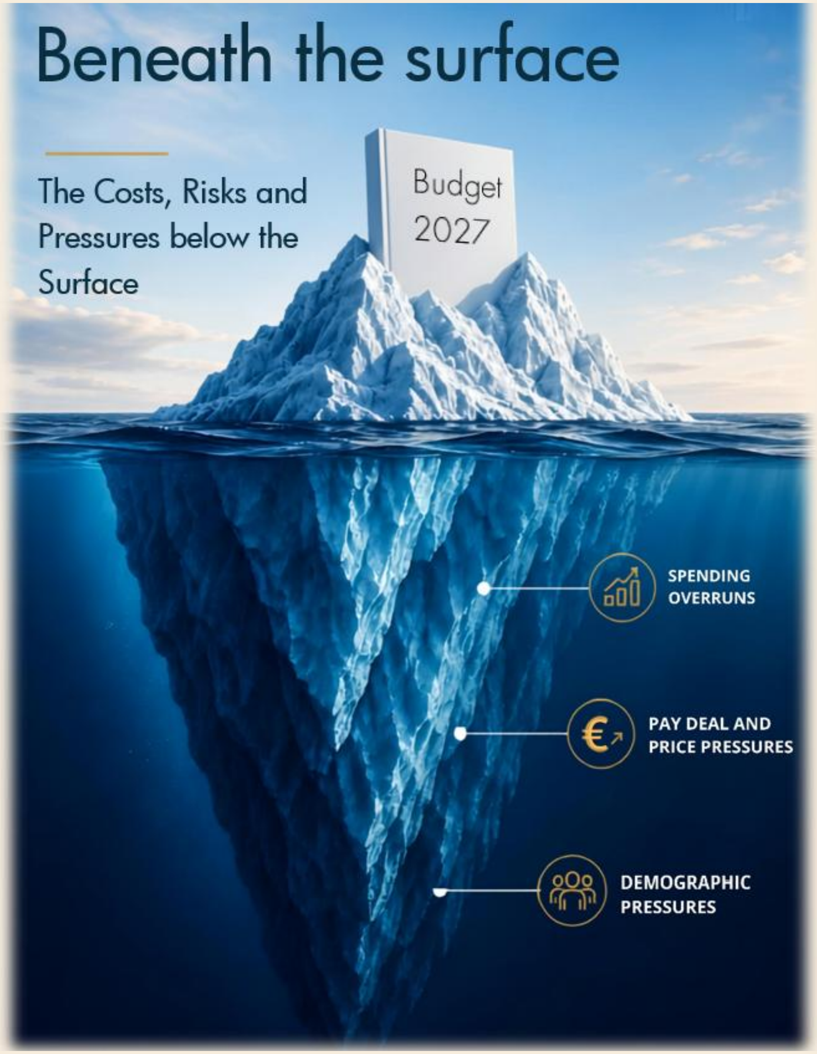
Pre-Budget Statement

August 2026



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

The Irish economy is performing strongly and does not need support from Budget 2027.

The actual budget package is likely to be much larger than what is announced on budget day. Spending overruns have been routine over the last decade, averaging more than €2 billion a year in today's terms.

