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PRESS RELEASE: FISCAL ASSESSMENT REPORT, JUNE 2015

The Irish Fiscal Advisory Council today (Thursday 04 June) publishes its eighth *Fiscal Assessment Report*. The main findings are:

- The recovery in the Irish economy has gathered momentum with stronger growth and lower unemployment benefitting the public finances. With positive Exchequer tax data for the early months of 2015, it is likely that the Government will succeed in bringing the deficit to below 3 per cent in 2015 and exit the Excessive Deficit Procedure (EDP) based on the 2015 outturn.
- The *Spring Economic Statement (SES)* provides a useful innovation in Ireland's medium-term planning by setting out the broad policy stance for 2016 in advance of the budget in October. However, the implementation of Ireland's new budgetary framework shows weaknesses that could undermine its effectiveness.
- *SPU 2015* forecasts indicate that the fall in the structural budget deficit in the Government's plan falls short of the requirements of the Budgetary Rule in 2016 on a forward-looking basis. Compliance with the Expenditure Benchmark (EB) would also be called into question if tax buoyancy arising from the proposed budgetary package for 2016 is excluded. The inclusion of such buoyancy appears to go against the letter and spirit of the EB rule. The Council is strongly of the view that Government plans should be based on expected compliance with the fiscal rules and that the reasons for any deviation should be clearly explained.
- The forecasts for government spending in *SPU 2015* do not present a full picture of the likely costs of demographic ageing and cost pressures in delivering existing public services. Published tax revenue forecasts do not take into account Government commitments to reduce taxes. Given these shortcomings, the deficit projections in *SPU 2015* do not provide a useful picture of the fiscal position after 2016. Realistic medium-term budgetary projections are essential to underpin budgetary planning and to avoid a repeat of past mistakes.
- Non-interest government spending is projected to fall by over 5 percentage points of GDP between 2015 and 2020. This would appear very challenging to achieve while maintaining current services and meeting demands for increases in public services. The budgetary position would be less favourable if the Government's projections are adjusted to reflect stated policy intentions. Under the Budgetary Frameworks Directive, plans should be provided both on a no-policy change basis and also based on "policies envisaged" by the Government.



MEDIA BRIEFING

Members of the media are invited to attend a briefing on **Wednesday 03 June at 10.00 a.m.** at the Irish Fiscal Advisory Council, Whitaker Square (ESRI building), Sir John Rogerson's Quay, Dublin 2.

NOTES TO EDITORS:

1. *Fiscal Assessment Report*, June 2015 is **under embargo until 00.01 a.m. Thursday 04 June.**
2. Fiscal Assessment Reports are submitted to the Minister for Finance and laid before the Oireachtas.
3. The Council is chaired by Professor John McHale, NUI, Galway. The other council members are Mr Sebastian Barnes, Dr Íde Kearney and Dr Róisín O'Sullivan.

The Report is embargoed until 00.01 a.m on Thursday 04 June and will be available to download from www.fiscalcouncil.ie