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An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office
**Update on recent revisions to
Government spending plans**

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Séanadh

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Key Messages

- This Briefing Note outlines spending measures announced in the National Development Plan Review 2025 and Summer Economic Statement 2025, focusing on how they affect the general government balance in 2025 and 2026.
- For 2025, increased allocations include €2.2 billion in voted capital, €1.0 billion in current spending, and €5.5 billion in equity financing for ESB Networks, EirGrid, and Uisce Éireann. In certain cases, equity financing may be treated as government expenditure rather than a financial transaction, this distinction is explored in two Boxes in the Briefing Note.
- These measures increase general government expenditure for 2025 by between 2.4% (excluding equity financing) and 6.6% (including equity financing) relative to estimates within the Annual Progress Report- produced by the Government in May of this year.
- For 2026- on top of the now larger 2025 spending - increased allocations include €2.0 billion in voted capital, €5.9 billion in current spending, and €2.45 billion in non-Exchequer capital. This results in a 3.6% increase in expenditure for 2026 compared to spending projections in the Annual Progress Report.
- Our modelling indicates a downward revision to the general government balance- government revenue less expenditure- from €8.65 billion as per the Annual Progress Report to between €5.45 billion and -€0.04 billion in 2025 (depending on how equity financing is treated), and from €6.31 billion to €1.23 billion in 2026.

Introduction

In this Briefing Note we provide an update on the fiscal impact of expenditure announced in the National Development Plan (NDP) Review 2025¹ and the Summer Economic Statement (SES) 2025². In providing this information, we also model how the spending announcements will affect the headline measure of the public finances, namely the general government balance³.

This Briefing Note has been prepared in response to a request from Sinn Féin for assistance in estimating the impact these announcements would have on the general government balance, which is to be used as an input to the party's alternative Budget document. Our analysis indicates these spending measures will result in a deterioration in the general government balance relative to Government estimates provided in the Annual Progress Report (APR) 2025⁴ in May of this year. Our modelled scenarios, indicate a downward revision from €8.65 billion for 2025 to between €5.45 billion to -€0.04 billion depending on how certain expenditure items are treated. A similar revision occurs for 2026, with the balance falling from €6.31 billion per the APR, to €1.23 billion after accounting for announced spending.

In the NDP Review 2025 the Government announced revised capital expenditure ceilings across government departments. Other non-exchequer capital expenditure also increased vis-à-vis ceilings in the existing National Development Plan⁵. In addition, the NDP Review 2025 also highlighted a number of equity financing projects to be undertaken. These financing projects result in €3.5 billion in equity

¹ [National Development Plan Review 2025](#), Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, 2025.

² [Summer Economic Statement 2025](#), Department of Finance and Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, 2025.

³ This is general government revenue less general government spending. A positive balance indicates a budget surplus, while a negative balance indicates a deficit.

⁴ [Annual Progress Report 2025](#), Department of Finance and Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, 2025.

⁵ [National Development Plan 2021-2030](#), Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, 2021.

funding being provided to ESB Networks and EirGrid in 2025, and €2 billion in equity funding to Uisce Éireann in 2025. Up to 2030, a further €2.5 billion in equity funding will be made available to Uisce Éireann for large-scale projects, while €2 billion from the Infrastructure, Climate and Nature Fund is being allocated to low-carbon transport projects such as the MetroLink.

The Summer Economic Statement 2025 - published on the same day as the NDP Review 2025- set out the fiscal parameters for Budget 2026. On top of larger 2025 spending, the SES 2025 announced an increase in current expenditure of €5.9 billion in 2026, a tax package of €1.5 billion alongside a €1.0 billion upward revision to current spending in 2025. The SES 2025 did not include analysis on how the NDP Review 2025 and SES 2025 would affect government spending and the general government balance. These calculations are to be provided in documentation published as part of Budget 2026.

