



Budget 2026: Macro Outlook

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Three themes today



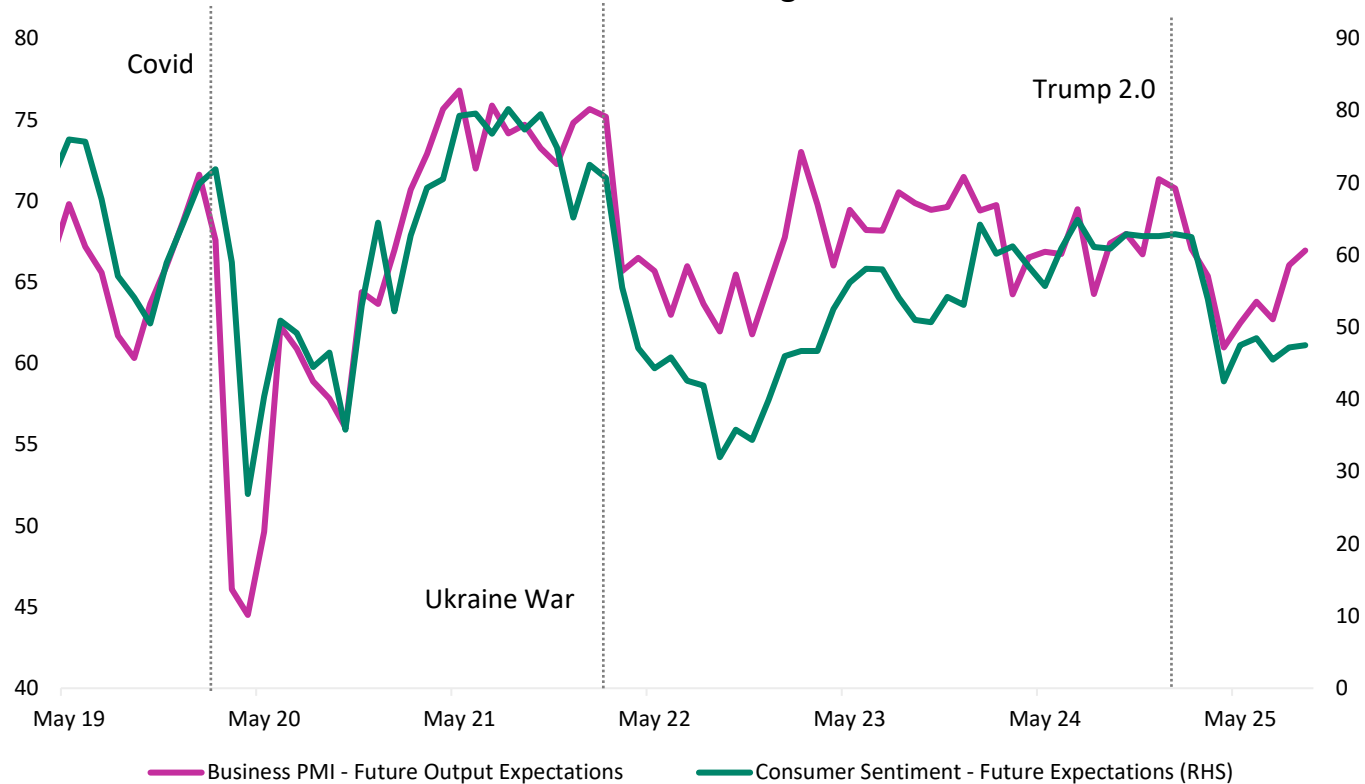
1. Global Macro backdrop - **uncertain**
2. Irish economy – **resilience**
3. Budget 2026 – **prudence?**



Global Macro – Tariff uncertainty

Uncertainty has dampened our collective mood..

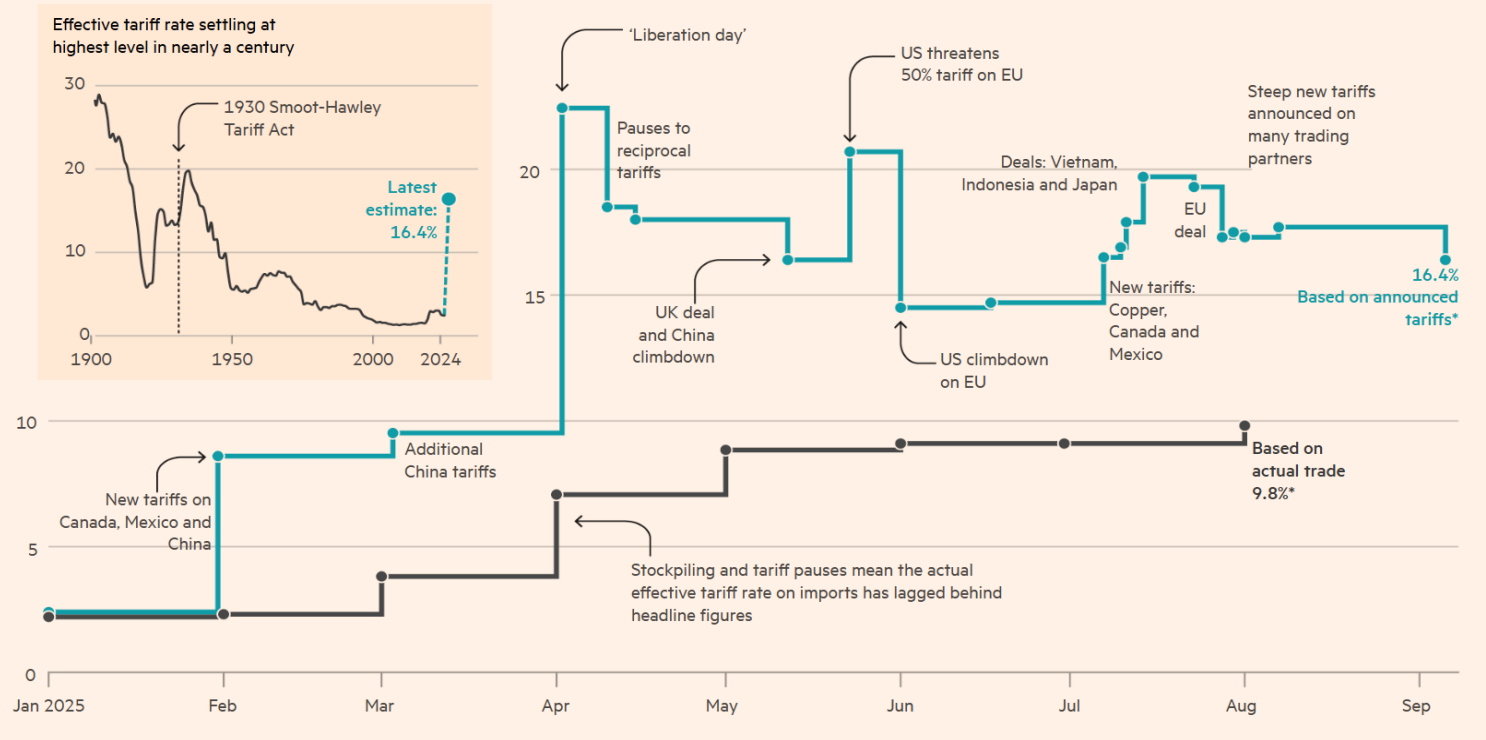
Firms and households have a gloomier outlook



