



Budget 2024 – An Economic Perspective

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Global Background – Very Uncertain Outlook

- Growth slowing – Euro Zone & China particularly vulnerable
- Inflation elevated – energy costs under pressure again
- Central banks have tightened aggressively, more to come?
- Bond yields have increased sharply – very dangerous
- Geopolitical background intensely dangerous and uncertain
- Global economic risks are high – 2024 could be a challenging year

Interest Rates

- US 0 to 5.5 % since March 2022
- ECB 0 to 4.5% since July 2022
- Bank of England 0.1% to 5.25% since December 2021
- There are consequences, but Central Bankers have an inflation mission
- Further tightening still possible, but top of cycle close



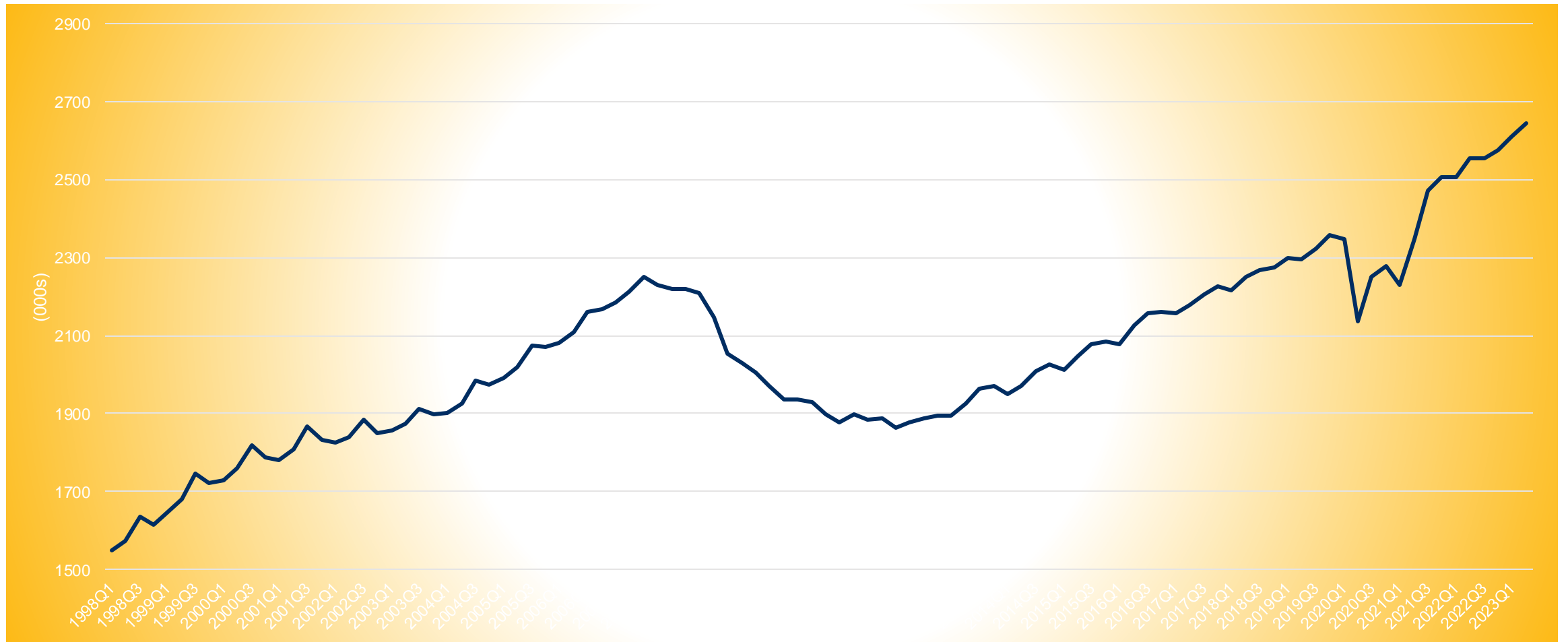
The Domestic Background

- Economy doing OK, but is slowing
- Tax revenues strong – but corporation tax weaker August-September
- Employment 2.643 million Q2 2023
- Unemployment rate 4.2%
- Consumer confidence slipped in August & September
- Consumer spending slowing, but OK – new car registration +16.5% (Jan-Sep)
- Exports (Jan-Jul) -2.5% (Chemical & Pharma to US -15%)
- ‘Modern’ manufacturing -14%
- Household savings €152.5 billion (Aug 2023)
- Housing the big challenge

