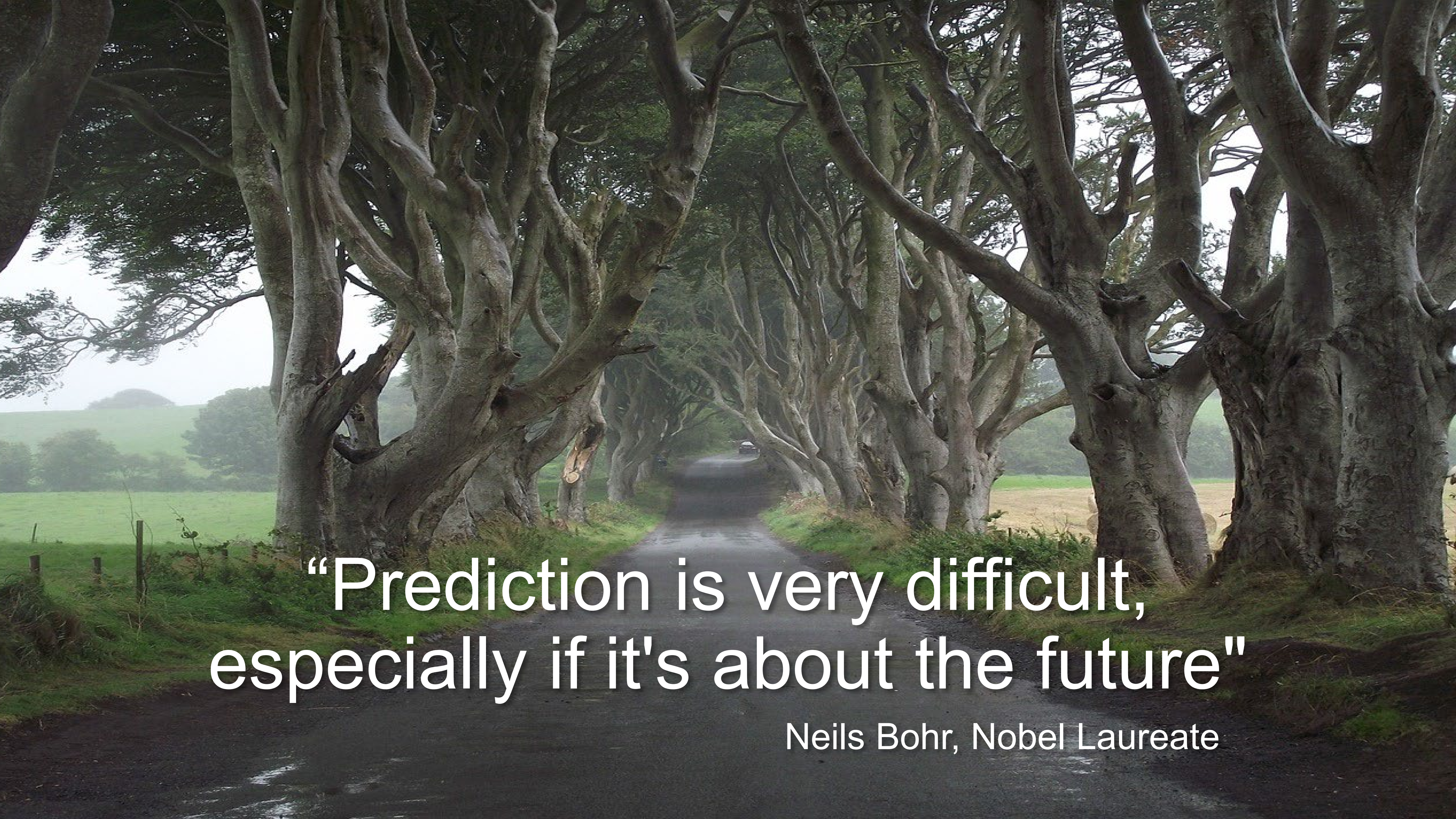
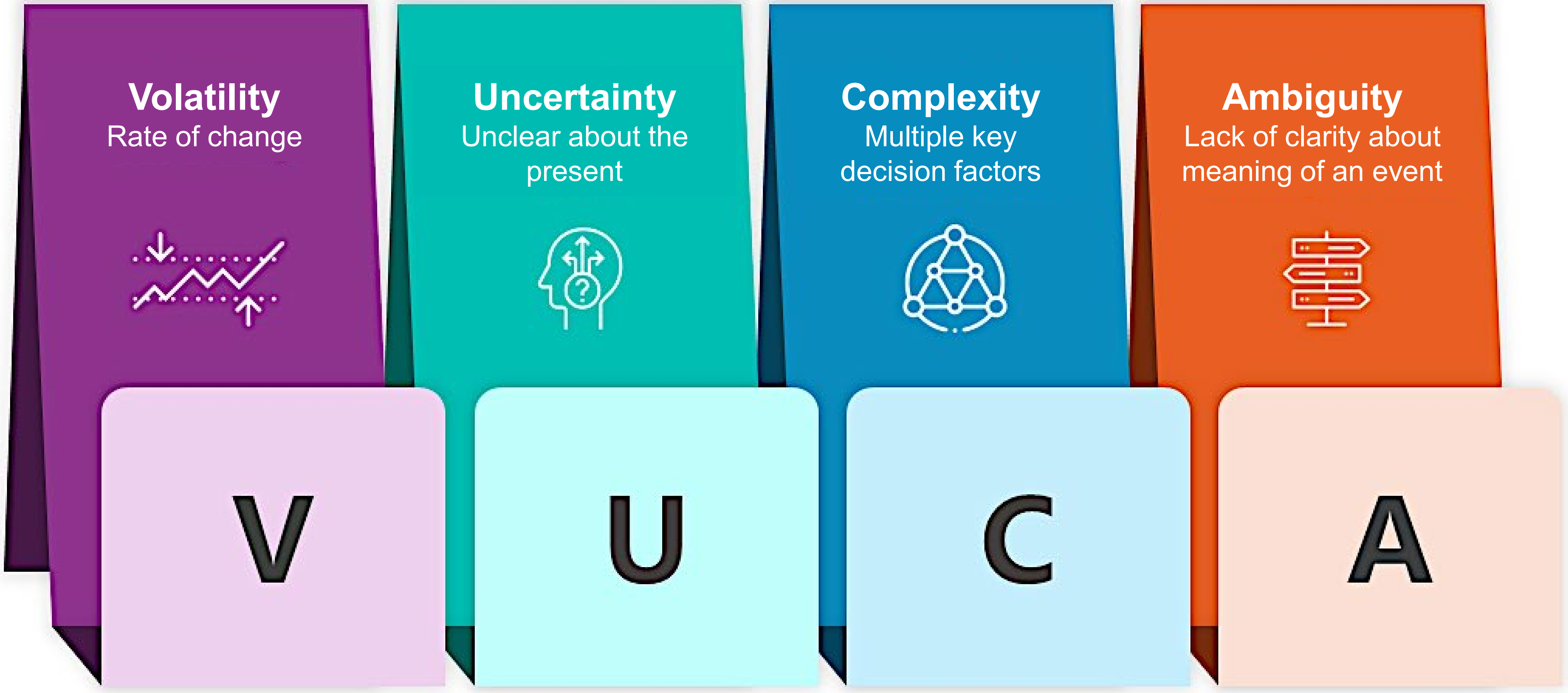
Outlook for the Global Economy & Ireland

