



**Irish Fiscal
Advisory Council**

Fiscal Assessment Report

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GLOSSARY

Automatic stabilisers: An institutional feature of an economy that dampens its macroeconomic fluctuations, e.g., an income tax, which acts like a tax increase in a boom and a tax cut in a recession.

Adjustment path condition: The structural balance is required to improve by at least 0.5 percentage points of GDP per annum and converge towards the medium-term budgetary objective (MTO) (excluding in exceptional circumstances and if the failure to meet it does not endanger fiscal sustainability in the medium-term).

Balance sheet recession: A situation where a large portion of the private sector is reducing spending in order to repair balance sheets following the bursting of a nationwide asset price bubble.

Budget balance: The balance between total public expenditure and revenue in a specific year, with a positive balance indicating a surplus and a negative balance indicating a deficit.

Cyclical adjustment: The adjustment of figures such as GDP, government spending, tax revenues, or the budget deficit to show what they would be if total activity was at its trend or potential level.

Cyclically adjusted budget balance (CABB): This is the actual budget balance net of the cyclical component. The CABB gives a measure of the underlying trend in the budget balance.

Exchequer balance: The difference between total receipts into and total expenditure out of the Exchequer account of the Central Fund of Government. It is the main component of the GGB. It is measured on a cash basis whereas the GGB is measured on an accruals basis.

Fiscal rule: A fixed constraint on fiscal policy which is usually defined in terms of an indicator of overall fiscal performance and is often expressed as a numerical ceiling or floor.

Fiscal space: The scope for further increases in public debt without undermining sustainability.

Fiscal stance: A measure of the intended impact of discretionary fiscal policy. It can be defined as the change in the primary structural budget balance relative to the preceding period. When the change is positive (negative) the fiscal stance is said to be expansionary (restrictive).

General Government balance (GGB): The GGB measures the fiscal performance of all arms of government. This includes Central Government (the Exchequer), but also Local Authorities, non-commercial State sponsored bodies, Vocational Education Committees as well as the National Pension Reserve Fund and the Social Insurance Fund. The GGB does not reflect the position of commercial State sponsored bodies as these agencies are classified as being outside the General Government sector.

MTO: The Medium-Term Objective which sets a country-specific numerical benchmark for the structural budget balance of the General Government.

Output Gap: The output gap is the difference between actual output and estimated potential output at a particular point in time.

Potential output: The level of real output in a given year that is consistent with a stable rate of inflation. If actual output rises above its potential level, constraints on capacity begin to bind and inflationary pressures build; if output falls below potential, resources are lying idle and inflationary pressures abate.

Primary balance: General Government balance excluding interest payments.

Structural balance: The structural balance is the CABB excluding one-off items.