

# Fiscal Assessment Report

June 2025

**Ireland's outlook: strong today,  
uncertain tomorrow**



**Irish Fiscal  
Advisory Council**

# ABOUT US

The Fiscal Council is responsible for providing an honest and independent assessment of how the Government is managing the public finances and the economy.

This includes tracking how it is complying with rules designed to keep the public finances safe. It also includes approving the Government's economic forecasts to ensure they are realistic.



# Key messages

**Economy is strong, but threats are emerging**

**Public finances are reliant on corporation tax**

Without excess CT and a strong economy, deficits of €2,500 per worker.

**Policy needs to adapt to the environment**

A strong economy doesn't require the stimulus planned. But in a downturn budgetary policy should provide support (Covid-19).

**No medium-term plan or strategy apparent**

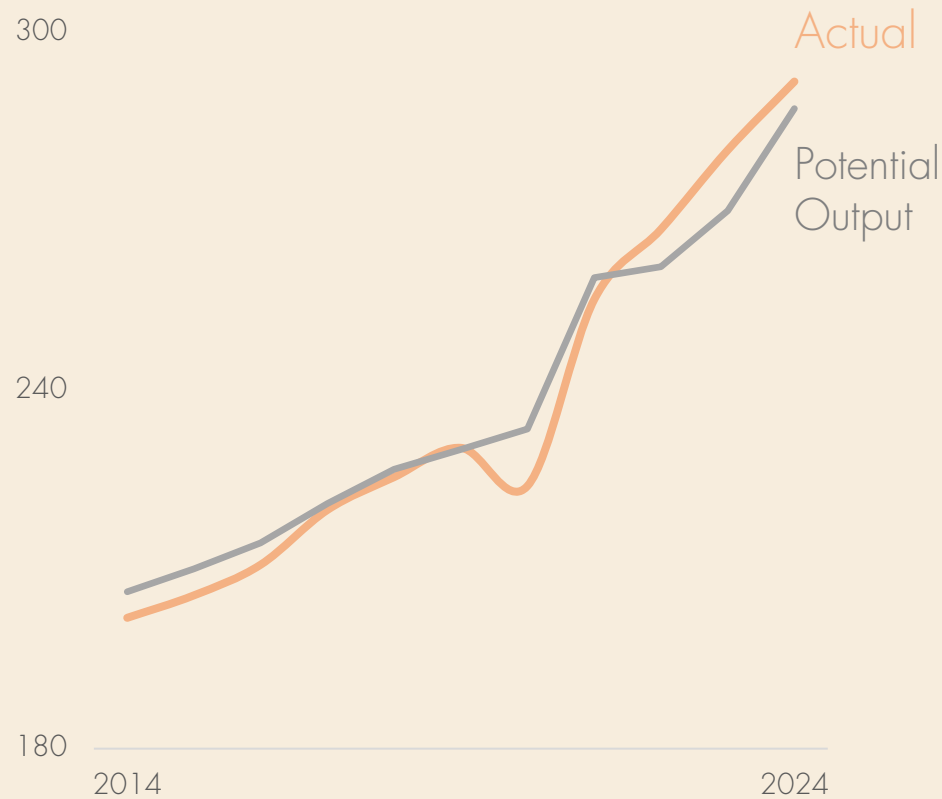
Budgetary forecasts 20 months ahead. No commitment to a fiscal rule.



