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PRESS RELEASE: *FISCAL ASSESSMENT REPORT, NOVEMBER 2014*

The Irish Fiscal Advisory Council today (Tuesday 25 November) publishes its seventh *Fiscal Assessment Report*. The main findings are:

- Ireland is continuing to make progress following the crisis. The Government will likely accomplish the important milestone of reducing the deficit to below the 3 per cent ceiling in 2015. The debt to GDP ratio is beginning to fall, albeit from a very high level. At the same time, economic recovery appears to be taking hold and risks to the Government's balance sheet have subsided considerably as the outlook for both NAMA and the banking sector has improved.
- The Budget projects a deficit of 2.7 per cent of GDP in 2015 in line with requirements for exiting the Excessive Deficit Procedure (EDP). As set out in the June 2014 *Fiscal Assessment Report*, the Council considers a fiscal stance that secures the scheduled exit from the EDP as being "conducive to prudent economic and budgetary management" within the terms of the Fiscal Responsibility Act (2012).
- Nevertheless, *Budget 2015* reflects a missed opportunity to move the public finances more decisively into a zone of safety by following through on previous plans. The deficit is projected to be more than one percentage point higher in 2015 than could have been achieved if previous plans had been implemented. All else being equal, the larger deficits result in the debt level being roughly €10 billion higher in 2018 than if previous plans had been adopted.
- If operated effectively, Ireland's new budgetary framework can guard against pro-cyclicality in fiscal policy making that has contributed to damaging boom-bust cycles in the past. Credible medium-term plans for the public finances are an important part of the framework and are crucial to avoiding the mistakes of the past.
- *Budget 2015* was marked by an absence of a well-specified plan for the public finances beyond 2015. Published tax revenue projections assume no change in policy despite Budget commitments to lower taxes in the coming years. Moreover, the Budget spending profiles assume unchanged expenditure after 2015, despite higher figures being set out in the *Comprehensive Review of Expenditure 2015-2017 (CER 2015-2017)*. Expenditure ceilings have been raised again, however, the *CER 2015-2017* does not adequately address how well-known expenditure pressures will be accommodated in the coming years.

MEDIA BRIEFING

Members of the media are invited to attend a briefing on Monday 24 November at 10.30 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*, November 2014 is **under embargo until 00.01 a.m. Tuesday 25 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, Professor Alan Barrett, Dr Donal Donovan and Dr Róisín O'Sullivan.

The Report is embargoed until 00.01 a.m on Tuesday 25 November and will be available to download from www.fiscalcouncil.ie