Flash release to the revised Medium-Term Plan

19th December 2025

Irish Fiscal Advisory Council

1) This "Flash Release" gives the Council's first read of the revised Medium-Term Plan, published by the Government earlier today. The Council has consistently stressed the importance of multi-annual budgeting. A plan such as this can help Ireland move in that direction.

2) The Council welcomes the publication of this plan. This plan sets out a path for spending net of tax measures out to 2030. This sets annual limits on how quickly government spending can grow. Faster spending growth is allowed if it is matched by higher taxes.

3) The revised plan sees net spending growing at a fast pace. Net spending is planned to grow at an average growth rate of 7.1% over 2025–2030. Spending in 2030 is now forecast to be 50% higher than it was in 2024 and more than double the level of spending in 2019.

A fast pace of spending growth is planned

Percentage growth of net spending

	2025	2026	2027	2028	2029	2030
Net spending growth	9.3	6.6	6.0	7.6	6.7	6.4
Cumulative growth		16.5	23.5	32.9	41.7	50.9

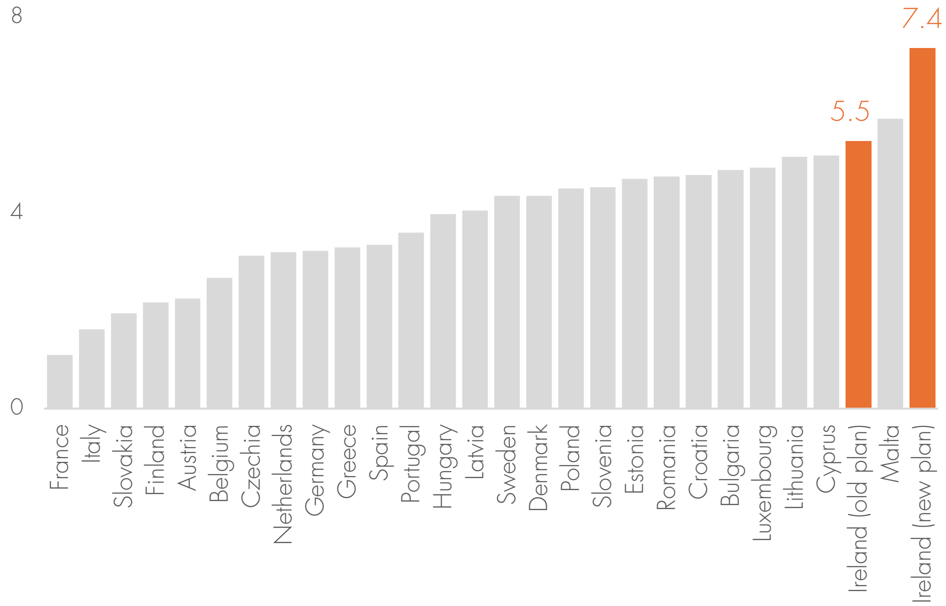
Source: Department of Finance

Note: Net spending is general government expenditure excluding interest, one-offs, EU-funded and co-funded spending, and temporary spending on unemployment related to the cycle. It also accounts for the effect of tax policy changes; tax increases can allow for higher spending, while tax cuts limit how much spending can grow.

4) Under this revised plan submitted to the European Commission, Ireland has set out higher limits for net spending growth. These growth rates of net spending from 2025–2028 are the highest in the EU by some distance.