# The economy is still performing well

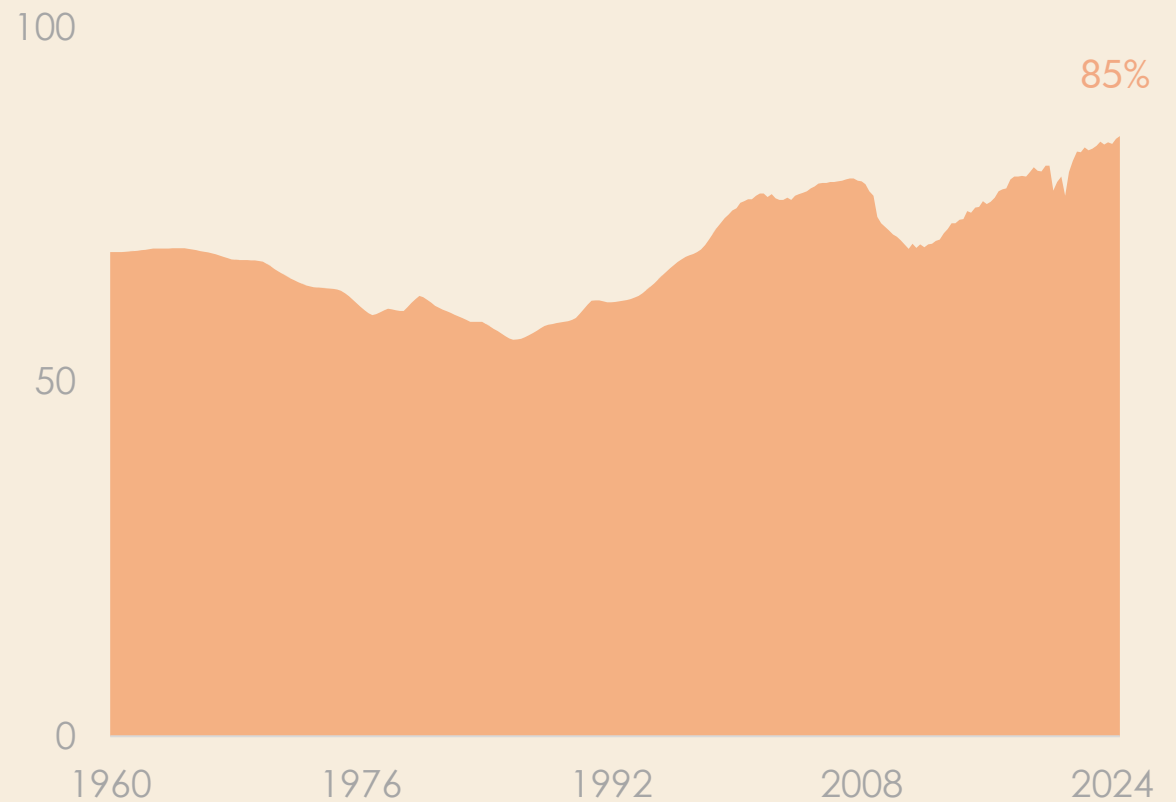
## Above normal levels of activity

Real GNI\*, € billions



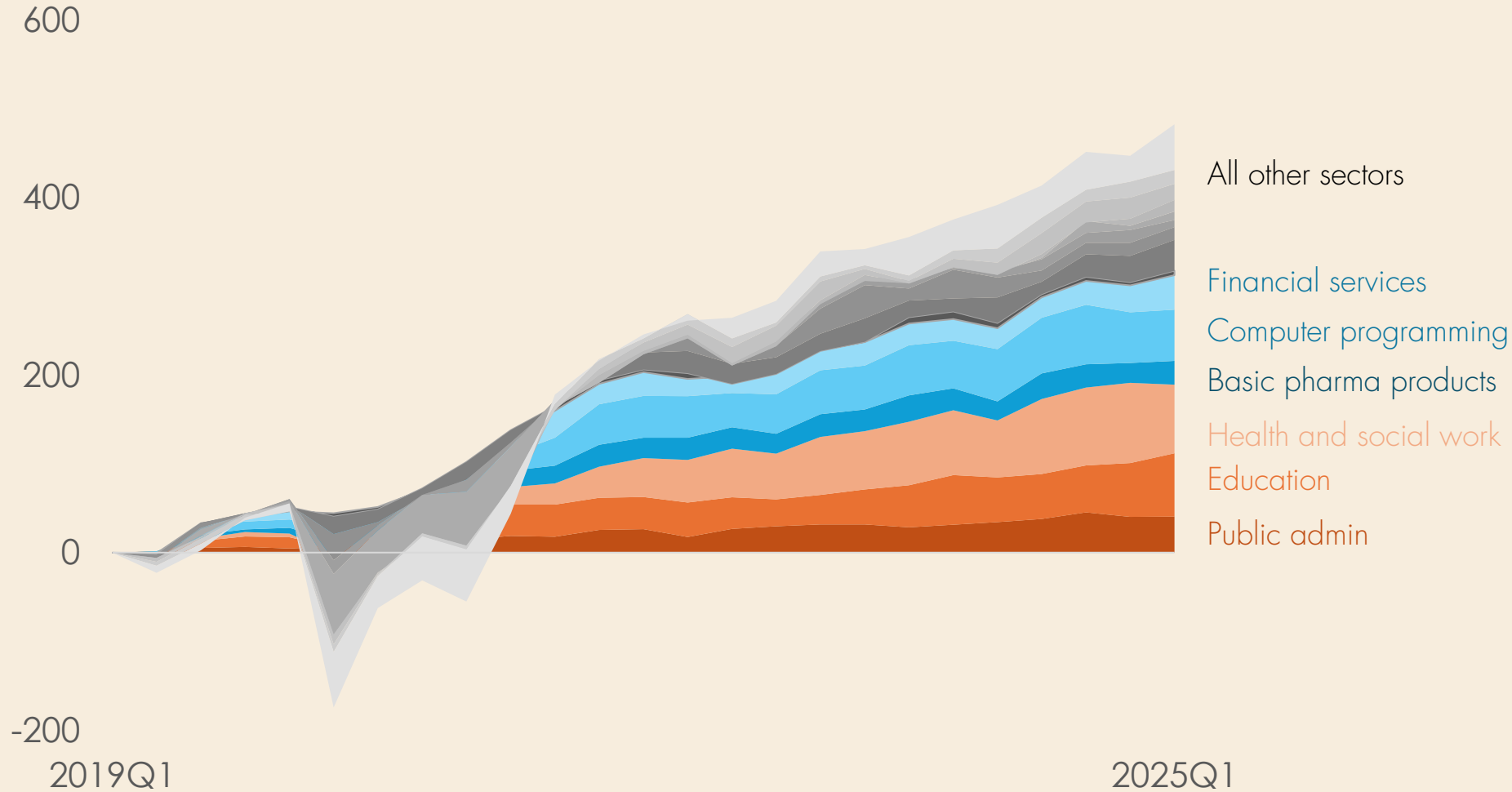