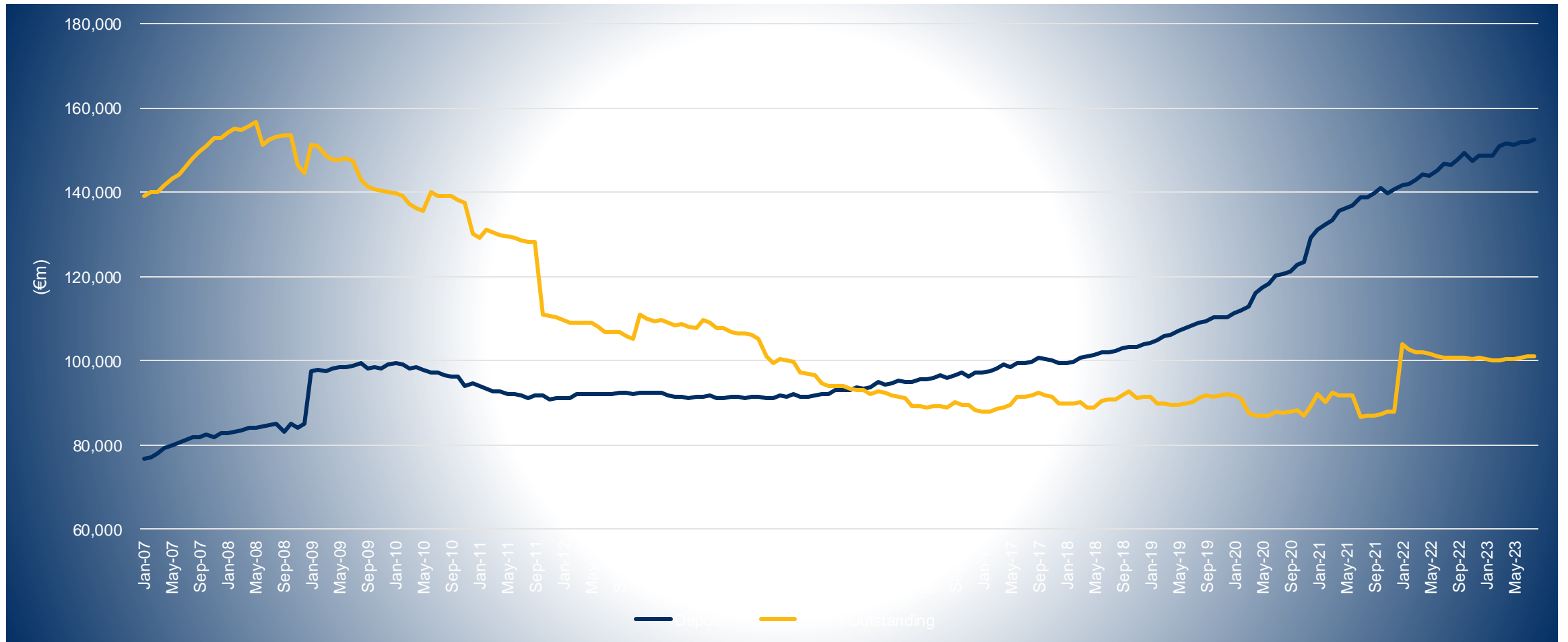
Unemployment Rate



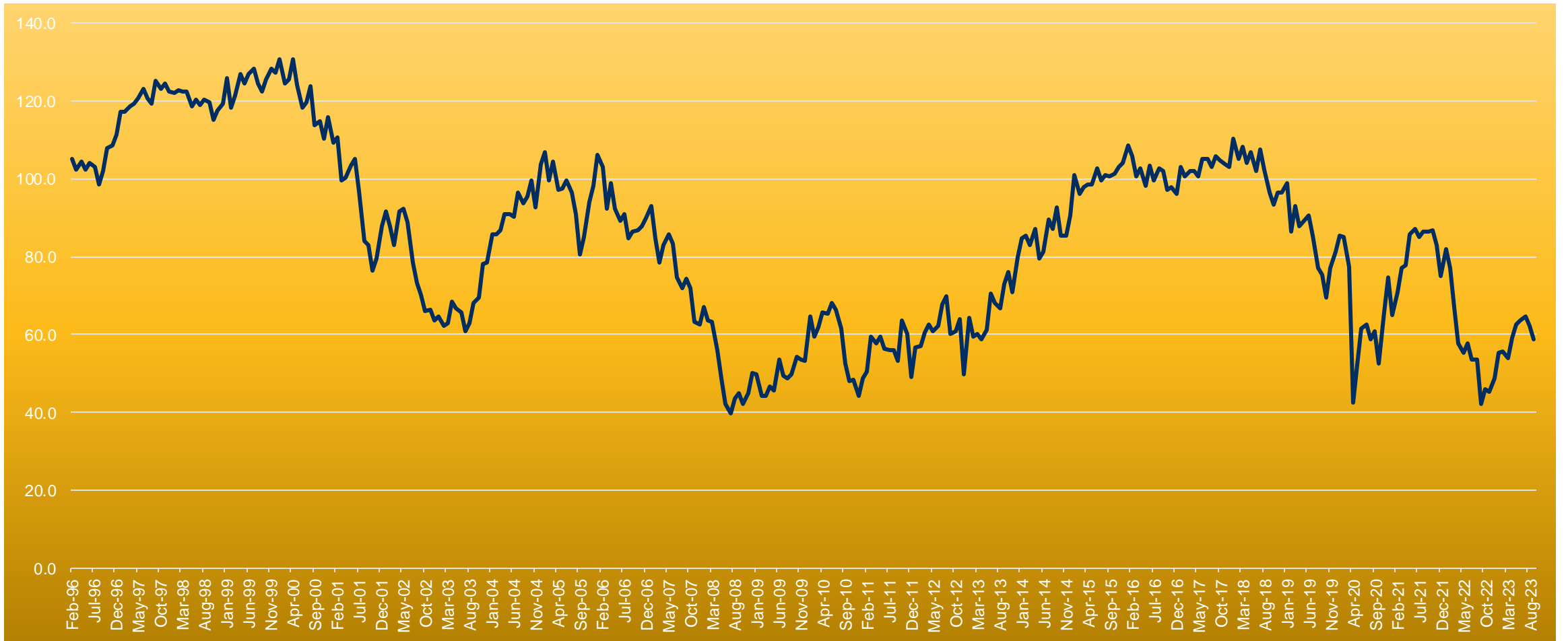
Employment – A Record High



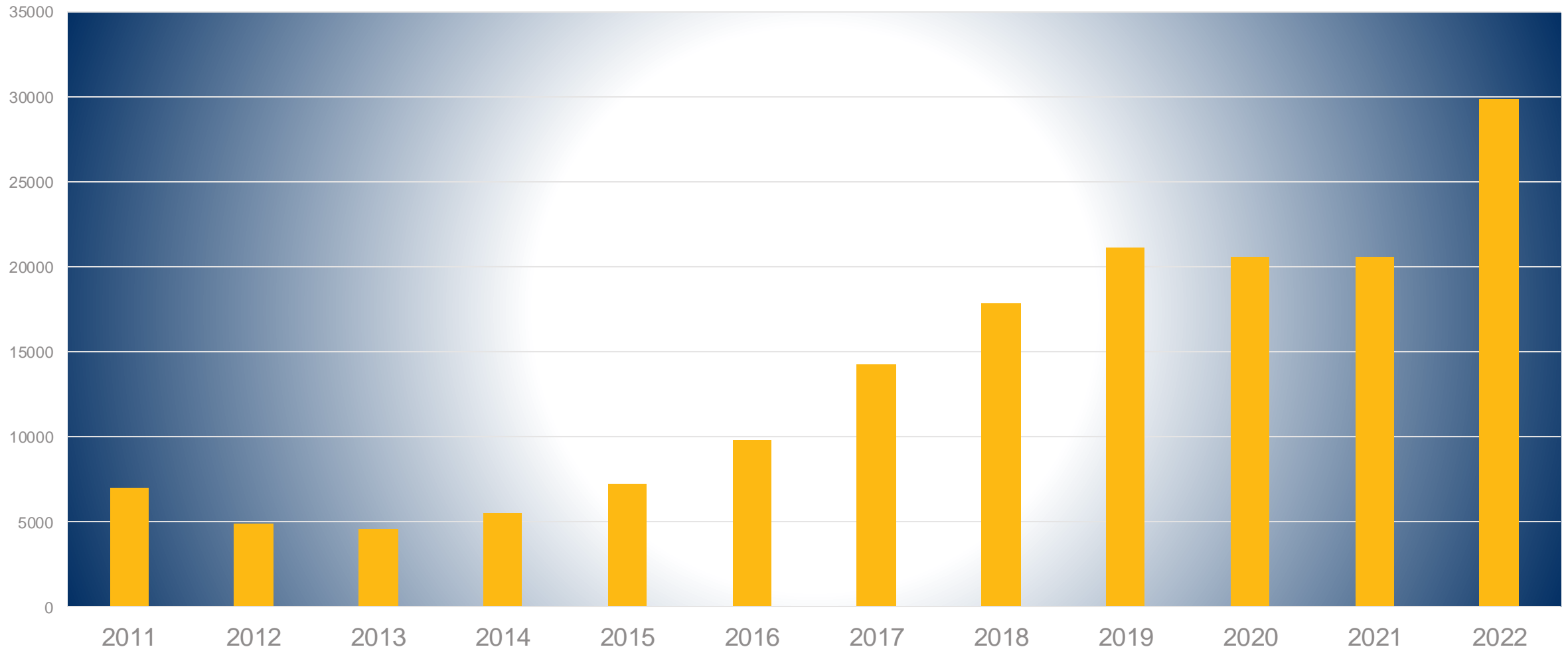
Household Balance Sheet Healthy



