



6th October, 2026

A Budget not without risks in the current global environment – AIB Chief Economist

As the Government this afternoon unveiled details of Budget 2027, AIB Chief Economist, David McNamara, commented:

“This year’s budget is set against an uncertain global environment. The Government still expects robust economic growth and budget surpluses in the coming years, but it has revised up its forecasts for inflation and trimmed its budget surplus forecast for 2026.

Three key takeaways from Budget 2027 are:

1. Cost of Living

The key theme of this year’s budget was the cost of living. The Government has announced several measures to offset the impact of higher prices, including higher welfare payments and fuel tax reductions. In particular, excise duty reductions on fuel will remain until February 2027, and carbon tax on certain fuels will be frozen for the remainder of the current Government, until at least 2029.

Nevertheless, while the policies announced are significant, the measures cannot fully compensate for the impact of the current energy price shock.

2. The Budget package is larger than the headline suggests

The Government announced measures totalling €9bn for 2027 (€2bn to tax measures, up from planned €1.5bn; €7bn to spending), more than what they had originally guided, due to increased energy tax cuts. This is enabled by the continued strength of the Irish economy and the surge in tax revenues. In addition, overruns this year across several departments will roll over into next year, meaning the overall giveaway is larger than the headline numbers suggest.

Also, the Government continues to invest in the two sovereign wealth funds it established in 2024, which are set to grow to around €30bn by the end of next year.

3. Majority of resources towards spending, in line with recent budgets

Much of the new spending measures are additional standstill resources to keep up with inflation and population growth. However, major new policies included enhanced childcare supports, social payments and infrastructure spending.

Significant income tax cuts have been announced, which could be worth an additional €700-800 per annum for middle-income earners. Other tax measures included a

reduction in capital gains taxes, and the introduction of the new investment accounts, with a tax-free threshold of €50,000 and a 1% flat rate charged on funds above this level.

Conclusion – A Budget not without risks in the current global environment

Overall, while expenditure is up, much of these increases are chasing inflation and demographic changes to maintain existing levels of service. The continued surge in corporation taxes has enabled these spending increases, but the Government shouldn't bank on these taxes to continue growing indefinitely in the current geopolitical environment.

Missing from today's budget was a clear strategy to begin to ease the Exchequer's reliance on windfall corporation taxes. Indeed, Ireland's underlying fiscal deficit will continue to expand in the coming years, and with it the risk of a future shock to the public finances."

Media: paddy.x.mcdonnell@aib.ie, 087-7390743