

Speech

Scene setter by Minister Donohoe at the National Economic Dialogue (NED) 2023

From [Department of Public Expenditure, NDP Delivery and Reform \(/en/organisation/department-of-public-expenditure-and-reform/\)](/en/organisation/department-of-public-expenditure-and-reform/); Department of Finance

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Expenditure policy to support delivery of better public services and infrastructure

Check against delivery

Thank you very much Professor. And good morning everybody. It's a great pleasure to be back with you again in Dublin Castle, for this annual consideration of where economy, and where our society stands. As the Minister for Finance has done, I also want to thank you Carol, for the Chairing and the important seminar, and acknowledge the work of Professor Barrett now, in many years in guiding us in our work. But I also want to recognise the members of the Oireachtas Finance Committee that are here, Deputy Doherty, Deputy Boyd-Barrett, and all my government colleagues who are here today today, in particular those who chairing the important breakout sessions, that would be a key feature of the day.

As with other colleagues in Government who are here, I've had the experience now of attending every National Economic Dialogue since they began. And I'm really conscious as we speak, about the macroeconomic context of where we are, and talk about vital

concepts such as resilience and planning for the future. As Minister McGrath acknowledged a moment ago, there are many households that are worried about the higher cost of living. Worried about how they'll pay their energy bills, later on in the year. Worried about the cost of shopping going up. Worried about their housing status. Can they afford their mortgage? Can they afford their rent?

And the value of these discussions, which have made a real difference to government policy, is that it allows us, particularly those of us who are in Government, to continue with our efforts of reconciliation between the overall picture of where the economy stands, and the overall very very positive performance with regard to employment, with regard to growth, with regard to our public finances. And the day to day needs that all who are in Government are so aware of, from our engagement in the Dáil, and from our engagement with constituents, and those that we serve, as we continue with our work across the country.

And hearing your views in relation to those that you represent, is a really important way in which we can inform the decisions that we're making, how we spend the country's money, with the reality of the day to day existence of households and businesses. We get this through our political life, we're reminded of again through the contributions that are made here today.

And if I think the different sessions that we have had, I guess one thing that I'm reminded of, which is a constant in our engagement, is the constant of change. The degree to which actually the tone a theme of these National Economic Dialogues, change quite quickly.

As we sit here today, appropriately considering longer term challenges, I'm really reminded of recent National Economic Dialogues that we've had, when we were asking ourselves how can we plot our way through the extraordinary social and health consequences of a pandemic, how can we respond back? And those challenges are still with us, through the impact that inflation is having on households and businesses, and what that means with poverty. I remember National Economic Dialogues that we were having, when we were looking at how can we grow employment? How can we ensure that our economy could grow again?

We find ourselves yet again, in an economic dialogue that reminds me of how quickly things can change in our society, and within our economy. And how some of the issues that we need to consider, can change quite quickly. And that's why it's important that the discussion that we're having today, will never take place at the cost of us remembering

the challenges that many are facing today. But also reminds us of the positive change that has happened within our economy, within our society, and the need to consider some broader term opportunities and challenges.

And what I'm doing, and will do in a moment, in the breakout session, and in my few words here today, is really focus on the expenditure consequences of that, and what that means in choices that need to be made, in time ahead.

So if I may, Chairperson, I just want to remind the Economic Dialogue of the level of expenditure that we have within our economy at the moment, and the commitments that we already have. And then what I'll do, just before then concluding, related to four 'Ds' that we've called out as being big elements, in the longer term opportunity and challenges that await.

So if you look at where we stand at the moment, we will be, on behalf of the country, using its money, spending €91.1 billion of the country's money today, in voted expenditure. That will be core expenditure of just under €86 billion, and non-core expenditure, responding back to many of the new challenges, €5.2 billion. As we speak, we expect that will be equivalent to expenditure growth of over 7% versus where we were a year ago.

Now that's a really significant level of the country's money that we're spending. But it's happening in the context of an economy that continues to grow. If we then look at the figures that were contained in the recent Stability Programme Update, that gave you an account of where we stand with government decisions, and their impact on tax revenue and expenditure. Before new decisions are made, we expect that for 2024, voted expenditure at the moment, due to in particular the fact of non-core expenditure coming down a lot, so we have to make new decisions about that, particularly with regard to the consequences of the war in Ukraine on our economy. That level of voted expenditure which is below €91 billion, rising then in 2026, just under €100 billion, at €99.7 billion.