Ireland has fastest spending growth in the EU

% average annual growth in net spending, 2025–2028

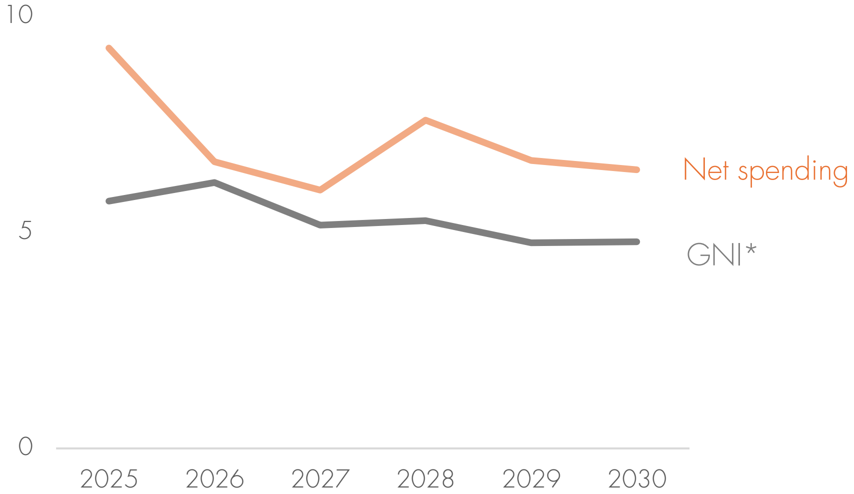


Source: European Commission and Department of Finance.
Note: This chart shows the projected average annual growth in net spending from 2025–2028. These are the years for which all 27 EU Member States have forecasts. Net spending is general government expenditure excluding interest, one-offs, EU-funded and co-funded spending, and temporary spending on unemployment related to the cycle. It also accounts for the effect of tax policy changes; tax increases can allow for higher spending, while tax cuts limit how much spending can grow.

5) The Government's plans for net spending growth (7.1%) are above the sustainable growth rate of the economy (5.3%) over 2025–2030. This indicates that the Government plans to inject additional money into the economy when it is already strong.

Net spending growth outpacing economic growth

% year-on-year growth rate, nominal



Source: Department of Finance.
Notes: Forecasts for GNI* come from Budget 2026 macroeconomic forecasts. Net spending is general government expenditure excluding interest, one-offs, EU-funded and co-funded spending, and temporary spending on unemployment related to the cycle. It also accounts for the effect of tax policy changes; tax increases can allow for higher spending, while tax cuts limit how much spending can grow.

6) While capital spending is forecast to grow at a faster rate (13.7%) than current spending (6.1%), current spending growth is the main driver of increases in net spending.

Current spending is driving increases in net spending

Percentage point contribution to net spending growth

	2025	2026	2027	2028	2029	2030
Capital spending	0.6	3.3	1.2	2.5	1.7	1.8
Current primary spending	9.0	3.7	4.5	4.8	4.7	4.4
Tax measures	0.0	-0.5	0.0	0.0	0.0	0.0
Other	-0.4	0.1	0.3	0.3	0.2	0.1
Total	9.3	6.6	6.0	7.6	6.7	6.4

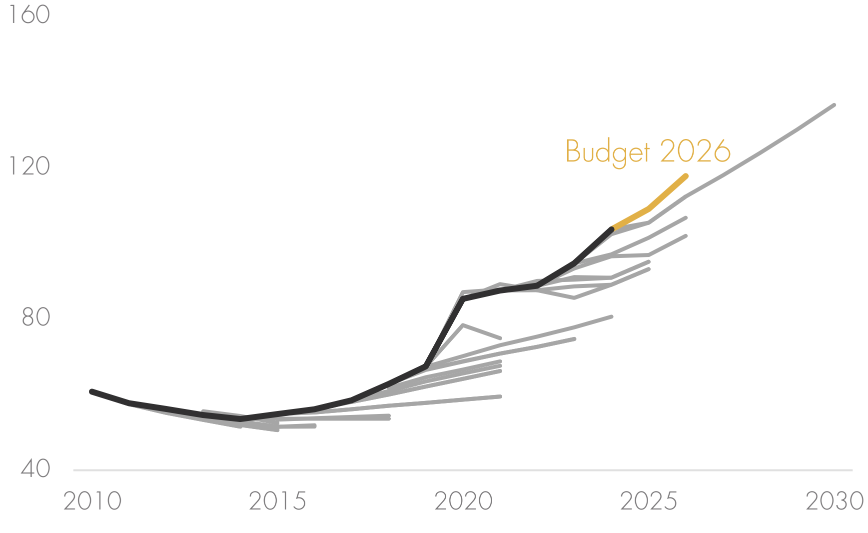
Source: Department of Finance

Note: Net spending is general government expenditure excluding interest, one-offs, EU-funded and co-funded spending, and temporary spending on unemployment related to the cycle. It also accounts for the effect of tax policy changes; tax increases can allow for higher spending, while tax cuts limit how much spending can grow. Capital spending is gross fixed capital formation. Primary spending is spending less interest costs. Other includes EU financed and co-financed spending, and cyclical unemployment spending.

7) Net spending is forecast to increase by 6.6% next year. However, given the pattern of spending overruns in recent years, government expenditure may grow faster than the revised plan suggests.