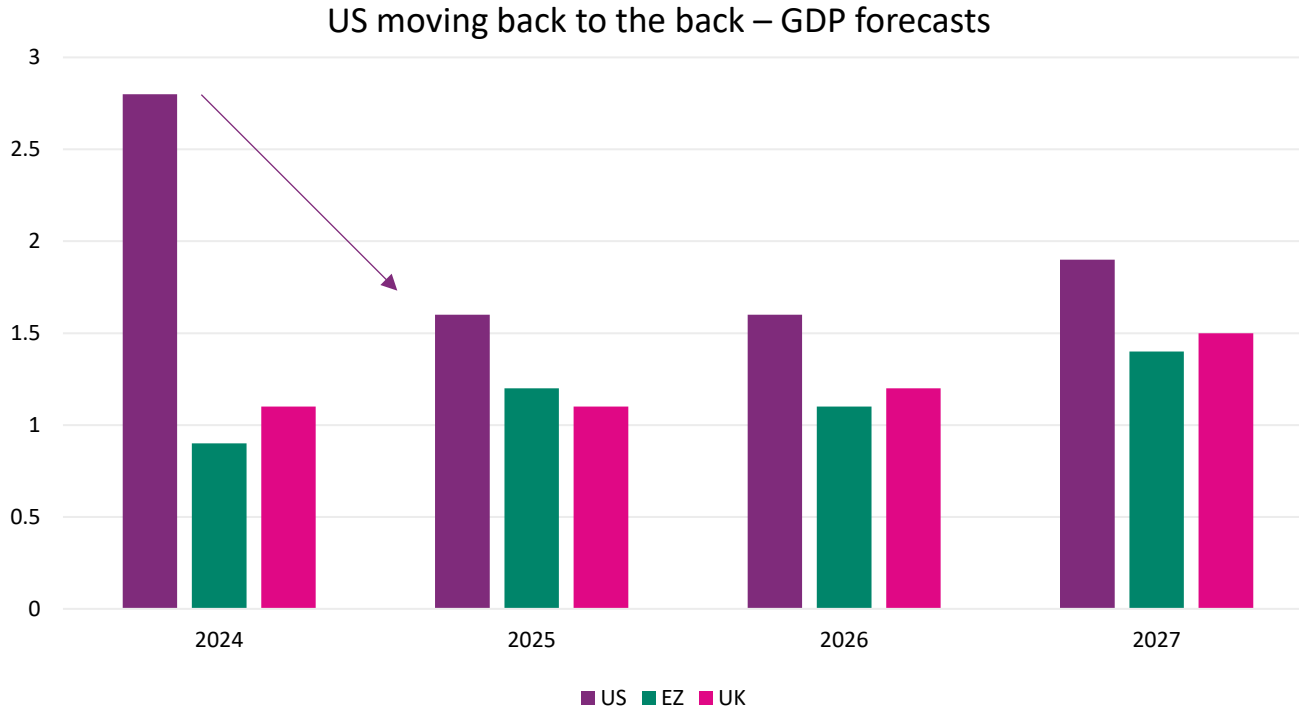
..Because US tariffs have reached a 100-year high

The progression of Trump's tariffs

Effective US global tariff rate, as at Sep 4 2025 (%)



..This will slow US economic growth in 2025-26





Irish Economy – slower growth ahead

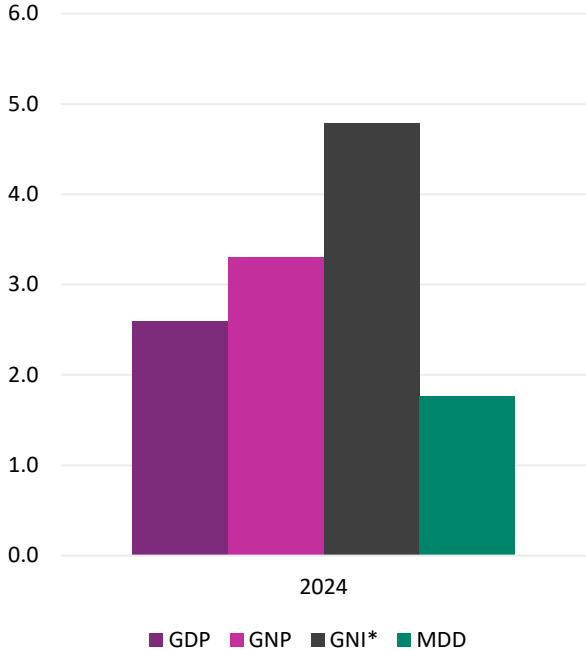


The Irish economy has shown resilient growth

Irish Economy Metrics (nominal, €bn)



Irish Economy Metrics - 2024 Growth (real)

