



# IRISH ECONOMY HEALTH CHECK

## FOG LIFTING

- US policy risks lowered since beginning of 2025
- Robust domestic performance - forecasts upgraded
- Infrastructure delivery is the number one priority

  
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# Irish Economy

Health Check

## Fog lifting

### US policy risks lowered since the beginning of 2025

Following a period of exceptional policy uncertainty in the first half of 2025, the fog appears to be lifting on the major policy issues that threatened Ireland's economic model, namely the imposition of tariffs and potential changes to corporate tax policy in the United States. Risks prevail in relation to pharmaceuticals, but a 15% tariff cap and some recent deals provide some clarity and guidance. More protectionist economic policies are a challenge for the Irish economy, but the risks around corporation tax receipts have reduced given the modest tax policy changes that the US Congress has voted through.

### Robust domestic performance – forecasts upgraded

Domestic spending has held up impressively well in the context of the uncertain climate. We are upping our forecast for Modified Domestic Demand to 3.6% for 2025 (from 3.0%), with growth of 3.2% and 2.9% forecast for 2026 and 2027, respectively. Ongoing strength in the labour market, aided by buoyant population growth, is playing an important role in consumer spending, while government is playing an outsized role given the limited spare capacity in the Irish economy.

### Infrastructure delivery is the number one priority

With short-term risks reducing, Ireland must address medium-term threats to the competitiveness of the Irish economy by focusing its efforts on the efficient delivery of housing, energy and transport infrastructure. Financial resources are not a constraint. The focus is on removing any potential blockages to success.

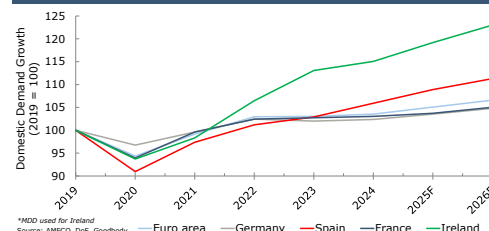
| Economic Indicators                                |        |       |       |       |
|----------------------------------------------------|--------|-------|-------|-------|
|                                                    | 2024   | 2025f | 2026f | 2027f |
| <strong>Growth Components</strong>                 |        |       |       |       |
| Consumption                                        | 2.9%   | 3.1%  | 2.8%  | 2.8%  |
| Government                                         | 5.3%   | 4.6%  | 4.0%  | 3.5%  |
| Investment                                         | -28.5% | 36.8% | 2.7%  | 2.2%  |
| - Modified Investment                              | -4.2%  | 3.9%  | 3.5%  | 2.5%  |
| Domestic Demand (DD)                               | -8.8%  | 13.6% | 3.0%  | 2.7%  |
| - Modified DD                                      | 1.8%   | 3.6%  | 3.2%  | 2.9%  |
| Exports                                            | 8.6%   | 6.1%  | -0.2% | 3.4%  |
| Imports                                            | 2.7%   | 6.3%  | 4.2%  | 4.7%  |
| GDP                                                | 2.6%   | 8.2%  | -2.7% | 1.5%  |
| GNP                                                | 3.3%   | -1.9% | -5.8% | 0.1%  |
| <strong>Prices</strong>                            |        |       |       |       |
| Consumer Price Inflation                           | 2.1%   | 2.2%  | 2.3%  | 2.3%  |
| House Price Inflation (end-year)                   | 8.9%   | 4.3%  | 4.3%  | 3.7%  |
| Wage Inflation (GBS)                               | 5.5%   | 5.1%  | 4.7%  | 4.2%  |
| <strong>Fiscal</strong>                            |        |       |       |       |
| GGB / GDP                                          | 4.1%   | 1.3%  | 1.0%  | 0.9%  |
| Debt/GDP                                           | 39%    | 34%   | 36%   | 36%   |
| <strong>Consumer Profile</strong>                  |        |       |       |       |
| Employment Growth (end year)                       | 2.7%   | 1.9%  | 2.2%  | 1.7%  |
| Unemployment Rate (end-year)                       | 4.3%   | 5.0%  | 4.9%  | 4.7%  |
| <strong>Exchange Rates (Avg for the year)</strong> |        |       |       |       |
| €/\$                                               | 1.08   | 1.13  | 1.20  | 1.20  |
| €/£                                                | 0.85   | 0.86  | 0.87  | 0.88  |

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### Domestic demand growth to continue outpacing EU peers

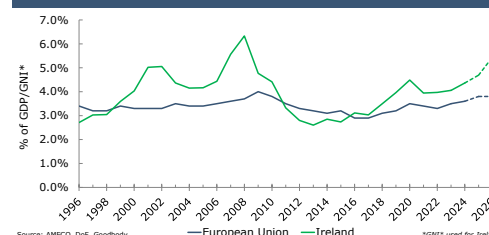


### Irish growth forecasts

|                                   | 2024                  | 2025F                  | 2026F                  | 2027F                 |
|-----------------------------------|-----------------------|------------------------|------------------------|-----------------------|
| Consumption                       | 2.9%                  | 3.1%                   | 2.8%                   | 2.8%                  |
| Investment                        | -28.5%                | 36.8%                  | 2.7%                   | 2.2%                  |
| Modified Investment               | -4.2%                 | 3.9%                   | 3.5%                   | 2.5%                  |
| Government                        | 5.3%                  | 4.6%                   | 4.0%                   | 3.5%                  |
| Domestic Demand                   | -8.8%                 | 13.6%                  | 3.0%                   | 2.7%                  |
| <strong>Mod. Dom. demand</strong> | <strong>1.8%</strong> | <strong>3.6%</strong>  | <strong>3.2%</strong>  | <strong>2.9%</strong> |
| Exports                           | 8.6%                  | 6.1%                   | -0.2%                  | 3.4%                  |
| Imports                           | 2.7%                  | 6.3%                   | 4.2%                   | 4.7%                  |
| <strong>GDP</strong>              | <strong>2.6%</strong> | <strong>8.2%</strong>  | <strong>-2.7%</strong> | <strong>1.5%</strong> |
| <strong>GNP</strong>              | <strong>3.3%</strong> | <strong>-1.9%</strong> | <strong>-5.8%</strong> | <strong>0.1%</strong> |

Source: Goodbody, CSO

### Government Investment as % of GDP\*



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# Economy - Ireland

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## DOMESTIC MACRO DATA

|                          | 2023a | 2024a  | 2025f | 2026f | 2027f |
|--------------------------|-------|--------|-------|-------|-------|
| <b>Growth Components</b> |       |        |       |       |       |
| Consumption              | 5.0%  | 2.9%   | 3.1%  | 2.8%  | 2.8%  |
| Government               | 5.0%  | 5.3%   | 4.6%  | 4.0%  | 3.5%  |
| Investment               | 13.4% | -28.5% | 36.8% | 2.7%  | 2.2%  |
| - Modified Investment    | 10.5% | -4.2%  | 3.9%  | 3.5%  | 2.5%  |
| Domestic Demand (DD)     | 8.1%  | -8.8%  | 13.6% | 3.0%  | 2.7%  |
| - Modified DD            | 6.2%  | 1.8%   | 3.6%  | 3.2%  | 2.9%  |
| Exports                  | -3.9% | 8.6%   | 6.1%  | -0.2% | 3.4%  |
| Imports                  | 2.2%  | 2.7%   | 6.3%  | 4.2%  | 4.7%  |
| GDP                      | -2.5% | 2.6%   | 8.2%  | -2.7% | 1.5%  |
| GNP                      | 6.7%  | 3.3%   | -1.9% | -5.8% | 0.1%  |

### Housing Statistics

|                                   |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|
| Completions                       | 32,502  | 30,206  | 33,836  | 37,264  | 39,109  |
| Average House Price (€k)          | 358,913 | 390,780 | 407,526 | 425,027 | 440,583 |
| House Price Inflation (end-year)  | 4.1%    | 8.9%    | 4.3%    | 4.3%    | 3.7%    |
| Mortgage Credit Growth (end-year) | 1.8%    | 3.1%    | 4.8%    | 5.2%    | 5.4%    |

### Prices

|                          |      |      |      |      |      |
|--------------------------|------|------|------|------|------|
| Consumer Price Inflation | 6.3% | 2.1% | 2.2% | 2.3% | 2.3% |
| Wage Inflation (GBS)     | 4.0% | 5.5% | 5.1% | 4.7% | 4.2% |

### Fiscal

|                            |       |        |       |       |        |
|----------------------------|-------|--------|-------|-------|--------|
| Exchequer Balance          | 2,851 | 13,846 | -958  | -817  | -1,957 |
| Exchequer Balance / GNP    | 0.7%  | 3.3%   | -0.2% | -0.2% | -0.5%  |
| General Government Balance | 7,900 | 23,180 | 8,397 | 6,148 | 5,266  |
| GGB/GDP                    | 1.5%  | 4.1%   | 1.3%  | 1.0%  | 0.9%   |
| GGB/GDP - ex banking costs | 1.5%  | 4.1%   | 1.3%  | 1.0%  | 0.9%   |
| Debt/GDP                   | 42%   | 39%    | 34%   | 36%   | 36%    |

### Consumer Profile

|                                   |      |      |      |      |      |
|-----------------------------------|------|------|------|------|------|
| Employment Growth (end year)      | 3.5% | 2.7% | 1.9% | 2.2% | 1.7% |
| Employment Growth (Full-year ave) | 3.4% | 2.7% | 2.2% | 1.9% | 1.9% |
| Unemployment Rate (end-year)      | 4.5% | 4.3% | 5.0% | 4.9% | 4.7% |
| Debt/Disp. Income                 | 93%  | 90%  | 88%  | 89%  | 89%  |

### Interest Rates (At year end)

|     |       |       |       |       |       |
|-----|-------|-------|-------|-------|-------|
| ECB | 4.50% | 3.15% | 2.15% | 2.15% | 2.15% |
| BoE | 5.25% | 4.75% | 4.00% | 3.25% | 3.25% |
| Fed | 5.50% | 4.50% | 4.00% | 3.25% | 3.00% |

### Trade

|                      |        |         |        |        |         |
|----------------------|--------|---------|--------|--------|---------|
| Current Account (€m) | 50,848 | 146,073 | 53,816 | -8,754 | -38,189 |
| CA as a % of GDP     | 9.7%   | 26.0%   | 8.6%   | -1.5%  | -6.4%   |

### Exchange Rates (Average for the year)

|     |      |      |      |      |      |
|-----|------|------|------|------|------|
| €/£ | 1.08 | 1.08 | 1.13 | 1.20 | 1.20 |
| €/£ | 0.87 | 0.85 | 0.86 | 0.87 | 0.88 |

## SOVEREIGN ANALYSIS

|                 | 2022a | 2023a | 2024a | 2025f | 2026f |
|-----------------|-------|-------|-------|-------|-------|
| <b>Debt/GDP</b> |       |       |       |       |       |
| Austria         | 78%   | 79%   | 82%   | 84%   | 86%   |
| Belgium         | 104%  | 103%  | 105%  | 107%  | 110%  |
| Cyprus          | 86%   | 74%   | 65%   | 58%   | 52%   |
| Finland         | 74%   | 78%   | 82%   | 86%   | 88%   |
| France          | 112%  | 110%  | 113%  | 116%  | 118%  |
| Germany         | 66%   | 63%   | 63%   | 64%   | 65%   |
| Greece          | 173%  | 164%  | 154%  | 147%  | 141%  |
| Ireland         | 43%   | 42%   | 39%   | 34%   | 36%   |
| Italy           | 141%  | 135%  | 135%  | 137%  | 138%  |
| Luxembourg      | 25%   | 25%   | 26%   | 26%   | 26%   |
| Malta           | 52%   | 48%   | 47%   | 48%   | 47%   |
| Netherlands     | 50%   | 45%   | 43%   | 45%   | 48%   |
| Portugal        | 112%  | 98%   | 95%   | 92%   | 90%   |
| Slovakia        | 58%   | 56%   | 59%   | 61%   | 63%   |
| Slovenia        | 73%   | 68%   | 67%   | 66%   | 64%   |
| Spain           | 112%  | 105%  | 102%  | 101%  | 101%  |
| Eurozone avg.   | 93%   | 89%   | 89%   | 90%   | 91%   |

### GGB/GDP

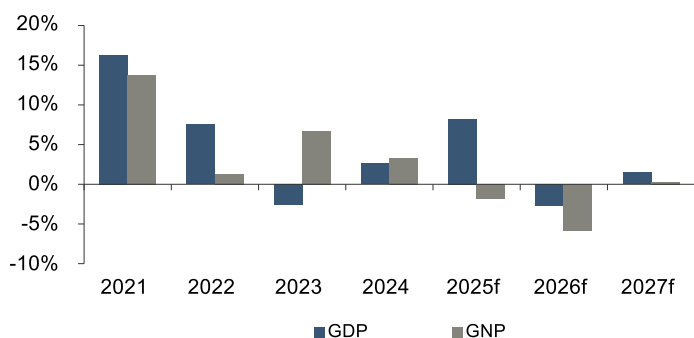
|               |       |       |       |       |       |
|---------------|-------|-------|-------|-------|-------|
| Austria       | -3.3% | -2.6% | -4.7% | -4.4% | -4.2% |
| Belgium       | -3.6% | -4.1% | -4.5% | -5.4% | -5.5% |
| Cyprus        | 2.6%  | 1.7%  | 4.3%  | 3.5%  | 3.4%  |
| Finland       | -0.2% | -3.0% | -4.4% | -3.7% | -3.4% |
| France        | -4.7% | -5.4% | -5.8% | -5.6% | -5.7% |
| Germany       | -2.1% | -2.5% | -2.8% | -2.7% | -2.9% |
| Greece        | -2.5% | -1.4% | 1.3%  | 0.7%  | 1.4%  |
| Ireland       | 1.7%  | 1.5%  | 4.1%  | 1.3%  | 1.0%  |
| Italy         | -8.1% | -7.2% | -3.4% | -3.3% | -2.9% |
| Luxembourg    | 0.2%  | -0.8% | 1.0%  | -0.4% | -0.5% |
| Malta         | -5.2% | -4.7% | -3.7% | -3.2% | -2.8% |
| Netherlands   | -     | -0.4% | -0.9% | -2.1% | -2.7% |
| Portugal      | -0.3% | 1.2%  | 0.7%  | 0.1%  | -0.6% |
| Slovakia      | -1.7% | -5.2% | -5.3% | -4.9% | -5.1% |
| Slovenia      | -3.0% | -2.6% | -0.9% | -1.3% | -1.5% |
| Spain         | -4.6% | -3.5% | -3.2% | -2.8% | -2.5% |
| Eurozone avg. | -3.5% | -3.5% | -3.1% | -3.2% | -3.3% |

### 10Y Spread to Germany

|             | 2021a | 2022a | 2023a | 2024a | Current |
|-------------|-------|-------|-------|-------|---------|
| Austria     | 0.25  | 0.63  | 0.58  | 0.41  | 0.29    |
| Finland     | 0.26  | 0.56  | 0.56  | 0.46  | 0.37    |
| France      | 0.38  | 0.54  | 0.53  | 0.83  | 0.78    |
| Netherlands | 0.15  | 0.32  | 0.31  | 0.23  | 0.16    |
| Belgium     | 0.36  | 0.64  | 0.57  | 0.61  | 0.54    |
| Spain       | 0.75  | 1.08  | 0.95  | 0.69  | 0.53    |
| Italy       | 1.35  | 2.10  | 1.74  | 1.16  | 0.77    |
| Portugal    | 0.64  | 1.04  | 0.61  | 0.49  | 0.37    |
| Greece      | 1.50  | 2.05  | 1.10  | 0.85  | 0.63    |
| Ireland     | 0.43  | 0.53  | 0.34  | 0.28  | 0.23    |

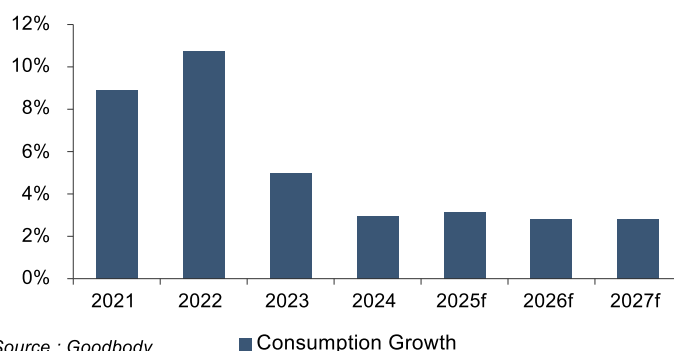
Source: FactSet & European Commission

## Irish economic growth



Source : Goodbody

## Consumption Growth



Source : Goodbody

## Irish Economy Health Check – Fog Lifting

### Fog lifting on policy risks

- 2025 has been characterised by an extraordinary level of uncertainty in the international policy sphere. Ireland's economic model, anchored in openness, trade and multinational investment, is particularly exposed to potential US policy change. Tariffs, corporate tax reform and onshoring incentives dominated the agenda, creating a wide range of possible outcomes. For much of the first half, clarity was scarce. Uncertainty remains, but clarity is emerging. While protectionist measures remain, the worst tariff fears have not materialised. A 15% tariff on EU goods entering the US is a significant barrier, but it is far less severe than the punitive rates once threatened. Similarly, corporate tax proposals that could have undermined Ireland's competitiveness have largely been shelved. Risks persist, particularly around pharmaceuticals, but the range of outcomes is narrower and less damaging than anticipated.

