Irish Fiscal Advisory Council

Pre-Budget 2026 Statement
September 2025

No map for the road ahead

Summary

Ireland's economy continues to perform well. More people are in work than ever, and recent figures show healthy consumer spending. While global uncertainty and trade tariffs pose risks, they have not yet had a major impact on the Irish economy.

Government spending is regularly going beyond budget-day plans. Last October, the Government budgeted for a €3 billion increase in spending. In practice, spending is likely to rise by €7.6 billion.

Budgetary policy should smooth the swings in the economy. Countercyclical policy means giving less support when the economy is strong (like right now) and more when it is weak (were the economy to suffer a downturn). The Summer Economic Statement stated that if there is a deterioration in the tariff landscape, the 2026 budget package would be smaller. This is exactly the opposite of standard economic advice.

Given that the economy is performing well, this is not a time for a large budget package. The budget day package should be smaller than the €9.4 billion that is currently planned. However, the Government can still address specific issues. If investment is the priority, that means there is less room for current spending increases and tax cuts.

The Government needs to commit to a clear guide or rule for budgetary policy. The Government is yet to set any limit on what is sustainable for the public finances. Without a rule or limit, budgetary policy will be made in a year-to-year fashion. If implemented properly, the new European requirements for a medium-term plan could help. However, the Government has yet to submit a revised medium-term plan. This is despite having committed to doing so alongside the Summer Economic Statement.

The Government should continue to save into the recently established savings funds. The Future Ireland Fund can be a useful tool to offset future budgetary pressures, such as an ageing population and climate change.

Latest projections

% Modified Gross National Income (GNI*) unless otherwise stated

	2024	2025	2026	2027	2028	2029	2030
Economy							
Real GNI* growth	4.8	2.5	2.4	2.3	2.2	2.2	2.3
Nominal GNI* growth	10.2	5.4	5.3	5.1	5.0	4.6	4.6
Nominal GNI*, € billions	321.1	338.4	356.2	374.3	392.8	411.0	430.0
Price inflation, year-on-year change (HICP)	1.3	2.1	2.1	2.0	2.0	2.0	2.0
Public finances							
Budget balance	7.2	1.6	0.6				
Budget balance (€ billions)	23.1	5.4	2.1				
Windfall corporation tax (€ billions)	28.8	13.3	13.1				
Budget balance excluding windfall corporation tax	-1.8	-2.3	-3.1				
Budget balance excluding windfall corporation tax (€ billions)	-5.7	-7.9	-11.0				
Revenue	46.2	41.4	41.1				
Revenue excluding windfall corporation tax	37.2	37.5	37.4				
Expenditure	39.0	39.8	40.5				
Net debt ratio	67.9	63.4	60.7				
Net debt (€ billion)	157.2	158.1	162.4				

Sources: These projections use the Government's Annual Progress Report (APR) 2025 projections released in May. However, these are updated for new National accounts data for 2024. The budgetary forecasts are updated to take account of latest outturns and the new spending measures announced in the Government's Summer Economic Statement 2025 published in July. The fiscal projections in both the Annual Progress Report and the Summer Economic Statement end in 2026. Net debt is estimated as using estimates for the general government balance as well as assumed transfers to the Future Ireland Fund and the Infrastructure, Climate and Nature Fund. Nominal GNI* forecasts take the latest 2024 outturn and apply the Department's growth rate forecasts to it.

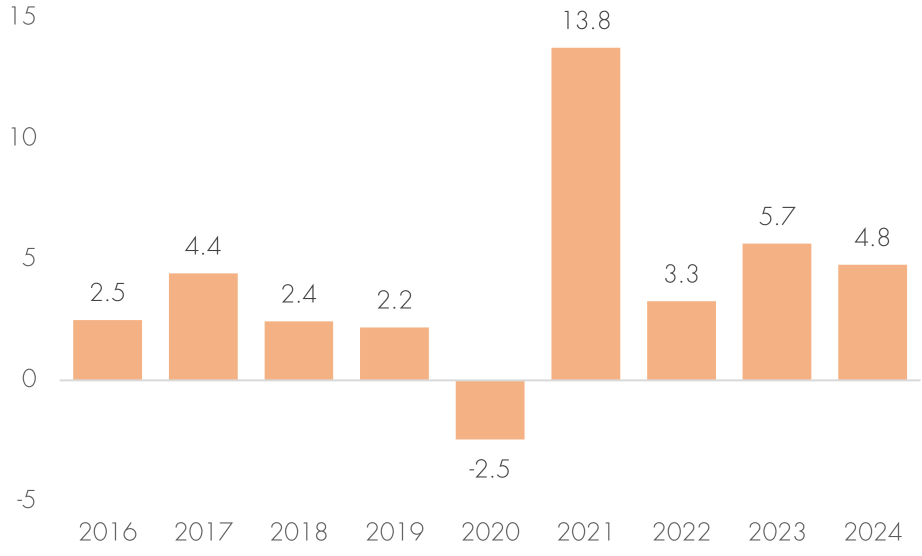
1. The economic backdrop

The economy is performing strongly, with tariffs looming

Recent data on economic activity show that the Irish economy is continuing to grow strongly. In 2024, activity grew by almost 5%. Early indications suggest the economy has continued to grow this year, with consumer spending and employment increasing in the first half of the year.