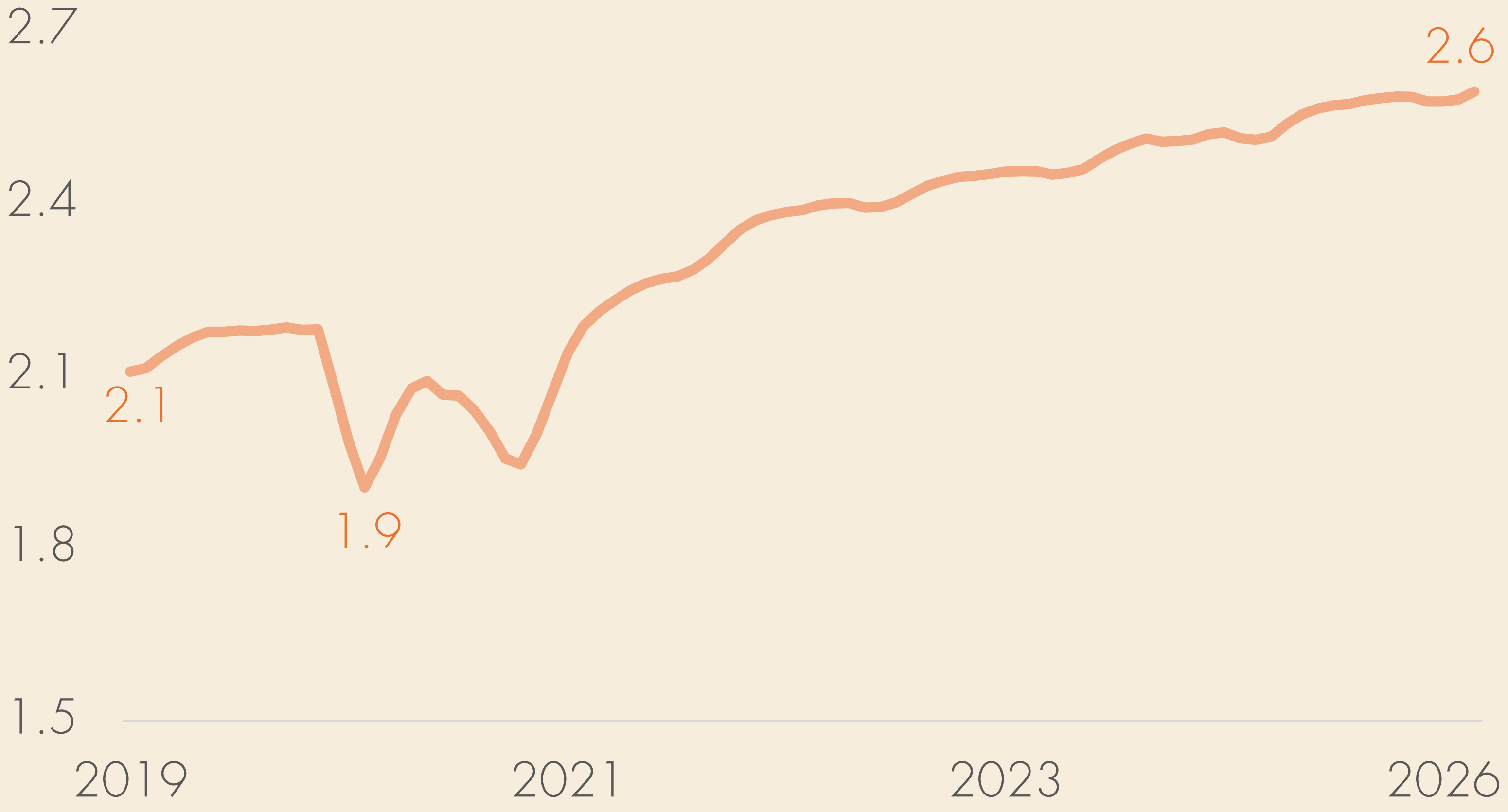
The Government faces significant spending pressures in 2027 before any new policy measures are introduced. These could amount to €8 billion.

There is no suitable guide for budget policy at present. Ireland needs its own domestic budgetary rule, rather than relying on EU rules.

