



An Roinn Airgeadais
Department of Finance

The public finances in Ireland - some key issues

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Setting the scene



- Near-term (cyclical) fiscal developments
- Assessing debt dynamics
- Fiscal vulnerabilities
- Beyond the short-term: structural fiscal developments
- Conclusion

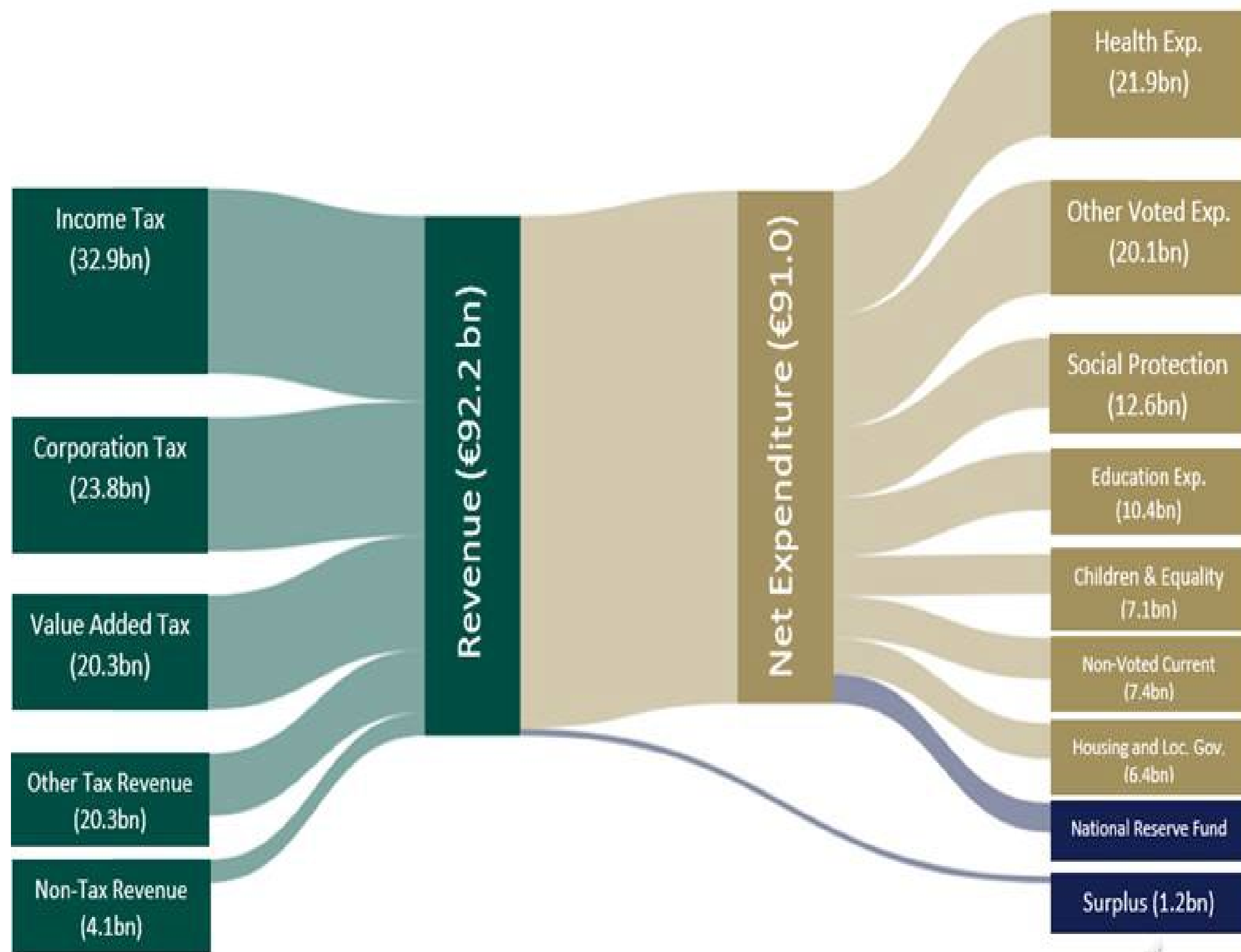


Near-term (cyclical) fiscal developments

Budgetary outturn for 2023 broadly in line with expectations

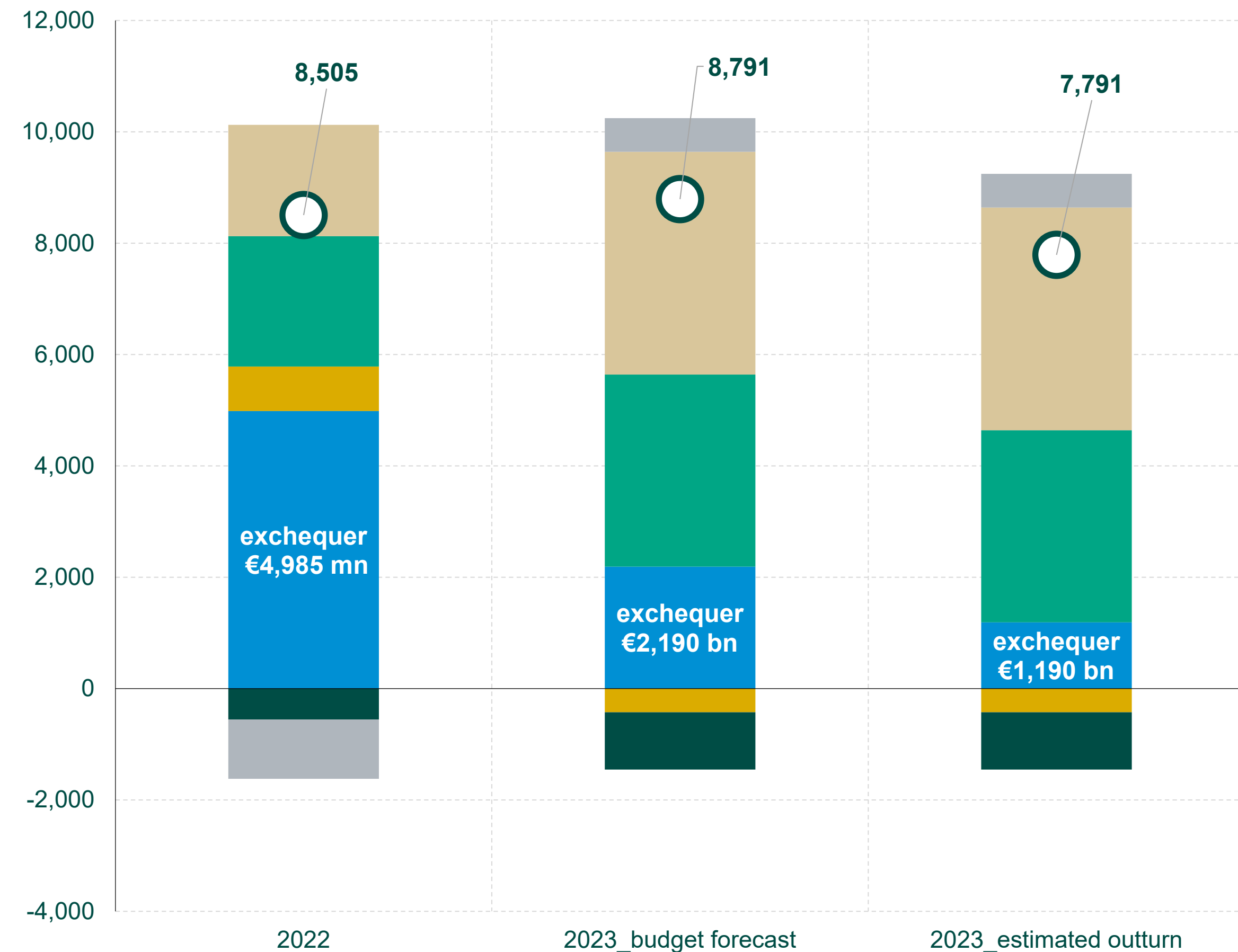


Exchequer balance, € bn



General government balance, € billion

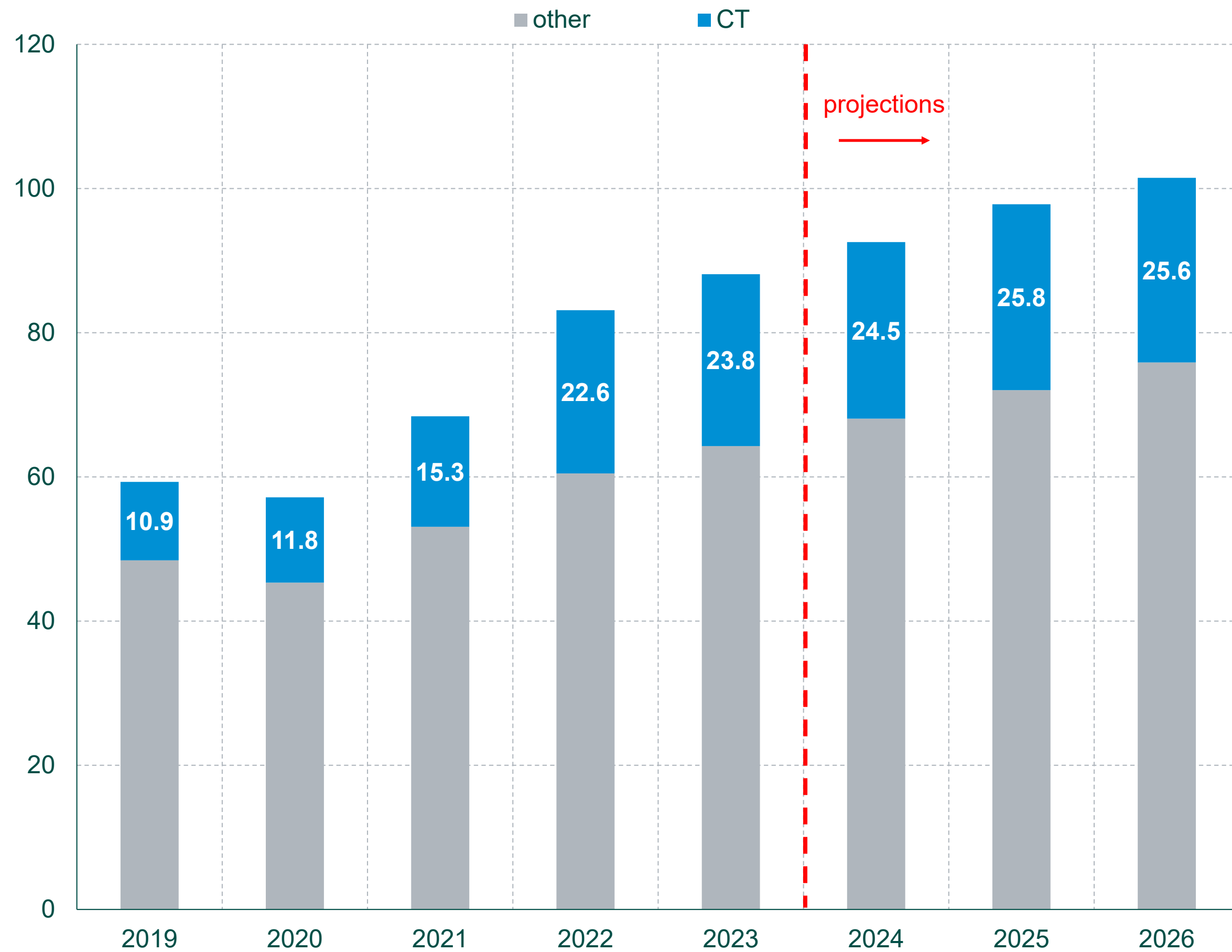
- net lending_central government
- net lending_SIF
- net lending_other
- net lending_NRF
- net lending_local government
- statistical factors



