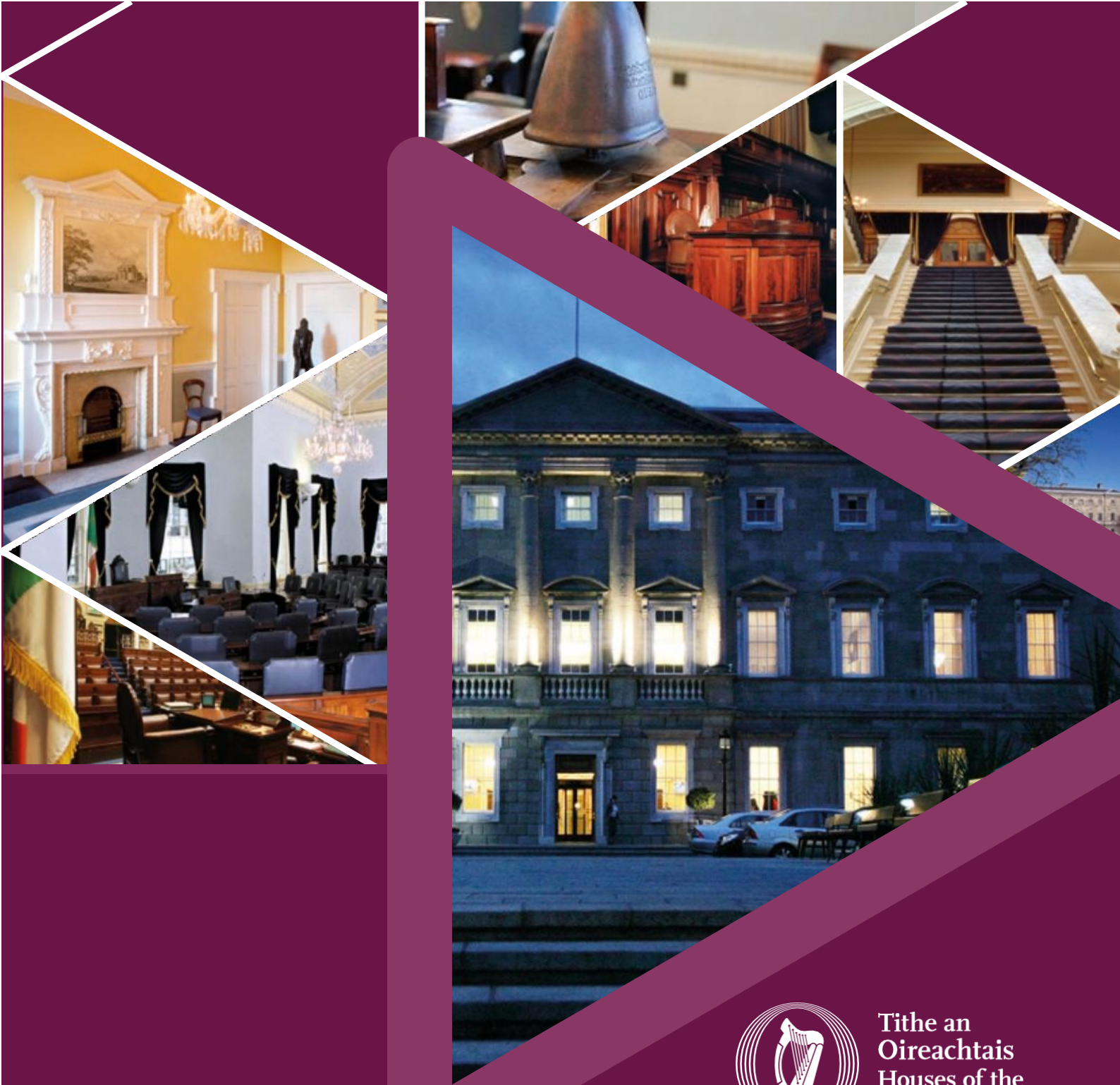




Tithe an
Oireachtais
Houses of the
Oireachtas

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office
Budget 2027 Flash Impact Analysis

Publication 23 of 2026

Séanadh

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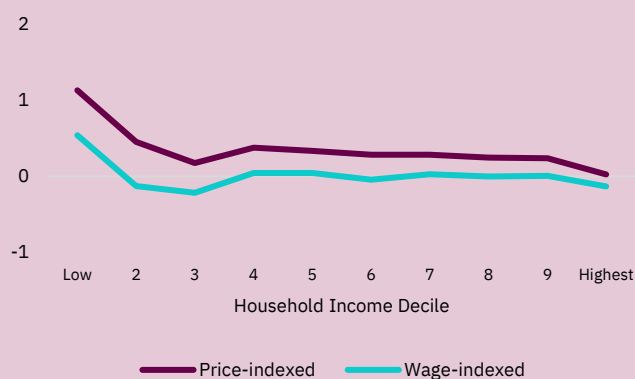
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In Brief

Context: We analyse how tax and welfare policies announced in Budget 2027 affect household incomes. To account for stand-still costs of maintaining living standards in a growing economy, we compare Budget 2027 to baselines in which tax and welfare policies from 2026 are indexed to forecast price inflation and wage growth.

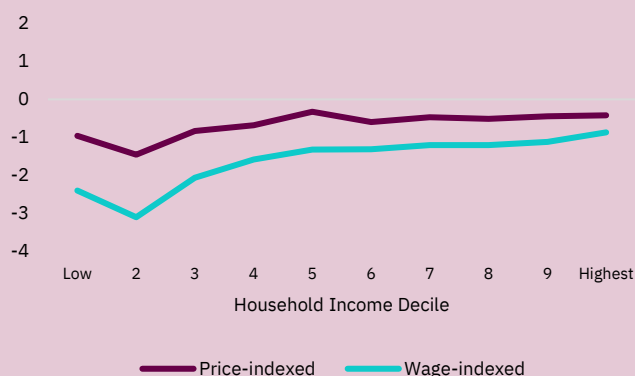
Finding 1: Policies announced in Budget 2027 exceed forecast price inflation and are broadly aligned with forecast wage growth in 2027.

Average % household income change, by income decile



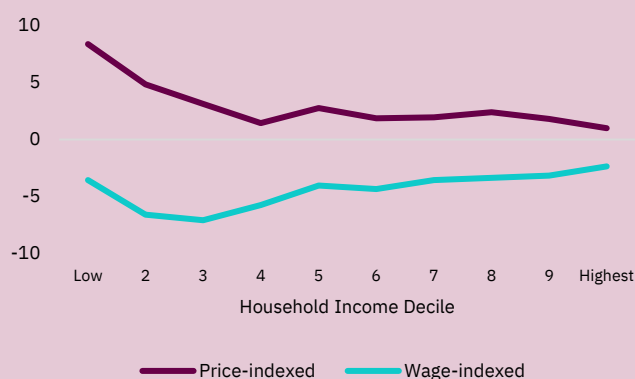
Finding 2: Cumulatively, policy measures announced in Budgets 2026 and 2027 are behind expected price and wage growth through 2026 and 2027.

Average % household income change, by income decile



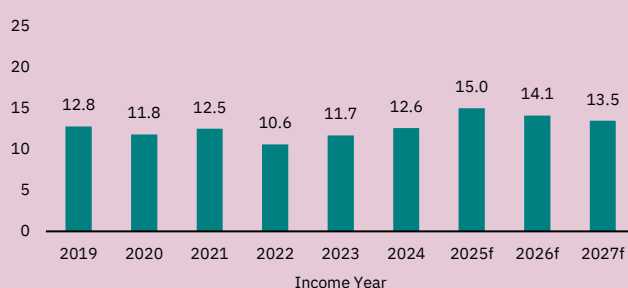
Finding 3: Over the past decade, policy measures introduced in Budgets 2018 to 2027 have outpaced price growth but lagged behind wage growth. The slower growth of tax and welfare parameters relative to wages improves the modelled budgetary position by €5.3 billion in 2027.

Average % household income change, by income decile



Finding 4: Income poverty rates are forecast to increase based on 2025 incomes, with the withdrawal of cost-of-living measures in Budget 2026 contributing to this increase. Other policy measures announced in Budgets 2026 and 2027 are estimated to contribute to a subsequent decline in income poverty rates.

