Banking & Payments Federation Ireland

Tourism and travel spend are key contributors to the economy

Growth in services slowed as manufacturing rebounded

Record employment and increasing earnings

SME Monitor

MAY 2025

Promoting sustainable growth in tourism will support future economic development and employment

Commentary

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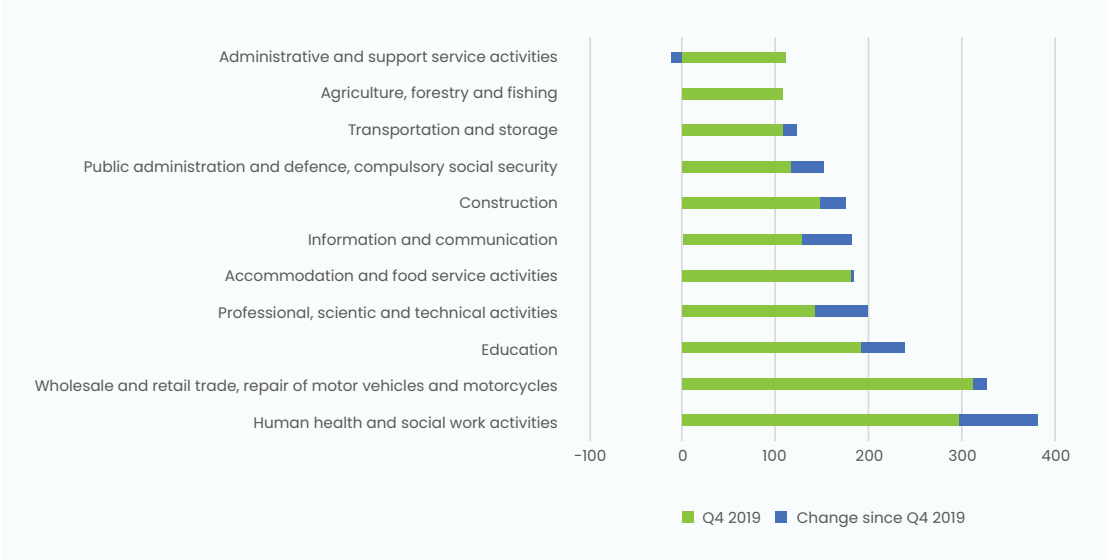
Promoting sustainable growth in tourism will support future economic development and employment

Irish economic growth bounced back in 2024 following a decline in 2023, mainly driven by a significant increase in exports by sectors dominated by multinational firms. At the same time, domestic firm-based economic activity continued to grow, albeit at a slower pace. Early estimates from the Central Statistics Office (CSO) show that Irish gross domestic product (GDP) continued to grow in the first quarter of 2025, with preliminary estimates showing that GDP expanded by 13.3% when compared with the same quarter in 2024. However, most of this growth was driven by multinational exports, as early data for goods exports showed a 64% increase in the first three months of 2025 compared with the same period in 2024, where 99% of the increase of €34.3 billion was accounted for by exports of medical and pharmaceutical products.

The significant increase in medical and pharmaceutical products exports is mainly due to front loading, particularly to the US to which exports more than trebled in Q1 2025, by multinational firms reacting to tariff announcements by the new US administration in early April, most of which were later suspended for 90 days. Notwithstanding this pause, global trading conditions are likely to deteriorate, given uncertainty around trade policies with more protectionism globally. As a country that has largely relied on foreign direct investment for economic growth and benefitted from it over the years, the Irish economy could be negatively affected by this uncertainty in the short to medium term, directly by lower economic activity as well as indirectly through lower investment and consumption.

Employment by Sector 000s
Q4 2024 vs Q4 2019



Source: Central Statistics Office (CSO).

Economic growth supports strong employment

This growth in economic activity is also reflected in resilient employment numbers. The employment rate hit 74.3% in Q4 2024, the highest point since the current series began 25 years ago, with the estimated number of people in employment rising almost to 2.8 million at the end of 2024, down slightly from the peak in Q3 2024. There were almost 400,000 more people employed in the Irish economy at the end of 2024 than at the end of 2019, prior to the pandemic. The number of people employed increased by 70,000 in 2024, with three sectors accounting for this around two thirds of this increase during the year, namely Human Health and Social Work Activities, Construction and Information and Communication sectors.

Human Health and Social Work Activities has become the largest employing sector, employing over 380,000 people, surpassing traditionally large employment sectors such as Industry and Wholesale and Retail Trade.