1.1: **The economy continues to grow strongly**

Real GNI*, % change



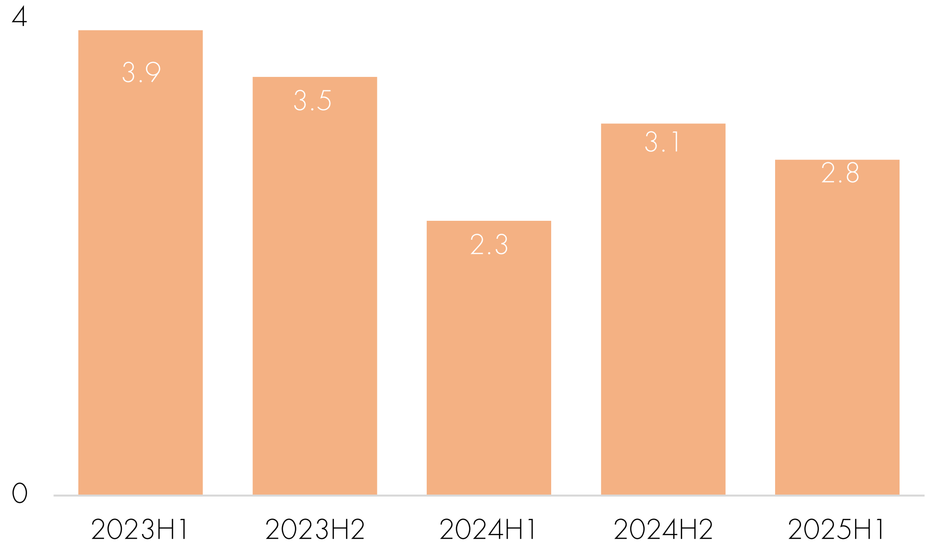
Source: CSO

The Irish economy has experienced very strong growth in recent years. As an economy that is performing well, it does not require fiscal stimulus. Monetary policy is already providing support, which is not required in Ireland. The ECB has cut the deposit rate from 4% to 2% over the last 14 months.

The strong economy is also visible in the jobs market. Employment growth has continued at a fast pace in the first half of 2025.

1.2: **Employment is growing at a fast pace**

Employment growth, year-on-year percentage growth

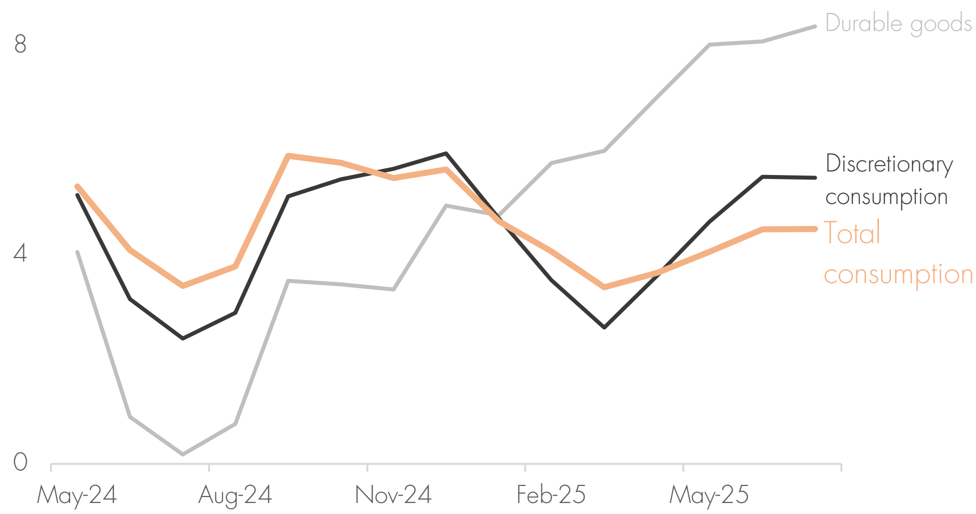


Source: CSO

Despite the uncertainty, estimates of real household consumption, produced by the Council (Carroll, 2024), have remained robust in the first half of the year, growing by 3.9% year-on-year (Figure 1.3). Indeed, two categories of household consumption that provide a good indication of household finances, durable goods and discretionary consumption have also continued to grow strongly at 7.1% and 4.1% year on year, respectively.

1.3: **Household consumption growth remains robust**

Real % change y/y



Source: (Carroll, 2024).

Notes: Figures are based on y/y growth of the 3-month moving sum of consumption estimates from Carroll (2024). Discretionary consumption is spending on non-essential items, like takeaway meals, restaurants and holidays. The discretionary category is based on work by the ONS and the ABS.

Since the highs of 2022 and 2023, HICP inflation has moderated substantially, and was only 1.8% year-on-year in August. In July, domestically generated inflation—inflation of goods and services with low import content—had fallen to 2.7%, its lowest level since the middle of 2021. Despite this moderation, there are categories of goods and services that are still rising robustly, particularly food inflation. In July, food prices were up 4.6% on the same period last year.

There is always a danger that national accounts or labour market data may not pick up turning points in the economy in real time. As a result, more timely estimates of economic activity can be useful in a period of uncertainty.[1] But currently, real-time indicators like card spending data, administrative data on employment and monthly tax receipts all suggest the economy is still performing well.

The impact of tariffs

Throughout this year there has been considerable uncertainty over the international trading environment. The threat of tariffs has been a factor in delayed investment decisions by firms.

[1] See Baker, Bloom and Davis (2016) for a discussion of the impact of policy uncertainty on the economy.

After protracted negotiations between the EU and US, it appears that firms in the EU will face a 15% tariff when exporting goods to the US.[2] As well as tariffs, the recent depreciation of the dollar also makes it harder for firms in the EU to export to the U.S.