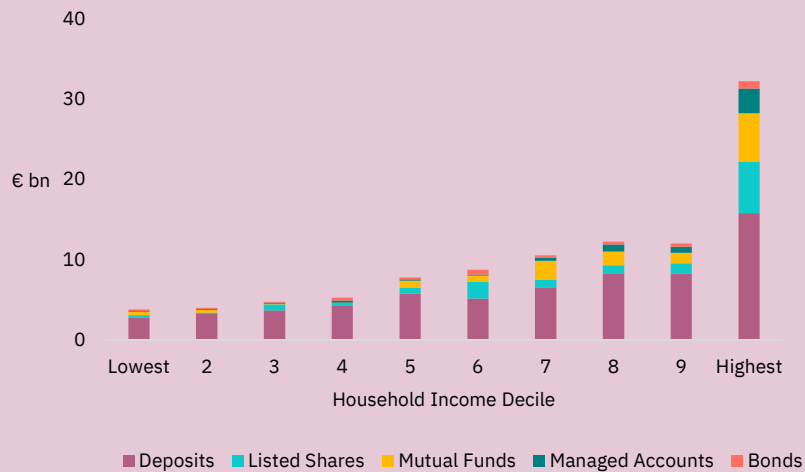
At-risk-of-income poverty rates for the population, %



Finding 5: In Box A, we use household wealth microdata to explore households' potential to invest in the newly announced Investment Accounts. Households across the income distribution hold relatively large deposit balances, some of

which could potentially be redirected towards these accounts. In addition, a substantial share of households are savers and may have scope to make ongoing contributions. Higher-income households have the greatest potential to participate, given their higher levels of wealth and saving.

Total financial assets held by households, by income decile (€ billions)



1. Introduction

In this Note, we estimate how the tax and welfare measures announced as part of Budget 2027 affect households in Ireland, with a particular focus on their distributional impact across low-, middle- and high-income households.

We include further analysis designed to inform discussion of fiscal policy choices. As Budget 2027 is the second Budget of the 34th Dáil, we also estimate the cumulative impact of Budgets 2026 and 2027 on household incomes.

We also provide forecasts of income poverty to 2027, contributing evidence to the assessment of progress against the Government's commitment to reducing poverty and social exclusion, particularly child poverty¹, and the objectives set out in the published Roadmap for Social Inclusion 2026-2030².

We also take a longer-term perspective by comparing how the past decade of annual Budgets has affected household incomes. This analysis provides a broader perspective on how tax and welfare policies have evolved since Budget 2017, particularly given the significant wage and price growth over this period.

To conduct the analysis, we utilise two microsimulation models: the European Commission's EUROMOD³ model for welfare and direct taxation changes, and the Parliamentary Budget Office's **E**xpenditure **V**AT and **E**xcise (EVE)⁴ model for indirect tax policy changes.⁵ EUROMOD uses the 2023 EU Survey of Income and Living Conditions scientific use file as its underlying data set, with market income sources projected to 2027 levels. EVE uses the Household Budget Survey 2022/2023

¹ Department of the Taoiseach, [Programme for Government 2025 - Securing Ireland's Future](#), 2025.

² Department of Social Protection, [Roadmap for Social Inclusion 2026-2030](#), 2026.

³ Sutherland, H., Figari, F., [EUROMOD: The European Union tax-benefit microsimulation model](#), International Journal of Microsimulation; 6(1); 4-26, 2013.

⁴ Regan, M., [The Distributional Effect of Indirect Taxes on Irish Households](#). The Economic and Social Review, 57(1, Spring), 1–24, 2026.

⁵ The results presented here are based on EUROMOD version J1.86+ beta. Originally maintained, developed and managed by the Institute for Social and Economic Research (ISER), since 2021 EUROMOD is maintained, developed and managed by the Joint Research Centre (JRC) of the European Commission, in collaboration with EUROSTAT and national teams from the EU countries. We are indebted to the many people who have contributed to the development of EUROMOD. The results and their interpretation are the authors' responsibility.

Research Microdata File (RMF)⁶ as its underlying data set, with disposable income, inflation and consumption projected to 2027 levels. These models do not account for public service provision. As such, policies in areas such as health, education and infrastructural spending are outside the scope of the analysis. The lack of integrated data on household incomes and public service use makes this type of analysis unfeasible, and is also uncommon internationally. Childcare policies, such as the National Childcare Scheme, are also not included in either model.

The distributional impact of the Budget is a central consideration in post-Budget analysis. This assessment is particularly important in the Irish context, as changes to personal tax and social welfare parameters are made on a discretionary basis, with no automatic indexation in line with economic measures such as inflation or expected wage growth, as is common in other peer countries.

In our analysis, we compare the tax and welfare package announced in Budget 2027, to two indexed baselines. These baselines index the tax and welfare policies of Budget 2026 by forecast price and wage growth for 2027. This allows us to assess how discretionary policy changes compare with a simple, transparent indexation of the tax-benefit system. As such, we index the tax-benefit system in place before Budget Day by 3.1% to account for expected price growth in 2027 and by 3.8% to account for expected wage growth. Forecasts of price and wage growth are taken from the Central Bank of Ireland's Quarterly Bulletin No. 3 2026.⁷ This approach is in line with past analyses undertaken by the PBO⁸ and is consistent with annual assessments of the Budget by the Economic and Social Research Institute⁹.

⁶ Results are based on analysis of strictly controlled Research Microdata Files provided by the Central Statistics Office (CSO). The CSO does not take any responsibility for the views expressed or the outputs generated from this research.

⁷ Central Bank of Ireland, [Quarterly Bulletin No. 3 2026](#), 2026. Forecast HICP inflation is used for price growth while forecast compensation per employee growth is used for wage growth. While compensation per employee is an earnings metric, rather than a wage metric, which is typically expressed per hour, we do not anticipate significant deviations between wage and earnings growth over a one-year forecast horizon.

⁸ See for instance: Parliamentary Budget Office, [Budget 2026 Flash Impact Analysis](#), PBO Publication 28 of 2025, 2025.

⁹ See for instance: Bercholz, M., Doorley, K., Keane, C., Mowlds, C., O'Shea, R., and Simon, A. [Distributional impact of tax and welfare policies: Budget 2026](#), QEC Special Article, 2025.

The analyses of the distributional impact of Budgets in the 34th Dáil, Budgets 2026 and 2027, and of Budgets since 2017, Budget 2018 onward, follow the same methodology, with policy changes assessed relative to indexed baselines that reflect price and wage growth across the relevant time periods.

The publication proceeds as follows: Section 2 focuses on recent Budgets and provides a distributional analysis of the policy changes modelled as part of Budget 2027, alongside the cumulative effects of Budget 2026 and 2027 on household incomes. Section 3 analyses the distributional impact of tax-welfare policies over the past decade by comparing the policies in place following Budget 2027 with those in place following Budget 2017, with adjustments to account for price and wage growth in the interim. Section 4 provides income poverty forecasts based on modelling changes in household disposable income. Section 5 concludes.

2. Distributional analysis of recent Budgets

2.1. Distributional Analysis of Budget 2027

Table 1 sets out the policy measures included in the analysis. The core social welfare rate increase represents the largest expenditure measure by estimated Exchequer cost, at €755 million on a full-year basis. The Budget also introduced a range of other social welfare measures, including a €6 increase in the Child Support Payment, a new €500 Cost of Disability Payment and a €5 increase in the weekly rate of Fuel Allowance.

The principal taxation measure announced in Budget 2027 was the income tax package, which included a €2,500 increase in the standard rate cut-off point, €125 increases in the Personal, Employee and Earned income tax credits, a €100 increase in the Home Carer tax credit, and a €150 increase in the Rent Tax Credit, or €300 for jointly assessed couples. On a full-year basis, these measures have an estimated Exchequer cost of just over €1.5 billion. The analysis also incorporates other tax measures announced in the Budget, including a reduction in the carbon

tax rate applied to natural gas and kerosene to €48.50 per tonne. In addition, the extension of reduced non-carbon excise rates on petrol and diesel is included in the analysis, with the rates being gradually restored during 2027 and fully restored on 30 June 2027.

Overall, EUROMOD and EVE have sufficient analytical capacity to model most Budget 2027 policy measures that directly affect households' disposable incomes and consumption.

Table 1: Budget 2027 policies modelled in the analysis and estimated costs

Policy	Modelled	Cost/ (Yield) (€ million)
Welfare		
€10 per week increase in social welfare rates and proportionate increases for qualified adults	Yes	755
€500 Cost of Disability Payment	Yes	119
Increase the weekly rates of the Child Support Payment by €6	Yes	88
€5 increase in the rate of payment of Fuel Allowance	Yes	66
Increase Working Family Payment thresholds by €30 per week	Yes	48
Increase the Living Alone Allowance by €3 per week	Yes	40
Increase the allowable means within the Fuel Allowance for a single person aged 66 or over from €534 to €640.80	Yes	10
Increase the employment earnings disregards for the One-Parent Family Payment, Jobseeker's Transitional Payment, Disability Allowance and Blind Pension* by €10 per week.	Yes	2
Increase the income disregard for Carer's Allowance by €150 for single households and €300 for two-person households	No	4
Direct Tax		
Increase the income tax standard rate cut-off point by €2,500, the Personal, Employee and Earned Income Tax Credits by €125, and the Home Carer Tax Credit by €100.	Yes	1,480
Increase the ceiling of the 2% USC band by €1,600	Yes	32

Increase Rent Tax Credit by €150 for individuals and €300 for jointly assessed couples	Yes	45
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Pay Related Social Insurance

Previously legislated 0.15 percentage point increase in employee and employer PRSI from 1 October 2027	Yes	N/A
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Indirect Tax

Reduction of carbon tax on natural gas and home heating oil, deferral of other pre-legislated increases	Yes	177
Increase excise duty on a packet of 20 cigarettes by €1, pro-rata adjustment to other tobacco products	Yes	(63.1)
Increase the E-Liquids Products Tax by 20 cents per millilitre	Yes	(24.0)
Extension of reduced non-carbon rates of tax on petrol and diesel, with full restoration by 30 June 2027	Yes	450

Source: Budget 2027 Tax Policy and Budget 2027 Expenditure Report.

