global economy in 2025. The TPU index soared in April as President Trump announced sweeping "reciprocal" tariffs. This roiled financial markets and led to a shift in investor appetite away from dollar-denominated assets towards gold and other safe-haven currencies. While US stocks have recovered since - led by the tech sector as investors shrug off policy risks and focus on the AI boom - the greenback has remained under pressure.

Uncertainty has eased in recent months as deals with some trading partners got done, but with the average US tariff rate now at a level last seen in the 1930s, the OECD is projecting a moderation in world growth in 2026.

A more marked slowdown is forecast for the US. For the Federal Reserve a weakening labour market on the one hand, and tariff-driven inflation pressures on the other, leave it with a fine balancing act. And then there is the political pressure that it is coming under. In any case, it lowered its benchmark interest rate by 0.25 percentage points at its September meeting. A similar sized reduction is anticipated for December, followed by a 1 percentage point of easing during 2026.

The European Central Bank is in a more comfortable place, in that the Euro area economy is set to expand at a modest pace and headline inflation is in and around the 2% target. After delivering eight quarter-point cuts in the space of 12 months, the end of the current easing cycle appears nigh. We think the Governing Council will keep its key interest rates unchanged through next year.

Trade Policy Uncertainty Index



Source: Caldara, Iacoviello, Molligo, Prestipino, and Raffo

Interest Rate Outlook

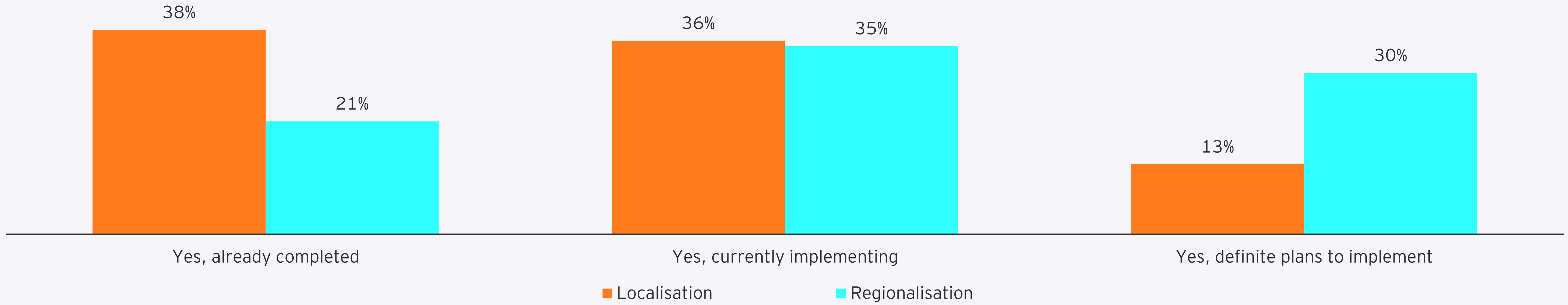
	2024	2025f	2026f
ECB	3.15%	2.15%	2.15%
BoE	4.75%	4.00%	3.50%
Fed	4.25%-4.50%	3.75%-4.00%	2.75%-3.00%

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

Source: EY Economic Eye

CEO insights

Is your company taking or considering any steps towards localisation or regionalisation in response to recent geopolitical developments, including tariffs and trade negotiations?



('Localisation' means producing goods within the country where they will be sold, 'regionalisation' means creating regional supply chains to serve a particular bloc)
(1,200 global CEOs surveyed in August 2025)
Source: EY-Parthenon CEO Outlook Survey

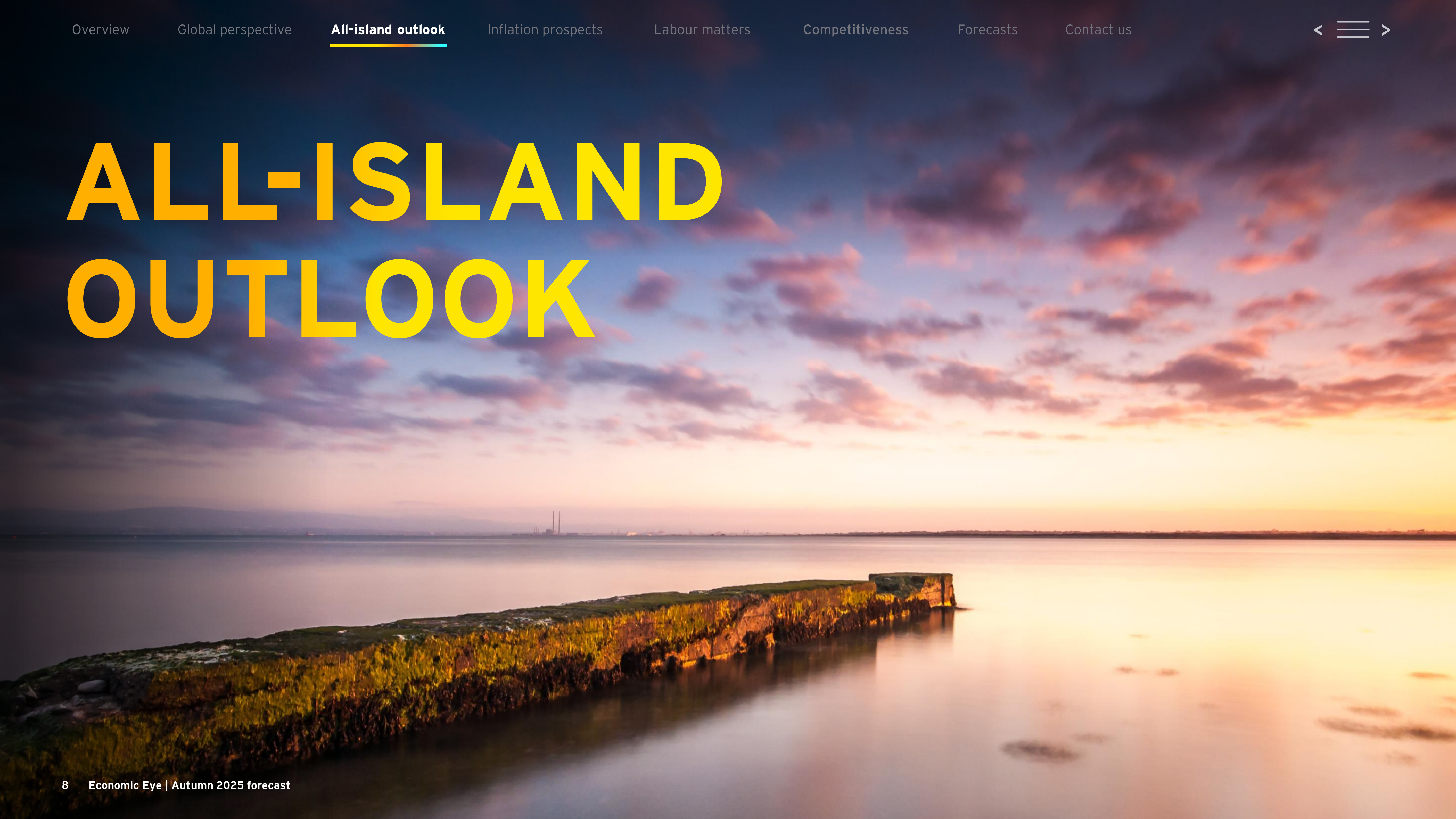
"Our latest survey of global CEOs finds that nearly three-quarters have already localised part of their production chains, signalling that regionalisation is no longer a short-term fix but a long-term restructuring of global business models.

Carol Murphy
Partner and EY Ireland
Head of Markets

"The Irish data show that business leaders are planning to reconfigure supply chains, double down on automation, and adjust pricing models. CEOs need to recognise that tariffs have become a feature of geopolitical volatility and build flexibility within their operating models.

