

Gabriel Makhoul: Economic resilience - what next?

Speech by Mr Gabriel Makhoul, Governor of the Central Bank of Ireland, at the Royal Irish Academy, Dublin, 10 December 2025.

* * *

Good evening. Thank you for the invitation to join you today.

This evening I want to talk about economic resilience, what it is and whether we have enough of it. I spoke about economic resilience in my first speech as Governor – 6 years ago – and wrote to the Minister for Finance about it in early February this year. After everything that's happened since February, it feels timely to take stock of where we are. My conclusion is that we need to give it greater focus.

Let me start by setting out three propositions.

First, successful economies need a stable and sustainable macroeconomic framework, sound monetary policy that delivers stable and predictable prices, a prudent fiscal policy and debt that's under control. Successful economies are also characterised by well-regulated financial systems and well-functioning markets.

Second, change is a constant and economic resilience is, in essence, the ability of an economy to manage change, whether it is to withstand or recover from the effects of shocks, or the more gradual evolution to a different state.

Third, resilience is built, not granted, and requires constant investment in economic capital which consists of physical, human, social and natural capital. Those four components generate flows of tangible and intangible benefits that build resilience. Ultimately, the growth and distribution of our economic capital – and the ensuing resilience – support societies to prosper and generate longer-term or intergenerational wellbeing.

A snapshot of Ireland's economy today paints a positive picture. The last set of Central Bank projections back in September – the next set are due next week – described an economy growing steadily with employment up 2.3 per cent in the year to Q3 2025 and with unemployment remaining low. The State's books are in good order: the Government's Budget forecast a headline surplus of 3 per cent with debt at 62 per cent of modified national income (GNI*). The latest Exchequer returns point to continued strong growth in tax receipts, fuelled in particular by corporation tax.

In fact, *The Economist* has just ranked Ireland as one of the world's best performing economies this year.

But of course a snapshot is just that. What matters is the bigger picture, and the horizon. That is somewhat cloudy, and somewhat worrying.

Major global policy shifts this year have added to the economic uncertainty which came from Russia's war in Ukraine, geopolitical tensions more generally and the slow but growing fragmentation of the global economy over the past decade. And closer to

home, you won't be surprised to hear me say that Ireland is over-reliant on corporation tax – and from a small number of firms – which this year is set to account for one third of overall Exchequer revenue.

Uncertainty is not a new phenomenon, and history teaches us that periods of change are the norm, not the exception.

For example, from a technological perspective, take the last 250 years and the advent of the steam engine and the Industrial Revolution itself. We saw productivity enhanced as well as the upending of the global economic way of doing business. Centuries-old industries were extinguished in a matter of years, social dynamics evolved rapidly with wealth and income inequality growing at a rapid pace alongside the redrawing of political and financial institutions to cope with the rapid urbanisation and mechanisation of society.

From a geopolitical perspective, the Napoleonic Wars and the subsequent Congress of Vienna reshaped trade and political maps for over a century in Europe. The Great Depression and the two World Wars on either side of it altered trading relationships and fragmented previously-strong geopolitical relationships which ultimately led to the creation of global institutions such as the UN, IMF and World Bank to restore stability and trust. And of course, perhaps most of all, the creation of what is now the European Union, a peace project like no other and which has brought economic benefits to millions of people across the continent.

These relatively modern historical precedents – I am resisting the temptation to go back further in history – act as a reminder that today's challenges – from economic crashes, geopolitical tensions and the fragmentation of economic relationships – are simply new iterations of an enduring message. As someone once said, "there is nothing more certain and unchanging than uncertainty and change".^{[1](#)}

As we face into a period of further uncertainty, both from geopolitical transitions and the more familiar transitions of an ageing society, a changing climate and rapid technological innovation, the importance of economic resilience stands out. Economies must be resilient and robust enough to withstand the 'Knightian uncertainty' – when it is difficult to assign probabilities to imaginable outcomes – that frequently impact on our lived reality. Instead of allowing ourselves "fall into the role of a victim" of circumstance, we can and should take matters into our own hands.^{[2](#)}

Current inflationary outlook

But back to my first proposition. Successful economies need stable and predictable prices.

A year ago, inflationary pressures had eased somewhat, and it was becoming clearer that there would be a gradual convergence of inflation to our 2 per cent target during 2025. The latest projections – from September – and the incoming data that I have seen so far lead me to feel confident that inflation will be at target over the medium term, in line with our price stability objective (although, again, there will be a new set of projections next week incorporating the latest data and information).

