Economic and Fiscal

Outlook

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ECONOMIC AND FISCAL OUTLOOK

As part of the new European Semester, the Irish Stability Programme Update will be submitted to the EU Commission in April of next year. It will review economic and fiscal developments in the opening months of 2011, and outline the main fiscal policies to be pursued for 2012 and later years.

The material below provides an update of the economic and fiscal outlook informing this Budget.

1. ECONOMIC DEVELOPMENTS AND OUTLOOK

1(a) – Economic developments in 2010

Available data point towards a stabilisation in the level of economic activity this year, following two successive years in which output fell sharply. The exporting sector has led the way, increasing by over 6% this year underpinned by a strengthening of external demand and, encouragingly, significant improvements in Ireland's competitiveness. The latter reflects adjustments in both prices and costs – the Harmonised Index of Consumer Prices (HICP) in Ireland is projected to decline by 1.5% this year (compared with an increase of 1.5% in the euro area as a whole), while earnings data confirm that hourly wages fell on an annual basis during the first half of this year.

Domestic demand, on the other hand, continues to lag behind, as imbalances built up earlier in the cycle are corrected. Personal consumption is expected to contract by about 1.3% this year, with falling income levels clearly a contributing factor. In addition, the need to undertake significant balance sheet repair together with uncertainty surrounding future income levels have prompted households to ramp up their savings rates, which is also weighing on consumption. Investment looks set to contract by over one-fifth this year due, in no small part, to the ongoing decline in housing output.

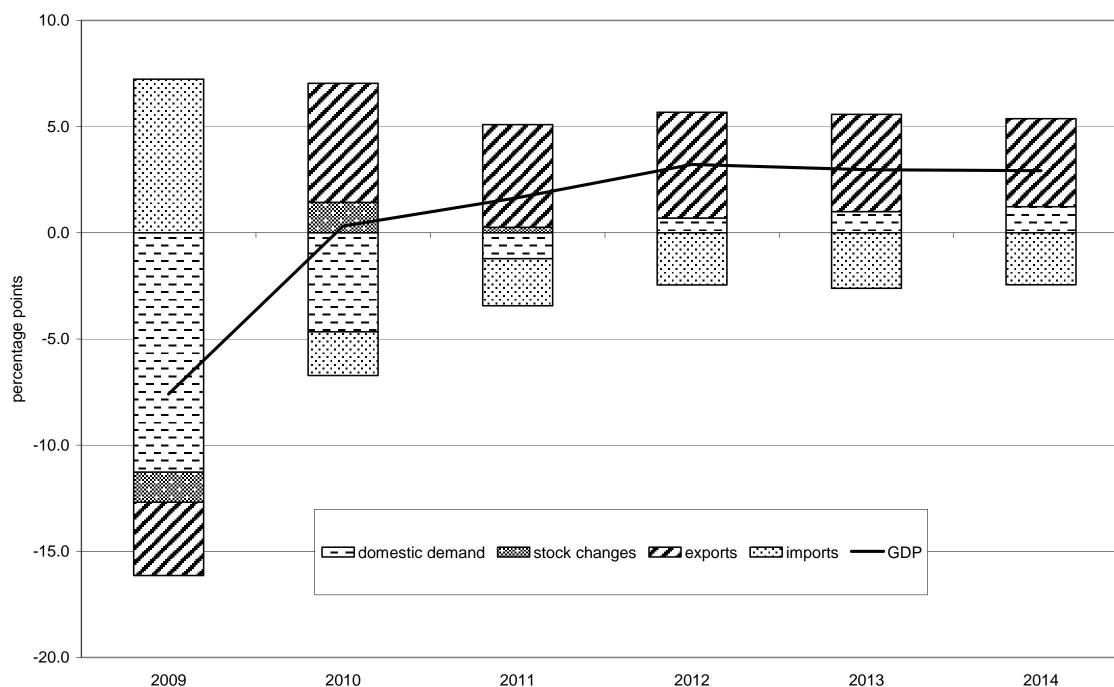
With imports rising by an estimated 2.7%, a modestly positive GDP growth rate – probably around 0.3% – is expected for this year. Reflecting the composition of activity and, in particular, the important role of the foreign-owned exporting sectors, the levels of output (GDP) and income (GNP) look set to diverge further this year, with GNP projected to fall by around 2% in real terms. Higher debt service payments to non-residents are also a factor behind the widening of this gap.

In the labour market, data suggest that the pace of deterioration has slowed. For instance, in November the number of claimants on the Live Register had declined by 3.6% from the peak recorded in August of this year. This would appear to reflect two factors: more modest employment losses and a reduction in labour supply. In terms of the former, data from the quarterly national household survey show that employment in the second quarter declined at its slowest pace since the first quarter of 2008. The data also show a continued decline in labour supply, due to falling participation rates and, increasingly of late, net outward migration. For the year as a whole, the unemployment rate looks set to average 13.4%.

1(b) – Economic outlook 2011-2014

Turning to prospects for next year, GDP is projected to increase by 1.7% (GNP by 1.0%). This is based on a reasonably robust export performance which, in turn, is based on an assessment of current export developments as well as past experience which shows that the Irish traded sector is very responsive to both world demand and competitiveness trends. On the other hand, a negative contribution is anticipated from domestic demand next year, with only a very small positive contribution from this source in later years of the forecast horizon (see figure 1).

Figure 1: Contributions to GDP growth 2009-2014



Source: CSO for outturn; Department of Finance forecasts for 2010-2014.
Note that in 2009, imports fell by nearly 10%, implying a positive contribution to growth.

The projections take into account the €15 billion budgetary consolidation envisaged over the period, including the €6 billion front-loading for next year. The scale of this consolidation raises the question as to how the economy can be expected to expand in the face of such a headwind. To understand this, a number of factors must be borne in mind:

- A significant part of expenditure in Ireland is imported, so that consolidation will reduce the demand for imports;
- Permanent, well-designed and targeted consolidation measures can help create certainty, boost confidence and prompt a reduction in precautionary saving;
- Consolidation can impact favourably on exports and investment by lowering the cost of production in Ireland.

Taking these factors into account, it is tentatively estimated that the consolidation next year will impact the GDP growth rate by 1½ to 2 percentage points in 2011. However, were significant consolidation not to take place next year, Ireland would be on an unsustainable debt path, with very negative growth consequences over time.

External demand...
While the external outlook remains somewhat uncertain, the expectation is that global economic activity will continue to recover at a reasonably solid pace in the coming years. However, growth throughout this period is expected to remain uneven, with the recovery being led by developments in the emerging economies which were, for the most part, not directly affected by the financial crisis. By comparison, activity will increase at a somewhat more modest pace in many of the advanced economies, which comprise the bulk of Ireland's current export markets. This reflects the continued existence of headwinds linked to the crisis, notably weak labour markets, the need for further deleveraging in the private sector, and budgetary adjustment to bring public deficits to more sustainable levels. Weighted by their share in Irish exports, GDP in our main export markets is projected to increase by just under 2% next year.

Table 1: External assumptions, % change

	2010	**2011**	**2012**
External GDP growth*			
Advanced economies	2.6	2.0	2.3
- UK	1.8	2.2	2.5
- US	2.7	2.1	2.5
- Euro area	1.7	1.5	1.8
Emerging economies	6.8	6.1	6.1
Global economy	4.5	3.9	4.0
Technical assumptions (annual average)^			
euro-sterling rate	0.86	0.85	0.85
euro-dollar rate	1.33	1.34	1.34
Brent crude (dollars per barrel)	78	87	88

* Source of external growth forecasts is EU Commission forecasts, November 2010.
^ exchange rate figures are Dept. of Finance technical assumptions, involving the maintenance of unchanged rates from those prevailing at end-November.

Domestic demand...
Domestic demand is likely to fall once again next year, albeit at a much more modest pace than over the past three years. Disposable incomes look set to decline in real terms, although a decline in personal savings rates from their current high rates will support consumption. Government consumption is forecast to fall by around 3%, reflecting the impact of budgetary consolidation.

In terms of investment, housing start data are consistent with a further decline in new house building next year. Having said that, the adjustment in this sub-sector is now almost complete, given the currently low levels of output and the low weight of this component in overall output.[1] Allowing for a small increase in machinery and equipment investment, overall investment is projected to fall by nearly 6% next year.

Imports are projected to increase by 2.8% next year, in line with the outlook for final demand. Taken in conjunction with export developments and the associated

[1] At the height of the construction cycle, housing output amounted to around one-eighth of GDP so that output changes in this sector had a large impact on overall trends. By next year, this sector's share in GDP will be around 1%.

profit flows, the current account of the balance of payments is projected to move into surplus next year.