### Domestic economy holding firm

- Despite the external noise, Ireland's domestic economy has performed strongly. Consumer spending has remained resilient, supported by a robust labour market and ongoing population growth. Business investment has rebounded after previous weakness, and there has been a modest pick-up in lending growth. Government spending has been higher than expected, further propelling an economy that has little spare capacity. We have upgraded our forecast for modified domestic demand growth to 3.6% for 2025 (from 3.0% previously), with growth of 3.2% expected in 2026. Ireland is once again among the fastest-growing economies in Europe.

### Softer FDI trends evident, but US tax policy changes do not threaten Ireland's economic model

- Foreign Direct Investment remains central to Ireland's economic model, but recent trends warrant attention. Job announcements by IDA-supported firms have slowed, reflecting global uncertainty and US incentives for domestic investment. There may also be an unwillingness to publicly tout international expansion by US firms and instead focus on investment announcements in the US. Public announcements may not be as good a guide as they have been previously. Indeed, official IDA data show that the number of investments in Ireland grew in H1.
- US corporate tax reform was our main concern for Ireland at the start of the year. A lower corporate tax rate (as was promised) along with changes to the tax treatment of Intellectual Property (IP) provided risks to the large corporate tax take from US firms in the pharmaceutical and ICT sectors in particular. Encouragingly, Ireland has avoided the most damaging US tax reforms. Changes under the "*One Big Beautiful Bill Act*" have been relatively benign, preserving incentives for IP-related activity in Ireland.

### Risks to pharma sector remain, but have lessened

- The pharmaceutical/medical devices sector is particularly important for Ireland, accounting for 65% of total goods exports and 90% of exports to the US. This share grew further in the first half of 2025. The recent surge in shipments to the US reflects not only tariff-related dynamics but also strong demand for innovative treatments, notably GLP-1 drugs.
- This success brings both opportunity and vulnerability. Ireland hosts a dense network of FDA-approved facilities and attracts significant investment from global leaders. It is of particular importance for regional parts of the country, where our analysis shows amongst the highest concentration of FDA-approved facilities in Europe.

- An investigation (Section 232) into the pharmaceutical sector is ongoing, but the Trump administration has recently announced some deals with large pharmaceutical companies that may provide a template for the direction of travel. In the case of Pfizer (which employs 4K people in Ireland and is one of the largest corporate taxpayers), the company has been given a 3-year reprieve on tariffs provided that it further in its US manufacturing base and reduces prices in the US. At the margin, we may see incremental investments for the US market occur in the US, but Ireland will remain a key base for its European operations.

### Corporation tax bounty facilitating ongoing budget surpluses

- Corporation tax receipts continue to surge, underpinning budget surpluses and enabling ambitious spending plans. However, this success masks a structural vulnerability of extreme concentration. A small number of multinationals account for a disproportionate share of receipts, leaving public finances exposed to firm-specific shocks. In the short-term, this concentration will continue to benefit Ireland, as large firms move to a 15% corporation tax rate and profitability trends in pharma and ICT remain favourable.
- Ireland's fiscal position is strong by European standards, evidenced by ongoing headline budget surpluses (1.7% of GNI\* in 2026) and falling debt ratios (net debt of 40% of GNI\* in 2026). Yet underlying deficits persist once excess corporation tax receipts are excluded, and spending growth continues to outpace sustainable levels. Discipline on current spending is essential to avoid damaging inflationary pressures.

### Persistent housing supply constraints

- Housing remains the most pressing domestic challenge. After a policy-drive surge in commencements in 2024, housing starts have fallen sharply this year. Apartments, critical for meeting urban density requirements, face viability hurdles that require targeted interventions. Government measures ranging from rent control reform to VAT reductions aim to bridge the gap, but private investment must play a larger role. Without it, the goal of delivering 50,000–60,000 units annually will remain elusive. Given the excess capital and liquidity positions, the Irish banks have the capacity to increase development finance portfolios which would support the construction of more housing units and reduce the burden on the Government.
- Housing demand remains strong due to a combination of the existing deficit (>250K homes), population growth and increased employment and earnings. This is reflected in the ongoing growth in mortgage approvals, drawdowns and applications for various government schemes such as Help-to-Buy and the First Home Scheme. The government continues to support these schemes as well as being an important source of demand for new homes through AHBs, Local Authorities and the LDA. Policy efforts to increase the scale of zoned and serviced land, as well as speed up the planning process, are crucial next steps to achieving higher housing supply.

### Infrastructure delivery – A strategic imperative

- With short-term international policy risks easing, attention must turn to structural challenges for the Irish economy. Chief among these is infrastructure. Housing, energy, and transport systems remain under pressure, threatening competitiveness. Financial resources are not the constraint – capital spending is set to reach €19.1bn in 2026, an increase of 12% on 2025. The challenge lies in execution – removing planning bottlenecks, coordinating utilities, and accelerating delivery.
- The government's ambition is clear. The National Development Plan outlines €275bn in public investment over the next decade. If delivered, this will represent the highest sustained level of capital spending in Ireland's history. The focus now must be on implementation, with actions to be targeted by the recently formed "Accelerating Infrastructure Group" crucial in this regard.

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## Irish Economy Update – Solid growth in domestic spending

2025 has been marked by an extraordinary level of policy uncertainty. Given its reliance on international trade, US investment and the pharmaceutical sector, the Irish economy has an outsized stake in the outcome of these potential policy shifts. From tariffs to corporate tax, the Trump administration has raised the spectre of wholesale change that could have big implications for the outlook for the Irish economy over the coming years. However, for much of the year, there has been more “heat than light”, with clarity being a scarce resource. The details that have emerged have largely spared Ireland of the worst potential impacts. The US and the EU have come to an agreement on a tariff policy and while a 15% tariff on imports to the US from the EU represents a hefty barrier to trade, it is less than the more punitive rates that were threatened, while clarity allows businesses to plan how they can deal with its imposition. Changes to corporate taxation policies have also been less damaging than feared at the beginning of the year from an Irish perspective. We update our views on these issues in this note.

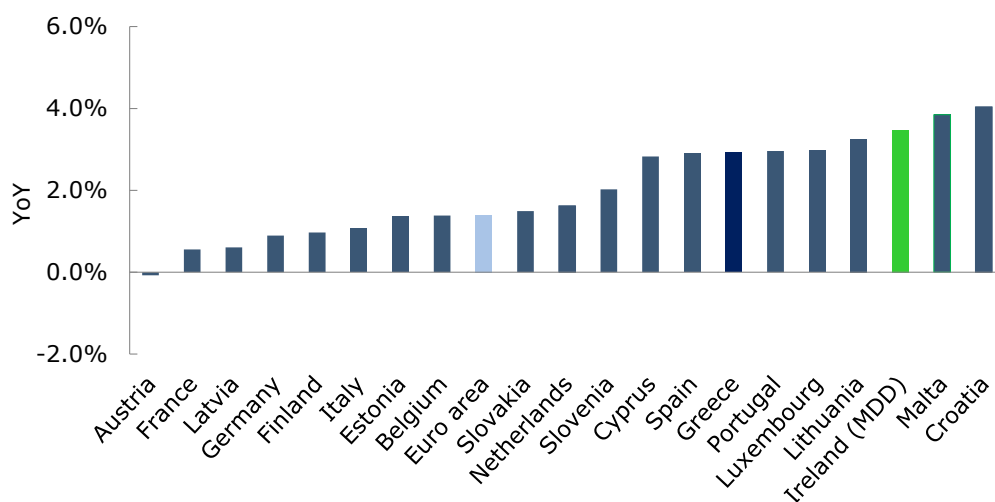
### Economic growth forecasts increased despite policy noise

The Irish economy has held up remarkably well despite this policy noise. Exports have boomed due to a surge in activity by multinationals, possibly related to pre-emptive actions of firms attempting to limit exposure to tariffs, but with other product-specific issues at play too. Underlying growth, as measured by Modified Domestic Demand (MDD), has held up strongly due to ongoing growth in consumer and government spending, and a rebound in business investment. As a result, we are upgrading our growth estimate for 2025 to 3.6%, representing an acceleration on the 1.8% growth achieved in 2024. Ireland is, once again, one of the fastest growing economies in Europe. We discuss these growth dynamics in this report but firstly provide an update on how international risks to the Irish economy have developed since the start of the year.

| Irish growth forecasts          |             |             |             |             |             |             |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                 | 2022        | 2023        | 2024        | 2025F       | 2026F       | 2027F       |
| Consumption                     | 10.8%       | 5.0%        | 2.9%        | 3.1%        | 2.8%        | 2.8%        |
| Investment                      | 2.8%        | 13.4%       | -28.5%      | 36.8%       | 2.7%        | 2.3%        |
| Modified investment             | 7.4%        | 10.5%       | -4.2%       | 3.9%        | 3.5%        | 2.5%        |
| Government                      | 2.5%        | 5.0%        | 5.3%        | 4.6%        | 4.0%        | 3.5%        |
| Domestic Demand                 | 6.3%        | 8.1%        | -8.8%       | 13.6%       | 3.0%        | 2.7%        |
| <b>Modified domestic demand</b> | <b>8.3%</b> | <b>6.2%</b> | <b>1.8%</b> | <b>3.6%</b> | <b>3.2%</b> | <b>2.9%</b> |
| Exports                         | 12.0%       | -3.9%       | 8.6%        | 6.1%        | -0.2%       | 3.4%        |
| Imports                         | 15.0%       | 2.2%        | 2.7%        | 6.3%        | 4.2%        | 4.7%        |
| GDP                             | 7.5%        | -2.5%       | 2.6%        | 8.2%        | -2.7%       | 1.5%        |
| GNP                             | 1.3%        | 6.7%        | 3.3%        | -1.9%       | -5.8%       | 0.1%        |

Source: Goodbody, CSO

### Ireland remains amongst the fastest growing in the euro area – 2025 Domestic demand



\*Modified Domestic Demand for Ireland

Source: AMECO, CSO, Goodbody

## Dodging bullets – Impact of US policy changes on Ireland – An Update

At the beginning of the year, we laid out our views (*Dodging bullets – Impact of Trump 2.0 on the Irish Economy*) on the potential impact of significant policy change in the United States on the Irish economy. The range of potential outcomes was large at that stage. Although uncertainty remains, there is now a smaller range of outcomes, and those outcomes will have a less negative impact on the Irish economy that would have been feared at the beginning of the year. We summarise the key policy changes that were mooted at the start of the second Trump term below and in the graphic on the next page, along with a brief update on where these policy developments now lie.

- (i) **More protectionist policies such as tariffs** – This has been exceptionally volatile and the outcome has arguably been worse than expected at the start of the year (but better than the start of April). A political agreement between the EU and the US has reduced uncertainty, albeit it is a tariff agreement that will negatively impact trade between the two trading partners given the 15% tariff rate. Uncertainty remains about the prospects for the pharmaceutical sector given the ongoing Section 232 investigation.
- (ii) **Changes to corporation tax rates** – The Trump administration was unsuccessful in getting this proposal through Congress and is now off the table.
- (iii) **Onshoring of activity** – Tariffs are the main legislative tool being used to encourage US firms to locate operations in the US. Although there have been high-profile announcements on investment it is not clear the extent to which these investments would have taken place in any case or in other geographical locations such as Ireland.
- (iv) **Onshoring of IP** – While we suspected that onshoring of physical activity (manufacturing plants etc) would be something that would only happen over the medium-term, legislative changes to encourage onshoring of IP (with knock-on impacts on corporate tax revenues) would have a bigger impact. Our reading of the tax changes contained in the One Big Beautiful Bill Act (OBBBA) is that the changes in relation to tax laws relating to Intellectual Property (IP) is quite benign from an Irish perspective. We explain this later in this report.
- (v) **Pressures on firms to support US investment drive** – Our analysis shows that the number of jobs announcements in Ireland by IDA-supported companies is down notably this year.
- (vi) **Stronger growth in certain industries due to pro-growth policies** – Developments in corporate profits may be a lagging indicator but receipts from the largest groups in tech and pharma have remained positive, while profitability forecasts for the coming years remain robust.

# Trump 2.0 – Evolution of the key risks & their impact on Ireland

## Risk

- Broad-based trade tariffs on Irish exports to US
- Tariffs on specified Irish exports to the US
- Reduction in US Corporate Tax rate to 15%
- Tax measures: incentivise activity to reshore to the US
- Tax measures: incentivise IP reshoring to the US
- Political pressure on firms to invest domestically in the US
- 'Friend-shoring' increases Ireland's attractiveness for FDI
- Fiscal easing & deregulation promote global growth
- Faster growth in certain industries, such as tech & AI
- Immigration restrictions in US make other jurisdictions more attractive

## Irish Impact

- Negative for global trade flows & the very open Irish economy
- Targeted measures may impact certain industries (e.g. butter/whiskey)
- Reduces Irish competitiveness vis-à-vis its tax rate
- Key FDI industries (e.g. pharma) may be affected given scale of exports to US
- Damaging impact on profits generated in Ireland and on corporate taxes paid
- Negatively impact on the flow of new FDI into the country
- Ireland is a long-term ally of the US, so could lead to increased investment
- As an open economy with big exposure to the US, investment & exports benefit
- Higher activity & profits in firms with large operations in Ireland
- Benefit to Irish operations of US companies given Irish migration regime

## Comment

- 15% tariff agreed with EU
- 15% tariff ceiling assurance but uncertainty remains
- OBBBA looks to have ruled out reduction in corporate tax rate
- OBBBA tax measures likely to incentivise offshore licensing of IP activity
- Increase in income deduction narrows effective tax rates between US & Ireland
- FDI in Ireland has slowed amidst uncertainty & political persuasion
- US focus to date has been on shifting activity back to the US
- Forecasts down but growth continues
- Structural growth story that Ireland should be well-positioned for
- Immigration restrictions already being felt in US labour market

## Developments in the Irish/US economic relationship

### Ireland's trade with the US

The US was Ireland's biggest single-country destination for goods exports in 2024, accounting for roughly 1/3<sup>rd</sup> of total merchandise trade. This exposure has grown substantially further in H1 (to over 50%) due to a surge in pharmaceutical exports to the US. 90% of goods exports are in "Chemicals and related products", mainly pharmaceuticals and medical devices, highlighting the importance of US policy developments in this area.

| Summary of recent trade flows between Ireland & the US |                      |                      |
|--------------------------------------------------------|----------------------|----------------------|
|                                                        | Exports (% of total) | Imports (% of total) |
| <b>Goods</b>                                           |                      |                      |
| Chemicals & related products (incl. Pharma)            | 90.1%                | 36.0%                |
| Miscellaneous manufactured articles                    | 4.9%                 | 12.4%                |
| Machinery & transport equipment                        | 3.9%                 | 41.7%                |
| Food & live animals                                    | 0.5%                 | 1.4%                 |
| Other goods                                            | 0.7%                 | 8.4%                 |
| <b>Services</b>                                        |                      |                      |
| Computer services                                      | 35%                  | 4%                   |
| Royalties/Licences                                     | 7%                   | 62%                  |
| Business services (incl. R&D)                          | 30%                  | 27%                  |
| Other services nes                                     | 13%                  | 0%                   |
| Travel & tourism                                       | 3%                   | 1%                   |
| Financial services                                     | 3%                   | 4%                   |
| Other services                                         | 9%                   | 3%                   |

Source: CSO \*Services data relates to 2023; Goods data relates to Jan-Apr 2025

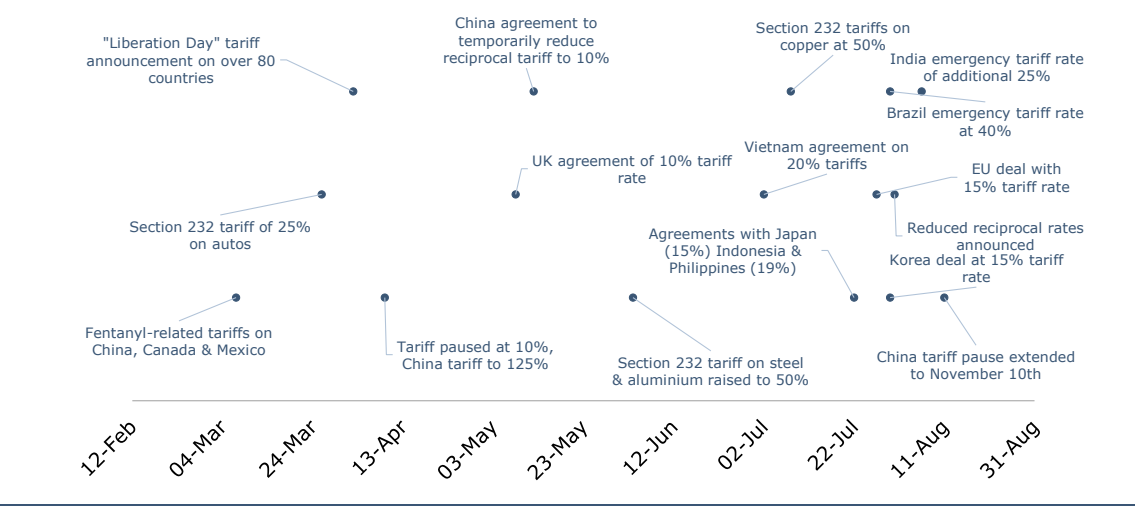
### Tariff policies have been volatile and uncertain

The Trump administration launched its first foray into tariffs against the EU with a 25% tariff on steel and aluminium on March 12<sup>th</sup>. In response, the EU announced a two-pronged approach; first by reinstating the 2018 & 2020 tariff measures on US goods from President Trump's first term (effective on April 1<sup>st</sup>) and secondly with a further round of countermeasures targeting c. \$28Bn of US goods, effective April 13<sup>th</sup>.