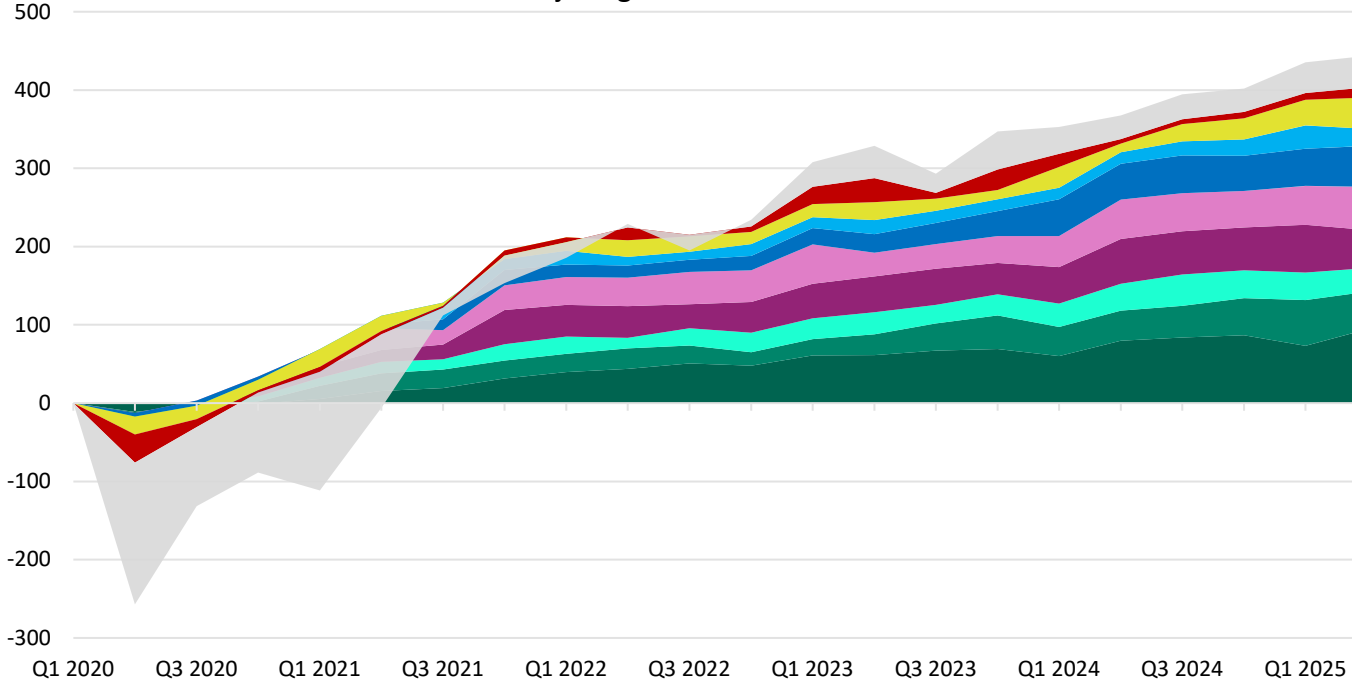


Source: CSO

425k jobs since Covid: skewed towards higher wage sectors



Cumulative Irish jobs growth since Q1 2020



Construction:
9% of net new jobs created since 2020

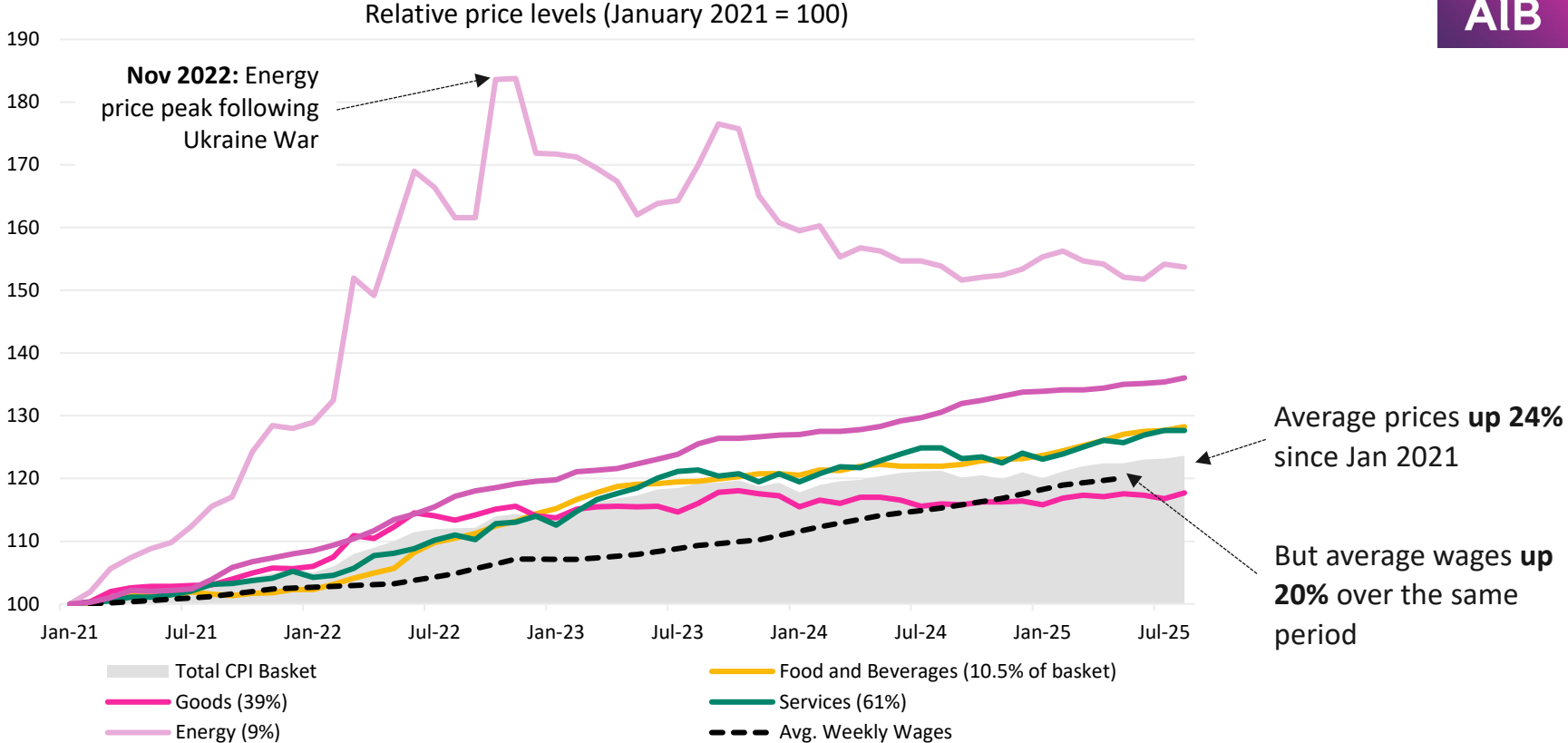
“White Collar”:
17% of jobs

FDI-dominated sectors: 24% of jobs (Tech & Pharma)

Gov-dominated sectors: 40% of jobs, predominately in healthcare and education.

- Health
- Education
- Public Admin and Defence
- Information and Communication
- Industry
- Professional and Scientific
- Financial, Insurance and Real Estate
- Construction
- Wholesale and Retail Trade
- Others

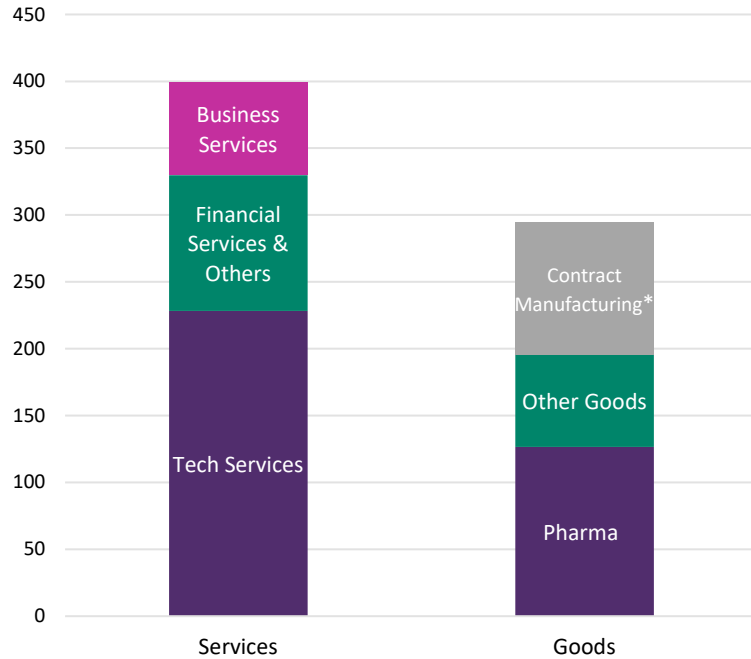
Inflation shock persists with prices still ahead of incomes



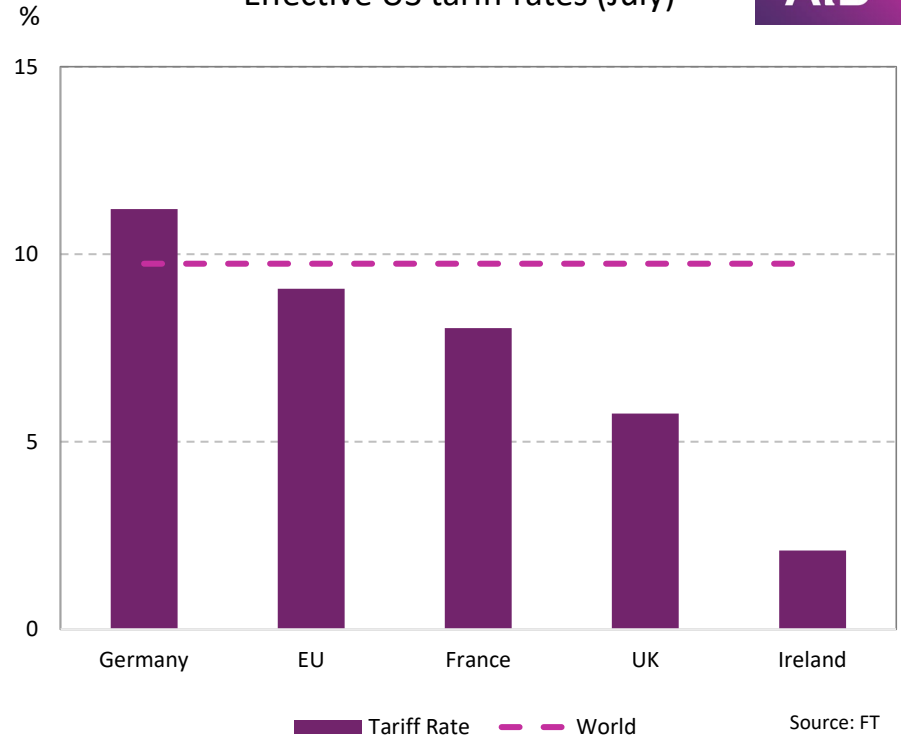
US tariffs will bite, but services sector insulated



Irish Exports 2023 (€bn)



Effective US tariff rates (July)



Source: CSO

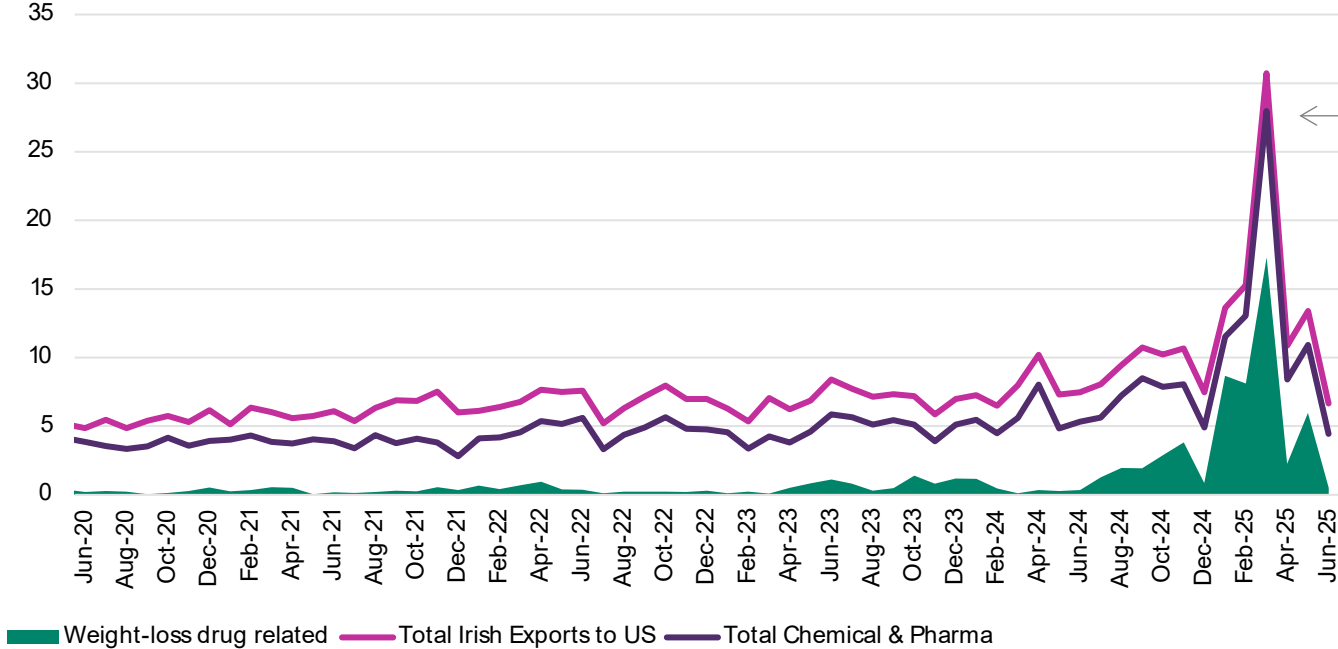
* Goods produced and sold abroad by Irish-registered firms which are not sourced or moved through Ireland

