

Ireland: Brexit concerns persist

Ireland continues to perform well, but Brexit worries are cause for some concern



A sigh of relief after the first round of Brexit negotiations: a no deal scenario has thus far been avoided and the current deal on the Irish border is promising. A possible deal that there will be full alignment in terms of regulation between the EU and the UK on issues affecting the Irish border is reassuring for the Irish economy and decreases the tail risk of moderating growth because of Brexit.

It remains difficult to see how full alignment with the EU can continue if the UK starts to change regulation though, so tail risk on the partial agreement persists. The infamous Brexit phrase *"nothing is agreed until everything is agreed"* still holds and a "no deal" scenario is also still a possibility. It, therefore, remains a positive first step, but uncertainty prevails.

With that said, the Irish economy continues to perform very well despite Brexit worries. Growth in Q3 increased to 10.5% YoY, mainly on improving net exports. This will bring the annual growth rate to around 6.5% for 2017. It is not just exports that cause strength, Ireland maintains healthy consumption growth boosted by continued labour market recovery. The housing market continues to experience upward pressure on prices as demand outstrips supply in the real estate market for the moment.

The Irish economy in a nutshell (%YoY)

	2016	2017F	2018F	2019F
GDP	5.1	6.5	4.5	2.2
Private consumption	2.7	2.5	2.8	2.5
Investment	5.0	-12.3	6.5	4.1
Government consumption	5.4	2.1	2.0	2.0
Net trade contribution	1.4	9.1	1.2	0.7
Headline CPI	-0.3	0.2	1.2	1.7

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