Irish Economic Update

AIB Economic Research Unit

22nd July 2025

Summer Statement & National Development Plan

Significant ramp up in capital spending announced

Today's Summer Economic Statement (SES) and National Development Plan (NDP) are key milestones towards Budget 2026. The SES sets out the fiscal boundaries of the Budget 2026 package to be announced in the autumn, while the NDP outlines the Government's medium-term infrastructure priorities. The public finances remain in a strong state, allowing the Government to announce a significant ramp-up in capital investment. The NDP allocates €132bn in capital investment out to 2030. Housing, utilities, and transport take precedence, albeit the details of the scheme allocations are not yet fully set out.

These new capital spending plans feed into the fiscal forecasts in the SES. Overall, the announced fiscal package of €9.4bn includes €7.9bn in spending increases and €1.5bn in tax cuts to be allocated in Budget 2026. This marks a slight reduction on the giveaway Budgets of recent years. Nonetheless, current expenditure is still expected to ramp up significantly next year, by nearly 6.5%, to €97.5bn, despite growing global macroeconomic risks. This continued pro-cyclical expansion in fiscal policy is not without risk in an economy operating close to full capacity.

Key Points - Capital spending boost amid strong budget surpluses, but not without risks

Budget 2026 will be set against exceptional budget surpluses, but risks building

Budget 2026 will be set against exceptional budget surpluses. In Q1 2025, the general government balance was in a surplus of €0.8bn, and is expected to ramp up through the year as tax receipts are received. In the first half of 2025, taxes were 6.7% higher than the same period in 2024. However, excluding windfall corporate tax receipts, the Government will continue to run fiscal deficits in the coming years, and the durability of these corporation tax receipts could be tested by current shifts in US trade and economic policy.

The NDP highlight infrastructure priorities and increased allocations

The updated NDP revises the expenditure ceilings to be allocated towards each sector. An additional €13bn will be spent in voted capital over the next five years compared to Budget 2025 forecasts. Further non-exchequer funding will also be utilised, including €5.5bn from equity sales, and €4.5bn from the Infrastructure, Climate and Nature Fund. This brings the total NDP spend to €132bn by 2030.

The big winners are housing, utilities, and transport infrastructure. The details of the specific projects are yet to be fully outlined, but the focus will now shift to the delivery of the ambitious plan. Capacity constraints are becoming more binding on the domestic front, with the economy operating at full capacity. Meanwhile, a revision to the Government's housing plan is not due until the autumn, which might delay private sector investment amid the current policy uncertainty.

A package of €9.4bn earmarked for Budget 2026 in the SES

The additional capital spending in the NDP is just a fraction of the total expenditure planned in the coming years. The SES shows total voted expenditure will reach €116bn in 2026, up 7.3% on 2025, with current spending commitments accounting for c.84% of that total. Within this, €9.4bn is set aside for new policy measures in Budget 2026, including €1.5bn for planned tax cuts and €7.9bn for spending. The planned sums are more modest than recent budgets, but the package is still a significant boost from fiscal policy, worth nearly 3% of GNI*, at a time when the economy is operating at or above its potential growth rate.

Expansionary fiscal policy not without risks in current global environment

The Fiscal Advisory Council (IFAC), Central Bank and others have consistently warned that fiscal policy has been running 'too hot' in recent years, and has contributed to higher demand and inflation. Therefore, an expansion of the supply-side of the economy via infrastructure investment to alleviate demand pressures is welcome. However, threading the needle of higher capital spending and delivering value-for-money in the current economic environment will be a challenge.

Meanwhile, the continued sharp increases planned in current spending in 2026 is risky in the current uncertain global environment. The SES notes the Government "will recalibrate its fiscal strategy - reducing the quantum of the budgetary package" if there is a deterioration in the economy. This implies a more pro-cyclical fiscal policy position than advocated by IFAC, which has called for restraint in tax and spending decisions *today*, to build up further buffers to release during potential future shocks.

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Policy Measures - SES & NDP

	Total Revenue & Spend		
€ billions	**2025**	**2026**	**Growth (Year-on Year)**
Expenditure	**108.7**	**117**	**7.3%**
of which			
Voted Current	91.6	97.5	6.4%
Voted Capital	17.1	19.1	11.7%
Strategic Equity/Fund Release	5.5		

	Budget 2026 - New Measures		
Total Budget Package	**9.4**	**% of GNI***	**2.9%**
of which			
Spending	7.9		
Tax	1.5		

€ billions **National Development Plan Allocation (2026-2030)**

Ministerial Vote Groups	**2026-2030**
Housing, Local Government and Heritage	36.0
of which: Housing and Other	*28.3*
of which: Water	*7.7*
Transport	22.3
Health	9.3
Education	7.6
Climate Envroment and Energy	5.6
Further and Higher Education, Research, Innovation and Science	4.6
Others	17.1
Total Exchequer	**102.4**
Non-Exchequer funding	**29.7**
Total NDP Funding	**132.1**

Source: Dept. of Finance, SES & NDP Review 2025
^ excluding windfall corp tax and Apple case tax of €14.1bn in 2024