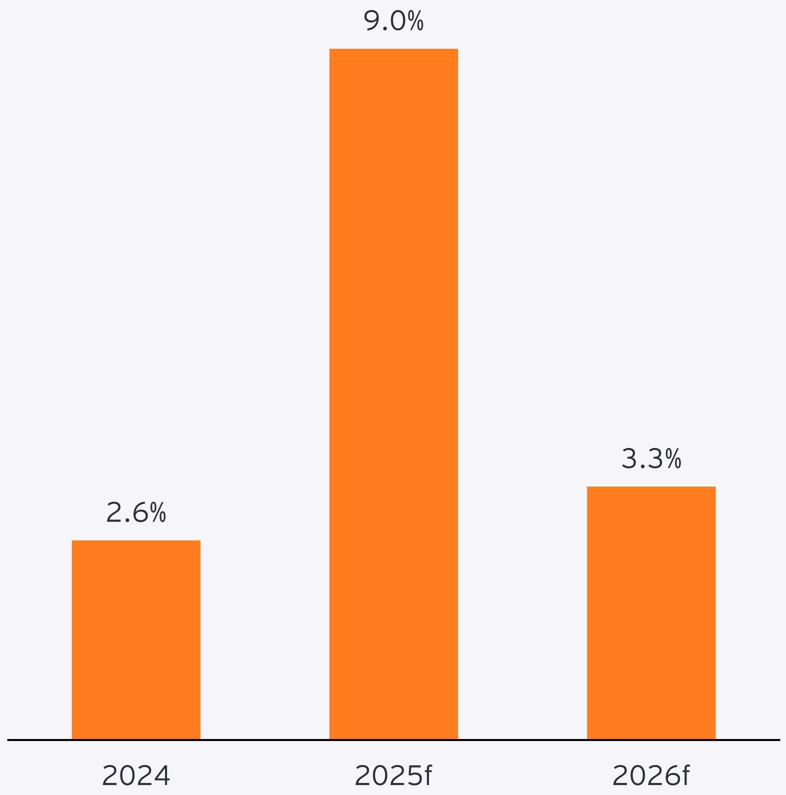
Simon MacAllister
Co-Head of Geopolitical Strategy. EY Ireland Strategy and Transactions Partner. Head of Valuation, Modelling and Economics

ALL-ISLAND OUTLOOK



All-Island economic forecasts

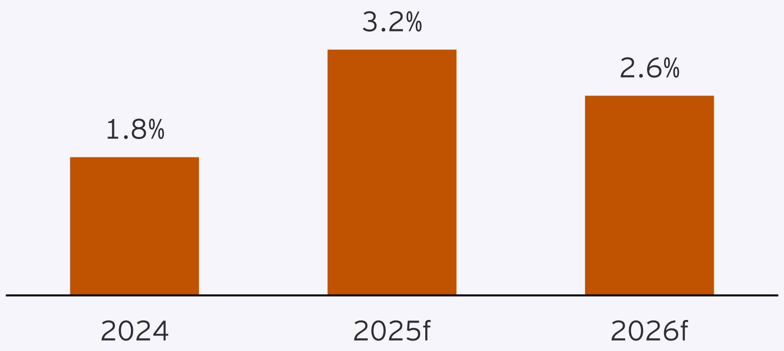
Republic of Ireland, GDP



(Gross Domestic Product, annual change, constant prices)

Source: EY Economic Eye

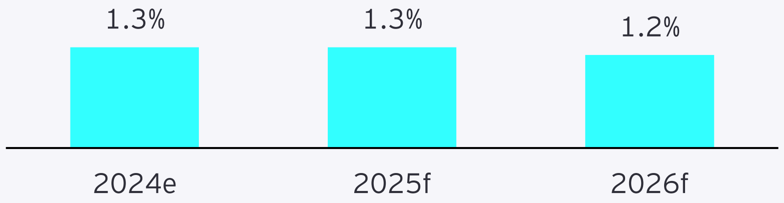
Republic of Ireland, MDD



(Modified Domestic Demand, annual change, constant prices)

Source: EY Economic Eye

Northern Ireland, GVA



(Gross Value Added, annual change, constant prices)

Source: EY Economic Eye

Republic of Ireland (ROI)

Like economies the world over, the ROI economy is navigating policy shifts in the US. Indeed, the impact of manufacturers rushing to get ahead of looming tariffs was the standout feature of the latest National Accounts. Front-loading by the pharmaceutical sector in particular buoyed exports and GDP over the first half of 2025, though some of this will be temporary.

The newly agreed transatlantic framework offers a modicum of certainty amid all the global flux. That said, its terms - a maximum levy of 15% on most EU goods exports to the US, including those subject to section 232 investigations (inter alia pharmaceuticals and semiconductors) - are less favourable than what came before.

So, the economy is facing a trade shock, albeit from a position of strength. The half-year National Accounts also show Modified Domestic Demand expanding apace, which is consistent with a healthy labour market where the number of people in employment continues to post fresh highs. This is an important confidence factor for consumer spending, just as additional funding for public capital projects will support investment.

Still, growth momentum is likely to soften in the period ahead as households and businesses adapt to the changing external environment. Our autumn forecast has GDP rising by 9.0% in 2025 and 3.3% in 2026, while Modified Domestic Demand is projected to increase by 3.2% this year and 2.6% next year.

There are risks to this outlook of course. A further escalation of global trade and geopolitical tensions more generally cannot be ruled out, while bottlenecks at home are plentiful. Policy-wise, helping companies to diversify into new markets in Europe and beyond will be key for the future, alongside infrastructure delivery and innovation supports to bolster competitiveness and productivity, and maintain ROI's attractiveness for FDI.

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The Irish economy continues to perform well in a difficult environment. Employment is at a record high, tax receipts are strong, and inflation is low. Uncertainty has abated somewhat with the recent EU-US deal, but the longer term trend towards trade fragmentation is a challenge for our economic model. Policies to shore up competitiveness and build resilience are important, now more than ever.

Dr. Loretta O'Sullivan
Chief Economist and Partner | EY Ireland

Consumers

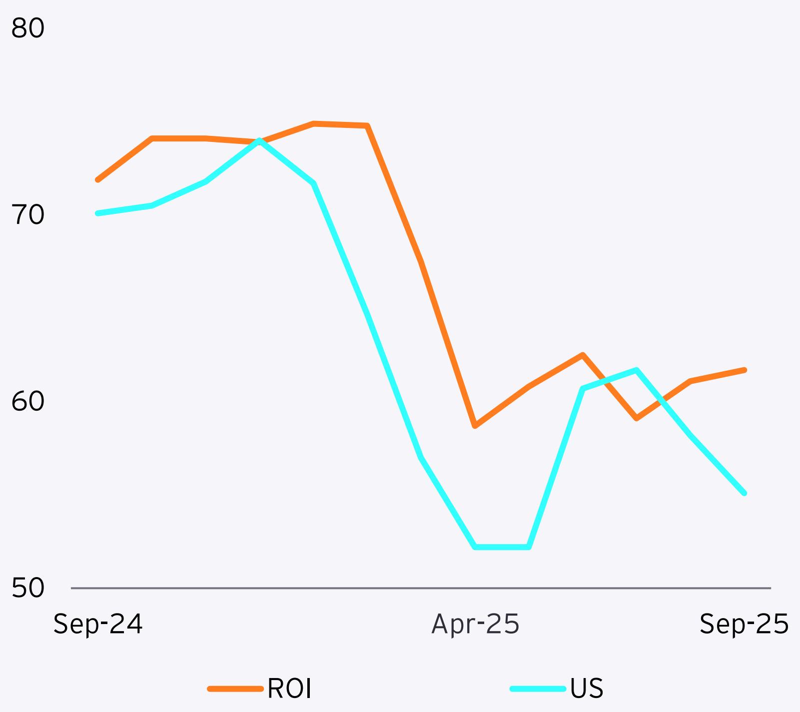
2025f **2.9%** 2026f **2.5%**

While policy shifts in the US have unsettled households on both sides of the Atlantic in recent months, consumer confidence in ROI has stabilised of late and spending held up well in H1 2025.

Employment growth and wage gains - we have pencilled in average pay increases of 4.0% for this year as a whole and 3.0% for 2026 - should continue to underpin household incomes and consumption in the coming months and into next year. Lower ECB interest rates are also gradually making borrowing less expensive.