Below we examine the sectors in Ireland which are most exposed to tariffs on exports to the US. The sectors most obviously impacted are pharmaceuticals, medical devices, semiconductors and the drinks industry.[3] These sectors currently employ around 140,000 people (6% of total employment).

1.4 A small number of sectors may be significantly impacted by US Tariffs

	Pharma	Medical devices	Semiconductors	Beverages
Employment (thousands)	67	45	22	7.3
Share of exports going to the US (%)	42	42	13	22

Source: CSO

Notes: The share of exports going to the US is calculated by taking an average share since January 2019. Employment figures are taken from the detailed employment series in the Labour Force Survey. The one exception is medical devices, which is taken from the Annual Employment Survey from the Department of Enterprise, Tourism and Employment. Generic pharmaceutical drugs may be exempt from US tariffs. However, drugs which are on patent tend to be extremely profitable and are likely to be subject to tariffs in the US. Semiconductors are identified in the trade data as product category 77 (Electrical, machinery, apparatuses and appliances). Nace Code 26 (Manufacture of computer, electronic and optical products) is used from Labour Force Survey data to identify employment in this area. Beverages here covers both drinks and soft drink concentrates.

Moving pharmaceutical production is very difficult to do quickly. It typically takes 5-10 years to build a new plant, make it fully operational and secure FDA approval.[4] In addition, specialised skills are required to operate a pharmaceutical plant successfully. [5]

The medical devices sector is also an important employer in Ireland. Employment is almost as large as in the pharmaceutical industry, but the medical devices sector is a much smaller payer of corporation tax in Ireland. Relocation of production in this sector is also not straightforward.

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[2] Certain goods have been exempted, such as aircraft and aircraft parts. It remains unclear if other goods such as generic pharmaceutical drugs or spirits are excluded. Also, it is worth noting that this replaces previous tariffs on US imports of EU goods. It remains unclear what tariff rate will be applied to pharmaceutical products.

[3] We do not include the dairy/butter industry here. This is because this sector is now facing a similar level of tariffs from the US as was the case at the start of the year.

[4] The US Food and Drug Administration grants approval to a manufacturing facility after a rigorous process of examining the equipment used, the layout of the facility, the quality control processes and record keeping such as batch control. There are efforts in the US the sped up this process, but it is unclear if this will have a meaningful impact.

[5] See FitzGerald (Forthcoming)

Getting FDA approval for a new facility producing higher risk medical devices is not straightforward and can take considerable time.[6] Given production in Ireland is predominantly in higher risk products, it would be harder to shift production of these elsewhere quickly.

The semiconductor industry appears to be less exposed to US tariffs. This is because only 13% of exports from Ireland go to the US.

Finally, the drinks industry is likely to be impacted by tariffs. 22% of drinks exports go to the US, mainly soft drink concentrate and whiskey. This is a much smaller employer than the other sectors discussed.

Overall, the short-run impact of tariffs on employment in Ireland is likely to be quite small. The long-run impact is harder to quantify but is more likely to be felt in jobs not created rather than existing jobs being lost.

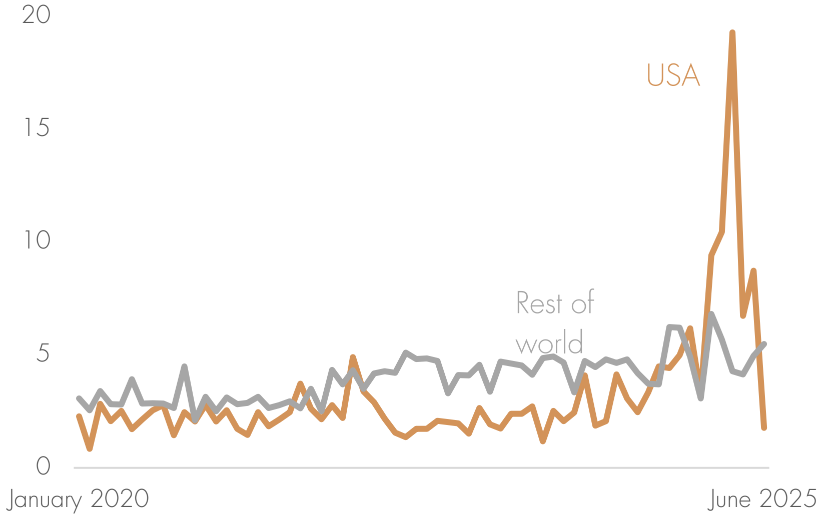
This is not to say that certain sectors won't be impacted. But in the context of an economy with 2.8 million people at work, this impact is relatively limited. Any impact on employment in these sectors would have an impact on the public finances. Employees in these multinational-dominated sectors tend to be well paid, and hence pay significant amounts of income tax.

Multinationals operating in Ireland have already shown how agile they can be in responding to a changing landscape. Pharmaceutical exports have already comfortably surpassed the 2024 total. Some of this is due to firms pre-emptively moving goods to the USA. But it may also reflect increased production capacity in Ireland.

[6] Medical devices are broken into three categories. Class I covers low risk products (such as bandages). Class II covers moderate risk products (such as syringes). Class III devices are high risk products (such as pacemakers and heart valves). The highest risk products attract the most stringent regulatory controls.

1.5: **Pharma exports surged prior to tariffs being introduced**

Pharmaceutical exports from Ireland, € billion



Source: CSO

Notes: The series shows Irish exports of medicinal and pharmaceutical products.

One upside from the framework agreement between the US and EU is that services sectors have not seen any change to trading arrangements. This is particularly important for the tech sector, which has a heavy presence in Ireland.

