Q4 2023 Ibec Quarterly Economic Outlook

Slowdown and consolidation

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All signs are that the economy globally is beginning to slow. This isn't unexpected. The purpose of Central Banks increasing interest rates has been to bring down inflation by first slowing the global economy. It is working. Price growth in the eurozone is now converging on its 2% target rate. For an Irish economy which relies on global demand for our exports the major danger now is that Central Banks may have done too much.

The softening global picture is clearly reflected in falling goods exports and slowing investment levels here at home. Yet the full squeeze of higher rates on consumers and businesses is yet to come. Ireland is not in a recession, but neither is it immune to the troubles of our trading partners. The Irish economy has had a spectacular four years with growth outstripping any of our major partners in terms of exports, investment and employment. We are now entering a period of consolidation where those gains are not reversed but businesses have a much greater focus on areas like cost and competitiveness. The decisions of the Government which are building in billions of euro in additional regulatory labour market costs remains a major risk for the years ahead.

Key indicators

Annual % change	2023	2024	2025
Consumer spending	3.8%	3.0%	3.2%
Domestic Investment	-4.0%	5.1%	6.3%
Domestic Demand	3.2%	2.3%	3.0%
Exports	-0.4%	3.8%	4.0%
Imports	0.7%	4.0%	4.0%
GDP	0.1%	1.6%	2.9%
Inflation (annual average %)	6.1%	3.1%	1.9%

Ibec
For Irish Business

Economic growth

Economic overview

The Irish economy has seen a mixed picture throughout 2023. Rising employment and reasonably strong consumer spending were a follow-through from strong post Covid recovery momentum and record fiscal expansions. This has been tempered by more forward-looking indicators such as falling goods exports, volatile corporate tax receipts and weakening investment trends. Whilst some of these headline measures are, as always with the Irish economy, linked to the activities of a small number of companies there is also a strong expectation of a continuing moderation of economic activity in 2024. Whilst the ECB held its main REFI interest rate at 4.5% in October the full impact of rising interest rates globally is likely to lag rate announcements by 12 to 18 months. With inflation already falling to 2.4% in the eurozone in November and purchasing manager indices showing weakening sentiment there is now a significant chance that Central Banks may have overcorrected globally. Domestic economic conditions in an open economy like Ireland cannot be disentangled from global trends. Recent years have seen a spectacular level change in Irish output with employment (14% versus an EU average of 3%), export (49% versus 10%) and domestic investment (9% versus 2%) growth all far outstripping the rest of Europe. We are now entering a period of more moderate economic advances. Our forecasts are for weaker growth in domestic demand in 2024 on the back of a moderation in employment growth and a continued moderation in investment trends. We expect domestic demand to grow by 2.3% in 2024 and 3% in 2025.

Exports

Goods exports in the first nine months of 2023 fell by almost €9.8 billion or 6.2% on the same period in 2022. This fall is driven by part by a global phenomenon in supply chains known as the ‘bullwhip’ effect. In certain sectors, particularly in pharmaceutical and semiconductors the advent of Covid led to large growth in demand through the supply chain. This was driven by both demand for medicines and rising equipment sales to facilitate work from home. The trend was further enhanced by signals in supply chains leading to overstocking of some goods and a build-up of inventories. That drove massive growth in Irish exports on the upside with sales of both pharmaceuticals and categories dominated by semiconductor sales together rising by €30 billion, 26%, in 2022. These two categories accounted for 80c in every €1 of Irish export growth in the year. In 2023, however, this trend has gone into reverse as global demand for products in both areas fell back by 9%, or just over €10.3 billion. This is driven by some falls in demand for individual products but is also reflective of a general unwinding of inventories across supply chains. Whilst overall exports have fallen by 6% on the back of these trends, exports excluding BioPharma and semiconductors are up by 1.1% annually. In our view, neither of these trends reflects a structural change in the strength of the Irish export base. However, slower growth in broader exports is reflective of slowing trends in the global economy.

Investment expectations

Investment expectations in the Irish economy are mixed. Whilst macro numbers show an overall fall of 5.3% in capital investment in the economy in the first half of 2023, this is driven by particularly strong falls in business investment in machinery and equipment. In large part, this is linked to the end of a sharp one-off rise in levels of manufacturing investment which ran throughout 2022 linked to a small number of large facilities – particularly in the semiconductor space. A recent Ibec Manufacturing survey indicated that around 48% of manufacturing companies expected to expand their capital investment in 2024, a slight moderation from earlier years. However, growth in both digital (56%) and sustainability measures (67%) bucked that trend with companies focusing on investment in the areas of the twin transition. When it comes to construction investment, the continued rise in housing completions and expansion of the public capital programme will mean continued growth in overall levels of investment. This is despite a clear decline underway in investment in particular areas of commercial construction such as offices. Overall, we expect investment to decline in 2023 as some exceptionally large projects close out and experience moderate growth in 2024. However, this macro trend disguises quite strong overall levels of underlying investment with some rebalancing of the investment environment from large-scale private investments to state-backed investments in infrastructure and housing.