Consumer prices…
Consumer prices are forecast to increase next year, on foot of base effects, commodity price movements and the modest indirect tax measures being implemented as part of the budget. However, given muted domestic demand and considerable spare capacity in the economy, price increases are likely to be fairly modest – the HICP is projected to increase by 0.7% next year. These price increases are nevertheless supportive of continued improvement in Ireland's competitiveness position as consumer prices elsewhere are projected to increase at a faster pace.

The widest measure of price developments in the economy is the GDP deflator – this takes into account price changes for all components of demand. This is projected to increase by 0.8% next year, and incorporates a very modest improvement in the terms of trade.

Labour market…
Employment gains next year are likely to be moderate, because hiring in the early stages of recovery is typically conservative, as firms adopt a wait-and-see approach. In other words, higher levels of output in the initial phase of recovery are achieved by using existing labour more productively. Therefore, with further employment losses still in prospect in those sectors most severely affected by the crisis (such as construction), aggregate job losses are projected to exceed job gains, so that a small reduction in overall employment is anticipated for next year – the level of net employment is forecast to decline by 0.2% for the year as a whole. However, the decline in labour supply (mainly falling participation rates and outward migration) is expected to be somewhat larger, so that unemployment is expected to fall slightly next year, averaging 13.2% for the year as a whole.

Forecasts for later years…
Medium term projections are based on an assessment of the economy's trend growth rate and the amount of slack in the economy. On the demand side, the projections take account of the necessary fiscal consolidation as well as the unwinding of private sector imbalances, such as the need for households to rebuild their balance sheets. On foot of these, it is anticipated that domestic demand will make only a limited contribution to growth over the forecast horizon (see figure 1). However, the outlook for the exporting sector is reasonably favourable, given the adjustment in competitiveness that has already been evident. The medium term forecasts also assume a positive dividend to growth from the various structural reforms being implemented as part of the Government's *National Recovery Plan* – for instance the various labour market reforms will help boost competitiveness (thereby supporting export growth) and ensure that labour supply is not an impediment to employment growth.

In summary, a number of specific assumptions are made:

- The external environment remains broadly favourable with the pace of growth in our main export markets assumed to accelerate from 2012;

- Competitiveness continues to improve, with consumer price inflation remaining low but in positive territory;
- Housing investment bottoms out next year and increases gradually thereafter, to reach 25,000 units per annum by the end of the forecast horizon;[2]
- The domestic financial system is better positioned to support recovery;
- Net outward migration amounts to just over 100,000 over the period, with a significant amount of this taking place next year;
- While the savings ratio is assumed to decline somewhat over the period as the need to undertake precautionary saving is reduced, the need to repair household balance sheets means that savings rates will remain relatively high for some time.

Table 2: Economic outlook, % change (unless otherwise stated)

	2010	2011	2012	2013	2014
GDP	0.3	1.7	3.2	3.0	2.8
GDP level, €m ^	157,300	161,200	168,100	175,400	183,500
GNP	-2.0	1.0	2.6	2.4	2.4
GNP level, €m ^	125,500	127,900	132,500	137,600	143,400
components of aggregate demand					
Domestic demand					
- consumption	-1.3	0.0	0.9	1.5	1.8
- investment	-21.2	-5.9	5.2	5.0	5.3
- government	-3.9	-3.1	-2.1	-2.2	-1.9
Trade and external account					
- exports	6.2	4.9	4.9	4.5	4.0
- imports	2.7	2.8	3.1	3.3	3.1
- BoP current account, % GNP	-1.7	0.3	1.6	2.6	3.4
price developments					
HICP	-1.5	0.7	1.0	1.7	1.7
GDP deflator	-1.8	0.8	1.0	1.3	1.6
labour market					
Employment	-4.0	-0.2	1.3	1.6	1.8
Unemployment	13.4	13.2	12.0	10.9	9.8
Labour productivity*	2.1	1.2	1.2	0.8	0.6

Source: Department of Finance forecasts and CSO outturns.
^ figures are rounded to the nearest €100 million.
* on a GNP basis.

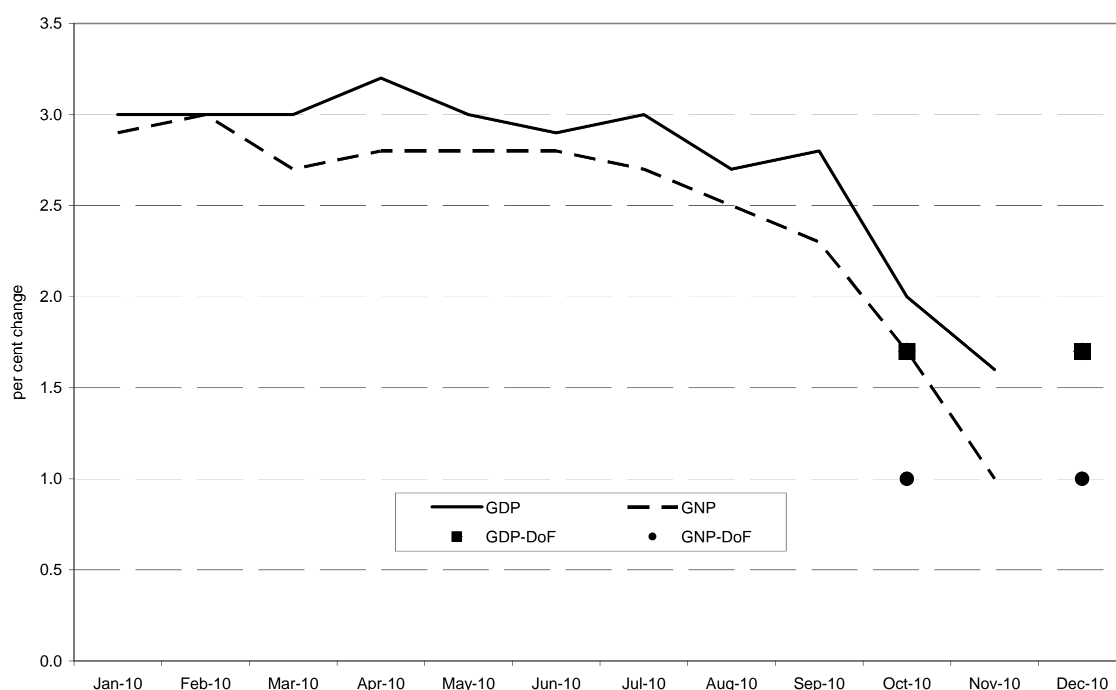
Comparison of forecasts…

A higher than normal level of uncertainty continues to be attached to the short-term economic outlook, both domestically and internationally. This reflects the magnitude of the shock experienced by the global economy in recent years. Against this backdrop, table 3 compares the Department's main macroeconomic forecasts for 2011 with other available forecasts. The most significant divergence occurs with the European Commission, which anticipates that real GDP growth will be almost one percentage point weaker than forecast by the Department in 2011. The OECD

[2] Because of the current low level of housing output, increases of a few thousand each year give rise to very large percentage increases in this sub-component and, as a result, in the overall investment component. However, the contribution to overall growth is low.

and private sector growth expectations, by comparison, are broadly in line with the Department's forecast. The latter are sourced from the survey of private sector forecasts compiled and published each month by *Reuters* – and are outlined in more detail in figure 2. The lines in the graph show how the median forecast for next year has evolved over the past twelve months; at the beginning of the year, the median private sector forecast was for GDP growth of 3% next year, whereas at end-November, the private sector median forecast was for GDP growth of 1.6% next year.[3] As outlined above, the Department of Finance budget day projection is for GDP growth of 1.7% (which is unchanged from the number published at the beginning of November). Both the Department of Finance and the private sector envisage GNP growth of 1.0% next year.

Figure 2: Private sector growth forecast for next year



Source: Reuters and Department of Finance.

Table 3: Comparison of Macroeconomic Forecasts for Ireland for 2011

		Annual % Change			
		GDP	**GNP**	**HICP**	**Employment**
Department of Finance	*December 2010*	1.7	1.0	0.7	-0.2
Reuters Consensus	*December 2010*	1.6	1.0	0.6	n.a.
EU Commission	*November 2010*	0.9	n.a.	0.4	-0.8
OECD	*November 2010*	1.5	n.a.	0.9	n.a.
Central Bank *	*October 2010*	2.4	1.7	1.1	-0.4
ESRI *	*October 2010*	2.3	2.0	0.5	-0.5

Source: institutions listed.
* forecasts based on lower consolidation amounts (€3 bn. and €4 bn. from CB and ESRI respectively).

