



Rialtas na hÉireann
Government of Ireland

Budget 2024

Economic and Fiscal Outlook Summary

Prepared by the Department of Finance
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Summary

- > As the overall stance of macroeconomic policy adjusts – via a tightening of monetary policy and the gradual withdrawal of fiscal support – global growth has slowed.
- > Ireland cannot be immune from these trends, with trade a key transmission channel from the international to the domestic economy. In other words, lower external demand is weighing on export growth. This impact is amplified by a number of sector-specific adjustments taking place in some multinational-dominated sectors, such as reduced demand for Covid-related products in the pharma sector. As a result, **exports and GDP growth** are revised down for this year.
- > For domestic demand, incoming data are sending mixed signals.
- > On the one hand, the domestic economy has proven to be remarkably solid, evidenced by an unemployment rate that has stabilised at just over 4 per cent throughout this year.
- > On the other hand, the level of Modified Domestic Demand (MDD) - a measure of the domestic economy - in the second quarter this year was largely unchanged since the second quarter of last year, while higher-frequency data (e.g. retail sales, consumer sentiment, payroll data) suggest a softening in activity more recently.
- > **MDD** is now expected to increase by 2.2 per cent this year, a small downward revision of 0.1 percentage points compared to the spring forecasts. For next year, MDD growth of 2.2 per cent is projected; a 0.4 pp decrease in the projection (relative to the spring forecasts) largely reflecting the headwinds associated with tighter monetary policy working its way through the economy.
- > **Consumer spending**, the largest component of MDD, is forecast to grow by 3.3 per cent this year and 3.2 per cent next year, a downward revision in both years of just over ½ percentage point from the spring forecasts.
- > With underlying **inflation** providing to be more persistent than expected consumer price **inflation** - as measured by the HICP index - is revised by just under ½ point to 5.3 per cent for this year. For next year a rate of 2.9 per cent is forecast, as lower energy prices pass through to consumer bills.
- > For this year **employment** growth of 3.4 is projected, easing to 1.3 per cent next year consistent with the outlook for the domestic economy. An **unemployment rate** of 4.1 per cent is projected for this year, increasing marginally to 4.2 per cent next year.
- > Risks to the macroeconomic outlook are two-sided but tilted to the downside.
- > A **general government surplus** of €8.8 billion (3.0 per cent of GNI*) is projected for this year. For next year, the general government surplus is projected at €8.4 billion (2.7 per cent of GNI*).
- > Stripping out the Department's estimate of 'windfall' corporate tax receipts, a deficit of €2.0 billion would be recorded this year and €2.7 billion next year.
- > **Public indebtedness** next year is projected at €222 billion; pre-pandemic this figure was closer to €203 billion.



Table 1: Summary – main economic variables

	2022	2023	2024	2025	2026
<i>Economic activity</i>					
			<i>per cent change</i>		
Real GDP	9.4	2.0	4.5	4.5	4.4
Modified domestic demand	9.5	2.2	2.2	2.5	3.0
Real GNI*	6.7	2.0	2.0	2.1	2.2
<i>Prices</i>					
			<i>per cent change</i>		
HICP	8.1	5.3	2.9	2.4	1.9
Core HICP [^]	5.0	5.1	3.4	2.5	2.3
GDP deflator	6.6	4.1	2.4	2.0	1.9
<i>External trade</i>					
			<i>per cent GNI*</i>		
Modified current account	7.0	7.5	7.5	7.0	6.2
<i>Labour market</i>					
			<i>per cent change (unless stated)</i>		
Total Employment, '000	2.547	2.635	2.670	2.705	2.744
Employment	6.6	3.4	1.3	1.3	1.4
Unemployment, per cent	4.5	4.1	4.2	4.3	4.4

Notes:

[^] core inflation is the headline HICP figure excluding unprocessed food and energy



Table 2: Summary – main economic variables

	2022	2023	2024	2025	2026
Public finances	<i>per cent GNI* (unless stated)</i>				
: flow position					
General government balance, € bn	8.5	8.8	8.4	14.2	14.6
General government balance	3.1	3.0	2.7	4.4	4.4
Underlying general government balance, € bn~	-2.2	-2.0	-2.7	2.5	3.8
Structural budget balance^	1.6	1.5	0.8	0.7	1.1
: stock position					
General government debt (€bn)	224.8	222.7	222.2	219.4	217.1
General Government debt ratio	82.3	76.1	72.3	68.4	64.8
Net general government debt ratio	68.9	63.0	63.3	60.1	57.4

Notes:

^ estimates of the structural balance exclude estimates of windfall corporation tax receipts.

