Submissions to Oireachtas Special Committee on Covid-19 Response

16 June 2020

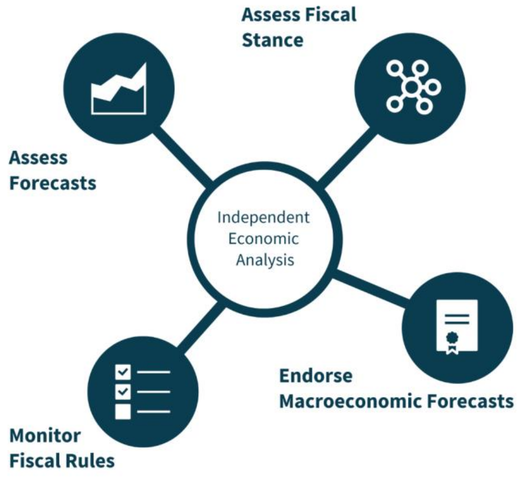
Irish Fiscal Advisory Council

Introduction

This document contains the Opening Statement made by the Council's Acting Chairperson to the Oireachtas Special Committee on Covid-19 Response on 16 June 2020 as well as the submissions made by the Fiscal Council in advance of the meeting on request of the Committee.

The Fiscal Council is an official independent body with a mandate to assess the public finances. Its mandate is set out in the Fiscal Responsibility Act (2012)[i] and comprises four elements:

- assessing the fiscal stance,
- assessing the Department of Finance's official budgetary and macroeconomic forecasts,
- endorsing, as it considers appropriate, the Department of Finance's official macroeconomic forecasts for the Budget and Stability Programme Update, and
- monitoring compliance with the "Budgetary Rule" as set out in the Fiscal Responsibility Act (2012).



The answers provided in this document are intended to address the specific questions posed by the Committee in relation to the Budgetary position facing Ireland in light of the Covid-19 crisis that fall within the Council's mandate.

The Council's broader assessment of the fiscal stance, macroeconomic and budgetary forecasts and compliance with fiscal rules is contained in the Council's May 2020 *Fiscal Assessment Report*, which is available at www.FiscalCouncil.ie.

Note that some questions are not within the scope of the Council's mandate. The Council does not have a mandate to comment on the appropriateness of specific policy measures—its focus is the broader budgetary implications—nor can it say what policymakers are likely to do in relation to specific measures in future.

Opening Statement

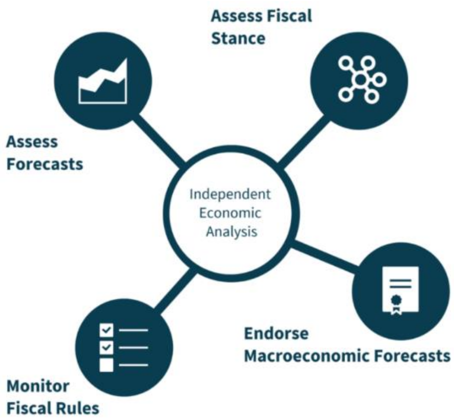
by Mr Sebastian Barnes, Acting Chairperson of the Irish Fiscal Advisory Council, Tuesday 16th June 2020

The Council would like to thank the Chair and members of the Committee for inviting us today. Joining me remotely today are Ms Dawn Holland and Prof Michael McMahon (both Council members) and joining in person is Dr Eddie Casey (Chief Economist and Head of the Secretariat) and Mr Kevin Timoney (Economist on the Secretariat).

Engagement with the Oireachtas is an important part of the Council's work, including the Budgetary Oversight Committee in the previous Dáil.

The Council is an independent body established under the Fiscal Responsibility Act (2012). Its mandate is to endorse and assess the official macroeconomic forecasts, assess the budgetary projections, assess compliance with the fiscal rules and assess the fiscal stance. This focusses on the overall budgetary position, rather than on individual tax measures or spending items.

The Council's Mandate:



The Fiscal Impact of Covid-19

The Covid-19 pandemic has had a huge impact on Ireland and internationally. Even though the lockdown was only announced on 27 March, consumer spending in the first three months of the year was 5 per cent lower on a seasonally adjusted basis. Underlying domestic demand is set to contract by between 7 and 17 per cent this year. Around 26 per cent of the workforce is currently unemployed or on pandemic unemployment supports.

The Council's Fiscal Assessment Report published on 27 May, provides an assessment of the Fiscal Impact of Covid-19.

Three Scenarios

There is exceptional uncertainty surrounding Covid-19 and possible health and economic outcomes. To assess the budgetary implications of Covid-19, the Report develops three scenarios to 2025.

