

Opening Statement to the Oireachtas Committee on Budgetary Oversight

'Pre-Budget Engagement'

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Thank you Cathaoirleach, and thank you members and staff of the Committee for the invitation to appear before you today. We value the opportunity to give our views on the context and priorities leading up to Budget 2027 and indeed on budgetary policy more generally.

Budgetary package

Most of the big budgetary decisions are of course already made. The [Summer Economic Statement](#) provides for a fiscal package of €8.5 billion in new measures. This will be made up of €5.9 billion in extra current (day-to-day) spending, €1.1 billion in extra capital spending, and there will be tax cuts amounting to €1.5 billion.

Much of the nominal increase in additional day-to-day spending will be absorbed by inflation, population growth and the demand cost pressures of an ageing population. A deal on public pay that adequately compensates workers will also need to be accommodated.

The mooted indexation of the income tax system will absorb most if not all of the space for tax cuts.

In practice there will be very little in desperately needed policy innovations - whether it be a 2nd tier child benefit to reduce child poverty, a roll-out of a public childcare model, or game-changer supports for the green transition. Without tax increases there will remain limited space for new major spending initiatives in the future.

We would point to the Commission on Taxation and Welfare's menu of options for raising taxes, from various capital tax reforms, to the rolling back of a range of our badly conceived and designed tax breaks.

Economic context and energy crisis

The economy has grown rapidly in recent years with economic growth set to continue into 2027. The employment rate is close to its record high and employment continues to grow.

Inflation remains high due to the energy supply shock caused by the war in the Middle East and is likely to remain elevated in the short-term. CSO analysis shows that lower income households are experiencing higher rates of inflation this year than are richer households. More than 1 in 7 households were already experiencing enforced deprivation in 2025.

Yet it is misleading to frame the cost of living pressures as being experienced universally. Many are doing very well. The savings rate is highly elevated, and deposit levels are increasing by hundreds of millions every month.

The economy has never been stronger. It clearly does not need fiscal support. Indeed, the budgetary package as set out is pro-cyclical and inflationary. A more prudent approach would be a package of 'net' spending growth that is marginally smaller than the economy's potential growth rate of 4.5 to 5%. Higher levels of gross spending can of course be funded by broadening the tax base.

Times of economic strength are precisely when we should be increasing taxes and preparing for the future with strategic foresight. This doesn't preclude us from protecting people from cost of living pressures, but it does mean we have to choose who to support and how best to do it.

We are an energy importer experiencing a negative terms-of-trade shock, and we are collectively poorer because of it. Fiscal supports to protect households from the energy crisis should therefore be understood as distributional in nature. The nature of the supports are about deciding *who* in Ireland pays the extra cost rather than avoiding the cost per se.

Indexation of the welfare and income tax systems to the higher of price or wage growth is, in our view, the most sensible 1st response to the crisis. This should be combined with generous subsidies to help lower and middle income households reduce their demand for petrol, diesel and gas. The cost of living crisis is fundamentally an inadequacy of income crisis.

As an aside, at a time when the poorest in society are enduring a cost of living crisis, it is odd to say the least that the government seems to be focusing on lining up a basket of goodies for those best off in society via

the mooted tax breaks for inheritors and savers. Surely the government has more pressing priorities.

Fiscal reforms

Overall, the public finances are in good shape in the short-term, with a healthy fiscal surplus and a manageable net debt ratio. Yet the headline figures mask severe vulnerabilities and concentration risks. Thus far, the surplus means that Ireland has been spared the recent bond market pressure faced by the United States, the United Kingdom, France and other advanced economies.

Yet Ireland has been consistently plagued by unsustainable boom-bust fiscal policies that have arguably been the greatest source of economic volatility over the last half century. Now is not the time for complacency and short-sightedness. We have recklessly developed a dangerous dependency on concentrated and potentially transitory revenues. We need a mature and honest debate about how we manage the public finances, about how we raise revenue, and about how we allocate our precious fiscal resources.

In this context, there are a number of fiscal principles that we would endorse and that we are happy to elaborate upon. These are:

- (A) **Always be countercyclical** – This means running meaningful current spending surpluses in the good times and even in the normal times.

(B) Apply a medium-term target that protects investment spending -

This is to ensure sufficient and stable resources for investment spending are protected across the economic cycle.

(C) Quarantine potentially transitory revenues –

Windfalls and transitory or cyclical revenues should not be made available for use either to fund day-to-day spending or to finance tax cuts.

(D) Start a debate –

This debate should encompass multi-annual budgeting, expenditure needs, fiscal sustainability, intergenerational fairness, and revenue composition and sufficiency.

To be economically radical and protect our budgetary sovereignty we will need to be fiscally conservative.

Fundamentally we need to embed and hardwire sustainable budgetary policy into our economic model. If we can achieve this we will strengthen our economic resilience and protect ourselves from devastating and periodic bouts of boom and bust that culminate in inevitable and painful austerity.

The world is a volatile uncertain place. We should at least ensure we have our own house in order so we can withstand the storms to come.

We are happy to take questions.