On April 2<sup>nd</sup> - "Liberation Day" – a baseline tariff of 10% was announced on all trading partners, with additional "reciprocal" tariffs targeting specific countries and blocs (20% on imports from the EU). The sharp negative market reaction led the Trump administration to pause the introduction of the reciprocal tariffs for 90 days on April 9<sup>th</sup>, with the tariff rate remaining at 10% - with a threat to increase if a deal was not agreed by July 8<sup>th</sup>.

A "heads of terms" trade deal between the US and the EU was agreed in Scotland at the end of June between US President Trump and European Commission President Ursula Von der Leyen. Imports of EU goods into the US will face the higher of either the Most Favoured Nation (MFN) rate or a 15% tariff maximum. The two parties also agreed to "*consider other sectors and products that are important for their economies and value chains for inclusion in the list of products for which only the MFN tariffs would apply*", opening the door to possible future carve outs.

Outline of tariff announcements in 2025



Source: Tax Policy Center

Impact of tariffs on the Irish economy

The most comprehensive modelling of the impact of tariffs on the Irish economy is from the ESRI (*"The Impact of Deglobalisation and Protectionism on a Small Open Economy – The Case of Ireland"*, March 2025). This paper utilises models of both the international and domestic economy to simulate the impact of tariffs under various potential scenarios for tariffs. The paper publishes its estimates based upon assumptions of 10% and 25% tariffs. We show the impact on a selection of variables below. A few conclusions from our perspective:

- Tariffs have a modest impact on domestic spending (MDD) in the short-term and knock over one percentage point off after four years.
- There is a once-off price effect from the imposition of bilateral tariffs, but this is quite modest in scale (0.2%)
- GDP is affected to a greater extent due to the bigger hit to exports

| Simulated impact of tariffs on the Irish economy - ESRI |                      |               |                     |               |
|---------------------------------------------------------|----------------------|---------------|---------------------|---------------|
|                                                         | 10% bilateral US/RoW |               | 25% bilateral US/EU |               |
|                                                         | After 1 year         | After 4 years | After 1 year        | After 4 years |
| Prices                                                  | 0.2                  | 0.3           | 0.2                 | 0.3           |
| Disposable income                                       | -0.6                 | -1.2          | -0.8                | -1.6          |
| Employment                                              | -0.1                 | -1.6          | -0.2                | -1.9          |
| GDP                                                     | -0.4                 | -1.8          | -0.6                | -2.3          |
| MDD                                                     | -0.2                 | -1.1          | -0.3                | -1.3          |
| Government debt                                         | 0.1                  | 0.6           | 0.1                 | 0.9           |

Source: ESRI

## How has FDI into Ireland fared in 2025?

The push for firms to announce investments in the United States has been a major feature in 2025. By extension, the incentive is to downplay any investments being done outside of the US. This has been done against the backdrop of threats of the imposition of tariffs and investigations (Section 232) into certain sectors. The White House publishes these announcements on its website in a section entitled "[The Trump Effect](#)". As of September 2025, the tracker estimates investments worth \$8.7trn have been made by US and foreign entities, although it is difficult to test the veracity of these claims.

We have gauged FDI flows for the past decade through analysis of announcements from the IDA, Ireland's investment agency. A weaker trend is indeed visible in the data, with jobs announcements down 16% yoy and at the lowest level in our series. However, we cannot tell from the data whether this weakness is due to the firms' unwillingness to make these investments public or whether it is reflective of a broader slowing of FDI into Ireland. Indeed, IDA Ireland noted in its first half update that there were 179 separate investments, up by 37% yoy. These announcements would cumulatively lead to the creation of 10K, well above the total indicated by those that have been publicly announced.

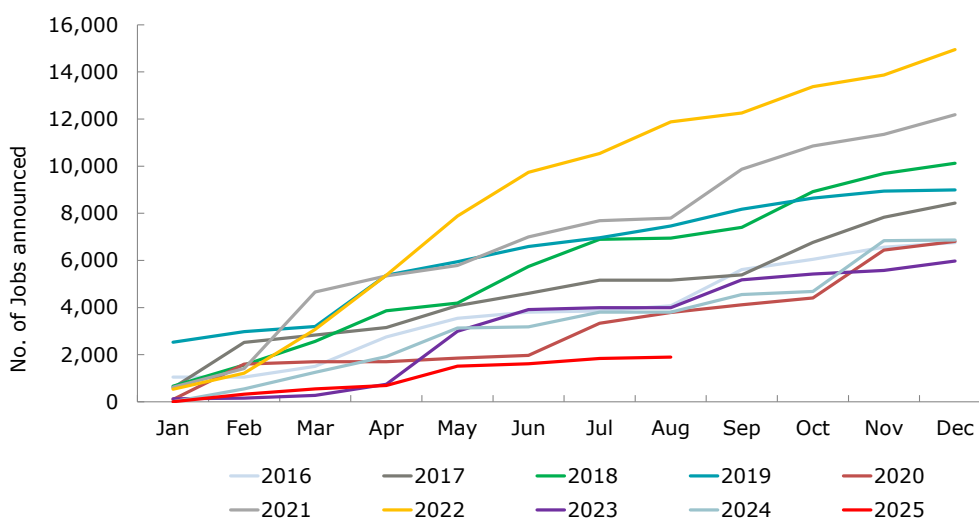
### FDI Job Creation slows in 2025



\*Data ranges from January 2012 to July 2025. \*\*Measures actual job creation rather than future job creation.

Source: IDA, Goodbody

### Cumulative FDI job announcements by year



\*Data ranges from January 2012 to July 2025. \*\*Measures actual job creation rather than future job creation

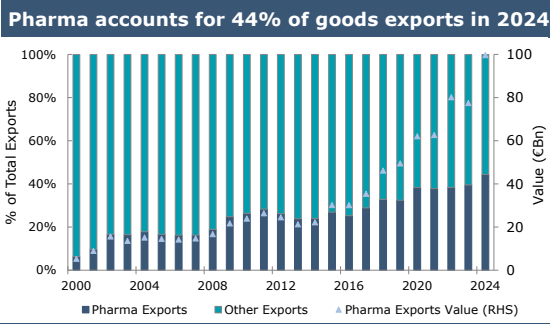
Source: IDA, Goodbody

The importance of the pharmaceutical sector to Ireland

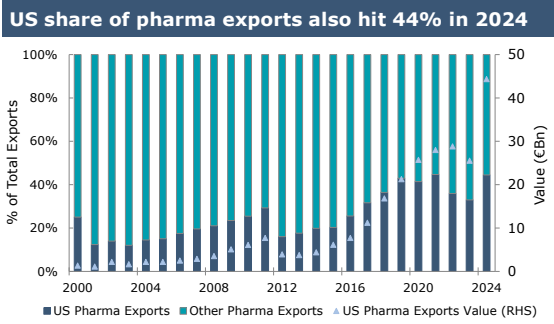
Outside of the “trade framework” announced by the EU and the US, we await the outcome of the US Department of Commerce’s Section 232 investigation into the pharmaceutical sector. This is particularly important to Ireland. The investigation began on April 1<sup>st</sup>. It allows 270 days to investigate and deliver a report to the US President, who in turn has 90 days from the receipt of the report to decide whether to act based on the investigation’s findings. The EU has been assured by US officials that any future potential pharma tariffs will be subject to a ceiling of 15%, with the EU’s trade commissioner, Maroš Šefčovič, stating that he believed these commitments “will be honoured” by the US administration. This point was reiterated in a joint statement released by The White House on August 21<sup>st</sup>. This commitment was reaffirmed by EU trade officials recently in light of more penal tariffs being announced for the sector by President Trump.

Pharmaceuticals, chemicals and medical devices have represented a growing proportion of total goods exports from Ireland over recent years. Exports of pharmaceutical drugs and their inputs are measured broadly under the *Chemicals & Related products* category, accounting for 65% of Irish goods exports in 2024 or €146bn (*this represents a doubling in export share from 33% in 2000*). Of these exports, 40% were destined for the US last year, emphasising the outsized role played by the US pharmaceutical industry in Ireland.

However, this category also encompasses other goods not for pharmaceutical use. Consequently, we then took a more conservative approach, analysing only the exports which fall under the *Medicinal and Pharmaceutical products (54)* subcategory of *Chemicals & Related products (5)*. Since 2000 the *Medicinal and Pharmaceutical products* share of total exports has increased almost nineteen-fold, with pharmaceutical goods representing almost half of Irish goods exports in 2024 with a value of €100Bn. In the eight months to August 2025, *Medicinal and Pharmaceutical product* exports amounted to €62bn, 72% of total goods exports. There has also been a persistent rise in the proportion of these exports destined for the United States. From c.10-20% in the early 2000s, the share rose to over 44% last year.



Source: CSO, Goodbody

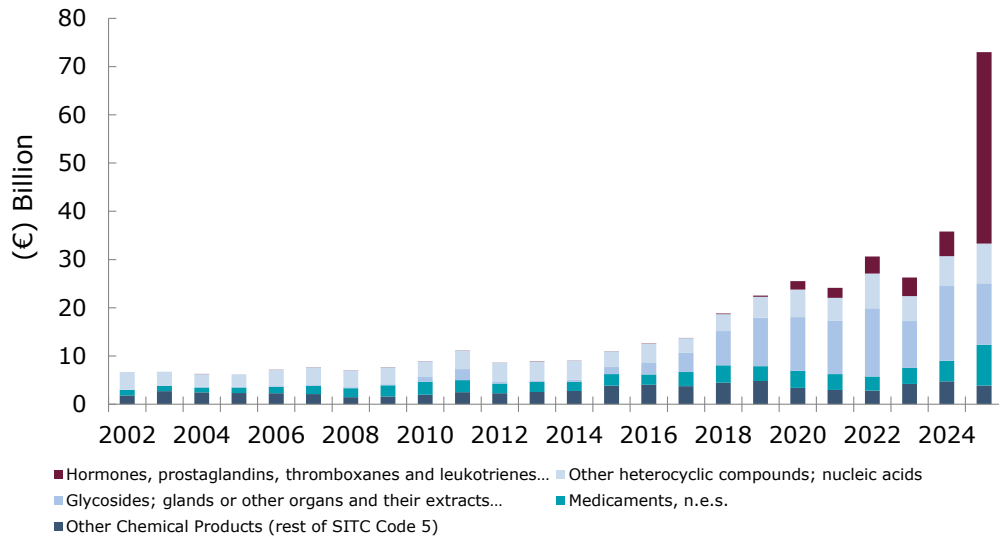


Source: CSO, Goodbody

### More to export surge than “tariff-jumping” - Impact of GLP-1

While firms have likely accelerated exports to the US to avoid the potential implementation of tariffs, a granular analysis of the trade data reveals a more nuanced picture. Specifically, it appears that the growth of GLP-1 has also boosted pharma exports, accounting for the vast bulk of the boom in US exports so far this year.

#### Growth in US pharma exports year-to-date led by uptick in hormone products



\*Data covers Jan-Aug cumulative exports for each year.

Source: Eurostat, Central Bank, Goodbody

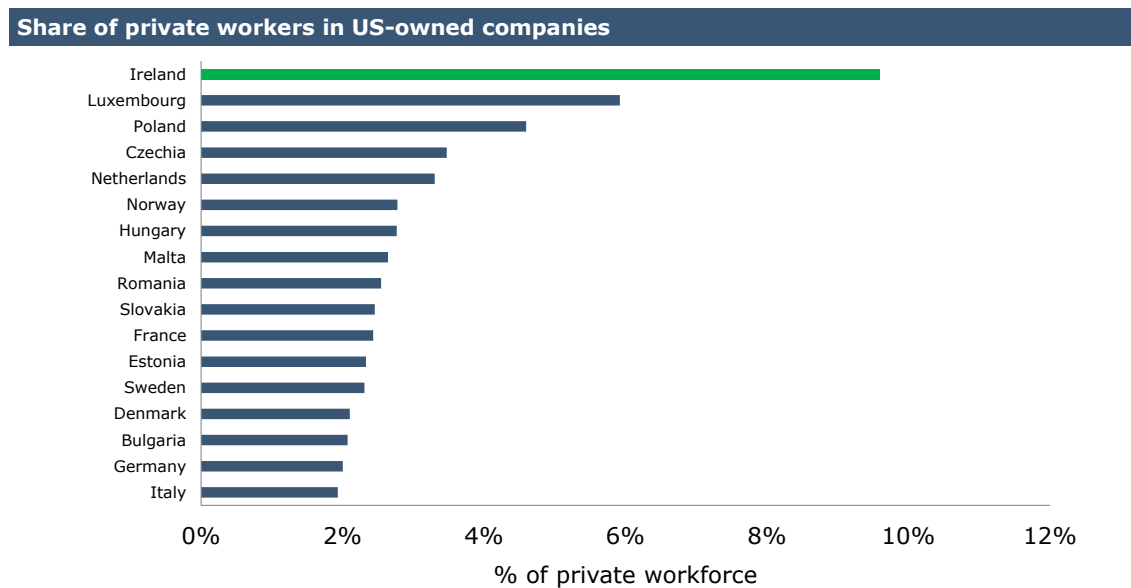
In addition to boosting recent exports, hormone products look set to further cement Ireland’s leading role in the pharmaceutical sector over the coming years - with Eli Lilly unveiling an \$800m facility expansion in Cork last year. Eli Lilly also received planning approval this year to expand its presence with an additional \$1bn investment in a biologic active ingredients manufacturing facility in Limerick – described by the firm as its “*most technically advanced manufacturing site to date*”.

### How important is US pharma investment to Ireland?

From the historical export data above, the outsized role played by pharmaceutical exports to the US means Ireland is particularly vulnerable to sectoral tariffs in this area. Given the uncertainty around the timing & the exact rate that the sector will face and in order to quantify the sector’s role in the state, we analyse the extent to which the pharmaceutical industry contributes to employment, business investment/FDI and tax revenue in Ireland.

### Pharma jobs account for 2.5% of total employment

US investment plays an outsized role in the Irish economy in a number of respects. As shown below, the share of employment accounted for by US firms stood at 10% of the total private workforce in 2022. This is almost five times the EU average. This data does is not broken down by industry sector.



\*Data relates to 2022

Source: Eurostat, Goodbody

To assess the extent of employment by US firms in the Irish pharmaceutical industry we first look at data from the Industrial Development Agency (IDA). While the IDA does not publish disaggregated employment figures by country of ownership, they do report that over 50,000 people are directly employed in pharmaceutical and medical technology firms across Ireland. Notably, just seven US-headquartered companies — *Pfizer*, *Johnson & Johnson*, *Eli Lilly*, *AbbVie*, *Merck (MSD)*, *Amgen*, and *Gilead Sciences* — collectively account for more than 22,000 of these roles. Separate data from GetReskilled suggests that there are 70K workers directly employed in the sector (2.5% of total employment).