[3] Part of the reason for the downgrading of private sector 2011 forecasts since the Autumn clearly relates to the increased size of fiscal consolidation that is now being pursued.

Risks to the outlook and implications for public finances…
The main identifiable risks to the forecast are:

On the external side
- Growth in our main export markets could be stronger or weaker than forecast;
- Adverse movements in exchange rates or commodity prices are possible;
- The global financial system may not be fully repaired.

On the domestic side
- The negative drag from fiscal consolidation could be larger than assumed;
- Confidence may not improve as expected so that savings rates remain relatively high;
- The domestic financial system may not be suitably positioned to support recovery.

Given the high level of uncertainty, the question arises as to the impact on the public finances of a different growth path. In this regard, model simulations suggest a ½ percentage point difference in the general government deficit for each 1 percentage point difference in GDP (it is important to stress that this analysis is based upon an analysis of long-run trends; in the short-run the impact will depend on the reason for growth differences).

The budgetary consolidation amounting to €15 billion, based on the Department of Finance growth path outlined earlier, is designed to reduce the deficit to below 3% of GDP by 2014. However, in view of the high level of uncertainty surrounding the growth forecast, and in particular the lower growth forecast of the EU Commission for the early years of the forecast period, a one-year extension to the timeframe for bringing the General Government deficit back below 3% of GDP has been agreed with the ECOFIN Council, should additional time be required.

2. FISCAL DEVELOPMENTS AND OUTLOOK

2(a) – Overview

The public finances, particularly tax revenues, have been very severely affected by the sharp deterioration in economic activity over the course of the last two and a half years.

Between July 2008 and Budget 2010 last December, very significant, wide ranging measures in the areas of taxation and expenditure amounting to €14.6 billion have been implemented with the aim of restoring stability to the public finances. These measures have succeeded in stabilising the underlying General Government Deficit to GDP ratio this year, albeit at an elevated level.

Despite the extent of the measures introduced, a wide and unsustainable gap between revenues and expenditure remains, one that is being filled by large volumes of borrowing. It is vital that this gap is reduced so that the burden of servicing the national debt does not spiral to an unsustainable level.

Budget 2011 is the next step in restoring sustainability to the public finances. The measures introduced will continue the process of aligning more closely the State's revenues and expenditure, at levels that are consistent with the overall size of the economy. Moving towards a balanced budget is a prerequisite for the return of economic growth. Taking on board the lessons of the country's own past as well as the international evidence in this area from international organisations such as the IMF and OECD, budgetary consolidation based on spending reductions is more successful in reducing deficits and stabilising debt ratios than when consolidation is primarily tax based.

Of the €14.6 billion of budgetary adjustments already implemented since mid-2008 just under two-thirds have come from expenditure with the remainder comprising revenue-raising measures. Similar proportions will apply to the adjustments planned for the next four years.

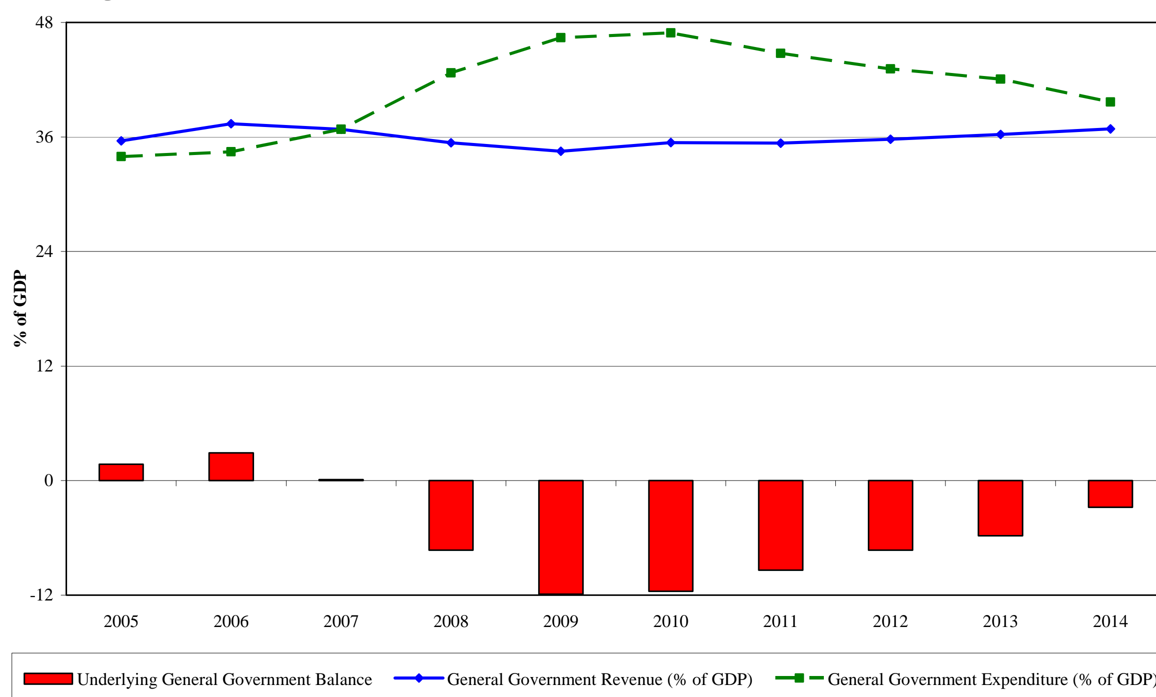
The measures being introduced in Budget 2011 are also consistent with this approach with almost €4 billion of the €6 billion total adjustment coming from expenditure reductions, €1.4 billion from taxation and PRSI changes and the balance from other measures including asset disposals. Balancing the need to make inroads into the deficit and at the same time supporting the emerging economic recovery, €6 billion is judged to be the appropriate consolidation amount for 2011. It will reduce the General Government Deficit to 9.4% of GDP, as opposed to the estimated 12.2% of GDP if no consolidation was implemented, while also allowing the emerging economic recovery to take hold.

A commitment was given in Budget 2010 to reduce the General Government Deficit to below 3% of GDP by end-2014 and this is still the focus of the Government's four-year adjustment plan.

Despite the weaker economic outlook now envisaged over the coming years, the Government remains committed to meeting this target. On foot of the latest assessment by the European Commission, EU Finance Ministers granted a further year to achieve the 3% of GDP deficit target in the event that economic growth turns out to be weaker than the Department of Finance is currently estimating or in the event that future possible bank recapitalisations impact negatively on the public finances. The National Recovery Plan 2011-2014 set out the measures that are required in order to ensure this commitment is achieved. Budget 2011 is the first step in the implementation of the National Recovery Plan.

Figure 3 shows the present gap that exists between General Government revenues and expenditure. Through the implementation of Budget 2011 and the budgetary consolidation measures for later years as set out in the National Recovery Plan 2011-2014, the chart also sets out the trajectory for revenues and expenditure over the forecast period which will ensure that the public finances are returned to a more sustainable level.

Figure 3: The Public Finances 2005-2014



Source: Department of Finance calculations.