A repeat of the cost-of-living packages of past years has been ruled out for Budget 2026, however. Now that inflation has eased, the focus is shifting from temporary universal supports to permanent measures targeted at those less able to absorb higher prices.

Consumer Confidence Indices



Source: University of Michigan, Irish League of Credit Unions

Government

The total tax take was up 7.3% in the year to end August 2025 but risks to the public finances from trade fragmentation and the concentrated nature of corporation tax receipts are on minds ahead of Budget 2026.

Preparations for this are underway, with a sum of €9.4 billion indented; €1.5 billion for tax cuts and €7.9 billion for public spending increases. The Irish government has indicated that capital investment is central to its strategy, with the updated National Development Plan providing additional funding for housing, energy, water and transport infrastructure. Addressing the country's infrastructure deficit is crucial for many reasons, from quality of life to an enabling business environment. A compelling R&D tax credit offering is also important for the latter as global competition for FDI intensifies, and to encourage more innovation among indigenous firms.

Meanwhile, ongoing investment in the State's savings funds will strengthen the resilience of the public finances into the medium term, and help meet age and climate-related spending pressures further out.

Modified Investment

2025f	2026f
3.8%	**3.3%**

Trade-related uncertainty has abated somewhat, with the latest EY CEO Outlook finding that firms in ROI are hopeful of an improvement in global economic conditions. While this may help green light some stalled capex plans, geopolitical tensions and the new tariff landscape are changing the operating environment for many multinational and other companies. At the same time, the financing backdrop is becoming more benign - thanks to a series of ECB interest rate cuts - and the business case for investing in AI and other technologies remains.

On the construction front, data for the first half of 2025 show a rebound in activity, with increases in housing and non-residential output. This is encouraging and more public money together with planning system reforms should support infrastructure delivery in the coming years. Nonetheless, a meaningful step up in new home builds, meeting retrofitting demands, and timely completion of strategic projects will also require an uplift of the sector's capacity, i.e. more workers and more widespread adoption of Modern Methods of Construction.

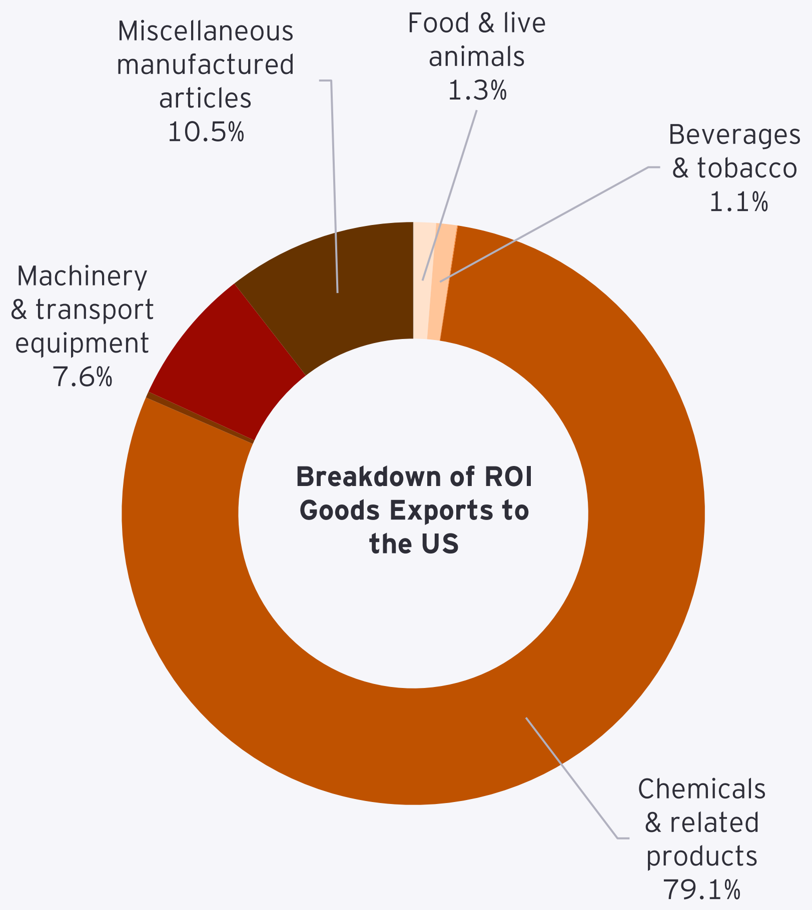
(Modified investment excludes Intellectual Property Products and aircraft leasing)

Exports

2025f	2026f
7.5%	**4.0%**

The strong performance by ROI exports in H1 2025 was driven by computer services and a surge in goods bound for the US. The latter jumped 156% in the first five months of the year compared to the same period in 2024. While some of this related to new pharmaceutical production facilities coming on stream, it also reflected tariff frontrunning by the sector, which is largely foreign-owned and MNE-dominated. There are signs that this activity has started unwinding though, and more is likely as the year progresses.

Looking to 2026, exports are forecast to grow, although by less than would have been case in the absence of the Trump administration's tariffs. Among indigenous industries, food and beverages are especially exposed to these, with exchange rate developments another headwind for firms selling into the American market. The euro has appreciated sharply against the dollar and may strengthen further into next year - possibly to $1.20 - as the Fed cuts interest rates and the ECB stays on hold.



(Commodity share of total ROI goods exports to the US. Data are in value terms and relate to 2024)

Source: CSO

Northern Ireland (NI)

In NI, available data for 2025 are a mixed bag. They point to a relatively solid jobs market for example, but also to muted private sector activity as businesses deal with pressures at home and abroad.

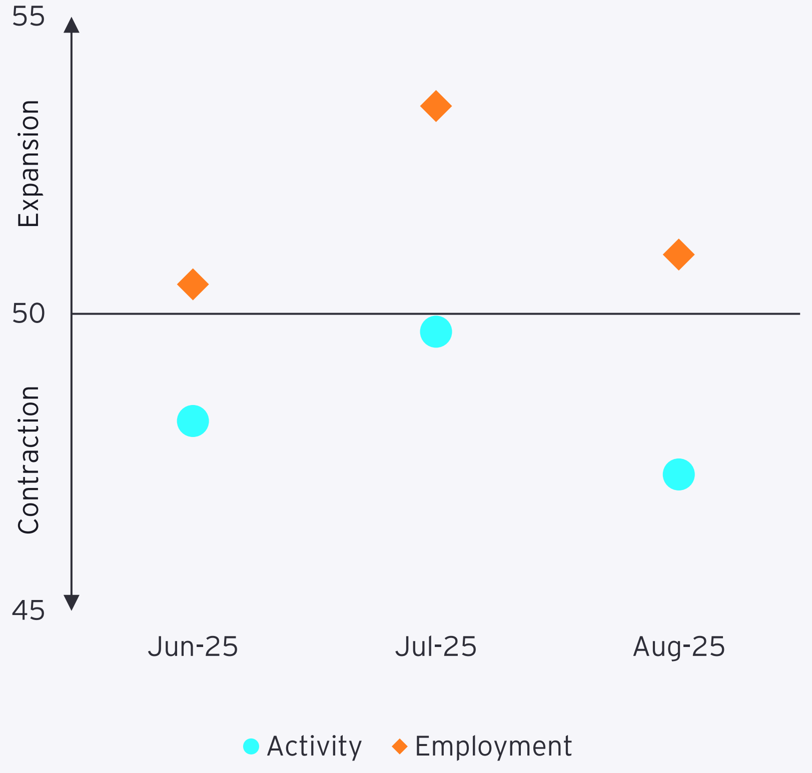
Domestically, increases in National Insurance contributions have added to employers' costs and challenging fiscal dynamics in the UK raise the prospect of further tax increases by the Chancellor of the Exchequer in the approaching Budget. The Stormont Executive's finances are tight too, albeit the recent Spending Review provides for increased funding from Westminster for the coming years.