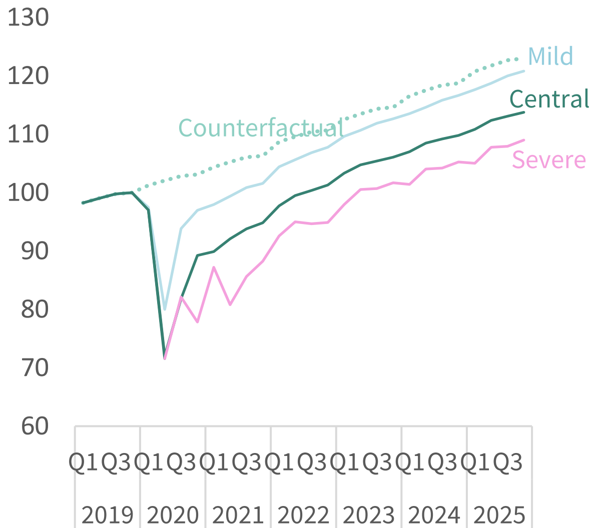
In the "Mild" scenario, conditions improve rapidly, with lasting damage minimised. A "Central" scenario builds on official forecasts published in the April 2020 *Stability Programme Update (SPU)*. Confinement measures ease as was planned but with lasting impacts. In a "Severe" scenario, there are repeated lockdowns and wider financial distress. These scenarios do not take into account major risks from Brexit or around corporation tax.

Activity falls sharply in all scenarios before recovering. However, the crisis will have a lasting effect. The scenarios imply it would take 2 to 3½ years to return to pre-crisis levels of activity. By contrast, the Irish economy took 11 years to recover after the financial crisis.

In fiscal terms, the budget balance moves sharply into deficit this year; the *SPU* projected a deficit of 13.3 per cent of GNI*, reflecting €7bn in crisis-related spending and a larger fall in revenue. This likely underestimates spending as it does not include the extension of support measures and any future stimulus. While the fiscal balance will improve as the economy recovers, the central scenario implies that the deficit could still be around 3 per cent of GNI* in 2025.

Figure 1. Three scenarios

Domestic demand (Q4 2019 = 100)



Source: Fiscal Assessment Report, May 2020: "The Fiscal Impact of Covid-19".

Three Phases for Fiscal Policy

The appropriate fiscal stance will evolve in three broad phases. The timing of these phases will depend on how the crisis evolves.

In phase 1, the immediate crisis, the Government should limit negative health and income impacts. The Council welcomes the measures taken to support the economy. These should continue as long as needed, although they may have to evolve to reflect changing needs.

Phase 2 will be marked by the removal of most of the containment measures reflecting an abating of the immediate health risks. The economy will begin to recover but investment and consumer spending will remain weak. Unemployment will remain high.

The Council assesses that a sizeable fiscal stimulus would be warranted during this phase to help support the recovery. Borrowing to support weak demand would be an appropriate countercyclical approach to manage the economy. It should be temporary, targeted and conditioned on the likely state of the economy.

Public investment could play an important role. While some reprioritisation may be needed, at least maintaining the current level of spending would help support activity and boost long-term output. Excess capacity in construction may create opportunities.

In phase 3, the economy will settle onto a new steady state growth path. At this stage, the government debt-to-GNI* ratio will be very high. The debt ratio could be in the range of 114 to 144 per cent in 2021, up from 99 per cent in 2019.

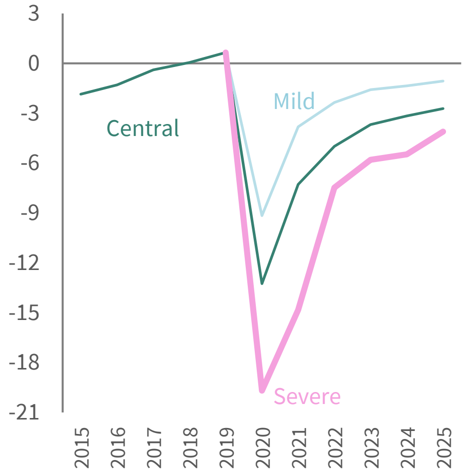
Given the very high level of debt and lower revenues, fiscal adjustment is likely to be required in phase 3 to put the debt-to-GNI* ratio on a downward path towards safer levels.

A key factor is the low level of interest rates. Even with the higher debt level, interest payments could actually fall over the coming years in the central scenario due to lower interest rates and a favourable tailwind as some of Ireland's existing debt will likely be rolled over at lower rates. The long maturity of new issuance provides some protection against a rise in rates over the coming years.