### Corporate tax contribution estimated at c.5% of total tax

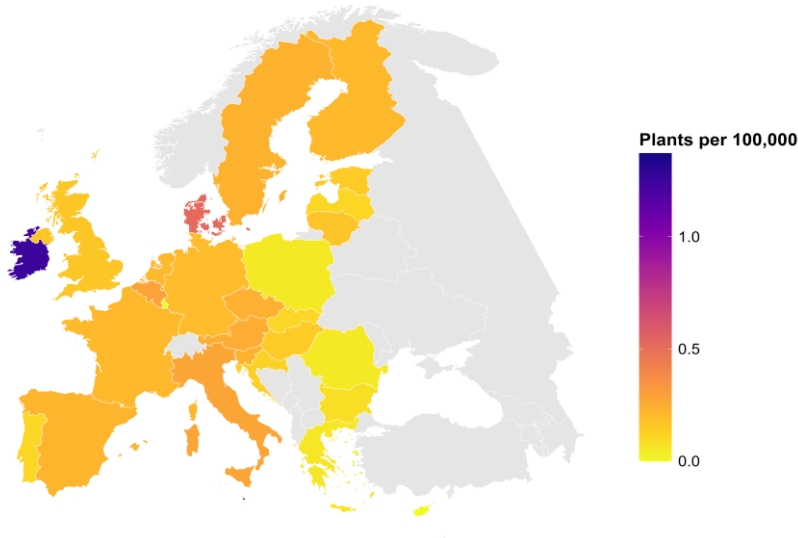
The latest sectoral breakdown of corporation tax paid in Ireland relates to 2023. The pharmaceutical sector forms part of the Manufacturing sector, which accounted for 38% of corporation tax receipts in that year. A more detailed breakdown was provided in 2022, which showed that chemical and pharma manufacturing accounted for 55% of the total receipts from manufacturing overall, but this followed a near doubling of receipts in that year (possibly Covid-related). However, if these proportions remained in 2024, corporation tax payments from the sector would amount to c.20% of corporation tax. This equates to c.€6bn (1.8% of GNI\*), or 5% of total tax revenues in Ireland.

A separate piece of analysis recently published by the Irish Fiscal Advisory Council (IFAC) shows that 75% of corporation tax paid in Ireland is by US firms. The manufacturing and ICT sector account for almost 90% of this, with the “manufacturing” sector seeing a similar jump in share in the latest data available (July 2022 – June 2023).

### Heavy regional focus to pharma sector base in Ireland

Ireland's success in attracting investment in this sector can be gleaned by assessing the number of FDA-approved manufacturing facilities in the country. Ireland hosts 68 such facilities, or 1.25 plants per 100K population. While slightly below Malta (1.37), this is well ahead of the EU median of 0.19.

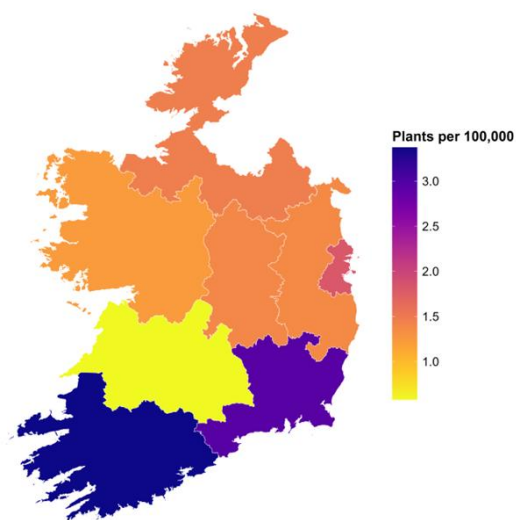
#### FDA approved facilities per capita across European Union (& the UK)



Source: FDA, AMECO, Goodbody

Regionally, the greatest number of facilities are located in the South of Ireland, highlighting the regional focus of the IDA in spreading investment around the country. From an employment perspective, the largest concentration of workers is in the West, likely reflecting the large presence of medical device companies located in the region.

#### FDA approved facilities per capita across the NUTS3 regions



Source: FDA, CSO, Goodbody

## Recent Pfizer deal may be template for future pharma sector developments

Despite the headline tariff rate of 15% pharma exports remain tariff-exempt at present as we await the findings of the Section 232 investigations. Additionally, under the EU/US trade deal the EU have been assured that any future tariffs on the sector would be subject to a 15% ceiling rate. While not ideal it is substantially lower than the mooted rates in excess of 100%. At a minimum we could expect that incremental investment for capacity to deal with the domestic US market may shift to the US due to the policies being pursued by the Trump administration.

It is unlikely that the pharmaceutical sector will face tariffs until early 2026 – after the Sec. 232 investigation – if at all, given recent agreements in the sector. On July 31<sup>st</sup> Trump issued a letter to 17 of the largest pharmaceutical companies<sup>1</sup>, detailing the steps they would be required to take and warning that failure to do so would see the US “*deploy every tool in [their] arsenal*”. This letter followed an executive order issued by the US President in May. The order stated that pharmaceutical companies must treat the US as a most-favoured-nation (MFN) with respect to pricing and consequently must price domestic drugs equal to or less than the lowest sale price<sup>2</sup> of the drug in other developed countries.

The July letter called for firms to take the following actions:

1. Extend MFN pricing to Medicaid
2. Guarantee MFN pricing for newly-launched drugs
3. Return increased revenues abroad to American patients and taxpayers
4. Provide for direct-to-consumer purchasing at MFN pricing

It set a 60-day deadline for pharmaceutical firms to comply with the MFN order and implement these four steps. Subsequently on September 26<sup>th</sup> President Trump announced that “*Starting October 1st, 2025, we will be imposing a 100% Tariff on any branded or patented Pharmaceutical Product, unless a Company IS BUILDING their Pharmaceutical Manufacturing Plant in America.*”<sup>3</sup> Clarifying the penalty for non-compliance – a 100% tariff on branded or patented pharmaceutical drugs under Section 232.

On September 29<sup>th</sup>, Pfizer was the first to agree a deal with the US government. It agreed to enact MFN pricing for Medicaid and newly launched drugs, in addition to agreeing to invest \$70bn in the US “over the next few years”. The deal does not cover Medicare, commercial insurance or out-of-pocket patients, which comprise the vast majority of US spending on pharmaceutical drugs. Pfizer also said it would participate in Trump’s newly launched direct-to-consumer platform, TrumpRx.gov, allowing customers to purchase drugs directly from Pfizer at a discounted price. In return for adhering to MFN pricing Pfizer obtained a three-year moratorium on any pharmaceutical tariffs under Section 232.

Notably, Pfizer did not alter financial guidance following the deal. The stock rose 6% following the announcement, with investors reassured by the policy certainty and the moratorium on tariffs.

Following the Pfizer deal, the October 1<sup>st</sup> deadline came and went without any additional tariff or deal announcements, with White House officials reporting the administration would now “begin preparing” tariffs for firms that don’t build in the US or sign explicit MFN agreements with the US. The delayed enforcement is believed to be part of a strategy that seeks to extract more voluntary agreements from the major pharmaceutical companies before imposing tariffs. This is some that Commerce Secretary Lutnick alluded to: “*while we’re negotiating with these companies, we’re going to let them play out and finish these negotiations.*”

<sup>1</sup> Letters were sent to AbbVie, Amgen, AstraZeneca, Boehringer Ingelheim, Bristol Myers Squibb, Eli Lilly, EMD Serono, Roche (Genentech), Gilead, GSK, Johnson & Johnson, Merck, Novartis, Novo Nordisk, Pfizer, Regeneron, and Sanofi.

<sup>2</sup> The MFN target price is the lowest price in an OECD country with a GDP per capita of at least 60 percent of the U.S. GDP per capita.

<sup>3</sup> With Trump adding that “IS BUILDING” will be defined as “breaking ground” and/or “under construction”

The latest development came on October 10<sup>th</sup> when AstraZeneca announced it had also signed an MFN agreement with the US government. This agreement follows AstraZeneca's commitment in July to invest \$50bn in the US by 2030. In return AstraZeneca also received a three-year moratorium on any pharmaceutical tariffs under Section 232.

The Pfizer deal may to be the blueprint for other firms going forward, similar to the way in which we saw the Japanese tariff agreement used as a template for Europe's own agreement. As such it is likely that MFN pricing will be limited in its scope, not impacting the vast majority of drug spending in the US.

### Impact on Ireland may be more benign than first feared

Other pharmaceutical companies headquartered in Ireland may need to demonstrate compliance with MFN pricing & the 'America First' agenda of the Trump administration to avoid punitive measures. This is most likely to take the form of increased investment in the US. It is through this channel we expect the greatest impact on Ireland, with firms more hesitant to announce strategic investments in Ireland, specifically for products destined to the US. This is a trend we have seen since March when pharmaceutical firms first started to publicly announce US investments to a greater extent.

| Pledged pharmaceutical investments in the US so far... |                          |                           |
|--------------------------------------------------------|--------------------------|---------------------------|
| Company                                                | Pledge Investment (\$bn) | Time Horizon (years)      |
| Pfizer                                                 | 70                       | "over the next few years" |
| Johnson & Johnson                                      | 55                       | 4                         |
| Roche (Genentech)                                      | 50                       | 5                         |
| AstraZeneca                                            | 50                       | 5                         |
| GSK                                                    | 30                       | 5                         |
| Bristol-Myers Squibb                                   | 40                       | 4                         |
| Eli Lilly                                              | 27                       | 5                         |
| Novartis                                               | 23                       | 5                         |
| Sanofi                                                 | 20                       | 6                         |
| AbbVie                                                 | 10                       | "over the next decade"    |
| Merck & Co.*                                           | 9                        | 4                         |
| Gilead Sciences                                        | 32                       | 5                         |
| Amgen                                                  | 2                        | TBC                       |
| Regeneron                                              | 7                        | Over 10 years             |
| Biogen                                                 | 2                        | 3                         |
| UCB                                                    | 5                        | TBC                       |
| <b>Total</b>                                           | <b>\$432 billion</b>     |                           |

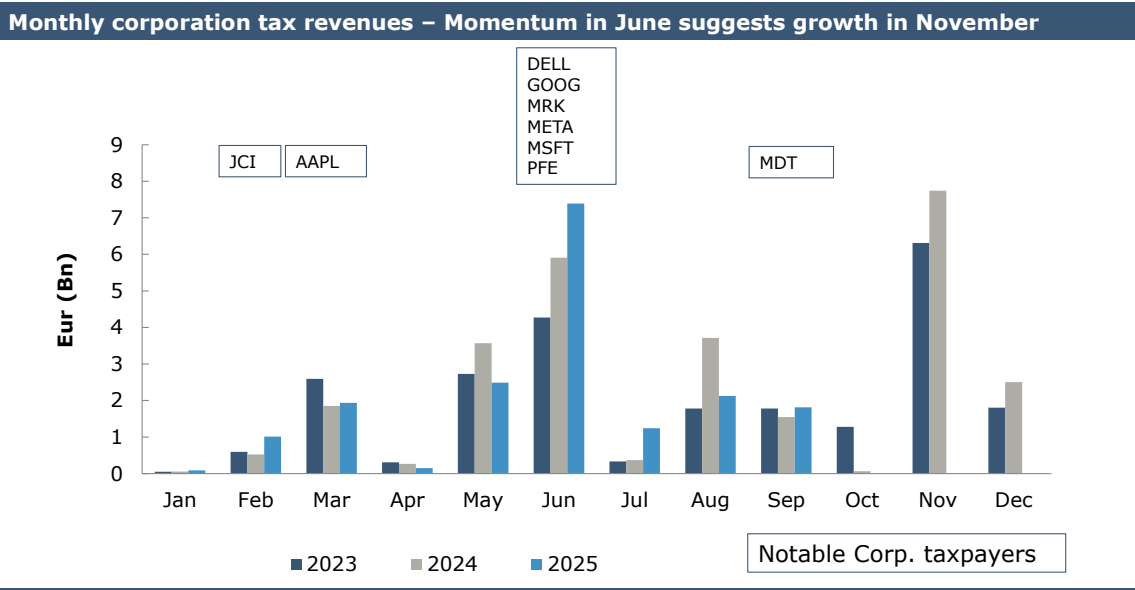
\*Company trades under Merck, Sharp & Dohme or 'MSD' outside the US & Canada

Source: Company Filings, The White House, Bloomberg Intelligence

In summary the range of potential tariff outcomes for pharmaceuticals has narrowed since the start of the year, with 15% now representing the worst-case tariff scenario (*tariffs could also be applied at any rate between 0 – 15%*). Although there are risks to transfer-pricing rules that may affect the sector, we believe that the template for the direction of the sector is being provided by the two deals already announced. From an Irish perspective, this appears benign.

Will the boom in corporation tax receipts continue?

Corporation tax continues to account for a very high share of total tax revenue. In the nine months to September, corporation tax receipts accounted for 26% of total tax revenues (excluding one-off receipts from the Apple CJEU ruling). While there was some weakness in August, the strong performance in June suggests that November’s returns (the biggest month for corporation tax revenues) will also be strong and impie that corporation tax receipts will amount to over €32bn in 2025. For 2026, it is expected that corporation tax receipts will grow further to €34bn and will account for a record 31% of total tax revenues. Part of the reason for expected increase in 2026 is the introduction of the higher 15% rate for large companies. However, the expected profitability of some large companies in Ireland is also having an impact here, leading to even more concentration of corporation tax revenues.

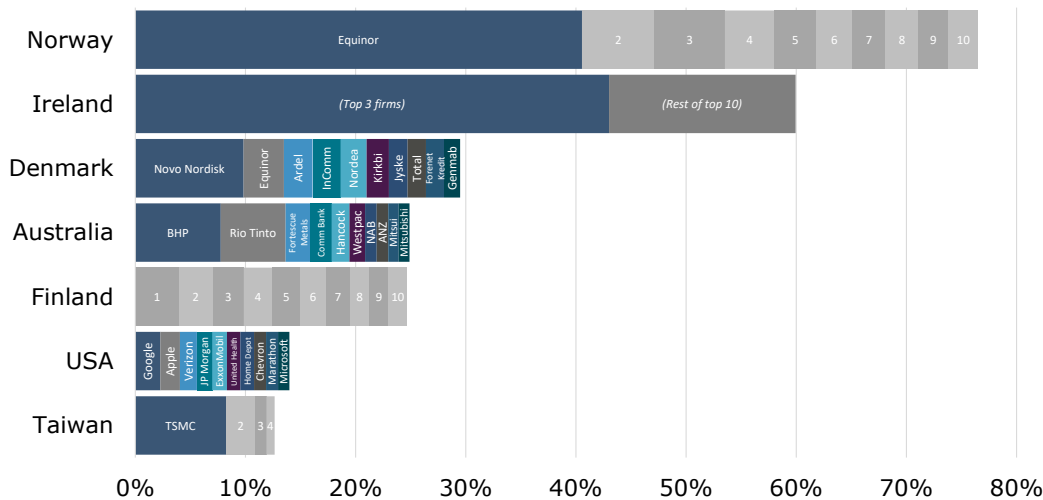


Source: DoF, Company filings, Goodbody \*Corporate tax payments relate to first payment. Payments are in 5<sup>th</sup> and 11<sup>th</sup> month of FY

Given this concentration, tax policies and the profitability trends of a small number of companies need to be watched closely. Data from the Parliamentary Budget Office (PBO) presents an estimate of the share of corporation tax coming from the ten largest payers in several countries. This is illustrated in the table below for 2022. Norway had the largest concentration coming from the top ten primarily driven by the presence of Equinor, the State-owned energy company, however Ireland is a close second. Earlier [reports](#) from the Irish Fiscal Advisory Council (IFAC) estimated that the top three taxpayers in Ireland accounted for over 40% of corporation tax receipts. As such this indicates that three firms represent c.12% of total tax revenues in Ireland, an extreme degree of concentration and potential public finances vulnerability.

*The Currency*, an online business publication, has identified these three firms as Apple, Microsoft and Pfizer. Apart from Norway, the top three taxpayers represent 10%-15% at most of the total in the sample provided below, with the top ten between 12%-30%. Conversely In Ireland the top 3 represent 40+%, with the top ten accounting for an estimated 60% of total corporate tax receipts.

### Est. share of corporation tax receipts paid by top 10 largest corporate taxpayers (2022)



Source: Parliamentary Budget Office, Goodbody

### Bottom-up analysis of estimated top 20 corporate taxpayers

We have compiled the future earnings, using consensus analyst estimates, of the firms we believe to be the top 20 largest corporate taxpayers. We then plotted the aggregate of these earnings alongside corporate tax revenues from the Department of Finance (DoF), indexing both time series to 100 for the year 2017 to highlight the correlation in trends and shed light on the likely future path of corporate tax receipts.