And one of the issues that the government will be considering, and it's a vital issue for us, and one that myself, Minister McGrath, our colleagues in Government, and in particular by the Party Leaders will be working on in the coming weeks, will be what is the appropriate level of our expenditure, of the country's money, within our economy and society?

One of the key reasons why we are in a position to discuss the prospect of surpluses in

the years ahead, and with the exception of this year, as Minister McGrath said, there a moment ago, these are surpluses that are yet to be earned. Is because we have been in a position, by and large, public expenditure in our economy has grown by around 5% per year. And what we decided in just under two years ago, is that we would continue with setting a medium term anchor for public expenditure of 5%.

That presumed a certain level of inflation. And as we all know, we've now seen inflation that is so different to that. Over last year, this year, with the hope and expectation that it will continue to however improve, as we go through the year.

And what will be a really important decision for the government to make then will be, how can we have a responsible level of public expenditure growth within our economy, that does what it can to respond back to the issues of today. But critically does not spend money that we run the risk of not having in the years ahead.

Our level of tax receipts, our level of expected surpluses in the year ahead, are currently based on a very high level of employment within our economy, a very high level of corporate tax receipts. Behind that a certain level of performance within the global economy. And the other really assumptions regarding the nature of the economy in years ahead.

And as the Taoiseach and as the Minister for Finance have said, what we want to ensure is that we have a level of expenditure growth within our economy. And we have had and do have a target in the medium term of 5%, that avoids the risk of spending money we might not have tomorrow, and avoids other risks, which I will conclude with in a moment.

I'll then move on to just say a word about the four Ds, which you're all going to be asked to consider in different ways in the breakout sessions.

The first 'D' of Demographic. As somebody now who has had the experience, I would describe it, of being involved in many estimates procedures, over the last number of years, one trend that is clearly developing, and it's a matter that Minister McGrath dealt with, over the last number of years, is while we are seeing the size of our population grow, and we're seeing so many of the positive consequences of that, feeding through to our lives. We're also seeing a population that we expect to get older, because it's living for longer, which of course is incredibly positive. That has really important consequences then to the cost of our health services. And it has really important consequences for how we manage social protection expenditure. And it has already been acknowledged by the

end of this decade, the many opportunities that I've talked about, behind that level of population growth, will have a really positive effect on our economy. But it does mean we'll need to be dealing with costs of between €8-9 billion more per year, which we'll need to account for, year by year, just to maintain the current level of service provision that we have. While we, and many of you, want that service provision to improve in the times ahead.

With regard to the second 'D' of Decarbonisation. It's an increasingly important element, if not even a vital element, in how we manage our capital spend within our economy. We've seen the level of capital spend within our economy nearly triple, from when we began the first dialogue like this, in Dublin Castle. But how we manage, for example, public transport, and the increasing focus on that, and how we manage the carbon impact of our national capital plan, is really important decision that the government makes. Not just in quantum of our capital spend, but also in its allocation.

And that leads to the third 'D' of Digitalisation. Thank God we went ahead with the National Broadband Plan. Thank God it's in a position that households and businesses are now able to benefit from the benefits that that brings. How we maintain that progress, and how from a digital policy perspective, we recognise the fact that households are changing where they work, and businesses are changing how they work, is also an important element of our expenditure choices.

And then the final 'D' of Deglobalisation. I've often thought that some of the more difficult and worrying concepts are sometimes hid behind words and language that appears a little inaccessible. But deglobalisation means the global economy as we know it, changing where it is today. That matters so intensely to a small open economy. Were that to happen, how do we pursue opportunities for Ireland, in that context? And that is why training and education, and it's how we invest in our own enterprise base here in Ireland, being important element.

But I'll just end on that broad note then of choices, and how we make them. The choices that we have are going to be informed by elements that have already been touched on by my government colleagues. We are in a position this year, where we are going to be running a budget surplus, as we make other decisions. But to be running budget surpluses is an incredible change from where we thought we would be two years ago.

I believe that keeping our public finances safe, not spending money that we may not have tomorrow, is the best insulation towards crises that we've already endured. What we're

also aware of, is the issue of inflation within our economy, our public indebtedness, and also how if we spend more money, that translates into more output, are also important decisions in how we put together our budget.

But as that work intensifies, this dialogue, and your input, is a great help. For that I thank you. And I look forward to hearing your views across the day.

Thank you.

[National Economic Dialogue 2023 \(/en/publication/53e74-national-economic-dialogue-2023/\)](/en/publication/53e74-national-economic-dialogue-2023/).

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