Budget 2026 Debt Infographic

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office
Economic Modelling and Policy Costing Unit

PBO Publication 29 of 2025
Publication date: October 2025

Budget 2026 – Ireland's National Debt: A Clearer Picture Activity

This summary explains Ireland's current debt situation, based on figures from *Budget 2026* and the Parliamentary Budget Office's (PBO) *Debt Sustainability Analysis (DSA) Calculator*.

Debt Ratio is Falling – But Largely Due to Multinational Tax Receipts
Ireland's debt is expected to fall as a percentage of both GDP and GNI* by 2026 and is low compared to the *OECD*. However, this improvement is largely due to high corporation tax (CT) receipts from multinational companies. If these "windfall" taxes are excluded, the debt ratio would actually increase.

Spending is Rising Faster Than Previously Planned
Budget 2026 includes only one-year-ahead forecasts and shows a sharp increase in government spending: +9% in 2025 and +8% in 2026. This exceeds the previously stated 5% annual growth limit. Despite this, the debt-to-GDP ratio is still projected to fall—again, largely due to strong CT receipts.

Ireland Meets EU Fiscal Rules – But Appearances Can Be Misleading
Ireland's debt-to-GDP ratio remains under the *EU's* 60% threshold, and the budget deficit is below 3% of GDP. However, these figures are flattered by Ireland's unusually high GDP, which is inflated by multinational activity. A more accurate measure, *GNI**, shows a heavier debt burden.

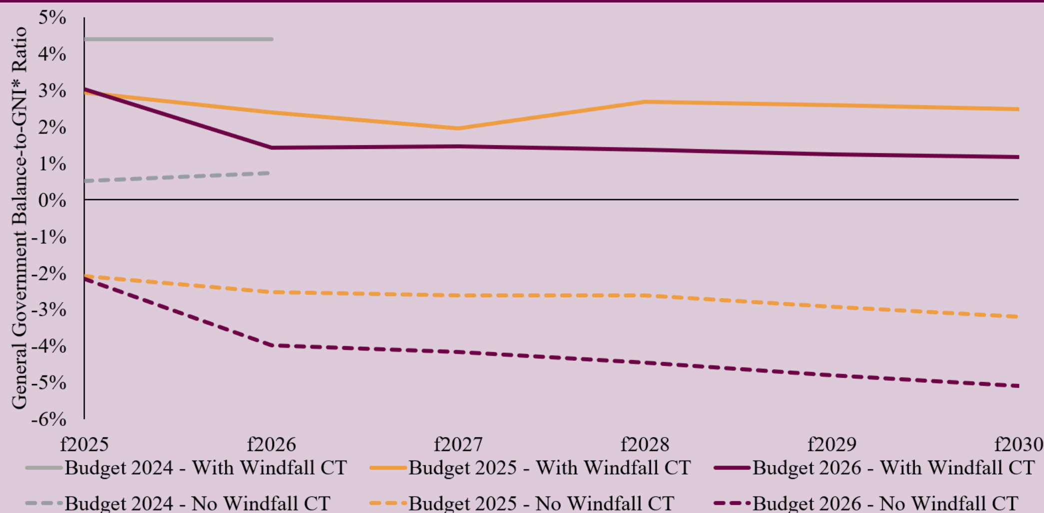
Borrowing Costs Are Still Low – But May Rise
Ireland's debt is mostly long-term, with low interest costs: 1.5% in 2025 and 1.8% in 2026. The *NTMA plans* to borrow between €6–10 billion in 2025. *By September*, €6.75 billion had already been raised, including a 30-year bond at a 3.15% yield.

Calls for Better Long-Term Planning and Transparency
Budget 2026 was introduced against a backdrop of global uncertainty. The economy is currently performing above its potential (with a positive output gap of 1.7%), and the significant spending increases planned for 2026 could exert some upward pressure on inflation. At the same time, the budget offers only one-year forecasts and omits certain details, which limits transparency. The publication of the Medium-Term Plan has also been postponed, leaving longer-term fiscal intentions unclear.