Figure 1: Growth in key aggregates versus EU average 2019 to 2023

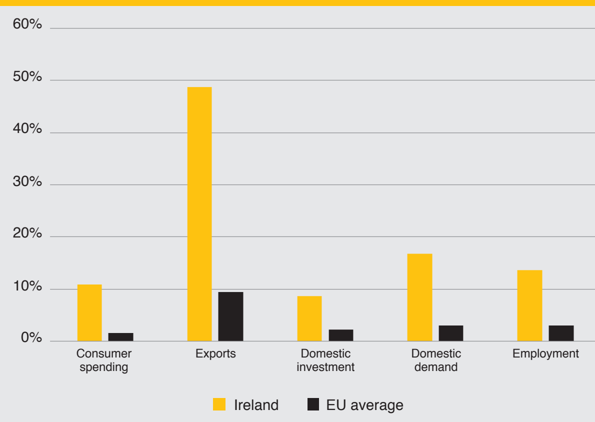


Figure 2: Good exports in first nine months, € billion

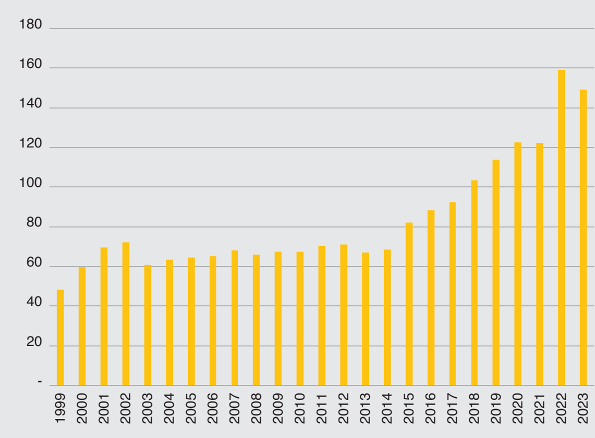
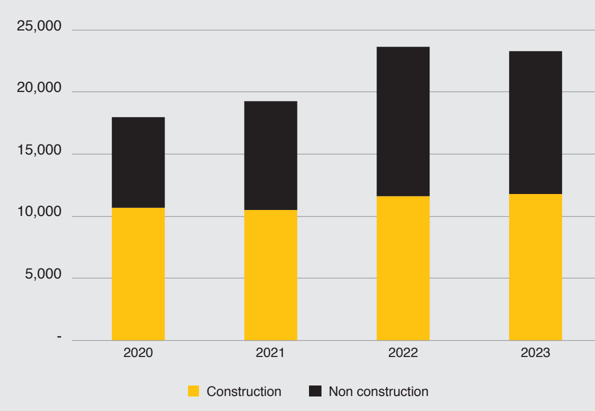


Figure 3: H1 investment spending by year, € million constant prices



Domestic demand

Consumer spending

An expansive budget, strong employment trends and an easing in rates of inflation would all suggest some improvement in consumer conditions in Ireland in 2024, as real incomes increase for the first time since 2021. This will be counterbalanced, however, by still high price levels relative to the period before the Ukraine crisis (up 14% between 2021 and December 2023), continued increases in rental costs and rising mortgage interest rates. Whilst ECB rate hikes may now be over for those on tracker mortgages, consumers on fixed-rate or variable mortgages may continue to feel the squeeze of rising rates for some time. For those on fixed rates, there will be a slow hit to households throughout the next number of years. Research by the Central Bank has shown that, as of December 2022, approximately 60% of mortgages were on fixed rates (approx. 430,000). Some 19% of those will expire before December 2024. A further 10% or 75,000 fixed-rate mortgages will expire each year between 2024, 2025 and 2026. Overall, we expect consumer spending to increase by 3% in 2024.

Inflation

Prices in 2023 have risen by just over 6.1% compared to 2022. This leaves the last two years as the fastest period of price growth since 1985. The positive news, however, is that at both a European level and domestically price growth is now beginning to slow materially. The Irish HICP (which excludes mortgage interest costs) was down to 2.3% in November from 5% in September, on the back of falling energy costs and moderating costs elsewhere. This trend is likely to continue over the coming months as imported energy prices, commodity prices and producer prices continue to fall on the back of slowing growth globally. Including mortgage interest, Irish prices are now rising at around 5% annually and will slow further below 4% by the end of the year. As the early impact of rising variable and tracker rates washes out of the data, we are likely to see continued moderation of inflation into 2024. We expect that inflation next year will average 3.1%, proving somewhat more stubborn than many other eurozone countries due to the pass-through of increases in Government-imposed additions to labour costs as well as the continued rise in retail interest rates.

Retail sales

Retail sales in the first 10 months of 2023 rose by only 0.7% (excluding cars and bars) in volume terms. In cash terms, the value of sales rose by 5.5% over the same period. Across categories, there were clear differentials with motor sales up by 13% in volume terms and sales in bars rising by 7%. Both of these categories were boosted by bounce-backs from Covid in recent times. However, other categories saw falling sales volumes including electrical goods (-1.5%), DIY (-3%), specialised food and beverage (-4.6%) and Department stores (-5%). Overall trends in the retail space continue to be heavily impacted by not just overall economic conditions but also by the overhang of lockdown-influenced trends in purchasing. In particular, categories such as electronics and white goods saw large boosts during lockdown periods thanks to the growth of work from home. These divergent trends have made demand forecasting for both retailers and supply chains difficult but they should begin to normalise in 2024.