## Employment at all-time highs

% population aged 25-54 in employment



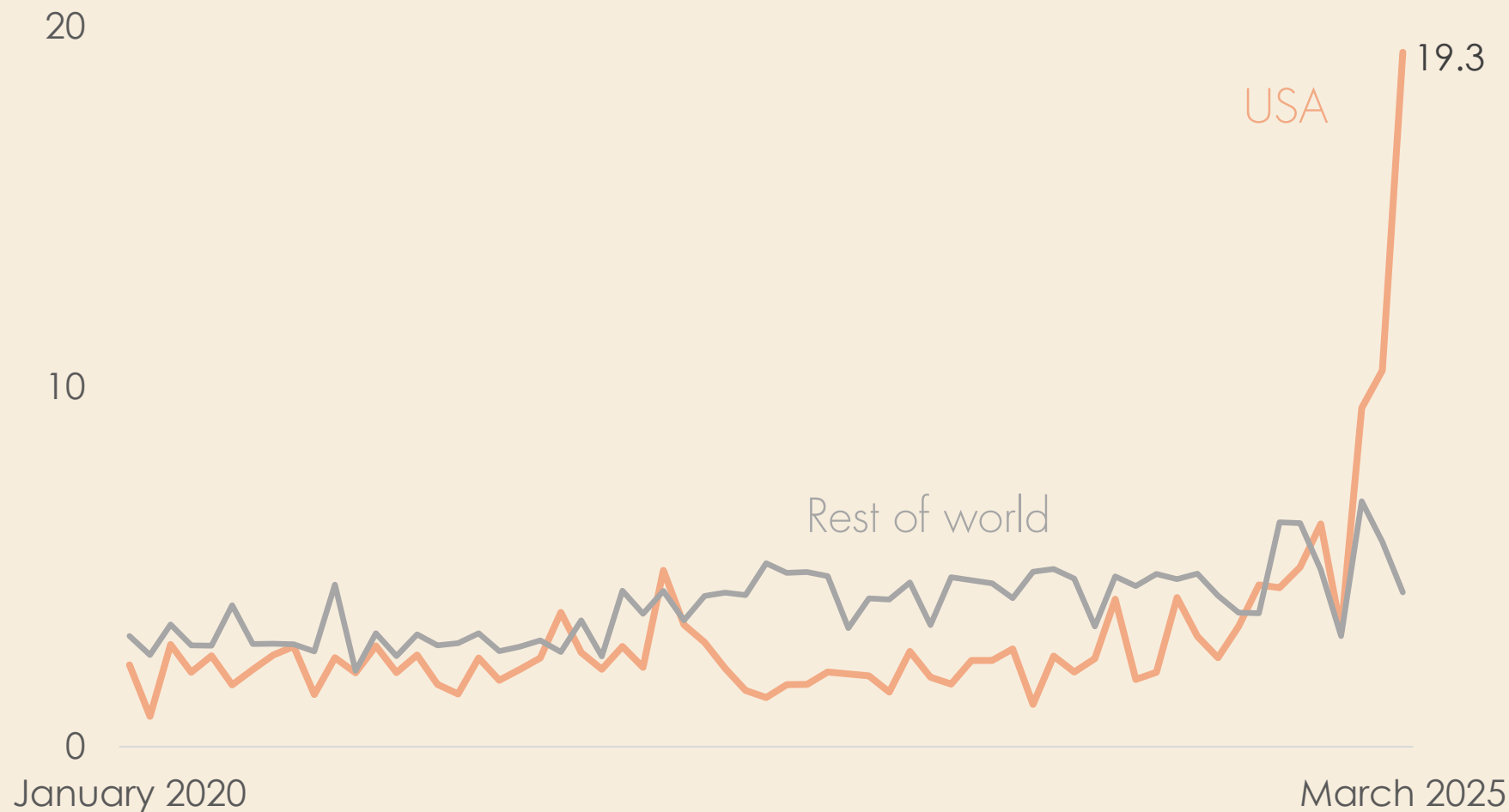
# Job growth has been driven by the state and multinationals