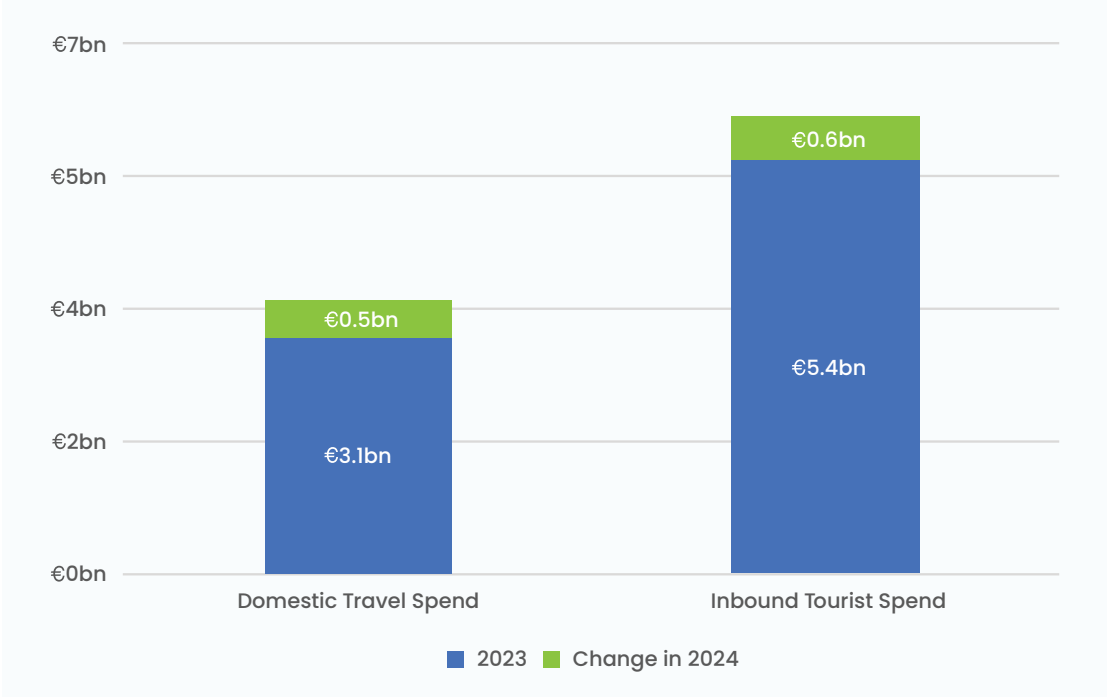
Notwithstanding the significant contribution of foreign firms to economic output as well as total taxes paid in the Irish economy, Irish-owned firms accounted for nearly 75% of total employment and 66% of total earnings in the Irish economy, according to the latest available data from the CSO. Irish-owned firms accounted for the largest proportion of employments in all economic sectors, with the exception of Information and Communication, where employments in US-owned enterprises accounted for more

than two in five employments. The economic sectors with the largest proportion of earnings recorded among employments in Irish-owned firms were the accommodation and food services (82.8% and transportation and storage (72.3%) sectors.

The services sector is a significant contributor to employment in the Irish economy. Out of nearly 2.8 million people employed in Ireland at the end of 2024, over 77% worked in the services sector, while almost two thirds of all enterprises in the Irish business economy operating in the services sector.

The services index is a common indicator used to track short-term trends in the output of the sector, excluding the financial traded services sector. The latest data from the CSO shows that activity was up by 22% in volume terms in March 2025 compared with the same period in 2024. However, nearly all of this increase was due to the significant activity in Information and Communication sector, with most other sectors experiencing a decline in output in volume terms.

Estimated Travel/Tourist Spend in Ireland



Source: CSO

Tourism and travel spend are key contributors to the economy

The Accommodation and Food Services sector within the wider services sector has seen year on year declines in output in every month of 2024, except for the last quarter, after a significant recovery in 2023. This trend continued in the first quarter of 2025 with year on year-on-year declines in output. At the same time, measured in terms of value, activity seems to have increased in the first quarter of 2025 in this sector.

Tourism spend is an important contributor to the Irish economy, particularly by foreign resident visitors. Almost 21.5 million passengers departed Ireland on overseas routes in 2024, out of which nearly 6.6 million were foreign residents, increasing from nearly 6.3 million in 2023. It is estimated that these foreign visitors spent over €8.2 billion, including fares, during their visits in 2024, an increase of around 12% from 2023 total spent. According to the latest data from the CSO, nearly 1.1 million foreign residents visited Ireland in the first quarter of 2025, down from the 1.4 million visitors during the same period in 2024. The decline was significant in some 441,200 foreign visitors completed a trip to Ireland in March 2025, down 15% compared with March 2024. This decrease continued the downward year-on-year trend in foreign visitor numbers first observed in September 2024.

However, the decrease in March this year was less than the decrease in January and February where foreign visitor numbers were down by 33% and 42%, respectively compared with the same periods in 2024. In addition, spending by tourists was down 22% in March 2025 compared with March 2024 and by nearly 30% in the first quarter of 2025 compared with the same period last year.

While the trend in foreign visitors should be monitored closely, domestic tourists also make a crucial contribution to the tourism and hospitality sector. Irish residents spent an estimated €3.6 billion on domestic travel in 2024, 15.3% more than in 2023. More broadly, BPFI analysis of Central Bank of Ireland payment card data indicates that Irish consumers and businesses spent €12.3 billion in hospitality and tourist outlets in Ireland in the twelve months ending March 2025, including €5.1 billion in restaurants and cafes, €2.1 billion in bars, lounges and clubs and €1.8 billion on accommodation. Domestic spend increased by 11.5% compared with the twelve months ending March 2024. By contrast, overseas spend by Irish cardholders increased by only 4.2% to €5.5 billion over the same period. Given the country's strong employment levels and continued earnings growth (average weekly earnings rose by almost 25% in the five years ending 2024, according to the CSO), there may be further untapped potential in the home holiday market.

The hospitality sector, especially restaurants, has seen higher than average inflation in recent months. Average prices in the restaurants and hotels sector rose by 5.7% between December 2023 and April 2024, according to the CSO, more than twice the 2.6% increase in average consumer prices over the same period. The recent Department of Finance SME Credit Demand Survey found that a significantly higher-than-average share of the sector reported price increases (74% for hotels and restaurants compared with an SME average of 51%). Despite, those price increases, a lower-than-average proportion of the hotels and restaurants sector reported an increase in turnover in 2024 (37% versus 44%).

