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Press Release: Fiscal Assessment Report, June 2017

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The Irish Fiscal Advisory Council publishes its 12th *Fiscal Assessment Report* today (Wed 7 June 2017). The main findings are:

- A strong cyclical recovery is expected to continue in the near term, so that further fiscal stimulus is unwarranted. Looking further ahead, fiscal policy should be cautious, to reflect high debt levels and risks to long-term revenue and growth.

- Fiscal policy may have to lean against the wind if the domestic economy begins to overheat, especially if the construction sector responds to persistent supply shortfalls.

- Successive governments succeeded in stabilising the public finances since the crisis. The new budgetary framework can help to re-build the capacity to withstand future shocks, and to prevent overheating. This is essential to avoid repeating policy mistakes that contributed to crises in recent decades.

- Since a deficit of less than 3 per cent of GDP was achieved in 2015, Ireland has shown a minimalist approach to complying with the fiscal rules. The rules have been breached in 2016, while plans suggest a possible further breach for 2017. Unless the public finances are managed carefully, sanctions could be triggered. Beyond 2018, the rules allow more scope for government spending to expand in line with the economy's sustainable pace of growth, while gradually reducing debt levels.

- The report also shows how a 45 per cent of GDP debt target is not necessarily a prudent debt burden. Recent GDP distortions mean that it is equivalent to 65 per cent, when measured more appropriately.