Figure 4: Mortgages by fixed rate expiry year as of December 2022

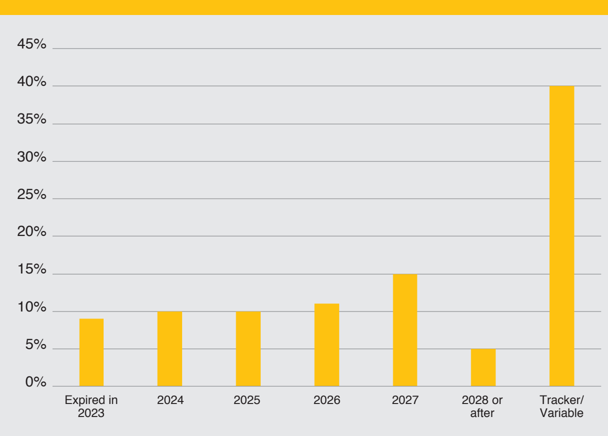


Figure 5: Inflation rate, 1990 to 2025, %

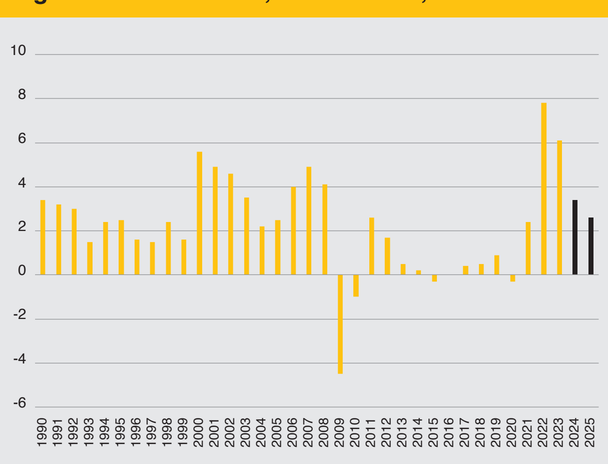
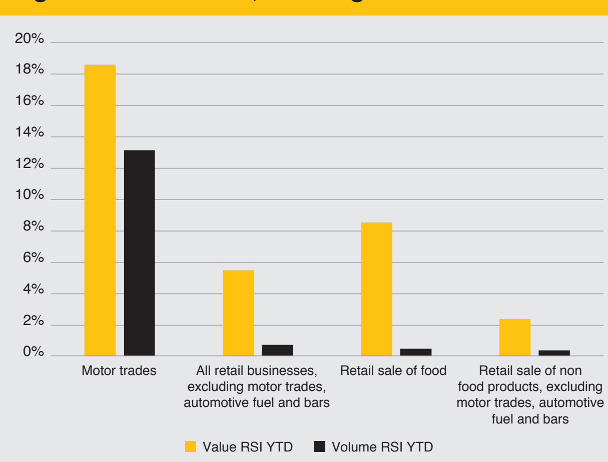


Figure 6: Retail sales, % change first 10 months

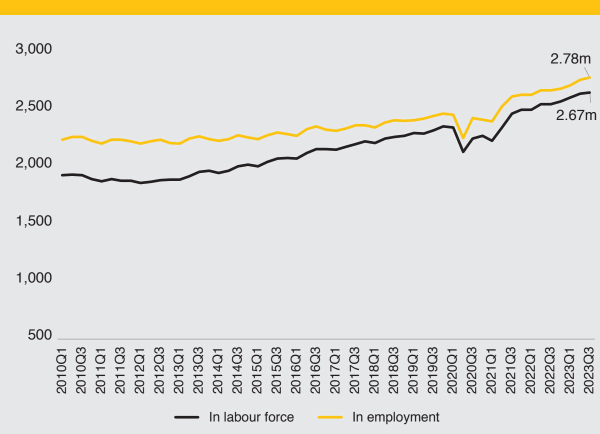


Labour market

Labour market overview

A tight labour market continues to prove challenging in terms of recruitment and retention. Employment has continued to grow over the year to date, despite difficulties in the wider economy and the effects of rising interest rates and increasing cost pressures on businesses. The unemployment rate currently sits at 4.8% across the labour market as a whole. When youth unemployment is stripped out of the figure, unemployment among those aged 25-74 is just 3.6%. This is in comparison with a headline unemployment rate of 6% in the EU as employment in Ireland proves particularly robust. A record 2.7m people are currently employed, with total hours worked up 2.1% annually. While new entrants to the labour market have helped to meet the growing demand for labour so far, the expectation for the coming year is slowing employment growth as it becomes more difficult to fill vacancies despite strong hiring intentions among businesses.

Figure 7: Numbers in Labour force and employment, '000s



Sectoral Employment

Total employment has increased by about 4% over the past 12 months, according to the Quarterly Labour Force Survey. PAYE data from Revenue indicate that employment growth continues to be broad-based, across most sectors of the economy. Growth has been highest in the transport, public, and health sectors, ranging between 4% and 6%. This marks a shift after several years of ICT, finance and professional and scientific sectors leading the pack in terms of employment growth. While employment in ICT has fallen year on year, down 2.7%, amid a difficult year globally for the sector, the number of PAYE employees in the sector is still 5.1% higher than the same period in 2021, reflecting the rapid increase in hiring of ICT professionals post-Covid. Low monthly growth in employment across sectors, along with falling vacancy rates indicate slowing employment growth, as employers find it harder to source specific skills.

Figure 8: Index of PAYE employees by sector, annual and monthly % change

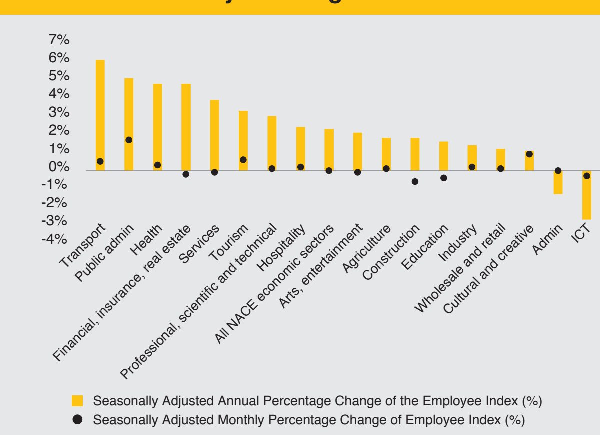


Table 1: Employment, 000s annual average

	2022	2023	2024
Agriculture	**101**	**106**	**114**
Industry & Construction	**487**	**488**	**491**
Services	**1,949**	**2,043**	**2,073**
Total	**2,547**	**2,637**	**2,678**
Unemployment rate (annual average %)	**4.5%**	**4.4%**	**4.1%**

Source: Ibec forecasts

Labour market

Barriers to work

With limited options available to increase the supply of labour, making the most efficient use of the skills and existing working-age population is increasingly important. The proportion of those working part-time versus full-time has been broadly unchanged over recent years, with the share of employees working part-time hovering at around 20% of total employees. Within this, a third of men and one-fifth of women work part-time due to education or training commitments. 43% of women working part-time do so due to caring responsibilities, or other personal or family reasons, compared to around 12% of men. Of those who would like to work but are not currently seeking employment, two-thirds are unavailable due to caring responsibilities or a disability or illness. The number of discouraged workers, who were unable to find employment and have stopped searching has fallen significantly since Covid, suggesting structural barriers to work such as childcare and accessibility are the main areas where policy can encourage new entrants to the labour market.