2. The public finances

The public finances have become extremely reliant on corporation tax, despite a strong economy

Spending continues to grow quickly

So far in 2025 spending has grown quickly, faster than originally budgeted for (Figure 2.1). In the year to August, current spending has grown by 6.1%. In contrast, Budget 2025 figures imply current spending growth of 1.4% for 2025.[7]

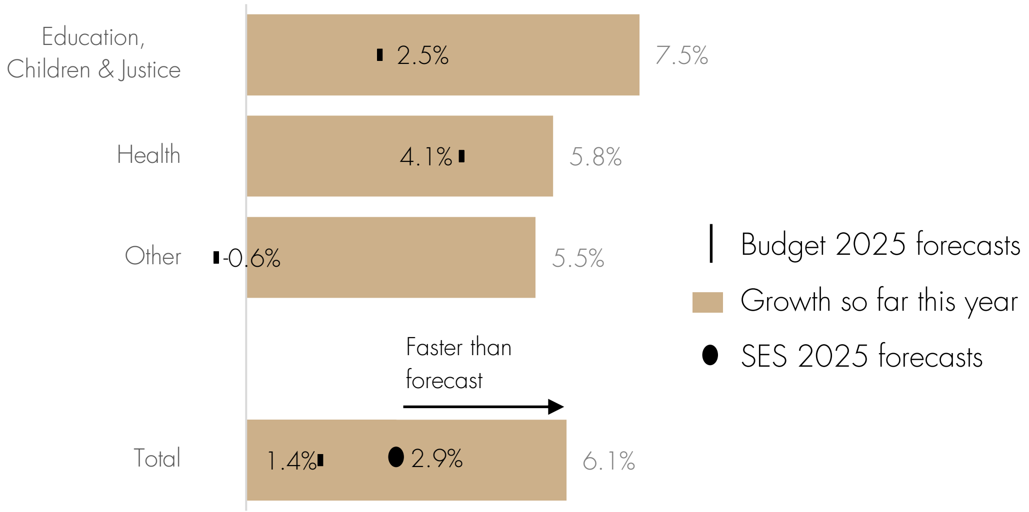
Current spending is rising particularly quickly in Education, Children and Justice, with those combined areas seeing spending grow by 7.5%. Budget 2025 only set out growth of 2.5% for these areas. Health spending has also been rising faster than planned this year, up 5.8% relative to a Budget 2025 growth rate of 4.1%.[8]

[7] This takes into account the outturn for 2024. The Summer Economic Statement (published in July) revised this forecast up to 2.9%.
[8] As there was no Mid-year Expenditure Report published by the Department of Public Expenditure, it is unclear why these fast increases in spending are occurring.

If current spending continues to rise at the same pace (6.1%) for the rest of the year, and even assuming cost-of-living measures seen do not recur this year, current spending would be another €1.4 billion higher than projected in the Summer Economic Statement.[9]

2.1: **Spending has grown quickly this year**

% change year on year



Source: Department of Finance, Budget 2025, Summer Economic Statement 2025 and Fiscal Council calculations.
Notes: Education includes Further and Higher education.

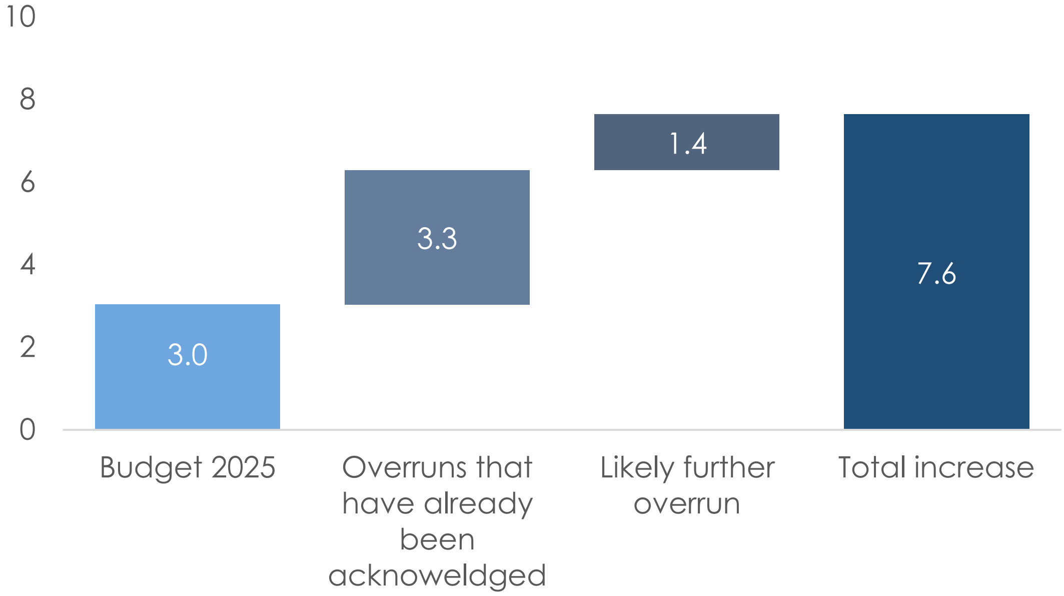
Spending growth is much faster than budget day projections suggested

This year is another example of budget day plans being far from what actually transpires. Budget 2025 indicated gross voted spending would be €105.4 billion, a €3 billion increase.[10] With large overruns building up, the Government's Summer Economic Statement revised up spending for this year by €3.3 billion. The mid-year upward revision of spending is larger than the total package of spending increases set out in the Budget figures last October.

