

EU Fiscal Governance : Issues for Ireland

Donal de Buitleir

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Where Have We Come From

Gross Current Spending		
	€bn	Growth
2006	43.4	
2007	48.6	12.0
2008	53.4	9.9
2009	55.7	4.3

Estimates for Ireland 2012

	Irl	Range	
		High	Low
Medium-Term Potential Growth	0.6%	3.7(PL)	-1.6 (GRE)
Convergence Margin	1.4 %	1.5 (LV)	0.9 (Fi, FR,DK)
Spending Growth Limit	-0.7%	2.5 (PL)	-2.8 (GRE)

Source : EU Commission

Official Forecasts

Ireland Should Achieve MTO by 2018 and meet debt rule

- Provided “Continued budgetary rigour”
- Expected economic growth”
- Without “requiring further austerity measures”

Source: A Strategy for Growth : MTES 2014-2020.

Pressures on Spending

Demographic Pressures

- Social Welfare Pensions cost an extra €190 million in 2013
- Exchequer Pensions Bill up €77 million in 2014

Source: Department of Public Expenditure & Reform

Expenditure Benchmark 2015

€m

- 2014 Benchmark 61,394
- Costs of Ageing 2,735 (4.5%)

Pressures on Spending

Public Sector Pay

- “Under the Haddington Road Agreement proposals, it is proposed that for those public servants on annual salaries (inclusive of allowances in the nature of pay) above €65,000 to the max of the Principal Higher Grade in the civil service or similar across the public service, the reduction in pay will be restored within a maximum of 18 months of the end of the agreement (July 2016) in two equal phases of 9 months.”
- Minister Brendan Howlin, Dail Eireann 20 June, 2013

Tax Reductions

“The creation of extra jobs is the absolute priority of the government and if – when we have the resources – reducing income tax for certain groups in the economy creates extra jobs or sustains jobs, then we will do it,”

Minister for Finance ,Irish Times,13 December, 2013

Issues

- Election Manifestos : How Will Political Parties Differentiate Themselves ?
- Danger of Escalating Promises
 - Increase in Taxes ?
 - Reduction in Capital Spending ?
- Earlier Increase in Pension Age ?
- Role for IFAC ?