2(b) – Budgetary Developments 2010

Tax Revenues…

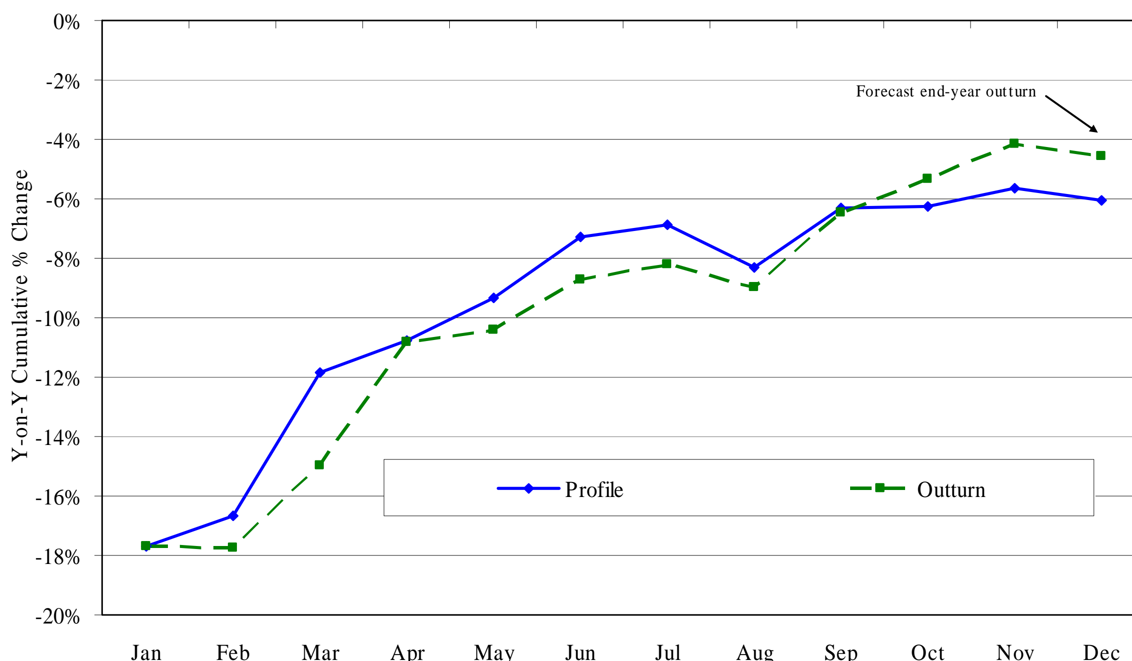
Following declines of 14% and 19% in 2008 and 2009 respectively, Budget 2010 forecast that tax revenues would decline by 6% in 2010. It was anticipated that tax revenues would show large year-on-year declines in the early months of 2010 before recovering in the latter part of the year.

The end-November Exchequer Returns show that tax revenues in the first eleven months of the year, at €29.5 billion were €470 million or 1.6% above profile. The year-on-year decline in tax revenues has been easing since the end of 2009, in line with expectations, and at-end November stood at 4.1% – see figure 4.

November is the most important month of the year in terms of tax revenue collection and each of the eight individual tax-heads performed above expectations in the month. On a cumulative basis, all bar one of the eight tax-heads exceeded target in the first eleven months of the year.

A large surplus in corporation tax, combined with smaller surpluses in excise duties and VAT offset an income tax shortfall of €356 million at end-November. A large part of the income tax shortfall is the result of a significant shortfall in Deposit Interest Retention Tax (DIRT) receipts in the month of the October, most likely reflecting the low savings interest rates on offer and also that a substantial part of the increase in the savings ratio is driven by the repayment of debt, rather than increases in deposits, from which DIRT is derived.

Figure 4: Cumulative 2010 End-Month Tax Revenue Outturn v. Profile



Source: Department of Finance calculations.

It was estimated in the National Recovery Plan 2011-2014 that tax revenues in 2010 would amount to €31.5 billion, some €450 million ahead of the Budget 2010 target.

Taking account of expected developments with regard to December taxes, including Budget measures, that projection remains valid with a slight upside risk factored into the current projected end-year outturn of €31,530 million.

Notwithstanding the encouraging performance of tax revenues in 2010, they will end the year close to 35% below their 2007 peak. It is clear that tax revenues need to be brought on to a more stable base in the coming years, following the over-reliance on construction and property related taxes in the middle part of the last decade. The measures being introduced in 2011 and over the remaining years of the forecast period, as outlined in the National Recovery Plan 2011-2014, will greatly assist in putting revenues on a more reliable footing, less susceptible to cyclical downturns.

Voted Expenditure…

Total net voted expenditure at end-November 2010, at €40.8 billion was just over €1 billion or 2.4% below profile. This was driven mainly by a shortfall against target for net voted capital spending of €851 million or 16.3%. Net voted current expenditure was slightly below target in the first eleven months of the year, at -€166 million or -0.5%.

Current expectations are that end-year net voted capital expenditure savings will be approximately €200 million compared to the 2010 Revised Estimates Volume (REV) projection. While capital savings may actually be higher, it is likely that they will be offset by overruns in net voted current expenditure due to the

significant one-off costs associated with the exit mechanisms from the HSE and shortfalls in Departmental receipts, most notably PRSI and the health levy.

In aggregate terms therefore, net voted expenditure in 2010 is anticipated to be slightly above the level originally estimated for the year in the REV.

Exchequer Borrowing Requirement…

The 2010 Exchequer Borrowing Requirement (EBR) was estimated at €18.8 billion at Budget time. It is currently estimated that the EBR will be in line with the Budget day projection. Higher than expected tax revenues, higher than expected non-tax revenue and lower than projected debt interest costs are offset by a slight overrun in the voted expenditure of Government Departments, and higher than expected non-voted capital expenditure as a result of the borrowing conducted as part of Ireland's participation in the EU assistance to Greece[4] and the purchase of Special Investment Shares in Irish Nationwide Building Society (INBS) and Educational Building Society (EBS).

General Government Deficit…

Budget 2010 forecast that the General Government Deficit would be 11.6% of GDP. On an underlying basis, that is excluding the impact of the banking support measures being provided by way of Promissory Note, the General Government Deficit in 2010 is expected to be in line with the Budget 2010 forecast. The underlying deficit for 2010 will thus have been stabilised at slightly below the underlying 2009 outturn, albeit at a high level.

It is the case that on a headline basis the 2010 General Government Deficit will be extremely high, currently forecast at 31.9% of GDP. It has been well publicised that the reason for an emerging headline deficit of such magnitude is the inclusion within the deficit measure of the full upfront capital support being provided by way of Promissory Notes to Anglo Irish Bank, INBS and EBS. This capital support has been classified as a capital transfer and is therefore being shown in full in the deficit measure in 2010. While this €31.4 billion is added to the stock of General Government Debt in 2010, it will only add incrementally to the flow of debt from 2011 onwards as its financing will be spread over a long period.

Debt Levels and Developments…

Ireland's debt to GDP ratios fell rapidly over the last two decades against a background of a favourable economic environment and budgets which, generally speaking, were balanced or in surplus.

The National Debt stood at just €37.6 billion at end-2007. By contrast, it had grown to stand at €88.6 billion at end-November 2010, primarily due to the large Exchequer deficits that have emerged in the last three years.

[4] As part of the joint EU-IMF Programme of financial assistance agreed on November 28th, Ireland will discontinue its financial assistance to the Loan Facility to Greece. This commitment would have amounted to approximately €1 billion over the 2011-2013 period.

The NTMA successfully raised €20 billion from the bond markets in 2010, €18.8 billion of which was used to fund the forecast EBR, while the remainder was used to refinance a small amount of maturing debt.

The "spread" on Irish Government bonds – that is the higher premium demanded by investors to purchase Irish Government bonds compared to the German benchmark – fell as low as 145 basis points in the aftermath of Budget 2010.

However, as a result of the sovereign debt crisis in Greece in the spring of 2010 and the fear of that crisis spreading to other peripheral euro area countries like Ireland, combined with concerns about the final cost of restructuring the Irish banking system, spreads widened considerably as the year went on. The NTMA decided not to proceed with planned bond auctions in October and November.

Further negative developments in relation to the external view of the impact of banking support measures on the economy and the public finances led the Government to apply for a programme of external financial assistance. This programme will provide a facility to drawdown up to €85 billion if required. This programme provides a crucial funding facility that the State can avail of as necessary in the coming years. It will ensure that the State has secure access to the funding it needs to continue to pay for social welfare payments, pensions, health, education and other public services.

Some €50 billion will be available to cover the financing needs of the State. This is an alternative source of funding that will be available for borrowing that would have been undertaken in any event.

The programme will also allow the State to restructure the banking sector to ensure it can play its full part in a return to sustainable economic growth with additional support totalling up to €35 billion available for the sector as required.

General Government Debt is the standard measurement of gross indebtedness used for comparative purposes within the EU. It includes the debt of the Exchequer, the extra-budgetary funds, and the non-commercial state-sponsored bodies, as well as the debt of local authorities. It does not allow for the offset of liquid assets (e.g. Exchequer deposits) held at year end.

At end-2007, the General Government Debt stood at 25% of GDP, well below the European average. It had increased to stand at 66% of GDP at end-2009.

It is currently estimated that it will be 94.2% of GDP at end-2010. The main reason for this large increase is that, as is the case with the large headline General Government Deficit figure for 2010, all of the capital support – some €31.4 billion – being provided to Anglo Irish Bank, INBS and EBS in 2010 by way of Promissory Note is being added to the General Government Gross Debt measure this year. The cash to fund the drawdowns of these Promissory Notes has not yet been borrowed and this will be done on a phased basis over a long period.

Another consequence of running large deficits in recent years is that the cost of servicing the national debt has increased significantly, both in nominal terms and as a percentage of tax revenues, a commonly used measure of debt sustainability.