000s, cumulative change in employment, Q1 2019 to Q4 2024



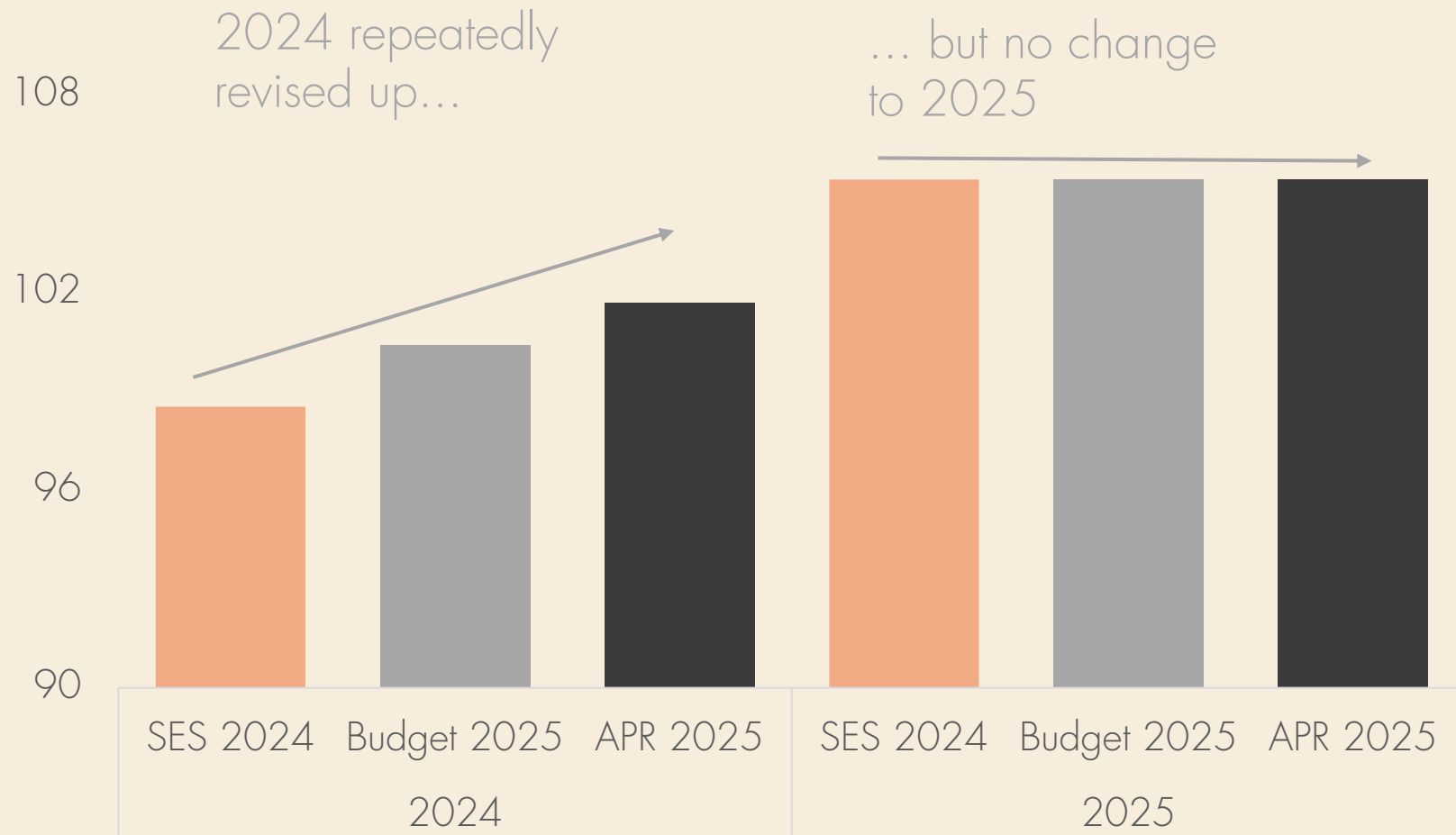
# Pharma companies are already reacting to threatened tariffs