[9] To arrive at the projected overrun figure, 2024 cost-of-living measures were removed from the 2024 base.
[10] This €3 billion increase is relative to the Budget 2025 forecast of gross voted spending for 2024. Gross voted spending in 2024 was €1.3 billion higher than was forecast in Budget 2025. As a result, if the outturn for 2024 was used, the Budget 2025 figure for 2025 would imply a €1.8 billion increase in gross voted spending in 2025.

2.2: **Spending increases this year are mainly unbudgeted for**

€ billion increases in gross voted spending



Source: Budget 2025, Summer Economic Statement 2025 and Fiscal Council calculations.
Notes: Budget 2025 allocated an increase of €3 billion for gross voted spending in 2025 compared to what was forecast for 2024 in Budget 2025. The Summer Economic Statement acknowledged that spending is likely to be €3.3 billion higher than budgeted for. A further spending overrun of about €1.4 billion is based on Fiscal Council work examining spending growth in the year-to-date. The €7.6 billion increase shown here is relative to the Budget 2025 estimate of gross voted spending for 2024.

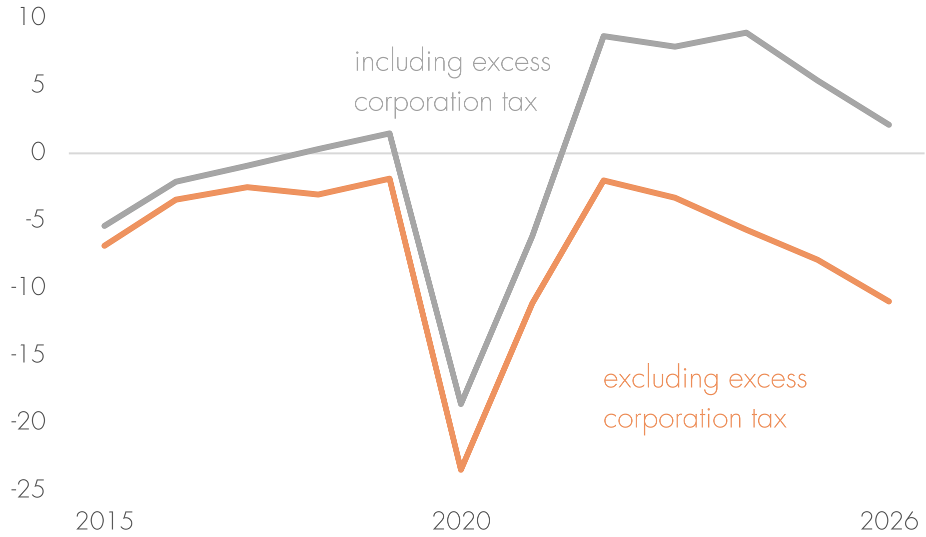
Underlying deficits are getting wider

The public finances have become incredibly reliant on corporation tax receipts. Without excess corporation tax, the Government will be spending €8 billion more than it collects in revenues this year.[11] This underlying deficit has been getting consistently worse since 2022, and it is expected to deteriorate further next year.

[11] This estimate is derived by taking the Government's projection of the underlying budget deficit in the Annual Progress Report (€4.6 billion) and adding on the additional spending for 2025 outlined in the Summer Economic Statement (€3.3 billion).

2.3: **Without excess corporation tax, the public finances are in deficit**

General government balance, € billion

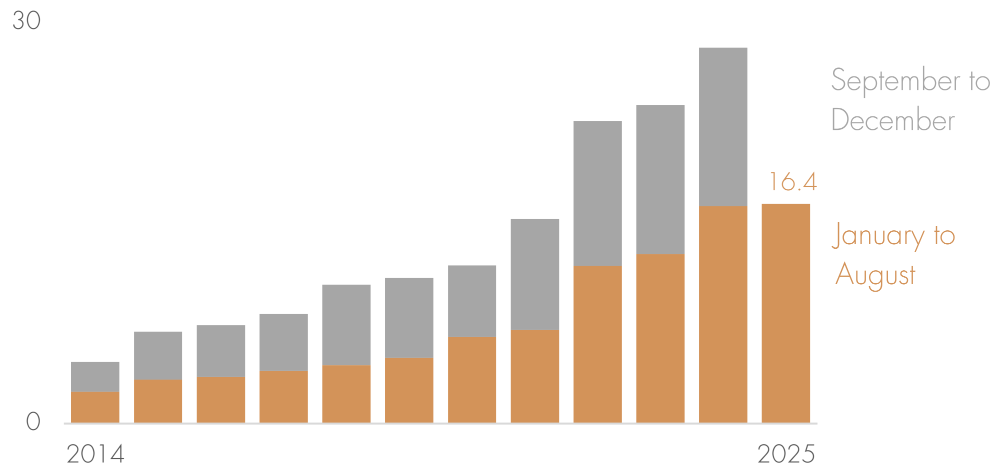


Sources: CSO, Annual Progress Report (2025), Summer Economic Statement 2025 and Fiscal Council calculations.
Notes: Forecasts from the Annual Progress Report are used, which are then updated to reflect additional spending signalled in the Summer Economic Statement (€3.3 billion). Estimates of excess corporation tax are taken from the Annual Progress Report. Receipts from the Apple tax judgment are excluded in both cases.

There are no obvious signs of a decline in corporation tax receipts in the short run. They have grown more than six-fold in the past decade. Receipts have continued to grow this year, albeit at a slower pace (up 1.1% compared to the first eight months of last year). However, the medium-term outlook is much less clear. If these receipts were to decline, the public finances would be in a significant deficit.

2.4: **Corporation tax receipts have grown more than six-fold since 2014**

€ billion



Source: Department of Finance.