To put the increase in context, the interest costs on the National Debt in 2007 amounted to just over €1.6 billion or 3.4% of tax revenues. As a result of the large increases in the level of borrowing undertaken by the State coupled with the significant decline in tax revenues, the interest paid on the National Debt in 2010 will amount to €4 billion or 12.6% of tax revenues. It is clear that measures must be taken to stop cost of servicing the National Debt spiralling to unsustainable levels.

2(c) - Budgetary Outlook 2011

Following the stabilisation of the public finances in 2010, the focus of Budget 2011 is on reducing the deficit in line with the commitments given while fostering the conditions for economic growth to return.

Based on a budgetary consolidation package of €6 billion in 2011 as set out in table 4, the Exchequer Borrowing Requirement in 2011 is projected at €17.7 billion. The General Government Deficit for 2011 is projected at 9.4% of GDP.

Table 4: Budgetary Consolidation 2011-2014

	2011 €m	2012 €m	2013 €m	2014 €m
Total Consolidation	**6,000**	**3,600**	**3,100**	**3,100**
▪ **Expenditure Measures ***	**3,930**	**2,100**	**2,000**	**2,000**
➢ *Current*	*2,070*	*1,700*	*1,600*	*1,600*
➢ *Capital*	*1,860*	*400*	*400*	*400*
▪ **Taxation/PRSI Measures**	**1,410**	**1,500**	**1,100**	**1,100**
▪ **Other**	**660**			
➢ *Asset Disposals*	*300*			
➢ *Mobile Telephony Licences*	*185*			
➢ *Debt Servicing Savings*	*120*			
➢ *Increased Dividends*	*55*			

Rounding can affect totals.
The figures in Table 4 are rounded to the nearest €5 million.
Consolidation measures for the years 2012-2014 are as per the National Recovery Plan 2011-2014.
* Net savings, excluding the impact of changes to PRSI and the health levy.

2011 Tax Revenues...

On a headline basis, tax revenues are projected to grow by 10.7% in 2011. However, there are two significant issues driving this projected tax revenue growth.

Firstly, tax measures designed to yield €1.1 billion in 2011 are being implemented, predominantly in income tax.

Secondly, approximately €2 billion in receipts from the health levy, which previously had been classified as a Departmental receipt or Appropriation-in-Aid going directly to the Department of Health & Children, will from 2011 on, be part of the new Universal Social Charge (USC). Payments in respect of the USC will form part of the income tax subhead and this is reflected in the projected growth in income tax of 27%.

Excluding the incorporation of the health levy within the USC, income tax growth in 2011 would be just under 10%. This is predominantly explained by the significant tax raising package of just over €1 billion being implemented in 2011.

Of the other main tax-heads, the rate of growth in VAT and excise duties is forecast at 0.6% and 1.2% respectively, reflecting still weak consumer demand. Corporation tax is projected to increase by 6.5%, mainly reflecting reasonably strong export growth.

In overall terms, underlying tax revenue growth is therefore estimated at just over 1% in 2011, consistent with an economy where growth is being externally driven. Table 5 details the tax forecasts for 2011 and the estimated year-on-year growth rates. Table 9 further on in this section sets out the tax revenue forecasts for the years 2012-2014.

Table 5: Projected Taxation Receipts 2010-2011

	2010	**2011**	**Y-on-Y Increase**
	€m	€m	%
Customs	230	235	+2.2
Excise Duties	4,620	4,675	+1.2
Capital Gains Tax	400	410	+2.5
Capital Acquisitions Tax	240	250	+4.2
Stamp Duties	975	955	-2.1
Income Tax	11,125	14,125	+27.0
Corporation Tax	3,775	4,020	+6.5
VAT	10,165	10,230	+0.6
Total	**31,530 ***	**34,900 ****	**+10.7**

Rounding can affect totals.
The figures in Table 5 are rounded to the nearest €5 million.
* The estimated end-2010 outturn for tax revenues is €5 million above that projected in the *2011 Estimates of Receipts and Expenditure*, published on Friday, 3rd December, due to the increase in mineral oil tax on petrol and auto-diesel which is effective from midnight, 7th December.
** The 2011 post-Budget tax revenue forecast includes approximately €2 billion arising from the transfer of the health levy contribution from being a Departmental receipt to form part of the Universal Social Charge which is contained within the income tax subhead.

2011 Voted Expenditure…

Given the fall in economic activity and the impact on Government revenues, the State is no longer in a position to afford the level of public services and social welfare rates of recent years. Because social welfare and pay and programme spending each account for around one third of total expenditure, reductions in each of these areas are unavoidable. The gross voted current expenditure of Government Departments is forecast at €52.8 billion in 2011, with savings of close to €2.1 billion being implemented.

Reductions in capital expenditure in 2011 will also be significant. However, this reduction must be seen in the context of significant declines in tender prices and the strong focus on infrastructural development over the past decade which succeeded in addressing many of the deficits in this area which had previously characterised the Irish economy. There is no longer the need for the same volume of capital

expenditure that has been undertaken throughout much of the last decade. However, there are sectors where investment will be required to address remaining deficits and it is also necessary to fund the maintenance of our stock of infrastructure to maximise the return on the high level of investment made over the past decade. The focus of the €4.7 billion or 3.6% of GNP that will be spent is on supporting those sectors and projects which best contribute to sustainable job creation and boosting the economy.

Debt Levels and Developments…
Based on a refinancing requirement of €4.6 billion in late 2011 and an EBR of €17.7 billion, the overall funding requirement for the State in 2011 is estimated at some €22.3 billion. By contrast, the NTMA raised some €35 billion in long-term funding in 2009. This funding will be provided through existing cash balances and drawdowns from the joint EU-IMF programme of financial assistance or from market borrowing as appropriate.

General Government Debt is projected to increase from the forecast end-2010 level of 94.2% of GDP to 98.6% of GDP at end-2011. Part of the reason why General Government Debt is not increasing as much as might be expected, given the volume of borrowing that will be undertaken in 2011 and later years, is that Exchequer cash balances, which have been built up as a precautionary measure by the NTMA and are counted as part of the General Government Debt, will be run down over the forecast period. Table 6 sets out General Government Debt developments over the forecast period.

Table 6: General Government Debt Developments 2010-2014

% of GDP	**2010**	**2011**	**2012**	**2013**	**2014**
Gross debt	94.2	98.6	102.0	102.5	100.0
Change in gross debt ratio	28.7	4.5	3.3	0.5	-2.4
Contributions to change in gross debt ratio					
General Government Balance	-31.9	-9.4	-7.3	-5.8	-2.8
Primary balance	-28.8	-6.2	-3.3	-0.2	2.7
Interest expenditure	3.0	3.3	4.1	5.6	5.5
Stock-flow adjustment	-4.2	-2.6	0.0	-1.1	-0.8
Nominal GDP	1.0	-2.3	-4.0	-4.2	-4.5
Net Receipts of Social Security Funds	0.0	0.2	0.2	0.2	0.2
Other factors influencing the debt ratio:					
Privatisation receipts	n.a.	n.a.	n.a.	n.a.	n.a.
Increase in local authorities debt	0.1	0.1	0.1	0.1	0.1
p.m. implicit interest rate on debt	4.5	3.5	4.3	5.7	5.7

Rounding can affect totals

Economic Impact of Budgetary Consolidation…

Implementing a budgetary consolidation package of €6 billion will undoubtedly impose short-term costs on the economy in 2011.

Table 7 sets out that the estimated loss in tax revenue arising from the introduction of a budgetary consolidation package of €6 billion in 2011 is just over €1.2 billion. Just over €5.3 billion of the total 2011 budgetary consolidation package is expected to have an economic impact. The other measures, such as asset disposals, are not expected to impact significantly on economic activity.

The €1.2 billion loss in tax revenue has been factored into the overall budgetary arithmetic set out in table 8.