On the global stage, the UK government was the first to strike a trade deal with the Trump administration, winning concessions for cars and steel and a promise of preferential treatment for pharmaceuticals. Most goods exported from NI and Great Britain to the US still face a 10% tariff, however.

More positively, consumer sentiment surveys show an improvement through the spring and summer, helped by rising incomes and falling interest rates. The Bank of England has delivered three quarter-point cuts this year, and more are expected next year as inflation slowly declines, taking the Bank Rate to 3.50% by end-2026. This should offer some support to business investment as well as household consumption in the period ahead.

Taking all this in the round, our autumn Economic Eye forecast is for growth of 1.3% in NI in 2025 and 1.2% in 2026.

NI Composite Purchasing Managers' Index



Source: S&P Global

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It's good to see that economic growth is in prospect for Northern Ireland, bringing more employment. Workforce jobs in the region hit an all-time high in the second quarter of this year, but there is no room for complacency, especially around skills. As we look to the future, a sustained policy focus on meeting evolving needs will be needed, particularly for skills that support the digital and green transitions.

Rob Heron
Managing Partner
EY Northern Ireland

INFLATION PROSPECTS

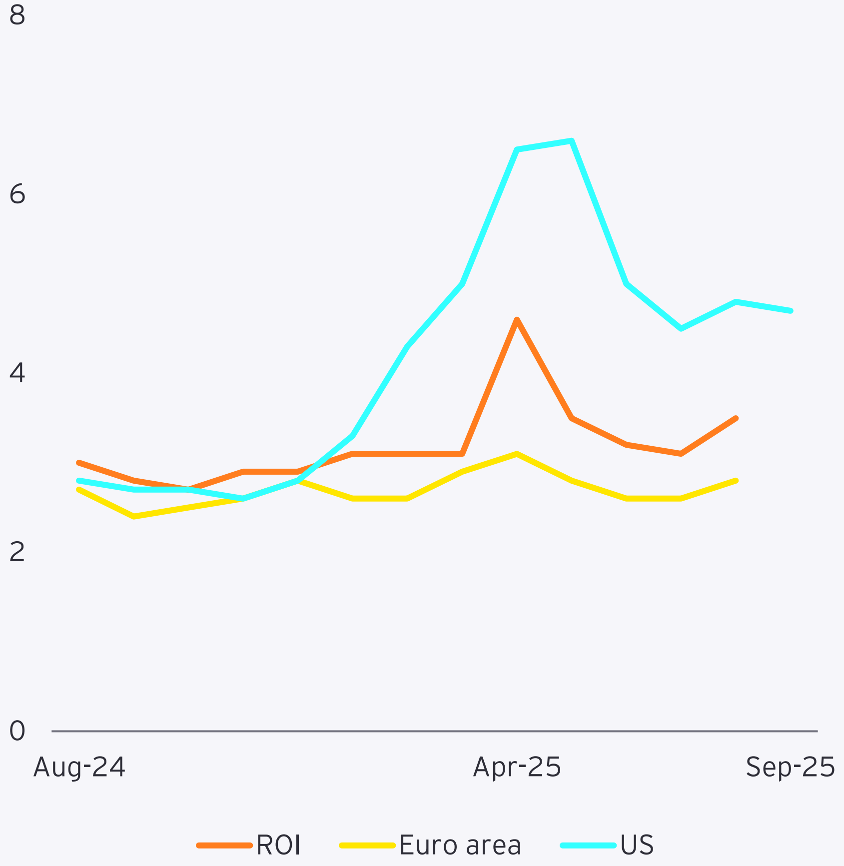
Mixed inflation outlook

Our autumn forecast sees headline inflation in ROI settling around the 2% mark this year and next. As anticipated, services inflation has continued to decelerate; it averaged 2.6% in the first eight months of 2025, down from 4.0% in the same period of 2024. Conversely, food price increases have gathered pace of late, adding upward pressure. The recent appreciation of the euro will work in the opposite direction though, offering some offset further out the projection horizon.

The ECB's Consumer Expectations Survey gives an insight into how households are thinking about inflation. Recent year-ahead readings for ROI are not far off where they were 12 months ago, after fears of a full-blown EU-US trade war caused a spike in April. The findings for the proxy Euro area are more muted but similar, whereas the University of Michigan's expectations measure remains elevated as American households worry about a tariff-related bump to prices.

In the UK, large rises in energy and other regulated bills like water and broadband have helped push headline inflation higher this year. It stood at 3.8% in July and August and at the current juncture, looks unlikely to return to the Bank of England's 2% target till 2027.

Consumer Inflation Expectations



(Euro area includes Belgium, Germany, Spain, France, Italy, the Netherlands, Ireland, Greece, Austria, Portugal, and Finland)

(Median inflation expectations 12 months ahead, %)

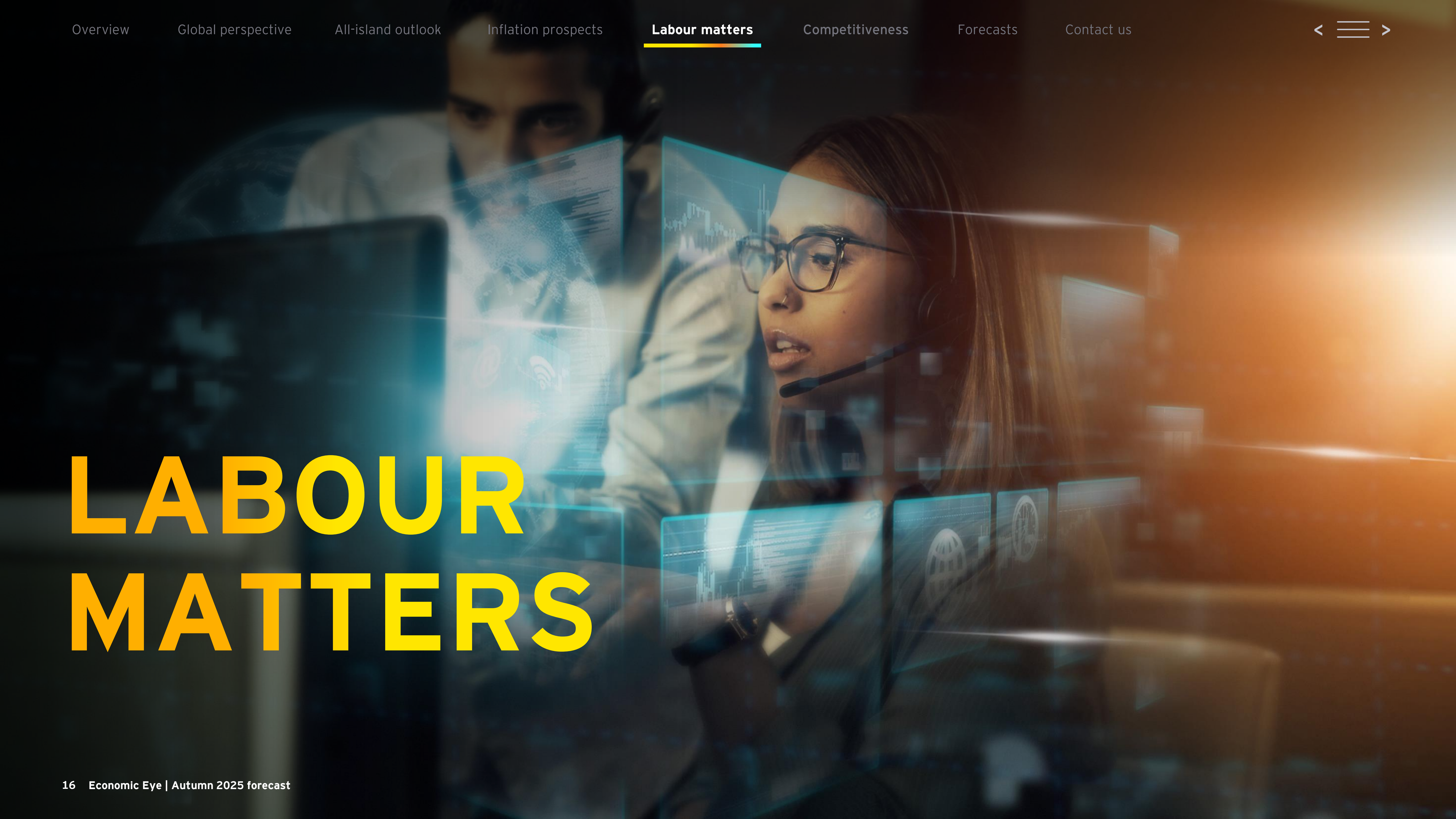
Source: ECB, University of Michigan

Inflation Outlook

	2024	2025f	2026f
ROI	2.1%	2.0%	2.0%
UK	2.5%	3.3%	2.4%

(CPI, annual change)

