CUSTOMER TREASURY SERVICES

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US Government shutdown adds to macro uncertainty ahead of Budget

Amid a fresh US Government shutdown, markets are in the dark on major macro releases, as US payroll jobs, due to be published last Friday, were delayed. The keenly awaited September number follows a series of weak prints for the US jobs markets over the summer months, which spurred the Fed's first interest cut in 2025, just last month.

With the release now delayed, attention turns to the slew of other private sector surveys, with most suggesting the US labour market remained weak in September. The ADP employment survey showed an unexpected 32k fall in jobs in September, while the ISM manufacturing survey signalled that firms have continued to shed workforce numbers during the month. Nonetheless, these private sector surveys have not been a perfect predictor of actual labour market trends of late, with investors likely discounting these data points as US equity markets have continued to trade higher. The US Government shutdown has also made little dent on market sentiment, with the expectation that a deal will be reached in the coming days.

Elsewhere, Irish policymakers are also having to contend with a highly uncertain macro backdrop when making final decisions on Budget 2026. In that context, a succession of institutions including the Irish Fiscal Advisory Council (IFAC) and the Central Bank have been warning that the Government is running fiscal policy too hot and the expected €9.4bn Budget-day package should be scaled back. While the "one-off" cost of living measures included in recent budgets are expected to be phased out, the Government also has difficult decisions to take on whether to absorb current year overruns across several departments into the base for 2026. Ween t This is reflected in the perennial overruns in health spending.

Overall, total voted expenditure is expected to be close to €110bn in 2025, over 60% higher compared to 2019, an expansion which has been enabled by the continuous surge in corporate tax revenues over the same period. Since 2014, corporate tax receipts have grown fivefold to €28bn in 2024 (not including the €13bn proceeds from the EU-Apple case), with around half of this estimated to be "windfall" by the Dept. of Finance, meaning it cannot be relied upon in the future. Thankfully, IFAC has noted that "there are no obvious signs of a decline in corporation tax receipts in the short run", although they warn that the medium-term outlook "is much less clear". Given the public finances would be in a substantial deficit if these windfall revenues were to disappear, a more prudent Budgetary stance would be appropriate to close this underlying deficit as quickly as possible.

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