The focus of this Briefing Note will be on providing timely updates to Members of the Oireachtas on the likely path of the general government balance in light of these policy documents. The adjustment to the general government balance for 2025 required to account for the proposed equity funding will be considered in detail. If these funding transactions, of €5.5 billion in 2025, announced in the National Development Plan Review 2025 are considered to be equity capital, then they will have no impact on the general government balance. Equity transactions are not considered as government expenditure and are instead treated as acquisition of financial assets from an accountancy perspective⁶. In Box A, we provide details on the nuance underlying the use of the term "equity" as it relates to government expenditure. International evidence suggests a relatively high burden of evidence needed to validate these types of capital injections into public corporations as equity capital, with Eurostat (the European Commission's statistical agency)

⁶ [European system of accounts - ESA 2010](#), Eurostat, 2013.

providing guidance to specific Member countries on a number of cases.⁷ In Box B, we provide a case study, where the Dutch Ministry of Finance contended that transfers from the State to the State-owned electricity grid operator, TenneT, should be viewed as the purchase of equity capital and therefore classified as a financial transaction. Eurostat reviewed the evidence and concluded that these should be classified as government spending and not as an equity transaction.

Methodology

The spending increases and revisions to spending announced in both the NDP Review 2025 and the Summer Economic Statement 2025 are highlighted in Table 1. The revised capital spending plans in the NDP Review 2025 lead to an increase in spending within 2025 and will likely result in an upward revision in general government spending. An additional increase of €1.0 billion in current spending (due to overruns) in conjunction with equity financing of €5.5 billion, contributes to a spending increase of €8.70 billion in 2025 above what was set out in Budget 2025. For clarity, current and capital spending are treated in the same way when calculating government spending and the subsequent general government balance. This results in year-on-year general government expenditure growth of 12.1% in 2025, an upward revision from the 5.2% estimated in the Annual Progress Report 2025⁸. Overall, general government spending is 6.6% higher, if all spending in Table 1 is considered, than was forecast for 2025 in the Annual Progress Report.

General government spending increases for 2026 will be revised upward due to announced current spending and revised capital expenditure as per the NDP

⁷ See for instance advice given to France on [Treatment of the EDF capital increase](#) in 2023, advice given to Estonia regarding [Capital injections into Tallinn airport](#) in 2022 and [Treatment of the recapitalisation of Caixa Geral de Depósitos](#) in Portugal in 2018. In all cases, transfers from the government to State-owned (partially or fully) corporations were deemed capital transfers after relevant tests and criteria were applied. It should be noted that guidance offered is on a case-by-case basis and the exact details underlying transactions is considered in detail in such classifications.

⁸ Calculations relative to 2024 general government expenditure reported in the APR 2025.

Review. Year-on-year, spending increases by €10.35 billion in 2026 relative to 2025, based on policies announced in the NDP Review and SES. This results in year-on-year general government expenditure growth of 10.4% in 2026, an upward revision from the 6.5% estimated in the Annual Progress Report 2025⁹. Overall, general government spending is 3.6% higher than was forecast for 2026 in the Annual Progress Report.

Table 1: General government expenditure and funding increases announced in the NDP Review 2025 and SES 2025, € billion

Spending Category	2025	2026
Current	1.00	5.90
Capital (voted)	2.20	2.00
Capital (other)	0.0	2.45
Equity	5.50	0.0*
Total	8.70	10.35

Source: PBO calculations based on spending figures contained in the [NDP 2021-2030](#), [NDP Review 2025](#), [Budget 2025 Expenditure Report](#) and the [Summer Economic Statement 2025](#).

Notes: Spending increases for 2025 are calculated relative to general government expenditure announced as part of Budget 2025. Spending increases for 2026 are year-on-year spending increases relative to 2025. In the case of other capital, this is calculated as the increased expenditure in the NDP Review 2025 relative to the corresponding figures in the 2021-3030 NDP.

*Future equity financing and fund releases (€4.5 billion) were allocated over the totality of 2026-2030 and therefore could fall into the 2026 spending in the future.