The 20 companies we believe to be the largest contributors are listed in the table below:

### Estimated 20 largest corporate taxpayers

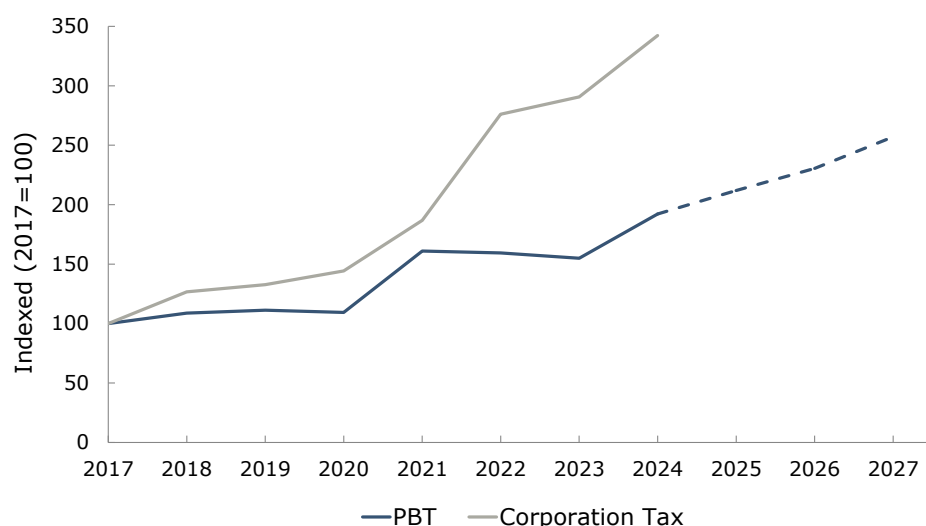
Listed in no particular order:

|                       |                            |
|-----------------------|----------------------------|
| 1. Apple              | 11. Cisco                  |
| 2. Google             | 12. Merck                  |
| 3. Microsoft          | 13. Oracle                 |
| 4. Meta               | 14. Regeneron              |
| 5. Pfizer             | 15. IBM                    |
| 6. Medtronic          | 16. Analog Devices         |
| 7. Johnson Controls   | 17. Gilead Sciences        |
| 8. Eaton Corp         | 18. AerCap Ireland         |
| 9. Trane Technologies | 19. CitiBank               |
| 10. Dell Ireland      | 20. Bank of America Europe |

Source: Goodbody, Irish Times, FactSet

The analysis points to continued healthy expansion in corporate tax receipts which should continue boost the public coffers, critically at a time when Ireland is planning major capital expenditure over the coming years as detailed in the latest National Development Plan (NDP).

### PBT of top 20 versus Irish Corporate Tax Receipts



Source: FactSet, Goodbody

### Intellectual Property and the “One Big Beautiful Bill Act” (OBBBA)

A decision to reshore physical activity (manufacturing plants for instance) needs to consider long-term issues that go beyond a 4-year presidential term. However, a decision to shift intangibles such as Intellectual Property (IP) could conceivably happen quickly, triggered by changes to tax legislation. As we highlighted at the beginning of the year, IP-related activity in Ireland by multinationals grew dramatically from 2015 onwards due to a confluence of factors including US tax reform and the OECD BEPS process.

The OBBBA is the signature piece of tax legislation of the second Trump term. The most relevant measures for the Irish economy concerned the US corporate tax rate and incentives for reshoring industry that would adversely affect Ireland’s heavily-FDI reliant model – as outlined in our analysis at the beginning of the year.

It appears Ireland has “dodged a bullet” on significant corporate tax reform. It was a campaign pledge to lower the US corporate tax rate from 21% to 15%. This would have had an adverse effect on Ireland’s attractiveness for Foreign Direct Investment (FDI). However, the prioritisation of personal tax cuts over corporate tax measures meant that this measure was dropped.

Tax policies on the treatment of intellectual property (IP) in the OBBBA are a little more nuanced. The TCJA 2017 introduced in Trump’s first term codified two new pieces of IP tax legislation on foreign earnings. These were called ‘*Global Intangible Low-Taxed Income*’ (GILTI) and ‘*Foreign-Derived Intangible Income*’ (FDII). These measures led to an increase in IP-related activity (housing IP and licensing its use) in Ireland, and away from tax havens. GILTI promoted offshoring<sup>4</sup> through asset-based exemption clauses. While FDII promoted offshoring by offering a lower tax rate on income derived from foreign sales<sup>5</sup>, incentivising firms to serve foreign markets. The OBBBA amends these two policy measures, with GILTI becoming ‘*Net CFC<sup>6</sup> Tested Income*’ (NCTI) and FDII becoming ‘*Foreign-Derived Deduction Eligible Income*’ (FDDEI).

<sup>4</sup> Allowed 10% deemed return on tangible assets (QBAI) to be exempt from inclusion, meaning companies could reduce GILTI liability by investing in physical assets abroad, thus creating an incentive to offshore tangible investments.

<sup>5</sup> This in turn incentivised firms to reshore IP to the US but maximise foreign-derived income through the offshoring of production activity, in addition to routing sales through foreign subsidiaries or affiliates.

<sup>6</sup> A Controlled Foreign Corporation (CFC) is any foreign corporation where US share ownership 50%

## Changes to tax rules under OBBBA appear benign from an Irish standpoint

We have included the technical details in the Appendix, but suffice it to say, the changes contained in the OBBBA appear minor in the context of incentivising IP-related activity back to the US that may have implications for activity and corporate tax take in Ireland.

**Foreign-Derived Deduction Eligible Income (FDDEI)** – Replacing FDII, this tax relates to income earned from foreign sales and services tied to US-held IP. The OBBBA alters the tax deduction by increasing the amount of foreign income eligible for the reduced FDDEI rate but increases the effective rate from 13.125% to 14% in 2026.

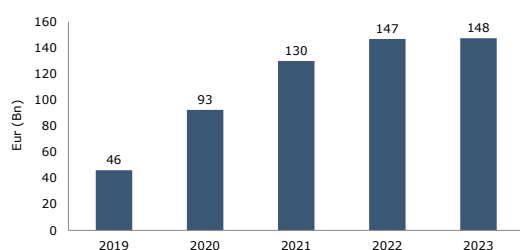
**Net CFC Tested Income (NCTI)** – This replaces GILTI. Under GILTI, U.S. companies received a 50% deduction on foreign income, resulting in an effective tax rate (ETR) of 10.5% (50% x 21% corporate tax rate). Under NCTI, US firms will pay US tax on 60% of foreign income, raising the effective rate to 12.6% (60% x 21% corporate tax rate). At the same time, the foreign tax credit, which allows firms to offset U.S. taxes with taxes paid abroad, increases from 80% to 90%. Crucially, they must pay at least 14% in foreign tax (up from 13.125%) to fully avoid additional U.S. tax on that income, reflecting the new 12.6% U.S. effective rate and the 90% creditability threshold under the OBBBA;  $12.6\% \div 90\% = 14\%$ .

## Impact of US corporate tax policy changes on Ireland

Despite a stated policy goal of reshoring activity to the US the legislation provides conflicting incentives. While FDDEI encourages the reshoring of Intellectual Property itself, it also further incentivises the offshoring of IP-related activity such as R&D as it will increase their income eligible for tax deductions. They will also be incentivised to make physical investments abroad with the DTIR removal also increasing income eligible for tax deductions. Finally, with respect to GILTI, despite the removal of the QBAI, even the new revised rate of 14% falls below the 15% corporation tax Ireland agreed to implement under the OECD BEPS Pillar Two agreement and as such firms will not be subject to additional 'top up' taxes in the U.S. Furthermore, it also improves Ireland's relative attractiveness compared to low-tax destinations such as the Cayman Islands – whose corporate tax rate is 0% and thus falls well below the 14% threshold and as such is subject to the new higher NCTI top up rate of 14%. While it can be said that the US has become more competitive relative to the EU more broadly, the specific tax changes do not on their own provide financial incentives to reshore, with knock-on implications for corporate tax take in Ireland.

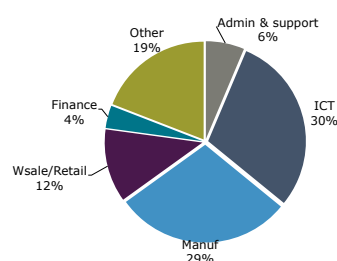
A consideration here is the €147bn in capital allowances on intangible assets held by firms in Ireland (at the end of 2023). Multinationals account for over 90% of these allowances. The ICT and manufacturing sectors account for c.30% of these allowances each. An exit tax would apply on any uplift in the value of this IP over time if it was to be moved. Firms claiming intangible capital allowances paid €10bn in corporation tax in 2024, roughly one third of total corporation taxes.

Value of capital allowances on IP...



Source: Revenue

...broken down by sector



Source: Revenue

Housing Update

Our latest forecasts for the Irish housing market are contained in the following table:

| Key Irish housing metrics         |         |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
|                                   | 2022    | 2023    | 2024    | 2025f   | 2026f   | 2027f   |
| New dwellings                     | 29,632  | 32,502  | 30,206  | 33,836  | 37,264  | 39,109  |
| Av. house price (€000, end-year)  | 344,818 | 358,913 | 390,780 | 407,526 | 425,027 | 440,583 |
| Price inflation (% YoY, end-year) | 7.7%    | 4.1%    | 8.9%    | 4.3%    | 4.3%    | 3.7%    |
| - Dublin (% YoY, end-year)        | 5.9%    | 2.5%    | 8.5%    | 3.8%    | 4.7%    | 3.7%    |
| - Non-Dublin (% YoY, end-year)    | 9.1%    | 5.3%    | 9.2%    | 4.8%    | 4.1%    | 3.7%    |
| Gross mortgage lending (€m)       | 14,057  | 12,089  | 12,570  | 14,435  | 15,908  | 17,404  |
| Growth in gross lending           | 34%     | -14%    | 4%      | 15%     | 10%     | 9%      |
| Net mortgage lending (end -year)  | -0.9%   | 1.8%    | 3.1%    | 4.8%    | 5.2%    | 5.4%    |
| Rental growth                     | 11.0%   | 6.2%    | 5.2%    | 3.0%    | 3.6%    | 3.1%    |
| Gross rental yield (end-year)     | 5.2%    | 5.3%    | 5.2%    | 5.1%    | 5.0%    | 5.0%    |

Source: CSO, BPFI, DoH, Goodbody

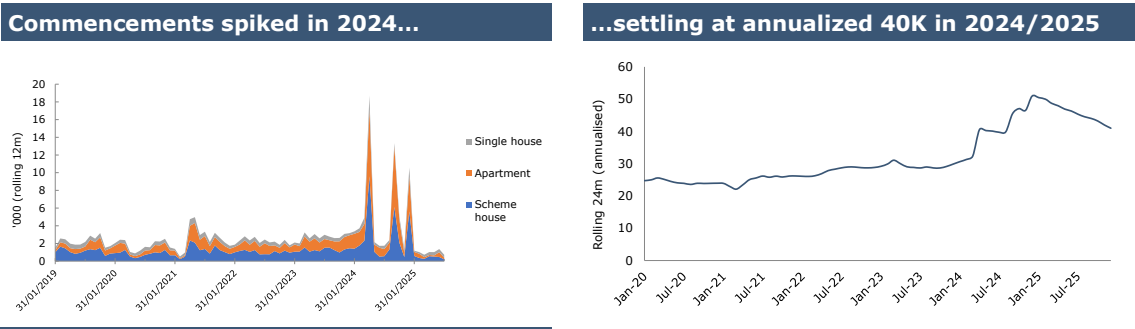
Supply growing, but not quickly enough

The Irish housing market continues to be characterised by a significant shortage of supply in the context of both an existing deficit and ongoing high levels of demand as a result of rapid population growth and a robust labour market. Despite a clear mismatch between supply and demand, there remains uncertainty about the trajectory of new supply over the coming years owing to issues around policy (land, planning), industry capacity and international uncertainty.

Supply outlook is uncertain

Having seen a surge in commencement notices for new residential activity in 2024 to take advantage of the waiver on development levies, a (predictable) slump in 2024 has once again raised question marks about the trajectory of new supply over the coming years. We accept that there is greater degree of uncertainty about the timing of home completions in the short-term, while the medium-term trajectory will be heavily influenced by policy implementation efforts around land, infrastructure and viability of apartments.

Commencements data are less reliable as a guide of short-term building activity due to the surge in notices issued in 2024. Commencement notices amounted to 69K last year, nearly double the level seen in 2023. As the chart below shows, the growth in notices centred around key policy dates for the ending (proposed and actual) of the waivers on development levies and water charges rebates. Developers took advantage of these financial incentives by bringing forward the commencement notice. This has predictably contributed to a large fall in commencements in 2025. There were just 10K commencements registered in the first nine months of 2025, down 81% yoy. Over the two years to June 2025, commencements still amount to 88K. This suggests that homebuilding will remain on an upward trajectory in the short-term, but not to the extent that was suggested by the trends in commencements last year. There was some pick up in September (1550 units). If commencements continue at the same pace in Q4, the two-year total over the 2024/2025 period will equal c.84K or a 41K annual pace.

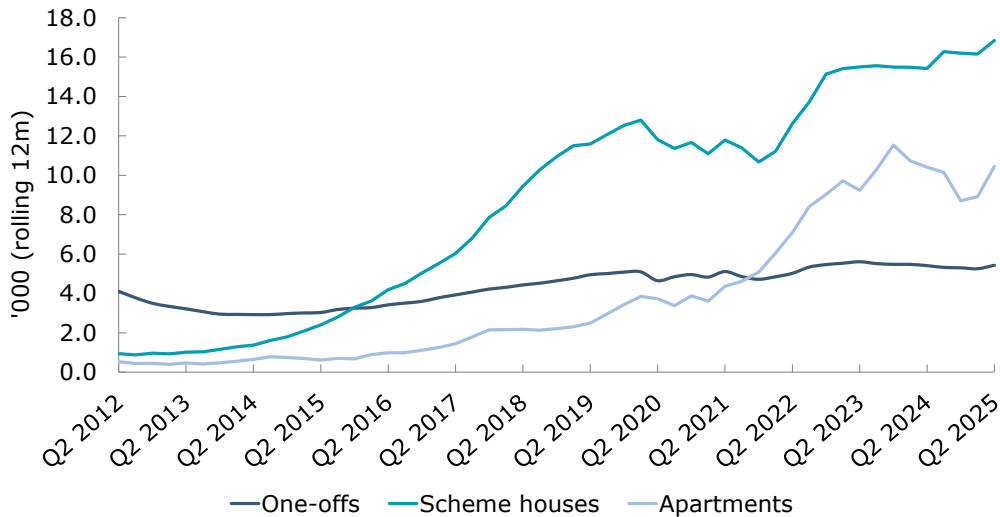


Source: Goodbody Analytics, nbco.gov

### Completions ahead of schedule in H1, boosted by apartments

Completions in the first half of 2025 amounted to more than 15K units, driven in large part by strong growth in Q2. Completions in the second quarter of this year were up 35% compared to the same period last year<sup>7</sup>. The better-than-expected Q2 outturn was driven in large part by a resurgence in apartment completions which rose 100% compared to Q2 2024, accounting for roughly 1 in 3 units completed in Q2 2025<sup>8</sup>.

#### Home completions by type

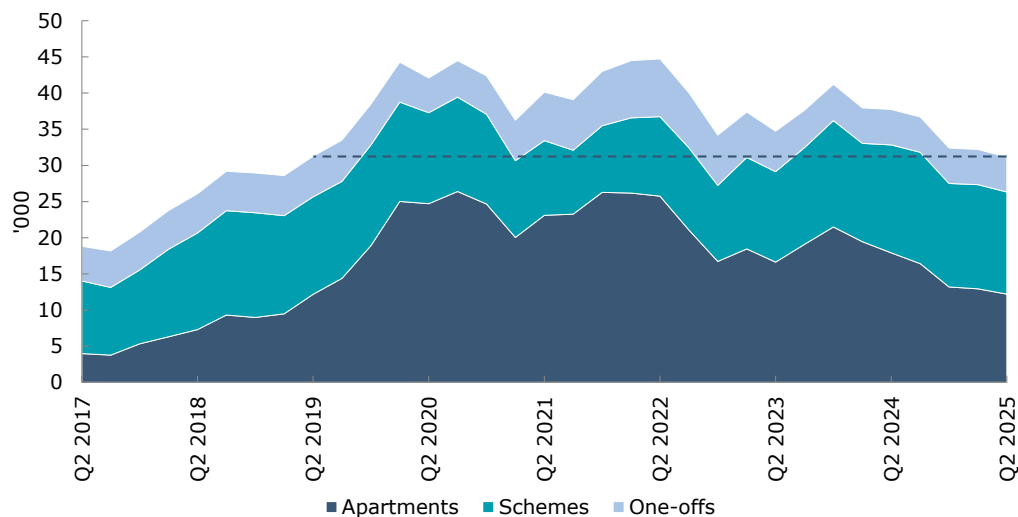


Source: CSO, Goodbody

### Planning Permissions point to subdued future pipeline

Looking beyond 2026, the housing supply pipeline is uncertain. The policy-induced surge in commencements seen in 2024 is now fading, while planning permissions fell to a 5-year low in Q2-25, increasing the risk of undershooting the government's target of 303k homes between 2025-2030.