Table 7: The Impact of the Budget on the Fiscal Position 2011

			€m
Total Budget Package:			**6,000**
Tax Measures:			**1,112**
	Income Tax		1,054
	Value Added Tax		14
	Corporation Tax		21
	Capital Acquisitions Tax		27
	Stamp Duties		-36
	Excise Duties		33
PRSI:			**296**
Expenditure Measures:*			**3,930**
	Current		2,070
	Capital		1,860
Other Measures:			**660**
Asset Disposals			300
Mobile Telephony Licences			185
Debt Servicing Savings			120
Increased Dividends			55
Impact on Tax Projections of Budgetary Measures			*-1,222*
		WHITE PAPER	**BUDGET**
Current Revenue		€m	€m
Tax Revenue		33,110	34,900 **
Non-Tax Revenue		1,915	1,970
Current Revenue		**35,025**	**36,870**
Current Expenditure			
Net Voted Current Expenditure		42,229	41,725
Non-Voted Current (Central Fund) Expenditure		6,794	6,675
NET Current Expenditure		**49,023**	**48,400**
CURRENT BUDGET BALANCE		**-13,998**	**-11,530**
CAPITAL BUDGET BALANCE		**-8,446**	**-6,140**
EXCHEQUER BALANCE		**-22,445**	**-17,670**

Rounding can affect totals.
* Net savings, excluding the impact of changes to PRSI and the health levy.
** The 2011 post-Budget tax revenue forecast includes approximately €2 billion arising from the transfer of the health levy contribution from being a Departmental receipt to form part of the Universal Social Charge which is contained within the income tax subhead.

While acknowledging the negative economic impacts that budgetary consolidation can have, it must be remembered that consolidation has been underway since mid-2008 and that by end-2011, some two-thirds of the necessary fiscal adjustment over the period to 2014 will have been implemented. It must also be remembered that

the bulk of the consolidation has and will continue to come from expenditure and this is acknowledged as having less negative economic implications.

2(d) - The Public Finances 2012-2014

Through the implementation of further budgetary consolidation over the 2012-2014 period as outlined in the National Recovery Plan 2011-2014 and on the basis that growth in the Irish economy will average 3% in real GDP terms on an annual basis, the General Government Deficit will be reduced to below 3% of GDP by end-2014.

The current Exchequer primary balance – that is the gap between Exchequer current expenditure and current revenues *excluding debt interest payments* – is expected to move into surplus in 2013 as the gap between what the State spends and what it generates in revenues will be reduced to a level that is more sustainable and in which day-to-day spending is funded out of day-to-day revenues.

Table 8 sets out the budgetary projections for the forecast period. On the basis of the budgetary consolidation for 2012-2014 as set out in the National Recovery Plan 2011-2014, a further unwinding of the cash balances held by the NTMA and nominal GDP growth of 4¼% to 4½% in 2013/2014, the level of General Government Gross debt is forecast to peak at around 102.5% of GDP at end-2013.

Table 8: Budgetary Projections 2010-2014

CURRENT BUDGET	**2010**	**2011**	**2012**	**2013**	**2014**
Expenditure	€m	€m	€m	€m	€m
Gross Voted Current Expenditure	54,570	52,845	50,915	49,415	48,030
Non-Voted (Central Fund) Expenditure	6,390	6,675	8,545	9,590	10,470
Gross Current Expenditure	**60,960**	**59,520**	**59,460**	**59,005**	**58,500**
less Expenditure Receipts and Balances	13,615	11,120	11,250	11,605	11,965
Net Current Expenditure	**47,345**	**48,400**	**48,210**	**47,400**	**46,535**
Receipts					
Tax Revenue	31,530	34,900*	38,315	41,255	44,420
Non-Tax Revenue	2,695	1,970	1,100	865	870
Net Current Revenue	**34,225**	**36,870**	**39,415**	**42,120**	**45,290**
CURRENT BUDGET BALANCE	**-13,120**	**-11,530**	**-8,795**	**-5,280**	**-1,245**
CAPITAL BUDGET					
Expenditure					
Gross Voted Capital	6,185	4,655	4,300	3,900	3,500
Non-Voted Expenditure	1,610	3,960	3,965	3,965	3,955
Gross Capital Expenditure	**7,795**	**8,615**	**8,265**	**7,865**	**7,455**
less Capital Receipts	370	335	320	320	320
Net Capital Expenditure	**7,425**	**8,280**	**7,945**	**7,545**	**7,135**
Capital Resources	**1,790**	**2,140**	**1,635**	**1,800**	**1,830**
CAPITAL BUDGET BALANCE	**-5,635**	**-6,140**	**-6,310**	**-5,745**	**-5,305**
EXCHEQUER BALANCE	**-18,755**	**-17,670**	**-15,105**	**-11,025**	**-6,550**
GENERAL GOVERNMENT BALANCE[5]	**-50,115**	**-15,180**	**-12,330**	**-10,155**	**-5,210**
% of GDP	*-31.9%*	*-9.4%*	*-7.3%*	*-5.8%*	*-2.8%*
UNDERLYING GENERAL GOVERNMENT BALANCE	**-18,175**				
% of GDP	*-11.6%*				

Rounding can affect totals.
The figures in Table 8 are rounded to the nearest €5 million.
* The 2011 post-Budget tax revenue forecast includes approximately €2 billion arising from the transfer of the health levy contribution from being a Departmental receipt to form part of the Universal Social Charge which is contained within the income tax subhead.

[5] The projected General Government Deficits for 2011 and 2012 take full account of the interest holiday on the promissory notes. Accrued interest becomes fully accounted for from 2013 and adds around 1.3% of GDP to the deficit.

Table 9: Projected Taxation Receipts 2012-2014

	2012 €m	2013 €m	2014 €m
Customs	240	250	260
Excise Duties	4,930	5,105	5,280
Capital Gains Tax	480	510	530
Capital Acquisitions Tax	305	330	345
Stamp Duties	990	885	755
Income Tax	16,245	18,040	19,930
Corporation Tax	4,460	4,665	4,895
VAT	10,485	11,120	11,895
Site Value Tax	180	355	530
Total	**38,315**	**41,260**	**44,420**

Rounding can affect totals.

3. NEXT STEPS

As part of the reforms designed to strengthen economic coordination in EMU, Member States will now submit Stability Programmes in the spring of each year. In the EU Commission's assessment of the Programmes, a greater emphasis will be placed on fiscal policies for the following year(s) – in other words, there will be more *ex ante* analysis of budgetary plans as opposed to the *ex post* analysis that characterised the approach heretofore.

The Irish Stability Programme Update will be submitted to the EU Commission in April of next year; it will review economic and fiscal developments in the opening months of 2011, and outline the main fiscal policies to be pursued for 2012 and later years.

APPENDICES

Table 1: General Government Budgetary Prospects

Rounding may impact on totals	2009 €m	2009 % of GDP	2010 % of GDP	2011 % of GDP	2012 % of GDP	2013 % of GDP	2014 % of GDP
Net Lending by sub-sector							
1. General government	-22,932	-14.4	-31.9	-9.4	-7.3	-5.8	-2.8
2. Central government	-20,253	-12.7	-31.2	-9.3	-7.2	-5.7	-2.7
3. State government	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4. Local government	-235	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
5. Social security funds	-2,444	-1.5	-0.6	0.0	0.0	0.0	0.0
General Government							
6. Total Revenue	55,892	35.0	35.4	35.4	35.8	36.3	36.8
7. Total Expenditure	78,824	49.4	67.3	44.8	43.1	42.1	39.7
8. Net lending/borrowing	-22,932	-14.4	-31.9	-9.4	-7.3	-5.8	-2.8
9. Interest expenditure	3,197	2.0	3.0	3.3	4.1	5.6	5.5
10. Primary balance	-19,734	-12.4	-28.8	-6.2	-3.3	-0.2	2.7
11. One-off and other temporary measures	0	-2.1	-19.6	0.0	0.0	0.0	0.0
of which Banking measures	0	-2.5	-20.3	0.0	0.0	0.0	0.0
Selected components of revenue							
12. Total taxes	35,345	22.1	21.8	23.6	24.7	25.5	26.2
12a Taxes on production and imports	18,011	11.3	11.4	11.4	11.2	11.2	11.2
12b Current taxes on income, wealth etc	17,078	10.7	10.3	12.1	13.3	14.1	14.8
12c Capital taxes (CAT)[1]	256	0.2	0.2	0.2	0.2	0.2	0.2
13. Social contributions	12,438	7.8	8.1	6.7	6.6	6.6	6.6
14. Property Income[2]	2,639	1.7	1.7	1.3	1.0	0.9	0.9
15. Other	5,470	3.4	3.8	3.7	3.5	3.3	3.2
16. (=6) Total revenue	55,892	35.0	35.4	35.4	35.8	36.3	36.8
Tax Burden[3]	*48,142*	30.2	30.2	30.5	31.5	32.3	33.0
Selected Components of Expenditure							
17. Compensation of employees + 18. Intermediate consumption	29,095	18.2	17.1	16.0	14.8	14.2	13.4
19. Total social payments	28,361	17.8	17.9	16.7	15.7	14.6	13.5
19a. Social transfers in kind provided by market producers	3,373	2.1	2.1	1.9	1.8	1.7	1.6
19b. Social transfers other than in kind	24,988	15.7	15.9	14.8	13.9	12.9	11.9
20=9 Interest expenditure	3,197	2.0	3.0	3.3	4.1	5.6	5.5
21. Subsidies	820	0.5	0.7	0.6	0.6	0.4	0.4
22. Gross fixed capital formation	7,572	4.7	4.5	3.9	3.5	3.2	3.0
23. Other	9,779	6.1	24.0	4.4	4.4	4.0	3.9
24=7 Total expenditure	78,824	49.4	67.3	44.8	43.1	42.1	39.7
Government consumption (nominal)	*31,385*	*19.7*	*18.8*	*17.9*	*17.1*	*16.5*	*15.8*

1. Capital Acquisitions Tax only. Capital Gains Tax is included in 12.b 'Current Taxes on Income and Wealth etc.' and Stamp Duty is included in 12.a 'Taxes on Production and Imports'.
2. Interest, dividends, rent etc.
3. Total Taxes plus Social Contributions plus taxes paid directly to the EU.

