

Appendix H: Assessment of Compliance with the Fiscal Rules 2017–2023

% GDP unless stated, deviations: negative=non-compliance

	2017	2018	2019	2020	2021	2022	2023
Corrective Arm							
General Government Balance Excl. One-Offs	-0.2	-0.3	0.0	0.3	0.7	1.1	1.4
General Government Debt	68.4	64.0	61.4	56.5	55.3	53.1	51.1
1/20th Debt Rule Limit	81.9	71.5	67.7	64.1	60.0	60.0	60.0
Debt Rule met?	Y	Y	Y	Y	Y	Y	Y
Preventive Arm & Domestic Budgetary Rule							
Structural Balance Adjustment Requirement							
MTO for the Structural Balance	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
CAM Structural Balance	0.4	-1.2	-0.7	0.0	0.5	1.0	1.4
MTO met?	Y	N	N	Y	Y	Y	Y
Minimum Change in Structural Balance Required	-	-	-	0.2	0.0	0.0	0.0
Change in CAM Structural Balance	0.6	-1.5	0.5	0.7	0.5	0.5	0.5
1yr Deviation (€bn)	-	-4.9	1.6	1.7	1.9	1.9	1.9
1yr Deviation (p.p.)	-	-1.5	0.5	0.5	0.5	0.5	0.5
2yr Deviation (€bn)	-	-	-1.6	1.6	1.8	1.9	1.9
2yr Deviation (p.p.)	-	-	-0.5	0.5	0.5	0.5	0.5
Expenditure Benchmark							
(a) Reference Rate of Potential Growth (% y/y)	-	3.4	4.5	4.6	4.3	4.1	3.6
(b) Convergence Margin	-	-1.1	-1.1	0.9	0.0	0.0	0.0
(a-b) Limit for Real Net Expenditure Growth (% y/y)	-	4.5	5.6	3.6	4.3	4.1	3.6
GDP Deflator used	-	1.3	1.3	1.8	1.8	1.7	1.7
Limit for Nominal Net Expenditure Growth (% y/y)	-	5.8	7.0	5.5	6.2	5.9	5.4
Net Expenditure Growth (% y/y)	4.5	3.9	4.3	3.4	3.0	3.0	2.3
Net Expenditure Growth (Corrected for one-offs) (% y/y)	4.2	4.1	4.3	3.4	3.0	3.0	2.3
1yr Deviation (Corrected for one-offs) (€bn)	-	1.2	2.0	1.6	2.6	2.4	2.7
1yr Deviation (Corrected for one-offs) (% GDP)	-	0.4	0.6	0.5	0.7	0.6	0.7
2yr Deviation (Corrected for one-offs) (€bn)	-	-	1.6	1.4	2.1	2.5	2.6
2yr Deviation (Corrected for one-offs) (% GDP)	-	-	0.5	0.4	0.6	0.7	0.6
Limit for Nominal Net Expenditure Growth (€bn)	-	4.1	5.2	4.3	5.1	4.9	4.7
Net Expenditure Increase (€bn)	3.0	2.7	3.2	2.7	2.4	2.5	2.0
Net Expenditure Increase (Corrected for one-offs) (€bn)	2.8	2.9	3.2	2.7	2.4	2.5	2.0
Current Macroeconomic Aggregates							
Real GDP Growth (% y/y)	7.2	7.5	4.2	3.6	2.5	2.6	2.7
CAM Potential GDP Growth (% y/y)	7.4	4.6	4.5	4.3	3.5	3.2	3.3
CAM Output Gap	-1.0	1.6	1.3	0.6	0.4	0.2	0.0
GDP Deflator Used (% y/y)	1.2	1.3	1.3	1.8	1.8	1.7	1.7

Sources: CSO; Department of Finance; and internal IFAC calculations.

¹ Assessments examine the *Budget 2019* revenue and expenditure plans, using the Department of Finance's CAM estimates of potential output and Council's views on one-off items. A new one-off windfall of €0.7 billion in corporation tax revenue for 2018 is included in the Council's structural balance assessment. After *Budget 2019*, the Department indicated that a capital transfer of €1 billion previously included as expenditure in 2021 will now be classified as in general government (Chapter 3). Expenditure in 2021 is adjusted to take account of this capital transfer. No information is available yet as to the impact of this adjustment on debt ratios, so these are unchanged.

The treatment here differs to that applied in the "Assessment of Compliance with the Domestic Budgetary Rule in 2017" (IFAC, 2018a), which used the Commission's Spring 2018 output gap estimates for the structural balance as

these are the basis of ex-post assessments of compliance. The outlier for “CAM Potential GDP Growth” for 2015 is replaced by the average of the 2014 and 2016 rates, as discussed in the *June 2017 FAR* (IFAC,2017c).

² The Council assesses the MTO as achieved in 2017, so that no adjustments to the structural balance were required in 2017 and 2018. However, the Commission will maintain some requirements fixed until the final assessment in Spring 2019. In Spring 2019, it is anticipated that there will be a negative convergence margin applied for 2018, due to the over achievement of the MTO in 2017, however, the Council assesses compliance with the Expenditure Benchmark, without a negative convergence margin (i.e., instead using a zero convergence margin). In addition, the adjustment requirement for 2019 is currently frozen by the Commission at zero. This means that the Commission will also apply a negative convergence margin for 2019. These updated requirements are reflected in the figures presented in the table above. As a result, the Expenditure Benchmark limits presented here differ to those presented in the budget documents and those presented in the Commission’s opinion on Ireland’s Draft Budgetary Plans. The MTO is due to be updated for 2020-2022. This update was unavailable at the time of writing and the MTO is kept constant at -0.5 per cent.

³ The 1/20th Debt Rule requires that the debt-to-GDP ratio should make annual progress towards the reference value of 60 per cent of the GDP. A transition period applies till the end- 2018.

⁴ Figures in grey indicate that the Council assesses these forecasts as largely the result of technical assumptions on expenditure, which may be unrealistic (see Chapter 3).