



Mr. Seamus Coffey
Chair
Irish Fiscal Advisory Council
Whitaker Square (ESRI Building)
Sir John Rogerson's Quay
Dublin 2

17 December 2025

Dear Seamus,

I refer to the Irish Fiscal Advisory Council's *Fiscal Assessment Report* published on Wednesday, 26 November 2025.

My response to the Council is set out in the letter below. It is my intention to publish this letter on my Department's website.

Yours sincerely,

Simon Harris T.D.
Tánaiste and Minister for Finance

Introduction

I want to thank Fiscal Advisory Council for its ongoing work and, in particular, its analysis of *Budget 2026* as set out in its *Fiscal Assessment Report* (FAR). The Council plays an important role in our budgetary process and I hope to continue our regular engagement.

Macroeconomic assessment

My Department's short-term forecasts point to a domestic economy that is expected to continue to perform solidly, with continued growth in real wages, supported by relatively limited headline inflationary pressures.

That said, the shifting trade landscape and elevated levels of uncertainty are likely to act as headwinds over the coming year, although increased capital expenditure – allocated as part of the *National Development Plan* – will work in the opposite direction.

On balance, our assessment is that risks are tilted to the downside, and are mainly external in nature. Of particular note is the potential for a further escalation in geo-fragmentation or a re-pricing in financial markets of new technologies like AI; if either of these were to materialise, there could be negative spillovers to the Irish economy.

Budgetary assessment

I note the Council's concerns around the *Budget 2026* package. While the overall budget package was large, this was the trade-off necessary to transition away from temporary measures. I would also highlight the Government's commitment to targeted and permanent supports and to moderating the size of future budgets.

In respect of public expenditure, the *Budget 2026* strategy had a number of aims, including the provision of increased capital investment under the NDP in critical infrastructure areas such as electricity networks, water, transport, and housing. In addition, higher current spending is required to accommodate increased demand for existing service delivery for a growing population.

Budget 2026 was framed to boost our economic resilience, maintain competitiveness and protect jobs while also providing Government with the scope to respond to our infrastructure deficit by ramping up capital investment under the *National Development Plan*.

I also acknowledge the Council's concerns in relation to the risks associated with volatile corporation tax receipts. *Budget 2026* commits to continued contributions to the *Future Ireland Fund* and *Infrastructure, Climate and Nature Fund*, setting aside a portion of 'windfall' receipts to build up our fiscal buffers.

Moreover, my Department published an important piece of analysis – *Fiscal Vulnerabilities: expanding costs, narrowing base* – in November which discusses some of the key risks facing our public finances, including a relatively narrow tax base and the growth in tax expenditures. This analysis underscores the need to continue a balanced and sensible approach to fiscal strategy as we deliver on our policy priorities.

Medium/long-term

I note the Council's concerns around the future costs associated with an ageing population, the climate transition and infrastructure investment. Preparing for these challenges was a central motivation for the establishment of the *Future Ireland Fund* and *Infrastructure, Climate and Nature Fund*.

My Department published *Future Forty: An Economic and Fiscal Outlook to 2065* in November. The motivation for this was to highlight issues such as population ageing and climate change, and the impacts these will have on the economy and public finances in Ireland.

I also acknowledge the Council's criticism of the short forecast horizon for the fiscal projections in the Budget. The forthcoming *Medium-term Fiscal and Structural Plan* will set out spending plans and headline fiscal metrics for the rest of the decade.

Fiscal Framework

The Council has a mandate to monitor and assess compliance with the domestic budgetary rule.

In this context, I note the Council's appraisal of the revised European fiscal framework and its impact on budgetary policy in Ireland. Transposition of the relevant directive is ongoing and, when completed, the Council will have a key role in monitoring the Government's adherence to the Net Expenditure Path set out in the forthcoming *Medium-term Fiscal and Structural Plan*.

Conclusion

In conclusion, Government is taking important steps to enhance the budgetary architecture; we are moving towards a medium-term framework and trying to embed 'long-term' thinking in the formulation of short-term policies.