Spending forecasts have consistently been revised up

€ billion, gross voted spending

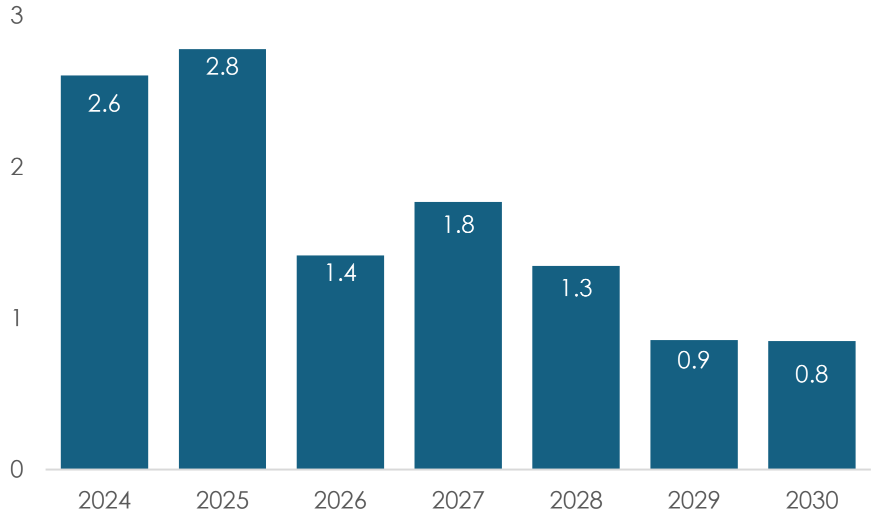


Source: Department of Finance.

8) Under this revised plan, smaller surpluses are planned for the coming years. This is despite assuming the economy continues to perform well and that corporation tax receipts continue to increase.

The Government plans to run smaller surpluses

General government balance, percentage of national income

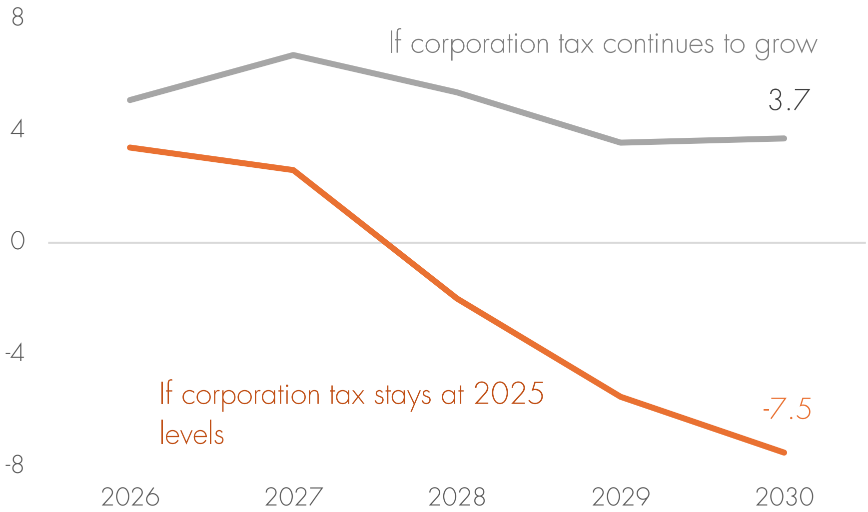


Source: Department of Finance.
Note: Proceeds from the Apple tax judgement are excluded.

9) Continued surpluses are dependent on corporation tax continuing to grow, reaching €42 billion in 2030. The plan shows an alternative scenario where corporation tax remains at its 2025 level of €32 billion. In this scenario, the budget balance moves into deficit in 2028.

Surpluses are dependent on corporation tax

General government balance, € billion



Source: Department of Finance.
Note: The alternative scenario here is taken from Box 4 of Ireland's medium-term fiscal and structural plan (scenario 1).

10) The revised plan suggests €1 of every €8 in corporation tax will be saved (€24.5bn out of almost €194bn from 2026–2030). Ongoing spending will increasingly rely on these receipts. Saving more now would make Ireland less dependent on volatile corporation tax.

11) If the Government ran bigger surpluses today and made larger contributions to its savings funds, Ireland would also be better prepared for future challenges. There are predictable costs coming from an ageing population and climate change.

12) The European Commission is unlikely to take any action should Ireland breach its spending growth limits, which are the highest in the EU. As long as Ireland keeps its public debt below 60% of GDP and its deficit below 3% of GDP, it will face minimal EU scrutiny.

13) These EU benchmarks are totally ill-suited for Ireland. They do not provide any credible constraint due to their emphasis on GDP. EU assessments of Ireland's budgetary position also do not account for the unusual nature of Ireland's corporation tax revenues.

14) Despite the publication of the medium-term plan today, this is not an appropriate guide for fiscal policy. The planned growth rates of net spending are above an appropriate level.

15) This assessment is preliminary. The Council will give a full assessment of the plan in its next Fiscal Assessment Report.