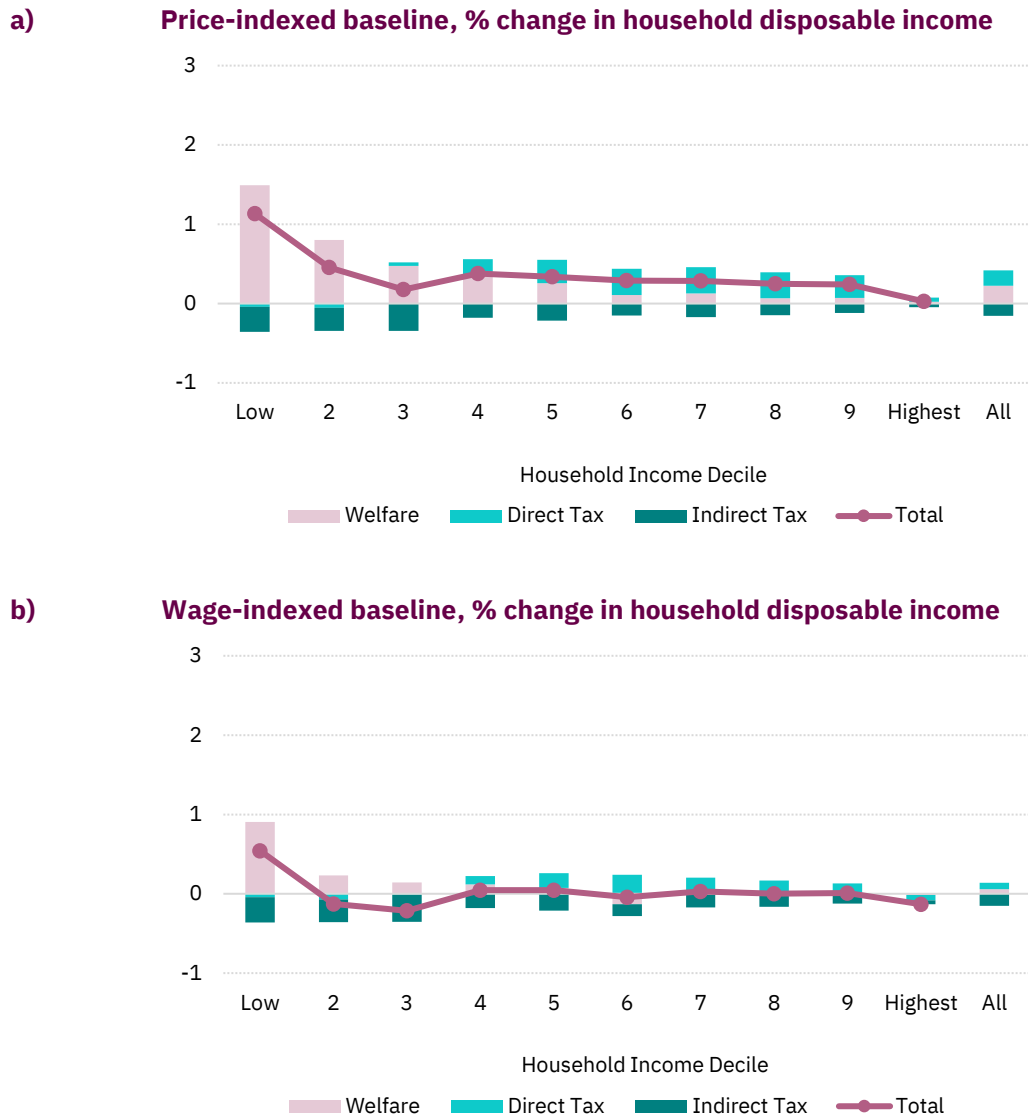
Notes: *Blind Pension is not modelled. Social welfare costs are on a first-year basis. Tax yields\costs are presented on a full-year basis, except for the extension of the reduced non-carbon Mineral Oil Tax rates. The PRSI increase was legislated before Budget 2027 but is included because it takes effect in 2027 and affects the distributional results.

In Figure 1, we display results from modelling how the policies listed in Table 1 affect low, middle and high-income households. We sort households into ten income groups (deciles), ranging from the lowest income ten percent of households to the highest income ten percent of households, after adjusting for household size and composition.¹⁰ Household income in this context refers to household disposable income, comprising market income from sources such as earnings, self-employed income and rental income, less direct taxes and social insurance contributions, plus social welfare entitlements.

¹⁰ Household disposable incomes are equivalised using the OECD-modified scale. With this scale the first adult in the household is assigned a value of 1, all other persons aged 14 or over are assigned a weight of 0.5 and all children younger than 14 are assigned a weight of 0.3.

Figure 1: Income changes from Budget 2026 to Budget 2027, policy effects

Overall package exceeds forecast price indexation and is broadly aligned with forecast wage growth



Source: PBO analysis using EUROMOD and the EVE model.

Notes: EUROMOD is based on the 2023 EU Survey of Income and Living Conditions scientific use file, while EVE is based on the Household Budget Survey 2022/2023 Research Microdata File. The PBO projects household market incomes, inflation and consumption to forecast 2027 levels. Budget 2027 reforms are compared to the Budget 2026 tax-welfare system, with direct taxes and welfare indexed by forecast price growth of 3.1% for 2027 and forecast wage growth of 3.8%. Reforms to the indirect tax system are always compared to Budget 2026 excise rates indexed to price growth.

Income changes from Budget 2027 are plotted relative to two baselines, which index the 2026 tax and welfare parameters by forecast inflation and wages to account for the stand-still costs of maintaining relative living standards in a growing

economy. Figure 1 shows that the policy changes in Budget 2027 have broadly kept pace with both the price and wage-indexed baselines.

On average, household disposable income increases by 0.3% relative to the price-indexed baseline and is unchanged (0.0%) relative to the wage-indexed baseline. Social welfare policies announced as part of Budget 2027 drive average income gains at the bottom of the income distribution, with gains of 1.1% relative to the price-indexed baseline and 0.5% relative to the wage-indexed baseline for households in the lowest income decile.

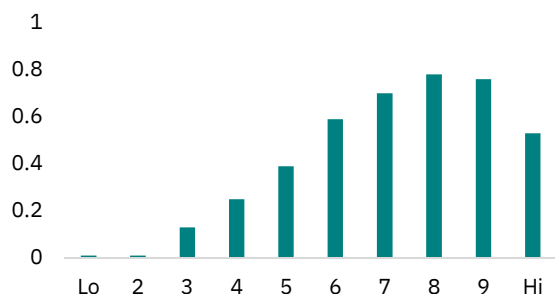
Indirect tax measures taken in Budget 2027 tend to reduce average household incomes, with the unwinding of the reductions in non-carbon excises on petrol and diesel, higher taxation of tobacco products and e-liquids, and the application of a carbon tax rate of €78.50 per tonne on a number of taxable energy sources contributing to this effect.

In Figure 2, we analyse a selection of the key measures for households in Budget 2027 in isolation, and without the effect of indexation. From a tax perspective, the increase in the standard rate tax cut-off points by €2,500 was a major component of Budget 2027. This increase benefits middle- and high-income households, with the largest gains arising for households in the eighth decile, equivalent to an average increase of 0.8% in disposable income. Households in the lower income deciles experience little or no gains, as they have insufficient taxable income to benefit from the increase in standard rate cut-off point. Similarly, the tax credit increases announced in the Budget particularly benefit middle-income households, with households in the fifth-income decile experiencing average income gains equivalent to 0.7% of disposable income.