International labour and skills

Over recent decades, migration has acted as a safety valve for the Irish labour market, allowing the State to benefit from additional labour and skills in times of high demand, and allowing Irish workers access to foreign labour markets in lean times. Against the current backdrop of a tight labour market and almost full employment, access to international skills and pools of labour is increasingly important. About a fifth of all people currently employed in the country are foreign nationals, without which labour shortages and building capacity pressures in the Irish economy would be even more pressing. Particularly impacted are the ICT and hospitality sectors, where foreign nationals make up 39% and 28% of the workforce respectively. The majority of foreign nationals working in Ireland are citizens of the EU or UK, however, access to skilled workers recruited from outside the UK and EU is particularly important for the healthcare and ICT sectors with 13% and 18% of employees in the sectors recruited from these markets respectively. With a tight labour market and strong demand for key skills, the continued openness of the Irish labour market will be key to both continuing investment and the provision of key services.

Educational attainment

Recent CSO data has highlighted the impact of education and training on employment outcomes among the Irish workforce. Ireland ranks 2nd in the EU both for the share of young adults with at least a second-level education and for people aged 30 to 34 with a third-level education. While employment rates are high across most cohorts in the current tight labour market, rates of employment predictably increase with the level of qualification. However, the relationship between education and employment outcomes differs depending on gender. 83% of men with a leaving certificate as their highest qualification are employed, compared to just 62% of women. Women only reach similar rates of employment to men with a secondary level education at a bachelor's degree level or higher. This likely reflects both differences in the sectors where men and women are more likely to work, as well as gendered differences in caring responsibilities. Encouragingly, the rates of early school leavers have fallen consistently over the past ten years, down to just 4% of 18-24 year olds.

Figure 9: Numbers who would like to work but not seeking employment by reason, '000s

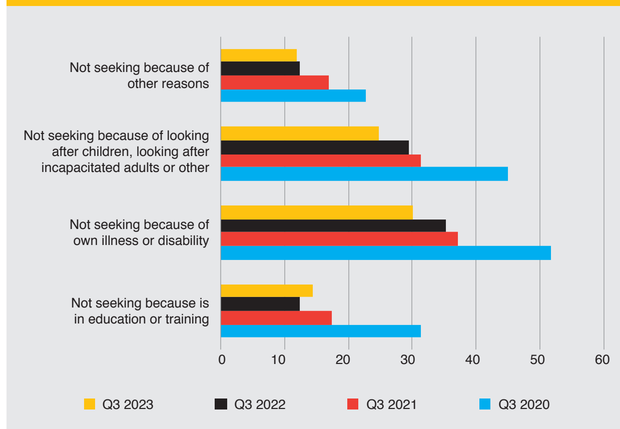


Figure 10: Share of employment by sector accounted for by foreign nationals, %

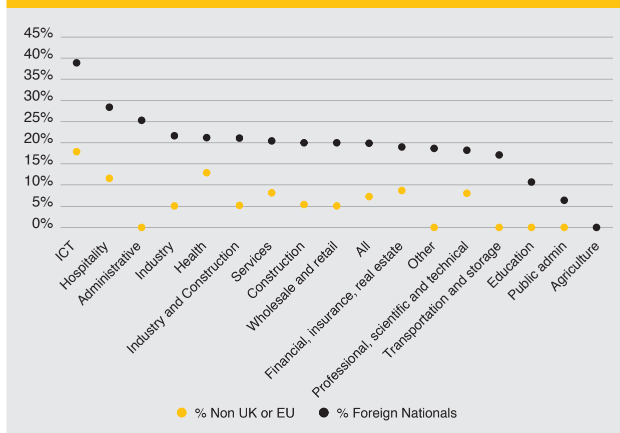
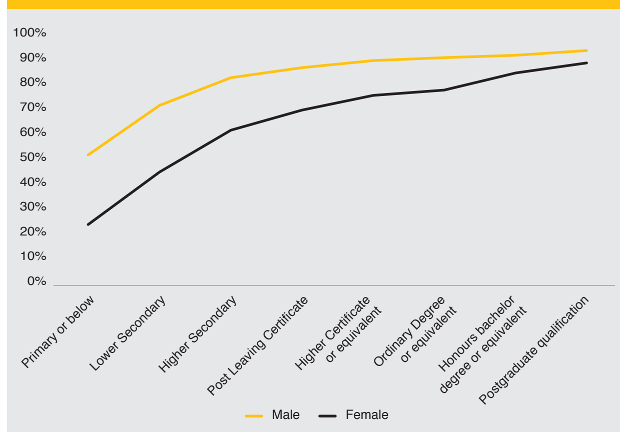


Figure 11: Employment rates by gender and level of education attained



Regulated labour costs

Rising Government-imposed labour costs

During times of slow demand and tight money, businesses focus on ensuring operations are competitive above all else. For most, their pay bill is their number one outlay. This year Irish employers will pay around €100 billion through the operation of private sector pay bills. Because of the scale of these commitments and the global backdrop, any cost increase will catch CEOs' attention. Recent Ibec surveys show moderate levels of wage pressure coming from the workplace. The same cannot be said of costs imposed by Government policy.