Joe Nellis CBE, Professor of Global Economy


“Prediction is very difficult,
especially if it's about the future"
Neils Bohr, Nobel Laureate


Globally

A VUCA-dominated world!

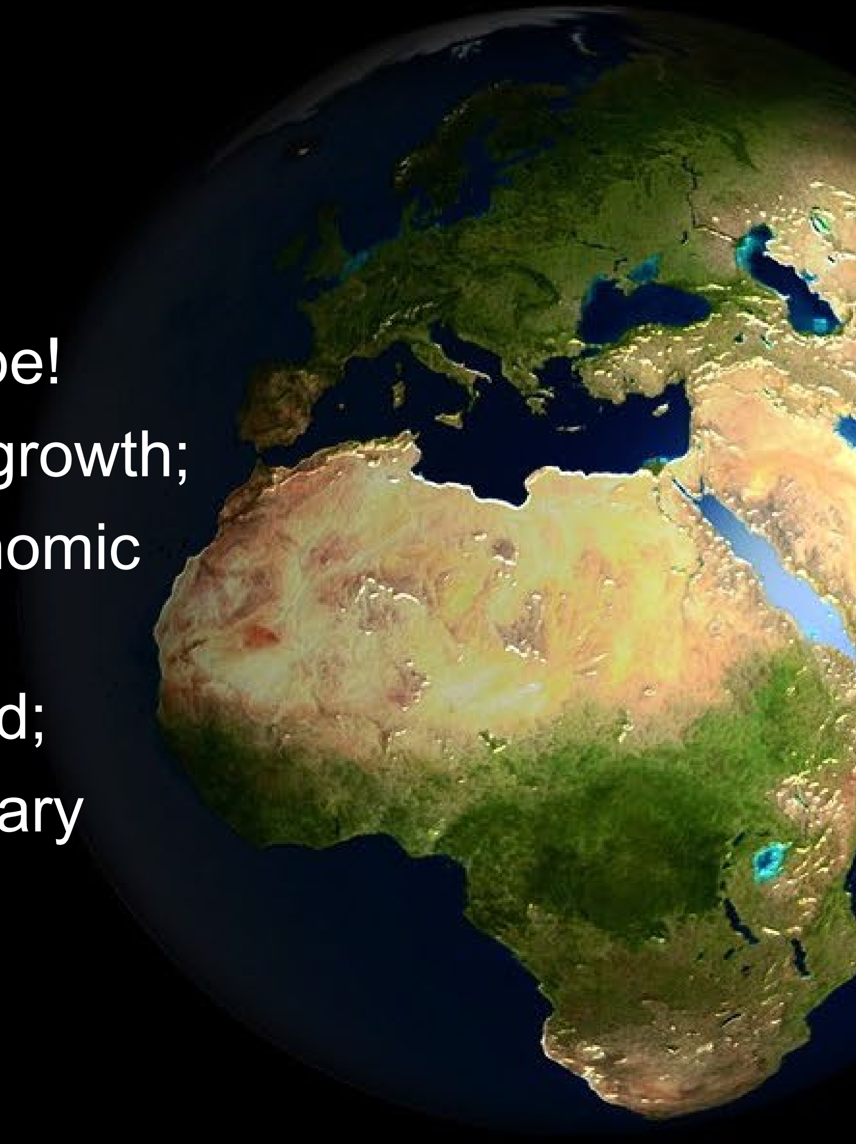


Key risks causing VUCA

- Global economic fragility;
- Geopolitical instability;
- Social instability.