Figure 2: Effect of selected policy decisions, % change in disposable income by household income decile

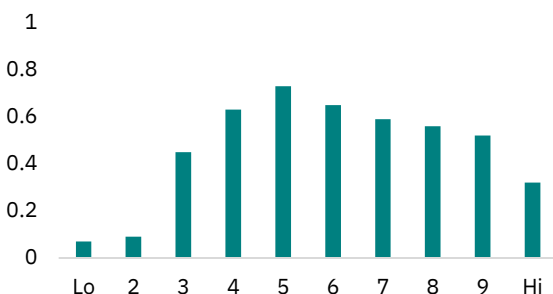
A: Increase in the standard rate cut-off

Largest gains for higher-income households



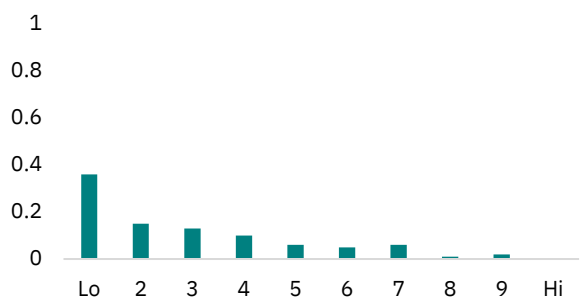
B: Increase in tax credits

Largest gains for middle-income households



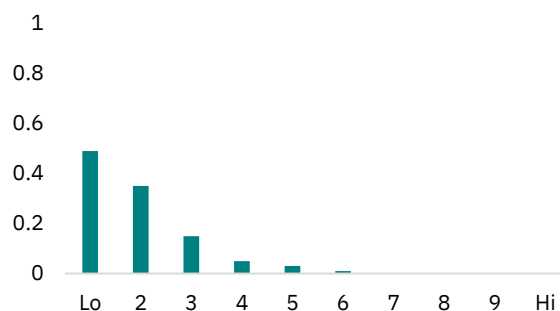
C: Cost of Disability Payment

Beneficial to lower-income households



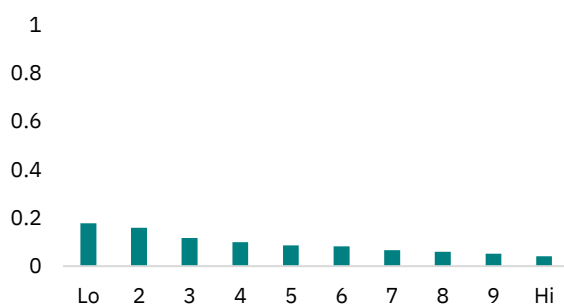
D: €5 increase in Fuel Allowance

Targeted policy, particular benefit to elderly



E: Carbon tax decrease on natural gas and kerosene

Untargeted measure to aid affordability



Source: PBO analysis using EUROMOD and the EVE model.

Notes: EUROMOD is based on the 2023 EU Survey of Income and Living Conditions scientific use file, while EVE is based on the Household Budget Survey 2022/2023 Research Microdata File. The PBO projects household incomes, inflation and consumption to forecast 2027 levels.

Budget 2027 also announced a new Cost of Disability Payment, payable to recipients of specified long-term disability schemes. This policy primarily benefits households in the lower-income deciles, with those in the bottom decile experiencing average income gains of close to 0.4% of disposable income as a result. It is worth highlighting that recipients of various disability-related social welfare schemes have risen consistently over time.¹¹ The policy may have potential to be increasingly costly over the medium-term however, as recipients of disability-related schemes have grown significantly in recent times. For instance, from 2016 to 2025, recipients of Disability Allowance increased by 37%, from 126,203 to 173,124. Overall, for all disability-related schemes¹², recipients (including beneficiaries of the Domiciliary Care Allowance) have increased by 37.6% over the period, from 217,644 to 299,520.

Budget 2027 also increased the weekly rate of Fuel Allowance by €5. This targeted measure primarily benefits lower-income households, particularly eligible pensioner households. It may also help to reduce energy-related deprivation or limit its increase during periods of elevated energy prices.

From an indirect tax perspective, the reduction in carbon tax on kerosene and natural gas has an overall progressive distributional profile and results in a reduction in expenditure on home-heating oil and natural gas equivalent to 0.07% of disposable income, with larger gains of 0.18% in the lowest income decile of households. Over 94% of kerosene is consumed by the household sector¹³, meaning that a large proportion of the Exchequer cost of this component of the reform is likely to benefit households through lower prices, subject to the extent to which the tax reduction is passed through to consumers. In contrast, natural gas

¹¹ See Department of Social Protection, [Statistical Information On Social Welfare Services Annual Report 2025](#)

¹² Schemes referred to here are Disability Allowance, Invalidity Pension, Domiciliary Care Allowance and Blind Pension. Disablement benefit is excluded to avoid double counting as overlaps may occur. A person can be in receipt of other disability related welfare schemes whilst claiming the Disablement Benefit. In 2025 there were 14,216 recipients of the disablement benefit.

¹³ PBO analysis based on SEAI's National Energy Balance for 2024, available at: <https://www.seai.ie/data-and-insights/seai-statistics/key-publications/national-energy-balance>

consumption is less concentrated among households, with approximately 27% of natural gas being consumed by households¹⁴.

While each of these policy measures contributes to household income gains, the gains from the overall budgetary package are smaller when compared to an indexed baseline in Figure 1. This reflects the significant stand-still costs of maintaining living standards in an environment of inflation and real wage growth.

Box A: Savings and financial investments in the household sector

Budget 2027 introduced the new Investment Account. The scheme is aligned with the European Union's Savings and Investments Union, a broader initiative aimed at increasing productive investment across the EU and addressing the financing requirements associated with the implementation of the Draghi Report's recommendations.¹⁵

For households, the scheme also directly speaks to a point raised in the Draghi report regarding the fact that households in the European Union have lower aggregate wealth than households in the United States, despite having comparatively high saving rates. This has been attributed, in part, to lower participation in capital markets and the resulting differences in returns on financial asset holdings.¹⁶

In this Box, we examine the savings and investment products currently held by Irish households using the Household Finance and Consumption Survey (HFCS) Research Microdata File (RMF)¹⁷ 2023. This provides an estimate of the stock of selected financial assets that could, in principle, be partially reallocated into the new investment scheme on a one-off basis. It should not be interpreted as a

¹⁴ Ibid.

¹⁵ For more details see: https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en

¹⁶ Draghi, M. (2024). [The future of European competitiveness: Part A — A competitiveness strategy for Europe](#). European Commission, p63.

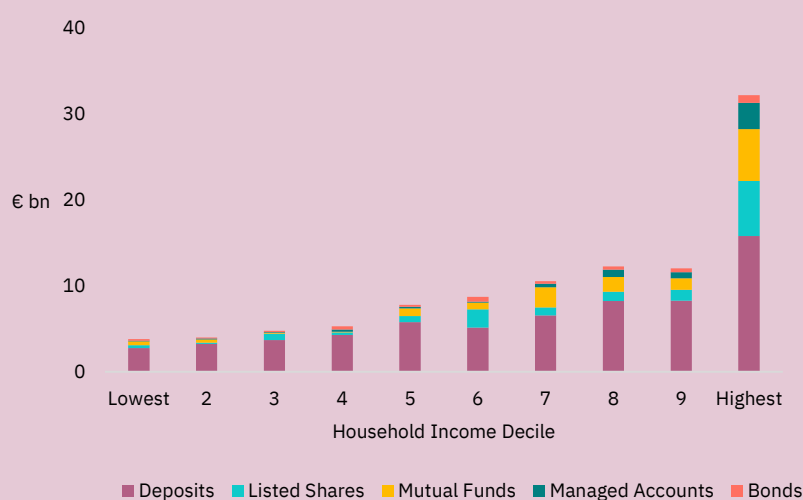
¹⁷ Results are based on analysis of strictly controlled Research Microdata Files provided by the Central Statistics Office (CSO). The CSO does not take any responsibility for the views expressed or the outputs generated from this research.

forecast of inflows into the scheme, as households will need to retain some deposits for transactions, emergencies and other liquidity requirements. In addition, using the PBO's EVE model, we also analyse the savings rate of households across the income distribution, and identify households who may be in a position to invest into the scheme on a regular basis.

In Figure A1, we tabulate the composition of a selection of financial assets held by households across the income distribution using the HFCS 2023. The scale of household deposits are estimated at €63.7 billion, with higher deposit levels observable in the highest income decile (€15.8 billion or 24.8% of all deposits). Other financial assets such as listed shares, bonds, mutual funds and managed accounts total €37.7 billion, a portion of which may be eligible for reallocation within the investment scheme. Again, €16.4 billion or 44% of these assets are held by households in the highest income decile.

Despite the concentration of financial assets at the top of the income distribution, households across the income distribution hold some financial assets that could potentially be reallocated, with €2.8 billion held in deposit accounts by households in the lowest income decile and €5.8 billion in the fifth decile, with deposits generally increasing along the income distribution.

Figure A1: Total financial assets held by households, by income decile



Source: PBO analysis using the HFCS RMF 2023.

As noted by the Central Statistics Office, estimates of savings in the HFCS are lower than those published by the Central Bank of Ireland in their Quarterly Financial Accounts for the household sector, with deposits totalling €176.4 billion¹⁸ reported at the end of July 2026.¹⁹ The deposits figure reported in the Quarterly Financial Accounts classifies households using the European System of Accounts 2010 definition. This means that deposits held by non-profit institutions serving the household sector and small-scale market producers, such as sole traders and partnerships without independent legal status, are included in the aggregate savings figure.²⁰ As such, this deposits figure is unlikely to be representative of the scale of household savings which may flow into the new investment accounts, with a portion of these deposits likely dedicated to business liquidity purposes. Differences between the estimates may also reflect sampling, non-response and reporting limitations in the HFCS, due to it being a household survey.