The Government has committed businesses to billions of euros worth of additional labour market taxes, entitlements and regulations over the coming years without any overarching strategy. Even where individual measures make sense, like pension autoenrollment or pay-linked unemployment benefits, the lack of timing and coordination across Government has meant a raft of new measures arriving all at once. The Government's unprecedented spending spree on the credit card of Irish companies is the biggest change in labour market policy in decades. The cumulative cost and lack of coordination are also building into serious concern amongst many employers about their ongoing competitiveness.

From January, the Government has agreed to increase the minimum wage by 12%. What is more, the Government failed to introduce the Low Pay Commission recommendation to increase PRSI thresholds in Budget 2024, in line with previous practice, thus increasing overall labour costs by 15%. The Government has committed that by 2026 the full-time minimum wage equivalent will increase by one-third to over €30,000 per year.

The direct 'bite' of many of these costs will be felt greatest in SMEs where the new 'living wage' will be worth over 70% of their current median wages and in sectors such as accommodation, food service, personal services, the cultural sector, childcare, residential care, retail and in low margin parts of the manufacturing sector. The step-change for the 330,000 or so employees earning less than the 2026 target will cost employers around €1.3 billion per year.

What is more challenging is the knock-on costs which will arrive as other workers understandably look for their relative pay to keep ahead of the new wage floor. The knock-on relativities of a €30,000 full-time equivalent (FTE) minimum wage will be felt up the income distribution. This is particularly true in hourly paid roles where either contractually or in practice differentials will be either fully or partially maintained between entry grades and more experienced or skilled grades. This will mean significant changes will be needed to pay and salary scales across both public and private sectors, with a particular influence in the bottom third of the pay distribution where hourly pay is prevalent.

What are relativities?

A retailer may pay entry-level shop floor operatives with no experience the minimum wage, workers with some experience a rate per hour which is above that, workers on the tills a rate per hour which is above that again, skills workers (i.e bakers, butchers) a rate above that again, and supervisor grades another level above that. With managerial grades on salaried pay.

Take for example a shop where each grade increases hourly wages by €1/hour. The transition to a minimum living wage of €15/hour will not just leave entry-level operatives at €15/hour, it will also result in a legitimate demand for relative pay differences to be partially or fully maintained for workers with more than entry-level experience levels or specialist skills who are paid well above that level. In the example above, full retention of relativities would mean all workers (not just those on the minimum wage) would have their hourly rate increased. In practice, even partial retention of relativities after a 33% increase in the minimum wage to €30,000 FTE, may impose major costs in some sectors where the prevalence of hourly pay is common. Including these relativity impacts, many heavily impacted companies are planning for cumulative increases in labour costs of more than 25% over the next 26 months.

On top of this, the Government estimates that its policy of introducing pension autoenrollment next year will cost employers €9 billion over the next decade. In the past few weeks, the Government has also announced a further increase in PRSI paid by both employers and employees of 0.7% over the coming years. While 0.7% might not sound like a lot, the total cost of this measure is likely to be in the range of €750 million a year for companies at today's prices.

The cumulative impact of all these measures is no small change. More is to come, with other significant expansions of entitlements next year in sick pay and protective leave, as well as plans for additional bureaucracy such as significant additional Revenue reporting requirements on employees' non-taxable expenses.

Budget 2024 saw the announcement of a €250 million fund as a very partial recognition of these additional costs, which in total will add more than €4 billion annually to employment costs, over and above normal wage trends. This is before knock-on relativity pay claims or administrative costs are included. Unfortunately, even the early promise of that fund looks like it will be lost in a scheme which is spread wafer-thin across over 130,000 businesses rather than aiming support at those facing the most significant additional responsibilities.

At a time when the global economy is slowing, we need to remain conscious that no one owes us a living as a country. This is not a new story. Spending other people's money on the promise that the good times are here to stay may be popular while things are good but creates significant risk when the music stops. Improving conditions for workers is important for social stability but it must be done in a sustainable, co-ordinated way.

Figure 12: 60% of median wage 2022, as a percentage of median wages by company size and sector