Global economy update

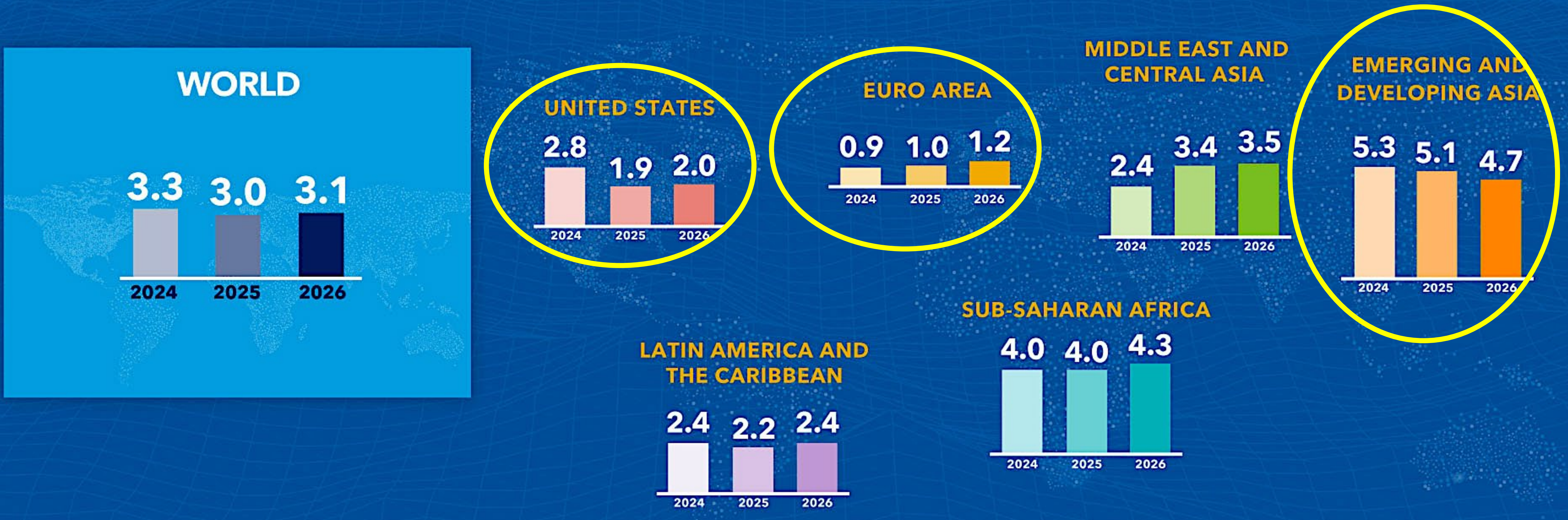
- The global economy is navigating a complex landscape!
- Heightened trade tensions have negatively impacted growth;
- Business caution and cost-cutting in response to economic uncertainties;
- Inflation is proving to be more persistent than expected;
- Central banks adopting a cautious approach to monetary policy;
- Elevated debt levels, especially public sector.



WORLD ECONOMIC OUTLOOK UPDATE JULY 2025

GROWTH PROJECTIONS BY REGION

(REAL GDP GROWTH, PERCENT CHANGE)