^^ net debt from 2022 onwards estimated by mechanical extrapolation of financial assets.

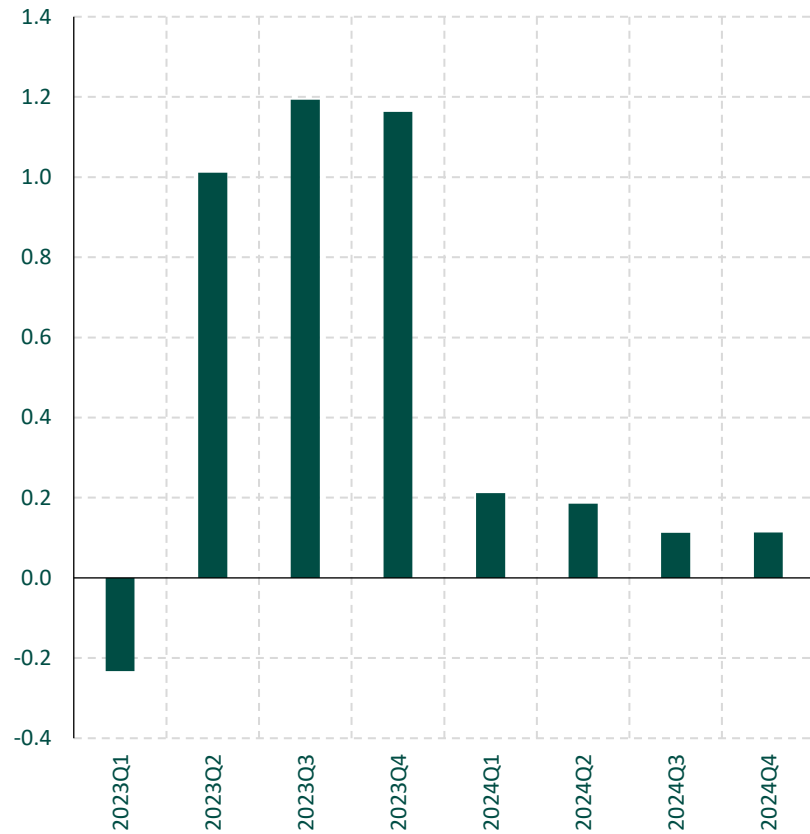
~ underlying fiscal balance excludes the Department's estimate of corporation tax receipts that may be 'windfall' in nature

Source: Department of Finance.



