

Clarification on the Fiscal Rules Applying in 2016

Ireland is due to enter the Preventive Arm of the Stability and Growth Pact (SGP) next year. While Ireland is below its Medium-Term Objective (MTO) of a structural budget balance, the rules require an annual improvement in the structural balance that is dependent on the state of the economy. For a country with a debt above 60 per cent of GDP, an output gap above 1.5 per cent of GDP and real GDP growth that is above the estimated potential growth rate, the rules require an annual improvement of greater than 1 per cent of GDP.

While *Budget 2016* projects that these conditions will apply in 2016, the actual required improvement of 0.6 per cent of GDP was set earlier in the year based on the projections in place at that time. The information that the required improvement was fixed earlier in the year has not been published and was not made available to the Council.

The Council's Chairman, John McHale, regrets any confusion caused by reference to the possible requirement to improve the structural balance by greater than 1 per cent of GDP in 2016 in an interview on Morning Ireland on Wednesday, October 14. The Council has confirmed with the European Commission that the required improvement under the rules of the SGP is 0.6 per cent of GDP in 2016, as stated in the *Budget 2016* documentation. A detailed analysis of *Budget 2016* will be undertaken in IFAC's Fiscal Assessment Report, to be published next month.