



## Weight loss drugs are expanding Irelands trade balance

The latest Irish GDP data provided the first full breakdown of the economy in Q2 2025. GDP growth remains volatile (+0.2% q/q, +17% y/y), driven by a surge in exports in the first half of the year due to tariff frontrunning and the emergence of pharma production of weight-loss drugs in Ireland.

However, beneath the noisy headline data, domestic indicators point to a moderate growth picture so far in 2025. Modified Domestic Demand (MDD), which strips out some of the volatility of the multinational sectors, rose 0.6% q/q. On an annual basis, MDD is 3.8% higher in the first half of 2025.

Other reliable domestic indicators point to continued growth in the Irish economy, including compensation of employees, up 2.2% y/y, in line with employment and wage growth in Q2 2025. For the remainder of the year, export and GDP numbers are likely to remain erratic due to the impact of the US tariff frontrunning by exporters. This has been particularly prevalent in pharmaceuticals exports, with the added kicker of new weight-loss drug production. Indeed, a specific hormone derivative product accounted for 56% of all Irish chemical and pharma exports to the US in H1 2025, compared to just 8% in H1 2024, according to US trade data.

As recently reported by the Wall Street Journal, this is likely originating from a new production line by Eli Lilly in Ireland feeding into its US supply chain for its blockbuster weight loss drug. The surge in global demand for these drugs could underpin Irish pharmaceuticals exports in the near term, and maybe offset some of the negative effects of US tariffs in other sectors. However, this also highlights the increasing importance of a small number of firms for Irish economic growth, and the increasing reliance of the Exchequer on associated tax receipts.

Elsewhere, last week's exchequer returns also signalled ongoing growth in the Irish economy, with domestically driven VAT and income tax receipts up nearly 5% in the year to end-August. However, forward-looking indicators such as the AIB PMI surveys point to a slightly gloomier outlook within the private sector amid the current uncertainty. The services and manufacturing PMIs both signalled easing activity growth on the month, with firms also slowing the pace of hiring. Overall, the slew of data published this week suggests the domestic Irish economy is moving towards a more moderate growth profile, with risks tilted to the downside.

Turning to the week ahead, the monetary policy spotlight will be centred on the ECB. Having cut rates at each of its first four meetings this year and by 200bps in total during the easing cycle, the

ECB opted to put rates on hold in July. Nevertheless, current futures pricing suggests the market is firmly of the view that the ECB will hold rates steady on Thursday.

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