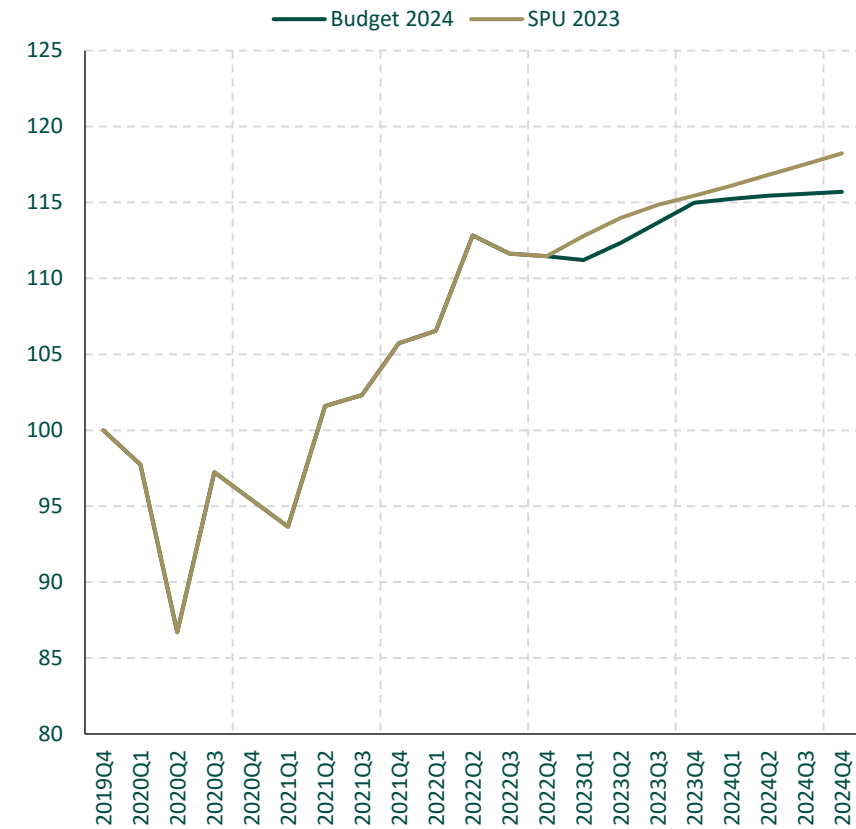
Figure 1: Demand outlook

A: Real MDD growth, quarter-on-quarter, per cent



Source: CSO and Department of Finance forecasts

B: Real MDD, 2019 Q4=100

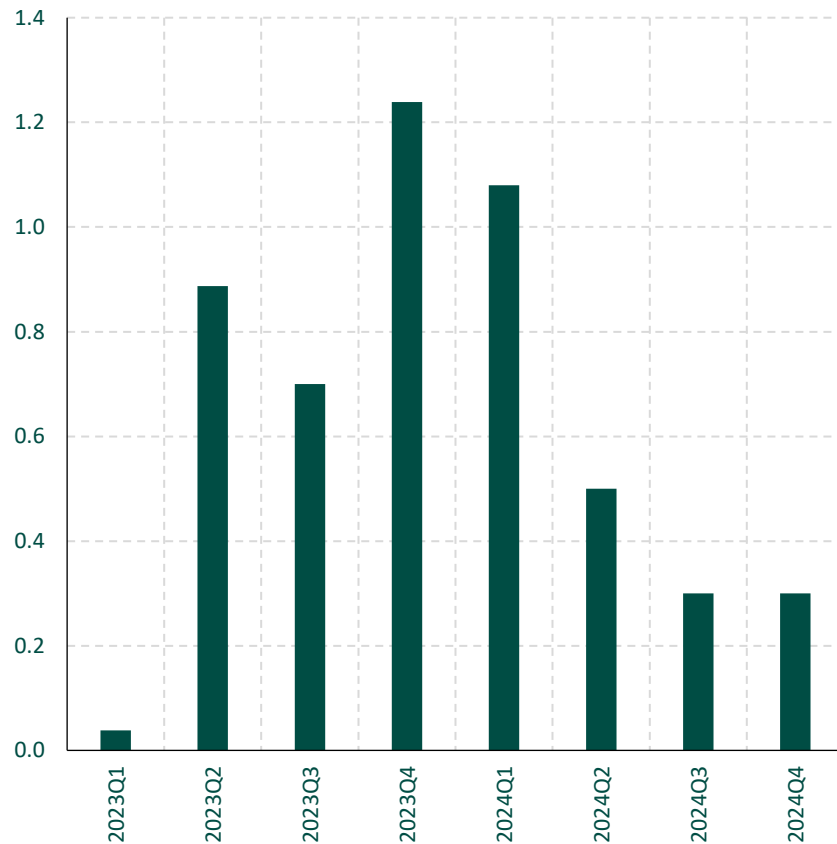