#### Planning permissions fall to a five-year low in Q2 2025



\*On a rolling 12 month basis

Source: CSO, Goodbody

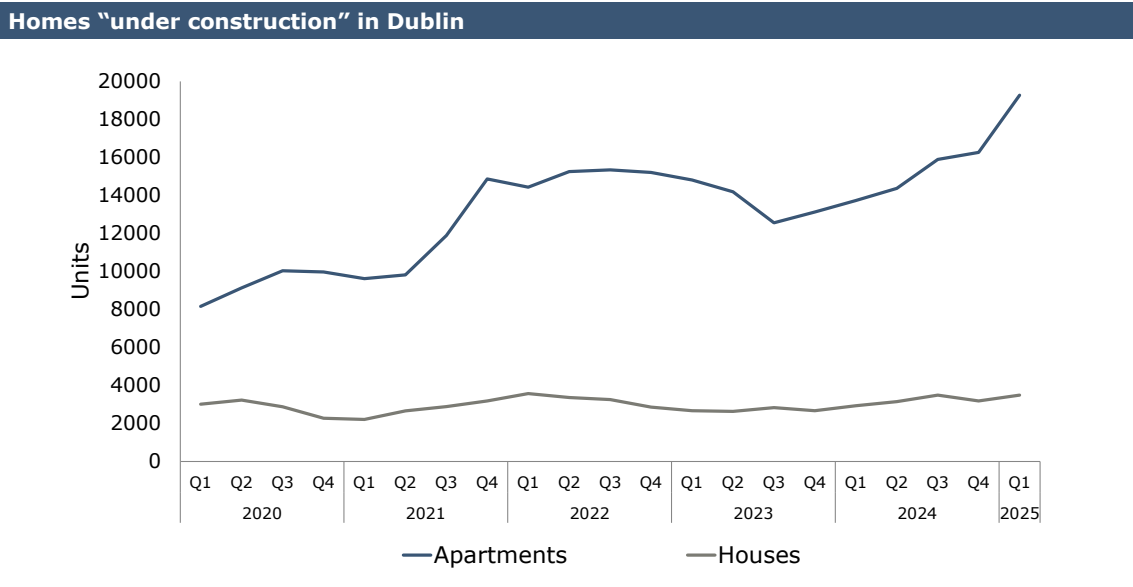
<sup>7</sup> Total completions in Q2 2025 were 9,214 units vs completions of 6,824 units in Q2 2024

<sup>8</sup> Apartment completions in Q2 2025 were 3,053 apartments vs completions of 1,523 apartments in Q2 2024

Alternative data on home construction

The four local authorities in Dublin together compile useful statistics on home building activity and pipeline and publish the 4Dublin Housing Supply Pipeline report on a quarterly basis. While only available for Dublin, we believe it provides an accurate gauge of activity for a region that represents over a third of completions nationally.

As of Q1 2025 there were 22.8K residential units under construction, up 37% yoy. The incentives introduced by government for home-building likely played a role here with new sites being mobilised.



Source: Goodbody Analytics, DoHLGH

Our measure of the "Total Dublin Housing Pipeline" measures the sum of uncommenced and commenced units that have planning permission on sites that are either active or inactive. This shows a 10% yoy reduction in Q1 2025 to 67K properties. Of these, 37K (55%) are on inactive sites that are likely to be those that are most challenged from a viability perspective.

| Summary of residential activity & pipeline in Dublin |        |          |               |                    |
|------------------------------------------------------|--------|----------|---------------|--------------------|
|                                                      | Total  | Complete | Not commenced | Under construction |
| Activity on site (Active)                            |        |          |               |                    |
| Q1 24                                                | 37,124 | 10,720   | 9,739         | 16,665             |
| Q1 25                                                | 40,218 | 10,104   | 7,343         | 22,771             |
| % change                                             | 8%     | -6%      | -25%          | 37%                |
| No Activity on site (Inactive)                       |        |          |               |                    |
| Q1 24                                                | 48,369 |          | 48,369        |                    |
| Q1 25                                                | 37,162 |          | 37,162        |                    |
| % change                                             | -23%   |          | -23%          |                    |
| Total housing Dublin pipeline*                       |        |          |               |                    |
| Q1 24                                                | 74,773 |          |               |                    |
| Q1 25                                                | 67,276 |          |               |                    |
| % change                                             | -10%   |          |               |                    |

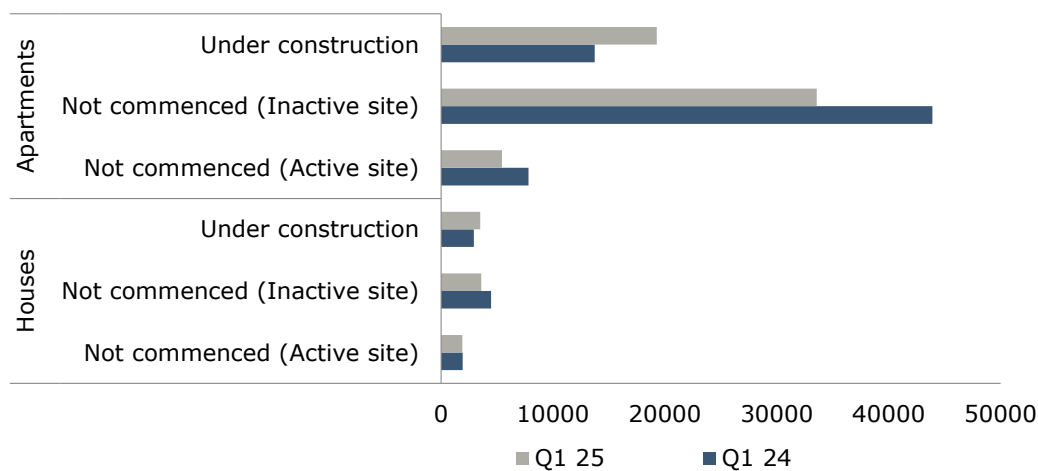
\*Sum of Not Commenced & Under Construction on both Active and Inactive Sites

Source: DoHLGH

### Activating apartment sites crucial to meeting short-term housing targets

Apartments are a vitally important part of the supply story in Dublin. This is due to density requirements in built-up areas. In 2024, apartments represented 60% of new supply and 73% of planning permissions. Our dataset shows that there were 39K apartments with planning permission that had not yet commenced as at Q1 2025 (with a further 1.2K given planning permission in Q2 2025). While more zoned and serviced sites are necessary to meet housing requirements (see Residential Land Availability, September 2024), the activation of these sites is crucial to increase supply in the capital in the short-term. Given the viability challenges, supply side incentives will need to form part of the policy suite for activation of many of these sites. Demand from the public sector (LDA, AHBs, Local Authorities) should also be used.

#### Dublin housing pipeline by type – activation of apartment sites is crucial to hitting targets



Source: DoHELG

Recognising the importance of increasing the supply of apartments, the government has introduced a number of initiatives over recent months in an attempt to bridge the “viability gap”. These include:

- (i) **Rent control reform** – The government announced an overhaul of residential rent controls in June that will replace the current system of a 2% rent cap on the property, with a cap of 2% for tenancies, but will allow for a reset to market rents at turnover.
- (ii) **Apartment standards** – The Department of Housing announced changes to the allowable sizes and mix within apartment developments that will reduce the overall delivery cost (This policy is currently being challenged in the Irish courts)
- (iii) **Lower VAT rate of apartment sales** – Budget 2026 introduced a lower 9% VAT rate on apartment sales, again in a bid to improve viability.

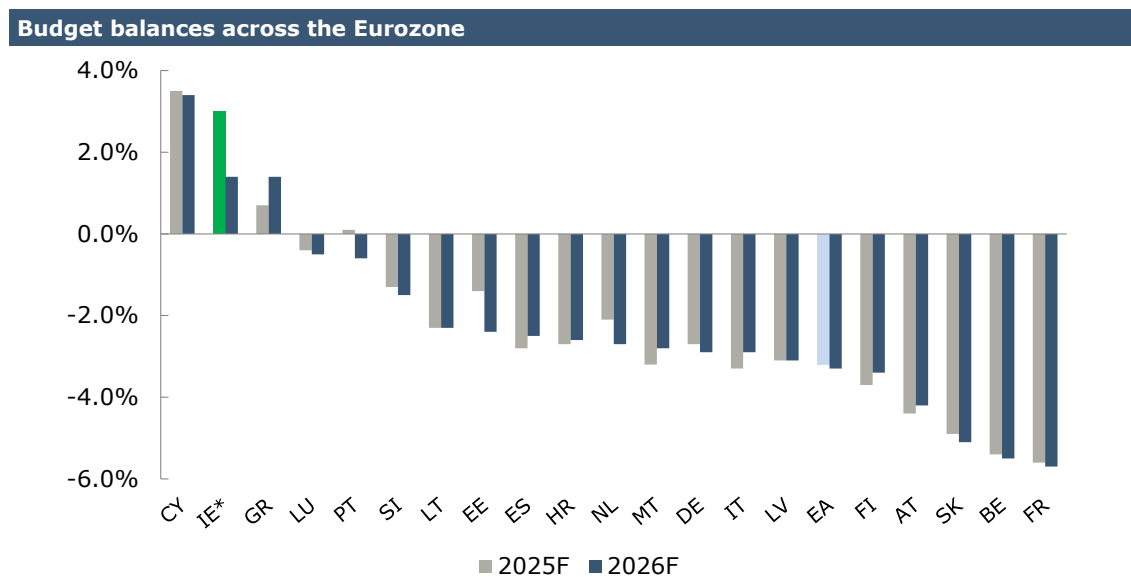
There has been no material increase in investment transactions in the Private Rented Sector (PRS), but the measures above (assuming the legal challenges are defeated), along with an expected fall in market yields from lower interest rates, should help ensure a much bigger, required contribution to investment in the space from private sources. The government has played an important role in ensuring housing supply continued over the past two years through a significant increase in demand for social housing. However, to increase supply to 50-60K per annum over the coming years, significant levels of private investment will be required.

## Public Finances – Big spending in Budget 2026

In the context of the difficulties being faced by some of its closest neighbours, Ireland remains in an enviable position from a budgetary point of view. An ongoing bounty from corporation tax revenues will again facilitate Ireland to run a budget surplus in both 2025 and 2026, despite continued rapid spending growth. In general government terms, spending is expected to grow by 8.2% in 2026 to €147bn, following growth of 8.6% in 2025. Since 2019, spending has grown by a cumulative 69% (8% per annum). Yet debt levels continue to fall, with gross debt set to decline to 59% by end-2026 and net debt to fall to 40% of GNI\*.

### Different picture emerges when “excess” corporation tax is excluded

On a headline basis, the government expects to run a budget surplus of €10.2bn in 2025, equal to 3.0% of GNI\*. Meanwhile in 2026 a surplus of €5.1bn is expected, equivalent to 1.4% of GNI\*. At a headline level, these will be amongst the largest surpluses in the Eurozone, only surpassed by Cyprus.



\*Ireland measured relative to GNI\*

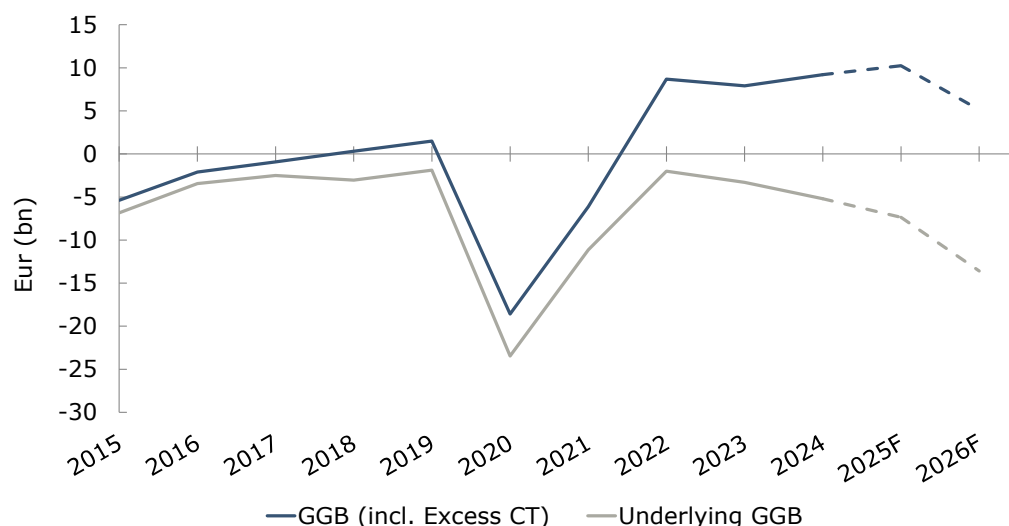
\*\*Spring 2025 AMECO forecasts for Eurozone

Source: DoF, AMECO, Goodbody

Tax revenues are expected to grow to €109bn in 2026, up from an estimate of €104bn at the time of the Annual Progress Report (APR). Almost all of this upward revision is due to higher corporation tax receipts (€34bn now expected in 2026). While profitability trends positively impact (in line with our earlier analysis), the Department of Finance (DoF) is also allowing for additional tax revenues as a result of Pillar II of the OECD BEPS rules. It estimates that this will bring in an additional €3bn in 2026. Corporation tax revenues will account for a record 31% of total tax revenues in 2026, well ahead of EU and historical averages. However, the DoF assumes that €18.7bn (55%) of this is “windfall”.

On an underlying basis (excluding windfall gains and excess corporation tax receipts) the budget balance tells a very different story. The underlying deficit will be €7.4bn (-2.2% of GNI\*) in 2025, a significant downgrade relative to the much more modest estimate of €4.6bn deficit at the time of the APR in May 2025. An even more stark picture is painted for 2026, where an underlying deficit of €13.6bn (-3.8% of GNI\*) is expected.

### General government balance - incl. & excl. "Excess" CT receipts

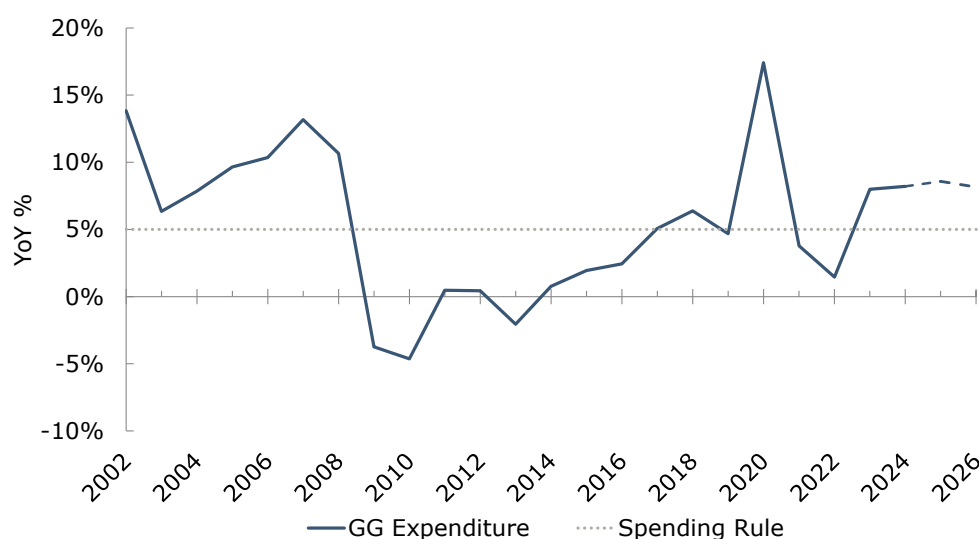


Source: DoF, Goodbody

### Spending growth above long-term potential economic growth

On a general government basis, spending is expected to grow of 8.2% in 2026, a growth rate similar to recent years and well above a sustainable "non-inflationary" rate of growth for Ireland. That rate of growth should be close to the potential growth of the economy, which is c.5% in nominal terms in our view.

