



## Irish government now expects larger €9bn surplus in 2026

*This week the Department of Finance revised up its projection for the government surplus to €9.2bn (2.5% of GNI\*) in 2026, close to double the €5.1bn forecast in December once the cost of recent energy price supports and other spending is excluded. The explanation is €4.4bn of lower-than-expected borrowing (or larger surpluses) in semi-state bodies, extra-budgetary funds and local government in 2026.*

*The upshot is that Ireland's public finances now look in a substantially better position, providing a welcome safety buffer should further spending on energy supports be required, or other expenditure overruns emerge, this year. The Department of Finance is now forecasting a surplus of €9bn in 2027 (2.4% of GNI\*) with the debt/GNI\* ratio falling to 56% next year.*

**Exchequer returns paint healthy picture of tax revenue growth in Q1 2025:** Irish exchequer returns showed robust growth in key revenue streams: income taxes (6.1%) and value-added taxes (VAT, +5.3%) to €8.7bn and €8.0bn respectively, pointing to further gains in employment and consumer spending. Corporation taxes were down 3.1% year on year to €2.9bn, but it is far too early to draw any conclusions. The bulk of the €33bn collected in 2025 came in just three key collection months: June (€7.4bn), November (€10bn) and December (€3.6bn).

Meanwhile, spending continues to grow rapidly, albeit slightly behind the planned 7.5% growth set out in Budget 2026 for the entire calendar year. Gross voted expenditure was €26.4bn in Q1 2026, up 6.4% on the year, split between a 6.2% rise in current spending to €23.7bn and an 8% increase in capital spending to €2.7bn. However, government departments will almost certainly utilise their full budgetary allocation by the end of 2026. So the growth of capital expenditure will almost certainly accelerate towards the planned 17% rise to €19.1bn allocated for 2026.

**Government revises up expected surplus to €9bn, despite energy supports.** This week's *Annual Progress Report* indicated that the Department of Finance now expects a general government surplus of €9.2bn (2.5% of GNI\*), revised up substantially from the €5.1bn forecast in October's Budget for 2026 and reiterated in December's medium-term fiscal projections.

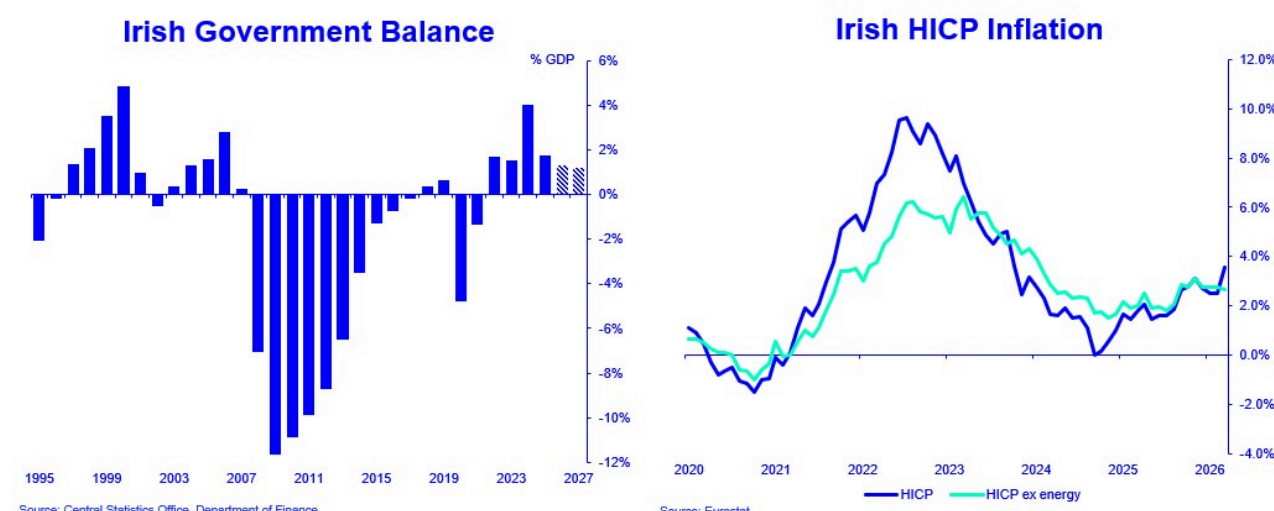
This larger surplus includes the €750m cost of recently announced energy supports, primarily cuts to excise on petrol and diesel. In addition, a decision to raise planned expenditure by €665m to €118.5bn in 2026, including additional funding for the Department of Education, is also included in the surplus calculations. We estimate these measures have temporarily pushed down Ireland's HICP inflation rate by circa 0.6 percentage points (pp), which rose to 3.6% in March, but they are due to expire in August.

**Unidentified funds outside central government raise surplus projection:** Absent recent tax and spending measures, the expected surplus in 2026 would have been double the €5.1bn forecast by the Department of Finance as recently as December. The explanation is that lower borrowing (or larger expected surpluses) from non-commercial semi-state bodies (€1.1bn), extrabudgetary funds (€1.8bn) and local government (€1.5bn) are expected to improve the balance by €4.4bn in 2026 relative to official projections published just four months ago.

**So Ireland's government surplus now appears to be in a substantially better position,** expected to fall to €9.0bn in 2027 (2.4% of GNI\*, 1.4% of GDP), providing a welcome additional safety buffer for the government should further spending on energy supports be required later in 2026. The Department of Finance is forecasting the government debt/GNI\* ratio will fall from 62% in 2025, to 58% in 2026 and 56% in 2027.

**Group Chief Economist: Conall Mac Coille**

conall.maccoille@boi.com



## Contact Us at [economics@boi.com](mailto:economics@boi.com)

### Disclaimer

This document has been prepared by the Economic Research Unit at The Governor and Company of the Bank of Ireland ("BOI") for information purposes only and BOI is not soliciting any action based upon it. BOI believes the information contained herein to be accurate but does not warrant its accuracy nor accepts or assumes any responsibility or liability for such information other than any responsibility it may owe to any party under the European Union (Markets in Financial Instruments) Regulations 2017 as may be amended from time to time, and under the Financial Conduct Authority rules (where the client is resident in the UK), for any loss or damage caused by any act or omission taken as a result of the information contained in this document. Any decision made by a party after reading this document shall be on the basis of its own research and not be influenced or based on any view or opinion expressed by BOI either in this document or otherwise. This document does not address all risks and cannot be relied on for any investment contract or decision. A party should obtain independent professional advice before making any investment decision. Expressions of opinion contained in this document reflect current opinion as at 24th April 2026 and is based on information available to BOI before that date. This document is the property of BOI and its contents may not be reproduced, either in whole or in part, without the express written consent of a suitably authorised member of BOI. Bank of Ireland is regulated by the Central Bank of Ireland. In the UK, Bank of Ireland is regulated by the Central Bank of Ireland and authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The Governor and Company of the Bank of Ireland is incorporated in Ireland with limited liability. Registered Office 2 College Green, Dublin, D02 VR66. Registered Number C1.

[Update My Preferences](#)