According to the latest Tourism Barometer report by Failte Ireland, over 80% of tourism businesses are expecting their visitor levels to be up in or the same in 2025, however cost pressures continue to dominate concerns. Price increases may have helped to cover rising costs to some extent, but it will not be sustainable to rely on continuous higher prices as this could risk Ireland's affordability and competitiveness in the tourism sector in the future.

It is encouraging to see that with the publication of the new Tourism Policy Framework for the period to 2030, there are new efforts to roll out a business tourism strategy to attract more business events to Ireland, supplemented by domestic marketing activity to encourage more home rather than foreign holidays and aimed at attracting more visitors across Ireland beyond the busy summer months.

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Market Analysis

Anthony O'Brien, Head of Sector Research & Analysis, BPFI

SMEs and the wider economy

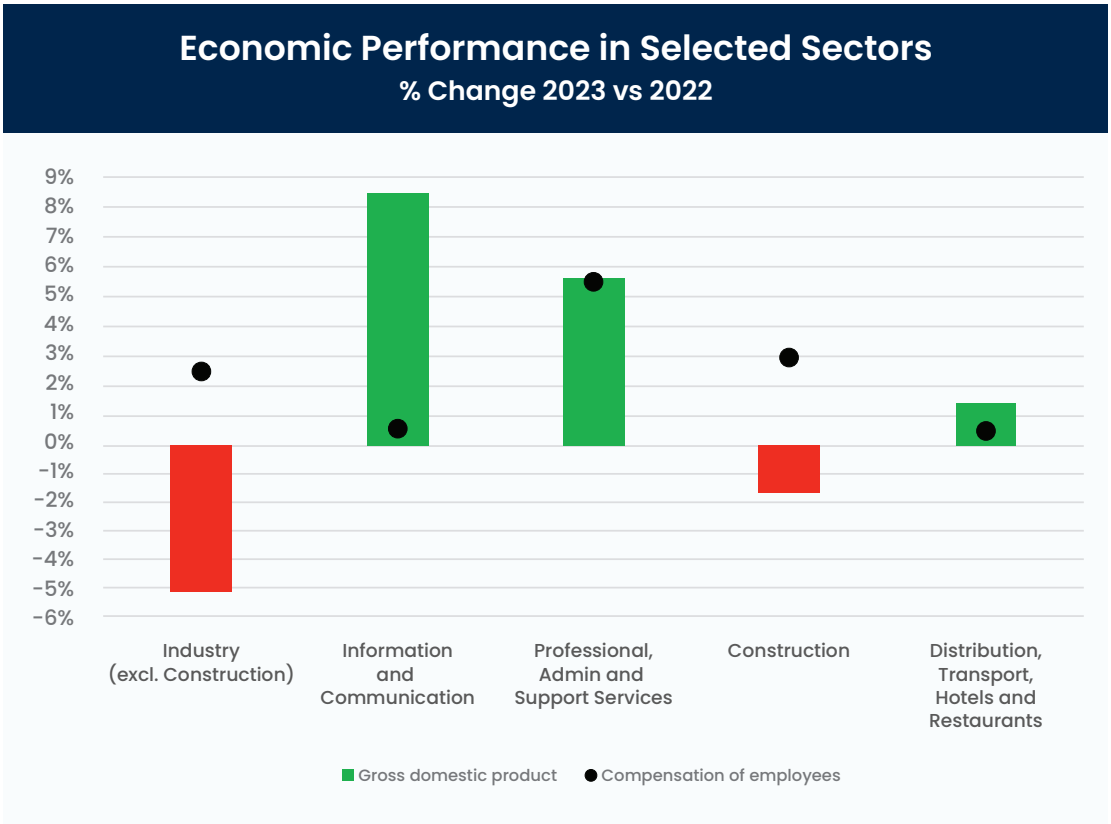
Growth in domestic economic activity continued in 2024 amid subdued business expectations on the global economic outlook albeit with positive indicators especially in tax revenues and employment throughout 2024. However, geopolitical uncertainty had a negative impact on consumer and business sentiment in the early months of 2025.

Gross domestic product (GDP) grew by 1.2% in 2024, driven by growth in the domestic economy according to the Central Statistics Office (CSO). Modified final domestic demand, which excludes globalisation effects such as trade in intellectual property and aircraft leasing, increased by 2.7% in 2024, while consumer spending increased by 2.3%. The industry sector contracted by 7.7% while construction also contracted by 1.9% quarter to quarter in Q4 2023.

Strong recovery in services continued

The number of small and medium-sized enterprises (SMEs) – those businesses employing fewer than 250 persons – reached about 389,000 at the end of 2022. They employed almost 1.6 million people (including business owners). Key SME sectors include the service sectors construction, accommodation and food service activities, arts, entertainment and recreation and wholesale and retail trade as well as the repair of motor vehicles. SMEs accounted for at least 70% of employment in each of these sectors.

Both industry and construction recorded annual contractions in gross domestic product based on constant market prices for the second year in a row, falling by 5.1% and 1.8% respectively in 2024.



Source: CSO.

By contrast, information and communication, professional, administration and support services and distribution, transport, hotels and restaurants expanded by 8.4%, 5.6% and 1.4% respectively in 2024.

