Comhairle Chomhairleach Bhuiséadach na hÉireann
Irish Fiscal Advisory Council

EMBARGO: 00.01 A.M Thursday 26 November 2015

PRESS RELEASE: *FISCAL ASSESSMENT REPORT, NOVEMBER 2015*

The Irish Fiscal Advisory Council today (Thursday 26 November) publishes its ninth *Fiscal Assessment Report*. The main findings are:

- The Irish economy is experiencing a strong economic recovery, but faces numerous uncertainties about the pace of future growth. While economic recovery is helping to improve the public finances, Ireland's high level of debt following the crisis means there is limited room for manoeuvre in the event of an adverse shock. Following prudent fiscal policy during relatively good times will help ensure a sustainable growth path and limit the need for austerity measures in any future downturn.

- While the Government's planned fiscal stance from 2016 meets the requirements of the rules, the Council assesses that the decision to loosen the fiscal stance in 2015 was a deviation from prudent economic and budgetary management. *Budget 2016* showed an increase in government expenditure for 2015 of €1.5 billion compared to the projection in *SPU 2015.* The additional spending absorbs the majority of the better than expected tax revenues in 2015 and delays the point at which a balanced budget is reached. Using unexpected incoming revenues to fund permanent increases in expenditure at a time of strong economic growth has worrying echoes of past fiscal policy errors and goes against the spirit of the new budgetary framework.

- Despite starting from a less favourable position than could have been achieved in 2015, the fiscal stance for 2016 and later years is consistent with the deficit and debt remaining on a downward path. The Budget projections signal an intention to comply with the Preventive Arm of the *Stability and Growth Pact* and the domestic Budgetary Rule from 2016, which is consistent with prudent policy. However, there are significant risks to rule compliance in 2016 given there is no margin for overruns with the Expenditure Benchmark rule. The sustained pattern of overruns in health spending and the weaknesses of the domestic expenditure ceilings heighten the risk of non-compliance.

- The fiscal forecasts in *Budget 2016* do not provide a meaningful anchor for medium-term budgetary planning. Expenditure projections imply a large decline in the ratio of non-interest government spending to GDP of over 5 percentage points by 2021 while forecasts for tax revenue do not take into account explicit Government commitments to reduce taxes. Analysis in this Report shows that funding current levels of public services in future years and accommodating likely expenditure needs would absorb the majority of the estimated fiscal space available after 2016.

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MEDIA BRIEFING

Members of the media are invited to attend a briefing on **Wednesday 25 November at 10.00 a.m.** at the Irish Fiscal Advisory Council, Whitaker Square (ESRI building), Sir John Rogerson's Quay, Dublin 2.

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NOTES TO EDITORS:

1. *Fiscal Assessment Report*, November 2015 is **under embargo until 00.01 a.m. Thursday 26 November.**
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, Dr Róisín O'Sullivan and Mr Michael G. Tutty.

The Report is embargoed until 00.01 a.m on Thursday 26 November and will be available to download from www.fiscalcouncil.ie