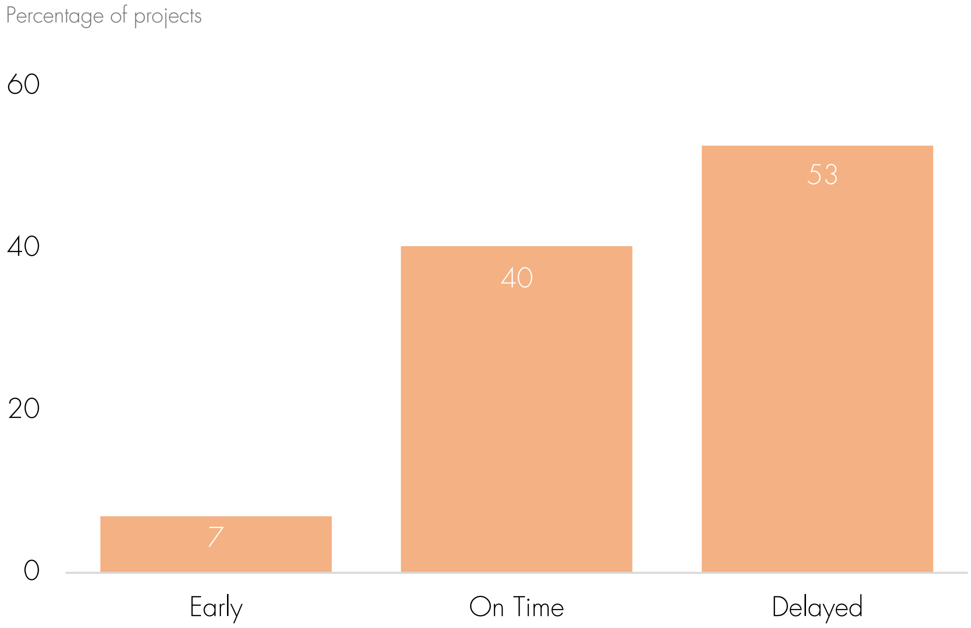
Notes: Figures for 2024 and 2025 exclude the revenues from the CJEU ruling in the Apple State-Aid case.

Delivering on ambitious plans for public investment may be difficult

The revised National Development Plan aims to maintain a high level of public investment in the coming years. But past experience shows that delivering on these ambitions isn't always straightforward. Challenges like delays in the planning system and limits on the construction sector's capacity have hampered the delivery of public investment.

Using the National Development Plan tracker, we can examine how many projects have been completed against what was originally planned under the 2021 NDP. Focusing just on large projects (costing more than €20 million), we can track 129 projects that were due to be completed between 2020 and 2025. The latest tracker shows that only half of these projects are likely to be completed on time.

2.5: **Around half of projects unlikely to be completed on time**



Sources: Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation (Investment projects and programmes tracker from October 2021 and May 2025) and Fiscal Council workings.
Notes: We only include projects that appear with the same or similar titles in both the October 2021 and May 2025 trackers. To qualify, a project must have had a scheduled completion date between 2020 and 2025 in the October 2021 tracker and also have a completion date listed in the May 2025 tracker.

Given the economy is already running at capacity, inappropriate budgetary policy could make it harder to deliver public investment. Tax cuts and rapid increases in current spending would add to demand in the economy. That would mean there is less spare capacity in the economy to deliver public investment.

If the key priority of the Government is to address a lack of infrastructure, then it should prioritise investment over tax cuts and rapid current spending increases. If the Government attempts to increase capital spending, current spending and cut taxes all at the same time, it is unlikely to be able to deliver its investment ambitions.

3. The fiscal stance for Budget 2026

Budgetary policy needs to smooth swings in the economy

When assessing how the Government should approach each Budget, the Council assesses two things. It considers the economy: whether or not it needs support from budgetary policy. And it considers debt sustainability: the extent to which public debt is likely to avoid rising in a way that requires sudden sharp cutbacks.

The package for Budget 2026

The Summer Economic Statement outlined a €9.4 billion package for Budget 2026. This consists of €7.9 billion of spending increases and €1.5 billion of tax measures.[12] Previous experience suggests the actual increase in spending will likely be much bigger than what is announced on budget day.

Even taking the Summer Economic Statement figures at face value, spending (net of tax measures) will grow by 6.5% next year. This is faster than the sustainable growth rate of the

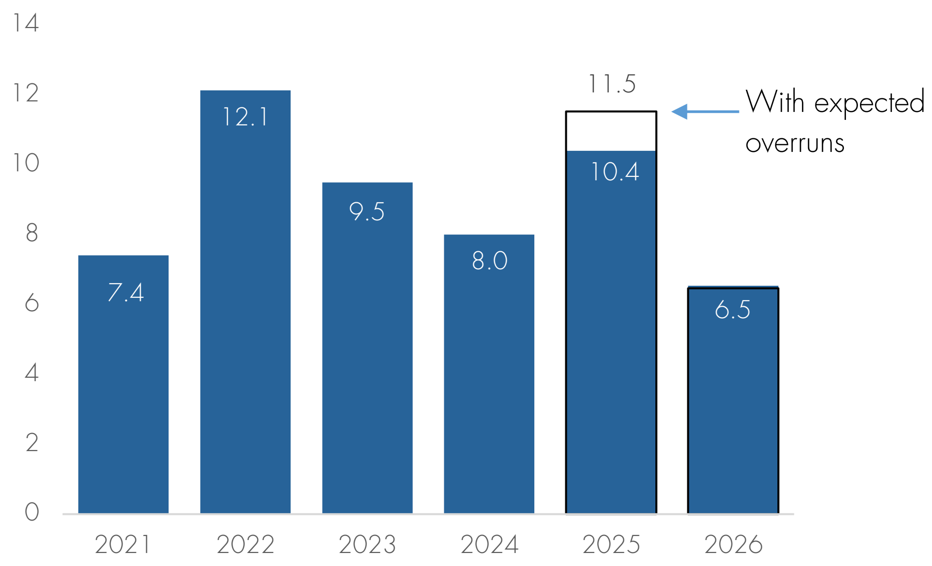
[12] €1.5 billion in tax measures is above what would be required to index the income tax system (€1.3 billion).

economy. Hence it signals budgetary policy is putting even more into an economy that doesn't need it.

