

**Committee on Budgetary Oversight**  
**Opening Statement of Minister Michael McGrath**  
**27<sup>th</sup> September 2023**

**Introduction**

Chair: thank you for the opportunity to attend the Committee today to discuss *Budget 2024*, which Minister Donohoe and I will present to the Oireachtas on Tuesday, October 10<sup>th</sup>.

**Context**

I will begin by outlining the economic and fiscal context for *Budget 2024*.

Over the last few years, our economy and our society have been confronted with a succession of once-in-a-generation crises: the shock of Brexit, a pandemic without precedent in living memory and, most recently, the Russian invasion of Ukraine and the associated fallout for energy prices and the cost of living.

Any one of these shocks on their own would have represented a profound challenge. That we have weathered these challenges so well is a testament to the fundamental strength of the Irish economy and to the resilience of our people.

Just a year after we emerged from the pandemic, we now have more people at work in this country than ever before and our public finances – at least at the headline level – are back on a positive footing.

Chair, this is a remarkable achievement, and we should not take it for granted. The fact is that the strength and speed of our recovery from the pandemic, and

our resilience throughout the energy price shock, have been made possible by the decisive action taken by this Government.

We took the decision to provide unprecedented levels of fiscal support to households and businesses throughout the pandemic, maintaining the link between employee and employer and ensuring that long-term economic scarring was kept to a minimum and the labour market could rapidly rebound once the virus had been brought under control. This came, of course, at an enormous fiscal cost, but the results speak for themselves: it was the right call.

Since then, the shock to energy markets arising from the Russian invasion of Ukraine, has, of course, had severe implications for Ireland. While inflation has now receded from last year's peak of 9½ per cent, we remain far ahead of the ECB's 2 per cent target. 'Core' inflation is still elevated, at 4.8 per cent in August. This points to both continuing bottlenecks on the supply side as well as an economy that is now operating at, or even beyond, full capacity.

Once again, Government's response has been forceful and decisive. We have made available some €12 billion in direct relief to assist with the cost of living, protecting the most vulnerable from the most severe impacts of rising prices and striking the right balance between providing support without unduly adding fuel to the fire of inflation. This was a necessary and economically appropriate response to this historic challenge.

Chair, I think it is evident that this is not a Government that will shy away from taking whatever action is necessary, given the circumstances, to protect incomes and maintain our public services when faced with shocks.

Those of us in Government, however, have a responsibility to look beyond the immediate term and ensure that the decisions that we take today help to build a stronger and more resilient economy for the future.

This is a responsibility that I take very seriously. The positive headline fiscal picture provides us with a real, but brief, window of opportunity to prepare now for the challenges we know are on the horizon.

That window of opportunity is rapidly closing. The headline surpluses expected over the medium term are heavily reliant on windfall corporate tax, unlinked to our domestic economy. We know from our recent history the dangers of relying on such volatile windfall revenues.

Indeed, just last month we saw a sharper than expected drop in corporate tax receipts. My Department will be updating the fiscal projections for this year as part of the Budget, but it seems likely that there will be a levelling off of growth in corporation tax compared to the extraordinary levels of the last few years.

This reinforces the importance of following an approach to fiscal policy that, on the one hand, ensures we have the space available to take the necessary action to invest in our public services, improve our infrastructure and assist with the cost of living, but also maintains our public finances in the strongest possible position for the future.

### **Budgetary strategy**

The Budget package for *Budget 2024* is €6.4 billion, comprised of a little over €1.1 billion for taxation measures and core expenditure of just over €5.2 billion.

This brings net core spending growth for *Budget 2024* to 6.1 per cent. This is, of course, above the original 5 per cent expenditure target set out in Government's original medium term strategy. However, this is because we have had to take into account the new economic landscape: inflation, while easing, is still at elevated levels and I think that it is right and appropriate that Government responds to this.

The increased Budget package provides us with the scope that we need to continue to provide support to businesses and households, protect our public services and invest in the productive capacity of our economy, without adding excessively to inflationary pressures: in short, a package of this size strikes the right balance.

In addition to the package for 2024, given capacity constraints and inflationary considerations, there will be a limited amount of space available this year for temporary, once-off supports to assist with the cost of living, focussed, as always, on the most vulnerable.

## **Conclusion**

In conclusion, Chair, my aim in drafting *Budget 2024* is to provide Government with the flexibility to act as necessary today without jeopardising our ability to respond as necessary to the challenges of the future.

The progress that we have made over the last several years means that we have the opportunity to prepare now for those future challenges.

If we take the right decisions now, we can build upon that progress and ensure that our economy, and our society, remain resilient for years to come. This will be the cornerstone of *Budget 2024*.

**ENDS**