The total tax take in 2024 was €108 billion, according to the Department of Finance, 22.6% more than in 2023. Income tax receipts were up 6.6% year on year to €35.1 billion in the year. Corporation tax also grew, by about 5.3% year on year, to €39.1 billion, mainly due to once-off receipts arising from the Court of Justice of the European Union. On the expenditure side, value added tax (VAT) receipts increased by 7.5% billion year on year to €21.8 billion in 2024, likely reflecting higher personal spending as well higher consumer prices. The annual average rate of inflation was 2.1% in 2024, down from 6.3% in 2023. The CSO's consumer price index (CPI) increased by 2% between March 2024 and March 2025.

The increased income tax take was driven a combination of higher employment and increased earnings. Unemployment levels varied throughout 2024 and into 2025 with the CSO's seasonally adjusted unemployment rate ranging from 4.1-4.6% in the twelve months up to April 2025, in which it was 4.1%. By the end of Q4 2024, almost 2.8 million people were in employment, down slightly from the peak in Q3 2024.

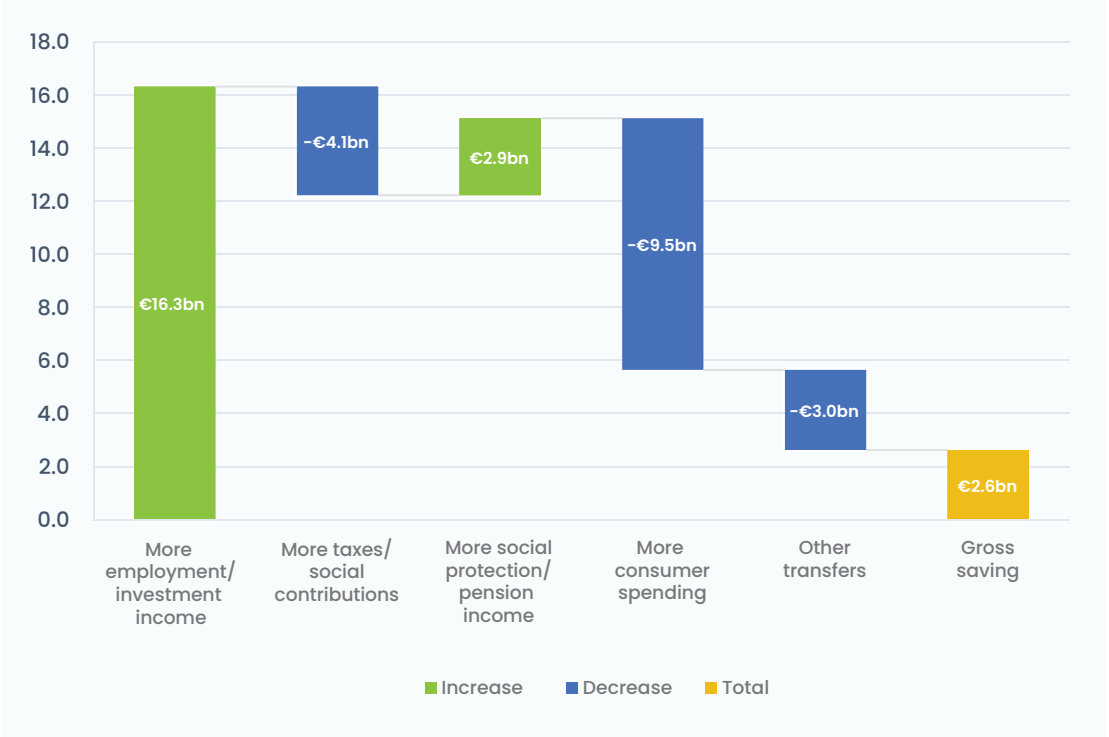
Employment and investment income increased by €16.3 billion in 2024, with compensation of employees 6.8% or about €10 billion higher.

Consumer spending was 2.3% up in 2024 when adjusted for inflation but saving remained strong with the household saving rate at 14.2% in 2024, up from 13.6% in 2023.

Growth in services slowed as manufacturing rebounded

Services activity continued to grow in the early months of 2025, according to the AIB Irish Services purchasing Managers Index (PMI) and the CSO monthly services index. The monthly value of services increased by 3% on February 2025, while the volume rose by 6.3%.

Change in Household Income and Expenditure
(2024 vs 2023)



Source: BPFI estimates based on CSO data.

Excluding the multinational-dominated information and services sector, the value and volume of services rose by 1.7% and 2.4%, respectively. The services PMI fell to 52.8 in April 2025, the slowest pace of growth since January 2024. Job creation remained robust and the input cost index fell in April.

Inflationary pressures in the services sector remained elevated with CSO analysis indicating that service producer prices were 5.3% higher in 2024, with the highest increases in advertising and other professional services and information and communication. The wholesale price index for manufacturers increased by 0.9% in 2024, while building and construction materials prices rose by 0.3%. The wholesale price index fell by 1.9% year on year in March 2025 though that mainly reflected a fall in the price index for exports sales.

While manufacturing activity fell in eight months during 2024, according to the AIB Manufacturing PMI, activity increased in the first four months of 2025 and reached the highest level since June 2022, supported by strong domestic demand. Uncertainty relating to tariffs were linked with delays in investment decisions and businesses pre-purchasing key input materials while the input price inflation reached its highest level since February 2023 but manufacturers were generally upbeat their outlook.

The construction sector recorded its first rise in activity for three months in March 2025, according to the AIB Ireland Construction PMI. The strongest growth was in commercial activity while housing activity expanded for the seventh consecutive month.

> Uncertainty relating to tariffs were linked with delays in investment decisions and businesses pre-purchasing key input materials...