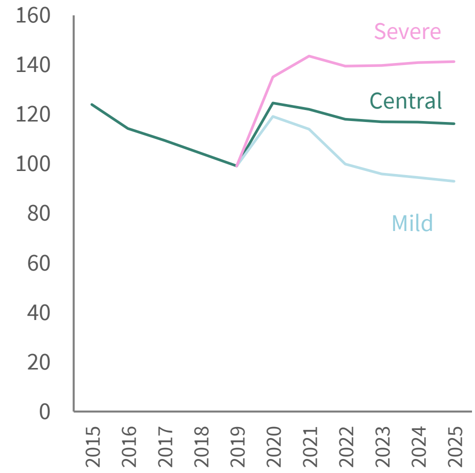
However, low interest rates cannot be taken for granted. Actions by the European Central Bank and the stability of the Euro Area will be key. With a very high debt ratio, Ireland will ultimately be much more vulnerable to future changes in interest rates as large amounts of funding will likely be required for new borrowing in the coming years and to rollover existing debt. This is why it will be important to use the current positive debt dynamics to bring debt to a safer level.

Figure 2. Deficits and debt ratios would potentially be very large

Budget balance (% GNI*)



Gross Debt ratios (% GNI*)

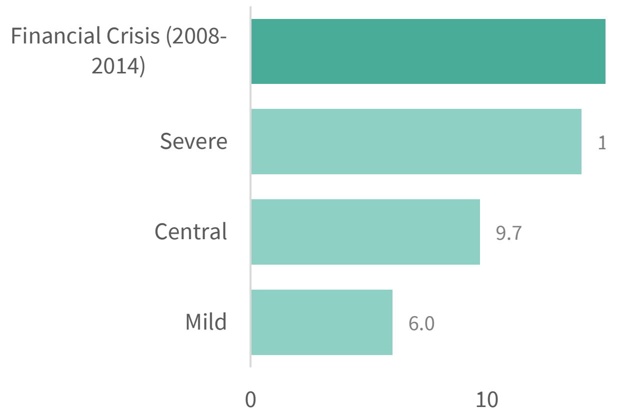


Source: Fiscal Assessment Report, May 2020: "The Fiscal Impact of Covid-19".

In terms of future fiscal adjustment, the Council's analysis suggests that getting the debt-to-GNI* ratio to fall at a pace of 3 percentage points annually by 2025—similarly to previous plans—would require total adjustments ranging from €6 to €14 billion over the period 2023–2025. In the central scenario of around €10bn of total adjustment, this could take place over several years and against the background of a growing economy. The adjustment would still be less than a third of what was implemented after the 2008 crisis.

Figure 3. Potential consolidation requirements in Ireland

€ billions



Sources: NTMA; Department of Finance; and Irish Fiscal Advisory Council workings.
Note: Unlike the consolidation amounts during the financial crisis, the amounts set out for scenarios are relative to a situation where public sector wages and welfare payments are assumed to rise in line with general wages. They take place at a stage when the economy is assumed to be growing.

Severe austerity should be avoidable

This does not mean a return to severe austerity. Fiscal adjustment is the need to freeze or cut spending or to raise revenues. Some upward and downward adjustments—either in aggregate or on specific items—are a normal part of budgetary management. The adjustment could be achieved to a large degree by growing spending at slower pace than the economy grows. We do not expect austerity in the sense of significant increases in unemployment due to severe fiscal adjustments taking place in a downturn.

Safeguarding public services and supports over the medium-term

Any incoming government will have to take difficult decisions about competing spending and tax priorities during this third phase, against the background of required adjustment.

Any new commitments will likely require reductions in other areas of spending or higher taxes. Nonetheless, ambitious policies can still be achieved in areas like health, housing and climate change.

Three longstanding issues will need to be addressed. First, spending pressures associated with an ageing population will increase. The Council will publish a "Long-Term Stability Report" in July looking at these issues. Second, additional measures could be needed if Ireland is to meet its climate-change commitments. Third, the State has become over-reliant on corporation tax receipts, which accounted for over 18 per cent of annual tax receipts last year.

Conclusion

There are huge uncertainties for the economy, depending on health outcomes, but the broad phases of the crisis and recovery are relatively clear. As the economy exits lockdown, a sizeable stimulus would help the recovery. However, some adjustments are likely to be needed down the line to get the debt ratio on a safe downward path again.

To safeguard the funding of public services and supports in future, while addressing future challenges, the incoming government should set a credible path for a prudent fiscal policy and take steps to reinforce its budgetary framework, including meaningful debt ratio targets and more effective medium-term budgeting.

Questions on the Budgetary Position

Q1. What is the likelihood that the General Government Deficit will go beyond €30 billion this year?

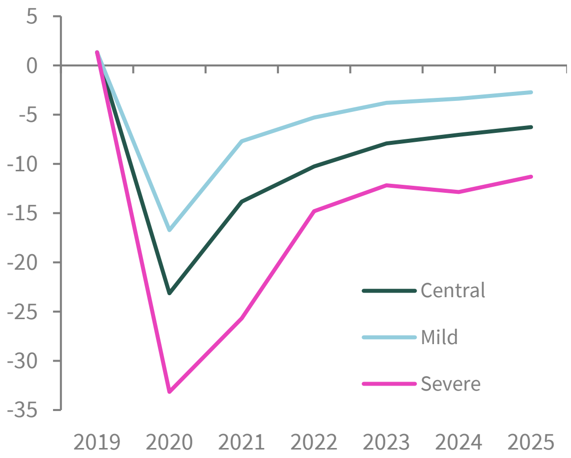
The Council's recently published Fiscal Assessment Report (the "FAR") presented three potential scenarios for the public finances out to 2025. These scenarios can help assess the likelihood that the deficit will go beyond €30 billion this year.