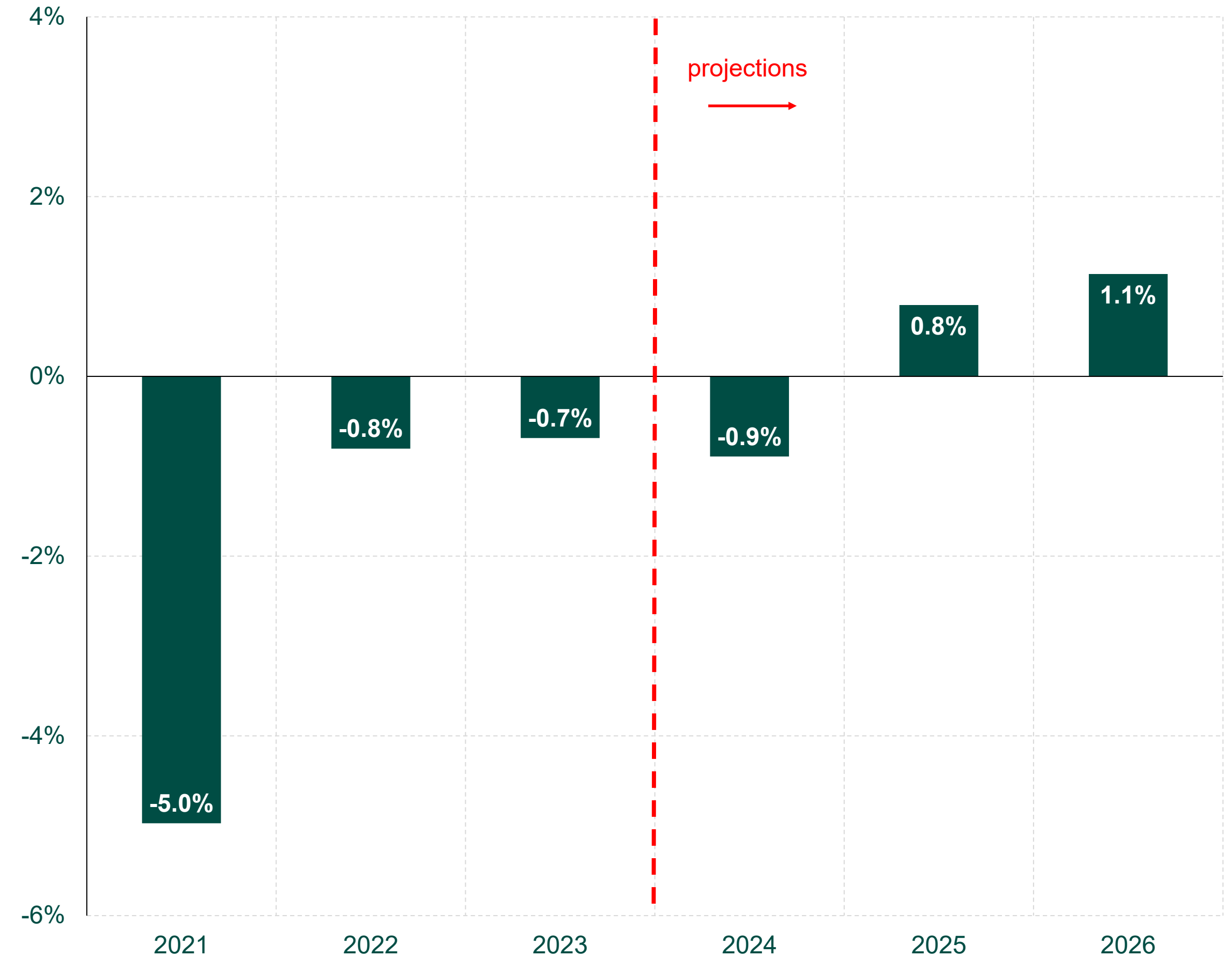
Near-term headline surpluses a function of corporate tax receipts



CT receipts have doubled since before the pandemic, € billions



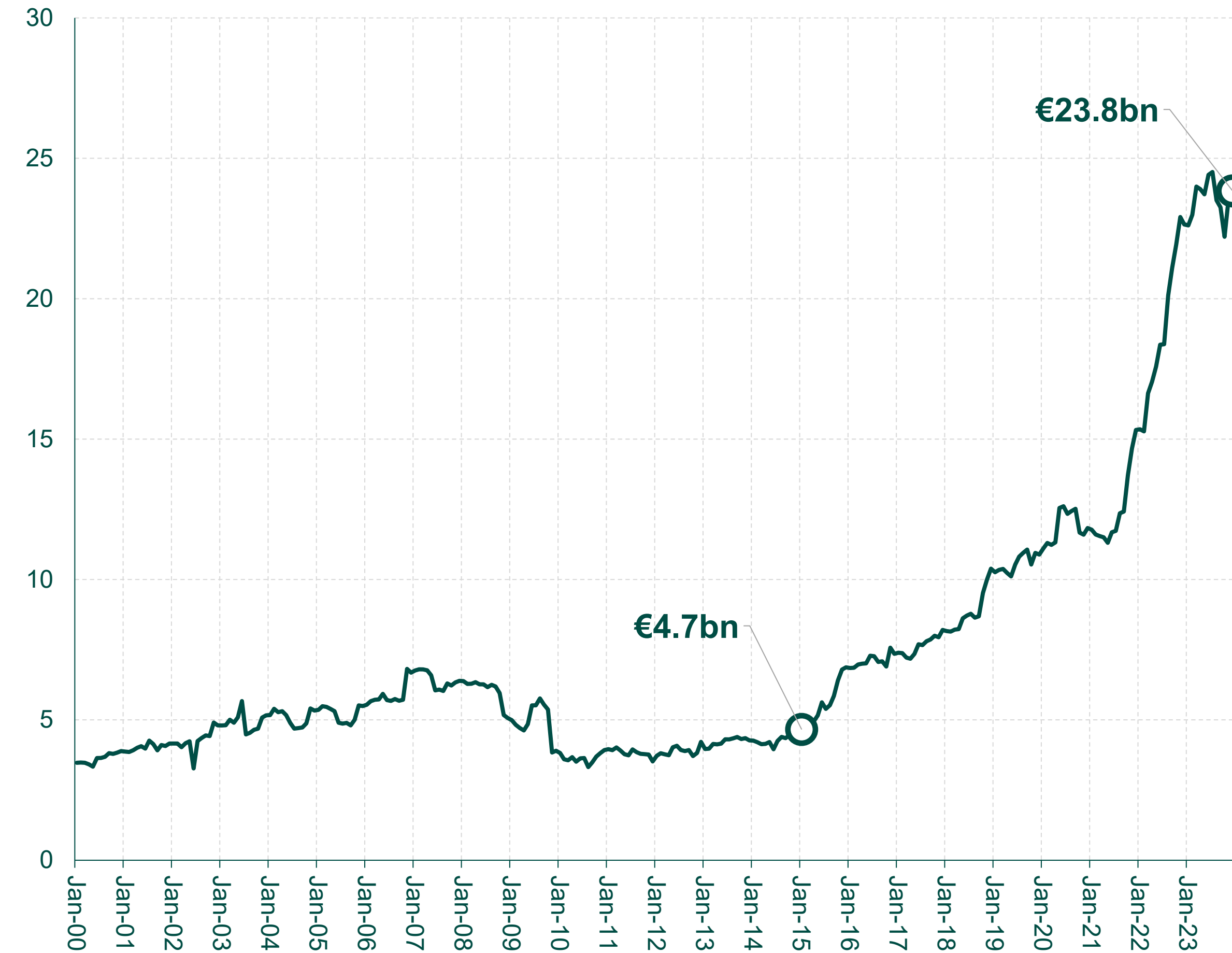
GGB* excludes 'windfall' receipts, per cent GNI*