### General government expenditure & the 5% rule

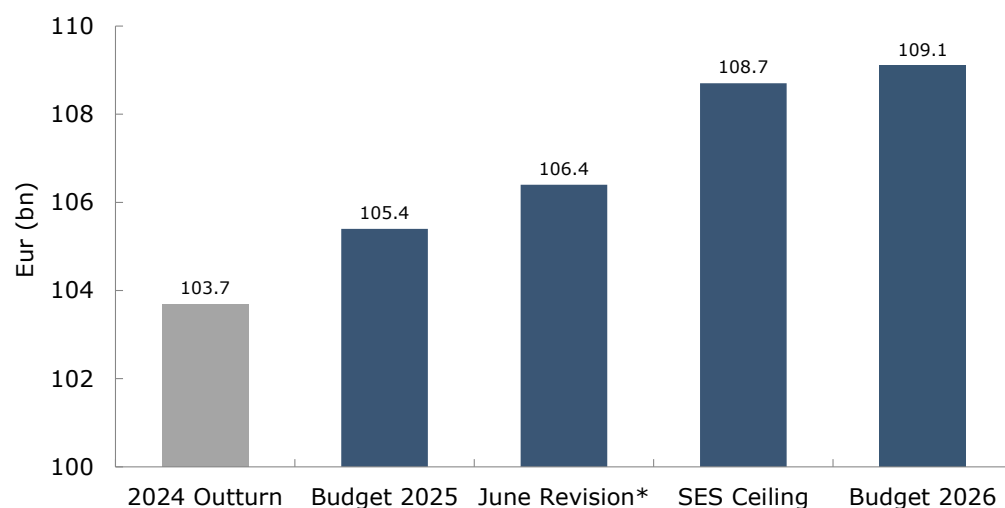


Source: DoF, Goodbody

Consistent with recent years, there has been an ongoing spending creep, as illustrated in the next chart that focuses on voted expenditure. The Summer Economic Statement (SES) expected gross voted expenditure in 2025 to be over €3bn higher than forecast in Budget 2025 at €108.7bn, made up of €91.6bn in current spending and €17.1bn in capital spending.

However, the latest estimate in Budget 2026 for spending in 2025 sees a further upward revision with the expenditure ceiling rising to €109.1bn, comprising €92.0bn in current and €17.1bn in capital. For context gross voted expenditure reached €50.9bn in H1 2025, up 8.2% yoy - well ahead of the 1.7% growth rate forecast for this year in the May 2025 Annual Progress Report (APR) by the Department of Finance. As noted recently by the Irish Fiscal Advisory Council (IFAC), this suggests that another overspend in 2026 is likely based on the recent record.

### Expenditure estimates for 2025 have been revised upward several times this year



Source: DoF, Goodbody

This follows significant expansion over recent years in both current and capital spending. From 2019 to 2024, gross voted current spending growth averaged 8.2% per annum. While this includes the necessary fiscal pump-priming during the pandemic, most of those increases have not been rowed back, risking a procyclical over-heating with the economy near full employment.

### Gross voted current expenditure growth in recent years

|                                     | 2019       | 2020       | 2021       | 2022       | 2023       | 2024       |
|-------------------------------------|------------|------------|------------|------------|------------|------------|
| <b>Total Current</b>                | 60,101,064 | 75,643,321 | 80,155,514 | 77,922,804 | 82,170,122 | 89,063,155 |
| <b>YoY %</b>                        | -          | 25.9%      | 6.0%       | -2.8%      | 5.5%       | 8.4%       |
| <b>Annual Growth Rate 2019-2024</b> |            |            |            |            |            |            |
| <b>Average annual growth rate</b>   | 8.6%       |            |            |            |            |            |
| <b>CAGR</b>                         | 8.2%       |            |            |            |            |            |

Source: DPER, Goodbody

Similar trends have been seen in capital spending, which has grown at an even faster pace. Gross voted capital spending has averaged 15.0% growth per annum between 2019 and 2024

### Gross voted capital expenditure growth in recent years

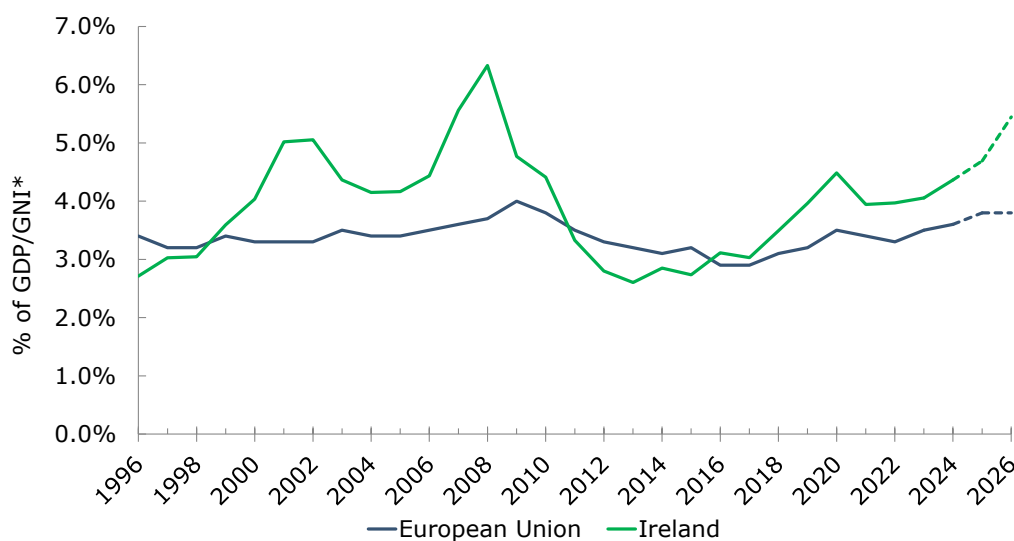
|                                     | 2019      | 2020      | 2021      | 2022       | 2023       | 2024       |
|-------------------------------------|-----------|-----------|-----------|------------|------------|------------|
| <b>Total Current</b>                | 7,164,222 | 9,101,590 | 9,666,293 | 10,941,569 | 12,691,790 | 14,408,788 |
| <b>YoY %</b>                        | -         | 27.04%    | 6.2%      | 13.2%      | 16.0%      | 13.5%      |
| <b>Annual Growth Rate 2019-2024</b> |           |           |           |            |            |            |
| <b>Average annual growth rate</b>   | 15.2%     |           |           |            |            |            |
| <b>CAGR</b>                         | 15.0%     |           |           |            |            |            |

Source: DPER, Goodbody

### Scale of ambition in capital investment is impressive

Recognising the importance of addressing Ireland's large infrastructure deficit, the government already laid out its ambition on capital spending as part of the recently published National Development Plan (NDP). This sets out a total planned public investment of €275bn over the next decade. €202bn of this will be by way of voted capital expenditure and €102bn has been allocated for the 2026-2030 period. For 2026, a total of €19.1bn has been allocated. This represents an 11.6% annual increase on the expected outturn for 2025. This will result in spending of c.5% of GNI\* out to the end of the decade. If achieved this would be the highest sustained level of capital spending ever in Ireland. The challenge now will be ensuring delivery by removing any of the blockages such as planning. The recommendations of the Delivering Infrastructure Taskforce, due in November, will be crucial in this regard and should include aspects such as the coordination of utilities, unblocking of funding and the speeding up of the planning process.

#### Government Investment as % of GDP/GNI\*



\*Ireland measured relative to GNI\*

Source: DoF, AMECO, Goodbody

### Debt levels continue to decline

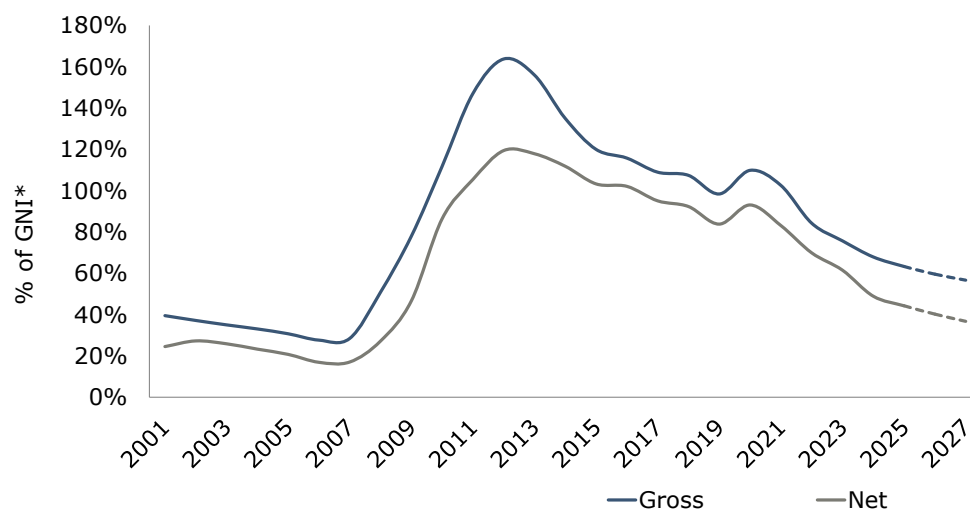
Measures of both gross and net debt are expected to continue to fall over the coming years. Gross debt is expected to fall to 59% of GNI\* at end-2026. Net debt excludes cash resources as well as the assets in both the Future Ireland Fund (FIF) and the Infrastructure, Climate and Nature Fund (ICNF). We estimate that the size of these funds could grow to €31bn (8% of GNI\*) by the end of 2027. On this basis, we expect net debt to fall to 40% of GNI\* in 2026 and to just 37% by the end of 2027.

#### Estimated value of Ireland's sovereign savings funds (€bn)

|                             | 2024        | 2025        | 2026        | 2027        |
|-----------------------------|-------------|-------------|-------------|-------------|
| <b>Accumulated value</b>    |             |             |             |             |
| FIF                         | 8.4         | 12.6        | 17.3        | 22.4        |
| ICNF                        | 2.0         | 4.0         | 6.1         | 8.2         |
| <b>Total</b>                | <b>10.4</b> | <b>16.6</b> | <b>23.5</b> | <b>30.7</b> |
| <b>Annual contributions</b> |             |             |             |             |
| FIF                         | 8.4         | 4.1         | 4.5         | 4.7         |
| ICNF                        | 2.0         | 2.0         | 2.0         | 2.0         |

Source: Goodbody, DoF FIF: Future Ireland Fund, ICNF: Infrastructure, Climate & Nature Fund, Above assumes 2% rate of return

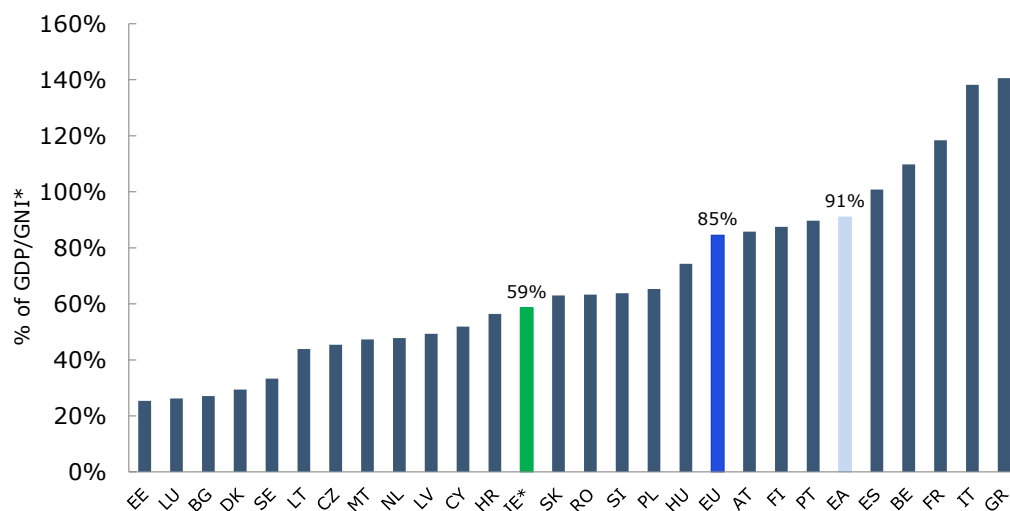
### Net government debt expected to fall below 40% of GNI\* in 2026



Source: Goodbody

Even with elevated levels of expenditure in recent years Ireland's fiscal position relative to the rest of Europe has improved. While we do not have data for a comparison of net debt, gross debt in Ireland is now well below the EU and euro area averages of 85% and 91% respectively.

### Gross general government debt across Europe - 2026F



\* Ireland measured relative to GNI\* \*\*Spring 2025 AMECO forecasts for Europe

Source: DoF, AMECO, Goodbody

### Fiscal Forecasts for Ireland

|                                               | 2023         | 2024         | 2025F        | 2026F        | 2027F        |
|-----------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Budget balance (Eur m)                        | 7,900        | 23,180       | 8,397        | 6,148        | 5,266        |
| Budget Balance (% of GDP)                     | 1.5%         | 4.5%         | 1.3%         | 1.0%         | 0.9%         |
| <b>Budget Balance (% of GNI*)</b>             | <b>2.7%</b>  | <b>7.2%</b>  | <b>2.5%</b>  | <b>1.7%</b>  | <b>1.4%</b>  |
| <b>Underlying* budget balance (% of GNI*)</b> | <b>-1.1%</b> | <b>-1.7%</b> | <b>-1.8%</b> | <b>-3.2%</b> | <b>-3.5%</b> |
| General Government Debt (Euro m)              | 220,720      | 217,713      | 215,671      | 214,488      | 215,445      |
| General Government Debt (% of GDP)            | 42%          | 39%          | 34%          | 36%          | 36%          |
| Debt/GNI*                                     | 76%          | 68%          | 63%          | 60%          | 57%          |
| <b>Net Debt/GNI*</b>                          | <b>62%</b>   | <b>49%</b>   | <b>44%</b>   | <b>40%</b>   | <b>37%</b>   |

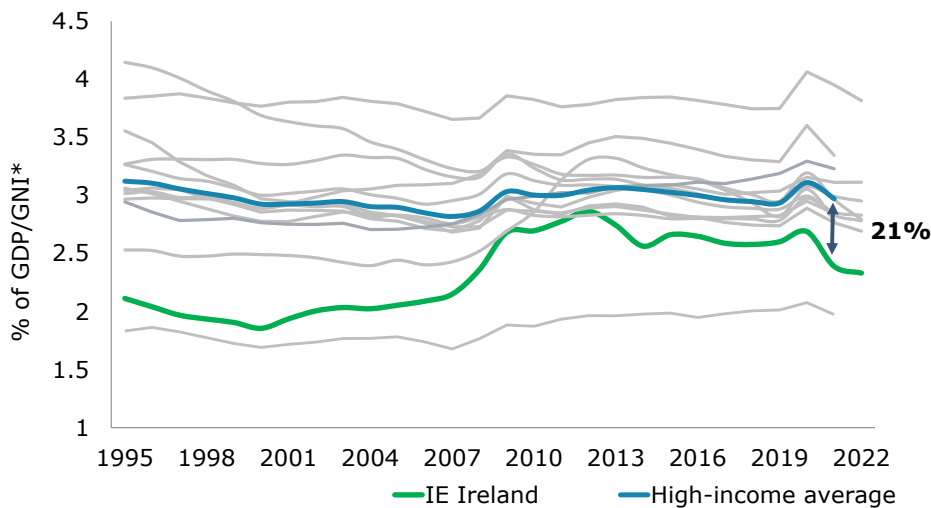
\*excluding windfall corporation tax

Source: Goodbody, CSO, DoF

## A “Decade of Delivery” for infrastructure is required

While numerous international risks remain for Ireland, we believe they are moderating. For Ireland to continue to its superior growth trajectory into the medium-term, it must deliver on very significant improvements to its domestic infrastructure. The scale of the current infrastructure deficit has been documented by important work by the Irish Fiscal Advisory Council (IFAC). As illustrated below, it is estimated that Ireland’s net capital stock is 21% below the high-income average. While there was a period of catch during the 2000s and early 2010s, Ireland’s capital stock, relative to economic output (GNI\*) fell over the past decade, while the high-country average remained stable. Ireland’s capital stock failed to keep pace with the growth that the economy has experienced.

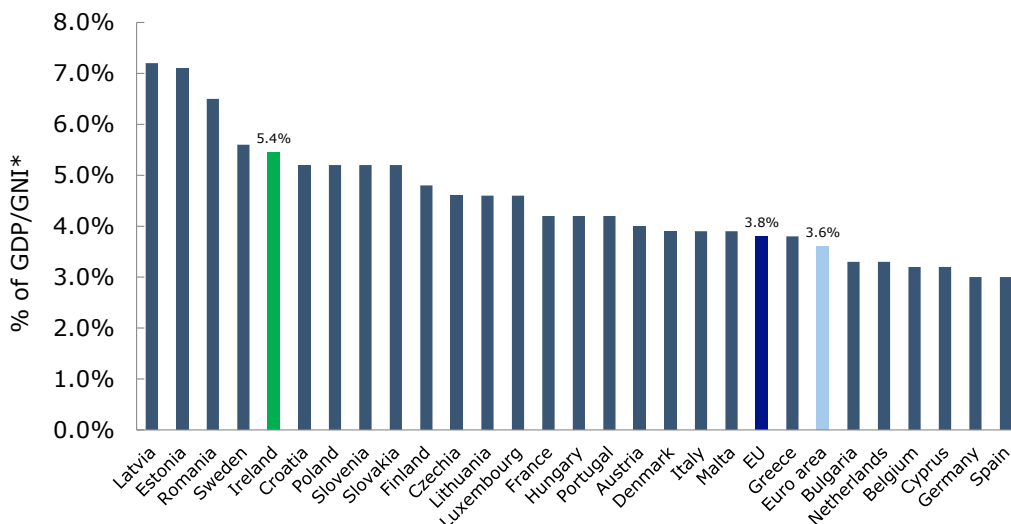
### Real net capital stock relative to GNI\* - Ireland lagging



Source: IFAC

To close this deficit, a “decade of delivery” in infrastructure is required. The recent National Development Plan (NDP) and Budget 2026 provides for an ambitious level of spending, amounting to over 5% of GNI\* out to 2030, with spending amounting to 5.4% of GNI\* in 2026. While the spending envelope has been set out, we await details of the specific projects. Ireland is in a fortunate position of having the fiscal resources to spend on domestic infrastructure. However, the record of delivery has been disappointing over recent years. Addressing institutional shortfalls such as planning will likely be a key focus of the imminent findings of the “Accelerating Infrastructure Group” set up by Minister Chambers.