The economy is still performing well

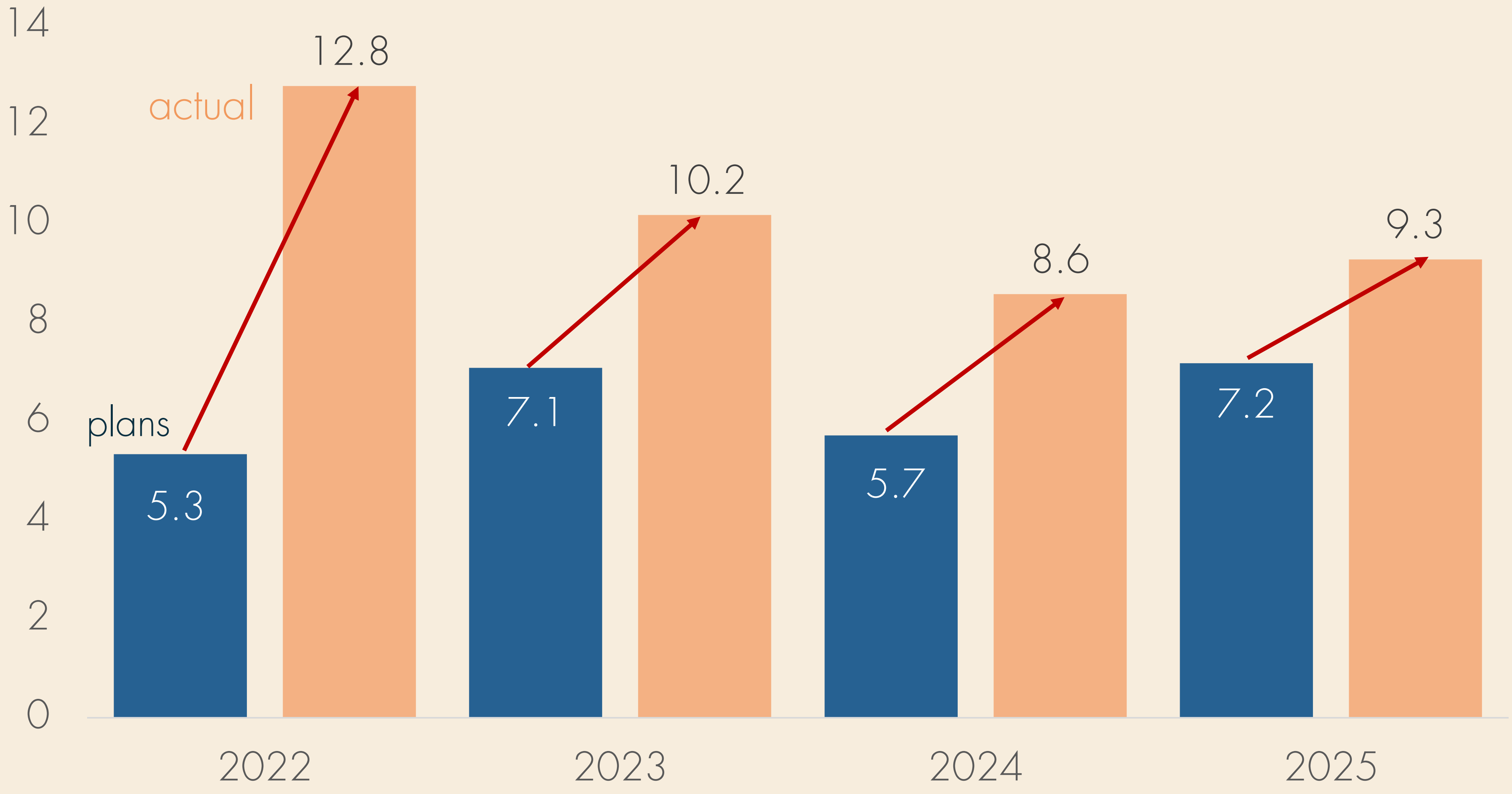
Employment continues to grow