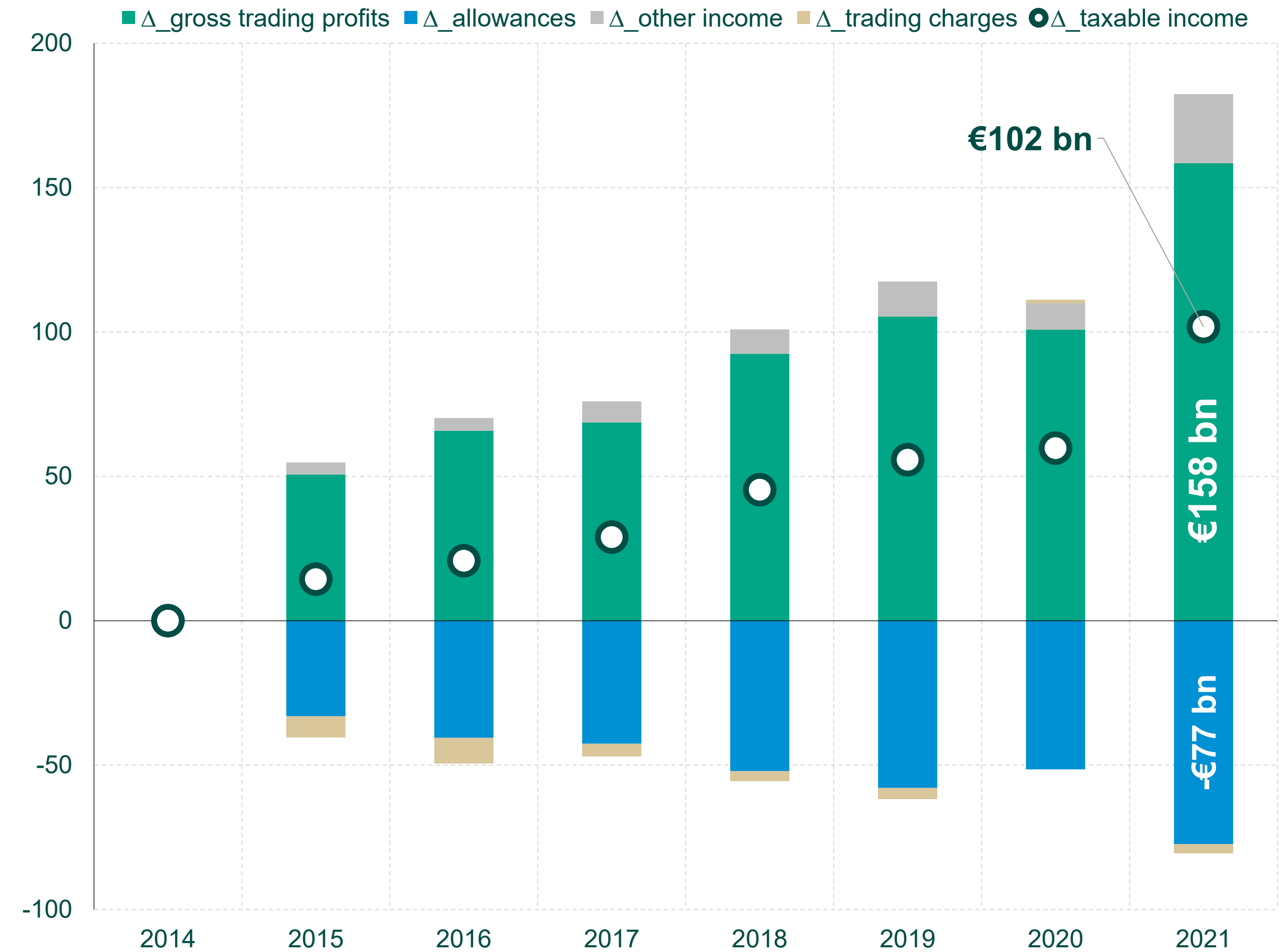
Corporate tax receipts defy gravity since 2015