Pharmaceutical exports from Ireland, € billion



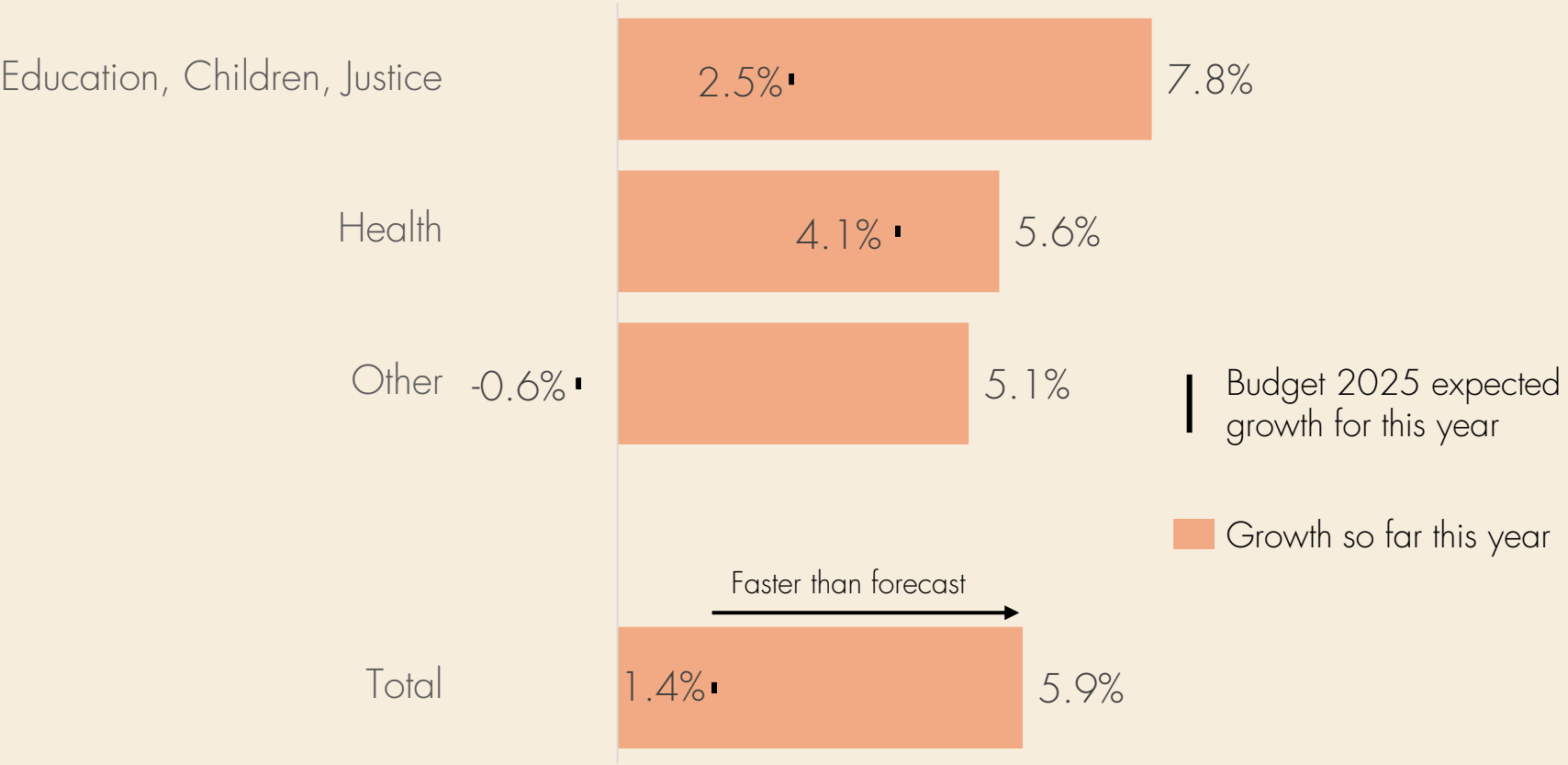
# Large spending overruns are likely

€ billion, gross voted expenditure