### Government investment as a % of GDP – 2026F



Source: DoF, AMECO, Goodbody GNI\* used for Ireland

## Private credit growth continues to pick up

There has been a broad-based pick up in lending activity across mortgages, consumer and, to a lesser extent, nonfinancial corporates (NFCs) over recent quarters. Mortgages continue to make up the largest portion of Irish banks' loan books. Mortgage lending grew by 4.9% yoy in August 2025, boosted by ongoing demand from First-time Buyers (FTBS). This reflects the fastest pace of growth since May 2009. Similar strength has been seen in consumer credit, up 7.0% YoY in August. Within this, the BPF report strong growth in all types of *new* personal lending in Q1 – auto finance (+25% yoy), home improvements (+19% yoy) and other (+28% yoy). Strong disposable income trends continue to contribute here.

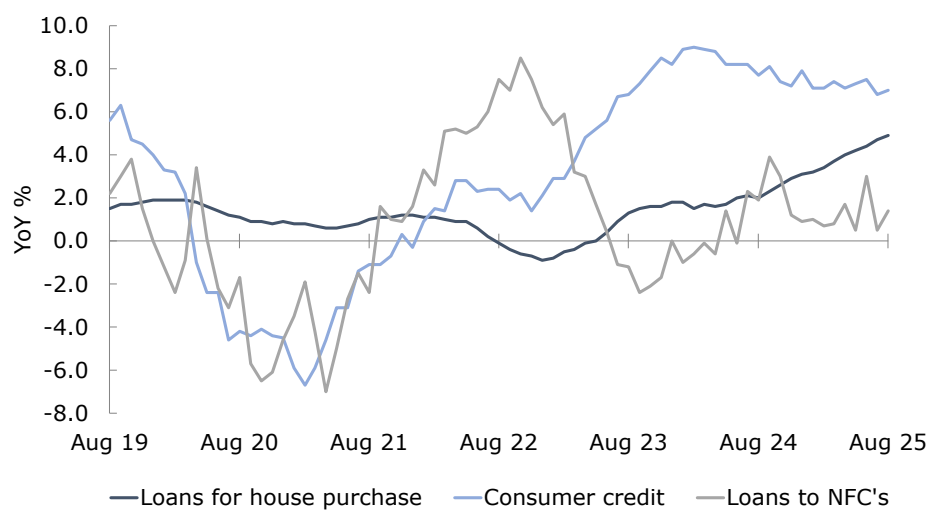
The latest trends in credit and deposits in Ireland are illustrated in the table below:

| Irish Banking Trends - August 2025 |                  |  |         |
|------------------------------------|------------------|--|---------|
|                                    | Outstanding (€m) |  | YoY (%) |
| Credit                             | 158,544          |  | 5.1%    |
| Households                         | 110,719          |  | 4.5%    |
| Mortgage                           | 91,739           |  | 4.9%    |
| Consumer                           | 14,041           |  | 7.0%    |
| Other                              | 4,938            |  | -7.1%   |
| NFC                                | 29,220           |  | 1.4%    |
| Deposits                           | 328,509          |  | 5.0%    |
| Households                         | 168,086          |  | 6.8%    |
| Overnight                          | 142,945          |  | 3.6%    |
| <2 Year                            | 16,646           |  | 44.7%   |
| >2 Year                            | 1,220            |  | 7.4%    |
| Other                              | 7,274            |  | 7.7%    |
| NFC                                | 84,343           |  | 2.2%    |

*\*Figures may not sum to total due to exclusion of: Insurance corporations and Pension funds/Other financial intermediaries/Non-MMF investment funds*

Source: Central Bank, Goodbody

## Annual lending growth rates by segment

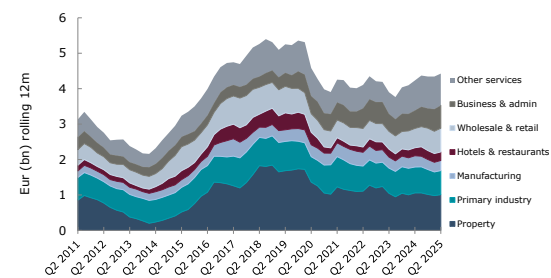


Source: Central Bank, Goodbody

### SME new lending at a five-year high

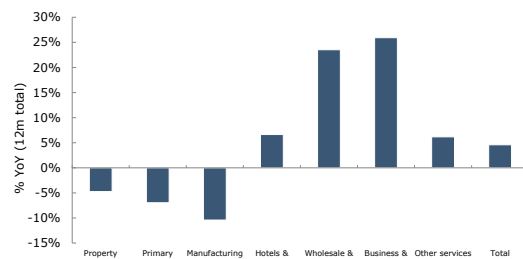
Among businesses, there has been a modest pick-up in new lending to SMEs over the past twelve months. Over the twelve months to Q2 2025, new SME lending amounted to €4.4bn, the highest since early 2020. The biggest contributors to this trend are in wholesale and retail (specifically the auto trade) and business and administrative service sectors. Property remains the biggest single component of SME lending, but remained relatively subdued in H1.

**SME New lending rises to five-year high...**



Source: Goodbody

**...led by autos & business sectors**



Source: Goodbody

## Appendix

### Main IP-related tax changes in the US

This is because the OBBBA alters (i) R&D treatment and (ii) 10% hurdle rate.

- i) The OBBBA enables the exclusion of R&D expenses from the income calculation, significantly boosting the amount of income eligible for tax deductions, benefiting in particular firms with substantial R&D investments (*such as those in Ireland*) compared to the TCJA framework.
- ii) The OBBBA removes a 10% hurdle rate, known as the Deemed Tangible Income Return (DTIR)<sup>9</sup>. The DTIR is subtracted from eligible income to arrive at foreign-derived intangible income. By eliminating the DTIR, the OBBBA further increases the income eligible for preferential tax treatment, particularly benefiting asset-heavy industries like pharmaceuticals and data centres (*such as those in Ireland*) compared to the prior TCJA framework.

#### Illustrative example of the effects of FDII on effective tax rates under the TCJA 2017

The reconciliation of federal statutory income tax rate to [Alphabet's] effective income tax rate was as follows (in percentages):

|                                             | Year Ended December 31, |              |              |
|---------------------------------------------|-------------------------|--------------|--------------|
|                                             | 2022                    | 2023         | 2024         |
| U.S. federal statutory tax rate             | 21.0%                   | 21.0%        | 21.0%        |
| Foreign income taxed at different rates     | 3.0                     | 0.3          | 0.5          |
| Foreign-derived intangible income deduction | (5.4)                   | (4.6)        | (3.8)        |
| Stock-based compensation expense            | (1.2)                   | (0.8)        | (1.5)        |
| Federal research credit                     | (2.2)                   | (1.8)        | (1.5)        |
| Deferred tax asset valuation allowance      | 0.9                     | 0.6          | 0.4          |
| State and local income taxes                | 0.8                     | 1.0          | 1.1          |
| Effect of tax law change                    | 0.0                     | (1.4)        | 0.0          |
| Other                                       | (1.0)                   | (0.4)        | 0.2          |
| <b>Effective tax rate</b>                   | <b>15.9%</b>            | <b>13.9%</b> | <b>16.4%</b> |

\*In 2023, the IRS issued a rule change allowing taxpayers to temporarily apply the regulations in effect prior to 2022 related to U.S. federal foreign tax credits as well as a separate rule change with guidance on the capitalisation and amortisation of R&D expenses. A cumulative one-time adjustment for these tax rule changes was recorded in 2023.

Source: Company Filings (10-K), Goodbody

From the above filing we can see that between 2022 and 2024 Alphabet (Google) was able to reduce its effective tax rate by between c. 5-4% solely through the 'Foreign-Derived Intangible Income Deduction' or as we known it FDII – highlighting the key role this measure has played in multinational tax planning. Next we provide an indicative example of the financial impact of the transition from FDII to FDDEI under the OBBBA:

<sup>9</sup> The TCJA had previously imposed a hurdle rate, known as the Deemed Tangible Income Return (DTIR), calculated as 10% of the average tax basis of a company's tangible property.

**Illustrative Example of eligible income under TCJA (FDII) and OBBBA (FDDEI)**

| Line | Item                                              | Calculation    |       | TCJA 2017 | OBBBA    |
|------|---------------------------------------------------|----------------|-------|-----------|----------|
| 1    | Gross Income                                      |                |       | \$ 6,000  | \$ 6,000 |
| 2    | Applicable Deductions Before R&D Expense          |                |       | \$ 500    | \$ 500   |
| 3    | R&D Expense                                       |                |       | \$ 500    | \$ 500   |
| 4    | Taxable Income                                    | 1 - (2+3)      |       | \$ 5,000  | \$ 5,000 |
| 5a   | Deduction Eligible Income (DEI)                   | 1 - (2+3)      | TCJA  | \$ 5,000  |          |
| 5b   | Deduction Eligible Income (DEI)*                  | 1 - 2          | OBBBA |           | \$ 5,500 |
| 6    | Qualified Business Asset Investment (QBAI)        |                |       | \$ 10,000 |          |
| 7    | Deemed Tangible Income Return (DTIR)**            | 6 * (10%)      |       | \$ 1,000  |          |
| 8    | Deemed Intangible Income (DII)                    | 5a - 7         |       | \$ 4,000  |          |
| 9    | Ratio of Foreign-Derived DEI to DEI               |                |       | 80%       | 80%      |
| 10a  | Foreign-Derived Intangible Income (FDII)          | 8 * 9          | TCJA  | \$ 3,200  |          |
| 10b  | Foreign-Derived Deduction Eligible Income (FDDEI) | 5b * 9         | OBBBA |           | \$ 4,400 |
| 11a  | Deduction for FDII (37.5%)                        | 10a * (37.5%)  | TCJA  | \$ 1,200  |          |
| 11b  | Deduction for FDDEI (33.34%)                      | 10b * (33.34%) | OBBBA |           | \$ 1,467 |
| 12a  | Taxable Income post FDII                          | 4 - 11a        | TCJA  | \$ 3,800  |          |
| 12b  | Taxable Income post FDDEI Deduction               | 4 - 11b        | OBBBA |           | \$ 3,533 |
| 13a  | US Corporate Tax Rate (21%)                       | 11a * (21%)    | TCJA  | \$ 798    |          |
| 13b  | US Corporate Tax Rate (21%)                       | 11b * (21%)    | OBBBA |           | \$ 742   |
| 14   | Effective Tax Rate                                | 13 / 4         |       | 15.96%    | 14.84%   |

\* R&D no longer subtracted from DEI under OBBBA

\*\* DTIR removed under OBBBA

Source: Goodbody

Secondly, while FDII/FDDEI gives US firms a deduction on income earned from foreign sales, under GILTI, U.S. companies received a 50% deduction on foreign income, meaning they paid U.S. tax on only half of it - resulting in an effective tax rate (ETR) of 10.5% (50% x 21% corporate tax rate). Starting in 2026, under the new NCTI measure, the 10% exemption for tangible assets (QBAI<sup>10</sup>) is removed and the Section 250 deduction is reduced from 50% to 40%. As such U.S. firms now pay U.S. tax on 60% of foreign income, raising the effective rate to 12.6% (60% x 21% corporate tax rate). At the same time, the foreign tax credit, which allows firms to offset U.S. taxes with taxes paid abroad, increases from 80% to 90%, meaning firms can now use a larger portion of their foreign tax credits (FTCs) to reduce their U.S. tax bill. Crucially however they must pay at least 14% in foreign tax (up from 13.125%) to fully avoid additional U.S. tax on that income, reflecting the new 12.6% U.S. effective rate and the 90% creditability threshold under the OBBBA;  $12.6\% \div 90\% = 14\%$ .

**How U.S. Taxes on Foreign Profits Change Under OBBBA (NCTI) vs TCJA 2017 (GILTI)**

|              | Foreign ETR               | 14.0%     | 13.125%     | 10.0%       | 5.0%        | 0.0%        |
|--------------|---------------------------|-----------|-------------|-------------|-------------|-------------|
| Old<br>GILTI | FTC (TCJA, 80%)           | 11.2%     | 10.5%       | 8.0%        | 4.0%        | 0.0%        |
|              | U.S. ETR (TCJA 2017)      | 0%        | 0%          | 2.5%        | 6.5%        | 10.5%       |
| New<br>NCTI  | FTC (OBBBA, 90%)          | 12.6%     | 11.8%       | 9.0%        | 4.5%        | 0.0%        |
|              | U.S. ETR (OBBBA)          | 0%        | 0.8%        | 3.6%        | 8.1%        | 12.6%       |
| <b>Δ</b>     | <b>Increase in US ETR</b> | <b>0%</b> | <b>0.8%</b> | <b>1.1%</b> | <b>1.6%</b> | <b>2.1%</b> |

FTC = Foreign ETR x Creditability Rate (80% for TCJA, 90% for OBBBA)

Residual US Tax = US ETR - FTC

Source: Congress.gov; Goodbody

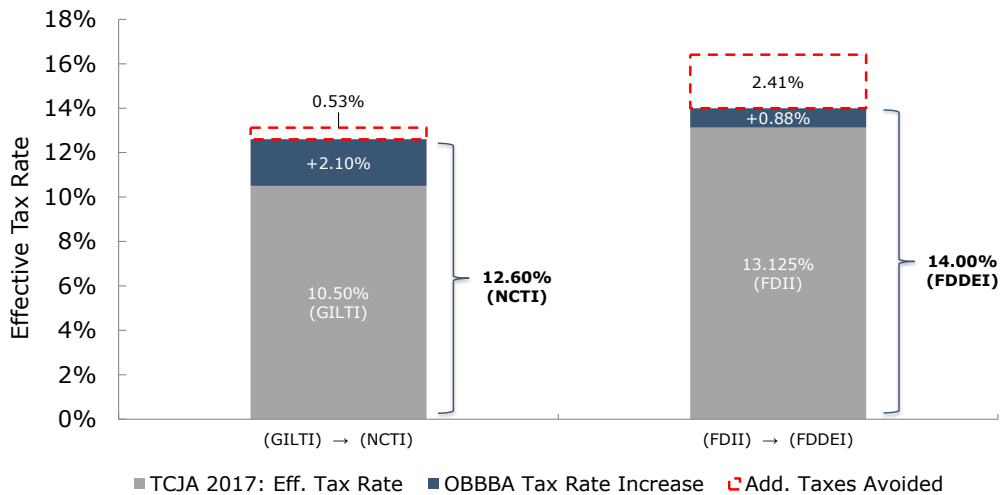
In short under the OBBBA, the higher FTC creditability (90%) helps offset more foreign tax, but the higher U.S. effective rate (12.6%) means firms must pay at least 14% foreign tax to fully eliminate U.S. tax.

- For example, under the TCJA 2017 a firm paying a foreign ETR of 10% would have faced additional US tax of 2.5%, because the FTC is equal to:  $10\% \times 80\% = 8\%$  and the Residual U.S. tax is equal to  $10.5\% - 8\% = 2.5\%$
- Conversely, now under OBBBA the same firm would face additional US tax of 3.6%, because the FTC is equal to:  $10\% \times 90\% = 9\%$  and the Residual U.S. tax is equal to  $12.6\% - 9\% = 3.6\%$

<sup>10</sup> Qualified Business Asset Investment (QBAI)

It should be noted here that the OBBBA actually benefitted Ireland in that it avoided the 'sunsetting' of the TCJA 2017 tax cuts which would have expired in 2026 and seen the relevant tax rates rise to the top of the red dotted sections illustrated below; consequently, OBBBA saved firms 0.53% on the revamped NCTI (prev. GILTI) and 2.41% on the newly minted FDDEI (prev. FDII), helping Ireland maintain its position as an attractive destination for FDI.

#### Changes in effective tax rates; NCTI & FDDEI



Source: Whitehouse.gov; Congress.gov; Goodbody



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