c. Five-fold increase since 2015, € billions, 12-mrs



Corporate profits and taxable income: change since 2014, € billions



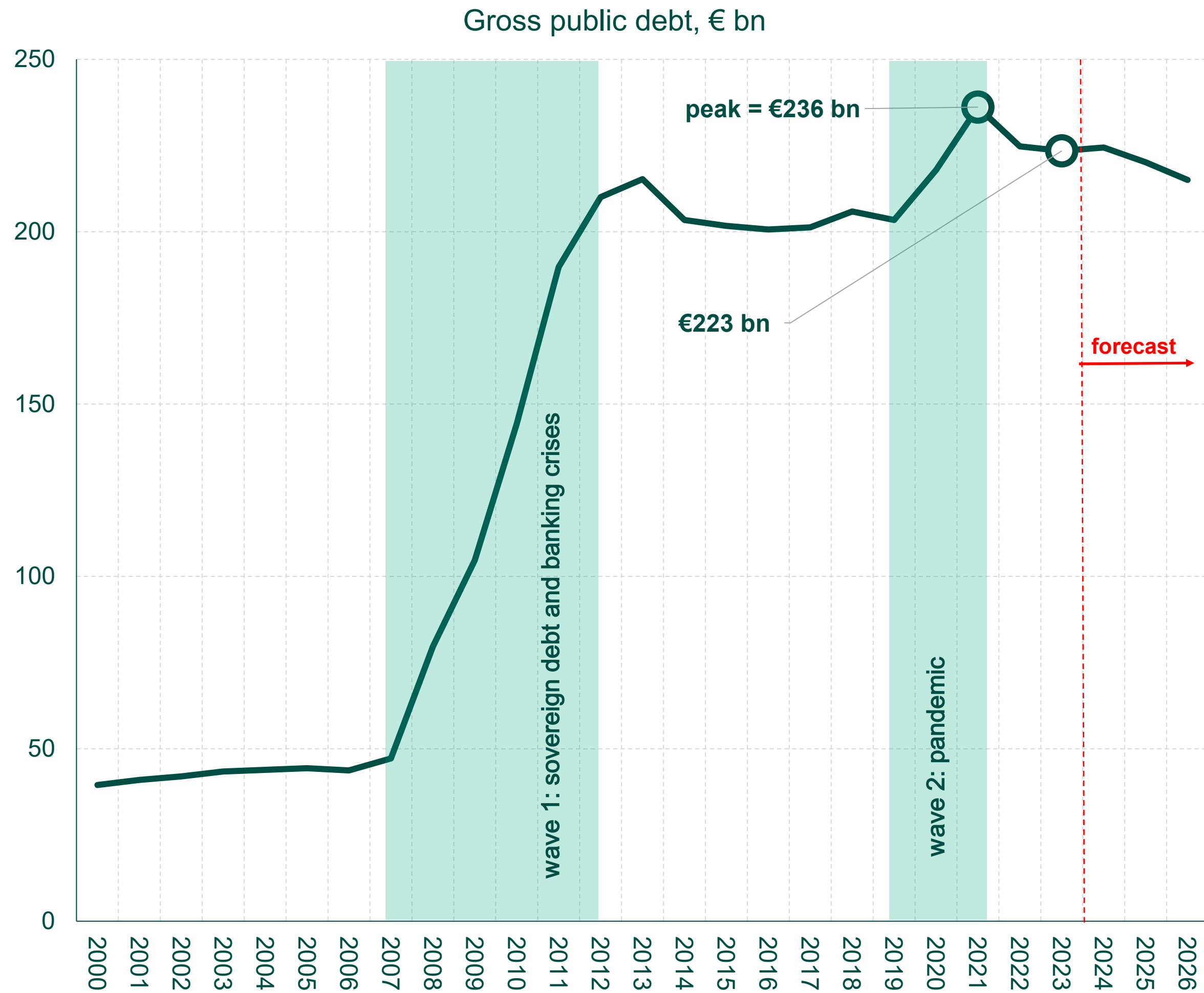


Assessing debt dynamics

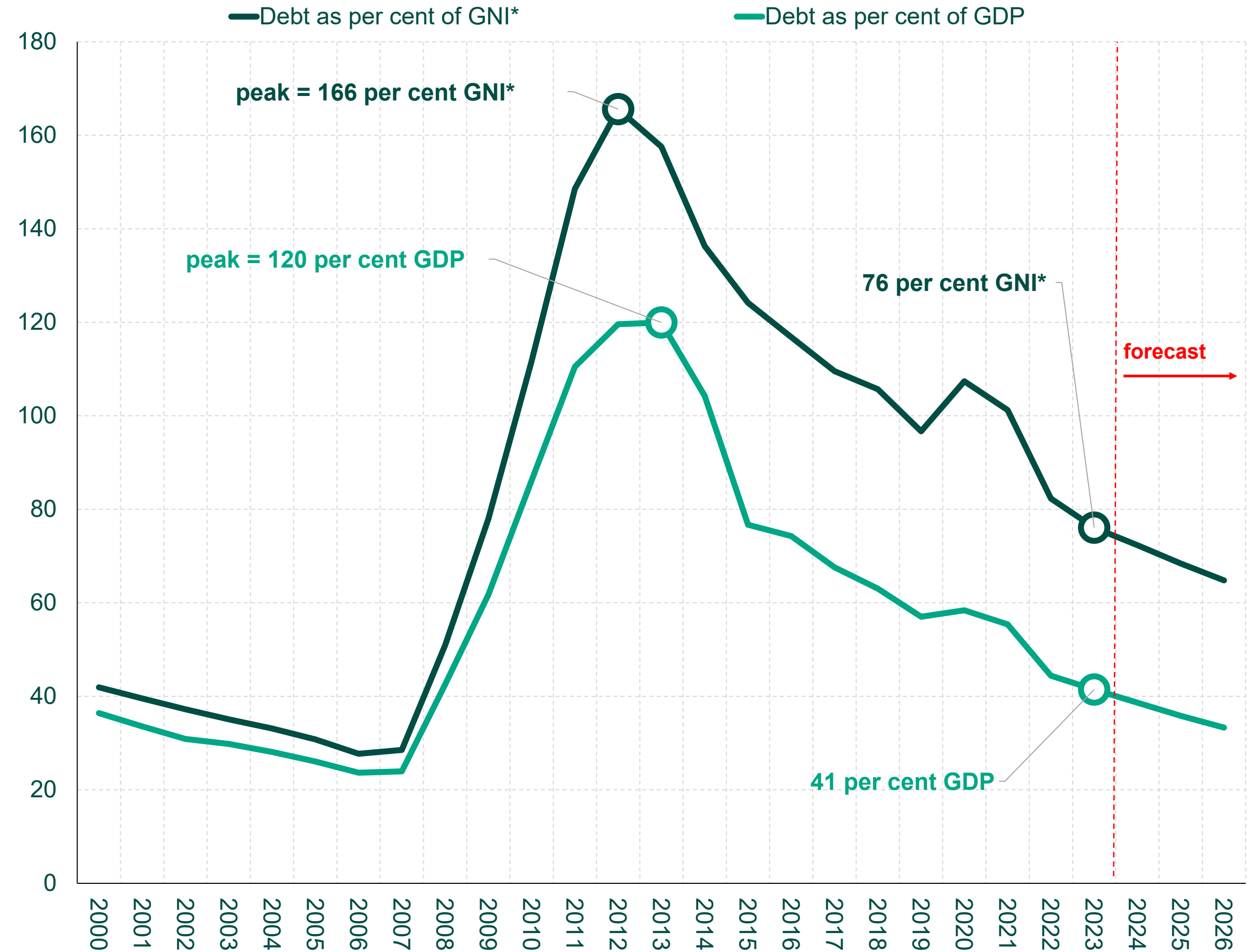
Irish public debt is relatively high



2 waves of debt accumulation in quarter of century



Debt-income ratios on downward trajectory

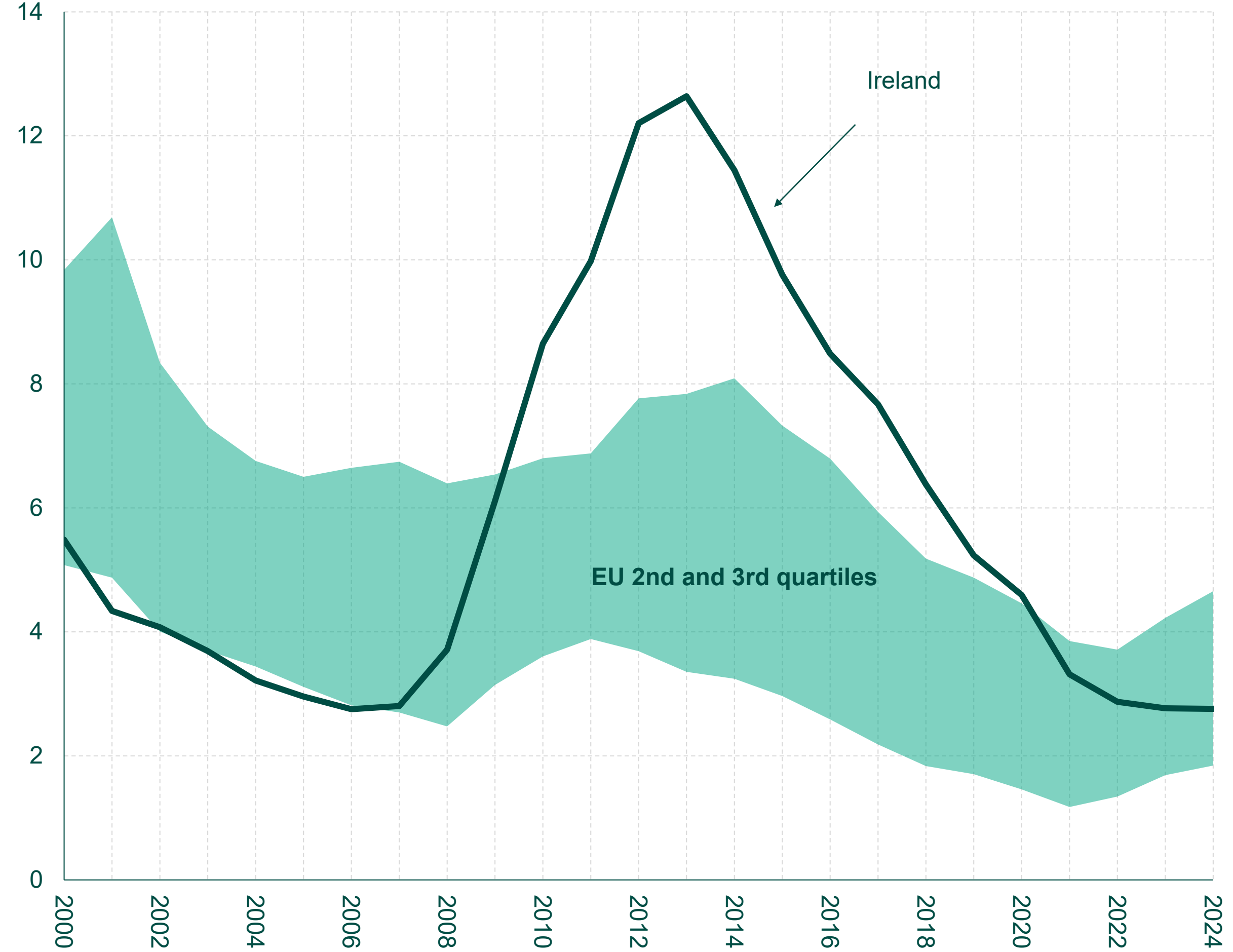
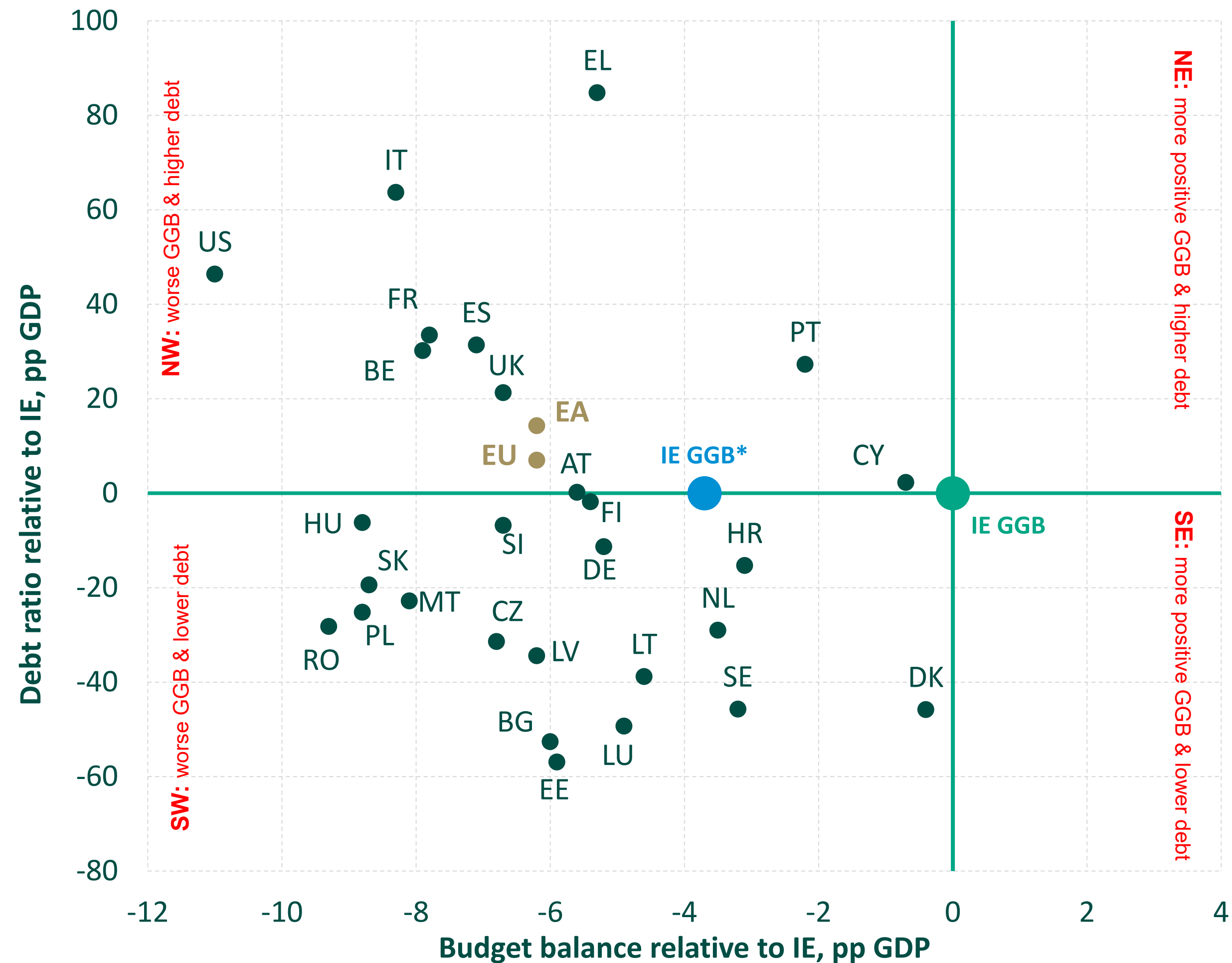