Source: EY Economic Eye, EY UK



LABOUR MATTERS

Jobs growth easing

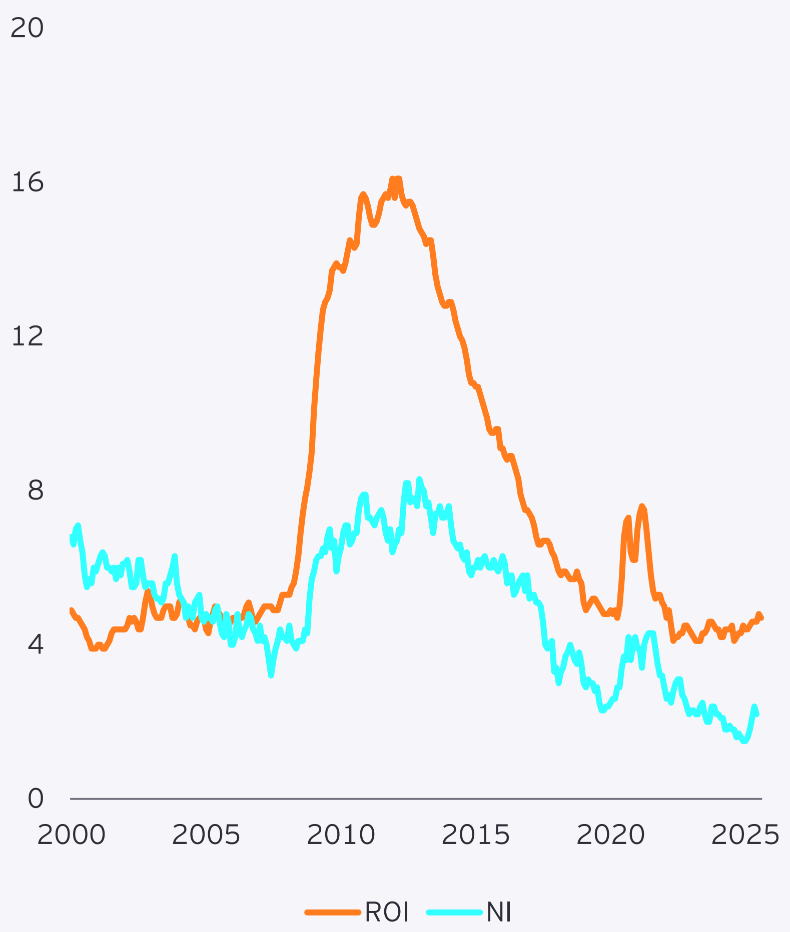
Uncertainty tends to interfere with the business cycle, influencing recruitment decisions as well as investment plans. So far though, it's a case of so resilient for the island's two labour markets.

The number of people in employment in ROI rose to just over 2.8 million in the second quarter of 2025 - setting a new record - and income tax receipts indicate that hiring continued into the third quarter. Workforce jobs in NI also posted an all-time high in Q2, with private sector staffing levels increasing further in July and August according to the PMI survey.

But there are signs of softness too. The private sector jobs vacancy rate is tracking lower in ROI signalling a moderation in labour demand, and the unemployment rate has noticeably moved up in NI.

As developments in the labour market typically lag those in the wider economy, we expect the pace of job gains to slow in both countries next year. Relatedly, unemployment rates are projected to rise, albeit at 4.8% in ROI and 2.4% in NI in 2026, they remain low by historical standards.

Unemployment Rate



(ILO measure, %)

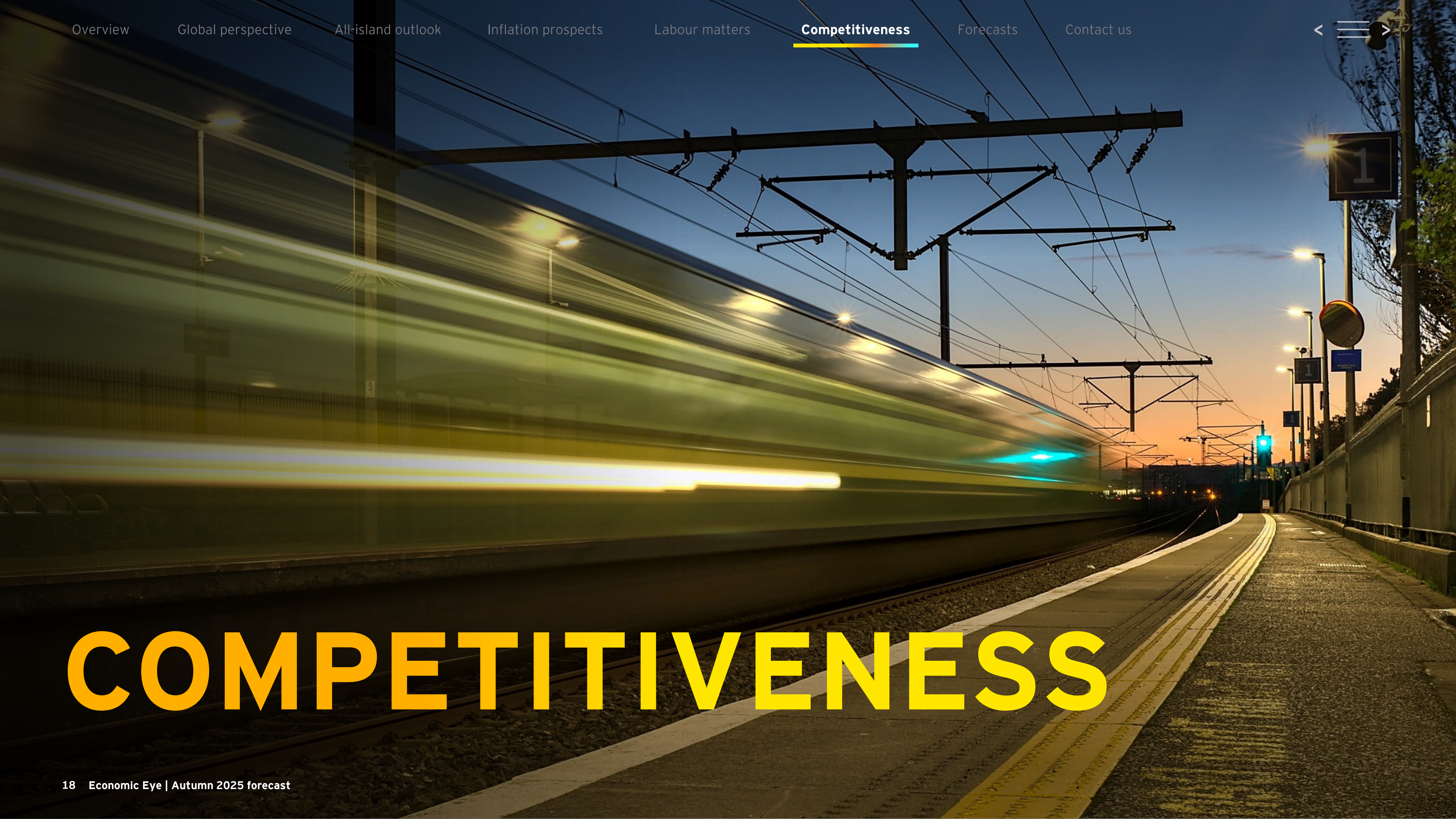
Source: CSO, ONS

Employment Growth Outlook

	2024	2025f	2026f
ROI	2.7%	2.2%	1.8%
NI	1.4%	1.0%	0.6%

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

Source: EY Economic Eye



COMPETITIVENESS

Historical competitiveness

Competitiveness is about ensuring firms can compete in markets and the enterprise base in a country can compete internationally. To assess this, the economics profession has traditionally used measures like the Harmonised Competitiveness Indicator. When this is trending up, prices in a given economy (taking exchange rates into account) are rising faster than elsewhere, implying a deterioration in competitiveness. When it is trending down, it's the other way round, implying an improvement in competitiveness.

