

Quarterly Bulletin 4 2023 – Irish Economic Outlook

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What is the outlook for the Irish economy?

As we approach the end of the year, the economy has shifted onto a slower growth path following a strong post-pandemic recovery.

The near-term outlook reflects a normalisation of investment by Irish-based multinationals, coupled with weaker global demand for pharma and semiconductor exports.

There is also signs that the domestic economy has slowed, reflecting higher interest rates and capacity constraints.

However, we still expect domestic economic growth to average two per cent a year over the forecast horizon.

When do you expect inflation to reach the 2 per cent target?

Inflation in Ireland has fallen in 2023.

Falling energy prices contributed most to the drop, with recent data showing that price pressures for other goods are also easing with improving supply chains.

We expect this reduction to continue as the rise in interest rates also plays its part in bringing headline inflation back to two per cent by 2025.

However, our inflation outlook assumes energy prices continue under downward trend and excessive domestic inflation pressures are avoided.

How is the labour market performing?

Labour market conditions in the Irish economy are forecast to remain tight as they have been since 2021.

We expect a gradual rebalancing and the unemployment rate to remain below five per cent until 2026, close to its historical low.

Combined with falling inflation, this will see real incomes increase over the forecast period.

Find out more: [centralbank.ie/QB](https://www.centralbank.ie/QB)