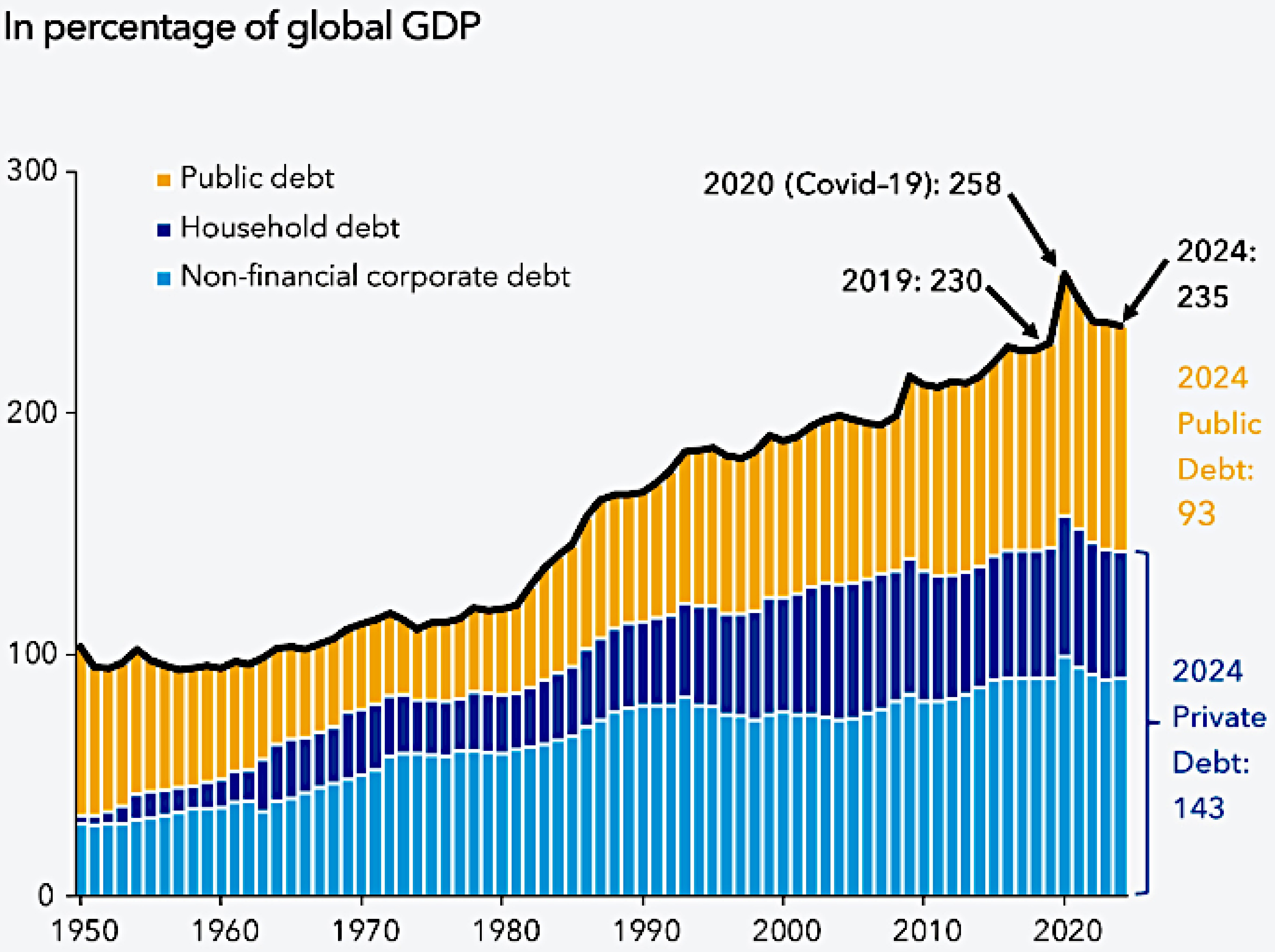


IMF.org/pubs

Source: IMF, *World Economic Outlook Update*, July 2025.

Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

Global debt… stabilizing?



Source: IMF 2025 Global Debt Database

Growth prospects

- **Global GDP**: Expected to grow around 3.0-3.1% in 2025 and 2026;
  - Services demand offsetting weaker trade and manufacturing output.
- **USA:** Growth moderating to around 2% as consumer spending cools.
- **Eurozone:** Gradual but slow recovery, led by Germany’s industrial rebound.
- **China:** Growth slowing to just over 4%;
  - Property-sector stress and weakening external demand.
- **Emerging markets:** Growth near 4%, with India leading at over 6% pa.

Inflation prospects

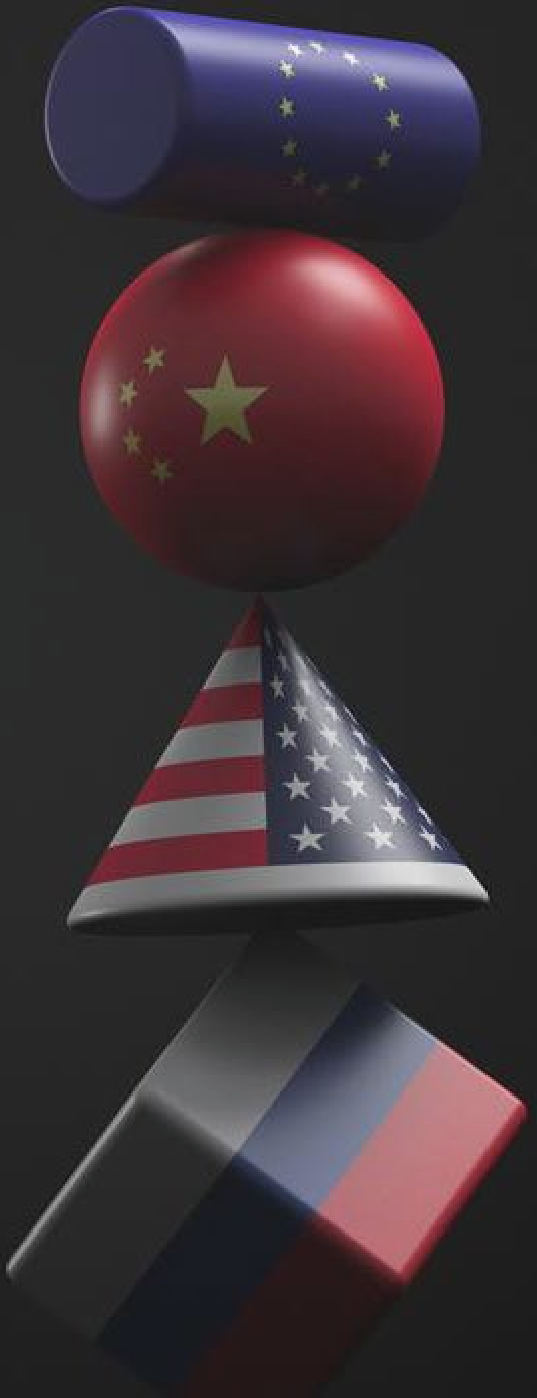
- **Global CPI:** Gradually trending lower but remains above pre-pandemic averages, falling to around 3% in 2026 as growth slows.
- **USA:** Headline CPI at around 2.5-2.8%, with services inflation sticky.
- **Eurozone:** On target at 2%, aided by lower energy price inflation.
- **UK:** Highest in G7 at 3.8-4.0%, due to wage growth and services prices.
- **Emerging markets:** Mixed picture – LatAm inflation falling but Turkey & Argentina outliers at around 33%.