Looking at the HCI for ROI, it is clear that the economy experienced a significant loss of cost competitiveness during the "Celtic Tiger" era, with substantial gains in the adjustment years following the financial crisis.

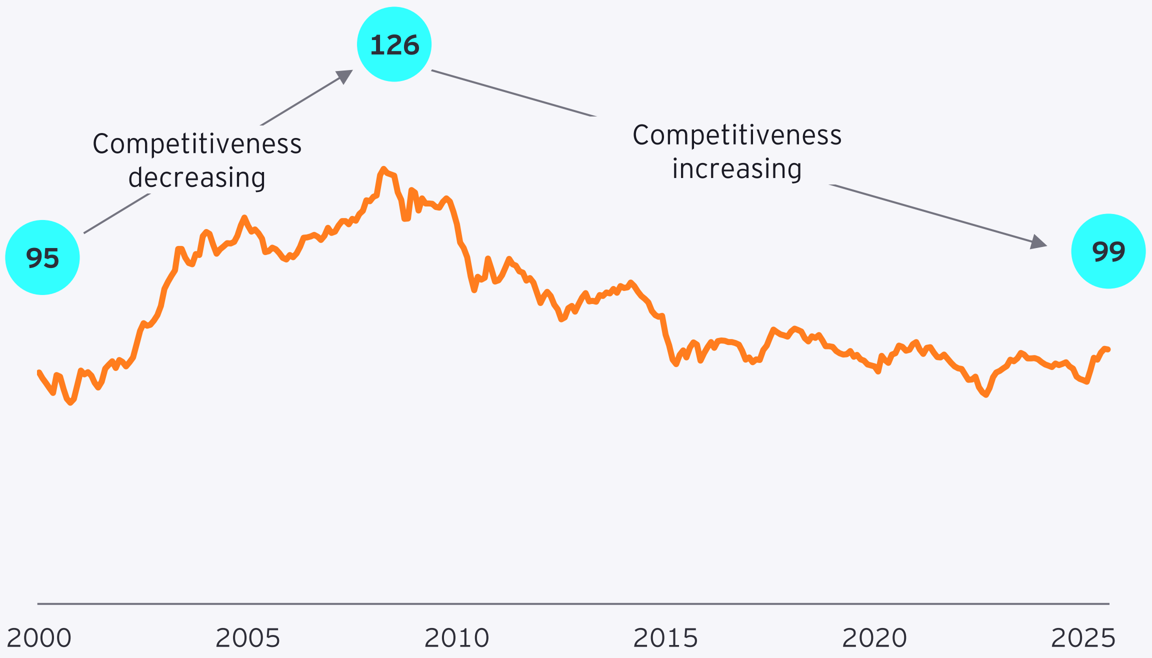
World rankings

Global scorecards take a broader approach when assessing competitiveness, incorporating policy inputs such as education and training, infrastructure and the regulatory framework.

The 2025 International Institute for Management Development report ranks ROI as the most competitive country in the euro area and the 7th most competitive economy in the world (out of 69), down from last year's 4th place.

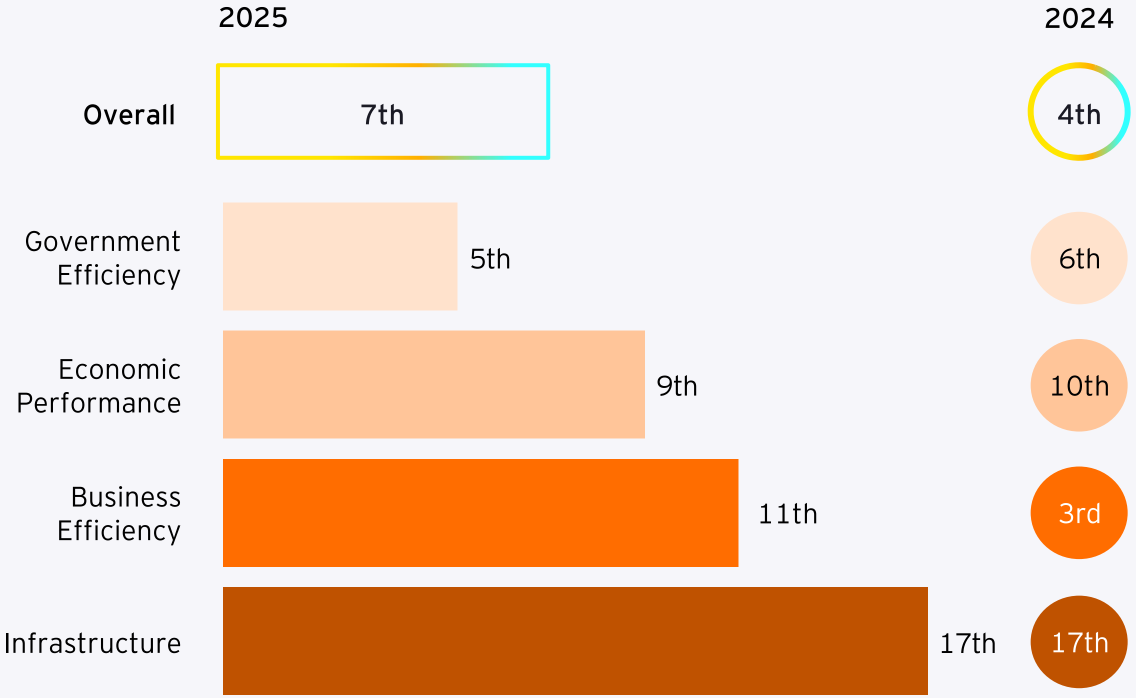
While ROI's performance under the "Government Efficiency" and "Economic Performance" pillars was slightly better, ground was lost in the "Business Efficiency" category. There was no change in the "Infrastructure" pillar which has long been the country's Achilles heel.

ROI Harmonised Competitiveness Indicator



(CPI deflated, index)
Source: ECB

ROI World Competitiveness Ranking



Source: International Institute for Management Development

Investor recommendations

Competitiveness also features in EY's annual Attractiveness Surveys, in which international investors identify areas for policymakers to focus on. When asked where ROI should concentrate its efforts to remain well positioned on the world stage, supporting strategic industries and digital innovation topped the list.