Economic resilience priorities

My second and third propositions were about the constancy of change and the need to build resilience – specifically by investing in economic capital – to help manage the effect of shocks or the gradual transition of an economy to a different state.

I want to talk about three areas that deserve focus and attention if we are to strengthen our resilience: addressing our infrastructure needs, realising Europe's potential and building a new rules-based order.

Ireland's infrastructure

On infrastructure, I suspect that everything that needs to be said about the country's needs has already been said, by me, by people in this room, by business, by the community in general and by Government. I welcome the Government's focus on infrastructure, the resources it has committed to it and the emphasis it has placed on speed.

But I want to add one thing. As we address the country's housing, transport, telecommunications, energy and water needs, we also need to plan for the shocks that could be created by bad actors. Security considerations need to feature increasingly in our planning for economic resilience, something that we have already started by our focus on the operational resilience of the financial system.

Europe's potential

Again, you might think that everything that needs to be said on realising the benefits of Europe's Single Market has also already been said. But I am not so sure. At this very moment, the European economy stands at a crossroads. If we want to have a modern, innovative, integrated and productive European economy that realises its potential, that is prepared for tomorrow's challenges, and that is delivering for its citizens, then we need to choose a different path than the one we appear to be on. Mario Draghi's and Enrico Letta's reports make that clear.³ The IMF has explained the impact that the barriers within the Single Market are having. They estimate that the internal barriers within the Single Market are equivalent to a 45 per cent tariff on goods. And a 110 per cent tariff on services.

Addressing these issues will also enable a step change to leveraging the potential in Europe's capital markets and mobilising the vast savings potential across the Union, unlocking the €11.5 trillion held by Europeans in deposits and cash and channelling it to drive European innovation, while maintaining our resilience in the face of future potential shocks.

Multilateralism and embracing a new rules-based order

Unlike Irish infrastructure and Europe's Single Market, not everything that needs to be said about the third area I want to talk about today has been said.

But the evidence is reasonably clear.

The rules-based international order that has been a feature of the last 80 years is now facing unprecedented strain. Arguably it has already stopped working in the way we expected it to. Policy-induced geoeconomic fragmentation has moved from being a risk to becoming a reality, affecting trade and foreign direct investment flows. The journey to greater fragmentation has accelerated this year with the return to tariff levels not seen for a century. Familiar and comfortable paradigms have been turned on their heads.

As a small, open economy, Ireland finds itself at the crossroads of these geopolitical headwinds, deeply exposed to the challenges and complexities.

I am not going to suggest that the old framework was perfect. But I'm happy to argue that open markets, free trade and an integrated global economy have delivered the biggest increase in living standards in human history.

My experience at the G20 this year has reinforced my belief that many countries recognise the benefits of global trade and the value of an international order that is based on transparent rules rather than on economic and military power. The process that took us to the General Agreement on Tariffs and Trade and then on to the World Trade Organization needs to be revived and renewed.

We should not resign ourselves to "suffer the slings and arrows" of events but instead look "to take arms against a sea of troubles"⁴ and develop a new set of multilateral rules that deliver the certainty, stability and prosperity that our businesses and our communities want. Keep existing frameworks where they are working well but be ready to create new ones if need be. Put your energies towards building new relationships; resist the temptation to "rage, rage against the dying of the light"⁵ especially if a new light is waiting to be turned on.

Conclusion

Let me conclude. We need to build economic resilience if we are to support communities through economic transitions, and if we are to manage the radical uncertainties that characterise our age. Ireland and our partners in Europe are undergoing significant economic transitions in climate, in demography, in technology and in the way we work with our global partners. These transitions are having and will have an impact on our societies. Building resilience to meet the challenge they pose is a process that involves individuals, households, businesses and policymakers adapting to – and shaping – the context in which they live and operate.

The more resilient our economic capital, the greater the opportunities and capabilities citizens have to live the lives they have reason to value. We should focus our energies towards the challenge of shaping the world ahead of us, rather than seeking to preserve an old order. The stage is now set for building new relationships, adopting new frameworks, and creating new paradigms for the world that our children and grandchildren will inhabit.

Or as I remember from a poem, "The art of walking upright here is the art of using both feet. One is for holding on. One is for letting go."⁶

¹ John F. Kennedy

² [Olaf Sleijpen, DNB President, remarks at the Financial System Conference 2025](#)

³ Draghi & Letta Reports

⁴ To paraphrase Shakespeare

⁵ Dylan Thomas

⁶ Glenn Colquhoun, *The trick of standing upright here*