Irish public debt in an international context



‘Quadrant analysis’: Ireland’s deficit and debt vs EU / UK / US

Repayment capacity: interest as a share of revenue, per cent





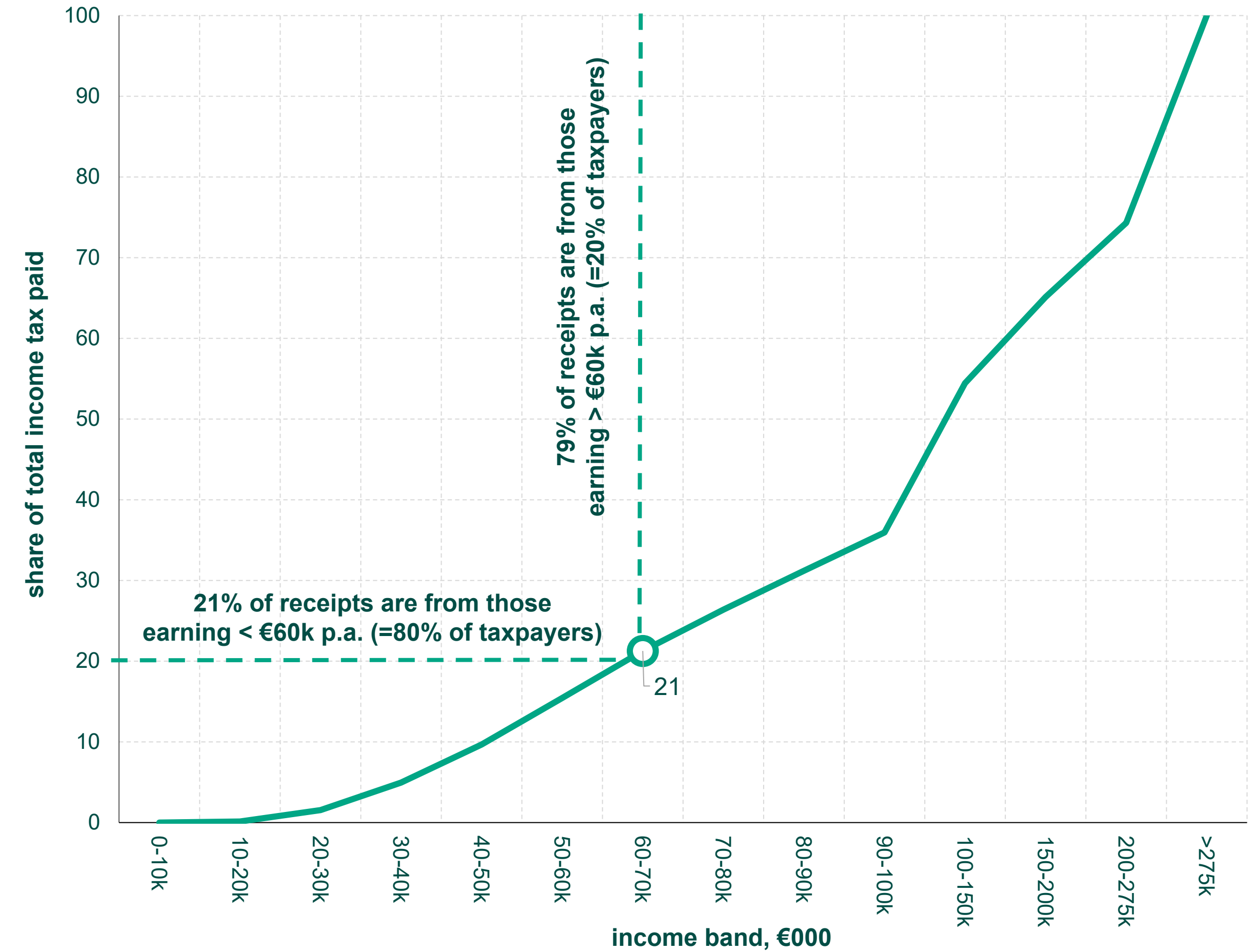
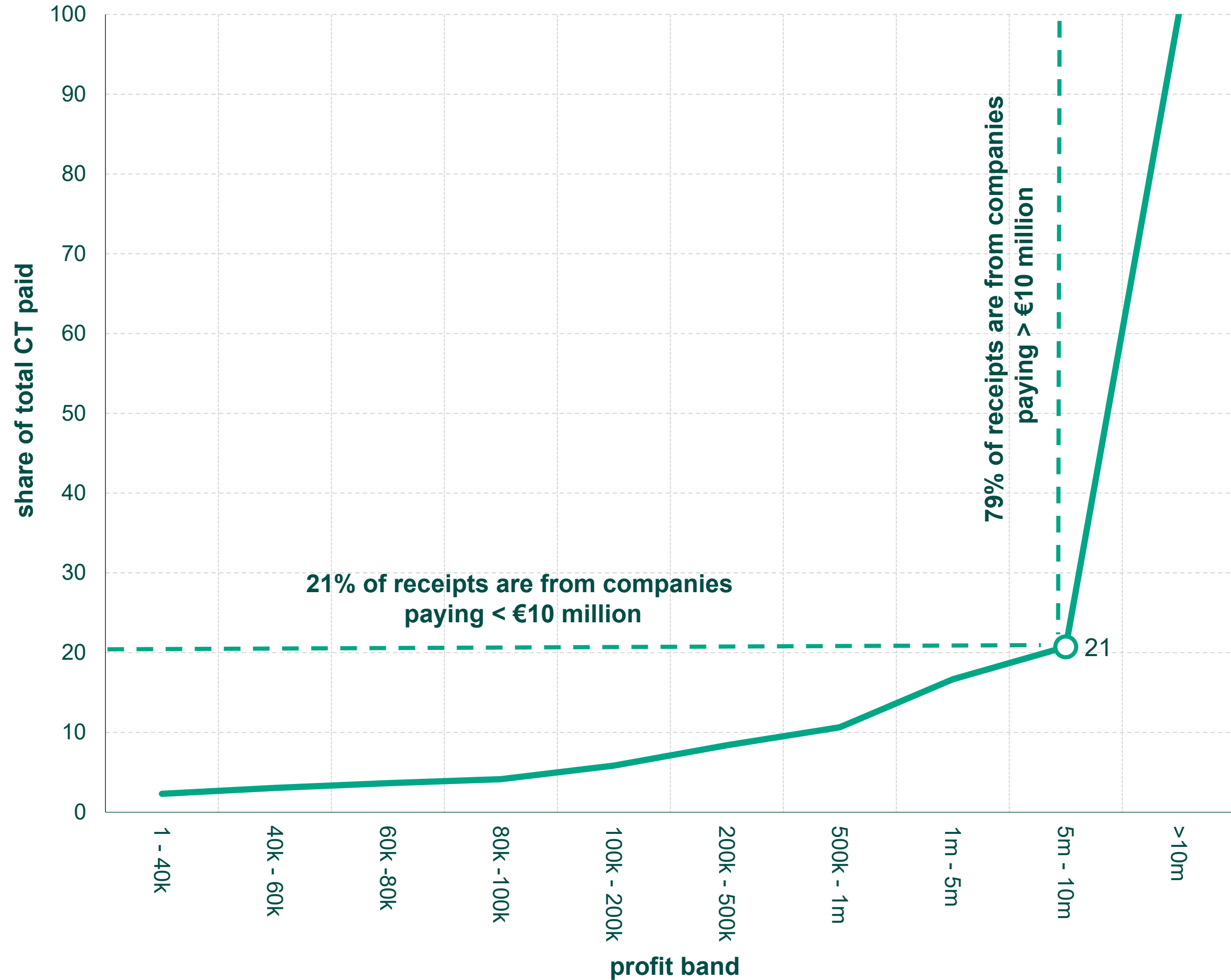
Fiscal vulnerabilities

Irish income tax (profit and labour) base is very narrow



Cumulative distribution function: corporation tax receipts

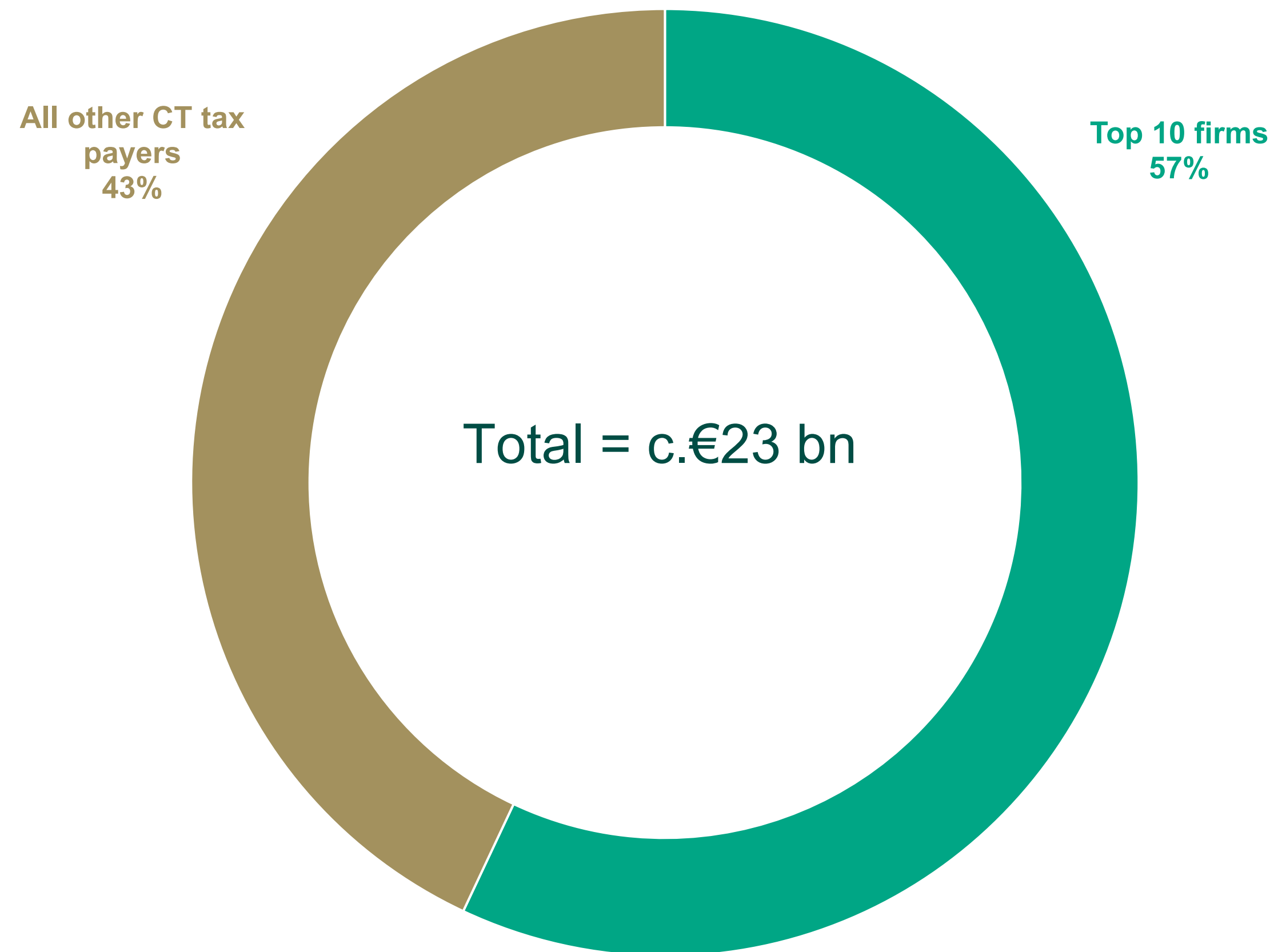
Cumulative distribution function: income tax receipts