Geopolitical instability

- Resource competition
- Technological threats
- Environmental challenges

    - Reshaping international relations!
    - Erosion of USA global leadership
    - Creating an immense power vacuum

        - The rise of a multipolar world!



Changing ‘Spheres of Influence’

Implications for future:

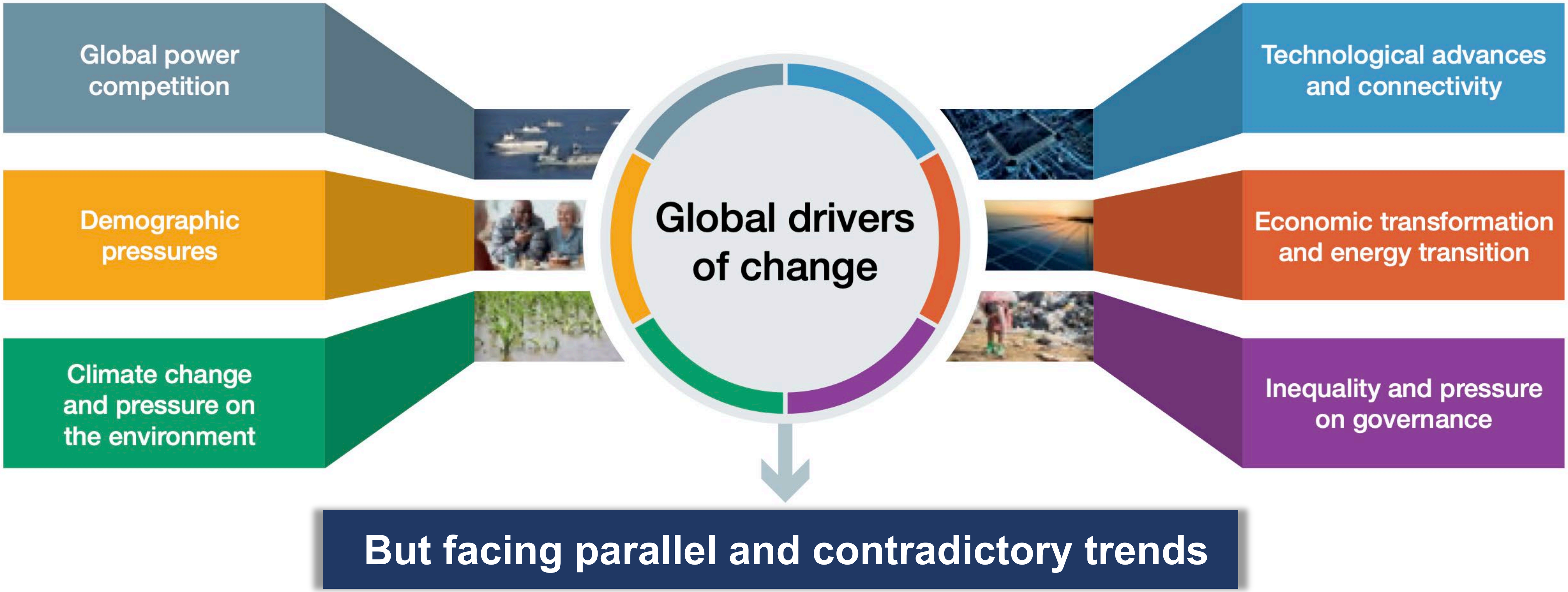
Balance of power? Trade relationships?

Social instability

- Growing global population;
- Aging populations;
- Increased income inequalities.

- Migration;
- Rise of populism.

Global drivers of change



Source: MoD: Global Strategic Trends Out to 2055 (2024)