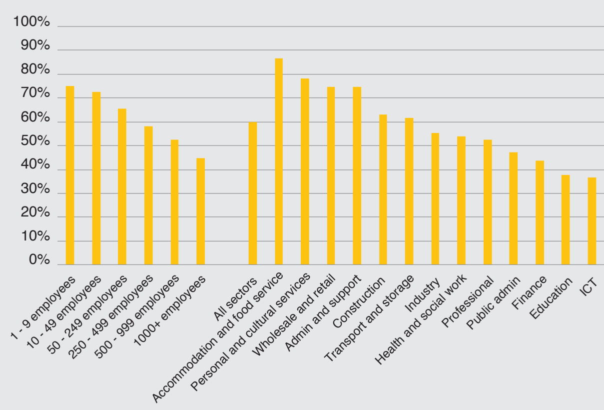


Table 2: Key cost impositions outline

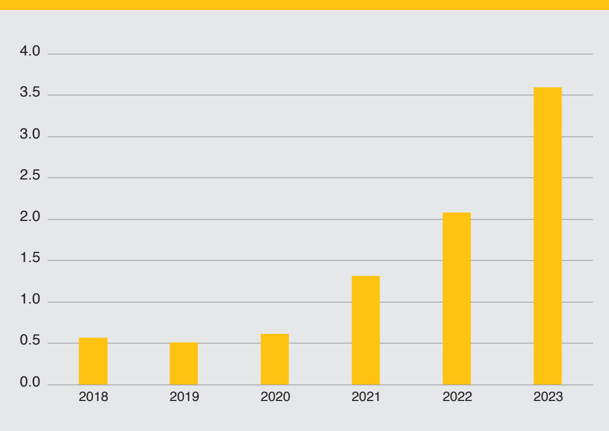
Measure	Detail	Cost for business
Living Wage	Minimum wage moving to 'Living Wage' of 60% of Median earnings by 2026. Increase of minimum wage of 12% in 2024, rising to 15% when failure to adjust PRSI thresholds is taken into account. The current estimate is that this will equal at least €15/hr or €30,000 for a full-time equivalent by 2026, this would represent a 33% increase.	Direct increase of circa.330,000 workers to above €15/hr will **cost businesses €1.3 billion by 2026** versus 2023. Even **more significant costs will arrive through knock-on relativities** in pay with hourly pay across grades linked back to the minimum wage level either explicitly through the pay scale or customary differentials in pay between entry grades and more skilled grades. **Many heavily impacted companies are planning for cumulative increases in labour costs of more than 25% over the next 26 months.**
Pensions Autoenrollment	A large cohort of workers will be either automatically enrolled or able to opt-in to payments into pensions from 2024 of 1.5% of gross pay, rising to 3% in 2027, 4.5% in 2030 and 6% from 2033.	The Government estimates that the cost to employers will total **€9 billion over the next decade or an average of €900 million annually**. Employer contributions will rise from roughly €400 million annualised in 2024 to €800 million, in today's money, in 2027 and €1.2 billion from 2030.
Statutory Sick Pay	The statutory right to sick pay equivalent to 70% of normal pay or €110 per day will expand from 3 days in 2023 to 5 days in 2024, 7 days in 2025 and 10 days in 2026.	Government Regulatory Impact Assessment estimated costs of around 1.3% of payroll per employee at 5 days per week (2024), 1.9% at 7 days (2025) and 2.5% at 10 days (2026). Equivalent to overall payrolls and estimates of coverage this would amount to **circa €600 million in 2024 rising to over €1 billion by 2026.**
PRSI roadmap	This will help fund the Social Insurance Fund to cover a new Pay-Related Jobseeker's Benefit Scheme and the retention of the State Pension at 66 rather than an increase as recommended by Ibec and the Commission on Pensions. Increases will amount to 0.1% in each of 2024 and 2025, 0.15% increases in 2026 and 2027, followed by a 0.2% increase in 2028.	In today's prices, this will result in a cumulative rise in PRSI of 0.7% for employers. Rising from a cost of over €200 million annually by 2025 to **the equivalent today of over €700 million annually by 2028.**
Other various leave schemes and regulatory changes	• Parents leave extended to 9 weeks from August 2024 • Work Life Balance and Miscellaneous Provisions Act 2023 – right to request flexible or remote work and additional protective leaves. • Gender Pay Gap reporting extended to companies with 150+ employees from 2024 and 50+ employees from 2025. • Enhance Reporting on employees' non-taxable expenses introduced by Revenue, requiring significant reworking of internal expense processes.	These schemes will **add to the administrative cost of operating payrolls and in some cases have direct costs in terms of backfilling roles or duplicating equipment.**

International economies

Changes in China

There have been several remarkable trends in the Chinese economy in the past year. Firstly, a period of construction-led expansion has begun to enter a major retrenchment. In recent years, the construction sector has made up around 25% of the Chinese economy. As such, this slowdown will have material impacts on domestic demand, compounded by weak consumer spending since Covid. The second major trend is that the Chinese birth rate has cratered due to population ageing. For most of this century, there were between 15 million and 18 million children born in China each year, in 2022 that had fallen to 9.5 million leading to the first population fall in the country since 1960. Forecasts put China's population at 1.4 billion people today but it will shrink to 800 million people by the end of the century. Both trends point to weaker domestic sources of growth for the Chinese economy. The third major trend is somewhat related; China's car industry has exported 3.6 million cars in the first 10 months of 2023. This compares to 2.1 million a year earlier and only around 500,000 in 2019. This year China will overtake both Japan and Germany to become the world's largest carmaker. The potential use of a growing export base from China to offset falling domestic demand at home is one with material consequences for the global economy. For companies in global markets, a significant focus of Chinese brands on export success could have material impacts both in terms of export competitiveness on global markets and (if successful) on Chinese capital flows which would have to counterbalance any growth in their trade surplus.

Figure 13: Chinese car exports, million cars, Jan to October



UK Autumn Statement

The Autumn Statement in the UK saw the British Government effectively freeze Departmental spending (a cut in real terms) and not uprate income tax and social insurance thresholds (a tax increase in real terms) in the face of higher-than-expected inflation. This was used on the other hand to give cuts in personal taxation through reductions in the main rate of national insurance from 12% to 10% and to capital-intensive businesses through making permanent the full expensing of business investments for corporate tax purposes. In effect the decision not to uprate thresholds will result in between 3 and 4 million extra workers brought into the income tax net and 2 to 3 million workers into the higher rate band each year between now and the end of the decade. Despite a headline focus on tax cuts in the media, the net effect of these tax changes will mean that tax revenues as a proportion of GDP will rise to 37% for the remainder of the decade, an increase from a consistent average level of around 32% between 1970 and 2019.