Source: CSO and Department of Finance forecasts



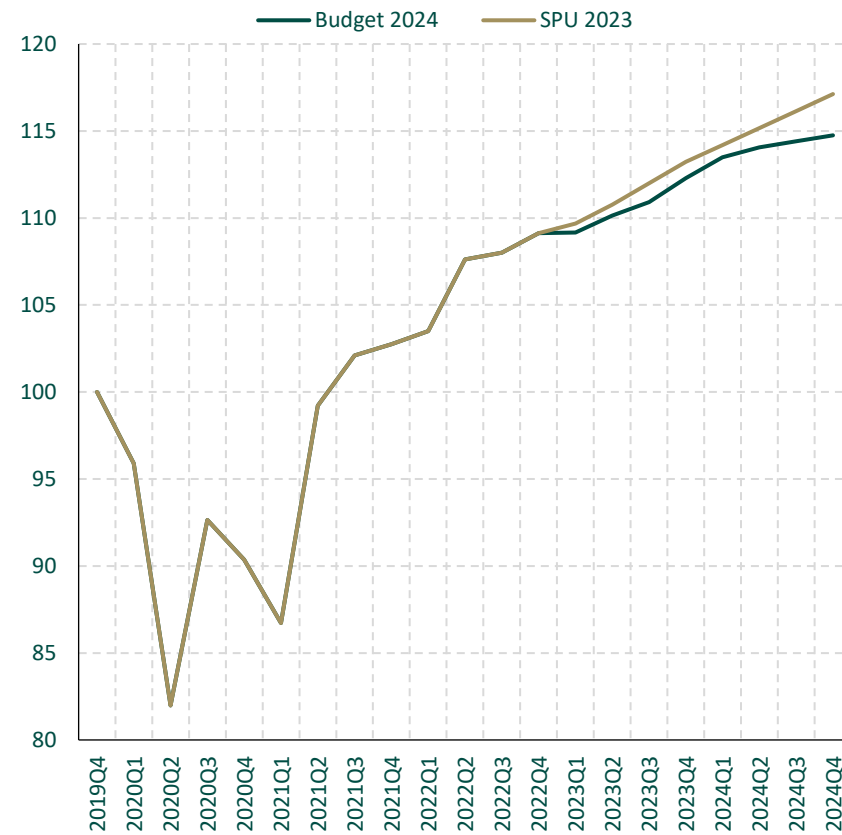
Figure 2: Demand outlook

A: Real consumption growth, quarter-on-quarter, per cent



Source: CSO and Department of Finance forecasts

