NERI Briefing Note, 13 November 2026

Inflation Projections: Implications for the Real Value of the Public Pay Deal,

The 33-month public sector pay deal is worth a minimum of 11.27% in nominal terms for workers with significantly larger gains for lower paid workers (see Appendix).

The more recent institutional projections for inflation[1][2][3] are shown in Table 1. The range of forecasts for 2027 (spanning HICP, CPI and PCE and therefore measuring slightly different things) is 2.8% to 3.3% with an average of close to 3.1%. The range for 2028 is 2.0% to 2.5% with an average of 2.2%. 2029 is beyond most forecast horizons but we can anchor it at or close to the ECB's medium-term target of close to 2%.

Table 1: Recent Inflation Forecasts

	2026	2027	2028	2029
Central Bank[4] (HICP)	**3.4%**	**3.1%**	**2.0%**	
ESRI (CPI)[5]	**3.6%**	**3.3%**		
Dept. Finance (HICP)[6]	**3.3%**	**3.0%**	**2.1%**	**2.0%**
Dept. Finance (Personal Consumption Deflator)	**3.6%**	**3.3%**	**2.5%**	**2.4%**
Bank of Ireland (CPI)[7]	**3.5%**	**3.2%**		
AIB (HICP)[8]	**3.5%**	**3.1%**	**2.0%**	
IMF (HICP)[9]	**3.4%**	**2.8%**		
NERI (CPI)[10]	**3.6%**	**3.2%**	**2.2%**	
NERI (HICP)	**3.5%**	**3.2%**		

The time period of interest spans 33 months (June 2026 to March 2029). We know that the Consumer Price Index (CPI) was 4.3% in October and that the Harmonised

[1] The most recent **European Commission** inflation forecast for Ireland was in May and it projected 3.5% HICP in 2026 and 2.6% HICP in 2027. Updated projections will be available on the 17th of November.
[2] **IBEC**'s Quarterly Economic Outlook in July projected inflation of 3.5% in 2026 and 2.4% in 2027.
[3] The **OECD**'s June forecasts for HICP inflation were 3.5% in 2026 and 2.5% in 2027.
[4] 16 September, Quarterly Bulletin No. 3
[5] 29 September, Quarterly Economic Commentary
[6] 6 October, Economic and Fiscal Outlook
[7] September, Bank of Ireland Economic Forecasts
[8] October, Irish Economic Outlook
[9] October, World Economic Outlook, The IMF projects inflation at 2.0% in 2031
[10] 13 November, Internal Forecasts

Index of Consumer Prices (HICP) was 4.2%. If these rates remain unchanged in November and December then the CPI will average 3.6% in 2026 while the HICP will average 3.5% in 2026.

We already have information for the first 4 months of the deal. Inflation thus far from end-June 2026 to end-October 2026 has been 1.7% for both the CPI and the HICP. To project for future years, we can consider a baseline disinflation scenario and a slower disinflation scenario. While more extreme scenarios for inflation[11] are possible it can be noted that major downside and upside inflation scenarios are effectively covered by the break clause.

Baseline disinflation[12] scenario (7.2% cumulative inflation):

- CPI inflation at 4.3% annually in October 2026;
- Declines to 3.5% as of March 2027;
- Declines to 2.2% as of March 2028 and
- Declines to 2.0% as of March 2029 = circa 7.2% inflation

Slower disinflation scenario (8% cumulative inflation):

- CPI inflation at 4.3% annually in October 2026;
- Declines to 4% as of March 2027;
- Declines to 2.5% as of March 2028 and
- Declines to 2.0% as of March 2029

Next, we can compare the cumulative nominal wage increase for the 33 months to the cumulative inflation in our 2 scenarios. All workers gain a minimum of 11.27% over the 33 months. This converts into projected real wage growth of 3.8% under the baseline scenario and 3% under the slower disinflation scenario. In each scenario the annual improvement in real wages will exceed 1%.