Source: FT



Weight loss drugs are expanding our exports

Irish Exports to US \$bn



Overall surge in goods exports to US driven in part by tariff front running

Also seeing the emergence of new weight loss drug production

Source: US Census Bureau

AIB Irish Economic Forecasts – slower growth ahead



<i>% change in real terms unless stated</i>	2024	2025 (f)	2026 (f)	2027 (f)	2028 (f)
GDP	1.2	7.0	3.0	3.8	2.8
GNP	0.4	4.1	3.1	4.5	4.2
Modified Final Domestic Demand	2.7	2.1	2.1	2.2	2.9
Personal Consumption	2.3	2.7	2.0	1.7	2.6
Government Spending	4.3	3.3	2.8	1.9	2.0
Fixed Investment	-25.4	15.6	-11.4	7.8	7.6
Exports	11.7	7.6	2.8	5.8	4.0
Imports	6.5	6.3	0.4	6.4	5.0
Employment (%)	2.7	2.2	2.0	1.7	2.6
Unemployment Rate (%)	4.3	4.4	4.6	5.0	5.0
HICP Inflation (%)	1.3	1.7	1.9	2.1	2.0

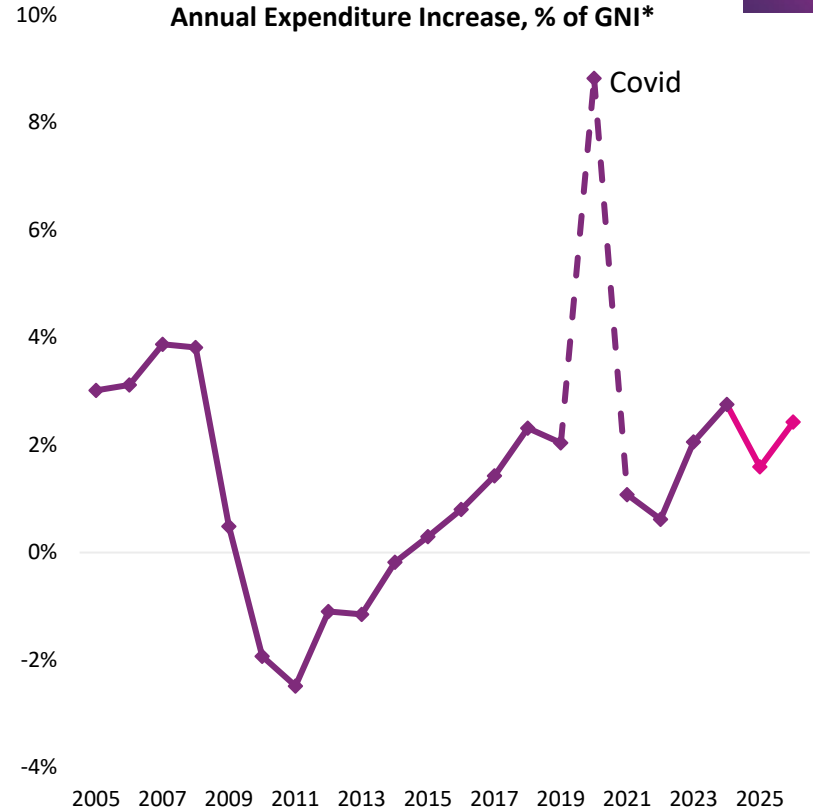
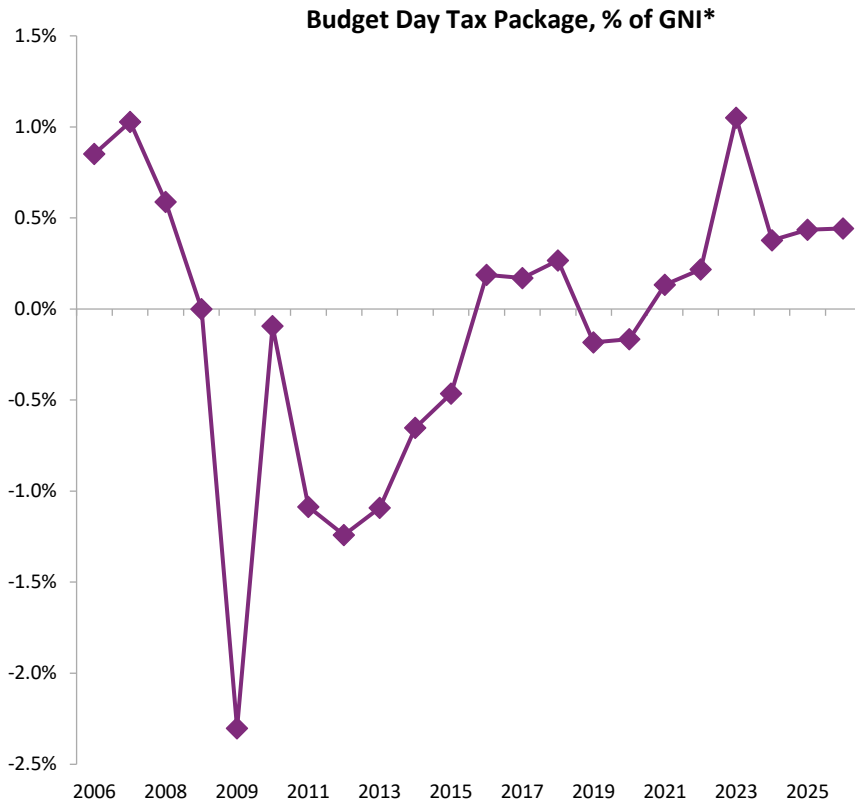
Budget 2026 – Dear prudence?