Employees, millions, three-month moving average



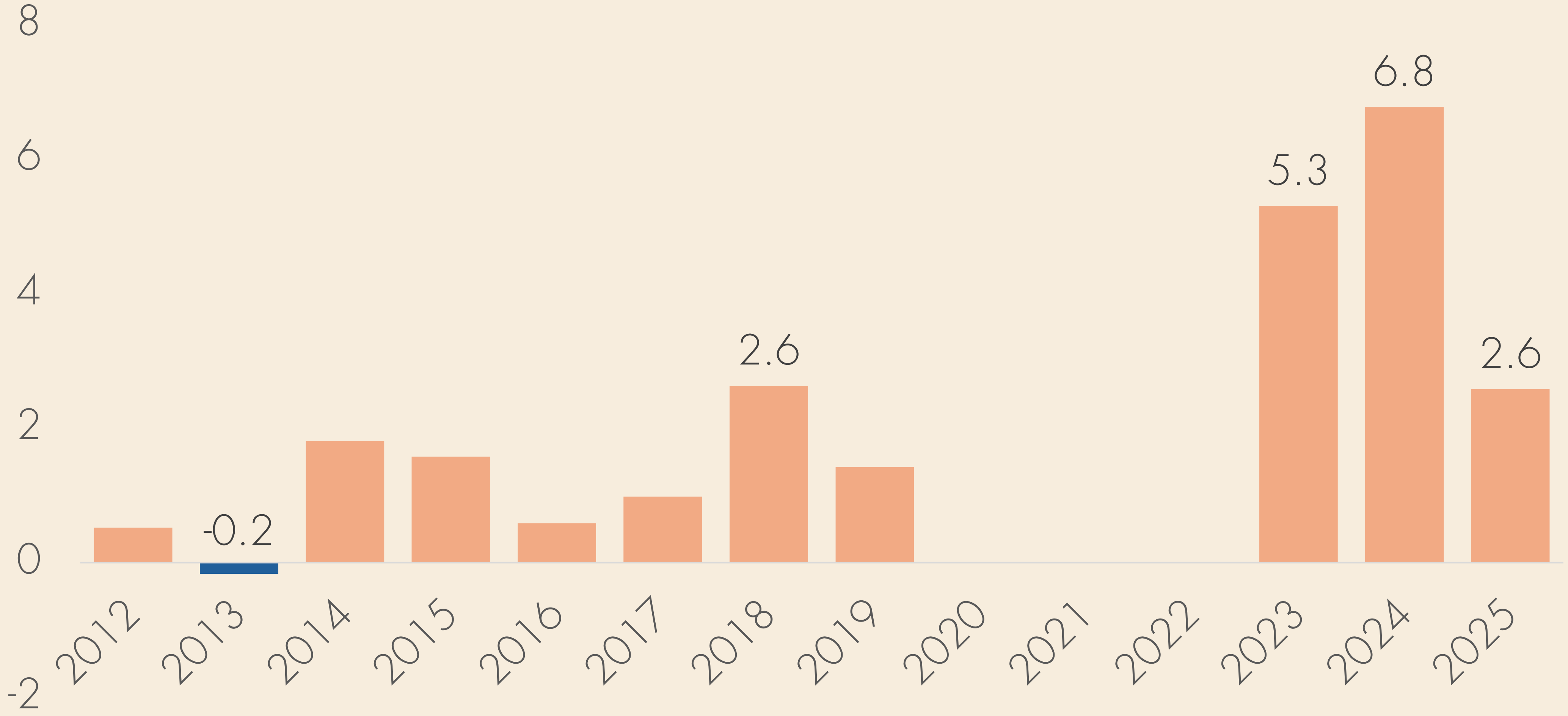
Spending has grown at a much faster pace than planned