We consider a "Mild" scenario, where the pandemic and economic conditions improve rapidly; a "Central" scenario, where confinement measures ease as planned but with lasting impacts; and a "Severe" scenario with repeated lockdowns and wider financial distress.

The central scenario mirrors *SPU 2020* projections for 2020 and 2021. As a result, the central scenario showed a deficit of €23.1 billion for this year. In the severe scenario, a deficit of €33.2 billion was projected.

Figure 1: General Government Balance under three scenarios

€ billion



Source: SPU 2020 and Fiscal Council workings.
Notes: The three scenarios are outlined in detail in the May 2020 FAR (see Boxes D and I).

There is a high level of uncertainty surrounding these projections arising from (a) the macroeconomic and fiscal outcomes and (b) the policies that may be pursued.

A deficit of €30 billion or higher could occur this year if revenues fall short of current projections or if spending is higher. The various business support measures announced since the release of *SPU 2020*, totalling over €6 billion[ii], and extensions to the income support schemes may contribute to widening the deficit beyond the €23.1 billion projected for 2020. For example, the recent extensions to the Pandemic Unemployment Payment (PUP) and Temporary Wage Subsidy Scheme (TWSS) will result in higher spending than projected in *SPU 2020,* which had budgeted for 12 weeks of payments. While the final costs of these extensions remain uncertain, an illustrative exercise of holding the number of claimants on the support schemes at the levels of 5th June and projecting an additional 12 weeks of claims results in a cost to the exchequer of approximately €3.8 billion.[iii]

If a stimulus package was introduced by the government this year, that would also increase the likely deficit in 2020. The *SPU 2020* projections do not incorporate a stimulus. The FAR outlined an illustrative €10 billion stimulus package over three years. In this illustrative case, €3.5 billion of the package was assumed for 2020.[iv]

The ultimate deficit for 2020 is subject to wide risks and uncertainties in both directions. This includes uncertainty surrounding broader domestic and international economic developments in the coming months. There was a rapid increase in uptake of the income support schemes over time. Despite this, in the first three weeks the schemes were operating, uptake was well below the average levels assumed in costing the schemes. If the number of claimants falls as restrictions are lifted, it is possible that the schemes will cost less than assumed in *SPU 2020,* with the possibility of the extension to the supports costing last than the cumulative figure of the initial 12 weeks of claims. There are also upside risks to revenues, including if the composition of impacts is not as severe as expected. There is a risk that further supports to specific vulnerable sectors, state-owned enterprises, and the financial sector could also arise.

Q2. What would the fiscal implications be of any additional periods of economic shut-down?

Ireland's public finances would be significantly impacted by future lockdown periods. As assumed in the Council's "Severe" scenario, two additional lockdowns taking place in Q4 2020 and Q2 2021 could add €6 billion to spending both this year and next year. In addition, lost revenues of €4–6 billion would be concentrated in income tax and VAT, and these are expected to persist over the medium term. This is due to likely consumer behaviour changes, lasting scarring effects of unemployment, and firm failures. By 2025, government debt as a share of GNI* would be 25 percentage points higher than in the Council's central scenario.

In the short term, the economic damage from additional periods of economic shut-down could be less than has been seen to date. This is due to the fact that much of the economy is already working at a reduced rate and because many businesses and sectors have already adapted their work practices to facilitate such an environment. However, the longer-term economic damage would likely be greater. The likelihood of consumer behaviour changes, lasting scarring effects of unemployment, and business failures would increase with additional periods of lockdown.

The vulnerability of firms to the costs of any additional periods of lockdown is illustrated by evidence from the CSO[v]. Their most recent survey release of the impact of Covid-19 on businesses showed that only 49 per cent of the firms surveyed expressed confidence in having financial resources to continue operating for longer than six months. However, it must be noted that this sample may not accurately represent the broader financial health of domestic firms given the unprecedented circumstances.

Firm failures as a result of any additional containment measures would present, in addition to the social costs of involuntary unemployment, a gradual decay of job-matching capital between employees and businesses, an erosion of firm-specific organisational capital in the economy as viable firms become insolvent, a deterioration of business investment, and a long term loss of human capital due to the closure of schools and universities.

Q3. How likely is it that conditions in the bond market may become less favourable to Ireland?

The likelihood of bond market conditions becoming less favourable is exceptionally difficult to assess. It depends on a multitude of variables.