This comes at a time when the Government is already providing substantial support to the economy. This is evident from the large and widening underlying deficits the Government is running (Figure 2.3).[13] Running underlying deficits when the economy is strong limits the Government's ability to step in and respond in the event of an economic downturn as, for example, was the case during the Covid-19 induced downturn.

3.1 **Spending is set to grow at a fast pace**

% growth in net policy spending



Notes: The "Net Policy Spending" measure assesses the pace of expansion in government policy. It is based on overall general government spending, and it excludes spending that is temporary or cyclical, assuming the normal long-run rate of unemployment is 5%. As it is a net measure, it recognises the role of tax changes. That is, a rise in net policy spending is offset by tax-raising measures but is added to by tax cuts. The higher estimate for 2025 assumes spending in 2025 is €1.35 billion higher than that outlined in the Summer Economic Statement, as spending data for the year-to-date would suggest.

Our advice

Framing advice for Budget 2026 is made more challenging by the high level of uncertainty faced at present. With a strong economy, it would be sensible for budgetary policy to be subtracting from demand in the economy in 2026. This would serve two purposes. First, it would reduce demand in an economy that is already performing extremely strongly. This

[13] While the Government is running a headline surplus, this is primarily due to corporation tax payments from foreign multinationals. Unlike income tax and VAT, these payments do not reduce demand in the Irish economy.

would help keep inflation relatively low and reduce the risk of the economy overheating. Second, it would leave the Government with more scope to use budgetary policy to combat the next economic downturn.

Even with elevated levels of uncertainty, a more modest budget package than what is currently envisaged would be appropriate. If economic conditions were to deteriorate, then the Government could step in and provide support to the economy when it is really needed.

As a result, the Government needs to choose between areas of priority. Doing more in one area (for example capital spending), means doing less in another area (day-to-day spending and tax cuts).

Finally, the Government needs to fully incorporate spending overruns this year when setting spending forecasts for next year. If these overruns are not incorporated, then further spending overruns next year are inevitable.

No sign of a medium-term strategy or roadmap

The Government has yet to publish an updated medium-term fiscal structural plan. A technical document was submitted to the European Commission late last year. The Programme for Government committed to submitting a new medium-term plan this summer alongside the Summer Economic Statement. It was disappointing that the plan was not published alongside the Summer Economic Statement as was promised.

While the EU fiscal rules are not well suited to Ireland, they do at least bring a more medium-term approach to budgeting.[14] If the medium-term fiscal structural plan is taken seriously and based on realistic forecasts, then it can be valuable. It could help shift Ireland away from year-to-year budgeting. To do this, a revised plan should be published prior to or alongside Budget 2026.

A domestic fiscal rule is lacking

The Government is also yet to set out any fiscal rule or fiscal framework. It has set no limit for what it sees as a sustainable pace of net spending growth. A domestic budgetary rule

[14] The rules still rely on GDP and do not reflect the risks around Ireland's corporation tax receipts.

should take into account the long-run sustainable growth rate of the economy. Given the shortcomings of the EU fiscal rules for Ireland, a strong domestic fiscal rule is all the more important.

There are a number of characteristics that a domestic budgetary rule should include:

- It should be set on a general government basis. This is the broadest measure of the public finances.
- It should be legislated for. International evidence suggested that domestic budgetary rules are complied with more often if they are enshrined in law (Cordes, Kinda, Muthoora, and Weber, 2015)
- The rule should be based on an assumed sustainable growth rate of the economy. This assumed growth rate should be reviewed periodically.
- Public investment should be protected with a minimum level set as a percentage of potential GNI*.[15] This could help avoid sudden cuts, while improving long-term planning.
- Include an appropriate escape clause. Not every situation will be anticipated by the design of the rule. Escape clauses, if appropriately designed, can be a helpful way of dealing with exceptional circumstances.
- Allow for cyclical savings and costs related to unemployment. Unemployment costs are a key area of expenditure that varies with the cycle. One way to adjust for this is to consider the level of unemployment spending that would be consistent with normal unemployment rates of around 5%.

[15] Simply setting such a target as a percentage of GNI* could lead to investment moving in line with the economic cycle. A fixed percentage of national income would be larger when the economy is strong and smaller when the economy is weak.

Box A: Ireland has more to do to fully adopt the new EU fiscal rules

The new EU fiscal rules came into effect last year. The package of reforms consisted of:

- two regulations – one repealing and replacing the preventive arm and one amending the corrective arm of the Stability and Growth Pact.
- one directive, amending a previous 2011 Directive, which set minimum requirements for budgetary frameworks for Member States.

The Fiscal Responsibility Act (2012) sets out Ireland's fiscal rules, but the EU laws underpinning them have now been amended or replaced. The two EU regulations became part of national law from the time they came into force last year.

