

Ireland

Ireland's economy posted a mixed performance in 2023, with gross domestic product (GDP) down 5.5% year on year in volume terms. However, there was a clear split between the domestic economy where personal consumption rose by 4.8% year on year and the more globalised sectors of the economy, where activity in the multinational sector fell by 16.2%.

Unemployment rose slightly from 4.2% at Q4 2022 to 4.3% a year later, while the number of persons in employment rose by 3.4% during the year to more than 2.7 million, the highest employment level on record. The gross household savings rate continued to decline as spending accelerated faster than incomes and neared pre-Covid levels at 11% in 2023.

There were 48 banks operating in Ireland at the end of 2023. These included 17 credit institutions authorised in Ireland (of which two were covered bond banks) and 31 branches of banks authorised in other European Economic Area countries that were operating in Ireland.

While the number of banks has fallen in recent years, the number of credit unions - not-for-profit, member-owned financial cooperatives funded primarily by member deposits – fell from 252 to 192 between September 2018 and September 2023 as credit unions consolidated.

The Irish government has significant stakes in two banking groups (a 41% stake in Allied Irish Banks and 57% in permanent tsb) but has gradually reduced its stakes. Both of the main foreign-owned retail banks, KBC Bank Ireland and Ulster Bank Ireland, exited the Irish market. The three main banks operated more than 400 branches nationwide by the end of 2023. There were also about 4,200 ATMs, many of which were owned by independent deployers.

Payment card usage continued to grow with almost 2.3 billion payments in 2023. At the point of sale, contactless payments accounted for 85% of domestic card payments in 2023, while mobile wallet payments accounted for almost half (46%) of contactless volumes.

The number of cheque payments continued to decline, down by 11.5% to 15 million. The use of electronic credit transfers continued to grow strongly with an estimated 125 online and mobile banking payments per capita in 2023.

BPFI analysis shows that new residential mortgage lending for people buying or building a home rose by 3.2% year-on-year to €10.3 billion, the highest level since 2008. The first-time buyer (FTB) segment grew by 8.3% year on year to more than €7.2 billion, the highest level since 2007.

Some 20% of the value of credit institution housing loans was on tracker rates linked to the ECB base rate by year end. This is 5.9% lower on the year. The share of outstanding mortgages on rates fixed for over one year increased from 58.6% at the end of 2022 to 64%. Some 88% of the value of new mortgage loan agreements were on fixed rates of greater than one year.

About half of the €35.4 billion outstanding credit to Irish resident private-sector enterprises (excluding financial intermediation) was advanced to small and medium-sized enterprises (SMEs) at the end of 2023, falling to €17.5 billion from €18.2 billion a year earlier. Real estate activities accounted for about 31% of non-financial credit. The value of core SME credit (excluding financial and real estate sectors) fell as businesses continued to deleverage, falling from €12.5 billion at the end of 2022 to €11.6 billion a year later.

Gross new lending to core SMEs was €4.3 billion, €174 million less than in 2022. Primary industries, such as agriculture, wholesale and retail trade and repairs and business and administrative services accounted for €749 million, €544 million and €513 million, respectively, of gross new lending in 2023.

The government-owned Strategic Banking Corporation of Ireland (SBCI) provides wholesale funding and risk-sharing supports to banks and non-bank financial institutions for on-lending to SMEs and consumers. About €356 million in loans were drawn down in 2023, mainly under two SBCI schemes: the Ukraine Credit Guarantee Scheme and the Growth and Sustainability Loan Scheme.

Credit institutions had outstanding housing loans of €86.3 billion at the end of 2023. When non-banks are included the value of mortgage debt outstanding contracted by 0.6% in 2023 to €110.5 billion, with 771,000 mortgages outstanding. Non-mortgage personal credit outstanding rose by 3.8% year on year to €12.9 billion by the end of 2023.

After strong growth in recent years, the value of private sector deposits in credit institution fell by 0.8% in 2023 to €305 billion, with households accounting for almost €153 billion. Overnight deposits represented 80% of private sector deposits and 91% of household deposits.

An Post, the State-owned postal service operator, managed a further €24.7 billion in national savings schemes and post office savings accounts on behalf of the national treasury.

Resident credit institutions in Ireland, including credit unions, employed almost 27,000 people at the end of 2023, according to the European Central Bank. Banks also paid some €500 million in corporation tax. Retail banks also pay an annual levy which cost €87 million in 2023.

Ireland's exports of financial services (excluding insurance and pension services) rose by 1.9% in 2023, to €22.3 billion. Ireland was also the eighth largest exporter of financial services in the world in 2023, according to UNCTAD, overtaking Hong Kong and Switzerland since 2019.

Total credit institution balance sheet assets fell by about €20 billion in 2023 about more than €847 billion at year end. Loans to non-Irish residents in the euro area increased by 3.6% to €225 billion at the end of 2023. In terms of liabilities, deposits from Irish private-sector residents remained the key source of funding at €305 billion.