Lenders will typically assess a large number of country-specific fundamentals like debt ratios, deficits, interest costs, annual financing needs, the macroeconomic growth outlook, price inflation, spending pressures, and revenue risks.

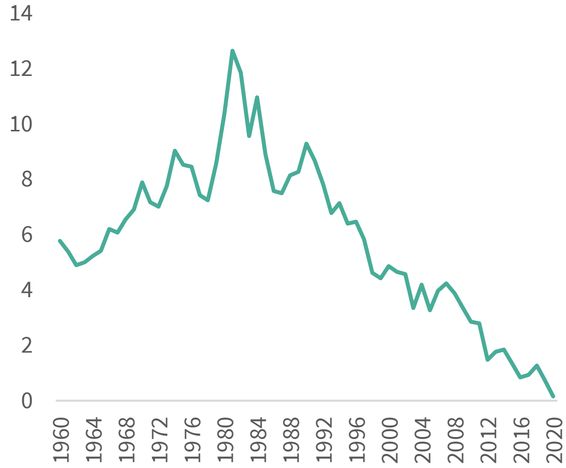
Lenders may also assess the broader political and social context to get a sense of the policy conditions that are likely to prevail.

In addition, the wider international context will be very important for how lenders price risks attached to government borrowing. This includes the likelihood of ongoing European Central Bank support for keeping borrowing costs low through its asset purchase programmes (like the "Pandemic Emergency Purchase Programme"). It also includes the wider stability of the Euro Area. Indeed, currency "revaluation risks"—the risk that a Member State were to suddenly change its currency from the Euro—were a prominent feature of the previous Euro Area crisis that drove much higher borrowing costs.

As background, interest rates in advanced economies have been on a downward trajectory for more than three decades and are now close to historical lows (Figure 2).[vi] The reasons for this fall remain an open question.

Figure 2: Interest rates have fallen in advanced economies

% ten-year bond yields

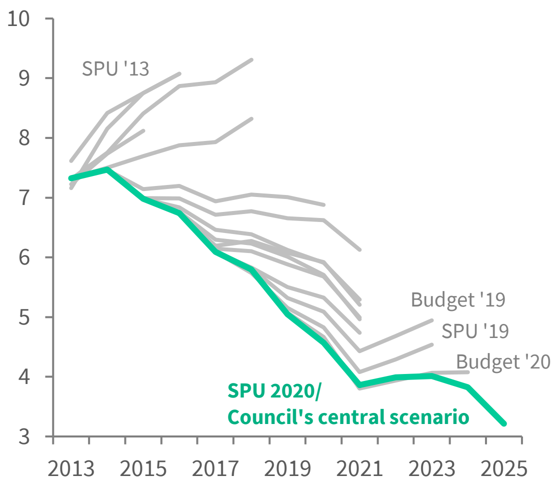


Source: Datastream; and Fiscal Council workings.
Note: As in Rachel and Summers (2019), yields are the average of securities across the G7 excluding Italy. Data form an unbalanced panel.

The interest rate on Irish ten-year borrowing is effectively zero at present. Reflecting the downward trend in interest rates, the Government's average debt servicing costs have repeatedly come in lower than projected in recent years (Figure 3).

Figure 3: Debt servicing costs have repeatedly been lower than expected

€ billions



Sources: Department of Finance; and Fiscal Council workings.
Note: Successive vintages of projected interest payments shown since SPU 2013.

The scenarios in our report also highlight the way in which low interest rates are likely to contribute to some helpful tailwinds for the public finances. Despite the rise in public debt, interest payments are likely to fall as outstanding debt securities that carry more expensive interest rates mature and as new debt is issued at comparatively lower rates. This is conditioned on a technical assumption that new borrowing costs remain close to 1 per cent in all scenarios (still much higher than current ten-year borrowing costs).

To date, the impact of the Covid-19 crisis on borrowing costs has been favourable, reflecting in part policy action by the ECB.

Looking forward, the ECB action is currently due to last until June 2021 at least. Proposals to undertaken joint EU bond issuance are likely to contribute to stability in Euro Area government financing.

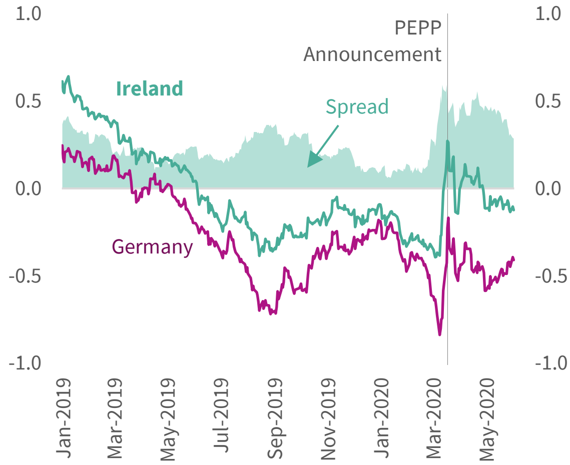
However, the high level of public debt leaves Ireland more exposed in the medium-term to any future rise in interest rates. While issuance at long debt maturities would slow any rise, the impact would feed through over time. Key risks would include renewed financial stress within the Euro Area or a rise in global or European interest rates at a time when Ireland could be growing relatively slowly.

