Opening Statement to the Committee on Budgetary Oversight
ESRI, 18 September 2025

Introduction

Let me begin by thanking the Chair and the Committee for the invitation to appear before you today. I am Alan Barrett, a Research Professor at the ESRI, and I am joined by my colleagues Dr. Claire Keane and Dr. Conor O'Toole, both Associate Research Professors.

In the correspondence from the Committee, we are asked to address four themes so we will take each in turn.

Views on the overall budgetary package as set out in the Summer Economic Statement

In our Summer Quarterly Economic Commentary[1], we wrote about our concerns regarding the fiscal stance that is being adopted by the government. While the headline figures show general government surpluses, it is well understood that the underlying figures show deficits once account is taken of the windfall corporate taxes – both those from the CJEU case and those which are "unexplained" by economic fundamentals.

This situation leads to two concerns. First, almost by definition the windfall revenues could evaporate quickly in response to factors such as legislative changes. History – in particular the economic collapse – provides a stark reminder that a vulnerability in the tax base can become a major problem if something arises to test the vulnerability. Potential instability is magnified by the fact that so few companies are responsible for such a large proportion of tax revenue. Second, as pointed out over many years by the ESRI and others such as IFAC and the Central Bank, running underlying deficits is generally inadvisable when the economy is performing so well and possibly above potential output. A fundamental principle of fiscal management is that the fiscal stance should be counter-cyclical. Ireland's fiscal policy looks pro-cyclical right now, which creates immediate risks such as overheating and longer term risks such as the need to continue with a pro-cyclical fiscal stance in any downturn, thereby magnifying the downturn. The challenge here is heightened by the need to fund a substantial level of capital expenditure.

Based on these considerations, we see merit in moving to a situation where underlying surpluses are achieved.

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[1] Barrett, A., O'Toole, C., and O'Shea, D. (2025). Quarterly Economic Commentary, Summer 2025, ESRI Forecasting Series, Dublin: ESRI, https://doi.org/10.26504/QEC2025SUM

Views that you feel should be addressed in the budget including budget priorities

It is for government to decide what groups should be prioritised in the Budget and not for a research institute. This includes questions of whether tax should increase to fund priorities. However, we can point to issues raised in our research which can inform the process of prioritisation.

Inflation has been slowing but prices remain at an elevated level with food inflation continuing to remain high. ESRI research[2] has shown that from 2020 to 2025 changes to the permanent tax and welfare system resulted in small average income losses[3] compared to policy changes pegged to wage growth. While the temporary measures were successful in helping households deal with higher prices, their phasing out will cause affordability issues, particularly for the older population and those with disabilities, if headline welfare payments fail to keep pace with income growth.

Indeed research carried out by the ESRI for IHREC found that those with a disability face a significantly higher cost of living in general and are much more likely to experience deprivation.[4] Additional welfare supports along with employment supports could help those living with a disability face these additional costs.

Recent research by the ESRI and Trinity College[5] found that a fifth of children are below the poverty line once housing costs are taken into account, particularly children living in one-parent families. A second tier of targeted child benefit would result in significant reductions in child poverty rates.[6]

Risks to the economy

We have already touched on two risks to the economy – the possible volatility in windfall corporate tax revenues and the possibility of overheating due to stimulatory fiscal policy. Overheating is often thought about in terms of inflationary pressures and price rises but we are

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[2]See Doorley et al. (2024) - https://www.esri.ie/system/files/publications/QEC2023WIN_SA_Doorley_2.pdf

[3] -0.3% of disposable income

[4] See Doorley, K., Kakoulidou, T., and Simon, A. (2025). Adjusting estimates of poverty for the cost of disability, Jointly-published Reports 8, Dublin: ESRI and Irish Human Rights and Equality Commission (IHREC), https://doi.org/10.26504/jr8

[5] See Roantree, B., Russell, H., Alamir, A., Griffin, M., Maître, B., and Mitchell, T. (2025). Poverty, income inequality and living standards in Ireland: Fifth annual report, Jointly-published Reports 14, Dublin: ESRI and Community Foundation Ireland, https://doi.org/10.26504/jr14

[6] See Doorley, K., Sándorová, S., and Maître, B. (2025). The effect of child-related benefits on child poverty and deprivation in Ireland, Budget Perspectives 202601, Dublin: ESRI, https://doi.org/10.26504/BP202601

also concerned about capacity constraints that could hamper delivery of the National Development Plan and national housing targets. Housing and public infrastructure are crucial determinants of quality of life but they are also important for augmenting the productive capacity of the economy.

While the immediate threat from US tariffs has receded somewhat following the US-EU deal, we think it is important to recognise that other trade-related risks remain. For example, threats from the US administration in relation to digital regulation and the taxation of tech companies could be very damaging for Ireland give the importance of the sector to Ireland. More generally, given that Ireland's economic model in so reliant on an open international trading environment, ongoing threats to that environment are concerning.

Additional budgetary matters

By its very nature, the *annual* budget cycle can lead to a focus on short-term challenges and goals but it is crucial that medium- and long-term perspectives are not lost. Population ageing is a predictable challenge so there will be no excuse for not preparing for the additional spending which will be required. The ESRI, in work commissioned by the Department of Health, has shown that long stay bed capacity requirements are projected to increase from 29,579 beds in 2022 to between 47,588 beds and 53,266 beds by 2040, equivalent to an average annual growth of 2.7 to 3.3 per cent. In the same study, home support hour requirements are projected to increase from 28.7 million hours annually in 2022 to between 44.9 million and 54.9 million hours by 2040, equivalent to an average annual growth of 2.5 to 3.7 per cent.[7]

These figures serve as a reminder of the need to be cognisant of longer-term pressures and credit must be given for the establishment of the Future Ireland Fund. But as there will be many demands on the Fund – it is to "help deal with future expenditure pressures including ageing, climate, digitalisation and other fiscal and economic challenges" – long-term fiscal planning is still needed, including public debate on how we see levels of taxation and public spending evolving over time.

Conclusion

[7] Walsh, B., and Kakoulidou, T. (2025). Projections of national demand and bed capacity requirements for older people's care in Ireland, 2022–2040: Based on the Hippocrates model, ESRI Research Series 214, Dublin: ESRI, https://doi.org/10.26504/rs214

The last few years have provided a set of circumstances is which loose fiscal policy has been both warranted (Covid, cost of living crisis related to Ukraine) and facilitated (strong corporate tax revenues). It could be argued that a degree of looseness inevitably continued in the run-up to the General Election in 2024. In Budget 2026, it is important that sound fiscal management moves to the fore again, including adherence to announced spending plans throughout 2026.