Five parallel and contradictory trends

Increasing interconnectivity
V
Fragmentation

Cooperation
V
Confrontation

Innovation
V
Stagnation

Growing authoritarianism
V
Demands for democracy

Expanding roles of states
V
State fragility & instability

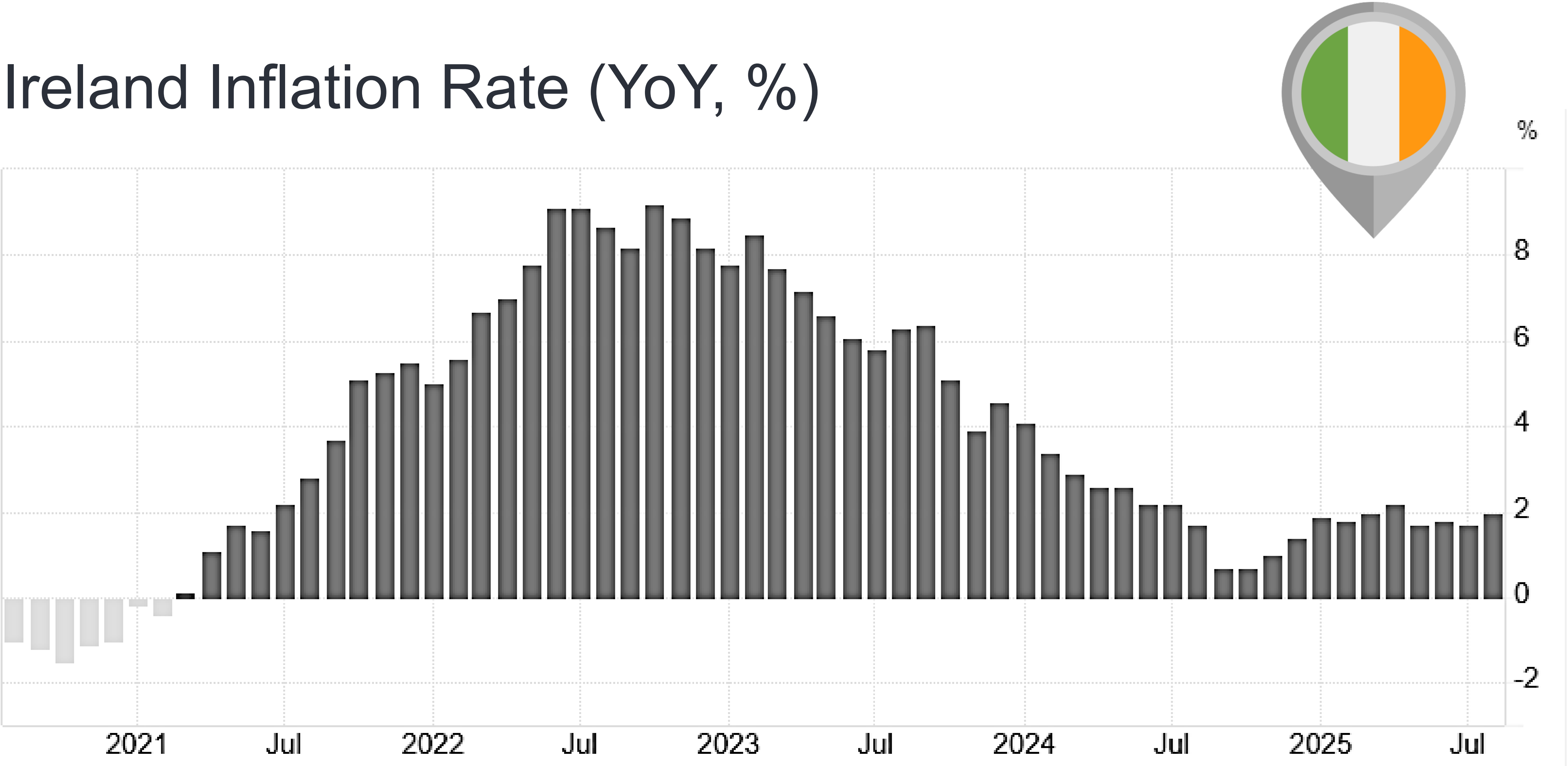
Ireland


North Sea
UNITED KINGDOM
IRELAND
Birmingham
London
NETHERLANDS
BELGIUM
LUXEMBOURG
GERMANY
CZECH REP.
Paris
FRANCE
LIECHTENSTEIN
SWITZERLAND
AUSTRIA
SLOVENIA
Milan
Venice
Bay of Biscay

Outlook for Ireland

- Strong GDP growth, but export driven:
  - Around 3.5% in 2025, dropping to 2.5% in 2026;
  - As export momentum moderates.
- Modified domestic demand remains key driver:
  - At around 2.2 – 2.4% annually over next few years
  - Rising real incomes supporting consumer spending
- Inflation cooling down – around 1.5% in 2026:
  - But persistent food and services inflation.

Ireland Inflation Rate (YoY, %)