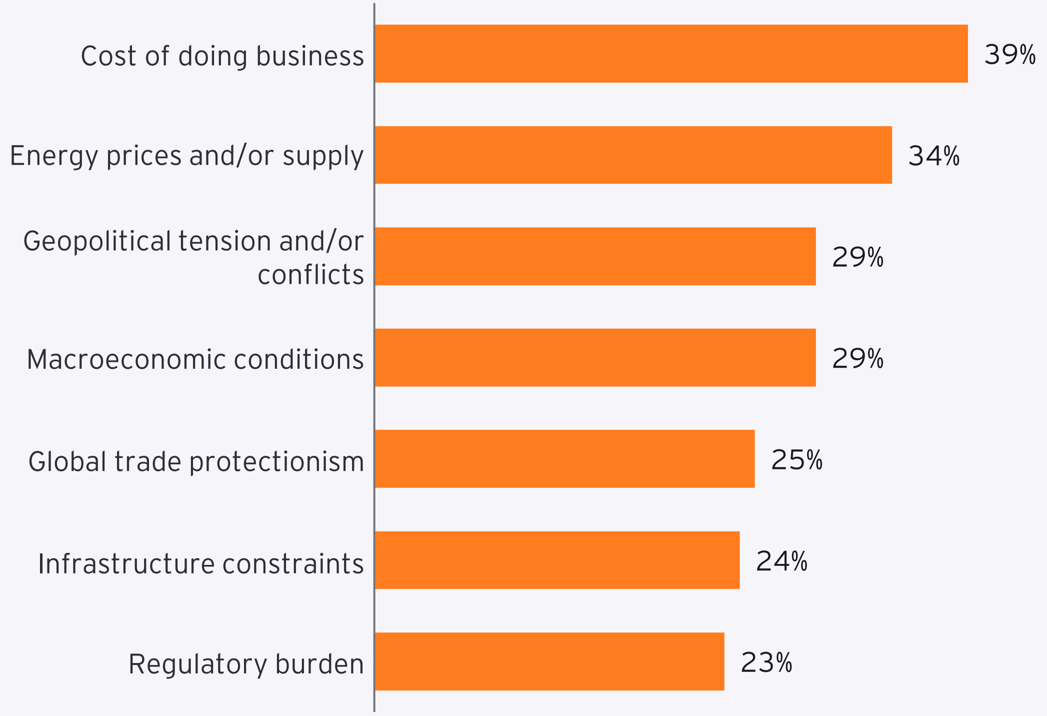
But the latest research also points to several risks to investment prospects for 2025 and beyond, including the rising cost of doing business and infrastructure constraints in energy, transport and housing.

Government strategy

The Irish government's new competitiveness and productivity plan proposes 85 actions under 6 themes, with 26 marked as priorities.

Key initiatives include creating a National AI Office, increasing targeted funding for AI and digital tools, boosting research in higher education, publishing a new Life Sciences Strategy, and developing large-scale Next Generation Sites as master-planned locations. It also includes regulatory reforms like the 'Red Tape Challenge'. These efforts will be supported by the €275.4bn updated National Development Plan 2026-2035.

What are the main risks affecting Ireland's future attractiveness? (Rank up to 3)



(150 survey respondents)
Source: EY Ireland Attractiveness Survey June 2025

ROI Action Plan on Competitiveness and Productivity

Productivity
Embracing research, innovation & skills

International
Boosting FDI and exports & influencing at EU level

SMEs
Creating and scaling more SMEs

Competition
Regulating for growth and controlling costs

Infrastructure
Increasing the state's capacity to deliver infrastructure

Sustainability
Growing sustainable Irish businesses & boosting regional development

Source: Department of Enterprise, Tourism and Employment

Infrastructure for Ireland

The blueprint is done, time to build

Ireland has big plans for infrastructure. The Government's commitment to housing, energy, water and transport is bold, ambitious and promising.

Funding is already in place, allowing the country to focus on delivering results. While past projects faced delays due to approvals and red tape, there is now a clear path forward. Streamlined processes and decisive action will be key to accelerating progress in housing, energy, and transport.

Housing is a top priority, and it's being addressed as part of a comprehensive national strategy. By integrating energy, water, and transport systems, Ireland is laying the foundation for sustainable communities. Additional workers will be needed and with many coming from overseas, there will be an imperative to build inclusive, well-connected places to live and work.

Energy infrastructure is another priority. Recent investor concerns sparked a renewed focus on reliability and capacity. Ireland is responding with major grid upgrades and expanded renewable energy, ensuring that energy becomes a strategic asset for business and society alike.

Leadership matters too. Ireland needs experienced project managers who know how to deliver big, complex builds. That means hiring top talent and paying market rates.

Procurement also needs a strong strategy versus edits to an existing, outdated process. Contracts that put all the risk on contractors lead to disputes and delays. Smarter, fairer partnerships, especially public-private ones, can open up both funding and expertise. The State has a management role to play here to keep everything aligned and on track.

Technology can help. Offsite construction, AI project management, and digital tools should cut costs and speed things up. The EBS's smart meter rollout is a great example where simple tech changes are enabling more accurate billing, better energy management, and access to smart tariffs.

Finally, Ireland needs a national conversation about growth. Taller buildings and denser cities are coming. Planning must balance local concerns with national needs.

The bottom line? Ireland has the money, the need, and the opportunity. Now it's time to move from ambition to action and start building.

Shane MacSweeney
EY Global Infrastructure Leader and
EY-Parthenon Ireland Head of Strategy and Transactions

Power moves

Ireland's next energy chapter

Ireland's energy needs are growing fast, and businesses are feeling the pressure. According to EY's Adapting to Change research, 85% of Irish companies expect their electricity use to rise in the next three years, driven by new equipment, electric vehicles, data centres, and AI. But 68% are worried about securing enough energy, and 62% say rising costs are already hurting profitability and competitiveness.

Energy is now a strategic asset. Companies need reliable, affordable power to grow, and they're willing to invest. 96% of Irish businesses say they'd pay more for quicker access to energy, especially through direct deals like Corporate Power Purchase Agreements.

This new dynamic is creating serious demands on Ireland's energy infrastructure. Businesses want more control, and many are turning to on-site generation, battery storage, and smart energy systems. Over 60% plan to expand these efforts in the next three years.

But the system needs to keep up. Grid capacity, planning delays, and slow connections are real challenges. Businesses say they want both energy growth and sustainability, not one or the other. That means speeding up delivery of major energy projects and making sure the grid can handle rising demand.

Technology is a big part of the solution. Companies expect energy providers to offer digital tools and AI-driven insights to help manage usage and cut costs. Two-thirds of businesses want smarter energy services. This has advanced way beyond paying the monthly bill.

There's also a complete change in expectations. Businesses increasingly see energy providers as partners. 80% expect help implementing energy initiatives, and 42% want providers to act as advocates for better energy solutions.

The message is clear: Ireland's energy future depends on action now. That means upgrading infrastructure, streamlining planning, supporting business-led energy solutions, and using technology to meet rising demand. Ireland's energy strategy will shape how confidently businesses invest, expand and compete in the years ahead. This is one we have to get right.

Sean Casey

Partner | EY Ireland

Ireland's R&D Tax Credit

A make-or-break moment

Ireland has a strong reputation for innovation, but global competition is heating up. Countries are using tax incentives to attract research and development, and Ireland's current approach is no longer quite so compelling.

The R&D Tax Credit (RDTC) was increased from 25% to 30% in Budget 2025, a welcome move. But others are going further. Germany now offers 35% for SMEs. Singapore allows up to 400% deductions. Many others are revamping their schemes reflecting the new norm of intensifying competition for attracting R&D investments. If Ireland wants to compete, we need to up our game, modernise our regime and ensure we stand out as a genuinely attractive place for investment.

Beyond attracting foreign investment, this is how we can support Irish businesses. Right now, Ireland spends less than the EU average on R&D, and is far behind leaders like Finland. Worse, we're swimming against the tide as our proportion of R&D spend has been falling while others are ramping up.

So, what should we do? Our 30% rate, while competitive, isn't world leading. But the rate alone isn't enough. The definition of R&D needs to reflect today's reality. Innovation now includes AI, quantum computing, and digital transformation. Our tax credit should cover all aspects of innovation as that's what drives growth.

Our outsourcing rules need to be modernised. The current restrictions on outsourcing to universities, research institutions, 3rd and related parties are out of step with how collaborative innovation works today. Removing these limits, particularly where Ireland retains intellectual property ownership, would encourage greater industry-academia collaboration and support more flexible, global R&D models.

Cashflow is another issue. SMEs must wait up to three years to get RDTC refunds. For early-stage companies, that's too long. A one-year refund timeline would provide access to capital and help businesses re-invest and grow faster.

Finally, the system itself needs to be simpler. Right now, businesses deal with multiple agencies and overlapping schemes. Aligning eligibility across supports would cut red tape and free up time for actual innovation.

Ireland has a chance to catch up and then lead again but only if we make essential changes. Raising the RDTC rate, modernising the rules, and making the system business-friendly will help Ireland stay competitive and build a stronger, more innovative economy.