Planned and actual growth of net spending, per cent

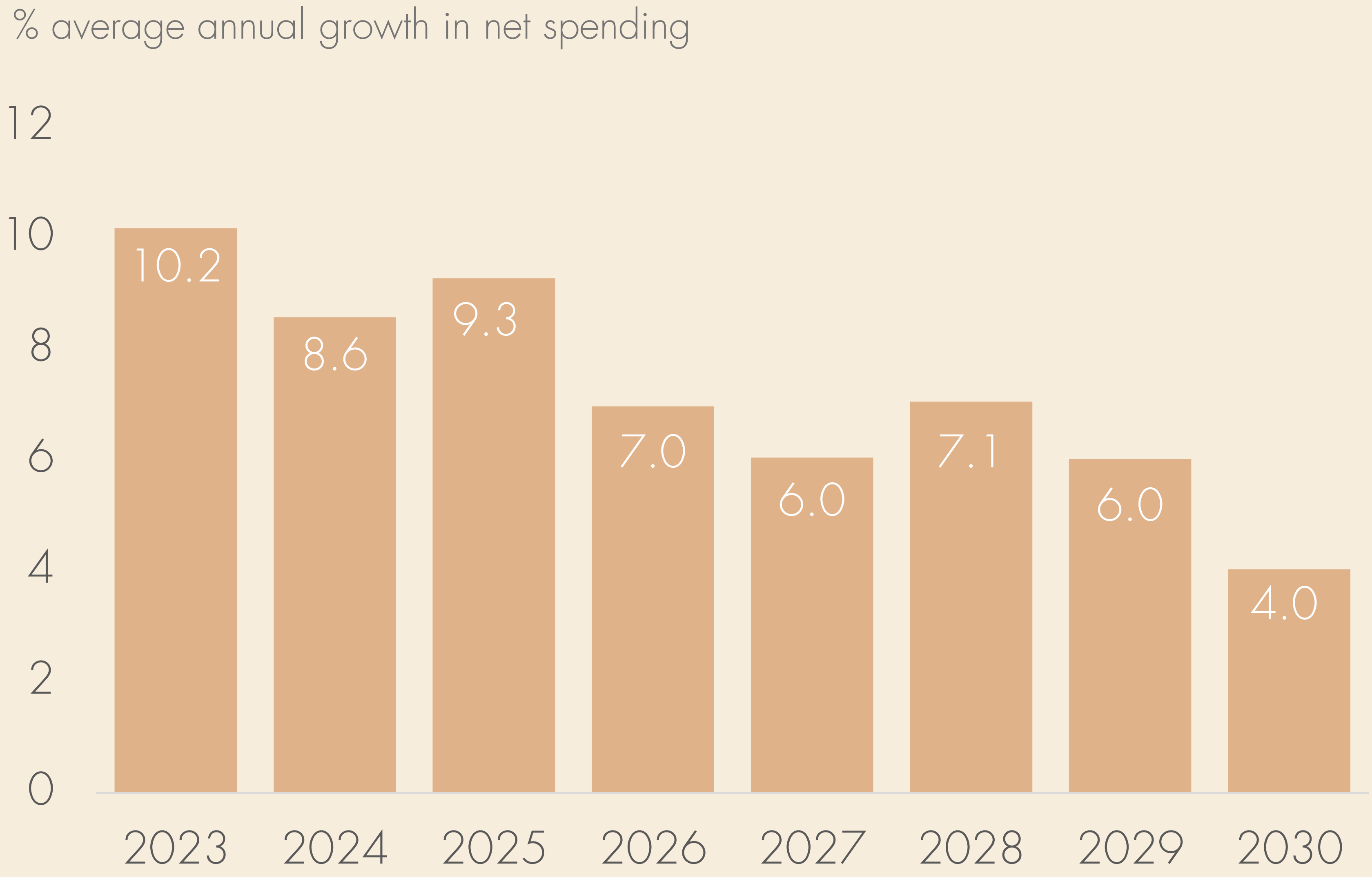


Spending overruns have been commonplace for over a decade

Current spending overruns, percentage of initial budget

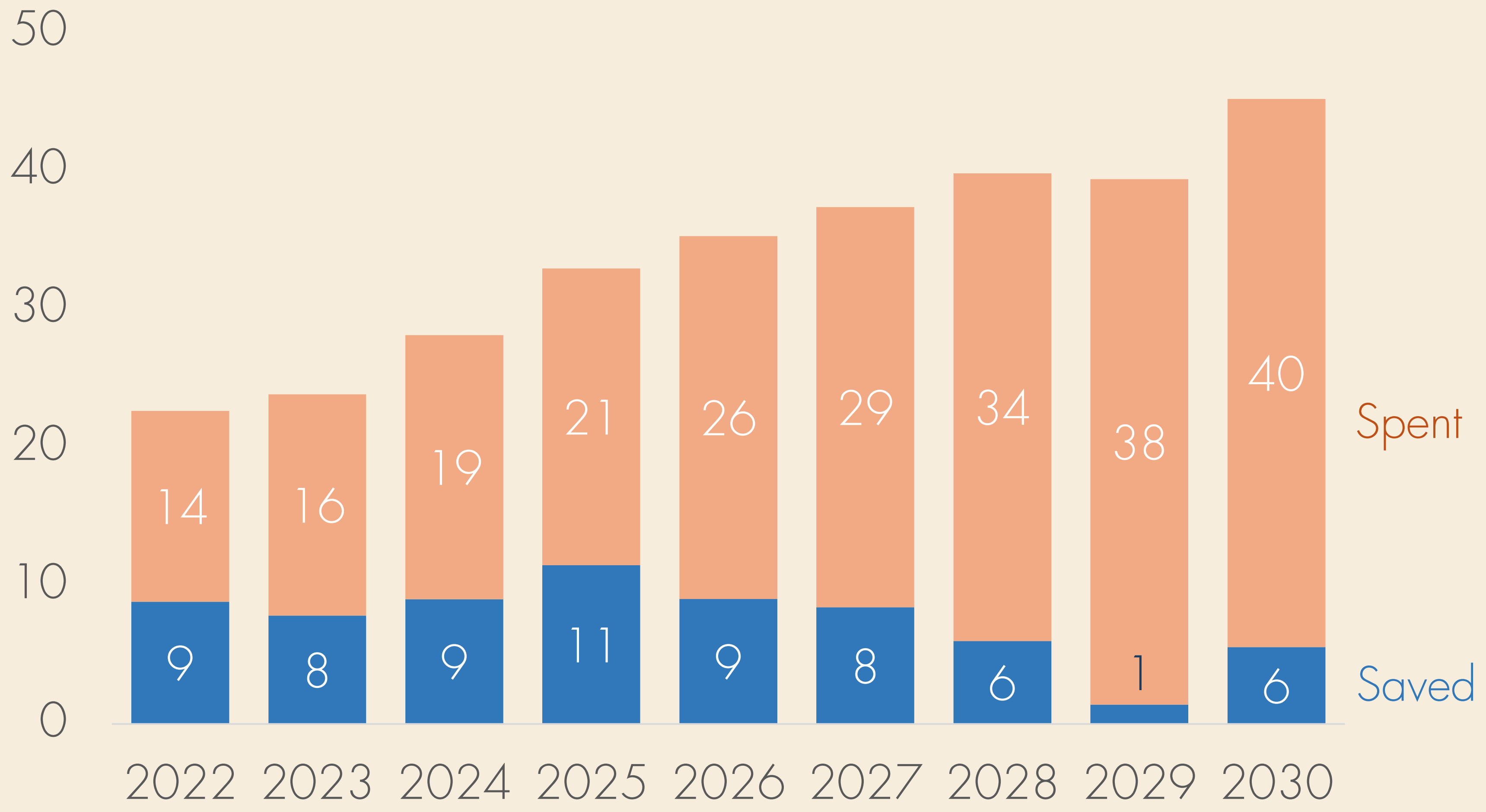


Net spending set to grow at a fast pace



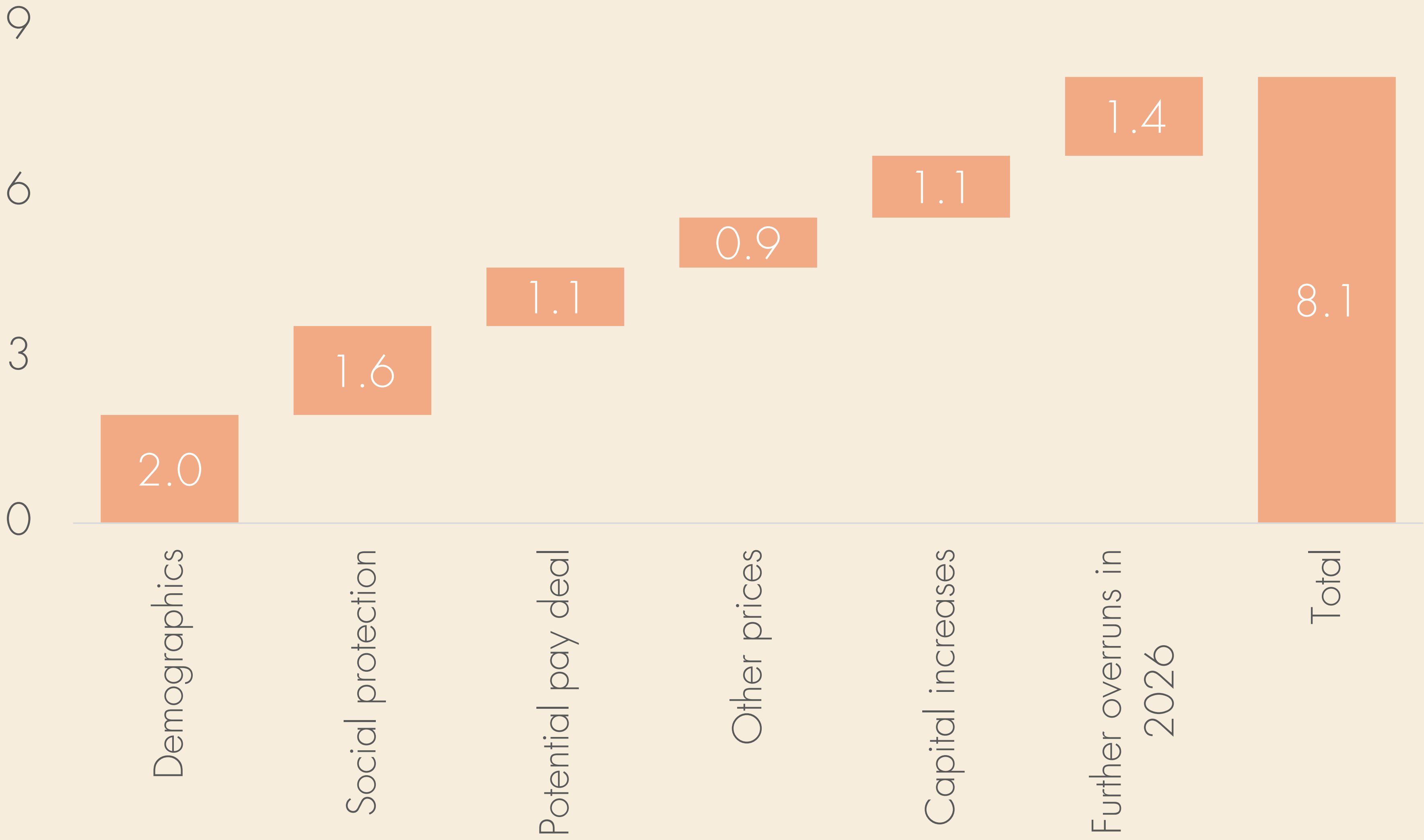
For every €8 in corporation tax collected, €7 will be spent, €1 saved

€ billions, corporation tax receipts used for spending and those saved



Significant costs could arise next year

Government spending pressures in 2027, € billions



A domestic fiscal rule is needed

- The Government's medium-term plan is not appropriate.
- Enforcement from EU is unlikely due to deficit and debt appearing healthy.
- Focus on GDP and not reflecting risks from corporation tax.

Our advice

1. Limit net spending growth to the sustainable growth rate of the economy.

2. Set realistic spending ceilings for next year and beyond.

3. Introduce a domestic fiscal rule to guide budgetary policy.

4. Run larger surpluses and save a greater share of corporation tax receipts.

5. Continue to make planned contributions to the savings funds.