

8.0% Real GDP growth 2025; EU forecast -1.2% 2026	€602 bn Nominal GDP 2025; GNI* only €334 bn (55%)	~€61,000 GNI* per head 2025 (GDP/head ~€110,000)	4.7% Modified domestic demand growth 2025	€100 bn Goods exports to US Jan-Sep 2025, +90%
3.9% HICP Sep 2026; energy +15.3%	5.0% Unemployment Sep 2026; ~16% peak in 2012	5.53 m Population Apr 2026; 16.1% aged 65+	0.27 Gini disposable 2025; 0.455 before transfers	46% Corporation tax paid by top 3 firms (2024)

STRUCTURE OF THE ECONOMY

	% OF VALUE ADDED (2025)	% OF JOBS (APPROX.)
Multinational-dominated	50.4	~11
Domestic economy	49.6	~89

- Dual economy:** very productive foreign firms (pharma, tech, medtech) and a slower domestic economy.
- AD mix:** huge, volatile X and I; large profit outflows → big leakages, small multiplier.
- GNI*** removes profits sent abroad, depreciation of foreign IP and leased aircraft, redomiciled firms.
- System:** eurozone member; ECB sets rates; 12.5% CT (15% for large groups).

MAIN INDUSTRIES

- Pharma:** ~⅓ of goods exports (late 2025); Pfizer, Lilly, J&J.
- Big tech:** EU HQs of Google, Meta, Microsoft, Apple (Cork).
- Medtech & chips:** Galway cluster; Intel at Leixlip.
- Finance:** funds, insurance, over half of world's leased aircraft.
- Agri-food:** dairy and beef; largest Irish-owned exporter.
- Construction:** 36,284 homes in 2025 vs ~50,000 needed.

GROWTH STORY: TURNING POINTS

1973 Joins EEC: market access, EU structural funds	1995–2007 Celtic Tiger: FDI, 12.5% CT	1999 Joins euro: low rates fuel property bubble	2008 Bank guarantee; banks collapse
2010 €85 bn EU–IMF bailout; deficit 32% of GDP	2013 First to exit bailout; export recovery	2015 "Leprechaun economics": GDP ~+25%	2024–25 15% min tax; Apple €14 bn; tariff rush

Why GDP swings: multinationals move IP or time exports (2015, 2025); MDD usually grows a steadier 2–5% a year.

EIGHT PROBLEMS

PROBLEM	EVIDENCE	SPEC LINK
Tax concentration	Top 3 firms 46% of CT	Public finances
US dependence	US 57% of goods exports (Sep 2025)	Protectionism, FDI
Housing crisis	17,885 homeless (Aug 2026)	Inelastic supply
Misleading GDP	+8.0% then -1.2% forecast	Measuring growth
Capacity limits	Unemployment 5.0%; grid, water	Output gap, LRAS
Imported inflation	HICP 3.9%; ECB 2.50%	Monetary union
Energy & climate	Data centres >20% of electricity	Externalities
Ageing	16.1% aged 65+ (14.4% in 2020)	Dependency ratio

INEQUALITY & DEVELOPMENT

- Gini: market income 45.5% → disposable 27.4% (2025): strong redistribution.
- Richest fifth have 3.9× the income of the poorest fifth.
- About 1 in 8 at risk of poverty (2025).
- Rents and house prices widen gaps between owners and renters, young and old.
- MNE jobs cluster in Dublin, Cork, Galway.

What if the multinationals leave? For staying: skills, clusters, EU access. Risks: tax concentration, US tariffs and tax policy, 15% minimum tax.

CLASSIC CHAINS USING IRELAND

Measuring GDP: firm moves IP to Ireland → output booked in Ireland ↑ → GDP ↑ → profits flow to foreign owners → GNI* and living standards barely change.

FDI: low CT → higher post-tax return → FDI ↑ → I, X and jobs ↑ → AD and LRAS ↑ → tax revenue ↑, but profit outflows cut the multiplier.

Euro: one ECB rate → too low for booming Ireland → cheap credit → property bubble → bust with no own rate or currency to adjust.