# Large spending overruns are likely

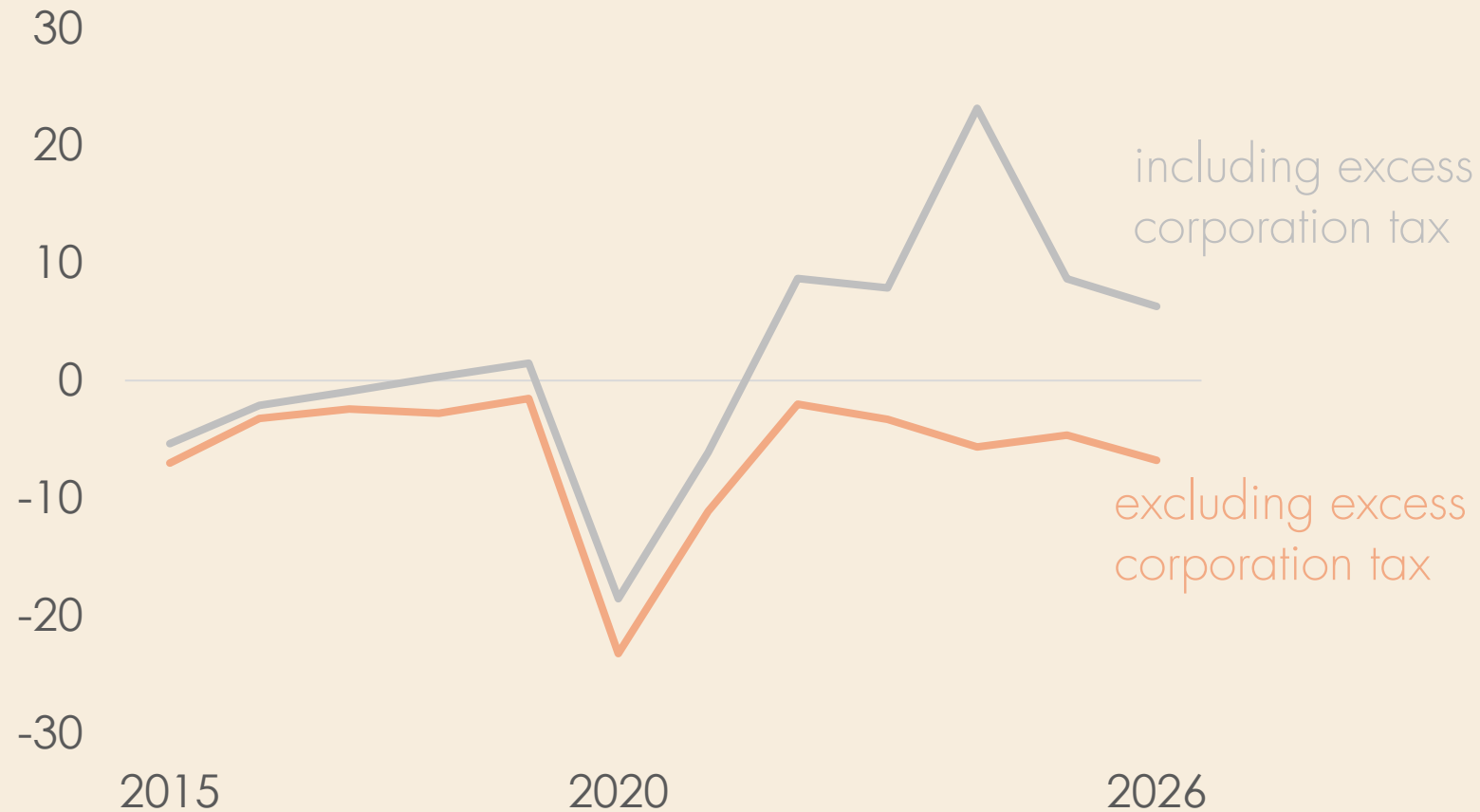
% change year-on-year, gross voted current spending