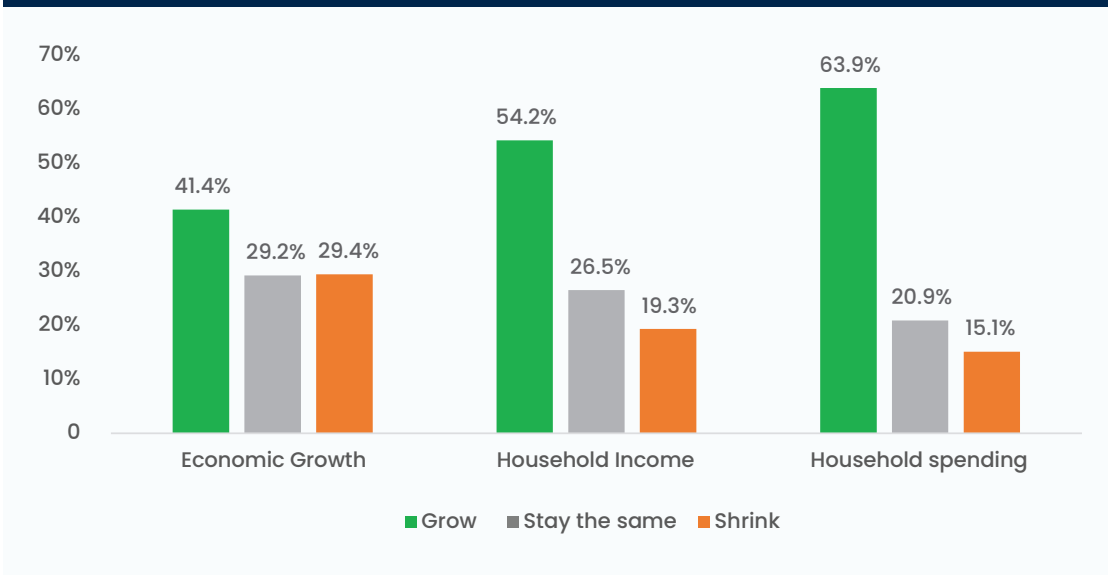
Finding Customers

The European Central Bank's Consumer Expectations Survey indicates that consumers in Ireland had a positive outlook on economic growth with the majority of consumers expecting their spending and income to rise over the next 12 months, based on the March 2025 survey.

Households were expecting their incomes to increase by 0.9% on average over the next 12 months with 54.2% of those surveyed expecting their income to rise while spending was expected to increase by 3.5% on average over the next 12 months.

Only 41.4% of consumers responded to the March 2025 survey expected the economy to grow over the next 12 months, the lowest proportion since the December 2023 survey.

Consumer Expectations for the Next 12 Months
(March 2025)



Source: European Central Bank

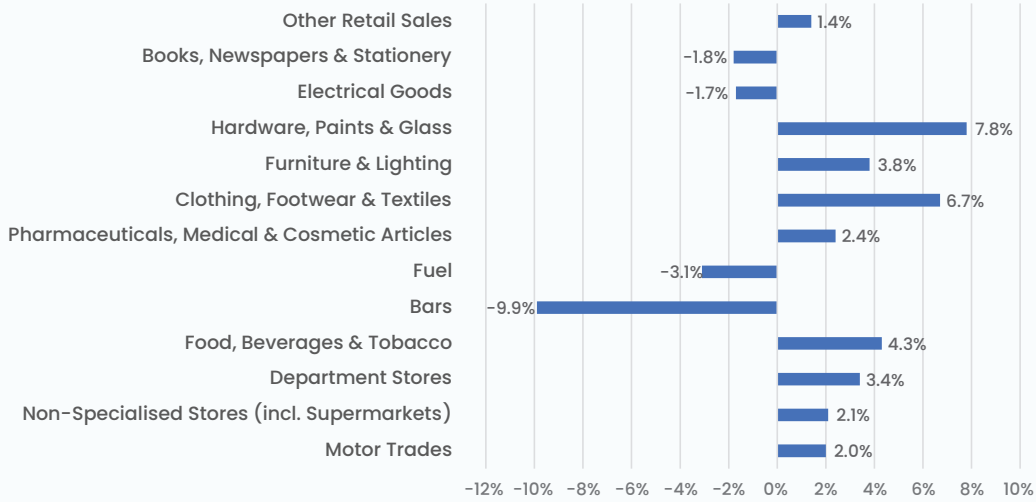
Consumer spending grows

The CSO's retail sales index indicates the volume of retail sales increased in the first three months of 2025. The seasonally adjusted retail sales were 0.2% higher year-on-year in Q1 2025.

The volume of retail sales in March 2025 was 1.3% less than in March 2024, on a seasonally adjusted basis, while the value of retail sales decreased by 1.1% in the 12 months from March 2024.

The largest annual volume declines were recorded in bars (9.9%) and fuel (3.1%) while the highest volume increases were in hardware, paints and glass (+7.8%) and clothing, footwear and textiles (+6.7%).