B: Real PCE, 2019Q4=100

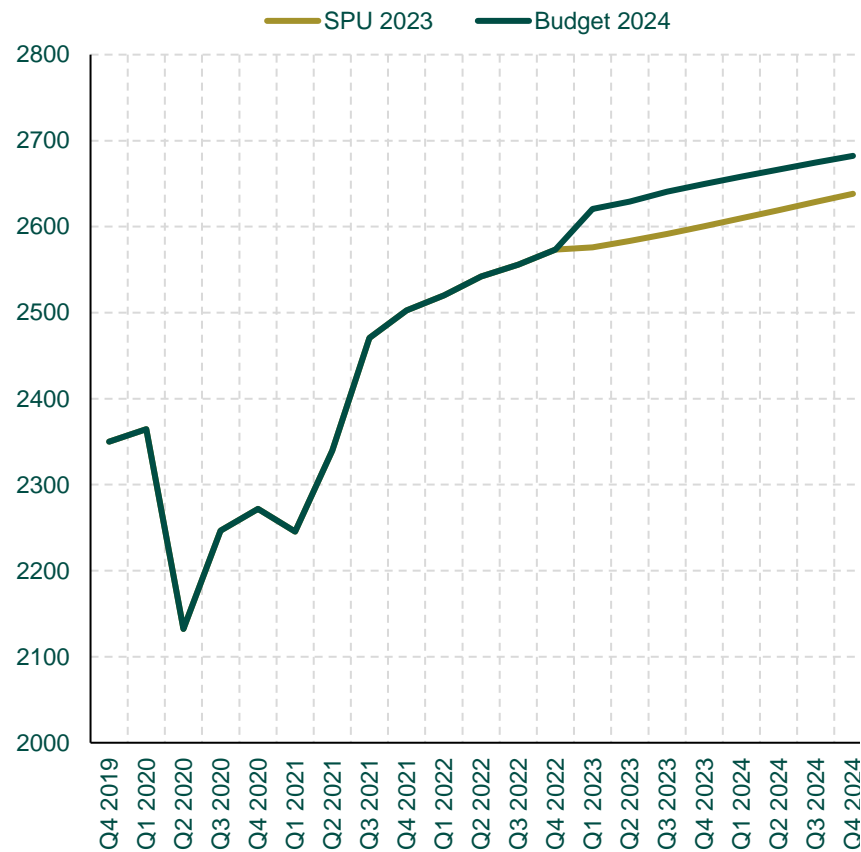


Source: CSO and Department of Finance forecasts



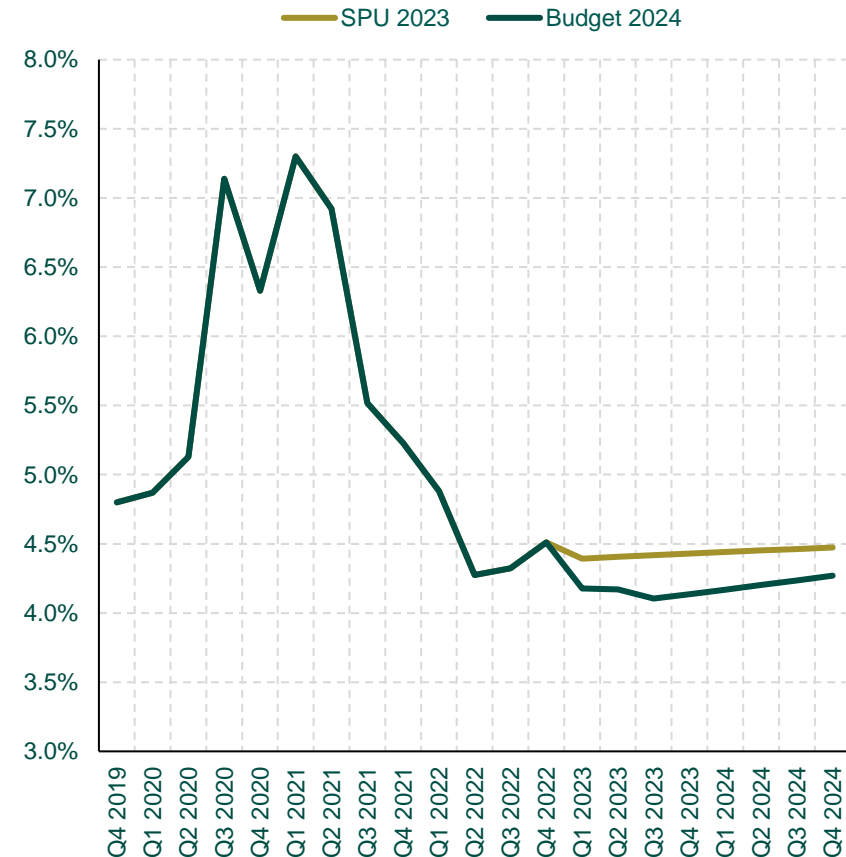
Figure 3: Labour market

A: Employment, 000



Source: CSO and Department of Finance.