Overall Budget 2026 Package – Tax & Spend

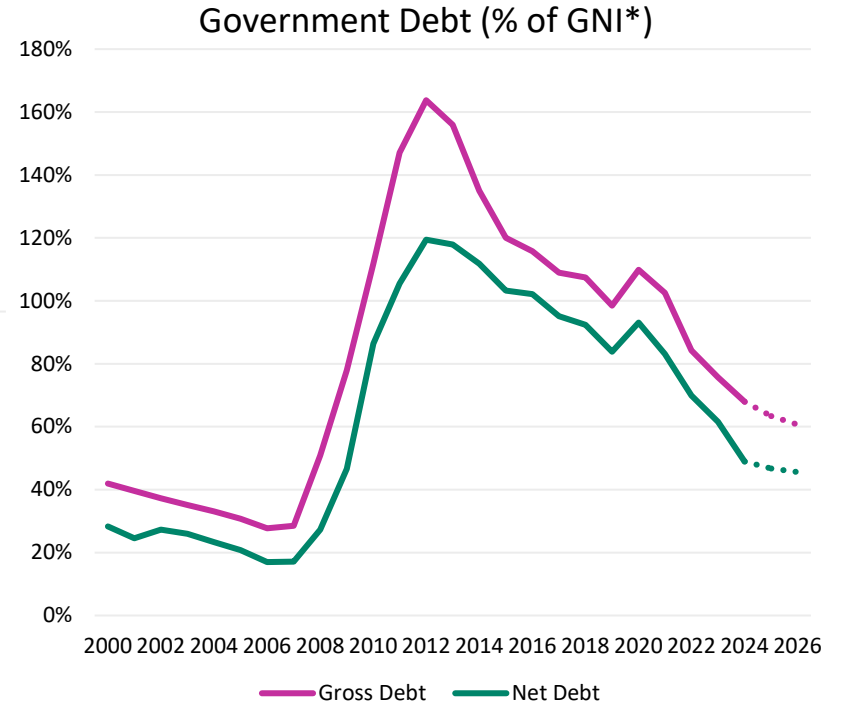
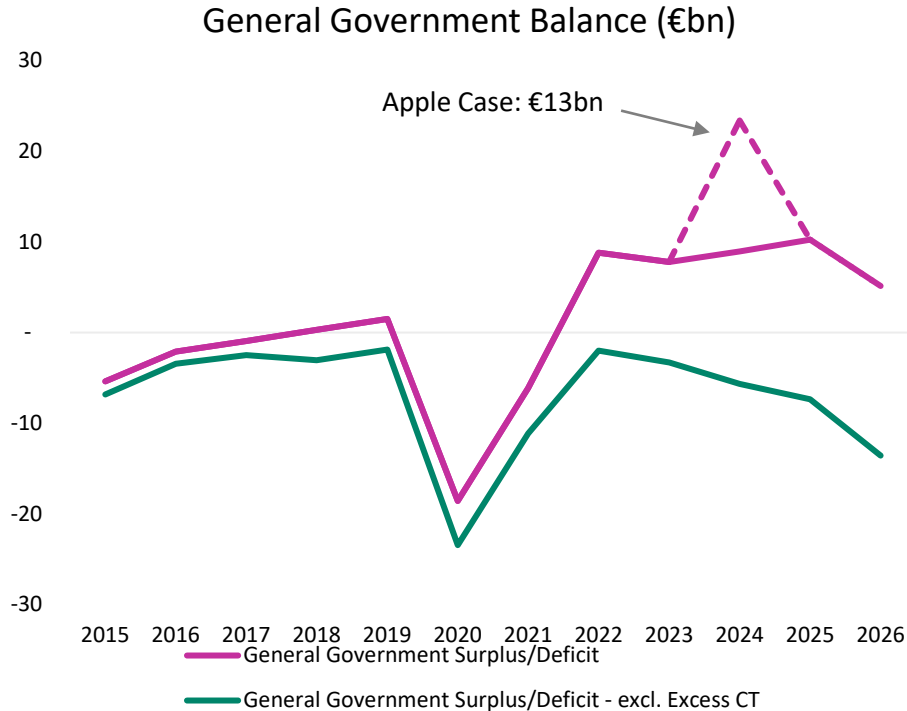


- In total - **€9.4bn** in new measures
 - This includes **€8.1bn in spending** measures, **€1.3bn in tax**
 - Also €3.7bn spending overruns in 2025 which increases the expenditure base
 - Big boost to capital spending in coming years expected - **€19bn next year**
- Focus on business supports over workers in this Budget – VAT cuts, R&D credits etc.
- This still marks one of the largest Budget day packages ever, and does not come without risks of overheating the economy
- Spending increases enabled by surge in corporate tax receipts – c.€32bn in 2025
- The Government is contributing to sovereign wealth funds (€22bn by end 2026), with other monies also sitting with NTMA adding up to **€72bn in liquid assets**.

A big budget giveaway relative to recent history



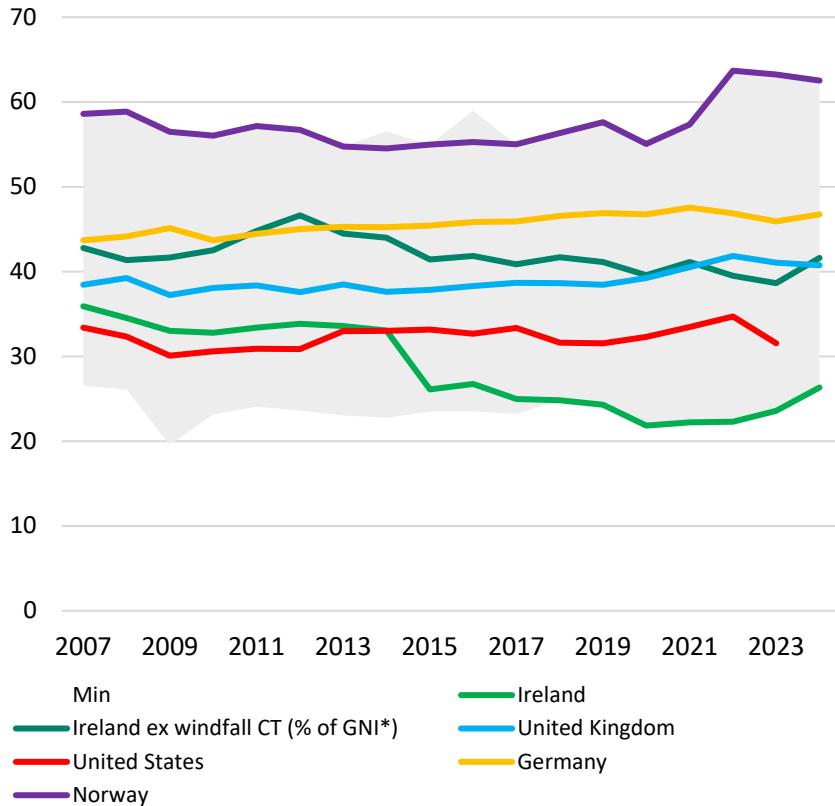
Strong Corp tax masks underlying deficit, but debt falling



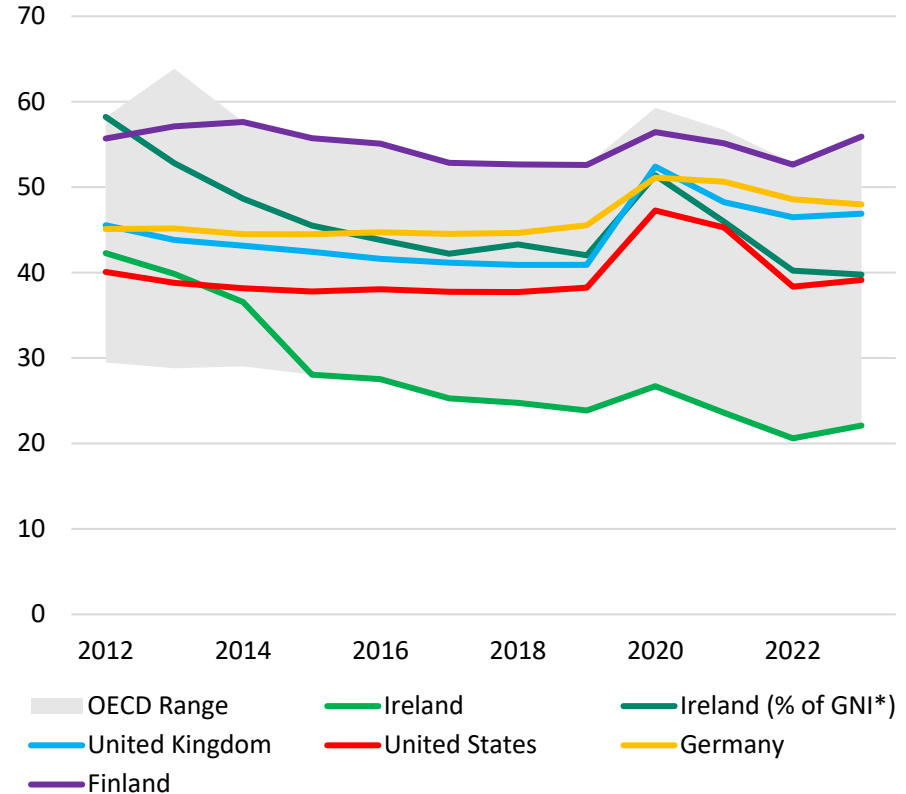
Government tax and spending ≈ 40% of the economy



Government Revenue (% GDP)