Q4. What is the impact for Ireland of the ECB's current asset purchasing levels?

The ECB's policies on asset purchases are more important in terms of the signal of support they provide than in terms of the actual amounts of Irish bonds that have been purchased to date. Figure 4 shows that the ECB's announcement of the PEPP on 18 March 2020 helped to stem a sharp increase in Ireland's borrowing costs and the spread (or difference in borrowing costs) with respect to Germany.

Figure 4: Bond yield and spread increases contained following ECB programme

% ten-year bond yields and Irish spreads



Source: Datastream; and Fiscal Council workings.
Note: Spreads are the difference between Irish and German ten-year yields.

The ECB has purchased some €235 billion of securities under its expanded €1,350 billion Pandemic Emergency Purchase Programme (PEPP) to date. So far, some €3 billion of Irish debt has been purchased, which has been in line with the capital key.

Q5. Are there potential "low hanging fruit" policy options that could increase revenue without negating economic growth in the short term?

The Council's assessment is that raising additional revenue is not an immediate priority.

As we outline in our May 2020 Fiscal Assessment Report, the appropriate fiscal policy response can be assessed in terms of three broad phases, with the timing of each phase depending on how the crisis evolves: (1) the immediate crisis; (2) the recovery period; and (3) the new normal or "steady state" that the economy finds itself in over the medium term.

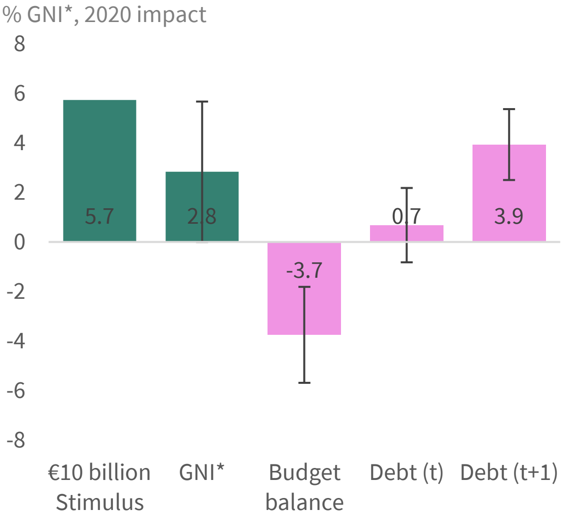
In the immediate crisis (Phase 1), the Government should seek to limit negative health and income impacts and promote as quick a rebound as possible by continuing direct spending measures and other supports. This will help to limit lasting economic damage, support incomes, and safeguard long-run debt sustainability. The appropriate response now is to provide support for as long as containment measures persist. Provided interest rates stay the same, there is little need to raise revenues in the immediate phase of the crisis, which would otherwise dampen economic activity further.

During the recovery phase (Phase 2), a sizeable fiscal stimulus would help to support economic activity.

Borrowing to support weak demand would be an appropriate countercyclical approach for the government to manage the economy. It should be temporary, targeted and conditioned on the likely state of the economy. The Council considers an illustrative sizeable stimulus of €10 billion in its FAR. This would potentially boost growth by 2.8 per cent of GNI* (Figure 5).

Some adjustments will likely be needed thereafter to close the gap between spending and revenue, but it can be done at a time when the economy is closer to its full capacity and growing so as to avoid “austerity” — that is, significant increases in unemployment due to budgetary contractions.

Figure 5: A fiscal stimulus could boost growth in the short-term



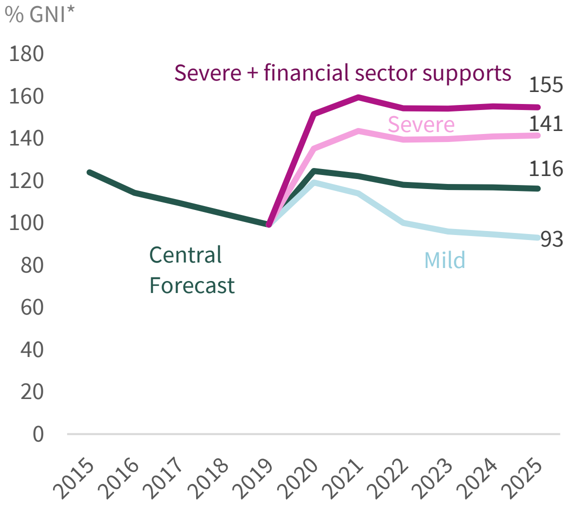
Source: Fiscal Council workings.
Notes: The stimulus of €10 billion is assumed to unwind in one year. The ratios are based on nominal GNI* for 2020. An overall deficit multiplier of 0.5 is the central estimate, while error bars examine multipliers ranging from zero to one.