Figure 14: UK tax, % of GDP, 1948 to 2029

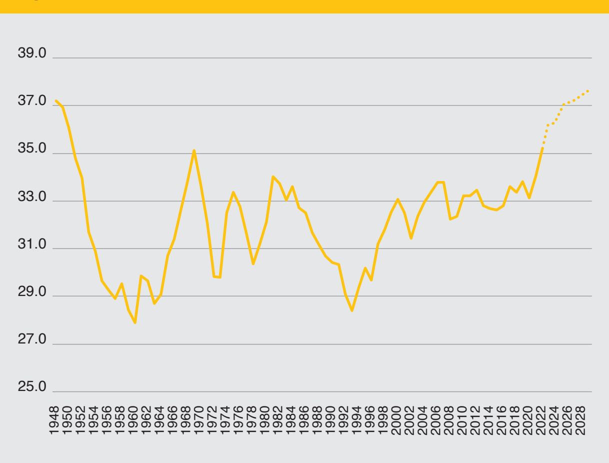


Table 3: Forecasts for global growth and inflation, 2023

	US	UK	China	Eurozone	World
GDP growth, %	1.5	0.6	4.2	1.2	2.9
Inflation, %	2.8	3.7	1.7	3.3	5.8

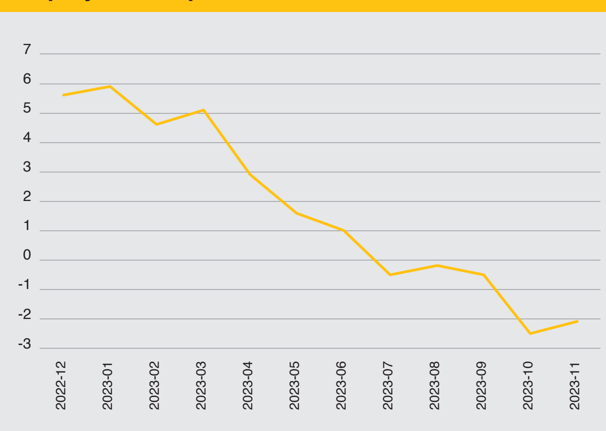
Source: IMF

Business Environment

EU Business sentiment

Business confidence has also been weakening in the EU as member states grapple with the twin impacts of inflation and rapid increase in interest rates. Weakening export demand in particular is being felt among manufacturers, where expectation of future export orders has fallen significantly over the year along with a drop off in industrial confidence. This is borne out by the EU's export figures, which saw a quarterly decrease of 1.3% this Autumn. The outlook amongst businesses in the services sector is less challenging, with expected future demand down marginally and overall sentiment in the sector flat. Employment in the EU has been more robust than expected given slowing growth in the region, with the unemployment rate for the bloc remaining stable at 6% over recent months. However, expectations of future employment levels amongst employers in industry are beginning to fall, indicating difficulties in the sector may feed through to employment levels.

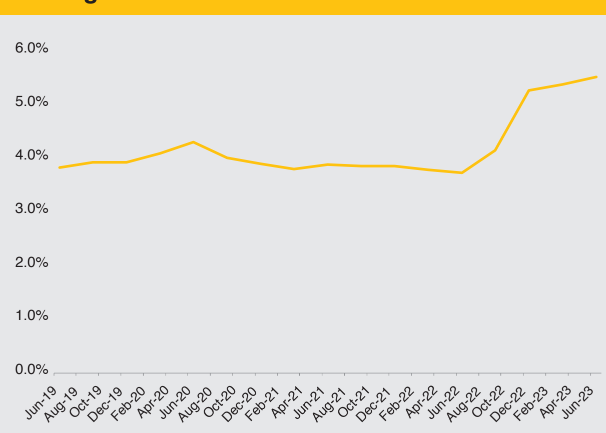
Figure 15: EU Industry 3-month forward looking employment expectations, index



SME Financing

Amid a backdrop of inflation, rising labour costs and squeezed margins, SMEs are also facing a difficult financing environment. Average interest rates on new lending to SMEs is at a record 5.5%, having increased rapidly since mid-2022. The cost of servicing existing loans has also increased, up to an average of 5.1%. Irish SMEs have historically been averse to equity financing, preferring to raise money through borrowing or to finance out of company resources. However, with rising interest rates passing through to business lending, new borrowing has been falling throughout 2023. Concurrently, many smaller businesses are also paying down debt warehoused with the Revenue Commissioners under a Covid tax deferral scheme. There is still €1.2 billion in tax debt warehoused with revenue by just over 55,000 small and micro businesses across the country. The sectors with the highest amount of debt warehoused are retail and hospitality, reflecting the particular difficulties experienced in those sectors over the pandemic.

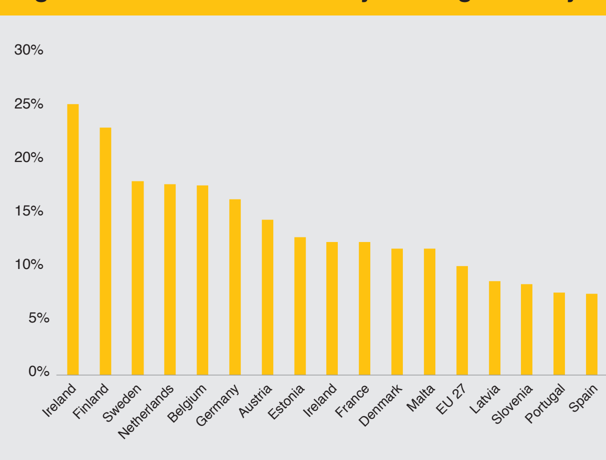
Figure 16: Average interest rates on new SME lending



Remote work in the EU

Remote working statistics across the EU have confirmed that Ireland has the highest rate of remote working, with about a quarter of Irish workers working mostly from home last year, compared to an average of 10% across the EU. This likely reflects the high proportion of service-based jobs in the Irish economy, which can accommodate higher rates of remote working. Similarly, Sweden, Finland and Benelux all report between 16% to 23%. of workers working mostly remotely. While the majority of Member States saw an increase in remote working over the pandemic, those numbers have adjusted down somewhat as pandemic-related restrictions across the continent eased. This is also true in the case of Ireland, which saw about a third of employees working mostly remotely over 2021. Rates of remote working appeared to be stabilising over the past year as new ways of hybrid working fully embed in office-based roles in particular.