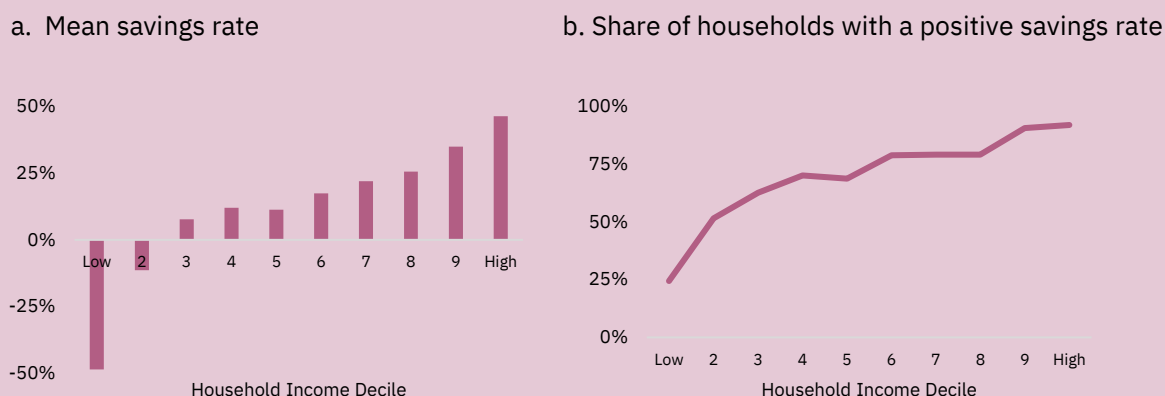
In Figure A2, we calculate the average savings rate across the household income distribution. Decile-level savings are calculated as decile-level mean disposable income less decile-level mean expenditure, with the savings rate then calculated by dividing by decile-level mean income.²¹

¹⁸ See: [Table A.1 Summary Irish Private Sector Credit and Deposits](#)

¹⁹ See: [Standard SIMS Report: Household Finance and Consumption Survey \(HFCS\)](#)

²⁰ See: [Money and Banking Statistics Explanatory Notes](#)

²¹ An alternative way to calculate these statistics is by averaging all individual-level savings rates across each income decile. This method is prone to skewing by outliers, particularly for households with high dissaving patterns.

Figure A2: Saving patterns of households, by income decile

Source: PBO analysis using EVE model with HBS RMF 2022/2023.

The analysis indicates that households save, on average, 23.0% of their disposable income.²² The savings rate increases along the income distribution, ranging from -48.6% for households in the lowest income decile, to 11.3% for those in the fifth decile and rising to 46.4% for households in the highest income decile. While strong dissaving patterns are evident in the lowest income decile, with expenditure exceeding income on average, our analysis also finds that 24.4% of households in the lowest income decile have a positive savings rate and could be classified as savers. This is lower than the national average, with 69.7% of households being savers. In the higher income deciles, over 90% of households are savers. Among households in middle income deciles (fourth to seventh deciles), over 70% of households are savers. This suggests that the potential participant base is not confined to the highest income households, although the amounts available for regular investment are likely to be greater towards the top of the income distribution.

Overall, our analysis highlights that there is a sizeable stock of deposits and other financial assets that could, in principle, support participation in the new investment accounts. However, the estimates do not represent a forecast of the

²² Savings estimates calculated in the EVE model are not directly comparable with National Accounts measures. EVE records pension contributions and mortgage repayments (capital and interest) as household expenditures, leading to differences. The EVE model also makes additional adjustments for under-reporting of alcohol and tobacco products by households.

amount of capital that will flow into the scheme. Actual inflows will depend on the final scheme details, households' liquidity needs and risk preferences, provider charges and the extent to which contributions represent transfers from existing investments rather than new saving.

Our analysis also finds that many households also have positive estimated savings rates, based on their reported income and expenditure patterns, and may be in a position to contribute to the scheme on a regular basis. However, the ability to engage with the scheme will be tilted towards higher income households, who have both higher financial wealth to potentially re-allocate and higher savings rates.

2.2. Distributional Analysis of Budgets in the 34th Dáil

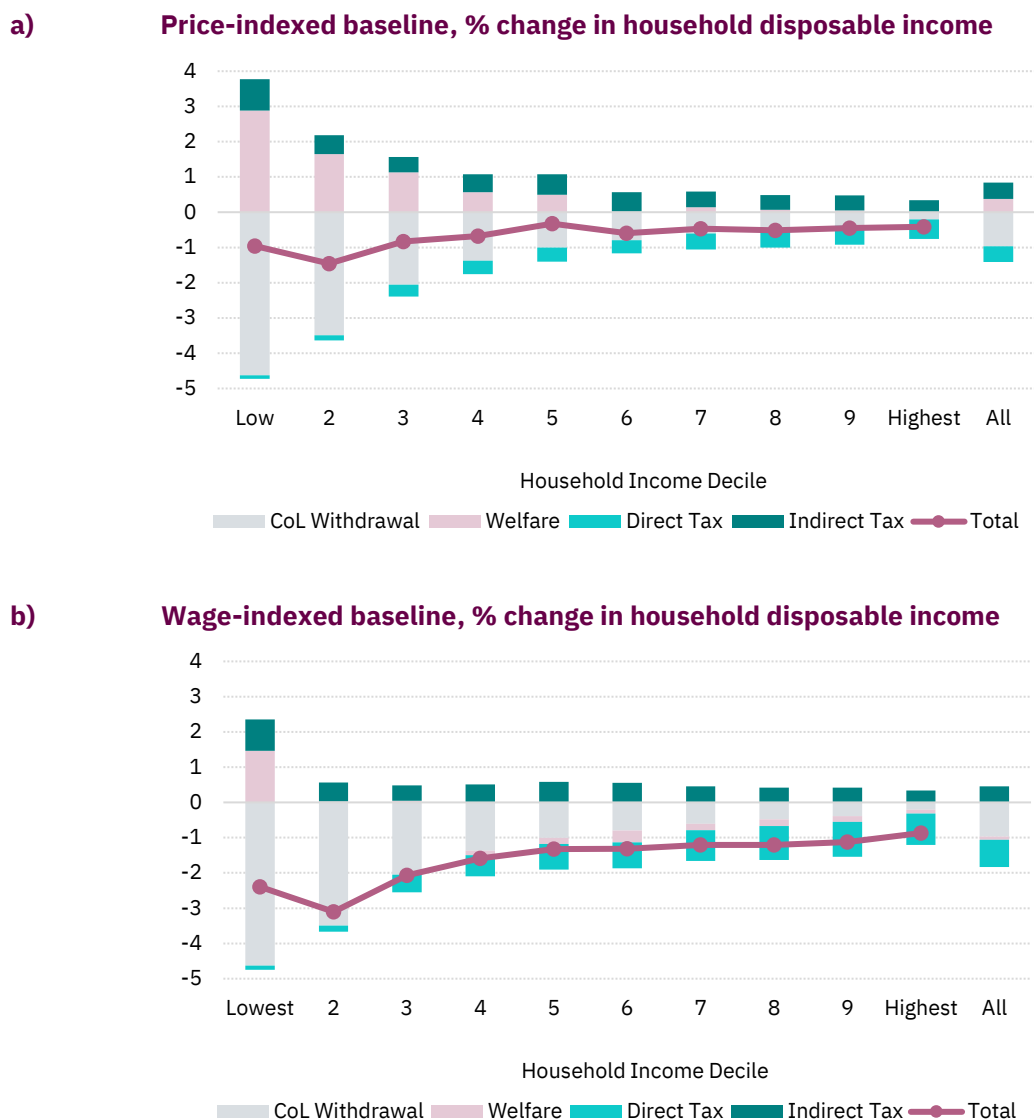
In this section, we present the distributional analysis of Budgets presented to the 34th Dáil. This entails analysing the cumulative effect of policies enacted as part of Budget 2026 and Budget 2027. Direct tax, indirect tax and social welfare changes enacted in both Budgets are compared to price- and wage-indexed baselines based on the Budget 2025 package, with indexation of 6.6% applied for forecast price growth and 8.7% for forecast wage growth, based on the Central Bank of Ireland's Quarterly Bulletin No. 3 2026.²³ For a list of policy measures taken in Budget 2026, readers are referred to the PBO's Budget 2026 Flash Impact Analysis²⁴. Results are shown in Figure 3.

²³ Central Bank of Ireland, [Quarterly Bulletin No. 3 2026](#), 2026. HICP inflation forecasts of 3.4% for 2026 and 3.1% for 2027. Compensation per employee growth forecasts of 4.7% in 2026 and 3.8% in 2027.

²⁴ Parliamentary Budget Office, (2025). [Budget 2026 Flash Impact Analysis](#). PBO Publication 28 of 2025.

Figure 3: Income changes from Budget 2025 to Budget 2027, policy effects

Withdrawal of temporary cost-of-living measures and higher inflation weigh on incomes



Source: PBO analysis using EUROMOD and the EVE model.

Notes: EUROMOD is based on the 2023 EU Survey of Income and Living Conditions scientific use file, while EVE is based on the Household Budget Survey 2022/2023 Research Microdata File. The PBO projects household market incomes, inflation and consumption to forecast 2027 levels. Budget 2026 and 2027 reforms are compared to the Budget 2025 tax-welfare system, with direct taxes and welfare indexed by forecast price growth of 6.6% and forecast wage growth of 8.7%. Reforms to the indirect tax system are always compared to Budget 2025 excise rates indexed to price growth.

