Press Release: Pre-Budget 2026 Statement — No map for the road ahead

The Irish Fiscal Advisory Council warns that Budget 2026 is being planned without a clear roadmap for fiscal policy.

Ireland's economy is performing strongly, with record employment and robust consumer spending. Uncertainty and tariffs pose risks, but they have not yet had a major impact on the Irish economy.

Government spending is rising much faster than planned for this year. Budget 2025 forecast a €3 billion increase in spending, but actual spending is likely to rise by €7.6 billion. This repeats a pattern of spending overruns in recent years.

As the economy is performing strongly, it does not require support from budgetary policy. The government is already providing significant support to the economy. Without excess corporation tax, the Government is spending €8 billion more than it collects in revenue this year. This underlying deficit is likely to increase further next year.

These deficits are occurring when the economy is strong. This reduces the Government's ability to respond in an economic downturn.

A package of €9.4 billion is currently planned for Budget 2026. Given the economy is still performing well, this is not appropriate. A more restrained approach would help avoid overheating the economy and leave room to respond to future downturns.

The Council also highlights the lack of a medium-term fiscal plan. The Programme for Government promised a new medium-term plan, to be published alongside the Summer Economic Statement. It was disappointing that the plan was not published during the summer as was promised.

Ireland also lacks a domestic fiscal rule. The Government is yet to set any limit on the sustainable growth rate of spending (net of tax measures). Without a rule or limit, budgetary policy will be made in a year-to-year fashion.

The Council has five recommendations:

1) The budget package for 2026 should be smaller than the €9.4 billion currently planned. This would leave the government with more scope to use budgetary policy to combat the next economic downturn.

2) The Government needs to fully incorporate spending overruns from this year when setting spending forecasts for next year. If this doesn't happen, overruns are inevitable next year.

3) The Government should publish a revised medium-term fiscal plan alongside the budget. If taken seriously, the plan could move Ireland away from year-to-year budgeting.

4) The Government should set a domestic budgetary rule. This would set a limit on the sustainable growth rate of spending (net of tax measures).

5) 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. These include an ageing population and climate change.

Commenting on the report, Seamus Coffey, Chairperson of the Council, said:

"The Irish economy is in a strong position, despite high uncertainty. As a result, this is not a time for a large budgetary package. That should be reserved for periods where the economy is weak and needs support. "