

Ireland

Ireland's economy posted another solid performance in 2021, as the country began to recover from the impact of the UK's departure from the European Union (Brexit) and the Covid-19 pandemic, with gross domestic product (GDP) up 13.6% year-on-year in volume terms. However, there was a clear split between the domestic economy where personal consumption rose by only 4.6% year on year and international trade, where exports rose by 14.1%.

Unemployment fell from 5.9% by Q4 2020 to 4.9% a year later and gross household savings remained high at 24.8% of total disposable income in 2020 (down slightly from 25.9% in 2020).

There were 51 banks operating in Ireland at the end of 2021. These included 22 credit institutions authorised in Ireland (of which five were covered bond banks) and 29 branches of banks authorised in other European Economic Area countries that were operating in Ireland. Fourteen of the credit institutions were headquartered in Ireland or had more than 20% of their business with domestic customers.

While the number of banks has fallen slightly in recent years, the number of credit unions - not-for-profit, member-owned financial cooperatives funded primarily by member deposits – fell from 292 to 214 between September 2016 and September 2021 as credit unions consolidated.

The Irish government has majority stakes in two banking groups (a 70% stake in Allied Irish Banks and 75% in permanent tsb) and a minority stake in one (8% in Bank of Ireland). Both of the main foreign-owned retail banks, KBC Bank Ireland and Ulster Bank Ireland, announced plans to exit the Irish market. The five main banks operated 524 branches and almost 1,800 ATMs for cash withdrawal nationwide by the end of 2021. Independent companies have increased their ATM fleets in Ireland in recent years, mainly through acquisitions of bank ATMs and accounted for most of the ATMs in Ireland by the end of 2021.

Card payment volumes and values rose by 24.3% and 18%, respectively, in 2021 to almost 1.8 billion transactions valued at €70.7 billion. At the point of sale, contactless payments accounted for more than half (52%) of all card payments in 2021, up from 25% in 2017. The value of ATM cash withdrawals fell by 4.6% to €12.7 billion.

The number of cheque payments fell by 14.7% to 20 million while the number of online and mobile banking payments grew by 10.4% over the same period to 131 million.

BPFI analysis shows that new residential mortgage lending rose by 25.1% year-on-year to almost €10.5 billion, the highest level since 2008, including €1.6 billion of re-mortgaging with a new lender or switching. The first-time buyer (FTB) segment grew by 15.4% year on year to almost €5.5 billion, the highest level since 2007.

Fixed-rate mortgages accounted for a growing share of the mortgage market, representing 44.1% of outstanding credit institution housing loans at the end of 2021, up from 36.7% a year earlier. Some lenders provide discounted fixed interest rates on mortgages secured on residential properties with higher energy efficiency ratings.

About half of the €36.4 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 2021. Real estate activities accounted for about 30% of non-financial credit. The value of core SME credit (excluding financial and real estate sectors) fell as businesses continued to deleverage, falling from €12.8 billion at the end of 2020 to €12.7 billion a year later.

Gross new lending to core SMEs, fell slightly to €2.9 billion. Primary industries, such as agriculture, and wholesale and retail trade and repairs accounted for €757 million and €500 million, respectively, of gross new lending in 2021.

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. About €819 million in loans were drawn down up to the end of 2021, mainly under two SBCI schemes: the Future Growth Loan Scheme (FGLS) for financing long-term investment and the Credit Guarantee Scheme (CGS), which supported loans for businesses affected by Covid-19.

Credit institutions had outstanding housing loans of €86.9 billion at the end of 2021. When non-banks are included the value of mortgage debt outstanding contracted by 1% in 2021 to €112.1 billion. Non-mortgage personal credit outstanding fell by 1.3% year on year to €12 billion by the end of 2021.

The growth in credit institution deposits continued in 2021 with Irish private sector deposits increasing by 11.6% year on year to €286 billion, with households accounting for almost €141 billion. Much of the growth came from overnight deposits, which represented 87% of deposits.

An Post, the State-owned postal service operator, managed a further €24.1 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 more than 38,900 people at the end of 2021, according to the European Central Bank. Banks paid almost €2.8 billion in wages and salaries in 2021, of which banks mainly active in international markets paid nearly €0.9 billion. Banks also paid some €0.4 billion in corporation tax. Since 2014, banks have also paid an annual levy of about €150 million.

Gross value added (GVA) by the banking sector was estimated at €5.2 billion in 2020, according to the Central Statistics Office. Resident banks reported combined losses after interest and tax of more than €2.3 billion in 2021 compared with a loss of almost €1.5 billion in 2020.

Ireland's exports of financial services (excluding insurance and pension services) rose by 14% in 2021, to €22.2 billion. Ireland was also the sixth largest exporter of financial services in the world in 2021, according to UNCTAD, overtaking Hong Kong and Switzerland since 2019.

Total credit institution balance sheet assets rose to more than €764 billion at the end of 2021. In terms of liabilities, deposits from Irish private-sector residents remained the key source of funding and increased by €31 billion during 2021.