

# Government statement on Budget 2009

The Government this morning reviewed the economic and fiscal situation. After an unprecedented period, in economic terms, when Ireland caught up with, and indeed surpassed, many of its fellow European nations, it is now facing an unprecedented set of unfavourable international factors including turbulence in global financial markets, faltering economic growth in the major economies, exchange rate shifts and the sharp rise in commodity prices. These conditions are placing the Irish economy under considerable pressure.

Domestically we are also faced with a contracting construction sector which is suppressing economic growth rates and a rising cost base is eroding Ireland's competitiveness. In addition, the slowdown has resulted in a rapid deterioration in the public finances and falling consumer confidence.

The emerging scale of the economic and fiscal and environmental challenges now facing the country require that the Government take the necessary decisions to ensure stability in the public finances, while giving firm support for those aspects of the economy which are continuing to perform strongly, and ensuring that Ireland benefits as early and as fully as possible from improved international economic conditions.

Accordingly, the Government have decided that the Minister for Finance will present his Budget for 2009 on Tuesday, 14th October. This will reflect the necessary prioritisation of expenditures in the light of expected tax revenues. As such, it will give clarity and confidence to investors and taxpayers alike, and provide a sound basis for economic recovery.

The Government are committed to giving clear leadership in the context of the strategic priorities of the Programme for Government in order to boost confidence in the underlying strength of the economy, to encourage faster development in key sectors to protect the environment and to build sustainable competitiveness in the economy as a whole.

Accordingly, the Government will prioritise those capital investments within the framework of the National Development Plan and the Programme for Government which most support those objectives.

Ministers are developing specific initiatives which would serve to advance those objectives by encouraging investment and activity and deepening Ireland's competitiveness. Details of these initiatives will be announced in the weeks and months ahead.

The combination of fiscal and economic policy decisions will set out a comprehensive approach to ensuring that Ireland remains on course for sustainable economic and social development in the context of the long-term objectives agreed with the social partners in Towards 2016 and reflected in the Programme for Government.

The preparation of specific policy measures, the Estimates process for 2009 and the taxation measures to be included in Budget 2009 are already well advanced. They will now be accelerated and will take account of the outcome of discussions with the social partners and with other key stakeholders.

Commenting on the Government's decision to bring forward the date of Budget 2009 from December to the 14th October 2008, the Minister for Finance, Mr Brian Lenihan, T.D. said: "When we brought forward our savings initiative last July, I pointed out that this initiative was a first step in our response to our current economic difficulties. The Government also made it clear that additional economies would be required in the event that the fiscal position deteriorated further. Over the summer, we have been implementing our savings package and monitoring the emerging economic position.

"Weaker international conditions including slower growth and the impact of the credit crisis, combined with the developments in the housing market in Ireland, are having a major impact. The public finances are under considerable pressure as a result and, based on the latest information available, a tax shortfall of at least €5 billion for 2008 is likely at this stage.

"In the Budget, I will set out steps to stabilise and restore balance to the public finances by amongst other things prioritising current and capital public expenditure to reflect the changed realities. Through sensible and balanced management of the economy, this Government has ensured that the people of Ireland enjoy living standards that are among the highest in Europe. The Government is moving to protect the gains that our country has made by ensuring responsibility in the public finances.

"Taking decisive action now is critical to our future sustainable growth. We are better placed than most economies to meet the challenges ahead with our low debt rate, our educated and young workforce, and our low tax environment for workers and business. We are also undertaking the largest public investment programme in Europe. The Government will ensure that our economy is in the best possible position to resume trend growth as soon as international conditions improve", concluded Minister Lenihan.