# Corporation tax driving surpluses

€ billions, general government balance



# Corporation tax likely to be higher than forecast

## 1. BEPS reforms

New 15% rate will mean higher payment from large firms.

## 2. Key sectors have escaped tariffs (so far)

Pharma and tech are not subject to tariffs at present. These sectors remain highly profitable.

## 3. Capital allowances are running out

Some large firms have been using capital allowances to offset their corporation tax liabilities. These allowances may run out soon.

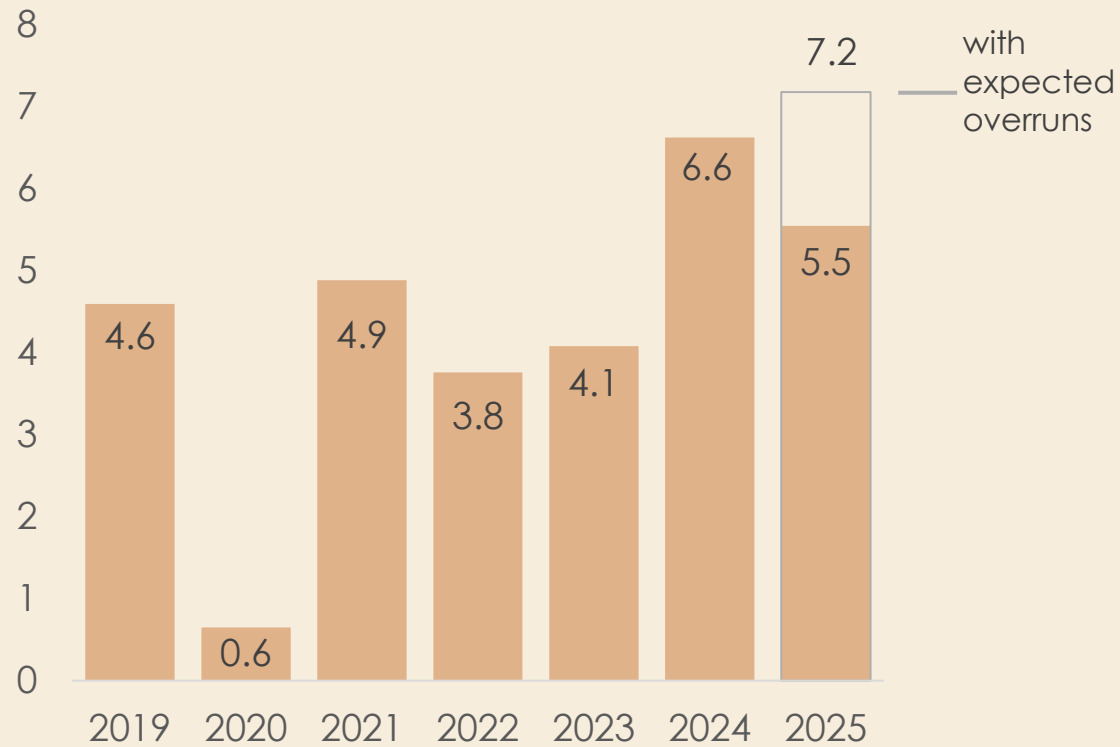
## 4. Strong pharma exports this year

Even if exports are weak for the remainder of this year, likely to be higher than 2024.