Future-Proofing: Investment in Long-Term Funds
The *government plans* to allocate €6.1 billion in 2025 and €6.5 billion in 2026 to two major funds: Future Ireland Fund (FIF) and Infrastructure, Climate and Nature Fund (ICNF). These funds aim to manage windfall CT receipts and prepare for long-term challenges. Up to €10 billion *may be used* for large projects like MetroLink.

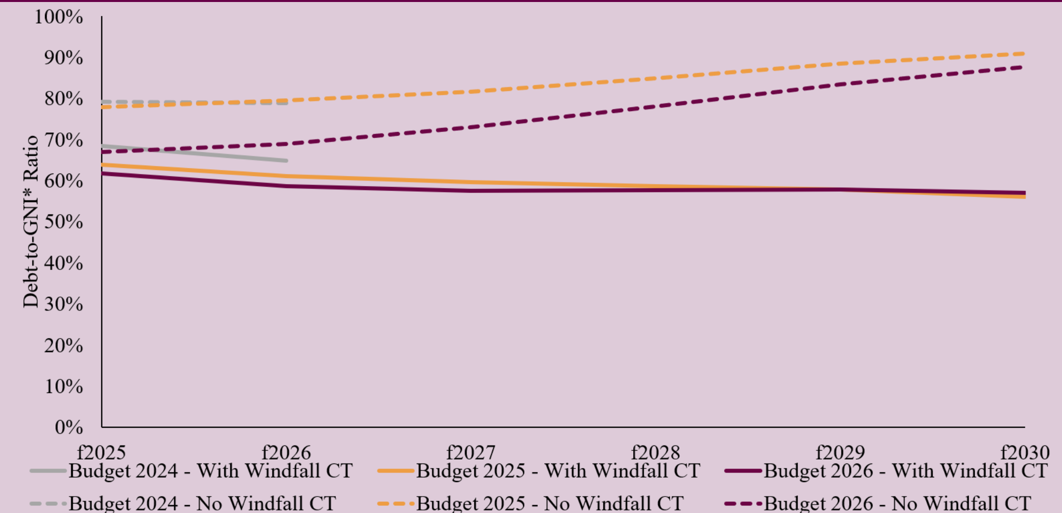
Explore the Data Yourself
Using the *Budget 2026*, *Medium-Term Fiscal and Structural Plan* and *NTMA* data, the PBO has created tools to help you explore Ireland's debt situation: this debt infographic and an *interactive DSA dashboard*.

1) Headline Surpluses Hide Underlying Risks



If windfall CT is excluded, the government would actually run deficits: –€7.4 billion in 2025 and –€14.3 billion in 2026.

2) Projected Debt Ratios: With vs Without Windfall CT



Ireland's debt projections show improvement across successive budgets, but these gains are flattered by the inclusion of windfall corporation tax, which may overstate the sustainability of the fiscal position.

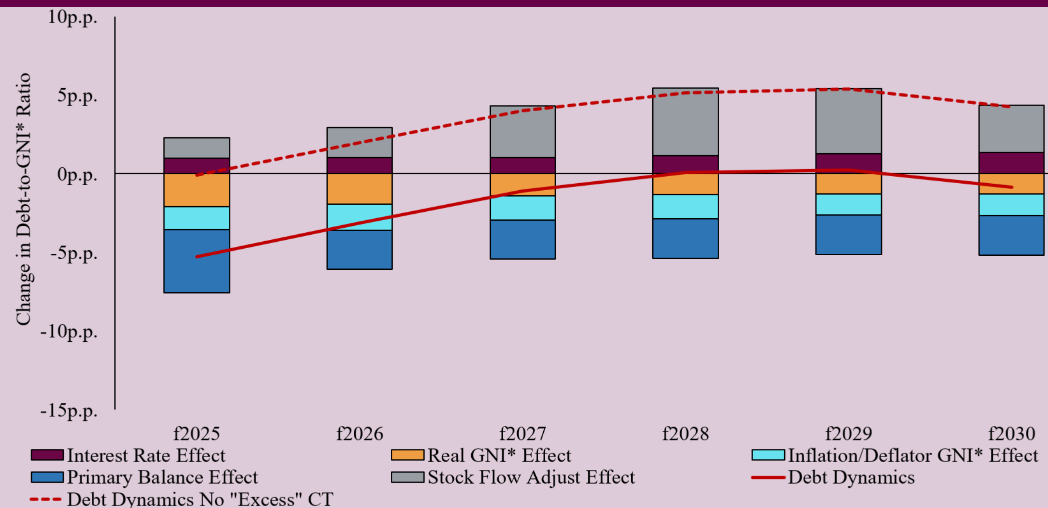
Source: PBO modelling using the *PBO DSA Model* alongside forecasts from *Budget 2026* and the *2024 MTFSP*, as well as *NTMA* data. The interest implications of windfall CT are included.