Our analysis last year highlighted average income losses across the household income distribution, with the largest losses at the bottom of the income

distribution.²⁵ These effects were primarily driven by the complete withdrawal of temporary cost-of-living income supports, which particularly impacted low-income households. Higher income households were also negatively affected by the withdrawal of these measures, but to a lesser extent, and experienced income losses relative to the indexed baselines due to the freeze in income tax bands and credits, which increases average tax rates when earnings continue to grow.

Overall, policies enacted in Budgets 2026 and 2027 have decreased household incomes relative to the price- and wage-indexed baselines. On average, household disposable incomes decrease by 0.6% relative to a price-indexed baseline and 1.4% relative to a wage-indexed baseline. Larger disposable income losses are evident for lower-income households, with the lowest income decile worse off by 1.0% compared to a price-indexed baseline and 2.4% relative to a wage-indexed baseline. Direct tax policies, driven by the tax band and credit freeze in Budget 2026, contribute to average disposable income losses for middle- and high-income households, with the highest ten per cent of households worse off by 0.4% compared to a price-indexed baseline and 0.9% compared to a wage-indexed baseline. In contrast, indirect tax policy measures, particularly the reduction in effective excise rates on petrol and diesel since 2025, contribute positively to household incomes over the period, offsetting other measures such as increases in the carbon tax and excise duties on tobacco products and e-liquids.

Overall, the upward revision to the inflation forecast for 2026 has affected household finances. As such, the income gains from measures such as social welfare rate increases announced as part of Budget 2026 have been partially eroded. The withdrawal of a combination of temporary means-tested and universal cost-of-living payments in Budget 2026 added further downward pressure on household incomes relative to policies in place before the first sitting of the 34th Dáil.

²⁵ Ibid.

While the economy is forecast to perform well through 2026 and 2027²⁶, with unemployment remaining relatively low at approximately 5 per cent²⁷, the reduction in household incomes relative to the indexed baselines attributable to the policy changes modelled in this analysis may be offset by growth in market incomes. Consequently, the policy effects should not be interpreted as a forecast of the overall change in household incomes.

3. Distributional Analysis of a Decade of Budgets

To provide wider context on the distributional impact of budgetary policy, we examine the effect of policy changes enacted from Budget 2017 to Budget 2027. Providing a longer-term perspective on policy changes on direct and indirect tax alongside developments in social welfare policy allows these discretionary policy choices to be compared against price- and wage-indexed versions of the 2017 budgetary package. This longer-term examination is particularly important given the sustained strong performance of the Irish labour market over the period, which has contributed to high earnings growth, alongside a series of external economic shocks, which have led to significant growth in the price level over the past decade.

To carry out the analysis, we index the Budget 2017 direct tax and social welfare parameters by outturn inflation and hourly wage growth from 2017 to 2025, and use the forecast price and wage growth for 2026 and 2027, as set out in Section 2. As before, excise duties in the indirect tax system are indexed by price growth only. Cumulative inflation over the ten-year period is estimated at 29.8%, while wage growth is estimated at 50.3%. As before, the analysis is carried out using EUROMOD for direct tax and welfare reforms, while the EVE model is used for indirect tax reforms. The tax and welfare parameters prevailing in 2027 are analysed relative to the indexed Budget 2017 parameters, with the underlying data

²⁶ Modified domestic demand is forecast to grow by 3.8% in 2026 and 3.4% in 2027 by the Central Bank of Ireland. See: Central Bank of Ireland, [Quarterly Bulletin No. 3 2026](#), 2026.

²⁷ The national unemployment rate is forecast at 5.1% in both 2026 and 2027, a slight rise from 4.7% in 2025, See: Central Bank of Ireland, [Quarterly Bulletin No. 3 2026](#), 2026.

unchanged. As such, the analysis compares household incomes under the 2027 tax-welfare system with what they would have been had direct tax and welfare parameters been indexed to inflation or wage growth and excise duties to inflation since 2017. We sort households into ten evenly sized groups, or deciles, based on equivalised disposable income and present average effects across deciles.

Results from the exercise are shown in Figure 4. The results indicate that discretionary choices around tax and welfare policy result in household income gains beyond those that would have arisen under a Budget 2017 tax-welfare system indexed to price inflation. Average household incomes are 2.3% higher than under this baseline. Larger average income increases, driven by social welfare policies, are evident for households in lower-income deciles, with average incomes 8.4% higher for those in the lowest income decile. Average incomes for middle-income households, those in the fifth decile, are 2.8% higher than under the price-indexed baseline, while average incomes are 1.0% higher for households in the highest income decile.

By contrast, average income losses are evident when discretionary tax-welfare measures over the decade are compared with the wage-indexed baseline. Average income losses are evident across all deciles, amounting to 3.9% when averaged across all households, with losses of 3.6% in the lowest income decile and 2.4% in the highest income decile. Income losses relative to this baseline reflect lower social welfare income for lower-income households, while higher direct tax liabilities have the largest bearing on income losses for middle- and high-income households.

Figure 4: Income changes from Budget 2017 to Budget 2027, policy effects

Policy changes outperform price indexation but lag behind wage growth



Source: PBO analysis using EUROMOD and the EVE model.

Notes: EUROMOD is based on the 2023 EU Survey of Income and Living Conditions scientific use file, while EVE is based on the Household Budget Survey 2022/2023 Research Microdata File. The PBO projects household market incomes, inflation and consumption to forecast 2027 levels. Reforms from Budget 2018 to Budget 2027 (inclusive) are compared to the Budget 2017 tax-welfare system, with direct taxes and welfare indexed by estimated price growth of 29.8% or estimated wage growth of 50.3%. Reforms to the indirect tax system are always compared to Budget 2017 excise rates indexed to price growth.

These findings are consistent with those from Callan et al., (2017)²⁸ who found that Budget 2018 resulted in lower household incomes than under a wage-indexed

²⁸ Callan, T., Bercholz, M., Doorley, K., Keane, C., Regan, M., Savage, M., and Walsh, J., "[Distributional Impact of Tax and Welfare Policies: Budget 2018](#)", QEC Special Article, Dublin: ESRI, 2017.

baseline. A similar finding was reported by Roantree et al., (2018²⁹) in the case of Budget 2019. Bercholz et al., (2025)³⁰ also find that budgetary policy from Budget 2020 to Budget 2026 led to small average income losses compared to both a price- or wage-indexed baseline, with average income gains for the lowest income decile, driven by social welfare policy reforms. The expanded timeframe of our analysis incorporates high wage growth from 2017 to 2020, of 11.5%, alongside social welfare personal rate freezes in Budget 2020, which erode income gains at the bottom of the income distribution relative to Bercholz et al., (2025).

The public finances have, however, benefitted from tax and welfare policies (on aggregate) lagging behind wage growth over the ten-year horizon. Compared to this counterfactual, tax receipts across direct taxes are €1.5 billion higher on a full-year basis in 2027, while social welfare expenditure is €3.8 billion lower. Overall, this leads to a €5.3 billion improvement in the budgetary position, on a full-year basis, in 2027, as a result of discretionary tax and welfare policy choices lagging behind wage growth developments.

²⁹ Roantree, B., Bercholz, M., Doorley, K., Keane, C., and Regan, M., "[Budget 2019: tax and welfare changes](#)", QEC Special Article, Dublin: ESRI, 2018.

³⁰ Bercholz, M., Doorley, K., Keane, C., Mowlds, C., O'Shea, R., and Simon, A., "[Distributional impact of tax and welfare policies: Budget 2026](#)", QEC Special Article, Dublin: ESRI, 2025.

4. Income Poverty Forecasts

The Roadmap for Social Inclusion 2026-2030³¹ sets out a range of Government objectives relating to poverty and social exclusion up to 2030. The document includes targets for 25 statistical indicators across areas including household income, poverty, inequality, employment, education and health. Developing the capacity to monitor progress and identify appropriate policy responses is therefore important.

To this end, we estimate how income poverty, measured by the at-risk-of-poverty rate, may evolve following changes in budgetary policy since 2025. The at-risk-of-poverty rate is calculated as the percentage of people whose equivalised disposable household income is below 60% of the national median equivalised disposable household income. Using EUROMOD, we model how budgetary policy changes may affect the trajectory of income poverty. Our approach is broadly comparable to that used in Eurostat’s flash estimates of income poverty and inequality³². Eurostat also model transitions between employment states to capture the effects of labour market changes on inequality and poverty. Our methodology holds the labour market status of households in the underlying data set fixed.

We model income poverty rates by calculating calendar year incomes for 2024, 2025, 2026 and 2027 in EUROMOD. The 2023 EU-SILC scientific use file provides the base data for EUROMOD, while its uprating routines³³ are used to project market incomes for each calendar year. We ensure that cost-of-living measures announced in Budgets 2024 and 2025 are assigned to the relevant calendar year in which the payments were made. We then calculate the change in income poverty rates across calendar years in EUROMOD for 2025, 2026 and 2027.