The classification of "equity" financing as a spending item may be contended but is subject to substantive tests by statistical bodies. As noted, equity capital is not classified as government spending in the National Accounts based on the European System of Accounts (ESA) framework¹⁰, as it is considered a financial transaction i.e., switching one financial asset (cash) for another (equity). However, this classification is subject to review and tests on the underlying economic substance of the transaction. We discuss the intricacies underlying the classification of a capital injection to a public corporation in Box A below.

⁹ Calculations relative to 2025 general government expenditure reported in the APR 2025.

¹⁰ [European system of accounts - ESA 2010](#), Eurostat, 2013.

Box A: Does equity financing affect government spending?

The NDP Review 2025 announced €3.5 billion in "equity funding" to ESB and EirGrid in 2025 "to fund the enhanced energy grid capacity to support the Government's housing and competitiveness objectives". A further €2 billion in "equity funding" was also provided to Uisce Éireann in 2025 in order to "enable the delivery of 300,000 additional homes to 2030".

The use of the word equity has a particular implication from an accountancy perspective. Within the European System of Accounts, equity is defined as "a financial asset that is a claim on the residual value of a corporation, after all other claims have been met".¹¹ A government can make an investment in a public corporation, with a view to making a sufficient rate of return on the investment. If this occurs, the amount invested is viewed as purchasing equity capital and treated as acquisition of a financial asset. As a result, the transfer of monies is treated as a "below-the-line" transaction, meaning it only affects the financial accounts. Therefore, it is not classified as an "above-the-line" transaction (affecting government expenditure or revenue) and has no effect the general government balance.

The Central Statistics Office classify government transactions in line with European System of Accounts 2010, as set out by Eurostat. This framework highlights a number of conditions¹² which need to be met for transfers of monies or "capital injections" into public corporations to be classified as equity capital:

- The company must not have accumulated net losses or made exceptional losses;

¹¹ [European system of accounts - ESA 2010](#), Eurostat, 2013.

¹² [Manual on Government Deficit and Debt – Implementation of ESA 2010 – 2022 edition](#), Eurostat, 2023. The decision tree underlying capital injections, excluding investment grants, is discussed on page 175. In Box B, we do not include cases where companies have quoted shares as these are not relevant to the companies receiving capital/equity capital in the NDP Review 2025.

- Achieving a market rate of return on the investment must be likely- the market rate of return in this context relates to risk-adjusted return.

As such, there must be evidence that the transaction should result in a competitive financial return for the government and the corporation should also have a large degree of autonomy in how the funds are utilised.

If these conditions are not met, the financing arrangement is recorded as government expenditure- specifically as a capital transfer. The transaction may also be classified as an investment grant, a specific type of capital transfer, whereby the exchange of monies is aimed at financing the acquisition of fixed assets.

Overall, it could be attractive to a government to represent a transfer of monies to public corporations as equity capital as this has no effect on government spending. However, several criteria must be met to validate this classification. National statistical agencies can seek guidance on these classifications if needed or in cases where government contend the classification. In Box B, we outline how capital injections between the Dutch government and the State-owned electricity grid operator were classified by Eurostat. Eurostat advised that these transfers should be classified as an investment grant, while the Dutch Ministry of Finance made the case that the transaction should be viewed as equity capital.

Based on the ambiguity around the equity financing classification, in calculating how the spending announcements in Table 1 will affect the State's net fiscal position in 2025, we consider two scenarios. In Scenario 1, we assume that the €5.5 billion of equity increases general government spending as a capital transfer- this is most likely to occur as an investment grant. In Scenario 2, we assume that the €5.5 billion of equity funding has no impact on general government spending. This assumption is valid if the transfer of monies can be considered as equity capital. In practice, this classification decision will be decided in discussions between the CSO and Eurostat. In Box B below, we summarize guidance offered by

Eurostat on the treatment of comparable transactions between the Dutch State and the State-owned electricity transmission system operator, Tennnet.