Notes:

The breakdown between revenues and expenditure in the years 2012-2014 takes account of the proportionate adjustment indicated in the National Recovery Plan, with two-thirds of the adjustment on the expenditure reductions, and one-third on revenue raising measures.

The expenditure figures in 2010 take account of the Promissory Notes issued to financial institutions of €31.375 billion, the effect of which is shown on lines 1, 2, 7 and 23.

Interest Expenditure (9) reflects the accrued interest payable on Promissory notes issued to financial institutions and the fact that there is no interest payable on these Promissory Notes for the years 2011 and 2012.

The Universal Social Charge introduced in 2011 means that certain receipts previously recorded as Social Contributions (13) will now be recorded as Current Taxes on Income and Wealth (12b).

Table 2:
EXPLANATION OF NET DIFFERENCE BETWEEN EXCHEQUER BALANCE AND GENERAL GOVERNMENT BALANCE

	2010 Post-Budget forecast	**2011 Projection**	**2012 Projection**	**2013 Projection**	**2014 Projection**
	€m	€m	€m	€m	€m
Exchequer Balance	**-18,755**	**-17,670**	**-15,105**	**-11,025**	**-6,550**
Interest adjustments (a)	-708	-951	-738	-2,655	-2,234
Exclude equity and loan transactions (b)	210	37	-18	-105	-191
Net (Borrowing)/Surplus of non-commercial State sponsored bodies	174	41	63	36	33
Adjustments for Transactions between the Exchequer and Government Departments/Offices and Extra-Budgetary Funds (c)	-686	-62	-25	-8	-1
Impact of the National Pensions Reserve Fund (d)	1,976	351	299	294	289
Accrual Adjustments (e)	142	136	258	370	506
Promissory Notes issued to Financial Institutions (f)	-31,375	3,138	3,138	3,138	3,138
Net (Borrowing)/Surplus of Central Government	**-49,023**	**-14,980**	**-12,130**	**-9,955**	**-5,010**
Net Surplus of the Social Insurance Fund	-892	0	0	0	0
Net (Borrowing)/Surplus of Local Government	-200	-200	-200	-200	-200
General Government Balance	**-50,115**	**-15,180**	**-12,330**	**-10,155**	**-5,210**
Underlying General Government Balance	**-18,175**				
Net Difference between Exchequer Balance and GGB	-31,360	2,491	2,775	870	1,340
General Government Balance as % of GDP	-31.9%	-9.4%	-7.3%	-5.8%	-2.8%
Underlying General Government Balance as % of GDP	-11.6%	-9.4%	-7.3%	-5.8%	-2.8%
GDP (€m)	157,300	161,200	168,100	175,400	183,500

The Exchequer Balance is the traditional domestic budgetary aggregate which measures Central Government's net surplus or borrowing position. It is the difference between total receipts into and total expenditure out of the Exchequer Account of the Central Fund.

The General Government Balance (GGB) measures the fiscal performance of all arms of Government, i.e. Central Government, Local Authorities, Health Boards (prior to 2005 - their replacement, the HSE, is part of the Exchequer), Vocational Education Committees and non-commercial State sponsored bodies, as well as funds such as the Social Insurance Fund and the National Pensions Reserve Fund which are managed by government agents. It thus provides an accurate assessment of the fiscal performance of a more complete "government" sector.

The GGB does not reflect the position of commercial State sponsored bodies as these agencies are classified as being outside the General Government Sector. The GGB is calculated in accordance with ESA95, a consistent standard developed by the EU to facilitate budgetary comparisons between EU Member States in accordance with their obligations under the Maastricht Treaty.

a) This adjustment reflects the requirement, under ESA95 rules, that changes in the assets of the Capital Services Redemption Account and capital gains or losses on foreign exchange contracts, swaps, etc., should be excluded from the interest recorded for the purposes of calculating the GGB. An adjustment for interest accrued but not paid on small savings is also included, as is an adjustment for FISIM. Accrued interest payable on the Promissory Notes issued to financial institutions is also included.

b) Equity and loan transactions are excluded from the GGB on the basis that they affect the composition but not the level of assets and liabilities.

c) Transfers between units within the General Government Sector do not affect the GGB.

d) Transfers between units within the General Government Sector do not affect the GGB.
The National Pensions Reserve Fund (established in 2001) is within the General Government Sector and transactions within the Sector do not have an impact on the GGB. These figures include the contributions paid from the Exchequer and a provision for income earned by the funds. These figures include the pre-funding in 2009 of the 2010 contribution, the payment into the NPRF in 2009 and 2010 of the pension funds of third level universities and semi-state bodies, and also income earned on the investments made by the NPRF. There is no provision for a payment from the Exchequer into the NPRF for the years 2012 to 2014.

e) This adjustment is required in respect of certain transactions recorded on an accruals basis in calculating the GGB. The main adjustments are in respect of the accrual forward to 2005 of the full projected cost of the repayment of certain nursing home charges, Value Added Tax receipts, Income Tax receipts, Departmental Balances, EU Transfers, and the impact of the capital envelopes facility, which allows a carryover of up to 10% of Departmental capital spending into the following year in accordance with Section 91 of the Finance Act 2004.

f) This reflects the amounts committed in Promissory Notes to certain financial institutions in 2010. These amounts will be paid in equal instalments of 10% of the capital amount. The full GGB effect of the Promissory Notes is shown in 2010, and as the Exchequer pays this money to the financial institutions, the effect of this is removed from the GGB in subsequent years.