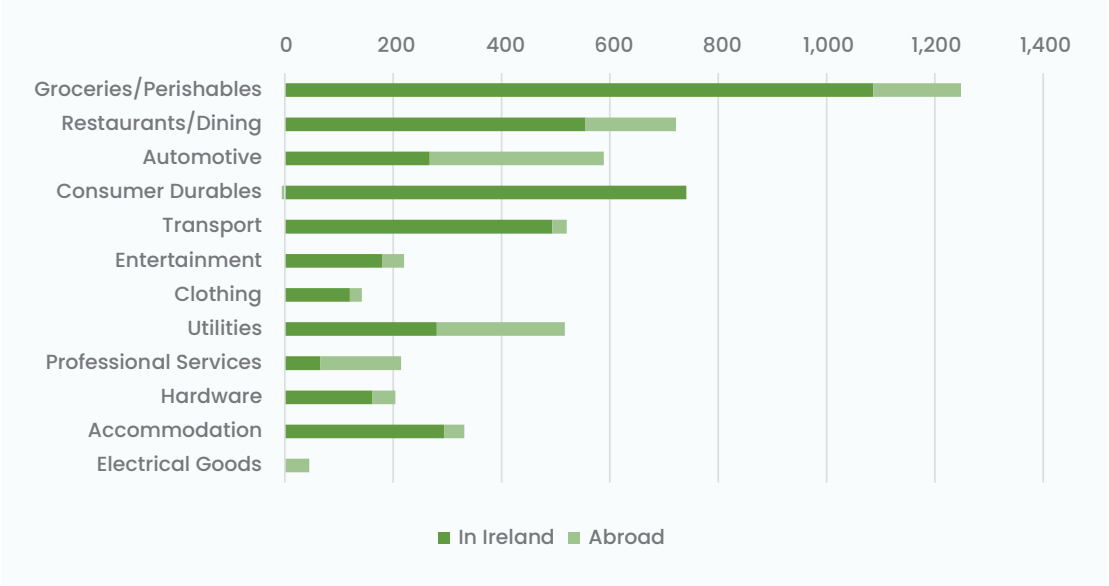
Retail Sales Index Annual % Change (March 2025)



Source: CSO

Domestic spend on credit and debit cards reached €86.7 billion between in the twelve months ending March 2025, 11.9% or €9.2 billion more than in the twelve months ending March 2024. Most of the growth was in online rather than point of sale spending, with online spend up 19.7% year on year. More than €18.2 billion was spent on groceries and perishables in Ireland, up almost €1.1 billion year on year. Domestic spending on consumer durables (non-food stores excluding electrical goods) jumped by 17.7% to more than €4.9 billion, while restaurant/ dining spend increased by 8.2% to more than €7.3 billion.

Change in Annualised Card Spend by Sector (€m)
Mar 2024 vs Mar 2025



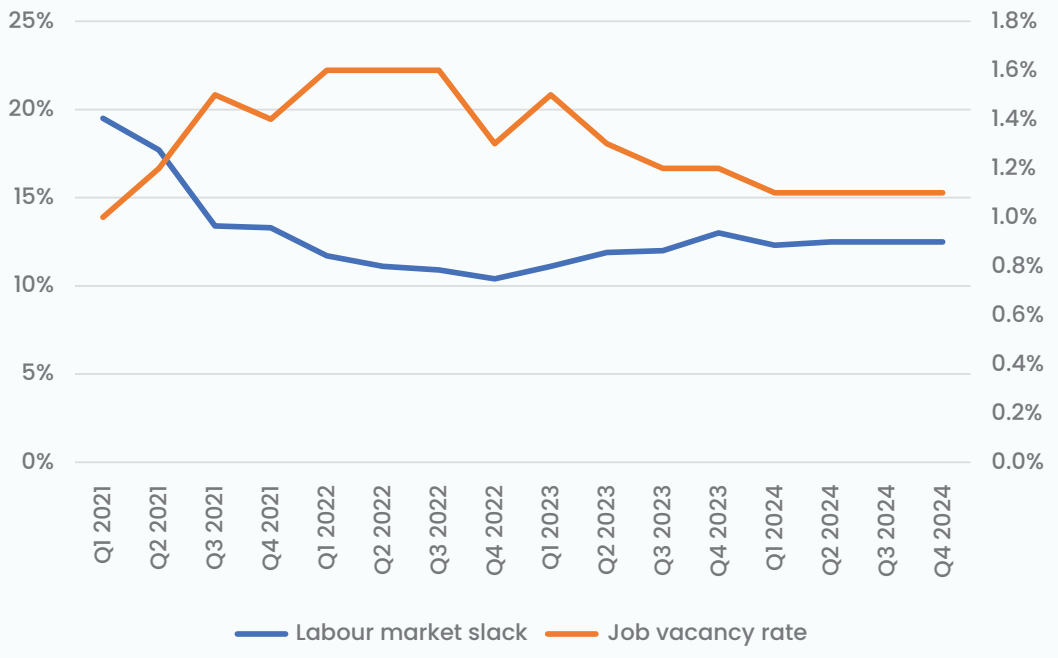
Source: BPFI analysis of CBI monthly payment cards data

Availability of skilled labour

Employment increased moderately as the number of people in employment reached rose by 2.6% in the year to Q4 2023, reaching just under 2.8 million the highest employment since the data series began in 1998. The employment rate increased by 0.3% to 74.3% in Q4 2024.

Employment growth varied by sector in 2024. Human health and social work activities had the largest growth by persons employed, an increase 17,200 people year on year in 2024 (up 4.7%) which the construction sector increased by 14,700. The wholesale and retail trade sector fell by 5.0% while administrative and support service activities fell by 6.0%.