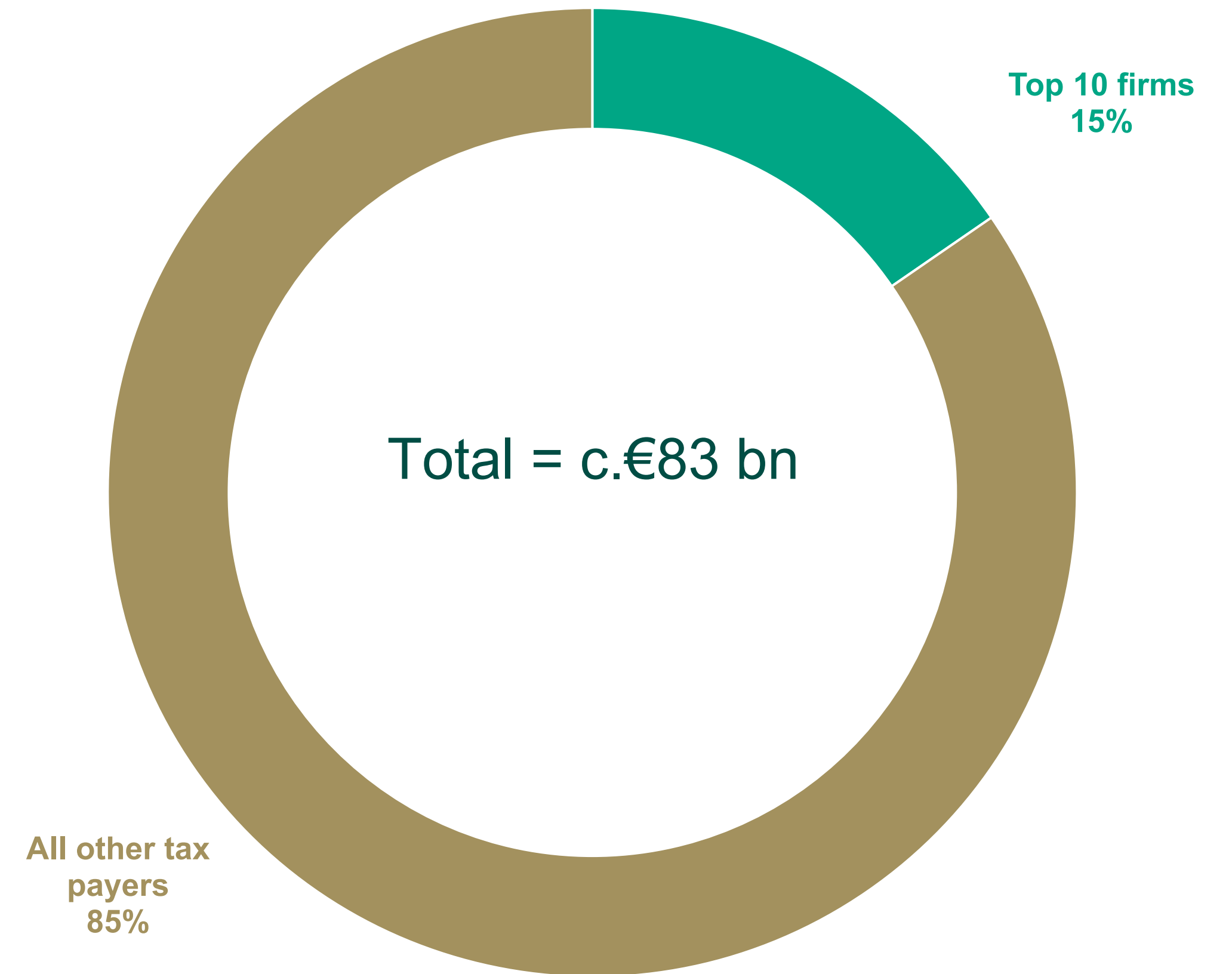
The concentration of corporation tax receipts = risk to the public finances



Largest 10 payers: share of corporation tax receipts, 2022



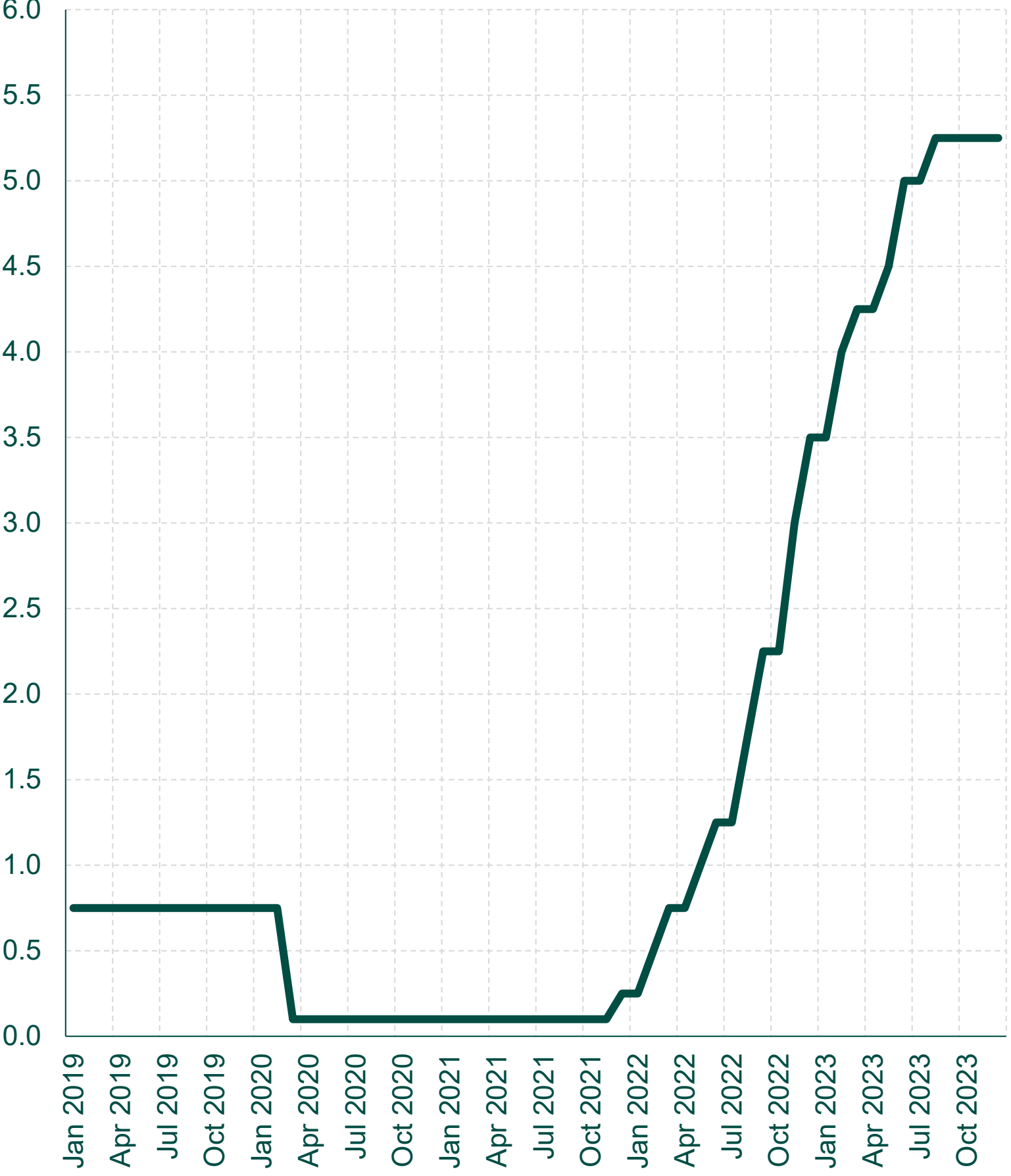
Largest 10 payers: share of total tax receipts, 2022



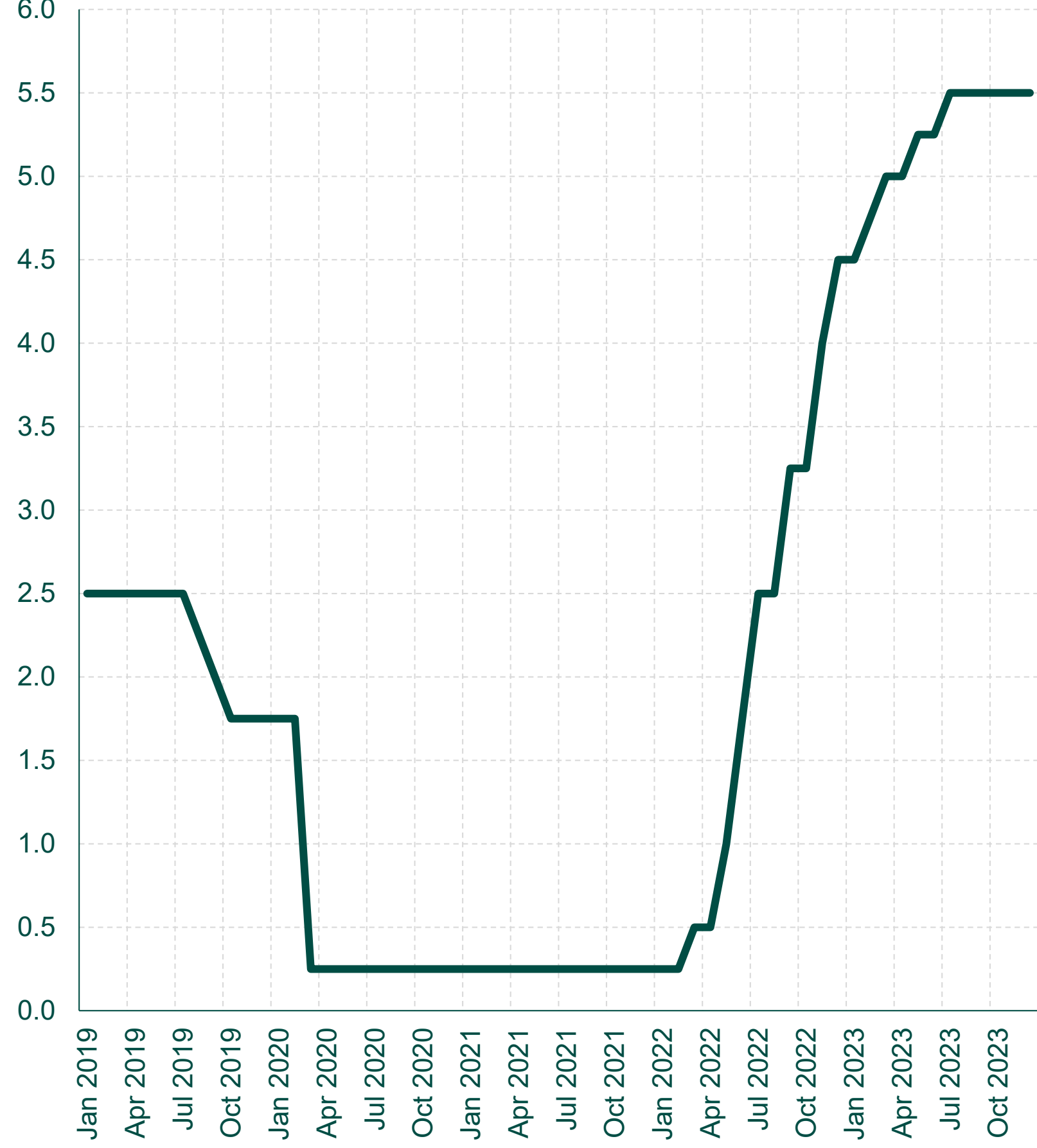
Synchronised monetary tightening – with transmission lags