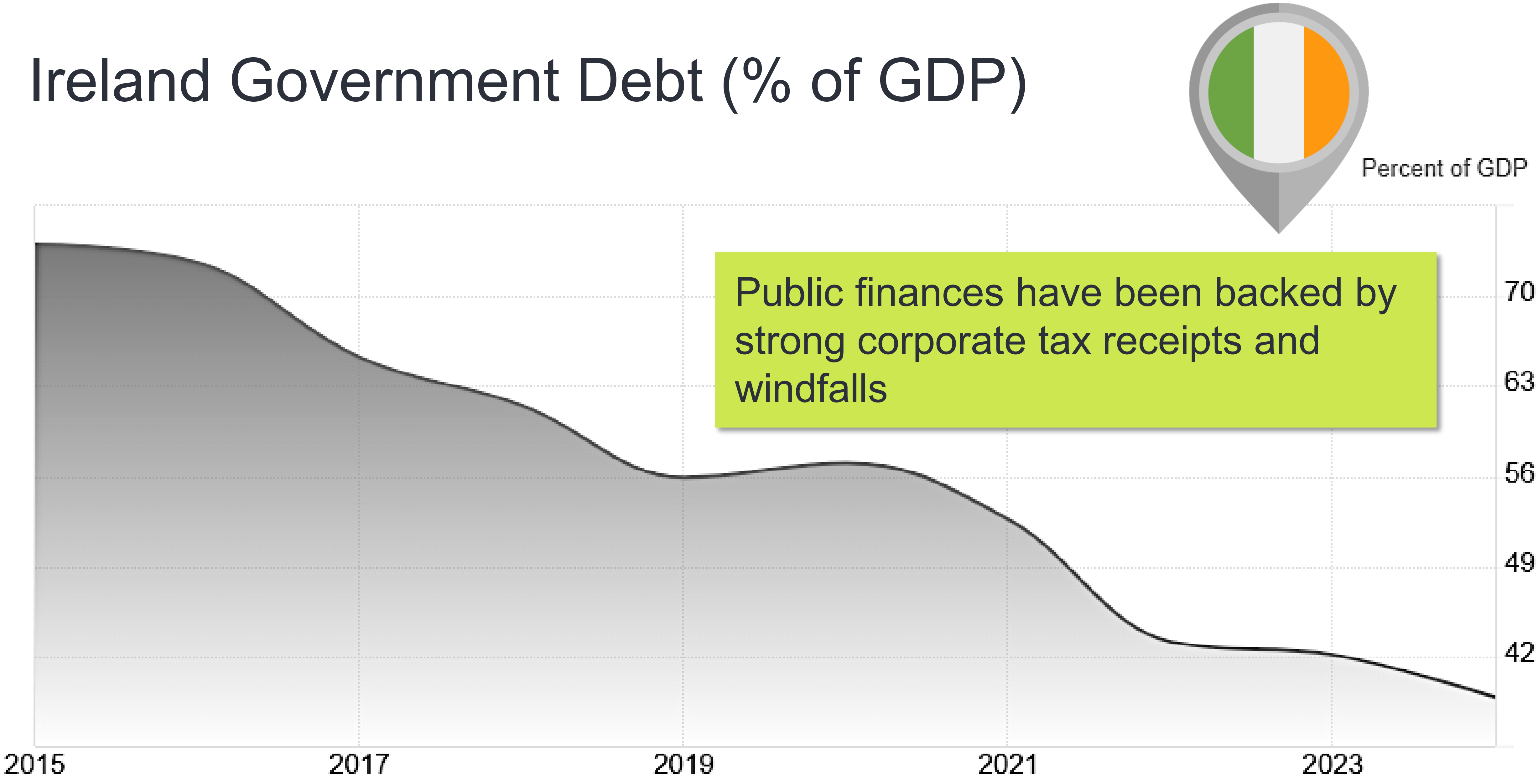
Source: Central Statistics Office Ireland

Outlook for Ireland

- Surge in infrastructure investment:
  - Tackling deficits in housing, transport, water etc.
  - 'Investment is the Engine of Growth'

- Strong public finances:
  - Boosted by corporate tax receipts;
  - But risk of over reliance on multinational firms!

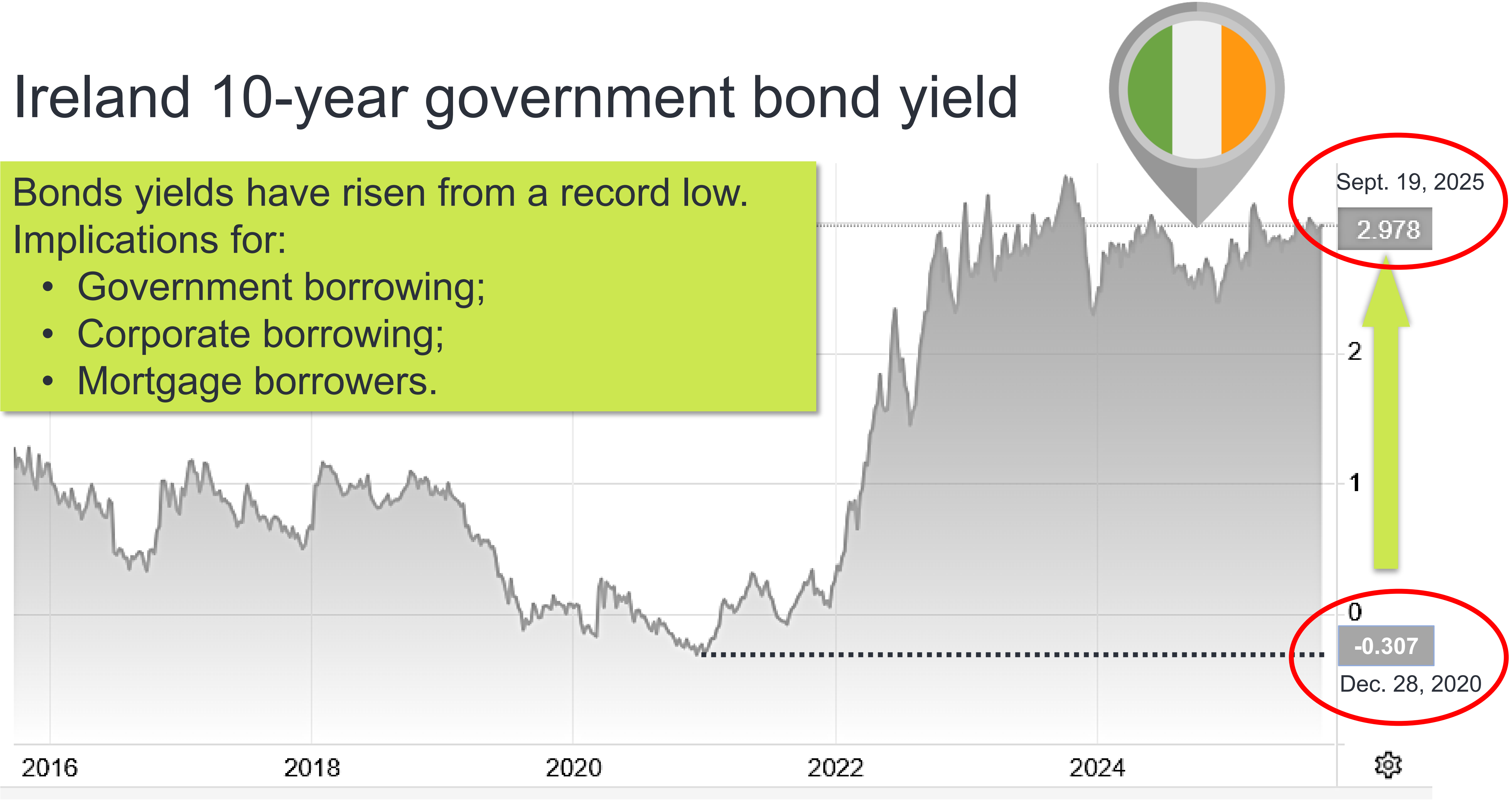
Ireland Government Debt (% of GDP)