B: Unemployment rate, per cent

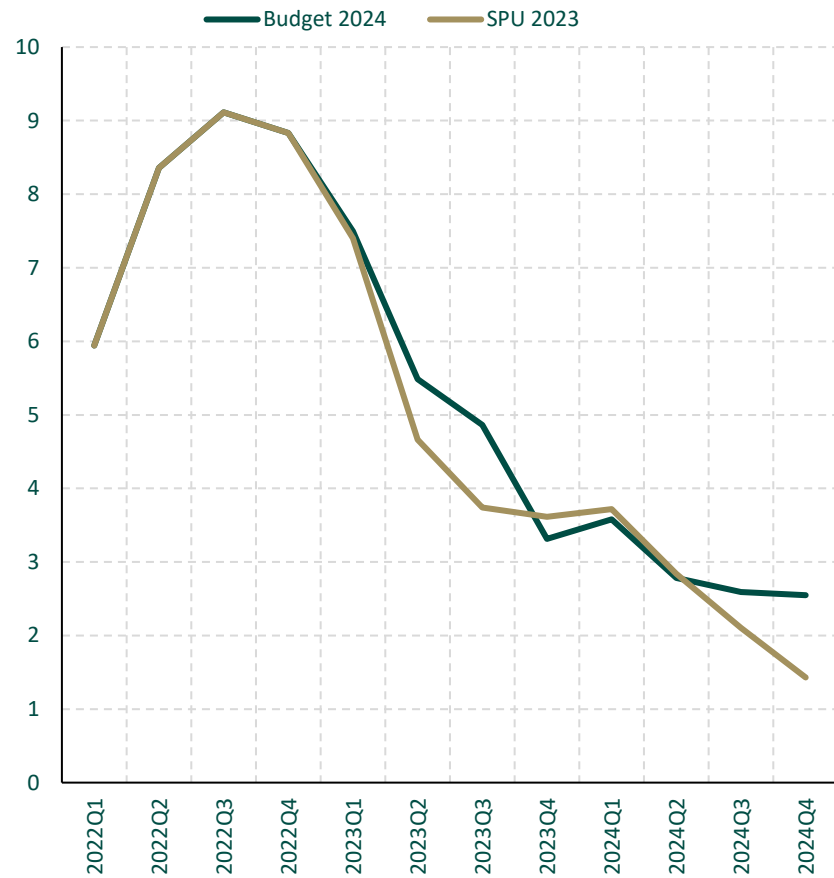


Source: CSO and Department of Finance.



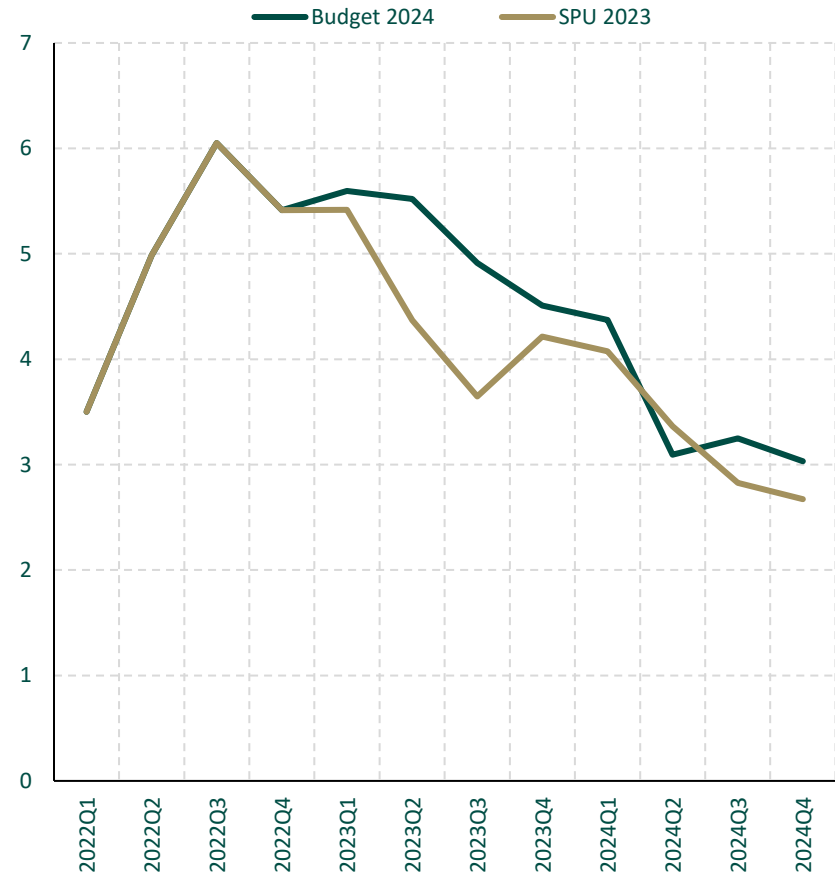
Figure 4: Inflation outlook

A: Headline HICP, y/y % change



Source: CSO and Department of Finance forecasts

B: Core HICP (excl. energy and unprocessed food, y/y % change)