Ian Collins

Partner | EY Ireland

Ireland and AI

How to turn potential into progress

The Government's plan to set up a National Artificial Intelligence Office is a strong move. AI is already changing how businesses work and how public services are delivered. It is helping reduce hospital waiting lists and improve decision-making. A central office that supports both public and private sectors will help Ireland move faster and more effectively.

The proposal to host an AI Factory Antenna in Ireland could help small and medium-sized businesses adopt AI more quickly. This would support growth in a part of the economy that is ready to move. The idea of an AI Observatory is also useful. It would give real-time data on how AI is being used, helping government and industry make better decisions. Trust must be built into every step of this journey.

AI is already shaping how companies compete. EY research on Generative AI Key Deals and Market Insights shows that $49.2 billion in venture capital went into AI in the first half of 2025 and Ireland is in a good position to benefit.

AI can also help solve problems in healthcare and housing, where staff shortages are a major issue. But there is a gap between ambition and action. EY's Tech Leader Outlook found that more than half of Irish tech leaders do not yet have a formal AI strategy. Many are still testing ideas without a clear plan. We need to move faster.

Ireland has strong talent, global companies, and startups doing impressive work in areas like clean energy and healthcare. Funding is still a challenge for mid-stage companies, but Ireland is known for creativity and collaboration. We also have a track record of delivering value, with many manufacturing and tech centres already in place.

There are four key actions we need to lock down to ensure progress:

1) Make AI strategy mainstream and short-term value focused – every business, not just big tech, needs a plan. No one can sit this out. Focus on realising returns in the next two years.
2) Govern well but no Big Brothers – EY research shows that businesses want guidance not red tape. Clear rules on data, transparency and fair use will build trust and encourage engagement.
3) Support scale ups – Ireland needs better access to mid-range funding to make sure our promising AI companies don't fade out before they hit global scale.
4) Build skills and capabilities at scale – treat talent development as a strategic imperative. A joined-up approach across government, academia, and industry (both FDI and indigenous) is essential to ensure Ireland has the depth and breadth of expertise needed to lead in AI.

The potential upside is huge. EY's work with global clients shows that companies embedding AI at their core are seeing productivity gains, smarter decision making and faster innovation cycles.

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Ireland's EU Presidency

Helping Europe is in the collective interest …

On July 1, 2026, Ireland will assume the rotating presidency of the Council of the European Union. Our government will be charged with advancing Europe's agenda, brokering compromises among 27 nations and keeping legislation moving through the system. Among the various priorities is reigniting the bloc's economy, which has become even more pressing in this era of global turbulence.

"Whatever it takes" 2.0

As Mario Draghi, the former Italian Prime Minister and European Central Bank governor, made clear over a year ago, big-time reform is needed. Presenting his strategy to boost productivity and rescue the EU project from the "existential challenge" of low growth, he didn't mince his words; "Do this, or it's slow agony".

The European Commission's response - the "Competitiveness Compass" - leverages many of Draghi's "fixes".

Brussels wants to simplify the regulatory environment, remove barriers within the Single Market, and improve access to equity and venture capital; so-called "enablers" for companies to start and scale up in Europe and for the continent to unlock its innovative potential.

One instrument the Commission is pushing is the 28th Legal Regime. If agreed, this would establish an optional framework with uniform rules that can be chosen as an alternative to navigating individual national regimes, making it easier for firms to operate across the EU.

The Compass also leans into interventionist industrial policy, promoting clean tech, decarbonising energy-intensive industries and supporting sectors essential to economic security.

Naturally, these ambitions come with a cost. Private financing must be mobilised; progressing the new Savings and Investment Union to better channel households' savings into productive investment will be a key part of this. Public money is required too.

We've already seen a relaxation of Europe's fiscal rules to allow governments to increase defence spending, alongside a new state aid framework for green investments. The latter is not tension-free, however. Subsidies make for an uneven playing field; hence smaller countries tend to be more wary.

And ensuring Member States focus financial supports on activities with EU-wide benefits will require effective policy coordination, which is easier said than done.

Then there is the EU budget. The Commission wants a bigger common pot for the period 2028-2034, with spending re-orientated towards the bloc's emerging priorities. But traditionally frugal countries are not keen on a size uplift.

Allocations for research and a European Competitiveness Fund to support investment in strategic technologies such as AI are unlikely to be very contentious.

Dr. Loretta O'Sullivan

Chief Economist and
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The EY Perspective

Ireland's EU Presidency

... and in the national interest

But certain lobbies, including farmers, are concerned about proposals to roll agricultural and cohesion policy funding into national and regional partnership plans; and business groups are resisting a suggestion to raise revenue for Brussels through lump-sum taxes on companies with large turnover.

The art of compromise

Negotiating the next seven-year budget will be central to Ireland's work when it takes the reins in Europe in summer 2026. The EU presidency is a prestigious, if somewhat delicate, job. The ability to advance Irish-focussed agendas will be more limited than normal. At the same time, there will be huge opportunity to shape and drive forward European initiatives against a complex geopolitical backdrop, and a markedly different transatlantic trade Relationship. These only reinforce the importance of swift reforms to boost Europe's growth potential and resilience.

Our government has been clear that it wants to make a substantial contribution to the EU's competitiveness programme during its Presidency, and rightly so. Helping Europe to help itself is in the national interest and in the collective interest.

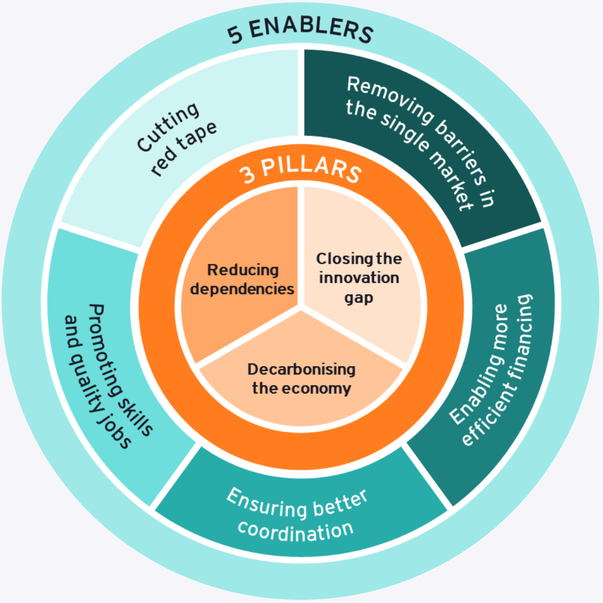
A better functioning, prosperous continent is a reason for US corporates to stay and invest; it offers indigenous companies a market for expansion and diversification.

With Minister Burke chairing Europe's business ministers for a six-month stint, Minister Donohoe overseeing the Eurogroup's work on Banking Union and the Capital Markets Union, and Commissioner McGrath leading on the 28th Regime, Ireland is well placed to move things along.

Forging consensus is no mean feat of course. Policy deliberations will have to take a myriad of voices and views into account, and difficult trade-offs are to be expected, at EU and Member State level.

In its EU presidency role, Ireland will be entrusted with leading joint efforts to tackle the challenges of the present and secure the economy for the future of all European citizens. A worthy task for sure.

EU Competitiveness Compass



Source: European Commission

Dr. Loretta O'Sullivan

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This piece was originally published in The Business Post in September 2025

FORECASTS

Republic of Ireland

	2024	2025f	2026f
Consumption	2.9%	2.9%	2.5%
Government Spending	5.3%	3.5%	2.4%
Investment	-28.5%	20.5%	1.7%
Modified Investment	-4.2%	3.8%	3.3%
Exports	8.6%	7.5%	4.0%
Imports	2.7%	5.5%	3.5%
GDP	2.6%	9.0%	3.3%
Modified Domestic Demand	1.8%	3.2%	2.6%
Jobs	2.7%	2.2%	1.8%

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

Modified investment excludes Intellectual Property Products and aircraft leasing

Source: EY Economic Eye, CSO

Northern Ireland

	2024e	2025f	2026f
GVA	1.3%	1.3%	1.2%
Jobs	1.4%	1.0%	0.6%

(Annual change, GVA in constant prices)

Source: EY Economic Eye

Contact us

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