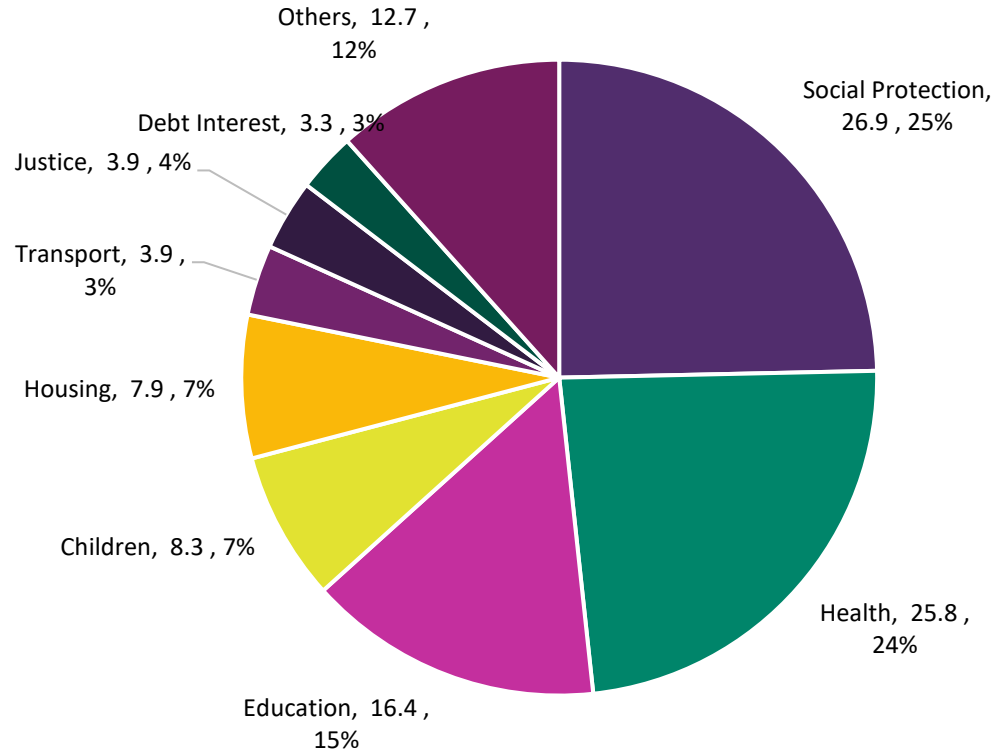
Government Expenditure (% GDP)



Where is our money spent? – two-thirds in three areas

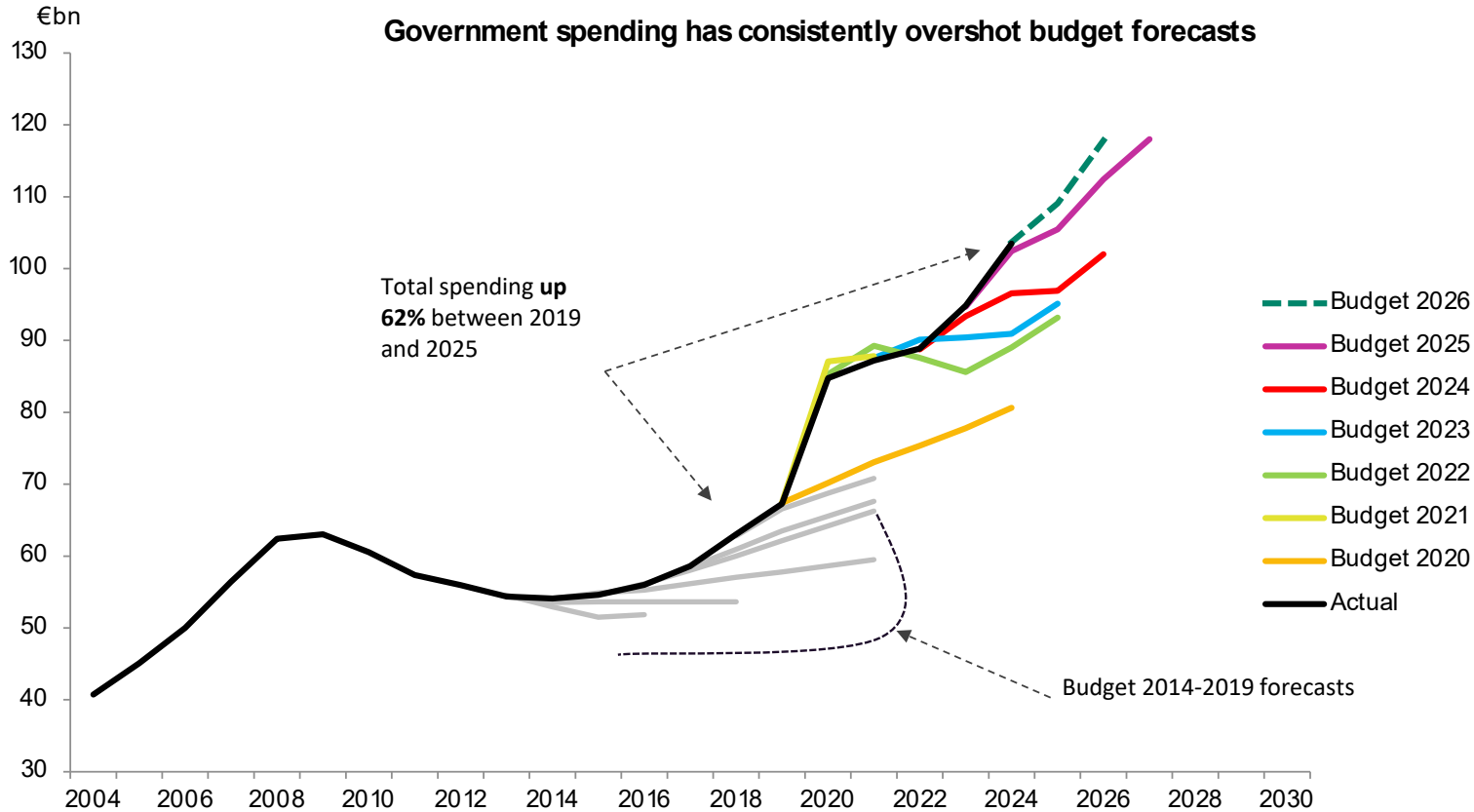


Total Voted Expenditure - 2025 (€bn)

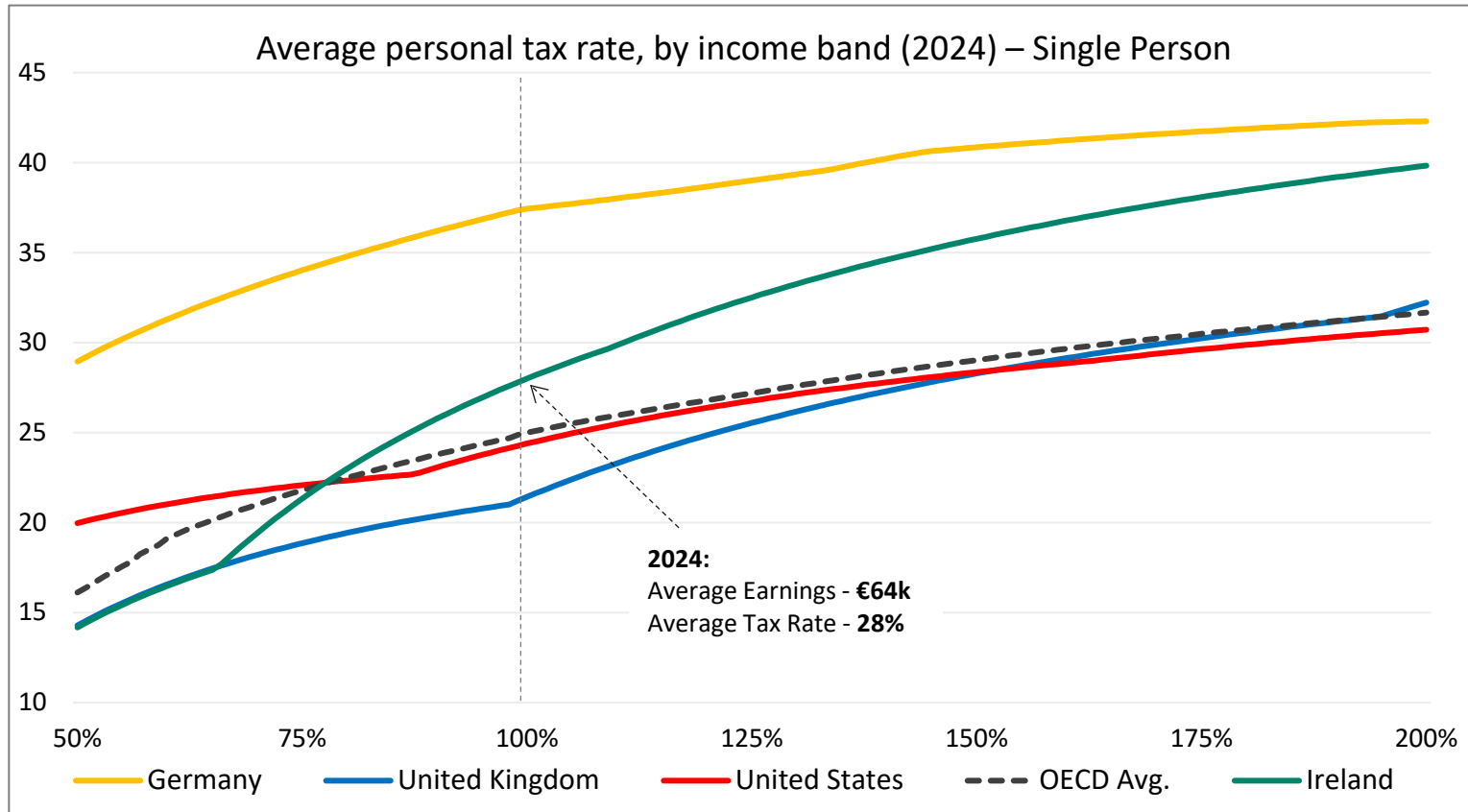


- The Government planned to **spend €105bn** across all departments in 2025
- Social Protection, Health and Education **account for nearly two-thirds** of that spending