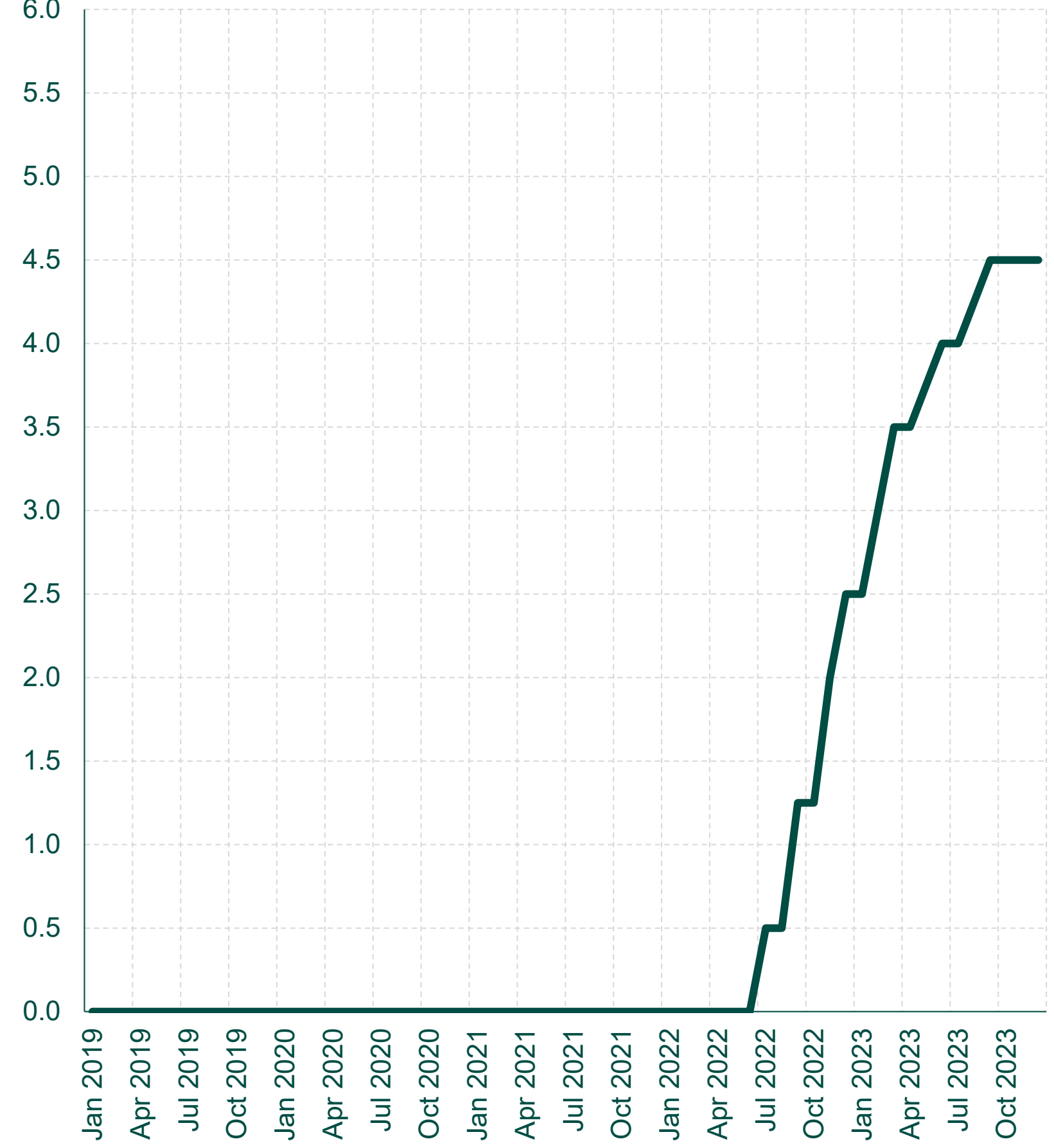
UK: policy rates +515 bps since low point



US: policy rates +525 bps since low point



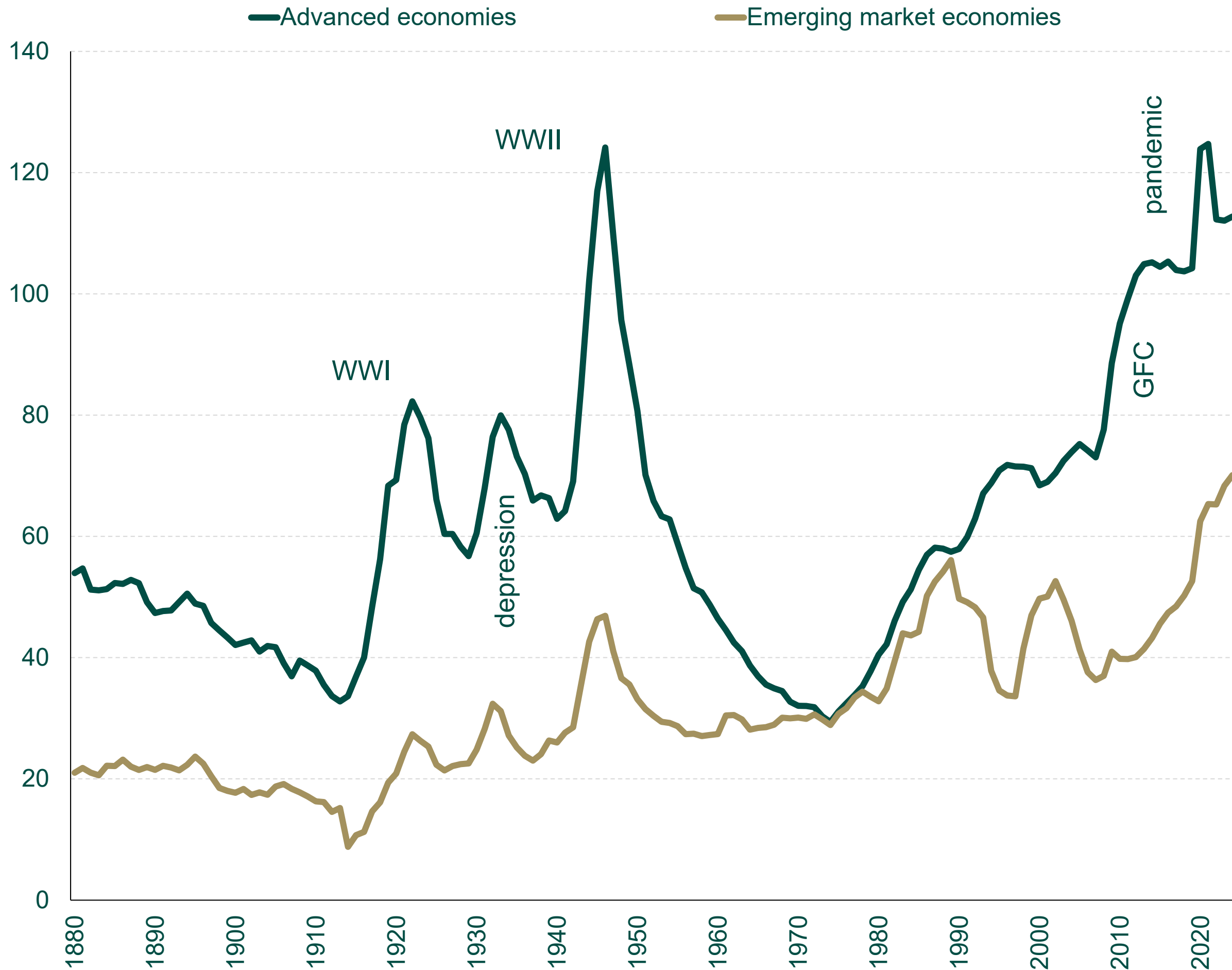
Euro area: policy rates +450 bps



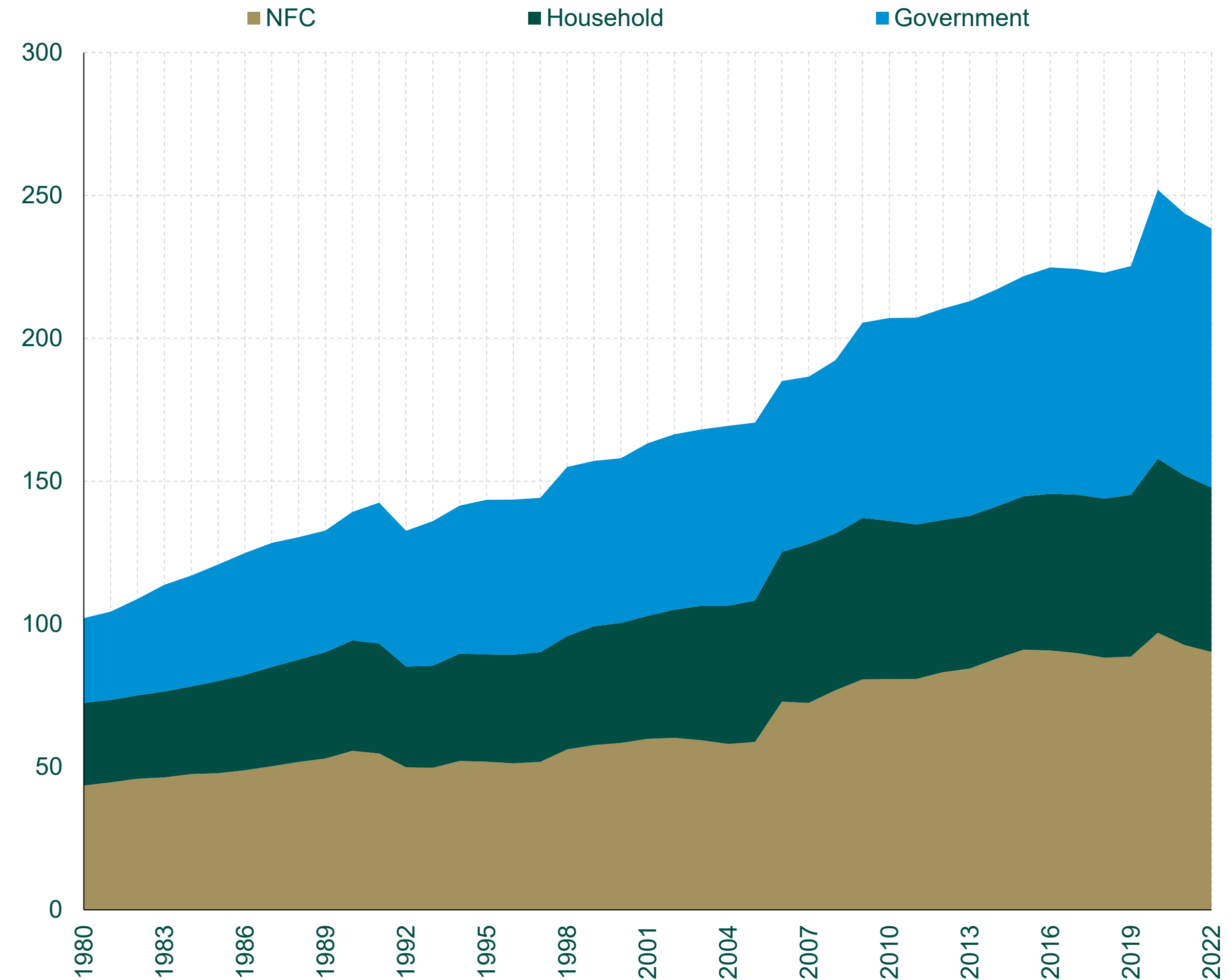
Aside: global debt position – de-stabilising debt dynamics in prospect?