# Larger underlying deficits

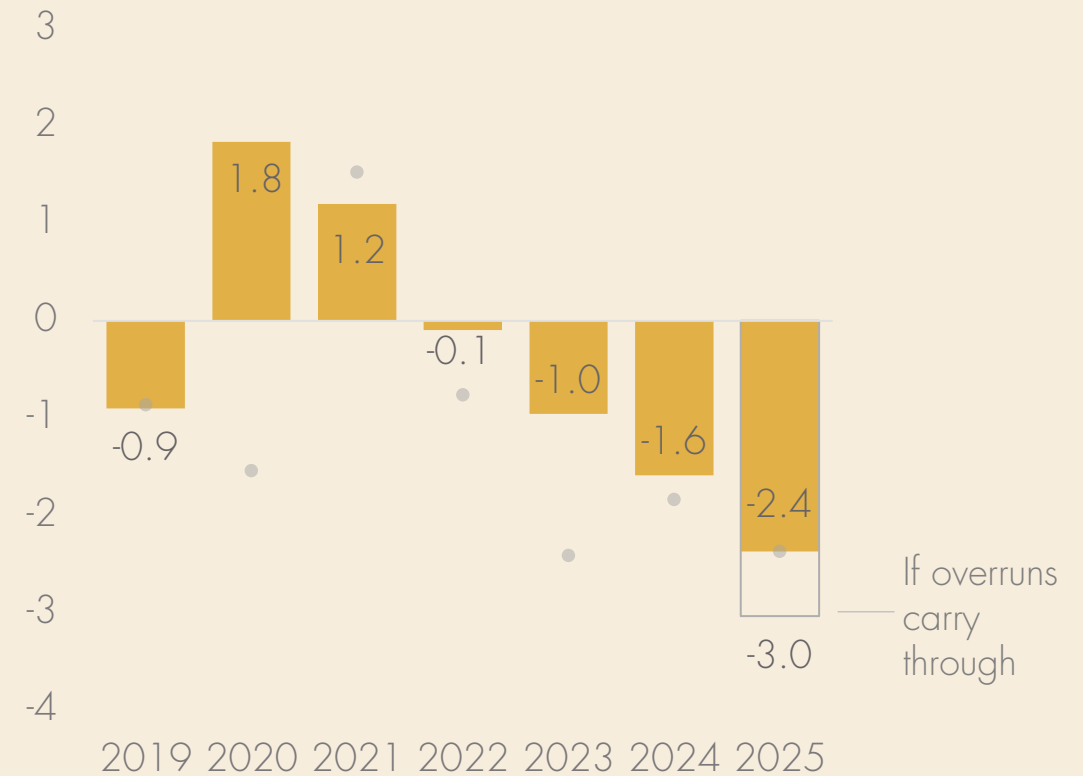
## Fast real net policy spending growth

% changes in real net policy spending



## Wider structural deficits

% of potential GNI\*



# Plans lack credibility

## Overruns not carried through

Overruns from last year not reflect in forecasts for this year.

More overruns are inevitable.

## Short forecast horizon

Budgetary forecasts only go 20 months ahead

No medium-term forecasts indicates no medium-term strategy.

## No fiscal framework

New government is yet to commit to any fiscal rule or framework

European rules are not likely to help.

# Medium-term budgetary framework

## **1. Ceilings not published on time.**

Should be published with the budget

## **2. Forecasts are often unrealistic beyond the current year.**

## **3. No departmental ceilings for 2026 and 2027.**

# Checklist

What Ireland  
needs for a  
better fiscal  
framework

## Better forecasts

Forecast at least five years ahead



Forecast spending realistically



## Clear guardrails

Set a long-term fiscal objective, like a debt limit



Legislate for a national rule that is consistent with the fiscal objective



Put in place appropriate savings funds for excess corporation tax



## More transparency

Provide transparent costings of major policy changes



Make non-Exchequer forecasts more transparent



Show how rules are being adhered to or not



## Overall assessment

1 out of 8



# Our advice

1. **Commit to a fiscal rule.** This would set a sustainable growth rate for spending net of tax changes.
2. **Use budgetary policy to reduce the ups and downs of the economic cycle.** This means showing restraint when the economy is strong. It also means being more generous when the economy is struggling.
3. **Set realistic spending forecasts and move towards medium-term budgeting.** Recent forecasts have ignored previous overruns.
4. **Focus on infrastructure and competitiveness.** No matter how the economy evolves, Ireland needs to address shortages of key infrastructure.