Budget 2027: Summer Economic Statement 2026

The Government has published its Summer Economic Statement 2026, setting the fiscal parameters ahead of Budget 2027. While the Statement does not announce any specific measures, it provides an indication of the Government's priorities and spending limits.

- There will be an overall Budget package of **€8.5 billion**, comprising **€7 billion** in additional expenditure and **€1.5 billion** in new taxation measures.
- Total Government expenditure is set to rise to **€125.5 billion in 2027**, representing a **5.9% increase** on the 2026 expenditure ceiling.
- It is worth noting that while an €8.5 billion package is significant, it is relatively modest in the context of overall Government spending.
- It is also notable that the planned increase **exceeds the Government's previous 5% annual spending rule** at a time of growing alarm over the State's fiscal discipline.
- It comes on foot of a warning letter from the Central Bank Governor to the Tánaiste and Minister for Finance - issued this month - which cautioned that, excluding windfall corporation tax receipts, the underlying general government balance is projected to deteriorate from a deficit of €7.1 billion in 2025 to €20.4 billion by 2030. The Central Bank also reiterated that expenditure growth of around 5% annually would be sufficient to maintain existing public services and planned investment.

Four pillars underpinning Budget 2027

The Government states that Budget 2027 will be built around four core priorities:

- Rewarding work and effort
- Improving public services
- Investment in critical infrastructure
- Investing for the future

Taxation

The Budget will include €1.5 billion of new tax measures, although the specific measures are not announced at this stage. The clearest signal yet is income tax, with the Government reiterating its intention to ensure that wage increases do not push workers into higher tax bands. However, separate media reports have consistently floated the prospect of a €2,000 increase in the entry point to the higher PAYE tax rate. Given that this has been costed at c. €530 million, there would still be almost one billion euro available for other tax measures.

There are no references to other specific tax measures, but greater detail may be gleaned from the publication of the Tax Strategy Group papers, which are due tomorrow Thursday 23rd July.

Public Expenditure and Infrastructure

The Government will increase public expenditure by €7 billion, consisting of:

- €5.9 billion in additional current expenditure
- €1.1 billion in additional capital expenditure

It is clear from the statement that delivery, rather than funding alone, is now the principal challenge, and that increased expenditure must translate into tangible improvements in public services and infrastructure.

Economic Outlook

The statement presents a positive assessment of the domestic economy while acknowledging heightened international uncertainty.

Some of these key indicators include:
1. Employment remains close to record highs
2. Unemployment has remained at or below 5% for 54 consecutive months, representing the longest sustained period of full employment on record
3. Consumer spending remains resilient
4. Domestic demand continues to be supported by significant AI-related investment

However, the Statement also **identifies several downside risks, including geopolitical instability in the Middle East, higher energy prices, trade tensions and continued uncertainty in global markets.**

Artificial Intelligence emerges as a central policy theme

The most notable feature in this year's Statement is the prominence given to artificial intelligence. AI is presented as a key driver of future economic growth, productivity and public service reform. The Government highlights strong investment in AI-related infrastructure as an important contributor to domestic economic performance during 2026 and signals its intention to further embed AI across both the economy and the public sector.

While employment continues to increase across AI-exposed sectors overall, the statement finds that employment among 15–29-year-olds has fallen in the sectors most exposed to AI over the past two years. While economy-wide evidence remains inconclusive on the impacts of AI on employment, the findings suggest it may already be beginning to reshape job patterns for younger workers entering the labour market.

Fiscal Resilience

The Government notes in the statement that Ireland remains exposed to concentration risks within the tax base, **highlighting that ten companies account for more than half of corporation tax receipts and almost one-fifth of all tax revenue**.

It says Budget 2027 will continue the strategy of building fiscal buffers through budget surpluses, investment in the Future Ireland Fund and continued capital investment.