Job Vacancies and Labour Market Slack



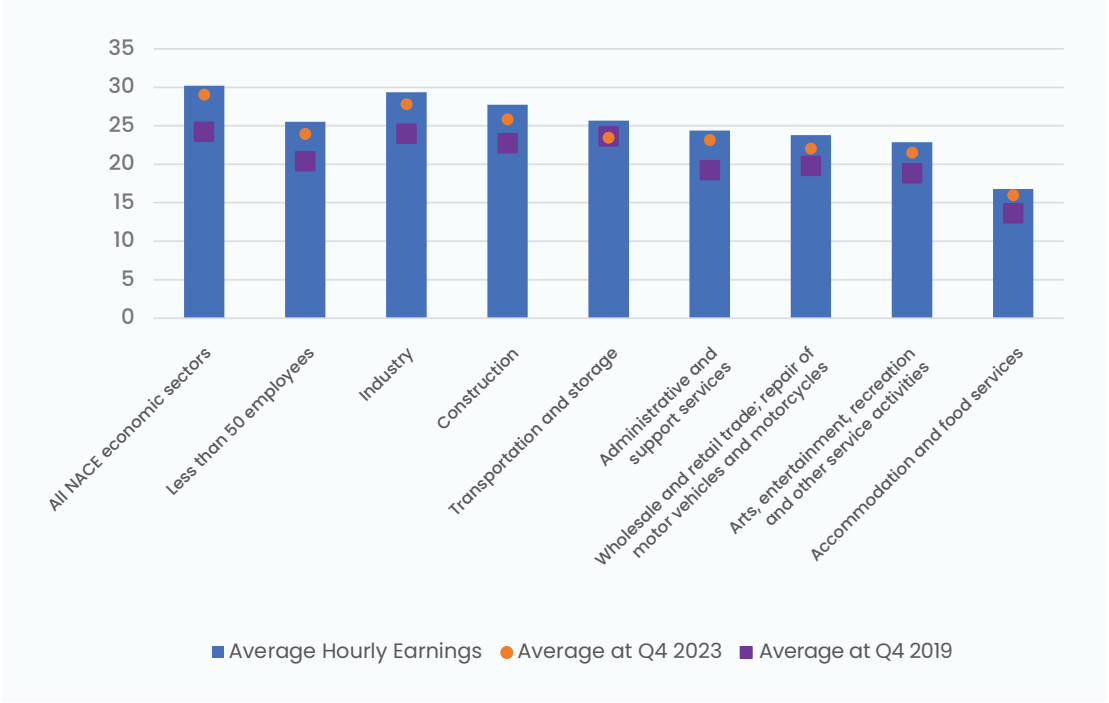
Source: CSO/Eurostat

Record employment and increasing earnings

The job vacancy rate fell 0.1% year on year in Q4 2024 to 1.1%, according to CSO. The number of vacancies fell to 25,400, the lowest level since Q2 2021 although the number of public sector vacancies increased by 500 year on year to 9,400.

Labour market slack, which Eurostat suggests reflects the unmet need for employment, decreased year on year by 0.5% to 12.5% of the extended labour force (which includes underemployed part-time workers and those either not available for or not seeking work) in Q4 2024.

Average Hourly Earnings (€)
(Q4 2024)



Source: CSO

Average weekly earnings rose by 5.6% year on year to €979.71 while average hourly earnings increased by 6.2% to €30.21. Enterprises with fewer than 50 employees reported lower average weekly and hourly earnings at €785.60 and €25.51, respectively.

Average weekly earnings in the accommodation and food services were less than half the all-sector average at €447.79. This was partly related to the low average weekly paid hours (26.6 compared with 32.4 for all sectors combined) and the relatively low hourly earnings of €16.80. The national minimum wage increased by €1.40 per hour to €13.50 per hour in January 2025.

Earnings have increased significantly since 2019. Average hourly and weekly earnings rose by 24.7% and 24.6%, respectively, between Q4 2019 and Q4 2024. All sectors saw increases of over 17% in weekly earnings over the same period except for accommodation and food services which increased by 12.2%. Information and communication saw the largest increase at 35.9%.

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Accessing finance

SME demand for bank credit was unchanged in the first quarter of 2025 according to the Central Bank of Ireland (CBI) bank lending survey.

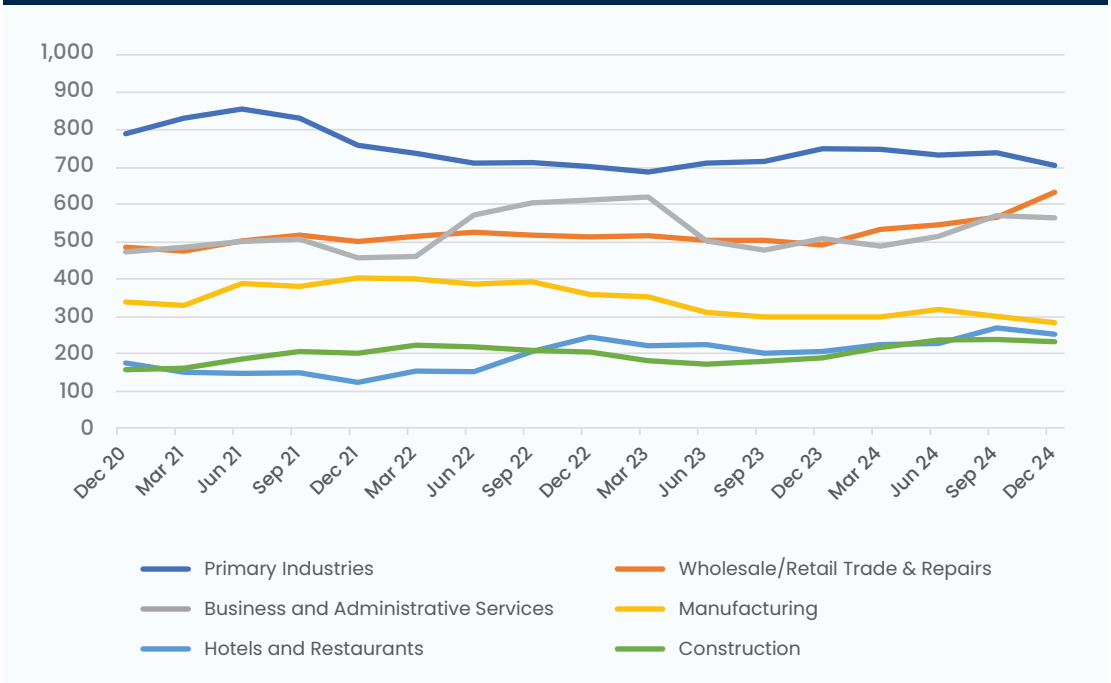
Central Bank of Ireland data indicates that total outstanding credit to businesses reached €81.8 billion at the end of September 2024. That comprised €69.7 billion owed by companies and €12.1 billion owed by individuals for business purposes, including sole traders.