Recent budgets: “Everything everywhere all at once”



Boston or Berlin? Increasingly the later for income tax

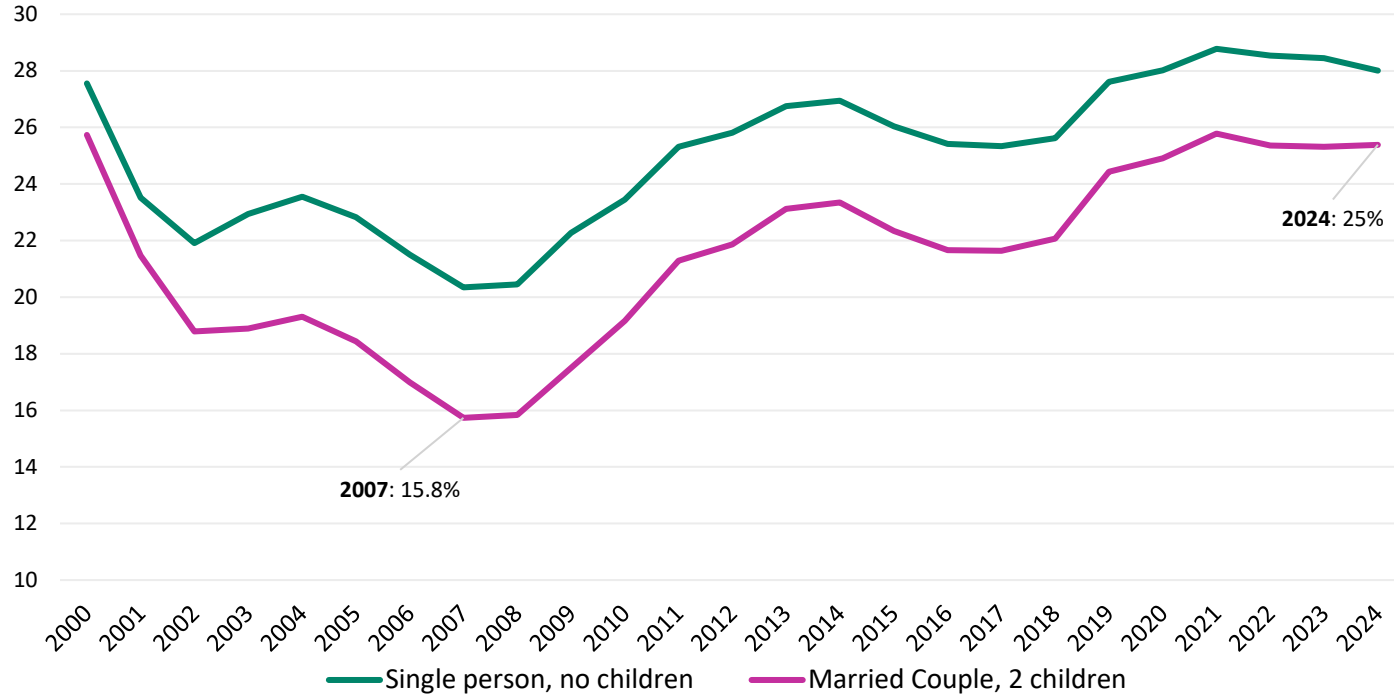


Source: Dept. of Finance

Personal tax rates at highest level in 25 years, will rise further



Net personal average tax rate (%) - Average Wage

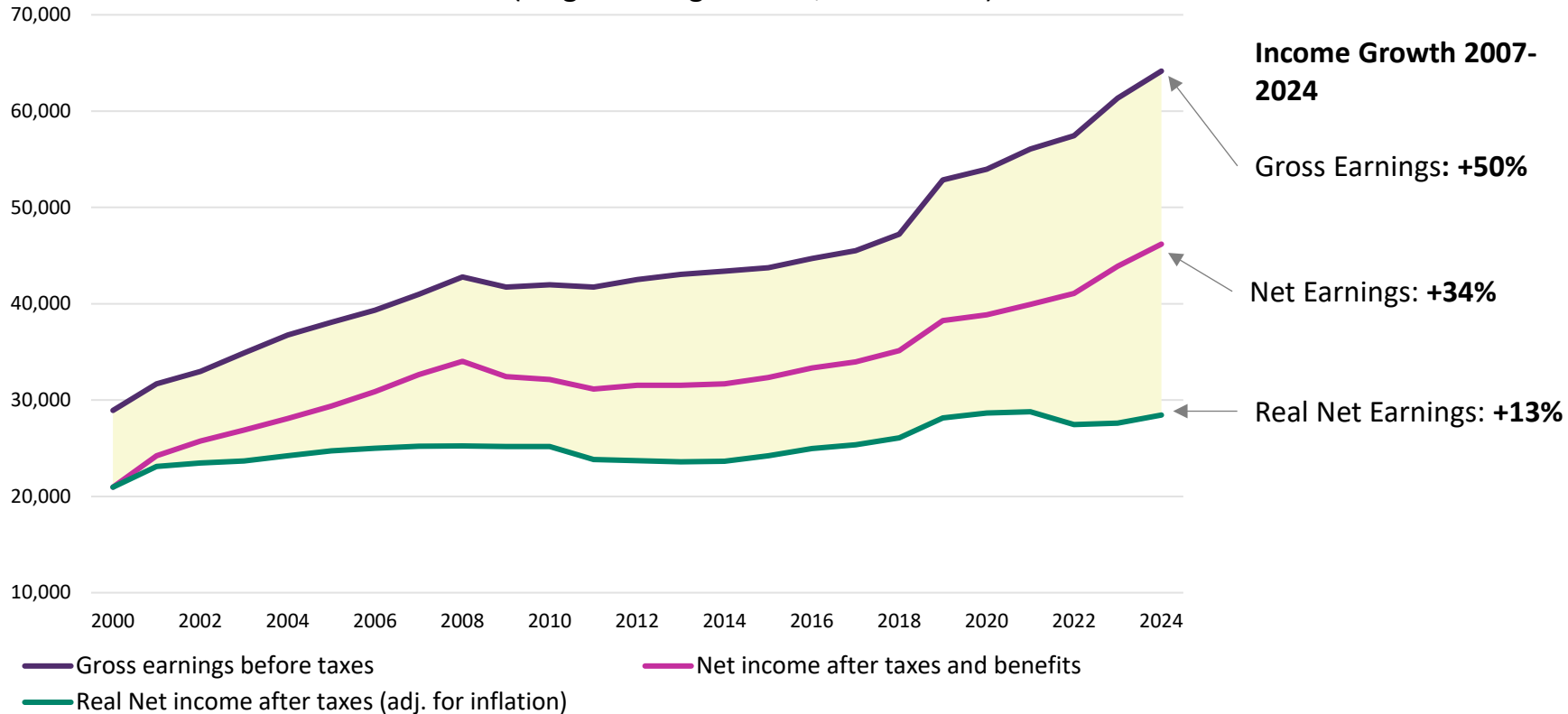


Source: OECD

Personal tax rates at highest level in 25 years

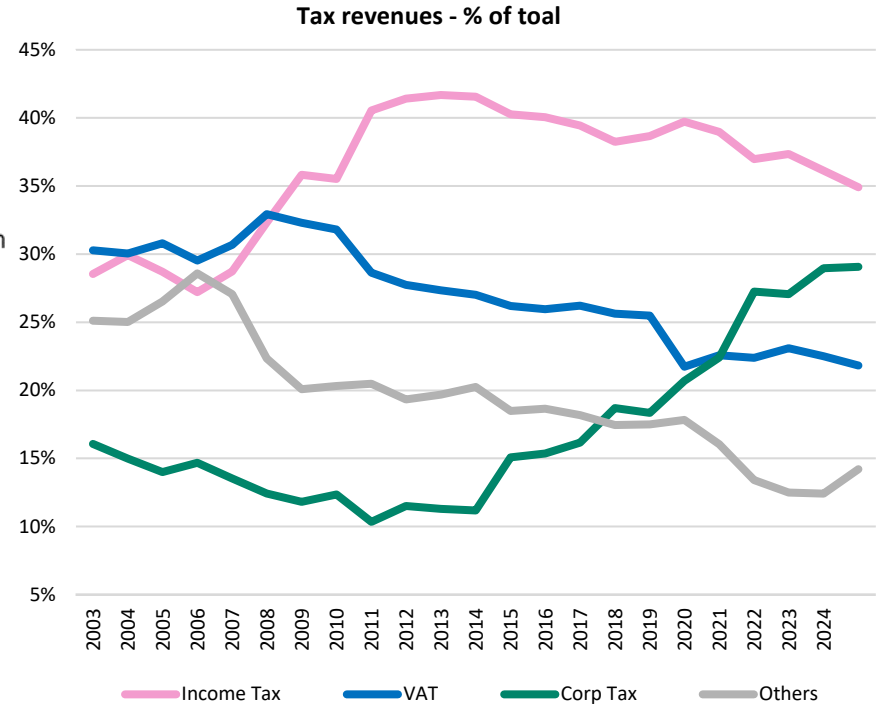


Gross vs. Net Income (Single Average Earner, no children)



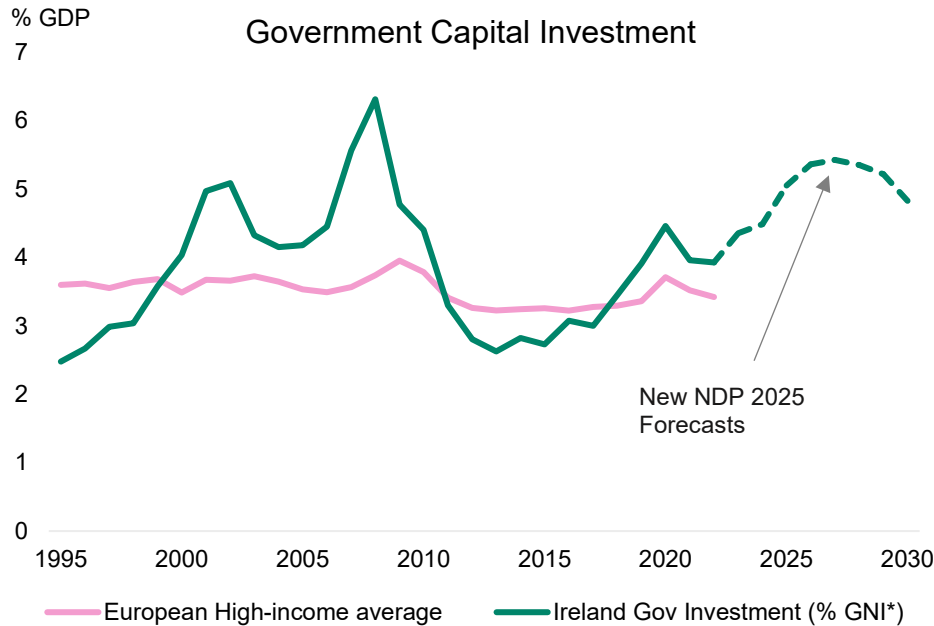
Source: OECD, CSP, AIB ERU

Corp. tax highly concentrated among three US firms



Source: LSEG Datastream, ERU

Budget & NDP boost infrastructure – time to deliver



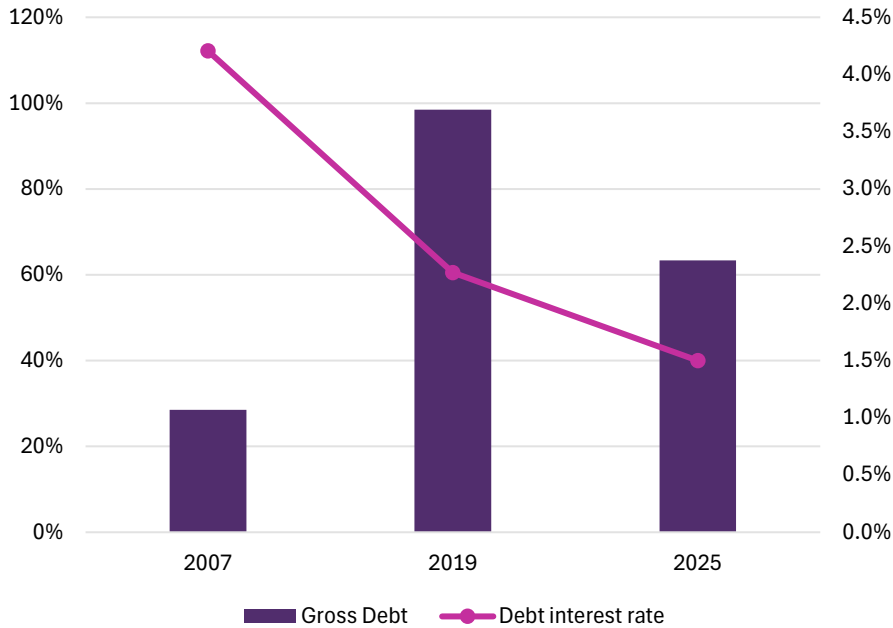
billions	National Development Plan Allocation (2026-2030)	
	Ministerial Vote Groups	
	2026-2030	
	Housing, Local Government and Heritage	36.0
	<i>of which: Housing and Other</i>	28.3
	<i>of which: Water</i>	7.7
	Transport	22.3
	Health	9.3
	Education	7.6
	Climate Environment and Energy	5.6
	Further and Higher Education, Research, Innovation and Science	4.6
	Others	17.1
	Total Exchequer	102.4
	Non-Exchequer funding	29.7
	Total NDP Funding	132.1

- Big ramp up in capital spending planned over the next five years – 40% will go to housing and transport
- Expected Budget day package of €9.4bn includes €7.9bn in spending increases and €1.5bn in tax.

But Ireland has built up a large piggy bank



Debt Dynamics: 2007-2019-2025 (% of GNI*)



Government fiscal buffers rising



Key Takeaways



- Global economy had been performing robustly, despite tariff **uncertainty**
- Irish economy has been **resilient** – but some signs of softness