Box B: Treatment of transactions between the Kingdom of the Netherlands and TenneT

In 2020, Eurostat provided guidance¹³ to Statistics Netherlands (Centraal Bureau voor de Statistiek) regarding capital injections from the Kingdom of the Netherlands to TenneT. At the time, TenneT was a Dutch State-owned electricity transmission system operator and the sole owner and operator of the Netherlands' high-voltage electricity transmission network.

The case related to a series of payments between the Dutch State and TenneT for contributions of €1.2 billion of new equity between 2017 and 2020. The agreement was formalised in December 2016, and stipulated that the first tranche of funding (€0.15 billion) would be released in 2017, the next (€0.35 billion) in 2018, with another tranche (€0.28 billion) released in 2019. A final tranche (€0.41 billion) was conditional and would only be considered after reviewing the company's financial situation in 2020. TenneT had previously written to the Dutch Ministry of Finance in February 2016 requesting a capital injection of at least €1 billion. This capital would be used to fund investments of €5.7 billion for onshore and offshore grid capacity over the next five years, with the additional capital being needed to ensure creditworthiness and maintain access to capital markets.

The Dutch Ministry of Finance made the case that this capital injection was a financial transaction, while Statistics Netherlands concluded that the capital injection was motivated on public policy grounds while also highlighting that the

¹³ Full details of the guidance are available online: [Treatment of transactions between the Dutch Government and TenneT](#)

expected return criteria was difficult to apply given offshore wind activities were fully subsidised by the government.

In classifying the transaction, Eurostat highlighted that the "underlying economic substance" of the transaction was crucial to any determination. Eurostat assessed how closely the transactions were linked to policy objectives, whether a sufficient rate of return was likely to be achieved and the degree of autonomy TenneT had in use of the capital. Overall, Eurostat concluded that to assume the capital injection was made by the government to earn a sufficient return - in a similar manner to a private shareholder - was not soundly based, TenneT did not have a large degree of freedom in how the funds were to be used and that the provision of government funds to TenneT to develop the offshore grid could be viewed as an investment towards a public policy goal.

As a result, the first three tranches of payments, which were agreed in 2016, but paid through 2017 to 2019 were classified as an investment grant in the 2016 National Accounts, thereby increasing government expenditure. The final tranche was also recorded as an investment grant but recorded in the 2019 National Accounts.

The key lesson from this case is that the economic substance underlying a transfer of funds will mediate whether it is classified as a financial transaction or part of government expenditure.

For 2026, we estimate how spending increases as per Table 1 are added to general government spending¹⁴. For 2026, no equity financing was announced in the SES or the NDP Review, so there is no ambiguity around this point for 2026. A key external threat to the growth prospects of the Irish economy is the rise in protectionist policies, with the tariff policies of the United States being central in this domain. In the Appendix, we include an additional scenario for 2026, which makes an

¹⁴ We assume that current spending overruns of €1.0 billion from 2025 will need to be funded in 2026.

indicative adjustment for the possible short-run effects of US tariffs on the general government balance based upon estimates in Egan & Roche (2025).¹⁵ This does not materially affect the general government balance, as the short-run (next year) effects of tariffs on the Irish public finances are small relative to the medium-term effects (four to seven years) in Egan & Roche (2025).

Table 2 below gives a summary of all the scenarios used to estimate the general government balance. In calculating government revenues, second-round effects are excluded from the analysis, and government revenues are held at values reported in the Annual Progress Report 2025. This is a limitation in the analysis but previous research by the PBO has highlighted variation in the estimation of fiscal multipliers¹⁶ in Ireland, with medium/long-run estimates being small in many cases¹⁷. In addition, Jordan-Doak (2023)¹⁸ highlighted that large public spending changes have limited statistically significant impact on economic output. As such, we would not expect second-round effects of government spending to result in a significant boost in government revenues in 2025 and 2026. Equally, it should also be noted that upward revisions to forecast tax receipts would also improve the general government balance.