A · DATA RECALL (1 MARK EACH)

1. Real GDP growth in 2025: _____
2. GNI* as a share of GDP (2025): _____
3. Main corporation tax rate (most firms): _____
4. Year Ireland joined the euro: _____
5. Size of the 2010 EU–IMF bailout: _____
6. Unemployment rate, Sep 2026: _____
7. Share of CT paid by top 3 firms (2024): _____
8. Gini on disposable income (2025): _____

B · MATCH THE EVIDENCE TO THE ECONOMIC CONCEPT

IRELAND EVIDENCE	LETTER	CONCEPT
1. GDP +25% in 2015; incomes barely change		A. Internal devaluation
2. Wages and prices cut after 2010		B. Limits of GDP as a measure
3. ECB rates too low for Ireland in the 2000s		C. Price inelastic supply
4. Homes completed far below need as rents soar		D. One-size-fits-all monetary policy
5. US firms set up plants attracted by 12.5% tax		E. Redistribution via tax and benefits
6. Gini 45.5% before, 27.4% after transfers		F. Foreign direct investment

C · COMPLETE THE CHAINS

1. Multinational moves patents to Ireland → _____ → GDP rises → _____ → GNI* barely changes.
2. US imposes tariffs on EU medicines → _____ → _____.
3. House prices fall sharply (2008) → _____ → _____ → state bails out banks, debt rises.

D · EXAM-STYLE QUESTIONS

Extract. Ireland's real GDP grew by 8.0% in 2025. Modified gross national income (GNI*), which removes much of the effect of multinational firms, grew by 4.7%. Personal consumer spending rose by 2.6%. Multinational-dominated sectors grew by 14.5% and produced just over half of all value added. GNI* was €334 bn, about 55% of GDP.

(5 marks) With reference to the extract, explain why GDP may overstate the growth in living standards in Ireland in 2025.

(8 marks) Examine two economic risks to Ireland from its reliance on foreign multinational firms.

E · PLAN A 25-MARK ANSWER

(25 marks) Evaluate whether a strategy based on attracting foreign direct investment is the best way for a small open economy to achieve sustained economic growth.

ARGUMENTS FOR (WITH IRELAND EVIDENCE)	ARGUMENTS AGAINST / ALTERNATIVES
OVERALL JUDGMENT: IT DEPENDS ON...	

A · DATA RECALL

1. 8.0%
2. About 55%
3. 12.5% (15% for groups with revenue over €750 m)
4. 1999
5. €85 bn (incl. €17.5 bn Irish own resources)
6. 5.0%
7. 46%
8. 27.4% (0.27)

B · MATCHING

1 → B · 2 → A · 3 → D · 4 → C · 5 → F · 6 → E

C · CHAINS

1. Output, exports and profits from the IP are booked in Ireland → profits flow back to foreign shareholders (factor income outflow).
2. Irish-made drugs become dearer in the US / firms shift production to US plants → Irish exports, investment and corporation tax receipts fall (depends on PED).
3. Developers default and bank losses wipe out capital → credit crunch: lending, investment and consumption fall → recession.

D · EXAM-STYLE GUIDANCE

5 marks: Define real GDP as the inflation-adjusted value of output produced within the country (1). Identify the gap: GDP +8.0% vs GNI* +4.7% and consumer spending +2.6% (1–2). Explain: multinational sectors grew 14.5% and their output is counted in GDP, but profits flow abroad, so national income and household spending rise less (2). Use data: GNI* only 55% of GDP. Must use extract data.

8 marks: Knowledge/application: tax concentration (top 3 firms 46% of corporation tax, top 10 almost 60%); dependence on the US market (57% of goods exports in Sep 2025) and US policy. Analysis: chain from a firm relocating → CT revenue ↓ → deficit → tax rises or spending cuts → AD ↓; tariffs → exports and investment ↓. Evaluation (2 points for full marks): firms rooted by skills, clusters, EU access; domestic demand still grew 4.7%; windfalls partly saved in the Future Ireland Fund; GDP effect larger than effect on jobs.

E · 25-MARK PLAN: POINTS TO LOOK FOR**For FDI-led strategy**

- From emigration and ~16% unemployment (2012) to 5.0% (2026).
- 312,400 jobs in IDA client firms; skills and technology transfer.
- CT €34.7 bn (2025) funds surpluses and services.
- GNI* per head ~€61,000: high income even on the cautious measure.
- Clusters (Galway medtech) create local supplier links.

Against / alternatives

- GDP volatile and overstated; profit outflows (GNI* 55% of GDP).
- Concentration: 3 firms pay 46% of CT.
- Exposed to US tariffs and tax policy; 15% minimum tax.
- Pressure on housing, grid and water.
- Alternatives: domestic firms, skills, infrastructure; works less well for large or remote economies.

Judgment: FDI-led growth can work very well for a small open economy with EU access and strong institutions, as Ireland shows. To be sustained it needs domestic investment, diversification and saving of windfalls. Compare Singapore (similar success) and Greece (little FDI).