Budget 2026 Debt Infographic

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office
Economic Modelling and Policy Costing Unit

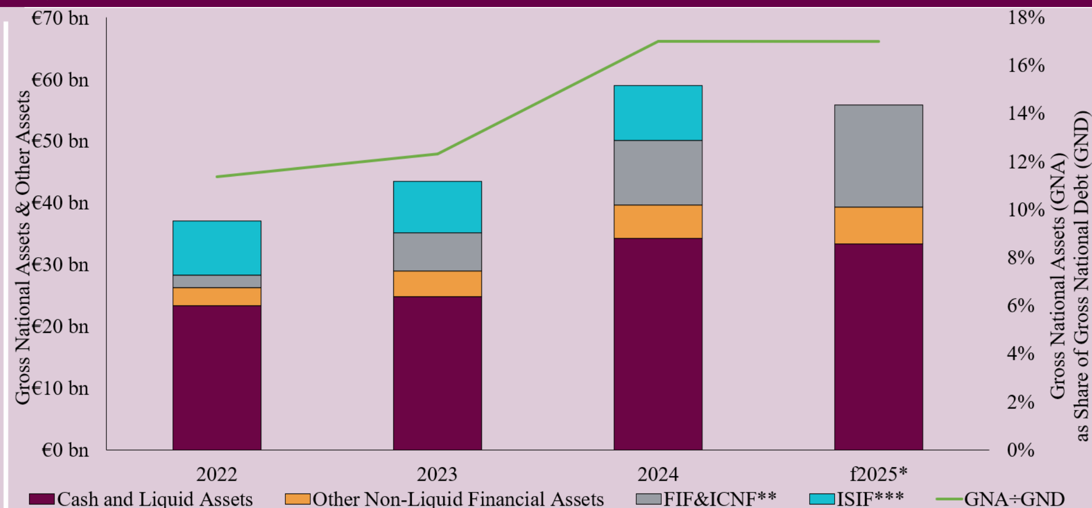
PBO Publication 29 of 2025
Publication date: October 2025

3) Debt Dynamics: What's Driving the Change?



