

Putting the Budget on a sound footing:

Compositional effects

CBI CEPR IMF conference
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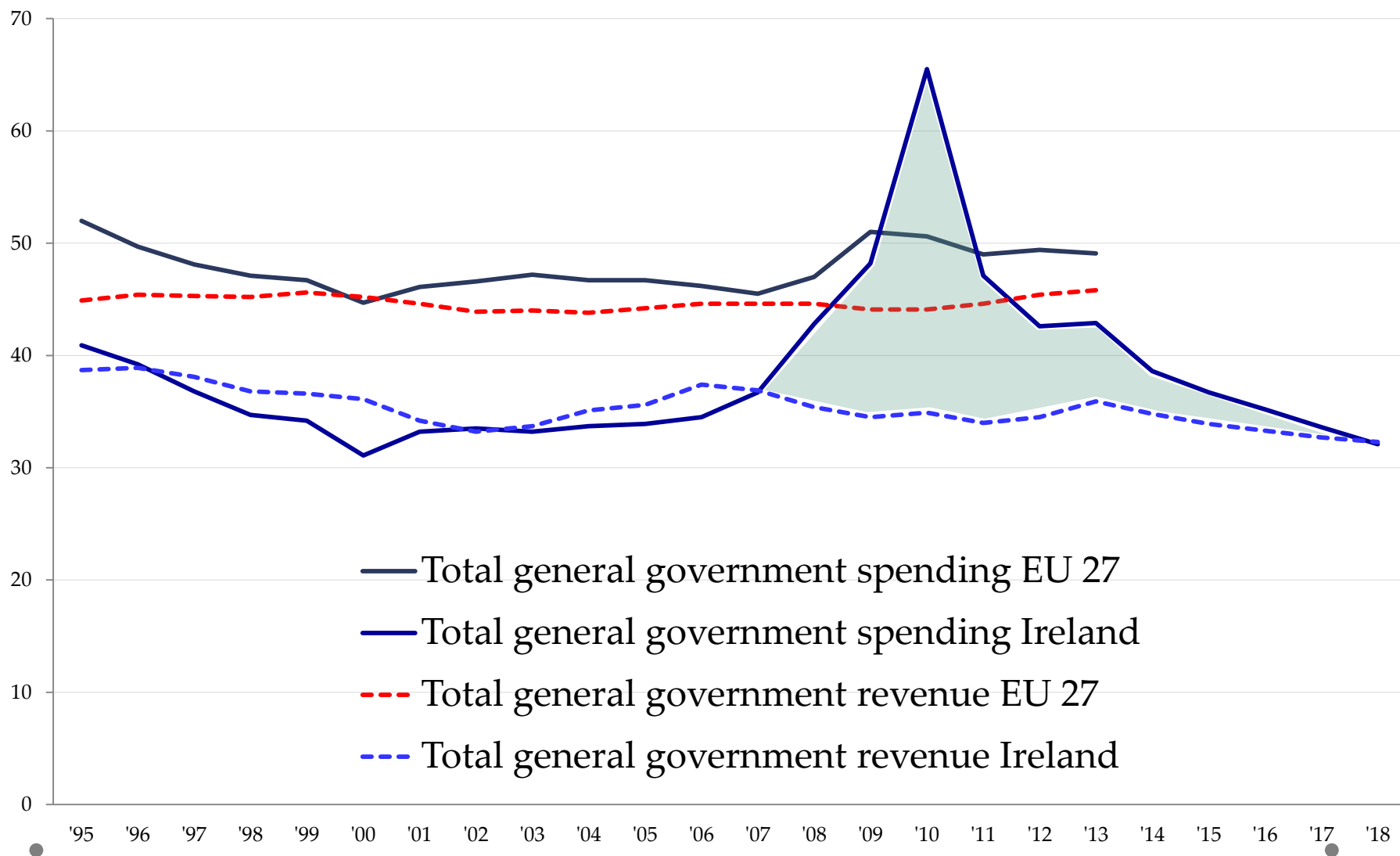
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Research for new economic policies

Planned new fiscal adjustments, 2008-2014

	Expenditure Cuts			Revenue Increases	Overall	Expend as % total
	Current	Capital	Total			
July 2008 (special measures)	1.0	0.0	1.0	0.0	1.0	100
Oct 2008 (Budget)	0.0	0.0	0.0	2.0	2.0	0
Feb 2009 (special measures)	1.8	0.3	2.1	0.0	2.1	100
April 2009 (Budget)	1.2	0.6	1.8	3.6	5.4	33
Dec 2009 (Budget)	3.2	1.0	4.2	0.1	4.3	98
Dec 2010 (Budget)	2.2	1.6	3.8	2.2	6.0	63
SUB-TOTAL	9.4	3.5	12.9	7.9	20.8	62
Dec 2011 (Budget)	1.4	0.8	2.2	1.0	3.2	69
Dec 2012 (Budget)	1.0	0.5	1.5	1.2	2.7	56
Oct 2013 (Budget)	2.0	0.2	2.2	0.9	3.1	71
SUB-TOTAL	4.4	1.5	5.9	3.1	9.0	66
TOTAL	13.8	5.0	18.8	11.0	29.8	63



Absolute Deficit Reduction from a Tax-Based €1 billion shock: 1st and 7th Year Impact (€ million)

Source: O'Farrell (2013)

Year	Direct Tax	Indirect Tax	Capital Tax
1st	-527	-902	-1022
7th	-600	-1469	-1,151
Average	-528	-1,213	-1,086

Impact on the Deficit Rate from an Expenditure-Based €1 billion shock

	Non-Wage Consumption	Social Transfers	Public Sector Wages	Public Investment	Public Sector Employment
Impact on GDP (%)	-0.5	-0.5	-0.6	-1.1	-0.6
Deficit Reduction as a % of GDP	-0.3	-0.2	-0.1	0.0	0.1