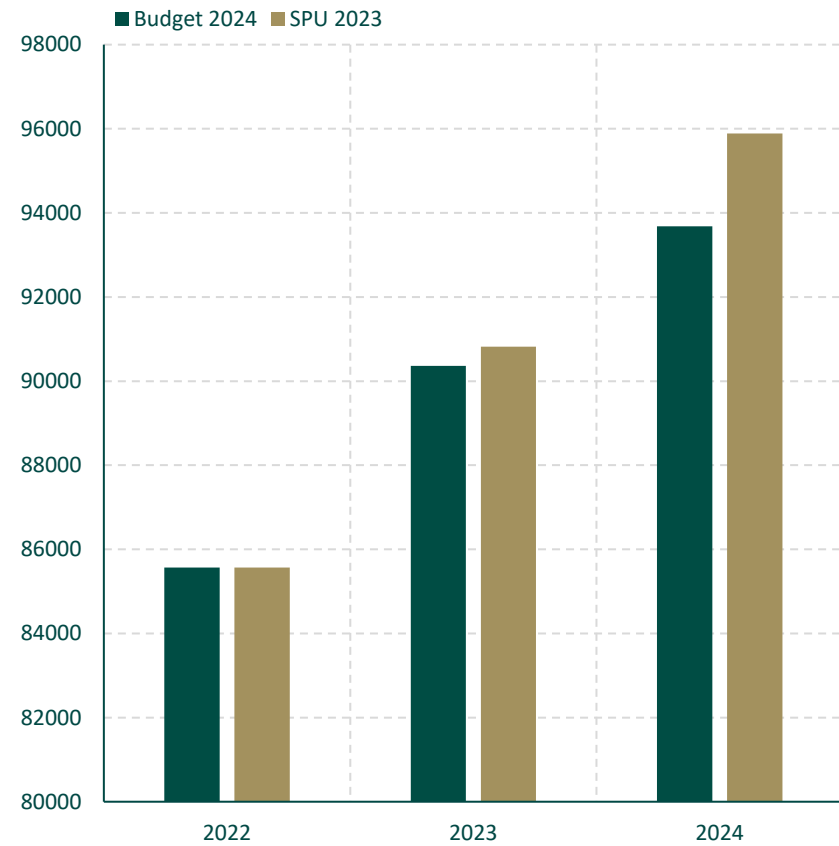


Source: CSO and Department of Finance forecasts



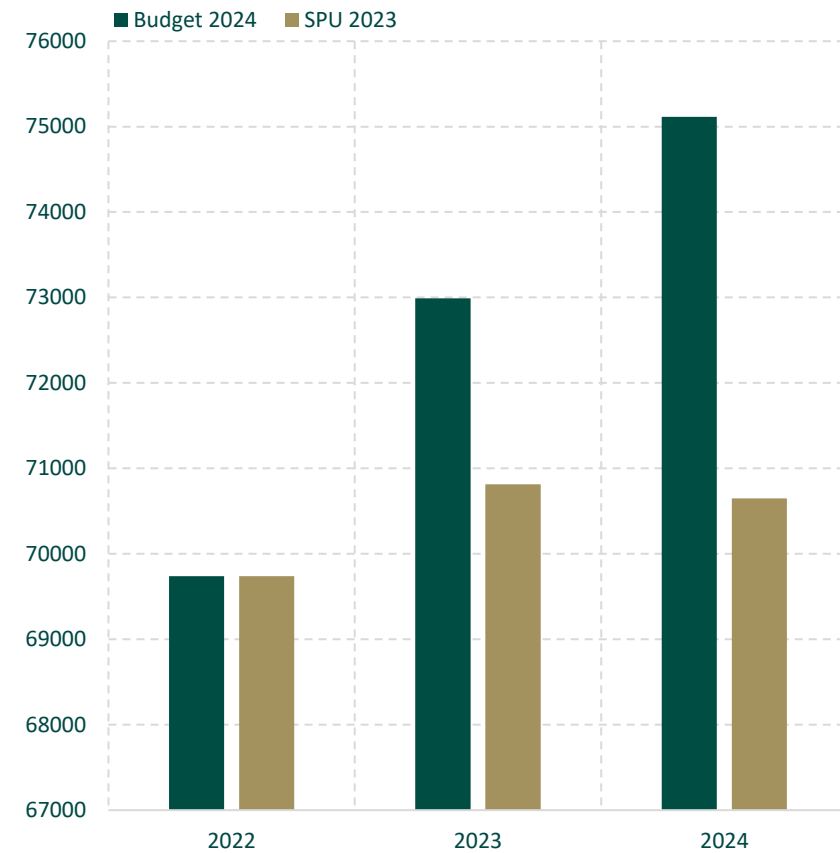
Figure 5: Fiscal outlook

A: Net current revenue, yearly in millions



Source: Department of Finance

B: Net current expenditure, yearly in millions



Source: Department of Finance



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