The economy should settle on a new growth path after the recovery (Phase 3). The government debt burden could be near record highs at that point (Figure 6). A higher debt position leaves Ireland more vulnerable to further adverse risks in future. Some fiscal adjustment is likely to be required to put the debt-to-GNI* ratio on a downward path towards safer levels (Figure 7).

Yet the adjustments that might be required could be achieved through different combinations of actions, including slower spending increases—not necessarily spending reductions—tax increases, and/or efficiency gains in the public sector.

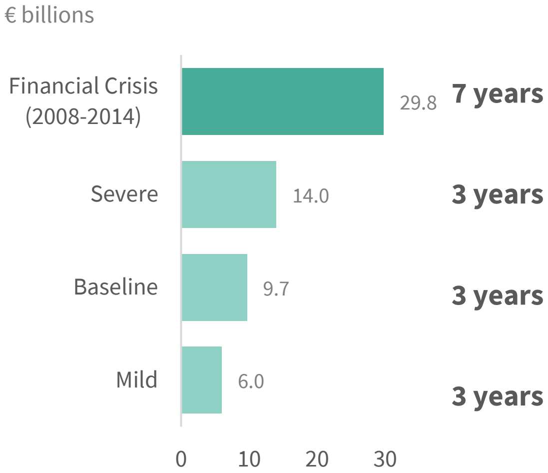
The Council does not take a view on what the combination should be nor what tax measures should be priorities. However, given the uncertainty about the future state of the economy, all options should remain on the table at this point. Any revenue adjustments should be based on an assessment of their short- and long-run impact on growth and fairness. A Tax Commission could help to assess the options.

Figure 6: Debt sustainability depends on recovery scenarios



Source: Fiscal Council workings.
Note: Scenarios are consistent with the macroeconomic and fiscal assumptions set out in Boxes D and I of the May 2020 *Fiscal Assessment Report*. The Severe + scenario includes a financial sector shock that assumes a recapitalisation of domestic banks equivalent to 10 per cent of the value of their assets (€27.8 billion) in 2021.

Figure 7: Consolidation measures after the financial crisis were far worse than might be required down the line



Source: Fiscal Council workings.
Note: Unlike the consolidation amounts during the financial crisis, the amounts set out for scenarios are relative to a situation where public sector wages and welfare payments are assumed to rise in line with general wages. The adjustments also take place over a shorter time period (three years as compared to seven years). And they take place at a stage when the economy is assumed to be growing relatively fast again.

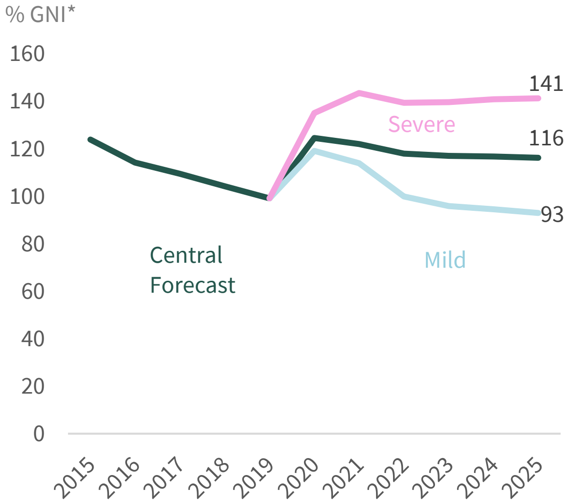
Questions on Social Protection Spending

How sustainable are the new social protection spending measures beyond Quarter 2 2020?

The Council assesses that support should be provided on a large-scale for as long as is needed to avoid lengthening and deepening the economic crisis. Policy needs may evolve and policies should be adjusted as appropriate to fit these needs.

Phasing out the economic supports will primarily depend on how long the health crisis persists. If the health crisis fades quickly, then crisis supports can be withdrawn relatively swiftly. However, if the supports are withdrawn too soon, it could mean that the related economic crisis worsens and persists over a longer time, with greater risks of lasting damage.

Figure 1: Debt sustainability depends on recovery scenarios



Source: Fiscal Council workings.
Note: Scenarios are consistent with the macroeconomic and fiscal assumptions set out in Boxes D and I of the May 2020 *Fiscal Assessment Report*. The Severe + scenario includes a financial sector shock that assumes a recapitalisation of domestic banks equivalent to 10 per cent of the value of their assets (€27.8 billion) in 2021.