³¹ Department of Social Protection, [Roadmap for Social Inclusion 2026-2030](#), 2026.

³² Leulescu, A., di Guglielmo, A., and Agafite, M., “[Flash estimates of income inequalities and poverty indicators for 2025 \(FE2025\)](#)”, Eurostat, 2026.

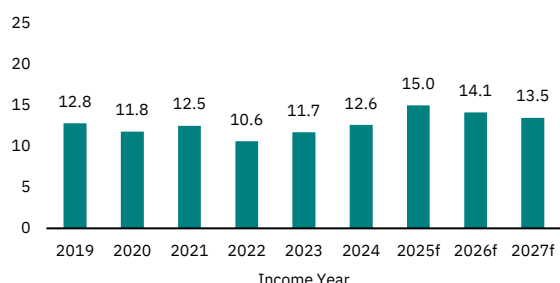
³³ The national equivalence scale is also applied in calculating income poverty rates in EUROMOD for consistency with the national definition of poverty.

The latest income poverty statistics available from the Central Statistics Office are from SILC 2025³⁴, which is based on calendar year incomes for 2024. The modelled trajectory of changes in income poverty rates from EUROMOD for calendar year incomes in 2025, 2026 and 2027 is then applied to the SILC 2025 income poverty rate, which represents calendar year incomes in 2024. Results are shown in Figure 5.

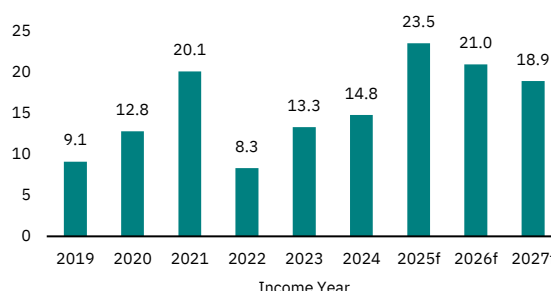
Figure 5: At-risk-of income poverty rates, outturn and forecasts

Withdrawal of temporary measures contribute to a projected rise in poverty rates for 2025 incomes

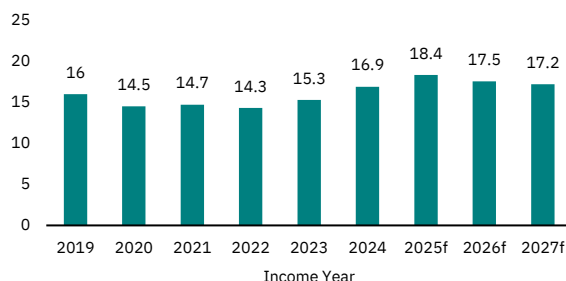
a. Population



b. Elderly (>65 years old)



c. Children (<18 years old)



Source: Central Statistics Office and PBO analysis using EUROMOD.

Notes: EUROMOD is based on the 2023 EU Survey of Income and Living Conditions scientific use file. Predefined settings in EUROMOD project household market incomes to 2024 and 2025. The PBO then projects household market incomes, inflation and consumption to forecast 2026 and 2027 levels. The x-axis denotes the income year, which precedes the SILC survey year by one year. Forecasts are for income years 2025 to 2027.

³⁴ National at-risk-of income poverty rates are available from the Central Statistics website: <https://data.cso.ie/table/SIA60> and for age cohorts: <https://data.cso.ie/table/SIA61>.

The estimates point to a rise in income poverty based on calendar-year incomes for 2025, to which the withdrawal of cost-of-living measures in Budget 2026 contributes. For the population, income poverty rises from 12.6%, based on 2024 incomes, to 15.0% based on 2025 incomes, before moderating to 14.1% based on 2026 incomes and 13.5% based on 2027 incomes. Smaller increases, based on 2025 incomes are evident for children, with the rate rising from 16.9% based on 2024 incomes to 18.4%³⁵. A large increase based on 2025 incomes is forecast for people aged 65 years and over, with the rate rising from 14.8% based on 2024 incomes to 23.5%. State pensioners tend to have equivalised incomes quite close to the poverty line, which makes the estimated poverty rate for this group relatively volatile and difficult to forecast. Other policy measures announced as part of Budget 2026, such as welfare rates increases, take effect during the calendar year 2026, and are estimated to contribute to a decrease in poverty rates. Poverty rates for 2027 are forecast to decline slightly from 2026, attributable to a number of targeted social welfare policy measures in Budget 2027.

The relative at-risk-of-poverty rate does not always provide a clear account of how the living standards of lower-income households evolve over time. Each year, the income poverty line, which is a percentage of median equivalised household income, changes. As such, year-on-year fluctuations in the income poverty line, may affect the at-risk-of-income poverty rates, even if the living standards of low-income households may be improving.

In Figure 6, we attempt to address this issue by standardising the poverty line. The poverty line is calculated based on incomes in 2019, and its value is increased by HICP inflation for all years from 2020 to 2027. This approach holds the poverty line fixed in real terms, and as noted by Layte et al., (2001)³⁶ can help to give a more rounded picture of income poverty over time. These modified at-risk-of-income poverty results highlight a decline in income poverty for income years 2019 to

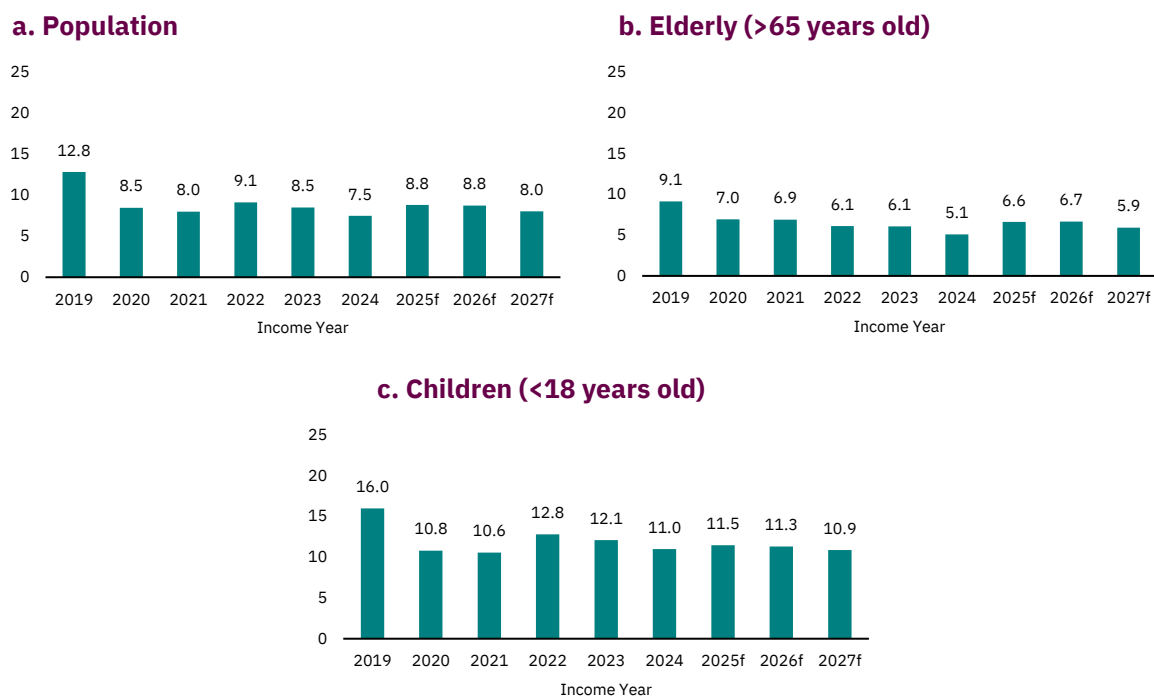
³⁵ Changes in childcare policies are not analysed, and these may affect the estimates.

³⁶ Layte, R., Nolan, B., and Whelan, C. T., "[Reassessing Income and Deprivation Approaches to the Measurement of Poverty in the Republic of Ireland](#)", The Economic and Social Review, 32(3, October), 239-261, 2001.

2027, with the rate falling from 12.8% to 8.0% for the population, from 9.1% to 5.9% for the elderly and from 16.0% to 10.9% for children.

Figure 6: At-risk-of income poverty rates using a 2019 price-indexed poverty line

Modified definition highlights a downward trend, with high inflation associated with slower progress



Source: PBO analysis using EUROMOD and SILC RMFs 2020 to 2025.

Notes: EUROMOD is based on the 2023 EU Survey of Income and Living Conditions scientific use file. Predefined settings in EUROMOD project household market incomes to 2024 and 2025. The PBO then projects household market incomes, inflation and consumption to forecast 2026 and 2027 levels. The x-axis denotes the income year, which precedes the SILC survey year by one year. The poverty line is calculated for 2019 incomes and increased by inflation for subsequent income years.