- We're expecting a slowdown in Irish growth 2026, but still a top performer in Europe
- Trump 2.0 could be a material risk to Ireland's FDI model – but we've built up fiscal buffers
- Hold our nerve on infrastructure spending – spend through the cycle, while being **prudent** on current expenditure



Note: All Irish data in tables are sourced from the CSO unless otherwise stated. Non-Irish data are from the IMF, OECD and Thomson Financial. Irish forecasts are from AIB Economic Research Unit. This presentation is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expressions of opinions are subject to change without notice. This presentation is not to be reproduced in whole or in part without prior permission. In the Republic of Ireland it is distributed by Allied Irish Banks, p.l.c. In the UK it is distributed by Allied Irish Banks, plc and Allied Irish Banks (GB). In Northern Ireland it is distributed by Allied Irish Bank Northern Ireland (NI). In the United States of America it is distributed by Allied Irish Banks, plc. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Bank (GB) and Allied Irish Bank (NI) are trade marks used under licence by AIB Group (UK) p.l.c. (a wholly owned subsidiary of Allied Irish Banks, p.l.c.), incorporated in Northern Ireland. Registered Office 92 Ann Street, Belfast BT1 3HH. Registered Number NI 018800. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In the United States of America, Allied Irish Banks, p.l.c., New York Branch, is a branch licensed by the New York State Department of Financial Services. Deposits and other investment products are not FDIC insured, they are not guaranteed by any bank and they may lose value. Please note that telephone calls may be recorded in line with market practice.