12th July 2017

Minister Donohoe publishes the Government's Summer Economic Statement

- **Increased capital expenditure will help us better meet the needs of a growing economy and society**
- **Focus must be on the totality of Govt's €60 billion in expenditure to ensure maximum value for the taxpayer**

The Minister for Finance and Public Expenditure & Reform, Paschal Donohoe T.D., today (Wednesday) published the Government's Summer Economic Statement (SES) . The Statement is an integral part of the reformed budgetary process that facilitates a discussion of the options in advance of the annual Budget in October.

The Summer Economic Statement sets out the key elements of the Government's economic strategy. This revolves around six key pillars:

• Ensuring sound and sustainable public finances;
• Managing public expenditure to ensure maximum return on taxpayers' resources;
• Targeted increases in public investment;
• Reforming the tax system to ensure it is growth-friendly;
• Ensuring inclusive growth;
• Facilitating access to finance, especially for SMEs.

The Statement, which outlines the broad parameters of the Government's economic strategy, also provides an updated assessment of the fiscal space for next year – this is estimated at €1.2 billion, consistent with 'balancing the books' next year. The full-year costs of measures introduced for this year mean that the current scope for new additional measures is around €500 million for next year.

Minister Donohoe highlighted the importance of looking at the totality of Government spending rather than the incremental changes each year and outlined that the Government would prioritise limited resources in those areas where needs are greatest.

The SES sets out that the Government will:
• Balance the books next year;
• Implement sensible budgetary policies designed to ensure stability and continued improvements in living standards;
• Establish a rainy day fund from 2019 onwards, to be capitalised with annual contributions of €500 million from the Exchequer;
• Increase capital investment by an additional €500 million in each of the years 2019-2021 to further develop our economic and social infrastructure so that we can better meet the needs of our people as our economy, and society, grows. This increase, which will enhance the competitiveness and resilience of the Irish economy, will result in gross voted capital of nearly €7.8 billion in 2021. This will be 85% higher than the outturn of €4.2 billion in 2016.
• Focus on the totality of expenditure – which amounts to around €60 billion – in order to ensure maximum value-for-money.

• Continue to reduce the debt to GDP ratio until the 60% legal threshold is achieved. Thereafter work will begin on reducing the ratio to 55% of GPD and, once major capital projects have been completed, the reduced rate of 45% will be targeted.

Minister Donohoe said: 'The economy is growing at a healthy pace and generating jobs-rich growth. Indeed, we are now approaching a situation in which jobs are available for all those who want them. Now is the time to build on the gains of recent years, to improve the resilience of the economy and to address the capacity constraints that are emerging'.

“We live in an increasingly uncertain world and must plan accordingly. To this end, the Government will maintain a rainy day fund while at the same time increasing public investment. We will continue to reduce public debt in order to build up fiscal buffers. It is also important to make the taxation system more growth-friendly and the Government will continue to work in this area.”

Ends