With this approach, the relationship between high inflation and poverty also becomes more evident. In 2022, with HICP-inflation of 8.1%, the modified at-risk-of-income poverty rate increased for the population by 1.1 percentage points and for children by 2.3 percentage points, while a decrease of 0.8 percentage points was evident for people aged 65 years and over. The increase associated with the withdrawal of cost-of-living measures in Budget 2026 is also evident, with increases in the modified at-risk-of-income poverty rate for the population of 1.3 percentage points, children of 0.5 percentage points and people aged 65 years and over of 1.5 percentage points in 2025. Despite upward revisions to inflation

forecasts for 2026 and 2027, these modified income poverty rates tend to stabilise in 2026 and then decrease in 2027 due to policies announced in Budget 2027.

Overall, the results highlight how inflation can affect progress towards poverty and social exclusion goals. HICP-inflation of 8.1% in 2022³⁷ coincides with a rise in at-risk-of-income poverty using the 2019 poverty line adjusted for inflation. Significant temporary cost-of-living measures introduced from 2022 to 2024 aimed to maintain households' purchasing power and coincided with relatively stable headline at-risk-of-income poverty rates over this period. Their eventual withdrawal in 2025, with the announcement of Budget 2026, is forecast to contribute to increases in income poverty under both the headline at-risk-of-income poverty measure and the inflation-adjusted poverty line analysed. Other policy measures announced in Budgets 2026 and 2027 broadly keep pace with inflation and are forecast to contribute to a decrease in income poverty through 2026 and 2027. The Central Statistics Office's SILC 2026 results will provide evidence on how income poverty evolved for calendar-year incomes in 2025.

Box B below builds on this income poverty analysis and considers how deprivation – another measure of social exclusion – has evolved across ten waves of the SILC survey. Particular attention is given to energy-related deprivation, given that recent periods of inflation have been driven partly by energy price growth.

³⁷ See: <https://data.cso.ie/table/CPA09>

Box B: Changes in enforced deprivation and energy-specific deprivation items, 2015 to 2025

In this Box, we analyse changes in deprivation rates and two energy-specific deprivation items in Ireland using the Survey of Income and Living Conditions (SILC) Research Microdata File³⁸ (RMF) 2015, 2020 and 2025 data sets. Persons are classified as experiencing enforced deprivation where they live in a household that experiences two or more of the 11 deprivation items because the household cannot afford them.³⁹ We analyse the change over time in the following:

- a. the share of individuals who went without heating at some stage in the previous year;
- b. the share of individuals who live in households that are unable to afford to keep their home adequately warm; and
- c. the share of individuals experiencing enforced deprivation.

We calculate the two energy-related deprivation rates, items a and b, and the enforced deprivation rate, item c, across the household income distribution. We sort individuals into equivalised household disposable-income quintiles, ranging from the lowest income 20% to the highest income 20%. Results are displayed in Figure B1.

³⁸ Results are based on analysis of strictly controlled Research Microdata Files provided by the Central Statistics Office (CSO). The CSO does not take any responsibility for the views expressed or the outputs generated from this research.

³⁹ 11 deprivation items are included in SILC. The deprivation indicators in SILC are as follows:

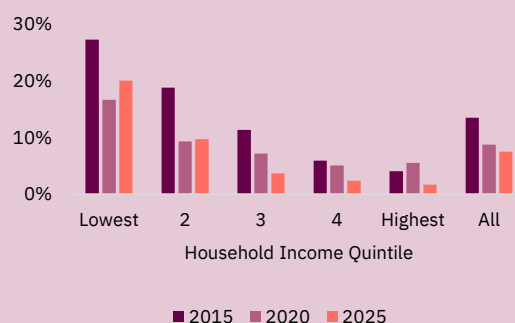
1. Without heating at some stage in the last year;
2. Unable to afford a morning, afternoon, or evening out in last fortnight;
3. Unable to afford two pairs of properly fitting shoes in good condition that are suitable for daily activities;
4. Unable to afford a roast once a week;
5. Unable to afford a meal with meat, chicken, fish, or vegetarian equivalent every second day;
6. Unable to afford new (not second-hand) clothes;
7. Unable to afford a warm waterproof coat;
8. Unable to afford to keep the home adequately warm;
9. Unable to afford to replace any worn out furniture;
10. Unable to afford to have family or friends for a drink or a meal once a month;
11. Unable to afford to buy presents for family or friends at least once a year.

Households who are deprived across two or more items are classified as living in enforced deprivation.

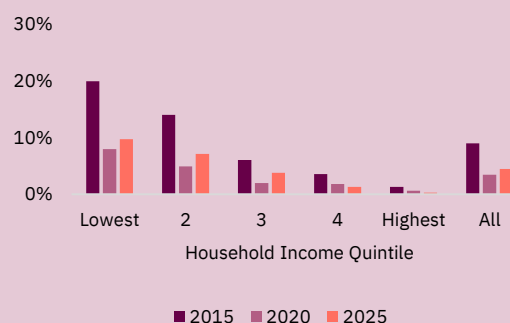
Overall, the estimates indicate a longer-run reduction in enforced deprivation and energy-related deprivation between 2015 and 2025. Between 2020 and 2025, however, individuals in low- and lower-middle-income households have experienced an increase in energy-related deprivation and enforced deprivation. Individuals in higher income households experience lower rates of energy-related and enforced deprivation, with these rates declining over both the long term (2015 to 2025) and the more recent period (2020 to 2025).

Figure B1: Deprivation rates by household income quintile

a. Without heating at some stage last year



b. Unable to afford to keep home warm



c. Enforced deprivation



Source: PBO analysis using the SILC RMF 2015, 2020 and 2025.

Notes: Methodological changes introduced in SILC 2020 created a break in the time series. Comparisons between 2015 and the later years should therefore be interpreted with caution. Comparisons between 2020 and 2025 are made within the current SILC series and are more directly comparable.

For individuals living in the lowest income quintile, the SILC 2025 estimates indicate that 33.4% lived in enforced deprivation, compared with 32.8% in 2020 and 50.7% in 2015. In addition, 20.1% went without heating at some stage in the previous year, compared with 16.7% in 2020 and 27.3% in 2015, while 9.7% lived in a home that the household could not afford to keep adequately warm compared with 8.0% in 2020 and 20.0% in 2015.

The point estimates for individuals in the second income quintile show a similar overall pattern. Enforced deprivation stood at 24.5%, compared with 19.5% in 2020 and 36.5% in 2015, A further 9.7% went without heating at some stage in the previous year, compared to 9.4% in 2020 and 18.9% in 2015, while 7.2% lived in a home which the household could not afford to keep adequately warm, compared to 5.0% in 2020 and 14.0% in 2015.

While there has been a decrease in enforced deprivation and energy-related deprivation from 2015 to 2025, the short-run increase in these metrics among low-income and lower-middle-income households between 2020 and 2025 highlights the financial vulnerabilities of lower-income households during inflationary periods, as noted in Roantree et al. (2024)⁴⁰.

Overall, deprivation remains concentrated among lower-income households, with implications for Programme for Government objectives on child poverty and social exclusion. Budget 2026 combined the withdrawal of temporary supports with increases in core and targeted welfare payments. Its effects on deprivation may emerge in SILC 2026, while the income effects of measures introduced in 2026 will be more fully reflected in SILC 2027. Outcomes will also depend on inflation, energy and housing costs, and labour-market conditions.

⁴⁰ Roantree, B., Maître, B., and Russell, H., [Poverty, Income Inequality and Living Standards in Ireland: Fourth Annual Report](#), Jointly-published Reports 7, Dublin: ESRI and Community Foundation Ireland, 2024.

5. Conclusion

Our analysis of Budget 2027 has considered how announcements in the Budget compare with pre-existing policy indexed to forecast price inflation and wage growth in 2027. We find that policy changes in Budget 2027 have broadly kept pace with both the price and wage-indexed baselines. Gains from the income tax package largely benefit middle-income households, while social welfare policies announced as part of Budget 2027 drive average income gains at the bottom of the income distribution.

Indirect tax measures taken in Budget 2027 tend to reduce average household incomes, with the unwinding of reductions in non-carbon excise rates on petrol and diesel, higher taxation of tobacco products and e-liquids, and the application of a carbon tax rate of €78.50 per tonne to certain taxable energy sources contributing to this effect.

We also considered the distributional impact of Budgets presented to the 34th Dáil. Overall, the policies enacted in Budgets 2026 and 2027 have decreased household incomes relative to the price- and wage-indexed baselines, with larger disposable income losses evident for lower-income households

When looking back over the last 10 years, our analysis finds that discretionary choices in tax and welfare policy have resulted in household income gains beyond those that would have arisen under a Budget 2017 tax-welfare system indexed to price inflation, particularly among lower income deciles, where income gains are driven by social welfare rate increases. However, average income losses are evident when discretionary tax and welfare measures over the decade are compared to the wage-indexed baseline. Average income losses are evident across all deciles and are driven by lower social welfare income for lower-income households, while higher direct tax liabilities have the largest bearing on income losses for middle- and high-income households.

Our analysis of forecast income poverty rates highlights the effects that price and earnings growth may have on the Government's objectives for reducing poverty and social exclusion.

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