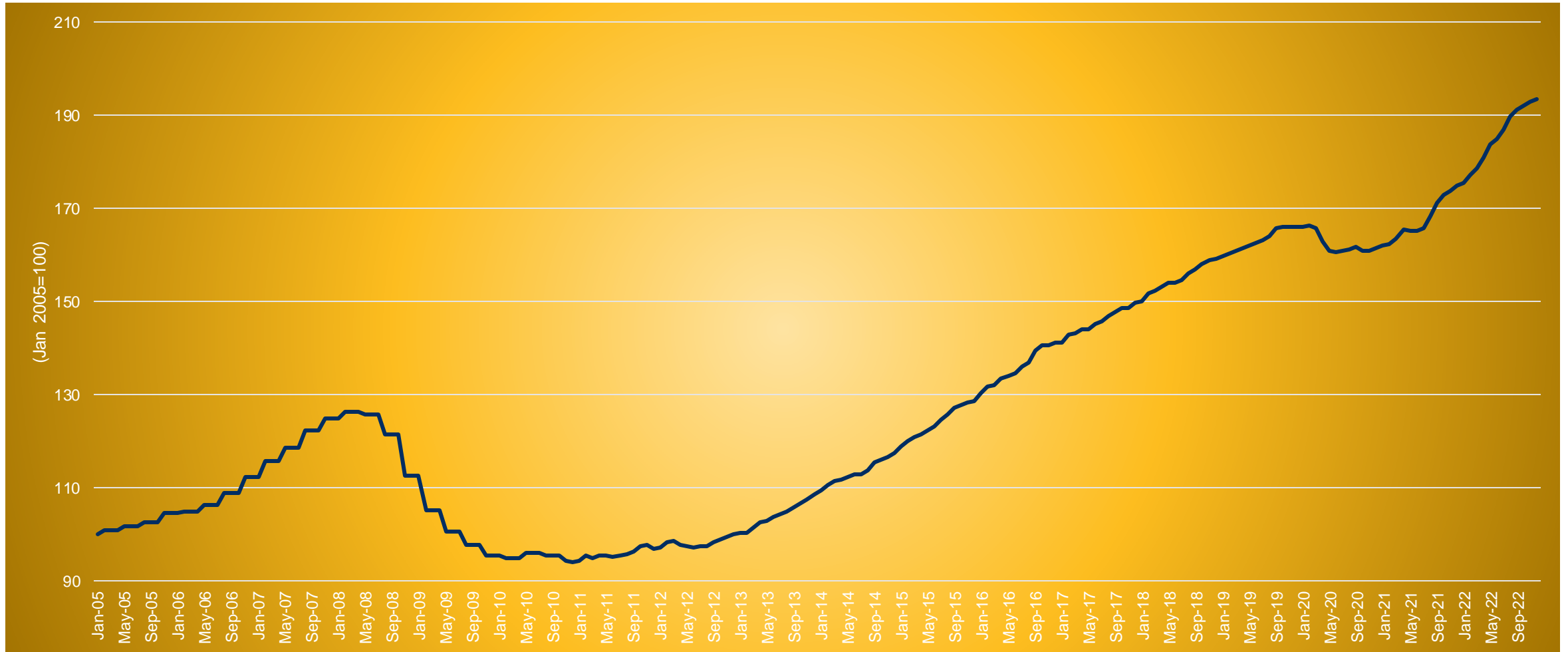
Consumer Confidence



Residential Unit Completions (Average 13,599)



Private Rents



Irish Issues

- Economic concentration risk
- Global technology issues > employment & corporation tax
- Global corporation tax agenda
- Housing – key component of national competitiveness
- Climate agenda and agriculture
- Demographics
- Politics – plan for possibility of extensive change