A century and a half of global public debt, % GDP



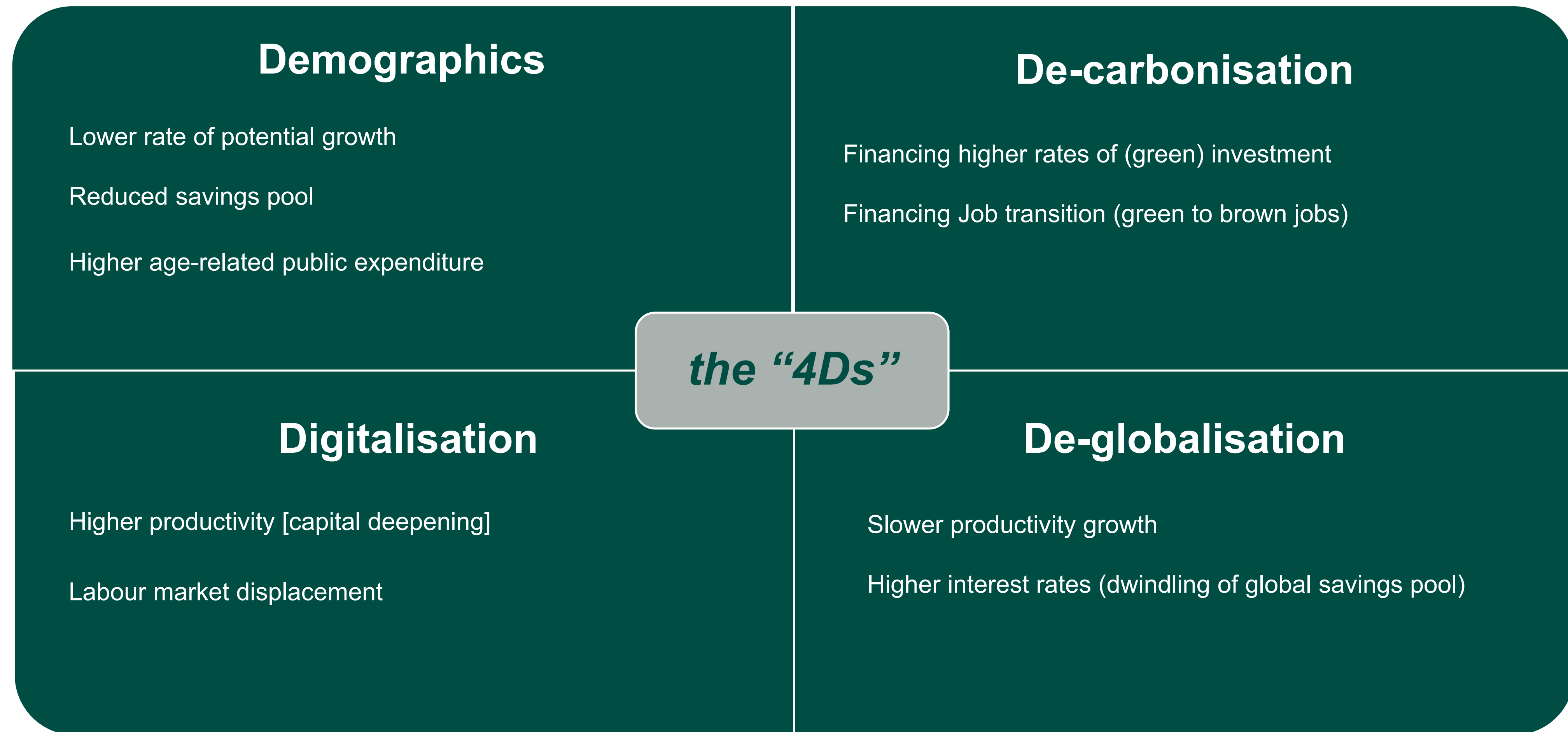
Global public and private debt, % GDP





Beyond the short-term: structural fiscal developments

Powerful structural forces to weigh on public finances in the years ahead

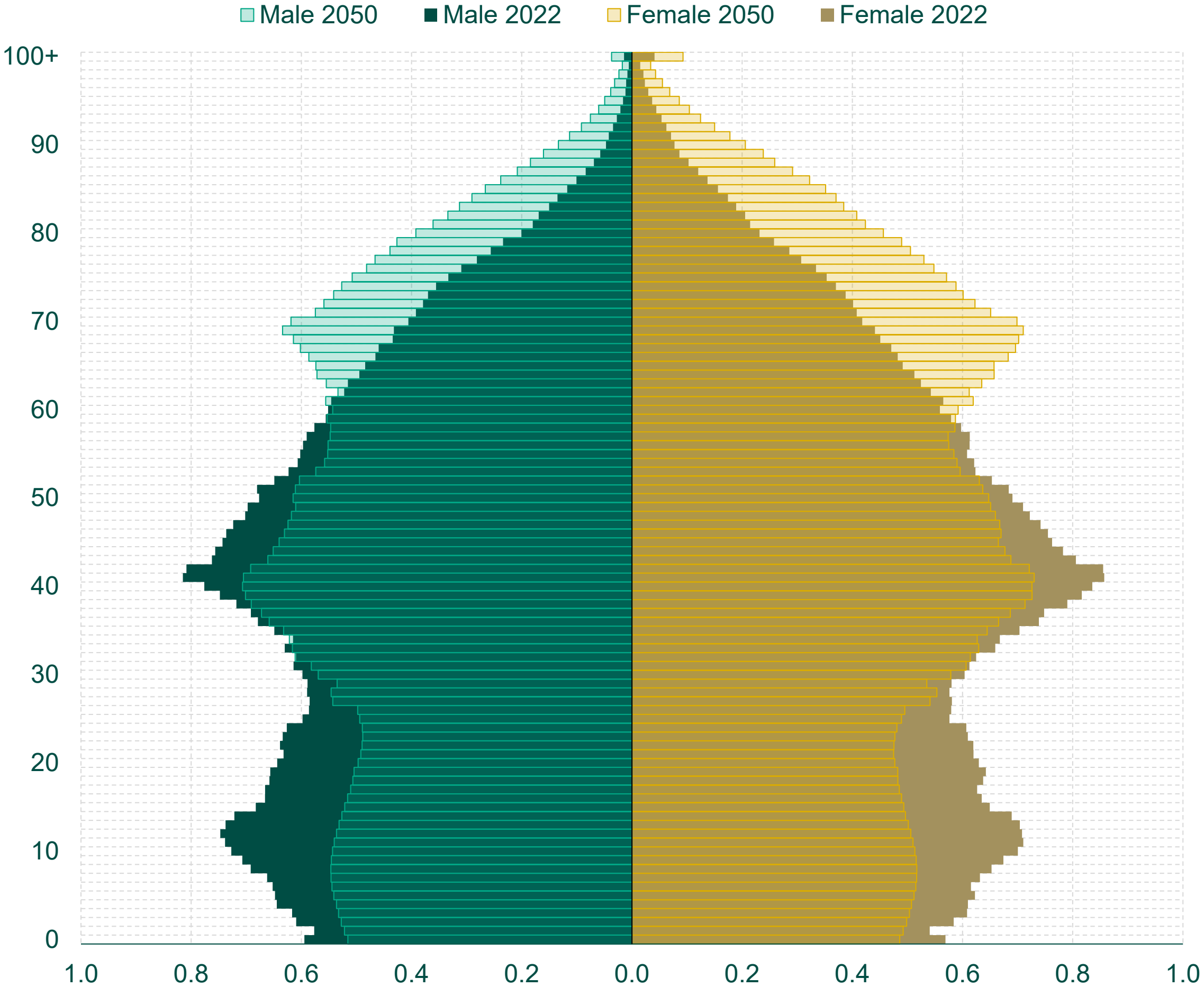


Focus on demographics



Ireland's demographic profile is changing ...

... there will be fewer working age to retirement age



Annual age-related expenditure projections 2019-2050, per cent of GNI*				
	2019	2030	2050	Δ 2050-19
Pension costs	7.4	9.6	12.1	4.7
Health Care	6.6	7.2	8.3	1.7
Long-term care	2.0	2.7	3.9	1.8
Education	5.3	5.3	5.2	-0.1
Total age-related	21.4	24.7	30.6	8.1

In money terms: c.€8 billion higher in 2030 vs 2019



Conclusion

Summary and conclusion



(1) Headline position healthy but benefitting from:

- : windfall CT receipts
- : cyclical position of economy

(2) Short-term vulnerabilities

- : mainly a fall in CT
 - concentration risk
 - policy risk [global tax policy changes]

(3) Medium- and longer-term vulnerabilities = severe

(4) Reconciling (1)-(3) = long-term savings vehicles

- : Future Ireland Fund
- : Infrastructure Climate and Nature Fund



Disclaimer and other information:

The views expressed in this presentation are those of the presenter and do not necessarily reflect the views held by the Department of Finance, the Minister for Finance or the Government of Ireland.

Some of the figures contained in this presentation are estimates based on the latest available forecasts as published by the Department of Finance in its autumn forecasts (October 2023).

Outturn data are sourced from a variety of sources including the Department of Finance, Central Statistics Office, European Commission (AMECO), Revenue Commissioners and Central Bank of Ireland.

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