Figure 17: % of workers usually working remotely



Housing and construction

Rents

While available data on rents from the Residential Tenancies Board (RTB) is useful for gauging the increase in rents for new tenancies, it can be more difficult to estimate rents across the country for existing tenants. Given the large number of tenancies now covered by Rent Pressure Zones, which limit the rate at which rents can be increased, there is a growing divide between rents faced by newer and more longstanding tenants. The recent Census allows for a comparison, which shows that average monthly rents across all tenancies last year were €1,092, in contrast with an average of €1,464 for new tenancies per the RTB. While rents among both groups have increased significantly over the last few years, this indicates average rents of new tenancies are more than a third higher than average rents as a whole. This highlights the particular difficulty faced by new tenants, new migrants and younger renters attempting to move out of the family home.

Housing supply

New housing delivery is expected to hit 30,000 additional homes this year, on track for the target set out in the Government's Housing For All plan. Completions for Q3 show the continuing trend of a higher proportion of apartments in the housing mix, many of these concentrated in Dublin. While the additional units are welcome amid the housing shortage, given demographic trends and increased population, the real housing need in the state is likely significantly above the 30,000 target. As such, the Department of Housing has committed to a review of the projected housing need underpinning the Housing for All plan based on updated Census data. Difficulty sourcing skilled trades in the sector, combined with steep increases in materials costs and a more challenging financing environment are all placing pressure on costs in the sector. Despite this, commencements of new units are up significantly in the year to date. We expect housing completions will continue to increase materially in 2024 on the back of strong Government demand, with data showing that the State or state-funded bodies buying, financing or leasing around 40% of new housing annually.

House prices

Diverging trends in house prices are continuing, with prices continuing to rise across the country, but falling in the capital. House prices outside Dublin have risen by 4% over the year, compared to a fall of just under 2.5% in Dublin. This is driven by a few factors. Firstly, decreasing affordability driven by rising interest rates limits the mortgages households can sustain. This impact is most apparent in Dublin, where prices are highest. Secondly, as housing sales overall have decreased over the year, the types of properties available are also shifting. While house prices have been falling in Dublin, apartment prices have been rising consistently across the country, up about 2% annually. Additionally, there is a split in trends among new and second-hand homes, with new-build prices continuing to rise, even as prices of the existing housing stock decline. This is caused both by higher demand in the new-build market on the back of demand from a variety of actors, including the State, and rapid increases in construction costs over recent years being passed through to buyers.

Figure 18: Number of private tenancies by weekly rent

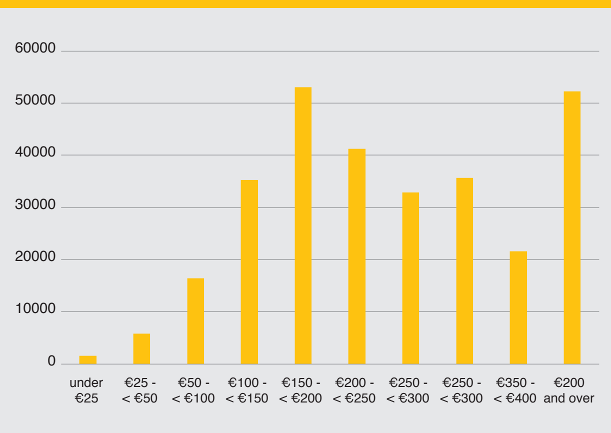


Figure 19: Housing completions by residential type

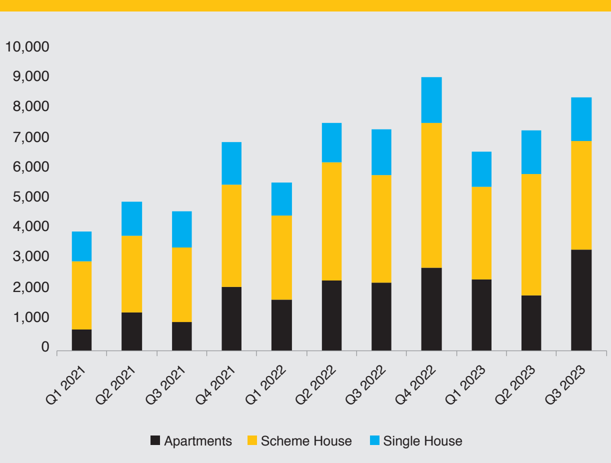
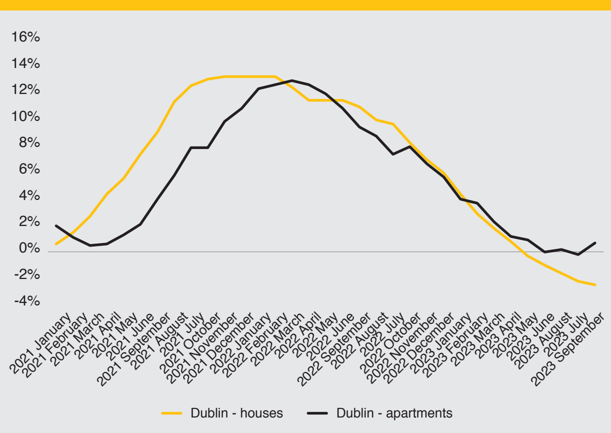


Figure 20: Dublin residential property price index by dwelling type, annual % change



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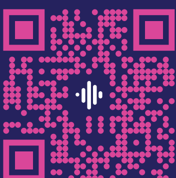

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