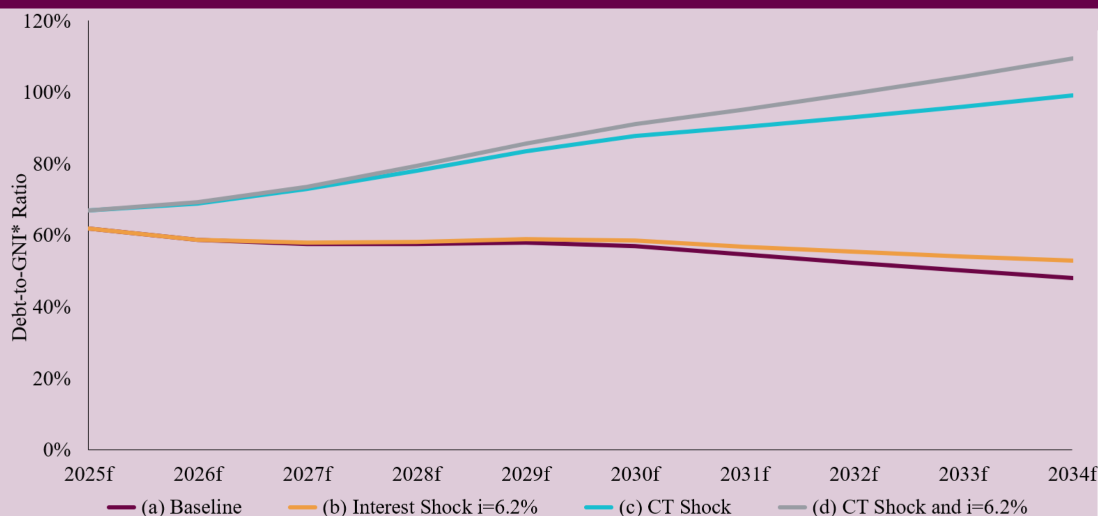
The debt-to-GNI* ratio is being reduced by economic growth and budget surpluses, but pushed up by interest payments and stock-flow adjustments. Ireland still holds a strong AA/Aa3 credit rating.

4) Government Assets Are Growing – But So Are Risks



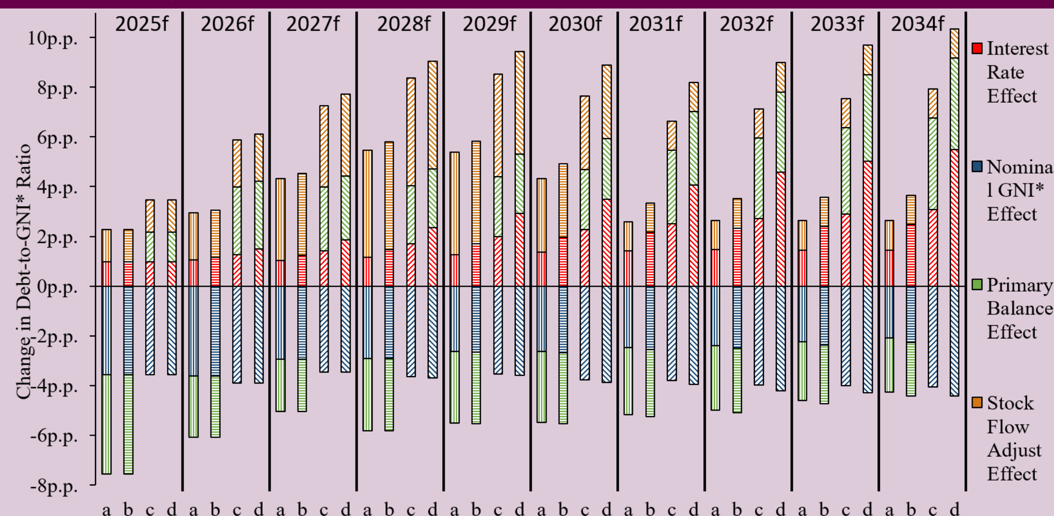
Ireland's various financial assets have increased, including cash and investments via the *FIF & ICNF*, and ISIF. However, these are vulnerable to changes in tax revenue.

5) Stress-test: What If the Windfall Ends or Rates Rise?



The *PBO's DSA Calculator* tested what would happen if windfall CT revenue disappears, interest rates rise to 6.2%, or both. In all cases, Ireland's debt ratio worsens compared to the *Medium-Term Fiscal and Structural Plan*.

6) Debt Dynamics of the Stress-test – The Shock Drivers



As before, (a) is the baseline, while (c) is the CT shock. The interest costs are highest when both CT and interest shocks are modelled (d), then just the interest shock (b), meaning more debt if Ireland faces multiple shocks.

NTMA Data is for September 2025. **Assets from the *NRF* were used to capitalise the *FIF and ICNF* when established in 2024. *** Total asset allocation for *ISIF*, 2025 forecasts unavailable.