Source: Central Statistics Office Ireland

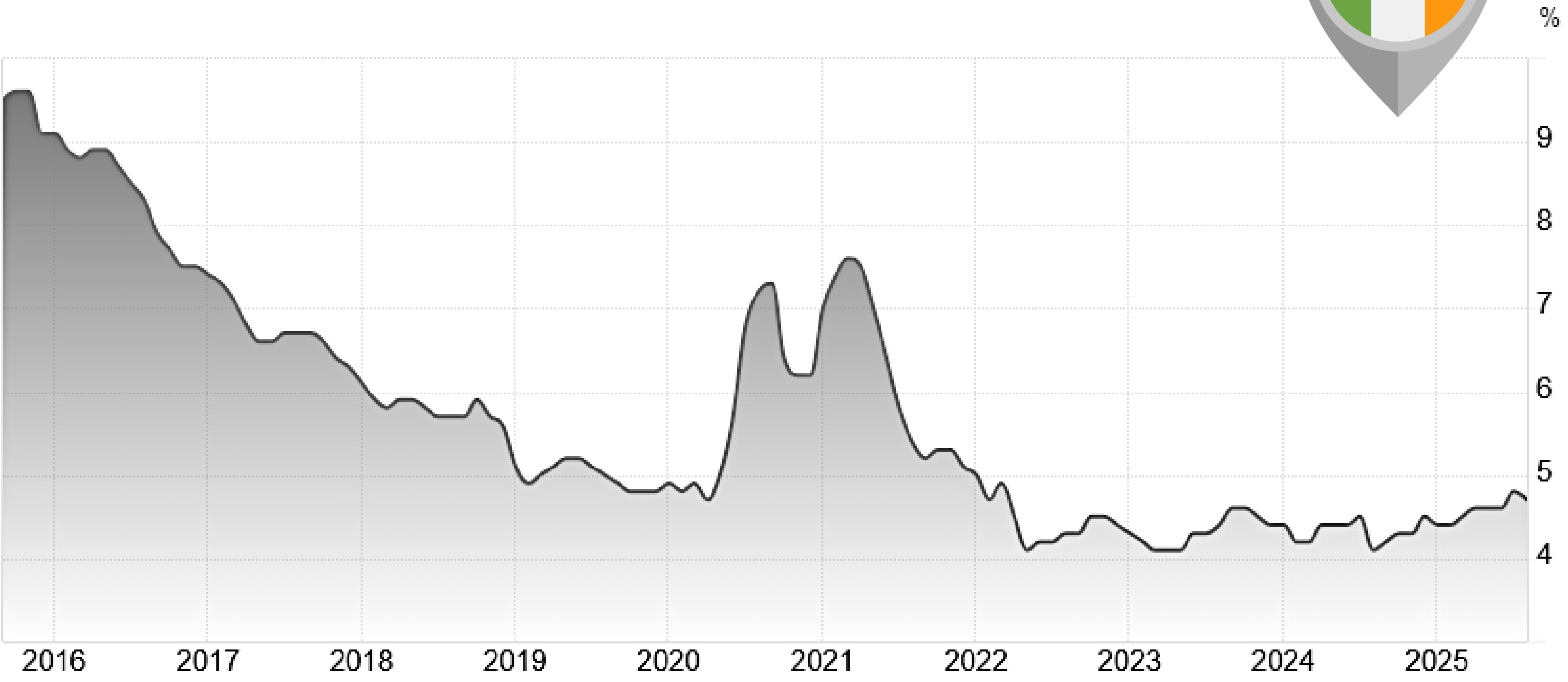
Ireland 10-year government bond yield

Bonds yields have risen from a record low.
Implications for:
- Government borrowing;
- Corporate borrowing;
- Mortgage borrowers.



Source: Trading Economics

Ireland unemployment rate (%)



Source: Central Statistics Office Ireland

Key risks for Ireland

- Global trade and multinational exposure;
- Housing supply shortfall;
- Corporate tax revenue volatility;
- Domestic consumption cooling;
- Energy and climate change transition costs;
- Eurozone / ECB policy shifts.

And Finally….

Opportunities for Ireland (2025 - 2030)

- Digital exports and tech services;
- Infrastructure Investment (housing / transport);
- Green transition and renewables;
- Life sciences and pharma expansion;
- Education and skills upskilling;
- Financial services hub growth.