¹⁵ [The Impact of Deglobalisation and Protectionism](#), Egan., P & Roche, F., ESRI Working Paper No. 798, 2025.

¹⁶ Fiscal multipliers generally estimate how changes in fiscal policy- either spending or tax changes - affect the underlying macroeconomy and therefore result in feedback effects with other tax receipts or spending areas.

¹⁷ [A note on incorporating broader economic effects in budgetary costing analysis](#), PBO Publication 17 of 2024, 2024.

¹⁸ [Estimating spending multipliers in Ireland using the narrative approach](#), Jordan-Doak, E., Irish Fiscal Advisory Council Working Paper No 22, 2023.

Table 2: Explainer of scenarios used in the analysis to estimate general government balance

Scenario	Year	Details
2024	2024	Outturn spending and revenues as per Annual Progress Report 2025.
2025f, APR	2025	Forecast spending and revenues as per Annual Progress Report 2025.
2025f, S1	2025	"2025f, APR" plus all 2025 spending in Table 1.
2025f, S2	2025	"2025, S1" less equity financing per Table 1.
2026f, APR	2026	Forecast spending and revenues as per Annual Progress Report 2025.
2026f	2026	"2026f, APR" plus all 2026 spending in Table 1. Adjustments made for current and capital spending increases between 2025 and 2026 included in the APR. Overruns in 2025 as per Table 1 are included in 2026 expenditure.

Notes: The [Annual Progress Report 2025](#) was published in May 2025. Forecasts in the APR were based on available data as per March 2025.

Results

Estimates of the general government balance are shown in Figure 1, while estimates of the underlying balance- which deducts windfall corporation tax receipts from government revenues- are shown in Figure 2. Results are also available in tabular format in the Appendix.

Our estimates indicate that revisions to capital spending outlined in the NDP Review 2025 result in a significant downward revision in the general government balance relative to the Annual Progress Report. For 2025, the general government balance falls from a forecast surplus of €8.65 billion per the Annual Progress Report to a deficit of -€0.04 billion in Scenario 1 and a surplus of €5.45 billion in Scenario 2. A similar reduction is evident in the underlying government balance for 2025- with estimates of a deficit of -€4.64 billion in the Annual Progress Report, with the deficit increasing to -€13.34 in Scenario 1 and -€7.84 billion in Scenario 2.

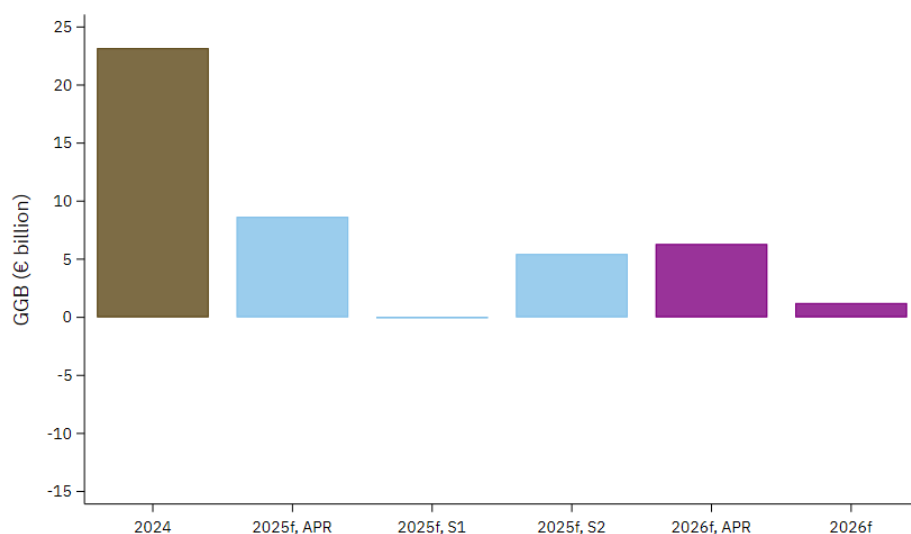
Transfers to ESB, Uisce Éireann and EirGrid increase government spending in 2025, leading to a spike in expenditure in Scenario 1. As such, the statistical treatment of

these transfers, which will be underpinned by specific details underlying the transfers, could have a significant impact on the general government balance in 2025.