Background to Budget 2024

- ESRI warning of significant economic slowdown
- Corporation tax down 23% year-on-year (three months July-Sept)
- €750 million corporation tax undershoot projected for 2023
- ESRI/Central Bank/IFAC warning about fiscal prudence in an economy operating close to full capacity
- Cost of living pressures
- Cost of doing business pressures
- General election by February 2025 > the real politics of Budget 2024

Exchequer Finances (Jan-September 2023)

	€m	YEAR-ON-YEAR CHANGE (%)	YEAR-ON-YEAR CHANGE (€m)
Income Tax	23,131	+8.2%	+€1,756
VAT	16,769	+9.7%	+€1,487
Corporation Tax	14,444	+4.4%	+€612
Excise	4,076	+2.2%	+€88
Stamps	1,033	-23.3%	-€314
Capital Gains Tax	452	-23.2%	-€137
Capital Acquisitions Tax	226	+1.9%	+€4
Customs	413	-9.3%	-€42
Motor Tax	718	+0.8%	+€6
Unallocated Tax Receipts	134	-	+€60
Total	61,395	+6.1%	+€3,521

Key Economic Aspects of Budget 2024

- As stated in the Summer Economic Statement the core package in Budget 2024 is €6.4 billion, comprised a little over €1.1 billion in taxation measures and core expenditure of just under €5.3 billion.
- Net core spending growth to 6.1 per cent, which is well above the 5 per cent expenditure target set out in the Government's original medium term fiscal strategy.
- Justified based on the ongoing cost of living and cost of doing business pressures, which are still intense.
- In addition to the pre-announced package of €6.4 billion, there was a significant package of once-off cost of living measures of €2.7 billion, and non-core expenditure of €4.75 billion.
- Total package of €14 billion.

Personal Tax

- Standard rate band increased
- Increase of 2% USC band ceiling
- Reduction of 4.5% USC rate to 4%
- Income tax rates remain the same
- Increase of €100 in the personal tax and employee/earned income credits
- Increase of rent tax credit to €750
- New tax relief for landlords of up to €3,000 in 2024
- Introduction of limited mortgage interest relief
- Help to Buy Property Scheme extended to 31 December 2025
- Increase in all PRSI rates by 0.1% from 1 October 2024

Business Taxes

- New capital gains tax relief for angel investors
- Deferral of changes to BIK on electric vehicles
- Increase of the research & development tax credit from 25% to 30% together with other improvements
- Extension of accelerated energy-efficient equipment capital allowances
- Changes in retirement relief from 1 January 2025
- Improvements to Employment Investment Incentive relief
- €250 million grant package for small business

Other Tax Measures

- Increase in VAT registration thresholds
- Excise duty to increase by 75c on a packet of 20 cigarettes with a pro rata increase on other tobacco products
- Increase in Charities VAT Compensation Scheme
- Vacant homes tax rate increased
- Revised bank levy introduced for 2024

Economic Assumptions Underlying Budget 2024

	2022	2023f	2024f	2025f	2026f
GDP	9.4%	2.0%	4.5%	4.5%	4.4%
Modified Domestic Demand	9.5%	2.2%	2.2%	2.5%	3.0%
Modified Gross National Income (GNI*)	6.7%	2.0%	2.0%	2.1%	2.2%
Inflation (HICP)	8.1%	5.3%	2.9%	2.4%	1.9%
Personal Consumption	9.4%	3.3%	3.2%	2.3%	2.8%
Exports Goods & Services	13.9%	2.1%	5.3%	4.8%	4.6%
Employment (000s)	2,547	2,635	2,670	2,705	2,744
Unemployment Rate	4.5%	4.1%	4.2%	4.3%	4.4%
Compensation of Employees	9.5%	9.3%	6.3%	6.1%	6.0%

Budget 2024 Fiscal Projections Budget 2024

	2022	2023f	2024f	2025f
General Gov. Balance (€m)	€8,505	€8,790	€8,360	€14,245
General Gov Balance (% GNI*)	3.1%	3.0%	2.7%	4.4%
General Gov Balance (% GNI*) Ex; windfall CT	-0.8%	-0.7%	-0.9%	0.4%
Gen Gov Debt (€ bln)	€224.8	€222.7	€222.2	€219.4
Gen Gov Debt (% GNI*)	82.3%	76.1%	72.3%	68.4%
Tax Revenues (€bln)	€83.1	€88.3	€92.6	€97,8
Corporation Tax (€bln)	€22.6	€23.6	€24.5	€25.8

Conclusions

- Strong international headwinds
- Domestic economy solid, but clear risks
- Very political budget
- Scatter-gun approach
- Unlikely to improve fortunes of Government parties
- Will provide support to economy in 2024





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