In our May 2020 *Fiscal Assessment Report*, we develop three scenarios out to 2025. In our severe scenario we assume that there are additional waves of the virus that result in further lockdown measures in Q4 2020 and Q2 2021 (Figure 1). In these lockdown periods, we assume that the enhanced Pandemic Unemployment Payment (PUP) and Temporary Wage Subsidy Scheme (TWSS) are made available again. The impact of these additional lockdown periods on the economy and the assumptions we make as to the policy response in this scenario leads to a general government deficit of €33.2 billion in 2020, and €25.7 billion in 2021.

Under our severe scenario, the fiscal costs of the social protection spending needed to respond to the public health and economic crisis would be sizeable, but manageable. We estimate that total expenditure would be €6.1 billion higher in the severe scenario relative to the central scenario for 2020, while revenues would be €3.8 billion lower. Of the additional spending, €1 billion is for health and the remainder is for subsidies or social payments.

However, the debt-to-GNI* ratio would be near record highs, and this would leave Ireland more vulnerable to further adverse risks in future. Once the economy has recovered, a fiscal adjustment would be required to put the debt ratio on a downward path towards safer levels.

What is the anticipated Supplementary Estimate that will be required under Vote 37 in 2020?

The Council finds it most informative to focus its analysis on more comprehensive measures of revenue and expenditure. These include measures of budgetary activity that are given in "general government" terms.

The official *SPU 2020* forecasts of general government spending on social payments and subsidies are €6.1 billion higher for 2020 than was set out in *Budget 2020*. *Budget 2020* had forecast an increase of €0.9 billion in spending for these areas in 2020. [vii]

Will similar measures be implemented should any additional periods of lockdown be required?

While policy needs may evolve, and policies should be adjusted as appropriate to fit these needs, the Council's assessment is that support should be provided on a large-scale for as long as is needed to avoid lengthening and deepening the economic crisis. [Also, see answer to question "*How sustainable are these new social protection spending payments beyond Quarter 2 2020?"].*

Are there targeted, sector-specific supports that might continue once the PUP and TWSS have ceased?

The Council does not have a mandate to comment on the appropriateness of specific policy measures.

In principle, the supports should be provided where they contribute to economic stability and maintaining viable activity in the longer term. The supports should basically be temporary, reflecting the strong likelihood that the impacts are also temporary in nature. Ensuring that the measures are well-targeted towards those who need support can help to reduce the fiscal pressures associated with any policies introduced.

What will be the requirement in additional expenditure to address increased unemployment in 2021?

SPU 2020 projects an average unemployment level of 238,000 in 2021. If one compares this level to that forecast in *Budget 2020* (147,000), this implies an additional 91,000 unemployed. [viii]

Costs associated with higher unemployment include welfare payments (Jobseeker's Benefit and Jobseeker's Allowance), but also a number of other supports. These other supports include job activation measures, for example.

Applying a costing of €20k per unemployed person would suggest that annual unemployment-related spending would be €1.85 billion higher as a result of the higher levels of unemployment. This costing is based on government expenditure data (by COFOG classification) detailing unemployment-related costs.[ix]

Notes

[i] The Fiscal Responsibility Act is available at: http://www.irishstatutebook.ie/eli/2012/act/39/enacted/en/print#sec3

[ii] A number of the facilities outlined to support businesses require legislative changes to be implemented.

[iii] Latest data correct as of 4th June 2020. This calculation assumes costs for the PUP and TWSS only, and excludes the Enhanced Covid-19 Illness Benefit.

[iv] The stimulus assumed was phased as follows: €3.5 billion in 2020; €5 billion in 2021; and €1.5 billion in 2022.

[v] Detailed in the CSO's Business Impact of Covid-19 Survey, 18th May 2020.

[vi] Among others, Rachel and Summers (2019) provide a useful discussion on this long-run trend.

[vii] In Exchequer terms, forecasts of gross voted current spending (for 2020) in *SPU 2020* are €8.2 billion higher than those in Budget 2020. This increase covers all areas of spending, not just those under Vote 37. Increases in exchequer spending on social protection/subsidies may be lower than in general government terms due to drawdowns from the Social Insurance Fund. Up until the end of May, gross voted spending in the Department of Employment Affairs and Social Protection was €3.0 Billion higher than had been anticipated in Budget 2020.

[viii] Budget 2020 projections were prepared on the basis of a disorderly Brexit.

[ix] The COFOG classification for unemployment-related spending (GF1005) is used. This includes expenditure on the following schemes: Back to Education Allowance, Back to Work Allowance, Back to Work Family Dividend, Farm Assist, Gateway, Health and Safety Benefit, Job Initiative Jobseeker's Allowance, Jobseeker's Benefit, National Internship Scheme – Jobbridge, Other Employment Support, Other Working Age Income Supports, Partial Capacity Benefit, Pre-Retirement Allowance, Redundancy and Insolvency and Tús.