The EU directive must be transposed into Irish law by 31 December 2025. The European Commission published a report in June detailing how Member States are progressing with this.[16] Once the transposition deadline passes, the Commission will assess whether the updated national laws comply with the amended directive.

The new rules in a nutshell

- The new EU fiscal rules move away from an annual structural balance target. They now have a medium-term focus with a net spending rule. This rule sets a limit on how quickly government spending can grow. Faster spending growth is allowed if it is matched by higher taxes.
- The new rules also remove the '1/20th debt rule'.[17] Instead, the goal of the new rules is to put debt-to-GDP ratios on a safe downward path over the long term. Countries with higher debt levels will have less room to increase government spending.

The national fiscal framework should be revised to reflect new EU rules

At present, Ireland's national Budgetary Rule hinges on a "medium-term objective". The Government complies with the Budgetary Rule if the structural balance — a measure of the budget balance stripping out temporary and cyclical effects — meets a specified target or is moving towards it. This target, the medium-term objective, is the cornerstone of the Budgetary Rule. However, the medium-term objective has effectively been repealed under the new EU rules.[18]

A multi-year net spending rule now forms the operational part of the new EU rules. The Government will submit a new medium-term plan to the Commission later this year. It will cover a four- or five-year period and set a

[16] This Interim Progress Report on the Implementation of the new Directive is available here.
[17] If the debt-to-GDP ratio was above 60% of GDP, the '1/20th Debt Rule' required that the ratio fell by, on average, one-twentieth of the excess between the actual debt-to-GDP ratio and 60% of GDP.
[18] Part 1 of the Fiscal Responsibility Act 2012 defines the medium-term objective at the core of Ireland's Budgetary Rule as the "objective required by the 1997 surveillance and coordination Regulation". However, this EU regulation was repealed last year (see Article 37).

maximum growth rate for nationally financed net primary spending each year.[19] This net spending limit will be binding once approved by the Council of the EU. However, Ireland may avoid sanction for breaking the limits, so long as the debt ratio stays below 60% of GDP and the deficit below 3% of GDP.

Some aspects of the Fiscal Responsibility Act are broadly in line with the revised EU fiscal rules. Both still hinge on a 3% of GDP deficit limit and 60% debt-to-GDP limit. And although the medium-term objective has been removed, the overall aim of the new rules is still to achieve fiscal sustainability over the longer term. However, the Budgetary Rule should be reformed to reflect the shift in focus to a net spending rule.

Expanded role for the Fiscal Council

The directive also strengthens the role of independent fiscal institutions (IFIs), such as the Fiscal Council. The Council will continue to endorse, as it considers appropriate, the Government's macroeconomic forecasts, and assess the Government's compliance with its fiscal rules. In addition, IFIs shall now also assess "the consistency, coherence and effectiveness of the national budgetary framework". This new responsibility is loosely defined, and how it will be transposed into Irish law remains uncertain.

Crucially, a 'comply or explain' principle will apply to each of these assessments. That is, the Government shall comply with the IFI's assessments or publish, within two months, an explanation of why it is not doing so.

To fulfil this expanded role, the directive notes that IFIs require sufficient resources, functional autonomy, and adequate and timely access to data. At present, the Council relies on goodwill to access key information. This is far from ideal and can hamper the independence of a fiscal institution. In addition, the Council does not have complete autonomy over how it spends the funding it is allocated. Fully transposing the directive would formalise the Council's right to timely information and allow it to operate more effectively.

Limited parliamentary scrutiny of these reforms seems likely

The Government plans to use a Statutory Instrument to transpose the directive in Irish law. This approach is often preferred by governments as it only needs the relevant Minister's signature to take effect. This makes it faster than passing a new Act. However, Statutory Instruments have clear drawbacks: they typically receive less parliamentary scrutiny, attract less public attention, and can be more easily amended by the Minister, so long as the changes remain consistent with the directive.

[19] Nationally financed net primary expenditure is defined as general government expenditure excluding interest, one-offs, EU-funded spending, national spending on programmes co-funded by the EU, and temporary spending on unemployment related to the cycle. It adjusts for the net impact of tax measures; tax-raising measures would allow for larger spending increases, whereas tax cuts would reduce the scope for spending increases.

Contributions to the funds should continue

The Government has established two savings funds, which can help offset future budgetary challenges, such as an ageing population. Given the Government is continuing to collect extraordinary levels of corporation tax receipts, contributions to these funds should continue.

Concerns have been raised recently that the general government surplus may fall below €6.1 billion (the planned level of contributions to these funds). This is not a reason to stop making contributions to the savings funds.[20] The Government should continue to make contributions to the funds.[21] If necessary, the Government can use some of its cash reserves to make contributions to these savings funds.

It would seem extraordinary that in an environment where the Government is collecting €13 billion in excess corporation tax, and the economy is booming, the Government cannot afford to set aside some money now for future challenges.

[20] The general government balance is not impacted by making contributions to the Future Ireland Fund or the Infrastructure, Climate and Nature Fund.

[21] Under the Future Ireland Fund and Infrastructure, Climate and Nature Fund Act, 2024, the Council is obliged to provide an opinion on the economic and fiscal position of the State. This is with a view to assessing if it is appropriate to continue making contributions to the two funds. The Council has sent a letter to the Minister for Finance outlining that it does not foresee a deterioration or a significant deterioration in the economic or fiscal position of the state this year or next year. As a result, the Council does not recommend reducing or stopping contributions to the two funds.

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Supporting items

You can find more information supporting the Council's analysis online at this link.

This includes information on the Council's estimates of stand-still costs.

VIEW SUPPORTING ITEMS