[11] A rapid decline in inflation is only likely in the event of a significant negative shock to demand sufficient to cause a recession

[12] Disinflation refers to a slower growth in the level of price increases. It is distinct from deflation which refers to an actual decline in prices.

Table 2: Projected Basic Salary (nominal) under the Public Service Agreement 2026-2029, by pre-deal gross pay

Gross pay pre-increments	2026	2027			2028			2029		Whole pay deal		
	2% or €1200	1%	1% or €600	1.5%or €900	1.0%	1% or €600	1%	1% Local Bargaining*	1.25% or €750	Gross pay at end of agreement	Gross pay increase	% increase
€22,000	€23,200	€23,432	€24,032	€24,932	€25,181	€25,781	€26,039	€26,300	€27,050	€27,050	€5,050	22.95%
€25,000	€26,200	€26,462	€27,062	€27,962	€28,242	€28,842	€29,130	€29,421	€30,171	€30,171	€5,171	20.69%
€30,000	€31,200	€31,512	€32,112	€33,012	€33,342	€33,942	€34,282	€34,624	€35,374	€35,374	€5,374	17.91%
€40,000	€41,200	€41,612	€42,212	€43,112	€43,543	€44,143	€44,585	€45,030	€45,780	€45,780	€5,780	14.45%
€50,000	€51,200	€51,712	€52,312	€53,212	€53,744	€54,344	€54,888	€55,436	€56,186	€56,186	€6,186	12.37%
€55,000	€56,200	€56,762	€57,362	€58,262	€58,845	€59,445	€60,039	€60,639	€61,397	€61,397	€6,397	11.63%
€59,000	€60,200	€60,802	€61,410	€62,331	€62,954	€63,584	€64,220	€64,862	€65,673	€65,673	€6,673	11.31%
€60,000	€61,200	€61,812	€62,430	€63,367	€64,000	€64,640	€65,287	€65,940	€66,764	€66,764	€6,764	11.27%
€70,000	€71,400	€72,114	€72,835	€73,928	€74,667	€75,414	€76,168	€76,929	€77,891	€77,891	€7,891	11.27%
€80,000	€81,600	€82,416	€83,240	€84,489	€85,334	€86,187	€87,049	€87,919	€89,018	€89,018	€9,018	11.27%
€90,000	€91,800	€92,718	€93,645	€95,050	€96,000	€96,960	€97,930	€98,909	€100,146	€100,146	€10,146	11.27%
€100,000	€102,000	€103,020	€104,050	€105,611	€106,667	€107,734	€108,811	€109,899	€111,273	€111,273	€11,273	11.27%
€110,000	€112,200	€113,322	€114,455	€116,172	€117,334	€118,507	€119,692	€120,889	€122,400	€122,400	€12,400	11.27%
€120,000	€122,400	€123,624	€124,860	€126,733	€128,000	€129,280	€130,573	€131,879	€133,528	€133,528	€13,528	11.27%
€125,000	€127,500	€128,775	€130,063	€132,014	€133,334	€134,667	€136,014	€137,374	€139,091	€139,091	€14,091	11.27%
€130,000	€132,600	€133,926	€135,265	€137,294	€138,667	€140,054	€141,454	€142,869	€144,655	€144,655	€14,655	11.27%
€140,000	€142,800	€144,228	€145,670	€147,855	€149,334	€150,827	€152,335	€153,859	€155,782	€155,782	€15,782	11.27%
€150,000	€153,000	€154,530	€156,075	€158,416	€160,001	€161,601	€163,217	€164,849	€166,909	€166,909	€16,909	11.27%

Note: 2029 Local bargaining values assume 1% pay is achieved for all assessed pay levels. The agreement specifies "A payment of up to 1% of basic pay costs for Local Bargaining on 1 March 2029". These estimates reflect nominal (non-inflation adjusted) values according to increments detailed within the Public Service agreement. Values are rounded to the nearest euro. *WRC (2026) Public Service Agreement 2026 – 2029*