Gross new lending to SMEs (including €23 million in financial intermediation) by credit institutions reached almost €4.4 billion in 2024, 4.9% more than in the twelve months ending December 2023. Total SME credit outstanding stood at over €17.6 billion at the end 2024.

Real estate activities (mainly property investment/development) and primary industries (mainly agriculture) accounted for €783 million and €704 million, respectively, of gross new lending in 2024.

Drawdowns in the wholesale/retail trade and repairs sector increased by 29% to €621 million in 2024. Annualised gross new lending in the fishing and aquaculture sector fell by 41.9% to €43 million.

Gross New Lending to SMEs, €m
(Annualised - Selected Sectors)



Source: Central Bank of Ireland

The value of outstanding credit to core SMEs (excluding property-related sectors and financial intermediation) fell by €221 million in the twelve months ending December 2024 to about €11.4 billion.

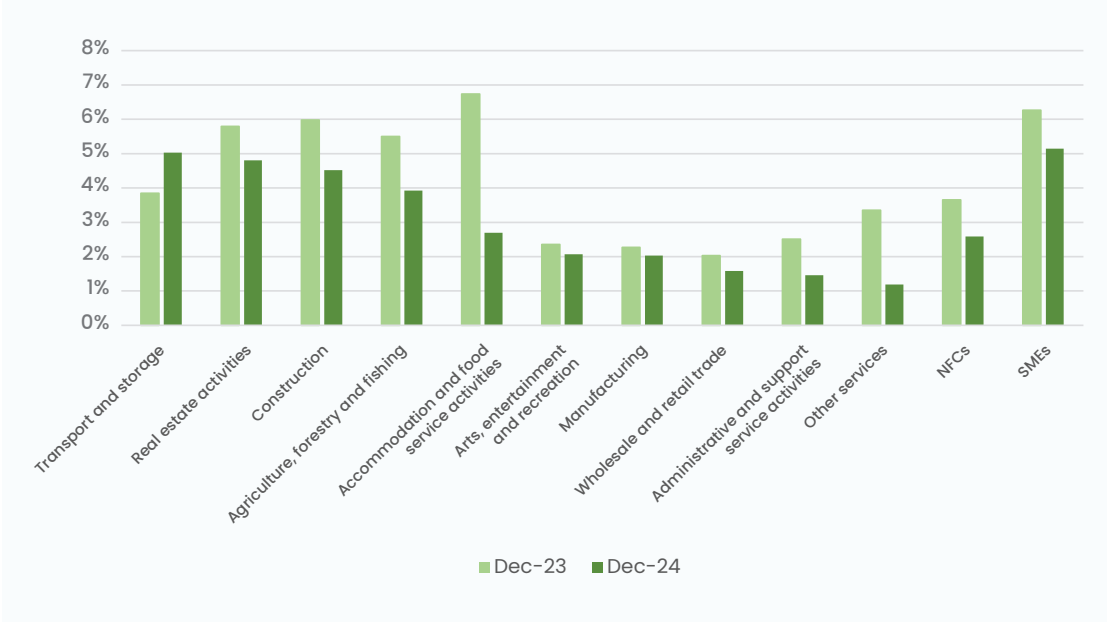
Three sectors (primary industries including agriculture, wholesale/ retail trade and repairs and hotels and restaurants) accounted 56.1% of outstanding credit to core SMEs (excluding property-related sectors) at the end of December 2024, with 25.3%, 20% and 10.8% of outstanding credit, respectively. The outstanding stock of lending to SMEs involved in real estate activities (mainly property investment or development) decreased by 15.7% year on year to under €4.6 billion.

New lending by non-banks to SMEs totalled €625 million in Q3 2024, according to the CBI. Specialist property lenders accounted for 39.6% of the total, while general lenders and asset finance providers accounted for 26.3% and 21.9%, respectively.

Non-performing loan (NPL) ratios on business loans continued to decline in 2024, according to the European Banking Authority (EBA).

The NPL ratio for all SME loans was 5.1% at December 2024, down from 6.3% a year earlier and lower than the December 2019 level of 5.4%. The NPL ratios in the accommodation and food service activities fell sharply from 6.7% in December 2023 to 2.1% a year later.

NPL Ratios for Selected NACE Sectors



Source: European Banking Authority

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