Similarly, revisions to capital spending also contribute to relatively large revisions in the general government balance in 2026- decreasing from a surplus of €6.31 billion as per the Annual Progress Report to a surplus of €1.23 billion. The underlying balance also decreases from a deficit of -€6.79 billion as per the Annual Progress Report to a deficit of -€11.87 billion due to increased capital expenditure.

Overall, while increased capital spending can increase the productive capacity of the economy over the medium-term, this comes at the cost of increased short-term expenditure. Increases in government expenditure as announced in the NDP Review 2025 and Summer Economic Statement 2025 come at a time when the public finances are exposed to new risks in the form of possible wide-spread US tariffs. Together, the announced spending increases come at a time of heightened uncertainty over the medium-term and make the Government's fiscal stance increasingly pro-cyclical in the short-run.

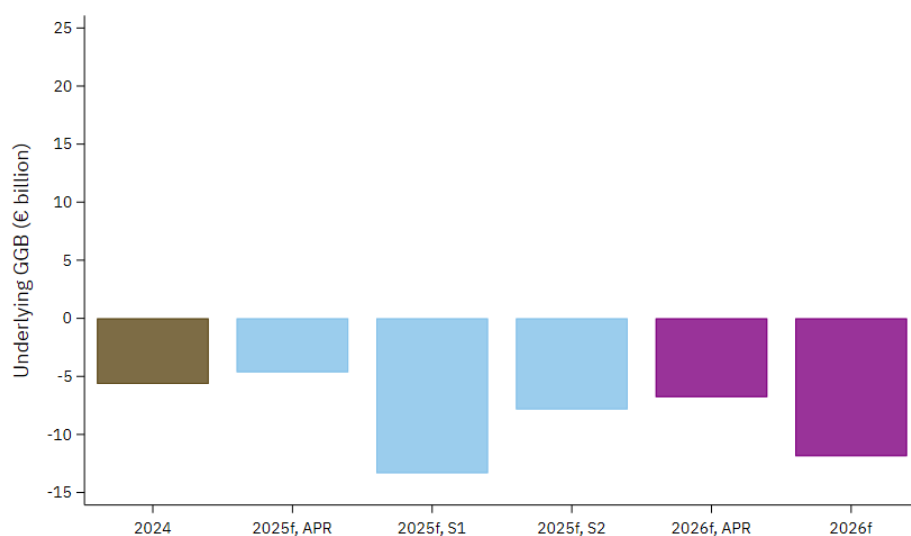
Figure 1: General Government Balance forecasts based on announced spending



Source: PBO modelling based upon [Annual Progress Report 2025](#), [Summer Economic Statement 2025](#) and [NDP Review 2025](#).

Notes: 2024 numbers are based on outturn transactions and are not forecasts. 2025 and 2026 estimates are forecasts. Details of each scenario are available in Table 2.

Figure 2: Underlying General Government Balance forecasts based on announced spending



Source: PBO modelling based upon [Annual Progress Report 2025](#), [Summer Economic Statement 2025](#) and [NDP Review 2025](#).

Notes: 2024 numbers are based on outturn transactions and are not forecasts. 2025 and 2026 estimates are forecasts. Details of each scenario are available in Table 2. The underlying balance deducts windfall corporation tax receipts from government revenues.

Conclusions

This Briefing Note has examined the possible revisions to the general government balance as a result of spending announcements in the Summer Economic Statement 2025 and the National Development Plan Review 2025.

At a high-level, our analysis highlights that these new spending measures result in a deterioration of the headline fiscal position of the State and make the fiscal stance increasingly pro-cyclical. The large spending plans announced come at a time when the Irish economy is performing well, with a positive output gap forecast in the Annual Progress Report¹⁹. We find that the latest policy documents announced significant additional fiscal stimulus of €8.70 billion in 2025 and €10.35 billion for 2026.