SUMMARY OF GROSS EXPENDITURE (CAPITAL AND CURRENT)*
by Ministerial Vote Group

Ministerial Vote Group	2010 Forecast Outturn	**2011 Pre-Budget Estimate**	**Adjust-ments**	**2011 Post-Budget Estimate**	% Change Post-Budget Estimate over Forecast Outturn
	€000	€000	€000	€000	%
Taoiseach's Group	**168,030**	**208,762**	**-7,181**	**201,581**	
Current	168,030	208,762	-7,181	201,581	20.0%
Capital	-	-	-	-	-
Finance Group	**1,429,266**	**1,442,098**	**-56,523**	**1,385,575**	-3.1%
Current	1,275,373	1,297,098	-33,523	1,263,575	-0.9%
Capital	153,893	145,000	-23,000	122,000	-20.7%
Justice Group	**2,477,978**	**2,419,860**	**-18,563**	**2,401,297**	-3.1%
Current	2,367,219	2,329,860	-8,563	2,321,297	-1.9%
Capital	110,759	90,000	-10,000	80,000	-27.8%
Environment, Heritage and Local Government	**2,080,483**	**1,935,019**	**-333,926**	**1,601,093**	-23.0%
Current	646,380	682,019	-82,926	599,093	-7.3%
Capital	1,434,103	1,253,000	-251,000	1,002,000	-30.1%
Education and Skills [1.]	**9,690,509**	**9,946,605**	**-729,609**	**9,216,996**	-4.9%
Current	8,990,225	9,352,605	-626,609	8,725,996	-2.9%
Capital	700,284	594,000	-103,000	491,000	-29.9%
Community, Equality and Gaeltacht Affairs	**455,284**	**370,530**	**-19,392**	**351,138**	-22.9%
Current	337,985	284,531	-19,393	265,138	-21.6%
Capital	117,299	85,999	1	86,000	-26.7%
Foreign Affairs	**755,614**	**771,898**	**-34,992**	**736,906**	-2.5%
Current	747,102	767,898	-34,992	732,906	-1.9%
Capital	8,512	4,000	0	4,000	-53.0%
Communications, Energy and Natural Resources	**492,686**	**514,671**	**-39,198**	**475,473**	-3.5%
Current	339,553	344,671	-8,198	336,473	-0.9%
Capital	153,133	170,000	-31,000	139,000	-9.2%
Agriculture, Fisheries and Food [2.]	**1,694,483**	**1,766,709**	**-122,012**	**1,644,697**	-2.9%
Current	1,295,880	1,411,414	-35,717	1,375,697	6.2%
Capital	398,603	355,295	-86,295	269,000	-32.5%
Transport	**2,754,046**	**2,452,811**	**-333,621**	**2,119,190**	-23.1%
Current	676,649	712,966	-31,776	681,190	0.7%
Capital	2,077,397	1,739,845	-301,845	1,438,000	-30.8%
Health and Children [1.]	**15,333,404**	**15,248,956**	**-743,092**	**14,505,864**	-5.4%
Current	14,940,532	14,848,956	-742,092	14,106,864	-5.6%
Capital	392,872	400,000	-1,000	399,000	1.6%
Enterprise, Trade and Innovation	**1,143,052**	**913,478**	**-11,500**	**901,978**	-21.1%
Current	662,847	390,478	3,500	393,978	-40.6%
Capital	480,205	523,000	-15,000	508,000	5.8%
Tourism, Culture & Sport	**463,941**	**427,611**	**-35,263**	**392,348**	-15.4%
Current	346,099	312,751	-16,403	296,348	-14.4%
Capital	117,842	114,860	-18,860	96,000	-18.5%
Defence	**965,377**	**966,172**	**-32,745**	**933,427**	-3.3%
Current	949,768	953,172	-31,745	921,427	-3.0%
Capital	15,609	13,000	-1,000	12,000	-23.1%
Social Protection [1.]	**20,835,780**	**21,012,454**	**-397,069**	**20,615,385**	-1.1%
Current	20,828,339	21,005,454	-398,069	20,607,385	-1.1%
Capital	7,441	7,000	1,000	8,000	7.5%
Contingency	**-**	**19,000**	**-5,000**	**14,000**	-
Total:-	**60,739,933**	**60,416,634**	**-2,919,686**	**57,496,948**	-5.3%
Plus Capital Carryover	16,500	-	-	-	
Total Including Capital Carryover:-	**60,756,433**	**60,416,634**	**-2,919,686**	**57,496,948**	-5.4%
Current	54,571,981	54,916,635	-2,073,687	52,842,948	-3.2%
Capital [3.]	6,184,452	5,500,000	-846,000	4,654,000	-24.7%

Note: This table includes voted expenditure and expenditure from the National Training Fund and from the Social Insurance Fund as it provides a more complete picture of overall Government expenditure.

[1.] *The Post-Budget figures for the Departments of Education & Skills, Social Protection and Health & Children reflect the transfer of certain functions of FÁS from Education & Skills to the other Departments.*

[2.] *The Post-Budget figures for the Department of Agriculture, Fisheries & Food reflect a one-off 2011 capital to current expenditure transfer.*

[3.] *These figures do not include the €1 billion of capital savings already taken account of in the pre-Budget position. This leads to gross expenditure savings of €3.9 billion.*

SUMMARY OF NET EXPENDITURE (CAPITAL AND CURRENT)*
by Ministerial Vote Group

Ministerial Vote Group	2010 Forecast Outturn	**2011 Pre-Budget Estimate**	**Adjust-ments**	**2011 Post-Budget Estimate**	% Change Post-Budget Estimate over Forecast Outturn
	€000	€000	€000	€000	%
Taoiseach's Group	**160,772**	**202,813**	**-7,955**	**194,858**	
Current	160,772	202,813	-7,955	194,858	21.2%
Capital	-	-	-	-	-
Finance Group	**1,234,766**	**1,254,345**	**-62,398**	**1,191,947**	-3.5%
Current	1,080,873	1,109,345	-39,398	1,069,947	-1.0%
Capital	153,893	145,000	-23,000	122,000	-20.7%
Justice Group	**2,229,742**	**2,181,415**	**-17,507**	**2,163,908**	-3.0%
Current	2,118,983	2,091,415	-7,507	2,083,908	-1.7%
Capital	110,759	90,000	-10,000	80,000	-27.8%
Environment, Heritage and Local Government	**2,059,327**	**1,913,863**	**-334,523**	**1,579,340**	-23.3%
Current	625,224	660,863	-83,523	577,340	-7.7%
Capital	1,434,103	1,253,000	-251,000	1,002,000	-30.1%
Education and Skills [1.]	**8,659,864**	**8,973,772**	**-728,409**	**8,245,363**	-4.8%
Current	7,962,066	8,384,273	-625,409	7,758,864	-2.6%
Capital	697,798	589,499	-103,000	486,499	-30.3%
Community, Equality and Gaeltacht Affairs	**418,717**	**337,405**	**-29,685**	**307,720**	-26.5%
Current	325,580	275,606	-17,509	258,097	-20.7%
Capital	93,137	61,799	-12,176	49,623	-46.7%
Foreign Affairs	**714,417**	**731,148**	**-37,292**	**693,856**	-2.9%
Current	705,905	727,148	-37,292	689,856	-2.3%
Capital	8,512	4,000	0	4,000	-53.0%
Communications, Energy and Natural Resources	**248,534**	**273,714**	**-39,234**	**234,480**	-5.7%
Current	95,416	103,714	-8,234	95,480	0.1%
Capital	153,118	170,000	-31,000	139,000	-9.2%
Agriculture, Fisheries and Food [2.]	**1,299,927**	**1,382,695**	**-111,890**	**1,270,805**	-2.2%
Current	901,894	1,029,400	-25,595	1,003,805	11.3%
Capital	398,033	353,295	-86,295	267,000	-32.9%
Transport	**2,307,510**	**2,006,275**	**-318,321**	**1,687,954**	-26.8%
Current	549,913	567,930	-31,776	536,154	-2.5%
Capital	1,757,597	1,438,345	-286,545	1,151,800	-34.5%
Health and Children [1. 3.]	**11,795,708**	**11,696,349**	**1,343,408**	**13,039,757**	10.5%
Current	11,410,516	11,296,349	1,344,408	12,640,757	10.8%
Capital	385,192	400,000	-1,000	399,000	3.6%
Enterprise, Trade and Innovation	**1,067,598**	**859,772**	**-13,385**	**846,387**	-20.7%
Current	598,009	336,852	1,585	338,437	-43.4%
Capital	469,589	522,920	-14,970	507,950	8.2%
Tourism, Culture & Sport	**459,466**	**424,179**	**-35,231**	**388,948**	-15.3%
Current	341,807	309,319	-16,371	292,948	-14.3%
Capital	117,659	114,860	-18,860	96,000	-18.4%
Defence	**908,018**	**909,813**	**-29,356**	**880,457**	-3.0%
Current	898,409	902,813	-28,356	874,457	-2.7%
Capital	9,609	7,000	-1,000	6,000	-37.6%
Social Protection [1. 4.]	**13,270,168**	**14,224,326**	**-890,669**	**13,333,657**	0.5%
Contingency	**-**	**35,001**	**-21,001**	**14,000**	-
Total:-	**46,834,534**	**47,406,885**	**-1,333,448**	**46,073,437**	-1.6%
Plus Capital Carryover	16,500	-	-	-	
Total Including Capital Carryover:-	**46,851,034**	**47,406,885**	**-1,333,448**	**46,073,437**	-1.7%
Current	41,038,094	42,229,166	-474,601	41,754,565	1.7%
Capital [5.]	5,812,940	5,177,719	-858,847	4,318,872	-25.7%

[1.] *The Post-Budget figures for the Departments of Education & Skills, Social Protection and Health & Children reflect the transfer of certain functions of FÁS from Education & Skills to the other Departments.*

[2.] *The Post-Budget figures for the Department of Agriculture, Fisheries & Food reflect a one-off 2011 capital to current expenditure transfer.*

[3.] *In 2010, health contributions were collected as an appropriation-in-aid to Vote 40 (Health Service Executive). From 1 January 2011 this will be replaced with a new universal social charge; receipts from this charge are paid directly to the Central Fund.*

[4.] *The post-Budget net expenditure figure for the Department of Social Protection reflects the changes to PRSI announced in the Budget.*

[5.] *These figures do not include the €1 billion of capital savings already taken account of in the pre-Budget position*