Our modelling highlights that upward revisions to spending plans in 2025 will have negative implications for the State's budget balance, based on existing revenue forecasts. For 2025, the general budget balance falls from a surplus of €8.65 billion forecast in the Annual Progress Report, to a deficit of -€0.04 billion when all spending measures announced in 2025 are considered. Excluding windfall corporation tax receipts, this equates to a deterioration in the budget balance from a deficit of -€4.64 billion as per the Annual Progress Report to a deficit of -€13.34 billion. Much of this effect is driven by equity financing to State corporations for capital projects. While this spending is considered to decrease the surplus in the public finances, this may be contested and subject to exact details underlying the transactions. In addition, while these transactions may increase government spending (deficit increasing)- but as they are financed by past savings- they will not increase government debt, so deficits driven by these financing options are associated with a lower degree of fiscal risk.

¹⁹ An output gap of 1.7% of GNI* is forecast for 2025 and 1.3% for 2026 per the [Annual Progress Report 2025](#).

We also find a worsening of the public finances in 2026. Our findings indicate an increase of general government spending of €10.35 billion was announced in the latest policy documents. This results in a downward revision of the 2026 budget balance from a surplus of €6.31 billion as per the Annual Progress Report, to a surplus of €1.23 billion from new spending announcements. Excluding windfall corporation tax receipts, this results in a deterioration in the budget balance from a deficit of -€6.79 billion as per the Annual Progress Report to a deficit of -€11.87 billion.

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Appendix

Table A1: General government balance calculations (€ millions), 2025 scenarios

	2025f, APR	2025f, S1	2025f, S2
GG Revenue	140,215	140,215	140,215
Taxes on production and imports	37,865	37,865	37,865
Current taxes on income, wealth	67,730	67,730	67,730
Capital taxes	805	805	805
Social Contributions	24,760	24,760	24,760
Property Income	1,940	1,940	1,940
Other	7,115	7,115	7,115
GG Expenditure	131,560	140,260	134,760
Compensation of employees	35,225	35,550	35,550
Intermediate consumption	20,850	21,042	21,042
Social payments	43,715	44,122	44,122
Interest expenditure	3,345	3,345	3,345
Subsidies	2,870	2,896	2,896
Gross fixed capital formation	15,905	18,105	18,105
Capital transfers	3,985	9,485	3,985
Other	5,665	5,715	5,715
GG Balance	8,655	-45	5,455
Windfall CT	13,300	13,300	13,300
Underlying GG Balance	-4,645	-13,345	-7,845

Notes: Scenarios are as per Table 2.

Table A2: General government balance calculations (€ millions), 2026 scenarios

	2026f, APR	2026f	2026f + Tariffs
GG Revenue	146,450	146,450	
Taxes on production and imports	39,240	39,240	
Current taxes on income, wealth	70,305	70,305	
Capital taxes	850	850	
Social Contributions	26,655	26,655	
Property Income	1,880	1,880	
Other	7,520	7,520	
GG Expenditure	140,135	145,220	
Compensation of employees	37,085	37,467	
Intermediate consumption	22,025	22,178	
Social payments	45,820	46,520	
Interest expenditure	3,455	3,455	
Subsidies	2,990	3,048	
Gross fixed capital formation	18,285	22,555	
Capital transfers	4,235	3,985	
Other	6,240	6,013	
GG Balance	6,310	1,230	1,016
Windfall CT	13,100	13,100	13,100
Underlying GG Balance	-6,790	-11,870	-12,085

Notes: Scenarios are as per Table 2. The final column - "2026f+ Tariffs" makes an adjustment for the possible short-run impact of tariffs, of 0.1% of forecast outstanding general government debt, based upon next year estimates of US tariffs on the Irish public finances in Egan & Roche (2025). Changes to windfall corporation tax receipts are not modelled in this scenario.